Real People. Real Solutions.®

Orange County | Second Quarter 2011



R&D Market Report

Compared to the Previous Quarter:

Vacancy DOWN

Net Absorption



Lease Rates



Transactions



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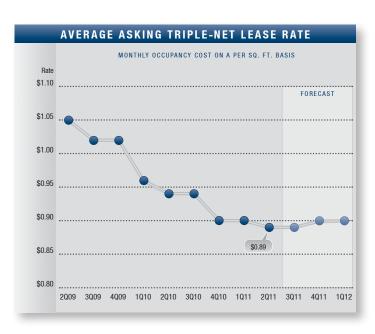
Market Highlights

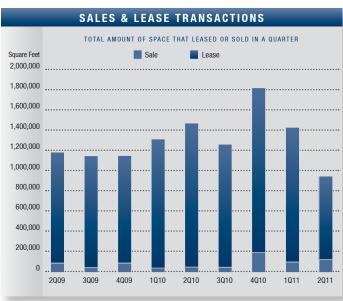
- Encouraging Numbers The Orange County research
 and development market conveyed more promise of
 stabilization in the second quarter of 2011. Availability and
 vacancy declined, and net absorption posted a positive
 number for the second consecutive quarter. Although
 demand was still weak by historical standards, the volume
 of sale and lease transactions increased. While these are
 positive indications, stability will need to be sustained in
 coming quarters to be considered recovery.
- Construction There was no R&D space under construction in Orange County in the second quarter of 2011, as a result of a lack of demand. The shrinking availability of land, scarce financing and rising construction costs have led to few projects being developed.
- Vacancy Direct/sublease space (unoccupied) finished the second quarter at 8.16%, constituting a 6.74% decrease from 2010's second quarter rate of 8.75%.
- Availability Direct/sublease space being marketed was 12.06% in the second quarter, down from the 12.51% we saw at the end of the first quarter and a decrease of 8.98% when compared to the same quarter of the previous year.
- Lease Rates The average asking triple-net lease rate
 per square foot per month in Orange County's flex market
 was \$0.89 in the second quarter—one cent lower than the
 previous quarter's rate and a 5.32% decrease from 2010's
 second quarter rate of \$.94. The record high rate of \$1.22
 was established in the second quarter of 2007.
- Absorption The Orange County R&D market posted 385,266 square feet of positive net absorption in the second quarter of 2011 — giving the R&D market almost 500,000 square feet of positive absorption for the first half of 2011, the the most positive absorption seen since the third quarter of 2007.
- Transaction Activity Leasing activity checked in at 825,000 square feet in the second quarter of 2011. The

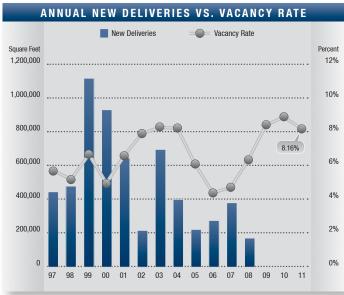
- Orange County R&D market averaged 1.28 million square feet of leasing activity per quarter over the past five quarters. Sales activity posted 120,000 square feet in the second quarter, an increase over 2010's figure of 48,000 square feet. The Orange County research and development market averaged 99,000 square feet of sales activity per quarter over the past five quarters.
- 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 vacant space being added per quarter. Absorption is displaying signs of improvement, posting the highest positive figure seen in over four years. With few new deliveries in the pipeline to apply upward pressure on vacancy, the market should continue to stabilize. We foresee an increase in investment activity in the coming quarters as lenders continue 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 in order to incentivize tenants to act immediately. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation continues in 2011. As unemployment rates drop and consumer confidence stabilizes, the R&D market will recover.

