

OFFICE MARKET REPORT

THIRD
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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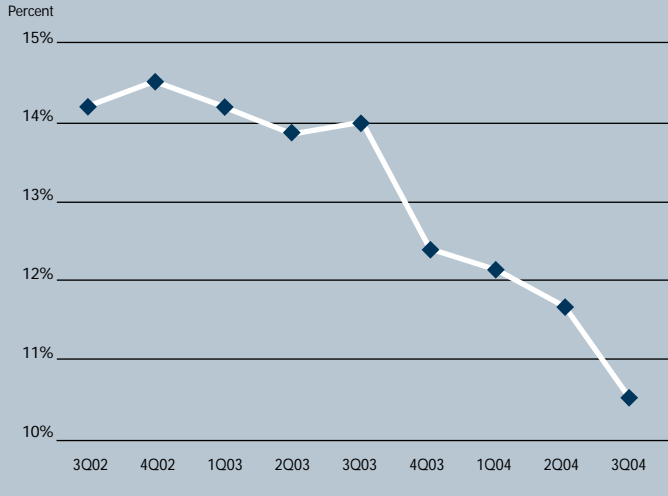
MARKET HIGHLIGHTS

- ◆ Unemployment for the third quarter of 2004 in Orange County is 3.2%, which is the same as it was when compared to the second quarter of 2004, and is .6% lower than it was during the third quarter of 2003.
- ◆ According to Chapman University it is estimated that Orange County will add 27,000 new jobs in 2004. Furthermore, they are forecasting 30,000 new jobs will be added to the county in 2005 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at just above 450,000 square feet for the third quarter of 2004, which is a decrease of over 28% when compared to what was under construction during the third quarter of 2003.
- ◆ The office vacancy rate checked in at 10.5%, which is lower than last quarter when it was 11.69%. There was just over 1.1 million square feet of positive absorption experienced in the third quarter, which is a sign of strength. South County and the Airport Area accounted for just over two million square feet of positive absorption in the last three quarters, 715,425 square feet and 1,360,532 square feet respectively. These conditions will put upward pressure on lease rates going forward.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, is also lower, checking in at 13.72% this quarter from 15.61% in the third quarter of 2003.
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.05, which is a 2.5% increase over last year's third quarter rate of \$2.00. This is the third consecutive quarter of positive lease rate growth in last eleven quarters.
- ◆ Rental rates are expected to increase at moderate levels in the short run, and concessions will lessen as the economy in Orange County continues to improve.
- ◆ Net absorption for the county this quarter posted a positive number of 1,110,463 square feet, giving the county a total of over 6.2 million square feet of positive absorption for the last nine quarters.

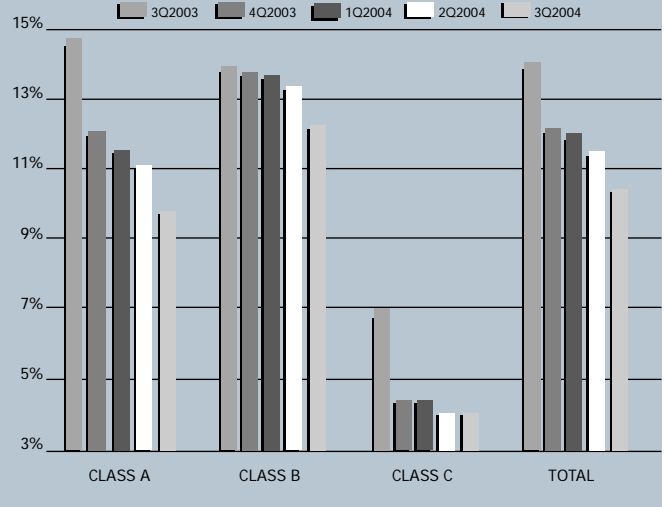
OFFICE MARKET STATISTICS

	3Q2004	2Q2004	3Q2003	% CHANGE VS. 3Q03
Under Construction	458,310	388,000	642,958	-28.72%
Planned Construction	5,024,052	4,718,617	4,767,870	5.37%
Vacancy	10.50%	11.69%	14.02%	-25.11%
Availability	13.72%	14.55%	15.61%	-12.11%
Pricing	\$2.05	\$2.01	\$2.00	2.50%
Net Absorption	1,110,463	830,835	434,517	155.56%

