



# Voit

REAL ESTATE SERVICES

Real People. Real Solutions.™



## Flex Market Report

Compared to last quarter:

Vacancy



UP

Net Absorption

NEGATIVE



Lease Rates

DOWN



Transactions



UP

### Market Highlights

- ◆ **Encouraging Numbers** - The Orange County Flex Market is showing trends of stabilization. Availability is down from last quarter, vacancy rose only slightly, and net absorption, while still negative, has also improved. Although demand is still weak by historical standards, the volume of sales transactions is increasing. While these are positive indications, stability will need to be sustained in following quarters to be considered recovery.
- ◆ **Construction** - Total space under construction checked in at 45,500 square feet at the end of the second quarter, which is a decrease from the 285,324 square feet that was under construction a year ago.
- ◆ **Vacancy** - Direct / sublease space (unoccupied) finished the quarter at 19.97%, constituting an increase over last year's second quarter rate of 14.65%. This 19.97% is still less than the record high rate of 26.95% that was recorded in the second quarter of 2002.
- ◆ **Availability** - Direct / sublease space being marketed was 27.74% this quarter, an increase of 11.95% compared to the 24.78% we saw this same quarter last year but lower than last quarter's 28.30%.
- ◆ **Lease Rates** - The average asking Full-Service Gross (FSG) lease rate per square foot per month in Orange County was \$1.85 — a 15.14% decrease over last year's rate of \$2.18 and six cents lower than last quarter's rate. The record high rate of \$2.66 was established in the third quarter of 2007.
- ◆ **Absorption** - Net absorption for the county posted a negative 45,601 square feet for the second quarter of 2010, giving the flex market an average of 180,000 square feet of negative absorption for last five quarters. This negative absorption can be attributed to the recent job losses.
- ◆ **Transaction Activity** - Leasing activity came in this quarter at 407,263 square feet. The average amount of leasing per quarter over the past five quarters was 425,000 square feet. Sales activity posted 300,419 square feet this quarter, compared to the first quarter's 133,340 square feet.
- ◆ **Employment** - The unemployment rate in Orange County was 9.2% in May 2010 — down from a revised 9.5% in April 2010 and above the year ago estimate of 8.6%. This compares with an unadjusted unemployment rate of 11.9% for California and 9.3% for the nation during the same period. According to the State of California Employment Development Department, Orange County lost 14,800 payroll jobs over the last twelve months; the largest loss was 12,300 in construction. However, during that same period, Orange County gained 8,300 jobs in leisure and hospitality and another 900 jobs in education and health services.
- ◆ **Overall** - We are beginning to see a decrease in the amount of available space being added per quarter. Though negative absorption continues, with few new deliveries in the pipeline to put more upward pressure on vacancies, the market should begin to stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, relocation funds and tenant improvement allowances should continue to increase to incentivize tenants to act immediately. We should see an increase in leasing activity as many short-term deals come up for renewal and as job creation begins in the second half of 2010. Once job creation turns positive and consumer confidence stabilizes, the flex market will again turn positive.

