

R & D MARKET REPORT

FOURTH
QUARTER
2004

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



To view available properties,
please visit:
www.voitco.com



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



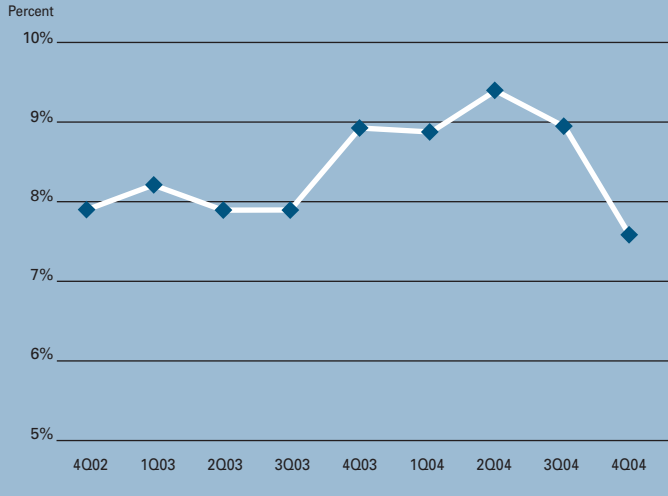
MARKET HIGHLIGHTS

- ◆ 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 191,181 square feet for the fourth quarter of 2004, which is about 15,000 square feet more than the amount that was under construction in the third quarter of 2004.
- ◆ The R&D vacancy rate checked in at 7.62%, which is lower than it was a year ago when it was 8.96%. 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 lower than it was a year ago; 9.54% this quarter as compared to 13.10% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$0.89, which is the same rate it was this time last year and last quarter.
- ◆ Net absorption for the R&D market this fourth quarter posted a positive number of 655,575 square feet, giving us almost 1.2 million square feet of positive absorption for the year.
- ◆ 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.

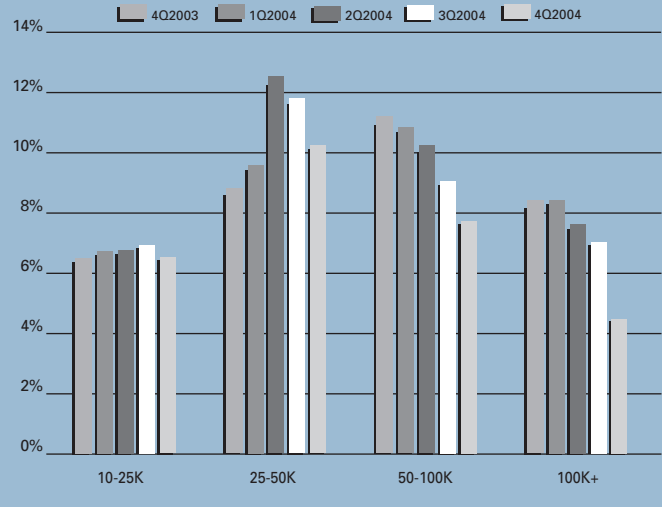
R&D MARKET STATISTICS

	2004	2003	2002	% CHANGE VS. 2003
Inventory Added	633,562	285,906	420,028	121.60%
Under Construction	191,181	271,600	154,656	-29.61%
Vacancy Rate	7.62%	8.96%	7.92%	-14.96%
Availability Rate	9.54%	13.10%	13.26%	-27.18%
Average Asking Lease Rate	\$0.89	\$0.89	\$0.80	0.00%
Net Absorption	1,198,490	(164,408)	(286,776)	N/A
Gross Absorption	5,210,409	5,874,799	5,787,955	-11.31%

