

INDUSTRIAL MARKET REPORT

SECOND
QUARTER
2005

Compared to
last quarter:

VACANCY



UP

ABSORPTION



UP

SALES PRICE



FLAT

ACTIVITY



UP

LEASE RATES



UP

CONSTRUCTION



UP

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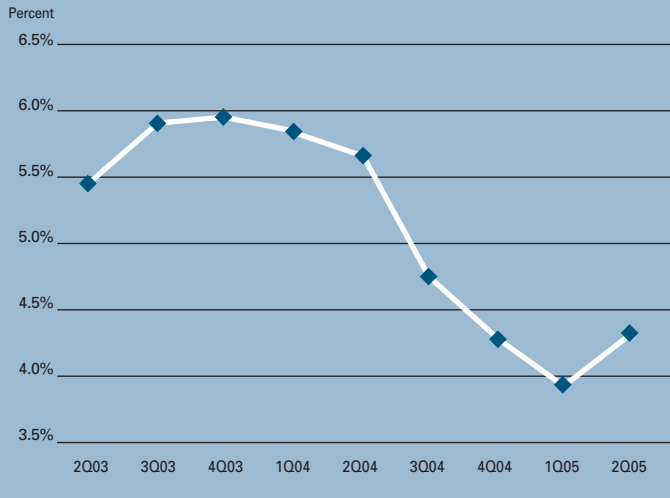
MARKET HIGHLIGHTS

- ◆ Unemployment for the second quarter of 2005 in Orange County is 3.3%, which is .8% lower than it was when compared to the first quarter of 2005, and is .8% lower than it was during the second quarter of 2004.
- ◆ According to Chapman University, it is estimated that Orange County added 31,000 new jobs in 2004. Furthermore, they are forecasting 24,000 new jobs will be added to the county in 2005 as the Orange County economy continues to expand.
- ◆ Total space under construction is just over 800,000 square feet this quarter, which is more than one and a half times higher than the 300,000 square feet that was under construction a year ago.
- ◆ Industrial vacancy came in at a low rate of 4.33%, which is 23.5% lower than it was a year ago. This will put more pressure on lease rates to continue to climb.
- ◆ Industrial availability checked in at a rate of 6.12%, which is over 25% lower than what was on the market a year ago.
- ◆ The average asking triple net lease rate is .61 cents per square foot per month this quarter. This is an increase of over 15% when compared to a year ago and two cents higher than last quarter. This is the fifth consecutive quarter of positive lease rate growth. This gets us closer to the record high average asking lease rate of \$.62, which we experienced in the fourth quarter of 2000 and the first quarter of 2001.
- ◆ The average asking selling price rate is \$120.66 per square foot per this quarter. This is an increase of almost 27% when compared to a year ago and another record high.
- ◆ The level of activity was a little higher in the second quarter of 2005 when compared to last quarter, checking in at 4.4 million square feet this quarter from 3.8 million square feet last quarter. This is due to an increase in leasing activity.
- ◆ Net absorption for the county during the second quarter of 2005 posted a positive number of 1,021,161 square feet, giving the Industrial Market in Orange County a total of over 5.4 million square feet of positive absorption for the last six quarters.
- ◆ Rental rates are expected to increase at moderate levels in the short run, and concessions will lessen as the economy in Orange County continues to improve. These conditions will put upward pressure on lease rates going forward. We should see lease rate growth of 10% to 15% during 2005.

INDUSTRIAL MARKET STATISTICS

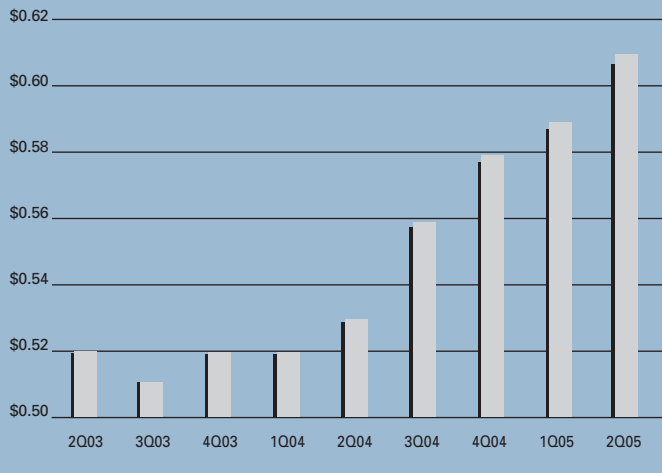
	2Q2005	1Q2005	2Q2004	% CHANGE VS. 2004
Under Construction	806,272	768,535	314,072	156.72%
Planned Construction	922,576	1,188,405	1,173,584	-21.39%
Vacancy	4.33%	3.92%	5.66%	-23.50%
Availability	6.12%	5.58%	8.18%	-25.18%
Avg. Ask Lease Rate	\$0.61	\$0.59	\$0.53	15.09%
Avg. Ask Sales Price	\$120.66	\$120.16	\$95.19	26.76%
Activity - Gross Absorption	4,417,080	3,830,420	4,910,442	-10.05%
Absorption	1,021,161	97,861	422,479	N/A

