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Real Estate Services

Industrial Market Report

Compared to last quarter:



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Market Highlights

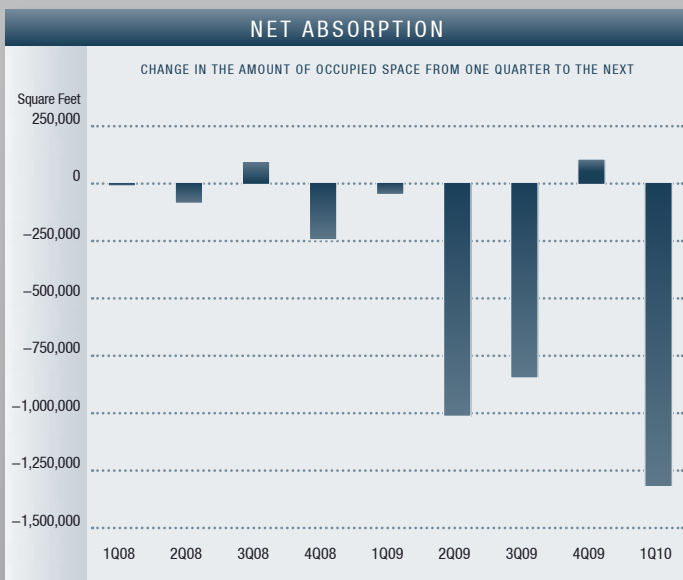
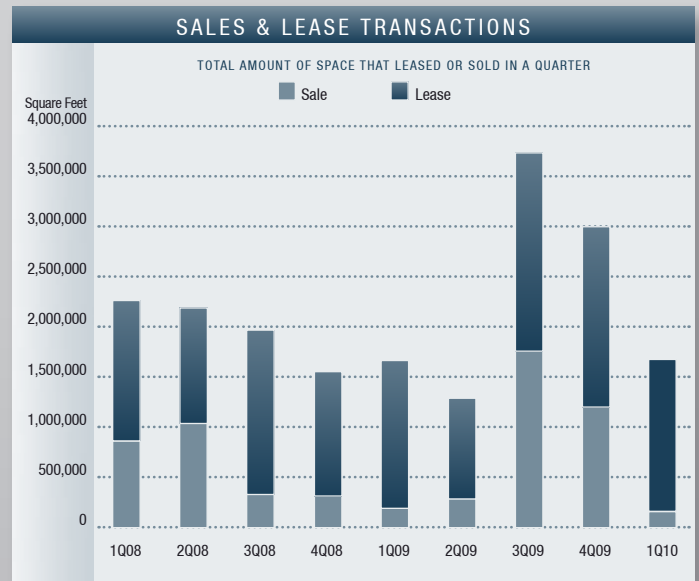
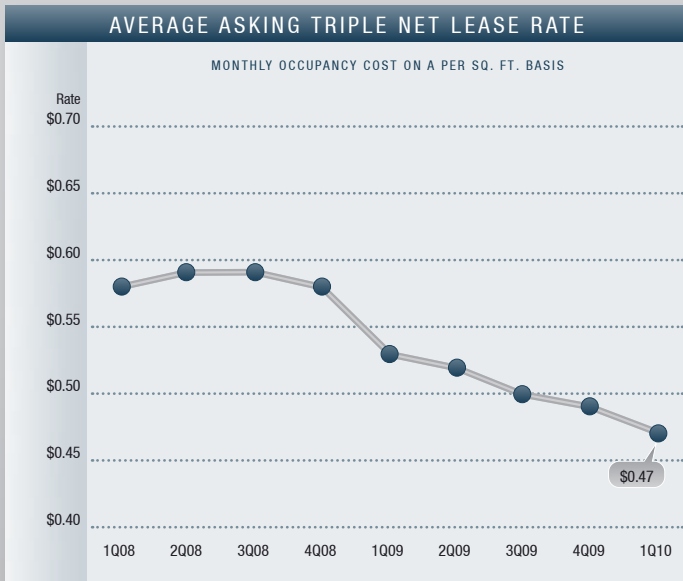
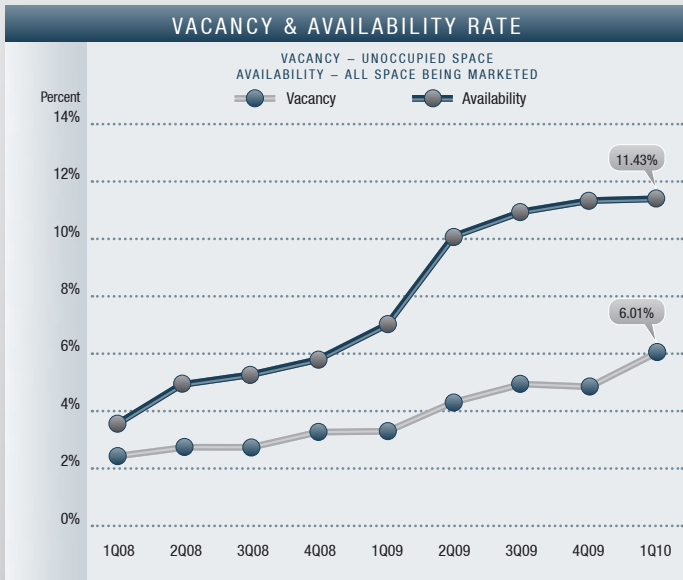
- ◆ **Market Challenges** - Many users/investors have concerns with increasing vacancy, tenant delinquencies, economic uncertainty and volatility, and the gap between "ask" and "bid" pricing. However, the ask-bid gap appears to be diminishing, apparent from the increase in sales activity at the end of last year. Another challenge for the Industrial market is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn are putting an upward pressure on vacancy rates. To avoid failures many tenants are requesting rent relief from landlords, which is leading landlords to renegotiate loan terms with lenders.
- ◆ **Construction** - Currently, there are no Industrial projects under construction in the Mid Counties, 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.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the year at 6.01%, which is higher than the year ago rate of 3.31%. The Santa Fe Springs submarket currently has a vacancy rate 6.35%. The Santa Fe Springs market represents almost half of all Industrial buildings in the Mid Counties.
- ◆ **Availability** - Direct / sublease space being marketed was 11.43% this quarter, up from the 7.04% we saw this same quarter last year. This is a 62.36% increase of new space being marketed when compared to the same quarter last year.
- ◆ **Lease Rates** - The average asking triple net lease rate was \$.47 cents per square foot per month this quarter. This is a decrease of 11.32% when compared to last year's asking rate of \$.53 and two cents lower than last quarter.
- ◆ **Absorption** - Net absorption for the Mid Counties posted a negative 1.3 million square feet for the first quarter of 2010, giving the industrial market an average of about 630,000 square feet of negative absorption for last five quarters. This negative absorption can be attributed to recent job losses; absorption will turn positive once job creation begins.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 1.5 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 only 146,229 square feet of activity compared to the fourth quarter's 1.2 million square feet. Details of the largest transactions can be found on the back page of this report.
- ◆ **Unemployment** - The unemployment rate in Los Angeles County was 12.4% in February 2010, down from a revised 12.5% in January 2010, and above the year ago estimate of 10.5%. This compares with an unadjusted unemployment rate of 12.5% for California and 9.7% for the nation during the same period.
- ◆ **Employment** - According to the State of California Employment Development Department, Los Angeles County lost 137,300 payroll jobs over the last twelve months - 32,000 in retail trade, transportation & utilities services and 30,000 in manufacturing. However, educational and health services showed a year-over-year gain of 13,100 jobs. Between January 2010 and February 2010, Los Angeles County gained 24,300 jobs.
- ◆ **Overall** - We are beginning to see a decrease in the amount of available space being added per quarter. Though negative absorption continues, with few new deliveries in the pipeline to put more upward pressure on vacancies, the market should begin to stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, relocation funds and tenant improvement allowances should continue to increase to incentivize tenants to act immediately. We should see an increase in leasing activity as many short-term deals come up for renewal and as job creation begins in the second half of 2010. Once job creation turns positive and consumer confidence stabilizes, the Industrial market will again turn positive.

