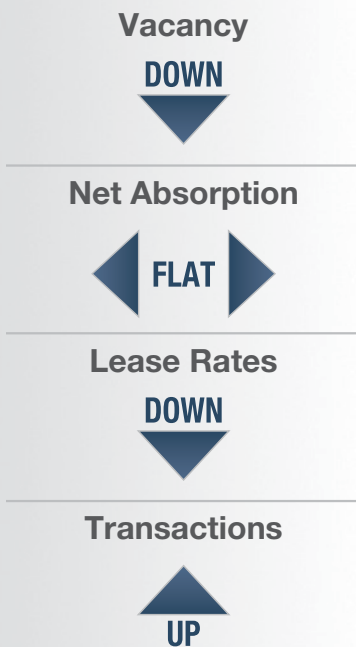




Flex Market Report

Compared to last quarter:



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

Market Highlights

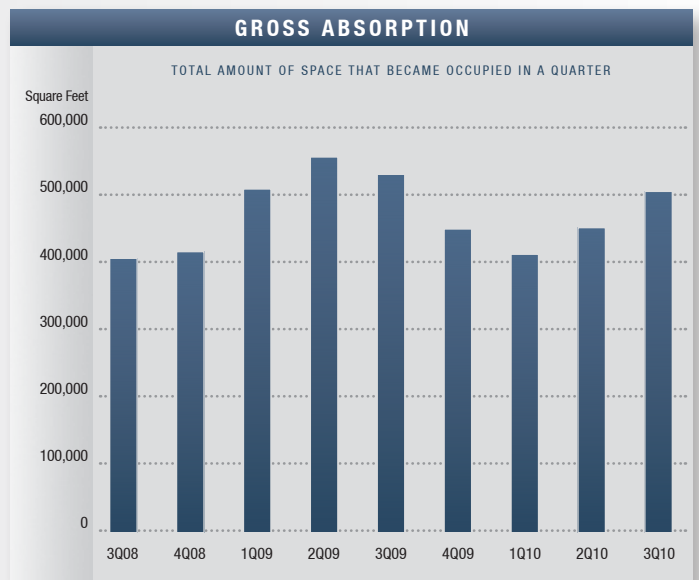
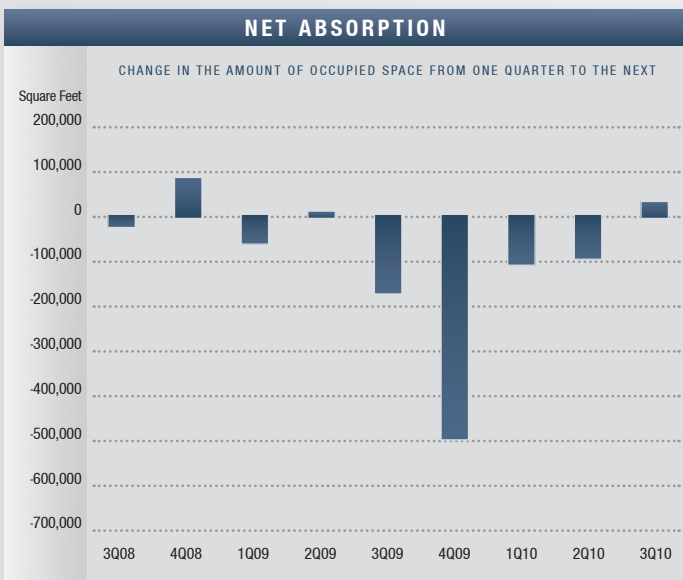
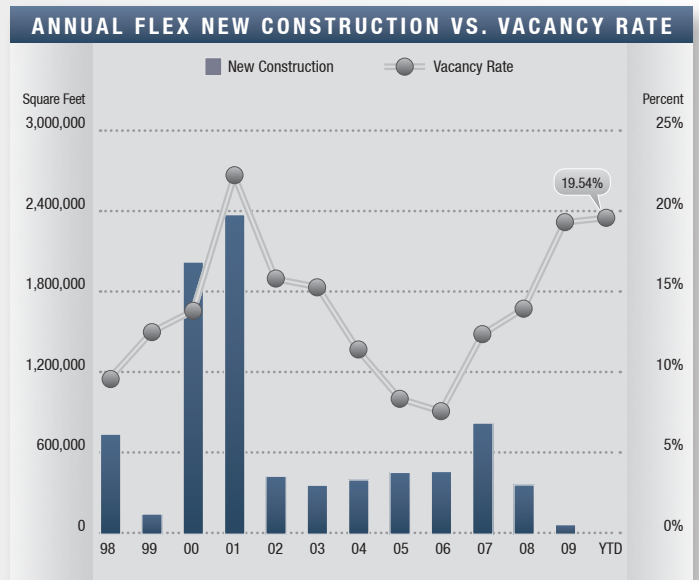
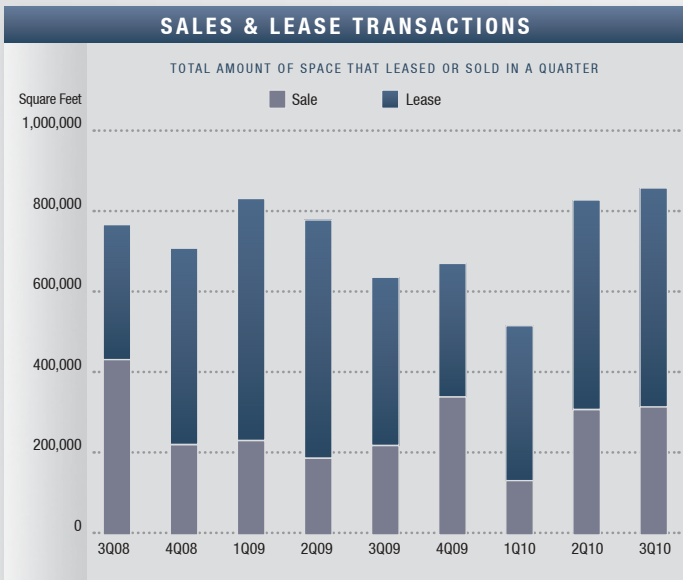
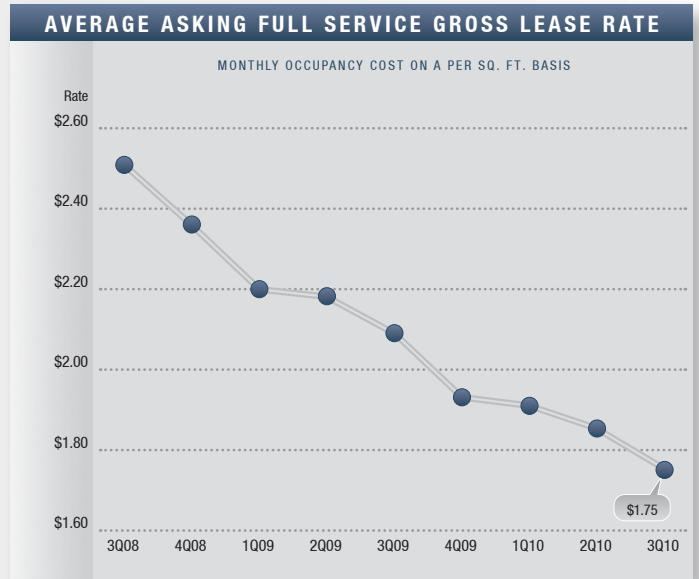
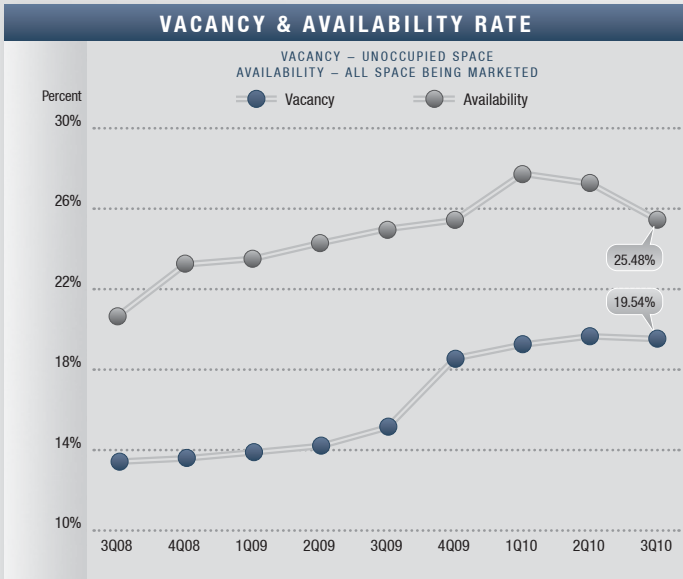
- **Bottoming Out?** – The Orange County Flex Market is showing trends of stabilization. This quarter, both vacancy and availability dropped from last quarter, and net absorption also improved slightly. Although demand is still weak by historical standards, the volume of sales transactions is increasing. While these are positive indications, stability will need to be sustained in following quarters to be considered recovery.
- **Construction** – Currently, there is no flex space under construction in Orange County, as a result of a lack of demand. The shrinking availability of land, scarce financing and rising construction costs has led to few projects being developed.
- **Vacancy** – Direct/sublease space (unoccupied) finished the quarter at 19.54%, an increase over last year's third quarter rate of 15.08% but a decrease from last quarter's 19.71%. This 19.54% is still less than the record high rate of 26.95% that was recorded in the second quarter of 2002.
- **Availability** – Direct/sublease space being marketed was 25.48% this quarter, an increase of 2.25% compared to the 24.92% we saw this same quarter last year but lower than last quarter's 27.21%.
- **Lease Rates** – The average asking Full-Service Gross (FSG) lease rate per square foot per month in Orange County was \$1.75 — a 16.27% decrease over last year's rate of \$2.09 and ten cents lower than last quarter's rate. The record high rate of \$2.66 was established in the third quarter of 2007.
- **Absorption** – Net absorption for the county posted a positive 30,373 square feet for the third quarter of 2010, giving the flex market an average of 190,000 square feet of negative absorption for last five quarters. This negative absorption can be attributed to the recent job losses.
- **Transaction Activity** – Leasing activity came in this quarter at 565,489 square feet. The average amount

