



Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

DOWN

Deliveries

FLAT

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Market Highlights

- Market Status** - Recovery in Sacramento has continued to progress in the first quarter of 2012. While job losses continued to weigh on Sacramento, unemployment numbers appeared to be stabilizing and falling in line with the rest of California. Buying for occupancy or purchasing fully leased, single-tenant assets seem the popular investment choice currently, as fully leased, performing assets are just the kind of safe-haven investment that buyers are looking for in tertiary markets such as Sacramento.
- Absorption** - The Sacramento industrial market recorded an exciting 673,501 square feet of positive net absorption for first quarter — a sign that the industrial market is beginning to possibly pick up, or at least, has stabilized. One of the largest submarkets in all of the region, Davis/Woodland, had 290,825 square feet of positive absorption, while the Roseville/Rocklin submarket had a negative 84,921 square feet of net absorption.
- Transaction Activity** - The total square footage volume of industrial lease and sale transaction activity was under 1.5 million for first quarter of 2012. In 2011, all the quarters fell between 2 million and 3.5 million square feet of leasing and sale activity. Typically, this statistic does have some lag time to post final numbers, so look for the first quarter to fall around 1.5 million as numbers come in. Details of the largest transactions for the first quarter can be found on the back page of this report.
- Employment** - The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 11.4% in February 2012, up from a revised 11.3% in January 2012, and below the year-ago estimate of 12.5%. This compares with an unadjusted unemployment rate of 11.4% for California and 8.7% for the nation during the same period. The largest monthly gain occurred in professional and business services with an increase of 2,300 jobs.
- Overall** - Owners can finally begin to breathe easier, as rent losses are over. Demand for warehouse space in Sacramento is improving and will continue to turn around as homebuilding picks up again and as local incomes start to rise. Although the fact that Sacramento is not a major manufacturing center limits demand potential, the metro is a local distribution center, and its population growth bodes very well for the future. While the downturn was painful, the tide is slowly beginning to turn, and the outlook of the foreseeable future is favorable.
- Construction** - During the first quarter, there was only 200,000 square feet under construction in the Sacramento industrial market — a single building in Davis. No properties were delivered during the first quarter.
- Vacancy** - Total vacancy decreased by 45 basis points from the fourth quarter of 2011 to the first quarter of 2012, coming in at 11.91%, an impressive drop considering the vacancy rate has not been below 12% since the first quarter of 2010. Within the major submarkets, the McClellan area remained high at 17.53%, while the West Sacramento area came in at a solid 7.23%.
- Availability** - The rate of availability for both direct and sublease space was 16.33% at the close of the first quarter; down 86 basis points from the close of 2011. The Davis/Woodland submarket remained very high at 21.28% during the first quarter, while the NE Sacramento submarket came in at 10.93%.
- Lease Rates** - The average asking triple-net lease rate was \$0.35 per square foot per month at the end of the first quarter — the same as the previous quarter. Rental rate growth is expected to begin in the second half of 2012.

