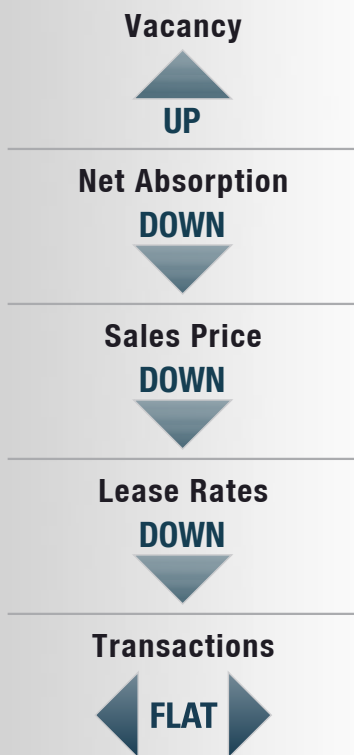




**Voit**  
Real Estate Services

# Industrial Market Report

Compared to last quarter:



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Prepared by:  
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## Market Highlights

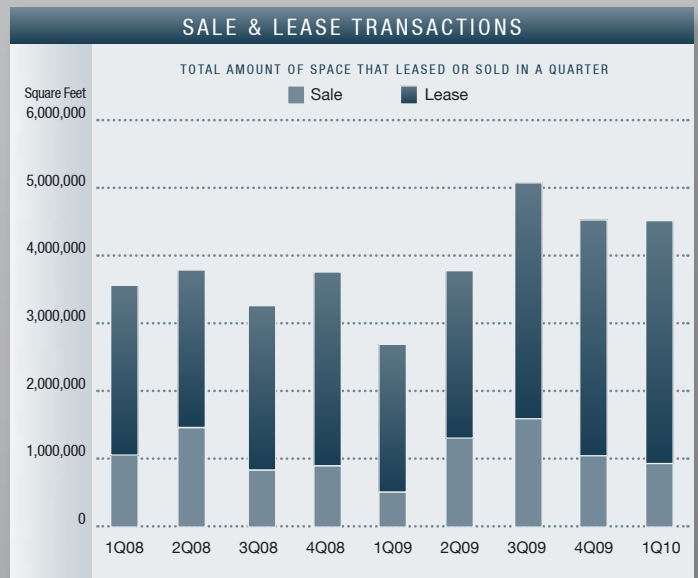
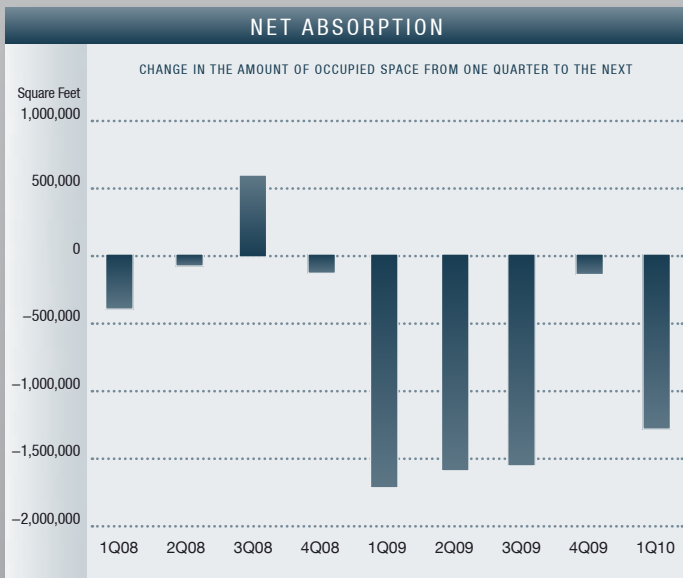
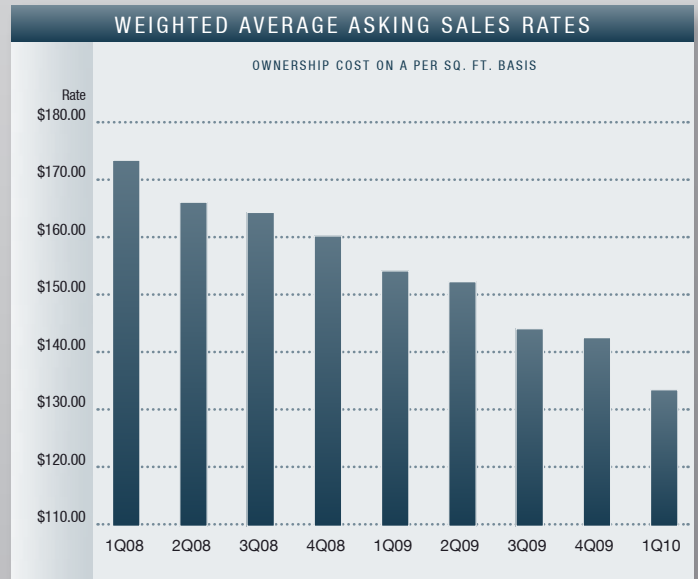
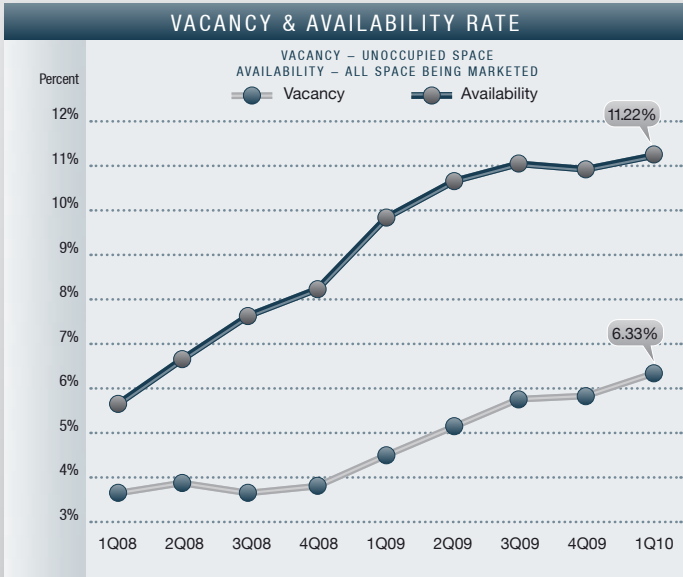
- ◆ **Market Challenges** - Many users/investors have concerns with increasing vacancy, tenant delinquencies, economic uncertainty and volatility, and the gap between "ask" and "bid" pricing. However, the ask-bid gap appears to be diminishing, apparent from the increase in sales activity. Another challenge for the Industrial market is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn are putting an upward pressure on vacancy rates. To avoid failures many tenants are requesting rent relief from landlords, which is leading landlords to renegotiate loan terms with lenders.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 6.33%, which is higher than the 4.5% it was a year ago. The lowest vacancy rate in the county can be found in South County, coming in at 5.31%.
- ◆ **Availability** - Direct/sublease space being marketed was 11.22% this quarter, up from the 9.83% we saw this same time last year. While availability is showing signs of stabilizing, the extra sublet space is creating additional downward pressure on asking lease rates.
- ◆ **Lease Rates** - The average asking triple net lease rate was \$.57 cents per square foot per month this quarter. This is a decrease of 12.31% when compared to last year's asking rate of \$.65 and two cents lower than last quarter's rate. The record high rate of \$.80 was established in the first and second quarters of 2008.
- ◆ **Sales Pricing** - The average asking sales price this quarter was \$133.51 per square foot, down from last quarter's rate of \$142.94 and last year's rate of \$154.10. The record high asking rate was \$181.23 in the third quarter of 2007.