VACANCY RATE

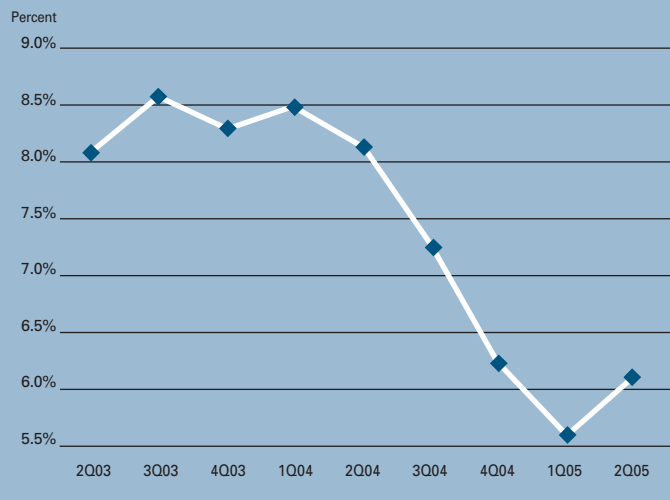


WEIGHTED AVERAGE ASKING LEASE RATES

ON A TRIPLE NET BASIS FOR MANUFACTURING & DISTRIBUTION PRODUCT

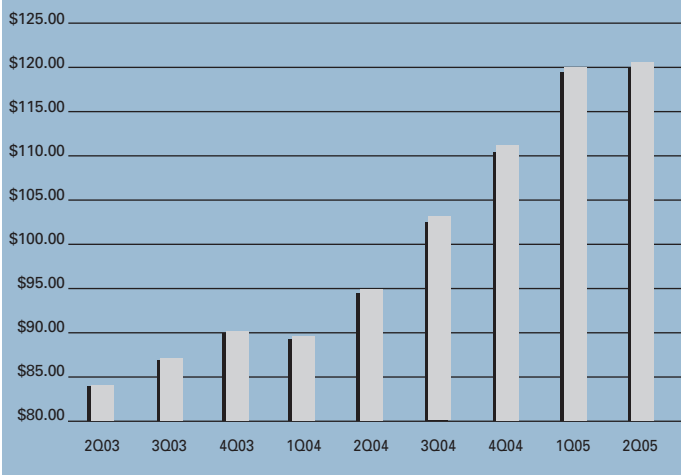


AVAILABILITY RATE

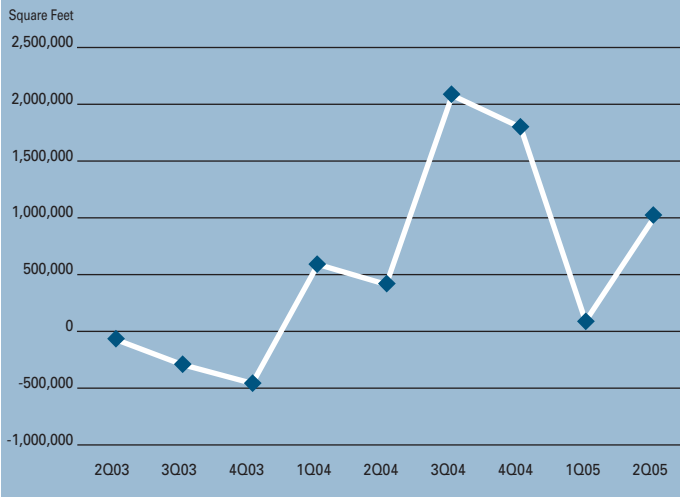


WEIGHTED AVERAGE ASKING SALES RATES

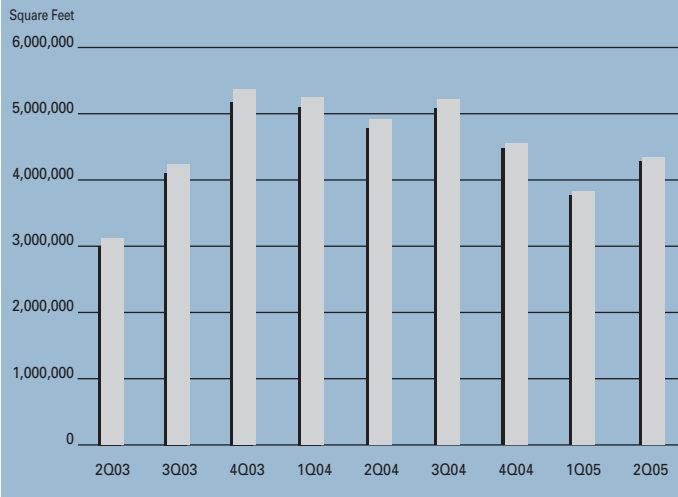
PER SQUARE FOOT FOR MANUFACTURING & DISTRIBUTION PRODUCT



NET ABSORPTION



GROSS ABSORPTION

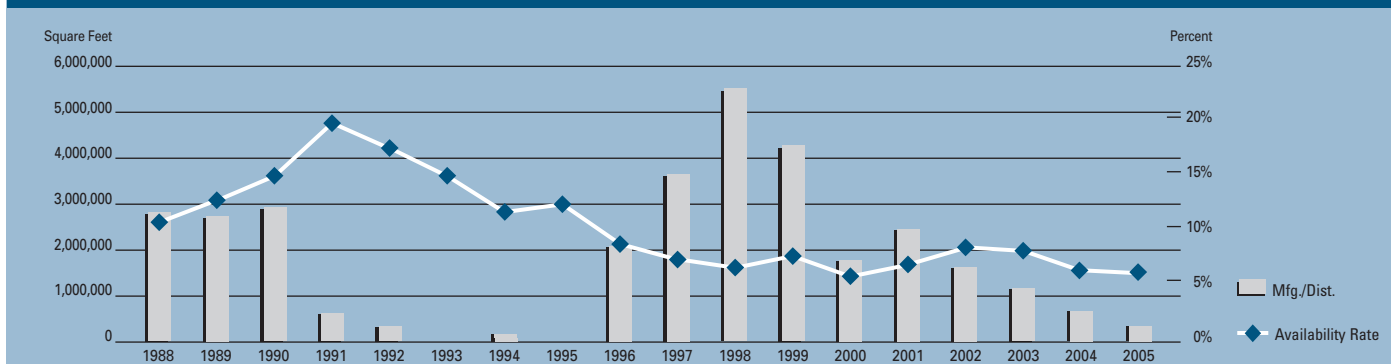


ORANGE COUNTY

	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2005	Square Feet Available	Availability Rate 2Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2005	Net Absorption 2005	Gross Absorption 2Q2005	Gross Absorption 2005
North County														
Anaheim	1,254	44,193,845	0	171,475	1,261,812	2.86%	1,538,957	3.48%	\$0.53	\$124.91	528,241	577,401	1,055,591	1,520,725
Brea	232	10,793,841	77,560	0	289,251	2.68%	834,616	7.73%	\$0.46	\$164.86	173,604	151,152	255,661	382,810
Buena Park	180	14,105,886	0	0	692,607	4.91%	848,756	6.02%	\$0.47	\$82.78	(80,359)	521,024	63,737	891,861
Fullerton	282	16,130,619	0	0	1,264,566	7.84%	1,712,748	10.62%	\$0.48	\$80.19	(121,761)	(179,649)	287,153	497,962
La Habra	87	2,338,498	0	0	14,913	0.64%	14,913	0.64%	\$0.59	\$154.00	10,124	25,675	20,460	45,601
Orange	431	11,517,676	79,655	61,128	143,731	1.25%	143,731	1.25%	\$0.84	\$155.67	5,966	(6,511)	114,068	114,068
Placentia	143	3,558,477	0	0	112,284	3.16%	185,977	5.23%	\$0.64	\$92.40	50,917	58,283	76,511	151,851
Yorba Linda	28	836,282	0	0	31,004	3.71%	31,004	3.71%	\$0.88	\$0.00	(19,186)	110,814	0	130,000
North County Total	2,637	103,475,124	157,215	232,603	3,810,168	3.68%	5,310,702	5.13%	\$0.51	\$108.04	547,546	1,258,189	1,873,181	3,734,878
West County														
Cypress	49	3,807,572	56,908	0	218,488	5.74%	761,919	20.01%	\$0.61	\$109.14	67,641	2,949	200,546	308,959
Garden Grove	290	10,999,956	0	16,407	497,542	4.52%	686,363	6.24%	\$0.53	\$121.15	(36,794)	(78,831)	173,741	235,019
Huntington Beach	437	12,085,568	299,189	347,908	284,493	2.35%	352,657	2.92%	\$0.65	\$127.97	89,003	41,367	156,065	245,871
La Palma	14	1,709,621	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Los Alamitos	74	1,986,752	0	0	32,765	1.65%	32,765	1.65%	\$0.58	\$115.41	9,313	2,000	9,313	9,313
Stanton	56	1,092,501	0	10,200	25,083	2.30%	25,083	2.30%	\$0.62	\$0.00	(15,715)	(21,915)	7,868	7,868
