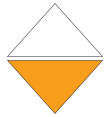


Orange County INDUSTRIAL MARKET REPORT

Second Quarter 2010

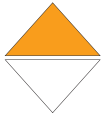
MARKET OVERVIEW (Change from last quarter)

Vacancy
6.8%



Down from 2.9% from last quarter

Net Absorption
216,273 Sq. Ft.



Up from -1,309,320 Sq. Ft. from last quarter

Avg. Industrial Lease Rate
\$0.63 NNN



Down from \$0.69 NNN last quarter

596 Total Number of
Transactions for the Quarter



Up from 393 transactions last quarter

NOTE: To better reflect the market, we have changed our data to reflect buildings 10,000 square feet and larger. Thus, although the trends will be similar, the data for the this quarter cannot be compared with previous quarters.

Industrial Market Stabilizing As Vacancies Slip

In what is perhaps the strongest evidence yet that Orange County's industrial market is stabilizing, the mid-year vacancy rate of industrial space posted its first quarterly decline in three years, falling 0.1% to 6.7%. Accordingly, in the absorption category, a barely positive net gain of only 273,569 sq. ft. qualifies as the biggest in 12 quarters. Companies are taking advantage of lease rates at seven-year lows and are trading up in quality.

This comports with other Lee & Associates' data that tracks space in buildings larger than 10,000 sq. ft., in which analysts at the county's dominant industrial brokerage firm note similar changes in other measurements of vacancy and availability.

New leases are on track to pass 18 million sq. ft. this year, which would be the most since 2004. In the second quarter, users secured 4.3 million sq. ft. of space. Net absorption in all five Orange County markets was on the plus side or holding.

Anxious landlords, however, continued slashing lease rates. Asking rents have fallen 13.5% year over year to an average of 64 cents per sq. ft. triple net, reaching 2003 levels.

Reports from Lee & Associates industrial specialists in the field shed light on possible reasons for the second-quarter halt in the occupancy slide. For example, attractive rents are causing a mini-migration of industrial tenants away from longtime operations in South Bay cities such as Compton, Carson, Torrance and Wilmington.

These inbound tenants are coming from older, congested areas of Los Angeles County – with vast inventories of aging industrial product in deteriorating neighborhoods – to higher image buildings of all sizes at near-comparable rents in first-tier Orange County locations. Typically when users relocate they remain in the same market. Lee & Associates brokers have been engineering gross rents in the low to mid 40-cents per-sq.-ft. range.

Generally speaking, all five of the county's industrial markets – North, Central, West, Airport and South, which total about 294 million sq. ft. of space, posted vacancy rates that were either lower or virtually unchanged from the first quarter.

The West market, the county's smallest with about 24.2 million sq. ft., posted a 5.9% vacancy rate. The Airport market with approximately 75.5 million sq. ft. of space reported the most vacancy at 7.7%, which was unchanged from the first quarter and is up from 6.5% a year ago.

Vacancies in the North County market – the county's largest with 85.3 million sq. ft. and which includes Anaheim – fell to 6.1%, a decline from 6.5% in the first quarter. In the 64.4- million-sq.-ft. Central market, empty space totaled 5.66 million sq. ft. for a 6.1% vacancy rate.

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

Second Quarter 2010

Market	Existing Inventory		Vacancy			YTD Net Absorption	Under Construction	Gross Asking Rate
	# of Bldgs.	Total Building Square Feet	Direct SF	Total SF	Vac. %			
North County	1,459	77,314,158	4,503,414	4,661,179	6.0%	236,253	121,921	\$0.50
Central County	1,405	55,548,903	3,376,699	3,555,295	6.4%	(58,863)	375,000	\$0.53
West County	422	20,395,453	872,542	1,174,211	5.8%	(32,559)	0	\$0.60
Airport Area	1,623	67,166,120	4,998,096	5,243,544	7.8%	2,488	0	\$0.67
South County	988	41,281,739	2,612,539	3,008,309	7.3%	68,954	0	\$0.84
Totals	5,897	261,706,373	16,363,290	17,642,538	6.8%	216,273	374,400	\$0.63

