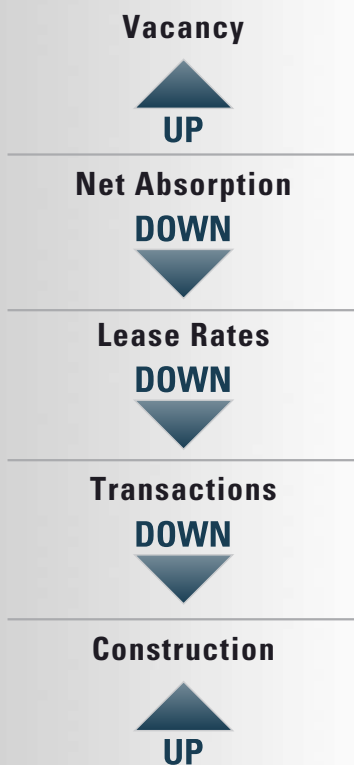




Voit
Real Estate Services

Office Market Report

Compared to last quarter:



Market Highlights

- Market Challenges** - Let's just say it's nice to have 2009 behind us as the Office market continues to struggle going into 2010. The primary concerns are as follows: increasing vacancy, tenant delinquencies, scarce financing (except SBA owner user), economic uncertainty and volatility, and the gap between "ask" and "bid" pricing between buyers and sellers. However, that gap appears to be diminishing, which is evident from some recent large sales that occurred in the last quarter of 2009. Another challenge for the Office market is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn has put upward pressure on vacancy and availability rates. This has led many tenants to request rent relief from landlords and owners to attempt to renegotiate loan terms with lenders.
- Absorption** - Net absorption for the county posted a negative 978,998 square feet for the fourth quarter of 2009, giving the office market a total of 2.9 million square feet of negative absorption for the year. This negative absorption can be attributed to the recent job losses; absorption will turn positive once job creation begins.
- Transaction Activity** - Leasing activity checked in this year at 8.8 million square feet; an increase over 2007 and 2008. This increase can be attributed to the recent trend of short term deals coupled with lease renegotiations. Sales activity showed an increase over last quarter, posting 987,307 square feet of activity compared to last quarter's 250,807 square feet. Details of the largest transactions can be found on the back page of this report.
- Unemployment** - The unemployment rate in Orange County was 9.4% in November 2009, down from a revised 9.7% in October 2009 and above the year ago estimate of 6.1%. This compares with an unadjusted unemployment rate of 12.2% for California and 9.4% for the nation during the same period.
- Employment** - According to the State of California Employment Development Department, Orange County lost 53,000 payroll jobs over the last twelve months; the largest losses were 12,600 in retail trade, transportation & utilities and 11,700 in construction.
- Overall** - We are starting to see a decrease in the amount of available space being added per quarter, as well as an increase in investment sales activity during the last quarter of 2009. In 2010, negative absorption should begin to slow, and with few new deliveries in the pipeline to put more upward pressure on vacancies, the market should stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions should continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances to incentivize tenants to act now. We should see an increase in leasing activity as many short term deals come up for renewal and as job creation begins in the second half of 2010. Once job creation turns positive and consumer confidence stabilizes, the Office market will turn positive.
- Construction** - During 2009, Orange County added a total of 253,509 square feet of new Office space. The record year for new development was 1988, when 5.7 million square feet of new space was added and vacancy rates were approximately 24%. Total space under construction checked in at 389,913 square feet (mostly medical office space) at the end of 2009. The slowdown in construction has and will ease the upward pressure on vacancy and the downward pressure on lease rates going forward.
- Vacancy** - Direct/sublease space (unoccupied) finished the year at 17.48%, constituting an increase over last year's fourth quarter rate of 14.68%. This 17.48% rate is less than the 23.03% vacancy rate we recorded in 1990.
- Availability** - Direct/sublease space being marketed was 23.42% this quarter, up from the 21.68% we saw this same quarter last year. This is an increase of 8.03% of new space being marketed. We are finally starting to see a decrease in the velocity of new available space being added to the market.
- Lease Rates** - The average asking Full Service Gross (FSG) lease rate per month per foot in Orange County is currently \$2.17, which is a 12.15% decrease over last year's rate of \$2.47 and seven cents lower than last quarter's rate. The record high rate of \$2.77 was established in the fourth quarter of 2008. Class A rates for the county are averaging \$2.35 FSG and are the highest in the Airport market, where they are averaging \$2.49 FSG.

