



Flex Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption

DOWN

Lease Rates

DOWN

Construction



UP

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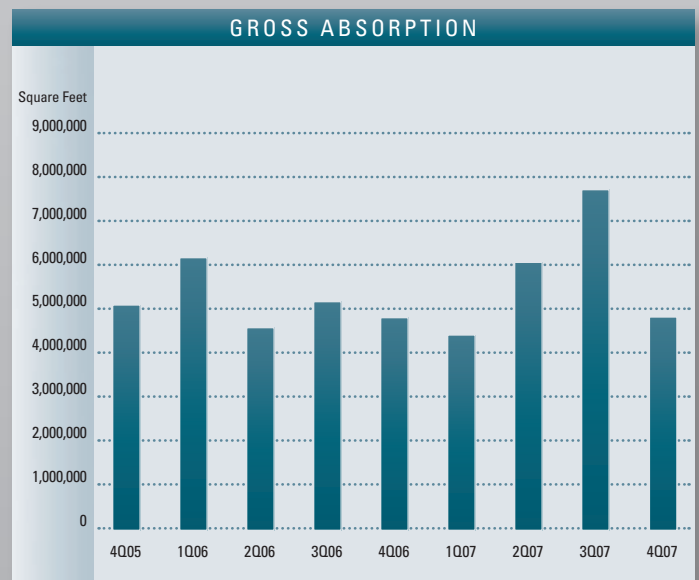
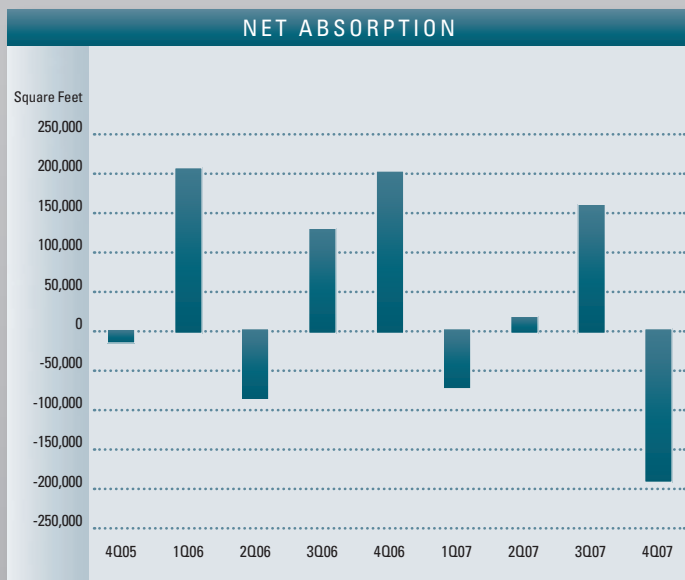
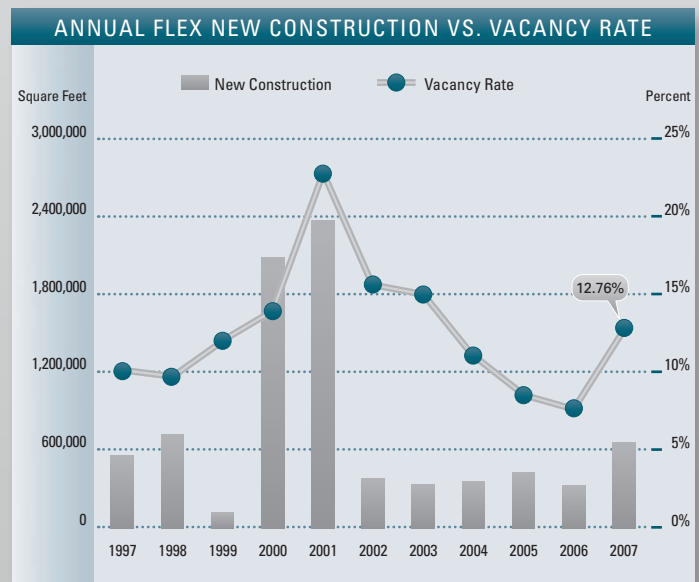
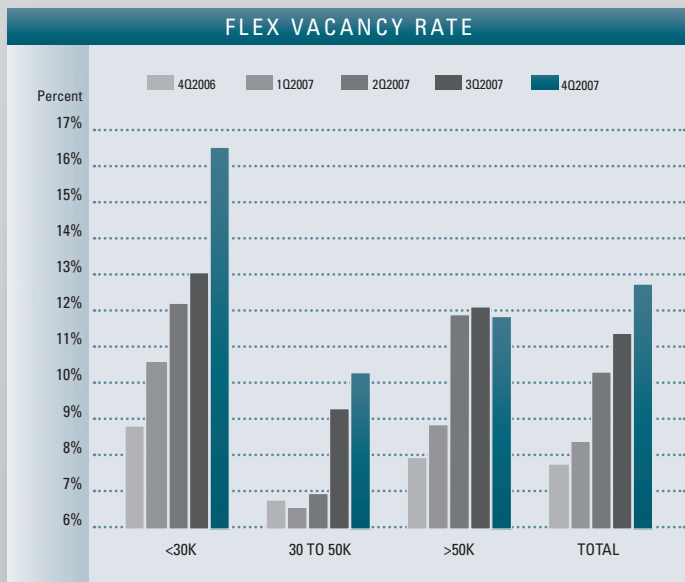
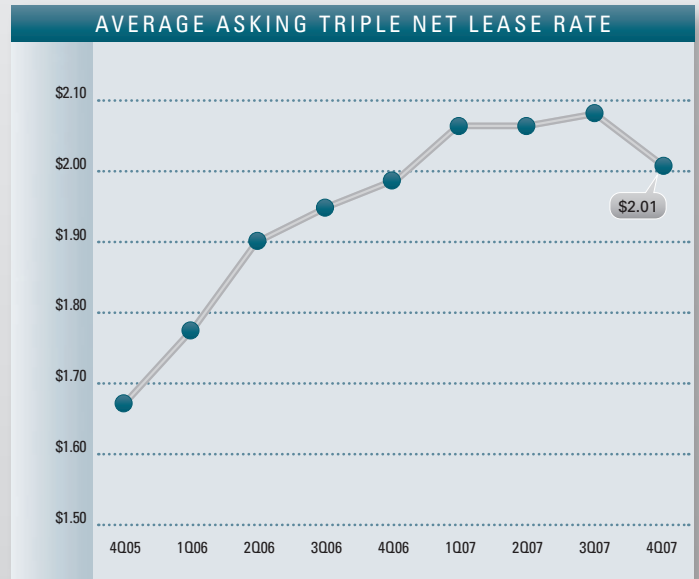
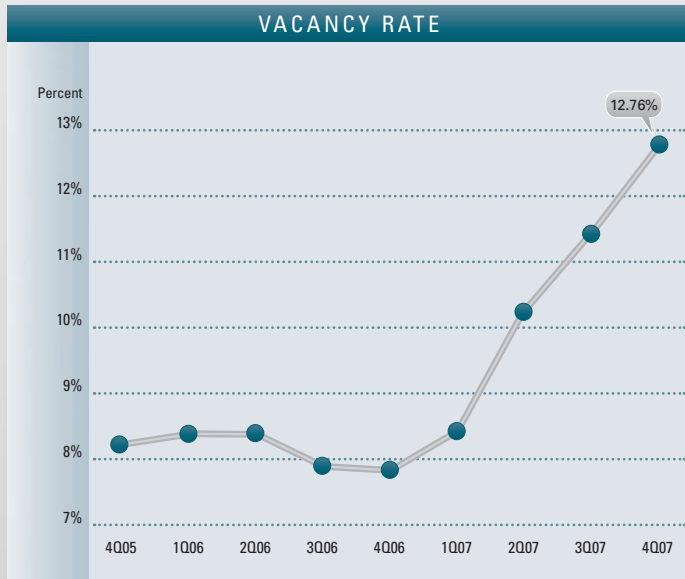
Market Highlights

