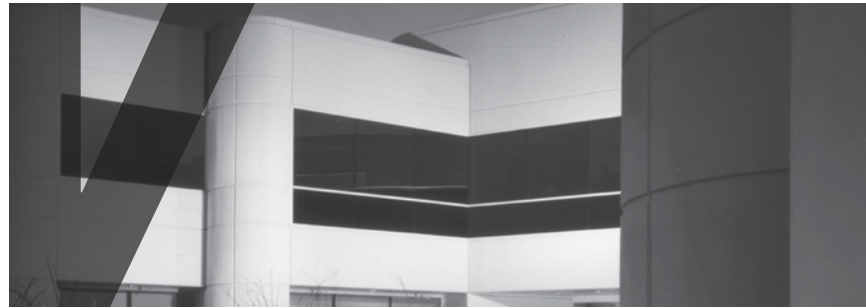




REAL ESTATE SERVICES

Real People. Real Solutions.®



Office Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

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

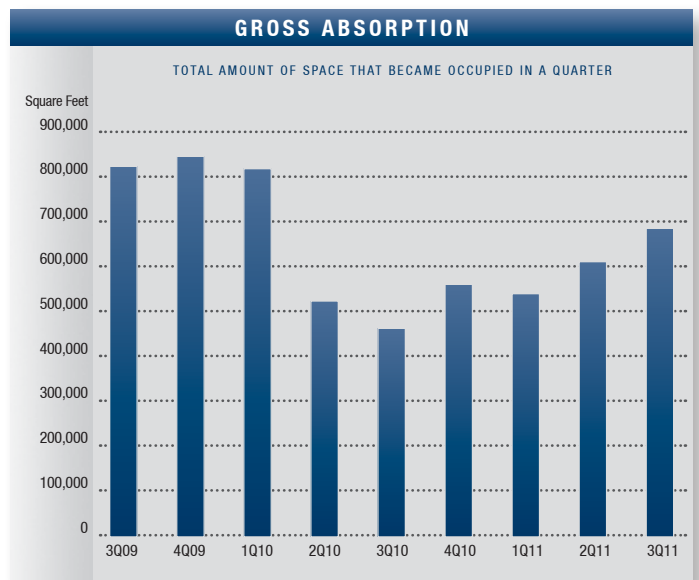
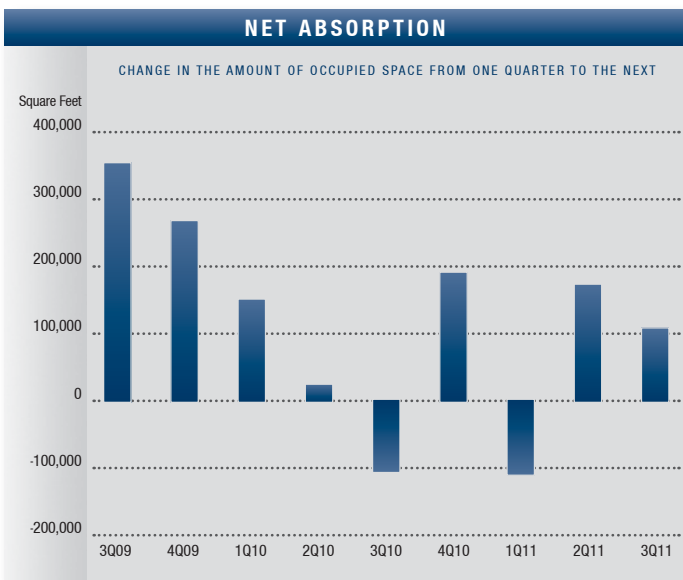
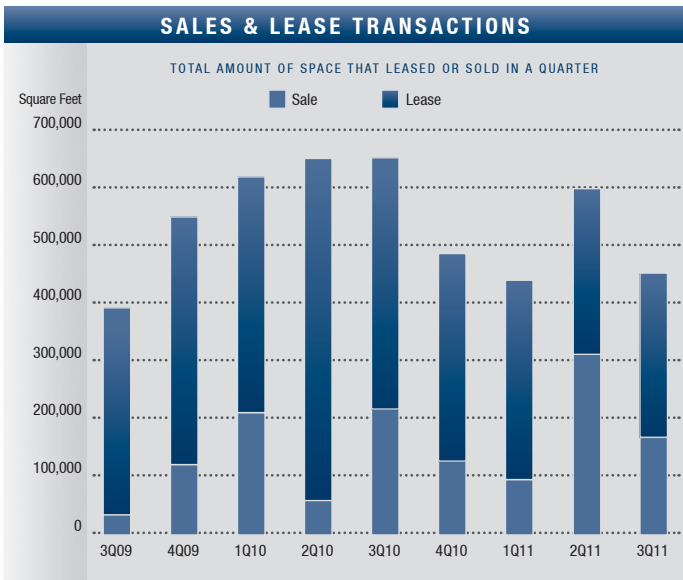
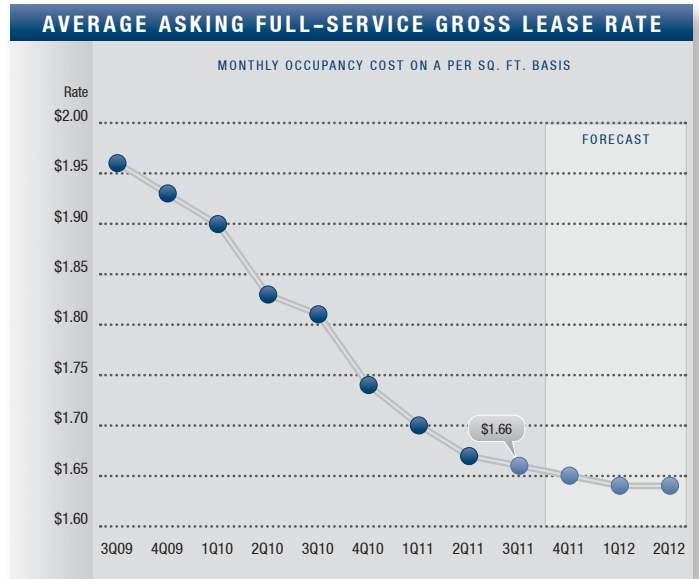
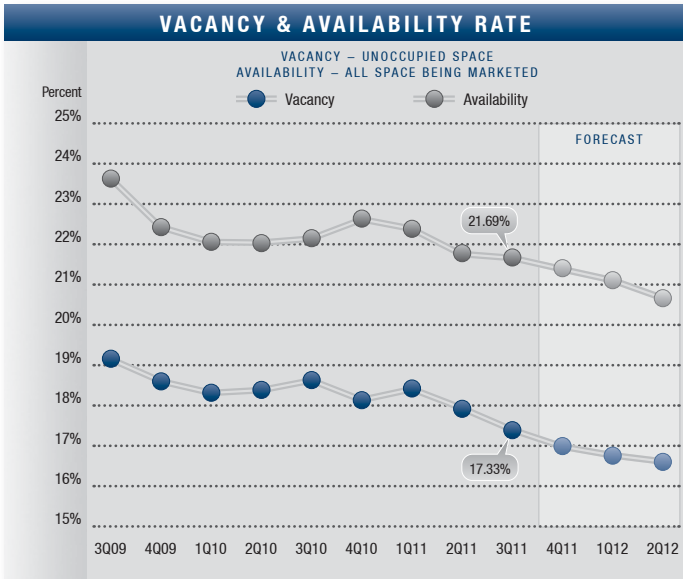
Market Highlights

