



R&D Market Report

Compared to last quarter:



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Prepared by:

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Market Highlights

- ◆ Market Challenges The Orange County Research & Development 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 R&D 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 lead to many tenants requesting rent relief from landlords, and owners to attempt to renegotiate loan terms with lenders.
- Construction Currently, there is no R&D space under construction in Orange County, due to lack of demand. The shrinking availability of land, combined with the high land prices, scarce financing and rising construction costs, has led to few projects being developed in this infill market.
- Vacancy Direct/sublease space (unoccupied) finished the quarter at 7.69%, constituting an increase over last year's second quarter rate of 5.35%. This 7.69% rate is less than the 9.82% vacancy rate in the second guarter of 2004.
- Availability Direct/sublease space being marketed was 11.88% this guarter, up from the 9.68% we saw this same quarter last year. This is an increase of 22.73% of new space being marketed when compared to the same quarter last year.
- Lease Rates The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.05, which is a 11.76% decrease over last year's rate of \$1.19 and seven cents lower than last quarter's rate. The record high rate of \$1.22 was established in the second guarter of 2007.

- Absorption Net absorption for the county posted a negative 523,943 square feet for the second quarter of 2009, giving the R&D market a total of 726,033 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 763,857 square feet. The average amount of leasing per quarter over the past nine quarters was 875,000 square feet. Sales activity posted 459,425 square feet of activity this guarter, compared to the first guarter's 342,829 square feet.
- **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 R&D market has not reached the bottom nor has it begun to improve, but we are starting to see 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.

R	R & D M A R K E T O V E R V I E W 202009 102009 202008 % CHANGE VS. 2008 7.69% 6.87% 5.35% 43.74% 11.88% 11.01% 9.68% 22.73%									
	202009	102009	202008	% CHANGE VS. 2008						
Vacancy	7.69%	6.87%	5.35%	43.74%						
Availability	11.88%	11.01%	9.68%	22.73%						
Average Asking Lease Rate	\$1.05	\$1.12	\$1.19	-11.76%						
Sale & Lease Transactions	1,223,282	1,151,956	748,971	63.33%						
Net Absorption	-523,943	-202,090	-201,289	N/A						
Gross Absorption	1,144,723	1,150,462	816,702	40.16%						

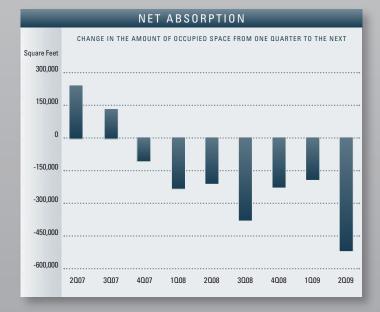
Real People. Real Solutions.

