

# R & D MARKET REPORT

FIRST  
QUARTER  
2007

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



## CONSTRUCTION



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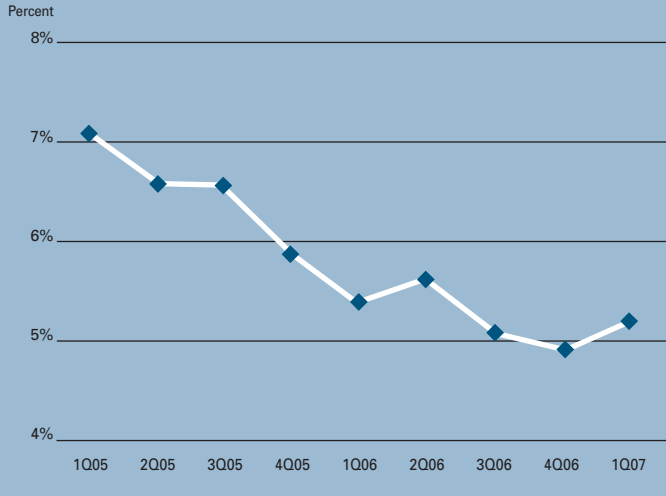
## MARKET HIGHLIGHTS

- ◆ 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 86,708 square feet for the first quarter of 2007, which is 67.17% less than the amount that was under construction in the first quarter of 2006.
- ◆ The R&D vacancy rate checked in at a low 5.23%, which is lower than it was a year ago when it was 5.39%. 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; 6.29% this quarter as compared to 7.55% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.18, which is 16.83% higher than it was this time last year.
- ◆ Net absorption for the R&D market this quarter posted a negative number of 214,083 square feet, giving the R&D Market in Orange County a total of almost 4 million square feet of positive absorption for the last three years.
- ◆ 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 2007.

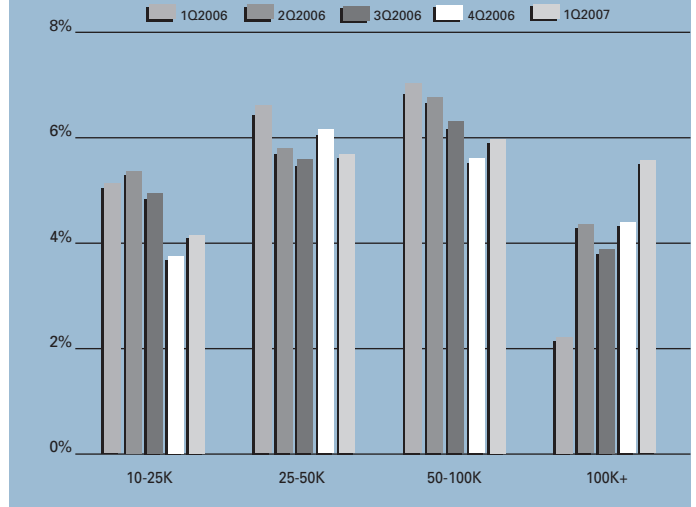
## R&D MARKET STATISTICS

	1Q2007	4Q2006	1Q2006	% CHANGE VS. 1Q06
Under Construction	86,708	140,414	264,081	-67.17%
Planned Construction	372,380	297,583	195,186	90.78%
Vacancy	5.23%	4.93%	5.39%	-2.97%
Availability	6.29%	5.87%	7.55%	-16.69%
Pricing	\$1.18	\$1.24	\$1.01	16.83%
Net Absorption	-214,083	181,374	178,783	N/A
Activity	1,331,155	1,316,977	1,181,557	12.66%

