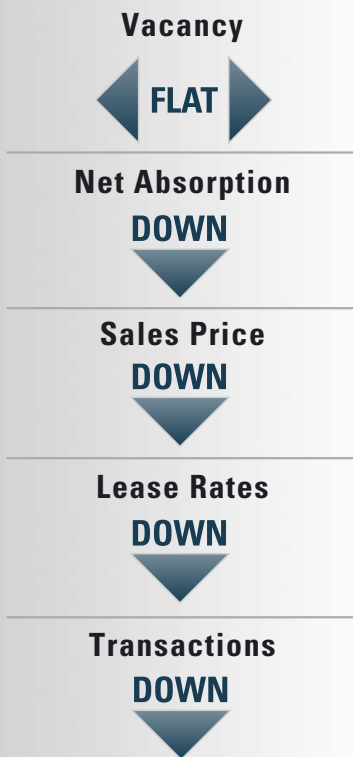




**Voit**  
Real Estate Services

# Industrial Market Report

Compared to last quarter:



## 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 past three quarters as sellers lowered their expectations. 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.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the year at 5.84%, which is higher than the 3.82% it was a year ago. The lowest vacancy rate in the county can be found in North County coming in at 5.21%.
- ◆ **Availability** - Direct/sublease space being marketed was 10.95% this quarter, up from the 8.22% we saw this time last year. This extra sublet space is creating additional downward pressure on asking lease rates.
- ◆ **Lease Rates** - The average asking triple net lease rate is \$59 cents per square foot per month this quarter. This is a decrease of 18.06% when compared to last year's asking rate of \$.72 and two cents lower than last quarter. The record high rate of \$.80 was established in the first and second quarters of 2008.
- ◆ **Sales Pricing** - The average asking selling price is \$142.94 per square foot per this quarter, down from last quarter's rate of \$144.21 and last year's rate of \$160.37. The record high asking rate was \$181.23 in the third quarter of 2007.
- ◆ **Absorption** - Net absorption for the county posted a negative 121,514 square feet for the fourth quarter of 2009, giving the industrial market a total of 5 million square feet of negative absorption for 2009. The pace of negative absorption began to slow in the second half of 2009 as the market began to show signs of stabilizing. 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 2.78 million square feet. This increase can be attributed to the recent trend of short term deals coupled with lease renegotiations. Sales activity showed a decrease over last quarter, posting a half million square feet of activity compared to the third quarter's 1.5 million square feet. However, sales volume is down by over 70% from 2007 levels. Details of the largest transactions can be found on the back page of this report.
- ◆ **Unemployment** - The unemployment rate in Orange County was 9.4% in November 2009, down from a revised 9.7% in October 2009 and above the year ago estimate of 6.1%. 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, Orange County lost 53,000 payroll jobs over the last twelve months; the largest losses were 12,600 in retail trade, transportation & utilities and 11,700 in construction.
- ◆ **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 few 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.

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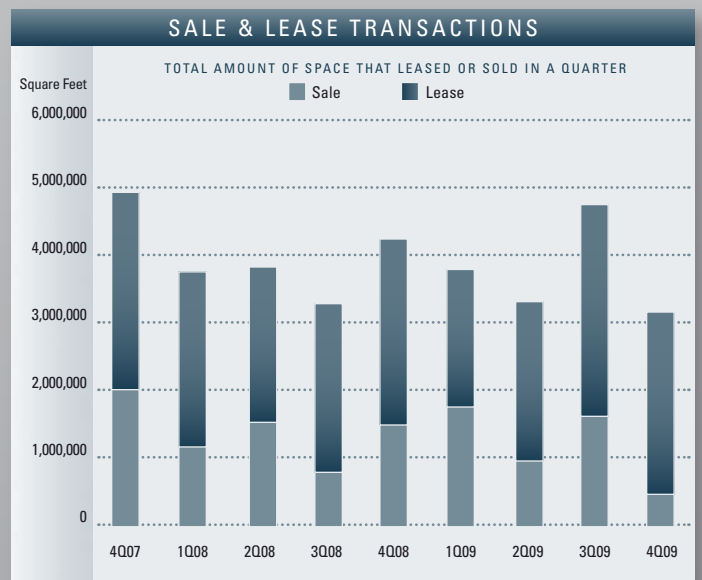
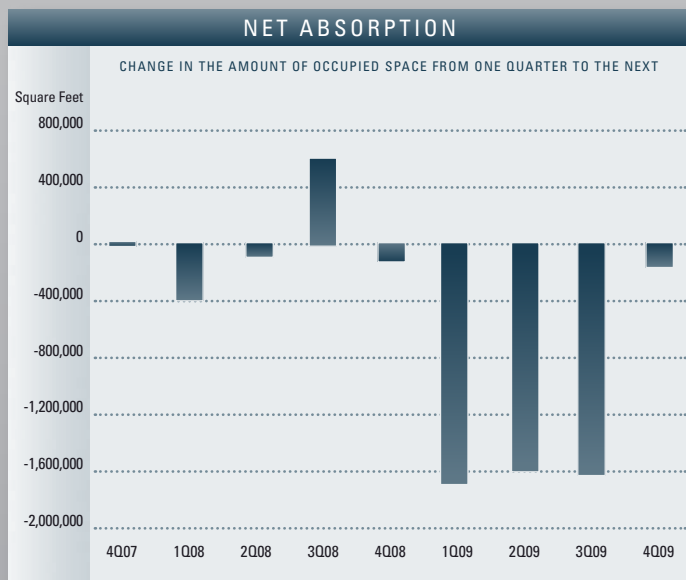
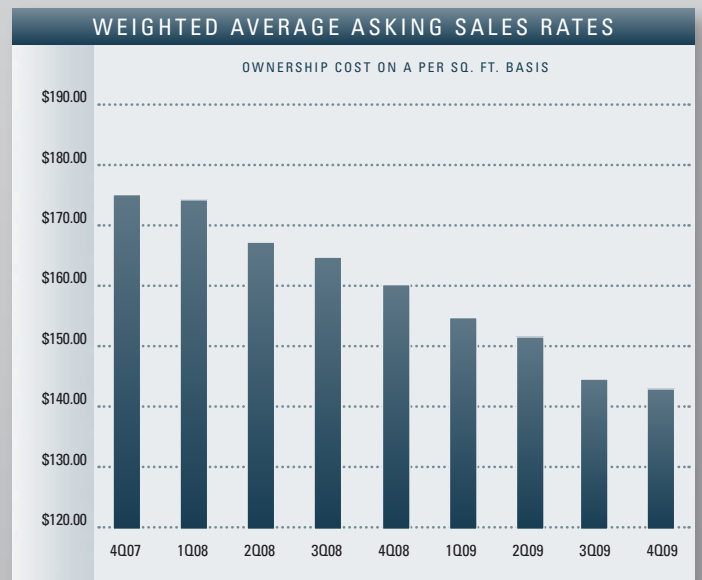
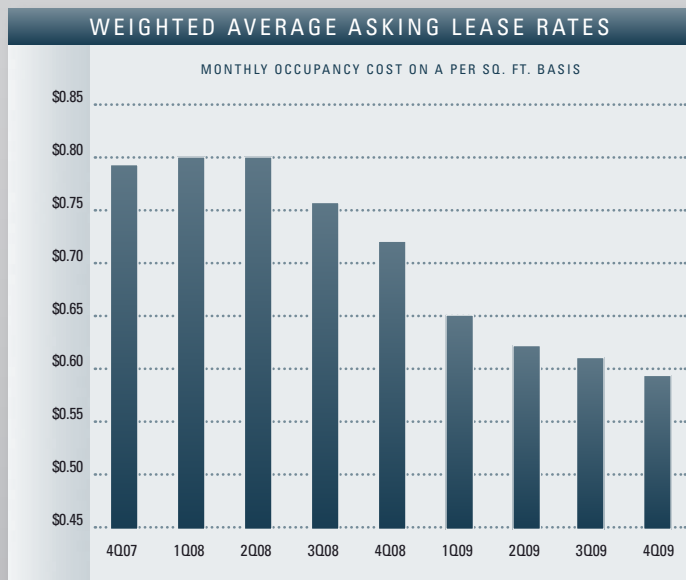
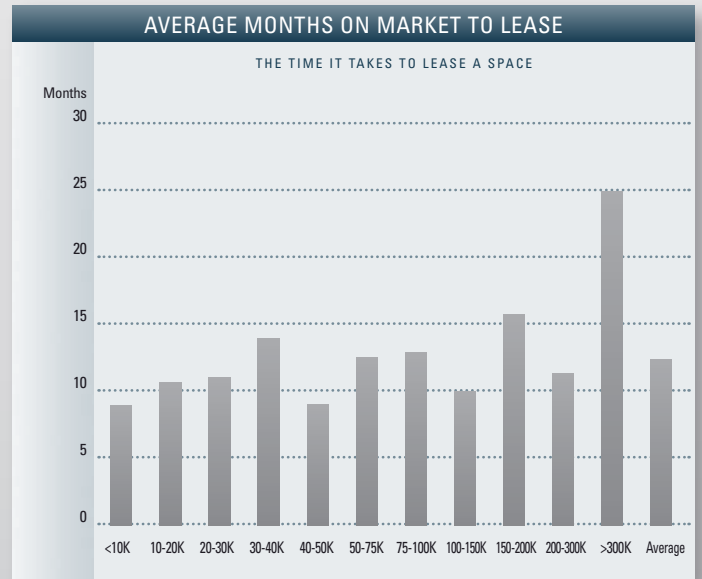
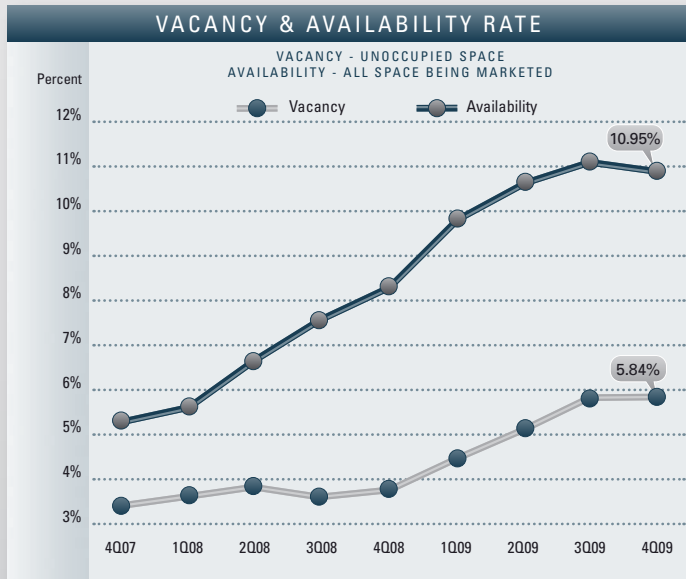
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## INDUSTRIAL MARKET OVERVIEW

