

# Report



FIRST  
QUARTER  
2003

## Market Highlights

- Unemployment for the first quarter of 2003 in Orange County is 4.0%, which is an increase of .1% when compared to the fourth quarter of 2002 and up .4% since the first quarter of 2002.
- According to Chapman University it is estimated that Orange County added 4,000 new jobs in 2002. Furthermore, they are forecasting 23,000 new jobs will be added to the county in 2003 as the Orange County economy is expected to continue its recovery into next year.
- Total space under construction checked in at just over 1 million square feet for the first quarter of 2003, which is 7% more than what was under construction in the first quarter of 2002.
- The office vacancy rate checked in at 14.22%, which is lower than the 14.52% rate of the fourth quarter of 2002; this is a sign of strength with almost 2 million square feet of new product that was built in 2002 being absorbed. Keep in mind that this rate of 14.22% is much lower than the 25% vacancy rates Orange County experienced back in the early 90's.
- The total amount of office space available, this includes both direct and sublease space, in Orange County stayed about the same at 16.07% this quarter from 16.91% in the first quarter of 2002.
- The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.04, which is a 5% decrease over last year's first quarter rate of \$2.14.
- Net absorption for the county this quarter posted a positive number of 271,462 square feet for the first quarter of this year, giving the county a great start for 2003.

Compared to last quarter:

Vacancy



Absorption



Lease Rates



Construction



Orange County

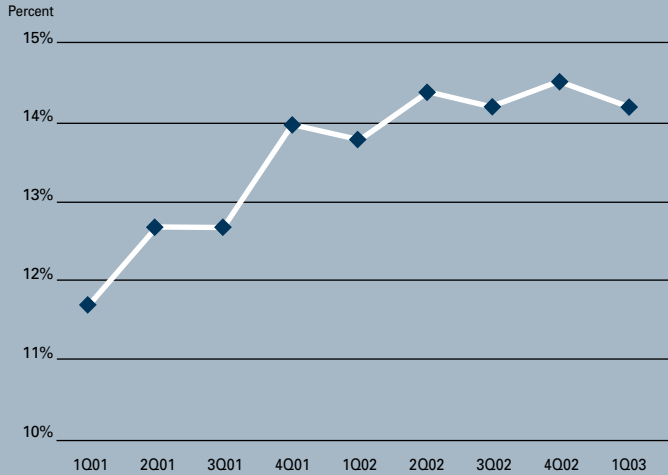
### OFFICE MARKET STATISTICS

|                      | 1Q2003    | 4Q2002    | 1Q2002    | % CHANGE VS. 1Q02 |
|----------------------|-----------|-----------|-----------|-------------------|
| Under Construction   | 1,030,093 | 716,443   | 963,362   | 6.93%             |
| Planned Construction | 5,361,114 | 6,108,620 | 7,902,626 | -32.16%           |
| Vacancy              | 14.22%    | 14.52%    | 14.90%    | -4.56%            |
| Availability         | 16.07%    | 18.63%    | 16.91%    | -4.97%            |
| Pricing              | \$2.04    | \$2.07    | \$2.14    | -4.67%            |
| Net Absorption       | 271,462   | 610,045   | 308,763   | -12.08%           |

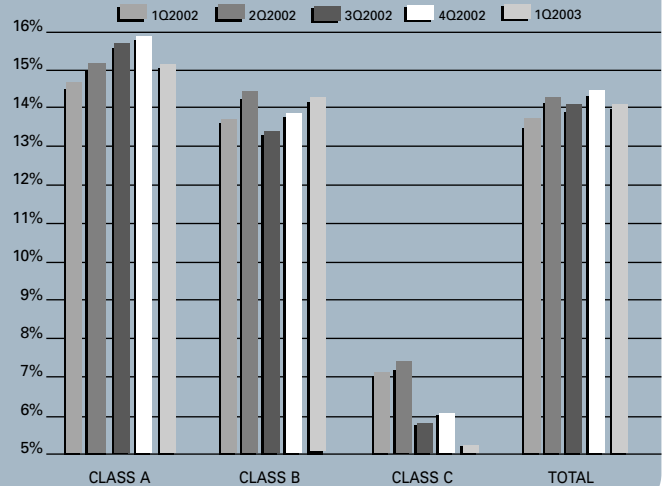
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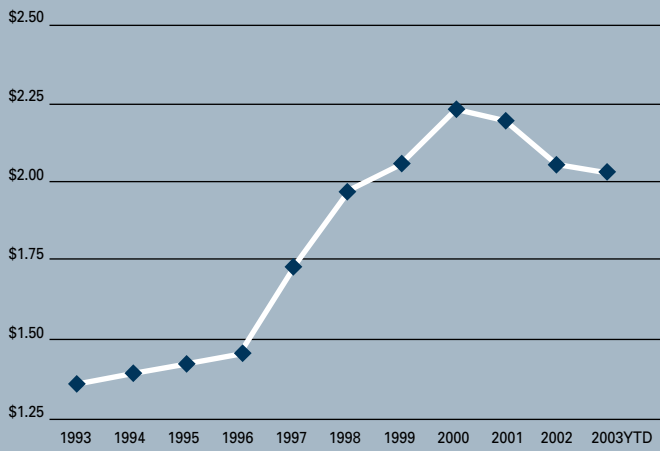
## VACANCY RATE



