

Orange County INDUSTRIAL MARKET REPORT

Second Quarter 2011

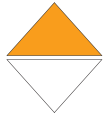
MARKET OVERVIEW (Change from last quarter)

Vacancy
5.9%



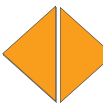
Down from 6.2% from last quarter

Net Absorption
1,393,332 Sq. Ft.



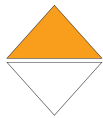
Up from 487,249 Sq. Ft. from last quarter

Avg. Industrial Lease Rate
\$0.62 NNN



No change from last quarter

648 Total Number of
Transactions for the Quarter



Up from 643 transactions last quarter

2Q Surge In Absorption Is Greatest Since 2005

A whopping 1.4 million sq. ft. of Orange County industrial space was leased in the second quarter – the biggest quarterly boom in net absorption since Q2 2005. It's also more space than the total of the previous four consecutive quarterly gains since the industrial market hit bottom. In the last five quarters, 2.7 million sq. ft. has come off the market.

The Q2 absorption surge erased enough available space from the county's total base of 296 million sq. ft. to drop the vacancy rate 0.6 points to 5.9%. Vacancy is now less than 1 percentage point from the rate at the beginning of 2009 and nearly two points shy of its 2007 10-year low.

Clearly, recent turnaround in demand for industrial buildings has gone a long way toward offsetting the effects of the deep 2008-09 recession. Overall, lease rates have stabilized.

Industrial specialists at Lee & Associates, which surveys buildings larger than 10,000 sq. ft., say prices for a thin supply of buildings for sale have begun to tick upward.

The Q2 surge was spread across the largest four of the county's five submarkets and the data shows that larger buildings accounted for more of the transactions during the three-month period.

The upturn in demand lately has been rapid and steep. It may confound those industrial users who are moving deliberately under the belief that plenty of recessionary bargains still can be had. Except for small buildings, the supply of quality available space is growing scarce. Increasingly, the only so-called bargains available are for small buildings, buildings facing obsolescence and in the least desirable locations. Choices for the most desirable buildings are tightening and extremely thin for the largest buildings.

The North County submarket, the county's largest with about 85 million sq. ft. in total inventory, posted 564,924 sq. ft. of positive net absorption in Q2.

Net absorption in the Airport submarket with a base of about 75 million sq. ft., was 419,287 sq. ft. on the plus side.

In South County Q2's positive net absorption hit 317,910 sq. ft. on a base of some 46 million sq. ft.

Available space coming off the market in Central County totaled 127,956 sq. ft. on a base of approximately 65 million sq. ft.

In the West County, the county's smallest industrial submarket with about 25 million sq. ft., 36,745 sq. ft. came back on the availability list.

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

Second Quarter 2011

Market	Existing Inventory		Vacancy			Net Absorption	Under Construction	NNN Asking Rate
	# of Bldgs.	Total Building Square Feet	Direct SF	Total SF	Vac. %			
North County	2,121	85,160,017	4,518,545	4,580,932	5.4%	564,924	0	\$0.49
Central County	2,155	65,145,793	3,439,748	3,510,158	5.4%	127,956	0	\$0.53
West County	747	25,391,488	1,107,356	1,201,241	4.7%	-36,745	0	\$0.62
Airport Area	2,313	74,896,094	4,955,784	5,001,856	6.7%	419,287	0	\$0.64
South County	1,313	45,570,392	3,166,174	3,293,412	7.2%	317,910	0	\$0.79
Totals	8,649	296,163,784	17,187,607	17,587,599	5.9%	1,393,332	0	\$0.62