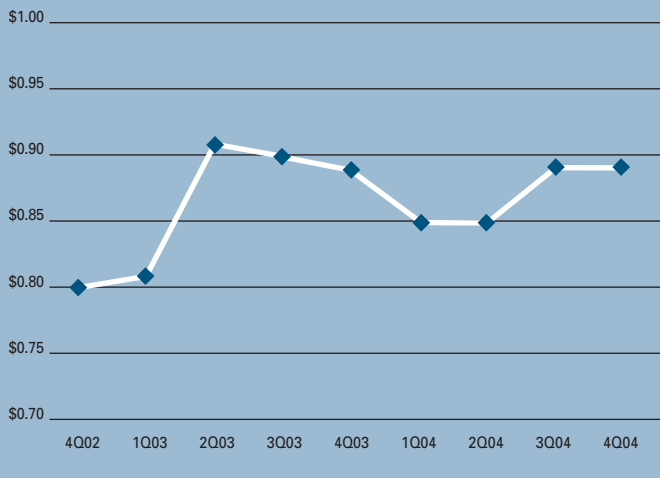
VACANCY RATE



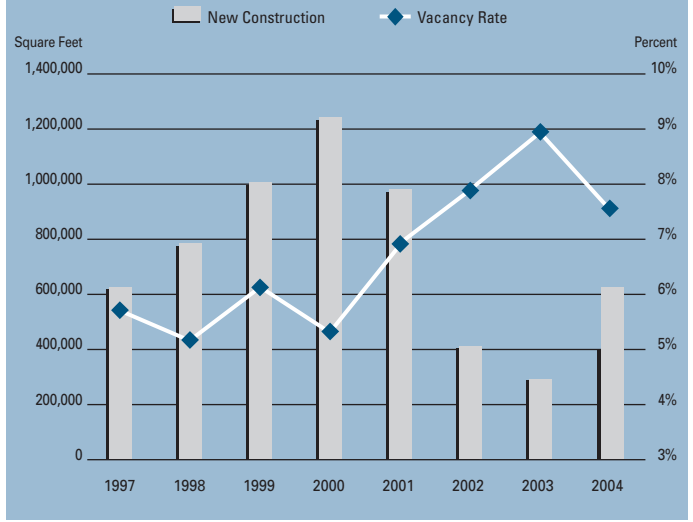
R&D VACANCY RATE



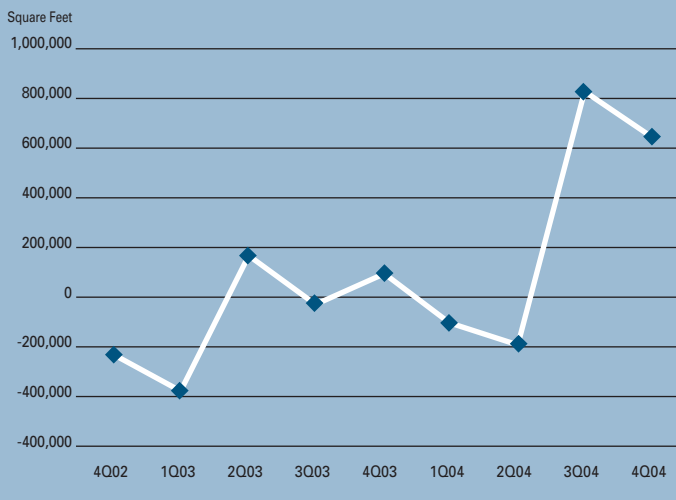
AVERAGE ASKING TRIPLE NET LEASE RATE



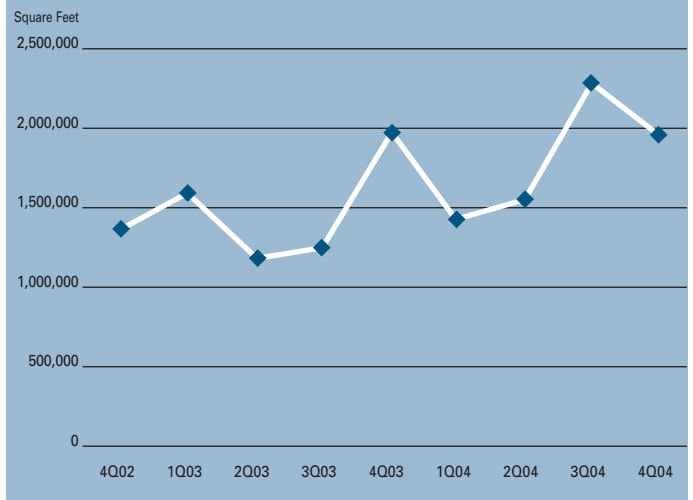
ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



