

# OFFICE MARKET REPORT

FOURTH  
QUARTER  
2005

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## LEASE RATES



## CONSTRUCTION



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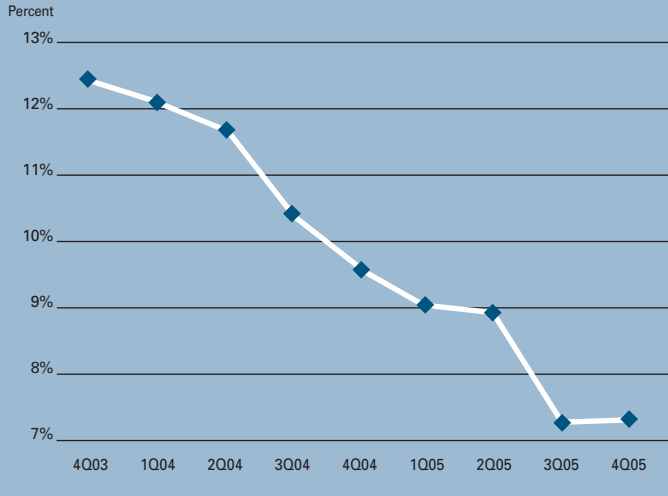
## MARKET HIGHLIGHTS

- ◆ 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 1.23 million square feet for the fourth quarter of 2005, which is almost double what was under construction this same time last year.
- ◆ The office vacancy rate checked in at a sub 8% level of 7.39%, constituting a 23% decrease over last year's rate of 9.6%. This would also explain the increase in construction activity and the upward pressure on average asking lease rate.
- ◆ The total amount of office space available in Orange County, including both direct and sublease space, is also lower, checking in at 9.94% this quarter from 12.69% in the fourth quarter of 2004, representing a decrease of 21.67%.
- ◆ The average asking Full Service Gross lease rate per month per foot in Orange County is currently \$2.28, which is a 9.09% increase over last year's fourth quarter rate of \$2.09. This is the eighth consecutive quarter of positive lease rate growth and gets us above the record high average asking lease rate of \$2.26, which we experienced in the first quarter of 2001.
- ◆ Net absorption for the county this quarter posted a positive number of 363,223 square feet, giving the county a total of over 12 million square feet of positive absorption for the last fifteen quarters. That's an average of 814,233 square feet of positive absorption per quarter for almost four years.
- ◆ Lease rates are expected to continue to increase at moderate levels, and concessions will continue to lessen as the economy in Orange County continues to expand. These conditions will put upward pressure on lease rates going forward. We should see lease rate growth of 10% to 15% in 2006.

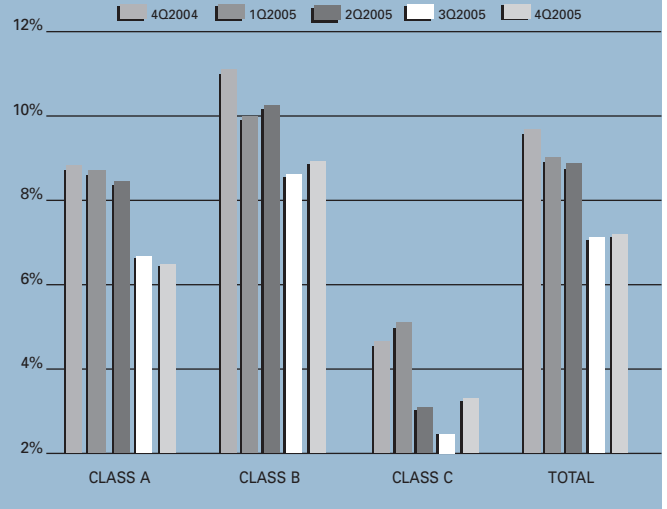
## OFFICE MARKET STATISTICS

	2005	2004	2003	% CHANGE VS. 2004
Inventory Added	570,910	332,939	1,069,957	71.48%
Under Construction	1,231,696	625,997	317,439	96.76%
Planned Construction	6,316,240	3,933,274	5,719,475	60.58%
Vacancy	7.39%	9.61%	12.44%	-23.10%
Availability	9.94%	12.69%	15.72%	-21.67%
Pricing	\$2.28	\$2.09	\$1.99	9.09%
Absorption	3,692,091	3,045,801	3,090,148	21.22%
Activity	12,434,495	11,977,425	12,563,465	3.82%

