



## R&D Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

FLAT

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

[www.voitco.com](http://www.voitco.com)

Prepared by:

**Jerry J. Holdner, Jr.** — Lic.#01145748  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Tony Tran**  
Market Research Analyst  
e-mail: [ttran@voitco.com](mailto:ttran@voitco.com)

VOIT Real Estate Services — Lic.#01333376

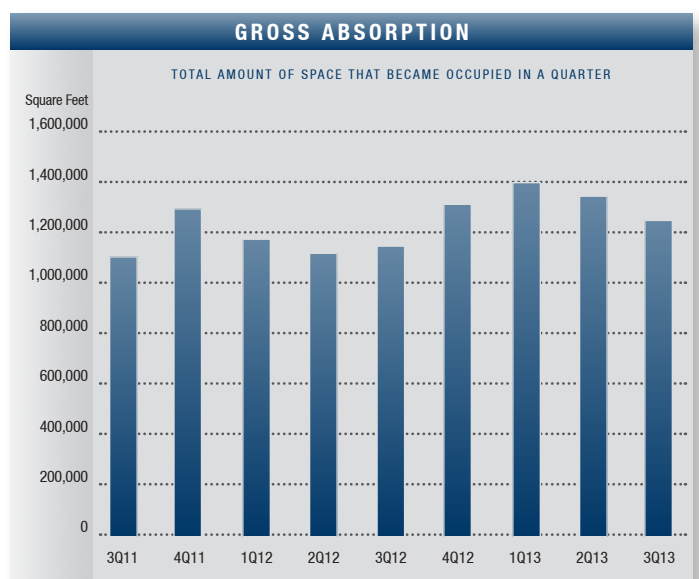
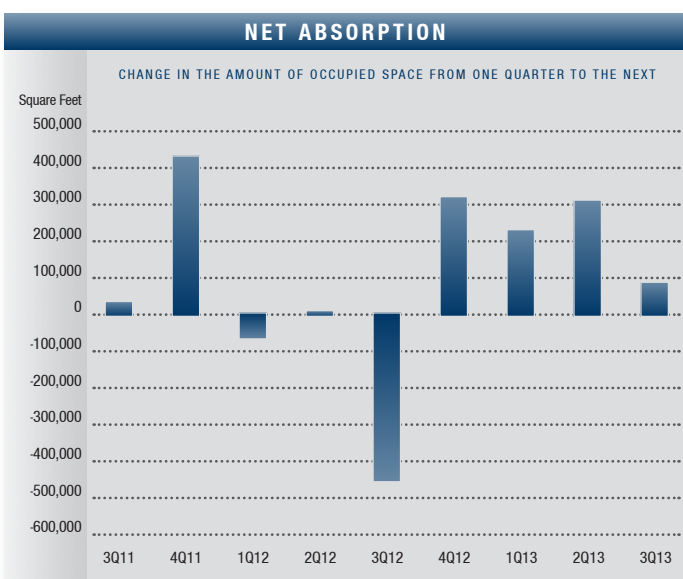
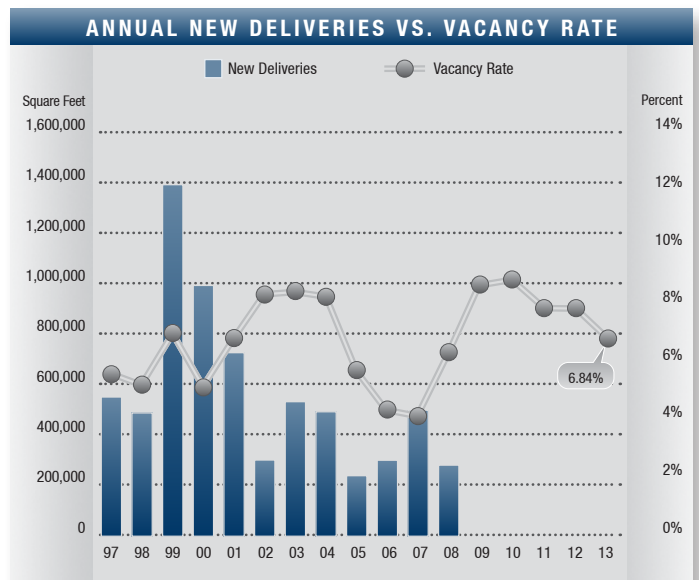
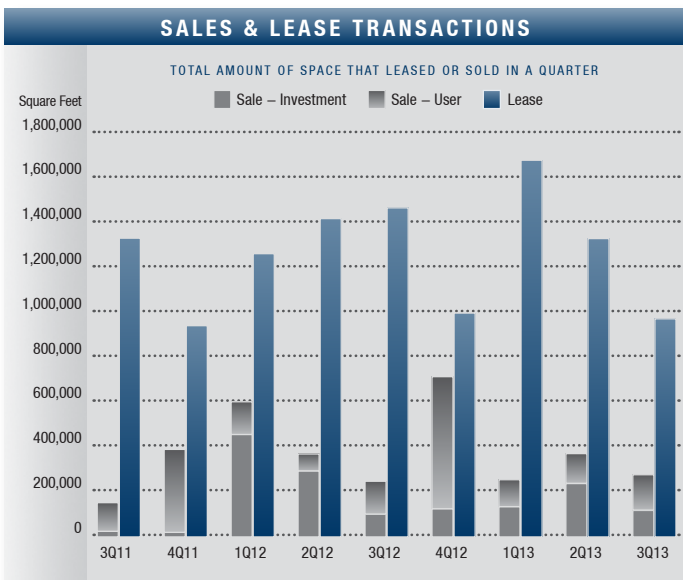
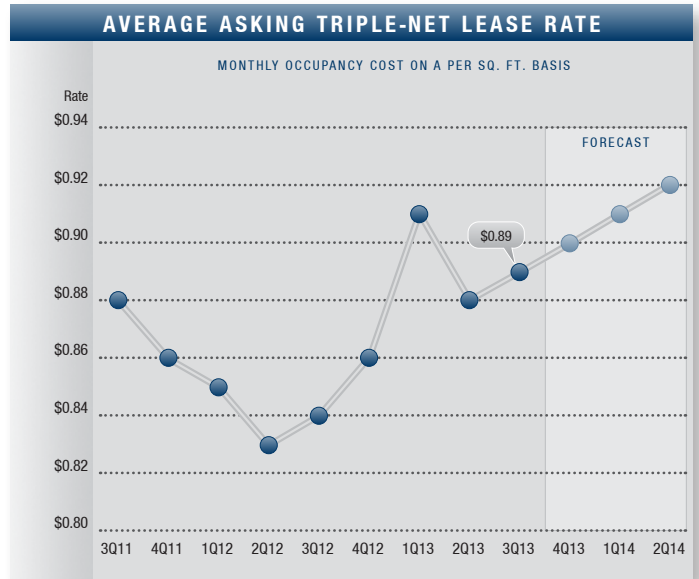
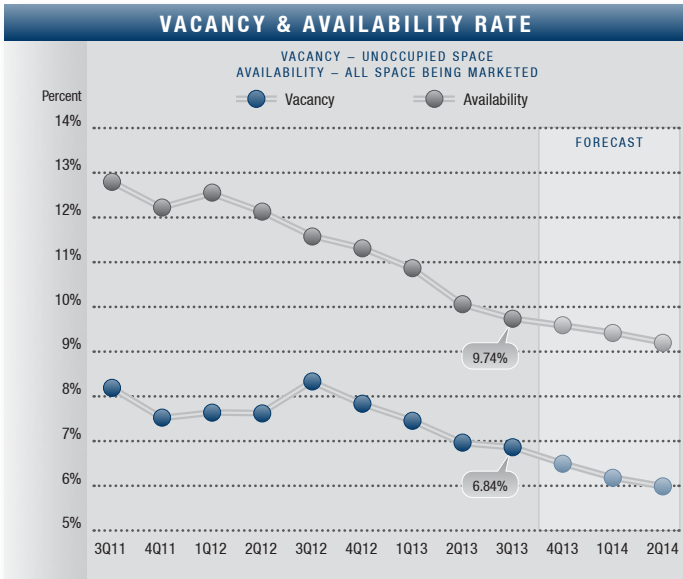
**CORFAC**  
International

