



Industrial Market Report

Compared to 2009:



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Market Highlights

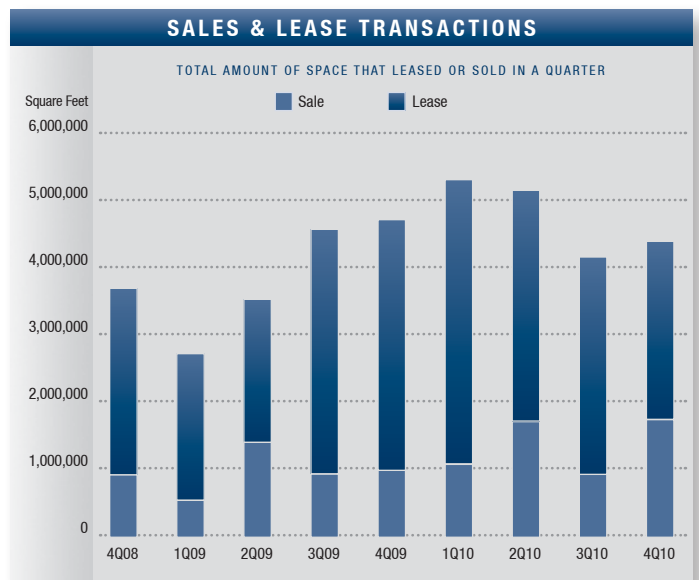
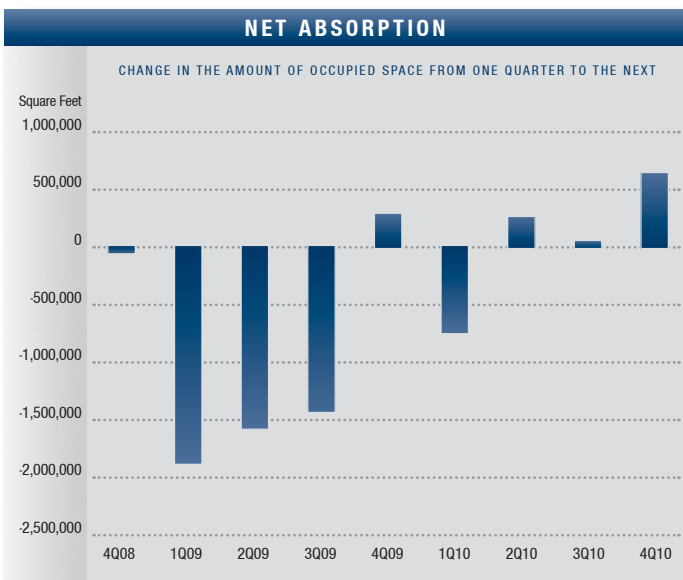
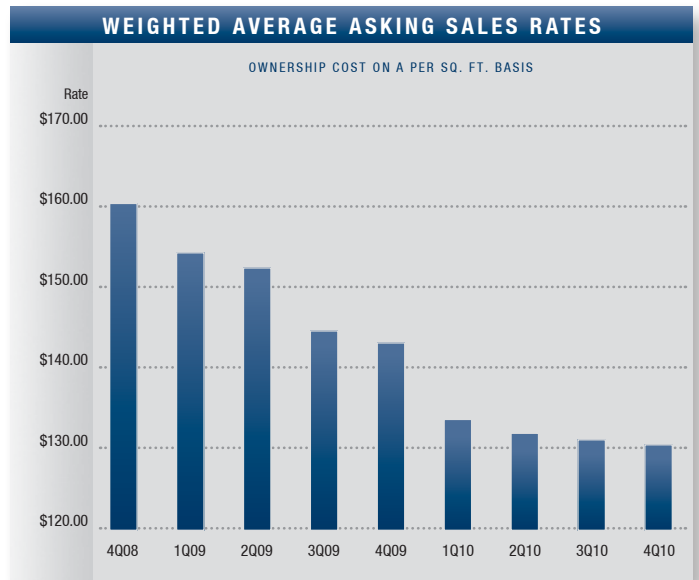
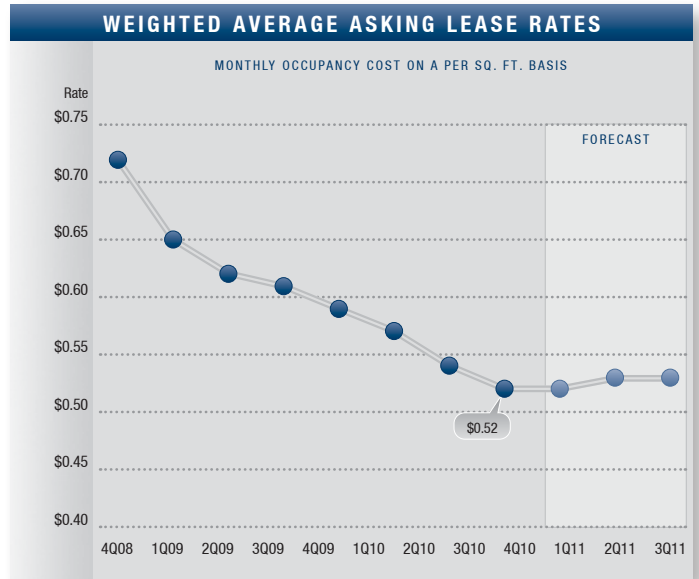
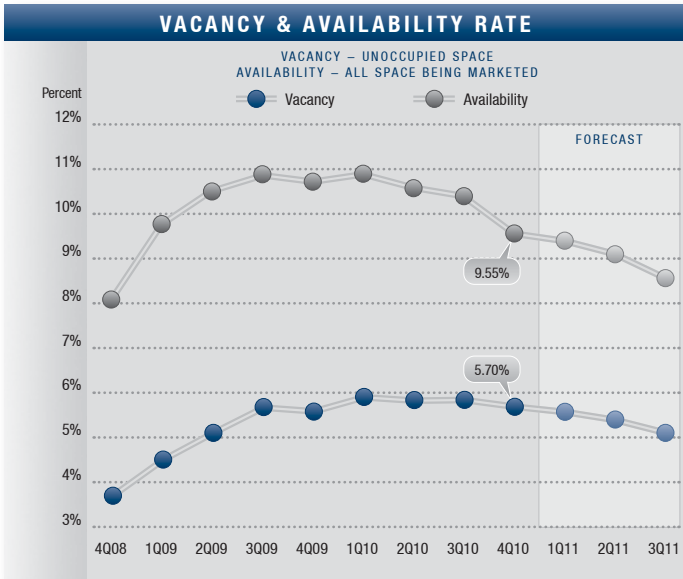
- **Are we there yet?** - The Orange County industrial market displayed more promises of stabilization this quarter. In 2010, availability continued its descent from the high rates of 2009, vacancy rates remained somewhat flat, and net absorption was positive for the last three quarters of 2010. Demand picked up, with Labor Day marking the beginning of a renewed interest in sales transactions, and tenants began signing longer lease commitments. While these are positive indications, stability and job growth will need to be sustained in coming quarters to be considered recovery.
- **Vacancy** - Direct/sublease space (unoccupied) finished the year at 5.7% — slightly lower than the previous quarter's rate of 5.82% and slightly higher than 2009's rate of 5.59%. West County had the lowest vacancy rate at 4.28%.
- **Availability** - Direct/sublease space being marketed was at 9.55% in the fourth quarter of 2010 — a decrease from last quarter's rate of 10.37% and an even more noticeable decrease of nearly 11% when compared to 2009's rate of 10.71%.
- **Lease Rates** - The average asking triple net lease rate was \$.52 cents per square foot per month at the end of 2010 — a decrease of almost 12% when compared to 2009's average asking rate of \$.59 and the same as the third quarter rate. The record high rate of \$.80 was established in the first and second quarters of 2008.
- **Sales Pricing** - The average asking sales price in the fourth quarter of 2010 was \$130.15 per square foot — the same as the previous quarter's rate of \$130.89 and nearly 9% lower than the 2009 rate of \$142.94. The record high asking rate of \$181.23 was established in the third quarter of 2007.
- **Absorption** - Net absorption for the last three quarters of 2010 was positive, erasing the negative absorption incurred in the first quarter of 2010 and giving the industrial market a total of 209,677 square feet of positive

