

# OFFICE MARKET REPORT

FOURTH  
QUARTER  
2003

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



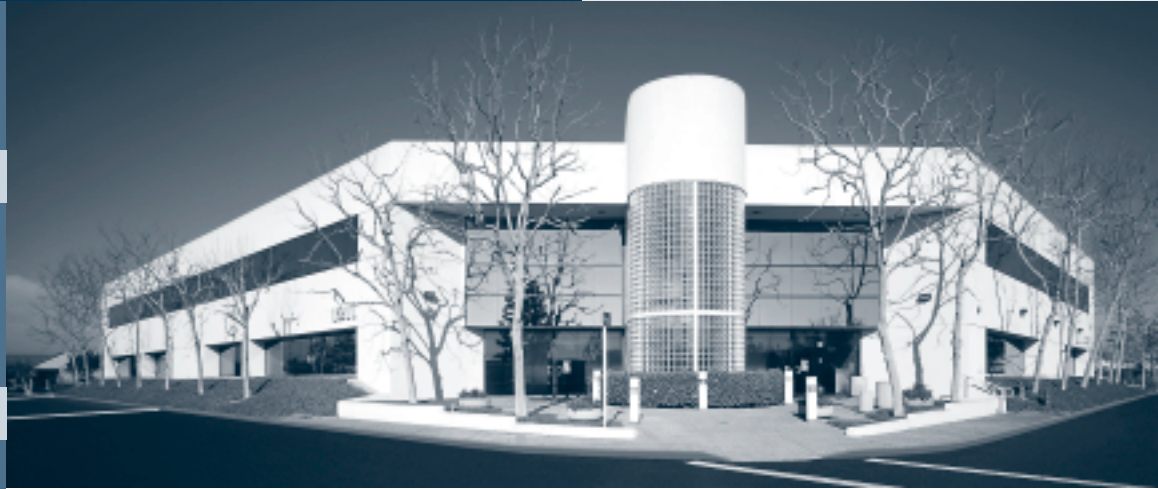
## CONSTRUCTION



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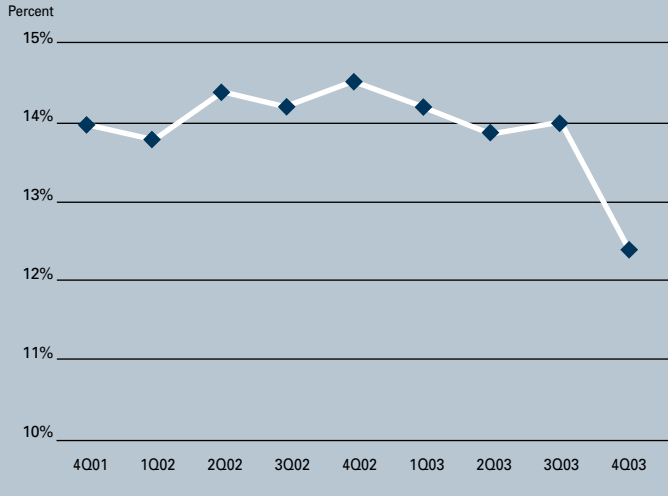
## MARKET HIGHLIGHTS

- ◆ Unemployment for the fourth quarter of 2003 in Orange County is 3.5%, which is a decrease of .3% when compared to the third quarter of 2003, and is .4% lower than it was during the fourth quarter of 2002.
- ◆ According to Los Angeles County Economic Development Corporation, it is estimated that Orange County will add 9,800 new non-farm jobs in 2003, and they are forecasting 29,200 new jobs in 2004. They are also forecasting a 3.5% increase in total personal income for 2004, the highest level in greater Southern California.
- ◆ Total space under construction checked in at just over 300,000 square feet for the fourth quarter of 2003, which is half the amount that was under construction in the third quarter of 2003.
- ◆ The office vacancy rate checked in at 12.44%, which is lower than last quarter when it was 14.02%. This is a sign of strength and can be explained by the almost 1.2 million square feet of positive absorption experienced in the fourth quarter of 2003.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, is also lower, checking in at 15.72% this quarter from 18.63% in the fourth quarter of 2002.
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$1.99, which is a 3.86% decrease over last year's fourth quarter rate of \$2.07.
- ◆ Rental rates are expected to remain flat and we should see rent concessions lessening during 2004 as the economy improves.
- ◆ Net absorption for the county this quarter posted a positive number of 1,185,827 square feet, giving the county a total of over 3 million square feet of positive absorption for 2003 – the second best performance in the Orange County office market since the record breaking figure we reached in 2000, when we had 3.5 million square feet of positive absorption.

