

# OFFICE MARKET REPORT

SECOND  
QUARTER  
2004

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



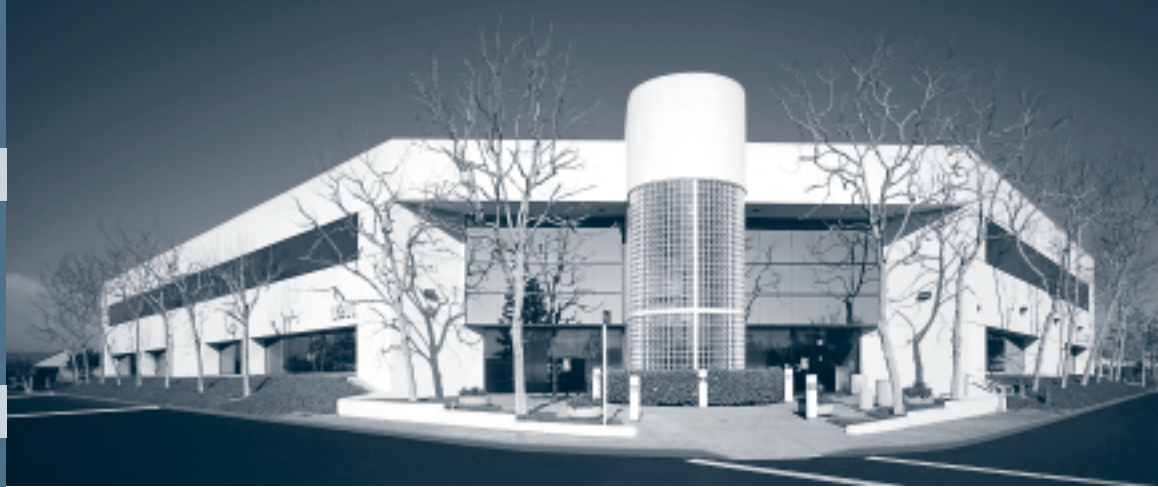
## CONSTRUCTION



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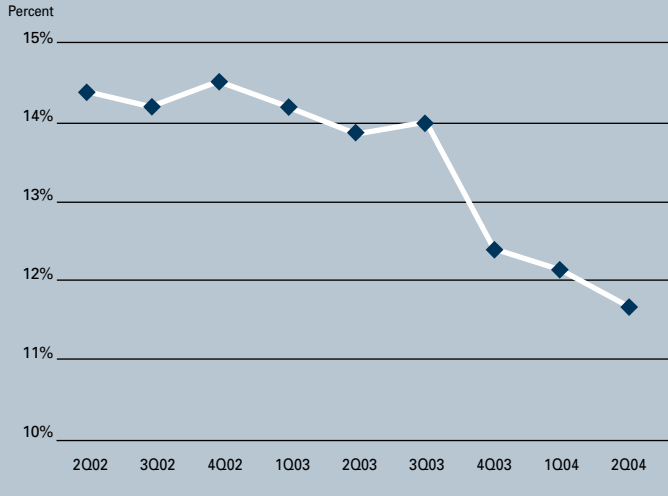
## MARKET HIGHLIGHTS

- ◆ Unemployment for the second quarter of 2004 in Orange County is 3.2%, which is a decrease of .3% when compared to the first quarter of 2004, and is .4% lower than it was during the second quarter of 2003.
- ◆ According to Chapman University it is estimated that Orange County will add 27,000 new jobs in 2004. Furthermore, they are forecasting 30,000 new jobs will be added to the county in 2005 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at just below 400,000 square feet for the second quarter of 2004, which is an increase of over 20% when compared to the second quarter of 2003.
- ◆ The office vacancy rate checked in at 11.69%, which is lower than last quarter when it was 12.16%. There was almost 1.2 million square feet of positive absorption in the last two quarters, which is a sign of strength. The Airport Area accounted for almost one million square feet of the 1.2 million square feet of positive absorption experienced in the last two quarters.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, is also lower, checking in at 14.55% this quarter from 15.66% in the second quarter of 2003.
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.01, which is a 0.99% decrease over last year's second quarter rate of \$2.03. This is the second quarter in a row of positive lease rate growth in last ten quarters.
- ◆ Rental rates are expected to remain somewhat flat with a possibility of small growth. We should see rent concessions lessening during the second half of 2004 as the economy improves.
- ◆ Net absorption for the county this quarter posted a positive number of 830,835 square feet, giving the county a total of over 5.2 million square feet of positive absorption for the last eight quarters.

