



Industrial Market Report

Compared to last quarter:



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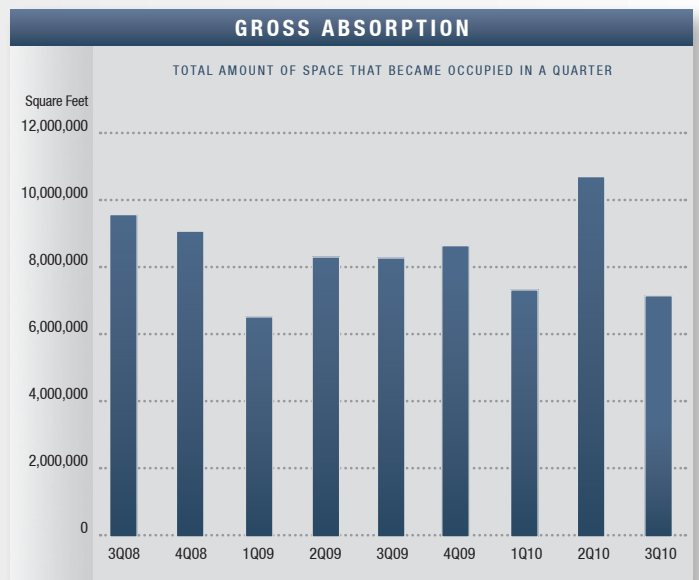
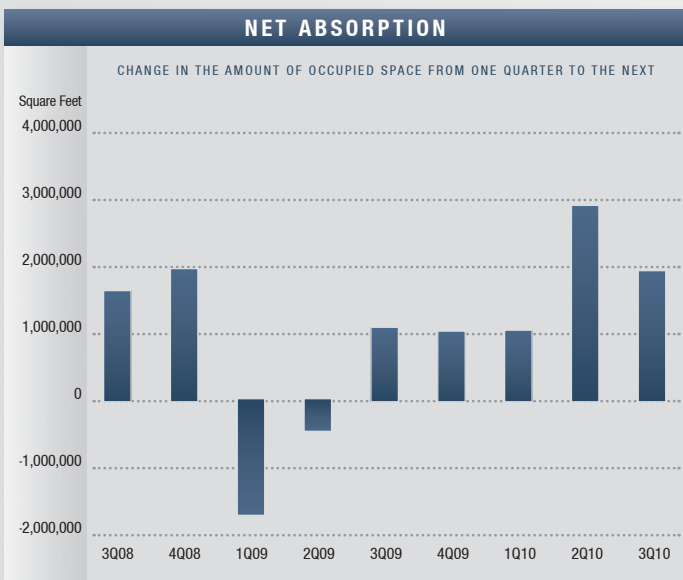
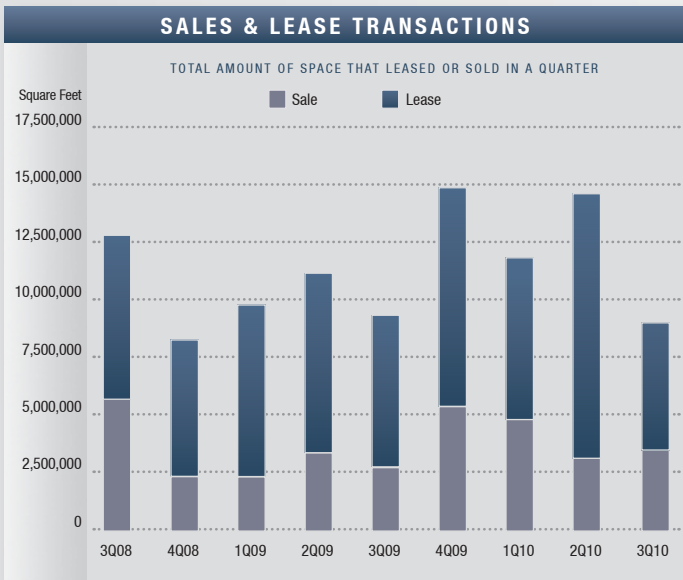
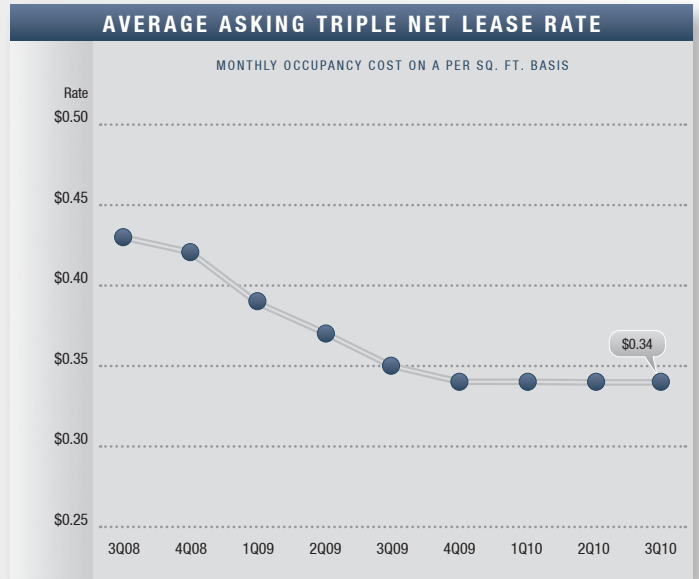
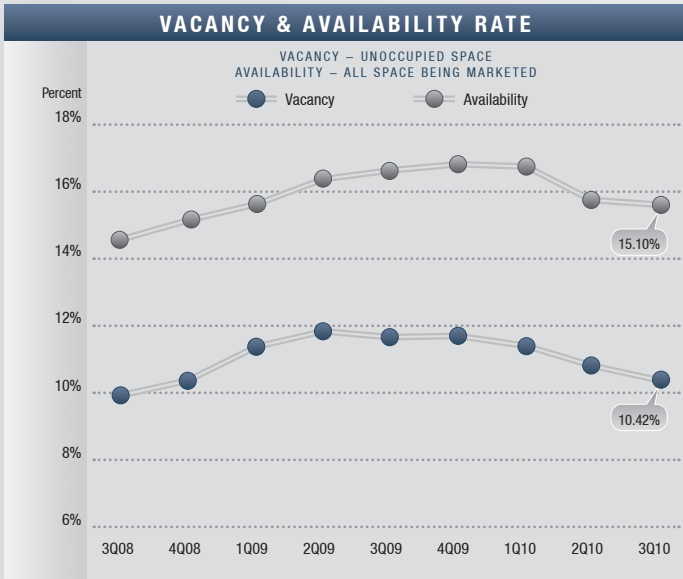
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Market Highlights

- Bottoming Out?** – The Inland Empire Industrial Market displayed more promises of stabilization this quarter, with availability continuing its descent from the high rates of 2009, vacancy rates decreasing, and net absorption posting positive numbers for five quarters in a row. With regard to sales transactions, the ask-bid gap seems to be narrowing, as evidenced by the continued drop in asking prices and increased interest from users and investors. While these are positive indications, stability and job growth will need to be sustained in following quarters to be considered recovery.
- Construction** – Currently, there is just over three million square feet under construction in the Inland Empire. It appears that a couple of new projects broke ground this quarter in the Inland Empire — 80,000 square feet in Corona and 507,000 square feet in Riverside.
- Vacancy** – Direct / sublease space (unoccupied) finished the quarter at 10.42% — lower than last quarter's rate of 10.81% and lower than the year-ago rate of 11.87%. The lowest vacancy rate in the area can be found in the Northern region, coming in at 8.02%.
- Availability** – Direct / sublease space being marketed was 15.1% this quarter, lower than last quarter's 15.75% and lower than the 16.57% we saw this same quarter last year. This is a decrease of 8.87% of new space being marketed year-over-year.
