

# CoStar Industrial Statistics

First Quarter 2017

## Inland Empire Industrial Market



**CoStar**<sup>TM</sup>  
The knowledge market

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## Methodology

The CoStar Industrial Statistics calculates Industrial statistics using CoStar Group's base of existing, under construction and under renovation Industrial buildings in each given metropolitan area. All Industrial building types are included, including warehouse, flex / research & development, distribution, manufacturing, industrial showroom, and service buildings, in both single-tenant and multi-tenant buildings, including owner-occupied buildings. CoStar Group's global database includes approximately 95.6 billion square feet of coverage in 4.4 million properties. All rental rates reported in the CoStar Industrial Report are calculated using the quoted rental rate for each property.

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## Terms & Definitions

**Availability Rate:** The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

**Available Space:** The total amount of space that is currently being marketed as available for lease in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

**Build-to-Suit:** A term describing a particular property, developed specifically for a certain tenant to occupy, with structural features, systems, or improvement work designed specifically for the needs of that tenant. A build-to-suit can be leased or owned by the tenant. In a leased build-to-suit, a tenant will usually have a long term lease on the space.

**Buyer:** The individual, group, company, or entity that has purchased a commercial real estate asset.

**Cap Rate:** Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

**CBD:** Abbreviation for Central Business District. (See also: Central Business District)

**Central Business District:** The designations of Central Business District (CBD) and Suburban refer to a particular geographic area within a metropolitan statistical area (MSA) describing the level of real estate development found there. The CBD is characterized by a high density, well organized core within the largest city of a given MSA.

**Class A:** A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans. They can be an architectural or historical landmark designed by prominent architects. These buildings contain a modern mechanical system, and have above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings. They are generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

**Class B:** A classification used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties. Such buildings offer utilitarian space without special attractions, and have ordinary design, if new or fairly new; good to excellent design if an older non-landmark building. These buildings typically have average to good maintenance, management and tenants. They are less appealing to tenants than Class A properties, and may be deficient in a number of respects including floor plans, condition and facilities. They lack prestige and must depend chiefly on a lower price to attract tenants and investors.

**Class C:** A classification used to describe buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market. Such buildings typically have below-average maintenance and management, and could have mixed or low tenant prestige, inferior elevators, and/or mechanical/electrical systems. These buildings lack prestige and must depend chiefly on a lower price to attract tenants and investors.

**Construction Starts:** Buildings that began construction during a specific period of time. (See also: Deliveries)

**Contiguous Blocks of Space:** Space within a building that is, or is able to be joined together into a single contiguous space.

**Deliveries:** Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certifi-

cate of occupancy must have been issued for the property.

**Delivery Date:** The date a building completes construction and receives a certificate of occupancy.

**Developer:** The company, entity or individual that transforms raw land to improved property by use of labor, capital and entrepreneurial efforts.

**Direct Space:** Space that is being offered for lease directly from the landlord or owner of a building, as opposed to space being offered in a building by another tenant (or broker of a tenant) trying to sublet a space that has already been leased.

**Existing Inventory:** The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

**Flex Building:** A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

**Full Service Rental Rate:** Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

**Gross Absorption:** The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time. Unless otherwise noted Gross Absorption includes direct and sublease space.

**Growth in Inventory:** The change in size of the existing square footage in a given area over a given period of time, generally due to the construction of new buildings.

**Industrial Building:** A type of building adapted for such uses as the assemblage, processing, and/or manufacturing of products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities. The primary purpose of the space is for storing, producing, assembling, or distributing product.

**Landlord Rep:** (Landlord Representative) In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the owner/landlord is referred to as the Landlord Rep.

**Leased Space:** All the space that has a financial lease obligation. It includes all leased space, regardless of whether the space is currently occupied by a tenant. Leased space also includes space being offered for sublease.

**Leasing Activity:** The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction, or under renovation buildings.

**Market:** Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building-type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets. (See also: Submarkets)

**Multi-Tenant:** Buildings that house more than one tenant at a given time. Usually, multi-tenant buildings were designed and built to accommodate many different floor plans and designs for different

tenant needs. (See also: Tenancy).

**Net Absorption:** The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

**Net Rental Rate:** A rental rate that excludes certain expenses that a tenant could incur in occupying office space. Such expenses are expected to be paid directly by the tenant and may include janitorial costs, electricity, utilities, taxes, insurance and other related costs.

**New Space:** Sometimes called first generation space, refers to space that has never been occupied and/or leased by a tenant.

**Occupied Space:** Space that is physically occupied by a tenant. It does not include leased space that is not currently occupied by a tenant.

**Office Building:** A type of commercial building used exclusively or primarily for office use (business), as opposed to manufacturing, warehousing, or other uses. Office buildings may sometimes have other associated uses within part of the building, i.e., retail sales, financial, or restaurant, usually on the ground floor.

**Owner:** The company, entity, or individual that holds title on a given building or property.

**Planned/Proposed:** The status of a building that has been announced for future development but not yet started construction.

**Preleased Space:** The amount of space in a building that has been leased prior to its construction completion date, or certificate of occupancy date.

**Price/SF:** Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

**Property Manager:** The company and/or person responsible for the day-to-day operations of a building, such as cleaning, trash removal, etc. The property manager also makes sure that the various systems within the building, such as the elevators, HVAC, and electrical systems, are functioning properly.

**Quoted Rental Rate:** The asking rate per square foot for a particular building or unit of space by a broker or property owner. Quoted rental rates may differ from the actual rates paid by tenants following the negotiation of all terms and conditions in a specific lease.

**RBA:** Abbreviation for Rentable Building Area. (See also: Rentable Building Area)

**Region:** Core areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Regions are further divided into market areas, called Markets. (See also: Markets)

**Relet Space:** Sometimes called second generation or direct space, refers to existing space that has previously been occupied by another tenant.

**Rentable Building Area:** (RBA) The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation. Generally RBA includes a percentage of common areas including all hallways, main lobbies, bathrooms, and telephone closets.

**Rental Rates:** The annual costs of occupancy for a particular space quoted on a per square foot basis.

**Sales Price:** The total dollar amount paid for a particular property at a particular point in time.

**Sales Volume:** The sum of sales prices for a given group of buildings in a given time period.

**Seller:** The individual, group, company, or entity that sells a particular commercial real estate asset.

**SF:** Abbreviation for Square Feet.

**Single-Tenant:** Buildings that are occupied, or intended to be occupied by a single tenant. (See also: Build-to-suit and Tenancy)

**Sublease Space:** Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

**Submarkets:** Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within (See also: Market).

**Suburban:** The Suburban and Central Business District (CBD) designations refer to a particular geographic area within a metropolitan statistical area (MSA). Suburban is defined as including all office inventory not located in the CBD. (See also: CBD)

**Tenancy:** A term used to indicate whether or not a building is occupied by multiple tenants (See also: Multi-tenant) or a single tenant. (See also: Single-tenant)

**Tenant Rep:** Tenant Rep stands for Tenant Representative. In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the tenant is referred to as a Tenant Rep.

**Time On Market:** A measure of how long a currently available space has been marketed for lease, regardless of whether it is vacant or occupied.

**Under Construction:** Buildings in a state of construction, up until they receive their certificate of occupancy. In order for CoStar to consider a building under construction, the site must have a concrete foundation in place. Abbreviated UC.

**Vacancy Rate:** A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

**Vacant Space:** Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space. Vacant space could be space that is either available or not available. For example, sublease space that is currently being paid for by a tenant but not occupied by that tenant, would be considered vacant space. Likewise, space that has been leased but not yet occupied because of finish work being done, would also be considered vacant space.

**Weighted Average Rental Rate:** Rental rates that are calculated by factoring in, or weighting, the square footage associated with each particular rental rate. This has the effect of causing rental rates on larger spaces to affect the average more than that of smaller spaces. The weighted average rental rate is calculated by taking the ratio of the square footage associated with the rental rate on each individual available space to the square footage associated with rental rates on all available spaces, multiplying the rental rate by that ratio, and then adding together all the resulting numbers. Unless specifically specified otherwise, rental rate averages include both Direct and Sublet available spaces.

**Year Built:** The year in which a building completed construction and was issued a certificate of occupancy.

**YTD:** Abbreviation for Year-to-Date. Describes statistics that are cumulative from the beginning of a calendar year through whatever time period is being studied.

# Inland Empire Industrial Market



Overview

## Inland Empire's Vacancy Increases to 5.0% Net Absorption Negative (950,656) SF in the Quarter

The Inland Empire Industrial market ended the first quarter 2017 with a vacancy rate of 5.0%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (950,656) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 2,366,671 square feet. Rental rates ended the first quarter at \$6.48, an increase over the previous quarter. A total of 24 buildings delivered to the market in the quarter totaling 3,487,220 square feet, with 26,963,584 square feet still under construction at the end of the quarter.

### Absorption

Net absorption for the overall Inland Empire Industrial market was negative (950,656) square feet in the first quarter 2017. That compares to positive 5,820,701 square feet in the fourth quarter 2016, positive 8,600,500 square feet in the third quarter 2016, and positive 6,106,488 square feet in the second quarter 2016.

Tenants moving out of large blocks of space in 2017 include: Mattel moving out of (557,213) square feet at Legacy Bldg SM 860 and Oakley, Inc. moving out of (353,361) square feet at Park Mira Loma North II - Bldg B-2.

Tenants moving into large blocks of space in 2017 include: Kuehne & Nagel moving into 436,650 square feet at 1464 W Merrill Ave and Dirt Cheap, Inc. moving into 410,006 square feet at 10721 Jasmine St.

The Flex building market recorded net absorption of negative (9,156) square feet in the first quarter 2017, compared to positive 102,899 square feet in the fourth quarter 2016, negative (3,958) in the third quarter 2016, and positive 153,494 in the second quarter 2016.

The Warehouse building market recorded net absorption

of negative (941,500) square feet in the first quarter 2017 compared to positive 5,717,802 square feet in the fourth quarter 2016, positive 8,604,458 in the third quarter 2016, and positive 5,952,994 in the second quarter 2016.

### Vacancy

The Industrial vacancy rate in the Inland Empire market arean increased to 5.0% at the end of the first quarter 2017. The vacancy rate was 4.3% at the end of the fourth quarter 2016, 5.0% at the end of the third quarter 2016, and 4.7% at the end of the second quarter 2016.

Flex projects reported a vacancy rate of 5.9% at the end of the first quarter 2017, 5.8% at the end of the fourth quarter 2016, 6.4% at the end of the third quarter 2016 and the end of the second quarter 2016.

Warehouse projects reported a vacancy rate of 5.0% at the end of the first quarter 2017, 4.3% at the end of fourth quarter 2016, 5.0% at the end of the third quarter 2016, and 4.7% at the end of the second quarter 2016.