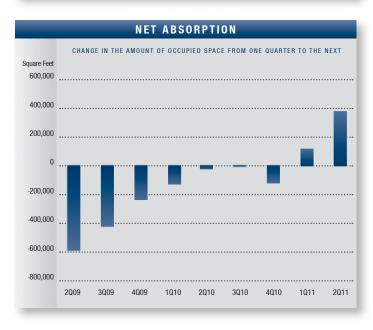
	R&D MA	RKET O	/ ERVIEW		
	2Q2011	1Q2011	2Q2010	% Change vs. 2Q2010	
Total Vacancy Rate	8.16%	8.77%	8.75%	(6.74%)	
Availability Rate	12.06%	12.51%	13.25%	(8.98%)	
Average Asking Lease Rate	\$0.89	\$0.90	\$0.94	(5.32%)	
Sale & Lease Transactions	945,539	1,420,286	1,464,745	(35.45%)	
Gross Absorption	1,420,513	1,382,293	1,078,550	31.71%	
Net Absorption	385,266	116,514	(23,422)	N/A	

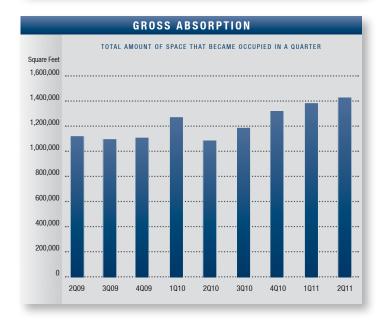








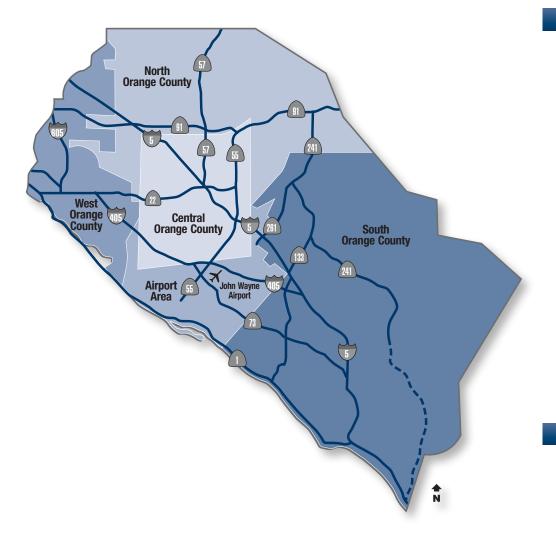




Voit REAL ESTATE SERVICES

		INVEN	TORY		1	ACANCY	& LEAS	E 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 202011	Gross Absorptio 2011	
North County	2.1290.	04	0,0				7114114111		20000 11000		2011			
Anaheim	99	3,141,173	0	0	192,295	6.12%	272,552	8.68%	\$0.60	26,122	57,225	57,430	131,31	
Brea	46	1,158,356	0	0	77,422	6.68%	136,966	11.82%	\$0.00	(20,320)	312	11,085	39,43	
Buena Park	33	1,164,904	0	0	48,299	4.15%	81,322	6.98%	\$0.00	21,664	20,905	25,684	42,98	
Fullerton	39	1,455,521	0	0	106,498	7.32%	144,991	9.96%	\$0.00	(1,333)	(25,645)	7,735	19,94	
La Habra	7	146,680	0	0	6,392	4.36%	4,264	2.91%	\$0.00	4,000	4,080	4,000	4,08	
La Palma	6	251,907	0	0	55,590	22.07%	59,540	23.64%	\$1.10	(15,022)	961	0	21,24	
Placentia Verba Linda	21 50	575,108	0	0	34,000	5.91%	92,149	16.02%	\$0.85	(7,955)	(23,860)	5,130	8,32	
Yorba Linda North County Total	301	1,338,504 9,232,153	0	0	74,621 595,117	5.57% 6.45%	144,679 936,463	10.81% 10.14%	\$0.35 \$0.69	8,581 15,737	4,701 38,679	20,547 131,611	39,99 307,30	
•	301	9,232,133	U	U	393,117	0.4370	930,403	10.1470	φυ.09	15,757	30,079	131,011	307,31	
West County														
Cypress	43	2,314,957	0	0	258,411	11.16%	530,108	22.90%	\$0.85	(25,473)	(25,473)	67,228	67,2	
Huntington Beach	125	2,543,124	0	0	215,329	8.47%	253,179	9.96%	\$0.00	(4,873)	(10,883)	42,428	70,8	
Los Alamitos	37	823,940	0	0	42,826	5.20%	51,862	6.29%	\$0.00	13,484	19,643	17,984	30,9	
West County Total	205	5,682,021	0	0	516,566	9.09%	835,149	14.70%	\$0.85	(16,862)	(16,713)	127,640	168,99	
Central County														
Anaheim	81	1,940,330	0	0	217,533	11.21%	203,502	10.49%	\$0.59	(64,347)	(108,035)	12,473	39,8	
Garden Grove	81	2,488,715	0	0	144,415	5.80%	227,261	9.13%	\$0.84	56,679	137,253	83,892	181,30	
Orange	97	2,063,355	0	0	101,917	4.94%	184,693	8.95%	\$0.77	(20,941)	(16,528)	18,476	37,7	
Santa Ana Westminster	61 20	1,493,695	0	0	186,049	12.46%	227,688	15.24%	\$1.15	11,586	(32,997)	24,025	56,9	
Westminster		508,855	0	0	29,300	5.76%	42,782	8.41%	\$0.00	3,508	(10,892)	8,098	11,2	
