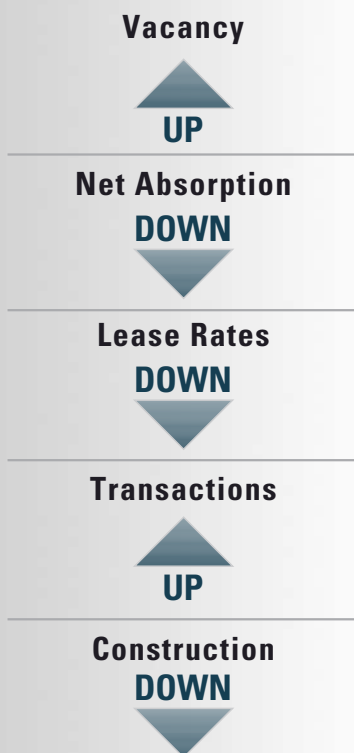




Voit
Real Estate Services

Office Market Report

Compared to last quarter:



Market Highlights

- ◆ **Market Challenges** - The Orange County Office market is facing challenges due to the national recession. The primary concerns are as follows: increasing vacancy, tenant delinquencies, scarce financing, economic uncertainty and volatility, and the gap between "ask" and "bid" pricing between buyers and sellers. However, that gap appears to be diminishing, which is evident from some recent large sales that occurred in the second quarter. Another challenge the office market is facing is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn has put upward pressure on vacancy and availability rates. These contractions have led to many tenants requesting rent relief from landlords, and owners to attempt to renegotiate loan terms with lenders.
- ◆ **Construction** - During the first half of 2009, Orange County has added a total of 171,863 square feet. Over the past three and a half years, over seven million square feet of new construction has been completed in Orange County. The record year for new development was 1988, when 5.7 million square feet of new space was added, and vacancy rates were approximately 24%. Total space under construction checked in at 166,059 square feet at the end of the second quarter, which is almost half the amount that was under construction this same time last year. The slowdown in construction has and will ease the upward pressure on vacancy going forward.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 16.39%, constituting an increase over last year's second quarter rate of 14.45%. This 16.39% rate is less than the 17.28% vacancy rate in the first quarter of 2002, which was the last time a large amount of new construction was added to the market.
- ◆ **Availability** - Direct/sublease space being marketed was 22.49% this quarter, up from the 19.76% we saw this same quarter last year. This is an increase of 13.87% of new space being marketed when compared to the same quarter last year. We are finally starting to see a slowdown in the velocity of new available space being added to the market.
- ◆ **Lease Rates** - The average asking Full Service Gross (FSG) lease rate per month per foot in Orange County is currently \$2.29, which is a 15% decrease over last year's rate of \$2.69

and eight cents lower than last quarter's rate. The record high rate of \$2.77 was established in the fourth quarter of 2008. Class A rates for the county are averaging \$2.47 FSG and are the highest in the Airport market, where class A rates are averaging \$2.65 FSG.

- ◆ **Absorption** - Net absorption for the county posted a negative 672,880 square feet for the second quarter of 2009, giving the office market a total of 1.5 million square feet of negative absorption for the year. This negative absorption can be attributed to the recent job losses.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 1.95 million square feet. The average amount of leasing per quarter over the past nine quarters was 1.98 million square feet. Sales activity showed a significant increase over last quarter, posting 1.57 million square feet of activity compared to the first quarter's 200,000 square feet, demonstrating increased interest in properties changing hands. Details of the largest transactions can be found on the back page of this report.
- ◆ **Unemployment** - The unemployment rate in Orange County was 8.6% in May 2009, up from a revised 8.4% in April 2009, and above the year ago estimate of 4.7%. This compares with an unadjusted unemployment rate of 11.2% for California and 9.1% for the nation during the same period.
- ◆ **Employment** - According to the State of California Employment Development Department, Orange County lost 71,100 payroll jobs over the last twelve months - 19,200 in retail trade, transportation and utilities services, 13,100 in construction & 12,700 in professional and business services. However, between April 2009 and May 2009 Orange County gained 300 jobs.
- ◆ **Overall** - The office market has not reached the bottom nor has it begun to improve, but we are starting to see a slowdown in the amount of available space being added per quarter as well as an increase in sales activity. Lease rates are expected to remain soft for the foreseeable future, and concessions should continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances to incentivize tenants to act now. We should see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.