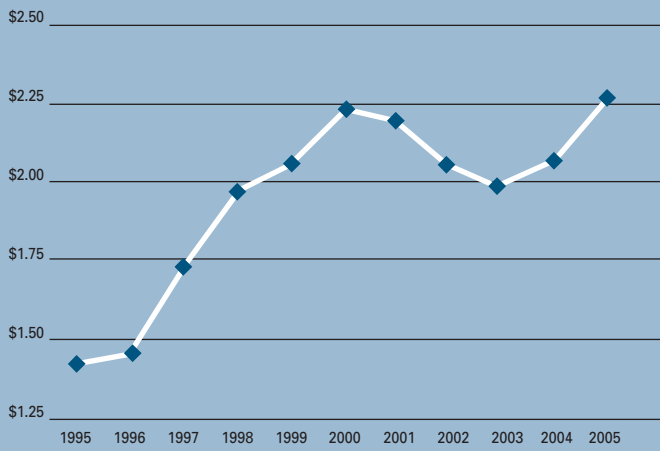
## VACANCY RATE



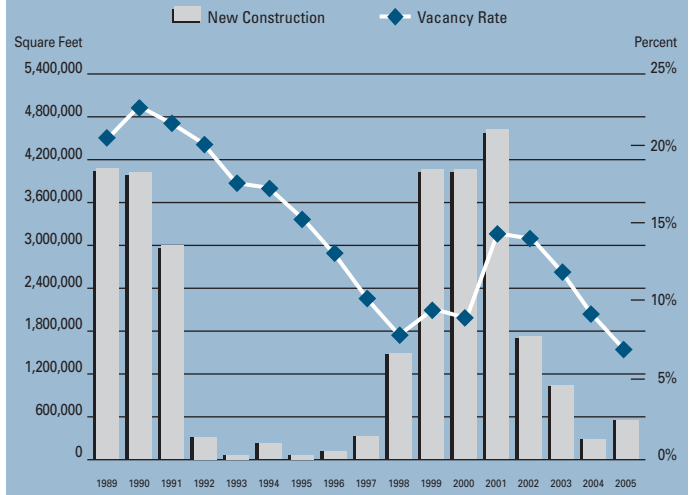
## OFFICE VACANCY RATE



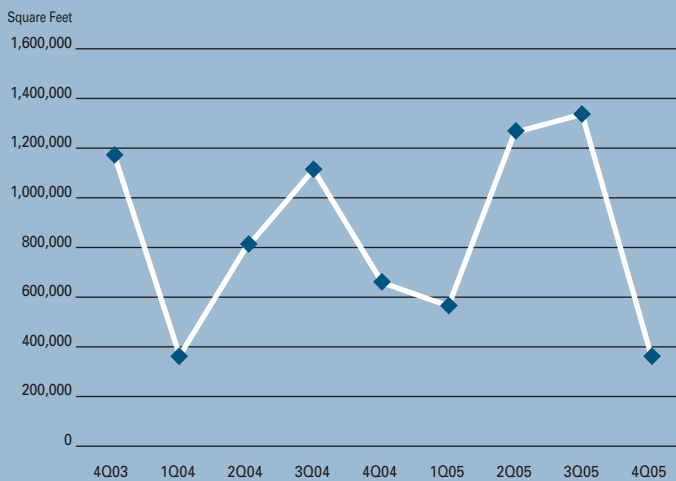
## AVERAGE ASKING FULL SERVICE LEASE RATE



