

# FLEX MARKET REPORT

SECOND  
QUARTER  
2007

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



## CONSTRUCTION



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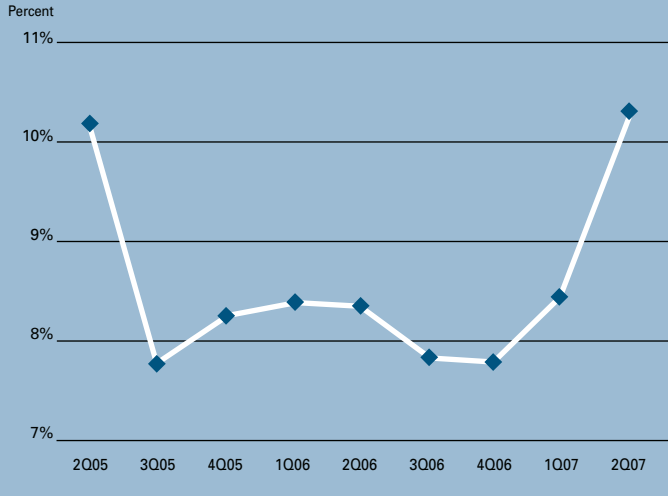
## MARKET HIGHLIGHTS

- ◆ The flex vacancy rate registered 10.34%, which is higher than it was a year ago when it was 8.38%. This increase is due to the 519,072 square feet of new flex buildings that have been delivered to the market in the last 12 months.
- ◆ The total amount of flex space available in Orange County, which includes both direct and sublease space, is higher than it was a year ago; 13.99% this quarter as compared to 12.43% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot for flex space in Orange County is currently at \$2.06 on a triple net basis, which is a 8.42% increase over last year's second quarter rate of \$1.90. This rate matches last quarter's new record high for lease rates in the flex market.
- ◆ Net absorption for the county this quarter posted a positive number of 19,121 square feet, giving the county a total of over two point five million square feet of positive absorption for the last fifteen quarters.
- ◆ Total space under construction checked in at 492,637 square feet for the second quarter of 2007, which is 146.77% increase over the amount that was under construction during the second quarter of 2006, when 199,637 square feet was under construction. Another sign of strength is the 347,051 square feet of new product that was delivered in the first half of this year.
- ◆ According to Chapman University, it is estimated that Orange County added 29,134 new payroll jobs in 2006. Furthermore, they are forecasting 18,000 new payroll jobs will be added to the county in 2007, and 17,000 more in 2008 as the Orange County economy continues to expand.
- ◆ Unemployment for the second quarter of 2007 in Orange County is 3.5%, which is the same as it was when compared to last quarter, and is 0.3% higher than it was a year ago.
- ◆ 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 5% to 10% in 2007.

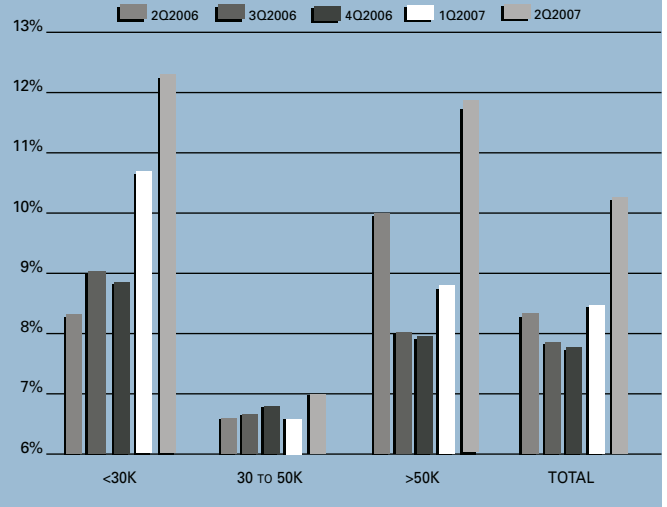
## FLEX MARKET STATISTICS

	2Q2007	1Q2007	2Q2006	% CHANGE VS. 2006
Under Construction	492,637	868,656	199,637	146.77%
Planned Construction	20,500	179,112	158,050	-87.03%
Vacancy	10.34%	8.51%	8.38%	23.39%
Availability	13.99%	13.45%	12.43%	12.55%
Pricing	\$2.06	\$2.06	\$1.90	8.42%
Net Absorption	19,121	-104,046	-85,819	N/A
Activity	605,421	448,512	429,935	40.82%

