

Office Market Report

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

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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.

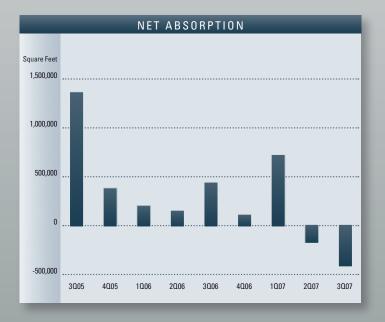
	OFFICE MA	RKET O	VERVIEW	1
nder Construction	302007 2,294,449	202007 3,530,169	302006 4,981,475	% CHANGE VS. 3006 -53.94%
anned Construction	4,572,907	4,229,652	2,991,239	52.88%
acancy	10.53%	8.95%	7.49%	40.59%
vailability	15.11%	13.20%	10.91%	38.50%
ricing	\$2.77	\$2.76	\$2.48	11.69%
bsorption	-434,504	-184,554	391,227	N/A
ctivity	3,462,920	3,468,196	2,839,403	21.96%

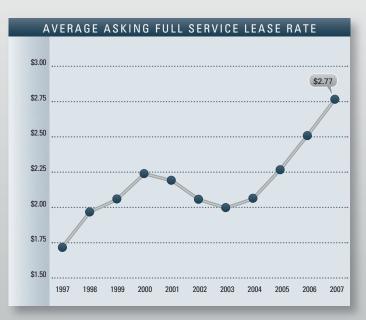
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ORANGE COUNTY / OFFICE MARKET REPORT / THIRD QUARTER 2007

	_	-	RECENT TRAN	ISACTIONS		
Sales Activity Property Address	Submarket	Class	Square Feet	Sale Price	Buyer	Seller
3 Imperial Promenade, Santa Ana	Airport	А	246,763	\$83,000,000	Tishman Speyer	AEW Capital Management
200 E. Sandpoint Ave., Santa Ana	Central	А	150,660	\$39,750,000	TA Associates	BPG Properties, Ltd.
14511 Myford Road, Tustin	Central	В	85,340	\$21,800,000	Radius Group	M2 Properties
951 S. Beach Blvd., La Habra	North	В	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	А	50,773	August-07	Jackson, Demarco	Ohio Teachers Retirement
15480 Laguna Canyon Road, Irvine	South	В	44,820	July-07	Fluor Corp	The Irvine Company
26840 Aliso Viejo Pky, Aliso Viejo	South	В	33,914	July-07	Silicon Systems	Shea Properties
4000 MacArthur Blvd, Newport Beach	Airport	А	30,909	July-07	Conexant	Tishman Speyer









