

R & D MARKET REPORT

FOURTH
QUARTER
2005

Compared to
last quarter:

VACANCY



ABSORPTION



LEASE RATES



CONSTRUCTION



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



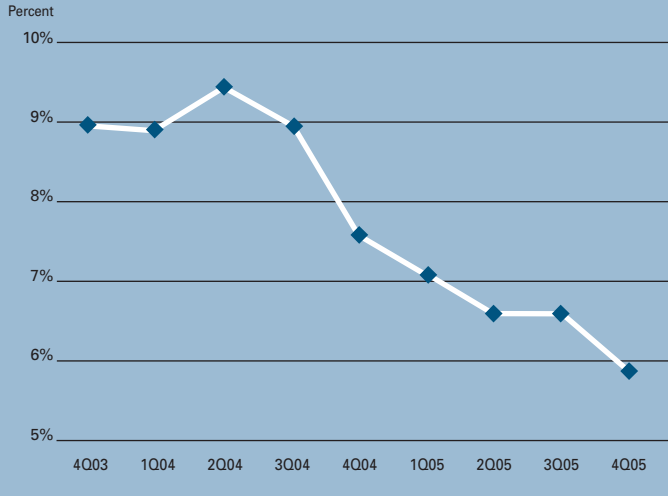
MARKET HIGHLIGHTS

- ◆ 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 217,443 square feet for the fourth quarter of 2005, which is almost 30,000 square feet more than the amount that was under construction in the fourth quarter of 2004.
- ◆ The R&D vacancy rate checked in at a low 5.87%, which is lower than it was a year ago when it was 7.62%. 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; 7.93% this quarter as compared to 9.54% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$0.97, which is 9% higher than it was this time last year and last quarter.
- ◆ Net absorption for the R&D market this quarter posted a positive number of 315,019 square feet, giving the R&D Market in Orange County a total of 1,722,943 square feet of positive absorption for 2005.
- ◆ 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.

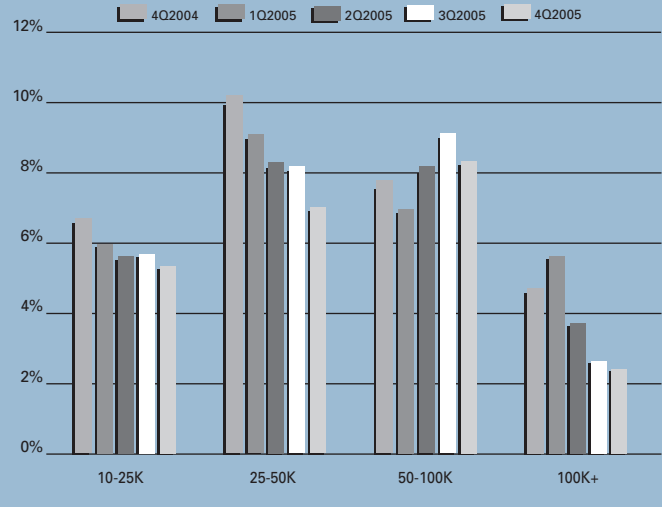
R&D MARKET STATISTICS

	2005	2004	2003	% CHANGE VS. 2004
Inventory Added	353,295	633,562	285,906	-44.24%
Under Construction	217,443	191,181	271,600	13.74%
Vacancy Rate	5.87%	7.62%	8.96%	-22.97%
Availability Rate	7.93%	9.54%	13.10%	-16.88%
Average Asking Lease Rate	\$0.97	\$0.89	\$0.89	8.99%
Net Absorption	1,722,946	1,198,490	(164,408)	43.76%
Gross Absorption	6,586,718	5,210,409	5,874,799	26.41%

