



## Industrial Market Report

Compared to the Previous Quarter:



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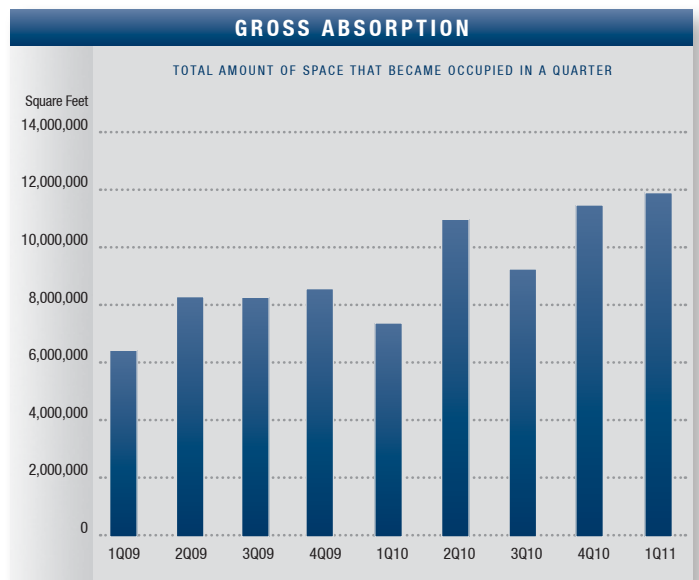
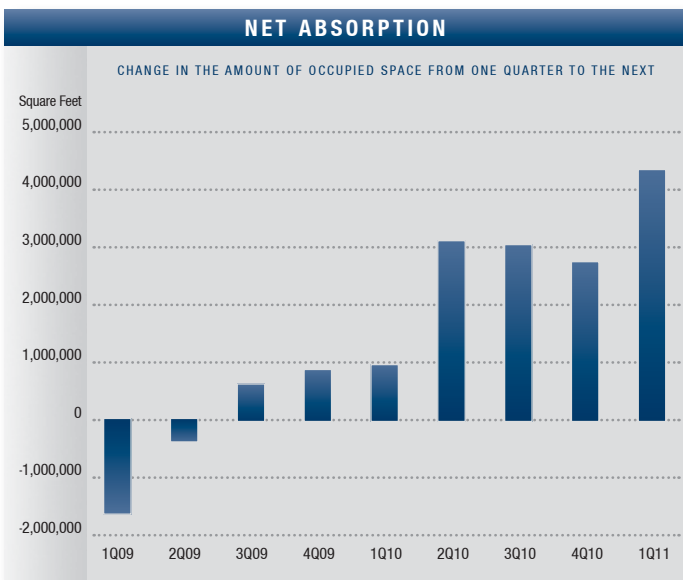
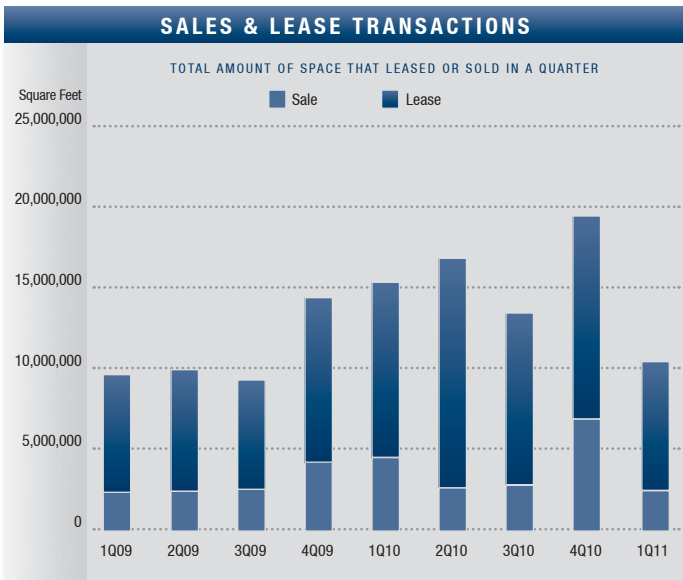
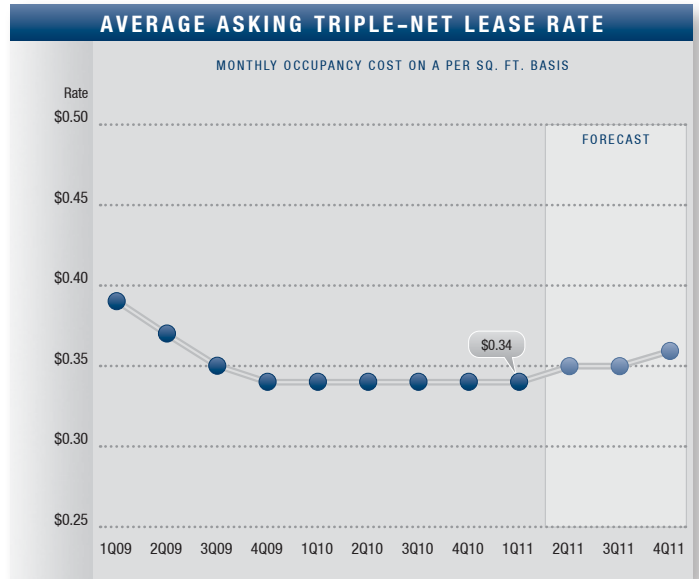
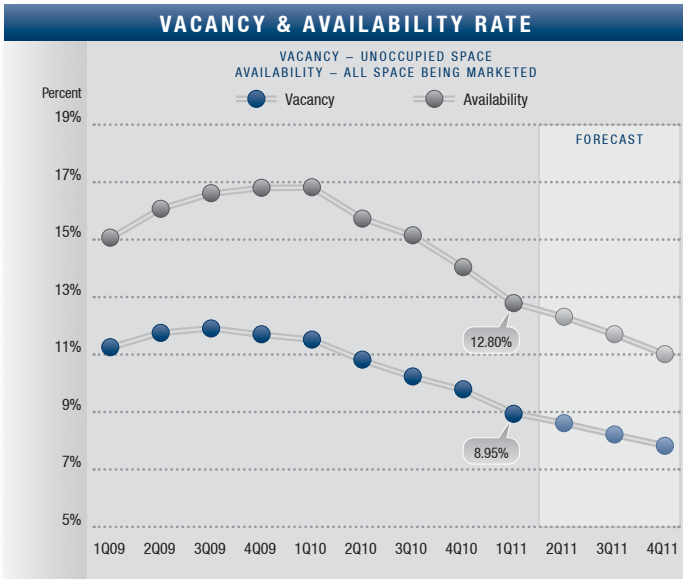
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### Market Highlights