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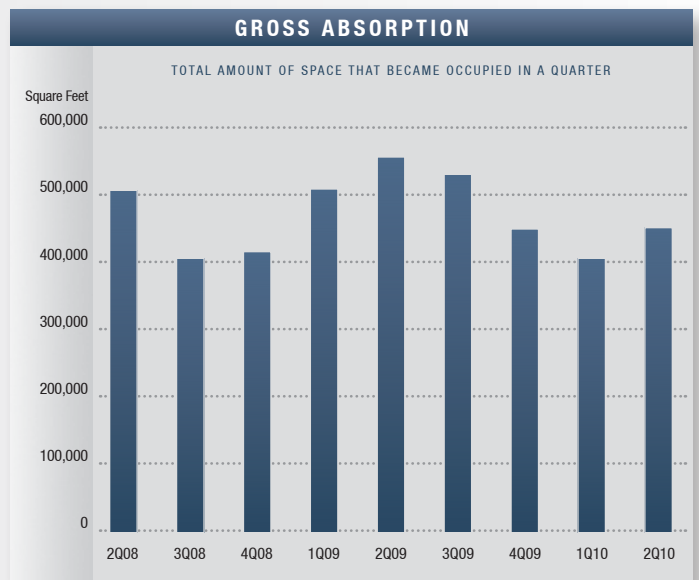
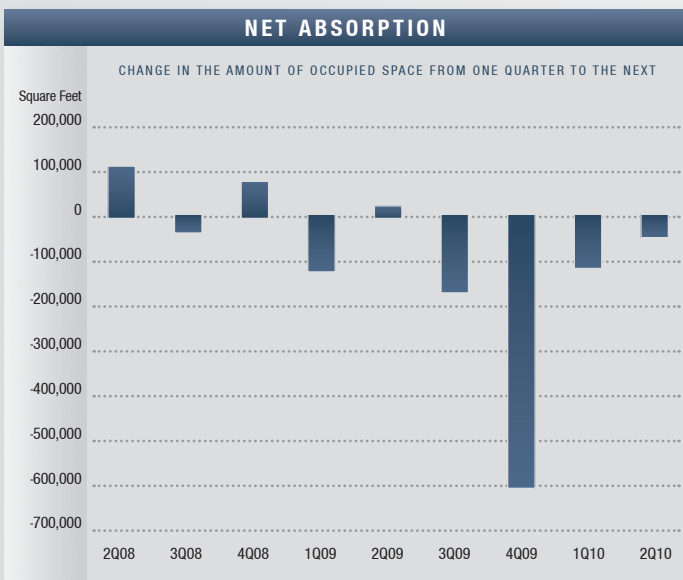
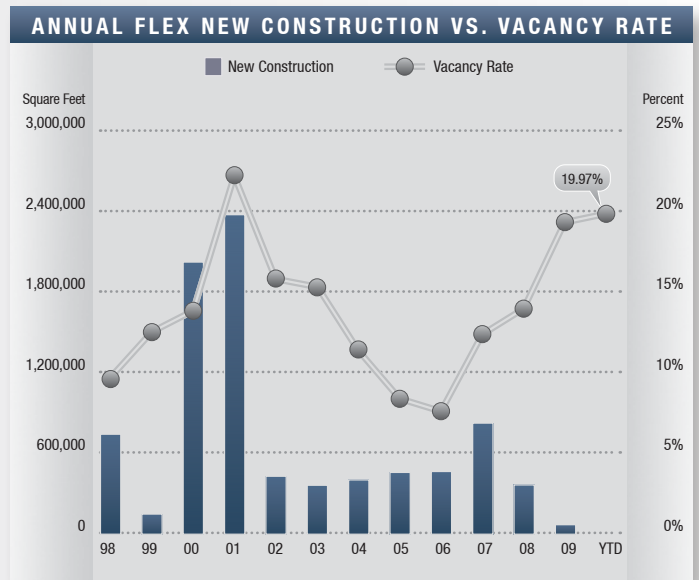