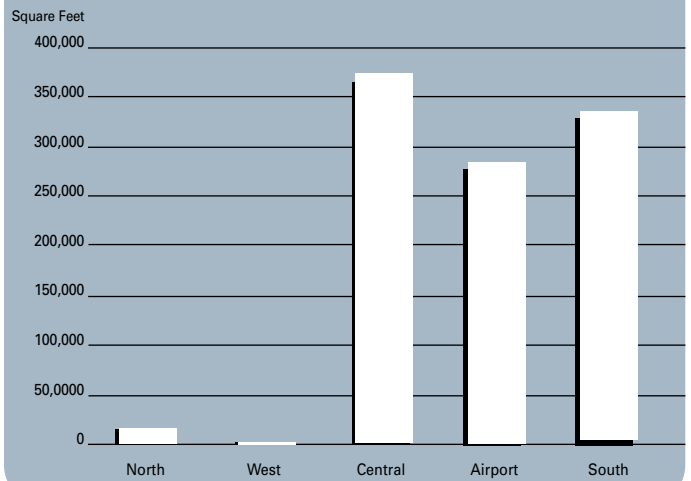
## OFFICE VACANCY RATE



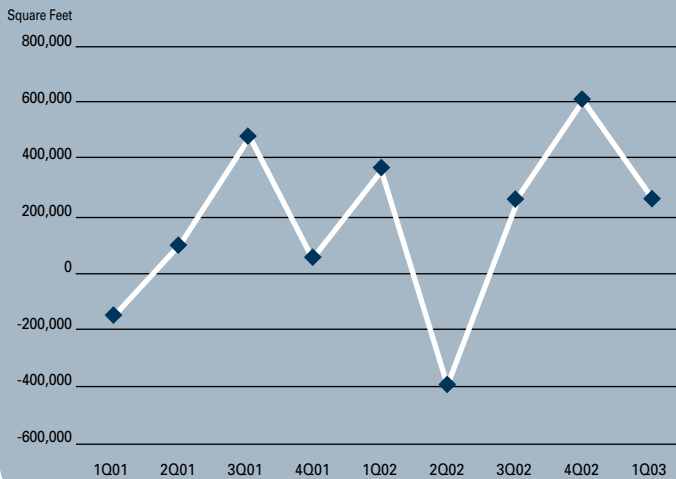
## AVERAGE ASKING FULL SERVICE LEASE RATE



