

INDUSTRIAL MARKET REPORT

SECOND
QUARTER
2006

Compared to
last quarter:

VACANCY

DOWN



ABSORPTION



UP

SALES PRICE



UP

ACTIVITY



UP

LEASE RATES



UP

CONSTRUCTION



UP

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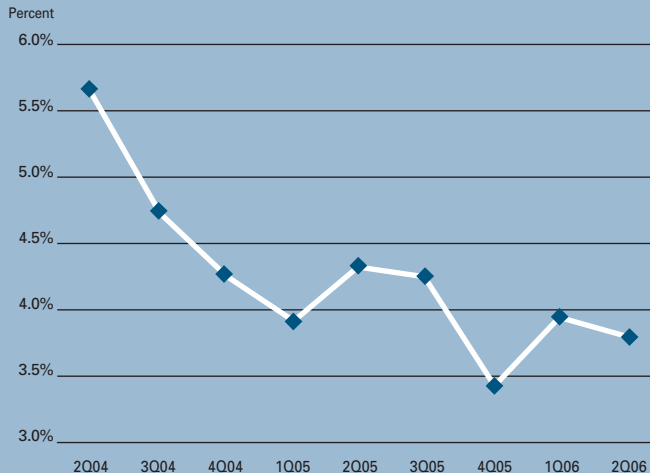
MARKET HIGHLIGHTS

- ◆ Unemployment for the second quarter of 2006 in Orange County is 3.2%, which is 0.4% lower than it was when compared to the first quarter of 2006, and is 0.3% lower than it was during the second quarter of 2005.
- ◆ According to Chapman University, it is estimated that Orange County added 34,000 new payroll jobs in 2005. Furthermore, they are forecasting 26,000 new payroll jobs will be added to the county in 2006 with another 21,000 jobs in 2007 as the Orange County economy continues to expand.
- ◆ Total space under construction is almost 1.9 million square feet this quarter, which is 135% higher than what was under construction a year ago.
- ◆ Industrial vacancy came in at a low rate of 3.80%, which is 12.24% lower than it was a year ago. This will put more pressure on lease rates to continue to climb in 2006.
- ◆ Industrial availability checked in at a rate of 4.93%, which is almost 20% lower than what was on the market a year ago. This represents a new record low.
- ◆ The average asking triple net lease rate is .67 cents per square foot per month this quarter. This is an increase of 9.84% when compared to a year ago and last quarter. That's a 10% jump in one quarter and a new record high for lease rates in Orange County.
- ◆ The average asking selling price is \$140.76 per square foot per this quarter. This is an increase of 16.66% when compared to a year ago and represents a new record high rate.
- ◆ The level of activity was a little lower in second quarter of 2006 when compared to last year, checking in at 3.3 million square feet this quarter, down from 4.4 million square feet in second quarter of 2005. This is due to the lack of available product.
- ◆ Net absorption for the county during this quarter posted a positive number of 1,010,472 square feet, giving the Industrial Market in Orange County a total of over 9 million square feet of positive absorption for the past 3 years. That's an average of over 750,000 square feet of positive absorption per quarter for three years.
- ◆ 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 7% to 10% during 2006.

INDUSTRIAL MARKET STATISTICS

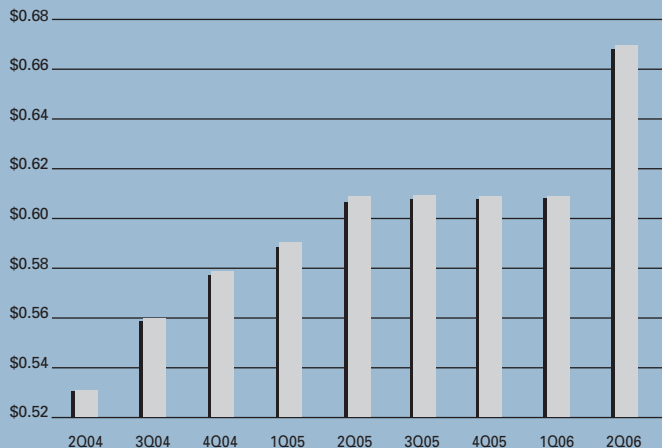
	2Q2006	1Q2006	2Q2005	% CHANGE VS. 2005
Under Construction	1,896,210	1,452,343	806,272	135.18%
Planned Construction	539,925	1,186,388	922,576	-41.48%
Vacancy	3.80%	3.96%	4.33%	-12.24%
Availability	4.93%	5.33%	6.12%	-19.44%
Avg. Ask Lease Rate	\$0.67	\$0.61	\$0.61	9.84%
Avg. Ask Sales Price	\$140.76	\$130.70	\$120.66	16.66%
Activity	3,316,986	2,755,093	4,417,080	-24.91%
Absorption	1,010,472	-464,447	1,021,161	N/A

