

FLEX MARKET REPORT

THIRD QUARTER 2006

Compared to last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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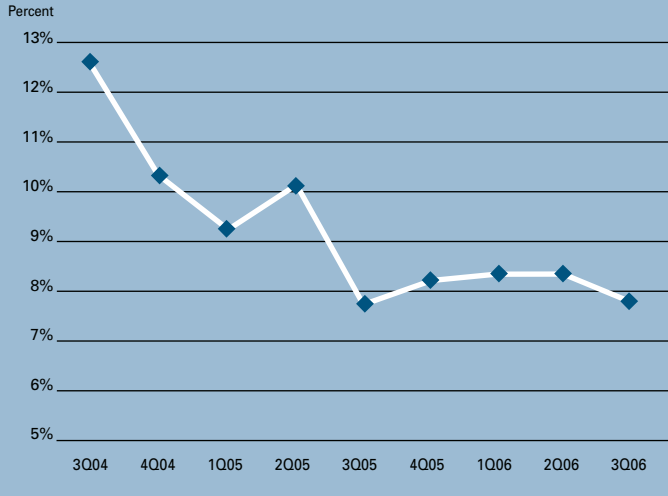
MARKET HIGHLIGHTS

- ◆ Unemployment for the third quarter of 2006 in Orange County is 3.6%, which is 0.4% higher than it was when compared to the second quarter of 2006, and is 0.2% lower than it was during the third quarter of 2005.
- ◆ According to Chapman University, it is estimated that Orange County added 34,000 new payroll jobs in 2005. Furthermore, they are forecasting 26,000 new payroll jobs will be added to the county in 2006 with another 21,000 jobs in 2007 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at 363,104 square feet for the third quarter of 2006, which is almost 65% less than the amount that was under construction during the third quarter of 2005.
- ◆ The flex vacancy rate checked in at a low 7.83%, which is a little higher than it was a year ago when it was 7.74%. Another sign of strength is the 279,780 square feet of new product that has been built this year, which has been absorbed.
- ◆ The total amount of flex space available in Orange County, which includes both direct and sublease space, is lower than it was a year ago; 11.46% this quarter as compared to 12.57% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot for Flex space in Orange County is currently at \$1.95 on a triple net basis, which is a 15.38% increase over last year's third quarter rate of \$1.69. This is a new record high for lease rates in the flex market.
- ◆ Net absorption for the county this quarter posted a positive number of 133,826 square feet, giving the county a total of over two point five million square feet of positive absorption for the last twelve 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. These conditions will put upward pressure on lease rates going forward. We should see rental rate growth of 7% to 10% in 2006.

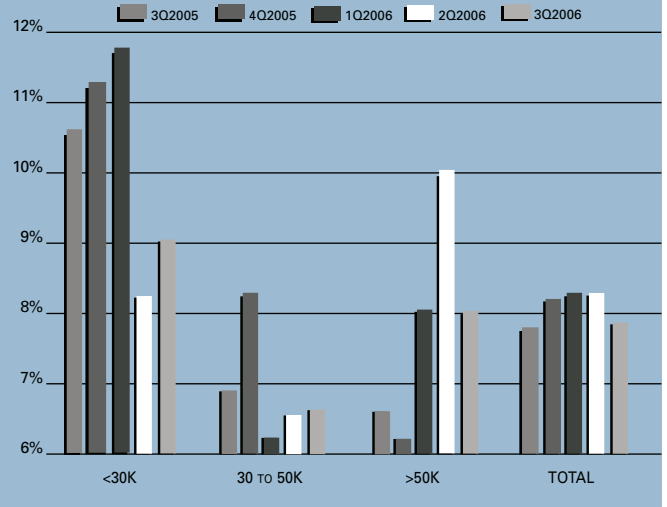
FLEX MARKET STATISTICS

	3Q2006	2Q2006	3Q2005	% CHANGE VS. 3Q05
Under Construction	363,104	199,637	1,032,357	-64.83%
Planned Construction	114,550	158,050	701,336	-83.67%
Vacancy	7.83%	8.38%	7.74%	1.16%
Availability	11.46%	12.43%	12.57%	-8.83%
Pricing	\$1.95	\$1.90	\$1.69	15.38%
Net Absorption	133,826	-85,819	352,420	-62.03%
Activity	518,567	429,935	735,792	-29.52%

