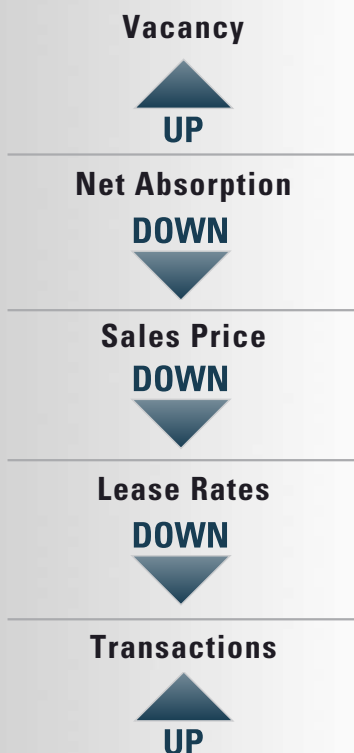




**Voit**  
Real Estate Services

# Industrial Market Report

Compared to last quarter:



## Market Highlights

- ◆ **Market Challenges** - The Orange County Industrial market is facing challenges due to the national recession. 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 second quarter. Another challenge the industrial market is facing 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. These contractions have led to many tenants requesting rent relief from landlords, and owners to attempt to renegotiate loan terms with lenders.
- ◆ **Construction** - Currently, there is no Industrial space under construction in Orange County, 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 in this infill market.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 5.56%, which is higher than it was a year ago when it was 4.19%. The lowest vacancy rate in the county can be found in North County coming in at 4.97%. North Orange County is the largest of all the submarkets in the county, containing 46% of all Industrial buildings in Orange County.
- ◆ **Availability** - Direct/sublease space being marketed was 11% this quarter, up from the 6.9% we saw this same quarter last year. This is an increase of 59% of new space being marketed when compared to the same quarter last year.
- ◆ **Lease Rates** - The average asking triple net lease rate is \$.62 cents per square foot per month this quarter. This is a decrease of 22.50% when compared to last year's record high asking rate of \$.80 and three cents lower than last quarter.
- ◆ **Sales Pricing** - The average asking selling price is \$152.05 per square foot per this quarter, down a bit from last quarter when it was \$154.10 and last year's rate of \$166.36. The record high asking rate was \$181.23 in the third quarter of 2007.
- ◆ **Absorption** - Net absorption for the county posted a negative 1.6 million square feet for the second quarter of 2009, giving the industrial market a total of 3.2 million square feet of negative absorption for the first two quarters of the year. This is the most negative absorption we have seen since the fourth quarter of 2002 when we lost 2.3 million square feet in one quarter.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 1.94 million square feet. The average amount of leasing per quarter over the past nine quarters was 2.5 million square feet. Sales activity showed a significant increase over last quarter, posting 1.26 million square feet of activity compared to the first quarter's 538,421 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 Orange County was 8.6% in May 2009, up from a revised 8.4% in April 2009, and above the year ago estimate of 4.7%. This compares with an unadjusted unemployment rate of 11.2% for California and 9.1% for the nation during the same period.
- ◆ **Employment** - According to the State of California Employment Development Department, Orange County lost 71,100 payroll jobs over the last twelve months - 19,200 in retail trade, transportation and utilities services, 13,100 in construction & 12,700 in professional and business services. However, between April 2009 and May 2009 Orange County gained 300 jobs.
- ◆ **Overall** - The industrial market has not reached the bottom nor has it begun to improve, but we are starting to see a slowdown in the amount of available space being added per quarter as well as a moderate increase in 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 activity in the second half of 2009 from pent up demand, once financial markets correct themselves and as consumer confidence increases. The final outcome hinges on how the recession progresses and how quickly credit eases up.

To view available properties, electronic versions of current or past market reports, please visit:

[www.voitco.com](http://www.voitco.com)

