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Industrial Market Report

Compared to last quarter:

Vacancy



Net Absorption



Availability



Lease Rates



Transactions



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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 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 quarter at 5.94%, which is higher than the year ago rate of 4.12%. The Santa Fe Springs submarket currently has a vacancy rate 6.53%. The Santa Fe Springs market represents almost half of all industrial buildings in the Mid Counties.
- ◆ **Availability** - Direct/sublease space being marketed was 10.21% this quarter, slightly up from the 9.95% we saw this same quarter last year. This is a 2.61% increase of new space being marketed when compared to the same quarter last year and lower than last quarter's rate of 11.28%.
- ◆ **Lease Rates** - The average asking triple net lease rate was \$.44 cents per square foot per month this quarter. This is a decrease of 20% when compared to last year's asking rate of \$.55 and three cents lower than last quarter.
- ◆ **Absorption** - Net absorption for the Mid Counties posted a negative 172,998 square feet for the second quarter of 2010, giving the industrial market an average of about 615,000 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.

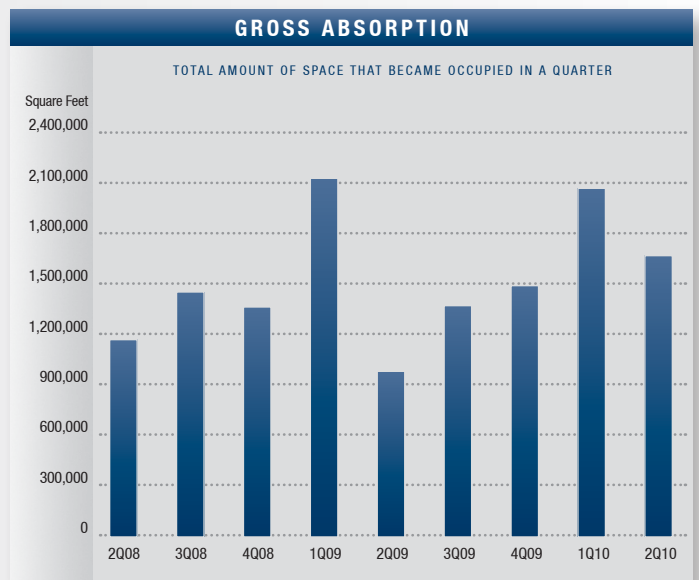
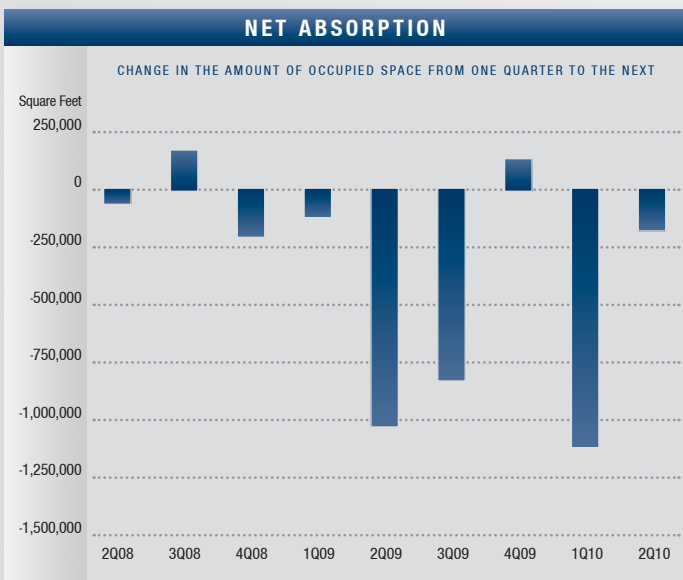
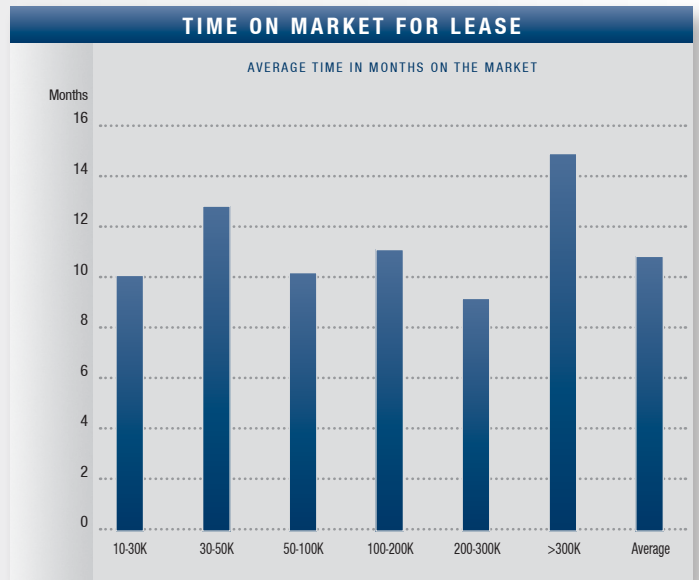
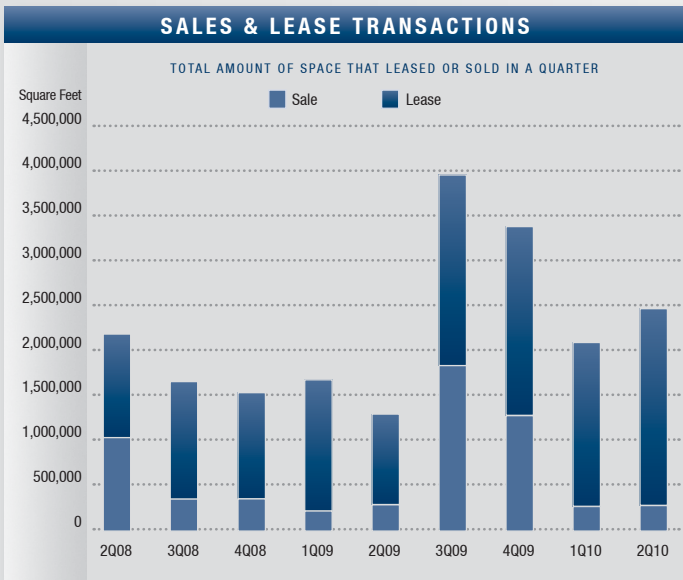
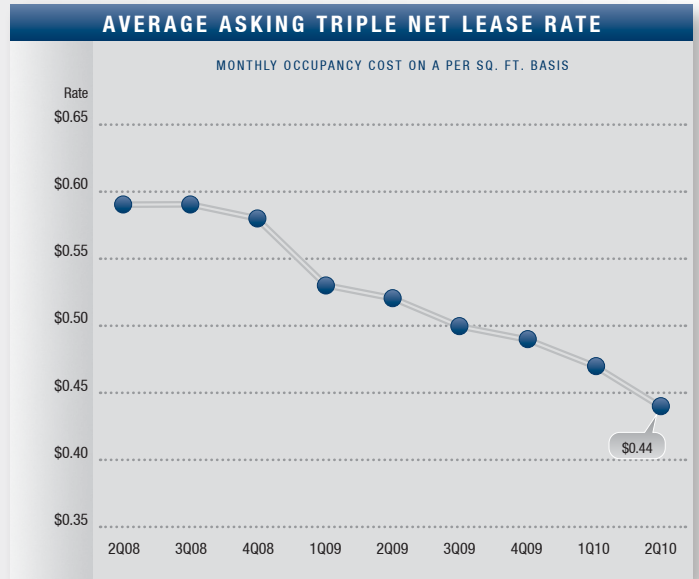
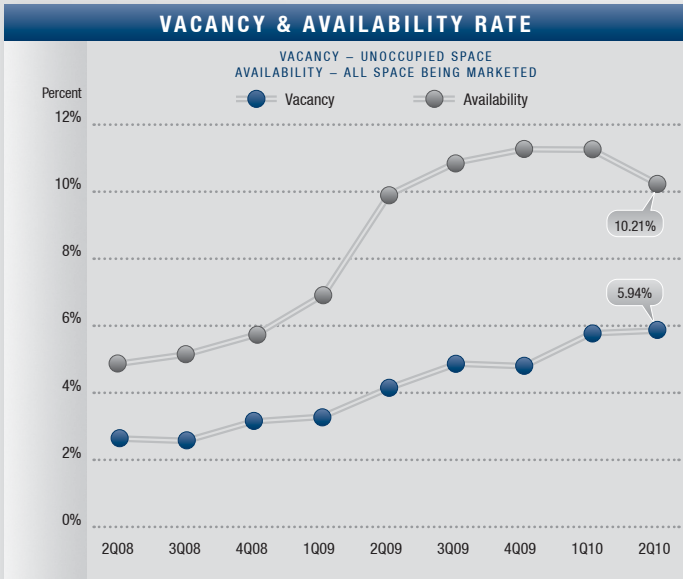
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 2.2 million square feet. This increase can be attributed to the recent trend of short-term deals coupled with lease renegotiations. Sales activity showed a slight increase over last quarter, posting 236,113 square feet of activity compared to the first quarter's 228,161 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. Between April 2010 and May 2010, Los Angeles County gained 6,500 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.

