

### Economic Overview

According to the Bureau of Labor Statistics, the California unemployment rate dropped 0.6 percentage points from 5.7% in January 2016 to 5.1% in January 2017. Unemployment rate for the US was reported at 4.8% down from 4.9%. The Riverside-San Bernardino-Ontario metropolitan statistical area job creation totaled 38,600 over the past year. Industrial using jobs (industries include manufacturing and trade transportation and utilities) increased by 13,500 jobs from January 2016 to January 2017.

### Market Overview

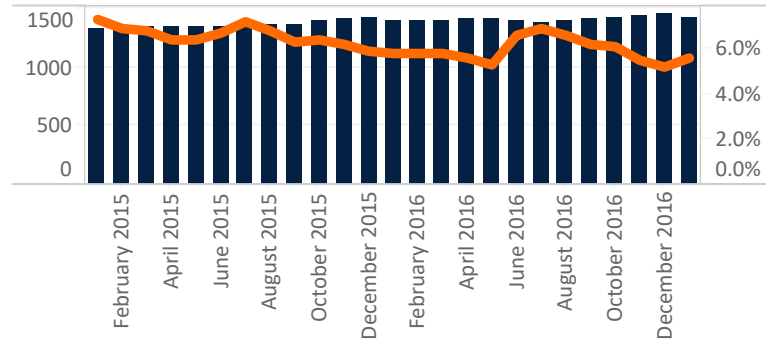
The Inland Empire industrial market recorded 2,377,312 sf of positive net absorption during 1Q2017. Absorption was down from 2.8 msf recorded during 4Q 2016. The total vacancy rate has increased from 3.5% in 4Q 2016 to 3.9% at the close of first quarter 2017. Direct vacancy rates increased 0.4 percentage points from 3.4% to 3.8% during the same time period. Weighted average rent increased \$0.01 NNN over the first quarter with the majority of newer product being marketed without an asking rate.

### Market Highlights

The Inland Empire remains one the hottest industrial markets in the country with another quarter of over 2 million sf of absorption and 23 msf currently under construction. 4.4 msf was delivered 1Q 2017 and another 10 msf is expected to deliver in 2Q 2017. Amazon announced it will be adding another 1.7 msf to their Inland Empire portfolio with a 777k sf lease in Redlands and a 1 msf pre-lease at the Goodman Commerce Center in Eastvale. As the coastal markets continue to struggle with a lack of Class A inventory, tenants will continue to look toward the I.E. for brand new State Of The Art distribution facilities.

### Inland Empire Employment

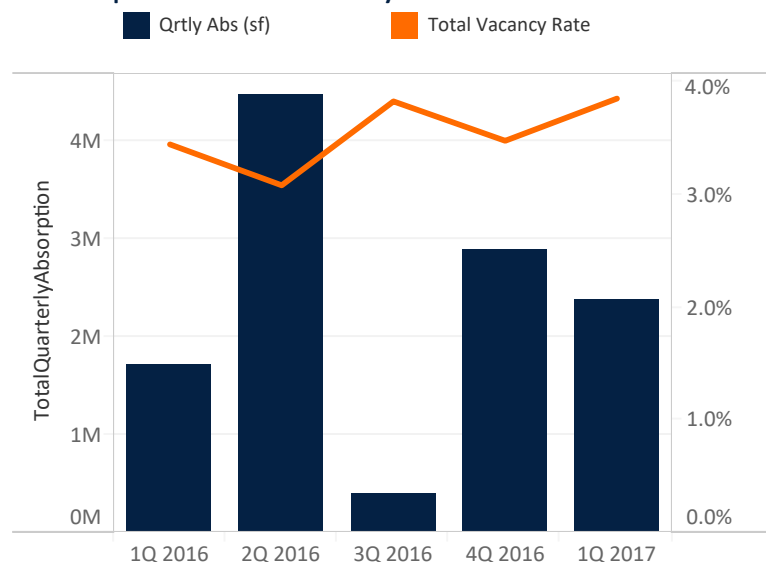
Source: BLS



### Market Recap

Inventory (sf)	505,743,276
# of Bldgs	6,291
Qrtly Abs (sf)	2,377,312
Total Avail Rate	6.0%
Total Vacancy Rate	3.9%
U/C Inventory (sf)	23,549,834
Delivered (sf)	4,477,345
Weighted Average Asking Rate (NNN)	\$0.52

