

FLEX MARKET REPORT

FOURTH
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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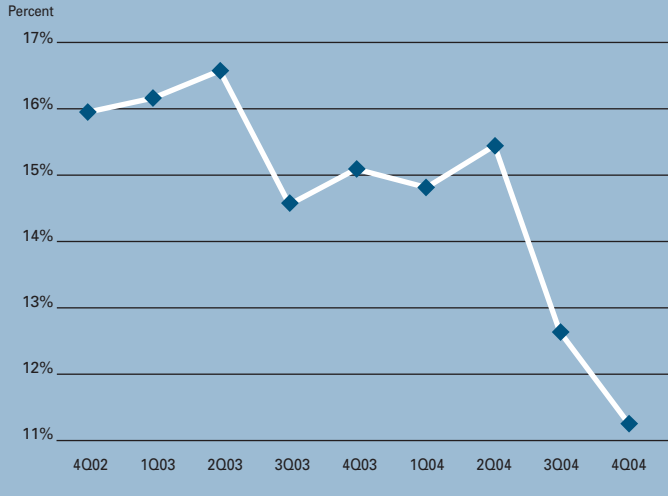
MARKET HIGHLIGHTS

- ◆ Unemployment for the fourth quarter of 2004 in Orange County is 2.9%, which is .3% lower than it was when compared to the third quarter of 2004, and is .6% lower than it was during the fourth quarter of 2003.
- ◆ According to Chapman University, it is estimated that Orange County will add 25,000 new jobs in 2004. Furthermore, they are forecasting 21,000 new jobs will be added to the county in 2005 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at 125,034 square feet for the fourth quarter of 2004, which is over 50,000 square feet less than the amount that was under construction in the third quarter of 2004.
- ◆ The flex vacancy rate checked in at 11.36%, which is lower than it was a year ago at 15.12%. Another sign of strength was the 392,454 square feet of new product that was built in 2004, which has been absorbed.
- ◆ The total amount of flex space available in Orange County, which includes both direct and sublease space, is lower than it was a year ago; 15.34% this quarter as compared to 20.86% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.44, which is a 2.04% decrease over last year's fourth quarter rate of \$1.47.
- ◆ Rental rates are expected to increase at moderate levels in the short run, and concessions will lessen as the economy in Orange County continues to improve. These conditions will put upward pressure on lease rates going forward. We should see rental rate growth of 5% to 7% in 2005.

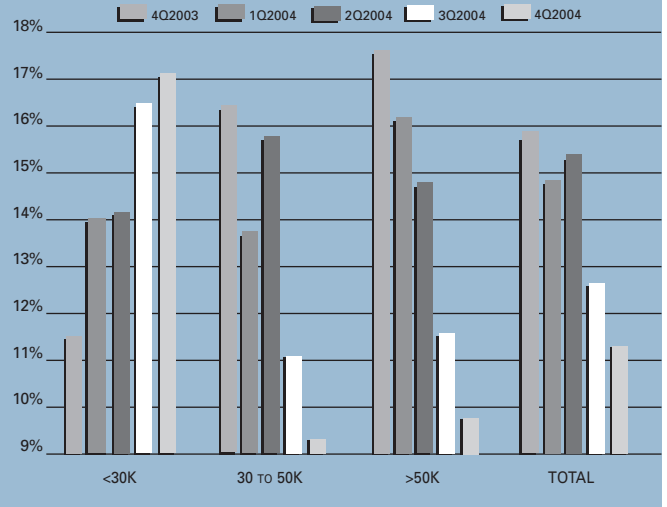
FLEX MARKET STATISTICS

	2004	2003	2002	% CHANGE VS. 2003
Inventory Added	392,454	354,316	416,973	10.76%
Under Construction	125,034	335,450	223,800	-62.73%
Vacancy Rate	11.36%	15.12%	15.94%	-24.87%
Availability Rate	15.34%	20.86%	20.41%	-26.46%
Average Asking Lease Rate	\$1.44	\$1.47	\$1.57	-2.04%
Net Absorption	968,854	598,775	1,007,306	61.81%
Gross Absorption	2,509,508	2,135,477	2,963,244	17.52%

