

INDUSTRIAL MARKET REPORT

FOURTH
QUARTER
2006

Compared to
last quarter:

VACANCY

DOWN



ABSORPTION



SALES PRICE



UP

ACTIVITY



UP

LEASE RATES



UP

CONSTRUCTION



DOWN

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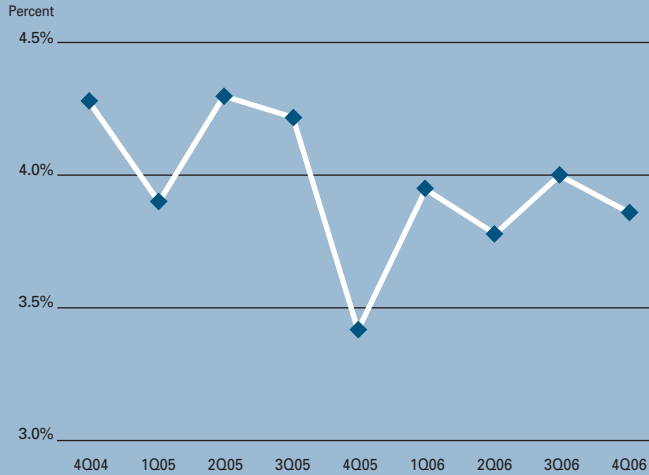
MARKET HIGHLIGHTS

- ◆ Unemployment for the fourth quarter of 2006 in Orange County is 3.4%, which is 0.2% lower than it was when compared to the third quarter of 2006, and is 0.2% lower than it was at the end of last year.
- ◆ According to Chapman University, it is estimated that Orange County added 21,000 new payroll jobs in 2006. Furthermore, they are forecasting 15,000 new payroll jobs will be added to the county in 2007 as the Orange County economy continues to expand.
- ◆ Total space under construction is almost 1.2 million square feet this quarter, which is 59% higher than what was under construction a year ago.
- ◆ Industrial vacancy came in at a low rate of 3.87%, which is 4.28% lower than it was a year ago. This will put more pressure on lease rates to continue to climb in 2007.
- ◆ Industrial availability checked in at a rate of 4.72%, which is 6.23% lower than what was on the market a year ago. This is an all time record low for available space in Orange County.
- ◆ The average asking triple net lease rate is .72 cents per square foot per month this quarter. This is an increase of 18.03% when compared to a year ago and 5 cents higher than last quarter. This is a all time record high asking rate in Orange County.
- ◆ The average asking selling price is \$156.75 per square foot per this quarter. This is an increase of 21.35% when compared to a year ago and represents a new record high asking rate.
- ◆ The level of activity was a little lower in 2006 when compared to last year, checking in at just under 12 million square feet the year, down from 15 million square feet in 2005. This is due to the lack of available product.
- ◆ Net absorption for the county during 2006 posted a positive number of 21,586 square feet.
- ◆ 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 5% to 7% during 2007.

INDUSTRIAL MARKET STATISTICS

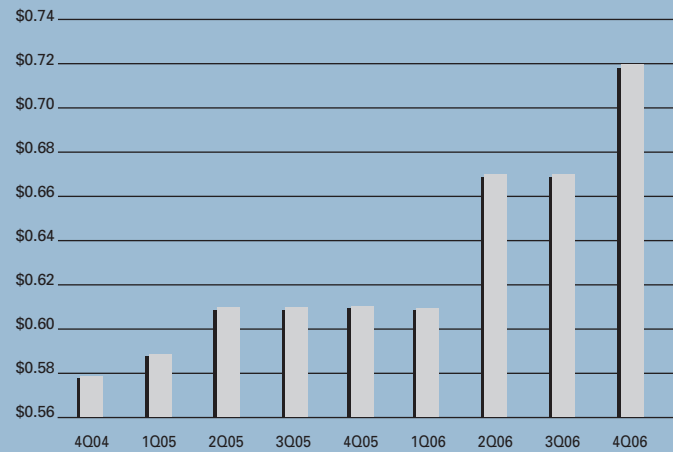
	2006	2005	2004	% CHANGE VS. 2005
Inventory Added	1,528,459	848,512	806,505	80.13%
Under Construction	1,199,098	754,116	709,060	59.01%
Vacancy Rate	3.87%	3.43%	4.28%	12.83%
Availability Rate	4.72%	5.13%	6.23%	-7.99%
Average Asking Lease Rate	\$0.72	\$0.61	\$0.58	18.03%
Average Asking Sales Price	\$156.75	\$129.17	\$111.36	21.35%
Net Absorption	21,586	1,900,759	4,358,760	N/A
Activity	11,996,628	15,022,624	17,982,555	-20.14%

