



Industrial Market Report

Compared to the Previous Quarter:

Vacancy



UP

Net Absorption

NEGATIVE

Lease Rates



FLAT

Transactions

DOWN

Deliveries



UP

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Market Highlights

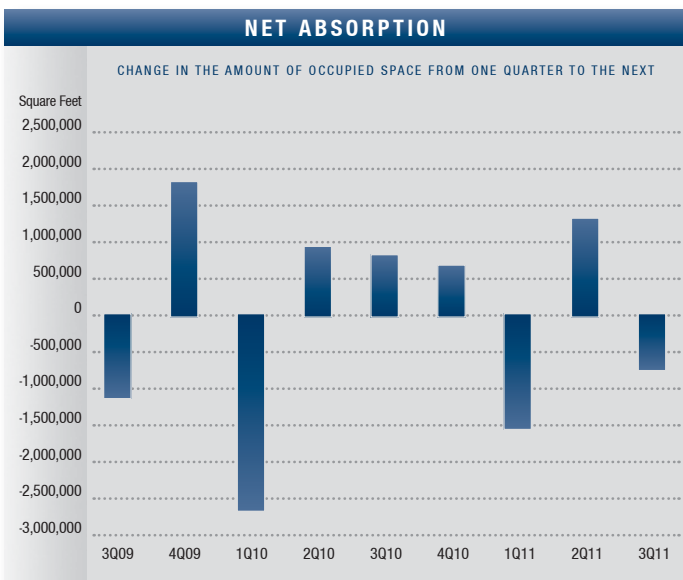
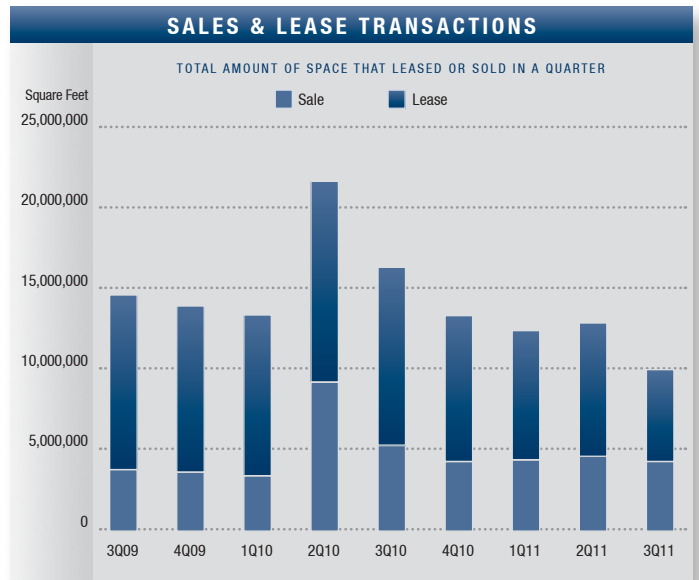
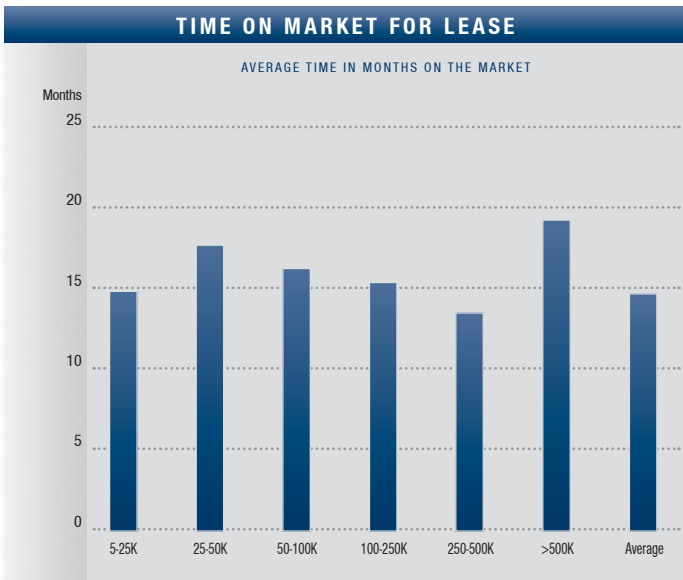
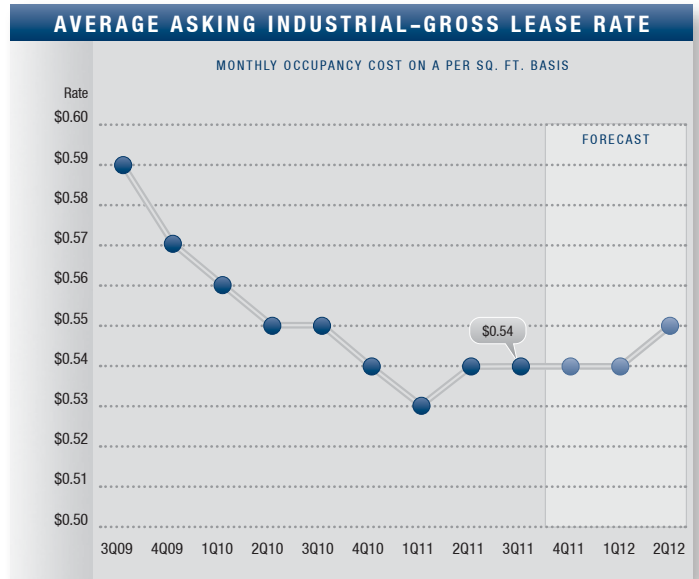
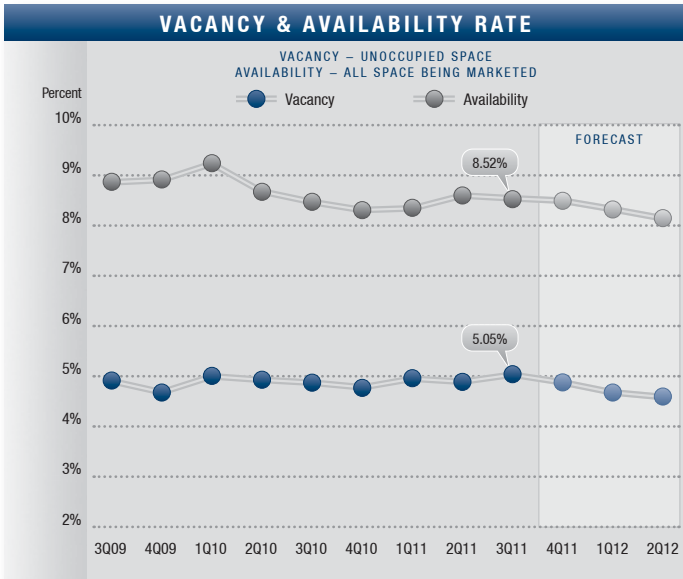
- **Bottoming Out?** - 2011's third quarter numbers were encouraging — a sign that recovery could be on the horizon. Availability showed indications of stabilization. With regard to sales transactions, the ask-bid gap narrowed, evident from the drop in asking prices and overall increase in buyer activity since 2009. While these are positive indications, stability will need to be sustained in coming quarters to be considered recovery.
- **Construction** - There was only just over one million square feet of industrial projects under construction in the Los Angeles industrial market in the third quarter of 2011. 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 5.05%, just above 2010's third quarter rate of 4.84% and 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 8.52% in the third quarter of 2011, lower than the previous quarter's rate of 8.63% and a .24% decrease from the 8.50% we saw in the third quarter of 2010. 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 industrial-gross lease rate remained steady at \$.54 per square foot per month, unchanged from the previous quarter but up one cent from the second quarter rate of \$.53, marking the first increases in the asking lease rates since the third quarter of 2008.
- **Absorption** - The Los Angeles industrial market posted 740,431 square feet of negative absorption in the third

