

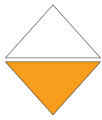
# Orange County

## OFFICE MARKET REPORT

First Quarter 2011

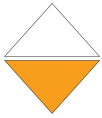
### MARKET OVERVIEW (Change from last quarter)

21.10% - Availability



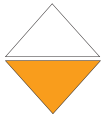
Down from 21.71% last quarter

17.21% - Vacancy



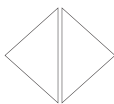
Down from 17.79% last quarter

390,423 Sq. Ft. - Absorption



Down from 392,602 SF last quarter

Average Lease Rate  
\$1.97 FSG



Flat from \$1.97 last quarter

\*All numbers are based on office space in buildings 30,000 sq. ft. and larger.

The Orange County Office Market Report is published quarterly by the Lee & Associates' Irvine, Newport Beach and Anaheim offices.

## Office Absorption Continues To Gain In Q1

Orange County's office market opened 2011 with another quarter of overall improvement for landlords. Q1 posted the first positive absorption for a first quarter since 2007 and – despite typical first-quarter slowdowns – reinforced the view that market stabilization is has taken hold.

The 390,423 sq. ft. of space that came off the market brings total positive net absorption over the last three quarters to more than 1.1 million sq. ft. It's the first consecutive three quarters of positive absorption since 2006. Lee & Associates surveys office buildings larger than 30,000 sq. ft.

Vacancy fell to 17.21%, which is down 58 basis points from the end of 2010 and 7.8% off the 18.67% peak in Q2 last year. Total availability fell to 21.1%, which is a drop of 61 basis points from last year's close and a 13% decline from the 24.35% peak one year ago.

The three largest of the county's five submarkets contributed to the momentum.

A notably strong quarterly net gain occurred in South County with 202,681 sq. ft. – the most in four consecutive quarters of positive absorption – driving down the vacancy rate to 17.3%, a 12.2% decline from the 19.7% Q1 2010 peak. This submarket, which totals 19 million sq. ft. of space, is southeast of Laguna Canyon Road but includes the Irvine Spectrum. Total available space in South County has fallen from a 26.8% peak one year ago to 22.4%. Vacant available space also dropped, falling YOY from 18.8% to 15.5%.

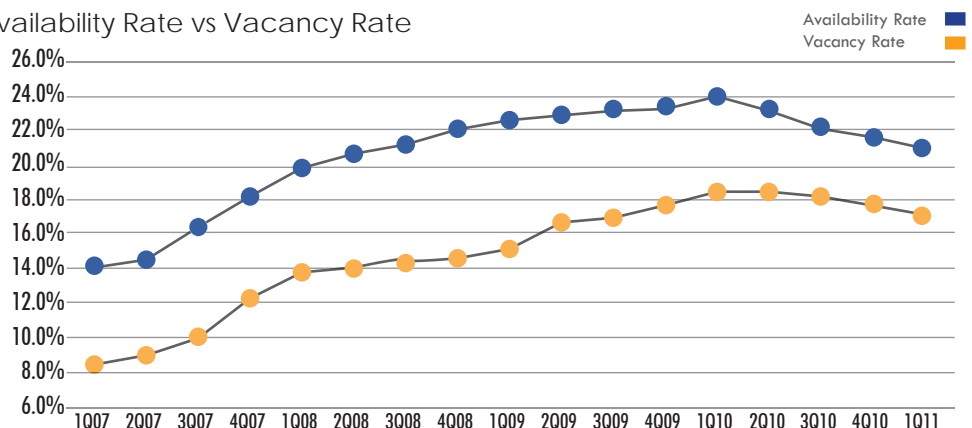
The Central County's vacancies and vacant available space ticked downward again in Q1, falling to 13.5% and 12.5% respectively. Central County's submarket contains 21 million sq. ft. of space and includes Anaheim. Total available space is down 729,372 sq. ft., settling at 16%, which is down from its 21% peak 18 months ago. Net absorption in Central County market has been on the plus side in four of the last five quarters.