|                            | 2009        | 2008       | 2007       | % CHANGE VS. 2008 |
|----------------------------|-------------|------------|------------|-------------------|
| Inventory Added            | 0           | 1,029,292  | 1,070,721  | -100.00%          |
| Vacancy Rate               | 5.84%       | 3.82%      | 3.42%      | 52.88%            |
| Availability Rate          | 10.95%      | 8.22%      | 5.29%      | 33.21%            |
| Average Asking Lease Rate  | \$0.59      | \$0.72     | \$0.79     | -18.06%           |
| Average Asking Sales Price | \$142.94    | \$160.37   | \$174.18   | -10.87%           |
| Net Absorption             | (5,025,634) | 16,078     | 1,459,377  | N/A               |
| Leasing Activity           | 11,695,331  | 10,138,476 | 10,457,351 | 15.36%            |

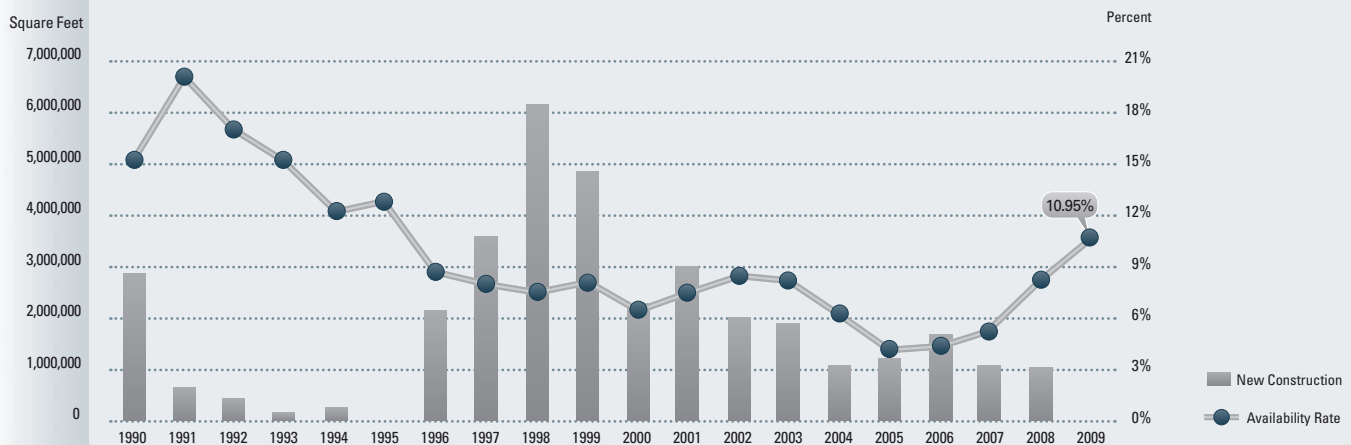
**Real People. Real Solutions.**



**INVENTORY**
**VACANCY & PRICING**
**ABSORPTION**

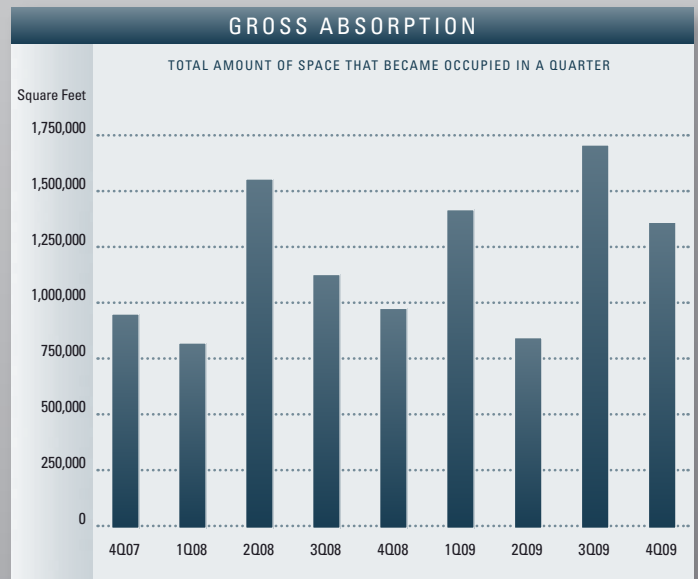
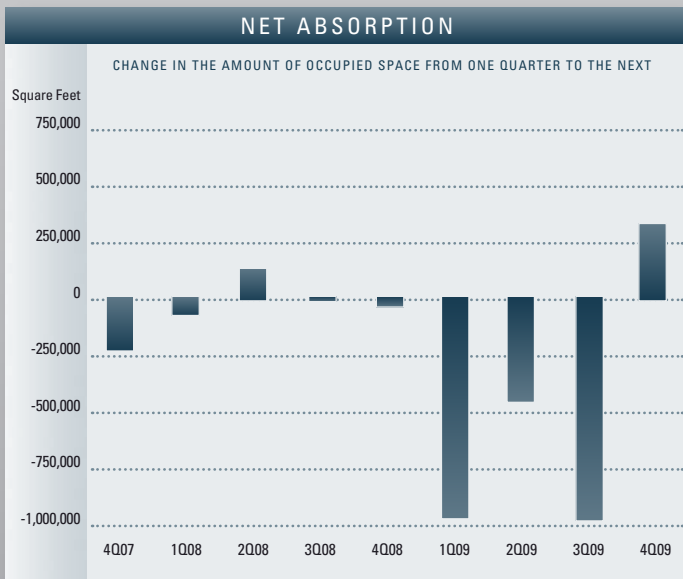
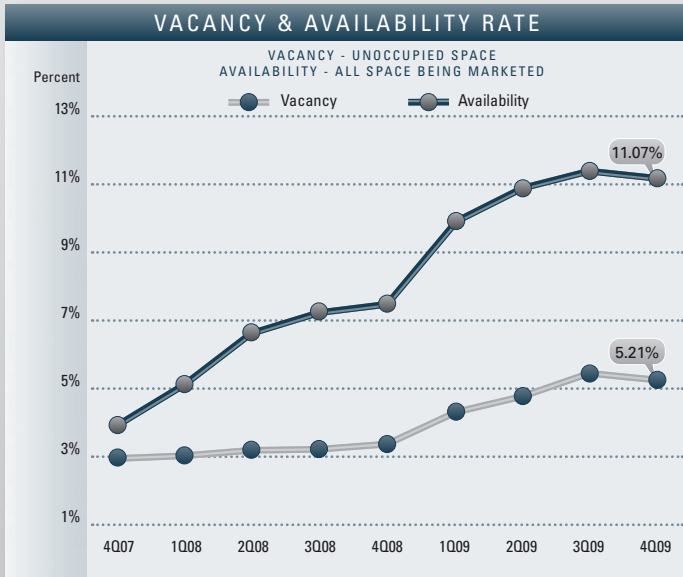
|                            | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 4Q2009 | Square Feet Available | Availability Rate 4Q2009 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption 4Q2009 | Net Absorption 2009 | Gross Absorption 4Q2009 | Gross Absorption 2009 |
|----------------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------------------|---------------------|-------------------------|-----------------------|
| <b>North County</b>        |                  |                          |                   |                     |                    |                     |                       |                          |                           |                            |                       |                     |                         |                       |
| Anaheim                    | 1,763            | 44,694,665               | 375,000           | 294,486             | 2,455,489          | 5.49%               | 5,297,828             | 11.85%                   | \$0.50                    | \$123.17                   | 27,621                | (665,424)           | 475,869                 | 1,980,655             |
| Brea                       | 333              | 12,209,746               | 0                 | 0                   | 662,239            | 5.42%               | 1,054,840             | 8.64%                    | \$0.55                    | \$166.91                   | 890                   | (179,221)           | 82,469                  | 792,427               |
| Buena Park                 | 232              | 14,384,689               | 0                 | 0                   | 385,129            | 2.68%               | 1,412,583             | 9.82%                    | \$0.54                    | \$113.46                   | 293,514               | (269,657)           | 407,714                 | 1,148,653             |
| Fullerton                  | 387              | 17,374,446               | 0                 | 0                   | 1,367,881          | 7.87%               | 2,701,863             | 15.55%                   | \$0.48                    | \$146.93                   | (56,521)              | (556,843)           | 153,717                 | 520,315               |
| La Habra                   | 214              | 4,430,969                | 0                 | 0                   | 145,936            | 3.29%               | 276,424               | 6.24%                    | \$0.83                    | \$182.13                   | 13,033                | (2,805)             | 37,205                  | 189,533               |
| Orange                     | 776              | 14,913,362               | 0                 | 0                   | 621,068            | 4.16%               | 979,638               | 6.57%                    | \$0.60                    | \$179.33                   | 72,966                | (335,612)           | 174,741                 | 478,384               |
| Placentia                  | 216              | 4,355,234                | 0                 | 0                   | 210,516            | 4.83%               | 716,517               | 16.45%                   | \$0.74                    | \$114.18                   | (4,986)               | (92,833)            | 31,281                  | 116,754               |
| Yorba Linda                | 57               | 1,122,202                | 0                 | 0                   | 68,665             | 6.12%               | 124,056               | 11.05%                   | \$0.77                    | \$130.00                   | (25,879)              | 32,396              | 2,180                   | 82,898                |
| <b>North County Total</b>  | <b>3,978</b>     | <b>113,485,313</b>       | <b>375,000</b>    | <b>294,486</b>      | <b>5,916,923</b>   | <b>5.21%</b>        | <b>12,563,749</b>     | <b>11.07%</b>            | <b>\$0.53</b>             | <b>\$132.53</b>            | <b>320,638</b>        | <b>(2,069,999)</b>  | <b>1,365,176</b>        | <b>5,309,619</b>      |
| <b>West County</b>         |                  |                          |                   |                     |                    |                     |                       |                          |                           |                            |                       |                     |                         |                       |
| Cypress                    | 96               | 4,194,341                | 0                 | 0                   | 485,286            | 11.57%              | 539,037               | 12.85%                   | \$0.66                    | \$148.01                   | 1,144                 | (71,713)            | 2,604                   | 144,342               |
| Garden Grove               | 485              | 13,130,740               | 0                 | 16,407              | 757,852            | 5.77%               | 1,526,575             | 11.63%                   | \$0.41                    | \$136.87                   | (151,358)             | (381,076)           | 146,736                 | 570,919               |
| Huntington Beach           | 692              | 15,125,225               | 0                 | 0                   | 832,255            | 5.50%               | 1,433,075             | 9.47%                    | \$0.60                    | \$192.88                   | (197,027)             | (396,729)           | 241,692                 | 709,016               |
| La Palma                   | 15               | 1,734,250                | 0                 | 0                   | 206,280            | 11.89%              | 298,972               | 17.24%                   | \$0.43                    | \$0.00                     | 0                     | (131,280)           | 0                       | 0                     |
