



# Voit

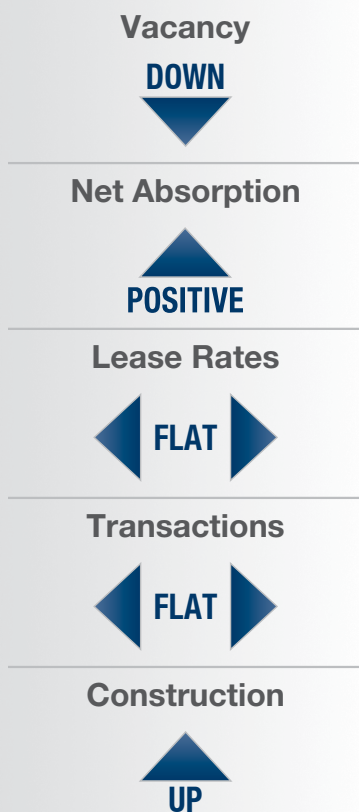
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## Industrial Market Report

Compared to last quarter:



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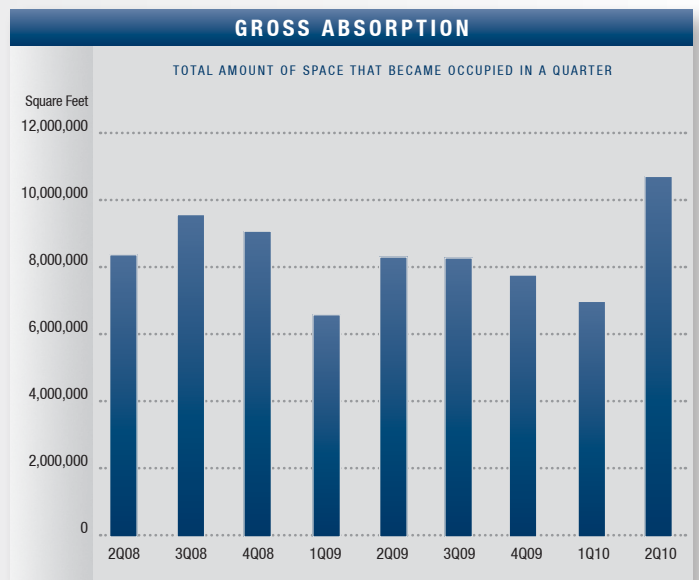
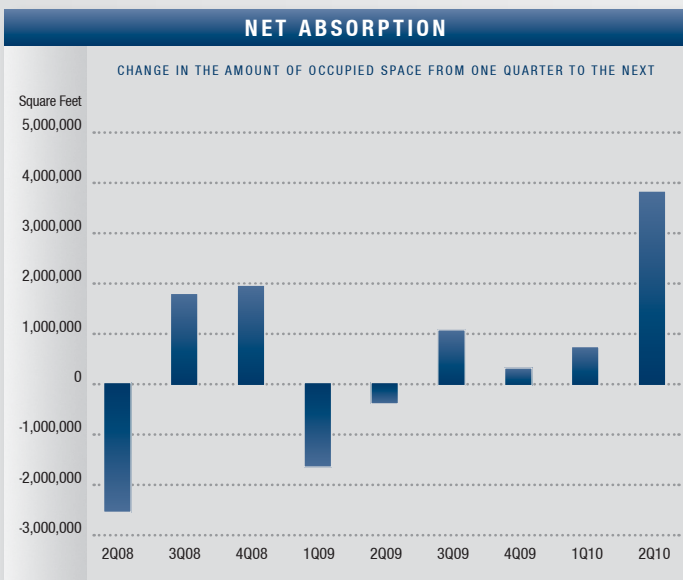
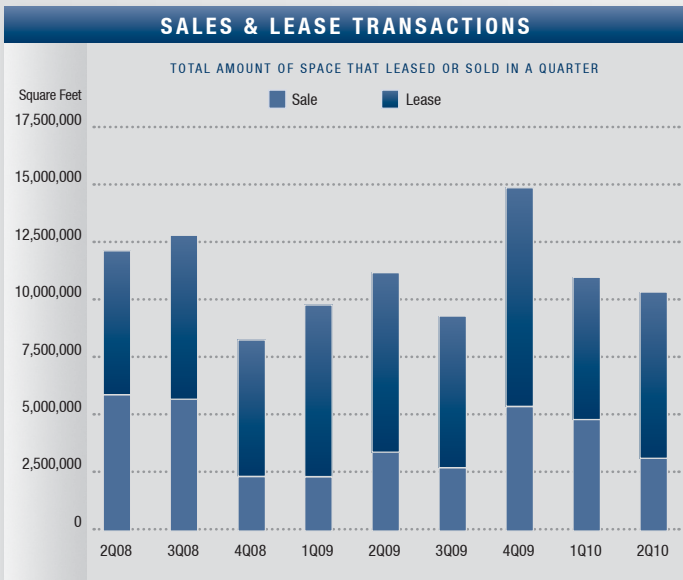
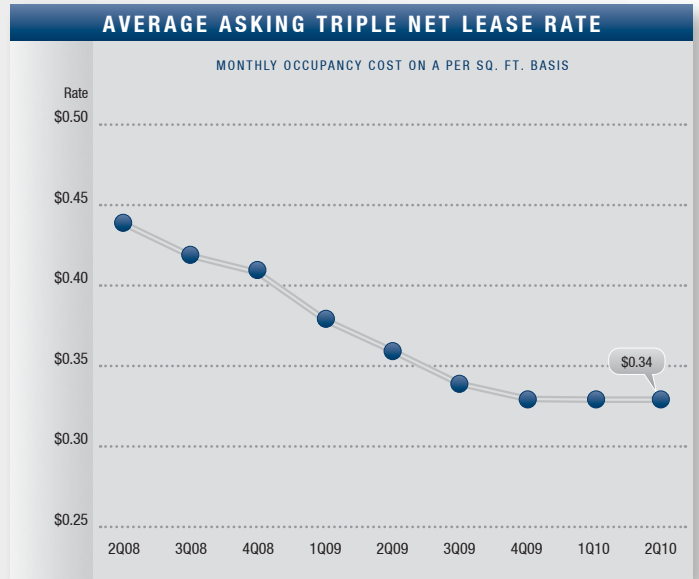
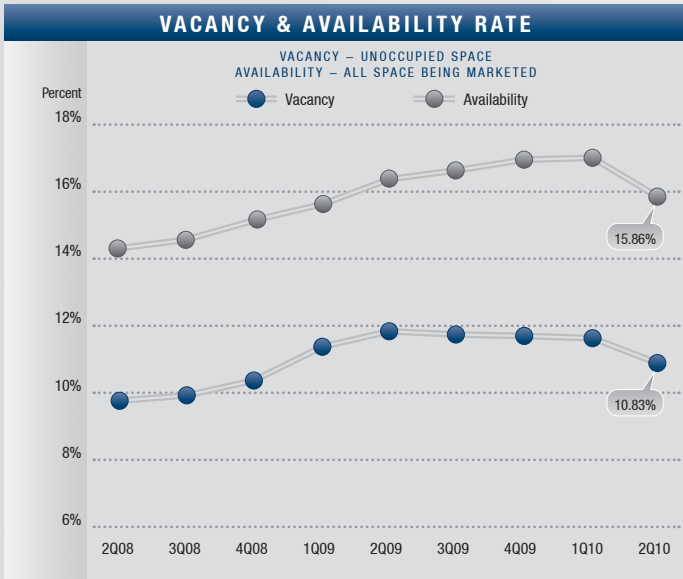
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### Market Highlights