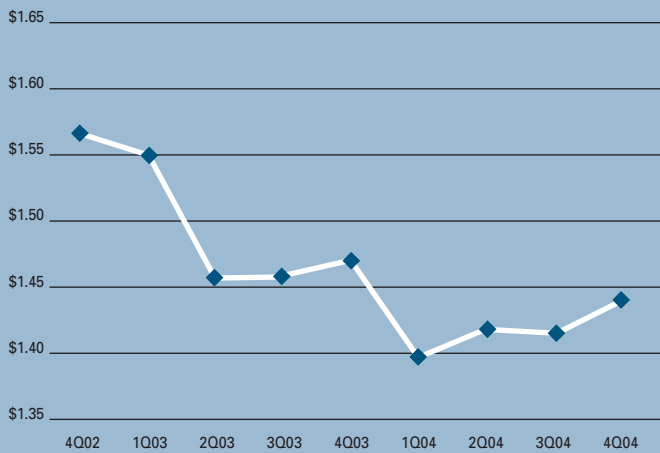
VACANCY RATE



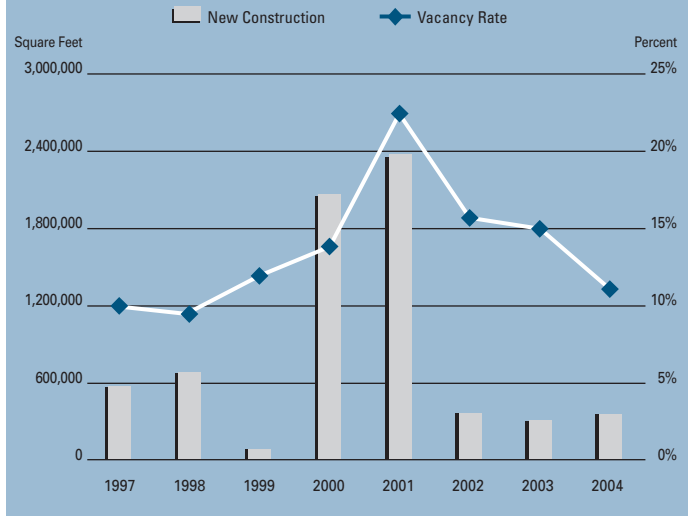
FLEX VACANCY RATE



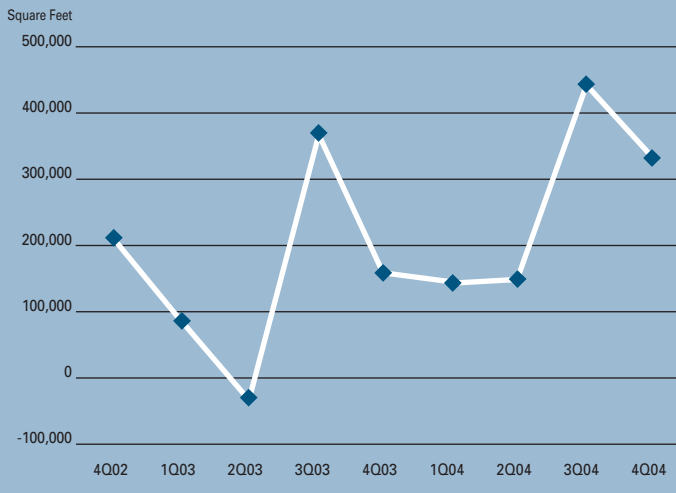
AVERAGE ASKING TRIPLE NET LEASE RATE



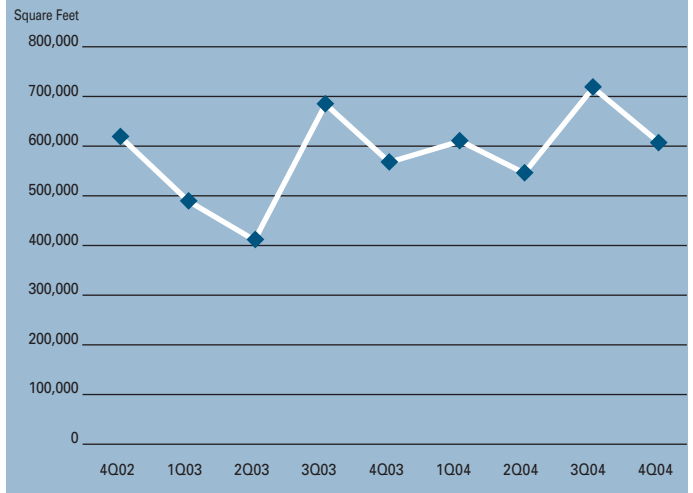
ANNUAL FLEX NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