Westminster	58	1,817,801	0	0	144,932	7.97%	144,932	7.97%	\$0.41	\$110.73	(2,250)	26,870	3,000	35,000
West County Total	978	33,498,771	356,097	374,515	1,203,303	3.59%	2,003,719	5.98%	\$0.57	\$116.56	111,198	(27,560)	550,533	841,976
Airport Area														
Costa Mesa	210	6,532,038	0	0	518,139	7.93%	567,459	8.69%	\$0.73	\$162.75	40,448	(311,384)	79,573	218,095
Fountain Valley	141	3,355,243	0	152,553	63,300	1.89%	72,980	2.18%	\$0.79	\$138.72	(24,688)	4,464	12,452	107,799
Irvine	324	14,062,492	0	0	920,465	6.55%	1,256,762	8.94%	\$0.72	\$175.04	103,616	(169,602)	347,539	611,821
Newport Beach	19	316,009	0	0	6,820	2.16%	6,820	2.16%	\$0.92	\$0.00	6,471	3,971	15,791	15,791
Santa Ana	877	26,624,185	0	0	1,233,276	4.63%	1,368,257	5.14%	\$0.56	\$161.67	(61,547)	(129,329)	531,286	963,440
Tustin	89	4,477,694	151,531	0	541,109	12.08%	747,716	16.70%	\$0.66	\$116.04	(6,011)	(150,173)	464,665	584,138
Airport Area Total	1,660	55,367,661	151,531	152,553	3,283,109	5.93%	4,019,994	7.26%	\$0.64	\$127.24	58,289	(752,053)	1,451,306	2,501,084
South County														
Aliso Viejo	11	689,022	0	0	11,136	1.62%	24,816	3.60%	\$0.95	\$0.00	2,000	2,000	0	2,000
Foothill Ranch	40	3,018,250	0	136,616	74,375	2.46%	392,014	12.99%	\$0.68	\$0.00	138,903	52,023	138,903	160,023
Irvine Spectrum	144	7,222,792	141,429	0	506,599	7.01%	757,291	10.48%	\$0.67	\$170.41	104,679	110,014	213,345	336,552
Laguna Hills	69	1,273,664	0	0	17,095	1.34%	56,536	4.44%	\$1.13	\$224.58	6,741	23,484	19,366	36,109
Laguna Niguel	19	516,609	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	2,060	0	2,060
Lake Forest	129	3,722,200	0	0	173,986	4.67%	251,526	6.76%	\$0.77	\$156.38	(5,336)	17,550	51,230	131,180
Mission Viejo	26	966,906	0	0	26,284	2.72%	29,644	3.07%	\$1.40	\$128.00	51,582	46,056	51,582	51,582
Rancho Santa Margarita	35	1,056,063	0	0	39,394	3.73%	39,394	3.73%	\$0.86	\$144.28	(13,873)	(4,612)	14,201	38,858
San Clemente	50	1,158,583	0	26,289	58,588	5.06%	89,274	7.71%	\$0.73	\$131.51	19,293	24,262	51,001	107,775
San Juan Capistrano	32	838,184	0	0	14,056	1.68%	38,807	4.63%	\$1.05	\$255.56	139	(3,490)	2,432	7,432
South County Total	555	20,462,273	141,429	162,905	921,513	4.50%	1,679,302	8.21%	\$0.73	\$165.80	304,128	269,347	542,060	873,571
Orange County Total	5,830	212,803,829	806,272	922,576	9,218,093	4.33%	13,013,717	6.12%	\$0.61	\$120.66	1,021,161	747,923	4,417,080	7,951,509

