



Voit
Real Estate Services

R&D Market Report

Compared to last quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



To view available properties, electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:
Jerry J. Holdner, Jr. — Lic.#01145748
Vice President of Market Research
VOIT Real Estate Services — Lic.#01333376
e-mail: jholdner@voitco.com

Market Highlights

- ◆ **Market Challenges** - Many users/investors have concerns with increasing vacancy, tenant delinquencies, economic volatility, and the gap between “ask” and “bid” pricing. However, the ask-bid gap appears to be diminishing, apparent from the increase in sales activity at the end of 2009. Another challenge for the Research & Development market is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn are putting an upward pressure on vacancy rates. To avoid failures many tenants are requesting rent relief from landlords, which is leading landlords to renegotiate loan terms with lenders.
- ◆ **Construction** - Currently, there is no R&D space under construction in Orange County, due to lack of demand. The shrinking availability of land, combined with the high land prices, scarce financing and rising construction costs, has led to few projects being developed.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 9.12%, constituting an increase over last year’s rate of 6.51%. This quarter’s rate of 9.12% is still lower than the 9.82% vacancy rate we saw in the second quarter of 2004.
- ◆ **Availability** - Direct/sublease space being marketed was 13.15% this quarter, up from the 10.76% we saw this same quarter last year. This is an increase of 22.21% of new space being marketed when compared to the same quarter last year.
- ◆ **Lease Rates** - The average asking Triple Net lease rate per square foot per month in Orange County for the first quarter of 2010 was \$0.96- a 14.29% decrease over last year’s rate of \$1.12 and six cents lower than last quarter’s rate. The record high rate of \$1.22 was established in the second quarter of 2007.
- ◆ **Absorption** - Net absorption for the county posted a negative 293,968 square feet for the first quarter of 2010, giving the industrial market an average of 350,000 square feet of negative absorption for last five quarters. This negative

absorption can be attributed to the recent job losses.

