

# FLEX MARKET REPORT

FIRST QUARTER 2007

Compared to last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES

RECORD HIGH



RECORD HIGH

## CONSTRUCTION



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**Voit**  
Commercial Brokerage



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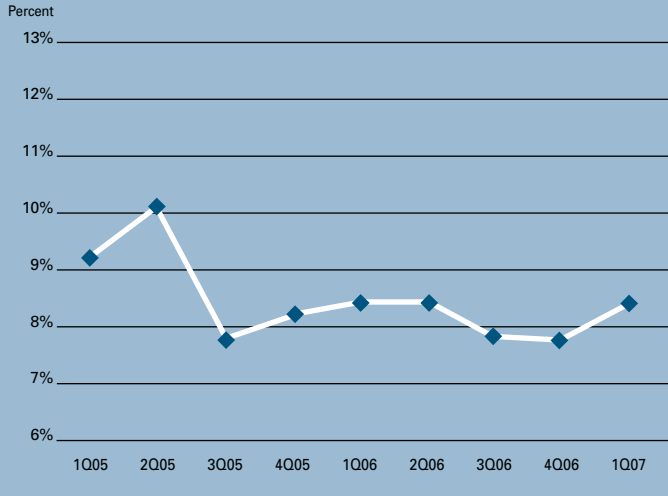
## MARKET HIGHLIGHTS

- ◆ Unemployment for the first quarter of 2007 in Orange County is 3.5%, which is 0.1% higher than it was when compared to the fourth quarter of 2006, and is 0.1% lower than it was a year ago.
- ◆ According to Chapman University, it is estimated that Orange County added 21,000 new payroll jobs in 2006. Furthermore, they are forecasting 15,000 new payroll jobs will be added to the county in 2007 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at 828,656 square feet for the first quarter of 2007, which is 920% increase over the amount that was under construction during the first quarter of 2006, when only 85,117 square feet was under construction. Another sign of strength is the 126,231 square feet of new product that was delivered in the first quarter of this year.
- ◆ The flex vacancy rate checked in at a low 8.51%, which is a little higher than it was a year ago when it was 8.4%.
- ◆ The total amount of flex space available in Orange County, which includes both direct and sublease space, is higher than it was a year ago; 13.45% this quarter as compared to 12.36% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot for Flex space in Orange County is currently at \$2.06 on a triple net basis, which is a 16.38% increase over last year's first quarter rate of \$1.77. This is a new record high for lease rates in the flex market.
- ◆ Net absorption for the county this quarter posted a negative number of 71,893 square feet, giving the county a total of over two point five million square feet of positive absorption for the last fourteen 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 5% to 10% in 2006.

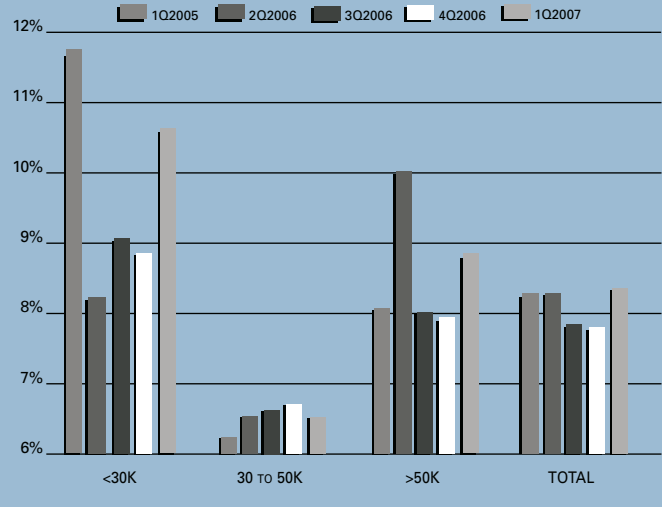
## FLEX MARKET STATISTICS

	1Q2007	4Q2006	1Q2006	% CHANGE VS. 1Q06
Under Construction	868,656	290,889	85,117	920.54%
Planned Construction	179,112	134,550	145,180	23.37%
Vacancy	8.51%	7.76%	8.40%	1.31%
Availability	13.45%	12.79%	12.36%	8.82%
Pricing	\$2.06	\$1.98	\$1.77	16.38%
Net Absorption	-71,893	107,318	134,054	N/A
Activity	436,060	617,398	568,249	-23.26%

