Voit

REAL ESTATE SERVICES

Real People. Real Solutions.®

Flex Market Report

Compared to 2010:

Vacancy
DOWN

Net Absorption
POSITIVE

Lease Rates
DOWN

Transactions
DOWN

Deliveries
FLAT

To view available properties or electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr. – Lic.#01145748

Vice President of Market Research

VOIT Real Estate Services – Lic.#01333376

e–mail: jholdner@voitco.com

CORFAC International

Market Highlights

- **Steady Growth -** The Orange County flex market conveyed more signs of stabilization at the end of 2011. Vacancy decreased compared to both the prior quarter and the previous year, and net absorption posted over 400,000 square feet of positive absorption for 2011. Demand, although still weak by historical standards, picked up, with 2010 marking the beginning of a renewed interest in sales transactions. While these are positive indications, stability will need to be sustained in coming quarters to be considered recovery.

- **Construction -** There was nothing under construction in the Orange County flex market during 2010 and 2011, as a result of a lack of demand. The shrinking availability of land, scarce financing and rising construction costs have led to few projects being developed.

- **Vacancy -** Direct/sublease space (unoccupied) finished the year at 16.32%, a decrease compared to 2010's rate of 18.74%, as well as to the record high rate of 26.95% recorded in the second quarter of 2002.

- **Availability -** Direct/sublease space being marketed was 24.83% at the end of 2011, an increase of 9.38% compared to the 22.70% seen at the end of 2010.

- **Lease Rates -** The average asking full-service gross (FSG) lease rate per square foot per month in Orange County's flex market was $1.72 in the fourth quarter of 2011—five cents lower than the previous quarter's rate and a 6.52% decrease from 2010's fourth quarter rate of $1.84. The record high rate of $2.66 was established in the third quarter of 2007.

- **Absorption -** The Orange County flex market posted 66,502 square feet of positive absorption in the fourth quarter of 2011, giving the market a total of 431,295 square feet of positive absorption for 2011. This positive absorption can be attributed to the recent employment gains.

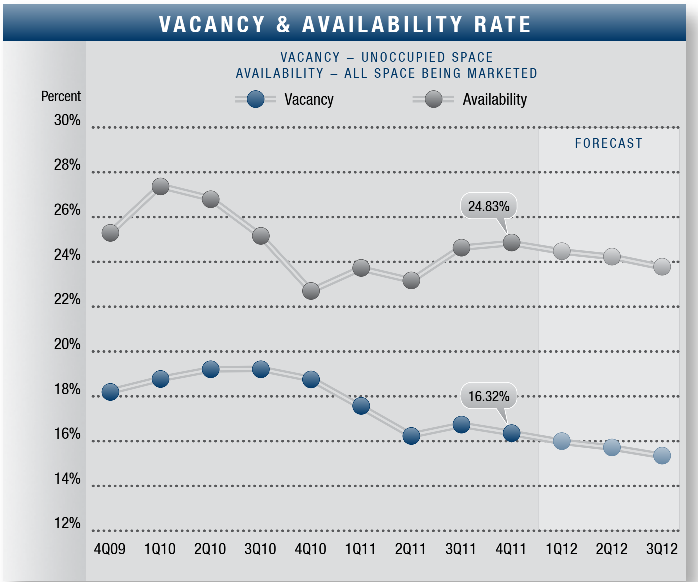
- **Transaction Activity -** Leasing activity checked in at 1.5 million square feet for 2011, a decrease from the 2.3 million square fee we saw in 2010. Sales activity for 2011 showed an increase, posting 1.24 million square feet of activity compared to 2010's 1.16 million square feet of sales transactions. Details of the largest transactions for the year can be found on the back page of this report.

