

INDUSTRIAL MARKET REPORT

THIRD
QUARTER
2006

Compared to
last quarter:

VACANCY



UP

ABSORPTION



DOWN

SALES PRICE



UP

ACTIVITY



DOWN

LEASE RATES



FLAT

CONSTRUCTION



DOWN

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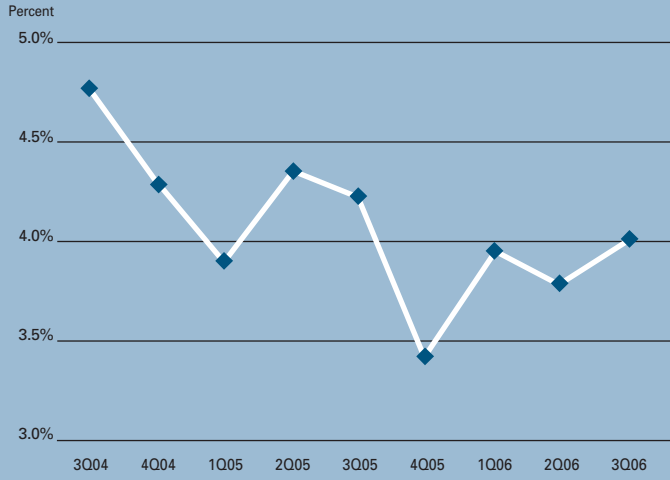
MARKET HIGHLIGHTS

- ◆ Unemployment for the third quarter of 2006 in Orange County is 3.6%, which is 0.4% higher than it was when compared to the second quarter of 2006, and is 0.2% lower than it was during the third 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 1.65 million square feet this quarter, which is 176% higher than what was under construction a year ago.
- ◆ Industrial vacancy came in at a low rate of 4.02%, which is 4.96% 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 just over 15% lower than what was on the market a year ago. This matches last quarters all time 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 the same as last quarter. This matches last quarters all time record high.
- ◆ The average asking selling price is \$150.89 per square foot per this quarter. This is an increase of 25.94% when compared to a year ago and represents a new record high rate.
- ◆ The level of activity was a little lower in third quarter of 2006 when compared to last year, checking in at 2.84 million square feet this quarter, down from 4.07 million square feet in third quarter of 2005. This is due to the lack of available product.
- ◆ Net absorption for the county during this quarter posted a negative number of 486,376 square feet, giving the Industrial Market in Orange County a total of almost 9 million square feet of positive absorption for the past 13 quarters. That's an average of over 680,000 square feet of positive absorption per quarter for over 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

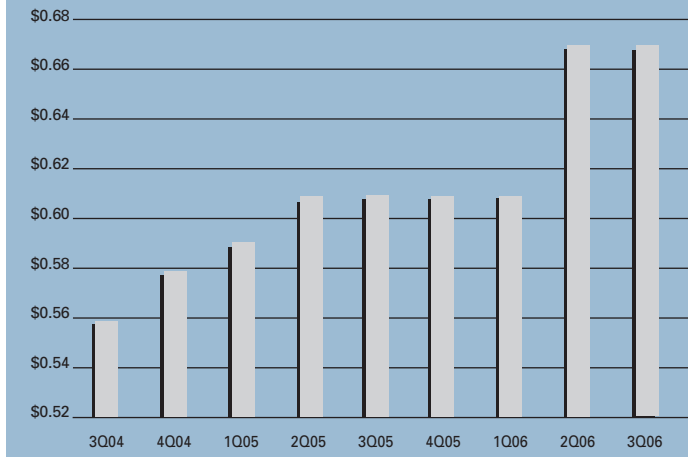
	3Q2006	2Q2006	3Q2005	% CHANGE VS. 3Q05
Under Construction	1,649,444	1,896,210	597,215	176.19%
Planned Construction	1,007,797	539,925	928,202	8.58%
Vacancy	4.02%	3.80%	4.23%	-4.96%
Availability	4.93%	4.93%	5.81%	-15.15%
Avg. Ask Lease Rate	\$0.67	\$0.67	\$0.61	9.84%
Avg. Ask Sales Price	\$150.89	\$140.76	\$119.81	25.94%
Activity	2,843,489	3,316,986	4,070,876	-30.15%
Absorption	-486,376	1,010,472	863,466	N/A