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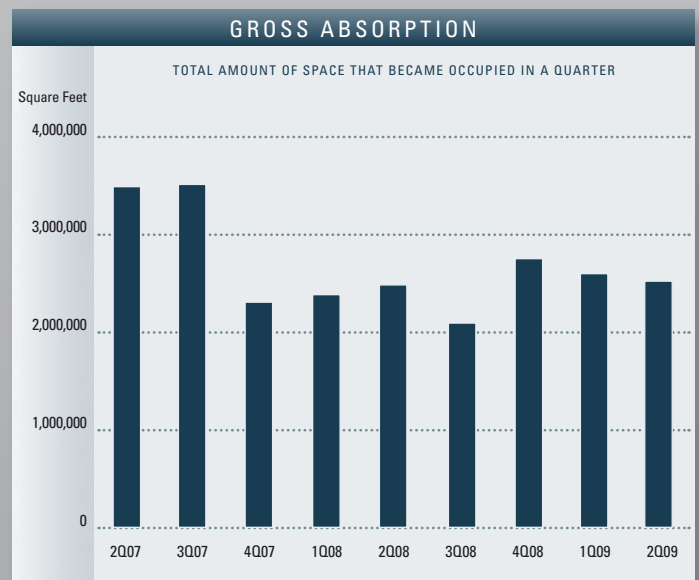
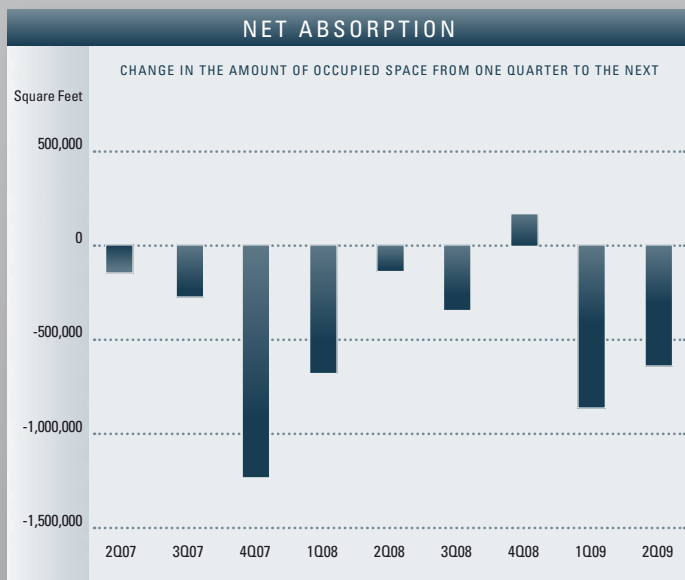
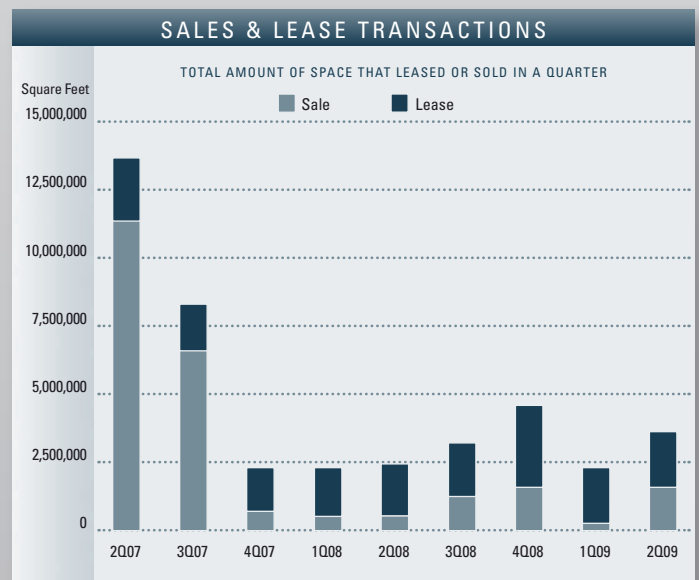
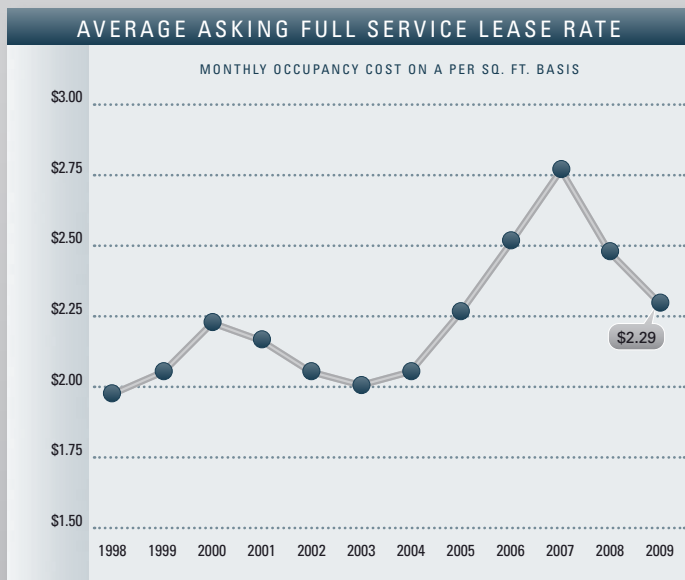
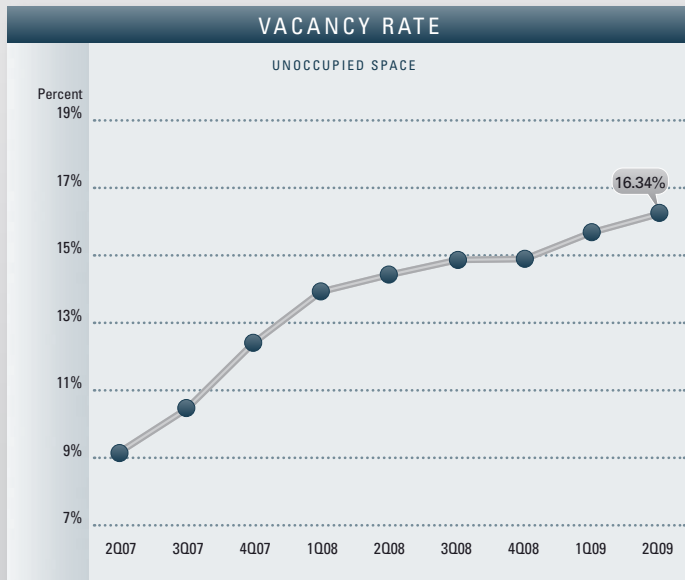
Prepared by:
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OFFICE MARKET OVERVIEW

