



Industrial Market Report

Compared to last quarter:



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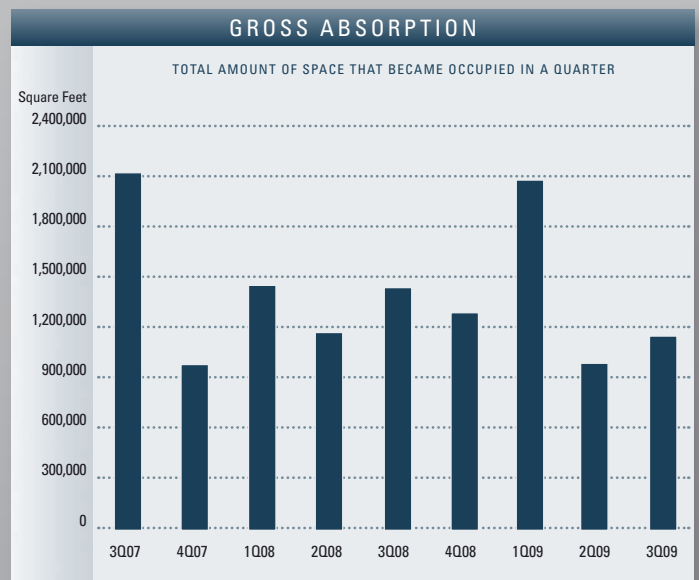
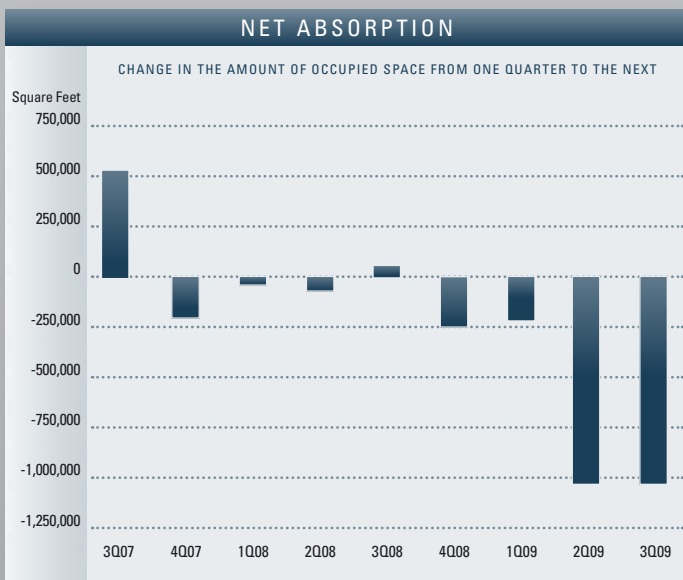
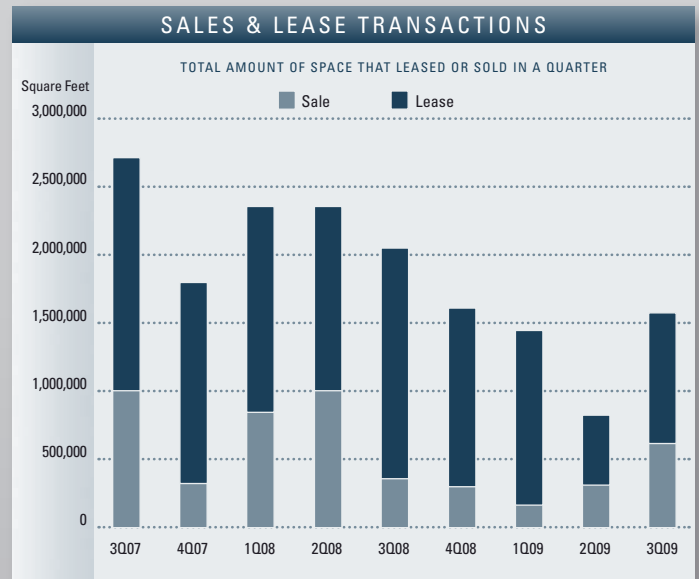
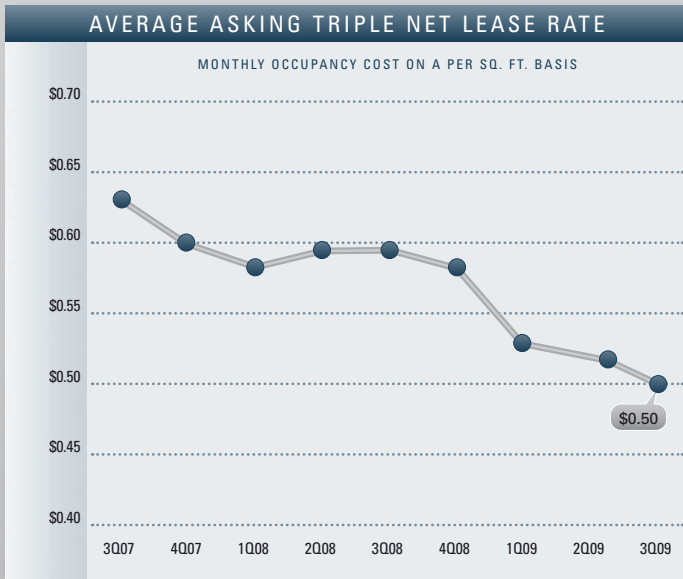
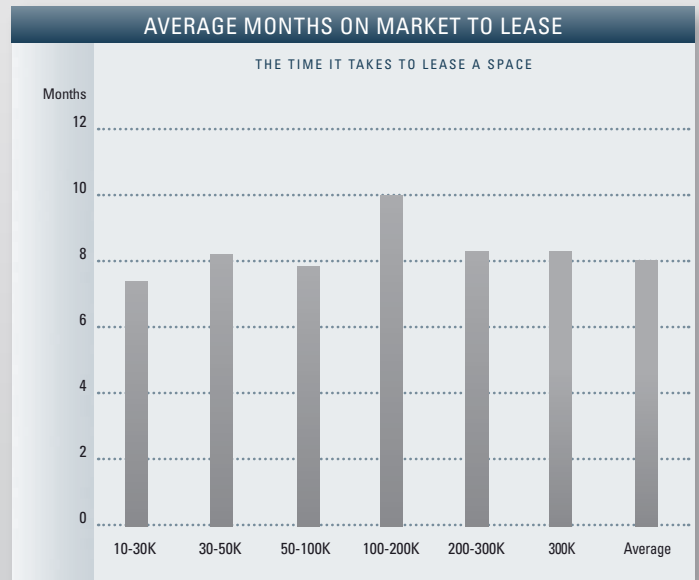
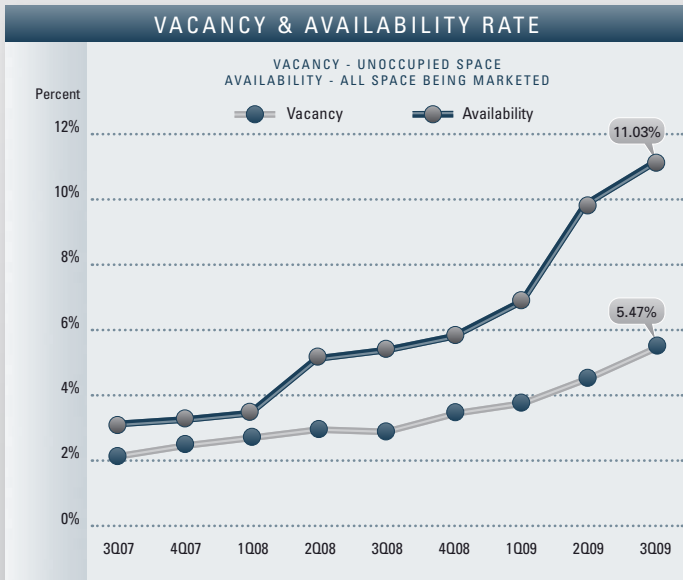
Market Highlights

