

OFFICE MARKET REPORT

FIRST
QUARTER
2007

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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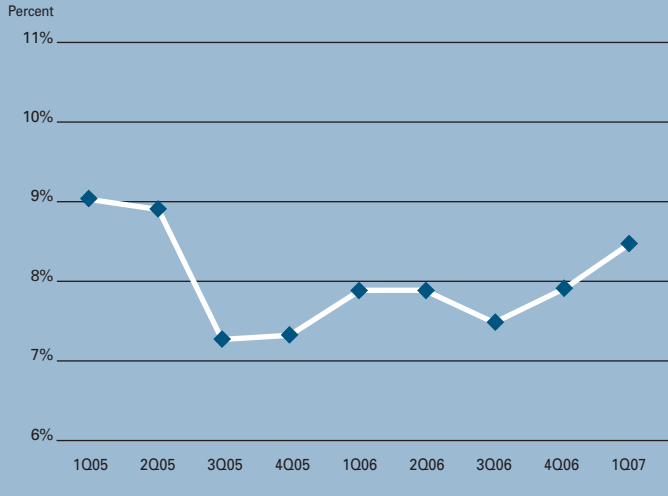
MARKET HIGHLIGHTS

- ◆ 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 4.6 million square feet for the first quarter of 2007, which is 8.3% higher than the amount that was under construction this same time last year. Almost half of the space currently under construction is either pre-leased or build to suit.
- ◆ The office vacancy rate recorded a sub 10% level of 8.49%, constituting a 6.41% increase over last year's first quarter low rate of 7.96%. This sub 10% level explains the construction activity and the upward pressure on the average asking lease rate.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, was at 12.35% this quarter, up from 10.41% in the first quarter of 2006, representing an increase of 18.64%. This increase was largely due to the amount of space that mortgage companies and mortgage related businesses put on the market recently.
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.63, which is a 10.04% increase over last year's first quarter rate of \$2.39. This is the thirteenth consecutive quarter of positive lease rate growth, which represents a new record high.
- ◆ Net absorption for the county this quarter posted a small negative number of 65,700 square feet for the first quarter of 2007. Activity was also off this quarter by 10.06% when compared to the first quarter of 2006.
- ◆ 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 annual lease rate growth of at least 5% to 10% continuing in 2007.

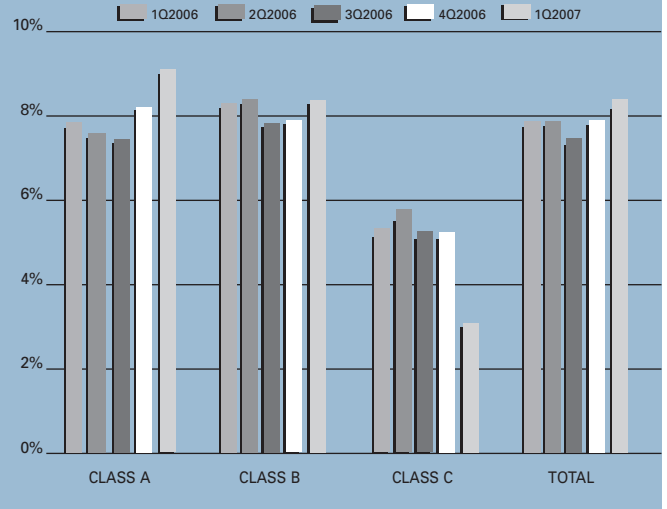
OFFICE MARKET STATISTICS

	1Q2007	4Q2006	1Q2006	% CHANGE VS. 1Q06
Under Construction	4,619,134	4,926,803	4,265,180	8.30%
Planned Construction	3,556,506	3,207,255	3,735,909	-4.80%
Vacancy	8.47%	7.91%	7.96%	6.41%
Availability	12.35%	11.50%	10.41%	18.64%
Pricing	\$2.63	\$2.52	\$2.39	10.04%
Absorption	-65,700	119,559	200,639	N/A
Activity	2,754,743	2,838,126	3,062,773	-10.06%