- ◆ **Absorption** - Net absorption for the county posted a negative 1.3 million square feet for the first quarter of 2010, giving the industrial market an average of 1.25 million square feet of negative absorption for last five quarters. This negative absorption can be attributed to recent job losses; absorption will turn positive once job creation begins.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 3.6 million square feet. This increase can be attributed to the recent trend of short-term deals coupled with lease renegotiations. Although sales activity showed a slight decrease since last quarter, posting just under one million square feet of activity as compared to last quarter's 1.02 million, sales volume in the first quarter of 2010 is up by over 80% from the same quarter last year. Details of the largest transactions can be found on the back page of this report.
- ◆ **Unemployment** - The unemployment rate in Orange County was 9.7% in February 2010, down from a revised 10.2% in January 2010 and above the year ago estimate of 7.9%. This compares with an unadjusted unemployment rate of 12.8% for California and 10.4% for the nation during the same period.
- ◆ **Employment** - According to the State of California Employment Development Department, Orange County lost 53,000 payroll jobs over the last twelve months; the largest losses were 14,400 in construction, 11,000 in manufacturing and 4,200 in leisure & hospitality. However, between January 2010 and February 2010, Orange County gained 10,300 jobs.
- ◆ **Overall** - We are beginning to see a decrease in the amount of available space being added per quarter, as well as an increase in investment sales activity. Though negative absorption continues, with few new deliveries in the pipeline to put more upward pressure on vacancies, the market should begin to stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, relocation funds and tenant improvement allowances should continue to increase to incentivize tenants to act immediately. 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 again turn positive.

