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Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

FLAT

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Market Highlights

- **Encouraging Numbers** - The Mid-Counties industrial market conveyed more promise of recovery in the third quarter of 2011. Availability continued its descent from the high rates of 2009 with a year-over-year decrease of over 16.5%, vacancy rates trended downward, and net absorption posted a positive number for the third 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 third 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 4.89%, lower than the previous quarter's rate of 4.99% and 15.25% lower than 2010's third 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 4.91% during the third quarter.
- **Availability** - Direct/sublease space being marketed was 8.04% at the end of the third quarter of 2011, down over 16.8% from the 9.66% we saw in the same quarter of 2010 and displaying the lowest availability rate seen in the Mid-Counties industrial market in three years.
- **Lease Rates** - The average asking triple-net lease rate was \$.44 cents per square foot per month in the third quarter of 2011, two cents lower than the previous quarter and one cent higher than in the third quarter of 2010.
- **Absorption** - The Mid-Counties industrial market posted over 110,000 square feet of positive absorption in the third quarter, giving the market a total of over 1.16 million

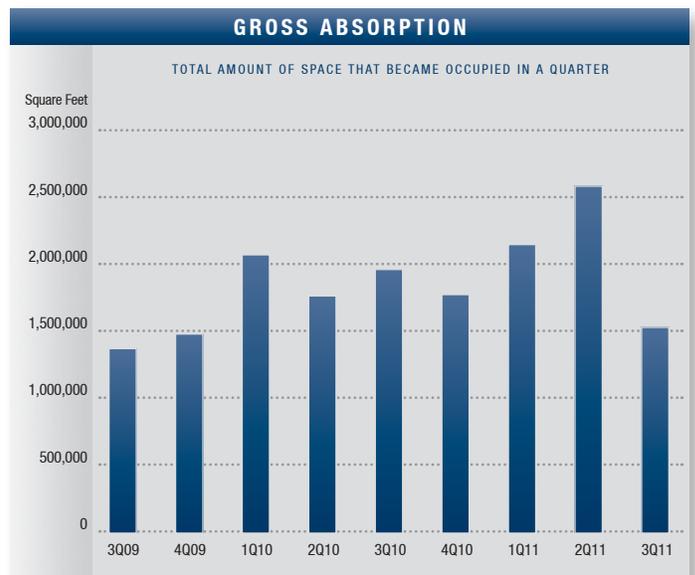
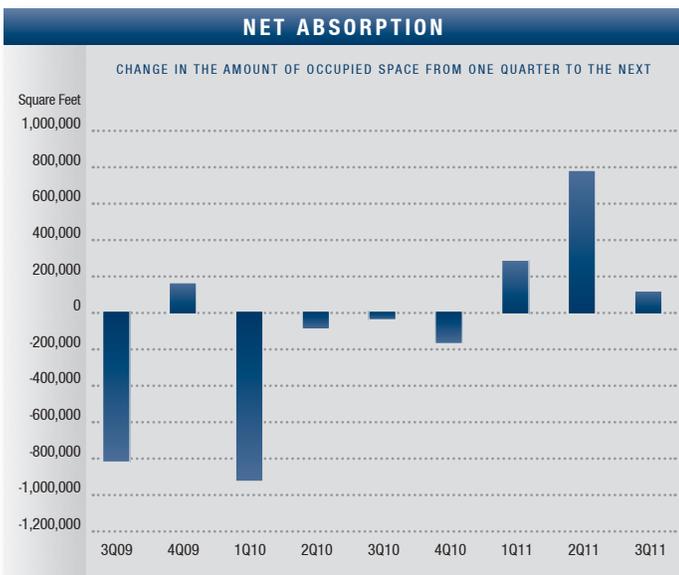
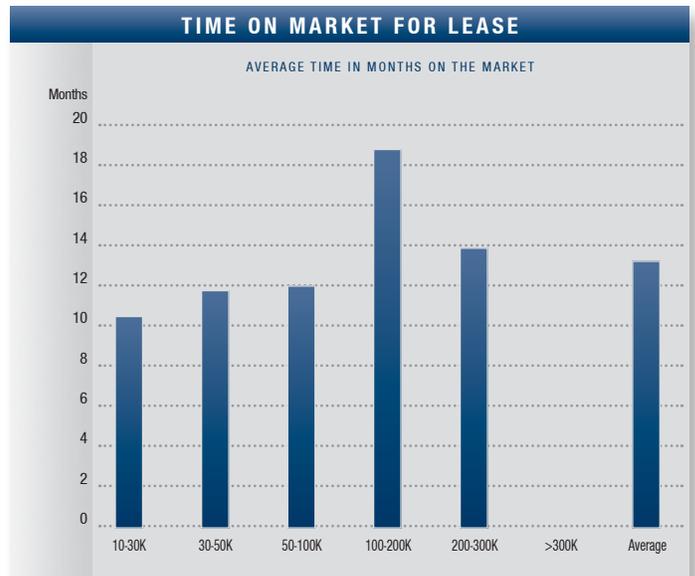
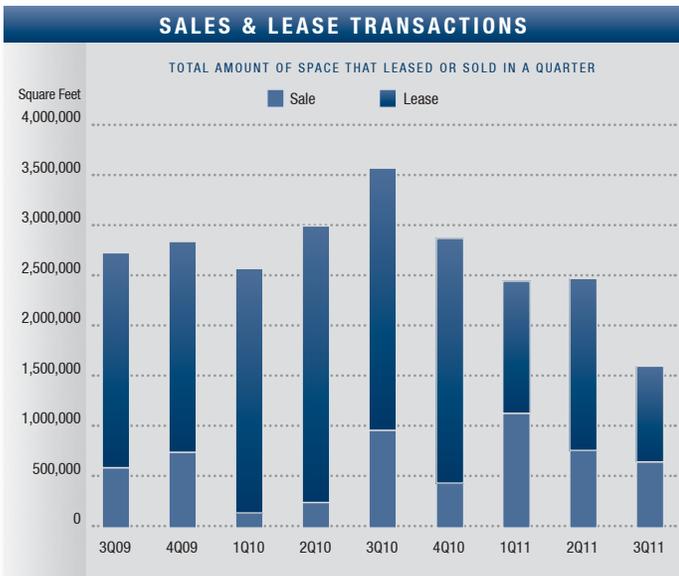
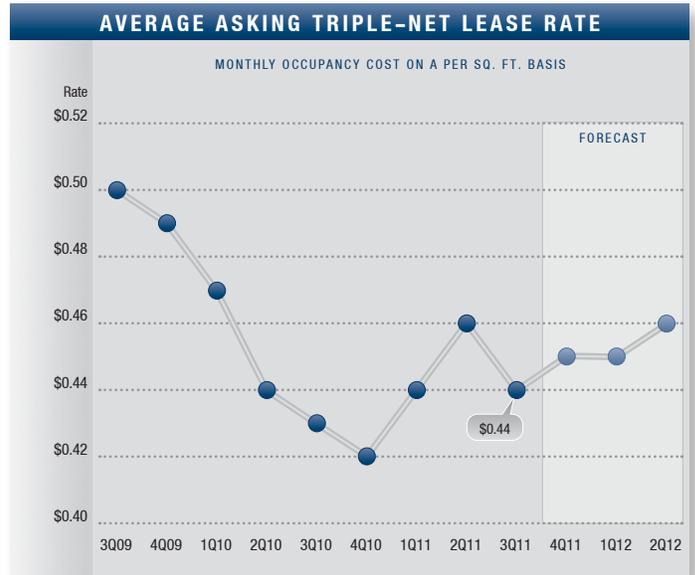
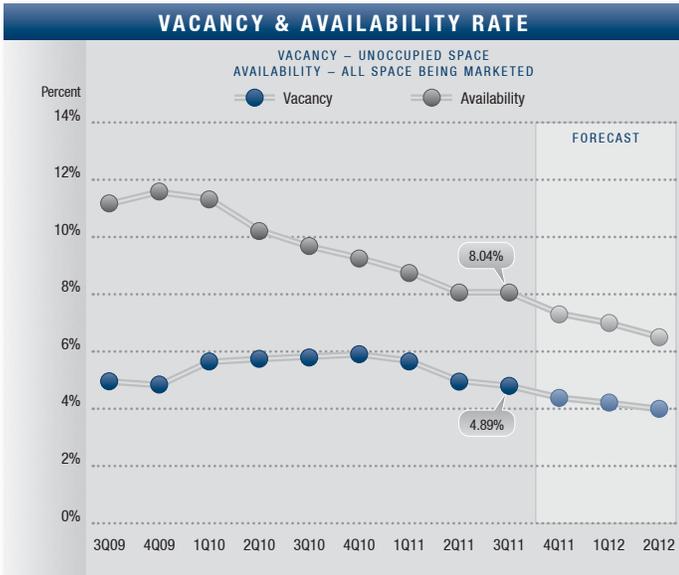
square feet of positive absorption for the year. This is the strongest trend of positive net absorption seen since 2006.