of leasing per quarter over the past five quarters was 450,000 square feet. Sales activity posted 292,384 square feet this quarter, compared to the second quarter's 278,755 square feet.

- **Employment** – The unemployment rate in Orange County was 9.6% in August 2010 — down from a revised 9.9% in July 2010 and below the year-ago estimate of 9.8%. This compares with an unadjusted unemployment rate of 12.4% for California and 9.5% for the nation during the same period. According to the State of California Employment Development Department, Orange County increased by 12,000 payroll jobs over the last twelve months; the largest gains were 11,000 in professional & business services and 7,800 in leisure and hospitality. However, during that same period, Orange County lost 6,700 jobs in construction.
- **Overall** – We are beginning to see a decrease in the amount of available space, as well as an increase in investment sales activity for the year. As we enter into the last quarter of 2010, absorption has turned positive, and with few new deliveries in the pipeline to put more upward pressure on vacancies, the market is beginning to 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 in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances should continue to increase to incentivize tenants to act immediately. We should see an increase in leasing activity as many short-term deals come up for renewal and as job creation begins going into 2011. If job creation continues and consumer confidence stabilizes, the flex market will continue to recover.

FLEX MARKET OVERVIEW

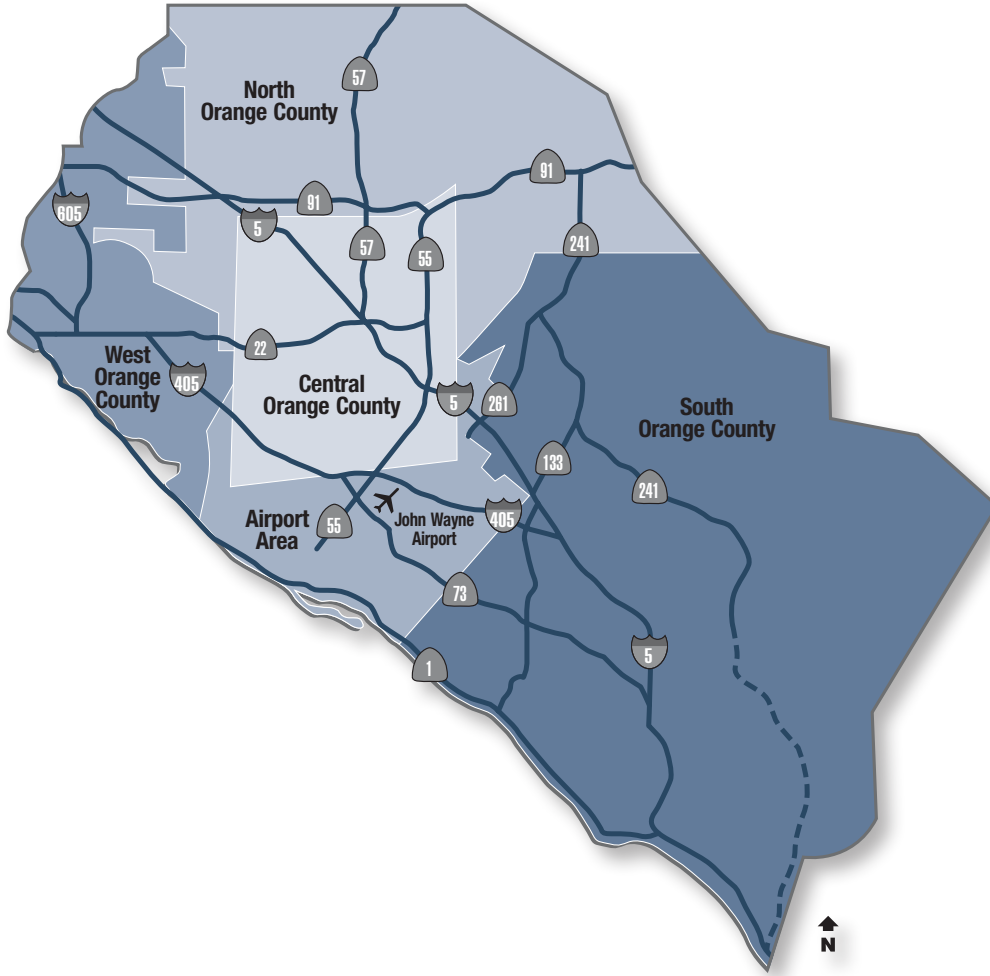
	3Q2010	2Q2010	3Q2009	% CHANGE vs. 3Q2009
Vacancy Rate	19.54%	19.71%	15.08%	29.58%
Availability Rate	25.48%	27.21%	24.92%	2.25%
Average Asking Lease Rate	\$1.75	\$1.85	\$2.09	(16.27%)
Sale & Lease Transactions	857,873	830,203	629,856	36.20%
