

Inland Empire

Industrial Market Outlook 1Q 2016

MARKET OVERVIEW

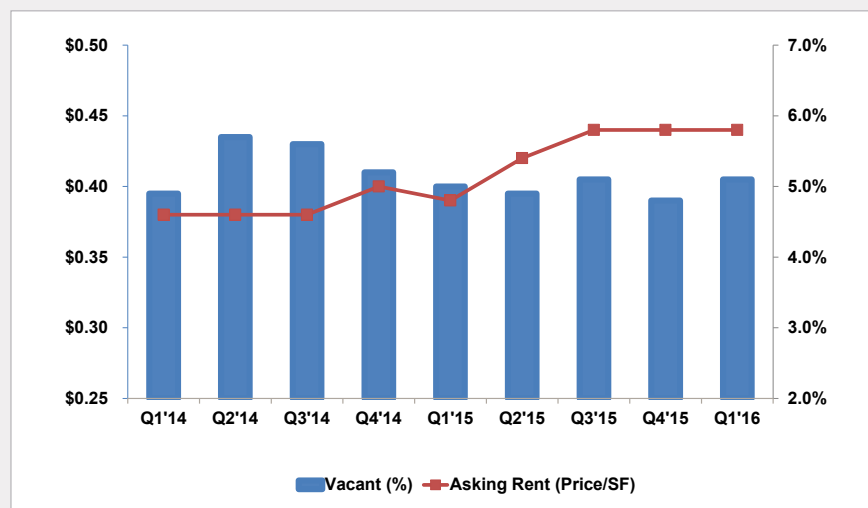
The Inland Empire industrial market has continued to experience sustained growth into 2016. The vacancy rate in the first quarter has increased by 10 basis points from 5.0% last year to 5.1% this year, and 30 basis points from last quarter. Despite this slight increase, first quarter vacancy remains one of the lowest rates on record. A portion of this increase in vacancy rates is attributable to the 3.7 million square feet delivered to the market this quarter, as the market has not been able to fully absorb this amount of product. Sales and leasing volume for the region totaled more than 13 million square feet, which represented a 26% decline over last year. However, an additional 15.4 million square feet are currently under construction, of which approximately 30% has been preleased. The market appears to be returning to a more sustainable growth rate after the achieving record growth last year. Average asking rents and sale prices are increasing. With employment in transportation & warehousing increasing by 8.6% and manufacturing increasing by 4.7%, both sectors have outperformed employment in the region, which increased by 3.5%.

TRENDS TO WATCH

The Inland Empire industrial market is expected to remain tight throughout 2016, as demand continues to grow and large quantities of product are delivered and absorbed by the marketplace. Vacancy rates are currently at historic lows and rents are climbing year over year. Port activity in Los Angeles remains a good indicator for demand for industrial space in the Inland Empire, and the ports of Los Angeles and Long Beach saw the highest February cargo volumes ever. Overall outlook remains positive, however, new starts in construction may slow as the market works to absorb current and expected deliveries.

Average Asking Rent and Vacancy Rate

All Unit Sizes



Rents reflect buildings of 10,000+ SF

MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



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Market Statistics

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	1Q16 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	1Q16 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$/PSF NNN	AVERAGE SALE PRICE \$/PSF
East	181,366,017	9,288,880	12.4%	7.3%	3,634,168	3,634,168	1,411,809	1,411,809	\$0.38	\$133
High Desert	17,718,459	16,926	7.4%	5.7%	63,423	63,423	260,380	260,380	\$0.32	\$39
South	20,394,613	199,703	5.5%	3.1%	84,420	84,420	183,939	183,939	\$0.48	\$120
West	311,067,729	5,987,268	5.8%	3.9%	5,619,510	5,619,510	1,808,676	1,808,676	\$0.51	\$114
Total	530,546,818	15,492,777	8.1%	5.1%	9,401,521	9,401,521	3,664,804	3,664,804	\$0.44	\$122

Rents reflect buildings 10,000+ SF

Leasing

Leasing activity this quarter came in at 9.4 million square feet, which represented a 26.3% decline over the previous quarter and a 36% decline from the same time period last year. The overall leasing volume for 2015 was the highest on record, however, the first quarter results indicate a return to normalcy. Average asking rents climbed to \$0.44/SF, which is 12.8 % higher than a year ago. Lower leasing volume should not be taken as a sign of weakness as rents continue to rise and demand remains steady. In the first quarter, ACT Fulfillment leased 351,386 square feet in Fontana for \$0.40/SF. Also, Guitar Center leased 218,980 square feet in Rialto for \$0.38/SF.

Sales

Total sales activity for the Inland Empire topped 3.6 million square feet, remaining steady from the previous quarter and increasing 23% from last year. Average sale prices have increased 16.5% from \$104.48/SF to \$121.67/SF. In the first quarter, GE Asset Management purchased 507,000 square feet in Riverside for \$207.10/SF. Also, the AFL-CIO Building Investment Trust purchased 344,355 square feet in Perris for \$93.03/SF.