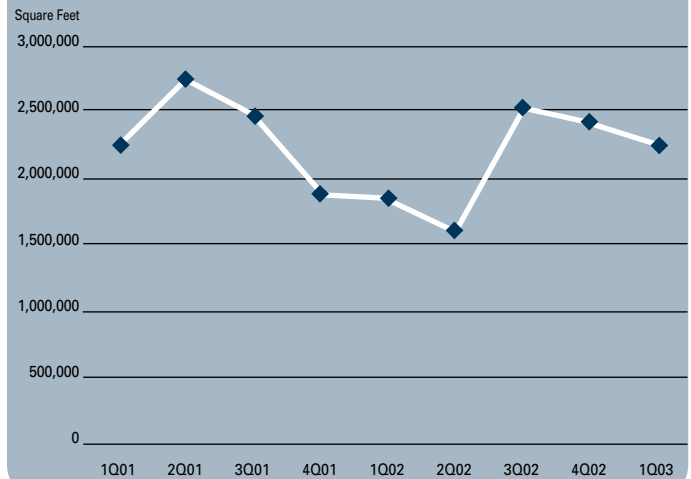
## CONSTRUCTION ACTIVITY



## NET ABSORPTION



## GROSS ABSORPTION



## O R A N G E C O U N T Y

### INVENTORY

### VACANCY & LEASE RATES

### ABSORPTION

|                             | Number Of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 1Q2003 | Square Feet Available | Availability Rate 1Q2003 | Average Asking Lease Rate | Net Absorption 1Q2003 | Net Absorption 2002 | Net Absorption 2001 | Net Absorption 2000 |
|-----------------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|-----------------------|---------------------|---------------------|---------------------|
| <b>North County</b>         |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Anaheim Hills               | 10               | 627,200                  | 0                 | 60,000              | 16,141             | 2.57%               | 16,141                | 2.57%                    | \$1.96                    | (3,301)               | 10,832              | (3,607)             | 149,660             |
| Brea                        | 40               | 3,775,963                | 0                 | 284,300             | 560,854            | 14.85%              | 629,062               | 16.66%                   | \$1.71                    | 163,663               | 79,588              | 79,316              | 24,440              |
| Buena Park                  | 10               | 625,413                  | 0                 | 0                   | 200,569            | 32.07%              | 200,569               | 32.07%                   | \$1.49                    | 6,021                 | 1,618               | (27,946)            | 74,313              |
| Fullerton                   | 23               | 1,716,063                | 23,400            | 0                   | 47,814             | 2.79%               | 47,814                | 2.79%                    | \$1.61                    | (26,197)              | 7,286               | 45,661              | 90,026              |
| La Habra                    | 7                | 376,849                  | 0                 | 0                   | 123,236            | 32.70%              | 123,236               | 32.70%                   | \$1.31                    | 2,397                 | 184                 | (109,695)           | (412)               |
| La Palma                    | 7                | 552,396                  | 0                 | 0                   | 33,273             | 6.02%               | 33,273                | 6.02%                    | \$1.67                    | 5,086                 | (5,801)             | 2,918               | (9,701)             |
| Placentia                   | 8                | 296,347                  | 0                 | 0                   | 21,073             | 7.11%               | 21,073                | 7.11%                    | \$1.59                    | (4,055)               | 3,849               | 20,123              | 6,484               |
| Yorba Linda                 | 7                | 347,233                  | 0                 | 21,950              | 25,109             | 7.23%               | 25,109                | 7.23%                    | \$1.68                    | (6,644)               | (1,788)             | (5,441)             | 5,959               |
| <b>North County Total</b>   | <b>112</b>       | <b>8,317,464</b>         | <b>23,400</b>     | <b>366,250</b>      | <b>1,028,069</b>   | <b>12.36%</b>       | <b>1,096,277</b>      | <b>13.18%</b>            | <b>\$1.64</b>             | <b>136,970</b>        | <b>95,768</b>       | <b>1,329</b>        | <b>340,769</b>      |
| <b>West County</b>          |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Cypress                     | 28               | 2,172,442                | 0                 | 0                   | 429,816            | 19.78%              | 429,816               | 19.78%                   | \$1.79                    | 1,862                 | (158,782)           | 157,270             | 67,957              |
| Fountain Valley             | 32               | 1,553,520                | 0                 | 0                   | 173,552            | 11.17%              | 173,552               | 11.17%                   | \$1.83                    | 3,760                 | (86,906)            | (79,260)            | (30,371)            |
| Garden Grove                | 20               | 917,417                  | 0                 | 0                   | 77,061             | 8.40%               | 128,727               | 14.03%                   | \$1.52                    | 10,257                | 24,761              | 14,598              | (35,245)            |
| Huntington Beach            | 42               | 2,435,339                | 0                 | 0                   | 209,703            | 8.61%               | 214,691               | 8.82%                    | \$1.80                    | 9,429                 | (1,948)             | (18,687)            | 12,287              |
