Flex Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy
UP

Absorption
DOWN

Lease Rates
DOWN

Construction
DOWN

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Voit Commercial Brokerage

CORFAC International

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Market Highlights

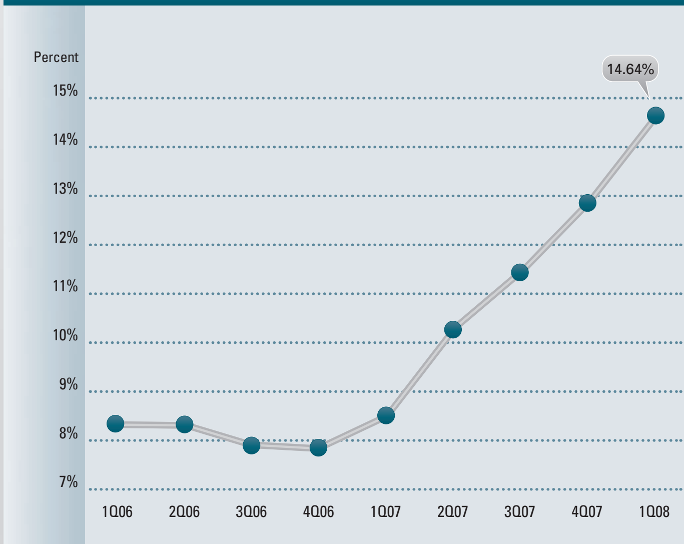
- The Orange County flex market is undergoing changes due to reaction to the mortgage/housing industry, the completion of new supply and the general slow down of the US economic environment. However, the region's strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the office market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- The flex vacancy rate registered 14.64%, which is higher than it was a year ago when it was 8.51%. This increase is due to the new flex buildings that have been delivered to the market in the last 12 months, coupled with the slowing US economy.
- 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, 19.87% this quarter as compared to 13.45% this quarter last year.
- The average asking Full Service Gross lease rate per month per foot for flex space in Orange County is currently at $2.59, which is a 1.89% decrease over last year's first quarter rate of $2.64.
- Net absorption for the county this quarter posted at negative 134,140 square feet, giving the county a total of over 2.1 million square feet of positive absorption over the last 4 years.
- The level of activity registered at just 363,153 square feet for the first quarter of 2008. This is down from 436,060 square feet when compared to the same quarter last year. This drop in activity is mostly a result of hesitancy in the marketplace from the continuous stream of negative news in a wide area of topics, most notably the credit crunch. However, the credit crunch has not directly impacted tenants or buyers of real estate for use, but rather investors. These conditions could result in an increase in activity in the second half of 2008 from pent up demand.
- Total space under construction checked in at 130,991 square feet at the end of the first quarter, which is 85% lower than the amount that was under construction this same time last year. This is a good signal that the market is correcting itself. A total of 255,397 square feet of new flex product was delivered in the first quarter.
- According to the State of California Employment Development Department, Orange County lost 21,800 payroll jobs over the last twelve months, most of which were in financial services. However, between January 2008 and February 2008 Orange County gained 6,500 jobs, mostly in the government, leisure and hospitality sector. Going forward, Chapman University is forecasting 2,361 payroll jobs will be lost in 2008, UCLA is forecasting zero job creation, and the LAEDC is forecasting 3,200 new jobs in 2008.
- The unemployment rate in Orange County was 4.3% in February 2008, down from the revised 4.5% percent in January 2008, but above the year ago estimate of 3.6%. This compares with an unadjusted unemployment rate of 6.1 percent for California and 5.2 percent for the nation during the same period.
- Lease rates are expected to remain at current levels for the short run, and concessions should begin to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances, as new inventory becomes available from vacancies and construction deliveries.