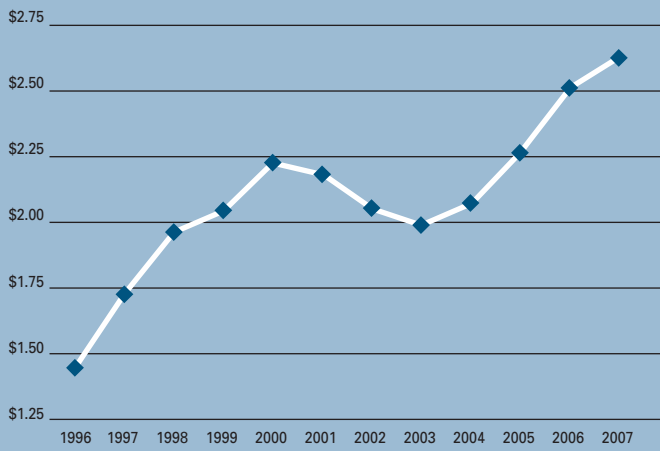
VACANCY RATE



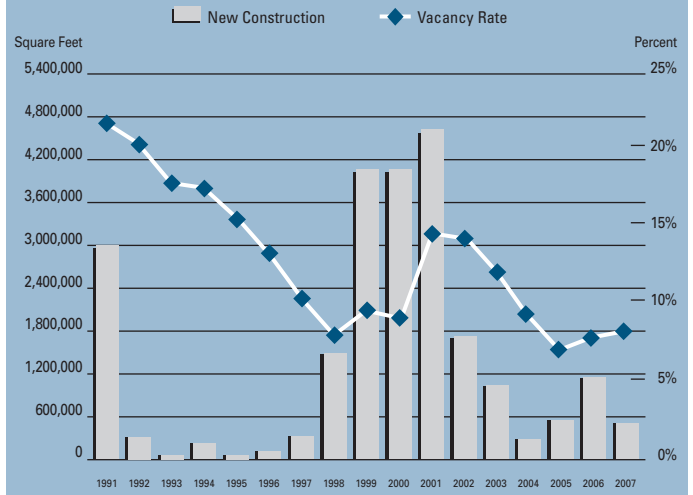
OFFICE VACANCY RATE



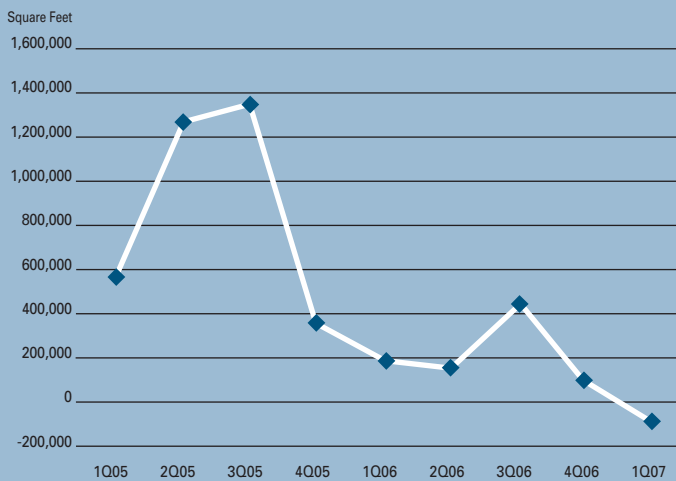
AVERAGE ASKING FULL SERVICE LEASE RATE



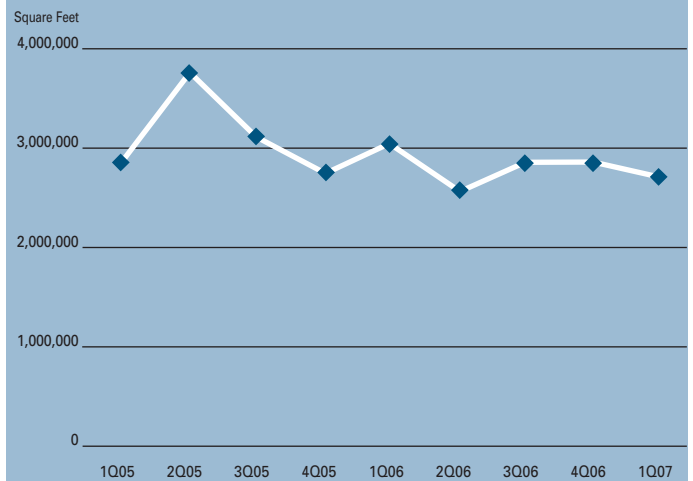
ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