absorption for the year.

- **Transaction Activity** - Leasing activity for 2010 checked in at 13.8 million square feet. This is an increase over 2009's 11.8 million square feet of leasing activity. Sales activity showed an increase since 2009 as well, posting over 5.2 million square feet of activity as compared to 2009's 3.6 million. Details of the largest transactions from 2010 can be found on the back page of this report.
- **Employment** - The unemployment rate in Orange County was 9.3% in November 2010 — up from a revised 9.1% in October 2010 but below the year-ago estimate of 9.6%. This compares with an unadjusted unemployment rate of 12.4% for California and 9.3% for the nation during the same period. According to the State of California Employment Development Department, Orange County increased by 19,100 payroll jobs from November 2009 to November 2010; the largest gains were 10,100 in professional & business services and 8,400 in leisure and hospitality. However, during that same period, Orange County lost 4,900 jobs in construction. Chapman University is forecasting that 23,000 jobs will be added in Orange County in 2011.
- **Overall** - We are seeing a decrease in the amount of available space on the market, as well as an overall increase in sales activity, as investors are actively seeking prudent investments. Absorption has been positive, and with nothing currently under construction to put more upward pressure on vacancies, the market should continue to stabilize. We expect to see an increase in investment activity in the coming quarters as lenders continue to dispose of distressed assets. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation occurs. Once unemployment rates drop and consumer confidence stabilizes, the industrial market will recover.

INDUSTRIAL MARKET OVERVIEW

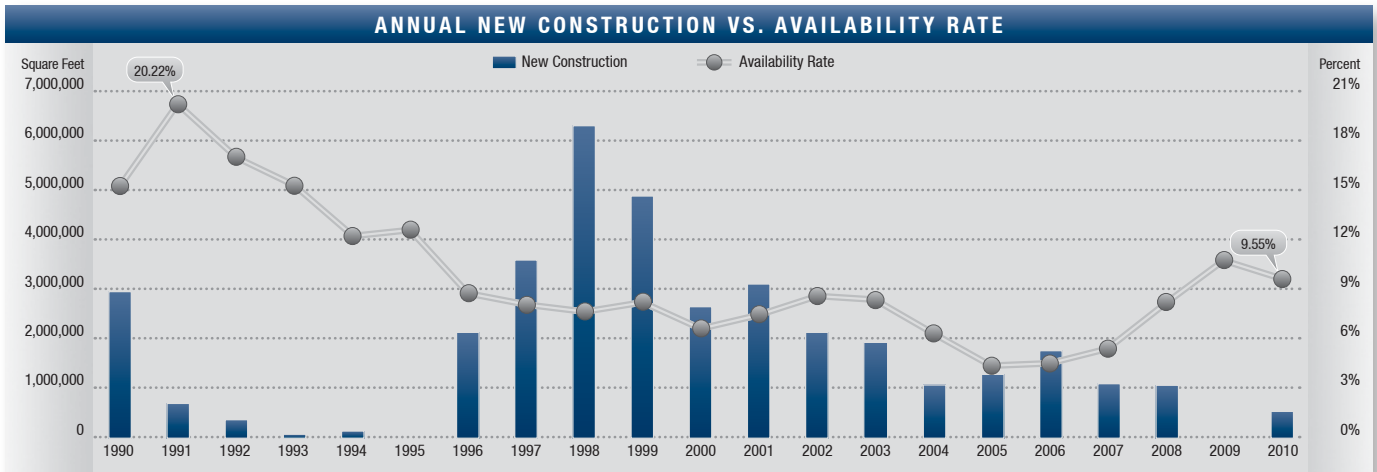
	2010	2009	2008	% CHANGE vs. 2009
Vacancy Rate	5.70%	5.59%	3.74%	1.97%
Availability Rate	9.55%	10.71%	8.08%	(10.83%)
Average Asking Lease Rate	\$0.52	\$0.59	\$0.72	(11.86%)
Average Asking Sale Price	\$130.15	\$142.94	\$160.37	(8.95%)
Sale & Lease Transactions	19,000,251	15,479,763	13,707,930	22.74%
Gross Absorption	14,806,287	12,072,036	12,673,992	22.65%
Net Absorption	209,677	(4,605,748)	187,655	N/A



