

Real People. Real Solutions.®



Office Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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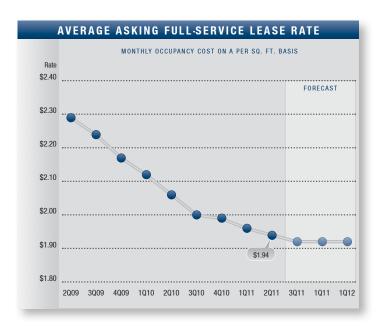
Market Highlights

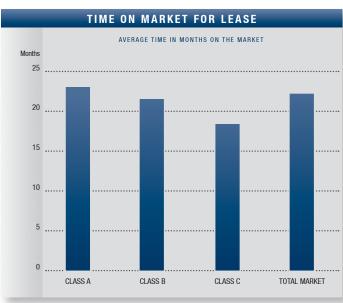
- Steady Growth The Orange County office market continued to convey signs of recovery in the second quarter of 2011. Both vacancy and availability decreased from the previous quarter, and net absorption displayed a positive number for the fourth consecutive quarter, giving the market a total of over 1.8 million square of positive absorption since the third quarter of 2010. Demand, though still weak by historical standards, picked up around Labor Day of 2010, marking the beginning of a renewed interest in sales transactions. While these are positive indications, stability will need to be sustained in coming quarters to be considered recovery.
- Construction 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 came in at 319,000 square feet for the second quarter of 2011. The slowdown in construction has and will ease the upward pressure on vacancy and the downward pressure on lease rates.
- Vacancy Direct/sublease space (unoccupied) finished the quarter at 16.38%, a decrease from first quarter rate of 16.83% and significantly down from both the Great– Recession peak of 18% in the second quarter of 2010 and the market high of 23% recorded in 1990.
- Availability Direct/sublease space being marketed was at 20.64% in the second quarter of 2011—a noticeable decrease of over 8.5% when compared to 2010's second quarter rate of 22.59% and slightly lower than the previous quarter's rate of 20.72%.
- Lease Rates The average asking full-service gross (FSG) lease rate per month per square foot in the Orange County office market was \$1.94 in the second quarter of 2011—a 5.83% decrease from the year-ago rate of \$2.06 and two cents lower than 2011's first quarter rate. The record high rate of \$2.77 was established in the fourth quarter of 2008. Class A asking rates for the county averaged \$2.12 FSG—the highest being in the Airport market where they averaged \$2.07 FSG.
- Absorption The Orange County office market posted a positive 456,928 square feet of net absorption in the second quarter of 2011, producing a total of 1.8 million

- square feet of positive absorption over the past four quarters and making this the longest trend of positive absorption seen since 2006. The perpetuation of this streak will be dependent upon continued job creation.
- Transaction Activity Leasing activity checked in at over 1.97 million square feet in the second quarter, a decrease from the previous year's total of 3 million square feet. Sales activity showed an increase, posting just over 400,000 square feet of activity compared to 2010's second quarter, when we saw 811,000 square feet of sales transactions. Details of the largest transactions for the quarter can be found on the back page of this report.
- Employment The unemployment rate in Orange County was 8.5% in May 2011—down from a revised 8.6% in April 2011 and below the year—ago estimate of 9.2%. This compares with an unadjusted unemployment rate of 11.4% for California and 8.7% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 1,900 payroll jobs from May 2010 to May 2011. The largest gross were 9,700 in leisure and hospitality and 2,900 in educational & health services; however, Orange County lost 5,600 government jobs during that same period. Chapman University is forecasting that 20,000 jobs will be added in Orange County in 2011.
- **Overall** We are beginning to see a decrease in the amount of available space being added per quarter, as well as an overall increase in investment sales activity. As we finish up the first half of 2011, positive absorption continues, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market has begun to stabilize. We foresee a continued increase in investment activity in the coming quarters as lenders dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances have begun to normalize. We should also see an increase in leasing activity as many short-term deals come up for renewal. As job creation continues and consumer confidence stabilizes, the office market will continue to recover.

