



# Office Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



Absorption



Lease Rates



Construction



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## Office Market Highlights

- ◆ Portfolio sales of office buildings are becoming a trend this year. In the first quarter of this year Equity Office sold its entire portfolio of office buildings, at the time the largest portfolio in the United States, to The Blackstone Group. During the second quarter, The Blackstone group resold a small portion, 41 properties - 39 in Orange County and 2 in Los Angeles, to Maguire Properties for \$2.875 billion dollars (\$340.53 PSF).
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.76, which is an 11.74% increase over last year's second quarter rate of \$2.47. This is the fourteenth consecutive quarter of positive lease rate growth, which represents a new record high. Class A rates for the county are averaging \$2.96 FSG and are the highest in the Airport market, where class A rates are averaging \$3.17 FSG. This upward trend should continue through 2007.
- ◆ The office vacancy rate recorded a sub 10% level of 8.95% this quarter, constituting a 13.58% increase over last year's second quarter low rate of 7.88%. This sub 10% level is driving the construction activity and the upward pressure on the average asking lease rate.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, was at 13.20% this quarter, up from 11.39% in the second quarter of 2006, representing an increase of 15.89%. This increase was largely due to the amount of space that mortgage companies and mortgage related businesses put on the market recently, which continues to be absorbed.
- ◆ Net absorption for the county this quarter posted a negative number of 184,554 square feet for the second quarter of 2007, giving Orange County a total of 533,621 square feet of positive absorption for the first half of 2007.
- ◆ Gross absorption or activity was up this quarter by almost 30% when compared to the second quarter of 2006. This is a positive sign on the demand side.
- ◆ Total space under construction checked in at 3.5 million square feet for the second quarter of 2007, which is 9.62% lower than the amount that was under construction this same time last year. Almost half of the space currently under construction is either pre-leased or build to suit. During the first half of 2007, Orange County has added 1,875,590 square feet of new development, most of which was in the Airport and South County submarkets.
- ◆ 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.
- ◆ Lease rates are expected to continue to increase at moderate levels, and concessions should begin to increase in the short run in the form of limited free rent, as new inventory becomes available from construction deliveries. These conditions will put upward pressure on lease rates going forward. We should see annual lease rate growth of at least 7% to 10% continuing in 2007.

## OFFICE MARKET OVERVIEW

	2Q2007	1Q2006	2Q2006	% CHANGE VS. 2Q06
Under Construction	3,530,169	4,619,134	3,905,915	-9.62%
Planned Construction	4,229,652	3,556,506	4,075,202	3.79%
Vacancy	8.95%	8.47%	7.88%	13.58%
Availability	13.20%	12.35%	11.39%	15.89%
Pricing	\$2.76	\$2.63	\$2.47	11.74%
Absorption	-184,554	718,175	-68,726	N/A
Activity	3,358,381	3,451,303	2,590,257	29.65%