| Los Alamitos               | 105              | 2,643,819                | 0                 | 0                   | 88,575             | 3.35%               | 139,427               | 5.27%                    | \$0.79                    | \$103.64                   | (3,539)               | (30,605)            | 32,547                  | 65,378                |
| Seal Beach                 | 15               | 1,062,444                | 0                 | 0                   | 362,127            | 34.08%              | 243,566               | 22.93%                   | \$0.63                    | \$149.00                   | (57,033)              | (57,033)            | 0                       | 0                     |
| Stanton                    | 186              | 2,166,933                | 0                 | 0                   | 52,349             | 2.42%               | 96,849                | 4.47%                    | \$0.55                    | \$149.21                   | (2,238)               | (4,835)             | 4,512                   | 70,988                |
| Westminster                | 112              | 2,428,416                | 0                 | 0                   | 100,247            | 4.13%               | 102,214               | 4.21%                    | \$0.74                    | \$0.00                     | (26,761)              | (53,916)            | 8,945                   | 55,764                |
| <b>West County Total</b>   | <b>1,706</b>     | <b>42,486,168</b>        | <b>0</b>          | <b>16,407</b>       | <b>2,884,971</b>   | <b>6.79%</b>        | <b>4,379,715</b>      | <b>10.31%</b>            | <b>\$0.52</b>             | <b>\$146.81</b>            | <b>(436,812)</b>      | <b>(1,117,517)</b>  | <b>437,036</b>          | <b>1,616,417</b>      |
| <b>Airport Area</b>        |                  |                          |                   |                     |                    |                     |                       |                          |                           |                            |                       |                     |                         |                       |
| Costa Mesa                 | 453              | 8,632,437                | 0                 | 70,000              | 397,564            | 4.61%               | 662,112               | 7.67%                    | \$0.62                    | \$289.27                   | 15,074                | (79,291)            | 127,810                 | 537,811               |
| Fountain Valley            | 194              | 4,293,670                | 0                 | 155,000             | 179,084            | 4.17%               | 576,113               | 13.42%                   | \$0.61                    | \$232.50                   | 9,348                 | (114,688)           | 19,512                  | 157,798               |
| Irvine                     | 426              | 16,352,844               | 0                 | 0                   | 1,651,116          | 10.10%              | 2,534,988             | 15.50%                   | \$0.74                    | \$172.79                   | (39,062)              | (628,126)           | 259,748                 | 1,434,293             |
| Newport Beach              | 70               | 988,372                  | 0                 | 0                   | 3,000              | 0.30%               | 9,000                 | 0.91%                    | \$1.05                    | \$0.00                     | 4,319                 | 4,553               | 7,319                   | 18,353                |
| Santa Ana                  | 1,609            | 31,805,089               | 0                 | 0                   | 1,819,169          | 5.72%               | 3,120,955             | 9.81%                    | \$0.65                    | \$133.04                   | (10,803)              | (636,928)           | 433,759                 | 1,333,820             |
| Tustin                     | 119              | 5,176,977                | 0                 | 0                   | 282,427            | 5.46%               | 425,884               | 8.23%                    | \$0.81                    | \$205.00                   | (50,774)              | (4,149)             | 2,000                   | 122,663               |
| <b>Airport Area Total</b>  | <b>2,871</b>     | <b>67,249,389</b>        | <b>0</b>          | <b>225,000</b>      | <b>4,332,360</b>   | <b>6.44%</b>        | <b>7,329,052</b>      | <b>10.90%</b>            | <b>\$0.68</b>             | <b>\$156.55</b>            | <b>(71,898)</b>       | <b>(1,458,629)</b>  | <b>850,148</b>          | <b>3,604,738</b>      |
| <b>South County</b>        |                  |                          |                   |                     |                    |                     |                       |                          |                           |                            |                       |                     |                         |                       |
| Aliso Viejo                | 20               | 927,813                  | 0                 | 0                   | 15,499             | 1.67%               | 26,635                | 2.87%                    | \$0.99                    | \$0.00                     | (1,185)               | (1,064)             | 0                       | 1,815                 |
| Foothill Ranch             | 67               | 3,661,729                | 0                 | 53,264              | 87,652             | 2.39%               | 273,287               | 7.46%                    | \$0.61                    | \$0.00                     | 8,595                 | (70,429)            | 8,595                   | 48,412                |
| Irvine Spectrum            | 163              | 7,700,658                | 0                 | 0                   | 445,425            | 5.78%               | 1,213,480             | 15.76%                   | \$0.68                    | \$128.63                   | 38,585                | (272,129)           | 90,835                  | 181,807               |
| Laguna Hills               | 96               | 1,637,975                | 0                 | 0                   | 82,767             | 5.05%               | 87,567                | 5.35%                    | \$0.96                    | \$0.00                     | 41,320                | 18,500              | 60,075                  | 224,300               |
| Laguna Niguel              | 22               | 377,131                  | 0                 | 0                   | 26,578             | 7.05%               | 6,400                 | 1.70%                    | \$1.00                    | \$0.00                     | (6,400)               | (26,578)            | 0                       | 0                     |
| Lake Forest                | 210              | 5,132,115                | 0                 | 0                   | 229,128            | 4.46%               | 547,594               | 10.67%                   | \$0.71                    | \$287.77                   | (18,222)              | 173,945             | 22,862                  | 376,754               |
