



Flex Market Report

VOIT COMMERCIAL BROKERAGE

Compared to last quarter:

**Vacancy
DOWN**



Absorption



UP

**Lease Rates
DOWN**



Construction

DOWN



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Voit

Commercial Brokerage



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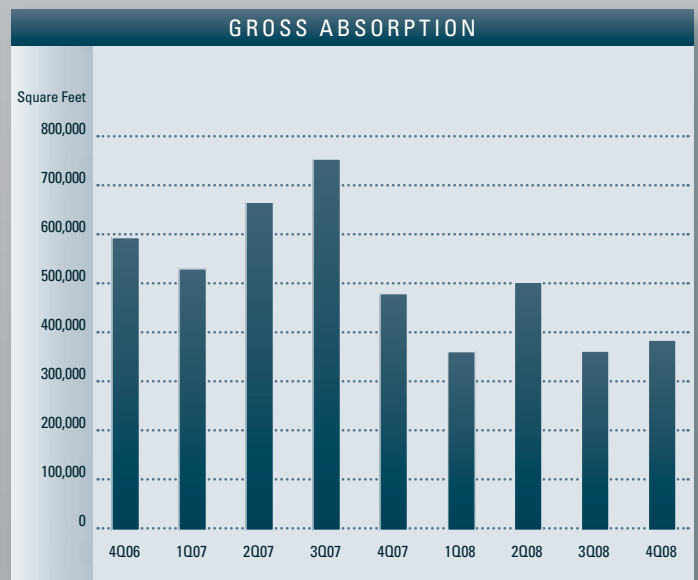
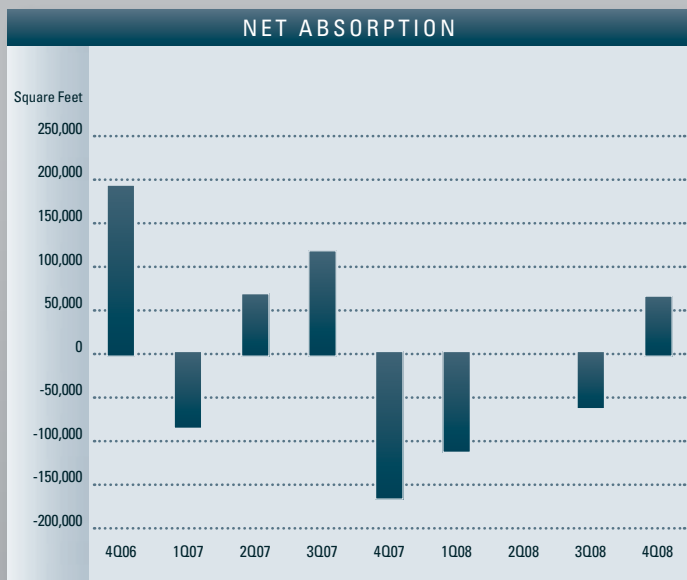
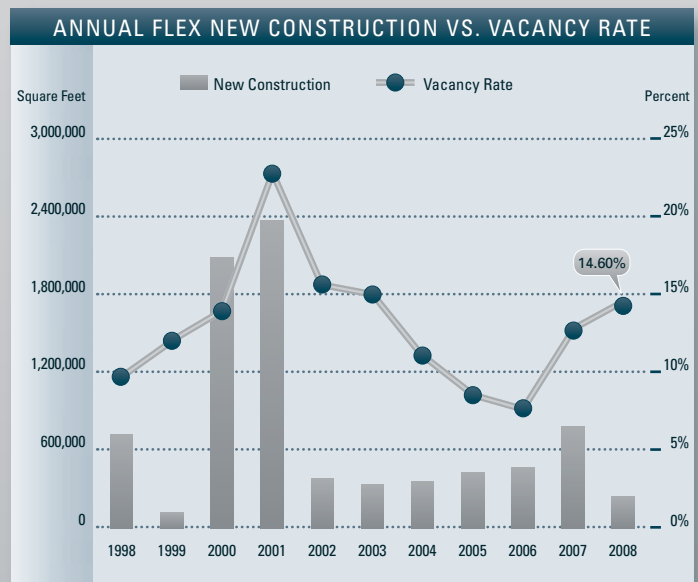
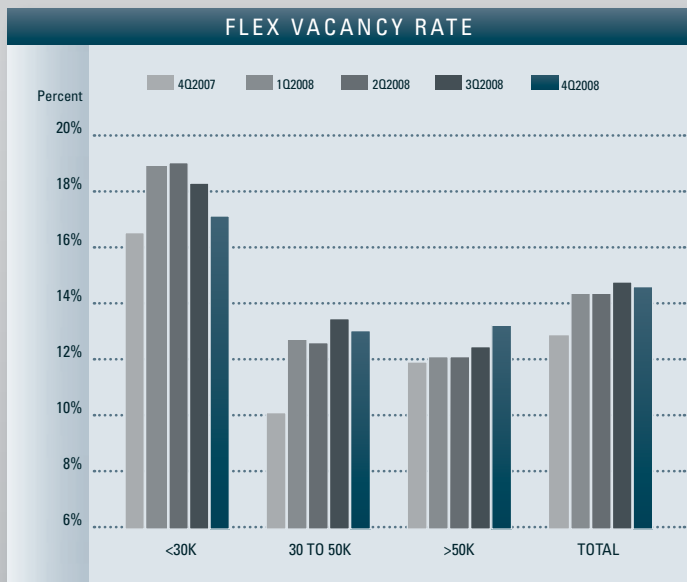
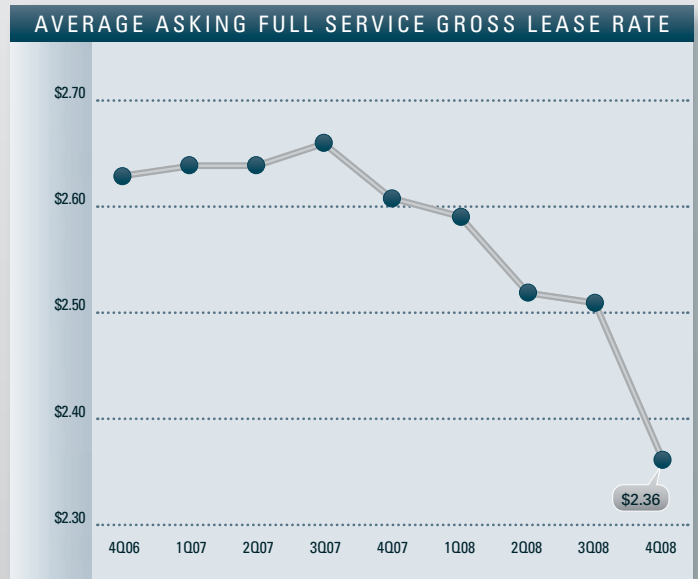
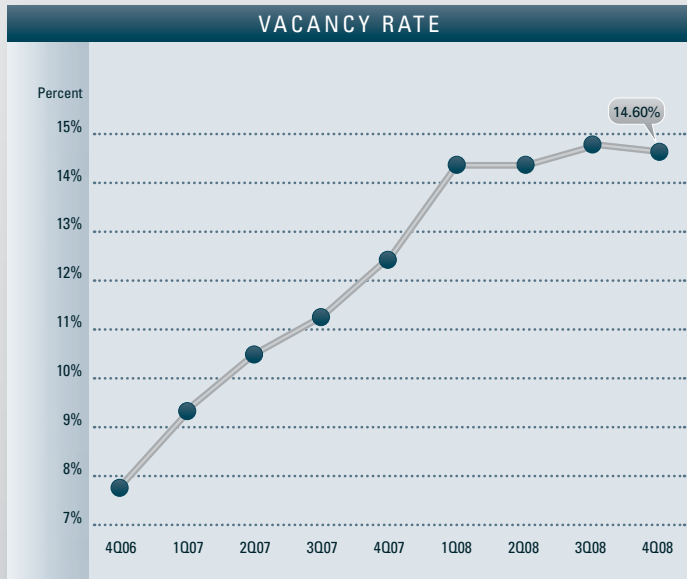
Market Highlights

