

R & D MARKET REPORT

THIRD
QUARTER
2005

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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Prepared by:
Jerry J. Holdner, Jr.
Vice President
of Market Research
e-mail: jholdner@voitco.com



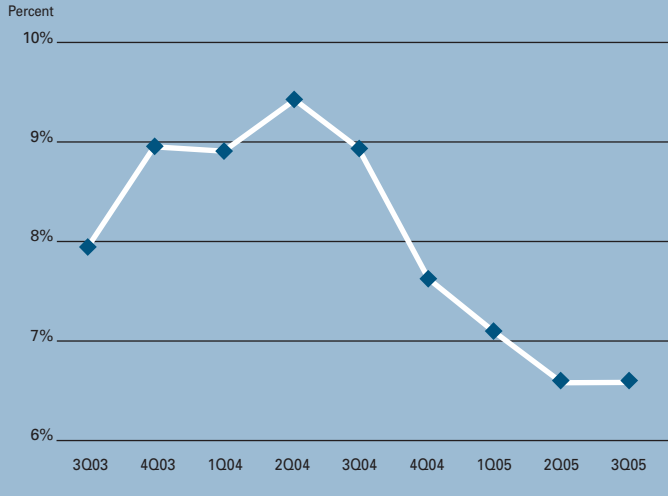
MARKET HIGHLIGHTS

- ◆ 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 13,284 square feet for the third quarter of 2005, which is about 60,000 square feet less than the amount that was under construction in the second quarter of 2005.
- ◆ The R&D vacancy rate checked in at a low 6.59%, which is lower than it was a year ago when it was 9.40%. 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 lower than it was a year ago; 8.45% this quarter as compared to 11.86% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$0.93, which is 4.49% higher than it was this time last year and last quarter.
- ◆ Net absorption for the R&D market this quarter posted a negative number of 64,556 square feet, giving the R&D Market in Orange County a total of 1,295,545 square feet of positive absorption for the first three quarters of 2005.
- ◆ 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. These conditions will put upward pressure on lease rates going forward. We should see rental rate growth of 7% to 10% in 2005.

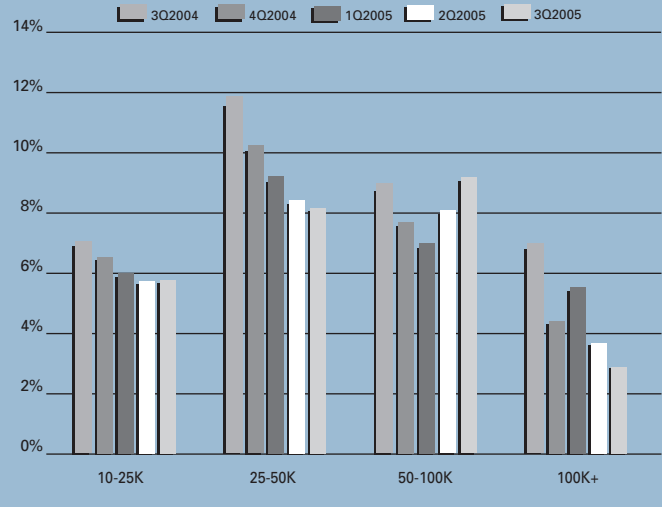
R&D MARKET STATISTICS

	3Q2005	2Q2005	3Q2004	% CHANGE VS. 3Q04
Under Construction	13,284	73,284	131,181	-89.87%
Planned Construction	525,983	487,202	471,013	11.67%
Vacancy	6.59%	6.62%	9.40%	-29.89%
Availability	8.45%	8.44%	11.86%	-28.75%
Pricing	\$0.93	\$0.94	\$0.89	4.49%
Net Absorption	-64,556	487,532	586,596	N/A