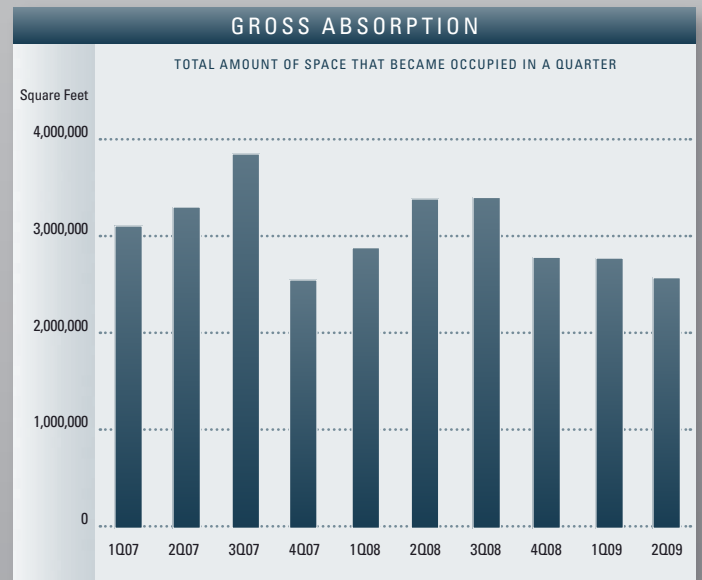
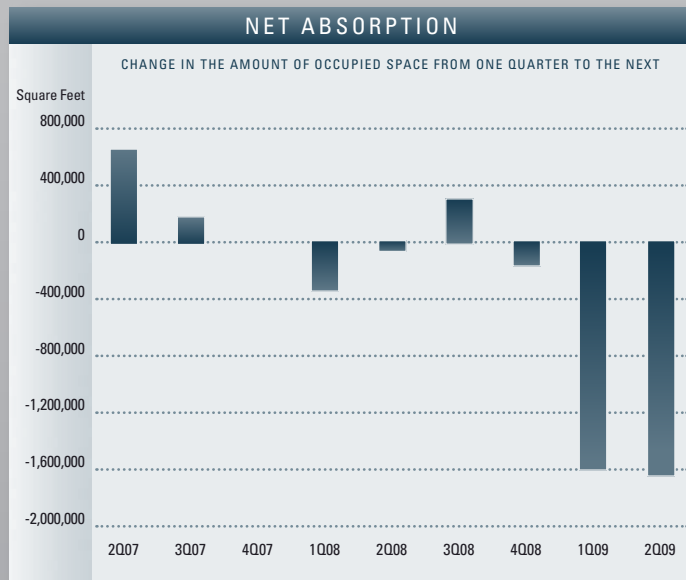
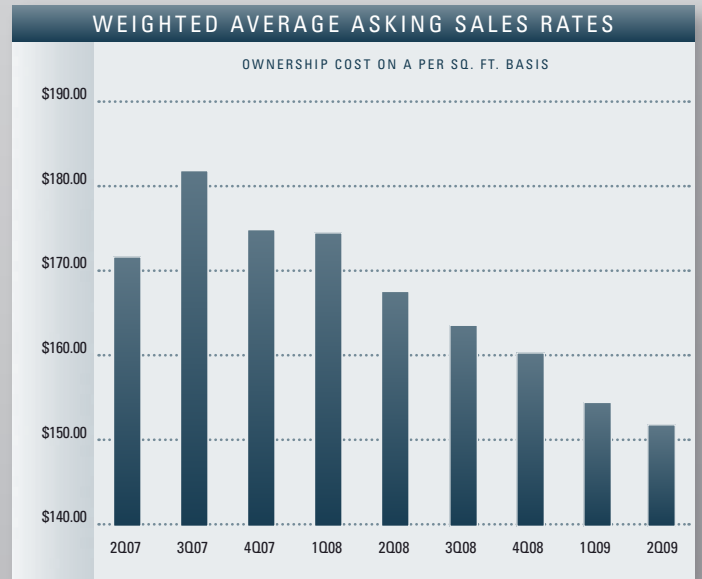
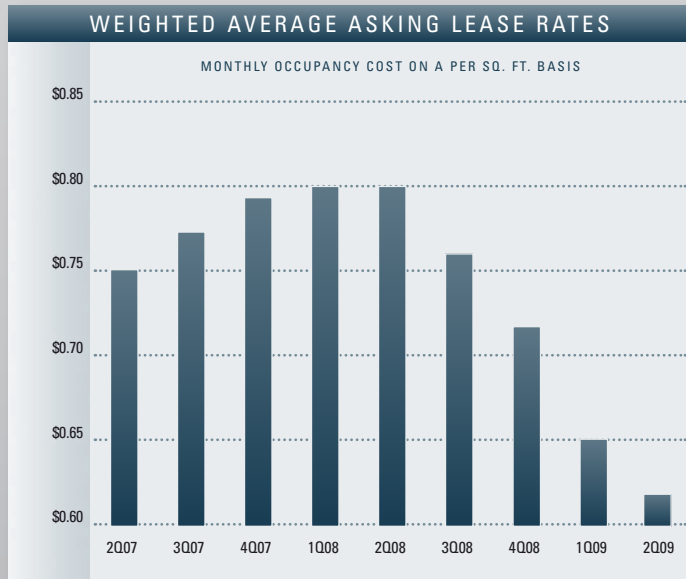
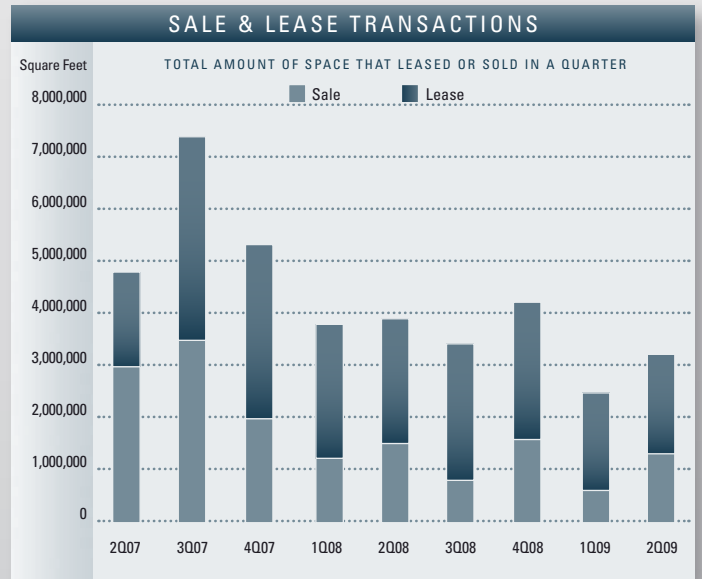
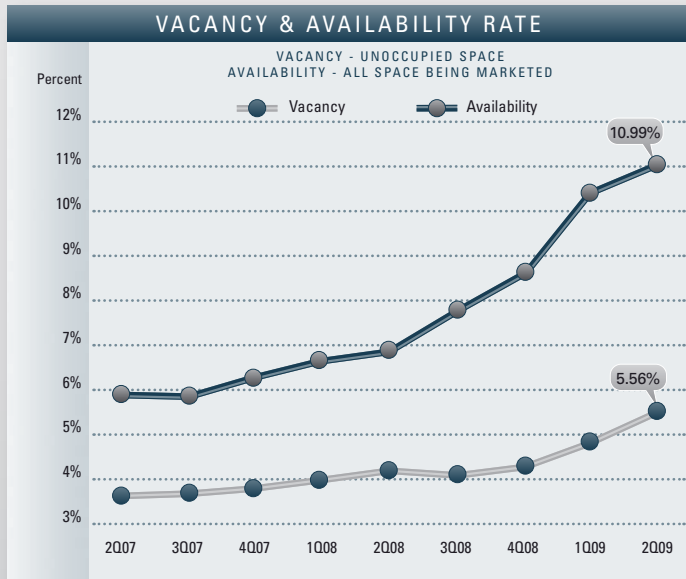
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## INDUSTRIAL MARKET OVERVIEW

