



Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

UP

Deliveries

FLAT

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Market Highlights

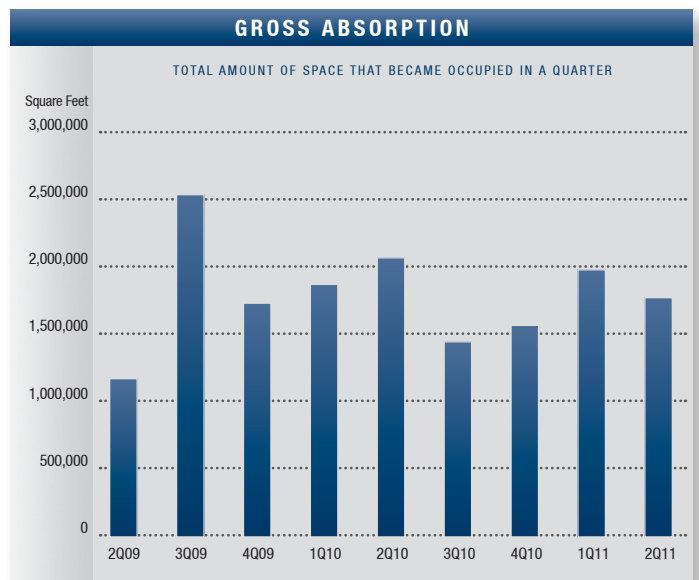
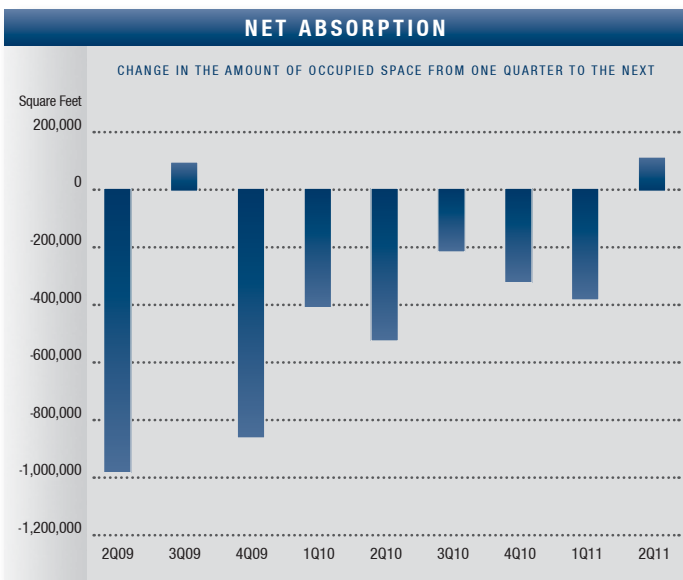
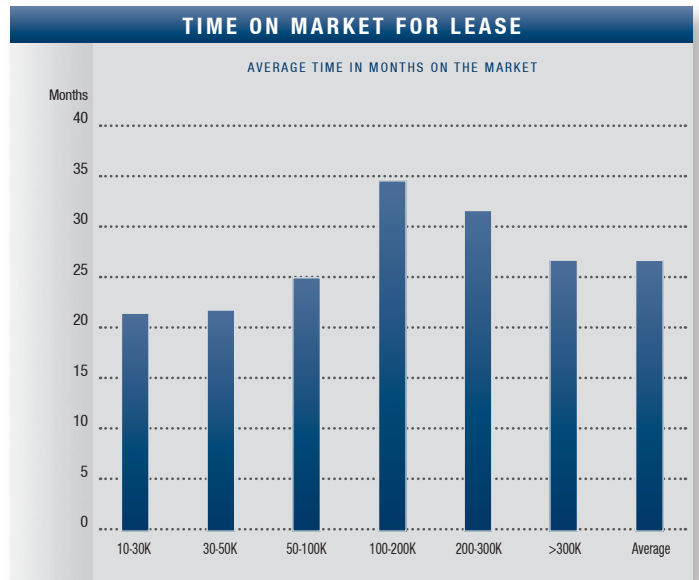
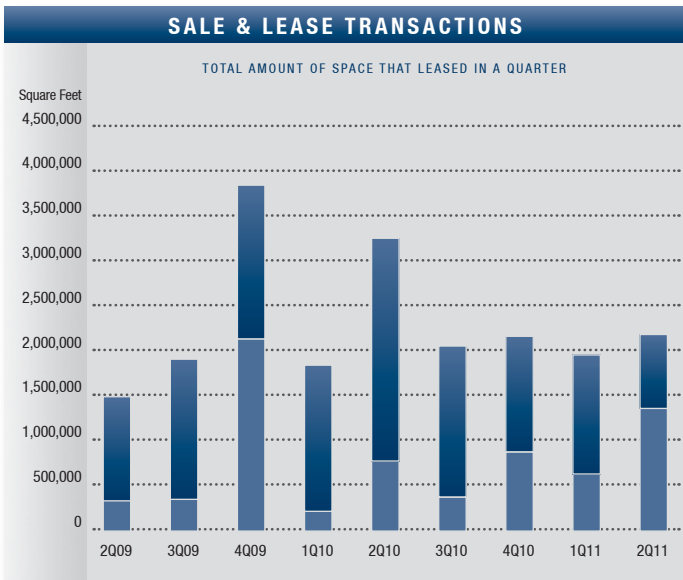
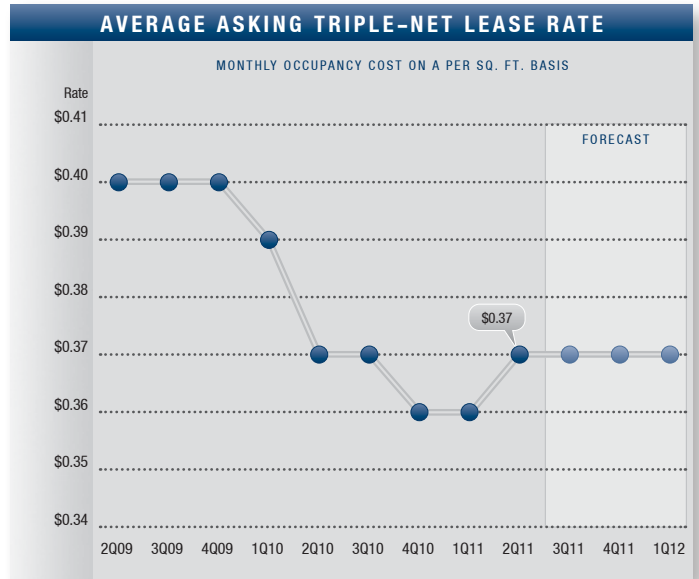
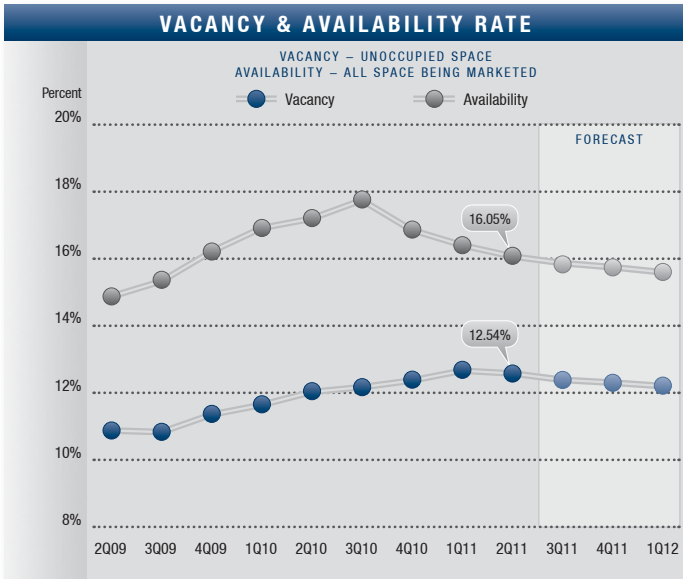
- Market Challenges** - Industrial leasing activity moved forward at a trickle during the second quarter 2011, with net absorption reaching positive figures for the first since the third quarter 2009. Average asking rates for industrial space also saw a positive, albeit nominal, \$0.01 uptick during the quarter. Both indicators suggest that industrial users may be seeing a return of confidence. Industrial investment activity, though extremely limited in the Sacramento region, is still being driven by private buyers looking for value-added properties.
- Construction** - There was 36,000 square feet of new construction completed during the quarter — in one fully-leased building in the Roseville/Rocklin submarket. In response to the lack of demand present for the last two years, there is no speculative construction underway.
- Vacancy** - Regional vacancy dropped mere basis points from the end of the first quarter, closing the second quarter at 12.54%, across all property types and submarkets.
- Availability** - The rate of availability for both direct/sublease space was 16.05% at the close of the second quarter, down nearly 50 basis points from the first quarter and 75 basis points from the same period last year.
- Lease Rates** - The average asking triple-net lease rate was \$0.37 per square foot per month, up \$0.01 from the close of the first quarter of 2011. Average asking rate are expected to hover in the \$0.36-\$0.37 range for the remainder of the year.
- Absorption** - The Sacramento industrial market posted a positive 107,000 square feet of net absorption in the second quarter, the first positive absorption in almost two years. The largest net gains in occupied space were achieved in the Yolo County (Davis/Woodland) and Sunrise submarkets. The largest net loss of occupied space

