

Office Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

DOWN

Deliveries

UP

To view available properties or 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
e-mail: jholdner@voitco.com

Tony Tran
Market Research Analyst
e-mail: ttran@voitco.com

VOIT Real Estate Services — Lic.#01333376

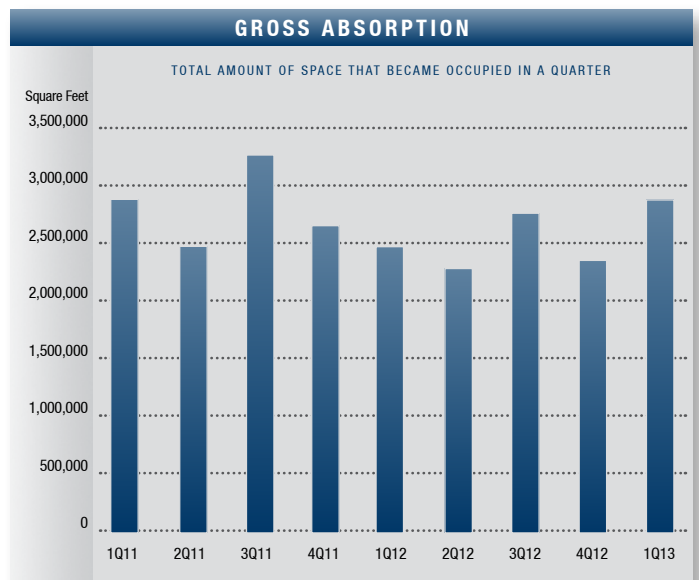
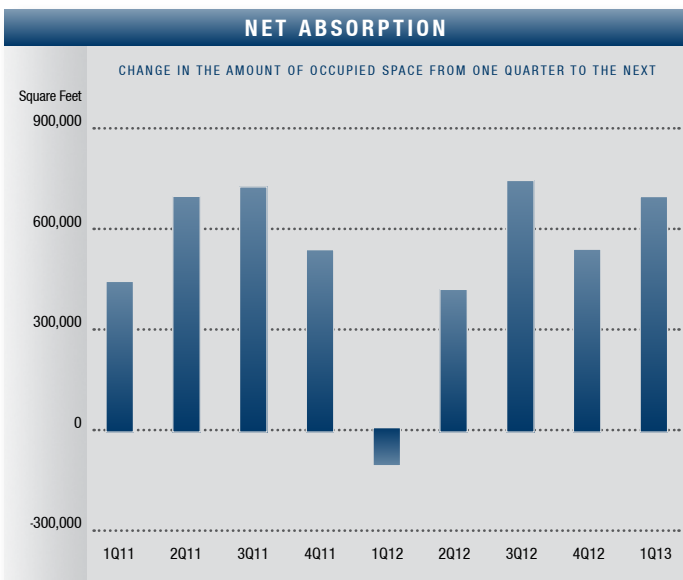
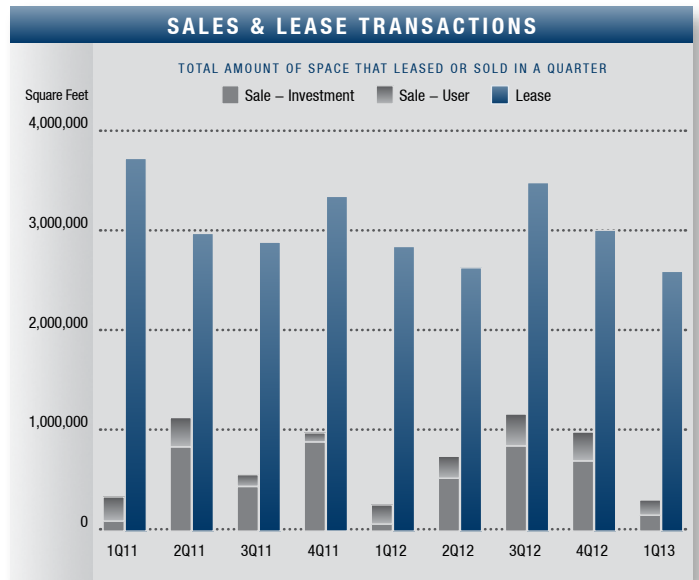
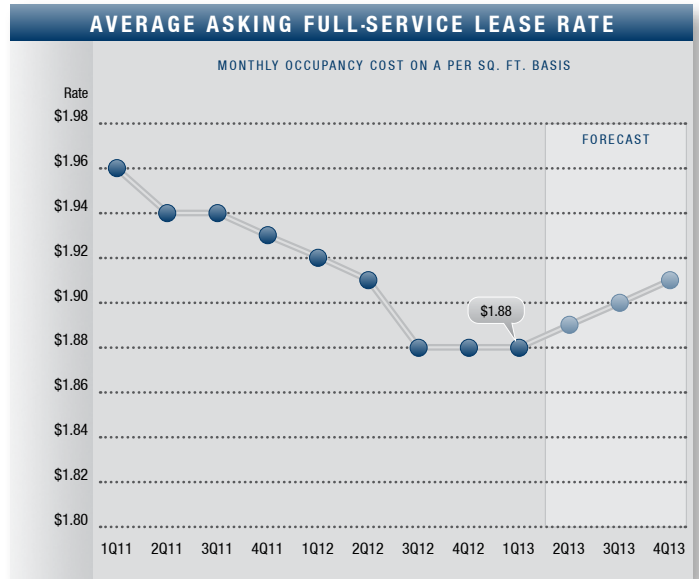
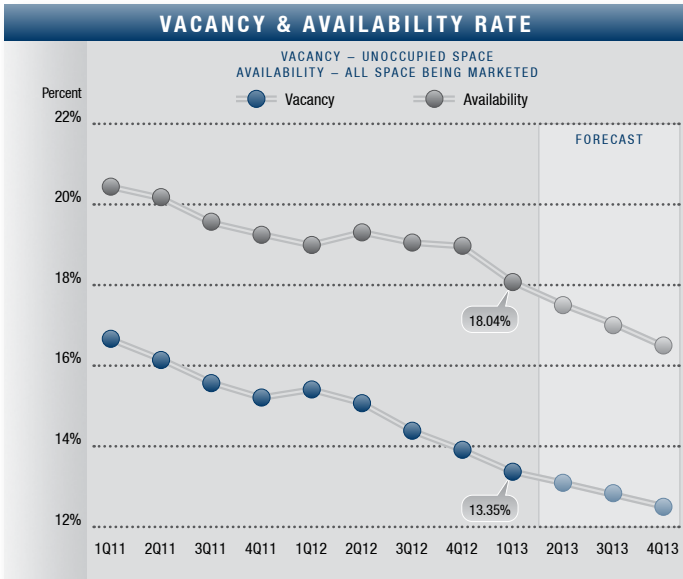
CORFAC
International

