



# R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

**Vacancy**



**UP**

**Absorption**

**DOWN**



**Lease Rates**

**DOWN**



**Construction**



**UP**

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## Market Highlights

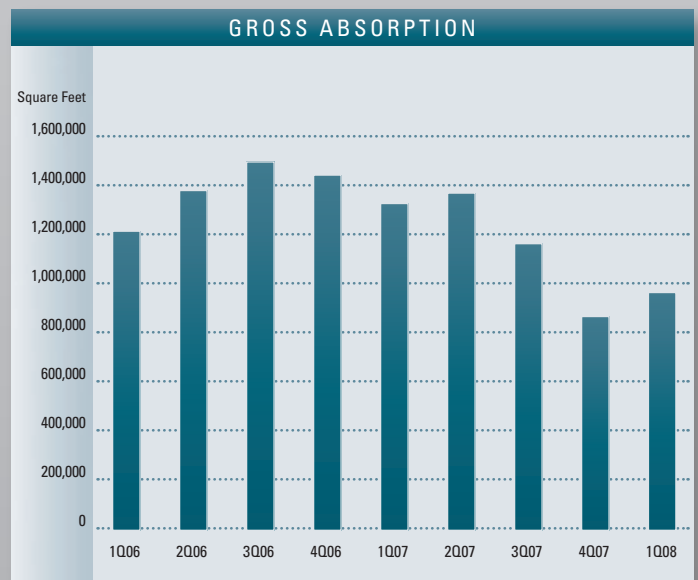
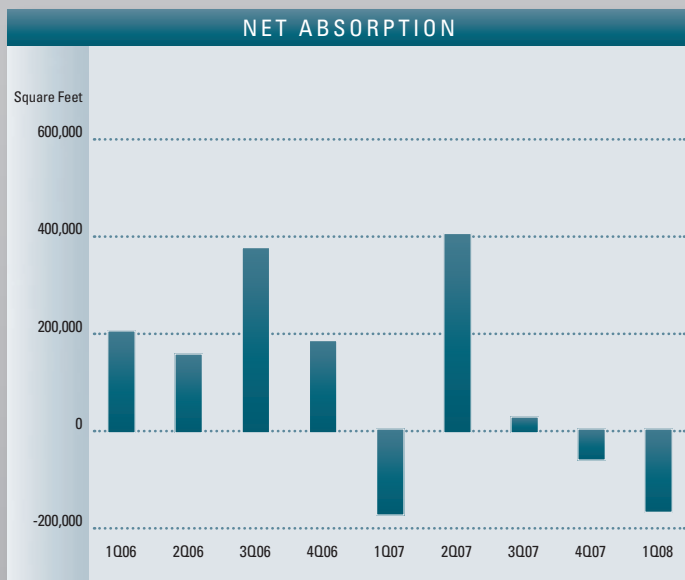
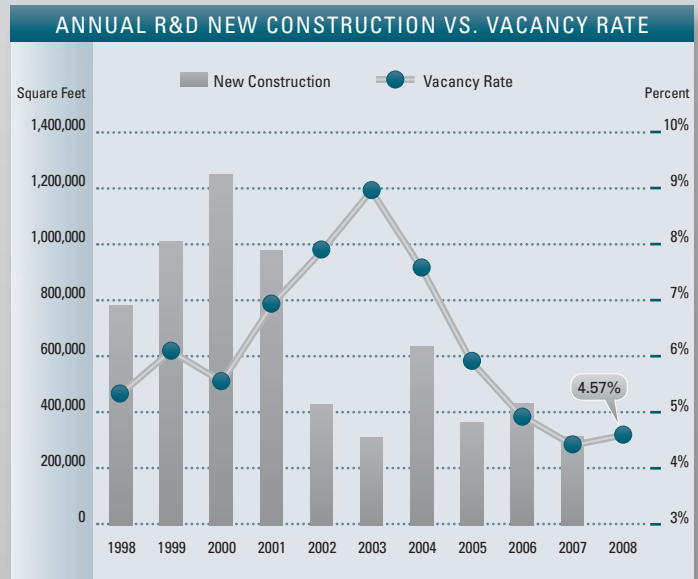
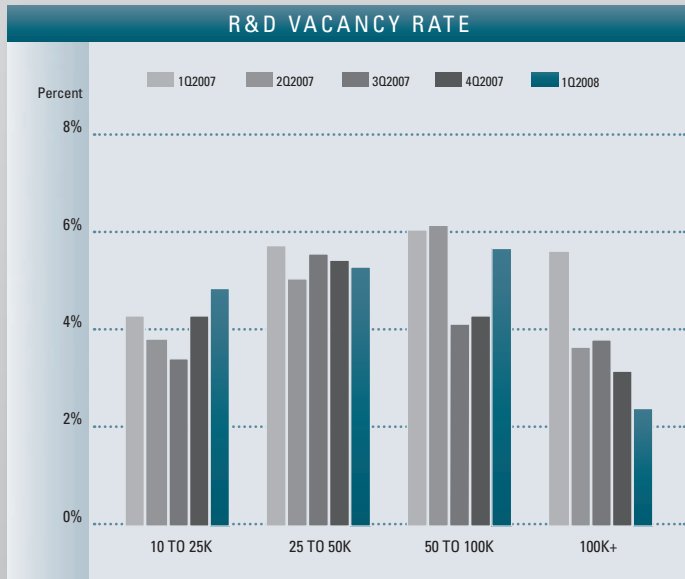
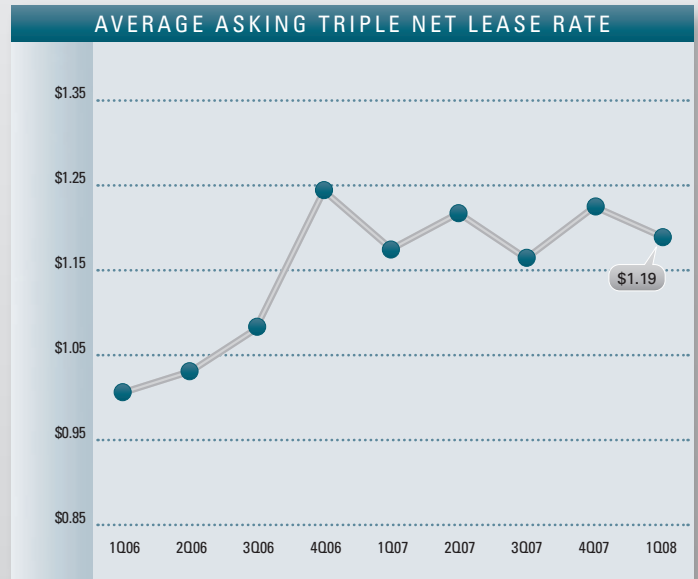
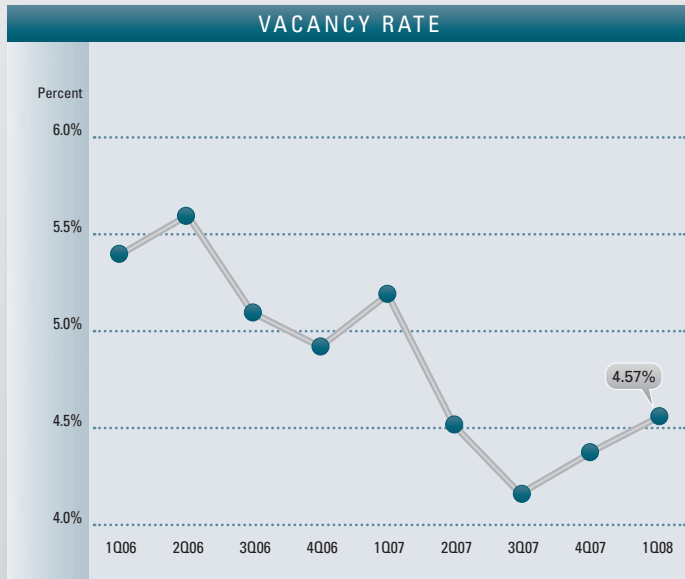
- ◆ The Research & Development vacancy rate checked in at a low 4.57%, which is lower than it was a year ago when it was 5.23%. This lack of supply is creating a lot of constrained demand for R&D space in Orange County and continues to keep lease and sale rates at current levels.
- ◆ The total amount of R&D space available in Orange County, which includes both direct and sublease space, is higher than it was a year ago, 8.70% this quarter as compared to 6.29% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.19, which is one cent higher than it was this time last year.
- ◆ Net absorption for the R&D market this quarter posted at negative 154,342 square feet, giving the R&D Market in Orange County a total of approximately 4 million square feet of positive absorption for the last three years, 537,571 square feet of which occurred in 2007.
- ◆ The level of activity registered at just under a million square feet for the first quarter of 2008. This is down from 1.3 million 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.
- ◆ There is currently 85,261 square feet of space under construction this quarter. The shrinking availability of land is only allowing for the development of primarily small, for-sale buildings. This lack of available land, coupled with the high land prices and rising construction costs, has led to few centers being developed in this infill market.
- ◆ 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.
- ◆ Asking 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 and increasing tenant improvement allowances.
- ◆ As we head into 2008, the R&D market will exhibit many similar characteristics of 2007. Limited opportunities for new development will open with land and sales prices remaining high. Multi-tenant, manufacturing and distribution buildings will not undergo development, as no large land parcels will become available. R&D buildings both for sale and lease will remain viable options for those looking to enter the Orange County R&D market.

