

Economic Overview

According to the Bureau of Labor Statistics, the California unemployment rate dropped 0.7 percentage points from 5.5% in April 2016 to 4.8% in April 2017. Unemployment rate for the US was reported at 4.4% down from 5.0% over the same time period. The Riverside-San Bernardino-Ontario metropolitan statistical area job creation increased 3% from the previous year. Industrial using jobs (industries include manufacturing, construction, trade transportation and utilities) increased by 21,500 jobs from April 2016 to April 2017.

Market Overview

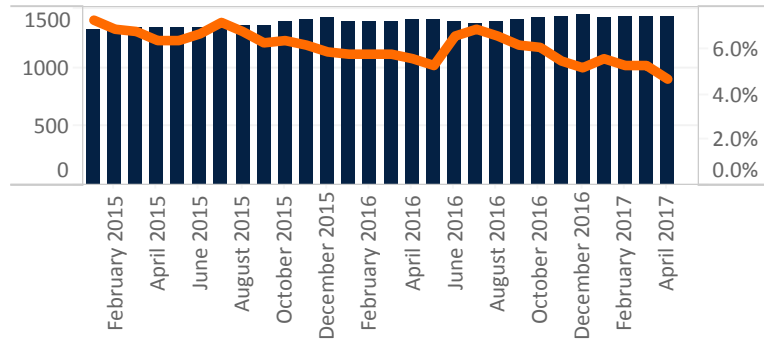
The Inland Empire industrial market recorded 4,174,068 sf of positive net absorption during 2Q2017. Absorption was up from 2.3 msf recorded during 1Q 2017. The total vacancy rate has decreased from 3.9% in 1Q 2017 to 3.6% at the close of 2Q 2017. Total availability rate decreased 0.6 percentage points from 6% to 5.4% during the same time period. Weighted average asking rates decreased \$0.04 NNN over the second quarter with the majority of newer buildings being marketed without an asking rate. Construction activity increased by 4 msf from 1Q 2017 mostly due to the heavy rainfall Southern California received in the early months of 2017, setting many projects back 3 to 6 months.

Market Highlights

The Inland Empire remains one the hottest industrial markets in the country with another quarter of net absorption in the millions and 27 msf currently under construction. 3 msf was delivered 2Q 2017 and another 12 msf is expected to deliver in 3Q 2017. The I.E. West submarket recorded the majority of net absorption with 2.3 msf, lowering the vacancy rate to 1.9%. As the coastal markets continue to struggle with a lack of Class A inventory and eCommerce demand continues to grow, tenants will continue to look toward the I.E. for brand new State Of The Art distribution facilities.

Inland Empire Employment

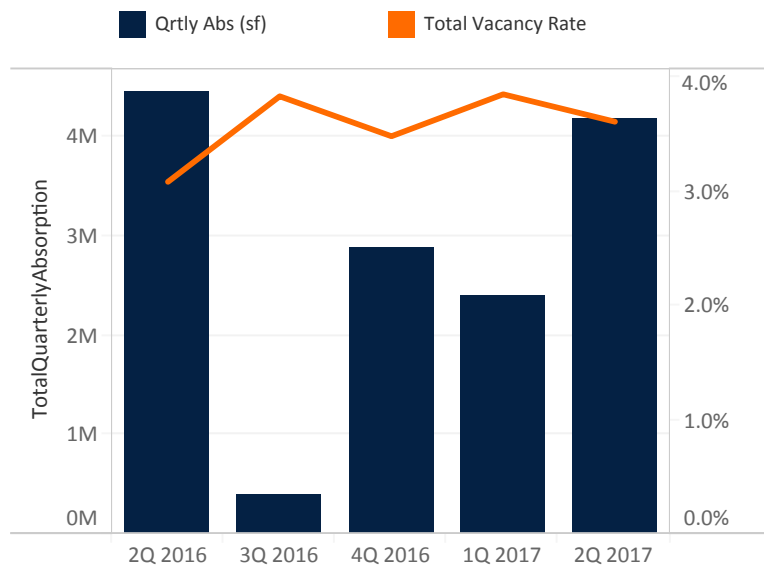
Source: BLS



Market Recap

Inventory (sf)	509,079,471
# of Bldgs	6,303
Qrtly Abs (sf)	4,174,068
Total Avail Rate	5.4%
Total Vacancy Rate	3.6%
U/C Inventory (sf)	27,667,766
Delivered (sf)	3,044,925
Weighted Average Asking Rate (NNN)	\$0.48