- ◆ The Orange County Flex market is facing challenges due to the national recession and 2008's tumultuous financial events. The three primary concerns are as follows: expensive and scarce financing, economic uncertainty and volatility, and an increasing gap between "ask" and "bid" pricing between buyers and sellers. 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 flex market. These industries will increase employment opportunities and help to ease vacancy rate concerns in the coming quarters.
- ◆ The flex vacancy rate registered 14.60%, which is higher than it was a year ago when it was 12.42%. This increase is due to the new flex buildings that have been delivered to the market in the last 12 months, coupled with the slowing US economy.
- ◆ 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, 24.46% this quarter as compared to 17.07% this quarter last year.
- ◆ The average asking Full Service Gross lease rate per month per foot for flex space in Orange County is currently at \$2.36, which is a 9.58% decrease over last year's fourth quarter rate of \$2.63.
- ◆ Net absorption for the county this quarter posted at a positive 62,129 square feet, giving the county a total of 114,212 square feet of negative absorption for 2008.
- ◆ The level of activity registered 384,274 square feet for the fourth quarter of 2008. This is down from 474,605 square feet when compared to the same quarter last year. The recent lack of activity can be tied to the credit crunch as well, which means we could see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome, though, hinges on how bad the recession gets and how quickly credit eases up.
- ◆ Total space under construction checked in at 89,103 square feet at the end of 2008, which is almost 70% lower than the amount that was under construction this same time last year. This is a good signal that the market is correcting itself. A total of 290,508 square feet of new flex product was delivered in 2008.
- ◆ According to the State of California Employment Development Department, Orange County lost 38,400 payroll jobs over the last twelve months - 18,000 in financial, professional & business services. Between October 2008 and November 2008 Orange County lost 2,100 jobs, mostly in the leisure and hospitality sectors.
- ◆ The unemployment rate in Orange County was 6.1% in November 2008, unchanged from a revised 6.1% percent in October 2008, but above the year ago estimate of 4.2%. This compares with an unadjusted unemployment rate of 8.3 percent for California and 6.5 percent for the nation during the same period.
- ◆ Lease rates are expected to remain at current levels for the short run, and concessions should continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances.

FLEX MARKET OVERVIEW

	2008	2007	2006	% CHANGE VS. 2007
Inventory Added	290,508	766,678	464,017	-62.11%
Under Construction	89,103	286,978	290,889	-68.95%
Vacancy Rate	14.60%	12.42%	7.78%	17.55%
Availability Rate	24.46%	17.07%	12.79%	43.29%
Average Asking Lease Rate	\$2.36	\$2.61	\$2.63	-9.58%
Net Absorption	(114,212)	(68,743)	431,484	N/A
Gross Absorption	1,623,787	2,417,282	2,224,702	-32.83%