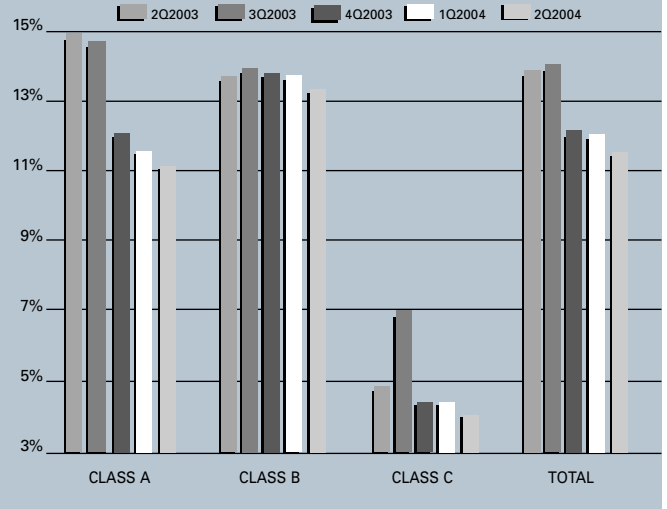
### OFFICE MARKET STATISTICS

	2Q2004	1Q2004	2Q2003	% CHANGE VS. 2003
Under Construction	388,000	218,000	316,727	22.50%
Planned Construction	4,718,617	5,172,470	4,227,201	11.63%
Vacancy	11.69%	12.16%	13.88%	-15.78%
Availability	14.55%	15.59%	15.66%	-7.09%
Pricing	\$2.01	\$2.00	\$2.03	-0.99%
Net Absorption	830,835	441,704	486,129	70.91%

