

# CoStar Industrial Statistics

Year-End 2016

## 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 CoStar Industrial Statistics are calculated using the quoted rental rate for each property.

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**CoStar Group, Inc.**

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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 certi-

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 Decreases to 4.6% Net Absorption Positive 4,956,520 SF in the Quarter

The Inland Empire Industrial market ended the fourth quarter 2016 with a vacancy rate of 4.6%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 4,956,520 square feet in the fourth quarter. Vacant sublease space increased in the quarter, ending the quarter at 1,533,201 square feet. Rental rates ended the fourth quarter at \$6.32, an increase over the previous quarter. A total of 14 buildings delivered to the market in the quarter totaling 2,074,789 square feet, with 20,500,205 square feet still under construction at the end of the quarter.

### Absorption

Net absorption for the overall Inland Empire Industrial market was positive 4,956,520 square feet in the fourth quarter 2016. That compares to positive 8,595,426 square feet in the third quarter 2016, positive 5,916,127 square feet in the second quarter 2016, and positive 3,189,702 square feet in the first quarter 2016.

Tenants moving out of large blocks of space in 2016 include: General Mills moving out of (633,953) square feet at 11618 Mulberry Ave, Distribution Alternatives, Inc. moving out of (591,020) square feet at 9774 Calabash Ave and M.Block & Sons moving out of (533,963) square feet at 26597 San Bernardino Ave.

Tenants moving into large blocks of space in 2016 include: General Mills moving into 1,133,382 square feet at Perris Valley Logistics Center, Floor & Decor moving into 1,103,003 square feet at 24101 Iris Ave, and Amazon Fulfillment Ctr moving into 1,102,639 square feet at Alliance California Gateway South - Bldg 3.

The Flex building market recorded net absorption of positive 93,730 square feet in the fourth quarter 2016, compared to negative (2,014) square feet in the third quarter 2016, positive 153,494 in the second quarter 2016, and negative (62,732) in the first quarter 2016.

The Warehouse building market recorded net absorption of positive 4,862,790 square feet in the fourth quarter 2016 compared to positive 8,597,440 square feet in the third quarter 2016, positive 5,762,633 in the second quarter 2016, and positive 3,252,434 in the first quarter 2016.

### Vacancy

The Industrial vacancy rate in the Inland Empire market area decreased to 4.6% at the end of the fourth quarter 2016. The vacancy rate was 5.1% at the end of the third quarter 2016, 4.9% at the end of the second quarter 2016, and 5.1% at the end of the first quarter 2016.

Flex projects reported a vacancy rate of 5.7% at the end of the fourth quarter 2016, 6.4% at the end of the third quarter 2016, 6.3% at the end of the second quarter 2016, and 7.3% at the end of the first quarter 2016.

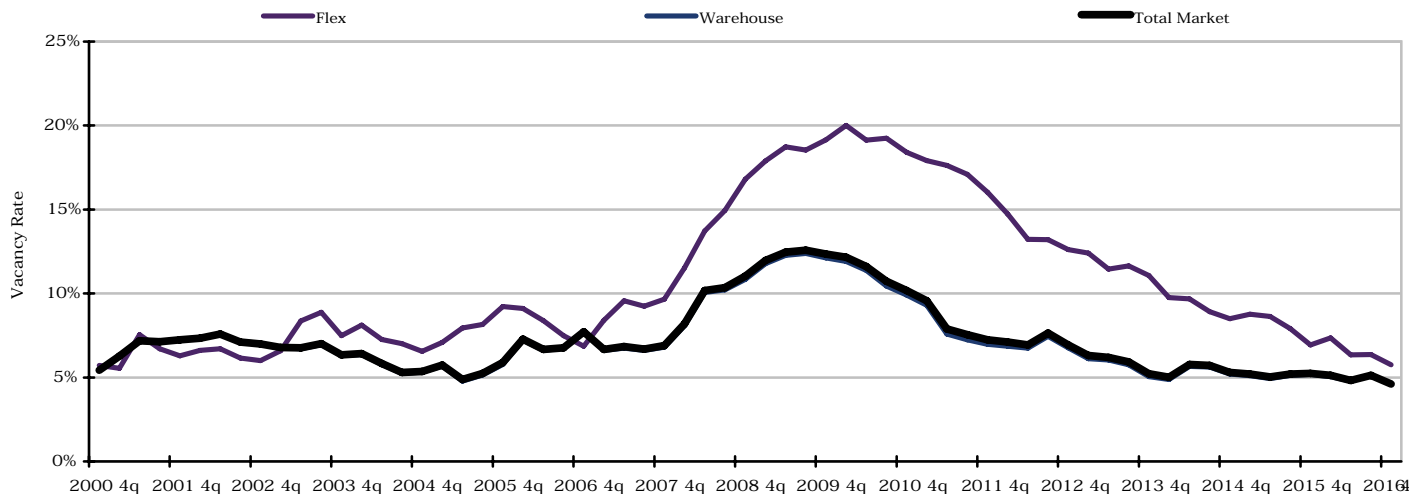
Warehouse projects reported a vacancy rate of 4.6% at the end of the fourth quarter 2016, 5.1% at the end of third quarter 2016, 4.8% at the end of the second quarter 2016, and 5.1% at the end of the first quarter 2016.

### Largest Lease Signings

The largest lease signings occurring in 2016 included: the 1,244,874-square-foot lease signed by Wayfair, Inc. at Duke Perris Logistics Center - Bldg 1 in the Inland Empire East market;

## Vacancy Rates by Building Type

2000-2016



Source: CoStar Property®



the 1,103,003-square-foot deal signed by Floor & Decor at 24101 Iris Ave in the Inland Empire East market; and the 1,102,639-square-foot lease signed by Amazon Fulfillment Center at Alliance California Gateway South–Bldg 3 in the Inland Empire East market.

### Sublease Vacancy

The amount of vacant sublease space in the Inland Empire market increased to 1,533,201 square feet by the end of the fourth quarter 2016, from 1,361,667 square feet at the end of the third quarter 2016. There was 1,493,582 square feet vacant at the end of the second quarter 2016 and 417,271 square feet at the end of the first quarter 2016.

Inland Empire’s Flex projects reported vacant sublease space of 12,680 square feet at the end of fourth quarter 2016, up from the 5,917 square feet reported at the end of the third quarter 2016. There were 13,541 square feet of sublease space vacant at the end of the second quarter 2016, and 11,605 square feet at the end of the first quarter 2016.

Warehouse projects reported increased vacant sublease space from the third quarter 2016 to the fourth quarter 2016. Sublease vacancy went from 1,355,750 square feet to 1,520,521 square feet during that time. There was 1,480,041 square feet at the end of the second quarter 2016, and 405,666 square feet at the end of the first quarter 2016.

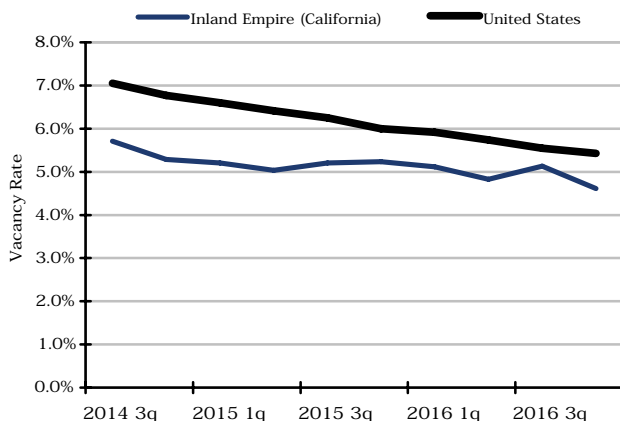
### Rental Rates

The average quoted asking rental rate for available Industrial space was \$6.32 per square foot per year at the end of the fourth quarter 2016 in the Inland Empire market area. This represented a 1.0% increase in quoted rental rates from the end of the third quarter 2016, when rents were reported at \$6.26 per square foot.

The average quoted rate within the Flex sector was \$12.01 per square foot at the end of the fourth quarter 2016, while Warehouse rates stood at \$6.12. At the end of the third quarter

## U.S. Vacancy Comparison

Past 10 Quarters



Source: CoStar Property®

2016, Flex rates were \$11.72 per square foot, and Warehouse rates were \$6.05.