Gross Absorption	501,747	454,374	529,967	(5.32%)
Net Absorption	30,373	(96,409)	(172,223)	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 3Q2010	Square Feet Available	Availability Rate 3Q2010	Average Asking Lease Rate	Net Absorption 3Q2010	Net Absorption 2010	Gross Absorption 3Q2010	Gross Absorption 2010
North County													
Anaheim	22	438,748	0	34,000	78,598	17.91%	91,924	20.95%	\$1.68	10,150	16,764	14,350	45,655
Brea	14	414,580	0	.	69,649	16.80%	90,573	21.85%	\$1.81	3,000	(25,592)	10,842	35,334
Buena Park	3	70,000	0	0	1,440	2.06%	1,440	2.06%	\$0.00	0	720	0	1,440
Fullerton	8	114,697	0	24,000	6,344	0.00%	23,829	20.78%	\$0.00	1,285	1,190	1,285	6,550
Placentia	3	61,675	0	0	10,878	17.64%	10,878	17.64%	\$1.60	980	2,606	980	2,606
Yorba Linda	50	1,099,700	0	58,000	166,909	15.18%	218,644	19.88%	\$1.76	15,415	(4,312)	27,457	91,585
North County Total	51	1,110,000	43,000	78,213	192,624	17.35%	247,431	22.29%	\$1.80	5,111	(20,027)	29,717	64,128
West County													
Cypress	11	393,068	0	0	33,813	8.60%	28,681	7.30%	\$1.95	0	(2,741)	0	2,391
Huntington Beach	3	48,796	0	0	4,405	9.03%	6,631	13.59%	\$1.40	0	(3,232)	0	1,173
Seal Beach	5	72,882	0	0	1,750	2.40%	1,750	2.40%	\$0.00	0	600	0	600
West County Total	19	514,746	0	0	39,968	7.76%	37,062	7.20%	\$1.77	0	(5,373)	0	4,164
Central County													
Anaheim	11	279,366	0	0	27,689	9.91%	27,689	9.91%	\$0.00	7,182	(342)	13,747	16,021
Garden Grove	2	27,400	0	0	14,990	54.71%	14,990	54.71%	\$0.00	0	1,620	0	7,100
Orange	8	158,938	0	0	15,518	9.76%	23,838	15.00%	\$1.95	(5,267)	(11,491)	2,100	2,566
Santa Ana	11	227,881	0	0	55,457	24.34%	67,976	29.83%	\$1.55	522	10,828	522	18,668
Tustin	5	88,617	0	0	16,738	18.89%	22,034	24.86%	\$0.00	5,296	0	5,296	5,296
Central County Total	37	782,202	0	0	130,392	16.67%	156,527	20.01%	\$1.75	7,733	615	21,665	49,651
Airport Area													
Costa Mesa	7	102,815	0	0	0	0.00%	10,802	10.51%	\$1.50	1,345	1,345	1,345	1,345
