



Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

FLAT

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Market Highlights

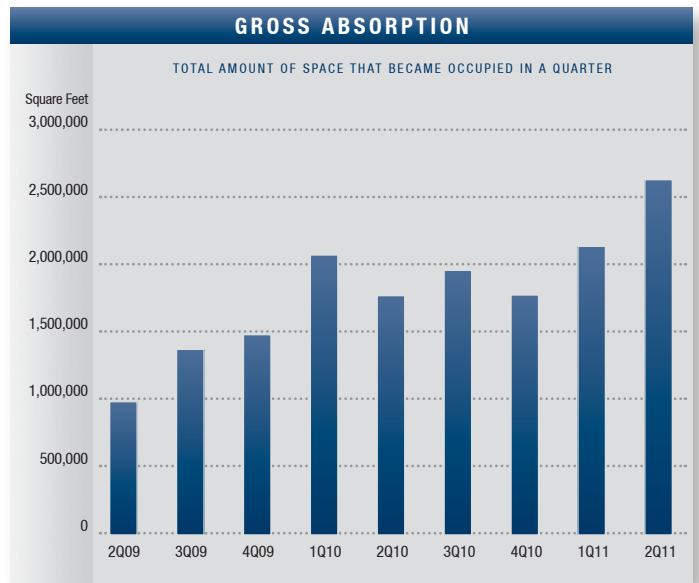
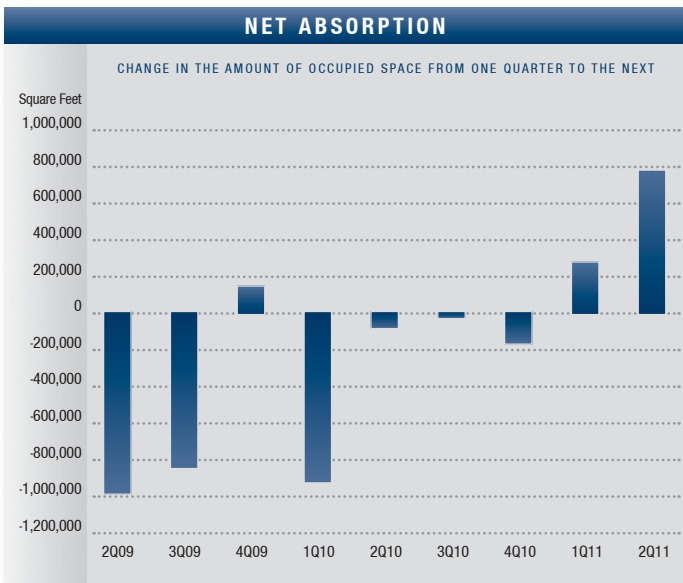
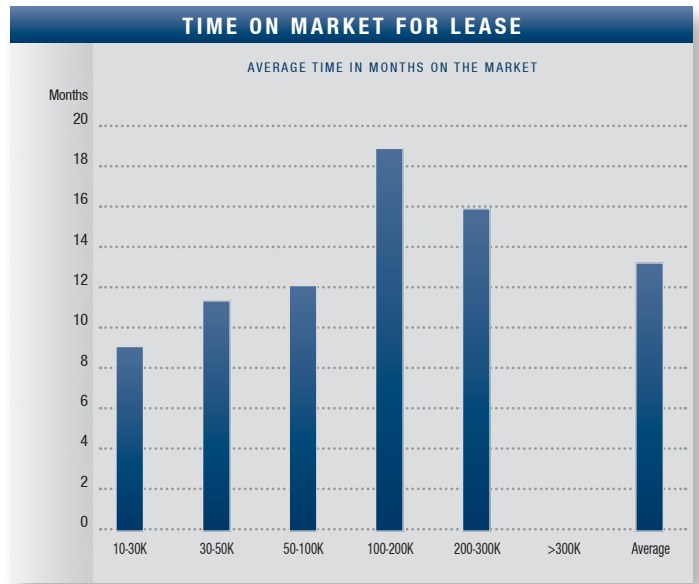
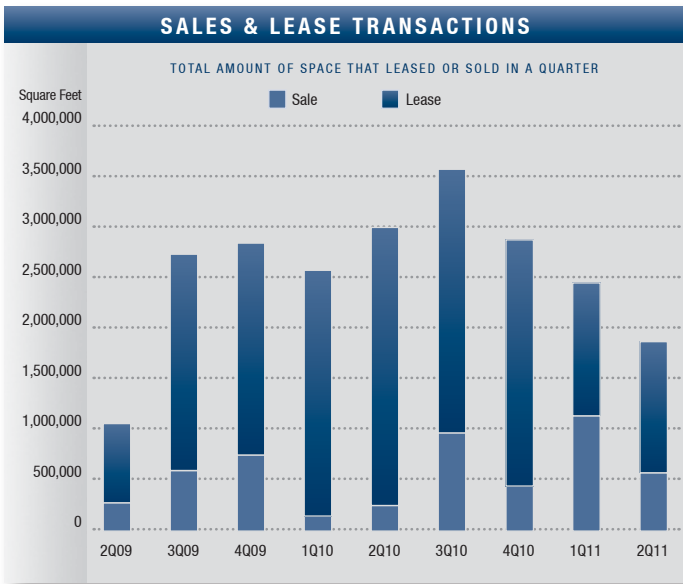
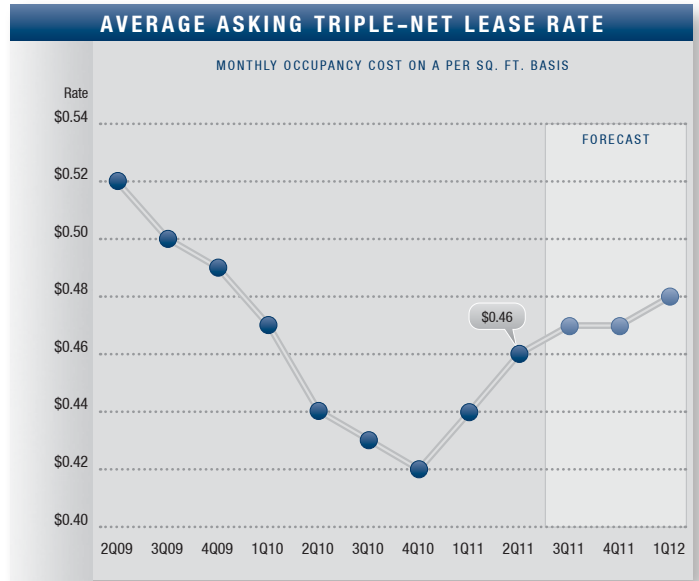
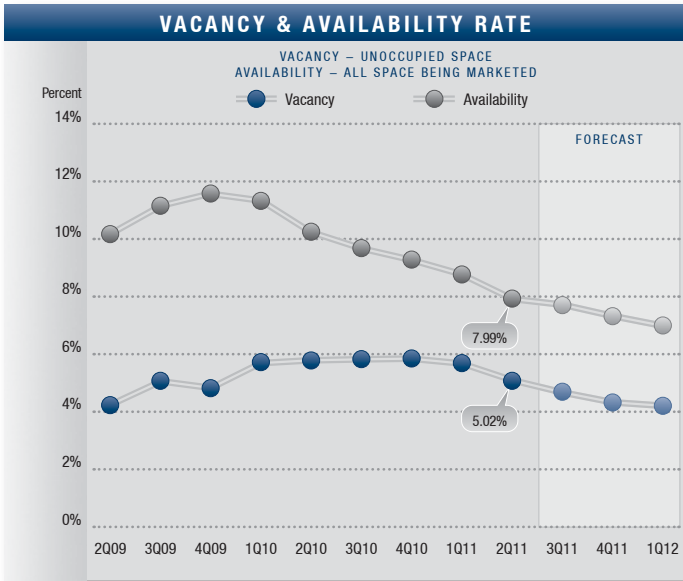
- **Encouraging Numbers** - The Mid-Counties industrial market conveyed more promise of recovery in the second quarter of 2011. Availability continued its descent from the high rates of 2009 with a year-over-year decrease of over 20%, vacancy rates trended downward, and net absorption posted a positive number for the second consecutive quarter. Demand picked up, with Labor Day of 2010 marking the beginning of a renewed interest in sales transactions, and tenants began signing longer lease commitments. While these are positive indications, stability and job growth will need to be sustained in coming quarters to be considered recovery.
- **Construction** - There was just over 100,000 square feet, a single project in Santa Fe Springs, under construction in the Mid-Counties during the second quarter of 2011. A lack of demand, shrinking availability of land, scarce financing, and rising construction costs have led to few projects being developed.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 5.02%, lower than the previous quarter's rate of 5.71% and 13% lower than 2010's first quarter rate of 5.77%. The Santa Fe Springs submarket, which currently represents nearly half of all industrial buildings in the Mid-Counties, had a vacancy rate of 4.93% during the second quarter.
- **Availability** - Direct/sublease space being marketed was 7.99% at the end of the second quarter of 2011, down over 21% from the 10.22% we saw in the same quarter of 2010 and displaying the lowest vacancy rate seen in the Mid-Counties industrial market in two years.
- **Lease Rates** - The average asking triple-net lease rate was \$.46 cents per square foot per month in the second quarter of 2011, two cents higher than both the previous quarter and the second quarter of 2010.
- **Absorption** - The Mid-Counties industrial market posted almost 800,000 square feet of positive absorption in the second quarter. We saw nearly 300,000 square feet of positive absorption in the first quarter of 2011, making