VACANCY RATE

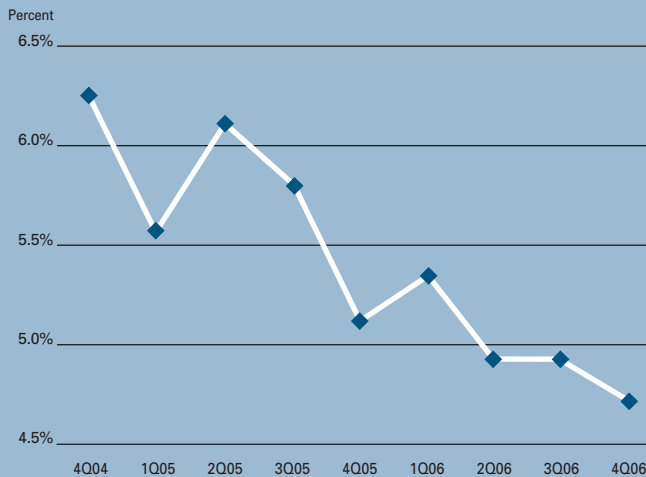


WEIGHTED AVERAGE ASKING LEASE RATES

ON A TRIPLE NET BASIS FOR
MANUFACTURING & DISTRIBUTION PRODUCT

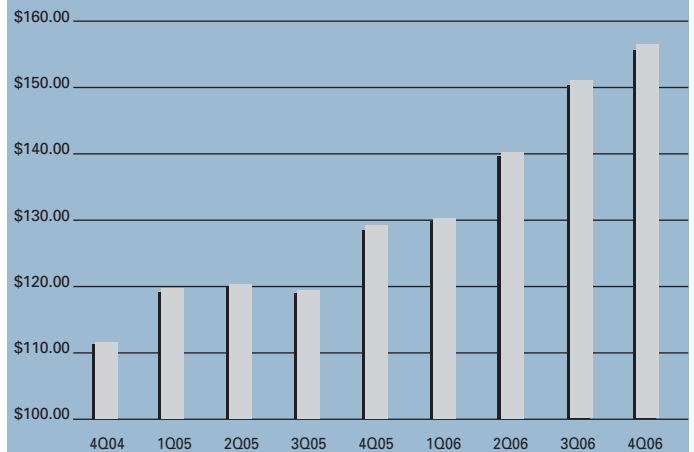


AVAILABILITY RATE

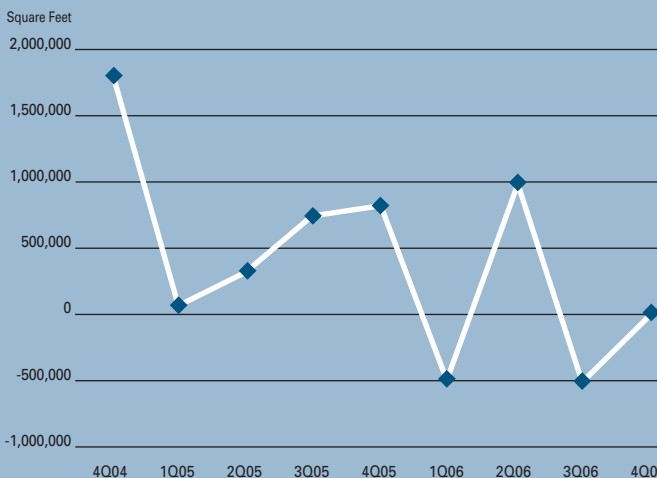


WEIGHTED AVERAGE ASKING SALES RATES

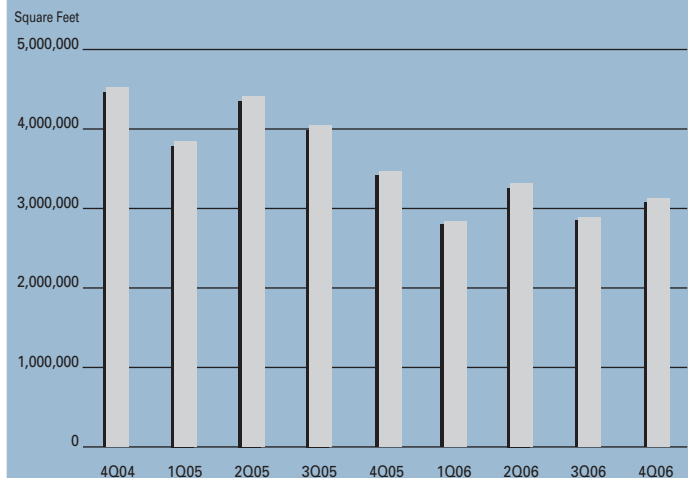
PER SQUARE FOOT FOR
MANUFACTURING & DISTRIBUTION PRODUCT



NET ABSORPTION



GROSS ABSORPTION

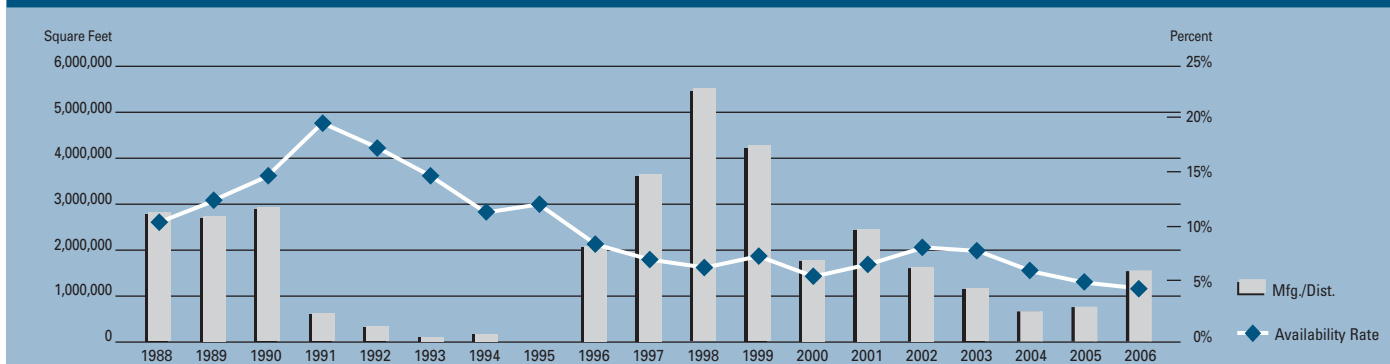


ORANGE COUNTY

	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2006	Square Feet Available	Availability Rate 4Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2006	Net Absorption 2006	Gross Absorption 4Q2006	Gross Absorption 2006
North County														
Anaheim	1,265	43,721,972	0	404,730	1,466,224	3.35%	2,121,517	4.85%	\$0.67	\$154.81	10,967	(148,706)	423,232	1,934,382
Brea	242	10,876,854	89,905	0	223,145	2.05%	596,107	5.48%	\$0.00	\$165.21	22,513	95,143	112,955	473,316
Buena Park	177	14,267,434	0	0	386,617	2.71%	547,037	3.83%	\$0.56	\$114.72	22,299	(57,760)	138,351	727,922
Fullerton	287	16,519,423	221,253	201,543	653,518	3.96%	733,123	4.44%	\$0.63	\$131.72	292,767	504,517	450,427	1,276,409
La Habra	87	3,350,459	107,115	0	10,274	0.31%	14,205	0.42%	\$0.66	\$185.00	24	707	7,664	58,787
Orange	448	11,843,306	0	0	325,805	2.75%	376,548	3.18%	\$0.64	\$113.62	49,833	(41,540)	142,653	461,645
Placentia	145	3,658,246	0	0	157,143	4.30%	284,206	7.77%	\$0.00	\$167.00	6,911	(88,220)	65,048	201,624
Yorba Linda	28	779,027	0	0	14,434	1.85%	21,131	2.71%	\$0.95	\$160.85	10,030	(8,428)	11,050	27,030
North County Total	2,679	105,016,721	418,273	606,273	3,237,160	3.08%	4,693,874	4.47%	\$0.66	\$143.61	415,344	255,713	1,351,380	5,161,115
West County														
Cypress	51	3,902,016	0	0	507,640	13.01%	467,078	11.97%	\$0.58	\$0.00	(213,334)	(317,644)	31,563	281,242
Garden Grove	294	11,168,658	57,095	16,407	745,322	6.67%	885,712	7.93%	\$0.63	\$160.87	126,362	(168,524)	199,803	828,262
Huntington Beach	448	13,056,198	0	0	502,527	3.85%	658,344	5.04%	\$0.76	\$174.74	(90,863)	231,382	62,511	592,085
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	75	2,085,923	0	0	34,653	1.66%	34,653	1.66%	\$0.75	\$0.00	(647)	26,348	9,169	58,284
Seal Beach	0	0	172,056	140,222	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Stanton	58	1,173,463	0	0	13,340	1.14%	13,340	1.14%	\$0.64	\$155.86	(2,000)	(11,840)	0	17,033
