

# R & D MARKET REPORT

THIRD  
QUARTER  
2004

Compared to  
last quarter:

## VACANCY



UP

## ABSORPTION



DOWN

## LEASE RATES



FLAT

## CONSTRUCTION



DOWN

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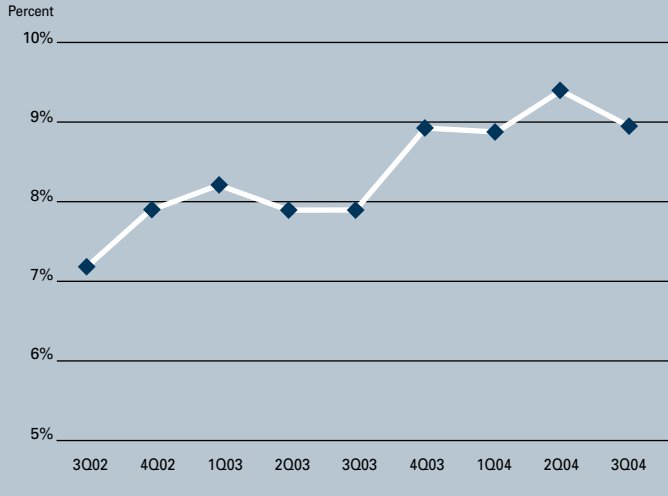
## MARKET HIGHLIGHTS

- ◆ 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 131,181 square feet for the second quarter of 2004, which is about 125,000 square feet less than the amount that was under construction in the second quarter of 2004.
- ◆ The R&D vacancy rate checked in at 9.4%, which is higher than it was a year ago when it was 7.91%. This lack of supply is creating a lot of constrained demand for R&D space in Orange County.
- ◆ The total amount of R&D space available in Orange County, which includes both direct and sublease space, is higher than it was a year ago; 11.86% this quarter as compared to 10.02% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$0.89, which is a 1.11% decrease over last year's third quarter rate of \$0.90.
- ◆ Net absorption for the R&D market this third quarter posted a positive number of 586,596 square feet.

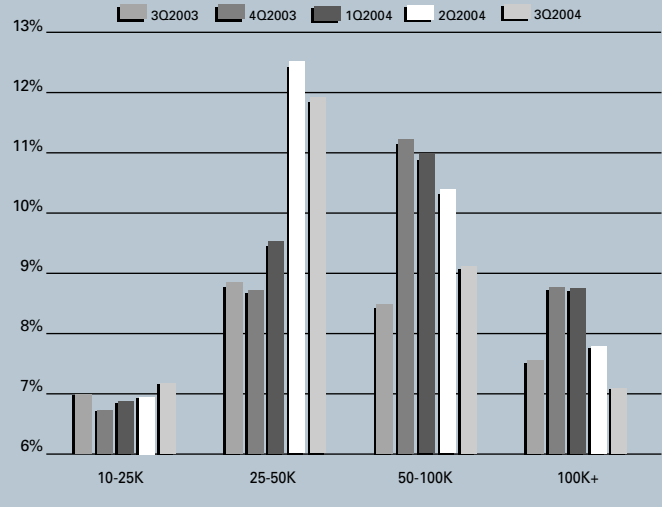
### R&D MARKET STATISTICS

	3Q2004	2Q2004	3Q2003	% CHANGE VS. 3Q03
Under Construction	131,181	257,065	421,253	-68.86%
Planned Construction	471,013	471,013	462,487	1.84%
Vacancy	9.40%	9.45%	7.91%	18.84%
Availability	11.86%	11.86%	10.02%	18.36%
Pricing	\$0.89	\$0.85	\$0.90	-1.11%
Net Absorption	586,596	-258,416	60,367	N/A