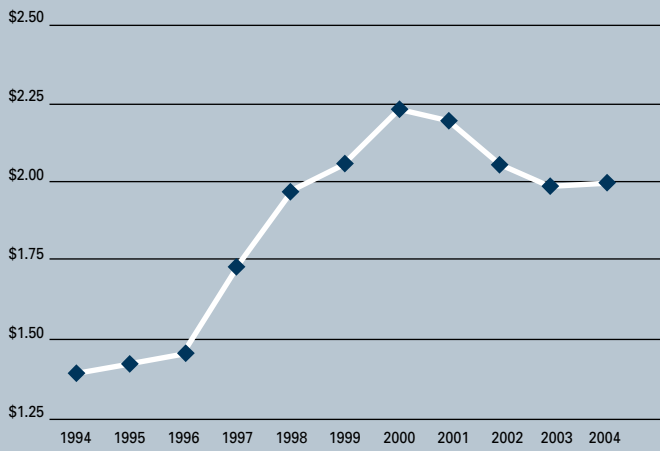
## VACANCY RATE



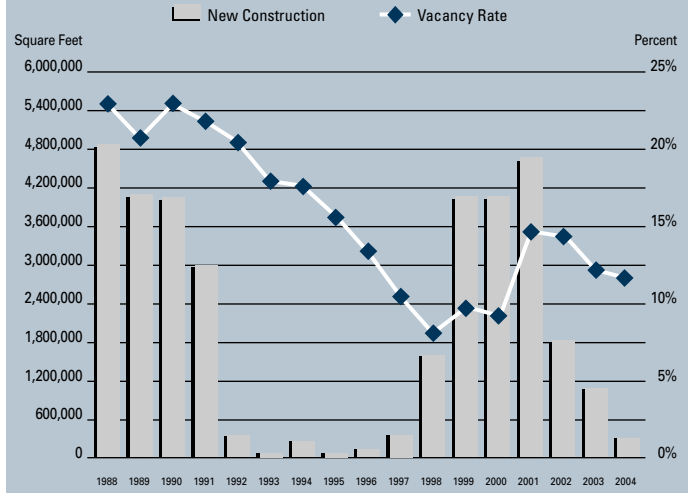
## OFFICE VACANCY RATE



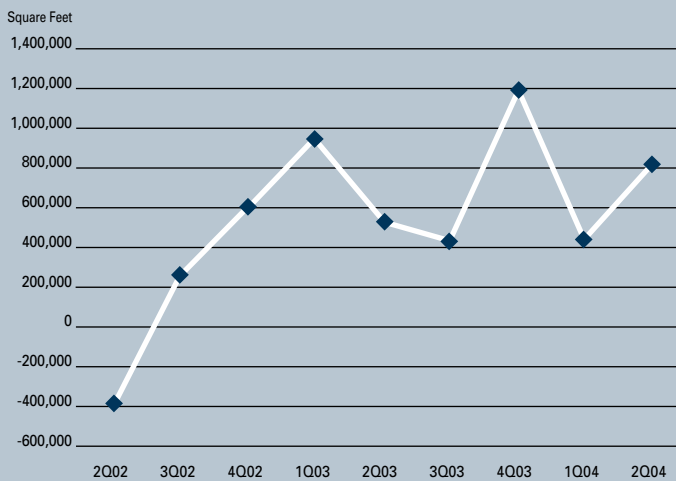
## AVERAGE ASKING FULL SERVICE LEASE RATE



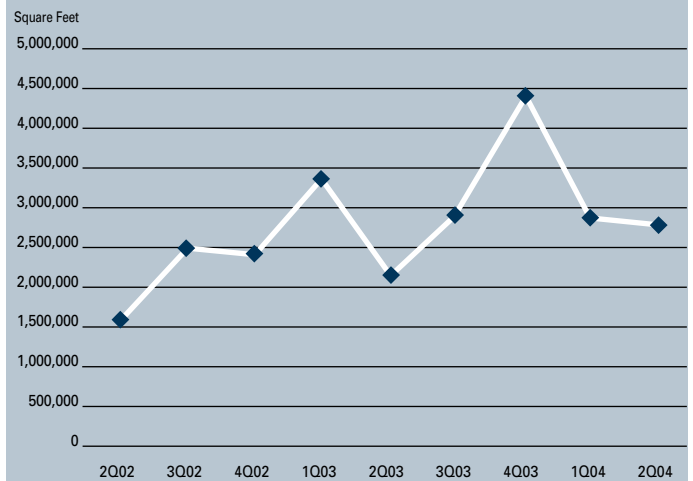
## ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