- Lease Rates** – The average asking triple net lease rate is \$.34 per square foot per month this quarter. This is the same as last quarter's, but a decrease of 2.86% when compared to last year's asking rate of \$.35.
- Absorption** – Net absorption for the Inland Empire posted a positive 1,929,741 square feet for the third quarter of 2010, giving the industrial market a total of over 5.9 million square feet of positive absorption for the year.
- Transaction Activity** – Leasing activity checked in this quarter at just under five million square feet, compared to last quarter's ten million square feet. Sales activity showed a 55% increase over the same quarter last year, posting 4 million square feet of activity compared to 2.5 million square feet in the third quarter of 2009. 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 14.8% in August 2010, down from a revised 15.1% in July 2010 and above the year ago estimate of 14.2%. This compares with an unadjusted unemployment rate of 12.4% for California and 9.5% for the nation during the same period. The unemployment rate was 15.3% for Riverside County and 14.2% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA lost 22,700 payroll jobs over the last twelve months. The largest declines were 8,500 jobs in construction and 7,800 in government. 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

	3Q2010	2Q2010	3Q2009	% CHANGE vs. 3Q2009
Vacancy Rate below 100K sf	8.77%	8.87%	9.81%	(10.60%)
Vacancy Rate above 100K sf	11.44%	12.02%	13.15%	(13.00%)
Total Vacancy Rate	10.42%	10.81%	11.87%	(12.22%)
Availability Rate	15.10%	15.75%	16.57%	(8.87%)
Average Asking Lease Rate	\$0.34	\$0.34	\$0.35	(2.86%)
Sale & Lease Transactions	8,917,370	14,519,422	9,394,211	(5.08%)
Gross Absorption	7,039,563	10,676,497	8,243,783	(14.61%)
Net Absorption	1,929,741	2,880,187	1,102,393	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 3Q2010	Square Feet Available	Availability Rate 3Q2010	Average Asking Lease Rate	Net Absorption 3Q2010	Net Absorption 2010	Gross Absorption 3Q2010	Gross Absorption 2010
North													
Fontana	763	47,700,371	0	5,220,777	3,638,364	7.63%	5,652,451	11.85%	\$0.32	586,843	162,735	727,947	2,354,713
Mira Loma	228	32,416,255	0	1,125,535	2,991,436	9.23%	4,652,238	14.35%	\$0.34	(245,589)	(179,364)	355,991	1,127,317
Montclair	211	3,423,115	0	25,226	199,001	5.81%	323,388	9.45%	\$0.69	134,783	111,305	184,360	252,877
Ontario	1,488	96,721,716	667,000	1,165,924	8,531,618	8.82%	14,059,143	14.54%	\$0.34	784,868	835,863	1,686,086	5,950,783
Rancho Cucamonga	779	37,387,834	0	723,716	2,093,703	5.60%	4,179,690	11.18%	\$0.33	254,382	573,595	356,390	2,194,892
Upland	325	5,107,120	0	130,832	419,475	8.21%	696,649	13.64%	\$1.07	(8,211)	(95,495)	157,562	236,364
Less than 24,999	2,362	25,909,337	0	240,233	1,829,861	7.06%	3,030,130	11.70%	\$0.72	174,633	210,655	523,279	1,438,484
25,000-49,999	521	18,087,140	0	375,110	1,316,809	7.28%	2,210,717	12.22%	\$0.50	67,769	249,033	358,876	1,016,546