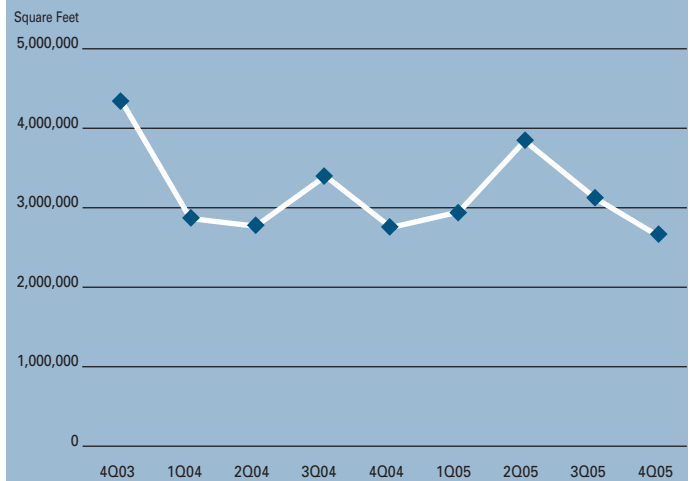
## ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



## NET ABSORPTION



## GROSS ABSORPTION



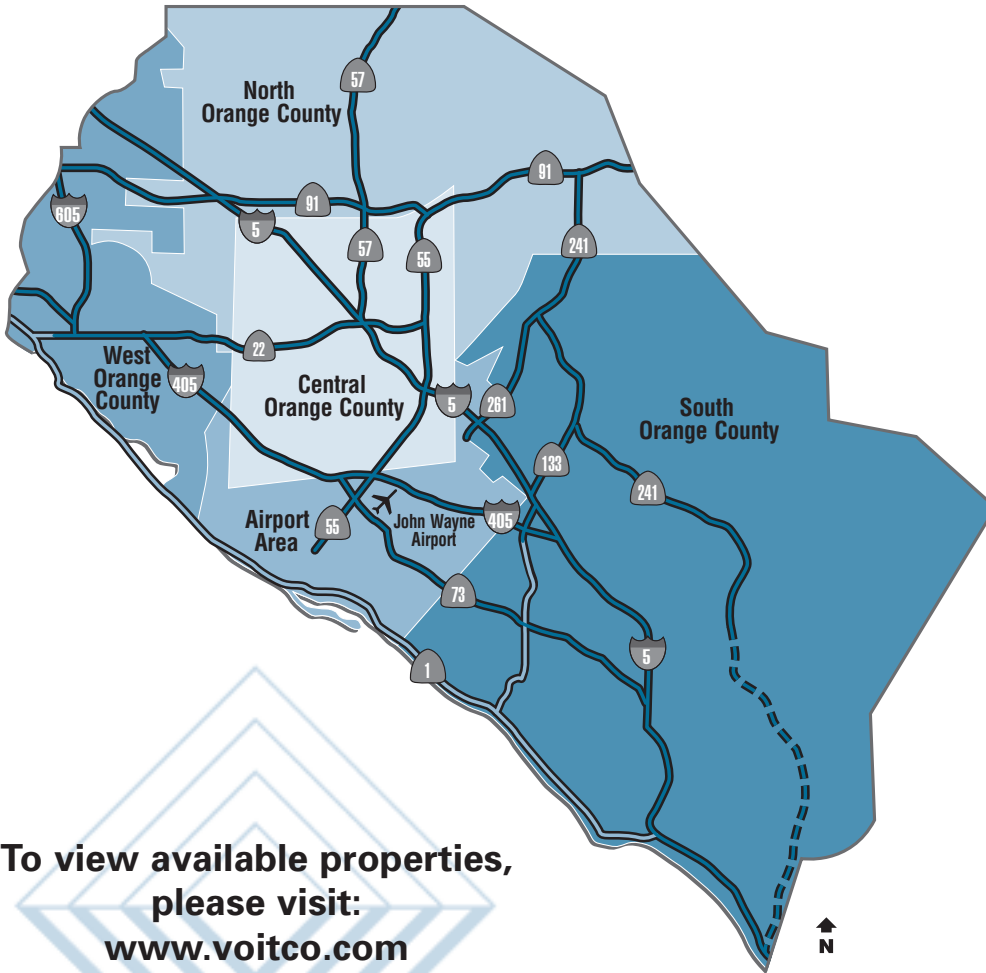
## O R A N G E C O U N T Y

	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
<b>North County</b>													
Anaheim Hills	10	644,674	0	60,000	5,839	0.91%	5,839	0.91%	\$2.05	0	(4,960)	11,569	(1,635)
Brea	41	3,845,059	131,687	202,250	201,990	5.25%	240,270	6.25%	\$1.95	(5,205)	55,533	324,162	17,961
Buena Park	9	593,239	0	25,822	36,193	6.10%	50,739	8.55%	\$1.79	50,520	60,223	107,805	2,384
Fullerton	30	2,007,625	0	81,634	31,062	1.55%	41,784	2.08%	\$1.56	2,018	7,653	(7,982)	103,707
La Habra	7	376,859	0	0	10,980	2.91%	10,980	2.91%	\$1.60	(3,872)	21,392	20,641	72,227
La Palma	8	842,349	0	0	27,127	3.22%	30,662	3.64%	\$1.94	(4,346)	7,937	1,637	(3,419)
Placentia	5	165,875	0	0	15,556	9.38%	20,436	12.32%	\$1.85	238	(10,228)	7,777	6,465
Yorba Linda	6	319,684	0	0	12,331	3.86%	56,091	17.55%	\$1.80	(5,708)	(2,908)	12,119	(6,139)
<b>North County Total</b>	<b>116</b>	<b>8,795,364</b>	<b>131,687</b>	<b>369,706</b>	<b>341,078</b>	<b>3.88%</b>	<b>456,801</b>	<b>5.19%</b>	<b>\$1.88</b>	<b>33,645</b>	<b>134,642</b>	<b>477,728</b>	<b>191,551</b>
<b>West County</b>													
Cypress	27	2,135,220	0	0	203,034	9.51%	203,235	9.52%	\$1.56	(40,788)	176,874	18,404	(21,375)
Fountain Valley	31	1,536,130	0	36,700	100,815	6.56%	100,815	6.56%	\$1.89	72,480	83,818	(33,842)	(24,766)
Garden Grove	20	898,729	0	45,000	36,058	4.01%	36,058	4.01%	\$1.62	14,238	63,100	3,129	39,461
Huntington Beach	44	2,443,934	0	0	224,722	9.20%	247,594	10.13%	\$2.08	8,944	105,552	(83,869)	(15,587)
Los Alamitos	13	712,280	0	0	1,750	0.25%	7,156	1.00%	\$1.85	6,971	19,217	(3,163)	(8,915)
