



Office Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption

DOWN

Lease Rates

DOWN

Construction

DOWN

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Market Highlights

- ◆ The Orange County office 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.
- ◆ During the first quarter of 2008, Orange County has added just over 735,000 square feet of new office development, most of which was in the Airport and South County submarkets. The record year for new development was 1988, when 5.7 million square feet of new space was added to Orange County, and vacancy rates were approximately 24%. We are a long way from those records.
- ◆ Total space under construction checked in at 865,000 square feet at the end of the first quarter, which is 81% lower than the amount that was under construction this same time last year. It is estimated that a total of 1.5 million square feet of new construction will be completed this year, half of which has already been delivered.
- ◆ The office vacancy rate (for direct and sublease space) finished the quarter at 13.82% this quarter, constituting a 63% increase over last year's first quarter low rate of 8.47%. This increase is a result of the new construction coupled with a slowing economy, as financial markets correct. This 13.82% rate is noticeably less than the 17.2% vacancy rate in the first quarter of 2002, which was the last time a large amount of new construction was added to the market.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, was 18.69% this quarter, up from the 12.35% we saw this same quarter last year.
- ◆ The average asking Full Service Gross (FSG) lease rate per month per foot in Orange County is currently \$2.73, which is a 3.80% increase over last year's first quarter rate of \$2.63. This is 4 cents lower than last quarter's rate, which represented a new record high. Class A rates for the county are averaging \$2.96 FSG and are the highest in the Airport market, where class A rates are averaging \$3.12 FSG. The upward trend has already begun to ease as we enter 2008.
- ◆ Net absorption for the county posted a negative 1,125,885 square feet for the first quarter of 2008. Last year Orange County had a total of 947,370 square feet of negative absorption. This negative absorption can be attributed to the credit crunch and finance companies consolidating.
- ◆ Gross absorption or activity for the first quarter of 2008 was down, checking in at just over 2 million square feet. The recent lack of activity can be tied to the credit crunch, which means we could see an increase in activity in the second half of 2008 from pent up demand.
- ◆ 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 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 continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances, as new inventory becomes available from construction deliveries.

OFFICE MARKET OVERVIEW

	1Q2008	4Q2007	1Q2007	% CHANGE VS. 1Q07
Under Construction	865,363	1,361,185	4,619,134	-81.27%
Planned Construction	10,008,304	4,983,858	3,556,506	181.41%
Vacancy	13.82%	12.43%	8.47%	63.16%
Availability	18.69%	17.07%	12.35%	51.34%
Pricing	\$2.73	\$2.77	\$2.63	3.80%
Absorption	-1,125,885	-1,210,755	-65,700	N/A
Activity	2,012,937	2,336,630	2,754,743	-26.93%

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RECENT TRANSACTIONS

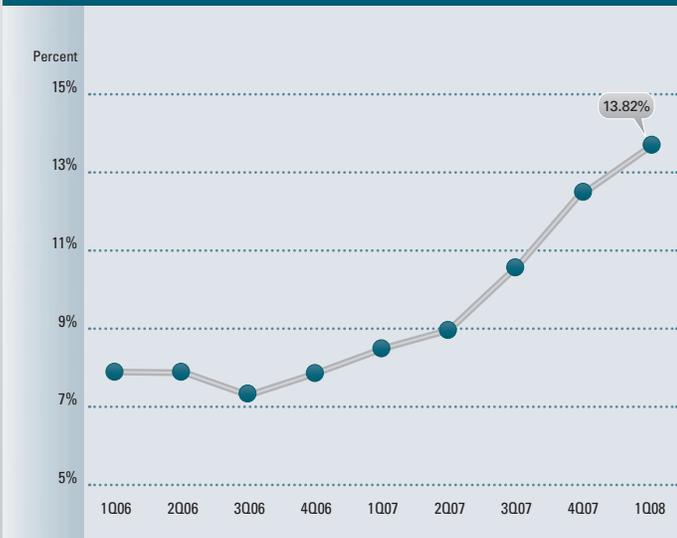
Sales Activity

Property Address	Submarket	Class	Square Feet	Sale Price	Buyer	Seller
7755 Irvine Center Dr., Irvine Spectrum	South	A	95,000	N/A	Menlo Equities	Ford Moter Land Development
2100 SE Main Street, Irvine	Airport	A	82,331	\$24,977,000	M2 2100 LP (TIC)	West Bay Irvine Properties, LLC
501 W Maple Ave., Orange	Central	C	70,643	N/A	Vance & Marilyn Blaisdell	In-Town Communities LLC
4343 Von Karman Ave., Newport Beach	Airport	B	53,706	N/A	Mizan LLC	Steadfast Companies

