

R & D MARKET REPORT

SECOND
QUARTER
2006

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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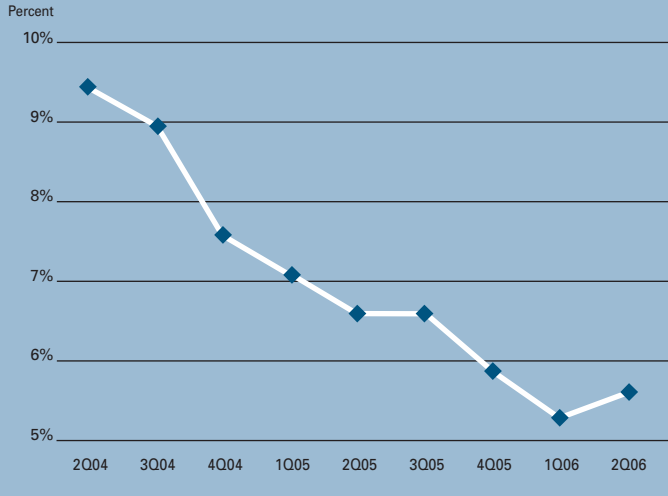
MARKET HIGHLIGHTS

- ◆ 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 350,219 square feet for the second quarter of 2006, which is more than three times the amount that was under construction in the second quarter of 2005.
- ◆ The R&D vacancy rate checked in at a low 5.60%, which is lower than it was a year ago when it was 6.62%. 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; 7.16% this quarter as compared to 8.44% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.03, which is almost 10% higher than it was this time last year. This is a new record high for lease rates in the R&D market.
- ◆ Net absorption for the R&D market this quarter posted a positive number of 147,058 square feet, giving the R&D Market in Orange County a total of 2.1 million square feet of positive absorption for the last six 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.

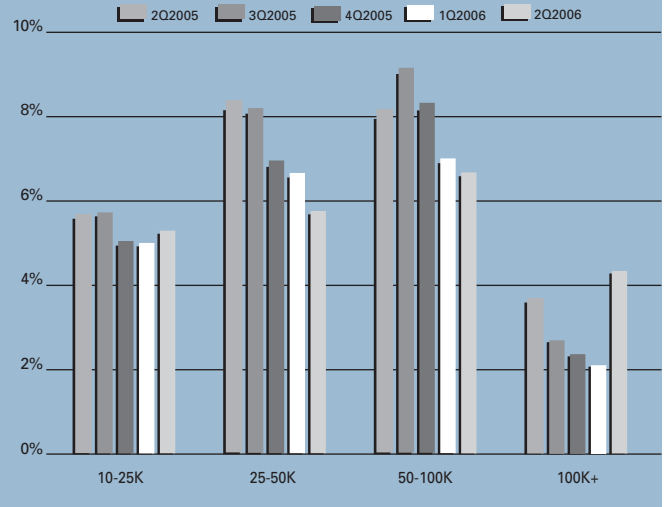
R&D MARKET STATISTICS

	2Q2006	1Q2006	2Q2005	% CHANGE VS. 2005
Under Construction	350,219	264,081	73,284	377.89%
Planned Construction	311,293	195,186	487,202	-36.11%
Vacancy	5.60%	5.39%	6.62%	-15.41%
Availability	7.16%	7.55%	8.44%	-15.17%
Pricing	\$1.03	\$1.01	\$0.94	9.57%
Net Absorption	147,058	207,903	487,532	-69.84%
Activity	1,373,380	1,205,557	1,815,253	-24.34%

