



Voit
Real Estate Services

Industrial Market Report

Compared to last quarter:



Market Highlights

- ◆ **Market Challenges** - The Mid Counties Industrial market is facing challenges due to the national recession. The primary concerns are as follows: increasing vacancy, tenant delinquencies, scarce financing, economic uncertainty and volatility, and the gap between "ask" and "bid" pricing between buyers and sellers. However, that gap appears to be diminishing, which is evident from some recent large sales that occurred in the second quarter. Another challenge the industrial market is facing is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn has put upward pressure on vacancy and availability rates. These contractions have led to many tenants requesting rent relief from landlords, and owners to attempt to renegotiate loan terms with lenders.
- ◆ **Construction** - Currently, there are only two Industrial projects under construction in the Mid-Counties totaling 89,057 square feet, 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 in this infill market.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 4.54%, which is higher than it was a year ago when it was 2.88%. The Santa Fe Springs submarket has a lower vacancy rate coming in at 3.99%. The Santa Fe Springs market represents almost half of all Industrial buildings in the Mid-Counties.
- ◆ **Availability** - Direct/sublease space being marketed was 9.89% this quarter, up from the 5.15% we saw this same quarter last year. This is almost double the amount of new space being marketed when compared to the same quarter last year.
- ◆ **Lease Rates** - The average asking triple net lease rate is \$.52 cents per square foot per month this quarter. This is a decrease of 11.86% when compared to last year's asking rate of \$.59 and one cent lower than last quarter.
- ◆ **Absorption** - Net absorption for the Mid Counties posted a

negative one million square feet for the second quarter of 2009, giving the industrial market a total of 1.25 million square feet of negative absorption for the first two quarters of the year.

- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 400,273 million square feet. The average amount of leasing per quarter over the past nine quarters was 1.3 million square feet. Sales activity showed a significant increase over last quarter, posting 261,587 square feet of activity compared to the first quarter's 148,026 square feet, demonstrating increased interest in industrial properties changing hands. Details of the largest transactions can be found on the back page of this report.
- ◆ **Unemployment** - The unemployment rate in Los Angeles County was 11.6% in May 2009, up from a revised 10.9% in April 2009, and above the year ago estimate of 7.1%. This compares with an unadjusted unemployment rate of 11.2% for California and 9.1% for the nation during the same period.
- ◆ **Employment** - According to the State of California Employment Development Department, Los Angeles County lost 183,600 payroll jobs over the last twelve months – 39,900 in retail trade, transportation and utilities services, 37,000 in manufacturing & 22,400 in construction. However, Educational and health services showed a year over year gain of 12,200 jobs. Between April 2009 and May 2009 Los Angeles County lost 14,500 jobs.
- ◆ **Overall** - The industrial market has not reached the bottom nor has it begun to improve, but we are starting to see a moderate increase in sales activity. Lease rates are expected to remain soft for the foreseeable future, and concessions should continue to increase in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances to incentivize tenants to act now. We should see an increase in activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.