	2Q2009	1Q2009	2Q2008	% CHANGE VS. 2Q2008
Vacancy	5.56%	4.90%	4.19%	32.70%
Availability	10.99%	10.39%	6.92%	58.82%
Average Asking Lease Rate	\$0.62	\$0.65	\$0.80	-22.50%
Average Asking Sales Rate	\$152.05	\$154.10	\$166.36	-8.60%
Sale & Lease Transactions	3,200,111	2,448,288	3,842,617	-16.72%
Gross Absorption	2,492,110	2,735,514	3,424,198	-27.22%
Net Absorption	-1,632,768	-1,577,527	-72,400	N/A

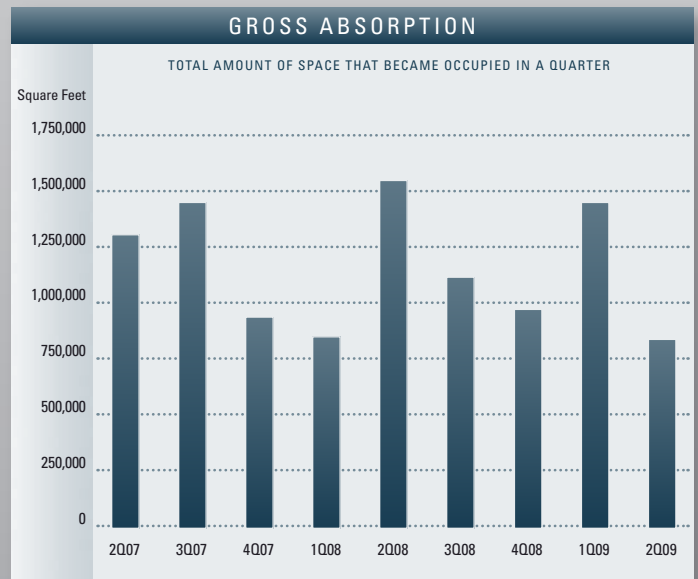
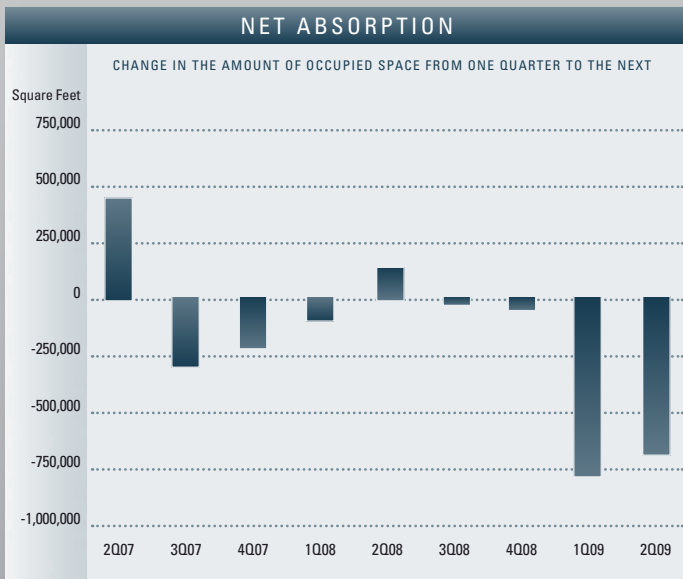
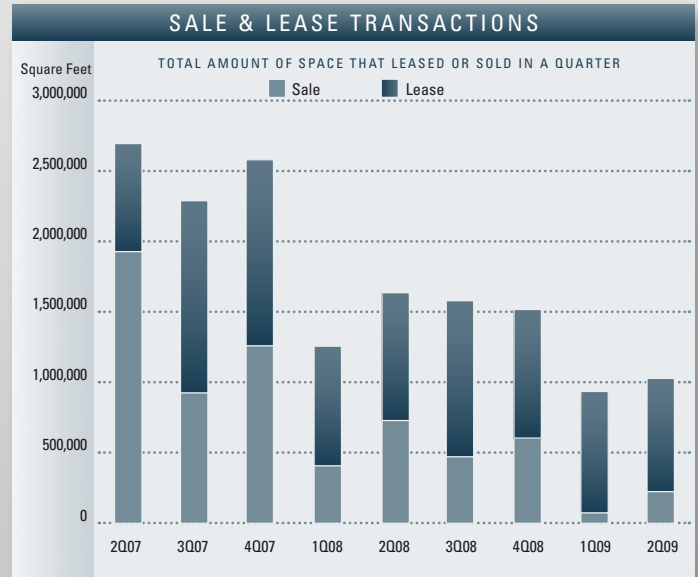
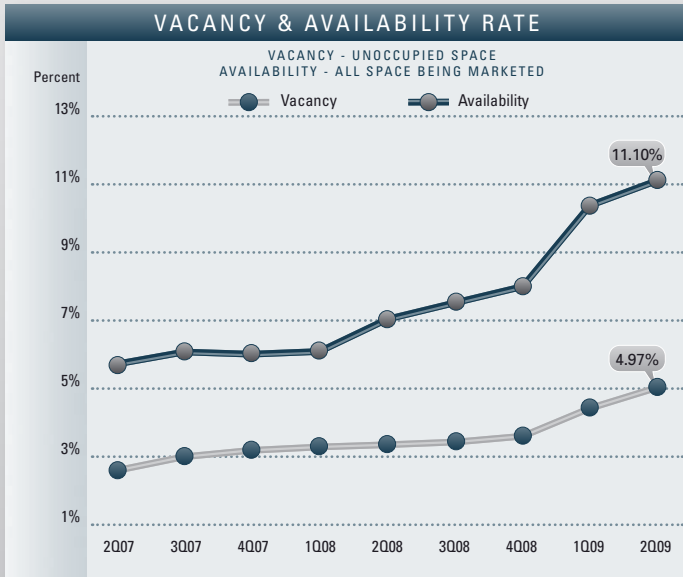
**Real People. Real Solutions.**





