

# R & D MARKET REPORT

SECOND  
QUARTER  
2007

Compared to  
last quarter:

## VACANCY

DOWN

RECORD  
LOW

RECORD  
LOW

## ABSORPTION

UP

## LEASE RATES

UP

## CONSTRUCTION

DOWN

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## MARKET HIGHLIGHTS

- ◆ The R&D vacancy rate checked in at a low 4.52%, which is lower than it was a year ago when it was 5.60% and a new record low. This lack of supply is creating a lot of constrained demand for R&D space in Orange County and continues to put upward pressure on lease rates.
- ◆ 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; 6.27% this quarter as compared to 7.16% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.22, which is 18.45% higher than it was this time last year.
- ◆ Net absorption for the R&D market this quarter posted a positive number of 406,927 square feet, giving the R&D Market in Orange County a total of over 4 million square feet of positive absorption for the last three years.
- ◆ Total space under construction is 46,107 square feet for the second quarter of 2007, which is 86.83% less than the amount that was under construction in the second quarter of 2006. During the first half of 2007, 95,937 square feet of new R&D buildings have been delivered to the market.
- ◆ 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.

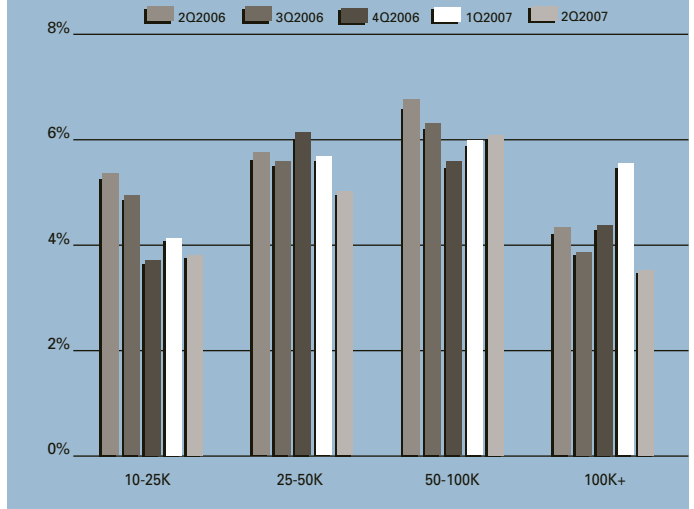
### R&D MARKET STATISTICS

	2Q2007	1Q2007	2Q2006	% CHANGE VS. 2006
Under Construction	46,107	86,708	350,219	-86.83%
Planned Construction	226,000	372,380	311,293	-27.40%
Vacancy	4.52%	5.23%	5.60%	-19.29%
Availability	6.27%	6.29%	7.16%	-12.43%
Pricing	\$1.22	\$1.18	\$1.03	18.45%
Net Absorption	406,927	-162,469	147,058	176.71%
Activity	1,363,024	1,317,755	1,373,380	-0.75%