### Absorption and Vacancy Rate



### Overview by Specific Use (Total)

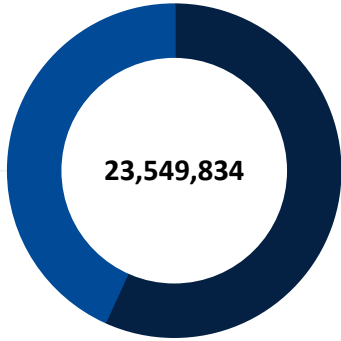
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs
Flex	16,797,081	439,213	208,443	1.2%	-12,191	-12,191
Whse/Dist	488,946,195	29,761,932	19,292,026	3.9%	2,389,503	2,389,503
Overall	505,743,276	30,201,145	19,500,469	3.9%	2,377,312	2,377,312

### Overview by Market (Total)

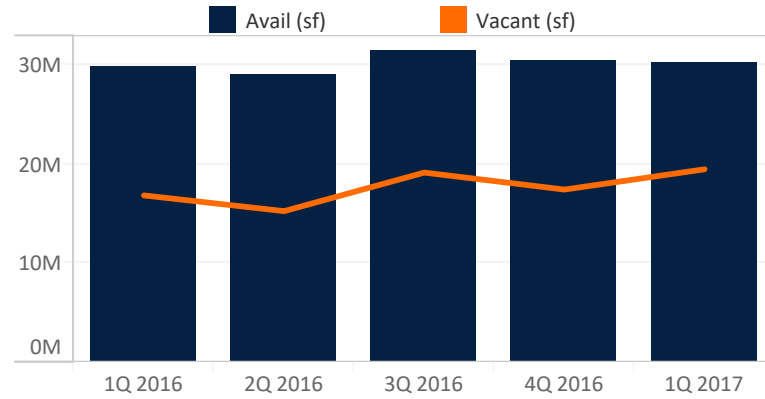
Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs
East	Flex	9,049,322	211,827	108,618	1.2%	15,784	15,784
	Whse/Dist	211,551,729	17,135,423	12,420,697	5.9%	1,834,120	1,834,120
West	Flex	7,747,759	227,386	99,825	1.3%	-27,975	-27,975
	Whse/Dist	277,394,466	12,626,509	6,871,329	2.5%	555,383	555,383
Overall		505,743,276	30,201,145	19,500,469	3.9%	2,377,312	2,377,312