### Largest Lease Signings

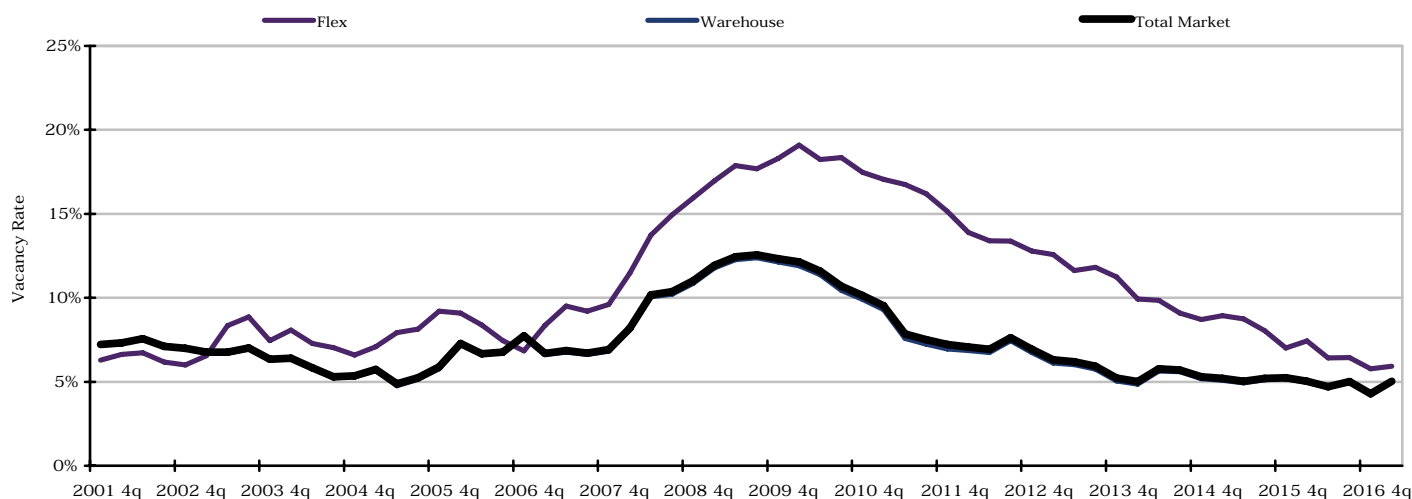
The largest lease signings occurring in 2017 included: the 604,178-square-foot lease signed by The Braun at Ontario Airport Mission Center #3 in the Inland Empire West market; the 436,650-square-foot deal signed by Kuehne & Nagel at 1464 W Merrill Ave in the Inland Empire East market; and the 353,361-square-foot lease signed by Gildan at Park Mira Loma North II - Bldg B-2 in the Inland Empire East market.

### Sublease Vacancy

The amount of vacant sublease space in the Inland Empire market increased to 2,366,671 square feet by the end of the first quarter 2017, from 1,340,766 square feet at the

## Vacancy Rates by Building Type

2000-2017



Source: CoStar Property®



end of the fourth quarter 2016. There was 1,349,809 square feet vacant at the end of the third quarter 2016 and 1,481,724 square feet at the end of the second quarter 2016.

Inland Empire’s Flex projects reported vacant sublease space of 12,959 square feet at the end of first quarter 2017, up from the 12,680 square feet reported at the end of the fourth quarter 2016. There were 5,917 square feet of sublease space vacant at the end of the third quarter 2016, and 13,541 square feet at the end of the second quarter 2016.

Warehouse projects reported increased vacant sublease space from the fourth quarter 2016 to the first quarter 2017. Sublease vacancy went from 1,328,086 square feet to 2,353,712 square feet during that time. There was 1,343,892 square feet at the end of the third quarter 2016, and 1,468,183 square feet at the end of the second quarter 2016.

## Rental Rates

The average quoted asking rental rate for available Industrial space was \$6.48 per square foot per year at the end of the first quarter 2017 in the Inland Empire market area. This represented a 2.9% increase in quoted rental rates from the end of the fourth quarter 2016, when rents were reported at \$6.30 per square foot.

The average quoted rate within the Flex sector was \$12.01 per square foot at the end of the first quarter 2017, while Warehouse rates stood at \$6.29. At the end of the fourth quarter 2016, Flex rates were \$12.00 per square foot, and Warehouse rates were \$6.10.

## Deliveries and Construction

During the first quarter 2017, 24 buildings totaling 3,487,220 square feet were completed in the Inland Empire market area. This compares to 13 buildings totaling 1,744,850 square feet that were completed in the fourth quarter 2016, 23 buildings totaling 10,897,708 square feet completed in the third quarter 2016, and 4,580,386 square feet in 19 buildings

completed in the second quarter 2016.

There were 26,963,584 square feet of Industrial space under construction at the end of the first quarter 2017.

Some of the notable 2017 deliveries include: Stratford Ranch - Bldg 2, a 599,113-square-foot facility that delivered in first quarter 2017 and is now 0% occupied, and Meredith International Centre - Bldg 2, a 553,136-square-foot building that delivered in first quarter 2017 and is now 100% occupied.

The largest projects underway at the end of first quarter 2017 were Crossroads Logistics Center - Bldg A1, a 1,489,240-square-foot building with 100% of its space pre-leased, and Majestic Chino Gateway - Bldg 1, a 1,412,000-square-foot facility that is 0% pre-leased.

## Inventory

Total Industrial inventory in the Inland Empire market area amounted to 581,151,832 square feet in 12,945 buildings as of the end of the first quarter 2017. The Flex sector consisted of 15,342,494 square feet in 903 projects. The Warehouse sector consisted of 565,809,338 square feet in 12,042 buildings.

## Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Inland Empire (California) industrial sales figures fell during the fourth quarter 2016 in terms of dollar volume compared to the third quarter of 2016.

In the fourth quarter, 50 industrial transactions closed with a total volume of \$300,465,816. The 50 buildings totaled 3,254,087 square feet and the average price per square foot equated to \$92.33 per square foot. That compares to 44 transactions totaling \$496,453,087 in the third quarter. The total square footage was 5,689,354 for an average price per square foot of \$87.26.

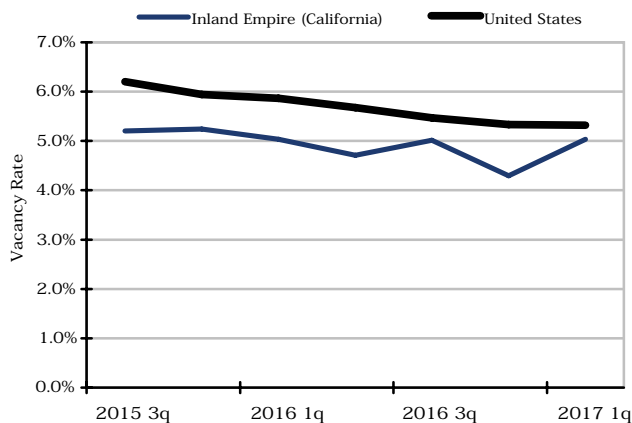
Total year-to-date industrial building sales activity in 2016 is down compared to the previous year. In the twelve months of 2016, the market saw 196 industrial sales transactions with a total volume of \$1,681,087,040. The price per square foot has averaged \$91.75 this year. In the twelve months of 2015, the market posted 187 transactions with a total volume of \$1,748,193,116. The price per square foot averaged \$88.35.

Cap rates have been higher in 2016, averaging 5.94%, compared to the twelve months of last year when they averaged 5.72%.

One of the largest transactions that has occurred within the last four quarters in the Inland Empire (California) market is the sale of 1001 Columbia Ave in Riverside. This 507,000-square-foot industrial building sold for \$105,000,000, or \$207.10 per square foot. The property sold on 2/24/2016, at a 5.90% cap rate.

## U.S. Vacancy Comparison

Past 7 Quarters



Source: CoStar Property®

Reports compiled by: Emily Chiu, Pharoeth Mendoza, and Joyce Sisson, CoStar Research Managers

# Inland Empire Industrial Market



Markets

## CoStar Submarket Clusters & Submarkets

In analyzing metropolitan areas, CoStar has developed geographic designations to help group properties together, called Markets, Submarket Clusters and Submarkets. Markets are the equivalent of metropolitan areas, or areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Markets are then divided into Submarket Clusters, which are core areas within a metropolitan area that are known to be competitive with each other in terms of attracting and keeping tenants. Markets are then further subdivided into smaller units called Submarkets, which serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted competitive set, or peer group.

Submarket Clusters	Submarkets
Inland Empire East	Coachella Valley Corona East San Bernardino Riverside South Riverside
Inland Empire West	Airport Area North San Bernardino West San Bernardino



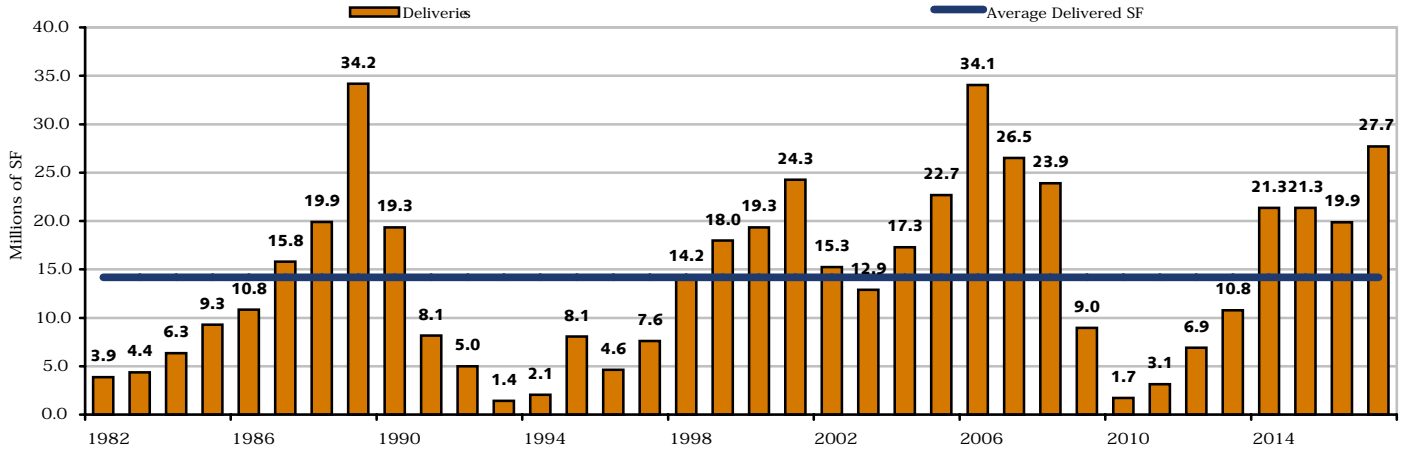


# Inland Empire Industrial Market

Inventory & development

## Historical Deliveries

1982 - 2017



Source: CoStar Property® \* Future deliveries based on current under construction buildings.