ORANGE COUNTY

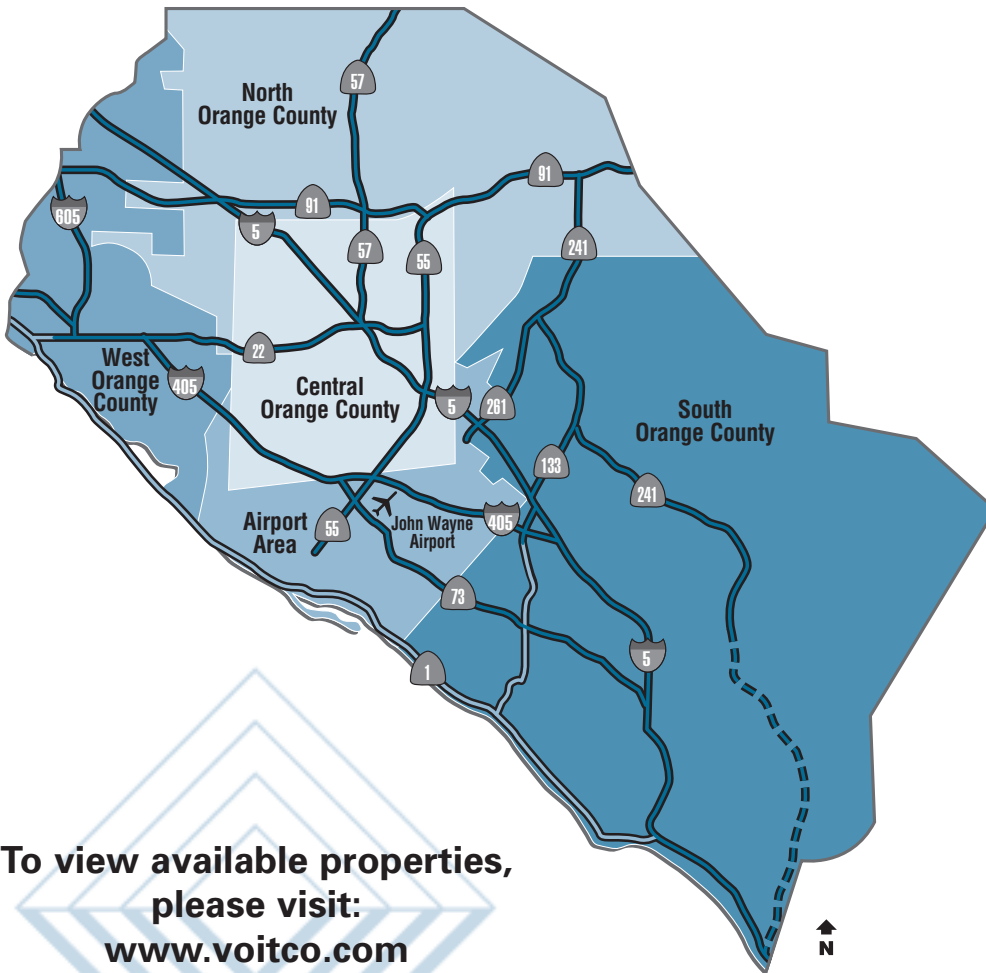
	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2004	Square Feet Available	Availability Rate 4Q2004	Average Asking Lease Rate	Net Absorption 4Q2004	Net Absorption 2004	Net Absorption 2003	Net Absorption 2002
North County													
Anaheim Hills	12	215,634	0	0	14,626	6.78%	14,626	6.78%	\$0.00	0	10,352	(901)	1,487
Anaheim	9	214,972	0	0	7,530	3.50%	35,247	16.40%	\$0.00	(200)	8,061	(3,105)	(610)
Brea	14	435,913	0	0	35,498	8.14%	35,498	8.14%	\$1.09	42,352	61,256	(58,366)	(4,933)
Fullerton	4	24,500	23,400	0	0	0.00%	0	0.00%	\$0.00	0	0	6,515	0
Orange	1	58,367	0	0	0	0.00%	0	0.00%	\$0.00	5,968	1,488	(1,953)	0
Placentia	1	28,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	142	408
Yorba Linda	1	10,560	0	12,700	0	0.00%	0	0.00%	\$0.00	0	0	0	4,844
North County Total	42	987,946	23,400	12,700	57,654	5.84%	85,371	8.64%	\$1.09	48,120	81,157	(57,668)	1,196
West County													
Buena Park	1	12,000	0	0	1,830	15.25%	1,830	15.25%	\$0.00	(610)	(1,220)	0	(610)
Cypress	6	342,869	0	0	86,716	25.29%	127,823	37.28%	\$1.07	0	772	(19,289)	2,834
Huntington Beach	3	48,648	0	0	13,233	27.20%	13,233	27.20%	\$0.00	(740)	(1,520)	(9,489)	(1,344)
Los Alamitos	1	24,552	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	\$0.00	7,568	8,787	(7,668)	2,381
West County Total	15	471,074	0	0	101,779	21.61%	142,886	30.33%	\$1.07	6,218	6,819	(36,446)	3,261
Central County													
Anaheim	7	198,397	0	40,000	11,951	6.02%	11,951	6.02%	\$0.00	0	49,879	(3,105)	36,453
Garden Grove	2	27,400	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	2,224
Orange	6	87,492	0	0	9,710	11.10%	9,710	11.10%	\$2.40	11,847	34,501	13,207	4,715
Santa Ana	8	92,769	0	0	10,011	10.79%	10,011	10.79%	\$0.00	5,470	229	73,822	33,443
Tustin	2	18,600	0	0	0	0.00%	0	0.00%	\$0.00	0	0	95,482	(33,777)
Central County Total	25	424,658	0	40,000	31,672	7.46%	31,672	7.46%	\$2.40	17,317	84,609	179,406	43,058