occurred in West Sacramento. The market posted 275,000 square feet of negative net absorption in 2011 thus far.

- Transaction Activity** - The total square footage of activity during the quarter reached 2.1 million square feet, up slightly from the first quarter total of 1.9 million but below the volume recorded during the same period last year. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in the Sacramento-Arden-Arcade-Roseville Metropolitan area (MSA) was 11.7% in May 2011. The unemployment rate was 12.6% in El Dorado, 10.8% in Placer, 11.8% in Sacramento and 11.8% in Yolo counties. This compares with an unadjusted unemployment rate of 11.4% for the state and 8.7% for the nation during the same period. According to the State of California Employment Development Department, the Sacramento MSA lost 12,300 payroll jobs from May 2010 to May 2011 — 7,900 in government and 1,800 in financial activities, among others. However, between April and May 2011, the number of jobs in the region actually increased by 5,300 jobs — 2,400 of which occurred in the construction field, the largest increase the sector has seen in the month of April in over 20 years, a statistic that bodes very well for the area.
- Overall** - Sale and lease activity will pick up as investors and industrial users gain confidence as the industrial market continues to stabilize. Asking lease rates are forecast to remain steady for the remainder of the year. Net effective rents will continue to be affected by free rent and other tenant concessions, as landlords compete for a shrunken tenant base. However, renewals of short-term leases executed in the last two years will continue for the next 12 months, driving leasing volumes upward.

