

OFFICE MARKET REPORT

FIRST
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



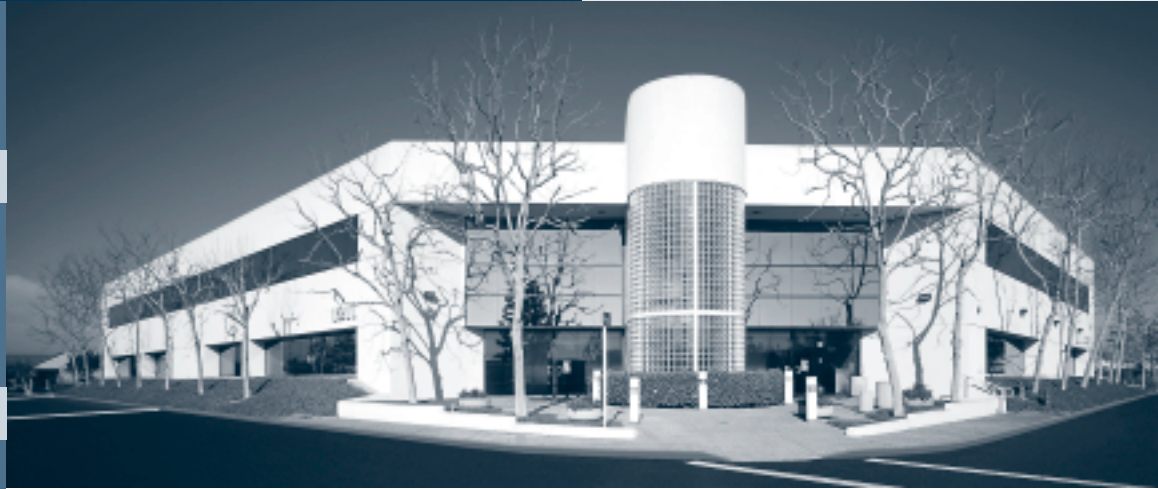
CONSTRUCTION



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Prepared by:
Jerry J. Holdner, Jr.
Vice President
of Market Research
e-mail: jholdner@voitco.com



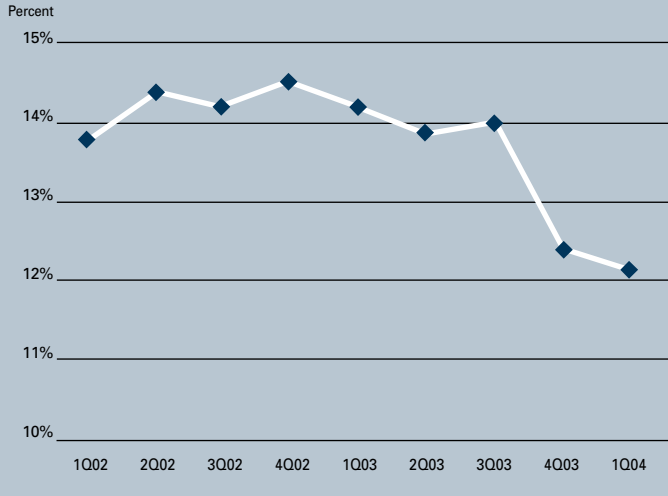
MARKET HIGHLIGHTS

- ◆ Unemployment for the first quarter of 2004 in Orange County is 3.5%, which is the same as it was during the fourth quarter of 2003, and is .5% lower than it was during the first quarter of 2003.
- ◆ According to the Los Angeles County Economic Development Corporation, it is estimated that Orange County added 9,800 new non-farm jobs in 2003, and they are forecasting 29,200 new jobs in 2004. They are also forecasting a 3.5% increase in total personal income for 2004, the highest level in the greater Southern California area.
- ◆ Total space under construction checked in at just over 200,000 square feet for the first quarter of 2004, which is almost 80% less than what was under construction during the first quarter of 2003.
- ◆ The office vacancy rate checked in at 12.16%, which is lower than last quarter when it was 12.44%. There was over 1.5 million square feet of positive absorption experienced in the last two quarters, which is a sign of strength. Class A space in the Airport market accounted for almost half of that.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, is also lower, checking in at 15.59% this quarter from 16.07% in the first quarter of 2003.
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.00, which is a 1.96% decrease over last year's first quarter rate of \$2.04. This is the first quarter of positive lease rates growth in nine quarters.
- ◆ Rental rates are expected to remain somewhat flat with a possibility of small growth. We should see rent concessions lessening during 2004 as the economy improves.
- ◆ Net absorption for the county this quarter posted a positive number of 441,704 square feet, giving the county a total of over 4.4 million square feet of positive absorption for the last seven quarters.

