



## Industrial Market Report

Compared to the Previous Quarter:

Vacancy



Net Absorption

NEGATIVE



Lease Rates



Transactions

DOWN



Deliveries



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### Market Highlights

- Encouraging Numbers** - The Los Angeles industrial market continued on the path to recovery in the third quarter of 2012. Both vacancy and availability remained level compared to the previous quarter and the same quarter of 2011. Lease rates increased in the second quarter of 2012 — the first increase in years — and was unchanged in the third quarter, indicating stability. While the market saw negative absorption in the second and third quarters of 2012, it still totaled 3.1 million square feet of positive absorption over the last six quarters. 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 1.2 million square feet of industrial projects under construction in the Los Angeles industrial market in the third 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 5.01%, up slightly from the previous quarter and about the same as 2011's third quarter rate of 4.96%. This is a strong indication that the vacancy rate has stabilized.
- Availability** - Direct/sublease space being marketed was 8.08% in the third quarter of 2012, ten basis points lower than the previous quarter's rate of 8.18% and a 3.46% decrease from the 8.37% we saw in the third 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, the same as the previous quarter's rate and up one cent from 2011's third quarter rate of \$.54, marking the first increases in the asking lease rates since the second quarter of 2011.
- Absorption** - The Los Angeles industrial market posted just over 1 million square feet of negative net absorption

in the third quarter of 2012, giving the market a total of approximately 3.1 million square feet of positive absorption over the last six quarters.

