

R & D MARKET REPORT

FIRST QUARTER 2005

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



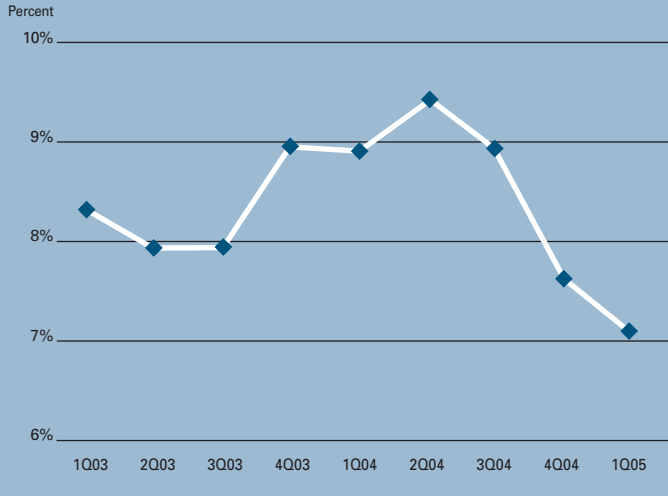
MARKET HIGHLIGHTS

- ◆ Unemployment for the first quarter of 2005 in Orange County is 4.1%, which is .5% higher than it was when compared to the fourth quarter of 2004, and is .5% lower than it was during the first quarter of 2004.
- ◆ According to Chapman University, it is estimated that Orange County added 25,000 new jobs in 2004. Furthermore, they are forecasting 21,000 new jobs will be added to the county in 2005 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at 220,843 square feet for the first quarter of 2005, which is about 30,000 square feet more than the amount that was under construction in the fourth quarter of 2004.
- ◆ The R&D vacancy rate checked in at 7.11%, which is lower than it was a year ago when it was 8.90%. This lack of supply is creating a lot of constrained demand for R&D space in Orange County.
- ◆ The total amount of R&D space available in Orange County, which includes both direct and sublease space, is lower than it was a year ago; 8.57% this quarter as compared to 11.81% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$0.92, which is 8.24 % higher than it was this time last year and last quarter.
- ◆ Net absorption for the R&D market this first quarter posted a positive number of 715,722 square feet, giving the R&D Market in Orange County a great start for 2005.
- ◆ Rental rates are expected to increase at moderate levels in the short run, and concessions will lessen as the economy in Orange County continues to improve. These conditions will put upward pressure on lease rates going forward. We should see rental rate growth of 7% to 10% in 2005.

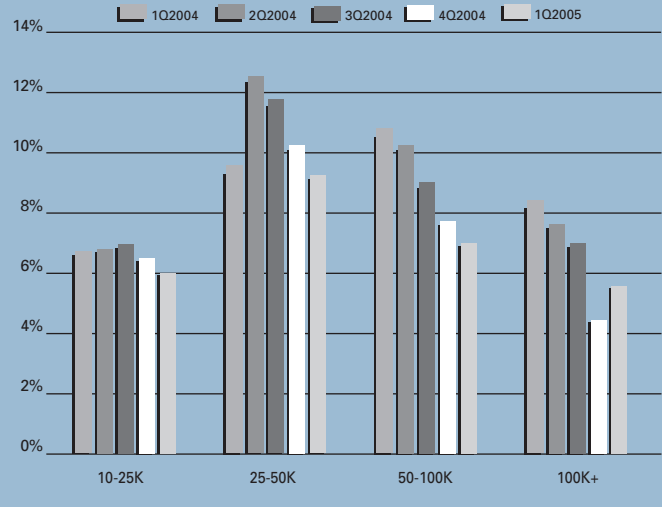
R&D MARKET STATISTICS

	1Q2005	4Q2004	1Q2004	% CHANGE VS. 1Q04
Under Construction	220,843	191,181	396,042	-44.24%
Planned Construction	304,745	471,013	336,026	-9.31%
Vacancy	7.11%	7.62%	8.90%	-20.11%
Availability	8.57%	9.54%	11.81%	-27.43%
Pricing	\$0.92	\$0.89	\$0.85	8.24%
Net Absorption	715,722	655,575	-258,144	N/A