VACANCY RATE

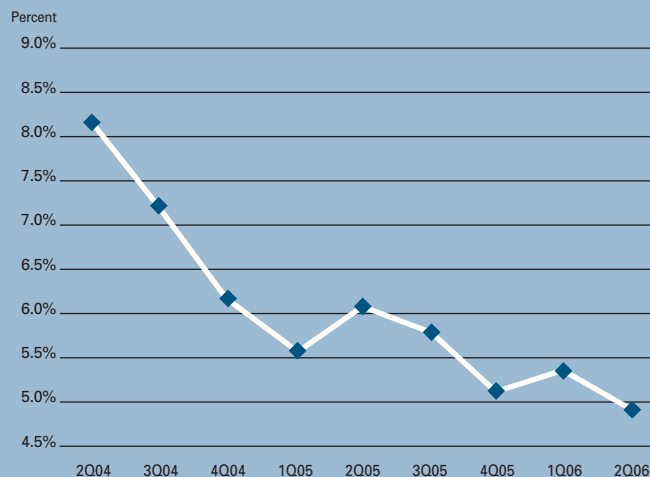


WEIGHTED AVERAGE ASKING LEASE RATES

ON A TRIPLE NET BASIS FOR
MANUFACTURING & DISTRIBUTION PRODUCT

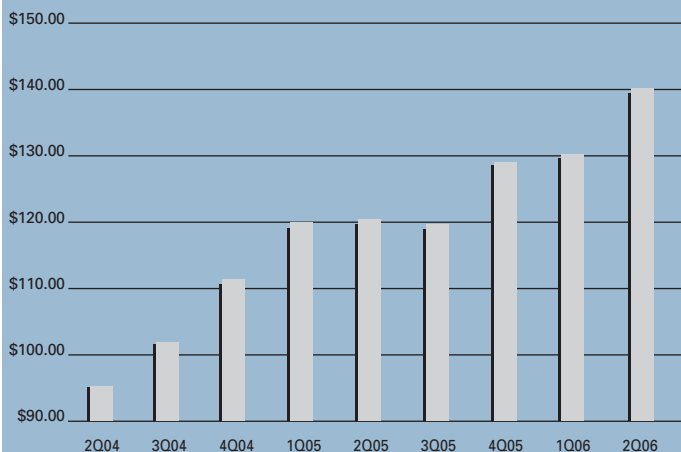


AVAILABILITY RATE

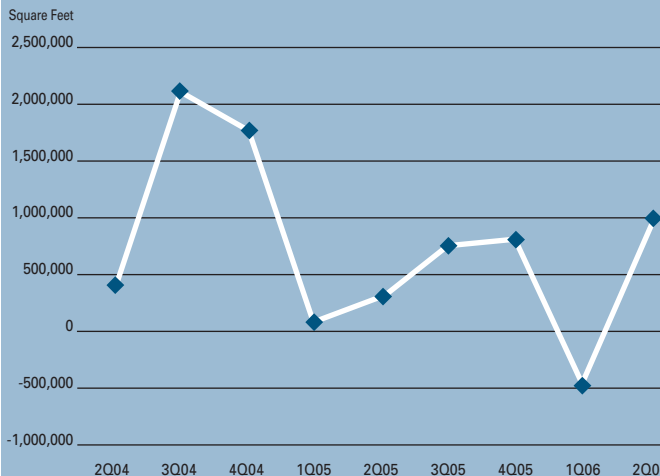


WEIGHTED AVERAGE ASKING SALES RATES

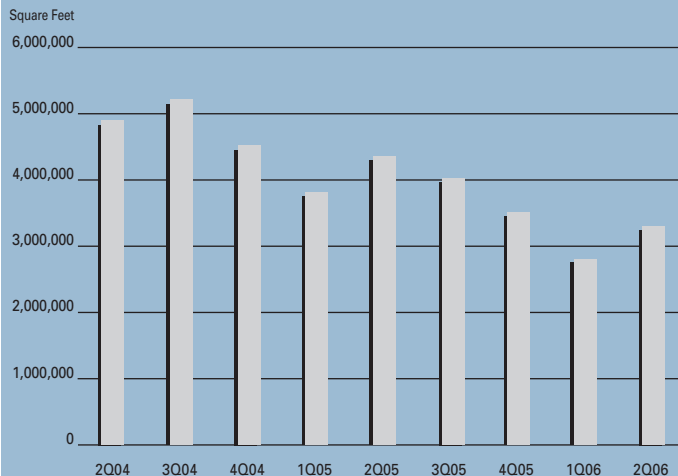
PER SQUARE FOOT FOR
MANUFACTURING & DISTRIBUTION PRODUCT



NET ABSORPTION



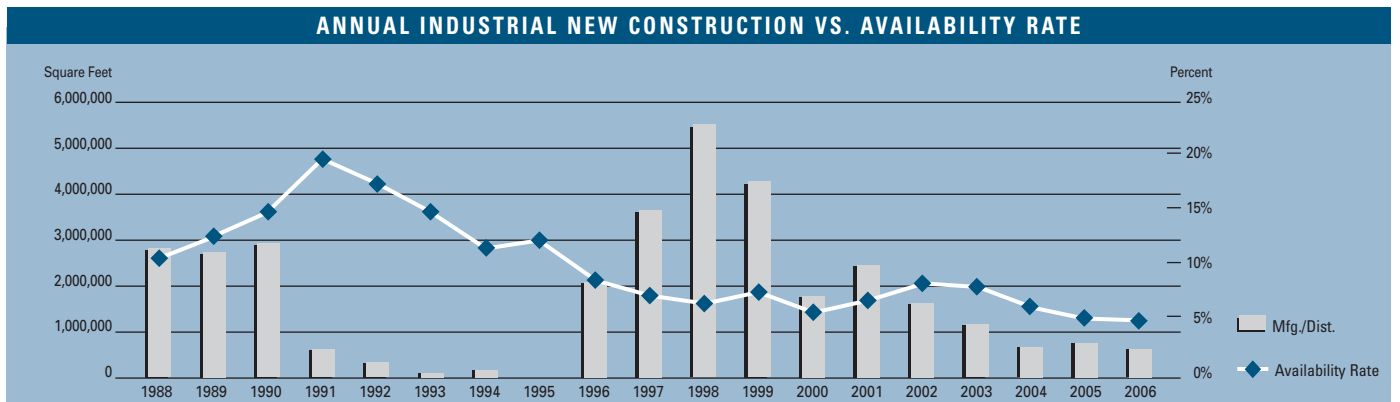
GROSS ABSORPTION



ORANGE COUNTY

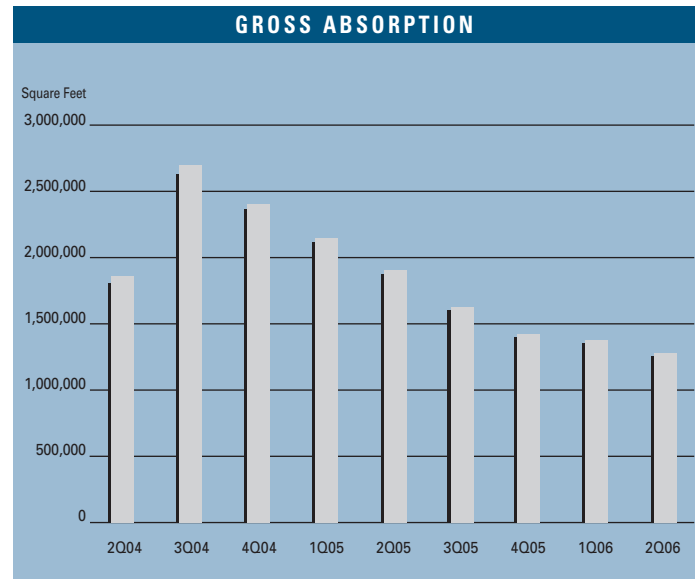
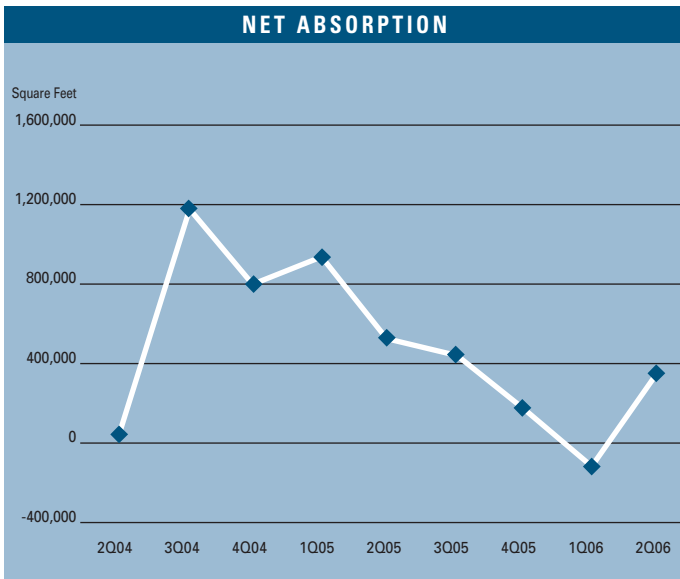
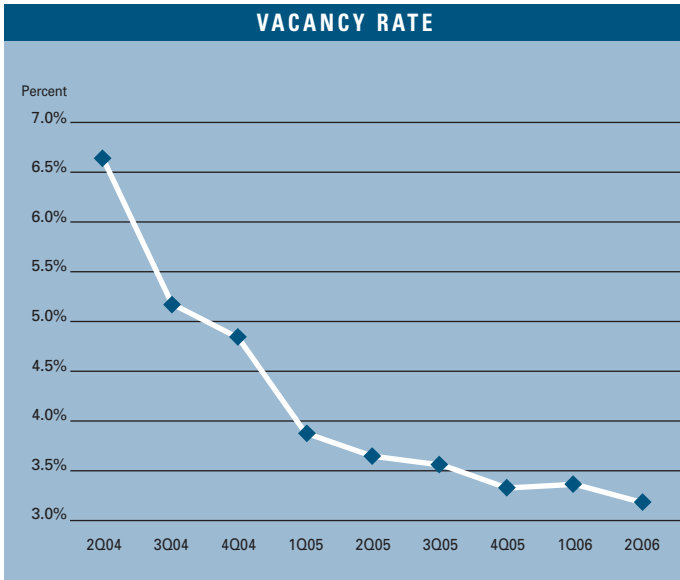
	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2006	Square Feet Available	Availability Rate 2Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2006	Net Absorption 2006	Gross Absorption 2Q2006	Gross Absorption 2006
North County														
Anaheim	1,262	44,014,043	448,046	0	1,224,481	2.78%	1,340,339	3.05%	\$0.75	\$148.06	215,429	24,949	560,467	1,042,823
Brea	242	10,859,314	0	89,905	293,272	2.70%	951,459	8.76%	\$0.51	\$132.18	71,872	25,016	103,312	248,693
Buena Park	178	14,260,201	0	0	190,807	1.34%	276,626	1.94%	\$0.56	\$188.82	177,432	177,750	210,900	441,468
Fullerton	287	16,601,078	0	0	1,136,212	6.84%	1,332,229	8.02%	\$0.46	\$94.32	(28,167)	257,488	303,214	634,975
La Habra	88	3,327,867	107,115	0	25,829	0.78%	25,829	0.78%	\$0.68	\$183.47	10,900	(14,848)	11,900	27,457
Orange	442	11,638,536	61,128	0	309,885	2.66%	562,114	4.83%	\$0.65	\$161.22	(83,605)	(88,248)	42,128	204,378
Placentia	145	3,600,286	0	0	192,279	5.34%	196,118	5.45%	\$0.65	\$165.00	(14,372)	(125,156)	64,294	66,677
Yorba Linda	27	799,682	0	0	10,927	1.37%	11,947	1.49%	\$0.88	\$0.00	8,901	(5,421)	12,300	12,300
North County Total	2,671	105,101,007	616,289	89,905	3,383,692	3.22%	4,696,661	4.47%	\$0.57	\$134.63	358,390	251,530	1,308,515	2,678,771
West County														
Cypress	49	3,678,839	0	0	365,440	9.93%	365,440	9.93%	\$0.58	\$122.71	162,273	(176,844)	164,010	164,010
Garden Grove	293	11,071,226	0	73,502	561,228	5.07%	616,395	5.57%	\$0.53	\$137.93	95,107	14,870	327,251	474,471
Huntington Beach	446	12,914,738	60,730	0	306,869	2.38%	548,920	4.25%	\$0.72	\$169.89	139,483	347,481	146,638	431,347
La Palma	14	1,709,621	0	25,680	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Los Alamitos	73	2,044,021	27,161	0	19,076	0.93%	19,076	0.93%	\$0.00	\$0.00	23,329	14,263	27,505	30,339
Seal Beach	0	0	626,474	204,222	0	0.00%	0	0.00%	\$0.00	\$155.39	0	0	0	0
