

FLEX MARKET REPORT

FOURTH
QUARTER
2006

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



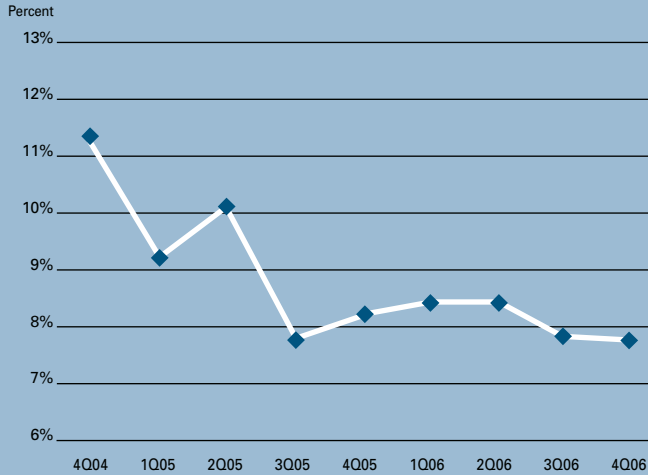
MARKET HIGHLIGHTS

- ◆ Unemployment for the fourth quarter of 2006 in Orange County is 3.4%, which is 0.2% lower than it was when compared to the third quarter of 2006, and is 0.2% lower than it was at the end of last year.
- ◆ According to Chapman University, it is estimated that Orange County added 21,000 new payroll jobs in 2006. Furthermore, they are forecasting 15,000 new payroll jobs will be added to the county in 2007 as the Orange County economy continues to expand.
- ◆ Total space under construction checked in at 290,889 square feet for the fourth quarter of 2006, which is 23.49% less than the amount that was under construction during the fourth quarter of 2005.
- ◆ The flex vacancy rate checked in at a low 7.76%, which is a lower than it was a year ago when it was 8.27%. Another sign of strength is the 365,856 square feet of new product that has been built this year, which has been absorbed.
- ◆ The total amount of flex space available in Orange County, which includes both direct and sublease space, is higher than it was a year ago; 12.79% this quarter as compared to 10.83% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot for Flex space in Orange County is currently at \$1.98 on a triple net basis, which is a 18.56% increase over last year's fourth quarter rate of \$1.67. This is a new record high for lease rates in the flex market.
- ◆ Net absorption for the county this quarter posted a positive number of 107,318 square feet, giving the county a total of over two point six million square feet of positive absorption for the last thirteen 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 5% to 7% in 2006.

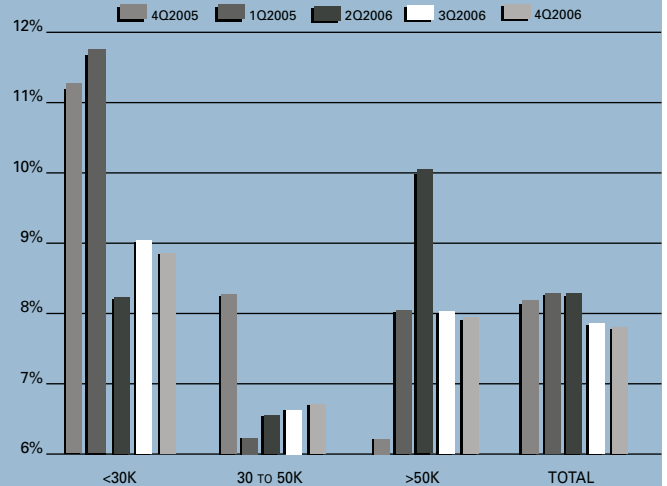
FLEX MARKET STATISTICS

	2006	2005	2004	% CHANGE VS. 2005
Inventory Added	365,856	441,309	392,454	-17.10%
Under Construction	290,889	380,188	341,284	-23.49%
Vacancy Rate	7.76%	8.27%	11.36%	-6.17%
Availability Rate	12.79%	10.83%	15.34%	18.10%
Average Asking Lease Rate	\$1.98	\$1.67	\$1.44	18.56%
Net Absorption	392,999	881,378	968,854	-55.41%
Gross Absorption	2,113,992	2,586,976	2,509,508	-18.28%