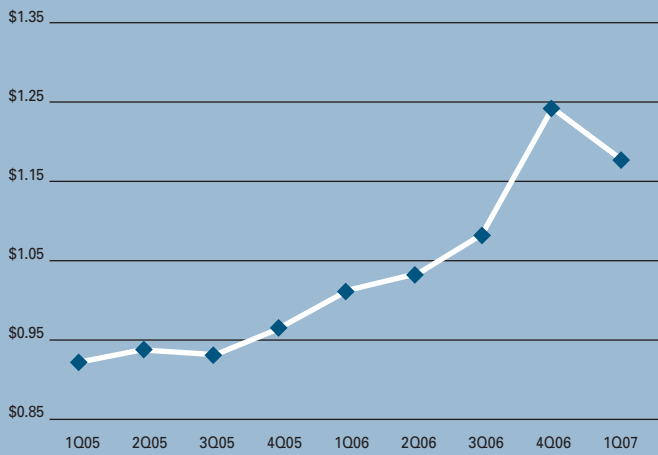
## VACANCY RATE



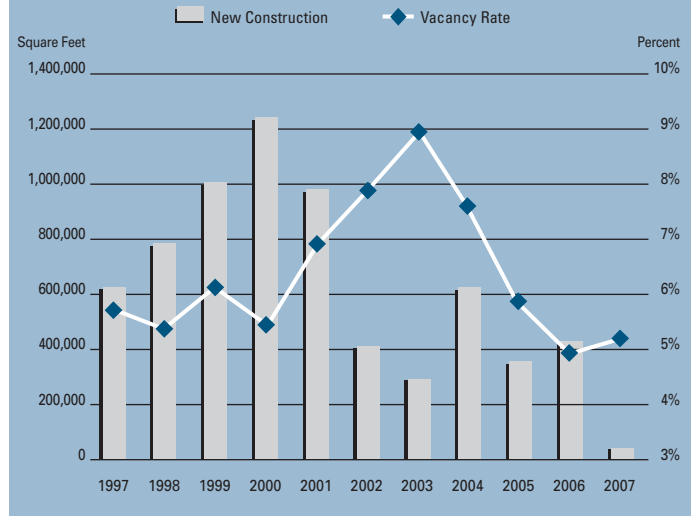
## R&D VACANCY RATE



## AVERAGE ASKING TRIPLE NET LEASE RATE



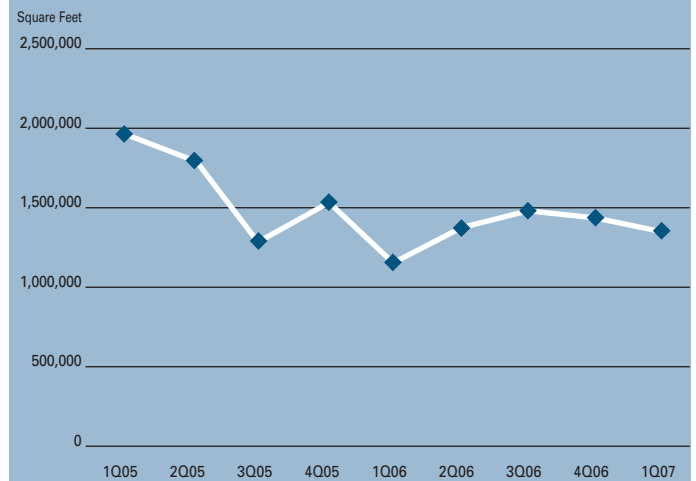
## ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



