

FLEX MARKET REPORT

SECOND QUARTER 2006

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



To view available properties, please visit:
www.voitco.com



Prepared by:
Jerry J. Holdner, Jr.
Vice President
of Market Research
e-mail: jholdner@voitco.com



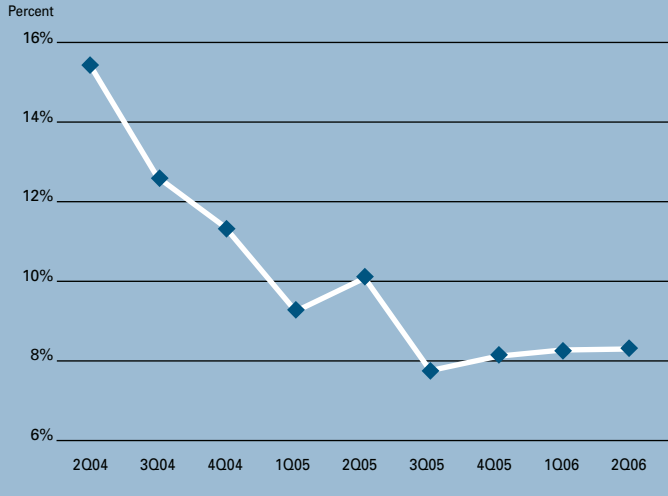
MARKET HIGHLIGHTS

- ◆ Unemployment for the second quarter of 2006 in Orange County is 3.2%, which is 0.4% lower than it was when compared to the first quarter of 2006, and is 0.3% lower than it was during the second quarter of 2005.
- ◆ According to Chapman University, it is estimated that Orange County added 34,000 new payroll jobs in 2005. Furthermore, they are forecasting 26,000 new payroll jobs will be added to the county in 2006 with another 21,000 jobs in 2007 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at 199,637 square feet for the second quarter of 2006, which is just over 80% less than the amount that was under construction during the second quarter of 2005.
- ◆ The flex vacancy rate checked in at a low 8.38%, which is lower than it was a year ago when it was 10.20%. Another sign of strength was the 633,157 square feet of new product that was built in the last six quarters, which has been absorbed.
- ◆ The total amount of flex space available in Orange County, which includes both direct and sublease space, is lower than it was a year ago; 12.43% this quarter as compared to 15.02% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot for Flex space in Orange County is currently at \$1.90, which is a 18.01% increase over last year's second quarter rate of \$1.61. This is a new record high for lease rates in the flex market.
- ◆ Net absorption for the county this quarter posted a negative number of 85,819 square feet, giving the county a total of over two point three million square feet of positive absorption for the last eleven quarters.
- ◆ 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 2006.

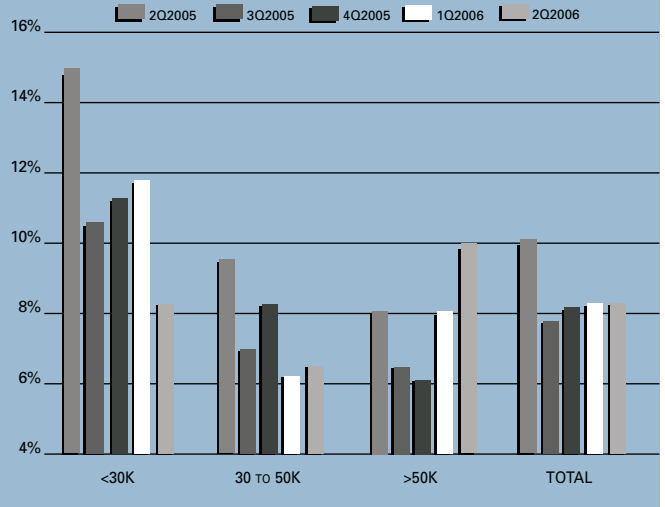
FLEX MARKET STATISTICS

	2Q2006	1Q2006	2Q2005	% CHANGE VS. 2005
Under Construction	199,637	85,117	1,104,000	-81.92%
Planned Construction	158,050	145,180	781,415	-79.77%
Vacancy	8.38%	8.40%	10.20%	-17.84%
Availability	12.43%	12.36%	15.02%	-17.24%
Pricing	\$1.90	\$1.77	\$1.61	18.01%
Net Absorption	-85,819	206,944	245,097	N/A
Activity	429,935	582,351	694,599	-38.10%

