



Flex Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



Absorption



Lease Rates

DOWN

Construction

DOWN

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Market Highlights

- ◆ The Orange County flex market is undergoing changes due to reaction to the mortgage/housing industry, the completion of new supply and the general slow down of the US economic environment. However, the region's strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the flex market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The flex vacancy rate registered 14.45%, which is higher than it was a year ago when it was 10.74%. This increase is due to the new flex buildings that have been delivered to the market in the last 12 months, coupled with the slowing US economy.
- ◆ 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, 21.5% this quarter as compared to 13.99% this quarter last year.
- ◆ The average asking Full Service Gross lease rate per month per foot for flex space in Orange County is currently at \$2.52, which is a 4.55% decrease over last year's second quarter rate of \$2.64.
- ◆ Net absorption for the county this quarter posted at negative 3,605 square feet, giving the county a total of 142,649 square feet of negative absorption for the first half of 2008.
- ◆ The level of activity registered 499,613 square feet for the second quarter of 2008. This is down from 655,366 square feet when compared to the same quarter last year. This drop in activity is mostly a result of hesitancy in the marketplace from the continuous stream of negative news in a wide area of topics, most notably the credit crunch. However, the credit crunch has not directly impacted tenants or buyers of real estate for use, but rather investors. These conditions could result in an increase in activity in the second half of 2008 from pent up demand.
- ◆ Total space under construction checked in at just 22,000 square feet at the end of the second quarter, which is 95% lower than the amount that was under construction this same time last year. This is a good signal that the market is correcting itself. A total of 247,222 square feet of new flex product was delivered in the first half of 2008.
- ◆ According to the State of California Employment Development Department, Orange County lost 21,000 payroll jobs over the last twelve months, most of which were in financial services. However, between April 2008 and May 2008 Orange County gained 3,300 jobs, mostly in the government, leisure and hospitality sectors. Going forward, Chapman University is forecasting 18,000 payroll jobs will be lost in 2008, with a gain of 14,000 jobs in 2009.
- ◆ The unemployment rate in Orange County was 4.8% in May 2008, up from a revised 4.4% percent in April 2008, but above the year ago estimate of 3.5%. This compares with an unadjusted unemployment rate of 6.5 percent for California and 5.2 percent for the nation during the same period.
- ◆ Lease rates are expected to remain at current levels for the short run, and concessions should begin to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances, as new inventory becomes available from vacancies and construction deliveries.