- ◆ **Market Challenges** - The Industrial market is facing challenges as the national recession continues. 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 past two quarters. 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 has put upward pressure on vacancy and availability rates. This has led many tenants to request rent relief from landlords, and owners to attempt 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 quarter at 5.47%, which is higher than it was a year ago when it was 2.82%. The Santa Fe Springs submarket has a lower vacancy rate coming in at 4.47%. The Santa Fe Springs market represents almost half of all Industrial buildings in the Mid-Counties.
- ◆ **Availability** – Direct/sublease space being marketed was 11.03% this quarter, up from the 5.37% we saw this same quarter last year. This is more than 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 \$50 cents per square foot per month this quarter. This is a decrease of 15.25% when compared to last year’s asking rate of \$59 and two cents lower than last quarter.
- ◆ **Absorption** - Net absorption for the Mid Counties posted a negative one million square feet for the third quarter of 2009, giving the industrial market a total of 2.25 million square feet of negative absorption for the first three quarters of the year.
- ◆ **Transaction Activity** – Leasing activity checked in this quarter at 951,349 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 618,703 square feet of activity compared to the second quarter’s 273,246 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 12.3% in August 2009, up from a revised 11.9% in July 2009, and above the year ago estimate of 8.0%. This compares with an unadjusted unemployment rate of 12.2% 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 166,000 payroll jobs over the last twelve months – 41,000 in retail trade, transportation and utilities services, 38,700 in manufacturing & 18,100 in construction. However, Educational and health services showed a year over year gain of 12,100 jobs. Between July 2009 and August 2009 Los Angeles County lost 10,000 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 investment 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 leasing activity as 2009 comes to an end from pent up demand. Once financial markets correct themselves and consumer confidence stabilizes, then the Industrial market will turn positive.