FLEX MARKET OVERVIEW

	1Q2008	4Q2007	1Q2007	% CHANGE VS. 1Q07
Under Construction	130,991	286,978	868,656	-84.92%
Planned Construction	248,857	254,039	179,112	38.94%
Vacancy	14.64%	12.76%	8.51%	72.03%
Availability	19.87%	17.07%	13.45%	47.73%
Pricing	$2.59	$2.61	$2.64	-1.89%
Net Absorption	-134,140	-190,220	-71,893	N/A
Activity	363,153	474,605	436,060	-16.72%

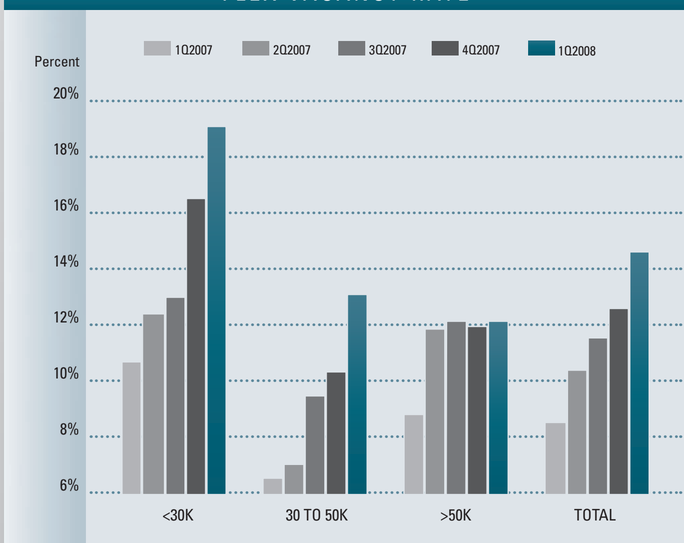
Real People. Real Solutions.