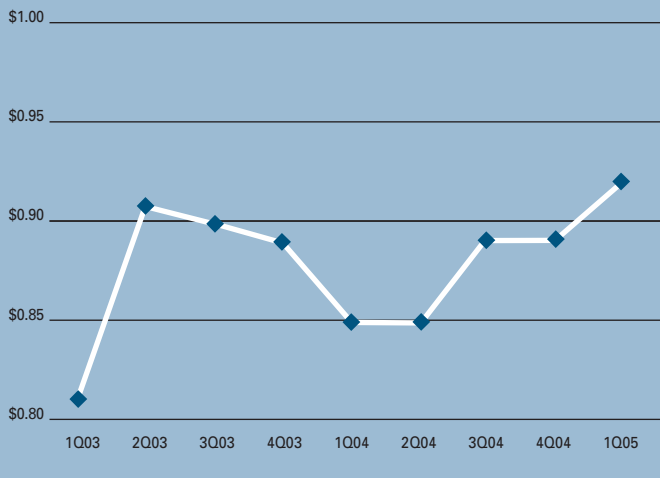
VACANCY RATE



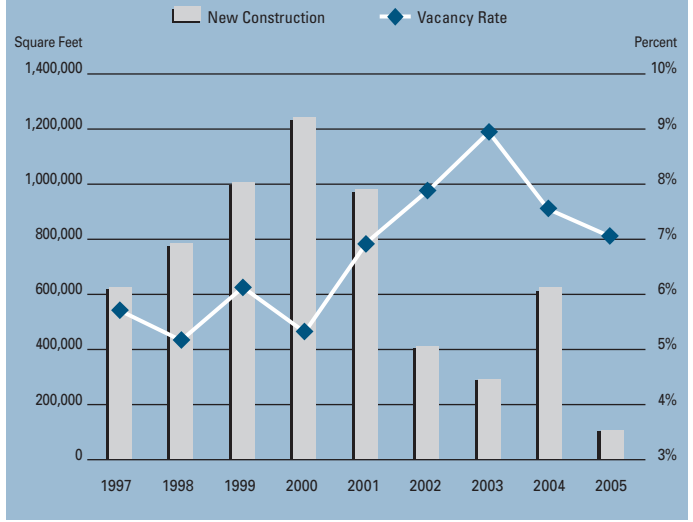
R&D VACANCY RATE



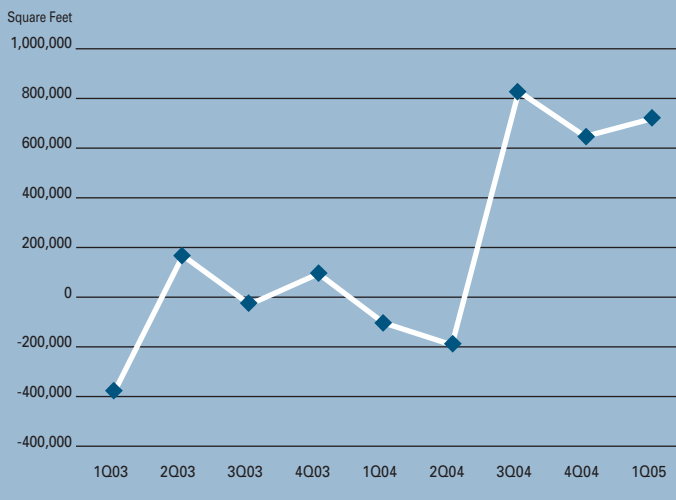
AVERAGE ASKING TRIPLE NET LEASE RATE



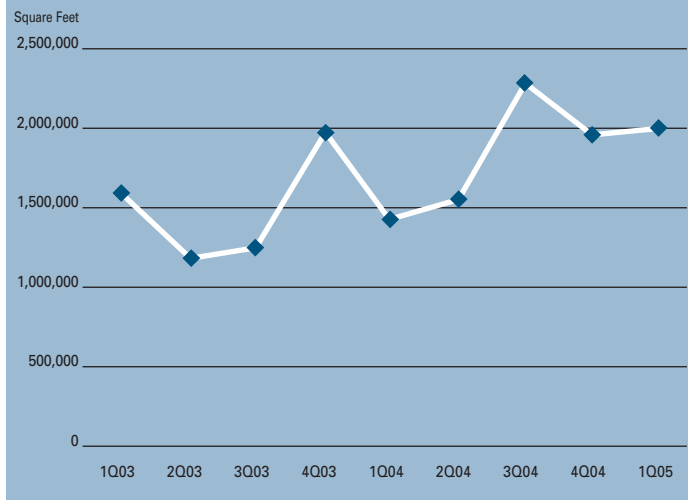
ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



