



REAL ESTATE SERVICES

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Industrial Market Report

Compared to last quarter:



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Market Highlights

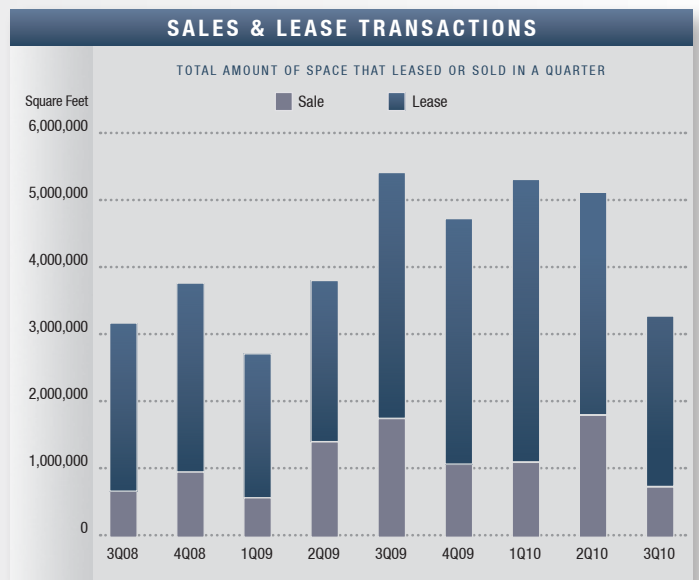
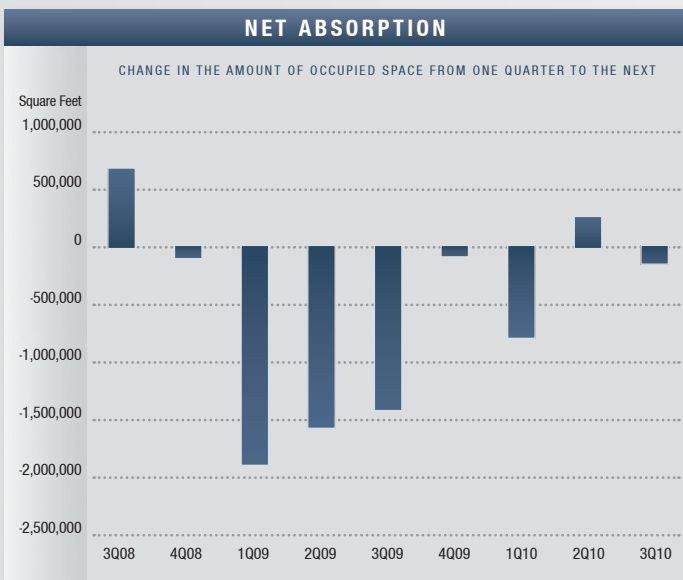
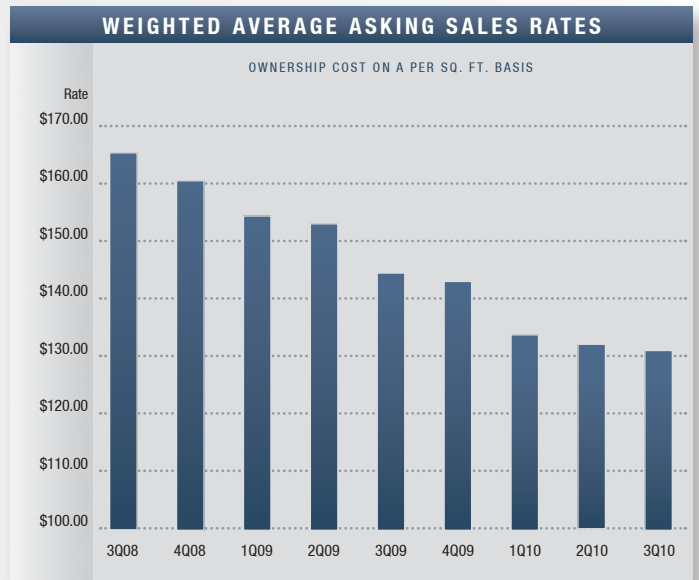
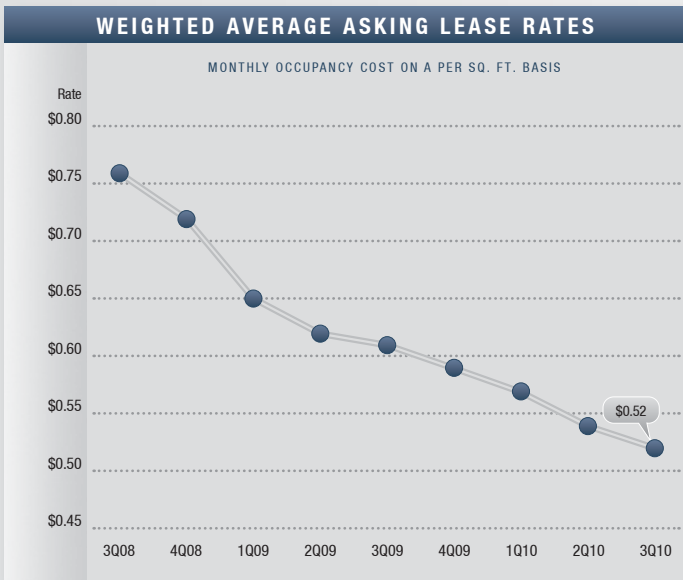
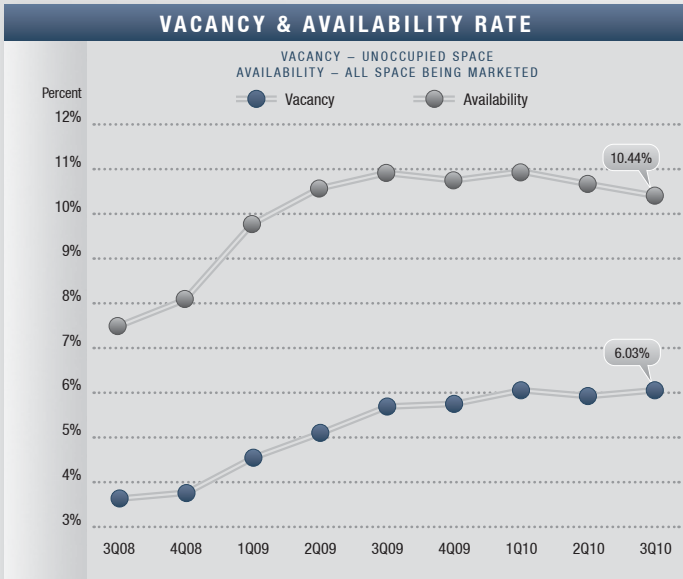
- Bottoming Out?** – The Orange County Industrial Market displayed more promises of stabilization this quarter. Availability continued its descent from the high rates of 2009, vacancy rates increased only slightly, and net absorption was relatively flat over the last two quarters. With regard to sales transactions, the ask–bid gap seems to be narrowing, as evidenced by the continued drop in asking prices and increased interest from users and investors. While these are positive indications, stability and job growth will need to be sustained in following quarters to be considered recovery.
- Vacancy** – Direct/sublease space (unoccupied) finished the quarter at 6.03% — slightly higher than last quarter’s rate of 5.92% and last year’s rate of 5.70%. West County had the lowest vacancy rate at 5.41%.
- Availability** – Direct/sublease space being marketed was 10.44% this quarter, which is lower than the 10.68% we saw this same time last year. While availability is exhibiting signs of stabilization and improvement, sublet space is still creating additional downward pressure on asking lease rates.
- Lease Rates** – The average asking triple net lease rate was \$.52 per square foot per month this quarter — a decrease of 14.5% when compared to last year’s asking rate of \$.61 and two cents lower than last quarter’s rate. The record high rate of \$.80 was established in the first and second quarters of 2008.
- Sales Pricing** – The average asking sales price this quarter was \$130.89 per square foot — down from last quarter’s rate of \$131.92 and last year’s rate of \$144.21. The record high asking rate of \$181.23 was established in the third quarter of 2007.
- Absorption** – Net absorption for the past two quarters has been relatively flat — with a small amount of positive absorption last quarter and a small amount of negative absorption this quarter. This quarter we posted