MID COUNTIES MARKET OVERVIEW

	2Q2010	1Q2010	2Q2009	% CHANGE vs. 2Q2009
Vacancy Rate	5.94%	5.79%	4.12%	44.17%
Availability Rate	10.21%	11.28%	9.95%	2.61%
Average Asking Lease Rate	\$0.44	\$0.47	\$0.55	(20.00%)
Sale & Lease Transactions	2,459,759	2,085,291	1,279,918	92.18%
Gross Absorption	1,670,637	2,077,195	987,033	69.26%
Net Absorption	(172,998)	(1,192,657)	(1,025,521)	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 2Q2010	Square Feet Available	Availability Rate 2Q2010	Average Asking Lease Rate	Net Absorption 2Q2010	Net Absorption 2010	Gross Absorption 2Q2010	Gross Absorption 2010
Artesia / Cerritos													
10,000 – 29,999	105	2,010,934	0	0	123,837	6.16%	138,859	6.91%	\$0.44	47,840	39,143	80,884	111,691
30,000 – 49,999	62	2,463,991	0	0	202,537	8.22%	346,085	14.05%	\$0.42	28,354	(12,375)	104,036	109,876
50,000 – 99,999	55	3,636,612	0	0	414,081	11.39%	493,751	13.58%	\$0.40	(136,255)	18,647	14,631	167,818
100,000 – 199,999	31	4,112,219	0	0	235,856	5.74%	582,756	14.17%	\$0.39	61,606	(49,533)	169,160	281,760
200,000 – 299,999	4	987,442	0	0	220,000	22.28%	220,000	22.28%	\$0.32	0	0	0	0
300,000+	1	309,934	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	258	13,521,132	0	0	1,196,311	8.85%	1,781,451	13.18%	\$0.38	1,545	(4,118)	368,711	671,145
Bellflower / Downey													
10,000 – 29,999	123	2,073,343	0	0	50,006	2.41%	126,900	6.12%	\$0.00	2,678	2,678	16,278	18,678
30,000 – 49,999	18	699,094	0	0	27,795	3.98%	19,770	2.83%	\$0.49	4,066	7,264	4,066	19,794
50,000 – 99,999	17	1,161,597	0	0	130,568	11.24%	176,788	15.22%	\$0.25	(81,896)	(70,376)	0	19,908
100,000 – 199,999	7	1,016,693	0	0	0	0.00%	215,622	21.21%	\$0.00	0	0	0	0
200,000 – 299,999	2	528,153	0	0	0	0.00%	0	0.00%	\$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
Total	168	5,794,585	0	0	208,369	3.60%	539,080	9.30%	\$0.31	(75,152)	(60,434)	20,344	58,380
Buena Park / La Palma													
10,000 – 29,999	86	1,560,585	0	0	104,349	6.69%	131,615	8.43%	\$0.60	(407)	15,350	16,341	54,803
30,000 – 49,999	31	1,176,892	0	0	136,693	11.61%	217,729	18.50%	\$0.48	(1,650)	(13,693)	800	76,800
50,000 – 99,999	41	2,861,035	0	0	287,835	10.06%	282,485	9.87%	\$0.35	(78,895)	(145,405)	67,864	67,864
100,000 – 199,999	19	2,560,074	0	0	90,368	3.53%	317,687	12.41%	\$0.00	(15,368)	(15,368)	0	0
200,000 – 299,999	12	3,122,757	0	0	131,280	4.20%	300,486	9.62%	\$0.49	0	0	0	0
300,000+	9	4,535,029	0	0	0	0.00%	0	0.00%	\$0.00	42,000	0	42,000	425,892
Total	198	15,816,372	0	0	750,525	4.75%	1,250,002	7.90%	\$0.48	(54,320)	(159,116)	127,005	625,359
La Mirada													
10,000 – 29,999	65	1,178,431	0	0	48,093	4.08%	83,022	7.05%	\$0.65	41,660	39,500	55,410	58,434
30,000 – 49,999	34	1,294,500	0	0	4,000	0.31%	108,912	8.41%	\$0.59	(4,000)	(4,000)	0	0
50,000 – 99,999	43	3,071,682	0	0	233,134	7.59%	414,322	13.49%	\$0.48	(17,549)	(93,724)	35,307	115,170
100,000 – 199,999	25	3,321,210	0	0	513,886	15.47%	650,310	19.58%	\$0.45	(166,052)	(219,178)	11,760	80,794
200,000 – 299,999	14	3,287,227	0	0	86,846	2.64%	263,783	8.02%	\$0.39	0	(60,783)	0	0
300,000+	2	934,359	0	0	0	0.00%	180,969	19.37%	\$0.54	0	0	0	0
Total	183	13,087,409	0	0	885,959	6.77%	1,701,318	13.00%	\$0.47	(145,941)	(338,185)	102,477	254,398