ORANGE COUNTY

INVENTORY

VACANCY & LEASE RATES

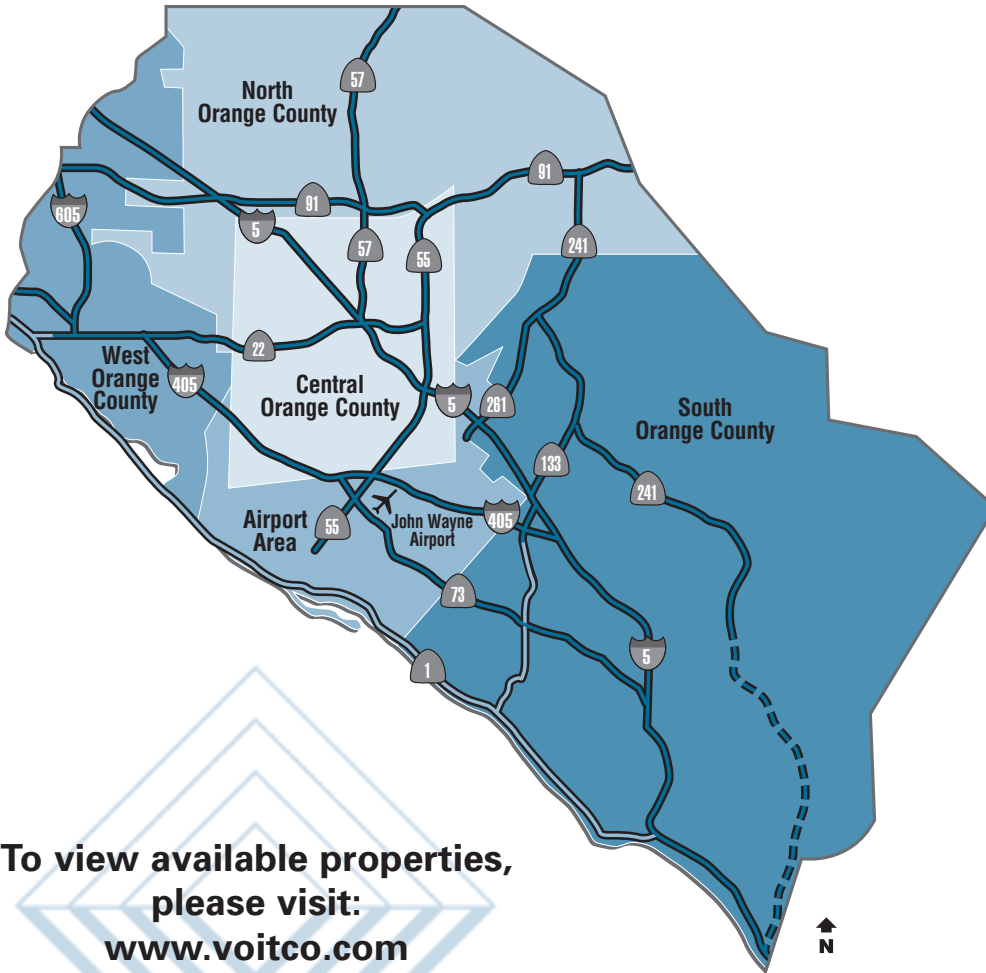
ABSORPTION

	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2005	Square Feet Available	Availability Rate 1Q2005	Average Asking Lease Rate	Net Absorption 1Q2005	Net Absorption 2004
North County											
Anaheim Hills	7	292,180	0	0	26,773	9.16%	28,549	9.77%	\$0.00	5,061	(234)
Anaheim	73	2,606,775	0	0	135,456	5.20%	137,376	5.27%	\$0.82	37,630	59,240
Brea	41	1,045,264	0	0	3,604	0.34%	3,604	0.34%	\$0.00	11,245	42,390
Buena Park	24	924,115	0	0	124,488	13.47%	126,270	13.66%	\$0.00	10,150	9,213
Fullerton	36	1,531,209	0	0	27,160	1.77%	32,436	2.12%	\$0.00	1,122	4,350
La Habra	7	107,089	0	0	3,264	3.05%	3,264	3.05%	\$0.00	(3,264)	1,596
La Palma	7	272,981	0	0	0	0.00%	4,590	1.68%	\$0.81	0	15,508
Placentia	19	545,794	0	0	22,779	4.17%	22,779	4.17%	\$0.69	(2,750)	9,446
Yorba Linda	54	1,430,811	0	0	176,452	12.33%	250,368	17.50%	\$0.73	(12,173)	(109,750)
North County Total	268	8,756,218	0	0	519,976	5.94%	609,236	6.96%	\$0.74	47,021	31,759
West County											
Cypress	43	2,529,783	0	0	281,781	11.14%	284,146	11.23%	\$0.76	46,704	39,750
Huntington Beach	85	1,924,991	0	0	40,942	2.13%	52,952	2.75%	\$0.00	30,676	(5,777)
Los Alamitos	31	692,980	0	0	21,059	3.04%	21,059	3.04%	\$0.00	10,532	(7,317)
West County Total	159	5,147,754	0	0	343,782	6.68%	358,157	6.96%	\$0.76	87,912	26,656
Central County											
Anaheim	81	2,078,344	0	0	79,802	3.84%	155,975	7.50%	\$1.04	26,031	4,417
Garden Grove	83	2,747,697	0	0	278,401	10.13%	308,766	11.24%	\$0.88	(34,474)	10,534
Orange	95	1,910,674	0	0	56,149	2.94%	84,293	4.41%	\$0.83	(16,684)	38,208
Santa Ana	48	1,322,010	0	0	51,365	3.89%	51,365	3.89%	\$0.90	(13,623)	100,911
Westminster	23	619,454	0	0	81,682	13.19%	81,682	13.19%	\$0.69	5,978	8,465
Central County Total	330	8,678,179	0	0	547,399	6.31%	682,081	7.86%	\$0.85	(32,772)	162,535
Airport Area											
Costa Mesa	153	3,690,274	0	0	277,451	7.52%	340,325	9.22%	\$1.12	153,277	(13,526)
Fountain Valley	47	1,359,546	0	0	60,836	4.47%	60,836	4.47%	\$0.86	(23,111)	43,817
Irvine	285	7,728,608	22,269	38,060	540,619	7.00%	639,398	8.27%	\$0.80	107,133	288,474
Newport Beach	23	802,058	0	0	38,728	4.83%	49,819	6.21%	\$1.50	(239)	(15,378)