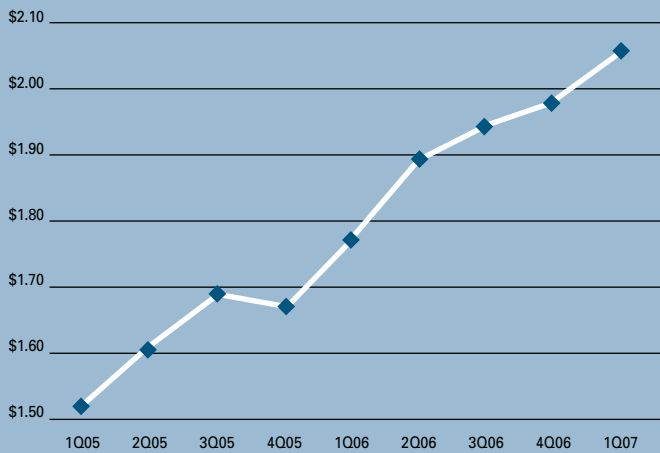
## VACANCY RATE



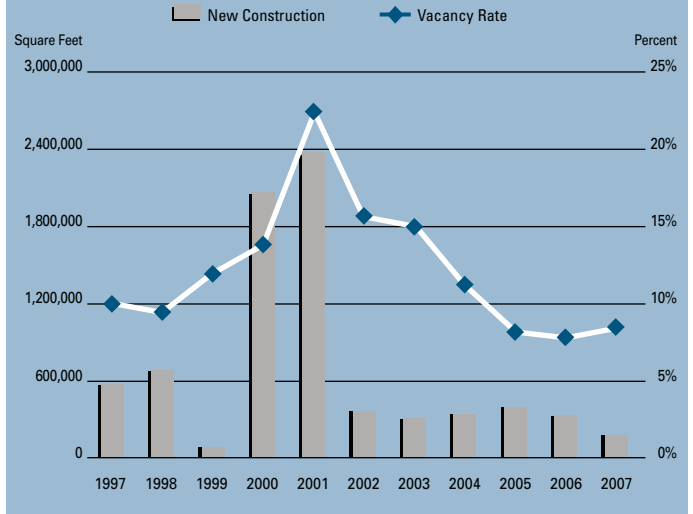
## FLEX VACANCY RATE



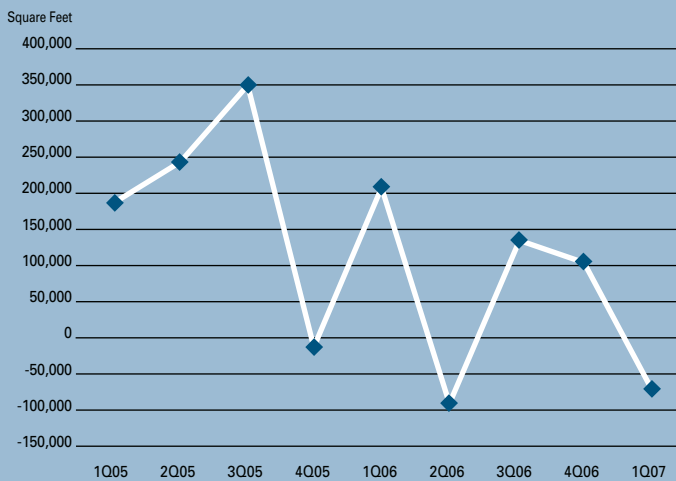
## AVERAGE ASKING TRIPLE NET LEASE RATE



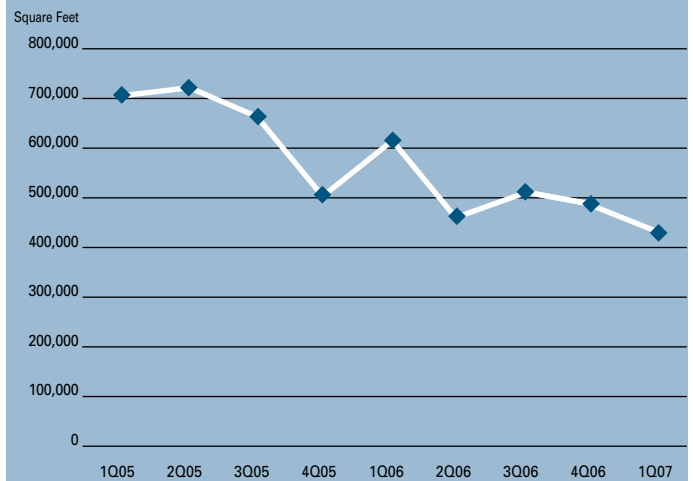
## ANNUAL FLEX NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



