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# **Industrial Market Report**

Compared to the Previous Quarter:

### Vacancy



**Net Absorption** 



**Lease Rates** 



**Transactions** 



**Deliveries** 



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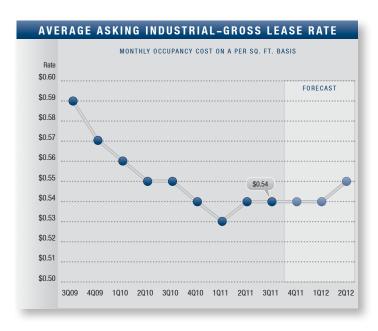
## Market Highlights

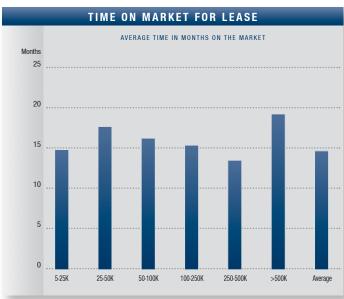
- Bottoming Out? 2011's third guarter numbers were encouraging - a sign that recovery could be on the horizon. Availability showed indications of stabilization. With regard to sales transactions, the ask-bid gap narrowed, evident from the drop in asking prices and overall increase in buyer activity since 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 guarter at 5.05%, just above 2010's third guarter 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 guarter 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 guarter 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.

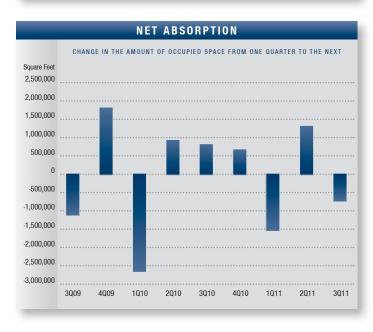
GREATER	LOS AN	GELES	MARKET O	VERVIEW
	3Q2011	202011	3Q2010	% Change vs. 3Q2010
Total Vacancy Rate	5.05%	4.86%	4.84%	4.34%
Availablity Rate	8.52%	8.63%	8.50%	0.24%
Average Asking Lease Rate	\$0.54	\$0.54	\$0.55	(1.82%)
Sale & Lease Transactions	9,939,288	12,886,850	16,192,724	(38.62%)
Gross Absorption	8,818,187	9,886,934	9,865,318	(10.61%)
Net Absorption	(740,431)	1,307,003	803,269	N/A