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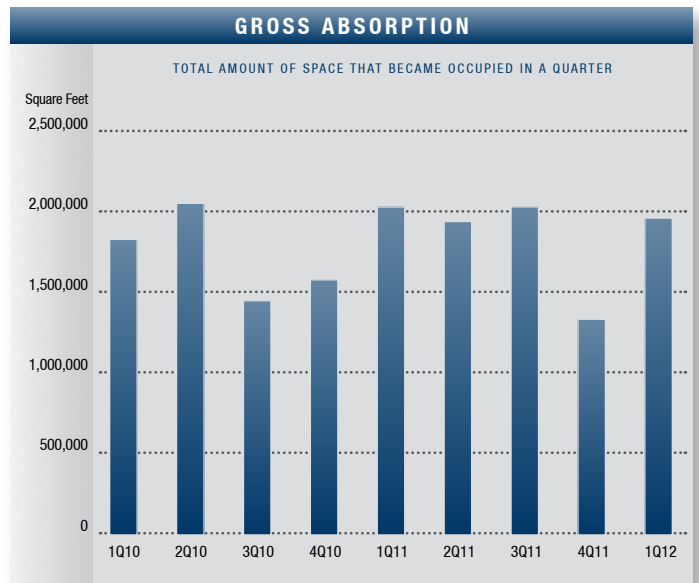
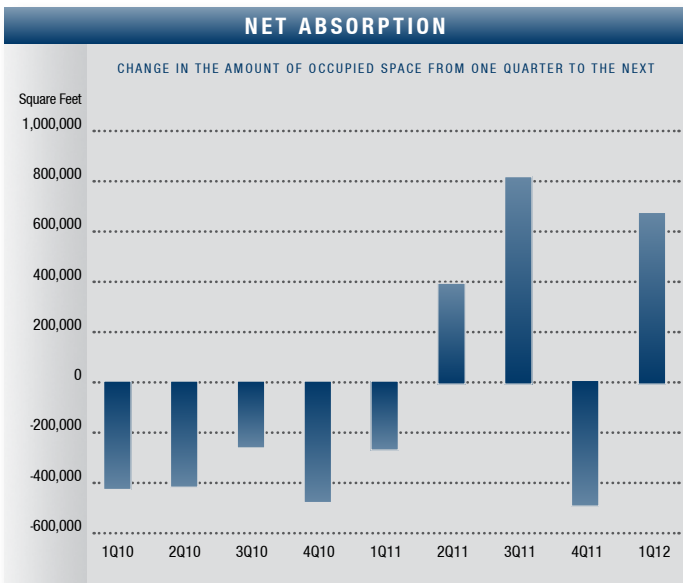
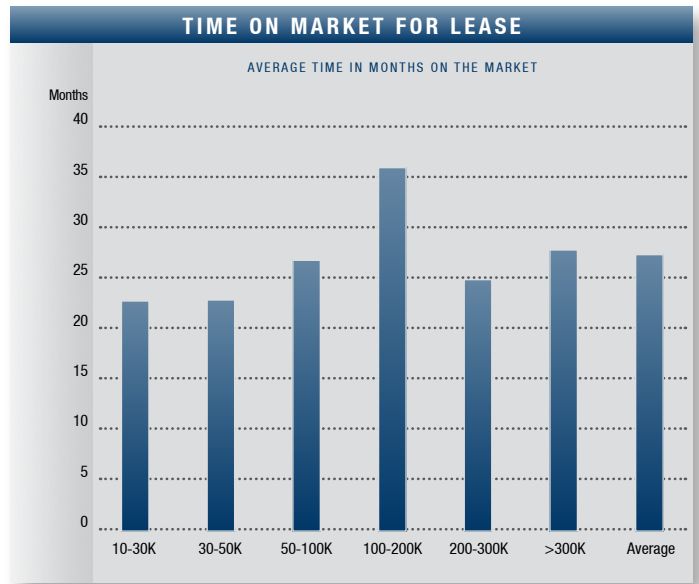