### Market Highlights

- Encouraging Numbers** - The Orange County research and development market conveyed more signs of stabilization at the end of the third quarter of 2013. Both vacancy and availability decreased compared to the prior quarter's rate and 2012's third quarter rate, and the market posted a total of over 623,000 square feet of positive net absorption for the first three quarters of 2013. While these are positive indications, stability will need to be sustained in coming quarters to be considered recovery.
- Construction** - At the end of the quarter, there was nothing under construction. The slowdown in construction has eased and will continue to ease the upward pressure on vacancy and the downward pressure on lease rates. 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 6.84%, a decrease from the prior quarter's 6.98% and 2012's third quarter rate of 8.34%. We are forecasting that vacancy will continue to trend downward in the fourth quarter of 2013.
- Availability** - Direct/sublease space being marketed was 9.74% in the third quarter, down from the 10.02% we saw at the end of the previous quarter and a decrease of 15.89% when compared to the same quarter of 2012.
- Lease Rates** - The average asking triple-net lease rate per square foot per month in Orange County's R&D market was \$0.89 in the third quarter — one cent higher than the previous quarter's rate and five cents higher than 2012's third quarter rate. The record high rate of \$1.22 was established in the second quarter of 2007. We are forecasting that average asking lease rates will continue rise.
- Absorption** - The Orange County R&D market posted 87,320 square feet of positive net absorption in third quarter of 2013 — giving the R&D market a total of almost 1 million square feet of positive absorption for the last four quarters.
- Transaction Activity** - Leasing activity checked in at just under 1 million square feet in the third quarter of 2013, lower than the 1.3 million square feet we saw in the previous quarter. The Orange County R&D market averaged over 1.25 million square feet of leasing activity per quarter over the last nine quarters. Sales activity posted 265,000 square feet in the third quarter of 2013, a slight increase from 2012's third quarter total of 236,000 square feet. The Orange County research and development market averaged over 360,000 square feet of sales activity per quarter over the last five quarters.
- Employment** - The unemployment rate in Orange County was 6.2% in August 2013 — down from a revised 6.5% in July 2013 and below the previous year's estimate of 7.8%. This compares with an unadjusted unemployment rate of 8.8% for California and 7.3% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 32,500 payroll jobs from August 2012 to August 2013. Every sector showed gains in employment; the largest gains were 7,000 in financial activities, 6,900 in construction, and 6,500 in leisure & hospitality during that same period.
- Overall** - We are seeing a decrease in the amount of available space in the Orange County R&D market. As we continue into the last quarter of 2013, absorption has been positive, and with very few new deliveries in the pipeline to apply upward pressure on vacancy, the market should continue to stabilize. We foresee an increase in investment activity in the coming quarters. Lease rates are stabilizing, and we expect continued increases in the foreseeable future. Concessions in the forms of free rent, relocation funds and tenant improvement allowances have begun to lessen. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation continues in 2013. As unemployment rates drop and consumer confidence stabilizes, the R&D market will recover.