a negative number of 133,783 square feet, giving the industrial market a total of 607,019 square feet of negative absorption for the first three quarters of 2010.

- Transaction Activity** – Leasing activity came in this quarter at 2.5 million square feet. This year–over–year decrease can be attributed to a slow summer season coupled with the upcoming election concerns. Sales activity showed a decrease since last quarter, posting 750,000 square feet of activity as compared to last quarter’s 1.8 million. Details of the largest transactions can be found on the back page of this report.
- Employment** – The unemployment rate in Orange County was 9.6% in August 2010 — down from a revised 9.9% in July 2010 and below the year ago estimate of 9.8%. This compares with an unadjusted unemployment rate of 12.4% for California and 9.5% for the nation during the same period. According to the State of California Employment Development Department, Orange County increased by 12,000 payroll jobs over the last twelve months; the largest gains were 11,000 in professional & business services and 7,800 in leisure and hospitality. However, during that same period, Orange County lost 6,700 jobs in construction.
- Overall** – We are seeing a decrease in the amount of available space being added per quarter, as well as an overall increase in sales activity for the year, as investors are actively seeking prudent investments. Absorption is relatively flat, and with few new deliveries 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 begin 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.

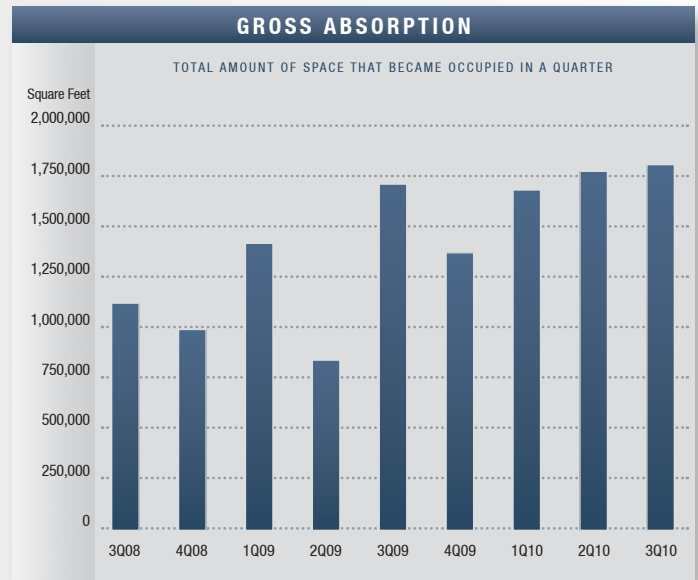
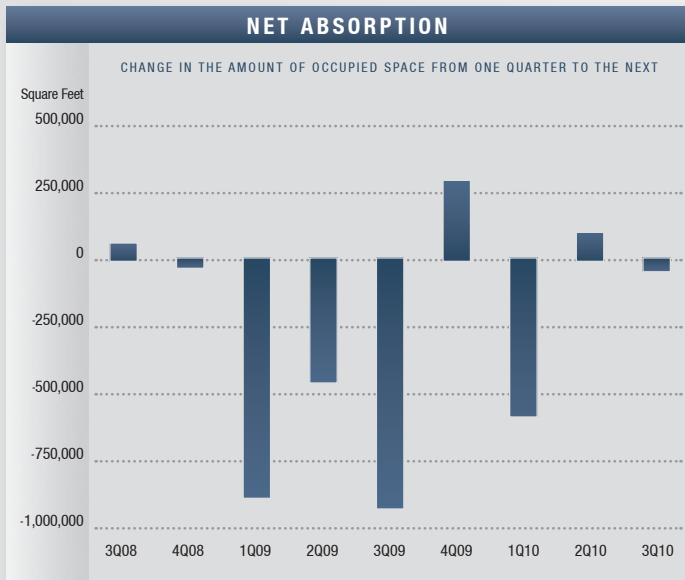
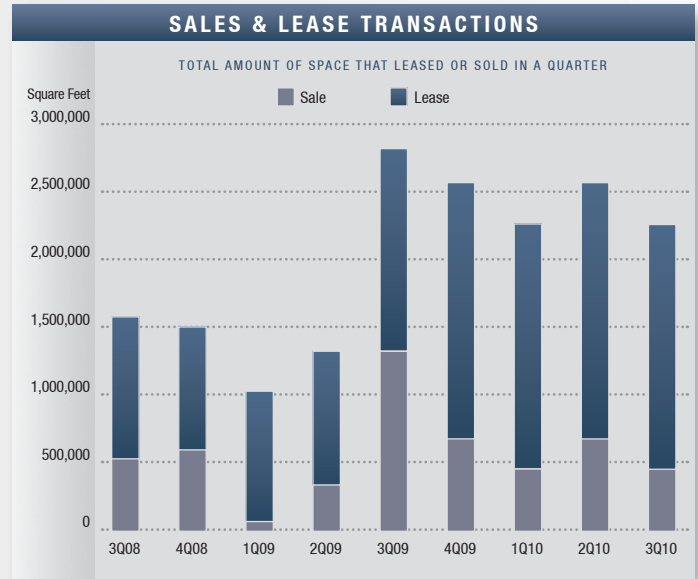
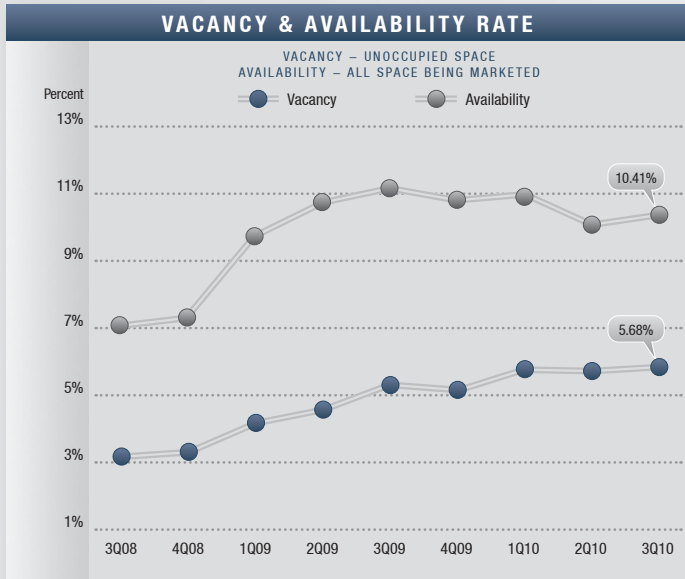
INDUSTRIAL MARKET OVERVIEW

	3Q2010	2Q2010	3Q2009	% CHANGE vs. 3Q2009
Vacancy Rate	6.03%	5.92%	5.70%	5.79%
Availability Rate	10.44%	10.68%	10.89%	(4.13%)
Average Asking Lease Rate	\$0.52	\$0.54	\$0.61	(14.75%)
Average Asking Sales Price	\$130.89	\$131.92	\$144.21	(9.24%)
Sale & Lease Transactions	3,284,168	5,144,221	5,371,552	(38.86%)
Gross Absorption	3,824,805	3,406,283	3,404,551	12.34%
Net Absorption	(133,783)	265,101	(1,414,398)	N/A



