

Report



SECOND
QUARTER
2003

Market Highlights

- Unemployment for the second quarter of 2003 in Orange County is 3.6%, which is a decrease of .4% when compared to the first quarter of 2003 and is the same as it was during the second quarter of 2002.
- Chapman University estimates that Orange County will add 13,000 new jobs in 2003. Furthermore, they forecast that 30,000 new jobs will be added to the county in 2004, as the Orange County economy is expected to continue its recovery into next year.
- Total space under construction checked in at just over 300,000 square feet for the second quarter of 2003, which is down more than 75% than under construction totals in the second quarter of 2002.
- The office vacancy rate checked in at 13.88%, which is lower than the 14.22% rate of the first quarter of 2002. This is a sign of strength with almost 2 million square feet of new product that was built in 2002 being absorbed. Note that this rate of 13.88% is much lower than the 25% vacancy rates Orange County experienced back in the early 90's.
- The total amount of office space available, including both direct and sublease space, in Orange County is also lower, registering in at 15.66% this quarter from 16.41% in the second quarter of 2002.
- The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.03, which is a 4.69% decrease over last year's second quarter rate of \$2.13.
- Net absorption posted a positive number of 486,129 square feet for the second quarter of this year, giving the county a total of over 1 million square feet of positive absorption for the first half of 2003.

Compared to last quarter:

Vacancy



Absorption



Lease Rates



Construction



Orange County

OFFICE MARKET STATISTICS

	2Q2003	1Q2003	2Q2002	% CHANGE VS. 2002
Under Construction	316,727	1,030,093	1,358,641	-76.69%
Planned Construction	4,227,201	5,361,114	6,950,648	-39.18%
Vacancy	13.88%	14.22%	14.43%	-3.81%
Availability	15.66%	16.07%	16.41%	-4.57%
Pricing	\$2.03	\$2.04	\$2.13	-4.69%
Net Absorption	486,129	636,529	-383,558	126.74%

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Prepared by:

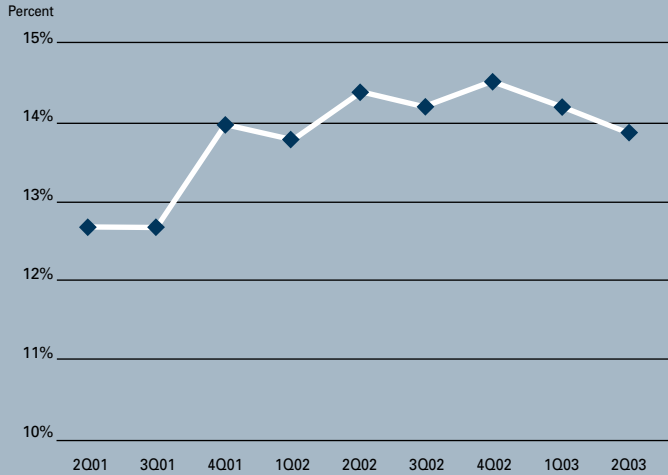
Jerry J. Holdner, Jr.

Vice President

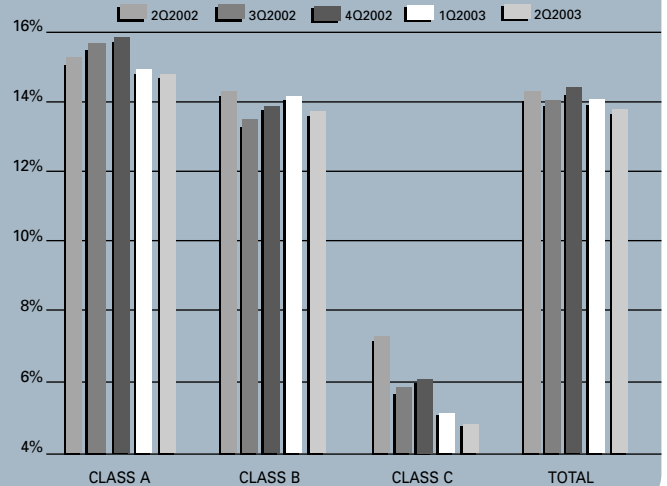
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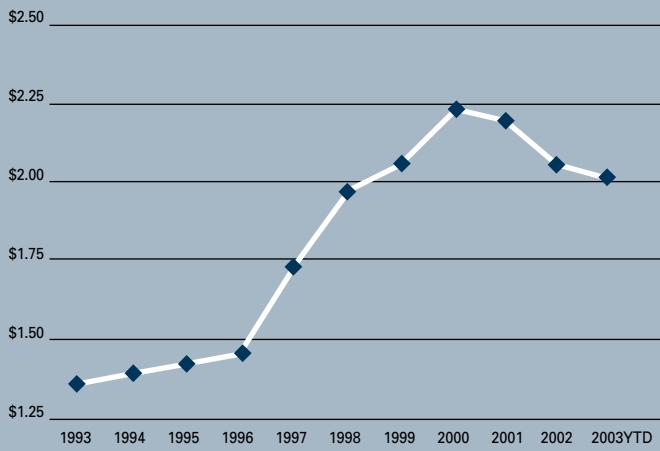
VACANCY RATE