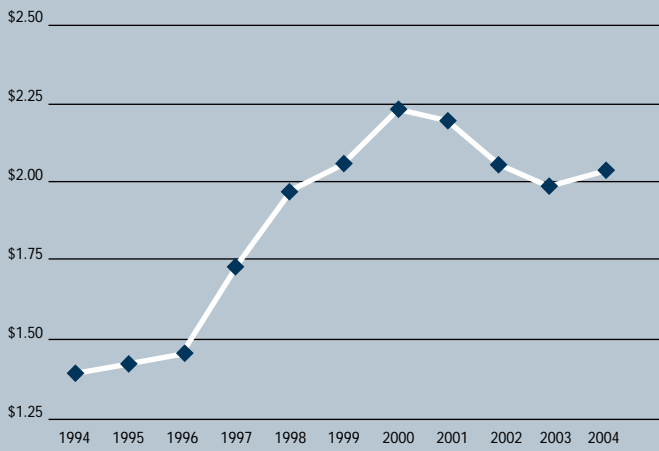
VACANCY RATE



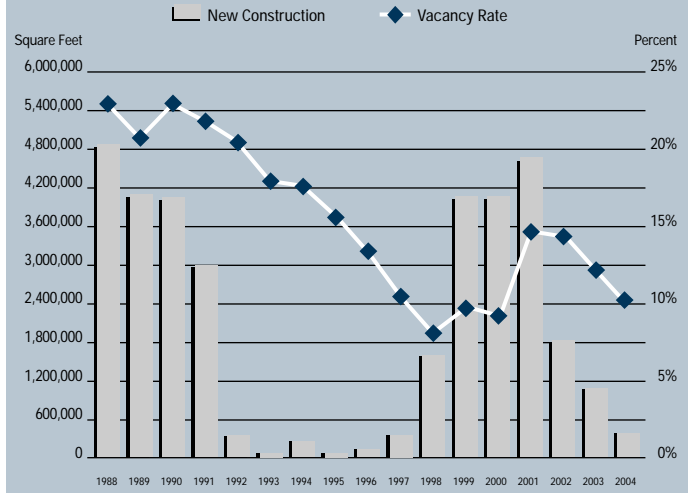
OFFICE VACANCY RATE



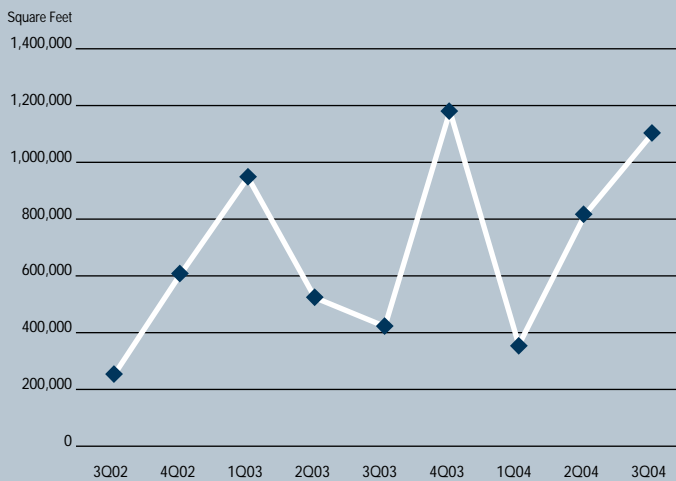
AVERAGE ASKING FULL SERVICE LEASE RATE



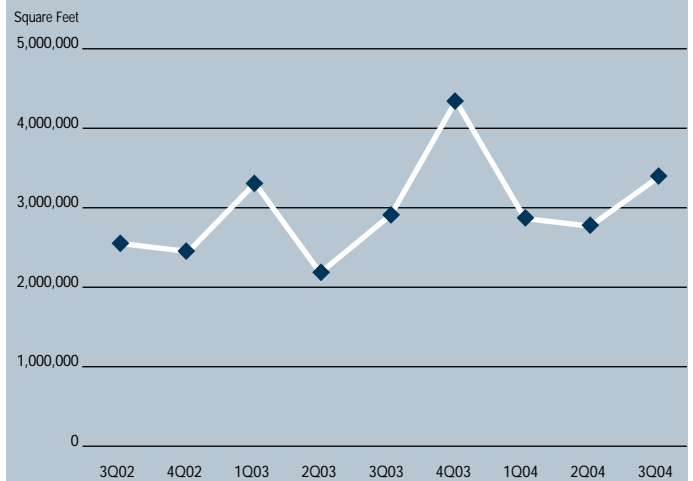
ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