	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2010	Square Feet Available	Availability Rate 4Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2010	Net Absorption 2010	Gross Absorption 4Q2010	Gross Absorption 2010
North County														
Anaheim	1,821	45,171,465	0	0	2,835,570	6.28%	3,215,023	7.12%	\$0.49	\$120.05	222,213	(5,267)	1,101,488	3,644,722
Brea	337	12,370,771	0	0	613,965	4.96%	1,253,694	10.13%	\$0.47	\$105.08	69,823	7,670	172,385	649,517
Buena Park	250	14,031,691	0	0	746,353	5.32%	528,309	3.77%	\$0.47	\$88.81	(59,463)	(354,424)	152,211	850,483
Fullerton	417	17,124,994	0	0	1,198,837	7.00%	2,539,714	14.83%	\$0.43	\$123.75	17,461	188,584	88,877	692,336
La Habra	216	4,728,396	0	0	183,692	3.88%	940,981	19.90%	\$0.57	\$132.04	(37,601)	(39,856)	19,178	98,622
Orange	782	15,016,447	0	0	580,201	3.86%	867,347	5.78%	\$0.56	\$124.00	(71,808)	29,767	137,627	742,686
Placentia	229	4,370,511	0	0	261,126	5.97%	653,441	14.95%	\$0.60	\$107.46	(33,490)	(49,360)	68,314	256,937
Yorba Linda	57	1,122,041	0	0	35,195	3.14%	131,758	11.74%	\$0.00	\$128.50	9,278	33,970	22,589	62,697
North County Total	4,109	113,936,316	0	0	6,454,939	5.67%	10,130,267	8.89%	\$0.47	\$118.38	116,413	(188,916)	1,762,669	6,998,000
West County														
Cypress	104	4,351,773	0	0	220,378	5.06%	523,027	12.02%	\$0.67	\$153.01	(105,241)	23,395	11,000	157,313
Garden Grove	488	12,546,837	0	0	539,302	4.30%	765,007	6.10%	\$0.48	\$148.28	217,827	213,000	255,922	1,075,070
Huntington Beach	694	15,806,951	0	0	592,856	3.75%	1,509,078	9.55%	\$0.45	\$123.66	609	194,099	55,725	734,343
La Palma	16	1,780,577	0	0	131,280	7.37%	174,499	9.80%	\$0.20	\$0.00	22,116	0	22,116	22,116
Los Alamitos	104	2,663,484	0	0	52,192	1.96%	125,480	4.71%	\$0.65	\$76.70	28,438	36,383	31,466	81,309
Seal Beach	14	997,005	0	0	0	0.00%	0	0.00%	\$0.00	\$117.00	121,094	305,094	121,094	305,094
Stanton	187	2,232,213	0	0	85,129	3.81%	128,492	5.76%	\$0.55	\$149.90	(14,328)	(32,280)	14,850	55,692
Westminster	115	2,456,209	0	0	211,537	8.61%	237,170	9.66%	\$0.52	\$0.00	(104,491)	(98,790)	16,073	86,380
West County Total	1,722	42,835,049	0	0	1,832,674	4.28%	3,462,753	8.08%	\$0.46	\$127.39	166,024	640,901	528,246	2,517,317
Airport Area														
Costa Mesa	468	8,628,545	0	0	282,043	3.27%	875,589	10.15%	\$0.54	\$166.16	142,986	(1,614)	219,582	550,964
Fountain Valley	191	4,141,735	0	805,000	309,596	7.48%	313,328	7.57%	\$0.82	\$139.86	9,897	(130,512)	102,621	286,981
Irvine	434	16,543,945	0	0	1,409,227	8.52%	2,747,126	16.61%	\$0.55	\$176.44	58,723	143,468	217,983	839,357
Newport Beach	71	1,298,237	0	0	7,000	0.54%	15,500	1.19%	\$1.20	\$0.00	1,000	(4,000)	1,000	3,500
Santa Ana	1,613	31,898,112	0	0	2,142,205	6.72%	3,054,684	9.58%	\$0.55	\$114.61	136,339	(121,897)	501,035	1,852,108
Tustin	120	5,147,705	0	0	290,590	5.65%	439,418	8.54%	\$0.53	\$149.00	22,175	(16,680)	51,711	174,502
Airport Area Total	2,897	67,658,279	0	805,000	4,440,661	6.56%	7,445,645	11.00%	\$0.55	\$150.80	371,120	(131,235)	1,093,932	3,707,412
South County														
Aliso Viejo	21	949,240	0	0	39,106	4.12%	79,466	8.37%	\$0.76	\$175.00	(21,607)	(23,607)	0	20,180
Foothill Ranch	64	3,641,757	0	53,264	156,611	4.30%	395,398	10.86%	\$0.58	\$119.22	21,041	(68,959)	40,140	53,140
Irvine Spectrum	162	7,708,100	0	0	534,322	6.93%	943,270	12.24%	\$0.59	\$158.72	(7,326)	(88,897)	130,293	460,998
Laguna Hills	96	1,677,288	0	0	67,221	4.01%	75,201	4.48%	\$0.87	\$0.00	20,059	28,514	25,215	146,233
Laguna Niguel	23	392,061	0	0	25,000	6.38%	25,000	6.38%	\$0.00	\$0.00	0	1,578	0	28,178
Lake Forest	213	5,180,524	0	0	232,799	4.49%	495,040	9.56%	\$0.71	\$195.54	(42,108)	9,672	47,819	284,863
Mission Viejo	39	838,166	0	0	23,974	2.86%	35,696	4.26%	\$0.00	\$0.00	9,466	31,162	16,826	76,734
Rancho Santa Margarita	101	1,682,077	0	0	111,253	6.61%	233,827	13.90%	\$0.52	\$189.42	14,621	8,403	19,905	121,906
San Clemente	159	2,160,734	0	0	232,443	10.76%	372,271	17.23%	\$0.87	\$145.92	(11,192)	15,436	46,837	295,586
San Juan Capistrano	46	1,004,628	0	0	77,591	7.72%	152,919	15.22%	\$0.86	\$0.00	358	(24,375)	29,734	95,740
South County Total	924	25,234,575	0	53,264	1,500,320	5.95%	2,808,088	11.13%	\$0.63	\$160.08	(16,688)	(111,073)	356,769	1,583,558
Total	9,652	249,664,219	0	858,264	14,228,594	5.70%	23,846,753	9.55%	\$0.52	\$130.15	636,869	209,677	3,741,616	14,806,287