the past two quarters the strongest trend of positive net absorption seen since the third quarter of 2006.

- **Transaction Activity** - In the second quarter of 2011, leasing activity checked in at just over 1.3 million square feet. Sales activity showed a decrease compared to the previous quarter, posting 544,000 square feet of activity compared to the first quarter's 1.1 million square feet. However, in just the first half of 2011, sales transactions totaled approximately 1.65 million square feet, nearly equal to the 1.69 million square feet seen in all of 2010. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in Los Angeles County was 11.9% in May 2011, down from a revised 12% in April 2011 and below the 2010 estimate of 12.5%. This compares with an unadjusted unemployment rate of 11.7% for California and 9.1% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County displayed an overall net loss of 10,600 jobs between May 2010 and May 2011, ending with a total of 3,788,800 jobs. While the county saw the largest annual addition, of 17,900 jobs, from May 2010 to May 2011, government recorded a loss of 26,000 jobs, the largest decrease during that period.
- **Overall** - We are beginning to see a decrease in the amount of available space being marketed, as well as an increase in investment sales activity. Positive absorption has begun, and with no new deliveries to apply upward pressure on vacancy, the market should continue to stabilize. We expect to see an increase in investment activity in the coming quarters as lenders continue 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. As unemployment rates drop and consumer confidence stabilizes, the industrial market will continue to recover.