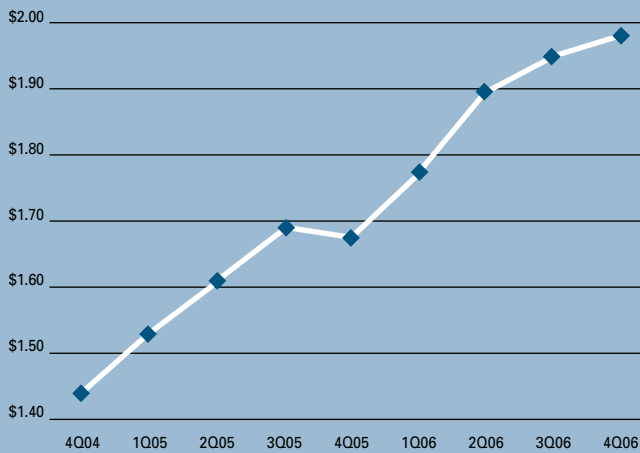
VACANCY RATE



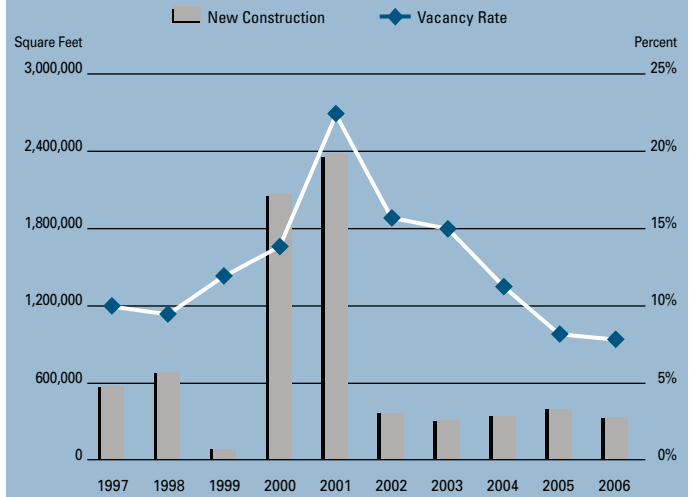
FLEX VACANCY RATE



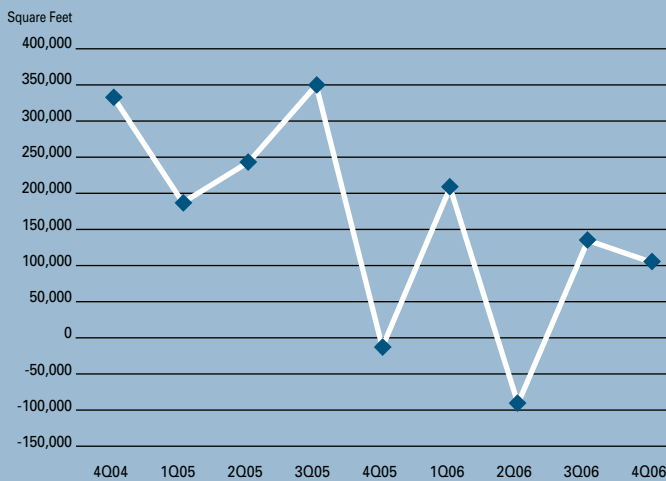
AVERAGE ASKING TRIPLE NET LEASE RATE



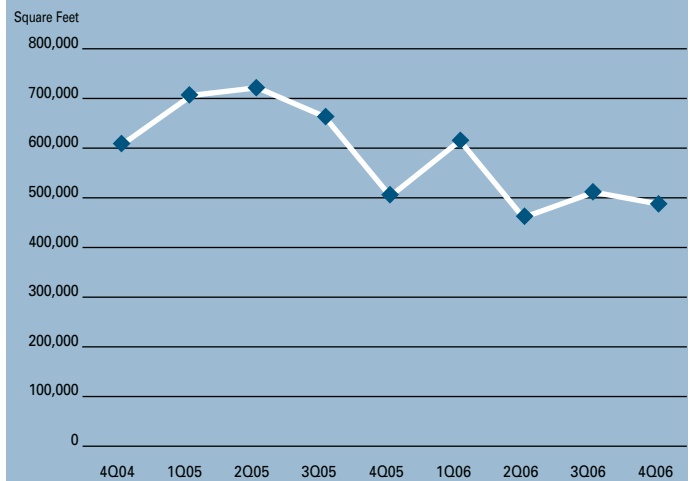
ANNUAL FLEX NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION



GROSS ABSORPTION



ORANGE COUNTY

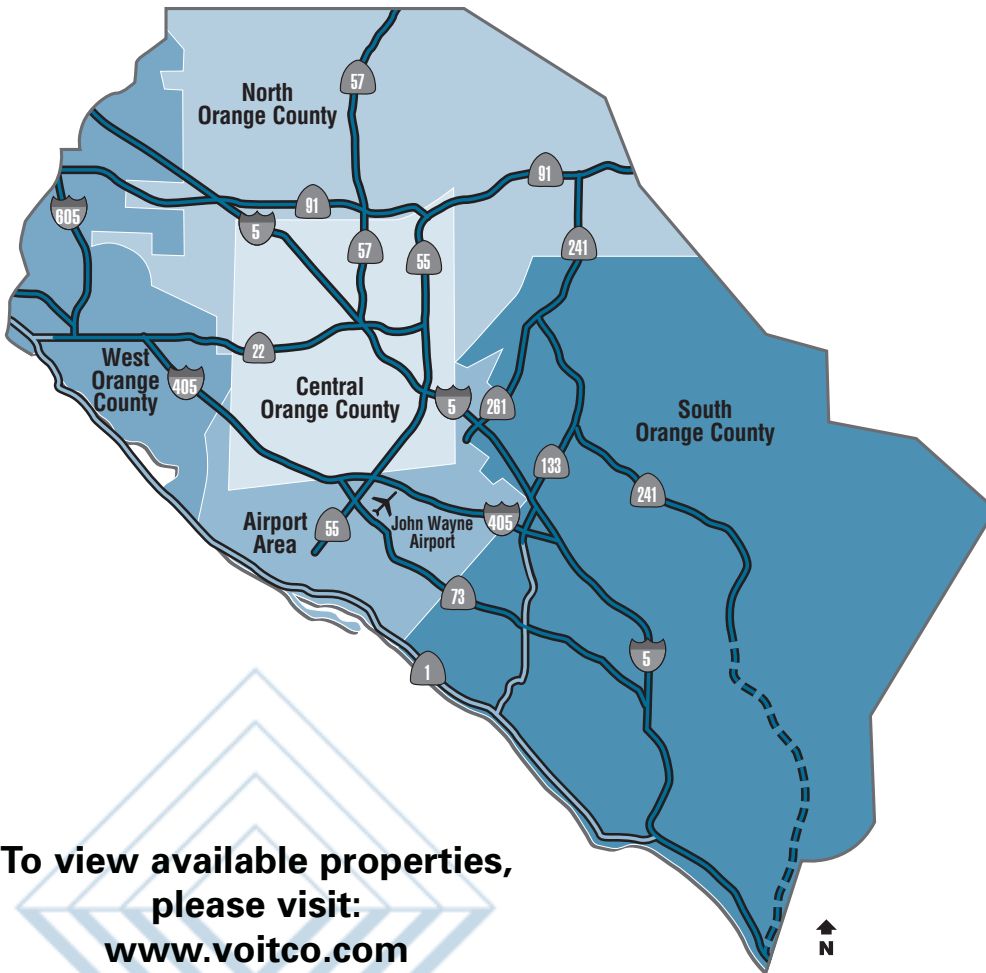
	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2006	Square Feet Available	Availability Rate 4Q2006	Average Asking Lease Rate	Net Absorption 4Q2006	Net Absorption 2006	Net Absorption 2005	Net Absorption 2004
North County													
Anaheim Hills	14	235,969	0	0	15,791	6.69%	15,791	6.69%	\$0.00	(547)	(6,458)	4,803	10,352
Anaheim	6	141,680	0	0	5,311	3.75%	5,311	3.75%	\$0.00	1,100	(150)	14,251	10,561
Brea	17	482,680	0	0	33,663	6.97%	33,135	6.86%	\$0.00	7,024	13,981	(8,726)	72,846
Fullerton	6	63,579	0	20,000	0	0.00%	0	0.00%	\$0.00	1,600	3,600	100	19,700
Placentia	2	32,250	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Yorba Linda	1	10,560	0	0	4,953	46.90%	4,953	46.90%	\$2.25	4,705	(4,953)	0	0
North County Total	46	966,718	0	20,000	59,718	6.18%	59,190	6.12%	\$2.25	13,882	6,020	10,428	113,459
West County													
Cypress	8	324,081	0	0	31,146	9.61%	12,931	3.99%	\$1.40	12,697	31,270	38,313	772
Huntington Beach	3	48,796	40,000	0	7,574	15.52%	7,574	15.52%	\$0.00	(7,574)	(5,326)	10,985	(1,520)
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	\$0.00	0	842	(842)	8,787
West County Total	15	415,882	40,000	0	38,720	9.31%	20,505	4.93%	\$1.40	5,123	26,786	48,456	8,039
Central County													
Anaheim	8	222,958	0	0	4,783	2.15%	4,783	2.15%	\$0.00	134	(4,783)	7,164	49,879
Garden Grove	2	27,400	0	0	0	0.00%	0	0.00%	\$0.00	0	1,260	(1,260)	0
Orange	7	146,612	0	0	0	0.00%	9,349	6.38%	\$0.00	0	646	11,490	34,501
Santa Ana	9	145,334	22,448	3,000	0	0.00%	0	0.00%	\$0.00	0	0	10,011	229
Tustin	2	18,600	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Central County Total	28	560,904	22,448	3,000	4,783	0.85%	14,132	2.52%	\$0.00	134	(2,877)	27,405	84,609
Airport Area													
Costa Mesa	4	53,851	13,380	0	0	0.00%	2,790	5.18%	\$2.05	0	0	14,688	28,090
