Flex Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy
UP

Absorption
UP

Lease Rates RECORD HIGH
UP

Construction
DOWN

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Market Highlights

- The Orange County flex market is currently in the midst of a transitional phase. With vacancy rates increasing due to the complications of the mortgage and home builders' industries, some challenges exist. However, the region's strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries, such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the flex market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- The flex vacancy rate registered 11.45%, which is higher than it was a year ago when it was 7.83%. This increase is due to the new flex buildings that have been delivered to the market in the last 12 months, coupled with the residential housing market problems.
- The total amount of flex space available in Orange County, which includes both direct and sublease space, is higher than it was a year ago; 15.68% this quarter as compared to 11.46% this quarter last year.
- The average asking Triple Net lease rate per month per foot for flex space in Orange County is currently at $2.08 on a triple net basis, which is a 6.67% increase over last year's third quarter rate of $1.95. This rate is a new record high for asking lease rates in the flex market.
- Net absorption for the county this quarter posted a positive number of 160,817 square feet, giving the county a total of over two and one half million square feet of positive absorption over the last sixteen quarters.
- Total space under construction checked in at 267,074 square feet for the third quarter of 2007, which is a 26.45% decrease from the 363,104 square feet under construction during the third quarter of 2006. Another sign of strength is the 656,008 square feet of new product that was delivered in the first three quarters of this year.
- According to Chapman University, it is estimated that Orange County added 29,134 new payroll jobs in 2006. Furthermore, they are forecasting 18,000 new payroll jobs will be added to the county in 2007, and 17,000 more in 2008 as the Orange County economy continues to expand.
- Unemployment for the third quarter of 2007 in Orange County is 4.2%, which is .07% higher than it was when compared to last quarter, and is 0.7% higher than it was a year ago.
- Lease rates are expected to continue to increase at moderate levels, and concessions should begin to increase in the short run in the forms of limited free rent, reduced parking fees, relocation funds and tenant improvement allowances, as new inventory becomes available from construction deliveries. We should see annual lease rate growth of at least 5% to 7% continuing through 2007.

FLEX MARKET OVERVIEW

	3Q2007	2Q2007	3Q2006	% CHANGE VS. 3Q06
Under Construction	267,074	492,637	363,104	-26.45%
Planned Construction	20,500	20,500	114,550	-82.10%
Vacancy	11.45%	10.34%	7.83%	46.23%
Availability	15.68%	13.99%	11.46%	36.82%
Pricing	$2.08	$2.06	$1.95	6.67%
Net Absorption	160,817	19,121	133,826	N/A
Activity	766,045	605,421	518,567	47.72%

Voit Commercial Brokerage

CORFAC International

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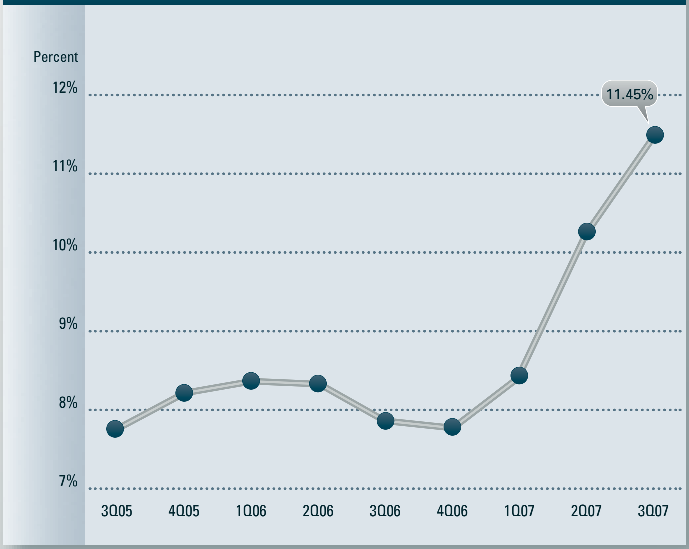
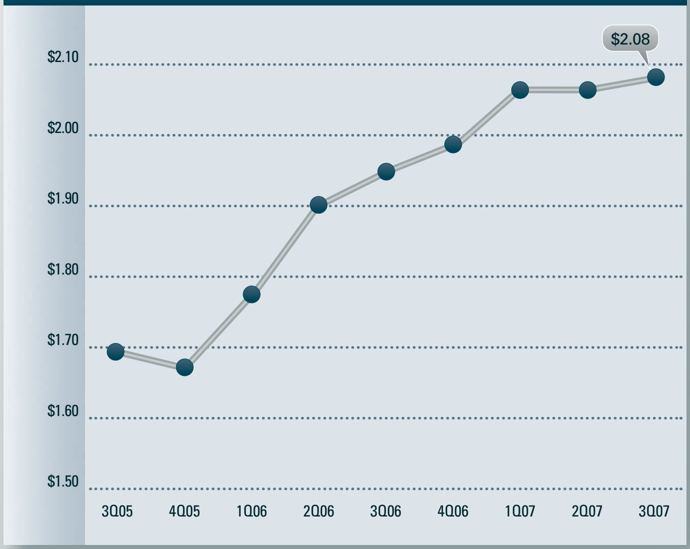
Real People. Real Solutions.

