



R&D Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

Vacancy



UP

Absorption

DOWN

Lease Rates



UP

Construction

DOWN

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Market Highlights

- ◆ The Research & Development vacancy rate checked in at a low 4.39%, which is lower than it was a year ago when it was 4.93%. This lack of supply is creating a lot of constrained demand for R&D space in Orange County and continues to put upward pressure on lease and sale rates.
- ◆ The total amount of R&D space available in Orange County, which includes both direct and sublease space, is higher than it was a year ago; 6.57% this quarter as compared to 5.87% this quarter last year. This historically low rate will continue to put upward pressure on lease and sale rates going forward.
- ◆ The average asking Triple Net lease rate per month per foot in Orange County is currently \$1.22, which is two cents lower than it was this time last year.
- ◆ Net absorption for the R&D market this quarter posted a negative number of 65,767 square feet, giving the R&D Market in Orange County a total of approximately 4 million square feet of positive absorption for the last three years, 537,571 square feet of which occurred in 2007.
- ◆ The level of activity registered at 4.7 million square feet for 2007. This is down 13.91% when compared to 2006, due to the lack of available space and slowing demand.
- ◆ There is currently no space under construction this quarter. The shrinking availability of land is only allowing for the development of primarily small, for-sale buildings. This lack of available land, coupled with the high land prices and rising construction costs, has led to few centers being developed in this infill market.
- ◆ Despite a low level of development activity, Orange County remains a strong investment market. Some of Orange County's key investors include First Industrial Realty Trust, Sares-Regis Group, BPG Properties, Greenlaw Partners, ProLogis, TA Associates Realty, ING Clarion and RREEF.