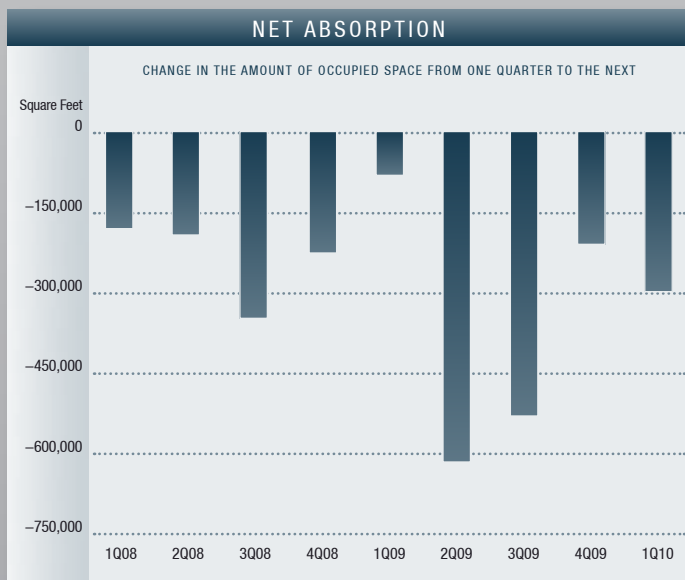
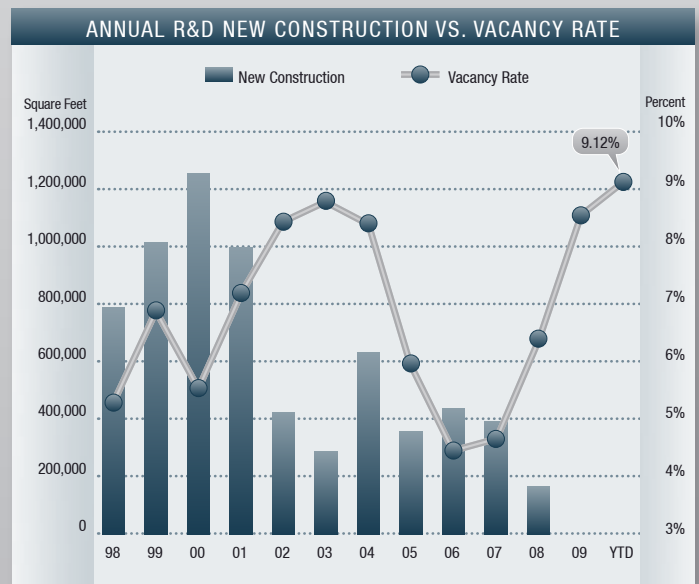
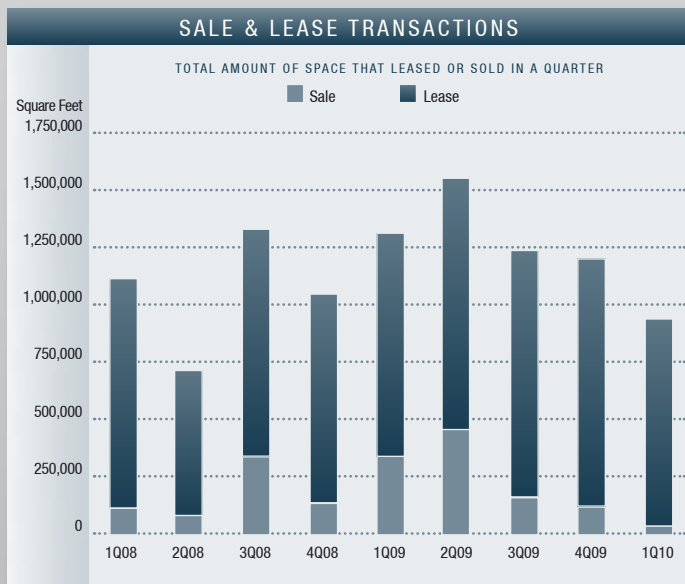
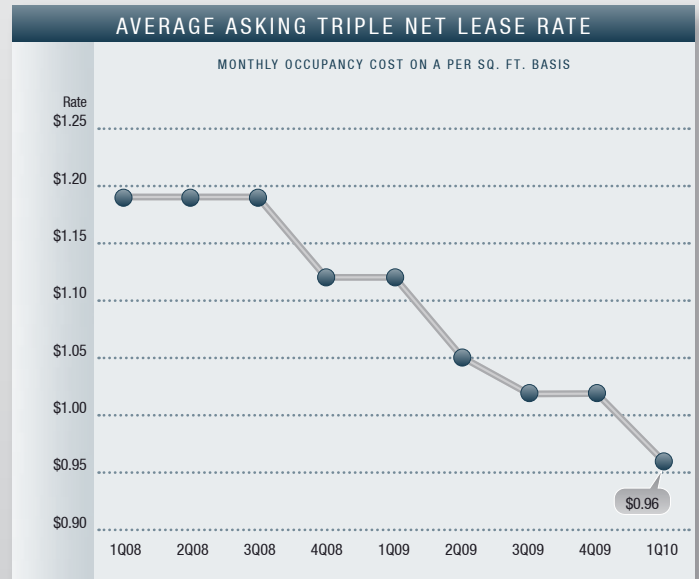
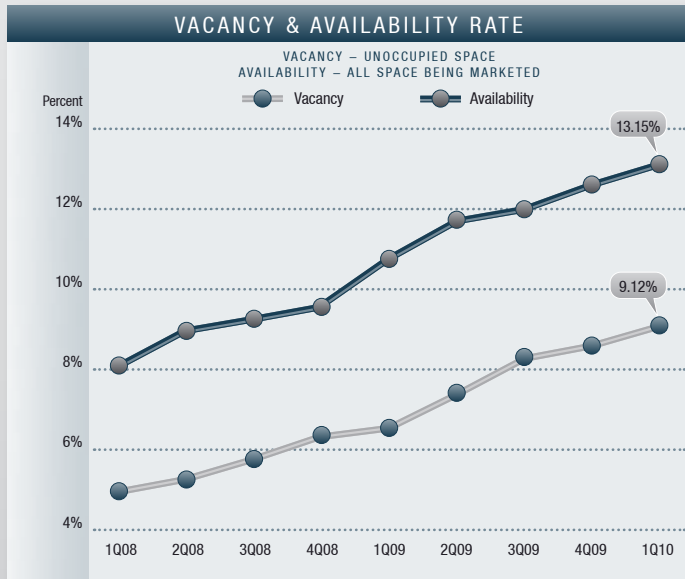
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 905,000 square feet. The average amount of leasing per quarter for the past five quarters was 1.03 million square feet. Sales activity posted 27,525 square feet this quarter. The average amount of sales per quarter over the past five quarters was 220,000 square feet.
- ◆ **Unemployment** - The unemployment rate in Orange County was 9.7% in February 2010, down from a revised 10.2% in January 2010 and above the year ago estimate of 7.9%. This compares with an unadjusted unemployment rate of 12.8% for California and 10.4% for the nation during the same period.
- ◆ **Employment** - According to the State of California Employment Development Department, Orange County lost 53,000 payroll jobs over the last twelve months; the largest losses were 14,400 in construction, 11,000 in manufacturing and 4,200 in leisure & hospitality. However, between January 2010 and February 2010, Orange County gained 10,300 jobs.
- ◆ **Overall** - We are beginning to see a decrease in the amount of available space being added per quarter. Though negative absorption continues, with few new deliveries in the pipeline to put more upward pressure on vacancies, the market should begin to stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, relocation funds and tenant improvement allowances should continue to increase to incentivize tenants to act immediately. We should see an increase in leasing activity as many short-term deals come up for renewal and as job creation begins in the second half of 2010. Once job creation turns positive and consumer confidence stabilizes, the R&D market will again turn positive.

