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Industrial Market Report

Compared to last quarter:



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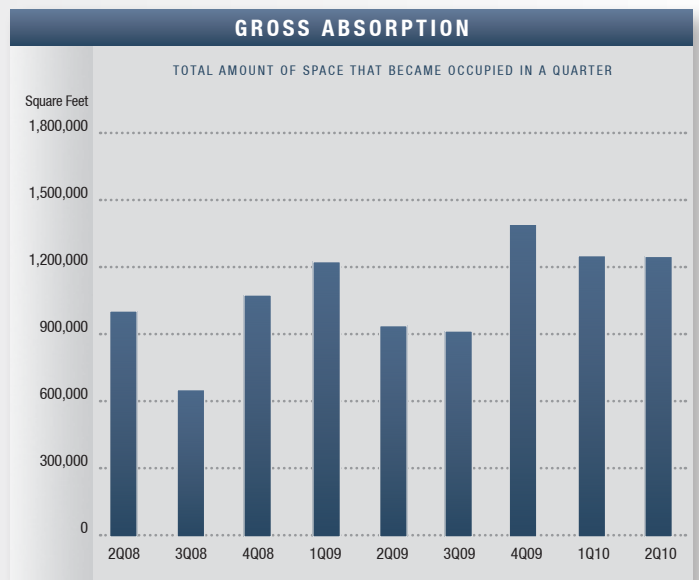
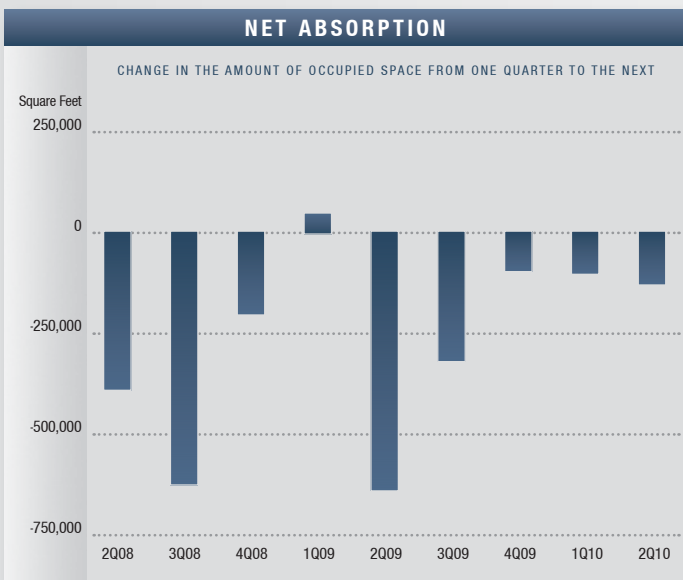
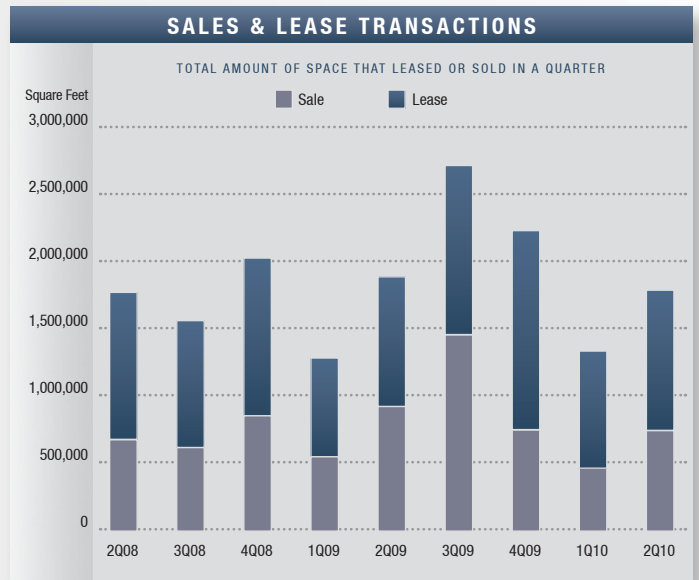
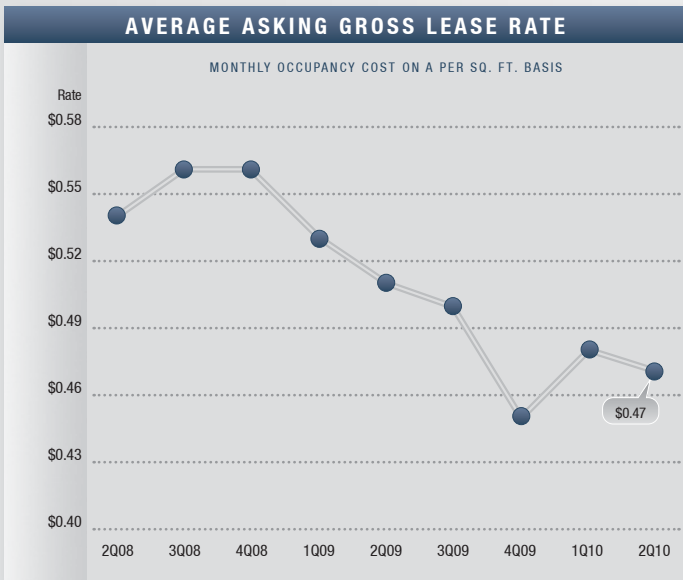
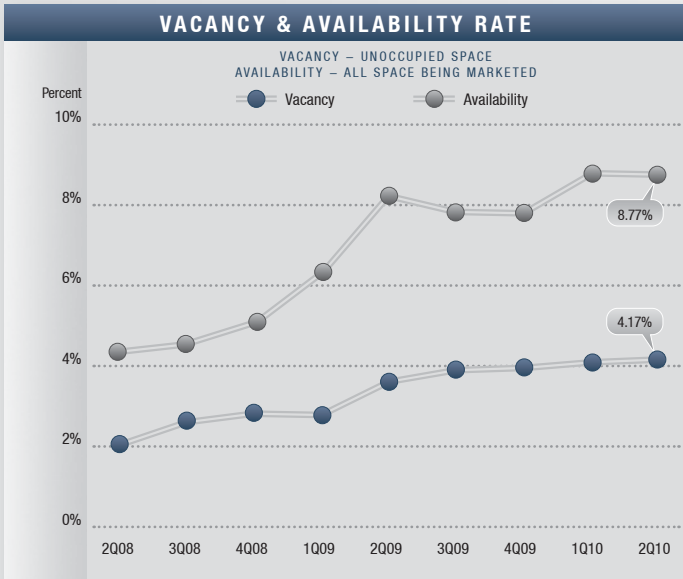
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Market Highlights

