

# INDUSTRIAL MARKET REPORT

THIRD  
QUARTER  
2004

Compared to  
last quarter:

## VACANCY



## ABSORPTION



## ACTIVITY



## LEASE RATES



## CONSTRUCTION



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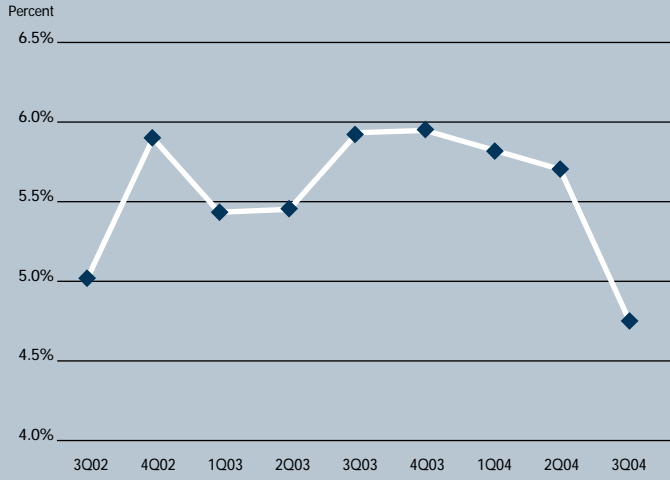
## MARKET HIGHLIGHTS

- ◆ Unemployment for the third quarter of 2004 in Orange County is 3.2%, which is the same as it was when compared to the second quarter of 2004, and is .6% lower than it was during the third quarter of 2003.
- ◆ According to Chapman University it is estimated that Orange County will add 27,000 new jobs in 2004. Furthermore, they are forecasting 30,000 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 550,000 square feet this quarter, which is less than the 1.7 million square feet that was under construction a year ago.
- ◆ Industrial vacancy came in at a low rate of 4.76%, which is almost 20% lower than it was a year ago. This will put more pressure on rising lease rates to continue to climb.
- ◆ Industrial availability checked in at a rate of 7.26%, which is 32% lower than as what was on the market a year ago.
- ◆ The average asking triple net lease rate is 56 cents per square foot per month this quarter. This is an increase of almost 10% when compared to a year ago and three cents higher than last quarter. 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.
- ◆ The level of activity was a little higher in the third quarter of 2004 when compared to last quarter, checking in at 5.3 million square feet. This is a sign of a healthy market.
- ◆ Net absorption for the county during the third quarter of 2004 posted a positive number of 2,109,470 square feet, giving the Industrial Market in Orange County a total of almost three million square feet of positive absorption for the first three quarters of 2004, one of the best performances since 2000.

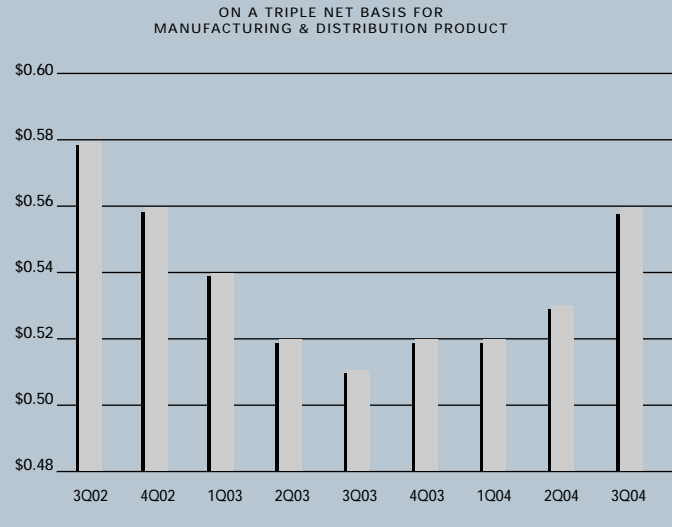
## INDUSTRIAL MARKET STATISTICS

	3Q2004	2Q2004	3Q2003	% CHANGE VS. 3Q03
Under Construction	565,468	314,072	1,657,558	-65.89%
Planned Construction	1,207,899	1,173,584	1,764,738	-31.55%
Vacancy	4.76%	5.66%	5.91%	-19.46%
Availability	7.26%	8.18%	10.70%	-32.15%
Pricing	\$0.56	\$0.53	\$0.51	9.80%
Activity	5,322,118	4,910,442	5,089,033	4.58%
Absorption	2,109,470	422,479	-295,076	N/A

