



Flex Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption

NEGATIVE



Lease Rates

DOWN



Transactions

DOWN



Deliveries

FLAT



To view available properties or electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr. — Lic.#01145748

Vice President of Market Research

VOIT Real Estate Services — Lic.#01333376

e-mail: jholdner@voitco.com

Market Highlights

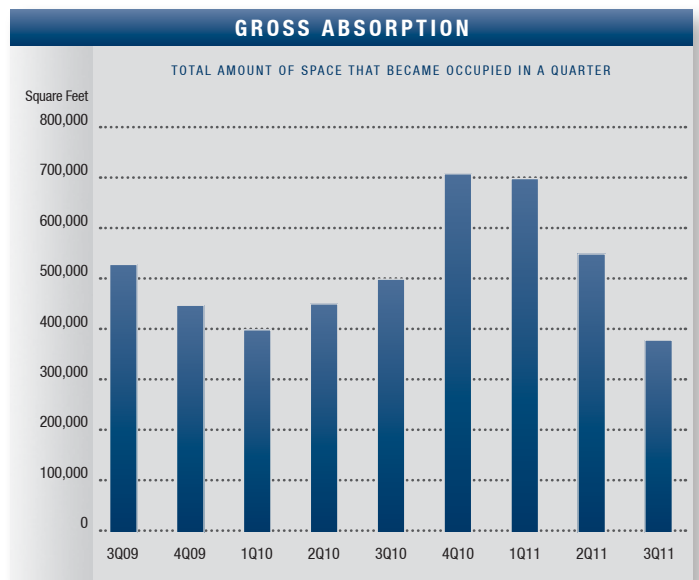
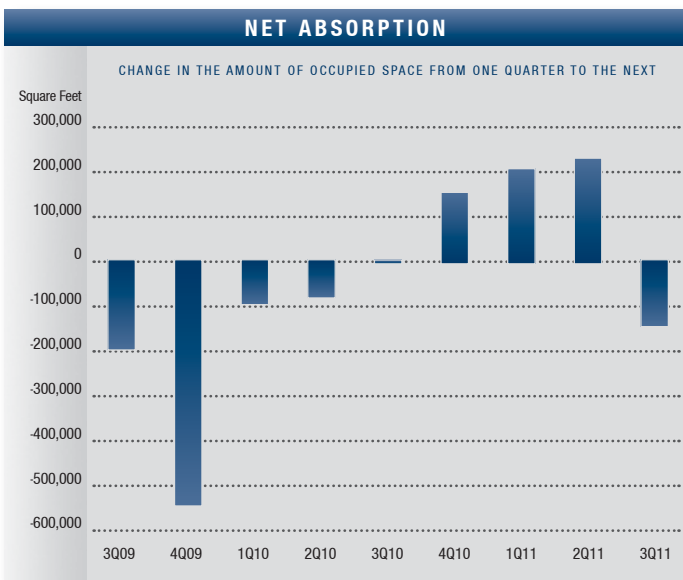
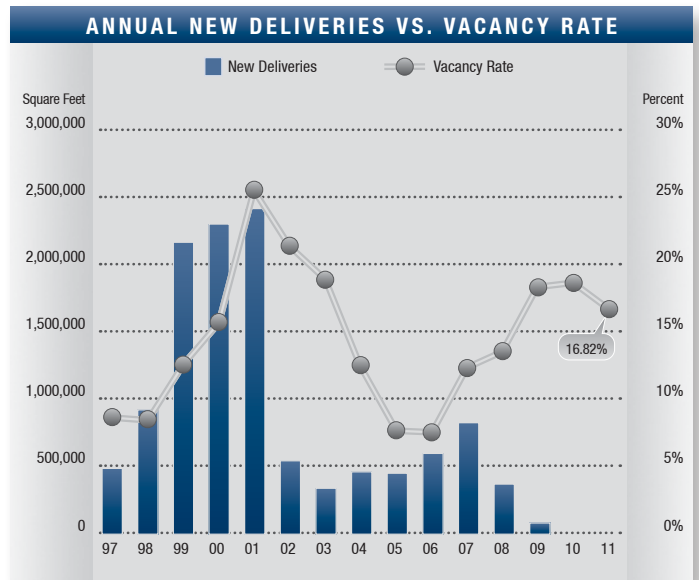
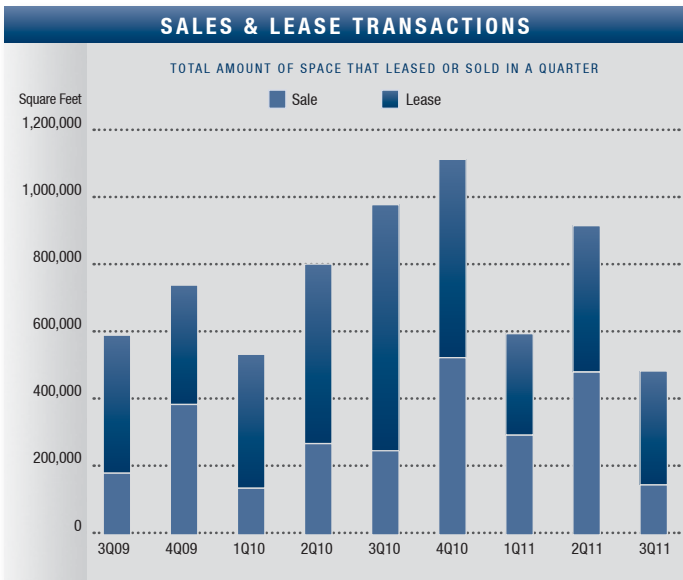
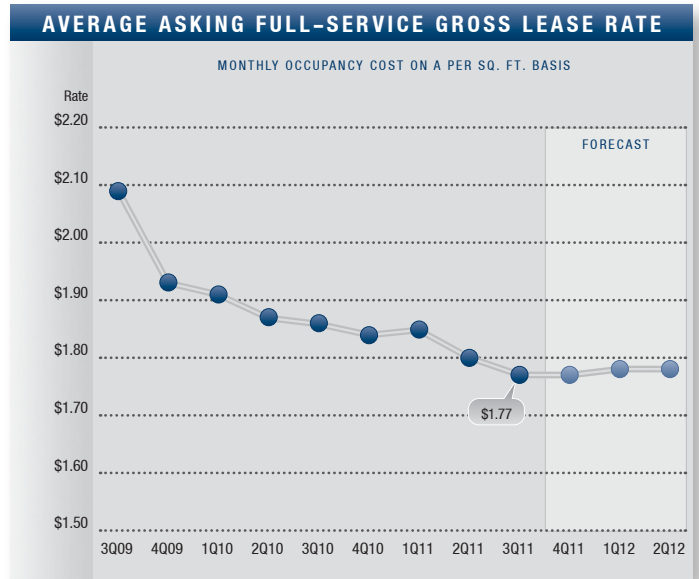
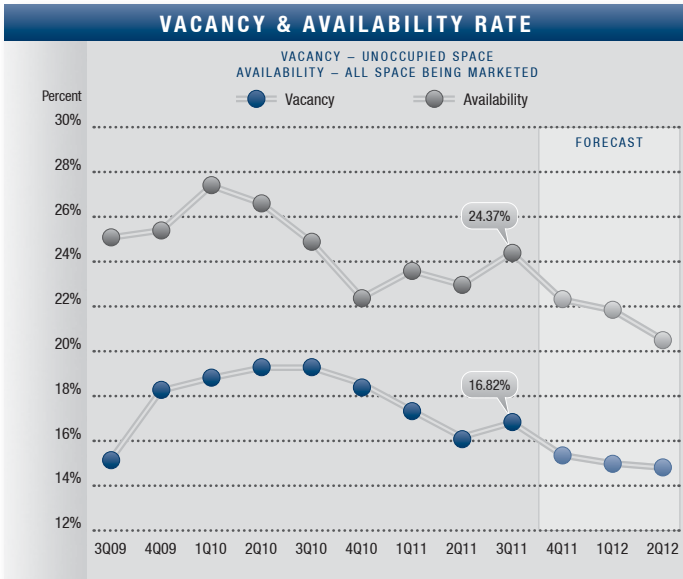
- Steady Growth** - The Orange County flex market conveyed more signs of stabilization in the third quarter of 2011. Vacancy and availability were down when compared to the previous year, and net absorption posted an positive figure overall for 2011, thus far. Demand, although still weak by historical standards, picked up, with 2010 marking the beginning of a renewed interest in sales transactions. While these are positive indications, stability will need to be sustained in coming quarters to be considered recovery.
- Construction** - There was nothing under construction in the Orange County flex market in the third quarter of 2011, as a result of a lack of demand. The shrinking availability of land, scarce financing and rising construction costs have led to few projects being developed.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 16.82%, a decrease compared to the year-ago rate of 19.30%, as well as the record high rate of 26.95% recorded in the second quarter of 2002.
- Availability** - Direct/sublease space being marketed was 24.37% at the end of the third quarter, a decrease of 2.01% compared to the 24.87% seen in the same quarter of 2010.
- Lease Rates** - The average asking full-service gross (FSG) lease rate per square foot per month in Orange County's flex market was \$1.77 in the third quarter of 2011 — three cents lower than the previous quarter's rate and a 4.84% decrease from 2010's third quarter rate of \$1.86. The record high rate of \$2.66 was established in the third quarter of 2007.
- Absorption** - The Orange County flex market posted 143,202 square feet of negative absorption in the third quarter of 2011, giving the market a total of 287,316 square