| Los Alamitos                | 12               | 675,671                  | 0                 | 0                   | 17,640             | 2.61%               | 18,890                | 2.80%                    | \$1.54                    | (11,219)              | 5,986               | 47,067              | 22,098              |
| Seal Beach                  | 6                | 425,480                  | 0                 | 0                   | 50,353             | 11.83%              | 60,995                | 14.12%                   | \$2.22                    | (18,078)              | (1,528)             | 406                 | 13,675              |
| Stanton                     | 1                | 37,185                   | 0                 | 0                   | 4,857              | 13.06%              | 4,857                 | 13.06%                   | \$1.20                    | 0                     | 6,105               | 1,813               | 9,716               |
| Westminster                 | 13               | 491,174                  | 0                 | 0                   | 63,799             | 12.99%              | 70,100                | 14.27%                   | \$1.60                    | 14,570                | (5,138)             | 30,038              | (68,974)            |
| <b>West County Total</b>    | <b>154</b>       | <b>8,708,228</b>         | <b>0</b>          | <b>0</b>            | <b>1,026,781</b>   | <b>11.79%</b>       | <b>1,100,728</b>      | <b>12.64%</b>            | <b>\$1.79</b>             | <b>10,581</b>         | <b>(217,450)</b>    | <b>153,245</b>      | <b>(8,857)</b>      |
| <b>Central County</b>       |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Anaheim                     | 87               | 5,571,059                | 383,250           | 623,065             | 663,262            | 11.91%              | 671,920               | 12.06%                   | \$1.68                    | 119,223               | 258,007             | (102,241)           | 309,760             |
| Orange                      | 75               | 6,906,411                | 0                 | 24,600              | 650,615            | 9.42%               | 695,905               | 10.08%                   | \$1.86                    | 111,967               | (130,264)           | 136,020             | (334,786)           |
| Santa Ana                   | 160              | 10,990,080               | 0                 | 382,400             | 1,201,251          | 10.93%              | 1,342,098             | 12.21%                   | \$1.77                    | 23,882                | (56,432)            | 314,064             | 359,840             |
| Tustin                      | 33               | 1,378,559                | 0                 | 0                   | 329,203            | 23.88%              | 349,260               | 25.34%                   | \$1.67                    | 8,359                 | (3,602)             | 43,260              | (137,495)           |
| <b>Central County Total</b> | <b>355</b>       | <b>24,846,109</b>        | <b>383,250</b>    | <b>1,030,065</b>    | <b>2,844,331</b>   | <b>11.45%</b>       | <b>3,059,183</b>      | <b>12.31%</b>            | <b>\$1.77</b>             | <b>263,431</b>        | <b>67,709</b>       | <b>391,103</b>      | <b>197,319</b>      |
| <b>Airport Area</b>         |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Corona Del Mar              | 1                | 35,378                   | 0                 | 0                   | 9,348              | 26.42%              | 9,348                 | 26.42%                   | \$2.95                    | (4,594)               | (2,887)             | 0                   | 6,210               |
| Costa Mesa                  | 60               | 6,137,107                | 0                 | 231,959             | 934,600            | 15.23%              | 1,067,325             | 17.39%                   | \$2.05                    | 25,685                | (52,945)            | 13,978              | 34,298              |
| Irvine                      | 221              | 20,187,183               | 176,970           | 1,648,190           | 3,704,659          | 18.35%              | 4,187,016             | 20.74%                   | \$2.24                    | -59,990               | 769,633             | (177,990)           | 1,442,004           |
| Newport Beach               | 132              | 9,526,002                | 107,769           | 88,887              | 1,355,842          | 14.23%              | 1,513,610             | 15.89%                   | \$2.49                    | 51,897                | (121,047)           | 6,921               | 124,453             |