MID COUNTIES MARKET OVERVIEW

	1Q2010	4Q2009	1Q2009	% CHANGE VS. 1Q2009
Vacancy Rate	6.01%	4.89%	3.31%	81.57%
Availability Rate	11.43%	11.36%	7.04%	62.36%
Average Asking Lease Rate	\$0.47	\$0.49	\$0.53	(11.32%)
Sale & Lease Transactions	1,661,956	2,988,542	1,648,293	0.83%
Gross Absorption	1,903,428	1,478,773	2,182,623	(12.79%)
Net Absorption	(1,313,991)	103,364	(46,868)	N/A



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RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price	Buyer	Seller
6350 Altura Blvd.	Buena Park	40,000	Confidential	L. D. Hardas	Hager Pacific
14365 Macaw St. – 2 Properties	La Mirada	38,674	\$2,707,180	Solid State Devices, Inc.	Turner Riverwalk– 2, LLC
7422 Walnut Ave.	Buena Park	21,093	\$2,214,765	Amador Investments, LLC	Service First Corporation
16712 Pioneer Blvd.	Artesia	8,400	\$1,740,000	Artesia Housing Authority	Taek K & Jung O Ju
6970–6980 Hermosa Cir.	Buena Park	11,900	\$1,414,700	Wada Investments, LLC	Lenk Investments

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
14350 Garfield Ave. – Renewal	Paramount	99,690	March–10	CORT Clearance Center	AEW Paramount Industrial
16200 Commerce Way – Sublease	Cerritos	71,048	January–10	Kranson Industries	Fuji Film Graphics
13930 Mica St. – Renewal	Santa Fe Springs	61,410	February–10	Capitol Distribution Company	Prologis
15160–15240 Spring Ave. – Renewal	Santa Fe Springs	52,179	March–10	Perk Up	Prologis
6245 Descanso Cir.	Buena Park	42,283	January–10	CDS Events	Bill Maloney

Product Type

MFG./DIST.

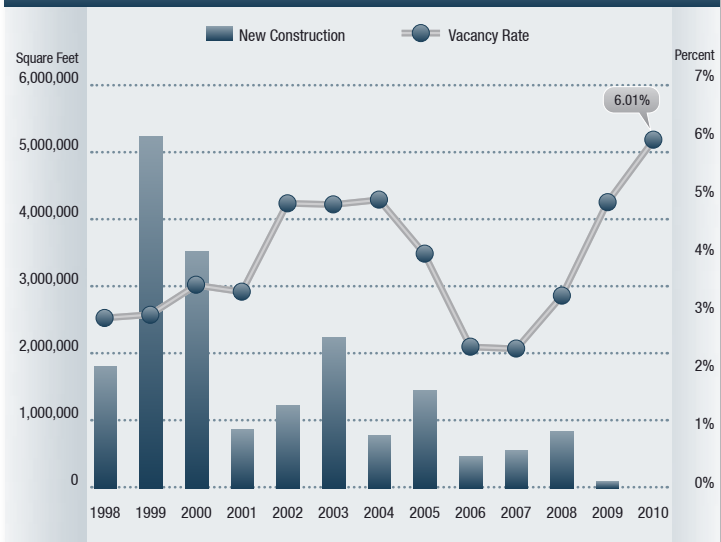
Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.



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