

# Orange County

## INDUSTRIAL MARKET REPORT

### Fourth Quarter 2010

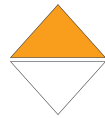
#### MARKET OVERVIEW (Change from last quarter)

Vacancy  
6.5%



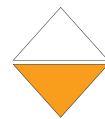
Down from 6.7% from last quarter

Net Absorption  
428,916 Sq. Ft.



Up from -116,583 Sq. Ft. from last quarter

Avg. Industrial Lease Rate  
\$0.61 NNN



Down from \$0.62 NNN last quarter

588 Total Number of  
Transactions for the Quarter



Down from 597 transactions last quarter

### Industrial Market Stabilizes At 6.5% Vacancy; Best Year Since '07

After a steady three-year decline, the Orange County industrial market finally is stabilized. The fourth quarter closed out 2010 showing healthy net absorption – the third straight quarter with absorption in the plus column.

The last year with three quarters of positive absorption was 2006. The Q4 reduction of 428,916 sq. ft. of available space was the most since Q2 2007.

The year-end vacancy rate settled at 6.5%, down 0.1% from its Q2 peak and less than its 7.6% 10-year high in 2002. Total available space finished the year at 10.5%, a full percentage point less than Q1 which was the last of 13 straight quarters of increasing availability. During that time, 8.5 million sq. ft. of industrial users scaled back or shuttered their businesses.

In early 2010, improvement in the industrial market still seemed far on the horizon. But following a dismal Q1 in which tenants vacated more than 1 million sq. ft., absorption turned positive in Q2. After Lee & Associates' previous Q3 report on buildings larger than 10,000 sq. ft. went to press, the data was adjusted. The reconciled totals showed 220,669 sq. ft. of positive absorption in Q3. The trend gained strength in Q4.

All told, the 18 million sq. ft. leased in 2010 was the most since 2004.

The year-end data is more evidence that confidence in the economy is returning. Unemployment has leveled off and economists at Chapman University and Cal State Fullerton forecast modest Orange County job growth in 2011.

Lee & Associates industrial specialists, however, believe a perhaps record volume of so-called "blend and extend" leases of existing tenants since 2008 may dampen absorption particularly of large buildings for the next few years until the extended leases run their terms. Small users who signed early renewals in multi-tenant buildings, however, have greater flexibility with a landlord to expand within their project.

However, despite the seeming high rate of vacancies many available small and mid-size buildings are functionally obsolete and poorly located, limiting choices for ideal facilities.

Four of the county's five industrial markets improved in 2010:

--The Airport market, with 25% of Orange County's 294-million sq.-ft. industrial base, was the top performer in Q4 with 397,214 sq. ft. coming out of available inventory. Its vacancy rate fell 0.5% to 7.3%.

--Absorption in North County – the largest market with about 85 million sq. ft. – was down for the year but only slightly and closed with a 6.1% vacancy rate.

--Central County finished the year with absorption in the black for the year, posting three straight quarters of absorption gains and ending 2010 with vacancy at 5.8% or 3.8 million sq. ft.

--West County's 24.4 million sq. ft. of space was 4.9% vacant, a 0.9% improvement over 2009.

--Still struggling is the South County with 44.8 million sq. ft. and vacancy at 8% -- up 0.4% for the year.

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

#### Fourth Quarter 2010

Market	Existing Inventory		Vacancy			Net Absorption	Under Construction	NNN Asking Rate
	# of Bldgs.	Total Building Square Feet	Direct SF	Total SF	Vac. %			
North County	2,118	85,120,595	5,110,186	5,166,349	6.1%	120,900	0	\$0.49
Central County	2,151	65,053,899	3,584,420	3,760,419	5.8%	49,729	0	\$0.53
West County	739	24,370,156	956,159	1,196,138	4.9%	(83,665)	0	\$0.60
Airport Area	2,304	74,978,844	5,165,652	5,472,904	7.3%	397,214	0	\$0.65
South County	1,297	44,860,156	3,433,104	3,595,849	8.0%	(55,262)	0	\$0.81
<b>Totals</b>	<b>8,609</b>	<b>294,383,650</b>	<b>18,249,521</b>	<b>19,191,659</b>	<b>6.5%</b>	<b>428,916</b>	<b>0</b>	<b>\$0.61</b>