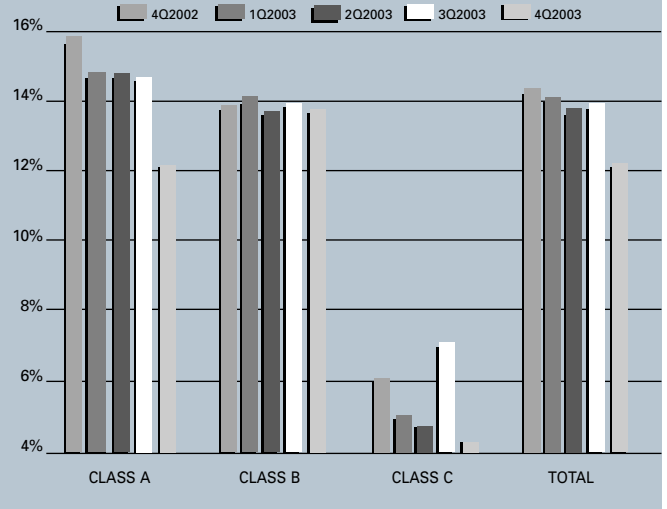
## OFFICE MARKET STATISTICS

|                      | 2003       | 2002       | 2001       | % CHANGE VS. 2002 |
|----------------------|------------|------------|------------|-------------------|
| Total Inventory      | 96,144,929 | 95,042,645 | 93,298,383 | 1.16%             |
| Inventory Added      | 1,102,284  | 1,715,179  | 4,608,865  | -35.73%           |
| Under Construction   | 317,439    | 716,443    | 1,249,657  | -55.69%           |
| Planned Construction | 5,719,475  | 6,108,620  | 7,356,111  | -6.37%            |
| Vacancy              | 12.44%     | 14.52%     | 14.78%     | -14.33%           |
| Availability         | 15.72%     | 18.63%     | 18.81%     | -15.62%           |
| Pricing              | \$1.99     | \$2.07     | \$2.18     | -3.86%            |
| Absorption           | 3,090,148  | 1,549,216  | 775,570    | 99.47%            |