| <b>Airport Area Total</b>   | <b>414</b>       | <b>35,885,670</b>        | <b>284,739</b>    | <b>1,969,036</b>    | <b>6,004,449</b>   | <b>16.73%</b>       | <b>6,777,299</b>      | <b>18.89%</b>            | <b>\$2.28</b>             | <b>12,998</b>         | <b>592,754</b>      | <b>(157,091)</b>    | <b>1,606,965</b>    |
| <b>South County</b>         |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Aliso Viejo                 | 38               | 2,348,265                | 177,000           | 1,830,809           | 454,157            | 19.34%              | 536,450               | 22.84%                   | \$2.42                    | (5,716)               | 56,745              | 158,788             | 256,561             |
| Dana Point                  | 4                | 210,660                  | 0                 | 0                   | 0                  | 0.00%               | 0                     | 0.00%                    | \$0.00                    | 0                     | 3,800               | 0                   | 10,692              |
| Foothill Ranch              | 8                | 702,879                  | 0                 | 0                   | 170,766            | 24.30%              | 170,766               | 24.30%                   | \$2.10                    | 17,965                | 2,242               | 110,453             | 214,865             |
| Irvine Spectrum             | 95               | 6,012,820                | 79,000            | 136,116             | 876,631            | 14.58%              | 1,244,151             | 20.69%                   | \$2.45                    | (165,188)             | 505,871             | (262,014)           | 567,147             |
| Laguna Beach                | 4                | 161,268                  | 0                 | 9,382               | 10,325             | 6.40%               | 10,325                | 6.40%                    | \$2.13                    | 0                     | 0                   | 10,036              | (5,559)             |
| Laguna Hills                | 33               | 1,746,362                | 0                 | 0                   | 203,451            | 11.65%              | 211,406               | 12.11%                   | \$2.08                    | (5,129)               | 3,852               | 31,400              | (10,211)            |
| Laguna Niguel               | 10               | 659,377                  | 0                 | 0                   | 34,057             | 5.17%               | 37,057                | 5.62%                    | \$2.12                    | (4,594)               | 7,329               | 36,459              | 23,181              |
| Lake Forest                 | 41               | 1,996,423                | 0                 | 0                   | 415,407            | 20.81%              | 558,837               | 27.99%                   | \$1.82                    | 7,599                 | 295,666             | 162,774             | 358,869             |
| Mission Viejo               | 36               | 1,812,768                | 57,704            | 0                   | 267,957            | 14.78%              | 288,494               | 15.91%                   | \$2.08                    | (9,584)               | 39,006              | 151,761             | (56,204)            |
| Rancho Santa Margarita      | 3                | 132,035                  | 25,000            | 0                   | 12,865             | 9.74%               | 12,865                | 9.74%                    | \$2.15                    | 5,428                 | 13,218              | (29,906)            | (105)               |
| San Clemente                | 7                | 294,652                  | 0                 | 19,456              | 60,296             | 20.46%              | 60,296                | 20.46%                   | \$2.09                    | 6,511                 | 47,996              | 594                 | 41,639              |
| San Juan Capistrano         | 11               | 528,731                  | 0                 | 0                   | 4,761              | 0.90%               | 4,761                 | 0.90%                    | \$1.70                    | 190                   | 34,710              | 16,639              | 30,047              |
| <b>South County Total</b>   | <b>290</b>       | <b>16,606,240</b>        | <b>338,704</b>    | <b>1,995,763</b>    | <b>2,510,673</b>   | <b>15.12%</b>       | <b>3,135,408</b>      | <b>18.88%</b>            | <b>\$2.22</b>             | <b>(152,518)</b>      | <b>1,010,435</b>    | <b>386,984</b>      | <b>1,430,922</b>    |
| <b>Orange County Total</b>  | <b>1,325</b>     | <b>94,363,711</b>        | <b>1,030,093</b>  | <b>5,361,114</b>    | <b>13,414,303</b>  | <b>14.22%</b>       | <b>15,168,895</b>     | <b>16.07%</b>            | <b>\$2.04</b>             | <b>271,462</b>        | <b>1,549,216</b>    | <b>775,570</b>      | <b>3,567,118</b>    |