- ◆ **Encouraging Numbers** - The numbers this quarter appear to be encouraging for the first time since the third quarter of 2008 — a sign that recovery could be on the horizon. Availability dropped, vacancy showed signs of stabilization, and net absorption posted a small negative number. Although demand is still weak by historical standards, the volume of transactions is increasing. With regards to sales transactions, the ask-bid gap seems to be narrowing, evident from the drop in asking prices and increase in buyer activity. While these are positive indications, stability will need to be sustained in following quarters to be considered recovery.
- ◆ **Construction** - Currently, there are no industrial projects under construction in Central Los Angeles, due to lack of demand, shrinking availability of land, high prices, scarce financing and, rising construction costs.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 4.17%, which is higher than the year ago rate of 3.65%. The Commerce and Vernon submarkets posted vacancy rates of 6.75% and 3.29% respectively. These two submarkets represent approximately two thirds of the Central Los Angeles Industrial market.
- ◆ **Availability** - Direct/sublease space being marketed was 8.77% this quarter, a 6.43% increase from the 8.24% we saw a year ago and lower than last quarter's rate of 8.82%.
- ◆ **Lease Rates** - The average asking industrial gross lease rate was \$.47 cents per square foot per month this quarter. This is a decrease of 11.32% when compared to last year's asking rate of \$.53 and three cents lower than last quarter.
- ◆ **Absorption** - Net absorption for the Central Los Angeles posted a negative 134,211 square feet for the second quarter of 2010, giving the industrial market an average of about 260,000 square feet of negative absorption for last five quarters. This negative absorption can be attributed to recent job losses; absorption will turn positive once job creation begins.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 1.05 million square feet. This increase can be attributed to the recent trend of short-term deals coupled with lease renegotiations. Sales activity showed an increase over last quarter, posting 732,744 square feet of activity compared to the first quarter's 468,192 square feet. Details of the largest transactions can be found on the back page of this report.
- ◆ **Employment** - The unemployment rate in Los Angeles County was 12.3% in May 2010, up from a revised 12.2% in April 2010, and above the year ago estimate of 11.4%. This compares with an unadjusted unemployment rate of 12.4% for California and 9.7% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County lost 69,500 payroll jobs over the last twelve months — 22,400 in manufacturing and 20,100 in retail trade, transportation & utilities services. However, information showed a year-over-year gain of 26,200 jobs, with 6,500 of those jobs gained between April 2010 and May 2010.
- ◆ **Overall** - We are beginning to see a decrease in the amount of available space being added per quarter, as well as an increase in investment sales activity. Negative absorption is slowing, and with no new deliveries to put more upward pressure on vacancies, the market should continue to stabilize. We expect to see an increase in investment activity in the coming quarters as lenders begin 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 industrial market will recover.