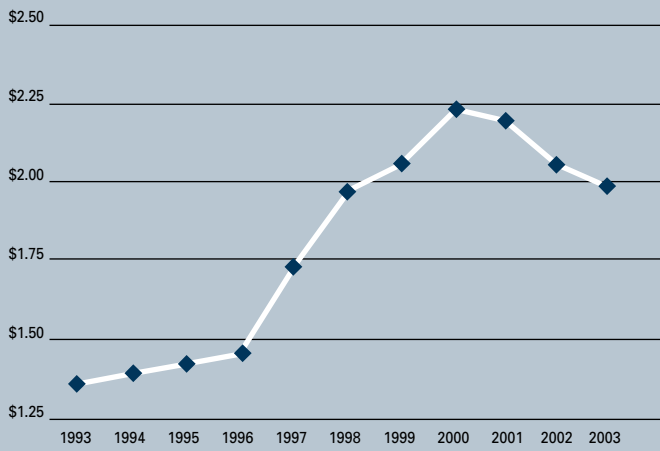
## VACANCY RATE



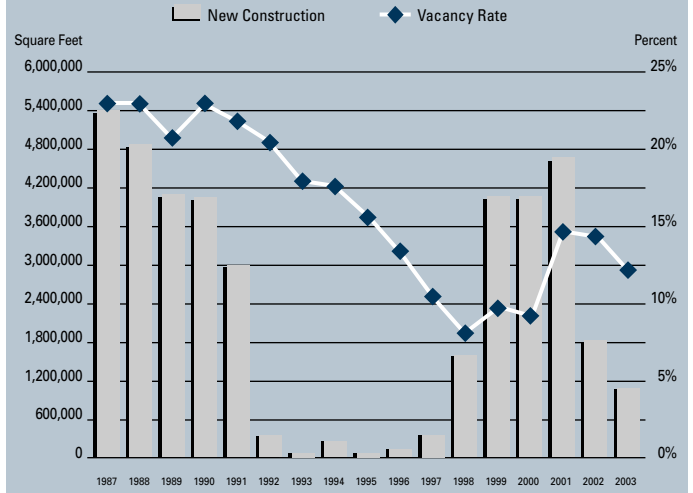
## OFFICE VACANCY RATE



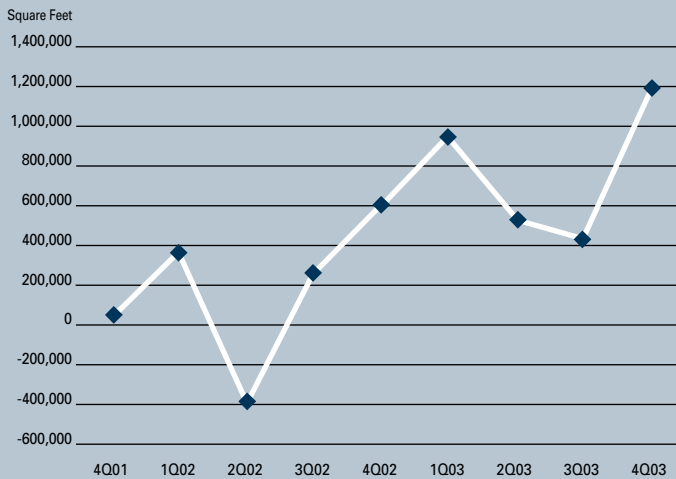
## AVERAGE ASKING FULL SERVICE LEASE RATE



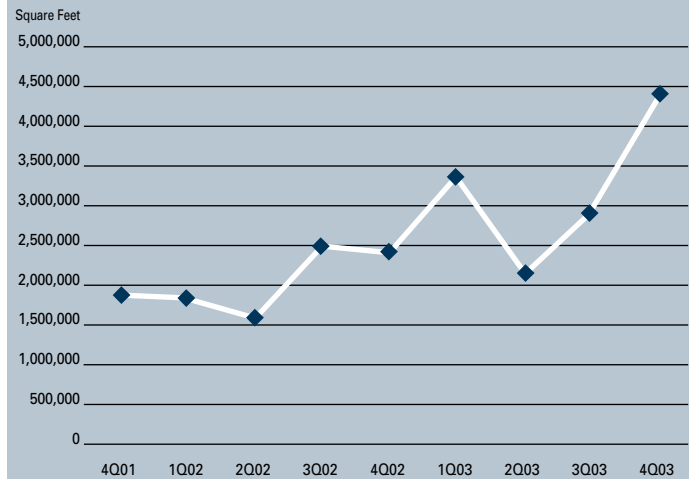
## ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