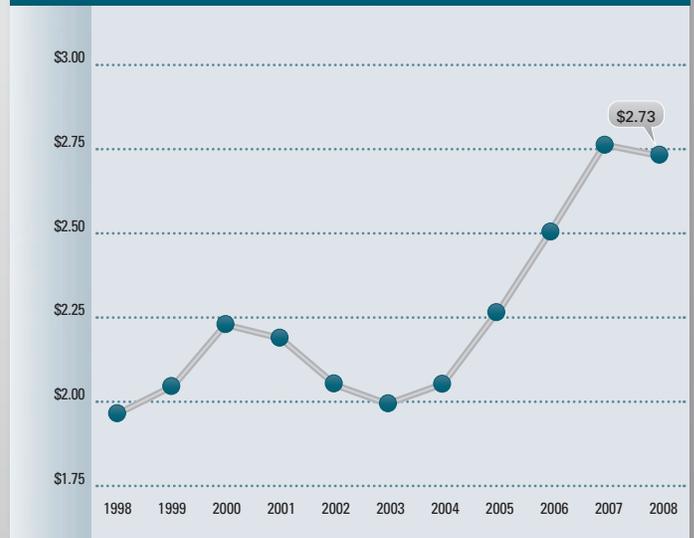
Lease Activity

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
17360 Brookhurst St, Fountain Valley	West	B	98,850	February-08	Memorial Care	FV City Center, LLC
3161 Michelson Drive, Irvine	Airport	A	48,000	January-08	Bryan Cave, LLP	Maguire Properties
2677 N Main Street, Santa Ana	Central	A	44,024	March-08	N/A	Mullrock 4 LLC
25550 Commercentre Drive, Lake Forest	South	A	40,864	March-08	City of Lake Forest	Kennedy Associates