Seal Beach	6	425,418	0	0	13,355	3.14%	13,420	3.15%	\$2.45	1,694	24,082	15,106	5,215
Stanton	2	85,917	0	0	3,601	4.19%	3,601	4.19%	\$1.46	2,926	2,868	2,868	(3,553)
Westminster	12	485,174	0	0	29,128	6.00%	34,378	7.09%	\$1.87	10,168	(10,926)	27,647	32,520
<b>West County Total</b>	<b>155</b>	<b>8,722,802</b>	<b>0</b>	<b>81,700</b>	<b>612,463</b>	<b>7.02%</b>	<b>646,257</b>	<b>7.41%</b>	<b>\$1.85</b>	<b>76,633</b>	<b>476,569</b>	<b>(53,720)</b>	<b>3,000</b>
<b>Central County</b>													
Anaheim	88	5,914,657	0	462,711	411,747	6.96%	535,170	9.05%	\$1.94	50,424	116,941	43,136	622,258
Orange	75	6,910,521	0	0	422,860	6.12%	490,064	7.09%	\$2.06	2,897	191,690	(58,970)	273,259
Santa Ana	173	12,200,776	0	230,400	1,033,204	8.47%	1,303,852	10.69%	\$1.94	213,723	565,439	28,963	30,938
Tustin	33	1,362,510	0	0	223,481	16.40%	334,676	24.56%	\$1.78	(101,932)	(38,960)	3,037	128,065
<b>Central County Total</b>	<b>369</b>	<b>26,388,464</b>	<b>0</b>	<b>693,111</b>	<b>2,091,292</b>	<b>7.93%</b>	<b>2,663,762</b>	<b>10.09%</b>	<b>\$1.96</b>	<b>165,112</b>	<b>835,110</b>	<b>16,166</b>	<b>1,054,520</b>
<b>Airport Area</b>													
Corona Del Mar	2	86,378	0	0	0	0.00%	0	0.00%	\$0.00	0	12,200	(12,200)	3,238
Costa Mesa	65	6,432,423	0	482,379	607,408	9.44%	787,516	12.24%	\$2.52	(78,568)	362,251	52,840	76,540
Irvine	243	21,217,697	616,770	2,660,334	1,500,299	7.07%	2,291,386	10.80%	\$2.58	17,750	953,637	1,081,510	887,193
Newport Beach	129	9,492,357	0	0	967,918	10.20%	1,169,606	12.32%	\$2.94	59,064	76,855	455,906	238,076
<b>Airport Area Total</b>	<b>439</b>	<b>37,228,855</b>	<b>616,770</b>	<b>3,142,713</b>	<b>3,075,625</b>	<b>8.26%</b>	<b>4,248,508</b>	<b>11.41%</b>	<b>\$2.67</b>	<b>(1,754)</b>	<b>1,404,943</b>	<b>1,578,056</b>	<b>1,205,047</b>