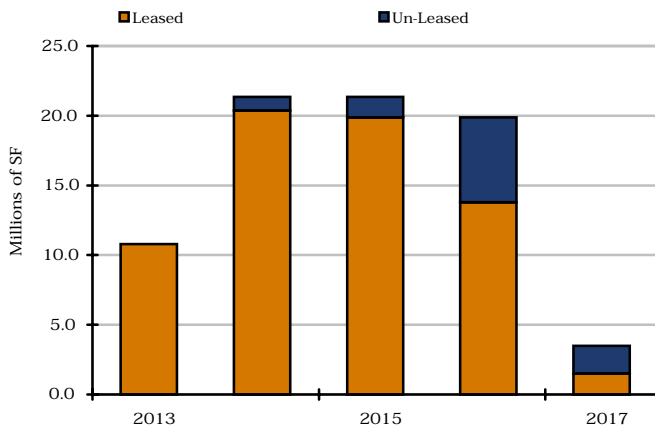
## CONSTRUCTION ACTIVITY Markets Ranked by Under Construction RBA

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Released SF	Released %	All Existing	U/C
Inland Empire East	79	19,212,092	5,933,320	30.9%	42,098	243,191
Inland Empire West	48	7,751,492	176,829	2.3%	48,314	161,489
<b>Totals</b>	<b>127</b>	<b>26,963,584</b>	<b>6,110,149</b>	<b>22.7%</b>	<b>44,894</b>	<b>212,312</b>

Source: CoStar Property®

## Recent Deliveries

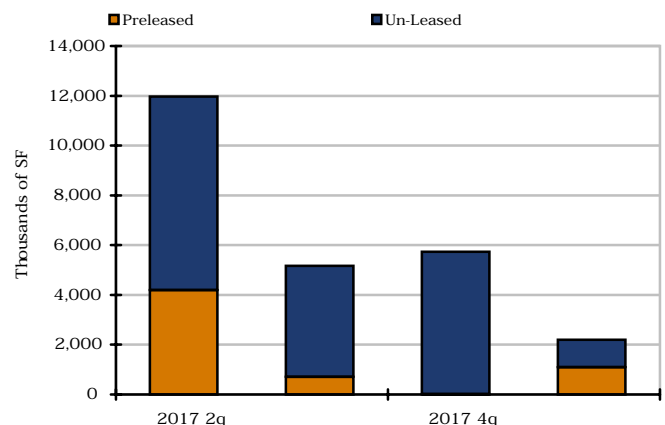
Leased & Un-Leased SF in Deliveries Since 2013



Source: CoStar Property®

## Future Deliveries

Released & Un-Leased SF in Properties Scheduled to Deliver



Source: CoStar Property®

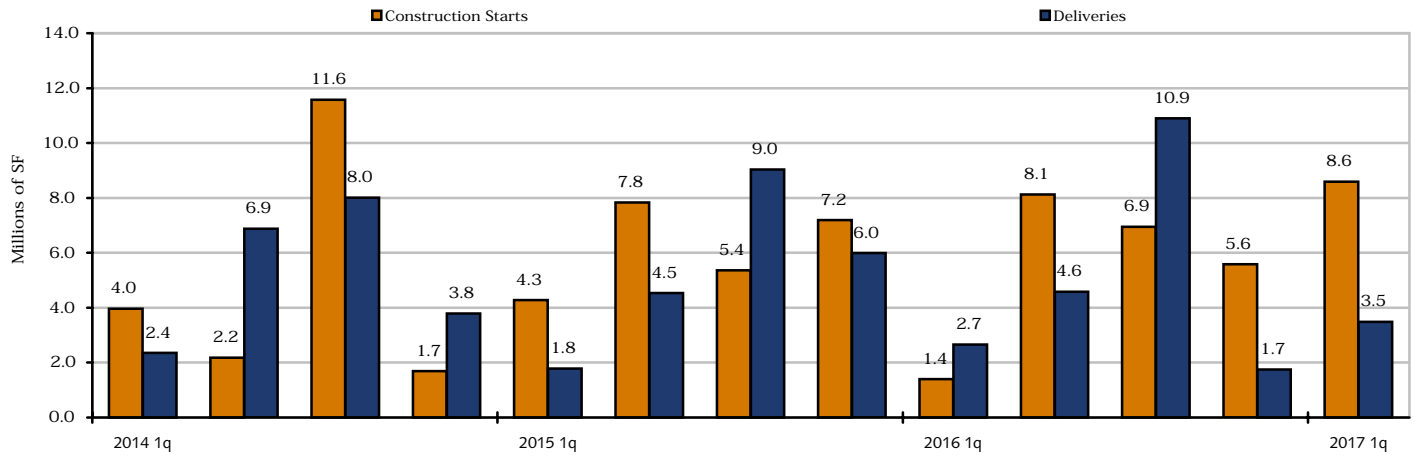
# Inland Empire Industrial Market



Inventory & development

## Historical Construction Starts & Deliveries

Square Footage Per Quarter Starting and Completing Construction



Source: CoStar Property®

## RECENT DELIVERIES BY PROJECT SIZE Breakdown of Year-to-Date Development Based on RBA of Project

Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	13	295,329	184,945	62.6%	\$9.32	235,819	59,510
50,000 SF - 99,999 SF	0	0	0	0.0%	\$0.00	0	0
100,000 SF - 249,999 SF	6	897,821	750,467	83.6%	\$5.26	391,329	506,492
250,000 SF - 499,999 SF	3	1,141,821	0	0.0%	\$0.00	743,304	398,517
>= 500,000 SF	2	1,152,249	553,136	48.0%	\$0.00	0	1,152,249

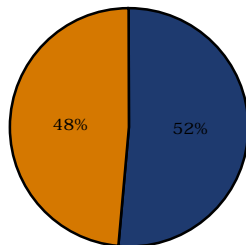
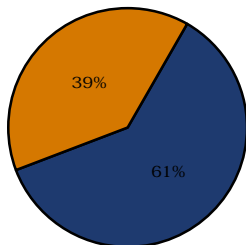
Source: CoStar Property®

## Recent Development by Tenancy

Based on RBA Developed for Single & Multi-Tenant Use

2017 Deliveries

Currently Under Construction



■ Multi ■ Single

■ Multi ■ Single

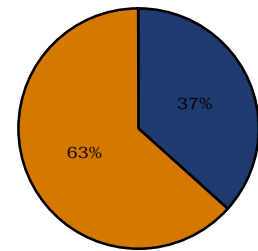
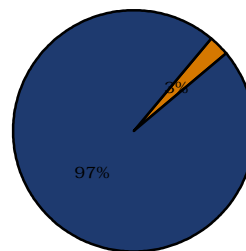
Source: CoStar Property®

## Existing Inventory Comparison

Based on Total RBA

By Building Type

By Tenancy Type



■ Flex ■ Warehouse

■ Multi ■ Single

Source: CoStar Property®



# Inland Empire Industrial Market

Inventory &amp; development

## Select Year-to-Date Deliveries

Based on Project Square Footage

<p><b>1. Stratford Ranch - Bldg 2</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>            RBA: <b>599,113</b>            Occupied: <b>0%</b>            Quoted Rate: <b>Negotiable</b>            Grnd Brk Date: <b>First Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Lee &amp; Associates</b>            Developer: <b>IDI Gazeley</b></p>	<p><b>2. Meredith International Centre - Bldg 2</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>            RBA: <b>553,136</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Fourth Quarter 2015</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Lee &amp; Associates</b>            Developer: <b>Sares-Regis Group</b></p>	<p><b>3. I-10 Citrus Distribution Center</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>            RBA: <b>424,427</b>            Occupied: <b>0%</b>            Quoted Rate: <b>Negotiable</b>            Grnd Brk Date: <b>Second Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Colliers International</b>            Developer: <b>Seefried Industrial Properties</b></p>
<p><b>4. Meredith International Centre - Bldg 3</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>            RBA: <b>398,517</b>            Occupied: <b>0%</b>            Quoted Rate: <b>Negotiable</b>            Grnd Brk Date: <b>Fourth Quarter 2015</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Lee &amp; Associates</b>            Developer: <b>Sares-Regis Group</b></p>	<p><b>5. Ridge Fontana ONE</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>            RBA: <b>318,877</b>            Occupied: <b>0%</b>            Quoted Rate: <b>Negotiable</b>            Grnd Brk Date: <b>Second Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>CBRE</b>            Developer: <b>Ridge Development</b></p>	<p><b>6. 752 Campus Ave</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>            RBA: <b>239,400</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Third Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Majestic Realty Co.</b>            Developer: <b>Commerce Construction Co., L.P.</b></p>
<p><b>7. Knox Logistics Center</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>            RBA: <b>147,354</b>            Occupied: <b>0%</b>            Quoted Rate: <b>\$5.04</b>            Grnd Brk Date: <b>First Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Lee &amp; Associates</b>            Developer: <b>Essex Realty Management, Inc.</b></p>	<p><b>8. Meredith International Centre - Bldg 1</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>            RBA: <b>138,784</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Third Quarter 2015</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Lee &amp; Associates</b>            Developer: <b>Sares-Regis Group</b></p>	<p><b>9. Meredith International Centre - Bldg 4</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>            RBA: <b>128,308</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Fourth Quarter 2015</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Lee &amp; Associates</b>            Developer: <b>Sares-Regis Group</b></p>
<p><b>10. Cantu-Galleano Distribution</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>            RBA: <b>122,585</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Second Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Colliers International</b>            Developer: <b>N/A</b></p>	<p><b>11. 7350 San Geronio Dr</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>            RBA: <b>121,390</b>            Occupied: <b>100%</b>            Quoted Rate: <b>\$5.52</b>            Grnd Brk Date: <b>Second Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Lee &amp; Associates</b>            Developer: <b>KB Developmnet</b></p>	<p><b>12. Orbis Landing - Bldg 3</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>            RBA: <b>44,582</b>            Occupied: <b>100%</b>            Quoted Rate: <b>\$9.00</b>            Grnd Brk Date: <b>Second Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Lee &amp; Associates</b>            Developer: <b>N/A</b></p>
<p><b>13. Orbis Landing - Bldg 2</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>            RBA: <b>33,690</b>            Occupied: <b>100%</b>            Quoted Rate: <b>\$9.00</b>            Grnd Brk Date: <b>Second Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Lee &amp; Associates</b>            Developer: <b>N/A</b></p>	<p><b>14. 29415 Hunco Way</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>            RBA: <b>31,598</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>First Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Newmark Grubb Knight Frank</b>            Developer: <b>N/A</b></p>	<p><b>15. 29405 Hunco Way</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>            RBA: <b>28,684</b>            Occupied: <b>0%</b>            Quoted Rate: <b>Negotiable</b>            Grnd Brk Date: <b>First Quarter 2016</b>            Deliv Date: <b>First Quarter 2017</b>            Leasing Co: <b>Newmark Grubb Knight Frank</b>            Developer: <b>N/A</b></p>