ORANGE COUNTY

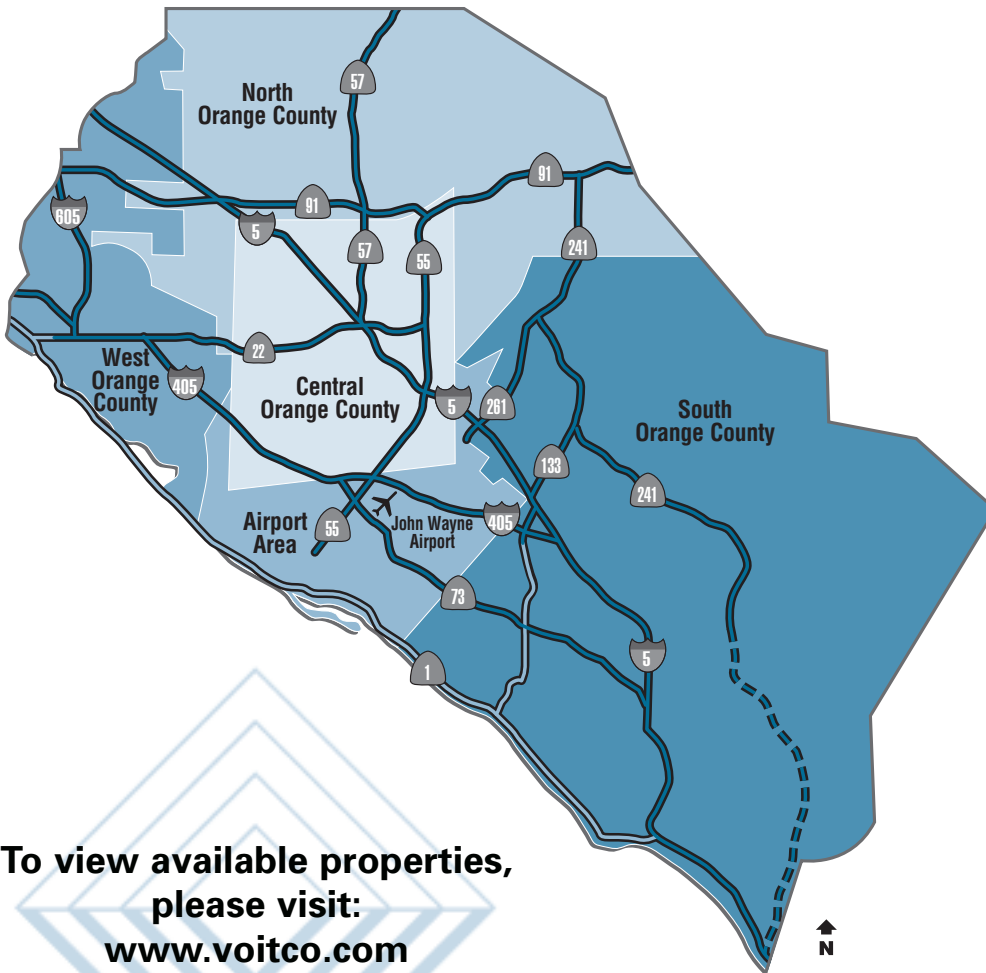
	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2007	Square Feet Available	Availability Rate 1Q2007	Average Asking Lease Rate	Net Absorption 1Q2007	Net Absorption 2006	Net Absorption 2005	Net Absorption 2004
<b>North County</b>													
Anaheim Hills	13	218,969	0	0	8,281	3.78%	8,281	3.78%	\$0.00	(1,000)	(6,458)	4,803	10,352
Anaheim	7	158,680	0	0	13,461	8.48%	13,461	8.48%	\$0.00	360	(150)	14,251	10,561
Brea	15	456,680	0	0	28,499	6.24%	32,735	7.17%	\$1.15	(3,276)	13,981	(8,726)	72,846
Fullerton	9	109,882	0	20,000	8,440	0.00%	8,440	7.68%	\$0.00	0	3,600	100	19,700
Placentia	2	32,250	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Yorba Linda	1	10,560	0	0	4,953	46.90%	4,953	46.90%	\$0.00	0	(4,953)	0	0
<b>North County Total</b>	<b>47</b>	<b>987,021</b>	<b>0</b>	<b>20,000</b>	<b>63,634</b>	<b>6.45%</b>	<b>67,870</b>	<b>6.88%</b>	<b>\$1.15</b>	<b>(3,916)</b>	<b>6,020</b>	<b>10,428</b>	<b>113,459</b>
<b>West County</b>													
Cypress	8	324,081	0	0	12,931	3.99%	0	0.00%	\$1.40	18,215	31,270	38,313	772
Huntington Beach	3	48,796	0	0	8,712	17.85%	8,712	17.85%	\$0.00	(1,138)	(5,326)	10,985	(1,520)
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	\$0.00	0	842	(842)	8,787
<b>West County Total</b>	<b>15</b>	<b>415,882</b>	<b>0</b>	<b>0</b>	<b>21,643</b>	<b>5.20%</b>	<b>8,712</b>	<b>2.09%</b>	<b>\$1.40</b>	<b>17,077</b>	<b>26,786</b>	<b>48,456</b>	<b>8,039</b>
