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R&D Market Report

Compared to the Previous Quarter:



Net Absorption



Lease Rates



Transactions DOWN

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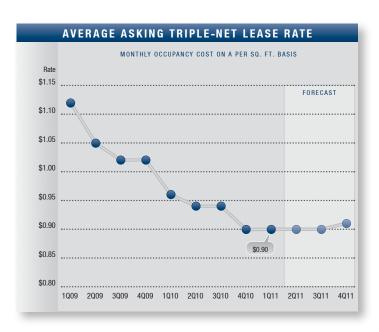
Market Highlights

- Encouraging Numbers The Orange County research
 and development market conveyed more promise of
 stabilization in the first quarter of 2011. Availability and
 vacancy showed signs of steadying, and net absorption
 posted a positive number. Although demand was still
 weak by historical standards, the volume of sale and lease
 transactions increased. While these are positive indications,
 stability will need to be sustained in coming quarters to be
 considered recovery.
- Construction There was no R&D 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 first quarter at 8.69%, constituting a very slight increase over 2010's first quarter rate of 8.68%, but still lower than the record—high vacancy rate of 8.92% seen in the second quarter of 2010.
- Availability Direct/sublease space being marketed was 12.61% in the first quarter, down slightly from the 12.53% we saw at the end of 2010 and a decrease of 0.32% when compared to the same quarter of the previous year.
- Lease Rates The average asking triple-net lease rate
 per square foot per month in Orange County's flex market
 was \$0.90 in the first quarter the same as the previous
 quarter's rate and a 6.25% decrease from 2010's first
 quarter rate of \$.96. The record high rate of \$1.22 was
 established in the second quarter of 2007.
- Absorption The Orange County R&D market posted 90,722 square feet of positive net absorption in the first quarter of 2011 – the first quarter of positive absorption seen since the third quarter of 2007.
- Transaction Activity Leasing activity checked in at 1.5 million square feet in the first quarter of 2011. The Orange County R&D market averaged 1.4 million square feet of leasing activity per quarter over the past five quarters.

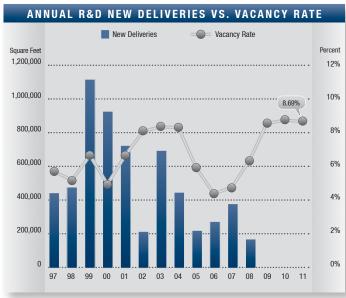
- Sales activity posted 83,925 square feet in the first quarter, an increase over 2010's figure of 52,693 square feet. The Orange County research and development market averaged 92,000 square feet of sales activity per quarter for over the past five quarters.
- Employment The unemployment rate in Orange 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 being added per quarter. Net absorption is displaying signs of improvement, posting a positive number for the first time in twelve quarters. With few new deliveries in the pipeline to apply upward pressure on vacancy, the market should continue 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, relocation funds and tenant improvement allowances should continue in order to incentivize tenants to act immediately. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation continues in 2011. As unemployment rates drop and consumer confidence stabilizes, the R&D market will recover.

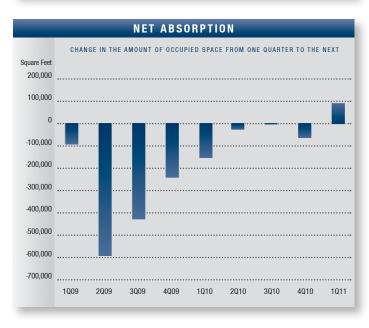
	R&D MA	RKET O	/ ERVIEW	
	1Q2011	4Q2010	1Q2010	% Change vs. 1Q2010
Vacancy Rate	8.69%	8.83%	8.68%	0.12%
Availablity Rate	12.61%	12.53%	12.65%	(0.32%)
Average Asking Lease Rate	\$0.90	\$0.90	\$0.96	(6.25%)
Sale & Lease Transactions	1,614,381	1,809,590	1,337,940	20.66%
Gross Absorption	1,338,829	1,318,167	1,263,605	5.95%
Net Absorption	90,722	(67,245)	(151,395)	N/A