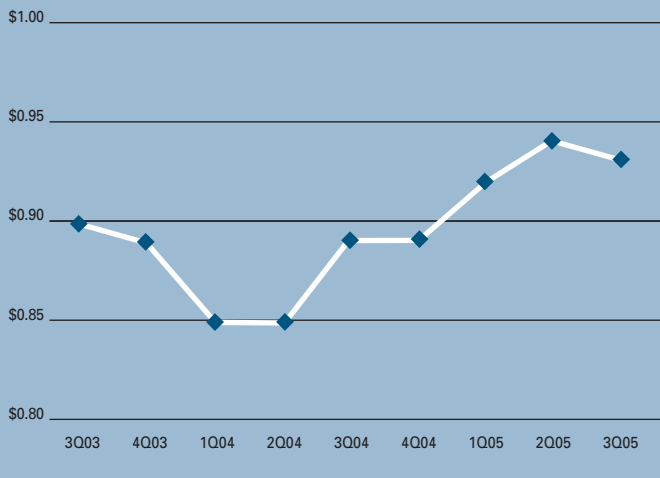
VACANCY RATE



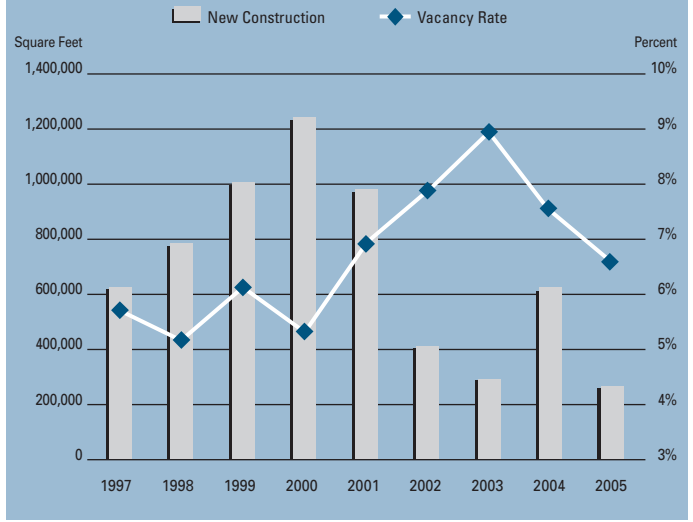
R&D VACANCY RATE



AVERAGE ASKING TRIPLE NET LEASE RATE



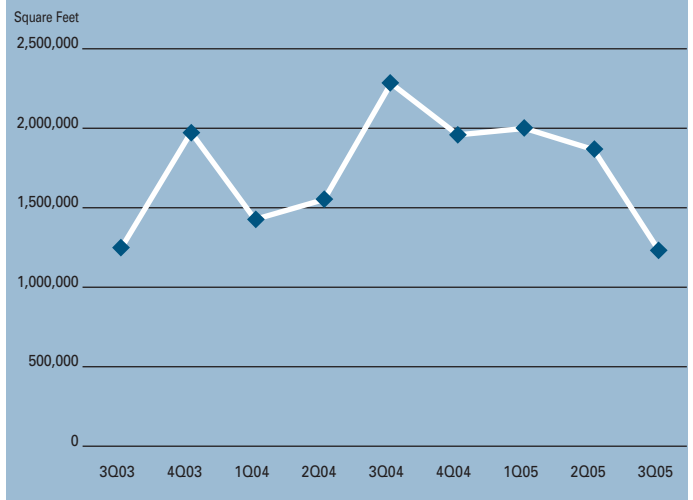
ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