Market Highlights

- Steady Growth** - The Orange County office market continued to convey signs of recovery, posting almost 700,000 square feet of positive net absorption to start 2013 and giving the market a total of over 5.3 million square feet of positive absorption over 11 quarters. Both vacancy and availability continued their downward trends, while lease rates appeared to be finally firming up. While these are positive indications, stability will need to be sustained in coming quarters to be considered recovery.
- Construction** - 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 came in at just over 1 million square feet for the first quarter of 2013; the most notable projects were two build-to-suit projects: Hyundai in Fountain Valley (469,000 square feet) and PIMCO at Fashion Island in Newport Beach (479,800 square feet).
- Vacancy** - Vacancies continued their downward trend in the first quarter. Direct/sublease space (unoccupied) finished the year at 13.35%, a substantial decrease from the previous year's rate of 15.40% and significantly down from both the Great-Recession peak of nearly 18% in the second quarter of 2010 and the market high of 23% recorded in 1990. We are forecasting that vacancy will continue trending downward in 2013, ending the year around 12.5%.
- Availability** - High-end space captured recent gains in occupancy. Direct/sublease space being marketed was at 18.04% at the end of the first quarter of 2013 — a decrease of over 5% when compared to 2012's first quarter rate of 19% and almost a full percent lower than 2012's fourth quarter rate of 18.99%.
- Lease Rates** - The average asking full-service gross (FSG) lease rate per month per square foot in the Orange County office market was \$1.88 at the end of the quarter- a 2.08% decrease from the previous year's rate of \$1.92 but the same as 2012's fourth quarter rate, hopefully, indicating a bottom in the downward trend of asking lease rates. The record-high rate of \$2.77 was established in the fourth quarter of 2008. Class A asking rates for the county averaged \$2.09 FSG — the highest being in the North County submarket where Class A rates averaged \$2.18 FSG. We are forecasting that rates will begin to increase in 2013.
- Absorption** - The Orange County office market posted almost 700,000 square feet of positive absorption this quarter, all of which was in class B buildings, giving the market a total of over 2.4 million square feet of positive absorption over the past four quarters. Alone, Class B space had over 770,000 square feet of positive absorption in the first quarter. Look for research-oriented businesses — IT, defense, medical and alternative energy companies — to lead the charge of positive absorption over the next few years.
- Transaction Activity** - Leasing activity checked in at 2.6 million square feet in the first quarter of 2013, a decrease from the 2.8 million square feet we saw in the first quarter of 2012. Sales activity was up a bit, posting 290,000 square feet of activity in the first quarter of 2013 compared to 2012's first quarter figure of 230,000 square feet. Details of the largest transactions for the quarter can be found on the back page of this report.
- Employment** - The unemployment rate in Orange County was 6.5% in February 2013 — down from a revised 7.1% in January 2013 and below the previous year's estimate of 8.1%. This compares with an unadjusted unemployment rate of 9.7% for California and 8.1% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 35,200 payroll jobs from November 2011 to November 2012. The largest gains were 9,700 in professional & business services and 8,200 in leisure & hospitality; however, Orange County lost 600 government jobs during that same period.
- Overall** - We are beginning to see a decrease in the amount of vacant and available space. As we progress into 2013, positive absorption should continue, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market will continue to stabilize. We foresee an overall increase in investment activity in the coming quarters. Lease rates have begun to firm up, and we expect them to increase in 2013. 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 office market will continue to recover.

