



Flex Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

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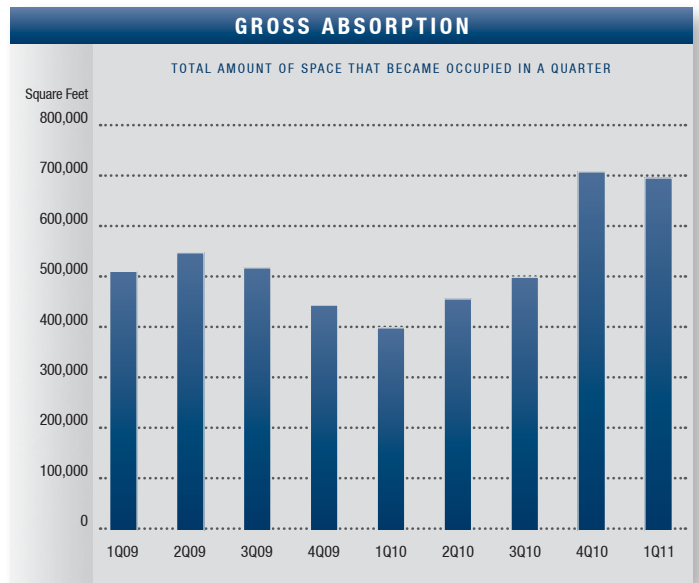
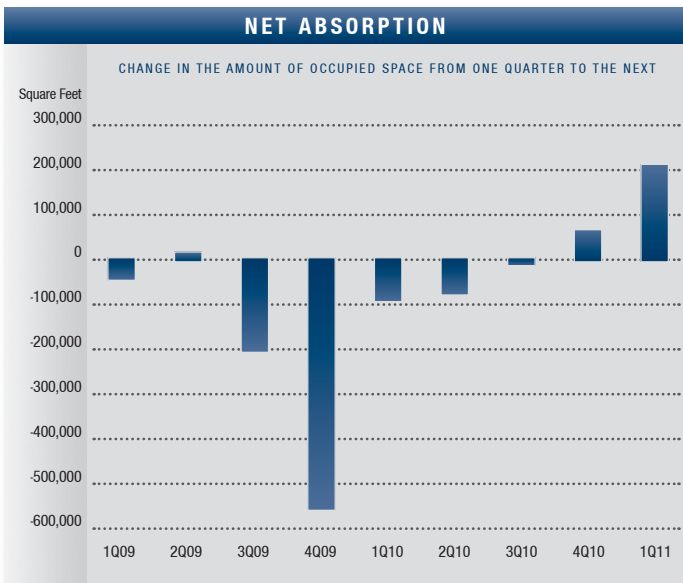