- Transaction Activity** - Leasing activity checked in at just under 7.5 million square feet for the third quarter of 2012 — a decrease from the 10 million square feet seen in the same quarter of 2011. Sales activity showed a decrease as well, posting a total of 5.8 million square feet of activity in the quarter compared to the 6.4 million square feet transacted in the third 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 11.0% in August 2012 — down from a revised 11.2% in July 2012 and below the previous year's estimate of 12.5%. This compares with an unadjusted unemployment rate of 10.4% 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 the largest year-over-year growth in more than ten years, a net increase of 74,000 payroll jobs from August 2011 to August 2012. The largest gains were 23,600 in professional & business services and 18,300 in leisure & hospitality trade; Los Angeles County's only loss was 5,100 manufacturing 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 steady. 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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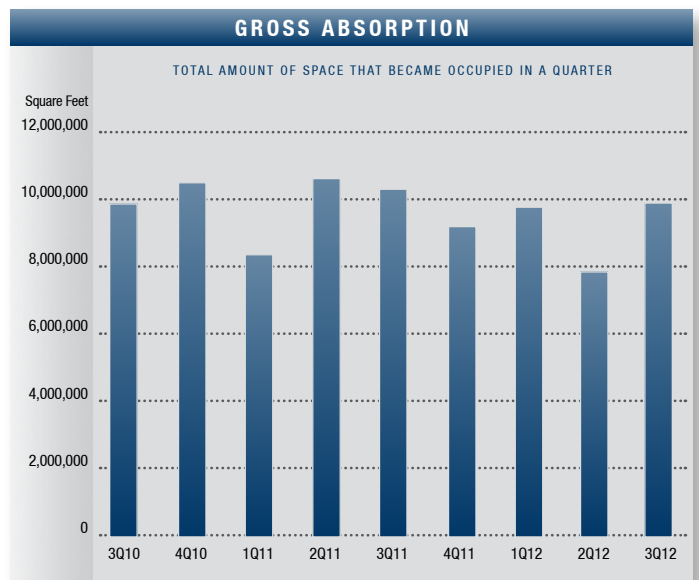
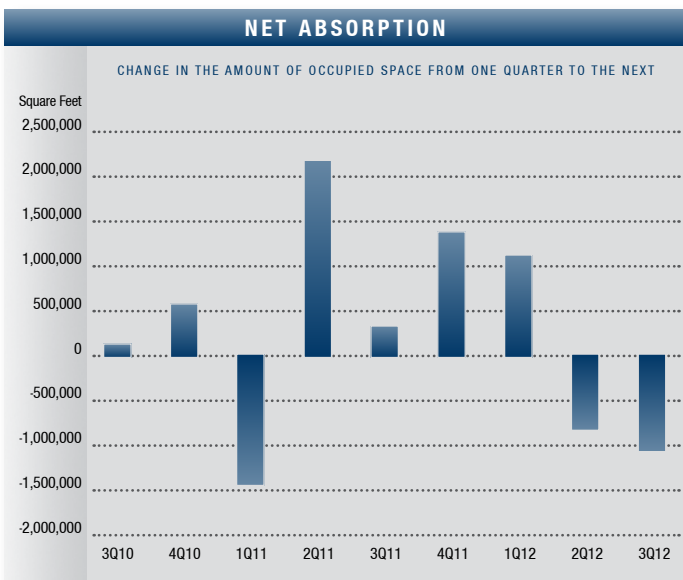
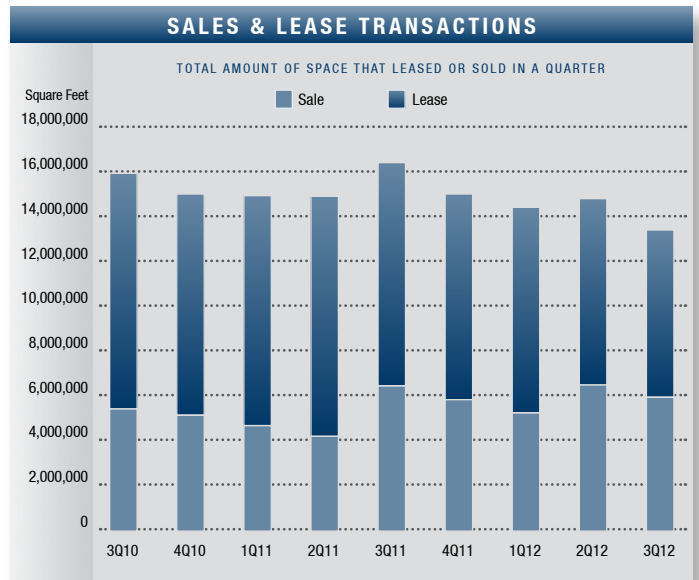
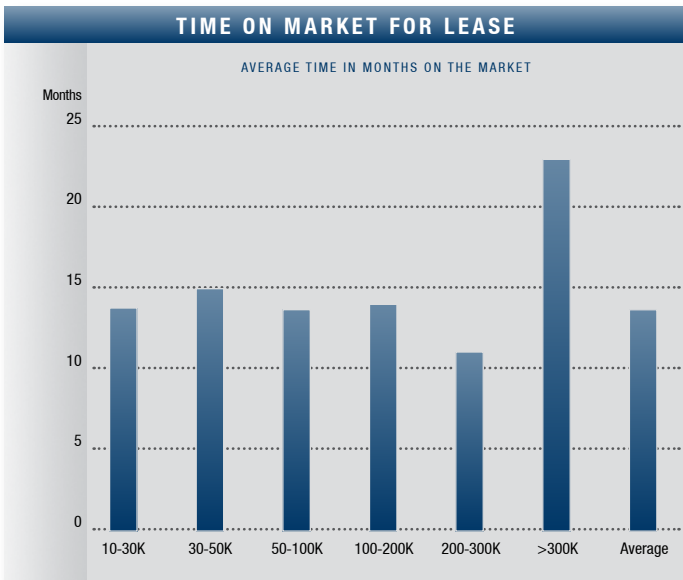
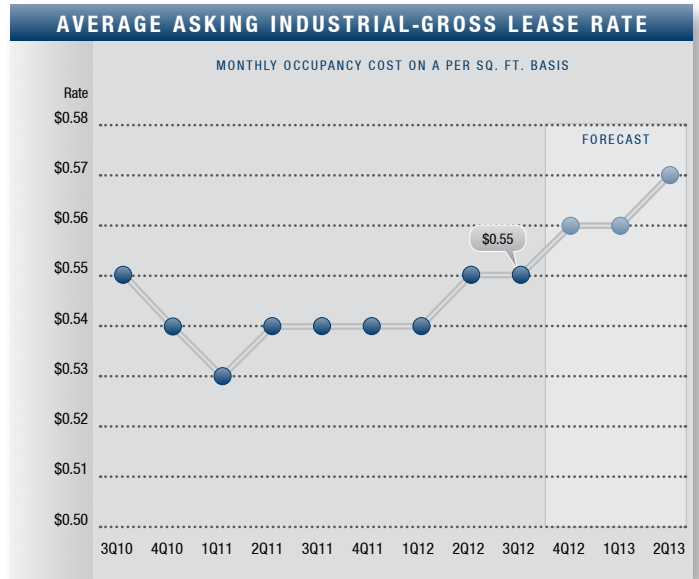
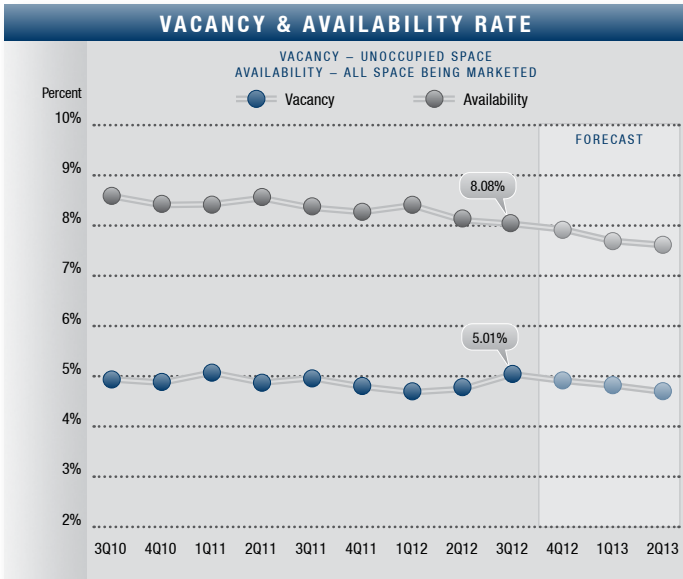
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### GREATER LOS ANGELES MARKET OVERVIEW