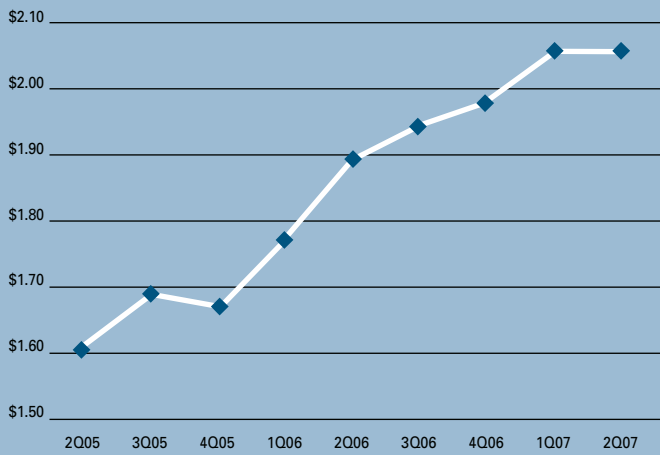
## VACANCY RATE



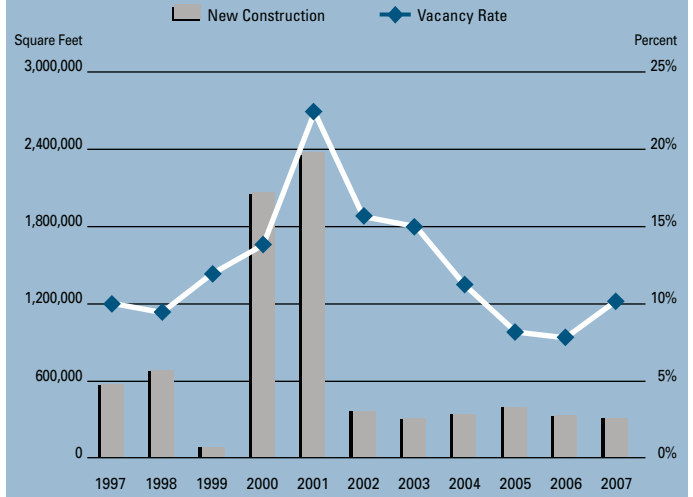
## FLEX VACANCY RATE



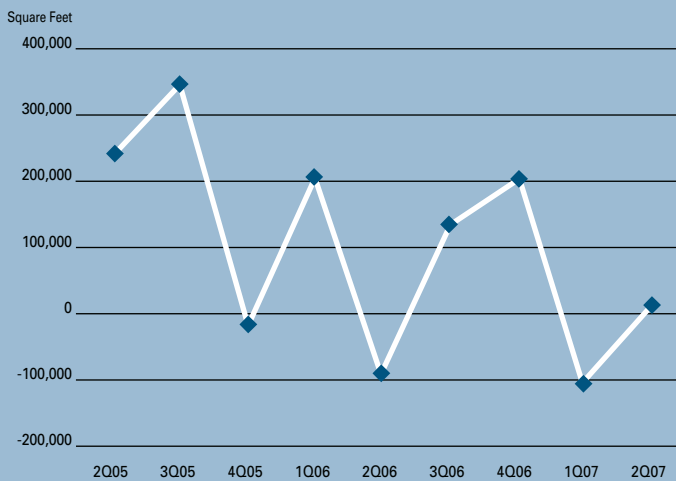
## AVERAGE ASKING TRIPLE NET LEASE RATE



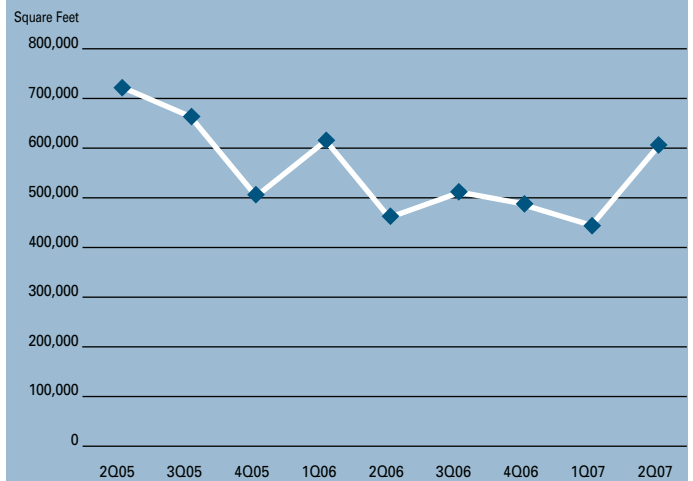
## ANNUAL FLEX NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



