

Economic Overview

According to the Bureau of Labor Statistics, the California unemployment rate dropped 0.6 percentage points from 6.7% in July 2016 to 6.1% in July 2017. Unemployment rate for the US was reported at 4.3% down from 4.9% 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 22,400 jobs from July 2016 to July 2017.

Market Overview

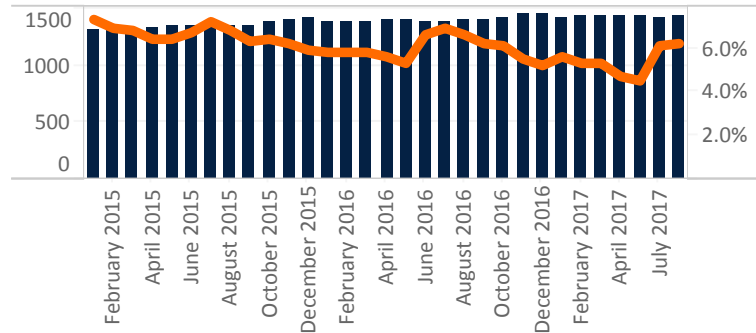
The Inland Empire industrial tracked set consists of 6,333 buildings, 10,000 square feet (sf) and larger. The market is divided into East and West submarkets with a total inventory of 516.5 msf. The Inland Empire recorded 8,184,030 sf of positive net absorption during 3Q 2017. Absorption was up from 4.1 msf recorded during 2Q 2017. The total vacancy rate has decreased from 3.6% in 2Q 2017 to 3.3% at the close of 3Q 2017. Total availability rate remained flat at 5.4% during the same time period. Weighted average asking rates increased \$0.02 NNN over the third quarter with the majority of newer buildings and larger blocks of space being marketed without an asking rate. 6.7 msf of new construction was delivered in the the third quarter with 26.1 msf currently underway.

Market Highlights

The Inland Empire continues to be the hottest industrial market in the country with 17.6 msf of net absorption over the last four quarters. Roughly 4.3 msf (64%) of the 6.7 msf delivered in 3Q 2017 was leased or sold before the close of the quarter. With a historically low vacancy rate of 3.3%, speculative construction continues to boom with 26 msf currently underway. E-commerce, third party logistics and big box warehouse tenants continue to expand throughout the region. Seven buildings over 500,000 sf were occupied in the quarter totaling more than 5 msf. Amazon added another 1 msf distribution center to their Inland Empire portfolio bringing their total occupancy to over 9 msf with several other facilities preleased throughout the region. As the coastal markets continue to struggle with a lack of modern, Class A warehouse and distribution space, tenants looking to expand their footprint will continue to look towards the I.E.

Inland Empire Employment

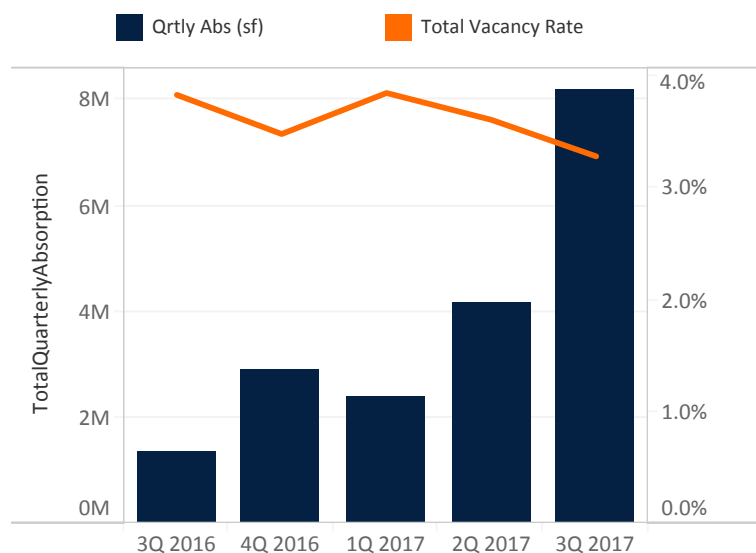
Source: BLS



Market Recap

Inventory (sf)	516,548,320
# of Bldgs	6,333
Qrtly Abs (sf)	8,184,030
Total Avail Rate	5.4%
Total Vacancy Rate	3.3%
U/C Inventory (sf)	26,113,781
Delivered (sf)	6,757,551
Weighted Average Asking Rate (NNN)	\$0.50