feet of positive absorption for 2011. This positive absorption can be attributed to the recent employment gains.

- Transaction Activity** - Leasing activity came in at 338,000 square feet in the second quarter of 2011. The average amount of leasing activity per quarter over the past five quarters was 475,000 square feet. Sales activity posted 141,000 square feet in third quarter, compared to the 247,000 square feet seen in the third quarter of 2010.
- Employment** - The unemployment rate in Orange County was 9.0% in August 2011 — down from a revised 9.3% in July 2011 and below the year-ago estimate of 9.8%. This compares with an unadjusted unemployment rate of 11.9% for California and 9.1% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 11,700 payroll jobs from August 2010 to August 2011. The largest gains were 5,600 in leisure and hospitality and 5,400 in educational & health services; however, Orange County lost 1,600 trade, transportation, and utilities jobs during that same period.
- Overall** - We are beginning to see a decrease in the amount of available space, as well as an increase in investment sales activity. As we continue into the fourth quarter of 2011, absorption has turned positive for the year, and with no new deliveries in the pipeline to apply upward pressure on vacancy, the market is beginning to stabilize. We foresee an increase in investment activity in the coming quarters as lenders continue to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions have begun to normalize. We should also see an increase in leasing activity as many short-term deals come up for renewal. As job creation continues and consumer confidence stabilizes, the flex market will recover.

