

Report



THIRD
QUARTER
2003



Market Highlights

- Unemployment for the third quarter of 2003 in Orange County is 3.8%, which is an increase of .2% when compared to the second quarter of 2003 and is .2% lower than it was during the third quarter of 2002.
- According to Chapman University it is estimated that Orange County will add 13,000 new jobs in 2003. Furthermore, they are forecasting that 30,000 new jobs will be added to the county in 2004 as the Orange County economy is expected to continue its recovery into next year.
- Total space under construction checked in at just over 600,000 square feet for the third quarter of 2003, which is double the amount that was under construction in the second quarter of 2003.
- The office vacancy rate checked in at 14.02%, which is about the same as last quarter when it was 13.88%; this is a sign of strength with almost 2 million square feet of new product that was built in 2002 being absorbed. Keep in mind that this rate of 14.02% is much lower than the 25% vacancy rates Orange County experienced back in the early 90's.
- The total amount of office space available in Orange County, this includes both direct and sublease space, is also lower, checking in at 15.61% this quarter from 18.20% in the third quarter of 2002.
- The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.00, which is a 5.66% decrease over last year's third quarter rate of \$2.12.
- Net absorption for the county this quarter posted a negative number of 4,707 square feet for the third quarter of this year, giving the county a total of over 1.3 million square feet of positive absorption for the three quarters of 2003.

Compared to last quarter:

Vacancy



Absorption



Lease Rates



Construction



Orange County

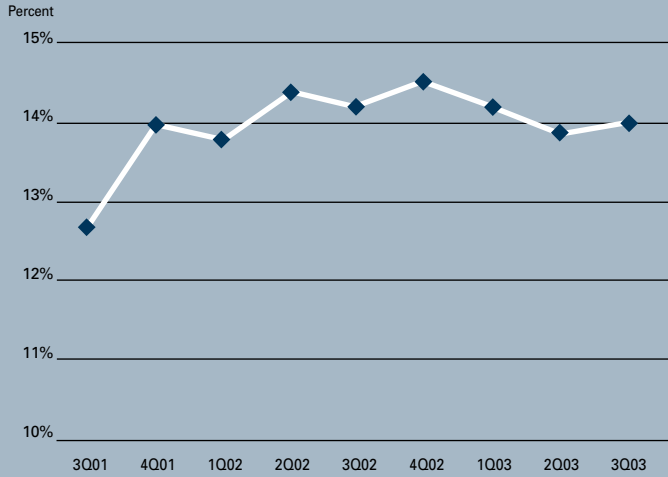
OFFICE MARKET STATISTICS

	3Q2003	2Q2003	3Q2002	% CHANGE VS. 3Q02
Under Construction	642,958	316,727	1,126,189	-42.91%
Planned Construction	4,767,870	4,227,201	6,599,016	-27.75%
Vacancy	14.02%	13.88%	14.23%	-1.48%
Availability	15.61%	15.66%	18.20%	-14.23%
Pricing	\$2.00	\$2.03	\$2.12	-5.66%
Net Absorption	-4,707	486,129	266,864	N/A

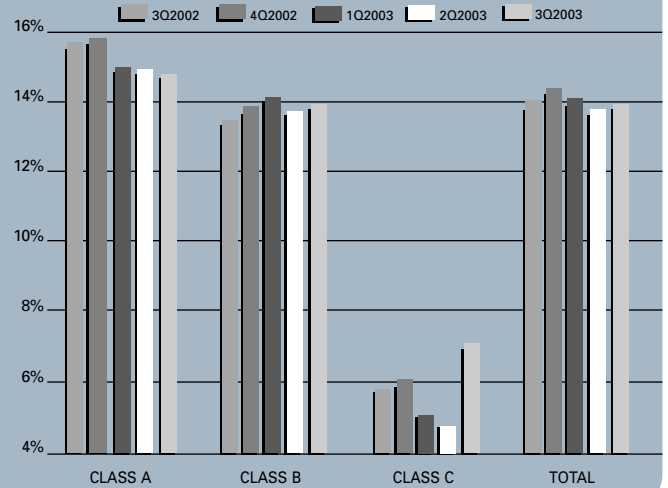
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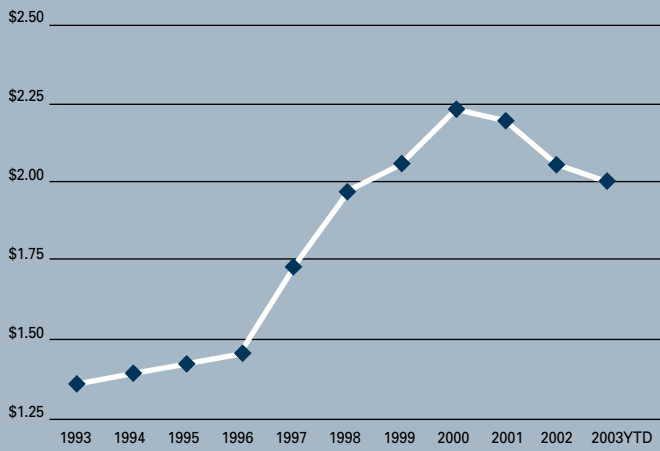
VACANCY RATE