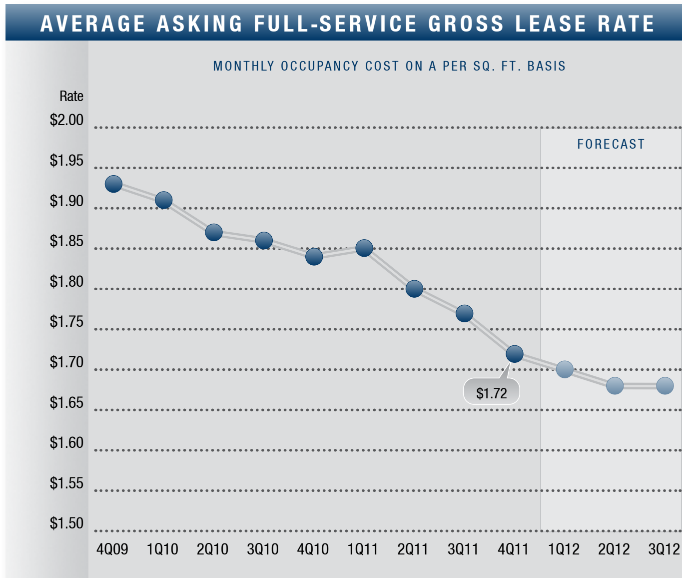
- **Employment -** The unemployment rate in Orange County was 8.1% in November 2011—down from a revised 8.5% in October 2011 and below the previous year's estimate of 9.4%. This compares with an unadjusted unemployment rate of 10.9% for California and 8.2% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 13,000 payroll jobs from November 2010 to November 2011. The largest gains were 7,200 in leisure and hospitality and 6,200 in professional and business services; however, Orange County lost 1,600 government jobs, 1,200 financial activities jobs and 1,100 construction jobs during that same period.

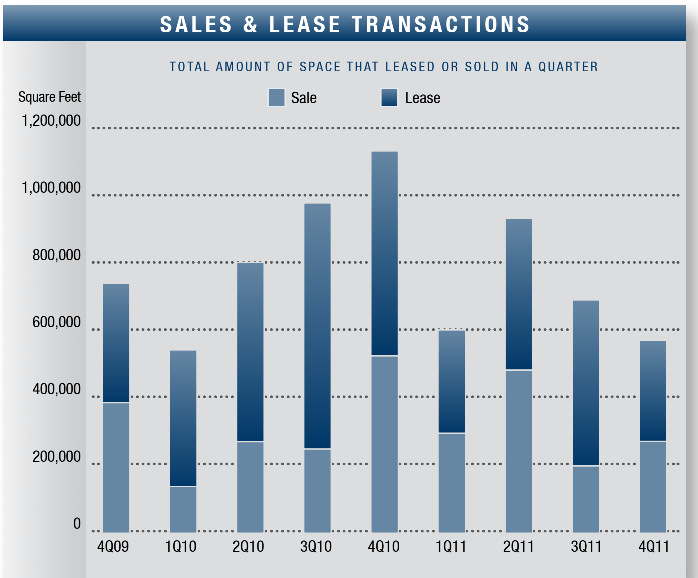
- **Overall -** We are beginning to see a decrease in the amount of vacant space, as well as an increase in investment sales activity. As we continue into 2012, absorption has turned positive for the year, and with no new deliveries in the pipeline to apply upward pressure on vacancy, the market is continuing to stabilize. We foresee an increase in investment activity in the coming quarters as lenders continue to gradually dispose of distressed assets, eliminating a fear of fire-sale pricing. Lease rates are expected to remain soft for the near future, and concessions have begun to normalize. We should also see an increase in leasing activity as many short-term deals come up for renewal. As job creation continues and consumer confidence stabilizes, the flex market will recover.