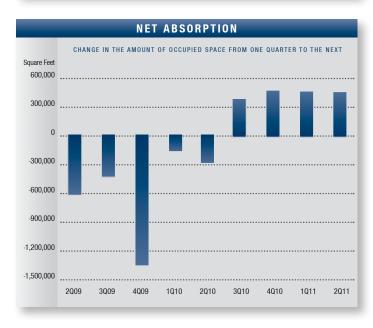
	OFFICE	MARKET	OVERVIEW	
	202011	1Q2011	2Q2010	% Change vs. 2Q2010
Total Vacancy Rate	16.38%	16.83%	18.00%	(9.00%)
Availability Rate	20.64%	20.72%	22.59%	(8.63%)
Average Asking Lease Rate	\$1.94	\$1.96	\$2.06	(5.83%)
Sale & Lease Transactions	2,381,664	3,500,161	3,528,228	(32.50%)
Gross Absorption	2,298,067	2,840,315	2,276,803	0.93%
Net Absorption	456,928	467,077	(286,128)	N/A

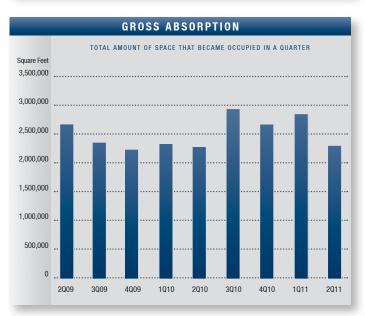












Voit REAL ESTATE SERVICES

	INVENTORY			VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 202011	Square Feet Available	Availability Rate 202011	Average Asking Lease Rate	Net Absorption 2Q2011	Net Absorption 2011	Gross Absorption 2Q2011	Gross Absorption 2011
North County													
Anaheim Hills	9	452,548	100,000	39,200	86,562	19.13%	174,299	38.52%	\$1.65	(27,661)	25,515	23,674	84,414
Brea	44	4,091,959	0	120,000	704,490	17.22%	775,835	18.96%	\$1.94	17,682	(16,782)	76,647	93,322
Buena Park Fullerton	11 29	646,810 2,191,368	0	0	117,213 180,186	18.12% 8.22%	165,768 459,594	25.63% 20.97%	\$1.60 \$1.48	(15,201) (10,351)	407 (41,794)	4,645 4,228	29,206 23,146
La Habra	5	205,459	0	0	12,611	6.14%	19,365	9.43%	\$1.47	2,236	1,026	8,175	8,456
La Palma	7	571,393	0	0	68,595	12.00%	87,462	15.31%	\$2.03	29,889	23,849	41,535	55,105
Placentia	8	267,570	0	0	39,232	14.66%	39,042	14.59%	\$1.45	27,837	62,982	33,653	97,877
Yorba Linda	6	337,312	0	0	32,488	9.63%	77,352	22.93%	\$1.73	7,171	590	11,914	12,939
North County Total	119	8,764,419	100,000	159,200	1,241,377	14.16%	1,798,717	20.52%	\$1.79	31,602	55,793	204,471	404,465
Vest County													
Cypress	28	2,023,301	0	0	169,980	8.40%	292,519	14.46%	\$1.85	(52,306)	(56,489)	11,718	13,176
Fountain Valley	34	1,730,037	0	0	280,683	16.22%	320,389	18.52%	\$1.73	7,420	(7,326)	11,807	14,805
Garden Grove	22	1,490,658	0	0	48,994	3.29%	246,859	16.56%	\$1.23	(153)	(7,427)	3,812	12,995
Huntington Beach	43	2,379,605	0	0	458,298	19.26%	470,337	19.77%	\$1.94	17,735	(24,364)	35,042	88,289
Los Alamitos	12	649,782	0	0	37,005	5.69%	40,263	6.20%	\$1.83	637	4,887	2,320	6,570
Seal Beach Stanton	7	477,159 113,702	0	0	25,860 6,009	5.42% 5.28%	79,352 14,875	16.63% 13.08%	\$2.29 \$0.00	1,979 2,984	(87) 2,033	7,974 3,428	10,692 4,377
Westminster	15	582,531	0	0	46,940	8.06%	70,175	12.05%	\$1.68	1,078	1,322	1,078	2,486
West County Total	164	9,446,775	0	0	1,073,769	11.37%	1,534,769	16.25%	\$1.83	(20,626)	(87,451)	77,179	153,390
entral County					.,0.0,100	. 1.0. 70	.,50.,100	. 5.2570	Ţ 0	(20,020)	(57,101)	,110	. 55,000
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Anaheim Orange	95 83	7,332,906 7,314,103	194,000 0	225,454 0	1,559,664 1,313,601	21.27% 17.96%	1,778,496 1,615,700	24.25% 22.09%	\$1.70 \$1.98	27,270 32,675	199,843 20,859	65,449 156,890	282,810 245,343
Santa Ana	183	14,177,622	0	785,320	1,866,911	13.17%	2,278,324	16.07%	\$1.73	66,137	47,220	224,306	410,206
Tustin	42	1,796,944	0	212,000	297,748	16.57%	367,183	20.43%	\$1.70	(1,984)	29,559	33,376	72,453
Central County Total	403	30,621,575	194,000	1,222,774	5,037,924	16.45%	6,039,703	19.72%	\$1.80	124,098	297,481	480,021	1,010,812
irport Area		, ,	,	, ,	, ,		, ,		,	,	,	,	, ,
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Costa Mesa Irvine	75 292	7,365,287 25,725,211	0	1,127,975	1,255,601 5,029,739	17.05% 19.55%	1,424,969 6,115,511	19.35% 23.77%	\$1.91 \$2.02	132,426 (17,169)	86,976 194,460	253,412 616,000	434,647 1,503,048
Newport Beach	127	9,399,176	0	479,800	1,315,592	14.00%	1,705,299	18.14%	\$2.02	57,425	109,980	198,150	483,647
Airport Area Total	494	42,489,674	0	1,607,775	7,600,932	17.89%	9,245,779	21.76%	\$2.07	172,682	391,416	1,067,562	2,421,342
•	101	12,100,011		1,007,110	7,000,002	1110070	0,2 10,7 70	2111070	Ψ2.07	,002	551,115	1,007,002	2, 121,012
outh County	40	0.140.104	05.000	0.47.000	F4.4.000	10.000/	202 502	00.100/	00.00	(10.000)	(45.004)	00.100	4 44 000
Aliso Viejo Dana Point	43 3	3,140,194 135,296	25,000 0	647,000 35,000	514,626 0	16.39% 0.00%	696,580 0	22.18% 0.00%	\$2.06 \$0.00	(12,209) 0	(45,991) 1,200	30,186 0	141,090 1,200