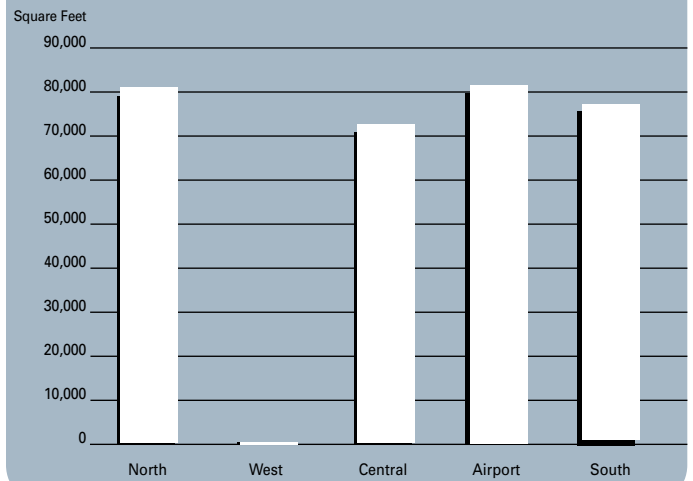
OFFICE VACANCY RATE



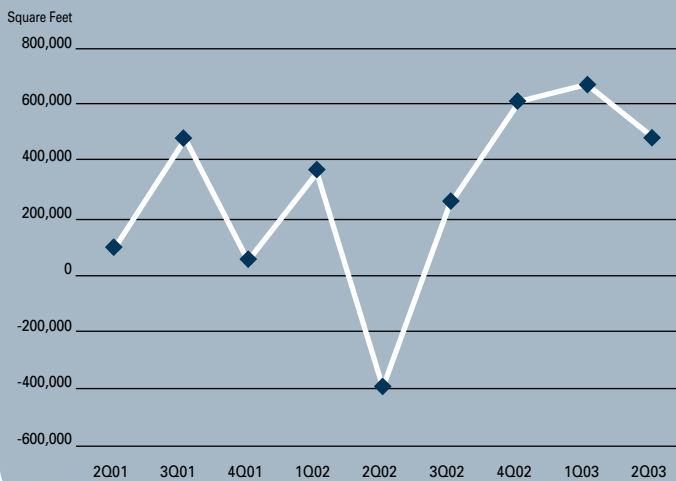
AVERAGE ASKING FULL SERVICE LEASE RATE



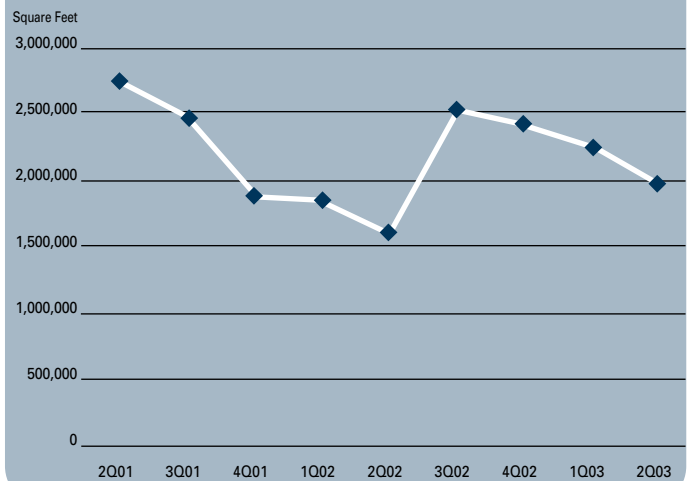
CONSTRUCTION ACTIVITY



NET ABSORPTION

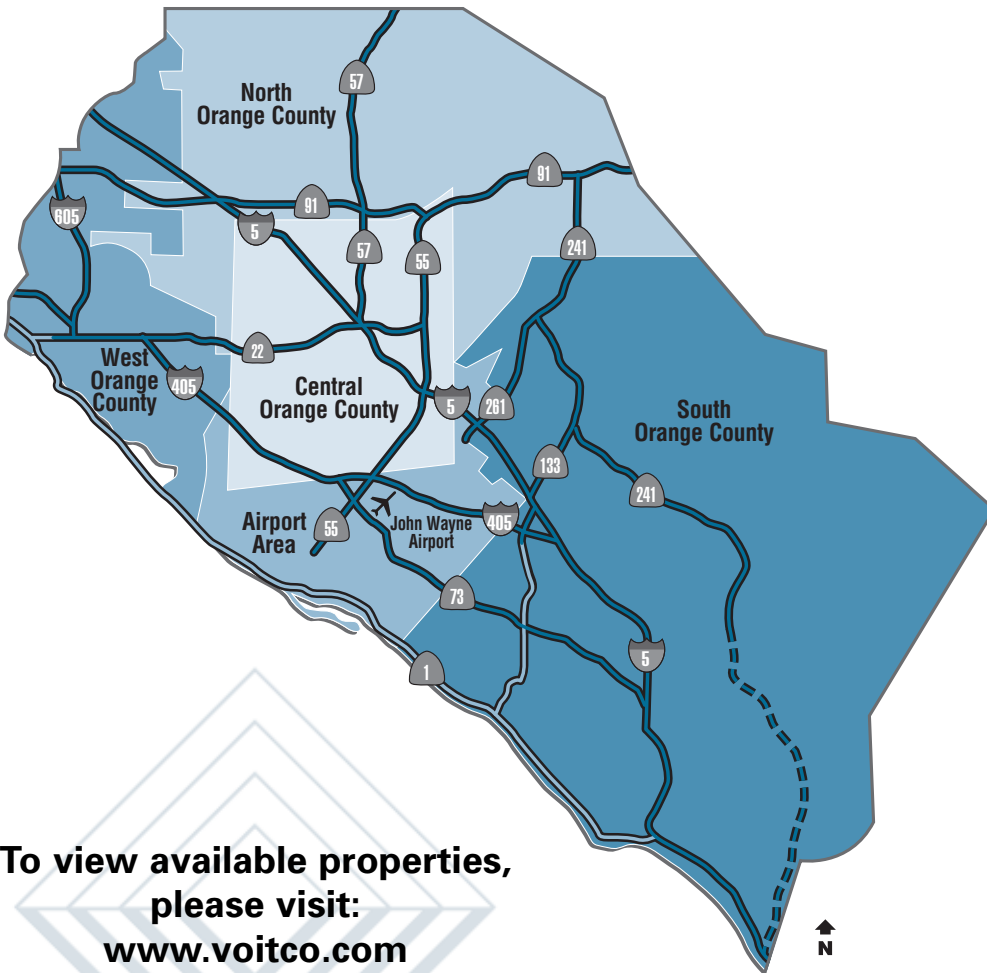


GROSS ABSORPTION



**OFFICE
MARKET
Report**

2ND QUARTER 2003



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SUBMARKETS

NORTH

Anaheim Hills, Brea, Buena Park, Fullerton, La Habra, La Palma, Placentia and Yorba Linda

WEST

Cypress, Fountain Valley, Garden Grove, Huntington Beach, Los Alamitos, Seal Beach, Stanton and Westminster

CENTRAL

Anaheim, Orange, Santa Ana and Tustin

AIRPORT

Corona Del Mar, Costa Mesa, Irvine and Newport Beach

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

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, but the building cannot compete with Class A at the same price.

CLASS C

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

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