### INVENTORY

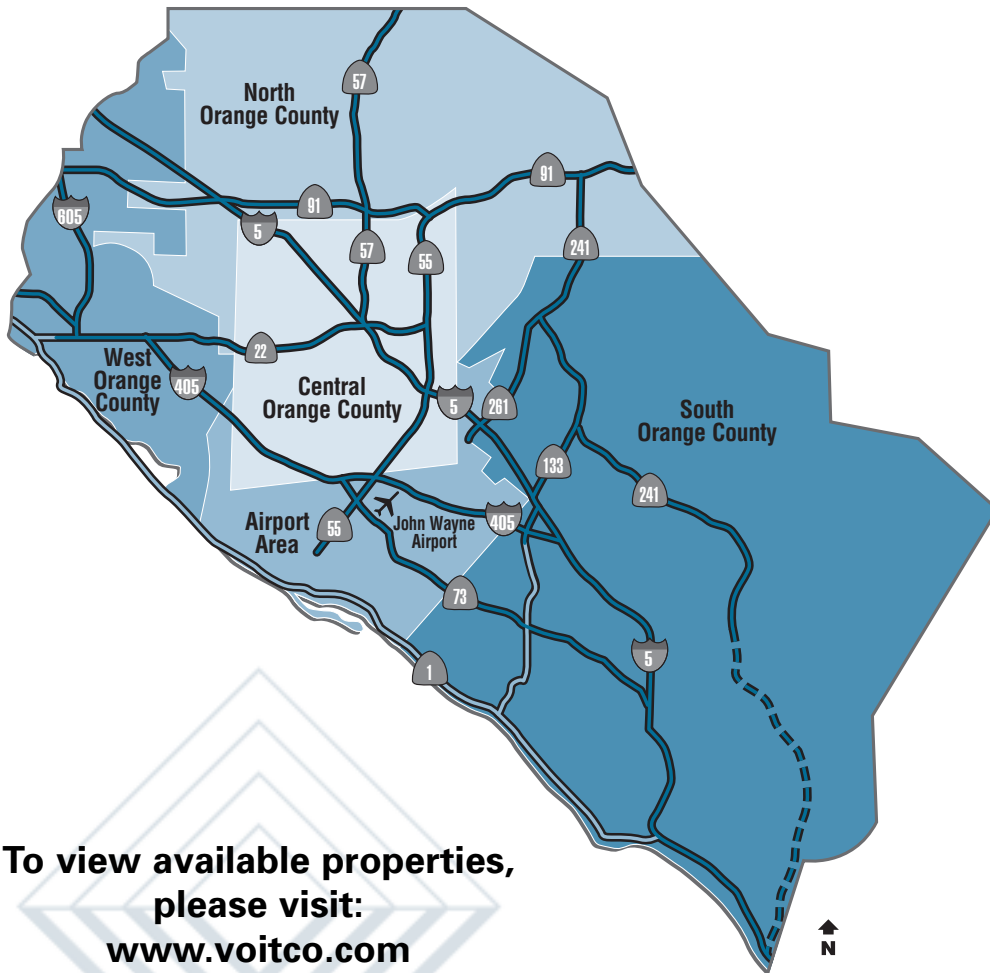
### VACANCY & LEASE RATES

### ABSORPTION

|                            | Number Of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 1Q2003 | Square Feet Available | Availability Rate 1Q2003 | Average Asking Lease Rate | Net Absorption 1Q2003 | Net Absorption 2002 | Net Absorption 2001 | Net Absorption 2000 |
|----------------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|-----------------------|---------------------|---------------------|---------------------|
| <b>North County</b>        |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 49               | 4,170,656                | 383,250           | 180,000             | 678,162            | 16.26%              | 696,330               | 16.70%                   | \$1.66                    | 175,983               | 1,463               | (40,213)            | 333,009             |
| Class B                    | 52               | 3,678,131                | 23,400            | 186,250             | 338,188            | 9.19%               | 388,228               | 10.56%                   | \$1.60                    | (38,435)              | 88,562              | 50,462              | 9,865               |
| Class C                    | 11               | 468,677                  | 0                 | 0                   | 11,719             | 2.50%               | 11,719                | 2.50%                    | \$1.38                    | (578)                 | 5,743               | (8,920)             | (2,105)             |
| <b>West County</b>         |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 35               | 3,153,696                | 0                 | 0                   | 426,250            | 13.52%              | 442,866               | 14.04%                   | \$1.85                    | 1,080                 | (159,943)           | 67,701              | 59,443              |
| Class B                    | 92               | 4,267,036                | 0                 | 0                   | 518,275            | 12.15%              | 569,368               | 13.34%                   | \$1.72                    | (902)                 | 36,388              | 77,214              | 14,437              |
| Class C                    | 27               | 1,287,496                | 0                 | 0                   | 82,256             | 6.39%               | 88,494                | 6.87%                    | \$1.68                    | 10,403                | (6,989)             | 87,590              | (52,366)            |
| <b>Central County</b>      |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 90               | 12,126,631               | 0                 | 995,465             | 1,387,439          | 11.44%              | 1,524,622             | 12.57%                   | \$1.88                    | 281,161               | (82,112)            | 339,948             | (60,107)            |
| Class B                    | 212              | 10,652,034               | 0                 | 34,600              | 1,355,507          | 12.73%              | 1,430,025             | 13.42%                   | \$1.61                    | (31,336)              | 125,402             | 40,907              | 325,348             |
| Class C                    | 53               | 2,067,444                | 0                 | 0                   | 101,385            | 4.90%               | 104,536               | 5.06%                    | \$1.48                    | 13,606                | 24,419              | 10,248              | (67,922)            |
| <b>Airport Area</b>        |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 141              | 21,851,054               | 190,327           | 1,671,862           | 3,677,399          | 16.83%              | 4,327,102             | 19.80%                   | \$2.35                    | 23,582                | 124,023             | 63,446              | 1,246,494           |