Stanton	59	1,216,706	0	0	28,373	2.33%	28,373	2.33%	\$0.64	\$149.00	(9,840)	(26,873)	0	0
Westminster	61	1,860,341	0	0	7,440	0.40%	42,840	2.30%	\$0.00	\$111.55	(3,592)	(5,712)	4,808	5,874
West County Total	995	34,495,492	714,365	303,404	1,288,426	3.74%	1,621,044	4.70%	\$0.59	\$141.95	406,760	167,185	670,212	1,106,041
Airport Area														
Costa Mesa	218	6,750,335	0	0	319,113	4.73%	343,757	5.09%	\$1.03	\$239.24	(89,811)	(176,681)	33,073	79,108
Fountain Valley	143	3,374,237	229,563	0	29,621	0.88%	66,458	1.97%	\$0.72	\$174.74	98,917	55,959	106,132	134,024
Irvine	334	14,369,396	173,205	0	899,032	6.26%	899,032	6.26%	\$0.86	\$165.56	(28,427)	(123,089)	193,760	302,452
Newport Beach	20	355,008	0	0	6,500	1.83%	6,500	1.83%	\$0.00	\$0.00	(6,500)	(4,000)	0	5,000
Santa Ana	874	26,464,437	0	10,000	1,081,216	4.09%	1,389,092	5.25%	\$0.77	\$133.84	112,977	46,465	385,005	665,719
Tustin	95	4,659,776	0	0	374,291	8.03%	394,593	8.47%	\$0.55	\$195.01	51,137	117,881	91,043	201,447
Airport Area Total	1,684	55,973,189	402,768	10,000	2,709,773	4.84%	3,099,432	5.54%	\$0.78	\$153.50	138,293	(83,465)	809,013	1,387,750
South County														
Aliso Viejo	10	677,886	0	0	13,680	2.02%	13,680	2.02%	\$1.05	\$0.00	(13,680)	(13,680)	0	0
Foothill Ranch	41	3,104,730	0	136,616	0	0.00%	182,925	5.89%	\$0.76	\$0.00	177,780	278,423	278,423	379,066
Irvine Spectrum	143	7,372,341	162,788	0	495,204	6.72%	531,352	7.21%	\$0.72	\$157.54	(87,371)	5,024	65,717	220,071
Laguna Hills	68	1,280,175	0	0	57,556	4.50%	152,659	11.92%	\$1.07	\$230.00	(17,586)	(56,116)	10,060	26,104
Laguna Niguel	20	528,466	0	0	400	0.08%	800	0.15%	\$0.00	\$0.00	0	400	400	800
Lake Forest	130	3,976,728	0	0	188,697	4.75%	192,151	4.83%	\$0.88	\$0.00	92,174	31,131	140,226	207,956
Mission Viejo	26	966,670	0	0	8,105	0.84%	8,105	0.84%	\$1.30	\$0.00	(1,145)	4,934	3,360	9,439
Rancho Santa Margarita	32	1,008,200	0	0	8,000	0.79%	18,340	1.82%	\$0.00	\$222.50	(8,000)	(8,000)	0	0
San Clemente	54	1,291,894	0	0	18,703	1.45%	60,400	4.68%	\$0.00	\$178.02	10,799	26,021	30,745	53,473
San Juan Capistrano	31	858,705	0	0	70,045	8.16%	93,439	10.88%	\$1.14	\$0.00	(45,942)	(57,362)	315	2,608
South County Total	555	21,065,795	162,788	136,616	860,390	4.08%	1,253,851	5.95%	\$0.78	\$181.50	107,029	210,775	529,246	899,517
Orange County Total	5,905	216,635,483	1,896,210	539,925	8,242,281	3.80%	10,670,988	4.93%	\$0.67	\$140.76	1,010,472	546,025	3,316,986	6,072,079