The Airport submarket – the county's largest with 49.3 million sq. ft. of space – showed continued improvement in the first quarter with 124,634 sq. ft. of positive absorption. It was the third straight quarterly increase and a turnaround from a loss of 2.56 million sq. ft. over the previous eight quarters. Total available space YOY fell from 25.5% to 21.8%.

North County, the hardest hit by the recession, posted a net gain of 26,271 sq. ft. But the vacancy rate on the base of 9.9 million sq. ft. was unchanged at its 23.2% high while total available space inched up to a record 28.7% from a 2006 low of 6.9%.

West County, with 5.5 million sq. ft., is the county's smallest submarket and the tightest even though its vacancy rate increased 0.5 percentage points last quarter to 11.6%. Its total availability rate ended Q1 at 16.5%, up from 14.5% from the end of 2010. Absorption went negative in Q1 by 29,349 sq. ft.

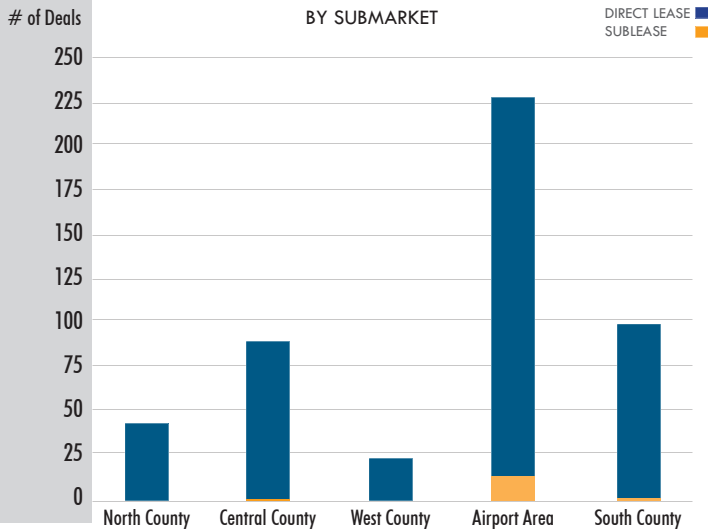
### Availability Rate vs Vacancy Rate



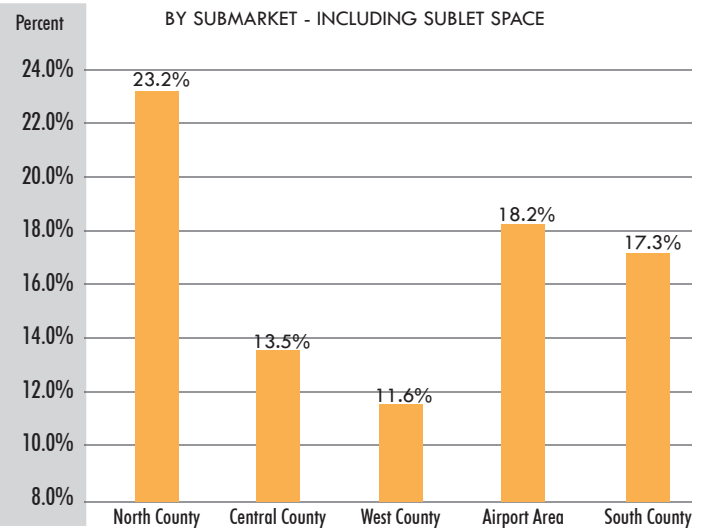