Absorption and Vacancy Rate



Overview by Specific Use (Total)

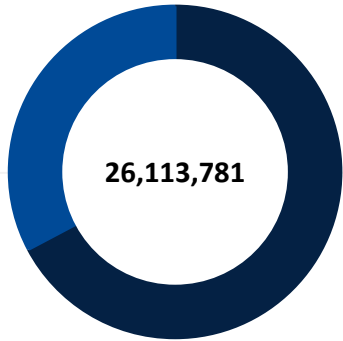
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Flex	15,782,658	294,511	201,523	1.3%	-52,290	-39,940
Whse/Dist	500,765,662	27,577,140	16,774,706	3.3%	8,236,320	14,803,019
Overall	516,548,320	27,871,651	16,976,229	3.3%	8,184,030	14,763,079

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	8,266,523	145,733	95,491	1.2%	-25,094	-5,758
	Whse/Dist	217,943,685	15,159,123	11,150,584	5.1%	4,908,037	8,580,254
	Subtotal	226,210,208	15,304,856	11,246,075	5.0%	4,882,943	8,574,496
West	Flex	7,516,135	148,778	106,032	1.4%	-27,196	-34,182
	Whse/Dist	282,821,977	12,418,017	5,624,122	2.0%	3,328,283	6,222,765
	Subtotal	290,338,112	12,566,795	5,730,154	2.0%	3,301,087	6,188,583
Overall		516,548,320	27,871,651	16,976,229	3.3%	8,184,030	14,763,079

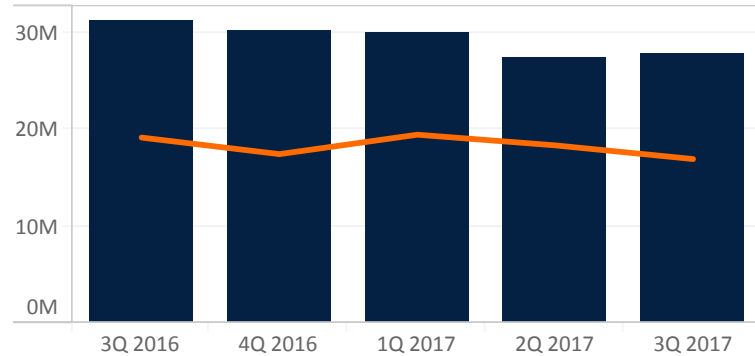
Construction by Market

■ East
■ West



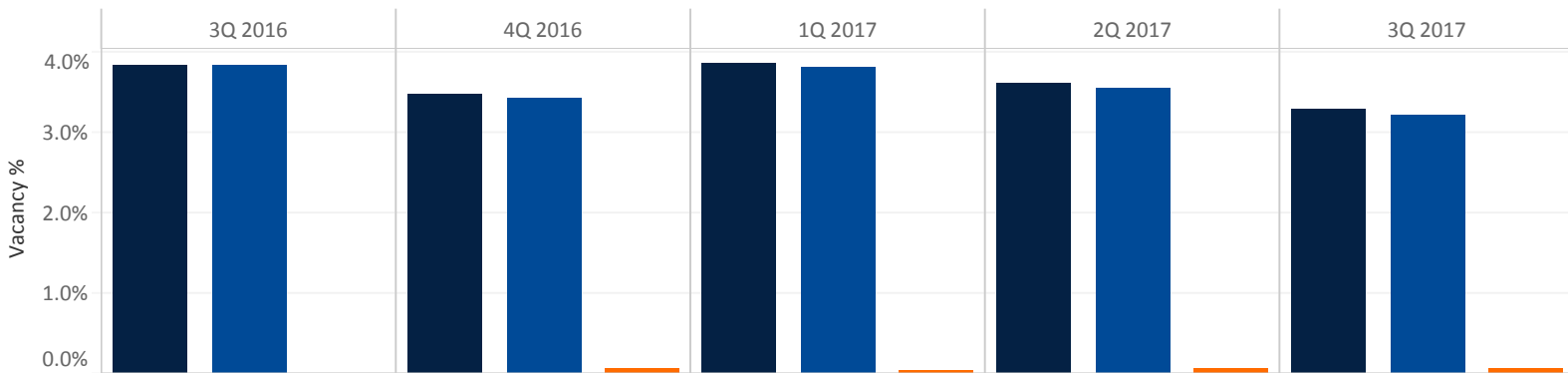
Total Available and Vacant

■ 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	15,782,658	290,863	197,875	1.3%	-50,590	-36,292
Whse/Dist	500,765,662	24,505,259	16,450,735	3.3%	8,250,335	14,874,350
Overall	516,548,320	24,796,122	16,648,610	3.2%	8,199,745	14,838,058

