



## Industrial Market Report

Compared to last quarter:



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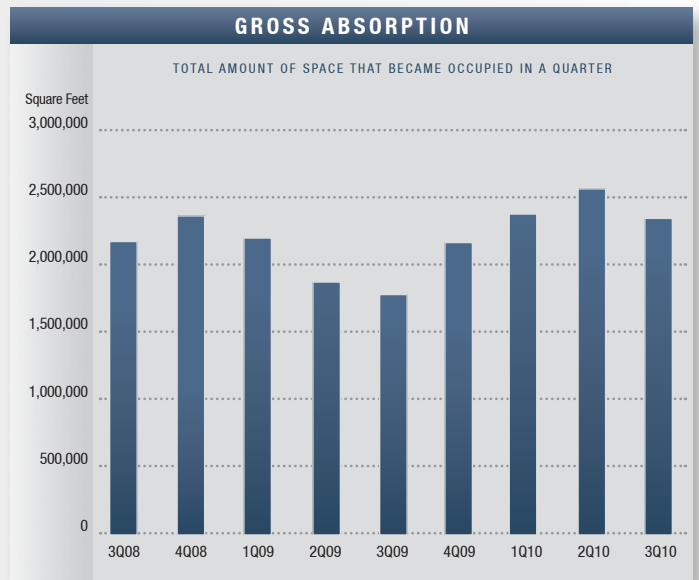
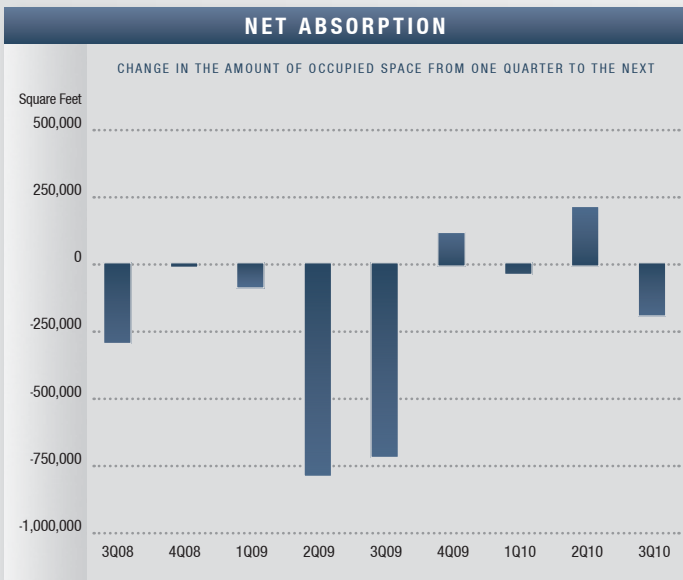
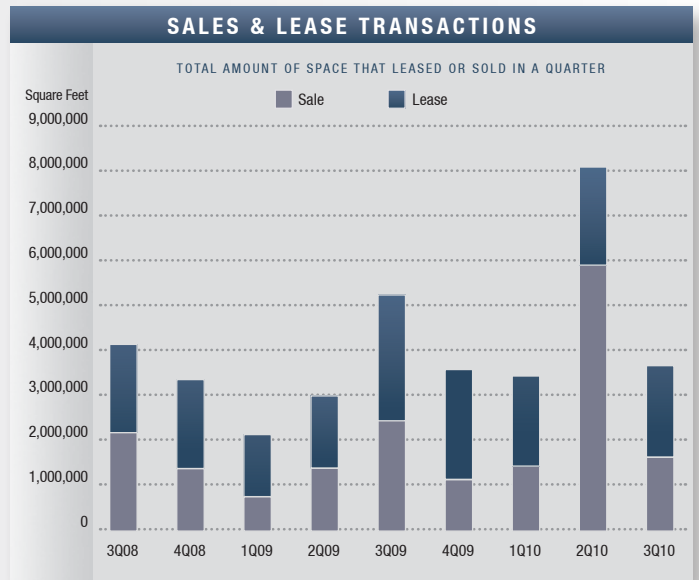
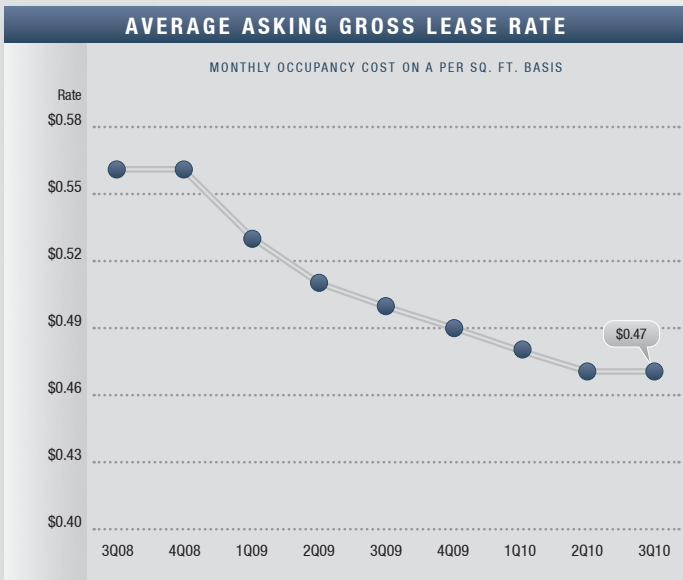
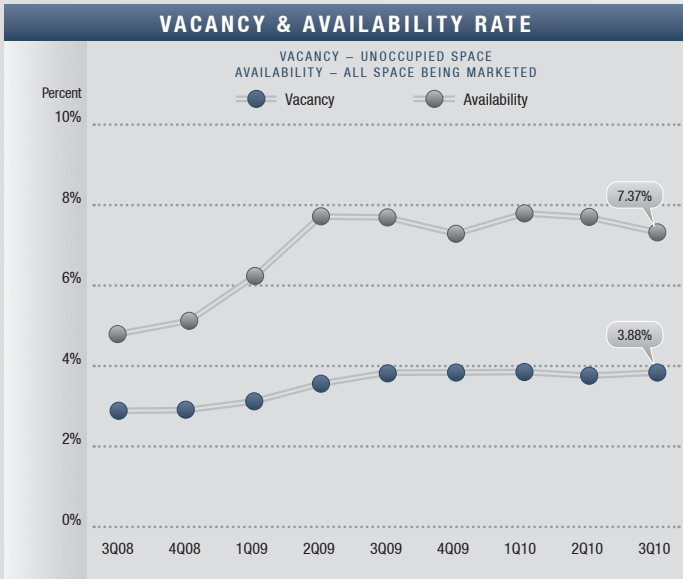
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### Market Highlights