<b>South County</b>													
Aliso Viejo	43	2,848,239	0	1,108,500	142,127	4.99%	330,146	11.59%	\$2.58	22,119	113,223	296,782	119,157
Dana Point	4	210,660	0	0	5,000	2.37%	5,000	2.37%	\$2.75	(5,000)	(5,000)	0	0
Foothill Ranch	10	817,379	0	0	46,429	5.68%	69,380	8.49%	\$2.16	25,552	108,744	30,573	62,144
Irvine Spectrum	95	6,235,333	346,108	750,010	430,131	6.90%	795,765	12.76%	\$2.71	(5,246)	192,028	604,231	233,386
Laguna Beach	5	193,268	0	0	8,153	4.22%	8,153	4.22%	\$2.50	(5,328)	(8,153)	0	10,325
Laguna Hills	33	1,740,541	0	0	99,833	5.74%	116,895	6.72%	\$2.20	25,613	90,742	(32)	9,251
Laguna Niguel	9	617,829	0	25,500	29,920	4.84%	40,411	6.54%	\$2.60	(10,074)	9,021	(23,007)	10,795
Lake Forest	42	2,077,599	0	0	216,310	10.41%	224,634	10.81%	\$2.04	(1,084)	200,861	64,645	146,188
Mission Viejo	38	2,003,514	0	145,000	169,142	8.44%	182,905	9.13%	\$2.12	2,482	60,592	16,353	25,345
Rancho Santa Margarita	6	219,030	0	0	16,592	7.58%	23,469	10.71%	\$2.14	(6,557)	28,229	13,039	10,201
San Clemente	10	372,984	0	0	22,675	6.08%	22,675	6.08%	\$2.63	0	9,919	26,925	4,957
San Juan Capistrano	12	579,004	137,131	0	13,573	2.34%	13,573	2.34%	\$2.10	47,110	40,621	(1,938)	4,281
<b>South County Total</b>	<b>307</b>	<b>17,915,380</b>	<b>483,239</b>	<b>2,029,010</b>	<b>1,199,885</b>	<b>6.70%</b>	<b>1,833,006</b>	<b>10.23%</b>	<b>\$2.37</b>	<b>89,587</b>	<b>840,827</b>	<b>1,027,571</b>	<b>636,030</b>
<b>Orange County Total</b>	<b>1,386</b>	<b>99,050,865</b>	<b>1,231,696</b>	<b>6,316,240</b>	<b>7,320,343</b>	<b>7.39%</b>	<b>9,848,334</b>	<b>9.94%</b>	<b>\$2.28</b>	<b>363,223</b>	<b>3,692,091</b>	<b>3,045,801</b>	<b>3,090,148</b>