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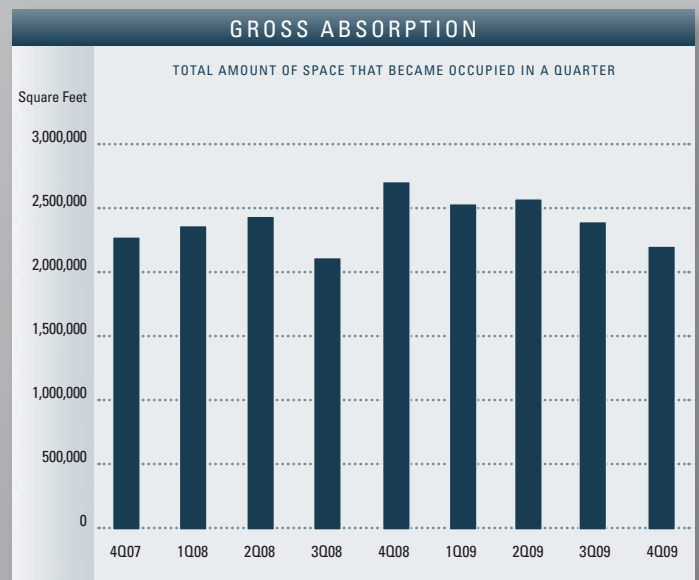
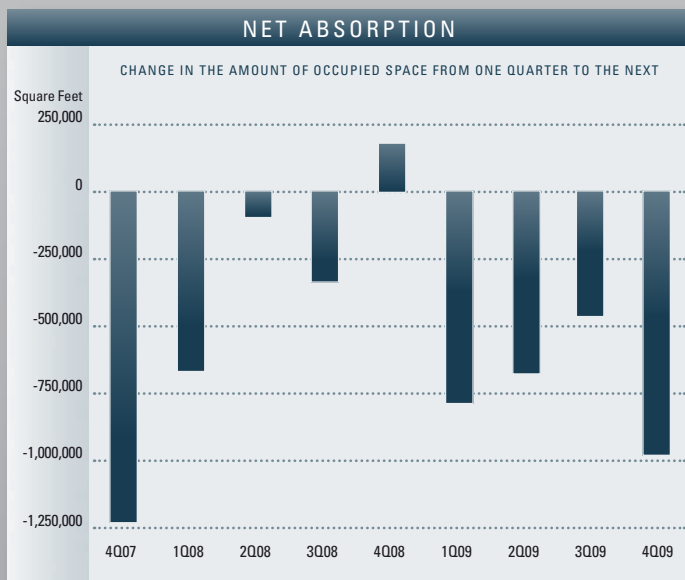
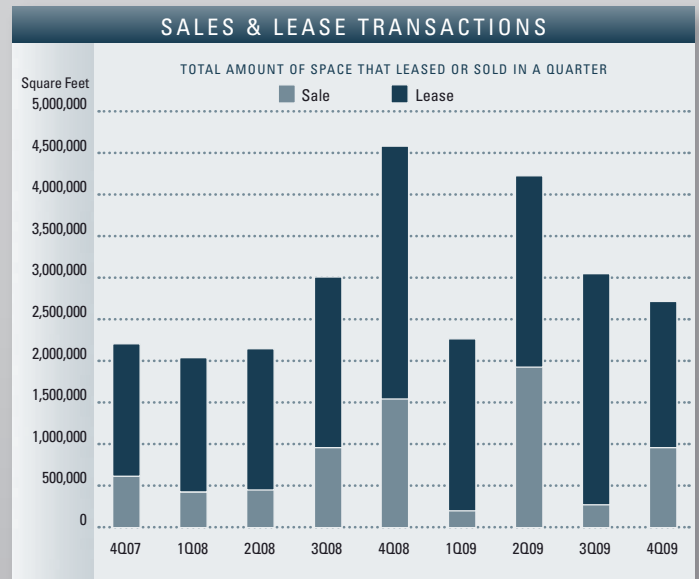