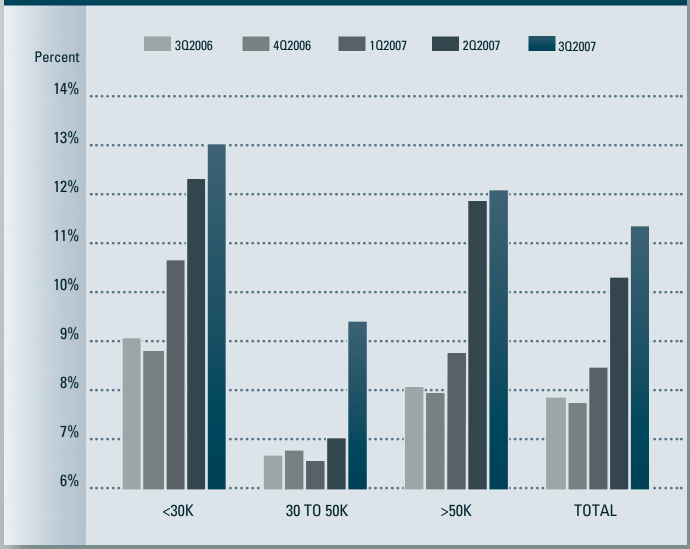
VACANCY RATE



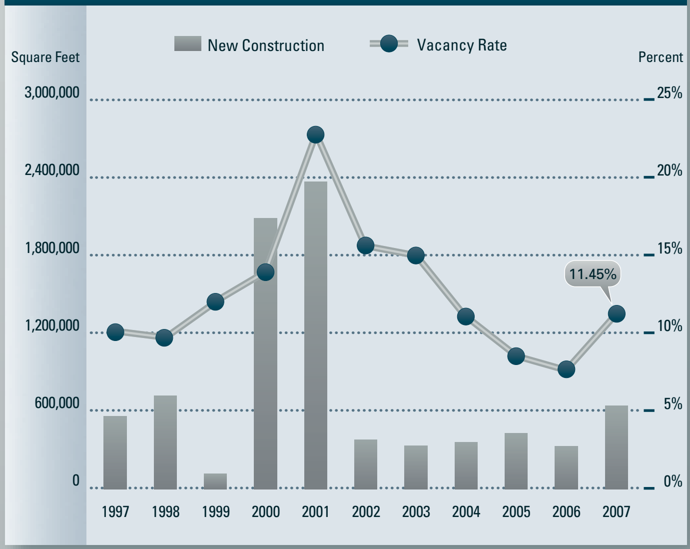
AVERAGE ASKING TRIPLE NET LEASE RATE



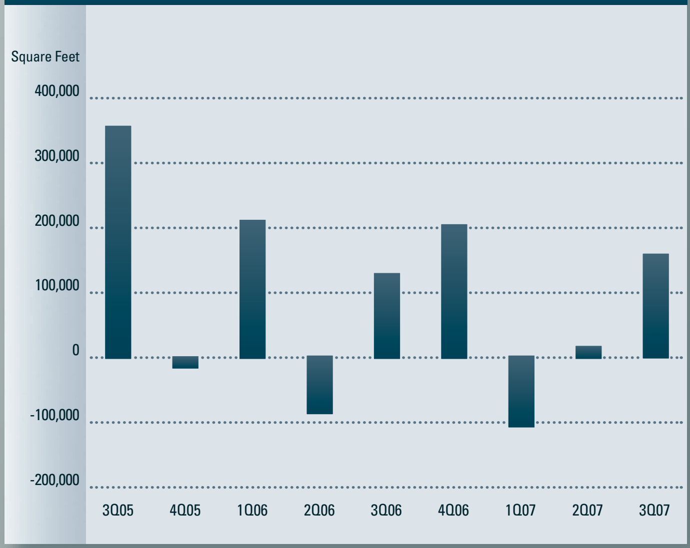
FLEX VACANCY RATE



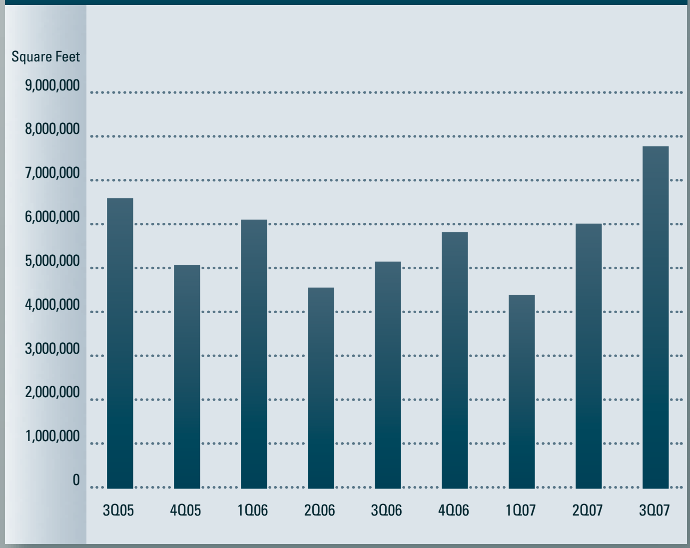
ANNUAL FLEX NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2007	Square Feet Available	Availability Rate 3Q2007	Average Asking Lease Rate	Net Absorption 3Q2007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
North County													
Anaheim Hills	13	218,969	0	0	1,790	0.82%	1,790	0.82%	$0.00	2,174	5,491	(6,458)	4,803
Anaheim	7	158,680	0	0	20,200	12.73%	20,200	12.73%	$0.00	(3,606)	(6,379)	(150)	14,251
Brea	15	456,680	0	0	45,373	9.94%	60,734	13.30%	$0.00	(5,351)	(20,150)	13,981	(8,726)
Fullerton	10	153,882	20,000	0	8,440	0.00%	52,440	34.08%	$0.00	0	0	3,600	100
Placentia	3	61,675	0	0	1,343	2.18%	3,103	5.03%	$0.00	(1,343)	(1,343)	0	0
Yorba Linda	1	10,560	0	0	0	0.00%	4,953	46.90%	$0.00	4,953	4,953	(4,953)	0
North County Total	49	1,060,446	20,000	0	77,146	7.27%	143,220	13.51%	$0.00	(3,173)	(17,428)	6,020	10,428
West County													
Cypress	9	374,081	0	0	53,656	14.34%	53,656	14.34%	$0.00	(1,456)	(22,510)	31,270	38,313
Huntington Beach	3	48,796	0	0	9,799	20.08%	9,799	20.08%	$0.00	(1,802)	(2,225)	(5,326)	10,985
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	$0.00	0	0	842	(842)
West County Total	16	465,882	0	0	63,455	13.62%	63,455	13.62%	$0.00	(3,258)	(24,735)	26,786	48,456
Central County													
Anaheim	8	220,503	0	0	3,093	1.40%	3,093	1.40%	$0.00	1,690	1,690	(4,783)	7,164
Garden Grove	2	27,400	0	0	0	0.00%	0	0.00%	$0.00	0	0	1,260	(1,260)
Orange	7	146,612	0	0	5,634	3.84%	9,073	6.19%	$0.00	(3,664)	(5,634)	646	11,490
Santa Ana	11	170,782	0	0	17,675	10.35%	17,675	10.35%	$0.00	2,833	7,773	0	10,011
Tustin	2	18,600	0	0	0	0.00%	0	0.00%	$0.00	0	0	0	0
Central County Total	30	583,897	0	0	26,402	4.52%	29,841	5.11%	$0.00	859	3,829	(2,877)	27,405
Airport Area													