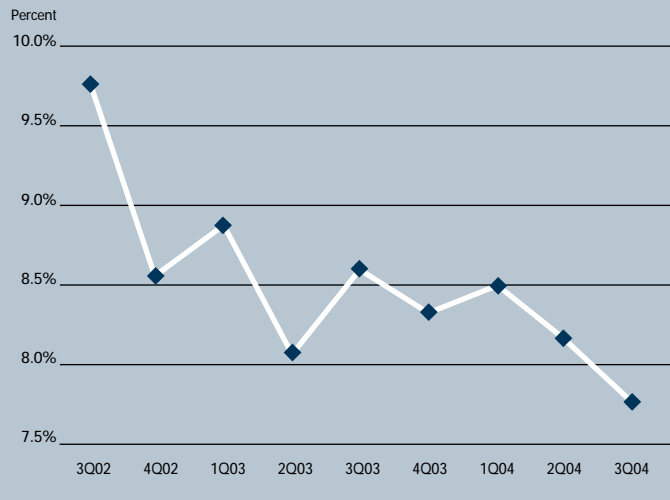
## VACANCY RATE



## WEIGHTED AVERAGE ASKING LEASE RATES



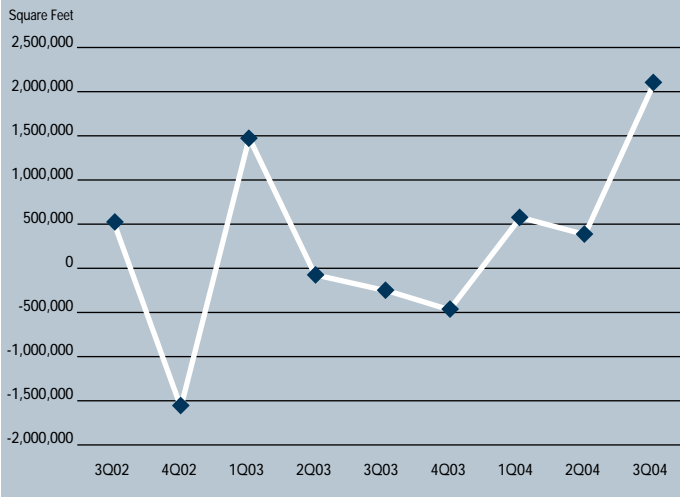
## AVAILABILITY RATE



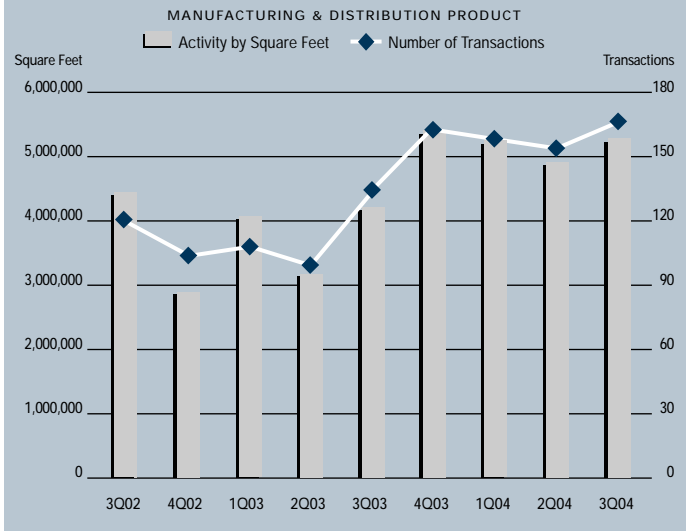
## WEIGHTED AVERAGE ASKING SALES RATES



## NET ABSORPTION



## LEASE/SALE ACTIVITY & NUMBER OF TRANSACTIONS

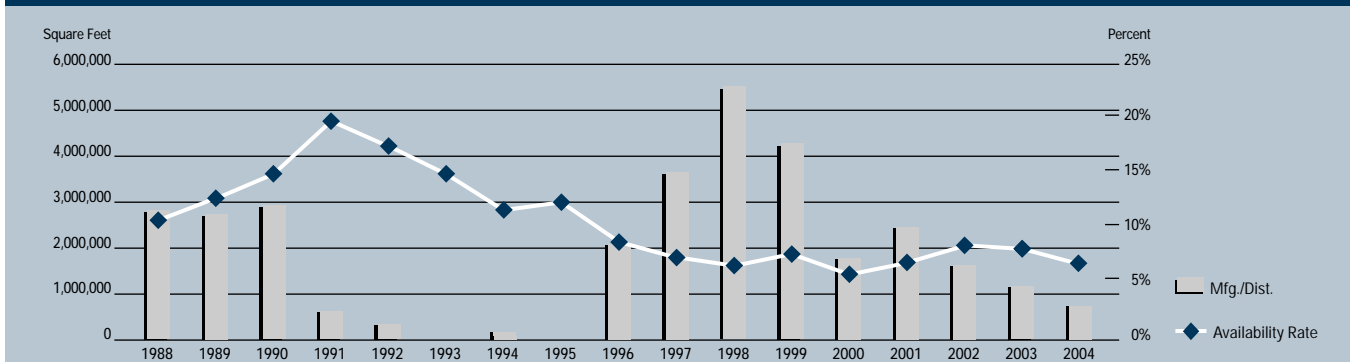


## ORANGE COUNTY

	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2004	Square Feet Available	Availability Rate 3Q2004	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2004	Net Absorption 2004	Number of Transactions	Gross Absorption 3Q2004
<b>North County</b>														
Anaheim	1,245	44,131,250	88,580	20,500	1,890,605	4.28%	2,527,065	5.73%	\$0.48	\$104.48	313,747	28,565	30	824,429
Brea	231	10,797,292	0	77,560	545,665	5.05%	1,137,443	10.53%	\$0.48	\$114.24	328,227	588,018	10	358,624
Buena Park	172	13,340,773	0	0	779,634	5.84%	1,049,153	7.86%	\$0.45	\$79.69	382,927	155,033	7	740,304
Fullerton	281	16,137,879	0	0	1,348,410	8.36%	2,028,402	12.57%	\$0.47	\$62.84	76,684	496,717	12	446,122
La Habra	86	2,325,261	0	24,203	113,530	4.88%	115,844	4.98%	\$0.60	\$136.07	100,129	10,111	0	0
Orange	430	11,535,262	0	0	350,211	3.04%	458,633	3.98%	\$0.73	\$154.02	3,391	92,699	12	297,265
Placentia	146	3,672,170	0	0	231,920	6.32%	238,849	6.50%	\$0.52	\$0.00	(22,633)	(68,462)	3	39,239
Yorba Linda	29	911,906	0	0	111,512	12.23%	121,535	13.33%	\$0.88	\$89.50	12,394	16,993	2	24,046
<b>North County Total</b>	<b>2,620</b>	<b>102,851,793</b>	<b>88,580</b>	<b>122,263</b>	<b>5,371,487</b>	<b>5.22%</b>	<b>7,676,924</b>	<b>7.46%</b>	<b>\$0.47</b>	<b>\$91.22</b>	<b>1,194,866</b>	<b>1,319,674</b>	<b>76</b>	<b>2,730,029</b>
<b>West County</b>														
Cypress	48	3,594,644	0	0	137,295	3.82%	423,994	11.80%	\$0.64	\$89.73	47,480	(66,916)	3	141,301
Garden Grove	289	10,821,792	0	0	522,474	4.83%	551,210	5.09%	\$0.64	\$110.27	(130,415)	(203,578)	11	266,309
Huntington Beach	434	11,988,921	0	559,102	294,163	2.45%	422,828	3.53%	\$0.56	\$128.43	69,253	110,331	6	161,980
La Palma	15	1,784,621	0	0	103,851	5.82%	218,851	12.26%	\$0.00	\$0.00	22,268	22,268	1	28,851
Los Alamitos	73	1,976,752	0	0	115,228	5.83%	115,228	5.83%	\$0.58	\$58.22	5,000	36,708	0	0
Stanton	57	1,102,501	0	10,200	34,368	3.12%	34,368	3.12%	\$0.60	\$0.00	(4,360)	(11,200)	1	20,185
Westminster	58	1,817,801	0	0	173,242	9.53%	173,242	9.53%	\$0.45	\$92.91	(6,759)	(110,425)	0	0