ORANGE COUNTY

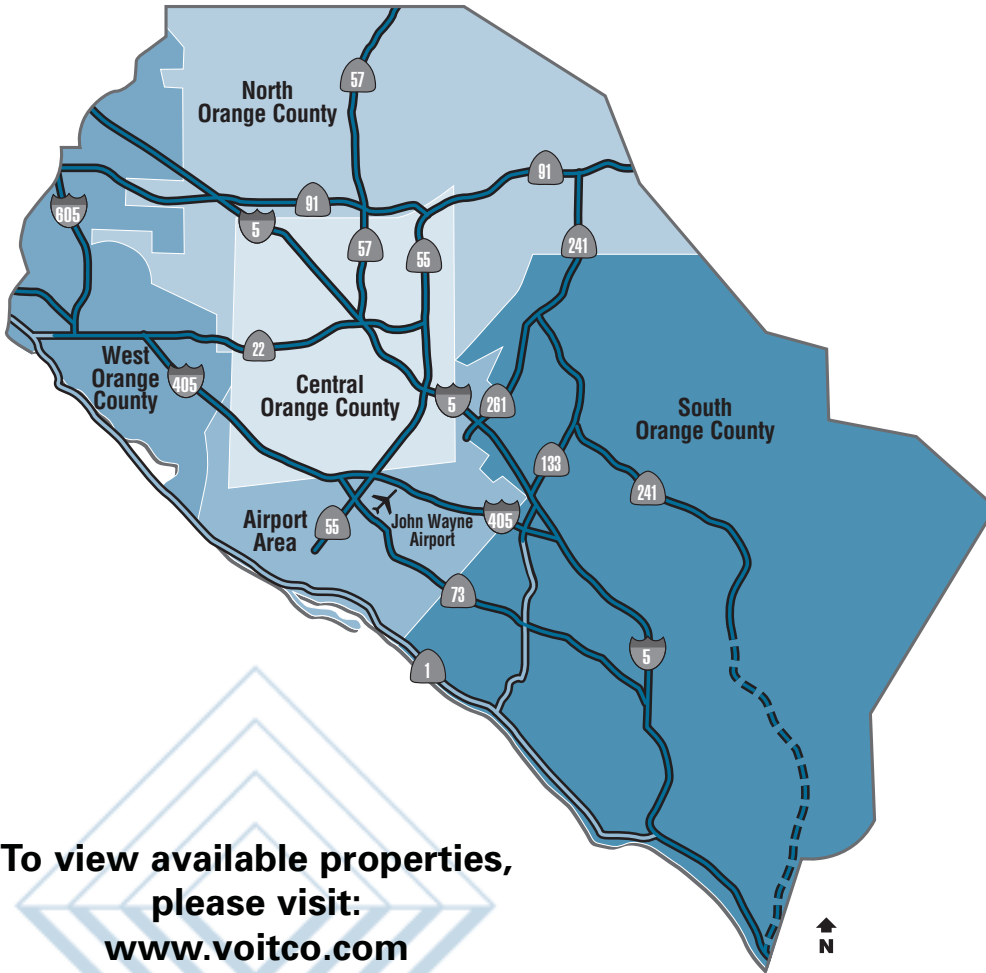
	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2007	Square Feet Available	Availability Rate 2Q2007	Average Asking Lease Rate	Net Absorption 2Q2007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
<b>North County</b>													
Anaheim Hills	13	218,969	0	0	3,964	1.81%	3,964	1.81%	\$0.00	4,317	3,317	(6,458)	4,803
Anaheim	7	158,680	0	0	16,594	10.46%	14,694	9.26%	\$0.00	(3,133)	(2,773)	(150)	14,251
Brea	15	456,680	0	0	40,022	8.76%	46,003	10.07%	\$0.00	(11,523)	(14,799)	13,981	(8,726)
Fullerton	9	109,882	20,000	0	8,440	0.00%	8,440	7.68%	\$0.00	0	0	3,600	100
Placentia	2	32,250	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Yorba Linda	1	10,560	0	0	4,953	46.90%	4,953	46.90%	\$0.00	0	0	(4,953)	0
<b>North County Total</b>	<b>47</b>	<b>987,021</b>	<b>20,000</b>	<b>0</b>	<b>73,973</b>	<b>7.49%</b>	<b>78,054</b>	<b>7.91%</b>	<b>\$0.00</b>	<b>(10,339)</b>	<b>(14,255)</b>	<b>6,020</b>	<b>10,428</b>
<b>West County</b>													
Cypress	8	324,081	0	0	2,200	0.68%	2,200	0.68%	\$1.40	10,731	28,946	31,270	38,313
Huntington Beach	3	48,796	0	0	7,997	16.38%	8,726	17.88%	\$0.00	715	(423)	(5,326)	10,985
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	\$0.00	0	0	842	(842)
<b>West County Total</b>	<b>15</b>	<b>415,882</b>	<b>0</b>	<b>0</b>	<b>10,197</b>	<b>2.45%</b>	<b>10,926</b>	<b>2.63%</b>	<b>\$1.40</b>	<b>11,446</b>	<b>28,523</b>	<b>26,786</b>	<b>48,456</b>
<b>Central County</b>													
Anaheim	9	240,958	0	0	4,783	1.98%	4,783	1.98%	\$0.00	0	0	(4,783)	7,164
Garden Grove	2	27,400	0	0	0	0.00%	0	0.00%	\$0.00	0	0	1,260	(1,260)
Orange	7	146,612	0	0	1,970	1.34%	6,044	4.12%	\$0.00	(1,120)	(1,970)	646	11,490
Santa Ana	11	170,782	0	0	17,508	10.25%	21,971	12.86%	\$0.00	(4,711)	7,940	0	10,011
Tustin	2	18,600	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>Central County Total</b>	<b>31</b>	<b>604,352</b>	<b>0</b>	<b>0</b>	<b>24,261</b>	<b>4.01%</b>	<b>32,798</b>	<b>5.43%</b>	<b>\$0.00</b>	<b>(5,831)</b>	<b>5,970</b>	<b>(2,877)</b>	<b>27,405</b>
<b>Airport Area</b>													
Costa Mesa	5	67,231	0	0	12,946	19.26%	11,862	17.64%	\$0.00	0	434	0	14,688