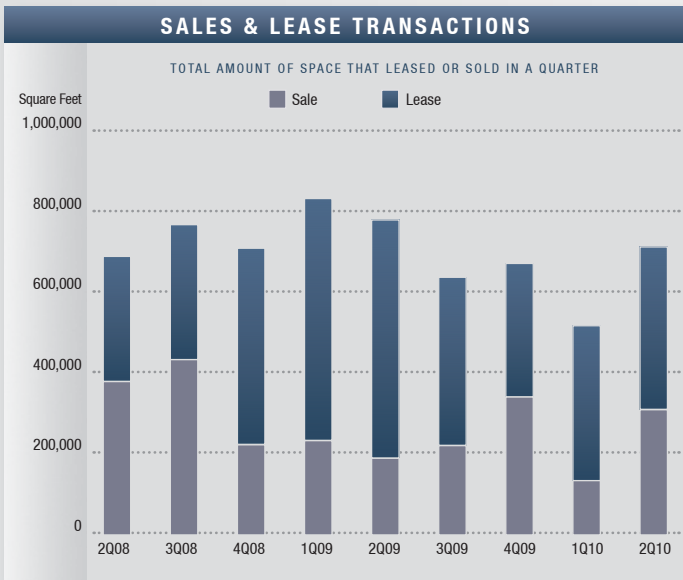
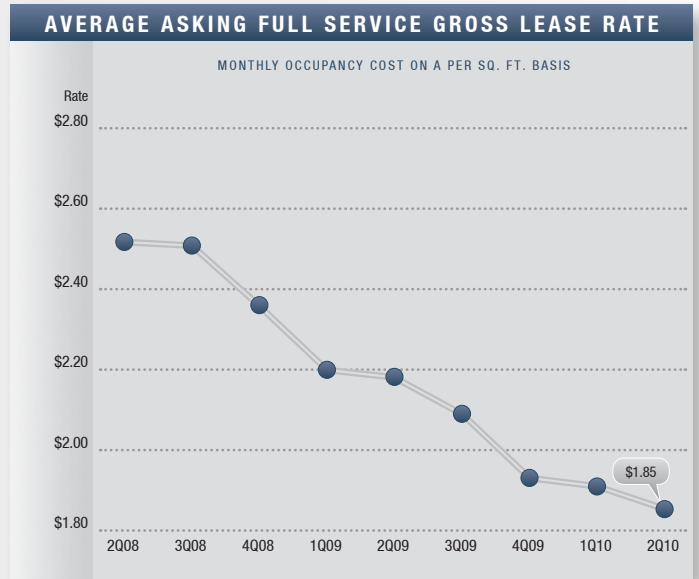
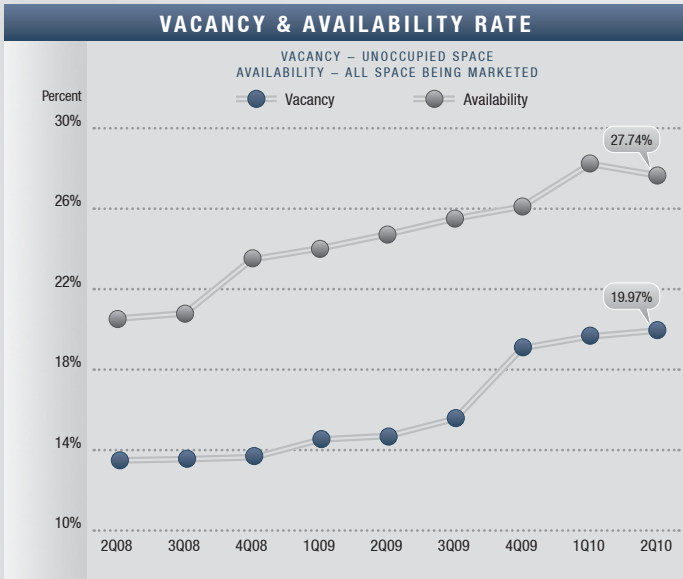
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### FLEX MARKET OVERVIEW