<b>Central County</b>													
Anaheim	9	240,958	0	0	4,783	1.98%	4,783	1.98%	\$0.00	0	(4,783)	7,164	49,879
Garden Grove	2	27,400	0	0	0	0.00%	0	0.00%	\$0.00	0	1,260	(1,260)	0
Orange	7	146,612	0	0	850	0.58%	850	0.58%	\$0.00	(850)	646	11,490	34,501
Santa Ana	10	167,782	0	0	9,797	5.84%	9,797	5.84%	\$0.00	12,651	0	10,011	229
Tustin	2	18,600	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>Central County Total</b>	<b>30</b>	<b>601,352</b>	<b>0</b>	<b>0</b>	<b>15,430</b>	<b>2.57%</b>	<b>15,430</b>	<b>2.57%</b>	<b>\$0.00</b>	<b>11,801</b>	<b>(2,877)</b>	<b>27,405</b>	<b>84,609</b>
<b>Airport Area</b>													
Costa Mesa	4	53,851	0	0	0	0.00%	2,790	5.18%	\$0.00	0	0	14,688	28,090
Irvine	69	3,156,549	0	98,308	208,123	6.59%	523,687	16.55%	\$2.18	(45,319)	81,464	184,544	122,450
Newport Beach	27	627,180	0	0	34,623	5.52%	34,623	5.52%	\$0.00	15,228	58,118	(42,173)	16,610
Santa Ana	9	386,774	0	3,000	20,571	5.32%	105,530	27.28%	\$2.00	10,473	13,998	21,748	(3,730)
Tustin	4	195,758	0	0	48,772	24.91%	48,772	24.91%	\$0.00	(72)	(48,700)	7,110	24,129
<b>Airport Area Total</b>	<b>113</b>	<b>4,420,112</b>	<b>0</b>	<b>101,308</b>	<b>312,089</b>	<b>7.06%</b>	<b>715,402</b>	<b>16.19%</b>	<b>\$2.15</b>	<b>(19,690)</b>	<b>105,180</b>	<b>185,917</b>	<b>187,549</b>
<b>South County</b>													
Aliso Viejo	42	1,304,764	0	0	57,525	4.41%	94,982	7.28%	\$1.82	9,837	(13,878)	12,375	35,901