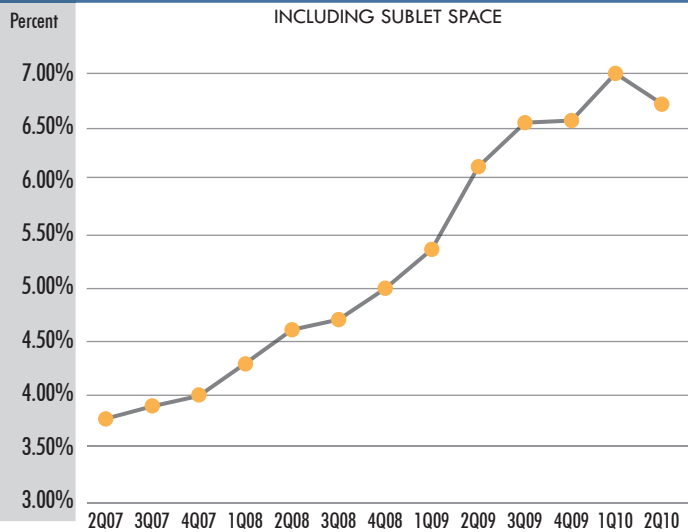
Source: CoStar

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

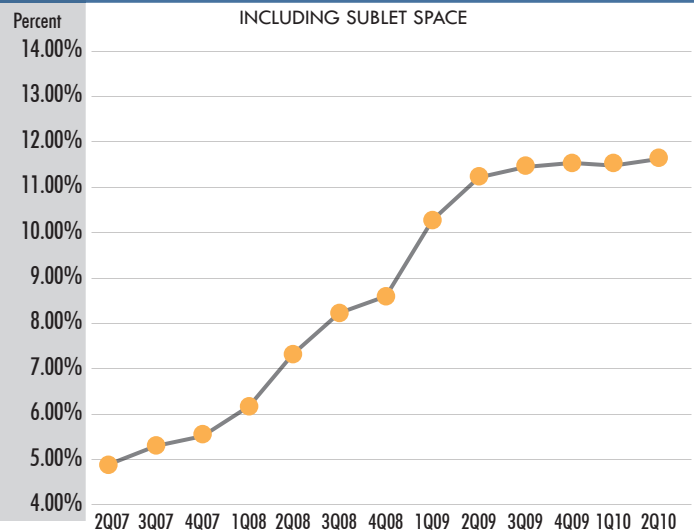
QUARTER IN REVIEW

Second Quarter 2010

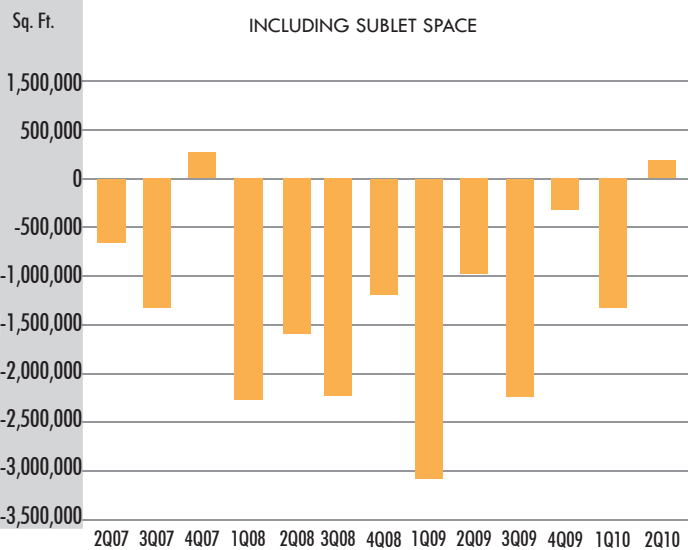
VACANCY RATE



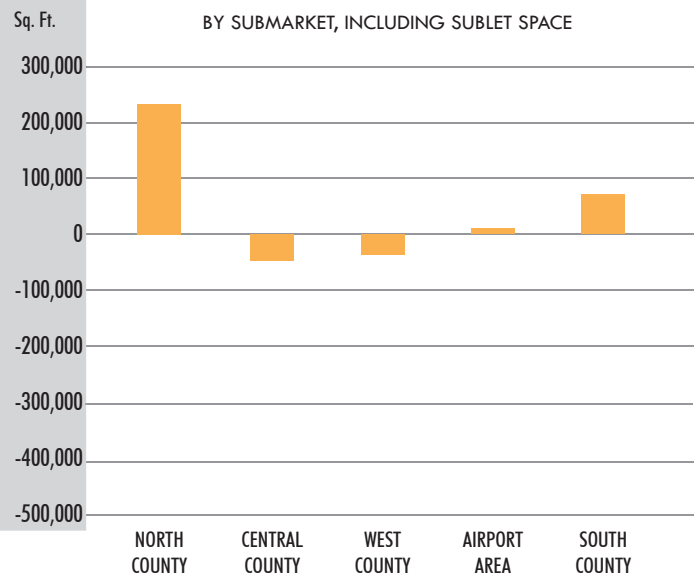
AVAILABILITY RATE



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

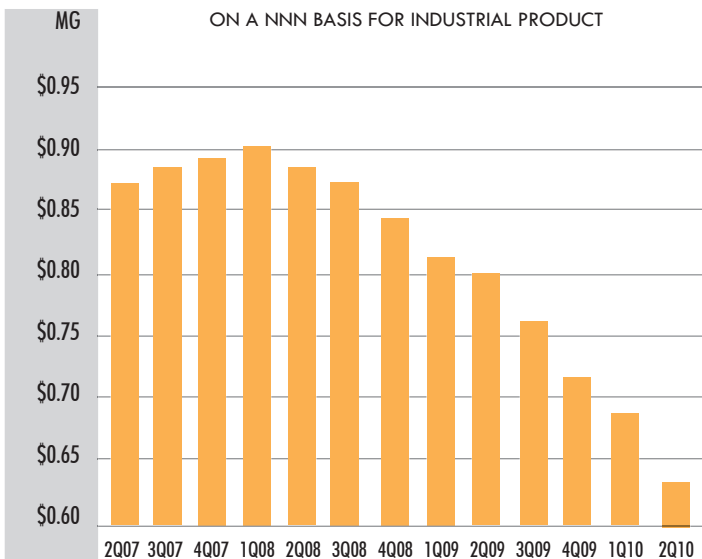
Forecast:

Despite an apparently stabilizing market for industrial space, it would be unrealistic to expect a steadily downward march in vacancy rates. But because companies are not hiring doesn't mean they won't take advantage of low prices and rents to improve operations and facilities.