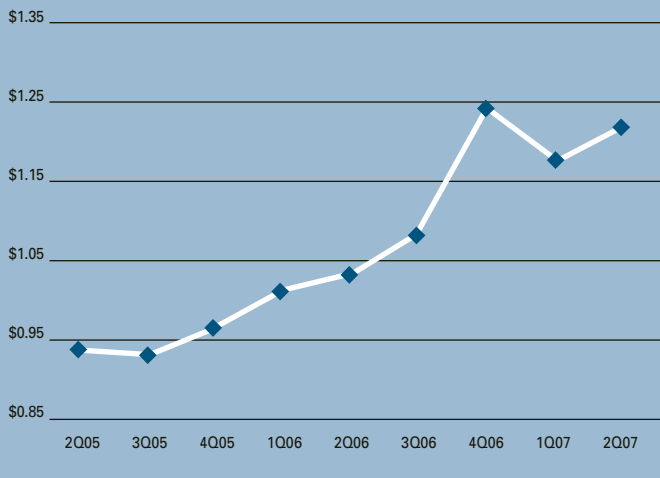
## VACANCY RATE



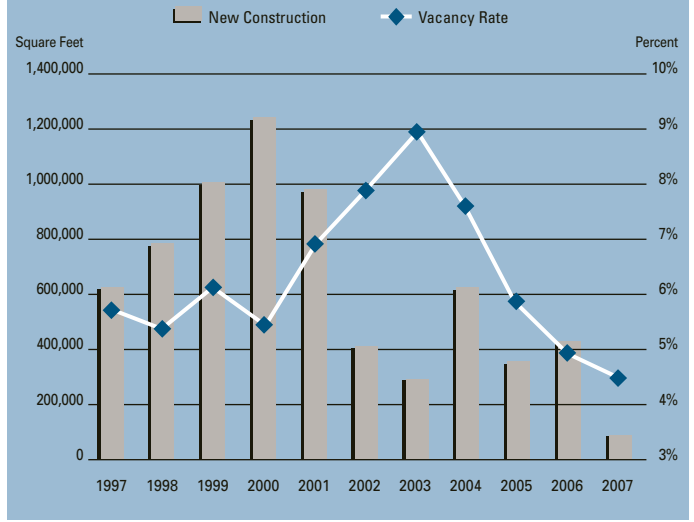
## R&D VACANCY RATE



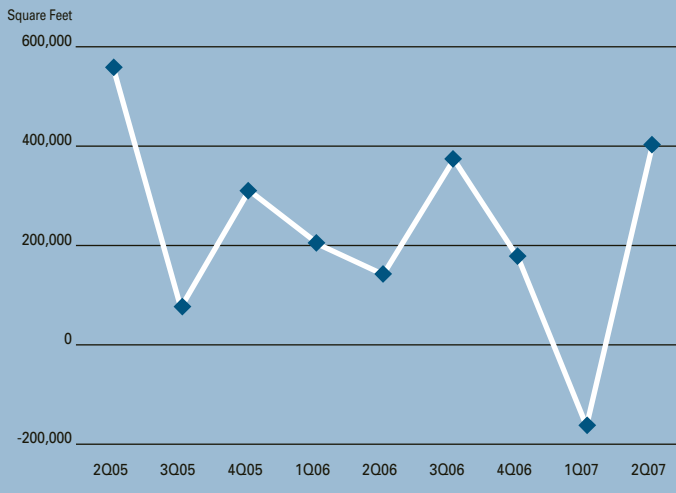
## AVERAGE ASKING TRIPLE NET LEASE RATE



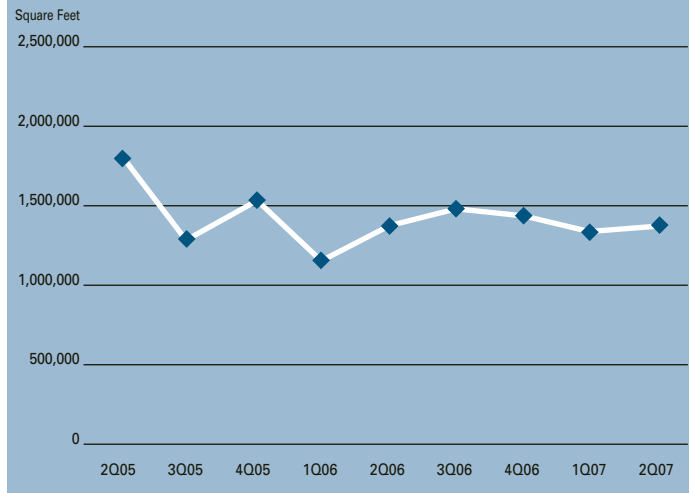
## ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