## INDUSTRIAL MARKET OVERVIEW

	1Q2010	4Q2009	1Q2009	% CHANGE VS. 1Q2009
Vacancy Rate	6.33%	5.81%	4.50%	40.67%
Availability Rate	11.22%	10.91%	9.83%	14.14%
Average Asking Lease Rate	\$0.57	\$0.59	\$0.65	(12.31%)
Average Asking Sales Price	\$133.51	\$142.94	\$154.10	(13.36%)
Sale & Lease Transactions	4,561,624	4,566,431	2,689,720	69.59%
Gross Absorption	3,773,160	2,970,489	2,778,401	35.80%
Net Absorption	(1,297,719)	(124,599)	(1,700,266)	N/A



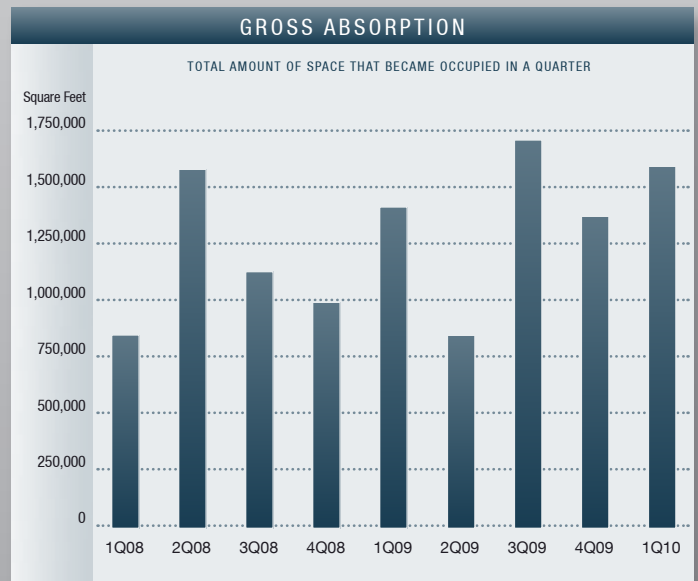
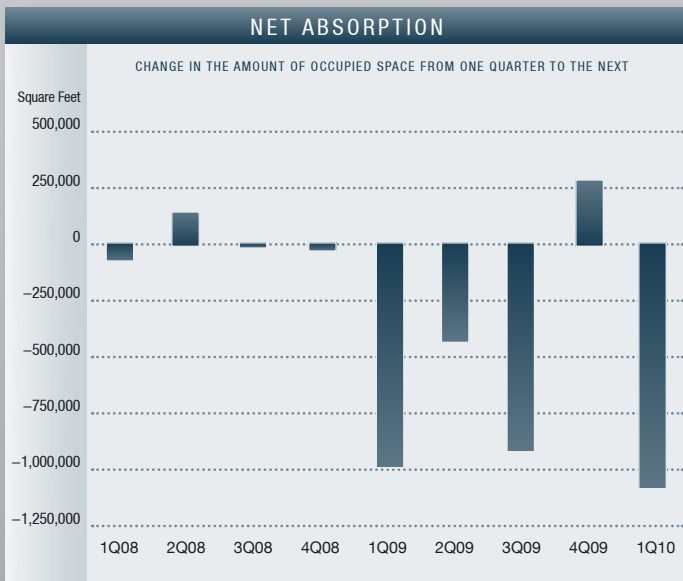
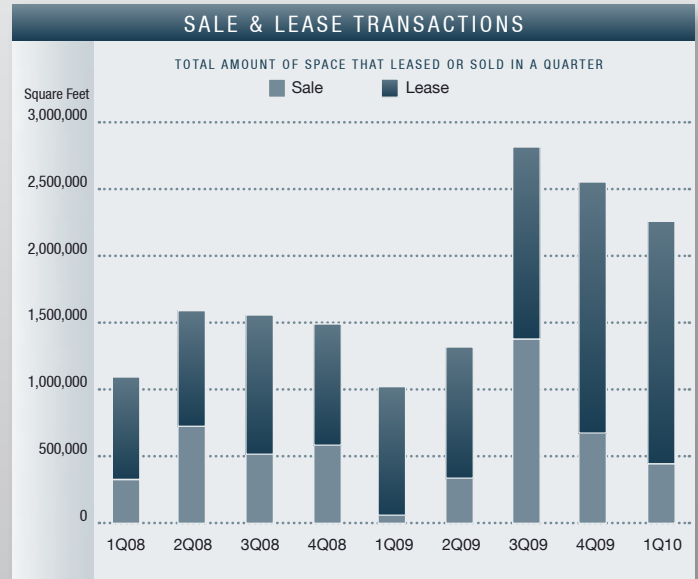
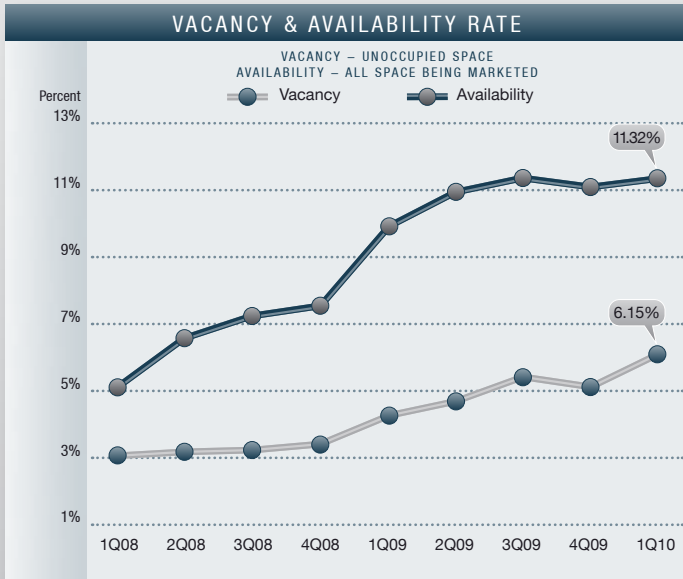
**Real People. Real Solutions.**