FOURTH QUARTER 2004

ORANGE COUNTY

INVENTORY

VACANCY & LEASE RATES

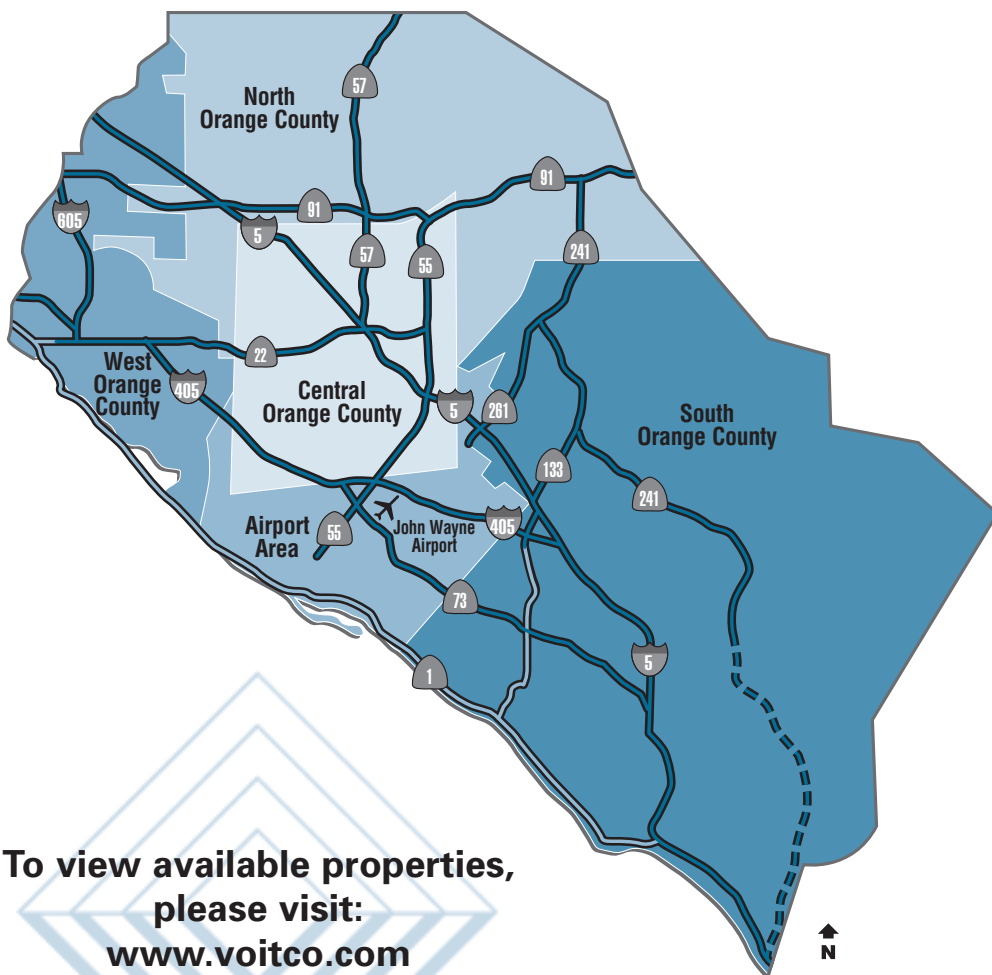
ABSORPTION

	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
North County											
Anaheim Hills	7	292,180	0	0	33,610	11.50%	37,115	12.70%	\$0.00	5,255	(234)
Anaheim	73	2,606,775	0	0	133,051	5.10%	134,971	5.18%	\$0.82	(12,483)	59,240
Brea	40	985,264	0	0	14,400	1.46%	14,849	1.51%	\$0.00	(13,309)	42,390
Buena Park	24	924,115	0	0	51,219	5.54%	130,429	14.11%	\$0.00	(36,181)	9,213
Fullerton	36	1,531,209	0	0	23,752	1.55%	95,958	6.27%	\$0.75	(6,548)	4,350
La Habra	7	107,089	0	0	0	0.00%	0	0.00%	\$0.00	1,596	1,596
La Palma	7	272,981	0	0	0	0.00%	4,590	1.68%	\$0.90	3,531	15,508
Placentia	19	546,334	0	0	20,029	3.67%	22,779	4.17%	\$0.00	3,880	9,446
Yorba Linda	54	1,420,599	0	0	174,399	12.28%	250,728	17.65%	\$0.78	(116,506)	(109,750)
North County Total	267	8,686,546	0	0	450,460	5.19%	691,419	7.96%	\$0.79	(170,765)	31,759
West County											
Cypress	44	2,587,356	0	0	302,350	11.69%	330,705	12.78%	\$0.77	(558)	39,750
Huntington Beach	85	1,924,991	0	0	77,649	4.03%	77,649	4.03%	\$0.00	(13,828)	(5,777)
Los Alamitos	32	703,470	0	0	31,591	4.49%	31,591	4.49%	\$0.00	(7,932)	(7,317)
West County Total	161	5,215,817	0	0	411,590	7.89%	439,945	8.43%	\$0.77	(22,318)	26,656
Central County											
Anaheim	80	2,079,234	0	0	110,633	5.32%	189,316	9.11%	\$0.91	23,972	4,417
Garden Grove	83	2,747,697	0	0	243,127	8.85%	283,126	10.30%	\$0.88	(38,135)	10,534
Orange	94	1,898,774	0	0	43,660	2.30%	43,660	2.30%	\$0.86	13,800	38,208
Santa Ana	48	1,322,010	0	0	35,342	2.67%	35,342	2.67%	\$0.86	16,901	100,911
Westminster	23	619,454	0	0	87,660	14.15%	87,660	14.15%	\$0.69	(1,389)	8,465
Central County Total	328	8,667,169	0	0	520,422	6.00%	639,104	7.37%	\$0.89	15,149	162,535
Airport Area											
Costa Mesa	157	3,892,530	0	0	460,338	11.83%	476,754	12.25%	\$0.91	195,832	(13,526)
Fountain Valley	47	1,354,051	0	0	26,782	1.98%	26,782	1.98%	\$0.95	27,400	43,817
Irvine	284	7,709,608	0	22,269	666,768	8.65%	732,251	9.50%	\$0.82	170,637	288,474
Newport Beach	23	802,058	0	0	38,489	4.80%	53,576	6.68%	\$1.50	695	(15,378)
Santa Ana	123	4,032,353	0	0	425,106	10.54%	439,196	10.89%	\$0.75	151,210	310,945
