

OFFICE MARKET REPORT

FOURTH
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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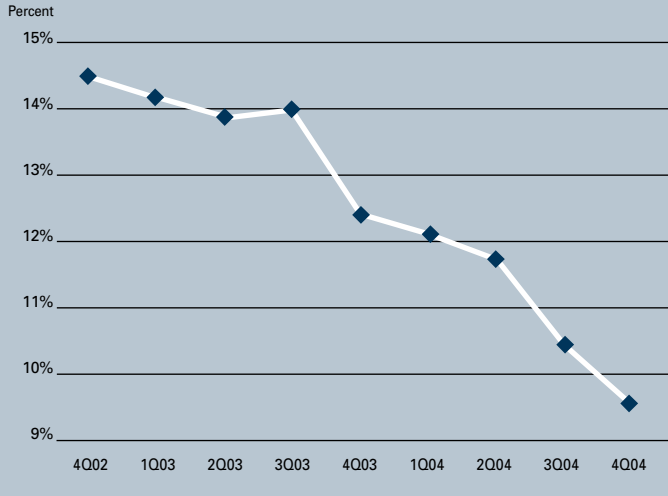
MARKET HIGHLIGHTS

- ◆ 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 just above 625,000 square feet for the fourth quarter of 2004, which is almost double what was under construction this same time last year.
- ◆ The office vacancy rate checked in at a sub 10% level of 9.61%, constituting a 23% decrease over last years rate of 12.44%. This is the first time since the banner year of 2000 that the vacancy rate has been lower than 10%.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, is also lower, checking in at 12.69% this quarter from 18.63% in the fourth quarter of 2003, representing a decrease of 19.27%.
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.09, which is a 5% increase over last year's fourth quarter rate of \$1.99. This is the fourth consecutive quarter of positive lease rate growth.
- ◆ Net absorption for the county this quarter posted a positive number of 689,260 square feet, giving the county a total of almost 7 million square feet of positive absorption for the last ten quarters.
- ◆ South County and the Airport Area accounted for just over two and a half million square feet of positive absorption in 2004: 1,027,571sf and 1,578,056sf respectively.
- ◆ 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 7% to 10% in 2005.

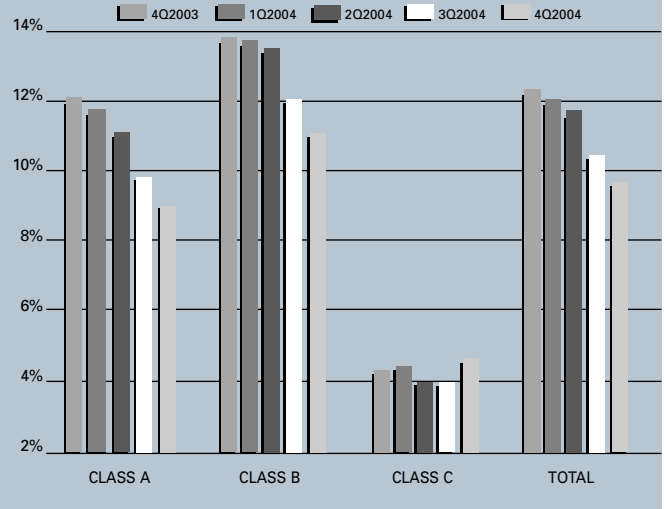
OFFICE MARKET STATISTICS

	2004	2003	2002	% CHANGE VS. 2003
Inventory Added	332,939	1,069,957	1,744,262	-68.88%
Under Construction	625,997	317,439	716,443	97.20%
Planned Construction	3,933,274	5,719,475	6,108,620	-31.23%
Vacancy	9.61%	12.44%	14.52%	-22.75%
Availability	12.69%	15.72%	18.63%	-19.27%
Pricing	\$2.09	\$1.99	\$2.07	5.03%
Absorption	3,045,801	3,090,148	1,549,216	-1.44%