Norwalk													
10,000 – 29,999	33	565,157	0	0	8,074	1.43%	90,077	15.94%	\$0.49	1,440	3,168	1,440	3,168
30,000 – 49,999	6	253,561	0	0	28,660	11.30%	28,660	11.30%	\$0.48	0	0	0	0
50,000 – 99,999	12	807,476	0	0	60,000	7.43%	246,297	30.50%	\$0.44	0	0	0	0
100,000 – 199,999	9	1,175,104	0	0	63,253	5.38%	0	0.00%	\$0.52	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
Total	61	3,017,566	0	0	159,987	5.30%	365,034	12.10%	\$0.46	1,440	3,168	1,440	3,168
Paramount													
10,000 – 29,999	224	3,894,289	0	0	221,971	5.70%	267,429	6.87%	\$0.00	45,407	(21,684)	137,601	204,899
30,000 – 49,999	47	1,785,852	0	0	66,611	3.73%	114,298	6.40%	\$0.00	27,626	7,625	31,146	39,526
50,000 – 99,999	20	1,435,587	0	0	15,828	1.10%	64,090	4.46%	\$0.00	0	14,073	0	14,073
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	0	8,003	0	99,690
300,000+	1	551,897	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	302	9,427,612	0	0	331,472	3.52%	472,879	5.02%	\$0.65	73,033	8,017	168,747	358,188
Santa Fe Springs													
10,000 – 29,999	635	10,851,649	0	0	481,741	4.44%	711,731	6.56%	\$0.57	17,739	61,281	251,378	377,092
30,000 – 49,999	180	7,005,618	0	36,736	454,621	6.49%	671,871	9.59%	\$0.58	(100,859)	(118,895)	17,167	104,887
50,000 – 99,999	148	10,262,348	0	0	548,646	5.35%	859,967	8.38%	\$0.46	(62,634)	(103,376)	182,164	194,898
100,000 – 199,999	89	11,837,668	0	0	1,037,536	8.76%	1,496,705	12.64%	\$0.44	164,903	(166,505)	288,657	542,147
200,000 – 299,999	28	6,829,676	0	0	229,893	3.37%	974,196	14.26%	\$0.42	0	0	0	101,400
300,000+	12	5,480,471	0	0	661,600	12.07%	784,920	14.32%	\$0.39	0	(524,270)	0	280,995
Total	1,092	52,267,430	0	36,736	3,414,037	6.53%	5,499,390	10.52%	\$0.47	19,149	(851,765)	739,366	1,601,419
Whittier													
10,000 – 29,999	89	1,439,057	0	0	42,421	2.95%	43,321	3.01%	\$0.98	(4,162)	14,401	10,520	30,916
30,000 – 49,999	20	772,973	0	0	3,785	0.49%	15,545	2.01%	\$0.00	5,590	9,357	5,590	11,222
50,000 – 99,999	15	973,154	0	0	0	0.00%	142,322	14.62%	\$0.39	0	0	0	0
100,000 – 199,999	6	772,998	0	0	0	0.00%	0	0.00%	\$0.00	5,820	13,020	10,200	17,400
200,000 – 299,999	4	854,358	0	0	0	0.00%	216,020	25.28%	\$0.39	0	0	116,237	116,237
300,000+	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	134	4,812,540	0	0	46,206	0.96%	417,208	8.67%	\$0.39	7,248	36,778	142,547	175,775
Mid Counties Total													
10,000 – 29,999	1,360	23,573,445	0	0	1,080,492	4.58%	1,592,954	6.76%	\$0.55	152,195	153,837	569,852	859,681
30,000 – 49,999	398	15,452,481	0	36,736	924,702	5.98%	1,522,870	9.86%	\$0.51	(40,873)	(124,717)	162,805	362,105
50,000 – 99,999	351	24,209,491	0	0	1,690,092	6.98%	2,680,022	11.07%	\$0.43	(377,229)	(380,161)	299,966	579,731
100,000 – 199,999	193	25,842,185	0	0	1,940,899	7.51%	3,263,080	12.63%	\$0.44	50,909	(437,564)	479,777	922,101
200,000 – 299,999	68	16,539,649	0	0	695,081	4.20%	2,001,547	12.10%	\$0.40	0	(52,780)	116,237	317,327
300,000+	26	12,127,395	0	0	661,600	5.46%	965,889	7.96%	\$0.51	42,000	(524,270)	42,000	706,887
Total	2,396	117,744,646	0	36,736	6,992,866	5.94%	12,026,362	10.21%	\$0.44	(172,998)	(1,365,655)	1,670,637	3,747,832