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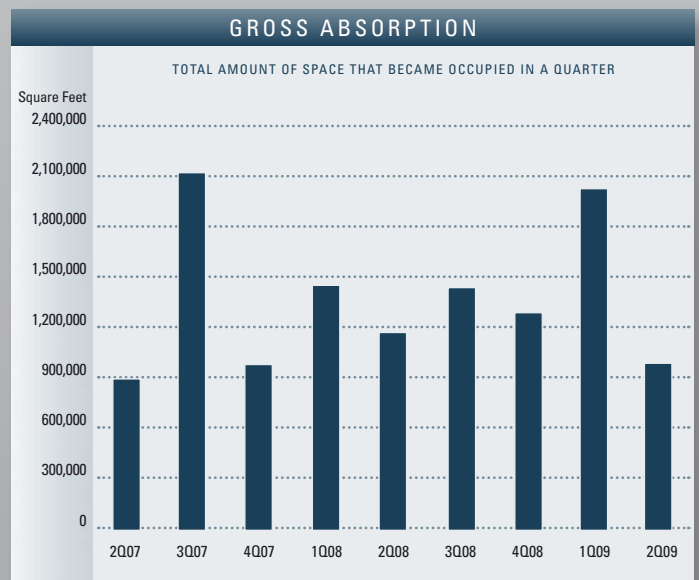
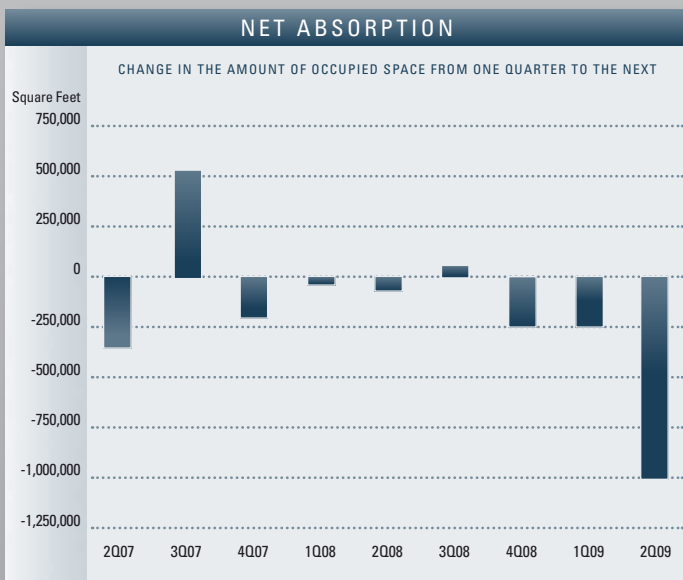
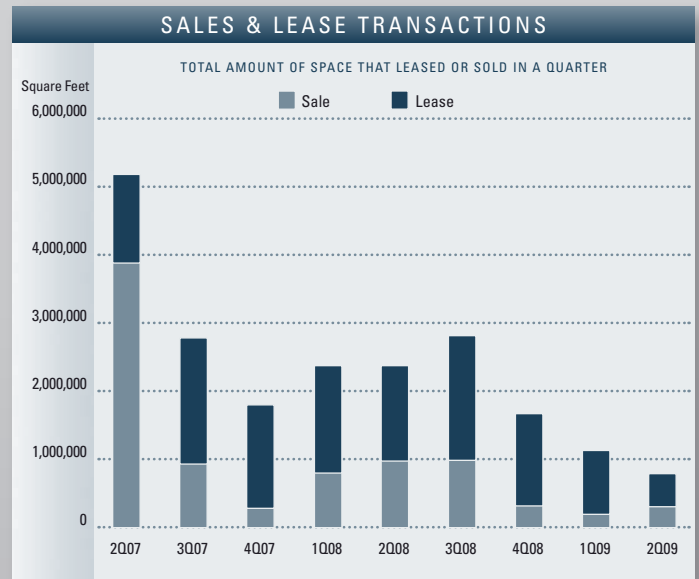
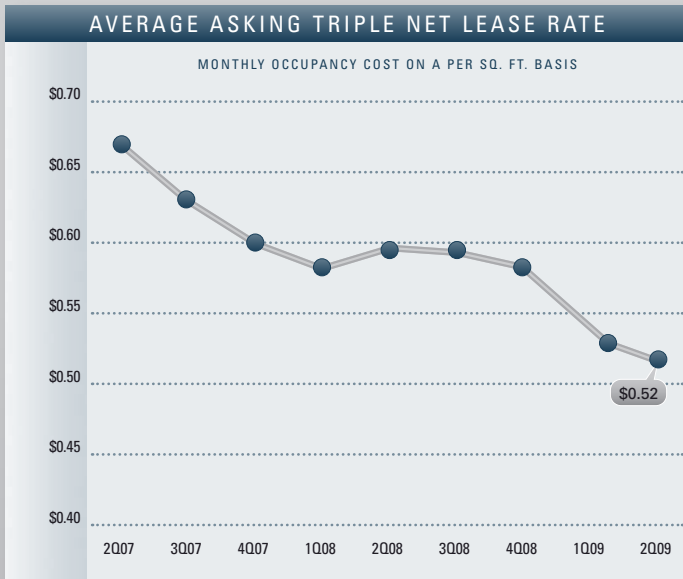
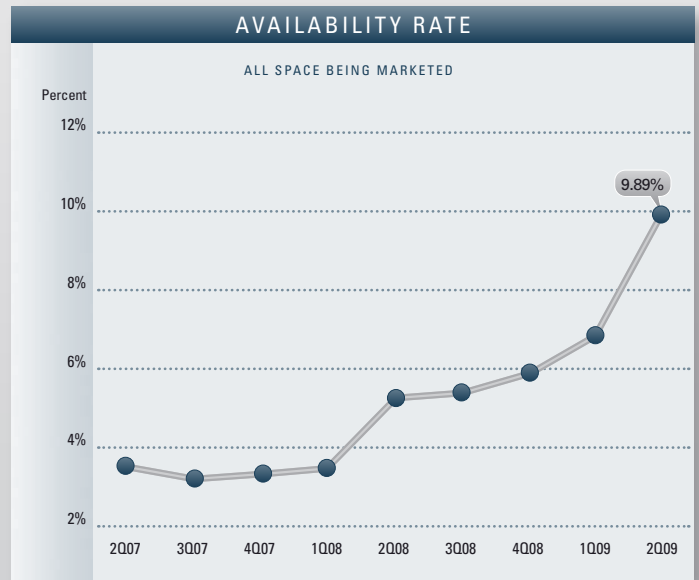
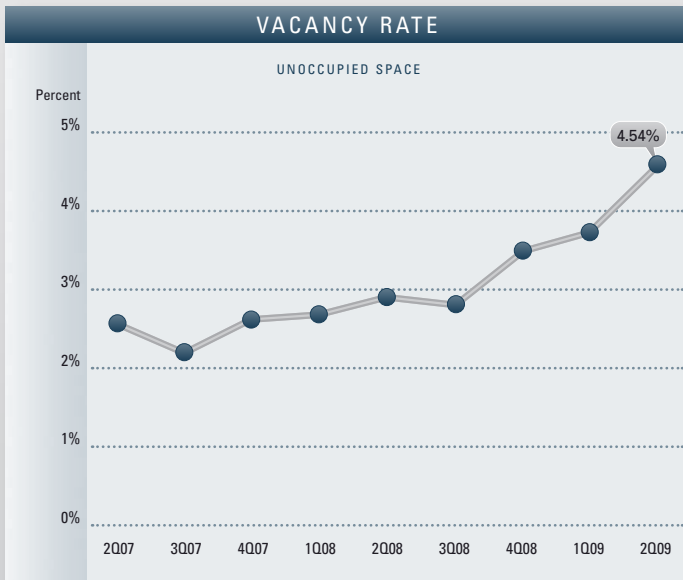
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MID COUNTIES MARKET OVERVIEW