VACANCY RATE

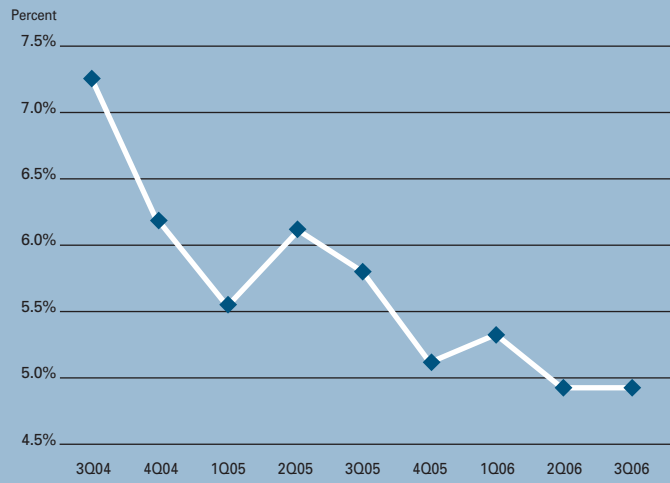


WEIGHTED AVERAGE ASKING LEASE RATES

ON A TRIPLE NET BASIS FOR
MANUFACTURING & DISTRIBUTION PRODUCT

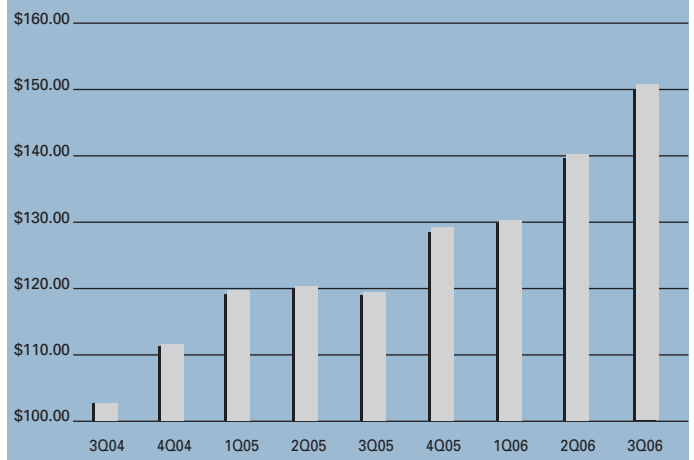


AVAILABILITY RATE

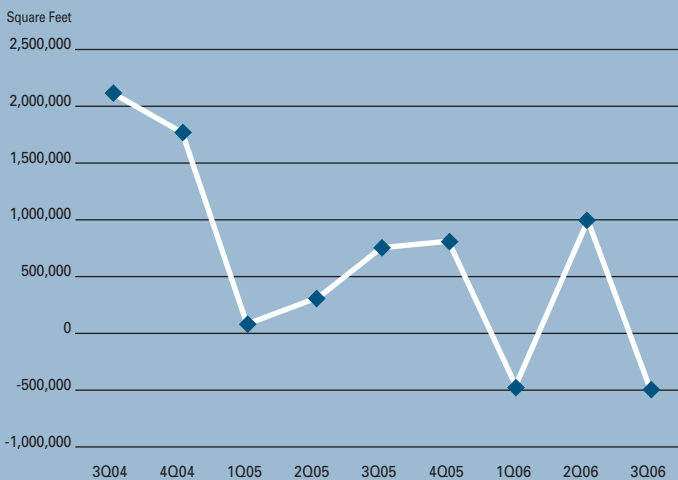


WEIGHTED AVERAGE ASKING SALES RATES

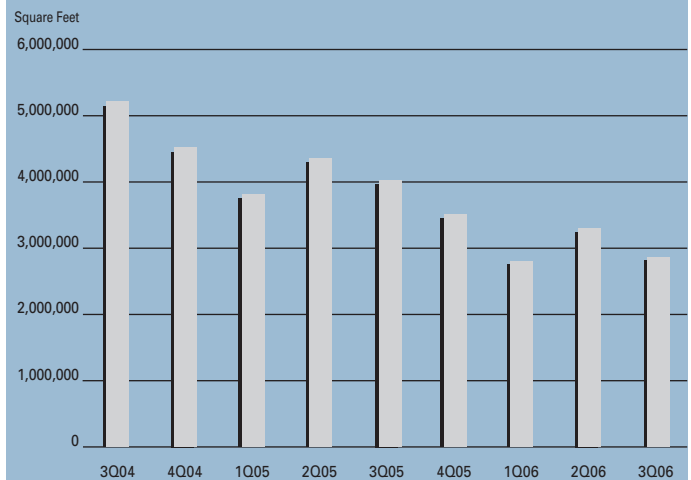
PER SQUARE FOOT FOR
MANUFACTURING & DISTRIBUTION PRODUCT



NET ABSORPTION



GROSS ABSORPTION

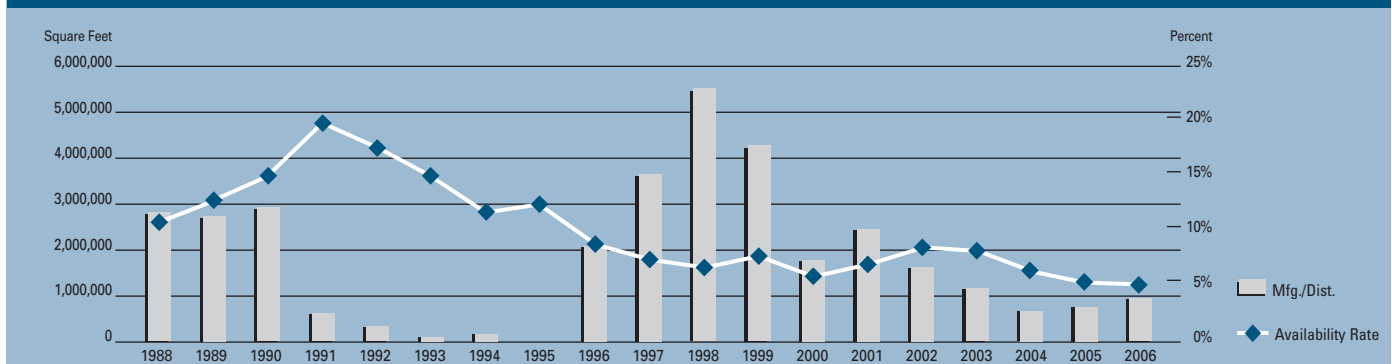


ORANGE COUNTY

	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2006	Square Feet Available	Availability Rate 3Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2006	Net Absorption 2006	Gross Absorption 3Q2006	Gross Absorption 2006
North County														
Anaheim	1,266	44,215,239	0	404,730	1,465,219	3.31%	2,001,843	4.53%	\$0.69	\$152.98	(197,422)	(159,801)	454,683	1,507,650
Brea	242	10,859,314	89,905	0	245,658	2.26%	739,387	6.81%	\$0.50	\$172.63	47,614	72,630	111,668	360,361
Buena Park	179	14,284,519	0	0	408,916	2.86%	408,916	2.86%	\$0.65	\$145.31	(217,809)	(39,459)	148,103	590,171
Fullerton	288	16,760,722	221,253	201,543	1,192,650	7.12%	1,192,650	7.12%	\$0.45	\$145.54	(81,974)	201,050	182,007	816,982
La Habra	88	3,355,301	107,115	0	10,298	0.31%	10,298	0.31%	\$0.68	\$180.11	15,831	683	23,666	51,123
Orange	442	11,638,536	61,128	0	333,556	2.87%	463,686	3.98%	\$0.62	\$191.81	(23,671)	(111,919)	114,614	318,992
Placentia	145	3,600,286	0	0	169,354	4.70%	169,354	4.70%	\$0.62	\$0.00	17,007	(102,231)	69,799	136,476
Yorba Linda	27	799,682	0	0	23,664	2.96%	23,664	2.96%	\$0.00	\$151.28	(12,737)	(18,158)	3,580	15,880
North County Total	2,677	105,513,599	479,401	606,273	3,849,315	3.65%	5,009,798	4.75%	\$0.60	\$147.12	(453,461)	(157,205)	1,108,120	3,797,635
West County														
Cypress	49	3,678,839	0	0	292,806	7.96%	326,535	8.88%	\$0.56	\$0.00	72,634	(104,210)	77,769	241,779
Garden Grove	293	11,071,461	16,407	57,095	900,934	8.14%	914,715	8.26%	\$0.65	\$146.12	(343,206)	(324,836)	150,760	628,459
Huntington Beach	446	12,914,596	60,730	0	349,834	2.71%	452,406	3.50%	\$0.69	\$165.47	(42,965)	304,516	79,898	511,245
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	2,045,161	27,162	0	6,844	0.33%	11,113	0.54%	\$0.00	\$0.00	12,232	26,495	17,176	47,515
Seal Beach	0	0	437,408	204,222	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Stanton	59	1,215,706	0	0	11,340	0.93%	11,340	0.93%	\$0.64	\$155.86	17,033	(9,840)	17,033	17,033