- **Transaction Activity** - In the third quarter of 2011, leasing activity checked in at just under one million square feet. Sales activity showed a decrease compared to the previous quarter, posting 620,000 square feet of activity compared to the second quarter's 750,000 square feet. However, in the first three quarters of 2011, sales transactions totaled approximately 2.5 million square feet, which is more than the 1.7 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 12.5% in August 2011, up from a revised 12.3% in July 2011 and below the 2010 estimate of 12.8%. This compares with an unadjusted unemployment rate of 12.1% 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 gain of 8,200 jobs between August 2010 and August 2011. The largest gains were 13,100 in educational & health services and 11,200 in information; however, Los Angeles County lost 7,800 in trade, transportation, and utilities jobs during that same 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 a continued 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

| | 3Q2011 | 2Q2011 | 3Q2010 | % Change vs. 3Q2010 |
|---------------------------|-----------|-----------|-----------|---------------------|
| Total Vacancy Rate | 4.89% | 4.99% | 5.77% | (15.25%) |
| Availability Rate | 8.04% | 8.04% | 9.66% | (16.77%) |
| Average Asking Lease Rate | \$0.44 | \$0.46 | \$0.43 | 2.33% |
| Sale & Lease Transactions | 1,591,532 | 2,472,224 | 3,561,806 | (55.32%) |
| Gross Absorption | 1,507,376 | 2,581,072 | 1,958,447 | (23.03%) |
| Net Absorption | 111,144 | 770,179 | (37,546) | 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 3Q2011 | Square Feet Available | Availability Rate 3Q2011 | Average Asking Lease Rate | Net Absorption 3Q2011 | Net Absorption 2011 | Gross Absorption 3Q2011 | Gross Absorption 2011 |
| Artesia / Cerritos | | | | | | | | | | | | | |
| 10,000-29,999 | 114 | 2,107,613 | 0 | 0 | 147,552 | 7.00% | 190,532 | 9.04% | \$0.55 | (25,719) | (41,741) | 19,445 | 84,131 |
| 30,000-49,999 | 59 | 2,337,554 | 0 | 0 | 209,987 | 8.98% | 276,596 | 11.83% | \$0.45 | 65,932 | 71,121 | 70,532 | 212,939 |
| 50,000-99,999 | 52 | 3,454,416 | 0 | 0 | 322,527 | 9.34% | 562,952 | 16.30% | \$0.39 | 7,264 | 143,827 | 98,036 | 388,629 |
| 100,000-199,999 | 28 | 3,774,958 | 0 | 0 | 264,730 | 7.01% | 478,854 | 12.69% | \$0.35 | (71,170) | 8,750 | 22,309 | 193,653 |
| 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 | 259 | 13,245,247 | 0 | 0 | 944,796 | 7.13% | 1,508,934 | 11.39% | \$0.41 | (23,693) | 401,957 | 210,322 | 1,099,352 |
| Bellflower / Downey | | | | | | | | | | | | | |
