

# Inland Empire

## Industrial Market Outlook 2Q 2016

### MARKET OVERVIEW

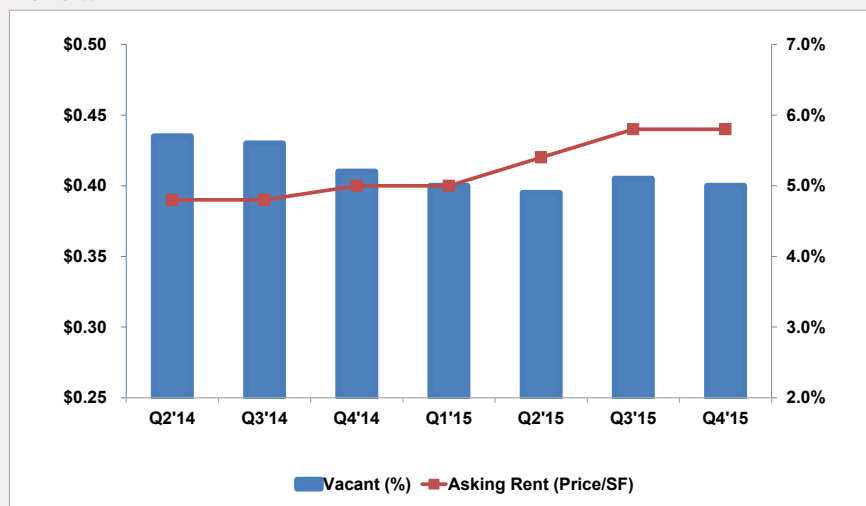
The Inland Empire experienced strong rent growth and low vacancy, indicating a continued robust demand in the region. The vacancy rate for the second quarter of 2016 was 4.9%, down 20 basis points from the prior quarter, and steady over the year. Average asking rents have seen solid year over year growth rates, with the average rent rising to \$0.48/SF this quarter, an increase of 9.1% over the quarter and 14.3% over the year. This quarter, Amazon announced that it would be opening its sixth regional fulfillment center in Eastvale. The one million square foot industrial space is part of the Goodman Commerce Center, a mixed-use business park that is currently under construction and is expected to deliver in September 2016. Total construction in the market surpassed 18.9 million square feet, which is well above the five year average of 12 million square feet per quarter. This surge in development is coming as the economy in the Greater Los Angeles Area continues to strengthen, and as demand for industrial space shifts with the rise of E-commerce.

### TRENDS TO WATCH

The Inland Empire industrial market is on track to remain tight throughout 2016. Leasing activity on newly completed projects is keeping vacancy rates steady. As port activity in both Los Angeles and Long Beach has increased, the Inland Empire industrial market has been able to benefit due to its comparatively lower rents. The Inland Empire is poised to remain a desirable logistics destination for big name tenants. In addition to Amazon, home shopping network QVC announced that it will establish a presence in the Inland Empire. QVC will occupy more than one million square feet at the Meredith International Center in Ontario.

#### Average Asking Rent and Vacancy Rate

All Unit Sizes



Source: NAI Capital Research, CoStar, REIS

### 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 (%)	2016 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	2016 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$/PSF NNN	AVERAGE SALE PRICE \$/PSF
East	183,900,796	7,965,093	11.4%	7.3%	2,601,623	7,184,499	1,706,132	2,892,406	\$0.39	\$68
High Desert	17,633,699	1,249,740	14.7%	3.5%	60,473	177,445	602,629	865,409	\$0.39	\$53
South	20,289,270	188,863	5.6%	3.0%	161,370	168,348	358,050	289,010	\$0.61	\$76
West	312,490,286	9,505,930	7.0%	3.7%	4,496,717	12,967,062	1,871,348	3,730,953	\$0.53	\$103
<b>Total</b>	<b>534,314,051</b>	<b>18,909,626</b>	<b>8.7%</b>	<b>4.9%</b>	<b>7,320,183</b>	<b>20,497,354</b>	<b>4,538,159</b>	<b>7,777,778</b>	<b>\$0.48</b>	<b>\$82</b>

RBA includes all industrial buildings. Rents reflect buildings of at least 10,000 square feet.

