



R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

**Vacancy
DOWN**



**Absorption
UP**

UP

**Lease Rates
DOWN**

**Construction
DOWN**

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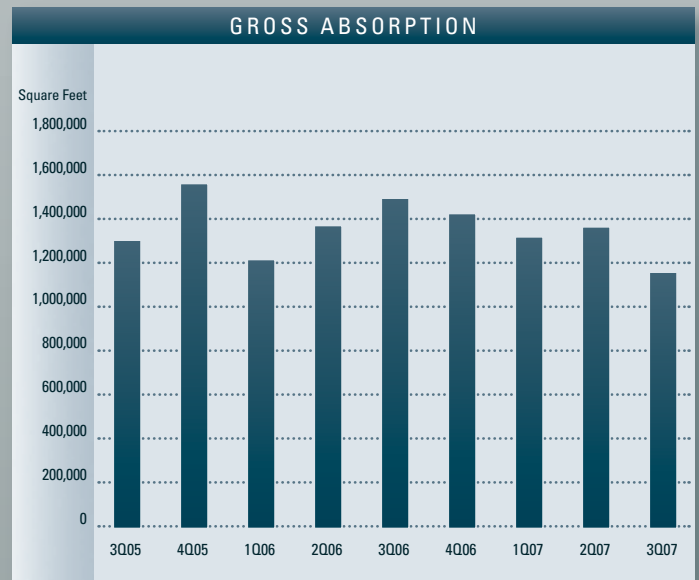