### R & D MARKET OVERVIEW

	1Q2008	4Q2007	1Q2007	% CHANGE VS. 1Q07
Under Construction	85,261	0	86,708	-1.67%
Planned Construction	514,198	586,821	372,380	38.08%
Vacancy	4.57%	4.39%	5.23%	-12.62%
Availability	8.70%	6.57%	6.29%	38.31%
Pricing	\$1.19	\$1.22	\$1.18	0.85%
Net Absorption	-154,342	-65,767	-214,083	N/A
Activity	965,700	872,929	1,331,155	-27.45%

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	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 10/2008	Square Feet Available	Availability Rate 10/2008	Average Asking Lease Rate	Net Absorption 10/2008	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
<b>North County</b>													
Anaheim Hills	4	207,017	0	0	13,016	6.29%	13,016	6.29%	\$0.00	218	(4,930)	(7,000)	24,750
Anaheim	80	3,113,689	0	0	36,718	1.18%	693,917	22.29%	\$1.65	(8,597)	52,686	61,202	36,325
Brea	43	1,722,222	70,754	0	38,585	2.24%	50,932	2.96%	\$0.00	68,947	(27,980)	(10,373)	(18,223)
Buena Park	25	933,409	0	0	24,668	2.64%	26,428	2.83%	\$0.00	44,528	(18,823)	33,538	51,864
Fullerton	38	1,010,941	0	0	39,197	3.88%	53,850	5.33%	\$0.00	(13,814)	1,475	(19,250)	27,050
La Habra	5	83,589	0	0	540	0.65%	1,840	2.20%	\$0.00	1,728	(2,268)	0	0
La Palma	7	269,054	0	0	37,904	14.09%	59,655	22.17%	\$1.40	(1,489)	(36,415)	0	0
Placentia	17	477,904	0	0	7,395	1.55%	13,114	2.74%	\$0.95	(1,032)	4,445	13,973	151
Yorba Linda	51	1,328,857	0	0	176,437	13.28%	193,494	14.56%	\$1.03	(20,708)	(67,690)	(17,765)	44,277
<b>North County Total</b>	<b>270</b>	<b>9,146,682</b>	<b>70,754</b>	<b>0</b>	<b>374,460</b>	<b>4.09%</b>	<b>1,106,246</b>	<b>12.09%</b>	<b>\$1.16</b>	<b>69,781</b>	<b>(99,500)</b>	<b>54,325</b>	<b>166,194</b>
<b>West County</b>													
Cypress	43	2,249,914	0	0	39,652	1.76%	385,455	17.13%	\$0.87	4,783	30,291	91,194	140,604
Huntington Beach	128	2,346,881	0	0	69,794	2.97%	159,719	6.81%	\$0.89	(23,533)	34,869	(35,352)	15,104
Seal Beach	36	799,918	0	0	22,889	2.86%	45,705	5.71%	\$0.00	13,829	(27,198)	1,008	21,563
<b>West County Total</b>	<b>207</b>	<b>5,396,713</b>	<b>0</b>	<b>0</b>	<b>132,335</b>	<b>2.45%</b>	<b>590,879</b>	<b>10.95%</b>	<b>\$0.88</b>	<b>(4,921)</b>	<b>37,962</b>	<b>56,850</b>	<b>177,271</b>
<b>Central County</b>													
Anaheim	73	1,894,980	0	0	90,727	4.79%	131,823	6.96%	\$0.00	(10,431)	(24,763)	45,914	18,722
Garden Grove	83	2,641,878	0	0	187,546	7.10%	236,601	8.96%	\$1.05	(11,583)	115,543	(4,741)	114,938
Orange	102	2,177,529	0	0	26,826	1.23%	41,700	1.92%	\$0.98	8,615	1,871	7,822	(2,343)
Santa Ana	65	1,733,176	0	0	49,503	2.86%	65,707	3.79%	\$1.00	(9,052)	(19,811)	24,522	726
Tustin	21	584,564	0	0	1,440	0.25%	1,440	0.25%	\$0.00	1,066	3,819	(13,695)	80,780
