



R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption



DOWN

Lease Rates



FLAT

Construction



FLAT

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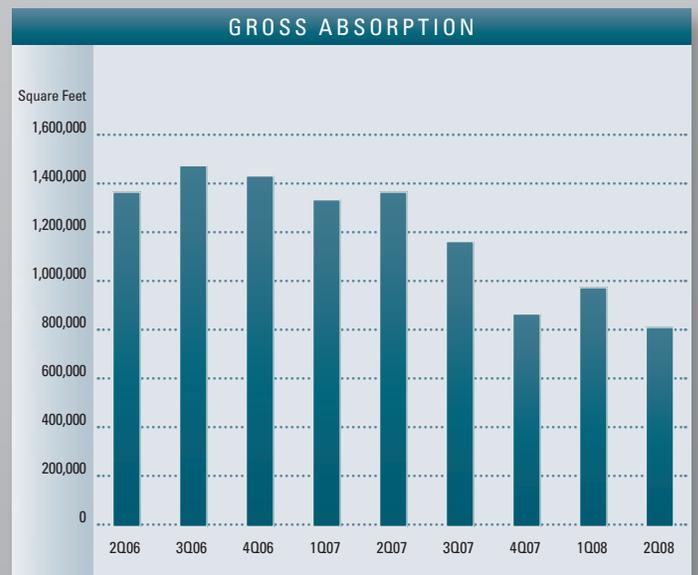
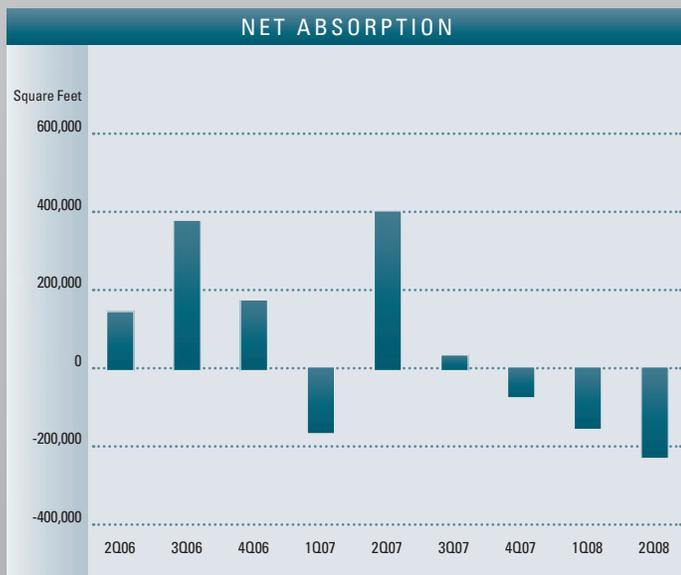
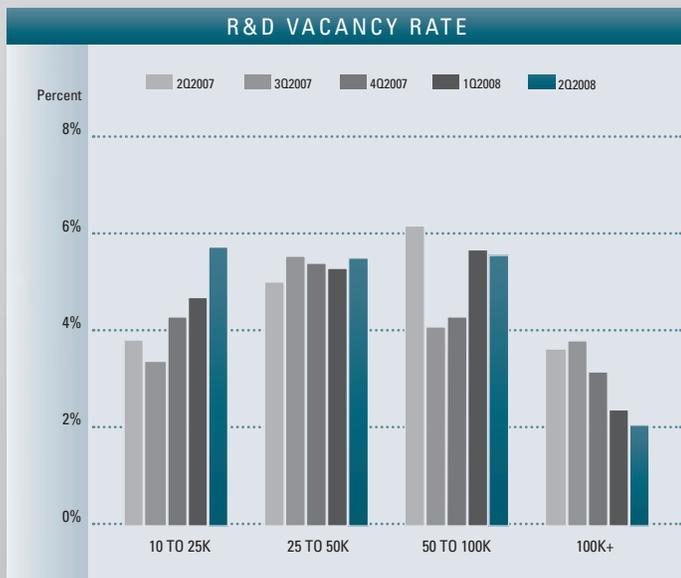
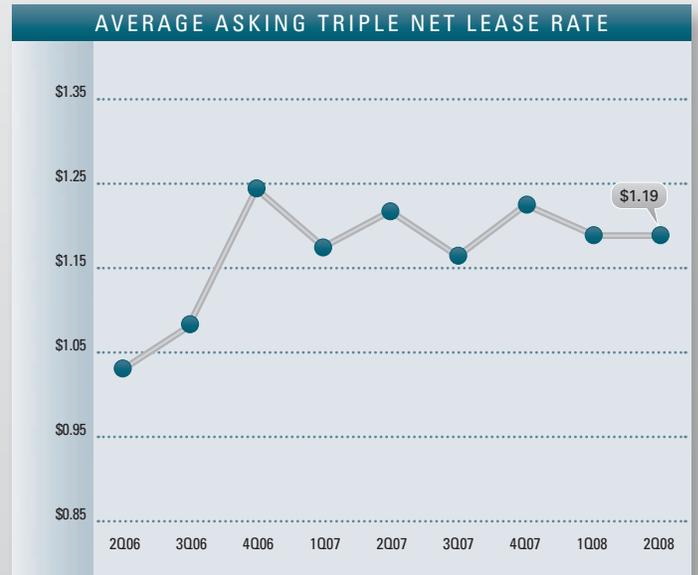
Market Highlights

