

NAI CAPITAL

Market Perspective | Mid-Year 2010



NAI Capital

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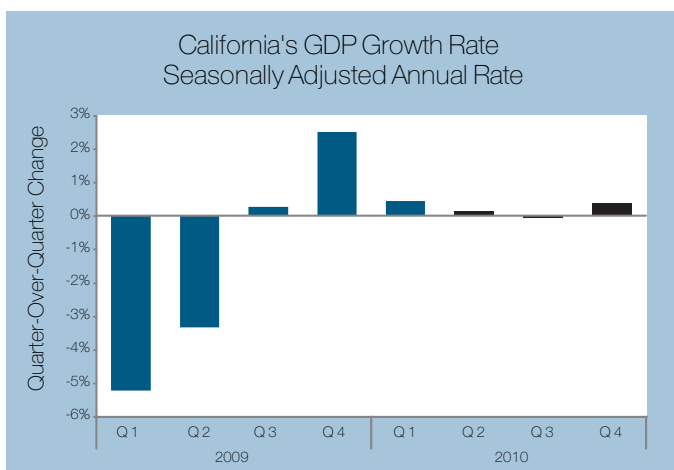
NAI Capital is pleased to provide the following economic outlook to our clients. We understand the importance of timely, accurate data when making significant financial decisions. As such, we have taken every measure to verify the data contained in this report. We hope that the information contained in this report is helpful to you.

Economic Trends

California's economy is improving, albeit very slowly. Gross Domestic Product, the most comprehensive economic variable, is growing. Salary and jobs are increasing as are taxable sales. Median home prices are on the rise and the foreclosure rate is falling. Finally, there is some good news to report.

California's gross domestic product has grown for three consecutive quarters. We expect GDP to remain flat in Q2 and Q3 of 2010 and then increase slightly in Q4. To be sure, we would prefer a more robust recovery. Growth rates in the 2 - 3 percent range would be preferable. Nonetheless, even flat to moderate growth should be viewed as positive after the devastation of the previous two years. California is holding on to previous gains and not regressing in the absence of federal stimulus money.

Much of the recent economic growth was a result of federal stimulus. Programs like Cash-for-Clunkers temporarily and artificially inflated GDP. The forecast of flat to little growth is driven by significant budget problems at all levels of government. Also, the State's controversial environmental regulations, AB32 and SB375, may pose a risk to economic growth if a new voter initiative that limits AB32's impact fails in the November election. The so called Jobs Act, if passed, will suspend AB32 until unemployment falls to 5.5 percent.

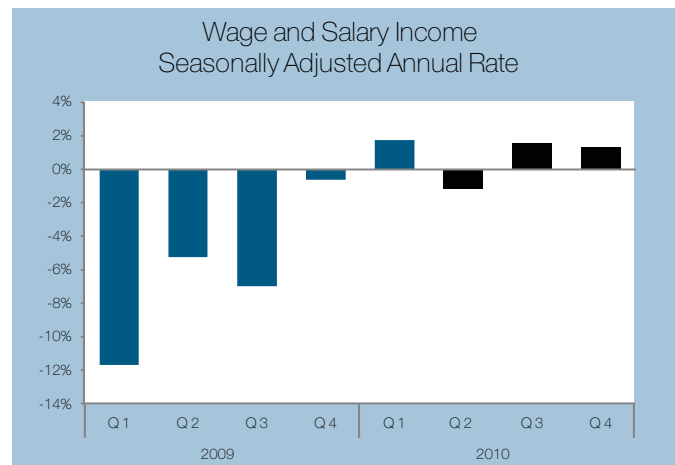


Source: Center for Economic Research and Forecasting (CERF)

The increase in California's GDP is helping the State's cashflow problem. Previously the State Controller estimated that California would run out of cash in July 2010. The Controller's new estimate is now September 2010. While this is an improvement, California's cash problem remains serious.

We do not expect the State's cash problem to improve in any meaningful way in the near future. Citizens should get used to this annual cash shortage. California's infamous IOU's may be a thing of the past but the problem still exists. Until the legislature enacts meaningful financial reform, we expect this saga to continue every year around this time.

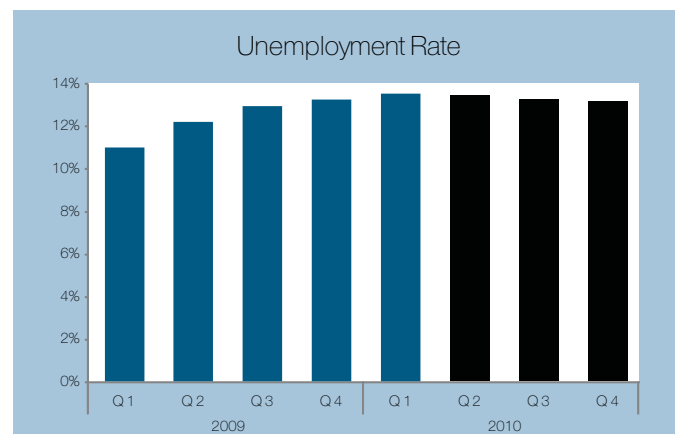
Wage and salary income grew during the first quarter of 2010. This was the first increase in six quarters. For the remainder of the year we forecast a small decline in Q2 and then modest increases in Q3 and Q4. This is good news for consumers. Over-leveraged consumers will now be able to pay down their debts a bit faster.



Source: CERF

Unfortunately, this will not apply to all Californians. The official unemployment rate remains high. At the end of the first quarter 12.5 percent of Californians were unemployed. The good news is that we expect the unemployment rate to slowly fall during the last three quarters of 2010. The bad news is the actual unemployment rate is much higher.

Due to the method of calculating the unemployment rate, individuals who are no longer actively seeking employment are not included in the workforce. During periods of prolonged recession



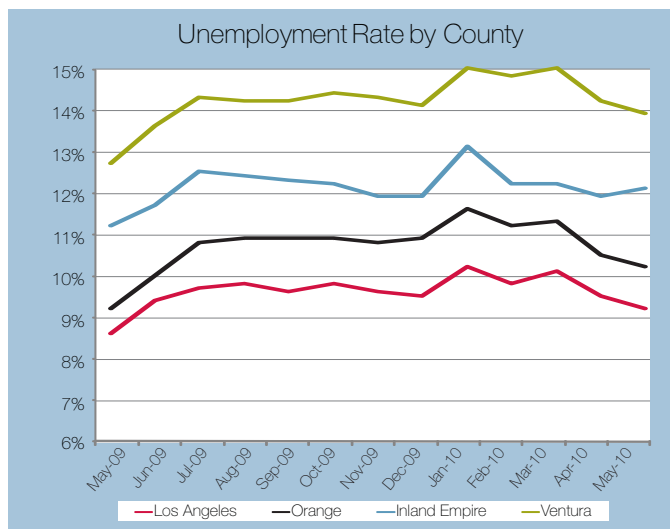
Source: CERF

this number grows dramatically. As a result, the actual unemployment rate is much higher.