OFFICE MARKET OVERVIEW

	1Q13	4Q12	1Q12	% of Change vs. 1Q12
Total Vacancy Rate	13.35%	13.93%	15.40%	(13.31%)
Availability Rate	18.04%	18.99%	19.00%	(5.05%)
Average Asking Lease Rate	\$1.88	\$1.88	\$1.92	(2.08%)
Sale & Lease Transactions	2,883,206	3,974,578	3,072,124	(6.15%)
Gross Absorption	2,874,590	2,347,888	2,475,469	16.12%
Net Absorption	696,148	531,148	(101,338)	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 1Q2013	Square Feet Available	Availability Rate 1Q2013	Average Asking Lease Rate	Net Absorption 1Q2013	Net Absorption 2012	Gross Absorption 1Q2013	Gross Absorption 2012
North County													
Anaheim Hills	17	1,030,017	0	0	60,220	5.85%	152,589	14.81%	\$1.67	(1,180)	1,734	2,421	136,572
Brea	43	4,114,897	0	120,000	463,448	11.26%	777,335	18.89%	\$1.90	(13,328)	112,784	62,077	257,214
Buena Park	14	841,049	107,000	0	96,654	11.49%	158,690	18.87%	\$1.65	(5,909)	595	5,355	72,778
Fullerton	31	2,507,582	0	0	286,258	11.42%	479,116	19.11%	\$1.74	80,248	(27,447)	86,905	51,226
La Habra	4	142,069	0	0	0	0.00%	0	0.00%	\$0.00	727	16,073	727	24,345
La Palma	10	712,038	0	0	138,343	19.43%	252,845	35.51%	\$2.06	4,760	(8,665)	6,158	13,329
Placentia	8	267,589	0	0	51,612	19.29%	50,447	18.85%	\$1.54	2,152	942	4,130	23,315
Yorba Linda	7	423,502	0	0	29,260	6.91%	73,102	17.26%	\$1.73	(3,171)	43,250	1,218	52,243
North County Total	134	10,038,743	107,000	120,000	1,125,795	11.21%	1,944,124	19.37%	\$1.83	64,299	139,266	168,991	631,022
West County													
Cypress	30	2,096,476	0	0	328,950	15.69%	448,351	21.39%	\$1.82	99,263	(190,775)	105,724	91,549
Fountain Valley	32	1,562,844	469,000	0	212,384	13.59%	346,564	22.18%	\$1.72	1,389	(38,169)	9,310	38,371
Garden Grove	20	1,550,273	0	0	59,269	3.82%	117,220	7.56%	\$1.30	(1,639)	(9,646)	7,242	31,032
Huntington Beach	43	2,389,777	0	0	298,731	12.50%	394,176	16.49%	\$2.00	30,181	83,524	61,983	279,765
Los Alamitos	11	616,808	0	70,000	36,010	5.84%	38,514	6.24%	\$1.79	(6,310)	4,647	7,243	22,593
Seal Beach	7	473,787	0	0	5,083	1.07%	94,943	20.04%	\$2.78	2,724	10,024	4,503	24,306
Stanton	4	143,361	0	0	8,303	5.79%	22,424	15.64%	\$0.85	3,390	7,741	3,390	15,962
Westminster	14	557,157	0	0	69,918	12.55%	75,764	13.60%	\$1.80	(6,585)	(13,614)	1,578	8,830
West County Total	161	9,390,483	469,000	70,000	1,018,648	10.85%	1,537,956	16.38%	\$1.85	122,413	(146,268)	200,973	512,408
Central County													
Anaheim	90	7,493,523	0	220,500	1,422,669	18.99%	1,555,931	20.76%	\$1.67	106,752	329,090	203,624	657,356
Orange	81	7,234,667	0	200,000	933,414	12.90%	1,381,254	19.09%	\$1.97	(259)	219,338	160,366	638,630
Santa Ana	189	15,089,227	0	922,000	2,034,825	13.49%	3,022,229	20.03%	\$1.63	(41,309)	102,037	186,931	837,602
Tustin	41	1,759,068	0	737,000	220,330	12.53%	265,662	15.10%	\$1.64	57,468	74,790	83,653	149,552
Central County Total	401	31,576,485	0	2,079,500	4,611,238	14.60%	6,225,076	19.71%	\$1.73	122,652	725,255	634,574	2,283,140
Airport Area													
Costa Mesa	73	7,314,248	0	0	1,260,299	17.23%	1,209,348	16.53%	\$1.88	(121,021)	(35,272)	169,971	532,424
Irvine	261	24,138,415	0	1,436,959	3,517,021	14.57%	4,515,815	18.71%	\$2.05	242,296	561,726	678,829	2,891,158
Newport Beach	125	9,395,318	479,800	342,646	1,109,906	11.81%	1,709,679	18.20%	\$2.15	(125,676)	106,940	189,625	852,339
Airport Area Total	459	40,847,981	479,800	1,779,605	5,887,226	14.41%	7,434,842	18.20%	\$2.06	(4,401)	633,394	1,038,425	4,275,921
South County													
Aliso Viejo	42	3,092,318	0	647,000	259,996	8.41%	291,709	9.43%	\$2.01	(10,084)	182,566	63,125	300,813
