

# R & D 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 236,000 square feet for the second quarter of 2006, which is more than the amount that was under construction in the third quarter of 2005.
- ◆ The R&D vacancy rate checked in at a low 5.13%, which is lower than it was a year ago when it was 6.59%. 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; 6.56% this quarter as compared to 8.45% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.09, which is 17% higher than it was this time last year. This is a new record high for lease rates in the R&D market.
- ◆ Net absorption for the R&D market this quarter posted a positive number of 379,604 square feet, giving the R&D Market in Orange County a total of almost 4 million square feet of positive absorption for the last nine 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.

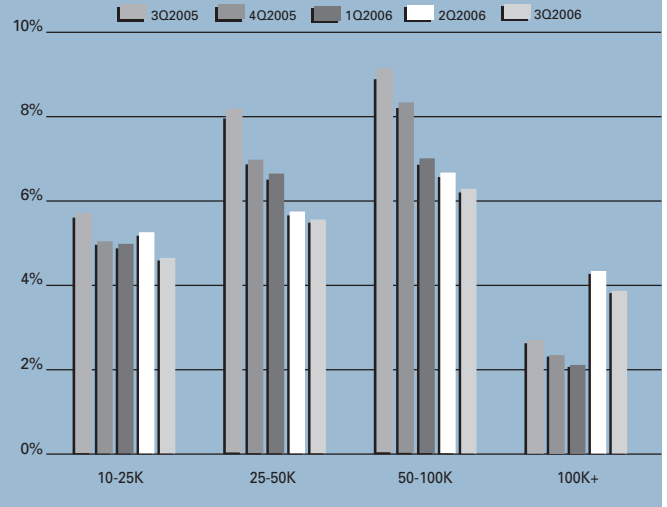
### R&D MARKET STATISTICS

	3Q2006	2Q2006	3Q2005	% CHANGE VS. 3Q05
Under Construction	236,000	350,219	13,284	1676.57%
Planned Construction	217,583	311,293	525,983	-58.63%
Vacancy	5.13%	5.60%	6.59%	-22.15%
Availability	6.56%	7.16%	8.45%	-22.37%
Pricing	\$1.09	\$1.03	\$0.93	17.20%
Net Absorption	379,604	147,058	-64,556	N/A
Activity	1,489,794	1,373,380	1,309,928	13.73%

