



Voit
Real Estate Services

Industrial Market Report

Compared to last quarter:



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Prepared by:
Jerry J. Holdner, Jr. — Lic.#01145748
Vice President of Market Research
VOIT Real Estate Services — Lic.#01333376
e-mail: jholdner@voitco.com

Market Highlights

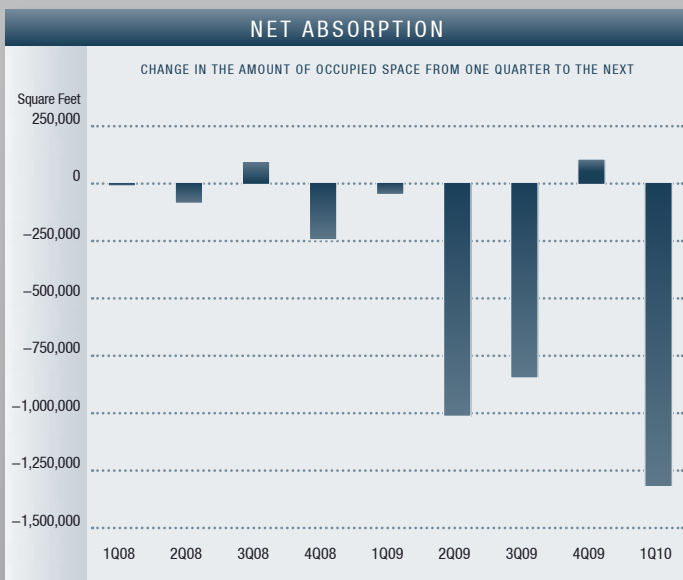
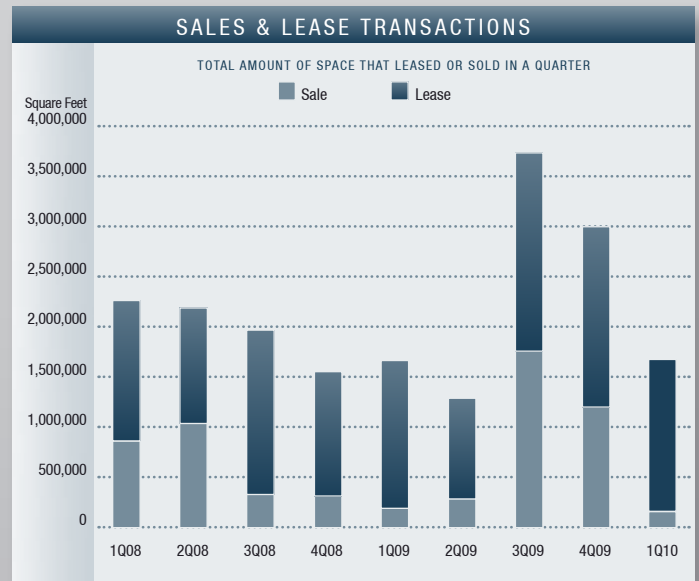
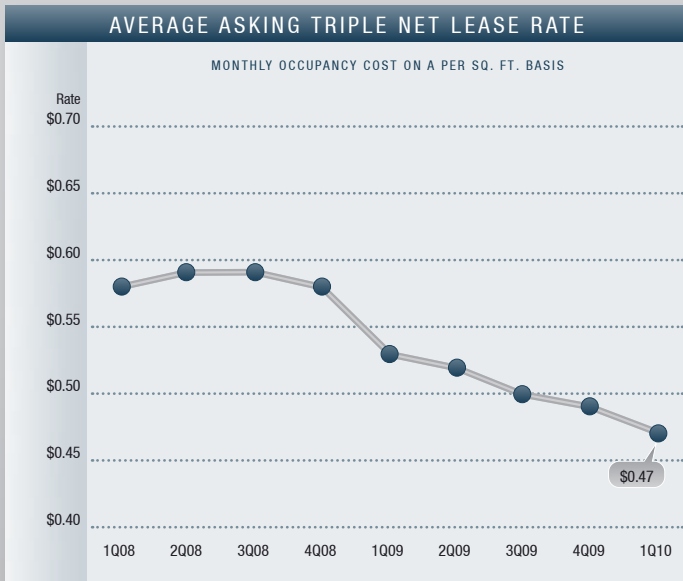
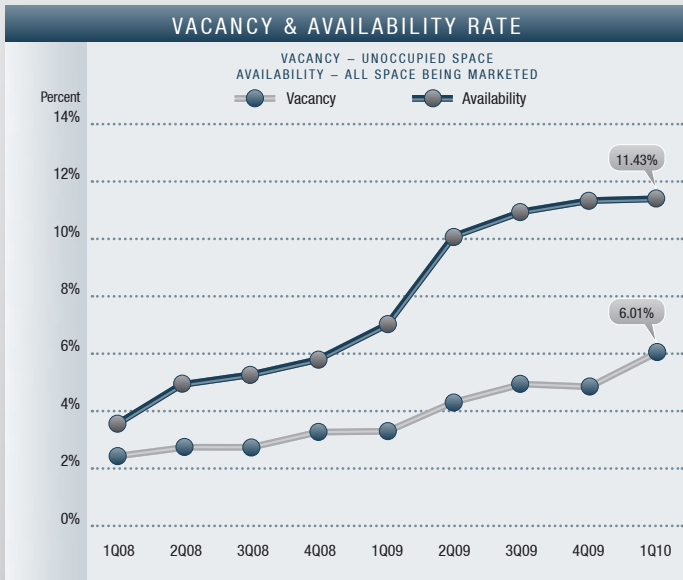
- ◆ **Market Challenges** - Many users/investors have concerns with increasing vacancy, tenant delinquencies, economic uncertainty and volatility, and the gap between "ask" and "bid" pricing. However, the ask-bid gap appears to be diminishing, apparent from the increase in sales activity at the end of last year. Another challenge for the Industrial market is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn are putting an upward pressure on vacancy rates. To avoid failures many tenants are requesting rent relief from landlords, which is leading landlords to renegotiate loan terms with lenders.
- ◆ **Construction** - Currently, there are no Industrial projects under construction in the Mid Counties, due to lack of demand. The shrinking availability of land, combined with the high land prices, scarce financing and rising construction costs, has led to few projects being developed.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the year at 6.01%, which is higher than the year ago rate of 3.31%. The Santa Fe Springs submarket currently has a vacancy rate 6.35%. The Santa Fe Springs market represents almost half of all Industrial buildings in the Mid Counties.
- ◆ **Availability** - Direct / sublease space being marketed was 11.43% this quarter, up from the 7.04% we saw this same quarter last year. This is a 62.36% increase of new space being marketed when compared to the same quarter last year.
- ◆ **Lease Rates** - The average asking triple net 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 two cents lower than last quarter.