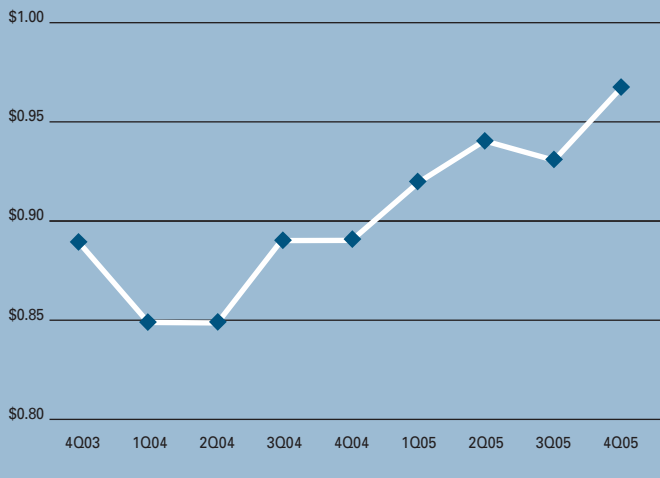
VACANCY RATE



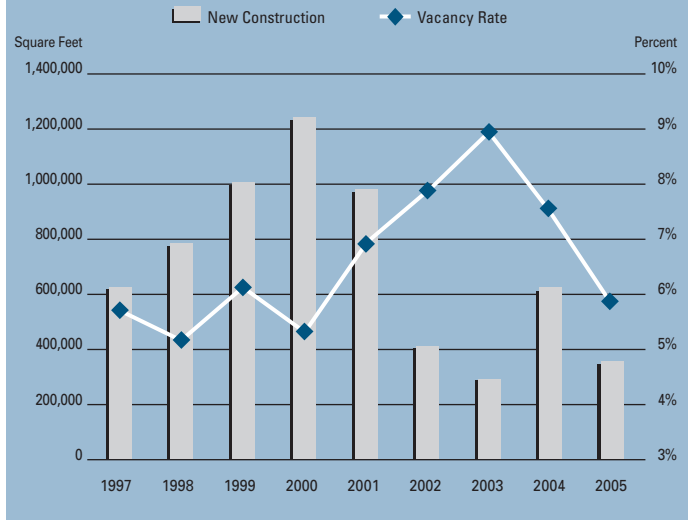
R&D VACANCY RATE



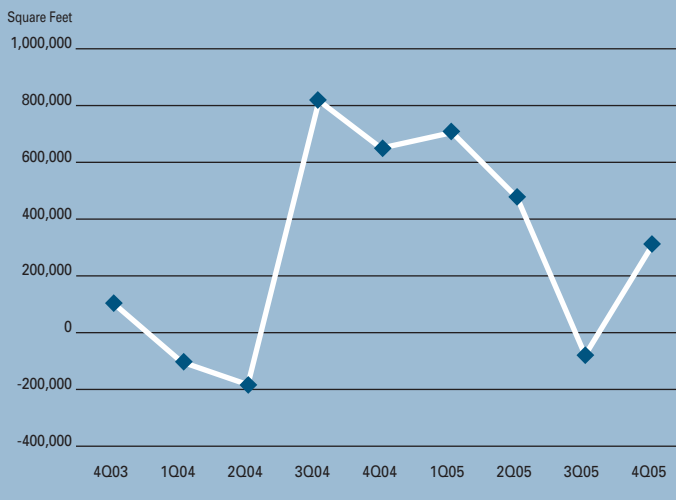
AVERAGE ASKING TRIPLE NET LEASE RATE



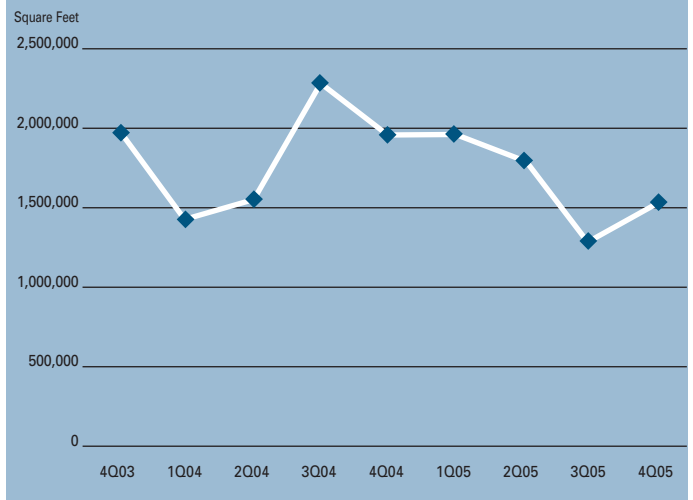
ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