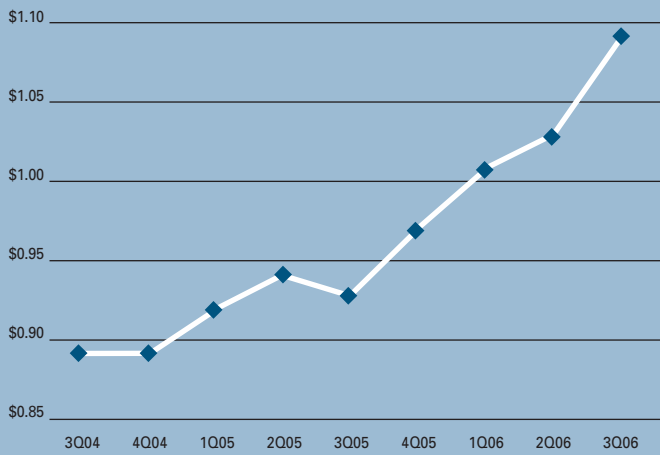
## VACANCY RATE



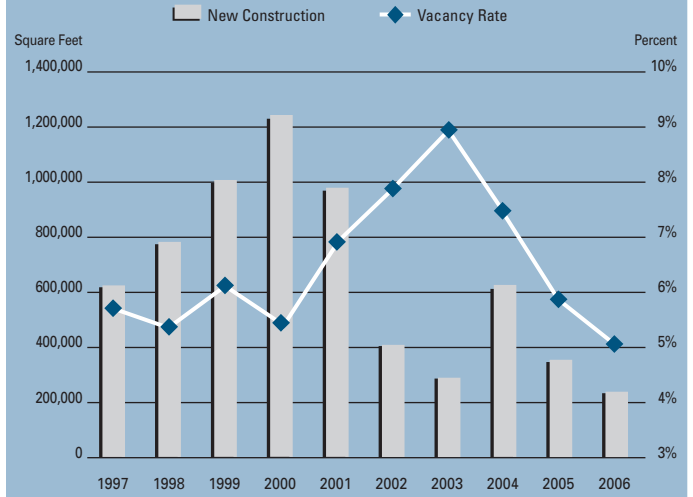
## R&D VACANCY RATE



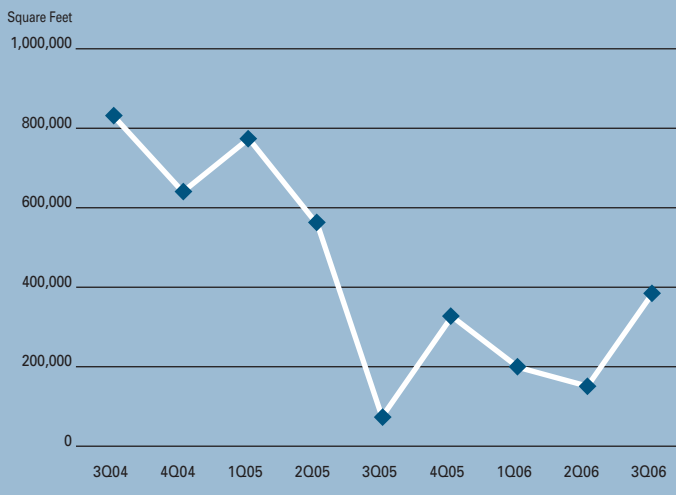
## AVERAGE ASKING TRIPLE NET LEASE RATE



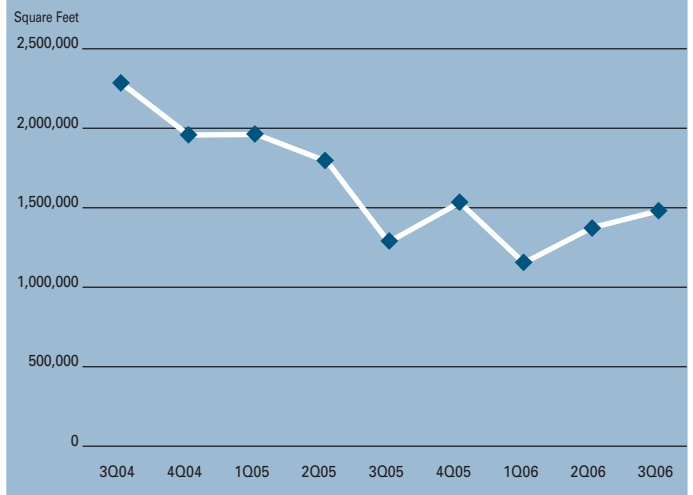
## ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