NORTH ORANGE COUNTY

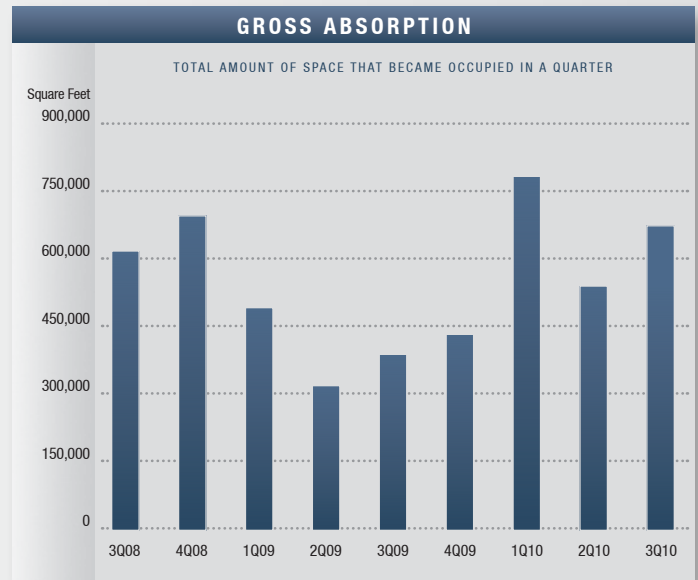
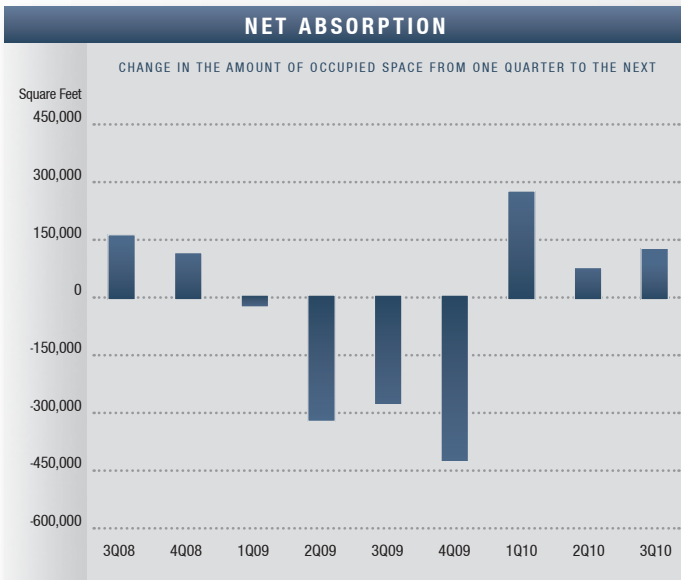
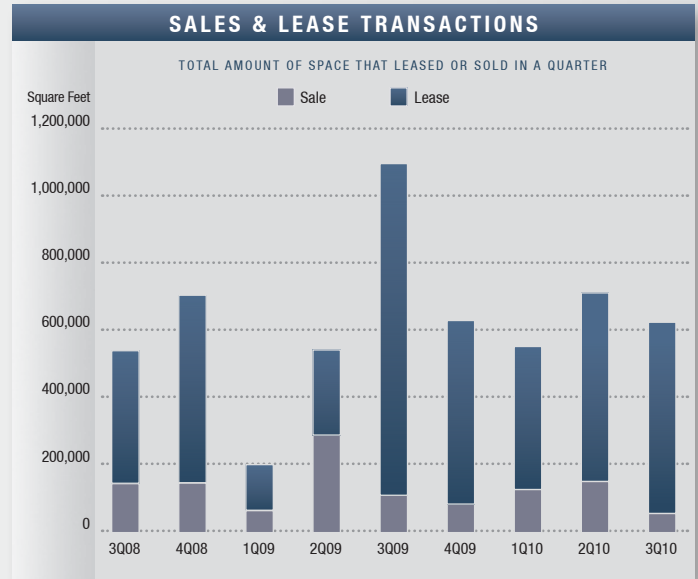
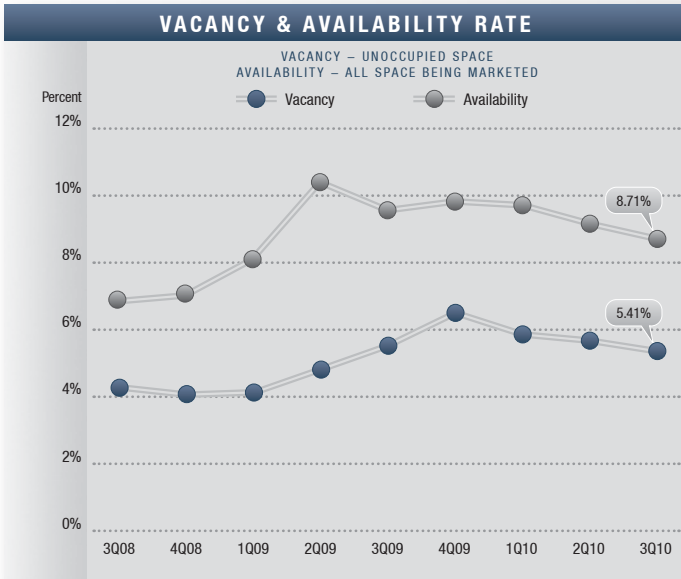
The North Orange County Industrial Market consists of 4,066 buildings totaling 113,571,838 square feet and currently has an availability rate of 10.41%, which shows an increase from last quarter's figure of 10.02%.