- Encouraging Numbers** - The Inland Empire Office Market conveyed more promises of stabilization in the third quarter of 2011. Both vacancy and availability began to decrease, and net absorption posted over 240,000 square feet of positive activity. With regard to sales transactions, the ask-bid gap narrowed, as evidenced by the continued drop in asking prices and increased interest from users and investors. While these are positive indications, stability and job growth will need to be sustained in coming quarters to be considered recovery.
- Construction** - At the end of the third quarter of 2011, total space under construction checked in at 217,531 square feet. The slowdown in construction has and will ease the upward pressure on vacancy and the downward pressure on lease rates.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 17.33%, a decrease compared to the previous quarter's rate of 17.97% and last year's rate of 18.64%.
- Availability** - Direct/sublease space being marketed was 21.69% for the third quarter of 2011, down from the second quarter's rate of 21.76% and a 45-basis-point decrease from the 22.14% we saw in the third quarter of last year.
- Lease Rates** - The average asking full-service gross (FSG) lease rate per month per square foot in the Inland Empire office market was \$1.66 in the third quarter, which is one cent lower than the second quarter of 2011's rate and a 8.29% decrease compared to 2010's second quarter rate of \$1.81. The record high rate of \$2.10 was established in the first quarter of 2008. Class A rates for the county averaged \$1.95 FSG. The highest rates were found in the West County submarket, where they averaged \$1.71 FSG.
- Absorption** - The Inland Empire office market posted 243,460 square feet of positive net absorption in the third quarter of 2011; from the beginning of 2009 to the third quarter of 2011, the office market averaged approximately 130,000 square feet of positive absorption per quarter.
- Transaction Activity** - Leasing activity checked in at just over 286,000 square feet this quarter, a decrease from 2010's third quarter total of 436,000 square feet. Sales activity showed a decrease as well, posting 162,000 square feet of activity in the third quarter of 2011 compared to 2010's 214,000 square feet. 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 14.1% in August 2011, down from a revised 14.7% in July 2011 and below the year-ago estimate of 14.9%. This compares with an unadjusted unemployment rate of 11.9% for California and 9.1% for the nation during the same period. The unemployment rate was 14.7% for Riverside County and 13.6% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA lost 6,100 payroll jobs from August 2010 to August 2011. The largest declines were 12,600 jobs in government and 2,600 in leisure and hospitality. However, trade, transportation and utilities recorded the greatest year-over-year gain, adding 5,800 jobs. The LAEDC is forecasting that no jobs will be added or lost in the Inland Empire in 2011.
- Overall** - We are seeing a decrease in the amount of available space being added to the market. Absorption is trending upward, and with few new deliveries to put more upward pressure on vacancies, the market should continue to stabilize. We foresee an increase in investment activity in the coming quarters as lenders continue to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances have begun to stabilize to incentivize tenants to act immediately. We should see an increase in leasing activity as many short-term deals come up for renewal and as job creation continues. If unemployment continues to drop and consumer confidence stabilizes, the office market will regain equilibrium.