Tustin	92	3,222,273	0	0	179,508	5.57%	232,809	7.22%	\$0.71	5,712	(59,508)
Airport Area Total	726	21,012,873	0	22,269	1,796,991	8.55%	1,961,368	9.33%	\$0.84	551,126	554,824
South County											
Aliso Viejo	44	1,136,456	0	0	113,001	9.94%	152,896	13.45%	\$0.79	(22,064)	(34,932)
Foothill Ranch	6	133,348	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Irvine Spectrum	253	10,050,346	191,181	0	933,444	9.29%	1,438,927	14.32%	\$1.02	143,669	348,083
Laguna Beach	2	30,800	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Laguna Hills	50	1,087,807	0	0	28,714	2.64%	32,362	2.97%	\$1.13	16,126	35,261
Laguna Niguel	13	424,824	0	0	14,699	3.46%	14,699	3.46%	\$0.00	(2,166)	25,145
Lake Forest	58	1,489,463	0	0	140,675	9.44%	227,961	15.30%	\$0.85	126,053	64,849
Mission Viejo	33	654,099	0	128,250	39,426	6.03%	39,426	6.03%	\$0.00	(750)	18,672
Rancho Santa Margarita	54	1,838,287	0	0	211,858	11.52%	211,858	11.52%	\$0.89	(31,585)	(82,579)
San Clemente	45	1,019,122	0	320,494	58,013	5.69%	58,013	5.69%	\$0.86	53,100	40,200
San Juan Capistrano	37	539,079	0	0	1,250	0.23%	5,039	0.93%	\$0.00	0	8,017
South County Total	595	18,403,631	191,181	448,744	1,541,080	8.37%	2,181,181	11.85%	\$0.98	282,383	422,716
Orange County Total	2,077	61,986,036	191,181	471,013	4,720,543	7.62%	5,913,017	9.54%	\$0.89	655,575	1,198,490
North County											
10,000 to 24,999	159	2,524,740	0	0	92,909	3.68%	119,027	4.71%	\$0.80	(7,054)	43,758
25,000 to 49,999	74	2,529,573	0	0	151,919	6.01%	151,919	6.01%	\$0.92	(1,002)	(54,727)
50,000 to 99,999	23	1,570,893	0	0	85,666	5.45%	300,507	19.13%	\$0.69	(42,743)	19,099
100,000+	11	2,061,340	0	0	119,966	5.82%	119,966	5.82%	\$0.78	(119,966)	23,629
West County											
10,000 to 24,999	91	1,341,831	0	0	106,721	7.95%	106,721	7.95%	\$0.00	(19,701)	10,867
25,000 to 49,999	42	1,414,890	0	0	97,947	6.92%	97,947	6.92%	\$0.79	(34,296)	(15,890)
50,000 to 99,999	22	1,388,405	0	0	206,922	14.90%	235,277	16.95%	\$0.76	31,679	31,679
100,000+	6	1,070,691	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Central County											
10,000 to 24,999	227	3,606,573	0	0	109,357	3.03%	170,985	4.74%	\$0.94	9,273	60,096
25,000 to 49,999	75	2,442,692	0	0	212,780	8.71%	241,161	9.87%	\$1.08	(6,921)	(39,178)