50,000-99,999	355	24,605,022	0	641,869	2,546,136	10.35%	3,774,083	15.34%	\$0.42	52,380	(33,177)	562,992	1,163,747
100,000 Plus	556	154,154,912	667,000	7,134,798	12,180,791	7.90%	20,548,629	13.33%	\$0.32	1,212,294	982,128	2,023,189	8,498,169
North Total	3,794	222,756,411	667,000	8,392,010	17,873,597	8.02%	29,563,559	13.27%	\$0.33	1,507,076	1,408,639	3,468,336	12,116,946
West													
Chino Hills	5	109,314	0	90,460	4,740	4.34%	12,118	11.09%	\$0.00	0	2,230	0	2,230
Chino	907	38,184,040	0	3,122,484	3,008,610	7.88%	4,801,623	12.57%	\$0.37	(232,702)	(700,408)	634,197	1,521,816
Corona	973	29,724,093	80,000	1,107,355	2,536,653	8.53%	4,318,052	14.53%	\$0.42	45,312	213,279	290,483	1,486,626
Norco	80	1,241,614	0	0	219,254	17.66%	355,519	28.63%	\$0.51	(147,983)	(145,703)	11,527	38,569
Less than 24,999	1,368	14,514,212	0	339,372	968,276	6.67%	1,696,571	11.69%	\$0.73	66,932	89,247	318,231	920,599
25,000-49,999	292	10,230,921	0	237,487	724,282	7.08%	1,139,404	11.14%	\$0.49	(73,667)	50,960	155,160	435,811
50,000-99,999	159	10,728,400	80,000	709,700	774,276	7.22%	1,131,146	10.54%	\$0.45	(132,721)	(11,740)	104,102	718,612
100,000 Plus	146	33,785,528	0	3,033,740	3,302,423	9.77%	5,520,191	16.34%	\$0.37	(195,917)	(759,069)	358,714	974,219
West Total	1,965	69,259,061	80,000	4,320,299	5,769,257	8.33%	9,487,312	13.70%	\$0.41	(335,373)	(630,602)	936,207	3,049,241
East													
Banning	67	1,228,531	0	2,277,332	113,475	9.24%	244,575	19.91%	\$0.41	3,600	(34,734)	3,600	7,200
Beaumont	80	2,587,986	0	2,782,431	640,689	24.76%	664,457	25.67%	\$0.00	(6,800)	4,831	6,700	21,567
Bloomington	81	1,936,412	0	0	99,793	5.15%	168,478	8.70%	\$0.00	(6,464)	5,636	0	61,709
Colton	180	6,577,517	0	1,336,060	768,004	11.68%	871,737	13.25%	\$1.61	16,979	87,347	84,277	223,685
Grand Terrace	13	492,254	0	0	29,706	6.03%	27,366	5.56%	\$0.00	0	6,764	0	10,600
Hemet	139	2,666,871	0	0	87,340	3.27%	141,136	5.29%	\$0.55	(15,292)	(28,558)	2,138	13,496
Highland	28	510,699	0	0	5,000	0.98%	14,900	2.92%	\$0.80	0	(700)	0	1,200
Loma Linda	20	250,460	0	0	62,490	24.95%	62,490	24.95%	\$0.31	0	(1,828)	0	0
Moreno Valley	83	9,577,428	1,820,457	10,236,932	1,829,774	19.11%	2,057,285	21.48%	\$0.36	230,918	536,499	230,918	651,012
Perris	198	11,578,646	0	20,356,996	948,362	8.19%	1,355,223	11.70%	\$0.24	(75,932)	136,700	79,759	525,511
Redlands	190	15,907,319	0	3,305,195	2,930,676	18.42%	4,288,434	26.96%	\$0.26	(559,510)	101,294	27,347	1,027,244
Rialto	173	16,186,338	0	1,309,124	3,069,310	18.96%	4,228,992	26.13%	\$0.32	850,328	981,540	922,771	1,141,159
Riverside	1,359	45,874,731	507,000	5,341,084	6,676,490	14.55%	8,082,812	17.62%	\$0.34	365,280	1,600,422	844,987	2,880,477
San Bernardino	689	30,636,468	0	4,273,902	4,880,730	15.93%	5,281,869	17.24%	\$0.28	(172,694)	1,582,104	122,233	2,344,802
San Jacinto	140	1,756,813	0	0	123,200	7.01%	140,764	8.01%	\$0.46	18,500	3,850	21,000	34,700
Yucaipa	21	382,659	0	0	7,700	2.01%	7,700	2.01%	\$0.00	400	400	400	400