Westminster	61	1,849,741	0	0	46,320	2.50%	58,032	3.14%	\$0.00	\$111.55	(40,080)	(44,592)	1,440	7,314
West County Total	995	34,485,125	541,707	286,997	1,608,078	4.66%	1,774,141	5.14%	\$0.61	\$145.31	(324,352)	(152,467)	344,076	1,453,345
Airport Area														
Costa Mesa	217	6,718,034	0	0	200,038	2.98%	394,511	5.87%	\$0.70	\$269.62	120,803	(58,656)	228,143	306,201
Fountain Valley	144	3,389,505	229,563	0	89,376	2.64%	89,376	2.64%	\$0.00	\$153.85	(59,755)	(3,796)	24,298	158,322
Irvine	334	14,419,724	173,205	0	587,697	4.08%	730,068	5.06%	\$0.87	\$183.78	311,335	188,246	399,062	701,514
Newport Beach	20	355,008	0	0	3,100	0.87%	3,100	0.87%	\$0.00	\$0.00	3,400	(600)	3,400	8,400
Santa Ana	874	26,462,743	0	10,000	1,205,526	4.56%	1,251,708	4.73%	\$0.69	\$137.95	(139,895)	(77,845)	200,146	865,855
Tustin	95	4,663,221	0	0	385,346	8.26%	385,346	8.26%	\$0.00	\$0.00	(11,055)	106,826	4,216	205,663
Airport Area Total	1,684	56,008,235	402,768	10,000	2,471,083	4.41%	2,854,109	5.10%	\$0.80	\$166.23	224,833	154,175	859,265	2,245,965
South County														
Aliso Viejo	10	677,886	0	0	13,680	2.02%	13,680	2.02%	\$1.05	\$0.00	0	(13,680)	0	0
Foothill Ranch	42	3,132,750	0	136,616	105,800	3.38%	185,725	5.93%	\$0.76	\$0.00	(103,000)	69,218	0	379,066
Irvine Spectrum	143	7,367,062	162,788	0	284,877	3.87%	456,468	6.20%	\$0.70	\$157.54	210,327	215,351	336,818	556,889
Laguna Hills	69	1,306,023	0	0	64,394	4.93%	64,394	4.93%	\$1.15	\$230.00	(6,838)	(62,954)	22,876	48,980
Laguna Niguel	20	528,466	0	0	400	0.08%	400	0.08%	\$0.00	\$0.00	0	400	1,200	2,000
Lake Forest	130	3,976,728	0	0	166,160	4.18%	166,160	4.18%	\$1.01	\$0.00	22,533	53,668	128,524	336,480
Mission Viejo	26	966,670	0	0	9,565	0.99%	14,376	1.49%	\$1.52	\$0.00	(1,460)	3,474	240	9,679
Rancho Santa Margarita	35	1,074,848	0	0	18,340	1.71%	18,340	1.71%	\$0.00	\$211.26	(10,340)	(14,053)	0	4,287
San Clemente	54	1,291,894	62,780	0	53,290	4.12%	75,192	5.82%	\$1.09	\$0.00	(34,587)	(8,566)	24,104	77,577
San Juan Capistrano	31	858,705	0	0	80,076	9.33%	80,076	9.33%	\$1.10	\$0.00	(10,031)	(67,393)	18,266	20,874
South County Total	560	21,181,032	225,568	136,616	796,582	3.76%	1,074,811	5.07%	\$0.79	\$192.69	66,604	175,465	532,028	1,435,832
Orange County Total	5,916	217,187,991	1,649,444	1,039,886	8,725,058	4.02%	10,712,859	4.93%	\$0.67	\$150.89	(486,376)	19,968	2,843,489	8,932,777

