

Inland Empire



Market Facts

4.5%

Inland Empire
Unemployment Rate

7,119,639 SF

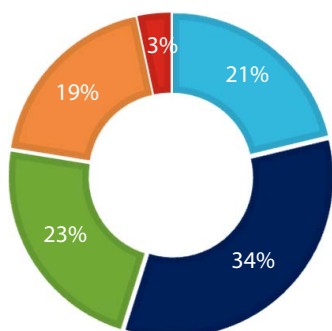
Positive Net Absorption
Current Quarter

5.0%

Total Vacancy Rate
Down From 5.40% In Q1 2017

\$0.51 PSF

Asking Rental Rate
Weighted Average

Q2 2017 Transaction Volume by
Property Sector


- Office
- Industrial
- Retail
- Multi-Family
- Land

Market Overview

The Inland Empire industrial market is performing at optimal levels with a healthy economy as of the mid-point of 2017. Vacancy remains tight, contracting slightly from the previous quarter. Reliable leasing demand has allowed rental rates to move higher quarter-over-quarter and year-over-year at a modest pace. The counties of Riverside and San Bernardino, which make up the Inland Empire market, are experiencing strong economic fundamentals, and rapid growth in population and quality inventory. These factors are driving heightened developer interest and elevated investor appetite.

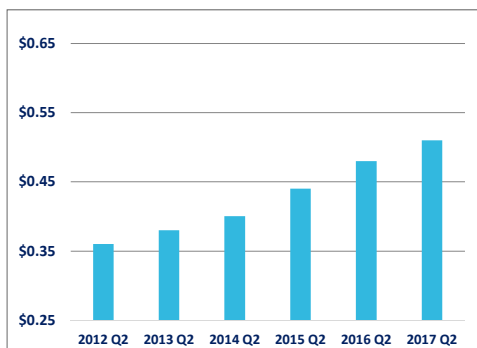
The Inland Empire is a powerhouse of industrial inventory that supports the demands of the entire Southern California region. Construction activity resumed rapidly post-recession and has met pre-recession levels with fervor. The market had 106 industrial properties under construction at the second quarter of the year, amounting to 23,598,071 sf of new inventory that is expected to be delivered in 2017 and 2018.

The Inland Empire industrial market recorded a total net absorption of positive 7M sf for the quarter, and positive 20.8M sf for the most recent 12 month period. Rental rates for the entire market on average have reached \$0.51 psf FSG as of the second quarter of 2017, an increase over the previous quarter, and a slim increase seen from \$0.48 psf FSG at the same time in the previous year.

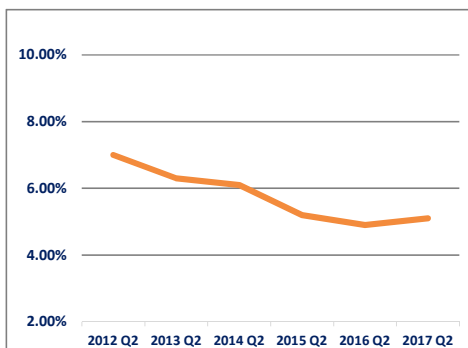
As of the second quarter of 2017, vacancy in the Inland Empire's industrial market contracted to 5.0%, down from 5.4% in the previous quarter, yet up only slightly from the same time in the previous year at 4.9%. On a year-over-year basis, vacancy has been hovering around flat levels, with a slight trend toward contraction. Competitive vacancy levels have been sustainable in the market in spite of the consistent addition of new inventory.

The Inland Empire's unemployment rate, as of May 2017, dropped to 4.5%, down from 5.4% one year earlier. Within the market, unemployment was 4.6% in Riverside County and 4.4% in San Bernardino County.