- ◆ **Absorption** - Net absorption for the Mid Counties posted a negative 1.3 million square feet for the first quarter of 2010, giving the industrial market an average of about 630,000 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 1.5 million square feet. This increase can be attributed to the recent trend of short-term deals coupled with lease renegotiations. Sales activity showed a decrease over last quarter, posting only 146,229 square feet of activity compared to the fourth quarter's 1.2 million square feet. Details of the largest transactions can be found on the back page of this report.
- ◆ **Unemployment** - The unemployment rate in Los Angeles County was 12.4% in February 2010, down from a revised 12.5% in January 2010, and above the year ago estimate of 10.5%. This compares with an unadjusted unemployment rate of 12.5% for California and 9.7% for the nation during the same period.
- ◆ **Employment** - According to the State of California Employment Development Department, Los Angeles County lost 137,300 payroll jobs over the last twelve months - 32,000 in retail trade, transportation & utilities services and 30,000 in manufacturing. However, educational and health services showed a year-over-year gain of 13,100 jobs. Between January 2010 and February 2010, Los Angeles County gained 24,300 jobs.
- ◆ **Overall** - We are beginning to see a decrease in the amount of available space being added per quarter. Though negative absorption continues, with few new deliveries in the pipeline to put more upward pressure on vacancies, the market should begin to stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, relocation funds and tenant improvement allowances should continue to increase to incentivize tenants to act immediately. We should see an increase in leasing activity as many short-term deals come up for renewal and as job creation begins in the second half of 2010. Once job creation turns positive and consumer confidence stabilizes, the Industrial market will again turn positive.

