

INDUSTRIAL MARKET REPORT

FOURTH
QUARTER
2005

Compared to
last quarter:

VACANCY

DOWN



RECORD
LOW

RECORD
LOW

ABSORPTION



UP

SALES PRICE



UP

ACTIVITY

DOWN



LEASE RATES



FLAT

CONSTRUCTION



UP

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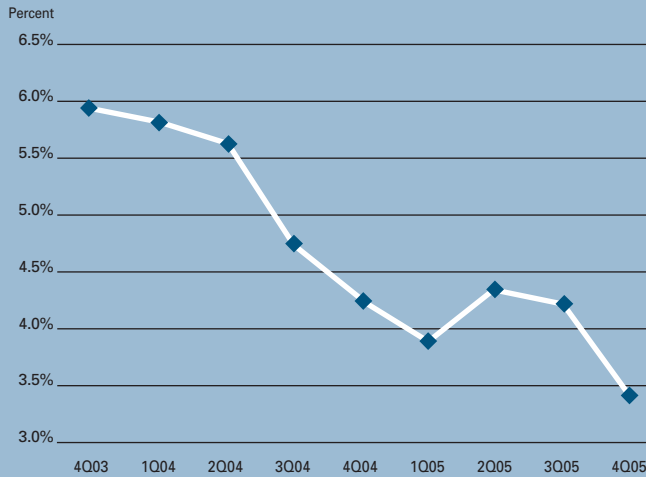
MARKET HIGHLIGHTS

- ◆ Unemployment for the fourth quarter of 2005 in Orange County is 3.8%, which is .1% lower than it was when compared to the third quarter of 2005, and is .2% lower than it was during the fourth quarter of 2004.
- ◆ According to Chapman University, it is estimated that Orange County added 24,000 new payroll jobs in 2005. Furthermore, they are forecasting 20,000 new payroll jobs will be added to the county in 2006 as the Orange County economy continues to expand.
- ◆ Total space under construction is just over 750,000 square feet this quarter, which is 5.21% higher than what was under construction a year ago.
- ◆ Industrial vacancy came in at a record low rate of 3.43%, which is 19.86% 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 record low rate of 5.13%, which is 17.66% 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 5.17% when compared to a year ago and the same as last quarter. 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 \$129.17 per square foot per this quarter. This is an increase of almost 16% when compared to a year ago.
- ◆ The level of activity was a little lower in 2005 when compared to last year, checking in at 15 million square feet in 2005 from almost 18 million square feet in 2004. This is due to the lack of available product.
- ◆ Net absorption for the county during 2005 posted a positive number of 1.9 million 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.
- ◆ 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

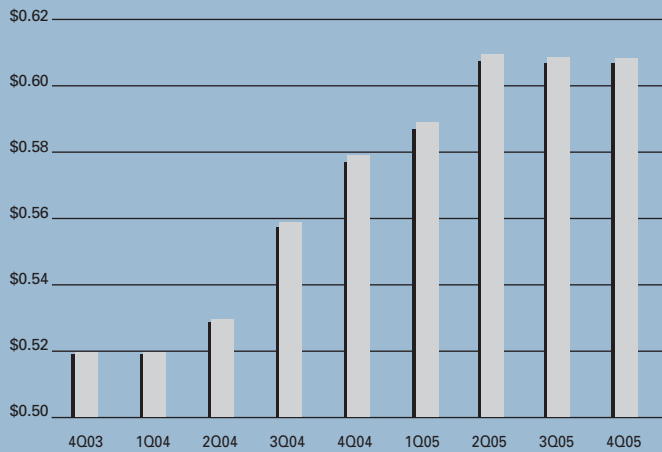
	2005	2004	2003	% CHANGE VS. 2004
Inventory Added	848,512	806,505	1,263,358	5.21%
Under Construction	754,116	709,060	493,057	6.35%
Vacancy Rate	3.43%	4.28%	5.96%	-19.86%
Availability Rate	5.13%	6.23%	8.32%	-17.66%
Average Asking Lease Rate	\$0.61	\$0.58	\$0.52	5.17%
Net Absorption	1,900,759	4,358,760	2,861,850	-56.39%
Gross Absorption	15,022,624	17,982,555	17,070,848	-16.46%