T H I R D Q U A R T E R 2 0 0 4

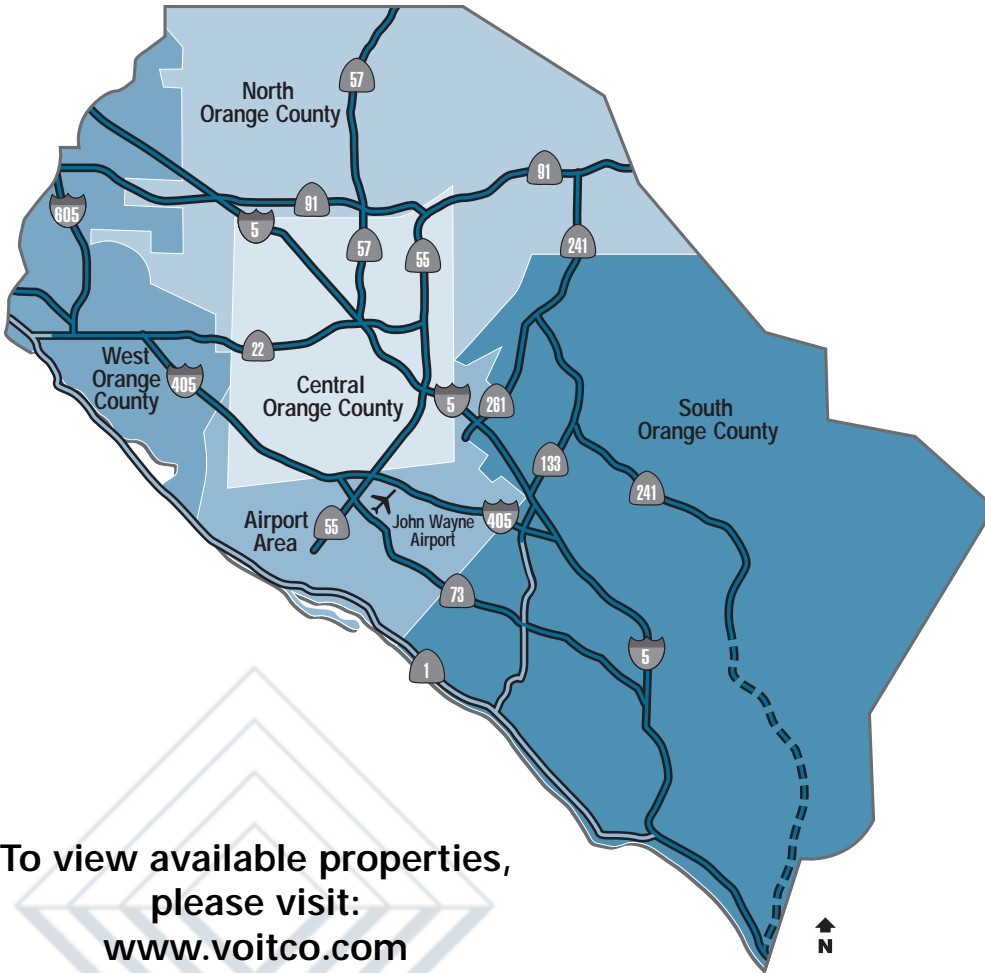
O R A N G E C O U N T Y

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2004	Square Feet Available	Availability Rate 3Q2004	Average Asking Lease Rate	Net Absorption 3Q2004	Net Absorption 2004	Net Absorption 2003	Net Absorption 2002
North County													
Anaheim Hills	10	644,674	0	60,000	3,830	0.59%	121,475	18.84%	\$1.95	3,089	8,618	(1,635)	10,832
Brea	41	3,844,022	0	332,074	439,761	11.44%	452,951	11.78%	\$1.82	71,685	128,734	17,961	79,588
Buena Park	10	625,415	0	0	105,239	16.83%	119,264	19.07%	\$1.66	23,675	84,957	2,384	1,618
Fullerton	29	1,923,667	0	0	20,290	1.05%	70,207	3.65%	\$1.57	4,281	8,341	103,707	7,286
La Habra	7	376,849	0	0	42,718	11.34%	42,718	11.34%	\$1.44	5,047	10,295	72,227	184
La Palma	7	552,396	0	0	50,116	9.07%	53,259	9.64%	\$1.74	(4,977)	(8,052)	(3,419)	(5,801)
Placentia	5	165,875	0	0	6,126	3.69%	6,126	3.69%	\$1.69	0	6,979	6,465	3,849
Yorba Linda	6	319,627	0	0	11,971	3.75%	11,971	3.75%	\$1.57	(208)	9,571	(6,139)	(1,788)
North County Total	115	8,452,525	0	392,074	680,051	8.05%	877,971	10.39%	\$1.74	102,592	249,443	191,551	95,768
West County													
Cypress	28	2,199,615	0	0	380,482	17.30%	433,731	19.72%	\$1.84	44,769	(571)	(21,375)	(158,782)
Fountain Valley	32	1,561,130	0	0	218,533	14.00%	223,319	14.30%	\$1.65	12,229	(70,488)	(24,766)	(86,906)
Garden Grove	21	931,230	0	0	99,074	10.64%	106,228	11.41%	\$1.53	31,029	(1,837)	39,461	24,761
Huntington Beach	45	2,489,239	0	0	288,771	11.60%	348,493	14.00%	\$1.85	(11,907)	(54,464)	(15,587)	(1,948)
Los Alamitos	13	712,280	0	0	35,501	4.98%	41,017	5.76%	\$1.58	(24,973)	(19,943)	(8,915)	5,986
Seal Beach	6	425,418	0	0	29,051	6.83%	30,888	7.26%	\$2.25	8,352	23,492	5,215	(1,528)
Stanton	2	85,917	0	0	18,453	21.48%	18,453	21.48%	\$0.00	5,368	2,868	(3,553)	6,105
Westminster	11	440,174	0	0	35,222	8.00%	35,222	8.00%	\$1.51	0	4,326	32,520	(5,138)
West County Total	158	8,845,003	0	0	1,105,087	12.49%	1,237,351	13.99%	\$1.79	64,867	(116,617)	3,000	(217,450)
Central County													
Anaheim	91	6,010,009	0	433,711	486,266	8.09%	688,708	11.46%	\$1.76	57,066	40,761	622,258	258,007
Orange	76	6,944,418	0	0	521,783	7.51%	662,316	9.54%	\$1.86	(14,659)	(8,862)	273,259	(130,264)
Santa Ana	168	11,572,118	270,000	700,400	1,072,585	9.27%	1,316,695	11.38%	\$1.72	152,163	64,084	30,938	(56,432)