NORTH ORANGE COUNTY

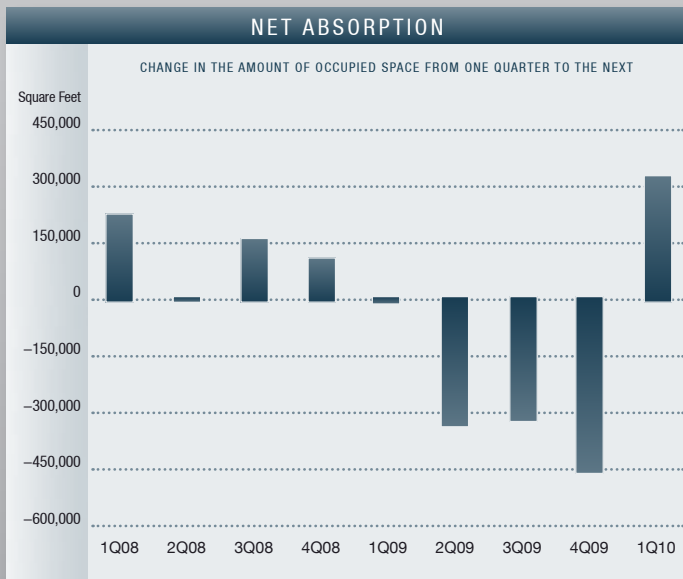
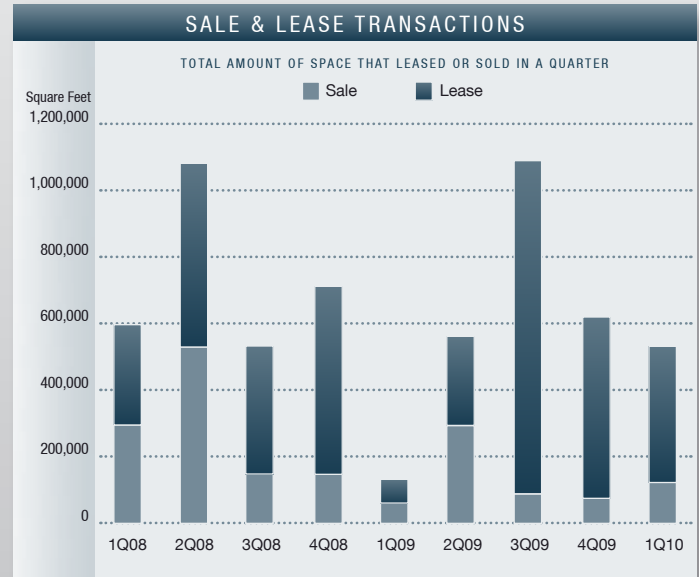
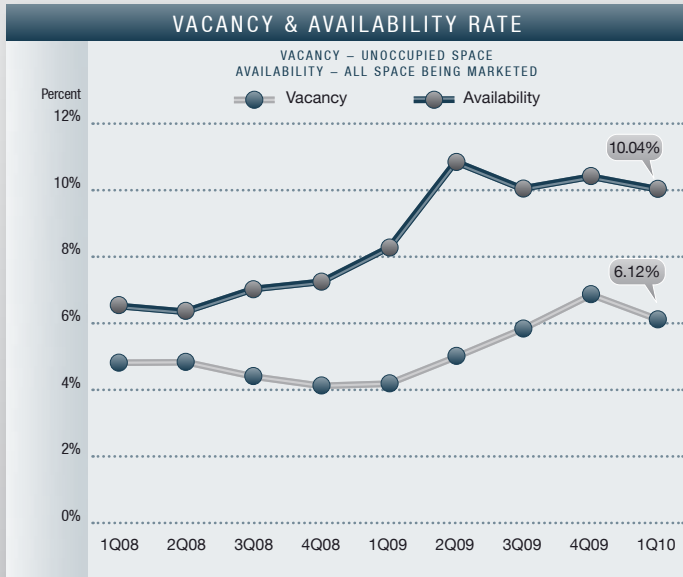
The North Orange County Industrial Market consists of 3,978 buildings totaling 113,485,313 square feet and currently has an availability rate of 11.32%, which shows an increase from last quarter's figure of 11.03%.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2010	Square Feet Available	Availability Rate 1Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2010	Net Absorption 2009	Gross Absorption 1Q2010	Gross Absorption 2009
<b>North Totals</b>														
Less than 9,999	1,175	7,515,836	0	0	400,848	5.33%	607,144	8.08%	\$0.67	\$153.34	(6,317)	(80,425)	113,459	446,912
10,000-19,999	1,419	19,543,443	0	16,225	1,109,070	5.67%	1,876,407	9.60%	\$0.64	\$134.72	(76,974)	(273,215)	293,887	1,054,371
20,000-29,999	543	12,908,409	0	71,200	762,609	5.91%	1,328,421	10.29%	\$0.69	\$147.82	(86,423)	(226,749)	130,755	665,308
30,000-39,999	232	7,847,845	0	64,328	402,088	5.12%	708,423	9.03%	\$0.56	\$130.52	30,292	(257,125)	120,201	265,588
40,000-49,999	140	6,126,551	0	0	430,571	7.03%	931,036	15.20%	\$0.50	\$141.00	(60,709)	(135,227)	140,719	165,918
50,000-74,999	200	12,069,880	0	57,593	604,197	5.01%	1,518,414	12.58%	\$0.53	\$113.75	(11,764)	(51,644)	247,548	621,545
75,000-99,999	89	7,586,677	0	85,140	283,666	3.74%	475,723	6.27%	\$0.50	\$105.31	(63,830)	(6,088)	0	78,440
100,000-149,999	92	10,869,594	0	0	459,507	4.23%	1,276,458	11.74%	\$0.45	\$121.99	32,916	(206,845)	88,892	169,397
150,000-199,999	36	6,204,190	0	0	692,977	11.17%	824,680	13.29%	\$0.49	\$101.95	(53,304)	(98,976)	139,791	162,979
200,000-299,999	38	9,149,679	0	0	908,889	9.93%	1,974,986	21.59%	\$0.54	\$88.14	(581,405)	(327,484)	95,172	506,296
300,000 plus	28	13,636,480	374,400	0	921,188	6.76%	1,320,363	9.68%	\$0.47	\$96.00	(214,967)	(406,221)	210,925	1,172,865
<b>Total</b>	<b>3,992</b>	<b>113,458,584</b>	<b>374,400</b>	<b>294,486</b>	<b>6,975,610</b>	<b>6.15%</b>	<b>12,842,055</b>	<b>11.32%</b>	<b>\$0.52</b>	<b>\$116.88</b>	<b>(1,092,485)</b>	<b>(2,069,999)</b>	<b>1,581,349</b>	<b>5,309,619</b>