Dana Point	3	54,340	0	0	612	1.13%	612	1.13%	\$2.50	0	2,738	0	0
Foothill Ranch	4	119,659	46,368	0	30,109	25.16%	30,109	25.16%	\$2.35	(4,766)	(2,800)	29,482	0
Irvine Spectrum	142	4,151,146	782,288	0	495,711	11.94%	820,771	19.77%	\$2.03	(100,832)	122,087	292,745	460,580
Laguna Beach	4	81,872	0	3,000	7,659	9.35%	7,659	9.35%	\$0.00	1,893	321	0	0
Laguna Hills	14	430,825	0	0	48,233	11.20%	57,116	13.26%	\$0.00	4,517	13,553	(42,124)	7,297
Laguna Niguel	4	98,481	0	0	989	1.00%	989	1.00%	\$3.15	0	0	6,000	7,638
Lake Forest	35	1,279,050	0	0	125,891	9.84%	114,687	8.97%	\$1.64	2	41,732	164,714	3,719
Mission Viejo	30	444,232	0	16,150	30,061	6.77%	31,161	7.01%	\$2.50	(15,543)	4,360	43,793	51,427
Rancho Santa Margarita	6	197,311	0	0	5,527	2.80%	12,812	6.49%	\$3.00	4,242	4,985	36,117	11,092
San Clemente	9	181,540	0	0	14,708	8.10%	22,106	12.18%	\$0.00	8,140	43,567	17,526	2,519
San Juan Capistrano	22	470,473	0	38,654	67,181	14.28%	49,102	10.44%	\$2.30	15,345	41,225	48,544	(1,762)
<b>South County Total</b>	<b>315</b>	<b>8,813,693</b>	<b>828,656</b>	<b>57,804</b>	<b>884,206</b>	<b>10.03%</b>	<b>1,242,106</b>	<b>14.09%</b>	<b>\$2.02</b>	<b>(77,165)</b>	<b>257,890</b>	<b>609,172</b>	<b>578,411</b>
<b>Orange County Total</b>	<b>520</b>	<b>15,238,060</b>	<b>828,656</b>	<b>179,112</b>	<b>1,297,002</b>	<b>8.51%</b>	<b>2,049,520</b>	<b>13.45%</b>	<b>\$2.06</b>	<b>(71,893)</b>	<b>392,999</b>	<b>881,378</b>	<b>972,067</b>