FIRST QUARTER 2007

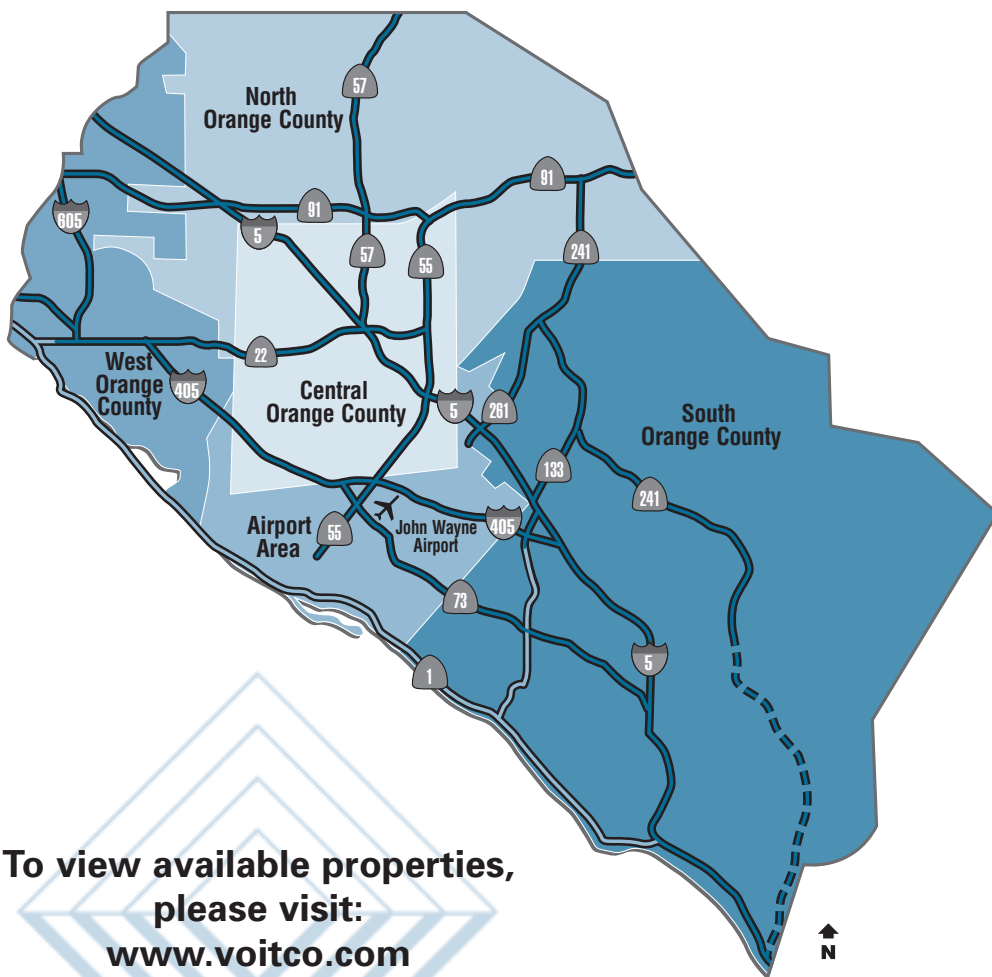
O R A N G E C O U N T Y

	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
North County													
Anaheim Hills	12	739,491	0	62,500	7,913	1.07%	20,014	2.71%	\$2.04	13,669	3,541	(4,960)	11,569
Brea	42	3,324,707	0	202,250	286,904	8.63%	678,740	20.42%	\$2.55	(81,522)	128,295	55,533	324,162
Buena Park	10	619,061	0	0	59,099	9.55%	74,899	12.10%	\$1.89	5,669	(2,753)	60,223	107,805
Fullerton	28	1,958,719	81,634	0	48,276	2.46%	71,997	3.68%	\$2.01	(159)	(30,143)	7,653	(7,982)
La Habra	7	376,859	0	0	8,513	2.26%	8,513	2.26%	\$1.65	(2,022)	4,489	21,392	20,641
La Palma	8	592,841	0	0	12,491	2.11%	32,439	5.47%	\$2.16	7,821	6,815	7,937	1,637
Placentia	5	165,875	0	0	11,189	6.75%	25,212	15.20%	\$1.95	(365)	4,732	(10,228)	7,777
Yorba Linda	6	319,684	0	0	9,884	3.09%	18,865	5.90%	\$1.75	(1,621)	4,068	(2,908)	12,119
North County Total	118	8,097,237	81,634	264,750	444,269	5.49%	930,679	11.49%	\$2.40	(58,530)	119,044	134,642	477,728
West County													
Cypress	28	2,057,476	0	0	222,925	10.83%	222,925	10.83%	\$2.08	(100,837)	66,946	176,874	18,404
Fountain Valley	34	1,703,083	0	0	186,881	10.97%	206,754	12.14%	\$2.22	(7,419)	(76,147)	83,818	(33,842)
Garden Grove	21	938,018	0	45,000	43,689	4.66%	66,328	7.07%	\$1.83	(1,944)	(10,187)	63,100	3,129
Huntington Beach	44	2,497,201	40,000	0	136,789	5.48%	173,109	6.93%	\$2.13	38,253	(8,858)	105,552	(83,869)
Los Alamitos	11	572,878	0	0	24,387	4.26%	27,963	4.88%	\$1.90	(6,841)	(17,546)	19,217	(3,163)
Seal Beach	6	425,418	0	0	13,105	3.08%	33,785	7.94%	\$2.95	(5,026)	5,276	24,082	15,106
Stanton	2	85,917	0	0	9,771	11.37%	9,771	11.37%	\$0.00	(4,618)	(1,552)	14,852	2,868
Westminster	13	587,051	0	0	57,823	9.85%	57,823	9.85%	\$2.12	(5,505)	(27,640)	(10,926)	27,647
West County Total	159	8,867,042	40,000	45,000	695,370	7.84%	798,458	9.00%	\$2.13	(93,937)	(69,708)	476,569	(53,720)
Central County													
Anaheim	88	6,112,789	0	463,211	764,219	12.50%	764,219	12.50%	\$2.32	(92,683)	(231,219)	116,941	43,136
Orange	75	6,819,148	0	65,000	452,536	6.64%	613,550	9.00%	\$2.54	(33,879)	6,986	191,690	(58,970)
Santa Ana	174	12,289,730	0	785,319	937,000	7.62%	1,267,801	10.32%	\$2.25	(18,280)	89,187	568,439	28,963
