



Flex Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption

DOWN

Lease Rates

DOWN

Construction



UP

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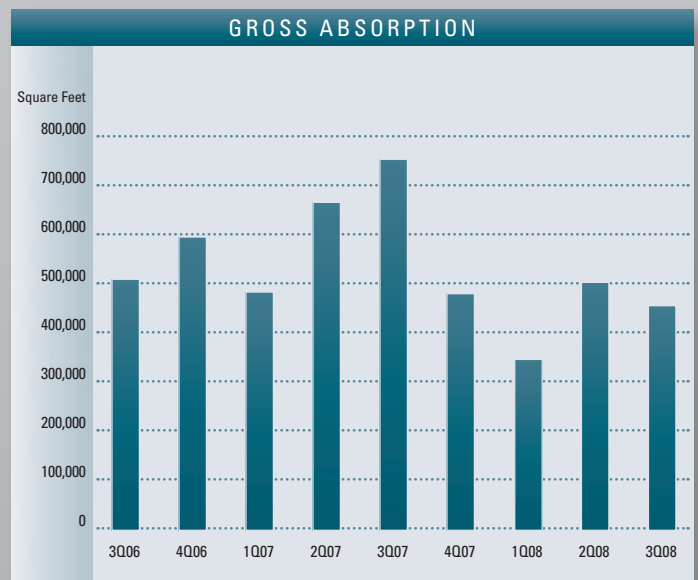
