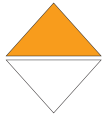


Orange County INDUSTRIAL MARKET REPORT

Second Quarter 2009

MARKET OVERVIEW (Change from last quarter)

Vacancy
6.0%



up 3.44% from last quarter

Absorption
-981,410 Sq. Ft.



down 68.7% from last quarter

Avg. Industrial Lease Rate
\$0.80 MG



down 1.4% from last quarter

Avg. Industrial/R&D Lease Rate
\$0.91 MG



down 2.2% from last quarter

Growth In Available Space Slows, But Lease Rates Fall 8.8%

The volume of available Orange County Industrial space grew in the second quarter at the lowest rate in six consecutive quarters, settling at 8.77% countywide. The overall vacancy rate was 6% at mid-year.

But with continuing sluggish transaction activity, asking lease rates have fallen 8.8% since the first of the year and 14% from their year-ago peak as many landlords scramble to fill empty space. Meanwhile, more sellers are discounting prices despite historic low interest rates.

While current availability rate seems high by comparison to the 4.97% of space available one year ago, it's a far cry from the crushing glut of space that came on the market in 1993, the nadir of the 1991-95 recession. It was in that year that the availability rate was 15.8% overall and in the high teens in some submarkets.

It's highly unlikely that the county's Industrial market will see that much space available again chiefly for two reasons: The Orange County economy has experienced enormous economic expansion in the last 15 years that came without a corresponding increase in new Industrial product. Currently, there are no new Industrial buildings under construction.

In 1993 the county's Industrial inventory stood at approximately 225 million square feet and taxable sales totaled some \$26.5 billion. During the decade and a half since, the Industrial base grew about 41% while taxable sales shot up 115% to \$57 billion. Job growth increased 34.4% during that span while personal income soared 151%.

Of course, it's not the same kind of economy. Part of what pulled down the economy then was sharp cutbacks in defense and aerospace that ended an era of big manufacturing and engineering.

Industrial specialists at Lee & Associates, which posted a dominant 27% market share of transactions – more than the next three brokerage firms combined – say some landlords with vacant space are frustrated by the lack of significant tenant interest and are increasingly willing to deal.

For example, a 7,200-square-foot building at 1030 Collins Ave. in Orange, that was vacant for more than six months and reduced to 65-cents per square foot, recently was leased for five years at 46 cents per square foot with 5% annual increases. The building, needing interior paint and carpet for the 2,500-square-foot office space, was leased "as is." Two years ago the building would have fetched a lease in the high 70-cent range. When the 18-year-old building was new, it leased for 42 cents.

In Rancho Santa Margarita, owners of two vacant 9,000-square-foot buildings recently slashed their advertised lease rates from 95 cents to 74 cents triple net and cut sale prices from \$210 to \$175 per square foot – the lowest in the submarket.

Availability rates are up throughout all five submarkets – North, South, Central, West and the Airport – the difference ranges from a low of 8% in Central county to 10.03% around the Airport.

Total available space is 27,791,775 square feet out of the county's total 317,067,256 square feet.

Total Industrial/R&D Market Statistics

Second Quarter 2009

Market	Existing Inventory		Vacancy			YTD Net Absorption	Under Construction	Gross Asking Rate
	# of Bldgs.	Total Building Square Feet	Total Vacant	Total SF Available	Vac. %			
North County	4,172	119,208,228	6,999,303	10,230,595	5.87%	327,546	392,864	\$0.80
Central County	2,065	52,065,799	2,421,327	4,166,021	4.65%	317,021	845,464	\$0.94
West County	1,897	55,389,927	3,246,340	4,719,264	5.86%	484,621	566,693	\$0.81
Airport Area	1,399	38,805,268	2,443,348	3,890,727	6.30%	-352,201	0	\$0.97
South County	1,702	51,598,034	3,479,448	4,785,168	6.74%	204,423	689,647	\$1.03
Totals	11,235	317,067,256	18,589,766	27,791,755	5.86%	981,410	2,494,668	\$0.91