Overview by Specific Use (Sublease)

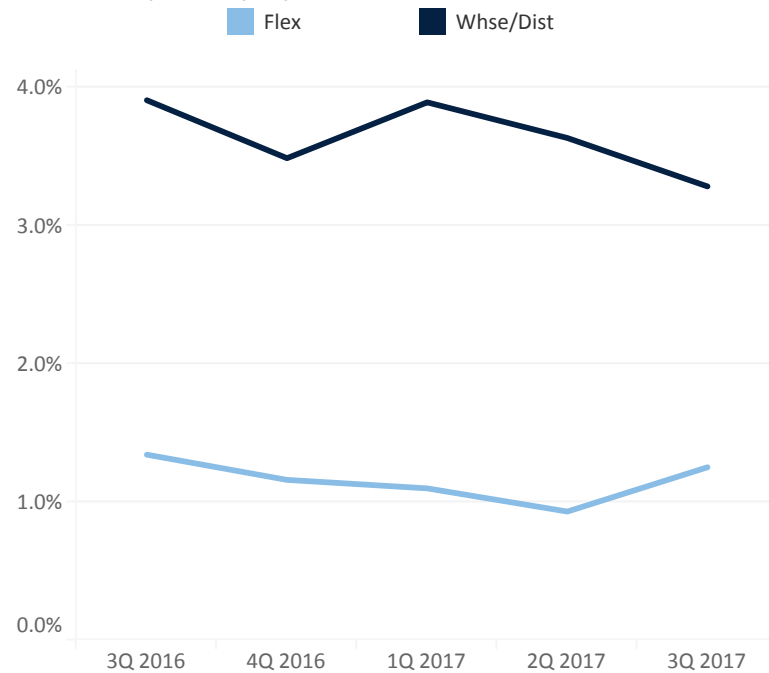
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	15,782,658	3,648	3,648	0.0%	-1,700	-3,648
Whse/Dist	500,765,662	3,071,881	323,971	0.1%	-14,015	-71,331
Overall	516,548,320	3,075,529	327,619	0.1%	-15,715	-74,979

Direct Vacancy Rates

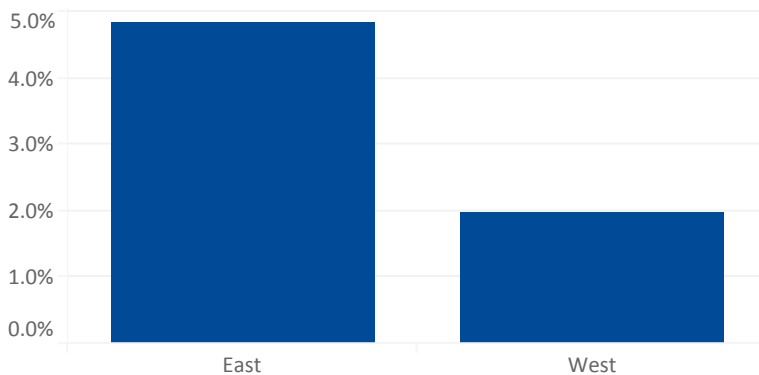
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
East	Flex	1.5%	1.3%	0.9%	0.9%	1.2%
	Whse/Dist	6.2%	5.7%	5.8%	5.9%	5.0%
	Subtotal	6.0%	5.6%	5.6%	5.7%	4.8%
West	Flex	1.2%	1.0%	1.3%	1.0%	1.4%
	Whse/Dist	2.2%	1.8%	2.5%	1.9%	2.0%
	Subtotal	2.1%	1.7%	2.4%	1.9%	2.0%
Overall		3.8%	3.4%	3.8%	3.6%	3.2%