While we do forecast a decline in the unemployment rate, we are wary of public sector employment. Serious budget problems at all levels of government suggest that public sector employment will fall in the coming months. We believe that public sector unemployment will be offset by private sector employment. As a result, we have forecasted a slowly declining unemployment rate. We are aware that if the serious budget issues faced by numerous governments become worse the unemployment rate is likely to increase in California.

Unemployment rates in the Los Angeles Basin are mixed relative to California. The Inland Empire continues to experience higher unemployment rates. Los Angeles County's unemployment rate, meanwhile, is essentially the same as the State. Orange and Ventura Counties are below the State's rate.

Unemployment in three of the four regions in the Basin is slowly improving. Unemployment rates in the Inland Empire and Orange and Ventura Counties have fallen each of the last two months. While unemployment is below its peak in Los Angeles County, it rose unexpectedly in May 2010. Our sense is that this is just a short term fluctuation. We expect the unemployment rate in Los Angeles County to resume its slow, downward trend.



Source: California Employment Development Department

The number of unemployed persons in the Basin continues to rise, albeit at a much smaller rate. This raises a question: How can the unemployment rate fall when the number of unemployed increases? The answer lies in how the unemployment rate is calculated.

The unemployment rate is simply the ratio between the number of unemployed people who are actively looking for work and the labor force. The labor force is defined as the sum of the number of employed persons and the number of unemployed persons actively looking for work. Many capable, unemployed persons

have become discouraged and are no longer looking for work. Thus, they are not counted in the unemployment rate even though they are unemployed. Additionally, a non trivial number of unemployed people are migrating out of California to look for jobs in more prosperous states.

Change in Unemployed Persons				
	May 09 - May 10		May 08 - May 09	
	Number	Percent Change	Number	Percent Change
Los Angeles	40,100	7.3%	219,600	66.9%
Orange	9,300	6.8%	60,500	78.7%
Inland Empire	20,700	9.2%	94,400	72.2%
Ventura	4,400	11.0%	16,700	71.7%
Total/Average	74,500	8.6%	391,200	72.4%

Source: California Employment Development Department

In terms of industries, job losses have not been spread evenly. Job losses in the Construction industry continue to outpace all other industries. The over-supply in the residential and commercial real estate markets does not bode well for this sector. We expect construction to remain weak throughout the foreseeable future.

Budget problems at the state, county and city level have taken a toll on government employment. From May 2009 to May 2010 government employment fell 1.1 percent. Given the severe budget problems faced by governments throughout the Basin, we expect more public jobs to vanish in 2010.

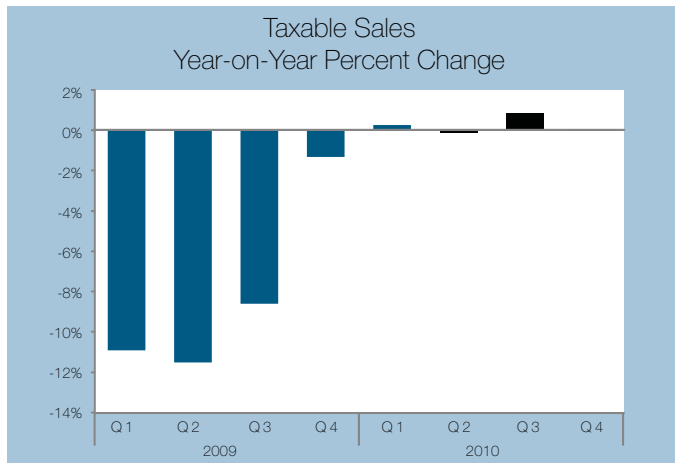
Employment in the Information sector increased significantly from May 2009 to May 2010 while employment in Education and Health Services increased slightly. Job gains in the Information sector are likely to continue but not at the current pace. It is very possible that the Education and Health Services sector will experience a decline in jobs as the State's K-12 and University systems continue to scale back employment.



Source: California Employment Development Department

Taxable sales, a primary source of revenue for governments, broke a string of eight consecutive quarters of decline in Q1 2010. Although the increase was modest it is a step in the right direction. Consumers wary of future job security and needing to pay down debt are beginning to spend.

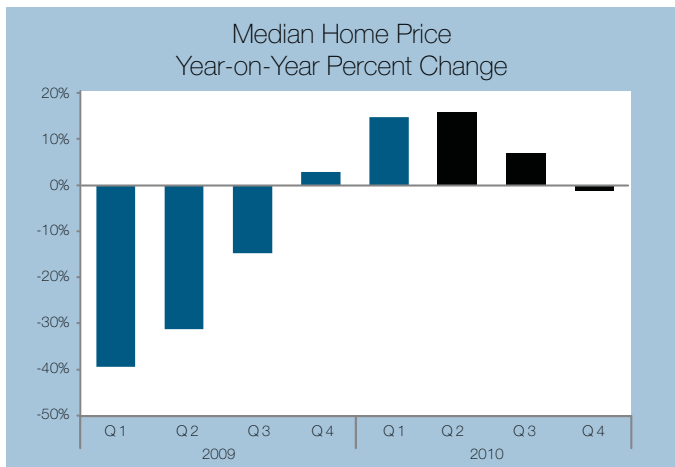
Our forecast is choppy in regards to taxable sales. We expect a slight decrease in Q2 followed by a healthy increase in Q3. We forecast taxable sales to decrease just a bit in Q4. The up and down nature of the forecast is due to structural weaknesses that continue to plague California's consumers. Most notably, high unemployment and grave concerns over future public sector employment weigh heavily on taxable sales.



Source: CERF

After months and months of decline, median home prices for existing single-family homes are increasing in California. On a real, year-on-year basis the increases look impressive. In the first quarter median home prices increased 15.8 percent. Our forecast calls for a similar increase in Q2.

We note that year-on-year growth comparisons are inflated and a significant part of the gain is compositional. The trough in home prices occurred around this time last year. Thus, any comparison to last year will be inflated due to the extremely low comparison period. Nonetheless, increasing home prices are desperately needed in California. We do not expect home prices to continue increasing at this rate. Our forecast calls for home prices to increase relative to the trough and then essentially remain flat. We believe that California's economy, while improving, is too weak to sustain a robust recovery in the housing market at this time.