NORTH ORANGE COUNTY

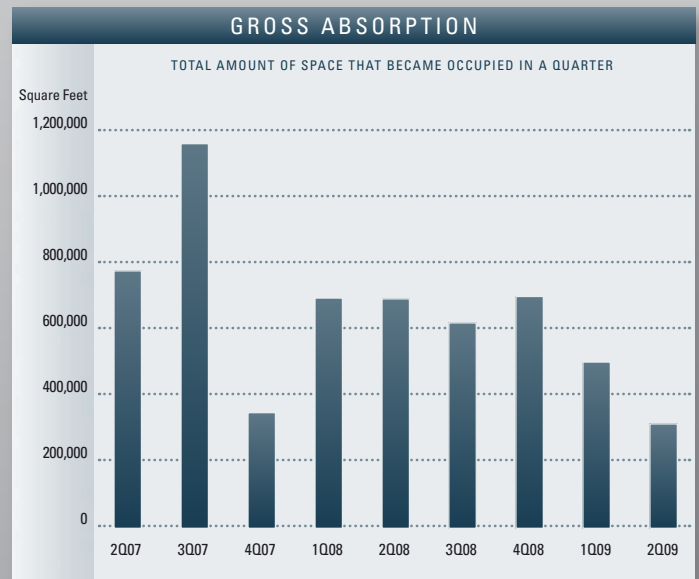
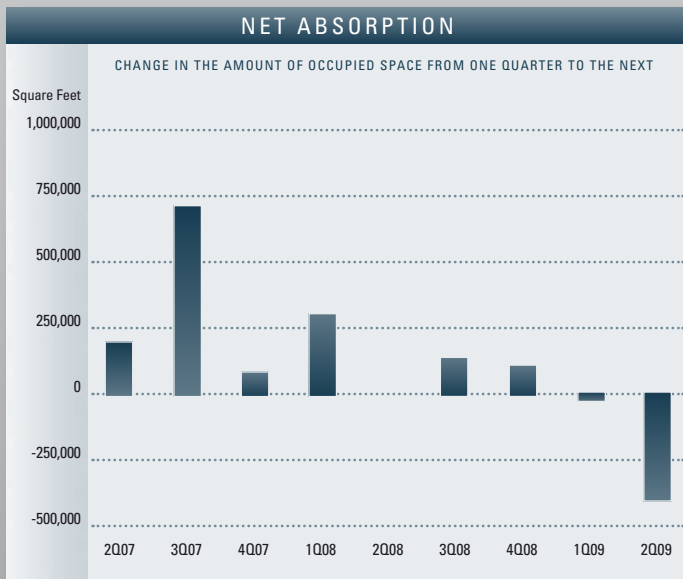
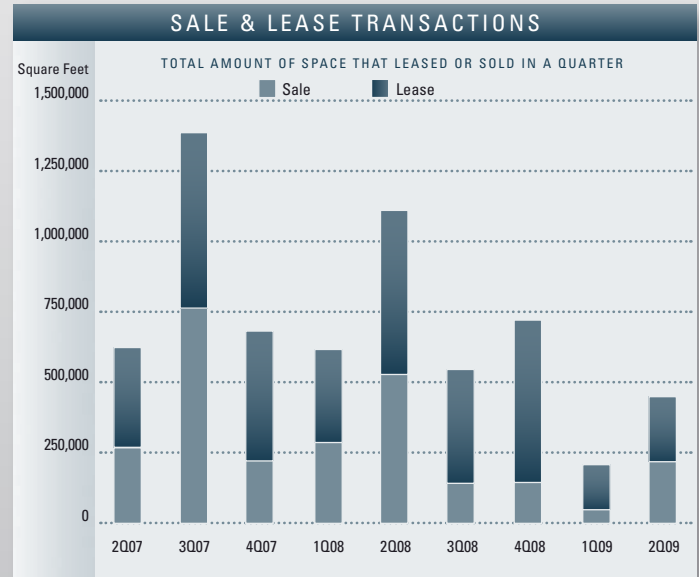
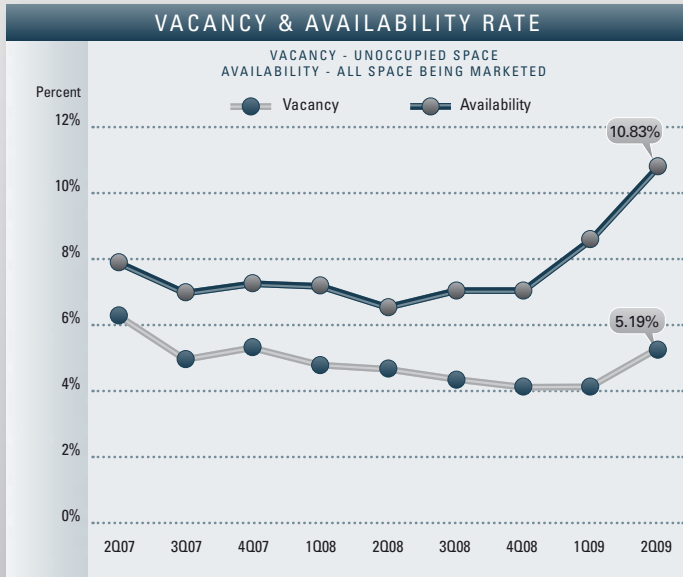
The North Orange County Industrial Market consists of 3,891 buildings totaling 112,827,319 square feet, and currently has an availability rate of 11.10%, which shows an increase from last quarter's 10.29% figure.