- **Bottoming Out?** – The numbers this quarter appear to be encouraging — a sign that recovery could be on the horizon. Availability dropped, vacancy showed signs of stabilization, and net absorption posted only a small negative number. Although demand is still weak by historical standards, the volume of transactions is increasing. With regard to sales transactions, the ask-bid gap seems to be narrowing, as evidenced by 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, scarce financing, and rising construction costs.
- **Vacancy** – Direct/sublease space (unoccupied) finished the quarter at 3.88%, which is about the same as last year's rate of 3.86%. The Commerce and Vernon submarkets, which represent approximately two-thirds of the Central Los Angeles Industrial market, posted vacancy rates of 6.01% and 2.84%, respectively.
- **Availability** – Direct/sublease space being marketed was 7.37% this quarter, a 3.03% decrease from the 7.6% we saw a year ago and lower than last quarter's rate of 7.72%.
- **Lease Rates** – The average asking triple net lease rate was \$.47 per square foot per month this quarter. This is a decrease of 6% when compared to last year's asking rate of \$.50 and the same as last quarter's rate.
- **Absorption** – Net absorption for the Central Los Angeles posted a negative 193,487 square feet for the third quarter of 2010, giving the industrial market an average of about 122,585 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 2 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 the past two quarters, posting a combined total of 7.5 million square feet of activity compared to the 3.7 million square feet transacted in the same two quarters last year. Details of the largest transactions can be found on the back page of this report.
- **Employment** – The unemployment rate in Los Angeles County was 12.6% in August 2010, up from a revised 12.4% in July 2010 and above the year ago estimate of 12.1%. This compares with an unadjusted unemployment rate of 12.4% for California and 9.6% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County lost 39,400 payroll jobs over the last twelve months — 22,600 in government and 13,300 in manufacturing. However, information showed a year-over-year gain of 20,800 jobs. Between July 2010 and August 2010, Los Angeles County employment declined by 12,800 jobs.
- **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

