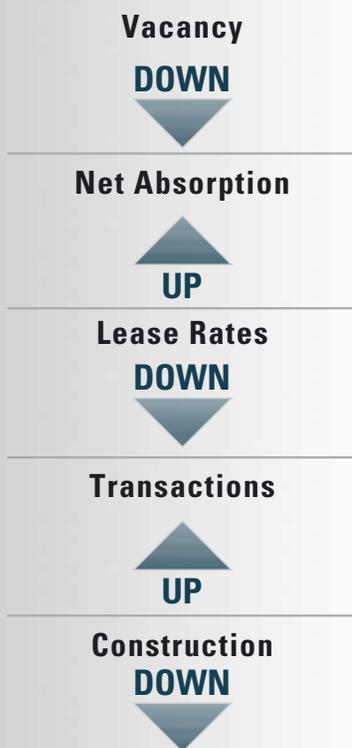




**Voit**  
Real Estate Services

# Industrial Market Report

Compared to last quarter:



## Market Highlights

- Market Challenges** - Let's just say it's nice to have 2009 behind us as the Industrial market continues to struggle going into 2010. The primary concerns are as follows: increasing vacancy, tenant delinquencies, scarce financing (except SBA owner user), economic uncertainty and volatility, and the gap between "ask" and "bid" pricing between buyers and sellers. However, that gap appears to be diminishing, which is evident from some recent large sales that occurred in the last quarter of 2009. 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 has put upward pressure on vacancy and availability rates. This has led many tenants to request rent relief from landlords and many owners to attempt to renegotiate loan terms with lenders.
- Transaction Activity** - Leasing activity checked in this quarter at 4.5 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 last quarter, posting 3.9 million square feet of activity compared to the third quarter's 2.5 million square feet. 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 14.2% in November 2009, down from a revised 14.7% in October 2009 and above the year ago estimate of 9.7%. This compares with an unadjusted unemployment rate of 12.2% for California and 9.4% for the nation during the same period. The unemployment rate was 14.6% for Riverside County and 13.8% in San Bernardino County.
- Employment** - According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA lost 55,200 payroll jobs over the last twelve months. The largest declines were 15,000 in retail trade, transportation and utilities services and 13,500 jobs in construction. However, educational and health services showed a year-over-year gain of 1,500 jobs.
- Overall** - We are starting to see a decrease in the amount of available space being added per quarter, as well as an increase in investment sales activity during the last half of 2009. In 2010, negative absorption will continue to slow, and with very few new deliveries in the pipeline to put more upward pressure on vacancies, the market should begin to stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. As 2009 came to a close, there was an increase in price-induced transactions, which will carry over into 2010. Lease rates are expected to remain soft for the near future, and concessions should continue to increase in the forms of free rent, relocation funds and tenant improvement allowances to incentivize tenants to act now. 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 turn positive.
- Construction** - During 2009, 6.2 million square feet of new Industrial space was added to the Inland Empire. Currently, there is 196,818 square feet under construction in the Inland Empire. With the slowing economy, construction in this area has decreased by over 95% compared to the same quarter last year. This will put less upward pressure on the recent rise in vacancy and available space.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 11.65%, which is lower than last quarter when it was 11.91%, but higher than it was a year ago when it was 10.42%. The lowest vacancy rate in the area can be found in the Western region, coming in at 7.31%.
- Availability** - Direct/sublease space being marketed was 16.89% this quarter, up from the 15.30% we saw this same quarter last year. This is an increase of 10.39% of new space being marketed.
- Lease Rates** - The average asking triple net lease rate is \$.34 cents per square foot per month this quarter. This is a decrease of 19.05% when compared to last year's asking rate of \$.42 and one cent lower than last quarter.
- Absorption** - Net absorption for the Inland Empire posted a positive 1,218,770 square feet for the fourth quarter of 2009, giving the industrial market a total of 9,566 square feet of positive absorption for 2009.