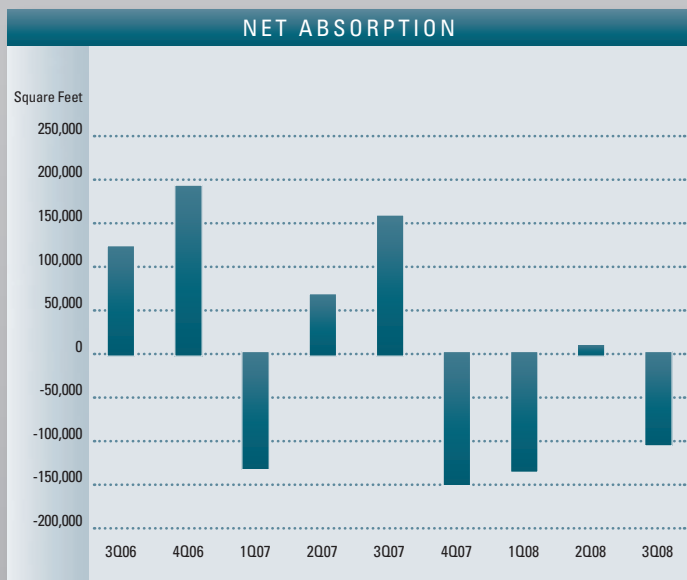
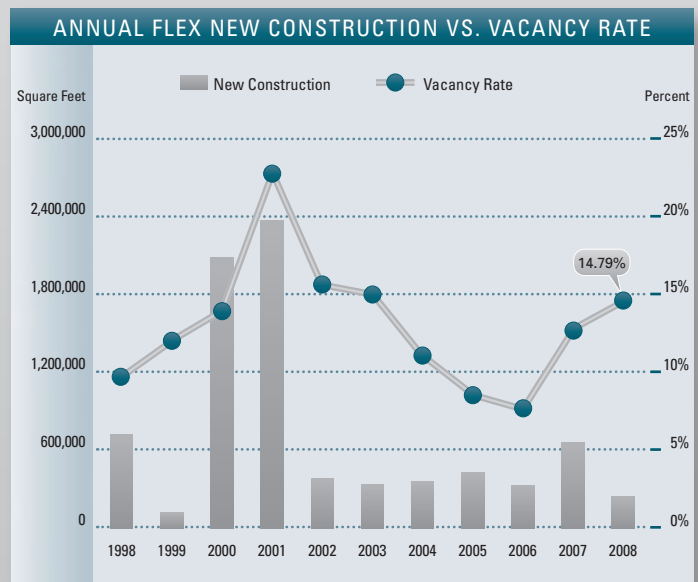
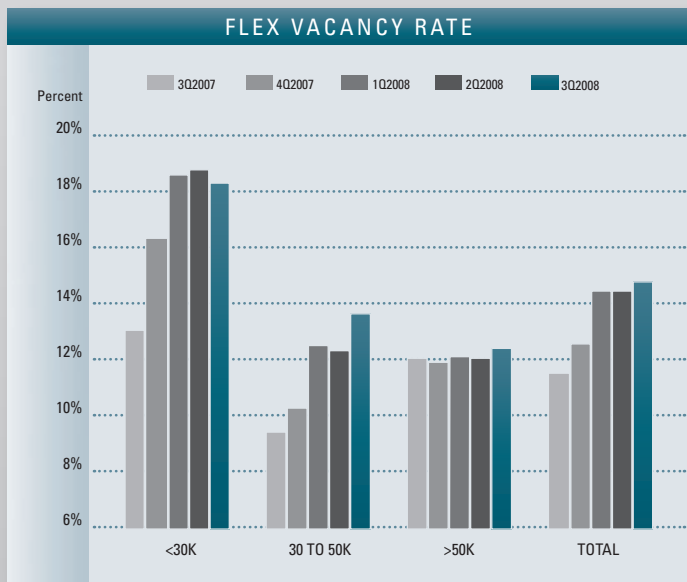
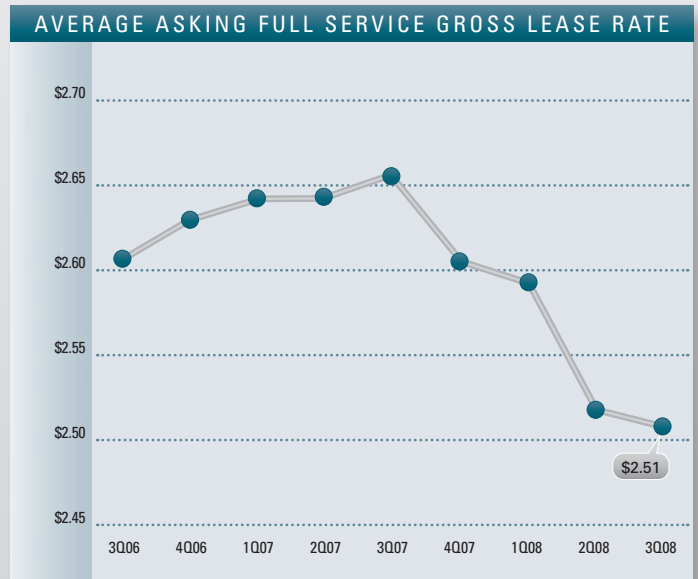
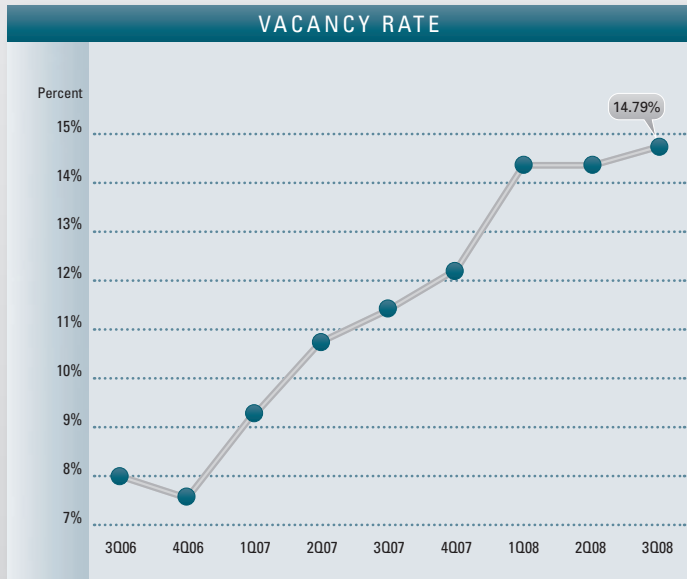
Market Highlights