#### Construction by Market

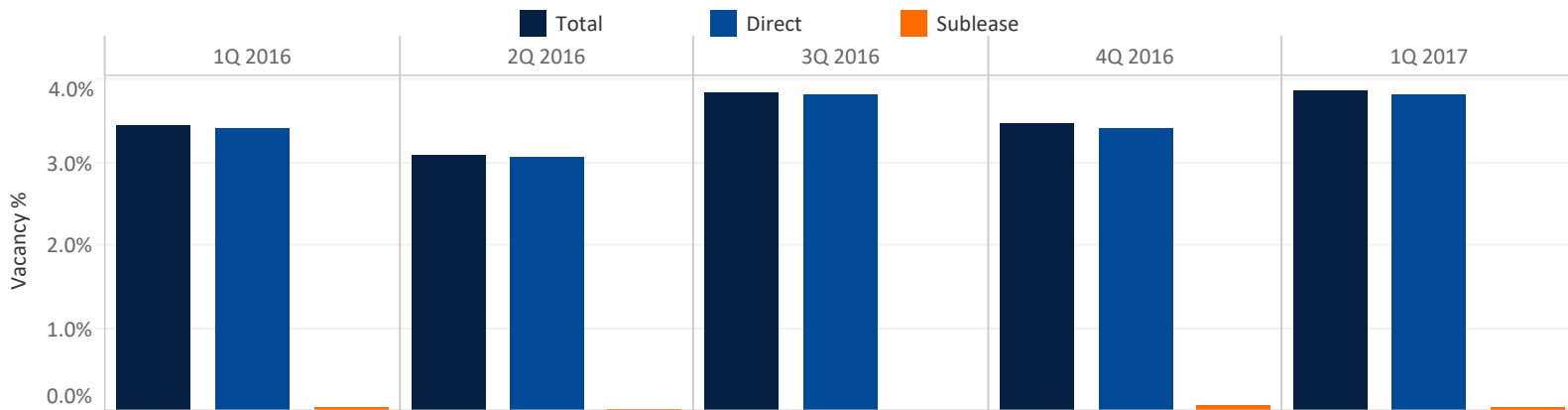
■ East  
■ West



#### Total Available and Vacant



#### Vacancy Rate



#### Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs	YTD Net Abs
Flex	16,797,081	439,213	208,443	1.2%	-12,191	-12,191
Whse/Dist	488,946,195	27,233,641	19,054,012	3.9%	2,274,796	2,274,796
Overall	505,743,276	27,672,854	19,262,455	3.8%	2,262,605	2,262,605

#### Overview by Specific Use (Sublease)

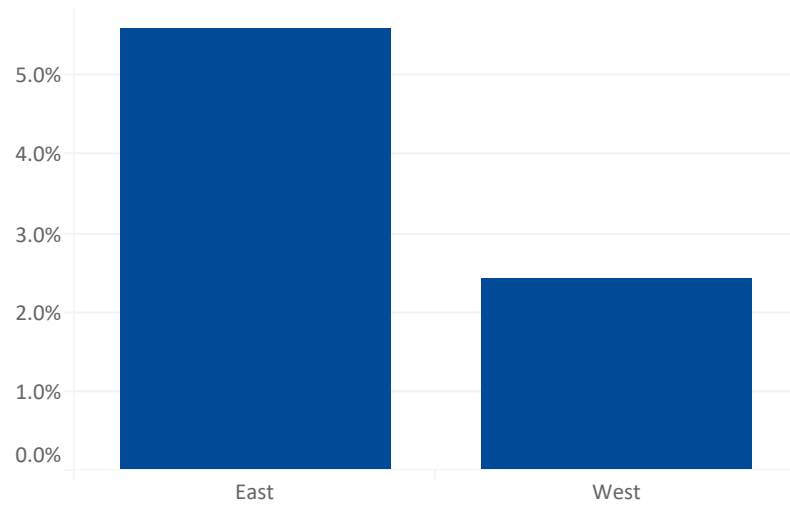
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs	YTD Net Abs
Flex	16,797,081	0	0	0.0%	0	0
Whse/Dist	488,946,195	2,528,291	238,014	0.0%	114,707	114,707
Overall	505,743,276	2,528,291	238,014	0.0%	114,707	114,707