Irvine	29	3,118,699	4,960	0	209,990	6.73%	559,067	17.93%	\$2.18	15,920	(18,130)	81,464	184,544
Newport Beach	66	593,180	0	0	33,575	5.66%	34,317	5.79%	\$0.00	(1,200)	16,276	58,418	(42,173)
Santa Ana	10	410,862	0	0	52,762	12.84%	127,492	31.03%	\$1.94	3,361	(21,718)	13,998	21,748
Tustin	4	195,758	0	0	48,772	24.91%	48,772	24.91%	\$0.00	0	(72)	(48,700)	7,110
<b>Airport Area Total</b>	<b>114</b>	<b>4,385,730</b>	<b>4,960</b>	<b>0</b>	<b>358,045</b>	<b>8.16%</b>	<b>781,510</b>	<b>17.82%</b>	<b>\$2.14</b>	<b>18,081</b>	<b>(23,210)</b>	<b>105,180</b>	<b>185,917</b>
<b>South County</b>													
Aliso Viejo	42	1,304,764	0	0	104,096	7.98%	134,659	10.32%	\$1.99	(18,327)	(36,734)	(13,878)	12,375
Dana Point	4	58,840	0	0	612	1.04%	2,281	3.88%	\$2.50	0	0	2,738	0
Foothill Ranch	4	119,659	19,977	0	22,876	19.12%	22,876	19.12%	\$2.35	7,233	2,467	(2,800)	29,482
Irvine Spectrum	176	4,407,922	447,700	0	800,018	18.15%	829,707	18.82%	\$2.00	(77,319)	(173,099)	122,087	292,745
Laguna Beach	5	91,015	0	3,000	10,659	11.71%	8,859	9.73%	\$0.00	(2,700)	(807)	321	0
Laguna Hills	15	442,455	0	0	29,833	6.74%	60,239	13.61%	\$0.00	18,400	34,547	13,553	(42,124)
Laguna Niguel	4	98,481	0	0	0	0.00%	0	0.00%	\$0.00	989	989	0	6,000
Lake Forest	35	1,278,845	0	0	53,675	4.20%	59,306	4.64%	\$1.62	72,216	72,218	41,732	164,714
Mission Viejo	30	444,273	0	17,500	33,994	7.65%	49,186	11.07%	\$2.50	(3,933)	(19,476)	4,360	43,793
Rancho Santa Margarita	6	197,311	0	0	7,315	3.71%	23,079	11.70%	\$2.70	(1,788)	2,454	4,985	36,117
San Clemente	9	183,429	0	0	33,151	18.07%	42,561	23.20%	\$0.00	(18,443)	(10,303)	43,567	17,526
San Juan Capistrano	23	496,034	0	0	41,066	8.28%	34,987	7.05%	\$2.33	29,436	45,791	41,225	48,544
<b>South County Total</b>	<b>353</b>	<b>9,123,028</b>	<b>467,677</b>	<b>20,500</b>	<b>1,137,295</b>	<b>12.47%</b>	<b>1,267,740</b>	<b>13.90%</b>	<b>\$2.00</b>	<b>5,764</b>	<b>(81,953)</b>	<b>257,890</b>	<b>609,172</b>
<b>Orange County Total</b>	<b>560</b>	<b>15,516,013</b>	<b>492,637</b>	<b>20,500</b>	<b>1,603,771</b>	<b>10.34%</b>	<b>2,171,028</b>	<b>13.99%</b>	<b>\$2.06</b>	<b>19,121</b>	<b>(84,925)</b>	<b>392,999</b>	<b>881,378</b>