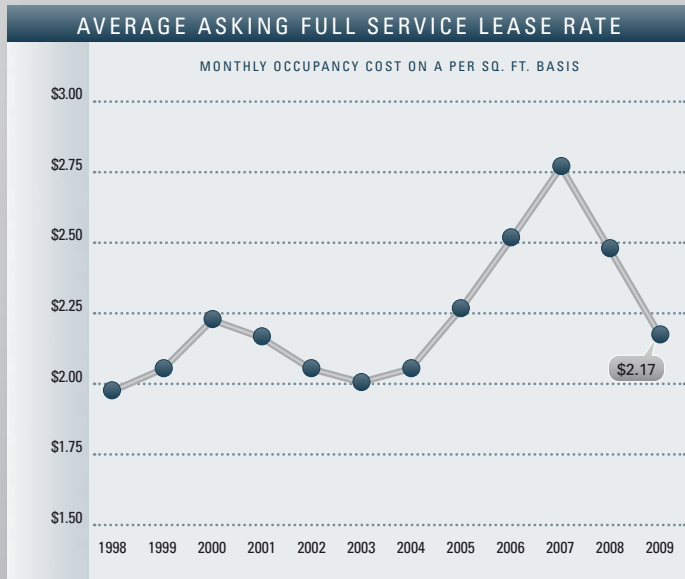
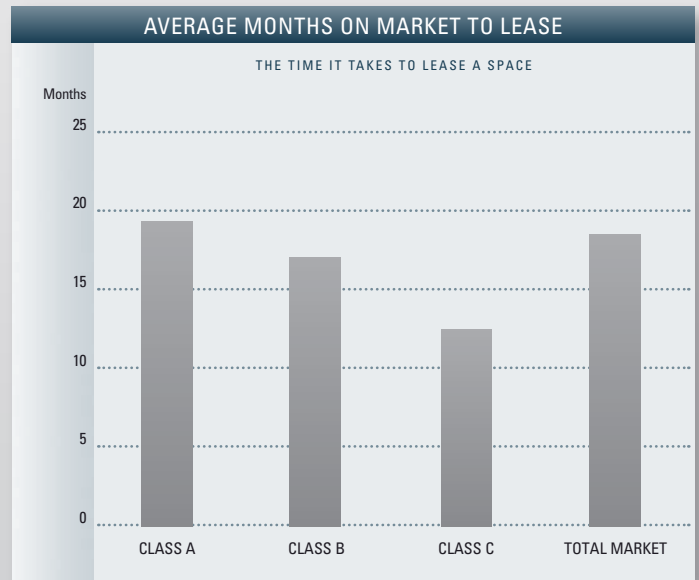
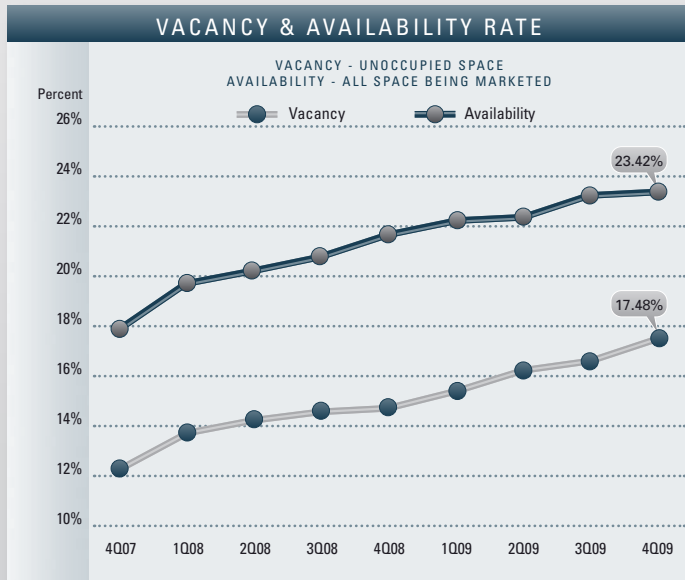
Prepared by:
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OFFICE MARKET OVERVIEW

