

R & D MARKET REPORT

FOURTH
QUARTER
2006

Compared to
last quarter:

VACANCY

DOWN

ABSORPTION

UP

LEASE RATES

UP

CONSTRUCTION

DOWN

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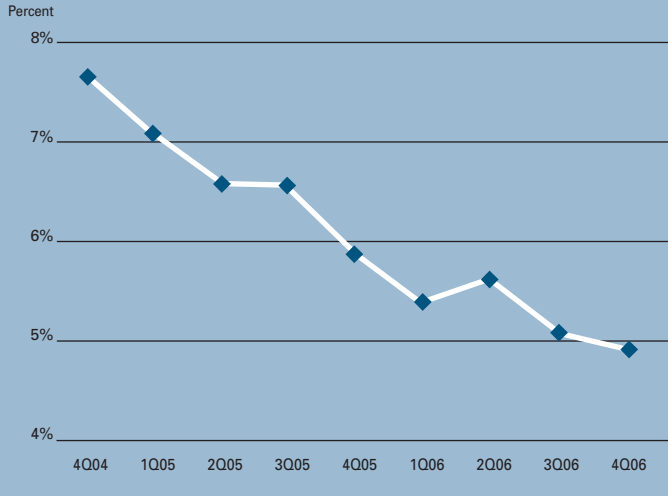
MARKET HIGHLIGHTS

- ◆ 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 140,414 square feet for the fourth quarter of 2006, which is 35.42% less than the amount that was under construction in the fourth quarter of 2005.
- ◆ The R&D vacancy rate checked in at a low 4.93%, which is lower than it was a year ago when it was 5.87% and represents a new record low. 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; 5.87% this quarter as compared to 7.93% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.24, which is 27.84% higher than it was this time last year. This is a new record high for lease rates in the R&D market.
- ◆ Net absorption for the R&D market this quarter posted a positive number of 181,374 square feet, giving the R&D Market in Orange County a total of over 4 million square feet of positive absorption for the last ten 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 10% in 2006.

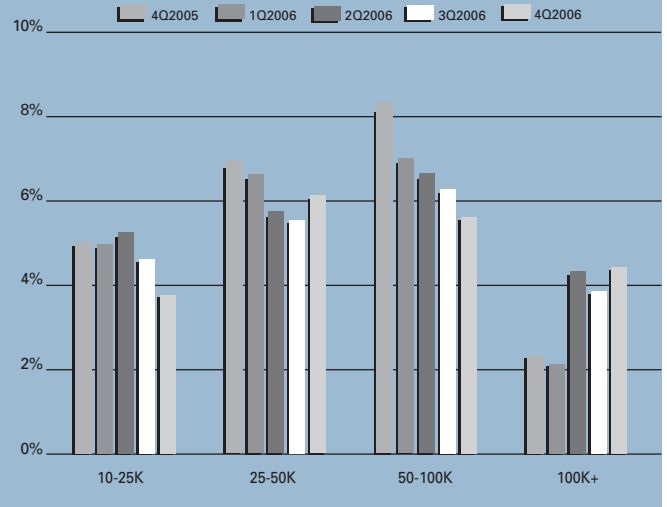
R&D MARKET STATISTICS

	2006	2005	2004	% CHANGE VS. 2005
Inventory Added	443,928	353,295	633,562	25.65%
Under Construction	140,414	217,443	191,181	-35.42%
Vacancy Rate	4.93%	5.87%	7.62%	-16.01%
Availability Rate	5.87%	7.93%	9.54%	-25.98%
Average Asking Lease Rate	\$1.24	\$0.97	\$0.89	27.84%
Net Absorption	1,055,755	1,722,946	1,198,490	-38.72%
Gross Absorption	5,458,356	6,586,718	5,210,409	-17.13%