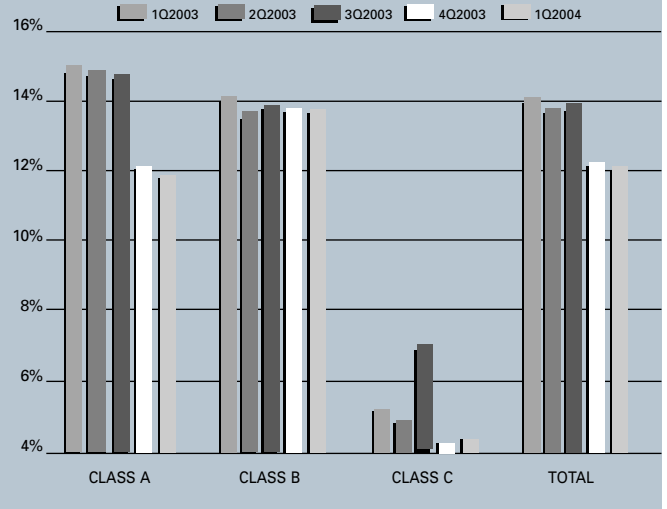
OFFICE MARKET STATISTICS

	1Q2004	4Q2003	1Q2003	% CHANGE VS. 1Q03
Under Construction	218,000	317,439	1,030,093	-78.84%
Planned Construction	5,172,470	5,719,475	5,361,114	-3.52%
Vacancy	12.16%	12.44%	14.22%	-14.49%
Availability	15.59%	15.72%	16.07%	-2.99%
Pricing	\$2.00	\$1.99	\$2.04	-1.96%
Net Absorption	441,704	1,185,827	271,462	62.71%