### Deliveries and Construction

During the fourth quarter 2016, 14 buildings totaling 2,074,789 square feet were completed in the Inland Empire market area. This compares to 23 buildings totaling 10,896,057 square feet that were completed in the third quarter 2016, 19 buildings totaling 4,580,386 square feet completed in the second quarter 2016, and 2,658,853 square feet in 14 buildings completed in the first quarter 2016.

There were 20,500,205 square feet of Industrial space under construction at the end of the fourth quarter 2016.

Some of the notable 2016 deliveries include: Medline, a 1,170,880-square-foot facility that delivered in third quarter 2016 and is now 100% occupied, and Perris Valley Logistics Center, a 1,133,382-square-foot building that delivered in first quarter 2016 and is now 100% occupied.

The largest projects underway at the end of fourth quarter 2016 were Crossroads Logistics Center - Bldg A1, a 1,489,240-square-foot building with 100% of its space pre-leased, and Duke Perris Logistics Center - Bldg 1, a 1,244,874-square-foot facility that is 100% pre-leased.

### Inventory

Total Industrial inventory in the Inland Empire market area amounted to 576,910,166 square feet in 12,911 buildings as of the end of the fourth quarter 2016. The Flex sector consisted of 15,321,459 square feet in 897 projects. The Warehouse sector consisted of 561,588,707 square feet in 12,014 buildings.

### Sales Activity

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

In the third quarter, 41 industrial transactions closed with a total volume of \$472,053,087. The 41 buildings totaled 5,253,535 square feet and the average price per square foot equated to \$89.85 per square foot. That compares to 49 transactions totaling \$417,681,428 in the second quarter. The total square footage was 5,060,410 for an average price per square foot of \$82.54.

Total year-to-date industrial building sales activity in 2016 is up compared to the previous year. In the first nine months of 2016, the market saw 143 industrial sales transactions with a total volume of \$1,356,221,224. The price per square foot has averaged \$92.67 this year. In the first nine months of 2015, the market posted 140 transactions with a total volume of \$1,214,512,516. The price per square foot averaged \$86.20.

Cap rates have been higher in 2016, averaging 5.91%, compared to the first nine months of last year when they averaged 5.88%.

# Inland Empire Industrial Market



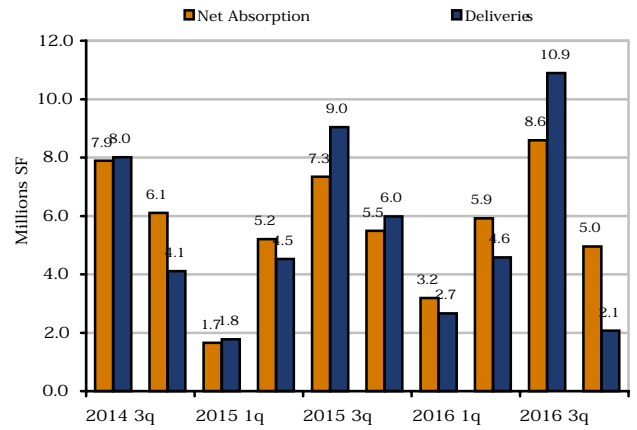
Overview

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.

Reports compiled by: Paula Bonner, Emily Chiu, and Pharoeth Mendoza, CoStar Research Managers

## Absorption & Deliveries

Past 10 Quarters



Source: CoStar Property®





## 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

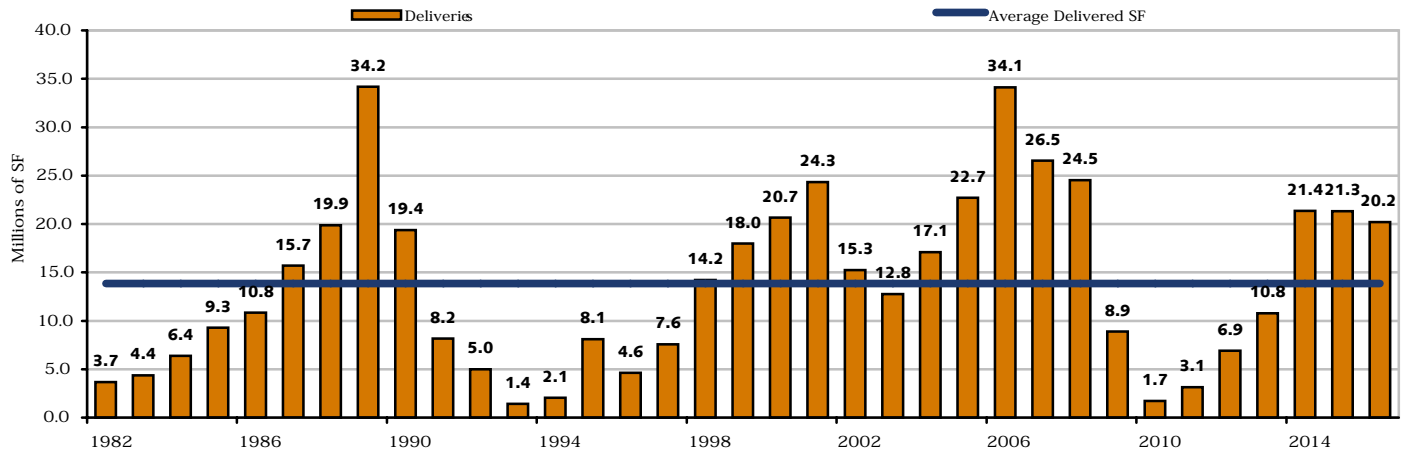
# Inland Empire Industrial Market



Inventory & development

## Historical Deliveries

1982 - 2016



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

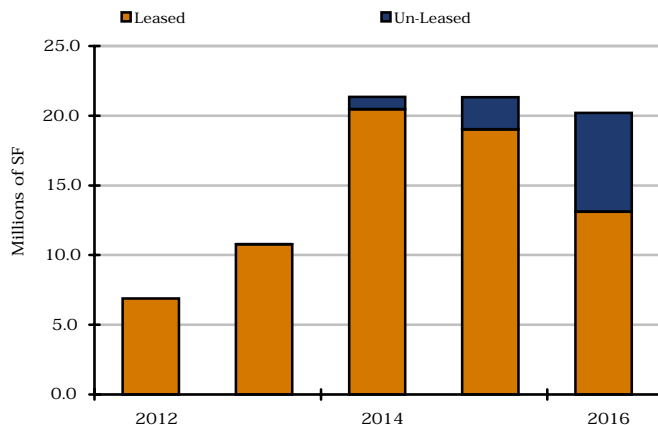
## CONSTRUCTION ACTIVITY Markets Ranked by Under Construction RBA

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Released SF	Released %	All Existing	U/C
Inland Empire East	57	12,153,297	3,022,682	24.9%	41,956	213,216
Inland Empire West	51	8,346,908	466,806	5.6%	48,012	163,665
<b>Totals</b>	<b>108</b>	<b>20,500,205</b>	<b>3,489,488</b>	<b>17.0%</b>	<b>44,684</b>	<b>189,817</b>

Source: CoStar Property®

## Recent Deliveries

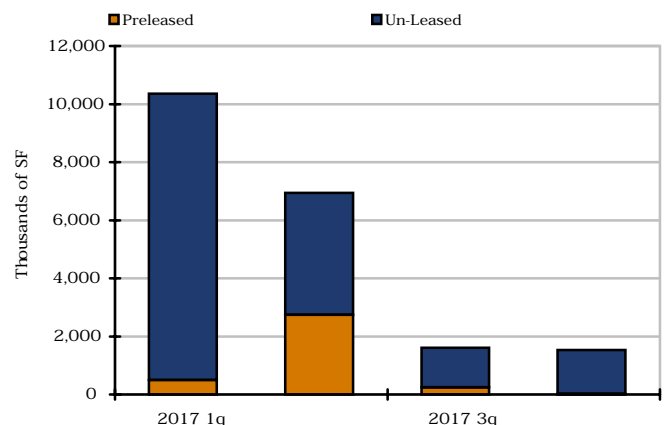
Leased & Un-Leased SF in Deliveries Since 2012