Tustin	35	1,468,295	0	0	330,135	22.48%	428,782	29.20%	\$1.67	28,798	(6,912)	128,065	(3,602)
Central County Total	370	25,994,840	270,000	1,134,111	2,410,769	9.27%	3,096,501	11.91%	\$1.76	223,368	89,071	1,054,520	67,709
Airport Area													
Corona Del Mar	2	86,378	0	0	11,149	12.91%	11,149	12.91%	\$2.75	(7,410)	(11,149)	3,238	(2,887)
Costa Mesa	65	6,467,192	0	406,732	967,538	14.96%	1,172,095	18.12%	\$2.03	15,099	(10,099)	76,540	(52,945)
Irvine	226	20,231,636	36,100	1,876,067	2,119,498	10.48%	2,999,556	14.83%	\$2.26	235,522	1,049,284	887,193	769,633
Newport Beach	131	9,444,103	0	0	1,046,917	11.09%	1,388,894	14.71%	\$2.71	121,919	332,496	238,076	(121,047)
Airport Area Total	424	36,229,309	36,100	2,282,799	4,145,102	11.44%	5,571,694	15.38%	\$2.34	365,130	1,360,532	1,205,047	592,754
South County													
Aliso Viejo	43	2,848,063	0	875,000	201,061	7.06%	488,490	17.15%	\$2.28	155,291	311,694	119,157	56,745
Dana Point	4	210,660	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	3,800
Foothill Ranch	8	702,879	0	36,000	149,426	21.26%	172,762	24.58%	\$2.04	(18,166)	(23,016)	62,144	2,242
Irvine Spectrum	99	6,474,770	96,760	125,700	622,950	9.62%	834,188	12.88%	\$2.28	279,103	394,907	233,386	505,871
Laguna Beach	5	193,268	0	0	5,600	2.90%	5,600	2.90%	\$2.29	0	(5,600)	10,325	0
Laguna Hills	33	1,746,362	0	0	184,739	10.58%	228,633	13.09%	\$2.05	16,872	(2,567)	9,251	3,852
Laguna Niguel	10	661,057	0	0	33,114	5.01%	42,185	6.38%	\$2.35	1,182	(17,180)	10,795	7,329
Lake Forest	41	2,043,251	0	0	358,009	17.52%	460,862	22.56%	\$1.85	(38,075)	17,334	146,188	295,666
Mission Viejo	34	1,773,083	30,450	140,000	198,356	11.19%	198,678	11.21%	\$2.02	(43,685)	4,489	25,345	39,006
Rancho Santa Margarita	5	194,030	25,000	0	10,260	5.29%	24,379	12.56%	\$1.90	3,861	22,600	10,201	13,218
San Clemente	11	440,984	0	0	108,381	24.58%	108,381	24.58%	\$2.25	5,553	19,138	4,957	47,996
San Juan Capistrano	11	528,731	0	38,368	4,763	0.90%	8,630	1.63%	\$2.22	(7,430)	(6,374)	4,281	34,710
South County Total	304	17,817,138	152,210	1,215,068	1,876,659	10.53%	2,572,788	14.44%	\$2.13	354,506	715,425	636,030	1,010,435
Orange County Total	1,371	97,338,815	458,310	5,024,052	10,217,668	10.50%	13,356,305	13.72%	\$2.05	1,110,463	2,297,854	3,090,148	1,549,216