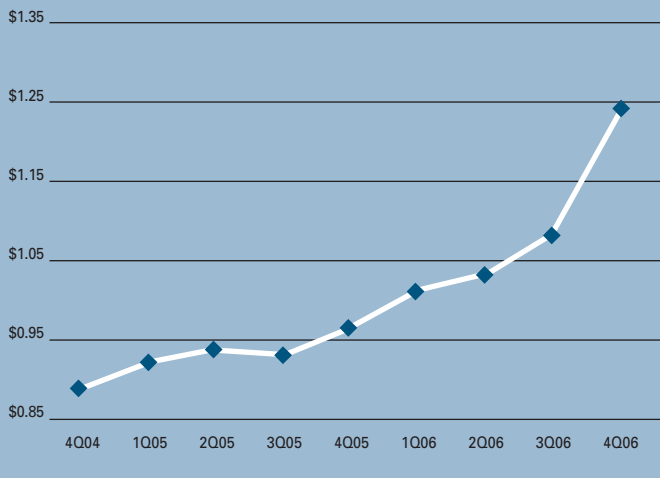
VACANCY RATE



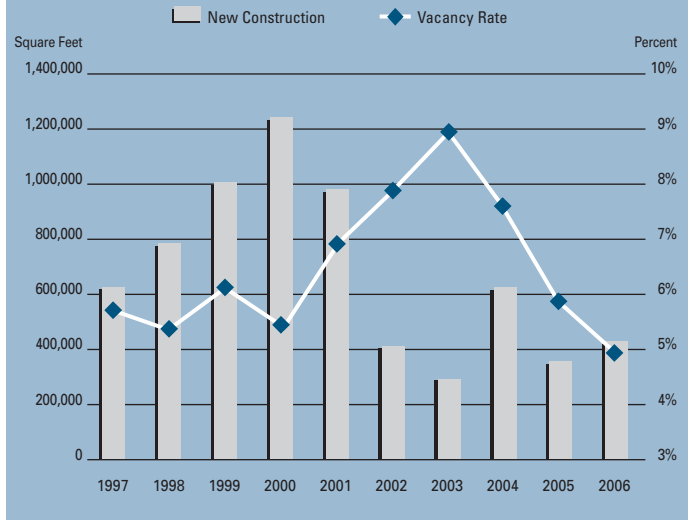
R&D VACANCY RATE



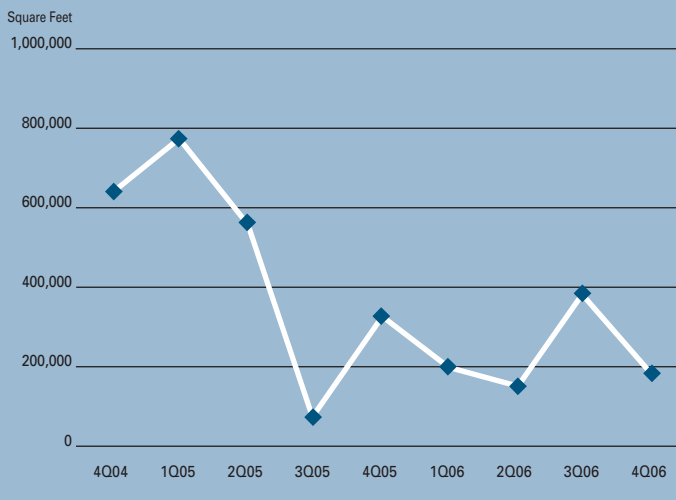
AVERAGE ASKING TRIPLE NET LEASE RATE



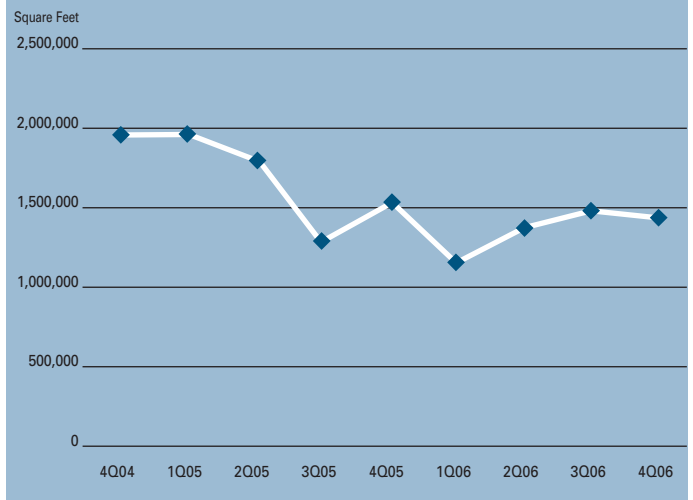
ANNUAL R&D NEW CONSTRUCTION VS. VACANCY RATE