	INVENTORY						VACANCY & PRICING				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 202009	Square Feet Available	Availability Rate 202009	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 202009	Net Absorption 2009	Gross Absorption 202009	Gross Absorption 2009
<b>North Totals</b>														
Less than 9,999	1,092	7,172,768	0	0	417,788	5.82%	644,965	8.99%	\$0.82	\$176.75	(61,715)	(99,316)	92,241	186,854
10,000-19,999	1,407	19,409,058	0	16,225	1,065,168	5.49%	1,590,363	8.19%	\$0.78	\$164.66	(83,041)	(296,008)	236,813	395,395
20,000-29,999	539	12,803,101	0	71,200	572,958	4.48%	1,151,259	8.99%	\$0.71	\$153.43	35,367	(118,624)	257,787	328,863
30,000-39,999	234	7,925,800	0	102,364	339,001	4.28%	648,249	8.18%	\$0.64	\$129.88	(94,067)	(156,106)	80,866	125,016
40,000-49,999	140	6,116,688	0	0	273,719	4.47%	859,490	14.05%	\$0.52	\$122.67	(2,018)	(38,278)	13,030	36,225
50,000-74,999	195	11,768,222	0	57,319	404,774	3.44%	1,547,292	13.15%	\$0.55	\$109.41	110,199	194,205	156,539	323,465
75,000-99,999	90	7,673,889	0	85,140	317,415	4.14%	580,102	7.56%	\$0.58	\$74.78	(39,139)	(103,667)	0	20,000
100,000-149,999	92	10,873,425	0	0	532,045	4.89%	1,283,172	11.80%	\$0.52	\$85.26	(97,198)	(271,359)	0	71,310
150,000-199,999	34	5,874,245	0	0	759,500	12.93%	1,225,844	20.87%	\$0.52	\$111.30	(203,803)	(218,803)	0	0
200,000-299,999	40	9,573,693	0	0	356,662	3.73%	1,028,895	10.75%	\$0.56	\$110.00	(250,662)	(356,662)	0	419,296
300,000 plus	28	13,636,430	0	375,000	574,088	4.21%	1,963,459	14.40%	\$0.55	\$0.00	0	0	0	351,399
<b>Total</b>	<b>3,891</b>	<b>112,827,319</b>	<b>0</b>	<b>707,248</b>	<b>5,613,118</b>	<b>4.97%</b>	<b>12,523,090</b>	<b>11.10%</b>	<b>\$0.56</b>	<b>\$132.63</b>	<b>(686,077)</b>	<b>(1,464,618)</b>	<b>837,276</b>	<b>2,257,823</b>