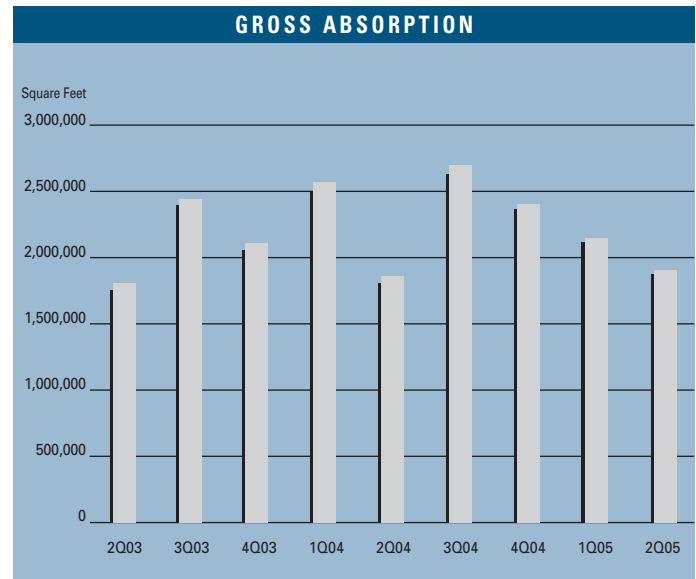
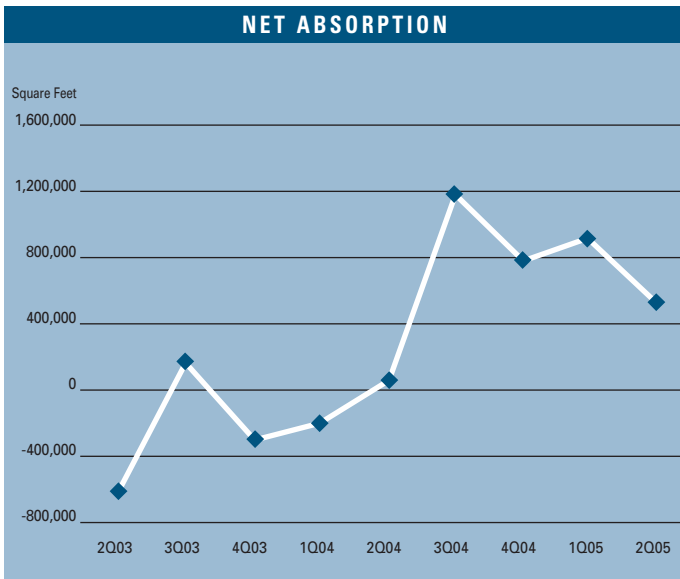
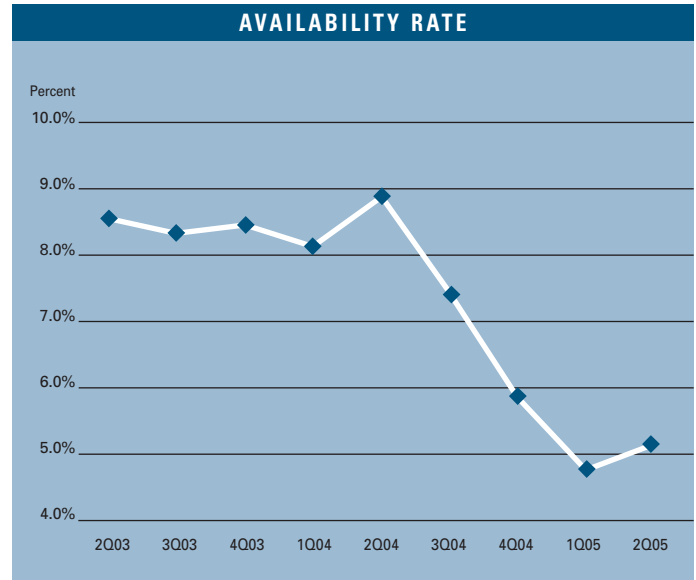
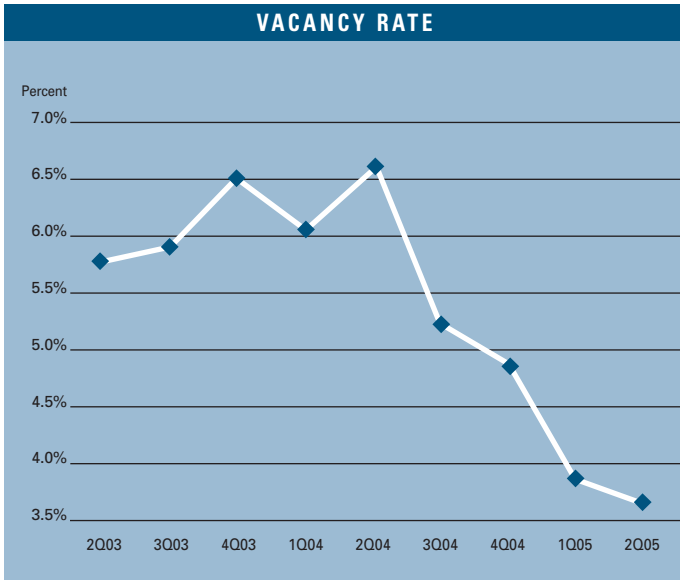
	INVENTORY				VACANCY & PRICING						ABSORPTION			
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O.C. Totals														
10,000-19,999	2,946	40,640,511	293,226	152,549	1,106,379	2.72%	1,240,447	3.05%	\$0.83	\$170.89	234,508	538,196	797,101	1,713,511
20,000-29,999	1,161	27,459,260	175,278	79,317	974,869	3.55%	1,225,444	4.46%	\$0.70	\$134.90	176,971	126,320	550,120	1,008,960
30,000-39,999	479	16,180,136	39,550	104,795	561,206	3.47%	710,586	4.39%	\$0.75	\$154.56	209,143	223,990	490,067	660,894
40,000-49,999	313	13,673,757	44,995	0	420,007	3.07%	771,735	5.64%	\$0.61	\$115.50	20,654	(52,729)	202,591	318,900
50,000-74,999	369	22,161,657	173,223	187,204	889,128	4.01%	1,130,618	5.10%	\$0.62	\$109.56	109,864	(219,002)	440,686	558,674
75,000-99,999	177	15,084,590	80,000	77,095	770,170	5.11%	965,049	6.40%	\$0.68	\$74.64	(136,555)	(279,408)	269,997	637,518
100,000-149,999	191	22,460,044	0	0	1,553,615	6.92%	2,330,428	10.38%	\$0.54	\$102.62	(170,588)	(12,545)	419,114	862,143
150,000-199,999	66	11,232,695	0	185,000	810,598	7.22%	983,001	8.75%	\$0.48	\$95.07	(172,487)	38,021	150,387	517,248
200,000-299,999	74	17,547,119	0	0	1,309,452	7.46%	1,937,047	11.04%	\$0.49	\$69.11	243,652	49,890	366,018	607,258
300,000+	54	26,364,060	0	0	822,669	3.12%	1,719,362	6.52%	\$0.53	\$110.88	505,999	335,190	730,999	1,066,403
Total	5,830	212,803,829	806,272	922,576	9,218,093	4.33%	13,013,717	6.12%	\$0.61	\$120.66	1,021,161	747,923	4,417,080	7,951,509

ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. AVAILABILITY RATE



NORTH ORANGE COUNTY

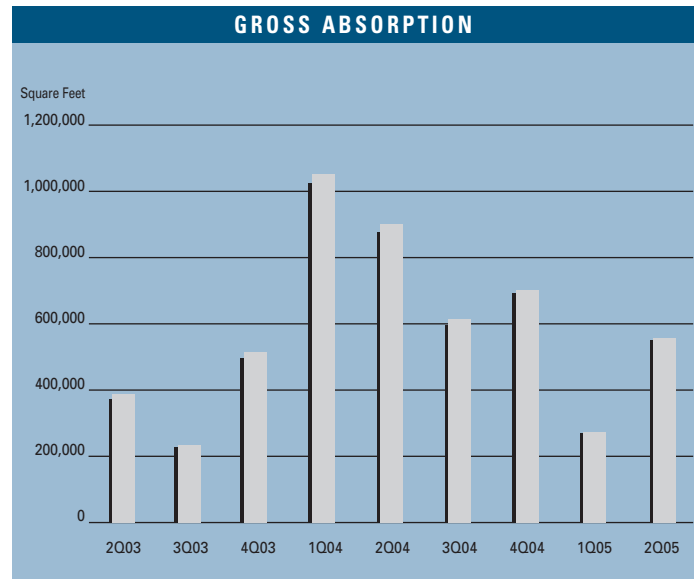
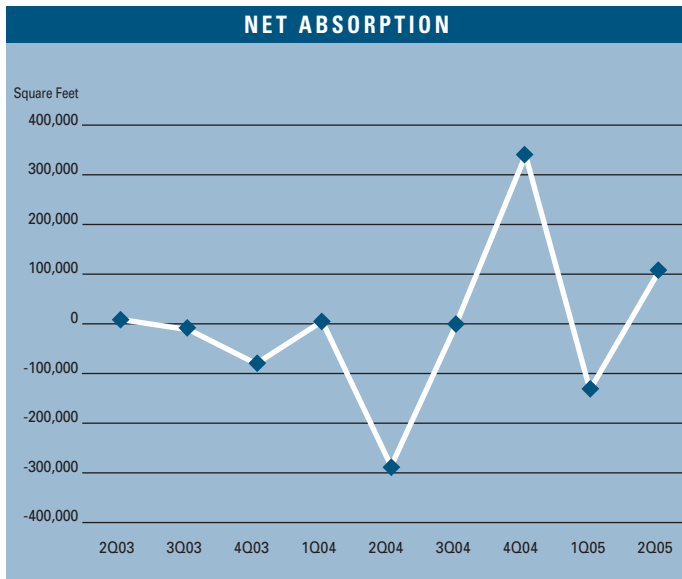
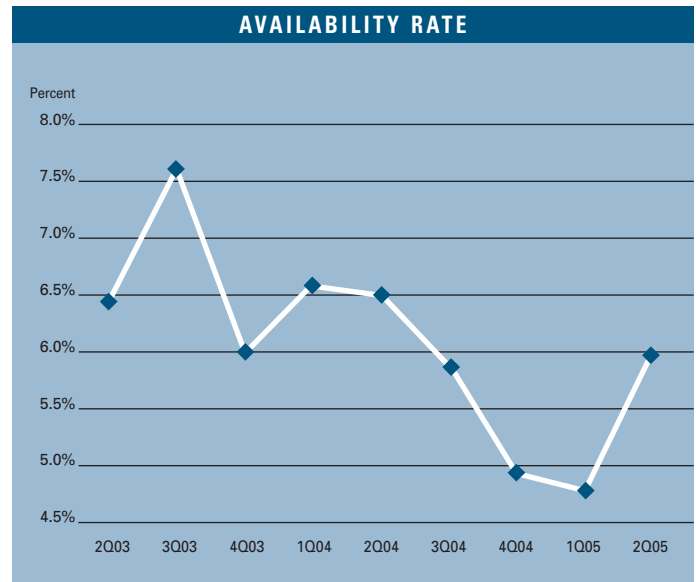
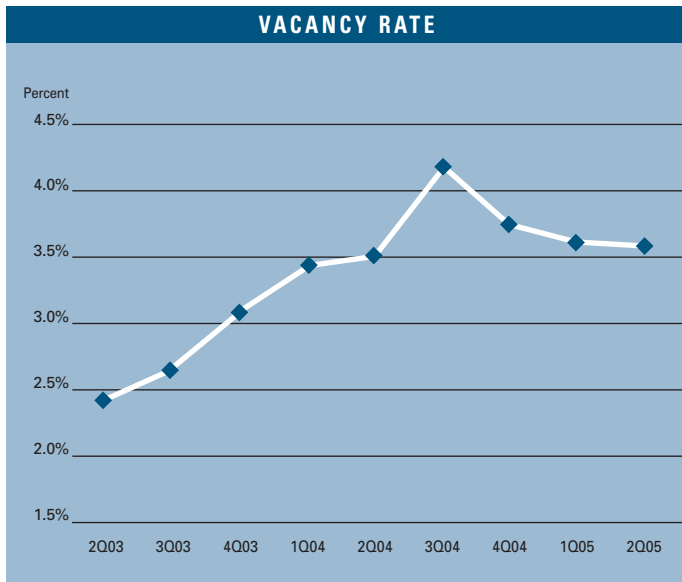
The North Orange County Industrial Market consists of 2,637 buildings totaling 103,475,124 square feet, and currently has an availability rate of 5.13%, which shows an increase from last quarter's 4.78% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2005	Square Feet Available	Availability Rate 2Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2005	Net Absorption 2005	Gross Absorption 2Q2005	Gross Absorption 2005
North Totals														
10,000-19,999	1,294	17,858,314	136,885	110,146	377,663	2.11%	377,663	2.11%	\$0.66	\$168.82	91,477	262,362	336,618	757,116
20,000-29,999	518	12,237,670	20,330	53,028	297,218	2.43%	341,242	2.79%	\$0.64	\$134.65	153,625	121,725	256,149	437,342
30,000-39,999	225	7,622,010	0	69,429	225,900	2.96%	298,159	3.91%	\$0.62	\$168.31	168,160	171,140	273,093	350,707
40,000-49,999	144	6,269,834	0	0	205,160	3.27%	298,272	4.76%	\$0.53	\$107.32	(41,317)	(64,580)	24,844	72,368
50,000-74,999	175	10,527,371	0	0	490,691	4.66%	553,440	5.26%	\$0.54	\$90.42	(61,447)	(211,060)	172,460	198,095
75,000-99,999	81	6,907,515	0	0	183,343	2.65%	374,862	5.43%	\$0.51	\$74.64	(58,808)	(84,707)	86,672	135,435
100,000-149,999	95	11,207,121	0	0	815,590	7.28%	1,306,932	11.66%	\$0.50	\$75.00	(174,730)	(95,293)	173,087	414,710
150,000-199,999	33	5,699,934	0	0	373,852	6.56%	402,756	7.07%	\$0.42	\$0.00	65,040	284,805	65,040	406,901
200,000-299,999	43	10,214,376	0	0	840,751	8.23%	1,033,299	10.12%	\$0.46	\$69.11	30,546	51,792	110,218	221,800
300,000+	29	14,930,979	0	0	0	0.00%	324,077	2.17%	\$0.35	\$0.00	375,000	822,005	375,000	740,404
Total	2,637	103,475,124	157,215	232,603	3,810,168	3.68%	5,310,702	5.13%	\$0.51	\$108.04	547,546	1,258,189	1,873,181	3,734,878