| Mission Viejo              | 39               | 831,166                  | 0                 | 0                   | 55,136             | 6.63%               | 48,773                | 5.87%                    | \$1.15                    | \$0.00                     | (8,438)               | (18,300)            | 3,321                   | 32,413                |
| Rancho Santa Margarita     | 99               | 1,666,146                | 0                 | 0                   | 119,810            | 7.19%               | 233,249               | 14.00%                   | \$0.81                    | \$0.00                     | 15,477                | (89,801)            | 33,937                  | 79,149                |
| San Clemente               | 158              | 2,146,524                | 0                 | 0                   | 255,047            | 11.88%              | 341,148               | 15.89%                   | \$0.98                    | \$0.00                     | (22,302)              | (88,541)            | 43,344                  | 126,060               |
| San Juan Capistrano        | 47               | 1,042,076                | 0                 | 0                   | 53,216             | 5.11%               | 145,860               | 14.00%                   | \$0.84                    | \$0.00                     | 19,128                | (5,092)             | 46,826                  | 93,847                |
| <b>South County Total</b>  | <b>921</b>       | <b>25,123,333</b>        | <b>0</b>          | <b>53,264</b>       | <b>1,370,258</b>   | <b>5.45%</b>        | <b>2,923,993</b>      | <b>11.64%</b>            | <b>\$0.74</b>             | <b>\$142.53</b>            | <b>66,558</b>         | <b>(379,489)</b>    | <b>309,795</b>          | <b>1,164,557</b>      |
| <b>Orange County Total</b> | <b>9,476</b>     | <b>248,344,203</b>       | <b>375,000</b>    | <b>589,157</b>      | <b>14,504,512</b>  | <b>5.84%</b>        | <b>27,196,509</b>     | <b>10.95%</b>            | <b>\$0.59</b>             | <b>\$142.94</b>            | <b>(121,514)</b>      | <b>(5,025,634)</b>  | <b>2,962,155</b>        | <b>11,695,331</b>     |
| <b>O.C. Totals</b>         |                  |                          |                   |                     |                    |                     |                       |                          |                           |                            |                       |                     |                         |                       |
| Less than 9,999            | 3,139            | 19,211,128               | 0                 | 0                   | 900,904            | 4.69%               | 1,501,568             | 7.82%                    | \$0.88                    | \$177.83                   | (4,939)               | (260,090)           | 254,895                 | 940,241               |
| 10,000-19,999              | 3,210            | 44,383,784               | 0                 | 32,632              | 2,726,610          | 6.14%               | 4,062,553             | 9.15%                    | \$0.80                    | \$154.29                   | (72,672)              | (1,032,985)         | 630,311                 | 2,435,355             |
| 20,000-29,999              | 1,233            | 29,334,608               | 0                 | 71,200              | 1,966,297          | 6.70%               | 3,053,835             | 10.41%                   | \$0.76                    | \$153.41                   | (105,617)             | (607,614)           | 473,236                 | 1,702,468             |
| 30,000-39,999              | 514              | 17,441,157               | 0                 | 99,328              | 1,062,034          | 6.09%               | 1,844,310             | 10.57%                   | \$0.71                    | \$130.55                   | 49,033                | (383,885)           | 309,017                 | 835,030               |
| 40,000-49,999              | 329              | 14,441,773               | 0                 | 0                   | 809,680            | 5.61%               | 1,906,671             | 13.20%                   | \$0.59                    | \$143.80                   | 150,774               | (199,732)           | 266,379                 | 565,708               |
| 50,000-74,999              | 447              | 26,972,903               | 0                 | 180,857             | 1,622,272          | 6.01%               | 3,068,787             | 11.38%                   | \$0.66                    | \$116.03                   | (187,912)             | (69,471)            | 205,139                 | 1,200,968             |
| 75,000-99,999              | 205              | 17,522,482               | 0                 | 85,140              | 719,986            | 4.11%               | 1,644,693             | 9.39%                    | \$0.54                    | \$154.53                   | (48,011)              | (143,353)           | 58,914                  | 565,675               |
| 100,000-149,999            | 198              | 23,318,528               | 0                 | 120,000             | 1,027,230          | 4.41%               | 2,913,212             | 12.49%                   | \$0.56                    | \$124.57                   | 113,575               | (305,622)           | 180,942                 | 824,343               |
| 150,000-199,999            | 78               | 13,441,173               | 0                 | 0                   | 1,683,455          | 12.52%              | 2,778,345             | 20.67%                   | \$0.50                    | \$105.41                   | (119,861)             | (646,342)           | 30,000                  | 319,677               |
| 200,000-299,999            | 69               | 16,545,311               | 0                 | 0                   | 596,283            | 3.60%               | 1,903,326             | 11.50%                   | \$0.59                    | \$0.00                     | (124,200)             | (526,042)           | 0                       | 949,589               |
| 300,000 plus               | 54               | 25,731,356               | 375,000           | 0                   | 1,389,761          | 5.40%               | 2,519,209             | 9.79%                    | \$0.55                    | \$0.00                     | 228,316               | (850,498)           | 553,322                 | 1,356,277             |
| <b>Total</b>               | <b>9,476</b>     | <b>248,344,203</b>       | <b>375,000</b>    | <b>589,157</b>      | <b>14,504,512</b>  | <b>5.84%</b>        | <b>27,196,509</b>     | <b>10.95%</b>            | <b>\$0.59</b>             | <b>\$142.94</b>            | <b>(121,514)</b>      | <b>(5,025,634)</b>  | <b>2,962,155</b>        | <b>11,695,331</b>     |

