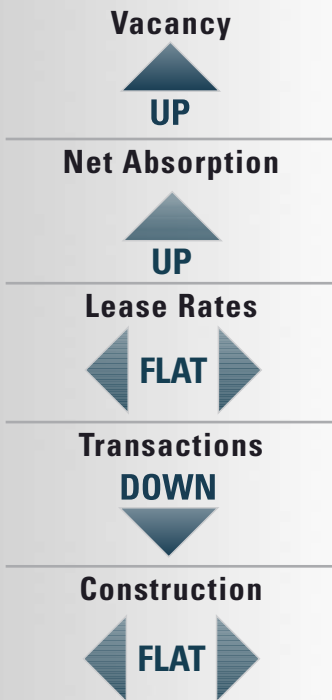




R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:



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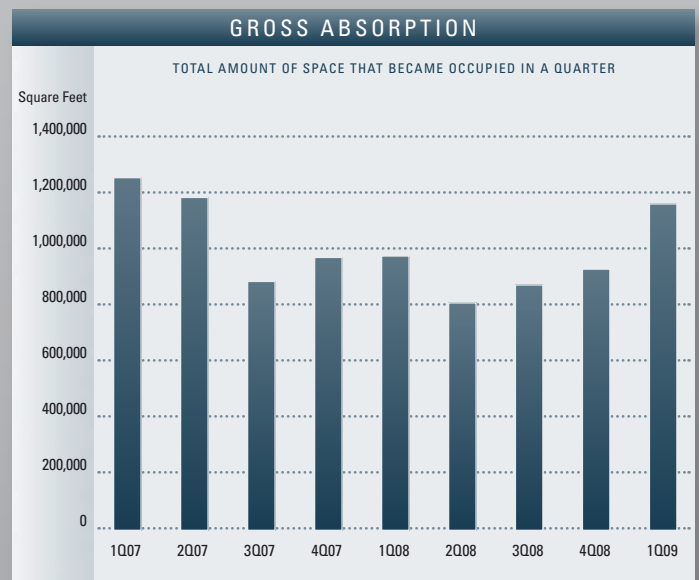
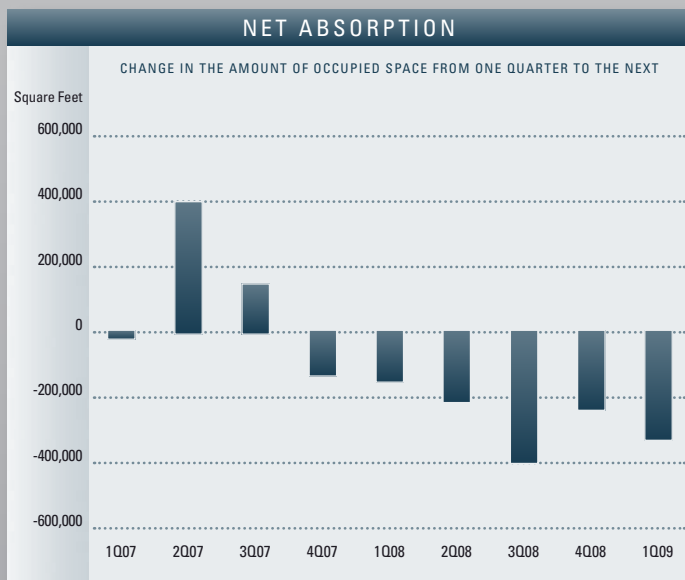
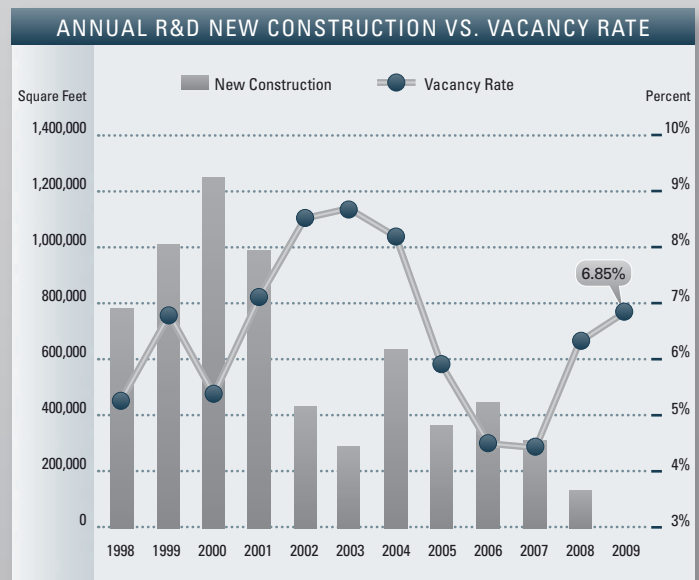
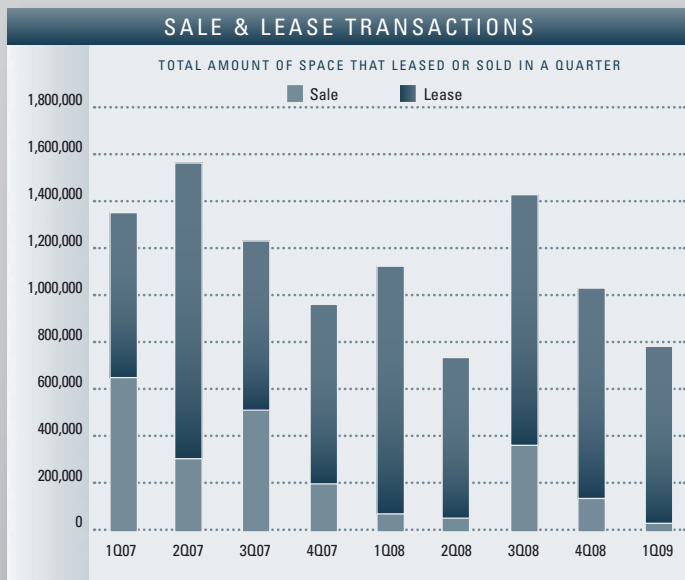
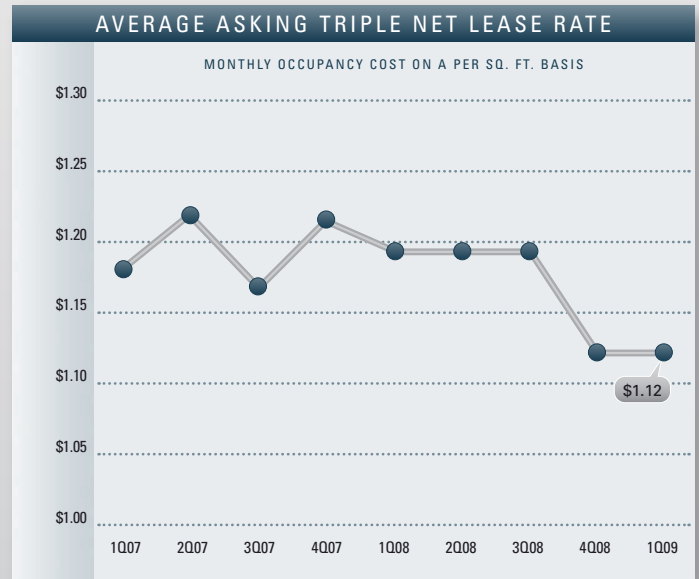
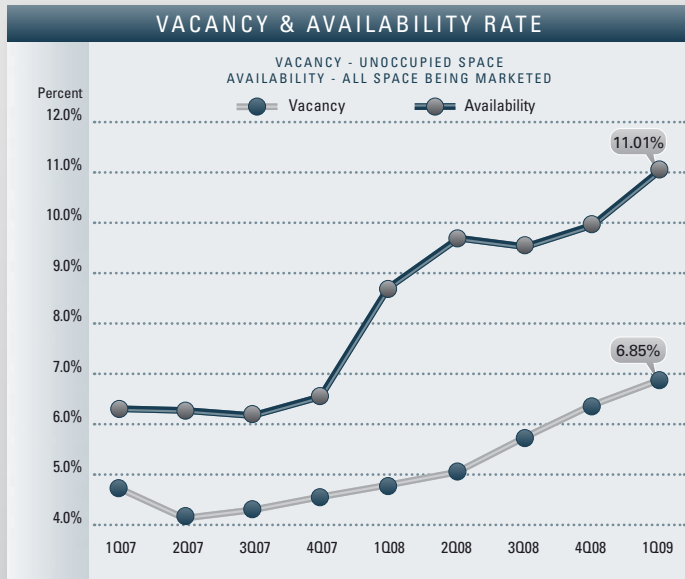
Market Highlights

