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Industrial Market Report

Compared to 2010

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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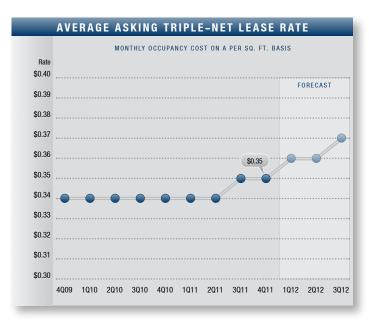
Market Highlights

- 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.

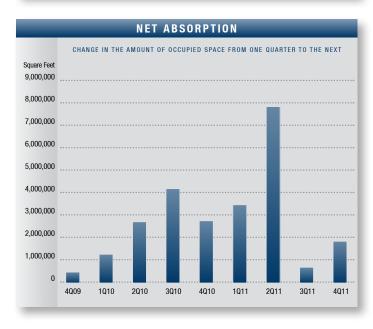
IND	USTRIAL	MARKET	0 V E R V I	E W
	2011	2010	2009	% of Change vs. 2010
Vacancy Rate below 100K SF	6.35%	8.21%	9.35%	(22.66%)
Vacancy Rate above 100K SF	7.65%	10.26%	13.16%	(25.44%)
Vacancy Rate	7.41%	9.52%	11.79%	(22.16%)
Availability Rate	11.19%	13.95%	16.92%	(19.78%)
Average Asking Lease Rate	\$0.35	\$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

