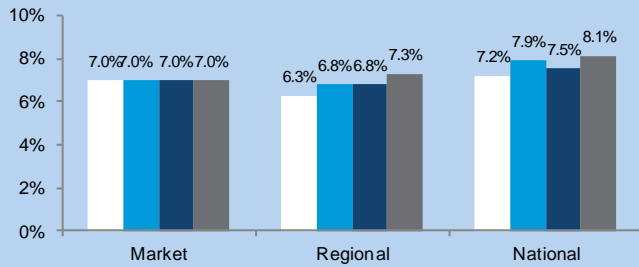


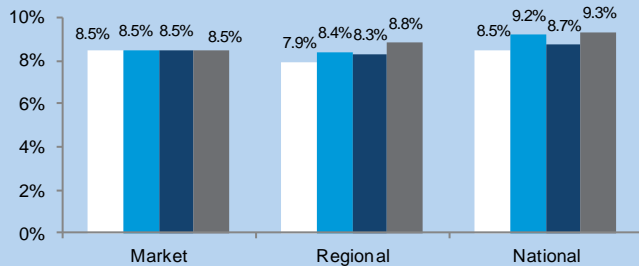


Office Snapshot

GOING IN CAP RATES (%)



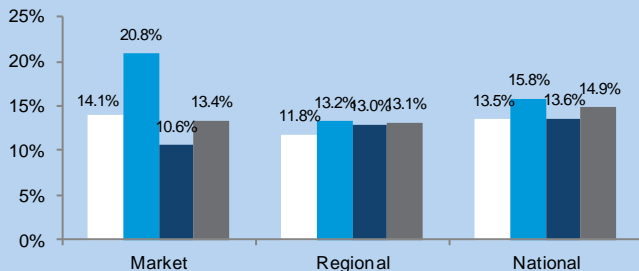
DISCOUNT RATES (%)



MARKET RENT (\$/SF)



VACANCY RATE (%)



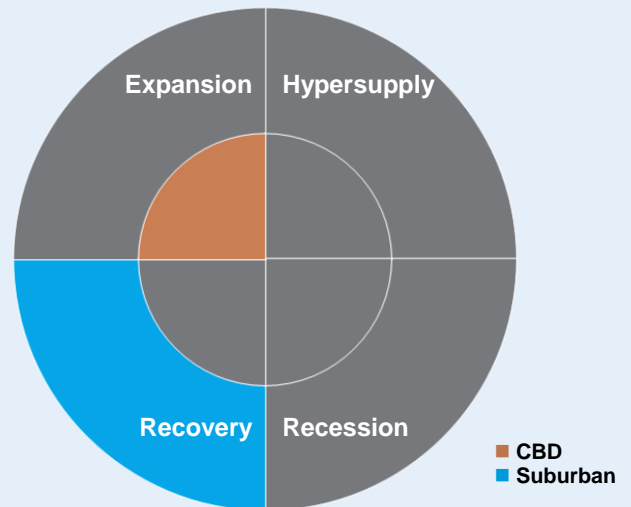
Legend

- CBD Office Class A
- Suburban Office Class A
- CBD Office Class B
- Suburban Office Class B

Market Commentary

The outlook for office space remains positive in San Diego. Speculative development has resumed in premier submarkets such as Del Mar Heights, and rental rates are expected to continue to increase overall. That being said, vacancy still remains an issue as double-digit levels are expected to remain in the near future. As long as local job growth continues to be positive, then the office market will remain strong for Class A space and will continue to improve for Class B space.

MARKET CYCLE (CBD + SUBURBAN)



CBD Market Cycle: Expansion Stage 3

- Decreasing vacancy rates
- Moderate/high new construction
- High absorption
- Moderate/high employment growth
- Med/high rental rate growth

Suburban Market Cycle: Recovery Stage 3

- Decreasing vacancy rates
- Low new construction
- Moderate absorption
- Low/moderate employment growth
- Neg/low rental rate growth



2014 MID-YEAR VIEWPOINT

San Diego, CA | Office

SAN DIEGO FORECASTS				
Categories	CBD Office Class A	CBD Office Class B	Suburban Office Class A	Suburban Office Class B
Going In Cap Rate	Decrease 1-24 bps	Decrease 1-24 bps	Decrease 1-24 bps	Decrease 1-24 bps
Discount Rate	Decrease 25-49 bps	Increase 25-49 bps	Decrease 25-49 bps	Decrease 25-49 bps
Market Rent Change (%)	3.00%	3.00%	4.00%	3.50%
Expense Change (%)	3.00%	3.00%	3.00%	3.00%
Absorption (SF)	40,000	40,000	600,000	250,000
Construction (SF)	300,000		900,000	
Tenant Improvement (\$/SF)	\$20	\$15	\$20	\$15
Years to Balance	In Balance	1	In Balance	1

CHANGE IN VALUE				
Time	CBD Office Class A	CBD Office Class B	Suburban Office Class A	Suburban Office Class B
Previous 36 Months	Increase 4%+	Increase 4%+	Increase 4%+	Decrease 4%+
Previous 12 Months	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Decrease .1% - 1.9%
Future 12 Months	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase .1% - 1.9%
Future 36 Months	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%

About IRR

Integra Realty Resources (IRR) is the largest independent commercial real estate valuation and consulting firm in North America, with over 200 MAI-designated members of the of the Appraisal Institute among over 900 professions based in our 66 offices throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. Our valuation and counseling services span all commercial property types and locations, from individual properties to large portfolio assignments.

TOP SEVEN CAP RATE FACTORS

- 1 Supply/demand
- 2 Local economy, job growth, unemployment
- 3 National economic conditions/GDP growth
- 4 Property income growth
- 5 Risk premium of private real estate
- 6 Interest rates
- 7 Availability of financing

Disclaimer

While the great majority of data and content contained herein is proprietary to IRR, this publication includes data provided by third parties, and while the available data is presumed to be accurate, no representation or warranty is made regarding the accuracy of the information contained in this publication. This publication does not render legal, accounting, appraisal, counseling, investment or other professional advice. Should such services or other expert assistance be needed, it is recommended that the services of a competent person or firm, having access to the details of the situation, be employed.