<b>West County Total</b>	<b>974</b>	<b>33,087,032</b>	<b>0</b>	<b>569,302</b>	<b>1,380,621</b>	<b>4.17%</b>	<b>1,939,721</b>	<b>5.86%</b>	<b>\$0.59</b>	<b>\$92.54</b>	<b>2,467</b>	<b>(222,812)</b>	<b>22</b>	<b>618,626</b>
<b>Airport Area</b>														
Costa Mesa	205	6,403,956	0	0	175,405	2.74%	310,523	4.85%	\$1.21	\$110.10	46,451	110,317	7	202,544
Fountain Valley	139	3,322,887	0	212,000	54,784	1.65%	91,067	2.74%	\$0.59	\$113.05	70,696	136,295	2	39,868
Irvine	320	14,112,415	0	0	699,410	4.96%	1,236,410	8.76%	\$0.67	\$134.87	(28,961)	121,895	11	375,054
Newport Beach	20	676,009	0	0	10,791	1.60%	10,791	1.60%	\$0.00	\$0.00	(10,791)	(3,191)	0	0
Santa Ana	876	26,725,093	0	0	1,103,098	4.13%	1,585,320	5.93%	\$0.58	\$103.84	307,036	575,885	25	644,387
Tustin	86	4,317,621	296,733	0	387,934	8.98%	584,909	13.55%	\$0.63	\$109.65	(107,040)	272,577	3	179,200
<b>Airport Area Total</b>	<b>1,646</b>	<b>55,557,981</b>	<b>296,733</b>	<b>212,000</b>	<b>2,431,422</b>	<b>4.38%</b>	<b>3,819,020</b>	<b>6.87%</b>	<b>\$0.65</b>	<b>\$112.61</b>	<b>277,391</b>	<b>1,213,778</b>	<b>48</b>	<b>1,441,053</b>
<b>South County</b>														
Aliso Viejo	10	678,093	0	0	13,136	1.94%	26,816	3.95%	\$0.95	\$0.00	0	15,186	0	0
Foothill Ranch	39	2,868,250	0	136,616	105,589	3.68%	337,401	11.76%	\$0.45	\$0.00	229,075	437,058	1	10,094
Irvine Spectrum	139	7,025,482	102,347	141,429	290,413	4.13%	850,273	12.10%	\$0.61	\$148.28	214,272	116,222	13	375,565
Laguna Hills	69	1,273,664	0	0	76,014	5.97%	76,014	5.97%	\$0.85	\$0.00	(4,046)	4,123	2	27,013
Laguna Niguel	19	516,609	0	0	4,060	0.79%	4,060	0.79%	\$0.00	\$0.00	1,200	20	0	0
Lake Forest	128	3,551,000	0	0	236,732	6.67%	315,316	8.88%	\$0.75	\$147.55	24,106	(10,023)	6	96,238
Mission Viejo	25	955,116	0	0	37,136	3.89%	85,136	8.91%	\$1.14	\$128.00	125,963	(66,606)	0	0
Rancho Santa Margarita	35	1,056,063	0	0	34,145	3.23%	47,209	4.47%	\$0.88	\$131.75	8,000	(933)	0	0
San Clemente	50	1,279,275	77,808	26,289	72,505	5.67%	129,465	10.12%	\$0.78	\$123.24	23,833	62,224	1	23,500
San Juan Capistrano	32	838,184	0	0	12,737	1.52%	41,737	4.98%	\$1.05	\$0.00	12,343	37,841	0	0
<b>South County Total</b>	<b>546</b>	<b>20,041,736</b>	<b>180,155</b>	<b>304,334</b>	<b>882,467</b>	<b>4.40%</b>	<b>1,913,427</b>	<b>9.55%</b>	<b>\$0.70</b>	<b>\$136.16</b>	<b>634,746</b>	<b>595,112</b>	<b>23</b>	<b>532,410</b>
<b>Orange County Total</b>	<b>5,786</b>	<b>211,538,542</b>	<b>565,468</b>	<b>1,207,899</b>	<b>10,065,997</b>	<b>4.76%</b>	<b>15,349,092</b>	<b>7.26%</b>	<b>\$0.56</b>	<b>\$103.08</b>	<b>2,109,470</b>	<b>2,905,752</b>	<b>169</b>	<b>5,322,118</b>

