

FLEX MARKET REPORT

FOURTH
QUARTER
2005

Compared to
last quarter:

VACANCY



UP

ABSORPTION



UP

LEASE RATES



DOWN

CONSTRUCTION



UP

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MARKET HIGHLIGHTS

- ◆ Unemployment for the fourth quarter of 2005 in Orange County is 3.8%, which is .1% lower than it was when compared to the third quarter of 2005, and is .2% lower than it was during the fourth quarter of 2004.
- ◆ According to Chapman University, it is estimated that Orange County added 24,000 new payroll jobs in 2005. Furthermore, they are forecasting 20,000 new payroll jobs will be added to the county in 2006 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at just over 1.2 million square feet for the fourth quarter of 2005, which is more than eight times as much as the amount that was under construction during the fourth quarter of 2004.
- ◆ The flex vacancy rate checked in at a low 8.27%, which is lower than it was a year ago when it was 11.36%. Another sign of strength was the 441,309 square feet of new product that was built in 2005, 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; 10.83% this quarter as compared to 15.34% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently at \$1.67, which is a 15.97% increase over last year's fourth quarter rate of \$1.44.
- ◆ Net absorption for the county this quarter posted a negative number of 12,745 square feet, giving the county a total of over two point three million square feet of positive absorption for the last nine quarters.
- ◆ 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 2006.

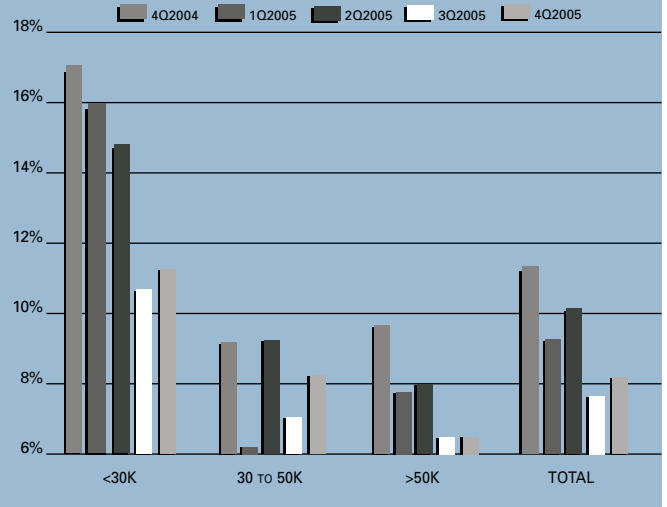
FLEX MARKET STATISTICS

	2005	2004	2003	% CHANGE VS. 2004
Inventory Added	441,309	392,454	354,316	12.45%
Under Construction	1,212,185	125,034	335,450	869.48%
Vacancy Rate	8.27%	11.36%	15.12%	-27.20%
Availability Rate	10.83%	15.34%	20.86%	-29.40%
Average Asking Lease Rate	\$1.67	\$1.44	\$1.47	15.97%
Net Absorption	881,378	968,854	598,775	-9.03%
Gross Absorption	2,586,976	2,509,508	2,135,477	3.09%