## ORANGE COUNTY

### INVENTORY

### VACANCY & LEASE RATES

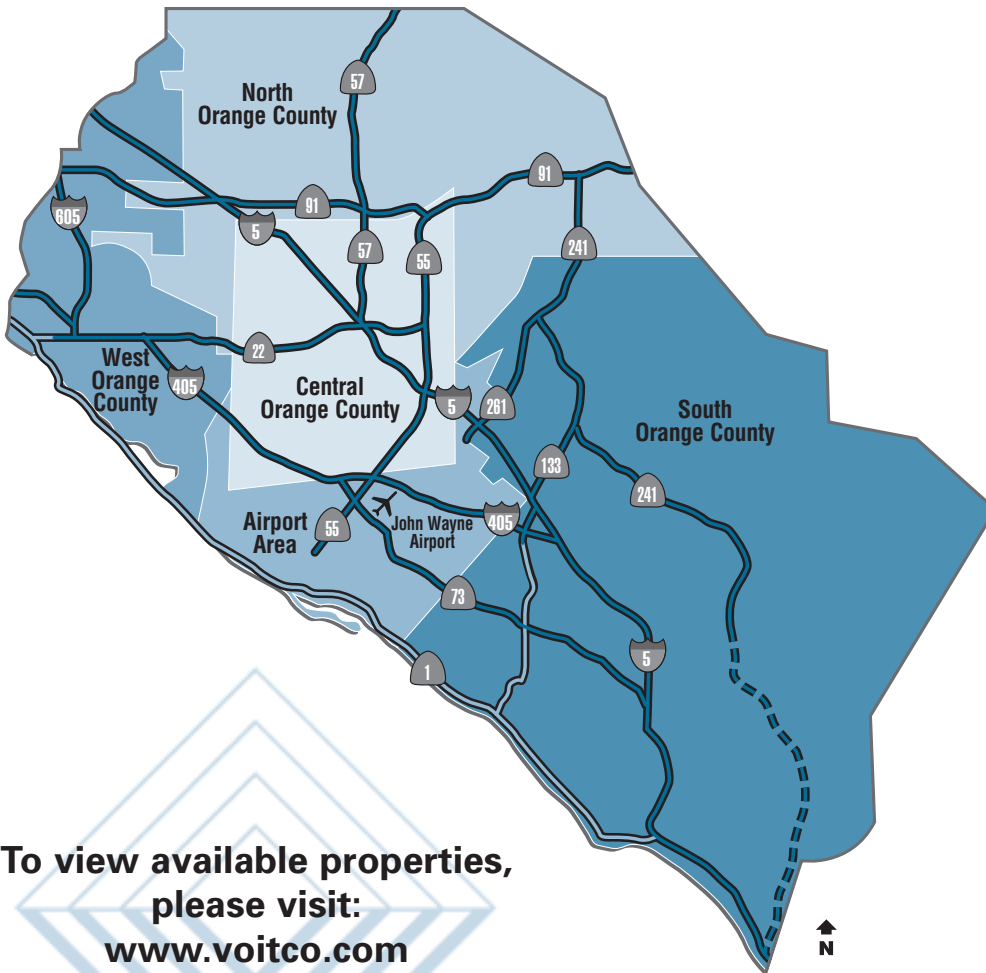
### ABSORPTION

	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2006	Square Feet Available	Availability Rate 3Q2006	Average Asking Lease Rate	Net Absorption 3Q2006	Net Absorption 2006
<b>North County</b>											
Anaheim Hills	7	292,180	0	0	15,860	5.43%	15,860	5.43%	\$0.00	(13,401)	(7,000)
Anaheim	72	2,589,300	0	0	114,979	4.44%	200,424	7.74%	\$0.90	26,037	23,702
Brea	41	1,671,071	0	0	42,180	2.52%	43,685	2.61%	\$0.00	3,120	(9,108)
Buena Park	23	913,930	0	0	136,504	14.94%	145,384	15.91%	\$0.00	(7,400)	(51,948)
Fullerton	36	976,623	0	0	18,008	1.84%	89,388	9.15%	\$0.88	3,332	(11,500)
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%	\$1.40	0	0
Placentia	19	545,794	0	0	13,308	2.44%	16,544	3.03%	\$1.30	(9,785)	6,570
Yorba Linda	54	1,454,026	0	0	79,009	5.43%	218,442	15.02%	\$0.70	59,445	40,993
<b>North County Total</b>	<b>266</b>	<b>8,822,994</b>	<b>0</b>	<b>0</b>	<b>419,848</b>	<b>4.76%</b>	<b>730,666</b>	<b>8.28%</b>	<b>\$0.76</b>	<b>61,348</b>	<b>(8,291)</b>
<b>West County</b>											
Cypress	43	2,688,528	0	0	72,957	2.71%	54,875	2.04%	\$0.94	77,484	103,950
Huntington Beach	84	1,912,133	0	0	58,379	3.05%	69,413	3.63%	\$0.89	9,079	(1,865)
Los Alamitos	30	651,480	0	0	3,620	0.56%	3,620	0.56%	\$0.00	10,880	6,408
<b>West County Total</b>	<b>157</b>	<b>5,252,141</b>	<b>0</b>	<b>0</b>	<b>134,956</b>	<b>2.57%</b>	<b>127,908</b>	<b>2.44%</b>	<b>\$0.91</b>	<b>97,443</b>	<b>108,493</b>
<b>Central County</b>											
Anaheim	75	1,997,201	0	0	58,431	2.93%	79,550	3.98%	\$1.25	41,299	59,932
Garden Grove	83	2,617,696	0	0	338,609	12.94%	457,467	17.48%	\$0.62	30,786	(6,806)
Orange	98	2,114,773	0	0	36,774	1.74%	27,298	1.29%	\$0.90	30,441	8,217
Santa Ana	48	1,321,610	0	0	10,859	0.82%	13,976	1.06%	\$1.75	9,632	26,157
Westminster	24	655,454	0	0	20,575	3.14%	20,575	3.14%	\$0.00	(15,629)	(13,695)
<b>Central County Total</b>	<b>328</b>	<b>8,706,734</b>	<b>0</b>	<b>0</b>	<b>465,248</b>	<b>5.34%</b>	<b>598,866</b>	<b>6.88%</b>	<b>\$0.95</b>	<b>96,529</b>	<b>73,805</b>
<b>Airport Area</b>											
Costa Mesa	152	3,602,852	0	0	298,624	8.29%	282,585	7.84%	\$1.02	(1,612)	(29,197)
Fountain Valley	47	1,359,166	0	49,186	55,409	4.08%	60,337	4.44%	\$0.00	(18,583)	(8,441)
