



R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:



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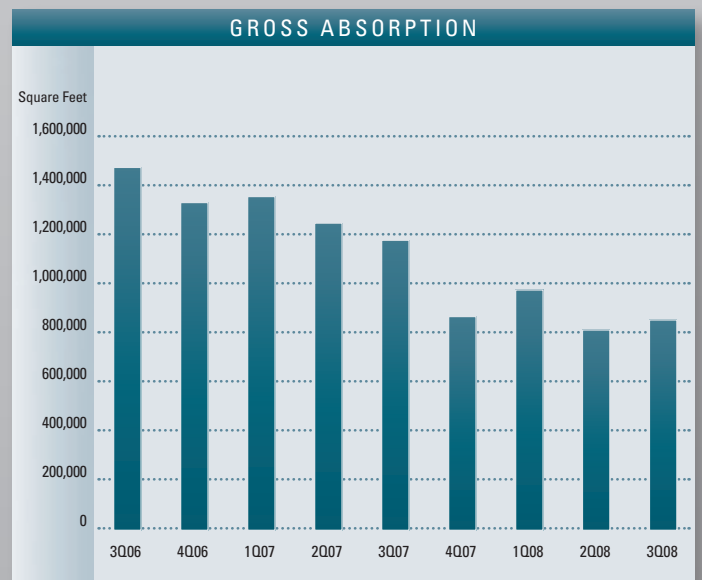
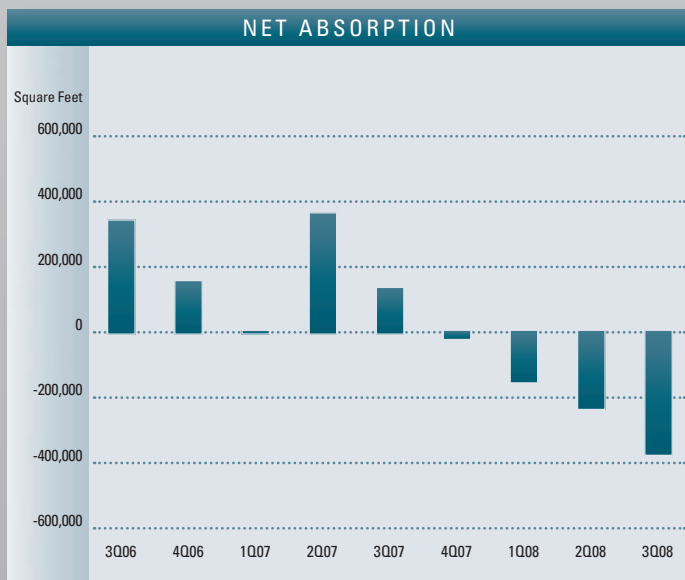
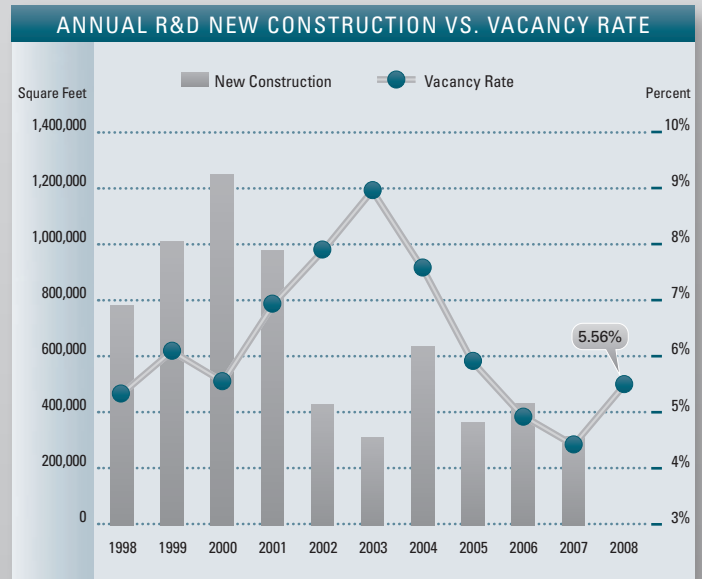
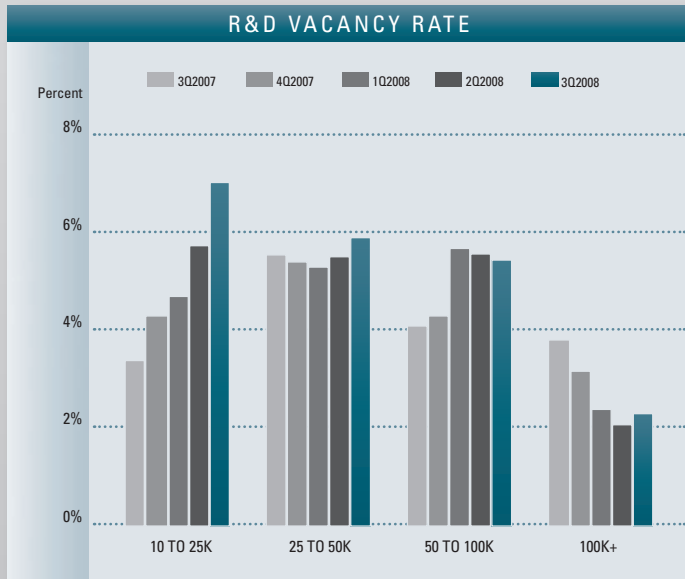
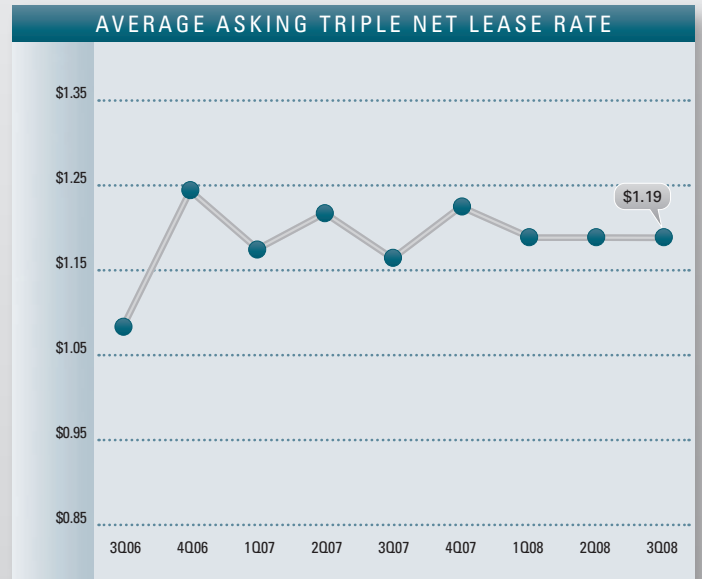
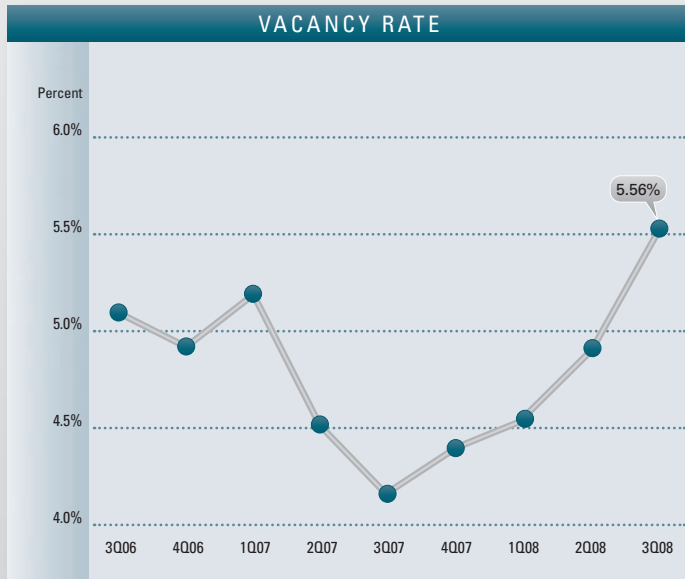
Market Highlights