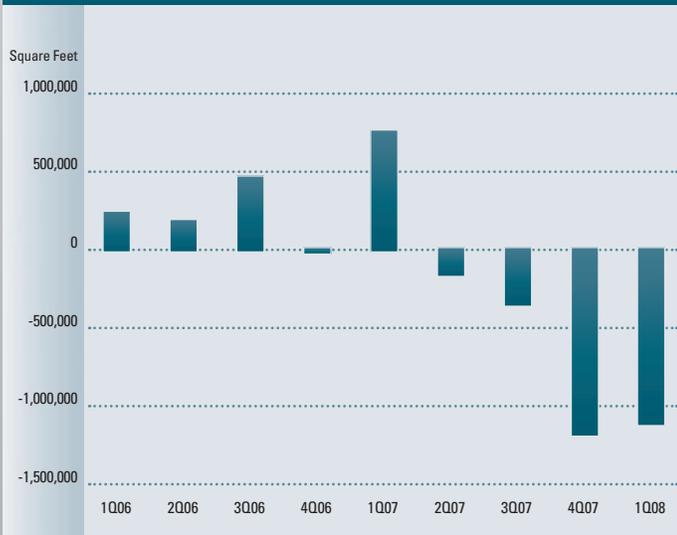
VACANCY RATE



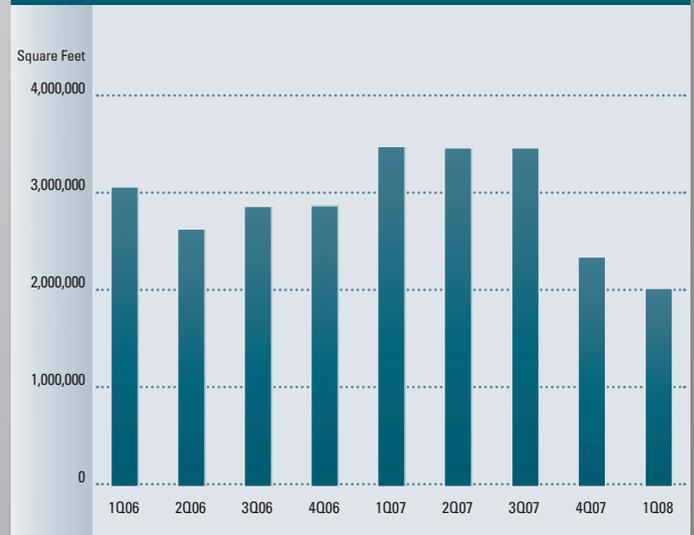
AVERAGE ASKING FULL SERVICE LEASE RATE



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	11	703,755	75,000	0	51,434	7.31%	55,488	7.88%	\$2.02	(38,846)	8,994	3,541	(4,960)
Brea	43	3,373,197	0	120,000	803,238	23.81%	893,262	26.48%	\$2.62	(262,485)	(292,999)	128,295	55,533
Buena Park	10	619,061	0	0	59,272	9.57%	97,070	15.68%	\$1.98	10,059	(4,563)	(2,753)	60,223
Fullerton	30	2,191,316	0	0	170,152	7.76%	248,057	11.32%	\$2.07	(23,415)	(17,486)	(30,143)	7,653
La Habra	7	376,859	0	0	11,901	3.16%	11,901	3.16%	\$1.40	(8,850)	3,440	4,489	21,392
La Palma	8	599,687	0	0	34,451	5.74%	44,722	7.46%	\$2.34	9,002	(20,649)	6,815	7,937
Placentia	6	198,859	28,000	0	11,564	5.82%	11,564	5.82%	\$1.96	4,836	(5,576)	4,732	(10,228)
Yorba Linda	5	233,684	0	0	16,248	6.95%	26,563	11.37%	\$2.14	(2,463)	(5,522)	4,068	(2,908)
North County Total	120	8,296,418	103,000	120,000	1,158,260	13.96%	1,388,627	16.74%	\$2.45	(312,162)	(334,361)	119,044	134,642
West County													
Cypress	28	2,097,091	0	0	205,797	9.81%	235,138	11.21%	\$2.39	(19,979)	(63,730)	66,946	176,874
Fountain Valley	33	1,647,849	0	0	213,983	12.99%	206,605	12.54%	\$2.13	(5,945)	(29,669)	(76,147)	83,818
Garden Grove	20	909,948	0	0	95,838	10.53%	90,824	9.98%	\$1.79	(1,550)	(13,543)	(10,187)	63,100
Huntington Beach	43	2,372,756	0	0	225,723	9.51%	273,429	11.52%	\$2.45	781	(49,407)	(8,858)	105,552
Los Alamitos	13	562,154	0	0	12,991	2.31%	12,991	2.31%	\$1.89	700	3,855	(17,546)	19,217
Seal Beach	7	482,838	0	0	47,256	9.79%	67,289	13.94%	\$2.75	(12,045)	(27,132)	5,276	24,082
Stanton	2	85,917	0	0	6,271	7.30%	6,747	7.85%	\$0.00	(1,601)	483	(1,552)	14,852
Westminster	16	688,772	0	0	33,475	4.86%	69,521	10.09%	\$2.12	(8,014)	26,857	(27,640)	(10,926)
West County Total	162	8,847,325	0	0	841,334	9.51%	962,544	10.88%	\$2.37	(47,653)	(152,286)	(69,708)	476,569
Central County													
Anaheim	92	6,554,674	0	1,052,075	451,256	6.88%	1,185,528	18.09%	\$2.51	31,246	122,207	(231,219)	116,941
Orange	77	6,965,369	0	66,000	1,076,470	15.45%	1,535,705	22.05%	\$2.75	(159,069)	(508,046)	6,986	191,690
Santa Ana	178	12,972,766	46,743	865,853	1,666,184	12.84%	2,182,697	16.83%	\$2.19	(127,746)	(580,311)	89,187	565,439
Tustin	43	1,863,445	0	5,211,000	253,682	13.47%	392,911	20.86%	\$2.14	(34,917)	212,182	(63,502)	(38,960)
Central County Total	390	28,376,254	46,743	7,194,928	3,447,592	12.15%	5,296,841	18.67%	\$2.47	(290,486)	(753,968)	(198,548)	835,110
Airport Area													
Costa Mesa	71	6,483,978	0	678,660	831,451	12.82%	1,377,212	21.24%	\$2.79	(59,935)	(110,121)	85,038	362,251
Irvine	287	25,512,200	28,392	1,167,016	5,019,089	19.67%	5,937,814	23.27%	\$2.97	(245,225)	613,269	(14,547)	953,637
Newport Beach	131	9,720,135	40,000	0	742,025	7.63%	1,157,961	11.91%	\$3.27	(15,673)	(163,339)	383,273	76,855
Airport Area Total	489	41,716,313	68,392	1,845,676	6,592,565	15.80%	8,472,987	20.31%	\$3.00	(320,833)	339,809	453,764	1,392,743
South County													
Aliso Viejo	47	3,329,644	245,000	722,000	388,764	11.68%	729,734	21.92%	\$3.08	(1,224)	93,394	(27,873)	113,223
Dana Point	3	135,296	0	0	3,600	2.66%	3,600	2.66%	\$0.00	(2,400)	(1,200)	0	(5,000)
Foothill Ranch	10	785,423	0	0	268,975	34.25%	475,783	60.58%	\$2.72	(64,283)	(90,212)	(59,085)	108,744
Irvine Spectrum	112	7,353,090	362,228	125,700	1,335,390	18.16%	1,680,950	22.86%	\$2.76	(12,369)	(210,144)	121,532	192,028
Laguna Beach	5	193,268	0	0	983	0.51%	983	0.51%	\$0.00	(983)	3,012	5,141	(8,153)
Laguna Hills	33	1,763,645	0	0	191,236	10.84%	245,245	13.91%	\$2.48	(28,814)	(74,574)	16,641	90,742
Laguna Niguel	10	666,607	0	0	54,343	8.15%	66,103	9.92%	\$2.84	(7,902)	(2,724)	(8,318)	9,021
Lake Forest	45	2,254,525	0	0	234,070	10.38%	278,439	12.35%	\$2.14	(31,914)	5,325	(19)	200,861
Mission Viejo	39	2,050,172	40,000	0	184,646	9.01%	303,249	14.79%	\$2.55	(6,708)	149,584	18,618	60,592
Rancho Santa Margarita	7	276,030	0	0	60,258	21.83%	68,023	24.64%	\$2.31	(11,264)	14,885	9,713	28,229
San Clemente	10	387,756	0	0	16,809	4.33%	19,773	5.10%	\$2.40	(4,241)	3,671	14,773	9,919
San Juan Capistrano	17	834,743	0	0	47,320	5.67%	50,095	6.00%	\$2.24	17,351	62,419	162,854	40,621
South County Total	338	20,030,199	647,228	847,700	2,786,394	13.91%	3,921,977	19.58%	\$2.71	(154,751)	(46,564)	253,977	840,827
Orange County Total	1,499	107,266,509	865,363	10,008,304	14,826,145	13.82%	20,042,976	18.69%	\$2.73	(1,125,885)	(947,370)	558,529	3,679,891