## Direct Vacancy Rates

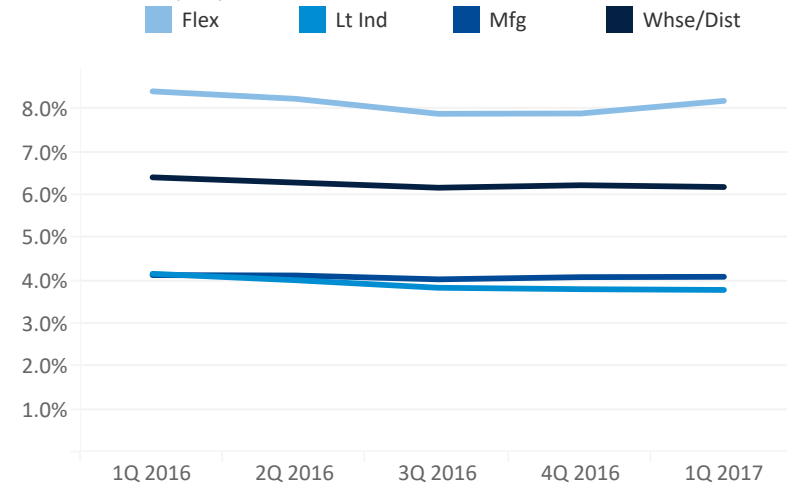
### By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
East	Flex	2.3%	1.6%	1.5%	1.4%	1.2%
	Whse/Dist	5.7%	5.8%	6.2%	5.7%	5.8%
West	Flex	1.2%	1.0%	1.2%	0.9%	1.3%
	Whse/Dist	1.7%	1.1%	2.2%	1.8%	2.5%
Overall		3.4%	3.1%	3.8%	3.4%	3.8%