	3Q12	2Q12	3Q11	% of Change vs. 3Q11
Total Vacancy Rate	5.01%	4.82%	4.96%	1.01%
Availability Rate	8.08%	8.18%	8.37%	(3.46%)
Average Asking Lease Rate	\$0.55	\$0.55	\$0.54	1.85%
Sale & Lease Transactions	13,308,517	14,700,844	16,359,525	(18.65%)
Gross Absorption	9,853,861	7,788,840	10,249,634	(3.86%)
Net Absorption	(1,060,531)	(829,454)	304,831	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 3Q2012	Square Feet Available	Availability Rate 3Q2012	Average Asking Lease Rate	Net Absorption 3Q2012	Net Absorption 2012	Gross Absorption 3Q2012	Gross Absorption 2012
<b>Central</b>													
Bell/Bell Gardens/Maywood	183	6,241,553	0	96,000	383,743	6.15%	627,883	10.06%	\$0.59	(213,141)	(196,894)	14,384	99,180
City of Commerce	657	39,041,668	0	620,000	2,397,961	6.14%	2,598,079	6.65%	\$0.44	(55,283)	(529,825)	518,814	1,859,887
Huntington Park/Cudahy	204	4,956,069	0	5,782	205,198	4.14%	377,068	7.61%	\$0.53	3,208	(25,493)	21,248	107,375
Los Angeles - Downtown	5,408	153,987,755	99,800	559,464	5,978,380	3.88%	10,076,447	6.54%	\$0.62	(570,952)	(573,181)	1,140,069	3,470,005
Montebello/Monterey Park	315	12,650,322	0	0	662,230	5.23%	937,086	7.41%	\$0.48	(80,859)	(105,678)	73,393	241,920
Pico Rivera	193	9,925,650	0	25,670	597,944	6.02%	790,823	7.97%	\$0.50	13,000	(216,382)	83,295	190,853
South Gate	229	10,816,870	0	0	454,140	4.20%	691,281	6.39%	\$0.49	15,398	225,143	21,998	263,805
Vernon	738	39,287,967	0	227,063	1,450,982	3.69%	2,959,480	7.53%	\$0.45	(554,265)	(669,634)	395,388	1,232,137
<b>Total</b>	<b>7,927</b>	<b>276,907,854</b>	<b>99,800</b>	<b>1,533,979</b>	<b>12,130,578</b>	<b>4.38%</b>	<b>19,058,147</b>	<b>6.88%</b>	<b>\$0.55</b>	<b>(1,442,894)</b>	<b>(2,091,944)</b>	<b>2,268,589</b>	<b>7,465,162</b>
<b>Mid Counties</b>													
Artesia/Cerritos	286	13,574,742	0	0	725,579	5.35%	1,015,854	7.48%	\$0.59	(139,559)	211,968	173,041	878,150
Bellflower/Downey	205	6,132,639	0	0	206,497	3.37%	506,897	8.27%	\$0.61	(41,696)	22,970	35,646	140,297
Buena Park/La Palma	240	15,498,746	0	0	600,942	3.88%	590,057	3.81%	\$0.70	(129,077)	(100,607)	144,203	404,667
La Mirada	188	12,809,112	0	270,000	1,035,523	8.08%	2,600,525	20.30%	\$0.79	377,262	(13,447)	692,459	924,061
Norwalk	81	3,014,188	0	0	156,513	5.19%	406,383	13.48%	\$0.60	11,064	25,009	16,064	32,092
Paramount	366	9,119,310	0	0	301,330	3.30%	471,237	5.17%	\$0.66	(30,875)	(171,458)	42,326	161,060
Santa Fe Springs	1,315	51,113,597	0	802,313	2,173,567	4.25%	3,327,075	6.51%	\$0.55	(78,429)	(102,739)	612,347	1,532,016
Whittier	200	5,032,635	0	0	253,811	5.04%	549,228	10.91%	\$0.72	34,468	34,375	39,464	168,847
<b>Total</b>	<b>2,881</b>	<b>116,294,969</b>	<b>0</b>	<b>1,072,313</b>	<b>5,453,762</b>	<b>4.69%</b>	<b>9,467,256</b>	<b>8.14%</b>	<b>\$0.58</b>	<b>3,158</b>	<b>(93,929)</b>	<b>1,755,550</b>	<b>4,241,190</b>
<b>San Gabriel Valley</b>													
Alhambra	117	2,845,318	0	104,000	152,078	5.34%	92,012	3.23%	\$0.60	3,951	(12,629)	10,675	32,575
Arcadia/Temple City	137	2,393,159	0	0	100,545	4.20%	200,812	8.39%	\$0.64	(36,482)	(29,859)	8,450	32,760
Azusa	233	5,980,438	0	0	104,720	1.75%	466,408	7.80%	\$0.49	(12,450)	55,719	43,167	139,576
Baldwin Park	246	4,766,065	0	0	181,487	3.81%	311,483	6.54%	\$0.61	(33,016)	25,902	42,962	194,080
City of Industry/DB/HH/RH	1,105	70,202,406	0	575,218	5,472,643	7.80%	8,229,664	11.72%	\$0.56	(448,095)	489,095	1,741,209	4,664,275
Covina/West Covina	188	3,532,798	0	0	123,007	3.48%	230,604	6.53%	\$0.58	(12,320)	6,331	23,648	127,428
Duarte	87	2,052,944	0	0	81,148	3.95%	136,869	6.67%	\$0.67	(34,922)	(29,186)	28,288	66,975
El Monte	281	8,096,971	82,051	47,873	412,590	5.10%	1,104,400	13.64%	\$0.36	167,367	215,157	217,418	450,659
Irwindale	240	10,619,991	0	294,500	402,003	3.79%	1,113,640	10.49%	\$0.61	(44)	149,937	35,374	388,944
La Puente	85	2,045,972	0	37,500	55,958	2.74%	95,672	4.68%	\$0.63	(10,797)	(27,674)	25,035	38,911
La Verne/San Dimas/Glendora	331	7,760,177	0	36,249	475,332	6.13%	897,346	11.56%	\$0.64	93,319	8,797	106,473	195,773