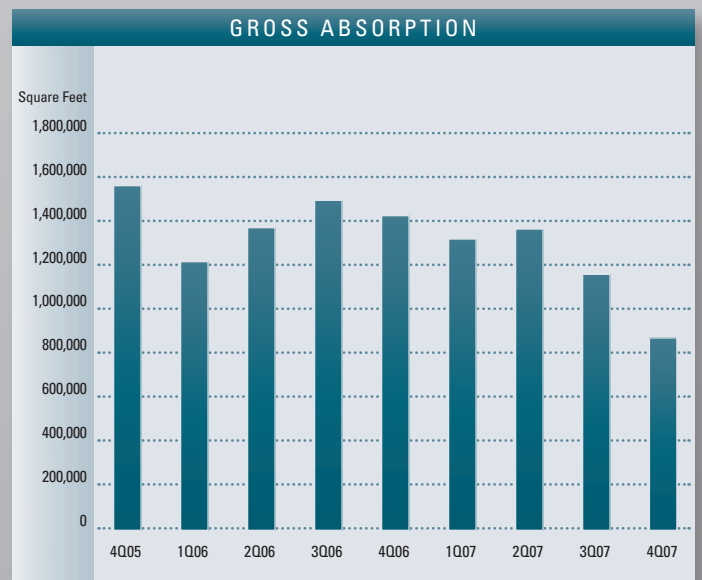
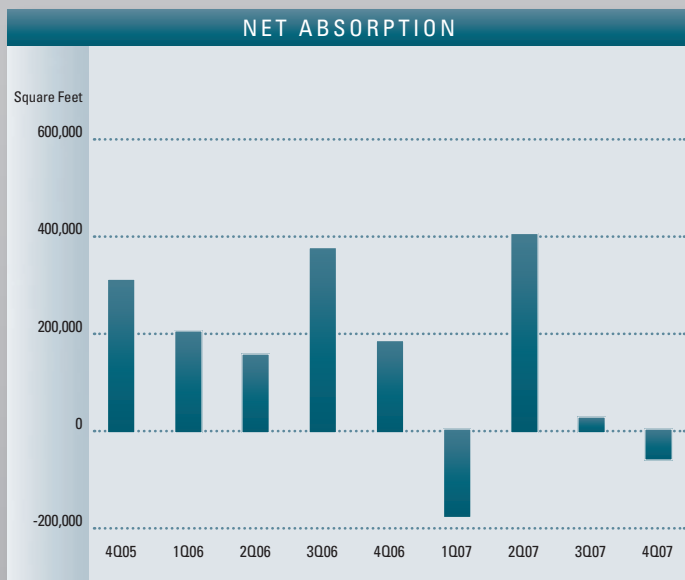
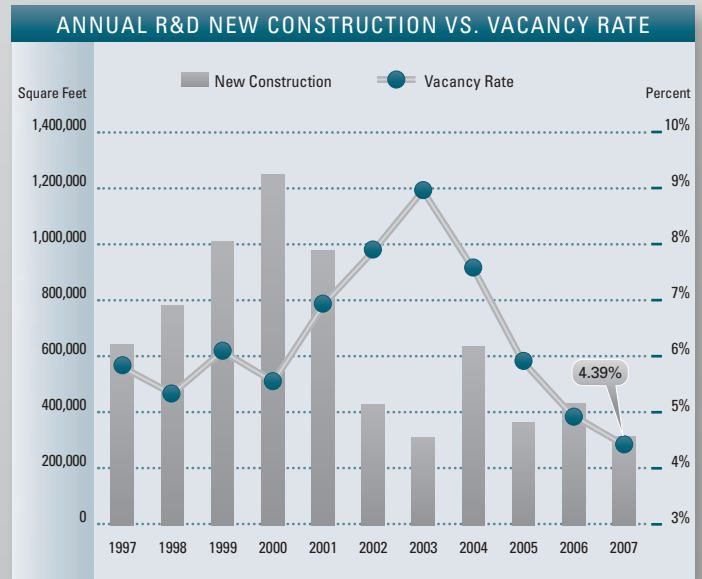
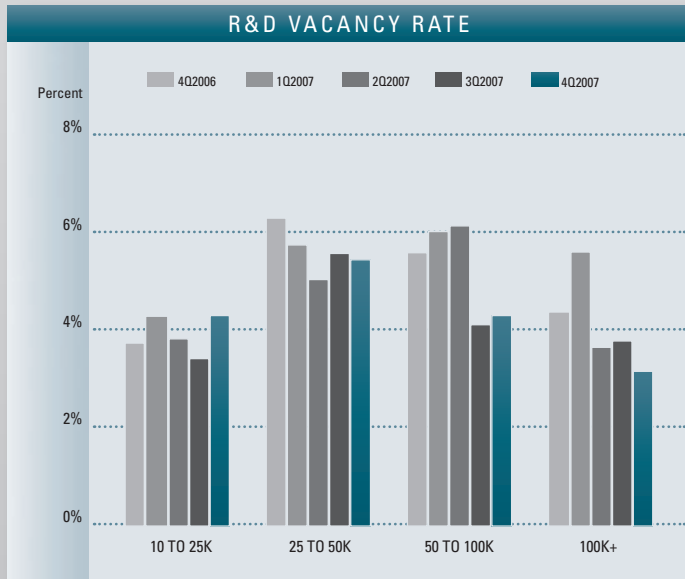
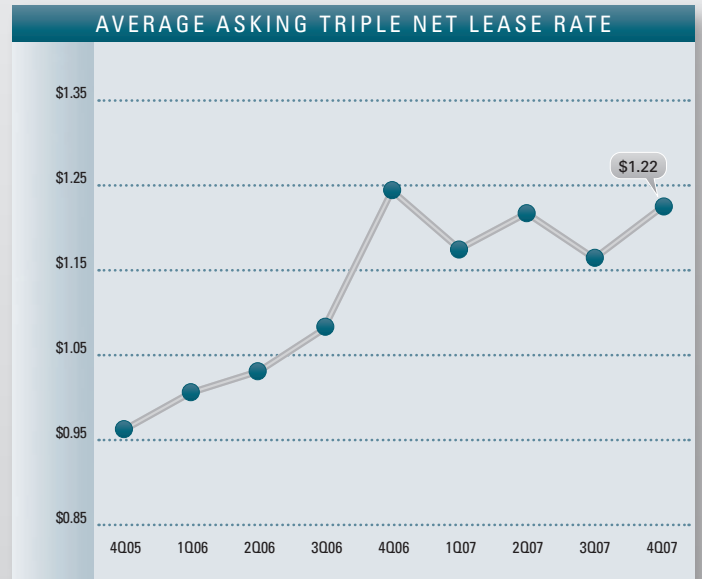
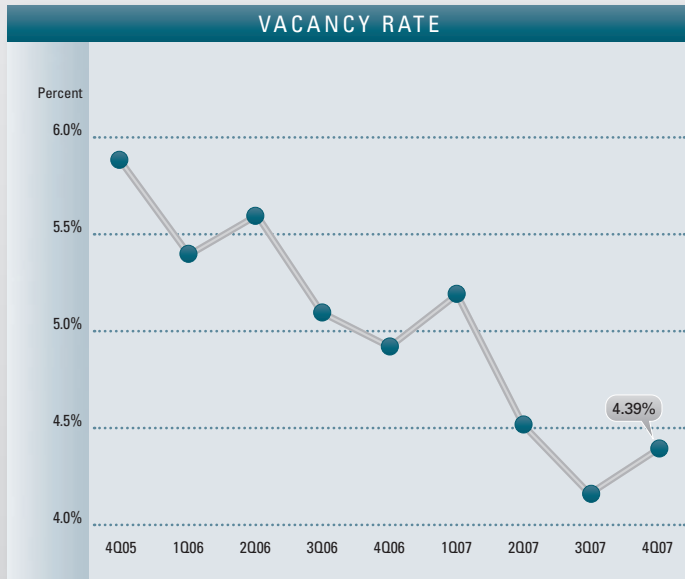
The Commercial Mortgage Backed Securities (CMBS) market, to date, has not affected the investment market in terms of availability or pricing. Demand for investment remains high with aggressive pricing and cap rates averaging 5.5 percent for Class A buildings, 6.5 percent for Class C buildings, and Class B buildings midrange at 6 percent.