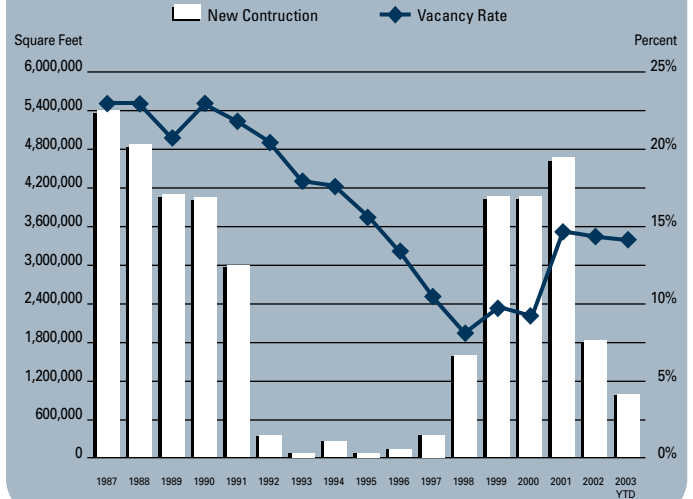
OFFICE VACANCY RATE



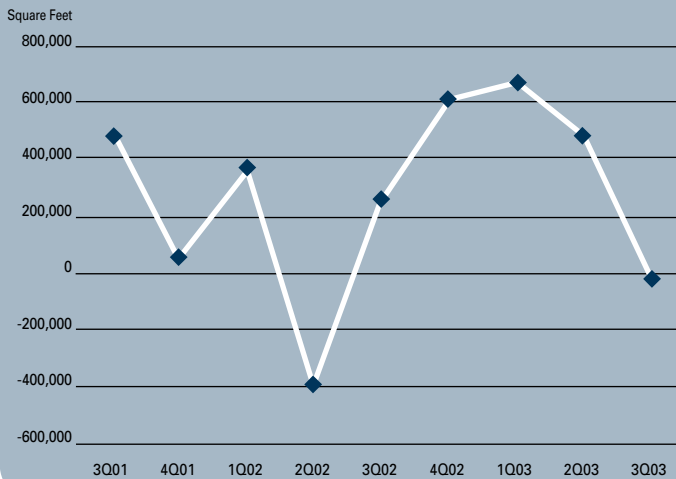
AVERAGE ASKING FULL SERVICE LEASE RATE



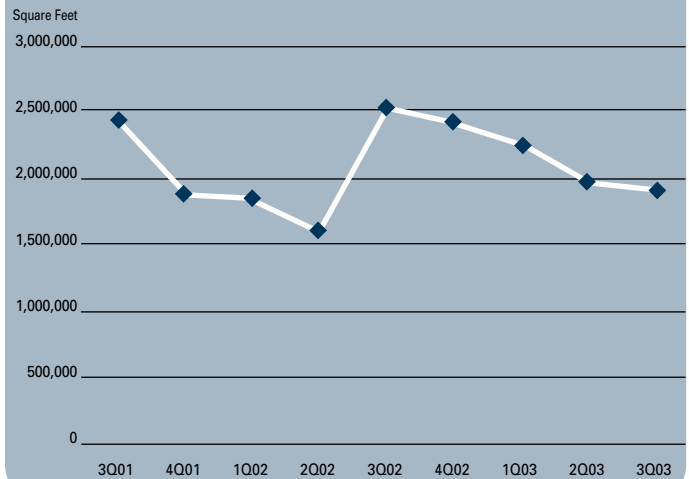
ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