MID COUNTIES MARKET OVERVIEW

	1Q2010	4Q2009	1Q2009	% CHANGE VS. 1Q2009
Vacancy Rate	6.01%	4.89%	3.31%	81.57%
Availability Rate	11.43%	11.36%	7.04%	62.36%
Average Asking Lease Rate	\$0.47	\$0.49	\$0.53	(11.32%)
Sale & Lease Transactions	1,661,956	2,988,542	1,648,293	0.83%
Gross Absorption	1,903,428	1,478,773	2,182,623	(12.79%)
Net Absorption	(1,313,991)	103,364	(46,868)	N/A



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	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2010	Square Feet Available	Availability Rate 1Q2010	Average Asking Lease Rate	Net Absorption 1Q2010	Net Absorption 2009	Gross Absorption 1Q2010	Gross Absorption 2009
Artesia / Cerritos													
10,000 – 29,999	106	2,020,282	0	0	171,677	8.50%	159,702	7.90%	\$0.51	(8,697)	(21,983)	30,807	118,399
30,000 – 49,999	61	2,415,620	0	0	230,891	9.56%	519,054	21.49%	\$0.44	(40,729)	(61,228)	5,840	149,989
50,000 – 99,999	56	3,686,557	0	0	277,826	7.54%	507,901	13.78%	\$0.45	154,902	(29,614)	167,818	285,271
100,000 – 199,999	30	3,998,138	0	0	297,462	7.44%	668,337	16.72%	\$0.34	(23,539)	(157,694)	112,600	222,954
200,000 – 299,999	4	991,766	0	0	220,000	22.18%	220,000	22.18%	\$0.00	0	0	0	0
300,000+	1	309,934	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Artesia / Cerritos Total	258	13,422,297	0	0	1,197,856	8.92%	2,074,994	15.46%	\$0.42	81,937	(270,519)	317,065	776,613
Bellflower / Downey													
10,000 – 29,999	126	2,116,871	0	0	52,684	2.49%	104,859	4.95%	\$0.60	0	(21,800)	2,400	72,000
30,000 – 49,999	18	699,094	0	0	31,861	4.56%	39,101	5.59%	\$0.44	3,198	(13,155)	15,728	26,208
50,000 – 99,999	15	1,010,127	0	0	48,672	4.82%	110,984	10.99%	\$0.00	11,520	(52,128)	19,908	26,208
100,000 – 199,999	7	1,016,693	0	0	0	0.00%	174,380	17.15%	\$0.00	0	0	0	19,329
200,000 – 299,999	2	528,153	0	0	0	0.00%	250,643	47.46%	\$0.00	0	0	0	0
300,000+	1	315,705	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Bellflower / Downey Total	169	5,686,643	0	0	133,217	2.34%	679,967	11.96%	\$0.45	14,718	(87,083)	38,036	143,745
Buena Park / La Palma													
10,000 – 29,999	86	1,569,377	0	0	119,699	7.63%	187,642	11.96%	\$0.65	(13,546)	(85,179)	33,304	67,264
30,000 – 49,999	32	1,209,163	0	36,736	123,000	10.17%	182,129	15.06%	\$0.33	0	(123,000)	0	34,292
50,000 – 99,999	40	2,811,171	0	0	142,430	5.07%	357,523	12.72%	\$0.49	(67,350)	(67,350)	0	0
100,000 – 199,999	19	2,560,074	0	0	75,000	2.93%	242,217	9.46%	\$0.57	0	0	0	0
200,000 – 299,999	12	3,122,757	0	0	131,280	4.20%	223,972	7.17%	\$0.43	0	(131,280)	0	218,640
300,000+	9	4,535,029	0	0	0	0.00%	511,142	11.27%	\$0.54	374,410	0	374,410	821,466
Buena Park / La Palma Total	199	15,868,512	0	36,736	1,061,172	6.69%	1,941,026	12.23%	\$0.49	(469,763)	(406,809)	325,387	1,141,662
La Mirada													
10,000 – 29,999	66	1,198,602	0	0	89,753	7.49%	99,753	8.32%	\$0.80	(2,160)	(23,555)	3,024	44,742
30,000 – 49,999	33	1,264,280	0	0	0	0.00%	89,474	7.08%	\$0.62	0	9,088	0	9,088
50,000 – 99,999	43	3,026,787	0	0	215,585	7.12%	435,736	14.40%	\$0.51	(25,837)	12,797	79,863	201,948
100,000 – 199,999	26	3,492,039	0	0	347,834	9.96%	455,410	13.04%	\$0.44	(53,126)	(32,097)	69,034	514,937
200,000 – 299,999	14	3,287,227	0	0	86,846	2.64%	60,783	1.85%	\$0.45	(60,783)	21,604	0	21,604
300,000+	2	935,369	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
La Mirada Total	184	13,204,304	0	0	740,018	5.60%	1,141,156	8.64%	\$0.49	(141,906)	(12,163)	151,921	792,319