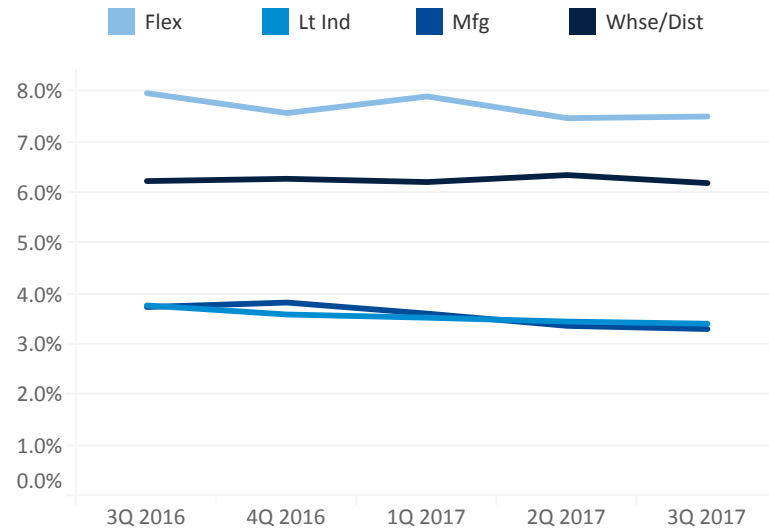
Inland Empire By Specific Use



By Market



National by Specific Use

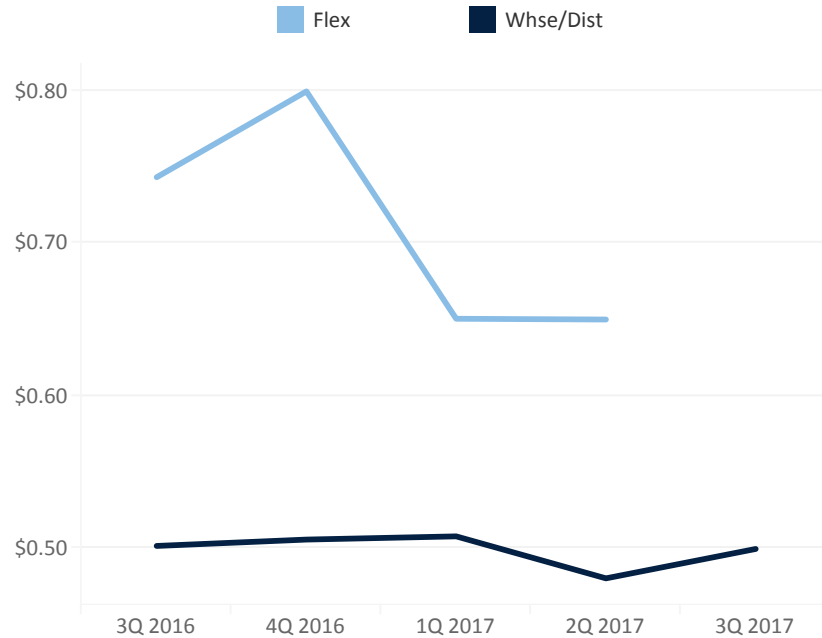


Direct Weighted Average Asking Rates (NNN)