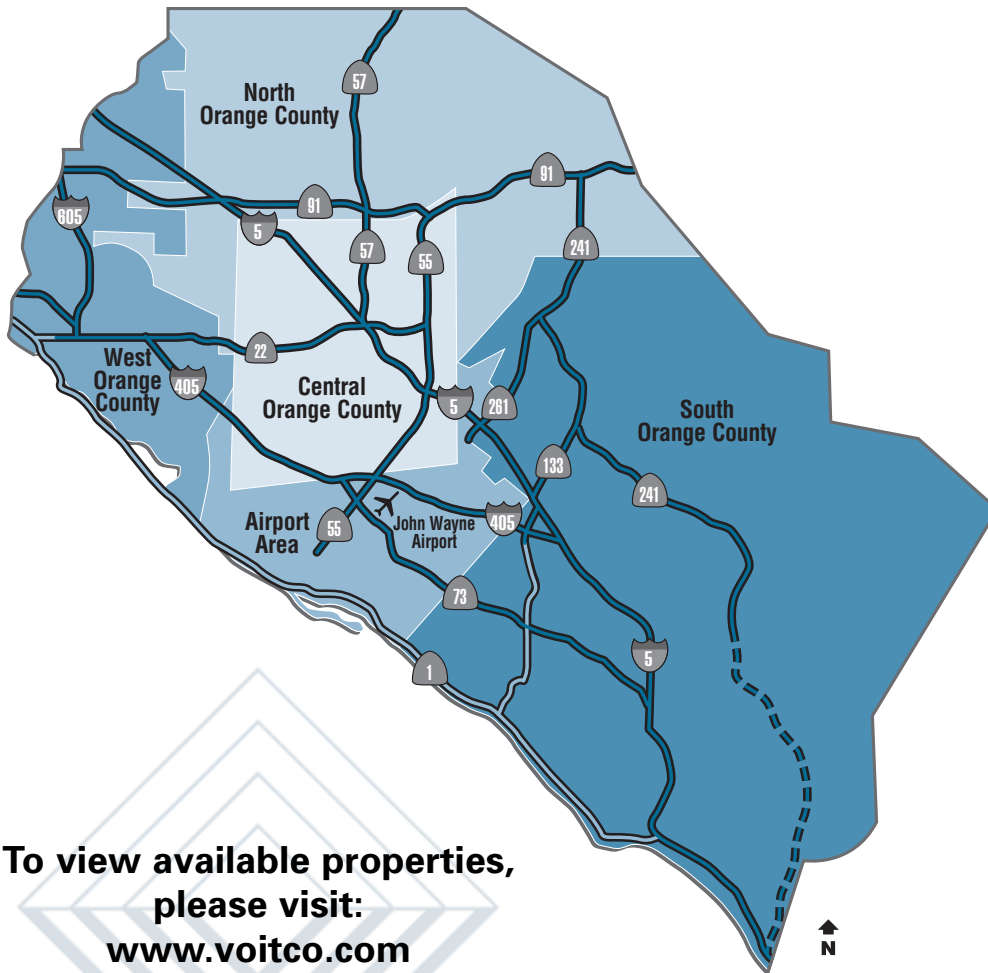
## O R A N G E C O U N T Y

|                             | INVENTORY        |                          |                   |                     | VACANCY & LEASE RATES |                     |                       |                          |                           | ABSORPTION            |                     |                     |                     |
|-----------------------------|------------------|--------------------------|-------------------|---------------------|-----------------------|---------------------|-----------------------|--------------------------|---------------------------|-----------------------|---------------------|---------------------|---------------------|
|                             | Number Of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant    | Vacancy Rate 4Q2003 | Square Feet Available | Availability Rate 4Q2003 | Average Asking Lease Rate | Net Absorption 4Q2003 | Net Absorption 2003 | Net Absorption 2002 | Net Absorption 2001 |
| <b>North County</b>         |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Anaheim Hills               | 10               | 627,200                  | 0                 | 60,000              | 16,776                | 2.67%               | 16,776                | 2.67%                    | \$1.80                    | (2,473)               | (1,635)             | 10,832              | (3,607)             |
| Brea                        | 40               | 3,720,707                | 0                 | 202,150             | 497,435               | 13.37%              | 702,060               | 18.87%                   | \$1.75                    | (19,821)              | 17,961              | 79,588              | 79,316              |
| Buena Park                  | 10               | 625,415                  | 0                 | 0                   | 190,196               | 30.41%              | 190,196               | 30.41%                   | \$1.50                    | 4,390                 | 2,384               | 1,618               | (27,946)            |
| Fullerton                   | 28               | 2,028,572                | 0                 | 0                   | 29,881                | 1.47%               | 41,459                | 2.04%                    | \$1.65                    | 1,030                 | 103,707             | 7,286               | 45,661              |
| La Habra                    | 7                | 376,849                  | 0                 | 0                   | 53,013                | 14.07%              | 53,013                | 14.07%                   | \$1.36                    | (9,774)               | 72,227              | 184                 | (109,695)           |
| La Palma                    | 7                | 552,396                  | 0                 | 0                   | 41,964                | 7.60%               | 92,162                | 16.68%                   | \$1.77                    | (4,676)               | (3,419)             | (5,801)             | 2,918               |
| Placentia                   | 6                | 190,875                  | 0                 | 0                   | 14,055                | 7.36%               | 14,055                | 7.36%                    | \$1.59                    | (950)                 | 6,465               | 3,849               | 20,123              |
| Yorba Linda                 | 7                | 346,704                  | 0                 | 0                   | 39,091                | 11.28%              | 41,449                | 11.96%                   | \$1.73                    | 5,991                 | (6,139)             | (1,788)             | (5,441)             |
