

OFFICE MARKET REPORT

FIRST
QUARTER
2006

Compared to
last quarter:

VACANCY



UP

ABSORPTION



DOWN

LEASE RATES



UP

CONSTRUCTION



UP

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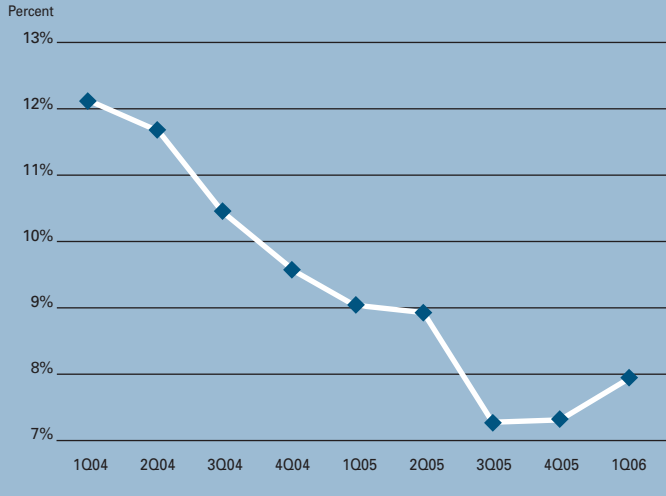
MARKET HIGHLIGHTS

- ◆ Unemployment for the first quarter of 2006 in Orange County is 3.6%, which is .2% lower than it was when compared to the fourth quarter of 2005, and is .6% lower than it was during the first quarter of 2005.
- ◆ According to Chapman University, it is estimated that Orange County added 24,000 new payroll jobs in 2005. Furthermore, they are forecasting 20,000 new payroll jobs will be added to the county in 2006 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at 4.3 million square feet for the first quarter of 2006, which is almost five times the amount that was under construction this same time last year.
- ◆ The office vacancy rate checked in at a sub 8% level of 7.96%, constituting a 12% decrease over last year's rate of 9.07%. This would also explain the increase in construction activity and the upward pressure on average asking lease rate.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, is also lower, checking in at 10.41% this quarter from 11.63% in the first quarter of 2005, representing a decrease of 10.49%.
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.39, which is a 11.68% increase over last year's first quarter rate of \$2.14. This is the ninth consecutive quarter of positive lease rate growth and represents one of the biggest jumps in one quarter, eleven cents or almost 5% when compared to the fourth quarter of 2005. It also represents a new record high.
- ◆ Net absorption for the county this quarter posted a negative number of 218,774 square feet, giving the county a total of almost 12 million square feet of positive absorption for the last sixteen quarters. That's an average of over 800,000 square feet of positive absorption per quarter for four years.
- ◆ Lease rates are expected to continue to increase at moderate levels, and concessions will continue to lessen as the economy in Orange County continues to expand. These conditions will put upward pressure on lease rates going forward. We should see lease rate growth of 10% to 15% in 2006.

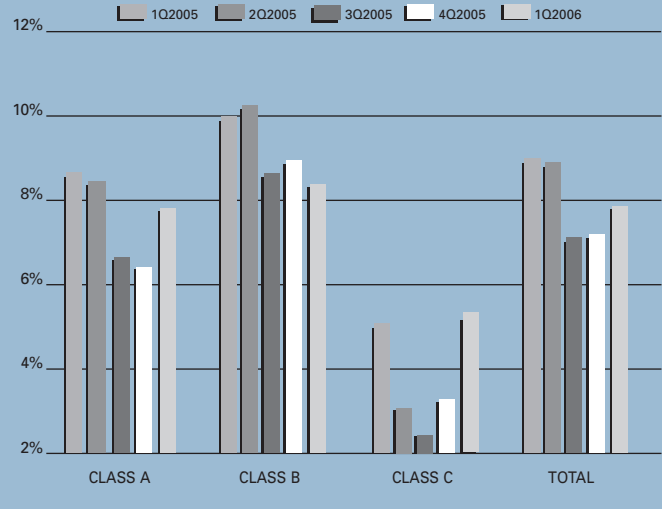
OFFICE MARKET STATISTICS

	1Q2006	4Q2005	1Q2005	% CHANGE VS. 1Q05
Under Construction	4,265,180	1,231,696	906,507	470.51%
Planned Construction	3,735,909	6,316,240	4,779,239	-21.83%
Vacancy	7.96%	7.39%	9.07%	-12.24%
Availability	10.41%	9.94%	11.63%	-10.49%
Pricing	\$2.39	\$2.28	\$2.14	11.68%
Net Absorption	-218,774	363,223	590,168	-137.07%
Activity	3,182,798	2,748,488	2,894,924	9.94%