# Inland Empire Industrial Market



Inventory &amp; development

## Select Top Under Construction Properties

Based on Project Square Footage

- |   |  |  |
|---|--|--|
| <p><b>1. Crossroads Logistics Center - Bldg A1</b></p> <hr/> <p>Submarket: <b>Inland Empire East Industrial Market</b><br/>           RBA: <b>1,489,240</b><br/>           Preleased: <b>100%</b><br/>           Quoted Rate: <b>\$3.48</b><br/>           Grnd Brk Date: <b>Third Quarter 2016</b><br/>           Deliv Date: <b>Second Quarter 2017</b><br/>           Leasing Co: <b>CBRE</b><br/>           Developer: <b>Master Development Corporation, Inc</b></p> | <p><b>2. Majestic Chino Gateway - Bldg 1</b></p> <hr/> <p>Submarket: <b>Inland Empire West Industrial Market</b><br/>           RBA: <b>1,412,000</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>First Quarter 2017</b><br/>           Deliv Date: <b>Fourth Quarter 2017</b><br/>           Leasing Co: <b>Majestic Realty Co.</b><br/>           Developer: <b>Majestic Realty Co.</b></p>       | <p><b>3. Duke Perris Logistics Center - Bldg 1</b></p> <hr/> <p>Submarket: <b>Inland Empire East Industrial Market</b><br/>           RBA: <b>1,244,874</b><br/>           Preleased: <b>100%</b><br/>           Quoted Rate: <b>N/A</b><br/>           Grnd Brk Date: <b>Third Quarter 2016</b><br/>           Deliv Date: <b>Second Quarter 2017</b><br/>           Leasing Co: <b>Duke Realty Corporation</b><br/>           Developer: <b>Ridge Property Trust</b></p> |
| <p><b>4. Perris Distribution Center</b></p> <hr/> <p>Submarket: <b>Inland Empire East Industrial Market</b><br/>           RBA: <b>1,137,000</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>Second Quarter 2016</b><br/>           Deliv Date: <b>Second Quarter 2017</b><br/>           Leasing Co: <b>Newmark Grubb Knight Frank</b><br/>           Developer: <b>N/A</b></p>                   | <p><b>5. 17350 Perris Blvd</b></p> <hr/> <p>Submarket: <b>Inland Empire East Industrial Market</b><br/>           RBA: <b>1,109,378</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>First Quarter 2017</b><br/>           Deliv Date: <b>First Quarter 2018</b><br/>           Leasing Co: <b>Colliers International</b><br/>           Developer: <b>N/A</b></p>                                   | <p><b>6. Miro Way - Monster Energy</b></p> <hr/> <p>Submarket: <b>Inland Empire East Industrial Market</b><br/>           RBA: <b>1,094,000</b><br/>           Preleased: <b>100%</b><br/>           Quoted Rate: <b>N/A</b><br/>           Grnd Brk Date: <b>First Quarter 2017</b><br/>           Deliv Date: <b>First Quarter 2018</b><br/>           Leasing Co: <b>N/A</b><br/>           Developer: <b>N/A</b></p>   |
| <p><b>7. Goodman Commerce Center Eastvale - Bldg A</b></p> <hr/> <p>Submarket: <b>Inland Empire East Industrial Market</b><br/>           RBA: <b>1,007,705</b><br/>           Preleased: <b>100%</b><br/>           Quoted Rate: <b>N/A</b><br/>           Grnd Brk Date: <b>Second Quarter 2016</b><br/>           Deliv Date: <b>Second Quarter 2017</b><br/>           Leasing Co: <b>JLL</b><br/>           Developer: <b>Goodman Birtcher North America</b></p>     | <p><b>8. Citrus Commerce Center - Bldg 2</b></p> <hr/> <p>Submarket: <b>Inland Empire West Industrial Market</b><br/>           RBA: <b>1,003,567</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>Second Quarter 2016</b><br/>           Deliv Date: <b>First Quarter 2017</b><br/>           Leasing Co: <b>Lee &amp; Associates</b><br/>           Developer: <b>Alere Property Group LLC</b></p> | <p><b>9. Columbia Business Park - Bldg 1</b></p> <hr/> <p>Submarket: <b>Inland Empire East Industrial Market</b><br/>           RBA: <b>1,003,370</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>First Quarter 2017</b><br/>           Deliv Date: <b>Fourth Quarter 2017</b><br/>           Leasing Co: <b>Colliers International</b><br/>           Developer: <b>N/A</b></p>                    |
| <p><b>10. Meridian Business Park - Phase III - Bldg A</b></p> <hr/> <p>Submarket: <b>Inland Empire East Industrial Market</b><br/>           RBA: <b>1,000,000</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>Fourth Quarter 2016</b><br/>           Deliv Date: <b>Fourth Quarter 2017</b><br/>           Leasing Co: <b>Cushman &amp; Wakefield</b><br/>           Developer: <b>N/A</b></p>    | <p><b>11. Knox Logistics Center II</b></p> <hr/> <p>Submarket: <b>Inland Empire East Industrial Market</b><br/>           RBA: <b>767,410</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>Third Quarter 2016</b><br/>           Deliv Date: <b>Third Quarter 2017</b><br/>           Leasing Co: <b>CBRE</b><br/>           Developer: <b>Knox Logistics II LLC</b></p>                             | <p><b>12. Legacy Building 842</b></p> <hr/> <p>Submarket: <b>Inland Empire West Industrial Market</b><br/>           RBA: <b>725,160</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>Third Quarter 2016</b><br/>           Deliv Date: <b>Second Quarter 2017</b><br/>           Leasing Co: <b>Colliers International</b><br/>           Developer: <b>Watson Land Company</b></p>                 |
| <p><b>13. Slover Commerce Center</b></p> <hr/> <p>Submarket: <b>Inland Empire West Industrial Market</b><br/>           RBA: <b>671,557</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>Fourth Quarter 2016</b><br/>           Deliv Date: <b>Third Quarter 2017</b><br/>           Leasing Co: <b>Lee &amp; Associates</b><br/>           Developer: <b>N/A</b></p>                               | <p><b>14. Citrus Commerce Center - Bldg 1</b></p> <hr/> <p>Submarket: <b>Inland Empire West Industrial Market</b><br/>           RBA: <b>630,784</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>Second Quarter 2016</b><br/>           Deliv Date: <b>Second Quarter 2017</b><br/>           Leasing Co: <b>Lee &amp; Associates</b><br/>           Developer: <b>Alere Property Group LLC</b></p> | <p><b>15. Pacific Palm Center</b></p> <hr/> <p>Submarket: <b>Inland Empire East Industrial Market</b><br/>           RBA: <b>624,627</b><br/>           Preleased: <b>0%</b><br/>           Quoted Rate: <b>Negotiable</b><br/>           Grnd Brk Date: <b>Second Quarter 2016</b><br/>           Deliv Date: <b>Second Quarter 2017</b><br/>           Leasing Co: <b>CBRE</b><br/>           Developer: <b>Pacific Industrial</b></p>                                   |



# Inland Empire Industrial Market

Figures at a Glance

## Flex Market Statistics

First Quarter 2017

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Inland Empire East	555	9,375,550	573,881	578,552	6.2%	15,234	13,023	0	\$11.73
Inland Empire West	348	5,966,944	321,128	329,416	5.5%	(24,390)	0	0	\$12.39
<b>Totals</b>	<b>903</b>	<b>15,342,494</b>	<b>895,009</b>	<b>907,968</b>	<b>5.9%</b>	<b>(9,156)</b>	<b>13,023</b>	<b>0</b>	<b>\$12.0</b>

Source: CoStar Property®

## Warehouse Market Statistics

First Quarter 2017

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Inland Empire East	6,567	290,445,469	14,406,448	15,148,231	5.2%	696,540	1,153,345	19,212,092	\$5.90
Inland Empire West	5,475	275,363,869	11,570,710	13,182,639	4.8%	(1,638,040)	2,320,852	7,751,492	\$6.73
<b>Totals</b>	<b>12,042</b>	<b>565,809,338</b>	<b>25,977,158</b>	<b>28,330,870</b>	<b>5.0%</b>	<b>(941,500)</b>	<b>3,474,197</b>	<b>26,963,584</b>	<b>\$6.29</b>

Source: CoStar Property®

## Total Industrial Market Statistics

First Quarter 2017

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Inland Empire East	7,122	299,821,019	14,980,329	15,726,783	5.2%	711,774	1,166,368	19,212,092	\$6.11
Inland Empire West	5,823	281,330,813	11,891,838	13,512,055	4.8%	(1,662,430)	2,320,852	7,751,492	\$6.90
<b>Totals</b>	<b>12,945</b>	<b>581,151,832</b>	<b>26,872,167</b>	<b>29,238,838</b>	<b>5.0%</b>	<b>(950,656)</b>	<b>3,487,220</b>	<b>26,963,584</b>	<b>\$6.48</b>

Source: CoStar Property®

## Inland Empire Industrial Market



Figures at a Glance

## Flex Submarket Statistics

First Quarter 2017

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	196	3,840,601	234,176	241,127	6.3%	(2,805)	0	0	\$12.76
Coachella Valley	113	1,964,020	95,238	97,609	5.0%	7,069	0	0	\$9.75
Corona	68	1,137,043	92,793	92,793	8.2%	(2,577)	0	0	\$14.28
East San Bernardino	105	1,768,649	125,729	125,729	7.1%	(7,119)	0	0	\$11.37
North San Bernardino	40	472,894	14,755	14,755	3.1%	6,838	0	0	\$11.34
Riverside	154	2,623,926	129,421	129,421	4.9%	10,361	0	0	\$12.78
South Riverside	115	1,881,912	130,700	133,000	7.1%	7,500	13,023	0	\$11.17
West San Bernardino	112	1,653,449	72,197	73,534	4.4%	(28,423)	0	0	\$11.39
<b>Totals</b>	<b>903</b>	<b>15,342,494</b>	<b>895,009</b>	<b>907,968</b>	<b>5.9%</b>	<b>(9,156)</b>	<b>13,023</b>	<b>0</b>	<b>\$12.01</b>