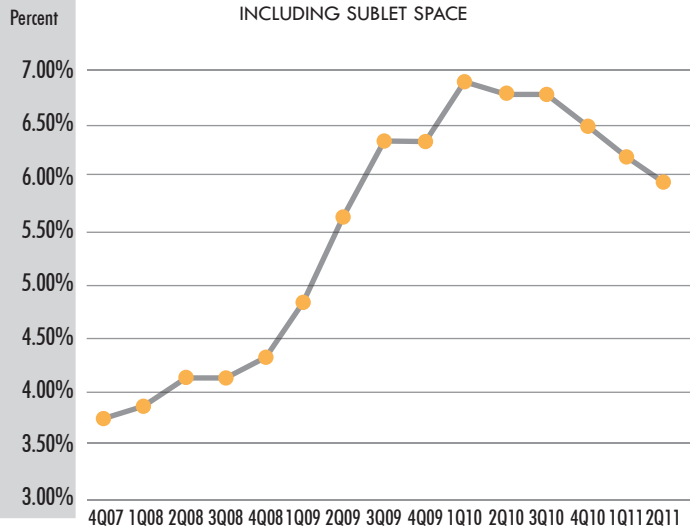
Source: CoStar

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

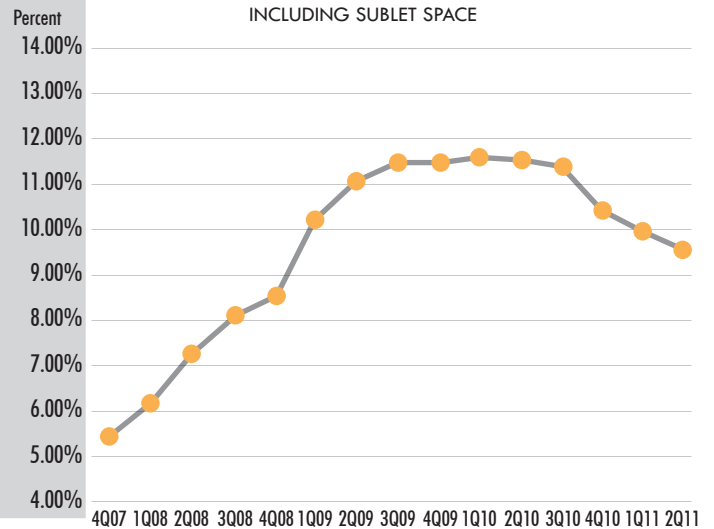
QUARTER IN REVIEW

Second Quarter 2011

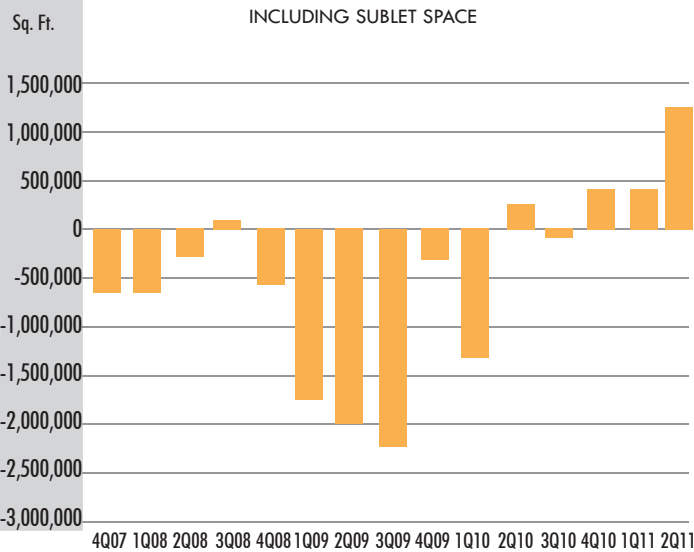
VACANCY RATE



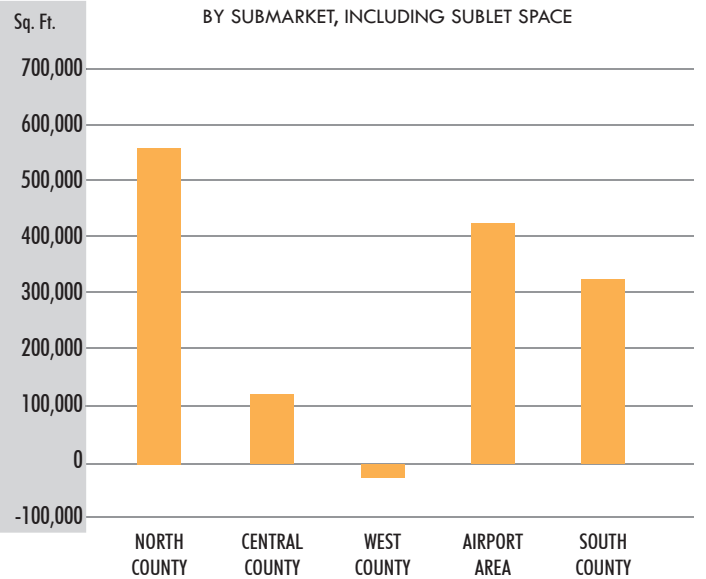
AVAILABILITY RATE



COUNTY WIDE NET ABSORPTION



NET ABSORPTION



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:

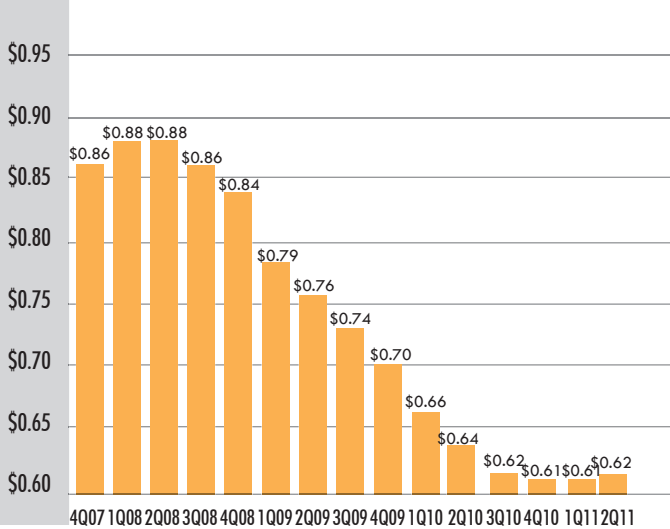