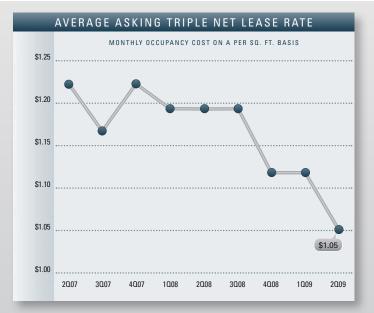


ORANGE COUNTY / R&D MARKET REPORT / SECOND QUARTER 2009

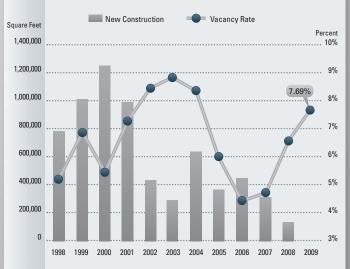


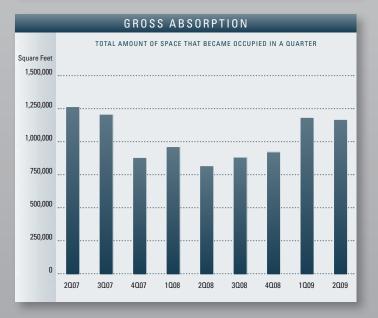






ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



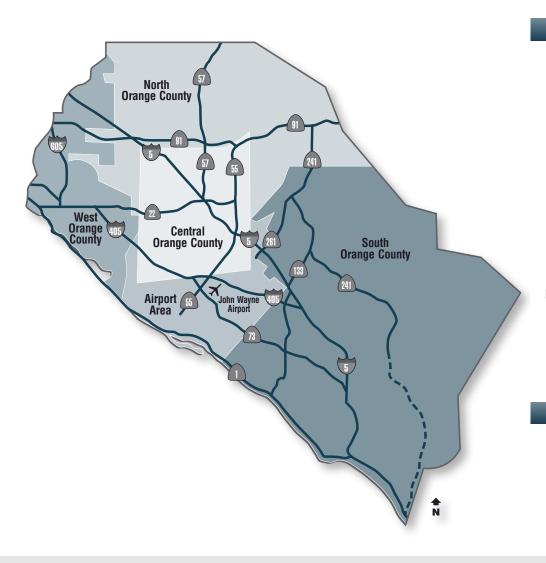


Woit Real Estate Services



		INVEN	TORY		VACANCY & LEASE RATES						A B S O R	PTION	
	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 Absorptic 2008
North County													
Anaheim	84	2,760,833	0	0	178,018	6.45%	267,872	9.70%	\$0.65	(43,356)	(57,027)	13,655	38,528
Brea	46	1,796,036	0	0	100,096	5.57%	109,392	6.09%	\$0.00	6,782	6,732	23,319	31,840
Buena Park	24	908,563	0	0	80,570	8.87%	87,070	9.58%	\$0.60	(36,585)	(55,151)	7,506	9,70
Fullerton La Habra	38 5	923,624 83,589	0	0	58,873 15,909	6.37% 19.03%	82,074 15,909	8.89% 19.03%	\$0.00 \$0.00	(15,498) (11,645)	(10,078) (10,049)	9,195 0	25,50 1,59
La Palma	5	269,054	0	0	16,447	6.11%	36,518	13.57%	\$0.00	(11,043)	(10,049)	0	1,09
Placentia	19	519,904	0	0	22,342	4.30%	26,857	5.17%	\$0.80	(9,157)	(3,415)	2,500	19,40
Yorba Linda	50	1,325,616	0	0	94,203	7.11%	112,054	8.45%	\$1.08	72,846	97,108	96,682	153,35
North County Total	273	8,587,219	0	0	566,458	6.60%	737,746	8.59%	\$0.86	(36,613)	(31,880)	152,857	279,93
Nest County													
Cypress	42	2,256,759	0	0	82,940	3.68%	257,171	11.40%	\$0.99	9,513	(12,557)	39,606	53,92
Huntington Beach	128	2,337,093	0	0	131,954	5.65%	219,988	9.41%	\$0.91	(27,009)	(35,661)	34,215	50,29
Los Alamitos	36	814,702	0	0	23,802	2.92%	31,195	3.83%	\$0.00	(1,268)	(7,442)	9,632	13,12
Vest County Total	206	5,408,554	0	0	238,696	4.41%	508,354	9.40%	\$0.97	(18,764)	(55,660)	83,453	117,34
Central County													
Anaheim	73	1,715,195	0	0	114,657	6.68%	160,501	9.36%	\$1.35	(10,912)	(30,465)	39,547	58,40
Garden Grove	82	2,376,541	0	0	220,958	9.30%	247,725	10.42%	\$0.75	(35,190)	(44,802)	56,343	118,48
Orange	105	2,160,150	0	0	177,804	8.23%	181,291	8.39%	\$0.89	(45,468)	(53,851)	42,772	65,72
Santa Ana	58	1,517,194	0	0	75,908	5.00%	120,510	7.94%	\$0.69	15,897	(5,311)	49,437	70,31
Westminster	21	584,564	0	0	8,811	1.51%	5,946	1.02%	\$0.00	531	(4,045)	4,702	12,76
entral County Total	339	8,353,644	0	0	598,138	7.16%	715,973	8.57%	\$0.96	(75,142)	(138,474)	192,801	325,69
Airport Area													
Costa Mesa	178	4,254,433	0	0	415,145	9.76%	526,032	12.36%	\$0.90	(101,981)	(81,090)	85,120	211,12
Fountain Valley	50	1,379,943	0	49,186	57,341	4.16%	41,560	3.01%	\$0.00	1,954	(26,331)	23,512	31,32