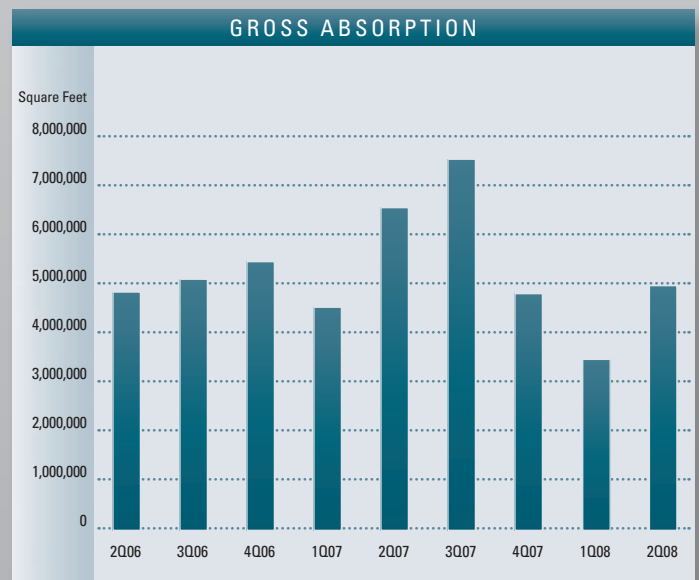
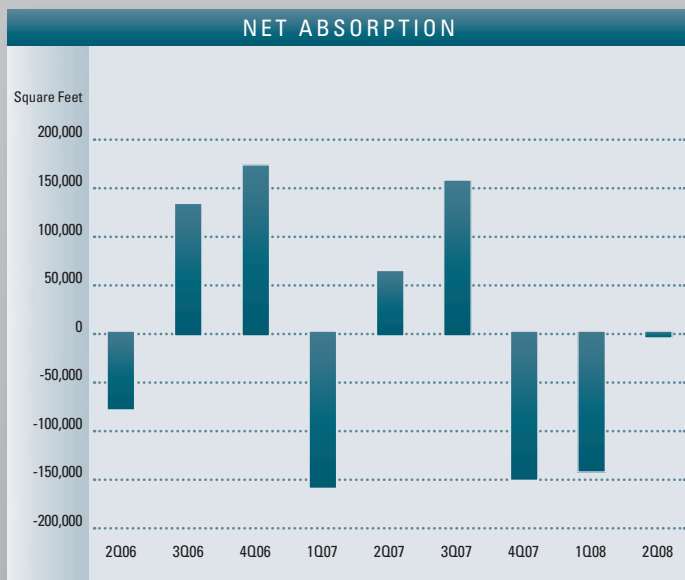
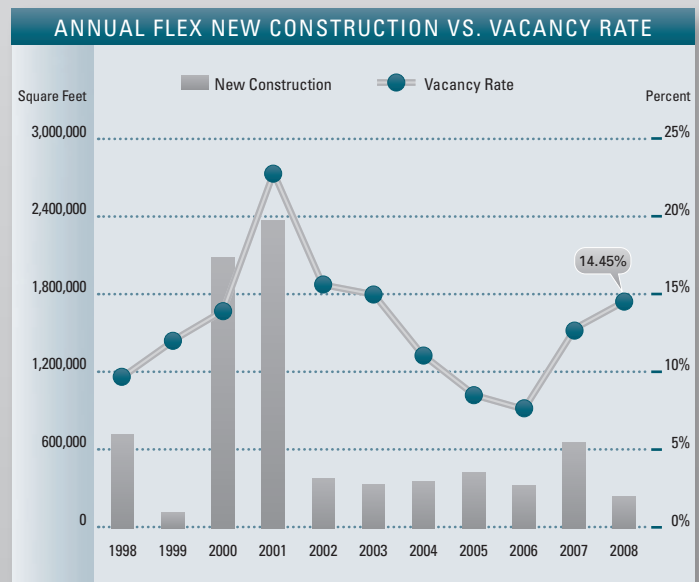