	2Q2009	1Q2009	2Q2008	% CHANGE VS. 2Q08
Vacancy	16.34%	15.72%	14.45%	13.43%
Availability	22.49%	22.37%	19.76%	13.87%
Average Asking Lease Rate	\$2.29	\$2.37	\$2.69	-14.87%
Sale and Lease Transactions	3,517,799	2,187,213	2,386,979	47.37%
Net Absorption	-672,880	-828,223	-123,900	N/A
Gross Absorption	2,526,256	2,551,066	2,425,635	4.15%

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	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 202009	Square Feet Available	Availability Rate 202009	Average Asking Lease Rate	Net Absorption 202009	Net Absorption 2009	Gross Absorption 202009	Gross Absorption 2009
North County													
Anaheim Hills	9	462,239	0	0	75,493	16.33%	141,391	30.59%	\$2.25	6,460	22,771	13,291	48,385
Brea	43	3,449,192	0	120,000	756,807	21.94%	910,876	26.41%	\$2.17	(102,290)	(114,429)	118,821	180,254
Buena Park	11	649,061	0	0	96,701	14.90%	130,008	20.03%	\$1.83	(21,598)	(18,605)	15,403	22,343
Fullerton	30	2,252,566	0	0	94,534	4.20%	290,617	12.90%	\$2.02	(696)	24,306	21,990	67,467
La Habra	7	376,859	0	0	8,070	2.14%	8,643	2.29%	\$1.68	2,919	3,520	3,416	4,505
La Palma	7	567,187	0	0	81,357	14.34%	149,242	26.31%	\$2.08	(6,780)	(24,896)	4,744	4,744
Placentia	7	223,859	0	40,000	28,757	12.85%	28,757	12.85%	\$1.73	(1,267)	13,073	2,766	17,106
Yorba Linda	5	233,684	0	0	40,214	17.21%	41,157	17.61%	\$1.97	2,088	930	6,384	10,807
North County Total	119	8,214,647	0	160,000	1,181,933	14.39%	1,700,691	20.70%	\$2.11	(121,164)	(93,330)	186,815	355,611
West County													
Cypress	27	1,993,912	0	0	148,589	7.45%	170,019	8.53%	\$1.91	2,423	35,935	10,985	68,767
Fountain Valley	34	1,694,294	0	0	201,180	11.87%	212,973	12.57%	\$1.92	(2,908)	(5,120)	6,629	19,334
Garden Grove	21	1,007,938	0	0	63,898	6.34%	211,312	20.96%	\$1.57	(8,028)	18,438	3,507	35,406
Huntington Beach	44	2,414,001	0	0	344,546	14.27%	464,973	19.26%	\$2.29	(37,544)	(60,009)	22,208	56,782
Los Alamitos	13	583,154	0	0	23,009	3.95%	21,759	3.73%	\$1.98	(6,578)	(11,868)	3,028	3,728
Seal Beach	7	482,838	0	0	48,248	9.99%	58,932	12.21%	\$2.41	(6,141)	(8,230)	0	3,755
Stanton	3	113,702	0	0	16,181	14.23%	25,661	22.57%	\$1.08	2,415	(176)	5,890	6,655
Westminster	16	700,121	0	0	46,824	6.69%	82,601	11.80%	\$2.19	82	82	948	948
West County Total	165	8,989,960	0	0	892,475	9.93%	1,248,230	13.88%	\$2.13	(56,279)	(30,948)	53,195	195,375
Central County													
