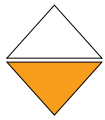


# Orange County INDUSTRIAL MARKET REPORT

Fourth Quarter 2011

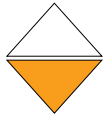
## MARKET OVERVIEW (Change from last quarter)

Vacancy  
5.7%



Down from 5.8% from last quarter

Net Absorption  
377,404 Sq. Ft.



Down from 510,795 Sq. Ft. from last quarter

Avg. Industrial Lease Rate  
\$0.64 NNN



Up from \$0.62 NNN last quarter

538 Total Number of  
Transactions for the Quarter



Down from 674 transactions last quarter

## OC Industrial Space Tighter in 2012; Rates Up

Orange County's industrial vacancy rate continued to tick downward in the fourth quarter and finished 2011 more than a percentage point less than the previous year as companies expanded and employment and the economy grew. Additionally, 2011 generally marked the end of a recessionary slide in lease rates as rents firmed or were trending upward in most areas.

The year-end vacancy rate settled at 5.7% for a year-over-year decline of 1.1 percentage points. Positive net absorption of industrial space totaled 1.8 million sq. ft. in 2011, the most since 2006. But five years ago, the vacancy rate was 3.8% and triple-net average rents were nearing their peak of 85 cents per sq. ft. Since then, average rents tumbled about 39% to 61 cents by late 2010 before inching up to 64 cents at 2011's close.

In its new quarterly survey of industrial buildings larger than 10,000 sq. ft., Lee & Associates found positive signs across the board. Net absorption of space increased in Q4 in three of the county's five submarkets compared to Q3 and was up for the year in Orange County's four largest submarkets. Countywide, the industrial inventory total is 295 million sq. ft.

The North County submarket, which has county's the largest volume of industrial space and includes densely developed industrial neighborhoods in Fullerton, Buena Park, Brea, Placentia and Anaheim Hills, had its best year since 2004 as more than 900,000 sq. ft. of space was absorbed. The year-end vacancy rate settled at 5.4%, which was down dramatically from 6.7% at the end of 2010.

The Airport submarket, the county's second largest, closed 2011 with a 5.9% vacancy rate that saw net absorption of more than 732,000 sq. ft. in a strong second half. Net absorption for the year totaled more than 787,000 sq. ft., the most since 2006.

Central County, the third largest submarket that includes Santa Ana, Anaheim and Garden Grove, closed 2011 with a strong Q4 of 403,709 sq. ft. net absorption in a year that was otherwise mixed. Its year-end vacancy rate was 4.9%, which was off 0.5 percentage points year over year.

The South County submarket, with 45.4 million sq. ft. of inventory, saw its vacancy rate fall in Q4 by 0.5 percentage points, closing 2011 at 7.1% from 7.8% at the end of 2010. The submarket, which runs from the Irvine Spectrum to San Clemente, posted more than 306,000 sq. ft. of net absorption for the year despite a negative third quarter.

The geographically small West County, which includes Huntington Beach, Cypress and Los Alamitos, was the poorest performing submarket. Its vacancy rate closed Q4 at 5.5%, up 0.8 percentage points YOY on a base of 25.4 million sq. ft.