Source: CoStar Property®

## Warehouse Submarket Statistics

First Quarter 2017

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	3,001	203,875,358	9,234,200	10,839,729	5.3%	(1,341,137)	2,320,852	5,138,619	\$5.90
Coachella Valley	848	11,829,950	686,227	698,827	5.9%	(58,347)	0	11,763	\$9.16
Corona	921	28,742,221	1,283,060	1,288,060	4.5%	97,207	0	492,771	\$7.21
East San Bernardino	1,529	101,362,729	7,897,966	8,059,246	8.0%	221,456	0	4,122,313	\$4.89
North San Bernardino	883	18,357,615	1,288,142	1,294,542	7.1%	(57,528)	0	42,695	\$10.66
Riverside	1,858	107,704,596	2,722,480	3,283,442	3.0%	250,958	391,329	11,227,547	\$5.28
South Riverside	1,411	40,805,973	1,816,715	1,818,656	4.5%	185,266	762,016	3,357,698	\$7.82
West San Bernardino	1,591	53,130,896	1,048,368	1,048,368	2.0%	(239,375)	0	2,570,178	\$7.88
<b>Totals</b>	<b>12,042</b>	<b>565,809,338</b>	<b>25,977,158</b>	<b>28,330,870</b>	<b>5.0%</b>	<b>(941,500)</b>	<b>3,474,197</b>	<b>26,963,584</b>	<b>\$6.29</b>

Source: CoStar Property®

## Total Industrial Submarket Statistics

First Quarter 2017

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	3,197	207,715,959	9,468,376	11,080,856	5.3%	(1,343,942)	2,320,852	5,138,619	\$6.09
Coachella Valley	961	13,793,970	781,465	796,436	5.8%	(51,278)	0	11,763	\$9.22
Corona	989	29,879,264	1,375,853	1,380,853	4.6%	94,630	0	492,771	\$7.55
East San Bernardino	1,634	103,131,378	8,023,695	8,184,975	7.9%	214,337	0	4,122,313	\$5.09
North San Bernardino	923	18,830,509	1,302,897	1,309,297	7.0%	(50,690)	0	42,695	\$10.67
Riverside	2,012	110,328,522	2,851,901	3,412,863	3.1%	261,319	391,329	11,227,547	\$5.43
South Riverside	1,526	42,687,885	1,947,415	1,951,656	4.6%	192,766	775,039	3,357,698	\$8.02
West San Bernardino	1,703	54,784,345	1,120,565	1,121,902	2.0%	(267,798)	0	2,570,178	\$8.08
<b>Totals</b>	<b>12,945</b>	<b>581,151,832</b>	<b>26,872,167</b>	<b>29,238,838</b>	<b>5.0%</b>	<b>(950,656)</b>	<b>3,487,220</b>	<b>26,963,584</b>	<b>\$6.48</b>

Source: CoStar Property®



# Inland Empire Industrial Market

Figures at a Glance

## Flex Market Statistics

First Quarter 2017

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2017 1q	903	15,342,494	895,009	907,968	5.9%	(9,156)	1	13,023	0	0	\$12.01
2016 4q	902	15,329,471	873,109	885,789	5.8%	102,899	0	0	1	13,023	\$12.00
2016 3q	902	15,329,471	982,771	988,688	6.4%	(3,958)	0	0	1	13,023	\$11.69
2016 2q	902	15,329,471	971,189	984,730	6.4%	153,494	0	0	1	13,023	\$11.47
2016 1q	902	15,329,471	1,126,619	1,138,224	7.4%	(62,732)	0	0	0	0	\$11.49
2015	902	15,329,471	1,063,564	1,075,492	7.0%	259,420	0	0	0	0	\$11.37
2014	902	15,329,471	1,326,809	1,334,912	8.7%	383,215	0	0	0	0	\$10.96
2013	903	15,336,951	1,720,164	1,725,607	11.3%	263,757	3	31,534	0	0	\$10.56
2012	900	15,305,417	1,952,376	1,957,830	12.8%	361,411	0	0	3	31,534	\$9.79
2011	900	15,305,417	2,313,030	2,319,241	15.2%	354,102	0	0	3	31,534	\$9.66
2010	900	15,305,417	2,671,365	2,673,343	17.5%	111,329	0	0	2	23,284	\$10.09
2009	901	15,323,017	2,783,491	2,802,272	18.3%	(117,212)	6	234,913	2	23,284	\$10.84
2008	892	15,034,706	2,347,914	2,396,749	15.9%	(471,959)	38	440,784	6	234,913	\$12.14
2007	848	14,503,722	1,326,285	1,393,806	9.6%	(18,155)	23	529,446	35	387,163	\$13.62
2006	825	14,091,032	920,904	962,961	6.8%	851,168	34	449,463	32	567,581	\$13.40
2005	787	13,522,160	1,223,966	1,245,257	9.2%	631,027	52	1,006,082	34	468,789	\$12.04

Source: CoStar Property®

## Warehouse Market Statistics

First Quarter 2017

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2017 1q	12,042	565,809,338	25,977,158	28,330,870	5.0%	(941,500)	23	3,474,197	127	26,963,584	\$6.29
2016 4q	12,019	562,335,141	22,597,949	23,926,035	4.3%	5,717,802	13	1,744,850	118	21,844,134	\$6.10
2016 3q	12,007	560,599,141	26,563,945	27,907,837	5.0%	8,604,458	23	10,897,708	89	18,009,034	\$6.03
2016 2q	11,986	549,723,803	24,168,774	25,636,957	4.7%	5,952,994	19	4,580,386	79	21,961,041	\$5.86
2016 1q	11,969	545,213,517	26,673,999	27,079,665	5.0%	3,730,506	14	2,658,853	73	18,427,576	\$5.63
2015	11,955	542,554,664	27,735,908	28,151,318	5.2%	19,417,925	53	21,338,924	70	19,693,196	\$5.53
2014	11,907	522,076,068	26,581,484	27,090,647	5.2%	19,471,097	52	21,034,391	37	16,363,088	\$5.23
2013	11,856	500,771,513	25,013,725	25,257,189	5.0%	18,161,381	29	10,405,471	48	17,989,073	\$4.98
2012	11,830	490,476,646	32,113,279	33,123,703	6.8%	7,040,578	21	6,897,723	26	8,424,019	\$4.80
2011	11,812	484,016,458	32,965,915	33,704,093	7.0%	16,882,732	10	3,125,234	13	4,490,195	\$4.69
2010	11,806	481,061,971	45,361,981	47,632,338	9.9%	12,214,098	10	1,674,983	8	2,464,497	\$4.56
2009	11,796	479,353,774	55,780,269	58,138,239	12.1%	1,628,906	107	8,386,058	10	1,666,169	\$4.94
2008	11,680	470,682,372	49,579,083	51,095,743	10.9%	2,931,857	273	21,858,737	88	7,023,465	\$5.90
2007	11,385	447,188,272	29,366,130	30,533,500	6.8%	27,822,489	376	22,337,564	209	19,727,515	\$6.15
2006	10,980	421,543,520	30,252,561	32,711,237	7.8%	23,062,628	451	28,912,165	340	22,801,353	\$5.82
2005	10,491	388,188,001	20,922,317	22,418,346	5.8%	18,365,169	388	21,225,498	389	26,178,575	\$5.27

Source: CoStar Property®

## Total Industrial Market Statistics

First Quarter 2017

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2017 1q	12,945	581,151,832	26,872,167	29,238,838	5.0%	(950,656)	24	3,487,220	127	26,963,584	\$6.48
2016 4q	12,921	577,664,612	23,471,058	24,811,824	4.3%	5,820,701	13	1,744,850	119	21,857,157	\$6.30
2016 3q	12,909	575,928,612	27,546,716	28,896,525	5.0%	8,600,500	23	10,897,708	90	18,022,057	\$6.24
2016 2q	12,888	565,053,274	25,139,963	26,621,687	4.7%	6,106,488	19	4,580,386	80	21,974,064	\$6.10
2016 1q	12,871	560,542,988	27,800,618	28,217,889	5.0%	3,667,774	14	2,658,853	73	18,427,576	\$5.89
2015	12,857	557,884,135	28,799,472	29,226,810	5.2%	19,677,345	53	21,338,924	70	19,693,196	\$5.79
2014	12,809	537,405,539	27,908,293	28,425,559	5.3%	19,854,312	52	21,034,391	37	16,363,088	\$5.50
2013	12,759	516,108,464	26,733,889	26,982,796	5.2%	18,425,138	32	10,437,005	48	17,989,073	\$5.22
2012	12,730	505,782,063	34,065,655	35,081,533	6.9%	7,401,989	21	6,897,723	29	8,455,553	\$4.97
2011	12,712	499,321,875	35,278,945	36,023,334	7.2%	17,236,834	10	3,125,234	16	4,521,729	\$4.86
2010	12,706	496,367,388	48,033,346	50,305,681	10.1%	12,325,427	10	1,674,983	10	2,487,781	\$4.74
2009	12,697	494,676,791	58,563,760	60,940,511	12.3%	1,511,694	113	8,620,971	12	1,689,453	\$5.13
2008	12,572	485,717,078	51,926,997	53,492,492	11.0%	2,459,898	311	22,299,521	94	7,258,378	\$6.13
2007	12,233	461,691,994	30,692,415	31,927,306	6.9%	27,804,334	399	22,867,010	244	20,114,678	\$6.42
2006	11,805	435,634,552	31,173,465	33,674,198	7.7%	23,913,796	485	29,361,628	372	23,368,934	\$6.03
2005	11,278	401,710,161	22,146,283	23,663,603	5.9%	18,996,196	440	22,231,580	423	26,647,364	\$5.46