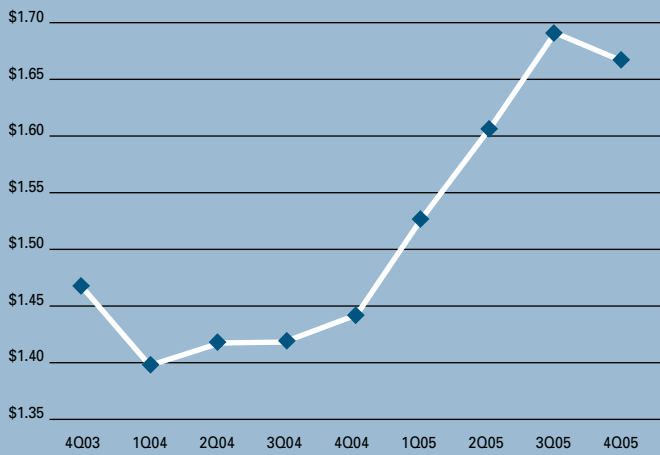
VACANCY RATE



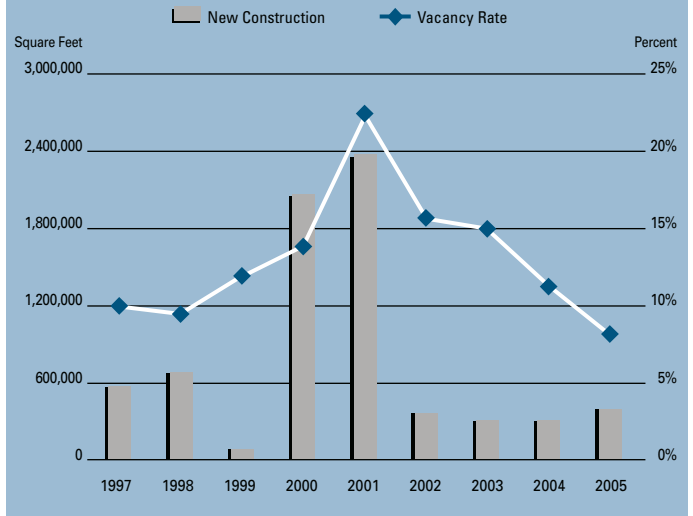
FLEX VACANCY RATE



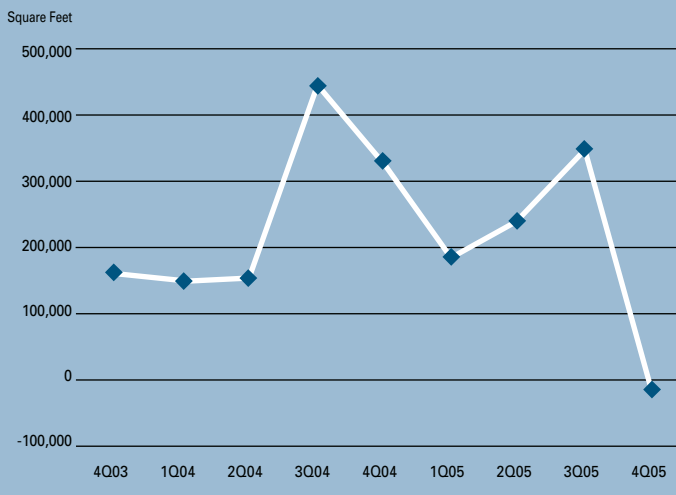
AVERAGE ASKING TRIPLE NET LEASE RATE



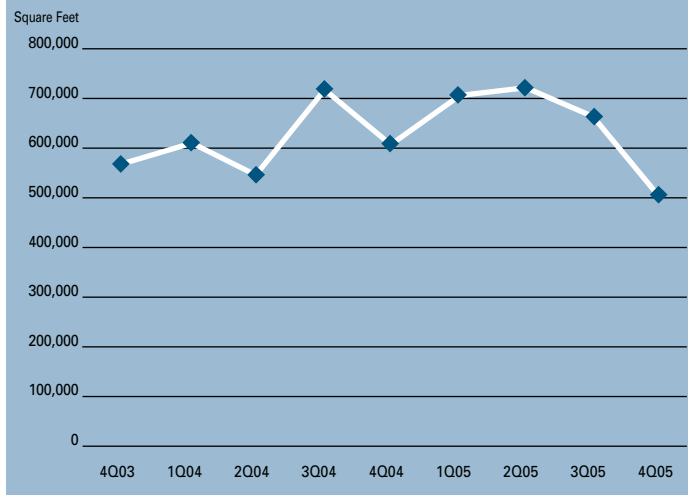
ANNUAL FLEX NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