	3Q2010	2Q2010	3Q2009	% CHANGE vs. 3Q2009
Vacancy Rate	3.88%	3.81%	3.86%	0.52%
Availability Rate	7.37%	7.72%	7.60%	(3.03%)
Average Asking Lease Rate	\$0.47	\$0.47	\$0.50	(6.00%)
Sale & Lease Transactions	3,609,818	8,024,858	5,240,072	(31.11%)
Gross Absorption	2,333,992	2,553,481	1,779,295	31.18%
Net Absorption	(193,487)	214,973	(718,519)	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 3Q2010	Square Feet Available	Availability Rate 3Q2010	Average Asking Lease Rate	Net Absorption 3Q2010	Net Absorption 2010	Gross Absorption 3Q2010	Gross Absorption 2010
<b>Commerce Submarket</b>													
10,000 – 29,999	638	11,570,102	0	53,631	491,854	4.25%	869,970	7.52%	\$0.68	(61,238)	(151,473)	84,130	319,016
30,000 – 49,999	273	10,393,756	0	0	291,605	2.81%	837,504	8.06%	\$0.54	16,613	162,491	95,358	405,919
50,000 – 99,999	217	14,770,228	0	229,955	758,461	5.14%	1,089,506	7.38%	\$0.45	27,921	(94,408)	390,283	672,261
100,000 – 199,999	129	18,332,854	0	0	1,442,342	7.87%	2,066,144	11.27%	\$0.46	(253,260)	(456,966)	195,581	555,316
200,000 – 299,999	40	9,346,250	0	0	588,747	6.30%	933,672	9.99%	\$0.49	30,219	15,248	123,619	342,106
300,000+	32	12,580,029	0	0	1,052,808	8.37%	2,236,805	17.78%	\$0.55	(130,954)	(401,176)	2,556	2,556
<b>Total</b>	<b>1,329</b>	<b>76,993,219</b>	<b>0</b>	<b>283,586</b>	<b>4,625,817</b>	<b>6.01%</b>	<b>8,033,601</b>	<b>10.43%</b>	<b>\$0.50</b>	<b>(370,699)</b>	<b>(926,284)</b>	<b>891,527</b>	<b>2,297,174</b>
<b>Downtown Submarket</b>													
10,000 – 29,999	1,610	26,816,860	0	50,732	867,781	3.24%	1,374,033	5.12%	\$0.69	(137,349)	(27,315)	215,498	777,739
30,000 – 49,999	393	14,900,772	0	33,993	673,831	4.52%	1,165,311	7.82%	\$0.78	67,088	(32,991)	189,208	505,793
50,000 – 99,999	332	22,072,529	0	0	878,359	3.98%	1,741,662	7.89%	\$0.56	674	(109,312)	138,608	338,771
100,000 – 199,999	90	11,440,196	0	0	211,340	1.85%	572,868	5.01%	\$1.01	7,392	65,540	46,148	182,455
200,000 – 299,999	13	3,291,184	0	0	101,420	3.08%	162,340	4.93%	\$0.00	0	229,000	0	249,000
300,000+	15	8,792,949	0	0	1,500	0.02%	41,500	0.47%	\$0.00	0	1,000	0	1,000
<b>Total</b>	<b>2,453</b>	<b>87,314,490</b>	<b>0</b>	<b>0</b>	<b>2,734,231</b>	<b>3.13%</b>	<b>5,057,714</b>	<b>5.79%</b>	<b>\$0.47</b>	<b>(62,195)</b>	<b>125,922</b>	<b>589,462</b>	<b>2,054,758</b>
<b>Vernon Submarket</b>													
10,000 – 29,999	797	13,963,126	0	33,090	324,337	2.32%	867,728	6.21%	\$0.68	40,427	140,031	174,492	649,800
30,000 – 49,999	344	13,192,582	0	82,821	283,693	2.15%	791,181	6.00%	\$0.46	78,392	(53,748)	107,348	277,752
50,000 – 99,999	334	22,828,509	0	233,035	1,175,269	5.15%	2,119,499	9.28%	\$0.51	44,740	221,259	363,475	1,058,456
100,000 – 199,999	145	19,346,976	0	100,800	411,474	2.13%	1,046,376	5.41%	\$0.46	164,300	367,132	207,688	667,603
200,000 – 299,999	47	11,121,735	0	213,000	417,824	3.76%	1,033,687	9.29%	\$0.66	(88,452)	138,622	0	252,216
300,000+	23	12,662,886	0	0	27,500	0.22%	27,500	0.22%	\$0.00	0	(27,500)	0	0
<b>Total</b>	<b>1,690</b>	<b>93,115,814</b>	<b>0</b>	<b>0</b>	<b>2,640,097</b>	<b>2.84%</b>	<b>5,885,971</b>	<b>6.32%</b>	<b>\$0.43</b>	<b>239,407</b>	<b>785,796</b>	<b>853,003</b>	<b>2,905,827</b>
<b>LA Central Total</b>													
10,000 – 29,999	3,045	52,350,088	0	137,453	1,683,972	3.22%	3,111,731	5.94%	\$0.52	(158,160)	(38,757)	474,120	1,746,555
30,000 – 49,999	1,010	38,487,110	0	116,814	1,249,129	3.25%	2,793,996	7.26%	\$0.53	162,093	75,752	391,914	1,189,464
50,000 – 99,999	883	59,671,266	0	462,990	2,812,089	4.71%	4,950,667	8.30%	\$0.46	73,335	17,539	892,366	2,069,488
100,000 – 199,999	364	49,120,026	0	100,800	2,065,156	4.20%	3,685,388	7.50%	\$0.38	(81,568)	(24,294)	449,417	1,405,374
200,000 – 299,999	100	23,759,169	0	213,000	1,107,991	4.66%	2,129,699	8.96%	\$0.35	(58,233)	382,870	123,619	843,322
300,000+	70	34,035,864	0	0	1,081,808	3.18%	2,305,805	6.77%	\$0.40	(130,954)	(427,676)	2,556	3,556
<b>Total</b>	<b>5,472</b>	<b>257,423,523</b>	<b>0</b>	<b>283,586</b>	<b>10,000,145</b>	<b>3.88%</b>	<b>18,977,286</b>	<b>7.37%</b>	<b>\$0.47</b>	<b>(193,487)</b>	<b>(14,566)</b>	<b>2,333,992</b>	<b>7,257,759</b>