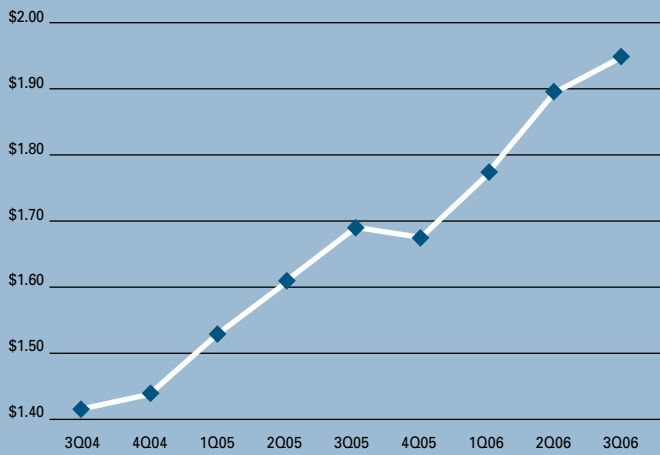
VACANCY RATE



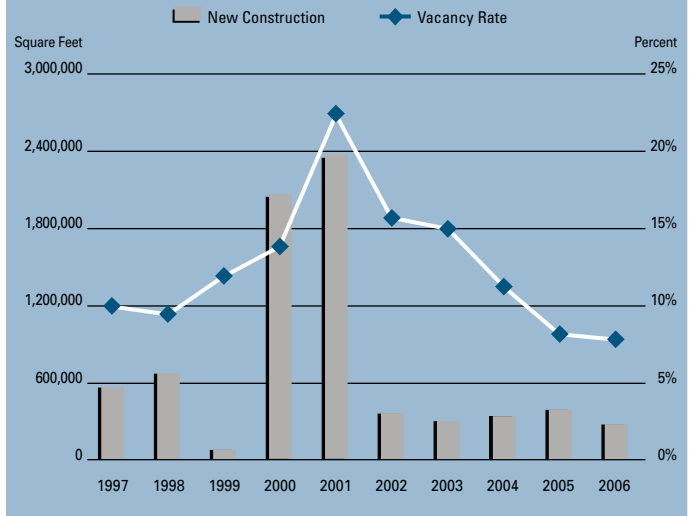
FLEX VACANCY RATE



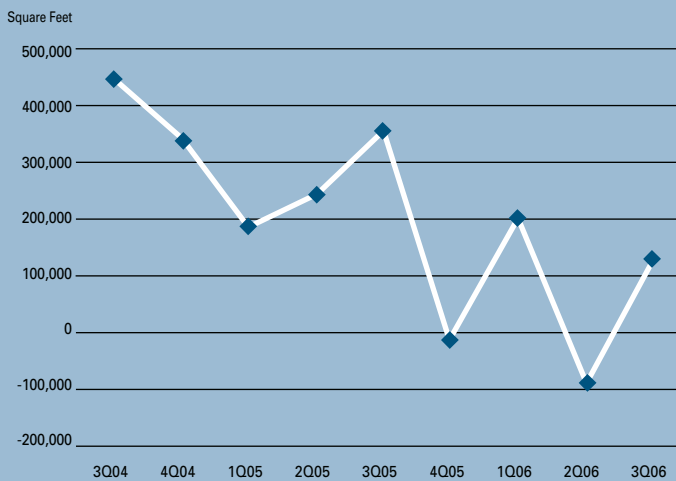
AVERAGE ASKING TRIPLE NET LEASE RATE



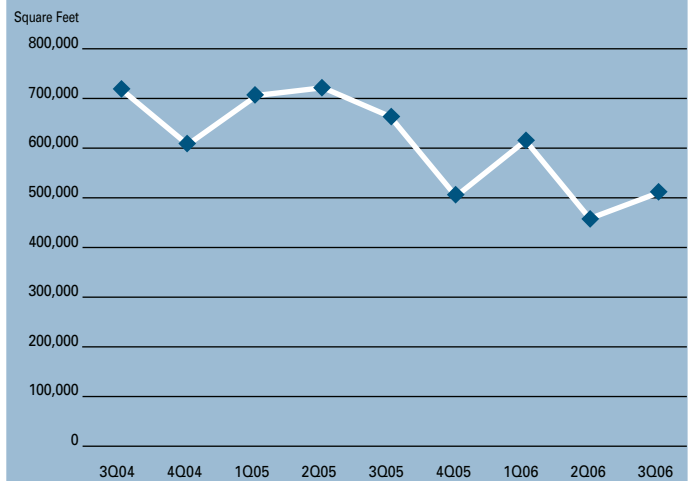
ANNUAL FLEX NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