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
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<b>North County</b>													
Class A	42	3,938,932	131,687	180,000	189,324	4.81%	191,923	4.87%	\$2.00	34,468	148,340	262,161	131,794
Class B	65	4,468,508	0	189,706	147,175	3.29%	255,536	5.72%	\$1.81	(4,428)	(13,381)	207,683	77,589
Class C	9	387,924	0	0	4,579	1.18%	9,342	2.41%	\$1.29	3,605	(317)	7,884	(17,832)
<b>West County</b>													
Class A	34	3,245,068	0	45,000	213,214	6.57%	247,008	7.61%	\$2.20	41,719	291,803	(33,419)	(2,034)
Class B	94	4,184,875	0	36,700	379,986	9.08%	379,986	9.08%	\$1.52	37,514	166,949	(16,202)	(65,611)
Class C	27	1,292,859	0	0	19,263	1.49%	19,263	1.49%	\$1.25	(2,600)	17,817	(4,099)	70,645
<b>Central County</b>													
Class A	88	12,500,517	0	645,111	805,526	6.44%	1,190,733	9.53%	\$2.16	254,024	653,691	2,117	897,630
Class B	234	12,009,212	0	48,000	1,196,640	9.96%	1,383,903	11.52%	\$1.72	(69,622)	145,258	41,834	159,994
Class C	47	1,878,735	0	0	89,126	4.74%	89,126	4.74%	\$1.64	(19,290)	36,161	(27,785)	(3,104)
<b>Airport Area</b>													
Class A	128	21,335,311	350,000	2,311,859	1,646,452	7.72%	2,465,726	11.56%	\$2.84	(53,441)	653,325	1,139,278	944,496
Class B	276	14,030,284	266,770	830,854	1,362,401	9.71%	1,706,523	12.16%	\$2.20	67,844	718,678	435,768	209,793
Class C	35	1,863,260	0	0	66,772	3.58%	76,259	4.09%	\$1.77	(16,157)	32,940	3,010	50,758
<b>South County</b>													
Class A	118	9,552,665	316,108	1,838,310	476,659	4.99%	680,179	7.12%	\$2.48	103,263	553,016	503,357	305,487
Class B	179	7,996,037	167,131	190,700	711,244	8.89%	1,140,845	14.27%	\$2.16	(7,398)	287,482	530,320	326,297
Class C	10	366,678	0	0	11,982	3.27%	11,982	3.27%	\$2.05	(6,278)	329	(6,106)	4,246
<b>Orange County</b>													
Class A	410	50,572,493	797,795	5,020,280	3,331,175	6.59%	4,775,569	9.44%	\$2.53	380,033	2,300,175	1,873,494	2,277,373
Class B	848	42,688,916	433,901	1,295,960	3,797,446	8.90%	4,866,793	11.40%	\$1.88	23,910	1,304,986	1,199,403	708,062
Class C	128	5,789,456	0	0	191,722	3.31%	205,972	3.56%	\$1.65	(40,720)	86,930	(27,096)	104,713
<b>Orange County Total</b>	<b>1,386</b>	<b>99,050,865</b>	<b>1,231,696</b>	<b>6,316,240</b>	<b>7,320,343</b>	<b>7.39%</b>	<b>9,848,334</b>	<b>9.94%</b>	<b>\$2.28</b>	<b>363,223</b>	<b>3,692,091</b>	<b>3,045,801</b>	<b>3,090,148</b>

# OFFICE MARKET REPORT

FOURTH QUARTER 2005



To view available properties,  
please visit:  
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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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