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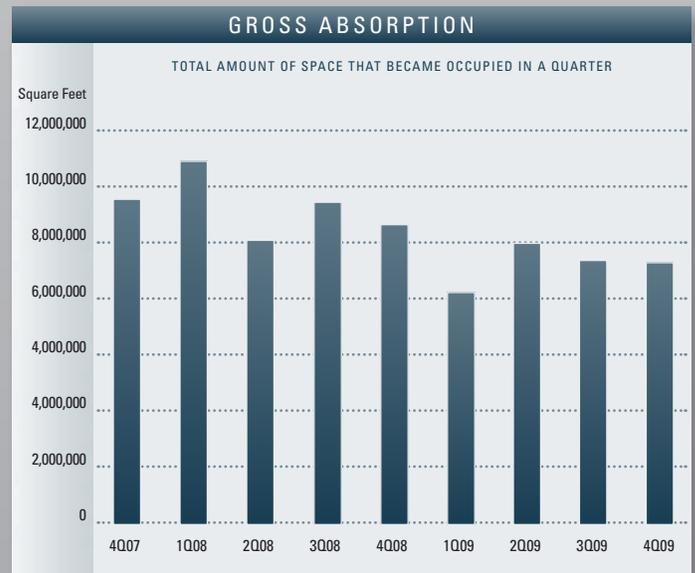
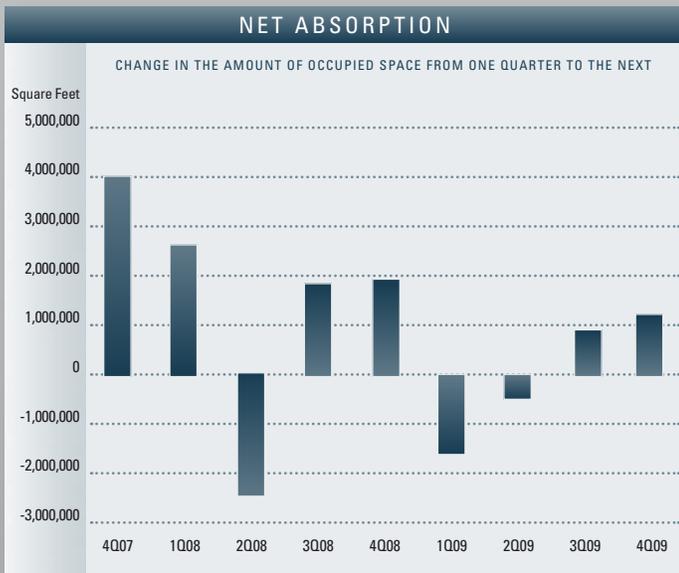
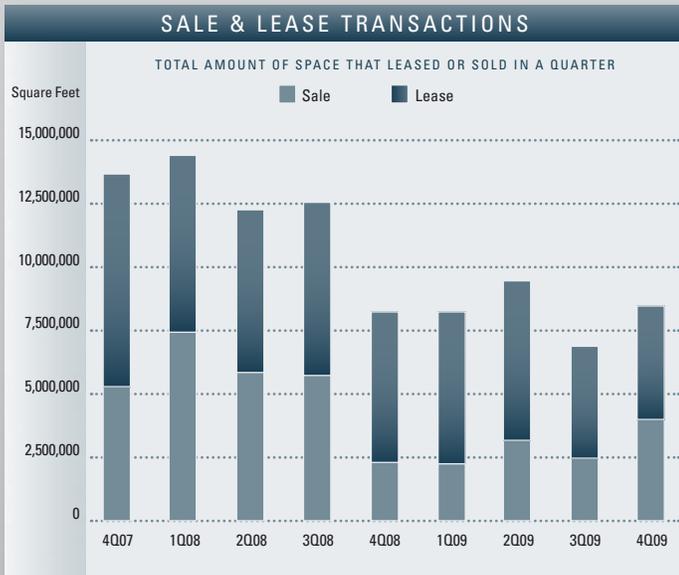
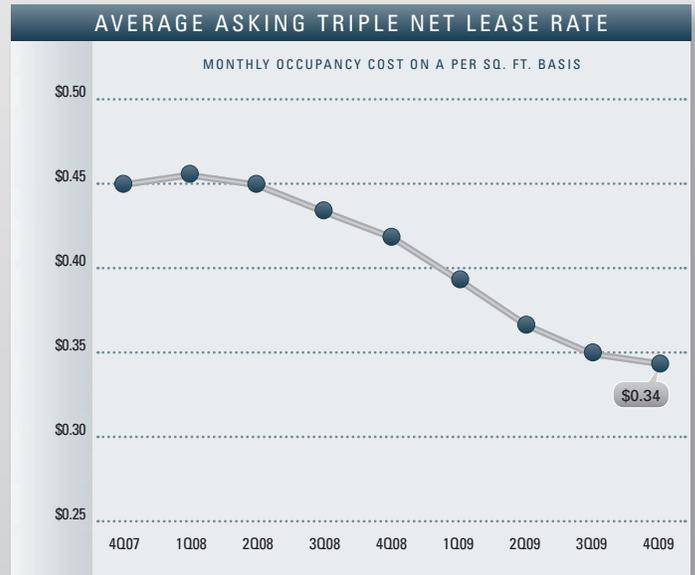
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## INLAND EMPIRE MARKET OVERVIEW