Lease rates are on a triple net basis.

**ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. AVAILABILITY RATE**


NORTH ORANGE COUNTY

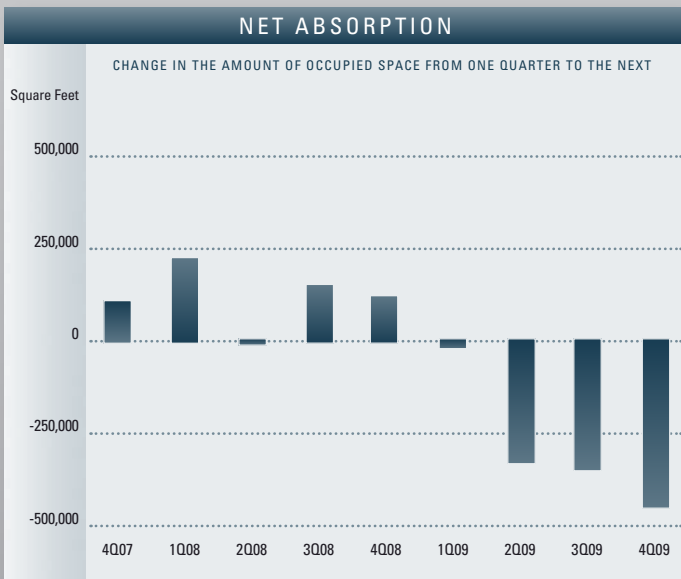
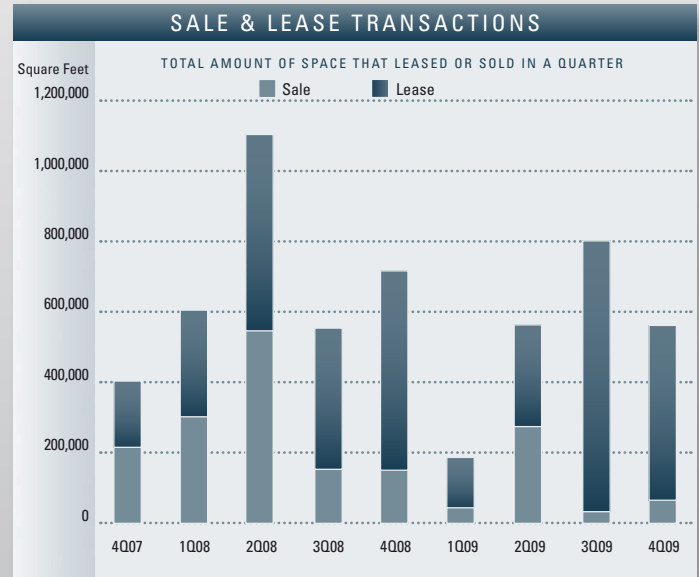
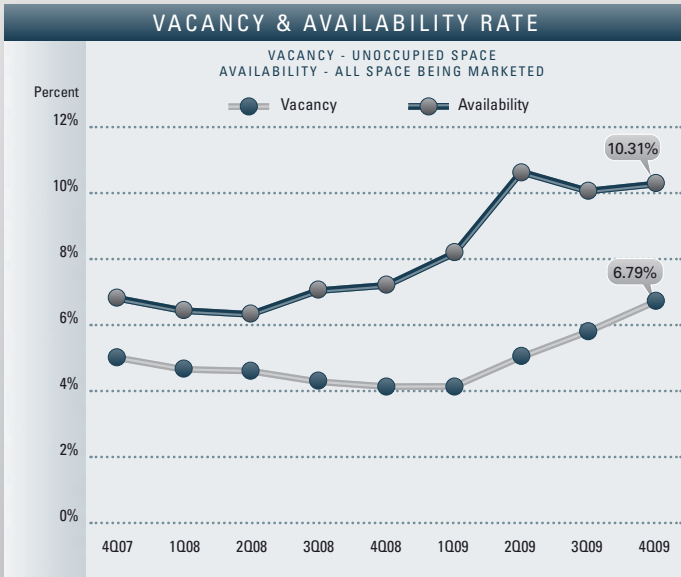
The North Orange County Industrial Market consists of 3,978 buildings totaling 113,485,313 square feet and currently has an availability rate of 11.07%, which shows a decrease from last quarter's 11.39% figure.



|                     | INVENTORY        |                          |                   |                     | VACANCY & PRICING  |                     |                       |                          | ABSORPTION                |                            |                       |                     |                         |                       |
|---------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------------------|---------------------|-------------------------|-----------------------|
|                     | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 4Q2009 | Square Feet Available | Availability Rate 4Q2009 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption 4Q2009 | Net Absorption 2009 | Gross Absorption 4Q2009 | Gross Absorption 2009 |
| <b>North Totals</b> |                  |                          |                   |                     |                    |                     |                       |                          |                           |                            |                       |                     |                         |                       |
| Less than 9,999     | 1,162            | 7,463,491                | 0                 | 0                   | 393,831            | 5.28%               | 620,367               | 8.31%                    | \$0.68                    | \$171.08                   | 847                   | (80,425)            | 115,281                 | 446,912               |
| 10,000-19,999       | 1,416            | 19,502,328               | 0                 | 16,225              | 1,032,096          | 5.29%               | 1,592,448             | 8.17%                    | \$0.72                    | \$143.15                   | 62,696                | (273,215)           | 295,536                 | 1,054,371             |
| 20,000-29,999       | 541              | 12,851,591               | 0                 | 71,200              | 677,746            | 5.27%               | 1,210,526             | 9.42%                    | \$0.69                    | \$133.52                   | 8,104                 | (226,749)           | 207,506                 | 665,308               |
| 30,000-39,999       | 236              | 7,983,592                | 0                 | 64,328              | 434,020            | 5.44%               | 804,349               | 10.08%                   | \$0.56                    | \$130.00                   | (68,855)              | (257,125)           | 94,381                  | 265,588               |
| 40,000-49,999       | 141              | 6,163,422                | 0                 | 0                   | 369,862            | 6.00%               | 870,457               | 14.12%                   | \$0.46                    | \$108.88                   | 103,956               | (135,227)           | 113,256                 | 165,918               |
| 50,000-74,999       | 198              | 11,945,938               | 0                 | 57,593              | 648,623            | 5.43%               | 1,496,377             | 12.53%                   | \$0.52                    | \$107.63                   | (169,560)             | (51,644)            | 97,944                  | 621,545               |
| 75,000-99,999       | 90               | 7,660,136                | 0                 | 85,140              | 219,836            | 2.87%               | 564,099               | 7.36%                    | \$0.49                    | \$0.00                     | 16,000                | (6,088)             | 16,000                  | 78,440                |
| 100,000-149,999     | 92               | 10,889,136               | 0                 | 0                   | 467,531            | 4.29%               | 1,220,782             | 11.21%                   | \$0.47                    | \$124.57                   | 50,862                | (206,845)           | 50,862                  | 169,397               |
| 150,000-199,999     | 36               | 6,239,510                | 0                 | 0                   | 639,673            | 10.25%              | 1,415,008             | 22.68%                   | \$0.52                    | \$112.50                   | 0                     | (98,976)            | 0                       | 162,979               |
| 200,000-299,999     | 38               | 9,149,689                | 0                 | 0                   | 327,484            | 3.58%               | 1,157,198             | 12.65%                   | \$0.59                    | \$0.00                     | (57,822)              | (327,484)           | 0                       | 506,296               |
| 300,000 plus        | 28               | 13,636,480               | 375,000           | 0                   | 706,221            | 5.18%               | 1,612,138             | 11.82%                   | \$0.49                    | \$0.00                     | 374,410               | (406,221)           | 374,410                 | 1,172,865             |
| <b>Total</b>        | <b>3,978</b>     | <b>113,485,313</b>       | <b>375,000</b>    | <b>294,486</b>      | <b>5,916,923</b>   | <b>5.21%</b>        | <b>12,563,749</b>     | <b>11.07%</b>            | <b>\$0.53</b>             | <b>\$132.53</b>            | <b>320,638</b>        | <b>(2,069,999)</b>  | <b>1,365,176</b>        | <b>5,309,619</b>      |