Monrovia	207	3,451,055	0	0	138,966	4.03%	192,049	5.56%	\$0.72	(30,158)	(74,395)	59,469	95,332
Pomona/Ciaramont	643	18,443,535	0	727,932	1,011,796	5.49%	2,568,855	13.93%	\$0.49	122,745	468,633	293,660	1,029,797
Rosemead/San Gabriel	118	2,621,279	0	0	88,691	3.38%	246,827	9.42%	\$0.38	(24,698)	(68,841)	4,593	14,129
South El Monte	703	9,839,351	0	0	449,157	4.56%	481,870	4.90%	\$0.59	28,400	(56,616)	169,386	440,353
Walnut	206	6,503,784	0	0	177,468	2.73%	299,065	4.60%	\$0.80	63,768	61,569	156,030	235,039
<b>Total</b>	<b>4,927</b>	<b>161,155,243</b>	<b>82,051</b>	<b>1,823,272</b>	<b>9,427,589</b>	<b>5.85%</b>	<b>16,667,576</b>	<b>10.34%</b>	<b>\$0.55</b>	<b>(163,432)</b>	<b>1,181,940</b>	<b>2,965,837</b>	<b>8,146,606</b>
<b>South Bay</b>													
Carson	539	35,552,994	216,407	260,710	1,095,436	3.08%	2,349,041	6.61%	\$0.60	513,138	856,735	1,001,385	2,060,261
Compton	465	23,801,468	0	0	1,562,637	6.57%	2,339,776	9.83%	\$0.50	(186)	(151,708)	678,914	1,296,194
El Segundo	202	10,795,449	204,117	0	61,487	0.57%	159,847	1.48%	\$0.83	8,083	(241)	36,321	88,846
Gardena	1,189	28,658,302	0	149,815	1,050,162	3.66%	1,600,057	5.58%	\$0.58	64,905	79,285	284,262	1,171,304
Harbor City	86	1,866,676	0	0	193,931	1.07%	28,247	1.51%	\$0.66	(6,174)	33,532	4,800	47,506
Hawthorne	248	8,103,829	0	0	632,655	7.81%	919,801	11.35%	\$0.66	6,183	(158,099)	53,936	283,877
Inglewood	232	5,050,910	0	0	191,296	3.79%	234,064	4.63%	\$0.92	(23,222)	24,453	57,844	181,352
Lakewood/Hawaiian Gardens	22	800,581	0	0	23,473	2.93%	24,816	3.10%	\$0.00	0	500	0	500
Lawndale	26	317,718	0	0	7,305	2.30%	7,305	2.30%	\$1.10	2,250	(1,505)	3,250	5,900
Long Beach/Terminal Island	775	21,584,796	265,577	409,309	1,978,087	9.16%	2,469,643	11.44%	\$0.50	(7,523)	304,810	95,595	644,240
Lynwood	84	4,362,049	0	0	187,539	4.30%	297,506	6.82%	\$0.23	0	34,196	0	42,215
Rancho Dominguez	251	15,920,967	0	0	1,038,523	6.52%	1,534,436	9.64%	\$0.50	167,702	(199,757)	228,828	695,727
Redondo & Hermosa Beach	41	2,159,961	0	0	37,109	1.72%	104,616	4.84%	\$0.00	0	127,330	0	130,116
San Pedro	43	2,795,385	0	0	415,744	14.87%	446,744	15.98%	\$0.92	(411,699)	(397,572)	0	16,890
Signal Hill	188	3,372,850	68,379	0	66,277	1.97%	96,910	2.87%	\$0.74	109,744	108,709	125,021	224,467
Torrance	637	26,773,614	264,900	142,053	1,940,132	7.25%	2,739,132	10.23%	\$0.72	114,436	(212,360)	288,729	585,928
Wilmingon	141	4,193,198	0	0	288,245	6.87%	117,485	2.80%	\$0.51	5,000	(220,263)	5,000	37,768
<b>Total</b>	<b>5,169</b>	<b>196,110,747</b>	<b>1,019,380</b>	<b>961,887</b>	<b>10,596,038</b>	<b>5.40%</b>	<b>15,469,426</b>	<b>7.89%</b>	<b>\$0.56</b>	<b>542,637</b>	<b>228,045</b>	<b>2,863,885</b>	<b>7,513,091</b>
<b>Los Angeles Total</b>	<b>20,904</b>	<b>750,468,813</b>	<b>1,201,231</b>	<b>5,391,451</b>	<b>37,607,967</b>	<b>5.01%</b>	<b>60,662,405</b>	<b>8.08%</b>	<b>\$0.55</b>	<b>(1,060,531)</b>	<b>(775,888)</b>	<b>9,853,861</b>	<b>27,366,049</b>
5,000-24,999	13,422	166,133,937	8,000	32,070	7,212,705	4.34%	11,887,417	7.16%	\$0.63	(486,371)	(740,824)	1,961,155	6,257,993
25,000-49,999	3,738	129,949,869	0	556,673	4,855,122	3.74%	9,076,696	6.98%	\$0.57	(125,571)	378,592	1,432,593	4,620,861
50,000-99,999	2,211	150,431,886	404,679	813,337	6,851,928	4.55%	10,269,214	6.83%	\$0.58	252,810	(183,240)	2,156,400	5,488,293
100,000-249,999	1,235	181,422,321	523,652	1,819,232	10,575,344	5.83%	18,664,410	10.29%	\$0.48	(192,284)	(262,478)	2,823,796	7,726,856
250,000-499,999	243	78,438,529	264,900	1,550,139	3,928,581	5.01%	6,133,637	7.82%	\$0.43	(49,090)	114,055	653,063	1,517,473
500,000 plus	55	44,092,271	0	620,000	4,184,287	9.49%	4,631,031	10.50%	\$0.49	(459,845)	(81,993)	826,854	1,754,573
<b>Los Angeles Total</b>	<b>20,904</b>	<b>750,468,813</b>	<b>1,201,231</b>	<b>5,391,451</b>	<b>37,607,967</b>	<b>5.01%</b>	<b>60,662,405</b>	<b>8.08%</b>	<b>\$0.55</b>	<b>(1,060,531)</b>	<b>(775,888)</b>	<b>9,853,861</b>	<b>27,366,049</b>