VACANCY RATE

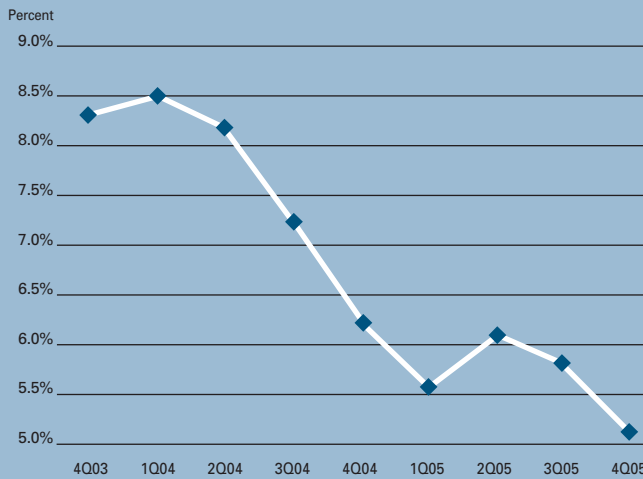


WEIGHTED AVERAGE ASKING LEASE RATES

ON A TRIPLE NET BASIS FOR MANUFACTURING & DISTRIBUTION PRODUCT

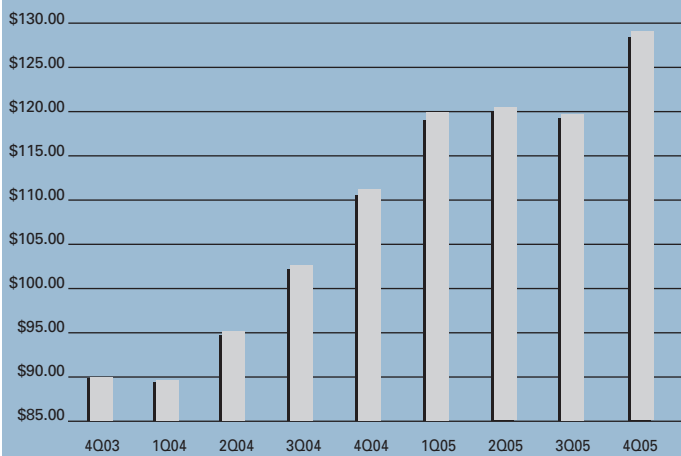


AVAILABILITY RATE

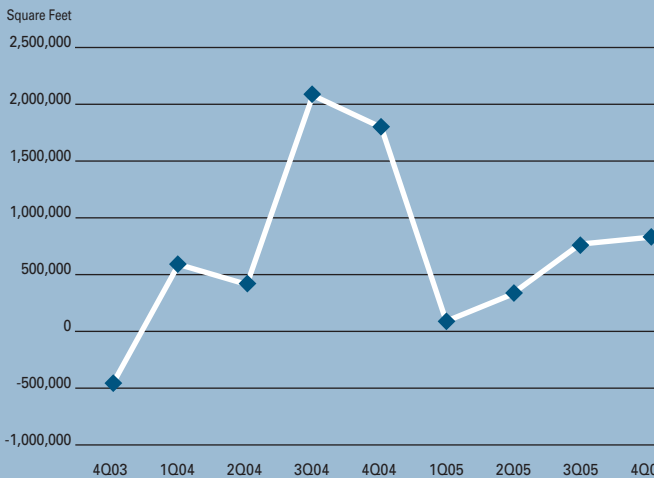


WEIGHTED AVERAGE ASKING SALES RATES

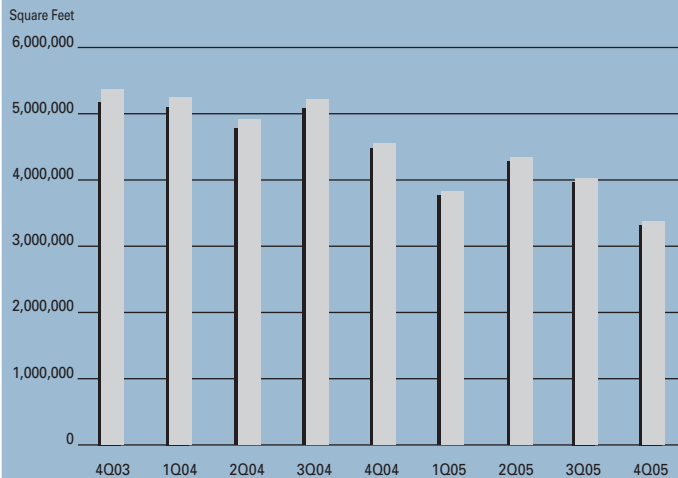
PER SQUARE FOOT FOR MANUFACTURING & DISTRIBUTION PRODUCT



NET ABSORPTION



GROSS ABSORPTION

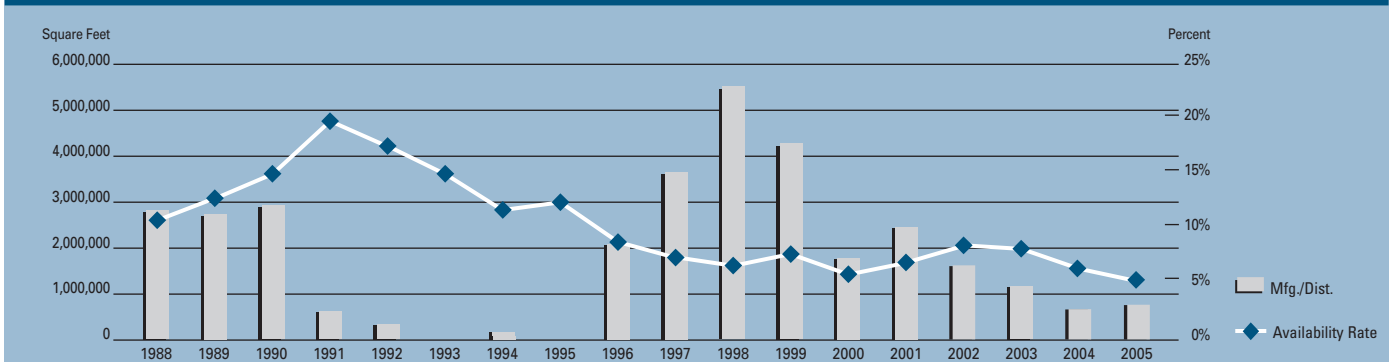


ORANGE COUNTY

	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2005	Square Feet Available	Availability Rate 4Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2005	Net Absorption 2005	Gross Absorption 4Q2005	Gross Absorption 2005
North County														
Anaheim	1,249	43,987,584	0	595,335	1,297,759	2.95%	1,618,293	3.68%	\$0.51	\$166.32	(115,978)	535,754	377,311	2,481,042
Brea	235	10,752,422	77,560	0	247,519	2.30%	698,016	6.49%	\$0.54	\$157.74	(33,430)	207,320	261,959	758,937
Buena Park	178	14,029,354	0	0	369,757	2.64%	469,947	3.35%	\$0.56	\$0.00	126,450	384,336	225,548	852,716
Fullerton	283	16,345,702	0	0	1,241,315	7.59%	1,399,551	8.56%	\$0.49	\$72.49	128,328	(234,478)	275,322	995,054
La Habra	87	2,324,580	70,623	36,492	12,678	0.55%	42,324	1.82%	\$0.68	\$175.00	14,931	27,910	21,685	79,499
Orange	438	11,565,338	61,128	0	200,586	1.73%	253,261	2.19%	\$0.74	\$162.44	29,714	42,331	80,396	351,765
Placentia	145	3,592,025	0	0	67,123	1.87%	113,903	3.17%	\$0.59	\$150.84	22,935	103,444	34,290	247,931
Yorba Linda	27	799,682	0	0	5,506	0.69%	5,506	0.69%	\$0.85	\$0.00	13,866	136,312	13,866	160,808
North County Total	2,642	103,396,687	209,311	631,827	3,442,243	3.33%	4,600,701	4.45%	\$0.51	\$128.39	186,716	1,202,929	1,290,377	5,927,752
West County														
Cypress	50	3,894,600	52,908	0	342,970	8.81%	622,463	15.98%	\$0.59	\$110.88	79,832	(121,533)	82,800	391,759
Garden Grove	290	10,959,752	0	16,407	568,192	5.18%	906,870	8.27%	\$0.59	\$123.52	(169,587)	(115,231)	78,006	660,531
Huntington Beach	437	12,147,931	469,189	125,181	142,718	1.17%	310,693	2.56%	\$0.65	\$137.13	8,059	219,159	82,699	579,768
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	1,976,752	0	0	33,339	1.69%	33,339	1.69%	\$0.58	\$0.00	(27,505)	1,426	0	45,096
Stanton	58	1,152,501	0	0	1,500	0.13%	1,500	0.13%	\$0.62	\$149.00	17,033	1,668	17,033	31,451