ORANGE COUNTY

INVENTORY

VACANCY & LEASE RATES

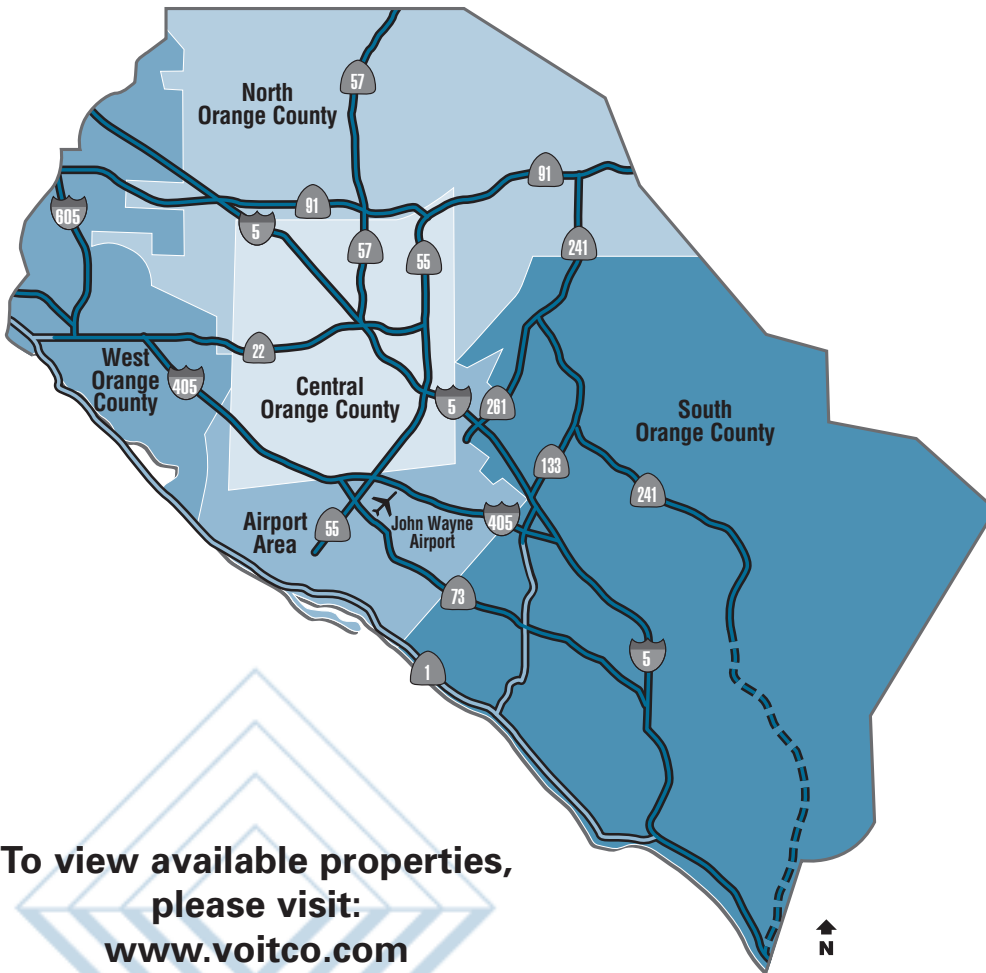
ABSORPTION

	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
North County											
Anaheim Hills	7	292,180	0	0	11,436	3.91%	11,436	3.91%	\$0.00	5,849	22,174
Anaheim	73	2,606,775	0	0	110,823	4.25%	176,570	6.77%	\$0.85	(8,336)	64,183
Brea	40	1,033,568	0	0	12,732	1.23%	20,379	1.97%	\$0.00	(228)	2,117
Buena Park	23	888,019	0	0	88,395	9.95%	88,395	9.95%	\$0.00	1,354	48,025
Fullerton	36	1,531,209	0	0	17,046	1.11%	62,358	4.07%	\$0.00	(8,488)	16,512
La Habra	7	107,089	0	0	0	0.00%	0	0.00%	\$0.00	0	0
La Palma	7	272,981	0	0	0	0.00%	939	0.34%	\$1.25	0	0
Placentia	19	545,794	0	0	14,220	2.61%	14,220	2.61%	\$0.69	17,605	5,809
Yorba Linda	54	1,430,811	0	0	166,528	11.64%	234,849	16.41%	\$0.70	(9,183)	(2,249)
North County Total	266	8,708,426	0	0	421,180	4.84%	609,146	6.99%	\$0.73	(1,427)	156,571
West County											
Cypress	45	2,850,117	0	0	269,390	9.45%	303,470	10.65%	\$0.78	4,530	61,460
Huntington Beach	85	1,925,133	0	0	63,337	3.29%	75,529	3.92%	\$0.89	(23,363)	8,281
Los Alamitos	31	692,980	0	0	12,798	1.85%	18,326	2.64%	\$0.00	9,292	18,793
West County Total	161	5,468,230	0	0	345,525	6.32%	397,325	7.27%	\$0.79	(9,541)	88,534
Central County											
Anaheim	81	2,078,344	0	0	112,233	5.40%	138,861	6.68%	\$1.28	(22,722)	(4,780)
Garden Grove	81	2,430,675	0	0	174,133	7.16%	247,358	10.18%	\$0.68	100,081	69,794
Orange	97	1,959,347	0	0	48,821	2.49%	75,089	3.83%	\$0.94	13,057	(6,173)
Santa Ana	47	1,300,010	0	0	31,416	2.42%	33,213	2.55%	\$0.00	10,025	6,326
Westminster	23	619,454	0	0	78,899	12.74%	78,899	12.74%	\$0.62	2,783	8,761
Central County Total	329	8,387,830	0	0	445,502	5.31%	573,420	6.84%	\$0.77	103,224	73,928
Airport Area											
Costa Mesa	154	3,739,205	0	0	282,936	7.57%	325,637	8.71%	\$1.12	15,736	152,700
Fountain Valley	47	1,359,546	0	49,186	63,275	4.65%	63,275	4.65%	\$0.85	(5,529)	(25,550)
Irvine	283	7,769,677	0	40,498	679,016	8.74%	796,751	10.25%	\$0.92	(54,153)	(31,706)
Newport Beach	24	822,058	0	0	26,194	3.19%	26,194	3.19%	\$0.00	8,697	15,233
