Ontario/Inland Empire, California

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

The Inland Empire industrial sector kicked off 2012 with lower activity totals than expected. Some of the slowdown can be attributed to the very bullish year-end numbers coupled with the fact that, even in healthy markets, the first quarter tends to be the slowest.

The office sector remains extremely challenged. Overall vacancy rates remain high, with little new product planned as a result. This asset class will continue to indicate only selective and ever so slight improvements during the first six months of 2012.

Market Trends

The industrial sector is getting off to a bumpy start in 2012. However, the level of tenant interest in this massive logistics hub is expected to be very active in the coming year, both from within the two-county market and for newer, first-time tenants. This predicted robust interest and current healthy list of tenants active in the market will translate into large deals by midyear. The 400,000 SF+ product types are still demanding the most interest. As a result of this interest, as much as 8 MSF of new product could hit the marketplace by year-end.

The ever struggling office sector will not see any substantial or even quick corrections in early 2012. The slightly improving year-over year local employment numbers may support limited, additional hiring and spawn some new, much needed office requirements over the short term. Also, the recent opening of the Kaiser Hospital in Ontario could support more medical tenant requirements, along with their support industries during 2012.

Tenant's Perspective

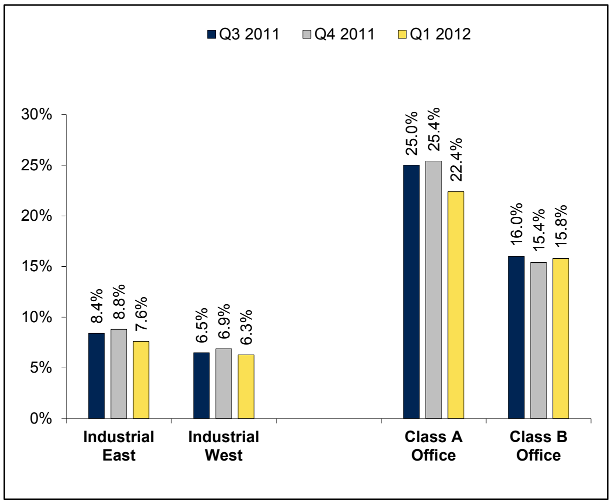
This industrial market will be one of the best national consolidation destination opportunities in 2012 for many different types of corporate users. The area is already a major logistics hub and offers some of the newest and most advanced product available in the US at still attractive rents and sale prices.

The office sector will witness more flight to quality product while rates are low and vacancies high. A great opportunity will be the availability of securing much better space efficiencies. The current asking rents, combined with little new product and still attractive concession packages, will be a major advantage for established users moving up, or a corporate tenant considering a first time relocation.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Hand Air Express	444,455	Warehouse/Dist.	Lease
Custom Goods	240,249	Warehouse/Dist.	Lease
Hautelook	300,033	Warehouse/Dist.	Lease
Toto/Exel	405,864	Warehouse/Dist.	Lease
Mcquire Bros. Enterprise	16,313	Office	Sale

Vacancy Rate



Average Rental Rates

Industrial	Q3 2011	Q4 2011	Q1 2012
East	$4.03	$4.00	$4.12
West	$4.16	$4.08	$4.34

Office	Q3 2011	Q4 2011	Q1 2012
Class A Office	$23.78	$23.75	$23.52
Class B Office	$19.09	$19.22	$18.90

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