Westminster	58	1,817,801	0	0	1,440	0.08%	1,440	0.08%	\$0.41	\$0.00	9,750	170,362	12,010	182,752
West County Total	980	33,658,958	522,097	167,268	1,090,159	3.24%	1,876,305	5.57%	\$0.59	\$121.10	(82,418)	155,851	272,548	1,891,357
Airport Area														
Costa Mesa	213	6,552,108	0	0	54,525	0.83%	409,558	6.25%	\$0.87	\$146.24	237,914	153,670	281,912	773,577
Fountain Valley	142	3,369,877	0	174,913	63,220	1.88%	63,220	1.88%	\$0.78	\$137.46	17,979	24,004	44,765	186,164
Irvine	337	14,506,257	0	178,016	694,101	4.78%	1,153,010	7.95%	\$0.75	\$230.00	66,421	113,099	347,215	1,799,899
Newport Beach	19	316,009	0	0	2,500	0.79%	2,500	0.79%	\$0.96	\$0.00	6,820	8,291	6,820	25,111
Santa Ana	871	26,384,227	0	0	775,722	2.94%	1,078,259	4.09%	\$0.59	\$117.88	269,763	109,858	632,095	1,791,119
Tustin	94	4,629,225	0	0	595,772	12.87%	595,772	12.87%	\$0.77	\$173.00	189,557	(53,305)	234,623	1,100,356
Airport Area Total	1,676	55,757,703	0	352,929	2,185,840	3.92%	3,302,319	5.92%	\$0.72	\$131.82	788,454	355,617	1,547,430	5,676,226
South County														
Aliso Viejo	10	677,886	0	0	0	0.00%	13,880	2.02%	\$1.05	\$245.00	0	2,000	0	2,000
Foothill Ranch	40	3,023,230	0	189,880	175,018	5.79%	175,018	5.79%	\$0.52	\$0.00	(106,597)	(152,025)	97,451	257,474
Irvine Spectrum	144	7,302,120	0	0	191,115	2.62%	563,718	7.72%	\$0.90	\$165.00	13,792	152,798	56,968	452,204
Laguna Hills	69	1,273,664	0	0	1,440	0.11%	38,480	3.02%	\$0.00	\$0.00	36,740	39,139	38,180	85,622
Laguna Niguel	19	516,609	0	0	800	0.15%	800	0.15%	\$0.00	\$0.00	(800)	1,260	0	2,060
Lake Forest	130	3,816,678	0	0	154,406	4.05%	210,766	5.52%	\$0.87	\$189.68	(8,011)	(45,055)	91,164	301,224
Mission Viejo	26	966,670	0	0	13,039	1.35%	13,039	1.35%	\$1.44	\$0.00	15,002	59,301	21,962	78,122
Rancho Santa Margarita	33	1,020,765	0	0	0	0.00%	10,340	1.01%	\$0.00	\$141.65	11,320	34,782	11,320	73,965
San Clemente	53	1,251,236	22,708	0	53,224	4.25%	74,281	5.94%	\$0.67	\$176.10	(18,713)	96,279	32,722	246,362
San Juan Capistrano	32	838,184	0	0	12,683	1.51%	73,976	8.83%	\$1.05	\$0.00	6,768	(2,117)	6,768	28,256
South County Total	556	20,687,042	22,708	189,880	601,725	2.91%	1,174,098	5.68%	\$0.83	\$171.82	(50,499)	186,362	356,535	1,527,289
Orange County Total	5,854	213,500,390	754,116	1,341,904	7,319,967	3.43%	10,953,423	5.13%	\$0.61	\$129.17	842,253	1,900,759	3,466,890	15,022,624