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 4Q2008	Square Feet Available	Availability Rate 4Q2008	Average Asking Lease Rate	Net Absorption 4Q2008	Net Absorption 2008	Gross Absorption 4Q2008	Gross Absorption 2008
North County													
Anaheim	22	425,748	0	0	47,572	11.17%	50,072	11.76%	\$1.72	(2,380)	(7,387)	6,524	48,817
Brea	15	460,480	0	4,000	77,307	16.79%	117,190	25.45%	\$1.99	(3,346)	(34,959)	3,958	46,368
Fullerton	11	177,711	0	0	3,445	0.00%	47,445	26.70%	\$3.10	23,109	28,104	23,829	30,829
Placentia	3	61,675	0	0	3,443	5.58%	3,443	5.58%	\$1.99	1,350	(3,443)	3,033	3,573
Yorba Linda	1	10,560	0	0	4,953	46.90%	4,953	46.90%	\$0.00	0	0	0	0
North County Total	52	1,136,174	0	4,000	136,720	12.03%	223,103	19.64%	\$1.99	18,733	(17,685)	37,344	129,587
West County													
Cypress	9	374,081	0	0	37,891	10.13%	37,891	10.13%	\$2.10	65	14,665	2,456	19,356
Huntington Beach	3	48,796	0	0	4,165	8.54%	4,165	8.54%	\$1.62	(1,452)	5,940	0	9,214
Seal Beach	4	43,005	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
West County Total	16	465,882	0	0	42,056	9.03%	42,056	9.03%	\$1.79	(1,387)	20,605	2,456	28,570
Central County													
Anaheim	8	219,639	0	7,000	19,149	8.72%	19,149	8.72%	\$2.05	(6,947)	(16,056)	0	15
Garden Grove	2	27,400	0	0	4,700	17.15%	4,700	17.15%	\$0.00	0	(4,700)	0	2,400
Orange	7	146,612	0	0	2,695	1.84%	2,695	1.84%	\$2.20	1,222	2,939	5,139	18,138
Santa Ana	10	167,782	0	7,642	19,694	11.74%	20,942	12.48%	\$1.85	0	5,088	0	6,108
Tustin	3	23,897	0	0	0	0.00%	5,297	22.17%	\$0.00	0	0	0	0
Central County Total	30	585,330	0	14,642	46,238	7.90%	52,783	9.02%	\$1.93	(5,725)	(12,729)	5,139	26,661
Airport Area													
Costa Mesa	5	66,752	0	0	3,311	4.96%	8,578	12.85%	\$0.00	(3,311)	(3,311)	0	0
Irvine	117	3,517,778	0	150,000	582,144	16.55%	791,040	22.49%	\$4.57	(1,065)	123,944	61,308	453,173
Newport Beach	28	616,144	0	0	46,966	7.62%	59,617	9.68%	\$3.27	(11,242)	566	7,320	37,385
Santa Ana	8	377,240	0	0	113,197	30.01%	109,604	29.05%	\$2.10	(6,107)	(53,168)	0	22,038
Tustin	6	241,938	0	252,000	12,127	5.01%	69,238	28.62%	\$1.60	0	36,645	0	48,772
Airport Area Total	164	4,819,852	0	402,000	757,745	15.72%	1,038,077	21.54%	\$2.85	(21,725)	104,676	68,628	561,368
South County													
Aliso Viejo	43	1,324,877	0	20,000	69,547	5.25%	155,467	11.73%	\$2.22	3,652	(11,003)	21,853	67,927
Dana Point	4	58,840	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Foothill Ranch	5	139,636	0	0	40,045	28.68%	48,833	34.97%	\$3.60	0	6,983	0	9,558
Irvine Spectrum	217	4,949,783	89,103	0	939,592	18.98%	1,962,117	39.64%	\$2.02	32,849	(59,329)	130,874	494,904
Laguna Beach	7	136,373	0	2,500	12,594	9.23%	12,594	9.23%	\$0.00	(1,432)	3,518	2,731	12,343
Laguna Hills	17	462,255	0	0	68,053	14.72%	90,001	19.47%	\$2.02	(1,284)	(28,203)	13,197	37,293
Laguna Niguel	4	98,481	0	0	6,337	6.43%	9,299	9.44%	\$2.35	10,304	11,548	11,190	24,693
Lake Forest	39	1,471,588	0	0	222,327	15.11%	335,256	22.78%	\$2.35	32,763	(151,476)	57,419	85,539
Mission Viejo	29	390,571	0	17,500	51,612	13.21%	90,002	23.04%	\$2.11	(5,469)	21,557	0	29,538
Rancho Santa Margarita	9	240,195	0	0	34,616	14.41%	34,500	14.36%	\$1.93	(4,869)	(11,336)	18,093	37,085
San Clemente	10	207,997	0	0	29,984	14.42%	38,223	18.38%	\$2.18	(3,073)	4,170	4,058	26,975
San Juan Capistrano	23	495,034	0	284,687	21,274	4.30%	21,665	4.38%	\$2.34	8,792	4,492	11,292	51,746
South County Total	407	9,975,630	89,103	324,687	1,495,981	15.00%	2,797,957	28.05%	\$2.17	72,233	(209,079)	270,707	877,601
Orange County Total	669	16,982,868	89,103	745,329	2,478,740	14.60%	4,153,976	24.46%	\$2.36	62,129	(114,212)	384,274	1,623,787