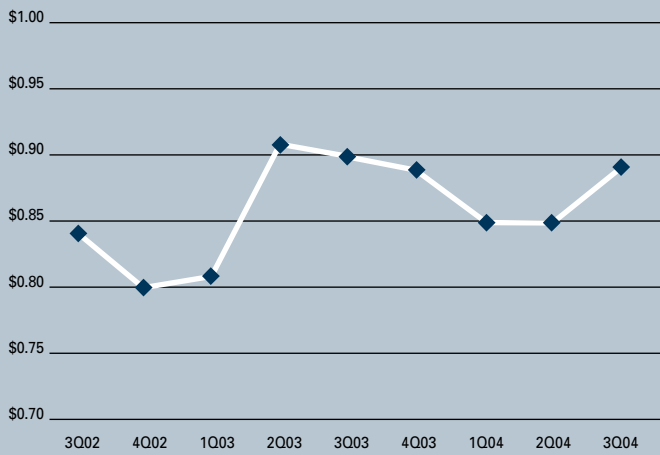
## VACANCY RATE



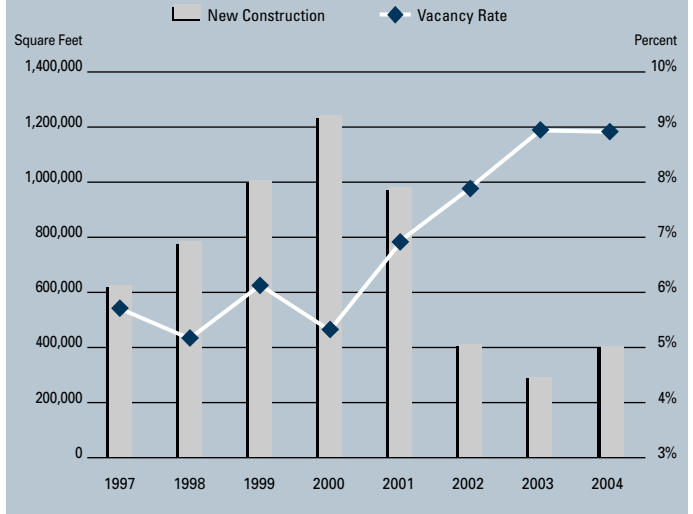
## R&D VACANCY RATE



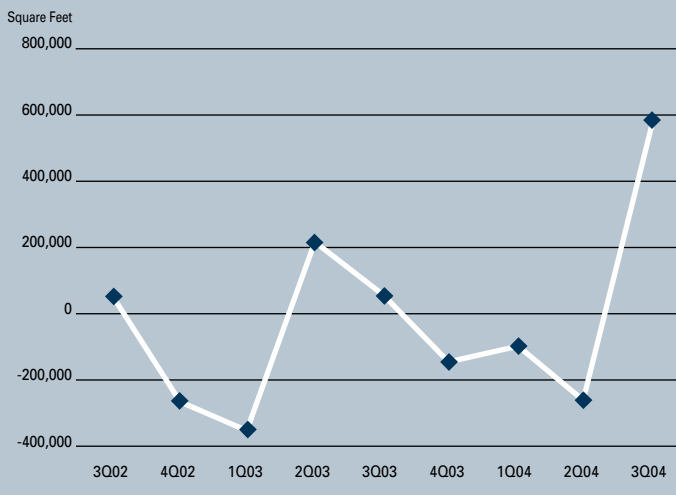
## AVERAGE ASKING TRIPLE NET LEASE RATE



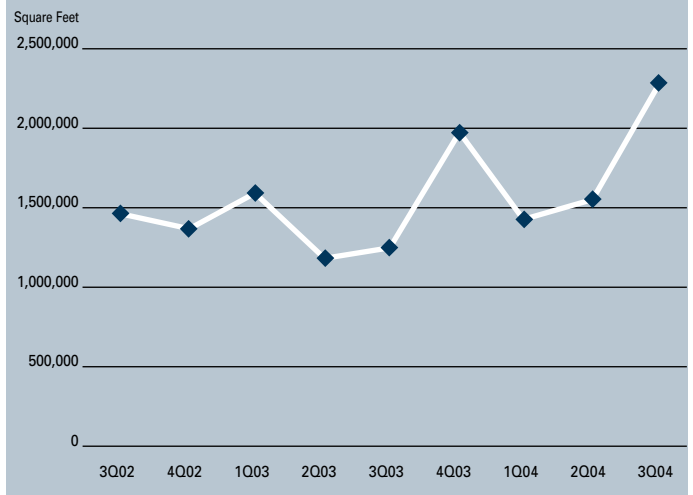
## ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



