



## Industrial Market Report

Compared to the Previous Quarter:



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### Market Highlights

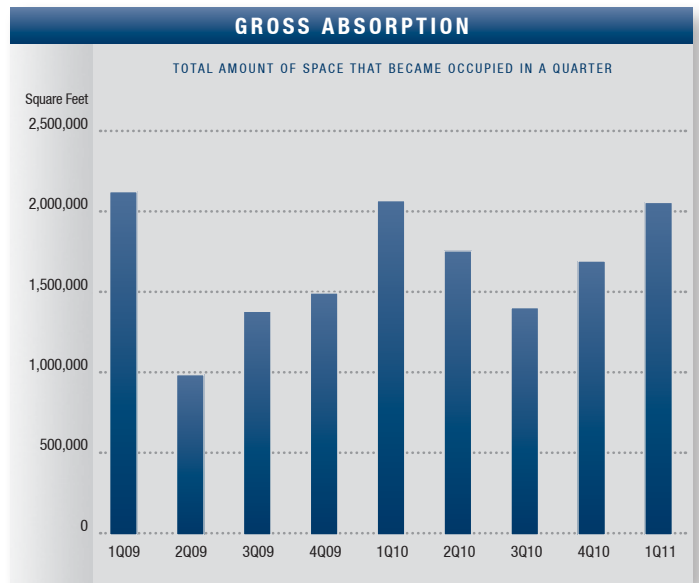
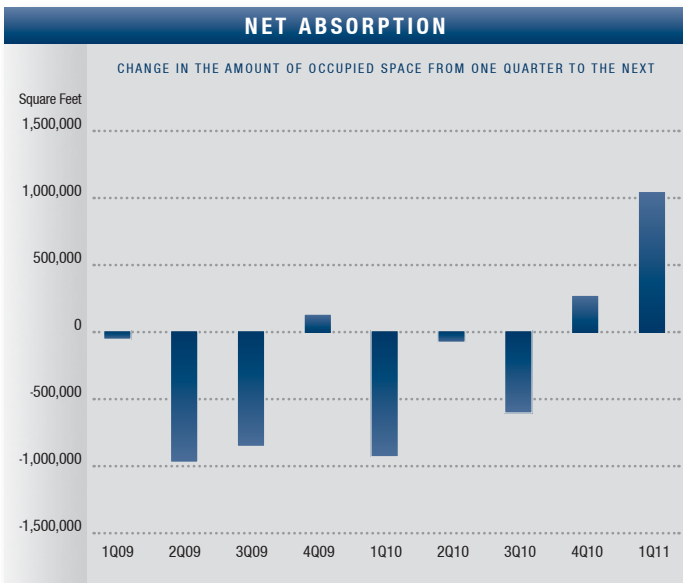
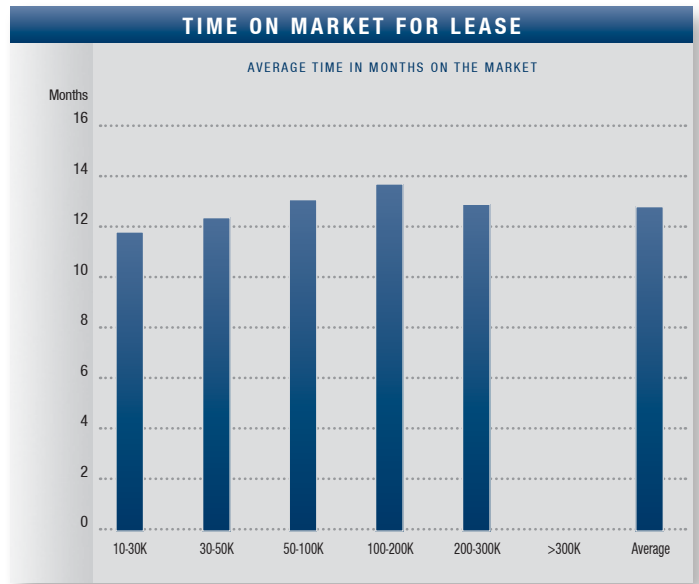
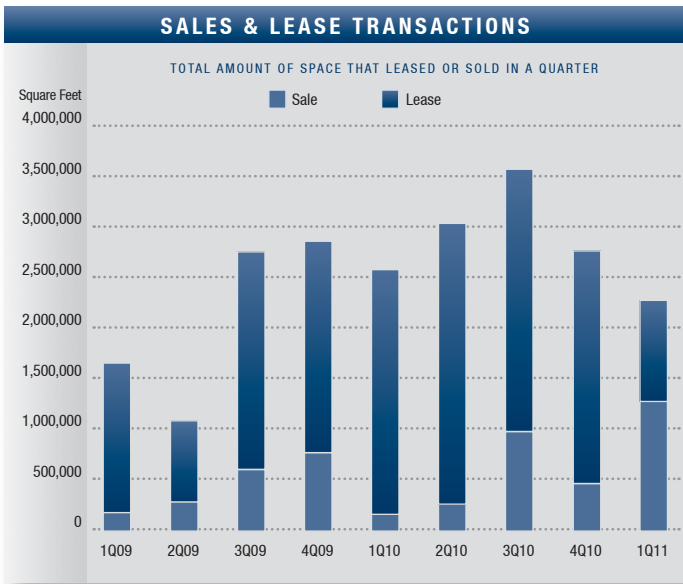
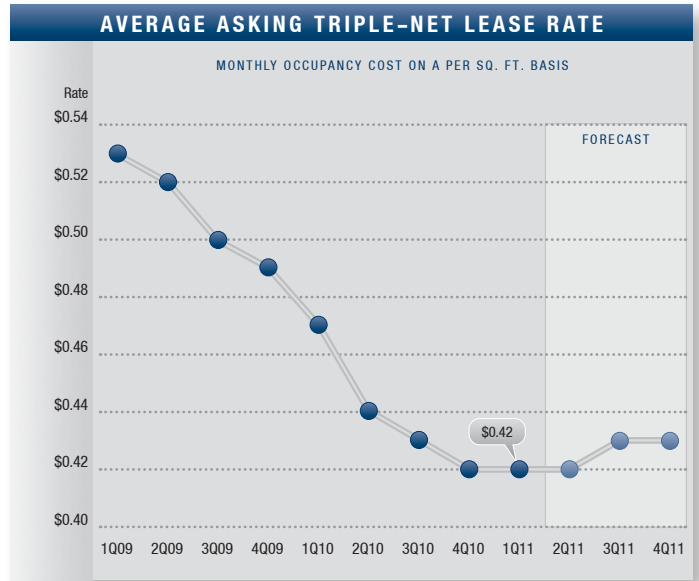
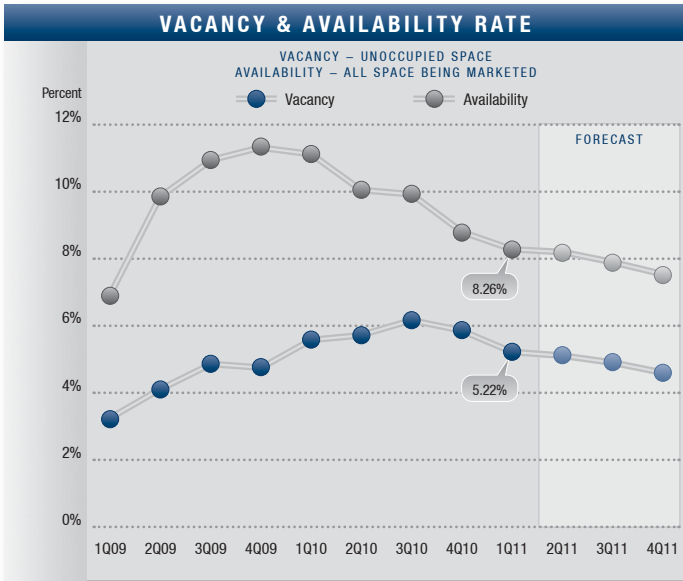
- **Encouraging Numbers** - The Mid-Counties industrial market conveyed more promise of recovery in the first quarter of 2011. Availability continued its descent from the high rates of 2009, vacancy rates trended downward, and net absorption was positive for two consecutive quarters. Demand picked up, with Labor Day of 2010 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.
- **Construction** - There were no industrial projects under construction in the Mid-Counties in the first quarter of 2011, as a result of a lack of demand, shrinking availability of land, scarce financing, and rising construction costs.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 5.22%, less than the previous quarter's rate of 5.90% and lower than 2010's first quarter rate of 5.55%. The Santa Fe Springs submarket, which currently represents nearly half of all industrial buildings in the Mid-Counties, had a vacancy rate of 5.15% during the first quarter.
- **Availability** - Direct/sublease space being marketed was 8.26% at the end of the first quarter of 2011, significantly down 25.72% from the 11.12% we saw in the same quarter of 2010 and lower than the previous quarter's rate of 5.9%.
- **Lease Rates** - The average asking triple-net lease rate was \$.42 cents per square foot per month in the first quarter of 2011, the same as the previous quarter's rate and a decrease of 10.64% when compared to 2010's first quarter asking rate of \$.47.
- **Absorption** - The Mid-Counties industrial market posted just over one million square feet of positive absorption in the first quarter. We saw nearly 300,000 square feet of

