



Industrial Market Report

Compared to 2010:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

UP

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Market Highlights

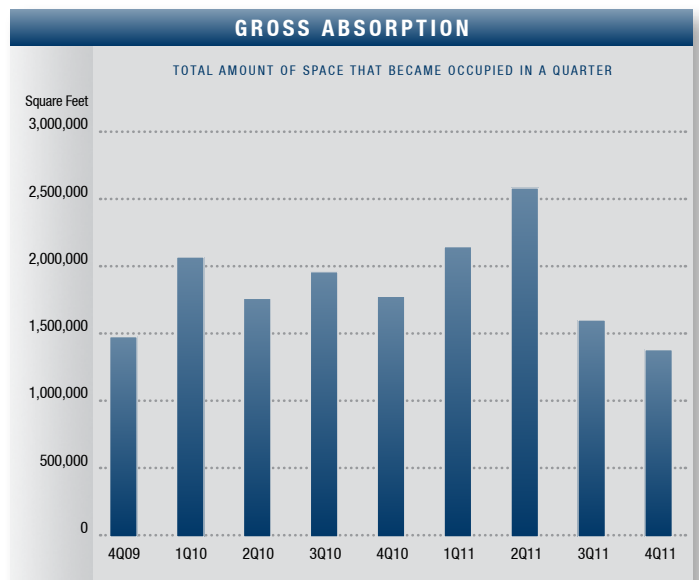
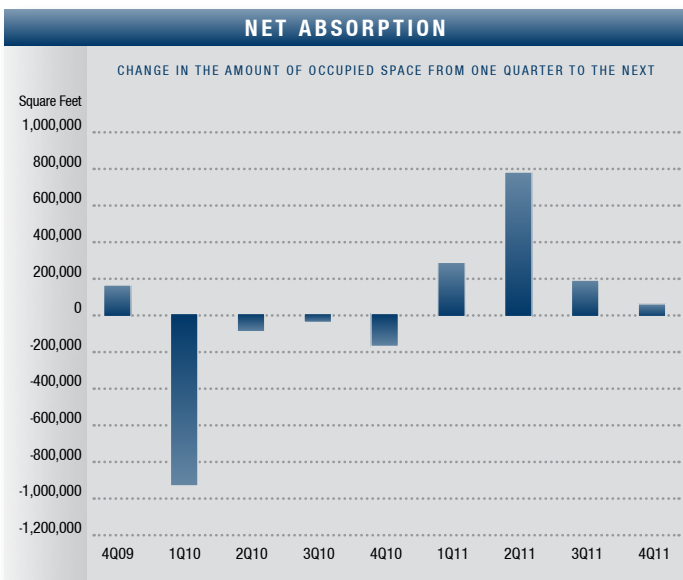
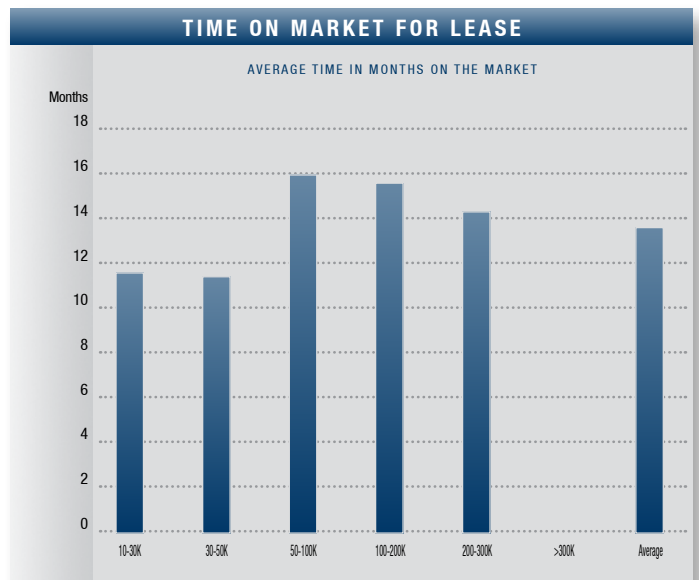
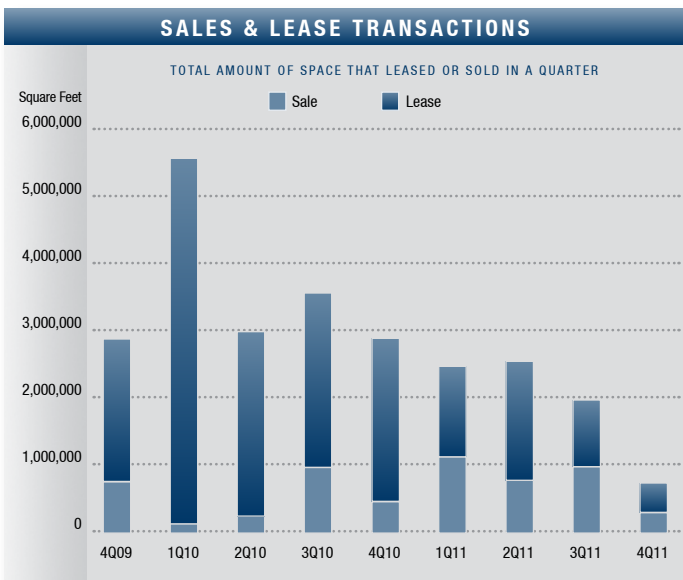
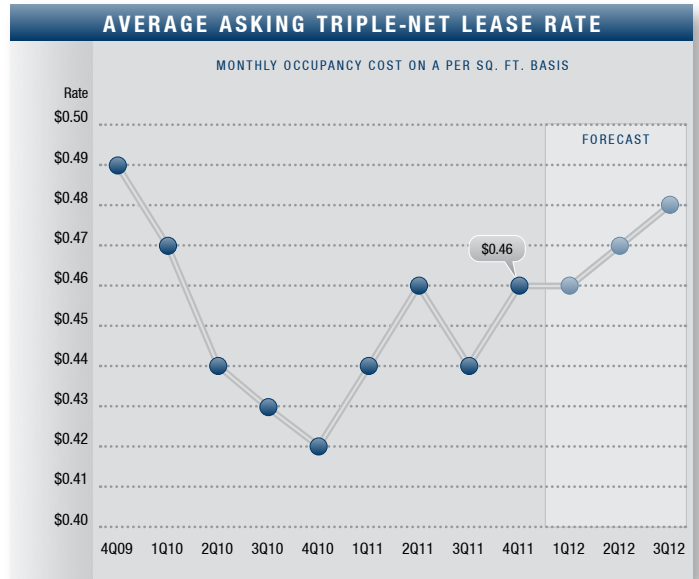
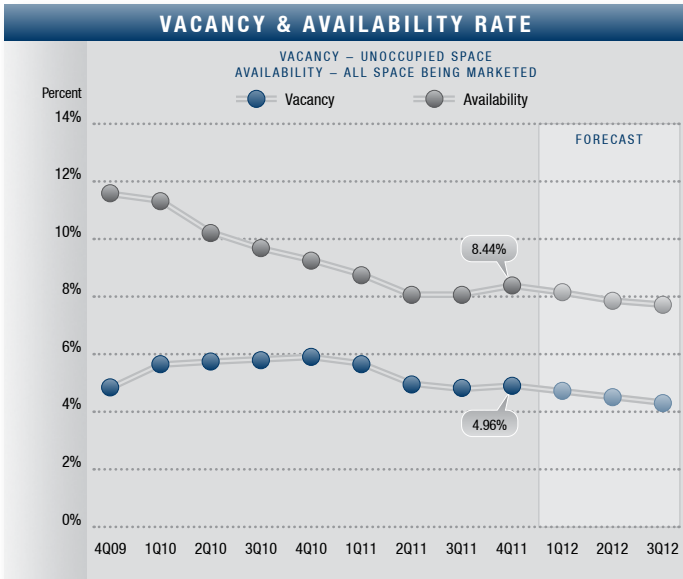
- Encouraging Numbers** - The Mid-Countries industrial market conveyed more promise of recovery at the end of 2011. Vacancy displayed a year-over-year decrease of over 16%, availability rates continued to trend downward, and net absorption posted a positive number for the fourth consecutive quarter. 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 168,574 square feet, all in Santa Fe Springs, under construction in the Mid-Countries during the fourth 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 year at 4.96%, a little higher than the previous quarter's rate of 4.84% but 16.07% lower than 2010's fourth quarter rate of 5.91%. The Santa Fe Springs submarket, which currently represents nearly half of all industrial buildings in the Mid-Countries, had a vacancy rate of 4.19% at the end of the fourth quarter.
- Availability** - Direct/sublease space being marketed was 8.44% at the end of the fourth quarter of 2011, down over 8.76% from the 9.25% we saw in the same quarter of 2010 and displaying the lowest availability rate seen in the Mid-Countries industrial market in three years.
- Lease Rates** - The average asking triple-net lease rate was \$.46 cents per square foot per month in the fourth quarter of 2011, two cents higher than the previous quarter and four cents higher than in the fourth quarter of 2010. We are forecasting that lease rates will continue to rise, ending the year at \$.50.
- Absorption** - The Mid-Countries industrial market posted 1.3 million square feet of positive absorption for 2011, making

up for the 1.2 million square feet of negative absorption in 2010 and constituting the strongest trend of positive net absorption seen since 2006.

