

Office Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



Net Absorption DOWN



Construction DOWN



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Market Highlights

- ◆ The Orange County Office 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 office market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ During the first quarter of 2009, Orange County has added two office buildings totaling 120,000 square feet, which is a good sign. Over the past three years, seven million square feet of new construction has been completed in Orange County. The record year for new development was 1988, when 5.7 million square feet of new space was added, and vacancy rates were approximately 24%.
- ◆ Total space under construction checked in at 173,209 square feet at the end of the first quarter, which is almost 80% lower than the amount that was under construction this same time last year. The slowdown in construction will ease the upward pressure on vacancy going forward.
- ◆ The office vacancy rate (for direct and sublease space) finished the year at 15.58%, constituting an increase over last year's rate of 13.28%. This increase is a result of the new construction coupled with a slowing economy. This 15.58% 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 22.41% this quarter, up from the 18.69% we saw this same quarter last year. This is an increase of almost 20% of new space being marketed in Orange County when compared to the same quarter last year.
- The average asking Full Service Gross (FSG) lease rate per month per foot in Orange County is currently \$2.37, which

- is a 13.19% decrease over last year's rate of \$2.73. The record high rate of \$2.77 was established in the fourth quarter of 2008. This is ten cents lower than last quarter's rate. Class A rates for the county are averaging \$2.55 FSG and are the highest in the Airport market, where class A rates are averaging \$2.77 FSG.
- Net absorption for the county posted a negative 691,274 square feet for the first quarter of 2009, giving the office market a total of 3.4 million square feet of negative absorption over the last eight quarters. This negative absorption can be attributed to the recent job losses as finance companies continue to consolidate.
- Activity for the first quarter of 2009 checked in at just over 2 million square feet, compared to an average quarterly activity level in 2008 which was 2.9 million square feet per quarter. 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 themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.
- 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.

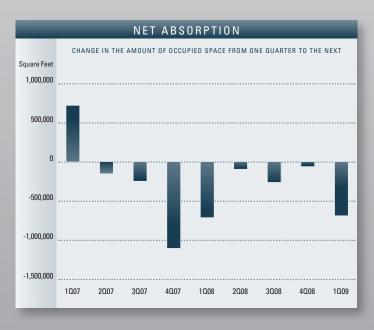
OFFICE MARKET OVERVIEW 102009 402008 102008 % CHANGE VS. 1008 **Under Construction** 173,209 247,965 865,363 -79.98% Planned Construction 5,516,757 5,551,757 10,008,304 -44.88% Vacancy 15.58% 14.88% 13.78% 13.06% Availability 22.37% 21.85% 18.69% 19.69% Avg. Ask Lease Rate \$2.37 -13.19% \$2.47 \$2.73 Sale & Lease Transactions 2,487,601 -17.32% 2,056,760 3,211,815 **Net Absorption** -687,011 -57,013 -760,105 N/A **Gross Absorption** 2,553,121 2,678,884 2,321,587 9.97%

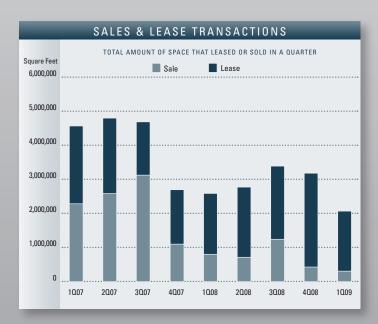
RECENT TRANSACTIONS										
Sales Transactions Property Address	Submarket	Class	Square Feet	Sale Price	Buyer	Seller				
18581 Teller Ave., Irvine	Airport	В	86,785	\$21,800,000	Allergan, Inc.	Maguire Properties				
16355 Laguna Canyon Road, Irvine	South	Α	115,020	\$20,000,000	University College of Chapman	Prudential Ins of America				
255 W Central Ave., Brea	North	В	11,800	\$2,615,000	JDO Professional Plaza LLC	Cacciapaglia Family Trust				
16441 Scientific Way - Bldg 25, Irvine	South	В	9,900	\$2,475,000	SW Management LLC	Bacchus Commercial LLC				
Lease Transactions		01	0 5 .		. .					

