



Orange County, California

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

During the second half of 2011, the Orange County office sector performed better than most Southern California markets. Year-end vacancy rates slowly registered improvement in most submarkets, with a year-end, class A vacancy rate dropping to 16.6 percent. These rates still remain stubbornly high when compared to pre-recession levels. Additionally, the premier airport area submarket is still reporting a 20% vacancy for class A space.

The industrial and R&D sectors also witnessed an improving outlook during 2011. However, the long-awaited correction has been slow and steady and could still face additional challenges over the short term. Limited new product and a slightly improving local economic outlook could help stabilize these product types later into 2012.

Market Trends

As the local unemployment outlook continues to slowly improve additional office users may look to expand and take advantage of still attractive deals. One of the larger office deals of the year was by CoreLogic, which leased 169,287 square feet previously occupied by the FDIC. The simple fact that the FDIC was giving up space could be seen as a positive trend. Additionally, national firms such as Hyundai and Western Digital also completed major office deals in late 2011.

The South Orange County markets will remain a destination of choice for both regional and national industrial and R&D users. With some of the lowest area vacancy rates but still competitive rents, the trend in these sectors could be improving soon.

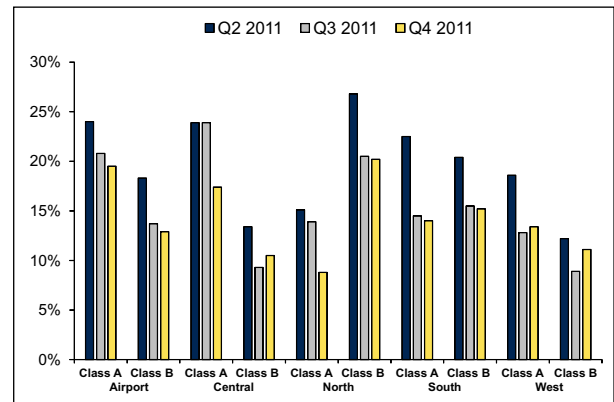
Tenant's Perspective

Orange County office tenants active in the market next year will continue to benefit from low effective rents, healthy concessions and the lack of major new construction. This will also afford them time to review and select the best possible deal. Renewal activity should remain active while tenants finalize their business plans and resulting office space requirements, or their possible downsizing options. For industrial and R&D tenants alike this paced correction and still attractive rents will make this market a great opportunity in 2012. The competitive rental rates, which are not expected to tick up by much but instead stabilize, could offer a wide choice of options for industrial tenants. Landlord concessions will remain generous to secure the strongest tenants in the marketplace.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Berry Plastics Corp	117,857	Warehouse	Lease
M Line Holdings	48,600	Flex	Renewal
Sonance	43,240	Warehouse	Renewal
First PacTrust Bancorp	41,382	Office	Lease
Aspen Medical Products	30,000	Warehouse	Sublease

Vacancy Rate



Average Rental Rates

Area	Q2 2011	Q3 2011	Q4 2011
Airport Area			
Class A Office	\$26.11	\$26.24	\$25.85
Class B Office	\$20.84	\$21.18	\$20.57
Central County			
Class A Office	\$22.97	\$23.41	\$23.60
Class B Office	\$19.51	\$19.89	\$18.87
North County			
Class A Office	\$24.06	\$23.48	\$23.54
Class B Office	\$19.21	\$21.85	\$20.18
South County			
Class A Office	\$24.83	\$25.30	\$24.76
Class B Office	\$20.52	\$22.34	\$20.40
West County			
Class A Office	\$24.00	\$24.35	\$24.80
Class B Office	\$18.93	\$20.34	\$19.63
South OC			
Class A Office	\$11.37	\$11.56	\$12.66
Class B Office	\$8.07	\$6.95	\$7.44
North OC			
Class A Office	\$10.68	\$10.22	\$14.20
Class B Office	\$5.60	\$5.97	\$9.20