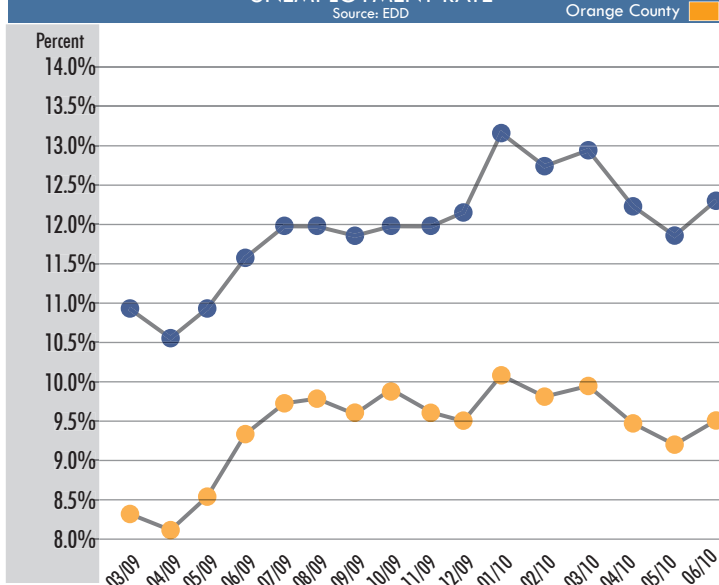
QUARTER IN REVIEW

Second Quarter 2010

WEIGHTED AVERAGE ASKING LEASE RATES



UNEMPLOYMENT RATE



Recent Transactions

SALE • 387,684 Sq. Ft.
17235 Newhope | Fountain Valley

No Photo
Land

Jim Snyder and Andy Walburger represented the seller, Three Star Properties in land transactions.

LEASE • 200,648 Sq. Ft.
5 Marconi

John Matus, Christine Bowen and Kurt Bruggerman represented the landlord, Mitch Bloom.

LEASED • 77,028 Sq. Ft.
10800 Kalama River | Fountain Valley

Jim Snyder and Andy Walburger represented the landlord, TA/Western, LLC.