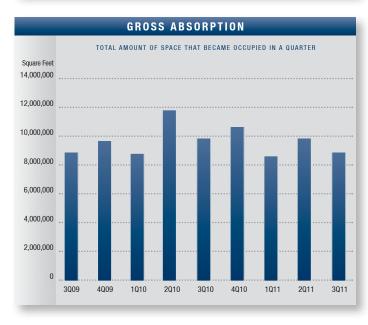












		INVEN	NTORY		V	ACANCY	& LEAS	E RATES			ABSOF	RPTION	
	Number of	Net Rentable	Square Feet	Square Feet	Square Feet	Vacancy Rate	Square Feet	Availability Rate	Average Asking	Net Absorption	Net Absorption	Gross Absorption	Gross Absorptio
	Bldgs.	Square Feet	U/C	Planned	Vacant	3Q2011	Available	3Q2011	Lease Rate	3Q2011	2011	3Q2011	2011
Central													
Bell/Bell Gardens/Maywood	174	6,388,166	0	96,000	276,422	4.33%	513,439	8.04%	\$0.47	(28,147)	(122,978)	51,897	150,3
City of Commerce	695	43,336,467	0	650,000	2,515,025	5.80%	3,989,621	9.21%	\$0.44	103,682	222,869	628,087	2,193,2
Huntington Park/Cudahy	200	4,946,399	0	0	183,565	3.71%	427,604	8.64%	\$0.45	17,940	64,630	57,940	180,5
Los Angeles - Downtown	5,321	156,734,001	53,196	852,893	5,850,043	3.73%	10,418,078	6.65%	\$0.61	(500,581)	(428,270)	1,317,176	4,065,5
Montebello/Monterey Park Pico Rivera	297 192	12,384,439	0	0	559,851	4.52% 7.66%	900,200	7.27% 12.71%	\$0.49 \$0.47	453,408	233,416	636,055	1,054,9
South Gate	242	10,073,412 11,751,930	0	25,670 80,000	771,592 713,168	6.07%	1,280,524 831,163	7.07%	\$0.47	(239,058)	(242,736) (209,457)	58,562 0	387,5 29,2
Vernon	740	39,467,142	0	344,253	1,064,370	2.70%	2,760,067	6.99%	\$0.44	(18,620) 32,666	(151,471)	443,576	969,1
Total	7,861	285,081,956	53,196	2,048,816	11,934,036	4.19%	21,120,696	7.41%	\$0.52	(178,710)	(633,997)	3,193,293	9,030,6
Mid Counties	,	, ,	,	, ,	, ,		, ,		•	( , ,	, ,	, ,	, ,
Artesia/Cerritos	287	13,445,056	0	0	977,774	7.27%	1,429,539	10.63%	\$0.40	(19,981)	409,704	210,322	1,112,4
Bellflower/Downey	200	5,943,621	0	0	237,193	3.99%	351,023	5.91%	\$0.58	85,387	69,498	96,142	241,8
Buena Park/La Palma	243	15,595,151	0	0	662,551	4.25%	884,758	5.67%	\$0.50	(12,852)	212,636	84,051	764,5
La Mirada	190	13,049,631	0	0	918,809	7.04%	1,978,368	15.16%	\$0.48	(312,474)	(111,671)	74,018	527,4
Norwalk	79	2,973,705	0	0	181,677	6.11%	243,498	8.19%	\$0.60	74,109	(68,040)	90,149	146,2
Paramount	354	9,512,137	0	0	134,696	1.42%	415,708	4.37%	\$0.62	57,053	49,353	105,507	245,9
Santa Fe Springs	1,319	52,371,875	106,110	168,574	2,547,683	4.86%	3,558,450	6.79%	\$0.59	(1,481)	349,486	665,940	3,041,3
Whittier	195	5,108,311	0	0	286,740	5.61%	375,296	7.35%	\$0.64	9,114	29,499	37,115	105,7
Total	2,867	117,999,487	106,110	168,574	5,947,123	5.04%	9,236,640	7.83%	\$0.55	(121,125)	940,465	1,363,244	6,185,5
San Gabriel Valley													
Alhambra	113	2,751,748	0	0	34,234	1.24%	190,460	6.92%	\$0.45	33,720	31,793	49,380	63,6
Arcadia/Temple City	133	2,259,826	0	0	101,656	4.50%	190,683	8.44%	\$0.68	27,440	20,231	34,110	58,7
Azusa	226	5,909,866	0	0	123,452	2.09%	604,225	10.22%	\$0.61	(28,202)	(39,147)	93,301	137,8
Baldwin Park	239	4,660,218	0	0	243,903	5.23%	328,450	7.05%	\$0.58	(30,778)	(31,712)	25,664	140,9
City of Industry/DB/HH/RH	1,097	71,234,761	300,000	223,478	4,409,828	6.19%	7,153,745	10.04%	\$0.55	(386,185)	(1,029,192)	479,079	1,974,6
Covina/West Covina	187	3,730,768	0	0	125,849	3.37%	222,192	5.96%	\$0.54	(2,995)	6,205	10,800	57,3
Duarte	88	2,120,625	0	0	68,826	3.25%	153,486	7.24%	\$0.64	4,149	(23,628)	16,200	33,0
El Monte	264	7,906,144	74,051	669,635	521,141	6.59%	1,202,707	15.21%	\$0.41	(238,635)	(263,282)	75,359	284,4
Irwindale	238	10,636,503	0	604,500	729,463	6.86%	815,278	7.66%	\$0.62	406,999	426,024	690,769	903,7
La Puente La Verne/San Dimas/Glendora	72 330	1,592,214 7,738,371	0	0	39,180 498,914	2.46% 6.45%	168,412 886,897	10.58% 11.46%	\$0.58 \$0.63	(20,608)	(24,265)	31,867 19,113	45,2 97,2
Monrovia	210	3,654,337	0	0	89,190	2.44%	140,754	3.85%	\$0.63	(38,603) 17,596	(38,401) 23,926	38,848	97,2 87,0
Pomona/Claremont	636	18,557,126	0	489,035	1,138,635	6.14%	2,484,654	13.39%	\$0.48	92,837	38,799	215,368	581,3
Rosemead/San Gabriel	112	2,627,767	0	0	17,364	0.66%	140,926	5.36%	\$0.33	500	94,227	500	160,0
South El Monte	672	9,525,046	0	8,000	482,005	5.06%	836,487	8.78%	\$0.60	34,575	120,076	139,955	431,5
Walnut	206	7,431,350	0	0	543,614	7.32%	273,966	3.69%	\$0.63	16,172	(16,629)	66,158	147,8