FOURTH QUARTER 2005

ORANGE COUNTY

INVENTORY

VACANCY & LEASE RATES

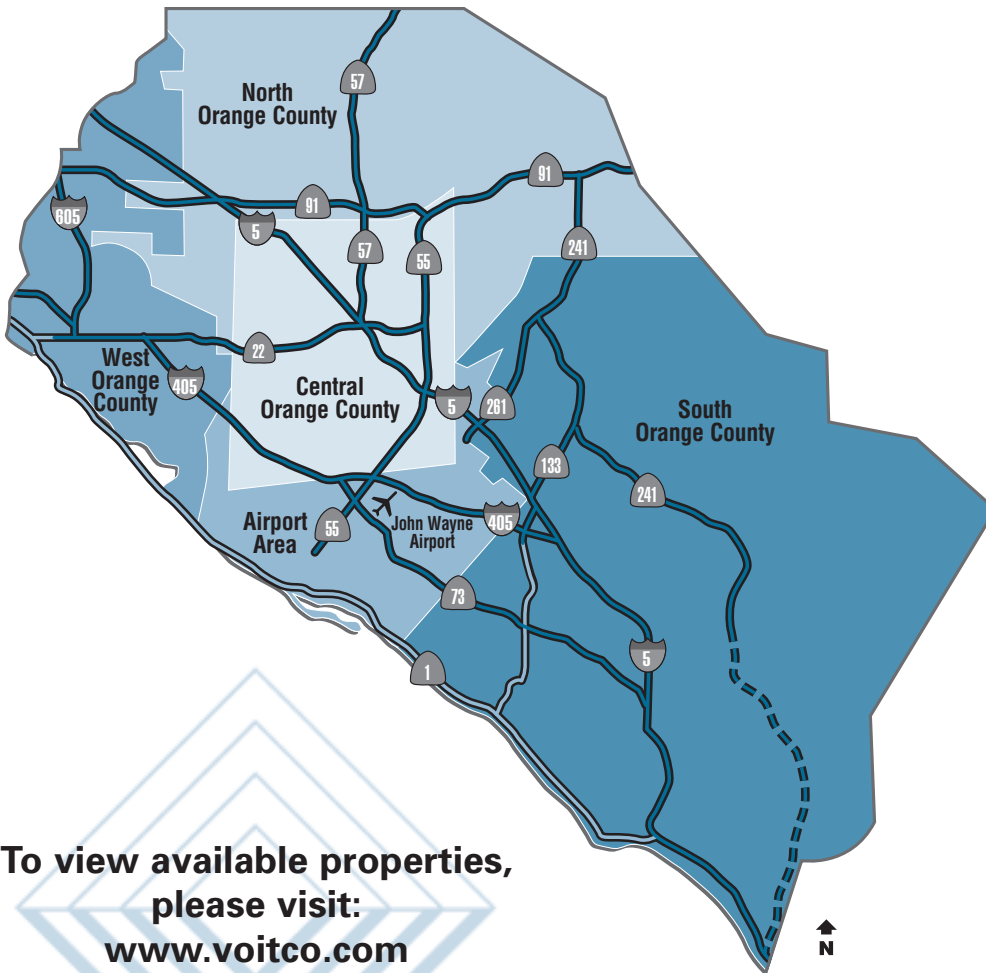
ABSORPTION

	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2005	Square Feet Available	Availability Rate 4Q2005	Average Asking Lease Rate	Net Absorption 4Q2005	Net Absorption 2005
North County											
Anaheim Hills	7	292,180	0	0	8,860	3.03%	8,860	3.03%	\$0.00	2,576	24,750
Anaheim	73	2,607,500	0	0	138,681	5.32%	240,663	9.23%	\$0.85	(27,858)	36,325
Brea	40	1,033,568	0	0	33,072	3.20%	38,225	3.70%	\$0.00	(20,340)	(18,223)
Buena Park	23	888,019	0	0	84,556	9.52%	84,556	9.52%	\$0.00	(5,891)	51,864
Fullerton	37	1,558,019	0	0	6,508	0.42%	68,908	4.42%	\$0.00	10,538	27,050
La Habra	7	107,089	0	0	0	0.00%	0	0.00%	\$0.00	0	0
La Palma	7	272,981	0	0	0	0.00%	939	0.34%	\$1.25	0	0
Placentia	19	545,794	0	0	19,878	3.64%	19,878	3.64%	\$0.69	(5,658)	151
Yorba Linda	54	1,430,811	0	0	120,002	8.39%	191,174	13.36%	\$0.70	46,526	44,277
North County Total	267	8,735,961	0	0	411,557	4.71%	653,203	7.48%	\$0.73	(107)	166,194
West County											
Cypress	44	2,832,799	0	0	176,907	6.24%	218,045	7.70%	\$0.78	88,375	140,604
Huntington Beach	85	1,925,133	0	0	56,514	2.94%	68,135	3.54%	\$0.89	6,823	15,104
Los Alamitos	31	692,980	0	0	10,028	1.45%	16,000	2.31%	\$0.00	4,470	21,563
West County Total	160	5,450,912	0	0	243,449	4.47%	302,180	5.54%	\$0.79	99,668	177,271
Central County											
Anaheim	82	2,091,987	0	10,200	88,731	4.24%	139,094	6.65%	\$1.28	21,984	18,722
Garden Grove	82	2,441,420	0	0	128,989	5.28%	199,949	8.19%	\$0.68	45,144	114,938
Orange	97	1,959,347	0	0	44,991	2.30%	44,991	2.30%	\$0.94	(1,930)	(2,343)
Santa Ana	47	1,300,010	0	0	37,016	2.85%	37,016	2.85%	\$0.00	(5,600)	726
Westminster	23	619,454	0	0	6,880	1.11%	6,880	1.11%	\$0.62	72,019	80,780
Central County Total	331	8,412,218	0	10,200	306,607	3.64%	427,930	5.09%	\$0.77	131,617	212,823
Airport Area											
Costa Mesa	154	3,795,435	39,362	0	269,427	7.10%	293,332	7.73%	\$1.12	18,009	142,060
Fountain Valley	47	1,359,546	0	49,186	46,968	3.45%	56,186	4.13%	\$0.85	10,046	(9,243)