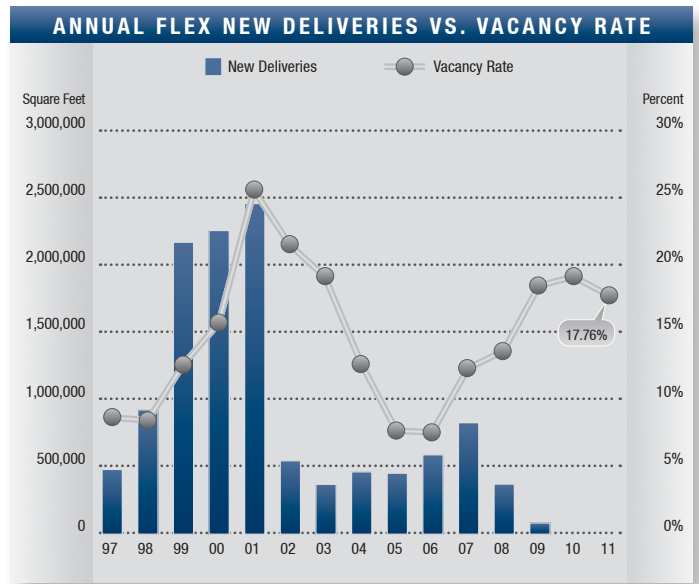
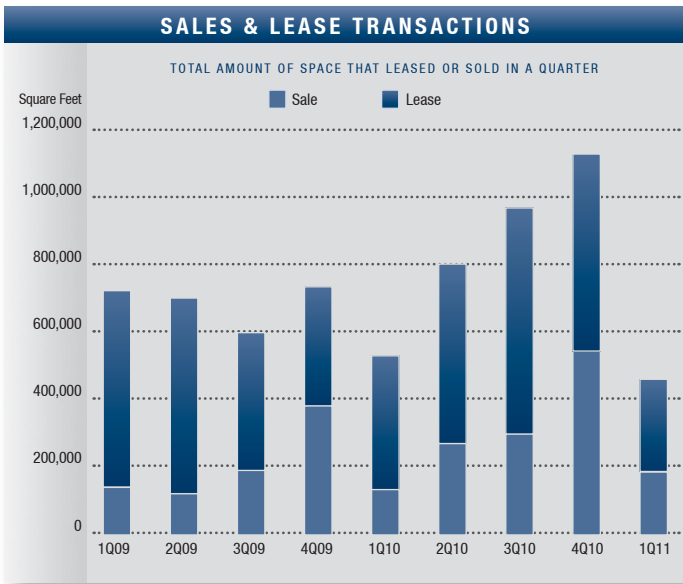
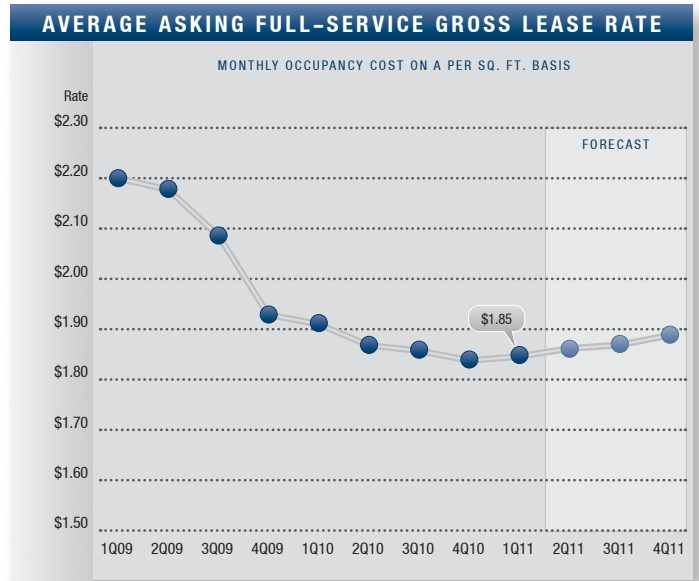
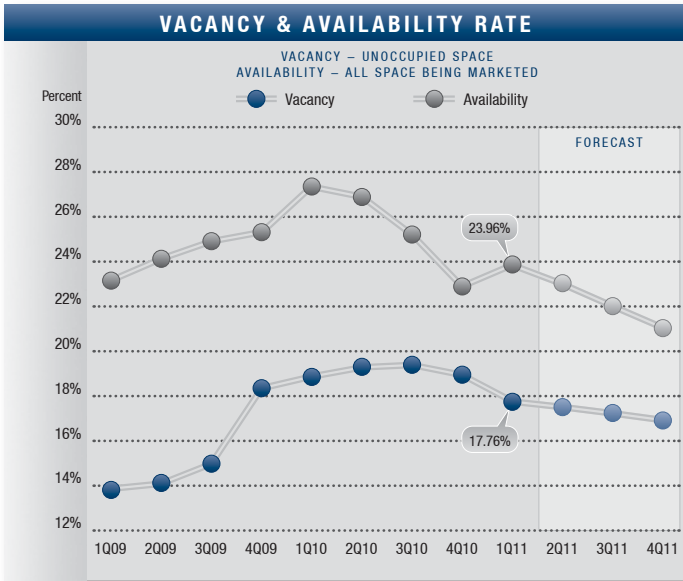
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Market Highlights

