



Industrial Market Report

Compared to 2010

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

UP

To view available properties or electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr. – Lic.#01145748

Vice President of Market Research

VOIT Real Estate Services – Lic.#01333376

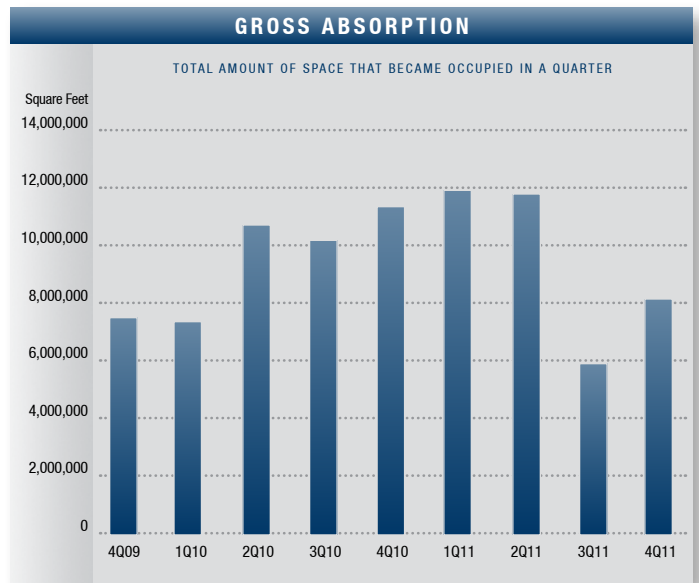
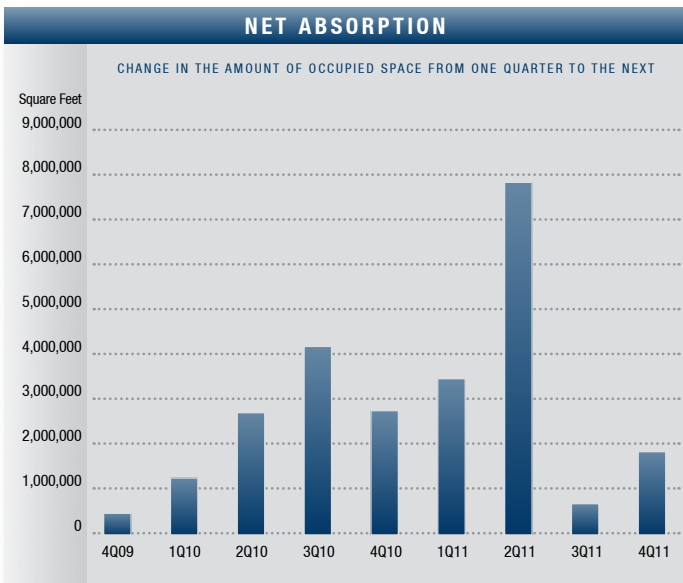
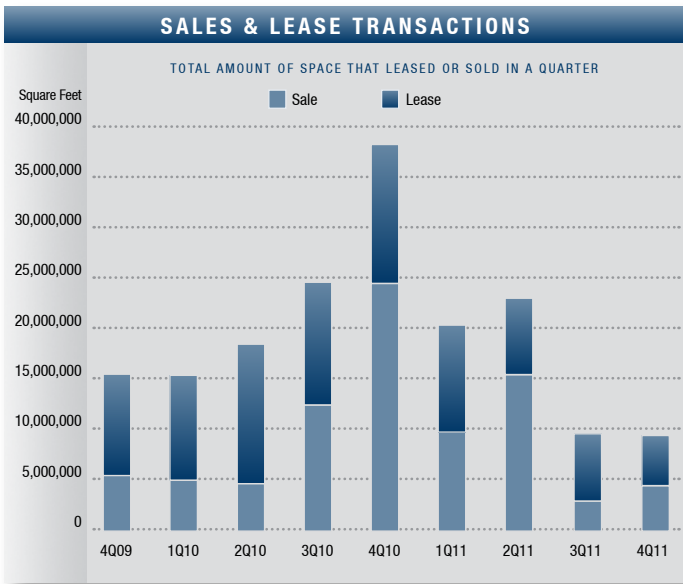
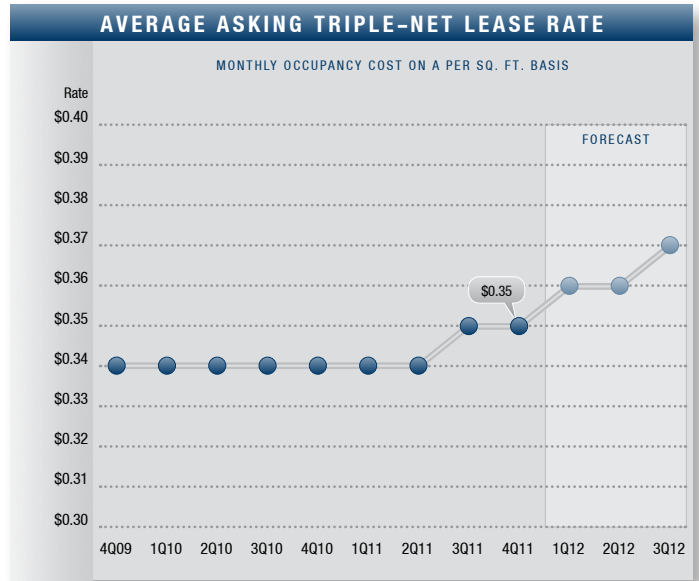
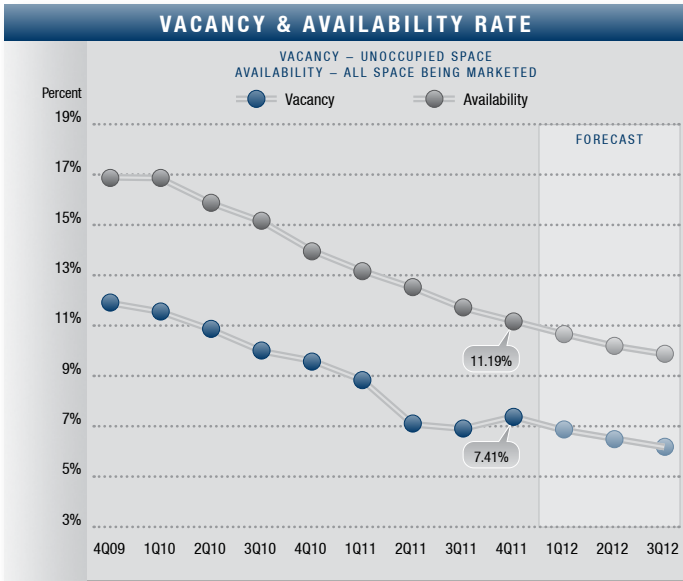
e-mail: jholdner@voitco.com

