

R & D MARKET REPORT

SECOND QUARTER 2005

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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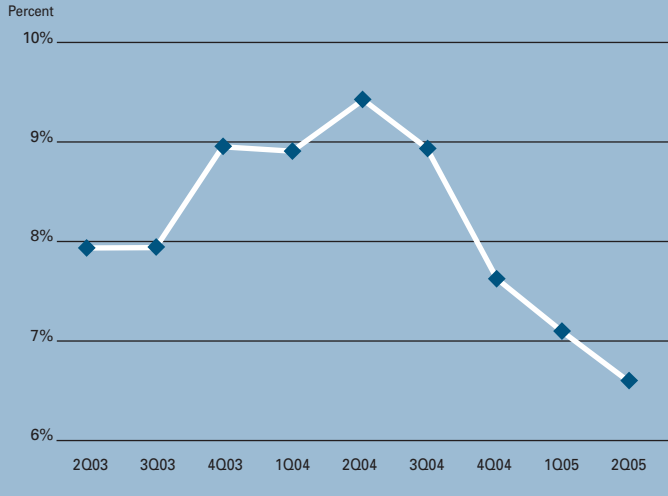
MARKET HIGHLIGHTS

- ◆ Unemployment for the second quarter of 2005 in Orange County is 3.3%, which is .8% lower than it was when compared to the first quarter of 2005, and is .8% lower than it was during the second quarter of 2004.
- ◆ According to Chapman University, it is estimated that Orange County added 31,000 new jobs in 2004. Furthermore, they are forecasting 24,000 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 73,284 square feet for the second quarter of 2005, which is about 150,000 square feet less than the amount that was under construction in the first quarter of 2005.
- ◆ The R&D vacancy rate checked in at a low 6.62%, which is lower than it was a year ago when it was 9.45%. This lack of supply is creating a lot of constrained demand for R&D space in Orange County.
- ◆ The total amount of R&D space available in Orange County, which includes both direct and sublease space, is lower than it was a year ago; 8.44% this quarter as compared to 11.86% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$0.94, which is 10.59% higher than it was this time last year and last quarter.
- ◆ Net absorption for the R&D market this first quarter posted a positive number of 487,532 square feet, giving the R&D Market in Orange County a total of 1,254,252 square feet of positive absorption for the first half of 2005.
- ◆ Rental rates are expected to increase at moderate levels in the short run, and concessions will lessen as the economy in Orange County continues to improve. These conditions will put upward pressure on lease rates going forward. We should see rental rate growth of 7% to 10% in 2005.

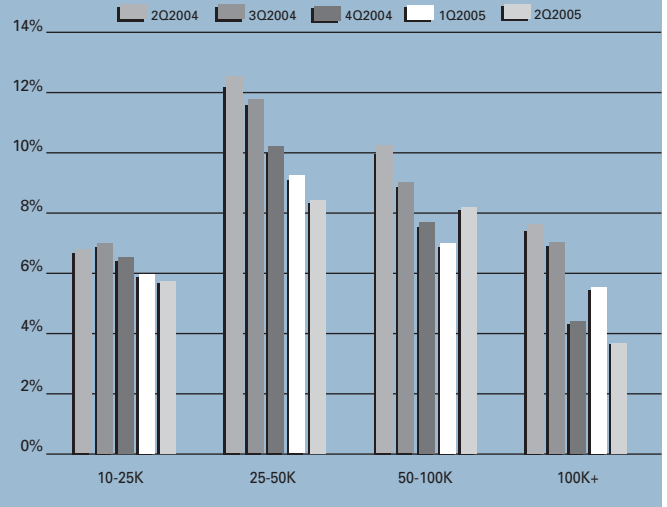
R&D MARKET STATISTICS

	2Q2005	1Q2005	2Q2004	% CHANGE VS. 2004
Under Construction	73,284	220,843	257,065	-71.49%
Planned Construction	487,202	304,745	471,013	3.44%
Vacancy	6.62%	7.11%	9.45%	-29.95%
Availability	8.44%	8.57%	11.86%	-28.84%
Pricing	\$0.94	\$0.92	\$0.85	10.59%
Net Absorption	487,532	766,720	-258,416	N/A