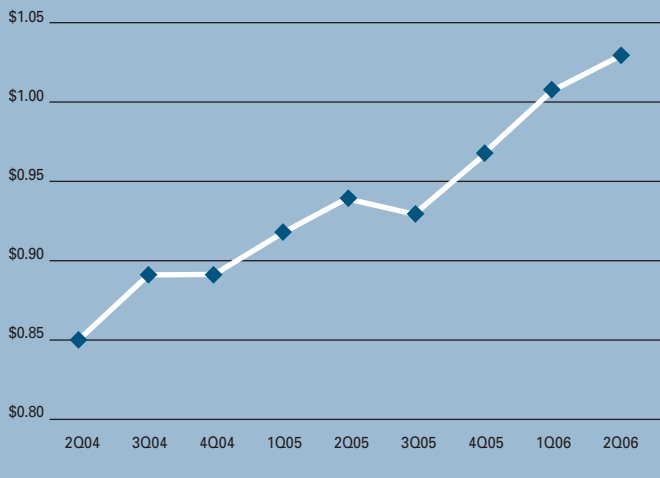
VACANCY RATE



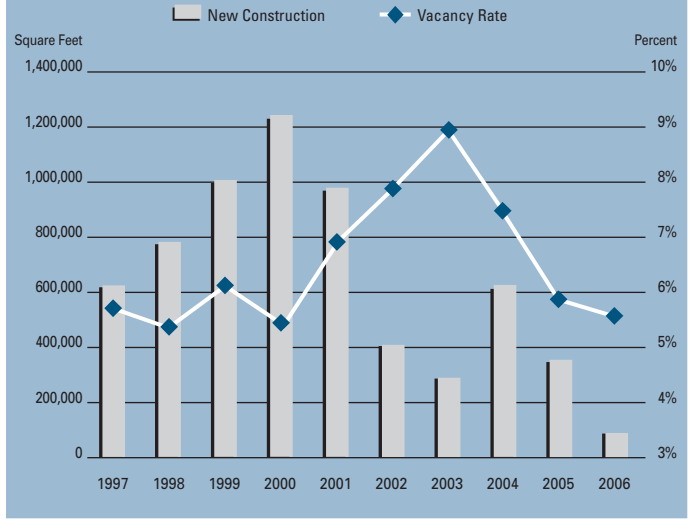
R&D VACANCY RATE



AVERAGE ASKING TRIPLE NET LEASE RATE



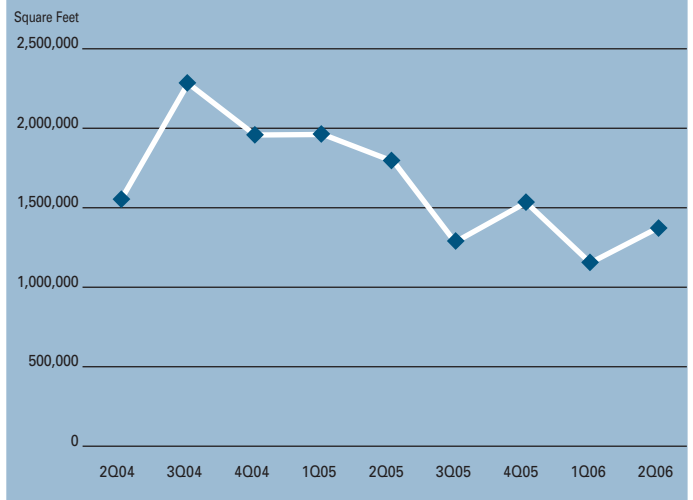
ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