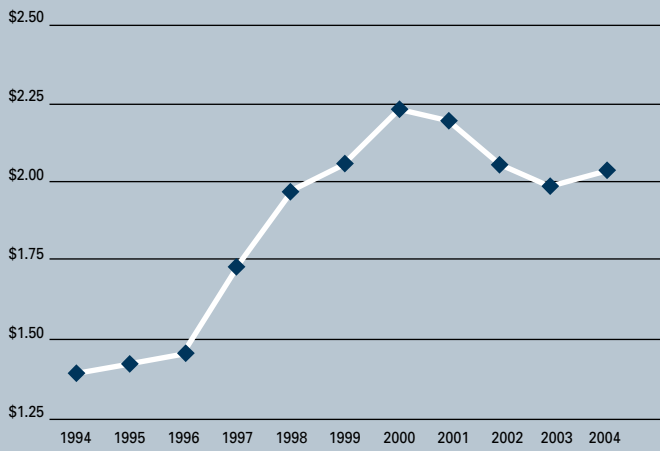
VACANCY RATE



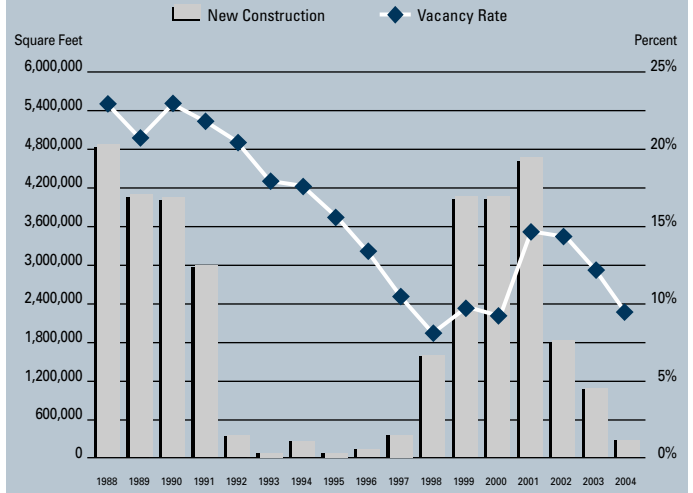
OFFICE VACANCY RATE



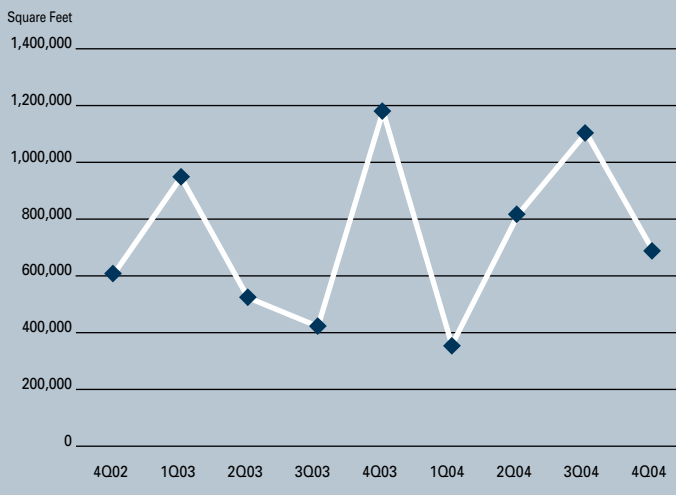
AVERAGE ASKING FULL SERVICE LEASE RATE



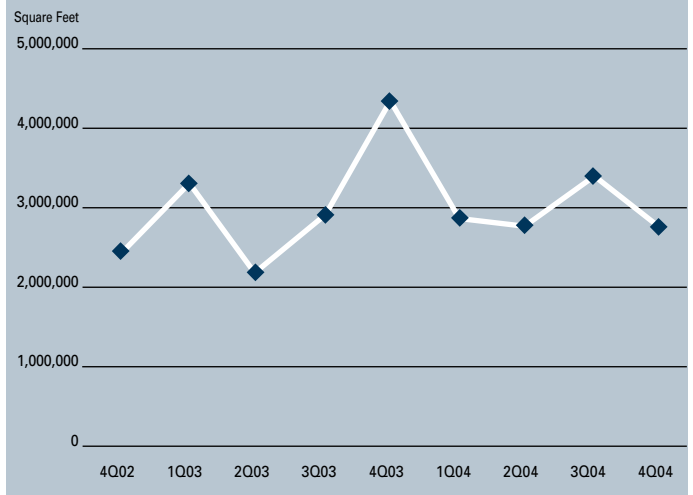
ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