Irvine	116	3,504,191	0	0	772,490	22.04%	950,523	27.13%	\$1.96	34,873	(67,872)	116,577	314,397
Newport Beach	28	623,161	0	0	59,823	9.60%	97,340	15.62%	\$2.35	15,961	19,455	17,646	46,119
Santa Ana	13	552,945	0	0	117,462	21.24%	105,415	19.06%	\$1.38	(7,547)	(9,469)	4,237	25,888
Tustin	6	208,919	0	0	57,900	27.71%	61,877	29.62%	\$0.00	0	3,742	0	3,742
Airport Area Total	170	4,992,031	0	0	1,007,675	20.19%	1,225,957	24.56%	\$1.81	44,632	(52,799)	139,805	391,491
South County													
Aliso Viejo	44	1,350,166	0	21,000	223,958	16.59%	268,893	19.92%	\$1.64	3,498	(33,350)	36,919	81,388
Dana Point	6	77,940	0	0	4,150	5.32%	4,150	5.32%	\$0.00	3,760	3,760	3,760	3,760
Foothill Ranch	5	105,397	0	0	17,900	16.98%	20,850	19.78%	\$1.50	(8,899)	2,924	0	14,623
Irvine Spectrum	228	5,380,738	0	0	1,460,758	27.15%	1,656,116	30.78%	\$1.83	(21,824)	(80,131)	189,637	420,673
Laguna Beach	5	74,016	0	0	2,506	3.39%	3,894	5.26%	\$0.00	4,870	7,134	4,870	11,245
Laguna Hills	14	450,468	0	0	82,296	18.27%	99,503	22.09%	\$1.71	(10,398)	(3,596)	11,441	54,138
Laguna Niguel	3	53,170	0	0	3,452	6.49%	4,834	9.09%	\$0.00	(3,452)	(2,293)	0	1,159
Lake Forest	40	1,488,442	0	0	119,180	8.01%	539,364	36.24%	\$1.86	32,177	20,624	36,291	130,661
Mission Viejo	27	353,961	0	0	45,241	12.78%	51,147	14.45%	\$1.82	3,893	(7,160)	8,232	10,466
Rancho Santa Margarita	12	310,416	0	0	52,371	16.87%	53,145	17.12%	\$1.61	(3,131)	(2,204)	7,590	24,957
San Clemente	11	234,169	0	0	50,997	21.78%	98,473	42.05%	\$1.46	(19,738)	(22,564)	3,151	13,162
San Juan Capistrano	26	566,851	0	0	77,216	13.62%	106,152	18.73%	\$2.01	(18,163)	(4,069)	10,929	61,494
South County Total	421	10,445,734	0	21,000	2,140,025	20.49%	2,906,521	27.82%	\$1.73	(37,407)	(120,925)	312,820	827,726
Orange County Total	697	17,834,413	0	79,000	3,484,969	19.54%	4,544,711	25.48%	\$1.75	30,373	(182,794)	501,747	1,364,617