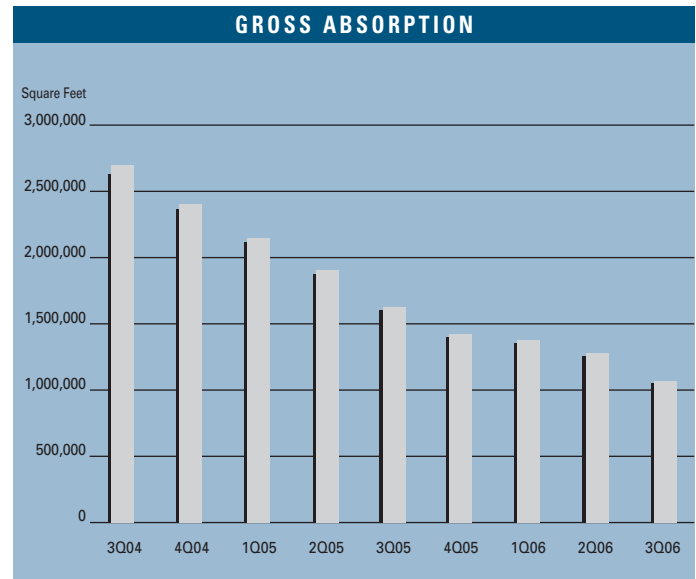
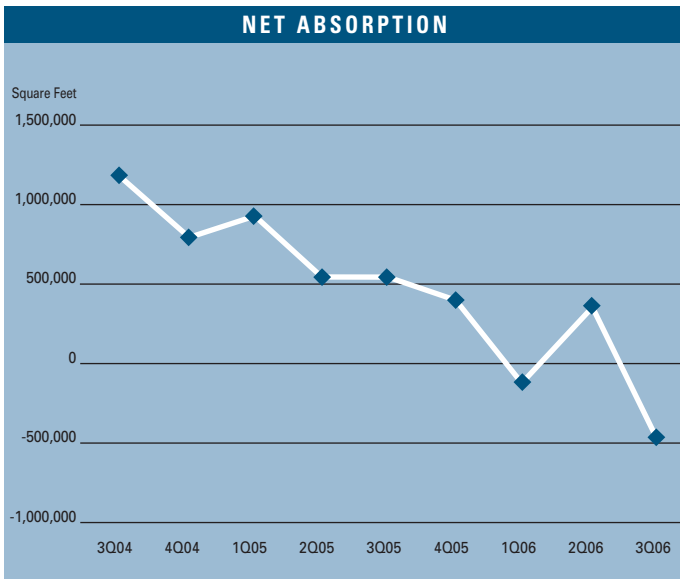
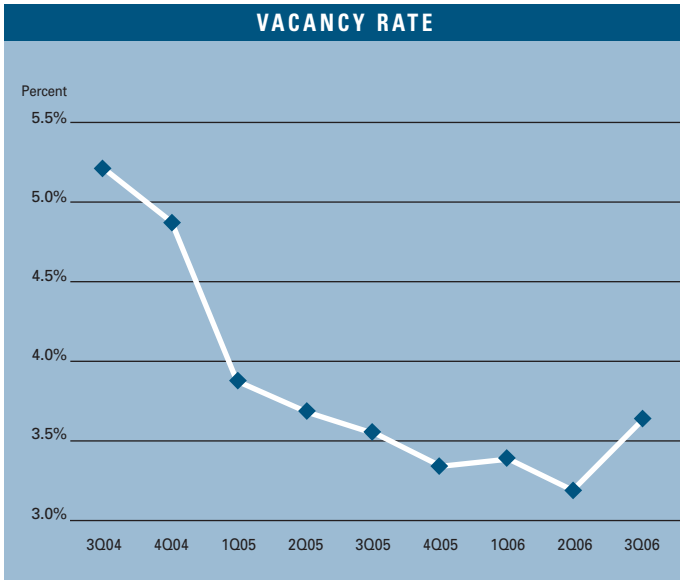
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O.C. Totals														
10,000-19,999	2,988	41,216,666	360,016	59,534	991,000	2.40%	1,294,985	3.14%	\$0.80	\$181.83	133,729	206,904	711,499	1,858,194
20,000-29,999	1,166	27,613,362	354,346	144,471	822,261	2.98%	917,560	3.32%	\$0.87	\$174.03	129,985	175,953	524,772	1,452,462
30,000-39,999	491	16,585,867	114,436	63,538	593,338	3.58%	880,905	5.31%	\$1.12	\$179.54	(82,377)	(70,436)	166,706	581,528
40,000-49,999	310	13,543,236	91,534	0	656,038	4.84%	807,694	5.96%	\$0.68	\$156.28	(160,853)	(244,316)	113,910	399,816
50,000-74,999	386	23,177,460	183,172	291,452	1,093,118	4.72%	1,238,856	5.35%	\$0.66	\$117.89	98,684	(177,713)	358,448	990,201
75,000-99,999	179	15,251,901	153,757	76,161	357,607	2.34%	446,112	2.92%	\$0.84	\$147.20	191,304	471,647	205,184	826,630
100,000-149,999	198	23,272,738	208,183	209,700	1,011,057	3.49%	942,090	4.05%	\$0.67	\$110.10	(190,791)	193,005	337,424	1,303,994
150,000-199,999	69	11,722,806	184,000	195,030	1,112,712	9.49%	1,464,852	12.50%	\$0.61	\$134.56	(369,250)	(117,995)	0	345,961
200,000-299,999	75	17,825,533	0	0	1,400,002	7.85%	1,436,473	8.06%	\$0.53	\$137.28	(318,367)	(189,846)	343,986	813,702
300,000+	54	26,978,422	0	0	887,925	3.29%	1,283,332	4.76%	\$0.52	\$0.00	81,560	(227,235)	81,560	360,289
Total	5,916	217,187,991	1,649,444	1,039,886	8,725,058	4.02%	10,712,859	4.93%	\$0.67	\$150.89	(486,376)	19,968	2,843,489	8,932,777

ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. AVAILABILITY RATE



NORTH ORANGE COUNTY

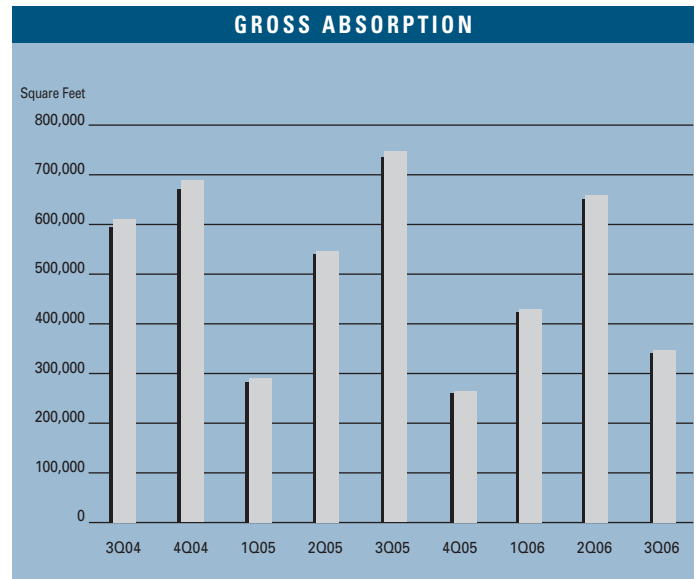
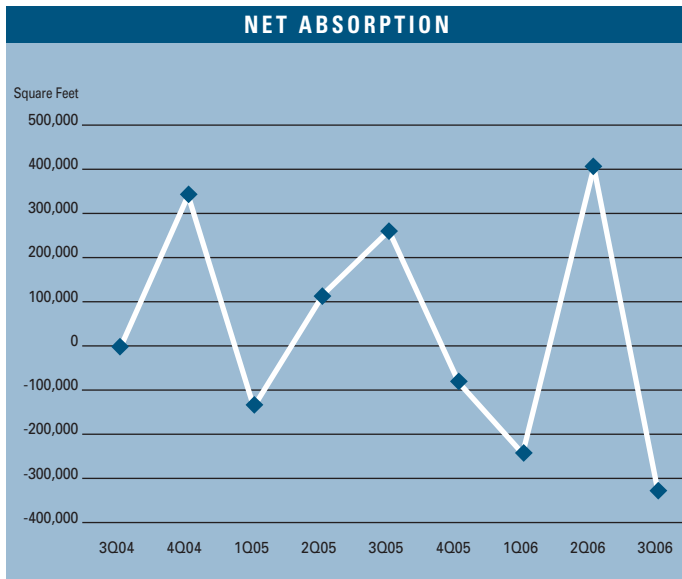
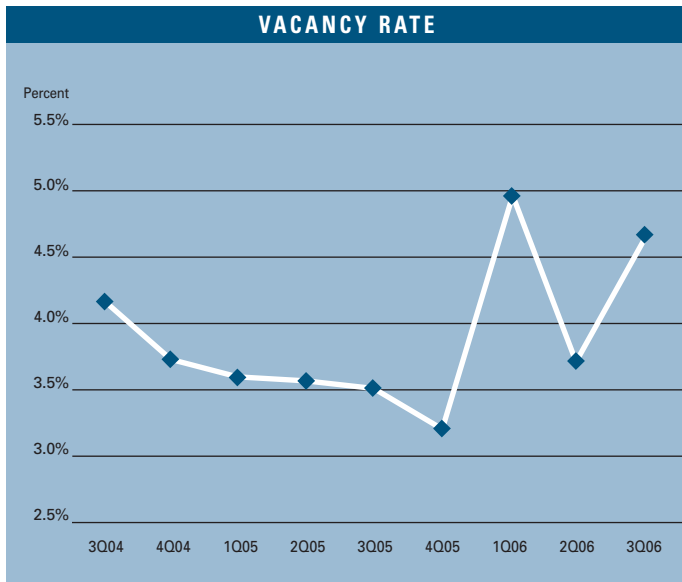
The North Orange County Industrial Market consists of 2,677 buildings totaling 105,513,599 square feet, and currently has an availability rate of 4.75%, which shows an increase from last quarter's 4.47% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2006	Square Feet Available	Availability Rate 3Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2006	Net Absorption 2006	Gross Absorption 3Q2006	Gross Absorption 2006
North Totals														
10,000-19,999	1,324	18,248,303	236,786	33,127	368,404	2.02%	582,543	3.19%	\$0.68	\$178.14	149,333	168,993	308,889	832,589
20,000-29,999	519	12,296,993	158,836	78,103	319,020	2.59%	319,020	2.59%	\$0.68	\$171.67	90,207	67,443	251,064	637,011
30,000-39,999	227	7,680,944	37,470	31,449	259,280	3.38%	468,855	6.10%	\$0.77	\$177.79	(61,090)	(79,803)	82,879	272,178
40,000-49,999	142	6,189,528	46,309	0	133,402	2.16%	229,805	3.71%	\$0.62	\$148.09	(42,802)	(9,929)	14,875	132,973
50,000-74,999	183	11,035,600	0	58,864	335,233	3.04%	450,988	4.09%	\$0.55	\$112.99	28,089	(57,004)	154,575	403,548
75,000-99,999	77	6,559,196	0	0	218,534	3.33%	218,534	3.33%	\$0.89	\$0.00	35,472	93,159	35,485	264,610
100,000-149,999	98	11,559,867	0	209,700	335,900	2.91%	335,900	2.91%	\$0.65	\$81.15	(91,339)	182,680	132,701	674,770
150,000-199,999	33	5,702,848	0	195,030	411,981	7.22%	600,121	10.52%	\$0.60	\$134.56	(154,225)	(134,225)	0	26,000
200,000-299,999	45	10,697,104	0	0	1,193,927	11.16%	1,230,398	11.50%	\$0.52	\$137.28	(488,666)	(321,672)	46,092	372,396
300,000+	29	15,543,216	0	0	273,634	1.76%	573,634	3.69%	\$0.00	\$0.00	81,560	(66,847)	81,560	181,560
Total	2,677	105,513,599	479,401	606,273	3,849,315	3.65%	5,009,798	4.75%	\$0.60	\$147.12	(453,461)	(157,205)	1,108,120	3,797,635