Source: CoStar Property®

## Future Deliveries

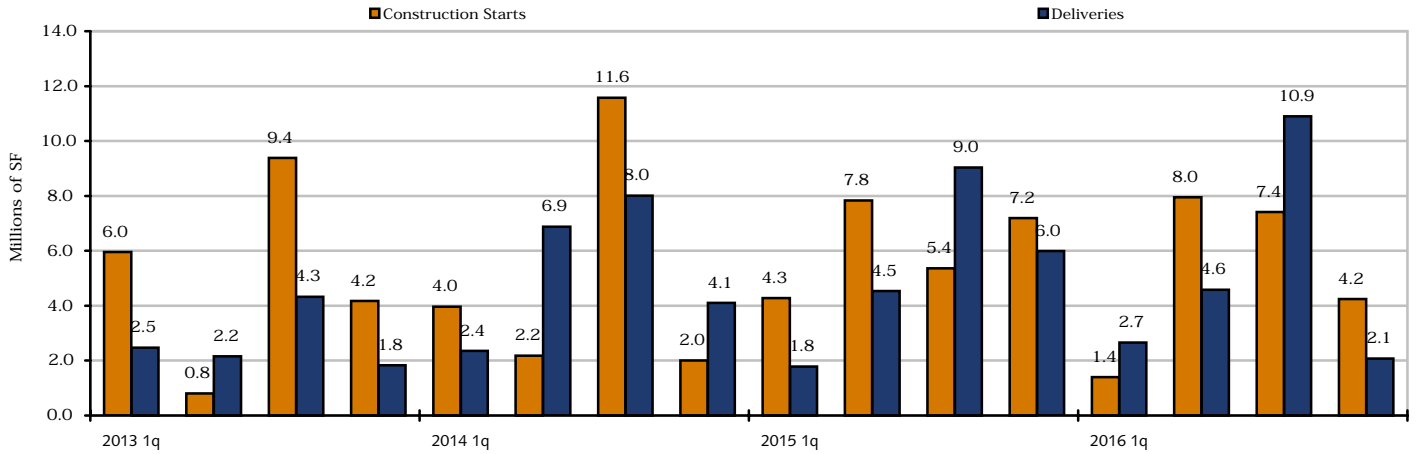
Preleased & Un-Leased SF in Properties Scheduled to Deliver



Source: CoStar Property®

## 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	21	568,354	331,781	58.4%	\$7.16	406,212	162,142
50,000 SF - 99,999 SF	9	615,492	291,946	47.4%	\$6.42	615,492	0
100,000 SF - 249,999 SF	11	1,666,890	1,392,478	83.5%	\$4.32	1,186,776	480,114
250,000 SF - 499,999 SF	14	5,344,307	3,101,793	58.0%	\$0.00	4,629,723	714,584
>= 500,000 SF	15	12,015,042	7,990,194	66.5%	\$0.00	6,093,076	5,921,966

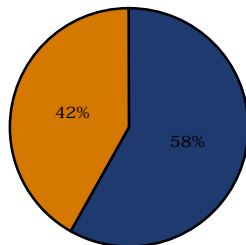
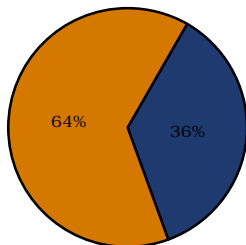
Source: CoStar Property®

## Recent Development by Tenancy

Based on RBA Developed for Single & Multi-Tenant Use

2016 Deliveries

Currently Under Construction



■ Multi ■ Single

■ Multi ■ Single

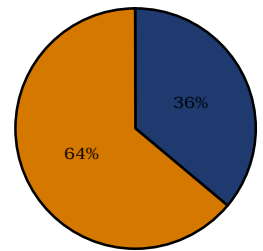
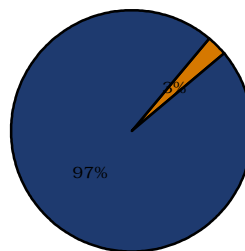
Source: CoStar Property®

## 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. Renaissance Rialto - Medline</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>1,170,880</b>  Occupied: <b>100%</b>  Quoted Rate: <b>N/A</b>  Grnd Brk Date: <b>Second Quarter 2015</b>  Deliv Date: <b>Third Quarter 2016</b>  Leasing Co: <b>Lewis Community Developers</b>  Developer: <b>Lewis Community Developers</b></p>	<p><b>2. Perris Valley Logistics Center</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>1,133,382</b>  Occupied: <b>100%</b>  Quoted Rate: <b>N/A</b>  Grnd Brk Date: <b>Third Quarter 2014</b>  Deliv Date: <b>First Quarter 2016</b>  Leasing Co: <b>Cushman &amp; Wakefield</b>  Developer: <b>Howard Industrial</b></p>	<p><b>3. 24101 Iris Ave</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>1,103,003</b>  Occupied: <b>100%</b>  Quoted Rate: <b>N/A</b>  Grnd Brk Date: <b>Fourth Quarter 2015</b>  Deliv Date: <b>Third Quarter 2016</b>  Leasing Co: <b>Cushman &amp; Wakefield</b>  Developer: <b>Western Realco</b></p>
<p><b>4. Meredith International Centre - QVC</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>1,061,735</b>  Occupied: <b>100%</b>  Quoted Rate: <b>N/A</b>  Grnd Brk Date: <b>Fourth Quarter 2015</b>  Deliv Date: <b>Second Quarter 2016</b>  Leasing Co: <b>Vineyard Industrial II LLC</b>  Developer: <b>Sares-Regis Group</b></p>	<p><b>5. Goodman Commerce Center Eastvale - Bldg B</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>1,033,192</b>  Occupied: <b>100%</b>  Quoted Rate: <b>N/A</b>  Grnd Brk Date: <b>Third Quarter 2015</b>  Deliv Date: <b>Third Quarter 2016</b>  Leasing Co: <b>JLL</b>  Developer: <b>Goodman Birtcher North America</b></p>	<p><b>6. DCT Jurupa Logistics Center</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>967,200</b>  Occupied: <b>100%</b>  Quoted Rate: <b>N/A</b>  Grnd Brk Date: <b>Second Quarter 2015</b>  Deliv Date: <b>Third Quarter 2016</b>  Leasing Co: <b>Lee &amp; Associates</b>  Developer: <b>DCT Industrial Trust</b></p>
<p><b>7. I-210 Logistics Center II</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>758,940</b>  Occupied: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Second Quarter 2015</b>  Deliv Date: <b>Second Quarter 2016</b>  Leasing Co: <b>Lee &amp; Associates</b>  Developer: <b>Panattoni Development Company</b></p>	<p><b>8. Sierra Pacific Center - Phase II</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>752,664</b>  Occupied: <b>54%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Second Quarter 2015</b>  Deliv Date: <b>Third Quarter 2016</b>  Leasing Co: <b>Cushman &amp; Wakefield</b>  Developer: <b>Pacific Industrial</b></p>	<p><b>9. Alder Distribution Center</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>630,200</b>  Occupied: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Second Quarter 2015</b>  Deliv Date: <b>Third Quarter 2016</b>  Leasing Co: <b>Voit Real Estate Services</b>  Developer: <b>Thrifty Oil Co.</b></p>
<p><b>10. Redlands Gateway Logistics Center - Bldg 1</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>614,328</b>  Occupied: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Third Quarter 2015</b>  Deliv Date: <b>Third Quarter 2016</b>  Leasing Co: <b>Colliers International</b>  Developer: <b>Seefried Properties, Inc.</b></p>	<p><b>11. 2255 W Lugonia Ave</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>601,287</b>  Occupied: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Second Quarter 2015</b>  Deliv Date: <b>Third Quarter 2016</b>  Leasing Co: <b>Lee &amp; Associates</b>  Developer: <b>TIAA</b></p>	<p><b>12. Prologis Redlands Distribution</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>593,563</b>  Occupied: <b>100%</b>  Quoted Rate: <b>N/A</b>  Grnd Brk Date: <b>First Quarter 2015</b>  Deliv Date: <b>First Quarter 2016</b>  Leasing Co: <b>CBRE</b>  Developer: <b>Prologis</b></p>
<p><b>13. Meredith International Centre - Bldg 6</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>573,266</b>  Occupied: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Fourth Quarter 2015</b>  Deliv Date: <b>Fourth Quarter 2016</b>  Leasing Co: <b>Lee &amp; Associates</b>  Developer: <b>Sares-Regis Group</b></p>	<p><b>14. Renaissance Rialto - Niagara</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>520,800</b>  Occupied: <b>100%</b>  Quoted Rate: <b>N/A</b>  Grnd Brk Date: <b>Third Quarter 2015</b>  Deliv Date: <b>Second Quarter 2016</b>  Leasing Co: <b>Niagara Bottling</b>  Developer: <b>Lewis Community Developers</b></p>	<p><b>15. 2185 Lugonia Ave</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>500,602</b>  Occupied: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Second Quarter 2015</b>  Deliv Date: <b>Third Quarter 2016</b>  Leasing Co: <b>Lee &amp; Associates</b>  Developer: <b>Hillwood</b></p>

