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# **Industrial Market Report**

Compared to the Previous Quarter:



**Net Absorption** 



**Lease Rates** 



Transactions DOWN

#### Construction



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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.

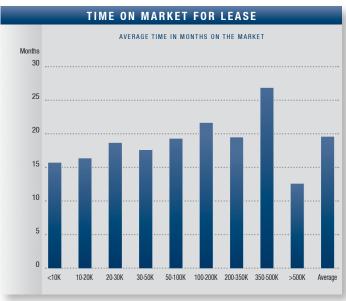
- Transaction Activity Leasing activity checked in at 8 million square feet for the first quarter, compared to 2010's 10.7 million square feet. Sales activity came in at 2.25 million square feet, compared to 4.35 million square feet in 2010. Details of the largest transactions can be found on the back 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.

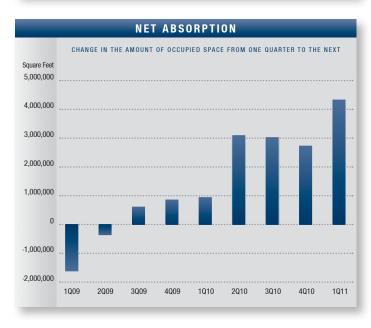
IND	USTRIAL	MARKE	T OVERVI	E W
	1Q11	4Q10	1Q10	% Change vs. 1Q2010
Vacancy Rate below 100K SF	7.73%	8.29%	9.41%	(17.85%)
Vacancy Rate above 100K SF	9.70%	10.73%	18.62%	(47.91%)
Total Vacancy Rate	8.95%	9.79%	11.55%	(22.51%)
Availablity Rate	12.80%	14.01%	16.83%	(23.95%)
Average Asking Lease Rate	\$0.34	\$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