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	INVENTORY				١	ACANC	/ & LEAS	SE RATES	6	ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 302007	Square Feet Available	Availability Rate 302007	Average Asking Lease Rate	Net Absorption 302007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
North County													
Anaheim Hills	12	739,491	0	75,000	36,668	4.96%	60,110	8.13%	\$1.80	(5,892)	(15,086)	3,541	(4,960)
Brea	42	3,324,706	82,250	120,000	282,521	8.50%	773,118	23.25%	\$2.62	(3)	(77,139)	128,295	55,533
Buena Park	10	619,061	0	0	64,672	10.45%	57,336	9.26%	\$1.94	(24,606)	96	(2,753)	60,223
Fullerton	30	2,167,685	0	0	130,753	6.03%	257,880	11.90%	\$2.21	3,362	(1,002)	(30,143)	7,653
La Habra	7	376,859	0	0	10,574	2.81%	10,574	2.81%	\$1.40	(3,705)	(4,083)	4,489	21,392
La Palma	8	599,687	0	0	20,124	3.36%	34,057	5.68%	\$2.20	(2,215)	188	6,815	7,937
Placentia	6	198,859	0	0	15,884	7.99%	17,644	8.87%	\$1.97	(7,986)	(5,060)	4,732	(10,228)
Yorba Linda	6	319,684	0	0	6,270	1.96%	21,470	6.72%	\$2.14	9,304	1,993	4,068	(2,908)
North County Total	121	8,346,032	82,250	195,000	567,466	6.80%	1,232,189	14.76%	\$2.45	(31,741)	(100,093)	119,044	134,642
West County													
Cypress	28	2,057,476	0	0	245,422	11.93%	298,813	14.52%	\$2.34	(24,791)	(123,334)	66,946	176,874
Fountain Valley	35	1,734,509	0	0	168,533	9.72%	213,445	12.31%	\$1.71	38,597	13,129	(76,147)	83,818
Garden Grove	20	913,018	0	45,000	41,550	4.55%	46,041	5.04%	\$1.60	(3,026)	195	(10,187)	63,100
Huntington Beach	44	2,408,613	0	0	199,229	8.27%	255,886	10.62%	\$2.38	(48,195)	(22,132)	(8,858)	105,552
Los Alamitos	11	572,878	0	0	12,422	2.17%	19,139	3.34%	\$1.85	393	5,124	(17,546)	19,217
Seal Beach	6	454,416	0	0	24,746	5.45%	47,709	10.50%	\$3.10	5,980	(16,667)	5,276	24,082
Stanton	2	85,917	0	0	5,627	6.55%	7,472	8.70%	\$0.00	2,048	(474)	(1,552)	14,852
Westminster	14	603,791	0	0	23,576	3.90%	83,497	13.83%	\$2.13	(2,978)	28,742	(27,640)	(10,926)
West County Total	160	8,830,618	0	45,000	721,105	8.17%	972,002	11.01%	\$2.29	(31,972)	(115,417)	(69,708)	476,569
Central County													
Anaheim	89	6,249,357	0	1,053,211	476,944	7.63%	777,173	12.44%	\$2.48	(19,818)	123,844	(231,219)	116,941
Orange	76	6,725,476	0	0	877,777	13.05%	1,252,376	18.62%	\$2.73	(464,973)	(516,364)	6,986	191,690
Santa Ana	178	12,573,574	0	785,320	1,066,609	8.48%	1,434,428	11.41%	\$2.43	(58,577)	(201,656)	89,187	565,439
Tustin	43	1,883,445	0	0	227,051	12.06%	370,228	19.66%	\$2.23	947	203,896	(63,502)	(38,960)
Central County Total	386	27,431,852	0	1,838,531	2,648,381	9.65%	3,834,205	13.98%	\$2.55	(542,421)	(390,280)	(198,548)	835,110
Airport Area													
Corona Del Mar	3	121,518	0	0	0	0.00%	0	0.00%	\$0.00	2,200	5,654	(3,854)	12,200
Costa Mesa	71	6,488,873	0	620,660	624,480	9.62%	1,190,019	18.34%	\$2.81	124,993	36,915	85,038	362,251
Irvine	279	24,831,403	873,595	986,016	3,689,116	14.86%	4,793,587	19.30%	\$3.05	244,865	1,044,554	-14,547	953,637
Newport Beach	129	9,605,690	40,000	0	513,622	5.35%	914,520	9.52%	\$3.33	(20,190)	58,000	383,273	76,855
Airport Area Total	482	41,047,484	913,595	1,606,676	4,827,218	11.76%	6,898,126	16.81%	\$3.07	351,868	1,145,123	449,910	1,404,943
South County													
Aliso Viejo	44	2,945,937	531,500	722,000	146,378	4.97%	270,308	9.18%	\$2.86	99,898	79,556	(27,873)	113,223
Dana Point	3	135,296	0	0	1,200	0.89%	1,200	0.89%	\$2.80	(1,200)	(1,200)	0	(5,000)
Foothill Ranch	11	809,970	0	0	239,816	29.61%	476,939	58.88%	\$2.71	(124,560)	(134,302)	(59,085)	108,744
Irvine Spectrum	107	6,840,409	767,104	125,700	1,180,675	17.26%	1,203,025	17.59%	\$3.08	(3,988)	(518,660)	121,532	192,028
Laguna Beach	5	193,268	0	0	660	0.34%	660	0.34%	\$0.00	(660)	2,352	5,141	(8,153)
Laguna Hills	34	1,789,642	0	0	115,245	6.44%	189,352	10.58%	\$2.49	(30,527)	(27,197)	16,641	90,742
Laguna Niguel	10	666,607	0	0	49,098	7.37%	59,720	8.96%	\$2.90	(6,365)	(5,381)	(8,318)	9,021
Lake Forest	42	2,123,398	0	0	186,994	8.81%	269,825	12.71%	\$2.22	(58,541)	26,014	(19)	200,861
Mission Viejo	40	2,092,843	0	40,000	172,973	8.26%	247,586	11.83%	\$2.58	(33,160)	156,887	18,618	60,592
Rancho Santa Margarita	7	276,030	0	0	74,399	26.95%	69,266	25.09%	\$2.51	(12,974)	(10,520)	9,713	28,229
San Clemente	10	388,843	0	0	12,282	3.16%	11,003	2.83%	\$2.55	(2,433)	3,957	14,773	9,919
San Juan Capistrano	15	764,722	0	0	80,390	10.51%	80,390	10.51%	\$2.39	(5,728)	42,300	162,854	40,621
South County Total	328	19,026,965	1,298,604	887,700	2,260,110	11.88%	2,879,274	15.13%	\$2.71	(180,238)	(386,194)	253,977	840,827
Orange County Total	1,477	104,682,951	2,294,449	4,572,907	11,024,280	10.53%	15,815,796	15.11%	\$2.77	(434,504)	153,139	554,675	3,692,091