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RECENT TRANSACTIONS

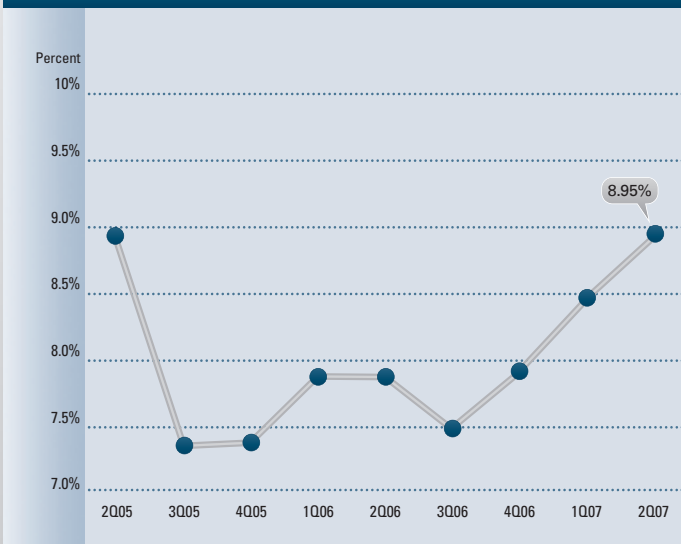
Sales Activity

Property Address	Submarket	Class	Square Feet	Sale Price	Buyer	Seller
3 Imperial Promenade, Santa Ana	Airport	A	246,763	\$83,000,000	Tishman Speyer	AEW Capital Management
333 City Blvd W, Orange	Central	A	409,412	N/A	Maguire Properties	The Blackstone Group
1100 Town & Country Road, Orange	Central	A	366,747	N/A	Maguire Properties	The Blackstone Group
1 City Blvd. W, Orange	Central	A	324,234	N/A	Maguire Properties	The Blackstone Group

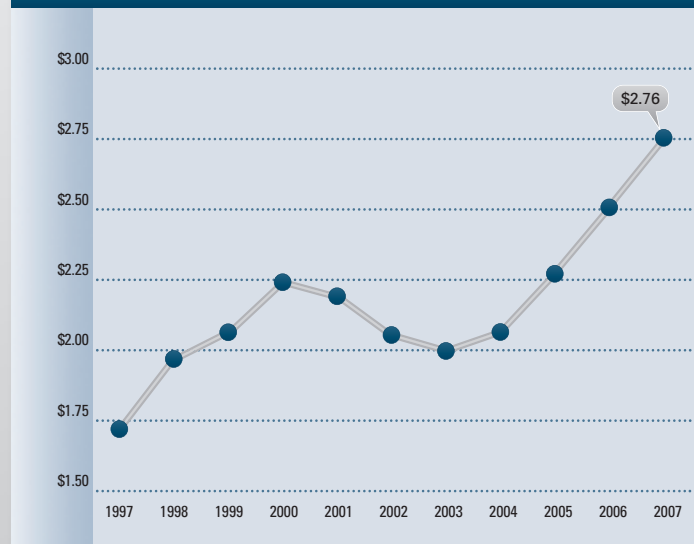
Lease Activity

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
2767 E Imperial Hwy, Brea	North	B	89,650	April-07	St. Jude's	AEW Capital Management
15440 Laguna Canyon Road, Irvine	South	B	62,814	April-07	Fluor Corp	The Irvine Company
15460 Laguna Canyon Road, Irvine	South	B	53,220	April-07	Fluor Corp	The Irvine Company
47 Discovery, Irvine	South	B	53,220	April-07	Fluor Corp	The Irvine Company

