

R & D MARKET REPORT

FOURTH
QUARTER
2003

Compared to
last quarter:

VACANCY



UP

ABSORPTION



DOWN

LEASE RATES



DOWN

CONSTRUCTION



DOWN

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Prepared by:
Jerry J. Holdner, Jr.
Vice President
of Market Research
e-mail: jholdner@voitco.com



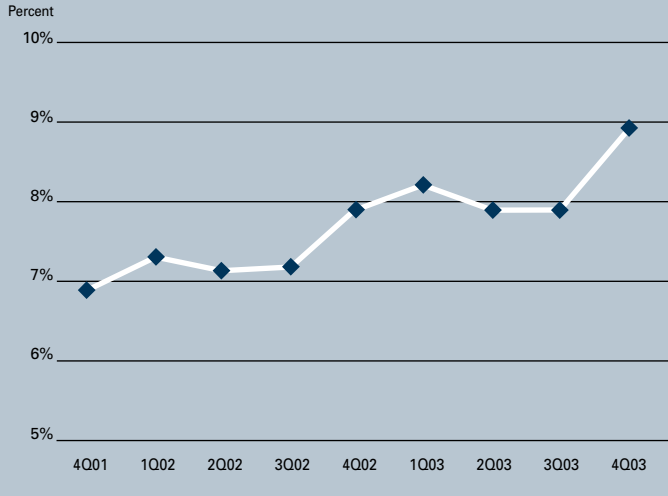
MARKET HIGHLIGHTS

- ◆ 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 271,600 square feet for the fourth quarter of 2003, which is about 45,000 square feet more than the amount that was under construction in the third quarter of 2003.
- ◆ The R&D vacancy rate checked in at a healthy 8.96%, which is higher than it was a year ago when it was 7.92%. This lack of supply is creating a lot of constrained demand for R&D space in Orange County.
- ◆ The total amount of R&D space available in Orange County, which includes both direct and sublease space, is about the same as it was a year ago; 13.10% this quarter as compared to 13.26% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$0.89, which is a 11.25% increase over last year's fourth quarter rate of \$0.80.
- ◆ Net absorption for the R&D market this fourth quarter posted a negative number of 144,045 square feet, giving the county a total of just over 200,000 square feet of negative absorption for 2003.

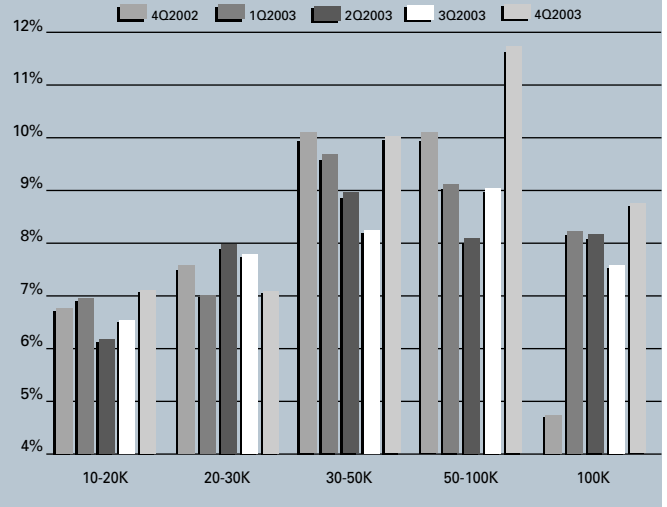
R&D MARKET STATISTICS

	4Q2003	3Q2003	4Q2002	% CHANGE VS. 4Q02
Under Construction	271,600	316,850	154,656	75.62%
Planned Construction	505,608	498,756	423,587	19.36%
Vacancy	8.96%	7.91%	7.92%	13.13%
Availability	13.10%	12.97%	13.26%	-1.21%
Pricing	\$0.89	\$0.90	\$0.80	11.25%
Net Absorption	-144,045	60,367	-259,033	44.39%

