



# Industrial Market Report

Compared to last quarter:

Vacancy DOWN

**Net Absorption** 



**Availability** 



Lease Rates DOWN

Transactions DOWN

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## Market Highlights

- ◆ Market Challenges Let's just say it's nice to have 2009 behind us as the Industrial market continues to struggle going into 2010. The primary concerns are as follows: increasing vacancy, tenant delinquencies, scarce financing (except SBA owner user), 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 last quarter of 2009. 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 year at 5.02%, which is higher than it was a year ago when it was 3.29%. The Santa Fe Springs submarket has a lower vacancy rate coming in at 4.92%. The Santa Fe Springs submarket represents almost half of all Industrial buildings in the Mid-Counties.
- Availability Direct/sublease space being marketed was 11.39% this quarter, up from the 5.86% 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 \$.49 cents per square foot per month this quarter. This is a decrease of 15.52% 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 positive 40,128 square feet for the fourth quarter of 2009, giving the Industrial market a total of almost 2 million square feet of negative absorption for the year.

- ◆ Transaction Activity Leasing activity checked in this quarter at 1.9 million square feet. This increase can be attributed to the recent trend of short term deals coupled with lease renegotiations. Sales activity showed a significant increase over the past two quarters, posting 951,360 square feet of activity in the fourth quarter, and 1.8 million square feet in the third quarter; 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 12.4% in November 2009, down from a revised 12.7% in October 2009, and above the year ago estimate of 8.9%. This compares with an unadjusted unemployment rate of 12.2% for California and 9.4% for the nation during the same period.
- Employment According to the State of California Employment Development Department, Los Angeles County lost 141,900 payroll jobs over the last twelve months - 37,400 in manufacturing and 27,000 in retail trade, transportation and utilities services. However, educational and health services showed a year over year gain of 7,600 jobs. Between October 2009 and November 2009, Los Angeles County gained 6,900 jobs.
- **Overall** We are starting to see a decrease in the amount of available space being added per quarter, as well as an increase in investment sales activity during the last half of 2009. In 2010, negative absorption will continue to slow, and with no new deliveries in the pipeline to put more upward pressure on vacancies, the market should stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. As 2009 came to a close, there was an increase in price-induced transactions, which will carry over into 2010. Lease rates are expected to remain soft for the near future, and concessions should continue to increase in the forms of free rent, relocation funds and tenant improvement allowances to incentivize tenants to act now. We should see an increase in leasing activity as many short term deals come up for renewal and as job creation begins in the second half of 2010. Once job creation turns positive and consumer confidence stabilizes, the Industrial market will turn positive.

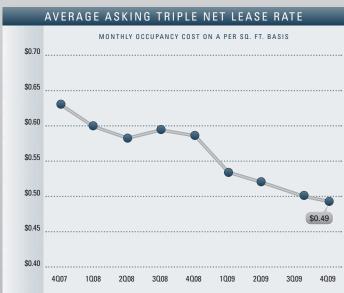
MID CO	UNTIES	MARKE	T OVERV	I E W
	2009	2008	2007	% CHANGE VS. 2008
Inventory Added	89,057	824,462	552,419	-89.20%
Under Construction	0	89,057	824,462	-100.00%
Vacancy Rate	5.02%	3.29%	2.38%	52.58%
Availability Rate	11.39%	5.86%	3.00%	94.37%
Average Asking Lease Rate	\$0.49	\$0.58	\$0.60	-15.52%
Net Absorption	(1,952,896)	(261,107)	619,160	N/A
Gross Absorption	5,956,608	5,291,194	5,401,317	12.58%

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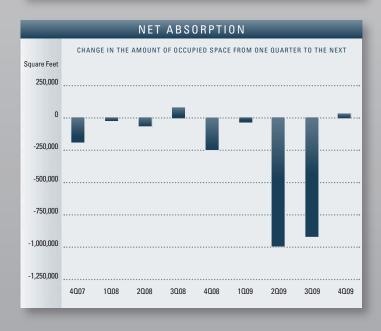
#### MID COUNTIES / INDUSTRIAL MARKET REPORT / FOURTH QUARTER 2009