Norwalk													
10,000 – 29,999	33	565,157	0	0	9,514	1.68%	88,205	15.61%	\$0.49	1,728	15,850	1,728	69,462
30,000 – 49,999	6	253,561	0	0	28,660	11.30%	28,660	11.30%	\$0.48	0	(8,000)	0	0
50,000 – 99,999	13	882,769	0	0	60,000	6.80%	164,561	18.64%	\$0.44	0	(60,000)	0	0
100,000 – 199,999	9	1,175,104	0	0	63,253	5.38%	116,154	9.88%	\$0.52	0	(63,253)	0	0
200,000 – 299,999	1	216,268	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
Norwalk Total	62	3,092,859	0	0	161,427	5.22%	397,580	12.85%	\$0.49	1,728	(115,403)	1,728	69,462
Paramount													
10,000 – 29,999	224	3,895,617	0	0	267,378	6.86%	335,380	8.61%	\$0.59	(67,091)	(32,276)	67,298	178,278
30,000 – 49,999	47	1,785,852	0	0	94,237	5.28%	90,754	5.08%	\$0.00	(20,001)	24,660	8,380	42,123
50,000 – 99,999	20	1,435,587	0	0	15,828	1.10%	72,912	5.08%	\$0.00	14,073	57,828	14,073	90,379
100,000 – 199,999	7	1,046,219	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
200,000 – 299,999	3	713,768	0	0	27,062	3.79%	27,062	3.79%	\$0.65	8,003	(35,065)	99,690	0
300,000+	1	551,897	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	551,897
Paramount Total	302	9,428,940	0	0	404,505	4.29%	526,108	5.58%	\$0.62	(65,016)	15,147	189,441	862,677
Santa Fe Springs													
10,000 – 29,999	639	10,950,195	0	0	506,110	4.62%	823,795	7.52%	\$0.57	36,112	(270,925)	124,914	337,557
30,000 – 49,999	180	7,024,023	0	0	353,762	5.04%	591,787	8.43%	\$0.63	(18,036)	(83,511)	87,720	241,863
50,000 – 99,999	148	10,284,772	0	0	486,012	4.73%	993,734	9.66%	\$0.44	(40,742)	(158,089)	194,898	535,691
100,000 – 199,999	89	11,837,668	0	0	1,089,314	9.20%	1,843,184	15.57%	\$0.44	(218,283)	(570,884)	253,490	411,267
200,000 – 299,999	28	6,829,676	0	0	229,893	3.37%	1,122,501	16.44%	\$0.42	0	46,137	101,400	396,261
300,000+	12	5,480,471	0	0	661,600	12.07%	784,920	14.32%	\$0.39	(524,270)	(137,330)	84,200	0
Santa Fe Springs Total	1,096	52,406,805	0	0	3,326,691	6.35%	6,159,921	11.75%	\$0.46	(765,219)	(1,174,602)	846,622	1,922,639
Whittier													
10,000 – 29,999	91	1,495,837	0	0	38,259	2.56%	44,339	2.96%	\$0.66	18,563	(32,167)	20,396	31,104
30,000 – 49,999	19	729,356	0	0	9,375	1.29%	17,641	2.42%	\$0.00	3,767	(9,357)	5,632	6,985
50,000 – 99,999	13	824,847	0	0	0	0.00%	142,322	17.25%	\$0.39	0	0	0	0
100,000 – 199,999	6	772,998	0	0	5,820	0.75%	4,380	0.57%	\$0.00	7,200	140,060	7,200	209,402
200,000 – 299,999	4	854,358	0	0	0	0.00%	332,257	38.89%	\$0.48	0	0	0	0
300,000+	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Whittier Total	133	4,677,396	0	0	53,454	1.14%	540,939	11.56%	\$0.46	29,530	98,536	33,228	247,491
Mid Counties Total													
10,000 – 29,999	1,371	23,815,046	0	0	1,239,317	5.20%	1,814,041	7.62%	\$0.56	(5,788)	(472,035)	289,029	918,806
30,000 – 49,999	396	15,388,918	0	36,736	883,829	5.74%	1,606,410	10.44%	\$0.53	(83,844)	(264,503)	199,300	510,548
50,000 – 99,999	349	24,012,481	0	0	1,312,863	5.47%	2,837,673	11.82%	\$0.45	47,406	(296,556)	476,560	1,139,497
100,000 – 199,999	193	25,898,933	0	0	1,878,683	7.25%	3,408,924	13.16%	\$0.43	(287,748)	(683,868)	442,324	1,377,889
200,000 – 299,999	68	16,543,973	0	0	887,081	5.36%	2,794,756	16.89%	\$0.46	(244,780)	(98,604)	201,090	636,505
300,000+	26	12,128,405	0	0	876,567	7.23%	999,887	8.24%	\$0.52	(739,237)	(137,330)	295,125	1,373,363
Total	2,403	117,787,756	0	36,736	7,078,340	6.01%	13,461,691	11.43%	\$0.47	(1,313,991)	(1,952,896)	1,903,428	5,956,608