ORANGE COUNTY

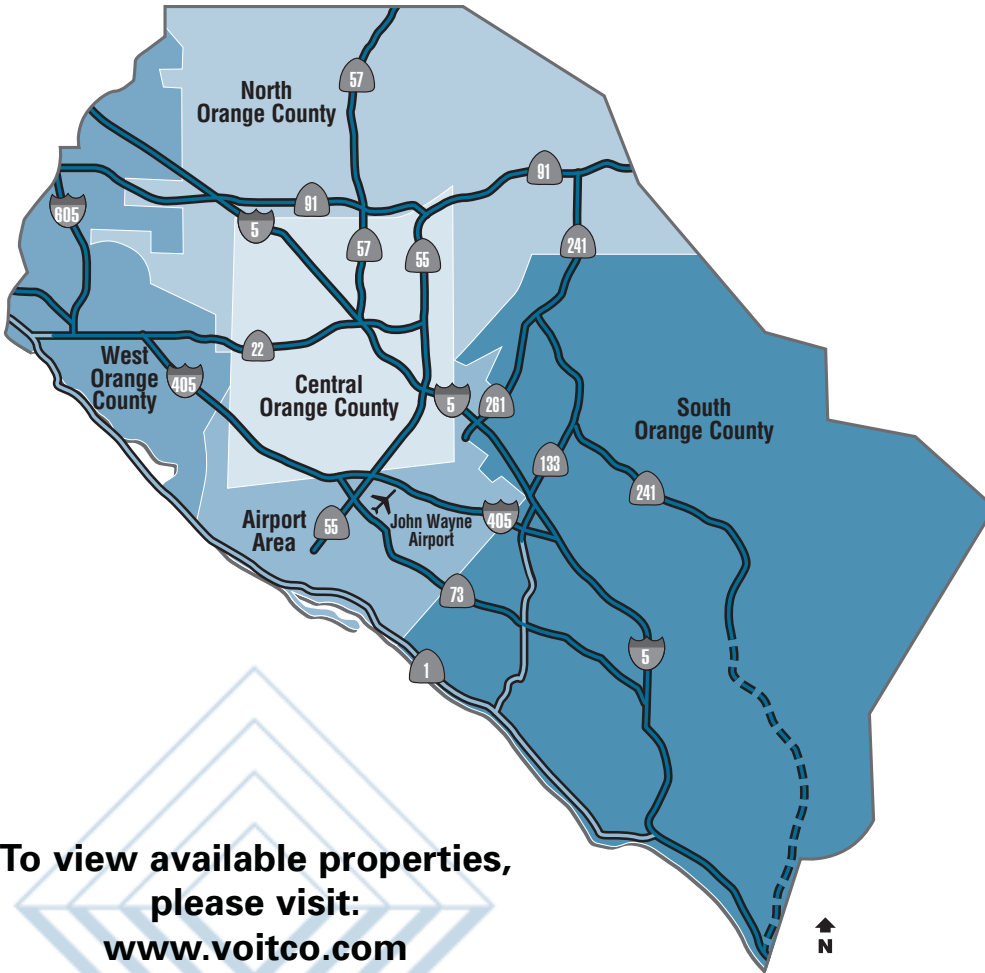
	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2006	Square Feet Available	Availability Rate 3Q2006	Average Asking Lease Rate	Net Absorption 3Q2006	Net Absorption 2006	Net Absorption 2005	Net Absorption 2004
North County													
Anaheim Hills	14	235,969	0	0	15,244	6.46%	19,561	8.29%	\$0.00	10,849	(5,911)	4,803	10,352
Anaheim	6	141,680	0	0	6,411	4.52%	6,111	4.31%	\$0.00	(3,600)	(1,250)	14,251	10,561
Brea	15	456,680	0	0	32,247	7.06%	33,447	7.32%	\$1.07	5,228	6,087	(8,726)	72,846
Fullerton	7	73,900	0	0	10,040	0.00%	8,440	11.42%	\$0.00	2,000	2,870	100	19,700
Placentia	1	28,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Yorba Linda	1	9,658	0	0	10,560	109.34%	10,560	109.34%	\$2.25	(902)	(10,560)	0	0
North County Total	44	945,887	0	0	74,502	7.88%	78,119	8.26%	\$2.01	13,575	(8,764)	10,428	113,459
West County													
Cypress	8	324,081	0	0	43,843	13.53%	35,446	10.94%	\$1.40	12,535	18,573	38,313	772
Huntington Beach	3	48,796	40,000	0	0	0.00%	7,574	15.52%	\$0.00	0	2,248	10,985	(1,520)
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	\$0.00	0	842	(842)	8,787
West County Total	15	415,882	40,000	0	43,843	10.54%	43,020	10.34%	\$1.40	12,535	21,663	48,456	8,039
Central County													
Anaheim	8	222,958	0	0	4,917	2.21%	1,712	0.77%	\$0.00	1,597	4,917	7,164	49,879
Garden Grove	2	27,400	0	0	0	0.00%	0	0.00%	\$0.00	0	1,260	(1,260)	0
Orange	7	146,612	0	0	0	0.00%	11,402	7.78%	\$0.00	0	646	11,490	34,501
Santa Ana	9	145,334	22,448	3,000	0	0.00%	0	0.00%	\$0.00	0	0	10,011	229
Tustin	2	18,600	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Central County Total	28	560,904	22,448	3,000	4,917	0.88%	13,114	2.34%	\$0.00	1,597	6,823	27,405	84,609
Airport Area													
Costa Mesa	4	53,851	12,280	0	0	0.00%	2,790	5.18%	\$0.00	2,790	0	14,688	28,090