## WEST ORANGE COUNTY

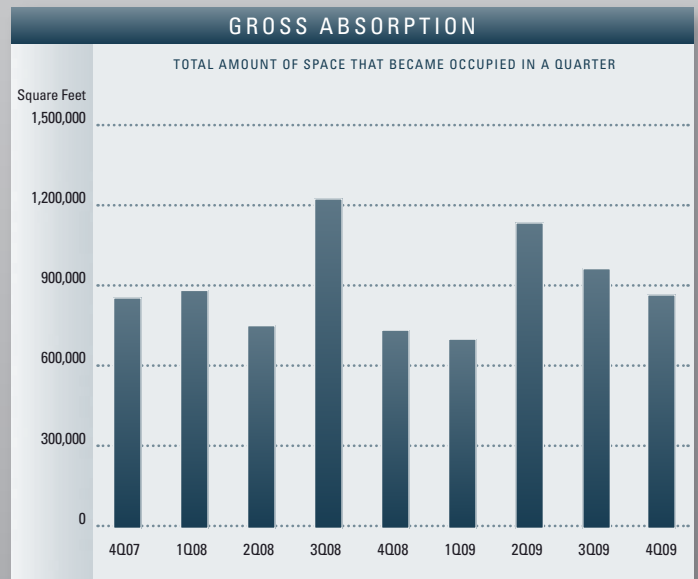
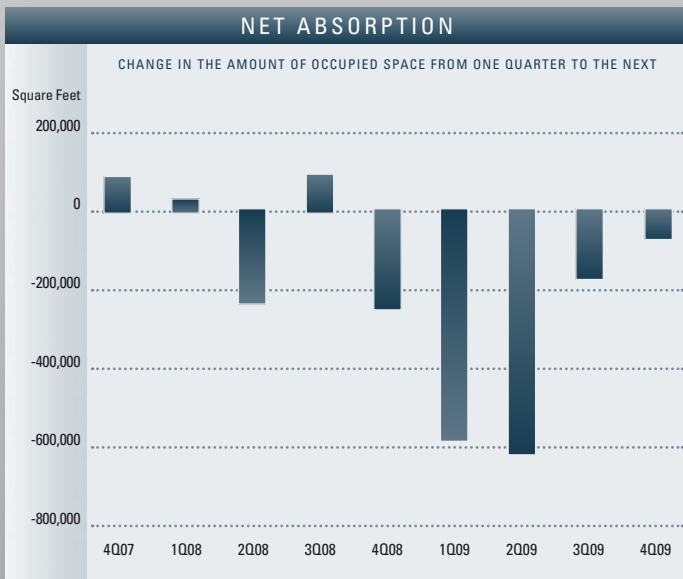
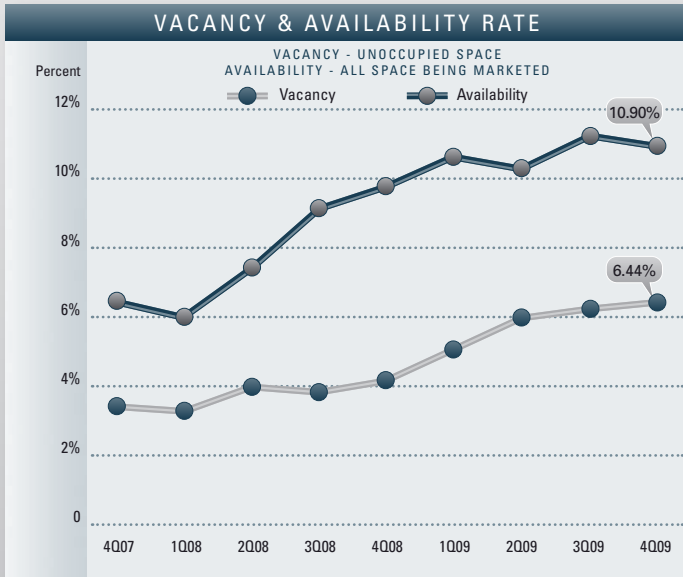
The West Orange County Industrial Market consists of 1,706 buildings totaling 42,486,168 square feet and currently has an availability rate of 10.31%, which shows an increase from last quarter's 10.00% figure.