ORANGE COUNTY

INVENTORY

VACANCY & LEASE RATES

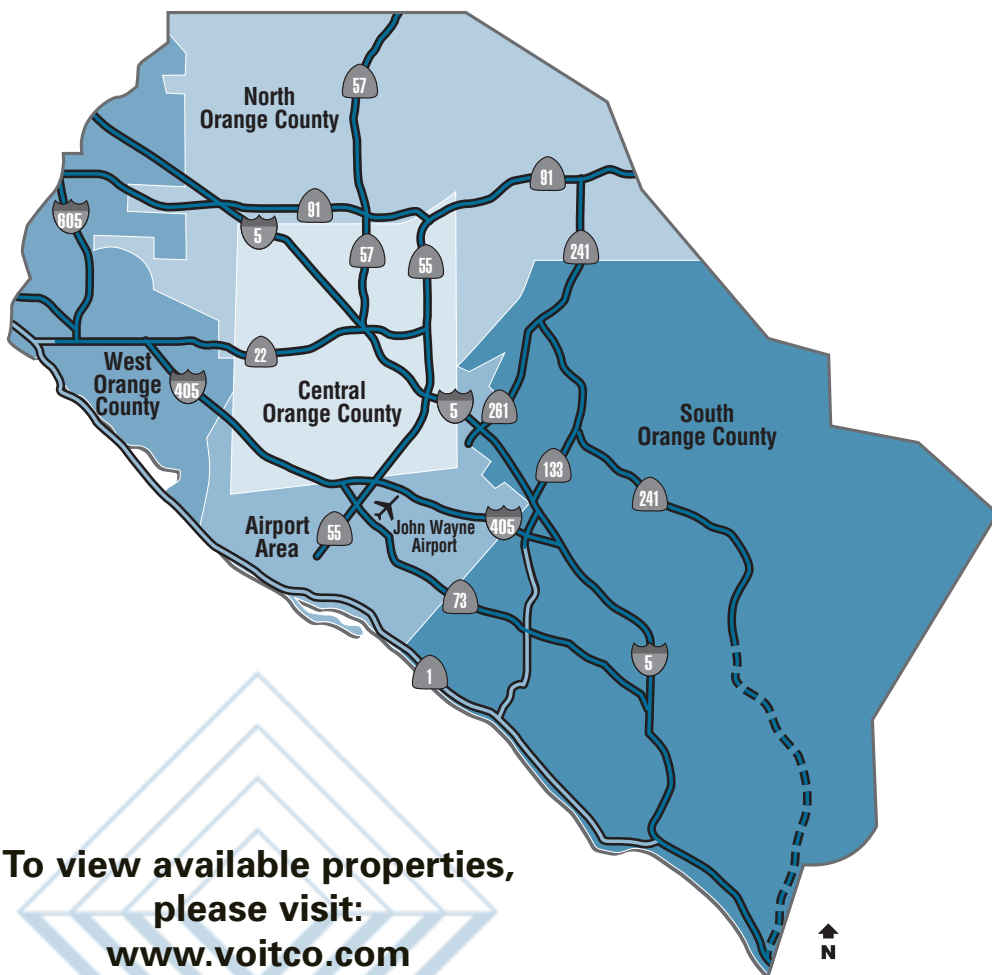
ABSORPTION

	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
<b>North County</b>											
Anaheim Hills	7	293,786	0	0	13,982	4.76%	13,982	4.76%	\$0.00	(1,309)	1,878
Anaheim	75	2,524,003	0	0	180,735	7.16%	188,136	7.45%	\$0.75	(27,093)	(107,828)
Brea	42	1,685,835	36,107	0	27,065	1.61%	61,065	3.62%	\$0.85	15,360	16,380
Buena Park	24	950,026	0	0	67,572	7.11%	70,427	7.41%	\$0.80	(17,840)	(16,554)
Fullerton	37	985,066	0	0	14,634	1.49%	22,424	2.28%	\$0.00	13,461	11,124
La Habra	5	83,589	0	0	1,596	1.91%	1,596	1.91%	\$0.00	(1,596)	(1,596)
La Palma	7	272,981	0	0	37,904	13.89%	37,904	13.89%	\$1.40	(37,904)	(37,904)
Placentia	18	506,794	0	0	9,030	1.78%	27,063	5.34%	\$0.00	(4,515)	(3,125)
Yorba Linda	52	1,387,277	0	0	66,343	4.78%	108,917	7.85%	\$0.85	46,561	31,312
<b>North County Total</b>	<b>267</b>	<b>8,689,357</b>	<b>36,107</b>	<b>0</b>	<b>418,861</b>	<b>4.82%</b>	<b>531,514</b>	<b>6.12%</b>	<b>\$0.84</b>	<b>(14,875)</b>	<b>(106,313)</b>
<b>West County</b>											
Cypress	42	2,639,437	0	0	51,785	1.96%	335,440	12.71%	\$1.00	2,360	31,077
Huntington Beach	116	2,476,242	0	0	22,198	0.90%	56,264	2.27%	\$0.83	3,464	62,608
Los Alamitos	31	662,468	0	0	8,660	1.31%	10,184	1.54%	\$1.35	(1,560)	860
<b>West County Total</b>	<b>189</b>	<b>5,778,147</b>	<b>0</b>	<b>0</b>	<b>82,643</b>	<b>1.43%</b>	<b>401,888</b>	<b>6.96%</b>	<b>\$0.99</b>	<b>4,264</b>	<b>94,545</b>
<b>Central County</b>											
Anaheim	77	1,969,635	0	0	70,614	3.59%	127,635	6.48%	\$1.30	37,346	21,790
Garden Grove	85	2,625,956	0	0	70,398	2.68%	303,688	11.56%	\$1.05	275,158	266,744
Orange	96	2,057,308	0	0	37,774	1.84%	41,888	2.04%	\$0.95	(269)	(5,362)
Santa Ana	60	1,436,521	0	0	36,587	2.55%	32,232	2.24%	\$1.09	(17,178)	(28,267)
Westminster	25	832,100	0	0	3,034	0.36%	5,134	0.62%	\$0.00	2,381	17,541
<b>Central County Total</b>	<b>343</b>	<b>8,921,520</b>	<b>0</b>	<b>0</b>	<b>218,407</b>	<b>2.45%</b>	<b>510,577</b>	<b>5.72%</b>	<b>\$1.04</b>	<b>297,438</b>	<b>272,446</b>
<b>Airport Area</b>											
Costa Mesa	175	4,037,656	0	0	173,216	4.29%	137,295	3.40%	\$1.29	13,077	74,485
Fountain Valley	50	1,409,396	0	0	25,373	1.80%	13,536	0.96%	\$0.95	14,808	35,025