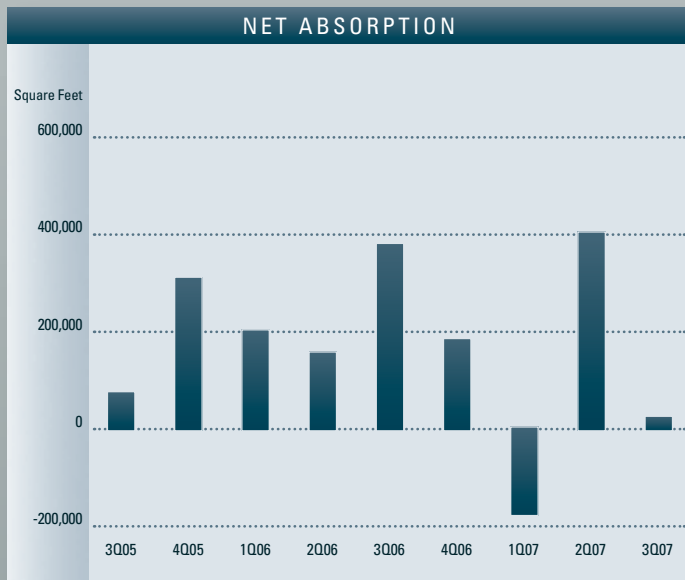
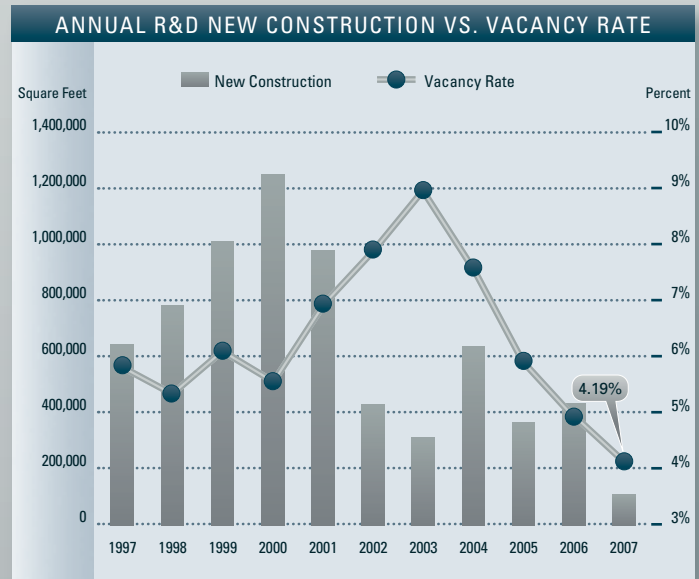
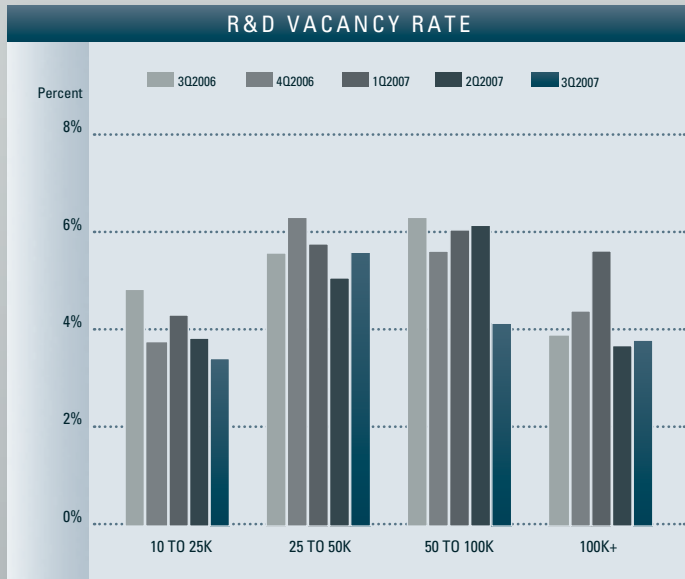
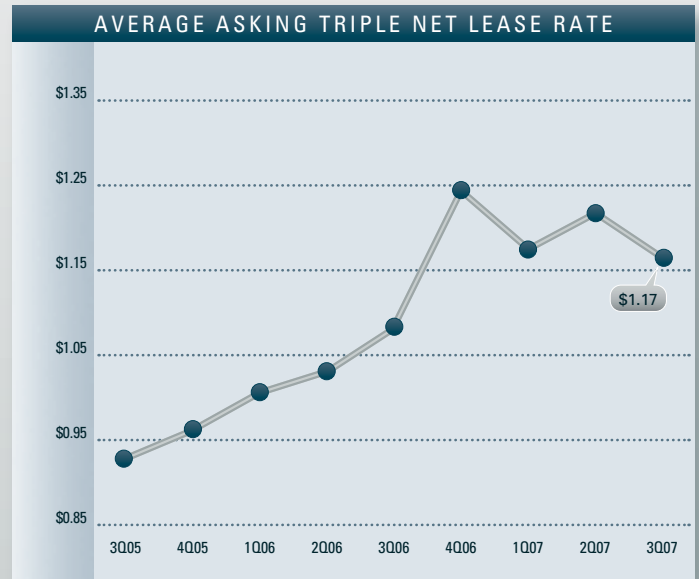
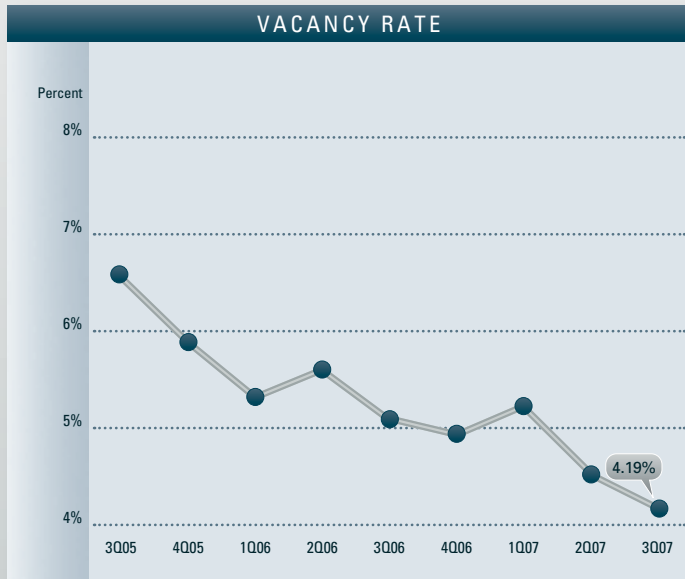
Market Highlights