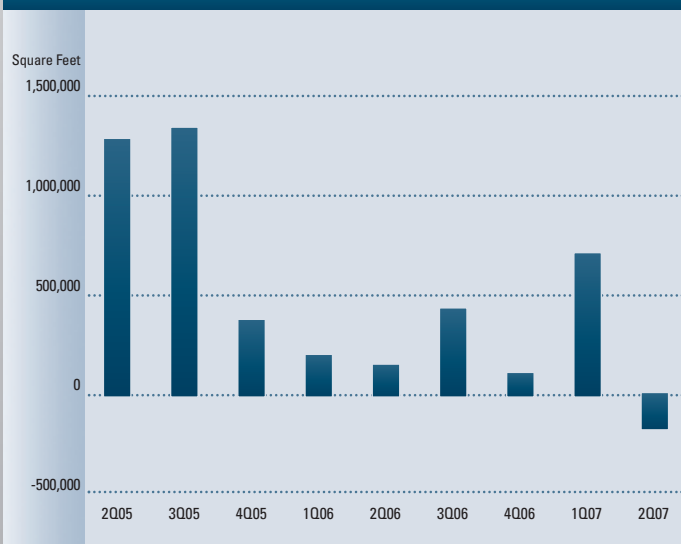
VACANCY RATE



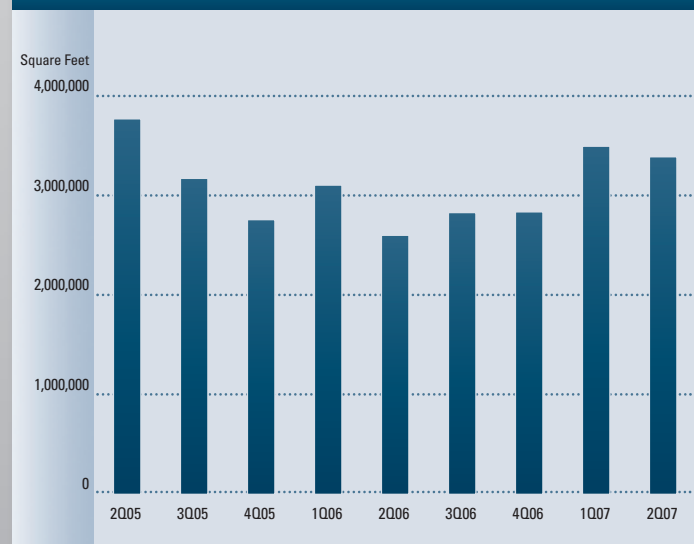
AVERAGE ASKING FULL SERVICE LEASE RATE



NET ABSORPTION



GROSS ABSORPTION



INVENTORY					VACANCY & LEASE RATES				ABSORPTION				
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 202007	Square Feet Available	Availability Rate 202007	Average Asking Lease Rate	Net Absorption 202007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
<b>North County</b>													
Anaheim Hills	12	739,491	0	62,500	30,776	4.16%	6,322	0.85%	\$1.87	(22,863)	(9,194)	3,541	(4,960)
Brea	42	3,324,707	82,250	120,000	283,912	8.54%	655,428	19.71%	\$2.67	4,386	(78,530)	128,295	55,533
Buena Park	10	619,061	0	0	40,066	6.47%	56,133	9.07%	\$1.89	19,033	24,702	(2,753)	60,223
Fullerton	28	1,958,719	81,634	0	50,759	2.59%	75,234	3.84%	\$2.47	(4,205)	(2,642)	(30,143)	7,653
La Habra	7	376,859	0	0	6,869	1.82%	6,869	1.82%	\$1.55	1,644	(378)	4,489	21,392
La Palma	8	592,841	0	0	17,909	3.02%	34,931	5.89%	\$2.16	(5,418)	2,403	6,815	7,937
Placentia	5	165,875	0	0	7,898	4.76%	12,227	7.37%	\$1.95	1,945	2,926	4,732	(10,228)
Yorba Linda	6	319,684	0	0	15,574	4.87%	21,845	6.83%	\$1.79	(5,690)	(7,311)	4,068	(2,908)
<b>North County Total</b>	<b>118</b>	<b>8,097,237</b>	<b>163,884</b>	<b>182,500</b>	<b>453,763</b>	<b>5.60%</b>	<b>868,989</b>	<b>10.73%</b>	<b>\$2.53</b>	<b>(11,168)</b>	<b>(68,024)</b>	<b>119,044</b>	<b>134,642</b>
<b>West County</b>													
Cypress	28	2,057,476	0	0	252,887	12.29%	286,460	13.92%	\$2.17	(29,962)	(130,799)	66,946	176,874
Fountain Valley	34	1,694,508	0	0	201,630	11.90%	229,898	13.57%	\$2.45	(14,749)	(22,168)	(76,147)	83,818
Garden Grove	21	938,018	0	45,000	38,524	4.11%	61,615	6.57%	\$1.84	(835)	3,221	(10,187)	63,100
Huntington Beach	42	2,341,994	40,000	0	148,434	6.34%	206,476	8.82%	\$2.42	(12,845)	25,763	(8,858)	105,552
Los Alamitos	11	572,878	0	0	10,315	1.80%	10,965	1.91%	\$1.85	11,572	7,231	(17,546)	19,217
Seal Beach	6	454,416	0	0	22,951	5.05%	42,591	9.37%	\$3.07	(9,846)	(14,872)	5,276	24,082
Stanton	2	85,917	0	0	7,723	8.99%	7,723	8.99%	\$0.00	2,048	(2,570)	(1,552)	14,852
Westminster	13	587,051	0	0	20,598	3.51%	65,942	11.23%	\$2.12	37,225	31,720	(27,640)	(10,926)
<b>West County Total</b>	<b>157</b>	<b>8,732,258</b>	<b>40,000</b>	<b>45,000</b>	<b>703,062</b>	<b>8.05%</b>	<b>911,670</b>	<b>10.44%</b>	<b>\$2.29</b>	<b>(17,392)</b>	<b>(102,474)</b>	<b>(69,708)</b>	<b>476,569</b>
<b>Central County</b>													
Anaheim	89	6,237,500	0	1,038,607	462,403	7.41%	661,735	10.61%	\$2.43	234,545	160,040	(231,219)	116,941
Orange	74	6,636,213	0	65,000	400,735	6.04%	1,043,831	15.73%	\$2.78	(29,070)	(39,322)	6,986	191,690