INDUSTRIAL MARKET OVERVIEW

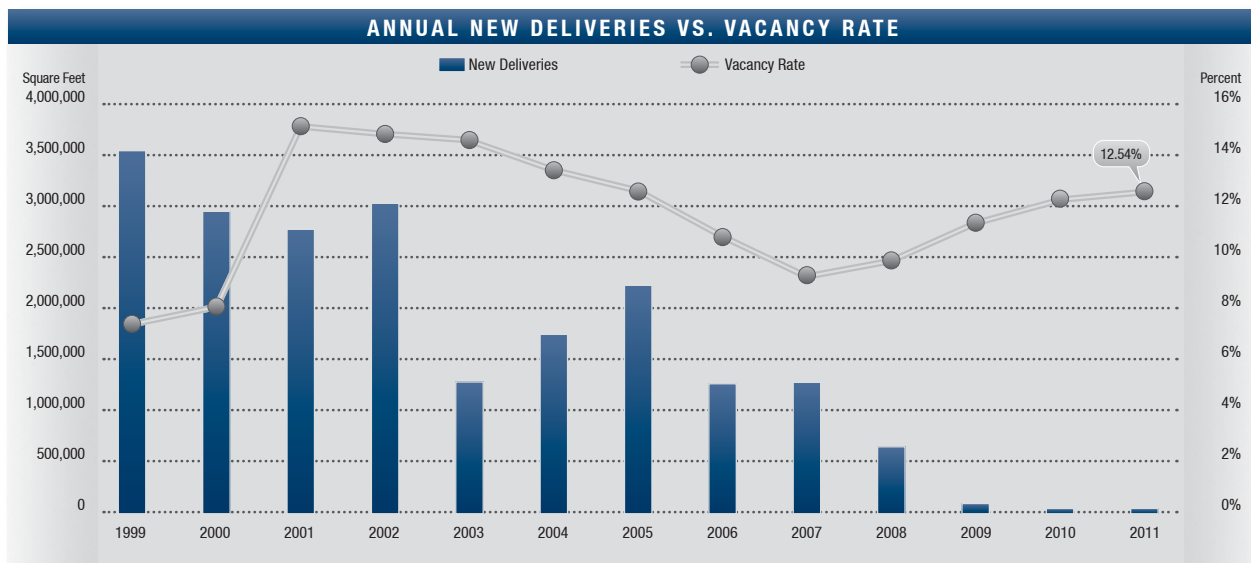
	2Q2011	1Q2011	2Q2010	% Change vs. 2Q2010
Vacancy Rate	12.54%	12.62%	12.01%	4.40%
Availability Rate	16.05%	16.48%	17.22%	(6.81%)
Average Asking Lease Rate	\$0.37	\$0.36	\$0.37	0.00%
Sale & Lease Transactions	2,171,072	1,931,846	3,239,480	(32.98%)
Gross Absorption	1,767,305	1,981,853	2,064,069	(14.38%)
Net Absorption	107,741	(383,444)	(528,074)	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 2Q2011	Square Feet Available	Availability Rate 2Q2011	Average Asking Lease Rate	Net Absorption 2Q2011	Net Absorption 2011	Gross Absorption 2Q2011	Gross Absorption 2011
Sacramento Market													
Auburn/Newcastle	92	2,529,877	0	0	140,435	5.55%	410,193	16.21%	\$0.60	(19,201)	(25,321)	800	800
Davis/Woodland	200	16,640,473	0	0	2,833,512	17.03%	3,024,865	18.18%	\$0.27	124,818	(131,459)	464,600	636,201
Downtown	90	2,732,534	0	0	144,514	5.29%	160,514	5.87%	\$0.41	22,232	(11,568)	37,232	37,232
East Sacramento	30	816,103	0	0	187,059	22.92%	187,059	22.92%	\$0.67	(17,101)	(47,101)	16,400	22,400
Elk Grove/Laguna	116	5,769,713	0	49,250	772,967	13.40%	1,003,035	17.38%	\$0.40	19,138	149,945	54,876	216,929
Folsom/El Dorado	99	3,610,783	0	165,760	131,892	3.65%	193,397	5.36%	\$0.60	28,238	37,663	38,788	53,763
Mather	137	4,147,483	0	70,393	662,756	15.98%	703,134	16.95%	\$0.40	13,484	(20,430)	24,888	82,714
McClellan	344	18,573,658	0	55,362	3,020,145	16.26%	3,700,284	19.92%	\$0.42	(41,332)	(188,869)	74,626	238,996
Natomas/Northgate	208	12,215,142	0	629,394	1,637,832	13.41%	2,378,975	19.48%	\$0.35	47,227	122,223	231,572	530,811
North East Sacramento	204	5,330,345	0	0	547,336	10.27%	625,226	11.73%	\$0.40	(24,163)	(35,899)	39,427	96,867
Power Inn	572	25,355,461	0	710,888	2,750,083	10.85%	4,181,669	16.49%	\$0.34	(37,443)	(83,609)	295,589	646,166
Richards	98	4,778,822	0	0	601,438	12.59%	631,438	13.21%	\$0.32	18,436	(50,827)	50,766	116,101
Roseville/Rocklin	300	18,240,166	0	527,766	2,830,056	15.52%	3,378,559	18.52%	\$0.41	(38,465)	26,306	58,437	218,701
South Sacramento	122	3,948,807	0	0	190,370	4.82%	328,210	8.31%	\$0.44	(2,793)	(7,209)	26,007	32,007
Sunrise	330	9,518,771	0	0	1,211,229	12.72%	1,629,089	17.11%	\$0.40	116,056	83,644	265,047	520,336
West Sacramento	326	16,576,909	0	89,426	1,244,634	7.51%	1,660,269	10.02%	\$0.37	(101,390)	(93,192)	88,250	299,134
Sacramento Market Total	3,268	150,785,047	0	2,298,239	18,906,258	12.54%	24,195,916	16.05%	\$0.37	107,741	(275,703)	1,767,305	3,749,158