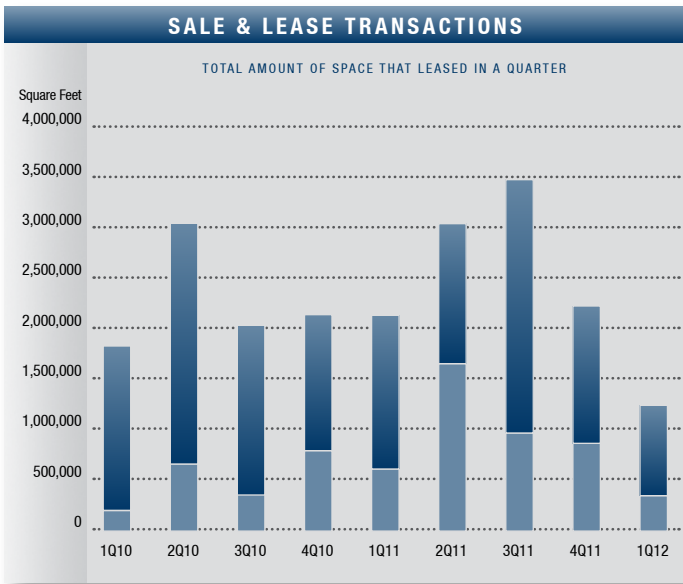
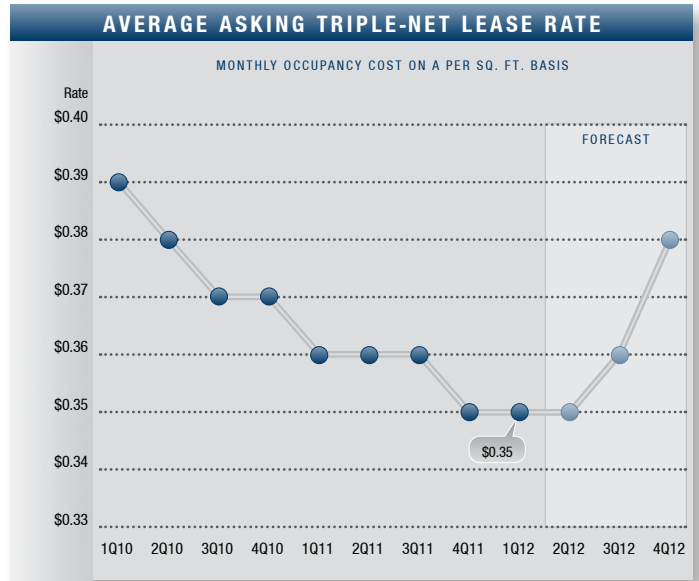
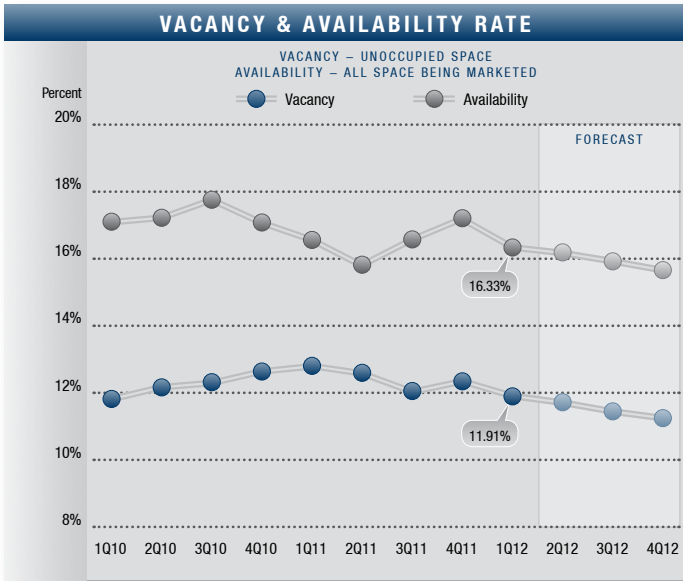
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INDUSTRIAL MARKET OVERVIEW

