



Industrial Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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Market Highlights

- Encouraging Numbers** - The Los Angeles industrial market continued on the path to recovery in the second quarter of 2012, posting a 4.75% vacancy rate. Both vacancy and availability remained level compared to the previous quarter and were lower than the same quarter of 2011. Lease rates increased for the first time in years, indicating stability. While the market saw negative absorption in the second quarter of 2012, the abundant positive absorption of the first quarter averaged it out, giving the market a total of 500,000 square feet of positive absorption for the first half of 2012. While these are generally positive indications, we are keeping a close eye on demand, which, being ultimately influenced by employment and overall economic stability, will need to be sustained in coming quarters for the Los Angeles industrial market to continue its pace of recovery.
- Construction** - There was just over 2.1 million square feet of industrial projects under construction in the Los Angeles market in the second quarter of 2012. The slowdown in construction is a result of a lack of demand, scarce financing, and rising construction costs.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 4.75%, up slightly from the previous quarter but still below 2011's second quarter rate of 4.86%. This is a strong indication that the vacancy rate has stabilized.
- Availability** - Direct/sublease space being marketed was 8.10% in the second quarter of 2012, twenty-seven basis points lower than the previous quarter's rate of 8.37% and a 5.26% decrease from the 8.55% we saw at the second quarter of 2011. The overall decrease in space being marketed is a positive sign, as more space is coming off the market than going on the market.
- Lease Rates** - The average asking lease rate came in at \$.55 per square foot per month, up one cent from the previous quarter's rate and from 2011's second quarter rate of \$.54, marking the first increases in the asking lease rates since the third quarter of 2008.
- Absorption** - The Los Angeles industrial market posted 614,434 square feet of negative net absorption in the

second quarter of 2012, giving the market a total of approximately 4.4 million square feet of positive absorption over the last five quarters.

- Transaction Activity** - Leasing activity checked in at just over 7 million square feet for the second quarter of 2012 — a decrease from the 10.7 million square feet seen in the same quarter of 2011. Sales activity showed year-over-year increase, posting a total of 5.7 million square feet of activity in the quarter compared to the 3.9 million square feet transacted in the second quarter of 2011. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Los Angeles County was 11.4% in May 2012- down from a revised 11.6% in April 2012 and below the previous year's estimate of 12.3%. This compares with an unadjusted unemployment rate of 10.8% for California and 8.2% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 38,000 payroll jobs from May 2011 to May 2012. The largest gains were 16,000 in professional & business services and 11,300 in leisure & hospitality trade; however, Los Angeles County lost 10,300 government jobs during that same period.
- Overall** - We are seeing stabilization in vacancy and availability coupled with overall increases in net occupancy, which is contributing to the stabilization and increase in average asking lease rates. With few new deliveries to apply more upward pressure on vacancy, the market should continue to stabilize. We expect to see an increase in investment activity in the coming quarters as lenders to dispose of distressed assets. We should also see an increase in leasing activity as many short-term deals come up for renewal. While these are certainly positive indicators, cautious optimism still prevails, as job creation will need to continue in order to drive the demand needed to sustain growth in the Los Angeles industrial market.