## Select Top Under Construction Properties

Based on Project Square Footage

<p><b>1. Crossroads Logistics Center - Bldg A1</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>1,489,240</b>  Preleased: <b>100%</b>  Quoted Rate: <b>\$3.48</b>  Grnd Brk Date: <b>Third Quarter 2016</b>  Deliv Date: <b>Second Quarter 2017</b>  Leasing Co: <b>CBRE</b>  Developer: <b>Master Development Corp, Inc.</b></p>	<p><b>2. Duke Perris Logistics Center - Bldg 1</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>1,244,874</b>  Preleased: <b>100%</b>  Quoted Rate: <b>N/A</b>  Grnd Brk Date: <b>Third Quarter 2016</b>  Deliv Date: <b>Second Quarter 2017</b>  Leasing Co: <b>Duke Realty Corporation</b>  Developer: <b>Ridge Property Trust</b></p>	<p><b>3. Citrus Commerce Center - Bldg 2</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>1,038,499</b>  Preleased: <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>Lee &amp; Associates</b>  Developer: <b>Alere Property Group LLC</b></p>
<p><b>4. Goodman Commerce Center Eastvale - Bldg A</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>1,007,705</b>  Preleased: <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>JLL</b>  Developer: <b>Goodman Birtcher North America</b></p>	<p><b>5. Meridian Business Park - Phase III - Bldg A</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>1,000,000</b>  Preleased: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Fourth Quarter 2016</b>  Deliv Date: <b>Fourth Quarter 2017</b>  Leasing Co: <b>Cushman &amp; Wakefield</b>  Developer: <b>N/A</b></p>	<p><b>6. Perris Distribution Center</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>864,000</b>  Preleased: <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>Newmark Grubb Knight Frank</b>  Developer: <b>N/A</b></p>
<p><b>7. Knox Logistics Center II</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>767,410</b>  Preleased: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Third Quarter 2016</b>  Deliv Date: <b>Third Quarter 2017</b>  Leasing Co: <b>CBRE</b>  Developer: <b>Knox Logistics II LLC</b></p>	<p><b>8. Legacy Building 842</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>725,160</b>  Preleased: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Third Quarter 2016</b>  Deliv Date: <b>Second Quarter 2017</b>  Leasing Co: <b>Colliers International</b>  Developer: <b>Watson Land Company</b></p>	<p><b>9. 13032 Slover Ave</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>671,557</b>  Preleased: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Fourth Quarter 2016</b>  Deliv Date: <b>Second Quarter 2017</b>  Leasing Co: <b>Lee &amp; Associates</b>  Developer: <b>N/A</b></p>
<p><b>10. Citrus Commerce Center - Bldg 1</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>634,843</b>  Preleased: <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>Lee &amp; Associates</b>  Developer: <b>Alere Property Group LLC</b></p>	<p><b>11. Pacific Palm Center</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>624,627</b>  Preleased: <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>Pacific Industrial</b></p>	<p><b>12. Stratford Ranch</b></p> <p>Submarket: <b>Inland Empire East Industrial Market</b>  RBA: <b>599,113</b>  Preleased: <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>13. Meredith International Centre - Bldg 2</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>553,136</b>  Preleased: <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>14. Legacy Building 846</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>442,920</b>  Preleased: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Third Quarter 2016</b>  Deliv Date: <b>Second Quarter 2017</b>  Leasing Co: <b>Colliers International</b>  Developer: <b>Watson Land Company</b></p>	<p><b>15. I-10/Citrus Distribution Center</b></p> <p>Submarket: <b>Inland Empire West Industrial Market</b>  RBA: <b>424,427</b>  Preleased: <b>0%</b>  Quoted Rate: <b>Negotiable</b>  Grnd Brk Date: <b>Second Quarter 2016</b>  Deliv Date: <b>Second Quarter 2017</b>  Leasing Co: <b>Colliers International</b>  Developer: <b>Clarion Partners</b></p>

# Inland Empire Industrial Market



Figures at a Glance

## Flex Market Statistics

Year-End 2016

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	550	9,436,495	558,431	568,412	6.0%	64,795	0	13,023	\$11.57
Inland Empire West	347	5,884,964	309,552	312,251	5.3%	117,683	0	0	\$12.65
<b>Totals</b>	<b>897</b>	<b>15,321,459</b>	<b>867,983</b>	<b>880,663</b>	<b>5.7%</b>	<b>182,478</b>	<b>0</b>	<b>13,023</b>	<b>\$12.01</b>

Source: CoStar Property®

## Warehouse Market Statistics

Year-End 2016

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	6,546	288,281,529	14,733,567	15,298,781	5.3%	17,276,067	12,973,210	12,140,274	\$5.78
Inland Empire West	5,468	273,307,178	9,490,551	10,445,858	3.8%	5,199,230	7,236,875	8,346,908	\$6.51
<b>Totals</b>	<b>12,014</b>	<b>561,588,707</b>	<b>24,224,118</b>	<b>25,744,639</b>	<b>4.6%</b>	<b>22,475,297</b>	<b>20,210,085</b>	<b>20,487,182</b>	<b>\$6.12</b>

Source: CoStar Property®

## Total Industrial Market Statistics

Year-End 2016

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	7,096	297,718,024	15,291,998	15,867,193	5.3%	17,340,862	12,973,210	12,153,297	\$5.99
Inland Empire West	5,815	279,192,142	9,800,103	10,758,109	3.9%	5,316,913	7,236,875	8,346,908	\$6.69
<b>Totals</b>	<b>12,911</b>	<b>576,910,166</b>	<b>25,092,101</b>	<b>26,625,302</b>	<b>4.6%</b>	<b>22,657,775</b>	<b>20,210,085</b>	<b>20,500,205</b>	<b>\$6.32</b>

Source: CoStar Property®



# Inland Empire Industrial Market

Figures at a Glance

## Flex Market Statistics

Year-End 2016

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	
2016 4q	897	15,321,459	867,983	880,663	5.7%	93,730	0	0	1	13,023	\$12.01
2016 3q	897	15,321,459	968,476	974,393	6.4%	(2,014)	0	0	1	13,023	\$11.72
2016 2q	897	15,321,459	958,838	972,379	6.3%	153,494	0	0	1	13,023	\$11.49
2016 1q	897	15,321,459	1,114,268	1,125,873	7.3%	(62,732)	0	0	0	0	\$11.52
2015 4q	897	15,321,459	1,051,213	1,063,141	6.9%	149,262	0	0	0	0	\$11.37
2015 3q	897	15,321,459	1,196,503	1,212,403	7.9%	110,573	0	0	0	0	\$11.34
2015 2q	897	15,321,459	1,306,113	1,322,976	8.6%	18,802	0	0	0	0	\$11.20
2015 1q	897	15,321,459	1,329,550	1,341,778	8.8%	(39,540)	0	0	0	0	\$11.08
2014	897	15,321,459	1,294,135	1,302,238	8.5%	388,587	0	0	0	0	\$10.96
2013	898	15,328,939	1,692,862	1,698,305	11.1%	264,175	3	31,534	0	0	\$10.56
2012	895	15,297,405	1,925,492	1,930,946	12.6%	521,918	0	0	3	31,534	\$9.79
2011	895	15,297,405	2,284,795	2,452,864	16.0%	364,321	0	0	3	31,534	\$9.66
2010	895	15,297,405	2,653,349	2,817,185	18.4%	98,629	0	0	2	23,284	\$10.09
2009	896	15,315,005	2,752,775	2,933,414	19.2%	(188,420)	8	206,847	2	23,284	\$10.76
2008	888	15,108,158	2,327,454	2,538,147	16.8%	(463,215)	44	681,626	5	153,449	\$12.09
2007	844	14,426,532	1,325,785	1,393,306	9.7%	(18,655)	24	533,176	34	375,947	\$13.60