	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2010	Square Feet Available	Availability Rate 3Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2010	Net Absorption 2010	Gross Absorption 3Q2010	Gross Absorption 2010
North Totals														
Less than 9,999	1,250	7,940,277	0	0	390,873	4.92%	622,009	7.83%	\$0.85	\$177.15	2,592	16,448	86,677	351,020
10,000-19,999	1,420	19,556,574	0	0	1,097,354	5.61%	1,766,743	9.03%	\$0.58	\$148.12	(67,414)	(78,478)	256,819	968,482
20,000-29,999	542	12,906,199	0	0	845,146	6.55%	1,372,622	10.64%	\$0.59	\$142.07	(102,286)	(193,812)	119,334	485,485
30,000-39,999	235	7,932,614	0	0	334,067	4.21%	644,334	8.12%	\$0.53	\$118.43	151,606	134,657	203,841	414,433
40,000-49,999	138	6,048,084	0	0	305,856	5.06%	570,911	9.44%	\$0.47	\$150.79	110,658	64,006	235,565	501,020
50,000-74,999	204	12,338,535	0	0	599,312	4.86%	1,002,156	8.12%	\$0.57	\$113.37	9,233	(6,543)	285,910	677,154
75,000-99,999	88	7,523,204	0	0	199,696	2.65%	323,635	4.30%	\$0.42	\$90.28	189,060	(54,940)	193,060	217,193
100,000-149,999	91	10,769,804	0	0	772,782	7.18%	1,390,624	12.91%	\$0.41	\$106.49	(232,495)	(280,359)	250,241	475,549
150,000-199,999	33	5,725,731	0	0	500,800	8.75%	1,026,804	17.93%	\$0.45	\$119.92	153,320	138,873	153,320	447,336
200,000-299,999	37	8,893,536	0	0	691,674	7.78%	1,513,690	17.02%	\$0.45	\$119.18	(267,294)	(292,110)	12,930	269,662
300,000 Plus	28	13,937,280	375,000	0	709,221	5.09%	1,584,796	11.37%	\$0.42	\$91.98	0	0	0	425,992
Total	4,066	113,571,838	375,000	0	6,446,781	5.68%	11,818,324	10.41%	\$0.47	\$118.71	(53,020)	(552,258)	1,797,697	5,233,326

WEST ORANGE COUNTY

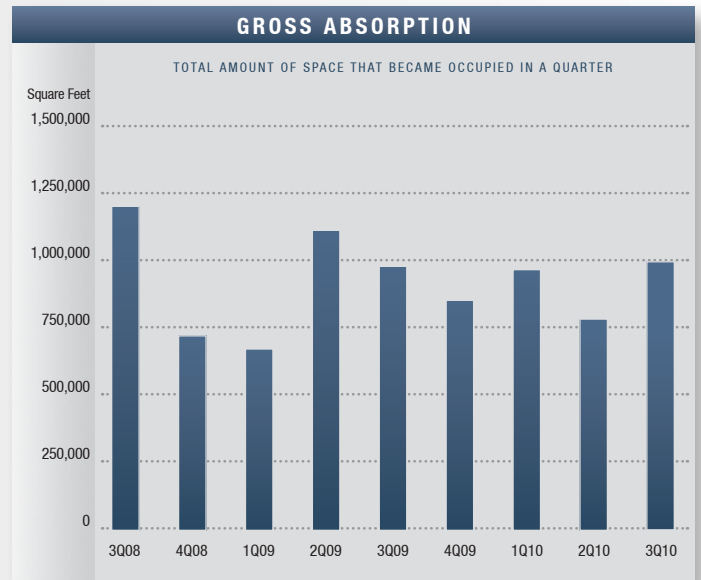
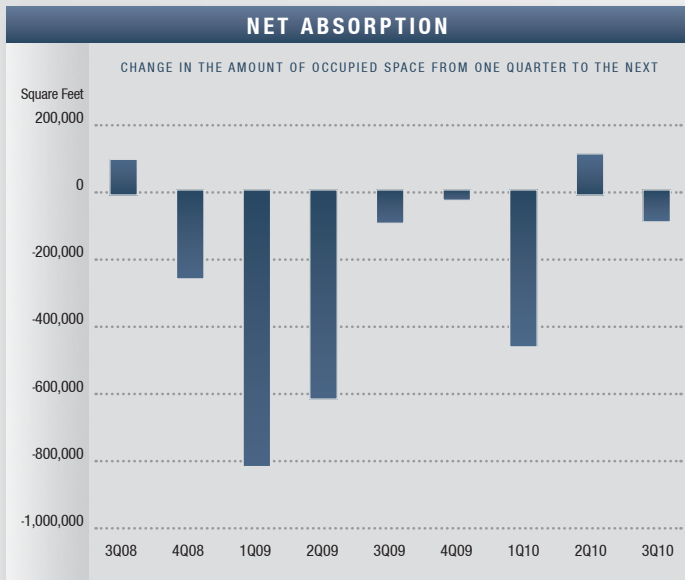
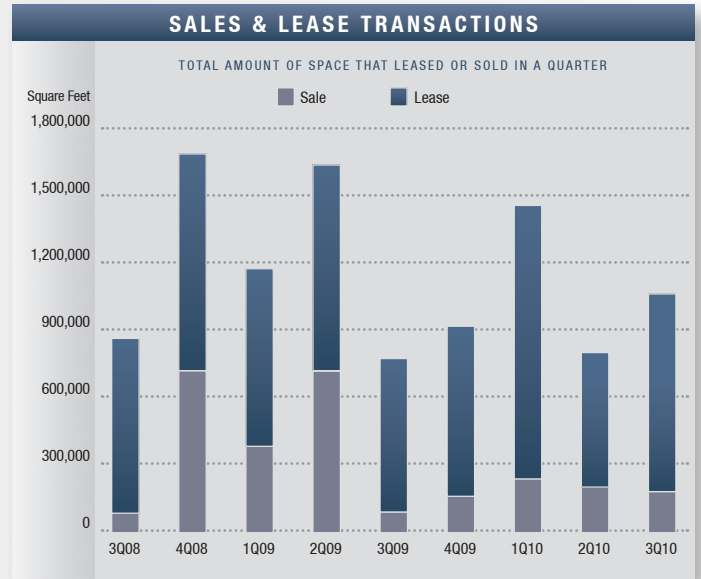
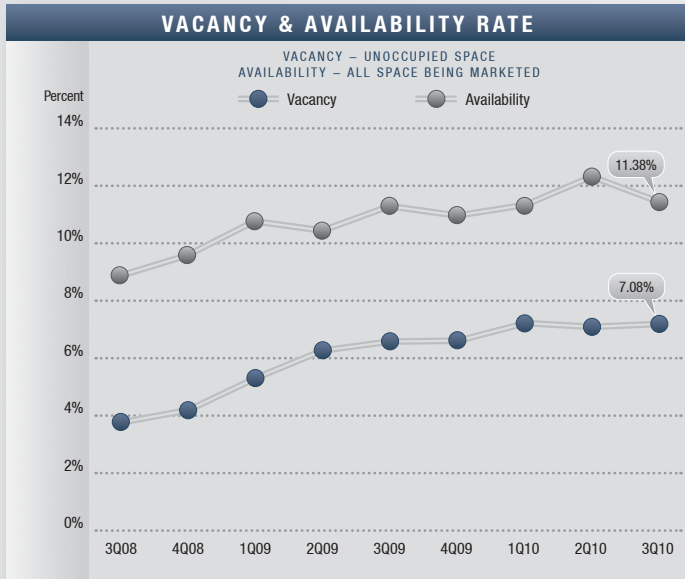
The West Orange County Industrial Market consists of 1,713 buildings totaling 42,657,707 square feet and currently has an availability rate of 8.71%, which shows a decrease from last quarter's figure of 9.17%.