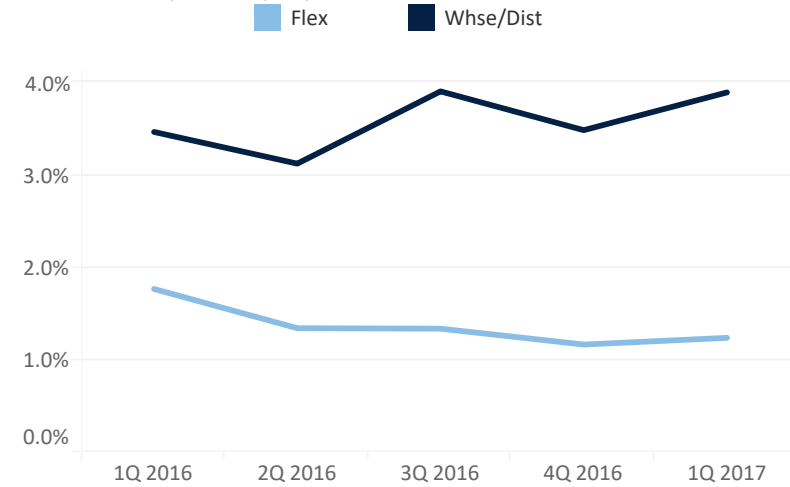
### By Market



### National by Specific Use



### Inland Empire By Specific Use

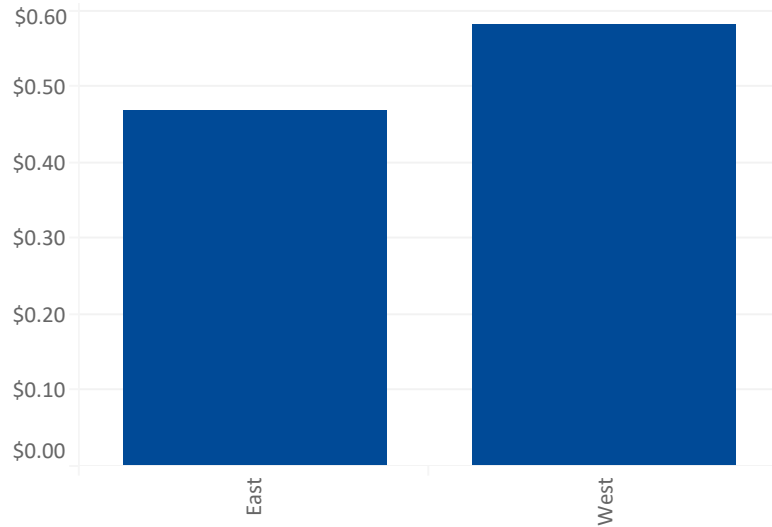


### Direct Weighted Average Asking Rates (NNN)

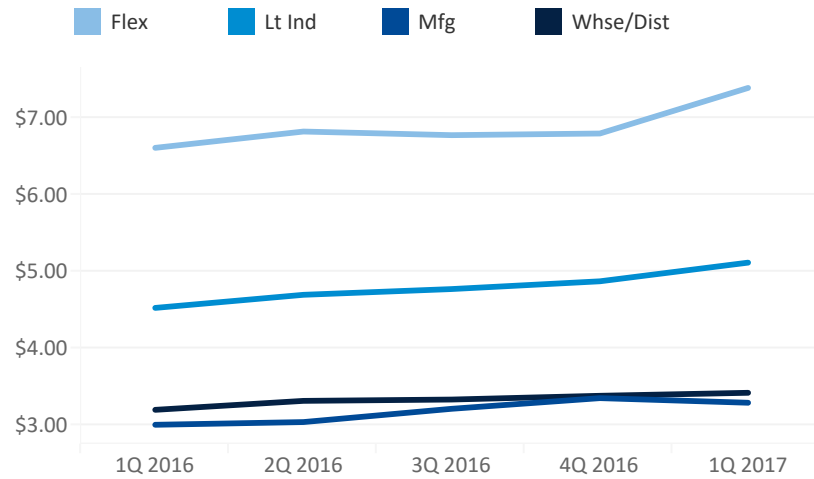
#### By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
East	Flex	\$0.51	\$0.71	\$0.84	\$0.84	\$0.66
	Whse/Dist	\$0.40	\$0.44	\$0.46	\$0.47	\$0.47
West	Flex	-	-	\$0.72	\$0.79	\$0.65
	Whse/Dist	\$0.55	\$0.59	\$0.59	\$0.62	\$0.58
Overall		\$0.45	\$0.50	\$0.51	\$0.52	\$0.52