VACANCY RATE

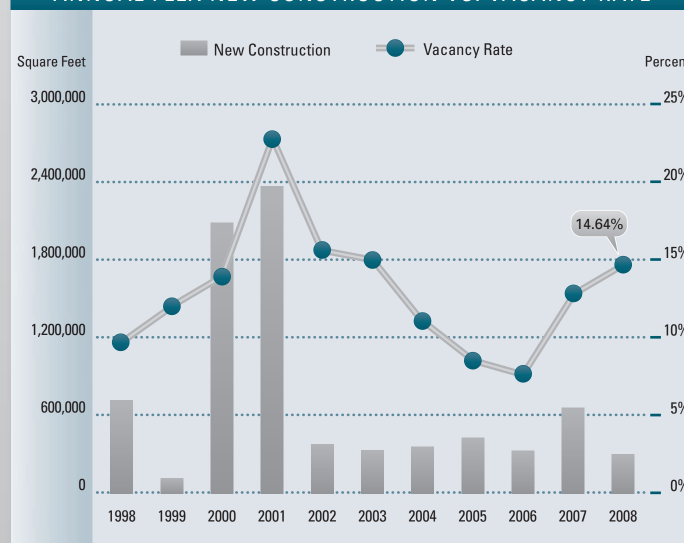


AVERAGE ASKING FULL SERVICE GROSS LEASE RATE

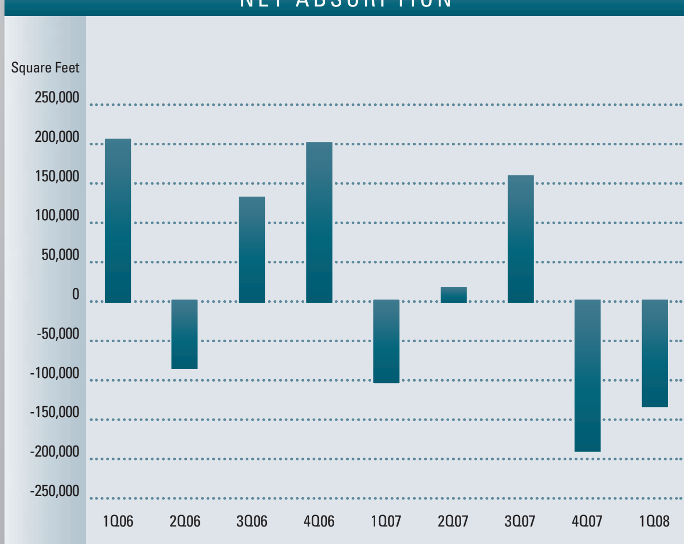
FLEX VACANCY RATE



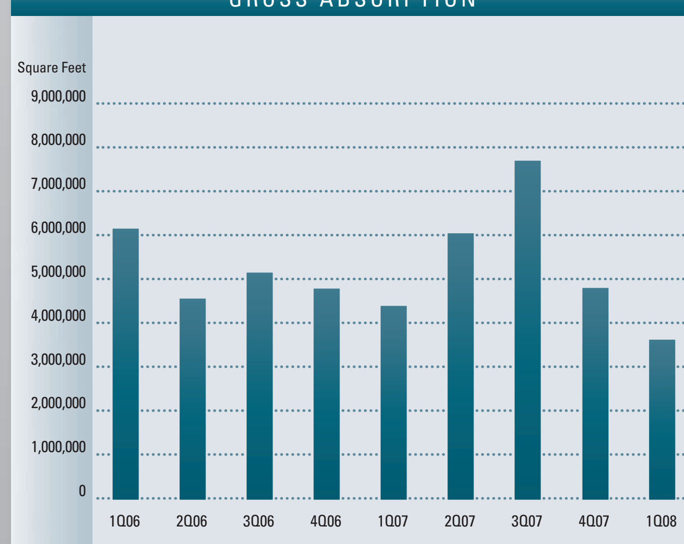
ANNUAL FLEX NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