50,000 to 99,999	17	1,148,944	0	0	78,907	6.87%	107,580	9.36%	\$0.69	2,664	140,351
100,000+	9	1,468,960	0	0	119,378	8.13%	119,378	8.13%	\$0.74	10,133	1,266
Airport Area											
10,000 to 24,999	471	7,613,793	0	22,269	523,301	6.87%	546,999	7.18%	\$0.99	34,935	(53,527)
25,000 to 49,999	172	5,878,368	0	0	697,109	11.86%	779,397	13.26%	\$0.86	124,065	142,898
50,000 to 99,999	59	4,039,468	0	0	363,753	9.00%	409,984	10.15%	\$0.79	266,009	332,363
100,000+	24	3,481,244	0	0	212,828	6.11%	224,988	6.46%	\$0.55	126,117	133,100
South County											
10,000 to 24,999	355	5,883,930	42,830	76,884	582,884	9.91%	646,541	10.99%	\$1.04	66,476	91,109
25,000 to 49,999	164	5,555,795	88,351	145,860	688,873	12.40%	945,297	17.01%	\$0.88	59,595	(169,156)
50,000 to 99,999	56	3,766,015	60,000	226,000	190,985	5.07%	376,746	10.00%	\$0.87	29,122	224,519
100,000+	20	3,197,891	0	0	78,338	2.45%	212,597	6.65%	\$1.29	127,190	276,244
Orange County											
10,000 to 24,999	1,303	20,970,867	42,830	99,153	1,415,172	6.75%	1,590,273	7.58%	\$0.99	83,929	152,303
25,000 to 49,999	527	17,821,318	88,351	145,860	1,848,628	10.37%	2,215,721	12.43%	\$0.90	141,441	(136,063)
50,000 to 99,999	177	11,913,725	60,000	226,000	926,233	7.77%	1,430,094	12.00%	\$0.79	286,731	748,011
100,000+	70	11,280,126	0	0	530,510	4.70%	676,929	6.00%	\$0.94	143,474	434,239
Orange County Total	2,077	61,986,036	191,181	471,013	4,720,543	7.62%	5,913,017	9.54%	\$0.89	655,575	1,198,490

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

R & D MARKET
REPORT

FOURTH QUARTER 2004



To view available properties,
please visit:
www.voitco.com

SUBMARKETS

NORTH

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

WEST

Cypress, Huntington Beach, Los Alamitos

CENTRAL COUNTY

Anaheim, Garden Grove, Orange, Santa Ana, Westminster

AIRPORT

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



Real People. Real Solutions.

This survey consists of properties 10,000 square feet and larger in size, 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 Commercial Brokerage use only, and cannot legally be reproduced without prior written consent from the management of Voit Commercial Brokerage.