MID COUNTIES MARKET OVERVIEW				
	3Q2009	2Q2009	3Q2008	% CHANGE VS. 3Q08
Vacancy	5.47%	4.54%	2.82%	93.97%
Availability	11.03%	9.89%	5.37%	105.40%
Average Asking Lease Rate	\$0.50	\$0.52	\$0.59	-15.25%
Sale & Lease Transactions	1,570,052	811,460	2,747,734	-42.86%
Net Absorption	-1,026,525	-1,015,591	82,801	N/A
Gross Absorption	1,128,715	988,393	1,416,589	-20.32%



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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 3Q2009	Square Feet Available	Availability Rate 3Q2009	Average Asking Lease Rate	Net Absorption 3Q2009	Net Absorption 2009	Gross Absorption 3Q2009	Gross Absorption 2009
Artesia / Cerritos													
10,000 - 29,999	107	2,031,005	0	0	186,239	9.17%	218,654	10.77%	\$0.56	(15,730)	(45,242)	4,860	66,197
30,000 - 49,999	61	2,415,641	0	0	181,986	7.53%	414,607	17.16%	\$0.50	62,764	(53,052)	62,764	149,989
50,000 - 99,999	55	3,620,933	0	0	416,082	11.49%	496,866	13.72%	\$0.52	31,657	(1,859)	46,288	285,271
100,000 - 199,999	31	4,177,738	0	0	295,752	7.08%	742,264	17.77%	\$0.41	(21,829)	(51,523)	152,996	201,125
200,000 - 299,999	4	991,766	0	0	220,000	22.18%	220,000	22.18%	\$0.24	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	259	13,547,017	0	0	1,300,059	9.60%	2,092,391	15.45%	\$0.45	56,862	(151,676)	266,908	702,582
Bellflower / Downey													
10,000 - 29,999	126	2,116,871	0	0	52,684	2.49%	139,409	6.59%	\$0.50	25,769	(21,800)	43,893	70,300
30,000 - 49,999	19	735,910	0	0	34,917	4.74%	46,529	6.32%	\$0.63	16,240	(13,013)	16,240	16,240
50,000 - 99,999	14	937,480	0	0	51,804	5.53%	61,884	6.60%	\$0.61	18,144	(43,740)	18,144	26,208
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	250,643	47.46%	501,286	94.91%	\$0.00	(250,643)	(250,643)	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	5,591,420	0	0	390,048	6.98%	981,272	17.55%	\$0.62	(190,490)	(329,196)	78,277	112,748
Buena Park / La Palma													
10,000 - 29,999	85	1,548,825	0	0	106,153	6.85%	169,977	10.97%	\$0.81	(9,017)	(71,633)	24,210	33,960
30,000 - 49,999	31	1,160,963	0	36,736	123,000	10.59%	169,929	14.64%	\$0.43	(123,000)	(123,000)	0	34,292
50,000 - 99,999	41	2,869,455	0	0	75,080	2.62%	356,035	12.41%	\$0.49	0	0	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%	\$0.00	0	(131,280)	0	218,640
300,000+	9	4,535,029	0	0	648,498	14.30%	841,302	18.55%	\$0.50	(374,410)	(374,410)	274,088	274,088
Buena Park / La Palma Total	197	15,797,103	0	36,736	1,159,011	7.34%	2,003,432	12.68%	\$0.51	(506,427)	(700,323)	298,298	560,980
La Mirada													
10,000 - 29,999	67	1,225,149	0	0	79,104	6.46%	127,778	10.43%	\$0.80	2,979	(15,066)	6,047	41,647
30,000 - 49,999	33	1,264,280	0	0	0	0.00%	102,874	8.14%	\$0.55	0	9,088	0	9,088
50,000 - 99,999	43	3,047,826	0	0	179,605	5.89%	398,634	13.08%	\$0.55	(87,110)	22,940	0	187,038
100,000 - 199,999	26	3,492,039	0	0	359,362	10.29%	502,938	14.40%	\$0.42	(4,906)	(96,751)	112,152	274,371
200,000 - 299,999	15	3,493,182	0	0	26,063	0.75%	86,846	2.49%	\$0.45	933	21,604	993	21,664
300,000+	2	935,369	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