	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2006	Square Feet Available	Availability Rate 2Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2006	Net Absorption 2006	Gross Absorption 2Q2006	Gross Absorption 2006
O.C. Totals														
10,000-19,999	2,984	41,175,887	273,815	63,214	1,119,470	2.72%	1,269,922	3.08%	\$0.80	\$188.07	167,932	40,959	530,800	1,192,408
20,000-29,999	1,164	27,564,515	240,076	135,873	893,943	3.24%	1,081,746	3.92%	\$1.10	\$170.59	88,206	81,471	436,968	1,076,333
30,000-39,999	489	16,514,267	76,966	32,089	510,661	3.09%	687,072	4.16%	\$0.93	\$170.28	65,220	12,991	240,932	515,272
40,000-49,999	311	13,581,789	45,225	0	537,110	3.95%	833,127	6.13%	\$0.64	\$160.41	15,868	(125,388)	149,613	404,723
50,000-74,999	386	23,181,827	231,458	232,588	1,217,338	5.25%	1,423,855	6.14%	\$0.64	\$122.77	(129,271)	(301,933)	349,194	633,753
75,000-99,999	179	15,251,888	231,757	76,161	548,911	3.60%	646,106	4.24%	\$0.86	\$141.90	85,152	280,345	256,437	621,446
100,000-149,999	194	22,828,854	417,883	0	620,266	2.72%	880,834	3.86%	\$0.63	\$124.32	409,121	383,796	586,547	598,138
150,000-199,999	69	11,722,896	379,030	0	743,462	6.34%	1,044,546	8.91%	\$0.53	\$140.25	254,055	251,255	319,961	345,961
200,000-299,999	75	17,837,263	0	0	1,081,635	6.06%	1,475,596	8.27%	\$0.48	\$116.58	23,867	231,926	167,805	405,316
300,000+	54	26,976,297	0	0	969,485	3.59%	1,328,184	4.92%	\$0.52	\$0.00	30,322	(308,795)	278,729	278,729
Total	5,905	216,635,483	1,896,210	539,925	8,242,281	3.80%	10,670,988	4.93%	\$0.67	\$140.76	1,010,472	546,025	3,316,986	6,072,079