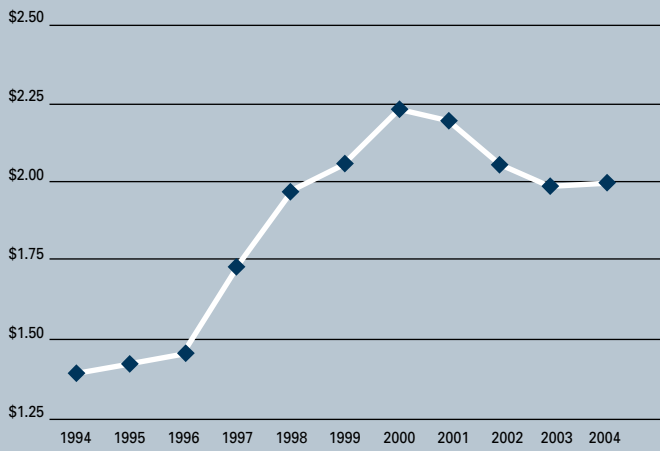
VACANCY RATE



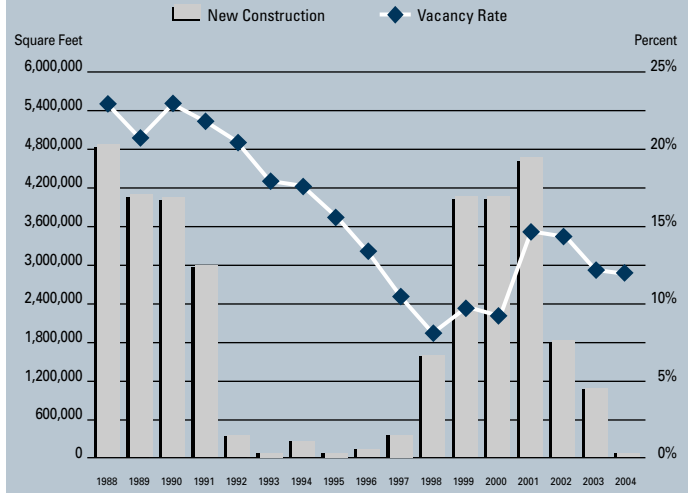
OFFICE VACANCY RATE



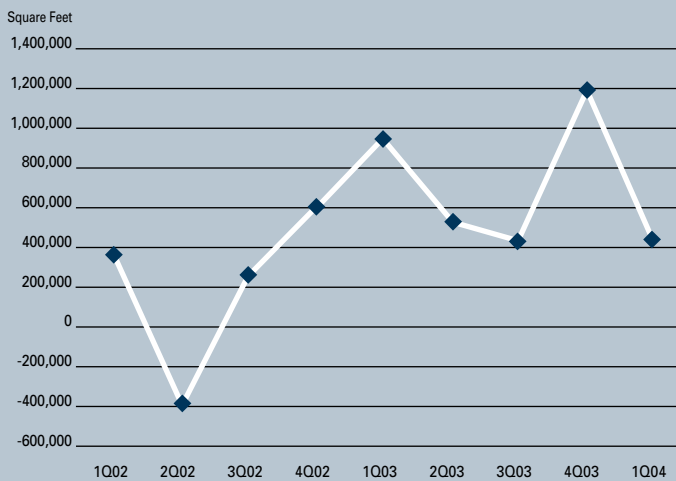
AVERAGE ASKING FULL SERVICE LEASE RATE



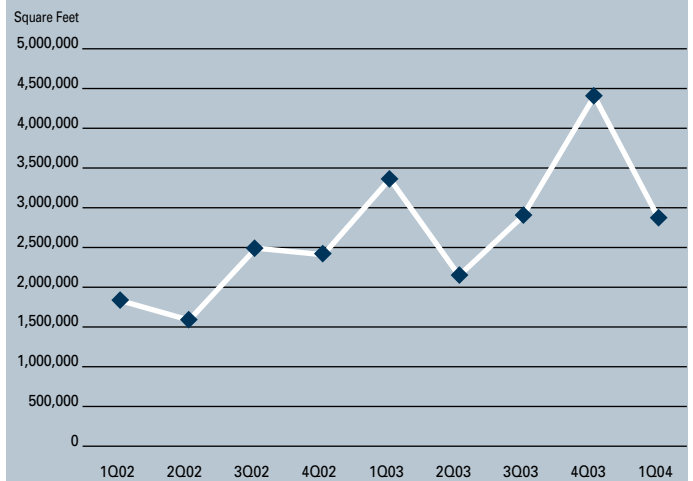
ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