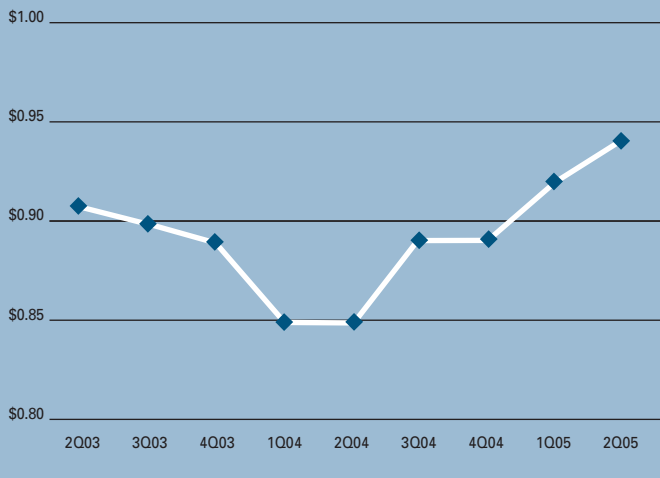
VACANCY RATE



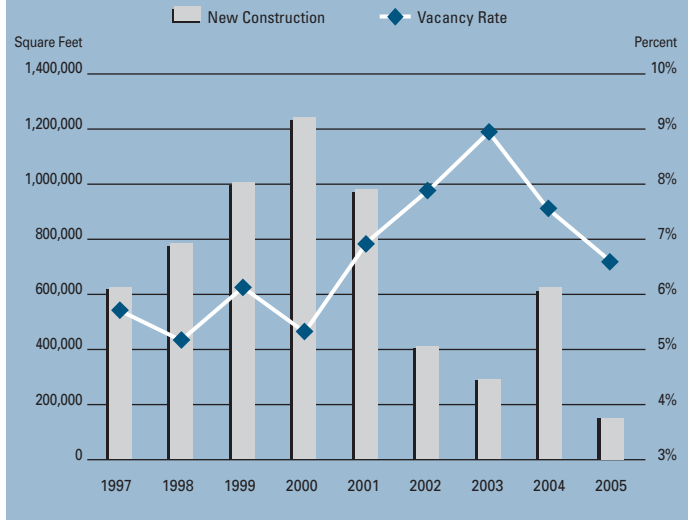
R&D VACANCY RATE



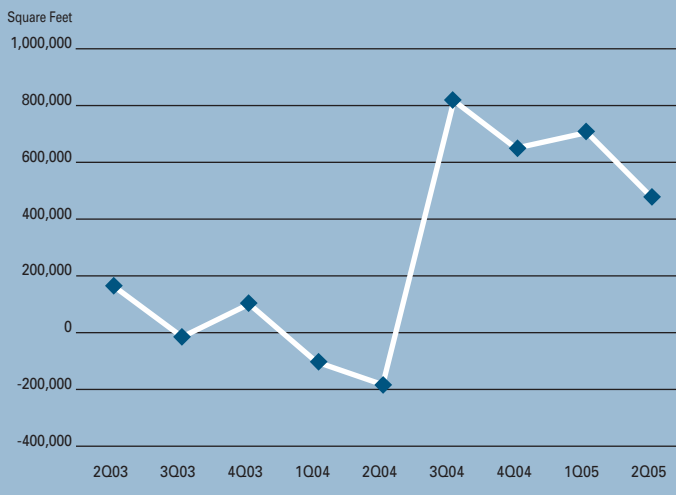
AVERAGE ASKING TRIPLE NET LEASE RATE



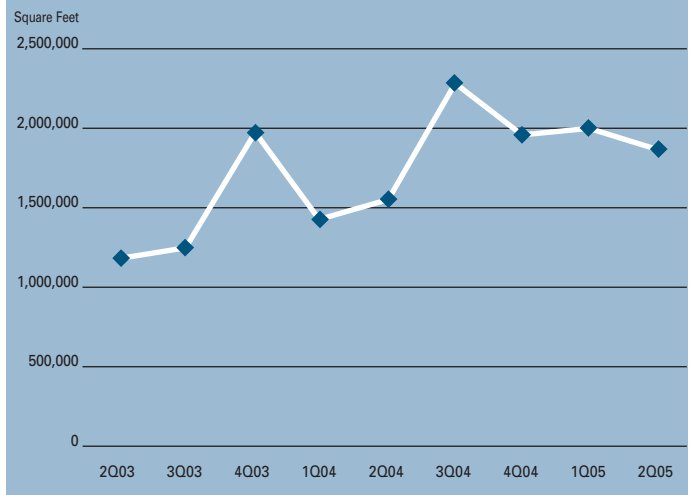
ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