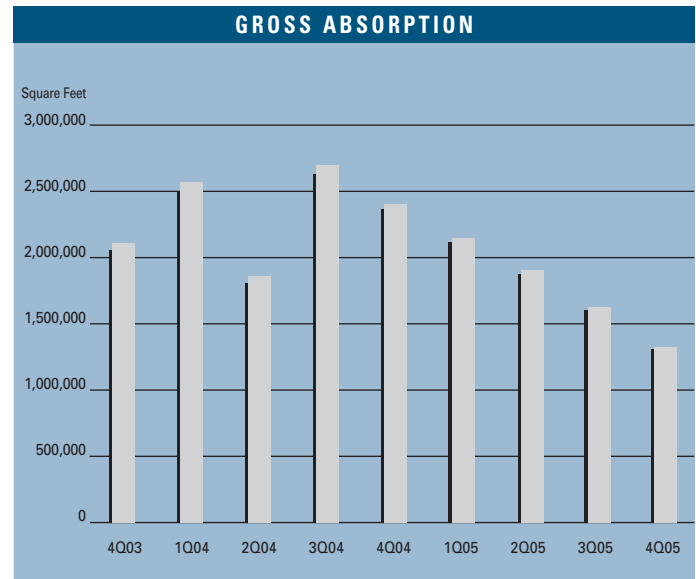
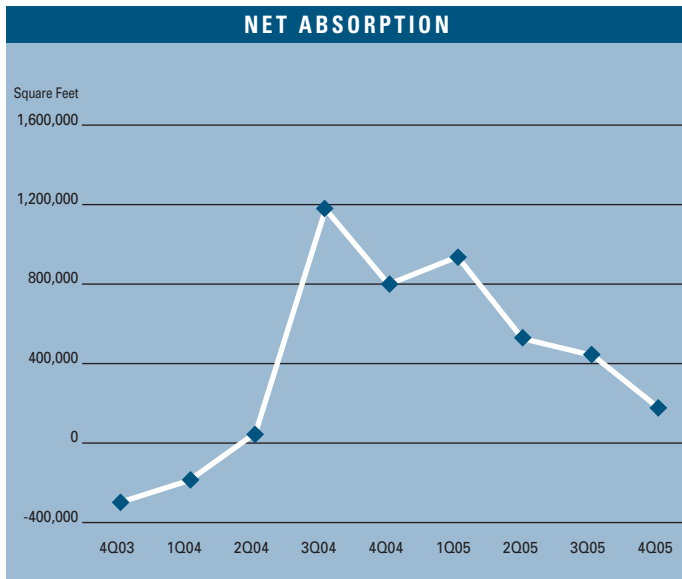
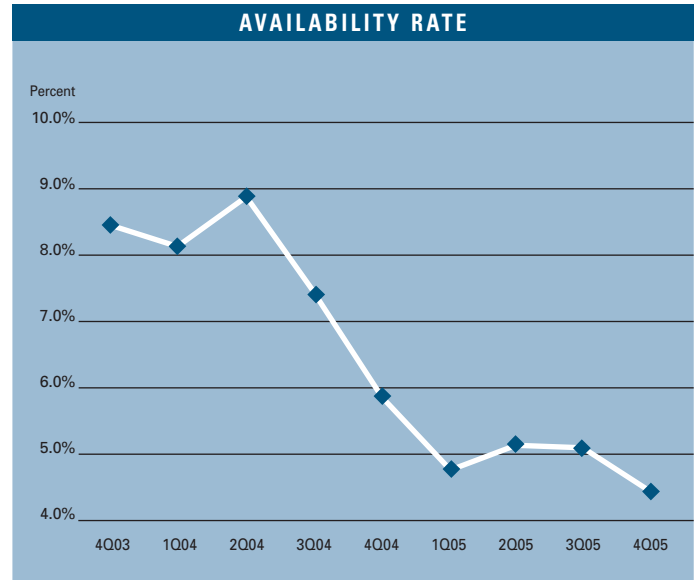
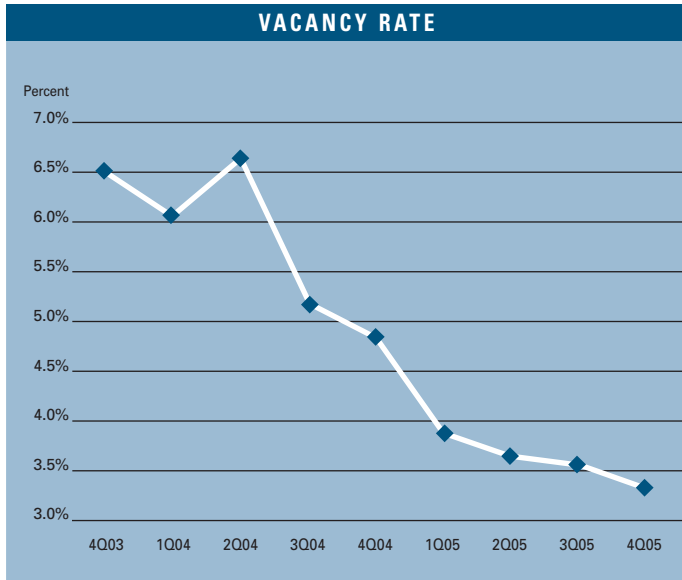
	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2005	Square Feet Available	Availability Rate 4Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2005	Net Absorption 2005	Gross Absorption 4Q2005	Gross Absorption 2005
O.C. Totals														
10,000-19,999	2,965	40,951,676	207,310	199,797	1,020,881	2.49%	1,283,360	3.13%	\$0.84	\$171.94	124,777	841,254	633,361	2,926,914
20,000-29,999	1,162	27,480,624	43,038	157,749	839,885	3.06%	1,056,592	3.84%	\$0.79	\$150.69	(28,274)	259,129	376,922	1,971,887
30,000-39,999	482	16,280,191	39,550	140,769	376,150	2.31%	728,834	4.48%	\$0.82	\$158.11	184,596	543,029	308,856	1,594,842
40,000-49,999	310	13,537,975	44,995	0	308,917	2.28%	571,709	4.22%	\$0.59	\$109.00	96,915	83,511	120,040	633,753
50,000-74,999	370	22,192,675	234,223	342,634	573,526	2.58%	1,261,971	5.69%	\$0.61	\$130.16	121,057	18,764	390,530	1,332,148
75,000-99,999	177	15,064,621	0	77,095	757,743	5.03%	838,919	5.57%	\$0.76	\$122.28	90,536	(337,060)	199,162	957,031
100,000-149,999	192	22,591,434	0	228,860	973,679	4.31%	1,119,932	4.96%	\$0.55	\$98.97	321,602	414,708	844,259	2,169,424
150,000-199,999	68	11,568,982	185,000	195,000	597,717	5.17%	908,717	7.85%	\$0.56	\$124.61	13,991	225,902	206,600	962,418
200,000-299,999	75	17,804,365	0	0	1,170,870	6.58%	1,610,317	9.04%	\$0.48	\$89.48	(73,688)	(159,733)	189,632	944,384
300,000+	53	26,027,847	0	0	700,599	2.69%	1,573,072	6.04%	\$0.45	\$109.00	(9,259)	11,255	197,528	1,529,823
Total	5,854	213,500,390	754,116	1,341,904	7,319,967	3.43%	10,953,423	5.13%	\$0.61	\$129.17	842,253	1,900,759	3,466,890	15,022,624

ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. AVAILABILITY RATE



NORTH ORANGE COUNTY

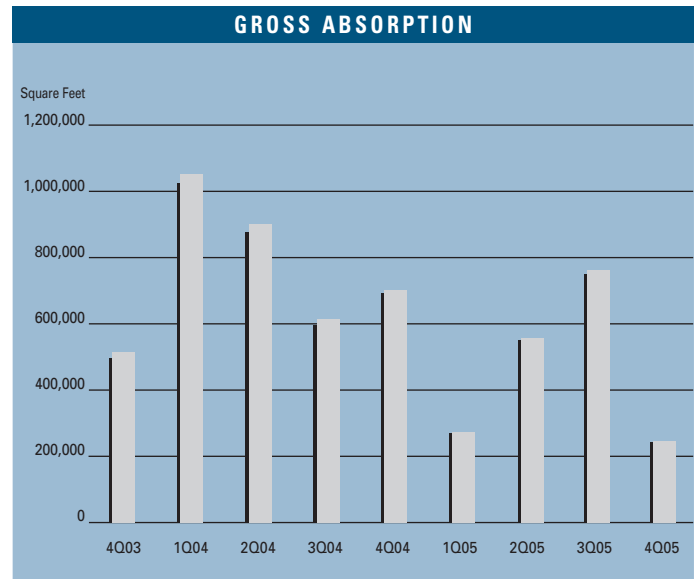
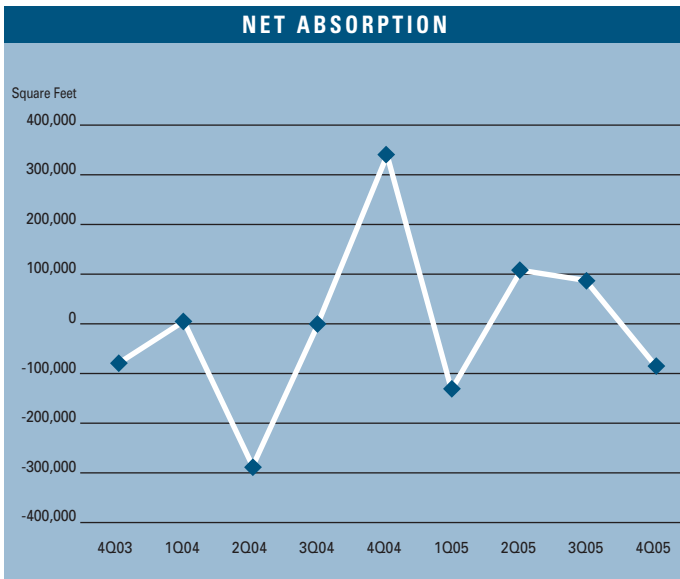
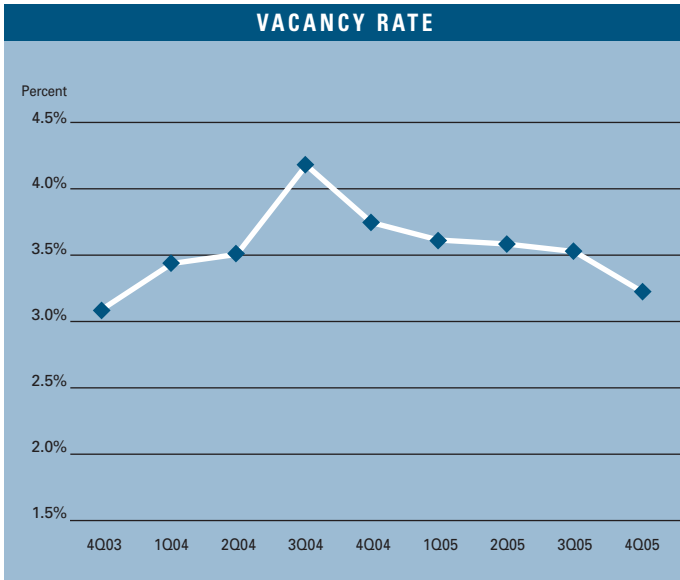
The North Orange County Industrial Market consists of 2,642 buildings totaling 103,396,687 square feet, and currently has an availability rate of 4.45%, which shows a decrease from last quarter's 5.12% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2005	Square Feet Available	Availability Rate 4Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2005	Net Absorption 2005	Gross Absorption 4Q2005	Gross Absorption 2005
North Totals														
10,000-19,999	1,306	18,042,044	188,981	63,743	405,145	2.25%	497,867	2.76%	\$0.66	\$171.88	62,723	360,459	209,106	1,174,238
20,000-29,999	515	12,180,474	20,330	74,795	312,305	2.56%	398,440	3.27%	\$0.62	\$154.74	(15,178)	96,059	118,407	785,567
30,000-39,999	223	7,551,868	0	69,429	146,160	1.94%	280,610	3.72%	\$0.73	\$153.00	30,391	250,880	50,877	499,810
40,000-49,999	142	6,180,924	0	0	81,013	1.31%	92,764	1.50%	\$0.53	\$163.08	38,140	58,567	43,515	222,779
50,000-74,999	177	10,637,559	0	0	278,229	2.62%	588,113	5.53%	\$0.55	\$156.01	102,210	1,402	242,420	650,086
75,000-99,999	78	6,634,183	0	0	226,213	3.41%	277,842	4.19%	\$0.50	\$0.00	28,630	(213,057)	28,630	169,609
100,000-149,999	95	11,219,313	0	228,860	635,180	5.66%	440,192	3.92%	\$0.55	\$67.50	191,227	79,417	505,241	1,131,085
150,000-199,999	34	5,883,934	0	195,000	277,756	4.72%	376,756	6.40%	\$0.52	\$0.00	0	380,901	0	502,997
200,000-299,999	44	10,471,622	0	0	873,455	8.34%	1,017,250	9.71%	\$0.46	\$69.11	(44,640)	19,088	92,181	416,581
300,000+	28	14,594,766	0	0	206,787	1.42%	630,867	4.32%	\$0.33	\$0.00	(206,787)	169,213	0	375,000
Total	2,642	103,396,687	209,311	631,827	3,442,243	3.33%	4,600,701	4.45%	\$0.51	\$128.39	186,716	1,202,929	1,290,377	5,927,752