# S E C O N D   Q U A R T E R   2 0 0 4

## O R A N G E   C O U N T Y

### I N V E N T O R Y

### V A C A N C Y   &   L E A S E   R A T E S

### A B S O R P T I O N

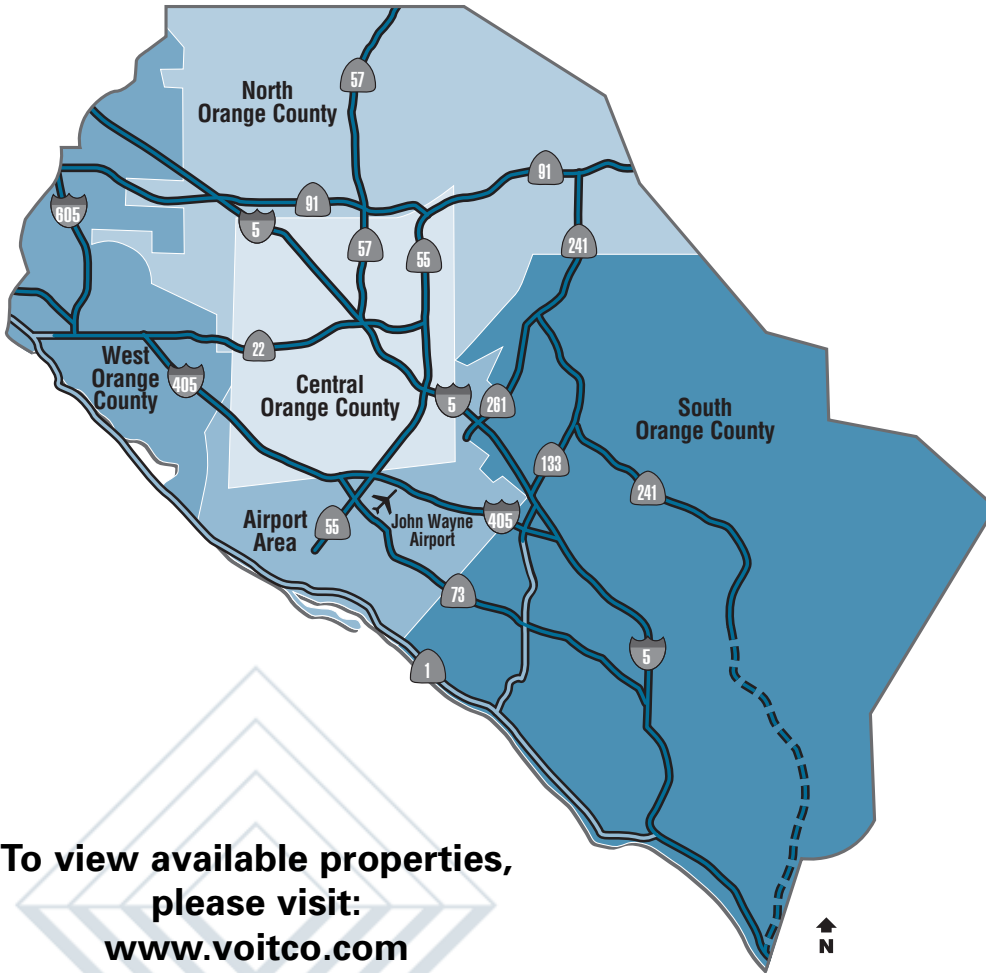
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2004	Square Feet Available	Availability Rate 2Q2004	Average Asking Lease Rate	Net Absorption 2Q2004	Net Absorption 2004	Net Absorption 2003	Net Absorption 2002
<b>North County</b>													
Anaheim Hills	10	644,674	0	60,000	6,919	1.07%	120,561	18.70%	\$1.52	(1,174)	5,529	(1,635)	10,832
Brea	41	3,846,160	0	332,074	481,376	12.52%	524,636	13.64%	\$1.77	13,539	57,049	17,961	79,588
Buena Park	10	625,415	0	0	128,914	20.61%	142,939	22.86%	\$1.55	46,298	61,282	2,384	1,618
Fullerton	28	1,892,167	0	0	26,673	1.41%	30,076	1.59%	\$1.59	10,953	4,060	103,707	7,286
La Habra	7	376,849	0	0	47,765	12.67%	47,765	12.67%	\$1.36	4,841	5,248	72,227	184
La Palma	7	552,396	0	0	45,139	8.17%	66,556	12.05%	\$1.76	2,112	(3,175)	(3,419)	(5,801)
Placentia	5	165,875	0	0	6,126	3.69%	6,126	3.69%	\$1.69	5,039	6,979	6,465	3,849
Yorba Linda	6	319,627	0	0	11,763	3.68%	12,592	3.94%	\$1.63	4,765	9,779	(6,139)	(1,788)
<b>North County Total</b>	<b>114</b>	<b>8,423,163</b>	<b>0</b>	<b>392,074</b>	<b>754,675</b>	<b>8.96%</b>	<b>951,251</b>	<b>11.29%</b>	<b>\$1.68</b>	<b>86,373</b>	<b>146,751</b>	<b>191,551</b>	<b>95,768</b>
<b>West County</b>													
Cypress	28	2,181,696	0	0	404,010	18.52%	481,976	22.09%	\$1.81	(13,051)	(26,647)	(21,375)	(158,782)
Fountain Valley	32	1,561,130	0	0	232,848	14.92%	235,548	15.09%	\$1.64	(22,456)	(82,717)	(24,766)	(86,906)
Garden Grove	21	931,230	0	0	128,679	13.82%	135,153	14.51%	\$1.55	(27,993)	(32,866)	39,461	24,761
Huntington Beach	45	2,489,239	0	0	276,812	11.12%	331,220	13.31%	\$1.71	2,937	(42,557)	(15,587)	(1,948)
Los Alamitos	13	712,280	0	0	10,528	1.48%	18,550	2.60%	\$1.67	2,149	5,030	(8,915)	5,986
Seal Beach	6	425,418	0	0	37,403	8.79%	37,403	8.79%	\$2.25	0	(2,500)	5,215	(1,528)
Stanton	2	85,917	0	0	23,821	27.73%	23,821	27.73%	\$0.00	(2,500)	(3,553)	(3,553)	(6,105)
Westminster	11	440,174	0	0	35,222	8.00%	41,523	9.43%	\$1.61	451	4,326	32,520	(5,138)
<b>West County Total</b>	<b>158</b>	<b>8,827,084</b>	<b>0</b>	<b>0</b>	<b>1,149,323</b>	<b>13.02%</b>	<b>1,305,194</b>	<b>14.79%</b>	<b>\$1.74</b>	<b>(60,463)</b>	<b>(181,484)</b>	<b>3,000</b>	<b>(217,450)</b>
<b>Central County</b>													
Anaheim	92	6,036,854	0	469,711	549,593	9.10%	685,222	11.35%	\$1.72	13,806	(16,305)	622,258	258,007
Orange	76	6,943,836	0	0	543,312	7.82%	637,267	9.18%	\$1.82	6,649	5,797	273,259	(130,264)
Santa Ana	168	11,578,998	220,000	232,400	1,177,751	10.17%	1,387,038	11.98%	\$1.73	(49,829)	(88,079)	30,938	(56,432)