SECOND QUARTER 2005

ORANGE COUNTY

INVENTORY

VACANCY & LEASE RATES

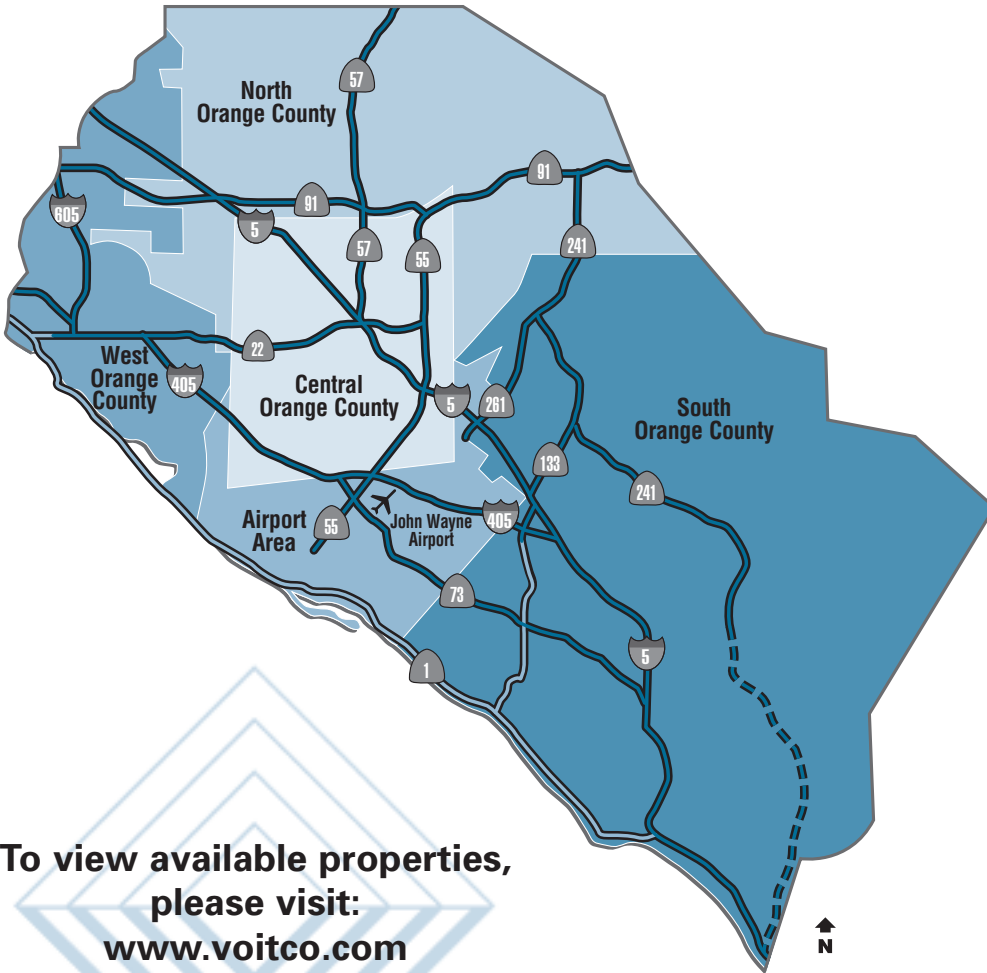
ABSORPTION

	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2005	Square Feet Available	Availability Rate 2Q2005	Average Asking Lease Rate	Net Absorption 2Q2005	Net Absorption 2005
North County											
Anaheim Hills	7	292,180	0	0	17,285	5.92%	17,285	5.92%	\$0.00	11,264	16,325
Anaheim	73	2,606,775	0	0	156,539	6.01%	183,277	7.03%	\$0.84	(20,269)	18,467
Brea	40	1,033,568	0	0	12,504	1.21%	15,761	1.52%	\$0.00	(8,900)	2,345
Buena Park	24	924,115	0	0	89,749	9.71%	89,749	9.71%	\$0.00	36,521	46,671
Fullerton	36	1,531,209	0	0	8,558	0.56%	70,958	4.63%	\$0.85	23,878	25,000
La Habra	7	107,089	0	0	0	0.00%	0	0.00%	\$0.00	3,264	0
La Palma	7	272,981	0	0	0	0.00%	939	0.34%	\$0.81	0	0
Placentia	19	545,794	0	0	31,825	5.83%	36,644	6.71%	\$0.69	(9,046)	(11,796)
Yorba Linda	54	1,430,811	0	0	157,345	11.00%	231,657	16.19%	\$1.00	19,107	6,934
North County Total	267	8,744,522	0	0	473,805	5.42%	646,270	7.39%	\$0.94	55,819	103,946
West County											
Cypress	44	2,833,095	0	0	273,920	9.67%	305,635	10.79%	\$0.75	10,226	56,930
Huntington Beach	85	1,924,991	0	0	39,974	2.08%	54,903	2.85%	\$0.00	968	31,644
Los Alamitos	31	692,980	0	0	22,090	3.19%	22,090	3.19%	\$0.00	(1,031)	9,501
West County Total	160	5,451,066	0	0	335,984	6.16%	382,628	7.02%	\$0.75	10,163	98,075
Central County											
Anaheim	81	2,078,344	0	0	89,511	4.31%	133,530	6.42%	\$0.93	(8,089)	17,942
Garden Grove	81	2,429,977	0	0	270,094	11.12%	328,101	13.50%	\$0.68	3,427	(30,007)
Orange	97	1,959,347	0	0	61,878	3.16%	78,600	4.01%	\$1.01	(2,546)	(19,230)
Santa Ana	47	1,300,010	0	0	45,641	3.51%	45,641	3.51%	\$0.90	3,224	(7,899)
Westminster	23	619,454	0	0	81,682	13.19%	83,846	13.54%	\$0.62	0	5,978
Central County Total	329	8,387,132	0	0	548,806	6.54%	669,718	7.99%	\$0.81	(3,984)	(33,216)
Airport Area											
Costa Mesa	152	3,678,530	0	0	297,192	8.08%	347,639	9.45%	\$1.08	(21,880)	138,444
Fountain Valley	47	1,359,546	0	49,186	57,746	4.25%	57,746	4.25%	\$0.89	3,090	(20,021)
Irvine	284	7,613,933	60,000	38,389	653,921	8.59%	870,854	11.44%	\$0.96	(107,391)	1,389