- ◆ The Research & Development vacancy rate checked in at a low 5.56%, which is higher than it was a year ago when it was 4.19%. This lack of supply is creating a lot of constrained demand for R&D space in Orange County and continues to keep lease and sale rates at current levels.
- ◆ The total amount of R&D space available in Orange County, which includes both direct and sublease space, is higher than it was a year ago, 9.19% this quarter as compared to 6.10% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.19, which is two cents higher than it was this time last year.
- ◆ Net absorption for the R&D market this quarter posted at negative 371,633 square feet, giving the R&D Market in Orange County a total of approximately 3.5 million square feet of positive absorption for the last three years, 537,571 square feet of which occurred in 2007.
- ◆ The level of activity registered at just above 850,000 square feet for the third quarter of 2008. This is down from 1.18 million 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.
- ◆ There is currently 107,994 square feet of space under construction this quarter. 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 centers being developed in this infill market.
- ◆ 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.
- ◆ Asking lease rates are expected to remain at current levels for the short run, and concessions should continue to increase in the forms of free rent and increasing tenant improvement allowances to incentivize tenants to act now.
- ◆ As we head into the last quarter of 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 both for sale and lease will remain viable options for those looking to enter the Orange County R&D market.

R & D MARKET OVERVIEW

	3Q2008	2Q2008	3Q2007	% CHANGE VS. 3Q07
Under Construction	107,994	85,261	44,873	140.67%
Planned Construction	514,198	514,198	611,392	-15.90%
Vacancy	5.56%	4.92%	4.19%	32.70%
Availability	9.19%	9.68%	6.10%	50.66%
Pricing	\$1.19	\$1.19	\$1.17	1.71%
Net Absorption	-371,633	-234,476	131,073	N/A
Activity	855,180	796,714	1,183,113	-27.72%

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SUBMARKETS

NORTH

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:

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