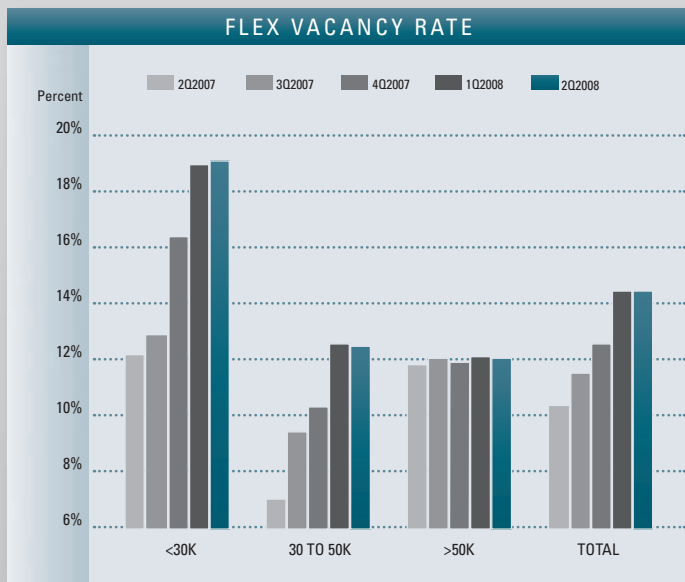
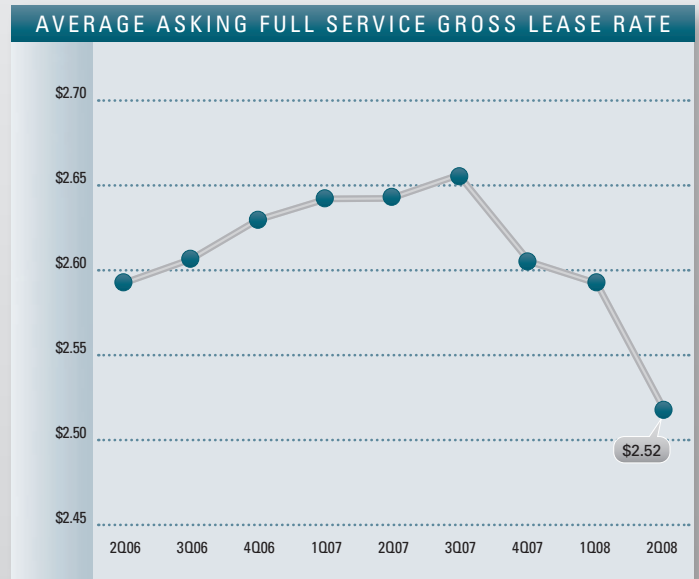
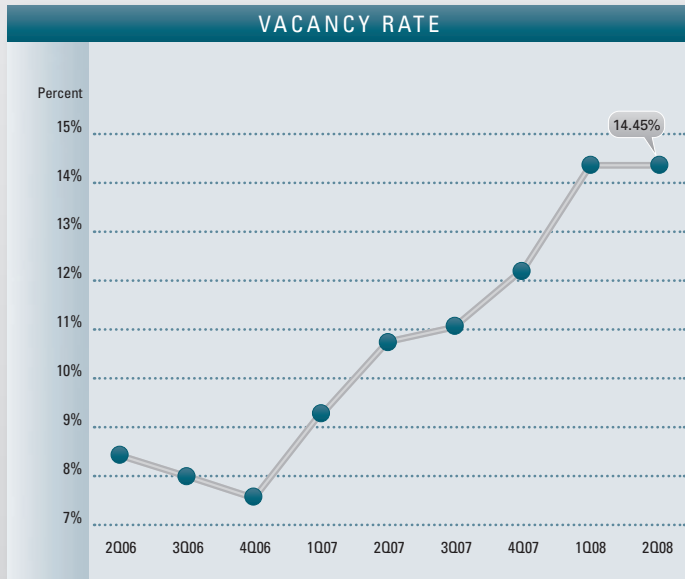