WEST ORANGE COUNTY

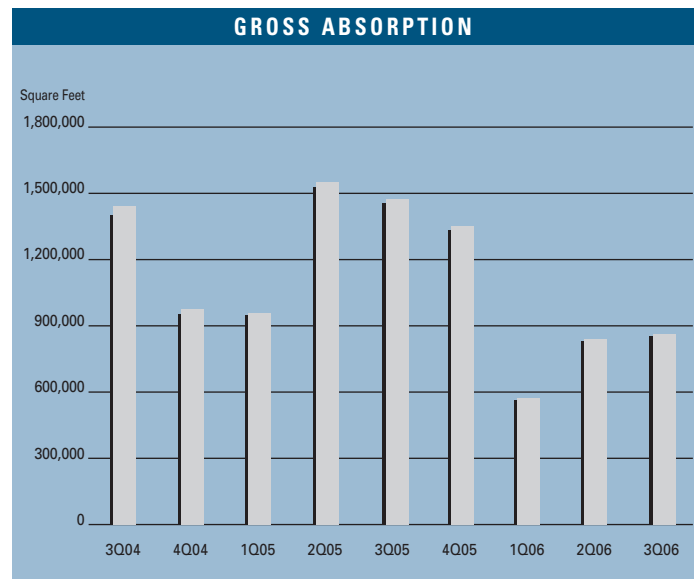
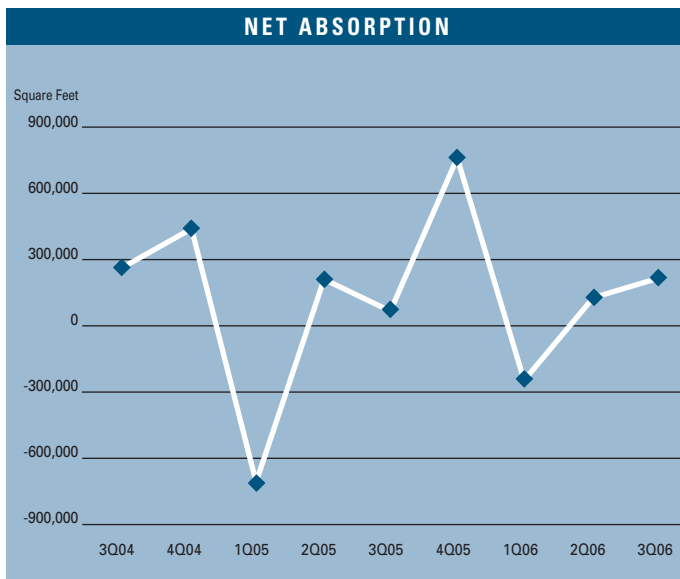
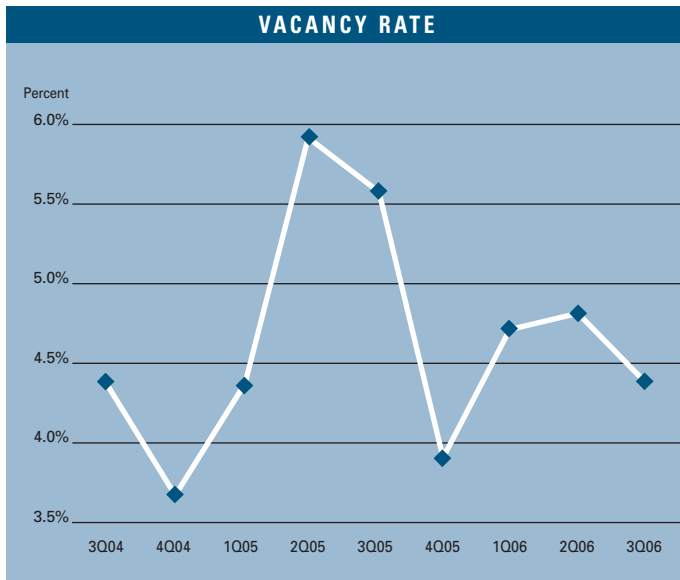
The West Orange County Industrial Market consists of 995 buildings totaling 34,485,125 square feet, and currently has an availability rate of 5.14%, which shows an increase from last quarter's 4.70% figure



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2006	Square Feet Available	Availability Rate 3Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2006	Net Absorption 2006	Gross Absorption 3Q2006	Gross Absorption 2006
West Totals														
10,000-19,999	559	7,437,484	16,407	16,407	87,263	1.17%	126,794	1.70%	\$0.76	\$174.95	28,840	51,992	82,038	199,162
20,000-29,999	177	4,187,092	27,162	66,368	93,887	2.24%	156,317	3.73%	\$0.78	\$170.66	(46,391)	28,220	28,154	134,578
30,000-39,999	58	1,973,480	0	0	133,036	6.74%	133,036	6.74%	\$0.61	\$155.00	20,082	(46,595)	60,282	105,668
40,000-49,999	54	2,367,800	45,225	0	153,926	6.50%	153,926	6.50%	\$0.80	\$179.14	(50,674)	(36,151)	41,500	153,112
50,000-74,999	60	3,543,462	60,730	128,061	188,252	5.31%	236,705	6.68%	\$0.64	\$133.34	3,370	109,721	11,370	234,935
75,000-99,999	29	2,425,762	0	76,161	0	0.00%	0	0.00%	\$0.00	\$199.00	90,732	130,732	90,732	130,732
100,000-149,999	25	2,927,739	208,183	0	150,151	5.13%	165,800	5.66%	\$0.62	\$115.90	(150,151)	(54,512)	0	110,115
150,000-199,999	15	2,487,275	184,000	0	466,385	18.75%	466,385	18.75%	\$0.00	\$0.00	(215,025)	(30,696)	0	250,689
200,000-299,999	11	2,709,094	0	0	100,415	3.71%	100,415	3.71%	\$0.55	\$0.00	(5,135)	(70,415)	30,000	30,000
300,000+	7	4,425,937	0	0	234,763	5.30%	234,763	5.30%	\$0.52	\$0.00	0	(234,763)	0	104,354
Total	995	34,485,125	541,707	286,997	1,608,078	4.66%	1,774,141	5.14%	\$0.61	\$145.31	(324,352)	(152,467)	344,076	1,453,345