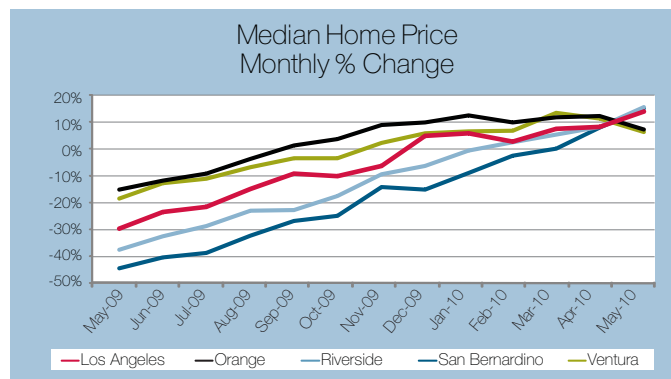


Source: CERF

A similar pattern emerges for the Los Angeles Basin. The median price for all homes is increasing in the Basin. The rate of increase and the length of increase is market dependent. Home prices in Orange County have been rising since September 2009 while in San Bernardino home prices began to rise in February 2010.

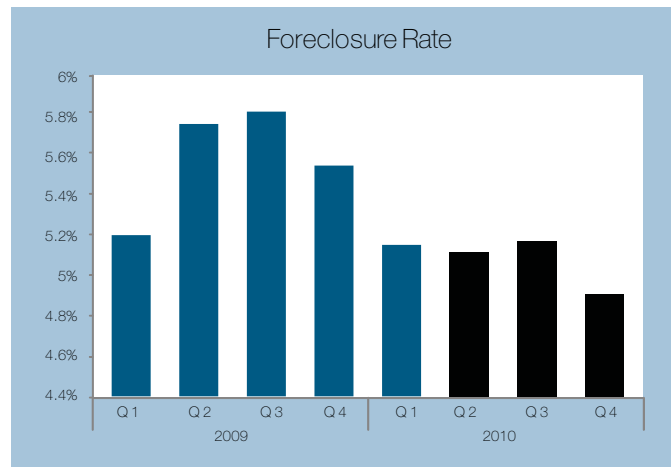
We expect home prices in the Basin to rise in the short term, although not at current rates. Again, we are comparing current prices to their 2009 troughs. Once we move far enough into the future so that we are not comparing current prices to the troughs, we expect home prices in the Basin to level out.

We are seeing this pattern play out in Orange and Ventura Counties. Home prices in these counties began rising in late 2009. The rate of increase peaked in the first quarter of 2010 and has since declined. We expect the rate of increase to fall to zero for these counties later this year when prices are compared to non-trough prices.



Source: California Association of Realtors

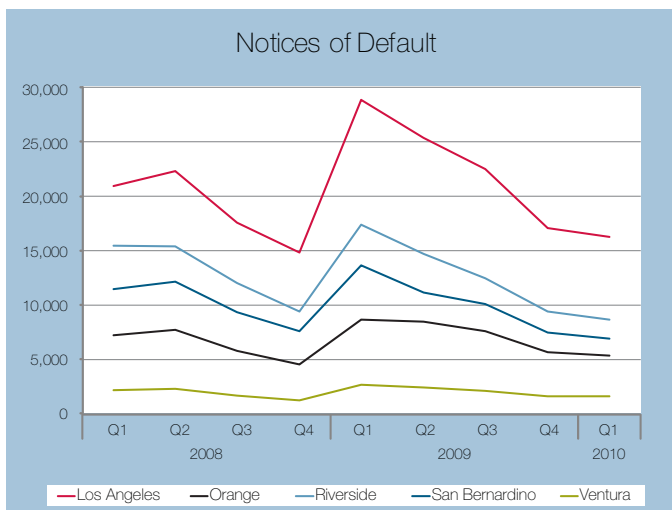
Foreclosures remain high in California. To be sure, the foreclosure rate has fallen in recent quarters and we expect it to continue that trend. However, the rate is well above its historical average. Unfortunately, we do not expect the rate to fall to its historical average in the near future. A high unemployment rate combined with too many upside-down mortgages suggests that foreclosures are not going away any time soon.



Source: CERF

As a result, foreclosures will continue to plague California's residential real estate markets. Foreclosure will keep the supply of homes elevated, while the weak economy will depress demand. Prices, while stabilizing, are not likely to improve greatly with so many foreclosures. Banks will continue to restrict credit while facing the possibility of more defaults.

After peaking in the first quarter of 2009, notices of default began declining in the Los Angeles Basin. Unfortunately, the rate of decline has slowed in recent quarters. This reflects the fact that the housing market is still weak. We do see some signs of improvement but these are overshadowed by high unemployment rates and a lack of consumer confidence. We expect notices of default to continue their decline at rates similar to the ones we are currently experiencing.



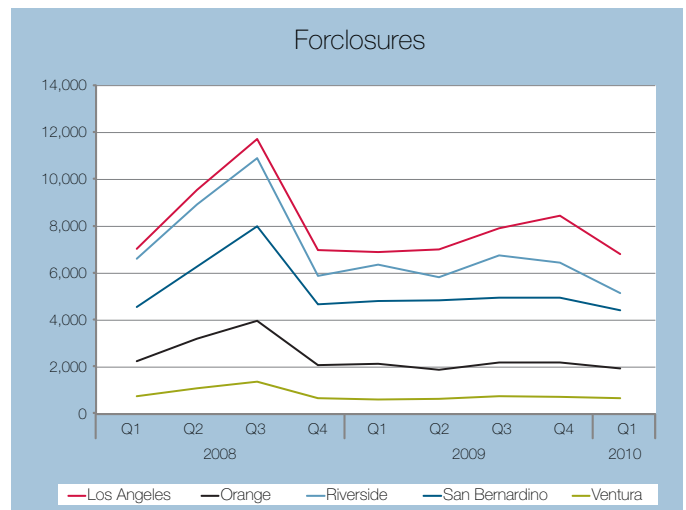
Source: DataQuick

A slightly different pattern emerges for foreclosures. After peaking in the third quarter of 2008, foreclosures declined significantly in the fourth quarter. Sadly, the decline was short lived as the number of foreclosures per quarter remained flat in most areas of the Basin in 2009. This raises a question: Why didn't foreclosures continue to decline in 2009?