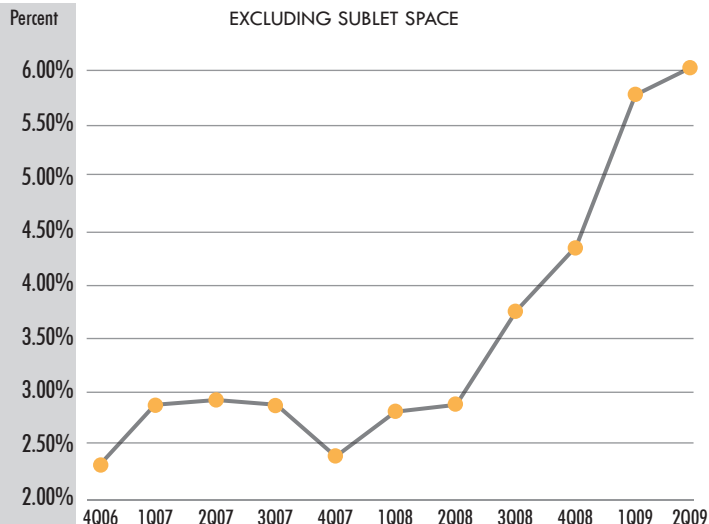
Source: AIR

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

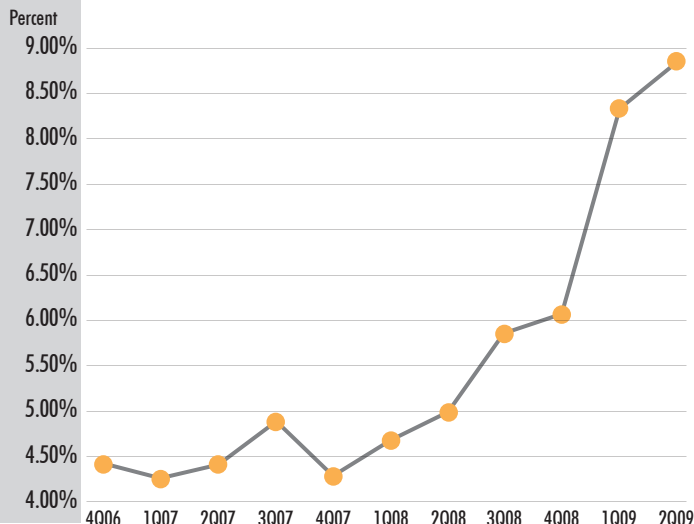
QUARTER IN REVIEW

Second Quarter 2009

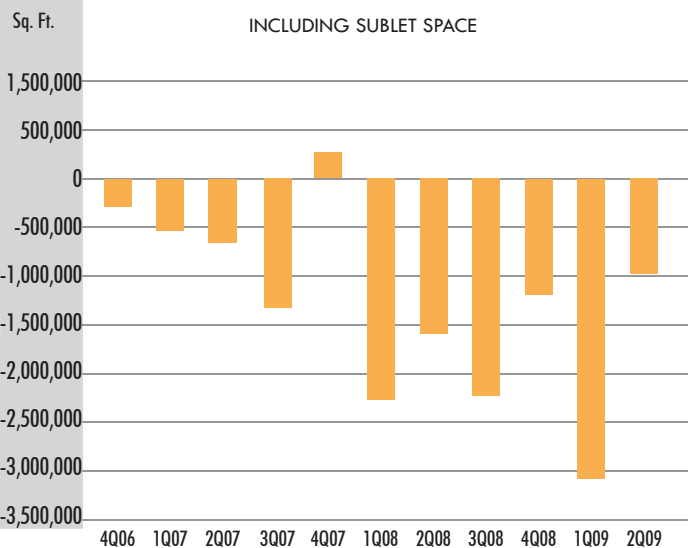
VACANCY RATE



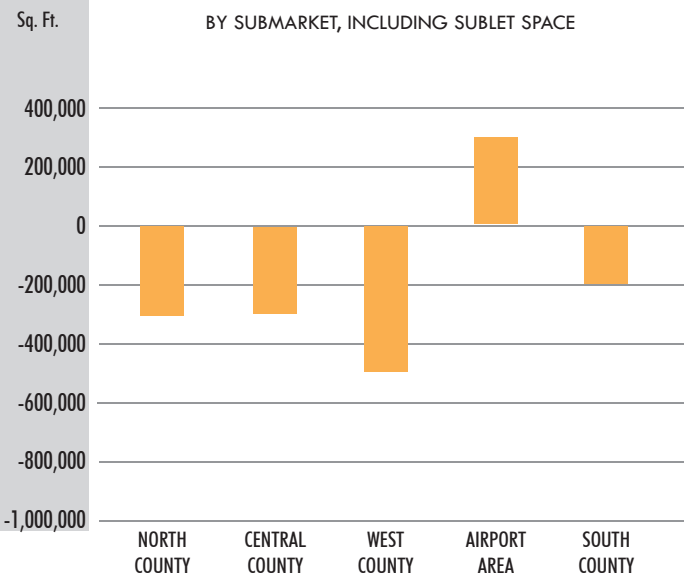
AVAILABILITY RATE



COUNTY WIDE NET ABSORPTION



NET ABSORPTION



Submarkets

NORTH

Anaheim, Brea, Fullerton, La Habra, Orange, Placentia, and Yorba Linda

WEST

Cypress, Garden Grove, Huntington Beach, Los Alamitos, Seal Beach, Stanton and Westminster