NORTH ORANGE COUNTY

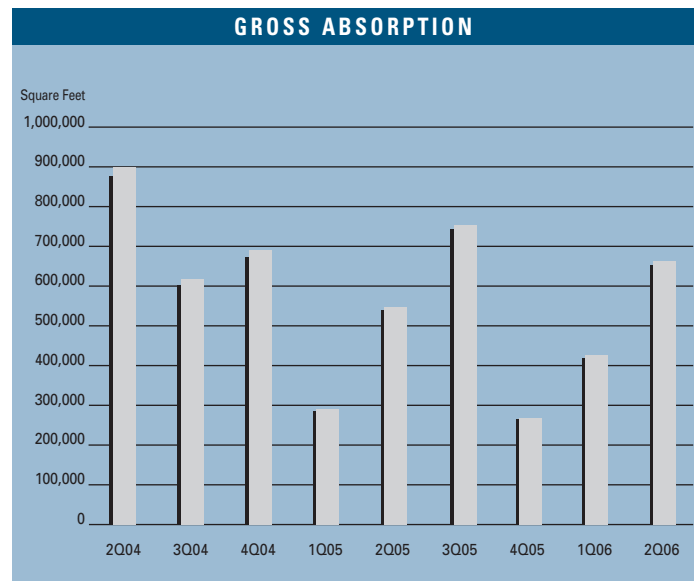
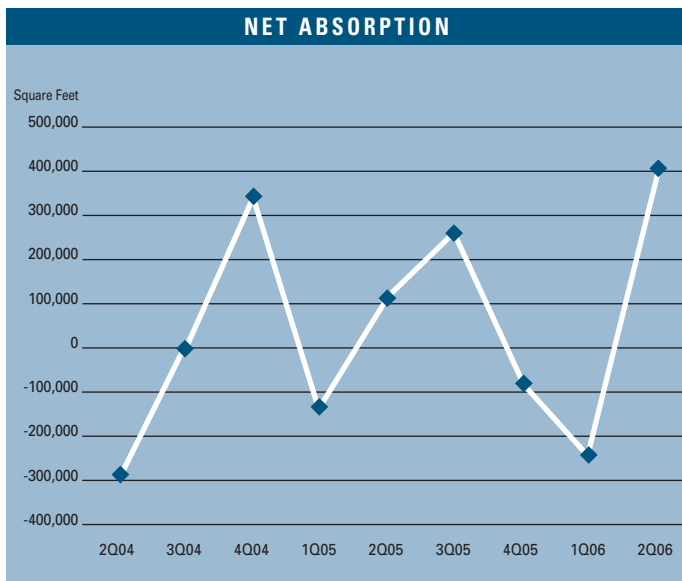
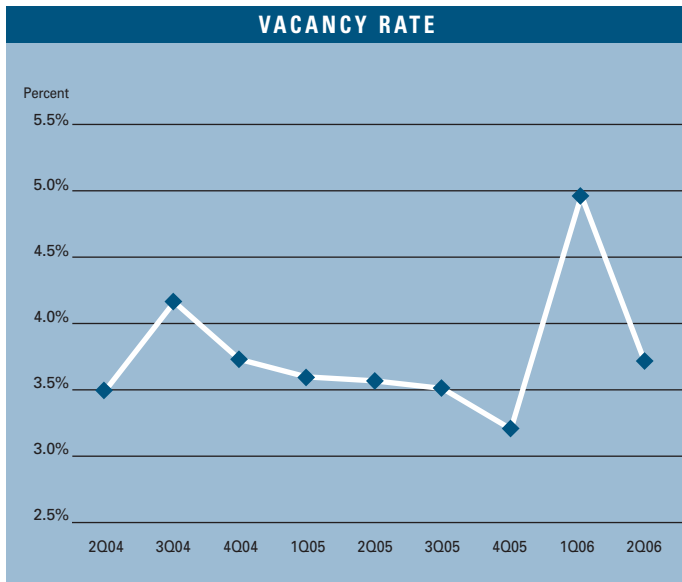
The North Orange County Industrial Market consists of 2,671 buildings totaling 105,101,007 square feet, and currently has an availability rate of 4.47%, which shows a decrease from last quarter's 4.70% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2006	Square Feet Available	Availability Rate 2Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2006	Net Absorption 2006	Gross Absorption 2Q2006	Gross Absorption 2006
North Totals														
10,000-19,999	1,323	18,246,140	166,992	20,400	501,421	2.75%	501,421	2.75%	\$0.68	\$177.02	70,886	2,788	228,317	523,700
20,000-29,999	519	12,299,106	44,567	69,505	392,345	3.19%	483,626	3.93%	\$0.84	\$170.94	94,561	(28,682)	205,094	485,947
30,000-39,999	226	7,644,944	0	0	197,890	2.59%	280,015	3.66%	\$0.65	\$177.79	73,803	(19,313)	134,517	288,699
40,000-49,999	141	6,144,219	0	0	86,400	1.41%	225,803	3.68%	\$0.62	\$148.50	89,460	37,073	89,460	240,143
50,000-74,999	183	11,033,204	0	0	388,858	3.52%	509,599	4.62%	\$0.51	\$115.50	44,696	(110,629)	174,905	248,973
75,000-99,999	77	6,559,183	0	0	254,006	3.87%	254,006	3.87%	\$0.81	\$185.42	(81,780)	57,689	44,033	229,125
100,000-149,999	95	11,219,313	209,700	0	244,561	2.18%	244,561	2.18%	\$0.65	\$110.71	267,789	274,019	267,789	274,280
150,000-199,999	33	5,702,848	195,030	0	257,756	4.52%	558,840	9.80%	\$0.53	\$137.33	(6,000)	20,000	0	26,000
200,000-299,999	45	10,708,834	0	0	705,261	6.59%	1,051,156	9.82%	\$0.45	\$115.65	(46,618)	166,994	64,400	261,904
300,000+	29	15,543,216	0	0	355,194	2.29%	587,634	3.78%	\$0.33	\$0.00	(148,407)	(148,407)	100,000	100,000
Total	2,671	105,101,007	616,289	89,905	3,383,692	3.22%	4,696,661	4.47%	\$0.57	\$134.63	358,390	251,530	1,308,515	2,678,771