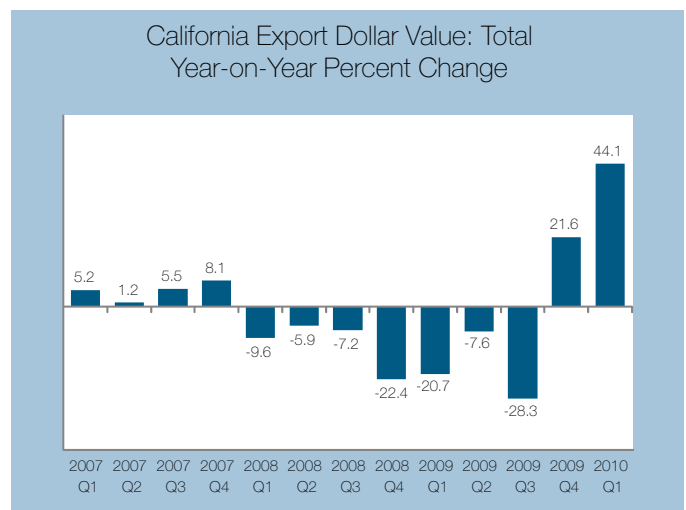
The answer has to do with the nature of the decline. The decline in Q4 2008 was not market related. It was not a signal that the market was improving. Instead, numerous government lead foreclosure moratoriums were in place at the time. The moratoriums simply moved foreclosures from 2008 to 2009. Hence, the number of foreclosures per quarter remained flat in 2009.

In the first quarter of 2010, the number of foreclosures fell in each Basin county. This trend is expected to continue for the rest of the year. We do not believe the declines will be great but at least there will be fewer foreclosures occurring.

California's exports continue to improve. After experiencing seven quarters of decline, exports began to increase in Q4 2009. This bodes well for the states manufacturing sector. While the increases are significant, we do not expect them to remain at this level. Once again we are comparing the current value to the



Source: CoStar



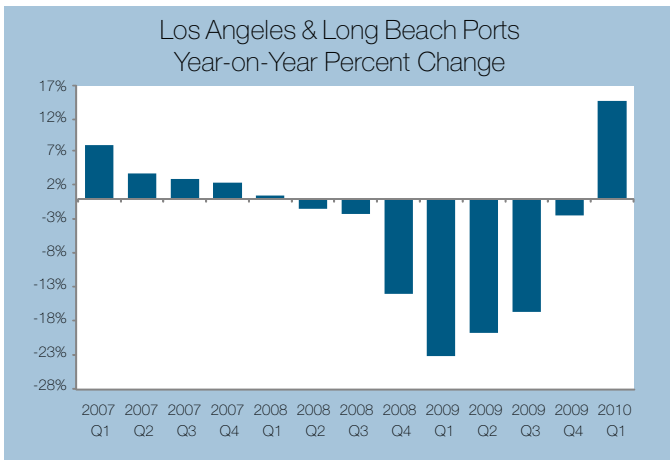
Source: CERF

trough. We expect future increases will be smaller in magnitude. Regardless of the rate of increase, improvements in California's exports bode well for the State's manufacturing and agricultural sectors.

The increase in exports translates into increased activity at local ports. Total inbound and outbound traffic at Los Angeles and Long Beach ports increased 14.6 percent during the first quarter of 2010. Given our expectations regarding exports, we expect traffic to continue increasing at the ports.

The entertainment industry continues to experience good times. Box Office Mojo reports that gross receipts for the period January 1 to June 28 are 1.4 percent higher in 2010 than in 2009. This increase comes on the heels of an 11.9 percent increase in 2009 relative to 2008. More importantly, the average domestic ticket price increased to \$7.95 from \$7.50.

The Los Angeles Basin's on-location production of movies, television shows, commercials and other related entertainment products increased 17.8 percent in the first quarter of 2010 according to Film LA, Inc. Some, but not all, of the increase was due to tax



Source: CERF

incentives that tend to artificially inflate numbers. Nonetheless, we view the increases in on-location production as positive. Tax credits or not, the Basin's entertainment infrastructure will continue to attract production of all types.

California's economy remains weak and susceptible to another recession. The likelihood of a double dip recession is not insignificant. We expect the State's and the Basin's economies to slowly recover. We anticipate small, incremental improvements that will not be felt by most of the State's citizens. This recovery is likely to take quite some time.

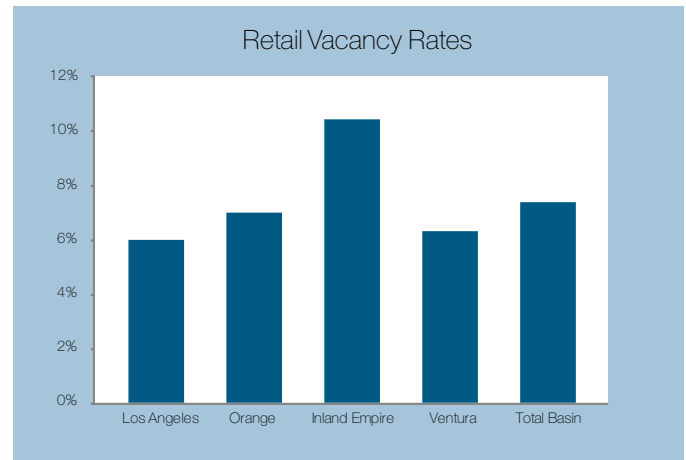
Retail Market

Lackluster job growth, over-leveraged consumers, and low consumer confidence will likely moderate consumer spending. Government unemployment benefits for the long term unemployed have yet to be extended, further complicating matters. Concerns regarding future tax increases in California will certainly not help matters. In general, retail sales are not likely to rebound in the near future.

To the extent that retail sales remain subdued, the retail real estate market will struggle to make significant gains. In fact, vacancy rates continue to increase in this segment. For the Basin as a whole, retail vacancy rates are now 7.4 percent. At 10.5 percent the Inland Empire has the highest vacancy rate while Los Angeles County has the lowest rate, 6 percent.

Compared to Q2 2009, retail vacancy rates are approximately 1 percent higher throughout the Basin. Ventura and Los Angeles Counties experienced the smallest increase. Although vacancy rates are up relative to last year, we expect this trend to moderate during the last two quarters of 2010. We do not expect vacancy rates to fall. Instead, vacancy rates are likely to remain at current levels.