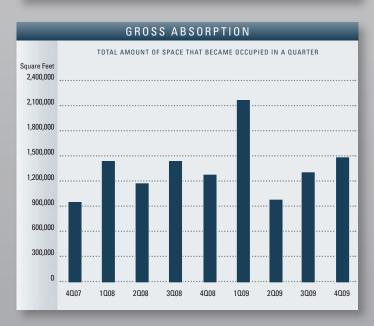












	INVENTORY			\	VACANCY & LEASE RATES				ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 402009	Square Feet Available	Availability Rate 402009	Average Asking Lease Rate	Net Absorption 402009	Net Absorption 2009	Gross Absorption 402009	Gross Absorption 2009
Artesia / Cerritos													
10,000 - 29,999 30,000 - 49,999	107 61	2,031,005 2,415,641	0	0	162,980 190,162	8.02% 7.87%	237,752 396,143	11.71% 16.40%	\$0.48 \$0.46	23,259 (8,176)	(21,983) (61,228)	52,202 0	118,399 149,989
50,000 - 99,999	56	3,686,557	0	0	432,728	11.74%	510,572	13.85%	\$0.49	(16,646)	(29,614)	0	285,271
100,000 - 199,999 200,000 - 299,999	30 4	3,998,608 991,766	0	0	401,923 220,000	10.05% 22.18%	769,798 220,000	19.25% 22.18%	\$0.38 \$0.24	(106,171) 0	(157,694) 0	21,829 0	222,954 0
300,000+	1	309,934	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Artesia / Cerritos Total	259	13,433,511	0	0	1,407,793	10.48%	2,134,265	15.89%	\$0.45	(107,734)	(270,519)	74,031	776,613
Bellflower / Downey													
10,000 - 29,999 30,000 - 49,999	127 18	2,129,651 699,094	0	0	52,684 35,059	2.47% 5.01%	135,709 40,841	6.37% 5.84%	\$0.60 \$0.52	0 (142)	(21,800) (13,155)	1,700 0	72,000 26,208
50,000 - 99,999	14	937,480	0	0	60,192	6.42%	102,596	10.94%	\$0.62	(8,388)	(52,128)	0	26,208
100,000 - 199,999 200,000 - 299,999	8 2	1,116,693 528,153	0	0	0	0.00% 0.00%	215,622 250,643	19.31% 47.46%	\$0.00 \$0.00	0	0	19,329 0	19,329
300,000+	1	315,705	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Bellflower / Downey Total	170	5,726,776	0	0	147,935	2.58%	745,411	13.02%	\$0.58	(8,530)	(87,083)	21,029	143,745
Buena Park / La Palma													
10,000 - 29,999 30,000 - 49,999	86 32	1,569,377 1,209,163	0	0 36 736	119,699	7.63% 10.17%	187,642 182,129	11.96% 15.06%	\$0.65 \$0.33	(13,546) 0	(85,179) (123,000)	33,304 0	67,264 34,292
50,000 - 99,999	40	2,811,171	0	36,736 0	123,000 142,430	5.07%	357,523	12.72%	\$0.49	(67,350)	(67,350)	0	(
100,000 - 199,999 200,000 - 299,999	19 12	2,560,074 3,122,757	0	0	75,000 131,280	2.93% 4.20%	242,217 223,972	9.46% 7.17%	\$0.57 \$0.43	0	0 (131,280)	0	218,640
300,000+	9	4,535,029	Õ	ő	0	0.00%	511,142	11.27%	\$0.54	374,410	0	374,410	821,466
Buena Park / La Palma Total	198	15,807,571	0	36,736	591,409	3.74%	1,704,625	10.78%	\$0.54	293,514	(406,809)	407,714	1,141,662
La Mirada													
10,000 - 29,999	66	1,198,360	0	0	87,593	7.31%	150,897	12.59%	\$0.80	(8,489)	(23,555)	3,095	44,742
30,000 - 49,999 50,000 - 99,999	33 43	1,264,280 3,026,787	0	0	0 189,748	0.00% 6.27%	125,124 442,787	9.90% 14.63%	\$0.55 \$0.56	0 (10,143)	9,088 12,797	0 14,910	9,088 201,948
100,000 - 199,999	26	3,492,039	0	0	294,708	8.44%	395,170	11.32%	\$0.46	64,654	(32,097)	128,414	514,937
200,000 - 299,999 300,000+	14 2	3,287,227 935,369	0	0	26,063 0	0.79% 0.00%	86,846 0	2.64% 0.00%	\$0.45 \$0.00	0	21,604 0	0	21,604 0
La Mirada Total	184	13,204,062	0	0	598,112	4.53%	1,200,824	9.09%	\$0.51	46,022	(12,163)	146,419	792,319
Norwalk													
10,000 - 29,999	32	552,613	0	0	11,242	2.03%	67,821	12.27%	\$0.49	13,614	15,850	19,960	69,462
30,000 - 49,999 50,000 - 99,999	6 13	253,561 882,769	0	0	28,660 60,000	11.30% 6.80%	28,660 164,561	11.30% 18.64%	\$0.48 \$0.49	0	(8,000) (60,000)	0	0
