

Orange County INDUSTRIAL MARKET REPORT

Third Quarter 2011

MARKET OVERVIEW (Change from last quarter)

Vacancy
5.8%



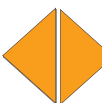
Down from 5.9% from last quarter

Net Absorption
510,795 Sq. Ft.



Down from 1,393,332 Sq. Ft. from last quarter

Avg. Industrial Lease Rate
\$0.62 NNN



No change from last quarter

674 Total Number of
Transactions for the Quarter



Up from 648 transactions last quarter

OC's Industrial RE Market Resumes Slow Recovery

Orange County's industrial real estate market generally continued to tighten in the third quarter as companies leased 511,000 square feet of space, pushing down the countywide vacancy rate to 5.8%.

There's been significant positive net absorption in four of the last five quarters. During that time more than 3 million sq. ft. of space has come off the market countywide. Take away Q2's extraordinary 1.4-million-sq.-ft. absorption surge and it leaves the strength of the momentum of the year-long upward demand trend open to question. Only now are the healthiest submarkets showing the slightest resistance to further declines in asking lease rates.

Again, the third quarter's results were uneven. Net absorption was negative for the latest three-month period in two of the county's five submarkets.

Lee & Associates has 86 industrial brokers in three Orange County offices. The company surveys buildings larger than 10,000 sq. ft.

North County, the largest submarket, posted 398,005 sq. ft. of positive net absorption, cutting its vacancy rate .05 percentage points to 4.9%. It was another strong showing and fifth consecutive quarter in which available space came off the market. More than 1.76 million sq. ft. has been absorbed in North County since Q2 2010.

The Airport submarket reported its best quarter since Q3 2006 with 464,910 sq. ft. of space absorbed. Its vacancy rate fell to 6.2% from 6.8% in Q2 and a YOY decline of 1.6 percentage points.

West County was barely in the plus column in Q3 with 62,351 sq. ft. of positive net absorption. Because of its small base of about 25.2 million sq. ft., the newly leased space was enough to push its vacancy rate down from 4.8% to 4.5%.

The Central County submarket, which extends north and south of the 22 Freeway at the 405 Freeway to Anaheim Stadium and the Chapman Avenue corridor to east Anaheim, put 122,862 sq. ft. back into its total inventory of about 65.2 million sq. ft. Its vacancy rate is 5.5%.

For the South County and its inventory of 45.7 million sq. ft., which extends south from the Irvine Spectrum, negative net absorption totaled 291,609 sq. ft. This drove the vacancy rate up to 7.9%. Absorption gains in the last two straight quarters nearly were erased in Q3. Landlords have been disappointed in this submarket, which has not benefited so far in the recovery. It's a long way off its record low 4.2% vacancy rate at the end of 2006.