# THIRD QUARTER 2004

## ORANGE COUNTY

### INVENTORY

### VACANCY & LEASE RATES

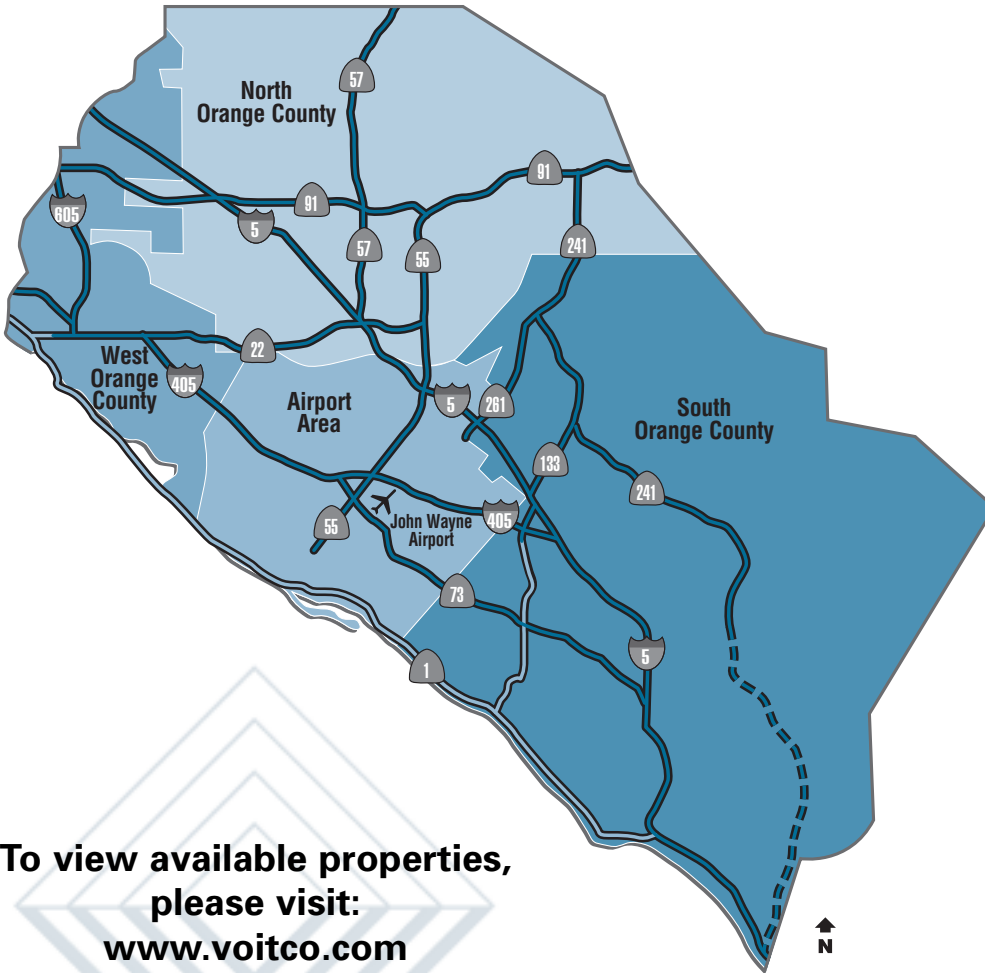
### ABSORPTION

	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
<b>North County</b>											
Anaheim Hills	7	292,180	0	0	38,865	13.30%	38,865	13.30%	\$0.00	34,786	(844)
Anaheim	73	2,606,775	0	0	163,139	6.26%	165,059	6.33%	\$0.82	106,479	69,187
Brea	39	970,264	0	0	15,940	1.64%	18,349	1.89%	\$0.00	(9,154)	35,654
Buena Park	24	924,115	0	0	24,512	2.65%	259,392	28.07%	\$0.62	21,262	41,921
Fullerton	36	1,531,209	0	0	29,126	1.90%	101,332	6.62%	\$0.75	(13,931)	(1,024)
La Habra	7	107,089	0	0	0	0.00%	8,121	7.58%	\$0.88	0	0
La Palma	7	272,981	0	0	1,596	0.58%	1,596	0.58%	\$0.00	0	15,508
Placentia	19	546,334	0	0	20,029	3.67%	20,029	3.67%	\$0.00	3,804	9,446
Yorba Linda	55	1,440,599	0	0	158,678	11.01%	241,005	16.73%	\$0.78	(118,147)	(111,519)
<b>North County Total</b>	<b>267</b>	<b>8,691,546</b>	<b>0</b>	<b>0</b>	<b>451,885</b>	<b>5.20%</b>	<b>853,738</b>	<b>9.82%</b>	<b>\$0.74</b>	<b>25,099</b>	<b>58,319</b>
<b>West County</b>											
Cypress	43	2,528,755	0	0	332,657	13.15%	365,412	14.45%	\$0.79	55,528	40,308
Huntington Beach	85	1,924,991	0	0	72,737	3.78%	89,342	4.64%	\$0.00	24,283	(6,896)
Los Alamitos	33	720,470	0	0	26,883	3.73%	38,844	5.39%	\$0.00	4,290	(2,609)
<b>West County Total</b>	<b>161</b>	<b>5,174,216</b>	<b>0</b>	<b>0</b>	<b>432,277</b>	<b>8.35%</b>	<b>493,598</b>	<b>9.54%</b>	<b>\$0.79</b>	<b>84,101</b>	<b>30,803</b>
<b>Central County</b>											
Anaheim	80	1,890,885	0	0	148,668	7.86%	221,834	11.73%	\$0.65	(2,480)	(15,270)
Garden Grove	83	2,479,697	0	0	245,875	9.92%	264,739	10.68%	\$0.89	(21,321)	5,786
Orange	95	2,178,774	0	0	42,577	1.95%	64,296	2.95%	\$0.86	3,810	21,476
Santa Ana	48	1,322,010	0	0	48,307	3.65%	49,159	3.72%	\$0.79	89,996	87,580
Westminster	23	619,454	0	0	86,271	13.93%	86,271	13.93%	\$0.00	9,009	12,620
<b>Central County Total</b>	<b>329</b>	<b>8,490,820</b>	<b>0</b>	<b>0</b>	<b>571,698</b>	<b>6.73%</b>	<b>686,299</b>	<b>8.08%</b>	<b>\$0.84</b>	<b>79,014</b>	<b>112,192</b>
<b>Airport Area</b>											
Costa Mesa	158	3,941,856	0	0	679,692	17.24%	679,692	17.24%	\$0.82	(4,389)	(219,643)
Fountain Valley	47	1,354,051	0	0	66,765	4.93%	66,765	4.93%	\$0.97	10,385	15,227
Irvine	285	7,748,697	0	22,269	796,787	10.28%	807,729	10.42%	\$0.86	35,257	140,081
Newport Beach	23	802,058	0	0	41,090	5.12%	44,723	5.58%	\$0.00	(14,026)	(17,979)