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

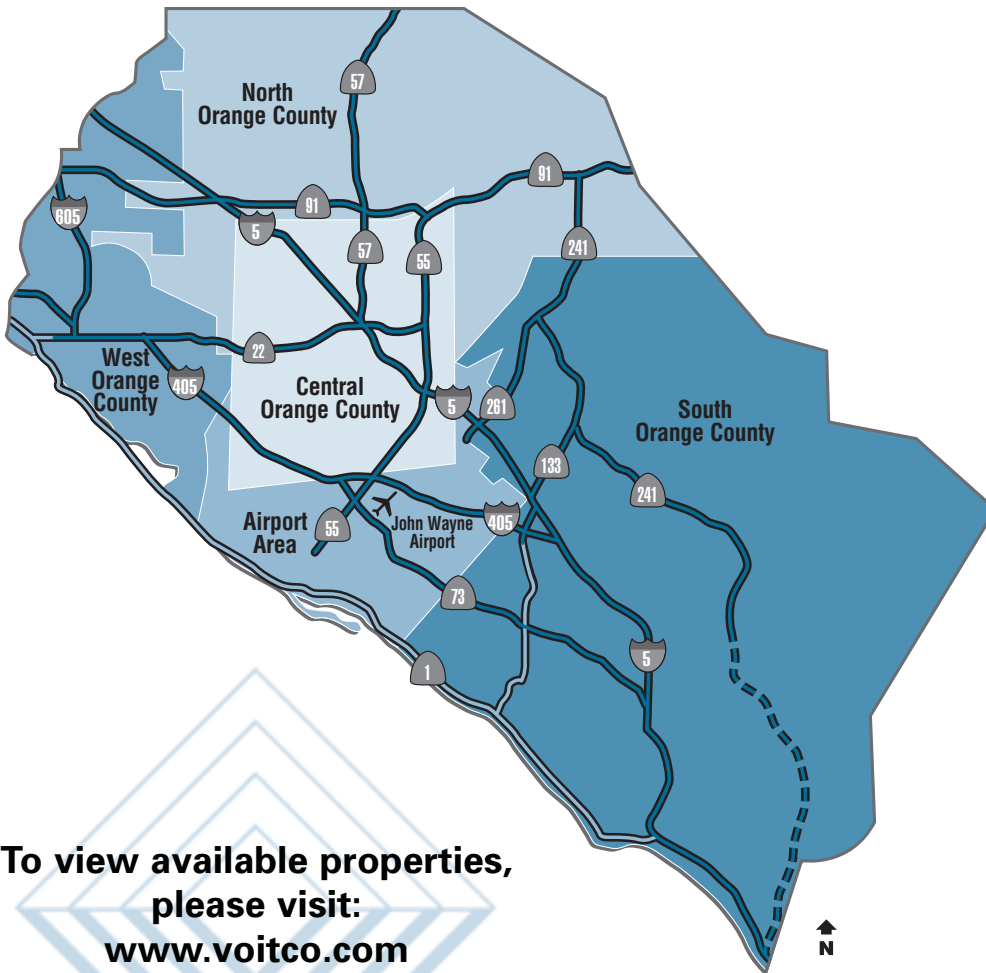
	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2005	Square Feet Available	Availability Rate 4Q2005	Average Asking Lease Rate	Net Absorption 4Q2005	Net Absorption 2005	Net Absorption 2004	Net Absorption 2003
North County													
Anaheim Hills	14	241,634	0	0	18,643	7.72%	18,643	7.72%	\$0.00	6,693	4,803	10,352	(901)
Anaheim	8	162,015	0	0	5,161	3.19%	5,161	3.19%	\$0.00	7,251	14,251	10,561	(3,105)
Brea	14	435,313	21,367	25,822	32,634	7.50%	37,614	8.64%	\$1.21	1,961	(8,726)	72,846	(58,366)
Fullerton	5	47,900	0	0	3,600	0.00%	3,600	7.52%	\$2.34	0	100	19,700	6,515
Placentia	1	28,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	142
Yorba Linda	1	10,560	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North County Total	43	925,422	21,367	25,822	60,038	6.49%	65,018	7.03%	\$1.64	15,905	10,428	113,459	(55,715)
West County													
Cypress	8	324,081	0	0	76,416	23.58%	76,416	23.58%	\$1.36	(5,192)	38,313	772	(19,289)
Huntington Beach	3	48,648	0	0	2,248	4.62%	2,248	4.62%	\$0.00	(2,248)	10,985	(1,520)	(9,489)
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	842	1.96%	842	1.96%	\$0.00	(842)	(842)	8,787	(7,668)
West County Total	16	440,286	0	0	79,506	18.06%	79,506	18.06%	\$1.36	(8,282)	48,456	8,039	(36,446)
Central County													
Anaheim	7	214,958	0	0	0	0.00%	3,200	1.49%	\$0.00	0	7,164	49,879	(3,105)
Garden Grove	2	27,400	0	0	1,260	4.60%	1,260	4.60%	\$0.00	(1,260)	(1,260)	0	0
Orange	7	145,859	0	0	2,321	1.59%	6,753	4.63%	\$0.00	(646)	11,490	34,501	13,207
Santa Ana	8	92,769	0	25,448	0	0.00%	0	0.00%	\$0.00	0	10,011	229	73,822
Tustin	2	18,600	0	20,395	0	0.00%	0	0.00%	\$0.00	0	0	0	95,482
Central County Total	26	499,586	0	45,843	3,581	0.72%	11,213	2.24%	\$0.00	(1,906)	27,405	84,609	179,406
Airport Area													