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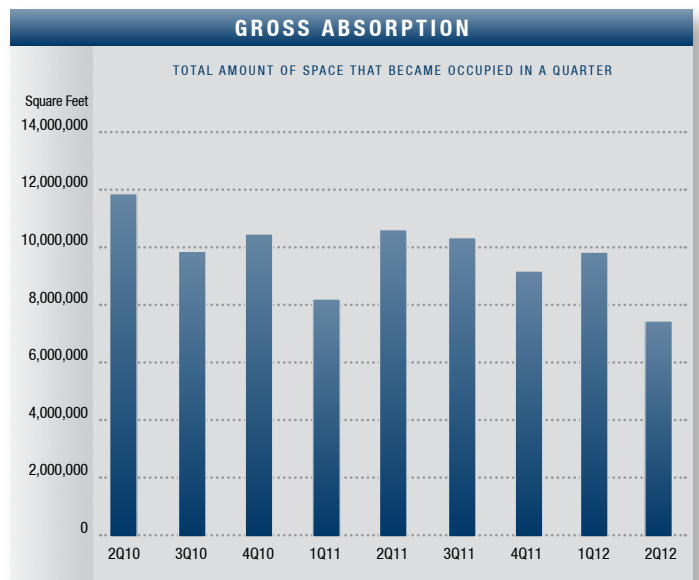
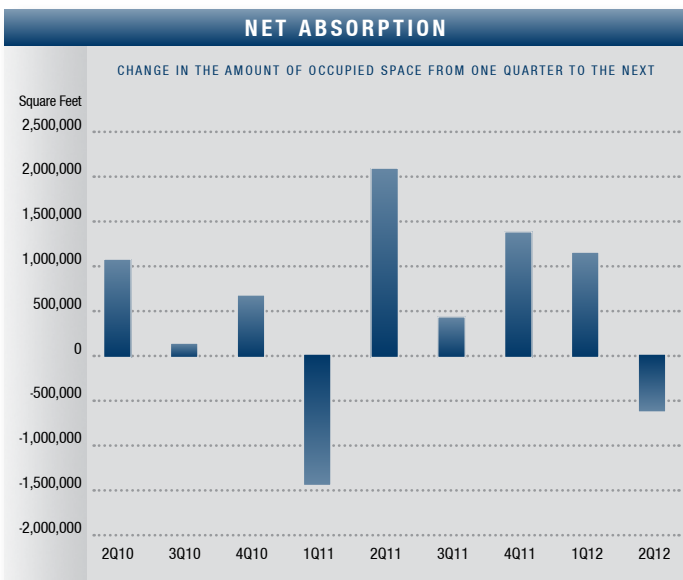
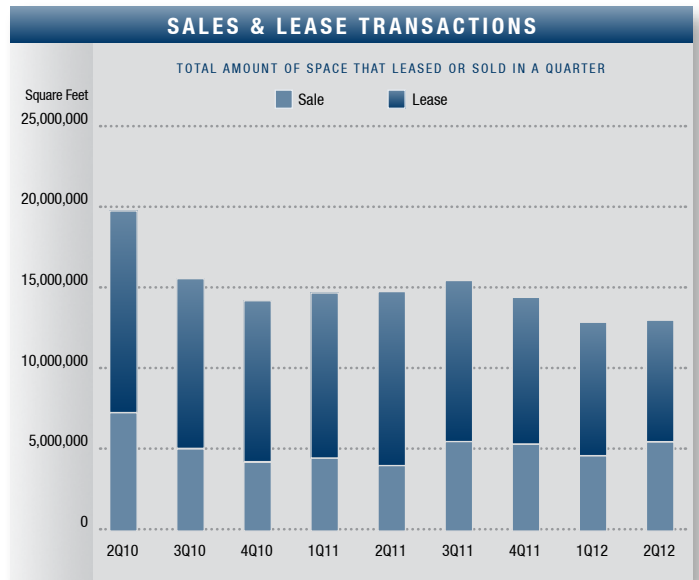
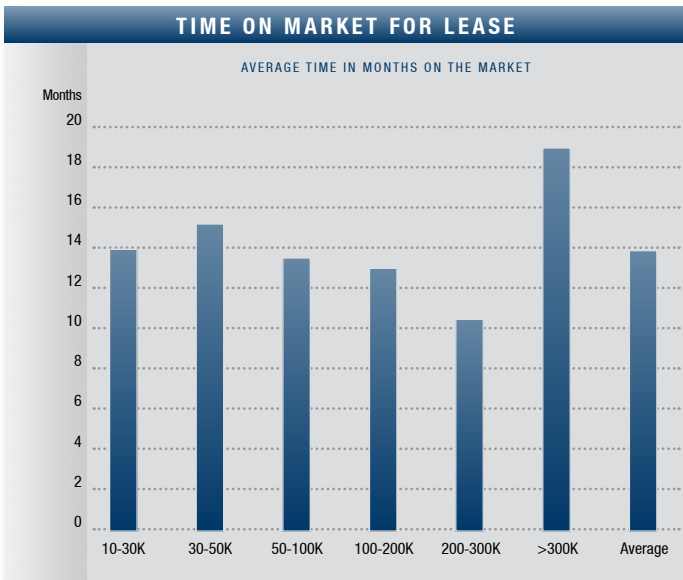
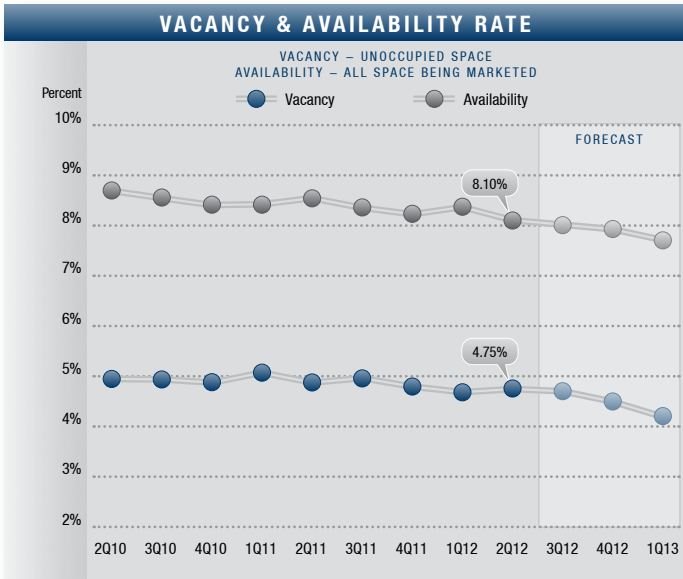
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GREATER LOS ANGELES MARKET OVERVIEW

	2Q12	1Q12	2Q11	% of Change vs. 2Q11
Total Vacancy Rate	4.75%	4.69%	4.86%	(2.26%)
Availability Rate	8.10%	8.37%	8.55%	(5.26%)
Average Asking Lease Rate	\$0.55	\$0.54	\$0.54	1.85%
Sale & Lease Transactions	12,918,608	12,887,937	14,673,683	(11.96%)
Gross Absorption	7,423,870	9,769,056	10,551,866	(29.64%)
Net Absorption	(614,434)	1,145,440	2,093,718	N/A



	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2012	Square Feet Available	Availability Rate 2Q2012	Average Asking Lease Rate	Net Absorption 2Q2012	Net Absorption 2012	Gross Absorption 2Q2012	Gross Absorption 2012
Central													
Bell/Bell Gardens/Maywood	182	6,275,434	0	96,000	170,602	2.72%	654,860	10.44%	\$0.50	(22,749)	16,247	22,700	84,796
City of Commerce	665	40,539,750	0	620,000	2,463,406	6.08%	2,745,836	6.77%	\$0.48	(494,115)	(538,570)	631,018	1,346,269
Huntington Park/Cudahy	206	5,021,104	0	0	208,406	4.15%	385,883	7.69%	\$0.54	(17,103)	(29,701)	20,977	85,127
Los Angeles - Downtown	5,409	154,510,834	99,800	175,676	4,883,668	3.16%	9,585,550	6.20%	\$0.62	388,477	471,908	1,012,239	2,254,580
Montebello/Monterey Park	315	12,784,617	0	0	597,484	4.67%	1,215,441	9.51%	\$0.44	27,826	(52,632)	108,818	137,214
Pico Rivera	194	9,933,650	0	25,670	610,944	6.15%	875,239	8.81%	\$0.48	(46,331)	(229,382)	107,558	107,558
South Gate	235	11,098,425	0	0	323,538	2.92%	495,839	4.47%	\$0.45	(6,488)	209,745	18,510	241,807