Santa Ana	124	4,052,963	0	0	621,287	15.33%	621,287	15.33%	\$0.75	35,799	165,853
Tustin	93	3,237,324	0	0	213,031	6.58%	213,031	6.58%	\$0.71	31,289	(57,256)
<b>Airport Area Total</b>	<b>730</b>	<b>21,136,949</b>	<b>0</b>	<b>22,269</b>	<b>2,418,652</b>	<b>11.44%</b>	<b>2,433,227</b>	<b>11.51%</b>	<b>\$0.82</b>	<b>94,315</b>	<b>26,283</b>
<b>South County</b>											
Aliso Viejo	43	1,119,956	0	0	116,811	10.43%	166,043	14.83%	\$0.78	(3,440)	(34,577)
Foothill Ranch	6	133,348	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Irvine Spectrum	253	10,050,346	131,181	0	1,010,878	10.06%	1,468,111	14.61%	\$1.07	287,091	176,667
Laguna Beach	2	30,800	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Laguna Hills	50	1,049,167	0	0	45,603	4.35%	49,491	4.72%	\$0.90	(17,034)	7,926
Laguna Niguel	13	424,824	0	0	12,346	2.91%	12,346	2.91%	\$0.00	18,890	27,498
Lake Forest	55	1,453,718	0	0	156,348	10.76%	222,106	15.28%	\$0.85	(15,667)	(71,346)
Mission Viejo	34	674,099	0	128,250	38,676	5.74%	38,676	5.74%	\$0.82	16,073	19,422
Rancho Santa Margarita	54	1,837,740	0	0	157,798	8.59%	170,712	9.29%	\$0.83	20,604	(54,059)
San Clemente	43	997,208	0	320,494	107,098	10.74%	107,098	10.74%	\$0.85	7,250	(12,485)
San Juan Capistrano	37	539,079	0	0	7,500	1.39%	9,450	1.75%	\$1.25	(9,700)	517
<b>South County Total</b>	<b>590</b>	<b>18,310,285</b>	<b>131,181</b>	<b>448,744</b>	<b>1,653,058</b>	<b>9.03%</b>	<b>2,244,033</b>	<b>12.26%</b>	<b>\$1.01</b>	<b>304,067</b>	<b>59,563</b>
<b>Orange County Total</b>	<b>2,077</b>	<b>61,803,816</b>	<b>131,181</b>	<b>471,013</b>	<b>5,527,570</b>	<b>8.94%</b>	<b>6,710,895</b>	<b>10.86%</b>	<b>\$0.89</b>	<b>586,596</b>	<b>287,160</b>
<b>North County</b>											
10,000 to 24,999	159	2,529,740	0	0	92,410	3.65%	114,221	4.52%	\$0.80	18,007	49,248
25,000 to 49,999	74	2,529,573	0	0	196,586	7.77%	281,515	11.13%	\$0.74	(33,418)	(76,400)
50,000 to 99,999	23	1,570,893	0	0	42,923	2.73%	338,036	21.52%	\$0.64	29,881	61,842
100,000+	11	2,061,340	0	0	119,966	5.82%	119,966	5.82%	\$0.78	10,629	23,629
<b>West County</b>											
10,000 to 24,999	92	1,358,831	0	0	105,788	7.79%	122,393	9.01%	\$0.00	904	5,769
25,000 to 49,999	42	1,414,890	0	0	85,523	6.04%	130,239	9.20%	\$0.84	83,197	25,034
50,000 to 99,999	21	1,329,804	0	0	240,966	18.12%	240,966	18.12%	\$0.76	0	0
100,000+	6	1,070,691	0	0	0	0.00%	0	0.00%	\$0.00	0	0
<b>Central County</b>											
10,000 to 24,999	229	3,641,721	0	0	135,874	3.73%	168,202	4.62%	\$0.90	57,392	55,602