Anaheim	95	7,031,784	0	1,052,075	895,728	12.74%	2,064,119	29.35%	\$2.06	(63,506)	48,341	89,268	521,291
Orange	77	6,930,380	84,413	0	1,351,834	19.51%	1,488,036	21.47%	\$2.11	(29,605)	(20,952)	188,264	312,925
Santa Ana	174	12,757,702	81,646	889,847	2,076,614	16.28%	2,320,600	18.19%	\$1.95	(30,312)	(270,654)	205,531	348,657
Tustin	44	1,935,653	0	1,019,200	251,924	13.01%	352,954	18.23%	\$1.69	26,438	16,759	59,952	100,011
Central County Total	390	28,655,519	166,059	2,961,122	4,576,100	15.97%	6,225,709	21.73%	\$2.01	(96,985)	(226,506)	543,015	1,282,884
Airport Area													
Costa Mesa	70	6,488,253	0	531,510	1,137,576	17.53%	1,576,836	24.30%	\$2.30	(111,325)	(231,571)	141,970	188,099
Irvine	288	25,612,719	0	1,377,975	5,393,564	21.06%	6,808,596	26.58%	\$2.43	(282,520)	(666,071)	686,180	1,195,702
Newport Beach	132	9,742,828	0	0	1,204,345	12.36%	1,616,843	16.60%	\$2.94	(142,107)	(156,088)	143,714	363,402
Airport Area Total	490	41,843,800	0	1,909,485	7,735,485	18.49%	10,002,275	23.90%	\$2.50	(535,952)	(1,053,730)	971,864	1,747,203
South County													
Aliso Viejo	45	3,382,209	0	647,000	479,846	14.19%	815,684	24.12%	\$2.31	403	(123,942)	69,357	144,064
Dana Point	4	169,091	0	0	1,158	0.68%	1,158	0.68%	\$2.50	0	1,200	0	1,200
Foothill Ranch	10	788,129	0	0	295,936	37.55%	353,266	44.82%	\$2.17	(797)	4,070	22,659	124,700
Irvine Spectrum	116	7,582,139	0	0	1,395,002	18.40%	2,345,890	30.94%	\$2.75	215,984	178,769	520,367	907,757
Laguna Beach	5	194,434	0	0	6,629	3.41%	5,146	2.65%	\$2.25	0	(1,483)	0	0
Laguna Hills	32	1,734,869	0	0	237,416	13.68%	293,492	16.92%	\$2.11	(742)	(23,199)	47,787	79,227
Laguna Niguel	10	496,887	0	0	52,418	10.55%	75,420	15.18%	\$2.26	(813)	(223)	13,870	20,598
Lake Forest	39	1,944,921	0	0	288,393	14.83%	474,805	24.41%	\$2.00	(56,069)	(54,753)	41,965	76,699
Mission Viejo	37	1,957,860	0	0	262,915	13.43%	322,647	16.48%	\$2.11	(12,931)	(49,431)	38,576	66,789
Rancho Santa Margarita	6	251,030	0	0	69,841	27.82%	79,725	31.76%	\$1.91	(699)	2,403	5,069	14,294
San Clemente	10	387,818	0	0	50,888	13.12%	79,697	20.55%	\$2.24	0	(37,889)	1,241	5,111
San Juan Capistrano	17	867,278	0	0	37,094	4.28%	140,658	16.22%	\$2.23	(6,836)	10,416	8,138	50,343
South County Total	331	19,756,665	0	647,000	3,177,536	16.08%	4,987,588	25.25%	\$2.36	137,500	(94,062)	769,029	1,490,782
Orange County Total	1,495	107,460,591	166,059	5,677,607	17,563,529	16.34%	24,164,493	22.49%	\$2.29	(672,880)	(1,498,576)	2,523,918	5,071,855