In view of the consensus among local economic forecasters of lackluster job creation, it is unlikely that quarterly positive net absorption will continue apace. But even if net absorption continues at half the current rate, the vacancy rate will reach the pre-recession level by this time next year.

QUARTER IN REVIEW

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WEIGHTED AVERAGE ASKING LEASE RATES

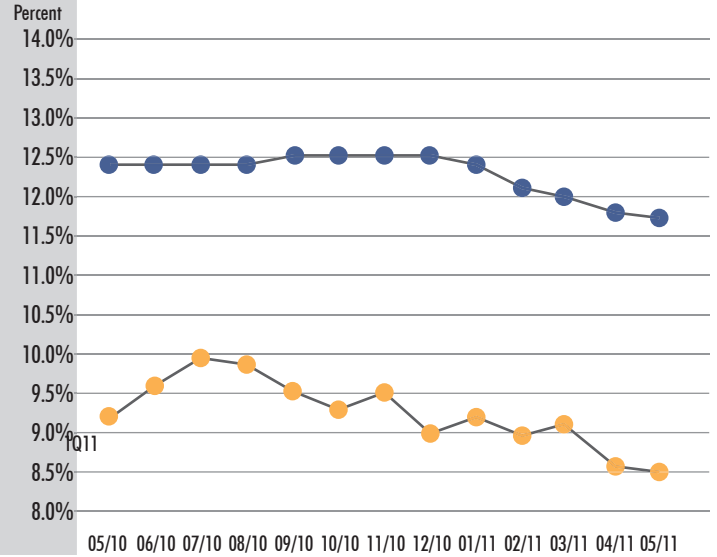
NNN ON A NNN BASIS NOT INCLUDING SUBLET SPACE



UNEMPLOYMENT RATE

Source: EDD

CA Average Orange County



Recent Transactions

SOLD • 31,744 Sq. Ft.