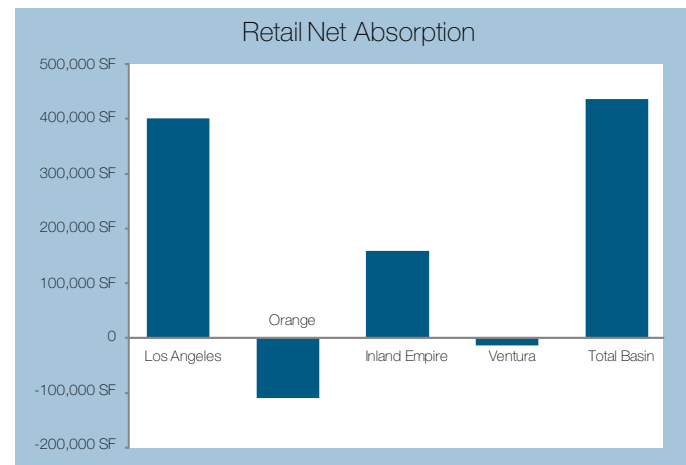
Net absorption in the Basin was positive during the second quarter. The 400,000 square feet of net absorption is a sign that the market is improving. However, in a market as large as the Basin's 400,000 square feet is not significant. Additionally, new con-



Source: CoStar

struction has come to a standstill. Thus, very little new product is in the net absorption figure.

Lease rates continue to decline. The average lease rate for retail space declined \$.13 per square foot from a year ago. Orange County experienced the largest decline at \$.30 per square foot. Los Angeles County's \$.03 per square foot decline was the smallest in the Basin.



Source: CoStar

Given the current market condition, there is not a lot of leasing or sales transactions taking place. Here we mention a few of the larger transactions.

Leasing Transactions

- 1) Famsa leased 20,095 square feet in the Ontario Vineyard Pavilion. The negotiated lease rate was \$2.10 per square foot. NAI Capital was the leasing company.
- 2) TJ Maxx leased 23,807 square feet in Fontana, CA. The negotiated lease rate is \$.90 per square foot.

Sales Transactions

- 1) The Kaleidoscope Center, comprising three buildings, in Mission Viejo was sold on 5/7/2010. The sales price was \$19,600,000 or \$88.61 per square foot.
- 2) The Target Plaza Shopping Center, comprising three buildings, in Oxnard was sold on 4/8/2010. The sales price was \$14,900,000 or \$86.84 per square foot.



Source: CoStar

Los Angeles Basin Retail Market ■ Second Quarter 2010							
	Vacancy Rate			Net Absorption (SF)	Average Asking Rental Rate ¹		
	2010	2009	Difference		2010	2009	Difference
Antelope Valley	12.2%	9.7%	2.4%	94,170	\$1.44	\$1.61	(\$0.17)
Downtown	4.3%	4.0%	0.3%	34,326	\$2.73	\$2.50	\$0.23
Mid Cities	8.2%	7.6%	0.6%	68,561	\$1.65	\$1.88	(\$0.23)
Mid Wilshire	3.1%	2.7%	0.4%	(4,138)	\$3.17	\$3.41	(\$0.24)
Santa Clarita	9.0%	8.3%	0.7%	(1,233)	\$2.02	\$2.25	(\$0.24)
San Fernando Valley	5.5%	5.5%	0.0%	63,890	\$1.85	\$2.05	(\$0.20)
San Gabriel Valley	8.0%	7.5%	0.4%	(53,801)	\$1.63	\$1.75	(\$0.11)
South Bay	4.1%	4.2%	-0.1%	181,605	\$2.47	\$1.89	\$0.58
Southeast LA	7.5%	6.3%	1.2%	(44,039)	\$1.80	\$1.74	\$0.06
Tri Cities	4.8%	4.7%	0.0%	27,813	\$2.34	\$2.47	(\$0.13)
West LA	6.5%	5.9%	0.6%	24,264	\$3.21	\$3.45	(\$0.24)
Los Angeles County	6.0%	5.6%	0.4%	391,418	\$2.24	\$2.27	(\$0.03)
OC Airport	5.9%	4.8%	1.1%	(5,157)	\$2.63	\$2.81	(\$0.19)
OC Central	7.3%	5.8%	1.5%	(57,544)	\$1.59	\$2.01	(\$0.42)
OC North	8.8%	7.7%	1.1%	(20,022)	\$1.60	\$1.72	(\$0.13)
OC South	7.0%	5.9%	1.1%	(27,470)	\$2.05	\$2.41	(\$0.36)
OC West	6.0%	6.3%	-0.3%	3,281	\$1.71	\$2.20	(\$0.49)
Orange County	7.0%	6.0%	1.0%	(106,912)	\$1.97	\$2.27	(\$0.30)
IE East	10.5%	9.4%	1.1%	226,622	\$1.46	\$1.61	(\$0.15)
IE West	10.3%	9.9%	0.4%	(71,353)	\$1.68	\$1.93	(\$0.25)
Inland Empire	10.5%	9.6%	0.9%	155,269	\$1.53	\$1.71	(\$0.18)
Ventura North	7.3%	6.8%	0.5%	(23,874)	\$1.66	\$1.72	(\$0.07)
Ventura South	5.8%	5.8%	0.0%	10,576	\$1.70	\$2.03	(\$0.32)
Ventura County	6.3%	6.1%	0.2%	(13,298)	\$1.69	\$1.92	(\$0.23)
Total LA Basin	7.4%	6.8%	0.6%	426,477	\$1.96	\$2.10	(\$0.13)

Source: CoStar

¹ Per SF per month, NNN. Total is weighted by available space.

Data is for all Class A, B and C buildings 20,000 SF or larger. Excludes owner-occupied.

Office Market

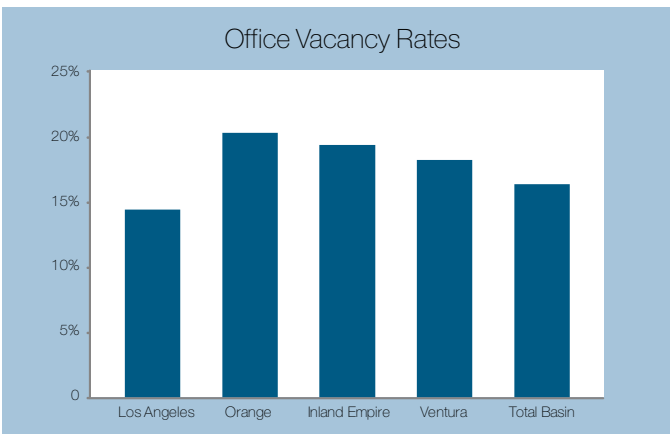
The lack of startup companies and the closure or downsizing of existing companies continues to take a toll on the office market. Vacancy rates for office space are at or near 20 percent in some markets. Negative net absorption remains high. Lease rates continue to fall.

One of the unfortunate outcomes of the stimulus package is that it did not contain tax incentive for new businesses. Historically, programs such as these have been effective in encouraging start-up companies. Small companies are the backbone of the American economy. They supply the bulk of jobs in this country. Sadly, we did very little for them during the recession.