OFFICE MARKET OVERVIEW

	3Q2011	2Q2011	3Q2010	% Change vs. 3Q2010
Total Vacancy Rate	17.33%	17.97%	18.64%	(7.03%)
Availability Rate	21.69%	21.76%	22.14%	(2.03%)
Average Asking Lease Rate	\$1.66	\$1.67	\$1.81	(8.29%)
Sale & Lease Transactions	448,615	598,263	650,180	(31.00%)
Gross Absorption	680,179	600,710	460,486	47.71%
Net Absorption	243,460	172,373	(102,972)	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 3Q2011	Square Feet Available	Availability Rate 3Q2011	Average Asking Lease Rate	Net Absorption 3Q2011	Net Absorption 2011	Gross Absorption 3Q2011	Gross Absorption 2011
West													
Chino/Chino Hills	35	1,020,956	0	325,081	198,389	19.43%	219,028	21.45%	\$2.25	1,686	23,184	10,742	42,492
Fontana	36	1,023,588	0	40,000	117,695	11.50%	129,995	12.70%	\$1.20	1,957	49	6,500	8,860
Mira Loma	0	0	0	70,000	0	#DIV/0!	0	#DIV/0!	\$0.00	0	0	0	0
Montclair	13	271,310	0	0	26,379	9.72%	39,464	14.55%	\$1.60	(1,119)	(12,310)	3,031	13,888
Ontario	107	4,211,245	0	1,916,992	1,052,061	24.98%	1,212,254	28.79%	\$1.76	32,144	54,863	79,481	277,278
Rancho Cucamonga	146	4,489,089	0	188,500	860,678	19.17%	1,131,363	25.20%	\$1.63	99,902	98,222	148,931	317,963
Upland	64	1,404,116	0	0	210,228	14.97%	320,514	22.83%	\$1.44	3,167	(57,168)	8,691	40,488
Class A	31	2,648,789	0	1,987,718	834,131	31.49%	850,866	32.12%	\$1.97	20,837	85,928	50,632	232,630
Class B	275	7,930,681	0	552,855	1,386,901	17.49%	1,939,233	24.45%	\$1.59	105,281	22,916	180,768	388,655
Class C	95	1,840,834	0	0	244,398	13.28%	262,519	14.26%	\$0.98	11,619	(2,004)	25,976	79,684
West Total	401	12,420,304	0	2,540,573	2,465,430	19.85%	3,052,618	24.58%	\$1.71	137,737	106,840	257,376	700,969
East													
Banning	4	140,943	76,398	93,920	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Beaumont	4	162,918	0	0	0	0.00%	1,450	0.89%	\$0.00	0	1,250	0	2,500
Bloomington	0	0	0	0	0	#DIV/0!	0	#DIV/0!	\$0.00	0	0	0	0
Corona/Norco	92	3,001,480	0	133,465	877,584	29.24%	1,067,016	35.55%	\$1.71	(21,632)	14,669	81,935	288,045
Colton/Grand Terrace	49	1,082,508	0	0	161,726	14.94%	215,424	19.90%	\$1.26	(1,450)	(20,117)	4,379	31,494
Moreno Valley	36	1,128,753	0	209,760	40,724	3.61%	61,536	5.45%	\$0.00	1,236	7,842	1,236	11,896
Perris	10	207,088	0	0	5,288	2.55%	5,288	2.55%	\$0.00	(1,609)	(3,180)	0	1,100
Redlands/Loma Linda	86	2,740,557	0	0	394,175	14.38%	439,766	16.05%	\$1.56	(8,201)	(17,724)	21,711	74,308
Rialto	8	237,501	0	0	36,556	15.39%	36,556	15.39%	\$1.58	0	(8,178)	0	1,840
Riverside	305	9,421,683	141,133	563,000	1,433,669	15.22%	1,704,821	18.09%	\$1.87	95,475	156,938	205,707	408,519
San Bernardino/Highland	210	7,792,151	0	149,154	1,229,857	15.78%	1,729,499	22.20%	\$1.47	41,904	71,898	107,835	296,870
Class A	40	3,960,336	141,133	63,965	818,370	20.66%	893,596	22.56%	\$1.91	36,348	81,818	85,490	151,716
Class B	495	15,353,537	76,398	1,085,334	2,717,836	17.70%	3,414,380	22.24%	\$1.58	79,162	109,315	318,005	732,928
Class C	269	6,601,709	0	0	643,373	9.75%	953,380	14.44%	\$1.15	(9,787)	12,265	19,308	231,928
East Total	804	25,915,582	217,531	1,149,299	4,179,579	16.13%	5,261,356	20.30%	\$1.61	105,723	203,398	422,803	1,116,572
Inland Empire Total	1,205	38,335,886	217,531	3,689,872	6,645,009	17.33%	8,313,974	21.69%	\$1.66	243,460	310,238	680,179	1,817,541