- ◆ The Orange County Flex market is undergoing changes due to reaction to the credit crunch. The three primary concerns are as follows: expensive and scarce financing, economic uncertainty and volatility, and an increasing gap between “ask” and “bid” pricing between buyers and sellers. 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 14.79%, which is higher than it was a year ago when it was 11.45%. This increase is due to the new flex buildings that have been delivered to the market in the last 12 months, coupled with the slowing US economy.
- ◆ 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, 21.08% this quarter as compared to 15.68% this quarter last year.
- ◆ The average asking Full Service Gross lease rate per month per foot for flex space in Orange County is currently at \$2.51, which is a 5.64% decrease over last year’s third quarter rate of \$2.66.
- ◆ Net absorption for the county this quarter posted at negative 101,766 square feet, giving the county a total of 213,344 square feet of negative absorption for the first three quarters of 2008.
- ◆ The level of activity registered 351,730 square feet for the third quarter of 2008. This is down from 752,347 square feet when compared to the same quarter last year. This drop in activity is mostly a result of hesitancy in the marketplace from the continuous stream of negative news in a wide area of topics, most notably the credit crunch. These conditions could result in an increase in activity in 2009 from pent up demand.
- ◆ Total space under construction checked in at 186,642 square feet at the end of the third quarter, which is 30% lower than the amount that was under construction this same time last year. This is a good signal that the market is correcting itself. A total of 247,222 square feet of new flex product was delivered in the first three quarters of 2008.
- ◆ According to the State of California Employment Development Department, Orange County lost 26,300 payroll jobs over the last twelve months, 11,700 in financial services. Between July 2008 and August 2008 Orange County lost 3,200 jobs, 2,000 in the government sector.
- ◆ The unemployment rate in Orange County was 5.8% in August 2008, up from a revised 5.7% percent in July 2008, but above the year ago estimate of 4.2%. This compares with an unadjusted unemployment rate of 7.6 percent for California and 6.1 percent for the nation during the same period.
- ◆ Lease rates are expected to remain at current levels for the short run, and concessions should begin to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances, as new inventory becomes available from vacancies and construction deliveries.

FLEX MARKET OVERVIEW

	3Q2008	2Q2008	3Q2007	% CHANGE VS. 3Q07
Under Construction	186,642	22,000	267,074	-30.12%
Planned Construction	716,323	272,714	20,500	3394.26%
Vacancy	14.79%	14.45%	11.45%	29.17%
Availability	21.08%	21.50%	15.68%	34.44%
Pricing	\$2.51	\$2.52	\$2.66	-5.64%
Net Absorption	-101,766	20,320	157,858	N/A
Activity	351,730	502,113	752,347	-53.25%