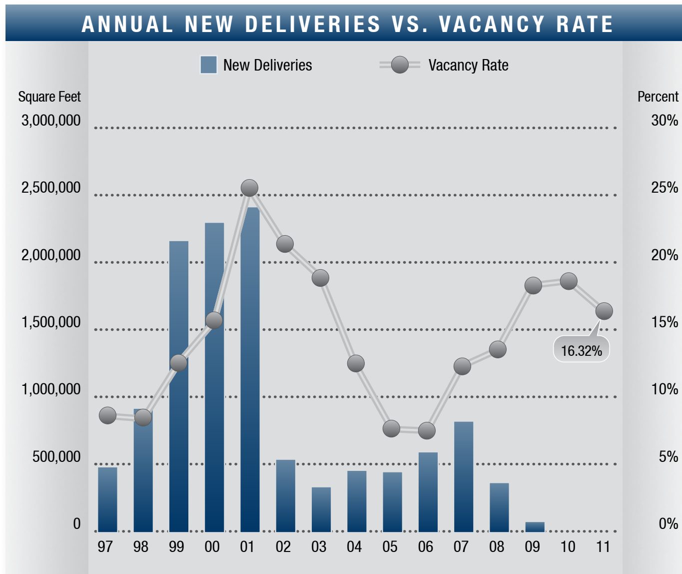
FLEX MARKET OVERVIEW

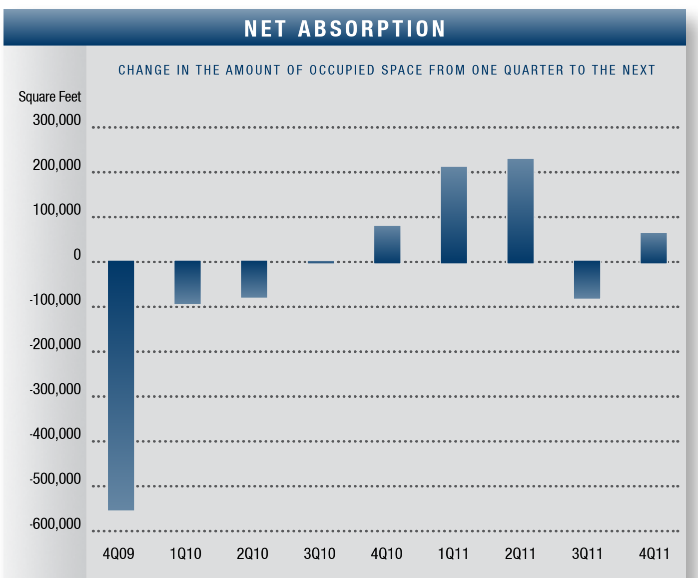
	2011	2010	2009	% of Change vs. 2010
Total Vacancy Rate	16.32%	18.74%	18.20%	(12.91%)
Availability Rate	24.83%	22.70%	25.29%	9.38%
Average Asking Lease Rate	$1.72	$1.84	$1.93	(6.52%)
Sale & Lease Transactions	2,773,515	3,430,514	2,717,675	(19.15%)
Gross Absorption	2,167,640	2,049,841	2,039,990	5.72%
Net Absorption	431,295	(96,079)	(774,497)	N/A