| 10,000-29,999 | 120 | 2,024,995 | 0 | 0 | 56,333 | 2.78% | 142,986 | 7.06% | \$0.59 | 30,640 | 28,942 | 37,395 | 99,332 |
| 30,000-49,999 | 17 | 645,189 | 0 | 0 | 5,806 | 0.90% | 20,076 | 3.11% | \$0.49 | 18,463 | (4,066) | 18,463 | 20,203 |
| 50,000-99,999 | 17 | 1,161,597 | 0 | 0 | 72,140 | 6.21% | 83,660 | 7.20% | \$0.53 | 40,284 | 52,416 | 40,284 | 113,252 |
| 100,000-199,999 | 7 | 1,019,099 | 0 | 0 | 98,914 | 9.71% | 95,301 | 9.35% | \$0.58 | 0 | (4,294) | 0 | 8,522 |
| 200,000-299,999 | 2 | 512,771 | 0 | 0 | 0 | 0.00% | 0 | 0.00% | \$0.00 | 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 | 164 | 5,700,651 | 0 | 0 | 233,193 | 4.09% | 342,023 | 6.00% | \$0.57 | 89,387 | 72,998 | 96,142 | 241,309 |
| Buena Park / La Palma | | | | | | | | | | | | | |
| 10,000-29,999 | 91 | 1,644,477 | 0 | 0 | 94,980 | 5.78% | 162,748 | 9.90% | \$0.76 | (7,752) | 3,937 | 7,835 | 55,324 |
| 30,000-49,999 | 31 | 1,177,621 | 0 | 0 | 47,000 | 3.99% | 90,219 | 7.66% | \$0.42 | 0 | 18,650 | 18,650 | 18,650 |
| 50,000-99,999 | 37 | 2,499,741 | 0 | 0 | 84,800 | 3.39% | 197,400 | 7.90% | \$0.54 | 0 | 60,605 | 0 | 66,510 |
| 100,000-199,999 | 20 | 2,669,743 | 0 | 0 | 125,977 | 4.72% | 125,977 | 4.72% | \$0.49 | 0 | 44,631 | 0 | 155,240 |
| 200,000-299,999 | 12 | 3,119,870 | 0 | 0 | 300,486 | 9.63% | 300,486 | 9.63% | \$0.54 | 0 | 75,080 | 76,216 | 447,166 |
| 300,000 Plus | 8 | 4,159,629 | 0 | 0 | 0 | 0.00% | 0 | 0.00% | \$0.00 | 0 | 0 | 0 | 0 |
| Total | 199 | 15,271,081 | 0 | 0 | 653,243 | 4.28% | 876,830 | 5.74% | \$0.51 | (7,752) | 202,903 | 102,701 | 742,890 |
| La Mirada | | | | | | | | | | | | | |
| 10,000-29,999 | 61 | 1,090,230 | 0 | 0 | 28,781 | 2.64% | 121,097 | 11.11% | \$0.54 | 668 | (3,893) | 2,268 | 20,767 |
| 30,000-49,999 | 34 | 1,307,163 | 0 | 0 | 40,112 | 3.07% | 83,724 | 6.41% | \$0.50 | (17,334) | (46,112) | 29,326 | 52,076 |
| 50,000-99,999 | 43 | 3,079,765 | 0 | 0 | 304,705 | 9.89% | 426,271 | 13.84% | \$0.44 | (10,063) | (6,290) | 29,464 | 186,529 |
| 100,000-199,999 | 24 | 3,262,780 | 0 | 0 | 338,330 | 10.37% | 455,243 | 13.95% | \$0.48 | (107,576) | 73,810 | 11,760 | 204,906 |
| 200,000-299,999 | 14 | 3,295,451 | 0 | 0 | 0 | 0.00% | 992,074 | 30.10% | \$0.47 | 0 | 60,783 | 0 | 60,783 |
| 300,000 Plus | 2 | 934,359 | 0 | 0 | 0 | 0.00% | 0 | 0.00% | \$0.00 | 0 | 0 | 180,969 | 180,969 |
| Total | 178 | 12,969,748 | 0 | 0 | 711,928 | 5.49% | 2,078,409 | 16.03% | \$0.47 | (134,305) | 78,298 | 253,787 | 706,030 |
| Norwalk | | | | | | | | | | | | | |
| 10,000-29,999 | 36 | 618,947 | 0 | 0 | 56,259 | 9.09% | 82,083 | 13.26% | \$0.63 | (2,000) | (36,122) | 14,040 | 40,528 |
| 30,000-49,999 | 7 | 283,787 | 0 | 0 | 0 | 0.00% | 0 | 0.00% | \$0.00 | 35,200 | 20,660 | 35,200 | 55,860 |