- ◆ The R&D vacancy rate checked in at a low 4.19%, which is lower than it was a year ago when it was 5.13% and a new record low. This lack of supply is creating a lot of constrained demand for R&D space in Orange County and continues to put upward pressure on lease and sale rates.
- ◆ 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; 6.10% this quarter as compared to 6.56% this quarter last year. This historically low rate will continue to put upward pressure on lease and sale rates going forward.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.17, which is 7.34% higher than it was this time last year.
- ◆ Net absorption for the R&D market this quarter posted a positive number of 31,197 square feet, giving the R&D Market in Orange County a total of over 4 million square feet of positive absorption for the last three years.
- ◆ The level of activity registered at just above 1.1 million square feet this quarter. This is down 22.29% when compared to the same quarter last year. This is due to the lack of available space.
- ◆ Total space under construction is 44,873 square feet this quarter, 80.99% lower than what was under construction a year ago. The shrinking availability of land is only allowing for the development of primarily small, for-sale buildings. This lack of available land, coupled with the high land prices and rising construction costs, has led to few mid-size buildings and distribution centers being developed in this infill market.
- ◆ Despite a low level of development activity, Orange County remains a strong investment market. Some of Orange County's key investors include First Industrial Realty Trust, Sares-Regis Group, BPG Properties, Greenlaw Partners, ProLogis, TA Associates Realty, ING Clarion and RREEF. The Commercial Mortgage Backed Securities (CMBS) market, to date, has not affected the investment market in terms of availability or pricing. Demand for investment remains high with aggressive pricing and cap rates averaging 5.5 percent for Class A buildings, 6.5 percent for Class C buildings, and Class B buildings midrange at 6 percent.
- ◆ Unemployment for the third quarter of 2007 in Orange County is 4.2%, which is 0.7% higher when compared to last quarter, and is 0.7% higher than it was a year ago.
- ◆ 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.
- ◆ Rental rates are expected to increase at moderate levels in the short run, and concessions will remain minimal as the economy in Orange County continues to improve. These conditions will put upward pressure on lease rates going forward. We should see lease rate growth of 5% to 7% during 2007.
- ◆ Looking ahead to 2008, the R&D market will exhibit many similar characteristics of 2007. Limited opportunities for new development will open with land and sales prices remaining high. Multi-tenant, manufacturing and distribution buildings will not undergo development, as no large land parcels will become available. R&D buildings for both sale and lease will remain viable options for those looking to enter the Orange County industrial market.