MID COUNTIES MARKET OVERVIEW

	2Q2011	1Q2011	2Q2010	% Change vs. 2Q2010
Total Vacancy Rate	5.02%	5.71%	5.77%	(13.00%)
Availability Rate	7.99%	8.39%	10.22%	(21.82%)
Average Asking Lease Rate	\$0.46	\$0.44	\$0.44	4.55%
Sale & Lease Transactions	1,848,821	2,435,341	2,990,130	(38.17%)
Gross Absorption	2,621,538	2,122,905	1,752,649	49.58%
Net Absorption	786,139	270,700	(84,605)	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 2Q2011	Square Feet Available	Availability Rate 2Q2011	Average Asking Lease Rate	Net Absorption 2Q2011	Net Absorption 2011	Gross Absorption 2Q2011	Gross Absorption 2011
Artesia / Cerritos													
10,000–29,999	114	2,108,265	0	0	121,833	5.78%	208,618	9.90%	\$0.56	(55,940)	(16,022)	0	64,186
30,000–49,999	59	2,337,554	0	0	310,419	13.28%	413,767	17.70%	\$0.44	(58,769)	5,189	2,500	142,407
50,000–99,999	50	3,302,078	0	0	359,941	10.90%	464,696	14.07%	\$0.37	102,781	136,563	139,321	290,593
100,000–199,999	28	3,780,303	0	0	193,560	5.12%	697,184	18.44%	\$0.31	143,810	79,920	143,810	171,344
200,000–299,999	5	1,260,772	0	0	0	0.00%	0	0.00%	\$0.00	0	220,000	0	220,000
300,000 Plus	1	309,934	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	257	13,098,906	0	0	985,753	7.53%	1,784,265	13.62%	\$0.40	131,882	425,650	285,631	888,530
Bellflower / Downey													
10,000–29,999	121	2,048,509	0	0	86,973	4.25%	94,078	4.59%	\$0.57	(29,478)	(1,698)	34,157	61,937
30,000–49,999	19	729,967	0	0	24,269	3.32%	36,779	5.04%	\$0.49	(19,049)	(22,529)	1,740	1,740
50,000–99,999	17	1,161,597	0	0	112,424	9.68%	72,140	6.21%	\$0.48	0	12,132	8,604	72,968
100,000–199,999	7	1,019,099	0	0	98,914	9.71%	98,914	9.71%	\$0.58	4,463	(4,294)	4,463	8,522
200,000–299,999	2	512,771	0	0	0	0.00%	104,175	20.32%	\$0.39	0	0	0	0
300,000 Plus	1	337,000	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	167	5,808,943	0	0	322,580	5.55%	406,086	6.99%	\$0.49	(44,064)	(16,389)	48,964	145,167
Buena Park / La Palma													
10,000–29,999	90	1,624,685	0	0	88,608	5.45%	153,066	9.42%	\$0.67	(11,827)	11,689	17,237	47,489
30,000–49,999	32	1,210,546	0	0	49,446	4.08%	92,665	7.65%	\$0.45	0	18,650	0	18,650
50,000–99,999	37	2,499,741	0	0	84,800	3.39%	282,000	11.28%	\$0.68	66,510	60,605	66,510	66,510
100,000–199,999	20	2,669,743	0	0	125,977	4.72%	125,977	4.72%	\$0.52	44,631	44,631	155,240	155,240
200,000–299,999	12	3,122,650	0	0	300,486	9.62%	376,702	12.06%	\$0.54	75,080	75,080	370,950	370,950
300,000 Plus	8	4,159,629	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	199	15,286,994	0	0	649,317	4.25%	1,030,410	6.74%	\$0.58	174,394	210,655	609,937	658,839
La Mirada													
10,000–29,999	61	1,090,230	0	0	29,449	2.70%	120,509	11.05%	\$0.61	(7,620)	(4,561)	13,488	18,499
30,000–49,999	34	1,307,163	0	0	32,778	2.51%	155,711	11.91%	\$0.53	(26,278)	(28,778)	22,750	22,750
50,000–99,999	42	2,999,765	0	0	301,554	10.05%	551,851	18.40%	\$0.47	(10,368)	3,773	100,269	157,067
100,000–199,999	25	3,322,531	0	0	230,754	6.95%	272,994	8.22%	\$0.48	38,400	181,386	38,400	193,146
200,000–299,999	14	3,278,811	0	0	0	0.00%	299,850	9.15%	\$0.39	60,783	60,783	60,783	60,783
300,000 Plus	2	934,359	0	0	0	0.00%	180,969	19.37%	\$0.54	0	0	0	0
Total	178	12,932,859	0	0	594,535	4.60%	1,581,884	12.23%	\$0.48	54,917	212,603	235,690	452,245
Norwalk													