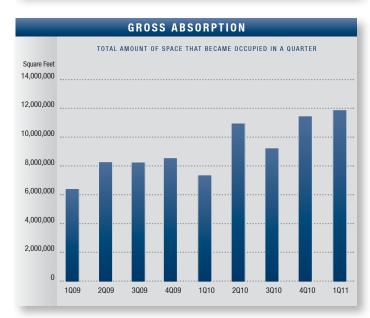












## **Voit** REAL ESTATE SERVICES

	INVENTORY			VACANCY & LEASE RATES				ABSORPTION					
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2011	Square Feet Available	Availability Rate 1Q2011	Average Asking Lease Rate	Net Absorption 1Q2011	Net Absorption 2011	Gross Absorption 102011	Gross Absorption 2011
North	9							14=111		7,227			
Fontana	769	48,614,212	0	5.220.777	3.152.269	6.48%	5,273,838	10.85%	\$0.33	538,970	538,970	1,138,018	1,138,018
Mira Loma	224	31,341,395	0	699,323	1,960,249	6.25%	2,910,873	9.29%	\$0.35	667,855	667,855	1,291,510	1,291,510
Montclair	226	3,642,277	0	25,226	238,428	6.55%	415,767	11.42%	\$0.70	(2,220)	(2,220)	36,442	36,442
Ontario	1,492	98,383,739	0	1,162,684	7,440,832	7.56%	12,354,150	12.56%	\$0.35	(397,402)	(397,402)	2,343,872	2,343,872
Rancho Cucamonga	764	36,561,351	0	723,410	2,375,912	6.50%	4,004,853	10.95%	\$0.31	144,594	144,594	780,262	780,262
Upland	366	5,390,169	0	130,832	383,700	7.12%	644,860	11.96%	\$0.45	21,890	21,890	45,858	45,858
Less than 24,999	2,407	26,259,135	0	291,488	1,710,577	6.51%	2,779,840	10.59%	\$0.73	149,637	149,637	458,507	458,507
25,000–49,999 50,000–99,999	526 358	18,235,683 24,789,637	0	320,615 641,869	1,239,541	6.80% 8.92%	1,892,590	10.38% 13.35%	\$0.43 \$0.41	121,461	121,461	313,678	313,678
100,000 Plus	549	154,648,688	0	6,708,280	2,211,660 10,389,612	6.72%	3,309,355 17,622,556	11.40%	\$0.41	112,635 589,954	112,635 589,954	351,719 4,512,058	351,719 4,512,058
North Total	3,840	223,933,143	0	7,962,252	15,551,390	6.94%	25,604,341	11.43%	\$0.33	973,687	973,687	5,635,962	5,635,962
West	0,040	220,300,140	0	1,502,202	10,001,000	0.5470	20,004,041	11.4070	ψ0.00	37 0,007	310,001	0,000,002	0,000,002
Chino Hills	5	109,314	0	90,460	10,366	9.48%	14,974	13.70%	\$0.00	(10.266)	(10.266)	0	(
Chino	913	38,510,650	0	3,122,484	3,037,819	7.89%	5,152,779	13.38%	\$0.00	(10,366) (137,746)	(10,366) (137,746)	887,378	887,378
Corona	973	29,359,034	80,000	1,107,355	2,534,922	8.63%	3,880,588	13.22%	\$0.30	312,456	312,456	626,935	626,935
Norco	81	1,248,112	00,000	1,107,333	209,272	16.77%	225,994	18.11%	\$0.42	(686)	(686)	9,497	9,497
Less than 24,999	1,374	14,591,214	0	339,372	900,744	6.17%	1,489,712	10.21%	\$0.75	89,935	89,935	295,310	295,310
25,000–49,999	293	10,272,998	0	237,487	595,696	5.80%	837,241	8.15%	\$0.45	151,370	151,370	175,507	175,507
50,000-99,999	159	10,706,431	80,000	709,700	671,918	6.28%	1,117,093	10.43%	\$0.46	28,693	28,693	187,094	187,094
100,000 Plus	146	33,656,467	0	3,033,740	3,624,021	10.77%	5,830,289	17.32%	\$0.40	(106,340)	(106,340)	865,899	865,899
West Total	1,972	69,227,110	80,000	4,320,299	5,792,379	8.37%	9,274,335	13.40%	\$0.42	163,658	163,658	1,523,810	1,523,810
East													
Banning	68	1,239,036	0	2,277,332	122,365	9.88%	254,965	20.58%	\$0.68	(11,219)	(11,219)	10,042	10,042
Beaumont	81	2,582,577	0	0	630,023	24.40%	650,131	25.17%	\$0.00	(7,204)	(7,204)	2,496	2,496
Bloomington	80	2,035,648	0	0	139,523	6.85%	224,468	11.03%	\$0.00	0	0	0	0
Colton	180	6,542,637	0	1,311,573	708,340	10.83%	863,922	13.20%	\$0.00	(1,900)	(1,900)	9,618	9,618
Grand Terrace	13	491,860	0	0	71,366	14.51%	71,366	14.51%	\$0.00	(44,000)	(44,000)	0	0
Hemet	139	2,697,254	0	0	85,237	3.16%	117,483	4.36%	\$0.55	1,653	1,653	3,350	3,350
Highland	29	575,813	0	0	11,263	1.96%	22,463	3.90%	\$0.80	0	0	0	0
Loma Linda	20	250,460	0	0	62,490	24.95%	62,490	24.95%	\$0.31	0	0	0	0
Moreno Valley	86	10,323,602	1,820,457	10,176,421	1,423,566	13.79%	876,964	8.49%	\$0.47	5,040	5,040	5,040	5,040
