

R & D MARKET REPORT

FIRST
QUARTER
2006

Compared to
last quarter:

VACANCY

DOWN

ABSORPTION

UP

LEASE RATES

UP

CONSTRUCTION

UP

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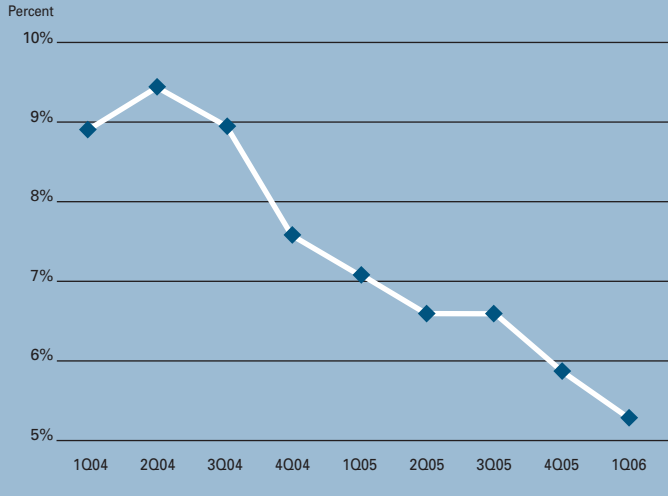
MARKET HIGHLIGHTS

- ◆ Unemployment for the first quarter of 2006 in Orange County is 3.6%, which is 0.2% lower than it was when compared to the fourth quarter of 2005, and is 0.6% 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 264,081 square feet for the first quarter of 2006, which is almost 45,000 square feet more than the amount that was under construction in the first quarter of 2005.
- ◆ The R&D vacancy rate checked in at a low 5.39%, which is lower than it was a year ago when it was 7.11%. This lack of supply is creating a lot of constrained demand for R&D space in Orange County. This is a new record low for vacancy in the R&D market, beating the old record of 5.42% set in the third quarter of 1998.
- ◆ 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; 7.55% this quarter as compared to 8.57% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.01, which is almost 10% higher than it was this time last year. This is a new record high for lease rates in the R&D market.
- ◆ Net absorption for the R&D market this quarter posted a positive number of 178,783 square feet, giving the R&D Market in Orange County a total of 1.9 million square feet of positive absorption for the last five quarters.
- ◆ 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 2006.

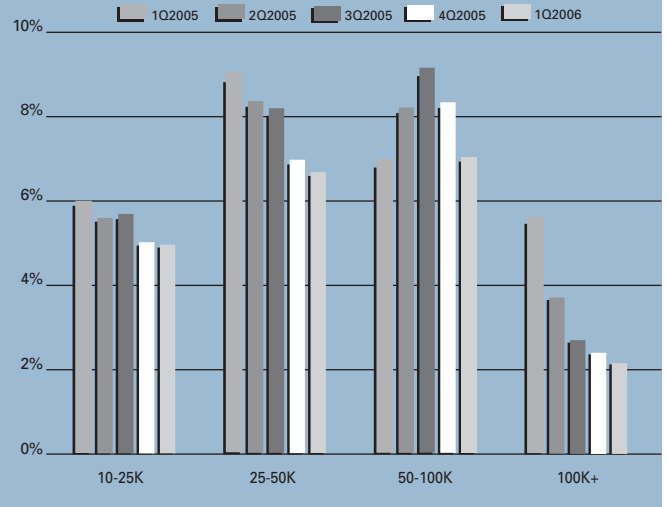
R&D MARKET STATISTICS

	1Q2006	4Q2005	1Q2005	% CHANGE VS. 1Q05
Under Construction	264,081	217,443	220,843	19.58%
Planned Construction	195,186	205,386	304,745	-35.95%
Vacancy	5.39%	5.87%	7.11%	-24.19%
Availability	7.55%	7.93%	8.57%	-11.90%
Pricing	\$1.01	\$0.97	\$0.92	9.78%
Net Absorption	178,783	315,019	715,722	N/A
Activity	1,181,557	1,550,617	1,951,338	-39.45%