- ◆ The Research & Development vacancy rate checked in at a low 4.92%, which is higher than it was a year ago when it was 4.52%. This lack of supply is creating a lot of constrained demand for R&D space in Orange County and continues to keep lease and sale rates at current levels.
- ◆ The total amount of R&D space available in Orange County, which includes both direct and sublease space, is higher than it was a year ago, 9.68% this quarter as compared to 6.27% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.19, which is three cents lower than it was this time last year.
- ◆ Net absorption for the R&D market this quarter posted at negative 220,945 square feet, giving the R&D Market in Orange County a total of approximately 4 million square feet of positive absorption for the last three years, 537,571 square feet of which occurred in 2007.
- ◆ The level of activity registered at just above 800,000 square feet for the second quarter of 2008. This is down from 1.36 million 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.
- ◆ There is currently 85,261 square feet of space under construction this quarter. The shrinking availability of land is only allowing for the development of primarily small, for-sale buildings. This lack of available land, coupled with the high land prices and rising construction costs, has led to few centers being developed in this infill market.
- ◆ 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.
- ◆ Asking lease rates are expected to remain at current levels for the short run, and concessions should continue to increase in the forms of free rent and increasing tenant improvement allowances.
- ◆ As we head into the second half of 2008, the R&D market will exhibit many similar characteristics of 2007. Limited opportunities for new development will open with land and sales prices remaining high. Multi-tenant, manufacturing and distribution buildings will not undergo development, as no large land parcels will become available. R&D buildings both for sale and lease will remain viable options for those looking to enter the Orange County R&D market.