## WEST ORANGE COUNTY

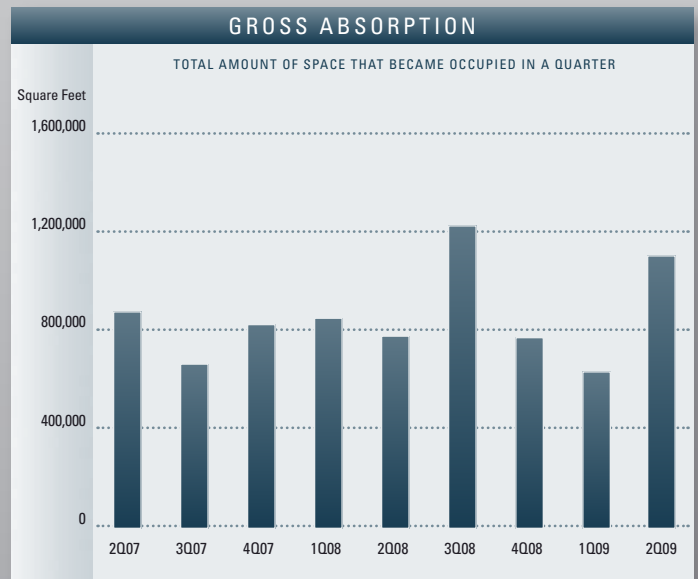
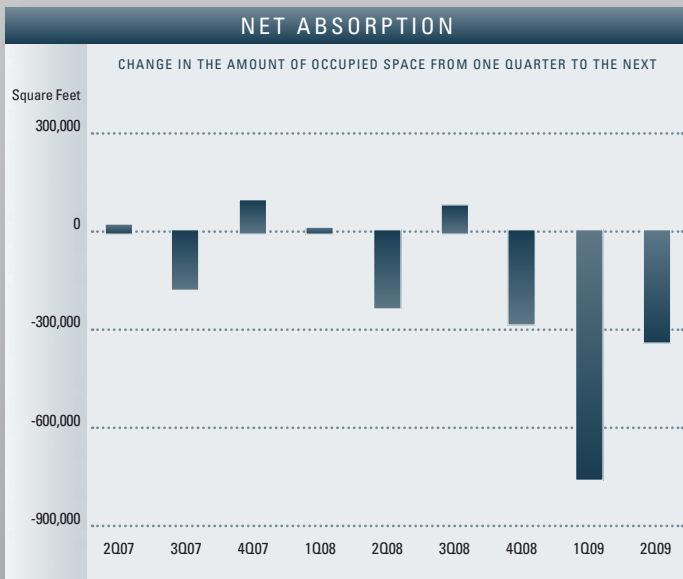
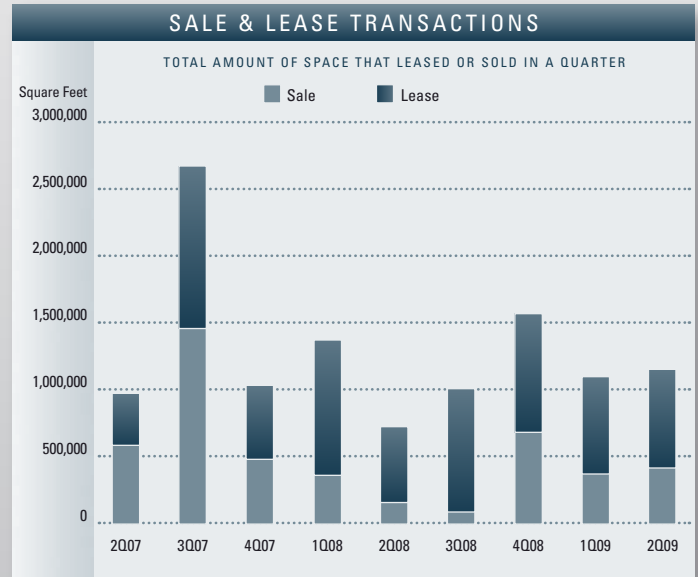
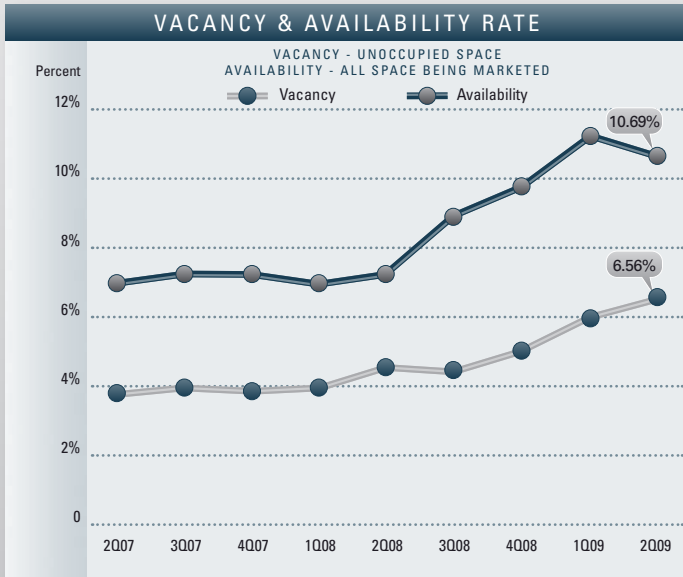
The West Orange County Industrial Market consists of 1,703 buildings totaling 42,516,939 square feet, and currently has an availability rate of 10.83%, which shows an increase from last quarter's 8.46% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2009	Square Feet Available	Availability Rate 2Q2009	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2009	Net Absorption 2Q09	Gross Absorption 2Q2009	Gross Absorption 2Q09	
<b>West Totals</b>	<b>1,703</b>	<b>42,516,939</b>	<b>0</b>	<b>16,407</b>	<b>2,206,994</b>	<b>5.19%</b>	<b>4,604,547</b>	<b>10.83%</b>	<b>\$0.54</b>	<b>\$147.11</b>	<b>(392,518)</b>	<b>(409,440)</b>	<b>309,718</b>	<b>802,481</b>	
Less than 9,999	656	3,884,532	0	0	138,384	3.56%	232,571	5.99%	\$0.69	\$220.24	(27,843)	(50,600)	11,618	53,357	
10,000-19,999	558	7,415,086	0	16,407	271,567	3.66%	519,725	7.01%	\$0.73	\$167.57	(52,360)	(79,839)	94,288	149,006	
20,000-29,999	182	4,324,367	0	0	168,244	3.89%	450,313	10.41%	\$0.75	\$157.17	(43,898)	28,744	24,163	135,298	
30,000-39,999	63	2,178,605	0	0	37,294	1.71%	73,542	3.38%	\$0.43	\$0.00	30,300	25,606	36,220	50,434	
40,000-49,999	59	2,594,165	0	0	180,210	6.95%	294,637	11.36%	\$0.47	\$124.69	(84,500)	(38,300)	0	46,200	
50,000-74,999	85	5,090,314	0	0	434,117	8.53%	687,682	13.51%	\$0.59	\$127.05	(102,311)	(105,375)	16,356	16,356	
75,000-99,999	33	2,816,895	0	0	52,410	1.86%	345,919	12.28%	\$0.45	\$141.99	55,144	143,244	122,573	210,673	
100,000-149,999	29	3,423,862	0	0	50,000	1.46%	206,205	6.02%	\$0.56	\$289.35	4,500	(45,500)	4,500	4,500	
150,000-199,999	19	3,240,574	0	0	484,270	14.94%	974,854	30.08%	\$0.54	\$115.00	(40,270)	(156,140)	0	0	
200,000-299,999	11	2,640,146	0	0	155,735	5.90%	360,930	13.67%	\$0.50	\$123.00	(131,280)	(131,280)	0	136,657	
300,000 plus	8	4,908,393	0	0	234,763	4.78%	458,169	9.33%	\$0.47	\$0.00	0	0	0	0	