FOURTH QUARTER 2004

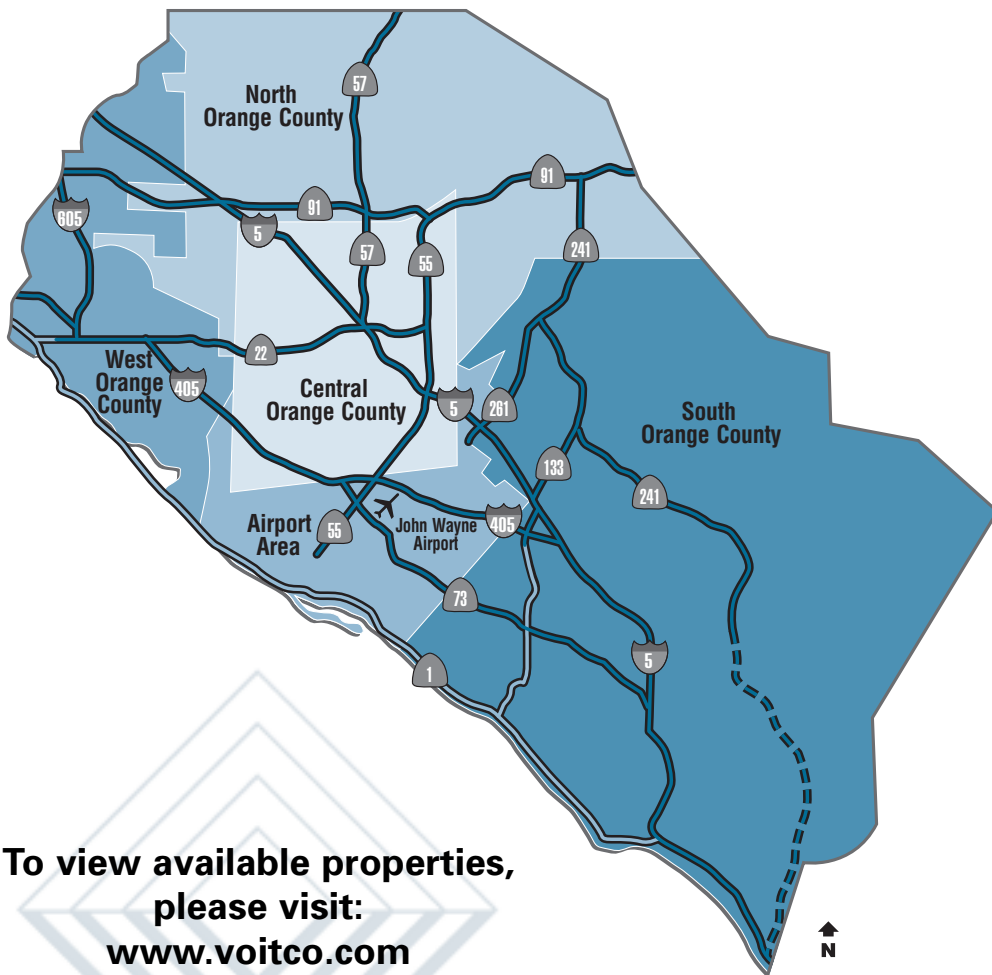
O R A N G E C O U N T Y

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 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	10	644,674	0	60,000	879	0.14%	120,388	18.67%	\$1.95	2,951	11,569	(1,635)	10,832
Brea	41	3,844,022	131,687	202,150	244,333	6.36%	284,417	7.40%	\$1.88	203,515	324,162	17,961	79,588
Buena Park	10	625,415	0	0	96,416	15.42%	96,416	15.42%	\$1.70	22,848	107,805	2,384	1,618
Fullerton	29	1,916,228	0	0	36,613	1.91%	75,793	3.96%	\$1.60	(17,697)	(7,982)	103,707	7,286
La Habra	7	376,859	0	0	32,372	8.59%	32,372	8.59%	\$1.44	10,346	20,641	72,227	184
La Palma	7	552,396	0	0	35,064	6.35%	37,103	6.72%	\$1.79	9,789	1,637	(3,419)	(5,801)
Placentia	5	165,875	0	0	5,328	3.21%	11,266	6.79%	\$1.69	798	7,777	6,465	3,849
Yorba Linda	6	319,627	0	0	9,423	2.95%	12,345	3.86%	\$1.56	1,848	12,119	(6,139)	(1,788)
North County Total	115	8,445,096	131,687	262,150	460,428	5.45%	670,100	7.93%	\$1.77	234,398	477,728	191,551	95,768
West County													
Cypress	28	2,192,332	0	0	359,013	16.38%	426,841	19.47%	\$1.87	20,974	18,404	(21,375)	(158,782)
Fountain Valley	32	1,561,130	0	0	186,673	11.96%	199,759	12.80%	\$1.65	39,167	(33,842)	(24,766)	(86,906)
Garden Grove	21	931,230	0	0	92,573	9.94%	100,555	10.80%	\$1.56	4,966	3,129	39,461	24,761
Huntington Beach	45	2,470,087	0	0	259,717	10.51%	330,558	13.38%	\$1.87	(26,756)	(83,869)	(15,587)	(1,948)
Los Alamitos	13	712,280	0	0	18,721	2.63%	25,142	3.53%	\$1.58	16,780	(3,163)	(8,915)	5,986
Seal Beach	6	425,418	0	0	32,114	7.55%	33,350	7.84%	\$2.35	3,907	15,106	5,215	(1,528)
Stanton	2	85,917	0	0	18,453	21.48%	18,453	21.48%	\$2.00	0	2,868	(3,553)	(6,105)
Westminster	12	485,174	0	0	11,901	2.45%	19,495	4.02%	\$1.57	23,321	27,647	32,520	(5,138)
West County Total	159	8,863,568	0	0	979,165	11.05%	1,154,153	13.02%	\$1.81	82,359	(53,720)	3,000	(217,450)
Central County													
Anaheim	90	5,973,091	0	0	486,932	8.15%	641,273	10.74%	\$1.74	25,044	43,136	622,258	258,007
Orange	76	6,944,428	0	0	563,968	8.12%	638,680	9.20%	\$1.88	(122,581)	(58,970)	273,259	(130,264)
Santa Ana	168	11,572,138	270,000	480,111	1,086,870	9.39%	1,108,897	9.58%	\$1.77	(56,793)	28,963	30,938	(56,432)