	2009	2008	2007	% CHANGE VS. 2008
Inventory Added	6,198,855	20,931,010	22,762,167	-70.38%
Under Construction	196,818	5,488,839	18,055,406	-96.41%
Vacancy Rate Below 100K sf	9.51%	7.31%	5.33%	78.42%
Vacancy Rate Above 100K sf	13.01%	12.39%	7.52%	73.01%
Total Vacancy Rate	11.65%	10.42%	6.65%	11.80%
Availability Rate	16.89%	15.30%	12.17%	10.39%
Average Asking Lease Rate	\$0.34	\$0.42	\$0.45	-19.05%
Net Absorption	9,566	3,857,428	25,099,332	-99.75%
Gross Absorption	29,061,633	36,841,824	48,995,393	-21.12%



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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 4Q2009	Square Feet Available	Availability Rate 4Q2009	Average Asking Lease Rate	Net Absorption 4Q2009	Net Absorption 2009	Gross Absorption 4Q2009	Gross Absorption 2009
<b>North County</b>													
Fontana	756	47,476,814	0	5,304,252	3,696,830	7.79%	6,855,482	14.44%	\$0.33	397,394	967,103	683,536	3,673,746
Mira Loma	228	32,649,784	57,138	1,232,360	2,755,259	8.44%	4,135,895	12.67%	\$0.36	1,363,631	380,700	1,612,727	2,480,263
Montclair	198	3,032,195	101,425	25,226	200,231	6.60%	362,625	11.96%	\$0.00	3,951	(33,225)	43,467	121,992
Ontario	1,490	96,140,142	0	2,480,143	9,427,983	9.81%	13,864,257	14.42%	\$0.36	(174,014)	(1,815,131)	1,719,762	6,200,720
Rancho Cucamonga	786	36,675,622	0	769,416	2,642,518	7.21%	4,434,257	12.09%	\$0.35	(3,148)	(412,555)	326,568	1,276,113
Upland	314	5,050,023	0	130,832	320,080	6.34%	536,408	10.62%	\$0.95	13,808	(49,256)	69,844	219,866
Less than 24,999	2,340	25,638,987	57,138	323,708	2,026,192	7.90%	3,051,570	11.90%	\$0.62	65,027	(132,752)	529,020	1,925,351
25,000-49,999	524	18,144,643	0	389,610	1,518,614	8.37%	2,478,493	13.66%	\$0.41	(126,704)	(148,552)	183,476	920,554
50,000-99,999	356	24,597,089	0	547,994	2,474,043	10.06%	3,815,923	15.51%	\$0.45	68,364	(731,345)	382,328	1,304,242
100,000 plus	552	152,643,861	101,425	8,680,917	13,024,052	8.53%	20,842,938	13.65%	\$0.33	1,594,935	50,285	3,361,080	9,822,553
<b>North County Total</b>	<b>3,772</b>	<b>221,024,580</b>	<b>158,563</b>	<b>9,942,229</b>	<b>19,042,901</b>	<b>8.62%</b>	<b>30,188,924</b>	<b>13.66%</b>	<b>\$0.35</b>	<b>1,601,622</b>	<b>(962,364)</b>	<b>4,455,904</b>	<b>13,972,700</b>
<b>West County</b>													
Chino Hills	6	112,970	0	0	6,970	6.17%	25,326	22.42%	\$0.00	5,786	(1,184)	5,786	5,786
Chino	909	38,362,204	0	1,670,323	2,402,779	6.26%	4,330,540	11.29%	\$0.42	242,277	121,812	691,082	2,447,186
Corona	964	29,538,124	38,255	1,112,355	2,569,030	8.70%	5,348,198	18.11%	\$0.40	(196,981)	(263,941)	485,251	1,914,313
Norco	80	1,191,408	0	0	78,551	6.59%	261,217	21.93%	\$0.00	(6,699)	989	5,671	55,419
Less than 24,999	1,363	14,415,059	0	324,372	1,073,485	7.45%	1,700,144	11.79%	\$0.76	7,751	(211,377)	314,403	992,838