ORANGE COUNTY

INVENTORY

VACANCY & LEASE RATES

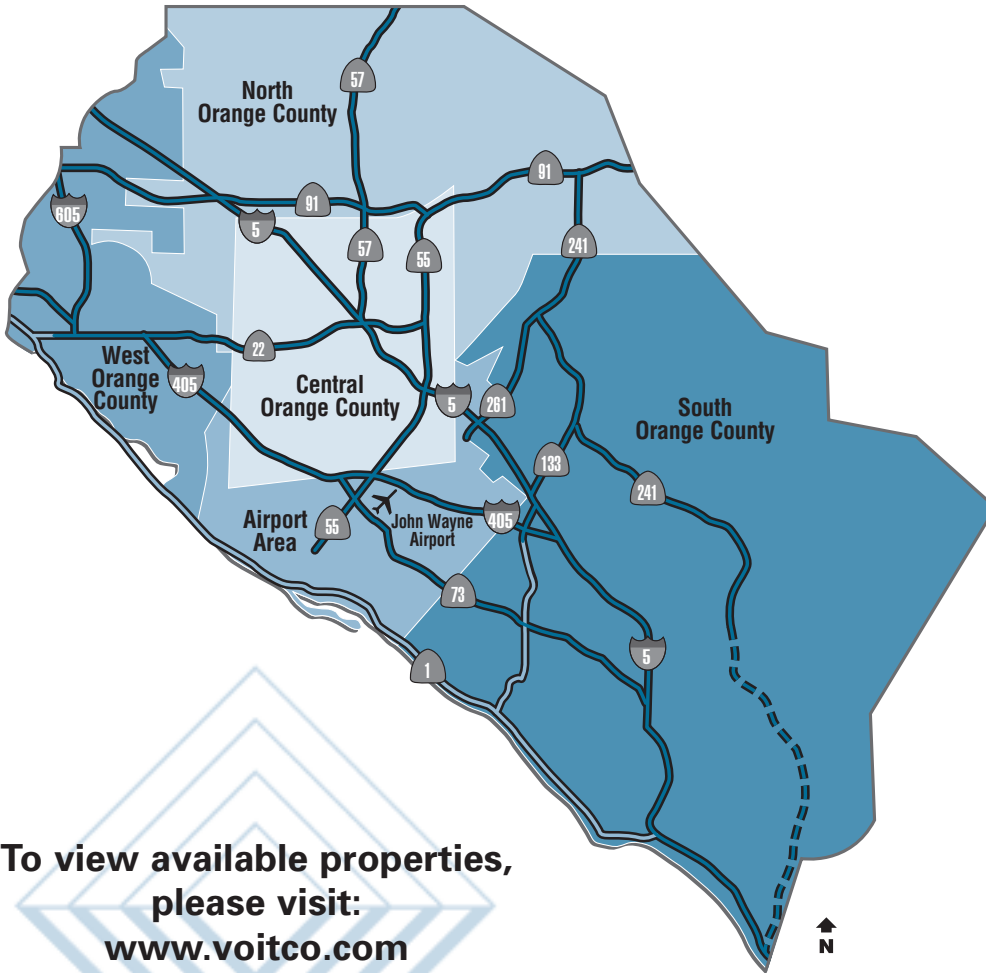
ABSORPTION

	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2007	Square Feet Available	Availability Rate 1Q2007	Average Asking Lease Rate	Net Absorption 1Q2007	Net Absorption 2006
<b>North County</b>											
Anaheim Hills	7	293,786	0	0	12,673	4.31%	8,875	3.02%	\$0.00	3,187	(7,000)
Anaheim	75	2,524,003	0	0	153,642	6.09%	162,027	6.42%	\$0.75	(80,735)	61,202
Brea	42	1,685,835	36,107	0	42,425	2.52%	51,078	3.03%	\$0.00	1,020	(10,373)
Buena Park	24	950,026	0	0	49,732	5.23%	70,812	7.45%	\$1.00	1,286	33,538
Fullerton	37	985,066	0	0	28,095	2.85%	93,732	9.52%	\$0.95	(2,337)	(19,250)
La Habra	6	95,589	0	0	0	0.00%	0	0.00%	\$0.00	0	0
La Palma	7	272,981	0	0	0	0.00%	41,854	15.33%	\$1.40	0	0
Placentia	18	506,794	0	0	4,515	0.89%	22,548	4.45%	\$1.13	1,390	13,973
Yorba Linda	53	1,405,953	0	0	112,904	8.03%	84,402	6.00%	\$0.85	(15,249)	(17,765)
<b>North County Total</b>	<b>269</b>	<b>8,720,033</b>	<b>36,107</b>	<b>0</b>	<b>403,986</b>	<b>4.63%</b>	<b>535,328</b>	<b>6.14%</b>	<b>\$0.88</b>	<b>(91,438)</b>	<b>54,325</b>
<b>West County</b>											
Cypress	42	2,639,437	0	0	54,145	2.05%	108,974	4.13%	\$1.00	28,717	91,194
Huntington Beach	86	1,960,374	0	0	19,993	1.02%	18,242	0.93%	\$0.91	74,373	(35,352)
Los Alamitos	31	662,468	0	0	7,100	1.07%	7,100	1.07%	\$1.50	2,420	1,008
<b>West County Total</b>	<b>159</b>	<b>5,262,279</b>	<b>0</b>	<b>0</b>	<b>81,238</b>	<b>1.54%</b>	<b>134,316</b>	<b>2.55%</b>	<b>\$1.00</b>	<b>105,510</b>	<b>56,850</b>
<b>Central County</b>											
Anaheim	78	2,051,110	0	0	107,960	5.26%	152,366	7.43%	\$1.26	(15,556)	45,914
Garden Grove	85	2,614,614	0	0	346,186	13.24%	300,481	11.49%	\$0.92	(10,964)	(4,741)
Orange	96	2,057,308	0	0	37,505	1.82%	38,162	1.85%	\$0.91	(5,093)	7,822
Santa Ana	65	2,004,684	0	0	31,500	1.57%	35,072	1.75%	\$1.75	(19,006)	24,522
Westminster	25	832,100	0	0	5,415	0.65%	3,034	0.36%	\$0.00	15,160	(13,695)
<b>Central County Total</b>	<b>349</b>	<b>9,559,816</b>	<b>0</b>	<b>0</b>	<b>528,566</b>	<b>5.53%</b>	<b>529,115</b>	<b>5.53%</b>	<b>\$1.20</b>	<b>(35,459)</b>	<b>59,822</b>
<b>Airport Area</b>											
Costa Mesa	174	3,949,853	0	0	180,523	4.57%	171,334	4.34%	\$1.25	52,779	48,025
