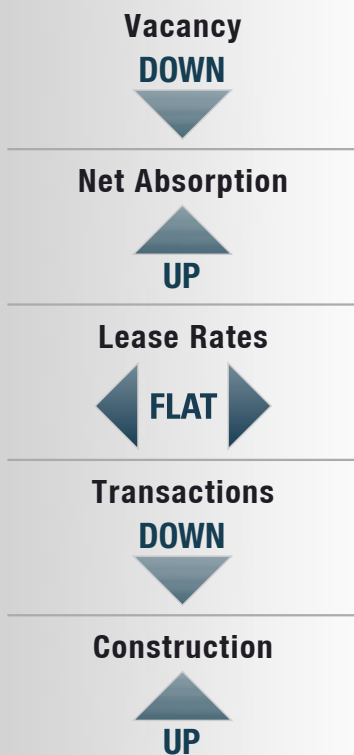




Voit
Real Estate Services

Industrial Market Report

Compared to last quarter:



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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

- ◆ **Market Challenges** - 2010 appears to be off to a much better start than 2009, with sales activity increasing as life insurance companies begin lending. However, many users/investors still have concerns with vacancy, tenant delinquencies, economic uncertainty and volatility, and the gap between “ask” and “bid” pricing. Fortunately, the ask-bid gap appears to be diminishing, apparent from the increase in sales activity. Another challenge for the Industrial market is a lack of tenant demand. The slow economic environment is forcing tenant contractions/consolidations and failures, which in turn put an upward pressure on vacancy rates. To avoid failures many tenants are requesting rent relief from landlords, which is leading landlords to renegotiate loan terms with lenders.
- ◆ **Construction** - Currently, there is 806,680 square feet under construction in the Inland Empire. With the slowing economy, construction in this area has decreased by over 47% compared to the same quarter last year. This will put less upward pressure on the recently elevated vacancy and available space.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 11.43%, which is lower than last quarter’s rate of 11.71%, but higher than the year-ago rate of 11.28%. The lowest vacancy rate in the area can be found in the Western region, coming in at 8.08%.
- ◆ **Availability** - Direct/sublease space being marketed was 16.88% this quarter, about the same as last quarter’s 16.89%, but up from the 15.58% we saw this same quarter last year. This is an increase of 8.34% of new space being marketed year-over-year.
- ◆ **Lease Rates** - The average asking triple net lease rate is \$.34 cents per square foot per month this quarter. This is the same as last quarter’s rate, but a decrease of 12.82% when compared to last year’s asking rate of \$.39.
- ◆ **Absorption** - Net absorption for the Inland Empire posted a positive 1,329,373 square feet for the first quarter of 2010, giving the industrial market a great start for the year.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 5 million square feet. This increase can be attributed to the

recent trend of short-term deals coupled with lease renegotiations. Sales activity showed an increase over the same quarter last year, posting 3.9 million square feet of activity compared to 2.3 million square feet in the first quarter of 2009. Details of the largest transactions can be found on the back page of this report.

◆ **Unemployment** - The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 14.7% in February 2010, down from a revised 15% in January 2010 and above the year ago estimate of 12%. This compares with an unadjusted unemployment rate of 12.8% for California and 10.4% for the nation during the same period. The unemployment rate in February 2010 was 14.9% for Riverside County and 14.4% in San Bernardino County.

◆ **Employment** - According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA lost 60,000 payroll jobs over the last twelve months. The largest declines were 13,500 in trade, transportation and utilities services and 13,000 jobs in construction. However, educational and health services showed a year-over-year gain of 700 jobs.