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 Per SF	Buyer	Seller
8457-8467 S. Eastern Ave. - 2 Properties	Bell Gardens	263,402	\$58.85	Industrial Income Trust	Realty Associates Fund V, LP
5000-5050 Pacific Blvd. - 4 Properties	Vernon	282,184	\$38.98	Xebec Realty Partners	Barry-Wehmler Companies, Inc.
2721 E. 45th St.	Vernon	97,692	\$84.52	OKK Trading, Inc.	Paramount Imports
4380 Ayers Ave.	Vernon	113,500	\$70.48	CenterPoint Properties	Master Development Corporation, Inc.
2901-2921 Saco St. - 2 Properties	Vernon	72,743	\$70.71	Modernica	June Linkon

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
1444 S. Alameda St. - Renewal	Los Angeles	354,809	August-10	GUESS?, Inc.	1444 Partners LTD
5500 E. Slauson Ave.	City of Commerce	139,857	July-10	Carrini, Inc.	AMB Property Corporation
6250-6270 Boyle Ave.	Vernon	133,444	September-10	Mirage Bottling	First Industrial Realty Trust, Inc.
5000-5050 Pacific Blvd.	Vernon	128,951	July-10	Angelus Sanitary Can Company	Xebec Realty Partners
4900 Pacific Blvd., Building 1	Vernon	89,541	July-10	Angeles Service Group	Xebec Realty Partners

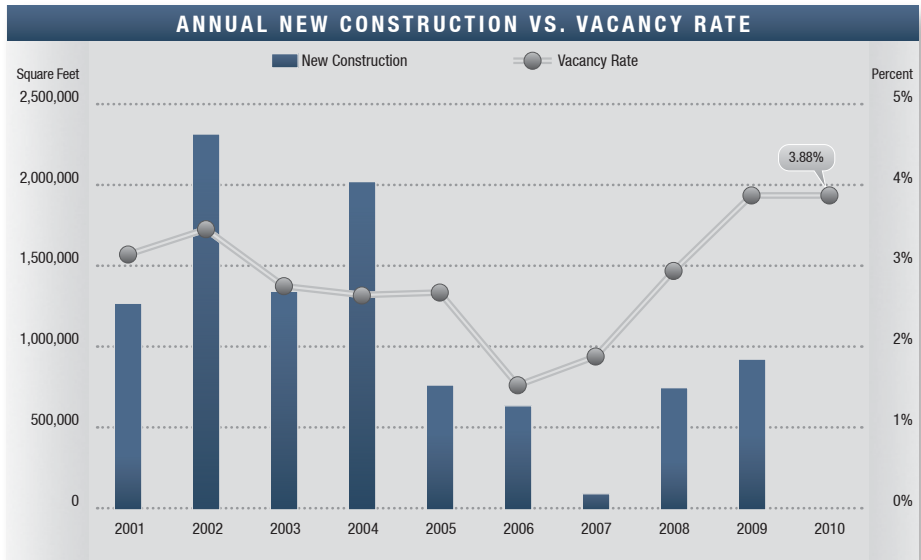
Product Type

MFG./DIST.

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