| <b>North County Total</b>   | <b>115</b>       | <b>8,468,718</b>         | <b>0</b>          | <b>262,150</b>      | <b>882,411</b>        | <b>10.42%</b>       | <b>1,151,170</b>      | <b>13.59%</b>            | <b>\$1.68</b>             | <b>(26,283)</b>       | <b>191,551</b>      | <b>95,768</b>       | <b>1,329</b>        |
| <b>West County</b>          |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Cypress                     | 28               | 2,181,696                | 0                 | 0                   | 447,739               | 20.52%              | 447,739               | 20.52%                   | \$1.75                    | (5,217)               | (21,375)            | (158,782)           | 157,270             |
| Fountain Valley             | 32               | 1,559,300                | 0                 | 0                   | 175,653               | 11.26%              | 228,063               | 14.63%                   | \$1.87                    | 75,230                | (24,766)            | (86,906)            | (79,260)            |
| Garden Grove                | 21               | 931,230                  | 0                 | 0                   | 93,646                | 10.06%              | 133,321               | 14.32%                   | \$1.33                    | (13,381)              | 39,461              | 24,761              | 14,598              |
| Huntington Beach            | 44               | 2,543,699                | 0                 | 0                   | 248,798               | 9.78%               | 325,575               | 12.80%                   | \$1.79                    | (56,272)              | (15,587)            | (1,948)             | (18,687)            |
| Los Alamitos                | 12               | 676,280                  | 0                 | 0                   | 15,558                | 2.30%               | 23,750                | 3.51%                    | \$1.63                    | 2,441                 | (8,915)             | 5,986               | 47,067              |
| Seal Beach                  | 6                | 425,418                  | 0                 | 0                   | 47,861                | 11.25%              | 47,861                | 11.25%                   | \$2.16                    | (7,318)               | 5,215               | (1,528)             | 406                 |
| Stanton                     | 2                | 85,917                   | 0                 | 0                   | 20,285                | 23.61%              | 21,321                | 24.82%                   | \$0.00                    | (1,514)               | (3,553)             | 6,105               | 1,813               |
| Westminster                 | 11               | 440,174                  | 0                 | 0                   | 39,548                | 8.98%               | 45,849                | 10.42%                   | \$1.60                    | (7,395)               | 32,520              | (5,138)             | 30,038              |
| <b>West County Total</b>    | <b>156</b>       | <b>8,843,714</b>         | <b>0</b>          | <b>0</b>            | <b>1,089,088</b>      | <b>12.31%</b>       | <b>1,273,479</b>      | <b>14.40%</b>            | <b>\$1.76</b>             | <b>(13,426)</b>       | <b>3,000</b>        | <b>(217,450)</b>    | <b>153,245</b>      |
| <b>Central County</b>       |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Anaheim                     | 90               | 5,968,600                | 50,000            | 454,711             | 490,118               | 8.21%               | 670,705               | 11.24%                   | \$1.66                    | 371,186               | 622,258             | 258,007             | (102,241)           |