Tustin	39	1,680,462	368,649	0	300,740	17.90%	290,193	17.27%	\$2.25	44,139	(63,502)	(38,960)	3,037
Central County Total	376	26,902,129	368,649	1,313,530	2,454,495	9.12%	2,935,763	10.91%	\$2.33	(100,703)	(198,548)	835,110	16,166
Airport Area													
Corona Del Mar	2	86,378	0	0	3,854	4.46%	3,854	4.46%	\$3.85	0	(3,854)	12,200	(12,200)
Costa Mesa	69	6,647,969	0	426,510	558,451	8.40%	960,652	14.45%	\$2.77	98,744	85,038	362,251	52,840
Irvine	259	22,611,745	2,959,985	600,016	2,188,587	9.68%	3,395,876	15.02%	\$2.88	11,792	-14,547	953,637	1,081,510
Newport Beach	130	9,615,480	0	0	582,698	6.06%	1,102,183	11.46%	\$3.18	14,150	383,273	76,855	455,906
Airport Area Total	460	38,961,572	2,959,985	1,026,526	3,333,590	8.56%	5,462,565	14.02%	\$2.93	124,686	449,910	1,404,943	1,578,056
South County													
Aliso Viejo	44	2,952,041	407,500	730,000	274,146	9.29%	311,444	10.55%	\$2.88	(82,126)	(27,873)	113,223	296,782
Dana Point	2	91,876	0	0	0	0.00%	0	0.00%	\$0.00	0	0	(5,000)	0
Foothill Ranch	11	813,550	0	0	97,684	12.01%	220,186	27.06%	\$2.73	7,830	(59,085)	108,744	30,573
Irvine Spectrum	106	6,769,793	624,366	125,700	700,985	10.35%	1,231,851	18.20%	\$3.11	(36,782)	121,532	192,028	604,231
Laguna Beach	5	193,268	0	0	4,016	2.08%	4,016	2.08%	\$0.00	(1,004)	5,141	(8,153)	0
Laguna Hills	37	1,927,008	0	0	108,652	5.64%	131,752	6.84%	\$2.41	(17,504)	16,641	90,742	(32)
Laguna Niguel	10	664,413	0	0	32,777	4.93%	37,562	5.65%	\$3.00	10,940	(8,318)	9,021	(23,007)
Lake Forest	42	2,123,398	0	0	190,333	8.96%	190,333	8.96%	\$2.18	28,106	(19)	200,861	64,645
Mission Viejo	38	1,910,707	80,000	51,000	122,337	6.40%	139,818	7.32%	\$2.38	167,523	18,618	60,592	16,353
Rancho Santa Margarita	6	219,030	57,000	0	2,637	1.20%	10,172	4.64%	\$2.20	0	9,713	28,229	13,039
San Clemente	10	388,843	0	0	12,889	3.31%	15,090	3.88%	\$2.48	3,350	14,773	9,919	26,925
San Juan Capistrano	16	808,142	0	0	140,239	17.35%	140,239	17.35%	\$2.53	(17,549)	162,854	40,621	(1,938)
South County Total	327	18,862,069	1,168,866	906,700	1,686,695	8.94%	2,432,463	12.90%	\$2.70	62,784	253,977	840,827	1,027,571
Orange County Total	1,440	101,690,049	4,619,134	3,556,506	8,614,419	8.47%	12,559,928	12.35%	\$2.63	(65,700)	554,675	3,692,091	3,045,801

