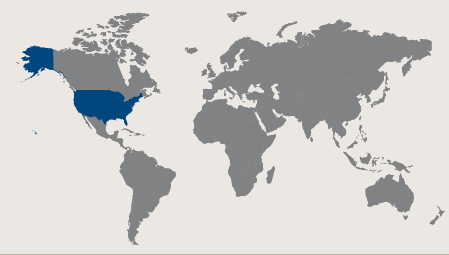




Market Research

INDUSTRIAL | FOURTH QUARTER | 2007

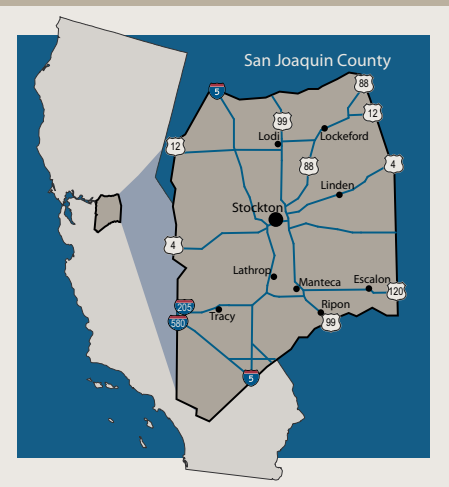


MARKET INDICATORS

	3Q 2007	4Q 2007*
VACANCY	↑	↑
NET ABSORPTION	↓	↓
CONSTRUCTION	↑	↑
RENTAL RATE	↔	↓
CAP RATES	↑	↑
LAND PRICES	↔	↔

*PROJECTED

SAN JOAQUIN COUNTY



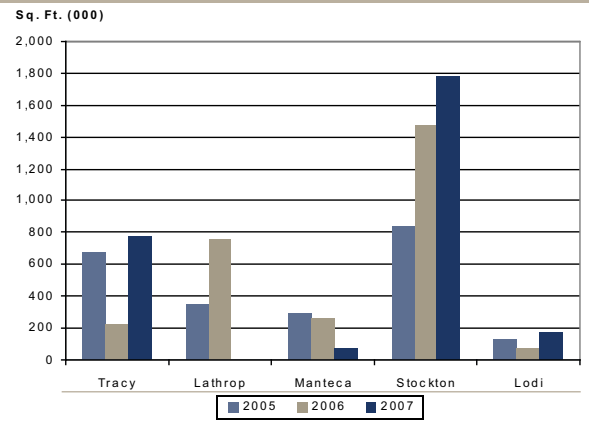
Regional and Institutional Developers Remain Bullish

In San Joaquin County overall vacancy for industrial space in the fourth quarter of 2007, increased 1.44 percentage points from in the previous quarter. Notably, a portion of the increase can be attributed to smaller light industrial and incubator type spaces becoming available. Overall net absorption for the fourth quarter was down due in part to new vacancy in Tracy, however the overall year to date net absorption for the year was up. Overall asking rental rates have remained steady for industrial and warehouse type space, with a reduction in asking rents for incubator space.

Market Observations

- San Joaquin County will remain an ideal distribution point for Northern California and the eleven (11) western states based upon its proximity to major freeway arterials, access to west coast ports and intermodal rail infrastructure.
- Regional and institutional developers remain bullish on San Joaquin County. Most seek well located sites and general purpose warehouse facilities at specific price points.
- The expanding Port of Stockton has become a large participant in attracting new and expanding industries to San Joaquin County and the City of Stockton. Notable companies who have secured locations at the Port or have plans to include; Lowe's Home Improvement, Ferguson Plumbing Supply, CALAMCO Cold Storage, and USG Corporation (U.S. Gypsum Company).
- The industrial condo market has softened as a result of the availability of inventory and the softening in demand partly due to the correction of the residential real estate market.
- Higher costs for building permits, development impact & mitigation fees continue to effect the bottom line for developers and users.

COMPLETED CONSTRUCTION - SAN JOAQUIN COUNTY



New Construction

San Joaquin County completed industrial construction for 2007 totaled 2,860,847 square feet which is up from both 2006 completed construction of 2,785,872 square feet and 2005 completed construction of 2,282,564. Notable construction activity in the includes;

- Construction start of 780,371 square foot building at ProLogis Duck Creek.



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- The completion and occupancy of the 650,000 square foot plumbing supply distribution center at the Port of Stockton for Ferguson Supply Company.
- Completion of Steve Fetzer's 3 building project totaling 40,082 SF on East Turner Road in Lodi.
- IDI is expected to complete its second 508,000 Square Foot building in 1st Quarter 2008.
- Completion of the Kyoho building at Prologis Duck Creek (3rd quarter completion.)
- Massie Development Company broke ground on seven (7) freestanding buildings totaling 137,500 square feet in the Massie Industrial Park.
- Buzz Oates broke ground on thirteen (13) 12,996 square foot freestanding buildings in the Stockton Airport Business Center.
- Tim Murphy is under construction on a 374,000 square foot distribution facility in the Lathrop Industrial Park.
- Targeted Development Inc. is under construction on the Tracy Commerce Park, which is a 37,800 square foot building consisting of seventeen (17) individual condo units.

Market Activity

Lathrop – Two distribution facilities occupied by Home Depot totaling 857,000 square feet were sold as a leased investment.

Stockton – Trader Joe's took occupancy of 129,960 square feet at 1928 Boeing Way.

Tracy – AMB closed escrow on a ±43 acre industrial site.

Lodi – Armorstuxx occupied the 101,000 Square Foot building at 500 Beckman Road

Market Outlook

Continued close observance of the financial market by the Federal Reserve is expected as navigating the economy around a recession remains at the forefront of their concerns.

Cost of capital will remain attractive into 2008, and capital should remain available for developers with strong financials. Funding for owner/user buildings will hinge on cash flow.

Developers will continue to fund new & existing projects in San Joaquin County, but may recalculate plans to construct on a speculative basis.

City and County building fees will continue to play a role in building decisions. However, if a slower economy affects unemployment to a certain degree, developers and corporations who can demonstrate ability to lower unemployment may have a negotiating advantage.

San Joaquin County Geographical Overview

San Joaquin County is located directly to the east of the San Francisco/Oakland Bay Area. It covers more than 1,400 square miles and bridges northern and central California. Its geographical position within the Country's third largest state places the county within a dynamic growth corridor ideally situated for business and industry.

There are five (5) submarkets in San Joaquin County comprised of Tracy, Lathrop, Manteca, Stockton and Lodi. Due to the centralized location of San Joaquin County, it has cultivated extensive transportation facilities. These facilities include The Port of Stockton, Interstate 5 and Highway 99, Union Pacific Railroad and Burlington Northern Sante Fe Railroad, and The Stockton Metropolitan Airport. With these transportation systems in place, San Joaquin County is a central staging area and meeting place in California.

267 OFFICES IN 57 COUNTRIES
ON 6 CONTINENTS

USA 95
Canada 17
Latin America 17
Asia Pacific 53
EMEA 85

\$63.5 billion in annual transaction volume
672.9 million square feet under management
10,171 Professionals

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