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 3Q2008	Square Feet Available	Availability Rate 3Q2008	Average Asking Lease Rate	Net Absorption 3Q2008	Net Absorption 2008	Net Absorption 2007	Net Absorption 2006
North County													
Anaheim	22	422,178	0	0	45,192	10.70%	47,692	11.30%	\$2.50	(3,341)	(5,007)	(9,877)	(6,608)
Brea	15	460,480	0	0	72,233	15.69%	79,904	17.35%	\$2.14	(2,428)	(29,885)	(17,125)	13,981
Fullerton	10	153,882	23,829	0	3,445	0.00%	47,445	30.83%	\$3.10	(720)	4,275	720	3,600
Placentia	3	61,675	28,000	0	4,793	7.77%	4,793	7.77%	\$1.99	0	(4,793)	0	0
Yorba Linda	1	10,560	0	0	4,953	46.90%	4,953	46.90%	\$0.00	0	0	0	(4,953)
North County Total	51	1,108,775	51,829	0	130,616	11.78%	184,787	16.67%	\$2.11	(6,489)	(35,410)	(26,282)	6,020
West County													
Cypress	9	374,081	0	0	37,956	10.15%	37,956	10.15%	\$2.10	0	14,600	(21,410)	31,270
Huntington Beach	3	48,796	0	0	2,713	5.56%	2,713	5.56%	\$1.65	729	7,392	(2,531)	(5,326)
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	842
West County Total	16	465,882	0	0	40,669	8.73%	40,669	8.73%	\$1.81	729	21,992	(23,941)	26,786
Central County													
Anaheim	8	219,639	0	7,000	12,202	5.56%	12,202	5.56%	\$2.05	(9,124)	(9,109)	1,690	(4,783)
Garden Grove	2	27,400	0	0	4,700	17.15%	4,700	17.15%	\$0.00	(2,300)	(4,700)	0	1,260
Orange	7	146,612	0	0	6,259	4.27%	6,929	4.73%	\$2.20	1,464	(625)	(5,634)	646
Santa Ana	10	167,782	0	6,636	19,694	11.74%	20,942	12.48%	\$1.85	6,108	5,088	666	0
Tustin	3	23,897	0	0	0	0.00%	5,297	22.17%	\$0.00	0	0	0	0
Central County Total	30	585,330	0	13,636	42,855	7.32%	50,070	8.55%	\$1.94	(3,852)	(9,346)	(3,278)	(2,877)
Airport Area													
Costa Mesa	5	66,752	0	0	0	0.00%	3,311	4.96%	\$0.00	0	0	13,380	0
Irvine	115	3,469,654	0	150,000	581,079	16.75%	747,659	21.55%	\$4.42	(32,442)	104,571	(207,080)	81,464
Newport Beach	28	616,144	0	0	38,551	6.26%	45,229	7.34%	\$3.44	(6,374)	8,981	18,149	58,418
Santa Ana	9	400,184	0	0	107,090	26.76%	107,090	26.76%	\$2.17	(1,841)	(47,061)	(37,185)	13,998
Tustin	6	241,938	0	252,000	12,127	5.01%	45,927	18.98%	\$1.45	(11,649)	36,645	(72)	(48,700)
Airport Area Total	163	4,794,672	0	402,000	738,847	15.41%	949,216	19.80%	\$3.02	(52,306)	103,136	(212,808)	105,180
South County													
Aliso Viejo	42	1,298,892	0	20,000	73,198	5.64%	160,550	12.36%	\$2.37	(3,453)	(14,654)	8,818	(13,878)
Dana Point	4	58,840	0	0	0	0.00%	0	0.00%	\$0.00	0	0	612	2,738
Foothill Ranch	5	139,636	0	0	45,433	32.54%	61,819	44.27%	\$3.60	(1,417)	1,595	(18,072)	(2,800)
Irvine Spectrum	212	4,809,652	56,813	0	918,807	19.10%	1,392,030	28.94%	\$2.13	(50,009)	(99,823)	26,418	122,087
Laguna Beach	7	119,511	0	2,500	11,162	9.34%	11,162	9.34%	\$3.50	3,850	4,950	(6,801)	321
Laguna Hills	17	462,255	0	0	66,769	14.44%	108,419	23.45%	\$2.17	(6,980)	(26,919)	24,530	13,553
Laguna Niguel	4	98,481	0	0	16,641	16.90%	16,641	16.90%	\$0.00	201	1,244	(16,896)	0
Lake Forest	39	1,469,741	0	0	255,090	17.36%	363,748	24.75%	\$2.40	(4,838)	(184,239)	51,654	41,732
Mission Viejo	29	391,519	78,000	17,500	46,143	11.79%	61,770	15.78%	\$2.23	25,125	27,026	(37,989)	4,360
Rancho Santa Margarita	9	240,195	0	0	29,747	12.38%	63,967	26.63%	\$2.16	(6,063)	(6,467)	(6,418)	4,985
San Clemente	9	183,429	0	0	26,283	14.33%	29,247	15.94%	\$2.32	8,357	7,871	(11,306)	43,567
San Juan Capistrano	23	495,034	0	260,687	30,066	6.07%	30,457	6.15%	\$2.61	(4,621)	(4,300)	61,091	41,225
South County Total	400	9,767,185	134,813	300,687	1,519,339	15.56%	2,299,810	23.55%	\$2.29	(39,848)	(293,716)	75,641	257,890
Orange County Total	660	16,721,844	186,642	716,323	2,472,326	14.79%	3,524,552	21.08%	\$2.51	(101,766)	(213,344)	(190,668)	392,999