# QUARTER IN REVIEW

First Quarter 2011

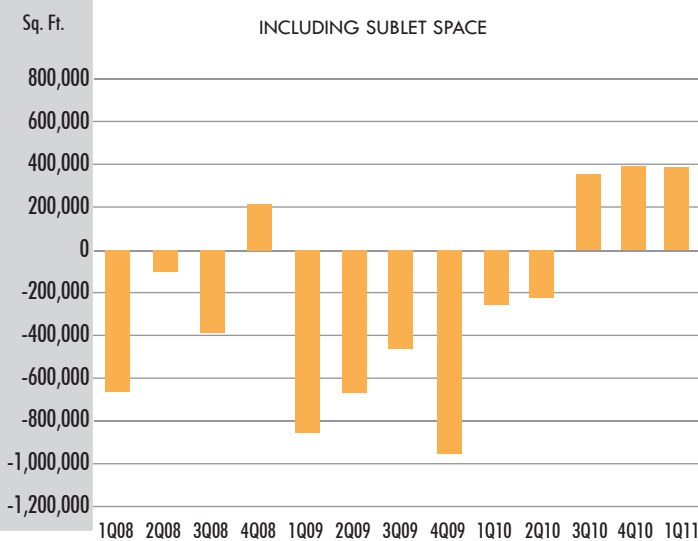
## NUMBER OF LEASES EXECUTED FOR THE QUARTER



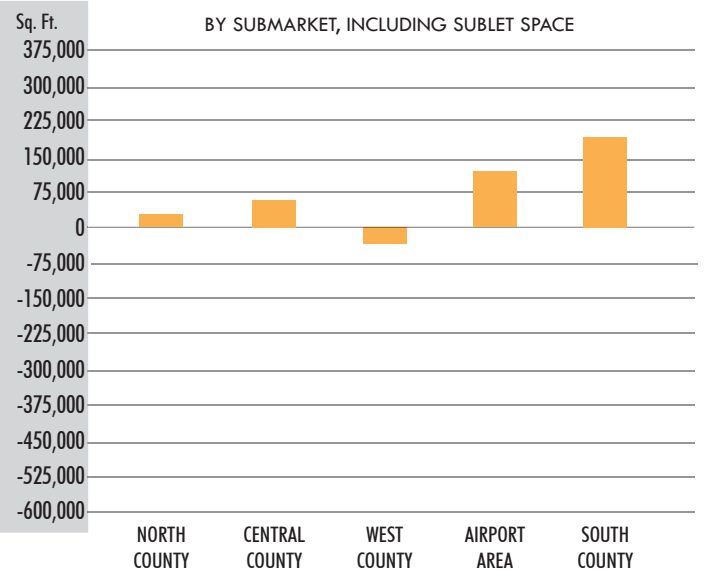
## VACANCY RATE



## COUNTY WIDE NET ABSORPTION



## YTD NET ABSORPTION



Submarkets:

### NORTH

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

### WEST

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

### CENTRAL

Fountain Valley, Santa Ana and Tustin

### AIRPORT

Costa Mesa, Irvine, and Newport Beach

### SOUTH

Aliso Viejo, Foothill Ranch, Irvine Spectrum, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano

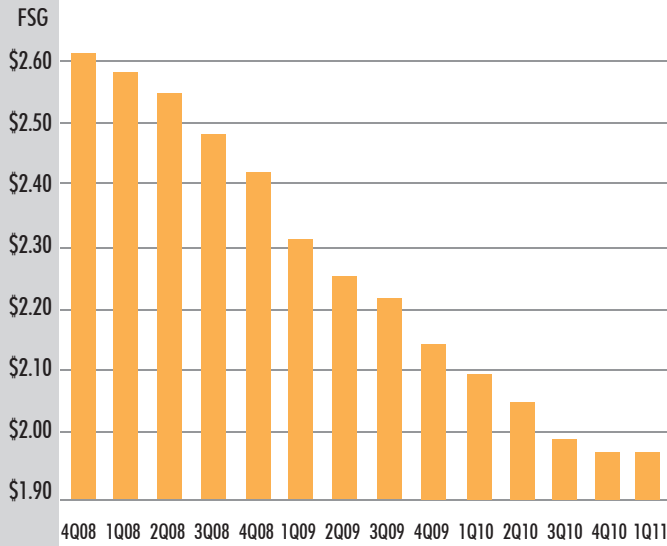
## Forecast:

Office specialists at Lee & Associates say that contiguous multi-floor spaces are in short supply and the market is oversupplied with small suites and full-floor opportunities. Despite the abundance of space, quoted average rental rates in most markets are showing signs of ending their four-year slide.