AIRPORT AREA

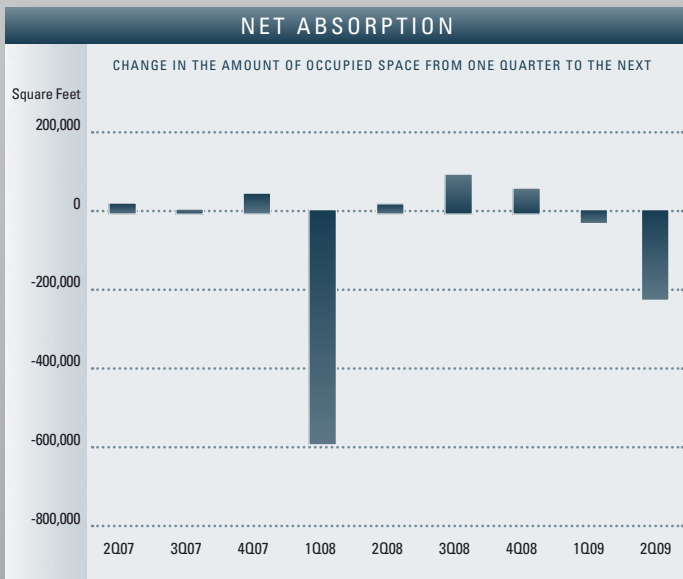
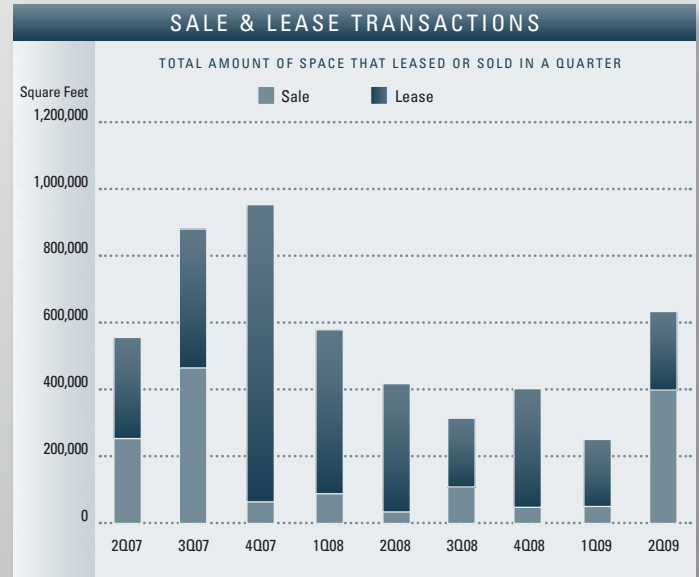
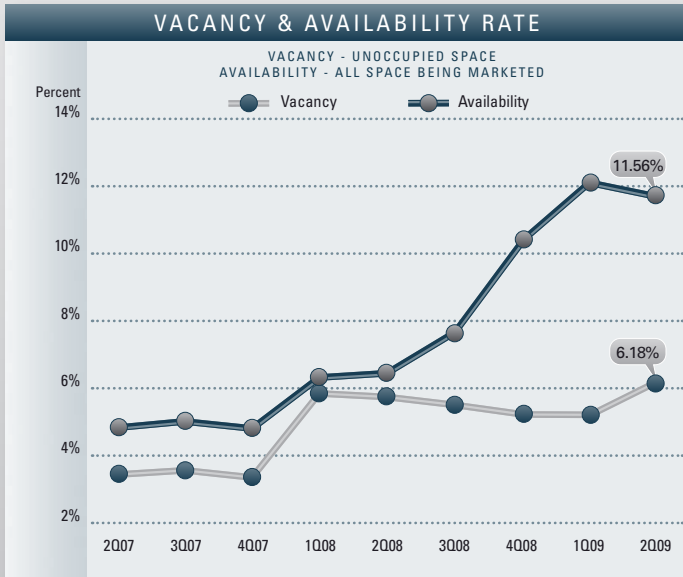
The Airport Area of the Orange County Industrial Market consists of 2,868 buildings totaling 67,370,844 square feet, and currently has an availability rate of 10.69%, which shows a decrease from last quarter's 11.13% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 202009	Square Feet Available	Availability Rate 202009	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 202009	Net Absorption 2009	Gross Absorption 202009	Gross Absorption 2009
<b>Airport Totals</b>														
Less than 9,999	984	5,592,448	2,733	0	197,387	3.53%	339,271	6.07%	\$0.90	\$225.61	(14,283)	(41,221)	79,706	112,435
10,000-19,999	947	13,291,871	0	10,000	713,810	5.37%	1,144,840	8.61%	\$0.86	\$205.30	(94,701)	(165,764)	197,905	415,658
20,000-29,999	386	9,234,220	0	0	755,688	8.18%	939,527	10.17%	\$0.80	\$192.56	(167,989)	(247,256)	104,523	216,467
30,000-39,999	172	5,838,603	0	35,000	509,492	8.73%	647,066	11.08%	\$0.85	\$136.07	(97,830)	(125,422)	78,588	113,929
40,000-49,999	98	4,289,966	0	0	241,696	5.63%	415,192	9.68%	\$0.83	\$171.71	(13,376)	(58,264)	32,954	39,876
50,000-74,999	125	7,496,620	0	70,000	534,334	7.13%	764,469	10.20%	\$0.85	\$150.00	49,107	8,589	52,413	103,078
75,000-99,999	62	5,320,817	0	0	304,673	5.73%	785,964	14.77%	\$0.62	\$0.00	17,400	(149,536)	61,380	61,380
100,000-149,999	54	6,291,649	0	120,000	533,217	8.47%	867,341	13.79%	\$0.60	\$0.00	29,749	(98,095)	208,560	369,502
150,000-199,999	17	2,964,756	0	0	319,033	10.76%	466,579	15.74%	\$0.63	\$0.00	0	(161,575)	0	0
200,000-299,999	12	2,976,133	0	0	0	0.00%	66,378	2.23%	\$0.63	\$0.00	260,850	260,850	260,850	260,850
300,000 plus	11	4,073,761	0	0	307,183	7.54%	765,477	18.79%	\$0.65	\$0.00	(302,683)	(302,683)	0	0
<b>Total</b>	<b>2,868</b>	<b>67,370,844</b>	<b>2,733</b>	<b>235,000</b>	<b>4,416,513</b>	<b>6.56%</b>	<b>7,202,104</b>	<b>10.69%</b>	<b>\$0.73</b>	<b>\$194.21</b>	<b>(333,756)</b>	<b>(1,080,377)</b>	<b>1,076,879</b>	<b>1,693,175</b>