- Encouraging Numbers** - The Inland Empire industrial market conveyed more promise of stabilization this quarter. Availability continued its descent from the high rates of 2009, vacancy rates fell, and net absorption was positive for seventh quarter. Demand picked up, with Labor Day 2010 marking the beginning of 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 recovery.
- Construction** - There was 2.5 million square feet of industrial projects under construction in the Inland Empire in the first quarter of 2011. 75% of this new construction is in a single building for Skechers. The remaining new product is in buildings over 500,000 square feet and is a direct result of the recent leasing activity that has driven down vacancy rates over the last couple of quarters.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter in single digits at 8.95%, lower than the previous quarter's rate of 9.79% and significantly lower than the 2010 rate of 11.55%. The lowest vacancy rate in the area was found in the Northern region, at 6.94%.
- Availability** - Direct/sublease space being marketed was 12.8% at the end of the first quarter, lower than the previous quarter's rate of 14.01% and lower than the 16.83% we saw in the first quarter of 2010. This is a decrease of almost 24% of new space being marketed year over year.
- Lease Rates** - The average asking triple-net lease rate was \$.34 cents per square foot per month in the first quarter of 2011. The average asking lease in the Inland Empire has remained at \$.34 for six consecutive quarters.
- Absorption** - The Inland Empire industrial market posted 4,337,012 square feet of positive net absorption in the beginning of 2011 and averaged approximately 2.8 million square feet of positive absorption per quarter over the last five quarters.
- Transaction Activity** - Leasing activity checked in at 8 million square feet for the first quarter, compared to 2010's 10.7 million square feet. Sales activity came in at 2.25 million square feet, compared to 4.35 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 13.9% in February 2011, down from a revised 14.2% in January 2010 and below the year-ago estimate of 14.6%. This compares with an unadjusted unemployment rate of 12.3% for California and 9.5% for the nation during the same period. The unemployment rate was 14.1% for Riverside County and 13.7% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA lost 3,800 payroll jobs from February 2010 to February 2011. The largest declines were 6,100 jobs in government and 3,600 in construction. However, education and health services recorded the greatest year-over-year gain, adding 3,200 jobs. The LAEDC is forecasting that no jobs will be added or lost in the Inland Empire in 2011.
- Overall** - We are beginning to see a decrease in the amount of available space being added per quarter. Absorption has turned positive, and with few new deliveries to apply upward pressure on vacancy, the market should continue to stabilize. We expect to see an increase in investment activity in the coming quarters as the institutional capital that has been waiting on the side lines for the past two years begins to flow back into the market. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation occurs. Once unemployment rates drop and consumer confidence stabilizes, the industrial market will recover.