100,000 - 199,999	9	1,175,104	0	0	63,253	5.38%	116,154	9.88%	\$0.52	0	(63,253)	0	0
200,000 - 299,999 300,000+	1	216,268 0	0	0	0	0.00% 0.00%	0	0.00% 0.00%	\$0.00 \$0.00	0	0	0	0
Norwalk Total	61	3,080,315	0	0	163,155	5.30%	377,196	12.25%	\$0.51	13,614	(115,403)	19,960	69,462
Paramount													
10.000 - 29.999	226	3,935,695	0	0	205,684	5.23%	416,904	10.59%	\$0.63	17,138	(32,276)	46,373	178,278
30,000 - 49,999	47 20	1,785,852	0	0	74,236	4.16% 2.08%	100,482	5.63%	\$0.00	4,988	24,660	9,064	42,123 90,379
50,000 - 99,999 100,000 - 199,999	7	1,435,587 1,046,219	0	0	29,901 0	0.00%	86,985 0	6.06% 0.00%	\$0.00 \$0.00	29,839 0	57,828 0	45,667 0	. 0
200,000 - 299,999 300,000+	3 1	713,768 551,897	0	0	35,065 0	4.91% 0.00%	134,755 0	18.88% 0.00%	\$0.58 \$0.00	(35,065) 0	(35,065) 0	0	551,897
Paramount Total	304	9,469,018	0	0	344,886	3.64%	739,126	7.81%	\$0.59	16,900	15,147	101,104	862,677
Santa Fe Springs		.,,.			,		,			.,	-,	. , .	
10,000 - 29,999	642	11,016,643	0	0	549,958	4.99%	934,976	8.49%	\$0.58	(32,997)	(270,925)	111,565	337,557
30,000 - 49,999	181	7,071,882	0	0	344,968	4.88%	686,284	9.70%	\$0.61	12,349	(83,511)	47,962	241,863
50,000 - 99,999 100,000 - 199,999	148 90	10,283,753 11,919,485	0	0	445,270 854,431	4.33% 7.17%	1,058,238 1,624,990	10.29% 13.63%	\$0.48 \$0.44	32,772 (210,356)	(158,089) (570,884)	195,141 346,111	535,691 411,267
200,000 - 299,999 300,000+	26 12	6,330,459 5,473,755	0	0	229,893 137,330	3.63% 2.51%	955,365 784,920	15.09% 14.34%	\$0.42 \$0.39	0	46,137 (137,330)	0	396,261 0
Santa Fe Springs Total	1,099	52,095,977	0	0	2,561,850	4.92%	6,044,773	11.60%	\$0.39	(198,232)	(137,330)	700,779	1,922,639
Whittier	1,000	32,033,311	U	U	2,001,000	T.JL /U	U,UTT,113	11.00 /0	ψυ.τυ	(100,202)	(1,177,002)	700,773	1,022,000
10,000 - 29,999	91	1,495,837	0	0	56,822	3.80%	61 266	4.10%	\$0.98	(13,679)	(32,167)	1,833	31,104
30,000 - 49,999	19	729,356	0	0	13,142	1.80%	61,366 10,530	1.44%	\$0.00	(1,747)	(9,357)	0	6,985
50,000 - 99,999 100,000 - 199,999	13 6	824,847 772,998	0	0	0 13,020	0.00% 1.68%	142,322 5,820	17.25% 0.75%	\$0.39 \$0.00	0	0 140,060	0	209,402
200,000 - 299,999	4	854,358	0	0	0	0.00%	216,020	25.28%	\$0.47	0	0	0	0
300,000+	122	0	0	0	92 094	0.00%	426.059	0.00%	\$0.00	(15.426)	00 526	1 922	247 401
Whittier Total	133	4,677,396	U	U	82,984	1.77%	436,058	9.32%	\$0.45	(15,426)	98,536	1,833	247,491
Mid Counties Total	1 077	20 000 404	0	•	1 040 000	E 040/	0.100.007	0.400/	<b>ሰ</b> ር 57	(14.700)	(470.005)	070.000	040.000
10,000 - 29,999 30,000 - 49,999	1,377 397	23,929,181 15,428,829	0	0 36,736	1,246,662 809,227	5.21% 5.24%	2,193,067 1,570,193	9.16% 10.18%	\$0.57 \$0.52	(14,700) 7,272	(472,035) (264,503)	270,032 57,026	918,806 510,548
50,000 - 99,999 100,000 - 199,999	347 195	23,888,951 26,081,220	0	0	1,360,269 1,702,335	5.69% 6.53%	2,865,584 3,369,771	12.00% 12.92%	\$0.49 \$0.46	(39,916) (251,873)	(296,556) (683,868)	255,718 515,683	1,139,497 1,377,889
200,000 - 299,999	66	16,044,756	0	0	642,301	4.00%	2,087,601	13.01%	\$0.45	(35,065)	(98,604)	0	636,505
300,000+	26	12,121,689	0	0	137,330	1.13%	1,296,062	10.69%	\$0.52	374,410	(137,330)	374,410	1,373,363