Westminster	60	1,836,741	0	0	40,220	2.19%	56,732	3.09%	\$0.00	\$0.00	6,100	(37,692)	7,920	15,234
West County Total	1,000	34,932,620	229,151	182,309	1,843,702	5.28%	2,115,859	6.06%	\$0.64	\$165.89	(174,382)	(277,970)	310,966	1,792,140
Airport Area														
Costa Mesa	235	7,090,005	0	0	431,571	6.09%	413,635	5.83%	\$0.73	\$220.58	(231,533)	(290,189)	88,104	393,602
Fountain Valley	157	3,841,512	152,901	0	196,887	5.13%	206,857	5.38%	\$1.06	\$179.75	(47,267)	(34,645)	118,376	276,698
Irvine	361	15,288,863	173,205	0	916,042	5.99%	1,016,160	6.65%	\$1.04	\$170.47	(342,891)	(284,276)	345,036	929,270
Newport Beach	21	365,101	0	0	1,300	0.36%	3,800	1.04%	\$0.00	\$0.00	1,800	1,200	3,100	11,500
Santa Ana	922	27,722,342	0	10,000	894,003	3.22%	913,982	3.30%	\$0.67	\$138.83	260,154	217,592	495,899	1,365,102
Tustin	98	5,123,941	0	0	301,563	5.89%	86,274	1.68%	\$1.06	\$0.00	83,783	190,609	100,974	306,637
Airport Area Total	1,794	59,431,764	326,106	10,000	2,741,366	4.61%	2,640,708	4.44%	\$0.87	\$165.80	(275,954)	(199,709)	1,151,489	3,282,809
South County														
Aliso Viejo	10	675,535	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	13,680	0	13,680	13,680
Foothill Ranch	42	3,132,750	0	136,616	185,725	5.93%	210,863	6.73%	\$0.78	\$0.00	(79,925)	(10,707)	0	379,066
Irvine Spectrum	143	7,366,793	162,788	0	248,824	3.38%	379,681	5.15%	\$0.77	\$192.16	41,413	251,404	99,659	656,548
Laguna Hills	69	1,304,274	0	0	59,425	4.56%	75,223	5.77%	\$1.16	\$218.77	4,969	(57,085)	28,454	79,034
Laguna Niguel	20	528,466	0	0	740	0.14%	740	0.14%	\$0.00	\$0.00	(340)	60	340	2,340
Lake Forest	132	4,075,181	0	0	190,222	4.67%	187,529	4.60%	\$0.93	\$185.00	(29,809)	31,006	44,176	381,252
Mission Viejo	26	966,682	0	0	11,321	1.17%	17,321	1.79%	\$1.52	\$0.00	(1,756)	1,718	0	9,679
Rancho Santa Margarita	34	1,051,439	0	0	10,340	0.98%	10,340	0.98%	\$0.00	\$215.69	8,000	(6,053)	8,000	12,287
San Clemente	57	1,411,333	62,780	0	16,082	1.14%	77,623	5.50%	\$1.10	\$182.02	39,408	29,842	53,574	131,251
San Juan Capistrano	37	951,221	0	0	9,316	0.98%	19,366	2.04%	\$0.93	\$0.00	70,760	3,367	74,553	95,427
South County Total	570	21,466,674	225,568	136,616	731,995	3.41%	978,686	4.56%	\$0.83	\$196.81	66,400	243,552	322,436	1,760,564
Orange County Total	6,043	220,847,779	1,199,098	935,198	8,554,223	3.87%	10,429,127	4.72%	\$0.72	\$156.75	31,408	21,586	3,136,271	11,996,628