Airport Area													
Costa Mesa	4	53,851	0	0	13,272	24.65%	13,272	24.65%	\$0.00	11,952	28,090	-126	16,164
Irvine	63	2,960,674	0	0	427,830	14.45%	457,168	15.44%	\$1.65	7,986	122,450	194,221	528,908
Newport Beach	26	607,755	12,630	0	34,103	5.61%	133,181	21.91%	\$0.00	12,673	16,610	2,115	11,560
Santa Ana	10	392,610	0	3,000	66,790	17.01%	86,539	22.04%	\$0.00	12,316	-3,730	0	0
Tustin	4	195,686	0	0	7,110	3.63%	30,110	15.39%	\$0.00	4,130	24,129	0	0
Airport Area Total	107	4,210,576	12,630	3,000	549,105	13.04%	720,270	17.11%	\$1.65	49,057	187,549	196,210	556,632
South County													
Aliso Viejo	40	1,244,217	0	0	59,025	4.74%	158,251	12.72%	\$1.30	(33,058)	35,901	56,330	23,162
Dana Point	3	54,340	0	0	3,350	6.16%	3,350	6.16%	\$0.00	0	0	2,651	(4,461)
Foothill Ranch	1	47,659	0	20,000	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Irvine Spectrum	107	3,587,775	26,760	0	365,046	10.17%	499,605	13.93%	\$1.42	171,138	460,580	138,986	56,797
Laguna Beach	2	18,454	0	9,382	0	0.00%	0	0.00%	\$0.00	0	0	808	4,679
Laguna Hills	13	447,624	0	0	40,581	9.07%	56,636	12.65%	\$1.15	(506)	7,297	(4,187)	31,919
Laguna Niguel	3	53,170	0	0	6,000	11.28%	6,000	11.28%	\$3.00	0	7,638	(1,638)	0
Lake Forest	29	1,203,785	17,414	0	247,000	20.52%	314,090	26.09%	\$1.28	30,467	3,719	56,549	189,955
Mission Viejo	29	424,842	43,230	24,000	25,914	6.10%	31,990	7.53%	\$2.31	18,710	51,427	33,299	(5,399)
Rancho Santa Margarita	3	111,829	25,000	0	0	0.00%	0	0.00%	\$0.00	4,913	11,092	16,755	10,113
San Clemente	7	160,795	0	19,456	74,477	46.32%	74,477	46.32%	\$2.85	(5,971)	2,519	(546)	26,800
San Juan Capistrano	14	302,289	0	0	4,444	1.47%	6,444	2.13%	\$0.00	4,346	(1,762)	18,266	69,594
South County Total	251	7,656,779	112,404	72,838	825,837	10.79%	1,150,843	15.03%	\$1.35	190,039	578,411	317,273	403,159
Orange County Total	441	13,774,433	125,034	115,838	1,564,814	11.36%	2,113,574	15.34%	\$1.44	335,524	968,854	598,775	1,007,306