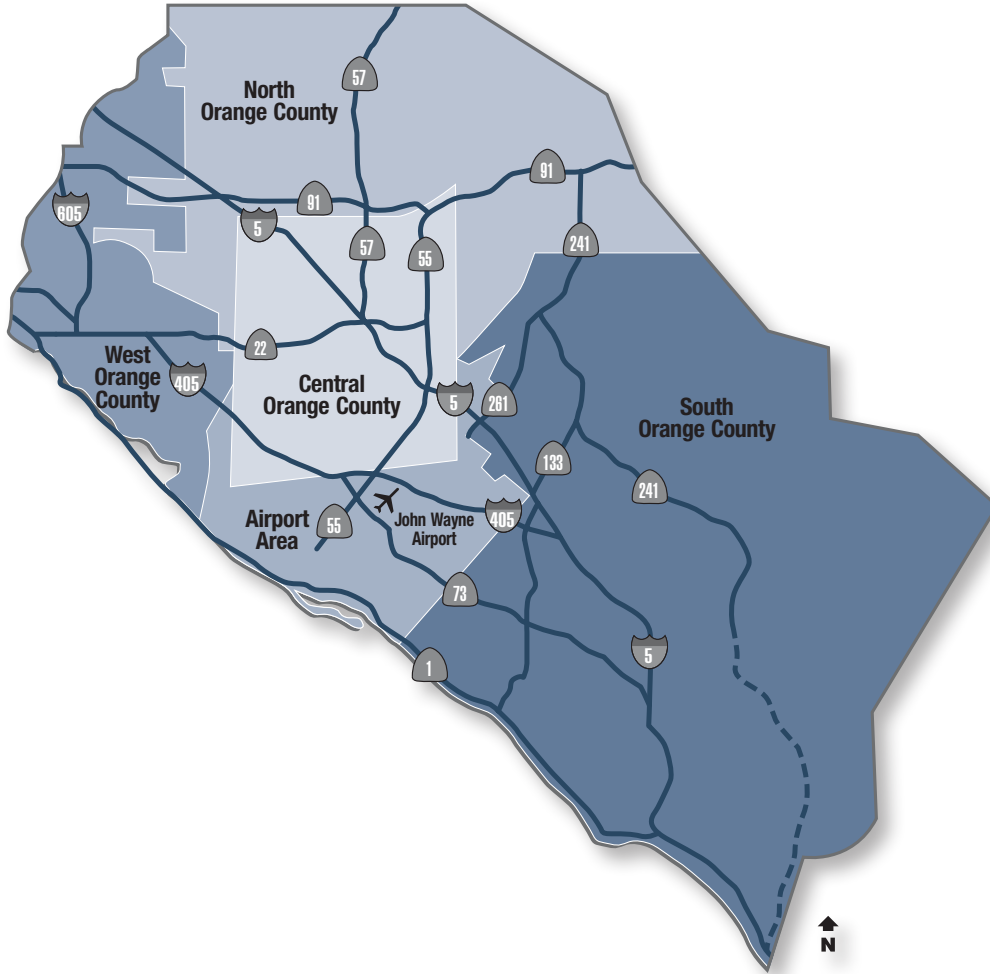
	2Q2010	1Q2010	2Q2009	% CHANGE vs. 2Q2009
Vacancy Rate	19.97%	19.72%	14.65%	36.31%
Availability Rate	27.74%	28.30%	24.78%	11.95%
Average Asking Lease Rate	\$1.85	\$1.91	\$2.18	(15.14%)
Sale & Lease Transactions	707,682	511,622	777,966	(9.03%)
Gross Absorption	449,888	408,586	556,957	(19.22%)
Net Absorption	(45,601)	(116,691)	24,467	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2010	Square Feet Available	Availability Rate 2Q2010	Average Asking Lease Rate	Net Absorption 2Q2010	Net Absorption 2010	Gross Absorption 2Q2010	Gross Absorption 2010
<b>North County</b>													
Anaheim	22	438,748	0	34,000	88,748	20.23%	103,538	23.60%	\$2.20	9,028	6,614	17,777	31,305
Brea	14	414,580	0	7,013	72,649	17.52%	95,181	22.96%	\$1.81	1,743	(28,592)	11,940	24,492
Buena Park	3	70,000	0	0	1,440	2.06%	1,440	2.06%	\$0.00	0	720	0	1,440
Fullerton	8	114,697	0	24,000	7,629	0.00%	25,114	21.90%	\$0.00	(5,360)	(95)	0	5,265
Placentia	3	61,675	43,000	0	11,858	19.23%	11,858	19.23%	\$1.78	0	1,626	0	1,626
Yorba Linda	1	10,300	0	13,200	10,300	100.00%	10,300	100.00%	\$0.00	(300)	(300)	0	0
<b>North County Total</b>	<b>51</b>	<b>1,110,000</b>	<b>43,000</b>	<b>78,213</b>	<b>192,624</b>	<b>17.35%</b>	<b>247,431</b>	<b>22.29%</b>	<b>\$1.80</b>	<b>5,111</b>	<b>(20,027)</b>	<b>29,717</b>	<b>64,128</b>
<b>West County</b>													
Cypress	11	393,068	0	0	33,813	8.60%	33,813	8.60%	\$1.95	0	(2,741)	0	2,391
Huntington Beach	3	48,796	0	0	4,405	9.03%	5,120	10.49%	\$1.36	(3,690)	(3,232)	0	1,173
Seal Beach	5	72,882	0	0	1,750	2.40%	1,750	2.40%	\$0.00	0	600	0	600
<b>West County Total</b>	<b>19</b>	<b>514,746</b>	<b>0</b>	<b>0</b>	<b>39,968</b>	<b>7.76%</b>	<b>40,683</b>	<b>7.90%</b>	<b>\$1.79</b>	<b>(3,690)</b>	<b>(5,373)</b>	<b>0</b>	<b>4,164</b>
<b>Central County</b>													
Anaheim	11	279,366	0	9,000	34,871	12.48%	34,871	12.48%	\$1.45	2,274	(7,524)	2,274	2,274
Garden Grove	2	27,400	0	0	14,990	54.71%	14,990	54.71%	\$0.00	1,000	1,620	1,000	7,100
Orange	8	158,938	0	0	10,251	6.45%	22,034	13.86%	\$1.95	(4,590)	(6,224)	0	466
Santa Ana	11	227,881	0	4,642	55,979	24.57%	65,637	28.80%	\$1.55	3,650	10,306	11,490	18,146
Tustin	4	84,313	0	0	22,034	26.13%	22,034	26.13%	\$0.00	0	(5,296)	0	0
<b>Central County Total</b>	<b>36</b>	<b>777,898</b>	<b>0</b>	<b>13,642</b>	<b>138,125</b>	<b>17.76%</b>	<b>159,566</b>	<b>20.51%</b>	<b>\$1.67</b>	<b>2,334</b>	<b>(7,118)</b>	<b>14,764</b>	<b>27,986</b>