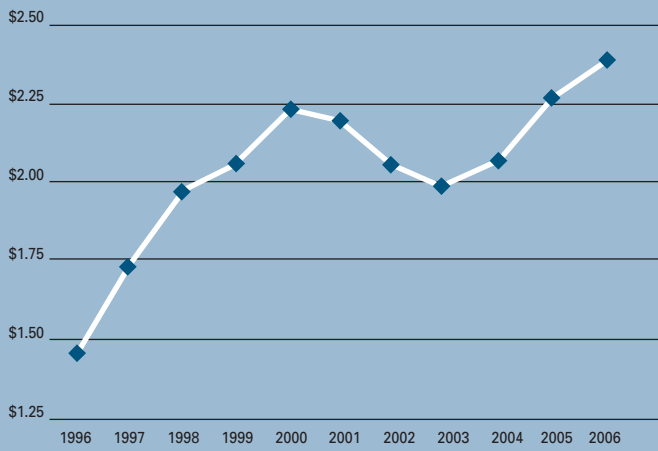
VACANCY RATE



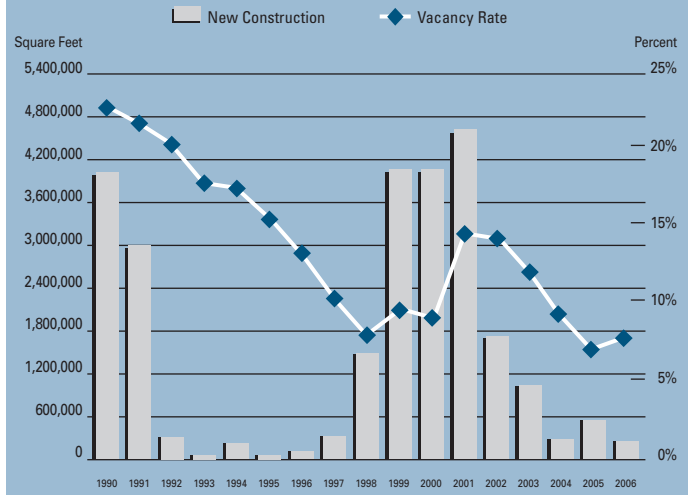
OFFICE VACANCY RATE



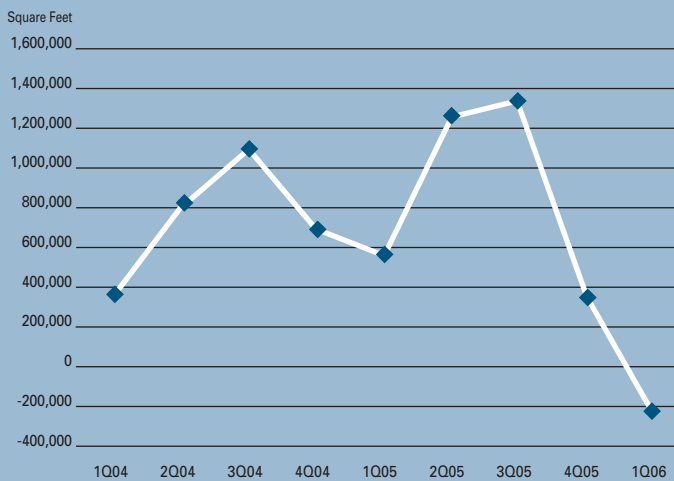
AVERAGE ASKING FULL SERVICE LEASE RATE



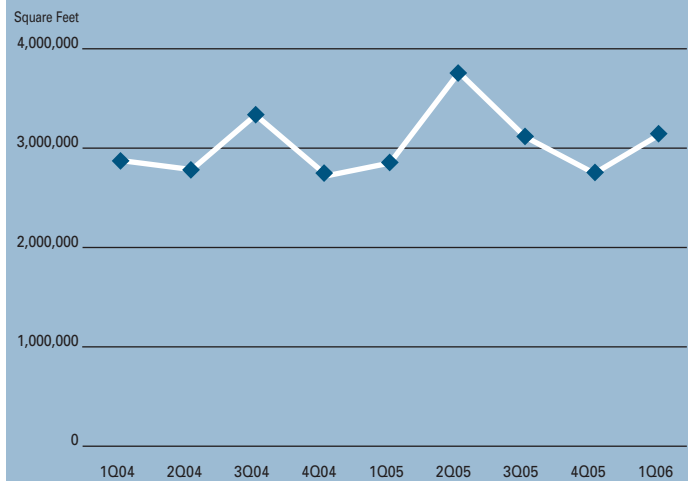
ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