10,000–29,999	1,945	32,377,107	0	525,971	3,712,727	11.47%	4,342,329	13.41%	\$0.49	(77,880)	(208,537)	440,339	949,090
30,000–49,999	514	19,546,167	0	181,518	2,477,533	12.68%	3,309,824	16.93%	\$0.40	70,880	155,030	243,278	663,923
50,000–99,999	513	34,633,536	0	351,272	4,165,510	12.03%	5,410,662	15.62%	\$0.36	68,966	(147,317)	443,179	862,553
100,000–199,999	189	24,630,063	0	518,200	3,578,417	14.53%	4,327,431	17.57%	\$0.33	(121,845)	(27,312)	320,310	616,093
200,000–299,999	61	14,623,438	0	0	1,806,809	12.36%	2,200,161	15.05%	\$0.28	(130,398)	(41,389)	22,171	222,671
300,000 Plus	46	24,974,736	0	721,278	3,165,262	12.67%	4,605,509	18.44%	\$0.34	298,018	(6,178)	298,028	434,828
Square Footage Total	3,268	150,785,047	0	2,298,239	18,906,258	12.54%	24,195,916	16.05%	\$0.37	107,741	(275,703)	1,767,305	3,749,158

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
1835 Diesel, Sacramento	McClellan	108,000	\$43.98	Libitzky Holdings	Weiss Trust
Raley Ind. Park (Raley Blvd. & Santa Ana) – 22 Properties	McClellan	86,951	\$41.00	FJM Investments	CA Bank and Trust
Pacific Grain – 351 Hanson Way	Woodland	108,000	\$36.12	CSB Partners	Diamond View Apartments
130 Cyber Ct.	Roseville / Rocklin	80,555	\$43.11	Cyber Ct., LLC	Kobra Properties
8760 Younger Creek Dr.	Power Inn	49,500	\$44.44	Heath Investments	Roger and Laura Noyes
5860 Alder Ave.	Power Inn	89,600	\$22.72	Capital Builders Hardware, Inc.	Bartel Investments, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
8372 Tiogawoods Dr. – Renewal	Power Inn	72,000	Apr-11	Pepsi Beverages	Ethan Conrad
8825 Washington Blvd.	Roseville / Rocklin	60,004	May-11	The Speed Factory	JB Company
1000 Vine St.	Richards	30,300	May-11	La Superior Super Mercado	Frank, Muriel, Lewis Kassis
1460-1464 Churchill Downs	Woodland	23,982	Jun-11	NuFarm Americas, Inc.	Cyrus & Mansoureh Moazam
555 Display Way	Natomas/Northgate	23,000	May-11	Gearhead Garage	Lenore Wyatt
2750 Mercantile Dr.	Sunrise	17,280	May-11	PV Manufacturing	D. Benvenuti Holdings, LLC

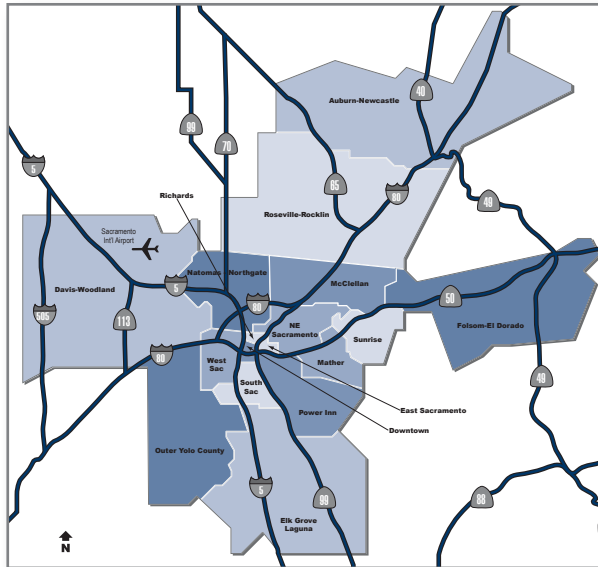
Product Type

MFG./DIST.

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

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