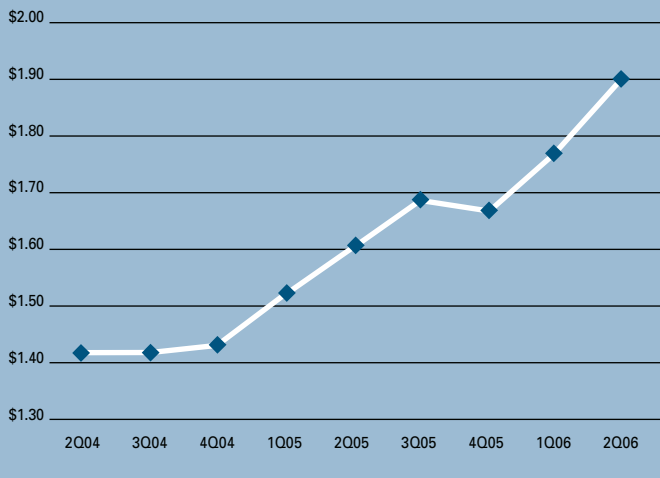
VACANCY RATE



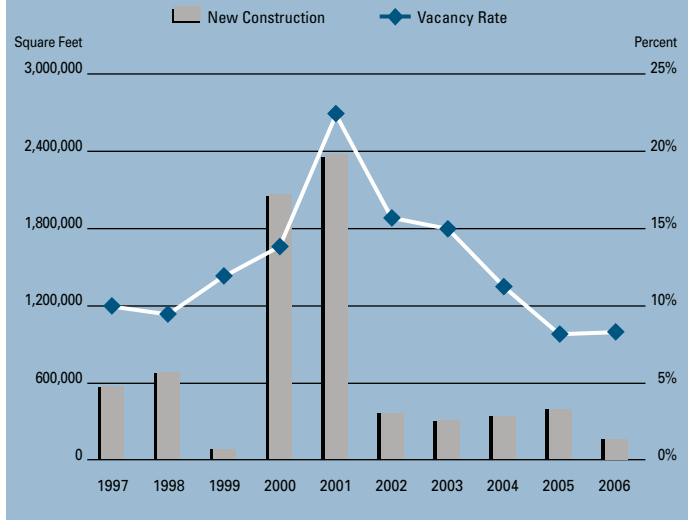
FLEX VACANCY RATE



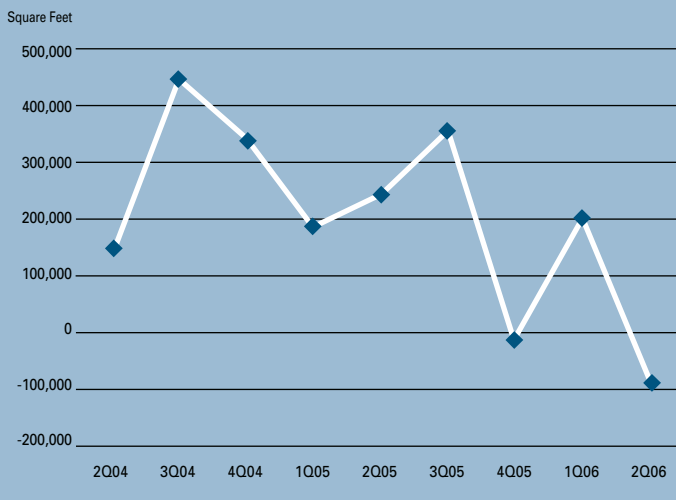
AVERAGE ASKING TRIPLE NET LEASE RATE



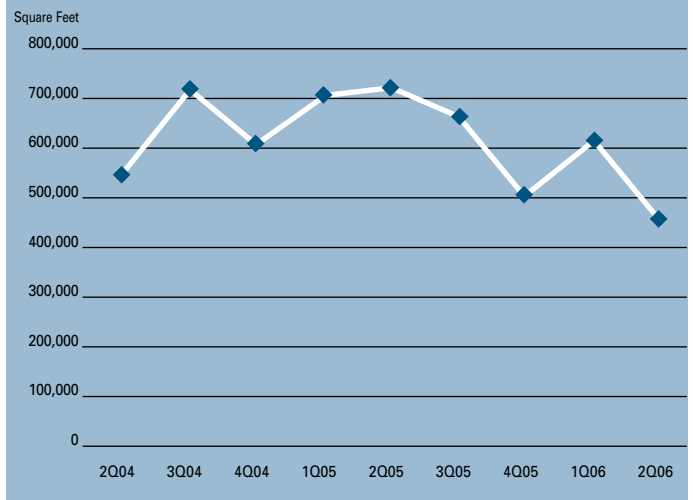
ANNUAL FLEX NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