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													
Class A	22	2,349,017	75,000	120,000	442,648	18.84%	475,309	20.23%	\$2.90	(259,410)	(142,091)	204,718	148,340
Class B	88	5,579,574	28,000	0	706,521	12.66%	900,034	16.13%	\$2.23	(49,575)	(197,812)	(78,797)	(13,381)
Class C	10	367,827	0	0	9,091	2.47%	13,284	3.61%	\$2.04	(3,177)	5,542	(6,877)	(317)
West County													
Class A	30	2,937,223	0	0	262,957	8.95%	394,109	13.42%	\$2.62	(83,442)	8,429	(5,968)	291,803
Class B	106	4,817,023	0	0	560,209	11.63%	548,984	11.40%	\$1.97	(21,380)	(135,678)	48,517	166,949
Class C	26	1,093,079	0	0	18,168	1.66%	19,451	1.78%	\$1.42	57,169	(25,037)	(112,257)	17,817
Central County													
Class A	71	11,358,320	0	1,887,928	1,686,002	14.84%	2,650,695	23.34%	\$2.78	(304,676)	(470,196)	(273,846)	653,691
Class B	243	13,822,754	46,743	5,307,000	1,541,054	11.15%	2,365,865	17.12%	\$2.09	35,156	(239,803)	81,279	145,258
Class C	76	3,195,180	0	0	220,536	6.90%	280,281	8.77%	\$1.88	(20,966)	(43,969)	(5,981)	36,161
Airport Area													
Class A	137	23,399,584	28,392	1,401,660	3,994,375	17.07%	5,275,906	22.55%	\$3.12	(239,694)	281,622	(196,326)	641,125
Class B	319	16,960,391	40,000	444,016	2,508,521	14.79%	3,061,663	18.05%	\$2.63	(121,546)	72,154	651,062	718,678
Class C	33	1,356,338	0	0	89,669	6.61%	135,418	9.98%	\$1.77	40,407	(13,967)	(972)	32,940
South County													
Class A	98	8,672,878	607,228	722,000	1,510,360	17.41%	2,137,475	24.65%	\$2.80	(18,153)	(196,045)	10,105	553,016
Class B	230	11,014,590	40,000	125,700	1,264,740	11.48%	1,769,281	16.06%	\$2.48	(136,923)	153,533	238,757	287,482
Class C	10	342,731	0	0	11,294	3.30%	15,221	4.44%	\$1.80	325	(4,052)	5,115	329
Orange County													
Class A	358	48,717,022	710,620	4,131,588	7,896,342	16.21%	10,933,494	22.44%	\$2.96	(905,375)	(518,281)	(261,317)	2,287,975
Class B	986	52,194,332	154,743	5,876,716	6,581,045	12.61%	8,645,827	16.56%	\$2.32	(294,268)	(347,606)	940,818	1,304,986
Class C	155	6,355,155	0	0	348,758	5.49%	463,655	7.30%	\$1.85	73,758	(81,483)	(120,972)	86,930
Orange County Total	1,499	107,266,509	865,363	10,008,304	14,826,145	13.82%	20,042,976	18.69%	\$2.73	(1,125,885)	(947,370)	558,529	3,679,891