Fountain Valley	51	1,465,440	0	49,186	40,181	2.74%	43,284	2.95%	\$0.99	20,217	(11,830)
Irvine	290	7,684,233	0	0	416,965	5.43%	515,026	6.70%	\$1.22	10,807	501,475
Newport Beach	24	780,792	0	0	16,257	2.08%	20,468	2.62%	\$1.40	5,305	2,179
Santa Ana	128	3,969,365	0	0	298,852	7.53%	325,933	8.21%	\$1.20	(63,573)	(102,203)
Tustin	88	2,911,242	0	0	175,336	6.02%	192,037	6.60%	\$1.14	(118,442)	44,184
<b>Airport Area Total</b>	<b>755</b>	<b>20,760,925</b>	<b>0</b>	<b>49,186</b>	<b>1,128,114</b>	<b>5.43%</b>	<b>1,268,082</b>	<b>6.11%</b>	<b>\$1.23</b>	<b>(92,907)</b>	<b>481,830</b>
<b>South County</b>											
Aliso Viejo	44	1,105,834	0	0	23,589	2.13%	66,081	5.98%	\$1.19	(2,056)	22,705
Foothill Ranch	6	135,698	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Irvine Spectrum	274	10,416,017	50,601	50,000	811,172	7.79%	1,138,246	10.93%	\$1.24	(68,348)	246,382
Laguna Hills	53	1,128,974	0	0	48,828	4.32%	40,922	3.62%	\$1.25	(8,654)	1,005
Laguna Niguel	13	423,047	0	0	24,666	5.83%	24,666	5.83%	\$1.55	1,159	(4,766)
Lake Forest	65	1,679,567	0	0	106,313	6.33%	102,329	6.09%	\$1.06	(19,080)	(15,736)
Mission Viejo	31	602,858	0	0	27,495	4.56%	23,887	3.96%	\$0.00	(3,692)	18,099
Rancho Santa Margarita	48	1,700,901	0	0	33,417	1.96%	35,124	2.07%	\$1.09	(16,363)	3,488
San Clemente	46	1,049,252	0	273,194	70,967	6.76%	64,872	6.18%	\$1.35	17,965	128,425
San Juan Capistrano	40	574,236	0	0	13,359	2.33%	8,609	1.50%	\$1.49	(720)	3,326
<b>South County Total</b>	<b>620</b>	<b>18,816,384</b>	<b>50,601</b>	<b>323,194</b>	<b>1,159,806</b>	<b>6.16%</b>	<b>1,504,736</b>	<b>8.00%</b>	<b>\$1.20</b>	<b>(99,789)</b>	<b>402,928</b>
<b>Orange County Total</b>	<b>2,152</b>	<b>63,119,437</b>	<b>86,708</b>	<b>372,380</b>	<b>3,301,710</b>	<b>5.23%</b>	<b>3,971,577</b>	<b>6.29%</b>	<b>\$1.18</b>	<b>(214,083)</b>	<b>1,055,755</b>
<b>North County</b>											
10,000 to 24,999	158	2,480,203	36,107	0	85,579	3.45%	131,180	5.29%	\$0.97	19,231	10,735
25,000 to 49,999	75	2,539,475	0	0	153,136	6.03%	138,573	5.46%	\$0.81	(16,173)	(51,321)
50,000 to 99,999	25	1,694,896	0	0	165,271	9.75%	265,575	15.67%	\$0.80	(94,496)	22,143
100,000+	11	2,005,459	0	0	0	0.00%	0	0.00%	\$0.00	0	72,768
<b>West County</b>											
10,000 to 24,999	92	1,366,039	0	0	27,093	1.98%	25,342	1.86%	\$1.06	38,579	(2,658)