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

Fourth Quarter 2011

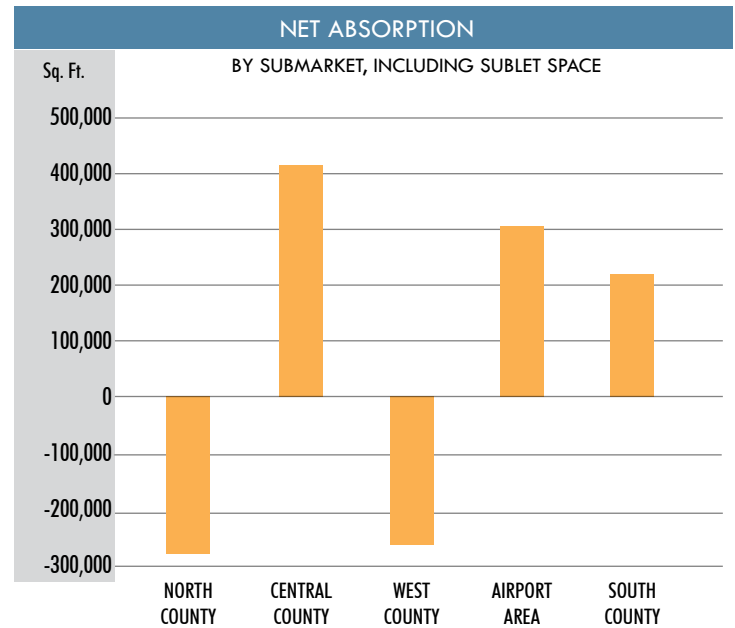
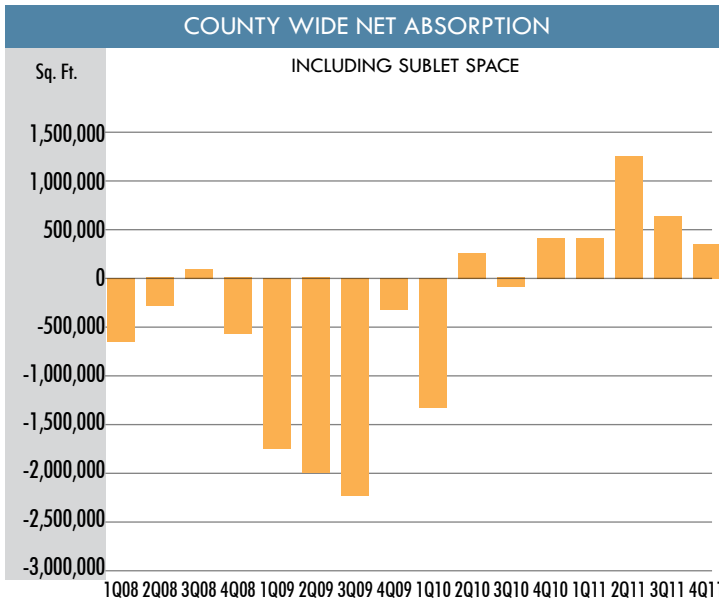
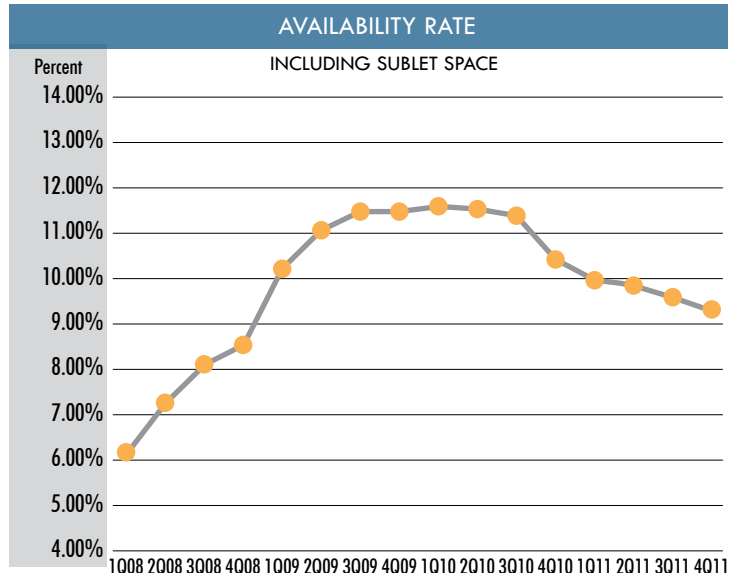
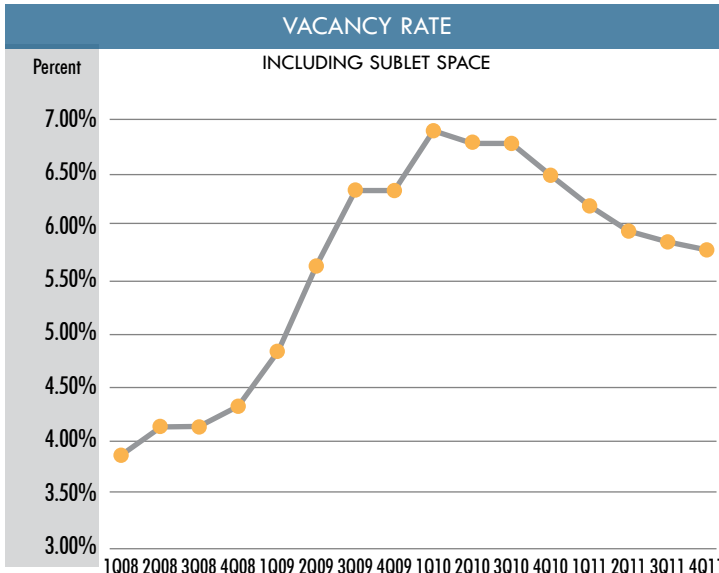
Market	Existing Inventory		Vacancy			Net Absorption	Under Construction	NNN Avg. Rate
	# of Bldgs.	Total Building Square Feet	Direct SF	Total SF	Vac. %			
North County	2,120	84,495,128	4,498,199	4,563,190	5.4%	(272,401)	0	\$0.51
Central County	2,154	65,112,539	3,050,301	3,186,401	4.9%	403,709	0	\$0.55
West County	749	25,446,060	1,228,186	1,408,307	5.5%	(263,917)	0	\$0.64
Airport Area	2,305	74,533,378	4,259,584	4,367,658	5.9%	301,338	0	\$0.65
South County	1,314	45,413,202	3,159,937	3,226,717	7.1%	208,675	1	\$0.79
<b>Totals</b>	<b>8,642</b>	<b>295,000,307</b>	<b>16,196,207</b>	<b>16,752,273</b>	<b>5.7%</b>	<b>377,404</b>	<b>1</b>	<b>\$0.64</b>