This survey consists of properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a triple net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price	Buyer	Seller
6350 Altura Blvd.	Buena Park	40,000	Confidential	L. D. Hardas	Hager Pacific
14365 Macaw St. – 2 Properties	La Mirada	38,674	\$2,707,180	Solid State Devices, Inc.	Turner Riverwalk– 2, LLC
7422 Walnut Ave.	Buena Park	21,093	\$2,214,765	Amador Investments, LLC	Service First Corporation
16712 Pioneer Blvd.	Artesia	8,400	\$1,740,000	Artesia Housing Authority	Taek K & Jung O Ju
6970–6980 Hermosa Cir.	Buena Park	11,900	\$1,414,700	Wada Investments, LLC	Lenk Investments

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
14350 Garfield Ave. – Renewal	Paramount	99,690	March–10	CORT Clearance Center	AEW Paramount Industrial
16200 Commerce Way – Sublease	Cerritos	71,048	January–10	Kranson Industries	Fuji Film Graphics
13930 Mica St. – Renewal	Santa Fe Springs	61,410	February–10	Capitol Distribution Company	Prologis
15160–15240 Spring Ave. – Renewal	Santa Fe Springs	52,179	March–10	Perk Up	Prologis
6245 Descanso Cir.	Buena Park	42,283	January–10	CDS Events	Bill Maloney

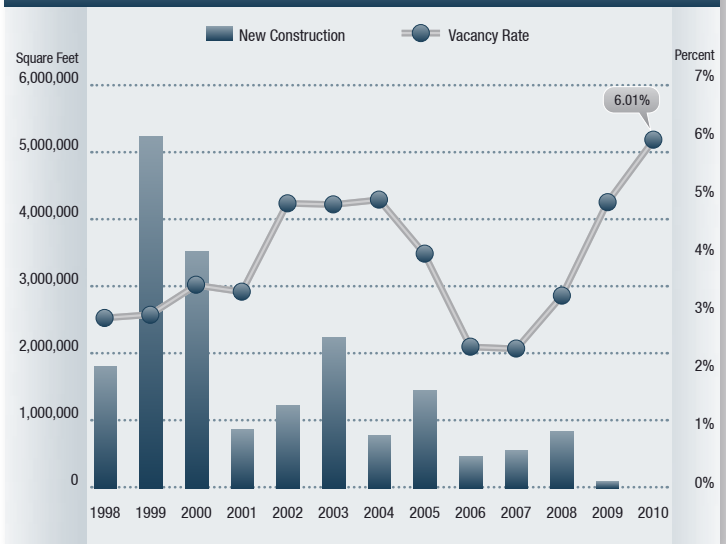
Product Type

MFG./DIST.

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



ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



For further information, please contact:

<p>ANAHEIM METRO OFFICE 3500 W. Orangewood Ave. Orange, CA 92868-1642 TEL: 714.978.7880 FAX: 714.978.9431</p>	<p>IRVINE OFFICE 2020 Main St. Suite 100 Irvine, CA 92614 TEL: 949.851.5100 FAX: 949.261.9092</p>	<p>LAS VEGAS OFFICE 10100 W. Charleston Blvd. Suite 200 Las Vegas, NV 89135 TEL: 702.734.4500 FAX: 702.733.7690</p>	<p>NEWPORT BEACH OFFICE 101 Shipyard Way Suite M Newport Beach, CA 92663 TEL: 949.644.8648 FAX: 949.644.8695</p>	<p>SAN DIEGO OFFICE 4370 La Jolla Village Dr. Suite 990 San Diego, CA 92122-1233 TEL: 858.453.0505 FAX: 858.453.1981</p>
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