Irvine	289	7,739,337	0	0	301,890	3.90%	476,151	6.15%	\$1.49	95,644	118,540
Newport Beach	23	764,024	0	0	21,985	2.88%	25,957	3.40%	\$1.25	(5,728)	(423)
Santa Ana	133	4,493,620	0	0	380,031	8.46%	375,358	8.35%	\$0.83	(99,366)	(145,227)
Tustin	89	2,984,492	0	0	184,024	6.17%	196,554	6.59%	\$1.34	4,362	(60,903)
<b>Airport Area Total</b>	<b>759</b>	<b>21,428,525</b>	<b>0</b>	<b>0</b>	<b>1,086,519</b>	<b>5.07%</b>	<b>1,224,851</b>	<b>5.72%</b>	<b>\$1.32</b>	<b>22,797</b>	<b>21,407</b>
<b>South County</b>											
Aliso Viejo	44	1,105,834	0	0	19,343	1.75%	39,949	3.61%	\$0.99	4,246	2,190
Foothill Ranch	6	135,698	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Irvine Spectrum	273	10,431,138	10,000	0	808,373	7.75%	1,025,440	9.83%	\$1.26	26,303	(39,445)
Laguna Hills	53	1,134,942	0	0	49,855	4.39%	52,289	4.61%	\$1.37	(1,027)	(9,681)
Laguna Niguel	13	423,047	0	0	8,794	2.08%	8,794	2.08%	\$0.00	15,872	17,031
Lake Forest	65	1,679,969	0	0	69,433	4.13%	80,602	4.80%	\$1.11	24,999	5,919
Mission Viejo	32	622,784	0	0	17,199	2.76%	27,375	4.40%	\$0.00	10,296	7,804
Rancho Santa Margarita	48	1,700,901	0	0	31,679	1.86%	9,309	0.55%	\$0.00	1,738	(14,625)
San Clemente	46	1,049,252	0	226,000	49,735	4.74%	66,520	6.34%	\$1.26	19,411	11,123
San Juan Capistrano	40	574,236	0	0	17,894	3.12%	10,826	1.89%	\$0.00	(4,535)	(5,255)
<b>South County Total</b>	<b>620</b>	<b>18,857,801</b>	<b>10,000</b>	<b>226,000</b>	<b>1,072,305</b>	<b>5.69%</b>	<b>1,321,104</b>	<b>7.01%</b>	<b>\$1.23</b>	<b>97,303</b>	<b>(24,939)</b>
<b>Orange County Total</b>											
<b>Orange County Total</b>	<b>2,178</b>	<b>63,675,350</b>	<b>46,107</b>	<b>226,000</b>	<b>2,878,735</b>	<b>4.52%</b>	<b>3,989,934</b>	<b>6.27%</b>	<b>\$1.22</b>	<b>406,927</b>	<b>257,146</b>
<b>North County</b>											
10,000 to 24,999	156	2,448,203	36,107	0	88,161	3.60%	81,791	3.34%	\$0.89	(2,582)	16,649
25,000 to 49,999	75	2,540,799	0	0	124,052	4.88%	229,917	9.05%	\$0.81	29,084	12,911
50,000 to 99,999	25	1,694,896	0	0	206,648	12.19%	206,648	12.19%	\$0.00	(41,377)	(135,873)
100,000+	11	2,005,459	0	0	0	0.00%	13,158	0.66%	\$0.00	0	0
<b>West County</b>											
10,000 to 24,999	119	1,773,625	0	0	26,138	1.47%	49,935	2.82%	\$0.98	(757)	34,026
25,000 to 49,999	42	1,411,207	0	0	31,278	2.22%	43,071	3.05%	\$1.50	2,661	28,159