Absorption and Vacancy Rate



Overview by Specific Use (Total)

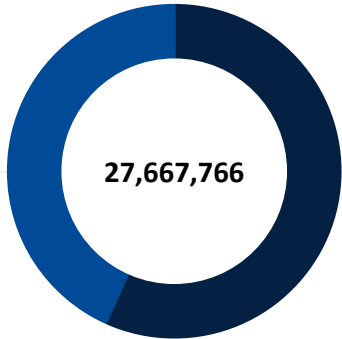
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Flex	16,719,539	357,055	149,233	0.9%	24,541	12,350
Whse/Dist	492,359,932	27,162,826	18,243,333	3.7%	4,149,527	6,564,241
Overall	509,079,471	27,519,881	18,392,566	3.6%	4,174,068	6,576,591

Overview by Market (Total)

Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
East	Flex	8,951,149	159,865	70,397	0.8%	3,552	19,336
	Whse/Dist	213,656,482	16,875,697	12,982,184	6.1%	1,810,428	3,669,759
	<i>Subtotal</i>	222,607,631	17,035,562	13,052,581	5.9%	1,813,980	3,689,095
West	Flex	7,768,390	197,190	78,836	1.0%	20,989	-6,986
	Whse/Dist	278,703,450	10,287,129	5,261,149	1.9%	2,339,099	2,894,482
	<i>Subtotal</i>	286,471,840	10,484,319	5,339,985	1.9%	2,360,088	2,887,496
Overall		509,079,471	27,519,881	18,392,566	3.6%	4,174,068	6,576,591