25,000-49,999	290	10,136,549	38,255	236,919	731,887	7.22%	1,151,835	11.36%	\$0.48	(32,276)	(137,996)	151,146	414,980
50,000-99,999	159	10,861,457	0	639,240	883,850	8.14%	1,688,165	15.54%	\$0.45	220,862	(289,382)	258,850	660,720
100,000 plus	147	33,791,641	0	1,582,147	2,368,108	7.01%	5,425,137	16.05%	\$0.36	(151,954)	496,431	463,391	2,354,166
<b>West County Total</b>	<b>1,959</b>	<b>69,204,706</b>	<b>38,255</b>	<b>2,782,678</b>	<b>5,057,330</b>	<b>7.31%</b>	<b>9,965,281</b>	<b>14.40%</b>	<b>\$0.41</b>	<b>44,383</b>	<b>(142,324)</b>	<b>1,187,790</b>	<b>4,422,704</b>
<b>East County</b>													
Banning	68	1,236,632	0	2,277,332	78,741	6.37%	75,141	6.08%	\$0.43	30,055	24,657	36,401	69,960
Beaumont	80	2,601,335	0	2,782,431	648,756	24.94%	672,524	25.85%	\$0.00	(15,511)	37,987	6,056	95,439
Bloomington	76	1,438,988	0	0	32,429	2.25%	114,023	7.92%	\$0.00	5,000	(9,316)	5,000	24,117
Colton	172	6,464,359	0	1,436,060	827,451	12.80%	1,232,336	19.06%	\$0.40	(44,364)	353,770	13,449	706,439
Grand Terrace	12	463,354	0	0	28,270	6.10%	28,270	6.10%	\$0.00	4,000	(3,360)	4,000	8,140
Hemet	138	3,047,644	0	0	56,334	1.85%	80,122	2.63%	\$0.00	(4,936)	1,642	0	28,430
Highland	28	594,665	0	23,070	5,800	0.98%	13,300	2.24%	\$0.80	(4,600)	(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	83	9,488,167	0	10,484,045	2,366,273	24.94%	2,296,122	24.20%	\$0.36	(238,354)	(114,588)	66,939	913,295
Perris	187	11,329,424	0	19,589,016	940,914	8.31%	1,341,231	11.84%	\$0.26	204,494	340,565	204,494	499,658
Redlands	189	15,853,993	0	3,615,821	3,040,090	19.18%	5,024,015	31.69%	\$0.28	50,732	1,344,142	87,414	3,339,591
Rialto	171	13,358,834	0	1,309,124	3,678,559	27.54%	5,061,462	37.89%	\$0.32	35,168	(469,662)	64,252	359,686
Riverside	1,333	44,011,139	0	5,871,209	7,828,386	17.79%	9,547,288	21.69%	\$0.35	(520,999)	(806,392)	353,497	1,660,539
San Bernardino	679	29,076,716	0	4,314,080	6,473,200	22.26%	7,209,825	24.80%	\$0.32	317,876	1,125,316	692,489	2,018,224
San Jacinto	139	1,697,247	0	0	117,150	6.90%	125,150	7.37%	\$0.77	(18,000)	(74,640)	0	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	2,446	22,987,288	0	603,204	2,251,651	9.80%	3,002,712	13.06%	\$0.62	46,276	111,626	414,105	1,601,670
25,000-49,999	411	14,476,656	0	592,247	2,068,466	14.29%	2,993,495	20.68%	\$0.40	(47,161)	(296,338)	205,302	1,014,672
50,000-99,999	271	18,696,557	0	1,591,078	1,814,065	9.70%	2,535,244	13.56%	\$0.34	164,865	133,033	180,914	854,017
100,000 plus	268	85,144,715	0	48,915,659	20,056,933	23.56%	24,358,120	28.61%	\$0.31	(363,419)	1,787,252	734,870	6,299,139
<b>East County Total</b>	<b>3,396</b>	<b>141,305,216</b>	<b>0</b>	<b>51,702,188</b>	<b>26,191,115</b>	<b>18.54%</b>	<b>32,889,571</b>	<b>23.28%</b>	<b>\$0.32</b>	<b>(199,439)</b>	<b>1,735,573</b>	<b>1,535,191</b>	<b>9,769,498</b>