R & D MARKET OVERVIEW

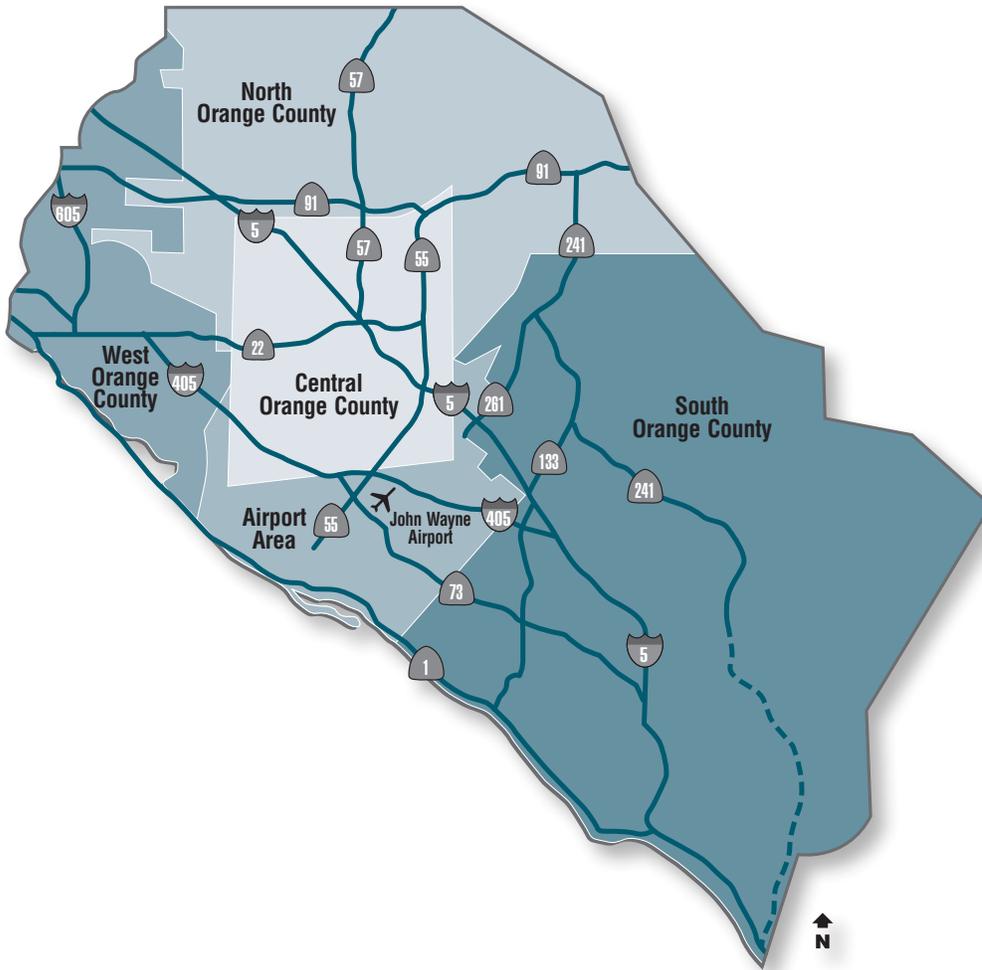
	2Q2008	1Q2008	2Q2007	% CHANGE VS. 2Q07
Under Construction	85,261	85,261	46,107	84.92%
Planned Construction	514,198	514,198	226,000	127.52%
Vacancy	4.92%	4.57%	4.52%	8.85%
Availability	9.68%	8.70%	6.27%	54.39%
Pricing	\$1.19	\$1.19	\$1.22	-2.46%
Net Absorption	-220,945	-154,342	406,927	N/A
Activity	800,815	970,984	1,363,024	-41.25%

