Orange County
Industrial Market Report

First Quarter 2011

MARKET OVERVIEW
(Change from last quarter)

Vacancy
6.2%

Down from 6.5% from last quarter

Net Absorption
487,249 Sq. Ft.

Up from 428,916 Sq. Ft. from last quarter

Avg. Industrial Lease Rate
$0.61 NNN

No change from last quarter

643 Total Number of
Transactions for the Quarter

Up from 588 transactions last quarter

The Orange County Industrial Market Report is published quarterly by the Lee & Associates' Irvine, Newport Beach and Anaheim offices.

Absorption Gains Continue To Improve Outlook

Orange County's stabilizing industrial market turned in another solid performance in Q1, pushing the overall vacancy rate further downward. Net absorption data showed the best first quarter since Q1 2004 and the fourth consecutive quarter on the plus side.

Countywide, vacancy fell an adjusted 2 basis points from the close of 2010, settling at 6.2%. Net absorption totaled 487,249 sq. ft. in Q1, bringing the total space to come off the market in the last four quarters to 1.38 million sq. ft., the most since the 2006 calendar year. Lee & Associates surveyed 8,620 industrial buildings larger than 10,000 sq. ft., totaling 295.4 million sq. ft.

All five county market areas showed gains in net absorption that were marginal or better, which bodes well for gradual improvement. Orange County's industrial market is among the nation's most robust, due largely to land constraints. Even though the recession emptied some 9 million sq. ft. of space and cost 144,000 jobs, 64,000 of which were in construction and business and professional services, Orange County's industrial vacancy is back within a couple points of its historical average.

Industrial specialists among the 127 brokers at Lee & Associates' three Orange County offices say more tenants are experiencing upswings in business and are addressing postponed facilities issues. Major manufacturers seeking to expand continue to be confounded by a shortage of premium industrial buildings larger than 100,000 sq. ft.

In the North County market – with a 85.7-million-sq.-ft. base, the largest of the county's five industrial areas – 348,139 sq. ft. of space moved out of the available column. This drove the vacancy rate down to 5.2% or 50 basis points less than the previous quarter.

The Airport market's vacancy rate fell to 7.1%, which is off 60 basis points from the end of 2010. Flex space accounts for about 29% of the Airport's 74.9 million sq. ft. of space. Net absorption in Q1 was only 21,303 sq. ft., a decline from the 394,000 sq. ft. absorbed in Q4. Nevertheless, it represents the first two consecutive periods of positive absorption since 2006.

The Central County, which totals 65,168,981 sq. ft., posted 12,386 sq. ft. of positive absorption in Q1. Its vacancy rate ticked down slightly to 5.7%.

South County posted net absorption of 97,947 sq. ft., which drove down the vacancy rate 20 basis points to 8%. But this market, which includes the Irvine Spectrum, is saddled with an abundance of vacant flex space, which accounts for nearly 50% of its industrial base.

West County is the smallest market with 24,353,246 sq. ft. and the tightest at 4.8%. The survey shows nearly 7,500 sq. ft. of space was absorbed in Q1.

Total Industrial & Flex Market Statistics (Buildings 10,000 sq. ft. and greater) First Quarter 2011