Vernon	737	39,123,661	6,000	227,063	912,789	2.33%	2,491,102	6.37%	\$0.41	107,268	(136,871)	256,757	791,430
Total	7,943	279,287,475	105,800	1,144,409	10,170,837	3.64%	18,449,750	6.61%	\$0.54	(63,215)	(289,256)	2,178,577	5,048,781
Mid Counties													
Artesia/Cerritos	286	13,604,555	0	0	586,020	4.31%	908,215	6.68%	\$0.60	80,872	378,217	213,689	731,799
Bellflower/Downey	204	6,127,327	0	0	166,001	2.71%	428,428	6.99%	\$0.64	51,126	63,466	52,326	104,651
Buena Park/La Palma	241	15,546,946	0	0	471,865	3.04%	626,047	4.03%	\$0.67	(165,296)	28,470	17,911	260,464
La Mirada	189	12,828,734	0	273,818	1,412,785	11.01%	2,753,312	21.46%	\$0.48	13,896	(390,709)	118,528	231,602
Norwalk	80	2,989,188	0	0	171,650	5.74%	248,125	8.30%	\$0.58	1,872	9,872	5,945	16,028
Paramount	365	9,082,510	0	0	270,455	2.98%	535,925	5.90%	\$0.62	(76,885)	(141,083)	77,644	118,234
Santa Fe Springs	1,313	51,070,639	328,378	473,935	2,077,425	4.07%	3,271,385	6.41%	\$0.57	198,320	(6,597)	609,358	914,689
Whittier	199	4,980,220	0	0	279,279	5.61%	521,596	10.47%	\$0.38	12,273	(693)	115,589	128,683
Total	2,877	116,230,119	328,378	747,753	5,435,480	4.68%	9,293,033	8.00%	\$0.57	116,178	(59,057)	1,210,990	2,506,150
San Gabriel Valley													
Alhambra	116	2,823,608	0	104,000	156,029	5.53%	47,163	1.67%	\$0.46	(135,346)	(123,346)	700	21,400
Arcadia/Temple City	135	2,365,206	0	0	64,063	2.71%	180,938	7.65%	\$0.62	(1,922)	6,623	13,327	24,310
Azusa	233	6,031,718	0	0	92,270	1.53%	565,716	9.38%	\$0.51	15,622	68,169	40,862	96,409
Baldwin Park	246	4,765,498	0	0	148,471	3.12%	307,687	6.46%	\$0.60	31,184	54,818	75,714	146,718
City of Industry/DB/HH/RH	1,109	69,877,411	0	575,218	5,168,548	7.40%	6,951,659	9.95%	\$0.57	(75,197)	905,190	899,591	2,888,566
Covina/West Covina	188	3,530,451	0	0	106,799	3.03%	193,907	5.49%	\$0.63	(34,255)	20,480	26,710	101,721