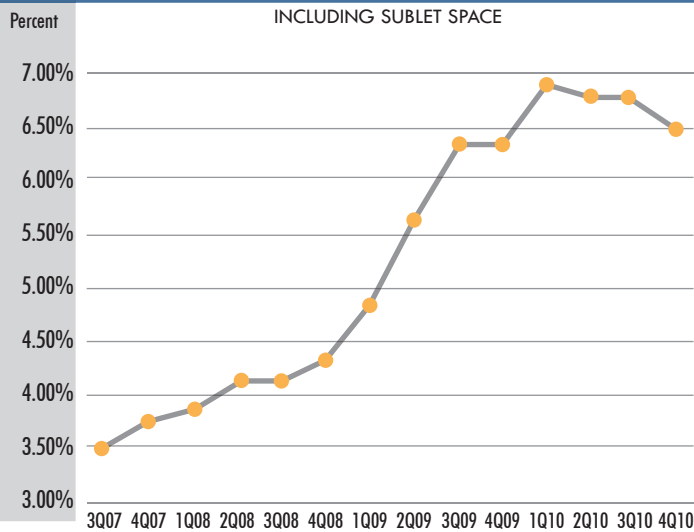
Source: CoStar

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

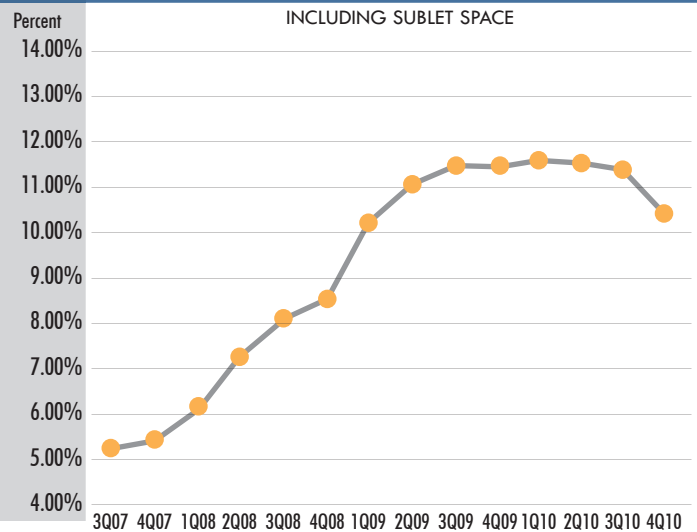
# QUARTER IN REVIEW

Fourth Quarter 2010

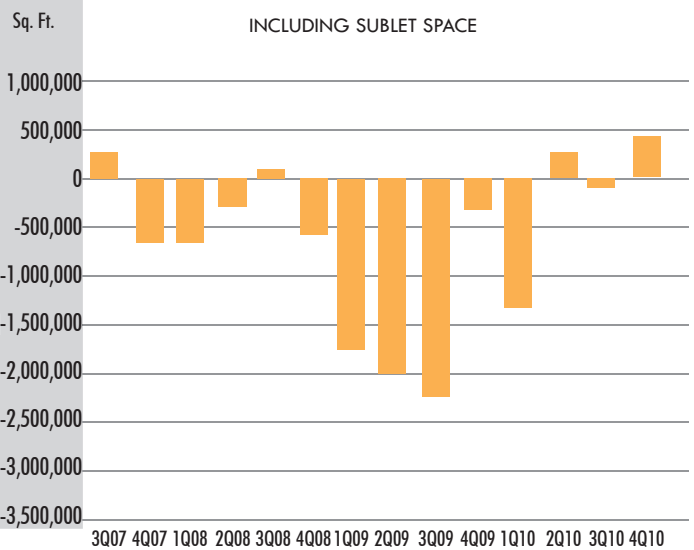
## VACANCY RATE



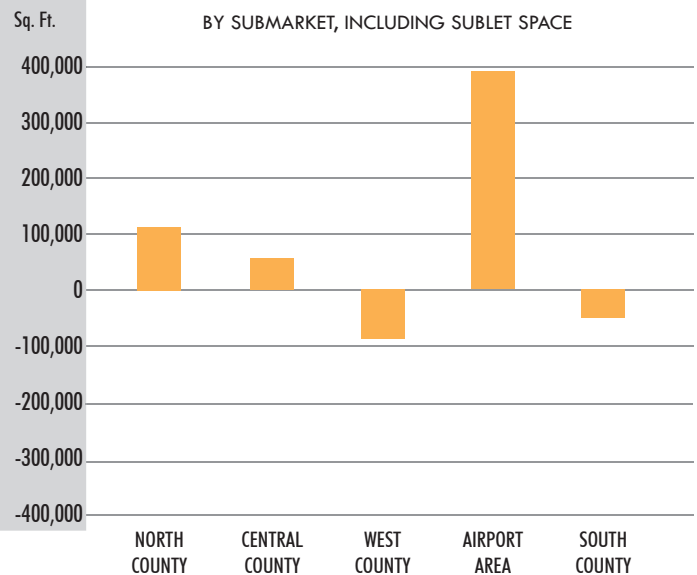
## AVAILABILITY RATE



## 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

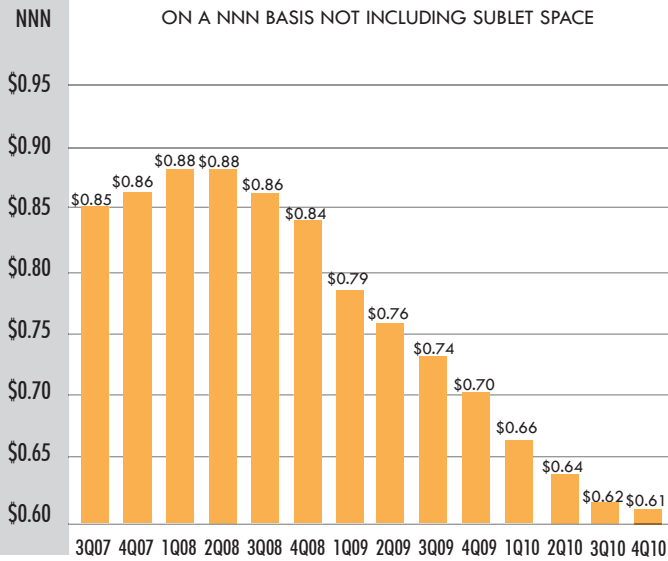