<b>South County</b>													
Lake Elsinore	196	2,672,996	0	273,696	310,899	11.63%	349,857	13.09%	\$0.70	10,965	(51,993)	54,178	208,818
Murrieta	340	5,026,650	0	23,300	618,340	12.30%	795,760	15.83%	\$0.53	(89,998)	(198,578)	106,268	288,082
Temecula	378	10,411,341	0	0	1,110,597	10.67%	1,728,710	16.60%	\$0.51	(132,941)	(384,091)	107,823	354,417
Wildomar	14	570,928	0	13,342	135,912	23.81%	123,327	21.60%	\$0.00	(15,822)	13,343	0	45,414
Less than 24,999	762	7,734,078	0	134,400	838,701	10.84%	1,090,239	14.10%	\$0.66	78,765	(32,617)	200,541	589,793
25,000-49,999	94	3,298,822	0	56,906	561,761	17.03%	670,013	20.31%	\$0.55	(1,640)	(131,725)	64,349	242,439
50,000-99,999	46	3,085,639	0	0	304,981	9.88%	414,301	13.43%	\$0.45	(12,897)	(64,806)	3,379	46,850
100,000 plus	26	4,563,376	0	119,032	470,305	10.31%	823,101	18.04%	\$0.46	(292,024)	(392,171)	0	17,649
<b>South County Total</b>	<b>928</b>	<b>18,681,915</b>	<b>0</b>	<b>310,338</b>	<b>2,175,748</b>	<b>11.65%</b>	<b>2,997,654</b>	<b>16.05%</b>	<b>\$0.52</b>	<b>(227,796)</b>	<b>(621,319)</b>	<b>268,269</b>	<b>896,731</b>
<b>Inland Empire Total</b>	<b>10,055</b>	<b>450,216,417</b>	<b>196,818</b>	<b>64,737,433</b>	<b>52,467,094</b>	<b>11.65%</b>	<b>76,041,430</b>	<b>16.89%</b>	<b>\$0.34</b>	<b>1,218,770</b>	<b>9,566</b>	<b>7,447,154</b>	<b>29,061,633</b>
<b>Inland Empire Totals</b>													
Less than 9,999	3,746	21,957,274	0	323,531	1,416,886	6.45%	2,155,902	9.82%	\$0.80	118,350	241,273	397,989	1,547,577
10,000-19,999	2,538	34,992,519	13,848	756,102	3,515,561	10.05%	4,858,677	13.88%	\$0.68	181,161	(540,791)	899,459	2,578,845
20,000-29,999	1,028	24,771,939	43,290	608,991	2,564,736	10.35%	3,675,430	14.84%	\$0.45	(133,270)	(107,839)	307,491	1,649,795
30,000-49,999	917	35,110,350	38,255	972,742	3,573,574	10.18%	5,448,492	15.52%	\$0.42	(176,203)	(572,374)	457,403	1,926,080
50,000-99,999	832	57,240,742	0	2,778,312	5,476,939	9.57%	8,453,633	14.77%	\$0.41	441,194	(952,500)	825,471	2,865,829
100,000-199,999	523	71,418,561	101,425	4,612,546	10,067,024	14.10%	15,255,407	21.36%	\$0.35	(1,023,690)	(1,582,260)	776,390	4,256,486
200,000-349,999	226	58,997,231	0	4,990,321	6,329,163	10.73%	10,351,640	17.55%	\$0.30	156,835	636,872	1,218,747	4,852,864
350,000-499,999	126	51,913,325	0	12,053,334	8,968,084	17.28%	12,242,074	23.58%	\$0.30	402,168	(533,449)	1,311,979	2,706,453
500,000 plus	119	93,814,476	0	37,641,554	10,555,127	11.25%	13,600,175	14.50%	\$0.32	1,252,225	3,420,634	1,252,225	6,677,704
<b>Total</b>	<b>10,055</b>	<b>450,216,417</b>	<b>196,818</b>	<b>64,737,433</b>	<b>52,467,094</b>	<b>11.65%</b>	<b>76,041,430</b>	<b>16.89%</b>	<b>\$0.34</b>	<b>1,218,770</b>	<b>9,566</b>	<b>7,447,154</b>	<b>29,061,633</b>