	INVENTORY				VACANCY & LEASE RATES				ABSORPTION				
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2008	Square Feet Available	Availability Rate 3Q2008	Average Asking Lease Rate	Net Absorption 3Q2008	Net Absorption 2008	Net Absorption 2007	Net Absorption 2006
North County													
0 to 29,999	40	621,133	51,829	0	86,162	13.87%	86,162	13.87%	\$1.99	(11,339)	(29,282)	(12,529)	8,265
30,000 to 49,999	9	364,642	0	0	37,474	10.28%	91,645	25.13%	\$2.14	4,850	(1,016)	(13,600)	(2,650)
50,000+	2	123,000	0	0	6,980	5.67%	6,980	5.67%	\$0.00	0	(5,112)	(153)	405
West County													
0 to 29,999	9	97,114	0	0	2,713	2.79%	2,713	2.79%	\$1.65	729	8,492	(3,631)	9,316
30,000 to 49,999	3	118,562	0	0	2,456	2.07%	2,456	2.07%	\$2.10	0	(1,000)	(1,456)	20,480
50,000+	4	250,206	0	0	35,500	14.19%	35,500	14.19%	\$0.00	0	14,500	(18,854)	(3,010)
Central County													
0 to 29,999	25	338,371	0	13,636	20,752	6.13%	26,049	7.70%	\$2.05	(3,661)	(4,706)	14,185	(3,523)
30,000 to 49,999	1	33,070	0	0	2,342	7.08%	2,342	7.08%	\$1.80	(2,342)	(2,342)	0	0
50,000+	4	213,889	0	0	19,761	9.24%	21,679	10.14%	\$1.91	2,151	(2,298)	(17,463)	646
Airport Area													
0 to 29,999	87	991,287	0	0	198,725	20.05%	209,065	21.09%	\$4.75	4,399	103,777	72,388	12,007
30,000 to 49,999	39	1,608,236	0	0	215,666	13.41%	312,081	19.41%	\$2.19	(16,454)	29,002	(106,562)	21,737
50,000+	37	2,195,149	0	402,000	324,456	14.78%	428,070	19.50%	\$2.38	(40,251)	(29,643)	(178,634)	71,436
South County													
0 to 29,999	262	3,328,221	27,950	268,455	679,208	20.41%	904,080	27.16%	\$2.27	(7,834)	(89,792)	167,881	289,255
30,000 to 49,999	85	3,352,826	0	32,232	494,078	14.74%	813,003	24.25%	\$2.33	(31,993)	(146,458)	(74,754)	107,191
50,000+	53	3,086,138	106,863	0	346,053	11.21%	582,727	18.88%	\$2.28	(21)	(57,466)	(17,486)	(138,556)
Orange County													
0 to 29,999	423	5,376,126	79,779	282,091	987,560	18.37%	1,228,069	22.84%	\$3.02	(17,706)	(11,511)	238,294	315,320
30,000 to 49,999	137	5,477,336	0	32,232	752,016	13.73%	1,221,527	22.30%	\$2.28	(45,939)	(121,814)	(196,372)	146,758
50,000+	100	5,868,382	106,863	402,000	732,750	12.49%	1,074,956	18.32%	\$2.30	(38,121)	(80,019)	(232,590)	(69,079)
Orange County Total	660	16,721,844	186,642	716,323	2,472,326	14.79%	3,524,552	21.08%	\$2.51	(101,766)	(213,344)	(190,668)	392,999

This survey consists of buildings up to 74,999 square feet. Lease rates are based on a Full Service Gross basis.



SUBMARKETS

NORTH

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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