### Leasing

Overall, leasing activity has dropped off due to a shortage of product. Leasing volume for the first half of the year totaled 20,497,354 square feet, which is 38.1% below the total for the first half of 2015. Vacancies are at their lowest point in the last ten years, and rents have continued to increase. More than half of new deliveries this year have been leased, which indicates the market is continuing to absorb new product. Amazon leased more than one million square feet at Goodman Commerce Center in the West submarket at an undisclosed price. Wiseway Motor Freight, Inc. leased 187,985 square feet of newly built industrial distribution space in Moreno Valley at an asking rate of \$0.36/SF.

### Sales

Total sale volume was up nearly 30.5% over the prior quarter, and 23.4% over the prior year. Nearly 6.5 million square feet were sold in the Inland Empire this past quarter, and over 7.7 million square feet year to date. The average size of buildings being sold declined from 41,305 square feet last year at this time, to 32,752 square feet this year, while the number of transactions increased from 89 buildings to 130 buildings. Bedrock purchased a 488,817 square foot industrial building in Hesperia for \$47/SF. A 49% vacancy rate contributed to the low sale price, per the buyer. LBA Realty purchased a 315,430 square foot Class A building in Fontana for \$100/SF at a 5.0% cap rate.

### Significant Lease Transactions

TENANT	BUILDING ADDRESS	SUBMARKET	ASKING RATE/SF*	SQUARE FEET
Wayfair	3300 Indian Ave	East	Not disclosed	1,244,874
Amazon	4880 Hamner Rd	West	Not disclosed	1,033,192
Wiseway Motor Freight, Inc.	24901 San Michele Rd	East	\$0.36	187,985
MBM Corp	6250 Sycamore Canyon Blvd	East	\$0.44	133,200
Apple Tree International	8675 Rochester Ave	West	\$0.69	50,700

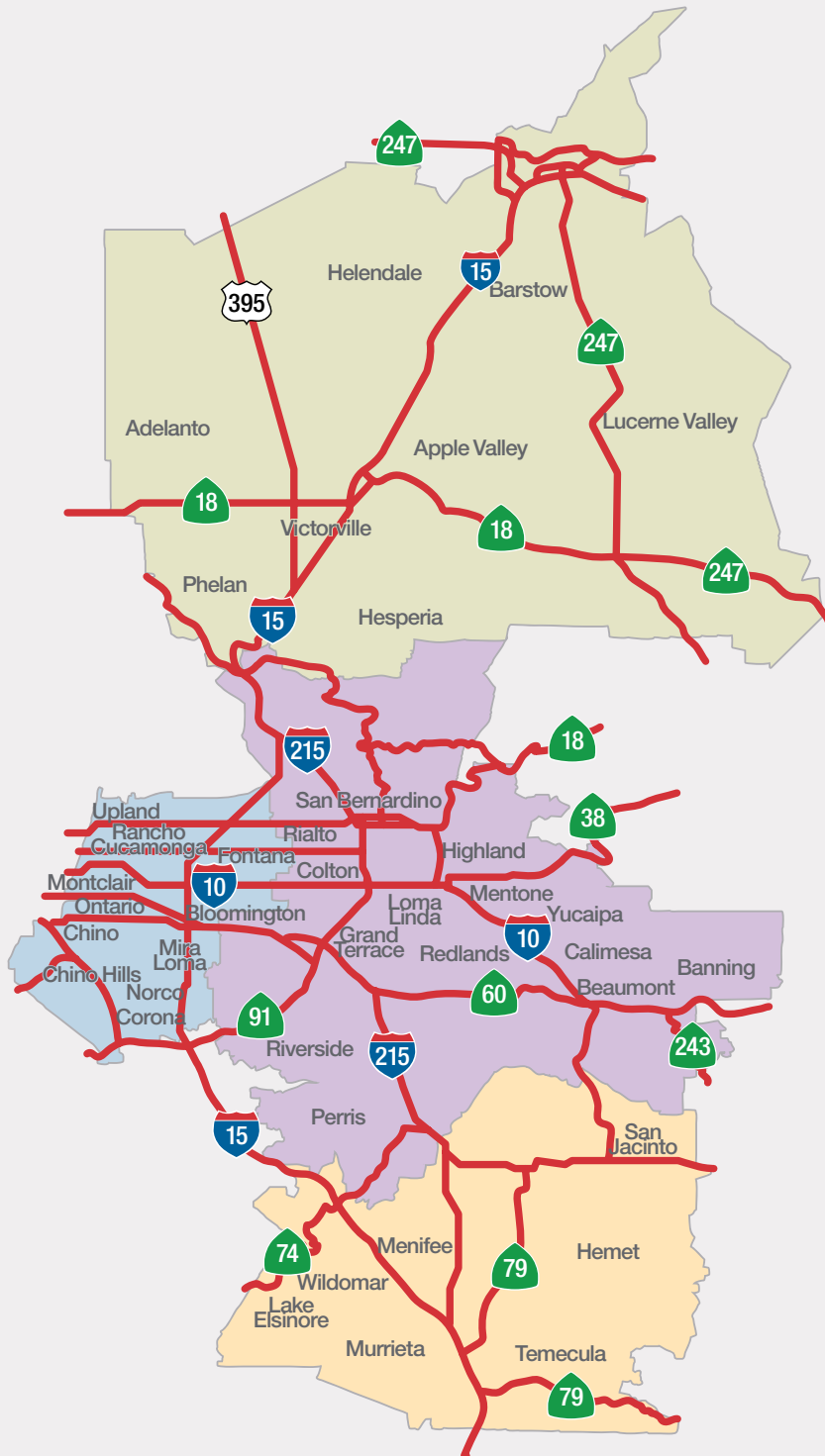
\*All rents are NNN unless otherwise noted