Market Highlights

- Steady Growth** – The Inland Empire industrial market conveyed more promise of stabilization in 2011, as asking lease rates rose for the first time since 2007. Availability continued to descend from the recession-high rates of 2009, vacancy showed a slight uptick from the previous quarter but still a 22% decrease compared to 2010, and net absorption was positive for the tenth quarter in a row, for a total of 25.4 million square feet. Demand picked up, with 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 a full recovery.
- Construction** – There was 5.7 million square feet under construction in the Inland Empire at the end of 2011. Several new projects recently broke ground in the Inland Empire, most of which are for buildings over 400,000 square feet.
- Vacancy** – Direct/sublease space (unoccupied) finished the year at 7.41%, lower than the previous year's rate of 9.52%. The lowest vacancy rate in the Inland Empire industrial market during the fourth quarter of 2011 was found in the Western region, at 7.03%. We are forecasting that vacancy will continue its downward trend in 2012, ending the year at around 6%.
- Availability** – Direct/sublease space being marketed was 11.19% at the end of the fourth quarter, lower than the previous year's rate of 13.95% and a decrease of nearly 20% of new space being marketed, year over year.
- Lease Rates** – The average asking triple-net lease rate showed an increase for the first time since the fourth quarter of 2007, checking in at \$.35 cents for the third and fourth quarters. Prior to this, the average asking lease was at \$.34 cents per square foot per month for seven consecutive quarters. Large warehouse buildings saw the largest spikes in lease rates because of a shrinking supply of availability in larger size ranges over the last couple of quarters.
- Absorption** – The Inland Empire industrial market posted almost 1.8 square feet of positive net absorption for the quarter, giving us over 13.6 million square feet of positive absorption for 2011 and a total of 25.4 million square feet of absorption over the ten-quarter positive streak. That's an average of over 2.5 million square feet of positive absorption per quarter since the third quarter of 2009.
- Transaction Activity** – Leasing activity checked in at 30 million square feet for 2011, compared to 2010's figure of 50 million square feet—the robust leasing velocity being driven by large tenants. Sales activity came in at 31.7 million square feet, compared to 46 million square feet in 2010. 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 12.5% in November 2011, down from a revised 13.3% in October 2011 and below the year-ago estimate of 14.5%. This compares with an unadjusted unemployment rate of 10.9% for California and 8.2% for the nation during the same period. The unemployment rate was 12.8% for Riverside County and 12.1% in San Bernardino County. According to the State of California Employment Development Department, the Riverside–San Bernardino–Ontario MSA gained 19,100 payroll jobs from November 2010 to November 2011. The largest gains were 8,500 jobs in trade, transportation and utilities and 3,600 jobs in professional and business services. However, financial activities lost a modest 1,000 jobs. The LAEDC is forecasting that 15,300 new jobs will be added in the Inland Empire in 2012.
- Overall** – We are seeing a large decrease in the amount of available space on the market, which is contributing to the increase in asking lease rates. Net occupancy has turned positive, and with few new deliveries to apply upward pressure on vacancy, the market should continue to improve. We expect to see continued strong investment activity in the coming quarters. We should also see an increase in leasing activity, as many short-term deals come up for renewal and as job creation occurs. As unemployment rates drop and consumer confidence stabilizes, the industrial market will continue to recover and accelerate.