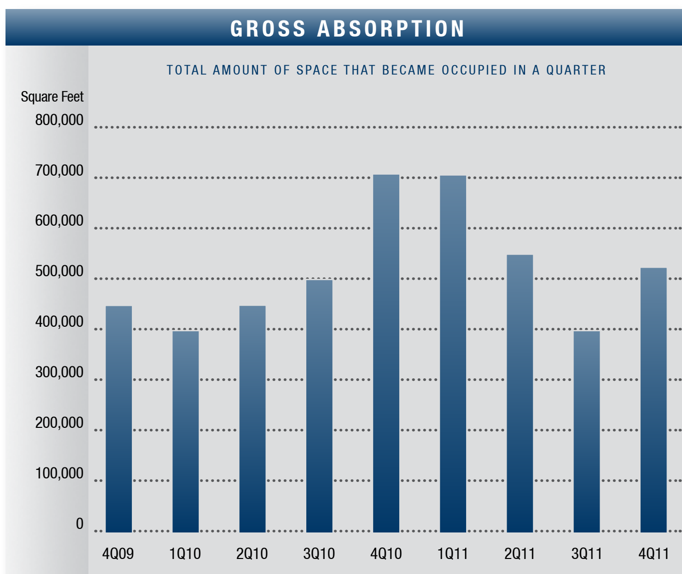

VACANCY & AVAILABILITY RATE
VACANCY – UNOCCUPIED SPACE
AVAILABILITY – ALL SPACE BEING MARKETED
Percent
Vacancy
Availability
FORECAST
24.83%
16.32%
30%
28%
26%
24%
22%
20%
18%
16%
14%
12%
4Q09 1Q10 2Q10 3Q10 4Q10 1Q11 2Q11 3Q11 4Q11 1Q12 2Q12 3Q12


AVERAGE ASKING FULL-SERVICE GROSS LEASE RATE
MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS
Rate
FORECAST
$1.72
$2.00
$1.95
$1.90
$1.85
$1.80
$1.75
$1.70
$1.65
$1.60
$1.55
$1.50
4Q09 1Q10 2Q10 3Q10 4Q10 1Q11 2Q11 3Q11 4Q11 1Q12 2Q12 3Q12


SALES & LEASE TRANSACTIONS
TOTAL AMOUNT OF SPACE THAT LEASED OR SOLD IN A QUARTER
Square Feet
Sale
Lease
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
4Q09 1Q10 2Q10 3Q10 4Q10 1Q11 2Q11 3Q11 4Q11


ANNUAL NEW DELIVERIES VS. VACANCY RATE
New Deliveries
Vacancy Rate
Square Feet
Percent
16.32%
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
30%
25%
20%
15%
10%
5%
0%
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11


NET ABSORPTION
CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT
Square Feet
300,000
200,000
100,000
0
-100,000
-200,000
-300,000
-400,000
-500,000
-600,000
4Q09 1Q10 2Q10 3Q10 4Q10 1Q11 2Q11 3Q11 4Q11


GROSS ABSORPTION
TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER
Square Feet
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
4Q09 1Q10 2Q10 3Q10 4Q10 1Q11 2Q11 3Q11 4Q11