T H I R D Q U A R T E R 2 0 0 3

O R A N G E C O U N T Y

INVENTORY

VACANCY & LEASE RATES

ABSORPTION

	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2003	Square Feet Available	Availability Rate 3Q2003	Average Asking Lease Rate	Net Absorption 3Q2003	Net Absorption 2003	Net Absorption 2002	Net Absorption 2001
North County													
Anaheim Hills	10	627,200	0	0	14,303	2.28%	14,303	2.28%	\$1.90	1,360	848	10,832	(3,607)
Brea	39	3,638,557	82,150	202,150	490,365	13.48%	576,021	15.83%	\$1.76	30,692	91,789	79,588	79,316
Buena Park	10	625,415	0	0	194,586	31.11%	208,611	33.36%	\$1.48	(530)	10,955	1,618	(27,946)
Fullerton	28	2,028,572	0	0	26,537	1.31%	27,415	1.35%	\$1.71	11,578	123,961	7,286	45,661
La Habra	7	376,849	0	0	43,239	11.47%	43,239	11.47%	\$1.35	16,319	20,694	184	(109,695)
La Palma	7	552,396	0	0	37,288	6.75%	37,288	6.75%	\$1.71	8,949	9,971	(5,801)	2,918
Placentia	7	190,875	0	0	13,105	6.87%	13,105	6.87%	\$1.59	1,284	3,668	3,849	20,123
Yorba Linda	7	346,704	0	0	45,082	13.00%	45,082	13.00%	\$1.74	(15,199)	(26,617)	(1,788)	(5,441)
North County Total	115	8,386,568	82,150	202,150	864,505	10.31%	965,064	11.51%	\$1.66	54,453	235,269	95,768	1,329
West County													
Cypress	28	2,180,859	0	0	440,848	20.21%	440,848	20.21%	\$1.76	(14,437)	11,839	(158,782)	157,270
Fountain Valley	31	1,515,520	0	0	272,951	18.01%	276,151	18.22%	\$1.66	(112,365)	(91,319)	(86,906)	(79,260)
Garden Grove	21	968,294	0	0	81,689	8.44%	92,004	9.50%	\$1.35	(2,897)	8,177	24,761	14,598
Huntington Beach	43	2,436,239	0	0	220,207	9.04%	228,695	9.39%	\$1.83	(19,388)	17,636	(1,948)	(18,687)
Los Alamitos	12	675,671	0	0	15,531	2.30%	19,027	2.82%	\$1.62	0	(8,910)	5,986	47,067
Seal Beach	6	425,418	0	0	40,543	9.53%	45,225	10.63%	\$2.15	0	(8,268)	(1,528)	406
Stanton	1	37,185	0	0	5,860	15.76%	6,896	18.55%	\$1.20	2,432	2,432	6,105	1,813
Westminster	11	440,174	0	0	32,153	7.30%	38,454	8.74%	\$1.60	6,022	45,439	(5,138)	30,038
West County Total	153	8,679,360	0	0	1,109,782	12.79%	1,147,300	13.22%	\$1.72	(140,633)	(22,974)	(217,450)	153,245
Central County													
Anaheim	90	5,968,600	50,000	634,711	906,619	15.19%	937,571	15.71%	\$1.66	31,792	195,923	258,007	(102,241)
Orange	75	6,881,325	0	0	750,006	10.90%	777,495	11.30%	\$1.82	(87,754)	136,976	(130,264)	136,020