- ◆ 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.
- ◆ Rental rates are expected to increase at moderate levels in the short run, and concessions will remain minimal. These conditions will put some upward pressure on lease rates going forward. We should see lease rate growth of 3% to 5% during 2008.
- ◆ Looking ahead to 2008, the R&D market will exhibit many similar characteristics of 2007. Limited opportunities for new development will open with land and sales prices remaining high. Multi-tenant, manufacturing and distribution buildings will not undergo development, as no large land parcels will become available. R&D buildings for both sale and lease will remain viable options for those looking to enter the Orange County industrial market.

R & D MARKET OVERVIEW

	2007	2006	2005	% CHANGE VS. 2006
Inventory Added	308,814	443,928	353,295	-30.44%
Under Construction	0	140,414	217,443	-100.00%
Vacancy Rate	4.39%	4.93%	5.87%	-10.95%
Availability Rate	6.57%	5.87%	7.93%	11.93%
Average Asking Lease Rate	\$1.22	\$1.24	\$0.97	-1.61%
Net Absorption	537,571	1,055,755	1,722,946	-49.08%
Gross Absorption	4,698,901	5,458,356	6,586,718	-13.91%

Real People. Real Solutions.



	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2007	Square Feet Available	Availability Rate 4Q2007	Average Asking Lease Rate	Net Absorption 4Q2007	Net Absorption 2007	Net Absorption 2006	Net Absorption 2005
North County													
Anaheim Hills	7	293,786	0	0	20,790	7.08%	20,790	7.08%	\$0.00	(4,951)	(4,930)	(7,000)	24,750
Anaheim	75	2,447,505	0	0	30,960	1.26%	40,655	1.66%	\$0.75	47,765	52,686	61,202	36,325
Brea	43	1,722,222	0	0	107,532	6.24%	107,856	6.26%	\$0.00	16,737	(27,980)	(10,373)	(18,223)
Buena Park	25	933,409	0	0	69,196	7.41%	37,905	4.06%	\$0.00	(3,189)	(18,823)	33,538	51,864
Fullerton	36	973,596	0	0	24,283	2.49%	34,296	3.52%	\$0.00	(21,801)	1,475	(19,250)	27,050
La Habra	5	83,589	0	0	2,268	2.71%	2,268	2.71%	\$0.00	732	(2,268)	0	0
La Palma	7	269,054	0	0	36,415	13.53%	36,415	13.53%	\$1.40	0	(36,415)	0	0
Placentia	17	487,467	0	0	1,460	0.30%	15,775	3.24%	\$0.00	480	4,445	13,973	151
Yorba Linda	52	1,382,472	0	0	160,537	11.61%	236,253	17.09%	\$0.85	(101,734)	(67,690)	(17,765)	44,277
North County Total	267	8,593,100	0	0	453,441	5.28%	532,213	6.19%	\$0.83	(65,961)	(99,500)	54,325	166,194
West County													
Cypress	43	2,694,232	0	0	53,071	1.97%	407,063	15.11%	\$1.00	(786)	30,291	91,194	140,604
Huntington Beach	127	2,328,753	0	0	45,761	1.97%	69,350	2.98%	\$0.83	16,006	34,869	(35,352)	15,104
Seal Beach	30	647,852	0	0	36,718	5.67%	52,262	8.07%	\$1.35	(16,437)	(27,198)	1,008	21,563
West County Total	200	5,670,837	0	0	135,550	2.39%	528,675	9.32%	\$0.88	(1,217)	37,962	56,850	177,271
Central County													
Anaheim	72	1,884,745	0	0	80,296	4.26%	137,538	7.30%	\$1.15	(2,359)	(24,763)	45,914	18,722
Garden Grove	84	2,651,878	0	0	175,963	6.64%	216,270	8.16%	\$1.07	(68,244)	115,543	(4,741)	114,938
Orange	103	2,201,994	0	0	35,441	1.61%	40,728	1.85%	\$0.95	(22,735)	1,871	7,822	(2,343)
Santa Ana	59	1,421,521	0	0	28,131	1.98%	33,891	2.38%	\$1.17	(9,231)	(19,811)	24,522	726
Tustin	28	917,255	0	0	18,576	2.03%	18,576	2.03%	\$0.00	(16,642)	3,819	(13,695)	80,780
Central County Total	346	9,077,393	0	0	338,407	3.73%	447,003	4.92%	\$1.07	(119,211)	76,659	59,822	212,823
Airport Area													
Costa Mesa	176	4,026,789	0	0	83,474	2.07%	118,761	2.95%	\$1.14	27,929	193,843	48,025	142,060
Fountain Valley	49	1,370,113	0	49,186	11,962	0.87%	11,962	0.87%	\$0.95	5,424	19,841	(11,830)	(9,243)
Irvine	292	7,764,862	0	0	276,878	3.57%	501,080	6.45%	\$1.20	(47,032)	144,762	501,475	(33,372)
Newport Beach	23	764,024	0	0	42,533	5.57%	42,533	5.57%	\$0.00	(17,543)	(20,971)	2,179	18,986
Santa Ana	130	4,064,065	0	0	181,347	4.46%	108,986	2.68%	\$0.90	7,232	53,457	(102,203)	269,795
Tustin	88	3,019,964	0	0	138,568	4.59%	185,209	6.13%	\$1.32	(6,088)	(15,447)	44,184	151,820
Airport Area Total	758	21,009,817	0	49,186	734,762	3.50%	968,531	4.61%	\$1.17	(30,078)	375,485	481,830	540,046
South County													
Aliso Viejo	42	1,013,296	0	0	14,690	1.45%	84,924	8.38%	\$1.38	5,906	6,843	22,705	104,664
Foothill Ranch	6	135,698	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Irvine Spectrum	305	11,402,513	0	0	923,970	8.10%	1,408,765	12.35%	\$1.27	143,855	93,179	246,382	358,205
Laguna Hills	69	1,535,853	0	0	46,944	3.06%	39,027	2.54%	\$1.40	9,416	29,130	1,005	(15,868)