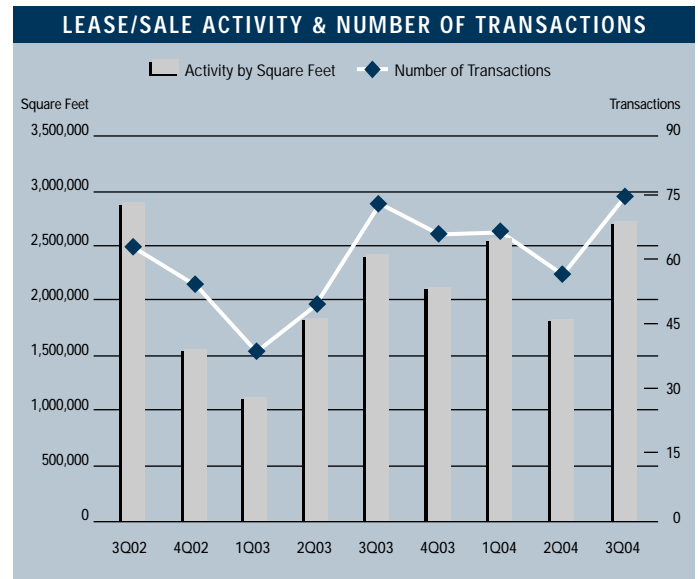
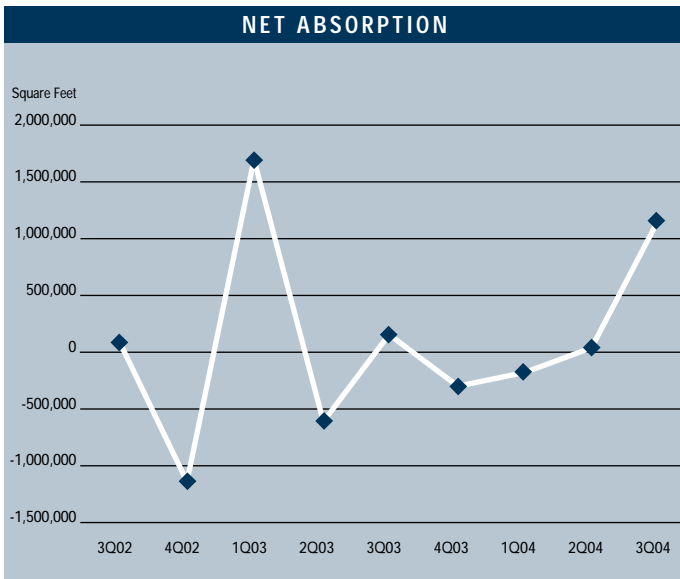
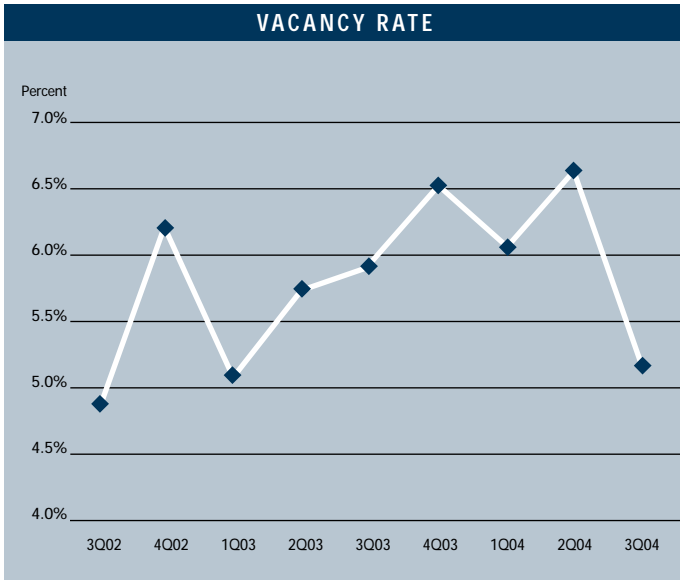
	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2004	Square Feet Available	Availability Rate 3Q2004	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2004	Net Absorption 2004	Number of Transactions	Gross Absorption 3Q2004
<b>O.C. Totals</b>														
10,000-19,999	2,912	40,166,543	178,582	224,364	1,512,036	3.76%	1,818,960	4.53%	\$0.80	\$136.79	(26,921)	123,495	87	1,163,062
20,000-29,999	1,159	27,402,329	67,610	94,146	1,146,806	4.19%	1,474,478	5.38%	\$0.76	\$118.71	487,039	500,118	29	701,482
30,000-39,999	475	16,034,279	204,776	107,005	762,673	4.76%	1,145,701	7.15%	\$0.64	\$120.22	153,016	347,289	13	450,219
40,000-49,999	310	13,522,201	0	43,329	563,622	4.17%	600,563	4.44%	\$0.56	\$104.78	56,682	481,787	15	663,278
50,000-74,999	372	22,316,877	0	348,384	700,247	3.14%	1,432,181	6.42%	\$0.57	\$93.03	126,764	332,617	13	777,089
75,000-99,999	178	15,120,893	0	0	757,242	5.01%	1,282,233	8.48%	\$0.63	\$91.99	(16,585)	(92,892)	7	580,173
100,000-149,999	191	22,420,889	114,500	0	1,608,524	7.17%	2,295,814	10.24%	\$0.52	\$88.18	292,148	329,905	2	221,600
150,000-199,999	63	10,786,093	0	178,671	959,317	8.89%	1,696,819	15.73%	\$0.47	\$93.43	2,584	(308,990)	2	365,742
200,000-299,999	69	16,459,471	0	212,000	1,021,934	6.21%	1,788,766	10.87%	\$0.46	\$55.46	595,500	629,338	0	0
300,000+	57	27,308,967	0	0	1,033,596	3.78%	1,813,577	6.64%	\$0.44	\$0.00	439,243	563,085	1	399,473
<b>Total</b>	<b>5,786</b>	<b>211,538,542</b>	<b>565,468</b>	<b>1,207,899</b>	<b>10,065,997</b>	<b>4.76%</b>	<b>15,349,092</b>	<b>7.26%</b>	<b>\$0.56</b>	<b>\$103.08</b>	<b>2,109,470</b>	<b>2,905,752</b>	<b>169</b>	<b>5,322,118</b>

### ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. AVAILABILITY RATE



## NORTH ORANGE COUNTY

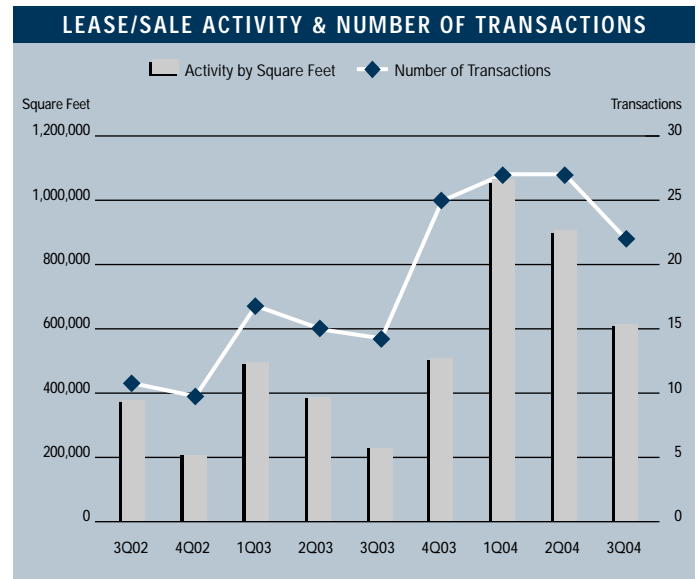
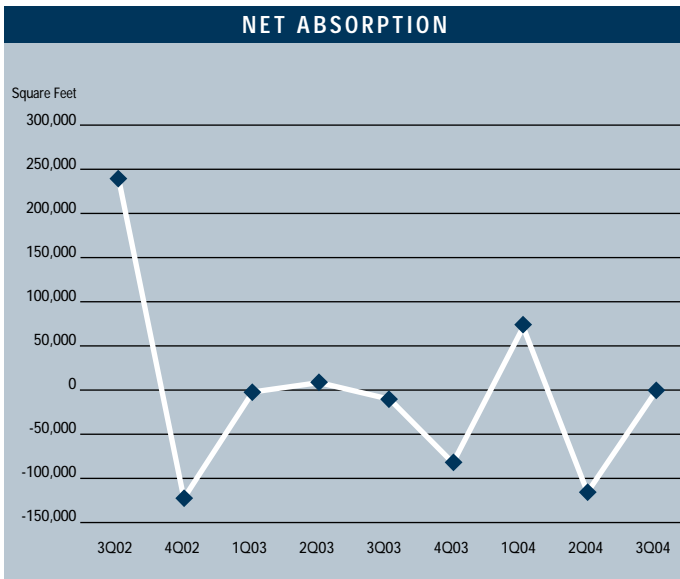
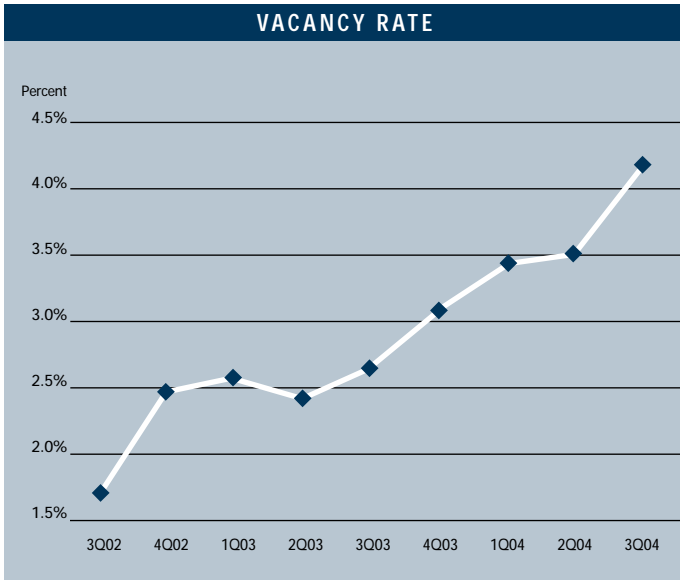
The North Orange County Industrial Market consists of 2,620 buildings totaling 102,851,793 square feet, and currently has an availability rate of 7.46%, which shows a decrease from last quarter's 8.92% figure.