Lease Transactions						
Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	0wner
16355 Laguna Canyon Road, Irvine	South	Α	115,020	February-09	Chapman University	UC Chapman
6501 Irvine Center Drive, Irvine	South	В	64,006	February-09	AHMSI	The Irvine Company
7535 Irvine Center Drive, Irvine	South	В	53,794	February-09	N/A	The Irvine Company
20 Pacifica, Irvine	South	Α	43,277	January-09	KPMG	The Irvine Company











		INVEN	,	VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 102009	Square Feet Available	Availability Rate 102009	Average Asking Lease Rate	Net Absorption 102009	Net Absorption 2008	Gross Absorption 102009	Gross Absorption 2008
North County													
Anaheim Hills	9	450,484	0	0	81,953	18.19%	131,510	29.19%	\$2.27	16,311	(10,676)	35,094	51,462
Brea	42	3,350,848	0	120,000	654,517	19.53%	904,905	27.01%	\$2.24	(12,139)	(117,423)	61,433	391,602
Buena Park	11	649,061	0	0	77,097	11.88%	123,214	18.98%	\$1.86	999	(8,765)	4,946	55,914
Fullerton	29	2,121,316	0	0	93,838	4.42%	166,067	7.83%	\$2.07	9,514	43,385	29,989	210,407
La Habra	7	376,859	0	0	10,989	2.92%	12,057	3.20%	\$1.65	601	(8,539)	1,089	6,036
La Palma	8	599,687	0	0	77,751	12.97%	82,780	13.80%	\$2.24	(18.648)	(15,650)	0	16,900
Placentia	7	223,859	0	40,000	27,490	12.28%	27,490	12.28%	\$1.81	14,340	2,570	14,340	43,689
Yorba Linda	5	233,684	0	0	42,302	18.10%	47,541	20.34%	\$1.99	(1,158)	(27,359)	4,423	24,505
North County Total	118	8,005,798	0	160,000	1,065,937	13.31%	1,495,564	18.68%	\$2.17	9,820	(142,457)	151,314	800,515
West County													
Cypress	27	1,997,912	0	0	181,787	9.10%	194,743	9.75%	\$2.13	2,737	(22,989)	57,782	104,661
Fountain Valley	34	1,694,294	0	0	198,272	11.70%	203,753	12.03%	\$2.18	(2,212)	13,071	12,705	65,566
Garden Grove	21	1,007,938	0	0	55,870	5.54%	209,431	20.78%	\$1.70	26,466	71,352	31,899	136,671
Huntington Beach	44	2,413,420	0	0	307,002	12.72%	432,366	17.92%	\$2.37	(22,465)	(54,533)	34,574	209,785
Los Alamitos	13	562,154	0	0	16,431	2.92%	16,431	2.92%	\$2.00	(5,290)	2,550	700	16,215
Seal Beach	7	482,838	0	0	42,107	8.72%	58,550	12.13%	\$2.55	(2,089)	(4,807)	3,755	56,939
Stanton	3	113,702	0	0	18,596	16.36%	25,963	22.83%	\$1.25	(2,591)	(11,335)	765	4,779
Westminster	16	700,121	0	0	46,906	6.70%	72,849	10.41%	\$2.19	0	(21,445)	0	70,824
West County Total	165	8,972,379	0	0	866,971	9.66%	1,214,086	13.53%	\$2.23	(5,444)	(28,136)	142,180	665,440
Central County													
Anaheim	96	7,109,166	0	1,052,075	832,222	11.71%	2,096,524	29.49%	\$2.13	316,836	(579,056)	432,023	415,092
Orange	76	6,943,715	0	0	1,252,550	18.04%	1,543,844	22.23%	\$2.19	5,089	(381,426)	121,097	431,534
Santa Ana	177	12,956,771	81,646	889,847	2,089,295	16.13%	2,441,508	18.84%	\$2.02	(263,657)	(269,919)	143,669	800,696
Tustin	44	1,935,653	0	1,019,200	278,362	14.38%	368,261	19.03%	\$1.81	(9,679)	(47,523)	40,059	168,066
Central County Total	393	28,945,305	81,646	2,961,122	4,452,429	15.38%	6,450,137	22.28%	\$2.08	48,589	(1,277,924)	736,848	1,815,388
Airport Area													
Costa Mesa	72	6,564,784	0	620,660	1,114,334	16.97%	1,691,976	25.77%	\$2.36	(175,629)	(129,794)	47,129	389,196
Irvine	287	25,718,359	0	1,127,975	5,192,989	20.19%	6,781,876	26.37%	\$2.54	(450,264)	53,598	527,922	2,643,765
Newport Beach	131	9,708,124	30,200	0	985,413	10.15%	1,462,738	15.07%	\$3.10	(10,823)	(209,330)	222,846	950,396
Airport Area Total	490	41,991,267	30,200	1,748,635	7,292,736	17.37%	9,936,590	23.66%	\$2.61	(636,716)	(285,526)	797,897	3,983,357
South County													
Aliso Viejo	45	3,347,617	0	647,000	471,099	14.07%	726,005	21.69%	\$2.66	(115,195)	278,236	74,707	446,972
Dana Point	4	169,091	0	0	1,158	0.68%	1,158	0.68%	\$2.50	1,200	(1,158)	1,200	3,600
Foothill Ranch	10	788,129	0	0	295,139	37.45%	425,664	54.01%	\$2.24	4,867	(95,314)	102,041	51,330
Irvine Spectrum	116	7,721,398	51,863	0	1,434,739	18.58%	2,470,819	32.00%	\$2.73	82,241	184,947	387,390	1,058,421
Laguna Beach	5	194,434	9,500	0	6,629	3.41%	6,629	3.41%	\$2.25	(1,483)	(5,146)	0	
Laguna Hills	31	1,654,827	0	0	224,034	13.54%	285,659	17.26%	\$2.13	(18,312)	(50,520)	31,440	103,47
Laguna Niguel	10	666,607	0	0	60,605	9.09%	82,001	12.30%	\$2.27	590	(14,754)	6,728	39,944
Lake Forest	41	2,065,771	0	0	247,536	11.98%	435,384	21.08%	\$1.99	(5,401)	(107,936)	34,734	172,985
Mission Viejo	38	2,000,852	0	0	264,731	13.23%	355,193	17.75%	\$2.16	(34,232)	(61,011)	31,342	187,450
Rancho Santa Margarita	6	251,030	0	0	69,142	27.54%	80,600	32.11%	\$1.94	3,102	(23,250)	9,225	11,952
San Clemente	10	387,818	0	0	50,888	13.12%	64,126	16.54%	\$2.25	(37,889)	(431)	3,870	11,47
San Juan Capistrano	17	867,278	0	0	30,258	3.49%	137,864	15.90%	\$2.18	17,252	25,231	42,205	68,61
South County Total	333	20,114,852	61,363	647,000	3,155,958	15.69%	5,071,102	25.21%	\$2.35	(103,260)	128,894	724,882	2,156,219
Orange County Total	1.499	108,029,601	173,209	5,516,757	16,834,031	15.58%	24,167,479	22.37%	\$2.37	(687,011)	(1,605,149)	2,553,121	9,420,919