### INDUSTRIAL MARKET OVERVIEW

	1Q11	4Q10	1Q10	% Change vs. 1Q2010
Vacancy Rate below 100K SF	7.73%	8.29%	9.41%	(17.85%)
Vacancy Rate above 100K SF	9.70%	10.73%	18.62%	(47.91%)
Total Vacancy Rate	8.95%	9.79%	11.55%	(22.51%)
Availability Rate	12.80%	14.01%	16.83%	(23.95%)
Average Asking Lease Rate	\$0.34	\$0.34	\$0.34	0.00%
Sale & Lease Transactions	10,257,854	19,348,936	15,130,697	(32.21%)
Gross Absorption	11,877,618	11,441,551	7,335,000	61.93%
Net Absorption	4,337,012	2,726,620	946,941	N/A





RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
11145 Inland Ave. – 5 Properties	Mira Loma	393,274	\$74.88	Bixby Land Company	TA Associates
5521 Schaefer Ave.	Chino	278,365	\$62.15	AMB U.S. Logistics Fund, LP	Quetico Schaefer Properties, LLC
1500 Milliken Ave. – 3 Properties	Ontario	221,171	\$70.53	PanCal ADC Irvine, LLC	Airport Distribution Partners
13780 Central	Chino	189,990	\$44.74	DCT Chino, LLC	Gamm Enterprises, LP
1455 Research Dr.	Redlands	147,677	\$49.97	Blackridge Real Estate Group	Bixby Land Company
7630 Cherry Ave.	Fontana	118,107	\$52.50	Safavieh Home Furnishings	City National Bank

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
7010–7140 N. Cajon Blvd. – 2 Buildings	San Bernardino	1,402,825	Feb–11	Hewlett Packard Company	CT Realty
3510 E. Francis St.	Ontario	562,089	Jan–11	Ingram Micro	Prologis
675 Central Ave.	San Bernardino	480,510	Mar–11	Kohler	Alere Property Group
5026 & 5116 Chino Hills	Chino	885,000	Jan–11	Georgia–Pacific, LLC	Majestic Realty Company
11600 Iberia St.	Mira Loma	408,806	Feb–11	General Mills	Space Center
3601 E. Jurpa St.	Ontario	411,548	Mar–11	Pacific Coast Warehouse	JP Morgan

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