ORANGE COUNTY

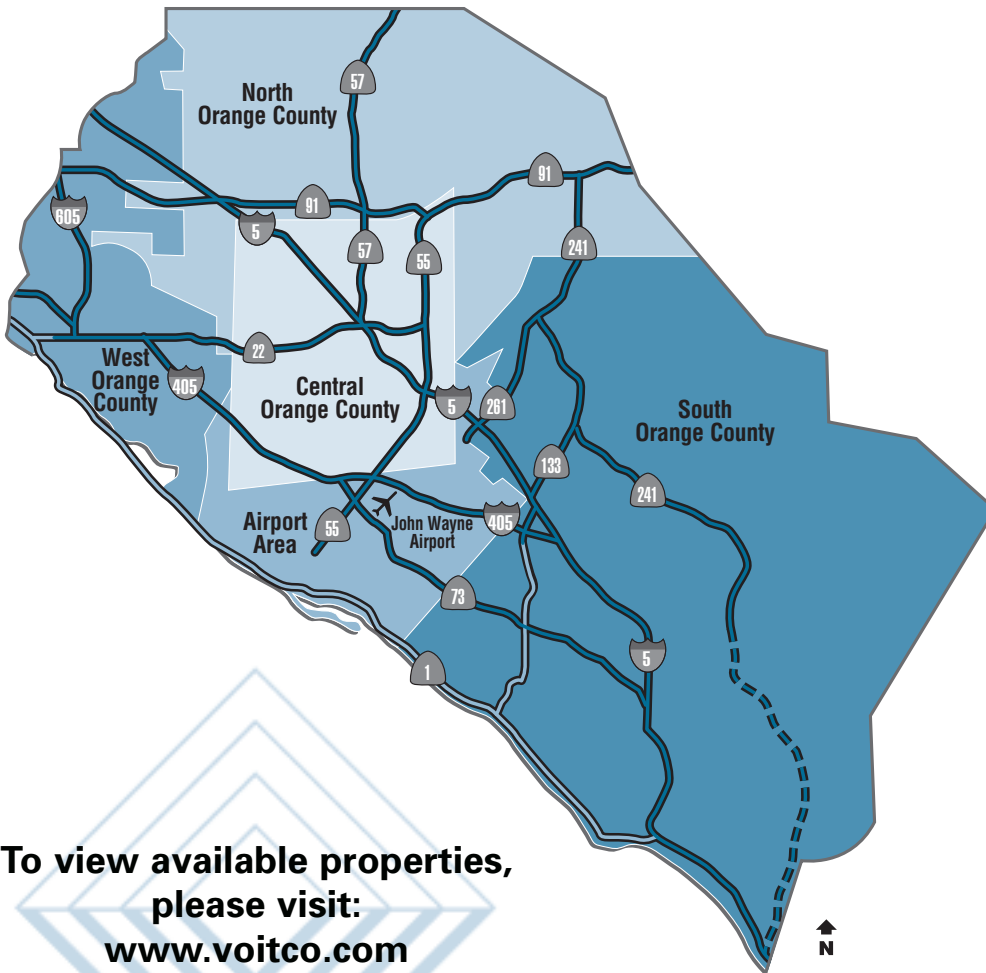
	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2006	Square Feet Available	Availability Rate 2Q2006	Average Asking Lease Rate	Net Absorption 2Q2006	Net Absorption 2006	Net Absorption 2005	Net Absorption 2004
North County													
Anaheim Hills	13	218,969	0	0	9,093	4.15%	9,093	4.15%	\$0.00	(9,093)	(8,260)	4,803	10,352
Anaheim	6	141,680	0	0	2,811	1.98%	2,811	1.98%	\$0.00	(1,150)	2,350	14,251	10,561
Brea	15	456,680	0	0	37,475	8.21%	40,403	8.85%	\$1.09	10,797	859	(8,726)	72,846
Fullerton	7	73,900	0	0	7,200	0.00%	7,200	9.74%	\$2.34	150	870	100	19,700
Placentia	1	28,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Yorba Linda	1	10,560	0	0	10,560	100.00%	10,560	100.00%	\$2.25	(902)	(10,560)	0	0
North County Total	43	929,789	0	0	67,139	7.22%	70,067	7.54%	\$2.27	(198)	(14,741)	10,428	113,459
West County													
Cypress	8	324,081	0	0	56,378	17.40%	56,378	17.40%	\$1.40	842	6,880	38,313	772
Huntington Beach	3	48,648	0	40,000	0	0.00%	0	0.00%	\$0.00	0	2,248	10,985	(1,520)
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	\$0.00	842	842	(842)	8,787
West County Total	15	415,734	0	40,000	56,378	13.56%	56,378	13.56%	\$1.40	1,684	9,970	48,456	8,039
Central County													
Anaheim	8	222,958	0	0	6,514	2.92%	9,714	4.36%	\$0.00	0	(6,514)	7,164	49,879
Garden Grove	2	27,400	0	0	0	0.00%	0	0.00%	\$0.00	0	1,260	(1,260)	0
Orange	7	146,612	0	0	0	0.00%	2,053	1.40%	\$0.00	646	646	11,490	34,501
Santa Ana	9	145,334	22,448	3,000	0	0.00%	0	0.00%	\$0.00	0	0	10,011	229
Tustin	2	18,600	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Central County Total	28	560,904	22,448	3,000	6,514	1.16%	11,767	2.10%	\$0.00	646	(4,608)	27,405	84,609
Airport Area													
Costa Mesa	4	53,851	12,280	0	2,790	5.18%	2,790	5.18%	\$0.00	(2,790)	(2,790)	14,688	28,090
Irvine	26	3,088,859	22,282	0	179,920	5.82%	241,269	7.81%	\$2.11	(4,257)	5,848	184,544	122,450
Newport Beach	67	627,180	0	0	70,251	11.20%	96,356	15.36%	\$0.00	7,793	38,018	(42,173)	16,610
Santa Ana	9	386,738	0	0	44,834	11.59%	34,239	8.85%	\$0.00	31,456	208	21,748	(3,730)
Tustin	4	195,686	0	0	0	0.00%	48,700	24.89%	\$0.00	0	0	7,110	24,129
Airport Area Total	110	4,352,314	34,562	0	297,795	6.84%	423,354	9.73%	\$2.11	32,202	41,284	185,917	187,549
South County													
Aliso Viejo	38	1,169,363	0	0	64,453	5.51%	64,453	5.51%	\$1.77	(26,833)	(13,969)	12,375	35,901
Dana Point	3	54,340	0	0	3,350	6.16%	3,350	6.16%	\$1.95	0	0	0	0
Foothill Ranch	3	83,659	19,974	0	11,518	13.77%	11,518	13.77%	\$2.60	0	0	29,482	0
Irvine Spectrum	121	3,818,497	113,271	50,000	246,021	6.44%	661,770	17.33%	\$1.99	19,649	187,013	292,745	460,580
Laguna Beach	3	57,207	9,382	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Laguna Hills	14	458,766	0	0	72,367	15.77%	86,930	18.95%	\$1.20	20,753	7,156	(42,124)	7,297
Laguna Niguel	3	53,170	0	25,500	0	0.00%	0	0.00%	\$0.00	0	0	6,000	7,638
Lake Forest	31	1,239,426	0	0	292,250	23.58%	292,250	23.58%	\$1.49	(156,932)	(124,625)	164,714	3,719
Mission Viejo	31	467,957	0	39,550	15,753	3.37%	19,793	4.23%	\$0.00	5,392	9,598	43,793	51,427
Rancho Santa Margarita	6	197,311	0	0	27,819	14.10%	30,819	15.62%	\$3.00	(8,412)	(13,065)	36,117	11,092
San Clemente	7	160,795	0	0	27,853	17.32%	39,896	24.81%	\$0.00	16,595	38,562	17,526	2,519
San Juan Capistrano	16	366,738	0	0	16,526	4.51%	16,526	4.51%	\$2.45	9,635	3,550	48,544	(1,762)
South County Total	276	8,127,229	142,627	115,050	777,910	9.57%	1,227,305	15.10%	\$1.86	(120,153)	94,220	609,172	578,411
Orange County Total	472	14,385,970	199,637	158,050	1,205,736	8.38%	1,788,871	12.43%	\$1.90	(85,819)	126,125	881,378	972,067