50,000 to 99,999	21	1,330,895	0	0	25,227	1.90%	68,950	5.18%	\$0.95	2,360	32,360
100,000+	7	1,262,420	0	0	0	0.00%	239,932	19.01%	\$0.00	0	0
<b>Central County</b>											
10,000 to 24,999	240	3,810,983	0	0	101,762	2.67%	134,228	3.52%	\$1.04	36,904	2,544
25,000 to 49,999	77	2,525,930	0	0	73,996	2.93%	180,891	7.16%	\$1.09	109,566	104,365
50,000 to 99,999	17	1,165,500	0	0	2,400	0.21%	156,444	13.42%	\$0.00	2,160	(120)
100,000+	9	1,419,107	0	0	40,249	2.84%	39,014	2.75%	\$0.00	148,808	165,657
<b>Airport Area</b>											
10,000 to 24,999	511	8,192,465	0	0	317,310	3.87%	379,365	4.63%	\$1.18	(7,478)	(27,926)
25,000 to 49,999	170	5,733,026	0	0	271,044	4.73%	304,184	5.31%	\$1.10	(23,645)	(19,548)
50,000 to 99,999	55	3,706,197	0	0	330,937	8.93%	374,074	10.09%	\$1.52	(20,900)	(55,624)
100,000+	23	3,796,837	0	0	167,228	4.40%	167,228	4.40%	\$0.00	74,820	124,505
<b>South County</b>											
10,000 to 24,999	377	6,216,643	10,000	0	321,247	5.17%	369,639	5.95%	\$1.25	16,507	(63,864)
25,000 to 49,999	167	5,689,203	0	0	393,098	6.91%	522,640	9.19%	\$1.23	35,952	58,116
50,000 to 99,999	55	3,676,407	0	226,000	143,306	3.90%	245,540	6.68%	\$1.21	55,402	140,794
100,000+	21	3,275,548	0	0	214,654	6.55%	183,285	5.60%	\$0.00	(10,558)	(159,985)
<b>Orange County</b>											
10,000 to 24,999	1,403	22,441,919	46,107	0	854,618	3.81%	1,014,958	4.52%	\$1.17	42,594	(38,571)
25,000 to 49,999	531	17,900,165	0	0	893,468	4.99%	1,280,703	7.15%	\$1.13	153,618	184,003
50,000 to 99,999	173	11,573,895	0	226,000	708,518	6.12%	1,051,656	9.09%	\$1.38	(2,355)	(18,463)
100,000+	71	11,759,371	0	0	422,131	3.59%	642,617	5.46%	\$0.00	213,070	130,177
<b>Orange County Total</b>	<b>2,178</b>	<b>63,675,350</b>	<b>46,107</b>	<b>226,000</b>	<b>2,878,735</b>	<b>4.52%</b>	<b>3,989,934</b>	<b>6.27%</b>	<b>\$1.22</b>	<b>406,927</b>	<b>257,146</b>

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 2007



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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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**FAX: 949.261.9092**



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This survey consists of properties 10,000 square feet and larger 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.