- Encouraging Numbers** - The Orange County flex market conveyed more signs of stabilization in the first quarter of 2011. Vacancy decreased from the previous quarter, and net absorption was positive for two consecutive quarters. Demand, although still weak by historical standards, picked up, with 2010 marking the beginning of a renewed interest in sales transactions. While these are positive indications, stability will need to be sustained in coming quarters to be considered recovery.
- Construction** - There was no flex space under construction in Orange County in the first quarter of 2011, as a result of a lack of demand. The shrinking availability of land, scarce financing and rising construction costs have led to few projects being developed.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 17.76%, a decrease compared to both the year-ago rate of 18.83% and 2010's fourth quarter rate of 18.94%, as well as less than the record high rate of 26.95% recorded in the second quarter of 2002.
- Availability** - Direct/sublease space being marketed was 23.96% at the end of the first quarter, a decrease of 12.3% compared to the 27.32% seen in the same quarter of the previous year.
- Lease Rates** - The average asking full-service gross (FSG) lease rate per square foot per month in Orange County's office market was \$1.85 in the first quarter of 2011 – one cent higher than the previous quarter's rate and a 3.14% decrease from 2010's first quarter rate of \$1.91. The record high rate of \$2.66 was established in the third quarter of 2007.
- Absorption** - The Orange County flex market posted 210,379 square feet of positive absorption in the beginning of 2011, giving the market an average of 20,000 square feet of positive absorption per quarter over the last five quarters. This positive absorption can be attributed to the recent employment gains.
- Transaction Activity** - Leasing activity came in at 280,634 square feet in the first quarter of 2011. The average amount of leasing activity per quarter over the past five quarters was 505,000 square feet. Sales activity picked up, posting 175,000 square feet in first quarter of 2011, compared to the 127,000 square feet seen in the first quarter of 2010.
- Employment** - The unemployment rate in Orange County was 8.9% in February 2011 – down from a revised 9.2% in January 2011 and below the year-ago estimate of 9.7%. This compares with an unadjusted unemployment rate of 12.3% for California and 9.5% for the nation during the same period. According to the State of California Employment Development Department, Orange County increased overall by 16,300 payroll jobs from February 2010 to February 2011; the largest gains were 6,500 in leisure and hospitality and 5,400 in professional & business services. However, during that same period, Orange County lost 2,000 jobs in trade, transportation, and utilities. Chapman University is forecasting that 23,000 jobs will be added in Orange County in 2011.
- Overall** - We are beginning to see a decrease in the amount of vacant space, as well as an increase in investment sales activity. As we enter into 2011, absorption has turned positive, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market is beginning to stabilize. We foresee an increase in investment activity in the coming quarters as lenders continue to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances should continue to incentivize tenants to act immediately. We should also see an increase in leasing activity as many short-term deals come up for renewal. As job creation continues and consumer confidence stabilizes, the flex market will recover.

