

OFFICE MARKET REPORT

THIRD
QUARTER
2005

Compared to
last quarter:

VACANCY



DOWN

ABSORPTION



UP

LEASE RATES



UP

CONSTRUCTION



UP

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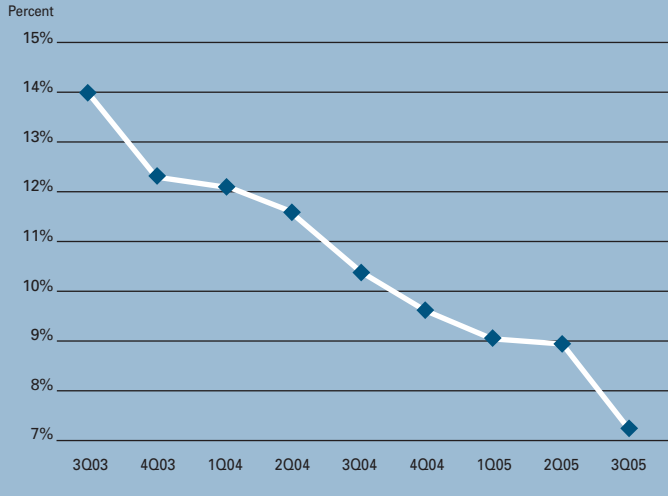
MARKET HIGHLIGHTS

- ◆ Unemployment for the third quarter of 2005 in Orange County is 3.8%, which is .5% higher than it was when compared to the second quarter of 2005, and is .6% higher than it was during the third quarter of 2004.
- ◆ According to Chapman University, it is estimated that Orange County added 31,000 new jobs in 2004. Furthermore, they are forecasting 24,000 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 1.75 million square feet for the third quarter of 2005, which is almost four times what was under construction this same time last year.
- ◆ The office vacancy rate checked in at a sub 8% level of 7.34%, constituting a 30% decrease over last year's rate of 10.5%. This is the lowest vacancy rate recorded since we started tracking the market back in the 80's. This would also explain the increase in construction activity and the upward pressure on average asking lease rate.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, is also lower, checking in at 10.17% this quarter from 13.72% in the third quarter of 2004, representing a decrease of 25.87%.
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.26, which is a 10.24% increase over last year's third quarter rate of \$2.05. This is the seventh consecutive quarter of positive lease rate growth and gets us to the record high average asking lease rate of \$2.26, which we experienced in the first quarter of 2001. The Orange County office market is poised to set new average asking lease rates records in fourth quarter of 2005.
- ◆ Net absorption for the county this quarter posted a positive number of 1,340,024 square feet, giving the county a total of over 10 million square feet of positive absorption for the last thirteen quarters. That's an average of 776,923 square feet of positive absorption per quarter for the last three years.
- ◆ Lease rates are expected to continue to increase at moderate levels, and concessions will continue to lessen as the economy in Orange County continues to expand. These conditions will put upward pressure on lease rates going forward. We should see lease rate growth of 10% to 15% in 2005.

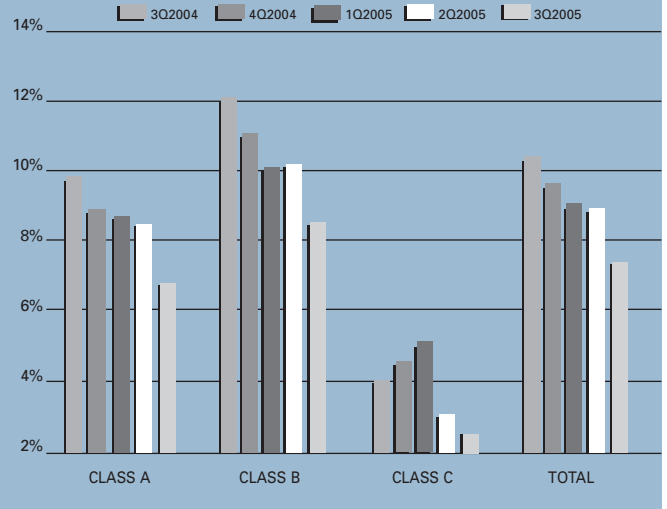
OFFICE MARKET STATISTICS

	3Q2005	2Q2005	3Q2004	% CHANGE VS. 3Q04
Under Construction	1,753,296	1,486,057	458,310	382.56%
Planned Construction	7,279,319	5,650,508	5,024,052	44.89%
Vacancy	7.34%	8.93%	10.50%	-30.10%
Availability	10.17%	11.15%	13.72%	-25.87%
Pricing	\$2.26	\$2.19	\$2.05	10.24%
Net Absorption	1,340,024	1,276,620	1,110,463	20.67%