The lack of incentives was particularly hard on California and the Basin. California has been a hot-bed of startups. The Silicon Valley is a prime example. The state has a phenomenal venture capital system that provides the necessary capital for new companies. Human capital produced at the University of California has provided the employees for startups.

California's ability to encourage new businesses is fading. Potential new environmental regulation will not help. High business taxes and over regulation are encouraging companies to leave the state not stay.

The bottom line is that all of these issues are negatively impacting the office market. Vacancy rates for office space in the Los Angeles Basin average 16.4 percent. Orange County's 20 percent vacancy rate is slightly above the Inland Empire's 19.5 percent. Los Angeles County has the lowest vacancy rate, 14.5 percent.

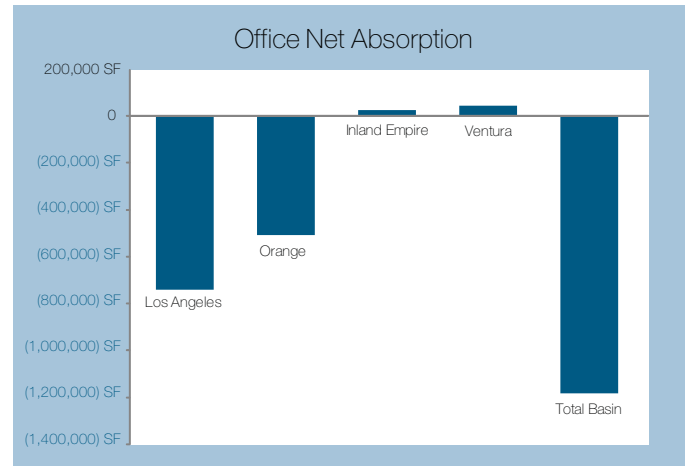


Source: CoStar

Net absorption was a negative 1.2 million square feet during the second quarter. Positive net absorption in the Inland Empire and Ventura County was dwarfed by negative net absorption in Los Angeles and Orange Counties.

High vacancy rates and negative net absorption continue to push down lease rates in the office market. The average lease rate in the Basin is \$2.27 per square feet. This represents a 6.6 percent decline from Q2 2009. Orange County experienced the largest decline as lease rates fell from \$2.21 per square feet to \$2.00.

The Ventura County office market deserves special attention. Vacancy rates in this market actually improved relative to a year ago. The current 18.3 percent vacancy rate is high but improving. Net absorption in the second quarter was positive. Lease rates only declined \$.07 per square foot compared to last year.

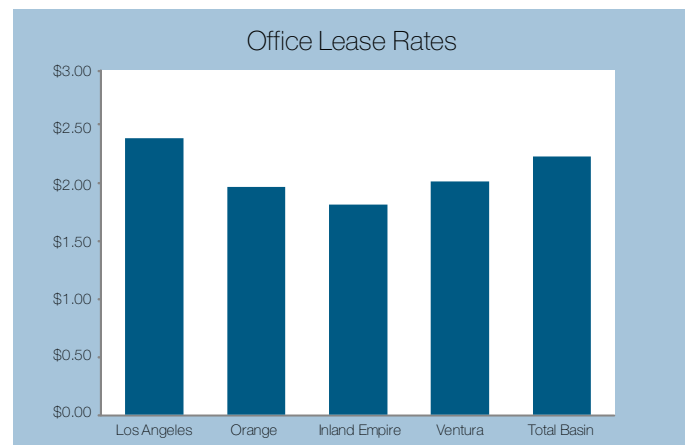


Source: CoStar

The change from last year is not substantial but it is positive. Ventura County was one of the first to experience a significant decline as Countrywide began closing several offices in the area. It has taken some time but the market is beginning to heal itself. Signs of life are starting to emerge. Improvements are likely to be small but at least the market is improving.

Leasing Transactions

- 1) Fox Interactive Media leased 55,911 square feet of space at the Yahoo Center in Santa Monica. The lease rate is estimated to be \$3.93 per square foot.
- 2) Tmad, Taylor & Gaines leased 43,921 square feet of space at the Gateway Plaza in Pasadena. The lease rate was \$2.12 per square foot.



Source: CoStar

Sales Transactions

- 1) Five buildings in Hawthorne with 1.4 million square feet of space sold on 4/28/2010. The price was \$40,000,000 or \$28.94 per square feet.
- 2) A class B office building in Irvine sold for \$20,350,000 or \$205.71 per square foot. The building was on the market for 48 days.

Los Angeles Basin Office Market ■ First Quarter 2010							
	Vacancy Rate			Net Absorption (SF)	Average Asking Rental Rate ²		
	2010	2009	Difference		2010	2009	Difference
Antelope Valley	10.6%	13.7%	-3.1%	21,363	\$ 2.20	\$ 2.33	\$ (0.13)
Downtown	12.6%	11.4%	1.1%	(171,645)	\$ 2.41	\$ 2.51	\$ (0.10)
Mid Cities	10.5%	8.0%	2.5%	52,637	\$ 1.95	\$ 2.00	\$ (0.05)
Mid Wilshire	13.9%	11.3%	2.6%	(218,049)	\$ 2.16	\$ 2.52	\$ (0.36)
Santa Clarita	19.1%	18.5%	0.6%	(11,855)	\$ 2.43	\$ 2.57	\$ (0.14)
San Fernando Valley	16.9%	14.6%	2.4%	29,317	\$ 2.06	\$ 2.22	\$ (0.16)
San Gabriel Valley	12.4%	12.3%	0.1%	(11,683)	\$ 1.95	\$ 1.99	\$ (0.03)
South Bay	17.3%	16.8%	0.5%	(108,537)	\$ 1.98	\$ 1.97	\$ 0.01
Southeast LA	8.2%	7.7%	0.5%	(17,604)	\$ 1.85	\$ 2.00	\$ (0.15)
Tri Cities	15.0%	11.4%	3.6%	(219,667)	\$ 2.54	\$ 2.67	\$ (0.13)
West LA	14.5%	12.4%	2.1%	(96,109)	\$ 3.23	\$ 3.46	\$ (0.23)
Los Angeles County	14.5%	12.8%	1.7%	(751,832)	\$ 2.43	\$ 2.57	\$ (0.14)
OC Airport	21.6%	18.8%	2.8%	(266,494)	\$ 2.08	\$ 2.35	\$ (0.27)
OC Central	17.1%	16.5%	0.6%	(170,270)	\$ 1.87	\$ 1.95	\$ (0.08)
OC North	25.6%	18.3%	7.3%	(147,159)	\$ 1.86	\$ 2.08	\$ (0.22)
OC South	20.6%	17.6%	3.0%	97,280	\$ 2.04	\$ 2.29	\$ (0.25)
OC West	13.3%	12.1%	1.1%	(29,590)	\$ 1.94	\$ 2.06	\$ (0.13)
Orange County	20.4%	17.7%	2.7%	(516,233)	\$ 2.00	\$ 2.21	\$ (0.21)
IE East	18.6%	18.7%	-0.1%	(24,913)	\$ 1.86	\$ 1.98	\$ (0.12)
IE West	21.4%	23.0%	-1.6%	47,350	\$ 1.82	\$ 2.03	\$ (0.21)
Inland Empire	19.5%	20.0%	-0.5%	22,437	\$ 1.85	\$ 2.00	\$ (0.15)
Ventura North	15.1%	15.6%	-0.6%	12,756	\$ 1.94	\$ 1.90	\$ 0.04
Ventura South	19.1%	19.0%	0.1%	31,004	\$ 2.07	\$ 2.17	\$ (0.10)
Ventura County	18.3%	18.4%	-0.1%	43,760	\$ 2.05	\$ 2.12	\$ (0.07)
Total LA Basin	16.4%	14.7%	1.7%	(1,201,868)	\$ 2.27	\$ 2.42	\$ (0.16)