- ◆ **Encouraging Numbers** - The numbers this quarter appear to be encouraging for the first time since the first quarter of 2008 — a sign that recovery could be on the horizon. Availability dropped, vacancy dropped, and net absorption posted positive numbers. With regards to sales transactions, the ask-bid gap seems to be narrowing, evident from the drop in asking prices. While these are positive indications, stability will need to be sustained in following quarters to be considered recovery.
- ◆ **Construction** - Currently, there is 2,631,280 square feet under construction in the Inland Empire. It appears that a couple of new projects broke ground this quarter in the Inland Empire — 1.8 million square feet in Moreno Valley & 667,000 square feet in Ontario.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 10.83%, which is lower than last quarter's rate of 11.67%, as well as the year-ago rate of 11.83%. The lowest vacancy rate in the area can be found in the Western region, coming in at 7.77%.
- ◆ **Availability** - Direct/sublease space being marketed was 15.86% — lower than last quarter's 17% and lower than the 16.35% we saw this same quarter last year. This is a 3% decrease 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 but a decrease of 8.11% when compared to last year's asking rate of \$.37.
- ◆ **Absorption** - Net absorption for the Inland Empire posted a positive 3,812,631 square feet for the second quarter of 2010, giving the industrial market a total of over 4.5 million square feet of positive absorption for the year. The last time we had over three million square feet of positive absorption was in the first quarter of 2008.
- ◆ **Transaction Activity** - Leasing activity checked in this quarter at 7.2 million square feet, compared to last quarter's 6.2 million square feet. This increase can be attributed to the recent trend of short-term deals coupled with lease renegotiations. Sales activity showed a 9.09% decrease over the same quarter last year, posting 3 million square feet of activity compared to 3.3 million square feet in the second 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 13.9% in May 2010, down from a revised 14.2% in April 2010 and above the year ago estimate of 12.7%. This compares with an unadjusted unemployment rate of 11.9% for California and 9.3% for the nation during the same period. The unemployment rate was 14% for Riverside County and 13.8% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA lost 35,200 payroll jobs over the last twelve months. The largest declines were 11,700 jobs in construction and 7,600 in trade, transportation and utilities services. However, educational and health services showed a year-over-year gain of 200 jobs.
- ◆ **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 put more upward pressure on vacancies, the market should continue to stabilize. We expect to see an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. 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