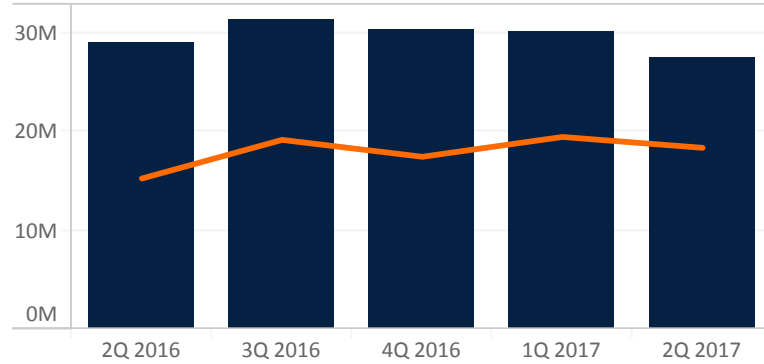
Construction by Market

■ East
■ West



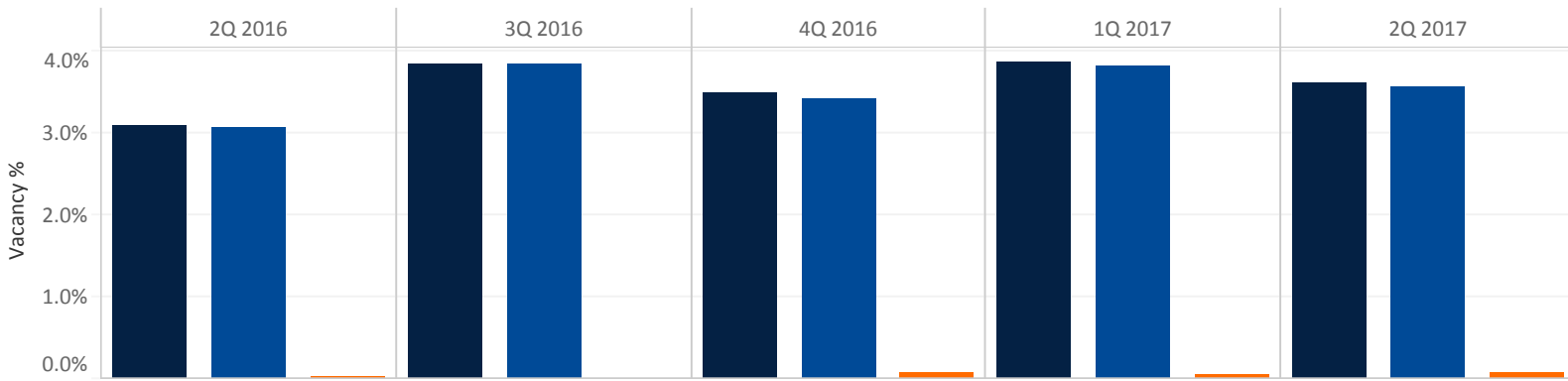
Total Available and Vacant

■ Avail (sf) ■ Vacant (sf)



Vacancy Rate

■ Total ■ Direct ■ Sublease



Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	16,719,539	351,459	147,285	0.9%	26,489	14,298
Whse/Dist	492,359,932	24,965,553	17,933,377	3.6%	4,221,469	6,521,476
Overall	509,079,471	25,317,012	18,080,662	3.6%	4,247,958	6,535,774

Overview by Specific Use (Sublease)

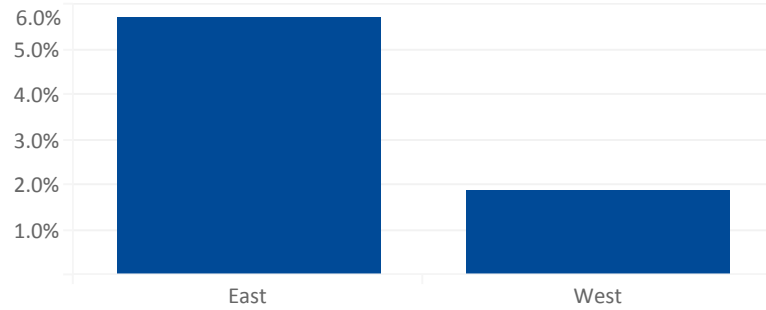
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	16,719,539	5,596	1,948	0.0%	-1,948	-1,948
Whse/Dist	492,359,932	2,197,273	309,956	0.1%	-71,942	42,765
Overall	509,079,471	2,202,869	311,904	0.1%	-73,890	40,817

Direct Vacancy Rates

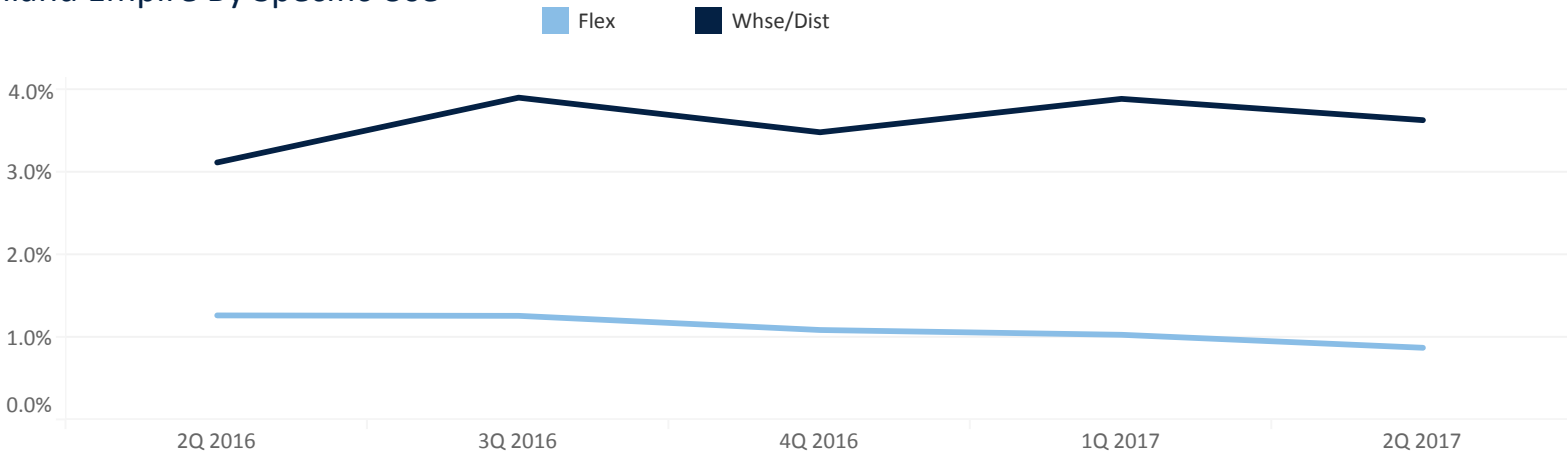
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
East	Flex	1.5%	1.4%	1.2%	0.8%	0.8%
	Whse/Dist	5.5%	6.2%	5.8%	5.8%	5.9%
West	Flex	1.0%	1.2%	0.9%	1.3%	1.0%
	Whse/Dist	1.3%	2.2%	1.8%	2.5%	1.9%
Overall		3.1%	3.8%	3.4%	3.8%	3.6%