Source: CoStar Property®

## Warehouse Market Statistics

Year-End 2016

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	
2016 4q	12,014	561,588,707	24,224,118	25,744,639	4.6%	4,862,790	14	2,074,789	107	20,487,182	\$6.12
2016 3q	12,000	559,513,918	27,176,890	28,532,640	5.1%	8,597,440	23	10,896,057	94	18,319,657	\$6.05
2016 2q	11,978	548,629,931	24,766,052	26,246,093	4.8%	5,762,633	19	4,580,386	80	21,802,163	\$5.87
2016 1q	11,961	544,119,645	27,092,774	27,498,440	5.1%	3,252,434	14	2,658,853	73	18,441,547	\$5.63
2015 4q	11,947	541,460,792	27,676,611	28,092,021	5.2%	5,339,150	14	5,988,609	70	19,696,286	\$5.54
2015 3q	11,934	535,480,640	27,115,525	27,451,019	5.1%	7,228,330	19	9,036,361	54	18,490,509	\$5.45
2015 2q	11,917	526,766,706	25,093,896	25,965,415	4.9%	5,187,427	16	4,530,965	53	22,165,939	\$5.33
2015 1q	11,901	522,235,741	25,884,053	26,621,877	5.1%	1,697,300	4	1,780,607	51	18,862,290	\$5.21
2014	11,899	520,984,578	26,558,851	27,068,014	5.2%	19,449,353	53	21,353,254	37	16,361,437	\$5.23
2013	11,848	499,672,523	24,961,848	25,205,312	5.0%	18,173,386	30	10,751,273	48	17,994,922	\$4.98
2012	11,822	489,377,656	32,073,407	33,083,831	6.8%	7,017,443	21	6,897,723	26	8,422,368	\$4.80
2011	11,804	482,917,468	32,902,908	33,641,086	7.0%	16,869,779	10	3,125,234	13	4,490,195	\$4.69
2010	11,798	479,962,981	45,286,021	47,556,378	9.9%	12,125,827	12	1,711,772	8	2,464,497	\$4.57
2009	11,788	478,254,784	55,616,038	57,974,008	12.1%	1,644,112	116	8,671,402	10	1,666,169	\$4.94
2008	11,672	469,583,382	49,430,058	50,946,718	10.8%	2,918,118	300	23,838,506	88	7,023,465	\$5.90
2007	11,377	446,092,338	29,206,422	30,373,792	6.8%	27,862,636	413	26,001,025	208	19,694,007	\$6.16

Source: CoStar Property®

## Total Industrial Market Statistics

Year-End 2016

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	
2016 4q	12,911	576,910,166	25,092,101	26,625,302	4.6%	4,956,520	14	2,074,789	108	20,500,205	\$6.32
2016 3q	12,897	574,835,377	28,145,366	29,507,033	5.1%	8,595,426	23	10,896,057	95	18,332,680	\$6.26
2016 2q	12,875	563,951,390	25,724,890	27,218,472	4.8%	5,916,127	19	4,580,386	81	21,815,186	\$6.10
2016 1q	12,858	559,441,104	28,207,042	28,624,313	5.1%	3,189,702	14	2,658,853	73	18,441,547	\$5.89
2015 4q	12,844	556,782,251	28,727,824	29,155,162	5.2%	5,488,412	14	5,988,609	70	19,696,286	\$5.79
2015 3q	12,831	550,802,099	28,312,028	28,663,422	5.2%	7,338,903	19	9,036,361	54	18,490,509	\$5.72
2015 2q	12,814	542,088,165	26,400,009	27,288,391	5.0%	5,206,229	16	4,530,965	53	22,165,939	\$5.61
2015 1q	12,798	537,557,200	27,213,603	27,963,655	5.2%	1,657,760	4	1,780,607	51	18,862,290	\$5.48
2014	12,796	536,306,037	27,852,986	28,370,252	5.3%	19,837,940	53	21,353,254	37	16,361,437	\$5.50
2013	12,746	515,001,462	26,654,710	26,903,617	5.2%	18,437,561	33	10,782,807	48	17,994,922	\$5.22
2012	12,717	504,675,061	33,998,899	35,014,777	6.9%	7,539,361	21	6,897,723	29	8,453,902	\$4.97
2011	12,699	498,214,873	35,187,703	36,093,950	7.2%	17,234,100	10	3,125,234	16	4,521,729	\$4.86
2010	12,693	495,260,386	47,939,370	50,373,563	10.2%	12,224,456	12	1,711,772	10	2,487,781	\$4.74
2009	12,684	493,569,789	58,368,813	60,907,422	12.3%	1,455,692	124	8,878,249	12	1,689,453	\$5.12
2008	12,560	484,691,540	51,757,512	53,484,865	11.0%	2,454,903	344	24,520,132	93	7,176,914	\$6.13
2007	12,221	460,518,870	30,532,207	31,767,098	6.9%	27,843,981	437	26,534,201	242	20,069,954	\$6.42

Source: CoStar Property®

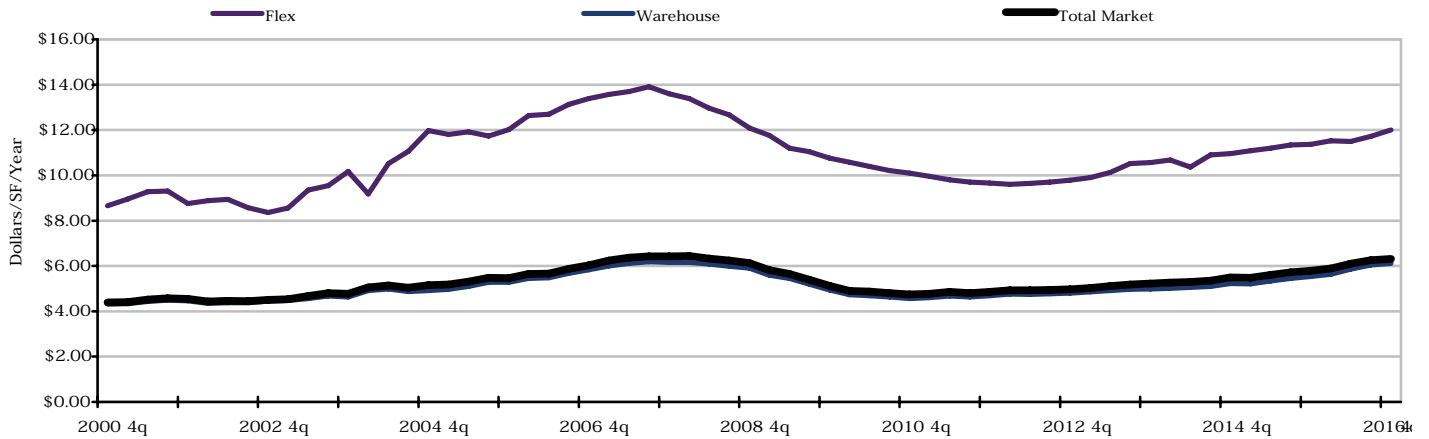
# Inland Empire Industrial Market



Leasing Activity

## Historical Rental Rates

Based on Quoted Rental Rates



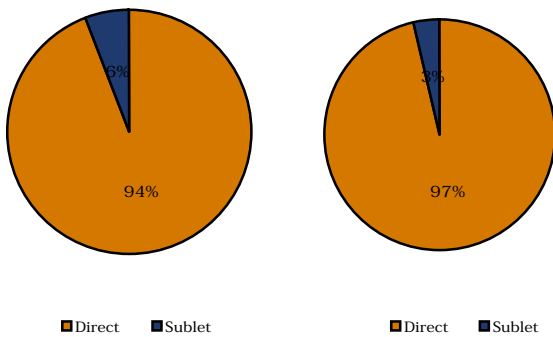
Source: CoStar Property®

## Vacancy by Available Space Type

Percent of All Vacant Space in Direct vs. Sublet

Inland Empire (California)

United States



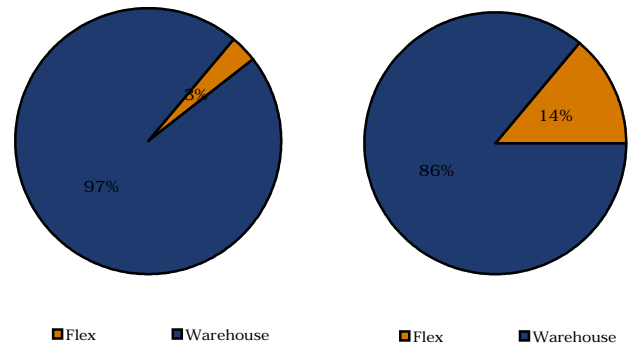
Source: CoStar Property®

## Vacancy by Building Type

Percent of All Vacant Space by Building Type

Inland Empire (California)