Dana Point	2	91,876	0	35,000	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Foothill Ranch	10	799,893	0	0	157,651	19.71%	197,247	24.66%	\$1.93	61,737	25,238	61,737	77,779
Irvine Spectrum	148	9,893,167	0	700,000	1,014,431	10.25%	1,298,103	13.12%	\$2.15	148,864	(10,643)	385,081	1,047,163
Laguna Beach	5	194,434	0	0	25,887	13.31%	28,566	14.69%	\$0.00	(484)	0	614	5,753
Laguna Hills	35	1,853,732	0	39,000	333,856	18.01%	390,810	21.08%	\$1.84	(5,948)	(36,924)	39,347	96,672
Laguna Niguel	11	1,776,844	0	0	187,031	10.53%	238,173	13.40%	\$2.13	25,905	6,783	43,667	79,699
Lake Forest	40	2,111,624	0	0	351,713	16.66%	573,942	27.18%	\$1.57	176,410	(28,581)	209,074	252,110
Mission Viejo	36	1,906,841	0	0	203,321	10.66%	280,753	14.72%	\$1.85	(5,684)	67,089	9,508	165,738
Rancho Santa Margarita	6	249,472	0	0	55,853	22.39%	63,416	25.42%	\$1.56	7,218	(1,649)	7,218	19,226
San Clemente	10	388,309	0	0	57,337	14.77%	58,537	15.07%	\$1.71	(8,372)	19,310	1,570	39,616
San Juan Capistrano	17	865,688	0	0	78,083	9.02%	197,888	22.86%	\$1.97	1,623	14,069	10,686	38,294
South County Total	362	23,224,198	0	1,421,000	2,725,159	11.73%	3,619,144	15.58%	\$1.85	391,185	237,258	831,627	2,122,863
Orange County Total	1,517	115,077,890	1,055,800	5,470,105	15,368,066	13.35%	20,761,142	18.04%	\$1.88	696,148	1,588,905	2,874,590	9,825,354
North County													
Class A	19	2,052,410	0	120,000	218,844	10.66%	391,204	19.06%	\$2.16	4,534	(19,750)	56,902	60,920
Class B	104	7,609,056	107,000	0	849,343	11.16%	1,493,274	19.62%	\$1.73	60,732	153,922	110,375	555,723
Class C	11	377,277	0	0	57,608	15.27%	59,646	15.81%	\$1.16	(967)	5,094	1,714	14,379
West County													
Class A	23	2,462,651	0	0	331,907	13.48%	438,943	17.82%	\$2.14	39,729	(34,115)	58,540	161,690
Class B	116	6,022,476	469,000	70,000	644,498	10.70%	1,053,400	17.49%	\$1.66	85,159	(151,937)	134,576	278,563
Class C	22	905,356	0	0	42,243	4.67%	45,613	5.04%	\$1.41	(2,475)	39,784	7,857	72,155
Central County													
Class A	60	10,283,985	0	1,822,500	1,850,352	17.99%	2,792,058	27.15%	\$1.93	(101,099)	213,958	179,022	827,126
Class B	270	18,241,599	0	257,000	2,468,180	13.53%	3,059,202	16.77%	\$1.50	239,749	494,825	427,841	1,302,551
Class C	71	3,050,901	0	0	292,706	9.59%	373,816	12.25%	\$1.33	(15,998)	16,472	27,711	153,463
Airport Area													
Class A	113	22,156,661	380,000	1,650,000	3,818,154	17.23%	4,729,507	21.35%	\$2.16	50,675	501,780	701,410	2,390,634
Class B	316	17,060,700	99,800	129,605	1,915,699	11.23%	2,539,952	14.89%	\$1.84	(7,355)	118,681	324,218	1,796,152
Class C	30	1,630,620	0	0	153,373	9.41%	165,393	10.14%	\$1.58	(47,721)	12,933	12,797	89,135
South County													
Class A	59	6,904,920	0	1,197,000	686,082	9.94%	805,552	11.67%	\$2.12	(3,343)	195,532	142,595	834,919
Class B	293	15,863,476	0	224,000	2,025,567	12.77%	2,797,825	17.64%	\$1.71	394,125	42,732	686,190	1,277,435
Class C	10	455,802	0	0	13,510	2.96%	15,767	3.46%	\$1.49	403	(1,006)	2,842	10,509
Orange County													
Class A	274	43,860,627	380,000	4,789,500	6,905,339	15.74%	9,157,264	20.88%	\$2.07	(9,504)	857,405	1,138,469	4,275,289
Class B	1,099	64,797,307	675,800	680,605	7,903,287	12.20%	10,943,653	16.89%	\$1.67	772,410	658,223	1,683,200	5,210,424
Class C	144	6,419,956	0	0	559,440	8.71%	660,235	10.28%	\$1.37	(66,758)	73,277	52,921	339,641
Orange County Total	1,517	115,077,890	1,055,800	5,470,105	15,368,066	13.35%	20,761,152	18.04%	\$1.88	696,148	1,588,905	2,874,590	9,825,354