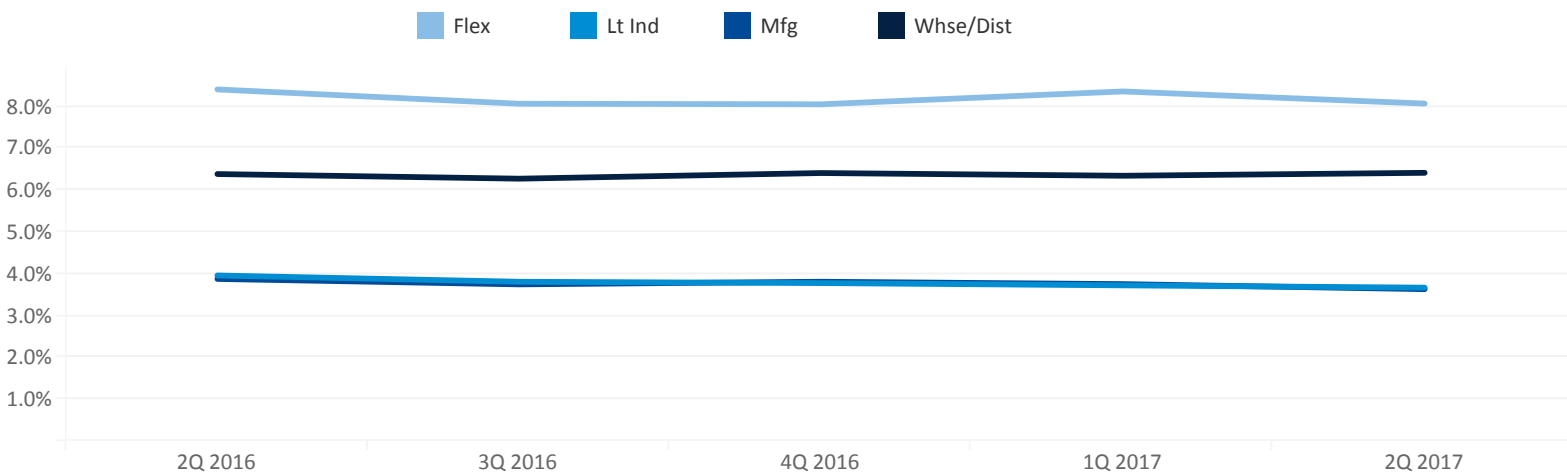
By Market



Inland Empire By Specific Use



National by Specific Use

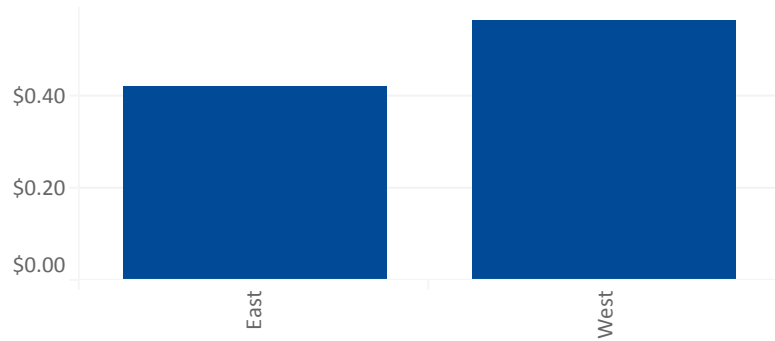


Direct Weighted Average Asking Rates (NNN)