	INVENTORY			VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2011	Square Feet Available	Availability Rate 3Q2011	Average Asking Lease Rate	Net Absorption 3Q2011	Net Absorption 2011	Gross Absorption 3Q2011	Gross Absorption 2011
Inland Empire													
Class A	71	6,609,125	141,133	2,051,683	1,652,501	25.00%	1,744,462	26.39%	\$1.95	57,185	167,746	136,122	384,346
Class B	770	23,284,218	76,398	1,638,189	4,104,737	17.63%	5,353,613	22.99%	\$1.58	184,443	132,231	498,773	1,121,583
Class C	364	8,442,543	0	0	887,771	10.52%	1,215,899	14.40%	\$1.08	1,832	10,261	45,284	311,612
Inland Empire Total	1,205	38,335,886	217,531	3,689,872	6,645,009	17.33%	8,313,974	21.69%	\$1.66	243,460	310,238	680,179	1,817,541
High Desert													
Adelanto	3	65,531	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Apple Valley	29	491,294	49,637	14,000	27,796	5.66%	34,047	6.93%	\$0.00	(5,205)	(10,582)	1,245	10,637
Barstow	13	223,977	0	1,000	21,579	9.63%	40,579	18.12%	\$0.00	(10,149)	(10,149)	1,100	1,100
Hesperia	27	571,159	0	174,832	3,993	0.70%	33,503	5.87%	\$0.00	42	11,301	2,785	15,861
Victorville	86	1,672,789	0	352,000	148,014	8.85%	207,983	12.43%	\$1.68	(6,660)	(1,342)	11,621	36,589
High Desert Total	158	3,024,750	49,637	541,832	201,382	6.66%	316,112	10.45%	\$1.68	-21,972	-10,772	16,751	64,187
Temecula Valley													
Hemet	44	814,022	0	87,807	76,104	9.35%	88,001	10.81%	\$0.00	1,267	(1,439)	1,267	3,417
Lake Elsinore	12	272,399	0	0	58,515	21.48%	68,510	25.15%	\$0.00	3,157	17,911	7,457	27,246
Murrieta	51	1,459,245	0	475,891	306,279	20.99%	362,833	24.86%	\$1.32	7,030	32,755	19,678	74,924
San Jacinto	5	146,867	0	0	37,490	25.53%	37,490	25.53%	\$0.00	0	0	0	0
Temecula	100	2,503,714	0	149,519	539,148	21.53%	586,010	23.41%	\$1.44	12,628	(13,618)	49,520	122,048
Wildomar	8	280,454	0	44,000	42,281	15.08%	54,281	19.35%	\$0.00	(8,927)	(3,274)	1,565	7,218
Temecula Valley Total	220	5,476,701	0	757,217	1,059,817	19.35%	1,197,125	21.86%	\$1.41	15,155	32,335	79,487	234,853