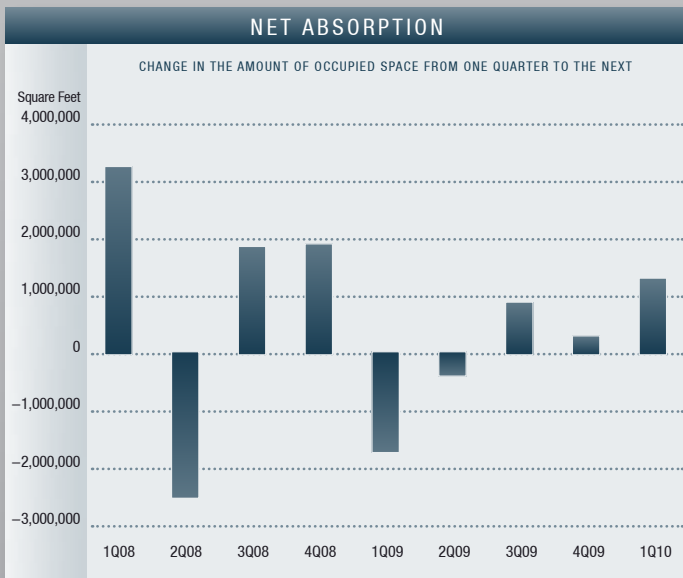
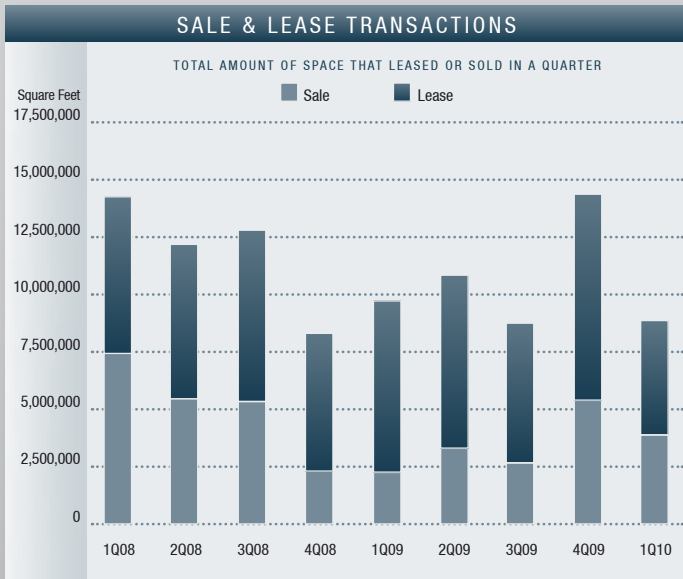
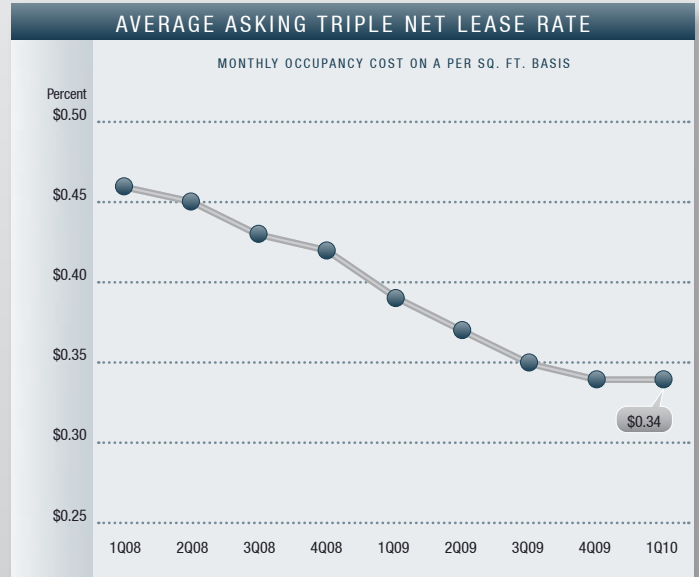
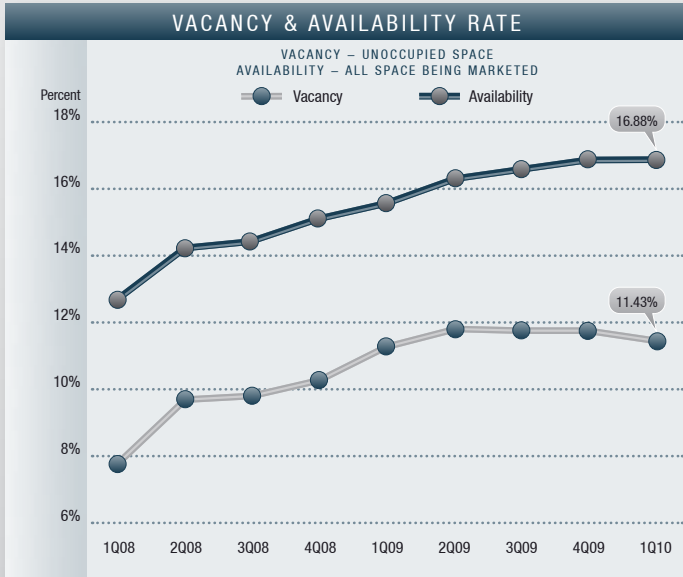
◆ **Overall** - We are beginning to see a decrease in the amount of available space being added per quarter, as well as an increase in investment sales activity. As we begin 2010, positive absorption is the big story, and with few new deliveries in the pipeline to put more upward pressure on vacancies, the market is beginning to stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin 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 should continue to increase 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 begins in the second half of 2010. Once job creation turns positive and consumer confidence stabilizes, the Industrial market will again turn positive.