- ◆ The Orange County flex market is currently in a transitional phase. With vacancy rates increasing due to slowing demand and the completion of a lot of new office construction in 2007, along with the mortgage industry and credit conflicts, some challenges exist. However, the region's strong local economy and high quality of life continue to make it a desirable location for business. The growing influence of new industries such as high technology, biotechnology and healthcare should further diversify the local economy and help to rejuvenate the office market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The flex vacancy rate registered 12.76%, which is higher than it was a year ago when it was 7.76%. This increase is due to the new flex buildings that have been delivered to the market in the last 12 months, coupled with the residential housing market problems.
- ◆ 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; 17.07% this quarter as compared to 12.79% this quarter last year.
- ◆ The average asking Triple Net lease rate per month per foot for flex space in Orange County is currently at \$2.01 on a triple net basis, which is a 1.52% increase over last year's fourth quarter rate of \$1.98.
- ◆ Net absorption for the county this quarter posted a negative number of 190,220 square feet, giving the county a total of over 2.3 million square feet of positive absorption over the last 4 years.
- ◆ The level of activity registered at 2.3 million square feet for 2007. This is an increase from the 2.1 million square feet that occurred in 2006. Almost 25% of the activity that occurred in 2007 was sublet space.
- ◆ Total space under construction checked in at 286,978 square feet for the fourth quarter of 2007, which is a 1.34% decrease from the 290,889 square feet under construction during the fourth quarter of 2006. Another sign of strength is the 667,258 square feet of new product that was delivered in 2007.
- ◆ According to Chapman University, it is estimated that Orange County added 7,115 new payroll jobs in 2007. Furthermore, they are forecasting 2,361 payroll jobs will be lost to the county in 2008. UCLA is forecasting zero job creation, the LAEDC is forecasting 15,300 new jobs, and California State University of Fullerton is predicting 32,250 new jobs in 2008.
- ◆ Unemployment for the fourth quarter of 2007 in Orange County is 4.2%, which is the same as it was when compared to last quarter, and is 0.8% higher than it was a year ago.
- ◆ Lease rates are expected to remain at current levels for the short run, and concessions should begin to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances, as new inventory becomes available from vacancies and construction deliveries.

FLEX MARKET OVERVIEW

	2007	2006	2005	% CHANGE VS. 2006
Inventory Added	667,258	365,856	441,309	82.38%
Under Construction	286,978	290,889	380,188	-1.34%
Vacancy Rate	12.76%	7.76%	8.27%	64.43%
Availability Rate	17.07%	12.79%	10.83%	33.46%
Average Asking Lease Rate	\$2.01	\$1.98	\$1.67	1.52%
Net Absorption	(190,220)	392,999	881,378	N/A
Gross Absorption	2,273,464	2,113,992	2,586,976	7.54%

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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, please contact:

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