25,000 to 49,999	76	2,488,394	0	0	233,078	9.37%	298,056	11.98%	\$0.88	(57,992)	(75,766)
50,000 to 99,999	16	1,070,104	0	0	76,771	7.17%	94,066	8.79%	\$0.00	74,500	137,687
100,000+	8	1,290,601	0	0	125,975	9.76%	125,975	9.76%	\$0.74	5,114	(5,331)
<b>Airport Area</b>											
10,000 to 24,999	473	7,652,650	0	22,269	592,446	7.74%	607,021	7.93%	\$0.99	(55,767)	(117,309)
25,000 to 49,999	173	5,913,587	0	0	859,908	14.54%	859,908	14.54%	\$0.85	122,739	49,244
50,000 to 99,999	60	4,089,468	0	0	617,429	15.10%	617,429	15.10%	\$0.73	99,906	79,981
100,000+	24	3,481,244	0	0	348,869	10.02%	348,869	10.02%	\$0.55	(72,563)	14,367
<b>South County</b>											
10,000 to 24,999	350	5,829,771	42,830	76,884	610,975	10.48%	740,288	12.70%	\$1.00	(53,600)	(51,531)
25,000 to 49,999	164	5,555,248	88,351	145,860	754,876	13.59%	958,673	17.26%	\$0.97	(13,985)	(255,666)
50,000 to 99,999	57	3,828,187	0	226,000	99,067	2.59%	353,711	9.24%	\$0.89	214,575	209,623
100,000+	19	3,097,079	0	0	188,140	6.07%	191,361	6.18%	\$1.29	157,077	157,137
<b>Orange County</b>											
10,000 to 24,999	1,303	21,012,713	42,830	99,153	1,537,493	7.32%	1,752,125	8.34%	\$0.97	(33,064)	(58,221)
25,000 to 49,999	529	17,901,692	88,351	145,860	2,129,971	11.90%	2,528,391	14.12%	\$0.90	100,541	(333,554)
50,000 to 99,999	177	11,888,456	0	226,000	1,077,156	9.06%	1,644,208	13.83%	\$0.76	418,862	489,133
100,000+	68	11,000,955	0	0	782,950	7.12%	786,171	7.15%	\$0.94	100,257	189,802
<b>Orange County Total</b>	<b>2,077</b>	<b>61,803,816</b>	<b>131,181</b>	<b>471,013</b>	<b>5,527,570</b>	<b>8.94%</b>	<b>6,710,895</b>	<b>10.86%</b>	<b>\$0.89</b>	<b>586,596</b>	<b>287,160</b>

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple net basis.

R & D MARKET  
**REPORT**

THIRD QUARTER 2004



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**SUBMARKETS**

**NORTH**

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

**WEST**

Cypress, Fountain Valley, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Stanton, Westminster

**AIRPORT**

Costa Mesa, Irvine, Newport Beach, Santa Ana and Tustin

**SOUTH**

Aliso Viejo, 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**

**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.

For Further Information:

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**FAX: 714.978.9431**

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**TEL: 949.851.5100**  
**FAX: 949.261.9092**



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