



## R&D Market Report

Compared to 2012:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

FLAT

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

[www.voitco.com](http://www.voitco.com)

Prepared by:

**Jerry J. Holdner, Jr.** — Lic.#01145748  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Tony Tran**  
Market Research Analyst  
e-mail: [ttran@voitco.com](mailto:ttran@voitco.com)

VOIT Real Estate Services — Lic.#01333376

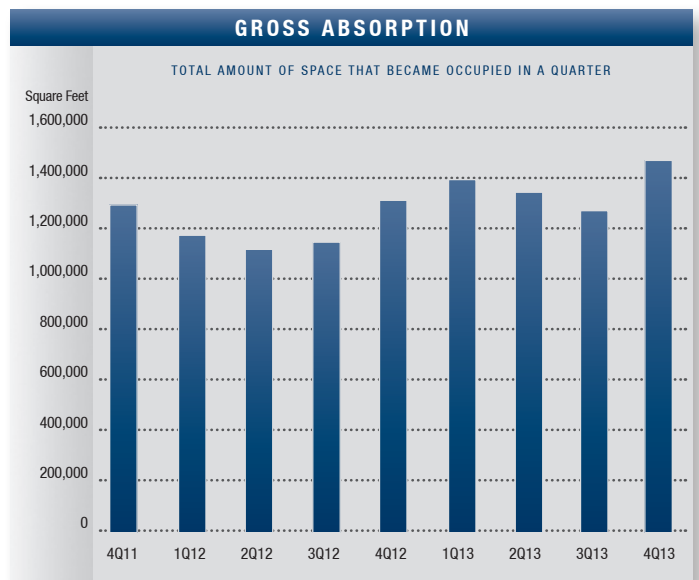
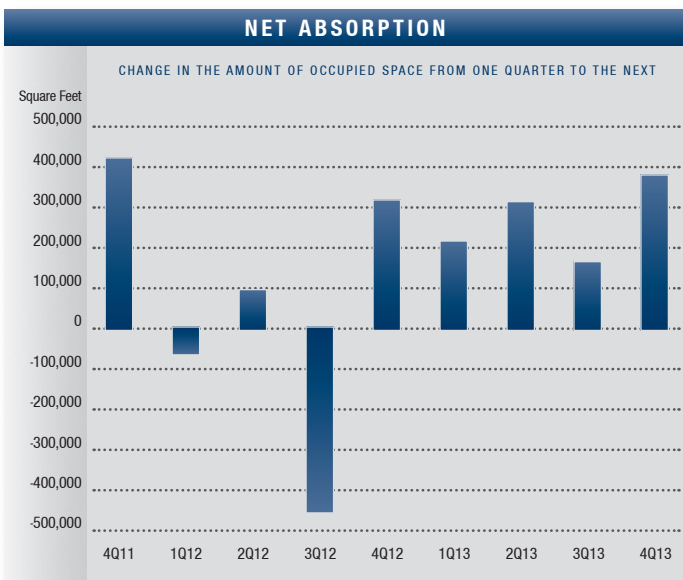
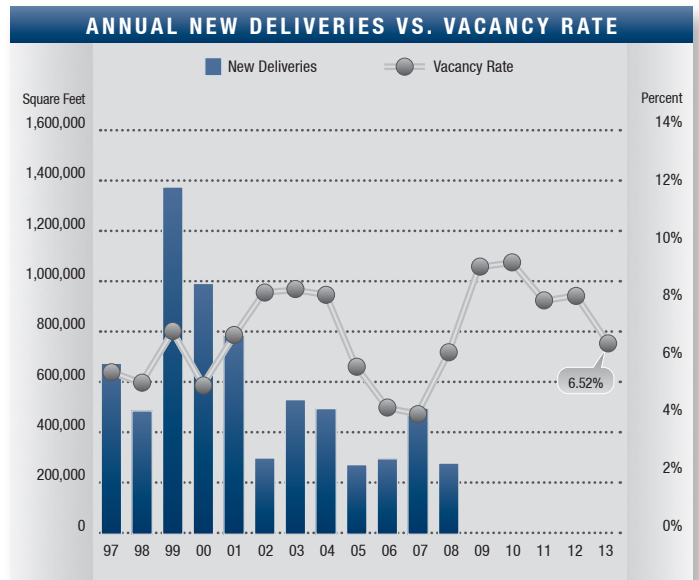
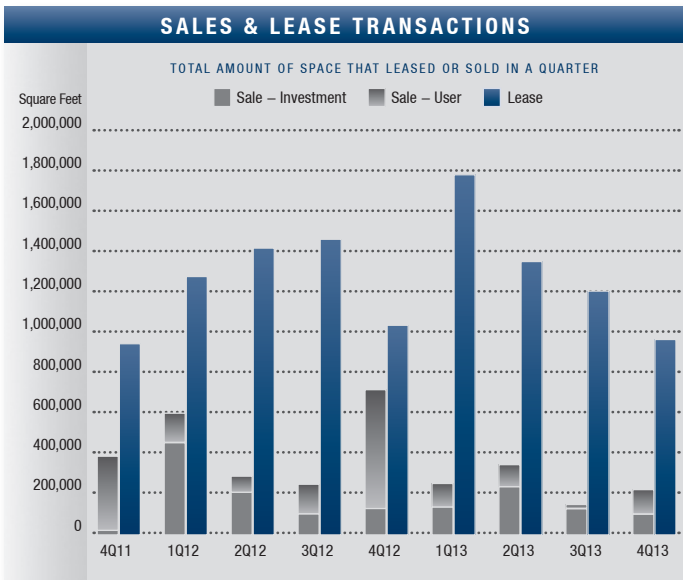
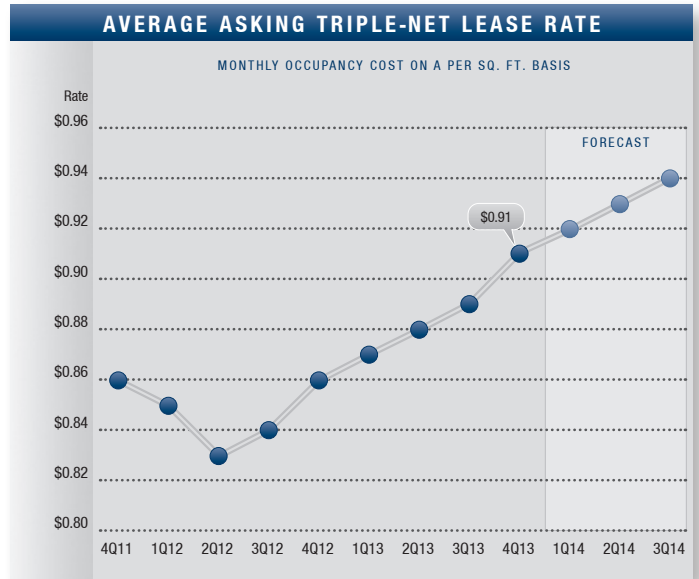
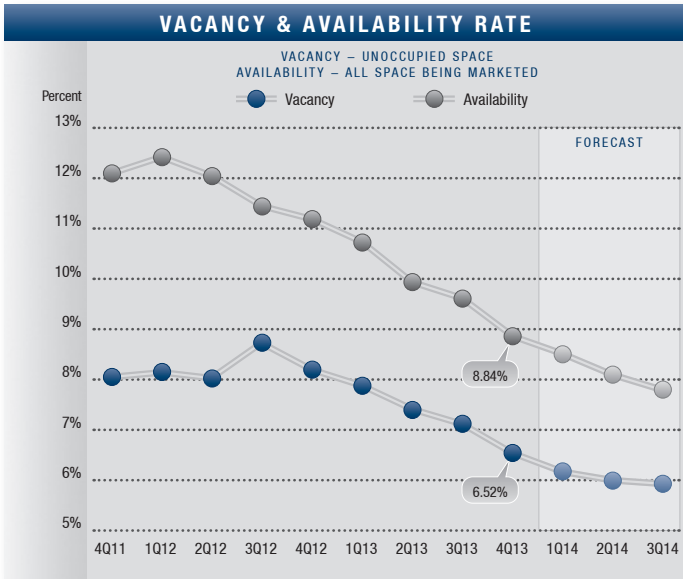
**CORFAC**  
International