	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
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North County													
Class A	22	2,333,202	0	160,000	438,473	18.79%	653,142	27.99%	\$2.35	18,775	52,754	44,696	122,277
Class B	87	5,553,618	0	0	726,741	13.09%	1,028,476	18.52%	\$1.99	(136,233)	(139,999)	139,187	226,885
Class C	10	327,827	0	0	16,719	5.10%	19,073	5.82%	\$1.95	(3,706)	(6,085)	2,932	6,449
West County													
Class A	29	2,870,484	0	0	241,796	8.42%	378,185	13.17%	\$2.36	(32,351)	24,631	16,776	87,787
Class B	109	5,063,512	0	0	608,203	12.01%	819,761	16.19%	\$1.85	(25,878)	(53,999)	23,797	92,061
Class C	27	1,055,964	0	0	42,476	4.02%	50,284	4.76%	\$1.55	1,950	(1,580)	12,622	15,527
Central County													
Class A	73	11,586,812	81,646	1,807,395	2,304,129	19.89%	2,603,608	22.47%	\$2.16	(36,208)	(197,493)	239,517	446,859
Class B	243	14,112,471	84,413	1,153,727	2,073,798	14.69%	3,366,529	23.85%	\$1.84	(103,665)	(75,747)	223,969	696,014
Class C	74	2,956,236	0	0	198,173	6.70%	255,572	8.65%	\$1.56	42,888	46,734	79,529	140,011
Airport Area													
Class A	135	23,624,293	0	1,226,510	4,935,458	20.89%	6,219,845	26.33%	\$2.65	(394,801)	(645,859)	532,936	984,278
Class B	323	16,876,248	0	682,975	2,727,760	16.16%	3,694,330	21.89%	\$2.18	(120,446)	(369,936)	428,348	739,699
Class C	32	1,343,259	0	0	72,267	5.38%	88,100	6.56%	\$1.71	(20,705)	(37,935)	10,580	23,226
South County													
Class A	92	8,647,046	0	647,000	1,864,349	21.56%	2,460,555	28.46%	\$2.47	(36,619)	(90,155)	337,615	723,692
Class B	229	10,766,593	0	0	1,304,043	12.11%	2,519,159	23.40%	\$2.10	172,056	(4,052)	427,316	762,992
Class C	10	343,026	0	0	9,144	2.67%	7,874	2.30%	\$1.80	2,063	145	4,098	4,098
Orange County													
Class A	351	49,061,837	81,646	3,840,905	9,784,205	19.94%	12,315,335	25.10%	\$2.47	(481,204)	(856,122)	1,171,540	2,364,893
Class B	991	52,372,442	84,413	1,836,702	7,440,545	14.21%	11,428,255	21.82%	\$2.01	(214,166)	(643,733)	1,242,617	2,517,651
Class C	153	6,026,312	0	0	338,779	5.62%	420,903	6.98%	\$1.61	22,490	1,279	109,761	189,311
Orange County Total	1,495	107,460,591	166,059	5,677,607	17,563,529	16.34%	24,164,493	22.49%	\$2.29	(672,880)	(1,498,576)	2,523,918	5,071,855