Irvine	27	3,137,459	31,406	0	126,385	4.03%	235,472	7.51%	\$2.17	74,992	107,983	184,544	122,450
Newport Beach	67	627,180	0	0	98,639	15.73%	62,464	9.96%	\$0.00	(28,388)	9,630	(42,173)	16,610
Santa Ana	9	386,738	0	0	20,282	5.24%	41,652	10.77%	\$1.35	24,552	24,760	21,748	(3,730)
Tustin	4	195,686	0	0	48,700	24.89%	48,700	24.89%	\$0.00	(48,700)	(48,700)	7,110	24,129
Airport Area Total	111	4,400,914	43,686	0	294,006	6.68%	391,078	8.89%	\$2.12	25,246	93,673	185,917	187,549
South County													
Aliso Viejo	39	1,198,453	0	0	72,232	6.03%	89,662	7.48%	\$1.80	(13,979)	(21,748)	12,375	35,901
Dana Point	3	54,340	0	0	612	1.13%	612	1.13%	\$2.50	2,738	2,738	0	0
Foothill Ranch	4	119,659	19,976	0	27,543	23.02%	22,543	18.84%	\$2.35	0	(5,000)	29,482	0
Irvine Spectrum	121	3,820,423	153,847	50,000	255,031	6.68%	706,204	18.48%	\$1.99	(13,960)	178,003	292,745	460,580
Laguna Beach	3	57,207	9,382	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Laguna Hills	15	458,766	0	0	68,918	15.02%	79,896	17.42%	\$1.20	29,840	10,605	(42,124)	7,297
Laguna Niguel	3	53,170	25,500	0	5,800	10.91%	0	0.00%	\$0.00	(5,800)	(5,800)	6,000	7,638
Lake Forest	31	1,239,426	0	0	178,960	14.44%	121,242	9.78%	\$1.55	68,883	(11,335)	164,714	3,719
Mission Viejo	31	467,957	0	39,550	18,661	3.99%	16,253	3.47%	\$0.00	(2,908)	6,690	43,793	51,427
Rancho Santa Margarita	6	197,311	0	0	27,127	13.75%	37,747	19.13%	\$3.00	692	(12,373)	36,117	11,092
San Clemente	7	160,795	0	0	23,587	14.67%	26,098	16.23%	\$0.00	4,266	42,828	17,526	2,519
San Juan Capistrano	18	405,349	48,265	22,000	43,877	10.82%	42,377	10.45%	\$2.49	11,260	14,810	48,544	(1,762)
South County Total	281	8,232,856	256,970	111,550	722,348	8.77%	1,142,634	13.88%	\$1.93	81,032	199,418	609,172	578,411
Orange County Total	479	14,556,443	363,104	114,550	1,139,616	7.83%	1,667,965	11.46%	\$1.95	133,985	312,813	881,378	972,067