Santa Ana	121	3,716,023	0	0	133,280	3.59%	142,415	3.83%	\$1.08	(45,081)	262,991
Tustin	92	3,152,299	0	0	81,094	2.57%	158,017	5.01%	\$0.85	9,089	176,125
Airport Area Total	721	20,558,808	0	89,684	1,265,795	6.16%	1,512,289	7.36%	\$0.97	(71,241)	549,793
South County											
Aliso Viejo	44	1,136,990	0	0	138,985	12.22%	153,452	13.50%	\$0.80	6,307	(1,219)
Foothill Ranch	6	135,698	0	0	0	0.00%	17,789	13.11%	\$0.97	0	0
Irvine Spectrum	261	10,382,935	0	69,310	1,083,419	10.43%	1,516,667	14.61%	\$1.05	(87,667)	253,998
Laguna Hills	51	1,098,607	0	0	40,980	3.73%	47,792	4.35%	\$0.95	(20,867)	(13,984)
Laguna Niguel	13	423,047	0	0	19,504	4.61%	69,504	16.43%	\$0.57	(14,900)	(4,805)
Lake Forest	58	1,493,584	0	0	110,417	7.39%	110,417	7.39%	\$1.14	43,326	90,765
Mission Viejo	31	597,022	0	0	27,297	4.57%	33,803	5.66%	\$0.00	(7,400)	12,129
Rancho Santa Margarita	53	1,831,385	0	0	130,250	7.11%	130,250	7.11%	\$0.93	(21,072)	73,869
San Clemente	45	1,019,122	13,284	366,989	39,879	3.91%	43,666	4.28%	\$1.04	11,807	18,134
San Juan Capistrano	37	539,079	0	0	5,618	1.04%	5,618	1.04%	\$1.25	4,895	(2,168)
South County Total	599	18,657,469	13,284	436,299	1,596,349	8.56%	2,128,958	11.41%	\$1.00	(85,571)	426,719
Orange County Total	2,076	61,780,763	13,284	525,983	4,074,351	6.59%	5,221,138	8.45%	\$0.93	(64,556)	1,295,545
North County											
10,000 to 24,999	158	2,512,504	0	0	58,278	2.32%	91,713	3.65%	\$0.77	9,956	43,262
25,000 to 49,999	73	2,503,689	0	0	140,288	5.60%	216,967	8.67%	\$0.69	(20,594)	51,801
50,000 to 99,999	24	1,630,893	0	0	102,648	6.29%	180,500	11.07%	\$0.90	9,211	61,508
100,000+	11	2,061,340	0	0	119,966	5.82%	119,966	5.82%	\$0.75	0	0
West County											
10,000 to 24,999	91	1,348,505	0	0	74,695	5.54%	86,887	6.44%	\$0.89	(27,784)	25,995
25,000 to 49,999	42	1,418,202	0	0	36,698	2.59%	76,306	5.38%	\$0.80	15,878	89,749
50,000 to 99,999	21	1,330,832	0	0	234,132	17.59%	234,132	17.59%	\$0.91	2,365	(27,210)
100,000+	7	1,370,691	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Central County											