	INVENTORY						VACANCY & PRICING				ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2004	Square Feet Available	Availability Rate 3Q2004	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2004	Net Absorption 2004	Number of Transactions	Gross Absorption 3Q2004
<b>North Totals</b>														
10,000-19,999	1,283	17,702,880	88,580	101,933	716,280	4.05%	742,282	4.19%	\$0.62	\$135.26	(70,421)	(31,788)	40	519,558
20,000-29,999	512	12,087,280	0	20,330	452,632	3.74%	570,626	4.72%	\$0.57	\$99.73	290,799	360,871	11	265,340
30,000-39,999	227	7,680,321	0	0	415,226	5.41%	579,457	7.54%	\$0.55	\$111.46	42,697	127,986	4	138,750
40,000-49,999	143	6,212,118	0	0	208,681	3.36%	208,680	3.36%	\$0.45	\$107.17	13,777	279,678	7	319,611
50,000-74,999	176	10,557,837	0	0	298,732	2.83%	590,338	5.59%	\$0.48	\$95.77	87,657	310,192	8	470,876
75,000-99,999	80	6,810,124	0	0	259,746	3.81%	404,675	5.94%	\$0.47	\$73.43	171,242	190,417	3	250,679
100,000-149,999	97	11,421,809	0	0	716,215	6.27%	879,175	7.70%	\$0.46	\$70.21	11,161	54,640	0	0
150,000-199,999	32	5,544,694	0	0	809,355	14.60%	1,204,857	21.73%	\$0.44	\$77.00	2,389	(290,309)	2	365,742
200,000-299,999	39	9,318,037	0	0	748,878	8.04%	1,019,111	10.94%	\$0.45	\$53.00	447,474	699,362	0	0
300,000+	31	15,516,693	0	0	745,742	4.81%	1,477,723	9.52%	\$0.44	\$0.00	198,091	(381,375)	1	399,473
<b>Total</b>	<b>2,620</b>	<b>102,851,793</b>	<b>88,580</b>	<b>122,263</b>	<b>5,371,487</b>	<b>5.22%</b>	<b>7,676,924</b>	<b>7.46%</b>	<b>\$0.47</b>	<b>\$91.22</b>	<b>1,194,866</b>	<b>1,319,674</b>	<b>76</b>	<b>2,730,029</b>

## W E S T   O R A N G E   C O U N T Y

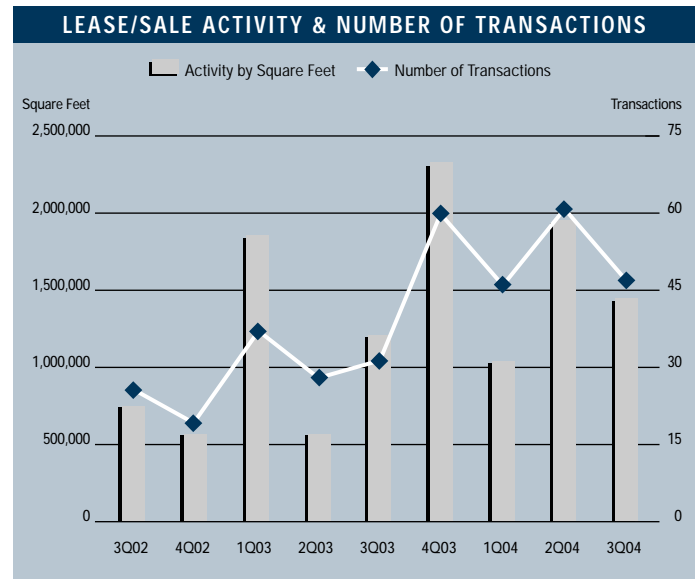
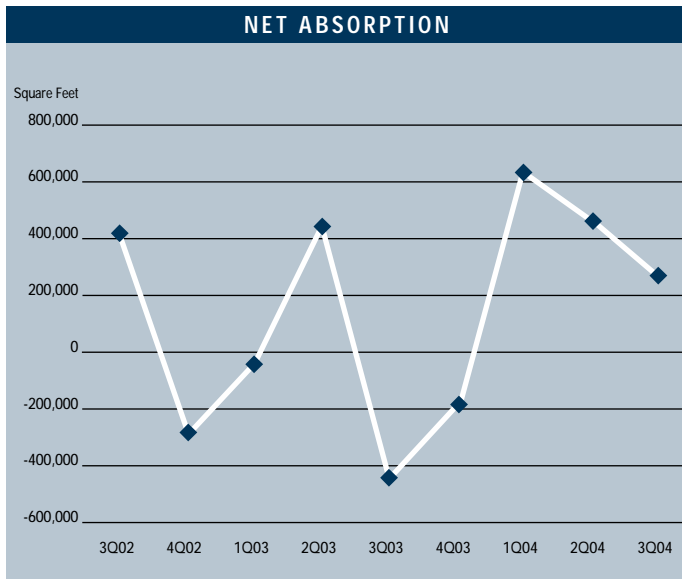
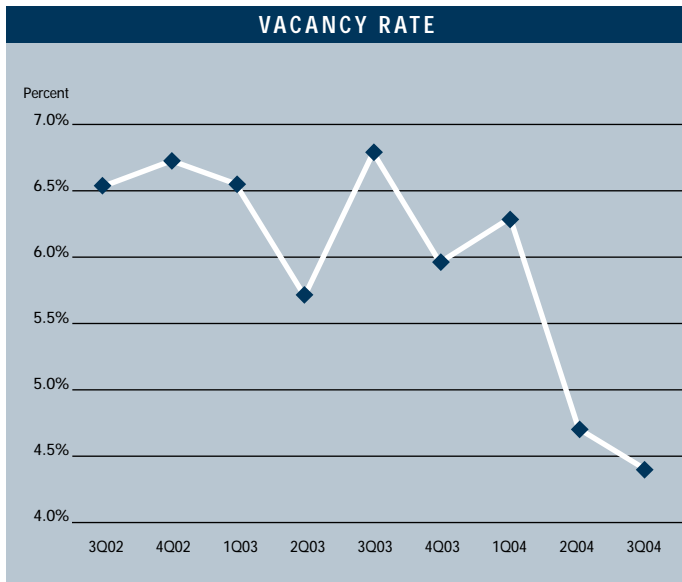
The West Orange County Industrial Market consists of 974 buildings totaling 33,087,032 square feet, and currently has an availability rate of 5.86%, which shows a decrease from last quarter's 6.51% figure.