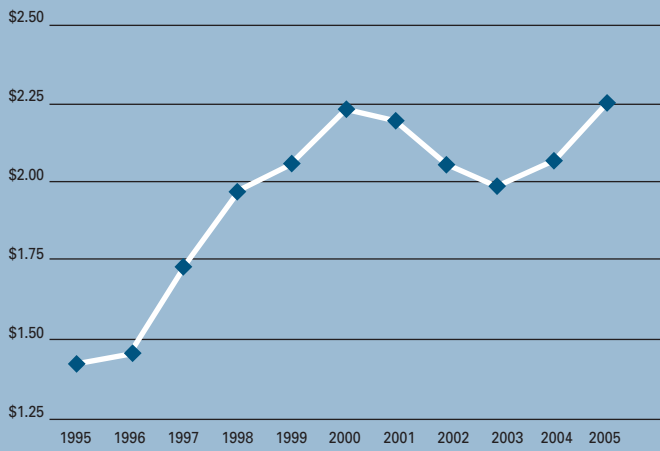
VACANCY RATE



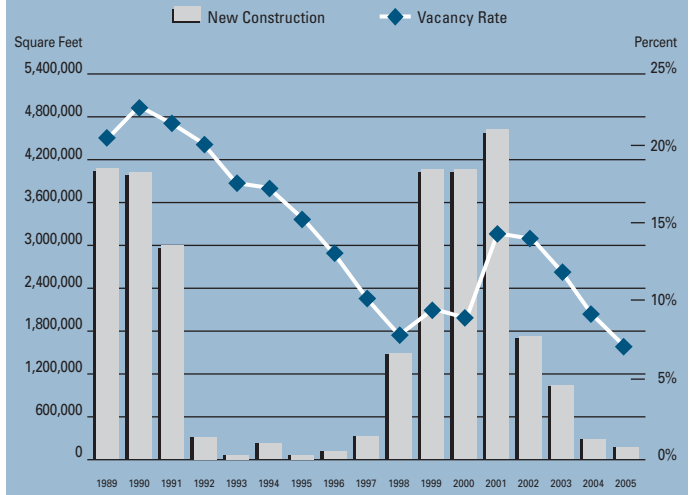
OFFICE VACANCY RATE



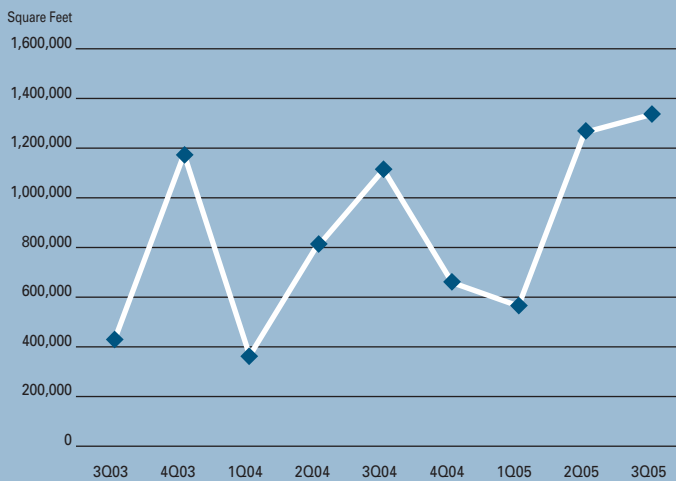
AVERAGE ASKING FULL SERVICE LEASE RATE



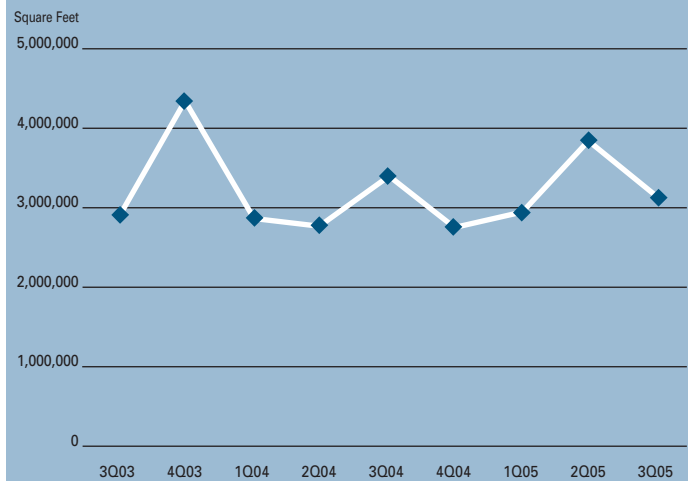
ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