FIRST QUARTER 2004

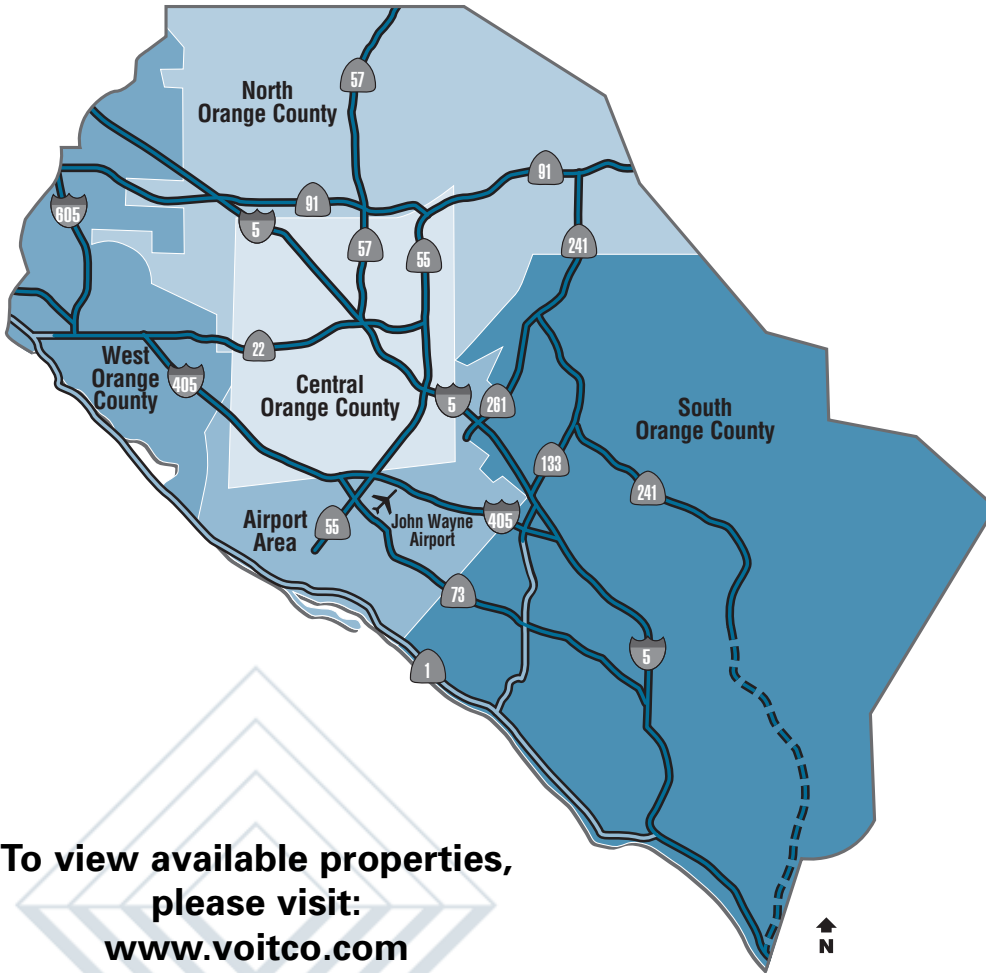
ORANGE COUNTY

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2004	Square Feet Available	Availability Rate 1Q2004	Average Asking Lease Rate	Net Absorption 1Q2004	Net Absorption 2003	Net Absorption 2002	Net Absorption 2001
North County													
Anaheim Hills	10	627,200	0	60,000	5,745	0.92%	6,919	1.10%	\$1.73	6,703	(1,635)	10,832	(3,607)
Brea	41	3,846,160	0	202,150	458,833	11.93%	563,480	14.65%	\$1.74	43,510	17,961	79,588	79,316
Buena Park	10	625,415	0	0	175,212	28.02%	189,237	30.26%	\$1.52	14,984	2,384	1,618	(27,946)
Fullerton	26	1,847,119	0	0	35,310	1.91%	39,626	2.15%	\$2.07	(6,893)	103,707	7,286	45,661
La Habra	7	376,849	0	0	52,606	13.96%	52,606	13.96%	\$1.36	407	72,227	184	(109,695)
La Palma	7	552,396	0	0	47,251	8.55%	99,792	18.07%	\$1.77	(5,287)	(3,419)	(5,801)	2,918
Placentia	5	165,875	0	0	11,165	6.73%	11,165	6.73%	\$1.59	1,940	6,465	3,849	20,123
Yorba Linda	6	319,627	0	0	16,528	5.17%	16,528	5.17%	\$1.60	5,014	(6,139)	(1,788)	(5,441)
North County Total	112	8,360,641	0	262,150	802,650	9.60%	979,353	11.71%	\$1.69	60,378	191,551	95,768	1,329
West County													
Cypress	28	2,181,696	0	0	441,035	20.22%	488,561	22.39%	\$1.75	(20,017)	(21,375)	(158,782)	157,270
Fountain Valley	33	1,597,605	0	0	184,223	11.53%	247,946	15.52%	\$1.70	(60,261)	(24,766)	(86,906)	(79,260)
Garden Grove	21	931,230	0	0	95,421	10.25%	134,307	14.42%	\$1.46	(4,873)	39,461	24,761	14,598
Huntington Beach	46	2,596,699	0	0	290,437	11.18%	358,591	13.81%	\$1.75	(46,025)	(15,587)	(1,948)	(18,687)
Los Alamitos	12	676,280	0	0	12,677	1.87%	14,069	2.08%	\$1.63	2,881	(8,915)	5,986	47,067
Seal Beach	6	425,418	0	0	47,175	11.09%	47,175	11.09%	\$2.17	5,368	5,215	(1,528)	406
Stanton	2	85,917	0	0	23,821	27.73%	23,821	27.73%	\$0.00	(2,500)	(3,553)	6,105	1,813
Westminster	11	440,174	0	0	35,673	8.10%	41,974	9.54%	\$1.61	3,875	32,520	(5,138)	30,038
West County Total	159	8,935,019	0	0	1,130,462	12.65%	1,356,444	15.18%	\$1.74	(121,552)	3,000	(217,450)	153,245
Central County													
Anaheim	91	5,981,926	50,000	459,711	523,953	8.76%	603,782	10.09%	\$1.67	(30,111)	622,258	258,007	(102,241)
Orange	76	6,943,836	0	0	558,565	8.04%	690,048	9.94%	\$1.82	(852)	273,259	(130,264)	136,020