25,000 to 49,999	40	1,352,988	0	0	26,558	1.96%	26,558	1.96%	\$0.97	36,931	(27,381)
50,000 to 99,999	20	1,280,832	0	0	27,587	2.15%	82,416	6.43%	\$0.96	30,000	86,889
100,000+	7	1,262,420	0	0	0	0.00%	0	0.00%	\$0.00	0	0
<b>Central County</b>											
10,000 to 24,999	241	3,808,761	0	0	144,877	3.80%	148,128	3.89%	\$1.13	(39,777)	42,078
25,000 to 49,999	79	2,577,867	0	0	183,562	7.12%	193,225	7.50%	\$1.27	(5,201)	(48,124)
50,000 to 99,999	18	1,246,975	0	0	4,560	0.37%	156,324	12.54%	\$0.00	(2,280)	50,594
100,000+	11	1,926,213	0	0	195,567	10.15%	31,438	1.63%	\$0.00	11,799	15,274
<b>Airport Area</b>											
10,000 to 24,999	512	8,148,500	0	12,100	327,052	4.01%	384,054	4.71%	\$1.18	(41,460)	200,293
25,000 to 49,999	168	5,677,321	0	37,086	253,471	4.46%	311,742	5.49%	\$1.26	(1,975)	73,617
50,000 to 99,999	53	3,543,730	0	0	289,516	8.17%	314,211	8.87%	\$1.52	(83,130)	97,249
100,000+	22	3,391,374	0	0	258,075	7.61%	258,075	7.61%	\$0.90	33,658	110,671
<b>South County</b>											
10,000 to 24,999	376	6,190,347	22,397	21,765	349,635	5.65%	445,526	7.20%	\$1.15	(81,571)	140,940
25,000 to 49,999	169	5,762,271	28,204	25,429	407,367	7.07%	550,107	9.55%	\$1.23	45,817	220,533
50,000 to 99,999	54	3,588,218	0	276,000	198,708	5.54%	328,891	9.17%	\$1.22	85,392	69,175
100,000+	21	3,275,548	0	0	204,096	6.23%	180,212	5.50%	\$0.00	(149,427)	(27,720)
<b>Orange County</b>											
10,000 to 24,999	1,379	21,993,850	58,504	33,865	934,236	4.25%	1,134,230	5.16%	\$1.12	(104,998)	391,388
25,000 to 49,999	531	17,909,922	28,204	62,515	1,024,094	5.72%	1,220,205	6.81%	\$1.20	59,399	167,324
50,000 to 99,999	170	11,354,651	0	276,000	685,642	6.04%	1,147,417	10.11%	\$1.37	(64,514)	326,050
100,000+	72	11,861,014	0	0	657,738	5.55%	469,725	3.96%	\$0.90	(103,970)	170,993
<b>Orange County Total</b>	<b>2,152</b>	<b>63,119,437</b>	<b>86,708</b>	<b>372,380</b>	<b>3,301,710</b>	<b>5.23%</b>	<b>3,971,577</b>	<b>6.29%</b>	<b>\$1.18</b>	<b>(214,083)</b>	<b>1,055,755</b>

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 2007



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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: 714.978.9431**

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**FAX: 949.261.9092**



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