SECOND QUARTER 2006

ORANGE COUNTY

INVENTORY

VACANCY & LEASE RATES

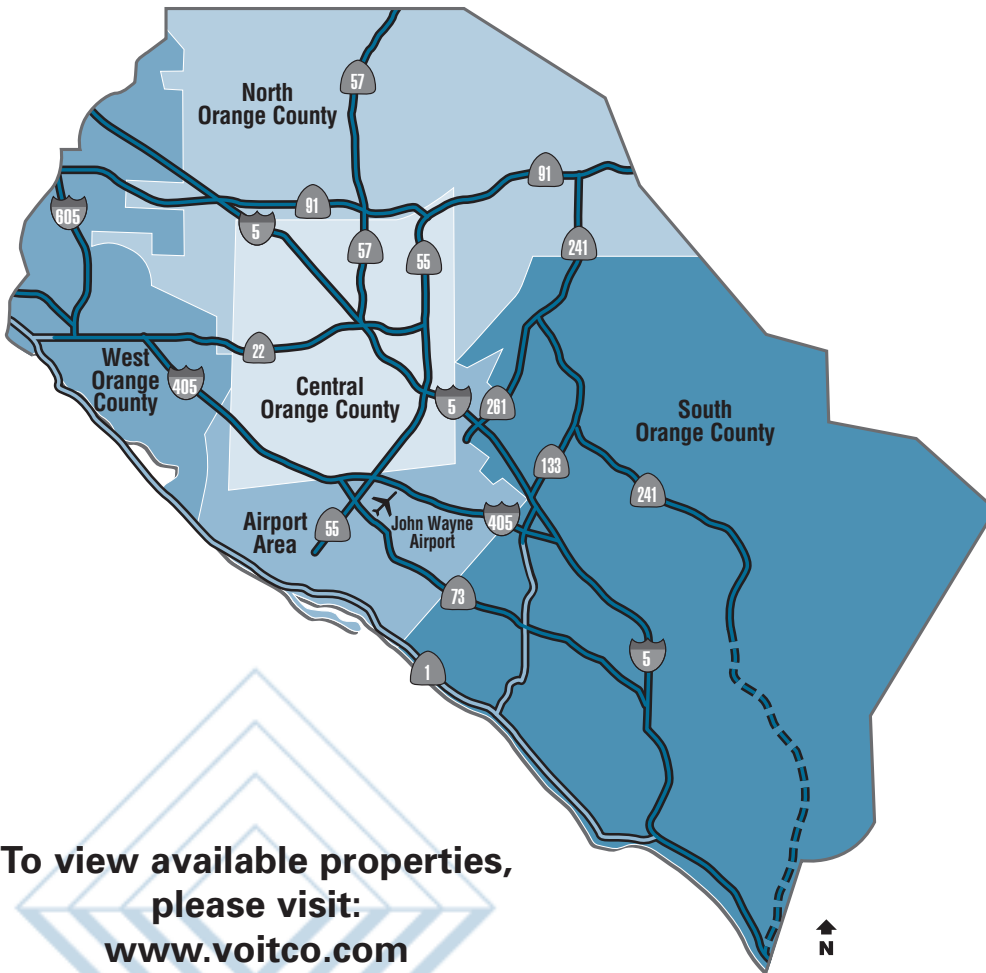
ABSORPTION

	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
North County											
Anaheim Hills	7	292,180	0	0	2,459	0.84%	2,459	0.84%	\$0.00	6,401	6,401
Anaheim	72	2,589,300	0	0	139,616	5.39%	193,678	7.48%	\$0.90	(18,079)	(935)
Brea	41	1,671,071	0	36,107	45,300	2.71%	45,300	2.71%	\$1.05	(8,880)	(12,228)
Buena Park	23	913,930	0	0	129,104	14.13%	146,178	15.99%	\$1.00	(54,469)	(44,548)
Fullerton	36	976,623	0	0	21,340	2.19%	83,740	8.57%	\$0.79	(8,319)	(14,832)
La Habra	7	107,089	0	0	0	0.00%	0	0.00%	\$0.00	0	0
La Palma	7	272,981	0	0	0	0.00%	939	0.34%	\$1.40	0	0
Placentia	19	545,794	0	0	3,523	0.65%	5,463	1.00%	\$0.69	(1,583)	16,355
Yorba Linda	54	1,441,451	0	0	138,454	9.61%	183,917	12.76%	\$0.66	(28,350)	(18,452)
North County Total	266	8,810,419	0	36,107	479,796	5.45%	661,674	7.51%	\$0.73	(113,279)	(68,239)
West County											
Cypress	44	2,724,528	0	0	150,441	5.52%	150,441	5.52%	\$0.92	7,075	26,466
Huntington Beach	84	1,912,133	0	0	67,458	3.53%	94,982	4.97%	\$0.91	(4,383)	(10,944)
Los Alamitos	30	651,480	0	0	14,500	2.23%	14,500	2.23%	\$1.50	11,926	(4,472)
West County Total	158	5,288,141	0	0	232,399	4.39%	259,923	4.92%	\$1.00	14,618	11,050
Central County											
Anaheim	74	1,967,569	0	0	70,098	3.56%	86,430	4.39%	\$0.83	46,373	18,633
Garden Grove	83	2,596,955	0	0	372,038	14.33%	372,038	14.33%	\$0.53	(46,971)	(40,235)
Orange	98	2,114,773	0	0	67,215	3.18%	67,215	3.18%	\$1.15	(13,457)	(22,224)
Santa Ana	48	1,321,610	0	0	20,491	1.55%	20,491	1.55%	\$1.75	8,649	16,525
Westminster	24	655,454	0	0	4,946	0.75%	4,946	0.75%	\$0.00	0	1,934
Central County Total	327	8,656,361	0	0	534,788	6.18%	551,120	6.37%	\$0.82	(5,406)	(25,367)
Airport Area											
Costa Mesa	153	3,674,862	0	0	297,012	8.08%	307,276	8.36%	\$1.04	(1,761)	(27,585)
Fountain Valley	47	1,359,166	0	49,186	36,826	2.71%	43,571	3.21%	\$0.00	29,870	10,142
Irvine	281	7,784,000	236,000	0	542,824	6.97%	709,980	9.12%	\$0.96	138,592	123,702
Newport Beach	23	777,826	0	0	19,550	2.51%	19,550	2.51%	\$0.00	4,847	2,891
Santa Ana	115	3,578,874	0	0	192,680	5.38%	203,586	5.69%	\$1.05	(76,563)	(66,674)
Tustin	90	3,092,223	0	0	34,568	1.12%	80,228	2.59%	\$1.18	9,294	66,510
Airport Area Total	709	20,266,951	236,000	49,186	1,123,460	5.54%	1,364,191	6.73%	\$1.00	104,279	108,986
South County											
Aliso Viejo	44	1,131,626	0	0	36,402	3.22%	64,038	5.66%	\$0.94	(3,719)	7,836
Foothill Ranch	6	135,698	0	0	0	0.00%	17,789	13.11%	\$0.99	0	0
Irvine Spectrum	259	10,195,542	59,230	0	623,074	6.11%	1,029,298	10.10%	\$1.25	200,055	309,318
Laguna Hills	51	1,098,607	0	0	72,679	6.62%	74,657	6.80%	\$1.25	(51,005)	(29,815)
Laguna Niguel	13	423,047	0	0	28,657	6.77%	29,449	6.96%	\$0.00	(6,460)	(7,598)
Lake Forest	58	1,493,584	0	0	46,991	3.15%	51,876	3.47%	\$1.02	10,614	24,568
Mission Viejo	30	587,528	0	0	33,036	5.62%	33,036	5.62%	\$0.00	16,819	8,866
Rancho Santa Margarita	53	1,831,385	0	0	27,851	1.52%	57,811	3.16%	\$1.35	9,493	48,313