	2Q2009	1Q2009	2Q2008	% CHANGE VS. 2008
Vacancy	4.54%	3.70%	2.88%	57.64%
Availability	9.89%	6.94%	5.15%	92.04%
Average Asking Lease Rate	\$0.52	\$0.53	\$0.59	-11.86%
Sale & Lease Transactions	661,860	1,134,015	2,325,868	-71.54%
Net Absorption	-1,000,089	-252,452	-76,703	N/A
Gross Absorption	988,393	2,014,149	1,166,365	-15.26%

Real People. Real Solutions.



INVENTORY
VACANCY & LEASE RATES
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2009	Square Feet Available	Availability Rate 2Q2009	Average Asking Lease Rate	Net Absorption 2Q2009	Net Absorption 2009	Gross Absorption 2Q2009	Gross Absorption 2009
Artesia / Cerritos													
10,000 - 29,999	107	2,030,435	0	0	170,509	8.40%	236,510	11.65%	\$0.55	(63,672)	(29,512)	22,317	61,337
30,000 - 49,999	62	2,452,586	0	0	244,750	9.98%	322,528	13.15%	\$0.49	(36,285)	(115,816)	87,225	87,225
50,000 - 99,999	54	3,569,243	0	0	431,569	12.09%	492,315	13.79%	\$0.51	3,941	(17,346)	147,311	238,983
100,000 - 199,999	32	4,357,437	0	0	325,093	7.46%	742,462	17.04%	\$0.50	(89,538)	(80,864)	0	48,129
200,000 - 299,999	4	991,766	0	0	220,000	22.18%	220,000	22.18%	\$0.45	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	260	13,711,401	0	0	1,391,921	10.15%	2,013,815	14.69%	\$0.50	(185,554)	(243,538)	256,853	435,674
Bellflower / Downey													
10,000 - 29,999	125	2,096,571	0	0	74,153	3.54%	157,114	7.49%	\$0.72	(25,339)	(43,269)	2,790	26,407
30,000 - 49,999	18	699,094	0	0	51,157	7.32%	45,657	6.53%	\$0.62	(12,530)	(29,253)	0	0
50,000 - 99,999	14	937,480	0	0	69,948	7.46%	51,804	5.53%	\$0.60	(61,884)	(61,884)	0	8,064
100,000 - 199,999	7	957,301	0	0	0	0.00%	232,164	24.25%	\$0.00	0	0	0	0
200,000 - 299,999	2	528,153	0	0	0	0.00%	501,286	94.91%	\$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	167	5,534,304	0	0	195,258	3.53%	988,025	17.85%	\$0.63	(99,753)	(134,406)	2,790	34,471
Buena Park / La Palma													
10,000 - 29,999	84	1,538,785	0	0	87,598	5.69%	124,769	8.11%	\$0.82	(30,342)	(53,078)	8,450	9,750
30,000 - 49,999	31	1,160,963	0	36,376	0	0.00%	133,929	11.54%	\$0.43	0	0	34,292	34,292
50,000 - 99,999	41	2,870,985	0	0	75,080	2.62%	356,035	12.40%	\$0.49	0	0	0	0
100,000 - 199,999	19	2,560,134	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%	\$0.00	(131,280)	(131,280)	0	218,640
300,000+	9	4,534,979	0	0	274,088	6.04%	942,423	20.78%	\$0.48	0	0	0	0
Buena Park / La Palma Total	196	15,788,603	0	36,376	643,046	4.07%	2,023,345	12.82%	\$0.50	(161,622)	(184,358)	42,742	262,682
La Mirada													
10,000 - 29,999	67	1,216,885	0	0	82,083	6.75%	93,550	7.69%	\$0.80	25,576	(18,045)	32,400	35,600
30,000 - 49,999	33	1,264,280	0	0	0	0.00%	99,148	7.84%	\$0.65	0	9,088	0	9,088
50,000 - 99,999	44	3,146,037	0	0	130,941	4.16%	468,809	14.90%	\$0.54	(76,988)	71,604	0	187,038
100,000 - 199,999	25	3,353,982	0	0	316,010	9.42%	377,740	11.26%	\$0.51	(50,494)	(53,399)	11,760	162,219
200,000 - 299,999	15	3,483,706	0	0	26,996	0.77%	26,996	0.77%	\$0.00	0	20,671	0	20,671
300,000+	2	935,369	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
La Mirada Total	186	13,400,259	0	0	556,030	4.15%	1,066,243	7.96%	\$0.54	(101,906)	29,919	44,160	414,616
Norwalk													
10,000 - 29,999	33	570,493	0	0	23,416	4.10%	62,154	10.89%	\$0.62	(15,768)	3,676	28,080	49,252