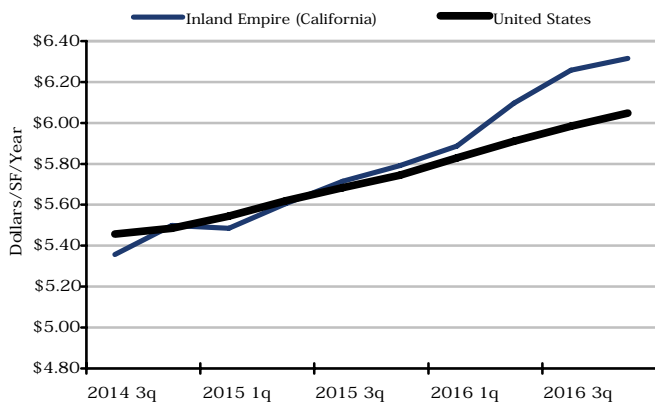
United States



Source: CoStar Property®

## U.S. Rental Rate Comparison

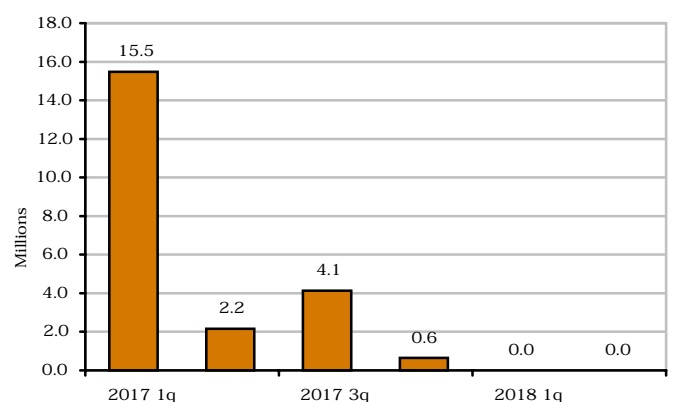
Based on Average Quoted Rental Rates



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 2016

Building	Submarket	SF	Qtr	Tenant Name	Tenant Rep Company	Landlord Rep Company
1 Duke Perris Logistics Center - Bldg1	South Riverside	1,244,874	2nd	Wayfair, Inc.	JLL	Duke Realty; Colliers International
2 24101 Iris Ave	Riverside	1,103,003	3rd	Floor & Decor	CBRE	Cushman & Wakefield
3 Alliance California Gateway S - Bldg 3	East San Bernardino	1,102,639	1st	Amazon Fulfillment Center	N/A	Colliers International
4 Goodman Commerce Ctr Eastvale	Riverside	1,033,192	2nd	Amazon	Cushman & Wakefield	JLL
5 Majestic Spectrum South - Bldg 5	West San Bernardino	885,000	1st	Port Logistics	N/A	Majestic Realty Co.
6 San Bernardino Logistics Center	East San Bernardino	806,322	4th	N/A	N/A	Insignia PMG
7 Crossroads Logistics Center - Bldg A1	Riverside	780,000	3rd	Wolverine	N/A	CBRE
8 Pioneer Logistics Center	San Bernardino	777,620	4th	N/A	N/A	Cushman & Wakefield
9 Prologis Mission Distribution Cente - Bldg2	Airport Area	741,458	2nd	Noble House Home Furnishings LLC	Voit Real Estate Services	Prologis; Colliers International
10 Goodman Logistics Center Fontana	Airport Area	639,473	2nd	Walmart	JLL	Lee & Associates
11 11618 Mulberry Ave	Airport Area	633,953	2nd	LuLaRoe	N/A	Lee & Associates
12 13053 San Bernardino Ave	Airport Area	616,551	4th	N/A	CBRE	Cushman & Wakefield
13 Acco Airport Center - Bldg A	East San Bernardino	592,710	2nd	Kohler	N/A	Colliers International; CBRE
14 Alesandro Business Center	Riverside	582,772	1st	Dressbarn	N/A	C&W; Commercial Realty Advisors
15 AMB Redlands Commerce Center - Bldg 3	East San Bernardino	564,161	2nd	3PL	N/A	Cushman & Wakefield
16 Legacy Building SM 860	East San Bernardino	557,213	1st	Mattel	N/A	JLL
17 9415 Kaiser Way	Airport Area	544,717	1st	Bradshaw Industries	Voit Real Estate Services	CBRE
18 ProLogis Park I-210 - Bldg 3	East San Bernardino	543,400	3rd	XFP Logistics Supply Chain	N/A	CBRE
19 13230 San Bernardino Ave*	Airport Area	489,380	4th	L & P Supply Chain Management LLC	N/A	CBRE
20 Meridian Logistics Center	Riverside	486,000	2nd	UPS	Lee & Associates	Cushman & Wakefield
21 Foothill Commerce Center	Airport Area	475,026	1st	Delta Children's Products	Cushman & Wakefield	Lee & Associates
22 CentrePointe South - Bldg 5	West San Bernardino	458,262	1st	3PL	Cushman & Wakefield	Cushman & Wakefield
23 Ontario Innovation Center	Airport Area	452,952	2nd	3M	N/A	CBRE
24 9774 Calabash Ave	Airport Area	423,548	1st	OnTrac	Colliers International	JLL
25 Space Center - Bldg 1	Airport Area	423,460	3rd	DCG Fulfillment	N/A	CBRE
26 Prologis Ontario Distribution	Airport Area	416,713	1st	NFI Industries, Inc.	Cushman & Wakefield	Prologis; CBRE
27 11600 Iberia St	Riverside	408,608	1st	N/A	CBRE	CBRE
28 Sierra Pacific Center - Phase II	Airport Area	403,182	2nd	LB Electronics	Cushman & Wakefield	Lee & Associates
29 Rialto Commerce Center	East San Bernardino	401,914	4th	The Hillman Group	Lee & Associates	Lee & Associates
30 Baseline Logistics Center I	East San Bernardino	373,771	1st	Under Armour	JLL	Lee & Associates
31 Hemlock Logistics Center	Airport Area	351,386	1st	ACT Fulfillment	Lee & Associates	Colliers International
32 Prologis Redlands Distribution	East San Bernardino	341,280	1st	Munchkin	JLL	Prologis; CBRE
33 RC Distribution Center III - Bldg D*	Airport Area	331,821	3rd	DSC Logistics	Fischer & Company	Voit Real Estate Services
34 Sierra Business Park - Bldg 3	Airport Area	320,990	2nd	The Carlstar Group	N/A	Lee & Associates
35 Sierra Business Park - Bldg 1	Airport Area	315,430	2nd	Sole Technology, Inc.	N/A	N/A
36 Carson Alliance - Bldg 2	East San Bernardino	302,290	2nd	Fender	Cresa Orange County	JLL
37 Goldenwest Industrial Park - Bldg A	Airport Area	302,020	3rd	Nellson LLC	Voit Real Estate Services	Voit Real Estate Services
38 Ontario Pacific Distribution - Phase I*	Airport Area	274,414	1st	Hubbell Lighting, Inc.	CBRE	Direct Deal
39 1291 S Vintage Ave	Airport Area	272,448	2nd	Logistics Plus	Foremost Comm'l Real Estate Co.	Cushman & Wakefield
40 2350 Fleetwood Dr	Riverside	270,570	3rd	ADESA	Direct Deal	Lee & Associates