FIRST QUARTER 2006

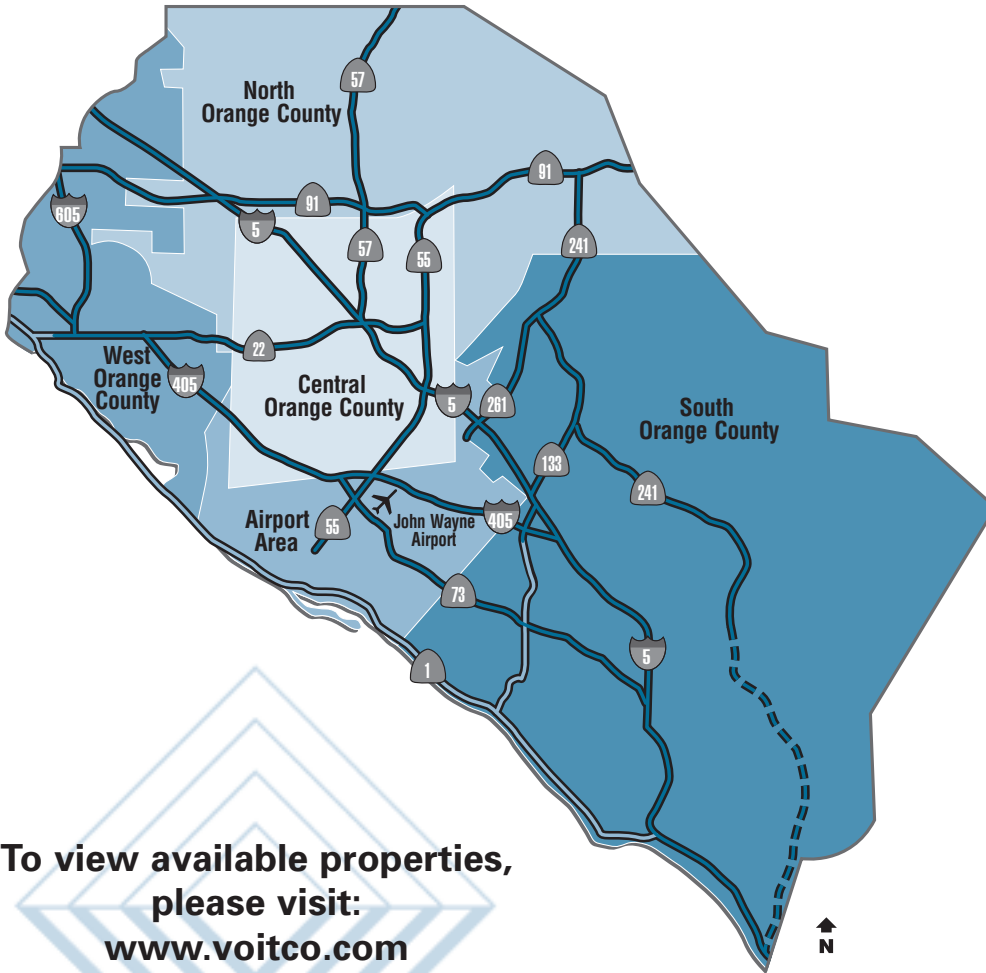
ORANGE COUNTY

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2006	Square Feet Available	Availability Rate 1Q2006	Average Asking Lease Rate	Net Absorption 1Q2006	Net Absorption 2005	Net Absorption 2004	Net Absorption 2003
North County													
Anaheim Hills	10	644,740	0	60,000	160,439	24.88%	160,439	24.88%	\$2.25	(154,600)	(4,960)	11,569	(1,635)
Brea	41	3,304,731	0	202,250	230,180	6.97%	277,439	8.40%	\$2.06	103,497	55,533	324,162	17,961
Buena Park	10	621,239	0	25,822	61,311	9.87%	61,311	9.87%	\$1.74	(25,118)	60,223	107,805	2,384
Fullerton	28	1,956,925	81,634	0	29,408	1.50%	51,108	2.61%	\$1.74	(6,587)	7,653	(7,982)	103,707
La Habra	7	376,859	0	0	18,918	5.02%	18,918	5.02%	\$1.57	(7,938)	21,392	20,641	72,227
La Palma	8	842,349	0	0	13,917	1.65%	16,598	1.97%	\$1.78	13,210	7,937	1,637	(3,419)
Placentia	5	165,875	0	0	13,134	7.92%	18,018	10.86%	\$1.85	2,422	(10,228)	7,777	6,465
Yorba Linda	6	319,684	0	0	10,940	3.42%	57,446	17.97%	\$1.84	1,391	(2,908)	12,119	(6,139)
North County Total	115	8,232,402	81,634	288,072	538,247	6.54%	661,277	8.03%	\$1.93	(73,723)	134,642	477,728	191,551
West County													
Cypress	27	2,135,220	0	0	188,096	8.81%	188,096	8.81%	\$2.02	14,938	176,874	18,404	(21,375)
Fountain Valley	31	1,543,838	0	36,700	223,042	14.45%	223,042	14.45%	\$1.83	(122,227)	83,818	(33,842)	(24,766)
Garden Grove	20	898,729	0	45,000	42,689	4.75%	42,689	4.75%	\$1.71	(6,631)	63,100	3,129	39,461
Huntington Beach	44	2,555,934	0	36,000	216,973	8.49%	230,468	9.02%	\$2.11	147,749	105,552	(83,869)	(15,587)
Los Alamitos	13	712,280	0	0	11,532	1.62%	18,057	2.54%	\$1.89	(9,782)	19,217	(3,163)	(8,915)
Seal Beach	6	425,418	0	0	3,069	0.72%	5,421	1.27%	\$2.45	10,286	24,082	15,106	5,215
Stanton	2	85,917	0	0	3,601	4.19%	3,601	4.19%	\$1.46	0	14,852	2,868	(3,553)
Westminster	12	485,174	0	0	59,510	12.27%	59,510	12.27%	\$1.87	(30,382)	(10,926)	27,647	32,520
West County Total	155	8,842,510	0	117,700	748,512	8.46%	770,884	8.72%	\$1.95	3,951	476,569	(53,720)	3,000
Central County													
Anaheim	87	5,901,644	0	462,711	483,009	8.18%	601,849	10.20%	\$1.97	(72,501)	116,941	43,136	622,258
Orange	76	6,988,601	0	0	461,566	6.60%	579,810	8.30%	\$2.08	(38,706)	191,690	(58,970)	273,259