AIRPORT AREA

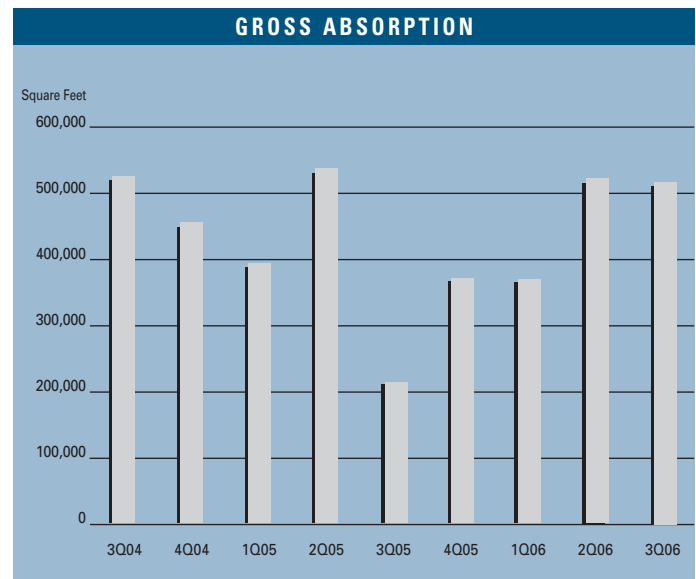
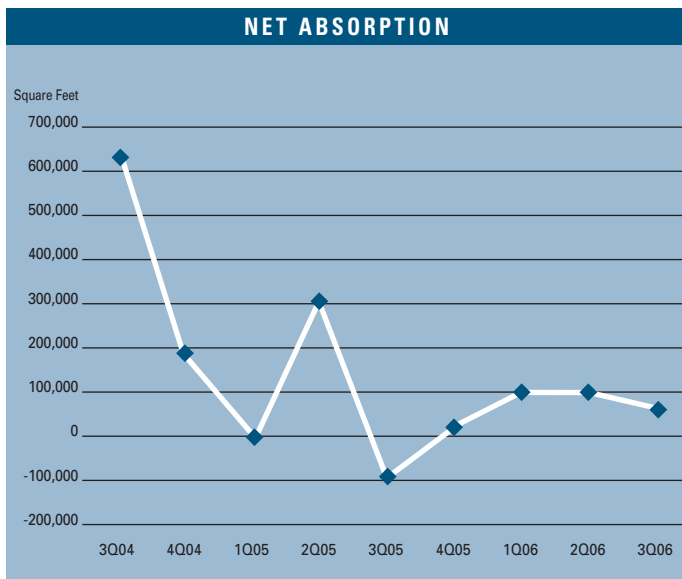
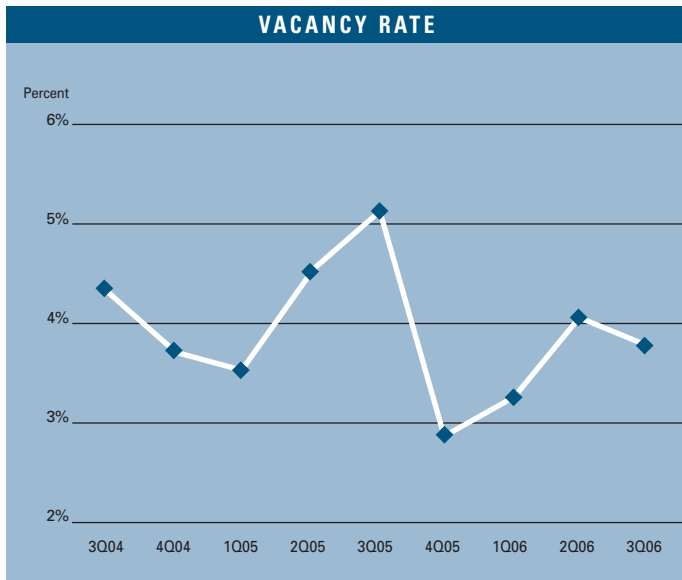
The Airport Area of the Orange County Industrial Market consists of 1,684 buildings totaling 56,008,235 square feet, and currently has an availability rate of 5.10%, which shows a decrease from last quarter's 5.54% figure.



	INVENTORY				VACANCY & PRICING				ABSORPTION					
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2006	Square Feet Available	Availability Rate 3Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2006	Net Absorption 2006	Gross Absorption 3Q2006	Gross Absorption 2006
Airport Totals	1,684	56,008,235	402,768	10,000	2,471,083	4.41%	2,854,109	5.10%	\$0.80	\$166.23	224,833	154,175	859,265	2,245,965
10,000-19,999	825	11,549,417	96,823	10,000	346,462	3.00%	361,153	3.13%	\$0.84	\$186.77	(1,088)	(15,556)	233,362	553,460
20,000-29,999	357	8,456,218	53,276	0	295,884	3.50%	305,193	3.61%	\$0.92	\$181.38	32,525	75,988	157,763	459,200
30,000-39,999	160	5,402,603	39,250	0	104,250	1.93%	182,242	3.37%	\$1.24	\$209.86	(19,109)	89,496	1,650	166,105
40,000-49,999	88	3,838,462	0	0	305,526	7.96%	336,355	8.76%	\$0.67	\$153.87	(55,172)	(150,082)	48,520	79,290
50,000-74,999	112	6,716,568	59,662	0	480,614	7.16%	520,028	7.74%	\$0.68	\$0.00	123,601	(150,921)	191,303	291,182
75,000-99,999	54	4,650,819	153,757	0	132,113	2.84%	132,113	2.84%	\$0.00	\$95.00	64,860	186,484	78,727	366,416
100,000-149,999	50	5,813,898	0	0	218,406	3.76%	333,790	5.74%	\$0.75	\$164.07	100,516	70,794	147,940	261,040
150,000-199,999	14	2,397,455	0	0	187,000	7.80%	187,000	7.80%	\$0.63	\$0.00	0	69,272	0	69,272
200,000-299,999	13	3,151,380	0	0	21,300	0.68%	21,300	0.68%	\$0.00	\$0.00	(21,300)	(21,300)	0	0
300,000+	11	4,031,415	0	0	379,528	9.41%	474,935	11.78%	\$0.52	\$0.00	0	0	0	0