Santa Ana	166	11,483,819	0	282,400	1,201,386	10.46%	1,544,121	13.45%	\$1.74	(18,592)	30,938	(56,432)	314,064
Tustin	34	1,442,734	0	0	306,152	21.22%	409,167	28.36%	\$1.65	(10,891)	128,065	(3,602)	43,260
Central County Total	367	25,852,315	50,000	742,111	2,590,056	10.02%	3,247,118	12.56%	\$1.74	(60,446)	1,054,520	67,709	391,103
Airport Area													
Corona Del Mar	2	86,378	0	0	1,516	1.76%	1,516	1.76%	\$2.75	(1,516)	3,238	(2,887)	0
Costa Mesa	63	6,304,359	0	800,000	883,311	14.01%	1,162,888	18.45%	\$1.88	13,930	76,540	(52,945)	13,978
Irvine	223	20,042,756	143,000	1,960,642	2,740,215	13.67%	3,597,172	17.95%	\$2.22	302,696	887,193	769,633	(177,990)
Newport Beach	133	9,550,012	0	0	1,215,283	12.73%	1,461,020	15.30%	\$2.49	159,662	238,076	(121,047)	6,921
Airport Area Total	421	35,983,505	143,000	2,760,642	4,840,325	13.45%	6,222,596	17.29%	\$2.25	474,772	1,205,047	592,754	(157,091)
South County													
Aliso Viejo	40	2,557,876	0	1,078,809	498,050	19.47%	642,720	25.13%	\$2.24	13,187	119,157	56,745	158,788
Dana Point	4	210,660	0	0	0	0.00%	0	0.00%	\$0.00	0	0	3,800	0
Foothill Ranch	8	702,879	0	36,000	138,575	19.72%	191,902	27.30%	\$2.09	6,360	62,144	2,242	110,453
Irvine Spectrum	98	6,402,873	0	195,700	828,505	12.94%	1,287,625	20.11%	\$2.28	50,602	233,386	505,871	(262,014)
Laguna Beach	5	193,268	0	0	3,500	1.81%	5,600	2.90%	\$2.29	(350)	10,325	0	10,036
Laguna Hills	33	1,746,362	0	0	202,729	11.61%	248,387	14.22%	\$2.07	(25,425)	9,251	3,852	31,400
Laguna Niguel	10	661,057	0	0	46,329	7.01%	46,329	7.01%	\$2.33	(30,395)	10,795	7,329	36,459
Lake Forest	41	1,994,569	0	0	408,281	20.47%	480,341	24.08%	\$1.89	9,361	146,188	295,666	162,774
Mission Viejo	35	1,801,677	0	60,450	172,952	9.60%	254,606	14.13%	\$2.03	38,057	25,345	39,006	151,761
Rancho Santa Margarita	5	194,030	25,000	0	13,445	6.93%	31,077	16.02%	\$1.94	19,115	10,201	13,218	(29,906)
San Clemente	10	372,984	0	0	52,679	14.12%	52,679	14.12%	\$2.07	6,840	4,957	47,996	594
San Juan Capistrano	11	528,731	0	36,608	1,056	0.20%	1,056	0.20%	\$2.00	1,200	4,281	34,710	16,639
South County Total	300	17,366,966	25,000	1,407,567	2,366,101	13.62%	3,242,322	18.67%	\$2.13	88,552	636,030	1,010,435	386,984
Orange County Total	1,359	96,498,446	218,000	5,172,470	11,729,594	12.16%	15,047,833	15.59%	\$2.00	441,704	3,090,148	1,549,216	775,570