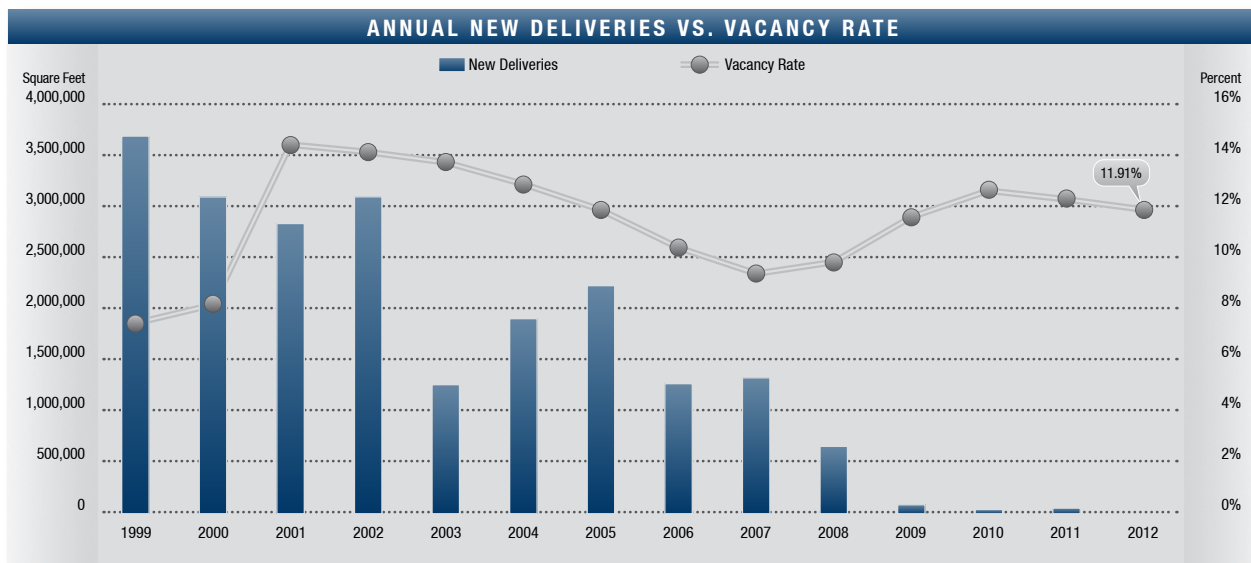
	1Q12	4Q11	1Q11	% of Change vs. 1Q2011
Vacancy Rate	11.91%	12.36%	12.81%	(7.03%)
Availability Rate	16.33%	17.19%	16.53%	(1.21%)
Average Asking Lease Rate	\$0.35	\$0.35	\$0.36	(2.78%)
Sale & Lease Transactions	1,217,685	2,201,767	2,111,006	(42.32%)
Gross Absorption	1,955,051	1,311,766	2,015,343	(2.99%)
Net Absorption	673,501	(489,064)	(264,843)	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 1Q2012	Square Feet Available	Availability Rate 1Q2012	Average Asking Lease Rate	Net Absorption 1Q2012	Net Absorption 2012	Gross Absorption 1Q2012	Gross Absorption 2012
Sacramento Market													
Auburn / Newcastle	93	2,638,895	0	0	177,288	6.72%	456,028	17.28%	\$0.54	11,105	11,105	15,109	15,109
Davis / Woodland	200	16,886,616	200,000	0	2,055,219	12.17%	3,593,240	21.28%	\$0.26	290,825	290,825	341,880	341,880
Downtown	91	2,753,125	0	0	135,843	4.93%	145,553	5.29%	\$0.60	27,976	27,976	27,976	27,976
East Sacramento	27	756,039	0	0	106,176	14.04%	120,176	15.90%	\$0.75	0	0	0	0
Elk Grove / Laguna	115	5,747,292	0	49,250	695,156	12.10%	937,565	16.31%	\$0.38	(9,076)	(9,076)	13,550	13,550
Folsom / El Dorado	108	3,804,370	0	0	146,789	3.86%	247,107	6.50%	\$0.65	(10,544)	(10,544)	8,000	8,000
Mather	136	4,089,008	0	70,393	595,762	14.57%	692,962	16.95%	\$0.39	37,538	37,538	59,521	59,521
McClellan	343	17,218,531	0	55,362	3,018,270	17.53%	3,259,166	18.93%	\$0.40	170,550	170,550	279,934	279,934
Natomas / Northgate	209	12,434,019	0	629,394	1,748,552	14.06%	2,301,362	18.51%	\$0.33	105,613	105,613	351,527	351,527
North East Sacramento	204	5,362,006	0	0	477,714	8.91%	586,040	10.93%	\$0.38	439	439	46,647	46,647
Power Inn	588	26,762,660	0	710,888	2,926,545	10.94%	4,268,057	15.95%	\$0.33	66,687	66,687	297,569	297,569
Richards	95	4,700,563	0	0	512,348	10.90%	548,648	11.67%	\$0.35	1,515	1,515	16,960	16,960
Roseville / Rocklin	296	18,004,223	0	528,305	2,905,182	16.14%	3,444,409	19.13%	\$0.38	(84,921)	(84,921)	39,556	39,556
South Sacramento	126	4,027,438	0	0	155,837	3.87%	269,121	6.68%	\$0.40	2,050	2,050	11,650	11,650
Sunrise	327	9,482,538	0	0	1,121,193	11.82%	1,623,943	17.13%	\$0.38	78,143	78,143	253,786	253,786
West Sacramento	311	15,832,065	0	89,426	1,144,751	7.23%	2,087,824	13.19%	\$0.41	(14,399)	(14,399)	191,386	191,386
Sacramento Market Total	3,269	150,499,388	200,000	2,133,018	17,922,625	11.91%	24,581,201	16.33%	\$0.35	673,501	673,501	1,955,051	1,955,051