Irvine	27	3,134,649	31,406	0	152,904	4.88%	299,351	9.55%	\$2.14	(34,019)	81,464	184,544	122,450
Newport Beach	67	627,180	0	0	49,851	7.95%	43,670	6.9%	\$0.00	48,788	58,418	(42,173)	16,610
Santa Ana	9	386,774	0	0	31,044	8.03%	78,870	20.39%	\$1.35	(10,762)	13,998	21,748	(3,730)
Tustin	4	195,686	0	0	48,700	24.89%	48,700	24.89%	\$0.00	0	(48,700)	7,110	24,129
Airport Area Total	111	4,398,140	44,786	0	282,499	6.42%	473,381	10.76%	\$2.09	4,007	105,180	185,917	187,549
South County													
Aliso Viejo	41	1,259,530	0	0	67,362	5.35%	87,922	6.98%	\$1.82	8,121	(13,878)	12,375	35,901
Dana Point	3	54,340	0	0	612	1.13%	612	1.13%	\$2.50	0	2,738	0	0
Foothill Ranch	4	119,659	19,976	0	25,343	21.18%	25,343	21.18%	\$2.35	2,200	(2,800)	29,482	0
Irvine Spectrum	125	3,909,646	128,797	50,000	350,055	8.95%	867,090	22.18%	\$2.00	(18,818)	122,087	292,745	460,580
Laguna Beach	4	97,625	9,382	0	3,079	3.15%	3,079	3.15%	\$0.00	721	321	0	0
Laguna Hills	14	458,766	0	0	65,970	14.38%	68,066	14.84%	\$0.00	2,948	13,553	(42,124)	7,297
Laguna Niguel	3	53,170	25,500	0	0	0.00%	0	0.00%	\$0.00	5,800	0	6,000	7,638
Lake Forest	31	1,239,426	0	0	125,893	10.16%	139,801	11.28%	\$1.54	41,405	41,732	164,714	3,719
Mission Viejo	31	467,957	0	39,550	20,991	4.49%	23,628	5.05%	\$2.50	(2,330)	4,360	43,793	51,427
Rancho Santa Margarita	6	197,311	0	0	9,769	4.95%	12,769	6.47%	\$3.00	17,358	4,985	36,117	11,092
San Clemente	8	180,154	0	0	22,848	12.68%	31,892	17.70%	\$0.00	739	43,567	17,526	2,519
San Juan Capistrano	21	461,425	0	22,000	73,538	15.94%	70,549	15.29%	\$2.60	26,028	41,225	48,544	(1,762)
South County Total	291	8,499,009	183,655	111,550	765,460	9.01%	1,330,751	15.66%	\$1.97	84,172	257,890	609,172	578,411
Orange County Total	491	14,840,653	290,889	134,550	1,151,180	7.76%	1,897,959	12.79%	\$1.98	107,318	392,999	881,378	972,067