INLAND EMPIRE MARKET OVERVIEW

	1Q2010	4Q2009	1Q2009	% CHANGE VS. 1Q2009
Vacancy Rate below 100K SF	9.53%	9.48%	8.28%	15.10%
Vacancy Rate above 100K SF	12.62%	13.11%	13.18%	(4.25%)
Total Vacancy Rate	11.43%	11.71%	11.28%	1.33%
Availability Rate	16.88%	16.89%	15.58%	8.34%
Average Asking Lease Rate	\$0.34	\$0.34	\$0.39	(12.82%)
Sale & Lease Transactions	8,871,235	14,349,132	9,718,320	(8.72%)
Gross Absorption	7,201,227	7,390,637	6,232,554	15.54%
Net Absorption	1,329,373	272,821	(1,694,898)	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 1Q2010	Square Feet Available	Availability Rate 1Q2010	Average Asking Lease Rate	Net Absorption 1Q2010	Net Absorption 2009	Gross Absorption 1Q2010	Gross Absorption 2009
North County													
Fontana	762	47,553,129	0	5,259,357	3,536,179	7.44%	6,194,702	13.03%	\$0.30	410,332	967,103	743,705	3,673,746
Mira Loma	231	32,537,785	0	1,031,660	2,681,390	8.24%	5,346,964	16.43%	\$0.34	131,007	380,700	381,260	2,480,263
Montclair	201	3,161,817	101,425	25,226	244,017	7.72%	347,090	10.98%	\$1.00	(26,906)	(33,225)	39,055	121,992
Ontario	1,489	96,270,766	667,000	1,134,724	8,532,876	8.86%	15,881,760	16.50%	\$0.36	1,001,501	(1,815,131)	1,927,229	6,200,720
Rancho Cucamonga	786	36,922,623	0	769,416	3,289,413	8.91%	4,168,336	11.29%	\$0.34	(645,713)	(412,555)	309,071	1,276,113
Upland	319	5,068,446	0	130,832	346,395	6.83%	647,923	12.78%	\$0.90	(25,415)	(49,256)	48,944	219,866
Less than 24,999	2,353	25,504,876	0	278,813	2,119,663	8.31%	3,016,366	11.83%	\$0.55	(37,399)	(132,752)	487,542	1,925,351
25,000-49,999	527	18,264,561	0	389,610	1,519,591	8.32%	2,457,134	13.45%	\$0.42	29,045	(148,552)	271,681	920,554
50,000-99,999	355	24,573,724	0	547,994	2,591,611	10.55%	3,925,136	15.97%	\$0.44	(78,652)	(731,345)	270,486	1,304,242
100,000 plus	553	153,171,405	768,425	7,134,798	12,399,405	8.10%	23,188,139	15.14%	\$0.32	931,812	50,285	2,419,555	9,822,553
North County Total	3,788	221,514,566	768,425	8,351,215	18,630,270	8.41%	32,586,775	14.71%	\$0.34	844,806	(962,364)	3,449,264	13,972,700
West County													
Chino Hills	6	112,970	0	0	6,970	6.17%	23,864	21.12%	\$0.00	0	(1,184)	0	5,786
Chino	909	38,368,262	0	1,670,891	2,673,115	6.97%	5,627,687	14.67%	\$0.38	(276,236)	121,812	568,852	2,447,186
Corona	970	29,707,827	38,255	1,112,355	2,863,004	9.64%	4,838,321	16.29%	\$0.40	(286,630)	(263,941)	650,727	1,914,313
Norco	80	1,191,614	0	0	63,173	5.30%	255,955	21.48%	\$0.00	15,378	989	17,050	55,419
Less than 24,999	1,368	14,502,202	0	324,372	1,184,976	8.17%	1,871,365	12.90%	\$0.69	(118,603)	(211,377)	292,145	992,838