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2011	Square Feet Available	Availability Rate 4Q2011	Average Asking Lease Rate	Net Absorption 4Q2011	Net Absorption 2011	Gross Absorption 4Q2011	Gross Absorption 2011
North County													
Anaheim	21	399,748	0	0	34,246	8.57%	56,412	14.11%	$1.75	38,306	696	40,256	76,822
Brea	13	397,522	0	0	93,434	23.50%	225,315	56.68%	$1.90	(25,748)	(20,461)	6,138	35,364
Buena Park	3	70,000	0	0	2,920	4.17%	2,920	4.17%	$0.00	(40)	(1,480)	0	0
Fullerton	8	97,826	0	24,000	8,455	0.00%	11,550	11.81%	$0.00	(3,095)	(3,095)	0	0
Placentia	3	61,675	0	0	8,317	13.49%	8,317	13.49%	$1.50	1,690	2,724	1,690	2,998
North County Total	48	1,026,771	0	24,000	147,372	14.35%	304,514	29.66%	$1.87	11,113	(21,616)	48,084	115,184
West County													
Cypress	11	392,360	0	0	104,800	26.71%	208,490	53.14%	$1.82	(57,323)	(90,619)	5,912	5,912
Huntington Beach	3	49,145	0	0	3,223	6.56%	3,223	6.56%	$1.42	(717)	(206)	1,800	7,766
Seal Beach	5	72,877	0	0	0	0.00%	0	0.00%	$0.00	0	5,313	0	5,613
West County Total	19	514,382	0	0	108,023	21.00%	211,713	41.16%	$1.71	(58,040)	(85,512)	7,712	19,291
Central County													
Anaheim	10	229,366	0	0	10,672	4.65%	10,672	4.65%	$0.00	6,179	12,061	6,179	18,786
Garden Grove	2	27,400	0	0	5,110	18.65%	5,110	18.65%	$0.00	4,400	7,070	4,400	7,070
Orange	8	161,897	0	0	10,125	6.25%	17,130	10.58%	$2.05	(650)	5,393	0	10,928
Santa Ana	11	227,881	0	0	72,206	31.69%	96,217	42.22%	$1.50	(14,585)	(14,499)	14,000	30,764
Tustin	6	108,807	0	0	2,400	2.21%	5,900	5.42%	$1.00	(2,400)	922	0	5,572
Central County Total	37	755,351	0	0	100,513	13.31%	135,029	17.88%	$1.55	(7,056)	10,947	24,579	73,120
Airport Area													
Costa Mesa	8	130,175	0	0	10,889	8.36%	26,750	20.55%	$1.41	(1,144)	(3,507)	0	21,695
Irvine	117	3,536,109	0	100,000	511,563	14.47%	726,911	20.56%	$1.71	68,353	215,901	121,271	509,743
Newport Beach	28	620,811	0	0	56,682	9.13%	57,174	9.21%	$2.19	5,079	1,445	31,322	103,566
Santa Ana	11	438,199	0	0	62,664	14.30%	91,615	20.91%	$1.63	(1,395)	9,364	1,831	18,436
Tustin	6	214,605	0	0	57,900	26.98%	57,900	26.98%	$1.26	0	0	0	0
Airport Area Total	170	4,939,899	0	100,000	699,698	14.16%	960,350	19.44%	$1.75	70,893	223,203	154,424	653,440
South County													
Aliso Viejo	44	1,364,694	0	25,000	190,556	13.96%	203,192	14.89%	$1.67	43,601	41,898	51,901	160,822
Dana Point	6	77,940	0	0	3,964	5.09%	3,964	5.09%	$1.85	503	(814)	503	2,613
Foothill Ranch	5	105,397	0	0	21,165	20.08%	23,937	22.71%	$1.25	(6,448)	(9,466)	0	0
Irvine Spectrum	233	5,452,714	0	0	1,023,464	18.77%	1,579,317	28.96%	$1.65	27,040	249,775	138,441	791,155
Laguna Beach	5	74,016	0	0	3,182	4.30%	4,075	5.51%	$0.00	7,148	(676)	10,278	13,895
Laguna Hills	13	446,831	0	0	56,884	12.73%	77,906	17.44%	$1.67	2,279	19,066	3,869	45,504
Laguna Niguel	3	53,170	0	0	0	0.00%	0	0.00%	$0.00	0	4,646	0	7,883
Lake Forest	40	1,496,892	0	0	304,781	20.36%	658,235	43.97%	$1.87	(28,178)	12,143	13,545	112,799
Mission Viejo	28	389,546	0	0	29,852	7.66%	29,852	7.66%	$1.64	8,764	9,269	13,383	29,438
Rancho Santa Margarita	12	315,820	0	0	60,864	19.27%	69,629	22.05%	$1.51	2,318	(2,366)	7,922	33,351
San Clemente	11	234,169	0	0	75,078	32.06%	71,352	30.47%	$1.41	(13,489)	(25,224)	24,084	40,659
San Juan Capistrano	27	577,674	0	0	84,130	14.56%	93,435	16.17%	$1.95	6,054	6,022	24,414	68,486
South County Total	427	10,588,863	0	25,000	1,853,920	17.51%	2,814,894	26.58%	$1.70	49,592	304,273	288,340	1,306,605
Orange County Total	**701**	**17,825,266**	**0**	**149,000**	**2,909,526**	**16.32%**	**4,426,500**	**24.83%**	**$1.72**	**66,502**	**431,295**	**523,139**	**2,167,640**