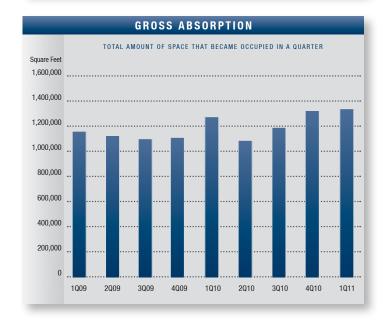






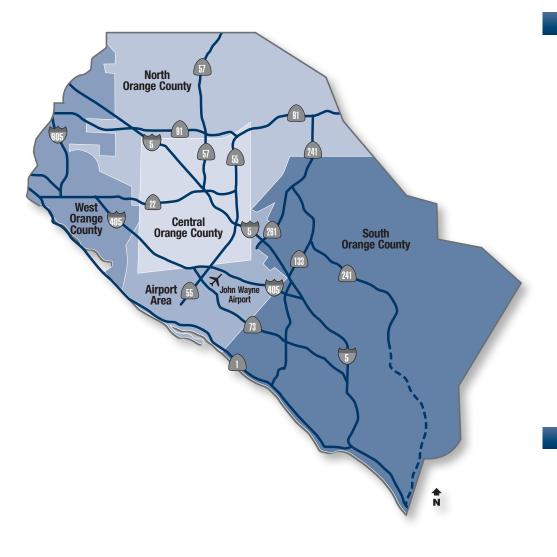






	INVENTORY				V	ACANCY	& LEAS	ERATES			ABSOR	PTION	
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2011	Square Feet Available	Availability Rate 1Q2011	Average Asking Lease Rate	Net Absorption 1Q2011	Net Absorption 2011	Gross Absorption 1Q2011	Gross Absorptio 2011
North County	-												
Anaheim	98	3,089,360	0	0	220,128	7.13%	353,844	11.45%	\$0.60	29,392	29,392	73,882	73,88
Brea	47	1,795,859	0	0	59,322	3.30%	94,787	5.28%	\$0.00	18,412	18,412	28,350	28,35
Buena Park	33	1,155,202	0	0	69,963	6.06%	70,901	6.14%	\$0.00	(759)	(759)	17,296	17,29
Fullerton	40	1,484,540	0	0	108,965	7.34%	146,169	9.85%	\$0.00	(22,612)	(22,612)	13,710	13,71
La Habra La Palma	7 6	146,680 251,907	0	0	10,392 40,568	7.08% 16.10%	10,392 55,590	7.08% 22.07%	\$0.00 \$1.10	80 15,983	80 15,983	80 21,243	21,24
Placentia	20	565,108	0	0	23,745	4.20%	74,075	13.11%	\$0.00	(15,905)	(15,905)	3,190	3,19
Yorba Linda	50	1,338,504	0	0	83,202	6.22%	131,068	9.79%	\$0.87	(3,880)	(3,880)	19,446	19,44
North County Total	301	9,827,160	0	0	616,285	6.27%	936,826	9.53%	\$0.75	20,711	20,711	177,197	177,19
West County		0,021,100	, in the second	<u> </u>	0.0,200	0.2.7	000,020	0.0070	ψ5.7.0	20,777	20,777	111,101	,,,,,,
Cypress	43	2,314,957	0	0	232,938	10.06%	595,294	25.72%	\$0.84	0	0	0	
Huntington Beach	126	2,557,404	0	0	210,456	8.23%	255,460	9.99%	\$0.50	(2,170)	(2,170)	28,435	28,43
Los Alamitos	36	809,324	0	0	54,610	6.75%	58,637	7.25%	\$0.94	6,159	6,159	12,924	12,92
West County Total	205	5,681,685	0	0	498,004	8.77%	909,391	16.01%	\$0.84	3,989	3,989	41,359	41,35
Central County		, ,			,		,			,	,	,	,
Anaheim	75	1,810,971	0	0	149,067	8.23%	200,052	11.05%	\$0.59	(39,569)	(39,569)	27,424	27,42
Garden Grove	81	2,374,715	0	0	201,094	8.47%	260,032	10.96%	\$0.65	80,574	80,574	97,470	97,42
Orange	99	2,087,163	0	0	82,769	3.97%	189,449	9.08%	\$0.77	2,620	2,620	19,319	19,31
Santa Ana	60	1,502,318	0	0	199,270	13.26%	234,895	15.64%	\$1.15	(46,218)	(46,218)	27,192	27,19
Westminster	20	508,855	0	0	32,808	6.45%	42,298	8.31%	\$0.60	(14,400)	(14,400)	3,168	3,16
Central County Total	335	8,284,022	0	0	665,008	8.03%	927,048	11.19%	\$0.83	(16,993)	(16,993)	174,573	174,57
Airport Area													
Costa Mesa	177	4.314.121	0	0	435,757	10.10%	604,264	14.01%	\$0.90	8,004	8,004	150,729	150,72
Fountain Valley	49	1,359,698	0	0	68,154	5.01%	70,159	5.16%	\$0.76	8,225	8,225	17,684	17,68