VACANCY RATE



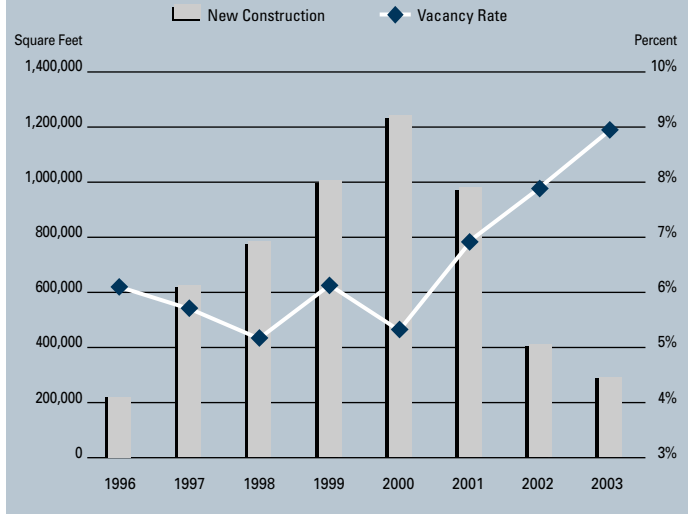
R&D VACANCY RATE



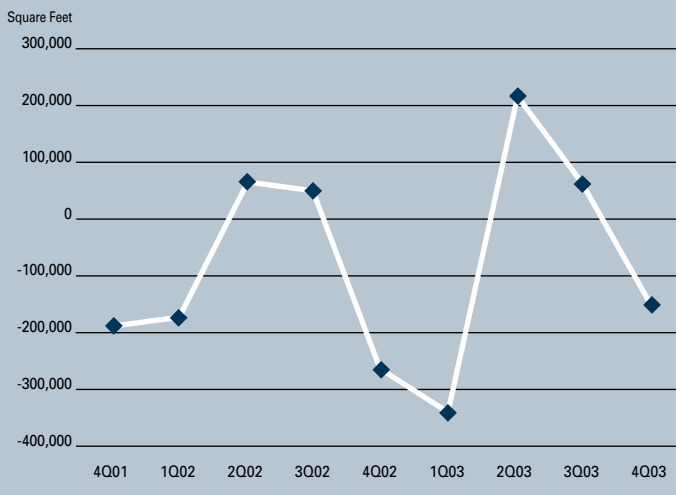
AVERAGE ASKING TRIPLE NET LEASE RATE



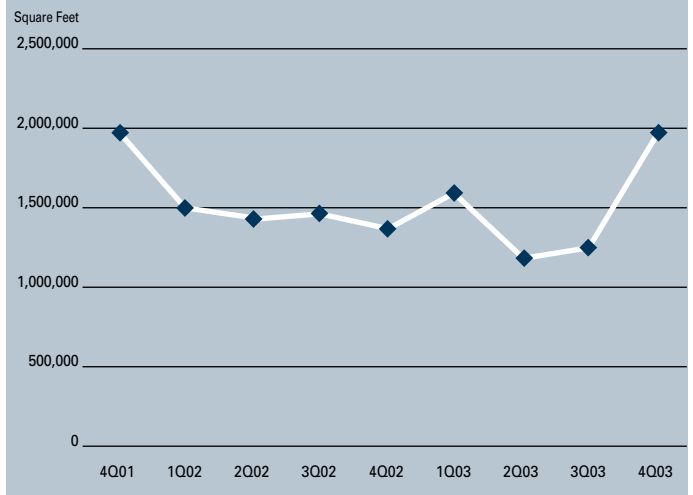
ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION

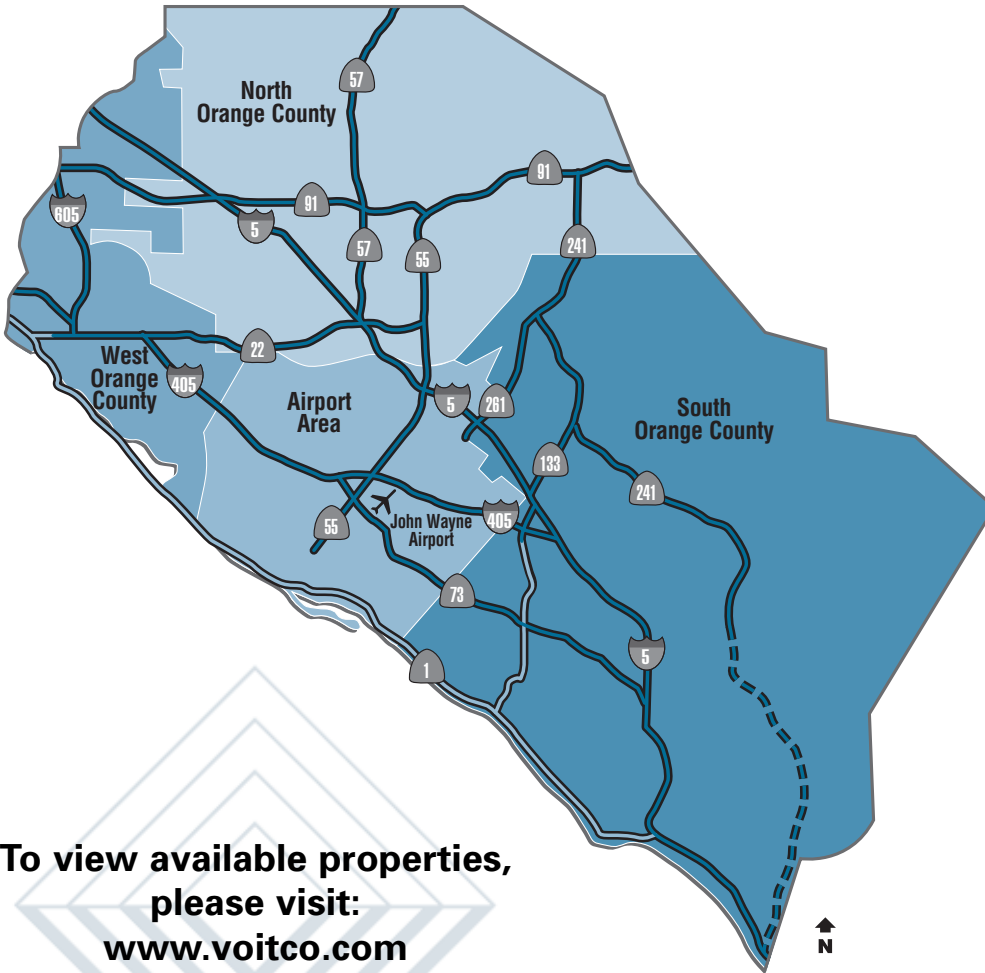


GROSS ABSORPTION



R & D MARKET
REPORT

FOURTH QUARTER 2003



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SUBMARKETS

NORTH

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

WEST

Cypress, Fountain Valley, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Stanton, Westminster

AIRPORT

Costa Mesa, Irvine, Newport Beach, Santa Ana and Tustin

SOUTH

Aliso Viejo, 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

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:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, California 92868-1642
TEL: 714.978.7880
FAX: 714.978.9431

IRVINE OFFICE

18500 Von Karman Ave., Suite 150
Irvine, California 92612-0508
TEL: 949.851.5100
FAX: 949.261.9092



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