### Significant Sales Transactions

BUYER	ADDRESS	SUBMARKET	SALE PRICE/SF	SQUARE FEET
Bedrock	10200 Amargosa Rd	High Desert	\$45.07	488,817
LBA Realty	17300 Slover Ave	West	\$99.90	315,430
Linon Home Décor Products, Inc.	1400 E Victoria Ave	East	\$42.55	235,000
Industrial Property Trust, Inc.	2553 Sampson Ave	West	\$105.52	193,268
Cabot Properties, Inc.	4162 Georgia Blvd	East	\$62.63	174,030

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### 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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## Industrial Market Outlook 2Q 2016



Commercial Real Estate Services, Worldwide.

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#### Los Angeles County

##### Commerce

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Los Angeles, CA 90040  
(323) 201-3600

##### Diamond Bar

21660 E. Copley Dr., Ste. 320  
Diamond Bar, CA 91765  
(909) 348-0600

##### Pasadena

225 S. Lake Ave., Ste. 1170  
Pasadena, CA 91101  
(626) 564-4800

##### Torrance

970 W. 190th St. Dr., Ste. 100  
Torrance, CA 90502  
(310) 532-9080

##### Valencia

27451 Tourney Rd., Ste. 200  
Valencia, CA 91355  
(661) 705-3550

##### West Los Angeles

11835 Olympic Blvd., Ste. 700E  
Los Angeles, CA 90064  
(310) 440-8500

#### Ventura County

##### Oxnard

300 Esplanade Dr., Ste. 1660  
Los Angeles, CA 90040  
(805) 278-1400

##### Westlake Village

2555 Townsgate Rd., Ste. 320  
Westlake Village, CA 91361  
(805) 446-2400

##### Simi Valley

2655 First St., Ste. 250  
Simi Valley, CA 93065  
(805) 522-7132

#### Orange County

##### Irvine

1920 Main St., Ste. 100  
Irvine, CA 92614  
(949) 854-6600

##### San Clemente

120 1/2 South El Camino Real, Ste. 210  
San Clemente, CA 92674  
(949) 874-0415

#### Inland Empire

##### Ontario

800 N. Haven Dr., Ste. 400  
Ontario, CA 91764  
(909) 945-2339

##### Temecula

27720 Jefferson Ave., Ste. 330  
Temecula, CA 92590  
(951) 491-7590

##### Victorville

13911 Park Avenue, Ste. 206  
Victorville, CA 92392  
(760) 780-4200

#### Coachella Valley

##### Palm Desert

75-410 Gerald Ford Dr., Ste. 200  
Palm Desert, CA 92211  
(760) 346-1566

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