

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

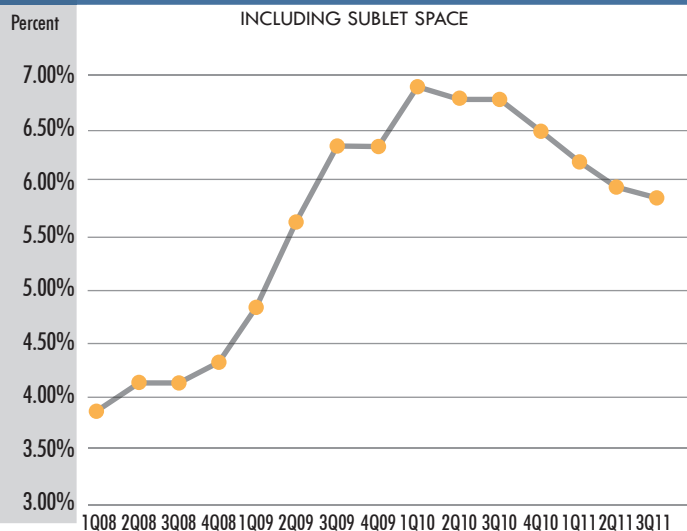
Source: CoStar

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

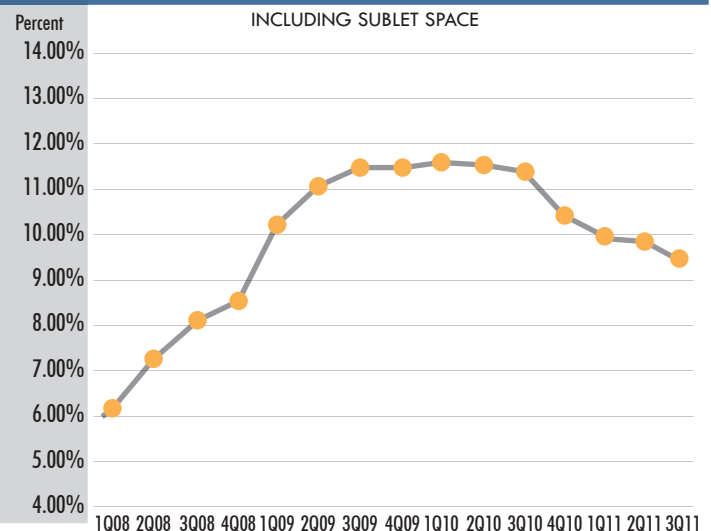
QUARTER IN REVIEW

Third Quarter 2011

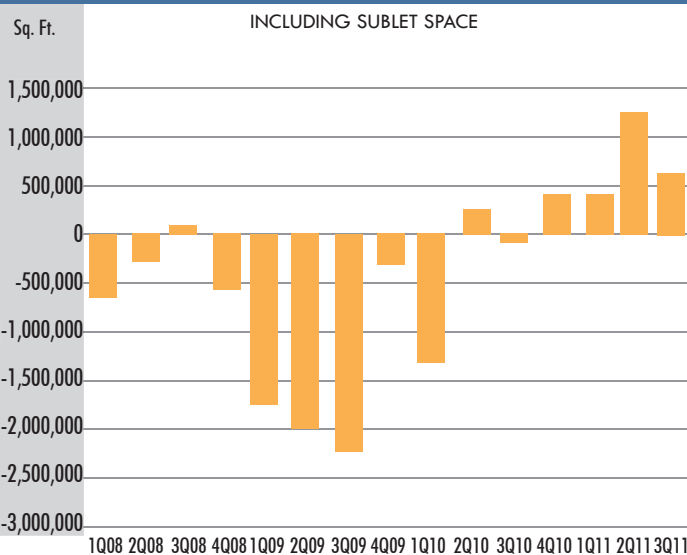
VACANCY RATE



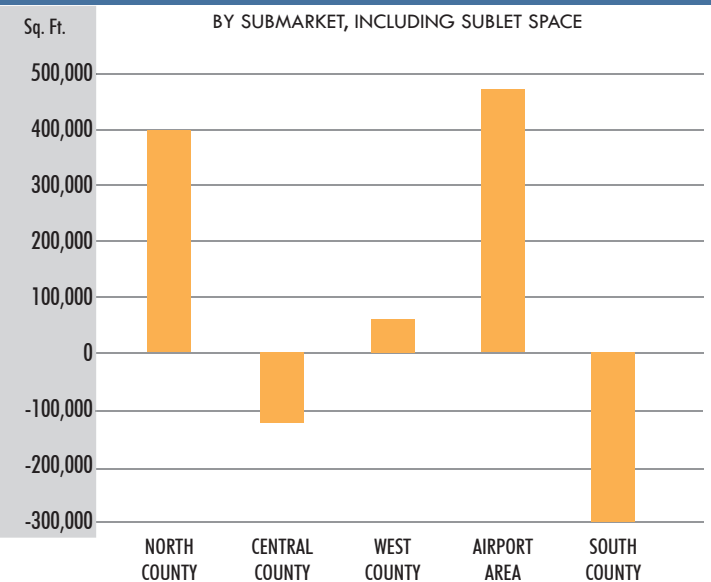
AVAILABILITY RATE



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:

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

FOR FURTHER INFORMATION,
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About the Cohen Group

The Cohen Group of Lee & Associates prides itself on being one of Orange County's first and foremost brokerage teams. We provide our clients with unparalleled service, knowledge, experience, creativity and dedication. The foundation of our team's success lie in over twenty years of commercial real estate experience amounting to an astounding 1,200 individual transactions.

For more information on the Cohen Group please visit www.cohengroupe.com.

AVAILABLE PROPERTIES FROM THE COHEN GROUP

Type	Address	Comments
Sale	 6 Whatney Irvine, CA	<ul style="list-style-type: none"> • 108,503 sq. ft. free-standing, high-image, industrial building • Built in 1980 on 5.1 acres • Approx. 26,132 sq. ft. of deluxe office • Heavy power - 3,000 Amps (277/480V) • Four (4) ground level loading doors
Sub-lease	 3501 Segerstrom Santa Ana, CA	<ul style="list-style-type: none"> • +/- 20,000 sq. ft. of dead storage • Shop office & restroom included • Five (5) dock-high loading positions available • Fully sprinklered • Yard possible
Sale/Lease	 2621 S. Daimler Santa Ana, CA	<ul style="list-style-type: none"> • +/- 22,000 sq. ft. industrial building (+/- 8,000 sq. ft. office) • Two, dock-high loading doors/one ground • Recent renovations complete • 20' minimum clear height • Large fenced yard
Sale/Lease	 2610 S. Birch St. Santa Ana, CA	<ul style="list-style-type: none"> • Huge fenced yard • Located on 5 acre site • Excellent distribution/trucking DH facility • Several DH loading doors • Ample parking
Sale/Lease	 2701 S. Birch St., Santa Ana, CA	<ul style="list-style-type: none"> • Huge fenced paved/concrete yard • Metal/block-type construction • Clearspan warehouse building • Located on 2.8 acre site • Large truck scale/certified • Several ground level loading areas
Investment/Sale	 1211 McGaw Ave	<ul style="list-style-type: none"> • A single-tenant, NNN leased freestanding industrial building consisting of 38,400 rentable square feet on approximately 2 acres of land • 28' High clearance with large fenced yard