Irvine	266	6,828,581	0	0	610,186	8.94%	867,869	12.71%	\$1.02	98,092	98,092	305,687	305,68
Newport Beach	23	545,224	0	0	68,605	12.58%	68,605	12.58%	\$0.95	(29,063)	(29,063)	330	33
Santa Ana	127	3,893,639	0	0	306,431	7.87%	262,921	6.75%	\$0.85	(51,521)	(51,521)	32,074	32,07
Tustin	97	3,422,750	0	0	377,207	11.02%	584,821	17.09%	\$0.92	(14,655)	(14,655)	26,416	26,4
Airport Area Total	739	20,364,013	0	0	1,866,340	9.16%	2,458,639	12.07%	\$0.95	19,082	19,082	532,920	532,92
South County													
Aliso Viejo	35	848,467	0	0	109,681	12.93%	91,661	10.80%	\$0.91	(20,114)	(20,114)	7,485	7,48
Foothill Ranch	7	162,906	0	0	49,415	30.33%	49,415	30.33%	\$0.00	(20,114)	(20,114)	7,403	7,40
Irvine Spectrum	265	9,905,062	0	0	909,306	9.18%	1,701,235	17.18%	\$0.99	98,687	98,687	279,698	279,69
Laguna Hills	60	1,369,914	0	0	108,530	7.92%	104,953	7.66%	\$1.11	6,974	6,974	33,997	33,99
Laguna Niguel	17	1,495,201	0	0	224,619	15.02%	224,619	15.02%	\$0.85	(9,952)	(9,952)	3,061	3,06
Lake Forest	60	1,368,968	0	0	144,665	10.57%	146,400	10.69%	\$0.60	1,069	1,069	34,457	34,4
Mission Viejo	35	937,473	0	0	67,419	7.19%	70,629	7.53%	\$1.00	10,766	10,766	21,449	21,4
Rancho Santa Margarita	41	1,463,496	0	0	79,934	5.46%	156,380	10.69%	\$0.73	1,152	1,152	8,401	8,40
San Clemente	44	1,037,152	0	0	103,244	9.95%	146,169	14.09%	108	(9,552)	(9,552)	20,632	20,63
San Juan Capistrano	38	741,817	0	239,012	77,381	10.43%	81,768	11.02%	\$0.00	(15,097)	(15,097)	3,600	3,60
South County Total	602	19,330,456	0	239,012	1,874,194	9.70%	2,773,229	14.35%	\$0.92	63,933	63,933	412,780	412,78
Orange County Total	2,182	63,487,336	0	239,012	5,519,831	8.69%	8,005,133	12.61%	\$0.90	90,722	90,722	1,338,829	1,338,82
lorth County													
10,000 to 24,999	179	2,862,649	0	0	325,970	11.39%	446,382	15.59%	\$0.73	(30,259)	(30,259)	89,694	89,69
25,000 to 49,999	85	2,845,806	0	0	207,108	7.28%	314,539	11.05%	\$0.87	37,238	37,238	66,260	66,26
50,000 to 99,999	26	1,718,590	0	0	83,207	4.84%	101,592	5.91%	\$0.99	13,732	13,732	21,243	21,2
100,000 Plus	11	2,400,115	0	0	0	0.00%	74,313	3.10%	\$0.00	0	0	0	
Vest County													
10,000 to 24,999	142	2,168,238	0	0	186,101	8.58%	201,282	9.28%	\$0.69	(10,498)	(10,498)	20,963	20,96
25,000 to 49,999	41	1,419,168	0	0	61,046	4.30%	130,941	9.23%	\$0.82	14,487	14,487	20,396	20,39
50,000 to 99,999	18	1,185,903	0	0	250,857	21.15%	421,888	35.58%	\$1.05	0	0	0	
100,000 Plus	4	908,376	0	0	0	0.00%	155,280	17.09%	\$0.00	0	0	0	