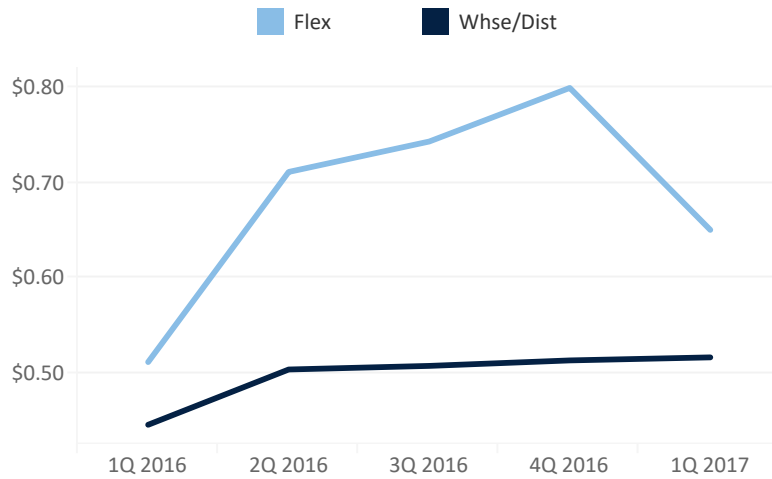
#### By Market



#### National by Specific Use

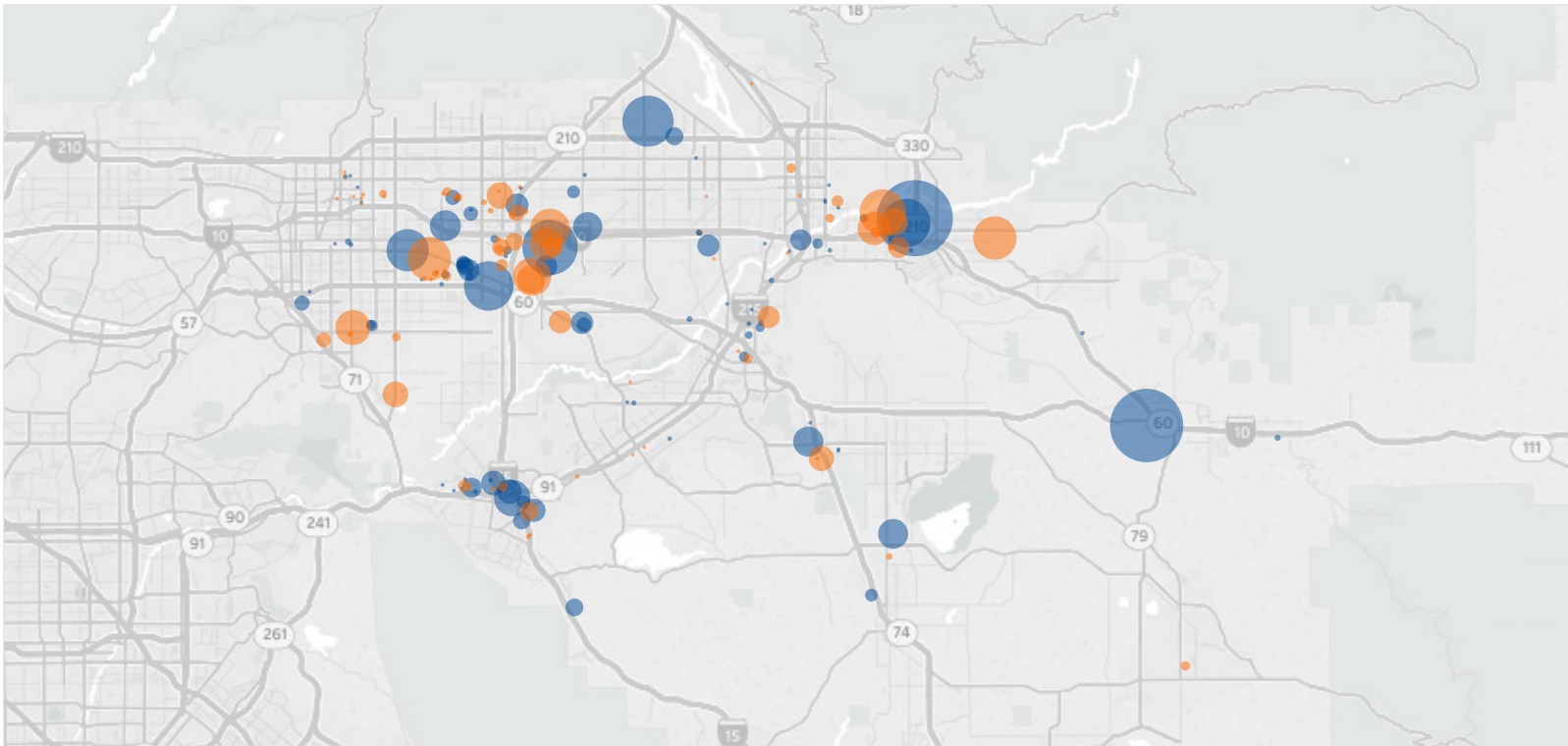


#### Inland Empire by Specific Use



### Absorption Map

■ Negative
 ■ Positive



### Largest Positives (Total)

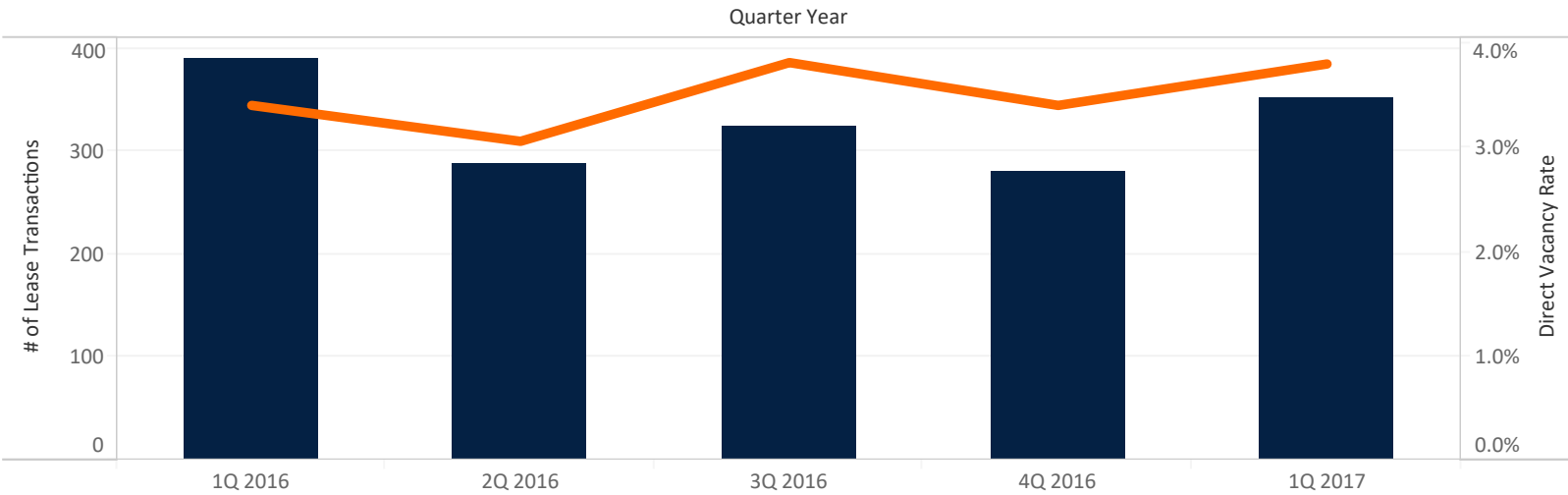
PropertyName	Significant Transactions	Market Name	Specific Use	
Pioneer Logistics Center	Amazon	East	Whse/Dist	777,620
Crossroads Logistics Center Bldg A	Wolverine Worldwide, Inc.	East	Whse/Dist	720,000
10721 Jasmine St	DCG Fulfillment	West	Whse/Dist	410,006
Sierra Pacific Center	LG Electronics	West	Whse/Dist	349,482
Haven Gateway Centre	Disney	West	Whse/Dist	326,543
Redlands Gateway Logistics Cent..	Grant & Bowman, Inc.	East	Whse/Dist	313,470
616 E Sunkist St	Melmarc Products, Inc.	West	Whse/Dist	239,400
1235 Quarry St	Hand Air Express	East	Whse/Dist	178,000

### Largest Negatives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
13850 Central Ave	EDM Recycling, Inc & Golden Valley Trading, Inc.	West	Whse/Dist	-165,050
Redlands Business Center	Medline Industries, Inc.	East	Whse/Dist	-147,677
Prologis Slover Distribution Center	Nexeo Solutions, LLC	West	Whse/Dist	-142,820
5491 E Philadelphia St	Dart International	West	Whse/Dist	-110,000
26681 San Bernardino Ave	Medline Industries, Inc.	East	Whse/Dist	-101,964
11081-11089 Tacoma Dr	Sealy Corporation	West	Whse/Dist	-95,090
Empire Gateway	Cargo Solution International	West	Whse/Dist	-89,164
14530 Innovation Dr	Spectra Premium Industries	East	Whse/Dist	-85,000