R & D MARKET OVERVIEW

	3Q2007	2Q2007	3Q2006	% CHANGE VS. 3Q06
Under Construction	44,873	46,107	236,000	-80.99%
Planned Construction	611,392	226,000	217,583	180.99%
Vacancy	4.19%	4.52%	5.13%	-18.32%
Availability	6.10%	6.27%	6.56%	-7.01%
Pricing	\$1.17	\$1.22	\$1.09	7.34%
Net Absorption	31,197	406,927	379,604	-91.78%
Activity	1,157,676	1,363,024	1,489,794	-22.29%

Real People. Real Solutions.



	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	7	293,786	0	0	15,839	5.39%	15,839	5.39%	\$0.00	(1,857)	21	(7,000)	24,750
Anaheim	75	2,447,505	0	0	78,725	3.22%	39,741	1.62%	\$0.75	22,003	4,921	61,202	36,325
Brea	42	1,684,766	22,476	0	101,793	6.04%	111,504	6.62%	\$0.00	(61,097)	(44,717)	(10,373)	(18,223)
Buena Park	23	906,026	0	0	64,007	7.06%	74,715	8.25%	\$0.00	3,565	(12,989)	33,538	51,864
Fullerton	36	973,596	0	0	2,482	0.25%	20,369	2.09%	\$0.00	12,152	23,276	(19,250)	27,050
La Habra	5	83,589	0	0	3,000	3.59%	3,000	3.59%	\$0.00	(1,404)	(3,000)	0	0
La Palma	7	269,054	0	0	36,415	13.53%	36,415	13.53%	\$1.40	1,489	(36,415)	0	0
Placentia	17	487,467	0	0	1,940	0.40%	16,255	3.33%	\$0.00	7,090	3,965	13,973	151
Yorba Linda	52	1,387,277	0	0	63,611	4.59%	98,520	7.10%	\$0.85	283	34,044	(17,765)	44,277
North County Total	264	8,533,066	22,476	0	367,812	4.31%	416,358	4.88%	\$0.83	(17,776)	(30,894)	54,325	166,194
West County													
Cypress	42	2,679,141	0	0	51,785	1.93%	335,440	12.52%	\$1.00	0	31,077	91,194	140,604
Huntington Beach	125	2,322,597	0	0	59,087	2.54%	87,322	3.76%	\$0.83	(48,717)	20,543	(35,352)	15,104
Seal Beach	31	662,468	0	0	20,281	3.06%	20,281	3.06%	\$1.35	(11,621)	(10,761)	1,008	21,563
West County Total	198	5,664,206	0	0	131,153	2.32%	443,043	7.82%	\$0.88	(60,338)	40,859	56,850	177,271
Central County													
Anaheim	75	1,942,289	0	0	90,375	4.65%	176,930	9.11%	\$1.15	(30,500)	(8,710)	45,914	18,722
Garden Grove	85	2,625,956	0	0	107,719	4.10%	229,641	8.75%	\$1.07	(33,928)	229,423	(4,741)	114,938
Orange	100	2,127,402	0	0	7,606	0.36%	13,366	0.63%	\$0.95	31,968	26,506	7,822	(2,343)
Santa Ana	59	1,421,521	0	0	18,900	1.33%	44,108	3.10%	\$1.17	17,687	(10,580)	24,522	726
Tustin	25	832,100	0	0	1,934	0.23%	3,534	0.42%	\$0.00	1,100	18,641	(13,695)	80,780
Central County Total	344	8,949,268	0	0	226,534	2.53%	467,579	5.22%	\$1.07	(13,673)	255,280	59,822	212,823
Airport Area													
Costa Mesa	176	4,049,811	0	0	87,451	2.16%	101,700	2.51%	\$1.14	77,565	160,250	48,025	142,060
Fountain Valley	49	1,378,731	0	49,186	16,886	1.22%	12,916	0.94%	\$0.95	4,498	14,017	(11,830)	(9,243)
Irvine	292	7,761,229	0	0	229,346	2.96%	446,847	5.76%	\$1.20	5,854	190,994	501,475	(33,372)
Newport Beach	23	764,024	0	0	24,990	3.27%	27,865	3.65%	\$0.00	(3,005)	(3,428)	2,179	18,986
Santa Ana	133	4,519,467	0	0	328,981	7.28%	335,063	7.41%	\$0.90	25,659	(94,177)	(102,203)	269,795
Tustin	88	2,973,049	0	0	132,480	4.46%	174,267	5.86%	\$1.32	49,792	(9,359)	44,184	151,820
Airport Area Total	761	21,446,311	0	49,186	820,134	3.82%	1,098,658	5.12%	\$1.17	160,363	258,297	481,830	540,046
South County													
Aliso Viejo	43	1,041,034	0	0	20,596	1.98%	53,847	5.17%	\$1.38	(1,253)	937	22,705	104,664
Foothill Ranch	6	135,698	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Irvine Spectrum	298	11,222,681	22,397	50,000	901,620	8.03%	1,190,744	10.61%	\$1.27	(42,451)	(81,992)	246,382	358,205
Laguna Hills	65	1,411,188	0	0	49,160	3.48%	48,260	3.42%	\$1.40	6,699	18,114	1,005	(15,868)
Laguna Niguel	15	460,765	0	0	15,552	3.38%	15,552	3.38%	\$0.00	(6,758)	10,273	(4,766)	(6,360)
Lake Forest	73	1,804,685	0	0	52,476	2.91%	58,365	3.23%	\$1.19	16,957	22,876	(15,736)	129,623
Mission Viejo	40	760,345	0	0	29,207	3.84%	34,983	4.60%	\$0.00	(9,108)	(1,004)	18,099	(10,539)
Rancho Santa Margarita	47	1,684,816	0	0	7,048	0.42%	16,105	0.96%	\$0.00	24,631	10,006	3,488	127,955