Tustin	35	1,470,486	0	0	270,766	18.41%	296,889	20.19%	\$1.66	8,298	3,037	128,065	(3,602)
Central County Total	369	25,960,143	270,000	480,111	2,408,536	9.28%	2,685,739	10.35%	\$1.78	(146,032)	16,166	1,054,520	67,709
Airport Area													
Corona Del Mar	2	86,378	0	0	12,200	14.12%	12,200	14.12%	\$2.75	(4,977)	(12,200)	3,238	(2,887)
Costa Mesa	65	6,467,303	0	483,382	911,186	14.09%	1,063,398	16.44%	\$2.13	48,684	52,840	76,540	(52,945)
Irvine	227	20,368,304	36,100	1,588,563	2,079,348	10.21%	3,004,462	14.75%	\$2.30	56,749	1,081,510	887,193	769,633
Newport Beach	131	9,483,968	0	0	922,870	9.73%	1,319,101	13.91%	\$2.77	103,340	455,906	238,076	(121,047)
Airport Area Total	425	36,405,953	36,100	2,071,945	3,925,604	10.78%	5,399,161	14.83%	\$2.39	203,796	1,578,056	1,205,047	592,754
South County													
Aliso Viejo	43	2,848,968	0	875,000	219,973	7.72%	497,771	17.47%	\$2.35	(20,259)	296,782	119,157	56,745
Dana Point	4	210,660	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	3,800
Foothill Ranch	9	830,491	0	0	98,837	11.90%	119,173	14.35%	\$2.04	53,589	30,573	62,144	2,242
Irvine Spectrum	99	6,475,325	70,000	125,700	473,902	7.32%	928,920	14.35%	\$2.26	213,086	604,231	233,386	505,871
Laguna Beach	5	193,268	0	0	0	0.00%	0	0.00%	\$2.29	5,600	0	10,325	0
Laguna Hills	33	1,744,675	26,760	0	179,658	10.30%	208,327	11.94%	\$2.09	1,657	(32)	9,251	3,852
Laguna Niguel	10	661,057	0	0	38,941	5.89%	41,409	6.26%	\$2.35	(5,827)	(23,007)	10,795	7,329
Lake Forest	40	1,915,669	0	0	341,128	17.81%	409,615	21.38%	\$1.83	52,173	64,645	146,188	295,666
Mission Viejo	35	1,804,990	91,450	80,000	186,442	10.33%	193,478	10.72%	\$2.00	12,748	16,353	25,345	39,006
Rancho Santa Margarita	5	194,030	0	0	19,821	10.22%	19,821	10.22%	\$1.85	(10,251)	13,039	10,201	13,218
San Clemente	10	372,984	0	0	32,594	8.74%	34,480	9.24%	\$2.13	7,787	26,929	4,957	47,996
San Juan Capistrano	11	528,731	0	38,368	4,194	0.79%	9,194	1.74%	\$2.25	4,436	(1,938)	4,281	34,710
South County Total	304	17,780,848	188,210	1,119,068	1,595,490	8.97%	2,462,188	13.85%	\$2.15	314,739	1,027,571	636,030	1,010,435
Orange County Total	1,372	97,455,608	625,997	3,933,274	9,369,223	9.61%	12,371,341	12.69%	\$2.09	689,260	3,045,801	3,090,148	1,549,216