Less than 24,999	2,486	23,178,642	0	570,634	2,230,376	9.62%	3,078,529	13.28%	\$0.53	38,785	67,101	334,831	1,099,130
25,000-49,999	414	14,542,627	0	592,247	2,038,731	14.02%	2,991,684	20.57%	\$0.39	13,458	113,562	235,791	651,646
50,000-99,999	286	19,545,953	0	1,363,264	1,424,052	7.29%	2,335,776	11.95%	\$0.34	(123,143)	571,182	163,338	1,019,971
100,000 Plus	275	90,883,910	2,327,457	48,692,911	16,579,580	18.24%	19,232,229	21.16%	\$0.30	720,213	4,229,722	1,612,170	6,174,015
East Total	3,461	148,151,132	2,327,457	51,219,056	22,272,739	15.03%	27,638,218	18.66%	\$0.31	649,313	4,981,567	2,346,130	8,944,762
South													
Lake Elsinore	198	2,750,574	0	185,728	306,368	11.14%	434,201	15.79%	\$0.80	30,706	34,378	85,601	180,540
Murrieta	344	5,095,709	24,600	0	543,801	10.67%	663,127	13.01%	\$0.49	28,061	26,287	75,451	239,976
Temecula	373	10,921,718	0	0	972,591	8.91%	1,488,412	13.63%	\$0.40	49,958	21,295	127,838	433,963
Wildomar	15	617,313	0	0	139,693	22.63%	139,693	22.63%	\$0.00	0	22,195	0	22,195
Less than 24,999	759	7,714,709	24,600	128,822	753,210	9.76%	931,607	12.08%	\$0.59	96,428	36,188	232,694	533,025
25,000-49,999	97	3,378,263	0	56,906	557,798	16.51%	727,225	21.53%	\$0.56	13,425	46,695	46,883	154,557
50,000-99,999	48	3,243,982	0	0	238,933	7.37%	325,973	10.05%	\$0.00	9,313	66,048	9,313	184,713
100,000 Plus	26	5,048,360	0	0	412,512	8.17%	740,628	14.67%	\$0.38	(10,441)	(44,776)	0	4,379
South Total	930	19,385,314	24,600	185,728	1,962,453	10.12%	2,725,433	14.06%	\$0.43	108,725	104,155	288,890	876,674
Inland Empire Total	10,150	459,551,918	3,099,057	64,117,093	47,878,046	10.42%	69,414,522	15.10%	\$0.34	1,929,741	5,863,759	7,039,563	24,987,623
Less than 9,999	3,793	22,211,144	0	209,412	1,480,344	6.66%	2,282,823	10.28%	\$0.82	65,274	(53,872)	330,539	1,020,527
10,000-19,999	2,552	35,199,143	0	696,812	3,149,266	8.95%	4,646,954	13.20%	\$0.44	187,839	325,234	764,822	2,301,281
20,000-29,999	1,032	24,897,167	24,600	675,777	2,479,691	9.96%	3,697,493	14.85%	\$0.43	56,091	173,870	409,477	1,100,037
30,000-49,999	921	35,248,397	0	958,810	3,310,042	9.39%	5,178,597	14.69%	\$0.42	88,559	418,209	700,907	1,818,953
50,000-99,999	848	58,123,357	80,000	2,714,833	4,983,397	8.57%	7,566,978	13.02%	\$0.39	(194,171)	592,313	839,745	3,087,043
100,000-199,999	521	71,108,523	0	4,320,566	8,437,376	11.87%	13,084,874	18.40%	\$0.36	561,009	1,411,807	1,736,230	5,842,226
200,000-349,999	228	59,611,053	0	5,162,287	7,290,295	12.23%	11,074,110	18.58%	\$0.30	204,099	(598,824)	828,949	2,755,087
350,000-499,999	131	54,049,501	0	11,681,274	7,703,618	14.25%	10,400,206	19.24%	\$0.29	218,507	1,465,512	686,360	3,632,945
500,000 Plus	123	99,103,633	2,994,457	37,697,322	9,044,017	9.13%	11,482,487	11.59%	\$0.30	742,534	2,129,510	742,534	3,429,524
Total	10,150	459,551,918	3,099,057	64,117,093	47,878,046	10.42%	69,414,522	15.10%	\$0.34	1,929,741	5,863,759	7,039,563	24,987,623

Lease rates are on a triple net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