R & D MARKET OVERVIEW

	1Q2010	4Q2009	1Q2009	% CHANGE VS. 1Q2009
Vacancy Rate	9.12%	8.66%	6.51%	40.09%
Availability Rate	13.15%	12.63%	10.76%	22.21%
Average Asking Lease Rate	\$0.96	\$1.02	\$1.12	(14.29%)
Sale & Lease Transactions	932,910	1,191,034	1,305,465	(28.54%)
Gross Absorption	1,266,302	1,114,001	1,141,610	10.92%
Net Absorption	(293,968)	(214,137)	(78,900)	N/A



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 1Q2010	Square Feet Available	Availability Rate 1Q2010	Average Asking Lease Rate	Net Absorption 1Q2010	Net Absorption 2009	Gross Absorption 1Q2010	Gross Absorption 2009
North County													
Anaheim	90	2,895,029	0	0	225,537	7.79%	243,860	8.42%	\$0.64	18,438	(100,426)	74,662	125,996
Brea	47	1,792,020	0	0	105,225	5.87%	113,574	6.34%	\$0.00	(5,358)	41,251	10,966	92,908
Buena Park	26	1,017,895	0	0	64,777	6.36%	81,195	7.98%	\$0.00	(8,272)	(29,286)	4,603	75,267
Fullerton	41	1,482,171	0	0	68,809	4.64%	70,609	4.76%	\$0.00	8,894	34,492	34,216	147,879
La Habra	7	146,680	0	0	18,037	12.30%	18,037	12.30%	\$0.00	(1,000)	(11,177)	0	4,056
La Palma	7	269,471	0	0	17,364	6.44%	78,299	29.06%	\$1.10	15,508	(16,425)	15,508	0
Placentia	19	519,904	0	0	17,298	3.33%	17,298	3.33%	\$0.88	0	1,629	0	54,403
Yorba Linda	50	1,345,804	0	0	94,967	7.06%	190,671	14.17%	\$1.02	11,646	302	23,552	181,723
North County Total	287	9,468,974	0	0	612,014	6.46%	813,543	8.59%	\$0.97	39,856	(79,640)	163,507	682,232
West County													
Cypress	43	2,320,793	0	0	346,138	14.91%	564,814	24.34%	\$0.95	(116,500)	(159,255)	11,750	69,336
Huntington Beach	128	2,549,665	0	0	178,042	6.98%	295,737	11.60%	\$0.70	(6,679)	(70,170)	48,566	160,562
Los Alamitos	35	792,762	0	0	42,944	5.42%	54,245	6.84%	\$0.00	(12,975)	(13,609)	3,375	28,819
West County Total	206	5,663,220	0	0	567,124	10.01%	914,796	16.15%	\$0.94	(136,154)	(243,034)	63,691	258,717
Central County													
Anaheim	71	1,655,129	0	0	91,246	5.51%	100,818	6.09%	\$0.00	(13,968)	6,914	29,746	132,299
Garden Grove	81	2,363,585	0	0	191,323	8.09%	326,324	13.81%	\$0.91	(2,386)	(12,781)	59,204	203,427
Orange	102	2,144,225	0	0	166,869	7.78%	168,188	7.84%	\$0.82	(13,756)	(31,760)	42,114	181,403
Santa Ana	60	1,516,800	0	0	94,433	6.23%	124,953	8.24%	\$0.00	(1,131)	(34,400)	19,593	118,325
Westminster	20	567,749	0	0	29,878	5.26%	34,304	6.04%	\$0.00	1,425	(26,537)	3,865	19,287
Central County Total	334	8,247,488	0	0	573,749	6.96%	754,587	9.15%	\$0.97	(29,816)	(98,564)	154,522	654,741
Airport Area													
Costa Mesa	185	4,405,845	0	0	540,782	12.27%	687,523	15.60%	\$0.84	(73,021)	(81,567)	62,016	333,325
Fountain Valley	48	1,342,131	0	0	77,396	5.77%	97,247	7.25%	\$0.87	(16,502)	(29,884)	9,218	70,768
Irvine	270	6,778,654	0	0	781,302	11.53%	1,159,351	17.10%	\$0.92	(51,846)	(242,895)	130,613	669,136
Newport Beach	22	812,481	0	0	28,733	3.54%	75,787	9.33%	\$1.16	(7,782)	(5,857)	4,125	19,200
Santa Ana	128	3,899,235	0	0	350,263	8.98%	446,573	11.45%	\$0.85	(24,559)	(125,389)	97,032	207,321
Tustin	94	3,282,661	0	0	325,364	9.91%	429,924	13.10%	\$0.91	5,070	(135,285)	60,073	196,762
Airport Area Total	747	20,521,007	0	0	2,103,840	10.25%	2,896,405	14.11%	\$0.91	(168,640)	(620,877)	363,077	1,496,512
South County													
Aliso Viejo	36	870,041	0	0	69,471	7.98%	113,119	13.00%	\$1.01	11,334	(23,355)	11,334	50,063
Foothill Ranch	7	162,906	0	0	49,415	30.33%	49,415	30.33%	\$0.00	0	(43,915)	0	5,500
Irvine Spectrum	271	10,251,156	0	0	1,156,937	11.29%	1,801,523	17.57%	\$1.04	15,803	(167,942)	385,087	947,212
Laguna Hills	62	1,401,127	0	0	140,347	10.02%	148,841	10.62%	\$1.24	(17,116)	(57,238)	28,214	106,409
Laguna Niguel	16	1,412,141	0	0	140,522	9.95%	158,822	11.25%	\$1.34	(16,571)	(10,031)	1,900	15,380
Lake Forest	61	1,403,174	0	0	93,732	6.68%	144,993	10.33%	\$0.93	(1,575)	427	44,740	177,654
Mission Viejo	35	940,827	0	0	57,357	6.10%	175,019	18.60%	\$1.00	(6,359)	1,649	5,193	38,966