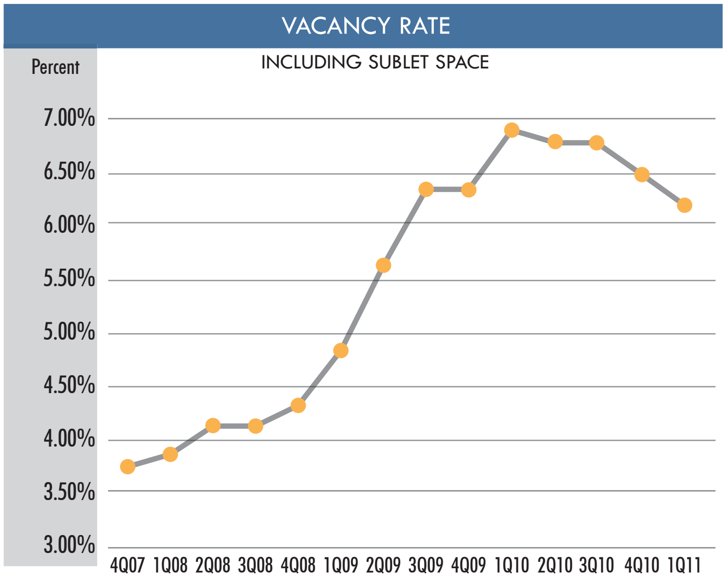
Market	Existing Inventory		Vacancy			Net Absorption	Under Con-struction	NNN Asking Rate
	# of Bldgs.	Total Building Square Feet	Direct SF	Total SF	Vac. %			
North County	2,123	85,671,136	4,459,495	4,505,898	5.3%	348,139	0	$0.48
Central County	2,154	65,168,981	3,673,877	3,746,033	5.7%	12,386	0	$0.52
West County	736	24,353,246	1,076,439	1,170,324	4.8%	7,474	0	$0.59
Airport Area	2,304	74,882,142	5,103,987	5,324,388	7.1%	21,303	0	$0.66
South County	1,303	45,289,986	3,464,214	3,609,445	8.0%	97,947	0	$0.81
Totals	8,620	295,365,491	17,778,012	18,356,088	6.2%	487,249	0	$0.61

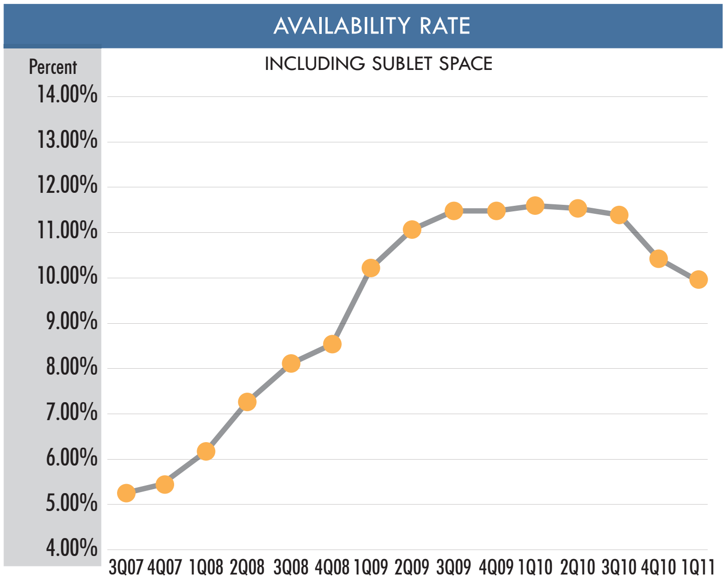
Source: CoStar

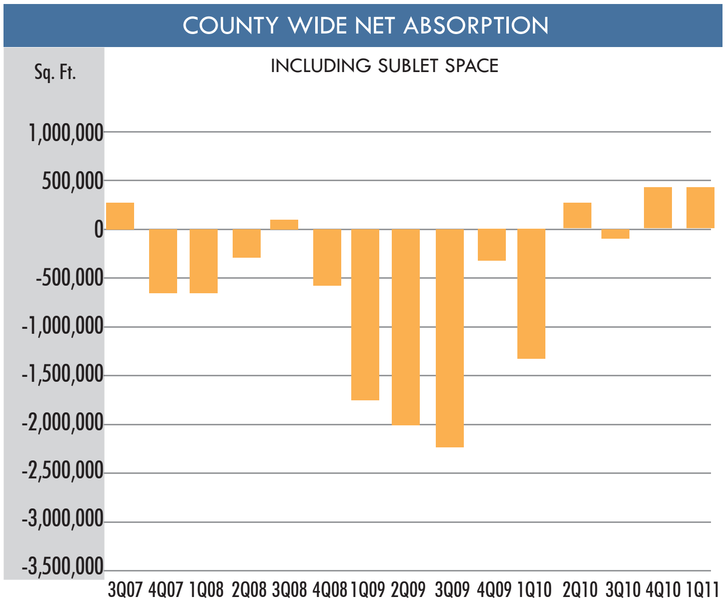
Lee & Associates®
COMMERCIAL REAL ESTATE SERVICES