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2006	Square Feet Available	Availability Rate 4Q2006	Average Asking Lease Rate	Net Absorption 4Q2006	Net Absorption 2006	Net Absorption 2005	Net Absorption 2004
North County													
0 to 29,999	36	523,076	0	20,000	35,145	6.72%	33,417	6.39%	\$2.25	12,377	8,265	4,166	30,313
30,000 to 49,999	8	320,642	0	0	22,858	7.13%	24,058	7.50%	\$0.00	1,100	(2,650)	2,016	4,615
50,000+	2	123,000	0	0	1,715	1.39%	1,715	1.39%	\$0.00	405	405	4,246	78,531
West County													
0 to 29,999	9	97,114	0	0	7,574	7.80%	7,574	7.80%	\$0.00	188	9,316	30,182	(2,740)
30,000 to 49,999	3	118,562	40,000	0	0	0.00%	0	0.00%	\$0.00	5,135	20,480	37,783	(14,200)
50,000+	3	200,206	0	0	31,146	15.56%	12,931	6.46%	\$1.40	(200)	(3,010)	(19,509)	24,979
Central County													
0 to 29,999	23	313,945	22,448	3,000	4,783	1.52%	14,132	4.50%	\$0.00	134	(3,523)	22,083	14,957
30,000 to 49,999	1	33,070	0	0	0	0.00%	0	0.00%	\$0.00	0	0	1,867	19,652
50,000+	4	213,889	0	0	0	0.00%	0	0.00%	\$0.00	0	646	3,455	50,000
Airport Area													
0 to 29,999	34	533,922	44,786	0	26,288	4.92%	33,863	6.34%	\$1.35	2,538	12,007	49,512	60,711
30,000 to 49,999	39	1,602,578	0	0	83,253	5.19%	140,749	8.78%	\$2.08	16,841	21,737	121,913	66,866
50,000+	38	2,261,640	0	0	170,529	7.54%	296,340	13.10%	\$2.16	(15,372)	71,436	14,492	61,192
South County													
0 to 29,999	159	2,374,767	153,655	61,550	265,556	11.18%	332,701	14.01%	\$2.00	12,622	289,255	316,781	(14,032)
30,000 to 49,999	82	3,242,463	30,000	0	253,652	7.82%	458,360	14.14%	\$1.99	57,342	107,191	69,718	153,617
50,000+	50	2,881,779	0	50,000	248,681	8.63%	542,119	18.81%	\$1.93	14,208	(138,556)	222,673	438,826
Orange County Total													
0 to 29,999	261	3,842,824	220,889	84,550	339,346	8.83%	421,687	10.97%	\$2.01	27,859	315,320	422,724	89,209
30,000 to 49,999	133	5,317,315	70,000	0	359,763	6.77%	623,167	11.72%	\$2.01	80,418	146,758	233,297	230,550
50,000+	97	5,680,514	0	50,000	452,071	7.96%	853,105	15.02%	\$1.95	(959)	(69,079)	225,357	653,528
Orange County Total	491	14,840,653	290,889	134,550	1,151,180	7.76%	1,897,959	12.79%	\$1.98	107,318	392,999	881,378	972,067

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

FLEX MARKET REPORT

FOURTH QUARTER 2006



To view available properties,
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SUBMARKETS

NORTH

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

WEST

Cypress, Huntington Beach, 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:

ANAHEIM METRO OFFICE

3500 W. Orangewood Ave.
Orange, California 92868-1642

TEL: 714.978.7880

FAX: 714.978.9431

IRVINE OFFICE

2020 Main St., Suite 100
Irvine, CA 92614

TEL: 949.851.5100

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