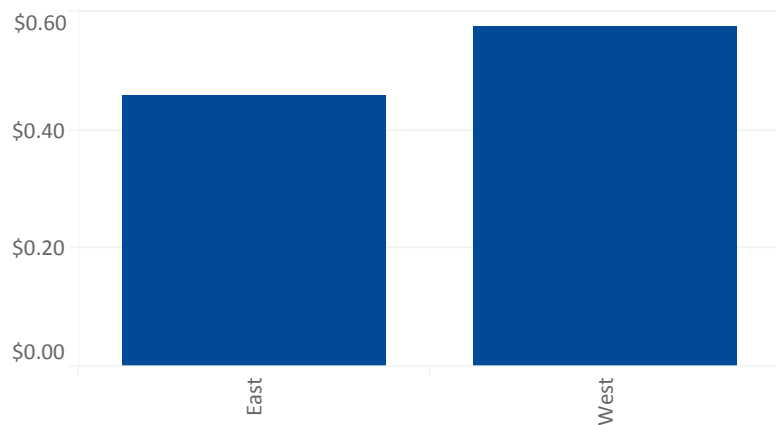
By Market and Specific Use

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

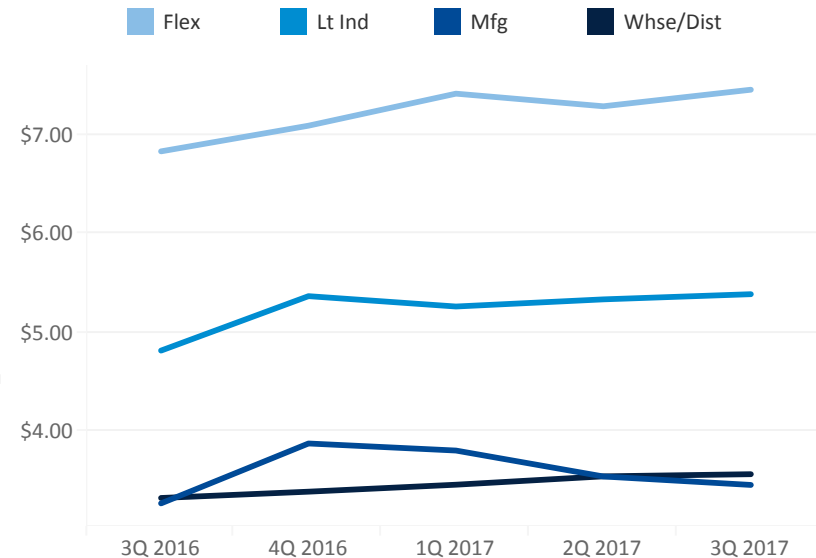
Inland Empire by Specific Use



By Market

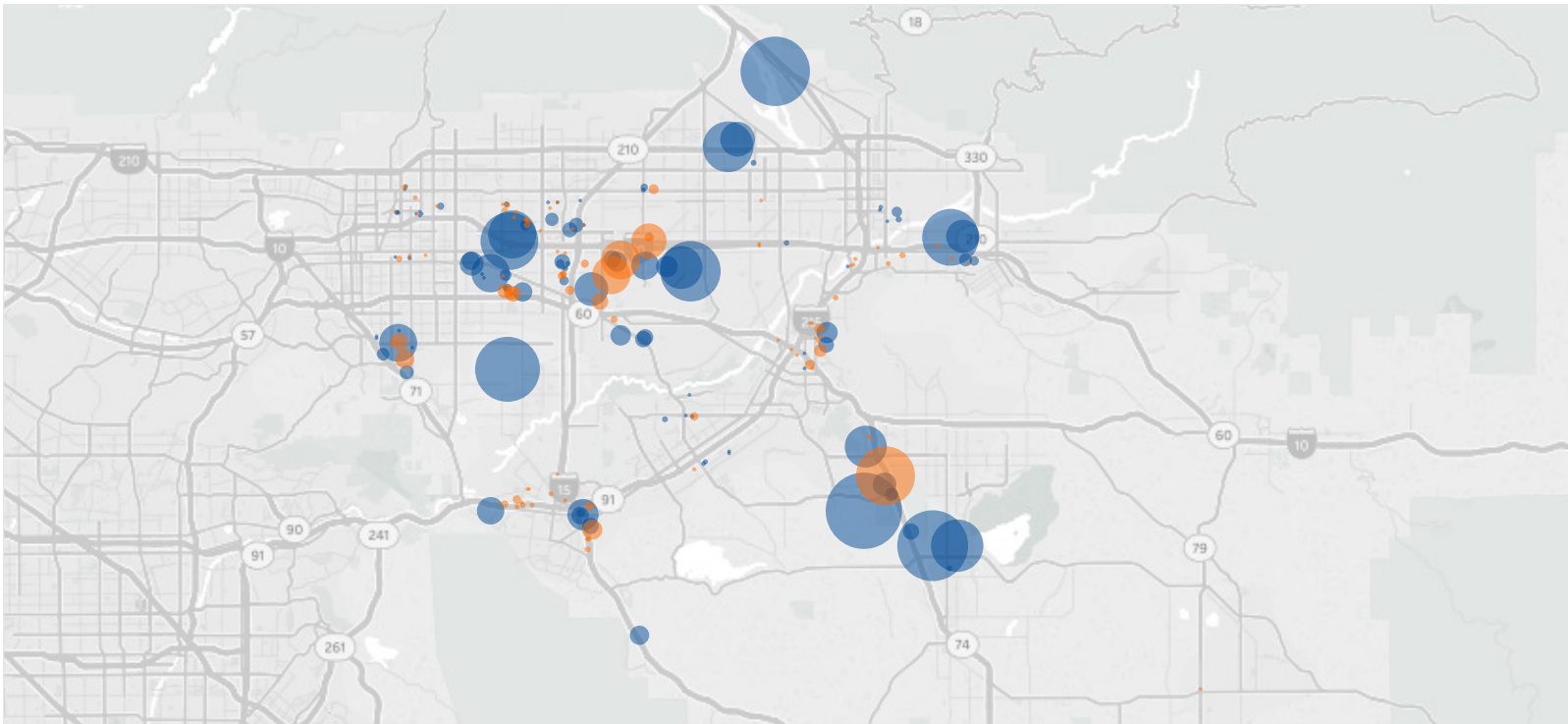


National by Specific Use



Absorption Map

■ Negative
 ■ Positive



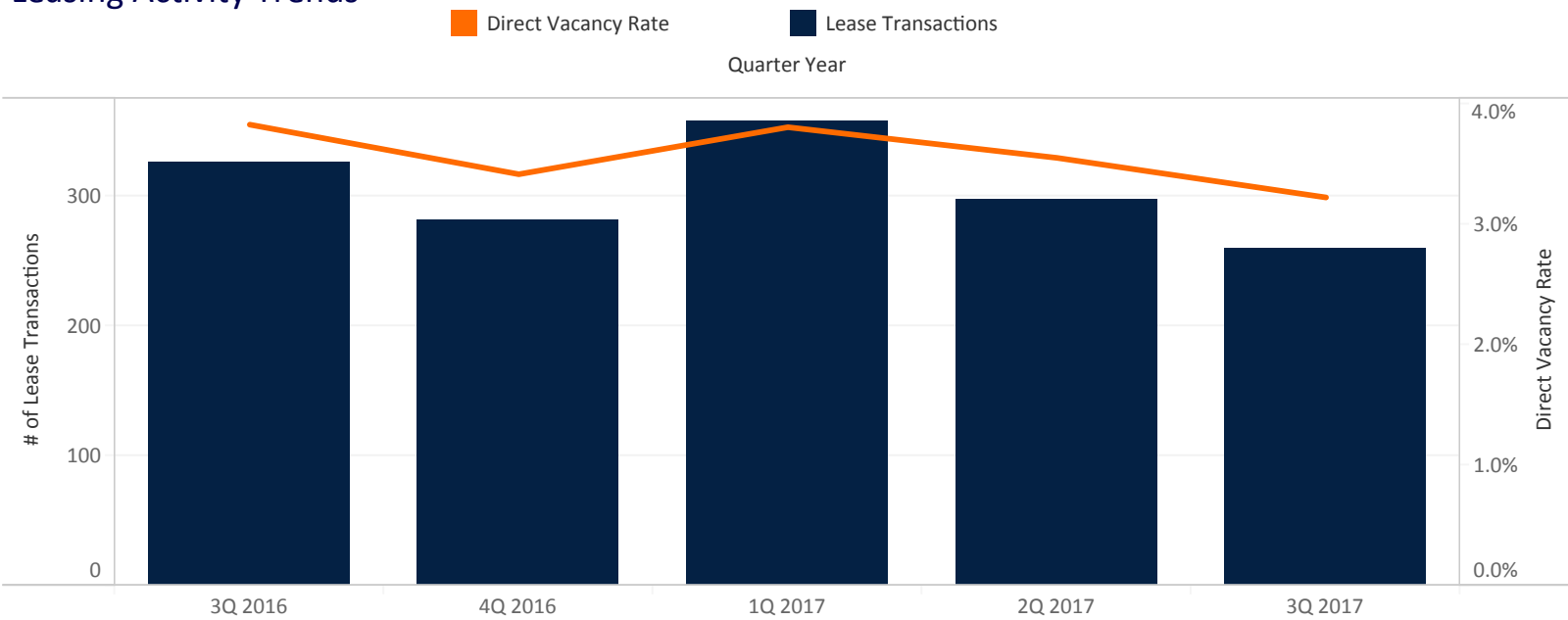
Largest Positives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
Meridian Business Park Bldg A	Amazon	East	Whse/Dist	1,002,189
Perris Distribution Center	NFI Industries	East	Whse/Dist	864,000
Cajon Distribution Center	LG Electronics	East	Whse/Dist	830,750
Watson Industrial Park Chino Bldg 842	Caleres	West	Whse/Dist	725,160
Citrus Commerce Center Bldg 1	UPS 355,457 sf; Performance Food Group 275,533 sf	West	Whse/Dist	630,784
Meredith International Centre Bldg 6	Best Buy	West	Whse/Dist	573,899
Watson Commerce Center	XPO Logistics	East	Whse/Dist	557,213
Perris Circle Industrial Park, Bldg 1	TechStyle Fashion Group	East	Whse/Dist	474,235