Santa Ana	176	12,450,999	0	785,320	998,269	8.02%	1,186,963	9.53%	\$2.39	(130,574)	(147,916)	89,187	565,439
Tustin	40	1,694,742	0	0	222,698	13.14%	350,658	20.69%	\$2.25	144,010	188,149	(63,502)	(38,960)
<b>Central County Total</b>	<b>379</b>	<b>27,019,454</b>	<b>0</b>	<b>1,888,927</b>	<b>2,084,105</b>	<b>7.71%</b>	<b>3,243,187</b>	<b>12.00%</b>	<b>\$2.56</b>	<b>218,911</b>	<b>160,951</b>	<b>(198,548)</b>	<b>835,110</b>
<b>Airport Area</b>													
Corona Del Mar	2	86,378	0	0	0	0.00%	0	0.00%	\$0.00	3,854	3,854	(3,854)	12,200
Costa Mesa	72	6,740,837	0	531,510	744,749	11.05%	1,233,562	18.30%	\$2.70	(188,122)	(83,354)	85,038	362,251
Irvine	268	23,307,094	2,223,938	686,016	2,536,018	10.88%	3,772,346	16.19%	\$2.94	-93,994	775,635	-14,547	953,637
Newport Beach	129	9,601,788	40,000	0	510,864	5.32%	1,151,690	11.99%	\$3.33	65,256	79,407	383,273	76,855
<b>Airport Area Total</b>	<b>471</b>	<b>39,736,097</b>	<b>2,263,938</b>	<b>1,217,526</b>	<b>3,791,631</b>	<b>9.54%</b>	<b>6,157,598</b>	<b>15.50%</b>	<b>\$2.99</b>	<b>(213,006)</b>	<b>775,542</b>	<b>449,910</b>	<b>1,404,943</b>
<b>South County</b>													
Aliso Viejo	45	3,092,041	267,500	730,000	376,748	12.18%	376,768	12.19%	\$3.12	63,918	(10,814)	(27,873)	113,223
Dana Point	3	135,296	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	(5,000)
Foothill Ranch	11	813,550	0	0	115,256	14.17%	223,768	27.51%	\$2.78	(17,572)	(9,742)	(59,085)	108,744
Irvine Spectrum	107	7,019,241	737,847	125,700	1,194,289	17.01%	1,129,458	16.09%	\$3.16	(498,692)	(535,474)	121,532	192,028
Laguna Beach	5	193,268	0	0	0	0.00%	0	0.00%	\$0.00	4,016	3,012	5,141	(8,153)
Laguna Hills	36	1,901,575	0	0	97,580	5.13%	169,945	8.94%	\$2.57	10,585	(9,532)	16,641	90,742
Laguna Niguel	10	664,413	0	0	42,733	6.43%	52,491	7.90%	\$3.00	(9,956)	984	(8,318)	9,021
Lake Forest	42	2,123,398	0	0	128,453	6.05%	159,168	7.50%	\$2.20	56,449	84,555	(19)	200,861
Mission Viejo	40	2,095,843	0	40,000	141,994	6.78%	194,093	9.26%	\$2.57	162,524	187,866	18,618	60,592
Rancho Santa Margarita	6	219,030	57,000	0	5,536	2.53%	23,329	10.65%	\$2.46	(1,788)	1,343	9,713	28,229
San Clemente	10	388,843	0	0	9,849	2.53%	7,782	2.00%	\$2.46	3,040	6,390	14,773	9,919
San Juan Capistrano	16	790,283	0	0	77,983	9.87%	82,062	10.38%	\$2.50	65,577	49,038	162,854	40,621
<b>South County Total</b>	<b>331</b>	<b>19,436,781</b>	<b>1,062,347</b>	<b>895,700</b>	<b>2,190,421</b>	<b>11.27%</b>	<b>2,418,864</b>	<b>12.44%</b>	<b>\$2.83</b>	<b>(161,899)</b>	<b>(232,374)</b>	<b>253,977</b>	<b>840,827</b>
<b>Orange County Total</b>	<b>1,456</b>	<b>103,021,827</b>	<b>3,530,169</b>	<b>4,229,653</b>	<b>9,222,982</b>	<b>8.95%</b>	<b>13,600,308</b>	<b>13.20%</b>	<b>\$2.76</b>	<b>(184,554)</b>	<b>533,621</b>	<b>554,675</b>	<b>3,692,091</b>