## WEST ORANGE COUNTY

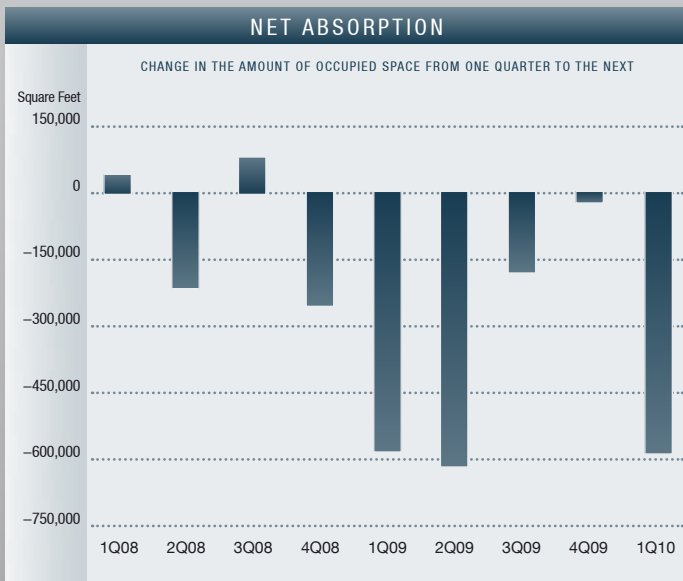
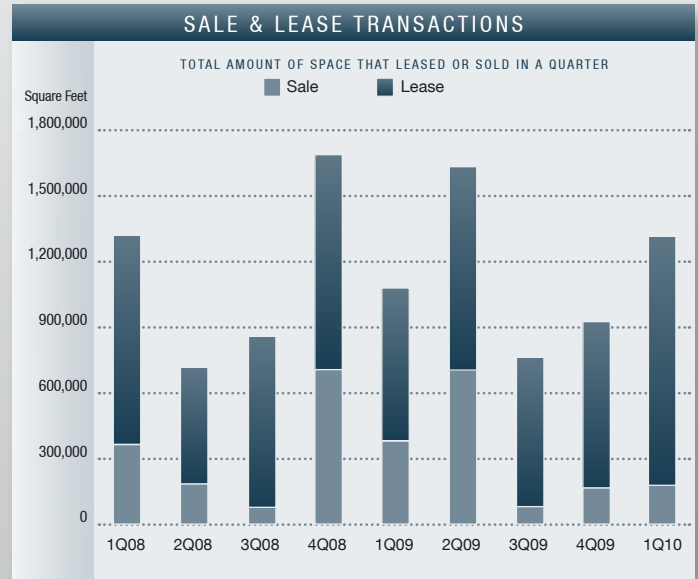
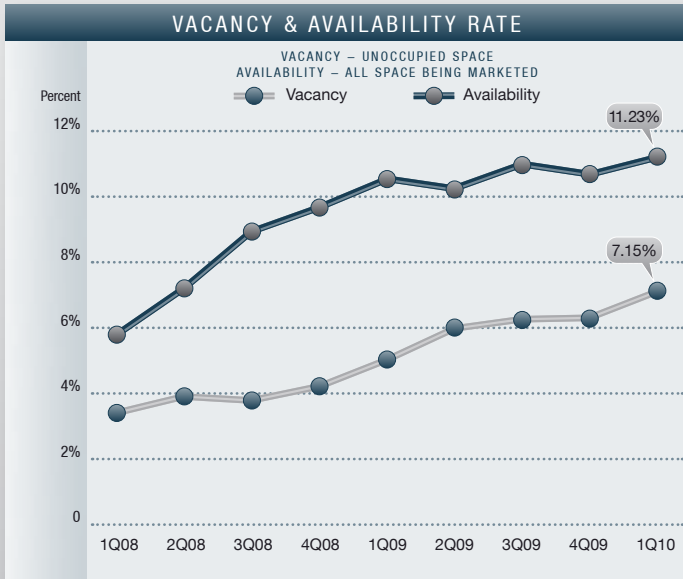
The West Orange County Industrial Market consists of 1,709 buildings totaling 42,068,278 square feet and currently has an availability rate of 10.04%, which shows a decrease from last quarter's figure of 10.43%.