THIRD QUARTER 2005

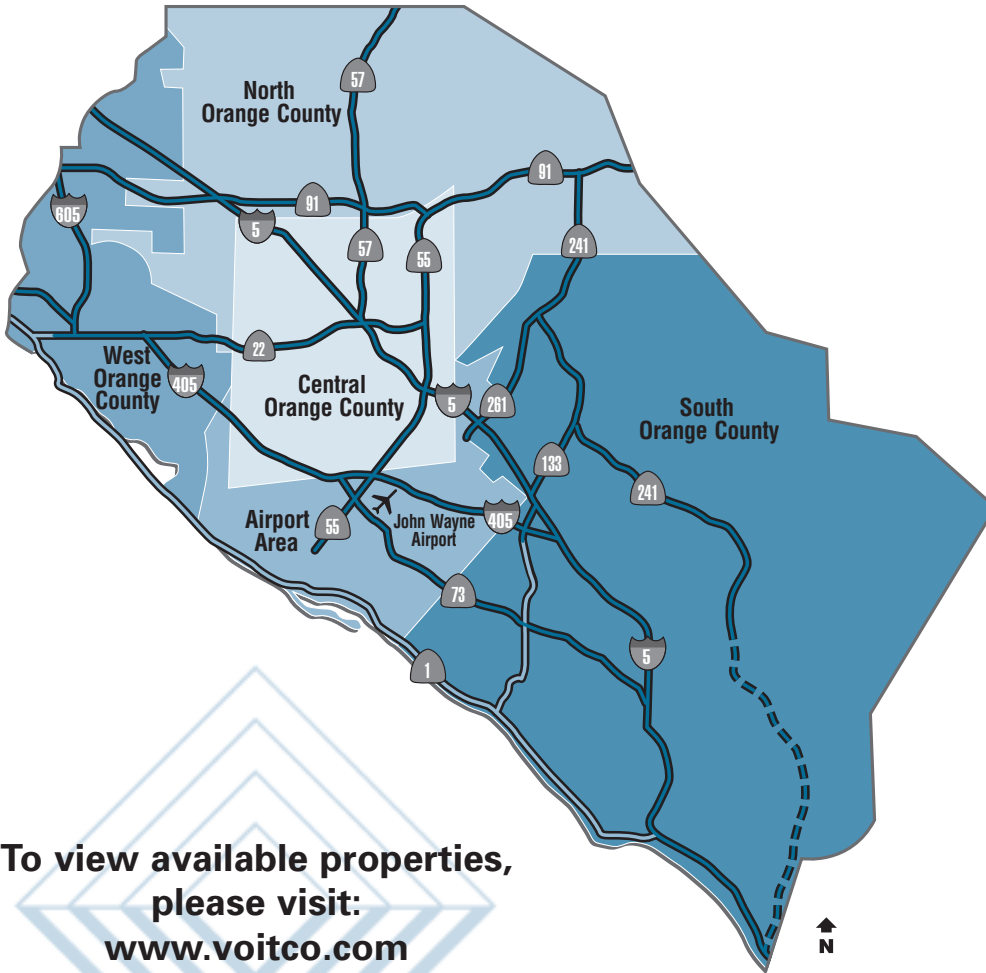
ORANGE COUNTY

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2005	Square Feet Available	Availability Rate 3Q2005	Average Asking Lease Rate	Net Absorption 3Q2005	Net Absorption 2005	Net Absorption 2004	Net Absorption 2003
North County													
Anaheim Hills	10	644,674	0	60,000	5,839	0.91%	7,051	1.09%	\$2.05	(4,960)	(4,960)	11,569	(1,635)
Brea	41	3,843,214	131,687	202,250	200,795	5.22%	242,025	6.30%	\$1.89	75,553	56,728	324,162	17,961
Buena Park	10	625,415	0	0	86,713	13.86%	86,713	13.86%	\$1.77	7,398	9,703	107,805	2,384
Fullerton	30	2,006,839	0	81,634	33,080	1.65%	46,817	2.33%	\$1.56	2,170	5,635	(7,982)	103,707
La Habra	7	376,859	0	0	7,108	1.89%	7,780	2.06%	\$1.60	9,192	25,264	20,641	72,227
La Palma	8	842,349	0	0	22,781	2.70%	28,524	3.39%	\$1.92	15,181	17,546	1,637	(3,419)
Placentia	5	165,875	0	0	15,794	9.52%	22,666	13.66%	\$1.75	399	(10,466)	7,777	6,465
Yorba Linda	6	319,684	0	0	6,623	2.07%	38,423	12.02%	\$1.50	2,876	2,800	12,119	(6,139)
North County Total	117	8,824,909	131,687	343,884	378,733	4.29%	479,999	5.44%	\$1.82	107,809	102,250	477,728	191,551
West County													
Cypress	27	2,135,220	0	0	162,246	7.60%	198,814	9.31%	\$1.86	37,982	217,662	18,404	(21,375)
Fountain Valley	31	1,536,130	0	36,700	173,295	11.28%	173,295	11.28%	\$1.89	15,444	11,338	(33,842)	(24,766)
Garden Grove	20	898,729	0	0	49,814	5.54%	49,814	5.54%	\$1.55	43,347	49,344	3,129	39,461
Huntington Beach	44	2,445,087	0	0	233,666	9.56%	261,777	10.71%	\$2.07	6,969	96,608	(83,869)	(15,587)
Los Alamitos	13	712,280	0	0	8,721	1.22%	12,739	1.79%	\$1.85	3,400	12,246	(3,163)	(8,915)
Seal Beach	6	425,418	0	0	15,049	3.54%	15,049	3.54%	\$2.45	10,370	22,388	15,106	5,215
Stanton	2	85,917	0	0	6,527	7.60%	6,527	7.60%	\$1.10	(5,600)	11,926	2,868	(3,553)
Westminster	12	485,174	0	0	39,296	8.10%	46,381	9.56%	\$1.86	(20,676)	(21,094)	27,647	32,520
West County Total	155	8,723,955	0	36,700	688,614	7.89%	764,396	8.76%	\$1.95	91,236	400,418	(53,720)	3,000
Central County													
Anaheim	89	5,932,399	0	462,711	396,724	6.69%	503,647	8.49%	\$1.87	95,839	143,947	43,136	622,258
Orange	75	6,910,066	0	0	422,070	6.11%	466,438	6.75%	\$2.08	56,202	203,658	(58,970)	273,259