INVENTORY					VACANCY & LEASE RATES				ABSORPTION				
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 202007	Square Feet Available	Availability Rate 202007	Average Asking Lease Rate	Net Absorption 202007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
<b>North County</b>													
Class A	23	2,508,741	0	182,500	117,464	4.68%	355,734	14.18%	\$2.88	(23,106)	(55,295)	204,718	148,340
Class B	84	5,134,669	163,884	0	328,989	6.41%	505,278	9.84%	\$2.33	14,669	(16,875)	(78,797)	(13,381)
Class C	11	453,827	0	0	7,310	1.61%	7,977	1.76%	\$1.22	(2,731)	4,146	(6,877)	(317)
<b>West County</b>													
Class A	28	2,813,485	0	45,000	175,004	6.22%	301,683	10.72%	\$2.52	796	12,940	(5,968)	291,803
Class B	102	4,710,982	40,000	0	520,926	11.06%	601,355	12.76%	\$2.03	(14,156)	(119,582)	48,517	166,949
Class C	27	1,207,791	0	0	7,132	0.59%	8,632	0.71%	\$1.42	(4,032)	4,168	(112,257)	17,817
<b>Central County</b>													
Class A	75	11,680,147	0	1,793,927	958,868	8.21%	1,715,637	14.69%	\$2.76	119,886	79,439	(273,846)	653,691
Class B	231	12,318,617	0	95,000	952,809	7.73%	1,348,098	10.94%	\$2.15	80,848	104,014	81,279	145,258
Class C	73	3,020,690	0	0	172,428	5.71%	179,452	5.94%	\$1.74	18,177	(22,502)	(5,981)	36,161
<b>Airport Area</b>													
Class A	128	21,688,516	1,738,727	981,510	2,377,478	10.96%	3,869,768	17.84%	\$3.17	(73,320)	140,623	(200,180)	653,325
Class B	310	16,478,330	525,211	236,016	1,344,899	8.16%	2,178,520	13.22%	\$2.51	(116,808)	588,064	651,062	718,678
Class C	33	1,569,251	0	0	69,254	4.41%	109,310	6.97%	\$1.85	(22,878)	46,855	(972)	32,940
<b>South County</b>													
Class A	97	8,286,434	973,847	730,000	913,457	11.02%	1,304,482	15.74%	\$2.93	59,852	107,538	10,105	553,016
Class B	224	10,807,913	88,500	165,700	1,270,861	11.76%	1,105,811	10.23%	\$2.45	(226,945)	(340,676)	238,757	287,482
Class C	10	342,434	0	0	6,103	1.78%	8,571	2.50%	\$1.88	5,194	764	5,115	329
<b>Orange County</b>													
Class A	351	46,977,323	2,712,574	3,732,937	4,542,271	9.67%	7,547,304	16.07%	\$2.96	84,108	285,245	(265,171)	2,300,175
Class B	951	49,450,511	817,595	496,716	4,418,484	8.94%	5,739,062	11.61%	\$2.33	(262,392)	214,945	940,818	1,304,986
Class C	154	6,593,993	0	0	262,227	3.98%	313,942	4.76%	\$1.73	(6,270)	33,431	(120,972)	86,930
<b>Orange County Total</b>	<b>1,456</b>	<b>103,021,827</b>	<b>3,530,169</b>	<b>4,229,653</b>	<b>9,222,982</b>	<b>8.95%</b>	<b>13,600,308</b>	<b>13.20%</b>	<b>\$2.76</b>	<b>(184,554)</b>	<b>533,621</b>	<b>554,675</b>	<b>3,692,091</b>