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
16400 Knott Ave.	La Mirada	278,000	\$98.00	Invesco	Queen Carpet
2801 S. Towne Ave.	Pomona	184,445	\$62.48	JNAR Investment, LLC	Pacific Equity Partners, LLC
14955 Salt Lake Ave.	City of Industry	132,036	\$71.95	Westcore Properties	Alliance Commercial Partners
730 Baldwin Park Blvd.	City of Industry	108,000	\$76.02	CyperPower PC	OMP
2425-2477 Manhattan Beach Blvd.	Redondo Beach	103,200	\$137.11	NSHE CA Maitland, LLC	Robert Leonard 1983 Trust
4900 S. Soto St.	Vernon	94,250	\$59.05	Sterling Ruby Studios	Gamm Enterprises, LP

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
15930 E. Valley Blvd. – Sublease	City of Industry	619,200	Aug-12	South Bay Logistics	Mattel, Inc.
12828 Carmenita Rd.	Santa Fe Springs	268,536	Jul-12	Midwest Air Technologies	Imperial Development Sub, LLC
16400 Trojan Way	La Mirada	220,000	Aug-12	American Apparel, Inc.	Prologis
4444-4446 Ayers Ave. – Renewal	Los Angeles	219,555	Sep-12	La Curacao	IDS Real Estate Group
14585-14589 Industry Cir. – Renewal	La Mirada	203,850	Jul-12	Warehouse Specialists, Inc.	Prologis

