



Office Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:



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Market Highlights

- ◆ The Orange County office market is currently in the midst of a transitional phase. With vacancy rates increasing due to the completion of almost 3.5 million square feet of new office construction for the first three quarters of 2007, along with the mortgage industry problems, 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 office market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.77, which is an 11.69% increase over last year's third quarter rate of \$2.48. This is the fifteenth consecutive quarter of positive lease rate growth, which represents a new record high. Class A rates for the county are averaging \$2.96 FSG and are the highest in the Airport market, where class A rates are averaging \$3.25 FSG. This upward trend should begin to ease as we approach the end of 2007, as a result of another one million square feet of construction coming to market next quarter.
- ◆ The office vacancy rate was recorded at 10.53% this quarter, constituting a 3% increase over last year's third quarter low rate of 7.49%. This increase is a result of the new construction coupled with the mortgage industry problems. This 10.53% rate is far less than the 17.2% vacancy rate in the first quarter of 2002, the last time a large amount of new construction was added to the market.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, was at 15.11% this quarter, up from 10.91% in the third quarter of 2006.
- ◆ Net absorption for the county posted a negative number of 434,504 square feet for the third quarter of 2007, giving Orange County a total of 153,139 square feet of positive absorption for the first three quarters of 2007.
- ◆ Gross absorption or activity was up this quarter by almost 22% when compared to the third quarter of 2006. This is a positive sign on the demand side.
- ◆ Total space under construction checked in at 2.3 million square feet for the third quarter of 2007, which is 54% lower than the amount that was under construction this same time last year. Almost half of the space currently under construction is either pre-leased or build to suit. During the third quarter of 2007, Orange County has added almost 1.5 million square feet of new development, most of which was in the Airport and South County submarkets.
- ◆ 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.

OFFICE MARKET OVERVIEW

| | 3Q2007 | 2Q2007 | 3Q2006 | % CHANGE VS. 3Q06 |
|----------------------|-----------|-----------|-----------|-------------------|
| Under Construction | 2,294,449 | 3,530,169 | 4,981,475 | -53.94% |
| Planned Construction | 4,572,907 | 4,229,652 | 2,991,239 | 52.88% |
| Vacancy | 10.53% | 8.95% | 7.49% | 40.59% |
| Availability | 15.11% | 13.20% | 10.91% | 38.50% |
| Pricing | \$2.77 | \$2.76 | \$2.48 | 11.69% |
| Absorption | -434,504 | -184,554 | 391,227 | N/A |
| Activity | 3,462,920 | 3,468,196 | 2,839,403 | 21.96% |

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RECENT TRANSACTIONS

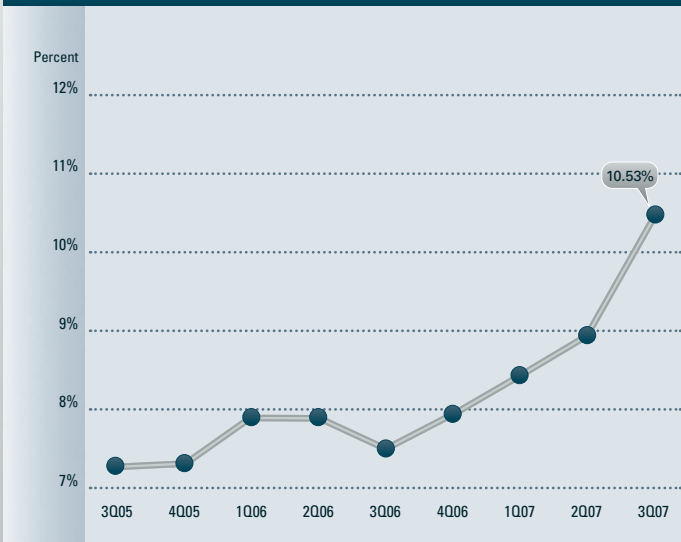
Sales Activity

| Property Address | Submarket | Class | Square Feet | Sale Price | Buyer | Seller |
|----------------------------------|-----------|-------|-------------|--------------|--------------------|------------------------|
| 3 Imperial Promenade, Santa Ana | Airport | A | 246,763 | \$83,000,000 | Tishman Speyer | AEW Capital Management |
| 200 E. Sandpoint Ave., Santa Ana | Central | A | 150,660 | \$39,750,000 | TA Associates | BPG Properties, Ltd. |
| 14511 Myford Road, Tustin | Central | B | 85,340 | \$21,800,000 | Radius Group | M2 Properties |
| 951 S. Beach Blvd., La Habra | North | B | 63,390 | \$21,000,000 | Peace Relative LLC | Samsung Presbyterian |

Lease Activity

| Property Address | Submarket | Class | Square Feet | Transaction Date | Tenant | Owner |
|------------------------------------|-----------|-------|-------------|------------------|------------------|--------------------------|
| 2030 Main Street, Irvine | Airport | A | 50,773 | August-07 | Jackson, Demarco | Ohio Teachers Retirement |
| 15480 Laguna Canyon Road, Irvine | South | B | 44,820 | July-07 | Fluor Corp | The Irvine Company |
| 26840 Aliso Viejo Pky, Aliso Viejo | South | B | 33,914 | July-07 | Silicon Systems | Shea Properties |
| 4000 MacArthur Blvd, Newport Beach | Airport | A | 30,909 | July-07 | Conexant | Tishman Speyer |