### Market Highlights

- Encouraging Numbers** - The Orange County research and development market displayed significant improvement overall in 2013. Vacancy and availability dropped over 20% in a year, while net absorption posted a positive 1.1 million square feet for 2013 compared to 2012's negative 100,000 square feet. While these are certainly indications that the Orange County R&D market has gained traction, stability will need to be sustained in coming quarters and years for the market to return to a pre-recession state.
- Construction** - At the end of the fourth quarter there was nothing under construction. The complete halt of new deliveries for the past 5 years has eased the upward pressure on vacancy and allowed lease rates to stabilize and increase. Eventually, even just the need to sustain existing inventory will bring construction back in this market.
- Vacancy** - Direct/sublease space (unoccupied) finished the year at 6.52%, a significant decrease from the prior quarter's 7.12% and 2012's fourth quarter rate of 8.23%. We are forecasting that vacancy will continue to trend downward throughout 2014.
- Availability** - Direct/sublease space being marketed was 8.84% in the fourth quarter, down from the 9.60% we saw in the third quarter and an impressive decrease of nearly 21% when compared to the end of 2012.
- Lease Rates** - The average asking triple-net lease rate per square foot per month in Orange County's R&D market was \$0.91 at the end of the year — two cents higher than the previous quarter's rate and up five cents from the end of 2012. The record high rate of \$1.22 was established in the second quarter of 2007. We are forecasting that average asking lease rates will continue to rise in the near future.
- Absorption** - The Orange County R&D market posted 376,266 square feet of positive net absorption in the fourth quarter of 2013 — giving the R&D market a total of nearly 1.1 million square feet of positive absorption for 2013, the most positive absorption recorded for a year since 2006.
- Transaction Activity** - Leasing activity checked in at just under 1 million square feet in the fourth quarter of 2013, creating a total of 5.3 million square feet leased in the market in 2013, up just over 100,000 square feet from 2012. Sales activity posted around 200,000 square feet in the last quarter of the year, up from the previous quarter and creating a total of just over 900,000 square feet sold in 2013. The Orange County research and development market averaged over 345,000 square feet of sales activity per quarter over the last eight quarters.
- Employment** - The unemployment rate in Orange County was 5.6% in November 2013 — down from a revised 5.8% in October 2013 and below the previous year's estimate of 6.9%. This compares with an unadjusted unemployment rate of 8.3% for California and 6.6% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 30,600 payroll jobs from November 2012 to November 2013. Most sectors showed gains in employment; the largest gains were 8,300 in construction and 6,200 in leisure & hospitality during that same period. Government posted the largest year-over loss, dropping by 4,400 jobs.
- Overall** - Notwithstanding any hiccups the local and national economy may have, the Orange County R&D market is poised for growth in 2014. Both vacancy and availability have been rapidly descending over the last year from recession highs. With no current construction and very little planned, the lack of downward pressure on vacancy will likely continue to push lease rates up over the next year. We foresee continued investment activity in the coming quarters. We should also see an increase in leasing activity as short-term deals come up for renewal and as job creation continues in 2014. As unemployment rates drop and consumer confidence stabilizes, the R&D market will continue to stabilize and develop.