### Forecast:

Even though lease rates haven't quite leveled off – with asking rents plunging 29% since March 2008 and 12% last year – the deals of 2009 for quality space are gone and landlords are expected to start pushing rents.

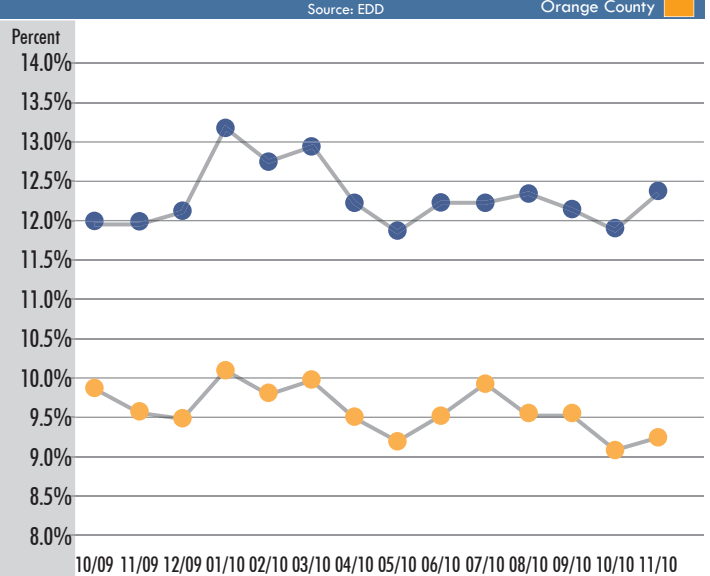
# QUARTER IN REVIEW

Fourth Quarter 2010

## WEIGHTED AVERAGE ASKING LEASE RATES



## UNEMPLOYMENT RATE



## Recent Transactions

**LEASED • 52,741 Sq. Ft.**

1111 Bell | Tustin



Jim Snyder represented the tenant.