<b>Airport Area</b>													
Costa Mesa	6	70,102	0	0	1,345	1.92%	13,492	19.25%	\$1.50	0	0	0	0
Irvine	116	3,504,183	0	100,000	807,363	23.04%	1,040,099	29.68%	\$2.09	(74,702)	(48,838)	104,740	197,820
Newport Beach	28	623,161	0	10,000	76,749	12.32%	98,951	15.88%	\$2.58	127	2,529	12,113	27,473
Santa Ana	13	552,945	0	0	109,915	19.88%	125,091	22.62%	\$1.71	(968)	(1,922)	2,221	21,651
Tustin	7	252,919	0	50,400	66,327	26.22%	73,613	29.11%	\$1.50	0	3,742	0	3,742
<b>Airport Area Total</b>	<b>170</b>	<b>5,003,310</b>	<b>0</b>	<b>160,400</b>	<b>1,061,699</b>	<b>21.22%</b>	<b>1,351,246</b>	<b>27.01%</b>	<b>\$2.04</b>	<b>(75,543)</b>	<b>(44,489)</b>	<b>119,074</b>	<b>250,686</b>
<b>South County</b>													
Aliso Viejo	44	1,350,165	0	21,000	227,456	16.85%	291,054	21.56%	\$1.76	(18,783)	(36,848)	33,867	44,469
Dana Point	6	77,940	0	35,000	7,910	10.15%	4,710	6.04%	\$0.00	0	0	0	0
Foothill Ranch	5	105,397	0	0	9,001	8.54%	15,921	15.11%	\$1.50	14,623	11,823	14,623	14,623
Irvine Spectrum	229	5,381,846	0	0	1,440,978	26.77%	1,970,244	36.61%	\$1.77	(17,812)	(59,141)	98,006	228,473
Laguna Beach	5	74,016	2,500	0	7,376	9.97%	7,666	10.36%	\$0.00	(410)	2,264	2,299	6,375
Laguna Hills	14	450,468	0	78,000	71,898	15.96%	95,050	21.10%	\$1.75	6,987	6,802	27,693	42,697
Laguna Niguel	3	53,170	0	0	0	0.00%	1,382	2.60%	\$0.00	1,159	1,159	1,159	1,159
Lake Forest	40	1,488,442	0	0	173,779	11.68%	503,196	33.81%	\$2.04	43,027	(11,563)	70,332	94,370
Mission Viejo	27	353,961	0	0	49,134	13.88%	59,937	16.93%	\$1.73	(2,338)	(11,053)	354	2,234
Rancho Santa Margarita	12	310,416	0	0	49,240	15.86%	55,698	17.94%	\$1.63	(6,784)	927	6,540	17,457
San Clemente	10	233,463	0	0	32,182	13.78%	50,598	21.67%	\$1.68	(1,897)	(3,749)	7,728	9,088
San Juan Capistrano	26	541,809	0	0	59,053	10.90%	90,799	16.76%	\$1.97	8,415	14,094	23,732	50,565
<b>South County Total</b>	<b>421</b>	<b>10,421,093</b>	<b>2,500</b>	<b>134,000</b>	<b>2,128,007</b>	<b>20.42%</b>	<b>3,146,255</b>	<b>30.19%</b>	<b>\$1.79</b>	<b>26,187</b>	<b>(85,285)</b>	<b>286,333</b>	<b>511,510</b>
<b>Orange County Total</b>	<b>697</b>	<b>17,827,047</b>	<b>45,500</b>	<b>386,255</b>	<b>3,560,423</b>	<b>19.97%</b>	<b>4,945,181</b>	<b>27.74%</b>	<b>\$1.85</b>	<b>(45,601)</b>	<b>(162,292)</b>	<b>449,888</b>	<b>858,474</b>