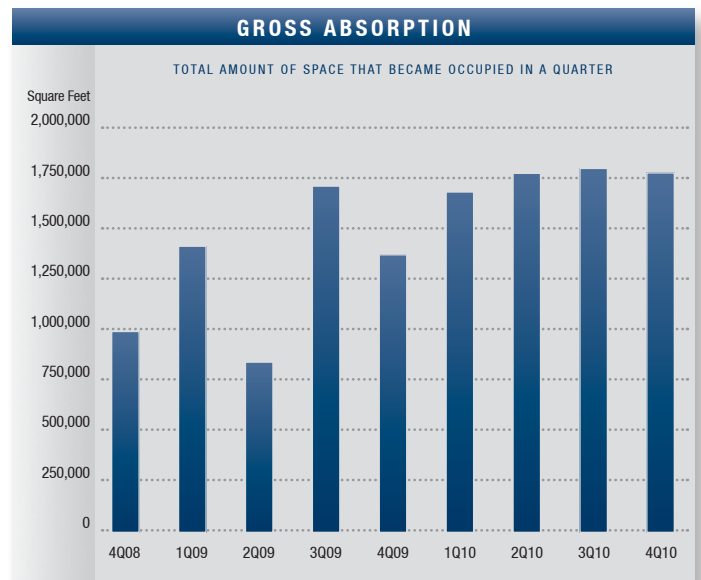
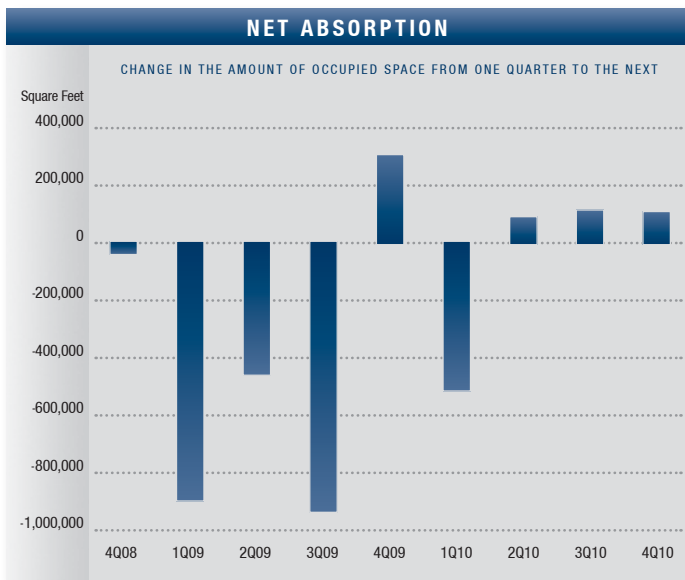
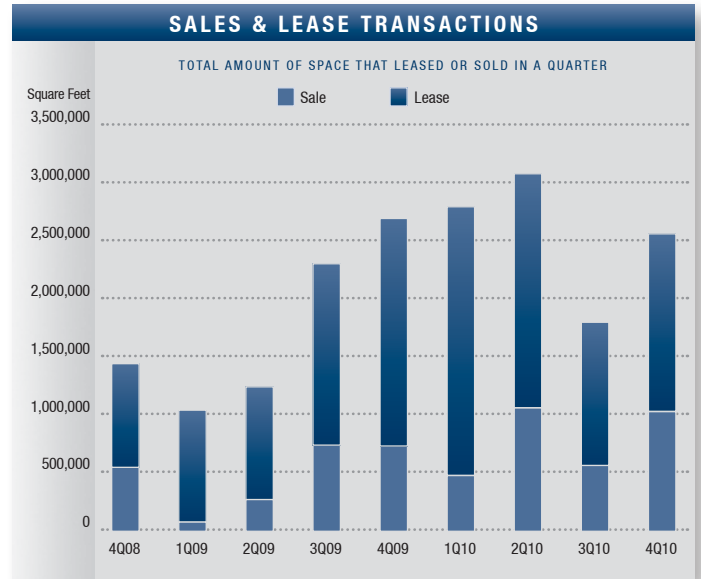
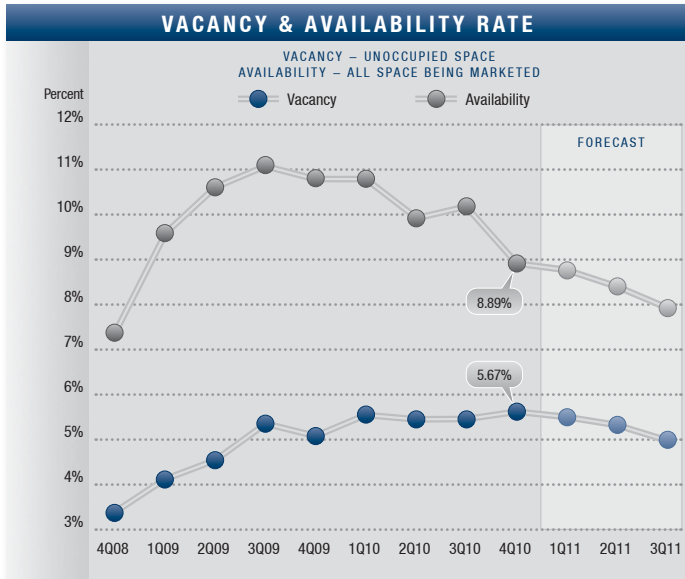
Less than 9,999	3,296	20,027,815	0	0	896,417	4.48%	1,469,123	7.34%	\$0.77	\$178.75	1,692	154	310,262	1,203,559
10,000-19,999	3,221	44,514,587	0	0	2,595,406	5.83%	3,596,298	8.08%	\$0.67	\$146.59	101,086	98,098	847,244	3,329,017
20,000-29,999	1,241	29,549,093	0	0	1,996,290	6.76%	2,990,874	10.12%	\$0.67	\$152.49	61,368	(34,950)	540,216	1,935,392
30,000-39,999	511	17,348,257	0	35,000	1,110,268	6.40%	1,879,335	10.83%	\$0.62	\$113.47	39,366	52,291	294,693	1,082,167
40,000-49,999	327	14,379,342	0	0	713,827	4.96%	1,472,933	10.24%	\$0.50	\$144.78	122,051	28,941	269,568	1,061,197
50,000-74,999	456	27,558,473	0	53,264	1,161,313	4.21%	1,715,661	6.23%	\$0.57	\$127.74	213,623	264,224	607,955	1,906,115
75,000-99,999	201	17,195,048	0	0	724,576	4.21%	1,615,410	9.39%	\$0.53	\$118.22	29,188	(138,597)	211,699	939,750
100,000-149,999	199	23,373,511	0	120,000	1,654,084	7.08%	2,499,768	10.69%	\$0.45	\$161.47	(235,480)	(623,195)	200,764	900,884
150,000-199,999	78	13,428,041	0	150,000	1,175,678	8.76%	1,822,971	13.58%	\$0.48	\$112.17	(95,480)	432,777	59,760	1,331,597
200,000-299,999	67	16,135,754	0	0	817,200	5.06%	1,578,598	9.78%	\$0.41	\$132.36	24,455	(145,837)	24,455	315,717
300,000 Plus	55	26,154,298	0	500,000	1,383,535	5.29%	3,205,782	12.26%	\$0.47	\$95.86	375,000	275,771	375,000	800,892
Total	9,652	249,664,219	0	858,264	14,228,594	5.70%	23,846,753	9.55%	\$0.52	\$130.15	636,869	209,677	3,741,616	14,806,287

Lease rates are on a triple net basis.