| Orange                      | 76               | 6,951,137                | 0                 | 0                   | 613,571               | 8.83%               | 730,579               | 10.51%                   | \$1.82                    | 209,259               | 273,259             | (130,264)           | 136,020             |
| Santa Ana                   | 165              | 11,371,819               | 74,500            | 282,400             | 1,197,072             | 10.53%              | 1,495,245             | 13.15%                   | \$1.76                    | 59,111                | 30,938              | (56,432)            | 314,064             |
| Tustin                      | 34               | 1,442,734                | 0                 | 0                   | 297,599               | 20.63%              | 367,296               | 25.46%                   | \$1.66                    | 85,685                | 128,065             | (3,602)             | 43,260              |
| <b>Central County Total</b> | <b>365</b>       | <b>25,734,290</b>        | <b>124,500</b>    | <b>737,111</b>      | <b>2,598,360</b>      | <b>10.10%</b>       | <b>3,263,825</b>      | <b>12.68%</b>            | <b>\$1.75</b>             | <b>725,241</b>        | <b>1,054,520</b>    | <b>67,709</b>       | <b>391,103</b>      |
| <b>Airport Area</b>         |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Corona Del Mar              | 2                | 86,378                   | 0                 | 0                   | 1,516                 | 1.76%               | 1,516                 | 1.76%                    | \$2.75                    | (1,516)               | 3,238               | (2,887)             | 0                   |
| Costa Mesa                  | 63               | 6,304,358                | 0                 | 800,000             | 805,978               | 12.78%              | 1,207,076             | 19.15%                   | \$1.88                    | 153,620               | 76,540              | (52,945)            | 13,978              |
| Irvine                      | 223              | 20,042,355               | 107,000           | 2,395,595           | 2,897,816             | 14.46%              | 3,589,546             | 17.91%                   | \$2.24                    | 118,273               | 887,193             | 769,633             | (177,990)           |
| Newport Beach               | 131              | 9,463,634                | 85,939            | 0                   | 1,265,636             | 13.37%              | 1,482,286             | 15.66%                   | \$2.43                    | 10,243                | 238,076             | (121,047)           | 6,921               |
| <b>Airport Area Total</b>   | <b>419</b>       | <b>35,896,725</b>        | <b>192,939</b>    | <b>3,195,595</b>    | <b>4,970,946</b>      | <b>13.85%</b>       | <b>6,280,424</b>      | <b>17.50%</b>            | <b>\$2.26</b>             | <b>280,620</b>        | <b>1,205,047</b>    | <b>592,754</b>      | <b>(157,091)</b>    |
| <b>South County</b>         |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Aliso Viejo                 | 40               | 2,557,876                | 0                 | 1,078,809           | 518,620               | 20.28%              | 644,588               | 25.20%                   | \$2.24                    | (106,788)             | 119,157             | 56,745              | 158,788             |
| Dana Point                  | 4                | 210,660                  | 0                 | 0                   | 0                     | 0.00%               | 0                     | 0.00%                    | \$0.00                    | 0                     | 0                   | 3,800               | 0                   |