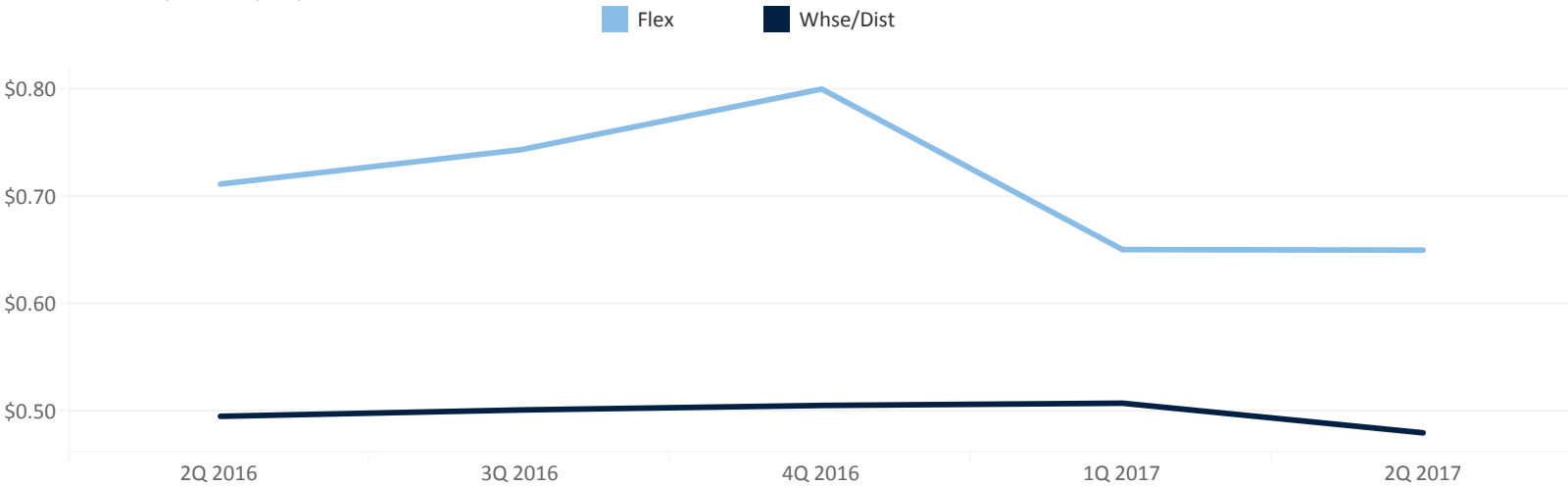
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
East	Flex	\$0.71	\$0.84	\$0.84	\$0.66	-
	Whse/Dist	\$0.44	\$0.46	\$0.48	\$0.47	\$0.42
West	Flex	-	\$0.72	\$0.79	\$0.65	\$0.65
	Whse/Dist	\$0.57	\$0.58	\$0.59	\$0.56	\$0.56
Overall		\$0.50	\$0.50	\$0.51	\$0.51	\$0.48