SOLD • 41,655 Sq. Ft.
320 Kalmus Drive | Costa Mesa

Phil Cohen, Justin Smith and Matt Durkin represented the seller and Guy LaFerrara and Ryan Swanson represented the buyer.

LEASED • 28,103 Sq. Ft.
13852 West | Garden Grove

Darin McDonald, Ted Sawyer and John Martin represented the seller, Scott Huynh.

SOLD • 25,328 Sq. Ft.
8645 Research Dr. | Irvine Spectrum

Craig Fitterer and Mark Jerue represented both the seller and buyer.

SOLD • 112,146 Sq. Ft.
3255-3261 E. Miraloma | Anaheim

A. Buchanan represented the lessor, Bath Fixtures Corporation.

LEASED • 63,253 Sq. Ft.
14820 Carmenita Rd. | Norwalk

Tim Cronin represented the Lessor and David Newton, Scott Smith and Scott Williams represented the lessee.

LEASED • 45,250 Sq. Ft.
5500 E. La Palma | Anaheim

Bryan Miller represented the lessor, Cardinal Self Storage.

QUARTER IN REVIEW

Second Quarter 2010

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

LEE & ASSOCIATES - ANAHEIM
1004 West Taft Avenue, Suite 150
Orange, California 92865
(714) 647-9100

Shan Batla	Dave Hunsaker
Allen Buchanan	Dan Kruse
Pat Delaney	Larry Lawrence
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
James Hawkins	Scott Smith
Doug Himes	John Son
Mark Hintergardt	John Tenaglia
Luke Hudson	Randy Verdieck
Elizabeth Hughes	Dave Williams

LEE & ASSOCIATES - IRVINE
111 Pacifica, Suite 310
Irvine, California 92618
(949) 727-1200

Mike Baker	Brian Hughes
Andrew Bermudez	Guy Laferrara
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
Mark Jerue	Justin Smith
Ryan Harman	John Sullivan
Jason Helmick	

LEE & ASSOCIATES - NEWPORT BEACH
3991 MacArthur Blvd., Suite 100
Newport Beach, California 92660
(949) 724-1000

Frank Adler	Mike Long
Sean Ahern	Dale Luther
Tim Arguello	John Martin
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
Pat Lacey	Jedd Zaun

About Lee & Associates

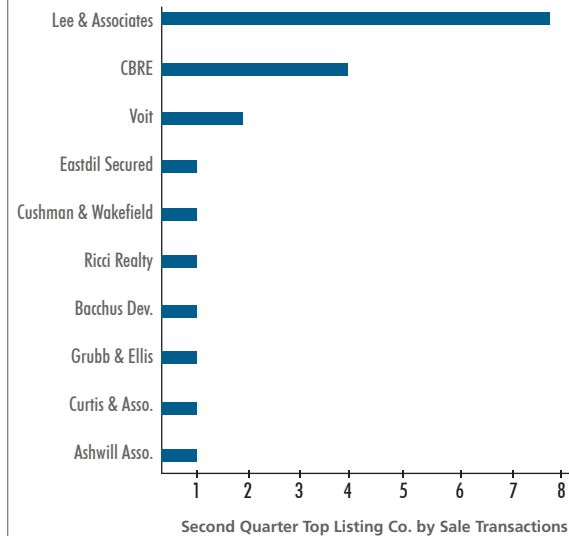
As a group of independently owned and operated companies, Lee & Associates currently has more than 39 offices in California, Arizona, Nevada, Michigan, Missouri, Idaho, Texas, New Jersey, Illinois and Wisconsin.

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



Number of buildings currently for lease

	Company	Market Share	Total # of Bldgs.
1	Lee & Associates	11.0%	438
2	CBRE	6.6%	264
3	The Irvine Co.	5.1%	204
4	Grubb & Ellis	4.7%	189
5	Voit	4.1%	163
6	Cushman & Wakefield	2.9%	114
7	NAI Capital	1.4%	54
8	The Colton Co.	1.2%	48
9	Olen Properties	1.1%	45
10	Bacchus Dev.	1.0%	41
	All Others	60.8%	2,422

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 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 most of the operating expenses such as taxes, insurance and structural repairs for the property.

Inventory: Industrial and flex inventory includes all multi-tenant and single tenant buildings. 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.

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