FLEX MARKET OVERVIEW

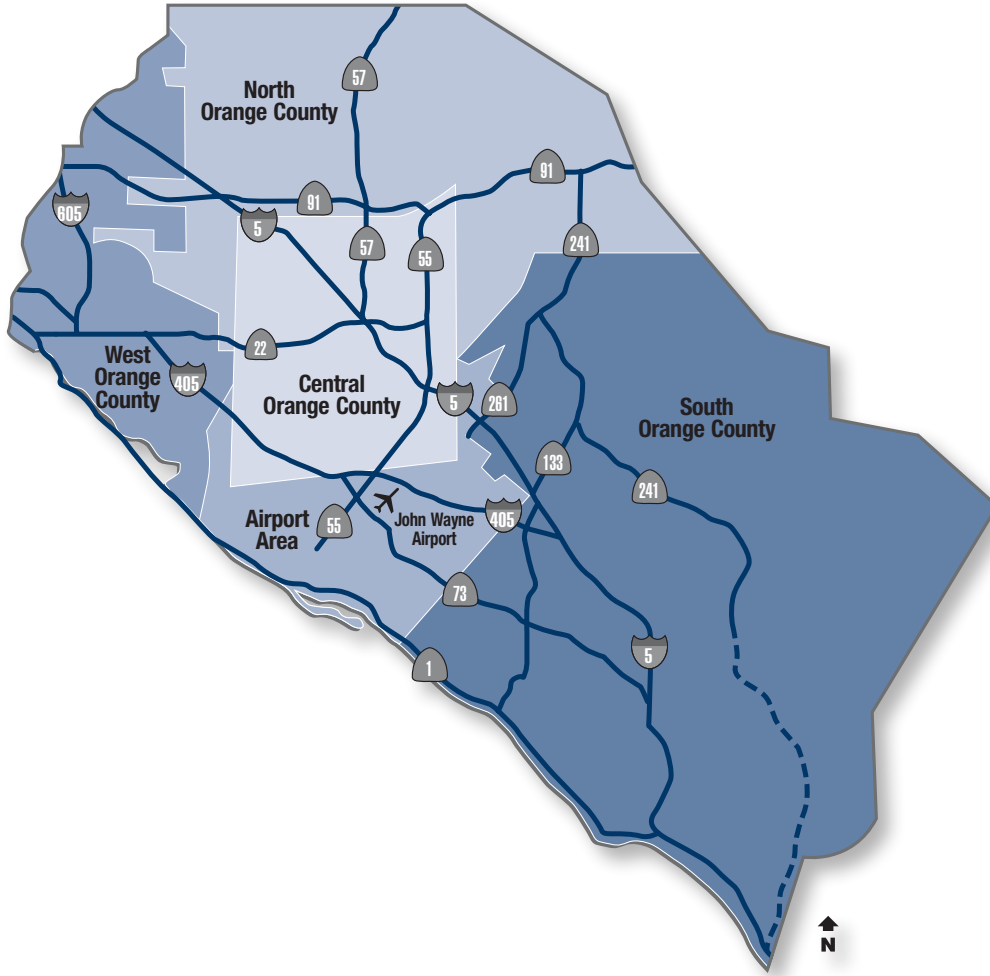
	1Q2011	4Q2010	1Q2010	% Change vs. 1Q2010
Vacancy Rate	17.76%	18.94%	18.83%	(5.68%)
Availability Rate	23.96%	22.84%	27.32%	(12.30%)
Average Asking Lease Rate	\$1.85	\$1.84	\$1.91	(3.14%)
Sale & Lease Transactions	456,468	1,129,654	528,811	(13.68%)
Gross Absorption	693,068	704,195	397,226	74.48%
Net Absorption	210,379	68,314	(90,237)	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2011	Square Feet Available	Availability Rate 1Q2011	Average Asking Lease Rate	Net Absorption 1Q2011	Net Absorption 2011	Gross Absorption 1Q2011	Gross Absorption 2011
North County													
Anaheim	22	438,748	0	0	43,950	10.02%	131,162	29.89%	\$2.14	(5,308)	(5,308)	10,558	10,558
Brea	14	412,785	0	0	75,775	18.36%	141,825	34.36%	\$1.81	(2,802)	(2,802)	4,932	4,932
Buena Park	3	70,000	0	0	1,440	2.06%	1,440	2.06%	\$0.00	0	0	0	0
Fullerton	8	114,697	0	24,000	5,360	0.00%	20,892	18.21%	\$0.00	0	0	0	0
Placentia	3	61,675	0	0	11,315	18.35%	10,007	16.23%	\$1.50	(274)	(274)	0	0
North County Total	50	1,097,905	0	24,000	137,840	12.55%	305,326	27.81%	\$1.91	(8,384)	(8,384)	15,490	15,490
West County													
Cypress	11	393,332	0	0	14,181	3.61%	110,712	28.15%	\$1.95	0	0	0	0
Huntington Beach	3	49,145	12,000	0	3,242	6.60%	3,242	6.60%	\$1.47	(225)	(225)	3,844	3,844
Seal Beach	5	72,877	0	0	4,147	5.69%	1,543	2.12%	\$2.00	1,166	1,166	1,166	1,166
West County Total	19	515,354	12,000	0	21,570	4.19%	115,497	22.41%	\$1.87	941	941	5,010	5,010
Central County													
Anaheim	11	279,366	0	0	13,434	4.81%	13,434	4.81%	\$0.00	9,299	9,299	12,607	12,607
Garden Grove	2	27,400	0	0	12,180	44.45%	12,180	44.45%	\$0.00	0	0	0	0
Orange	8	158,938	0	0	11,378	7.16%	14,894	9.37%	\$1.95	4,140	4,140	4,140	4,140
Santa Ana	11	227,881	0	0	60,466	26.53%	84,885	37.25%	\$1.45	(2,759)	(2,759)	800	800
Tustin	5	88,617	0	0	16,738	18.89%	16,738	18.89%	\$0.00	0	0	0	0