Costa Mesa	5	67,231	0	0	3,311	4.92%	6,622	9.85%	$0.00	9,635	10,069	0	14,688
Irvine	70	3,118,765	34,137	0	303,977	9.75%	515,726	16.54%	$2.18	(93,967)	(112,097)	81,464	184,544
Newport Beach	26	595,233	0	0	25,831	4.34%	51,687	8.68%	$0.00	7,744	24,020	58,418	(42,173)
Santa Ana	10	410,934	0	0	55,547	13.52%	127,242	30.96%	$1.97	(2,785)	(21,953)	13,998	21,748
Tustin	4	195,758	0	0	48,772	24.91%	48,772	24.91%	$0.00	0	(72)	(48,700)	7,110
Airport Area Total	115	4,387,921	34,137	0	437,438	9.97%	750,049	17.09%	$2.16	(79,373)	(100,033)	105,180	185,917
South County													
Aliso Viejo	42	1,298,798	0	0	75,521	5.81%	77,152	5.94%	$2.26	28,575	(8,159)	(13,878)	12,375
Dana Point	4	58,840	0	0	0	0.00%	0	0.00%	$0.00	612	612	2,738	0
Foothill Ranch	5	139,636	0	0	59,785	42.81%	76,992	55.14%	$2.35	(568)	1,899	(2,800)	29,482
Irvine Spectrum	213	4,705,046	212,937	0	790,885	16.81%	1,005,355	21.37%	$1.99	280,645	103,024	122,087	292,745
Laguna Beach	5	91,015	0	3,000	15,008	16.49%	15,008	16.49%	$0.00	(4,649)	27,730	321	0
Laguna Hills	15	442,455	0	0	34,642	7.83%	58,477	13.22%	$0.00	(4,809)	29,738	13,553	(42,124)
Laguna Niguel	4	98,481	0	0	10,412	10.57%	10,412	10.57%	$3.15	(10,412)	(9,423)	0	6,000
Lake Forest	35	1,278,845	0	0	85,561	6.69%	106,028	8.29%	$1.62	(31,886)	40,332	41,732	164,714
Mission Viejo	31	467,232	0	17,500	54,028	11.56%	59,104	12.65%	$0.00	2,966	(16,510)	4,360	43,793
Rancho Santa Margarita	6	197,311	0	0	18,687	9.47%	13,304	6.74%	$2.50	(11,372)	(8,918)	4,985	36,117
San Clemente	9	183,429	0	0	34,857	19.00%	48,670	26.53%	$0.00	(1,706)	(12,009)	43,567	17,526
San Juan Capistrano	23	495,034	0	0	42,700	8.63%	44,700	9.03%	$2.31	(1,634)	44,157	41,225	48,544
South County Total	392	9,456,122	212,937	20,500	1,222,086	12.92%	1,515,202	16.02%	$2.02	245,762	192,473	257,890	609,172
Orange County Total	**602**	**15,954,268**	**267,074**	**20,500**	**1,826,527**	**11.45%**	**2,501,767**	**15.68%**	**$2.08**	**160,817**	**54,106**	**392,999**	**881,378**