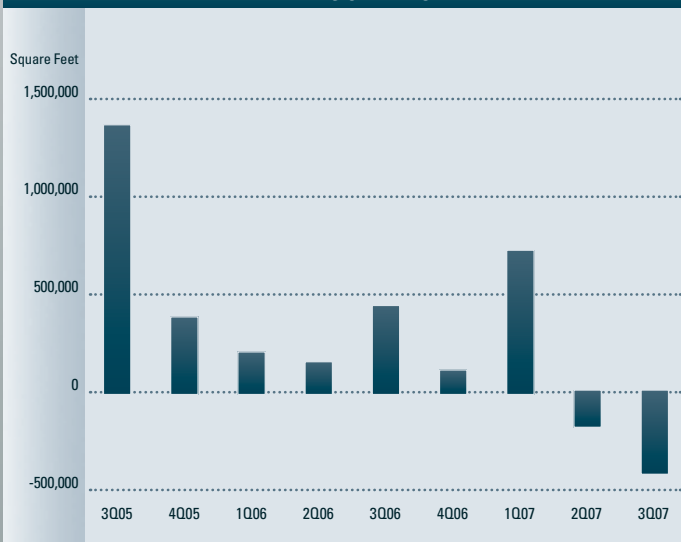
VACANCY RATE



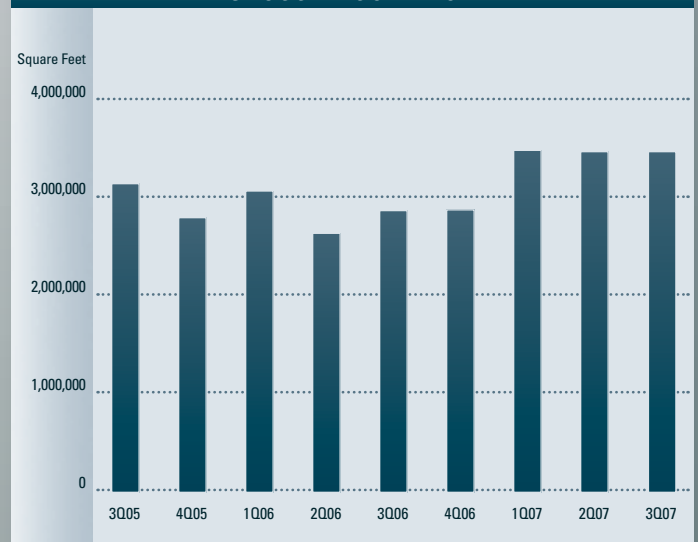
AVERAGE ASKING FULL SERVICE LEASE RATE



NET ABSORPTION



GROSS ABSORPTION



CONSTRUCTION UPDATE

Under Construction

| Property Address | Submarket | Class | Square Feet | # of Floors | Estimate Delivery | Recorded Owner |
|-------------------------------|-----------|-------|-------------|-------------|-------------------|--------------------|
| 2050 Main Street, Irvine | Airport | A | 314,074 | 13 | October-07 | Opus |
| 40 Pacifica, Irvine Spectrum | South | A | 312,187 | 14 | February-08 | The Irvine Company |
| 20 Pacifica, Irvine Spectrum | South | A | 312,184 | 14 | October-07 | The Irvine Company |
| 17885 Von Karman Ave., Irvine | Airport | B | 151,370 | 5 | October-07 | Maguire Properties |

Recent Deliveries

| Property Address | Submarket | Class | Square Feet | # of Floors | Date Delivered | Recorded Owner |
|--------------------------------|-----------|-------|-------------|-------------|----------------|------------------------------|
| 3161 Michelson Drive, Irvine | Airport | A | 530,380 | 20 | August-07 | Maguire Properties |
| 2211 Michelson Ave, Irvine | Airport | A | 266,603 | 12 | May-07 | Hines / Crescent RE Equities |
| 18100 Von Karman Ave., Irvine | Airport | A | 236,273 | 10 | July-07 | The Irvine Company |
| 6455 Irvine Center Dr., Irvine | South | A | 100,000 | 3 | September-07 | The Capital Group |

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.

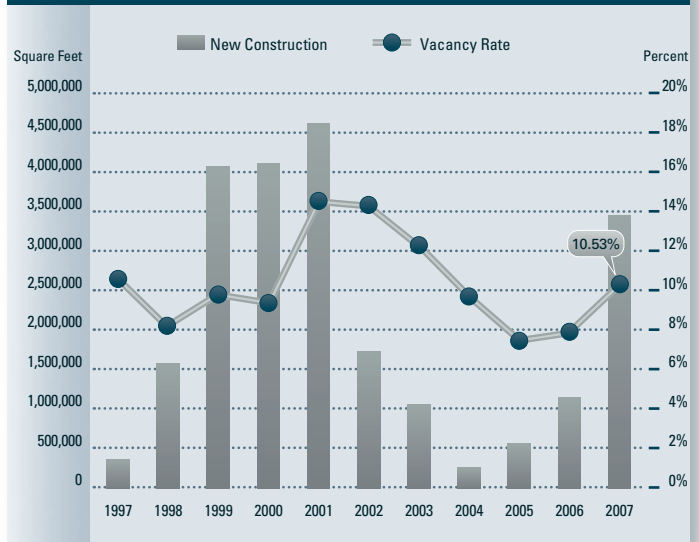
CLASS B

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.

ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



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