	INVENTORY			VACANCY & PRICING				ABSORPTION						
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2010	Square Feet Available	Availability Rate 1Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2010	Net Absorption 2009	Gross Absorption 1Q2010	Gross Absorption 2009
<b>West Totals</b>														
Less than 9,999	658	3,890,808	0	0	131,338	3.38%	271,246	6.97%	\$0.69	\$176.37	13,646	(55,600)	28,766	156,538
10,000-19,999	565	7,519,881	0	16,407	444,777	5.91%	737,274	9.80%	\$0.90	\$147.25	(14,353)	(287,233)	90,159	347,234
20,000-29,999	180	4,286,365	0	0	283,781	6.62%	535,357	12.49%	\$0.99	\$147.21	10,712	(98,005)	49,173	172,970
30,000-39,999	63	2,186,294	0	0	33,652	1.54%	195,002	8.92%	\$0.41	\$119.00	17,258	15,490	24,020	73,884
40,000-49,999	61	2,681,746	0	0	216,560	8.08%	426,697	15.91%	\$0.40	\$155.37	(86,200)	11,550	15,270	104,185
50,000-74,999	85	5,090,123	0	0	299,745	5.89%	314,934	6.19%	\$0.72	\$113.88	79,733	(107,769)	141,466	112,713
75,000-99,999	32	2,739,907	0	0	151,814	5.54%	179,563	6.55%	\$0.39	\$135.74	48,085	82,055	50,129	212,954
100,000-149,999	28	3,326,367	0	0	41,300	1.24%	317,480	9.54%	\$0.53	\$289.35	8,700	(45,500)	40,000	4,500
150,000-199,999	18	3,075,218	0	0	436,373	14.19%	525,088	17.07%	\$0.48	\$0.00	246,888	(355,131)	331,083	115,870
200,000-299,999	12	2,845,632	0	0	155,735	5.47%	575,930	20.24%	\$0.48	\$123.00	0	(131,280)	0	136,657
300,000 plus	7	4,425,937	0	0	380,857	8.61%	146,094	3.30%	\$0.00	\$0.00	0	(146,094)	0	178,912
<b>Total</b>	<b>1,709</b>	<b>42,068,278</b>	<b>0</b>	<b>16,407</b>	<b>2,575,932</b>	<b>6.12%</b>	<b>4,224,665</b>	<b>10.04%</b>	<b>\$0.53</b>	<b>\$150.70</b>	<b>324,469</b>	<b>(1,117,517)</b>	<b>770,066</b>	<b>1,616,417</b>