WEST ORANGE COUNTY

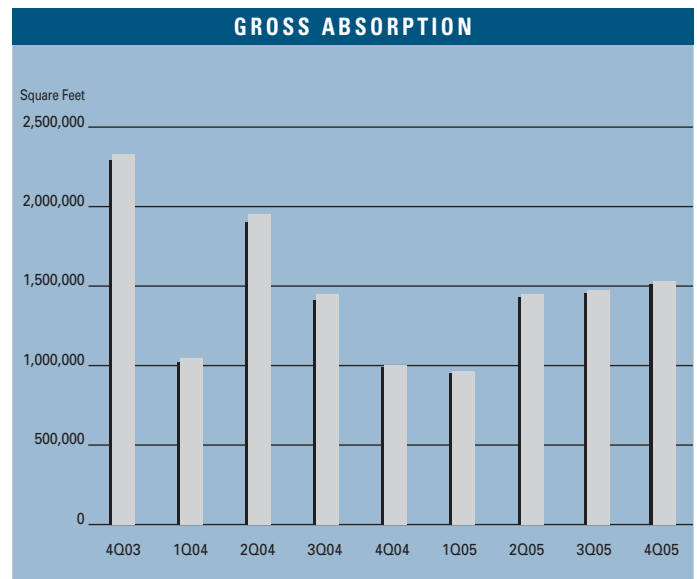
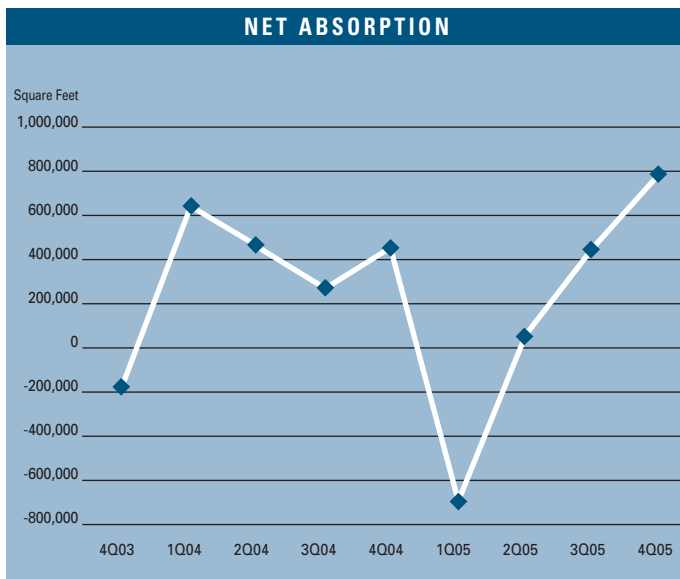
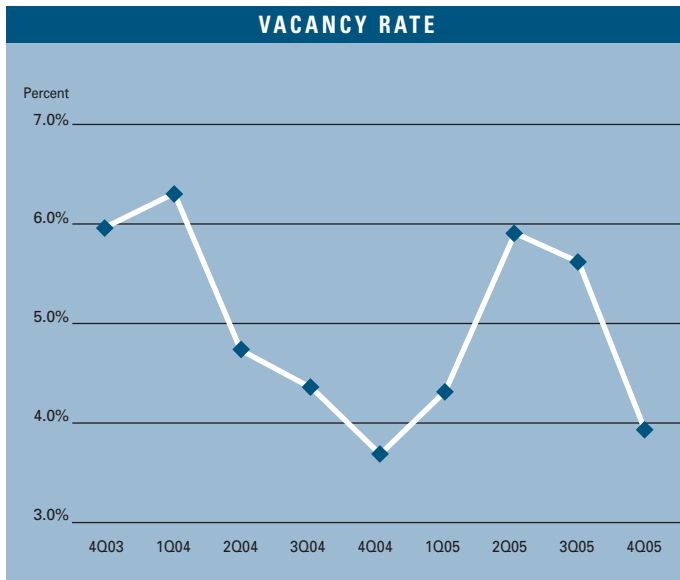
The West Orange County Industrial Market consists of 980 buildings totaling 33,658,958 square feet, and currently has an availability rate of 5.57%, which shows a decrease from last quarter's 5.72% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2005	Square Feet Available	Availability Rate 4Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2005	Net Absorption 2005	Gross Absorption 4Q2005	Gross Absorption 2005
West Totals														
10,000-19,999	554	7,370,643	18,329	16,407	116,810	1.58%	118,969	1.61%	\$0.85	\$169.28	(28,366)	88,988	35,453	350,333
20,000-29,999	179	4,224,308	0	25,680	120,379	2.85%	120,379	2.85%	\$0.60	\$0.00	(30,928)	49,550	40,432	237,717
30,000-39,999	55	1,864,116	39,550	0	48,331	2.59%	127,905	6.86%	\$0.55	\$0.00	37,078	14,365	39,338	176,579
40,000-49,999	54	2,367,805	44,995	0	72,780	3.07%	209,677	8.86%	\$0.49	\$121.91	4,000	14,720	4,000	72,000
50,000-74,999	54	3,183,722	234,223	125,181	56,500	1.77%	85,468	2.68%	\$0.58	\$128.54	21,339	(34,892)	28,589	93,447
75,000-99,999	28	2,348,493	0	0	133,700	5.69%	133,700	5.69%	\$0.75	\$0.00	25,926	128,614	43,594	308,087
100,000-149,999	24	2,808,251	0	0	56,656	2.02%	210,527	7.50%	\$0.62	\$126.25	81,142	171,510	81,142	320,108
150,000-199,999	13	2,152,275	185,000	0	250,689	11.65%	250,689	11.65%	\$0.59	\$124.61	(192,609)	(250,689)	0	155,087
200,000-299,999	12	2,913,408	0	0	234,314	8.04%	279,874	9.61%	\$0.59	\$114.00	0	(84,314)	0	120,000
300,000+	7	4,425,937	0	0	0	0.00%	339,117	7.66%	\$0.59	\$109.00	0	57,999	0	57,999
Total	980	33,658,958	522,097	167,268	1,090,159	3.24%	1,876,305	5.57%	\$0.59	\$121.10	(82,418)	155,851	272,548	1,891,357