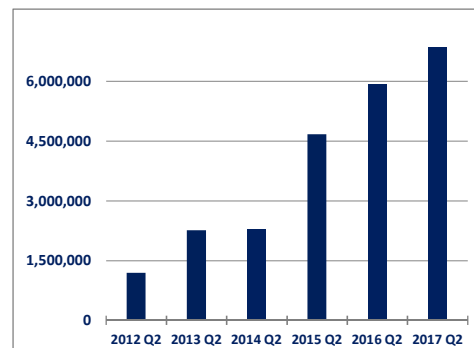
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
J.C. Penney Corporation	New	5959 Palm Avenue	San Bernardino	624,627
Essendant	New	4555 Redlands Avenue	Perris	599,113
iLad, Inc.	New	13230 San Bernardino Avenue	Fontana	388,130
Komar Distribution Services	New	12471 Riverside Drive	Eastvale	376,006
Newell Brands	New	13290 Sabre Street	Victorville	195,508

Top Sales

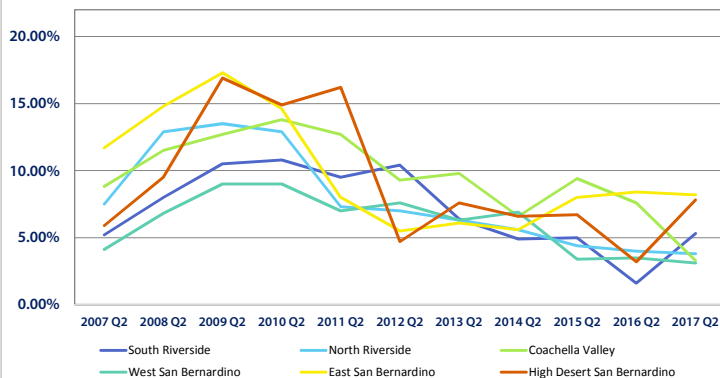
Address	Buyer	Seller	Price	SF	P/SF
Safari Business Center, Ontario	Rexford Industrial	American Realty Advisors	\$141,200,000	1,138,119	\$124
Citrus Park, City of Riverside	Crowsnest Properties, LLC	Proficiency Capital, LLC	\$36,700,000	352,443	\$104
2380-2385 Railroad / 400 Parkridge, Corona	TA Realty	Investment Building Group	\$33,700,000	267,050	\$126
Corona Crossroads Business Park, Corona	SeneGence International	Conor Commercial Real Estate	\$30,900,000	243,806	\$127
Grove Avenue Business Park, Ontario	IDI Gazeley	SouthWest Medical Resources	\$16,400,000	258,296	\$63

Under Construction

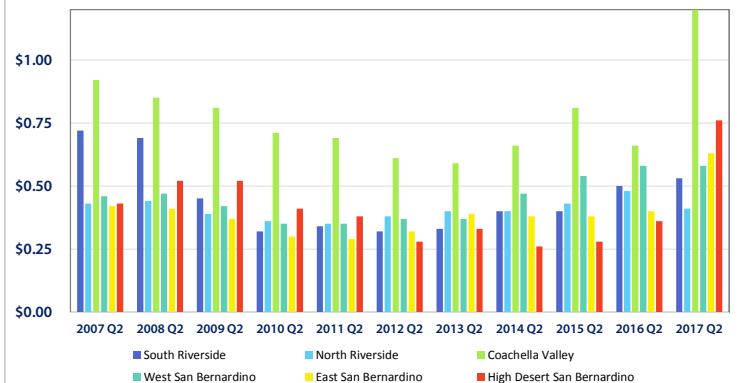
Address	Submarket	Developer	SF	Completion
First Nandina Logistics Center, Moreno Valley	North Riverside	First Industrial Realty Trust, Inc.	1,388,210	Q2 2018
Majestic Chino Gateway, Chino	West San Bernardino	Majestic Realty Co.	1,202,680	Q4 2017
17350 Perris Boulevard, Moreno Valley	North Riverside	Alere Property Group, LLC	1,109,378	Q1 2018
Miro Way, Rialto	East San Bernardino	Monster Beverage Corporation	1,094,000	Q1 2018
Goodman Commerce Center, Eastvale	North Riverside	Goodman Birtcher North America	1,047,705	Q1 2018