Santa Ana	173	12,370,709	270,000	230,400	976,206	7.89%	1,281,412	10.36%	\$1.87	98,303	374,211	28,963	30,938
Tustin	33	1,332,748	0	0	121,549	9.12%	239,857	18.00%	\$1.75	66,675	62,972	3,037	128,065
Central County Total	370	26,545,922	270,000	693,111	1,916,549	7.22%	2,491,354	9.39%	\$1.90	317,019	784,788	16,166	1,054,520
Airport Area													
Corona Del Mar	2	86,378	0	0	0	0.00%	0	0.00%	\$0.00	0	12,200	(12,200)	3,238
Costa Mesa	65	6,432,423	0	482,379	524,969	8.16%	712,625	11.08%	\$2.44	83,540	444,690	52,840	76,540
Irvine	242	21,148,485	616,770	2,780,903	1,504,812	7.12%	2,381,560	11.26%	\$2.49	459,818	922,524	1,081,510	887,193
Newport Beach	129	9,486,515	0	0	1,032,484	10.88%	1,250,858	13.19%	\$2.89	(68,219)	12,289	455,906	238,076
Airport Area Total	438	37,153,801	616,770	3,263,282	3,062,265	8.24%	4,345,043	11.69%	\$2.60	475,139	1,391,703	1,578,056	1,205,047
South County													
Aliso Viejo	43	2,849,109	260,000	635,000	172,143	6.04%	247,864	8.70%	\$2.63	25,148	83,207	296,782	119,157
Dana Point	4	210,660	0	0	0	0.00%	5,000	2.37%	\$2.75	0	0	0	0
Foothill Ranch	10	817,379	0	0	83,578	10.23%	83,578	10.23%	\$2.20	10,701	71,595	30,573	62,144
Irvine Spectrum	95	6,235,333	342,708	125,700	398,899	6.40%	1,008,811	16.18%	\$2.79	88,703	223,260	604,231	233,386
Laguna Beach	5	193,268	0	0	2,825	1.46%	8,153	4.22%	\$2.50	(2,825)	(2,825)	0	10,325
Laguna Hills	33	1,740,541	0	0	129,495	7.44%	139,078	7.99%	\$2.14	20,884	61,080	(32)	9,251
Laguna Niguel	9	615,746	0	25,500	19,846	3.22%	44,537	7.23%	\$2.36	33,116	20,739	(23,007)	10,795
Lake Forest	42	2,077,302	0	0	214,025	10.30%	233,293	11.23%	\$2.03	129,425	201,502	64,645	146,188
Mission Viejo	38	2,003,022	0	150,000	168,954	8.43%	183,795	9.18%	\$1.91	18,540	60,780	16,353	25,345
Rancho Santa Margarita	6	219,030	0	0	10,035	4.58%	15,123	6.90%	\$2.02	26,788	34,786	13,039	10,201
San Clemente	10	372,984	0	0	22,675	6.08%	22,675	6.08%	\$2.63	4,790	9,919	26,925	4,957
San Juan Capistrano	11	529,004	132,131	0	10,683	2.02%	10,683	2.02%	\$2.18	(6,449)	(6,489)	(1,938)	4,281
South County Total	306	17,863,378	734,839	936,200	1,233,158	6.90%	2,002,590	11.21%	\$2.41	348,821	757,554	1,027,571	636,030
Orange County Total	1,386	99,111,965	1,753,296	5,273,177	7,279,319	7.34%	10,083,382	10.17%	\$2.26	1,340,024	3,436,713	3,045,801	3,090,148