25,000-49,999	290	10,160,780	38,255	237,487	717,460	7.06%	1,292,760	12.72%	\$0.46	19,527	(137,996)	151,428	414,980
50,000-99,999	160	10,899,741	0	639,240	814,283	7.47%	1,499,457	13.76%	\$0.45	73,023	(289,382)	401,464	660,720
100,000 plus	147	33,817,950	0	1,582,147	2,889,543	8.54%	6,082,245	17.99%	\$0.35	(521,435)	496,431	391,592	2,354,166
West County Total	1,965	69,380,673	38,255	2,783,246	5,606,262	8.08%	10,745,827	15.49%	\$0.39	(547,488)	(142,324)	1,236,629	4,422,704
East County													
Banning	68	1,242,671	0	2,277,332	87,356	7.03%	262,356	21.11%	\$0.42	(8,615)	24,657	3,600	69,960
Beaumont	80	2,597,186	0	2,782,431	640,389	24.66%	664,157	25.57%	\$0.00	8,367	37,987	8,367	95,439
Bloomington	79	1,881,057	0	0	105,429	5.60%	182,023	9.68%	\$0.00	39,609	(9,316)	39,609	24,117
Colton	175	6,474,459	0	1,516,060	811,931	12.54%	1,180,211	18.23%	\$0.40	18,120	353,770	39,700	706,439
Grand Terrace	13	492,254	0	0	32,106	6.52%	32,106	6.52%	\$0.00	4,364	(3,360)	8,200	8,140
Hemet	138	2,639,968	0	0	66,990	2.54%	101,146	3.83%	\$0.00	(10,656)	1,642	4,008	28,430
Highland	28	594,665	0	23,070	4,600	0.77%	12,100	2.03%	\$0.80	1,200	(4,600)	1,200	7,200
Loma Linda	20	250,460	0	0	60,662	24.22%	60,662	24.22%	\$0.38	0	(1,848)	0	9,670
Moreno Valley	82	9,485,467	0	10,252,520	2,368,913	24.97%	1,956,038	20.62%	\$0.43	(2,640)	(114,588)	0	913,295
Perris	191	11,392,619	0	20,665,247	1,125,364	9.88%	1,261,538	11.07%	\$0.26	(177,050)	340,565	2,750	499,658
Redlands	189	15,852,161	0	3,615,821	3,246,754	20.48%	5,137,002	32.41%	\$0.27	(206,664)	1,344,142	108,048	3,339,591
Rialto	168	12,916,652	0	1,309,124	3,573,642	27.67%	4,693,147	36.33%	\$0.32	(7,692)	(469,662)	17,540	359,686
Riverside	1,335	44,658,235	0	5,871,209	7,617,428	17.21%	8,795,912	19.87%	\$0.34	243,986	(806,392)	639,124	1,660,539
San Bernardino	681	29,370,850	0	3,942,020	5,443,097	18.53%	5,648,319	19.23%	\$0.28	1,020,503	1,125,316	1,296,091	2,018,224
San Jacinto	139	1,697,267	0	0	120,100	7.08%	131,400	7.74%	\$0.67	(2,950)	(74,640)	9,300	29,110
Yucaipa	21	392,259	0	0	8,100	2.06%	8,100	2.06%	\$0.00	0	(8,100)	0	0
Less than 24,999	2,451	23,059,130	0	588,715	2,310,880	10.02%	3,027,552	13.13%	\$0.59	(61,398)	111,626	297,049	1,601,670
25,000-49,999	412	14,504,871	0	592,247	2,100,343	14.48%	3,152,876	21.74%	\$0.41	(2,480)	(296,338)	124,853	1,014,672
50,000-99,999	277	19,028,650	0	1,671,078	1,811,090	9.52%	2,428,534	12.76%	\$0.34	17,375	133,033	138,325	854,017
100,000 plus	267	84,945,579	0	49,402,794	19,090,548	22.47%	21,517,255	25.33%	\$0.29	966,385	1,787,252	1,617,310	6,299,139