	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q2 2017 Inventory (SF)	Q2 2017 Vacancy (SF)	Q2 2017 Vacancy (%)	Q1 2017 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q2 2017 Rental Rates NNN	Q1 2017 Rental Rates NNN	Qtr/Qtr Change (%)	Current Quarter Deliveries	Under Construction Quarter-End
South Riverside											
Temecula / Murrieta / Lake Elsinore	12,449,261	449,247	3.60%	3.70%	45,217	54,528	\$0.68	\$0.71	-4.23%	0	215,980
Perris / Menifee	20,556,171	1,362,807	6.60%	2.80%	1,328,992	1,489,220	\$0.42	\$0.41	2.44%	1,431,442	2,260,712
Hemet	1,462,614	0	0.00%	0.00%	0	4,300	\$0.42	\$0.42	0.00%	0	0
South Riverside TOTAL	34,468,046	1,812,054	5.30%	3.00%	1,374,209	1,548,048	\$0.53	\$0.55	-3.64%	1,431,442	2,476,692
North Riverside											
Corona	25,920,968	1,326,446	5.10%	5.00%	255,529	402,355	\$0.58	\$0.58	0.00%	314,860	394,270
Riverside City	60,025,842	809,668	1.30%	2.20%	320,846	611,696	\$0.59	\$0.58	1.72%	181,411	4,284,140
Moreno Valley	36,527,345	2,562,340	7.20%	6.40%	198,243	255,811	\$0.42	\$0.44	-4.55%	929,113	4,845,570
Beaumont / Banning	4,710,081	81,452	1.70%	2.50%	1,489,240	1,414,808	\$0.30	\$0.32	-6.25%	1,489,240	0
North Riverside TOTAL	127,184,236	4,779,906	3.80%	4.00%	2,263,858	2,684,670	\$0.41	\$0.43	-4.65%	2,914,624	9,523,980
Coachella Valley											
Indio / Coachella	3,742,540	95,515	2.60%	3.90%	59,540	68,096	\$0.82	\$0.83	-1.20%	0	0
Palm Desert / Palm Springs	3,431,355	143,301	4.20%	5.00%	34,414	26,089	\$1.57	\$0.74	112.16%	0	69,000
Coachella Valley TOTAL	7,173,895	238,816	3.30%	4.40%	93,954	94,185	\$1.20	\$0.79	51.90%	0	69,000
West San Bernardino											
Chino	41,210,852	732,337	1.80%	1.70%	217,749	-34,291	\$0.63	\$0.55	14.55%	321,544	1,642,734
Airport Area	139,739,009	4,924,746	3.50%	4.60%	1,732,555	1,387,082	\$0.58	\$0.59	-1.69%	271,580	1,453,595
West San Bernardino TOTAL	180,949,861	5,657,083	3.10%	4.00%	1,950,304	1,352,791	\$0.58	\$0.58	0.00%	593,124	3,096,329
East San Bernardino											
San Bernardino City / Redlands	58,984,406	6,874,413	11.70%	10.50%	-911,425	-274,321	\$0.65	\$0.46	41.30%	624,627	3,406,456
Fontana / Rialto	87,882,455	5,196,644	5.90%	7.30%	1,949,911	1,233,450	\$0.63	\$0.63	0.00%	785,116	4,995,614
East San Bernardino TOTAL	146,866,861	12,071,057	8.20%	8.60%	1,038,486	959,129	\$0.63	\$0.54	16.67%	1,409,743	8,402,070
High Desert San Bernardino											
Victorville/Hesperia/Adelanto	13,041,804	926,959	7.10%	7.70%	411,879	400,917	\$0.76	\$0.56	35.71%	390,023	30,000
Barstow	724,634	150,953	20.80%	21.50%	-13,051	-19,708	\$0.00	\$0.00	0.00%	0	0
North San Bernardino TOTAL	13,766,438	1,077,912	7.80%	8.40%	398,828	381,209	\$0.76	\$0.56	35.71%	390,023	30,000
INLAND EMPIRE											
20,000 SF to 49,999 SF	72,386,074	2,395,002	3.30%	3.00%	80,900	578,624	\$0.82	\$0.75	9.33%	13 Bldgs	37 Bldgs
50,000 SF to 149,999 SF	102,395,492	4,829,949	4.70%	5.40%	1,640,559	1,060,082	\$0.57	\$0.57	0.00%	20 Bldgs	26 Bldgs
150,000 SF and larger	335,627,771	18,411,877	5.50%	5.90%	5,398,180	5,381,326	\$0.34	\$0.34	0.00%	20 Bldgs	43 Bldgs
TOTAL INDUSTRIAL	510,409,337	25,636,828	5.00%	5.40%	7,119,639	7,020,032	\$0.51	\$0.49	4.08%	6,738,956 (SF)	23,598,071 (SF)