Total	4,823	162,336,670	374,051	1,994,648	9,167,254	5.65%	15,793,322	9.73%	\$0.55	(112,018)	(704,975)	1,986,471	5,205,0
South Bay													
Carson	559	36,483,593	224,560	50,000	1,808,309	4.96%	3,211,155	8.80%	\$0.57	509,397	467,444	994,456	2,146,8
Compton	473	24,393,462	0	0	1,414,767	5.80%	2,612,859	10.71%	\$0.47	(205,014)	(99,278)	195,472	1,054,2
El Segundo	205	11,124,962	0	0	279,490	2.51%	365,618	3.29%	\$0.90	(42,620)	(79,655)	53,294	109,8
Gardena	1,182	29,273,797	0	51,000	1,311,732	4.48%	2,345,294	8.01%	\$0.63	(73,798)	(134,822)	234,806	781,2
Harbor City	85	1,850,671	0	0	54,463	2.94%	225,132	12.16%	\$0.44	1,848	40,210	4,348	108,1
Hawthorne	241	7,900,844	0	0	656,584	8.31%	1,209,748	15.31%	\$0.68	142,877	(26,585)	238,156	376,2
Inglewood	234	5,225,040	0	0	290,632	5.56%	428,921	8.21%	\$0.75	(71,079)	(94,096)	49,478	158,7
Lakewood/Hawaiian Gardens	19	690,822	0	0	23,473	3.40%	59,549	8.62%	\$0.55	(22,973)	(22,973)	0	
Lawndale	27	386,158	0	0	5,800	1.50%	26,600	6.89%	\$1.10	2,500	(1,850)	2,500	2,5
Long Beach/Terminal Island	791	22,210,601	124,739	475,068	2,349,442	10.58%	3,117,972	14.04%	\$0.50	(108,457)	(234,855)	97,076	253,8
Lynwood	79	4,112,851	0	0	220,735	5.37%	362,129	8.80%	\$0.23	(146,020)	(132,770)	0	37,2
Rancho Dominguez	257	16,416,267	0	0	992,394	6.05%	1,656,211	10.09%	\$0.52	116,051	306,587	193,076	756,7
Redondo & Hermosa Beach	35	2,109,825	0	0	150,807	7.15%	39,187	1.86%	\$0.65 \$0.45	0	(12,120)	0	
San Pedro Signal Hill	47 190	3,177,166 3,339,450	78,000	0 258,286	25,400 112,078	0.80% 3.36%	50,900 144,536	1.60% 4.33%	\$0.45 \$0.88	19.865	500 (43.070)	0 45,064	114,7
Torrance	633	27,982,456	86,695	258,286	1,927,787	6.89%	2,990,589	10.69%	\$0.60	19,865 (459,875)	(43,070) (570,828)	153,773	824,3
Wilmington	144	4,795,357	0 0	0	69,192	1.44%	341,323	7.12%	\$0.58	(459,875) 8,720	(370,828)	13,680	73,5
Total	5,201	201,473,322	513,994	834,354	11,693,085	5.80%	19,187,723	9.52%	\$0.55	(328,578)	(575,126)	2,275,179	6,798,7
Los Angeles Total	20,752	766,891,435	1,047,351	5,046,392	38,741,498	5.05%	65,338,381	8.52%	\$0.54	(740,431)	(973,633)	8,818,187	27,219,9
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5,000–24,999 25,000–49,999	13,079 3,775	163,016,046 131,138,347	15,556 124,335	31,924 650,316	6,698,257 5,920,022	4.11% 4.51%	12,005,148 10,290,735	7.36% 7.85%	\$0.63 \$0.58	322,077 143,040	(153,435) (381,291)	2,238,883 1,490,646	5,926,2 4,044,5
50,000-49,999	2,307	157,157,802	152,051	1,196,748	8,112,663	5.16%	13,907,989	8.85%	\$0.50	(52,999)	223,132	1,490,646	5,250,1
100,000-249,999	1,286	188,853,406	455,409	1,190,740	10,899,205	5.77%	18,428,871	9.76%	\$0.30	(1,095,694)	(695,600)	1,551,932	7,595,2
250,000–249,999	247	79,485,313	300,000	1,372,686	4,917,399	6.19%	7,170,714	9.02%	\$0.44	(257,137)	(981,817)	1,126,351	2,028,9
500,000 plus	58	47,240,521	0	650,000	2,193,952	4.64%	3,534,924	7.48%	\$0.51	200,282	1,015,378	725,700	2,374,8
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This survey consists of buildings greater than 5,000 square feet. Lease rates are on an industrial-gross basis.

#### GREATER LOS ANGELES / INDUSTRIAL MARKET REPORT / THIRD QUARTER 2011

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 Ents, 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
<b>Property Address</b> 3777 Workman Mill Rd.	<b>City</b> Whittier	Square Feet 613,375	Transaction Date	<b>Tenant</b> Michael Kors	<b>Owner</b> KTR Capital Partners
. ,	•	•			
3777 Workman Mill Rd.	Whittier	613,375	11-Aug	Michael Kors	KTR Capital Partners
3777 Workman Mill Rd. 318 Brea Canyon, Building 16	Whittier City of Industry	613,375 325,000	11-Aug 11-Sep	Michael Kors Hill's Pet Nutrition	KTR Capital Partners Majestic Realty Company
3777 Workman Mill Rd. 318 Brea Canyon, Building 16 9350 Rayo Ave.	Whittier City of Industry South Gate	613,375 325,000 213,232	11-Aug 11-Sep 11-Jul	Michael Kors Hill's Pet Nutrition Conair Corporation	KTR Capital Partners Majestic Realty Company Goldrich & Kest

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