Foothill Ranch	9	739,893	0	33,000	306,312	41.40%	289,434	39.12%	\$1.97	6,571	(30,071)	13,415	13,415
rvine Spectrum	118	8,016,984	0	0	1,176,318	14.67%	1,742,161	21.73%	\$2.09	128,973	346,124	263,420	666,493
Laguna Beach	5	194,434	0	0	30,753	15.82%	30,753	15.82%	\$0.00	(1,000)	(3,574)	900	1,779
Laguna Hills	32	1,742,711	0	78,000	290,702	16.68%	340,211	19.52%	\$2.00	(7,904)	(36,133)	28,429	45,611
Laguna Niguel	10	494,835	0	0	55,109	11.14%	66,907	13.52%	\$2.18	10,706	2,746	14,825	22,898
_ake Forest	38	1,913,983	0	0	374,611	19.57%	629,055	32.87%	\$1.69	25,462	36,755	60,589	129,470
Mission Viejo	35	1,853,784	0	0	234,119	12.63%	246,674	13.31%	\$1.74	(1,471)	16,007	41,769	96,822
Rancho Santa Margarita	6	251,030	0	0	70,827	28.21%	72,946	29.06%	\$1.50	(3,219)	(2,632)	1,838	6,952
San Clemente San Juan Capistrano	10 16	387,818 743,243	0	0	50,428 111,113	13.00% 14.95%	48,885 111,883	12.61% 15.05%	\$1.92 \$2.09	6,042 (2,779)	(8,726) (10,669)	6,042 7,421	11,117 9,796
South County Total	325	19,614,205	25,000	760,000	3,214,918	16.39%	4,275,489	21.80%	\$1.97	149,172	265,036	468,834	1,146,643
				· · · · · · · · · · · · · · · · · · ·									
range County Total	1,505	110,936,648	319,000	3,749,749	18,168,920	16.38%	22,894,457	20.64%	\$1.94	456,928	922,275	2,298,067	5,136,652
			ITORY		VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2011	Square Feet Available	Availability Rate 202011	Average Asking Lease Rate	Net Absorption 2Q2011	Net Absorption 2011	Gross Absorption 202011	Gross Absorption 2011
lorth County													
Class A	21	2,169,792	0	159,200	364,345	16.79%	390,027	17.98%	\$2.20	42,027	30,277	127,177	170,218
Class B	87	6,230,704	100,000	0	818,922	13.14%	1,348,657	21.65%	\$1.65	(4,870)	62,371	77,294	229,547
Class C	11	363,923	0	0	58,110	15.97%	60,033	16.50%	\$1.57	(5,555)	(36,855)	0	4,700
lest County		0.050.534		•	447 (5	4.500	FF 4 000	10.0001	фо оо	700	/00 0 : 0	10.755	00.70
Class A	29	2,859,572	0	0	417,150	14.59%	554,360	19.39%	\$2.00	782	(32,616)	40,755	83,784
Class B Class C	108 27	5,470,336 1,116,867	0	0	586,359 70,260	10.72% 6.29%	903,244 77,165	16.51% 6.91%	\$1.64 \$1.40	(24,187) 2,779	(57,434) 2,599	30,445 5,979	59,125 10,481
entral County	21	1,110,007	U	U	10,200	0.2970	11,100	0.9170	φ1.40	2,119	2,099	5,919	10,481
Class A	75	11,708,411	0	960,820	2,166,000	18.50%	2,702,397	23.08%	\$1.96	97,680	45,269	271,712	425,035
Class B	254	15,996,756	194,000	261,954	2,552,164	15.95%	2,931,539	18.33%	\$1.60	47,196	260,807	190,629	550,988
Class C	74	2,916,408	0	0	319,760	10.96%	405,767	13.91%	\$1.39	(20,778)	(8,595)	17,680	34,789
rport Area													
Class A	133	23,657,055	0	1,180,000	4,994,221	21.11%	5,782,299	24.44%	\$2.24	59,599	206,937	591,825	1,452,563
Class B	328	17,317,952	0	427,775	2,443,528	14.11%	3,320,756	19.18%	\$1.77	103,994	176,167	456,478	929,381
Class C	33	1,514,667	0	0	163,183	10.77%	142,724	9.42%	\$1.29	9,089	8,312	19,259	39,398
outh County	00	0.750.050	0	647.000	1 500 050	17.150/	2.055.240	22.460/	¢2.00	20.001	(04.405)	174.041	40F 400
	90 226	8,759,856 10,335,135	25,000	647,000 113,000	1,502,256 1,696,491	17.15% 16.41%	2,055,348 2,203,970	23.46% 21.33%	\$2.08 \$1.75	29,081 118,004	(24,485) 297,108	174,241 290,440	425,483 715,965
	9	519,214	25,000	113,000	16,171	3.11%	16,171	3.11%	\$1.75	2,087	(7,587)	4,153	5,195
Class B	u	010,214	U	U	10,171	0.11/0	10,171	3.1170	Ψ1.20	2,001	(1,501)	7,100	3,130
Class B Class C	9												
Class B Class C range County	348	49,154,686	0	2,947,020	9,443,972	19.21%	11,484,431	23.36%	\$2.12	229,169	225,382	1,205,710	2,557,083
Class B Class C range County Class A Class B	348 1,003	49,154,686 55,350,883	0 319,000	2,947,020 802,729	9,443,972 8,097,464	19.21% 14.63%	11,484,431 10,708,166	23.36% 19.35%	\$2.12 \$1.69	229,169 240,137	225,382 739,019	1,205,710 1,045,286	
Class A Class B Class C Drange County Class A Class B Class C Drange County Total	348												2,557,083 2,485,006 94,563