		INVEN	TORY			VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 102009	Square Feet Available	Availability Rate 102009	Average Asking Lease Rate	Net Absorption 102009	Net Absorption 2008	Gross Absorption 102009	Gross Absorption 2008
North County													
Class A	22	2.321.447	0	160,000	457,248	19.70%	610.192	26.28%	\$2.45	33.979	(232,989)	77.581	155,678
Class B	86	5.356.524	0	0	595,676	11.12%	869,208	16.23%	\$2.08	(21,780)	95,252	70,216	633,100
Class C	10	327,827	0	0	13,013	3.97%	16,164	4.93%	\$1.96	(2,379)	(4,720)	3,517	11,737
West County		,	•	•	,		,	,	*****	(=//	(-/- == /	-,	,
Class A	29	2,873,980	0	0	240,220	8.36%	369,019	12.84%	\$2.50	26,207	(86,912)	71,011	238,274
Class B	108	5.042.435	0	0	582,325	11.55%	791,127	15.69%	\$1.93	(28,121)	27,064	68,264	327,947
Class C	28	1,055,964	0	0	44,426	4.21%	53,940	5.11%	\$1.73	(3,530)	31,712	2,905	99,219
Central County		, ,			,		,			, - , ,		,	,
Class A	73	11.626.474	81.646	1,807,395	2.267.921	19.51%	2.767.954	23.81%	\$2.26	(161,285)	(773,177)	207,342	841,441
Class B	246	14,359,902	0	1,153,727	1.941.563	13.52%	3,443,868	23.98%	\$1.90	207.912	(461,805)	470,908	868,444
Class C	74	2,958,929	0	0	242,945	8.21%	238,315	8.05%	\$1.59	1,962	(42,942)	58,598	105,503
Airport Area		, ,			•		,			•		•	
Class A	135	23,616,365	8,500	1,315,660	4,621,483	19.57%	5,914,782	25.05%	\$2.77	(331,884)	(470,097)	451,342	2,145,242
Class B	322	17,001,546	21,700	432,975	2,619,691	15.41%	3,890,127	22.88%	\$2.27	(288,602)	130,087	332,909	1,713,005
Class C	33	1,373,356	0	0	51,562	3.75%	131,681	9.59%	\$1.81	(16,230)	54,484	13,646	125,110
South County													
Class A	92	8,765,607	51,863	647,000	1,626,542	18.56%	2,410,484	27.50%	\$2.42	75,889	276,903	386,077	1,362,935
Class B	231	11,006,719	9,500	0	1,518,209	13.79%	2,648,843	24.07%	\$2.24	(177,231)	(145,599)	338,805	779,446
Class C	10	342,526	0	0	11,207	3.27%	11,775	3.44%	\$1.80	(1,918)	(2,410)	0	13,838
Orange County													
Class A	351	49,203,873	142,009	3,930,055	9,213,414	18.72%	12,072,431	24.54%	\$2.55	(357,094)	(1,286,272)	1,193,353	4,743,570
Class B	993	52,767,126	31,200	1,586,702	7,257,464	13.75%	11,643,173	22.07%	\$2.08	(307,822)	(355,001)	1,281,102	4,321,942
Class C	155	6,058,602	0	0	363,153	5.99%	451,875	7.46%	\$1.68	(22,095)	36,124	78,666	355,407
Orange County Total	1,499	108.029.601	173.209	5,516,757	16.834.031	15.58%	24,167,479	22.37%	\$2.37	(687.011)	(1,605,149)	2.553.121	9,420,919