Central County Total	340	8,494,950	0	U	679,214	8.00%	885,926	10.43%	\$0.85	(13,515)	(31,199)	146,964	327,30	
Airport Area														
Costa Mesa	178	4,323,063	0	0	426,763	9.87%	605,523	14.01%	\$0.67	7,494	16,998	100,923	253,1	
Fountain Valley	49	1,376,375	0	0	53,445	3.88%	91,036	6.61%	\$0.77	14,709	22,934	22,697	40,38	
Irvine	269	6,892,388	0	0	557,444	8.09%	853,430	12.38%	\$0.95	81,827	155,634	192,456	483,1	
Newport Beach Santa Ana	23 127	545,224 3,893,639	0	0	76,595 207,513	14.05% 5.33%	56,537 281,402	10.37% 7.23%	\$1.00 \$0.85	(7,990) 93,218	(37,053) 36,897	4,570 116,014	4,9 148,0	
Tustin	97	3,386,750	0	0	371,452	10.97%	606,192	17.90%	\$0.88	5,755	(8,900)	35,314	61,7	
Airport Area Total	743	20,417,439	0	0	1,693,212	8.29%	2,494,120	12.22%	\$0.85	195,013	186,510	471,974	991,3	
•	740	20,417,439	0	U	1,095,212	0.2370	2,434,120	12.22/0	ψ0.03	195,015	100,510	471,974	331,3	
South County														
Aliso Viejo	34	808,467	0	0	67,108	8.30%	114,858	14.21%	\$0.98	34,146	11,383	41,932	49,4	
Foothill Ranch	7	162,906	0	0	050.005	0.00%	1 424 001	0.00%	\$0.00	49,415	49,415	49,415	49,4	
Irvine Spectrum Laguna Hills	266 60	9,979,124 1,369,914	0	0	859,925 98,734	8.62% 7.21%	1,434,881 112,166	14.38% 8.19%	\$0.98 \$1.18	120,435 8,596	219,122 16,770	330,653 26,183	610,35 60,18	
Laguna Niguel	22	1,562,796	0	0	225,365	14.42%	225,365	14.42%	\$0.80	4,154	(4,998)	15,159	19,02	
Lake Forest	61	1,381,451	0	0	129,732	9.39%	165,218	11.96%	\$0.64	13,229	16,002	31,149	65,60	
Mission Viejo	35	937,473	0	0	78,116	8.33%	81,326	8.68%	\$1.00	(10,697)	69	9,480	30,92	
Rancho Santa Margarita	41	1,463,496	0	0	46,333	3.17%	106,006	7.24%	\$0.72	(18,312)	34,753	0	60,3	
San Clemente	44	1,037,152	0	0	104,833	10.11%	166,274	16.03%	\$1.00	(2,548)	(11,141)	24,120	44,7	
San Juan Capistrano	39	753,320	0	239,012	69,156	9.18%	75,593	10.03%	\$0.00	6,475	(6,872)	14,233	17,83	
South County Total	609	19,456,099	0	239,012	1,679,302	8.63%	2,481,687	12.76%	\$0.94	204,893	324,503	542,324	1,007,8	
Orange County Total	2,198	63,282,662	0	239,012	5,163,411	8.16%	7,633,345	12.06%	\$0.89	385,266	501,780	1,420,513	2,802,80	
North County														
10,000-24,999	179	2,851,771	0	0	272,374	9.55%	432,213	15.16%	\$0.82	42,377	18,609	76,266	161,43	
25,000-49,999	86	2,899,180	0	0	224,514	7.74%	382,734	13.20%	\$0.50	(11,618)	21,360	55,345	124,63	
50,000-99,999	26	1,718,590	0	0	98,229	5.72%	121,516	7.07%	\$1.10	(15,022)	(1,290)	0	21,24	
100,000 Plus	10	1,762,612	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0		
West County														