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FLEX MARKET OVERVIEW

	2Q2008	1Q2008	2Q2007	% CHANGE VS. 2Q07
Under Construction	22,000	130,991	492,637	-95.53%
Planned Construction	272,714	248,857	20,500	1230.31%
Vacancy	14.45%	14.47%	10.74%	34.54%
Availability	21.50%	19.87%	13.99%	53.68%
Pricing	\$2.52	\$2.59	\$2.64	-4.55%
Net Absorption	-3,605	-139,044	67,484	N/A
Activity	499,613	341,805	655,366	-23.77%

Real People. Real Solutions.



	INVENTORY				VACANCY & LEASE RATES				ABSORPTION				
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 202008	Square Feet Available	Availability Rate 202008	Average Asking Lease Rate	Net Absorption 1Q2008	Net Absorption 2008	Net Absorption 2007	Net Absorption 2006
North County													
Anaheim Hills	12	183,233	0	0	16,584	9.05%	28,342	15.47%	\$1.80	(9,607)	(11,905)	2,602	(6,458)
Anaheim	10	238,945	0	0	25,267	10.57%	21,018	8.80%	\$2.50	3,000	10,239	(12,479)	(150)
Brea	15	460,480	0	0	68,183	14.81%	75,517	16.40%	\$2.14	(33,823)	(25,835)	(17,125)	13,981
Fullerton	10	153,882	22,000	0	2,725	0.00%	47,445	30.83%	\$3.10	5,715	4,995	720	3,600
Placentia	3	61,675	0	0	4,793	7.77%	4,793	7.77%	\$1.99	(3,033)	(4,793)	0	0
Yorba Linda	1	10,560	0	0	4,953	46.90%	4,953	46.90%	\$0.00	0	0	0	(4,953)
North County Total	51	1,108,775	22,000	0	122,505	11.05%	182,068	16.42%	\$2.11	(37,748)	(27,299)	(26,282)	6,020
West County													
Cypress	9	374,081	0	0	37,956	10.15%	37,956	10.15%	\$2.10	15,900	14,600	(21,410)	31,270
Huntington Beach	3	48,796	0	0	3,442	7.05%	3,442	7.05%	\$1.65	(911)	6,663	(2,531)	(5,326)
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	842
West County Total	16	465,882	0	0	41,398	8.89%	41,398	8.89%	\$1.81	14,989	21,263	(23,941)	26,786
Central County													
Anaheim	8	219,639	0	0	3,078	1.40%	6,502	2.96%	\$0.00	0	15	1,690	(4,783)
Garden Grove	2	27,400	0	0	2,400	8.76%	2,400	8.76%	\$0.00	0	(2,400)	0	1,260
Orange	7	146,612	0	0	7,723	5.27%	6,068	4.14%	\$2.20	(5,753)	(2,089)	(5,634)	646
Santa Ana	10	167,782	0	3,000	25,802	15.38%	27,050	16.12%	\$1.85	(1,020)	(1,020)	666	0
Tustin	3	23,897	0	0	0	0.00%	5,297	22.17%	\$0.00	0	0	0	0
Central County Total	30	585,330	0	3,000	39,003	6.66%	47,317	8.08%	\$1.93	(6,773)	(5,494)	(3,278)	(2,877)
Airport Area													
Costa Mesa	5	66,752	0	0	0	0.00%	3,311	4.96%	\$0.00	0	0	13,380	0
Irvine	115	3,469,426	0	150,000	548,637	15.81%	833,638	24.03%	\$4.07	70,273	137,013	(207,080)	81,464
Newport Beach	27	605,983	0	30,139	32,177	5.31%	35,985	5.94%	\$3.63	(1,635)	10,275	18,149	58,418
Santa Ana	9	400,184	0	0	105,249	26.30%	119,723	29.92%	\$2.25	(1,825)	(45,220)	(37,185)	13,998
Tustin	6	241,938	0	50,400	478	0.20%	38,263	15.82%	\$0.00	48,772	48,294	(72)	(48,700)
Airport Area Total	162	4,784,283	0	230,539	686,541	14.35%	1,030,920	21.55%	\$3.03	115,585	150,362	(212,808)	105,180
South County													
Aliso Viejo	42	1,298,892	0	0	69,745	5.37%	131,040	10.09%	\$2.44	(1,960)	(11,201)	8,818	(13,878)
Dana Point	4	58,840	0	0	0	0.00%	0	0.00%	\$0.00	0	0	612	2,738
Foothill Ranch	5	139,636	0	0	60,380	43.24%	77,587	55.56%	\$3.60	(15,421)	(13,352)	(18,072)	(2,800)
Irvine Spectrum	204	4,641,908	0	0	841,168	18.12%	1,309,928	28.22%	\$2.22	38,712	(52,314)	26,418	122,087
Laguna Beach	6	96,511	0	0	15,012	15.55%	8,512	8.82%	\$2.65	1,100	1,100	(6,801)	321
Laguna Hills	15	442,455	0	0	68,538	15.49%	110,089	24.88%	\$2.17	(10,189)	(28,688)	24,530	13,553
Laguna Niguel	4	98,481	0	0	16,842	17.10%	16,842	17.10%	\$0.00	4,666	1,043	(16,896)	0
Lake Forest	38	1,351,501	0	0	250,252	18.52%	358,885	26.55%	\$2.33	(121,070)	(179,401)	51,654	41,732
Mission Viejo	29	390,571	0	17,500	71,268	18.25%	81,139	20.77%	\$2.25	2,111	1,901	(37,989)	4,360
Rancho Santa Margarita	9	240,195	0	0	23,684	9.86%	49,998	20.82%	\$2.10	8,489	(404)	(6,418)	4,985
San Clemente	9	183,429	0	0	34,640	18.88%	50,849	27.72%	\$2.32	(4,251)	(486)	(11,306)	43,567
San Juan Capistrano	23	495,034	0	21,675	25,445	5.14%	25,836	5.22%	\$2.54	8,155	321	61,091	41,225
South County Total	388	9,437,453	0	39,175	1,476,974	15.65%	2,220,705	23.53%	\$2.28	(89,658)	(281,481)	75,641	257,890
Orange County Total	647	16,381,723	22,000	272,714	2,366,421	14.45%	3,522,408	21.50%	\$2.52	(3,605)	(142,649)	(190,668)	392,999