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North County													
Class A	42	3,928,430	0	180,000	509,663	12.97%	564,810	14.38%	\$1.72	56,094	131,794	1,463	(40,213)
Class B	60	4,012,111	0	82,150	280,208	6.98%	401,764	10.01%	\$1.69	4,917	77,589	88,562	50,462
Class C	10	420,100	0	0	12,779	3.04%	12,779	3.04%	\$1.37	(633)	(17,832)	5,743	(8,920)
West County													
Class A	34	3,245,599	0	0	480,793	14.81%	625,631	19.28%	\$1.86	(48,477)	(2,034)	(159,943)	67,701
Class B	95	4,187,063	0	0	603,573	14.42%	684,523	16.35%	\$1.59	(63,749)	(65,611)	36,388	77,214
Class C	30	1,502,357	0	0	46,096	3.07%	46,290	3.08%	\$1.59	(9,326)	70,645	(6,989)	87,590
Central County													
Class A	88	12,405,729	50,000	742,111	1,033,802	8.33%	1,492,030	12.03%	\$1.88	(84,235)	897,630	(82,112)	339,948
Class B	228	11,447,133	0	0	1,460,105	12.76%	1,634,218	14.28%	\$1.61	23,207	159,994	125,402	40,907
Class C	51	1,999,453	0	0	96,149	4.81%	120,870	6.05%	\$1.46	582	(3,104)	24,419	10,248
Airport Area													
Class A	130	21,500,398	0	2,721,642	2,535,038	11.79%	3,487,465	16.22%	\$2.15	428,194	944,496	124,023	63,446
Class B	258	12,902,454	143,000	39,000	2,213,597	17.16%	2,559,378	19.84%	\$1.93	59,649	209,793	410,730	(315,583)
Class C	33	1,580,653	0	0	91,690	5.80%	175,753	11.12%	\$1.88	(13,071)	50,758	(28,905)	15,786
South County													
Class A	116	9,371,001	0	1,078,809	1,368,074	14.60%	1,609,862	17.18%	\$2.18	31,702	305,487	558,623	108,103
Class B	174	7,636,531	25,000	328,758	981,840	12.86%	1,616,273	21.17%	\$1.96	56,781	326,297	464,035	278,349
Class C	10	359,434	0	0	16,187	4.50%	16,187	4.50%	\$1.70	69	4,246	(12,223)	532
Orange County													
Class A	410	50,451,157	50,000	4,722,562	5,927,370	11.75%	7,779,798	15.42%	\$2.13	383,278	2,277,373	442,054	538,985
Class B	815	40,185,292	168,000	449,908	5,539,323	13.78%	6,896,156	17.16%	\$1.75	80,805	708,062	1,125,117	131,349
Class C	134	5,861,997	0	0	262,901	4.48%	371,879	6.34%	\$1.66	(22,379)	104,713	(17,955)	105,236
Orange County Total	1,359	96,498,446	218,000	5,172,470	11,729,594	12.16%	15,047,833	15.59%	\$2.00	441,704	3,090,148	1,549,216	775,570

OFFICE MARKET REPORT

FIRST QUARTER 2004



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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:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, California 92868-1642
TEL: 714.978.7880
FAX: 714.978.9431

IRVINE OFFICE

18500 Von Karman Ave., Suite 150
Irvine, California 92612-0508
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