



## Industrial Market Report

Compared to 2009:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

UP

Construction

UP

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### Market Highlights

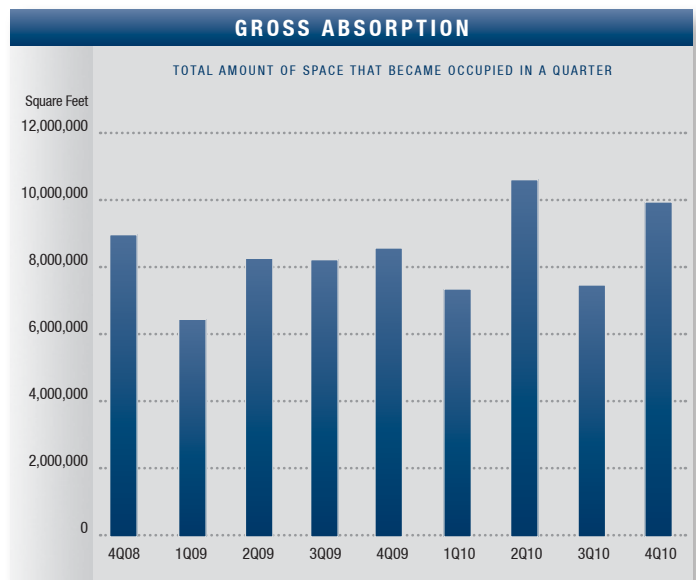
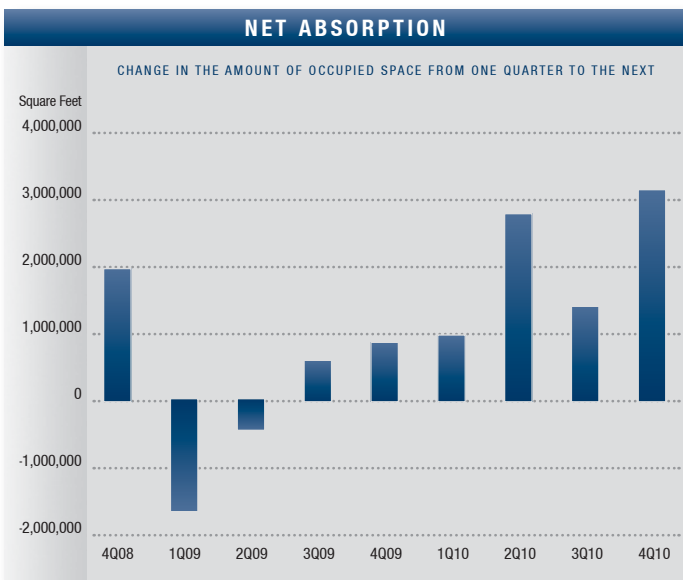
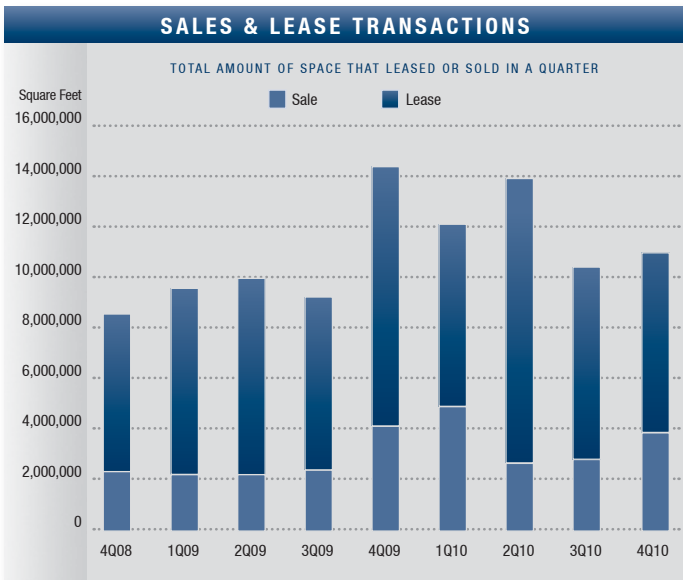
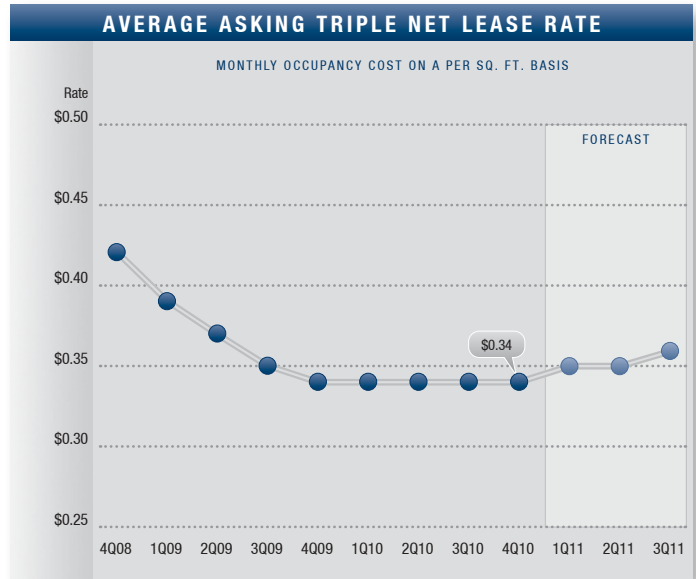
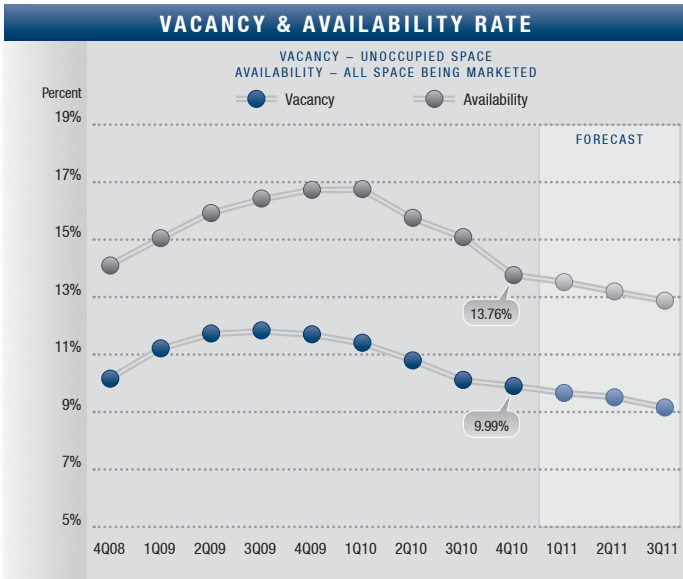
- **Are we there yet?** - The Inland Empire industrial market displayed more promises of stabilization in 2010. Availability continued its descent from the high rates of 2009, vacancy rates fell, and net absorption was positive for six quarters. Demand picked up, with Labor Day marking the beginning of a renewed interest in sales transactions, and tenants began signing longer lease commitments. While these are positive indications, stability and job growth will need to be sustained in coming quarters to be considered recovery.
- **Construction** - There was 2.4 million square feet under construction in the Inland Empire in the fourth quarter of 2010. A couple of new projects recently broke ground in the Inland Empire.
- **Vacancy** - Direct/sublease space (unoccupied) finished the year in single digits at 9.99%, which is lower than the previous quarter's rate of 10.60% and significantly lower than the 2009 rate of 11.66%. The lowest vacancy rate in the area was found in the Northern region, at 7.58%.
- **Availability** - Direct/sublease space being marketed was 13.76% at the end of 2010, lower than the third quarter's rate of 15.03% and lower than the 16.73% we saw at the end of 2009. This is a decrease of 17.75% of new space being marketed year over year.
- **Lease Rates** - The average asking triple net lease rate is \$.34 cents per square foot per month this quarter. The average asking lease in the Inland Empire has remained at \$.34 for the past five quarters.
- **Absorption** - Net absorption for the Inland Empire posted a positive 8,331,497 square feet for 2010 and averaged approximately 2.5 million square feet of positive absorption per quarter for the last three quarters of 2010.
- **Transaction Activity** - Leasing activity checked in at just under 34 million square feet for 2010, compared to 2009's