|                            | 2Q2010     | 1Q2010     | 2Q2009     | % CHANGE vs. 2Q2009 |
|----------------------------|------------|------------|------------|---------------------|
| Vacancy Rate below 100K SF | 8.85%      | 9.47%      | 9.45%      | (6.35%)             |
| Vacancy Rate above 100K SF | 12.08%     | 13.06%     | 13.32%     | (9.31%)             |
| Total Vacancy Rate         | 10.83%     | 11.67%     | 11.83%     | (8.45%)             |
| Availability Rate          | 15.86%     | 17.00%     | 16.35%     | (3.00%)             |
| Average Asking Lease Rate  | \$0.34     | \$0.34     | \$0.37     | (8.11%)             |
| Sale & Lease Transactions  | 10,238,225 | 10,932,973 | 11,119,188 | (7.92%)             |
| Gross Absorption           | 10,605,447 | 6,920,011  | 8,251,270  | 28.53%              |
| Net Absorption             | 3,812,631  | 728,673    | (363,650)  | N/A                 |





RECENT TRANSACTIONS

Sales Transactions

| Property Address                  | City      | Square Feet | Sale Price   | Sale Price Per SF | Buyer                       | Seller                        |
|-----------------------------------|-----------|-------------|--------------|-------------------|-----------------------------|-------------------------------|
| 12400 Riverside Dr.               | Mira Loma | 397,631     | \$22,555,000 | \$43.00           | 12400 Riverside, LLC        | Mira Loma West, Inc.          |
| 1251 S. Rockefeller Ave.          | Ontario   | 264,717     | \$10,721,038 | \$40.50           | Chinese Laundry             | Arrow Electronics, Inc.       |
| 3090 Grapevine St. – 2 Properties | Mira Loma | 85,613      | \$5,725,797  | \$66.88           | Pro-Com Home Products, Inc. | Grapevine & Philadelphia, LLC |
| 13470 Philadelphia Ave.           | Fontana   | 90,250      | \$5,100,000  | \$56.51           | Crown Cedar, Inc.           | INVESTCO                      |
| 3285 N. Locust Ave.               | Rialto    | 101,343     | \$4,875,000  | \$48.10           | NetREIT                     | Professional Business Bank    |
| 1410 Brown Ave.                   | Riverside | 74,659      | \$4,500,000  | \$60.27           | Liberty World Trade         | Washington Mutual             |

Lease Transactions

| Property Address              | City             | Square Feet | Transaction Date | Tenant                     | Owner                             |
|-------------------------------|------------------|-------------|------------------|----------------------------|-----------------------------------|
| 11640 Harrell St.             | Mira Loma        | 886,055     | June-10          | N/A                        | TIAA-CREF                         |
| 1505 Haven Ave. – Renewal     | Ontario          | 725,000     | June-10          | Target Distribution        | Majestic/Northwestern Mutual Life |
| 11900 Riverside Dr. – Renewal | Rancho Cucamonga | 650,451     | April-10         | Walmart                    | TIAA-CREF                         |
| 1901 California St.           | Redlands         | 467,853     | June-10          | N/A                        | Robert Pattillo Properties, Inc.  |
| 13479 Valley Blvd. – Renewal  | Fontana          | 410,800     | May-10           | LeapFrog Enterprises, Inc. | Campbell Hawaii Investors, LLC    |
| 6255 Sycamore Canyon Blvd.    | Riverside        | 320,191     | May-10           | Summer Infant, Inc.        | DCT Industrial Trust              |

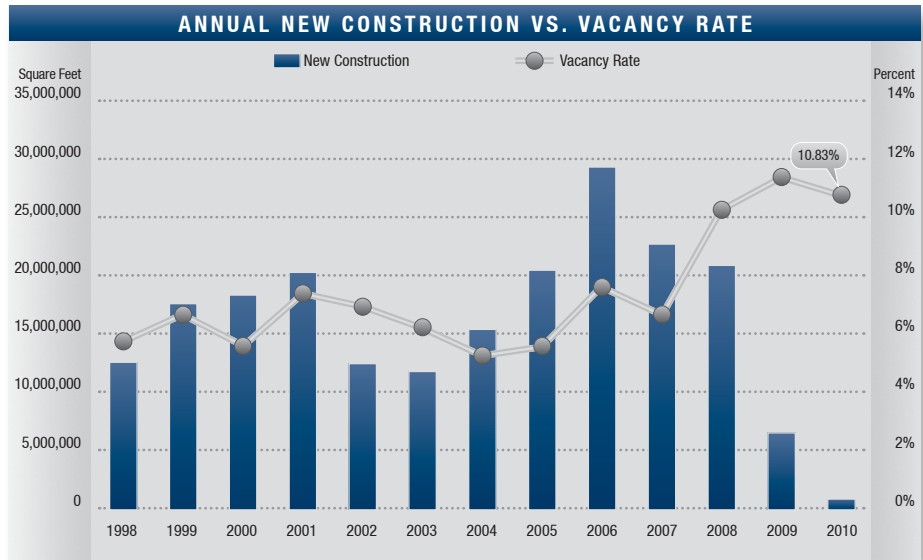
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