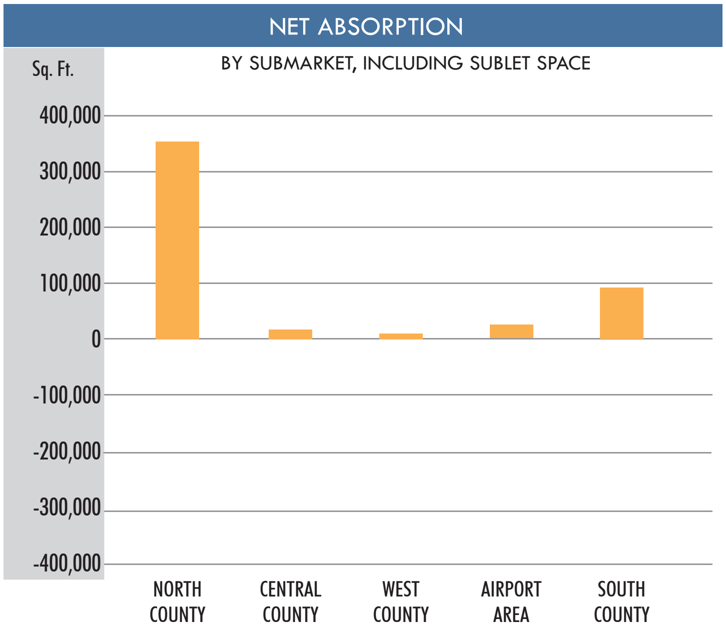
QUARTER IN REVIEW

First Quarter 2011









Submarkets

NORTH
Anaheim Hills Ind, Brea Ind, Buena Park Ind, Fullerton Complex Ind, Placentia East Ind, Placentia West Ind

WEST
Cypress/Los Alamitos Ind, Huntington Beach Ind, West Huntington Beach Ind

CENTRAL
Anaheim Stadium Area Ind, Chapman Ave Corridor Ind, Disneyland Area Ind, Eastern Central Cnty Ind, Garden Grove Ind, Katella North Ind, Lincoln Ave Corridor Ind, Park Center Ind, Santa Ana Civic Ctr Ind

AIRPORT
Airport Complex East Ind, Airport Complex South Ind, Costa Mesa Ind, Fountain Valley Ind, Irvine Business Ctr Ind, North Irvine Ind, South Santa Ana East Ind, South Santa Ana West Ind, Tustin Ind

SOUTH
Irvine Spectrum Ind, Laguna Ind, Mission Viejo Ind, North Laguna Hills Ind, Outlying Orange Cnty Ind, San Clemente Ind, San Juan Capistrano Ind

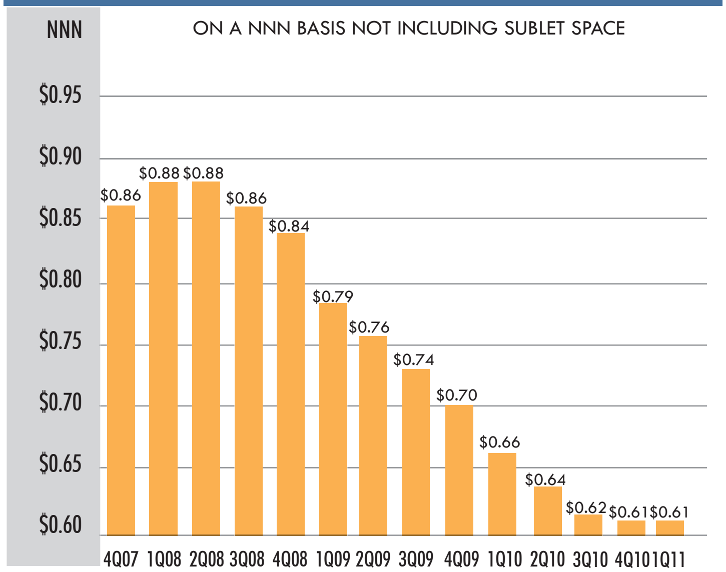
Forecast:

Some 68,000 new jobs are forecast for Orange County this year and next, which will positively affect housing demand and the local economy. South County is poised to benefit most as several thousand new homes are planned in the next few years in the Irvine area in and around the former El Toro Marine Corps base.