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North County													
0 to 29,999	40	621,133	22,000	0	73,201	11.79%	81,102	13.06%	\$1.95	(17,659)	(16,321)	(12,529)	8,265
30,000 to 49,999	9	364,642	0	0	42,324	11.61%	93,986	25.77%	\$2.14	(17,067)	(5,866)	(13,600)	(2,650)
50,000+	2	123,000	0	0	6,980	5.67%	6,980	5.67%	\$0.00	(3,022)	(5,112)	(153)	405
West County													
0 to 29,999	9	97,114	0	0	3,442	3.54%	3,442	3.54%	\$1.65	1,489	7,763	(3,631)	9,316
30,000 to 49,999	3	118,562	0	0	2,456	2.07%	2,456	2.07%	\$2.10	(1,000)	(1,000)	(1,456)	20,480
50,000+	4	250,206	0	0	35,500	14.19%	35,500	14.19%	\$0.00	14,500	14,500	(18,854)	(3,010)
Central County													
0 to 29,999	25	338,371	0	3,000	17,091	5.05%	24,157	7.14%	\$0.00	(1,655)	(1,045)	14,185	(3,523)
30,000 to 49,999	1	33,070	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
50,000+	4	213,889	0	0	21,912	10.24%	23,160	10.83%	\$0.00	(5,118)	(4,449)	(17,463)	646
Airport Area													
0 to 29,999	86	980,898	0	30,139	203,124	20.71%	241,034	24.57%	\$4.35	28,815	94,298	72,388	12,007
30,000 to 49,999	39	1,608,236	0	0	199,212	12.39%	344,463	21.42%	\$2.45	25,504	45,456	(106,562)	21,737
50,000+	37	2,195,149	0	200,400	284,205	12.95%	445,423	20.29%	\$2.07	61,266	10,608	(178,634)	71,436
South County													
0 to 29,999	253	3,149,542	0	39,175	690,739	21.93%	985,177	31.28%	\$2.25	(22,914)	(103,419)	167,881	289,255
30,000 to 49,999	84	3,332,246	0	0	440,203	13.21%	714,526	21.44%	\$2.33	(3,365)	(120,617)	(74,754)	107,191
50,000+	51	2,955,665	0	0	346,032	11.71%	521,002	17.63%	\$1.97	(63,379)	(57,445)	(17,486)	(138,556)
Orange County Total													
0 to 29,999	413	5,187,058	22,000	72,314	987,597	19.04%	1,334,912	25.74%	\$2.89	(11,924)	(18,724)	238,294	315,320
30,000 to 49,999	136	5,456,756	0	0	684,195	12.54%	1,155,431	21.17%	\$2.33	4,072	(82,027)	(196,372)	146,758
50,000+	98	5,737,909	0	200,400	694,629	12.11%	1,032,065	17.99%	\$2.05	4,247	(41,898)	(232,590)	(69,079)
Orange County Total	647	16,381,723	22,000	272,714	2,366,421	14.45%	3,522,408	21.50%	\$2.52	(3,605)	(142,649)	(190,668)	392,999

This survey consists of buildings up to 74,999 square feet. Lease rates are based on a Full Service Gross basis.



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, please contact:

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LAS VEGAS OFFICE

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