- ◆ The Orange County Research and Development 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 R&D market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The R&D vacancy rate checked in at 6.85%, which is higher than it was a year ago when it was 4.77%. This increase is a result of the slowing economy, as financial markets correct.
- ◆ 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, 11.01% this quarter as compared to 8.70% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.12, which is seven cents lower than it was this time last year.
- ◆ Net absorption for the R&D market this quarter posted at negative 315,159 square feet, after having a total of approximately 1 million square feet of negative absorption for 2008.
- ◆ The level of gross absorption registered at just above 1.1 million square feet for the first quarter of 2009. This is up from 961,665 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 themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.
- ◆ There is currently nothing 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 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.
- ◆ Asking lease rates are expected to remain soft for the short run, and concessions should continue to increase in the forms of free rent and increasing tenant improvement allowances to incentivize tenants to act now.
- ◆ As we head into 2009, the R&D market will exhibit many similar characteristics of 2008. 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

	1Q2009	4Q2008	1Q2008	% CHANGE VS. 1Q09
Under Construction	0	0	85,261	-100.00%
Planned Construction	288,198	288,198	514,198	-43.95%
Vacancy	6.85%	6.36%	4.77%	43.61%
Availability	11.01%	9.96%	8.70%	26.55%
Avg. Ask Lease Rate	\$1.12	\$1.12	\$1.19	-5.88%
Transactions	784,417	1,024,060	1,106,207	-29.09%
Net Absorption	-315,159	-234,838	-154,168	N/A
Gross Absorption	1,141,018	927,611	961,665	18.65%

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SUBMARKETS

NORTH

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

30% to 74.9% improved with drop ceiling, minimum parking ratio of 3 to 1, minimum 50% of exterior glassline, dock and/or ground level loading.

For further information, please contact:

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