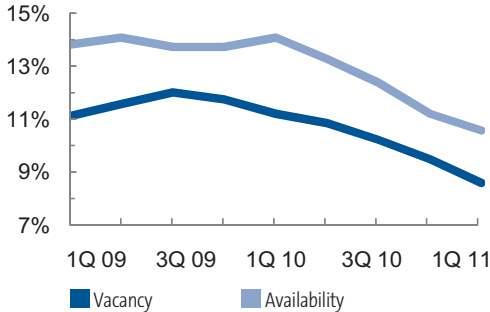
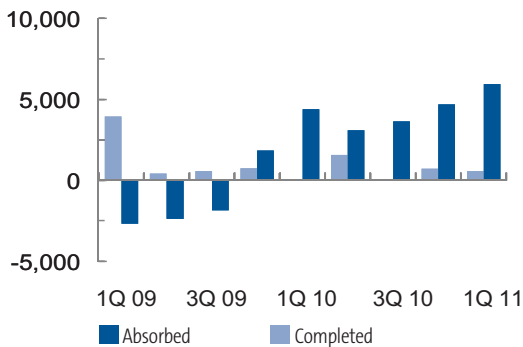


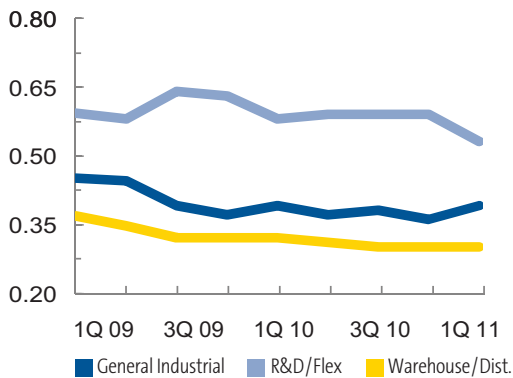
Vacancy & Availability Rates



Completions vs. Absorption (in Thousands of SF)



Asking Rental Rates (\$/SF/Mo./Triple Net)



Speculative Construction Returns

Many Fortune 500 companies, with an existing presence in Southern California, continue to seek out the Inland Empire for consolidation or expansion plans. In the quarter's largest transaction, Hewlett-Packard committed to two San Bernardino, Class A facilities for a combined 1.4 million square feet. While such momentum is encouraging, it is limiting the available supply of spaces in excess of 500,000 square feet. Currently, there are 7 buildings for lease (3 of which are for sublease) versus one year ago, when there were 17 buildings. This makes an argument for new speculative development in addition to owner-built/build-to-suit construction. Developers are already responding with the Watson Land Company beginning work on a 616,542-square-foot warehouse in Redlands this quarter. This is the first speculative industrial building to break ground in the region since 2009. Alere Property Group LLC and AMB also have projects that are slated to break ground in Rialto and Ontario, respectively, while others have started underwriting. Shell construction costs at \$27 to \$30 per foot coupled with shorter stabilization periods allow current land holders to build and achieve acceptable returns from a marginal investment perspective. Developers with no land holdings are less likely to make the returns work.

Quarterly sale and leasing activity was a robust 9.4 million square feet, with 184 transactions, up from the 8.8 million square feet of one year ago. Given consistent gross activity and the progressive slowing of tenant consolidations, the vacancy rate was 9 percent, down 290 basis points from one year ago; quarterly net absorption was positive 5.6 million square feet, up from the 4.1 million square feet recorded over the same time period. This is the sixth consecutive quarter net absorption was positive. Demand for big box space remains strong as 24 transactions were signed for spaces in excess of 100,000 during the first quarter. Although warehouse asking rental rates are at a historical low, they appear to have stabilized. This is the third consecutive quarter rents were at \$0.30 NNN. Additionally, the gap between effective and asking rental rates is narrowing for first generation space, from \$0.04 one year ago to the current \$0.02, based on comparables.

FORECAST

- Unless new construction accelerates, net absorption may be limited 6 to 9 months from now since movement in the big box arena—which is currently driving the market—may encounter a constrained supply.

KEY TRANSACTIONS

<p>Hewlett-Packard leased 1,402,825 SF at Cajon Distribution Center in San Bernardino from CT Realty Corp</p>	<p>Ingram Micro leased 562,089 SF at 3510 E Francis Ave in Ontario from ProLogis</p>	<p>Lennox International, Inc leased 377,110 SF at 4000 Hamner Ave in Mira Loma from The Realty Associates Fund</p>	<p>*Hussmann Corp renewed 300,000 SF at 13790 Ramona Ave in Chino from Majestic Realty Co.</p>
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*Indicates Transaction Represented by Grubb & Ellis

Industrial Trends Report—First Quarter 2011

Inland Empire, CA



By Submarket	Total SF	Vacant SF	Vacant %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current	Year To Date		WH/Dist	R&D/Flex
Chino	40,186,895	2,270,812	5.7%	9.7%	139,376	139,376	-	\$0.35	-
Fontana	42,850,345	3,398,842	7.9%	10.2%	75,066	75,066	-	\$0.31	-
Montclair/Upland	7,763,887	331,611	4.3%	6.5%	33,672	33,672	-	-	-
Ontario/Mira Loma	131,561,947	8,815,274	6.7%	9.8%	1,709,815	1,709,815	-	\$0.32	-
Rancho Cucamonga	36,906,193	2,798,349	7.6%	9.0%	(183,337)	(183,337)	-	\$0.29	-
Corona/Norco	27,639,527	2,452,520	8.9%	10.1%	289,109	289,109	80,000	\$0.38	-
Colton/Rialto	18,651,606	3,121,158	16.7%	26.5%	1,288,993	1,288,993	-	\$0.28	-
Redlands/San Bern.	46,946,315	6,617,644	14.1%	12.5%	778,901	778,901	616,542	\$0.26	\$0.60
Riverside	38,479,187	4,537,645	11.8%	13.8%	957,263	957,263	-	\$0.30	-
Moreno Valley/Perris	19,088,147	2,280,530	11.9%	10.0%	380,155	380,155	2,335,457	\$0.19	\$0.65
Temecula Submarket	15,794,714	578,472	3.7%	6.9%	47,114	47,114	-	-	\$0.45
Banning/Beaumont	2,939,895	688,708	23.4%	27.4%	(10,450)	(10,450)	-	-	-
High Desert	9,761,376	1,373,672	14.1%	14.1%	(1,212)	(1,212)	-	-	-
Totals	438,570,034	39,265,237	9.0%	11.2%	5,504,465	5,504,465	3,031,999	\$0.30	\$0.53

By Property Type	ASKING RENT								
	Total SF	Vacant SF	Vacant %	Available %	Current	Year To Date	Under Construction SF	WH/Dist	R&D/Flex
General Industrial	62,114,243	5,277,123	8.5%	10.9%	753,089	753,089	80,000	\$0.39	-
R&D/Flex	10,997,554	637,584	5.8%	8.7%	67,211	67,211	-	\$0.53	-
Warehouse/Distribution	365,458,237	33,350,530	9.1%	11.3%	4,684,165	4,684,165	2,951,999	\$0.30	-
Totals	438,570,034	39,265,237	9.0%	11.2%	5,504,465	5,504,465	3,031,999	\$0.31	

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INDUSTRIAL TERMS AND DEFINITIONS

Total SF: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 5,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and

sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance

and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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