WEST ORANGE COUNTY

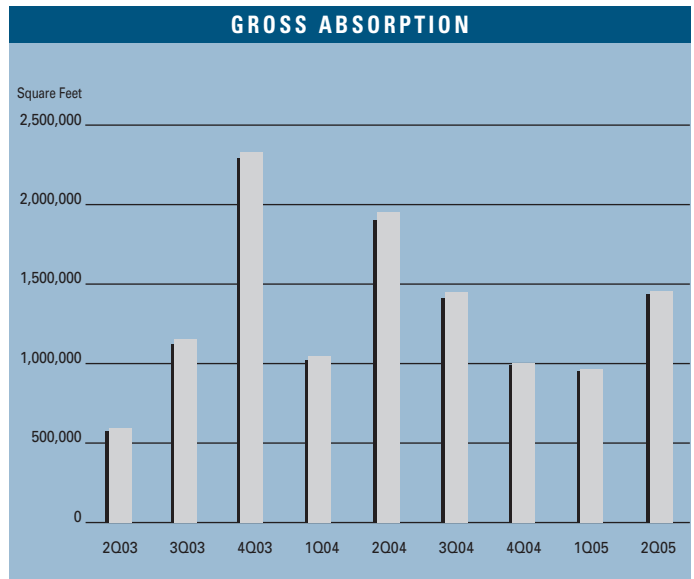
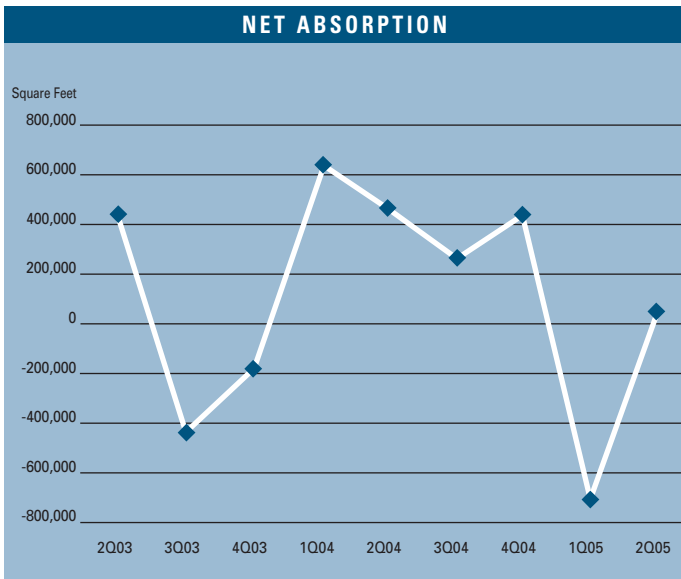
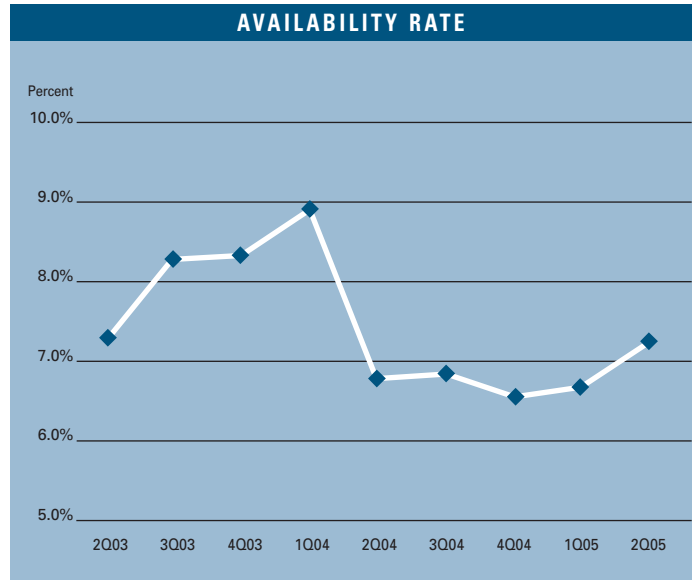
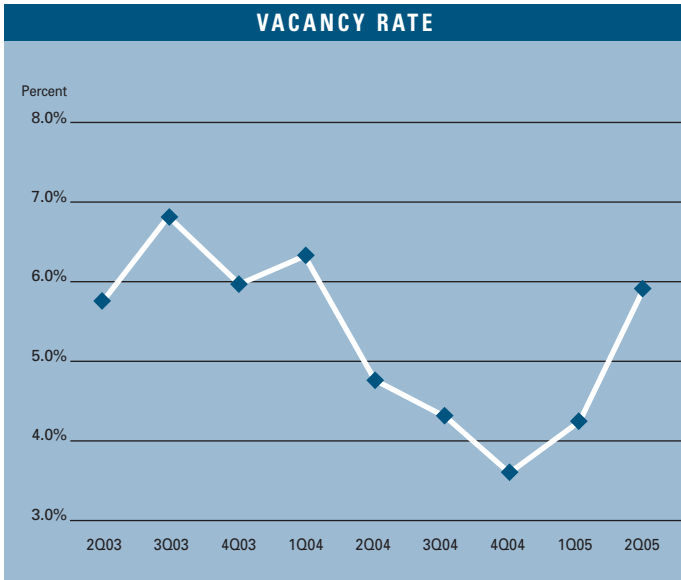
The West Orange County Industrial Market consists of 978 buildings totaling 33,498,771 square feet, and currently has an availability rate of 5.98%, which shows an increase from last quarter's 4.79% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2005	Square Feet Available	Availability Rate 2Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2005	Net Absorption 2005	Gross Absorption 2Q2005	Gross Absorption 2005
West Totals														
10,000-19,999	556	7,398,878	18,329	26,607	162,538	2.20%	211,606	2.86%	\$0.80	\$154.13	60,581	48,260	116,082	204,946
20,000-29,999	178	4,204,308	0	0	117,574	2.80%	192,561	4.58%	\$0.69	\$126.60	(4,271)	52,355	39,315	104,291
30,000-39,999	55	1,865,975	39,550	35,366	94,497	5.06%	94,497	5.06%	\$0.89	\$0.00	6,964	(31,801)	79,247	85,247
40,000-49,999	53	2,326,405	44,995	0	26,000	1.12%	120,047	5.16%	\$0.54	\$113.99	20,000	20,000	46,000	46,000
50,000-74,999	53	3,133,722	173,223	127,542	95,089	3.03%	136,807	4.37%	\$0.53	\$110.69	418	(66,231)	1,668	24,858
75,000-99,999	27	2,260,210	80,000	0	159,626	7.06%	159,626	7.06%	\$0.57	\$0.00	76,080	22,688	76,080	214,493
100,000-149,999	24	2,817,653	0	0	267,149	9.48%	267,149	9.48%	\$0.68	\$117.63	0	0	109,885	109,885
150,000-199,999	13	2,152,275	0	185,000	130,830	6.08%	267,729	12.44%	\$0.53	\$0.00	(106,573)	(130,830)	24,257	24,257
200,000-299,999	12	2,913,408	0	0	150,000	5.15%	354,314	12.16%	\$0.52	\$0.00	0	0	0	0
300,000+	7	4,425,937	0	0	0	0.00%	199,383	4.50%	\$0.59	\$110.88	57,999	57,999	57,999	27,999
Total	978	33,498,771	356,097	374,515	1,203,303	3.59%	2,003,719	5.98%	\$0.57	\$116.56	111,198	(27,560)	550,533	841,976