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

Third Quarter 2011

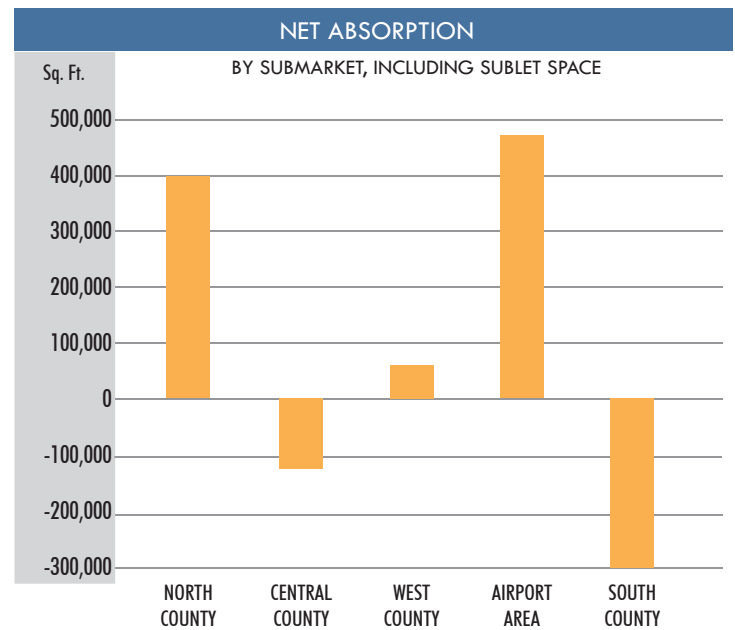
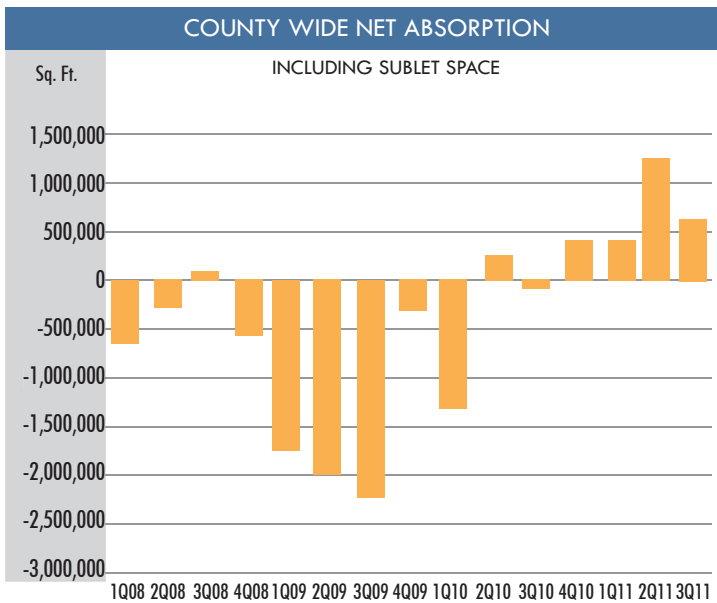
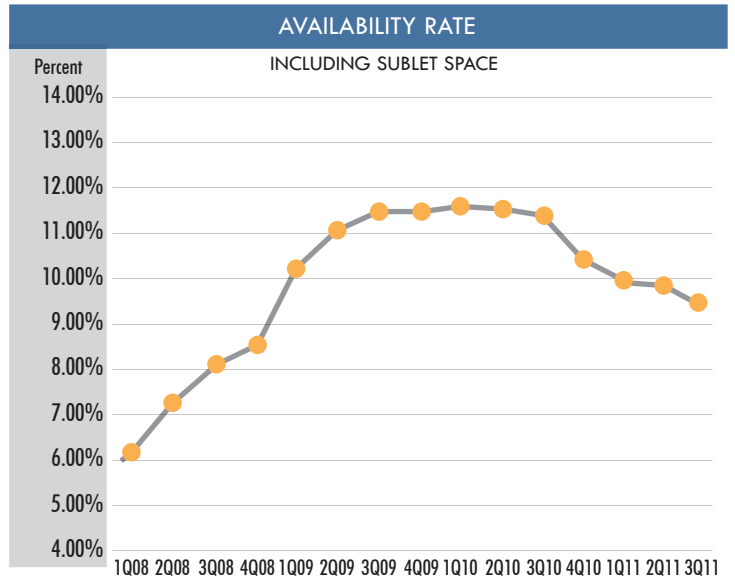
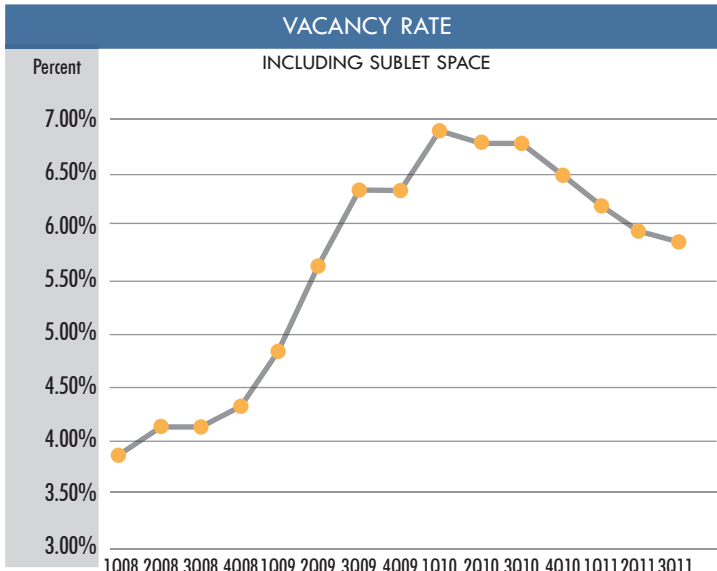
Market	Existing Inventory		Vacancy			Net Absorption	Under Construction	NNN Avg. Rate
	# of Bldgs.	Total Building Square Feet	Direct SF	Total SF	Vac. %			
North County	2,123	84,728,958	4,185,046	4,246,253	5.0%	398,005	0	\$0.50
Central County	2,158	65,219,851	3,442,817	3,608,813	5.5%	(122,862)	0	\$0.54
West County	747	25,240,584	1,066,439	1,144,390	4.5%	62,351	0	\$0.58
Airport Area	2,310	74,969,085	4,572,944	4,665,588	6.2%	464,910	0	\$0.65
South County	1,322	45,723,110	3,448,670	3,603,055	7.9%	(291,609)	0	\$0.80
Totals	8,660	295,881,588	16,715,916	17,268,099	5.8%	510,795	0	\$0.62