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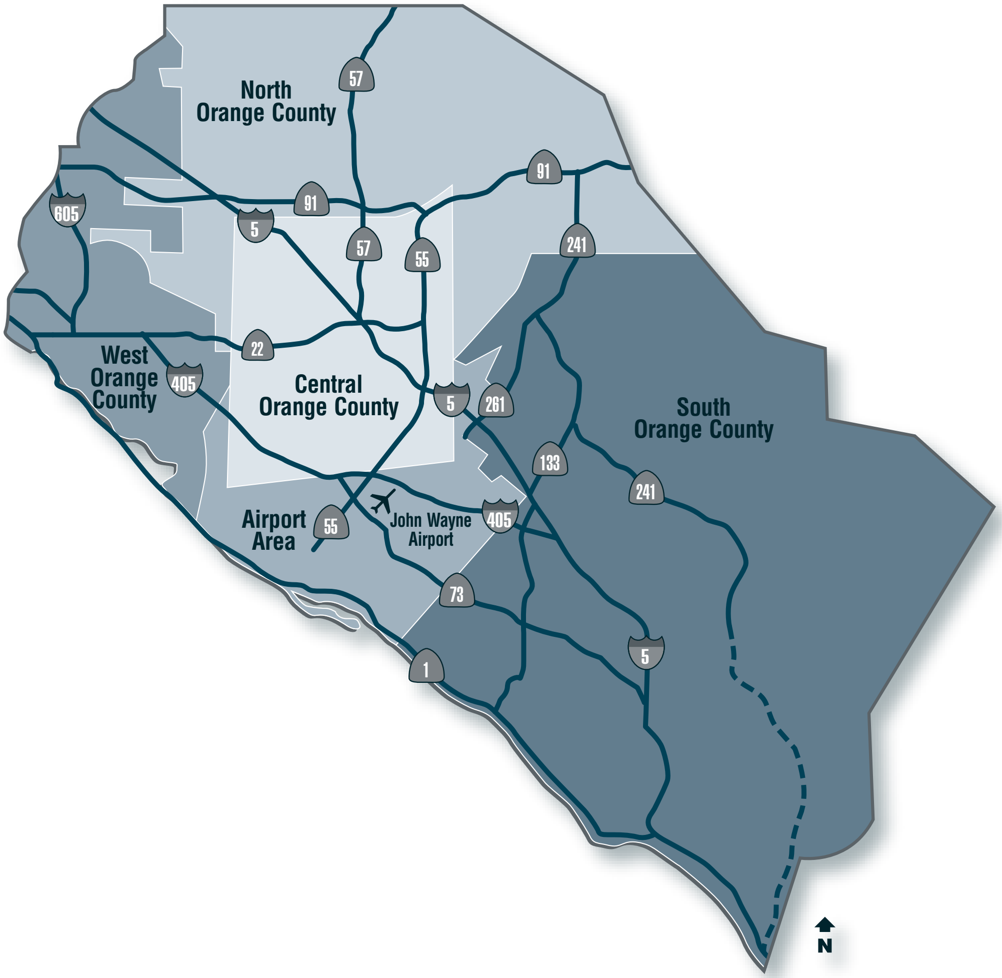
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2007	Square Feet Available	Availability Rate 3Q2007	Average Asking Lease Rate	Net Absorption 3Q2007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
North County													
0 to 29,999	38	572,804	20,000	0	36,648	6.40%	47,729	8.33%	$0.00	5,195	492	8,265	4,166
30,000 to 49,999	9	364,642	0	0	28,467	7.81%	83,460	22.89%	$0.00	1,995	(7,604)	(2,650)	2,016
50,000+	2	123,000	0	0	12,031	9.78%	12,031	9.78%	$0.00	(10,363)	(10,316)	405	4,246
West County													
0 to 29,999	9	97,114	0	0	11,999	12.36%	11,999	12.36%	$0.00	(1,802)	(4,425)	9,316	30,182
30,000 to 49,999	3	118,562	0	0	1,456	1.23%	1,456	1.23%	$0.00	(1,456)	(1,456)	20,480	37,783
50,000+	4	250,206	0	0	50,000	19.98%	50,000	19.98%	$0.00	0	(18,854)	(3,010)	(19,509)
Central County													
0 to 29,999	25	336,938	0	0	11,139	3.31%	11,139	3.31%	$0.00	7,291	19,092	(3,523)	22,083
30,000 to 49,999	1	33,070	0	0	0	0.00%	0	0.00%	$0.00	0	0	0	1,867
50,000+	4	213,889	0	0	15,263	7.14%	18,702	8.74%	$0.00	(6,432)	(15,263)	646	3,455
Airport Area													
0 to 29,999	40	624,076	0	0	30,531	4.89%	86,105	13.80%	$1.65	19,477	50,663	12,007	49,512