NORTH ORANGE COUNTY

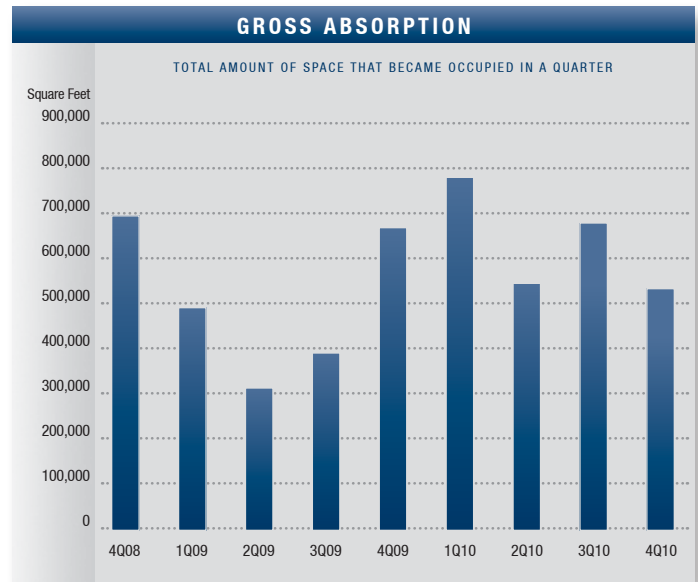
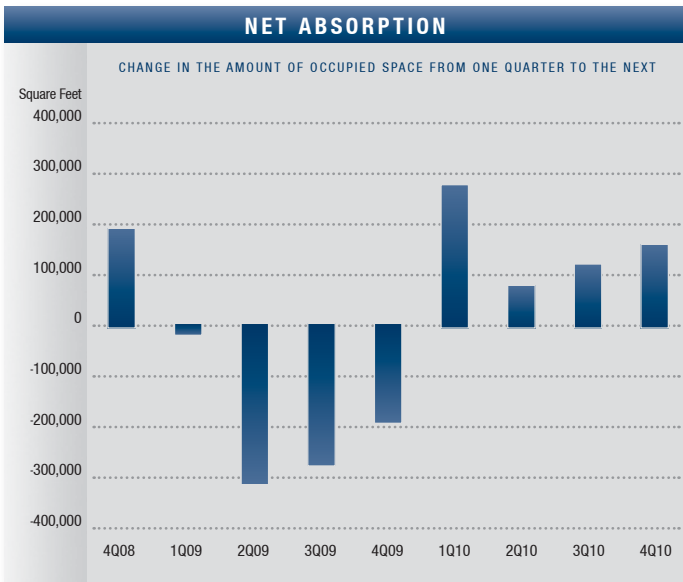
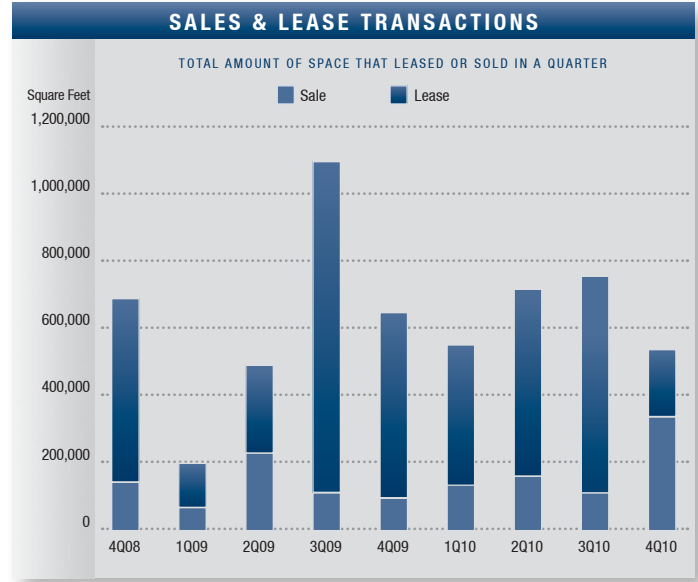
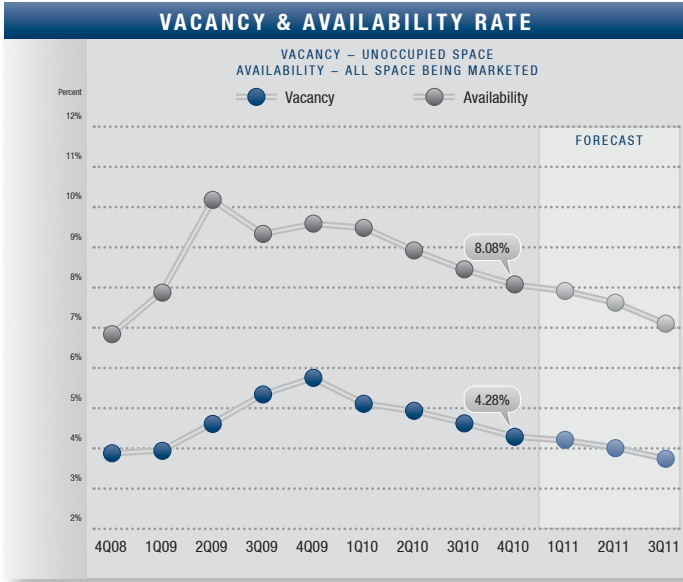
The North Orange County Industrial Market consists of 4,109 buildings totaling 113,936,316 square feet and currently has an availability rate of 8.89%, which shows a decrease from last quarter's figure of 10.20%.