San Clemente	45	1,006,012	0	273,194	66,885	6.65%	84,285	8.38%	\$1.23	(20,317)	(6,027)	128,425	(61,400)
San Juan Capistrano	45	648,328	0	239,012	23,673	3.65%	23,673	3.65%	\$0.00	(5,779)	(11,034)	3,326	332
South County Total	677	20,175,552	22,397	562,206	1,166,217	5.78%	1,525,814	7.56%	\$1.28	(37,379)	(37,851)	402,928	626,612
Orange County Total	2,244	64,768,403	44,873	611,392	2,711,850	4.19%	3,951,452	6.10%	\$1.17	31,197	485,691	1,055,755	1,722,946
North County													
10,000 to 24,999	155	2,428,690	22,476	0	86,176	3.55%	114,922	4.73%	\$0.91	23,906	43,004	10,735	(14,005)
25,000 to 49,999	74	2,496,799	0	0	163,065	6.53%	196,023	7.85%	\$0.79	(39,013)	(26,102)	(51,321)	61,763
50,000 to 99,999	24	1,602,118	0	0	105,413	6.58%	105,413	6.58%	\$0.00	10,489	(34,638)	22,143	71,238
100,000+	11	2,005,459	0	0	13,158	0.66%	0	0.00%	\$0.00	(13,158)	72,768	47,198	
West County													
10,000 to 24,999	135	2,045,086	0	0	66,511	3.25%	85,046	4.16%	\$0.84	(48,781)	(11,523)	(2,658)	26,337
25,000 to 49,999	38	1,264,101	0	0	39,415	3.12%	49,115	3.89%	\$1.50	(11,557)	20,022	(27,381)	91,339
50,000 to 99,999	19	1,202,895	0	0	25,227	2.10%	68,950	5.73%	\$0.95	0	32,360	86,889	59,595
100,000+	6	1,152,124	0	0	0	0.00%	239,932	20.83%	\$0.00	0	0	0	0
Central County													
10,000 to 24,999	240	3,807,266	0	0	74,700	1.96%	153,177	4.02%	\$1.07	20,716	19,867	42,078	(21,309)
25,000 to 49,999	78	2,557,395	0	0	108,815	4.25%	207,665	8.12%	\$0.00	(34,019)	70,246	(48,124)	111,847
50,000 to 99,999	17	1,165,500	0	0	5,637	0.48%	69,355	5.95%	\$0.00	(3,237)	(3,357)	50,594	21,233
100,000+	9	1,419,107	0	0	37,382	2.63%	37,382	2.63%	\$0.00	2,867	168,524	15,274	101,052
Airport Area													
10,000 to 24,999	513	8,212,467	0	12,100	288,599	3.51%	297,296	3.62%	\$1.12	8,931	785	200,293	87,699
25,000 to 49,999	170	5,739,541	0	37,086	238,714	4.16%	318,638	5.55%	\$1.07	54,074	(16,713)	73,617	425,352
50,000 to 99,999	55	3,704,878	0	0	146,893	3.96%	336,796	9.09%	\$1.41	92,085	128,420	97,249	31,017
100,000+	23	3,789,425	0	0	145,928	3.85%	145,928	3.85%	\$0.00	5,273	145,805	110,671	(4,022)
South County													
10,000 to 24,999	422	6,960,954	22,397	172,737	277,683	3.99%	382,586	5.50%	\$1.37	46,193	20,500	140,940	300,830
25,000 to 49,999	176	5,946,147	0	113,469	446,246	7.50%	597,417	10.05%	\$1.25	(38,344)	31,068	220,533	239,805
50,000 to 99,999	57	3,779,503	0	226,000	191,704	5.07%	277,345	7.34%	\$1.22	(34,298)	106,496	69,175	33,552
100,000+	22	3,488,948	0	0	250,584	7.18%	268,466	7.69%	\$0.00	(10,930)	(195,915)	(27,720)	52,425
Orange County Total													
10,000 to 24,999	1,465	23,454,463	44,873	184,837	793,669	3.38%	1,033,027	4.40%	\$1.15	50,965	72,633	391,388	379,552
25,000 to 49,999	536	18,003,983	0	150,555	996,255	5.53%	1,368,858	7.60%	\$1.16	(68,859)	78,521	167,324	930,106
50,000 to 99,999	172	11,454,894	0	226,000	474,874	4.15%	857,859	7.49%	\$1.25	65,039	229,281	326,050	216,635
100,000+	71	11,855,063	0	0	447,052	3.77%	691,708	5.83%	\$0.00	(15,948)	105,256	170,993	196,653
Orange County Total	2,244	64,768,403	44,873	561,392	2,711,850	4.19%	3,951,452	6.10%	\$1.17	31,197	485,691	1,055,755	1,722,946

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple net basis.



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, please contact:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, CA 92868-1642

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FAX: 714.978.9431

CHULA VISTA OFFICE

660 Bay Blvd., Suite 210
Chula Vista, CA 91910

TEL: 619.498.4560

FAX: 619.498.4567

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

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This survey consists of properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a triple net 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.