## SOUTH ORANGE COUNTY

The South Orange County Industrial Market consists of 914 buildings totaling 24,813,104 square feet, and currently has an availability rate of 11.56%, which shows a decrease from last quarter's 12.11% figure.



	INVENTORY					VACANCY & PRICING					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2009	Square Feet Available	Availability Rate 2Q2009	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2009	Net Absorption 2Q09	Gross Absorption 2Q2009	Gross Absorption 2Q09	
<b>South Totals</b>															
Less than 9,999	330	2,117,014	0	0	156,995	7.42%	293,883	13.88%	\$1.01	\$219.21	(49,953)	(61,001)	22,705	47,752	
10,000-19,999	281	4,040,887	0	0	311,918	7.72%	548,212	13.57%	\$0.90	\$184.48	(47,929)	(76,772)	81,106	129,407	
20,000-29,999	121	2,849,122	0	0	245,745	8.63%	306,105	10.74%	\$0.89	\$222.79	(17,298)	(44,751)	53,193	115,293	
30,000-39,999	49	1,633,306	0	34,745	200,983	12.31%	263,602	16.14%	\$0.84	\$0.00	(88,280)	(98,484)	14,081	19,561	
40,000-49,999	30	1,334,641	0	0	93,075	6.97%	135,181	10.13%	\$0.85	\$0.00	(40,140)	6,860	0	47,000	
50,000-74,999	39	2,406,762	0	53,264	123,428	5.13%	256,808	10.67%	\$0.87	\$162.29	(34,171)	(34,171)	0	0	
75,000-99,999	20	1,724,634	0	0	24,169	1.40%	92,877	5.39%	\$0.66	\$179.26	0	(12,075)	0	0	
100,000-149,999	22	2,719,969	0	0	50,608	1.86%	330,031	12.13%	\$0.69	\$0.00	82,440	89,592	97,152	104,304	
150,000-199,999	8	1,335,190	0	0	0	0.00%	323,872	24.26%	\$0.00	\$99.00	0	10,828	0	10,828	
200,000-299,999	7	1,538,857	0	0	326,472	21.22%	316,926	20.59%	\$0.69	\$0.00	(25,086)	(35,886)	0	0	
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>914</b>	<b>24,813,104</b>	<b>0</b>	<b>88,009</b>	<b>1,533,393</b>	<b>6.18%</b>	<b>2,867,497</b>	<b>11.56%</b>	<b>\$0.84</b>	<b>\$160.50</b>	<b>(220,417)</b>	<b>(255,860)</b>	<b>268,237</b>	<b>474,145</b>	

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price	Buyer	Seller
26941 Cabot Road - 11 Buildings	Laguna Hills	387,224	\$62,300,000	Watermarke Properties, Inc.	Prudential Real Estate Investors
1801 - 1995 S Standard Ave	Santa Ana	296,019	\$25,500,000	KTR Capital Partners, LP	Prudential Real Estate Investors
12400 Industry Street	Garden Grove	65,958	\$5,200,200	MDM Marketing Inc.	Kilroy Realty
15251 Pipeline Lane	Huntington Beach	37,245	\$5,000,000	XR Realty, LLC	Budnik Wheels, Inc.

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
14524 Myford Road	Irvine	125,490	June-09	Ihoi	Hanwha L & C USA LLC
1540 S Page Court	Anaheim	97,908	April-09	Arden Engineering	DSA Properties, Inc.
11240 Warland Drive	Cypress	85,773	April-09	ProSound & Stage Lighting	Warland Investment Ltd.
4465 Corporate Center Drive	Los Alamitos	81,306	April-09	Frieda's	Los Alamitos Corporate Center

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:

<p><b>ANAHEIM METRO OFFICE</b> 3500 W. Orangewood Ave. Orange, CA 92868-1642 TEL: 714.978.7880 FAX: 714.978.9431</p>	<p><b>IRVINE OFFICE</b> 2020 Main St. Suite 100 Irvine, CA 92614 TEL: 949.851.5100 FAX: 949.261.9092</p>	<p><b>LAS VEGAS OFFICE</b> 10100 W. Charleston Blvd. Suite 200 Las Vegas, NV 89135 TEL: 702.734.4500 FAX: 702.733.7690</p>	<p><b>NEWPORT BEACH OFFICE</b> 101 Shipyard Way Suite M Newport Beach, CA 92663 TEL: 949.644.8648 FAX: 949.644.8695</p>	<p><b>SAN DIEGO OFFICE</b> 4370 La Jolla Village Dr. Suite 990 San Diego, CA 92122-1233 TEL: 858.453.0505 FAX: 858.453.1981</p>
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