La Mirada Total	186	13,457,845	0	0	644,134	4.79%	1,219,070	9.06%	\$0.48	(88,104)	(58,185)	119,192	533,808
Norwalk													
10,000 - 29,999	33	570,493	0	0	24,856	4.36%	56,445	9.89%	\$0.55	(15,480)	2,236	250	49,502
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	898,007	0	0	60,000	6.68%	164,561	18.33%	\$0.49	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	(63,253)	(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	3,113,433	0	0	176,769	5.68%	365,820	11.75%	\$0.51	(78,733)	(129,017)	250	49,502
Paramount													
10,000 - 29,999	227	3,945,805	0	0	222,822	5.65%	357,678	9.06%	\$0.63	(58,254)	(55,134)	34,749	133,265
30,000 - 49,999	47	1,785,852	0	0	79,224	4.44%	125,654	7.04%	\$0.00	971	13,722	8,146	33,059
50,000 - 99,999	21	1,498,903	0	0	59,740	3.99%	59,740	3.99%	\$0.00	16,723	27,989	16,723	44,712
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	304	9,186,894	0	0	361,786	3.94%	578,137	6.29%	\$0.64	(40,560)	(13,423)	59,618	762,933
Santa Fe Springs													
10,000 - 29,999	639	10,955,101	0	0	536,803	4.90%	898,933	8.21%	\$0.58	(50,699)	(251,082)	98,450	223,500
30,000 - 49,999	182	7,113,867	0	0	357,317	5.02%	546,890	7.69%	\$0.63	(61,938)	(88,358)	38,443	193,901
50,000 - 99,999	149	10,367,935	0	0	478,042	4.61%	927,939	8.95%	\$0.54	56,113	(190,861)	157,279	340,550
100,000 - 199,999	92	12,246,370	0	0	644,075	5.26%	1,746,471	14.26%	\$0.49	(107,959)	(360,528)	0	65,156
200,000 - 299,999	28	6,822,949	0	0	229,893	3.37%	715,493	10.49%	\$0.58	0	46,137	0	396,261
300,000+	13	5,812,250	0	0	137,330	2.36%	869,120	14.95%	\$0.42	0	(137,330)	0	0
Santa Fe Springs Total	1,103	53,318,472	0	0	2,383,460	4.47%	5,704,846	10.70%	\$0.53	(164,483)	(982,022)	294,172	1,219,368
Whittier													
10,000 - 29,999	88	1,426,002	0	0	43,143	3.03%	45,543	3.19%	\$0.00	(8,303)	(18,488)	6,880	29,271
30,000 - 49,999	21	813,681	0	0	9,299	1.14%	9,299	1.14%	\$0.00	(467)	(5,514)	5,120	6,985
50,000 - 99,999	14	911,464	0	0	0	0.00%	70,041	7.68%	\$0.39	0	0	0	0
100,000 - 199,999	6	772,998	0	0	13,020	1.68%	13,020	1.68%	\$0.00	(5,820)	140,060	0	209,402
200,000 - 299,999	3	638,338	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	132	4,562,483	0	0	65,462	1.43%	137,903	3.02%	\$0.39	(14,590)	116,058	12,000	245,658
Mid Counties Total													
10,000 - 29,999	1,372	23,819,251	0	0	1,251,804	5.26%	2,014,417	8.46%	\$0.61	(128,735)	(476,209)	219,339	647,642
30,000 - 49,999	400	15,543,755	0	36,736	814,403	5.24%	1,444,442	9.29%	\$0.54	(105,430)	(268,127)	130,713	443,554
50,000 - 99,999	350	24,152,003	0	0	1,320,353	5.47%	2,535,700	10.50%	\$0.52	35,527	(245,531)	238,434	883,779
100,000 - 199,999	196	26,272,493	0	0	1,450,462	5.52%	3,630,293	13.82%	\$0.48	(203,767)	(431,995)	265,148	750,054
200,000 - 299,999	67	16,326,981	0	0	857,879	5.25%	1,747,597	10.70%	\$0.40	(249,710)	(314,182)	993	636,565
300,000+	27	12,460,184	0	0	785,828	6.31%	1,710,422	13.73%	\$0.49	(374,410)	(511,740)	274,088	825,985
Total	2,412	118,574,667	0	36,736	6,480,729	5.47%	13,082,871	11.03%	\$0.50	(1,026,525)	(2,247,784)	1,128,715	4,187,579