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
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<b>North County</b>													
0 to 29,999	37	543,379	0	20,000	42,661	7.85%	45,697	8.41%	\$1.22	(7,516)	8,265	4,166	30,313
30,000 to 49,999	8	320,642	0	0	19,258	6.01%	20,458	6.38%	\$0.00	3,600	(2,650)	2,016	4,615
50,000+	2	123,000	0	0	1,715	1.39%	1,715	1.39%	\$0.00	0	405	4,246	78,531
<b>West County</b>													
0 to 29,999	9	97,114	0	0	8,712	8.97%	8,712	8.97%	\$0.00	(1,138)	9,316	30,182	(2,740)
30,000 to 49,999	3	118,562	40,000	0	0	0.00%	0	0.00%	\$0.00	0	20,480	37,783	(14,200)
50,000+	3	200,206	0	0	12,931	6.46%	0	0.00%	\$0.00	18,215	(3,010)	(19,509)	24,979
<b>Central County</b>													
0 to 29,999	25	354,393	0	3,000	15,430	4.35%	15,430	4.35%	\$0.00	11,801	(3,523)	22,083	14,957
30,000 to 49,999	1	33,070	0	0	0	0.00%	0	0.00%	\$0.00	0	0	1,867	19,652
50,000+	4	213,889	0	0	0	0.00%	0	0.00%	\$0.00	0	646	3,455	50,000
<b>Airport Area</b>													
0 to 29,999	36	555,822	0	21,222	16,050	2.89%	35,625	6.41%	\$1.75	20,138	12,007	49,512	60,711
30,000 to 49,999	39	1,602,650	0	77,086	75,004	4.68%	218,162	13.61%	\$2.06	10,678	21,737	121,913	66,866
50,000+	38	2,261,640	0	0	221,035	9.77%	461,615	20.41%	\$2.19	(50,506)	71,436	14,492	61,192
<b>South County</b>													
0 to 29,999	180	2,547,965	828,656	57,804	354,272	13.90%	337,625	13.25%	\$2.01	(47,211)	289,255	316,781	(14,032)
30,000 to 49,999	84	3,320,537	0	0	260,294	7.84%	449,975	13.55%	\$2.01	(8,995)	107,191	69,718	153,617
50,000+	51	2,945,191	0	0	269,640	9.16%	454,506	15.43%	\$2.04	(20,959)	(138,556)	222,673	438,826
<b>Orange County</b>													
0 to 29,999	287	4,098,673	828,656	102,026	437,125	10.67%	443,089	10.81%	\$2.01	(23,926)	315,320	422,724	89,209
30,000 to 49,999	135	5,395,461	40,000	77,086	354,556	6.57%	688,595	12.76%	\$2.02	5,283	146,758	233,297	230,550
50,000+	98	5,743,926	0	0	505,321	8.80%	917,836	15.98%	\$2.11	(53,250)	(69,079)	225,357	653,528
<b>Orange County Total</b>	<b>520</b>	<b>15,238,060</b>	<b>868,656</b>	<b>179,112</b>	<b>1,297,002</b>	<b>8.51%</b>	<b>2,049,520</b>	<b>13.45%</b>	<b>\$2.06</b>	<b>(71,893)</b>	<b>392,999</b>	<b>881,378</b>	<b>972,067</b>

This survey consists of buildings up to 74,999 square feet. Lease rates are on a triple net basis.

# FLEX MARKET REPORT

FIRST QUARTER 2007



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## SUBMARKETS

### NORTH

Anaheim Hills, Anaheim, Brea, Fullerton, Placentia, Yorba Linda

### WEST

Cypress, Huntington Beach, Seal Beach

### CENTRAL

Anaheim, Garden Grove, Orange, Santa Ana, Tustin

### AIRPORT

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

### SOUTH

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

## PRODUCT TYPE

### FLEX-TECH OR CORPORATE HEADQUARTER

Minimum 75% improved with drop ceiling, minimum parking ratio of 3.5 to 1, minimum of 3 elevations with full glassline, with ground level loading possible.

For Further Information:

### ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.  
Orange, California 92868-1642

**TEL: 714.978.7880**

**FAX: 714.978.9431**

### IRVINE OFFICE

2020 Main St., Suite 100  
Irvine, CA 92614

**TEL: 949.851.5100**

**FAX: 949.261.9092**



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