East County Total	3,407	141,538,230	0	52,254,834	25,312,861	17.88%	30,126,217	21.28%	\$0.31	919,882	1,735,573	2,177,537	9,769,498
South County													
Lake Elsinore	196	2,673,443	0	140,874	261,216	9.77%	304,951	11.41%	\$0.79	49,683	(51,993)	54,863	208,818
Murrieta	342	5,037,662	0	15,000	563,145	11.18%	715,116	14.20%	\$0.51	1,237	(198,578)	80,114	288,082
Temecula	372	10,321,904	0	0	1,036,425	10.04%	1,510,235	14.63%	\$0.50	39,058	(384,091)	180,625	354,417
Wildomar	15	617,313	0	13,342	139,693	22.63%	139,693	22.63%	\$0.00	22,195	13,343	22,195	45,414
Less than 24,999	757	7,668,322	0	112,310	735,067	9.59%	1,003,121	13.08%	\$0.61	44,456	(32,617)	173,435	589,793
25,000-49,999	96	3,360,482	0	56,906	543,531	16.17%	626,881	18.65%	\$0.62	14,312	(131,725)	48,360	242,439
50,000-99,999	46	3,085,639	0	0	252,415	8.18%	326,658	10.59%	\$0.50	52,566	(64,806)	113,983	46,850
100,000 plus	26	4,535,879	0	0	469,466	10.35%	713,335	15.73%	\$0.45	839	(392,171)	2,019	17,649
South County Total	925	18,650,322	0	169,216	2,000,479	10.73%	2,669,995	14.32%	\$0.51	112,173	(621,319)	337,797	896,731
Inland Empire Total	10,085	451,083,791	806,680	63,558,511	51,549,872	11.43%	76,128,814	16.88%	\$0.34	1,329,373	9,566	7,201,227	29,061,633
Inland Empire Totals													
Less than 9,999	3,763	22,082,097	0	271,347	1,574,556	7.13%	2,378,215	10.77%	\$0.79	(175,866)	241,273	294,695	1,547,577
10,000-19,999	2,540	35,067,854	0	726,812	3,468,208	9.89%	4,763,977	13.59%	\$0.62	16,784	(540,791)	762,950	2,578,845
20,000-29,999	1,031	24,872,046	0	608,991	2,597,668	10.44%	3,740,645	15.04%	\$0.44	41,658	(107,839)	424,582	1,649,795
30,000-49,999	920	35,250,597	38,255	973,310	3,591,079	10.19%	5,691,335	16.15%	\$0.43	4,884	(572,374)	364,266	1,926,080
50,000-99,999	838	57,587,754	0	2,858,312	5,469,399	9.50%	8,179,785	14.20%	\$0.41	64,312	(952,500)	924,258	2,865,829
100,000-199,999	521	71,241,425	101,425	4,493,514	10,110,101	14.19%	14,699,948	20.63%	\$0.35	13,658	(1,582,260)	1,585,366	4,256,486
200,000-349,999	227	59,316,718	0	4,535,881	6,419,057	10.82%	12,868,687	21.69%	\$0.30	160,536	636,872	702,484	4,852,864
350,000-499,999	127	52,342,339	0	11,681,274	9,306,952	17.78%	11,370,260	21.72%	\$0.27	(338,868)	(533,449)	600,351	2,706,453
500,000 plus	118	93,322,961	667,000	37,409,070	9,012,852	9.66%	12,435,962	13.33%	\$0.31	1,542,275	3,420,634	1,542,275	6,677,704
Total	10,085	451,083,791	806,680	63,558,511	51,549,872	11.43%	76,128,814	16.88%	\$0.34	1,329,373	9,566	7,201,227	29,061,633