Tustin	34	1,442,734	0	0	331,537	22.98%	402,672	27.91%	\$1.65	(24,819)	(35,710)	128,065	(3,602)
<b>Central County Total</b>	<b>370</b>	<b>26,002,422</b>	<b>220,000</b>	<b>702,111</b>	<b>2,602,193</b>	<b>10.01%</b>	<b>3,112,199</b>	<b>11.97%</b>	<b>\$1.75</b>	<b>(54,193)</b>	<b>(134,297)</b>	<b>1,054,520</b>	<b>67,709</b>
<b>Airport Area</b>													
Corona Del Mar	2	86,378	0	0	3,739	4.33%	7,223	8.36%	\$2.75	(2,223)	(3,739)	3,238	(2,887)
Costa Mesa	65	6,467,192	0	406,732	929,723	14.38%	1,142,961	17.67%	\$1.99	48,878	(25,198)	76,540	(52,945)
Irvine	226	20,200,226	75,000	1,849,467	2,488,853	12.32%	3,457,091	17.11%	\$2.25	497,406	813,762	887,193	769,633
Newport Beach	132	9,479,962	0	0	1,198,600	12.64%	1,435,778	15.15%	\$2.51	53,540	213,202	238,076	(121,047)
<b>Airport Area Total</b>	<b>425</b>	<b>36,233,758</b>	<b>75,000</b>	<b>2,256,199</b>	<b>4,620,915</b>	<b>12.75%</b>	<b>6,043,053</b>	<b>16.68%</b>	<b>\$2.26</b>	<b>597,601</b>	<b>998,027</b>	<b>1,205,047</b>	<b>592,754</b>
<b>South County</b>													
Aliso Viejo	43	2,848,063	0	899,475	353,206	12.40%	476,441	16.73%	\$2.30	143,216	156,403	119,157	56,745
Dana Point	4	210,660	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	3,800
Foothill Ranch	8	702,879	0	36,000	134,596	19.15%	155,908	22.18%	\$2.05	(11,210)	(4,850)	62,144	2,242
Irvine Spectrum	99	6,475,228	0	195,700	937,578	14.48%	1,047,427	16.18%	\$2.33	65,202	115,804	233,386	505,871
Laguna Beach	5	193,268	0	0	5,600	2.90%	5,600	2.90%	\$2.29	(2,100)	(5,600)	10,325	0
Laguna Hills	33	1,746,362	0	199,411	114,421	11.42%	246,967	14.14%	\$2.04	5,986	(19,439)	9,251	3,852
Laguna Niguel	10	661,057	0	0	34,296	5.19%	34,296	5.19%	\$2.33	12,033	(18,362)	10,795	7,329
Lake Forest	41	2,045,135	0	0	362,454	17.72%	457,618	22.38%	\$1.86	32,048	55,409	146,188	295,666
Mission Viejo	35	1,801,677	0	200,450	157,254	8.73%	238,566	13.24%	\$1.99	10,117	48,174	25,345	39,006
Rancho Santa Margarita	5	194,030	25,000	0	14,121	7.28%	29,380	15.14%	\$1.91	(376)	18,739	10,201	13,218
San Clemente	10	372,984	68,000	0	45,934	12.32%	45,934	12.32%	\$2.08	6,745	13,585	4,957	47,996
San Juan Capistrano	11	528,731	0	36,608	1,200	0.23%	3,427	0.65%	\$2.08	(144)	1,056	4,281	34,710
<b>South County Total</b>	<b>304</b>	<b>17,780,074</b>	<b>93,000</b>	<b>1,368,233</b>	<b>2,245,650</b>	<b>12.63%</b>	<b>2,741,564</b>	<b>15.42%</b>	<b>\$2.13</b>	<b>261,517</b>	<b>360,919</b>	<b>636,030</b>	<b>1,010,435</b>
<b>Orange County Total</b>	<b>1,371</b>	<b>97,266,501</b>	<b>388,000</b>	<b>4,718,617</b>	<b>11,372,756</b>	<b>11.69%</b>	<b>14,153,261</b>	<b>14.55%</b>	<b>\$2.01</b>	<b>830,835</b>	<b>1,189,916</b>	<b>3,090,148</b>	<b>1,549,216</b>