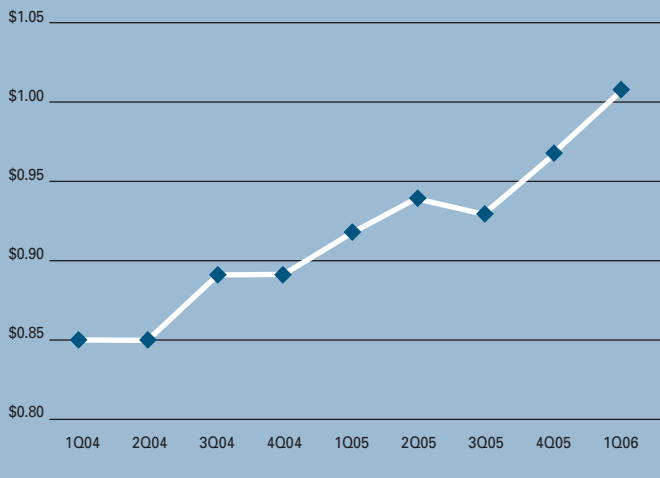
VACANCY RATE



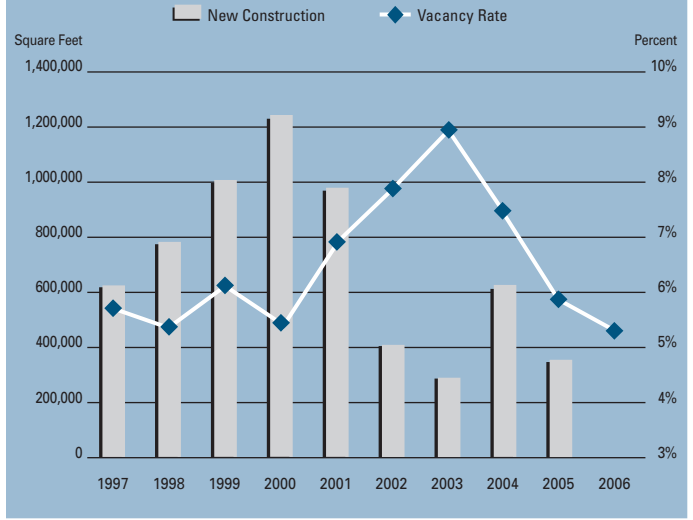
R&D VACANCY RATE



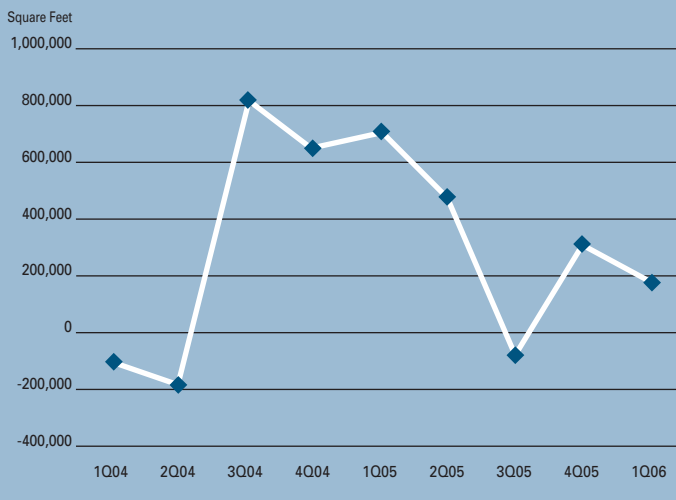
AVERAGE ASKING TRIPLE NET LEASE RATE



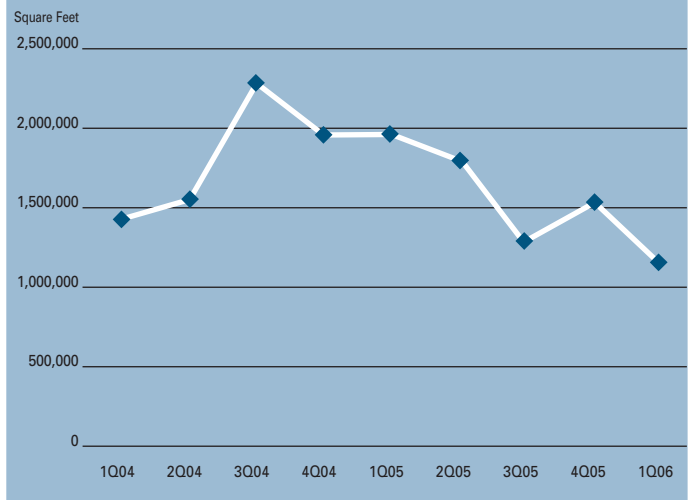
ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