Source: CoStar Property®

\* Renewal

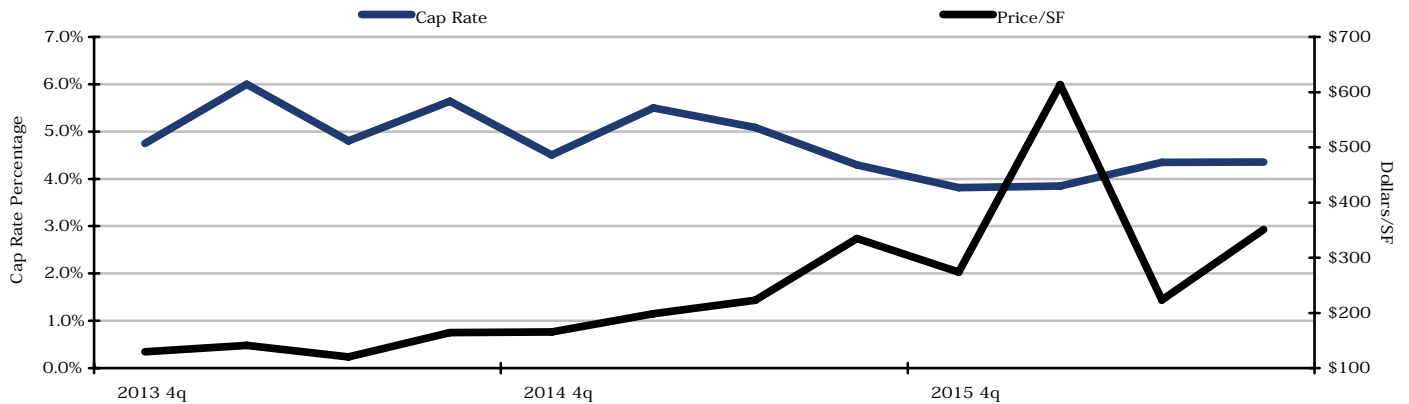
# Inland Empire Industrial Market



Sales Activity

## The Optimist Sales Index

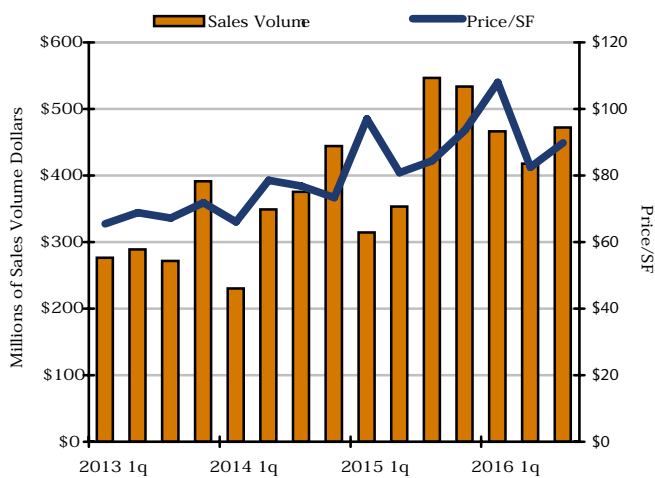
Average of Two Highest Price/SF's and Two Lowest Cap Rates Per Quarter



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

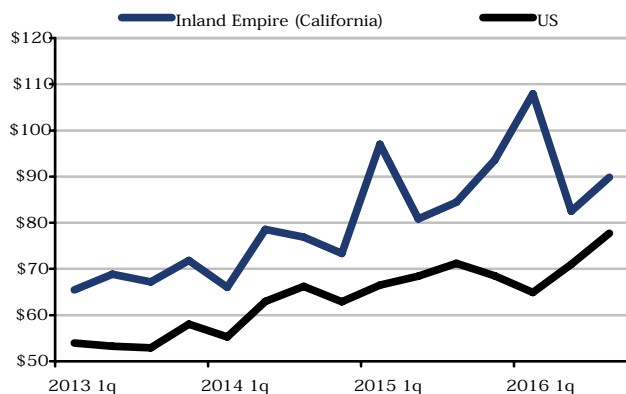
Based on Industrial Bldg Sales From Oct. 2015 - Sept. 2016

Bldg Size	#	RBA	\$ Volume	Price/SF	Cap Rate
< 25,000 SF	294	3,167,305	\$411,222,742	\$129.83	6.09%
25K-99K SF	74	3,385,540	\$339,290,737	\$100.22	6.58%
100K-249K SF	29	4,078,500	\$351,511,000	\$ 86.19	5.58%
>250K SF	22	11,563,612	\$1,033,980,964	\$ 89.42	4.80%

Source: CoStar COMPS®

## U.S. Price/SF Comparison

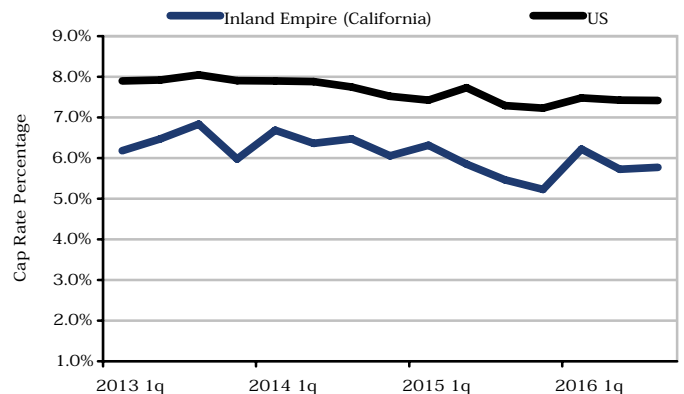
Based on Industrial Building Sales of 15,000 SF and Larger



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 October 2015 Through December 2016

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 Investment Management**  
 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**

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 LLC**

# Inland Empire Industrial Market

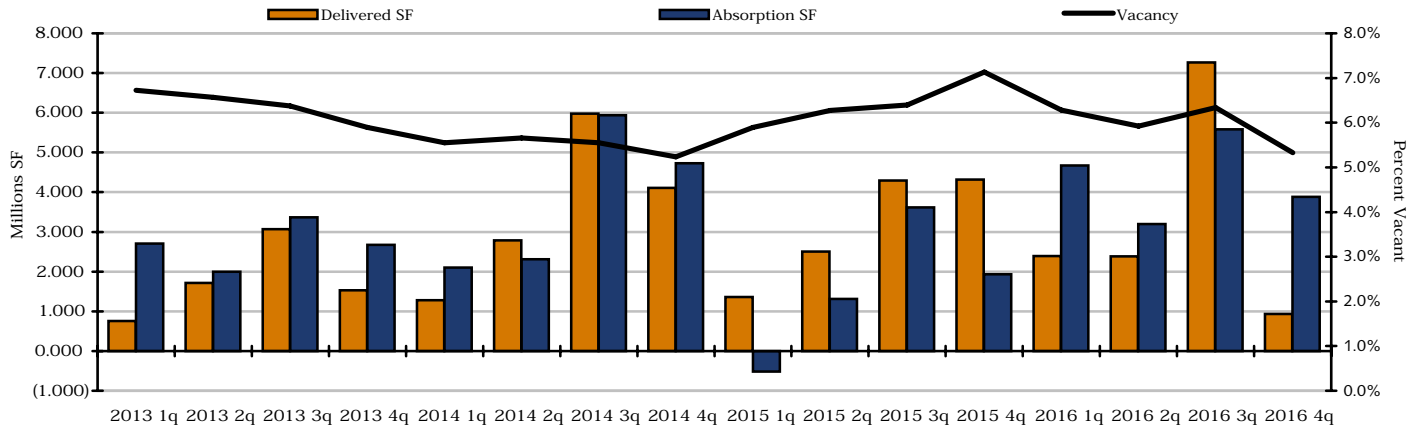


Inland Empire East Market

MARKET HIGHLIGHTS - Flex & Warehouse

## Deliveries, Absorption & Vacancy

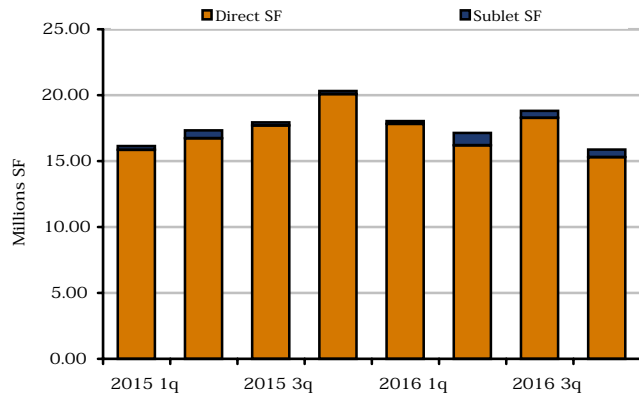
Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Vacant Space