Lease rates are on a triple net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price	Buyer	Seller
1460 S Hofer Ranch Road	Ontario	656,040	\$34,442,100	KTR Capital Partners	CB Richard Ellis Investors
13083 Slover Ave. - 3 Properties	Fontana	650,790	\$29,935,000	KTR Capital Partners	Meridian Group, Ltd.
24525 San Michele Road	Moreno Valley	407,948	\$24,884,828	O'Reilly Automotive, Inc.	Alere Property Group, LLC
1601 E Cooley Drive - 2 Properties	Colton	438,996	\$19,315,824	Ashley Furniture Industries, Inc.	Overton Moore Properties
15889 Slover Ave.	Fontana	290,650	\$18,600,000	Maxzone Auto Parts Corp.	Phelan Development Co.

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
5691 E Philadelphia St. - Renewal	Ontario	802,201	April-09	Sears Logistic Services	Dedeaux IE Properties
11811 Landon Drive	Mira Loma	645,311	April-09	IDS USA, Inc.	AMB Property Corporation
3155 Universe Drive	Mira Loma	606,925	September-09	Act Fulfillment	ProLogis
13277 San Bernardino Ave. - Renewal	Fontana	577,905	September-09	Ozburn Hesse Logistics	ProLogis
2300 W San Bernardino Ave.	Redlands	575,457	November-09	N/A	US Industrial REIT II

Product Type

MFG./DIST.

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



ANNUAL INDUSTRIAL NEW CONSTRUCTION VS. VACANCY RATE



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<p><b>ANAHEIM METRO OFFICE</b> 3500 W. Orangewood Ave. Orange, CA 92868-1642 TEL: 714.978.7880 FAX: 714.978.9431</p>	<p><b>IRVINE OFFICE</b> 2020 Main St. Suite 100 Irvine, CA 92614 TEL: 949.851.5100 FAX: 949.261.9092</p>	<p><b>LAS VEGAS OFFICE</b> 10100 W. Charleston Blvd. Suite 200 Las Vegas, NV 89135 TEL: 702.734.4500 FAX: 702.733.7690</p>	<p><b>NEWPORT BEACH OFFICE</b> 101 Shipyard Way Suite M Newport Beach, CA 92663 TEL: 949.644.8648 FAX: 949.644.8695</p>	<p><b>SAN DIEGO OFFICE</b> 4370 La Jolla Village Dr. Suite 990 San Diego, CA 92122-1233 TEL: 858.453.0505 FAX: 858.453.1981</p>
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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple net basis. The information contained in this report is gathered from sources that are deemed reliable but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services use only, and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.