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
12850 Midway Pl.	Cerritos	113,899	\$80.00	Investor	Mountain View Dairies, Inc.
6560 Caballero Blvd.	Buena Park	67,864	\$83.99	Abad Foam, Inc.	Roy Ulrich
17719 Valley View Blvd.	Cerritos	48,351	\$90.00	Nelson Dunn, Inc.	Oviatt Trust
10309 Norwalk Blvd.	Santa Fe Springs	36,287	\$89.56	Kam Hua Trading, LLC	Zions First National Bank
14365 Macaw St. – 2 Properties	La Mirada	38,674	\$70.00	Solid State Devices, Inc.	Turner Riverwalk-2, LLC
7422 Walnut Ave.	Buena Park	21,093	\$105.00	Amador Investments, LLC	Service First Corporation

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
6101 Knott Ave.	Buena Park	196,332	April-10	Easy Life Furniture	Prologis
6700-6750 Artesia Ave.	Buena Park	172,967	April-10	Solaris Paper	Prologis
12610 Shoemaker Ave.	Santa Fe Springs	148,305	June-10	Wamo Toys	Golden Springs
12801 Ann St.	Santa Fe Springs	102,000	June-10	Richmond Aircraft	Grubman
13711 Freeway Dr.	Santa Fe Springs	82,092	June-10	Martinez Trucking & Logistics	Gilbert Trust
14404-14410 Best Ave.	Santa Fe Springs	81,000	May-10	Premier Packaging	Hunsaker

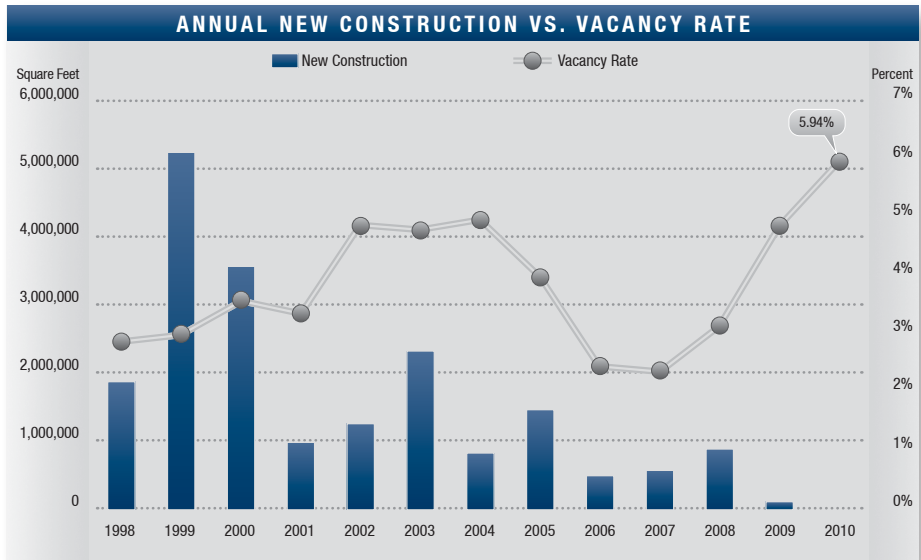
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