Lease rates are on a triple net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price	Buyer	Seller
8599 Rochester Ave. – 2 Properties	Rancho Cucamonga	444,810	\$22,555,000	KTR Capital Partners, LP	Panattoni Holdings, Inc.
12246 Holly St.	Riverside	396,600	\$19,235,100	Simpson Manufacturing Co., Inc.	Alere Property Group, LLC
1346 Railroad St.	Corona	168,450	\$11,791,500	Zumiez, Inc.	Panattoni Development Company
13414 Slover Ave.	Fontana	122,693	\$6,380,036	Ecoplast	Patrick Industries
11246 Jersey Blvd.	Rancho Cucamonga	100,345	\$5,318,285	Combined Resources International	Panattoni Development Company

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
1151 S. Mildred St. – Renewal	Ontario	857,000	March–10	Fender Musical Instruments Corp.	1151 Mildred, LLC
1015 S. Vintage Ave.	Ontario	572,200	January–10	Service Connection	MDS Realty II, LLC
9050 Hermosa Ave.	Rancho Cucamonga	468,682	March–10	Sharp Electronics Corporation	Panattoni Development Company
927 E. 9th St.	San Bernadino	415,825	February–10	Royal Appliance Mfg Co.	Hillwood Development Corporation
13405 Marlay Ave.	Fontana	249,710	January–10	N/A	Operating Engineers Trust Fund

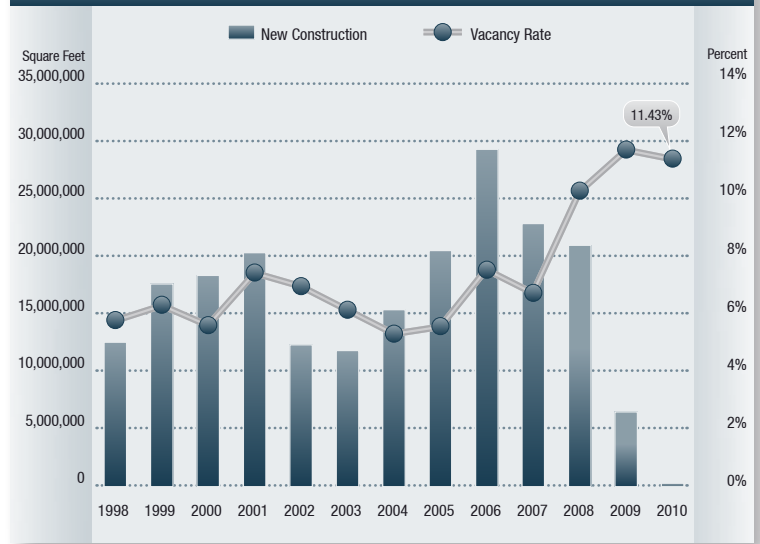
Product Type

MFG./DIST.

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



ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. VACANCY RATE



For further information, please contact:

ANAHEIM METRO OFFICE
 3500 W. Orangewood Ave.
 Orange, CA 92868-1642
 TEL: 714.978.7880
 FAX: 714.978.9431

IRVINE OFFICE
 2020 Main St.
 Suite 100
 Irvine, CA 92614
 TEL: 949.851.5100
 FAX: 949.261.9092

LAS VEGAS OFFICE
 10100 W. Charleston Blvd.
 Suite 200
 Las Vegas, NV 89135
 TEL: 702.734.4500
 FAX: 702.733.7690

NEWPORT BEACH OFFICE
 101 Shipyard Way
 Suite M
 Newport Beach, CA 92663
 TEL: 949.644.8648
 FAX: 949.644.8695

SAN DIEGO OFFICE
 4370 La Jolla Village Dr.
 Suite 990
 San Diego, CA 92122-1233
 TEL: 858.453.0505
 FAX: 858.453.1981



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