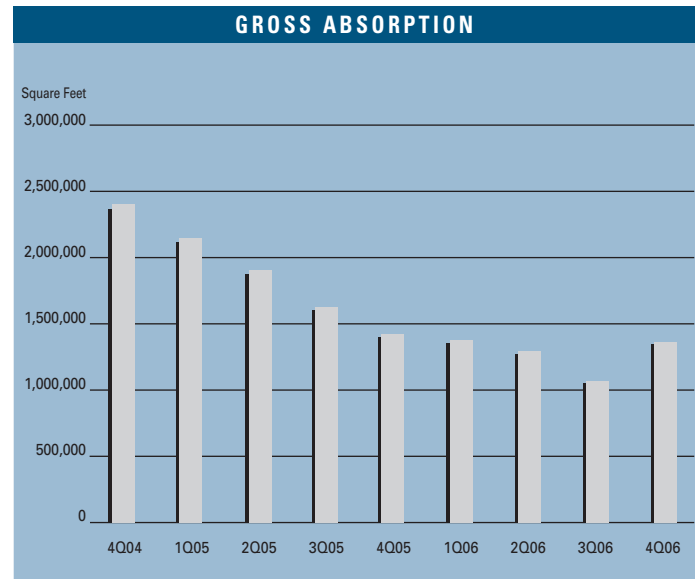
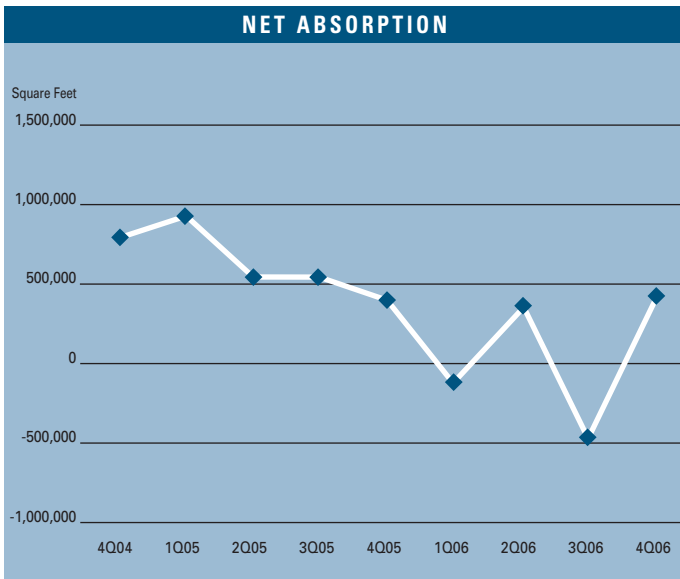
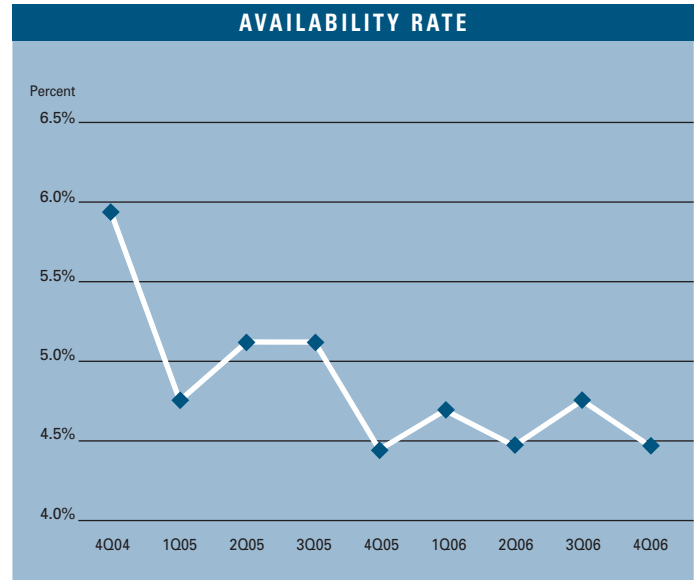
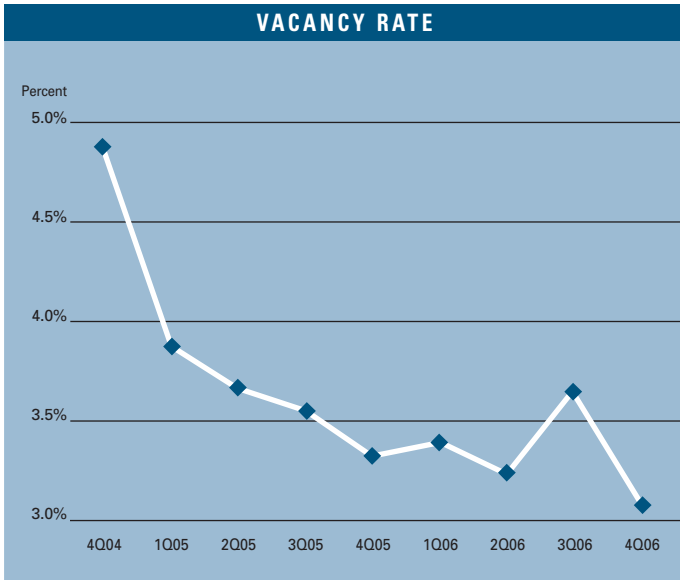
	INVENTORY				VACANCY & PRICING						ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2006	Square Feet Available	Availability Rate 4Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2006	Net Absorption 2006	Gross Absorption 4Q2006	Gross Absorption 2006
O.C. Totals														
10,000-19,999	3,051	42,116,709	298,888	59,534	1,024,426	2.43%	1,202,417	2.85%	\$0.86	\$186.87	36,183	261,155	426,150	2,307,153
20,000-29,999	1,193	28,273,592	367,872	103,783	839,865	2.97%	1,139,525	4.03%	\$0.83	\$177.09	(43,683)	159,814	490,516	1,928,335
30,000-39,999	503	17,034,913	114,436	63,538	453,114	2.66%	845,225	4.96%	\$0.85	\$156.46	137,424	69,188	318,825	899,753
40,000-49,999	313	13,679,025	46,309	0	744,613	5.44%	739,871	5.41%	\$0.80	\$156.57	(65,076)	(285,974)	305,116	717,571
50,000-74,999	397	23,872,680	186,442	227,452	967,602	4.05%	1,180,894	4.95%	\$0.70	\$134.30	100,132	(87,901)	443,866	1,448,442
75,000-99,999	189	16,074,427	77,095	76,161	505,734	3.15%	561,178	3.49%	\$0.76	\$147.20	(56,665)	410,082	290,068	1,118,998
100,000-149,999	199	23,367,463	108,056	209,700	796,877	3.41%	1,099,818	4.71%	\$0.67	\$94.75	24,080	101,285	319,748	1,516,142
150,000-199,999	72	12,207,963	0	195,030	1,170,114	9.58%	1,425,883	11.68%	\$0.63	\$0.00	(60,671)	(178,666)	30,538	376,499
200,000-299,999	72	17,242,585	0	0	1,010,404	5.86%	1,459,858	8.47%	\$0.58	\$137.28	113,233	(46,613)	504,944	1,318,646
300,000+	54	26,978,422	0	0	1,041,474	3.86%	774,458	2.87%	\$0.53	\$0.00	(153,549)	(380,784)	6,500	365,089
Total	6,043	220,847,779	1,199,098	935,198	8,554,223	3.87%	10,429,127	4.72%	\$0.72	\$156.75	31,408	21,586	3,136,271	11,996,628

ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. AVAILABILITY RATE



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

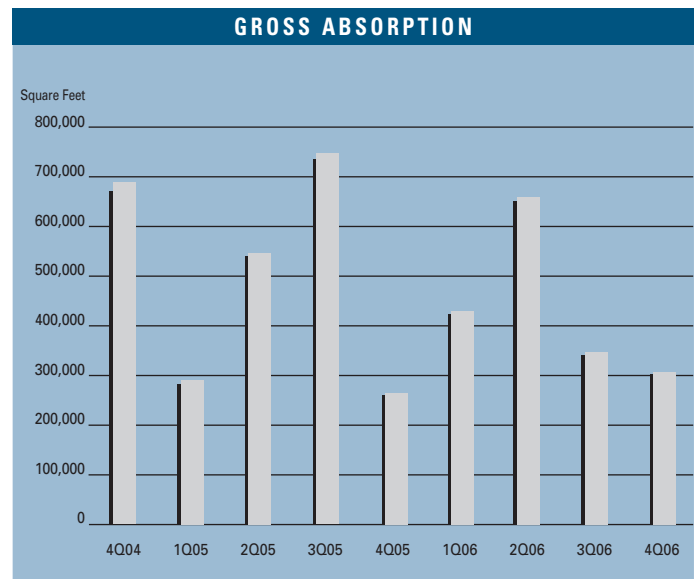
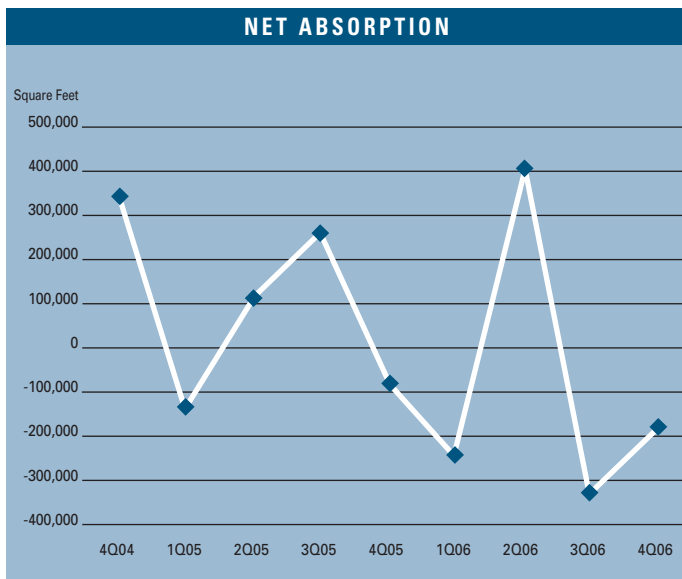
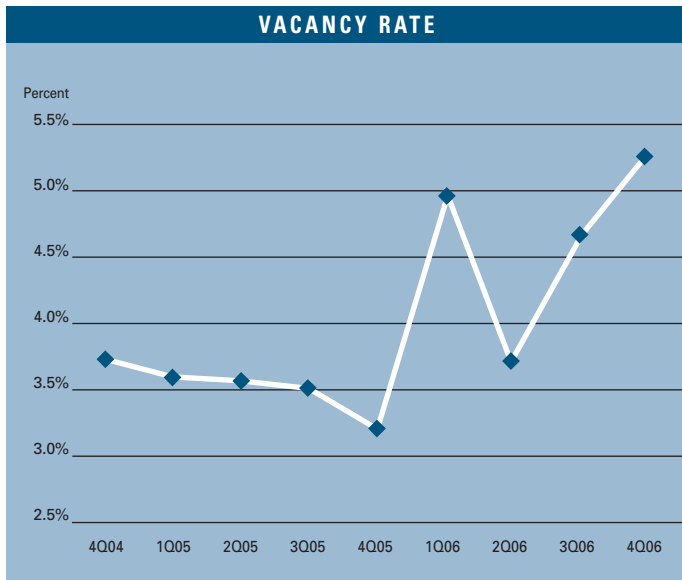
The North Orange County Industrial Market consists of 2,679 buildings totaling 105,016,721 square feet, and currently has an availability rate of 4.47%, which shows a decrease from last quarter's 4.75% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2006	Square Feet Available	Availability Rate 4Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2006	Net Absorption 2006	Gross Absorption 4Q2006	Gross Absorption 2006
North Totals														
10,000-19,999	1,332	18,320,083	175,658	33,127	468,642	2.56%	536,521	2.93%	\$0.71	\$180.70	(21,863)	133,683	159,740	998,767
20,000-29,999	512	12,118,211	158,836	78,103	318,762	2.63%	457,033	3.77%	\$0.68	\$162.78	(40,563)	65,901	155,056	785,729
30,000-39,999	230	7,795,574	37,470	31,449	135,209	1.73%	316,722	4.06%	\$1.11	\$155.71	121,271	43,668	149,686	421,264
40,000-49,999	140	6,095,206	46,309	0	199,317	3.27%	192,007	3.15%	\$0.67	\$142.55	(65,915)	(75,344)	60,422	193,895
50,000-74,999	183	11,075,960	0	58,864	319,874	2.89%	395,294	3.57%	\$0.63	\$119.37	15,359	(78,145)	168,881	573,029
75,000-99,999	82	6,998,481	0	0	208,848	2.98%	249,328	3.56%	\$0.73	\$0.00	24,486	112,745	94,486	361,396
100,000-149,999	96	11,325,693	0	209,700	322,568	2.85%	509,860	4.50%	\$0.65	\$75.94	13,332	206,712	91,300	776,970
150,000-199,999	33	5,706,361	0	195,030	411,981	7.22%	532,550	9.33%	\$0.60	\$0.00	0	(134,225)	0	26,000
200,000-299,999	42	10,037,936	0	0	584,825	5.83%	1,150,999	11.47%	\$0.58	\$137.28	362,737	41,065	465,309	837,705
300,000+	29	15,543,216	0	0	267,134	1.72%	353,560	2.27%	\$0.00	\$0.00	6,500	(60,347)	6,500	186,360
Total	2,679	105,016,721	418,273	606,273	3,237,160	3.08%	4,693,874	4.47%	\$0.66	\$143.61	415,344	255,713	1,351,380	5,161,115