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
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North County													
0 to 29,999	31	455,780	0	0	35,212	7.73%	35,212	7.73%	\$1.10	13,084	30,313	4,357	14,865
30,000 to 49,999	8	321,242	0	0	10,842	3.38%	22,224	6.92%	\$0.00	(950)	4,615	(7,979)	3,815
50,000+	4	234,324	0	0	10,467	4.47%	10,467	4.47%	\$0.00	60,759	76,538	(54,046)	(17,484)
West County													
0 to 29,999	8	95,700	0	0	15,063	15.74%	15,063	15.74%	\$0.00	(1,350)	(2,740)	(8,370)	3,261
30,000 to 49,999	3	118,562	0	0	17,156	14.47%	58,263	49.14%	\$1.45	7,568	(14,200)	(28,076)	0
50,000+	4	256,812	0	0	69,560	27.09%	69,560	27.09%	\$1.03	0	23,759	0	0
Central County													
0 to 29,999	22	305,945	0	3,000	25,018	8.18%	25,018	8.18%	\$2.40	17,317	14,957	42,965	20,275
30,000 to 49,999	2	68,713	0	40,000	6,654	9.68%	6,654	9.68%	\$0.00	0	19,652	59,771	(24,047)
50,000+	1	50,000	0	0	0	0.00%	0	0.00%	\$0.00	0	50,000	76,670	46,830
Airport Area													
0 to 29,999	34	537,600	12,630	0	57,027	10.61%	65,211	12.13%	\$0.00	28,325	60,711	28,260	10,801
30,000 to 49,999	36	1,480,141	0	0	187,971	12.70%	211,046	14.26%	\$1.60	(8,274)	65,646	39,906	222,939
50,000+	37	2,192,835	0	0	304,107	13.87%	444,013	20.25%	\$1.65	29,006	61,192	128,044	322,892
South County													
0 to 29,999	127	1,871,189	81,954	72,838	430,707	23.02%	453,259	24.22%	\$1.35	(29,927)	(14,032)	115,367	166,949
30,000 to 49,999	77	3,071,957	30,450	0	247,682	8.06%	428,326	13.94%	\$1.36	93,694	153,617	89,519	29,825
50,000+	47	2,713,633	0	0	147,448	5.43%	269,258	9.92%	\$1.33	126,272	438,826	112,387	206,385
Orange County Total													
0 to 29,999	222	3,266,214	94,584	75,838	563,027	17.24%	593,763	18.18%	\$1.35	27,449	89,209	182,579	216,151
30,000 to 49,999	126	5,060,615	30,450	40,000	470,305	9.29%	726,513	14.36%	\$1.47	92,038	229,330	153,141	232,532
50,000+	93	5,447,604	0	0	531,582	9.76%	793,298	14.56%	\$1.45	216,037	650,315	263,055	558,623
Orange County Total	441	13,774,433	125,034	115,838	1,564,814	11.36%	2,113,574	15.34%	\$1.44	335,524	968,854	598,775	1,007,306

This survey consists of buildings up to 74,999 square feet. Lease rates are on a triple net basis.

FLEX MARKET
REPORT

FOURTH QUARTER 2004



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SUBMARKETS

NORTH

Anaheim Hills, Anaheim, Brea, Fullerton, Orange, Placentia, Yorba Linda

WEST

Buena Park, Cypress, Huntington Beach, Los Alamitos, 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, San Juan Capistrano

PRODUCT TYPE

FLEX-TECH OR CORPORATE HEADQUARTER

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

For Further Information:

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FAX: 949.261.9092



Real People. Real Solutions.

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