This survey consists of properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. Lease rates are on a full-service gross basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Class	Square Feet	Sale Price PSF	Buyer	Seller
4210 Riverwalk Pkwy. – 2 Properties	Riverside	A	290,472	\$53.71	Davenport Partners	CotNet Management, Inc.
3125 Myers St. – 3 Properties, 2.5 acres	Riverside	A	78,116	\$85.00	County of Riverside	CT Realty Investors
8656 Haven Ave. – Building 2	Rancho Cucamonga	B	60,486	\$90.93	Falken Tire Corporation	Diversified Pacific Development Group, LLC
29970 Technology Dr.	Murrieta	A	55,363	\$78.57	Global Building, LLC	Redus Properties, Inc.
2097 Compton Ave. – 5 Condo Units	Corona	C	11,658	\$139.00	Robert P. Gross	Optimus Building Corporation

Lease Transactions

Property Address	City	Class	Square Feet	Transaction Date	Tenant	Owner
6465 Sycamore Canyon Blvd.	Riverside	B	23,180	11-Aug	N/A	Edgemont Community Service Distribution
901 Via Piemonte	Ontario	A	15,474	11-Aug	TMAD Taylor & Gaines	PRII Piemont Ontario CA, LLC
2143 Convention Center Way	Ontario	B	14,039	11-Aug	N/A	Prime Hospitality, LLC
735 E. Carnegie Dr.	San Bernardino	B	13,367	11-Jul	N/A	Rancon Real Estate
9130 Anaheim Pl.	Rancho Cucamonga	B	10,605	11-Aug	N/A	Fairway Business Center, LP

Product Type

CLASS A

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

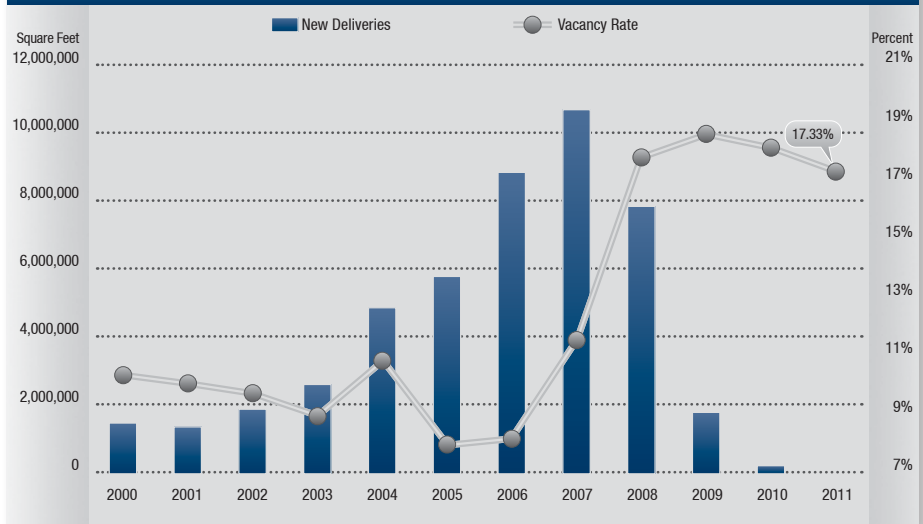
CLASS B

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. However, Class B buildings cannot compete with Class A buildings of the same price.

CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.

ANNUAL NEW DELIVERIES VS. VACANCY RATE



Please Contact Us for Further Information

Anaheim, CA
714.978.7880

Commerce, CA
323.201.4494

Inland Empire, CA
909.218.5285

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

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 full-service gross 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.