Source: CoStar

²Per SF per month, NNN. Total is weighted by available space.
Data is for all Class A, B and C buildings 20,000 SF or larger. Excludes owner-occupied.

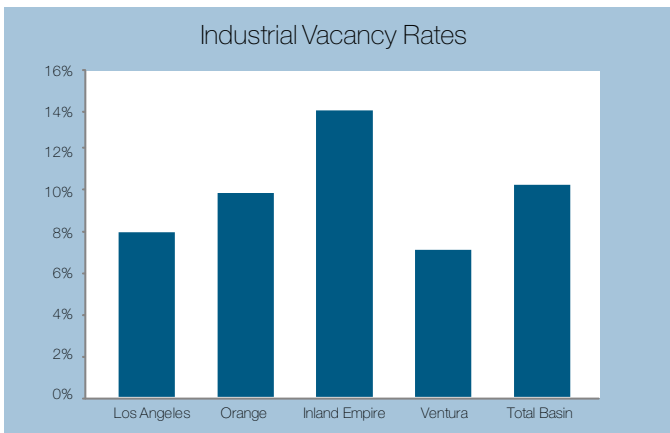
Industrial Market

Of all the markets, industrial is showing the most signs of life. This is particularly true in the Inland Empire. Net absorption was a positive 3.3 million square feet. Vacancy rates in this market declined 1 percent from a year ago. Unfortunately, the good news did not improve lease rates as they fell \$.07 per square foot compared to last year.

The improvement in the Inland Empire industrial market has a lot to do with the increase in trade and manufacturing discussed above. This market is particularly reliant on these industries. As they improve we expect the Inland Empire industrial market to improve as well.

We do have a serious concern regarding the industrial market. California's potential new environmental regulation could derail improvements in this market. The new legislation will make California less hospitable to manufacturing. As a result, companies are less likely to establish manufacturing operations in California. Also, existing manufacturing companies may leave.

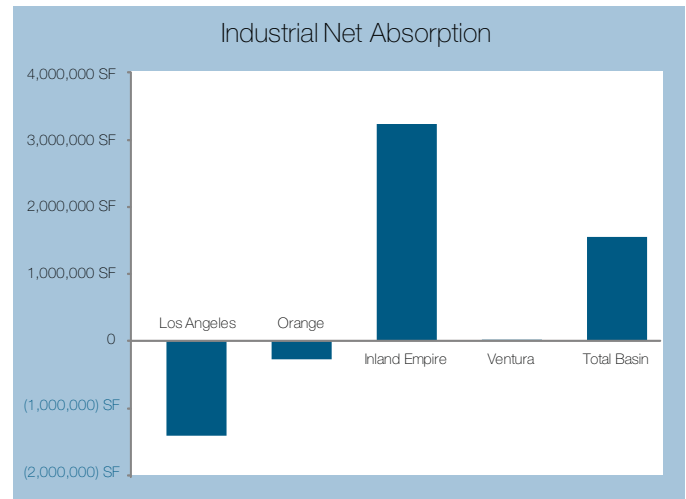
The good news did not extend to other industrial markets. On the whole, vacancy rates increased 0.7 percentage points from last year. Orange County continues to struggle as its vacancy rates climbed to 9.9 percent. Vacancy rates also rose in Los Angeles County.



Source: CoStar

For the Basin as a whole, net absorption in the first quarter was positive. However, this was solely due to the Inland Empire. Over 1.4 million square feet of industrial space was returned in Los Angeles County. The damage was not as severe in Orange County where 282,000 square feet was returned. In Ventura County net absorption was small relative to the size of the market but positive.

Lease rates for the Basin continued to decline. The average lease rate for industrial space is now \$.50 per square foot. This represents a \$.08 per square foot decline from last year. Lease rates in Orange County fell \$.10 per square foot, the largest drop in the Basin. Ventura County experienced a moderate decline of \$.02 per square foot.



Source: CoStar



Source: CoStar

Leasing Transactions

- 1) Parts World Corporation renewed its 58,759 square foot lease at CentrePointe South in San Bernardino. The lease rate is \$.35 per square foot.
- 2) Wetherill Associates, Inc. leased 63,253 square feet of space in Norwalk. The lease rate is \$.42 per square foot.

Sales Transactions

- 1) A 432,282 square foot distribution center in Carson was sold on 6/3/2010. The estimated sales price was \$38,000,000 or \$88.11 per square foot.
- 2) A 246,732 square foot class B warehouse in Orange sold for \$22,205,880 on 5/27/2010.
- 3) A 397,631 square foot class B distribution building in Mira Loma sold for \$17,098,133 on 4/12/2010.