CENTRAL

Fountain Valley, Santa Ana and Tustin

AIRPORT

Costa Mesa, Irvine, and Newport Beach

SOUTH

Aliso Viejo, Foothill Ranch, Irvine Spectrum, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano

Forecast:

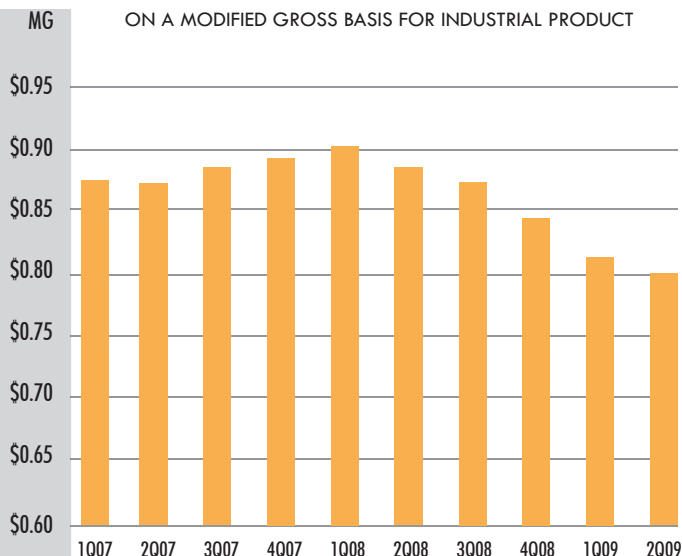
Look for lease rates to continue to fall in the next two quarters as landlords employ their only strategy in their efforts to keep tenants from relocating to competing facilities.

QUARTER IN REVIEW

Second Quarter 2009

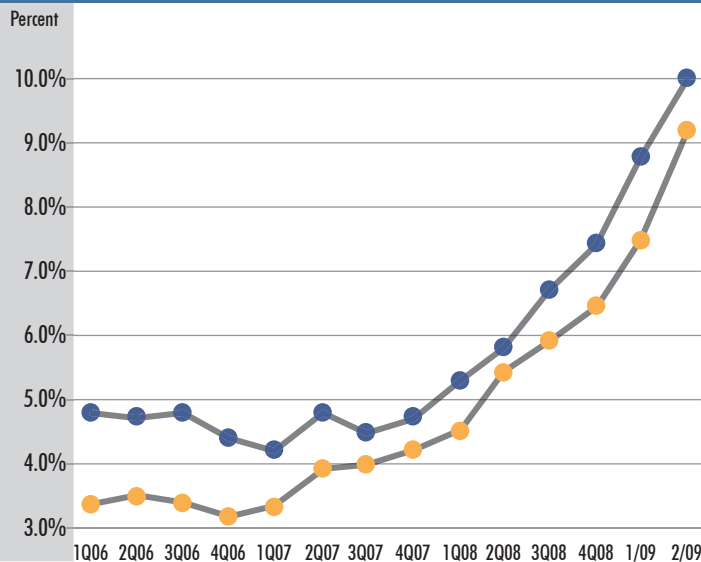
WEIGHTED AVERAGE ASKING LEASE RATES

ON A MODIFIED GROSS BASIS FOR INDUSTRIAL PRODUCT



UNEMPLOYMENT RATE

Orange, CA
U.S. Average



Recent Transactions

SOLD • 64,200 Sq. Ft.

12400 Industry | Garden Grove



Scott Smith and Jim Oliver represented the seller, Kilroy Realty.

SOLD • 37,245 Sq. Ft.

15251 Pipeline | Huntington Beach



Mike Long represented the sellers, Alan and Sheila Budnik.

SOLD • 35,795 Sq. Ft.

3160 Pullman | Costa Mesa



John Collins represented the buyer, ACCO Engineering.

LEASED • 32,480 Sq. Ft.