|                    | INVENTORY        |                          |                   | VACANCY & PRICING   |                    |                     |                       | ABSORPTION               |                           |                            |                       |                     |                         |                       |
|--------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------------------|---------------------|-------------------------|-----------------------|
|                    | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 4Q2009 | Square Feet Available | Availability Rate 4Q2009 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption 4Q2009 | Net Absorption 2009 | Gross Absorption 4Q2009 | Gross Absorption 2009 |
| <b>West Totals</b> |                  |                          |                   |                     |                    |                     |                       |                          |                           |                            |                       |                     |                         |                       |
| Less than 9,999    | 658              | 3,889,061                | 0                 | 0                   | 143,884            | 3.70%               | 246,505               | 6.34%                    | \$0.72                    | \$187.35                   | 12,481                | (55,600)            | 51,955                  | 156,538               |
| 10,000-19,999      | 562              | 7,481,731                | 0                 | 16,407              | 448,361            | 5.99%               | 740,564               | 9.90%                    | \$0.85                    | \$147.73                   | (71,186)              | (287,233)           | 90,385                  | 347,234               |
| 20,000-29,999      | 181              | 4,308,257                | 0                 | 0                   | 294,993            | 6.85%               | 533,648               | 12.39%                   | \$0.79                    | \$139.66                   | (38,368)              | (98,005)            | 36,612                  | 172,970               |
| 30,000-39,999      | 61               | 2,110,925                | 0                 | 0                   | 47,410             | 2.25%               | 129,731               | 6.15%                    | \$0.43                    | \$0.00                     | 10,092                | 15,490              | 17,090                  | 73,884                |
| 40,000-49,999      | 60               | 2,638,527                | 0                 | 0                   | 130,360            | 4.94%               | 373,377               | 14.15%                   | \$0.44                    | \$114.41                   | 51,460                | 11,550              | 57,985                  | 104,185               |
| 50,000-74,999      | 85               | 5,090,123                | 0                 | 0                   | 436,511            | 8.58%               | 575,816               | 11.31%                   | \$0.60                    | \$149.00                   | (85,336)              | (107,769)           | 4,097                   | 112,713               |
| 75,000-99,999      | 33               | 2,816,895                | 0                 | 0                   | 113,599            | 4.03%               | 263,819               | 9.37%                    | \$0.31                    | \$0.00                     | (20,000)              | 82,055              | 0                       | 212,954               |
| 100,000-149,999    | 28               | 3,321,662                | 0                 | 0                   | 50,000             | 1.51%               | 209,205               | 6.30%                    | \$0.54                    | \$0.00                     | 0                     | (45,500)            | 0                       | 4,500                 |
| 150,000-199,999    | 18               | 3,074,962                | 0                 | 0                   | 683,261            | 22.22%              | 585,026               | 19.03%                   | \$0.48                    | \$0.00                     | (149,861)             | (355,131)           | 0                       | 115,870               |
| 200,000-299,999    | 12               | 2,845,632                | 0                 | 0                   | 155,735            | 5.47%               | 575,930               | 20.24%                   | \$0.56                    | \$0.00                     | 0                     | (131,280)           | 0                       | 136,657               |
| 300,000 plus       | 8                | 4,908,393                | 0                 | 0                   | 380,857            | 7.76%               | 146,094               | 2.98%                    | \$0.00                    | \$0.00                     | (146,094)             | (146,094)           | 178,912                 | 178,912               |
| <b>Total</b>       | <b>1,706</b>     | <b>42,486,168</b>        | <b>0</b>          | <b>16,407</b>       | <b>2,884,971</b>   | <b>6.79%</b>        | <b>4,379,715</b>      | <b>10.31%</b>            | <b>\$0.52</b>             | <b>\$146.81</b>            | <b>(436,812)</b>      | <b>(1,117,517)</b>  | <b>437,036</b>          | <b>1,616,417</b>      |

AIRPORT AREA

The Airport Area of the Orange County Industrial Market consists of 2,871 buildings totaling 67,249,389 square feet and currently has an availability rate of 10.90%, which shows a decrease from last quarter's 11.07% figure.

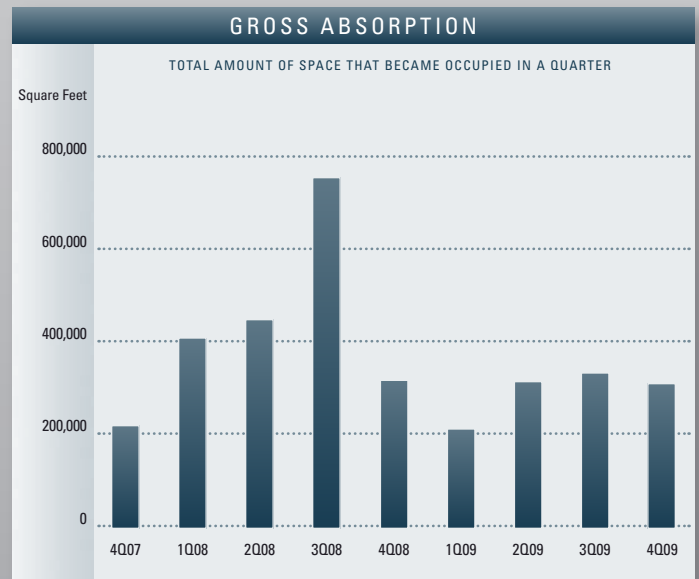
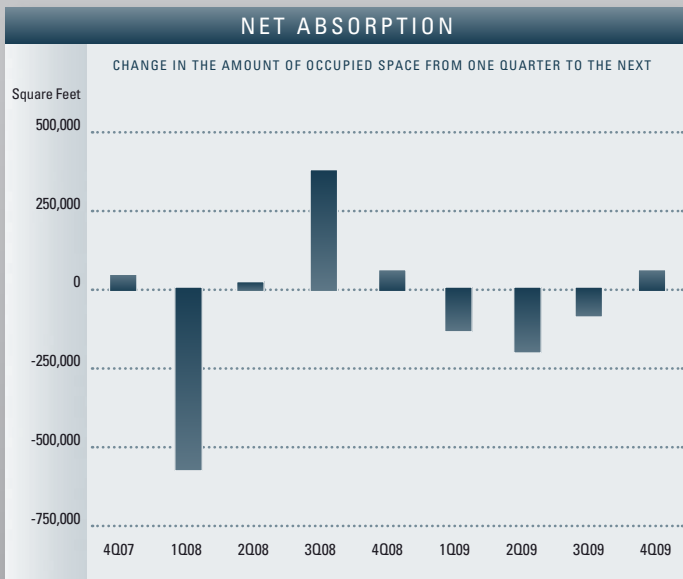
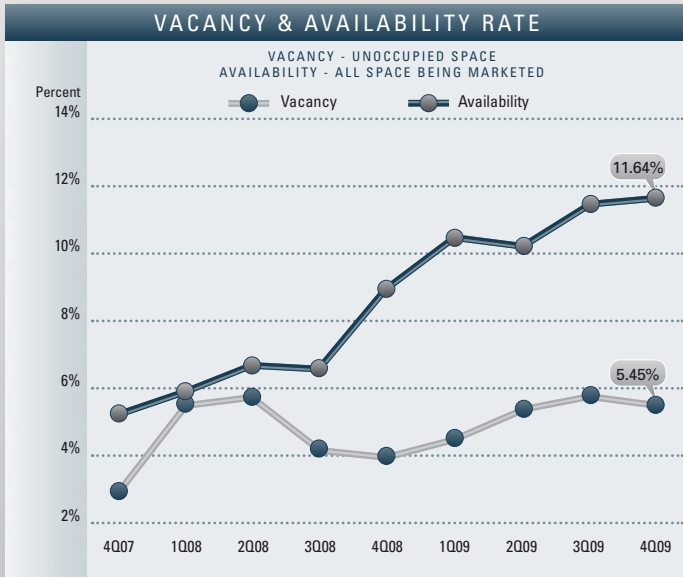