Duarte	87	2,073,325	0	0	47,978	2.31%	92,379	4.46%	\$0.64	4,327	3,984	24,536	36,935
El Monte	280	8,093,806	74,051	47,873	579,957	7.17%	1,336,674	16.51%	\$0.37	43,104	42,990	114,411	231,541
Irwindale	238	10,499,010	0	294,500	383,829	3.66%	1,070,553	10.20%	\$0.57	138,977	168,457	200,259	353,570
La Puente	83	2,024,792	0	37,500	45,161	2.23%	70,123	3.46%	\$0.70	(15,534)	(17,477)	10,140	13,276
La Verne/San Dimas/Glendora	333	7,790,981	0	0	568,651	7.30%	945,326	12.13%	\$0.63	(41,104)	(86,860)	53,704	86,962
Monrovia	206	3,443,493	0	0	108,808	3.16%	281,057	8.16%	\$0.70	(32,651)	(44,237)	16,297	35,863
Pomona/Ciarament	639	18,218,028	0	727,932	1,184,826	6.50%	2,570,917	14.11%	\$0.45	141,922	366,419	315,368	766,367
Rosemead/San Gabriel	118	2,622,855	0	0	61,611	2.35%	250,396	9.55%	\$0.54	(11,327)	(41,761)	4,056	9,536
South El Monte	698	9,771,752	8,000	0	478,794	4.90%	572,693	5.86%	\$0.60	(20,583)	(73,469)	170,953	272,767
Walnut	209	7,307,801	0	0	241,236	3.30%	986,796	13.50%	\$0.79	27,724	(2,199)	51,881	79,009
Total	4,918	161,239,735	82,051	1,787,023	9,437,031	5.85%	16,423,984	10.19%	\$0.54	34,941	1,247,781	2,018,509	5,164,950
South Bay													
Carson	546	35,958,018	216,407	260,710	1,637,023	4.55%	2,517,122	7.00%	\$0.58	(72,648)	338,548	355,119	1,050,323
Compton	470	24,122,691	0	0	1,562,451	6.48%	3,186,914	13.21%	\$0.49	(493,232)	(151,522)	46,647	617,280
El Segundo	203	10,802,649	204,117	0	76,770	0.71%	162,630	1.51%	\$0.81	15,825	(15,524)	26,025	52,525
Gardena	1,182	28,460,914	0	58,495	1,130,187	3.97%	1,577,642	5.54%	\$0.56	251,415	(3,759)	587,474	875,861
Harbor City	86	1,866,775	0	0	13,757	0.74%	84,422	4.52%	\$0.54	23,406	39,706	26,406	42,706
Hawthorne	248	8,104,829	0	0	638,838	7.88%	1,086,870	13.41%	\$0.64	(34,253)	(164,282)	127,466	229,941