LOS ANGELES CENTRAL MARKET OVERVIEW				
	2Q2010	1Q2010	2Q2009	% CHANGE vs. 2Q2009
Vacancy Rate	4.17%	4.07%	3.65%	14.25%
Availability Rate	8.77%	8.82%	8.24%	6.43%
Average Asking Lease Rate	\$0.47	\$0.50	\$0.53	(11.32%)
Sale & Lease Transactions	1,782,100	1,316,331	1,888,282	(5.62%)
Net Absorption	(134,211)	(100,629)	(646,452)	N/A
Gross Absorption	1,271,422	1,273,648	947,405	34.20%



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2010	Square Feet Available	Availability Rate 2Q2010	Average Asking Lease Rate	Net Absorption 2Q2010	Net Absorption 2010	Gross Absorption 2Q2010	Gross Absorption 2010
Bell / Bell Gardens													
10,000 – 29,999	53	899,870	0	0	48,552	5.40%	49,412	5.49%	\$0.65	17,952	(2,959)	20,116	20,976
30,000 – 49,999	18	723,454	0	0	35,892	4.96%	35,892	4.96%	\$0.00	0	0	0	5,000
50,000 – 99,999	23	1,762,690	0	149,000	75,542	4.29%	126,600	7.18%	\$0.33	59,862	59,862	59,862	59,862
100,000 – 199,999	10	1,353,481	0	0	12,384	0.91%	211,104	15.60%	\$0.00	6,240	6,240	6,240	6,240
200,000 – 299,999	3	736,799	0	0	26,544	3.60%	26,544	3.60%	\$0.00	93,367	93,367	93,367	98,367
300,000+	2	629,101	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	109	6,105,395	0	149,000	198,914	3.26%	449,552	7.36%	\$0.46	177,421	156,510	179,585	190,445
City of Commerce													
10,000 – 29,999	296	5,500,997	0	0	169,227	3.08%	406,782	7.39%	\$0.45	(73,441)	(47,360)	50,047	140,730
30,000 – 49,999	159	6,137,334	0	0	213,649	3.48%	492,922	8.03%	\$0.49	91,742	103,999	140,045	233,118
50,000 – 99,999	114	7,684,126	0	80,955	491,583	6.40%	877,689	11.42%	\$0.40	(186,433)	(170,106)	25,108	142,286
100,000 – 199,999	85	12,201,013	0	0	867,986	7.11%	1,368,407	11.22%	\$0.37	(258,790)	(90,120)	21,171	257,780
200,000 – 299,999	20	4,603,013	0	0	273,117	5.93%	232,999	5.06%	\$0.45	(1,718)	(42,623)	38,400	65,120
300,000+	16	7,370,365	0	0	921,854	12.51%	1,666,104	22.61%	\$0.34	0	(270,222)	0	0
Total	690	43,496,848	0	80,955	2,937,416	6.75%	5,044,903	11.60%	\$0.47	(428,640)	(516,432)	274,771	839,034
Huntington Park / Maywood													
10,000 – 29,999	91	1,560,180	0	0	71,263	4.57%	105,988	6.79%	\$0.57	3,356	3,356	41,369	41,369
30,000 – 49,999	23	860,025	0	0	37,008	4.30%	60,828	7.07%	\$0.53	7,200	7,200	7,200	7,200
50,000 – 99,999	29	1,940,305	0	0	105,500	5.44%	270,514	13.94%	\$0.34	0	0	0	0
100,000 – 199,999	4	505,423	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
200,000 – 299,999	1	200,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
300,000+	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	148	5,065,933	0	0	213,771	4.22%	437,330	8.63%	\$0.44	10,556	10,556	48,569	48,569
Montebello													
10,000 – 29,999	81	1,510,119	0	0	58,956	3.90%	112,131	7.43%	\$0.49	(6,820)	(43,676)	18,430	19,030
30,000 – 49,999	43	1,621,693	0	0	40,056	2.47%	157,198	9.69%	\$0.55	0	1,800	0	1,800
50,000 – 99,999	32	2,237,179	0	0	54,799	2.45%	133,475	5.97%	\$0.53	18,948	37,494	37,896	56,442
100,000 – 199,999	17	2,174,876	0	0	76,292	3.51%	122,770	5.64%	\$0.38	0	0	51,721	51,721
200,000 – 299,999	4	1,023,286	0	0	75,715	7.40%	171,262	16.74%	\$0.00	98,590	22,875	98,590	98,590
300,000+	7	2,731,186	0	0	0	0.00%	401,033	14.68%	\$0.49	0	0	0	0
Total	184	11,298,339	0	0	305,818	2.71%	1,097,869	9.72%	\$0.49	110,718	18,493	206,637	227,583
Monterey Park													