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.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Class	Square Feet	Sale Price	Buyer	Seller
3161 Michelson	Airport	A	531,794	\$153,400,000	Emmes Group	Maguire Properties
505 City Parkway West (3 Properties)	Central	A	470,485	N/A	The Abbey Company	Maguire Properties
One & Three Premier Place	South	A	271,060	\$73,000,000	Transpacific Development Co.	Ford Motor Corporation
3300 Hyland Ave.	Airport	B	180,202	\$30,500,000	Abraxis Bioscience LLC	AEW Capital Management, LP

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
3121 Michelson Drive, Irvine	Airport	A	79,636	May-09	US Bank National Assoc.	Maguire Properties
6 Pointe Drive, Brea	North	A	53,095	May-09	So. Cal. Edison	Olen Properties
1900 S State College Blvd., Anaheim	Central	A	46,887	February-09	N/A	Maguire Properties
1400 S Douglass Road, Anaheim	Central	A	43,283	April-09	Izuzu Motor Company	MEPT/New Tower Trust Co.

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.

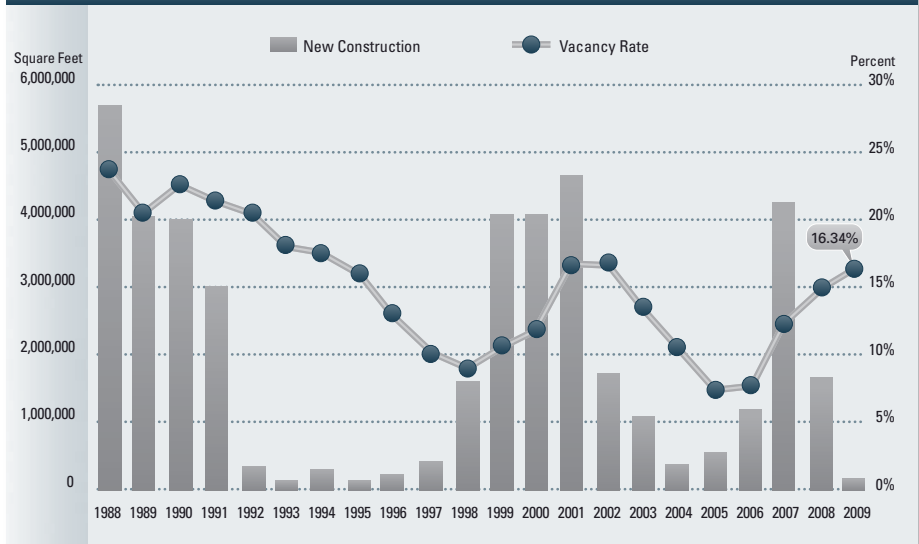
CLASS B

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:

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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 Real Estate Services use only, and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.