Central County Total	37	782,202	0	0	114,196	14.60%	142,131	18.17%	\$1.75	10,680	10,680	17,547	17,547
Airport Area													
Costa Mesa	7	102,486	0	0	1,956	1.91%	25,105	24.50%	\$1.50	(1,956)	(1,956)	0	0
Irvine	116	3,505,697	0	0	657,453	18.75%	715,360	20.41%	\$1.61	57,210	57,210	201,333	201,333
Newport Beach	28	622,867	0	0	49,595	7.96%	119,727	19.22%	\$2.63	8,532	8,532	8,532	8,532
Santa Ana	11	440,018	0	0	94,155	21.40%	93,423	21.23%	\$1.68	7,873	7,873	7,873	7,873
Tustin	6	214,605	0	0	57,900	26.98%	57,900	26.98%	\$0.00	0	0	0	0
Airport Area Total	168	4,885,673	0	0	861,059	17.62%	1,011,515	20.70%	\$2.22	71,659	71,659	217,738	217,738
South County													
Aliso Viejo	44	1,350,679	25,000	0	215,566	15.96%	256,380	18.98%	\$1.81	5,812	5,812	41,052	41,052
Dana Point	6	77,940	0	0	6,577	8.44%	5,317	6.82%	\$0.00	(3,427)	(3,427)	0	0
Foothill Ranch	5	105,397	0	0	11,699	11.10%	15,461	14.67%	\$1.50	0	0	0	0
Irvine Spectrum	228	5,389,475	0	0	1,122,423	20.83%	1,525,380	28.30%	\$1.88	159,944	159,944	302,395	302,395
Laguna Beach	5	74,016	0	0	9,780	13.21%	11,168	15.09%	\$0.00	(7,274)	(7,274)	879	879
Laguna Hills	14	450,468	0	0	71,320	15.83%	94,969	21.08%	\$1.65	4,630	4,630	9,243	9,243
Laguna Niguel	3	53,170	0	0	3,396	6.39%	3,237	6.09%	\$0.00	1,250	1,250	3,105	3,105
Lake Forest	40	1,486,251	0	0	321,871	21.66%	471,221	31.71%	\$1.81	(4,947)	(4,947)	39,933	39,933
Mission Viejo	28	389,546	0	0	42,577	10.93%	46,684	11.98%	\$1.45	(3,456)	(3,456)	5,079	5,079
Rancho Santa Margarita	12	309,025	0	0	57,074	18.47%	60,282	19.51%	\$1.54	1,424	1,424	7,948	7,948
San Clemente	11	234,169	0	0	71,895	30.70%	98,750	42.17%	\$1.56	(22,041)	(22,041)	3,171	3,171
San Juan Capistrano	26	568,003	0	0	86,584	15.24%	94,073	16.56%	\$1.94	3,568	3,568	24,478	24,478
South County Total	422	10,488,139	25,000	0	2,020,762	19.27%	2,682,922	25.58%	\$1.85	135,483	135,483	437,283	437,283
Orange County Total	696	17,769,273	37,000	24,000	3,155,427	17.76%	4,257,391	23.98%	\$1.85	210,379	210,379	693,068	693,068