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2010	Square Feet Available	Availability Rate 3Q2010	Average Asking Lease Rate	Net Absorption 3Q2010	Net Absorption 2010	Gross Absorption 3Q2010	Gross Absorption 2010
North County													
0 to 29,999	40	654,388	0	24,000	72,150	11.03%	105,470	16.12%	\$1.60	11,129	20,436	18,257	59,988
30,000 to 49,999	8	322,312	0	34,000	57,018	17.69%	65,536	20.33%	\$2.03	5,000	8,967	9,200	31,597
50,000+	2	123,000	0	0	37,741	30.68%	47,638	38.73%	\$1.75	(714)	(33,715)	0	0
West County													
0 to 29,999	12	145,978	0	0	20,655	14.15%	22,881	15.67%	\$1.40	0	(2,632)	0	1,773
30,000 to 49,999	3	118,562	0	0	19,313	16.29%	14,181	11.96%	\$1.95	0	(2,741)	0	2,391
50,000+	4	250,206	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Central County													
0 to 29,999	29	374,434	0	0	30,407	8.12%	56,542	15.10%	\$0.00	4,245	(1,531)	7,542	14,642
30,000 to 49,999	2	73,363	0	0	19,060	25.98%	19,060	25.98%	\$1.55	3,545	(3,979)	13,601	15,875
50,000+	6	334,405	0	0	80,925	24.20%	80,925	24.20%	\$1.75	(57)	6,125	522	19,134
Airport Area													
0 to 29,999	90	1,036,006	0	0	196,297	18.95%	282,147	27.23%	\$1.79	20,012	7,773	33,871	57,354
30,000 to 49,999	42	1,707,965	0	0	421,741	24.69%	464,560	27.20%	\$2.07	(36,359)	(84,554)	28,490	81,892
50,000+	38	2,248,060	0	0	389,637	17.33%	479,250	21.32%	\$1.67	60,979	23,982	77,444	252,245
South County													
0 to 29,999	274	3,581,944	0	21,000	673,454	18.80%	1,003,337	28.01%	\$1.61	(46,366)	(82,338)	100,862	352,784
30,000 to 49,999	92	3,627,220	0	0	656,136	18.09%	727,529	20.06%	\$1.79	(7,293)	(66,568)	67,339	208,472
50,000+	55	3,236,570	0	0	810,435	25.04%	1,175,655	36.32%	\$1.97	16,252	27,981	144,619	266,470
Orange County													
0 to 29,999	445	5,792,750	0	45,000	992,963	17.14%	1,470,377	25.38%	\$1.63	(10,980)	(58,292)	160,532	486,541
30,000 to 49,999	147	5,849,422	0	34,000	1,173,268	20.06%	1,290,866	22.07%	\$1.83	(35,107)	(148,875)	118,630	340,227
50,000+	105	6,192,241	0	0	1,318,738	21.30%	1,783,468	28.80%	\$1.84	76,460	24,373	222,585	537,849
Orange County Total	697	17,834,413	0	79,000	3,484,969	19.54%	4,544,711	25.48%	\$1.75	30,373	(182,794)	501,747	1,364,617

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

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Los Angeles, CA
818.593.6330

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

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.



This survey consists of properties 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.