|                       | INVENTORY        |                          |                   |                     |                    | VACANCY & PRICING   |                       |                          |                           |                            | ABSORPTION            |                     |                         |                       |
|-----------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------------------|---------------------|-------------------------|-----------------------|
|                       | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 4Q2009 | Square Feet Available | Availability Rate 4Q2009 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption 4Q2009 | Net Absorption 2009 | Gross Absorption 4Q2009 | Gross Absorption 2009 |
| <b>Airport Totals</b> |                  |                          |                   |                     |                    |                     |                       |                          |                           |                            |                       |                     |                         |                       |
| Less than 9,999       | 989              | 5,622,834                | 0                 | 0                   | 202,511            | 3.60%               | 364,333               | 6.48%                    | \$0.89                    | \$176.47                   | 115                   | (54,145)            | 57,357                  | 222,618               |
| 10,000-19,999         | 949              | 13,339,034               | 0                 | 0                   | 882,952            | 6.62%               | 1,189,481             | 8.92%                    | \$0.77                    | \$174.75                   | (58,114)              | (334,906)           | 156,990                 | 722,236               |
| 20,000-29,999         | 387              | 9,253,341                | 0                 | 0                   | 758,647            | 8.20%               | 1,065,754             | 11.52%                   | \$0.80                    | \$158.41                   | (81,984)              | (258,519)           | 177,705                 | 606,694               |
| 30,000-39,999         | 168              | 5,712,482                | 0                 | 35,000              | 453,115            | 7.93%               | 683,926               | 11.97%                   | \$0.77                    | \$130.63                   | 35,530                | (122,496)           | 125,280                 | 360,318               |
| 40,000-49,999         | 98               | 4,301,067                | 0                 | 0                   | 221,908            | 5.16%               | 524,347               | 12.19%                   | \$0.73                    | \$190.02                   | (4,642)               | (46,476)            | 95,138                  | 237,634               |
| 50,000-74,999         | 125              | 7,526,060                | 0                 | 70,000              | 437,664            | 5.82%               | 647,707               | 8.61%                    | \$0.87                    | \$92.99                    | 74,701                | 100,159             | 103,098                 | 421,939               |
| 75,000-99,999         | 62               | 5,320,817                | 0                 | 0                   | 337,965            | 6.35%               | 643,878               | 12.10%                   | \$0.58                    | \$0.00                     | (33,839)              | (182,828)           | 4,500                   | 235,867               |
| 100,000-149,999       | 54               | 6,297,349                | 0                 | 120,000             | 349,504            | 5.55%               | 871,758               | 13.84%                   | \$0.52                    | \$0.00                     | 62,713                | (33,282)            | 130,080                 | 532,082               |
| 150,000-199,999       | 16               | 2,791,511                | 0                 | 0                   | 319,033            | 11.43%              | 466,579               | 16.71%                   | \$0.55                    | \$0.00                     | 0                     | (161,575)           | 0                       | 0                     |
| 200,000-299,999       | 12               | 3,011,133                | 0                 | 0                   | 66,378             | 2.20%               | 110,312               | 3.66%                    | \$0.50                    | \$0.00                     | (66,378)              | (66,378)            | 0                       | 260,850               |
| 300,000 plus          | 11               | 4,073,761                | 0                 | 0                   | 302,683            | 7.43%               | 760,977               | 18.68%                   | \$0.65                    | \$0.00                     | 0                     | (298,183)           | 0                       | 4,500                 |
| <b>Total</b>          | <b>2,871</b>     | <b>67,249,389</b>        | <b>0</b>          | <b>225,000</b>      | <b>4,332,360</b>   | <b>6.44%</b>        | <b>7,329,052</b>      | <b>10.90%</b>            | <b>\$0.68</b>             | <b>\$156.55</b>            | <b>(71,898)</b>       | <b>(1,458,629)</b>  | <b>850,148</b>          | <b>3,604,738</b>      |



## SOUTH ORANGE COUNTY

The South Orange County Industrial Market consists of 921 buildings totaling 25,123,333 square feet and currently has an availability rate of 11.64%, which shows an increase from last quarter's 11.48% figure.



|                     | INVENTORY        |                          |                   |                     |                    | VACANCY & PRICING   |                       |                          |                           |                            | ABSORPTION            |                     |                         |                       |
|---------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------------------|---------------------|-------------------------|-----------------------|
|                     | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 4Q2009 | Square Feet Available | Availability Rate 4Q2009 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption 4Q2009 | Net Absorption 2009 | Gross Absorption 4Q2009 | Gross Absorption 2009 |
| <b>South Totals</b> |                  |                          |                   |                     |                    |                     |                       |                          |                           |                            |                       |                     |                         |                       |
| Less than 9,999     | 330              | 2,235,742                | 0                 | 0                   | 160,678            | 7.19%               | 270,363               | 12.09%                   | \$0.91                    | \$202.53                   | (18,382)              | (69,920)            | 30,302                  | 114,173               |
| 10,000-19,999       | 283              | 4,060,691                | 0                 | 0                   | 363,201            | 8.94%               | 540,060               | 13.30%                   | \$0.79                    | \$144.17                   | (6,068)               | (137,631)           | 87,400                  | 311,514               |
| 20,000-29,999       | 124              | 2,921,419                | 0                 | 0                   | 234,911            | 8.04%               | 243,907               | 8.35%                    | \$0.91                    | \$214.70                   | 6,631                 | (24,341)            | 51,413                  | 257,496               |
| 30,000-39,999       | 49               | 1,634,158                | 0                 | 0                   | 127,489            | 7.80%               | 226,304               | 13.85%                   | \$0.79                    | \$0.00                     | 72,266                | (19,754)            | 72,266                  | 135,240               |
| 40,000-49,999       | 30               | 1,338,757                | 0                 | 0                   | 87,550             | 6.54%               | 138,490               | 10.34%                   | \$0.73                    | \$0.00                     | 0                     | (29,579)            | 0                       | 57,971                |
| 50,000-74,999       | 39               | 2,410,782                | 0                 | 53,264              | 99,474             | 4.13%               | 348,887               | 14.47%                   | \$0.69                    | \$133.89                   | (7,717)               | (10,217)            | 0                       | 44,771                |
| 75,000-99,999       | 20               | 1,724,634                | 0                 | 0                   | 48,586             | 2.82%               | 172,897               | 10.03%                   | \$0.65                    | \$154.53                   | (10,172)              | (36,492)            | 38,414                  | 38,414                |
| 100,000-149,999     | 24               | 2,810,381                | 0                 | 0                   | 160,195            | 5.70%               | 611,467               | 21.76%                   | \$0.67                    | \$0.00                     | 0                     | (19,995)            | 0                       | 118,364               |
| 150,000-199,999     | 8                | 1,335,190                | 0                 | 0                   | 41,488             | 3.11%               | 311,732               | 23.35%                   | \$0.44                    | \$99.00                    | 30,000                | (30,660)            | 30,000                  | 40,828                |
| 200,000-299,999     | 7                | 1,538,857                | 0                 | 0                   | 46,686             | 3.03%               | 59,886                | 3.89%                    | \$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>921</b>       | <b>25,123,333</b>        | <b>0</b>          | <b>53,264</b>       | <b>1,370,258</b>   | <b>5.45%</b>        | <b>2,923,993</b>      | <b>11.64%</b>            | <b>\$0.74</b>             | <b>\$142.53</b>            | <b>66,558</b>         | <b>(379,489)</b>    | <b>309,795</b>          | <b>1,164,557</b>      |

RECENT TRANSACTIONS

Sales Transactions

| Property Address           | City       | Square Feet | Sale Price   | Buyer                            | Seller                           |
|----------------------------|------------|-------------|--------------|----------------------------------|----------------------------------|
| 1801-1995 S. Standard Ave. | Santa Ana  | 296,019     | \$25,500,000 | KTR Capital Partners, LP         | Prudential Real Estate Investors |
| 6545 Caballero Blvd.       | Buena Park | 167,217     | \$16,888,917 | BP Westport Properties           | Pacific Supply Company           |
| 1424 S. Raymond Ave.       | Fullerton  | 198,000     | \$8,250,000  | Western Realco                   | Smurfit-Stone Container          |
| 114 S Berry Street         | Brea       | 107,084     | \$8,050,000  | Blaine Convention Services, Inc. | RTI Properties, Inc.             |
| 5410 E. La Palma Ave.      | Anaheim    | 65,025      | \$4,300,000  | Legacy Property Management       | Zions First National Bank        |

Lease Transactions

| Property Address                | City       | Square Feet | Transaction Date | Tenant                   | Owner                            |
|---------------------------------|------------|-------------|------------------|--------------------------|----------------------------------|
| 6565 Knott Ave.                 | Buena Park | 626,304     | December-09      | Saddle Creek Corporation | Prudential Real Estate Investors |
| 1123 E. Warner Ave. - Renewal   | Tustin     | 500,625     | Jan-09           | Ricoh                    | Bedrosian                        |
| 6700 Artesia Blvd.              | Buena Park | 274,088     | August-09        | Solaris Paper, Inc.      | ProLogis                         |
| 6550 Katella Ave.               | Cypress    | 234,763     | July-09          | Empire Logistics         | CRP-2 Holdings Cypress, LLC      |
| 1211 N. Miller Street - Renewal | Anaheim    | 200,656     | January-09       | Targus, Inc.             | Kilroy Realty                    |

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.

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