### R & D MARKET OVERVIEW

	3Q13	2Q13	3Q12	% of Change vs. 3Q12
Total Vacancy Rate	6.84%	6.98%	8.34%	(17.99%)
Availability Rate	9.74%	10.02%	11.58%	(15.89%)
Average Asking Lease Rate	\$0.89	\$0.88	\$0.84	5.95%
Sale & Lease Transactions	1,222,044	1,678,419	1,691,041	(27.73%)
Gross Absorption	1,245,848	1,337,646	1,143,319	8.97%
Net Absorption	87,320	309,307	(458,167)	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 3Q2013	Square Feet Available	Availability Rate 3Q2013	Average Asking Lease Rate	Net Absorption 3Q2013	Net Absorption 2013	Gross Absorption 3Q2013	Gross Absorption 2013
<b>Airport Area</b>													
Costa Mesa	168	4,081,292	0	0	263,951	6.47%	346,215	8.48%	\$0.89	34,770	(30,562)	108,954	246,314
Fountain Valley	50	1,464,813	0	0	44,160	3.01%	37,532	2.56%	\$0.74	8,655	(5,790)	22,268	85,922
Irvine	260	6,786,767	0	0	498,311	7.34%	967,459	14.26%	\$0.99	30,367	221,944	94,934	494,082
Newport Beach	20	492,646	0	0	37,479	7.61%	33,779	6.86%	\$0.00	(3,230)	(8,610)	8,370	18,040
Santa Ana	188	4,689,907	0	0	336,266	7.17%	351,793	7.50%	\$1.10	12,755	43,344	88,833	278,855
Tustin	96	3,371,745	0	0	345,293	10.24%	367,330	10.89%	\$1.15	(22,936)	(51,208)	82,344	197,317
<b>Airport Area Total</b>	<b>782</b>	<b>20,887,170</b>	<b>0</b>	<b>0</b>	<b>1,525,460</b>	<b>7.30%</b>	<b>2,104,108</b>	<b>10.07%</b>	<b>\$0.99</b>	<b>60,381</b>	<b>169,118</b>	<b>405,703</b>	<b>1,320,530</b>
<b>North County</b>													
Anaheim	188	5,274,316	0	0	219,645	4.16%	398,886	7.56%	\$0.78	14,570	59,158	89,183	288,495
Brea	48	1,352,794	0	0	42,794	3.16%	164,590	12.17%	\$0.90	(841)	(13,118)	9,629	31,453
Buena Park	32	1,082,698	0	0	71,774	6.63%	113,824	10.51%	\$1.00	753	10,393	6,833	33,652
Fullerton	44	1,623,909	0	0	39,861	2.45%	77,160	4.75%	\$0.75	11,679	9,197	23,038	50,734
La Habra	7	150,624	0	0	6,732	4.47%	6,732	4.47%	\$0.00	0	0	0	0
Orange	103	2,279,512	0	0	116,243	5.10%	118,312	5.19%	\$0.69	458	(4,119)	29,742	102,430
Placentia	24	612,708	0	0	10,143	1.66%	8,120	1.33%	\$0.79	(1,044)	8,260	6,129	26,247
Yorba Linda	52	1,387,150	0	0	92,758	6.69%	242,046	17.45%	\$1.10	13,791	11,745	39,226	115,047
<b>North County Total</b>	<b>498</b>	<b>13,763,711</b>	<b>0</b>	<b>0</b>	<b>599,950</b>	<b>4.36%</b>	<b>1,129,670</b>	<b>8.21%</b>	<b>\$0.84</b>	<b>39,366</b>	<b>81,516</b>	<b>203,780</b>	<b>648,058</b>
<b>South County</b>													
Aliso Viejo	44	1,090,987	0	0	98,858	9.06%	145,649	13.35%	\$0.78	985	3,186	3,799	31,646
Foothill Ranch	7	162,906	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Irvine Spectrum	304	10,494,219	0	18,124	1,020,235	9.72%	1,128,715	10.76%	\$1.00	(168,075)	(118,872)	188,702	680,996
Laguna Hills	57	1,354,799	0	0	58,783	4.34%	68,876	5.08%	\$0.85	19,803	25,924	44,257	130,746
Laguna Niguel	22	510,858	0	0	27,143	5.31%	37,143	7.27%	\$0.00	12,572	6,785	21,022	23,808
Lake Forest	57	1,318,503	0	0	75,409	5.72%	91,618	6.95%	\$0.74	17,551	44,572	46,480	134,775
Mission Viejo	34	879,801	0	0	47,644	5.42%	393,577	44.73%	\$0.00	(6,285)	(16,499)	23,173	46,587
Rancho Santa Margarita	45	1,575,021	0	0	87,923	5.58%	133,872	8.50%	\$0.89	403	19,148	3,330	35,370
San Clemente	50	1,236,649	0	0	116,135	9.39%	99,246	8.03%	\$1.01	(55,599)	62,092	34,970	220,127
San Juan Capistrano	45	917,038	0	187,639	87,681	9.56%	91,422	9.97%	\$0.00	(8,934)	(47,089)	4,605	44,562
<b>South County Total</b>	<b>665</b>	<b>19,540,781</b>	<b>0</b>	<b>205,763</b>	<b>1,619,811</b>	<b>8.29%</b>	<b>2,190,118</b>	<b>11.21%</b>	<b>\$0.92</b>	<b>(187,579)</b>	<b>(20,753)</b>	<b>370,338</b>	<b>1,348,617</b>
<b>West County</b>													
Cypress	56	2,818,809	0	0	236,258	8.38%	266,122	9.44%	\$0.89	188,711	257,873	192,774	286,109
Garden Grove	67	1,708,195	0	0	90,837	5.32%	185,261	10.85%	\$0.57	(10,009)	5,076	4,748	86,867
Huntington Beach	127	2,950,576	0	0	193,774	6.57%	222,431	7.54%	\$0.70	(3,430)	84,095	31,688	164,138