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North County													
Class A	42	3,938,442	131,687	180,000	226,467	5.75%	226,467	5.75%	\$1.92	95,062	116,460	262,161	131,794
Class B	65	4,466,367	0	163,884	144,082	3.23%	240,585	5.39%	\$1.76	6,324	(10,288)	207,683	77,589
Class C	10	420,100	0	0	8,184	1.95%	12,947	3.08%	\$1.29	6,423	(3,922)	7,884	(17,832)
West County													
Class A	34	3,245,068	0	0	254,933	7.86%	299,933	9.24%	\$2.13	44,790	250,084	(33,419)	(2,034)
Class B	94	4,186,028	0	36,700	417,018	9.96%	447,800	10.70%	\$1.79	40,810	129,917	(16,202)	(65,611)
Class C	27	1,292,859	0	0	16,663	1.29%	16,663	1.29%	\$1.45	5,636	20,417	(4,099)	70,645
Central County													
Class A	86	12,259,781	220,000	645,111	784,172	6.40%	1,065,538	8.69%	\$2.10	116,903	461,024	2,117	897,630
Class B	234	12,281,497	50,000	48,000	1,062,964	8.66%	1,333,812	10.86%	\$1.70	192,116	252,095	41,834	159,994
Class C	50	2,004,644	0	0	69,413	3.46%	92,004	4.59%	\$1.56	8,000	71,669	(27,785)	(3,104)
Airport Area													
Class A	129	21,361,311	350,000	2,175,428	1,618,428	7.58%	2,471,080	11.57%	\$2.75	297,903	694,349	1,139,278	944,496
Class B	274	13,929,230	266,770	1,087,854	1,395,055	10.02%	1,794,846	12.89%	\$2.16	158,324	646,424	435,768	209,793
Class C	35	1,863,260	0	0	48,782	2.62%	79,117	4.25%	\$1.76	18,912	50,930	3,010	50,758
South County													
Class A	118	9,552,665	576,108	740,500	565,097	5.92%	685,941	7.18%	\$2.52	240,412	464,578	503,357	305,487
Class B	178	7,944,035	158,731	195,700	663,206	8.35%	1,305,516	16.43%	\$2.09	108,500	285,520	530,320	326,297
Class C	10	366,678	0	0	4,855	1.32%	11,133	3.04%	\$1.94	(91)	7,456	(6,106)	4,246
Orange County													
Class A	409	50,357,267	1,277,795	3,741,039	3,449,097	6.85%	4,748,959	9.43%	\$2.47	795,070	1,986,495	1,873,494	2,277,373
Class B	845	42,807,157	475,501	1,532,138	3,682,325	8.60%	5,122,559	11.97%	\$1.88	506,074	1,303,668	1,199,403	708,062
Class C	132	5,947,541	0	0	147,897	2.49%	211,864	3.56%	\$1.60	38,880	146,550	(27,096)	104,713
Orange County Total	1,386	99,111,965	1,753,296	5,273,177	7,279,319	7.34%	10,083,382	10.17%	\$2.26	1,340,024	3,436,713	3,045,801	3,090,148

OFFICE MARKET REPORT

THIRD QUARTER 2005



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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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