



Flex Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Net Absorption



UP

Lease Rates



DOWN

Transactions



DOWN

Construction



DOWN

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Prepared by:
Jerry J. Holdner, Jr.
Vice President of Market Research
e-mail: jholdner@voitco.com

Market Highlights

- ◆ The Orange County Flex market is facing challenges due to the national recession and 2008's tumultuous financial events. The three primary concerns are as follows: expensive and scarce financing, economic uncertainty and volatility, and an increasing gap between "ask" and "bid" pricing between buyers and sellers. 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 flex market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The flex vacancy rate registered 14.99%, which is higher than it was a year ago when it was 14.36%. This increase is due to the new flex buildings that have been delivered to the market in the last 12 months, coupled with the slow 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, 24.35% this quarter as compared to 19.87% 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 \$2.20, which is a 15.06% decrease over last year's fourth quarter rate of \$2.59.
- ◆ Net absorption for the county this quarter posted at a negative 181,849 square feet. In 2008 the county a total of 5,510 square feet of negative absorption.
- ◆ The level of gross absorption registered 469,281 square feet for the first quarter of 2009. This is up from 474,605

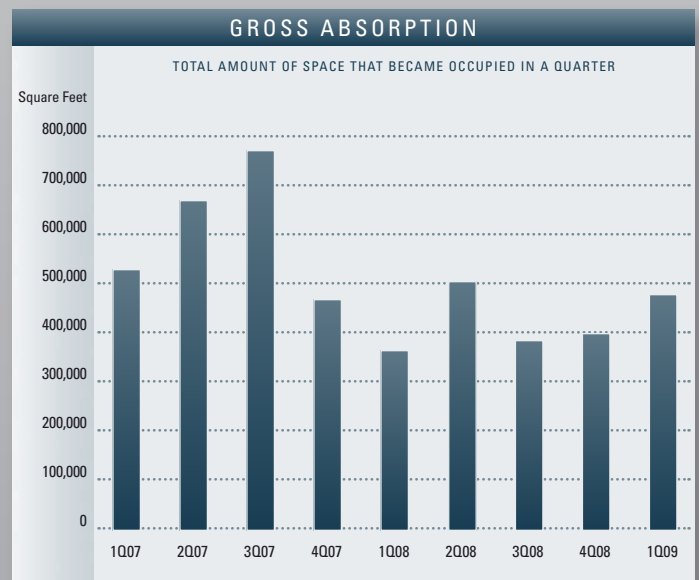
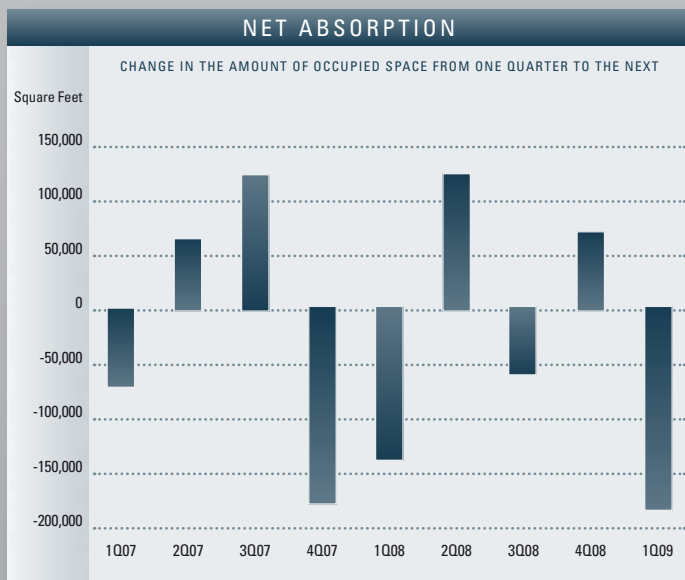
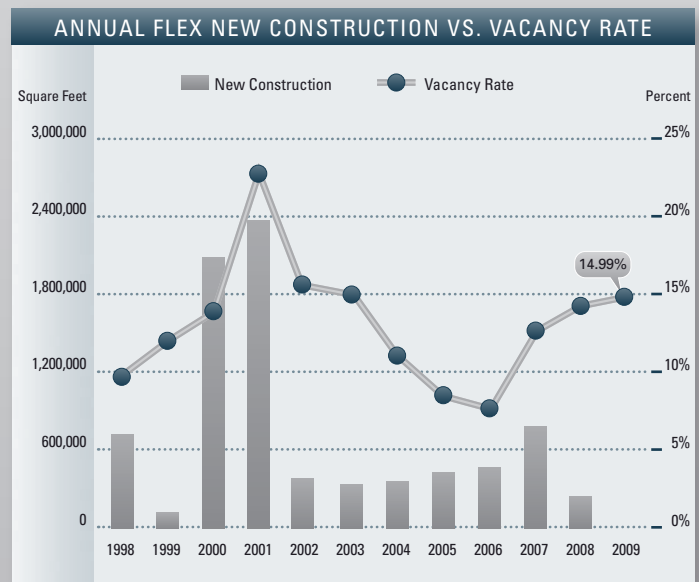
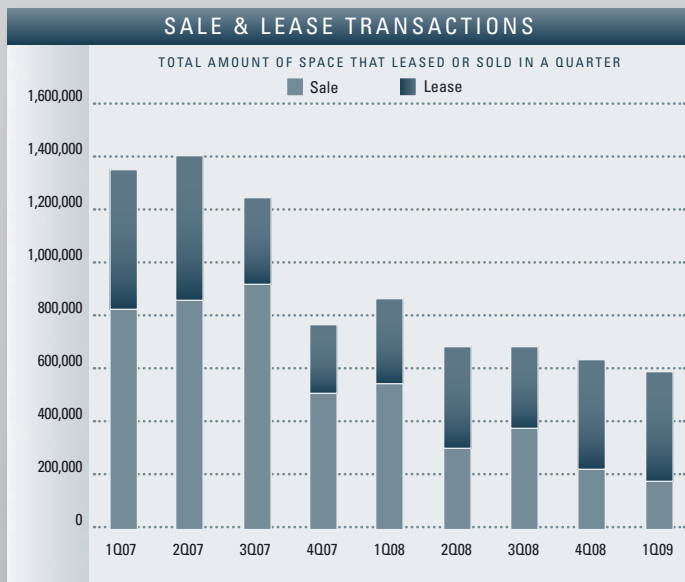
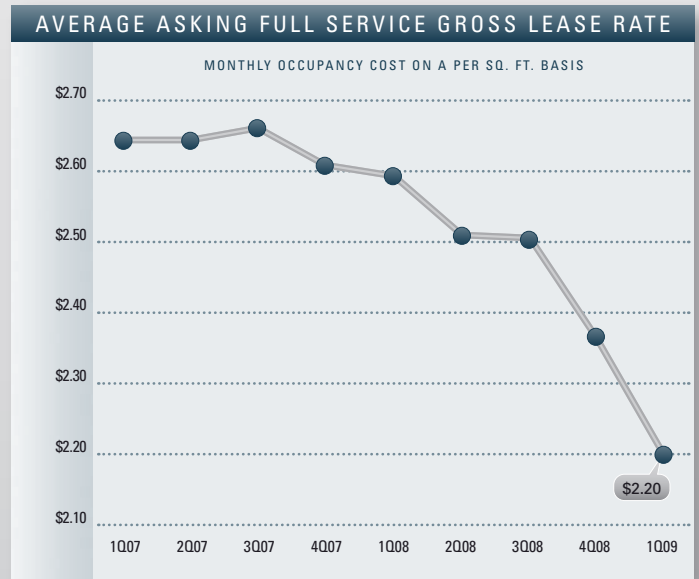
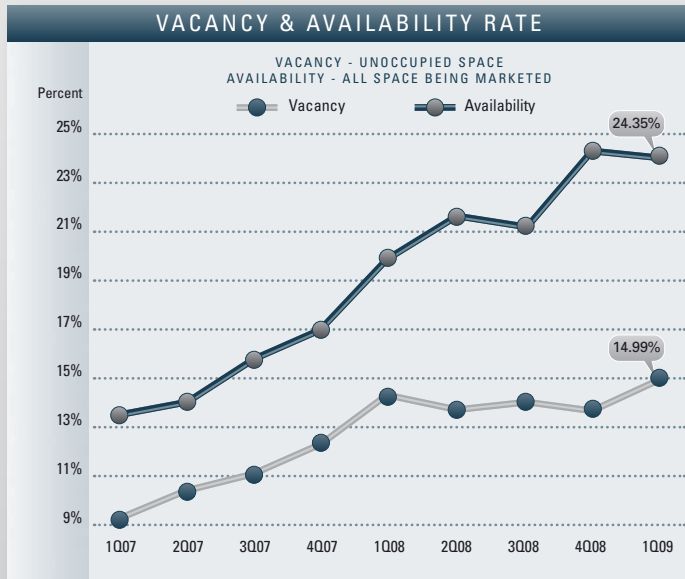
square feet when compared to the same quarter last year. The recent lack of activity can be tied to the credit crunch as well, which means we could see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.