10,000–29,999	35	607,206	0	0	54,259	8.94%	68,342	11.26%	\$0.51	(1,872)	(34,122)	26,488	26,488
30,000–49,999	7	283,787	0	0	35,200	12.40%	0	0.00%	\$0.46	20,660	(14,540)	20,660	20,660
50,000–99,999	12	792,439	0	0	113,527	14.33%	149,524	18.87%	\$0.68	(53,527)	(53,527)	0	0
100,000–199,999	9	1,165,739	0	0	40,909	3.51%	0	0.00%	\$0.00	(40,909)	(35,809)	0	5,100
200,000–299,999	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
300,000 Plus	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	63	2,849,171	0	0	243,895	8.56%	217,866	7.65%	\$0.65	(75,648)	(137,998)	47,148	52,248
Paramount													
10,000–29,999	217	3,796,495	0	0	171,771	4.52%	268,361	7.07%	\$0.62	(22,916)	(25,831)	40,024	97,361
30,000–49,999	43	1,631,440	0	0	2,100	0.13%	76,570	4.69%	\$0.53	7,024	14,515	10,524	22,294
50,000–99,999	21	1,533,122	0	0	0	0.00%	129,330	8.44%	\$0.41	7,006	15,294	7,006	15,294
100,000–199,999	6	886,219	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
200,000–299,999	3	713,768	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
300,000 Plus	1	551,897	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	291	9,112,941	0	0	173,871	1.91%	474,261	5.20%	\$0.62	(8,886)	3,978	57,554	134,949
Santa Fe Springs													
10,000–29,999	645	10,948,720	0	0	456,269	4.17%	796,303	7.27%	\$0.48	(34,392)	(25,401)	120,142	236,214
30,000–49,999	170	6,574,862	0	117,905	321,571	4.89%	491,962	7.48%	\$0.57	(54,288)	19,977	131,874	242,290
50,000–99,999	141	9,772,360	0	50,669	382,606	3.92%	518,898	5.31%	\$0.44	35,225	212,068	49,231	299,527
100,000–199,999	87	11,562,608	106,110	0	633,905	5.48%	542,982	4.70%	\$0.51	56,669	21,907	288,128	381,274
200,000–299,999	26	6,309,001	0	0	534,614	8.47%	795,153	12.60%	\$0.35	156,782	(351,626)	320,152	320,152
300,000 Plus	13	6,058,543	0	0	196,940	3.25%	196,940	3.25%	\$0.00	411,530	481,530	411,530	893,060
Total	1,082	51,226,094	106,110	168,574	2,525,905	4.93%	3,342,238	6.52%	\$0.44	571,526	358,455	1,321,057	2,372,517
Whittier													
10,000–29,999	88	1,433,563	0	0	34,887	2.43%	32,991	2.30%	\$0.71	188	2,395	9,257	17,988
30,000–49,999	20	772,973	0	0	10,299	1.33%	11,452	1.48%	\$0.63	820	10,660	1,920	11,760
50,000–99,999	16	1,017,568	0	0	0	0.00%	70,041	6.88%	\$0.00	0	0	0	0
100,000–199,999	5	626,855	0	0	5,180	0.83%	5,180	0.83%	\$0.00	(800)	5,020	4,380	10,200
200,000–299,999	4	853,646	0	0	233,498	27.35%	233,498	27.35%	\$0.31	(18,190)	(18,190)	0	0
300,000 Plus	0	0	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	133	4,704,605	0	0	283,864	6.03%	353,162	7.51%	\$0.69	(17,982)	(115)	15,557	39,948
Mid Counties Total													
10,000–29,999	1,371	23,657,673	0	0	1,044,049	4.41%	1,742,268	7.36%	\$0.61	(163,857)	(93,551)	260,793	570,162
30,000–49,999	384	14,848,292	0	117,905	786,082	5.29%	1,278,906	8.61%	\$0.49	(129,880)	3,144	191,968	482,551
50,000–99,999	336	23,078,670	0	50,669	1,354,852	5.87%	2,238,480	9.70%	\$0.50	147,627	386,908	370,941	901,959
100,000–199,999	187	25,033,097	106,110	0	1,329,199	5.31%	1,743,231	6.96%	\$0.42	246,264	292,761	634,421	924,826
200,000–299,999	66	16,051,419	0	0	1,068,598	6.66%	1,809,378	11.27%	\$0.37	274,455	(13,953)	751,885	971,885
300,000 Plus	26	12,351,362	0	0	196,940	1.59%	377,909	3.06%	\$0.54	411,530	481,530	411,530	893,060
Total	2,370	115,020,513	106,110	168,574	5,779,720	5.02%	9,190,172	7.99%	\$0.46	786,139	1,056,839	2,621,538	4,744,443