	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2004	Square Feet Available	Availability Rate 2Q2004	Average Asking Lease Rate	Net Absorption 2Q2004	Net Absorption 2004	Net Absorption 2003	Net Absorption 2002
<b>North County</b>													
Class A	42	3,940,580	0	309,924	461,019	11.70%	604,340	15.34%	\$1.70	43,154	99,248	131,794	1,463
Class B	62	4,062,483	0	82,150	280,877	6.91%	334,132	8.22%	\$1.59	43,219	48,136	77,589	88,562
Class C	10	420,100	0	0	12,779	3.04%	12,779	3.04%	\$1.38	0	(633)	(17,832)	5,743
<b>West County</b>													
Class A	34	3,245,599	0	0	485,655	14.96%	589,994	18.18%	\$1.85	(29,388)	(77,865)	(2,034)	(159,943)
Class B	96	4,230,153	0	0	627,009	14.82%	678,541	16.04%	\$1.59	(36,192)	(99,941)	(65,611)	36,388
Class C	28	1,351,332	0	0	36,659	2.71%	36,659	2.71%	\$1.59	5,117	(3,678)	70,645	(6,989)
<b>Central County</b>													
Class A	89	12,455,775	0	652,111	1,042,532	8.37%	1,457,774	11.70%	\$1.88	56,767	(27,468)	897,630	(82,112)
Class B	231	11,573,907	220,000	50,000	1,459,789	12.61%	1,535,459	13.27%	\$1.59	(107,219)	(103,670)	159,994	125,402
Class C	50	1,972,740	0	0	99,872	5.06%	118,966	6.03%	\$1.49	(3,741)	(3,159)	(3,104)	24,419
<b>Airport Area</b>													
Class A	128	21,161,665	0	2,256,199	2,393,483	11.31%	3,282,943	15.51%	\$2.39	227,077	668,247	944,496	124,023
Class B	263	13,261,440	75,000	0	2,151,820	16.23%	2,588,884	19.52%	\$1.95	343,963	314,992	209,793	410,730
Class C	34	1,810,653	0	0	75,612	4.18%	171,226	9.46%	\$1.67	26,561	14,788	50,758	(28,905)
<b>South County</b>													
Class A	118	9,498,397	0	1,039,475	1,226,626	12.91%	1,514,276	15.94%	\$2.20	145,442	189,144	305,487	558,623
Class B	176	7,922,243	93,000	328,758	1,001,613	12.64%	1,208,717	15.26%	\$1.95	117,299	172,930	326,297	464,035
Class C	10	359,434	0	0	17,411	4.84%	18,571	5.17%	\$1.70	(1,224)	(1,155)	4,246	(12,223)
<b>Orange County Total</b>													
Class A	411	50,302,016	0	4,257,709	5,609,315	11.15%	7,449,327	14.81%	\$2.14	443,052	851,306	2,277,373	442,054
Class B	828	41,050,226	388,000	460,908	5,521,108	13.45%	6,345,733	15.46%	\$1.75	361,070	332,447	708,062	1,125,117
Class C	132	5,914,259	0	0	242,333	4.10%	358,201	6.06%	\$1.59	26,713	6,163	104,713	(17,955)
<b>Orange County Total</b>	<b>1,371</b>	<b>97,266,501</b>	<b>388,000</b>	<b>4,718,617</b>	<b>11,372,756</b>	<b>11.69%</b>	<b>14,153,261</b>	<b>14.55%</b>	<b>\$2.01</b>	<b>830,835</b>	<b>1,189,916</b>	<b>3,090,148</b>	<b>1,549,216</b>



# OFFICE MARKET REPORT

SECOND QUARTER 2004



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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.

For Further Information:

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**FAX: 949.261.9092**



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