ORANGE COUNTY

INVENTORY

VACANCY & LEASE RATES

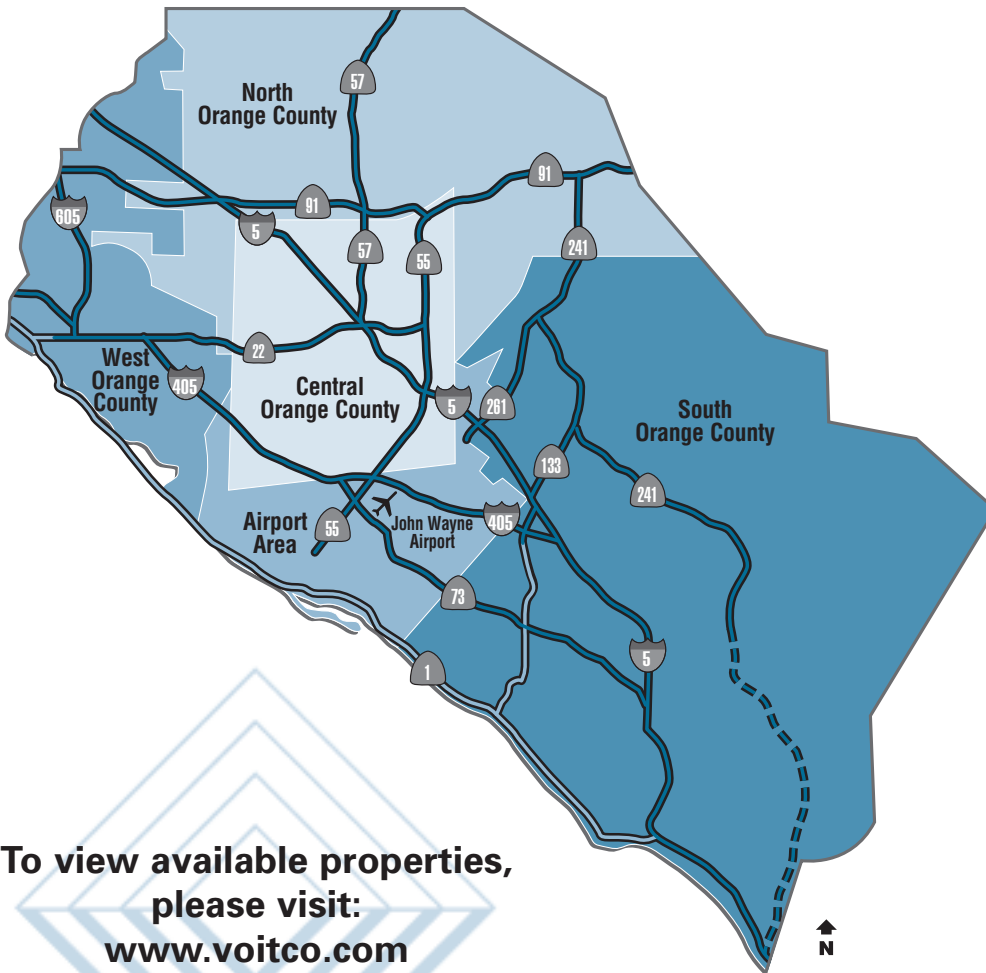
ABSORPTION

	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2006	Square Feet Available	Availability Rate 1Q2006	Average Asking Lease Rate	Net Absorption 1Q2006	Net Absorption 2005
North County											
Anaheim Hills	7	292,180	0	0	8,860	3.03%	8,860	3.03%	\$0.00	0	24,750
Anaheim	72	2,589,300	0	0	121,537	4.69%	217,308	8.39%	\$0.65	17,144	36,325
Brea	41	1,671,071	0	0	36,420	2.18%	122,748	7.35%	\$0.00	(3,348)	(18,223)
Buena Park	23	888,019	0	0	74,635	8.40%	74,635	8.40%	\$1.00	9,921	51,864
Fullerton	37	1,558,019	0	0	13,021	0.84%	79,501	5.10%	\$0.79	(6,513)	27,050
La Habra	7	107,089	0	0	0	0.00%	0	0.00%	\$0.00	0	0
La Palma	7	272,981	0	0	0	0.00%	939	0.34%	\$1.25	0	0
Placentia	19	545,794	0	0	1,940	0.36%	1,940	0.36%	\$0.65	17,938	151
Yorba Linda	54	1,441,451	0	0	110,104	7.64%	197,789	13.72%	\$0.70	9,898	44,277
North County Total	267	9,365,904	0	0	366,517	3.91%	703,720	7.51%	\$0.74	45,040	166,194
West County											
Cypress	44	2,724,528	0	0	157,516	5.78%	164,574	6.04%	\$0.83	19,391	140,604
Huntington Beach	84	1,912,133	0	0	63,075	3.30%	63,075	3.30%	\$0.89	(6,561)	15,104
Los Alamitos	30	672,980	0	0	11,926	1.77%	11,926	1.77%	\$0.74	(1,898)	21,563
West County Total	158	5,309,641	0	0	232,517	4.38%	239,575	4.51%	\$0.84	10,932	177,271
Central County											
Anaheim	80	2,010,630	0	0	116,471	5.79%	147,700	7.35%	\$1.15	(27,740)	18,722
Garden Grove	82	2,392,661	0	0	120,753	5.05%	281,281	11.76%	\$0.74	6,736	114,938
Orange	98	1,973,747	0	0	53,758	2.72%	58,787	2.98%	\$0.91	(8,767)	(2,343)
Santa Ana	47	1,300,010	0	0	29,140	2.24%	29,140	2.24%	\$0.00	7,876	726
Westminster	23	619,454	0	0	4,946	0.80%	4,946	0.80%	\$0.62	1,934	80,780
Central County Total	330	8,296,502	0	0	325,068	3.92%	521,854	6.29%	\$0.97	(19,961)	212,823
Airport Area											
Costa Mesa	154	3,722,573	0	0	298,901	8.03%	410,486	11.03%	\$1.09	(29,474)	142,060
Fountain Valley	47	1,359,166	0	49,186	66,696	4.91%	75,458	5.55%	\$0.00	(19,728)	(9,243)