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North County													
Class A	23	2,508,741	0	182,500	92,964	3.71%	301,808	12.03%	\$2.80	(30,795)	204,718	148,340	262,161
Class B	84	5,134,669	81,634	82,250	345,004	6.72%	616,655	12.01%	\$2.15	(32,890)	(78,797)	(13,381)	207,683
Class C	11	453,827	0	0	6,301	1.39%	12,216	2.69%	\$1.22	5,155	(6,877)	(317)	7,884
West County													
Class A	29	2,829,731	40,000	45,000	179,300	6.34%	225,964	7.99%	\$2.36	12,144	(5,968)	291,803	(33,419)
Class B	101	4,706,172	0	0	491,428	10.44%	546,352	11.61%	\$1.94	(94,792)	48,517	166,949	(16,202)
Class C	29	1,331,139	0	0	24,642	1.85%	26,142	1.96%	\$1.64	(11,289)	(112,257)	17,817	(4,099)
Central County													
Class A	79	11,899,958	203,636	1,218,530	1,161,804	9.76%	1,355,737	11.39%	\$2.57	(62,172)	(273,846)	653,691	2,117
Class B	245	12,848,794	165,013	95,000	1,195,110	9.30%	1,462,809	11.38%	\$2.00	(38,577)	81,279	145,258	41,834
Class C	52	2,153,377	0	0	97,581	4.53%	117,217	5.44%	\$1.60	46	(5,981)	36,161	(27,785)
Airport Area													
Class A	130	21,755,287	1,897,331	895,510	2,066,245	9.50%	3,546,230	16.30%	\$3.13	194,016	(200,180)	653,325	1,139,278
Class B	296	15,597,692	1,062,654	131,016	1,220,969	7.83%	1,832,516	11.75%	\$2.41	(139,063)	651,062	718,678	435,768
Class C	34	1,608,593	0	0	46,376	2.88%	83,819	5.21%	\$1.84	69,733	(972)	32,940	3,010
South County													
Class A	100	8,296,759	1,080,366	730,000	810,464	9.77%	1,078,788	13.00%	\$2.84	43,433	10,105	553,016	503,357
Class B	217	10,222,876	88,500	176,700	864,934	8.46%	1,341,432	13.12%	\$2.39	23,781	238,757	287,482	530,320
Class C	10	342,434	0	0	11,297	3.30%	12,243	3.58%	\$1.90	(4,430)	5,115	329	(16,106)
Orange County													
Class A	361	47,290,476	3,221,333	3,071,540	4,310,777	9.12%	6,508,527	13.76%	\$2.89	156,626	(265,171)	2,300,175	1,873,494
Class B	943	48,510,203	1,397,801	484,966	4,117,445	8.48%	5,799,764	11.98%	\$2.20	(281,541)	940,818	1,304,986	1,199,403
Class C	136	5,889,370	0	0	186,197	3.16%	251,637	4.27%	\$1.65	59,215	(120,972)	86,930	(27,096)
Orange County Total	1,440	101,690,049	4,619,134	3,556,506	8,614,419	8.47%	12,559,928	12.35%	\$2.63	(65,700)	554,675	3,692,091	3,045,801

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FIRST QUARTER 2007



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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:

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