30,000 - 49,999	6	253,561	0	0	28,660	11.30%	28,660	11.30%	\$0.55	(8,000)	(8,000)	0	0
50,000 - 99,999	13	898,007	0	0	60,000	6.68%	179,799	20.02%	\$0.51	(60,000)	(60,000)	0	0
100,000 - 199,999	9	1,175,104	0	0	0	0.00%	116,154	9.88%	\$0.58	0	0	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	3,113,433	0	0	112,076	3.60%	386,767	12.42%	\$0.54	(83,768)	(64,324)	28,080	49,252
Paramount													
10,000 - 29,999	224	3,860,036	0	0	164,568	4.26%	329,920	8.55%	\$0.67	(31,737)	3,120	39,803	98,516
30,000 - 49,999	45	1,717,105	0	0	80,195	4.67%	129,900	7.57%	\$0.00	18,807	12,751	18,807	24,913
50,000 - 99,999	21	1,498,903	0	0	76,463	5.10%	90,474	6.04%	\$0.51	(10,193)	11,266	6,530	27,989
100,000 - 199,999	6	890,869	0	0	0	0.00%	35,065	3.94%	\$0.65	0	0	0	0
200,000 - 299,999	2	513,568	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
300,000+	1	551,897	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	551,897
Paramount Total	299	9,032,378	0	0	321,226	3.56%	585,359	6.48%	\$0.61	(23,123)	27,137	65,140	703,315
Santa Fe Springs													
10,000 - 29,999	638	10,948,759	0	0	464,407	4.24%	812,687	7.42%	\$0.60	(113,029)	(200,383)	67,452	125,050
30,000 - 49,999	182	7,107,900	21,697	0	291,459	4.10%	517,925	7.29%	\$0.67	4,067	(22,500)	128,604	155,458
50,000 - 99,999	148	10,300,636	67,360	0	466,795	4.53%	687,391	6.67%	\$0.56	(12,437)	(246,974)	132,544	183,271
100,000 - 199,999	92	12,245,834	0	0	536,116	4.38%	1,289,152	10.53%	\$0.49	(139,444)	(252,569)	65,156	65,156
200,000 - 299,999	28	6,822,949	0	0	229,893	3.37%	551,143	8.08%	\$0.58	(81,588)	46,137	0	396,261
300,000+	13	5,812,000	0	0	137,330	2.36%	683,998	11.77%	\$0.42	(137,330)	(137,330)	0	0
Santa Fe Springs Total	1,101	53,238,078	89,057	0	2,126,000	3.99%	4,542,296	8.53%	\$0.54	(479,761)	(813,619)	393,756	925,196
Whittier													
10,000 - 29,999	88	1,433,979	0	0	34,840	2.43%	43,947	3.06%	\$0.00	(17,682)	(10,185)	1,792	22,391
30,000 - 49,999	21	813,681	0	0	8,832	1.09%	10,579	1.30%	\$0.00	0	(5,047)	0	1,865
50,000 - 99,999	15	965,842	0	0	0	0.00%	70,041	7.25%	\$0.39	0	0	0	0
100,000 - 199,999	7	909,961	0	0	7,200	0.79%	13,020	1.43%	\$0.00	153,080	145,880	153,080	153,080
200,000 - 299,999	4	832,221	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
Whittier Total	135	4,955,684	0	0	50,872	1.03%	137,587	2.78%	\$0.39	135,398	130,648	154,872	177,336
Mid Counties Total													
10,000 - 29,999	1,366	23,695,943	0	0	1,101,574	4.65%	1,860,651	7.85%	\$0.63	(271,993)	(347,676)	203,084	428,303
30,000 - 49,999	398	15,469,170	21,697	36,376	705,053	4.56%	1,288,326	8.33%	\$0.57	(33,941)	(158,777)	268,928	312,841
50,000 - 99,999	350	24,187,133	67,360	0	1,310,796	5.42%	2,396,668	9.91%	\$0.53	(217,561)	(303,334)	286,385	645,345
100,000 - 199,999	197	26,450,622	0	0	1,259,419	4.76%	3,047,974	11.52%	\$0.52	(126,396)	(240,952)	229,996	428,584
200,000 - 299,999	68	16,511,388	0	0	608,169	3.68%	1,523,397	9.23%	\$0.49	(212,868)	(64,472)	0	635,572
300,000+	27	12,459,884	0	0	411,418	3.30%	1,626,421	13.05%	\$0.47	(137,330)	(137,330)	0	551,897
Total	2,406	118,774,140	89,057	36,376	5,396,429	4.54%	11,743,437	9.89%	\$0.52	(1,000,089)	(1,252,541)	988,393	3,002,542