Irvine	278	7,513,204	40,498	0	667,339	8.88%	667,339	8.88%	\$0.94	(41,311)	(33,372)
Newport Beach	23	777,826	0	0	24,397	3.14%	24,397	3.14%	\$0.00	(1,956)	18,986
Santa Ana	118	3,662,880	0	0	116,587	3.18%	123,341	3.37%	\$1.27	9,889	269,795
Tustin	91	3,135,337	0	0	43,862	1.40%	139,076	4.44%	\$1.00	57,216	151,820
Airport Area Total	711	20,170,986	40,498	49,186	1,217,782	6.04%	1,440,097	7.14%	\$1.00	(25,364)	540,046
South County											
Aliso Viejo	44	1,131,626	0	0	32,683	2.89%	69,794	6.17%	\$0.81	11,555	104,664
Foothill Ranch	6	135,698	0	0	0	0.00%	17,789	13.11%	\$0.99	0	0
Irvine Spectrum	257	10,174,645	69,310	0	813,049	7.99%	1,267,194	12.45%	\$1.17	109,263	358,205
Laguna Hills	51	1,098,607	0	0	21,674	1.97%	27,001	2.46%	\$1.46	21,190	(15,868)
Laguna Niguel	13	423,047	0	0	22,197	5.25%	22,197	5.25%	\$1.55	(1,138)	(6,360)
Lake Forest	58	1,493,584	0	0	57,605	3.86%	70,643	4.73%	\$1.21	13,954	129,623
Mission Viejo	30	587,025	0	0	49,855	8.49%	58,245	9.92%	\$0.00	(7,953)	(10,539)
Rancho Santa Margarita	53	1,831,385	0	0	37,344	2.04%	37,344	2.04%	\$1.35	38,820	127,955
San Clemente	44	973,044	154,273	146,000	136,968	14.08%	163,641	16.82%	\$0.92	(17,555)	(61,400)
San Juan Capistrano	37	539,079	0	0	3,118	0.58%	5,249	0.97%	\$1.20	0	332
South County Total	593	18,387,740	223,583	146,000	1,174,493	6.39%	1,739,097	9.46%	\$1.12	168,136	626,612
Orange County Total	2,059	61,530,773	264,081	195,186	3,316,377	5.39%	4,644,343	7.55%	\$1.01	178,783	1,722,946
North County											
10,000 to 24,999	157	2,494,304	0	0	91,724	3.68%	110,907	4.45%	\$0.88	23,821	(14,005)
25,000 to 49,999	74	2,540,224	0	0	124,774	4.91%	181,524	7.15%	\$0.69	5,552	61,763
50,000 to 99,999	24	1,632,533	0	0	77,251	4.73%	326,161	19.98%	\$0.00	15,667	71,238
100,000+	12	2,698,843	0	0	72,768	2.70%	85,128	3.15%	\$0.00	0	47,198
West County											
10,000 to 24,999	88	1,298,187	0	0	64,654	4.98%	64,654	4.98%	\$0.88	(3,640)	26,337
25,000 to 49,999	42	1,418,202	0	0	20,536	1.45%	20,536	1.45%	\$0.85	14,572	91,339
50,000 to 99,999	21	1,330,832	0	0	147,327	11.07%	154,385	11.60%	\$0.83	0	59,595