Costa Mesa	5	80,770	0	12,280	1,579	1.95%	1,579	1.95%	\$0.00	3,975	14,688	28,090	-126
Irvine	68	3,119,649	289,039	69,122	187,473	6.01%	194,668	6.24%	\$1.93	31,603	184,544	122,450	194,221
Newport Beach	26	611,106	27,250	0	95,947	15.70%	101,034	16.53%	\$1.45	(3,964)	(42,173)	16,610	2,115
Santa Ana	10	391,317	0	0	45,042	11.51%	58,126	14.85%	\$0.00	(12,656)	21,748	(3,730)	0
Tustin	4	195,686	0	0	0	0.00%	48,700	24.89%	\$0.00	0	7,110	24,129	0
Airport Area Total	113	4,398,528	316,289	81,402	330,041	7.50%	404,107	9.19%	\$1.93	18,958	185,917	187,549	196,210
South County													
Aliso Viejo	38	1,169,363	0	0	50,484	4.32%	92,749	7.93%	\$1.53	(34,576)	12,375	35,901	56,330
Dana Point	3	54,340	0	0	3,350	6.16%	3,350	6.16%	\$1.95	0	0	0	2,651
Foothill Ranch	3	83,659	0	0	6,518	7.79%	6,518	7.79%	\$2.60	18,132	29,482	0	0
Irvine Spectrum	102	3,526,601	508,713	4,950	237,594	6.74%	443,973	12.59%	\$1.77	8,627	292,745	460,580	138,986
Laguna Beach	2	18,454	9,382	0	0	0.00%	0	0.00%	\$0.00	0	0	0	808
Laguna Hills	15	485,620	0	0	92,579	19.06%	102,097	21.02%	\$1.85	(44,035)	(42,124)	7,297	(4,187)
Laguna Niguel	3	53,170	0	25,500	0	0.00%	0	0.00%	\$0.00	0	6,000	7,638	(1,638)
Lake Forest	31	1,239,426	0	128,250	185,800	14.99%	194,753	15.71%	\$1.38	(31,891)	164,714	3,719	56,549
Mission Viejo	31	467,957	0	229,400	25,351	5.42%	25,351	5.42%	\$2.29	7,240	43,793	51,427	33,299
Rancho Santa Margarita	6	197,311	0	0	14,754	7.48%	21,381	10.84%	\$3.00	8,981	36,117	11,092	16,755
San Clemente	7	160,795	97,728	19,456	68,567	42.64%	68,567	42.64%	\$0.00	(15,598)	17,526	2,519	(546)
San Juan Capistrano	15	352,562	258,706	0	5,900	1.67%	5,900	1.67%	\$0.00	45,700	48,544	(1,762)	18,266
South County Total	256	7,809,258	874,529	407,556	690,897	8.85%	964,639	12.35%	\$1.57	(37,420)	609,172	578,411	317,273
Orange County Total	454	14,073,080	1,212,185	560,623	1,164,063	8.27%	1,524,483	10.83%	\$1.67	(12,745)	881,378	972,067	600,728