1290 Miller | Anaheim



David Williams represented the buyer, BUI Investments, LLC.

SOLD • 30,036 Sq. Ft.

10420 Pioneer | Santa Fe Springs



Brad Gilmer and Clif Fincher represented the buyer, Aberdeen, LLC.

LEASED • 57,702 Sq. Ft.

5572 Fresca | La Palma



Scott Smith represented the lessor, Layman Properties.

SOLD • 15,436 Sq. Ft.

2 Wrigley | Irvine Spectrum



Craig Fitterer and Mark Jerue represented the seller, East Irvine Properties, LLC.

SOLD • 24,076 Sq. Ft.

1923 Alton Parkway | Irvine



Dale Camera and Jason Helmick represented the buyer, Graziano Enterprises.

SOLD • 15,969 Sq. Ft.

6220 Descanso Ave. | Buena Park



Justin Smith represented the buyer, Williamson Industry, LLC.

SOLD • 15,969 Sq. Ft.

830 Williamson Ave., | Fullerton



Jim Snyder represented the seller, Carr & Kuel Trust.

SOLD • 7,664 Sq. Ft.

2830 E. Miraloma | Anaheim



Jim DeRegt and Judd Hietbrink represented the seller, Robert F. Lott Trust.

LEASED • 15,200 Sq. Ft.

325 Baker Street | Costa Mesa



Pat Lacey, Jim Snyder, and Sean Ahern represented both lessor and lessee.

QUARTER IN REVIEW

Second Quarter 2011

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

LEE & ASSOCIATES - ORANGE
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Christopher Destino	Robert Leiter
Greg Diab	Frank Mejia
Johnny Eubanks	Bryan Miller
Clif Fincher	David Newton
Jeff Gahagan	Chuck Noble
Brad Gilmer	Jon Passafiume
Tom Gilmer	Steve Pelletier
Tom Grant	Bob Sattler
Jack Haley	Scott Seal
Chuck Hardy	Scott Smith
James Hawkins	John Son
Doug Himes	John Tenaglia
Mark Hintergardt	Randy Verdieck
Luke Hudson	Dave Williams
Elizabeth Hughes	
Dave Hunsaker	

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Kurt Bruggeman	Jay Mast
Dale Camera	John Matus
Phil Cohen	Rich Mcevoy
Chris Conway	Nate Pivaroff
Matt Durkin	Andrew Robben
Craig Fitterer	Ted Rommel
Brian Garbutt	Ryan Swanson
Dylan Gormly	Justin Smith
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Chris Barnett	Darin McDonald
Jeff Blasingame	Kevin Quick
John Collins	Ted Sawyer
Chris Coyte	Dick Silva
Jim deRegt	Travis Smith
Bill Garrett	Jim Snyder
Bob Griffin	Curt Stalder
Jeff Hirsch	Kevin Thomas
Steve Jehorek	Andy Walburger
Judd Hietbrink	Jedd Zaub

About Lee & Associates

As a group of independently owned and operated companies, Lee & Associates currently has 43 offices in California, Arizona, Kansas, Nevada, Michigan, Missouri, Idaho, Texas, New Jersey, Illinois, Georgia, Indiana, South Carolina 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

2nd Quarter Top Buyer Brokers by Sales Transactions



Top Buyer Brokers by # of Sale Transactions

	Company	Market Share	# of Trans.
1	Lee & Associates	22%	382
2	VOIT	22%	382
3	CBRE	21%	367
4	Grubb & Ellis	10%	176
5	Colliers Int'l.	6%	106
6	Cushman & Wakefield	2.7%	83
7	Ashwill & Associates	1.7%	81
8	Collins Comm.	1.7%	29
9	CB Richard Ellis Grp.	1.4%	24
10	Daum	1.2%	21
	All Others	10.3%	

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.