WEST ORANGE COUNTY

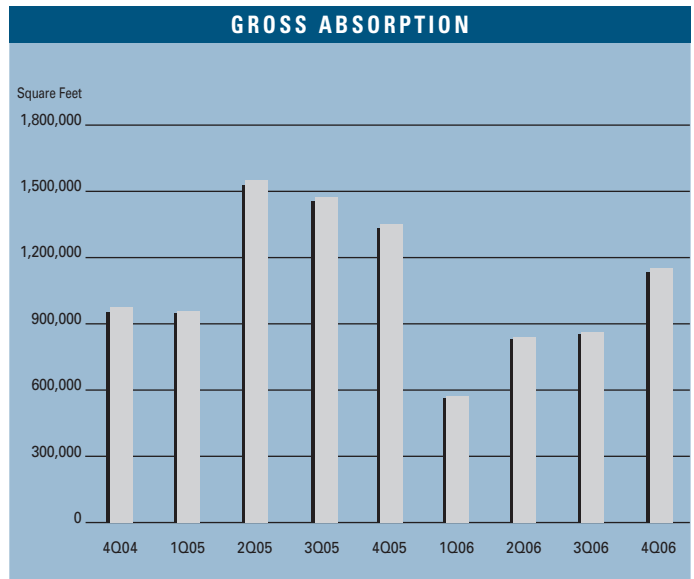
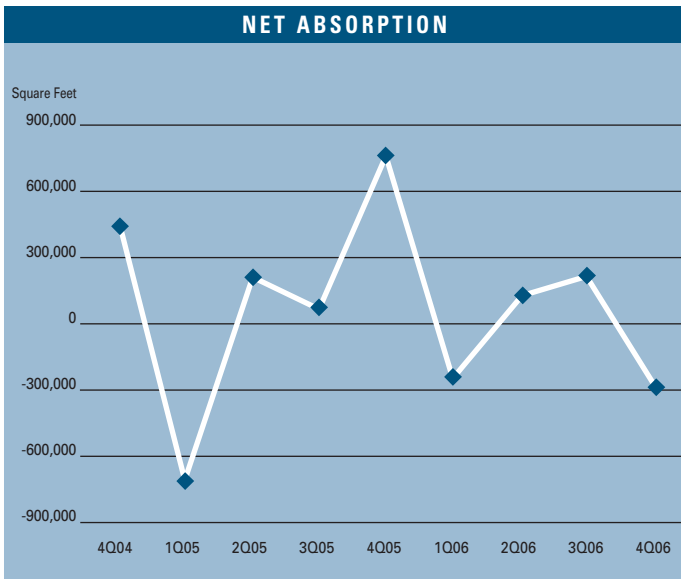
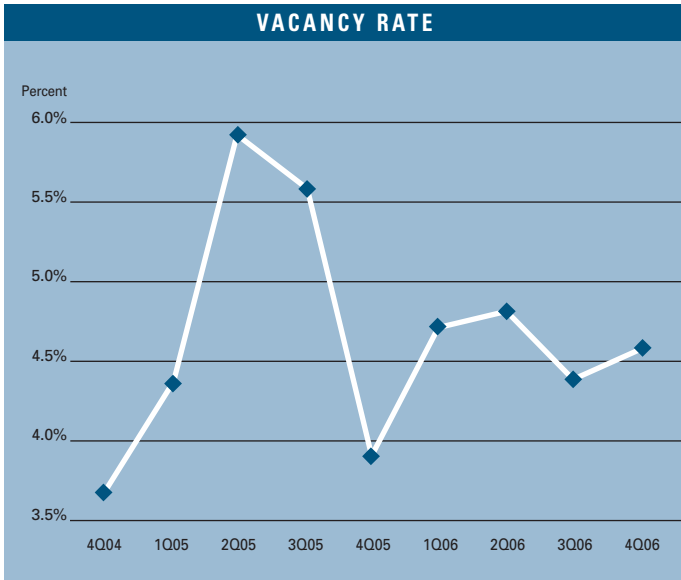
The West Orange County Industrial Market consists of 1,000 buildings totaling 34,932,620 square feet, and currently has an availability rate of 6.06%, which shows an increase from last quarter's 5.14% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2006	Square Feet Available	Availability Rate 4Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2006	Net Absorption 2006	Gross Absorption 4Q2006	Gross Absorption 2006
West Totals														
10,000-19,999	560	7,471,165	16,407	16,407	102,543	1.37%	166,250	2.23%	\$0.82	\$181.48	(12,880)	57,541	24,402	240,618
20,000-29,999	177	4,195,453	40,688	25,680	133,772	3.19%	174,389	4.16%	\$0.75	\$177.89	(12,723)	15,497	76,316	210,894
30,000-39,999	58	1,973,480	0	0	73,183	3.71%	151,860	7.70%	\$0.90	\$142.00	59,853	13,258	88,433	194,101
40,000-49,999	53	2,325,557	0	0	91,674	3.94%	55,194	2.37%	\$0.00	\$189.00	61,702	26,101	62,252	215,364
50,000-74,999	63	3,724,295	64,000	64,061	251,054	6.74%	439,755	11.81%	\$0.69	\$133.34	(572)	109,049	54,428	300,138
75,000-99,999	29	2,425,762	0	76,161	49,334	2.03%	49,334	2.03%	\$0.75	\$199.00	(49,334)	81,398	0	130,732
100,000-149,999	26	3,034,602	108,056	0	150,151	4.95%	265,800	8.76%	\$0.62	\$126.25	0	(54,512)	0	110,115
150,000-199,999	16	2,647,275	0	0	557,594	21.06%	528,794	19.98%	\$0.54	\$0.00	(91,209)	(121,905)	0	250,689
200,000-299,999	11	2,709,094	0	0	95,280	3.52%	49,720	1.84%	\$0.55	\$0.00	(24,865)	(65,280)	5,135	35,135
300,000+	7	4,425,937	0	0	339,117	7.66%	234,763	5.30%	\$0.53	\$0.00	(104,354)	(339,117)	0	104,354
Total	1,000	34,932,620	229,151	182,309	1,843,702	5.28%	2,115,859	6.06%	\$0.64	\$165.89	(174,382)	(277,970)	310,966	1,792,140