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2005	Square Feet Available	Availability Rate 4Q2005	Average Asking Lease Rate	Net Absorption 4Q2005	Net Absorption 2005	Net Absorption 2004	Net Absorption 2003
North County													
0 to 29,999	33	481,780	21,367	25,822	37,710	7.83%	37,710	7.83%	\$1.82	6,674	4,166	30,313	4,357
30,000 to 49,999	8	320,642	0	0	20,208	6.30%	20,208	6.30%	\$0.00	9,151	2,016	4,615	(7,979)
50,000+	2	123,000	0	0	2,120	1.72%	7,100	5.77%	\$1.75	80	4,246	76,538	(54,046)
West County													
0 to 29,999	10	121,518	0	0	16,890	13.90%	16,890	13.90%	\$1.65	(8,282)	30,182	(2,740)	(8,370)
30,000 to 49,999	3	118,562	0	0	20,480	17.27%	20,480	17.27%	\$1.35	0	37,783	(14,200)	(28,076)
50,000+	3	200,206	0	0	42,136	21.05%	42,136	21.05%	\$1.37	0	(19,509)	23,759	0
Central County													
0 to 29,999	22	305,945	0	45,843	2,935	0.96%	2,935	0.96%	\$0.00	(1,260)	22,083	14,957	42,965
30,000 to 49,999	1	32,317	0	0	0	0.00%	0	0.00%	\$0.00	0	1,867	19,652	59,771
50,000+	3	161,324	0	0	646	0.40%	8,278	5.13%	\$0.00	(646)	3,455	50,000	76,670
Airport Area													
0 to 29,999	37	589,405	49,519	21,402	24,874	4.22%	24,874	4.22%	\$1.45	10,508	49,512	60,711	28,260
30,000 to 49,999	38	1,553,978	97,200	0	62,128	4.00%	108,452	6.98%	\$2.12	(15,183)	121,913	66,866	39,906
50,000+	38	2,255,145	169,570	60,000	243,039	10.78%	270,781	12.01%	\$1.87	23,633	14,492	61,192	128,044
South County													
0 to 29,999	131	2,011,376	293,562	155,806	313,623	15.59%	313,623	15.59%	\$1.52	(11,597)	316,781	(14,032)	115,367
30,000 to 49,999	78	3,097,039	189,043	251,750	324,049	10.46%	359,603	11.61%	\$1.57	(65,812)	69,718	153,617	89,519
50,000+	47	2,700,843	391,924	0	53,225	1.97%	291,413	10.79%	\$1.75	39,989	222,673	438,826	112,387
Orange County Total													
0 to 29,999	233	3,510,024	364,448	248,873	396,032	11.28%	396,032	11.28%	\$1.53	(3,957)	422,724	89,209	182,579
30,000 to 49,999	128	5,122,538	286,243	251,750	426,865	8.33%	508,743	9.93%	\$1.64	(71,844)	233,297	230,550	153,141
50,000+	93	5,440,518	561,494	60,000	341,166	6.27%	619,708	11.39%	\$1.78	63,056	225,357	650,315	263,055
Orange County Total	454	14,073,080	1,212,185	560,623	1,164,063	8.27%	1,524,483	10.83%	\$1.67	(12,745)	881,378	970,074	598,775

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

FLEX MARKET REPORT

FOURTH QUARTER 2005



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SUBMARKETS

NORTH

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

WEST

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



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