32.3 million square feet. Sales activity showed a 25% increase over 2009, posting 13.35 million square feet of activity in 2010 compared to 10.66 million square feet in 2009. Details of the largest transactions can be found on the back page of this report.

- **Employment** - The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 14.3% in November 2010, up from a revised 14.2% in October 2010 and below the 2009 estimate of 14.3%. This compares with an unadjusted unemployment rate of 12.4% for California and 9.3% for the nation during the same period. The unemployment rate was 14.6% for Riverside County and 13.9% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA lost 9,400 payroll jobs from November 2009 to November 2010. The largest declines were 5,800 jobs in construction and 5,000 in government. However, six out of eleven nonfarm industries posted year-over-year gains, most noticeably in professional and business services, which were up 1,700 jobs. The LAEDC is forecasting that 12,800 jobs will be added to the Inland Empire in 2011.
- **Overall** - We are beginning to see a decrease in the amount of available space being added per quarter. Absorption has turned positive, and with few new deliveries to put more upward pressure on vacancies, the market should continue to stabilize. We expect to see an increase in investment activity in the coming quarters as lenders continue to dispose of distressed assets. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation occurs. Once unemployment rates drop and consumer confidence stabilizes, the industrial market will recover.

### INDUSTRIAL MARKET OVERVIEW

	2010	2009	2008	% CHANGE vs. 2009
Vacancy Rate below 100K SF	8.35%	9.50%	7.47%	(12.11%)
Vacancy Rate above 100K SF	10.99%	13.01%	11.91%	(15.53%)
Vacancy Rate	9.99%	11.66%	10.20%	(14.32%)
Availability Rate	13.76%	16.73%	14.11%	(17.75%)
Average Asking Lease Rate	\$0.34	\$0.34	\$0.42	0.00%
Sale & Lease Transactions	47,255,525	42,966,984	40,816,805	9.98%
Gross Absorption	35,266,860	31,490,511	38,137,503	11.99%
Net Absorption	8,331,497	(594,735)	4,374,753	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2010	Square Feet Available	Availability Rate 4Q2010	Average Asking Lease Rate	Net Absorption 4Q2010	Net Absorption 2010	Gross Absorption 4Q2010	Gross Absorption 2010
<b>North</b>													
Fontana	764	48,408,940	0	5,220,777	3,689,139	7.62%	5,469,895	11.30%	\$0.32	(60,044)	(145,919)	1,054,131	3,408,844
Mira Loma	227	31,850,872	0	699,323	2,628,134	8.25%	3,701,863	11.62%	\$0.34	363,272	183,938	1,453,438	2,580,755
Montclair	225	3,660,604	0	25,226	234,708	6.41%	338,862	9.26%	\$0.69	(28,707)	82,698	13,400	266,877
Ontario	1,488	98,092,877	0	1,162,684	7,560,263	7.71%	14,516,591	14.80%	\$0.34	1,858,760	2,479,218	2,599,979	8,582,279
Rancho Cucamonga	776	37,272,402	0	723,410	2,520,506	6.76%	4,176,712	11.21%	\$0.32	(350,274)	169,178	223,130	2,369,159
Upland	366	5,387,828	0	130,832	405,590	7.53%	658,338	12.22%	\$0.45	(7,135)	(80,610)	68,976	331,540
Less than 24,999	2,407	26,257,052	0	240,233	1,871,677	7.13%	3,007,378	11.45%	\$0.71	(18,110)	180,425	316,863	1,746,684
25,000-49,999	524	18,173,589	0	371,870	1,358,602	7.48%	2,230,486	12.27%	\$0.47	(10,645)	210,540	181,365	1,198,211