San Clemente	46	1,024,056	54,989	226,000	199,753	19.51%	199,753	19.51%	\$0.93	(25,322)	(29,328)
San Juan Capistrano	37	539,079	0	0	6,747	1.25%	6,747	1.25%	\$1.15	(3,629)	(3,629)
South County Total	597	18,460,152	114,219	226,000	1,075,190	5.82%	1,564,454	8.47%	\$1.15	146,846	328,531
Orange County Total											
Orange County Total	2,057	61,482,024	350,219	311,293	3,445,633	5.60%	4,401,362	7.16%	\$1.03	147,058	354,961
North County											
10,000 to 24,999	157	2,494,458	0	36,107	114,538	4.59%	123,293	4.94%	\$0.89	(22,814)	1,007
25,000 to 49,999	73	2,505,224	0	0	150,338	6.00%	156,067	6.23%	\$0.67	(25,564)	(20,012)
50,000 to 99,999	25	1,693,290	0	0	142,152	8.40%	309,546	18.28%	\$0.00	(64,901)	(49,234)
100,000+	11	2,117,447	0	0	72,768	3.44%	72,768	3.44%	\$0.00	0	0
West County											
10,000 to 24,999	89	1,312,687	0	0	72,763	5.54%	84,394	6.43%	\$1.04	6,391	(11,749)
25,000 to 49,999	41	1,382,202	0	0	9,195	0.67%	25,088	1.82%	\$0.95	11,341	25,913
50,000 to 99,999	21	1,330,832	0	0	150,441	11.30%	150,441	11.30%	\$0.95	(3,114)	(3,114)
100,000+	7	1,262,420	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Central County											
10,000 to 24,999	226	3,587,868	0	0	152,268	4.24%	152,268	4.24%	\$0.99	(17,502)	(18,307)
25,000 to 49,999	75	2,462,682	0	0	119,427	4.85%	135,759	5.51%	\$0.72	2,083	(19,481)
50,000 to 99,999	16	1,081,511	0	0	43,088	3.98%	43,088	3.98%	\$0.00	10,314	9,786
100,000+	10	1,524,300	0	0	220,005	14.43%	220,005	14.43%	\$0.00	(301)	2,635
Airport Area											
10,000 to 24,999	467	7,521,183	0	49,186	440,970	5.86%	484,311	6.44%	\$1.14	20,168	2,728
25,000 to 49,999	165	5,590,716	0	0	258,769	4.63%	284,497	5.09%	\$1.09	122,788	59,940
50,000 to 99,999	55	3,702,021	0	0	217,575	5.88%	283,625	7.66%	\$1.04	27,625	86,060
100,000+	22	3,453,031	236,000	0	206,146	5.97%	311,758	9.03%	\$0.82	(66,302)	(39,742)
South County											
10,000 to 24,999	355	5,846,414	59,230	0	336,976	5.76%	444,943	7.61%	\$1.13	279	23,810
25,000 to 49,999	166	5,629,390	0	0	488,870	8.68%	631,681	11.22%	\$1.11	91,042	225,873
50,000 to 99,999	55	3,703,706	54,989	226,000	231,455	6.25%	299,932	8.10%	\$1.24	47,654	69,788
100,000+	21	3,280,642	0	0	17,889	0.55%	187,898	5.73%	\$1.04	7,871	9,060
Orange County											
10,000 to 24,999	1,294	20,762,610	59,230	85,293	1,117,515	5.38%	1,289,209	6.21%	\$1.07	(13,478)	(2,511)
25,000 to 49,999	520	17,570,214	0	0	1,026,599	5.84%	1,233,092	7.02%	\$1.00	201,690	272,233
50,000 to 99,999	172	11,511,360	54,989	226,000	784,711	6.82%	1,086,632	9.44%	\$1.14	17,578	113,286
100,000+	71	11,637,840	236,000	0	516,808	4.44%	792,429	6.81%	\$0.77	(58,732)	(28,047)
Orange County Total	2,057	61,482,024	350,219	311,293	3,445,633	5.60%	4,401,362	7.16%	\$1.03	147,058	354,961

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 2006



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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 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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