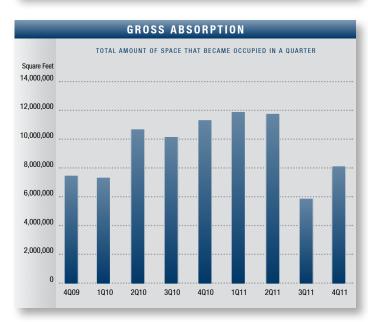












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	INVENTORY				VACANCY & LEASE RATES			ABSORPTION					
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2011	Square Feet Available	Availability Rate 4Q2011	Average Asking Lease Rate	Net Absorption 4Q2011	Net Absorption 2011	Gross Absorption 4Q2011	Gross Absorption 2011
West		·											
Chino/Chino Hills	860	38,435,725	737,346	2.817.507	2,460,010	6.40%	4,512,199	11.74%	\$0.39	(198,379)	485,423	462,278	2,901,38
Fontana	674	47,976,640	454,016	9,144,419	2,394,182	4.99%	3,872,753	8.07%	\$0.35	175,181	1,111,495	928,978	3,262,76
Mira Loma	213	31,156,901	0	850,618	1,836,039	5.89%	2,275,443	7.30%	\$0.35	1,365	296,666	603,311	3,095,84
Montclair	191	3,517,833	0	25,226	175,161	4.98%	311,932	8.87%	\$0.49	(27,404)	56,772	16,190	188,07
Ontario	1,403	97,673,127	414,453	2,123,490	9,534,748	9.76%	13,338,576	13.66%	\$0.36	(1,563,880)	(1,533,689)	1,169,574	6,898,68
Rancho Cucamonga	723	36,777,495	0	558,579	1,614,608	4.39%	3,066,473	8.34%	\$0.35	230,773	769,771	362,069	2,511,05
Upland	263	5,153,255	0	130,832	323,076	6.27%	660,556	12.82%	\$1.17	(21,645)	75,066	33,616	254,35
5,000-24,999	2,621	31,512,655	0	438,076	1,868,439	5.93%	3,121,722	9.91%	\$0.96	(158,076)	220,296	295,625	1,790,85
25,000-49,999	656	22,780,626	0	354,540	1,082,831	4.75%	1,876,055	8.24%	\$0.46	35,851	560,088	325,666	1,426,37
50,000-99,999	420	29,052,131	0	893,338	2,474,821	8.52%	4,227,820	14.55%	\$0.46	147,191	396,314	648,939	2,448,53
100,000-249,999	373	56,566,223	0	1,659,876	6,383,759	11.29%	8,234,917	14.56%	\$0.33	(123,933)	597,784	433,861	4,780,96
250,000–499,999	182	64,065,314	1,605,815	5,407,751	4,037,557	6.30%	7,823,717	12.21%	\$0.34	(41,794)	21,793	1,871,925	6,312,56
500,000 plus	75	56,714,027	0	6,897,090	2,490,417	4.39%	2,753,701	4.86%	\$0.36	(1,263,228)	(534,771)	0	2,352,87
West Total	4,327	260,690,976	1,605,815	15,650,671	18,337,824	7.03%	28,037,932	10.76%	\$0.36	(1,403,989)	1,261,504	3,576,016	19,112,16
East													
Banning	53	1,161,519	786,984	2,277,332	82,513	7.10%	248,267	21.37%	\$0.68	1,373	24,287	3,000	48,10
Beaumont	46	2,483,316	700,304	2,500,000	586,441	23.62%	656,107	26.42%	\$0.00	2,000	11,665	9,600	33,46
Bloomington	67	2,051,712	0	651,815	123,760	6.03%	159,280	7.76%	\$0.00	7,153	1,403	24,013	26,51
Corona/Norco	969	30,519,781	0	1.711.577	1,724,998	5.65%	3,076,560	10.08%	\$0.47	425,104	990,144	553,503	2,832,95
Colton/Grand Terrace	160	6.881.747	0	417,180	730,439	10.61%	393,310	5.72%	\$0.00	51,720	5,826	64,970	160,75
Moreno Valley	83	14,082,421	1,461,010	8,443,327	654,805	4.65%	1,239,964	8.81%	\$0.65	1,818,622	2,818,908	1,823,703	2,860,13
Perris	190	12,404,428	704,925	20,621,111	889,839	7.17%	1,325,426	10.69%	\$0.23	42,229	83,546	42,229	344,52
Redlands/Loma Linda	207	17,156,871	553,963	2,076,041	1,754,105	10.22%	2,128,659	12.41%	\$0.29	16,990	1,221,106	349,381	1,829,04
Rialto	186	17,982,191	0	1,408,097	1,526,236	8.49%	3,298,387	18.34%	\$0.37	521,612	2,707,420	717,866	3,352,69
Riverside	1,146	47,176,083	0	2,951,232	4,147,698	8.79%	6,287,206	13.33%	\$0.32	(39,649)	2,341,757	471,967	3,961,64
San Bernardino/Highland	562	29,173,495	604,029	4,540,309	2,171,610	7.44%	2,573,877	8.82%	\$0.55	354,334	2,208,030	412,742	2,914,94