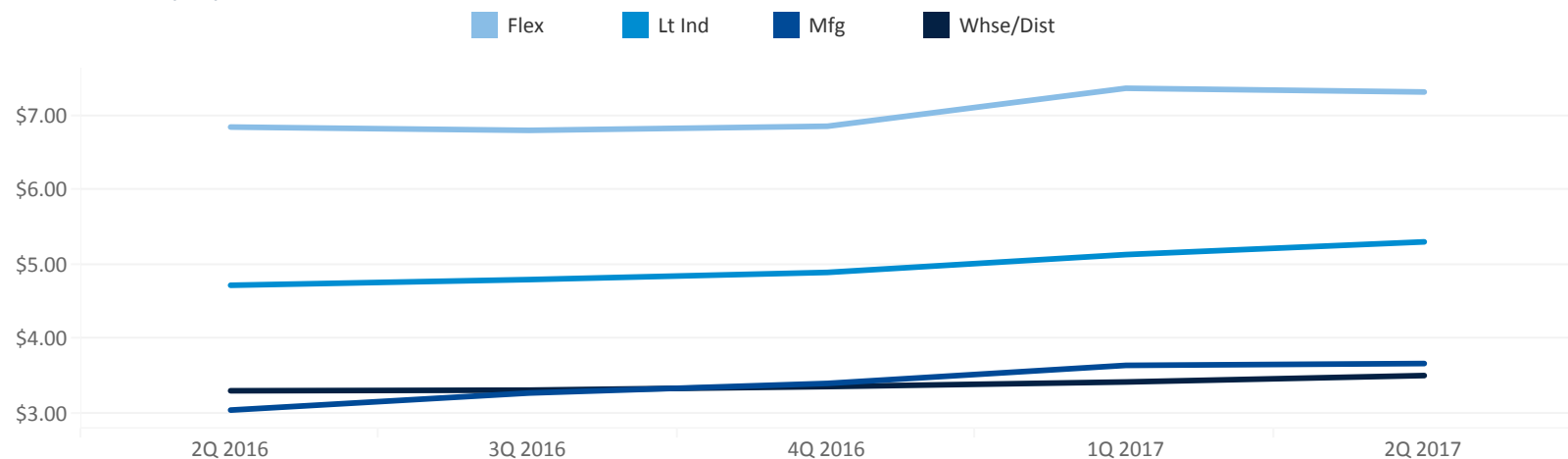
By Market



Inland Empire by Specific Use

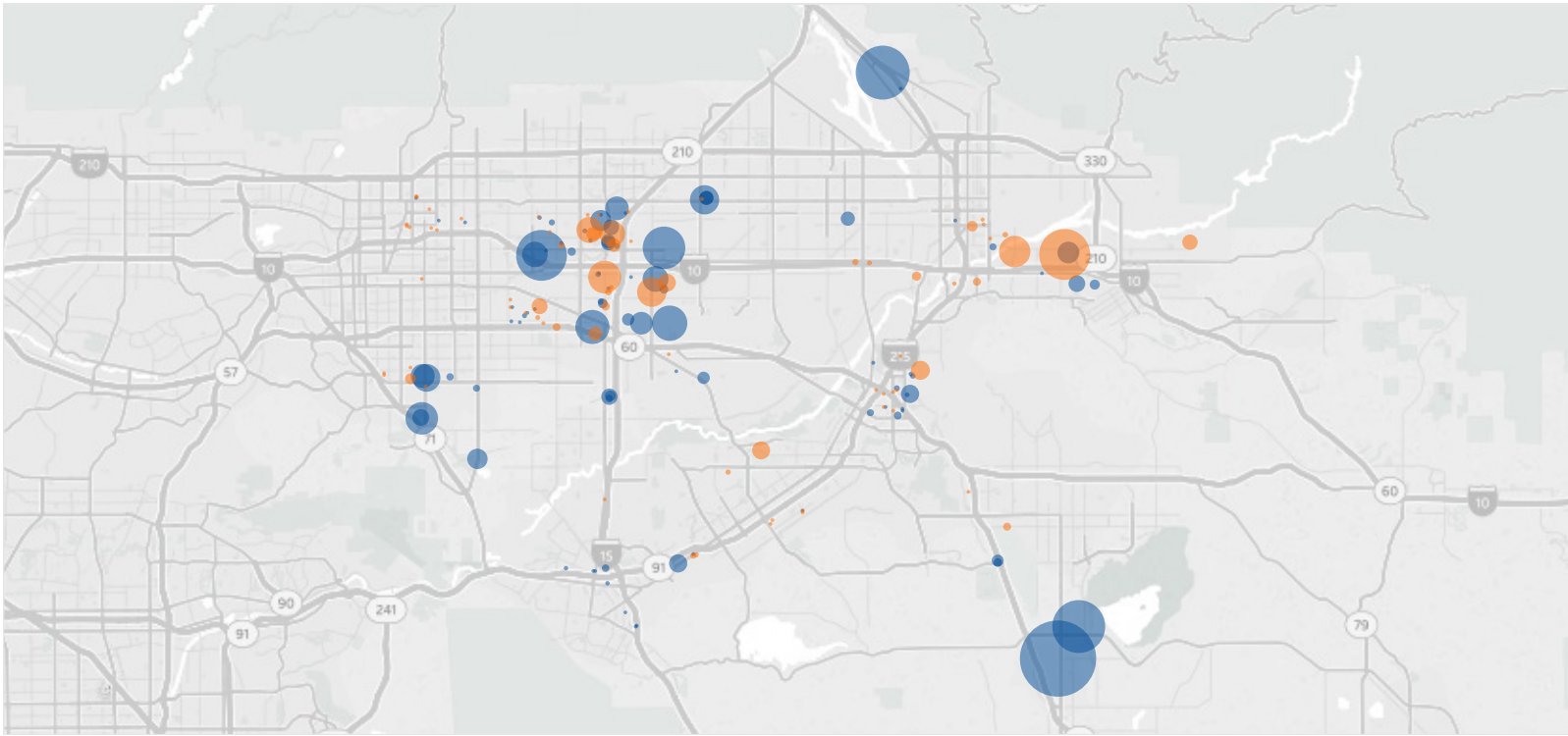


National by Specific Use



Absorption Map

■ Negative
 ■ Positive



Largest Positives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
Duke Perris Logistics Center Bldg 1	Wayfair, LLC	East	Whse/Dist	1,244,874
Pacific Palm Center	JC Penney	East	Whse/Dist	624,627
Stratford Ranch Bldg 2	Essendant, Inc.	East	Whse/Dist	599,113
Meredith International Centre	Arvato Digital Services	West	Whse/Dist	553,136
Prologis Kaiser Distribution Center	iLAD Inc.	West	Whse/Dist	388,130
13366 Philadelphia St	GoPlus Corp	West	Whse/Dist	266,950
3800 E Philadelphia St	LIST Logistics	West	Whse/Dist	248,738