	2009	2008	2007	% CHANGE VS. 2008
Inventory Added	253,509	1,872,199	4,207,765	-86.46%
Vacancy	17.48%	14.68%	12.28%	19.07%
Availability	23.42%	21.68%	17.89%	8.03%
Pricing	\$2.17	\$2.47	\$2.77	-12.15%
Absorption	-2,891,133	-918,654	-824,356	N/A
Leasing Activity	8,821,579	8,296,099	7,379,004	6.33%



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INVENTORY					VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2009	Square Feet Available	Availability Rate 4Q2009	Average Asking Lease Rate	Net Absorption 4Q2009	Net Absorption 2009	Gross Absorption 4Q2009	Gross Absorption 2009
North County													
Anaheim Hills	9	450,484	0	34,000	98,208	21.80%	118,073	26.21%	\$1.94	(19,981)	56	43,691	96,038
Brea	43	3,450,204	0	120,000	743,082	21.54%	893,321	25.89%	\$2.01	48,965	(134,676)	81,279	303,355
Buena Park	11	649,061	0	0	90,894	14.00%	118,952	18.33%	\$1.81	(1,222)	(12,798)	16,196	57,458
Fullerton	29	2,188,316	0	16,400	115,906	5.30%	266,204	12.16%	\$1.82	(19,987)	2,934	13,891	107,843
La Habra	6	237,859	0	0	11,048	4.64%	19,465	8.18%	\$1.58	144	542	1,164	9,328
La Palma	7	571,393	0	0	119,370	20.89%	131,018	22.93%	\$2.07	(50,009)	(62,909)	14,149	37,163
Placentia	7	223,472	0	0	70,640	31.61%	68,256	30.54%	\$1.46	(37,373)	(28,810)	4,067	25,574
Yorba Linda	5	295,480	40,000	13,200	31,652	10.71%	33,939	11.49%	\$1.83	9,055	9,492	9,055	19,862
North County Total	117	8,066,269	40,000	183,600	1,280,800	15.88%	1,649,228	20.45%	\$1.96	(70,408)	(226,169)	183,492	656,621
West County													
Cypress	27	1,997,829	0	0	144,145	7.22%	179,034	8.96%	\$1.93	(11,544)	40,379	35,045	120,356
Fountain Valley	33	1,664,294	0	0	216,064	12.98%	258,517	15.53%	\$1.91	(13,540)	(21,444)	12,530	46,701
Garden Grove	21	1,007,938	0	0	59,945	5.95%	204,673	20.31%	\$1.49	(270)	22,391	2,250	44,479
Huntington Beach	45	2,458,915	0	0	421,441	17.14%	500,086	20.34%	\$2.20	(26,983)	(136,904)	66,414	159,927
Los Alamitos	13	583,154	13,000	0	23,712	4.07%	25,105	4.31%	\$1.79	(8,429)	(12,571)	1,250	12,704
Seal Beach	7	482,838	0	0	71,812	14.87%	95,574	19.79%	\$2.32	(24,541)	(31,794)	1,958	9,255
Stanton	3	113,702	0	0	8,800	7.74%	10,977	9.65%	\$1.45	4,639	7,205	5,339	14,736
Westminster	16	700,121	0	0	52,209	7.46%	68,951	9.85%	\$1.81	(3,982)	(5,303)	0	6,198
West County Total	165	9,008,791	13,000	0	998,128	11.08%	1,342,917	14.91%	\$2.05	(84,650)	(138,041)	124,786	414,356
Central County													
Anaheim	96	7,424,340	0	214,500	1,045,875	14.09%	2,144,741	28.89%	\$2.07	(175,846)	(119,669)	120,376	712,653
Orange	78	7,078,909	84,413	0	1,299,464	18.36%	1,703,213	24.06%	\$2.09	35,678	34,318	174,942	632,149
Santa Ana	177	12,975,039	0	789,962	2,165,570	16.69%	2,524,436	19.46%	\$1.90	8,746	(279,915)	228,400	808,501
Tustin	43	1,891,086	0	212,000	304,003	16.08%	406,209	21.48%	\$1.77	(60,640)	(37,715)	36,525	189,538
Central County Total	394	29,369,374	84,413	1,216,462	4,814,912	16.39%	6,778,599	23.08%	\$1.99	(192,062)	(402,981)	560,243	2,342,841
Airport Area													
Costa Mesa	74	6,766,943	0	562,510	1,214,428	17.95%	1,581,491	23.37%	\$2.02	21,190	(294,592)	107,609	398,068
Irvine	289	25,829,816	250,000	1,127,975	5,544,290	21.46%	7,108,337	27.52%	\$2.29	65,716	(809,385)	625,623	2,504,181
Newport Beach	130	9,443,564	0	0	1,405,792	14.89%	2,132,876	22.59%	\$2.58	(262,122)	(375,763)	203,665	794,434
Airport Area Total	493	42,040,323	250,000	1,690,485	8,164,510	19.42%	10,822,704	25.74%	\$2.34	(175,216)	(1,479,740)	936,897	3,696,683
South County													
Aliso Viejo	45	3,342,503	0	667,000	504,259	15.09%	724,604	21.68%	\$1.90	(44,339)	(148,355)	28,023	229,079
Dana Point	4	169,091	0	35,000	3,558	2.10%	3,558	2.10%	\$2.50	(1,200)	(1,200)	0	1,200
Foothill Ranch	10	788,129	0	0	290,856	36.90%	338,897	43.00%	\$2.13	36,658	9,150	41,032	213,920
Irvine Spectrum	118	7,785,121	0	0	1,888,787	24.26%	2,406,615	30.91%	\$2.52	(405,399)	(334,656)	195,545	1,434,054
Laguna Beach	5	194,434	2,500	8,100	35,043	18.02%	36,177	18.61%	\$2.13	(6,334)	(29,897)	0	3,323
Laguna Hills	32	1,734,869	0	0	267,960	15.45%	330,405	19.04%	\$1.98	(33,242)	(54,695)	24,731	141,274
Laguna Niguel	10	496,887	0	0	45,476	9.15%	70,306	14.15%	\$2.10	(9,167)	6,719	3,335	41,060
Lake Forest	38	1,912,434	0	0	239,097	12.50%	390,648	20.43%	\$1.95	538	(5,457)	16,851	163,413
Mission Viejo	37	1,957,860	0	0	262,149	13.39%	299,640	15.30%	\$2.04	(7,844)	(62,490)	50,945	172,381
Rancho Santa Margarita	6	251,030	0	0	69,098	27.53%	70,313	28.01%	\$1.89	(547)	(793)	5,592	25,875
San Clemente	9	344,437	0	0	43,739	12.70%	52,137	15.14%	\$1.67	2,774	(36,259)	2,777	12,526
San Juan Capistrano	18	910,659	0	53,274	39,298	4.32%	67,544	7.42%	\$2.14	11,440	13,731	19,803	92,250
South County Total	332	19,887,454	2,500	763,374	3,689,320	18.55%	4,790,844	24.09%	\$2.18	(456,662)	(644,202)	388,634	2,530,355
Orange County Total	1,501	108,372,211	389,913	3,853,921	18,947,670	17.48%	25,384,292	23.42%	\$2.17	(978,998)	(2,891,133)	2,194,052	9,640,856