100,000+	7	1,262,420	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Central County											
10,000 to 24,999	233	3,668,768	0	0	134,766	3.67%	221,042	6.02%	\$0.88	(805)	(21,309)
25,000 to 49,999	73	2,377,263	0	0	121,510	5.11%	231,855	9.75%	\$1.05	(21,564)	111,847
50,000 to 99,999	16	1,081,511	0	0	53,402	4.94%	53,567	4.95%	\$0.00	(528)	21,233
100,000+	8	1,168,960	0	0	15,390	1.32%	15,390	1.32%	\$0.00	2,936	101,052
Airport Area											
10,000 to 24,999	467	7,529,801	12,349	12,100	451,629	6.00%	485,272	6.44%	\$0.99	(19,810)	87,699
25,000 to 49,999	167	5,689,044	28,149	37,086	369,408	6.49%	438,300	7.70%	\$1.04	(78,848)	425,352
50,000 to 99,999	56	3,752,803	0	0	256,901	6.85%	356,656	9.50%	\$1.06	46,734	31,017
100,000+	21	3,199,338	0	0	139,844	4.37%	159,869	5.00%	\$0.82	26,560	(4,022)
South County											
10,000 to 24,999	352	5,812,222	82,594	0	322,782	5.55%	418,448	7.20%	\$1.15	14,640	300,830
25,000 to 49,999	165	5,591,200	54,989	0	546,842	9.78%	619,683	11.08%	\$1.07	130,173	239,805
50,000 to 99,999	55	3,703,706	86,000	146,000	279,109	7.54%	386,016	10.42%	\$1.15	22,134	33,552
100,000+	21	3,280,612	0	0	25,760	0.79%	314,950	9.60%	\$1.04	1,189	52,425
Orange County											
10,000 to 24,999	1,297	20,803,282	94,943	12,100	1,065,555	5.12%	1,300,323	6.25%	\$0.98	14,206	379,552
25,000 to 49,999	521	17,615,933	83,138	37,086	1,183,070	6.72%	1,491,898	8.47%	\$1.00	49,885	930,106
50,000 to 99,999	172	11,501,385	86,000	146,000	813,990	7.08%	1,276,785	11.10%	\$1.07	84,007	216,635
100,000+	69	11,610,173	0	0	253,762	2.19%	575,337	4.96%	\$0.87	30,685	196,653
Orange County Total	2,059	61,530,773	264,081	195,186	3,316,377	5.39%	4,644,343	7.55%	\$1.01	178,783	1,722,946

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 2006



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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 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:

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FAX: 949.261.9092



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