2350 Fleetwood Dr. – 2 Properties	Riverside	460,570	\$40.38	MVP RV, LLC	Fleetwood Motor Homes California, Inc.
700 Malaga Pl.	Ontario	281,518	\$64.65	KTR Capital Partners	Randolph Freezer, LLC
1500 W. Rialto Ave. – 2 Properties	San Bernardino	122,017	\$99.17	Terreno Realty Corporation	CenterPoint Properties Trust
2021 S. Archibald Ave.	Ontario	231,444	\$41.05	CT Realty Investors	Bixby Land Company
4850 Eucalyptus Ave.	Chino	86,204	\$77.72	United Overseas Bank, Ltd.	STS Properties Investments, Inc.
13824 Yorba Ave.	Chino	104,448	\$58.00	Kinfine USA, Inc.	Knickerbocker Properties, Inc. XII

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
2151 S. Vintage Ave.	Ontario	766,235	September–10	Toyo Tires USA Corporation	Ontario Vintage Industrial
11101 Etiwanda Ave.	Fontana	611,968	September–10	Allied West Paper Corporation	Hulco, LLC.
1464 W. Merrill Ave.	Rialto	436,650	August–10	Kuehne & Nagel	AMB Property Corporation
7776 Tippecanoe Ave.	San Bernardino	334,646	July–10	Leggett & Platt	Hillwood Development Corporation
11875 Cabernet Dr.	Fontana	198,900	August–10	Home Legend	Operating Engineers Funds, Inc.
740 Vintage Ave.	Ontario	180,600	August–10	Allure Home Creations	Catellus Finance I, LLC

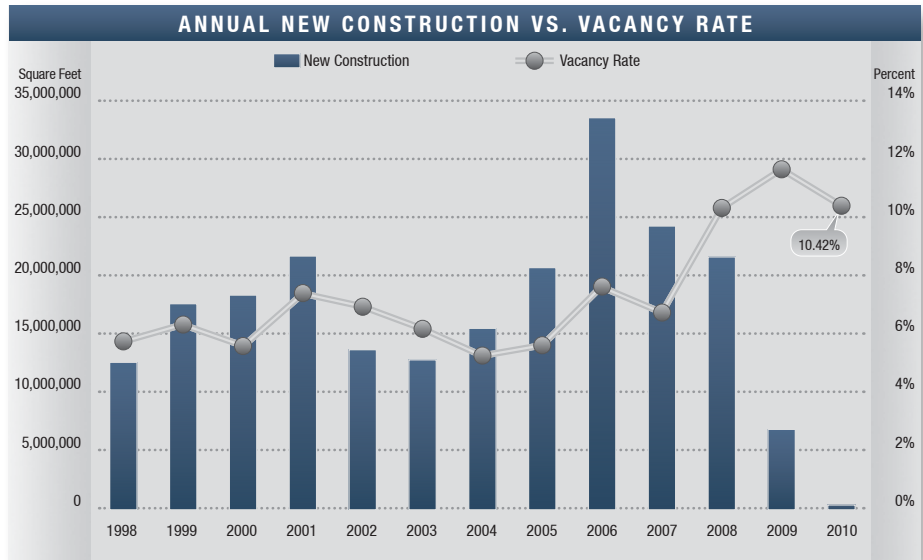
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