Significant Lease Transactions

TENANT	BUILDING ADDRESS	SUBMARKET	ASKING RATE/ SF	SQUARE FEET
ACT Fulfillment	11100 Hemlock Ave	West	\$0.40	351,386
Guitar Center	1508 W Casmalia St	East	\$0.38	218,980
Roadtex	13880 Monte Vista Ave	West	\$0.52	143,955
The Honest Company	3790 De Forest Cir	West	\$0.45	108,000
Yankee Clipper Distribution	7551 Cherry Ave	West	\$0.47	155,632

Significant Sales Transactions

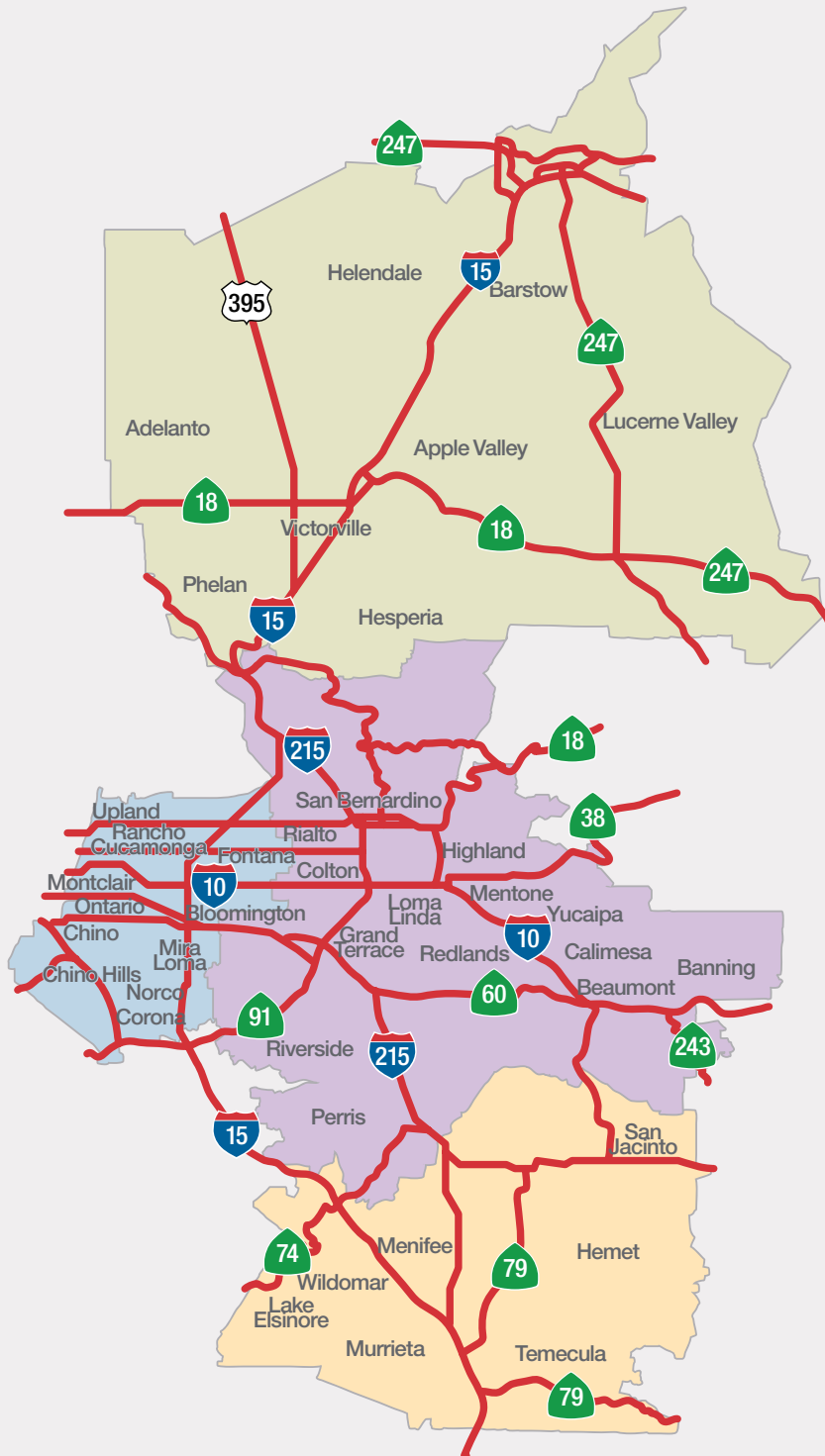
BUYER	ADDRESS	SUBMARKET	SALE PRICE/SF	SQUARE FEET
GE Asset Management	1001 Columbia Ave	East	\$207.10	507,000
AFL-CIO Building Investment Trust	400 Harley Knox Blvd	East	\$93.03	344,355
LBA Realty	5005 E Philadelphia St	West	\$75.19	252,680
Panrosa Ents Inc	550 Monica Cir	West	\$90.00	209,950
Sage Hill Northwest, Inc.	8787 Caliente Rd	High Desert	\$34.00	150,000

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Commercial Real Estate Services, Worldwide.



South IE

- Hemet
- Lake Elsinore
- Menifee
- Murrieta
- San Jacinto
- Temecula
- Wildomar

High Desert

- Adelanto
- Apple Valley
- Barstow
- Helendale
- Hesperia
- Lucerne Valley
- Phelan
- Silver Lakes
- Victorville

West IE

- Chino Hills
- Chino
- Corona
- Eastvale
- Fontana
- Mira Loma
- Montclair
- Norco
- Ontario
- Rancho Cucamonga
- Upland

East Inland Empire

- Banning
- Beaumont
- Bloomington
- Calimesa
- Colton
- Grand Terrace
- Highland
- Loma Linda
- Mentone
- Moreno Valley
- Perris
- Redlands
- Rialto
- Riverside
- Rubidoux
- San Bernardino
- Yucaipa

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Commercial Real Estate Services, Worldwide.

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