# QUARTER IN REVIEW

First Quarter 2011

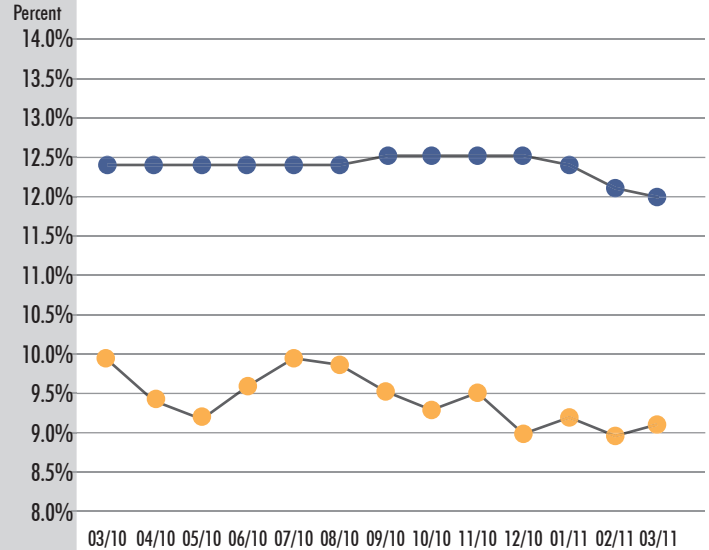
AVERAGE FSG LEASE RATES BY QUARTER



UNEMPLOYMENT RATE

Source: EDD

California  
Orange County



## Recent Transactions

### LEASED • 74,400 Sq. Ft.

7,9,11 Technology | Irvine



Craig DeMiranda represented the Lessee Monarch Health Care.

### SOLD • 36,000 Sq. Ft.

36 Tesla | Irvine Spectrum



Brian Garbutt and Andrew Robben represented the buyer, Owen Commercial.

### SOLD • 36,000 Sq. Ft.

36 Tesla | Irvine Spectrum



Jim Snyder represented the Buyer, Vizio, Inc.

### LEASED • 15,559 Sq. Ft.

500 Newport Center Dr. | Newport Beach



Bob Griffin represented the Tenant Acacia Research.

### LEASED • 8,224 Sq. Ft.

2601 Main St. | Irvine



Gary McArdell represented the tenant HMC Group, Inc.

### LEASED • 6,225 Sq. Ft.

711 Kimberly Ave. | Placentia



J. Fabiano, G. Thomson and M. Vogt represented the Lessee Innovative Intuitive Technology.

### SOLD • 5,122 Sq. Ft.

2200 East Fruit | Santa Ana



Phil Fridd and Erik Thompson represented the Buyer Orange County Medical.

### SOLD • 4,872 Sq. Ft.

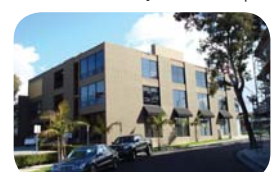
31411 Camino Capistrano | SJC



Dave Smith and Rob Rader represented the buyer, NSM Properties, LLC.

### LEASED • 3,262 Sq. Ft.

2865 W. Coast Hwy. Suite 100 | CDM



B. Rawlins, C. Fitterer and M. Jerue represented the lessor, 2865 E. Coast Highway Holdings.

# QUARTER IN REVIEW

First Quarter 2011

## Office Members of the Lee & Associates Group of Companies-Orange County

LEE & ASSOCIATES - ANAHEIM  
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SONYA DOPP-GRECH	MARSHAL VOGT
JONMARK FABIANO	
PHIL FRIDD	
DOUG GARRETT	
JOHN HATZIS	
JAMES HAWKINS	
DAN MUDGE	
DAVID NEWTON	
BOB SATTLER	
CHRIS SHEA	
JOHN SON	
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ALLEN BASSO	BRAD RAWLINS
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PHIL COHEN	DAVE SMITH
CRAIG FITTERER	RYAN SWANSON
MATT FRYER	ADAM WICKER
BRIAN GARbutt	KAYE-T WING
DYLAN GORMLY	
RYAN HARMAN	
MARK JERUE	
DEAN KRIEGER	
RANDY MASON	