Santa Ana	162	11,277,819	74,500	282,400	1,255,754	11.13%	1,425,067	12.64%	\$1.78	17,129	19,879	(56,432)	314,064
Tustin	34	1,434,596	0	0	381,469	26.59%	396,620	27.65%	\$1.66	(58,467)	(43,020)	(3,602)	43,260
Central County Total	361	25,562,340	124,500	917,111	3,293,848	12.89%	3,536,753	13.84%	\$1.75	(97,300)	309,758	67,709	391,103
Airport Area													
Corona Del Mar	1	35,378	0	0	0	0.00%	0	0.00%	\$0.00	6,126	4,754	(2,887)	0
Costa Mesa	60	6,137,107	180,000	400,000	1,044,461	17.02%	1,225,769	19.97%	\$1.91	(63,005)	(42,940)	(52,945)	13,978
Irvine	229	20,532,696	36,000	1,495,999	3,247,462	15.82%	3,692,119	17.98%	\$2.25	125,167	569,293	769,633	(177,990)
Newport Beach	130	9,436,265	113,308	0	1,375,179	14.57%	1,499,739	15.89%	\$2.41	(42,497)	116,603	(121,047)	6,921
Airport Area Total	420	36,141,446	329,308	1,895,999	5,667,102	15.68%	6,417,627	17.76%	\$2.26	25,791	647,710	592,754	(157,091)
South County													
Aliso Viejo	40	2,567,888	0	1,078,809	447,718	17.44%	473,348	18.43%	\$2.39	1,953	158,358	56,745	158,788
Dana Point	4	210,660	0	0	0	0.00%	0	0.00%	\$0.00	0	0	3,800	0
Foothill Ranch	8	702,879	0	0	166,512	23.69%	166,512	23.69%	\$2.10	6,509	22,219	2,242	110,453
Irvine Spectrum	92	6,101,807	107,000	353,691	914,819	14.99%	1,137,128	18.64%	\$2.34	104,797	(169,130)	505,871	(262,014)
Laguna Beach	4	161,268	0	0	10,325	6.40%	10,325	6.40%	\$2.13	0	0	0	10,036
Laguna Hills	33	1,746,362	0	0	199,534	11.43%	201,835	11.56%	\$2.14	13,801	(15,243)	3,852	31,400
Laguna Niguel	10	659,377	0	0	30,067	4.56%	30,067	4.56%	\$2.15	13,827	17,735	7,329	36,459
Lake Forest	41	1,996,423	0	0	393,697	19.72%	512,127	25.65%	\$1.83	7,889	93,079	295,666	162,774
Mission Viejo	36	1,826,676	0	30,000	259,528	14.21%	276,363	15.13%	\$2.08	2,284	12,807	39,006	151,761
Rancho Santa Margarita	3	132,035	0	25,000	16,542	12.53%	17,742	13.44%	\$2.15	3,570	1,829	13,218	(29,906)
San Clemente	9	345,462	0	265,110	55,055	15.94%	57,256	16.57%	\$2.06	3,007	24,984	47,996	594
San Juan Capistrano	11	595,745	0	0	6,911	1.16%	6,911	1.16%	\$1.90	(4,655)	(1,960)	34,710	16,639
South County Total	291	17,046,582	107,000	1,752,610	2,500,708	14.67%	2,889,614	16.95%	\$2.19	152,982	144,678	1,010,435	386,984
Orange County Total	1,340	95,816,296	642,958	4,767,870	13,435,945	14.02%	14,956,358	15.61%	\$2.00	-4,707	1,314,441	1,549,216	775,570