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North County													
Class A	42	3,938,442	131,687	180,000	324,474	8.24%	460,938	11.70%	\$1.82	120,400	262,161	131,794	1,463
Class B	63	4,086,554	0	82,150	131,692	3.22%	203,327	4.98%	\$1.64	113,998	207,683	77,589	88,562
Class C	10	420,100	0	0	4,262	1.01%	5,835	1.39%	\$1.38	0	7,884	(17,832)	5,743
West County													
Class A	34	3,245,284	0	0	394,185	12.15%	505,017	15.56%	\$1.98	(16,884)	(33,419)	(2,034)	(159,943)
Class B	98	4,325,425	0	0	547,900	12.67%	612,056	14.15%	\$1.62	102,320	(16,202)	(65,611)	36,388
Class C	27	1,292,859	0	0	37,080	2.87%	37,080	2.87%	\$1.60	(3,077)	(4,099)	70,645	(6,989)
Central County													
Class A	85	12,184,037	220,000	480,111	977,639	8.02%	1,148,257	9.42%	\$1.95	(103,220)	2,117	897,630	(82,112)
Class B	233	11,739,752	50,000	0	1,305,610	11.12%	1,396,400	11.89%	\$1.60	(30,031)	41,834	159,994	125,402
Class C	51	2,036,354	0	0	125,287	6.15%	141,082	6.93%	\$1.49	(12,781)	(27,785)	(3,104)	24,419
Airport Area													
Class A	126	21,091,848	0	2,045,345	1,839,618	8.72%	2,945,463	13.96%	\$2.53	222,357	1,139,278	944,496	124,023
Class B	265	13,479,749	36,100	26,600	1,997,529	14.82%	2,289,975	16.99%	\$1.96	(6,469)	435,768	209,793	410,730
Class C	34	1,834,356	0	0	88,457	4.82%	163,723	8.93%	\$1.64	(12,092)	3,010	50,758	(28,905)
South County													
Class A	119	9,562,481	0	955,000	914,217	9.56%	1,389,395	14.53%	\$2.22	168,336	503,357	305,487	558,623
Class B	175	7,858,933	188,210	164,068	658,911	8.38%	1,045,431	13.30%	\$1.91	150,194	530,320	326,297	464,035
Class C	10	359,434	0	0	22,362	6.22%	27,362	7.61%	\$1.70	(3,791)	(6,106)	4,246	(12,223)
Orange County													
Class A	406	50,022,092	351,687	3,660,456	4,450,133	8.90%	6,449,070	12.89%	\$2.26	390,989	1,873,494	2,277,373	442,054
Class B	834	41,490,413	274,310	272,818	4,641,642	11.19%	5,547,189	13.37%	\$1.75	330,012	1,199,403	708,062	1,125,117
Class C	132	5,943,103	0	0	277,448	4.67%	375,082	6.31%	\$1.57	(31,741)	(27,096)	104,713	(17,955)
Orange County Total	1,372	97,455,608	625,997	3,933,274	9,369,223	9.61%	12,371,341	12.69%	\$2.09	689,260	3,045,801	3,090,148	1,549,216

OFFICE MARKET REPORT

FOURTH QUARTER 2004



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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:

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