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2006	Square Feet Available	Availability Rate 2Q2006	Average Asking Lease Rate	Net Absorption 2Q2006	Net Absorption 2006	Net Absorption 2005	Net Absorption 2004
North County													
0 to 29,999	33	485,245	0	0	45,045	9.28%	46,713	9.63%	\$2.27	(672)	(10,135)	4,166	30,313
30,000 to 49,999	8	321,544	0	0	19,974	6.21%	21,234	6.60%	\$0.00	(4,506)	(4,606)	2,016	4,615
50,000+	2	123,000	0	0	2,120	1.72%	2,120	1.72%	\$0.00	4,980	0	4,246	76,538
West County													
0 to 29,999	9	96,966	0	0	7,762	8.00%	7,762	8.00%	\$0.00	1,684	9,970	30,182	(2,740)
30,000 to 49,999	3	118,562	0	40,000	20,480	17.27%	20,480	17.27%	\$1.40	0	0	37,783	(14,200)
50,000+	3	200,206	0	0	28,136	14.05%	28,136	14.05%	\$1.40	0	0	(19,509)	23,759
Central County													
0 to 29,999	23	313,945	22,448	3,000	6,514	2.07%	6,514	2.07%	\$0.00	0	(5,254)	22,083	14,957
30,000 to 49,999	1	33,070	0	0	0	0.00%	0	0.00%	\$0.00	0	0	1,867	19,652
50,000+	4	213,889	0	0	0	0.00%	5,253	2.46%	\$0.00	646	646	3,455	50,000
Airport Area													
0 to 29,999	34	536,696	34,562	0	24,212	4.51%	24,212	4.51%	\$0.00	2,610	14,083	49,512	60,711
30,000 to 49,999	38	1,553,978	0	0	29,362	1.89%	98,441	6.33%	\$2.00	14,404	29,457	121,913	66,866
50,000+	38	2,261,640	0	0	244,221	10.80%	300,701	13.30%	\$2.14	15,188	(2,256)	14,492	61,192
South County													
0 to 29,999	149	2,200,933	112,627	65,050	218,423	9.92%	282,045	12.81%	\$1.72	73,626	265,464	316,781	(14,032)
30,000 to 49,999	78	3,104,775	30,000	0	270,311	8.71%	349,897	11.27%	\$1.81	(53,341)	2,807	69,718	153,617
50,000+	49	2,821,521	0	50,000	289,176	10.25%	595,363	21.10%	\$1.90	(140,438)	(174,051)	222,673	438,826
Orange County Total													
0 to 29,999	248	3,633,785	169,637	68,050	301,956	8.31%	367,246	10.11%	\$1.91	77,248	274,128	422,724	89,209
30,000 to 49,999	128	5,131,929	30,000	40,000	340,127	6.63%	490,052	9.55%	\$1.82	(43,443)	27,658	233,297	230,550
50,000+	96	5,620,256	0	50,000	563,653	10.03%	931,573	16.58%	\$1.93	(119,624)	(175,661)	225,357	650,315
Orange County Total	472	14,385,970	199,637	158,050	1,205,736	8.38%	1,788,871	12.43%	\$1.90	(85,819)	126,125	881,378	972,067