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2010	Square Feet Available	Availability Rate 2Q2010	Average Asking Lease Rate	Net Absorption 2Q2010	Net Absorption 2010	Gross Absorption 2Q2010	Gross Absorption 2010
<b>North County</b>													
0 to 29,999	41	664,688	0	44,213	93,579	14.08%	128,577	19.34%	\$1.74	(5,756)	9,007	9,370	41,731
30,000 to 49,999	8	322,312	43,000	34,000	62,018	19.24%	71,930	22.32%	\$2.03	10,867	3,967	20,347	22,397
50,000+	2	123,000	0	0	37,027	30.10%	46,924	38.15%	\$1.75	0	(33,001)	0	0
<b>West County</b>													
0 to 29,999	12	145,978	0	0	20,655	14.15%	21,370	14.64%	\$1.36	(3,690)	(2,632)	0	1,773
30,000 to 49,999	3	118,562	0	0	19,313	16.29%	19,313	16.29%	\$1.95	0	(2,741)	0	2,391
50,000+	4	250,206	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>Central County</b>													
0 to 29,999	28	370,130	0	13,642	34,652	9.36%	52,630	14.22%	\$1.45	1,000	(5,776)	1,000	7,100
30,000 to 49,999	2	73,363	0	0	22,605	30.81%	26,068	35.53%	\$0.00	2,274	(7,524)	2,274	2,274
50,000+	6	334,405	0	0	80,868	24.18%	80,868	24.18%	\$1.74	(940)	6,182	11,490	18,612
<b>Airport Area</b>													
0 to 29,999	90	1,035,800	0	10,000	217,274	20.98%	302,410	29.20%	\$1.90	(3,848)	(13,204)	5,023	22,483
30,000 to 49,999	42	1,719,450	0	0	393,809	22.90%	457,709	26.62%	\$2.07	(26,528)	(48,128)	23,886	53,402
50,000+	38	2,248,060	0	150,400	450,616	20.04%	591,127	26.29%	\$2.11	(45,167)	16,843	90,165	174,801
<b>South County</b>													
0 to 29,999	275	3,598,436	2,500	21,000	630,055	17.51%	930,169	25.85%	\$1.70	(16,881)	(37,729)	97,821	248,436
30,000 to 49,999	91	3,586,087	0	113,000	671,265	18.72%	911,866	25.43%	\$1.83	(2,546)	(59,285)	94,389	141,223
50,000+	55	3,236,570	0	0	826,687	25.54%	1,304,220	40.30%	\$1.91	45,614	11,729	94,123	121,851
<b>Orange County Total</b>													
0 to 29,999	446	5,815,032	2,500	88,855	996,215	17.13%	1,435,156	24.68%	\$1.73	(29,175)	(50,334)	113,214	321,523
30,000 to 49,999	146	5,819,774	43,000	147,000	1,169,010	20.09%	1,486,886	25.55%	\$1.91	(15,933)	(113,711)	140,896	221,687
50,000+	105	6,192,241	0	150,400	1,395,198	22.53%	2,023,139	32.67%	\$1.92	(493)	1,753	195,778	315,264
<b>Orange County Total</b>	<b>697</b>	<b>17,827,047</b>	<b>45,500</b>	<b>386,255</b>	<b>3,560,423</b>	<b>19.97%</b>	<b>4,945,181</b>	<b>27.74%</b>	<b>\$1.85</b>	<b>(45,601)</b>	<b>(162,292)</b>	<b>449,888</b>	<b>858,474</b>

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



**SUBMARKETS**

**NORTH**

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 and San Juan Capistrano

**PRODUCT TYPE**

**FLEX-TECH OR CORPORATE HEADQUARTERS**

Minimum 75% improved with drop ceiling, minimum parking ratio of 3.5 to 1, minimum of 3 elevators with full glassline, with ground level loading possible.

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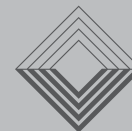
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