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
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<b>North County</b>													
0 to 29,999	37	543,379	20,000	0	41,843	7.70%	39,943	7.35%	\$0.00	818	(6,698)	8,265	4,166
30,000 to 49,999	8	320,642	0	0	30,462	9.50%	36,443	11.37%	\$0.00	(11,204)	(7,604)	(2,650)	2,016
50,000+	2	123,000	0	0	1,668	1.36%	1,668	1.36%	\$0.00	47	47	405	4,246
<b>West County</b>													
0 to 29,999	9	97,114	0	0	10,197	10.50%	10,926	11.25%	\$1.40	(1,485)	(2,623)	9,316	30,182
30,000 to 49,999	3	118,562	0	0	0	0.00%	0	0.00%	\$0.00	0	0	20,480	37,783
50,000+	3	200,206	0	0	0	0.00%	0	0.00%	\$0.00	12,931	31,146	(3,010)	(19,509)
<b>Central County</b>													
0 to 29,999	26	357,393	0	0	15,430	4.32%	15,430	4.32%	\$0.00	3,000	14,801	(3,523)	22,083
30,000 to 49,999	1	33,070	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	1,867
50,000+	4	213,889	0	0	8,831	4.13%	17,368	8.12%	\$0.00	(8,831)	(8,831)	646	3,455
<b>Airport Area</b>													
0 to 29,999	39	622,253	4,960	0	49,988	8.03%	74,490	11.97%	\$1.65	(3,205)	28,636	12,007	49,512
30,000 to 49,999	38	1,568,650	0	0	75,005	4.78%	183,411	11.69%	\$2.06	(2,249)	10,677	21,737	121,913
50,000+	37	2,194,827	0	0	233,052	10.62%	523,609	23.86%	\$2.19	23,535	(62,523)	71,436	14,492
<b>South County</b>													
0 to 29,999	217	2,793,294	467,677	20,500	427,756	15.31%	513,056	18.37%	\$2.05	151,455	127,606	289,255	316,781
30,000 to 49,999	84	3,320,537	0	0	270,453	8.14%	463,529	13.96%	\$1.97	23,755	(19,154)	107,191	69,718
50,000+	52	3,009,197	0	0	439,086	14.59%	291,155	9.68%	\$2.04	(169,446)	(190,405)	(138,556)	222,673
<b>Orange County Total</b>													
0 to 29,999	328	4,413,433	492,637	20,500	545,214	12.35%	653,845	14.81%	\$2.01	150,583	161,722	315,320	422,724
30,000 to 49,999	134	5,361,461	0	0	375,920	7.01%	683,383	12.75%	\$1.99	10,302	(16,081)	146,758	233,297
50,000+	98	5,741,119	0	0	682,637	11.89%	833,800	14.52%	\$2.14	(141,764)	(230,566)	(69,079)	225,357
<b>Orange County Total</b>	<b>560</b>	<b>15,516,013</b>	<b>492,637</b>	<b>20,500</b>	<b>1,603,771</b>	<b>10.34%</b>	<b>2,171,028</b>	<b>13.99%</b>	<b>\$2.06</b>	<b>19,121</b>	<b>(84,925)</b>	<b>392,999</b>	<b>881,378</b>

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

# FLEX MARKET REPORT

SECOND QUARTER 2007



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## 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

2020 Main St., Suite 100  
Irvine, CA 92614  
**TEL: 949.851.5100**  
**FAX: 949.261.9092**



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