Inglewood	237	5,345,581	0	0	168,074	3.14%	284,401	5.32%	\$0.87	3,345	47,675	26,686	123,508
Lakewood/Hawaiian Gardens	21	754,870	0	0	23,473	3.11%	32,023	4.24%	\$0.00	0	500	0	500
Lawndale	26	317,718	0	0	9,555	3.01%	9,555	3.01%	\$1.10	(3,755)	(3,755)	2,650	2,650
Long Beach/Terminal Island	775	21,509,966	674,886	136,008	1,990,564	9.25%	2,620,332	12.18%	\$0.50	170,697	312,333	349,902	545,645
Lynwood	83	4,266,271	0	0	187,539	4.40%	313,217	7.34%	\$0.27	0	34,196	0	42,215
Rancho Dominguez	254	16,144,590	0	0	1,141,425	7.07%	1,489,526	9.23%	\$0.50	(303,170)	(367,459)	199,253	466,899
Redondo & Hermosa Beach	41	2,156,761	0	0	37,109	1.72%	37,109	1.72%	\$0.00	13,736	127,330	16,522	130,116
San Pedro	45	2,940,384	0	0	14,445	0.49%	471,644	16.04%	\$0.86	1,490	3,727	1,490	6,490
Signal Hill	187	3,293,430	146,379	0	98,021	2.98%	126,752	3.85%	\$0.75	(5,150)	(1,035)	57,803	99,446
Torrance	631	26,266,877	358,958	142,053	1,707,192	6.50%	2,495,965	9.50%	\$0.71	(283,496)	(339,878)	171,219	290,864
Wilmingon	140	4,291,492	0	0	293,245	6.83%	340,575	7.94%	\$0.55	13,452	(225,263)	21,132	32,768
Total	5,175	196,603,816	1,600,747	597,266	10,729,668	5.46%	16,836,699	8.56%	\$0.55	(702,338)	(368,462)	2,015,794	4,609,737
Los Angeles Total	20,913	753,361,145	2,116,976	4,276,451	35,773,016	4.75%	61,003,466	8.10%	\$0.55	(614,434)	531,006	7,423,870	17,329,618
5,000-24,999	13,392	165,771,297	14,000	12,500	6,653,579	4.01%	11,794,189	7.11%	\$0.62	25,287	(182,793)	2,235,256	4,169,600
25,000-49,999	3,741	130,018,372	86,713	562,408	4,682,857	3.60%	9,249,501	7.11%	\$0.55	45,125	397,961	1,311,563	3,112,952
50,000-99,999	2,230	151,915,558	482,679	816,041	7,045,187	4.64%	11,449,830	7.54%	\$0.54	(478,594)	(374,682)	1,649,145	3,367,077
100,000-249,999	1,255	183,945,419	932,961	1,409,923	10,059,705	5.47%	18,017,172	9.79%	\$0.46	220,485	149,523	2,002,859	4,887,860