Vacancy by Region



Rental Rate by Region



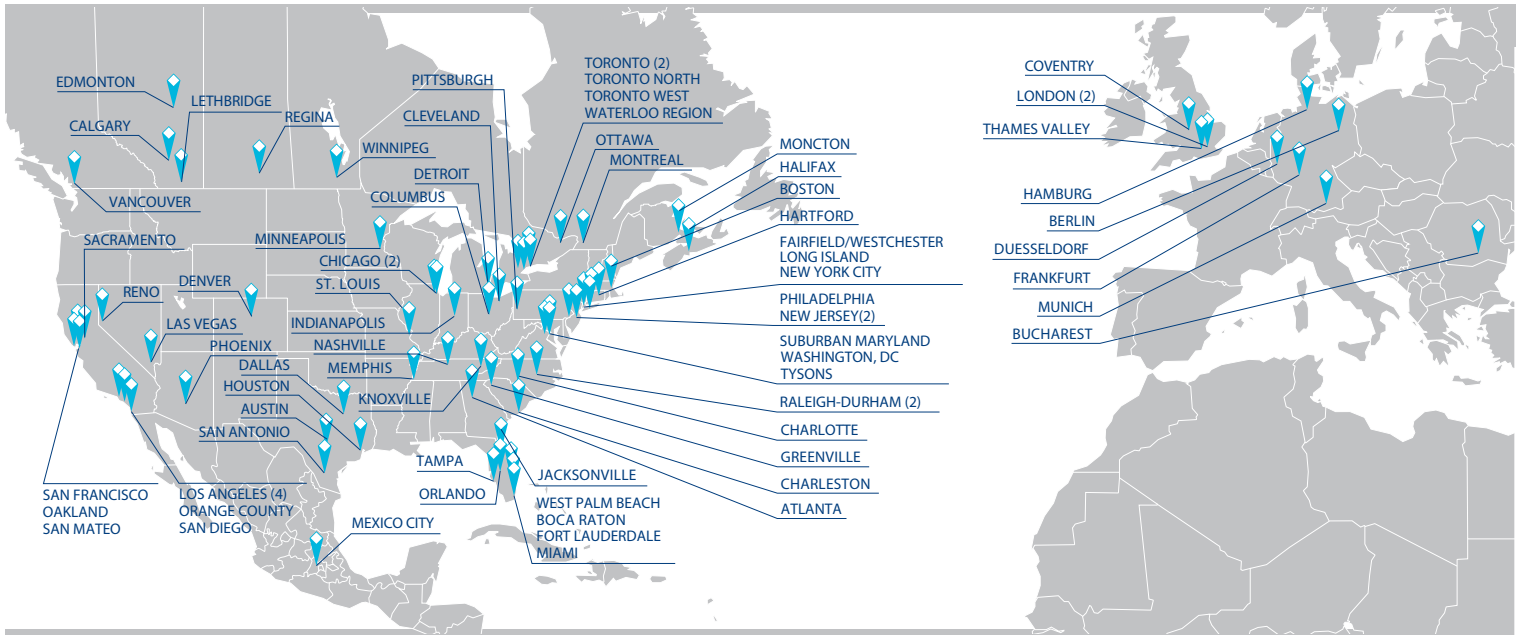
SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
North Riverside	Riverside City	Eastvale, Jurupa Valley, Mira Loma, Riverside City-North
	Moreno Valley	Moreno Valley, Riverside City-South
	Beaumont / Banning	Beaumont, Banning, Cabazon, Callimesa
Coachella Valley	Coachella / Indio	Coachella, Indio, Mecca, Thermal
	Palm Desert / Palm Springs	Palm Desert, Palm Springs, North Palm Springs, Desert Hot Springs, Bermuda Dunes, Cathedral City, Thousand Palms, Rancho Mirage, Indian Wells, La Quinta
West San Bernardino	Chino	Chino, Chino Hills
	Airport Area	Ontario, Rancho Cucamonga, Upland, Etiwanda, Montclair
East San Bernardino	San Bernardino City / Redlands	San Bernardino City, Redlands, Highland, Montone, Yucaipa
	Fontana / Rialto	Fontana, Rialto, Colton, Grand Terrace, Loma Linda, Bloomington
High Desert San Bernardino	Victorville / Hesperia / Adelanto	Victorville, Hesperia, Adelanto, Apple Valley, Oak Hills, Silver Lakes
	Barstow	Barstow

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