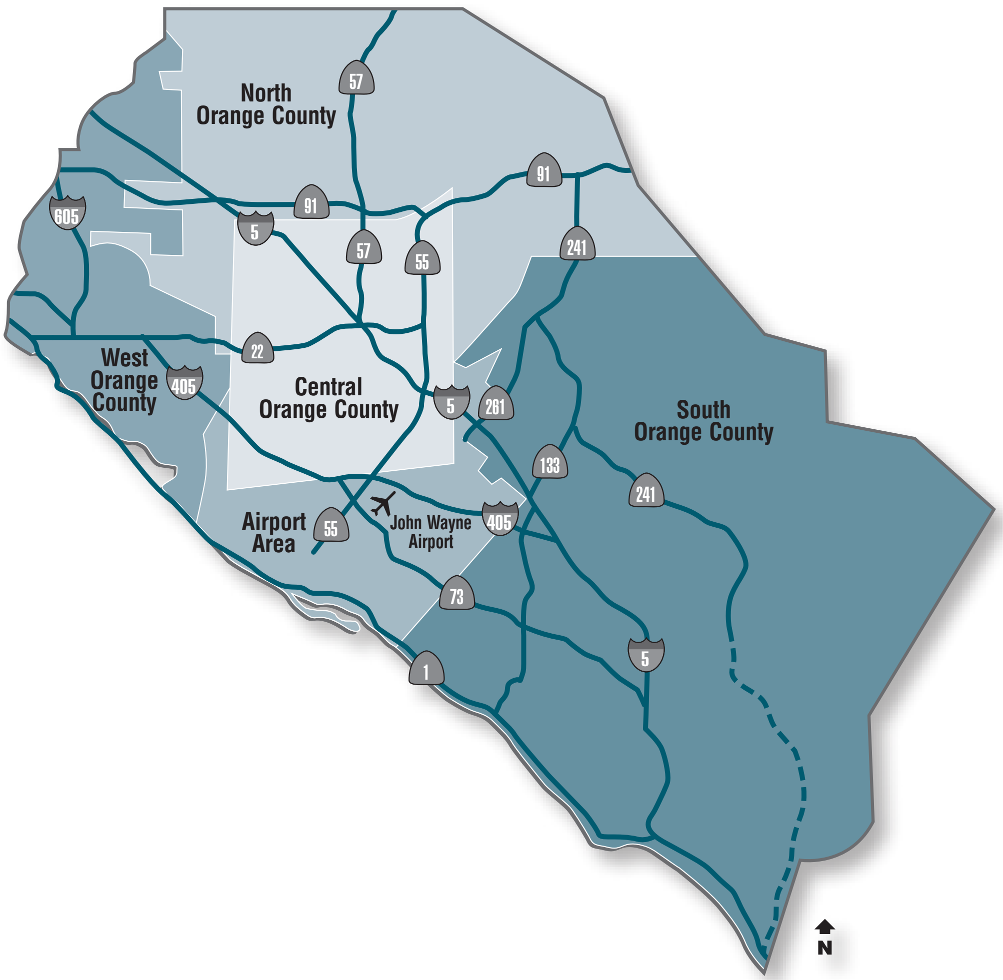
GROSS ABSORPTION



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2008	Square Feet Available	Availability Rate 1Q2008	Average Asking Lease Rate	Net Absorption 1Q2008	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
North County													
Anaheim Hills	12	183,233	75,000	0	6,977	3.81%	9,504	5.19%	$1.80	(2,298)	2,602	(6,458)	4,803
Anaheim	11	255,945	0	0	28,267	11.04%	35,103	13.72%	$2.50	16,328	(12,479)	(150)	14,251
Brea	16	502,852	0	0	68,823	13.69%	88,199	17.54%	$2.52	15,897	(17,125)	13,981	(8,726)
Fullerton	10	153,882	22,000	0	16,160	0.00%	52,440	34.08%	$2.10	(720)	720	3,600	100
Placentia	3	61,675	0	0	1,760	2.85%	1,760	2.85%	$1.99	(1,760)	0	0	0
Yorba Linda	1	10,560	0	0	4,953	46.90%	4,953	46.90%	$0.00	0	0	(4,953)	0
North County Total	53	1,168,147	97,000	0	126,940	10.87%	191,959	16.43%	$2.45	27,447	(26,282)	6,020	10,428
West County													
Cypress	9	374,081	0	0	53,856	14.40%	36,956	9.88%	$2.10	(1,300)	(21,410)	31,270	38,313
Huntington Beach	3	48,796	0	0	2,531	5.19%	2,531	5.19%	$1.65	7,574	(2,531)	(5,326)	10,985
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	$0.00	0	0	842	(842)
West County Total	16	465,882	0	0	56,387	12.10%	39,487	8.48%	$1.85	6,274	(23,941)	26,786	48,456
Central County													
Anaheim	8	219,639	0	0	3,078	1.40%	3,078	1.40%	$0.00	15	1,690	(4,783)	7,164
Garden Grove	2	27,400	0	0	2,400	8.76%	2,400	8.76%	$0.00	(2,400)	0	1,260	(1,260)
Orange	7	146,612	0	0	1,970	1.34%	7,816	5.33%	$2.20	3,664	(5,634)	646	11,490
Santa Ana	10	167,782	0	0	24,782	14.77%	26,482	15.78%	$1.85	0	666	0	10,011
Tustin	3	23,897	0	0	0	0.00%	5,297	22.17%	$0.00	0	0	0	0
Central County Total	30	585,330	0	0	32,230	5.51%	45,073	7.70%	$1.93	1,279	(3,278)	(2,877)	27,405
Airport Area													
Costa Mesa	5	66,752	0	0	0	0.00%	17,280	25.89%	$0.00	0	13,380	0	14,688
Irvine	116	3,508,575	0	150,000	618,990	17.64%	741,597	21.14%	$4.66	71,010	(207,080)	81,464	184,544
Newport Beach	26	595,233	0	0	19,792	3.33%	47,066	7.91%	$4.09	11,910	18,149	58,418	(42,173)
Santa Ana	10	410,934	0	0	114,174	27.78%	114,174	27.78%	$2.25	(43,395)	(37,185)	13,998	21,748
Tustin	6	241,938	0	50,400	49,250	20.36%	79,628	32.91%	$0.00	(478)	(72)	(48,700)	7,110
Airport Area Total	163	4,823,432	0	200,400	802,206	16.63%	999,745	20.73%	$3.26	39,047	(212,808)	105,180	185,917
South County													
Aliso Viejo	42	1,298,892	0	0	67,785	5.22%	117,422	9.04%	$2.43	(9,241)	8,818	(13,878)	12,375
Dana Point	4	58,840	0	0	0	0.00%	0	0.00%	$0.00	0	612	2,738	0
Foothill Ranch	5	139,636	0	0	61,323	43.92%	78,530	56.24%	$3.60	(14,295)	(18,072)	(2,800)	29,482
Irvine Spectrum	206	4,674,413	33,991	0	882,380	18.88%	1,259,130	26.94%	$1.96	(91,026)	26,418	122,087	292,745
Laguna Beach	6	96,511	0	0	16,112	16.69%	16,112	16.69%	$2.65	0	(6,801)	321	0
Laguna Hills	15	442,455	0	0	58,349	13.19%	94,327	21.32%	$2.52	(18,499)	24,530	13,553	(42,124)
Laguna Niguel	4	98,481	0	0	21,508	21.84%	22,495	22.84%	$0.00	(3,623)	(16,896)	0	6,000
Lake Forest	38	1,351,501	0	0	129,182	9.56%	201,289	14.89%	$2.47	(58,331)	51,654	41,732	164,714
Mission Viejo	29	390,571	0	17,500	73,379	18.79%	73,379	18.79%	$2.32	(210)	(37,989)	4,360	43,793
Rancho Santa Margarita	8	231,296	0	0	25,080	10.84%	45,944	19.86%	$2.18	(8,893)	(6,418)	4,985	36,117
San Clemente	9	183,429	0	0	30,389	16.57%	45,138	24.61%	$2.32	3,765	(11,306)	43,567	17,526
San Juan Capistrano	23	495,034	0	30,957	33,600	6.79%	50,048	10.11%	$2.49	(7,834)	61,091	41,225	48,544
South County Total	389	9,461,059	33,991	48,457	1,399,087	14.79%	2,003,814	21.18%	$2.33	(208,187)	75,641	257,890	609,172
Orange County Total	**651**	**16,503,850**	**130,991**	**248,857**	**2,416,850**	**14.64%**	**3,280,078**	**19.87%**	**$2.59**	**(134,140)**	**(190,668)**	**392,999**	**881,378**