positive absorption in the last quarter of 2010, making the past two quarters the strongest trend of positive net absorption seen since the third quarter of 2006.

- **Transaction Activity** - In the first quarter of 2011, leasing activity checked in at almost one million square feet. Sales activity showed an increase over previous quarters, posting 1.3 million square feet of activity compared to all of 2010's 1.8 million square feet. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in Los Angeles County was 12.6% in February 2011, down from a revised 12.9% in January 2011, but above the 2010 estimate of 12.3%. This compares with an unadjusted unemployment rate of 12.2% for California and 8.9% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County gained 40,200 payroll jobs between February 2010 and February 2011 – 22,900 of which were in professional and business services. However, government showed a year-over-year loss of 21,000 jobs. Between January 2011 and February 2011, Los Angeles County employment increased overall by 44,800 jobs to reach a total of 3,780,000 jobs.
- **Overall** - We are beginning to see a decrease in the amount of available space being marketed, as well as an increase in investment sales activity. Positive absorption has begun, and with no new deliveries to apply upward pressure on vacancy, 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. As unemployment rates drop and consumer confidence stabilizes, the industrial market will continue to recover.

### MID COUNTIES MARKET OVERVIEW

	1Q2011	4Q2010	1Q2010	% Change vs. 1Q2010
Vacancy Rate	5.22%	5.90%	5.55%	(5.95%)
Availability Rate	8.26%	8.79%	11.12%	(25.72%)
Average Asking Lease Rate	\$0.42	\$0.42	\$0.47	(10.64%)
Sale & Lease Transactions	2,268,580	2,748,419	2,578,279	(12.01%)
Gross Absorption	2,055,763	1,693,445	2,067,619	(0.57%)
Net Absorption	1,043,281	271,806	(927,256)	N/A





RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
14501 Artesia Blvd.	La Mirada	277,564	\$94.57	Dexus Socal, LLC	LBA Realty Fund—Holding Co. II
12252 Whittier Blvd.	Whittier	161,000	\$70.50	Sohnen Enterprises	Leggett & Platt, Inc.
14100 Vine Pl.	Cerritos	121,232	\$63.00	Fairmont Designs	Domtar Paper
16200 Trojan Way	La Mirada	106,926	\$99.13	Bixby Land Company	Met Life, Inc.
12851 Midway Pl.	Cerritos	102,160	\$81.00	Polycell Packaging	Bechler Partners, LP
8440 Kass Dr.	Buena Park	35,985	\$72.95	Frederick J Oshay Trust	Farrell Ronald E. Trust

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
15927 Distribution Way	Cerritos	220,000	Feb-11	Phoenix Warehouse	WCV Commercial
14911 Valley View Ave.	Santa Fe Springs	155,408	Feb-11	Faro Services	Morgan Stanley Real Estate Advisors
6535 Caballero Blvd. – Renewal	Buena Park	140,000	Feb-11	Fresh Food Concepts, Inc.	Westcore Properties
12935 Leffingwell Ave.	Santa Fe Springs	60,000	Feb-11	Tru-Aire	Golden Springs Development Company
12825 Alondra Blvd. – Renewal	Norwalk	35,200	Mar-11	SSR Motosports	Majestic Realty Company
16031 Carmenita	Cerritos	28,112	Feb-11	NCLA, Inc.	The Barbara B. Herman Trust

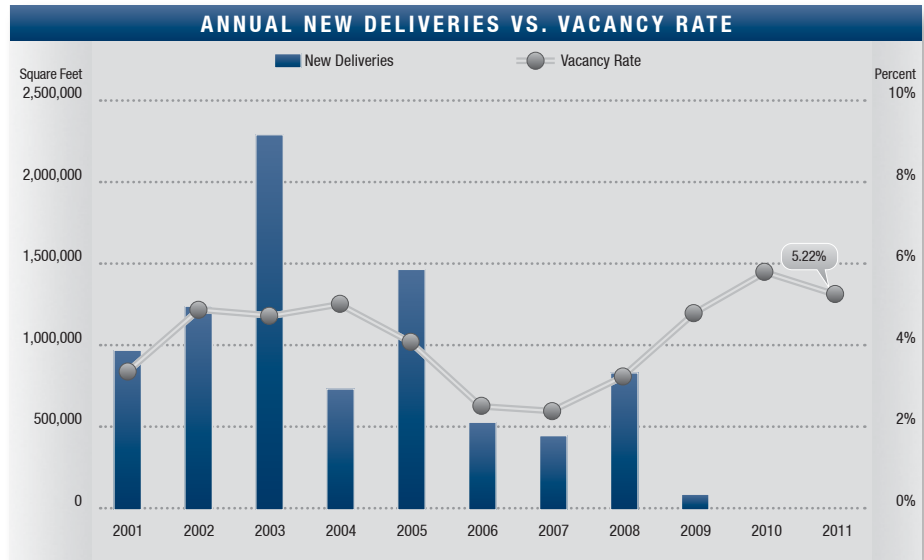
Product Type

MFG./DIST.

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

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