50,000-99,999	358	24,746,303	0	641,869	2,324,295	9.39%	3,406,752	13.77%	\$0.41	217,573	188,664	588,496	1,722,356
100,000 Plus	557	155,496,579	0	6,708,280	11,483,766	7.39%	20,217,645	13.00%	\$0.31	1,587,054	2,108,874	4,326,330	12,872,203
<b>North Total</b>	<b>3,846</b>	<b>224,673,523</b>	<b>0</b>	<b>7,962,252</b>	<b>17,038,340</b>	<b>7.58%</b>	<b>28,862,261</b>	<b>12.85%</b>	<b>\$0.33</b>	<b>1,775,872</b>	<b>2,688,503</b>	<b>5,413,054</b>	<b>17,539,454</b>
<b>West</b>													
Chino Hills	5	109,314	0	90,460	0	0.00%	4,608	4.22%	\$0.00	4,740	6,970	4,740	6,970
Chino	911	38,463,287	0	3,122,484	3,134,611	8.15%	5,205,844	13.53%	\$0.37	(254,721)	(876,963)	325,266	1,947,382
Corona	973	29,712,417	80,000	1,107,355	2,918,877	9.82%	4,359,281	14.67%	\$0.43	(349,449)	(168,945)	262,073	1,748,699
Norco	80	1,241,614	0	0	208,586	16.80%	345,537	27.83%	\$0.51	10,668	(135,035)	13,855	52,424
Less than 24,999	1,370	14,537,103	0	339,372	997,640	6.86%	1,647,347	11.33%	\$0.66	3,411	54,531	171,339	1,091,938
25,000-49,999	293	10,273,065	0	237,487	745,166	7.25%	1,016,986	9.90%	\$0.51	(17,684)	(15,126)	201,605	637,716
50,000-99,999	159	10,721,603	80,000	709,700	726,277	6.77%	1,092,973	10.19%	\$0.45	47,999	36,259	66,564	785,176
100,000 Plus	147	33,994,861	0	3,033,740	3,792,991	11.16%	6,157,964	18.11%	\$0.38	(622,488)	(1,249,637)	166,426	1,240,645
<b>West Total</b>	<b>1,969</b>	<b>69,526,632</b>	<b>80,000</b>	<b>4,320,299</b>	<b>6,262,074</b>	<b>9.01%</b>	<b>9,915,270</b>	<b>14.26%</b>	<b>\$0.41</b>	<b>(588,762)</b>	<b>(1,173,973)</b>	<b>605,934</b>	<b>3,755,475</b>
<b>East</b>													
Banning	67	1,234,094	0	2,277,332	111,146	9.01%	256,788	20.81%	\$0.58	2,329	(32,405)	20,465	27,665
Beaumont	81	2,588,482	0	2,782,431	622,819	24.06%	646,587	24.98%	\$0.00	24,366	22,701	33,597	55,164
Bloomington	80	2,038,196	0	0	139,523	6.85%	207,608	10.19%	\$0.00	(42,946)	(34,910)	55,359	117,068
Colton	180	6,541,178	0	1,336,060	706,440	10.80%	858,527	13.12%	\$0.23	61,423	148,770	73,592	297,277
Grand Terrace	13	491,744	0	0	27,366	5.57%	27,366	5.57%	\$0.00	2,340	9,104	2,340	12,940
Hemet	139	2,666,871	0	0	87,340	3.27%	141,136	5.29%	\$0.55	0	(28,558)	0	13,496
Highland	29	516,573	0	0	11,263	2.18%	18,763	3.63%	\$0.80	(4,263)	(4,763)	4,400	5,900
Loma Linda	20	250,460	0	0	62,490	24.95%	62,490	24.95%	\$0.31	0	(1,828)	0	0
Moreno Valley	86	9,754,542	1,820,457	10,236,932	1,833,721	18.80%	876,981	8.99%	\$0.58	(3,947)	532,552	1,093	652,105
Perris	202	11,613,604	0	20,351,101	974,393	8.39%	1,415,746	12.19%	\$0.23	(16,331)	119,269	8,347	535,558
Redlands	190	15,909,499	0	3,305,195	2,138,376	13.44%	2,531,630	15.91%	\$0.25	778,252	893,594	1,740,023	2,781,315
Rialto	170	16,186,340	0	1,387,997	3,527,147	21.79%	3,346,125	20.67%	\$0.34	276,403	801,943	284,180	1,385,339
Riverside	1,368	46,704,386	507,000	3,828,908	6,018,615	12.89%	6,899,273	14.77%	\$0.33	676,368	2,372,767	1,099,129	4,231,876
San Bernardino	688	30,699,131	0	4,273,902	4,837,525	15.76%	5,011,438	16.32%	\$0.29	35,783	1,625,309	91,268	2,437,678
San Jacinto	140	1,756,963	0	0	109,950	6.26%	125,014	7.12%	\$0.46	13,250	17,100	16,250	50,950
Yucaipa	21	392,852	0	0	7,700	1.96%	7,700	1.96%	\$0.00	0	400	0	400