WEST ORANGE COUNTY

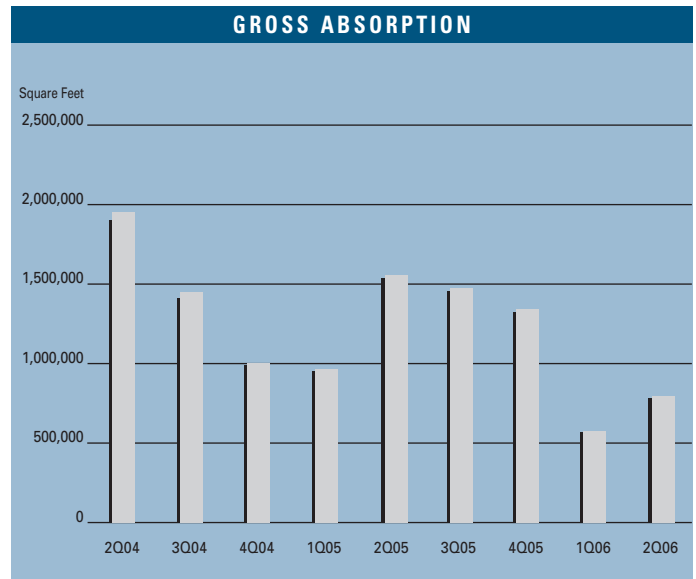
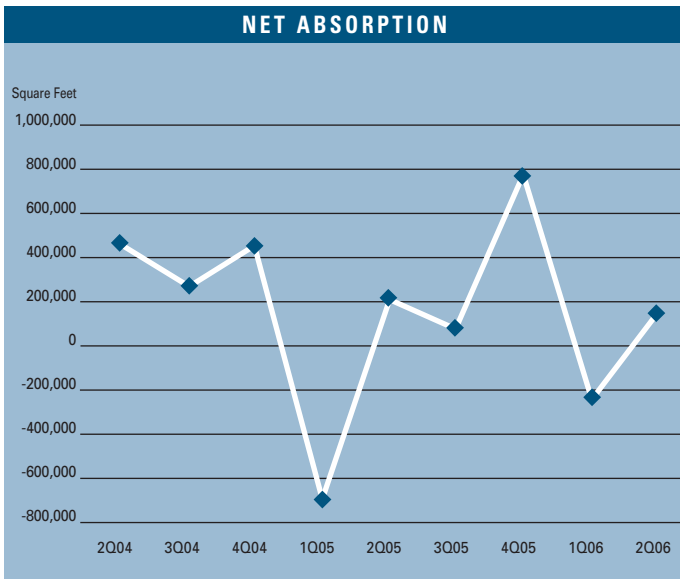
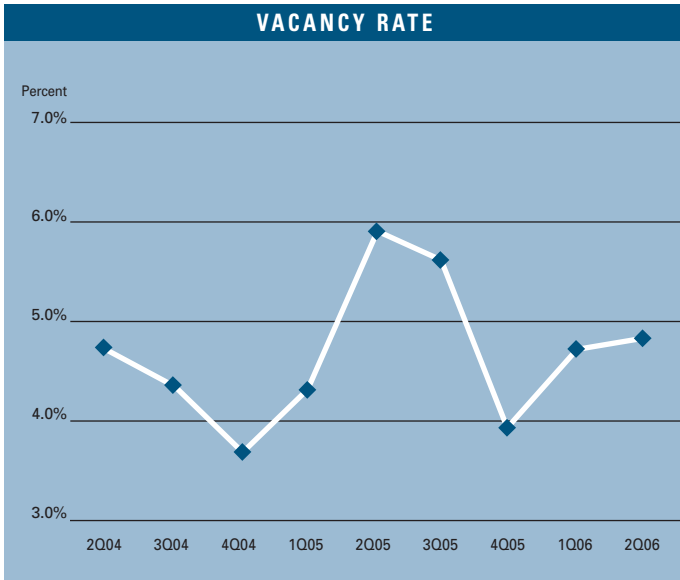
The West Orange County Industrial Market consists of 995 buildings totaling 34,495,492 square feet, and currently has an availability rate of 4.70%, which shows a decrease from last quarter's 6.23% figure.



	INVENTORY				VACANCY & PRICING				ABSORPTION					
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2006	Square Feet Available	Availability Rate 2Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2006	Net Absorption 2006	Gross Absorption 2Q2006	Gross Absorption 2006
West Totals														
10,000-19,999	558	7,425,109	0	32,814	116,103	1.56%	117,008	1.58%	\$0.89	\$176.38	32,145	23,152	53,094	117,124
20,000-29,999	178	4,209,692	27,161	66,368	48,696	1.16%	125,946	2.99%	\$0.71	\$172.72	26,488	73,411	42,145	106,424
30,000-39,999	58	1,973,622	0	0	153,118	7.76%	193,230	9.79%	\$0.53	\$145.00	(46,282)	(66,677)	4,770	45,386
40,000-49,999	54	2,367,800	45,225	0	106,752	4.51%	106,752	4.51%	\$0.00	\$177.72	38,699	11,023	51,369	108,384
50,000-74,999	60	3,543,462	171,796	128,061	191,622	5.41%	191,622	5.41%	\$0.68	\$158.72	(52,168)	106,351	53,676	223,565
75,000-99,999	29	2,425,762	78,000	76,161	90,732	3.74%	90,732	3.74%	\$0.65	\$148.74	0	40,000	0	40,000
100,000-149,999	25	2,927,739	208,183	0	0	0.00%	214,351	7.32%	\$0.62	\$125.35	110,115	95,639	110,115	110,115
150,000-199,999	15	2,487,275	184,000	0	251,360	10.11%	251,360	10.11%	\$0.50	\$146.00	213,129	184,329	250,689	250,689
200,000-299,999	11	2,709,094	0	0	95,280	3.52%	95,280	3.52%	\$0.53	\$120.00	(19,720)	(65,280)	0	0
300,000+	7	4,425,937	0	0	234,763	5.30%	234,763	5.30%	\$0.52	\$0.00	104,354	(234,763)	104,354	104,354
Total	995	34,495,492	714,365	303,404	1,288,426	3.74%	1,621,044	4.70%	\$0.59	\$141.95	406,760	167,185	670,212	1,106,041