Source: CoStar

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

# QUARTER IN REVIEW

Fourth 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

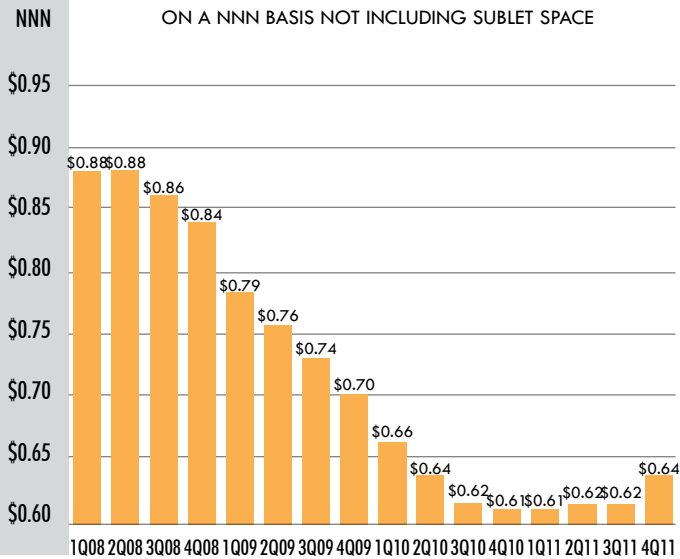
**Forecast:**

Forecasters are expressing growing optimism that the economy will continue to strengthen in 2012. A repeat of last year's countywide absorption will bring the overall industrial vacancy rate to about 5%, which is less than the 5.4% annual rate the county has averaged over the last decade.

# QUARTER IN REVIEW

Fourth Quarter 2011

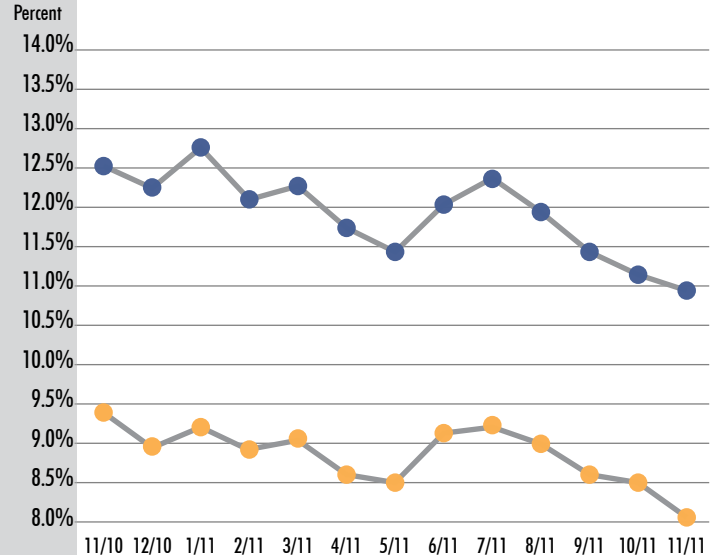
## WEIGHTED AVERAGE ASKING LEASE RATES



## UNEMPLOYMENT RATE

Source: EDD

CA Average ■  
Orange County ■



## Recent Transactions

**SOLD • 126,320 Sq. Ft.**

3525 Garfield | Commerce



Bruce Heathcote and Ken Keithly represented the Seller, Dunn Edwards.