FLEX MARKET OVERVIEW

	3Q2011	2Q2011	3Q2010	% Change vs. 3Q2010
Total Vacancy Rate	16.82%	16.01%	19.30%	(12.85%)
Availability Rate	24.37%	22.99%	24.87%	(2.01%)
Average Asking Lease Rate	\$1.77	\$1.80	\$1.86	(4.84%)
Sale & Lease Transactions	479,720	913,724	970,077	(50.55%)
Gross Absorption	375,138	549,723	497,624	(24.61%)
Net Absorption	(143,202)	228,778	146	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2011	Square Feet Available	Availability Rate 3Q2011	Average Asking Lease Rate	Net Absorption 3Q2011	Net Absorption 2011	Gross Absorption 3Q2011	Gross Absorption 2011
North County													
Anaheim	21	399,748	0	0	72,552	18.15%	95,932	24.00%	\$1.95	(34,357)	(37,610)	10,013	36,566
Brea	13	397,522	0	0	67,686	17.03%	226,837	57.06%	\$1.90	14,066	5,287	16,906	29,226
Buena Park	3	70,000	0	0	2,880	4.11%	2,880	4.11%	\$0.00	0	(1,440)	0	0
Fullerton	8	97,826	0	24,000	5,360	0.00%	8,455	8.64%	\$0.00	0	1,034	0	0
Placentia	3	61,675	0	0	10,007	16.23%	8,317	13.49%	\$1.50	0	1,034	0	1,308
North County Total	48	1,026,771	0	24,000	158,485	15.44%	342,421	33.35%	\$1.89	(20,291)	(32,729)	26,919	67,100
West County													
Cypress	11	392,303	0	0	47,477	12.10%	177,698	45.30%	\$1.95	0	(33,296)	0	0
Huntington Beach	3	49,145	0	0	2,506	5.10%	2,506	5.10%	\$1.46	693	511	693	5,966
Seal Beach	5	72,877	0	0	0	0.00%	0	0.00%	\$0.00	1,843	5,313	1,843	5,613
West County Total	19	514,325	0	0	49,983	9.72%	180,204	35.04%	\$1.88	2,536	(27,472)	2,536	11,579
Central County													
Anaheim	10	229,366	0	0	16,851	7.35%	16,851	7.35%	\$0.00	(3,417)	5,882	0	12,607
Garden Grove	2	27,400	0	0	9,510	34.71%	9,510	34.71%	\$0.00	0	2,670	0	2,670
Orange	8	161,897	0	0	9,475	5.85%	17,795	10.99%	\$2.05	(100)	6,043	0	10,928
Santa Ana	11	227,881	0	0	57,621	25.29%	38,893	17.07%	\$0.99	(9,805)	86	3,314	16,764
Tustin	5	88,617	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Central County Total	36	735,161	0	0	93,457	12.71%	83,049	11.30%	\$1.33	(13,322)	14,681	3,314	42,969
Airport Area													
Costa Mesa	8	130,175	0	0	9,745	7.49%	18,591	14.28%	\$1.41	0	(2,363)	14,303	21,685
Irvine	117	3,536,339	0	100,000	587,151	16.60%	767,878	21.71%	\$1.74	(9,718)	140,543	53,954	388,472
Newport Beach	28	619,551	0	0	61,761	9.97%	77,931	12.58%	\$2.68	(7,519)	(3,634)	44,241	72,244
Santa Ana	11	438,199	0	0	61,269	13.98%	90,220	20.59%	\$1.58	(5,846)	10,759	0	16,605
Tustin	6	214,605	0	0	57,900	26.98%	57,900	26.98%	\$1.26	0	0	0	0
Airport Area Total	170	4,938,869	0	100,000	777,826	15.75%	1,012,520	20.50%	\$1.94	(23,083)	145,305	112,498	499,006
South County													
Aliso Viejo	44	1,364,694	0	25,000	232,692	17.05%	208,133	15.25%	\$1.62	18,178	(238)	41,374	108,921
Dana Point	6	77,940	0	0	4,467	5.73%	4,467	5.73%	\$0.00	0	(1,317)	0	2,110
Foothill Ranch	5	105,397	0	0	14,717	13.96%	17,489	16.59%	\$1.25	(1,650)	(3,018)	0	0
Irvine Spectrum	231	5,370,944	0	0	1,002,855	18.67%	1,413,348	26.31%	\$1.52	(109,352)	199,330	112,788	642,254
Laguna Beach	5	74,016	0	0	10,330	13.96%	6,923	9.35%	\$0.00	1,838	(7,824)	1,838	3,617
Laguna Hills	14	451,331	0	0	59,163	13.11%	75,373	16.70%	\$1.67	8,313	16,787	9,551	41,635
Laguna Niguel	3	53,170	0	0	0	0.00%	0	0.00%	\$0.00	1,855	4,646	1,855	7,883
Lake Forest	40	1,484,673	0	0	318,693	21.47%	712,865	48.01%	\$1.99	(19,456)	(1,769)	17,907	91,858
Mission Viejo	28	389,546	0	0	38,616	9.91%	37,902	9.73%	\$1.64	3,298	505	3,448	16,055
Rancho Santa Margarita	12	315,820	0	0	63,182	20.01%	61,567	19.49%	\$1.40	3,381	(4,684)	15,083	25,429
San Clemente	11	234,169	0	0	61,589	26.30%	63,657	27.18%	\$1.52	9,630	(11,735)	11,753	16,575
San Juan Capistrano	27	573,875	0	0	93,304	16.26%	95,393	16.62%	\$1.97	(5,077)	(3,152)	14,274	44,072
South County Total	426	10,495,575	0	25,000	1,899,608	18.10%	2,697,117	25.70%	\$1.69	(89,042)	187,531	229,871	1,000,409
Orange County Total	699	17,710,701	0	149,000	2,979,359	16.82%	4,315,311	24.37%	\$1.77	(143,202)	287,316	375,138	1,621,063