Source: CoStar Property®

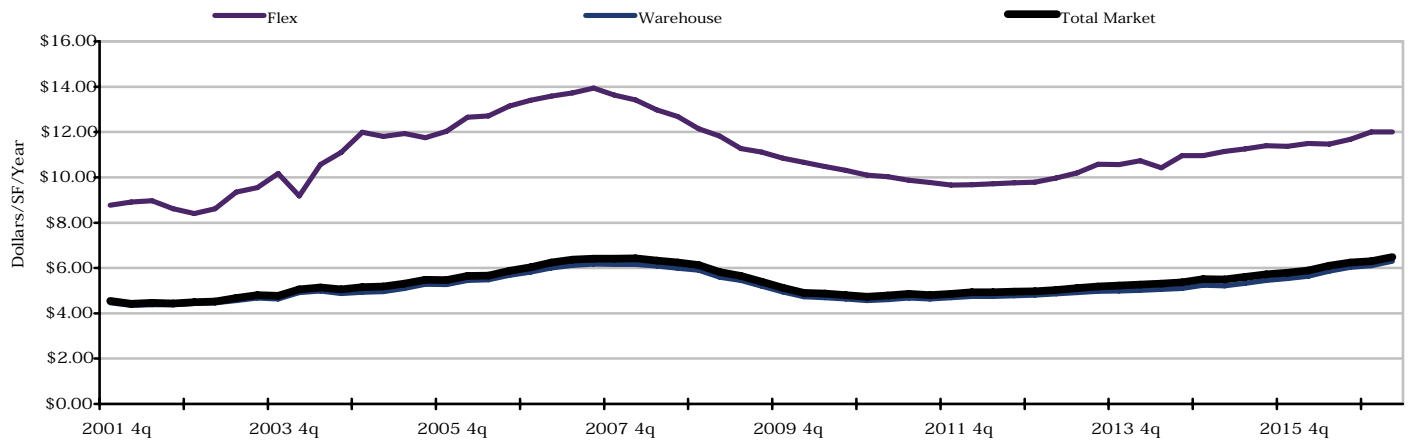
# Inland Empire Industrial Market



Leasing Activity

## Historical Rental Rates

Based on Quoted Rental Rates



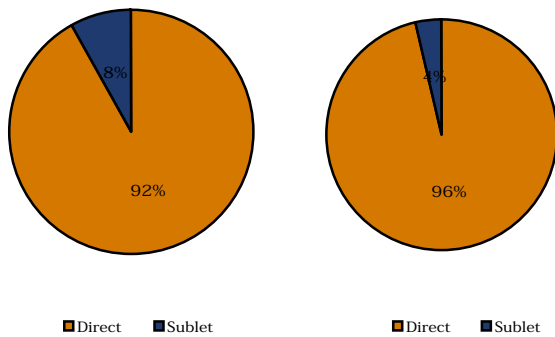
Source: CoStar Property®

## Vacancy by Available Space Type

Percent of All Vacant Space in Direct vs. Sublet

Inland Empire (California)

United States



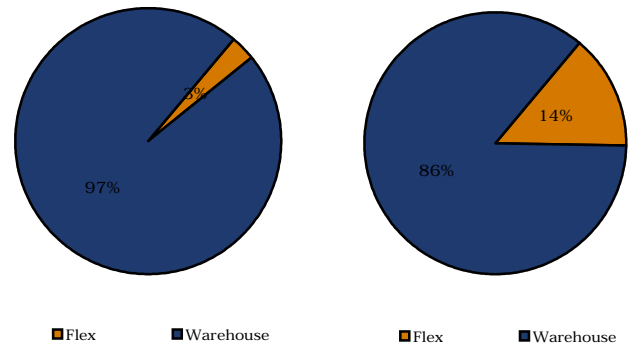
Source: CoStar Property®

## Vacancy by Building Type

Percent of All Vacant Space by Building Type

Inland Empire (California)

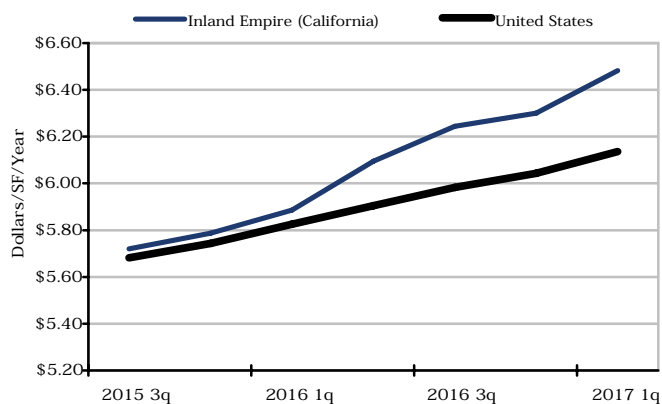
United States



Source: CoStar Property®

## U.S. Rental Rate Comparison

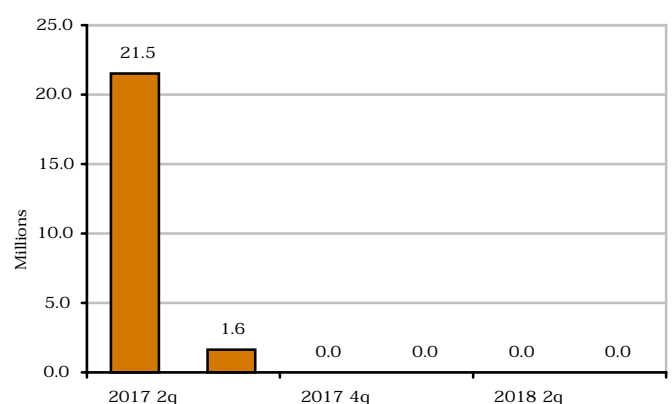
Based on Average Quoted Rental Rates



Source: CoStar Property®

## Future Space Available

Space Scheduled to be Available for Occupancy\*



Source: CoStar Property®

\* Includes Under Construction Space





# Inland Empire Industrial Market

Leasing Activity

## Select Top Industrial Leases Based on Leased Square Footage For Deals Signed in 2017

Building	Submarket	SF	Qtr	Tenant Name	Tenant Rep Company	Landlord Rep Company	
1	GoodmanCommerceCenterEastvale	Riverside	1,007,705	1st	N/A	Cushman & Wakefield	JLL
2	Ontario Airport Mission Center #3	Airport Area	604,178	1st	The Braun	JLL	JLL
3	1464 W Merrill Ave*	East San Bernardino	436,650	1st	Kuehne & Nagel	N/A	Exeter Property Group LLC
4	9687 Transportation Way	Airport Area	414,415	1st	N/A	N/A	JLL
5	Kaiser Gateway I	Airport Area	410,800	1st	N/A	N/A	Lee & Associates
6	Canyon Commerce Center - Bldg B	Riverside	355,182	1st	N/A	N/A	Colliers International
7	Park Mira Loma North II - Bldg B-2	Riverside	353,361	1st	Gildan	N/A	JLL
8	Haven Gateway - Bldg 2	Airport Area	326,453	1st	N/A	N/A	Cushman & Wakefield
9	Meredith International Centre - Bldg 2	Airport Area	300,000	1st	N/A	N/A	Lee & Associates
10	13366 Philadelphia Ave	Airport Area	266,950	1st	N/A	N/A	Colliers International; CBRE
11	Meredith International Centre - Bldg 2	Airport Area	253,136	1st	N/A	N/A	Lee & Associates
12	Haven Gateway - Bldg 3	Airport Area	248,738	1st	N/A	N/A	Cushman & Wakefield
13	11751 Cabernet Dr*	Airport Area	231,600	1st	Modus Furniture International	Colliers International	Colliers International; CBRE
14	Mountain View Industrial Center - Bldg 2	East San Bernardino	149,275	1st	Updike Distribution Logistics	Lee & Associates	Colliers International
15	Meredith International Centre - Bldg 1	Airport Area	138,784	1st	N/A	N/A	Lee & Associates
16	Rancho Cucamonga Distribution Center	Airport Area	111,993	1st	N/A	JLL	JLL
17	15780 El Prado Rd	West San Bernardino	103,014	1st	JL Furnishings LLC	Colliers International	Colliers International
18	10846 Commerce Way	Airport Area	102,100	1st	N/A	Cushman & Wakefield	JLL
19	Spectrum Monte Vista - Bldg 2	West San Bernardino	100,000	1st	Viking	First Team Real Estate	Majestic Realty Co.
20	13477 Benson Ave*	West San Bernardino	93,910	1st	Gearmore, Inc.	N/A	N/A
21	200 River Rd	Corona	81,000	1st	N/A	N/A	CBRE
22	1550 Magnolia Ave	Corona	71,685	1st	N/A	N/A	Voit Real Estate Services
23	9000 Rochester Ave	Airport Area	71,170	1st	N/A	N/A	Voit Real Estate Services
24	22740 Temescal Canyon Rd	South Riverside	65,215	1st	N/A	Guardian Real Estate Services	Guardian Real Estate Services
25	1775 S Business Pky	Airport Area	61,230	1st	Minimum & Maximum, Inc.	Lee & Associates	Colliers International
26	Archibald - Bldg 11	Airport Area	57,500	1st	N/A	N/A	CBRE
27	5100 Western Way	South Riverside	45,800	1st	N/A	N/A	Investment Building Group
28	Wild Rose Industrial Park	South Riverside	42,387	1st	N/A	N/A	Voit Real Estate Services
29	1121 California Ave	Corona	40,260	1st	N/A	N/A	Lee & Associates
30	Francis St Dist Center - Bldg 3	Airport Area	39,997	1st	Bear with Me Toys and Enterprise	RE/MAX Commercial	Colliers International
31	Panattoni - Bldg A	Airport Area	39,847	1st	N/A	N/A	Cushman & Wakefield
32	32543 Corydon Rd	South Riverside	38,910	1st	N/A	Lee & Associates	Lee & Associates
33	Panattoni Commerce Center - Bldg F	Airport Area	34,665	1st	N/A	N/A	CBRE
34	2060 S Wineville Ave	Airport Area	32,653	1st	N/A	N/A	Colliers International
35	3260 Riverside Dr	West San Bernardino	30,769	1st	N/A	N/A	Colliers International
36	Alesco Mcalby Court Business Center	South Riverside	26,500	1st	N/A	N/A	Tobias Commercial
37	2311 E Locust St	Airport Area	25,740	1st	N/A	N/A	Pacific Asia Group Realty, Inc.
38	5741 Santa Ana St*	Airport Area	23,842	1st	Top Performance Freight Svc	N/A	JLL
39	Interstate Business Park - Bldg C	South Riverside	22,195	1st	N/A	N/A	Lee & Associates
40	Arrow Business Park 9	Airport Area	22,177	1st	N/A	N/A	CBRE