Santa Ana	123	4,032,353	0	0	175,375	4.35%	225,075	5.58%	\$1.00	283,603	310,945
Tustin	93	3,227,895	0	0	166,491	5.16%	167,817	5.20%	\$0.86	81,289	(59,508)
Airport Area Total	724	20,840,734	22,269	38,060	1,259,500	6.04%	1,483,270	7.12%	\$0.94	601,952	554,824
South County											
Aliso Viejo	44	1,136,456	0	0	117,022	10.30%	150,474	13.24%	\$0.76	144	(34,932)
Foothill Ranch	6	133,348	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Irvine Spectrum	257	10,146,638	99,564	45,718	1,174,859	11.58%	1,519,738	14.98%	\$1.02	(46,596)	348,083
Laguna Beach	2	30,800	0	0	0	0.00%	0	0.00%	\$0.95	0	0
Laguna Hills	50	1,087,807	0	0	21,364	1.96%	27,476	2.53%	\$1.13	(480)	35,261
Laguna Niguel	13	424,824	0	0	7,056	1.66%	7,056	1.66%	\$0.00	7,643	25,145
Lake Forest	59	1,511,402	0	128,250	144,242	9.54%	200,770	13.28%	\$1.03	8,939	64,849
Mission Viejo	33	654,099	0	0	40,179	6.14%	40,179	6.14%	\$0.00	(753)	18,672
Rancho Santa Margarita	54	1,838,287	0	0	159,876	8.70%	159,876	8.70%	\$0.98	51,982	(82,579)
San Clemente	45	1,019,122	99,010	92,717	60,220	5.91%	60,220	5.91%	\$0.77	(2,207)	40,200
San Juan Capistrano	37	539,079	0	0	8,313	1.54%	10,513	1.95%	\$0.00	(7,063)	8,017
South County Total	600	18,521,862	198,574	266,685	1,733,131	9.36%	2,176,302	11.75%	\$1.00	11,609	422,716
Orange County Total	2,081	61,944,747	220,843	304,745	4,403,788	7.11%	5,309,046	8.57%	\$0.92	715,722	1,198,490
North County											
10,000 to 24,999	159	2,524,200	0	0	102,917	4.08%	104,223	4.13%	\$0.79	(3,297)	43,758
25,000 to 49,999	74	2,539,785	0	0	138,448	5.45%	220,822	8.69%	\$0.74	46,589	(54,727)
50,000 to 99,999	24	1,630,893	0	0	158,645	9.73%	164,225	10.07%	\$0.69	3,729	19,099
100,000+	11	2,061,340	0	0	119,966	5.82%	119,966	5.82%	\$0.75	0	23,629
West County											
10,000 to 24,999	90	1,331,341	0	0	39,095	2.94%	40,115	3.01%	\$0.85	61,595	10,867
25,000 to 49,999	42	1,414,890	0	0	96,545	6.82%	96,545	6.82%	\$0.71	29,902	(15,890)
50,000 to 99,999	21	1,330,832	0	0	208,142	15.64%	221,497	16.64%	\$0.77	(3,585)	31,679
100,000+	6	1,070,691	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Central County											
10,000 to 24,999	230	3,643,473	0	0	116,124	3.19%	214,379	5.88%	\$1.01	(5,092)	60,096
25,000 to 49,999	74	2,416,802	0	0	223,821	9.26%	250,851	10.38%	\$0.94	(13,711)	(39,178)