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
6525-6625 Caballero Blvd. - 3 Properties	Buena Park	224,600	Non Disclosure	Westcore Properties, LLC	Prudential Real Estate Investors
9220-9268 Hall Road	Downey	193,709	\$9,876,000	Rexford Industrial LLC	GE Capital Commercial Finance
6955 Aragon Circle	Buena Park	101,000	\$7,250,000	City of Buena Park	US Union Tool, Inc.
7825 Somerset Blvd. - 5 Units	Paramount	59,740	Non Disclosure	Jose Luis Solorzano	Wrightwood Capital

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
6700-6750 Artesia Blvd. - Sublease	Buena Park	274,088	August-09	Solaris Paper, Inc.	ProLogis
13950 Cerritos Corporate Drive - Renewal	Cerritos	152,996	September-09	TricorBraun	Tiaa Realty Inc.
12935 Imperial Hwy.	Santa Fe Springs	113,125	September-09	Philadelphia Gear Corp.	Accuride
16001 Arthur Street	Cerritos	61,250	September-09	Amkotron	Walton CWCA Odonnell Cerritos

Product Type

MFG./DIST.

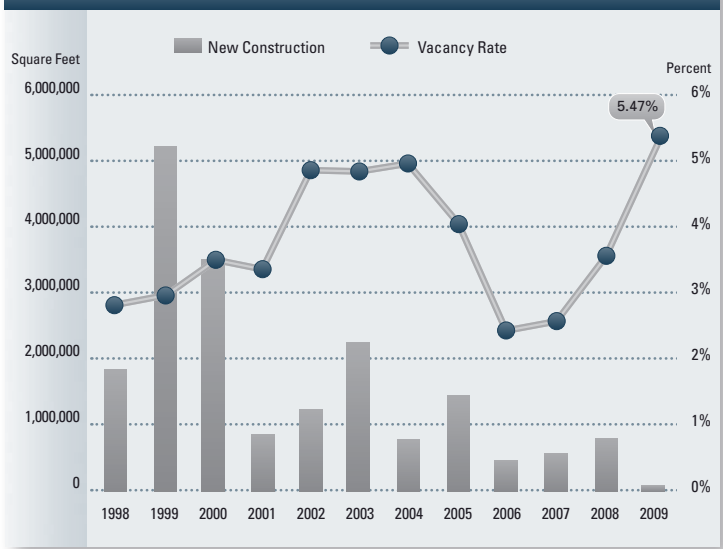
Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.



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