	INVENTORY						VACANCY & PRICING				ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2004	Square Feet Available	Availability Rate 3Q2004	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2004	Net Absorption 2004	Number of Transactions	Gross Absorption 3Q2004
<b>North Totals</b>														
10,000-19,999	552	7,362,975	0	28,529	192,489	2.61%	253,607	3.44%	\$0.87	\$126.04	37,297	55,175	11	150,274
20,000-29,999	181	4,278,769	0	0	181,605	4.24%	202,645	4.74%	\$0.68	\$105.88	14,177	39,428	4	98,021
30,000-39,999	53	1,801,935	0	74,916	70,615	3.92%	134,459	7.46%	\$0.72	\$117.00	23,800	8,801	1	39,000
40,000-49,999	53	2,326,405	0	43,329	139,525	6.00%	99,342	4.27%	\$0.00	\$113.19	(76,190)	242	3	132,019
50,000-74,999	54	3,193,227	0	243,857	70,966	2.22%	122,548	3.84%	\$0.49	\$93.53	(35,041)	(27,466)	2	113,539
75,000-99,999	28	2,335,210	0	0	257,314	11.02%	419,119	17.95%	\$0.59	\$0.00	(72,958)	(197,815)	1	85,773
100,000-149,999	23	2,674,758	0	0	260,108	9.72%	385,002	14.39%	\$0.58	\$0.00	54,262	25,703	0	0
150,000-199,999	12	1,979,529	0	178,671	0	0.00%	115,000	5.81%	\$0.00	\$0.00	0	0	0	0
200,000-299,999	11	2,709,094	0	0	150,000	5.54%	150,000	5.54%	\$0.41	\$58.22	51,119	(68,881)	0	0
300,000+	7	4,425,130	0	0	57,999	1.31%	57,999	1.31%	\$0.00	\$0.00	6,001	(57,999)	0	0
<b>Total</b>	<b>974</b>	<b>33,087,032</b>	<b>0</b>	<b>569,302</b>	<b>1,380,621</b>	<b>4.17%</b>	<b>1,939,721</b>	<b>5.86%</b>	<b>\$0.59</b>	<b>\$92.54</b>	<b>2,467</b>	<b>(222,812)</b>	<b>22</b>	<b>618,626</b>

## AIRPORT AREA

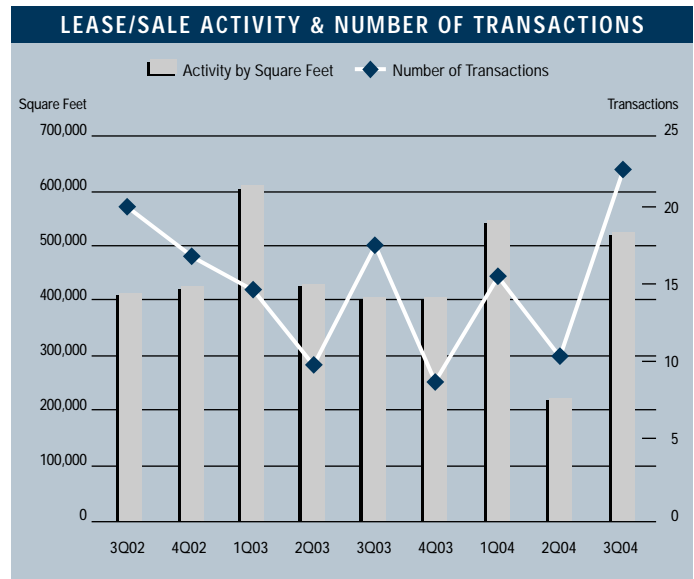
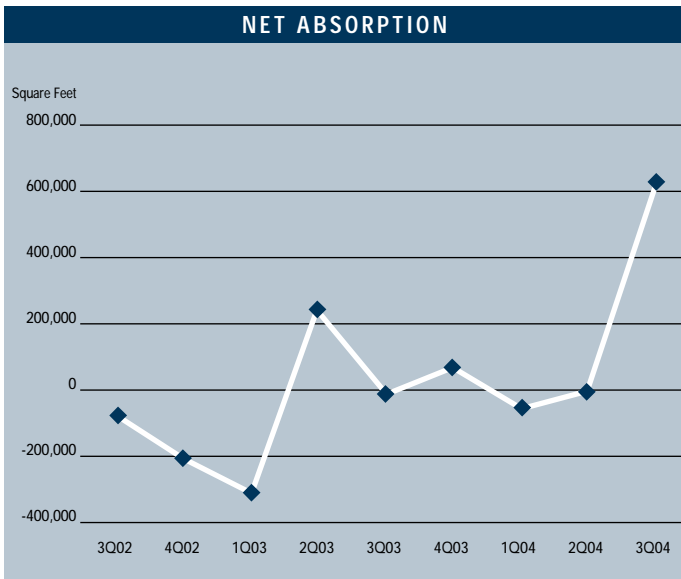
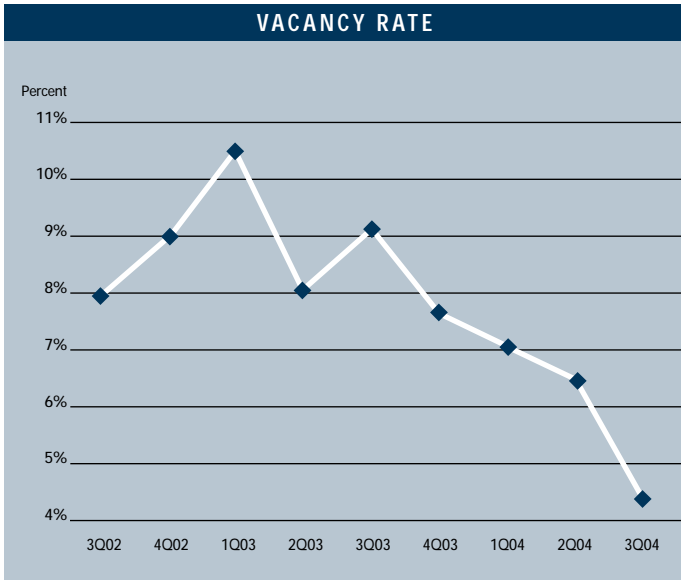
The Airport Area of the Orange County Industrial Market consists of 1,646 buildings totaling 55,557,981 square feet, and currently has an availability rate of 6.87%, which shows an increase from last quarter's 6.80% figure.