INVENTORY					VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2009	Square Feet Available	Availability Rate 4Q2009	Average Asking Lease Rate	Net Absorption 4Q2009	Net Absorption 2009	Gross Absorption 4Q2009	Gross Absorption 2009
North County													
Class A	22	2,387,449	0	154,000	453,740	19.01%	579,838	24.29%	\$2.45	8,955	37,487	113,620	282,649
Class B	85	5,350,993	40,000	29,600	805,296	15.05%	1,047,800	19.58%	\$1.81	(77,511)	(252,526)	66,491	363,792
Class C	10	327,827	0	0	21,764	6.64%	21,590	6.59%	\$2.01	(1,852)	(11,130)	3,381	10,180
West County													
Class A	29	2,872,722	0	0	311,676	10.85%	455,410	15.85%	\$2.29	(76,782)	(45,249)	37,364	158,813
Class B	109	5,067,859	13,000	0	611,547	12.07%	814,213	16.07%	\$1.77	(11,499)	(57,343)	79,881	220,568
Class C	27	1,068,210	0	0	74,905	7.01%	73,294	6.86%	\$1.55	3,631	(35,449)	7,541	34,975
Central County													
Class A	73	11,623,758	0	960,820	2,212,902	19.04%	2,894,612	24.90%	\$2.15	16,285	(24,620)	248,637	1,017,017
Class B	245	14,590,019	84,413	255,642	2,377,817	16.30%	3,574,498	24.50%	\$1.80	(191,594)	(386,955)	288,989	1,140,425
Class C	76	3,155,597	0	0	224,193	7.10%	309,489	9.81%	\$1.57	(16,753)	8,594	22,617	185,399
Airport Area													
Class A	135	23,687,767	0	1,226,510	5,091,012	21.49%	6,909,069	29.17%	\$2.49	(126,685)	(801,375)	480,217	2,044,045
Class B	321	16,608,627	250,000	463,975	2,952,505	17.78%	3,744,919	22.55%	\$1.99	9,877	(602,108)	450,349	1,566,624
Class C	37	1,743,929	0	0	120,993	6.94%	168,716	9.67%	\$1.62	(58,408)	(76,257)	6,331	86,014
South County													
Class A	93	8,791,140	0	647,000	1,877,818	21.36%	2,373,136	26.99%	\$2.28	(84,489)	(127,345)	189,962	1,224,525
Class B	229	10,753,288	2,500	116,374	1,801,801	16.76%	2,404,709	22.36%	\$1.97	(368,973)	(516,445)	198,672	1,298,034
Class C	10	343,026	0	0	9,701	2.83%	12,999	3.79%	\$1.65	(3,200)	(412)	0	7,796
Orange County													
Class A	352	49,362,836	0	2,988,330	9,947,148	20.15%	13,212,065	26.77%	\$2.35	(262,716)	(961,102)	1,069,800	4,727,049
Class B	989	52,370,786	389,913	865,591	8,548,966	16.32%	11,586,139	22.12%	\$1.89	(639,700)	(1,815,377)	1,084,382	4,589,443
Class C	160	6,638,589	0	0	451,556	6.80%	586,088	8.83%	\$1.61	(76,582)	(114,654)	39,870	324,364
Orange County Total	1,501	108,372,211	389,913	3,853,921	18,947,670	17.48%	25,384,292	23.42%	\$2.17	(978,998)	(2,891,133)	2,194,052	9,640,856