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2010	Square Feet Available	Availability Rate 4Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2010	Net Absorption 2010	Gross Absorption 4Q2010	Gross Absorption 2010
North Totals														
Less than 9,999	1,284	8,113,940	0	0	401,189	4.94%	570,500	7.03%	\$0.78	\$172.24	(15,521)	2,632	94,959	447,984
10,000-19,999	1,427	19,662,342	0	0	1,117,768	5.68%	1,642,974	8.36%	\$0.55	\$144.38	(29,914)	(98,892)	356,050	1,324,632
20,000-29,999	544	12,950,677	0	0	938,477	7.25%	1,209,691	9.34%	\$0.57	\$143.40	(89,661)	(287,143)	193,289	678,774
30,000-39,999	234	7,900,139	0	0	375,573	4.75%	650,438	8.23%	\$0.54	\$112.74	(41,506)	93,151	135,248	549,681
40,000-49,999	138	6,053,564	0	0	252,145	4.17%	558,155	9.22%	\$0.45	\$146.55	53,711	117,717	105,931	606,951
50,000-74,999	205	12,399,956	0	0	483,459	3.90%	660,051	5.32%	\$0.56	\$123.27	115,850	109,310	244,324	921,478
75,000-99,999	87	7,427,472	0	0	162,725	2.19%	404,751	5.45%	\$0.42	\$89.40	36,974	(17,969)	57,104	274,297
100,000-149,999	92	10,874,804	0	0	777,686	7.15%	1,106,380	10.17%	\$0.40	\$104.00	(133,280)	(285,263)	200,764	676,313
150,000-199,999	34	5,924,006	0	0	656,040	11.07%	922,571	15.57%	\$0.45	\$114.89	(155,240)	(16,367)	0	447,336
200,000-299,999	36	8,693,536	0	0	583,656	6.71%	819,960	9.43%	\$0.44	\$143.52	0	(181,092)	0	269,662
300,000 Plus	28	13,935,880	0	0	706,221	5.07%	1,584,796	11.37%	\$0.45	\$91.81	375,000	375,000	375,000	800,892
Total	4,109	113,936,316	0	0	6,454,939	5.67%	10,130,267	8.89%	\$0.47	\$118.38	116,413	(188,916)	1,762,669	6,998,000

WEST ORANGE COUNTY

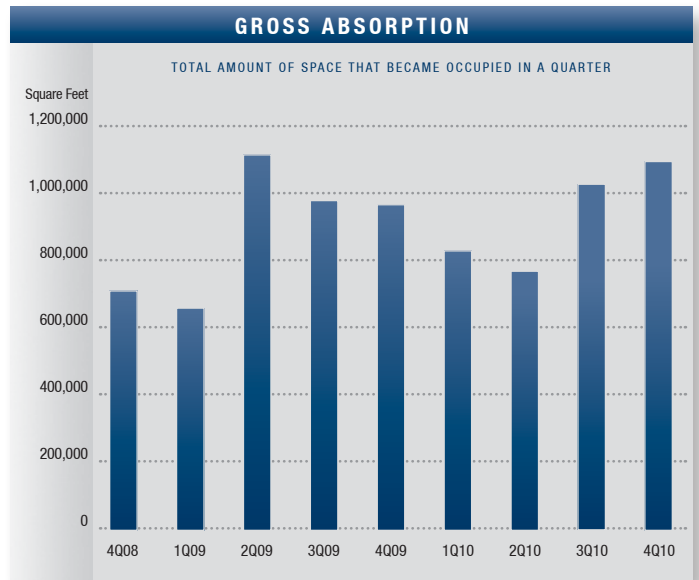
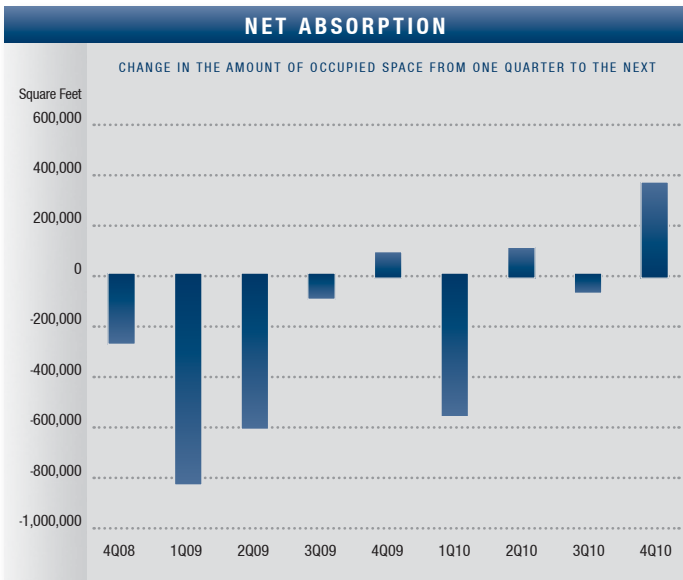
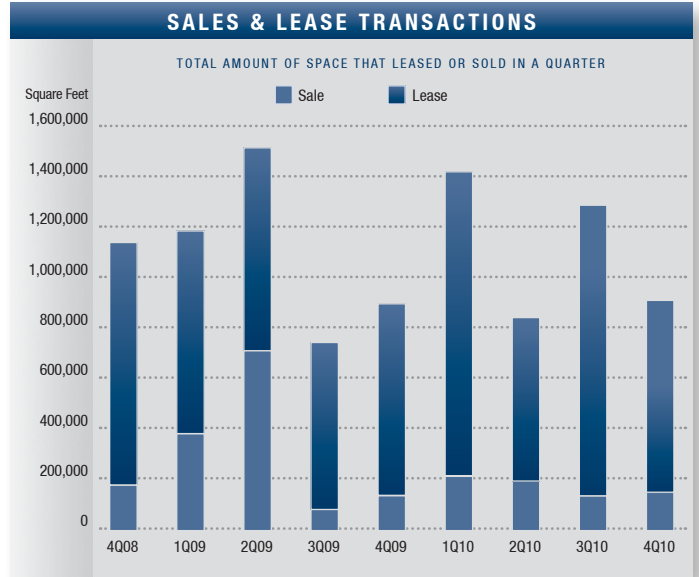
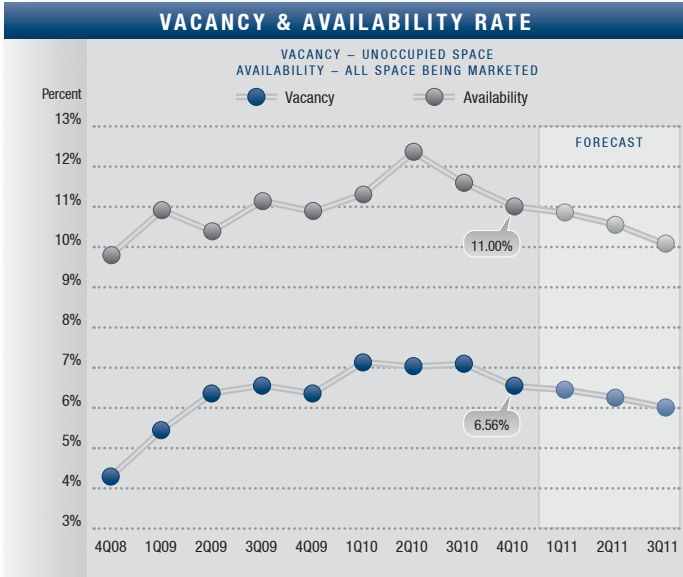
The West Orange County Industrial Market consists of 1,722 buildings totaling 42,835,049 square feet and currently has an availability rate of 8.08%, which shows a decrease from last quarter's figure of 8.47%.