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2011	Square Feet Available	Availability Rate 3Q2011	Average Asking Lease Rate	Net Absorption 3Q2011	Net Absorption 2011	Gross Absorption 3Q2011	Gross Absorption 2011
North County													
0-29,999	39	622,254	0	24,000	74,587	11.99%	113,323	18.21%	\$1.52	11,419	(1,034)	19,323	53,254
30,000-49,999	7	281,517	0	0	50,183	17.83%	169,419	60.18%	\$2.01	(35,736)	(35,721)	3,570	9,820
50,000 Plus	2	123,000	0	0	33,715	27.41%	59,679	48.52%	\$1.65	4,026	4,026	4,026	4,026
West County													
0-29,999	12	146,327	0	0	2,506	1.71%	2,506	1.71%	\$1.46	693	1,353	693	6,808
30,000-49,999	4	167,528	0	0	14,181	8.46%	63,152	37.70%	\$1.95	1,843	4,471	1,843	4,771
50,000 Plus	3	200,470	0	0	33,296	16.61%	114,546	57.14%	\$0.00	0	(33,296)	0	0
Central County													
0-29,999	29	374,434	0	0	25,712	6.87%	38,304	10.23%	\$1.25	(5,229)	2,423	0	12,164
30,000-49,999	2	73,363	0	0	6,270	8.55%	6,270	8.55%	\$0.00	(1,009)	9,546	0	12,151
50,000 Plus	5	287,364	0	0	61,475	21.39%	38,475	13.39%	\$1.33	(7,084)	2,712	3,314	18,654
Airport Area													
0-29,999	92	1,097,213	0	0	187,954	17.13%	233,265	21.26%	\$1.65	2,390	33,581	33,166	113,871
30,000-49,999	41	1,668,215	0	0	287,494	17.23%	260,206	15.60%	\$2.07	1,207	111,503	60,791	213,504
50,000 Plus	37	2,173,441	0	100,000	302,378	13.91%	519,049	23.88%	\$2.06	(26,680)	221	18,541	171,631
South County													
0-29,999	278	3,623,095	0	25,000	625,574	17.27%	864,492	23.86%	\$1.59	(28,539)	(53,515)	107,237	329,146
30,000-49,999	95	3,760,325	0	0	685,180	18.22%	852,328	22.67%	\$1.80	(86,759)	(58,917)	50,924	288,147
50,000 Plus	53	3,112,155	0	0	588,854	18.92%	980,297	31.50%	\$1.65	26,256	299,963	71,710	383,116
Orange County Total													
0-29,999	450	5,863,323	0	49,000	916,333	15.63%	1,251,890	21.35%	\$1.58	(19,266)	(17,192)	160,419	515,243
30,000-49,999	149	5,950,948	0	0	1,043,308	17.53%	1,351,375	22.71%	\$1.88	(120,454)	30,882	117,128	528,393
50,000 Plus	100	5,896,430	0	100,000	1,019,718	17.29%	1,712,046	29.04%	\$1.84	(3,482)	273,626	97,591	577,427
Orange County Total	699	17,710,701	0	149,000	2,979,359	16.82%	4,315,311	24.37%	\$1.77	(143,202)	287,316	375,138	1,621,063

This survey consists of buildings up to 74,999 square feet. The 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 and San Juan Capistrano

PRODUCT TYPE

FLEX-TECH OR CORPORATE HEADQUARTERS

Minimum 75% improved with drop ceiling, minimum parking ratio of 3.5 to 1, minimum of 3 elevators with full glassline, with ground level loading possible.

Please Contact Us for Further Information

Anaheim, CA
714.978.7880

Commerce, CA
323.201.4494

Inland Empire, CA
909.218.5285

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505

Voit

REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
www.voitco.com
Lic.#01333376

Represented in 150 Markets
Nationally & Internationally.



This survey consists of properties 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 Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.