AIRPORT AREA

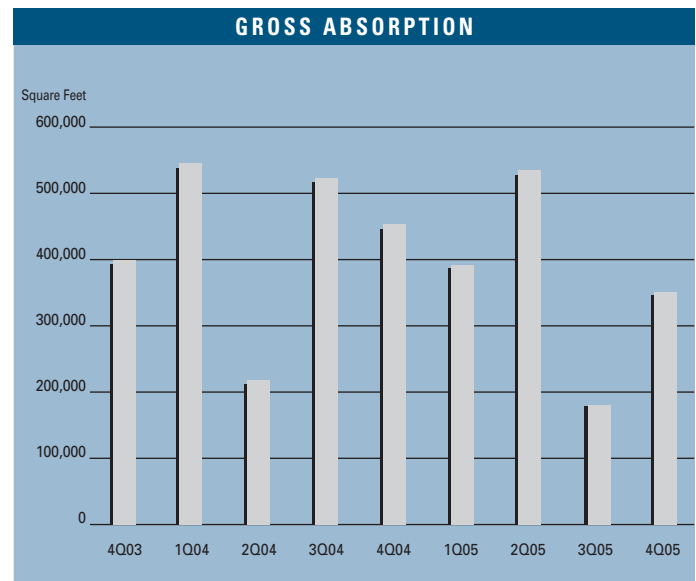
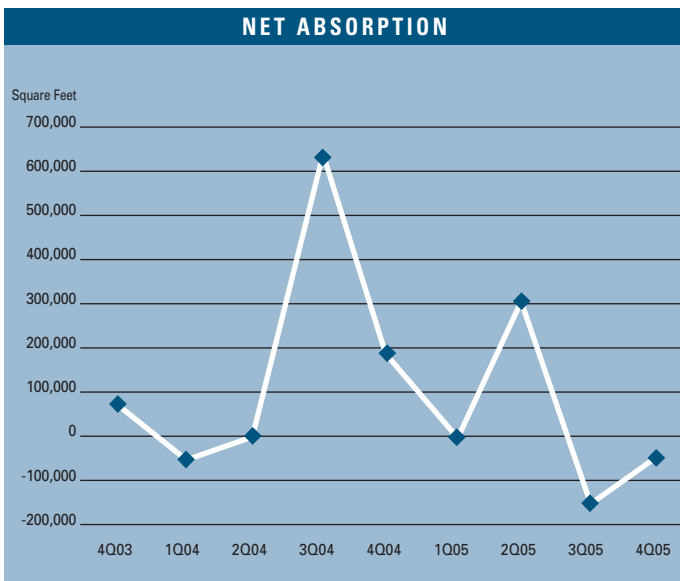
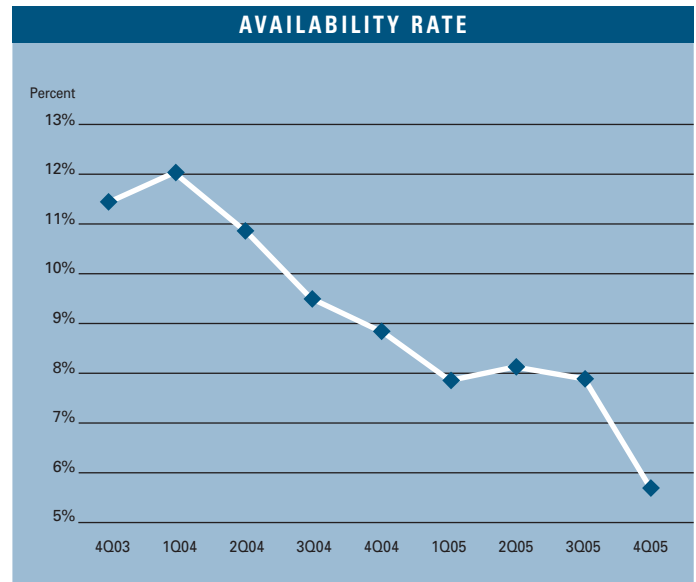
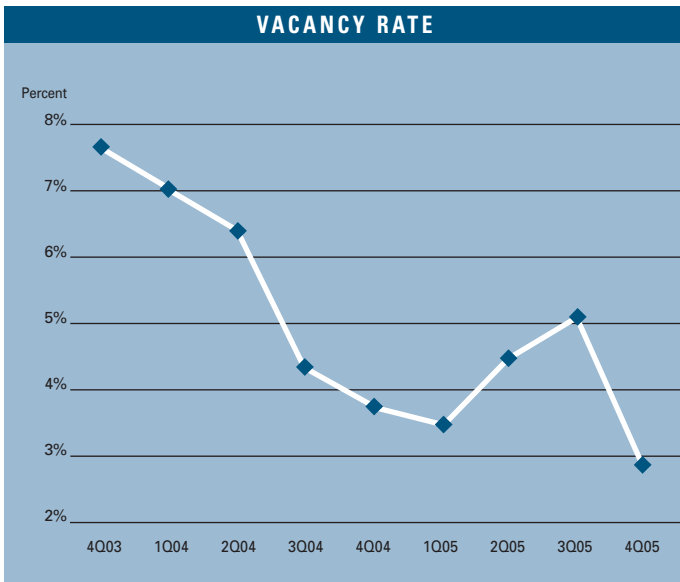
The Airport Area of the Orange County Industrial Market consists of 1,676 buildings totaling 55,757,703 square feet, and currently has an availability rate of 5.92%, which shows a decrease from last quarter's 6.39% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2005	Square Feet Available	Availability Rate 4Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2005	Net Absorption 2005	Gross Absorption 4Q2005	Gross Absorption 2005
Airport Totals	1,676	55,757,703	0	352,929	2,185,840	3.92%	3,302,319	5.92%	\$0.72	\$131.82	788,454	355,617	1,547,430	5,676,226
10,000-19,999	824	11,543,328	0	119,647	305,290	2.64%	370,783	3.21%	\$0.76	\$161.20	73,538	308,752	281,769	1,005,821
20,000-29,999	354	8,373,861	0	57,274	291,929	3.49%	337,783	4.03%	\$1.06	\$137.31	23,712	72,919	183,061	663,039
30,000-39,999	160	5,399,974	0	39,251	120,398	2.23%	199,789	3.70%	\$1.24	\$143.00	60,777	196,275	121,212	685,268
40,000-49,999	87	3,793,488	0	0	140,094	3.69%	227,304	5.99%	\$0.63	\$0.00	54,775	(57,304)	72,525	271,446
50,000-74,999	110	6,611,493	0	59,662	229,287	3.47%	578,880	8.76%	\$0.69	\$107.24	(1,692)	17,101	119,521	470,404
75,000-99,999	54	4,650,902	0	77,095	388,926	8.36%	388,926	8.36%	\$0.89	\$0.00	42,940	(184,385)	126,938	477,135
100,000-149,999	48	5,595,636	0	0	181,200	3.24%	368,570	6.59%	\$0.61	\$0.00	149,876	264,424	257,876	718,231
150,000-199,999	14	2,397,545	0	0	69,272	2.89%	256,272	10.69%	\$0.65	\$0.00	187,000	0	187,000	187,000
200,000-299,999	14	3,362,186	0	0	40,007	1.19%	45,299	1.35%	\$0.57	\$0.00	0	1,792	0	149,058
300,000+	11	4,029,290	0	0	419,437	10.41%	528,713	13.12%	\$0.51	\$0.00	197,528	(263,957)	197,528	1,048,824