- ◆ Total space under construction checked in at 51,863 square feet at the end of the first quarter of 2009, which is 60.41% lower than the amount that was under construction this same time last year. This is a good sign that the market is correcting itself. A total of 290,508 square feet of new flex product was delivered in 2008.
- ◆ According to the State of California Employment Development Department, Orange County lost 72,300 payroll jobs over the last twelve months - 19,000 in retail trade, transportation and utilities services. Between January 2009 and February 2009 Orange County lost 1,800 jobs. 6,500 jobs were lost in construction and retail trade. However, we saw employment rise in the government sector by 4,000 jobs as well as in educational and health services, in which there were 1,700 new jobs.
- ◆ The unemployment rate in Orange County was 7.8% in February 2009, up from a revised 7.6% in January 2009, and above the year ago estimate of 4.3%. This compares with an unadjusted unemployment rate of 10.9% for California and 8.9% for the nation during the same period.
- ◆ Lease rates are expected to remain soft 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.

FLEX MARKET OVERVIEW

	1Q2009	4Q2008	1Q2008	% CHANGE VS. 1Q08
Under Construction	51,863	89,103	130,991	-60.41%
Planned Construction	237,900	745,329	248,857	-4.40%
Vacancy	14.99%	13.93%	14.36%	4.39%
Availability	24.35%	24.46%	19.87%	22.55%
Avg. Ask Lease Rate	\$2.20	\$2.61	\$2.59	-15.06%
Transactions	585,760	638,955	858,169	-31.74%
Net Absorption	-181,849	71,319	-138,884	N/A
Gross Absorption	469,281	474,605	363,153	29.22%

Real People. Real Solutions.