This survey consists of properties 25,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross basis.

CONSTRUCTION UPDATE

Under Construction

Property Address	Submarket	Class	Square Feet	# of Floors	Estimate Delivery	Recorded Owner
40 Pacifica, Irvine Spectrum	South	A	312,187	14	April-08	The Irvine Company
45 Enterprise, Aliso Viejo	South	A	245,000	8	April-08	Pacific Life
19520 Jamboree Road, Irvine	Airport	A	108,000	5	May-08	Scholle Center LLC
160 N Riverview Drive	North	A	75,000	3	August-08	Silver Oak Development Inc.

Recent Deliveries

Property Address	Submarket	Class	Square Feet	# of Floors	Date Delivered	Recorded Owner
17885 Von Karman Ave., Irvine	Airport	B	151,370	5	February-08	Maguire Properties
20 Enterprise Dr., Aliso Viejo	South	A	118,000	4	January-08	Parker / RREEF
915 W Imperial Hwy., Brea	North	B	82,250	2	February-08	E C Credit Union
14000 Jamboree Rd., Irvine	Airport	B	77,626	3	January-08	The Irvine Company

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.

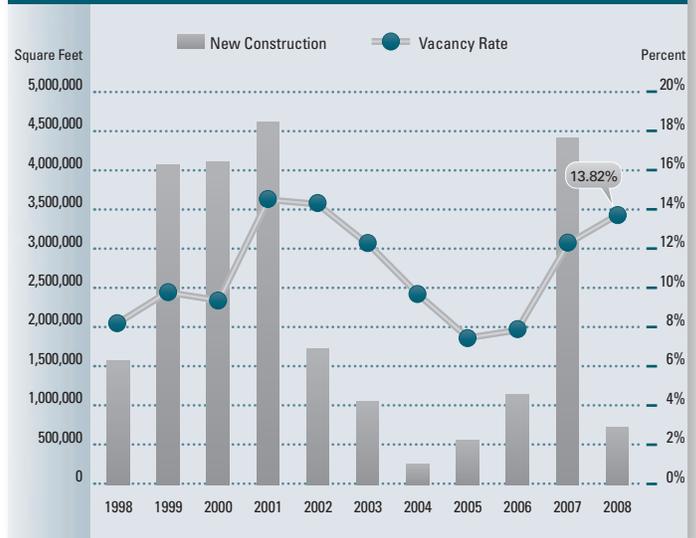
CLASS B

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.

ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



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Chula Vista, CA 91910

TEL: 619.498.4560

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IRVINE OFFICE

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Irvine, CA 92614

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FAX: 949.261.9092

LAS VEGAS OFFICE

10100 W. Charleston Blvd.,
Suite 200
Las Vegas, NV 89135

TEL: 702.734.4500

FAX: 702.733.7690

SAN DIEGO OFFICE

4370 La Jolla Village Dr.,
Suite 990
San Diego, CA 92122-1233

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This survey consists of properties 25,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross basis. The information contained in this report is gathered from sources that are deemed reliable but no guarantees are made as to its accuracy. This information is for Voit Commercial Brokerage use only, and cannot legally be reproduced without prior written consent from the management of Voit Commercial Brokerage.