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			
13950 Cerritos Corporate Dr 7 Properties	Cerritos	447,473	\$31,000,000	The Abbey Company	TIAA Realty, Inc.			
6545 Caballero Blvd.	Buena Park	167,217	\$16,888,917	BP Westport Properties	Pacific Supply Company			
9220-9268 Hall Road - 45 Industrial Condos	Downey	352,006	\$9,876,000	Rexford Industrial, LLC	GE Capital Commercial Finance			
3955 Aragon Circle	Buena Park	101,000	\$7,250,000	City of Buena Park	US Union Tool, Inc.			
17211 Valley View Ave.	Cerritos	100,000	\$6,943,674	Valley View Property Mgmt, LLC	Bixby Land Company			
Lease Transactions Property Address	City	Square Feet	Transaction Dat	te Tenant	Owner			
6565 Knott Ave.	Buena Park	626,304	December-09	Saddle Creek Corporation	Prudential Real Estate Investors			
16012-16030 Authur St Renewal	Cerritos	290,000	March-09	Phoenix Warehouse of California				
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 Spring	s 113,125	September-09	Philadelphia Gear Corp.	Accuride			

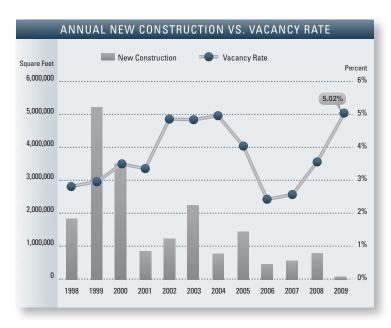
## **Product Type**

#### MFG./DIST.

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

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