AIRPORT AREA

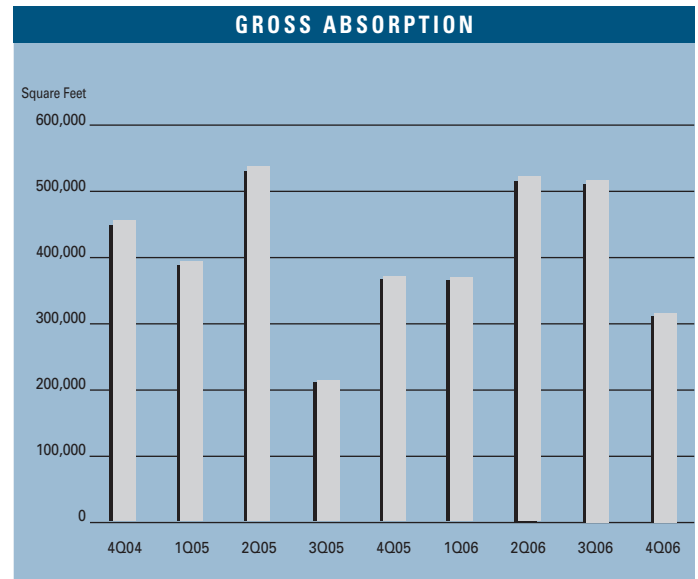
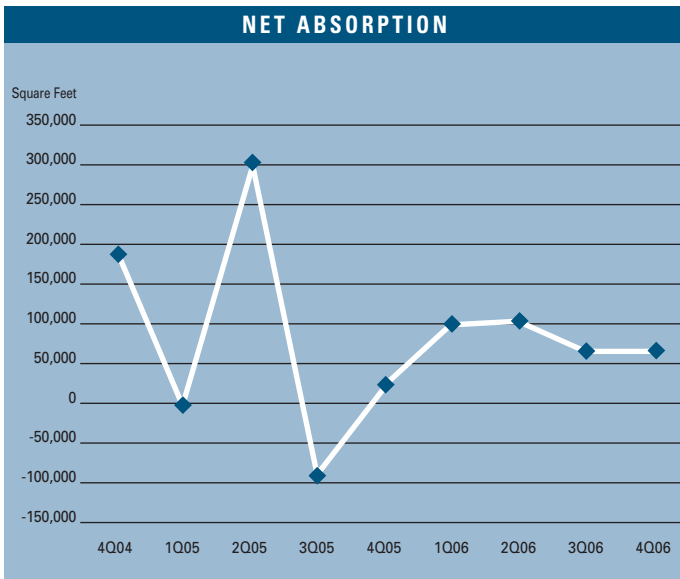
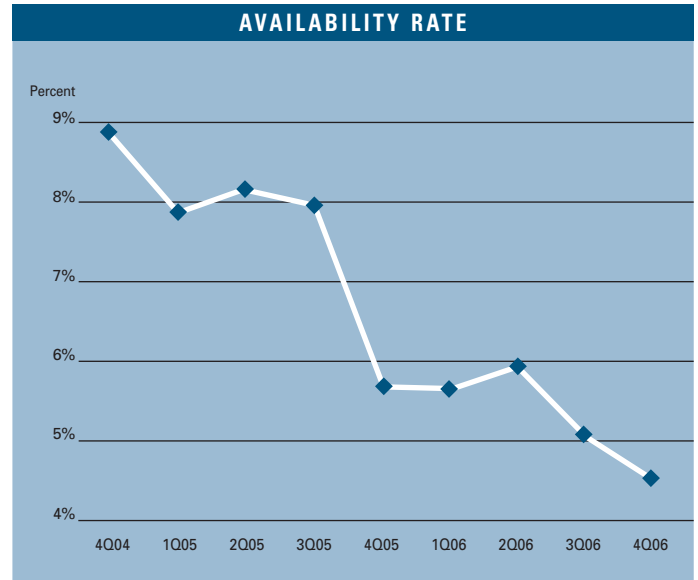
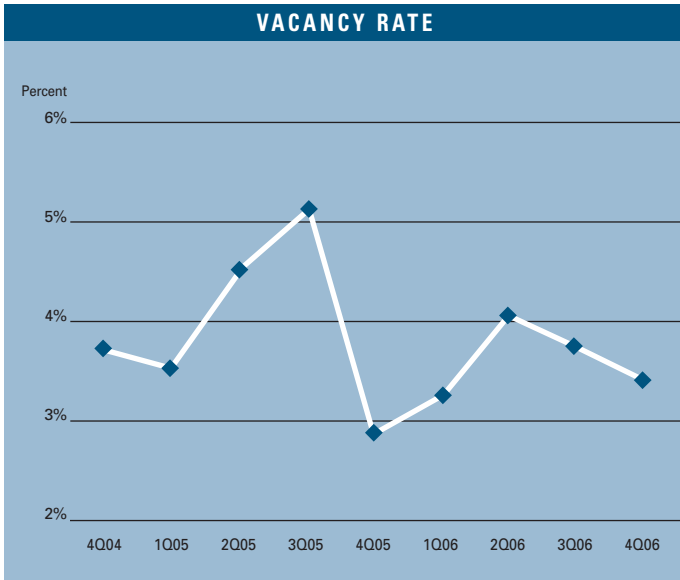
The Airport Area of the Orange County Industrial Market consists of 1,794 buildings totaling 59,431,764 square feet, and currently has an availability rate of 4.44%, which shows a decrease from last quarter's 5.10% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2006	Square Feet Available	Availability Rate 4Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2006	Net Absorption 2006	Gross Absorption 4Q2006	Gross Absorption 2006
Airport Totals	877	12,316,788	96,823	10,000	307,696	2.50%	287,039	2.33%	\$0.86	\$183.29	26,587	23,930	144,399	697,076
10,000-19,999	877	12,316,788	96,823	10,000	307,696	2.50%	287,039	2.33%	\$0.86	\$183.29	26,587	23,930	144,399	697,076
20,000-29,999	385	9,139,936	53,276	0	273,146	2.99%	369,701	4.04%	\$0.87	\$185.04	(13,762)	72,529	171,248	619,947
30,000-39,999	168	5,702,906	39,250	0	139,325	2.44%	254,346	4.46%	\$1.15	\$164.13	(35,075)	54,421	10,581	176,686
40,000-49,999	94	4,110,816	0	0	411,658	10.01%	384,358	9.35%	\$0.81	\$164.86	(82,083)	(209,797)	161,222	252,651
50,000-74,999	121	7,246,973	59,662	0	332,103	4.58%	337,650	4.66%	\$0.66	\$180.00	84,177	(63,744)	218,709	512,891
75,000-99,999	57	4,879,866	77,095	0	181,787	3.73%	161,051	3.30%	\$1.50	\$95.00	26,988	213,472	195,582	561,998
100,000-149,999	52	6,055,933	0	0	217,558	3.59%	217,558	3.59%	\$0.75	\$0.00	10,748	(44,958)	228,448	370,988
150,000-199,999	16	2,719,531	0	0	183,731	6.76%	183,731	6.76%	\$0.63	\$0.00	0	69,272	0	69,272
200,000-299,999	13	3,227,600	0	0	259,139	8.03%	259,139	8.03%	\$0.00	\$0.00	(237,839)	(259,139)	21,300	21,300
300,000+	11	4,031,415	0	0	435,223	10.80%	186,135	4.62%	\$0.00	\$0.00	(55,695)	(55,695)	0	0
Total	1,794	59,431,764	326,106	10,000	2,741,366	4.61%	2,640,708	4.44%	\$0.87	\$165.80	(275,954)	(199,709)	1,151,489	3,282,809