AIRPORT AREA

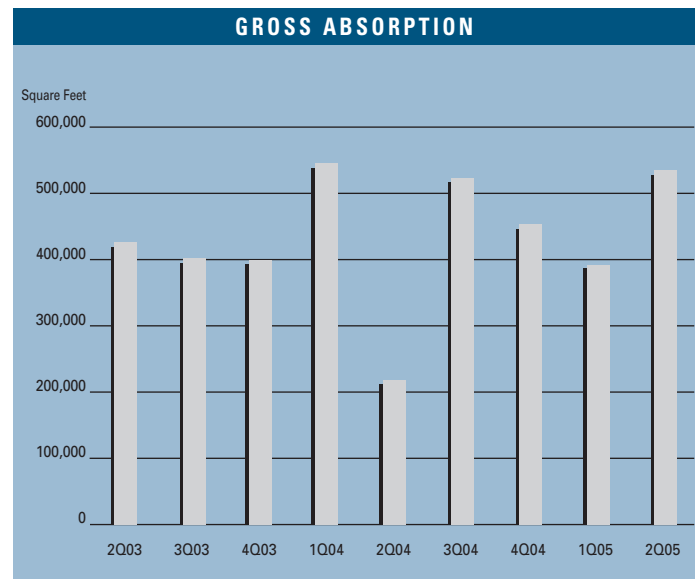
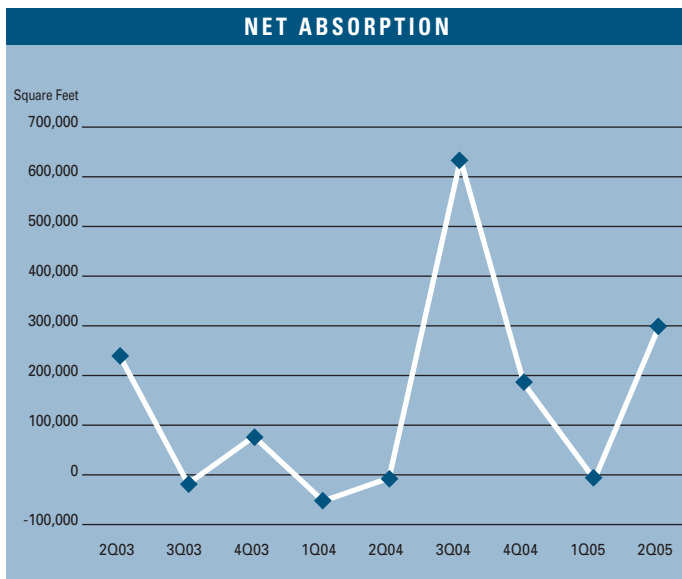
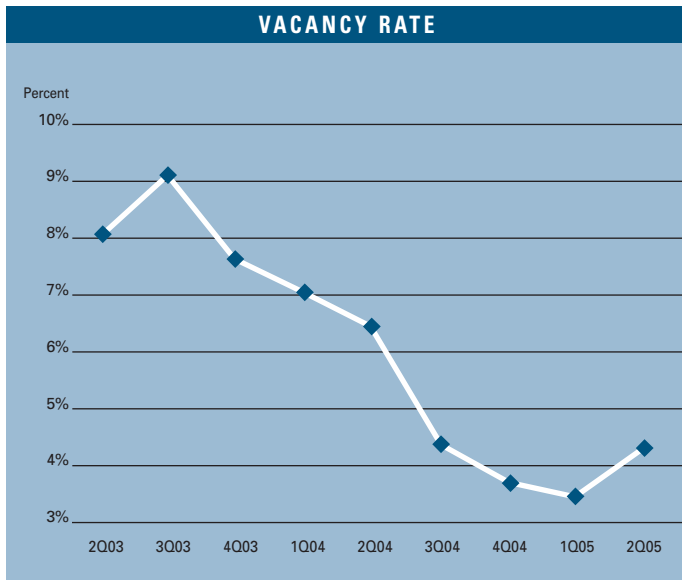
The Airport Area of the Orange County Industrial Market consists of 1,660 buildings totaling 55,367,661 square feet, and currently has an availability rate of 7.26%, which shows an increase from last quarter's 6.69% figure.



	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2005	Square Feet Available	Availability Rate 2Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2005	Net Absorption 2005	Gross Absorption 2Q2005	Gross Absorption 2005
Airport Totals														
10,000-19,999	814	11,385,767	44,110	15,796	333,945	2.93%	333,945	2.93%	\$0.80	\$170.02	84,553	182,423	258,405	528,068
20,000-29,999	349	8,263,904	107,421	0	368,441	4.46%	475,038	5.75%	\$0.74	\$131.76	33,919	(43,197)	183,391	289,842
30,000-39,999	158	5,324,688	0	0	168,479	3.16%	192,088	3.61%	\$0.65	\$122.66	44,388	75,864	111,845	172,547
40,000-49,999	89	3,881,760	0	0	173,817	4.48%	291,210	7.50%	\$0.67	\$0.00	1,428	(75,677)	91,204	133,004
50,000-74,999	111	6,679,663	0	59,662	286,921	4.30%	350,146	5.24%	\$0.77	\$112.22	77,486	30,053	163,274	225,227
75,000-99,999	53	4,575,822	0	77,095	425,257	9.29%	425,257	9.29%	\$1.02	\$0.00	(153,827)	(215,445)	107,245	287,590
100,000-149,999	47	5,467,036	0	0	470,876	8.61%	523,704	9.58%	\$0.60	\$0.00	4,142	82,748	136,142	337,548
150,000-199,999	14	2,397,545	0	0	256,272	10.69%	256,272	10.69%	\$0.53	\$95.07	(187,000)	(187,000)	0	0
200,000-299,999	14	3,362,186	0	0	50,807	1.51%	50,807	1.51%	\$0.55	\$0.00	128,200	(9,008)	149,800	277,258
300,000+	11	4,029,290	0	0	748,294	18.57%	1,121,527	27.83%	\$0.51	\$0.00	25,000	(592,814)	250,000	250,000
Total	1,660	55,367,661	151,531	152,553	3,283,109	5.93%	4,019,994	7.26%	\$0.64	\$127.24	58,289	(752,053)	1,451,306	2,501,084