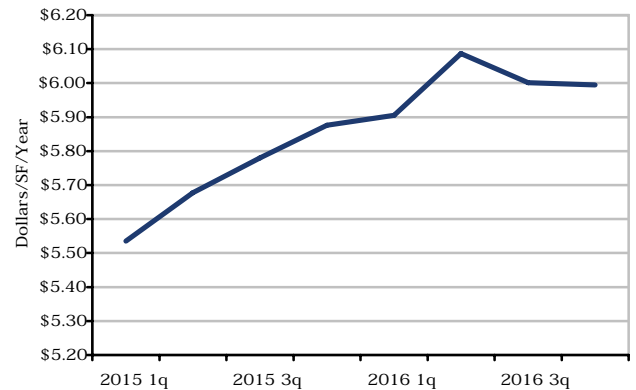
Historical Analysis, Flex and Warehouse



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	
2016 4q	7,096	297,718,024	15,867,193	5.3%	3,882,883	10	935,789	57	12,153,297	\$5.99
2016 3q	7,086	296,782,235	18,814,287	6.3%	5,582,775	13	7,266,970	55	11,032,248	\$6.00
2016 2q	7,074	289,527,335	17,142,162	5.9%	3,201,270	11	2,381,461	43	12,551,719	\$6.09
2016 1q	7,065	287,215,974	18,032,071	6.3%	4,673,934	10	2,388,990	42	11,431,494	\$5.91
2015 4q	7,055	284,826,984	20,317,015	7.1%	1,932,984	9	4,316,034	41	12,898,464	\$5.88
2015 3q	7,047	280,519,407	17,942,422	6.4%	3,618,859	10	4,295,696	36	13,767,340	\$5.78
2015 2q	7,038	276,294,395	17,336,269	6.3%	1,308,597	8	2,508,040	31	13,430,629	\$5.68
2015 1q	7,030	273,786,355	16,136,826	5.9%	(517,019)	3	1,363,967	26	10,204,502	\$5.54
2014 4q	7,027	272,422,388	14,255,840	5.2%	4,731,760	11	4,105,113	19	8,324,118	\$5.58
2014 3q	7,017	268,322,474	14,887,686	5.5%	5,934,215	11	5,980,081	25	11,181,413	\$5.45
2014 2q	7,006	262,342,393	14,841,820	5.7%	2,307,592	4	2,784,912	25	10,695,485	\$5.39
2014 1q	7,003	259,593,481	14,400,500	5.5%	2,101,104	3	1,279,960	25	11,721,410	\$5.36
2013 4q	7,000	258,313,521	15,221,644	5.9%	2,672,577	4	1,526,207	25	11,694,860	\$5.26
2013 3q	6,997	256,789,873	16,370,573	6.4%	3,364,486	8	3,070,634	21	10,777,505	\$5.30
2013 2q	6,989	253,719,239	16,664,425	6.6%	1,994,694	3	1,719,005	19	8,061,727	\$5.22
2013 1q	6,986	252,000,234	16,940,114	6.7%	2,703,358	2	752,682	20	9,420,925	\$5.11

Source: CoStar Property®



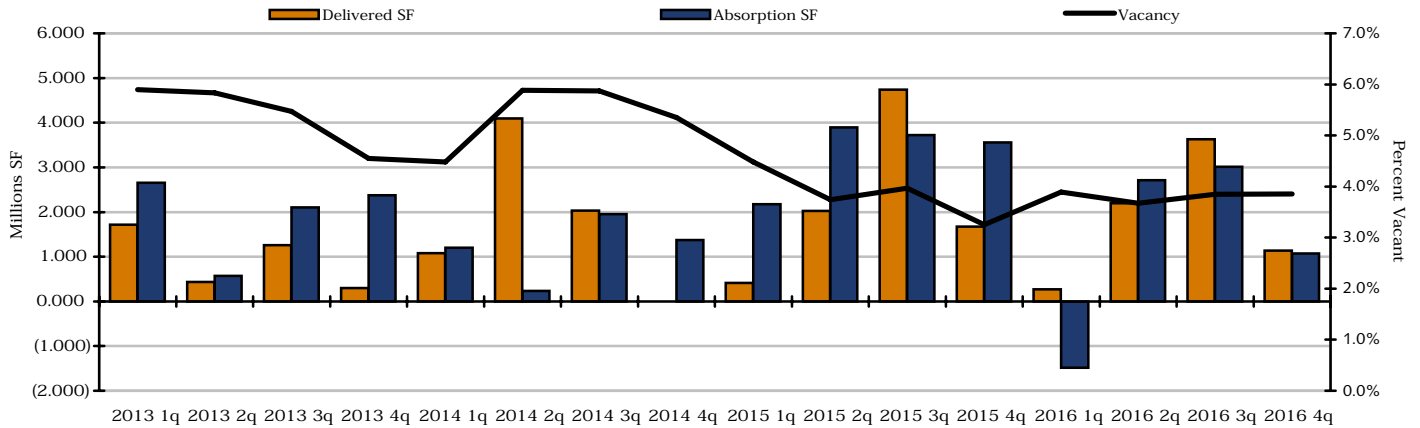
# Inland Empire Industrial Market

## Inland Empire West Market

### MARKET HIGHLIGHTS - Flex & Warehouse

## Deliveries, Absorption & Vacancy

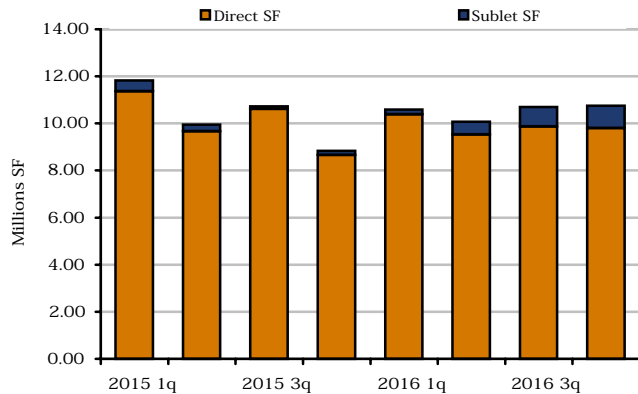
### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Vacant Space

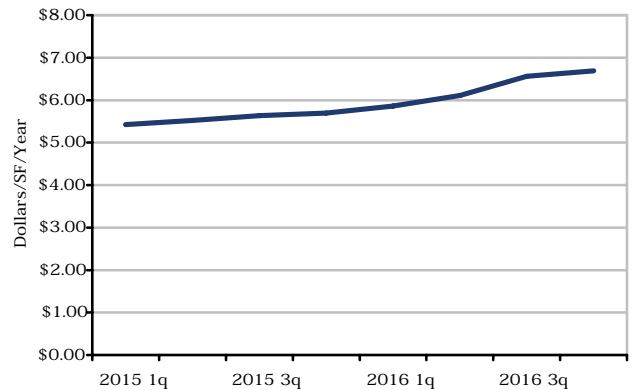
### Historical Analysis, Flex and Warehouse



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	
2016 4q	5,815	279,192,142	10,758,109	3.9%	1,073,637	4	1,139,000	51	8,346,908	\$6.69
2016 3q	5,811	278,053,142	10,692,746	3.8%	3,012,651	10	3,629,087	40	7,300,432	\$6.56
2016 2q	5,801	274,424,055	10,076,310	3.7%	2,714,857	8	2,198,925	38	9,263,467	\$6.11
2016 1q	5,793	272,225,130	10,592,242	3.9%	(1,484,232)	4	269,863	31	7,010,053	\$5.86
2015 4q	5,789	271,955,267	8,838,147	3.2%	3,555,428	5	1,672,575	29	6,797,822	\$5.69
2015 3q	5,784	270,282,692	10,721,000	4.0%	3,720,044	9	4,740,665	18	4,723,169	\$5.64
2015 2q	5,776	265,793,770	9,952,122	3.7%	3,897,632	8	2,022,925	22	8,735,310	\$5.52
2015 1q	5,768	263,770,845	11,826,829	4.5%	2,174,779	1	416,640	25	8,657,788	\$5.42
2014 4q	5,769	263,883,649	14,114,412	5.3%	1,373,700	0	0	18	8,037,319	\$5.41
2014 3q	5,769	263,883,649	15,488,112	5.9%	1,951,371	5	2,029,990	15	7,281,816	\$5.25
2014 2q	5,764	261,853,659	15,409,493	5.9%	233,806	15	4,096,059	9	4,203,417	\$5.20
2014 1q	5,749	257,757,600	11,547,240	4.5%	1,204,392	4	1,077,139	23	7,882,836	\$5.15
2013 4q	5,746	256,687,941	11,681,973	4.6%	2,372,928	1	300,300	23	6,300,062	\$5.18
2013 3q	5,746	256,683,741	14,050,701	5.5%	2,102,222	4	1,257,931	17	4,871,738	\$5.06
2013 2q	5,742	255,425,810	14,894,992	5.8%	572,889	6	437,944	9	2,527,459	\$5.00
2013 1q	5,736	254,987,866	15,029,937	5.9%	2,654,407	5	1,718,104	13	2,520,033	\$4.95

Source: CoStar Property®