Santa Ana	169	12,031,101	0	48,000	965,209	8.02%	1,196,313	9.94%	\$2.06	58,951	565,439	28,963	30,938
Tustin	33	1,380,218	0	0	257,288	18.64%	266,934	19.34%	\$1.86	(18,714)	(38,960)	3,037	128,065
Central County Total	365	26,301,564	0	510,711	2,167,072	8.24%	2,644,906	10.06%	\$2.04	(70,970)	835,110	16,166	1,054,520
Airport Area													
Corona Del Mar	2	86,378	0	0	0	0.00%	0	0.00%	\$0.00	0	12,200	(12,200)	3,238
Costa Mesa	66	6,479,380	0	482,379	711,632	10.98%	874,886	13.50%	\$2.65	(58,888)	362,251	52,840	76,540
Irvine	248	21,536,200	2,667,350	1,169,267	1,923,068	8.93%	2,523,190	11.72%	\$2.73	-327,566	953,637	1,081,510	887,193
Newport Beach	129	9,494,196	0	0	562,449	5.92%	963,230	10.15%	\$2.96	404,395	76,855	455,906	238,076
Airport Area Total	445	37,596,154	2,667,350	1,651,646	3,197,149	8.50%	4,361,306	11.60%	\$2.79	17,941	1,404,943	1,578,056	1,205,047
South County													
Aliso Viejo	42	2,802,953	335,000	773,500	97,680	3.48%	220,380	7.86%	\$2.58	34,683	113,223	296,782	119,157
Dana Point	3	159,876	0	0	0	0.00%	0	0.00%	\$0.00	0	(5,000)	0	0
Foothill Ranch	10	817,379	0	0	71,954	8.80%	80,200	9.81%	\$2.16	(25,525)	108,744	30,573	62,144
Irvine Spectrum	95	6,255,577	916,112	223,780	381,149	6.09%	763,732	12.21%	\$2.71	17,379	192,028	604,231	233,386
Laguna Beach	5	193,268	0	0	6,437	3.33%	6,437	3.33%	\$2.50	1,716	(8,153)	0	10,325
Laguna Hills	35	1,850,944	0	0	130,948	7.07%	146,749	7.93%	\$2.20	(32,302)	90,742	(32)	9,251
Laguna Niguel	9	617,829	0	25,500	28,073	4.54%	31,449	5.09%	\$2.60	1,847	9,021	(23,007)	10,795
Lake Forest	42	2,077,599	0	0	252,316	12.14%	331,033	15.93%	\$2.04	(54,181)	200,861	64,645	146,188
Mission Viejo	39	2,036,514	0	145,000	186,311	9.15%	212,140	10.42%	\$2.12	(20,091)	60,592	16,353	25,345
Rancho Santa Margarita	6	219,030	0	0	29,291	13.37%	29,291	13.37%	\$2.14	(12,699)	28,229	13,039	10,201
San Clemente	9	345,462	0	0	25,779	7.46%	25,779	7.46%	\$2.63	(3,104)	9,919	26,925	4,957
San Juan Capistrano	12	579,004	265,084	0	17,269	2.98%	17,269	2.98%	\$2.10	(3,696)	40,621	(1,938)	4,281
South County Total	307	17,955,435	1,516,196	1,167,780	1,227,207	6.83%	1,864,459	10.38%	\$2.37	(95,973)	840,827	1,027,571	636,030
Orange County Total	1,387	98,928,065	4,265,180	3,735,909	7,878,187	7.96%	10,302,832	10.41%	\$2.39	-218,774	3,692,091	3,045,801	3,090,148