SOUTH ORANGE COUNTY

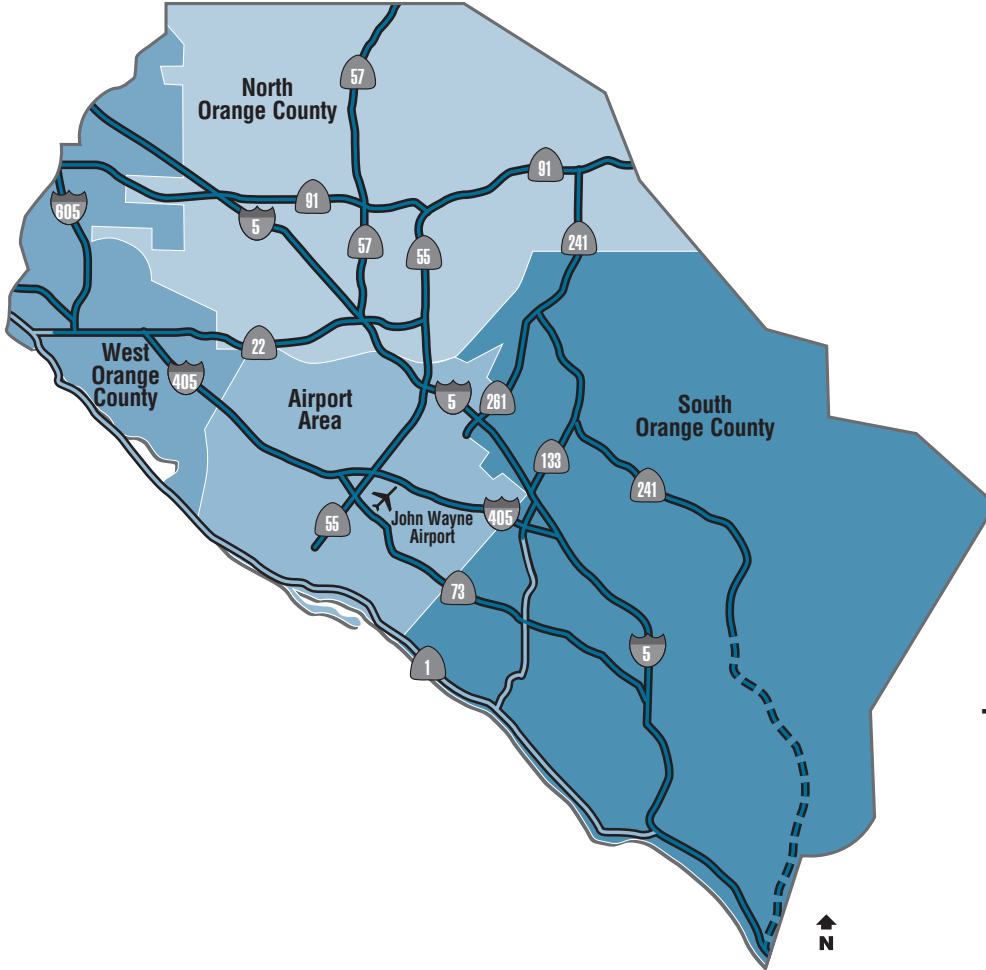
The South Orange County Industrial Market consists of 555 buildings totaling 20,462,273 square feet, and currently has an availability rate of 8.21%, which shows an increase from last quarter's 7.89% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2005	Square Feet Available	Availability Rate 2Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2005	Net Absorption 2005	Gross Absorption 2Q2005	Gross Absorption 2005
South Totals	555	20,462,273	141,429	162,905	921,513	4.50%	1,679,302	8.21%	\$0.73	\$165.80	304,128	269,347	542,060	873,571
10,000-19,999	282	3,997,552	93,902	0	232,233	5.81%	317,233	7.94%	\$1.02	\$193.51	(2,103)	45,151	85,996	223,381
20,000-29,999	116	2,753,378	47,527	26,289	191,636	6.96%	216,603	7.87%	\$0.82	\$145.57	(6,302)	(4,563)	71,265	177,485
30,000-39,999	41	1,367,463	0	0	72,330	5.29%	125,842	9.20%	\$1.01	\$190.15	(10,369)	8,787	25,882	52,393
40,000-49,999	27	1,195,758	0	0	15,030	1.26%	62,206	5.20%	\$0.73	\$130.00	40,543	67,528	40,543	67,528
50,000-74,999	30	1,820,901	0	0	16,427	0.90%	90,225	4.95%	\$0.62	\$155.00	93,407	28,236	103,284	110,494
75,000-99,999	16	1,341,043	0	0	1,944	0.14%	5,304	0.40%	\$0.62	\$0.00	0	(1,944)	0	0
100,000-149,999	25	2,968,234	0	0	0	0.00%	232,643	7.84%	\$0.58	\$0.00	0	0	0	0
150,000-199,999	6	982,941	0	0	49,644	5.05%	56,244	5.72%	\$0.55	\$0.00	56,046	71,046	61,090	86,090
200,000-299,999	5	1,057,149	0	0	267,894	25.34%	498,627	47.17%	\$0.63	\$0.00	84,906	7,106	106,000	108,200
300,000+	7	2,977,854	0	0	74,375	2.50%	74,375	2.50%	\$0.39	\$0.00	48,000	48,000	48,000	48,000

INDUSTRIAL MARKET REPORT

SECOND QUARTER 2005



SUBMARKETS

NORTH

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

WEST

Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, 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

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