Source: CoStar

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

QUARTER IN REVIEW

Third 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

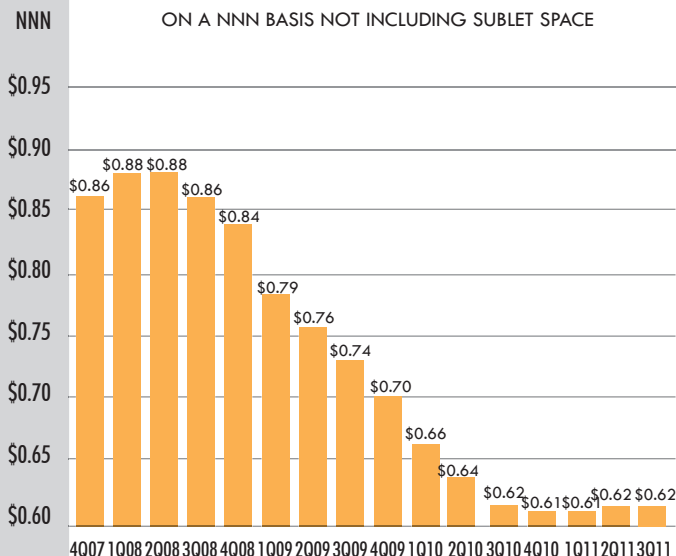
Forecast:

It's likely that Orange County will produce about 20,000 new jobs this year, less than half the estimate that was forecast by Chapman University economists. California's Employment Development Department reports modest recent hiring gains in business sectors served by industrial real estate facilities.