	INVENTORY						VACANCY & PRICING				ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2004	Square Feet Available	Availability Rate 3Q2004	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2004	Net Absorption 2004	Number of Transactions	Gross Absorption 3Q2004
<b>North Totals</b>														
10,000-19,999	801	11,172,304	0	0	364,352	3.26%	491,159	4.40%	\$0.82	\$142.82	(21,823)	33,496	23	319,974
20,000-29,999	350	8,281,432	44,110	0	330,040	3.99%	445,535	5.38%	\$0.79	\$135.53	95,678	37,442	9	220,614
30,000-39,999	154	5,177,619	138,123	0	189,053	3.65%	309,006	5.97%	\$0.66	\$124.69	66,502	97,604	6	212,097
40,000-49,999	87	3,789,884	0	0	185,106	4.88%	257,780	6.80%	\$0.61	\$101.38	109,828	206,451	4	170,648
50,000-74,999	112	6,739,293	0	0	314,789	4.67%	543,958	8.07%	\$0.64	\$89.14	11,187	27,200	2	135,801
75,000-99,999	54	4,634,516	0	0	152,930	3.30%	371,187	8.01%	\$0.99	\$110.00	(150,369)	(37,014)	2	160,319
100,000-149,999	48	5,600,907	114,500	0	628,601	11.22%	896,037	16.00%	\$0.54	\$99.62	54,286	84,289	2	221,600
150,000-199,999	14	2,397,545	0	0	69,272	2.89%	256,272	10.69%	\$0.52	\$110.00	15,195	102,009	0	0
200,000-299,999	14	3,375,191	0	212,000	41,799	1.24%	92,606	2.74%	\$0.58	\$0.00	96,907	80,114	0	0
300,000+	12	4,389,290	0	0	155,480	3.54%	155,480	3.54%	\$0.49	\$0.00	0	582,187	0	0
<b>Total</b>	<b>1,646</b>	<b>55,557,981</b>	<b>296,733</b>	<b>212,000</b>	<b>2,431,422</b>	<b>4.38%</b>	<b>3,819,020</b>	<b>6.87%</b>	<b>\$0.65</b>	<b>\$112.61</b>	<b>277,391</b>	<b>1,213,778</b>	<b>48</b>	<b>1,441,053</b>

## S O U T H   O R A N G E   C O U N T Y

The South Orange County Industrial Market consists of 546 buildings totaling 20,041,736 square feet, and currently has an availability rate of 9.55%, which shows a decrease from last quarter's 10.89% figure.



	INVENTORY						VACANCY & PRICING				ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2004	Square Feet Available	Availability Rate 3Q2004	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2004	Net Absorption 2004	Number of Transactions	Gross Absorption 3Q2004
<b>North Totals</b>														
10,000-19,999	276	3,928,384	90,002	93,902	238,915	6.08%	331,912	8.45%	\$0.91	\$138.59	28,026	66,612	13	173,256
20,000-29,999	116	2,754,848	23,500	73,816	182,529	6.63%	255,672	9.28%	\$1.03	\$139.09	86,385	62,377	5	117,507
30,000-39,999	41	1,374,404	66,653	32,089	87,779	6.39%	122,779	8.93%	\$0.78	\$112.50	20,017	112,898	2	60,372
40,000-49,999	27	1,193,794	0	0	30,310	2.54%	34,761	2.91%	\$0.72	\$0.00	9,267	(4,584)	1	41,000
50,000-74,999	30	1,826,520	0	104,527	15,760	0.86%	175,337	9.60%	\$0.65	\$0.00	62,961	22,691	1	56,873
75,000-99,999	16	1,341,043	0	0	87,252	6.51%	87,252	6.51%	\$0.62	\$0.00	35,500	(48,480)	1	83,402
100,000-149,999	23	2,723,415	0	0	3,600	0.13%	135,600	4.98%	\$0.55	\$0.00	172,439	165,273	0	0
150,000-199,999	5	864,325	0	0	80,690	9.34%	120,690	13.96%	\$0.49	\$0.00	(15,000)	(120,690)	0	0
200,000-299,999	5	1,057,149	0	0	81,257	7.69%	527,049	49.86%	\$0.57	\$0.00	0	(81,257)	0	0
300,000+	7	2,977,854	0	0	74,375	2.50%	122,375	4.11%	\$0.39	\$0.00	235,151	420,272	0	0
<b>Total</b>	<b>546</b>	<b>20,041,736</b>	<b>180,155</b>	<b>304,334</b>	<b>882,467</b>	<b>4.40%</b>	<b>1,913,427</b>	<b>9.55%</b>	<b>\$0.70</b>	<b>\$136.16</b>	<b>634,746</b>	<b>595,112</b>	<b>23</b>	<b>532,410</b>