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
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North County													
0 to 29,999	34	502,245	0	0	48,424	9.64%	51,941	10.34%	\$2.25	12,719	(5,014)	4,166	30,313
30,000 to 49,999	8	320,642	0	0	23,958	7.47%	24,058	7.50%	\$0.00	856	(3,750)	2,016	4,615
50,000+	2	123,000	0	0	2,120	1.72%	2,120	1.72%	\$0.00	0	0	4,246	78,531
West County													
0 to 29,999	9	97,114	0	0	7,762	7.99%	12,074	12.43%	\$0.00	0	9,128	30,182	(2,740)
30,000 to 49,999	3	118,562	40,000	0	5,135	4.33%	0	0.00%	\$0.00	15,345	15,345	37,783	(14,200)
50,000+	3	200,206	0	0	30,946	15.46%	30,946	15.46%	\$1.40	(2,810)	(2,810)	(19,509)	24,979
Central County													
0 to 29,999	23	313,945	22,448	3,000	4,917	1.57%	11,061	3.52%	\$0.00	1,597	(3,657)	22,083	14,957
30,000 to 49,999	1	33,070	0	0	0	0.00%	0	0.00%	\$0.00	0	9,834	1,867	19,652
50,000+	4	213,889	0	0	0	0.00%	2,053	0.96%	\$0.00	0	646	3,455	50,000
Airport Area													
0 to 29,999	34	536,696	43,686	0	36,326	6.77%	39,116	7.29%	\$1.35	(12,114)	1,969	49,512	60,711
30,000 to 49,999	39	1,602,578	0	0	102,523	6.40%	92,853	5.79%	\$2.25	(51,704)	4,896	121,913	66,866
50,000+	38	2,261,640	0	0	155,157	6.86%	259,109	11.46%	\$2.16	89,064	86,808	14,492	61,192
South County													
0 to 29,999	152	2,270,560	161,099	61,550	241,150	10.62%	248,622	10.95%	\$2.00	10,934	281,348	316,781	(14,032)
30,000 to 49,999	79	3,140,775	95,871	0	217,056	6.91%	348,652	11.10%	\$1.85	44,905	72,087	69,718	153,617
50,000+	49	2,821,521	0	50,000	264,142	9.36%	545,360	19.33%	\$1.93	25,034	(154,017)	222,673	438,826
Orange County Total													
0 to 29,999	252	3,720,560	227,233	64,550	338,579	9.10%	362,814	9.75%	\$1.96	13,136	283,774	422,724	89,209
30,000 to 49,999	130	5,215,627	135,871	0	348,672	6.69%	465,563	8.93%	\$1.94	9,402	98,412	233,297	230,550
50,000+	96	5,620,256	0	50,000	452,365	8.05%	839,588	14.94%	\$1.95	111,288	(69,373)	225,357	653,528
Orange County Total	478	14,556,443	363,104	114,550	1,139,616	7.83%	1,667,965	11.46%	\$1.95	133,826	312,813	881,378	972,067

This survey consists of buildings up to 74,999 square feet. Lease rates are on a triple net basis.

FLEX MARKET
REPORT

THIRD QUARTER 2006



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SUBMARKETS

NORTH

Anaheim Hills, Anaheim, Brea, Fullerton,
Placentia, Yorba Linda

WEST

Cypress, Huntington Beach, Seal Beach

CENTRAL

Anaheim, Garden Grove, Orange, Santa Ana, Tustin

AIRPORT

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

SOUTH

Aliso Viejo, Dana Point, Foothill Ranch, Irvine
Spectrum, Laguna Beach, Laguna Hills, Laguna
Niguel, Lake Forest, Mission Viejo, Rancho Santa
Margarita, San Clemente, San Juan Capistrano

PRODUCT TYPE

FLEX-TECH OR CORPORATE HEADQUARTER

Minimum 75% improved with drop ceiling,
minimum parking ratio of 3.5 to 1, minimum of 3
elevations with full glassline, with ground level
loading possible.

For Further Information:

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FAX: 949.261.9092



Real People. Real Solutions.

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