**SOLD • 99,535 Sq. Ft.**

4200 S. Mission Blvd. | Ontario



Bill Garrett and Jedd Zaun represented the Seller, JW Irvine L.P.

**SOLD • 55,430 Sq. Ft.**

16662-16812 Gothard | Huntington Beach



Curt Stalder and Jim Snyder represented the Seller, Princeland Properties.

**SOLD • 37,041 Sq. Ft.**

4411 La Palma | Anaheim



Scott Seal and Luke Hudson represented the Buyer, HD Companies, LLC.

**SOLD • 28,175 Sq. Ft.**

1690 Delilah St. | Corona



John Son represented the Buyer, GAWU, LLC.

**LEASED • 25,721 Sq. Ft.**

11150 Dana Circle | Cypress



Scott Smith represented the Lessee, Power Trim.

**SOLD • 22,468 Sq. Ft.**

20381 Hermana Circle | Lake Forest



R. Swanson and C. Conway represented the Seller, Sony, and K. Bruggeman represented the Buyer, Golden Globe Commercial.

**SOLD • 11,200 Sq. Ft.**

15311-15323 Pipeline Ln. | Huntington Beach



Ted Sawyer and Darin McDonald represented the Buyer, WFT, LLC.

**SOLD • 6,442 Sq. Ft.**

9611 Irvine Center Dr. | Irvine Spectrum



Mark Jerue and Craig Fitterer represented the Buyer, Applied Medical, and Seller, CND Investments.

# QUARTER IN REVIEW

Fourth Quarter 2011

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

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Tom Gilmer	Steve Pelletier
Tom Grant	Bob Sattler
Jack Haley	Scott Seal
Chuck Hardy	Scott Smith
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Chris Coyte	Dick Silva
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Bob Griffin	Kevin Thomas
Jeff Hirsch	Jedd Zaun
Steve Jehorek	
Judd Hietbrink	

## About Lee & Associates

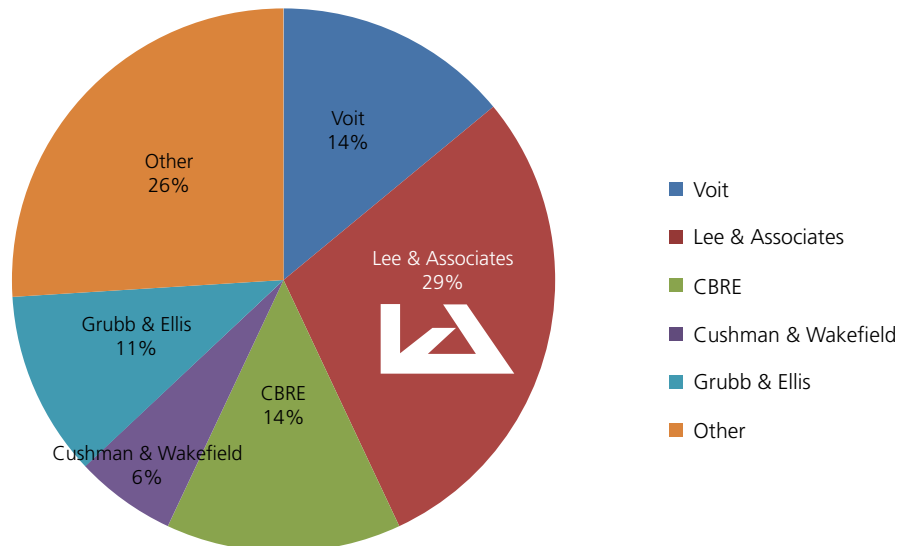
As a group of independently owned and operated companies, Lee & Associates currently has 44 offices in Arizona, California, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Michigan, Missouri, Nevada, New Jersey, New York, South Carolina, Texas and Wisconsin.

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.