This survey consists of properties 25,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross basis.

CONSTRUCTION UPDATE

Under Construction

Property Address	Submarket	Class	Square Feet	# of Floors	Estimate Delivery	Recorded Owner
3161 Michelson Drive, Irvine	Airport	A	530,380	20	August-07	Maguire Properties
2050 Main Street, Irvine	Airport	A	314,074	13	October-07	Opus
20 Pacifica, Irvine Spectrum	South	A	312,184	14	October-07	The Irvine Company
18100 Von Karman Ave., Irvine	Airport	A	236,273	10	July-07	The Irvine Company

Recent Deliveries

Property Address	Submarket	Class	Square Feet	# of Floors	Date Delivered	Recorded Owner
2211 Michelson Ave, Irvine	Airport	A	266,603	12	May-07	Hines / Crescent RE Equities
111 Peters Canyon Road, Irvine	Airport	B	236,000	2	January-07	Kia Motors, Inc
30 Enterprise, Aliso Viejo	South	A	140,000	4	May-07	Parker / CIGNA LLC
5270 California Ave, Irvine	Airport	B	101,964	3	March-07	The Irvine Company

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.

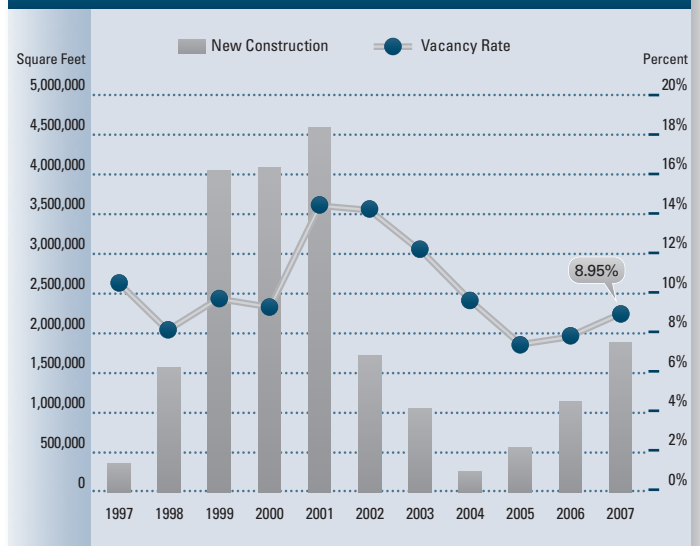
CLASS B

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.

ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



For further information, please contact:

ANAHEIM METRO OFFICE

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Orange, CA 92868-1642

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FAX: 714.978.9431

CHULA VISTA OFFICE

660 Bay Blvd., Suite 210  
Chula Vista, CA 91910

TEL: 619.498.4560  
FAX: 619.498.4567

IRVINE OFFICE

2020 Main St., Suite 100  
Irvine, CA 92614

TEL: 949.851.5100  
FAX: 949.261.9092

LAS VEGAS OFFICE

10100 W. Charleston Blvd.,  
Suite 200  
Las Vegas, NV 89135

TEL: 702.734.4500  
FAX: 702.733.7690

SAN DIEGO OFFICE

4370 La Jolla Village Dr.,  
Suite 990  
San Diego, CA 92122-1233

TEL: 858.453.0505  
FAX: 858.453.1981

To view available properties, please visit:

[www.voidco.com](http://www.voidco.com)



Real People. Real Solutions.

This survey consists of properties 25,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross 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.