quarter of 2011, giving the market a total of approximately one million square feet of negative absorption for 2011.

- **Transaction Activity** - Leasing activity checked in at 5.8 million square feet — a decrease from the 11.1 million square feet seen in the third quarter of 2010. Sales activity also showed year-over-year decrease, posting a total of 4.1 million square feet of activity compared to the 5 million square feet transacted in 2010. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in Los Angeles County was 12.5% in August 2011, up from a revised 12.3% in July 2011 and below the 2010 estimate of 12.8%. This compares with an unadjusted unemployment rate of 12.1% for California and 9.1% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County displayed an overall net gain of 8,200 jobs between August 2010 and August 2011. The largest gains were 13,100 in educational & health services and 11,200 in information; however, Los Angeles County lost 7,800 in trade, transportation, and utilities jobs during that same period.
- **Overall** - Though we saw a slight decrease in availability in the third quarter, we still predict a continued overall downward trend in availability. With few new deliveries to put 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 and as job creation occurs. Once unemployment rates drop and consumer confidence stabilizes, the Los Angeles Central industrial market will regain equilibrium.

GREATER LOS ANGELES MARKET OVERVIEW

	3Q2011	2Q2011	3Q2010	% Change vs. 3Q2010
Total Vacancy Rate	5.05%	4.86%	4.84%	4.34%
Availability Rate	8.52%	8.63%	8.50%	0.24%
Average Asking Lease Rate	\$0.54	\$0.54	\$0.55	(1.82%)
Sale & Lease Transactions	9,939,288	12,886,850	16,192,724	(38.62%)
Gross Absorption	8,818,187	9,886,934	9,865,318	(10.61%)
Net Absorption	(740,431)	1,307,003	803,269	N/A



RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
13031 W. Jefferson Blvd. – 2 Properties	Los Angeles	380,000	\$115.00	Playa Jefferson Partners, LLC	ATC Realty Sixteen, Inc.
2700 E. Imperial Hwy.	Lynwood	323,374	\$117.51	Duke Realty	La Salle Investment
18021 Valley View Ave.	Cerritos	309,934	\$129.00	The Estate of James Campbell	TA Associates
2011 N. Soto St.	Los Angeles	283,177	N/A	USC Health Sciences	Hathaway Ent's, Inc.
4540 Worth St.	Los Angeles	152,450	N/A	Trammel Crow	4540 Worth Acquisition, LP
19201 S. Reyes Ave.	Rancho Dominguez	147,950	\$48.67	South Bay Distribution	Dude, Inc.

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
3777 Workman Mill Rd.	Whittier	613,375	11-Aug	Michael Kors	KTR Capital Partners
318 Brea Canyon, Building 16	City of Industry	325,000	11-Sep	Hill's Pet Nutrition	Majestic Realty Company
9350 Rayo Ave.	South Gate	213,232	11-Jul	Conair Corporation	Goldrich & Kest
16509 Trojan Way	La Mirada	180,969	11-Sep	Cotton ON	MC&C
13227-13335 Orden Dr.	Santa Fe Springs	171,826	11-Jul	American Tire Distribution	Golden Springs Development Company
2910 Pacific Commerce Dr.	Rancho Dominguez	150,000	11-Sep	DanWeel	Ca Public Employees

Product Type

MFG./DIST.

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