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 202008	Net Absorption 2008	Net Absorption 2007	Net Absorption 2006
North County													
Anaheim Hills	4	207,017	0	0	21,794	10.53%	21,794	10.53%	\$0.00	(8,778)	(8,560)	(4,930)	(7,000)
Anaheim	80	2,939,699	0	0	53,729	1.83%	528,123	17.97%	\$0.75	(17,011)	(25,608)	52,686	61,202
Brea	41	1,661,786	70,754	0	45,235	2.72%	52,994	3.19%	\$0.00	(6,650)	61,297	(27,980)	(10,373)
Buena Park	25	920,003	0	0	31,624	3.44%	38,124	4.14%	\$0.00	(6,956)	37,572	(18,823)	33,538
Fullerton	38	1,010,941	0	0	72,588	7.18%	67,070	6.63%	\$0.00	(33,391)	(47,205)	1,475	(19,250)
La Habra	5	83,589	0	0	2,136	2.56%	2,136	2.56%	\$0.00	(1,596)	132	(2,268)	0
La Palma	7	269,054	0	0	37,904	14.09%	16,425	6.10%	\$1.40	0	(1,489)	(36,415)	0
Placentia	16	459,904	0	0	7,395	1.61%	15,054	3.27%	\$1.07	0	(1,032)	4,445	13,973
Yorba Linda	51	1,337,959	0	0	152,814	11.42%	207,286	15.49%	\$1.10	18,815	2,915	(67,690)	(17,765)
North County Total	267	8,889,952	70,754	0	425,219	4.78%	949,006	10.68%	\$1.11	(55,567)	18,022	(99,500)	54,325
West County													
Cypress	43	2,259,084	0	0	26,175	1.16%	161,284	7.14%	\$0.90	13,477	18,260	30,291	91,194
Huntington Beach	128	2,346,881	0	0	85,471	3.64%	200,567	8.55%	\$0.87	(15,677)	(39,210)	34,869	(35,352)
Seal Beach	35	785,418	0	0	9,912	1.26%	15,274	1.94%	\$0.00	19,706	26,806	(27,198)	1,008
West County Total	206	5,391,383	0	0	121,558	2.25%	377,125	6.99%	\$0.89	17,506	5,856	37,962	56,850
Central County													
Anaheim	72	1,884,138	0	0	106,596	5.66%	125,939	6.68%	\$0.00	(15,914)	(26,300)	(24,763)	45,914
Garden Grove	84	2,660,643	0	0	132,587	4.98%	256,715	9.65%	\$1.09	55,759	44,176	115,543	(4,741)
Orange	103	2,188,611	0	0	70,203	3.21%	94,626	4.32%	\$1.06	(43,377)	(34,762)	1,871	7,822
Santa Ana	65	1,730,135	0	0	82,760	4.78%	120,330	6.95%	\$1.00	(32,757)	(41,809)	(19,811)	24,522
Tustin	20	515,856	0	0	1,440	0.28%	4,180	0.81%	\$0.00	0	1,066	3,819	(13,695)
Central County Total	344	8,979,383	0	0	393,586	4.38%	601,790	6.70%	\$1.05	(36,289)	(57,629)	76,659	59,822
Airport Area													
Costa Mesa	180	4,145,537	0	0	141,340	3.41%	284,242	6.86%	\$1.24	(5,247)	(56,566)	193,843	48,025
Fountain Valley	50	1,379,943	0	49,186	22,735	1.65%	24,174	1.75%	\$0.00	12,022	(10,773)	19,841	(11,830)
Irvine	294	7,934,715	0	0	440,669	5.55%	868,799	10.95%	\$1.28	(118,415)	(170,608)	144,762	501,475
Newport Beach	25	813,571	0	0	44,425	5.46%	74,130	9.11%	\$0.00	(1,457)	(8,376)	(20,971)	2,179
Santa Ana	128	3,993,835	0	0	181,935	4.56%	185,356	4.64%	\$0.91	(43,080)	(1,068)	53,457	(102,203)
Tustin	90	3,096,043	0	0	157,694	5.09%	468,321	15.13%	\$1.26	1,501	(19,126)	(15,447)	44,184
Airport Area Total	767	21,363,644	0	49,186	988,798	4.63%	1,905,022	8.92%	\$1.25	(154,676)	(266,517)	375,485	481,830
South County													
Aliso Viejo	42	1,013,296	0	0	46,268	4.57%	85,935	8.48%	\$1.32	4,635	(31,578)	6,843	22,705
Foothill Ranch	6	135,698	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Irvine Spectrum	290	11,040,233	14,507	0	895,395	8.11%	1,781,073	16.13%	\$1.26	55,796	34,581	93,179	246,382
Laguna Hills	63	1,411,348	0	0	60,608	4.29%	60,361	4.28%	\$1.08	(23,084)	(22,544)	29,130	1,005
Laguna Niguel	18	543,438	0	0	20,161	3.71%	20,161	3.71%	\$0.00	(4,452)	1,834	23,930	(4,766)
Lake Forest	69	1,669,979	0	0	89,976	5.39%	116,783	6.99%	\$1.16	(24,314)	(19,466)	(13,858)	(15,736)
Mission Viejo	36	992,719	0	0	44,519	4.48%	184,669	18.60%	\$1.05	(3,145)	(16,359)	(6,549)	18,099
Rancho Santa Margarita	47	1,695,423	0	0	15,295	0.90%	23,446	1.38%	\$1.43	(5,903)	(8,583)	10,342	3,488
San Clemente	47	1,047,730	0	226,000	67,123	6.41%	137,927	13.16%	\$1.17	7,428	(18,181)	11,916	128,425
San Juan Capistrano	42	611,020	0	239,012	19,420	3.18%	28,914	4.73%	\$0.00	1,120	1,787	(7,968)	3,326