Newport Beach	23	802,058	0	0	35,258	4.40%	35,258	4.40%	\$1.17	6,408	6,169
Santa Ana	120	3,698,469	0	0	88,199	2.38%	100,534	2.72%	\$1.09	5,479	308,072
Tustin	92	3,152,370	0	0	92,103	2.92%	171,132	5.43%	\$0.85	90,458	165,116
Airport Area Total	718	20,304,906	60,000	87,575	1,224,419	6.03%	1,583,163	7.80%	\$0.98	(23,836)	599,169
South County											
Aliso Viejo	44	1,136,521	0	0	145,292	12.78%	178,638	15.72%	\$0.75	(7,670)	(7,526)
Foothill Ranch	5	108,348	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Irvine Spectrum	259	10,301,202	0	118,660	935,752	9.08%	1,312,250	12.74%	\$1.04	370,261	341,665
Laguna Beach	51	1,098,607	0	0	20,113	1.83%	24,247	2.21%	\$1.13	7,363	6,883
Laguna Hills	13	424,824	0	0	4,604	1.08%	4,604	1.08%	\$0.00	2,452	10,095
Laguna Niguel	58	1,493,584	0	128,250	153,743	10.29%	153,743	10.29%	\$1.00	36,170	47,439
Lake Forest	33	654,099	0	0	33,488	5.12%	37,351	5.71%	\$0.00	5,364	5,938
Mission Viejo	54	1,838,287	0	0	129,338	7.04%	137,482	7.48%	\$0.91	30,538	82,520
Rancho Santa Margarita	44	1,002,125	13,284	152,717	51,686	5.16%	51,686	5.16%	\$1.05	4,892	6,327
San Clemente	37	539,079	0	0	10,513	1.95%	10,513	1.95%	\$0.00	0	(7,063)
San Juan Capistrano	598	18,596,676	13,284	399,627	1,484,529	7.98%	1,910,514	10.27%	\$1.01	449,370	486,278
South County Total											
Orange County Total	2,072	61,484,302	73,284	487,202	4,067,543	6.62%	5,192,293	8.44%	\$0.94	487,532	1,254,252
North County											
10,000 to 24,999	158	2,512,504	0	0	66,434	2.64%	96,604	3.84%	\$0.77	38,403	35,106
25,000 to 49,999	74	2,539,785	0	0	175,546	6.91%	252,652	9.95%	\$0.69	(31,152)	16,543
50,000 to 99,999	24	1,630,893	0	0	111,859	6.86%	177,048	10.86%	\$0.55	48,568	52,297
100,000+	11	2,061,340	0	0	119,966	5.82%	119,966	5.82%	\$1.25	0	0
West County											
10,000 to 24,999	90	1,331,341	0	0	46,911	3.52%	66,373	4.99%	\$0.85	(7,816)	53,779
25,000 to 49,999	42	1,418,202	0	0	52,576	3.71%	79,758	5.62%	\$0.80	43,969	73,871
50,000 to 99,999	21	1,330,832	0	0	236,497	17.77%	236,497	17.77%	\$0.72	(25,990)	(29,575)
100,000+	7	1,370,691	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Central County											