	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2010	Square Feet Available	Availability Rate 3Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2010	Net Absorption 2010	Gross Absorption 3Q2010	Gross Absorption 2010
West Totals														
Less than 9,999	659	3,914,106	0	0	130,953	3.35%	208,516	5.33%	\$0.75	\$174.22	(18,681)	8,781	23,690	113,271
10,000-19,999	565	7,505,256	0	0	448,744	5.98%	687,638	9.16%	\$0.85	\$135.76	48,096	(17,363)	129,660	346,516
20,000-29,999	181	4,314,959	0	0	290,366	6.73%	379,971	8.81%	\$0.99	\$176.00	(42,946)	4,127	43,845	192,530
30,000-39,999	62	2,148,887	0	0	82,461	3.84%	125,751	5.85%	\$0.56	\$114.00	(2,619)	(31,551)	45,640	83,270
40,000-49,999	61	2,678,142	0	0	172,684	6.45%	242,848	9.07%	\$0.39	\$145.16	428	(42,324)	66,345	176,385
50,000-74,999	84	5,022,358	0	0	182,854	3.64%	229,043	4.56%	\$0.66	\$118.88	76,366	138,824	90,566	284,857
75,000-99,999	33	2,808,789	0	0	4,088	0.15%	179,040	6.37%	\$0.00	\$135.74	(2,044)	140,841	0	144,929
100,000-149,999	29	3,428,567	0	0	148,154	4.32%	438,280	12.78%	\$0.45	\$189.35	(106,854)	(98,154)	0	40,000
150,000-199,999	19	3,230,713	0	0	311,565	9.64%	339,895	10.52%	\$0.57	\$95.00	170,368	371,696	276,230	607,313
200,000-299,999	12	2,892,228	0	0	155,735	5.38%	243,783	8.43%	\$0.26	\$123.00	0	0	0	0
300,000 Plus	8	4,713,702	0	0	380,857	8.08%	639,413	13.56%	\$0.45	\$95.00	0	0	0	0
Total	1,713	42,657,707	0	0	2,308,461	5.41%	3,714,178	8.71%	\$0.47	\$132.73	122,114	474,877	675,976	1,989,071