250,000-499,999	240	77,611,734	600,623	855,579	3,607,246	4.65%	5,130,757	6.61%	\$0.44	(505,727)	163,145	96,190	864,410
500,000 plus	55	44,098,765	0	620,000	3,724,442	8.45%	5,362,017	12.16%	\$0.51	78,990	377,852	128,857	927,719
Los Angeles Total	20,913	753,361,145	2,116,976	4,276,451	35,773,016	4.75%	61,003,466	8.10%	\$0.55	(614,434)	531,006	7,423,870	17,329,618

This survey consists of buildings greater than 5,000 square feet. Lease rates are on an industrial-gross basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price	Buyer	Seller
11525 Shoemaker Ave.	Santa Fe Springs	690,426	\$13,800,000	Panattoni Development	Illinois Tool Works
Garfield Business Center	Commerce	545,299	\$52,400,000	Terreno Realty Corporation	Westcore
4700 S. Boyle St.	Vernon	401,587	\$15,625,000	Four Seasons General Merchandise	Fortune Fashions
3030 S. Atlantic Blvd.	Vernon	200,000	\$10,750,000	Magellan Industrial Fund	International Paper Company
12252 Whittier Blvd.	Whittier	161,610	\$16,100,000	Terreno Realty Corporation	Sohen Enterprises, Inc.
20100 S. Vermont Ave.	Torrance	123,569	\$15,940,500	Red Clover Properties	AJA Holdings

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
5959 Radolph St.	Commerce	403,444	Jun-12	OnTrac	Western Realco
179 S. Grand Ave.	Industry	300,000	May-12	N/A	Majestic Realty
5560 E. Slauson Ave.	Commerce	248,759	Jun-12	N/A	Prologis
4444 Ayers Ave. – Renewal	Vernon	219,555	Jun-12	La Curacao	IDS Real Estate Group
12252 Whittier Blvd. – Renewal	Whittier	161,610	Jun-12	Sohen Enterprises, Inc.	Terreno Realty Corporation
18601 San Jose Ave.	Industry	160,000	Apr-12	8 Net	Majestic Realty

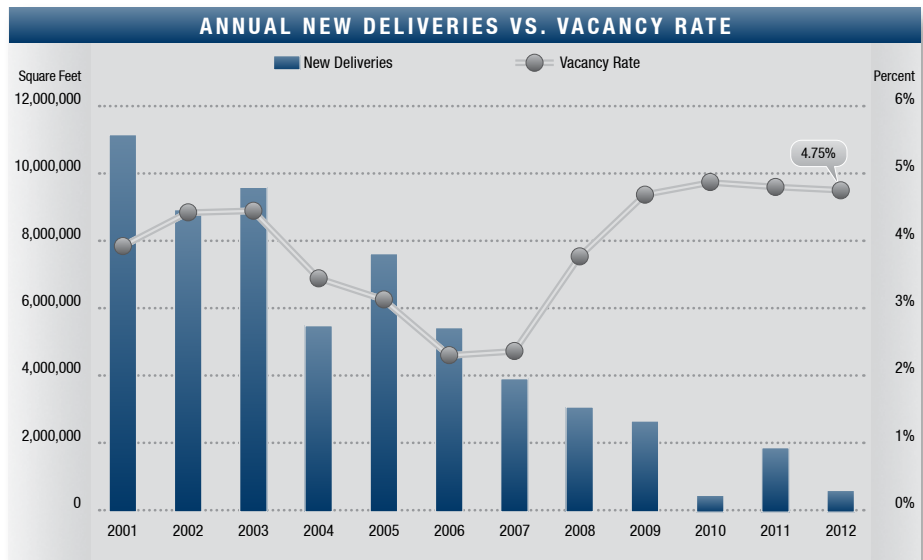
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