<b>Central County Total</b>	<b>344</b>	<b>9,032,127</b>	<b>0</b>	<b>0</b>	<b>356,042</b>	<b>3.94%</b>	<b>477,271</b>	<b>5.28%</b>	<b>\$1.01</b>	<b>(21,385)</b>	<b>76,659</b>	<b>59,822</b>	<b>212,823</b>
<b>Airport Area</b>													
Costa Mesa	176	4,033,435	0	0	132,993	3.30%	236,506	5.86%	\$1.24	(49,519)	193,843	48,025	142,060
Fountain Valley	50	1,379,943	0	49,186	34,757	2.52%	33,871	2.45%	\$0.00	(22,795)	19,841	(11,830)	(9,243)
Irvine	292	7,894,183	0	0	314,814	3.99%	609,261	7.72%	\$1.18	(49,703)	144,762	501,475	(33,372)
Newport Beach	25	837,852	0	0	49,428	5.90%	49,428	5.90%	\$1.25	(6,895)	(20,971)	2,179	18,986
Santa Ana	129	4,049,095	0	0	138,155	3.41%	162,215	4.01%	\$1.00	41,712	53,457	(102,203)	269,795
Tustin	90	3,077,481	0	0	159,195	5.17%	405,658	13.18%	\$1.26	(20,627)	(15,447)	44,184	151,820
<b>Airport Area Total</b>	<b>762</b>	<b>21,271,989</b>	<b>0</b>	<b>49,186</b>	<b>829,342</b>	<b>3.90%</b>	<b>1,496,939</b>	<b>7.04%</b>	<b>\$1.23</b>	<b>(107,827)</b>	<b>375,485</b>	<b>481,830</b>	<b>540,046</b>
<b>South County</b>													
Aliso Viejo	42	1,013,296	0	0	50,903	5.02%	62,896	6.21%	\$1.55	(36,213)	6,843	22,705	104,664
Foothill Ranch	6	135,698	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Irvine Spectrum	293	11,140,198	14,507	0	949,150	8.52%	1,517,307	13.62%	\$1.29	(25,180)	93,179	246,382	358,205
Laguna Hills	63	1,411,348	0	0	37,524	2.66%	44,314	3.14%	\$1.22	540	29,130	1,005	(15,868)
Laguna Niguel	17	514,387	0	0	15,709	3.05%	15,709	3.05%	\$0.00	6,286	23,930	(4,766)	(6,360)
Lake Forest	68	1,656,075	0	0	65,662	3.96%	95,273	5.75%	\$1.17	4,848	(13,858)	(15,736)	129,623
Mission Viejo	36	703,623	0	0	47,951	6.81%	53,735	7.64%	\$1.14	(13,899)	(6,549)	18,099	(10,539)
Rancho Santa Margarita	47	1,695,423	0	0	9,392	0.55%	16,759	0.99%	\$0.00	(2,680)	10,342	3,488	127,955
San Clemente	47	1,046,736	0	226,000	74,551	7.12%	128,972	12.32%	\$1.17	(25,609)	11,916	128,425	(61,400)
San Juan Capistrano	42	611,020	0	239,012	19,290	3.16%	31,714	5.19%	\$0.00	1,917	(7,968)	3,326	332
<b>South County Total</b>	<b>661</b>	<b>19,927,804</b>	<b>14,507</b>	<b>465,012</b>	<b>1,270,132</b>	<b>6.37%</b>	<b>1,966,679</b>	<b>9.87%</b>	<b>\$1.29</b>	<b>(89,990)</b>	<b>146,965</b>	<b>402,928</b>	<b>626,612</b>
<b>Orange County Total</b>	<b>2,244</b>	<b>64,775,315</b>	<b>85,261</b>	<b>514,198</b>	<b>2,962,311</b>	<b>4.57%</b>	<b>5,638,014</b>	<b>8.70%</b>	<b>\$1.19</b>	<b>(154,342)</b>	<b>537,571</b>	<b>1,055,755</b>	<b>1,722,946</b>
<b>North County</b>													
10,000 to 24,999	163	2,563,693	15,669	0	74,379	2.90%	87,836	3.43%	\$1.20	1,306	65,782	10,735	(14,005)
25,000 to 49,999	70	2,379,290	55,085	0	109,507	4.60%	154,666	6.50%	\$0.80	42,413	(27,321)	(51,321)	61,763
50,000 to 99,999	23	1,546,820	0	0	153,200	9.90%	174,951	11.31%	\$1.16	37,495	(119,920)	22,143	71,238