- Transaction Activity** - Leasing activity for 2011 checked in at 4.6 million square feet, a decrease from the prior year's figure of 13.3 million square feet. Sales activity increased, posting 3 million square feet for 2011 compared to the 1.7 million square feet we saw in 2010. Details of the largest transactions for 2011 can be found on the back page of this report.
- Employment** - The unemployment rate in Los Angeles County was 11.9% in November 2011, down from a revised 12.2% in October 2011 and below the 2010 estimate of 13%. This compares with an unadjusted unemployment rate of 10.9% for California and 8.2% 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 12,500 jobs between November 2010 and November 2011. The largest gains were 9,800 in educational & health services and 6,600 in information; however, Los Angeles County lost 5,100 government jobs during that same period.
- Overall** - We are seeing a decrease in the amount of available space being marketed, as well as an increase in investment sales activity. Positive absorption has begun and lease rate are beginning to rise, and with little new deliveries in the pipeline 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

	2011	2010	2009	% of Change vs. 2010
Total Vacancy Rate	4.96%	5.91%	4.85%	(16.07%)
Availability Rate	8.44%	9.25%	11.55%	(8.76%)
Average Asking Lease Rate	\$0.46	\$0.42	\$0.49	9.52%
Sale & Lease Transactions	7,635,446	14,950,890	8,190,432	(48.93%)
Gross Absorption	7,686,667	7,548,494	5,947,195	1.83%
Net Absorption	1,299,356	(1,214,487)	(1,697,521)	N/A



LARGEST TRANSACTIONS OF 2011

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
14501 Artesia Blvd.	La Mirada	277,564	\$94.57	Dexus Socal, LLC	LBA Realty Fund-Holding Co. II
12252 Whittier Blvd.	Whittier	161,000	\$70.50	Sohnen Enterprises, Inc.	Leggett & Platt, Inc.
13226 Alondra Blvd.	Cerritos	128,000	\$82.50	Achem Industry America, Inc.	Scope Properties, LLC
14100 Vine Pl.	Cerritos	121,232	\$63.00	Fairmont Designs	Domtar Paper

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
6400 Valley View St. – Renewal	Buena Park	238,270	Jun-12	Quaker Sales	ProLogis
15927 Distribution Way – Expansion	Cerritos	220,000	Feb-12	Phoenix Warehouse	WCV Commercial
16509 Trojan Way	La Mirada	180,969	Sep-12	Cotton ON	MC&C
13227 Orden Dr.	Santa Fe Springs	171,826	Jul-11	American Tire Distribution	Golden Springs Development Co.
14911 Valley View Ave.	Santa Fe Springs	155,408	Feb-12	Faro Services	Morgan Stanley Real Estate Advisor

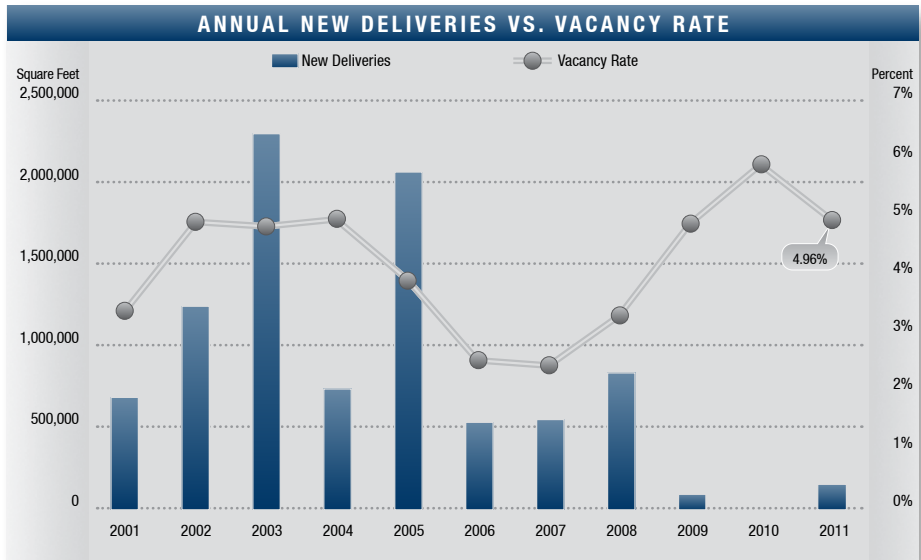
Product Type

MFG./DIST.

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

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