This survey consists of buildings up to 74,999 square feet. Lease rates are on a triple net basis.

FLEX MARKET
REPORT

SECOND QUARTER 2006



To view available properties,
please visit:
www.voitco.com

SUBMARKETS

NORTH

Anaheim Hills, Anaheim, Brea, Fullerton,
Placentia, Yorba Linda

WEST

Cypress, Huntington Beach, Seal Beach

CENTRAL

Anaheim, Garden Grove, Orange, Santa Ana, Tustin

AIRPORT

Costa Mesa, Irvine, Newport Beach,
Santa Ana, Tustin

SOUTH

Aliso Viejo, Dana Point, Foothill Ranch, Irvine
Spectrum, Laguna Beach, Laguna Hills, Laguna
Niguel, Lake Forest, Mission Viejo, Rancho Santa
Margarita, San Clemente, San Juan Capistrano

PRODUCT TYPE

FLEX-TECH OR CORPORATE HEADQUARTER

Minimum 75% improved with drop ceiling,
minimum parking ratio of 3.5 to 1, minimum of 3
elevations with full glassline, with ground level
loading possible.

For Further Information:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, California 92868-1642
TEL: 714.978.7880
FAX: 714.978.9431

IRVINE OFFICE

18500 Von Karman Ave., Suite 150
Irvine, California 92612-0508
TEL: 949.851.5100
FAX: 949.261.9092



Real People. Real Solutions.

This survey consists of properties up to 74,999 square feet in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a triple net 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 Commercial Brokerage use only, and cannot legally be reproduced without prior written consent from the management of Voit Commercial Brokerage.