10,000 – 29,999	66	1,101,110	0	0	38,447	3.49%	38,447	3.49%	\$0.58	32,240	26,740	32,240	37,240
30,000 – 49,999	10	382,479	0	0	0	0.00%	48,733	12.74%	\$0.00	0	0	0	0
50,000 – 99,999	3	207,460	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
100,000 – 199,999	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
200,000 – 299,999	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
300,000+	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	79	1,691,049	0	0	38,447	2.27%	87,180	5.16%	\$0.58	32,240	26,740	32,240	37,240
Pico Rivera													
10,000 – 29,999	89	1,700,282	0	25,670	58,680	3.45%	149,959	8.82%	\$0.60	(11,400)	(13,500)	2,910	6,910
30,000 – 49,999	30	1,104,055	0	0	1,200	0.11%	11,600	1.05%	\$0.70	0	0	0	0
50,000 – 99,999	32	2,084,397	0	0	53,926	2.59%	78,141	3.75%	\$0.50	(29,600)	(29,600)	0	0
100,000 – 199,999	16	2,478,182	0	0	220,020	8.88%	593,951	23.97%	\$0.45	(115,400)	(118,026)	0	43,994
200,000 – 299,999	6	1,427,607	0	0	0	0.00%	242,013	16.95%	\$0.42	0	0	0	0
300,000+	4	1,383,170	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	177	10,177,693	0	25,670	333,826	3.28%	1,075,664	10.57%	\$0.49	(156,400)	(161,126)	2,910	50,904
South Gate / Cudahy													
10,000 – 29,999	123	2,048,138	0	0	71,660	3.50%	156,736	7.65%	\$0.54	18,602	(26,836)	44,672	44,672
30,000 – 49,999	43	1,605,694	0	0	0	0.00%	30,000	1.87%	\$0.00	0	0	8,500	8,500
50,000 – 99,999	30	2,217,373	0	80,000	22,195	1.00%	191,000	8.61%	\$0.29	(22,195)	(22,195)	0	0
100,000 – 199,999	22	2,894,799	0	0	16,200	0.56%	16,200	0.56%	\$0.29	(16,200)	(16,200)	0	0
200,000 – 299,999	7	1,472,800	0	0	0	0.00%	213,232	14.48%	\$0.00	52,500	52,500	54,000	54,000
300,000+	4	2,553,480	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	229	12,792,284	0	80,000	110,055	0.86%	607,168	4.75%	\$0.47	32,707	(12,731)	107,172	107,172
Vernon													
10,000 – 29,999	286	5,344,726	0	0	104,666	1.96%	299,171	5.60%	\$0.43	26,060	118,388	83,734	196,716
30,000 – 49,999	180	6,820,083	0	0	210,375	3.08%	452,452	6.63%	\$0.59	(36,683)	(76,570)	61,934	152,204
50,000 – 99,999	165	11,061,623	0	87,294	529,560	4.79%	1,026,154	9.28%	\$0.41	63,352	184,264	193,972	444,495
100,000 – 199,999	65	8,361,777	0	0	278,910	3.34%	492,554	5.89%	\$0.38	(10,200)	(83,000)	35,240	123,140
200,000 – 299,999	23	5,583,251	0	0	205,000	3.67%	459,001	8.22%	\$0.29	44,658	127,568	44,658	127,568
300,000+	10	3,986,925	0	0	27,500	0.69%	27,500	0.69%	\$0.23	0	(27,500)	0	0
Total	729	41,158,385	0	87,294	1,356,011	3.29%	2,756,832	6.70%	\$0.43	87,187	243,150	419,538	1,044,123
LA Central Total													
10,000 – 29,999	1,085	19,665,422	0	25,670	621,451	3.16%	1,318,626	6.71%	\$0.52	6,549	14,153	293,518	507,643
30,000 – 49,999	506	19,254,817	0	0	538,180	2.80%	1,289,625	6.70%	\$0.53	62,259	36,429	217,679	407,822
50,000 – 99,999	428	29,195,153	0	397,249	1,333,105	4.57%	2,703,573	9.26%	\$0.46	(96,066)	59,719	316,838	703,085
100,000 – 199,999	219	29,969,551	0	0	1,471,792	4.91%	2,804,986	9.36%	\$0.38	(394,350)	(301,106)	114,372	482,875
200,000 – 299,999	64	15,046,756	0	0	580,376	3.86%	1,345,051	8.94%	\$0.35	287,397	253,687	329,015	443,645
300,000+	43	18,654,227	0	0	949,354	5.09%	2,094,637	11.23%	\$0.40	0	(297,722)	0	0
Total	2,345	131,785,926	0	422,919	5,494,258	4.17%	11,556,498	8.77%	\$0.47	(134,211)	(234,840)	1,271,422	2,545,070