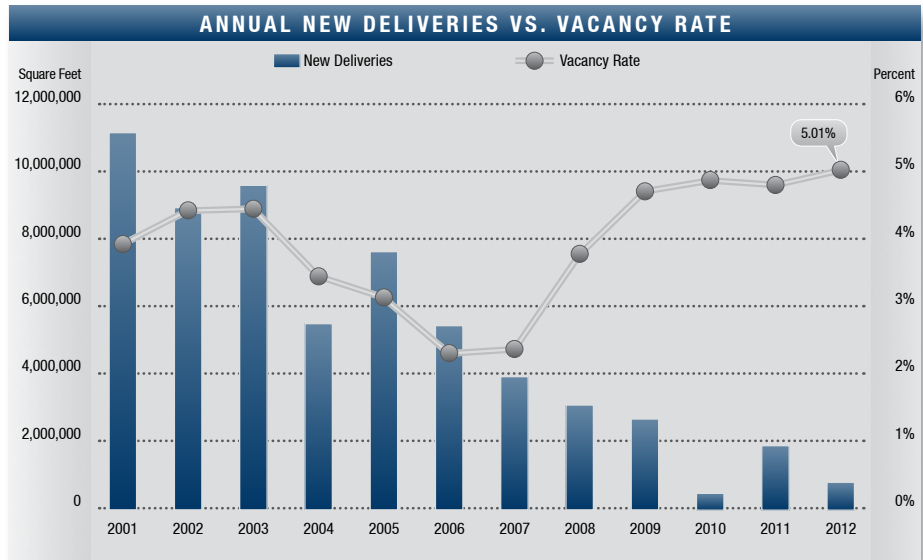
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