Irvine	279	7,743,502	236,000	0	432,918	5.59%	513,787	6.64%	\$1.10	73,140	193,110
Newport Beach	23	777,826	0	0	19,925	2.56%	19,925	2.56%	\$0.00	(375)	2,516
Santa Ana	116	3,590,874	0	0	161,322	4.49%	200,804	5.59%	\$1.05	37,574	(23,316)
Tustin	90	3,093,457	0	0	26,204	0.85%	61,607	1.99%	\$1.05	8,364	74,874
<b>Airport Area Total</b>	<b>707</b>	<b>20,167,677</b>	<b>236,000</b>	<b>49,186</b>	<b>994,402</b>	<b>4.93%</b>	<b>1,139,045</b>	<b>5.65%</b>	<b>\$1.07</b>	<b>98,508</b>	<b>209,546</b>
<b>South County</b>											
Aliso Viejo	44	1,131,626	0	0	26,374	2.33%	75,991	6.72%	\$0.94	10,028	17,864
Foothill Ranch	6	135,698	0	0	0	0.00%	17,789	13.11%	\$0.00	0	0
Irvine Spectrum	264	10,279,613	0	22,397	820,687	7.98%	1,015,559	9.88%	\$1.35	(131,507)	211,433
Laguna Hills	51	1,098,607	0	0	52,760	4.80%	67,932	6.18%	\$1.25	19,919	(9,896)
Laguna Niguel	13	423,047	0	0	25,825	6.10%	25,825	6.10%	\$0.00	2,832	(4,766)
Lake Forest	58	1,493,584	0	0	77,176	5.17%	80,992	5.42%	\$1.07	(30,185)	(5,617)
Mission Viejo	30	591,598	0	0	38,387	6.49%	38,387	6.49%	\$1.25	(20,328)	3,515
Rancho Santa Margarita	52	1,784,038	0	0	15,266	0.86%	33,401	1.87%	\$0.95	12,585	13,551
San Clemente	47	1,079,045	0	146,000	77,245	7.16%	72,946	6.76%	\$0.90	153,326	148,169
San Juan Capistrano	38	551,926	0	0	10,488	1.90%	10,488	1.90%	\$1.63	9,106	5,477
<b>South County Total</b>	<b>603</b>	<b>18,568,782</b>	<b>0</b>	<b>168,397</b>	<b>1,144,208</b>	<b>6.16%</b>	<b>1,439,310</b>	<b>7.75%</b>	<b>\$1.28</b>	<b>25,776</b>	<b>379,730</b>
<b>Orange County Total</b>											
<b>Orange County Total</b>	<b>2,061</b>	<b>61,518,328</b>	<b>236,000</b>	<b>217,583</b>	<b>3,158,662</b>	<b>5.13%</b>	<b>4,035,795</b>	<b>6.56%</b>	<b>\$1.09</b>	<b>379,604</b>	<b>763,283</b>
<b>North County</b>											
10,000 to 24,999	156	2,476,958	0	0	125,055	5.05%	140,103	5.66%	\$0.98	(9,117)	(9,510)
25,000 to 49,999	74	2,535,299	0	0	143,766	5.67%	201,454	7.95%	\$0.69	6,572	(13,440)
50,000 to 99,999	25	1,693,290	0	0	151,027	8.92%	389,109	22.98%	\$0.00	(8,875)	(58,109)
100,000+	11	2,117,447	0	0	0	0.00%	0	0.00%	\$0.00	72,768	72,768
<b>West County</b>											
10,000 to 24,999	89	1,312,687	0	0	35,079	2.67%	61,831	4.71%	\$0.88	37,684	25,935
25,000 to 49,999	40	1,346,202	0	0	26,920	2.00%	13,920	1.03%	\$0.00	(17,725)	8,188