Perris Redlands	201 193	11,489,565 15,925,364	7,347 616,542	19,678,075 1,545,930	883,014 1,632,753	7.69% 10.25%	1,227,512 2,874,315	10.68% 18.05%	\$0.23 \$0.26	96,979 479,588	96,979 479,588	201,886 485,946	201,886 485,946
Rialto	174	16,200,720	010,342	1,408,097	2,318,582	14.31%	3,934,592	24.29%	\$0.26	1,213,065	1,213,065	1,606,334	1,606,334
Riverside	1,375	47,521,049	0	3,068,548	5,645,460	11.88%	6,740,544	14.18%	\$0.32	1,055,648	1,055,648	1,612,301	1,612,301
San Bernardino	689	29,007,283	0	4,273,902	4,325,612	14.91%	3,493,636	12.04%	\$0.29	469,569	469,569	539,615	539,615
San Jacinto	140	1,549,602	0	0	141,469	9.13%	146,469	9.45%	\$0.40	(31,519)	(31,519)	3,000	3,000
Yucaipa	22	449,852	0	0	7,700	1.71%	7,700	1.71%	\$0.00	14,600	14,600	14,600	14,600
Less than 24,999	2,502	23,245,353	7,347	727,302	2,170,866	9.34%	2,850,966	12.26%	\$0.48	88,516	88,516	290,255	290,255
25,000-49,999	420	14,757,218	0	592,247	1,736,165	11.76%	2,788,227	18.89%	\$0.37	76,899	76,899	264,493	264,493
50,000-99,999	293	20,066,416	0	1,207,974	1,135,371	5.66%	1,852,380	9.23%	\$0.29	198,399	198,399	329,188	329,188
100,000 Plus	275	90,813,335	2,436,999	41,212,355	13,166,361	14.50%	14,077,447	15.50%	\$0.31	2,876,486	2,876,486	3,610,292	3,610,292
East Total	3,490	148,882,322	2,444,346	43,739,878	18,208,763	12.23%	21,569,020	14.49%	\$0.32	3,240,300	3,240,300	4,494,228	4,494,228
South													
Lake Elsinore	201	2,784,069	0	215,773	223,797	8.04%	406,032	14.58%	\$0.00	48,772	48,772	74,172	74,172
Murrieta	344	5,074,034	0	0	508,745	10.03%	575,139	11.33%	\$0.49	(7,094)	(7,094)	78,422	78,422
Temecula	371	10,881,844	0	0	869,154	7.99%	1,488,928	13.68%	\$0.46	(74,111)	(74,111)	71,024	71,024
Wildomar	16	626,915	0	100,000	121,374	19.36%	152,199	24.28%	\$0.00	(8,200)	(8,200)	107.000	107.000
Less than 24,999	762	7,753,562	0	128,822	670,628	8.65%	885,229	11.42%	\$0.62	2,772	2,772	127,669	127,669
25,000-49,999	97	3,389,738	0	86,951	454,122	13.40%	595,075	17.56%	\$0.58	10,723	10,723	93,069	93,069
50,000–99,999 100,000 Plus	49 24	3,365,774 4,857,788	0	0	223,900	6.65% 7.71%	411,436 730,558	12.22%	\$0.45 \$0.43	(54,128) 0	(54,128) 0	2,880 0	2,880 0
South Total	932	4,857,788 19,366,862	0	215,773	374,420 1,723,070	7.71% 8.90%	2,622,298	15.04% 13.54%	\$0.43 \$0.47	(40,633)		223,618	223,618
Inland Empire Total	10,234	461,409,437	2,524,346	56,238,202	41,275,602	8.95%	59,069,994	12.80%	\$0.47	4,337,012	(40,633) <b>4,337,012</b>	11,877,618	11,877,618
Less than 9,999	3,844	22,496,077	7,347	226,281	1,413,220	6.28%	2,027,634	9.01%	\$0.75	(13,677)	(13,677)	308,107	308,107
10,000-19,999	2,575	35,510,084	0	840,998	3,003,649	8.46%	4,187,514	11.79%	\$0.70	254,391	254,391	652,891	652,891
20,000-29,999	1,034	24,969,017	0	671,390	2,267,316	9.08%	3,464,151	13.87%	\$0.44	261,596	261,596	505,227	505,227
30,000-49,999	928	35,529,723	0	985,615	2,794,154	7.86%	4,439,581	12.50%	\$0.41	189,003	189,003	552,263	552,263
50,000-99,999	859	58,928,258	80,000	2,559,543	4,242,849	7.20%	6,690,264	11.35%	\$0.37	285,599	285,599	870,881	870,881
100,000-199,999	515	70,032,235	0	4,206,500	8,076,824	11.53%	12,225,873	17.46%	\$0.37	325,422	325,422	1,927,437	1,927,437
200,000–349,999 350,000–499,999	224	58,341,297	0	3,709,562	6,139,075	10.52%	9,308,271	15.95%	\$0.30	597,324	597,324	2,118,376	2,118,376
220 000-499 999	126	51,973,530	0	9,984,183	7,486,023	14.40%	9,952,679	19.15%	\$0.29	(432,906)	(432,906)	1,565,740	1,565,740
500,000 Plus	129	103,629,216	2,436,999	33,054,130	5,852,492	5.65%	6,774,027	6.54%	\$0.33	2,870,260	2,870,260	3,376,696	3,376,696

Lease rates are on a triple-net basis.

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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