This survey consists of properties 25,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Class	Square Feet	Sale Price	Buyer	Seller
3333-3355 Michelson Dr. (8 Properties)	Airport	A	1,576,286	Not Disclosed	LBA Realty	Maguire Properties
3161 Michelson	Airport	A	531,794	\$153,400,000	Emmes Group	Maguire Properties
505 City Parkway West (3 Properties)	Central	A	470,485	Not Disclosed	The Abbey Company	Maguire Properties
3501 Jamboree Road	Airport	A	332,285	\$53,000,000	SK Hart Properties, LLC	FDIC
2050 Main Street	Airport	A	314,074	\$56,000,000	Westbrook Partners	Opus West Corporation

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
15505 Sand Canyon Ave. - Renewal	Airport	A	469,998	July-09	Verizon Wireless	The Irvine Company
Park Place - Michelson Drive	Airport	A	365,000	September-09	Western Digital	LBA Realty
1600 Douglas Road	Central	A	127,750	August-09	Cash Call	Kennedy Associates
3347 Michelson Drive - Renewal	Airport	A	124,110	October-09	Caltrans District 12	LBA Realty
16355 Laguna Canyon Road	South	A	115,020	June-09	Chapman University	University College of Chapman

Product Type

CLASS A

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

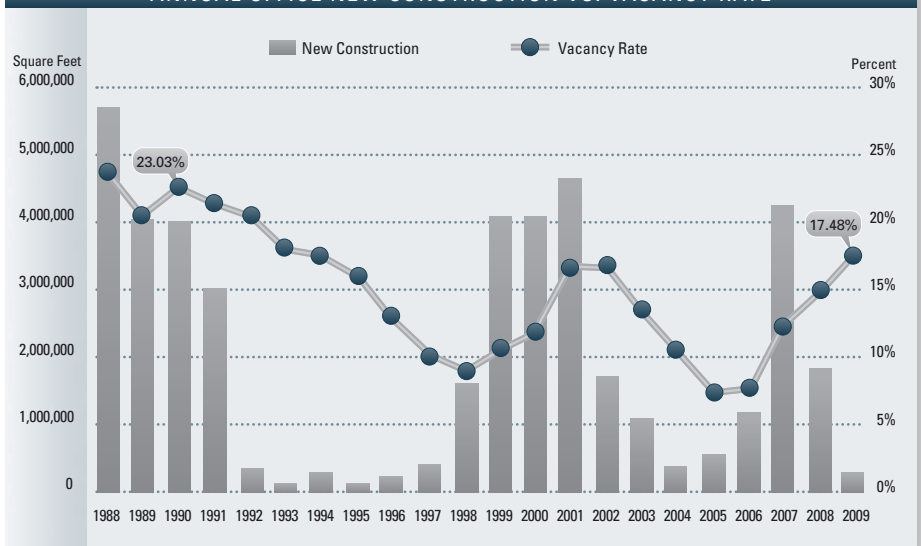
CLASS B

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building cannot compete with Class A at the same price.

CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.

ANNUAL OFFICE NEW CONSTRUCTION VS. VACANCY RATE



For further information, please contact:

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This survey consists of properties 25,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full service gross basis. The information contained in this report is gathered from sources that are deemed reliable but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services use only, and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.