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2011	Square Feet Available	Availability Rate 4Q2011	Average Asking Lease Rate	Net Absorption 4Q2011	Net Absorption 2011	Gross Absorption 4Q2011	Gross Absorption 2011
North County													
0-29,999	39	622,254	0	24,000	84,153	13.52%	113,722	18.28%	$1.54	(9,566)	(10,600)	7,828	61,082
30,000-49,999	7	281,517	0	0	11,877	4.22%	131,113	46.57%	$2.04	38,306	2,585	40,256	50,076
50,000 Plus	2	123,000	0	0	51,342	41.74%	59,679	48.52%	$1.65	(17,627)	(13,601)	0	4,026
West County													
0-29,999	12	146,327	0	0	3,223	2.20%	3,223	2.20%	$1.42	(717)	636	1,800	8,608
30,000-49,999	4	167,585	0	0	8,269	4.93%	93,944	56.06%	$1.82	5,912	10,383	5,912	10,683
50,000 Plus	3	200,470	0	0	96,531	48.15%	114,546	57.14%	$1.79	(63,235)	(96,531)	0	0
Central County													
0-29,999	30	394,624	0	0	25,191	6.38%	38,422	9.74%	$1.31	521	6,266	9,156	26,892
30,000-49,999	2	73,363	0	0	4,847	6.61%	4,847	6.61%	$0.00	1,423	10,969	1,423	13,574
50,000 Plus	5	287,364	0	0	70,475	24.52%	91,760	31.93%	$1.71	(9,000)	(6,288)	14,000	32,654
Airport Area													
0-29,999	92	1,097,021	0	0	181,764	16.57%	216,092	19.70%	$1.62	(1,045)	(39,541)	28,185	142,056
30,000-49,999	41	1,669,437	0	100,000	263,797	15.80%	230,946	13.83%	$1.98	23,697	135,200	61,719	275,223
50,000 Plus	37	2,173,441	0	0	254,137	11.69%	513,312	23.62%	$1.62	48,241	127,544	64,520	236,161
South County													
0-29,999	277	3,601,770	0	25,000	599,195	16.64%	874,641	24.28%	$1.62	1,311	(31,250)	130,669	469,735
30,000-49,999	96	3,802,186	0	0	627,086	16.49%	880,620	23.16%	$1.75	18,559	3,291	105,999	401,542
50,000 Plus	54	3,184,907	0	0	627,639	19.71%	1,059,633	33.27%	$1.79	29,722	332,232	51,672	435,328
Orange County													
0-29,999	450	5,861,996	0	49,000	893,526	15.24%	1,246,100	21.26%	$1.61	(9,496)	(74,489)	177,638	708,373
30,000-49,999	150	5,994,088	0	100,000	915,876	15.28%	1,341,470	22.38%	$1.82	87,897	162,428	215,309	751,098
50,000 Plus	101	5,969,182	0	0	1,100,124	18.43%	1,838,930	30.81%	$1.71	(11,899)	343,356	130,192	708,169
Orange County Total	**701**	**17,825,266**	**0**	**149,000**	**2,909,526**	**16.32%**	**4,426,500**	**24.83%**	**$1.72**	**66,502**	**431,295**	**523,139**	**2,167,640**

This survey consists of buildings up to 74,999 square feet. The 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 and San Juan Capistrano

PRODUCT TYPE

FLEX–TECH OR CORPORATE HEADQUARTERS
Minimum 75% improved with drop ceiling, minimum parking ratio of 3.5 to 1, minimum of 3 elevators with full glassline, with ground level loading possible.

Please Contact Us for Further Information

Anaheim, CA
714.978.7880

Commerce, CA
714.935.2311

Inland Empire, CA
909.545.8000

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

Reno, NV
775.309.0782

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505

Voit
REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
www.voitco.com
Lic.#01333376

Represented in 150 Markets
Nationally & Internationally.

CORFAC International