AIRPORT AREA

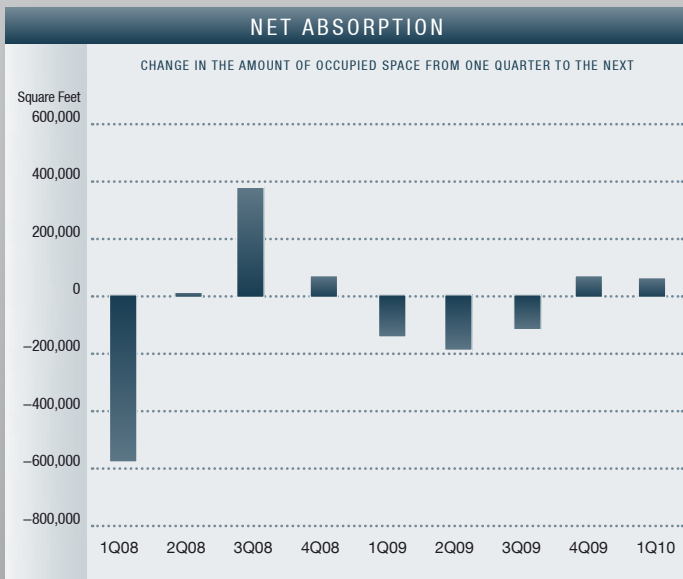
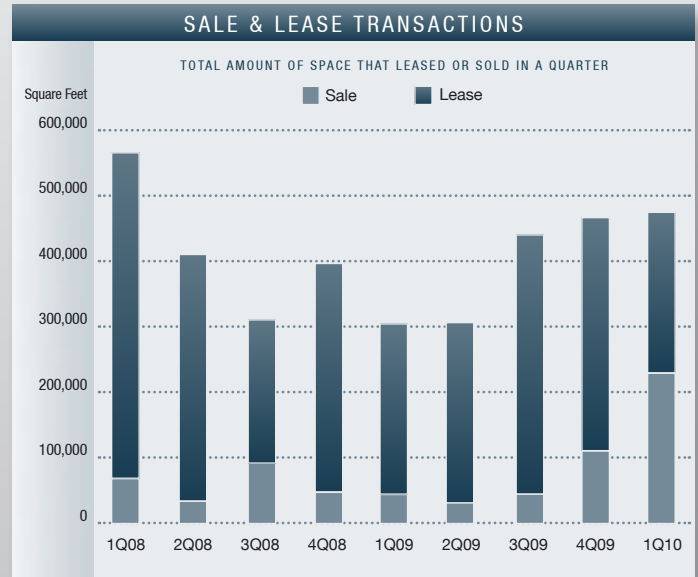
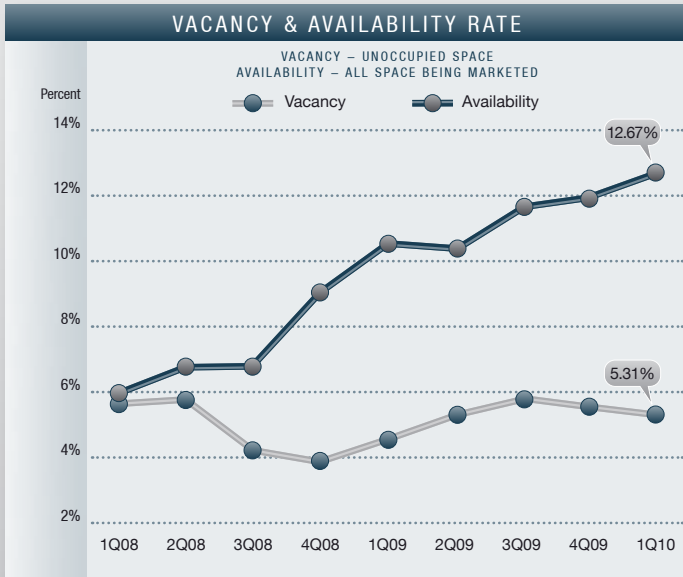
The Airport Area of the Orange County Industrial Market consists of 2,880 buildings totaling 67,732,265 square feet and currently has an availability rate of 11.23%, which shows an increase from last quarter's figure of 10.68%.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2010	Square Feet Available	Availability Rate 1Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2010	Net Absorption 2009	Gross Absorption 1Q2010	Gross Absorption 2009
<b>Airport Totals</b>														
Less than 9,999	1,000	5,657,445	0	0	225,486	3.99%	417,505	7.38%	\$0.93	\$197.28	(24,754)	(54,145)	91,684	222,618
10,000-19,999	945	13,233,871	0	0	867,784	6.56%	1,157,569	8.75%	\$0.71	\$161.71	(24,158)	(334,906)	295,216	722,236
20,000-29,999	388	9,270,102	0	0	722,511	7.79%	1,003,867	10.83%	\$0.77	\$133.24	39,346	(258,519)	196,451	606,694
30,000-39,999	166	5,653,839	0	35,000	494,616	8.75%	623,308	11.02%	\$0.80	\$122.14	(15,066)	(122,496)	55,289	360,318
40,000-49,999	100	4,393,149	0	0	262,140	5.97%	540,135	12.29%	\$0.68	\$173.06	(74,184)	(46,476)	28,000	237,634
50,000-74,999	122	7,355,287	0	70,000	635,955	8.65%	713,774	9.70%	\$0.71	\$122.07	(204,339)	100,159	25,550	421,939
75,000-99,999	64	5,497,388	0	0	314,276	5.72%	695,080	12.64%	\$0.54	\$0.00	23,689	(182,828)	165,040	235,867
100,000-149,999	54	6,297,349	0	120,000	328,271	5.21%	816,583	12.97%	\$0.52	\$146.05	0	(33,282)	0	532,082
150,000-199,999	17	2,958,511	0	0	366,633	12.39%	427,365	14.45%	\$0.51	\$0.00	(47,600)	(161,575)	0	0
200,000-299,999	12	3,011,133	0	0	66,378	2.20%	110,312	3.66%	\$0.38	\$163.30	0	(66,378)	0	260,850
300,000 plus	12	4,404,191	0	0	560,000	12.72%	1,103,036	25.05%	\$0.59	\$110.00	(257,317)	(298,183)	92,683	4,500
<b>Total</b>	<b>2,880</b>	<b>67,732,265</b>	<b>0</b>	<b>225,000</b>	<b>4,844,050</b>	<b>7.15%</b>	<b>7,608,534</b>	<b>11.23%</b>	<b>\$0.63</b>	<b>\$157.75</b>	<b>(584,383)</b>	<b>(1,458,629)</b>	<b>949,913</b>	<b>3,604,738</b>