SOUTH ORANGE COUNTY

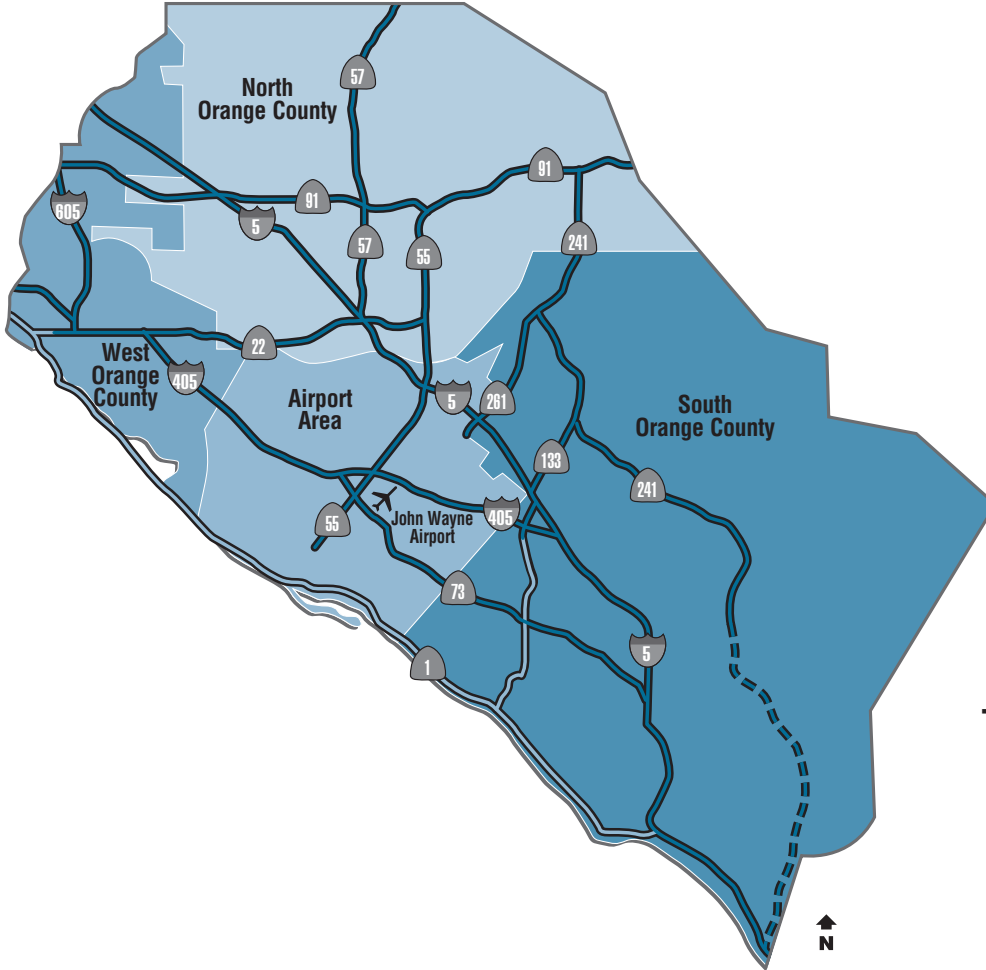
The South Orange County Industrial Market consists of 570 buildings totaling 21,466,674 square feet, and currently has an availability rate of 4.56%, which shows a decrease from last quarter's 5.07% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number Of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2006	Square Feet Available	Availability Rate 4Q2006	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2006	Net Absorption 2006	Gross Absorption 4Q2006	Gross Absorption 2006
South Totals	570	21,466,674	225,568	136,616	731,995	3.41%	978,686	4.56%	\$0.83	\$196.81	66,400	243,552	322,436	1,760,564
10,000-19,999	282	4,008,673	10,000	0	145,545	3.63%	212,607	5.30%	\$1.03	\$223.70	44,339	46,001	97,609	370,692
20,000-29,999	119	2,819,992	115,072	0	114,185	4.05%	138,402	4.91%	\$0.86	\$177.48	23,365	5,887	87,896	311,765
30,000-39,999	47	1,562,953	37,716	32,089	105,397	6.74%	122,297	7.82%	\$0.96	\$157.54	(8,625)	(42,159)	70,125	107,702
40,000-49,999	26	1,147,446	0	0	41,964	3.66%	108,312	9.44%	\$1.10	\$0.00	21,220	(26,934)	21,220	55,661
50,000-74,999	30	1,825,452	62,780	104,527	64,571	3.54%	8,195	0.45%	\$0.95	\$0.00	1,168	(55,061)	1,848	62,384
75,000-99,999	21	1,770,318	0	0	65,765	3.71%	101,465	5.73%	\$0.79	\$0.00	(58,805)	2,467	0	64,872
100,000-149,999	25	2,951,235	0	0	106,600	3.61%	106,600	3.61%	\$0.00	\$0.00	0	(5,957)	0	258,069
150,000-199,999	7	1,134,796	0	0	16,808	1.48%	180,808	15.93%	\$0.65	\$0.00	30,538	8,192	30,538	30,538
200,000-299,999	6	1,267,955	0	0	71,160	5.61%	0	0.00%	\$0.69	\$0.00	13,200	236,741	13,200	424,506
300,000+	7	2,977,854	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	74,375	0	74,375

INDUSTRIAL MARKET REPORT

FOURTH 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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