La Palma	1	85,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Los Alamitos	39	860,297	0	0	26,426	3.07%	26,426	3.07%	\$0.00	7,680	58,137	32,257	95,343
Stanton	5	122,025	0	0	4,980	4.08%	4,980	4.08%	\$0.00	0	(1,440)	0	0
Westminster	20	498,935	0	0	29,193	5.85%	29,193	5.85%	\$1.00	(7,800)	(10,283)	4,560	23,740
<b>West County Total</b>	<b>315</b>	<b>9,043,837</b>	<b>0</b>	<b>0</b>	<b>581,468</b>	<b>6.43%</b>	<b>734,413</b>	<b>8.12%</b>	<b>\$0.77</b>	<b>175,152</b>	<b>393,458</b>	<b>266,027</b>	<b>656,197</b>
<b>Orange County Total</b>	<b>2,260</b>	<b>63,235,499</b>	<b>0</b>	<b>205,763</b>	<b>4,326,689</b>	<b>6.84%</b>	<b>6,158,309</b>	<b>9.74%</b>	<b>\$0.89</b>	<b>87,320</b>	<b>623,339</b>	<b>1,245,848</b>	<b>3,973,402</b>
<b>Airport Area</b>													
10,000-24,999	524	8,456,669	0	0	604,216	7.14%	801,784	9.48%	\$0.88	90,476	25,652	230,068	618,795
25,000-49,999	184	6,208,270	0	0	478,297	7.70%	438,732	7.07%	\$1.16	(43,749)	3,377	95,834	355,306
50,000-99,999	56	3,708,077	0	0	192,748	5.20%	415,984	11.22%	\$1.12	13,654	(46,652)	79,801	159,688
100,000 Plus	18	2,514,154	0	0	250,199	9.95%	447,608	17.80%	\$0.91	0	186,741	0	186,741
<b>North County</b>													
10,000-24,999	325	5,175,533	0	0	273,159	5.28%	322,680	6.23%	\$0.70	20,222	72,375	109,295	363,641
25,000-49,999	127	4,225,665	0	0	253,118	5.99%	415,053	9.82%	\$0.97	18,585	20,345	89,515	233,131
50,000-99,999	33	2,143,273	0	0	45,808	2.14%	204,930	9.56%	\$0.70	559	16,661	4,970	51,286
100,000 Plus	13	2,219,240	0	0	27,865	1.26%	187,007	8.43%	\$1.39	0	(27,865)	0	0
<b>South County</b>													
10,000-24,999	402	6,682,221	0	147,671	508,589	7.61%	709,196	10.61%	\$0.90	(72,933)	(67,513)	170,798	588,061
25,000-49,999	191	6,444,554	0	58,092	419,468	6.51%	530,213	8.23%	\$0.89	39,470	112,926	188,957	497,315
50,000-99,999	57	3,814,353	0	0	684,522	17.95%	511,267	13.40%	\$0.98	(154,116)	(58,934)	6,932	259,590
100,000 Plus	15	2,599,653	0	0	7,232	0.28%	439,442	16.90%	\$0.00	0	(7,232)	3,651	3,651
<b>West County</b>													
10,000-24,999	214	3,373,450	0	0	184,523	5.47%	187,827	5.57%	\$0.95	(6,089)	95,627	59,923	275,905
25,000-49,999	66	2,255,693	0	0	125,649	5.57%	167,365	7.42%	\$0.86	(2,984)	51,982	19,879	121,800
50,000-99,999	28	1,922,318	0	0	247,977	12.90%	379,221	19.73%	\$0.73	(2,000)	59,624	0	72,267
100,000 Plus	7	1,492,376	0	0	23,319	1.56%	0	0.00%	\$0.00	186,225	186,225	186,225	186,225
<b>Orange County</b>													
10,000-24,999	1,465	23,687,873	0	147,671	1,570,487	6.63%	2,021,487	8.53%	\$0.88	31,676	126,141	570,084	1,846,402
25,000-49,999	568	19,134,182	0	58,092	1,276,532	6.67%	1,551,363	8.11%	\$0.95	11,322	188,630	394,185	1,207,552
50,000-99,999	174	11,588,021	0	0	1,171,055	10.11%	1,511,402	13.04%	\$0.85	(141,903)	(29,301)	91,703	542,831
100,000 Plus	53	8,825,423	0	0	308,615	3.50%	1,074,057	12.17%	\$0.91	186,225	337,869	189,876	376,617
<b>Orange County Total</b>	<b>2,260</b>	<b>63,235,499</b>	<b>0</b>	<b>205,763</b>	<b>4,326,689</b>	<b>6.84%</b>	<b>6,158,309</b>	<b>9.74%</b>	<b>\$0.89</b>	<b>87,320</b>	<b>623,339</b>	<b>1,245,848</b>	<b>3,973,402</b>

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



**SUBMARKETS**

**NORTH**

Anaheim, Brea, Buena Park, Fullerton, La Habra, Orange, Placentia and Yorba Linda

**WEST**

Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Seal Beach, Stanton and Westminster

**AIRPORT**

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana and 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.

**Please Contact Us for Further Information**

Anaheim, CA  
714.978.7880

Commerce, CA  
323.558.5400

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

Newport Beach, CA  
949.644.8648

Phoenix, AZ  
602.952.8648

Reno, NV  
775.309.0782

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.

**CORFAC**  
International

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