Oakmont Cherry Avenue, Bldg 1	Golden State Foods	West	Whse/Dist	182,919

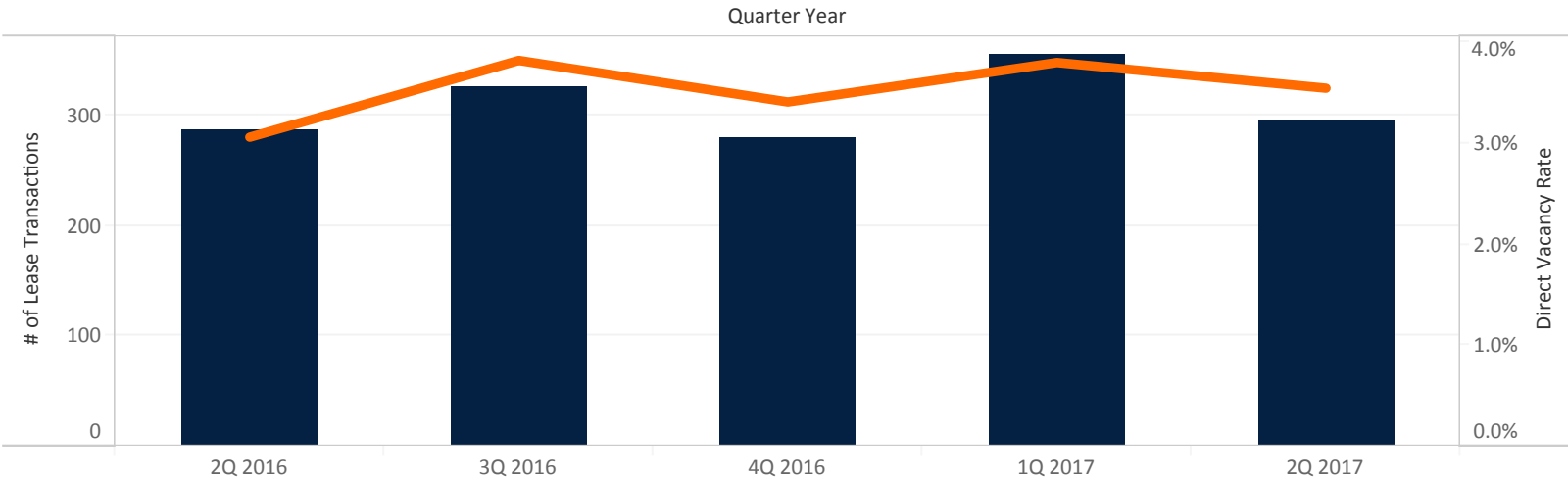
Largest Negatives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
1100 S Etiwanda Ave	Yankee Clipper Distribution	West	Whse/Dist	-185,342
10664-10680 Acacia St	Save-A-Lot	West	Whse/Dist	-147,498
9041 Pittsburgh Ave	Xinghui International	West	Whse/Dist	-143,331
813 Palmyrita Ct	California Custom Bottles	East	Whse/Dist	-77,392
6971 Central Ave	Flexsteel Industries, Inc.	East	Whse/Dist	-69,000
Sierra Gateway Center	OnTrac	West	Whse/Dist	-68,914
1450-1460 Mountain View Ave	Stater Bros	East	Whse/Dist	-65,520
1975 E Locust St	Leabo Foods Distribution, Inc.	West	Whse/Dist	-54,323