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.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Class	Square Feet	Sale Price Per SF	Buyer	Seller
5445 Oceanus Dr. - 4 Properties	West County	B	124,659	\$104.28	Mesaville Holdings, LLC	CT-Hungtington, LLC
16842 Von Karman Ave.	Airport Area	B	100,461	\$99.54	Hb Von Karman, LLC	TNP Strategic Retail Trust, Inc.
26840 Aliso Viejo Pkwy.	South County	B	33,915	\$191.66	Qlogic Corporation	Shea Properties
20162 Birch St.	Airport Area	B	31,186	\$207.32	CFM Holdings, LLC	Birch Street MOB, LLC

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
660 Newport Center Dr. - Renewal	Airport Area	A	74,000	Jan-13	Stradling Yocca Carlson & Rauth	The Irvine Company
4675-4695 MacArthur Ct.	Airport Area	A	70,000	Mar-13	Clean Energy	The Irvine Company
895 Dove St. - Renewal	Airport Area	A	53,036	Mar-13	Newmeyer & Dillion, LLP	Glenborough Newport Plaza, LLC
1901 Main St. - Renewal & Expansion	Airport Area	A	45,000	Jan-13	Morgan Stanley Smith Barney	Piedmont Operating Partnership
555 Anton Blvd.	Airport Area	A	41,076	Jan-13	Sterns Lending, Inc.	RREEF America
4675 MacArthur Ct.	Airport Area	A	39,734	Jan-13	MSC Software	The Irvine Company

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.

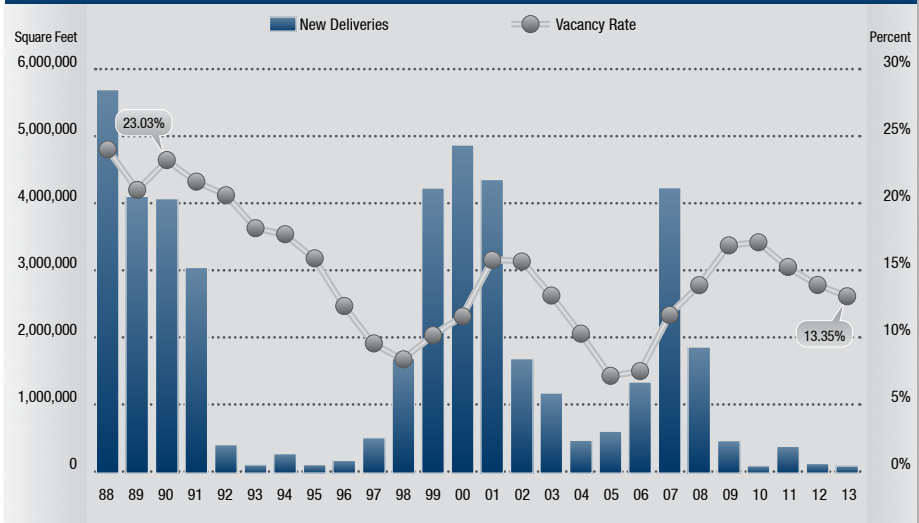
CLASS B

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. However, Class B buildings cannot compete with Class A buildings of the same price.

CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.

ANNUAL NEW DELIVERIES VS. VACANCY RATE



Please Contact Us for Further Information

Anaheim, CA
714.978.7880

Commerce, CA
714.935.2311

Inland Empire, CA
909.545.8000

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

Reno, NV
775.309.0782

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505



REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
www.voitco.com
Lic.#01333376

Represented in 150 Markets
Nationally & Internationally.



This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.