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 Per SF	Buyer	Seller
3777 Workman Mill Rd.	Whittier	613,375	\$80.00	KTR	Carpenters So. Cal. Admin. Corp.
13226 Alondra	Cerritos	128,000	\$82.50	Achem Industry America, Inc.	Scope Properties, LLC
8190 Byron Rd.	Whittier	72,281	\$66.41	Dct Byron Road, LLC	Action Sells, LLC
16205 Distribution	Cerritos	64,318	\$67.24	Manik Jayakumar	Bank of America, N.A.
10040 Geary Ave.	Santa Fe Springs	40,157	\$82.18	Geminis Property Development, LLC	Stella R Corella Living Trust
13900 Orange Ave.	Paramount	31,000	\$83.87	Eric Winter	One Farm, LLC

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
6400 Valley View St. – Renewal	Buena Park	238,270	Jun-11	PepsiCo, Inc.	ProLogis
16930 Valley View Ave.	La Mirada	125,000	Apr-11	CHP Enterprises	16930, LLC
16000 Heron Ave.	La Mirada	119,336	May-11	Larry Hansel Clothing Company, LLC	Oro May Broward Investment
13535 Orden Dr.	Santa Fe Springs	81,588	Jun-11	CXN Freight	Golden Springs Development Company
12995 Marquardt Ave.	Santa Fe Springs	68,640	Jun-11	Purcell Murray	Golden Springs Development Company
14659 Alondra Blvd.	La Mirada	60,783	May-11	Royal West	ProLogis

Product Type

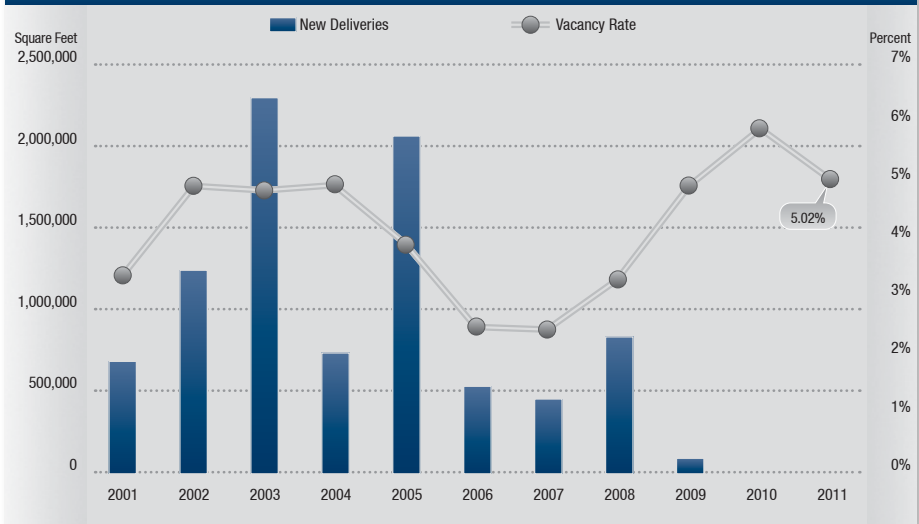
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