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North County													
Class A	43	4,070,604	0	180,000	330,175	8.11%	357,424	8.78%	\$1.98	(14,740)	148,340	262,161	131,794
Class B	63	3,773,874	81,634	108,072	202,836	5.37%	293,854	7.79%	\$1.92	(58,326)	(13,381)	207,683	77,589
Class C	9	387,924	0	0	5,236	1.35%	9,999	2.58%	\$1.31	(657)	(317)	7,884	(17,832)
West County													
Class A	34	3,245,068	0	117,700	253,448	7.81%	253,448	7.81%	\$2.02	(40,234)	291,803	(33,419)	(2,034)
Class B	93	4,156,875	0	0	362,549	8.72%	381,682	9.18%	\$1.88	17,437	166,949	(16,202)	(65,611)
Class C	28	1,440,567	0	0	132,515	9.20%	135,754	9.42%	\$1.80	26,748	17,817	(4,099)	70,645
Central County													
Class A	86	12,416,115	0	462,711	1,035,981	8.34%	1,354,946	10.91%	\$2.22	(239,380)	653,691	2,117	897,630
Class B	232	12,004,795	0	48,000	1,042,576	8.68%	1,201,445	10.01%	\$1.80	167,799	145,258	41,834	159,994
Class C	47	1,880,654	0	0	88,515	4.71%	88,515	4.71%	\$1.62	611	36,161	(27,785)	(3,104)
Airport Area													
Class A	129	21,404,649	1,763,596	1,469,676	1,821,419	8.51%	2,781,913	13.00%	\$2.96	(176,041)	653,325	1,139,278	944,496
Class B	281	14,328,155	903,754	181,970	1,293,188	9.03%	1,455,555	10.16%	\$2.26	211,374	718,678	435,768	209,793
Class C	35	1,863,350	0	0	82,542	4.43%	123,838	6.65%	\$2.06	(17,392)	32,940	3,010	50,758
South County													
Class A	118	9,543,532	1,349,112	879,000	552,528	5.79%	770,977	8.08%	\$2.56	(55,633)	553,016	503,357	305,487
Class B	179	8,045,225	167,084	288,780	664,413	8.26%	1,083,216	13.46%	\$2.17	(42,056)	287,482	530,320	326,297
Class C	10	366,678	0	0	10,266	2.80%	10,266	2.80%	\$2.05	1,716	329	(6,106)	4,246
Orange County													
Class A	410	50,679,968	3,112,708	3,109,087	3,993,551	7.88%	5,518,708	10.89%	\$2.61	(526,028)	2,300,175	1,873,494	2,277,373
Class B	848	42,308,924	1,152,472	626,822	3,565,562	8.43%	4,415,752	10.44%	\$1.99	296,228	1,304,986	1,199,403	708,062
Class C	129	5,939,173	0	0	319,074	5.37%	368,372	6.20%	\$1.84	11,026	86,930	(27,096)	104,713
Orange County Total	1,387	98,928,065	4,265,180	3,735,909	7,878,187	7.96%	10,302,832	10.41%	\$2.39	-218,774	3,692,091	3,045,801	3,090,148

OFFICE MARKET REPORT

FIRST QUARTER 2006



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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.



Real People. Real Solutions.