Leasing Activity Trends

Direct Vacancy Rate

Lease Transactions



Leasing Activity (# of New Deals)

Size Range (sf)

<2.5K

2.5K - 5K

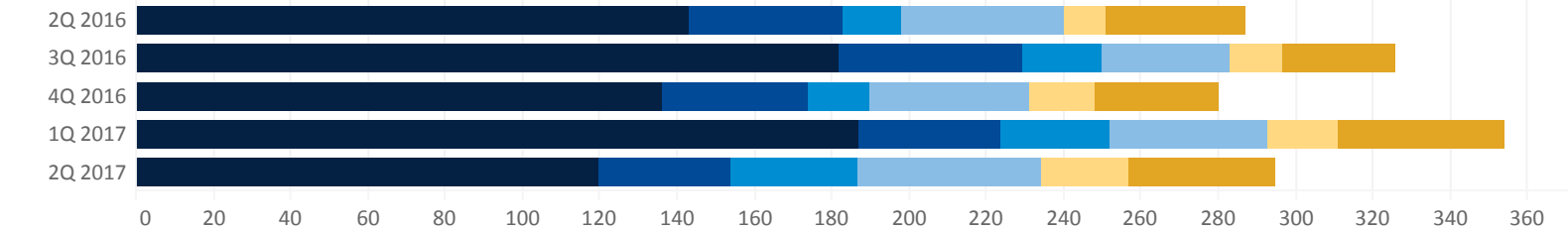
5K - 10K

10K - 25K

25K - 50K

>50K SF

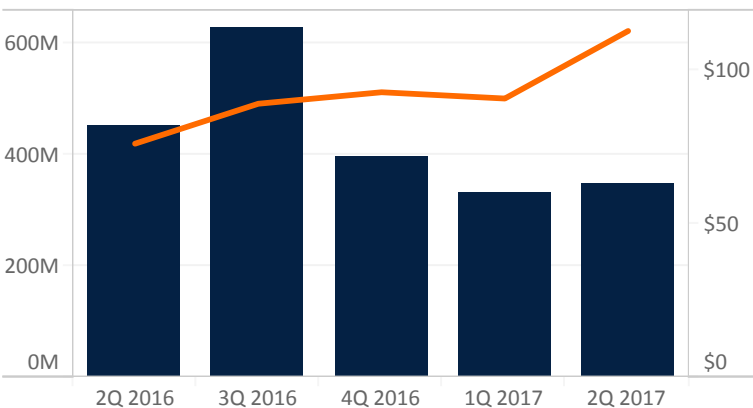
Quarter Year



Sales Volume vs. Price/SF

Aggregate Sales Volume

Avg Price/sf



Top Sales

Property	Sale Date	Buyer	Sale Price
Safari Business Center Bldg 7	05/24/2017	Rexford Industrial Realty	\$91,000,000
2380 Railroad St	05/18/2017	TA Realty	\$25,750,000
Citrus Park	04/17/2017	Brutten Global	\$19,385,132
20 Iowa Ave	05/30/2017	RDO Equipment Company	\$15,825,500

Terminology

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

This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy.

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1 Inland Empire West

2 Inland Empire East