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2011	Square Feet Available	Availability Rate 1Q2011	Average Asking Lease Rate	Net Absorption 1Q2011	Net Absorption 2011	Gross Absorption 1Q2011	Gross Absorption 2011
North County													
0 to 29,999	40	654,388	0	24,000	84,731	12.95%	114,838	17.55%	\$1.51	(11,178)	(11,178)	12,696	12,696
30,000 to 49,999	8	320,517	0	0	15,368	4.79%	144,410	45.06%	\$2.13	2,794	2,794	2,794	2,794
50,000 Plus	2	123,000	0	0	37,741	30.68%	46,078	37.46%	\$1.75	0	0	0	0
West County													
0 to 29,999	12	146,327	12,000	0	3,242	2.22%	3,242	2.22%	\$1.47	617	617	4,686	4,686
30,000 to 49,999	3	118,557	0	0	18,328	15.46%	15,724	13.26%	\$1.95	324	324	324	324
50,000 Plus	4	250,470	0	0	0	0.00%	96,531	38.54%	\$0.00	0	0	0	0
Central County													
0 to 29,999	29	374,434	0	0	22,603	6.04%	43,442	11.60%	\$1.50	5,532	5,532	7,244	7,244
30,000 to 49,999	2	73,363	0	0	12,049	16.42%	5,261	7.17%	\$0.00	3,767	3,767	5,363	5,363
50,000 Plus	6	334,405	0	0	79,544	23.79%	93,428	27.94%	\$1.56	1,381	1,381	4,940	4,940
Airport Area													
0 to 29,999	90	1,042,198	0	0	175,181	16.81%	229,332	22.00%	\$1.52	25,941	25,941	33,137	33,137
30,000 to 49,999	41	1,668,215	0	0	338,338	20.28%	391,826	23.49%	\$2.50	90,659	90,659	104,103	104,103
50,000 Plus	37	2,175,260	0	0	347,540	15.98%	390,357	17.95%	\$2.48	(44,941)	(44,941)	80,498	80,498
South County													
0 to 29,999	274	3,582,778	25,000	0	648,163	18.09%	914,370	25.52%	\$1.67	(66,976)	(66,976)	86,261	86,261
30,000 to 49,999	93	3,670,982	0	0	554,451	15.10%	747,659	20.37%	\$2.00	60,736	60,736	201,405	201,405
50,000 Plus	55	3,234,379	0	0	818,148	25.30%	1,020,893	31.56%	\$1.89	141,723	141,723	149,617	149,617
Orange County Total													
0 to 29,999	445	5,800,125	37,000	24,000	933,920	16.10%	1,305,224	22.50%	\$1.63	(46,064)	(46,064)	144,024	144,024
30,000 to 49,999	147	5,851,634	0	0	938,534	16.04%	1,304,880	22.30%	\$2.03	158,280	158,280	313,989	313,989
50,000 Plus	104	6,117,514	0	0	1,282,973	20.97%	1,647,287	26.93%	\$1.88	98,163	98,163	235,055	235,055
Orange County Total	696	17,769,273	37,000	24,000	3,155,427	17.76%	4,257,391	23.98%	\$1.85	210,379	210,379	693,068	693,068

This survey consists of buildings up to 74,999 square feet. The 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 and San Juan Capistrano

PRODUCT TYPE

FLEX-TECH OR CORPORATE HEADQUARTERS

Minimum 75% improved with drop ceiling, minimum parking ratio of 3.5 to 1, minimum of 3 elevators with full glassline, with ground level loading possible.

Please Contact Us for Further Information

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