| 50,000-99,999 | 12 | 792,439 | 0 | 0 | 113,527 | 14.33% | 149,524 | 18.87% | \$0.75 | 0 | (53,527) | 0 | 0 |
| 100,000-199,999 | 9 | 1,165,739 | 0 | 0 | 0 | 0.00% | 0 | 0.00% | \$0.00 | 40,909 | 5,100 | 40,909 | 46,009 |
| 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 | 64 | 2,860,912 | 0 | 0 | 169,786 | 5.93% | 231,607 | 8.10% | \$0.63 | 74,109 | (63,889) | 90,149 | 142,397 |
| Paramount | | | | | | | | | | | | | |
| 10,000-29,999 | 212 | 3,716,658 | 0 | 0 | 115,996 | 3.12% | 186,364 | 5.01% | \$0.61 | 59,913 | 29,944 | 106,967 | 204,328 |
| 30,000-49,999 | 43 | 1,631,440 | 0 | 0 | 0 | 0.00% | 74,470 | 4.56% | \$0.52 | 2,100 | 16,615 | 3,500 | 25,794 |
| 50,000-99,999 | 21 | 1,533,122 | 0 | 0 | 9,333 | 0.61% | 121,474 | 7.92% | \$0.70 | (9,333) | 5,961 | 0 | 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 | 286 | 9,033,104 | 0 | 0 | 125,329 | 1.39% | 382,308 | 4.23% | \$0.62 | 52,680 | 52,520 | 110,467 | 245,416 |
| Santa Fe Springs | | | | | | | | | | | | | |
| 10,000-29,999 | 641 | 10,886,821 | 0 | 0 | 432,241 | 3.97% | 811,885 | 7.46% | \$0.71 | 36,882 | (6,479) | 156,324 | 392,538 |
| 30,000-49,999 | 169 | 6,536,588 | 0 | 117,905 | 355,077 | 5.43% | 594,527 | 9.10% | \$0.46 | (36,168) | (11,886) | 36,968 | 238,792 |
| 50,000-99,999 | 140 | 9,748,793 | 0 | 50,669 | 423,941 | 4.35% | 564,799 | 5.79% | \$0.43 | (41,693) | 170,375 | 72,706 | 372,233 |
| 100,000-199,999 | 86 | 11,429,868 | 106,100 | 0 | 366,843 | 3.21% | 527,986 | 4.62% | \$0.32 | 267,062 | 288,969 | 282,058 | 663,332 |
| 200,000-299,999 | 26 | 6,309,001 | 0 | 0 | 710,590 | 11.26% | 783,734 | 12.42% | \$0.35 | (175,976) | (527,602) | 83,090 | 403,242 |
| 300,000 Plus | 12 | 5,677,867 | 0 | 0 | 196,940 | 3.47% | 196,940 | 3.47% | \$0.00 | 0 | 481,530 | 0 | 893,060 |
| Total | 1,074 | 50,588,938 | 106,100 | 168,574 | 2,485,632 | 4.91% | 3,479,871 | 6.88% | \$0.42 | 50,107 | 394,907 | 631,146 | 2,963,197 |
| Whittier | | | | | | | | | | | | | |
| 10,000-29,999 | 89 | 1,445,583 | 0 | 0 | 23,210 | 1.61% | 41,337 | 2.86% | \$0.66 | 9,844 | 26,092 | 24,625 | 54,633 |
| 30,000-49,999 | 20 | 772,973 | 0 | 0 | 9,532 | 1.23% | 9,532 | 1.23% | \$0.64 | 767 | 11,427 | 6,687 | 18,447 |
| 50,000-99,999 | 15 | 957,492 | 0 | 0 | 0 | 0.00% | 70,041 | 7.32% | \$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 | 0 | 5,020 | 0 | 10,200 |
| 200,000-299,999 | 4 | 853,646 | 0 | 0 | 233,498 | 27.35% | 215,308 | 25.22% | \$0.29 | 0 | (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 | 4,656,549 | 0 | 0 | 271,420 | 5.83% | 341,398 | 7.33% | \$0.65 | 10,611 | 24,349 | 31,312 | 83,280 |