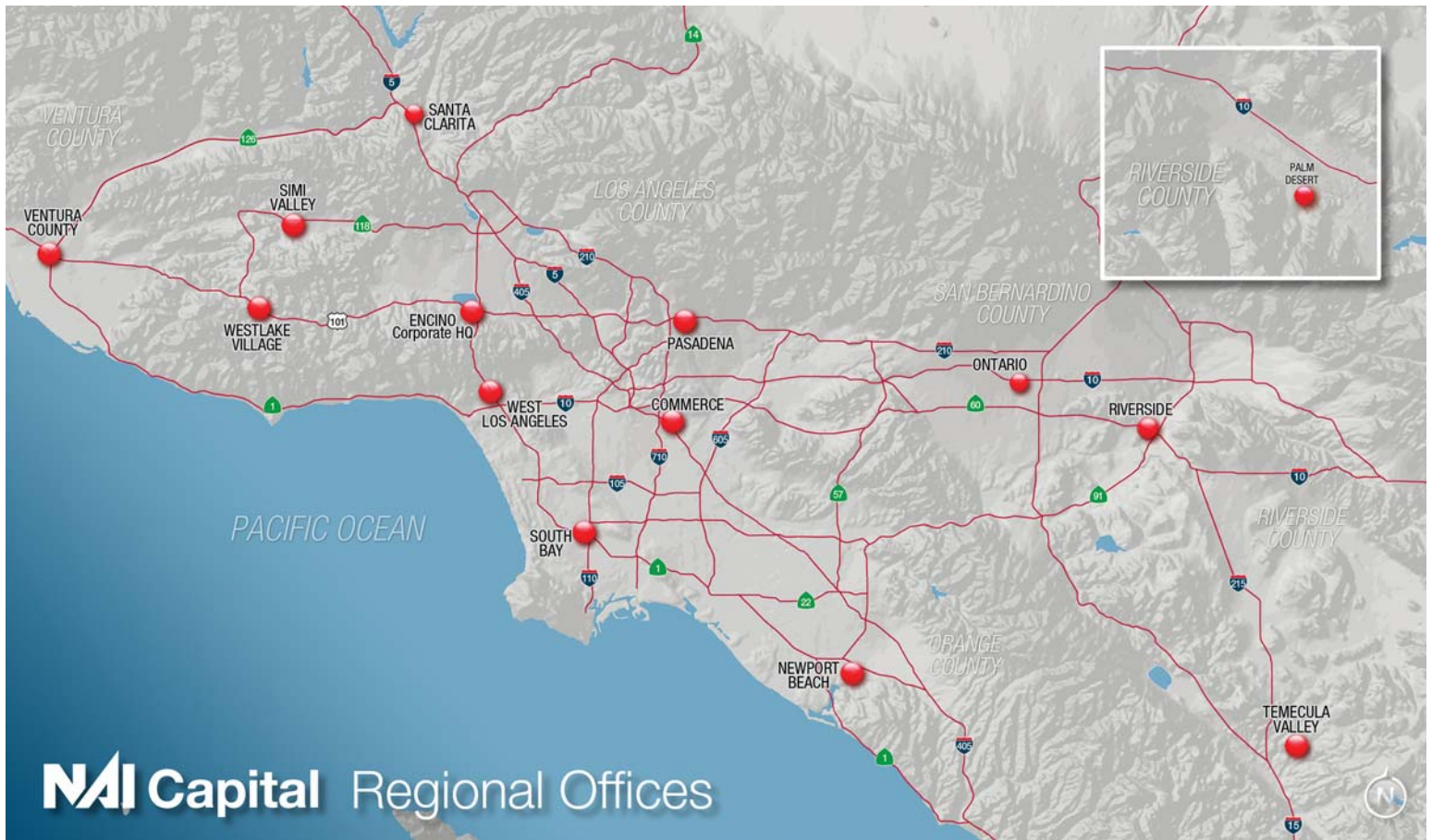
Los Angeles Basin Industrial Market ■ Second Quarter 2010

	Vacancy Rate			Net Absorption (SF)	Average Asking Rental Rate ³		
	2010	2009	Difference		2010	2009	Difference
Antelope Valley	9.0%	8.9%	0.0%	5,240	\$ 0.60	\$ 0.83	\$ (0.23)
Downtown	4.4%	3.8%	0.6%	(52,252)	\$ 0.61	\$ 0.70	\$ (0.09)
Mid Cities	8.6%	6.8%	1.8%	(577,504)	\$ 0.50	\$ 0.65	\$ (0.15)
Mid Wilshire	5.6%	3.0%	2.6%	(105,521)	\$ 1.42	\$ 1.90	\$ (0.48)
Santa Clarita	9.5%	8.5%	0.9%	28,775	\$ 0.50	\$ 0.58	\$ (0.07)
San Fernando Valley	6.7%	4.3%	2.5%	(184,338)	\$ 0.65	\$ 0.65	\$ (0.00)
San Gabriel Valley	9.4%	10.6%	-1.2%	697,259	\$ 0.43	\$ 0.49	\$ (0.06)
South Bay	6.9%	5.4%	1.5%	(793,894)	\$ 0.68	\$ 0.76	\$ (0.08)
Southeast LA	8.7%	5.4%	3.4%	(286,266)	\$ 0.47	\$ 0.53	\$ (0.06)
Tri Cities	6.5%	4.8%	1.7%	(71,575)	\$ 0.81	\$ 0.93	\$ (0.12)
West LA	10.6%	9.0%	1.6%	(88,310)	\$ 1.61	\$ 1.45	\$ 0.16
Los Angeles County	8.0%	6.4%	1.6%	(1,428,386)	\$ 0.58	\$ 0.66	\$ (0.08)
OC Airport	11.6%	9.5%	2.2%	(106,618)	\$ 0.67	\$ 0.81	\$ (0.14)
OC Central	10.5%	8.0%	2.4%	(431,104)	\$ 0.52	\$ 0.58	\$ (0.06)
OC North	8.4%	6.5%	1.9%	166,063	\$ 0.50	\$ 0.58	\$ (0.08)
OC South	10.5%	9.5%	1.0%	41,093	\$ 0.86	\$ 0.97	\$ (0.11)
OC West	7.1%	3.5%	3.6%	49,056	\$ 0.68	\$ 0.81	\$ (0.13)
Orange County	9.9%	7.8%	2.1%	(281,510)	\$ 0.62	\$ 0.72	\$ (0.10)
IE East	16.6%	19.4%	-2.7%	3,816,229	\$ 0.32	\$ 0.39	\$ (0.06)
IE West	11.5%	10.9%	0.6%	(553,155)	\$ 0.34	\$ 0.41	\$ (0.07)
Inland Empire	13.9%	15.0%	-1.0%	3,263,074	\$ 0.33	\$ 0.40	\$ (0.07)
Ventura North	5.8%	5.1%	0.7%	37,397	\$ 0.56	\$ 0.63	\$ (0.07)
Ventura South	7.9%	6.3%	1.6%	(22,454)	\$ 0.60	\$ 0.59	\$ 0.02
Ventura County	7.2%	5.8%	1.3%	14,943	\$ 0.59	\$ 0.60	\$ (0.02)
Total LA Basin	10.3%	9.6%	0.7%	1,568,121	\$ 0.50	\$ 0.58	\$ (0.08)

Source: CoStar

³Per SF per month, NNN. Total is weighted by available space.
Data is for all Class A, B and C buildings 20,000 SF or larger. Excludes owner-occupied.

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