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2010	Square Feet Available	Availability Rate 4Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2010	Net Absorption 2010	Gross Absorption 4Q2010	Gross Absorption 2010
West Totals														
Less than 9,999	670	3,953,483	0	0	149,861	3.79%	233,621	5.91%	\$0.72	\$170.50	(22,016)	(13,235)	25,183	138,454
10,000-19,999	560	7,423,812	0	0	406,437	5.47%	574,959	7.74%	\$0.85	\$144.91	45,415	28,052	112,077	458,593
20,000-29,999	182	4,335,799	0	0	204,688	4.72%	396,354	9.14%	\$0.75	\$171.95	85,678	89,805	103,657	296,187
30,000-39,999	61	2,118,827	0	0	46,895	2.21%	134,195	6.33%	\$0.52	\$90.00	35,566	4,015	48,259	131,529
40,000-49,999	60	2,635,820	0	0	133,843	5.08%	249,924	9.48%	\$0.39	\$140.58	38,841	(3,483)	45,917	222,302
50,000-74,999	87	5,198,501	0	0	61,760	1.19%	107,949	2.08%	\$0.55	\$117.00	121,094	259,918	121,094	405,951
75,000-99,999	34	2,903,385	0	0	110,457	3.80%	211,731	7.29%	\$0.75	\$135.74	(106,369)	34,472	2,044	146,973
100,000-149,999	29	3,428,779	0	0	250,354	7.30%	446,829	13.03%	\$0.46	\$224.13	(102,200)	(200,354)	0	40,000
150,000-199,999	19	3,230,713	0	0	191,005	5.91%	223,995	6.93%	\$0.57	\$0.00	45,560	417,256	45,560	652,873
200,000-299,999	12	2,892,228	0	0	131,280	4.54%	243,783	8.43%	\$0.26	\$95.28	24,455	24,455	24,455	24,455
300,000 Plus	8	4,713,702	0	0	146,094	3.10%	639,413	13.56%	\$0.45	\$95.00	0	0	0	0
Total	1,722	42,835,049	0	0	1,832,674	4.28%	3,462,753	8.08%	\$0.46	\$127.39	166,024	640,901	528,246	2,517,317

AIRPORT AREA

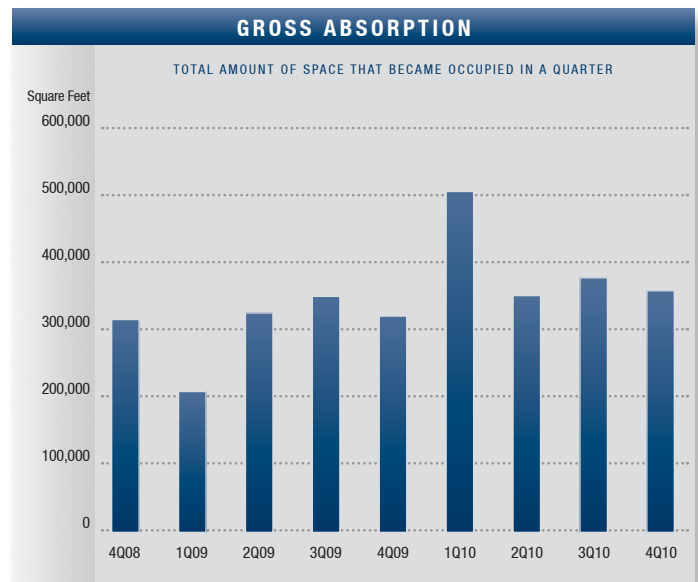
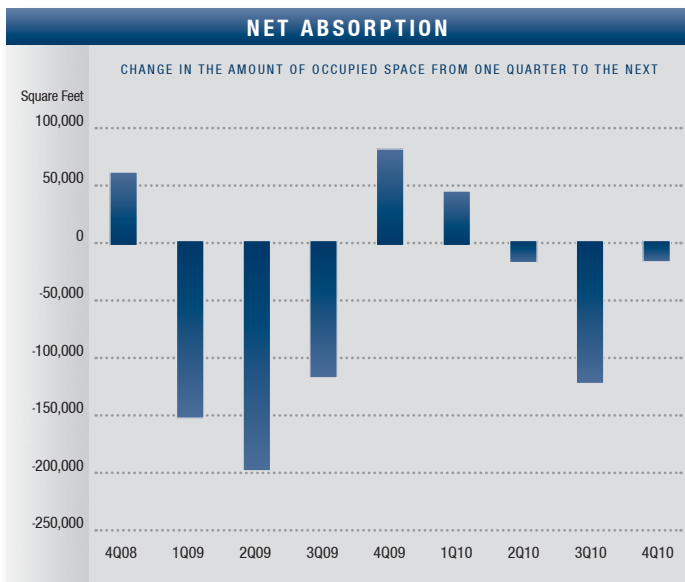
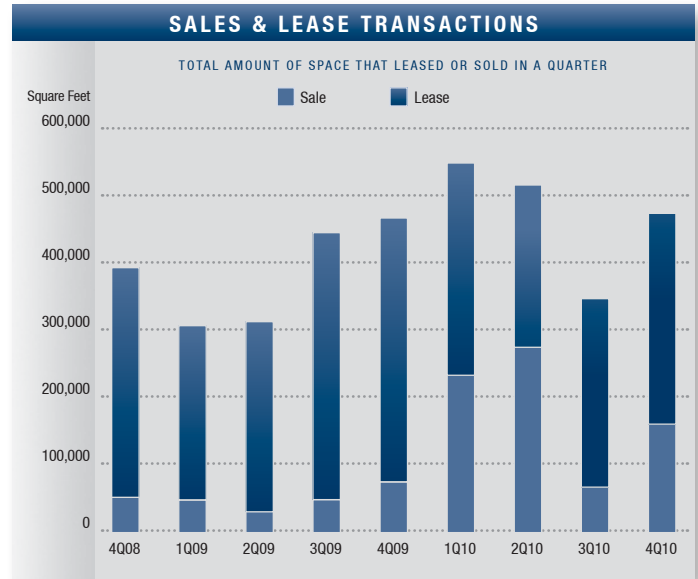
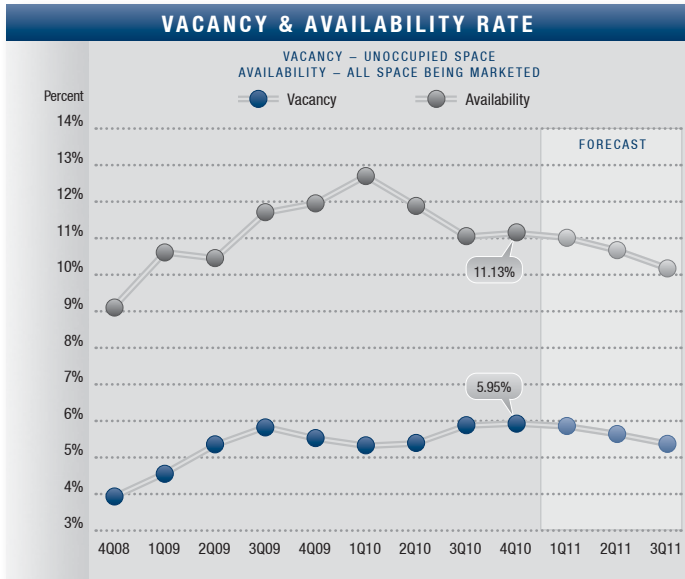
The Airport Area of the Orange County Industrial Market consists of 2,897 buildings totaling 67,658,279 square feet and currently has an availability rate of 11.00%, which shows a decrease from last quarter's figure of 11.63%.