NET ABSORPTION

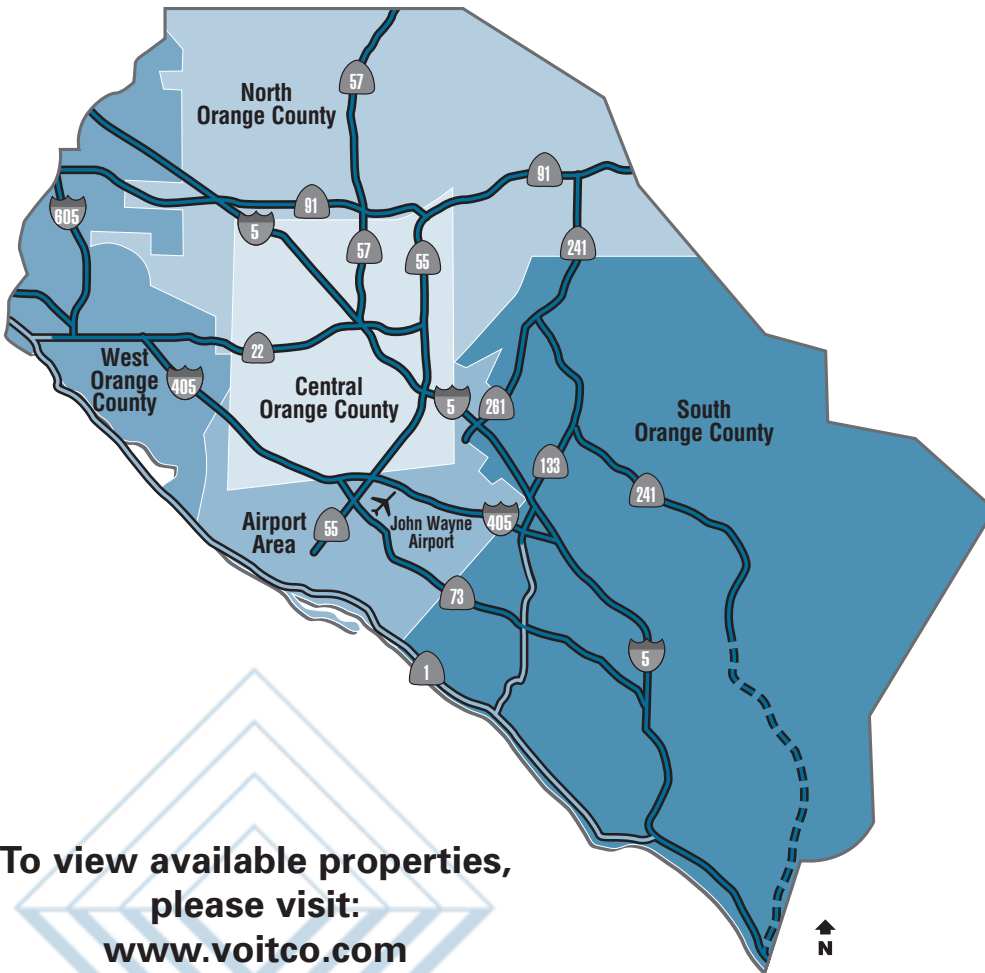


GROSS ABSORPTION



R & D MARKET
REPORT

FOURTH QUARTER 2006



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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:

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