This survey consists of buildings greater than 10,000 square feet. Lease rates are on an industrial gross basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price	Sale Price Per SF	Buyer	Seller
5215 S. Boyle Ave. – 3 Properties	Vernon	441,702	\$29.43	\$13,000,000	AMB Property Corporation	Hager Pacific
3366 Leonis Blvd. – 2 Properties	Vernon	145,462	\$72.87	\$10,600,000	Leonis Property, LLC	Macroso Realty Company
1820–1844 E. 27th St.	Vernon	100,200	\$83.83	\$8,400,000	Center Point Properties, LLC	CalPortland Company
5500 S. Soto St.	Vernon	71,510	\$79.99	\$5,720,000	5500 S. Soto Street, LLC	Bloom Family Partnership
6058 Walker Ave.	Maywood	47,041	\$62.91	\$2,959,290	Trinity Distribution, Inc.	Dunn-Edwards Corporation

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
2929 E. 54th St. – Renewal	Vernon	216,949	April–10	Aerojet	AMB Property Corporation
3359 E. 50th St.	Vernon	131,752	May–10	Ambiance Apparel	In Y Noh
2801 E. 46th St.	Vernon	120,960	May–10	Global Gift Corporation	Karney Management Company
3–9 Minson Ave.	Montebello	75,715	June–10	Unix Packaging, Inc.	Guardian Life Insurance Company
4519 Everett Ave.	Vernon	69,900	May–10	West Coast Closeout	Siegfried Kling Trust

Product Type

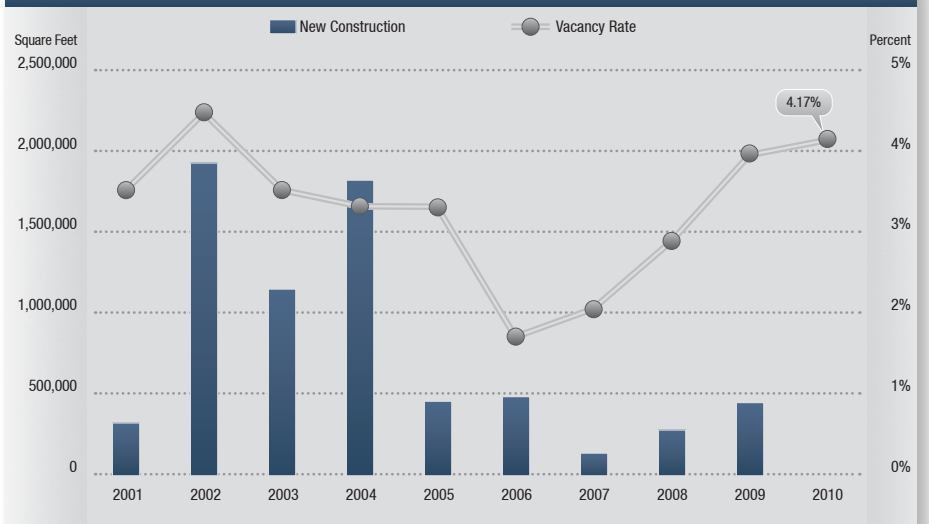
MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.

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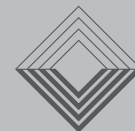
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