INDUSTRIAL MARKET OVERVIEW

	2011	2010	2009	% of Change vs. 2010
Vacancy Rate below 100K SF	6.35%	8.21%	9.35%	(22.66%)
Vacancy Rate above 100K SF	7.65%	10.26%	13.16%	(25.44%)
Vacancy Rate	7.41%	9.52%	11.79%	(22.16%)
Availability Rate	11.19%	13.95%	16.92%	(19.78%)
Average Asking Lease Rate	\$0.35	\$0.34	\$0.34	2.94%
Sale & Lease Transactions	61,564,654	95,979,026	26,136,410	(35.86%)
Gross Absorption	37,476,932	39,421,111	29,328,629	(4.93%)
Net Absorption	13,675,596	10,748,110	(501,936)	N/A



LARGEST TRANSACTIONS OF 2011

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
710 N. Cajon Blvd. – 2 Properties	San Bernardino	1,402,825	\$67.72	Invesco	CT Realty Investors
3994–3996 S. Riverside Ave.	Rialto	1,396,495	\$51.75	CB Richard Ellis Investors	GI Partners – CalPERS
13423–13473 Santa Ana Ave.	Fontana	819,004	\$67.77	Manulife	American Realty Advisors
7776 E. Tippecanoe	San Bernardino	609,499	\$45.50	KTR Capital	Hilwood Investment Properties
415 Nicholas Rd.	Beaumont	572,143	\$35.00	CT Realty Investors	Oakmont Dowling Orchard, LLC
1001 Columbia Ave.	Riverside	507,000	\$180.47	Cole Credit Property Trust, Inc.	USAA Real Estate Company

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
7010–7140 N. Cajon Blvd.	San Bernardino	1,402,825	11–Feb	Hewlett Packard Company	CT Realty
2151 S. Vintage Ave.	Ontario	766,235	11–Jan	Toyo Tire Holdings	LaSalle Investment Management
4100 E. Mission Blvd.	Ontario	763,228	11–Dec	Georgia Pacific	ProLogis
26635 Pioneer Ave.	Redland	616,542	11–Sep	IDS USA	Watson Land Company
3996 S. Riverside Ave.	Rialto	599,654	11–Jun	Razor USA	CB Richard Ellis Investors
3510 E. Francis St.	Ontario	562,089	11–Jan	Ingram Micro	ProLogis, LP

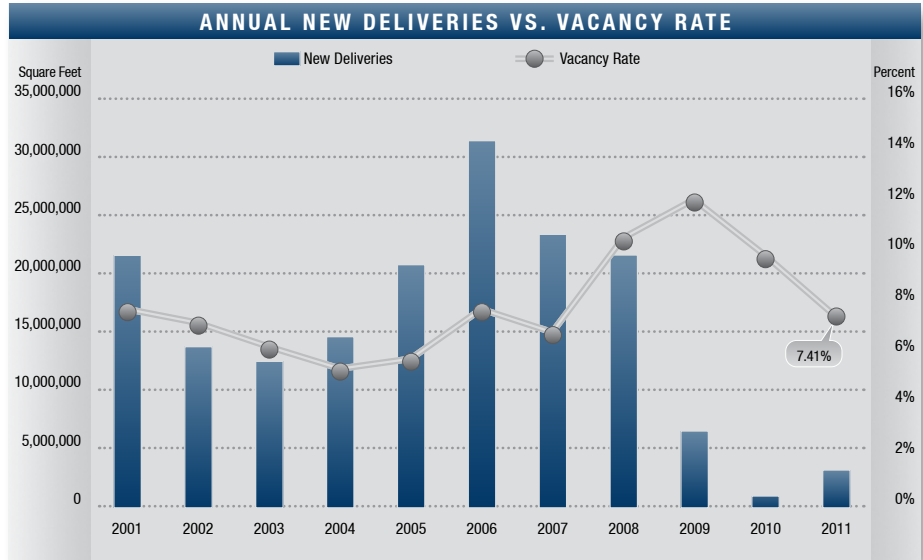
Product Type

MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.

To view available properties, please visit:

www.voitco.com



Please Contact Us for Further Information

Anaheim, CA
714.978.7880

Commerce, CA
323.201.4494

Inland Empire, CA
909.545.8000

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

Reno, NV
775.309.0782

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505



REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
www.voitco.com
Lic.#01333376

Represented in 150 Markets
Nationally & Internationally.



This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.