	_	INVEN	TORY	_	_	VACANC	Y & LEASI	E RATES	_	_	A B S O R	PTION	
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 302007	Square Feet Available	Availability Rate 302007	Average Asking Lease Rate	Net Absorption 302007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
North County													
Class A	23	2.515.587	0	195.000	81,781	3.25%	345.639	13.74%	\$2.87	34,289	(19.612)	204,718	148,340
Class B	87	5,376,618	82,250	0	480,578	8.94%	875,850	16.29%	\$2.25	(69,955)	(86,830)	(78,797)	(13,381)
Class C	11	453,827	0	0	5,107	1.13%	10,700	2.36%	\$2.05	3,925	6,349	(6,877)	(317)
West County					., .								
Class A	28	2,813,485	0	45,000	150,259	5.34%	317,332	11.28%	\$2.61	32,520	37,685	(5,968)	291,803
Class B	106	4,834,342	0	0	541,701	11.21%	624,583	12.92%	\$1.88	(44,979)	(135,257)	48,517	166,949
Class C	26	1,182,791	0	0	29,145	2.46%	30,087	2.54%	\$1.45	(19,513)	(17,845)	(112,257)	17,817
Central County													
Class A	75	11,715,771	0	1,808,531	1,354,704	11.56%	2,121,432	18.11%	\$2.79	(373,753)	(316,397)	(273,846)	653,691
Class B	236	12,607,261	0	30,000	1,102,710	8.75%	1,511,899	11.99%	\$2.09	(152,792)	(35,142)	81,279	145,258
Class C	75	3,108,820	0	0	190,967	6.14%	200,874	6.46%	\$1.95	(15,876)	(38,741)	(5,981)	36,161
Airport Area													
Class A	134	22,929,322	422,074	1,370,660	3,110,864	13.57%	4,348,177	18.96%	\$3.25	554,354	700,261	(200,180)	653,325
Class B	315	16,761,824	491,521	236,016	1,586,954	9.47%	2,380,151	14.20%	\$2.53	(142,340)	458,153	651,062	718,678
Class C	33	1,356,338	0	0	129,400	9.54%	169,798	12.52%	\$1.84	(60,146)	(13,291)	(972)	32,940
South County													
Class A	97	8,200,606	1,237,847	722,000	1,034,604	12.62%	1,651,284	20.14%	\$2.81	(249,831)	(151,984)	10,105	553,016
Class B	221	10,483,925	60,757	165,700	1,216,770	11.61%	1,216,158	11.60%	\$2.45	72,226	(232,341)	238,757	287,482
Class C	10	342,434	0	0	8,736	2.55%	11,832	3.46%	\$1.82	(2,633)	(1,869)	5,115	329
Orange County													
Class A	357	48,174,771	1,659,921	4,141,191	5,732,212	11.90%	8,783,864	18.23%	\$2.96	(2,421)	249,953	(265,171)	2,300,175
Class B	965	50,063,970	634,528	431,716	4,928,713	9.84%	6,608,641	13.20%	\$2.33	(337,840)	(31,417)	940,818	1,304,986
Class C	155	6,444,210	0	0	363,355	5.64%	423,291	6.57%	\$1.73	(94,243)	(65,397)	(120,972)	86,930
Orange County Total	1,477	104,682,951	2,294,449	4,572,907	11,024,280	10.53%	15,815,796	15.11%	\$2.77	(434,504)	153,139	554,675	3,692,091

This survey consists of properties 25,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross basis.

ORANGE COUNTY / OFFICE MARKET REPORT / THIRD QUARTER 2007

	_	(CONSTRUCTION	N UPDATE	_	
Under Construction Property Address	Submarket	Class	Square Feet	# of Floors	Estimate Delivery	Recorded Owner
2050 Main Street, Irvine	Airport	А	314,074	13	October-07	Opus
40 Pacifica, Irvine Spectrum	South	А	312,187	14	February-08	The Irvine Company
20 Pacifica, Irvine Spectrum	South	А	312,184	14	October-07	The Irvine Company
17885 Von Karman Ave., Irvine	Airport	В	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	А	530,380	20	August-07	Maguire Properties
2211 Michelson Ave, Irvine	Airport	А	266,603	12	May-07	Hines / Crescent RE Equities
18100 Von Karman Ave., Irvine	Airport	А	236,273	10	July-07	The Irvine Company
6455 Irvine Center Dr., Irvine	South	А	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



For further information, please contact:

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CHULA VISTA OFFICE

IRVINE OFFICE 2020 Main St., Suite 100

Irvine, CA 92614

TEL: 949.851.5100 FAX: 949.261.9092 LAS VEGAS OFFICE 10100 W. Charleston Blvd., Suite 200

Las Vegas, NV 89135 TEL: 702.734.4500 FAX: 702.733.7690 SAN DIEGO OFFICE

4370 La Jolla Village Dr., Suite 990 San Diego, CA 92122-1233 TEL: 858.453.0505 FAX: 858.453.1981

To view available properties, please visit:

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This survey consists of properties 25,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross basis. The information contained in this report is gathered from sources that are deemed reliable but no guarantees are made as to its accuracy. This information is for Voit Commercial Brokerage use only, and cannot legally be reproduced without prior written consent from the management of Voit Commercial Brokerage.