30,000 to 49,999	38	1,568,696	34,137	0	156,578	9.98%	269,075	17.15%	$2.12	(81,573)	(70,896)	21,737	121,913
50,000+	37	2,195,149	0	0	250,329	11.40%	394,869	17.99%	$2.19	(17,277)	(79,800)	71,436	14,492
South County													
0 to 29,999	256	3,132,354	212,937	20,500	528,925	16.89%	697,976	22.28%	$2.08	224,812	385,654	289,255	316,781
30,000 to 49,999	85	3,368,103	0	0	326,590	9.70%	471,857	14.01%	$1.98	(51,565)	(75,291)	107,191	69,718
50,000+	51	2,955,665	0	0	366,571	12.40%	345,369	11.68%	$2.04	72,515	(117,890)	(138,556)	222,673
Orange County													
0 to 29,999	368	4,763,286	232,937	20,500	619,242	13.00%	854,948	17.95%	$2.05	254,973	451,476	315,320	422,724
30,000 to 49,999	136	5,453,073	34,137	0	513,091	9.41%	825,848	15.14%	$2.02	(132,599)	(155,247)	146,758	233,297
50,000+	98	5,737,909	0	0	694,194	12.10%	820,971	14.31%	$2.14	38,443	(242,123)	(69,079)	225,357
Orange County Total	**602**	**15,954,268**	**267,074**	**20,500**	**1,826,527**	**11.45%**	**2,501,767**	**15.68%**	**$2.08**	**160,817**	**54,106**	**392,999**	**881,378**

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



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, please contact:

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