Rancho Santa Margarita	43	1,487,596	0	0	52,458	3.53%	109,917	7.39%	\$0.73	(1,506)	(23,880)	6,275	27,128
San Clemente	44	1,047,873	0	0	95,424	9.11%	179,586	17.14%	\$1.10	12,776	(65,279)	28,462	74,741
San Juan Capistrano	41	599,723	0	239,012	76,257	12.72%	87,882	14.65%	\$0.82	4,000	(41,557)	10,300	34,828
South County Total	616	19,576,564	0	239,012	1,931,920	9.87%	2,969,117	15.17%	\$1.02	786	(431,121)	521,505	1,477,881
Orange County Total	2,190	63,477,253	0	239,012	5,788,647	9.12%	8,348,448	13.15%	\$0.96	(293,968)	(1,473,236)	1,266,302	4,570,083
North County													
10,000 to 24,999	173	2,775,262	0	0	330,343	11.90%	399,712	14.40%	\$0.92	28,908	(169,029)	96,165	225,567
25,000 to 49,999	78	2,636,389	0	0	230,835	8.76%	314,358	11.92%	\$0.87	16,353	11,986	67,342	252,735
50,000 to 99,999	25	1,663,578	0	0	50,836	3.06%	99,473	5.98%	\$1.10	(5,405)	(5,330)	0	109,197
100,000+	11	2,393,745	0	0	0	0.00%	0	0.00%	\$0.00	0	82,733	0	19,333
West County													
10,000 to 24,999	144	2,191,919	0	0	147,328	6.72%	176,347	8.05%	\$0.70	(13,643)	(44,714)	31,636	158,359
25,000 to 49,999	40	1,386,486	0	0	80,560	5.81%	173,030	12.48%	\$0.90	(1,006)	(54,854)	24,278	50,871
50,000 to 99,999	18	1,176,439	0	0	212,236	18.04%	358,139	30.44%	\$0.92	5,495	(143,466)	7,777	49,487
100,000+	4	908,376	0	0	127,000	13.98%	207,280	22.82%	\$1.00	(127,000)	0	0	0
Central County													
10,000 to 24,999	242	3,878,406	0	0	319,580	8.24%	365,642	9.43%	\$1.17	(18,034)	(69,910)	101,348	440,296
25,000 to 49,999	69	2,261,241	0	0	209,996	9.29%	248,904	11.01%	\$0.78	(23,178)	(12,235)	39,378	182,087
50,000 to 99,999	17	1,172,508	0	0	44,173	3.77%	140,041	11.94%	\$0.00	11,396	(16,419)	13,796	32,358
100,000+	6	935,333	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Airport Area													
10,000 to 24,999	505	8,136,037	0	0	878,356	10.80%	1,154,979	14.20%	\$1.07	(97,690)	(184,467)	176,860	928,387
25,000 to 49,999	166	5,577,911	0	0	845,879	15.16%	975,648	17.49%	\$0.93	(84,444)	(326,362)	97,594	408,050
50,000 to 99,999	54	3,565,081	0	0	211,871	5.94%	357,038	10.01%	\$0.00	13,494	20,734	52,297	209,922
100,000+	22	3,241,978	0	0	167,734	5.17%	408,740	12.61%	\$0.89	0	(130,782)	36,326	32,029
South County													
10,000 to 24,999	373	6,176,012	0	150,972	621,405	10.06%	860,738	13.94%	\$0.99	62,324	(141,545)	209,414	680,488
25,000 to 49,999	171	5,738,051	0	88,040	686,396	11.96%	1,053,152	18.35%	\$0.99	(80,973)	(312,024)	101,461	487,088
50,000 to 99,999	53	3,531,614	0	0	377,905	10.70%	585,013	16.57%	\$1.09	19,437	(105,817)	70,000	155,783
100,000+	19	4,130,887	0	0	246,214	5.96%	470,214	11.38%	\$0.00	(2)	128,265	140,630	148,046
Orange County													
10,000 to 24,999	1,437	23,157,636	0	150,972	2,297,012	9.92%	2,957,418	12.77%	\$0.97	(38,135)	(609,665)	615,423	2,433,097
25,000 to 49,999	524	17,600,078	0	88,040	2,053,666	11.67%	2,765,092	15.71%	\$0.94	(173,248)	(693,489)	330,053	1,380,831
50,000 to 99,999	167	11,109,220	0	0	897,021	8.07%	1,539,704	13.86%	\$1.01	44,417	(250,298)	143,870	556,747
100,000+	62	11,610,319	0	0	540,948	4.66%	1,086,234	9.36%	\$0.92	(127,002)	80,216	176,956	199,408
Orange County Total	2,190	63,477,253	0	239,012	5,788,647	9.12%	8,348,448	13.15%	\$0.96	(293,968)	(1,473,236)	1,266,302	4,570,083

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



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:

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

NEWPORT BEACH OFFICE
101 Shipyard Way
Suite M
Newport Beach, CA 92663
TEL: 949.644.8648
FAX: 949.644.8695

SAN DIEGO OFFICE
4370 La Jolla Village Dr.
Suite 990
San Diego, CA 92122-1233
TEL: 858.453.0505
FAX: 858.453.1981

To view available properties, electronic versions of current or past market reports, please visit:

www.voitco.com



Voit
Real Estate Services
Lic.#01333376



Real People. Real Solutions.