	INVENTORY				VACANCY & LEASE RATES				ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 10/2009	Square Feet Available	Availability Rate 10/2009	Average Asking Lease Rate	Net Absorption 10/2009	Net Absorption 2008	Gross Absorption 10/2009	Gross Absorption 2008
North County													
Anaheim	22	425,748	0	0	43,808	10.29%	49,127	11.54%	\$1.60	3,764	(7,387)	8,679	48,817
Brea	14	414,580	0	0	37,639	9.08%	70,699	17.05%	\$2.14	16,217	(34,959)	22,706	46,368
Fullerton	11	177,711	0	0	3,445	0.00%	47,445	26.70%	\$3.10	0	28,104	0	30,829
Placentia	3	61,675	0	0	3,443	5.58%	3,443	5.58%	\$1.41	0	(3,443)	0	3,573
Yorba Linda	1	10,560	0	0	10,560	100.00%	10,560	100.00%	\$0.00	(5,607)	0	0	0
North County Total	51	1,090,274	0	0	98,895	9.07%	181,274	16.63%	\$2.05	14,374	(17,685)	31,385	129,587
West County													
Cypress	9	374,081	0	0	7,523	2.01%	7,523	2.01%	\$2.10	8,868	14,665	14,000	19,356
Huntington Beach	3	48,796	0	0	5,338	10.94%	7,156	14.67%	\$1.62	(1,173)	5,940	0	9,214
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
West County Total	16	465,882	0	0	12,861	2.76%	14,679	3.15%	\$1.74	7,695	20,605	14,000	28,570
Central County													
Anaheim	10	261,627	0	0	24,862	9.50%	24,862	9.50%	\$1.75	(5,713)	(16,056)	3,205	15
Garden Grove	2	27,400	0	0	4,700	17.15%	4,700	17.15%	\$0.00	0	(4,700)	0	2,400
Orange	6	113,542	0	0	1,120	0.99%	1,120	0.99%	\$2.20	1,575	2,939	1,575	18,138
Santa Ana	10	167,782	0	0	16,820	10.02%	31,550	18.80%	\$1.85	2,874	5,088	2,874	6,108
Tustin	4	84,314	0	0	16,738	19.85%	22,035	26.13%	\$0.00	(16,738)	0	0	0
Central County Total	32	654,665	0	0	64,240	9.81%	84,267	12.87%	\$1.84	(18,002)	(12,729)	7,654	26,661
Airport Area													
Costa Mesa	6	70,102	0	0	6,661	9.50%	9,972	14.22%	\$0.00	(3,350)	(3,311)	0	0
Irvine	117	3,532,616	0	150,000	663,149	18.77%	862,913	24.43%	\$3.00	(107,925)	123,944	55,859	453,173
Newport Beach	28	616,088	0	0	46,082	7.48%	76,520	12.42%	\$2.99	884	566	9,950	37,385
Santa Ana	9	416,101	0	0	146,346	35.17%	104,909	25.21%	\$2.05	(26,158)	(53,168)	1,825	22,038
Tustin	6	243,791	0	50,400	12,127	4.97%	70,637	28.97%	\$1.61	0	36,645	0	48,772
Airport Area Total	166	4,878,698	0	200,400	874,365	17.92%	1,124,951	23.06%	\$2.52	(136,549)	104,676	67,634	561,368
South County													
Aliso Viejo	42	1,289,205	0	20,000	112,236	8.71%	173,388	13.45%	\$2.15	(42,689)	(11,003)	3,410	67,927
Dana Point	4	58,840	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Foothill Ranch	5	139,636	0	0	30,671	21.96%	39,459	28.26%	\$3.60	9,374	6,983	12,378	9,558
Irvine Spectrum	221	5,043,929	51,863	0	982,171	19.47%	1,907,849	37.82%	\$1.95	(24,084)	(59,329)	234,678	494,904
Laguna Beach	7	136,373	0	0	16,857	12.36%	14,519	10.65%	\$0.00	(4,263)	3,518	0	12,343
Laguna Hills	15	442,455	0	0	62,621	14.15%	88,407	19.98%	\$1.94	5,432	(28,203)	19,702	37,293
Laguna Niguel	4	98,481	0	0	8,276	8.40%	12,234	12.42%	\$1.99	(1,939)	11,548	1,059	24,693
Lake Forest	38	1,453,770	0	0	117,200	8.06%	272,443	18.74%	\$2.07	34,569	(151,476)	52,020	85,539
Mission Viejo	29	390,571	0	17,500	51,268	13.13%	89,658	22.96%	\$2.03	344	21,557	6,454	29,538
Rancho Santa Margarita	9	240,195	0	0	33,076	13.77%	44,551	18.55%	\$1.90	1,540	(11,336)	11,049	37,085
San Clemente	10	207,997	0	0	24,630	11.84%	34,994	16.82%	\$2.15	3,229	4,170	5,358	26,975
San Juan Capistrano	24	518,034	0	0	75,154	14.51%	83,776	16.17%	\$2.11	(30,880)	4,492	2,500	51,746
South County Total	408	10,019,486	51,863	37,500	1,514,160	15.11%	2,761,278	27.56%	\$2.05	(49,367)	(209,079)	348,608	877,601
Orange County Total	673	17,109,005	51,863	237,900	2,564,521	14.99%	4,166,449	24.35%	\$2.20	(181,849)	(114,212)	469,281	1,623,787