10,000 to 24,999	229	3,624,296	0	0	134,165	3.70%	174,019	4.80%	\$0.89	(631)	(21,513)
25,000 to 49,999	75	2,445,630	0	0	165,078	6.75%	246,518	10.08%	\$0.82	10,784	48,215
50,000 to 99,999	17	1,148,944	0	0	129,201	11.25%	137,460	11.96%	\$0.62	(7,650)	(55,094)
100,000+	8	1,168,960	0	0	17,058	1.46%	17,058	1.46%	\$0.00	100,721	102,320
Airport Area											
10,000 to 24,999	472	7,628,928	0	24,449	495,083	6.49%	521,733	6.84%	\$0.91	(55,520)	48,655
25,000 to 49,999	170	5,778,610	0	65,235	408,150	7.06%	514,995	8.91%	\$1.02	(13,960)	321,062
50,000 to 99,999	57	3,850,163	0	0	211,960	5.51%	286,193	7.43%	\$1.01	6,504	165,357
100,000+	22	3,301,107	0	0	150,602	4.56%	189,368	5.74%	\$0.82	(8,265)	14,719
South County											
10,000 to 24,999	354	5,851,737	13,284	69,310	426,024	7.28%	526,222	8.99%	\$1.11	42,201	209,155
25,000 to 49,999	167	5,671,291	0	0	724,935	12.78%	744,434	13.13%	\$0.98	(50,167)	191,885
50,000 to 99,999	57	3,821,550	0	366,989	411,536	10.77%	512,984	13.42%	\$0.97	(75,292)	(19,841)
100,000+	21	3,312,891	0	0	33,854	1.02%	343,683	10.37%	\$1.05	(2,313)	45,520
Orange County											
10,000 to 24,999	1,304	20,965,970	13,284	93,759	1,188,245	5.67%	1,400,574	6.68%	\$1.00	(31,778)	305,554
25,000 to 49,999	527	17,817,422	0	65,235	1,475,149	8.28%	1,799,220	10.10%	\$0.92	(58,059)	702,712
50,000 to 99,999	176	11,782,382	0	366,989	1,089,477	9.25%	1,351,269	11.47%	\$0.91	(64,862)	124,720
100,000+	69	11,214,989	0	0	321,480	2.87%	670,075	5.97%	\$1.04	90,143	162,559
Orange County Total	2,076	61,780,763	13,284	525,983	4,074,351	6.59%	5,221,138	8.45%	\$0.93	(64,556)	1,295,545

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 2005



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SUBMARKETS

NORTH

Anaheim Hills, 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.

For Further Information:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, California 92868-1642
TEL: 714.978.7880
FAX: 714.978.9431

IRVINE OFFICE

18500 Von Karman Ave., Suite 150
Irvine, California 92612-0508
TEL: 949.851.5100
FAX: 949.261.9092



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