50,000 to 99,999	21	1,330,832	0	0	72,957	5.48%	52,157	3.92%	\$0.95	77,484	74,370
100,000+	7	1,262,420	0	0	0	0.00%	0	0.00%	\$0.00	0	0
<b>Central County</b>											
10,000 to 24,999	226	3,587,868	0	0	120,215	3.35%	118,036	3.29%	\$1.00	29,410	13,746
25,000 to 49,999	76	2,492,314	0	0	132,208	5.30%	173,899	6.98%	\$0.92	16,851	(2,630)
50,000 to 99,999	16	1,102,252	0	0	2,280	0.21%	98,021	8.89%	\$0.00	40,808	50,594
100,000+	10	1,524,300	0	0	210,545	13.81%	208,910	13.71%	\$0.00	9,460	12,095
<b>Airport Area</b>											
10,000 to 24,999	467	7,520,834	0	12,100	381,481	5.07%	367,384	4.88%	\$1.15	41,599	61,868
25,000 to 49,999	164	5,563,801	0	37,086	199,323	3.58%	254,404	4.57%	\$1.25	46,786	91,237
50,000 to 99,999	54	3,630,011	0	0	221,823	6.11%	205,499	5.66%	\$1.02	(4,248)	81,812
100,000+	22	3,453,031	236,000	0	191,775	5.55%	311,758	9.03%	\$0.95	14,371	(25,371)
<b>South County</b>											
10,000 to 24,999	360	5,931,027	0	22,397	338,112	5.70%	413,479	6.97%	\$1.22	45,018	107,100
25,000 to 49,999	167	5,663,765	0	0	473,967	8.37%	592,427	10.46%	\$1.27	8,554	221,578
50,000 to 99,999	55	3,693,348	0	146,000	278,729	7.55%	223,980	6.06%	\$1.36	7,715	77,503
100,000+	21	3,280,642	0	0	53,400	1.63%	209,424	6.38%	\$1.04	(35,511)	(26,451)
<b>Orange County</b>											
10,000 to 24,999	1,298	20,829,374	0	34,497	999,942	4.80%	1,100,833	5.29%	\$1.05	144,594	199,139
25,000 to 49,999	521	17,601,381	0	37,086	976,184	5.55%	1,236,104	7.02%	\$1.12	61,038	304,933
50,000 to 99,999	171	11,449,733	0	146,000	726,816	6.35%	968,766	8.46%	\$1.15	112,884	226,170
100,000+	71	11,637,840	236,000	0	455,720	3.92%	730,092	6.27%	\$0.95	61,088	33,041
<b>Orange County Total</b>	<b>2,061</b>	<b>61,518,328</b>	<b>236,000</b>	<b>217,583</b>	<b>3,158,662</b>	<b>5.13%</b>	<b>4,035,795</b>	<b>6.56%</b>	<b>\$1.09</b>	<b>379,604</b>	<b>763,283</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 2006



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please visit:  
[www.voidco.com](http://www.voidco.com)

**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:

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**FAX: 714.978.9431**

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**FAX: 949.261.9092**



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