| Foothill Ranch              | 8                | 702,879                  | 0                 | 0                   | 158,650               | 22.57%              | 168,960               | 24.04%                   | \$2.10                    | 7,862                 | 62,144              | 2,242               | 110,453             |
| Irvine Spectrum             | 93               | 6,202,698                | 0                 | 125,700             | 895,323               | 14.43%              | 1,301,159             | 20.98%                   | \$2.30                    | 183,422               | 233,386             | 505,871             | (262,014)           |
| Laguna Beach                | 4                | 161,268                  | 0                 | 0                   | 0                     | 0.00%               | 0                     | 0.00%                    | \$0.00                    | 10,325                | 10,325              | 0                   | 10,036              |
| Laguna Hills                | 33               | 1,746,362                | 0                 | 0                   | 188,442               | 10.79%              | 256,872               | 14.71%                   | \$2.12                    | 11,292                | 9,251               | 3,852               | 31,400              |
| Laguna Niguel               | 10               | 661,057                  | 0                 | 0                   | 18,242                | 2.76%               | 18,242                | 2.76%                    | \$2.35                    | 11,825                | 10,795              | 7,329               | 36,459              |
| Lake Forest                 | 41               | 1,994,569                | 0                 | 0                   | 346,851               | 17.39%              | 400,165               | 20.06%                   | \$1.81                    | 33,686                | 146,188             | 295,666             | 162,774             |
| Mission Viejo               | 35               | 1,801,676                | 0                 | 30,000              | 202,327               | 11.23%              | 256,728               | 14.25%                   | \$2.06                    | 56,369                | 25,345              | 39,006              | 151,761             |
| Rancho Santa Margarita      | 5                | 193,708                  | 0                 | 25,000              | 32,860                | 16.96%              | 34,910                | 18.02%                   | \$2.09                    | 4,246                 | 10,201              | 13,218              | (29,906)            |
| San Clemente                | 10               | 372,984                  | 0                 | 265,110             | 57,318                | 15.37%              | 57,318                | 15.37%                   | \$2.07                    | 2,781                 | 4,957               | 47,996              | 594                 |
| San Juan Capistrano         | 12               | 595,745                  | 0                 | 0                   | 2,256                 | 0.38%               | 2,256                 | 0.38%                    | \$2.00                    | 4,655                 | 4,281               | 34,710              | 16,639              |
| <b>South County Total</b>   | <b>295</b>       | <b>17,201,482</b>        | <b>0</b>          | <b>1,524,619</b>    | <b>2,420,889</b>      | <b>14.07%</b>       | <b>3,141,198</b>      | <b>18.26%</b>            | <b>\$2.16</b>             | <b>219,675</b>        | <b>636,030</b>      | <b>1,010,435</b>    | <b>386,984</b>      |
| <b>Orange County Total</b>  | <b>1,350</b>     | <b>96,144,929</b>        | <b>317,439</b>    | <b>5,719,475</b>    | <b>11,961,694</b>     | <b>12.44%</b>       | <b>15,110,096</b>     | <b>15.72%</b>            | <b>\$1.99</b>             | <b>1,185,827</b>      | <b>3,090,148</b>    | <b>1,549,216</b>    | <b>775,570</b>      |