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SEAN AHERN  
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TIM ARGUELLO  
SCOTT BELLIZZI  
JOHN COLLINS  
GARY MCARDELL  
KATHE MORGAN  
M. WYATT PRICHARD  
BOB RIEDEN  
DAVID ROMERO  
DICK SILVA  
DAVID WHITNEY

## About Lee & Associates

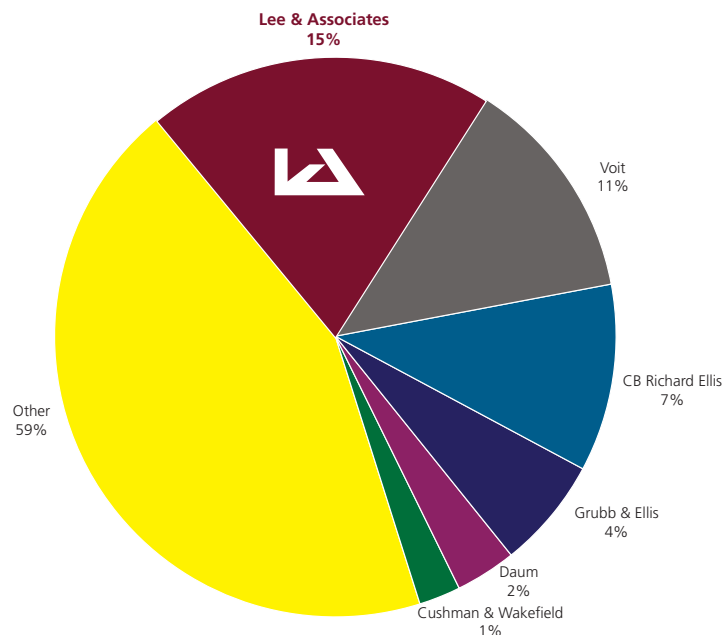
As a group of independently owned and operated companies, Lee & Associates currently has more than 44 offices in California, Arizona, Nevada, Michigan, Missouri, Idaho, Texas, New Jersey, Illinois, Indiana, Georgia, Kansas, South Carolina and Wisconsin.

With a broad array of regional, national and international clients—ranging from individual investors and small businesses, to large corporations and institutions—Lee & Associates has successfully completed transactions with a total value of more than \$5 billion last year, alone.

### Office Services

The firm's office brokers negotiate various transactions, including mid- and high-rise properties, business and office parks, mixed-used projects, office land for development, multi-tenant buildings and commercial investments. Our brokers analyze the financial arrangements to streamline transactions, and use innovative marketing efforts and unique transaction structuring to provide creative solutions to meet the client's needs. Our comprehensive service line includes owner and tenant leasing, acquisition and sales, along with marketing and consulting capabilities. We focus on strategic counseling, rather than merely the transaction, in order to execute the best possible real estate strategies for our clients. This includes building strong relationships within the brokerage community overall. As a result, our clients are assured of the broadest exposure possible.

### Lee & Associates Brokerage Market Share in Orange County



### TERMS:

**Average Asking Lease Rate:** The rate determined by multiplying the lease rate for each building in the summary by its associated available space, summing the products then dividing by the sum of the available spaces with gross lease rates for all buildings in the summary. Direct leases only; excludes sublease space and parking charges.

**Full Service Gross (FSG):** Lease type whereby the landlord assumes responsibility for all the operating expenses and taxes for the property.

**Inventory:** Office inventory includes all multi-tenant and single-tenant buildings containing at least 30,000 square feet of rentable space. Owner-occupied, government, medical buildings are not included.

**Occupied Square Feet:** NRA not considered vacant.

**Vacancy Rate:** The percentage of the total amount of physically vacant space divided by the total amount of existing inventory.

**Gross Absorption:** The total amount of space leased or sold in a specified period of time.

**Net Absorption:** The change in total occupied square foot from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy.

**Net Rentable Area (NRA):** The gross building square footage minus the elevator core, pipe shafts, vertical ducts, balconies and stairwell areas.

**Vacancy Rate:** Vacant square feet divided by the NRA.