Less than 24,999	2,490	23,215,286	0	749,788	2,243,732	9.66%	3,036,791	13.08%	\$0.53	(11,832)	59,888	234,521	1,349,045
25,000-49,999	419	14,702,727	0	592,247	1,903,443	12.95%	2,895,234	19.69%	\$0.35	145,626	259,810	250,784	906,052
50,000-99,999	286	19,529,435	0	1,207,974	1,264,989	6.48%	2,074,556	10.62%	\$0.31	159,063	729,285	204,084	1,223,095
100,000 Plus	279	91,897,467	2,327,457	47,229,849	15,803,650	17.20%	14,426,591	15.70%	\$0.30	1,510,170	5,392,062	2,740,654	9,126,539
<b>East Total</b>	<b>3,474</b>	<b>149,344,915</b>	<b>2,327,457</b>	<b>49,779,858</b>	<b>21,215,814</b>	<b>14.21%</b>	<b>22,433,172</b>	<b>15.02%</b>	<b>\$0.32</b>	<b>1,803,027</b>	<b>6,441,045</b>	<b>3,430,043</b>	<b>12,604,731</b>
<b>South</b>													
Lake Elsinore	199	2,760,420	0	215,773	267,944	9.71%	398,201	14.43%	\$0.00	38,424	72,802	80,360	260,900
Murrieta	342	5,062,069	0	0	501,664	9.91%	594,154	11.74%	\$0.49	73,997	82,631	133,499	380,482
Temecula	372	10,970,096	0	0	833,135	7.59%	1,382,497	12.60%	\$0.39	154,256	171,775	226,487	670,656
Wildomar	15	617,313	0	0	113,174	18.33%	113,174	18.33%	\$0.00	26,519	48,714	32,967	55,162
Less than 24,999	758	7,738,816	0	0	686,406	8.87%	901,897	11.65%	\$0.62	97,964	135,876	222,093	765,324
25,000-49,999	96	3,337,263	0	128,822	447,227	13.40%	575,906	17.26%	\$0.54	110,571	135,113	157,729	299,293
50,000-99,999	48	3,266,674	0	86,951	169,772	5.20%	251,960	7.71%	\$0.00	84,661	149,709	93,491	
100,000 Plus	26	5,067,145	0	0	412,512	8.14%	758,263	14.96%	\$0.38	0	(44,776)	0	4,379
<b>South Total</b>	<b>928</b>	<b>19,409,898</b>	<b>0</b>	<b>215,773</b>	<b>1,715,917</b>	<b>8.84%</b>	<b>2,488,026</b>	<b>12.82%</b>	<b>\$0.42</b>	<b>293,196</b>	<b>375,922</b>	<b>473,313</b>	<b>1,367,200</b>
<b>Inland Empire Total</b>	<b>10,217</b>	<b>462,954,968</b>	<b>2,407,457</b>	<b>62,278,182</b>	<b>46,232,145</b>	<b>9.99%</b>	<b>63,698,729</b>	<b>13.76%</b>	<b>\$0.34</b>	<b>3,283,333</b>	<b>8,331,497</b>	<b>9,922,344</b>	<b>35,266,860</b>
Less than 9,999	3,823	22,394,189	0	255,520	1,386,140	6.19%	2,088,283	9.33%	\$0.78	126,498	44,003	305,806	1,311,836
10,000-19,999	2,572	35,445,248	0	829,858	3,242,674	9.15%	4,592,156	12.96%	\$0.62	(68,409)	258,910	522,877	2,855,912
20,000-29,999	1,037	25,043,323	0	675,777	2,609,310	10.42%	3,837,099	15.32%	\$0.44	(45,735)	82,821	202,157	1,310,874
30,000-49,999	924	35,352,141	0	985,615	3,015,769	8.53%	4,794,487	13.56%	\$0.41	286,947	635,323	705,459	2,535,641
50,000-99,999	851	58,264,015	80,000	2,559,543	4,485,333	7.70%	6,826,241	11.72%	\$0.37	509,296	1,103,917	952,635	4,008,831
100,000-199,999	524	71,409,665	0	4,206,500	8,687,001	12.17%	13,346,476	18.69%	\$0.36	(390,745)	1,152,982	1,377,015	7,397,945
200,000-349,999	230	60,067,221	0	4,737,011	6,436,399	10.72%	10,035,672	16.71%	\$0.30	1,093,794	627,742	1,558,454	4,616,911
350,000-499,999	129	53,204,103	0	10,899,036	7,053,117	13.26%	10,825,188	20.35%	\$0.30	642,832	1,785,834	942,346	4,502,491
500,000 Plus	126	101,775,063	2,327,457	37,129,322	9,316,402	9.15%	7,353,127	7.22%	\$0.32	1,128,855	2,639,965	3,355,595	6,726,419
<b>Total</b>	<b>10,216</b>	<b>462,954,968</b>	<b>2,407,457</b>	<b>62,278,182</b>	<b>46,232,145</b>	<b>9.99%</b>	<b>63,698,729</b>	<b>13.76%</b>	<b>\$0.34</b>	<b>3,283,333</b>	<b>8,331,497</b>	<b>9,922,344</b>	<b>35,266,860</b>