50,000 to 99,999	17	1,148,944	0	0	86,377	7.52%	93,886	8.17%	\$0.69	(12,270)	140,351
100,000+	9	1,468,960	0	0	121,077	8.24%	122,965	8.37%	\$0.75	(1,699)	1,266
Airport Area											
10,000 to 24,999	472	7,623,065	22,269	12,020	478,769	6.28%	478,769	6.28%	\$0.95	50,507	(53,527)
25,000 to 49,999	170	5,778,401	0	26,040	402,325	6.96%	493,155	8.53%	\$0.94	310,018	142,888
50,000 to 99,999	58	3,958,024	0	0	212,506	5.37%	314,233	7.94%	\$1.03	189,351	332,363
100,000+	24	3,481,244	0	0	165,900	4.77%	197,113	5.66%	\$0.66	52,076	133,100
South County											
10,000 to 24,999	359	5,948,699	19,010	122,207	537,876	9.04%	649,058	10.91%	\$1.05	73,585	91,109
25,000 to 49,999	165	5,604,582	39,564	144,478	780,993	13.93%	833,953	14.88%	\$0.99	21,846	(169,156)
50,000 to 99,999	56	3,770,690	140,000	0	185,884	4.93%	458,044	12.15%	\$0.97	72,051	224,519
100,000+	20	3,197,891	0	0	228,378	7.14%	235,247	7.36%	\$1.20	(155,873)	276,244
Orange County											
10,000 to 24,999	1,310	21,070,778	41,279	134,227	1,274,781	6.05%	1,486,544	7.06%	\$1.00	177,298	152,303
25,000 to 49,999	525	17,754,460	39,564	170,518	1,642,132	9.25%	1,895,326	10.68%	\$0.94	394,644	(136,063)
50,000 to 99,999	176	11,839,383	140,000	0	851,554	7.19%	1,251,885	10.57%	\$0.92	249,276	748,011
100,000+	70	11,280,126	0	0	635,321	5.63%	675,291	5.99%	\$0.76	(105,496)	434,239
Orange County Total	2,081	61,944,747	220,843	304,745	4,403,788	7.11%	5,309,046	8.57%	\$0.92	715,722	1,198,490

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple net basis.

R & D MARKET
REPORT

FIRST QUARTER 2005



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SUBMARKETS

NORTH

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

WEST

Cypress, Huntington Beach, Los Alamitos

CENTRAL COUNTY

Anaheim, Garden Grove, Orange, Santa Ana, Westminster

AIRPORT

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana, Tustin

SOUTH

Aliso Viejo, 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

R & D OR MID-TECH

30% to 74.9% improved with drop ceiling, minimum parking ratio of 3 to 1, minimum 50% of exterior glassline, dock and/or ground level loading.

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
TEL: 949.851.5100
FAX: 949.261.9092



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