	INVENTORY				VACANCY & LEASE RATES				ABSORPTION				
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2008	Square Feet Available	Availability Rate 4Q2008	Average Asking Lease Rate	Net Absorption 4Q2008	Net Absorption 2008	Gross Absorption 4Q2008	Gross Absorption 2008
North County													
0 to 29,999	41	644,962	0	4,000	93,816	14.55%	74,932	11.62%	\$1.99	17,183	(13,107)	34,694	85,684
30,000 to 49,999	9	368,212	0	0	35,924	9.76%	137,145	37.25%	\$1.99	1,550	534	2,650	42,035
50,000+	2	123,000	0	0	6,980	5.67%	11,026	8.96%	\$0.00	0	(5,112)	0	1,868
West County													
0 to 29,999	9	97,114	0	0	4,165	4.29%	4,165	4.29%	\$1.62	(1,452)	7,040	0	11,614
30,000 to 49,999	3	118,562	0	0	2,391	2.02%	2,391	2.02%	\$2.10	65	(935)	2,456	2,456
50,000+	4	250,206	0	0	35,500	14.19%	35,500	14.19%	\$0.00	0	14,500	0	14,500
Central County													
0 to 29,999	25	338,371	0	14,642	26,849	7.93%	32,146	9.50%	\$2.05	(6,097)	(10,803)	850	14,023
30,000 to 49,999	1	33,070	0	0	0	0.00%	0	0.00%	\$0.00	0	0	2,342	2,342
50,000+	4	213,889	0	0	19,389	9.06%	20,637	9.65%	\$1.90	372	(1,926)	1,947	10,296
Airport Area													
0 to 29,999	88	1,011,725	0	0	212,072	20.96%	235,547	23.28%	\$4.85	(16,174)	110,868	14,308	210,334
30,000 to 49,999	39	1,612,978	0	0	197,335	12.23%	373,861	23.18%	\$1.97	18,331	47,333	39,278	190,101
50,000+	37	2,195,149	0	402,000	348,338	15.87%	428,669	19.53%	\$2.35	(23,882)	(53,525)	15,042	160,933
South County													
0 to 29,999	266	3,398,067	37,240	292,455	599,837	17.65%	817,604	24.06%	\$2.14	84,488	7,100	156,985	471,550
30,000 to 49,999	88	3,485,514	0	32,232	526,793	15.11%	976,967	28.03%	\$2.21	11,043	(135,415)	105,277	297,895
50,000+	53	3,092,049	51,863	0	369,351	11.95%	1,003,386	32.45%	\$2.14	(23,298)	(80,764)	8,445	108,156
Orange County													
0 to 29,999	429	5,490,239	37,240	311,097	936,739	17.06%	1,164,394	21.21%	\$3.00	77,948	101,098	206,837	793,205
30,000 to 49,999	140	5,618,336	0	32,232	762,443	13.57%	1,490,364	26.53%	\$2.10	30,989	(88,483)	152,003	534,829
50,000+	100	5,874,293	51,863	402,000	779,558	13.27%	1,499,218	25.52%	\$2.22	(46,808)	(126,827)	25,434	295,753
Orange County Total	669	16,982,868	89,103	745,329	2,478,740	14.60%	4,153,976	24.46%	\$2.36	62,129	(114,212)	384,274	1,623,787

This survey consists of buildings up to 74,999 square feet. Lease rates are based on a Full Service Gross basis.



SUBMARKETS

NORTH

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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San Diego, CA 92122-1233

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FAX: 858.453.1981

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