100,000+	14	2,656,877	0	0	37,374	1.41%	688,793	25.92%	\$1.65	(11,433)	(18,041)	72,768	47,198
<b>West County</b>													
10,000 to 24,999	147	2,238,323	0	0	46,892	2.09%	61,292	2.74%	\$0.89	9,850	246	(2,658)	26,337
25,000 to 49,999	42	1,475,444	0	0	51,297	3.48%	259,265	17.57%	\$0.87	1,498	(1,994)	(27,381)	91,339
50,000 to 99,999	15	920,526	0	0	34,146	3.71%	30,390	3.30%	\$0.95	(16,269)	39,710	86,889	59,595
100,000+	3	762,420	0	0	0	0.00%	239,932	31.47%	\$0.69	0	0	0	0
<b>Central County</b>													
10,000 to 24,999	243	3,886,795	0	0	123,829	3.19%	157,314	4.05%	\$1.01	(13,082)	(9,480)	42,078	(21,309)
25,000 to 49,999	76	2,499,167	0	0	136,512	5.46%	182,134	7.29%	\$1.01	(9,916)	(24,733)	(48,124)	111,847
50,000 to 99,999	16	1,095,204	0	0	58,303	5.32%	95,741	8.74%	\$0.79	3,237	(59,260)	50,594	21,233
100,000+	9	1,550,961	0	0	37,398	2.41%	42,082	2.71%	\$0.00	(1,624)	170,132	15,274	101,052
<b>Airport Area</b>													
10,000 to 24,999	515	8,239,037	0	12,100	443,318	5.38%	539,028	6.54%	\$1.16	(130,188)	(21,274)	200,293	87,699
25,000 to 49,999	169	5,726,164	0	37,086	217,418	3.80%	423,450	7.40%	\$1.23	(1,600)	16,480	73,617	425,352
50,000 to 99,999	55	3,706,750	0	0	140,650	3.79%	362,482	9.78%	\$1.38	(54,811)	189,474	97,249	31,017
100,000+	23	3,600,038	0	0	27,956	0.78%	171,979	4.78%	\$1.15	78,772	190,805	110,671	(4,022)
<b>South County</b>													
10,000 to 24,999	406	6,754,115	14,507	150,972	439,919	6.51%	578,885	8.57%	\$1.36	(17,308)	12,787	140,940	300,830
25,000 to 49,999	177	5,953,270	0	88,040	428,388	7.20%	585,577	9.84%	\$1.24	(14,092)	124,544	220,533	239,805
50,000 to 99,999	56	3,731,471	0	226,000	228,082	6.11%	275,406	7.38%	\$1.24	(84,365)	154,483	69,175	33,552
100,000+	22	3,488,948	0	0	173,743	4.98%	526,811	15.10%	\$0.00	25,775	(144,849)	(27,720)	52,425
<b>Orange County</b>													
10,000 to 24,999	1,474	23,681,963	30,176	163,072	1,128,337	4.76%	1,424,355	6.01%	\$1.24	(149,422)	48,061	391,388	379,552
25,000 to 49,999	534	18,033,335	55,085	125,126	943,122	5.23%	1,605,092	8.90%	\$1.08	18,303	86,976	167,324	930,106
50,000 to 99,999	165	11,000,773	0	226,000	614,381	5.58%	938,970	8.54%	\$1.11	(114,713)	204,487	326,050	216,635
100,000+	71	12,059,244	0	0	276,471	2.29%	1,669,597	13.84%	\$1.22	91,490	198,047	170,993	196,653
<b>Orange County Total</b>	<b>2,244</b>	<b>64,775,315</b>	<b>85,261</b>	<b>514,198</b>	<b>2,962,311</b>	<b>4.57%</b>	<b>5,638,014</b>	<b>8.70%</b>	<b>\$1.19</b>	<b>(154,342)</b>	<b>537,571</b>	<b>1,055,755</b>	<b>1,722,946</b>

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple net basis.



**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**

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