10,000-24,999	142	2,168,574	0	0	175,961	8.11%	189,973	8.76%	\$0.85	11,840	(2,498)	47,872	68,83	
25,000-49,999	41	1,419,168	0	0	77,928	5.49%	119,188	8.40%	\$0.85	(16,882)	(2,395)	16,588	36,98	
50,000-99,999	18	1,185,903	0	0	250,857	21.15%	421,888	35.58%	\$0.85	0	0	0		
100,000 Plus	4	908,376	0	0	11,820	1.30%	104,100	11.46%	\$0.00	(11,820)	(11,820)	63,180	63,18	
Central County										,				
10,000-24,999	244	3,941,214	0	0	369,731	9.38%	468,107	11.88%	\$0.95	(37,830)	(17,712)	62,303	144,4	
25,000-49,999	74	2,430,502	0	0	215,555	8.87%	248,770	10.24%	\$0.69	44,754	(12,392)	84,661	115,7	
50,000-99,999	15	983,901	0	0	30,592	3.11%	77,423	7.87%	\$0.71	(20,439)	30,111	0	58,3	
100,000 Plus Airport Area	7	1,139,333	0	0	63,336	5.56%	91,636	8.04%	\$1.10	0	(31,206)	0	8,7	
•	400	7 070 000	0	•	750 700	0.450/	000.040	10.000/	00.04	70.000	44 450	044 500	404.5	
10,000–24,999 25,000–49,999	496 160	7,978,929	0	0	753,760	9.45%	980,613	12.29%	\$0.94 \$0.71	79,880 69,668	41,150 85,738	244,532	404,5	
50,000-49,999 50,000-99,999	169 55	5,686,421 3,650,368	0	0	573,834 173,685	10.09% 4.76%	769,699 341,235	13.54% 9.35%	\$0.71 \$0.78	19,944	85,738 83,821	156,010 45,911	386,8 174,5	
100,000 Plus	23	3,101,721	0	0	191,933	6.19%	402,573	12.98%	\$1.02	25,521	(24,199)	25,521	25,5	
South County	20	5,101,121	U	v	101,000	5.1070	102,010	. 2.00 /0	ψ1.0L	20,021	(21,100)	20,021	20,0	
10,000-24,999	371	6,111,807	0	150,972	546,639	8.94%	732,772	11.99%	\$0.88	57,481	34,794	176.920	330,7	
25,000-49,999	167	5,606,036	0	88,040	463,546	8.94%	827,216	14.76%	\$0.88 \$0.87	135,784	34,794 141,180	176,829 219,175	330,7 368,7	
50,000-99,999	52	3,466,611	0	00,040	443,897	12.80%	660,750	19.06%	\$1.03	11,628	141,160	36,320	198,3	
100,000 Plus	19	4,271,645	0	0	225,220	5.27%	260,939	6.11%	\$0.84	0	140,529	110,000	110,0	
Orange County	10	.,2,0 10	Ū	v		J.L. 70	255,000	5170	40.01	v	J		. 10,0	
10,000-24,999	1,432	23,052,295	0	150,972	2,118,465	9.19%	2,803,678	12.16%	\$0.87	153,748	74,343	607,802	1,109,9	
25,000-49,999	537	18,041,307	0	88,040	1,555,377	9.19% 8.62%	2,803,678	13.01%	\$0.87 \$0.79	221,706	233,491	531,779	1,109,9	
50,000-99,999	166	11,005,373	0	08,040	997,260	9.06%	1,622,812	14.75%	\$0.79 \$0.92	(3,889)	261,171	82,231	452,4	
100,000 Plus	63	11,183,687	0	0	492,309	4.40%	859,248	7.68%	\$1.01	13,701	(67,225)	198,701	207,4	
	00	, 100,001	U	U	102,000	1. 10 /0	000,240	1.0070	Ψ1.01	10,701	(01,220)	.00,101	٠,٠٠٠	

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&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.

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