AIRPORT AREA

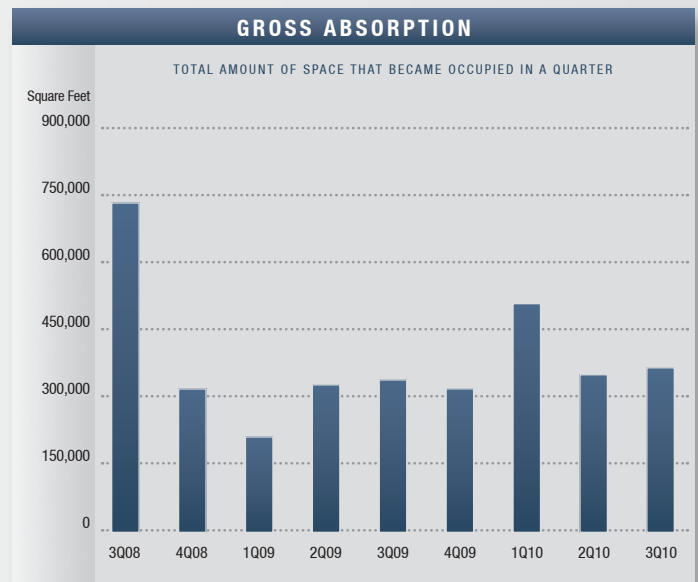
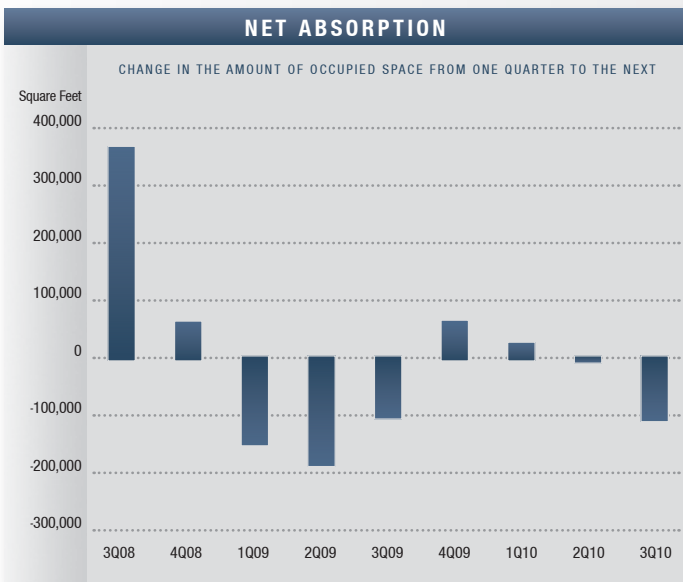
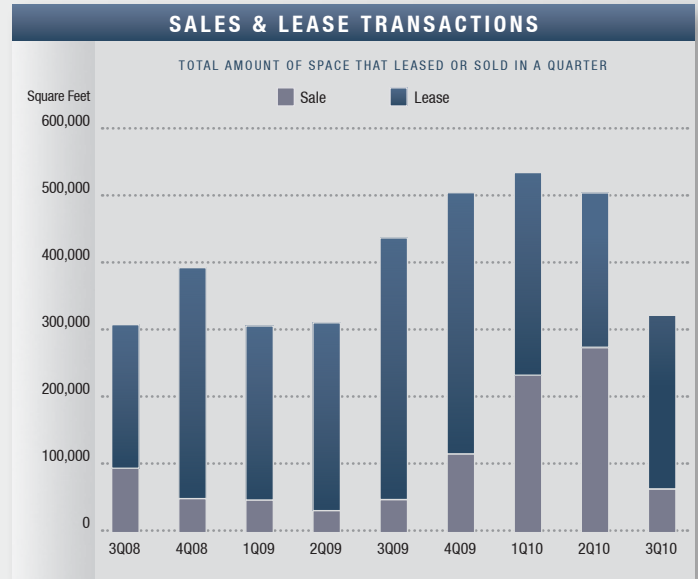
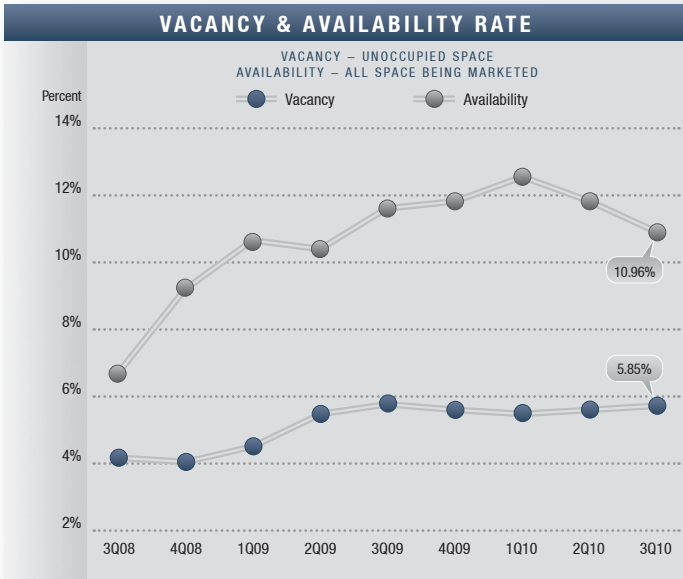
The Airport Area of the Orange County Industrial Market consists of 2,891 buildings totaling 67,759,998 square feet and currently has an availability rate of 11.38%, which shows a decrease from last quarter's figure of 12.29%.