Laguna Niguel	23	697,478	0	0	21,995	3.15%	19,595	2.81%	\$0.00	(7,143)	23,930	(4,766)	(6,360)
Lake Forest	73	1,742,426	0	0	70,510	4.05%	64,197	3.68%	\$1.19	(18,034)	(13,858)	(15,736)	129,623
Mission Viejo	36	703,623	0	0	34,052	4.84%	38,806	5.52%	\$0.00	(4,845)	(6,549)	18,099	(10,539)
Rancho Santa Margarita	48	1,708,603	0	0	6,712	0.39%	17,201	1.01%	\$0.00	336	10,342	3,488	127,955
San Clemente	45	999,542	0	298,623	48,942	4.90%	100,445	10.05%	\$1.23	17,943	11,916	128,425	(61,400)
San Juan Capistrano	47	685,440	0	239,012	21,207	3.09%	16,904	2.47%	\$0.00	3,266	(7,968)	3,326	332
South County Total	694	20,624,472	0	537,635	1,189,022	5.77%	1,789,864	8.68%	\$1.28	150,700	146,965	402,928	626,612
Orange County Total	2,265	64,975,619	0	586,821	2,851,182	4.39%	4,266,286	6.57%	\$1.22	(65,767)	537,571	1,055,755	1,722,946
North County													
10,000 to 24,999	158	2,487,274	0	0	109,954	4.42%	152,623	6.14%	\$0.91	25,423	65,782	10,735	(14,005)
25,000 to 49,999	74	2,498,246	0	0	134,751	5.39%	154,321	6.18%	\$1.06	(1,219)	(27,321)	(51,321)	61,763
50,000 to 99,999	24	1,602,121	0	0	190,695	11.90%	207,228	12.93%	\$1.10	(85,282)	(119,920)	22,143	71,238
100,000+	11	2,005,459	0	0	18,041	0.90%	18,041	0.90%	\$0.00	(4,883)	(18,041)	72,768	47,198
West County													
10,000 to 24,999	138	2,083,733	0	0	56,242	2.70%	66,026	3.17%	\$0.88	13,449	246	(2,658)	26,337
25,000 to 49,999	37	1,232,085	0	0	61,431	4.99%	95,182	7.73%	\$1.15	(22,016)	(1,994)	(27,381)	91,339
50,000 to 99,999	19	1,202,895	0	0	17,877	1.49%	127,535	10.60%	\$0.95	7,350	39,710	86,889	59,595
100,000+	6	1,152,124	0	0	0	0.00%	239,932	20.83%	\$0.00	0	0	0	0
Central County													
10,000 to 24,999	242	3,868,740	0	0	110,747	2.86%	129,624	3.35%	\$1.01	(38,697)	(9,480)	42,078	(21,309)
25,000 to 49,999	78	2,552,488	0	0	130,346	5.11%	178,049	6.98%	\$0.00	(26,219)	(24,733)	(48,124)	111,847
50,000 to 99,999	16	1,095,204	0	0	61,540	5.62%	103,556	9.46%	\$0.00	(55,903)	(59,260)	50,594	21,233
100,000+	9	1,550,961	0	0	35,774	2.31%	35,774	2.31%	\$0.00	1,608	170,132	15,274	101,052
Airport Area													
10,000 to 24,999	514	8,220,736	0	12,100	314,610	3.83%	374,576	4.56%	\$1.13	(27,251)	(21,274)	200,293	87,699
25,000 to 49,999	169	5,724,739	0	37,086	233,385	4.08%	295,583	5.16%	\$1.21	(1,213)	16,480	73,617	425,352
50,000 to 99,999	54	3,644,917	0	0	85,839	2.36%	279,631	7.67%	\$1.38	(1,614)	189,474	97,249	31,017
100,000+	22	3,429,425	0	0	100,928	2.94%	18,741	0.55%	\$0.00	0	190,805	110,671	(4,022)
South County													
10,000 to 24,999	433	7,210,391	0	172,737	431,691	5.99%	545,170	7.56%	\$1.40	(40,329)	12,787	140,940	300,830
25,000 to 49,999	182	6,145,630	0	138,898	414,096	6.74%	666,133	10.84%	\$1.25	91,976	124,544	220,533	239,805
50,000 to 99,999	57	3,779,503	0	226,000	143,717	3.80%	261,538	6.92%	\$1.22	47,987	154,483	69,175	33,552
100,000+	22	3,488,948	0	0	199,518	5.72%	317,023	9.09%	\$0.00	51,066	(144,849)	(27,720)	52,425
Orange County													
10,000 to 24,999	1,485	23,870,874	0	184,837	1,023,244	4.29%	1,268,019	5.31%	\$1.24	(67,405)	48,061	391,388	379,552
25,000 to 49,999	540	18,153,188	0	175,984	974,009	5.37%	1,389,268	7.65%	\$1.27	41,309	86,976	167,324	930,106
50,000 to 99,999	170	11,324,640	0	226,000	499,668	4.41%	979,488	8.65%	\$1.12	(87,462)	204,487	326,050	216,635
100,000+	70	11,626,917	0	0	354,261	3.05%	629,511	5.41%	\$0.00	47,791	198,047	170,993	196,653
Orange County Total	2,265	64,975,619	0	586,821	2,851,182	4.39%	4,266,286	6.57%	\$1.22	(65,767)	537,571	1,055,755	1,722,946

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple net basis.



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, please contact:

ANAHEIM METRO OFFICE

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

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FAX: 714.978.9431

CHULA VISTA OFFICE

660 Bay Blvd., Suite 210
Chula Vista, CA 91910

TEL: 619.498.4560

FAX: 619.498.4567

IRVINE OFFICE

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Irvine, CA 92614

TEL: 949.851.5100

FAX: 949.261.9092

LAS VEGAS OFFICE

10100 W. Charleston Blvd.,
Suite 200

Las Vegas, NV 89135

TEL: 702.734.4500

FAX: 702.733.7690

SAN DIEGO OFFICE

4370 La Jolla Village Dr.,
Suite 990

San Diego, CA 92122-1233

TEL: 858.453.0505

FAX: 858.453.1981

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