SOUTH ORANGE COUNTY

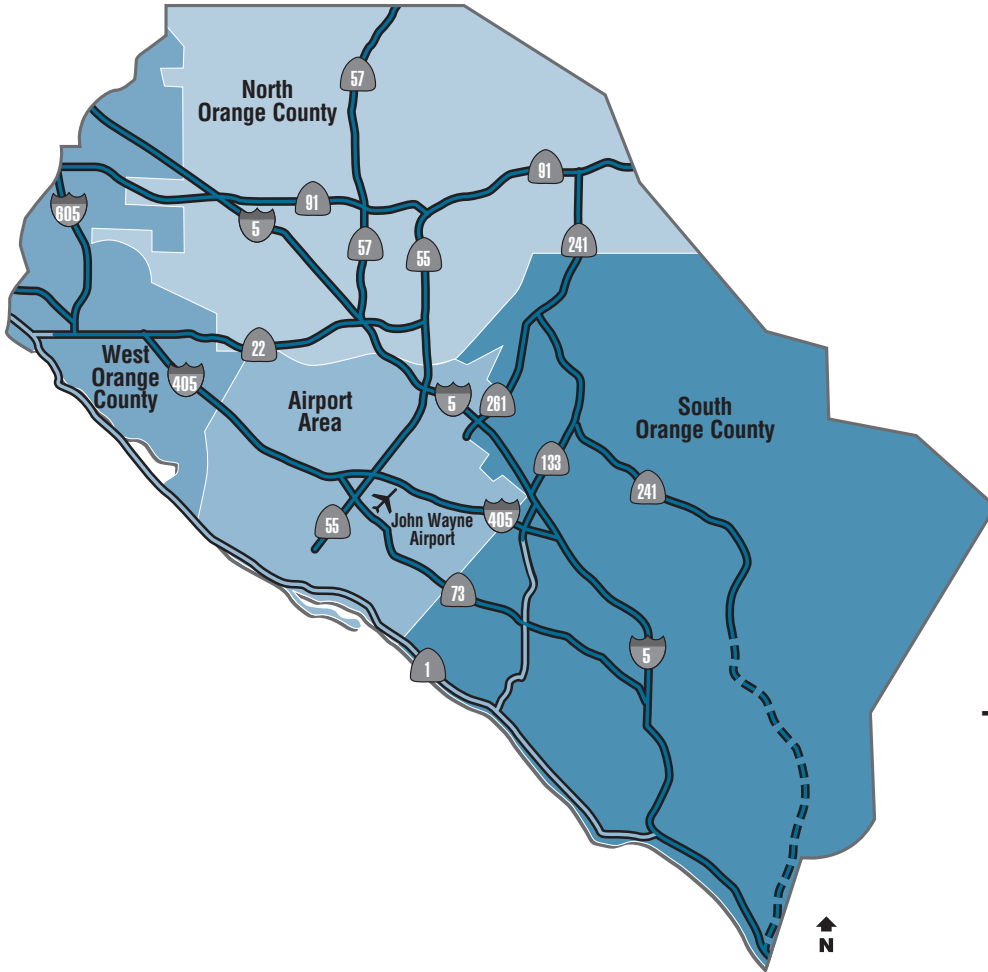
The South Orange County Industrial Market consists of 560 buildings totaling 21,181,032 square feet, and currently has an availability rate of 5.07%, which shows a decrease from last quarter's 5.95% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2006	Square Feet Available	Availability Rate 3Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2006	Net Absorption 2006	Gross Absorption 3Q2006	Gross Absorption 2006
South Totals														
10,000-19,999	280	3,981,462	10,000	0	188,871	4.74%	224,495	5.64%	\$1.05	\$232.32	(43,356)	1,475	87,210	272,983
20,000-29,999	113	2,673,059	115,072	0	113,470	4.24%	137,030	5.13%	\$0.85	\$185.37	53,644	4,302	87,791	221,673
30,000-39,999	46	1,528,840	37,716	32,089	96,772	6.33%	96,772	6.33%	\$1.28	\$157.54	(22,260)	(33,534)	21,895	37,577
40,000-49,999	26	1,147,446	0	0	63,184	5.51%	87,608	7.64%	\$0.00	\$0.00	(12,205)	(48,154)	9,015	34,441
50,000-74,999	31	1,881,830	62,780	104,527	89,019	4.73%	31,135	1.65%	\$0.00	\$0.00	(56,376)	(79,509)	1,200	60,536
75,000-99,999	19	1,616,124	0	0	6,960	0.43%	95,465	5.91%	\$0.79	\$0.00	240	61,272	240	64,872
100,000-149,999	25	2,971,234	0	0	106,600	3.59%	106,600	3.59%	\$0.00	\$0.00	(49,817)	(5,957)	56,783	258,069
150,000-199,999	7	1,135,228	0	0	47,346	4.17%	211,346	18.62%	\$0.65	\$0.00	0	(22,346)	0	0
200,000-299,999	6	1,267,955	0	0	84,360	6.65%	84,360	6.65%	\$0.69	\$0.00	196,734	223,541	267,894	411,306
300,000+	7	2,977,854	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	74,375	0	74,375
Total	560	21,181,032	225,568	136,616	796,582	3.76%	1,074,811	5.07%	\$0.79	\$192.69	66,604	175,465	532,028	1,435,832

INDUSTRIAL MARKET REPORT

THIRD 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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