Source: CoStar Property®

\* Renewal

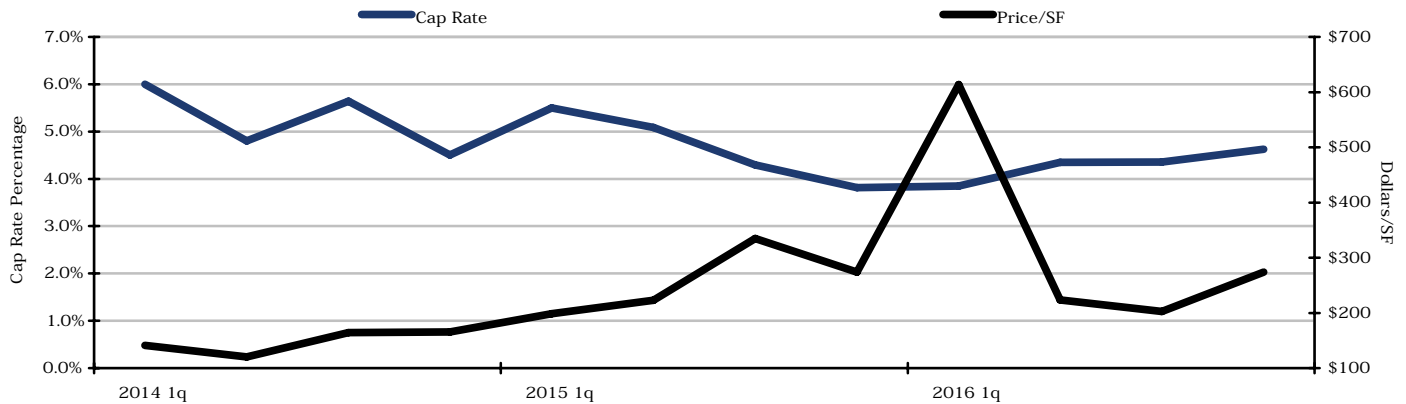
# Inland Empire Industrial Market



Sales Activity

## The Optimist Sales Index

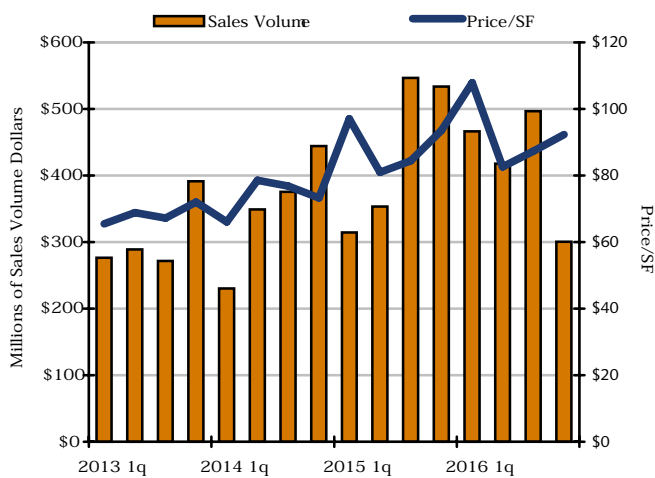
Average of Two Highest Price/SF's and Two Lowest Cap Rates Per Quarter



Source: CoStar COMPS®

## Sales Volume & Price

Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## Sales Analysis by Building Size

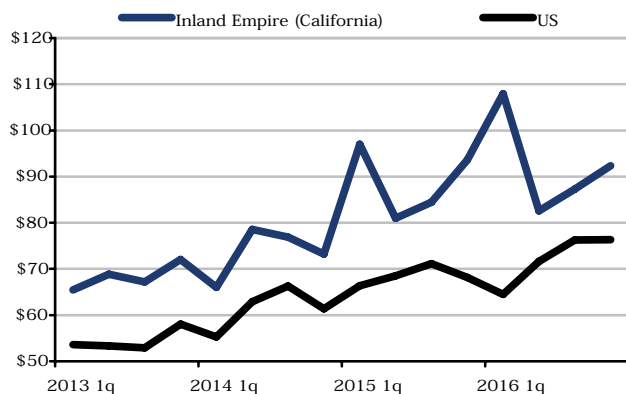
Based on Industrial Bldg Sales From Jan. 2016 - Dec. 2016

Bldg Size	#	RBA	\$ Volume	Price/SF	Cap Rate
< 25,000 SF	301	3,408,610	\$450,027,247	\$132.03	6.08%
25K-99K SF	77	3,565,246	\$352,418,737	\$ 98.85	6.29%
100K-249K SF	26	3,707,772	\$315,750,000	\$ 85.16	5.67%
>250K SF	17	9,555,800	\$819,527,864	\$ 85.76	5.20%

Source: CoStar COMPS®

## U.S. Price/SF Comparison

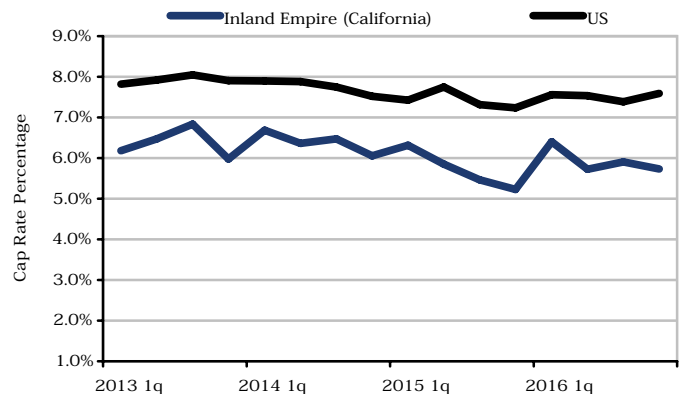
Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## U.S. Cap Rate Comparison

Based on Industrial Building Sales of 15,000 SF and Larger

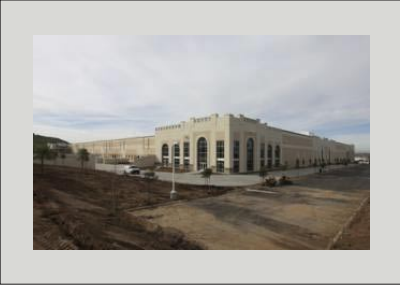


Source: CoStar COMPS®

## Select Top Sales

Based on Sales from January 2016 Through March 2017

1. 1001 Columbia Ave



Riverside

Price: **\$105,000,000**  
 Price/SF: **\$207.10**  
 Cap Rate: **5.9%**  
 RBA: **507,000**  
 Date: **2/24/2016**  
 Year Built: **2011**  
 Buyer: **GE Asset Management Incorporated**  
 Seller: **Cole REIT Advisors III LLC**

2. March Business Center



Moreno Valley

Price: **\$93,000,000**  
 Price/SF: **\$67.38**  
 Cap Rate: **N/A**  
 RBA: **1,380,246**  
 Date: **9/7/2016**  
 Year Built: **2016**  
 Buyer: **Principal Real Estate Investors LLC**  
 Seller: **Western Realco**

3. I-10 Redlands Logistics Center



Redlands

Price: **\$80,298,000**  
 Price/SF: **\$72.87**  
 Cap Rate: **N/A**  
 RBA: **1,101,889**  
 Date: **6/17/2016**  
 Year Built: **2016**  
 Buyer: **TIAA-CREF Investment Management LLC**  
 Seller: **Hillwood Development Company LLC**

4. Redlands Logistics Center



Redlands

Price: **\$79,040,000**  
 Price/SF: **\$78.00**  
 Cap Rate: **N/A**  
 RBA: **1,013,331**  
 Date: **1/7/2016**  
 Year Built: **2015**  
 Buyer: **Ashley Furniture Industries, Inc.**  
 Seller: **McShane Development Co.**

5. San Bernardino Logistics Center



San Bernardino

Price: **\$68,538,500**  
 Price/SF: **\$85.00**  
 Cap Rate: **N/A**  
 RBA: **806,322**  
 Date: **10/4/2016**  
 Year Built: **2015**  
 Buyer: **Waterstone Retail**  
 Seller: **TIAA-CREF Investment Management LLC**

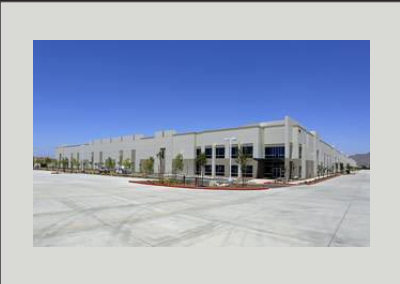
6. SRG Perris Logistics Ctr - Bldg 2



Perris

Price: **\$50,400,000**  
 Price/SF: **\$86.94**  
 Cap Rate: **4.8%**  
 RBA: **579,708**  
 Date: **6/24/2016**  
 Year Built: **2014**  
 Buyer: **Clarion Partners**  
 Seller: **Sares-Regis Group**

7. Alesandro Business Center



Riverside

Price: **\$49,763,000**  
 Price/SF: **\$85.39**  
 Cap Rate: **N/A**  
 RBA: **582,772**  
 Date: **7/28/2016**  
 Year Built: **2014**  
 Buyer: **Industrial Property Trust**  
 Seller: **Cigna Investments**

8. Meridian Logistics Center



Riverside

Price: **\$48,265,000**  
 Price/SF: **\$99.31**  
 Cap Rate: **4.41%**  
 RBA: **486,000**  
 Date: **9/21/2016**  
 Year Built: **2016**  
 Buyer: **Cabot Properties, Inc.**  
 Seller: **Panattoni Development Company**

9. Bridge Point Fontana II - Bldg B



Fontana

Price: **\$41,760,000**  
 Price/SF: **\$96.18**  
 Cap Rate: **N/A**  
 RBA: **434,170**  
 Date: **8/10/2016**  
 Year Built: **2016**  
 Buyer: **States Logistics Services, Inc.**  
 Seller: **Bridge Development Partners**

# Inland Empire Industrial Market

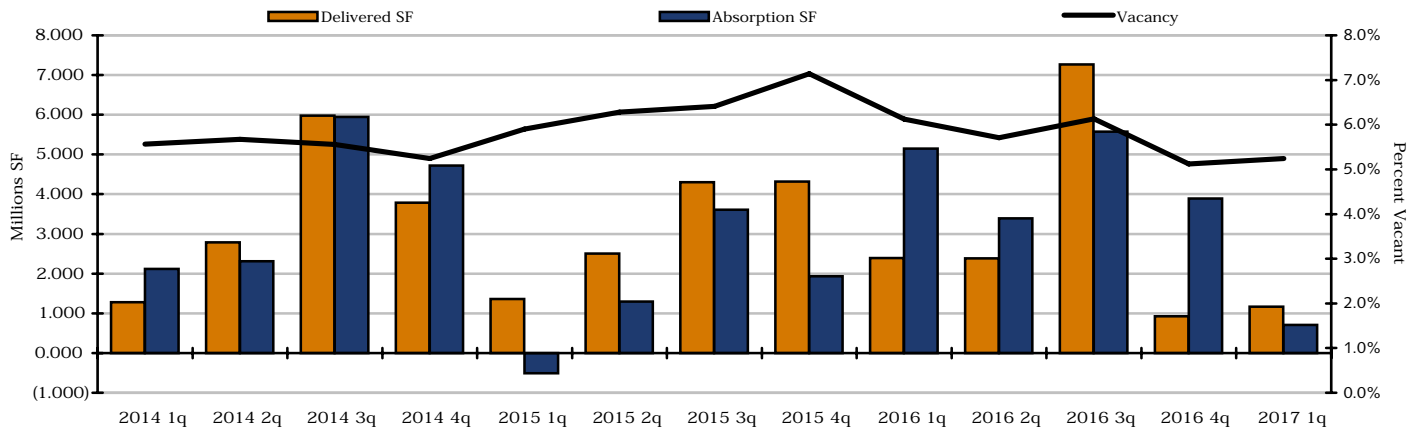


## Inland Empire East Market

### MARKET HIGHLIGHTS - Flex & Warehouse

## Deliveries, Absorption & Vacancy

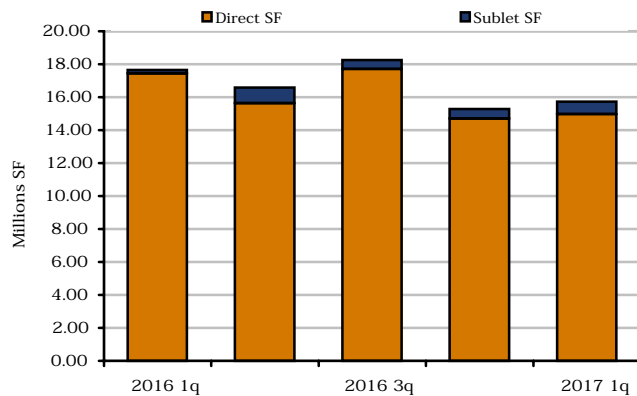
### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Vacant Space