5,000-24,999	2,383	28,117,042	7,347	728,250	1,989,210	7.07%	3,073,318	10.93%	\$0.47	204,785	770,047	558,556	2,255,58
25,000-49,999	566	19,999,036	0	481,004	1,407,084	7.04%	2,593,806	12.97%	\$0.40	242,619	597,221	503,067	1,523,22
50,000-99,999	380	25,784,033	0	895,409	1,225,651	4.75%	2,153,667	8.35%	\$0.35	75,180	310,328	265,261	1,209,02
100,000-249,999	214	31,427,102	0	3,999,837	3,969,330	12.63%	5,997,355	19.08%	\$0.37	133,439	994,856	185,279	1,855,83
250,000-499,999	70	24,693,488	0	8,608,251	3,934,733	15.93%	5,064,085	20.51%	\$0.27	(55)	2,874,138	295,291	4,198,96
500,000 plus	56	51,052,863	4,103,564	32,885,270	1,866,436	3.66%	2,504,812	4.91%	\$0.29	2,545,520	6,867,502	2,665,520	7,322,14
East Total	3,669	181,073,564	4,110,911	47,598,021	14,392,444	7.95%	21,387,043	11.81%	\$0.34	3,201,488	12,414,092	4,472,974	18,364,76
Inland Empire Total	7,996	441,764,540	5,716,726	63,248,692	32,730,268	7.41%	49,424,975	11.19%	\$0.35	1,797,499	13,675,596	8,048,990	37,476,93
5,000-24,999	5,004	59,629,697	7,347	1,166,326	3,857,649	6.47%	6,195,040	10.39%	\$0.59	46,709	990,343	854,181	4,046,43
25,000–49,999	1,222	42,779,662	0	835,544	2,489,915	5.82%	4,469,861	10.45%	\$0.42	278,470	1,157,309	828,733	2,949,60
50,000-99,999	800	54,836,164	0	1,788,747	3,700,472	6.75%	6,381,487	11.64%	\$0.41	222,371	706,642	914,200	3,657,55
100,000-249,999	587	87,993,325	0	5,659,713	10,353,089	11.77%	14,232,272	16.17%	\$0.35	9,506	1,592,640	619,140	6,636,80
250,000-499,999	252	88,758,802	1,605,815	14,016,002	7,972,290	8.98%	12,887,802	14.52%	\$0.32	(41,849)	2,895,931	2,167,216	10,511,52
500,000 plus	131	107,766,890	4,103,564	39,782,360	4,356,853	4.04%	5,258,513	4.88%	\$0.33	1,282,292	6,332,731	2,665,520	9,675,01
Total Total	7,996	441,764,540	5,716,726	63,248,692	32,730,268	7.41%	49,424,975	11.19%	\$0.35	1,797,499	13,675,596	8,048,990	37,476,93
ligh Desert													
Adelanto	136	3,373,448	0	17,401,463	281,217	8.34%	531,320	15.75%	\$0.25	40,928	(140,125)	53,100	109,87
Apple Valley	71	2,662,717	0	1,847,530	69,670	2.62%	119,156	4.47%	\$0.53	1,184	30,515	7,184	65,78
Barstow	56	1,375,540	0	0	296,240	21.54%	339,510	24.68%	\$0.37	(54,500)	(64,866)	15	32,78
Hesperia	195	4,143,405	0	52,000	286,590	6.92%	331,957	8.01%	\$0.28	50,423	77,836	70,943	166,58
Victorville	154	9,061,281	0	12,449,223	833,898	9.20%	306,038	3.38%	\$0.40	1,011,733	1,053,064	1,013,233	1,139,51
High Desert Total	612	20,616,391	0	31,750,216	1,767,615	8.57%	1,627,981	7.90%	\$0.33	1,049,768	956,424	1,144,475	1,514,53
Temecula Valley													
Hemet	99	2,636,041	0	0	41,197	1.56%	81,483	3.09%	\$0.00	(2,000)	35,333	5,000	60,56
Lake Elsinore	159	2,781,344	0	215,773	209,571	7.53%	302,035	10.86%	\$0.00	(35,729)	52,727	30,777	231,84
Murrieta	263	4,830,742	0	0	374,266	7.75%	496,199	10.27%	\$0.45	13,871	111,821	62,304	323,39
San Jacinto	63	1,334,085	0	0	86,894	6.51%	92,894	6.96%	\$0.00	6,000	5,806	6,000	51,50
Temecula	354	10,957,732	0	0	703,826	6.42%	1,517,485	13.85%	\$0.41	10,726	62,764	70,590	401,08
Wildomar	12	635,787	0	0	85,258	13.41%	116,083	18.26%	\$0.00	22,780	27,916	22,780	36,1
	950	23,175,731	0	215,773	1,501,012	6.48%	2,606,179	11.25%	\$0.40	15,648	296,367	197,451	1,104,50

This survey consists of buildings greater than $5{,}000$ square feet. Lease rates are on a triple-net basis.

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

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