Irvine Neuroart Baach	283	7,613,736	0	0	632,312	8.30%	1,060,758	13.93%	\$1.01	(15,964)	(117,684)	202,582	339,08
Newport Beach Santa Ana	33 130	945,903 3,920,664	0	0	94,324 289,611	9.97% 7.39%	154,482 418,944	16.33% 10.69%	\$1.21 \$0.80	14,398 (79,582)	8,127 (64,115)	16,229 60,020	24,84 110,68
Santa Ana Tustin	94	3,920,664 3,274,482	0	0	289,611 232,463	7.39%	418,944 473,617	10.69%	\$0.80 \$1.14	(79,582) (29,166)	(64,115) (37,314)	60,020 16,656	68,47
Airport Area Total	768	21,389,161	0	49,186	1,721,196	8.05%	2,675,393	12.51%	\$1.03	(210,341)	(318,407)	404,119	785,54
	700	21,000,101	Ū	10,100	1,721,100	0.0078	2,070,000	12.0170	¢1.00	(210,011)	(010,107)	101,110	700,01
South County Aliso Viejo	40	970,295	0	0	106,650	10.99%	110,666	11.41%	\$1.12	(28,600)	(27,927)	23,121	33,62
Foothill Ranch	40	152,856	0	0	100,050	0.00%	49,415	32.33%	\$0.00	5,500	5,500	5,500	5,50
Irvine Spectrum	277	10,497,594	0	0	1,087,689	10.36%	1,894,612	18.05%	\$1.06	(85,647)	(36,965)	148,448	496,61
Laguna Hills	63	1,426,404	0	0	123,544	8.66%	136,249	9.55%	\$1.22	(41,323)	(48,807)	19,450	43,63
Laguna Niguel	17	1,511,621	0	0	115,652	7.65%	133,952	8.86%	\$1.35	16,555	19,537	18,565	21,94
Lake Forest	64	1,489,025	0	0	93,972	6.31%	133,539	8.97%	\$1.03	12,109	(1,388)	51,193	89,15
Mission Viejo Renche Sente Morgorite	35	943,856	0	0	61,833	6.55%	172,641	18.29%	\$1.03	(4,239)	(9,186)	4,521	13,11
Rancho Santa Margarita San Clemente	44 46	1,511,224 1,070,066	0	0	49,503 94,580	3.28% 8.84%	70,259 193,760	4.65% 18.11%	\$1.14 \$1.22	(19,092) (26,528)	(12,285) (51,659)	8,029 19,623	19,92 41,65
San Juan Capistrano	40	625,270	0	0	57,132	9.14%	63,530	10.16%	\$0.95	(11,818)	(18,432)	13,043	21,40
South County Total	635	20,198,211	0	0	1,790,555	8.86%	2,958,623	14.65%	\$1.08	(183,083)	(181.612)	311,493	786,560
South Southy Fotal		20,100,211			.,,,	0.007,0	2,000,020	1 1100 / 0	¢nico	(100)000)	(101)012)	0117100	,,
Orange County Total	2,221	63,936,789	0	49,186	4,915,043	7.69%	7,596,089	11.88%	\$1.05	(523,943)	(726,033)	1,144,723	2,295,08
North County 10,000 to 24,999	166	2 656 966	0	0	276 166	10 20%	224 574	12 50%	¢በ 01	(70 724)	(07 /50)	27 750	77.05
10,000 to 24,999 25,000 to 49,999	166 74	2,656,866 2,509,322	0	0	276,166 223,175	10.39% 8.89%	334,574 274,754	12.59% 10.95%	\$0.91 \$0.95	(70,724) (23,269)	(97,459) (11,134)	37,759 30,702	77,95 98,25
50,000 to 99,999	23	1,546,822	0	0	67,117	4.34%	67,117	4.34%	\$0.95	(23,209) 57,380	57,380	84,396	96,23
100,000+	10	1,874,209	0	0	0	0.00%	61,301	3.27%	\$0.00	0	19,333	0	19,33