QUARTER IN REVIEW

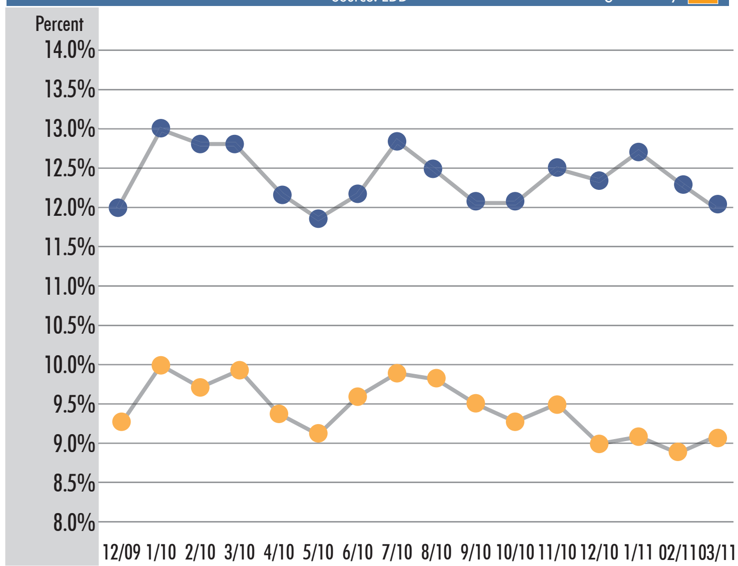
First Quarter 2011

WEIGHTED AVERAGE ASKING LEASE RATES



UNEMPLOYMENT RATE

Source: EDD



Recent Transactions

SOLD • 121,232 Sq. Ft.

14100 Vine Place | Cerritos

Scott Smith represented the seller, Domtar Paper Company.

LEASED • 105,850 Sq. Ft.

12801 Ann St. | Santa Fe Springs

Jedd Zaun represented the lessor, Grubman Properties.

LEASED • 61,731 Sq. Ft.

3232 S. Fairview St. | Santa Ana

Greg Diab and Jack Haley represented the lessee, Goodwill Industries of Orange County.

SOLD • 46,417 Sq. Ft.

1039/1045 4th St. | Santa Ana

David Williams represented the seller, Premier Commercial Bank.

SOLD • 42,700 Sq. Ft.

7260 Sycamore Canyon Blvd. | Riverside

Ryan Swanson represented the buyer, Roxie Real Estate Investments.

LEASED • 45,761 Sq. Ft.

6220 Descanso Ave. | Buena Park

Justin Smith represented both the lessor, BH & C Properties and the lessee, Sunopta Fruit Group.

LEASED • 34,560 Sq. Ft.

2008 McGaw | Irvine

Frank Adler and Jeff Hirsch represented the landlord, CNH, LLC.

SOLD • 22,835 Sq. Ft.

10940 Kalama River | Fountain Valley

Jim Snyder represented the buyer, Ron Corradini.

SOLD • 11,320 Sq. Ft.

30021 Comercio | Rancho Santa Margarita

Guy LaFerrara and Mike Baker represented the seller, Severson & Smith.

Lee & Associates®

QUARTER IN REVIEW

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Members of the Lee & Associates Group of Companies-Orange County

LEE & ASSOCIATES - ANAHEIM
1004 West Taft Avenue, Suite 150
Orange, California 92865
(714) 647-9100

Allen Buchanan
Pat Delaney
Christopher Destino
Greg Diab
Johnny Eubanks
Clif Fincher
Jeff Gahagan
Brad Gilmer
Tom Gilmer
Tom Grant
Jack Haley
Chuck Hardy
James Hawkins
Doug Himes
Mark Hintergardt
Luke Hudson
Elizabeth Hughes
Dave Hunsaker
Dan Kruse
Larry Lawrence
Robert Leiter
Frank Mejia
Bryan Miller
David Newton
Chuck Noble
Jim Oliver
Jon Passafiume
Steve Pelletier
Bob Sattler
Scott Seal
Scott Smith
John Son
John Tenaglia
Randy Verdieck
Dave Williams

LEE & ASSOCIATES - IRVINE
111 Pacifica, Suite 310
Irvine, California 92618
(949) 727-1200