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 per SF	Buyer	Seller			
3330 & 3370 E. Miraloma Ave. – 2 Properties	North	В	392,298	\$50.98	3370 Miraloma Avenue, LLC	La Palma/Miller Owner, LLC			
2600 Michelson Dr.	Airport	Α	309,742	\$226.16	Ocean West Capital Partners	MPG Office Trust			
4 Hutton Centre Dr.	Airport	Α	210,041	\$176.16	Lakeside Partners, LLC	Legacy Partners II Santa Ana Hutton, LLC			
27071 Aliso Creek Rd. – 3 Properties	South	В	124,710	\$141.93	Menlo Equities Associates, LLC	Arden Realty, LP			
1063 McGaw Ave.	Airport	В	56,741	\$128.21	1063 McGaw, LLC	LW McGaw, LP			
2212 Dupont Dr.	Airport	В	20,505	\$175.00	James R. Glidwell Family Trust	Snyder 1975 Trust			
Lagge Transactions									

Lease Transactions Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
1 Enterprise	South	Α	109,948	Jun-11	Microsemi Corporation	RREEF America, LLC
535 Anton Blvd.	Airport	Α	87,000	Jun-11	Experian	RREEF America, LLC
1800 E. Imperial Hwy.	North	Α	77,828	Apr-11	VPI Pet Insurance	Cigna Investments, LLC
210 Commerce Dr.	Airport	В	44,705	Apr-11	Hyundai Capital	The Irvine Company
18500 Von Karman Ave.	Airport	Α	32,663	May-11	Samsung Information System	The Irvine Company
770 the City Dr.	Central	Α	31,060	May-11	Access Insurance Holding, Inc.	SPS05 OC Square, LLC

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

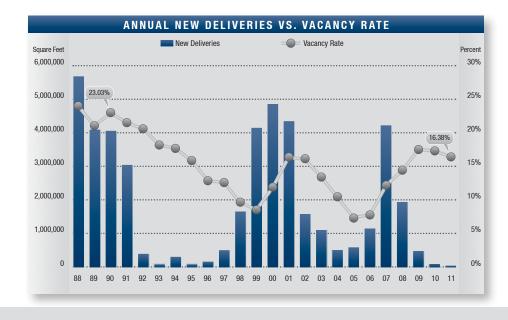
Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. However, Class B buildings cannot compete with Class A buildings of the same price.

CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.

Las Vegas, NV

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San Diego, CA

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