West County 10,000 to 24,999	146	2,226,072	0	0	116,683	5.24%	108,348	4.87%	\$1.00	(31,290)	(27,712)	32,949	49,52
25,000 to 49,999	41	1,430,203	0	0	49,202	3.44%	162,483	11.36%	\$0.00	(20,016)	(24,502)	8,737	25,69
50,000 to 99,999	16	993,903	0	0	72,811	7.33%	157,243	15.82%	\$0.97	32,542	(3,446)	41,767	42,13
100,000+ Control County	3	758,376	0	0	0	0.00%	80,280	10.59%	\$0.49	0	0	0	
Central County 10.000 to 24.999	248	3,956,314	0	0	346,231	8.75%	361,198	9.13%	\$1.07	(60,436)	(104,706)	125,108	186,84
25,000 to 24,999	248	3,956,314 2,250,119	0	0	346,231	8.75%	250,731	9.13%	\$1.07	(60,436) (30,833)	(104,706) (24,193)	28,945	92,45
50,000 to 99,999	16	1,110,777	0	0	50,025	4.50%	90,449	8.14%	\$0.00	4,822	(15,975)	17,086	20,22
100,000+	7	1,036,434	0	0	13,595	1.31%	13,595	1.31%	\$0.00	11,305	6,400	21,662	26,17
Airport Area 10,000 to 24,999	520	8,350,653	0	12,100	838,300	10.04%	1,046,843	12.54%	\$1.09	(24,694)	(123,235)	196,682	392,55
25,000 to 49,999	166	5,588,641	0	37,086	569,292	10.04%	758,815	13.58%	\$0.95	(136,358)	(125,255)	190,002	254,22
50,000 to 99,999	58	3,907,578	0	0	275,734	7.06%	413,154	10.57%	\$1.23	(51,071)	(17,640)	50,068	125,86
100,000+	24	3,542,289	0	0	37,870	1.07%	456,581	12.89%	\$1.00	1,782	(918)	12,900	12,90
South County	200	6 AAE 107	0	0	671.007	10 400/	040 005	10.000/	¢1 1.4	(07.040)	(114.204)	160 440	224 57
10,000 to 24,999 25,000 to 49,999	389 170	6,445,107 5,733,399	0	0	671,987 380,364	10.43% 6.63%	843,325 859,259	13.08% 14.99%	\$1.14 \$1.10	(87,942) (98,460)	(114,294) (53,271)	169,443 114,273	334,57 275,17
50,000 to 99,999	55	3,651,472	0	0	373,923	10.24%	651,929	17.85%	\$1.10	(96,460) 3,319	(36,170)	27,777	32,71
100,000+	21	4,368,233	0	Ŭ	364,281	8.34%	604,110	13.83%	\$0.66	0	22,123	0	144,10
Orange County	1 460	22 625 012	0	10 100	2 240 267	0 500/	2 604 200	11 400/	¢1.00	(275 000)	(167 400)	FC1 041	1 0 4 1 4 4
10,000 to 24,999 25,000 to 49,999	1,469 519	23,635,012 17,511,684	0	12,100 37,086	2,249,367 1,410,320	9.52% 8.05%	2,694,288 2,306,042	11.40% 13.17%	\$1.08 \$1.01	(275,086) (308,936)	(467,406) (289,714)	561,941 327,126	1,041,44 745,80
50,000 to 99,999	168	11,210,552	0	37,080 O	839,610	7.49%	1,379,892	12.31%	\$1.01	(308,930) 46,992	(15,851)	221,094	305,33
100,000+	65	11,579,541	0	0	415,746	3.59%	1,215,867	10.50%	\$0.92	13,087	46,938	34,562	202,51
					-					-	-	-	

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



SUBMARKETS

NORTH

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&DORMID-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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