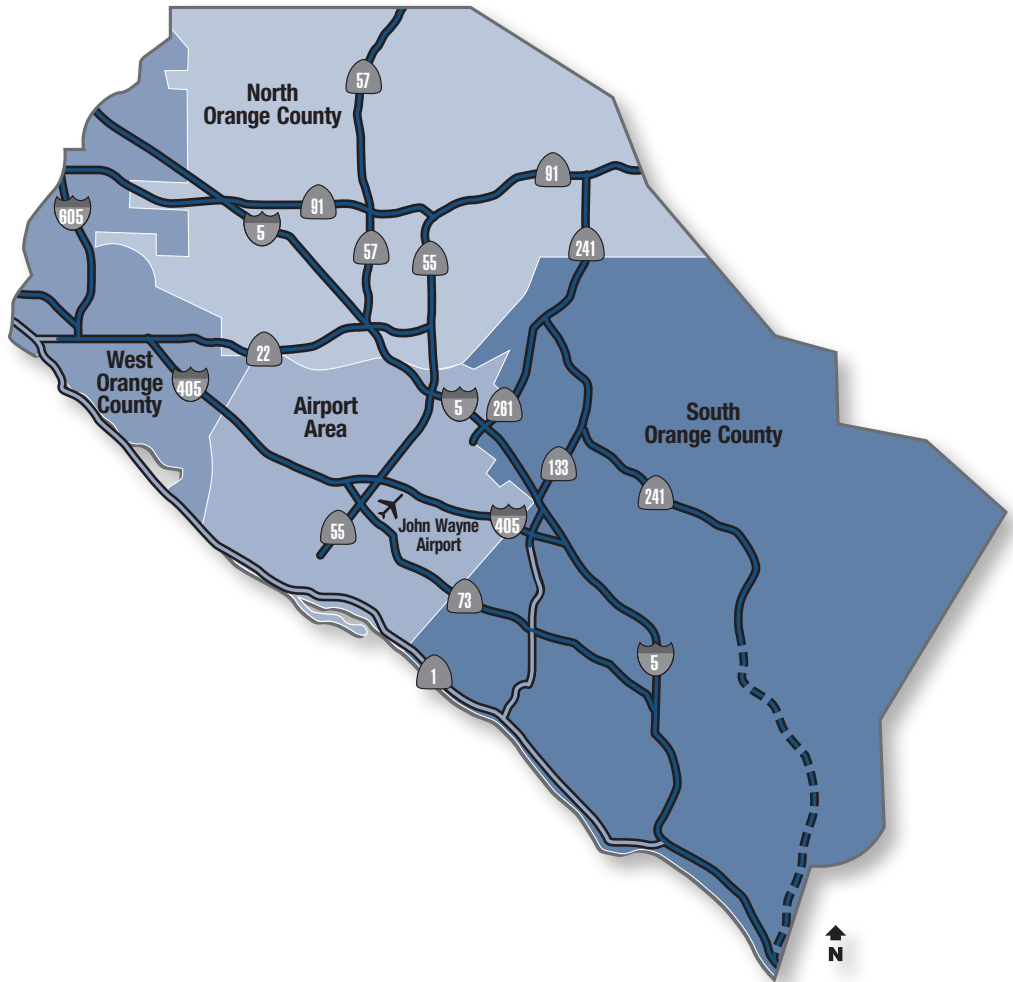
### R & D MARKET OVERVIEW

	2013	2012	2011	% of Change vs. 2012
Total Vacancy Rate	6.52%	8.23%	8.06%	(20.78%)
Availability Rate	8.84%	11.18%	12.09%	(20.93%)
Average Asking Lease Rate	\$0.91	\$0.86	\$0.86	5.81%
Sale & Lease Transactions	6,195,496	6,965,435	5,765,679	(11.05%)
Gross Absorption	5,470,785	4,751,411	5,306,598	15.14%
Net Absorption	1,078,472	(107,246)	874,489	N/A