INVENTORY

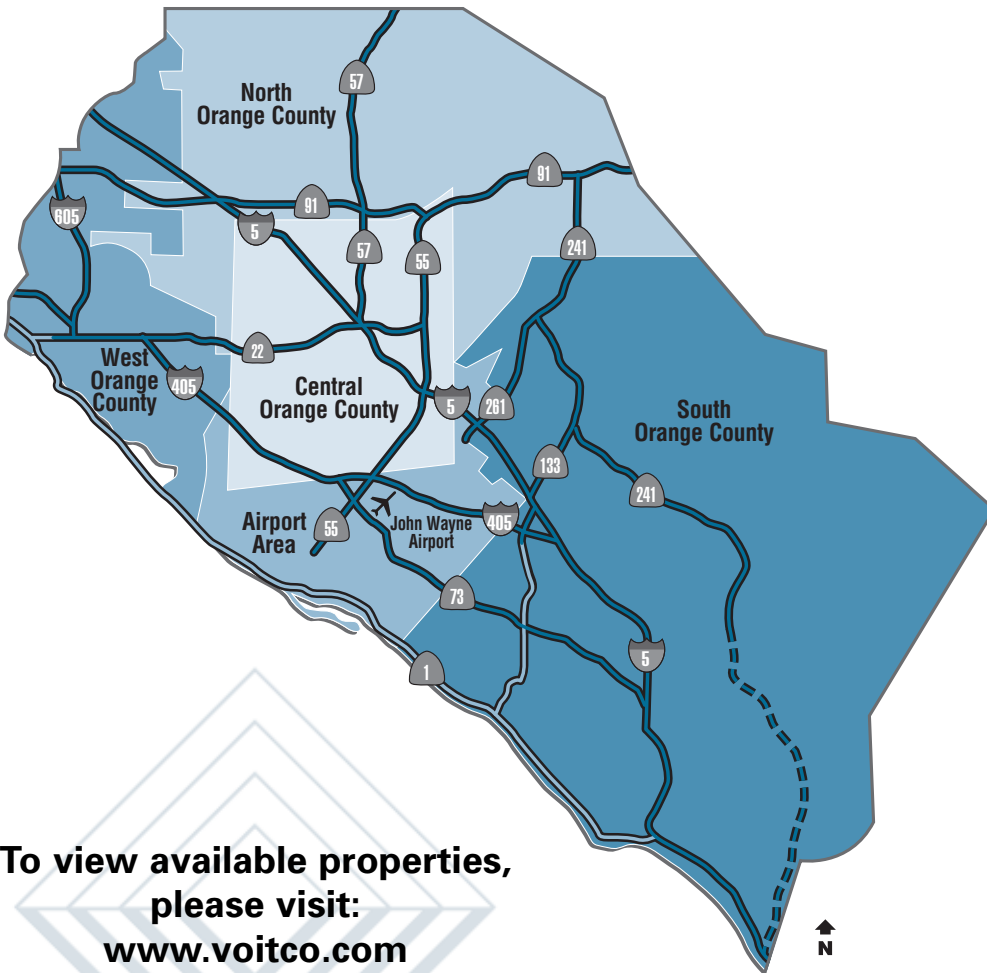
VACANCY & LEASE RATES

ABSORPTION

	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2003	Square Feet Available	Availability Rate 3Q2003	Average Asking Lease Rate	Net Absorption 3Q2003	Net Absorption 2003	Net Absorption 2002	Net Absorption 2001
North County													
Class A	42	3,928,430	0	120,000	567,460	14.44%	626,862	15.96%	\$1.65	30,786	247,627	1,463	(40,213)
Class B	61	4,010,961	82,150	82,150	263,796	6.58%	304,953	7.60%	\$1.70	34,918	5,402	88,562	50,462
Class C	11	447,177	0	0	33,249	7.44%	33,249	7.44%	\$1.37	(11,251)	(17,760)	5,743	(8,920)
West County													
Class A	34	3,244,153	0	0	457,984	14.12%	475,227	14.65%	\$1.91	(26,643)	11,553	(159,943)	67,701
Class B	92	4,125,616	0	0	493,643	11.97%	507,680	12.31%	\$1.49	(8,014)	29,979	36,388	77,214
Class C	27	1,309,591	0	0	158,155	12.08%	164,393	12.55%	\$1.48	(105,976)	(64,506)	(6,989)	87,590
Central County													
Class A	88	12,405,729	50,000	817,111	1,694,072	13.66%	1,855,403	14.96%	\$1.89	(3,554)	402,997	(82,112)	339,948
Class B	221	11,139,307	74,500	100,000	1,484,506	13.33%	1,547,134	13.89%	\$1.61	(90,582)	(96,424)	125,402	40,907
Class C	52	2,017,304	0	0	115,270	5.71%	134,216	6.65%	\$1.44	(3,164)	3,185	24,419	10,248
Airport Area													
Class A	129	21,444,524	55,065	1,895,999	3,338,216	15.57%	3,810,955	17.77%	\$2.36	(57,402)	348,476	124,023	63,446
Class B	257	13,078,178	274,243	0	2,239,121	17.12%	2,515,065	19.23%	\$2.02	84,481	268,476	410,730	(315,583)
Class C	34	1,618,744	0	0	89,765	5.55%	91,607	5.66%	\$2.00	(1,288)	30,758	(28,905)	15,786
South County													
Class A	117	9,407,318	0	1,331,800	1,434,768	15.25%	1,505,891	16.01%	\$2.25	119,092	271,073	558,623	108,103
Class B	163	7,162,810	107,000	420,810	1,049,684	14.65%	1,367,467	19.09%	\$2.01	32,730	(129,055)	464,035	278,349
Class C	12	476,454	0	0	16,256	3.41%	16,256	3.41%	\$1.53	1,160	2,660	(12,223)	532
Orange County													
Class A	410	50,430,154	105,065	4,164,910	7,492,500	14.86%	8,274,338	16.41%	\$2.13	62,279	1,281,726	442,054	538,985
Class B	794	39,516,872	537,893	602,960	5,530,750	14.00%	6,242,299	15.80%	\$1.75	53,533	78,378	1,125,117	131,349
Class C	136	5,869,270	0	0	412,695	7.03%	439,721	7.49%	\$1.71	(120,519)	(45,663)	(17,955)	105,236
Orange County Total	1,340	95,816,296	642,958	4,767,870	13,435,945	14.02%	14,956,358	15.61%	\$2.00	-4,707	1,314,441	1,549,216	775,570

OFFICE
MARKET
Report

3RD QUARTER 2003



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SUBMARKETS

NORTH

Anaheim Hills, Brea, Buena Park, Fullerton, La Habra, La Palma, Placentia and Yorba Linda

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CENTRAL

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SOUTH

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PRODUCT TYPE

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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.

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