South County Total	660	20,160,884	14,507	465,012	1,258,765	6.24%	2,439,269	12.10%	\$1.25	8,081	(78,509)	146,965	402,928
Orange County Total	2,244	64,785,246	85,261	514,198	3,187,926	4.92%	6,272,212	9.68%	\$1.19	(220,945)	(378,777)	537,571	1,055,755
North County													
10,000 to 24,999	163	2,570,670	15,669	0	113,455	4.41%	170,789	6.64%	\$1.19	(18,154)	(13,548)	65,782	10,735
25,000 to 49,999	68	2,307,573	55,085	0	108,515	4.70%	153,444	6.65%	\$0.99	(24,738)	18,183	(27,321)	(51,321)
50,000 to 99,999	23	1,546,822	0	0	165,875	10.72%	127,971	8.27%	\$1.10	(12,675)	24,820	(119,920)	22,143
100,000+	13	2,464,887	0	0	37,374	1.52%	496,802	20.16%	\$0.00	0	(11,433)	(18,041)	72,768
West County													
10,000 to 24,999	146	2,223,823	0	0	69,083	3.11%	100,531	4.52%	\$0.90	(22,191)	(12,341)	246	(2,658)
25,000 to 49,999	41	1,429,785	0	0	18,329	1.28%	103,151	7.21%	\$0.93	39,697	34,466	(1,994)	(27,381)
50,000 to 99,999	16	975,355	0	0	34,146	3.50%	93,163	9.55%	\$0.86	0	(16,269)	39,710	86,889
100,000+	3	762,420	0	0	0	0.00%	80,280	10.53%	\$0.00	0	0	0	0
Central County													
10,000 to 24,999	244	3,903,556	0	0	186,430	4.78%	271,203	6.95%	\$0.99	(61,346)	(74,383)	(9,480)	42,078
25,000 to 49,999	76	2,498,370	0	0	156,766	6.27%	182,766	7.32%	\$1.41	(20,254)	(30,170)	(24,733)	(48,124)
50,000 to 99,999	15	1,026,496	0	0	6,937	0.68%	102,678	10.00%	\$0.79	51,366	54,603	(59,260)	50,594
100,000+	9	1,550,961	0	0	43,453	2.80%	45,143	2.91%	\$0.00	(6,055)	(7,679)	170,132	15,274
Airport Area													
10,000 to 24,999	516	8,230,297	0	12,100	540,327	6.57%	584,388	7.10%	\$1.15	(92,229)	(250,017)	(21,274)	200,293
25,000 to 49,999	173	5,826,559	0	37,086	254,966	4.38%	583,782	10.02%	\$1.31	(37,548)	(15,562)	16,480	73,617
50,000 to 99,999	55	3,706,750	0	0	174,764	4.71%	403,298	10.88%	\$1.37	(34,114)	(88,925)	189,474	97,249
100,000+	23	3,600,038	0	0	18,741	0.52%	333,554	9.27%	\$1.15	9,215	87,987	190,805	110,671
South County													
10,000 to 24,999	404	6,710,180	14,507	150,972	442,755	6.60%	599,322	8.93%	\$1.32	(6,122)	(20,030)	12,787	140,940
25,000 to 49,999	178	5,981,745	0	88,040	448,522	7.50%	615,208	10.28%	\$1.15	(20,134)	(34,226)	124,544	220,533
50,000 to 99,999	55	3,676,471	0	226,000	217,341	5.91%	334,121	9.09%	\$1.23	10,741	(73,624)	154,483	69,175
100,000+	23	3,792,488	0	0	150,147	3.96%	890,618	23.48%	\$1.41	23,596	49,371	(144,849)	(27,720)
Orange County													
10,000 to 24,999	1,473	23,638,526	30,176	163,072	1,352,050	5.72%	1,726,233	7.30%	\$1.21	(200,042)	(370,319)	48,061	391,388
25,000 to 49,999	536	18,044,032	55,085	125,126	987,098	5.47%	1,638,351	9.08%	\$1.18	(62,977)	(27,309)	86,976	167,324
50,000 to 99,999	164	10,931,894	0	226,000	599,063	5.48%	1,061,231	9.71%	\$1.19	15,318	(99,395)	204,487	326,050
100,000+	71	12,170,794	0	0	249,715	2.05%	1,846,397	15.17%	\$1.17	26,756	118,246	198,047	170,993
Orange County Total	2,244	64,785,246	85,261	514,198	3,187,926	4.92%	6,272,212	9.68%	\$1.19	(220,945)	(378,777)	537,571	1,055,755

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple net basis.



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, please contact:

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Orange, CA 92868-1642

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IRVINE OFFICE

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Irvine, CA 92614

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FAX: 949.261.9092

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Suite 200

Las Vegas, NV 89135

TEL: 702.734.4500

FAX: 702.733.7690

SAN DIEGO OFFICE

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Suite 990

San Diego, CA 92122-1233

TEL: 858.453.0505

FAX: 858.453.1981

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