	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2013	Square Feet Available	Availability Rate 4Q2013	Average Asking Lease Rate	Net Absorption 4Q2013	Net Absorption 2013	Gross Absorption 4Q2013	Gross Absorption 2013
<b>Airport Area</b>													
Costa Mesa	166	4,049,592	0	0	237,796	5.87%	367,616	9.08%	\$0.91	11,070	(4,407)	59,384	307,472
Fountain Valley	50	1,464,813	0	0	25,707	1.75%	24,447	1.67%	\$0.74	18,453	12,663	30,856	116,778
Irvine	260	6,779,080	0	0	511,361	7.54%	890,252	13.13%	\$0.95	(13,050)	208,894	193,655	687,737
Newport Beach	20	492,646	0	0	30,719	6.24%	29,694	6.03%	\$0.00	6,760	(1,850)	8,280	26,320
Santa Ana	188	4,690,150	0	0	263,102	5.61%	232,704	4.96%	\$1.10	75,964	116,508	130,153	409,008
Tustin	95	3,348,809	0	0	311,298	9.30%	291,524	8.71%	\$0.90	17,859	(17,213)	88,354	285,671
<b>Airport Area Total</b>	<b>779</b>	<b>20,825,090</b>	<b>0</b>	<b>0</b>	<b>1,379,983</b>	<b>6.63%</b>	<b>1,836,237</b>	<b>8.82%</b>	<b>\$0.94</b>	<b>117,056</b>	<b>314,595</b>	<b>510,682</b>	<b>1,832,986</b>
<b>North County</b>													
Anaheim	188	5,275,708	0	0	207,761	3.94%	379,903	7.20%	\$0.91	8,945	71,042	73,990	366,267
Brea	49	1,366,468	0	0	44,662	3.27%	184,765	13.52%	\$1.10	2,869	(14,986)	20,165	51,618
Buena Park	32	1,082,698	0	0	57,473	5.31%	91,546	8.46%	\$1.00	8,401	24,694	13,366	47,018
Fullerton	44	1,611,938	0	0	107,143	6.65%	102,437	6.35%	\$0.69	(67,282)	(58,085)	5,814	56,548
La Habra	7	150,624	0	0	0	0.00%	0	0.00%	\$0.00	5,624	6,732	5,624	6,724
Orange	105	2,328,178	0	0	98,658	4.24%	113,840	4.89%	\$0.69	20,185	13,466	55,334	159,064
Placentia	24	612,708	0	0	14,094	2.30%	15,711	2.56%	\$0.85	(428)	4,309	7,675	33,922
Yorba Linda	54	1,406,846	0	0	103,255	7.34%	223,221	15.87%	\$1.09	1,709	9,291	38,586	156,969
<b>North County Total</b>	<b>503</b>	<b>13,835,168</b>	<b>0</b>	<b>0</b>	<b>633,046</b>	<b>4.58%</b>	<b>1,111,423</b>	<b>8.03%</b>	<b>\$0.84</b>	<b>(19,977)</b>	<b>56,463</b>	<b>220,554</b>	<b>878,130</b>
<b>South County</b>													
Aliso Viejo	44	1,090,987	0	0	104,785	9.60%	167,085	15.32%	\$0.80	(5,857)	(2,741)	8,590	40,236
Foothill Ranch	7	162,895	0	0	0	0.00%	10,250	6.29%	\$0.00	0	0	0	0
Irvine Spectrum	304	10,453,672	0	18,124	797,655	7.63%	1,029,118	9.84%	\$1.08	204,387	103,708	346,957	1,028,012
Laguna Hills	57	1,354,799	0	0	37,664	2.78%	45,789	3.38%	\$0.00	21,119	47,043	36,080	166,826
Laguna Niguel	22	510,858	0	0	17,461	3.42%	27,471	5.38%	\$0.00	9,652	16,467	13,955	39,053
Lake Forest	58	1,353,912	0	0	52,955	3.91%	76,459	5.65%	\$0.82	17,375	79,649	38,960	188,350
Mission Viejo	34	879,801	0	0	326,608	37.12%	354,241	40.26%	\$1.00	20,700	8,077	31,760	79,307
Rancho Santa Margarita	44	1,495,021	0	0	12,099	0.81%	44,210	2.96%	\$0.95	1,924	14,972	8,110	43,480
San Clemente	50	1,236,649	0	0	100,614	8.14%	87,223	7.05%	\$0.98	5,704	77,613	126,187	346,367
San Juan Capistrano	45	917,038	0	187,639	94,351	10.29%	102,905	11.22%	\$0.00	(6,670)	(53,759)	10,343	54,905
<b>South County Total</b>	<b>665</b>	<b>19,455,632</b>	<b>0</b>	<b>205,763</b>	<b>1,544,192</b>	<b>7.94%</b>	<b>1,944,751</b>	<b>10.00%</b>	<b>\$0.99</b>	<b>268,334</b>	<b>291,029</b>	<b>620,942</b>	<b>1,986,536</b>
<b>West County</b>													
Cypress	56	2,819,123	0	0	230,255	8.17%	268,905	9.54%	\$0.89	6,003	263,876	42,909	329,018
Garden Grove	67	1,708,195	0	0	99,008	5.80%	199,669	11.69%	\$0.57	(9,519)	(3,095)	22,104	108,971
Huntington Beach	127	2,950,576	0	0	160,361	5.43%	152,203	5.16%	\$0.70	25,927	117,508	51,923	216,061
La Palma	1	85,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Los Alamitos	39	860,297	0	0	33,919	3.94%	36,692	4.27%	\$0.00	(7,493)	50,644	0	95,343