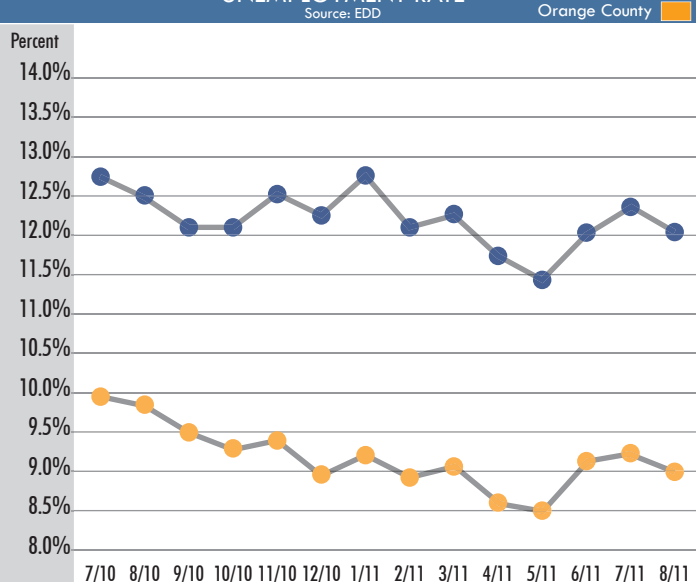
QUARTER IN REVIEW

Third Quarter 2011

WEIGHTED AVERAGE ASKING LEASE RATES



UNEMPLOYMENT RATE



Recent Transactions

SOLD • 129,000 Sq. Ft.

13926 Carmenita | Santa Fe Springs



Clif Fincher and Brad Gilmer represented the buyer, Durable, U.S.A.

LEASED • 58,521 Sq. Ft.

14420 Myford Rd. | Irvine



Jim Snyder represented the tenant, Candela Corp.

LEASED • 57,822 Sq. Ft.

2100 E. Valencia Drive, Suite B | Fullerton



Justin Smith and Scott Smith represented the tenant, Wellspring USA, Inc.

SOLD • 48,586 Sq. Ft.

8050 Crystal | Anaheim



Scott Seal represented the buyer, Optima Cotton Wear.

SOLD • 45,560 Sq. Ft.

1425 Moonstone Street | Brea



Scott Seal and Luke Hudson represented the buyer, Nail Harmony.

SOLD • 42,700 Sq. Ft.

7260 Sycamore Canyon Blvd. | Riverside



Ryan Swanson represented the buyer, SteLee Industries and seller, Roxie Real Estate Investments.

SOLD • 24,494 Sq. Ft.

1962 Barranca Pkwy. | Irvine



Kevin Thomas and John Collins represented the buyer, Monkey Sports.

SOLD • 16,965 Sq. Ft.

4431 E. La Palma | Anaheim



Jim DeRegt and Judd Hietbrink represented the buyer, Yuh-Jen Linder.

SOLD • 11,136 Sq. Ft.

23 Journey | Aliso Viejo



Guy LaFerrara represented the tenant, Saddleback Associates.

QUARTER IN REVIEW

Third Quarter 2011

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

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

About Lee & Associates

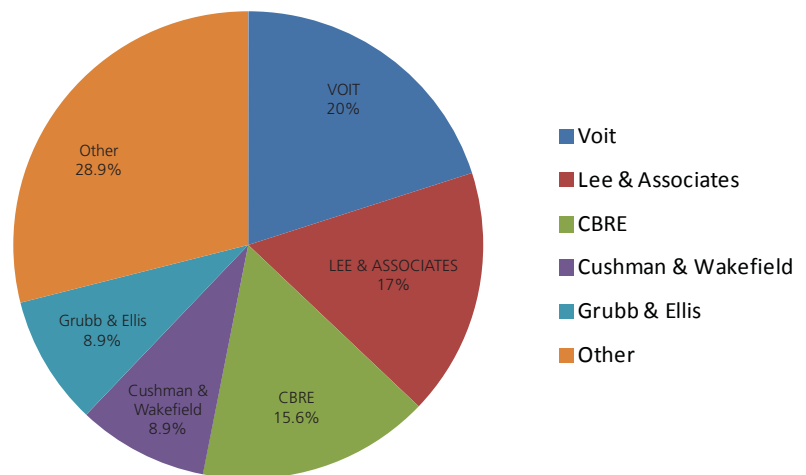
As a group of independently owned and operated companies, Lee & Associates currently has 44 offices in California, Arizona, Kansas, Nevada, Michigan, Missouri, Idaho, Texas, New Jersey, Illinois, Georgia, Indiana South Carolina and Wisconsin.

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.

Top Buyer Brokers by Sales in Orange County



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.