Mike Baker
Andrew Bermudez
Christine Bowen
Kurt Bruggeman
Dale Camera
Peter Cheng
Phil Cohen
Matt Durkin
Craig Fitterer
Brian Garbutt
Dylan Gormly
Mark Jerue
Ryan Harman
Jason Helmick
Guy Laferrara
Randy Mason
Jay Mast
John Matus
Nate Pivaroff
Andrew Robben
Ted Rommel
Ryan Swanson
Justin Smith
John Sullivan

LEE & ASSOCIATES - NEWPORT BEACH
3991 MacArthur Blvd., Suite 100
Newport Beach, California 92660
(949) 724-1000

Frank Adler
Sean Ahern
Tim Arguello
Chris Barnett
Jeff Blasingame
John Collins
Chris Coyte
Jim deRegt
Bill Garrett
Bob Griffin
Jeff Hirsch
Matt Inman
Judd Hietbrink
Steve Jehorek
Pat Lacey
Mike Long
John Martin
Darin McDonald
Kevin Quick
Ted Sawyer
Dick Silva
Travis Smith
Jim Snyder
Curt Stalder
Kevin Thomas
Andy Walburger
Jedd Zaun

About Lee & Associates

As a group of independently owned and operated companies, Lee & Associates currently has 41 offices in California, Arizona, Nevada, Michigan, Missouri, Idaho, Texas, New Jersey, Illinois, Georiga, Indiana and Wisconsin.

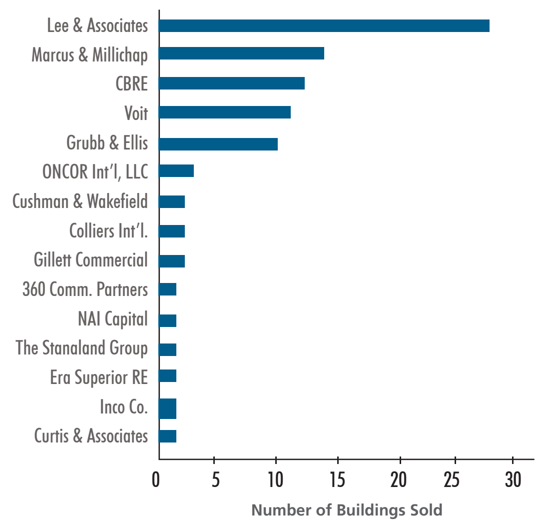
With a broad array of regional, national and international clients—ranging from individual investors and small businesses, to large corporations and institutions—Lee & Associates has successfully completed transactions with a total value of more than $5 billion last year, alone.

Industrial Services

Lee & Associates knows industrial real estate. Large, mid-size and small, we help clients transact their way through the intricacies of manufacturing plants, bulk warehousing/distribution facilities, specialized flex complexes, modern build-to-suit flex space and turn-key, high-tech campuses. Our industrial specialists provide skilled guidance running the gamut from facility, site and land acquisition/disposition to advisory services, sale and lease negotiations, build-to-suit analysis and planning.

Lee & Associates' Brokerage Market Share in Orange County

Fourth Quarter Top Listing Co. by Sale Transactions



Top Sales Company / Buildings Sold

	Company	Market Share	Total # of Bldgs.
1	Lee & Associates	27.3%	144
2	VOIT	17.2%	91
3	CBRE	12.5%	66
4	Grubb & Ellis	5.9%	31
5	DAUM	4.2%	22
6	Cushman & Wakefield	2.7%	14
7	NAI Capital	2.3%	12
8	Colliers Int'l	2.1%	11
9	Holliday Fenoglio Fowler, L.P.	1.7%	9
10	Coreland Co.	1.5%	8
	All Others	22.7%	120

Source: CoStar Landlord Rep and Sales Rep Companies for Orange County Industrial Buildings.

TERMS:

Availability Rate: The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

Average Asking Lease Rate: The rate determined by multiplying the lease rate for each building in the summary by its associated available space, summing the products then dividing by the sum of the available spaces with net lease rates for all buildings in the summary. Direct leases only; excludes sublease space and parking charges.

Inventory: Industrial and flex inventory includes all multi-tenant and single tenant buildings greater than 10,000 square feet. Owner-occupied, government, medical buildings are not included.

Occupied Square Feet: NRA not considered vacant.

Vacancy Rate: A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

Net Absorption: The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.