Stanton	5	122,025	0	0	4,980	4.08%	4,980	4.08%	\$0.00	0	(1,440)	0	0
Westminster	19	485,623	0	0	30,018	6.18%	28,593	5.89%	\$1.00	(4,065)	(11,108)	0	23,740
<b>West County Total</b>	<b>314</b>	<b>9,030,839</b>	<b>0</b>	<b>0</b>	<b>558,541</b>	<b>6.18%</b>	<b>691,042</b>	<b>7.65%</b>	<b>\$0.77</b>	<b>10,853</b>	<b>416,385</b>	<b>116,936</b>	<b>773,133</b>
<b>Orange County Total</b>	<b>2,261</b>	<b>63,146,729</b>	<b>0</b>	<b>205,763</b>	<b>4,115,762</b>	<b>6.52%</b>	<b>5,583,453</b>	<b>8.84%</b>	<b>\$0.91</b>	<b>376,266</b>	<b>1,078,472</b>	<b>1,469,114</b>	<b>5,470,785</b>
<b>Airport Area</b>													
10,000-24,999	522	8,423,730	0	0	508,670	6.04%	711,634	8.45%	\$0.94	96,577	121,198	237,386	857,879
25,000-49,999	183	6,179,129	0	0	417,451	6.76%	436,697	7.07%	\$1.05	52,651	64,223	249,720	605,026
50,000-99,999	56	3,708,077	0	0	202,403	5.46%	239,038	6.45%	\$0.76	(30,912)	(56,307)	23,576	183,340
100,000 Plus	18	2,514,154	0	0	251,459	10.00%	448,868	17.85%	\$0.91	(1,260)	185,481	0	186,741
<b>North County</b>													
10,000-24,999	328	5,215,343	0	0	289,137	5.54%	342,327	6.56%	\$0.76	(2,226)	59,855	115,495	487,770
25,000-49,999	130	4,319,078	0	0	272,603	6.31%	406,178	9.40%	\$0.90	(20,118)	13,547	97,748	339,865
50,000-99,999	32	2,092,735	0	0	42,721	2.04%	174,201	8.32%	\$0.56	3,087	11,646	7,311	50,495
100,000 Plus	13	2,208,012	0	0	28,585	1.29%	188,717	8.55%	\$0.00	(720)	(28,585)	0	0
<b>South County</b>													
10,000-24,999	402	6,682,210	0	147,671	397,794	5.95%	610,019	9.13%	\$0.99	92,063	43,282	203,440	793,804
25,000-49,999	193	6,503,882	0	58,092	339,247	5.22%	574,223	8.83%	\$0.99	68,128	205,770	209,270	721,259
50,000-99,999	55	3,669,887	0	0	502,891	13.70%	323,931	8.83%	\$0.91	101,631	42,697	201,000	460,590
100,000 Plus	15	2,599,653	0	0	304,260	11.70%	436,578	16.79%	\$1.00	6,512	(720)	7,232	10,883
<b>West County</b>													
10,000-24,999	213	3,360,138	0	0	153,661	4.57%	172,484	5.13%	\$0.96	20,136	126,489	83,371	359,276
25,000-49,999	66	2,255,693	0	0	158,903	7.04%	176,797	7.84%	\$0.86	(34,602)	18,728	4,826	126,626
50,000-99,999	28	1,922,318	0	0	245,977	12.80%	341,761	17.78%	\$0.73	2,000	61,624	5,420	77,687
100,000 Plus	7	1,492,690	0	0	0	0.00%	0	0.00%	\$0.00	23,319	209,544	23,319	209,544
<b>Orange County</b>													
10,000-24,999	1,465	23,681,421	0	147,671	1,349,262	5.70%	1,836,464	7.75%	\$0.95	206,550	350,824	639,692	2,498,729
25,000-49,999	572	19,257,782	0	58,092	1,188,204	6.17%	1,593,895	8.28%	\$0.97	66,059	302,268	561,564	1,792,776
50,000-99,999	171	11,393,017	0	0	993,992	8.72%	1,078,931	9.47%	\$0.75	75,806	59,660	237,307	772,112
100,000 Plus	53	8,814,509	0	0	584,304	6.63%	1,074,163	12.19%	\$0.98	27,851	365,720	30,551	407,168
<b>Orange County Total</b>	<b>2,261</b>	<b>63,146,729</b>	<b>0</b>	<b>205,763</b>	<b>4,115,762</b>	<b>6.52%</b>	<b>5,583,453</b>	<b>8.84%</b>	<b>\$0.91</b>	<b>376,266</b>	<b>1,078,472</b>	<b>1,469,114</b>	<b>5,470,785</b>

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



**SUBMARKETS**

**NORTH**

Anaheim, Brea, Buena Park, Fullerton, La Habra, Orange, Placentia and Yorba Linda

**WEST**

Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Seal Beach, Stanton and Westminster

**AIRPORT**

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana and 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.

**Please Contact Us for Further Information**

Anaheim, CA  
714.978.7880

Commerce, CA  
323.558.5400

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  
775.771.9955

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

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net 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.