|                            | INVENTORY        |                          |                   |                     | VACANCY & LEASE RATES |                     |                       |                          |                           | ABSORPTION            |                     |                     |                     |
|----------------------------|------------------|--------------------------|-------------------|---------------------|-----------------------|---------------------|-----------------------|--------------------------|---------------------------|-----------------------|---------------------|---------------------|---------------------|
|                            | Number Of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant    | Vacancy Rate 4Q2003 | Square Feet Available | Availability Rate 4Q2003 | Average Asking Lease Rate | Net Absorption 4Q2003 | Net Absorption 2003 | Net Absorption 2002 | Net Absorption 2001 |
| <b>North County</b>        |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 42               | 3,928,430                | 50,000            | 180,000             | 551,155               | 14.03%              | 678,665               | 17.28%                   | \$1.69                    | 6,895                 | 131,794             | 1,463               | (40,213)            |
| Class B                    | 62               | 4,093,111                | 0                 | 82,150              | 302,283               | 7.39%               | 437,864               | 10.70%                   | \$1.68                    | (41,802)              | 77,589              | 88,562              | 50,462              |
| Class C                    | 11               | 447,177                  | 0                 | 0                   | 28,973                | 6.48%               | 34,641                | 7.75%                    | \$1.34                    | 8,624                 | (17,832)            | 5,743               | (8,920)             |
| <b>West County</b>         |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 34               | 3,245,599                | 0                 | 0                   | 474,948               | 14.63%              | 572,459               | 17.64%                   | \$1.89                    | (50,409)              | (2,034)             | (159,943)           | 67,701              |
| Class B                    | 92               | 4,088,552                | 0                 | 0                   | 573,199               | 14.02%              | 645,702               | 15.79%                   | \$1.63                    | (101,120)             | (65,611)            | 36,388              | 77,214              |
| Class C                    | 30               | 1,509,563                | 0                 | 0                   | 40,941                | 2.71%               | 55,318                | 3.66%                    | \$1.53                    | 138,103               | 70,645              | (6,989)             | 87,590              |
| <b>Central County</b>      |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 88               | 12,405,729               | 0                 | 737,111             | 1,086,004             | 8.75%               | 1,516,845             | 12.23%                   | \$1.88                    | 593,174               | 897,630             | (82,112)            | 339,948             |
| Class B                    | 226              | 11,329,108               | 74,500            | 0                   | 1,415,643             | 12.50%              | 1,624,025             | 14.33%                   | \$1.61                    | 121,606               | 159,994             | 125,402             | 40,907              |
| Class C                    | 51               | 1,999,453                | 0                 | 0                   | 96,713                | 4.84%               | 122,955               | 6.15%                    | \$1.46                    | 10,461                | (3,104)             | 24,419              | 10,248              |
| <b>Airport Area</b>        |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 129              | 21,445,332               | 55,065            | 3,120,595           | 2,678,651             | 12.49%              | 3,418,690             | 15.94%                   | \$2.38                    | 282,633               | 944,496             | 124,023             | 63,446              |
| Class B                    | 257              | 12,870,740               | 137,874           | 75,000              | 2,212,285             | 17.19%              | 2,693,272             | 20.93%                   | \$1.95                    | (13,700)              | 209,793             | 410,730             | (315,583)           |
| Class C                    | 33               | 1,580,653                | 0                 | 0                   | 80,010                | 5.06%               | 168,462               | 10.66%                   | \$1.72                    | 11,687                | 50,758              | (28,905)            | 15,786              |
| <b>South County</b>        |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 117              | 9,438,015                | 0                 | 1,078,809           | 1,397,247             | 14.80%              | 1,631,685             | 17.29%                   | \$2.23                    | (51,756)              | 305,487             | 558,623             | 108,103             |
| Class B                    | 167              | 7,354,027                | 0                 | 445,810             | 1,007,386             | 13.70%              | 1,484,422             | 20.19%                   | \$1.93                    | 271,431               | 326,297             | 464,035             | 278,349             |
| Class C                    | 11               | 409,440                  | 0                 | 0                   | 16,256                | 3.97%               | 25,091                | 6.13%                    | \$1.53                    | 0                     | 4,246               | (12,223)            | 532                 |
| <b>Orange County</b>       |                  |                          |                   |                     |                       |                     |                       |                          |                           |                       |                     |                     |                     |
| Class A                    | 410              | 50,463,105               | 105,065           | 5,116,515           | 6,188,005             | 12.26%              | 7,818,344             | 15.49%                   | \$2.12                    | 780,537               | 2,277,373           | 442,054             | 538,985             |
| Class B                    | 804              | 39,735,538               | 212,374           | 602,960             | 5,510,796             | 13.87%              | 6,885,285             | 17.33%                   | \$1.75                    | 236,415               | 708,062             | 1,125,117           | 131,349             |
| Class C                    | 136              | 5,946,286                | 0                 | 0                   | 262,893               | 4.42%               | 406,467               | 6.84%                    | \$1.55                    | 168,875               | 104,713             | (17,955)            | 105,236             |
| <b>Orange County Total</b> | <b>1,350</b>     | <b>96,144,929</b>        | <b>317,439</b>    | <b>5,719,475</b>    | <b>11,961,694</b>     | <b>12.44%</b>       | <b>15,110,096</b>     | <b>15.72%</b>            | <b>\$1.99</b>             | <b>1,185,827</b>      | <b>3,090,148</b>    | <b>1,549,216</b>    | <b>775,570</b>      |

OFFICE MARKET  
**REPORT**

FOURTH QUARTER 2003



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**SUBMARKETS****NORTH**

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

**WEST**

Cypress, Fountain Valley, Garden Grove,  
Huntington Beach, Los Alamitos, Seal Beach,  
Stanton and Westminster

**CENTRAL**

Anaheim, Orange, Santa Ana and Tustin

**AIRPORT**

Corona Del Mar, Costa Mesa, Irvine  
and Newport Beach

**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****CLASS A**

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

**CLASS B**

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building cannot compete with Class A at the same price.

**CLASS C**

Buildings competing for tenants requiring functional space at rents below the area average.

For Further Information:

**ANAHEIM METRO OFFICE**

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