Central County	0.11	0.000 146	^	^	005 400	0.070/	440.041	44 570/	00.00	00.500	00.500	00 110	20.1
10,000 to 24,999	241	3,888,143	0	0	325,439	8.37%	449,841	11.57%	\$0.88	26,580	26,580	82,118	82,1
25,000 to 49,999	72 16	2,362,145	0	0	266,080	11.26%	313,287	13.26%	\$0.71	(62,917)	(62,917)	25,358	25,3
50,000 to 99,999	16 6	1,098,401	0	0	33,489 40,000	3.05%	95,620	8.71% 7.30%	\$0.71	50,550	50,550	58,303 8,794	58,3
100,000 Plus	σ	935,333	U	U	40,000	4.28%	68,300	1.30%	\$0.00	(31,206)	(31,206)	0,794	8,79
irport Area	400	7 001 700	0	0	000.400	10.400/	000 454	10.000/	¢0.04	(00.050)	(00.050)	175.010	175.0
10,000 to 24,999	493	7,931,766	0	0	826,460	10.42%	980,451	12.36%	\$0.94	(22,250)	(22,250)	175,016	175,0
25,000 to 49,999 50,000 to 99,999	167 56	5,623,968 3,706,558	0	0	636,202 186,224	11.31% 5.02%	745,775 329,840	13.26% 8.90%	\$0.87 \$1.00	19,770 71,282	19,770 71,282	229,297 128,607	229,29 128,6
100,000 Plus	23	3,101,721	0	0	217,454	7.01%	402,573	12.98%	\$1.00	(49,720)	(49,720)	120,007	120,0
outh County	20	0,101,721	U	U	211,404	7.0170	±0∠,013	12.00/0	Ψ1.02	(10,120)	(70,120)	U	
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10,000 to 24,999	364 168	6,017,218	0	150,972	597,341 620,708	9.93%	749,478	12.46%	\$0.85	(21,608)	(21,608)	153,089	153,0
25,000 to 49,999 50,000 to 99,999	168 51	5,646,036 3,395,557	0	88,040 0	620,708 430,925	10.99% 12.69%	880,919 635,700	15.60% 18.72%	\$0.89 \$0.98	(4,906)	(4,906)	149,541 110,150	149,5
100,000 Plus	19	4,271,645	0	0	430,925 225,220	5.27%	507,132	18.72%	\$0.98 \$0.84	90,447 0	90,447 0	110,150	110,1
Prange County	19	7,211,043	U	U	225,220	J.L1 /0	301,132	11.07 70	ψυ.υ4	U	U	U	
nungo oounty	1,419	22 060 014	0	150 072	2 261 211	0.900/	2 227 424	10 260/	¢0.00	(50 025)	(50 025)	E3U 00U	500.0
10 000 to 24 000	1.419	22,868,014	0	150,972	2,261,311	9.89%	2,827,434	12.36%	\$0.89	(58,035)	(58,035)	520,880	520,8
, ,		17 007 100	Λ	00 040	1 701 144	10 010/	2 20E 4E4						
10,000 to 24,999 25,000 to 49,999 50,000 to 99,999	533	17,897,123	0	88,040 0	1,791,144	10.01%	2,385,461	13.33%	\$0.85 \$0.92	3,672	3,672 226.011	490,852	490,8
, ,		17,897,123 11,105,009 11,617,190	0 0 0	88,040 0 0	1,791,144 984,702 482,674	10.01% 8.87% 4.15%	2,385,461 1,584,640 1,207,598	13.33% 14.27% 10.39%	\$0.85 \$0.92 \$1.01	226,011 (80,926)	226,011 (80,926)	490,852 318,303 8,794	318,30 8,79

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.

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