AIRPORT AREA

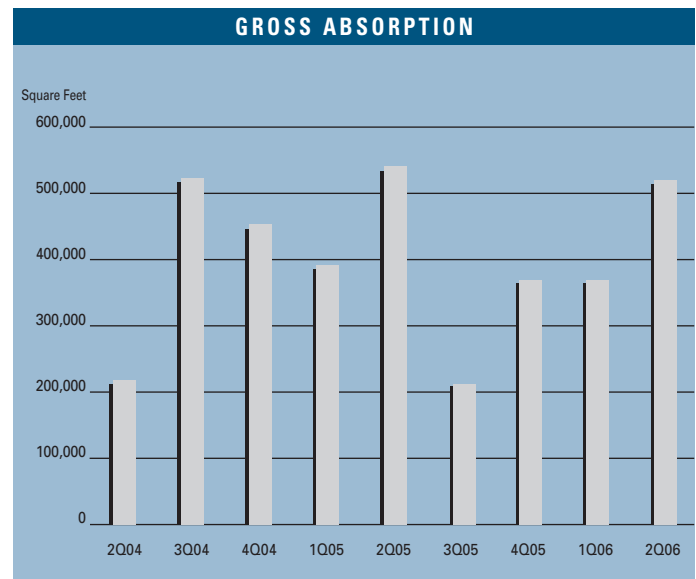
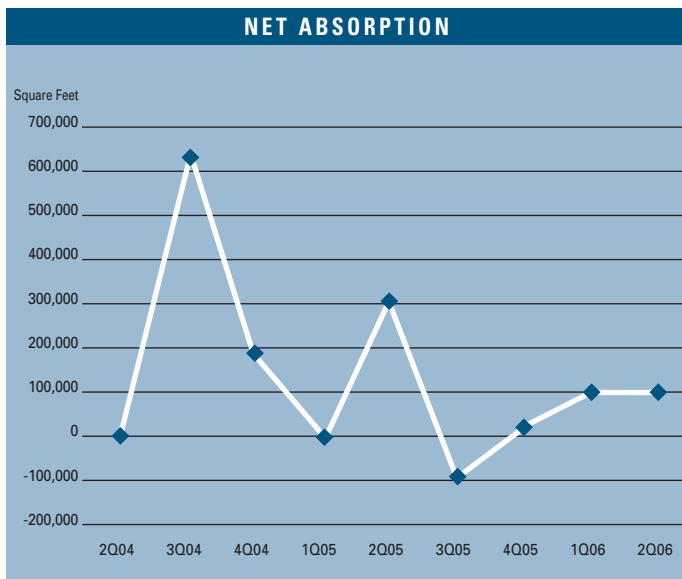
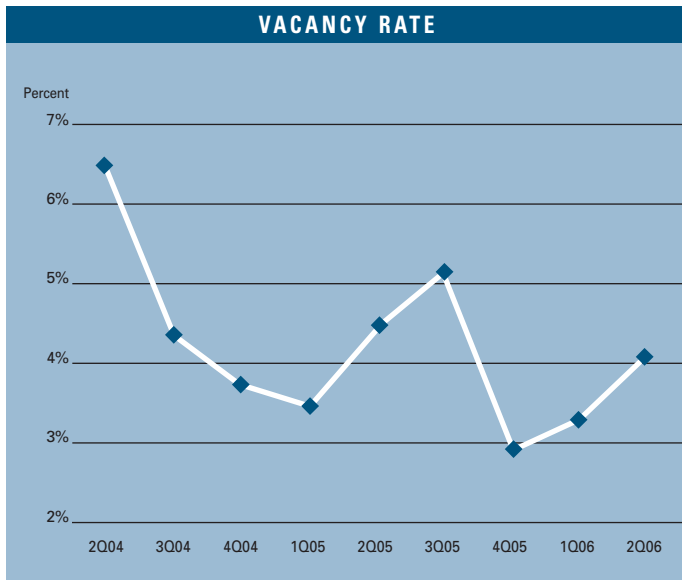
The Airport Area of the Orange County Industrial Market consists of 1,675 buildings totaling 55,973,189 square feet, and currently has an availability rate of 5.54%, which shows a decrease from last quarter's 5.82% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2006	Square Feet Available	Availability Rate 2Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2006	Net Absorption 2006	Gross Absorption 2Q2006	Gross Absorption 2006
Airport Totals	1,684	55,973,189	402,768	10,000	2,709,773	4.84%	3,099,432	5.54%	\$0.78	\$153.50	138,293	(83,465)	809,013	1,387,750
10,000-19,999	825	11,542,993	96,823	10,000	359,231	3.11%	399,375	3.46%	\$0.78	\$205.52	49,842	(28,325)	161,429	320,098
20,000-29,999	356	8,432,128	53,276	0	285,784	3.39%	305,056	3.62%	\$1.23	\$167.25	413	86,088	123,850	301,437
30,000-39,999	160	5,398,211	39,250	0	85,141	1.58%	132,511	2.45%	\$1.25	\$0.00	63,215	109,655	101,645	165,505
40,000-49,999	89	3,882,324	0	0	292,979	7.55%	449,593	11.58%	\$0.65	\$158.33	(117,475)	(137,535)	3,600	30,770
50,000-74,999	113	6,777,931	59,662	0	604,215	8.91%	604,215	8.91%	\$0.71	\$91.22	(152,482)	(274,522)	61,837	99,879
75,000-99,999	54	4,650,819	153,757	0	196,973	4.24%	196,973	4.24%	\$1.02	\$95.00	137,508	121,624	179,380	287,689
100,000-149,999	49	5,710,568	0	0	318,922	5.58%	318,922	5.58%	\$0.00	\$181.26	88,000	(29,722)	108,000	113,100
150,000-199,999	14	2,397,545	0	0	187,000	7.80%	187,000	7.80%	\$0.63	\$0.00	69,272	69,272	69,272	69,272
200,000-299,999	13	3,151,380	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
300,000+	11	4,029,290	0	0	379,528	9.42%	505,787	12.55%	\$0.52	\$0.00	0	0	0	0