1201 McFadden | Santa Ana



Chuck Noble, Dave Hunsaker and Rob Leiter represented the tenant, Structural Materials Co.

LEASED • 28,902 Sq. Ft.

2727 Campus Drive | Irvine



Brian Garbutt represented the landlord, Greenlaw Partners, LLC.

LEASED • 23,598 Sq. Ft.

18871 Teller | Irvine



Brian Garbutt represented the landlord, Greenlaw Partners, LLC.

LEASED • 23,417 Sq. Ft.

1345 Allec | Anaheim



Bryan Miller and David Williams represented the tenant, Roberts Engineering Inc.

SOLD • 18,211 Sq. Ft.

3122 W. Adams | Santa Ana



Greg Diab represented the undisclosed buyer.

SOLD • 5,850 Sq. Ft.

1323 Calle Avanzado | San Clemente



Rich McEvoy represented the buyer, Hot Shoppe Designs.

QUARTER IN REVIEW

Second Quarter 2009

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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	Jim Oliver
Tom Gilmer	Jon Passafiume
Tom Grant	Steve Pelletier
Jack Haley	Bob Sattler
Chuck Hardy	Scott Seal
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Matt Durkin	Andrew Robben
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John Collins	Jason Schultz
Chris Coyte	Dick Silva
Jim deRegt	Travis Smith
Bill Garrett	Jim Snyder
Bob Griffin	Curt Stalder
Jeff Hirsch	Kevin Thomas
Steve Jehorek	Andy Walburger
Chris Lamm	Jedd Zaun

About Lee & Associates

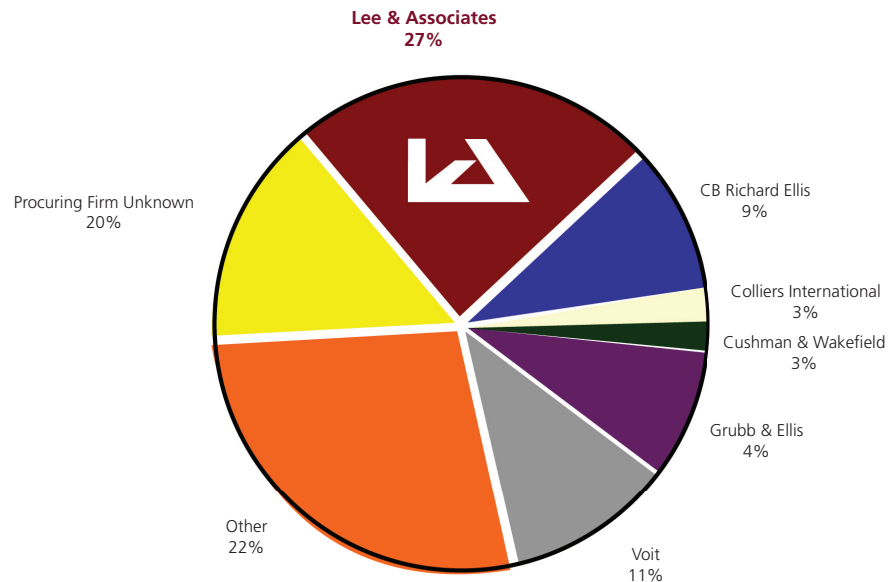
As a group of independently owned and operated companies, Lee & Associates currently has more than 39 offices in California, Arizona, Nevada, Michigan, Missouri, Idaho, Texas, New Jersey, Illinois and Wisconsin.

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 plant, bulk warehousing/distribution facilities, specialized R&D 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



TERMS:

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 gross lease rates for all buildings in the summary. Direct leases only; excludes sublease space and parking charges.

Modified Gross (MG): Lease type whereby the landlord assumes responsibility for all the operating expenses and taxes (insurance, taxes, utilities, repairs) for the property.

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government, medical buildings are not included.

Occupied Square Feet: NRA not considered vacant.

Vacancy Rate: The percentage of the total amount of physically vacant space divided by the total amount of existing inventory.

Gross Absorption: The total amount of space leased or sold in a specified period of time.

Net Absorption: The net change in total occupied square feet from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy.

Net Rentable Area (NRA): The gross building square footage minus the elevator core, pipe shafts, vertical ducts, balconies and stairwell areas.

Vacancy Rate: Vacant square feet divided by the NRA.

No warranty or representation is made to the accuracy of the foregoing information. Terms of sale or lease and availability are subject to change or withdrawal without notice.