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2010	Square Feet Available	Availability Rate 3Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2010	Net Absorption 2010	Gross Absorption 3Q2010	Gross Absorption 2010
Airport Totals	2,891	67,759,998	0	805,000	4,795,947	7.08%	7,708,169	11.38%	\$0.56	\$147.78	(93,652)	(432,811)	991,526	2,674,338
Less than 9,999	1,010	5,691,905	0	0	242,021	4.25%	453,325	7.96%	\$0.89	\$164.98	5,063	(40,189)	88,743	248,140
10,000-19,999	947	13,265,782	0	0	843,072	6.36%	1,038,599	7.83%	\$0.65	\$156.40	(27,175)	(11,446)	244,586	798,903
20,000-29,999	388	9,265,659	0	0	645,162	6.96%	930,700	10.04%	\$0.66	\$141.15	48,511	119,273	150,038	433,197
30,000-39,999	166	5,655,075	0	35,000	534,258	9.45%	714,139	12.63%	\$0.60	\$126.52	(39,177)	(75,100)	64,786	193,700
40,000-49,999	98	4,305,021	0	0	251,883	5.85%	565,053	13.13%	\$0.55	\$137.61	6,566	(72,887)	22,404	69,224
50,000-74,999	125	7,546,169	0	0	419,796	5.56%	727,711	9.64%	\$0.61	\$118.27	69,080	(8,180)	149,692	311,009
75,000-99,999	62	5,327,174	0	0	484,018	9.09%	823,812	15.46%	\$0.54	\$110.52	(165,079)	(236,310)	104,229	336,634
100,000-149,999	53	6,161,749	0	120,000	405,897	6.59%	660,304	10.72%	\$0.46	\$146.05	(77,626)	(77,626)	80,234	80,234
150,000-199,999	18	3,125,511	0	150,000	342,833	10.97%	328,633	10.51%	\$0.51	\$0.00	86,814	(23,800)	86,814	110,614
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	4,404,820	0	500,000	560,629	12.73%	1,103,665	25.06%	\$0.53	\$129.07	(629)	(6,546)	0	92,683

SOUTH ORANGE COUNTY

The South Orange County Industrial Market consists of 919 buildings totaling 25,169,751 square feet and currently has an availability rate of 10.96%, which shows a decrease from last quarter's figure of 11.88%.



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2010	Square Feet Available	Availability Rate 3Q2010	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2010	Net Absorption 2010	Gross Absorption 3Q2010	Gross Absorption 2010
South Totals														
Less than 9,999	324	2,095,979	0	0	134,482	6.42%	233,515	11.14%	\$0.74	\$205.97	22,055	19,110	62,527	179,221
10,000-19,999	283	4,086,378	0	0	294,553	7.21%	468,701	11.47%	\$0.73	\$177.40	67,050	92,472	140,246	347,328
20,000-29,999	126	2,964,868	0	0	253,462	8.55%	352,611	11.89%	\$0.93	\$220.98	(71,986)	(18,551)	65,271	287,692
30,000-39,999	48	1,605,698	0	0	165,391	10.30%	197,052	12.27%	\$0.72	\$129.00	(13,413)	(49,306)	5,114	61,846
40,000-49,999	32	1,428,662	0	0	129,455	9.06%	144,410	10.11%	\$0.53	\$178.00	44,999	(41,905)	45,000	45,000
50,000-74,999	41	2,546,249	0	53,264	173,084	6.80%	352,896	13.86%	\$0.61	\$131.05	(73,610)	(73,610)	0	25,140
75,000-99,999	19	1,638,931	0	0	65,959	4.02%	285,501	17.42%	\$0.57	\$0.00	(11,968)	(17,373)	0	29,295
100,000-149,999	24	2,808,179	0	0	220,147	7.84%	330,255	11.76%	\$0.54	\$141.59	(103,000)	(59,952)	0	104,337
150,000-199,999	8	1,337,076	0	0	0	0.00%	186,906	13.98%	\$0.49	\$98.98	41,448	41,488	41,448	106,564
200,000-299,999	7	1,538,857	0	0	35,886	2.33%	207,626	13.49%	\$0.60	\$0.00	(10,800)	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	919	25,169,751	0	53,264	1,472,419	5.85%	2,759,473	10.96%	\$0.62	\$150.15	(109,225)	(96,827)	359,606	1,208,023

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
17100 Murphy Ave.	Irvine	35,283	\$157.59	17100 Murphy Building, LLC	John B. Sesnon
4240 E. La Palma Ave.	Anaheim	52,000	\$98.08	M&R Rezai, LLC	Anaheim Manufacturing Company
5500 E. La Palma Ave.	Anaheim	45,250	\$88.40	Belt Drives, Ltd.	Cardinal Development Company
6491 Caballero Blvd.	Buena Park	40,194	\$85.96	99 Ranch Market	Crockett Container Corporation
8401 Page St.	Buena Park	48,200	\$70.02	Efficient Lighting	AT&T
735 Challenger St.	Brea	25,860	\$114.08	Marinex, Inc.	CSTS, Inc.

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
5800 Skylab Rd.	Huntington Beach	167,778	Aug-10	Modular Wind Energy, Inc.	DCS Holdings, Inc.
3100 S. Susan St.	Santa Ana	109,987	Jul-10	Solutions To Go	Pac Trust
12822 Monarch St.	Garden Grove	81,605	Aug-10	CSM Fitness Equipment	Colony Realty Partners
5595 Fresca Dr. - Renewal	La Palma	75,000	Sep-10	The Shop @ Show Ready	GTI Management Company
1177 N. Grove St.	Anaheim	73,335	Sep-10	Weartech International, Inc.	Grove Construction
1321 S. State College Blvd. - Renewal	Anaheim	62,396	Sep-10	Southern California Edison	DSA State College Business Park

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.

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