10,000 to 24,999	229	3,623,598	0	0	133,614	3.69%	185,549	5.12%	\$1.00	(23,250)	(24,802)
25,000 to 49,999	75	2,445,630	0	0	175,862	7.19%	234,360	9.58%	\$0.89	51,142	37,431
50,000 to 99,999	17	1,148,944	0	0	121,551	10.58%	132,030	11.49%	\$0.62	(35,174)	(47,444)
100,000+	8	1,168,960	0	0	117,779	10.08%	117,779	10.08%	\$0.75	3,298	1,599
Airport Area											
10,000 to 24,999	471	7,611,701	0	24,449	441,850	5.80%	534,958	7.03%	\$0.91	52,318	109,888
25,000 to 49,999	170	5,777,935	0	169,876	423,248	7.33%	576,526	9.98%	\$1.00	(9,835)	305,964
50,000 to 99,999	56	3,800,163	60,000	0	216,984	5.71%	290,264	7.64%	\$0.99	(19,587)	160,333
100,000+	21	3,115,107	0	0	142,337	4.57%	181,415	5.82%	\$1.10	(46,732)	22,984
South County											
10,000 to 24,999	356	5,893,934	13,284	140,160	488,385	8.29%	589,533	10.00%	\$1.07	59,291	154,533
25,000 to 49,999	165	5,619,161	0	37,728	688,359	12.25%	743,806	13.24%	\$1.01	202,973	228,461
50,000 to 99,999	56	3,770,690	0	114,989	276,244	7.33%	545,634	14.47%	\$0.97	(16,600)	55,451
100,000+	21	3,312,891	0	0	31,541	0.95%	31,541	0.95%	\$1.11	203,706	47,833
Orange County											
10,000 to 24,999	1,304	20,973,078	13,284	164,609	1,177,194	5.61%	1,473,017	7.02%	\$1.00	118,946	328,504
25,000 to 49,999	526	17,800,713	0	207,604	1,515,591	8.51%	1,887,102	10.60%	\$0.95	257,097	662,270
50,000 to 99,999	174	11,681,522	60,000	114,989	963,135	8.24%	1,381,473	11.83%	\$0.89	(48,783)	191,062
100,000+	68	11,028,989	0	0	411,623	3.73%	450,701	4.09%	\$1.03	160,272	72,416
Orange County Total	2,072	61,484,302	73,284	487,202	4,067,543	6.62%	5,192,293	8.44%	\$0.94	487,532	1,254,252

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple net basis.

R & D MARKET
REPORT

SECOND QUARTER 2005



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SUBMARKETS

NORTH

Anaheim Hills, 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 Beach, 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.

For Further Information:

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FAX: 949.261.9092



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