10,000-29,999	1,940	32,355,659	0	360,750	3,529,953	10.91%	4,358,135	13.47%	\$0.47	47,260	47,260	445,627	445,627
30,000-49,999	517	19,660,339	0	181,518	2,195,632	11.17%	2,980,592	15.16%	\$0.38	201,873	201,873	426,728	426,728
50,000-99,999	513	34,735,357	0	351,272	4,021,886	11.58%	5,334,545	15.36%	\$0.34	58,627	58,627	434,215	434,215
100,000-199,999	194	25,257,500	0	518,200	2,732,183	10.82%	4,396,632	17.41%	\$0.35	212,597	212,597	486,937	486,937
200,000-299,999	60	14,447,502	200,000	0	1,984,346	13.73%	2,818,888	19.51%	\$0.27	44,911	44,911	53,311	53,311
300,000 Plus	45	24,043,031	0	721,278	3,458,625	14.39%	4,692,439	19.52%	\$0.29	108,233	108,233	108,233	108,233
Sacramento Market Total	3,269	150,499,388	200,000	2,133,018	17,922,625	11.91%	24,581,231	16.33%	\$0.35	673,501	673,501	1,955,051	1,955,051

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple-net basis.



RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
3805 Faraday Ave.	Davis/Woodland	71,175	\$191.78	JJD Davis Asset Interests, LLC	Capital Partners Dev. Company
5121 Hedge Ave.	Mather	14,000	\$142.86	Transportation Services, Inc.	Crimsonco, LLC
4660 Pell Dr.	Natomas/Northgate	42,000	\$42.86	Leisure Supply	Van Hoffmann Family Trust
1120 Tara Ct.	Roseville/Rocklin	36,000	\$46.39	Gold River Distributors	Westcore Properties
2860 Colusa Hwy.	Marysville/Yuba City	22,945	\$56.66	Estes Family Trust	Nelson Family Trust

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
3780-3800 Pell Cir.	Natomas/Northgate	72,005	Mar-12	Fireside Hearth & Home	DCT Industrial Trust
8681 Younger Creek Dr.	Power Inn	63,630	Mar-12	CA Prison Industry Authority	Buzz Oates Companies
1620 W. National Dr.	Natomas/Northgate	61,360	Feb-12	N/A	North Market Center, LP
340-350 Hanson Way	Davis/Woodland	47,840	Jan-12	N/A	Homawood
8301-8351 Luzon St.	Power Inn	43,560	Mar-12	CA Department of Corrections	Fischer Property

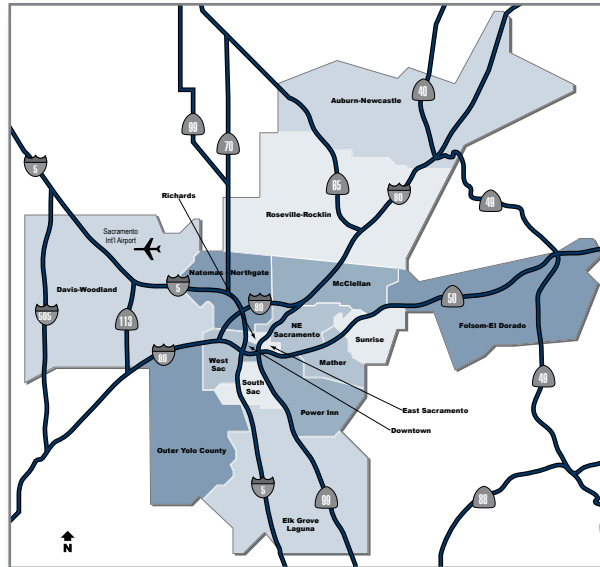
Product Type

MFG./DIST.

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

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