SOUTH ORANGE COUNTY

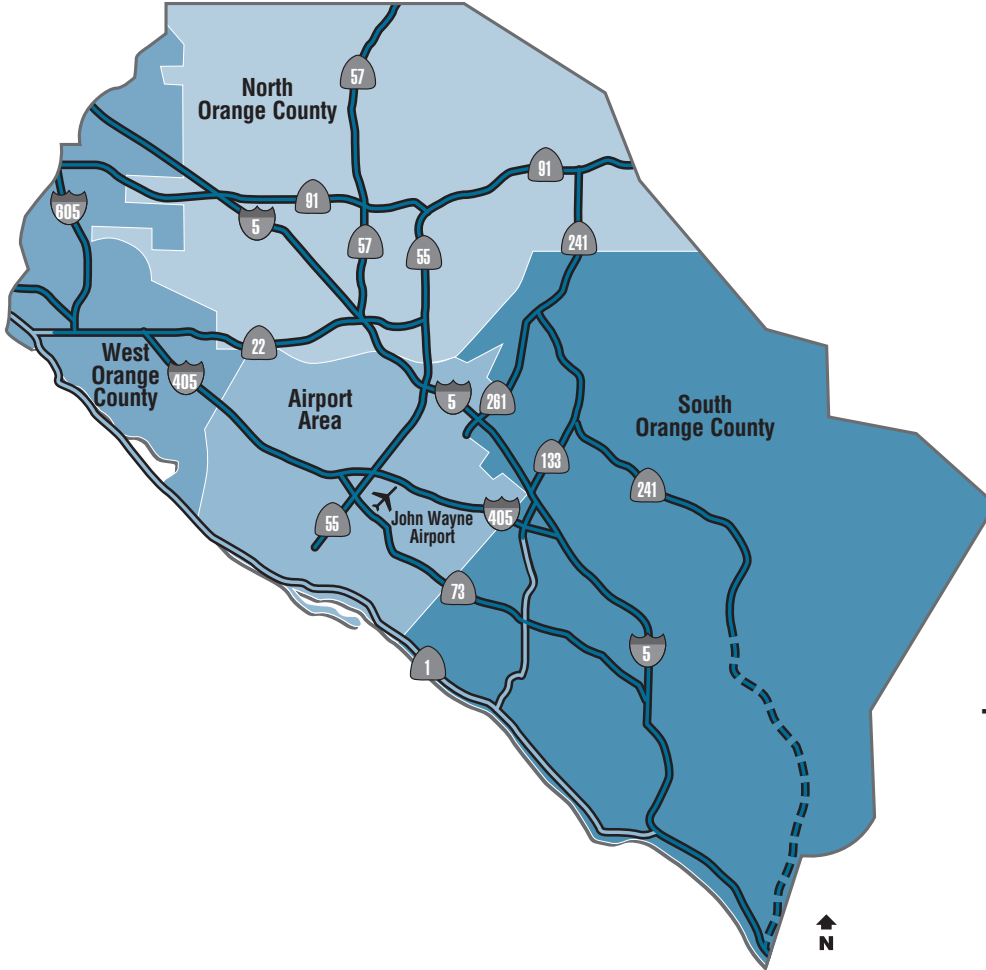
The South Orange County Industrial Market consists of 556 buildings totaling 20,687,042 square feet, and currently has an availability rate of 5.68%, which shows a decrease from last quarter's 7.94% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2005	Square Feet Available	Availability Rate 4Q2005	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2005	Net Absorption 2005	Gross Absorption 4Q2005	Gross Absorption 2005
South Totals														
10,000-19,999	281	3,995,661	0	0	193,636	4.85%	295,741	7.40%	\$1.00	\$186.51	16,882	83,055	107,033	396,522
20,000-29,999	114	2,701,981	22,708	0	115,272	4.27%	199,990	7.40%	\$0.97	\$182.02	(5,880)	40,601	35,022	285,564
30,000-39,999	44	1,464,233	0	32,089	61,261	4.18%	120,530	8.23%	\$0.85	\$175.08	56,350	81,509	97,429	233,185
40,000-49,999	27	1,195,758	0	0	15,030	1.26%	41,964	3.51%	\$0.90	\$130.00	0	67,528	0	67,528
50,000-74,999	29	1,759,901	0	157,791	9,510	0.54%	9,510	0.54%	\$0.64	\$0.00	(800)	35,153	0	118,211
75,000-99,999	17	1,431,043	0	0	8,904	0.62%	38,451	2.69%	\$0.77	\$0.00	(6,960)	(68,232)	0	2,200
100,000-149,999	25	2,968,234	0	0	100,643	3.39%	100,643	3.39%	\$0.58	\$0.00	(100,643)	(100,643)	0	0
150,000-199,999	7	1,135,228	0	0	0	0.00%	25,000	2.20%	\$0.55	\$0.00	19,600	95,690	19,600	117,334
200,000-299,999	5	1,057,149	0	0	23,094	2.18%	267,894	25.34%	\$0.63	\$0.00	(29,048)	(96,299)	97,451	258,745
300,000+	7	2,977,854	0	0	74,375	2.50%	74,375	2.50%	\$0.39	\$0.00	0	48,000	0	48,000
Total	556	20,687,042	22,708	189,880	601,725	2.91%	1,174,098	5.68%	\$0.83	\$171.82	(50,499)	186,362	356,535	1,527,289

INDUSTRIAL MARKET REPORT

FOURTH 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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