| Class B                    | 240              | 12,460,295               | 94,412            | 297,174             | 2,234,905          | 17.94%              | 2,356,352             | 18.91%                   | \$2.03                    | (47,981)              | 410,730             | (315,583)           | 153,524             |
| Class C                    | 33               | 1,574,321                | 0                 | 0                   | 92,145             | 5.85%               | 93,845                | 5.96%                    | \$1.74                    | 37,397                | (28,905)            | 15,786              | 176,576             |
| <b>South County</b>        |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 138              | 9,680,171                | 238,000           | 1,840,191           | 1,534,400          | 15.85%              | 1,776,896             | 18.36%                   | \$2.26                    | 13,263                | 558,623             | 108,103             | 888,725             |
| Class B                    | 141              | 6,516,629                | 100,704           | 155,572             | 957,052            | 14.69%              | 1,339,291             | 20.55%                   | \$2.05                    | (165,476)             | 464,035             | 278,349             | 545,601             |
| Class C                    | 11               | 409,440                  | 0                 | 0                   | 19,221             | 4.69%               | 19,221                | 4.69%                    | \$1.65                    | (305)                 | (12,223)            | 532                 | (3,404)             |
| <b>Orange County</b>       |                  |                          |                   |                     |                    |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 453              | 50,982,208               | 811,577           | 4,687,518           | 7,703,650          | 15.11%              | 8,767,816             | 17.20%                   | \$2.14                    | 495,069               | 442,054             | 538,985             | 2,467,564           |
| Class B                    | 737              | 37,574,125               | 218,516           | 673,596             | 5,403,927          | 14.38%              | 6,083,264             | 16.19%                   | \$1.78                    | (284,130)             | 1,125,117           | 131,349             | 1,048,775           |
| Class C                    | 135              | 5,807,378                | 0                 | 0                   | 306,726            | 5.28%               | 317,815               | 5.47%                    | \$1.62                    | 60,523                | (17,955)            | 105,236             | 50,779              |
| <b>Orange County Total</b> | <b>1,325</b>     | <b>94,363,711</b>        | <b>1,030,093</b>  | <b>5,361,114</b>    | <b>13,414,303</b>  | <b>14.22%</b>       | <b>15,168,895</b>     | <b>16.07%</b>            | <b>\$2.04</b>             | <b>271,462</b>        | <b>1,549,216</b>    | <b>775,570</b>      | <b>3,567,118</b>    |

OFFICE  
MARKET  
**Report**

1ST QUARTER 2003



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**SUBMARKETS**

**NORTH**

Anaheim Hills, Brea, Buena Park, Fullerton, La Habra, La Palma, Placentia and Yorba Linda

**WEST**

Cypress, Fountain Valley, Garden Grove, Huntington Beach, Los Alamitos, Seal Beach, Stanton and Westminster

**CENTRAL**

Anaheim, Orange, Santa Ana and Tustin

**AIRPORT**

Corona Del Mar, Costa Mesa, Irvine and Newport Beach

**SOUTH**

Aliso Viejo, Dana Point, Foothill Ranch, Irvine Spectrum, Laguna Beach, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano

**PRODUCT TYPE**

**CLASS A**

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

**CLASS B**

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building cannot compete with Class A at the same price.

**CLASS C**

Buildings competing for tenants requiring functional space at rents below the area average.

For Further Information:

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Irvine, California 92612-0508  
**TEL: 949.851.5100**  
**FAX: 949.261.9092**



**Real People. Real Solutions.**

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