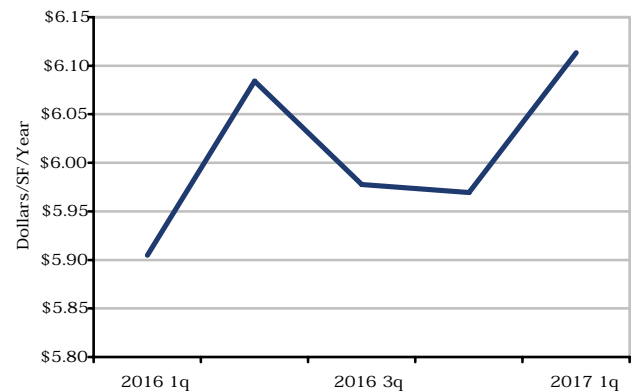
### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Quoted Rental Rates

### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2017 1q	7,122	299,821,019	15,726,783	5.2%	711,774	13	1,166,368	79	19,212,092	\$6.11
2016 4q	7,109	298,654,651	15,283,051	5.1%	3,893,473	10	924,727	66	13,568,407	\$5.97
2016 3q	7,099	297,729,924	18,251,797	6.1%	5,578,331	13	7,266,970	52	10,866,667	\$5.98
2016 2q	7,087	290,475,024	16,575,228	5.7%	3,390,073	11	2,381,461	43	12,803,770	\$6.08
2016 1q	7,078	288,163,663	17,653,940	6.1%	5,150,536	10	2,388,990	42	11,409,551	\$5.90
2015 4q	7,068	285,774,673	20,415,486	7.1%	1,930,300	9	4,316,034	41	12,887,402	\$5.87
2015 3q	7,060	281,467,096	18,038,209	6.4%	3,607,432	10	4,298,078	36	13,767,340	\$5.79
2015 2q	7,051	277,239,702	17,418,247	6.3%	1,296,333	8	2,508,040	31	13,433,011	\$5.69
2015 1q	7,043	274,731,662	16,206,540	5.9%	(504,939)	3	1,363,967	26	10,206,884	\$5.55
2014 4q	7,040	273,367,695	14,337,634	5.2%	4,717,288	10	3,786,250	19	8,324,118	\$5.58
2014 3q	7,030	269,275,281	14,962,508	5.6%	5,947,115	11	5,980,081	25	11,173,913	\$5.46
2014 2q	7,019	263,295,200	14,929,542	5.7%	2,310,172	4	2,784,912	25	10,687,985	\$5.40
2014 1q	7,016	260,546,288	14,490,802	5.6%	2,116,304	3	1,279,960	25	11,713,910	\$5.38
2013 4q	7,013	259,266,328	15,327,146	5.9%	2,680,478	3	1,180,405	25	11,687,360	\$5.26
2013 3q	7,010	257,742,680	16,483,976	6.4%	3,354,290	8	3,070,634	21	10,777,505	\$5.31
2013 2q	7,002	254,672,046	16,767,632	6.6%	1,995,512	3	1,719,005	19	8,061,727	\$5.23

Source: CoStar Property®



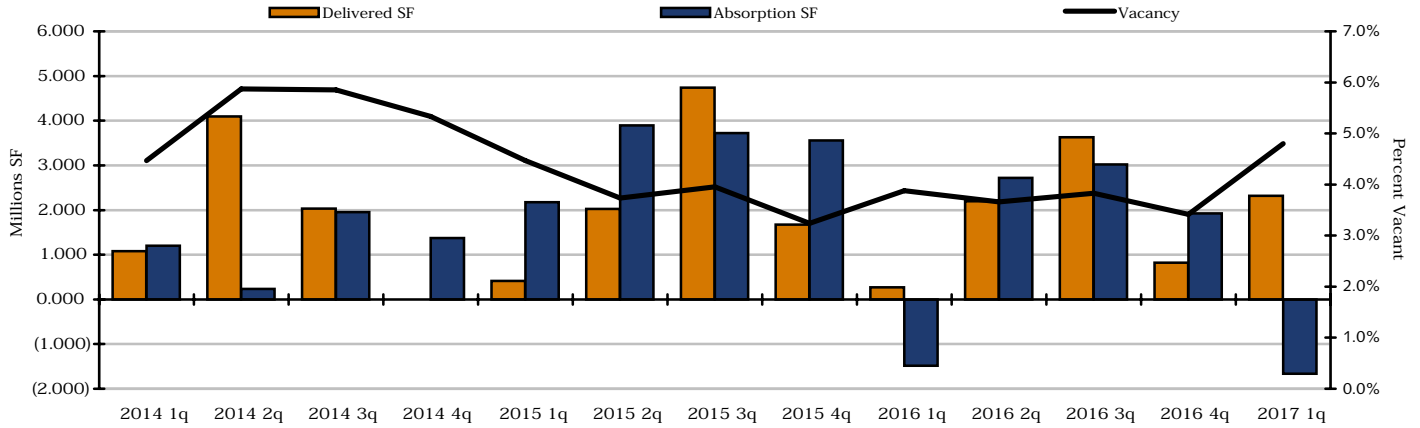
# Inland Empire Industrial Market

Inland Empire West Market

MARKET HIGHLIGHTS - Flex & Warehouse

## Deliveries, Absorption & Vacancy

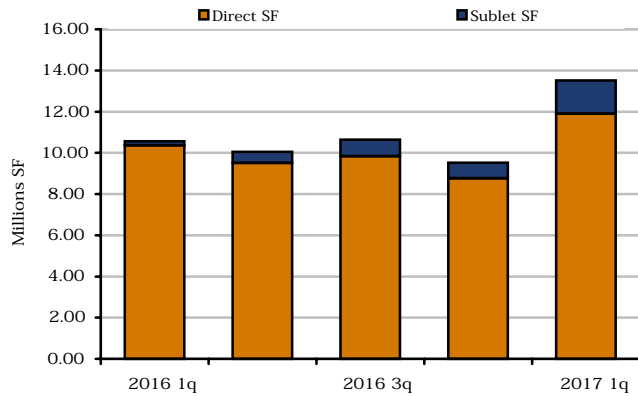
Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Vacant Space

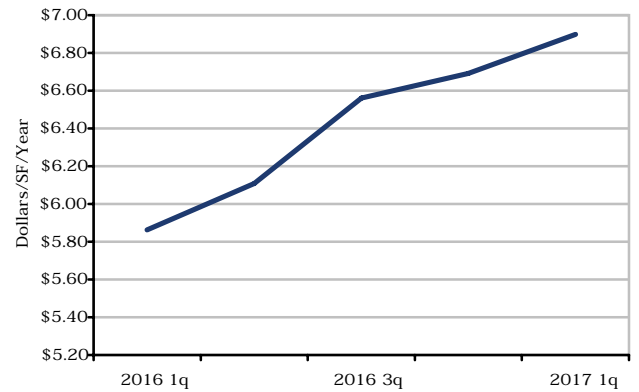
Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Quoted Rental Rates

Historical Analysis, Flex and Warehouse



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2017 1q	5,823	281,330,813	13,512,055	4.8%	(1,662,430)	11	2,320,852	48	7,751,492	\$6.90
2016 4q	5,812	279,009,961	9,528,773	3.4%	1,927,228	3	820,123	53	8,288,750	\$6.69
2016 3q	5,810	278,198,688	10,644,728	3.8%	3,022,169	10	3,630,738	38	7,155,390	\$6.56
2016 2q	5,801	274,578,250	10,046,459	3.7%	2,716,415	8	2,198,925	37	9,170,294	\$6.11
2016 1q	5,793	272,379,325	10,563,949	3.9%	(1,482,762)	4	269,863	31	7,018,025	\$5.86
2015 4q	5,789	272,109,462	8,811,324	3.2%	3,555,428	5	1,672,575	29	6,805,794	\$5.69
2015 3q	5,784	270,436,887	10,694,177	4.0%	3,720,544	9	4,740,665	18	4,724,820	\$5.64
2015 2q	5,776	265,947,965	9,925,799	3.7%	3,897,468	8	2,022,925	22	8,736,961	\$5.52
2015 1q	5,768	263,925,040	11,800,342	4.5%	2,174,779	1	416,640	25	8,659,439	\$5.42
2014 4q	5,769	264,037,844	14,087,925	5.3%	1,373,667	0	0	18	8,038,970	\$5.41
2014 3q	5,769	264,037,844	15,461,592	5.9%	1,951,504	5	2,029,990	15	7,283,467	\$5.25
2014 2q	5,764	262,007,854	15,383,106	5.9%	233,806	15	4,096,059	9	4,205,068	\$5.20
2014 1q	5,749	257,911,795	11,520,853	4.5%	1,204,456	4	1,077,139	23	7,884,487	\$5.15
2013 4q	5,746	256,842,136	11,655,650	4.5%	2,370,864	1	300,300	23	6,301,713	\$5.18
2013 3q	5,746	256,837,936	14,022,314	5.5%	2,098,422	4	1,257,931	17	4,873,389	\$5.06
2013 2q	5,742	255,580,005	14,862,805	5.8%	572,889	6	437,944	9	2,529,110	\$5.00

Source: CoStar Property®