| Mid Counties Total | | | | | | | | | | | | | |
| 10,000-29,999 | 1,364 | 23,535,324 | 0 | 0 | 955,352 | 4.06% | 1,739,032 | 7.39% | \$0.65 | 102,476 | 680 | 368,899 | 951,581 |
| 30,000-49,999 | 380 | 14,692,315 | 0 | 117,905 | 667,514 | 4.54% | 1,149,144 | 7.82% | \$0.50 | 68,960 | 76,409 | 219,326 | 642,761 |
| 50,000-99,999 | 337 | 23,227,365 | 0 | 50,669 | 1,330,973 | 5.73% | 2,176,121 | 9.37% | \$0.46 | (13,541) | 373,367 | 240,490 | 1,142,447 |
| 100,000-199,999 | 185 | 24,835,261 | 106,100 | 0 | 1,199,974 | 4.83% | 1,688,541 | 6.80% | \$0.39 | 129,225 | 421,986 | 357,036 | 1,281,862 |
| 200,000-299,999 | 66 | 16,065,279 | 0 | 0 | 1,244,574 | 7.75% | 2,291,602 | 14.26% | \$0.42 | (175,976) | (189,929) | 159,306 | 1,131,191 |
| 300,000 Plus | 25 | 11,970,686 | 0 | 0 | 196,940 | 1.65% | 196,940 | 1.65% | \$0.00 | 0 | 481,530 | 180,969 | 1,074,029 |
| Total | 2,357 | 114,326,230 | 106,100 | 168,574 | 5,595,327 | 4.89% | 9,241,380 | 8.08% | \$0.44 | 111,144 | 1,164,043 | 1,526,026 | 6,223,871 |

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 |
|------------------------|-----------|-------------|-------------------|------------------------------|-----------------------------|
| 18021 Valley View Ave. | Cerritos | 309,934 | \$129.22 | The Estate of James Campbell | TA Associates |
| 5911-5915 Fresca Dr. | La Palma | 292,080 | \$62.65 | Dexus Acquirer, LLC | Fresca Industrial Park, LP |
| 14821 Artesia Blvd. | La Mirada | 84,937 | \$75.00 | Outlook Resources | Pacific Industrial Partners |
| 14301 Gannet | La Mirada | 80,000 | \$85.31 | KTR | Sexton Family |
| 16323 Shoemaker Ave. | Cerritos | 66,494 | \$110.54 | Calnetix Technologies, LLC | Bechler Corparation |
| 13125 Midway Pl. | Cerritos | 46,142 | \$84.52 | Young Lee Family Trust | Jeff Melichar |

Lease Transactions

| Property Address | City | Square Feet | Transaction Date | Tenant | Owner |
|-----------------------|------------------|-------------|------------------|----------------------------|------------------------------------|
| 3777 Workman Mill Rd. | Whittier | 613,375 | Aug-11 | Michael Kors | KTR Capital Partners |
| 16509 Trojan Way | La Mirada | 180,969 | Sep-11 | Cotton ON | MC&C |
| 13227-13335 Orden Dr. | Santa Fe Springs | 171,826 | Jul-11 | American Tire Distribution | Golden Springs Development Company |
| 13140 Midway Pl. | Cerritos | 106,384 | Jul-11 | Giant Bike | Oltmans |
| 12728 Shoemaker Ave. | Santa Fe Springs | 77,640 | Jul-11 | Simplex Grinnell, LP | Golden Springs Development Company |
| 6101 Knott Ave. | Buena Park | 76,216 | Jul-11 | Sekisui | ProLogis |

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