	INVENTORY				VACANCY & LEASE RATES				ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 10/2009	Square Feet Available	Availability Rate 10/2009	Average Asking Lease Rate	Net Absorption 10/2009	Net Absorption 2008	Gross Absorption 10/2009	Gross Absorption 2008
North County													
0 to 29,999	41	644,962	0	0	76,019	11.79%	90,048	13.96%	\$1.60	17,069	(13,107)	29,235	85,684
30,000 to 49,999	8	322,312	0	0	15,896	4.93%	65,908	20.45%	\$2.14	(2,695)	534	2,150	42,035
50,000+	2	123,000	0	0	6,980	5.67%	25,318	20.58%	\$0.00	0	(5,112)	0	1,868
West County													
0 to 29,999	9	97,114	0	0	5,338	5.50%	7,156	7.37%	\$1.62	(1,173)	7,040	0	11,614
30,000 to 49,999	3	118,562	0	0	7,523	6.35%	7,523	6.35%	\$2.10	(5,132)	(935)	0	2,456
50,000+	4	250,206	0	0	0	0.00%	0	0.00%	\$0.00	14,000	14,500	14,000	14,500
Central County													
0 to 29,999	26	347,289	0	0	32,562	9.38%	45,593	13.13%	\$1.75	(5,713)	(10,803)	3,205	14,023
30,000 to 49,999	1	33,070	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	2,342
50,000+	5	274,306	0	0	31,678	11.55%	38,674	14.10%	\$1.87	(12,289)	(1,926)	4,449	10,296
Airport Area													
0 to 29,999	89	1,015,019	0	0	202,089	19.91%	238,232	23.47%	\$2.93	9,983	110,868	23,613	210,334
30,000 to 49,999	38	1,564,843	0	0	240,734	15.38%	425,414	27.19%	\$2.26	(36,408)	47,333	10,558	190,101
50,000+	39	2,298,836	0	200,400	431,542	18.77%	461,305	20.07%	\$2.36	(110,124)	(53,525)	33,463	160,933
South County													
0 to 29,999	267	3,433,642	0	37,500	587,193	17.10%	886,644	25.82%	\$2.03	33,519	7,100	124,804	471,550
30,000 to 49,999	88	3,471,509	0	0	557,713	16.07%	972,225	28.01%	\$2.09	(30,920)	(135,415)	121,964	297,895
50,000+	53	3,114,335	51,863	0	369,254	11.86%	902,409	28.98%	\$2.02	(51,966)	(80,764)	101,840	108,156
Orange County													
0 to 29,999	432	5,538,026	0	37,500	903,201	16.31%	1,267,673	22.89%	\$2.30	53,685	101,098	180,857	793,205
30,000 to 49,999	138	5,510,296	0	0	821,866	14.92%	1,471,070	26.70%	\$2.15	(75,155)	(88,483)	134,672	534,829
50,000+	103	6,060,683	51,863	200,400	839,454	13.85%	1,427,706	23.56%	\$2.14	(160,379)	(126,827)	153,752	295,753
Orange County Total	673	17,109,005	51,863	237,900	2,564,521	14.99%	4,166,449	24.35%	\$2.20	(181,849)	(114,212)	469,281	1,623,787

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



SUBMARKETS

NORTH

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:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, CA 92868-1642

TEL: 714.978.7880

FAX: 714.978.9431

IRVINE OFFICE

2020 Main St., Suite 100
Irvine, CA 92614

TEL: 949.851.5100

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

TEL: 858.453.0505

FAX: 858.453.1981

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