## SOUTH ORANGE COUNTY

The South Orange County Industrial Market consists of 924 buildings totaling 25,181,112 square feet and currently has an availability rate of 12.67%, which shows an increase from last quarter's figure of 11.85%.



	INVENTORY			VACANCY & PRICING				ABSORPTION						
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2010	Square Feet Available	Availability Rate 1Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2010	Net Absorption 2009	Gross Absorption 1Q2010	Gross Absorption 2009
<b>South Totals</b>														
Less than 9,999	329	2,235,143	0	0	172,809	7.73%	314,068	14.05%	\$0.88	\$189.51	(10,352)	(69,920)	52,227	114,173
10,000–19,999	287	4,138,153	0	0	373,664	9.03%	629,085	15.20%	\$0.70	\$200.17	9,635	(137,631)	89,906	311,514
20,000–29,999	125	2,944,532	0	0	202,624	6.88%	320,561	10.89%	\$0.89	\$186.99	32,287	(24,341)	172,806	257,496
30,000–39,999	48	1,605,698	0	0	140,462	8.75%	277,958	17.31%	\$0.79	\$135.95	(12,973)	(19,754)	2,596	135,240
40,000–49,999	30	1,338,757	0	0	87,550	6.54%	102,505	7.66%	\$0.70	\$173.42	0	(29,579)	0	57,971
50,000–74,999	39	2,410,782	0	53,264	99,474	4.13%	378,036	15.68%	\$0.70	\$138.88	0	(10,217)	25,140	44,771
75,000–99,999	21	1,814,011	0	0	53,991	2.98%	266,565	14.69%	\$0.57	\$0.00	(5,405)	(36,492)	24,295	38,414
100,000–149,999	23	2,705,381	0	0	160,195	5.92%	550,178	20.34%	\$0.64	\$108.29	0	(19,995)	39,746	118,364
150,000–199,999	8	1,337,076	0	0	0	0.00%	186,906	13.98%	\$0.49	\$98.98	41,488	(30,660)	65,116	40,828
200,000–299,999	7	1,538,857	0	0	46,686	3.03%	163,427	10.62%	\$0.63	\$0.00	0	(900)	0	45,786
300,000 plus	7	3,112,722	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
<b>Total</b>	<b>924</b>	<b>25,181,112</b>	<b>0</b>	<b>53,264</b>	<b>1,337,455</b>	<b>5.31%</b>	<b>3,189,289</b>	<b>12.67%</b>	<b>\$0.68</b>	<b>\$140.81</b>	<b>54,680</b>	<b>(379,489)</b>	<b>471,832</b>	<b>1,164,557</b>

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price	Buyer	Seller
1424 S. Raymond Ave.	Fullerton	198,000	\$12,250,000	South Coast Trans. & Dist.	Western Realco
9 Holland St.	Irvine Spectrum	186,906	\$8,850,000	The Brookhollow Group	Caltonickansei North America
1601 E. Orangethorpe Ave.	Fullerton	59,926	\$4,500,000	NMI Steel Company, LLC	Jim & Lisa Brady
8710-8750 Research Dr.	Irvine	35,745	\$4,900,000	Camtech Corporation	RDJH Enterprise, LLC
7472 Chapman Ave.	Garden Grove	50,625	\$4,050,000	Aero Dynamic Machining	David & Faith Grant

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
1123 E. Warner Ave. – Renewal	Tustin	500,624	March-10	Ricoh Logics	Bedrosians Tile & Stone
3340 E. La Palma Ave.	Anaheim	153,320	January-10	Accurate Metal Fabricators	Kilroy Realty Corporation
2040-2050 S. State College Blvd.	Anaheim	106,000	March-10	World Design	Platinum Triangle Partners, LLC
2891 Miraloma Ave. – Renewal	Anaheim	104,000	February-10	RB Dwyer Company, Inc.	MS Industrial, LP
11870 Monarch St.	Garden Grove	86,900	February-10	CAPOC	David V. Homme Trust

Submarkets

**NORTH**

Anaheim, Brea, Buena Park, Fullerton, La Habra, Orange, Placentia and Yorba Linda

**WEST**

Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Seal Beach, Stanton and Westminster

**AIRPORT**

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana and Tustin

**SOUTH**

Aliso Viejo, Foothill Ranch, Irvine Spectrum, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano



Product Type

**MFG./DIST.**

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

For further information, please contact:

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