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North County													
Class A	42	3,938,442	0	309,924	401,681	10.20%	552,065	14.02%	\$1.78	76,944	176,192	131,794	1,463
Class B	63	4,093,983	0	82,150	274,108	6.70%	320,071	7.82%	\$1.61	17,131	65,367	77,589	88,562
Class C	10	420,100	0	0	4,262	1.01%	5,835	1.39%	\$1.38	8,517	7,884	(17,832)	5,743
West County													
Class A	34	3,245,599	0	0	435,690	13.42%	521,973	16.08%	\$1.91	71,258	(6,607)	(2,034)	(159,943)
Class B	96	4,248,072	0	0	636,679	14.99%	682,660	16.07%	\$1.63	(10,332)	(110,273)	(65,611)	36,388
Class C	28	1,351,332	0	0	32,718	2.42%	32,718	2.42%	\$1.60	3,941	263	70,645	(6,989)
Central County													
Class A	88	12,340,727	220,000	1,134,111	964,329	7.81%	1,416,716	11.48%	\$1.91	80,462	52,994	897,630	(82,112)
Class B	232	11,682,759	50,000	0	1,330,763	11.39%	1,546,557	13.24%	\$1.60	157,922	54,252	159,994	125,402
Class C	50	1,971,354	0	0	115,677	5.87%	133,228	6.76%	\$1.52	(15,016)	(18,175)	(3,104)	24,419
Airport Area													
Class A	128	21,159,230	0	2,256,199	2,085,264	9.86%	3,068,644	14.50%	\$2.48	202,318	845,565	944,496	124,023
Class B	262	13,235,733	36,100	26,600	1,987,226	15.01%	2,322,580	17.55%	\$1.98	158,745	496,112	209,793	410,730
Class C	34	1,834,346	0	0	72,612	3.96%	180,470	9.84%	\$1.70	4,067	18,855	50,758	(28,905)
South County													
Class A	118	9,497,803	0	1,015,000	1,042,348	10.97%	1,413,849	14.89%	\$2.18	150,474	339,618	305,487	558,623
Class B	176	7,959,901	152,210	200,068	815,740	10.25%	1,139,868	14.32%	\$1.96	205,192	378,122	326,297	464,035
Class C	10	359,434	0	0	18,571	5.17%	19,071	5.31%	\$1.64	(1,160)	(2,315)	4,246	(12,223)
Orange County													
Class A	410	50,181,801	220,000	4,715,234	4,929,312	9.82%	6,973,247	13.90%	\$2.14	581,456	1,407,762	2,277,373	442,054
Class B	829	41,220,448	238,310	308,818	5,044,516	12.24%	6,011,736	14.58%	\$1.75	528,658	883,580	708,062	1,125,117
Class C	132	5,936,566	0	0	243,840	4.11%	371,322	6.25%	\$1.59	349	6,512	104,713	(17,955)
Orange County Total	1,371	97,338,815	458,310	5,024,052	10,217,668	10.50%	13,356,305	13.72%	\$2.05	1,110,463	2,297,854	3,090,148	1,549,216

OFFICE MARKET REPORT

THIRD QUARTER 2004



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SUBMARKETS

NORTH

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

WEST

Cypress, Fountain Valley, Garden Grove, Huntington Beach, Los Alamitos, Seal Beach, Stanton and Westminster

CENTRAL

Anaheim, Orange, Santa Ana and Tustin

AIRPORT

Corona Del Mar, Costa Mesa, Irvine and Newport Beach

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

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, but the building cannot compete with Class A at the same price.

CLASS C

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

For Further Information:

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