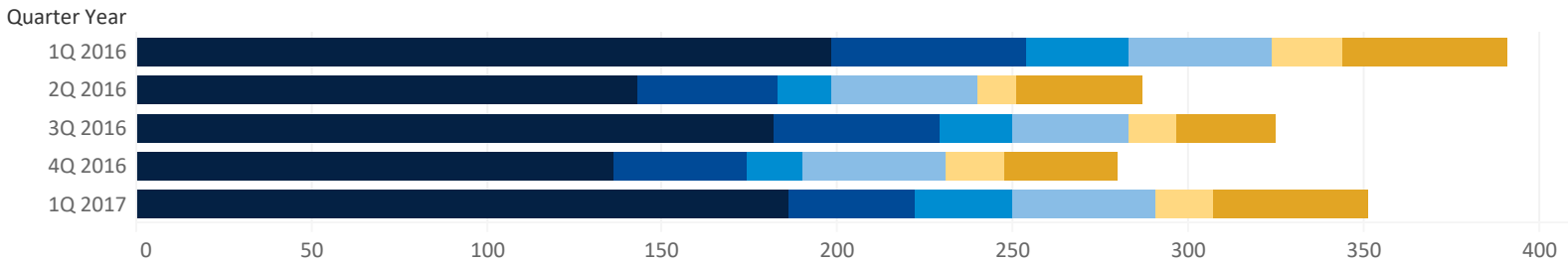
#### Leasing Activity Trends

Direct Vacancy Rate Lease Transactions



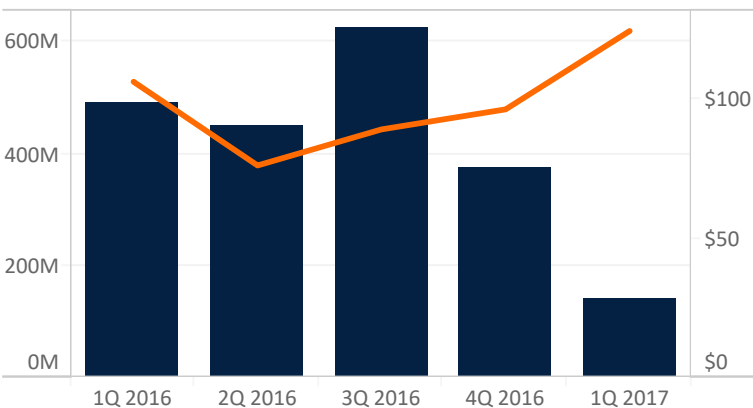
#### Leasing Activity (# of New Deals)

Size Range (sf)  
 <2.5K 2.5K - 5K 5K - 10K 10K - 25K 25K - 50K >50K SF



#### Sales Volume vs. Price/SF

Aggregate Sales Volume Avg Price/sf



#### Top Sales

Property	Sale Date	Buyer	Sale Price
7145 Arlington Ave	02/08/2017	Central Green Company	\$17,850,000
1651 S Carlos Ave	01/13/2017	Cabot Properties	\$14,150,000
Excel Business Park Bldg 3	01/10/2017	Industrial Property Trust	\$9,356,500
13477 Benson Ave	01/06/2017	Armon Investments	\$9,000,000
1600 E Steel Rd	02/24/2017	Gourmet Foods International	\$7,450,000

## Terminology

Term	Definition
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Inventory	The total square feet (sf) of all existing single and multi tenant industrial properties greater than 10,000 sf. Buildings with an office build out greater than 30% and a parking ratio greater than 3:1,000 are excluded.
Net Absorption	The net change in physically occupied space from quarter to quarter, expressed in square feet.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space.
Total Vacant (sf)	The total of all of the vacant square footage within a building, including both direct and sublease space.
Xceligent Partner	AIR CRE

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	Patrick Wood	Strata Realty	Tim Hawke
		Voit	Walt Chenoweth

## Xceligent Team

Brad Hauser	Regional VP of Analytics	bhauser@xceligent.com	(281) 782-3944
Matt Nelson	Director of Analytics	mnelson@xceligent.com	(714) 509-1404
Michael Foxworthy	VP of National Accounts	mfoxworthy@xceligent.com	(805) 807-6291
Monique Ebel	Director of Research	mebel@xceligent.com	(714) 538-8432
Sean Pullin	Sales Executive	spullin@xceligent.com	(714) 855-5801
Tim Hayes	Executive Director - AIR CRE	thayes@aircre.com	(213) 687-8777