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2010	Square Feet Available	Availability Rate 4Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2010	Net Absorption 2010	Gross Absorption 4Q2010	Gross Absorption 2010
Airport Totals	2,897	67,658,279	0	805,000	4,440,661	6.56%	7,445,645	11.00%	\$0.55	\$150.80	371,120	(131,235)	1,093,932	3,707,412
Less than 9,999	1,014	5,719,618	0	0	211,230	3.69%	451,508	7.89%	\$0.79	\$163.51	38,884	(8,698)	123,182	368,922
10,000-19,999	947	13,268,845	0	0	742,079	5.59%	850,417	6.41%	\$0.71	\$147.13	99,793	89,547	295,401	1,094,304
20,000-29,999	390	9,322,825	0	0	570,302	6.12%	921,510	9.88%	\$0.62	\$134.80	103,860	218,133	211,145	644,342
30,000-39,999	168	5,719,963	0	35,000	538,936	9.42%	884,148	15.46%	\$0.65	\$115.30	28,779	(12,096)	76,086	304,011
40,000-49,999	97	4,261,296	0	0	229,509	5.39%	484,459	11.37%	\$0.55	\$134.20	(1,626)	(74,513)	77,580	146,804
50,000-74,999	125	7,545,502	0	0	443,010	5.87%	675,173	8.95%	\$0.59	\$149.00	(23,321)	(31,394)	143,787	454,796
75,000-99,999	61	5,225,260	0	0	373,467	7.15%	791,826	15.15%	\$0.54	\$0.00	110,551	(125,759)	152,551	489,185
100,000-149,999	54	6,261,749	0	120,000	405,897	6.48%	553,304	8.84%	\$0.44	\$176.05	0	(77,626)	0	80,234
150,000-199,999	17	2,936,246	0	150,000	328,633	11.19%	489,499	16.67%	\$0.48	\$0.00	14,200	(9,600)	14,200	124,814
200,000-299,999	12	3,011,133	0	0	66,378	2.20%	362,228	12.03%	\$0.39	\$163.30	0	0	0	0
300,000 Plus	12	4,385,842	0	500,000	531,220	12.11%	981,573	22.38%	\$0.53	\$110.00	0	(99,229)	0	0

SOUTH ORANGE COUNTY

The South Orange County Industrial Market consists of 924 buildings totaling 25,234,575 square feet and currently has an availability rate of 11.13%, which shows an increase from last quarter's figure of 11.04%.



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2010	Square Feet Available	Availability Rate 4Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2010	Net Absorption 2010	Gross Absorption 4Q2010	Gross Absorption 2010
South Totals														
Less than 9,999	328	2,240,774	0	0	134,137	5.99%	213,494	9.53%	\$0.79	\$216.38	345	19,455	66,938	248,199
10,000-19,999	287	4,159,588	0	0	329,122	7.91%	527,948	12.69%	\$0.73	\$173.53	(14,208)	79,391	83,716	451,488
20,000-29,999	125	2,939,792	0	0	282,823	9.62%	463,319	15.76%	\$0.83	\$242.37	(38,509)	(55,745)	32,125	316,089
30,000-39,999	48	1,609,328	0	0	148,864	9.25%	210,554	13.08%	\$0.68	\$127.04	16,527	(32,779)	35,100	96,946
40,000-49,999	32	1,428,662	0	0	98,330	6.88%	180,395	12.63%	\$0.48	\$178.00	31,125	(10,780)	40,140	85,140
50,000-74,999	39	2,414,514	0	53,264	173,084	7.17%	272,488	11.29%	\$0.57	\$131.05	0	(73,610)	98,750	123,890
75,000-99,999	19	1,638,931	0	0	77,927	4.75%	207,102	12.64%	\$0.57	\$209.12	(11,968)	(29,341)	0	29,295
100,000-149,999	24	2,808,179	0	0	220,147	7.84%	393,255	14.00%	\$0.56	\$0.00	0	(59,952)	0	104,337
150,000-199,999	8	1,337,076	0	0	0	0.00%	186,906	13.98%	\$0.53	\$98.98	0	41,488	0	106,574
200,000-299,999	7	1,538,857	0	0	35,886	2.33%	152,627	9.92%	\$0.58	\$0.00	0	10,800	0	21,600
300,000 Plus	7	3,118,874	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Total	924	25,234,575	0	53,264	1,500,320	5.95%	2,808,088	11.13%	\$0.63	\$160.08	(16,688)	(111,073)	356,769	1,583,558