Irvine	283	7,767,943	40,498	0	680,682	8.76%	774,284	9.97%	\$0.92	(43,088)	(33,372)
Newport Beach	24	822,058	0	0	22,441	2.73%	22,441	2.73%	\$0.00	3,753	18,986
Santa Ana	118	3,665,278	0	0	126,476	3.45%	126,476	3.45%	\$1.08	6,804	269,795
Tustin	91	3,139,587	0	0	105,328	3.35%	199,544	6.36%	\$0.85	(24,234)	151,820
Airport Area Total	717	20,549,847	79,860	49,186	1,251,322	6.09%	1,472,263	7.16%	\$0.97	(28,710)	540,046
South County											
Aliso Viejo	44	1,131,626	0	0	44,238	3.91%	99,981	8.84%	\$0.80	105,883	104,664
Foothill Ranch	6	135,698	0	0	0	0.00%	17,789	13.11%	\$0.97	0	0
Irvine Spectrum	259	10,298,372	69,310	0	979,212	9.51%	1,456,127	14.14%	\$1.05	42,579	358,205
Laguna Hills	51	1,098,607	0	0	42,864	3.90%	42,864	3.90%	\$0.95	(1,884)	(15,868)
Laguna Niguel	13	423,047	0	0	21,059	4.98%	71,059	16.80%	\$0.57	(1,555)	(6,360)
Lake Forest	58	1,493,584	0	0	71,559	4.79%	58,288	3.90%	\$1.14	38,858	129,623
Mission Viejo	31	597,025	0	0	49,965	8.37%	54,980	9.21%	\$0.00	(22,668)	(10,539)
Rancho Santa Margarita	53	1,831,385	0	0	76,164	4.16%	88,528	4.83%	\$0.93	28,372	127,955
San Clemente	46	1,030,086	68,273	146,000	119,413	11.59%	148,620	14.43%	\$1.04	(79,534)	(61,400)
San Juan Capistrano	37	539,079	0	0	3,118	0.58%	3,118	0.58%	\$1.25	2,500	332
South County Total	598	18,578,509	137,583	146,000	1,407,592	7.58%	2,041,354	10.99%	\$1.00	112,551	626,612
Orange County Total	2,073	61,727,447	217,443	205,386	3,620,527	5.87%	4,896,930	7.93%	\$0.97	315,019	1,722,946
North County											
10,000 to 24,999	158	2,512,504	0	0	115,545	4.60%	132,900	5.29%	\$0.89	(57,267)	(14,005)
25,000 to 49,999	74	2,531,224	0	0	130,326	5.15%	193,343	7.64%	\$0.69	9,962	61,763
50,000 to 99,999	24	1,630,893	0	0	92,918	5.70%	254,192	15.59%	\$0.90	0	71,238
100,000+	11	2,061,340	0	0	72,768	3.53%	72,768	3.53%	\$0.00	47,198	47,198
West County											
10,000 to 24,999	90	1,331,187	0	0	61,014	4.58%	84,135	6.32%	\$0.89	11,273	26,337
25,000 to 49,999	42	1,418,202	0	0	35,108	2.48%	63,660	4.49%	\$0.80	1,590	91,339