Lease rates are on a triple net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
12445 Harvest, 12510 Micro & 4560 Hamner	Miraloma	1,607,364	\$53.04	LBA Realty	Pacific Newport Properties, Inc.
5400-50 E. Francis Street - 3 Properties	Ontario	895,567	\$48.01	James Campbell Company, LLC	Alexander & Baldwin, Inc.
22150 Goldencrest Drive	Moreno Valley	613,174	\$58.79	TA Associates Realty	BlackRock, Inc.
16850 Heacock Street	Moreno Valley	756,340	\$33.05	TA Associates Realty	CB Richard Ellis Investors
8599 Rochester & 1851 S. Cucamonga	Rancho Cucamonga	444,810	\$50.71	KTR Capital Partners	Panattoni Holdings, Inc.
12246 Holly Street	Riverside	396,600	\$48.50	Simpson Manufacturing Co., Inc.	Alere Property Group, LLC

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
11640 Harrell Street	Mira Loma	886,055	Jun-10	Restoration Hardware	TIAA-CREF
3994 S. Riverside Avenue	Rialto	796,841	Oct-10	Living Spaces	Cal East Kline Ranch, LP
23400 Cactus Avenue	Moreno Valley	779,016	Oct-10	Harbor Freight Tools	Ridge Moreno Valley Prop, LLC
2151 S. Vintage Avenue	Ontario	766,235	Sep-10	Toyo Tires USA Corporation	Ontario Vintage Industrial
120 S. Cedar Avenue	Rialto	734,240	Oct-10	American Building Supply	SARES REGIS Group

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