SOUTH ORANGE COUNTY

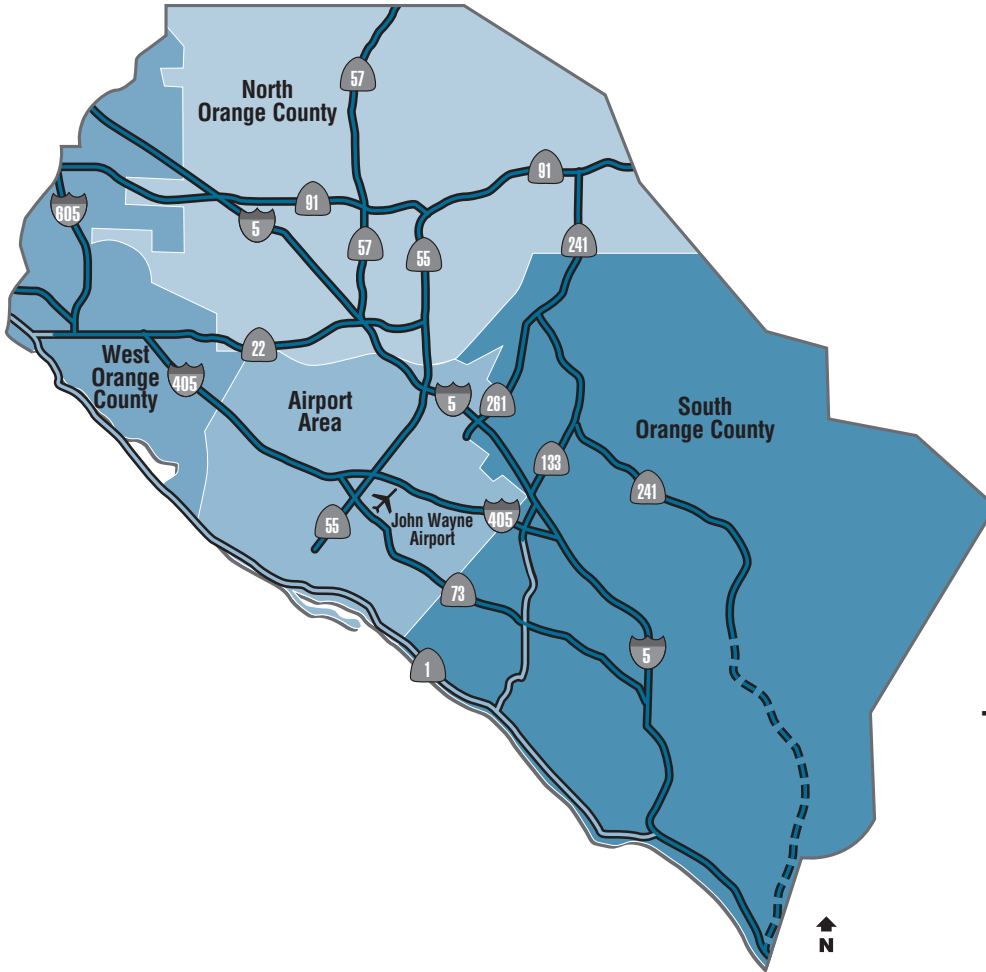
The South Orange County Industrial Market consists of 555 buildings totaling 21,065,795 square feet, and currently has an availability rate of 5.95%, which shows an increase from last quarter's 5.64% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2006	Square Feet Available	Availability Rate 2Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2006	Net Absorption 2006	Gross Absorption 2Q2006	Gross Absorption 2006
South Totals														
10,000-19,999	278	3,961,645	10,000	0	142,715	3.60%	252,118	6.36%	\$1.08	\$226.01	15,059	43,344	87,960	231,486
20,000-29,999	111	2,623,589	115,072	0	167,118	6.37%	167,118	6.37%	\$1.08	\$182.02	(33,256)	(49,346)	65,879	182,525
30,000-39,999	45	1,497,490	37,716	32,089	74,512	4.98%	81,316	5.43%	\$1.29	\$166.62	(25,516)	(11,274)	0	15,682
40,000-49,999	27	1,187,446	0	0	50,979	4.29%	50,979	4.29%	\$0.00	\$0.00	5,184	(35,949)	5,184	25,426
50,000-74,999	30	1,827,230	0	104,527	32,643	1.79%	118,419	6.48%	\$0.65	\$0.00	30,683	(23,133)	58,776	61,336
75,000-99,999	19	1,616,124	0	0	7,200	0.45%	104,395	6.46%	\$0.78	\$0.00	29,424	61,032	33,024	64,632
100,000-149,999	25	2,971,234	0	0	56,783	1.91%	103,000	3.47%	\$0.00	\$0.00	(56,783)	43,860	100,643	100,643
150,000-199,999	7	1,135,228	0	0	47,346	4.17%	47,346	4.17%	\$0.69	\$0.00	(22,346)	(22,346)	0	0
200,000-299,999	6	1,267,955	0	0	281,094	22.17%	329,160	25.96%	\$0.69	\$0.00	90,205	130,212	103,405	143,412
300,000+	7	2,977,854	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	74,375	74,375	74,375	74,375
Total	555	21,065,795	162,788	136,616	860,390	4.08%	1,253,851	5.95%	\$0.78	\$181.50	107,029	210,775	529,246	899,517

INDUSTRIAL MARKET REPORT

SECOND QUARTER 2006



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

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