50,000 to 99,999	21	1,330,832	0	0	147,327	11.07%	154,385	11.60%	\$0.83	86,805	59,595
100,000+	7	1,370,691	0	0	0	0.00%	0	0.00%	\$0.00	0	0
Central County											
10,000 to 24,999	231	3,648,684	0	10,200	133,961	3.67%	155,478	4.26%	\$0.84	(1,314)	(21,309)
25,000 to 49,999	75	2,445,630	0	0	101,446	4.15%	189,744	7.76%	\$1.11	57,872	111,847
50,000 to 99,999	17	1,148,944	0	0	52,874	4.60%	66,017	5.75%	\$0.00	76,327	21,233
100,000+	8	1,168,960	0	0	18,326	1.57%	16,691	1.43%	\$0.00	(1,268)	101,052
Airport Area											
10,000 to 24,999	467	7,536,638	12,349	12,100	431,819	5.73%	479,185	6.36%	\$0.98	53,240	87,699
25,000 to 49,999	170	5,787,059	67,511	37,086	303,860	5.25%	398,401	6.88%	\$1.01	71,131	425,352
50,000 to 99,999	58	3,924,423	0	0	346,300	8.82%	406,829	10.37%	\$1.08	(134,340)	31,017
100,000+	22	3,301,727	0	0	169,343	5.13%	187,848	5.69%	\$0.82	(18,741)	(4,022)
South County											
10,000 to 24,999	354	5,838,606	82,594	0	345,485	5.92%	440,127	7.54%	\$1.12	54,584	300,830
25,000 to 49,999	167	5,666,406	0	0	677,015	11.95%	737,031	13.01%	\$0.98	10,169	239,805
50,000 to 99,999	56	3,760,606	54,989	146,000	358,143	9.52%	540,031	14.36%	\$1.01	53,393	33,552
100,000+	21	3,312,891	0	0	26,949	0.81%	324,165	9.78%	\$1.04	(5,595)	52,425
Orange County											
10,000 to 24,999	1,300	20,867,619	94,943	22,300	1,087,824	5.21%	1,291,825	6.19%	\$0.99	60,516	379,552
25,000 to 49,999	528	17,848,521	67,511	37,086	1,247,755	6.99%	1,582,179	8.86%	\$0.95	150,724	930,106
50,000 to 99,999	176	11,795,698	54,989	146,000	997,562	8.46%	1,421,454	12.05%	\$1.00	82,185	216,635
100,000+	69	11,215,609	0	0	287,386	2.56%	601,472	5.36%	\$0.82	21,594	196,653
Orange County Total	2,073	61,727,447	217,443	205,386	3,620,527	5.87%	4,896,930	7.93%	\$0.97	315,019	1,722,946

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 2005



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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 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



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