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2008	Square Feet Available	Availability Rate 1Q2008	Average Asking Lease Rate	Net Absorption 1Q2008	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
North County													
0 to 29,999	41	638,133	22,000	0	55,542	8.70%	74,754	11.71%	$2.08	10,427	(12,529)	8,265	4,166
30,000 to 49,999	10	407,014	0	0	67,440	16.57%	113,247	27.82%	$2.52	19,110	(13,600)	(2,650)	2,016
50,000+	2	123,000	75,000	0	3,958	3.22%	3,958	3.22%	$0.00	(2,090)	(153)	405	4,246
West County													
0 to 29,999	9	97,114	0	0	4,931	5.08%	2,531	2.61%	$1.65	6,274	(3,631)	9,316	30,182
30,000 to 49,999	3	118,562	0	0	1,456	1.23%	1,456	1.23%	$2.10	0	(1,456)	20,480	37,783
50,000+	4	250,206	0	0	50,000	19.98%	35,500	14.19%	$0.00	0	(18,854)	(3,010)	(19,509)
Central County													
0 to 29,999	25	338,371	0	0	15,436	4.56%	22,833	6.75%	$0.00	610	14,185	(3,523)	22,083
30,000 to 49,999	1	33,070	0	0	0	0.00%	0	0.00%	$0.00	0	0	0	1,867
50,000+	4	213,889	0	0	16,794	7.85%	22,240	10.40%	$0.00	669	(17,463)	646	3,455
Airport Area													
0 to 29,999	85	952,533	0	0	232,019	24.36%	301,453	31.65%	$5.26	65,403	72,388	12,007	49,512
30,000 to 49,999	41	1,675,750	0	0	224,716	13.41%	329,247	19.65%	$2.51	24,302	(106,562)	21,737	121,913
50,000+	37	2,195,149	0	200,400	345,471	15.74%	369,045	16.81%	$2.07	(50,658)	(178,634)	71,436	14,492
South County													
0 to 29,999	253	3,145,108	33,991	48,457	679,596	21.61%	980,620	31.18%	$2.50	(96,869)	167,881	289,255	316,781
30,000 to 49,999	85	3,360,286	0	0	436,838	13.00%	674,659	20.08%	$2.20	(117,252)	(74,754)	107,191	69,718
50,000+	51	2,955,665	0	0	282,653	9.56%	348,535	11.79%	$1.97	5,934	(17,486)	(138,556)	222,673
Orange County													
0 to 29,999	413	5,171,259	55,991	48,457	987,524	19.10%	1,382,191	26.73%	$3.17	(14,155)	238,294	315,320	422,724
30,000 to 49,999	140	5,594,682	0	0	730,450	13.06%	1,118,609	19.99%	$2.34	(73,840)	(196,372)	146,758	233,297
50,000+	98	5,737,909	75,000	200,400	698,876	12.18%	779,278	13.58%	$2.05	(46,145)	(232,590)	(69,079)	225,357
Orange County Total	**651**	**16,503,850**	**130,991**	**248,857**	**2,416,850**	**14.64%**	**3,280,078**	**19.87%**	**$2.59**	**(134,140)**	**(190,668)**	**392,999**	**881,378**

This survey consists of buildings up to 74,999 square feet. Lease rates are based on a Full Service Gross basis.



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, please contact:

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FAX: 949.261.9092

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FAX: 702.733.7690

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