**SOLD • 101,634 Sq. Ft.**

13131 E. 166th Street | Cerritos



Jedd Zaun represented the Seller C & N Properties.

**LEASED • 46,445 Sq. Ft.**

1087 Spencer Ave. | Fountain Valley



Andy Walburger and Jim Snyder represented the landlord.

**LEASED • 105,850 Sq. Ft.**

12801 Ann Street | Santa Ana



Scott Smith represented the landlord, Grubman Properties.

**SOLD • 31,995 Sq. Ft.**

1851 Delilah Street | Corona



Ryan Swanson represented both the buyer, Pacifica Foods and the seller, Roxie Real Estate Investments.

**LEASED • 86,817 Sq. Ft.**

12080 Rivera Road | Whittier



Clif Fincher, Tom Gilmer and Brad Gilmer represented the tenant, Alexander's Mobility Services.

**LEASED • 49,481 Sq. Ft.**

1231 N. Miller Street | Anaheim



Steve Pelletier represented the tenant, Unicorn Tile Corporation.

**SOLD • 12,540 Sq. Ft.**

2509 S. Broadway | Irvine



Phil Cohen and Matt Durkin represented the seller, Pinnacle Holdings, Inc.

**SOLD • 10,268 Sq. Ft.**

26902 Vista Terrace | Lake Forest



John Matus, Kurt Bruggeman and Christine Bowen represented the seller, MGMH, LLC.

# QUARTER IN REVIEW

Fourth Quarter 2010

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

LEE & ASSOCIATES - ANAHEIM  
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Johnny Eubanks	Bryan Miller
Clif Fincher	David Newton
Jeff Gahagan	Chuck Noble
Brad Gilmer	Jim Oliver
Tom Gilmer	Jon Passafiume
Tom Grant	Steve Pelletier
Jack Haley	Bob Sattler
Chuck Hardy	Scott Seal
James Hawkins	Scott Smith
Doug Himes	John Son
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Luke Hudson	Randy Verdieck
Elizabeth Hughes	Dave Williams
Dave Hunsaker	

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

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Tim Arguello	Darin McDonald
Chris Barnett	Kevin Quick
Jeff Blasingame	Ted Sawyer
John Collins	Dick Silva
Chris Coyte	Travis Smith
Jim deRegt	Jim Snyder
Bill Garrett	Curt Stalder
Bob Griffin	Kevin Thomas
Jeff Hirsch	Andy Walburger
Steve Jehorek	Jedd Zaun
Pat Lacey	

## 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, Georgia, Indiana and Wisconsin.

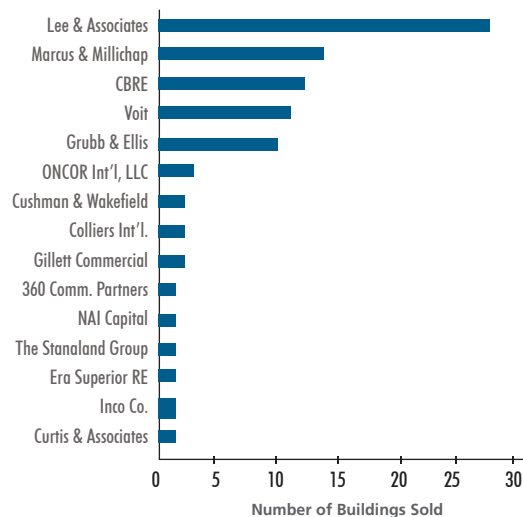
With a broad array of regional, national and international clients—ranging from individual investors and small businesses, to large corporations and institutions—Lee & Associates has successfully completed transactions with a total value of more than \$5 billion last year, alone.

### 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

## 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.