

# Ontario/Inland Empire, California

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2009

## Overview

### Office:

The global slowdown continued to impact the demand for office space across the Inland Empire leading to the softening of lease rentals and capital values across all segments, which is likely to continue for some time. During the last quarter of 2009, many office tenants in class B space upgraded to take advantage of the low rental rates of the class A space.

### Industrial:

The Inland Empire continued to offer good opportunities for both tenants and buyers in the 4th quarter of 2009. Landlords continuously offered significant concessions such as lease assumptions, free rent, and substantial tenant improvement allowances.

The Western sector (Airport area) saw the most activity and absorption in both industrial and office space. The Eastern sector (Riverside area) continued to have high vacancy rates on industrial properties and was very aggressive in pursuing tenants and buyers.

Capital markets are slow. Over \$9 billion dollars of CMBS debt is coming due over the next two to three years. This will affect landlords as they try to navigate through the refinancing period.

## Market Trends

- Tenants will remain in control as landlords fight for tenancy.
- The asking rental rates will remain flat, but effective rates will continue to be significantly lower than previous years.
- Lease rates and purchase prices remain on the decline.
- Office vacancy rates continued to be high.
- The Ontario (Airport) area continued to lead the area in absorption of industrial properties.
- Tenants are considering early renegotiations to lower real estate expenses.
- Companies are looking to dispose of excess space, adding sublease space to the market.

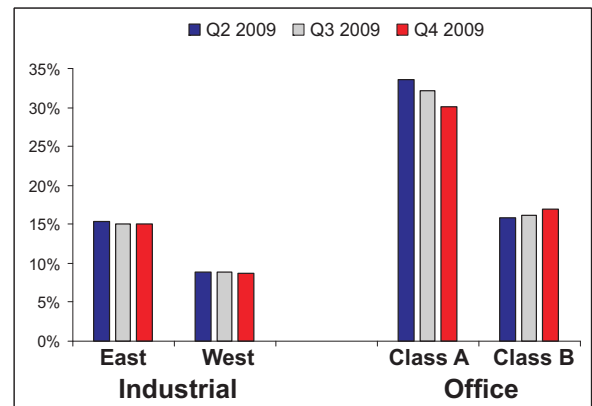
## Tenant's Perspective

Tenants can take advantage of the market conditions by restructuring and extending their leases to lock in more favorable terms and must be aware of landlords who have had negative publicity about not paying tenant improvements, vendors, commissions, etc.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
ACT Fulfillment, LLC	606,925	Industrial	Lease
Commerce Corp.–Baltimore	274,152	Industrial	Lease
Commerce Corp.–Ontario	241,367	Industrial	Lease
Discopy Labs	150,000	Industrial	Purchase
Corporate Vehicle Storage	49,000	Industrial	Lease/Purchase
Nadel	6,557	Office	Sublease
BBSI	5,949	Office	Lease
ERI Financial Services	3,316	Office	Lease
Inland Empire Business Journal	1,718	Office	Lease

## Vacancy Rate



## Average Rental Rates

Industrial	Q2 2009	Q3 2009	Q4 2009
East	\$4.80	\$4.56	\$4.32
West	\$4.92	\$4.92	\$4.44

Office	Q2 2009	Q3 2009	Q4 2009
Class A Office	\$27.72	\$28.20	\$27.72
Class B Office	\$21.60	\$21.72	\$20.88

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