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				
1525 N Tustin Ave	Central	Α	81,646	4	August-09	The Muller Company				
22 Odyssey - Odyssey Medical	South	Α	51,863	2	June-09	EDC Development				
1375 Dove Street	Airport	В	21,700	3	April-09	Palm Springs Village-309 LLC				
2825 Laguna Canyon Road	South	В	9,500	1	May-09	Molto Bello Properties LLC				
Recent Deliveries										
Property Address	Submarket	Class	Square Feet	# of Floors	Date Delivered	Recorded Owner				
1325 N Anaheim Blvd., Anaheim	Central	Α	90,000	3	January-09	Karcher Partners				
9191 Westminster, Garden Grove	West	В	30,000	3	January-09	Anmi Group LLC				
40 Pacifica, Irvine Spectrum	South	Α	312,187	14	April-08	The Irvine Company				
45 Enterprise, Aliso Viejo	South	Α	246,600	8	April-08	Pacific Life				

Product Type

CLASS A

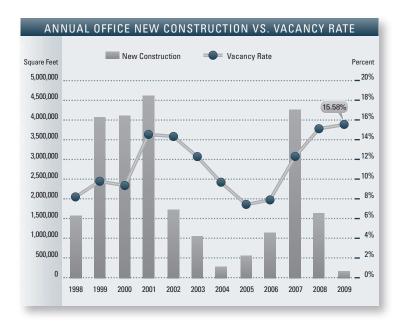
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

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.



For further information, please contact:

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