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
10261 Matern Place	Santa Fe Springs	42,624	\$5,000,000	RF MacDonald Company	Matern Investment Partners
8707 S Millergrove Drive	Santa Fe Springs	54,805	\$3,810,000	Custom Chemical	US Gypsum Company
13565 Freeway Drive	Santa Fe Springs	51,659	\$3,700,000	Aero Chip, Inc.	DM Whitedog LLC
15629 Clanton Circle	Santa Fe Springs	14,837	\$2,077,500	Process Fab, Inc.	SST Properties

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
16651 Knott Avenue	La Mirada	54,400	June-09	Herman Miller	Prudential Real Estate Investors
10215 Painter Avenue B-3	Santa Fe Springs	46,170	April-09	Dedicated Delivery Professionals	LIT Heritage Gateway, LLC
13845 Artesia Blvd.	Cerritos	45,768	April-09	Best Service Electronics	TA Associates Realty
6600 Caballero Blvd.	Buena Park	34,292	June-09	Del Valle, Kahman & Co.	Sierra Nevada Investment Corp

Product Type

MFG./DIST.

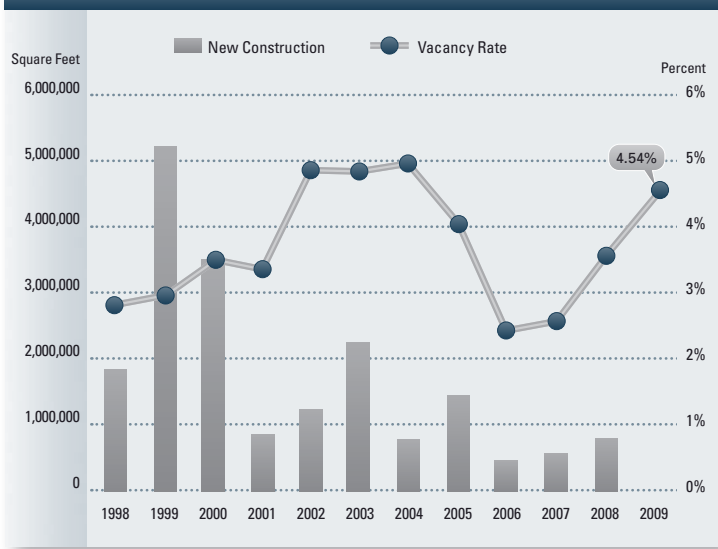
Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.



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ANNUAL NEW CONSTRUCTION VS. VACANCY RATE



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