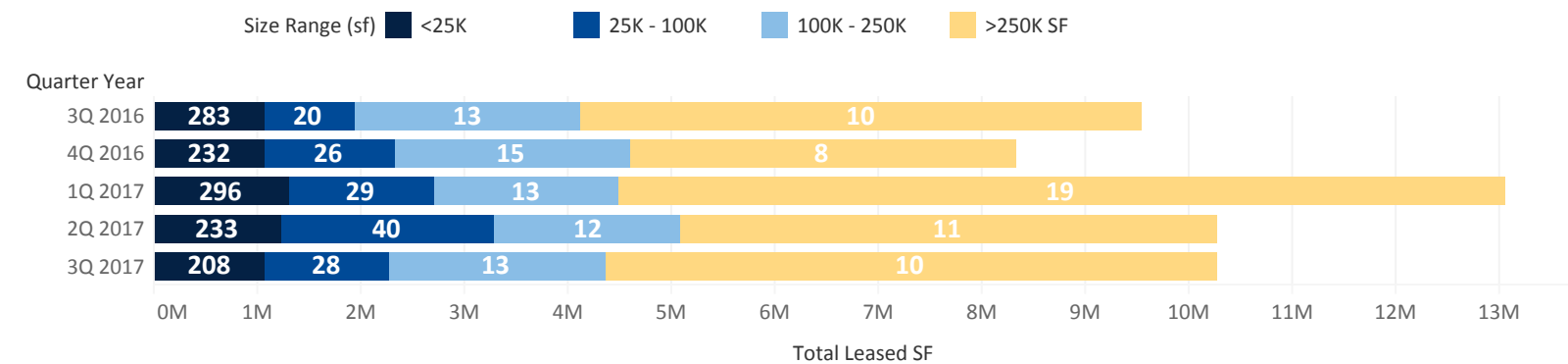
Largest Negatives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
Meridian Business Park	Peng Cheng Aluminum	East	Whse/Dist	-601,246
Sierra Gateway Commerce Center	Fontana Logistics Center, Inc. -106,140 sf; T-Bro Distribution, Inc. -154,860 sf	West	Whse/Dist	-261,000
13204 Jurupa Ave	Kings Tire	West	Whse/Dist	-252,630
9988 Redwood Ave	Elite Management Services	West	Whse/Dist	-214,512
Corona Crossroads, Bldg 3	Newport Trading	East	Whse/Dist	-68,394
14525-14675 Monte Vista Ave	Undisclosed	West	Whse/Dist	-61,026
13971 Yorba Ave	Tri-Dim Filter Corporation, Inc.	West	Whse/Dist	-50,000
Empire Business Center	Graebel Van Lines	West	Whse/Dist	-47,582

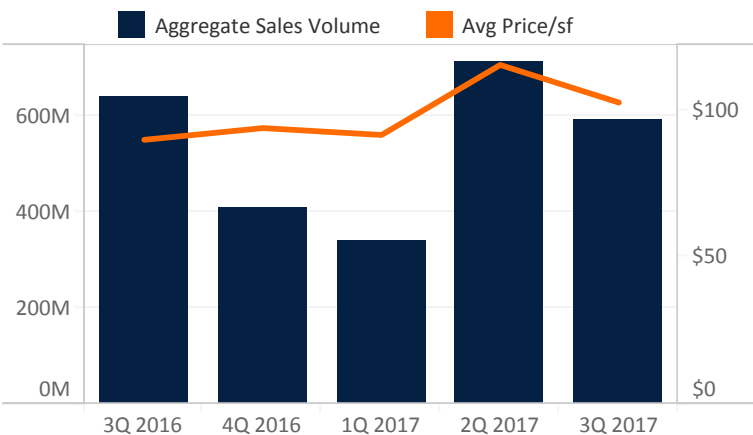
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
3255 S Cactus Ave	09/01/2017	GPT South Cactus Avenue Owner LP	\$72,300,000
Cajon Distribution Center	08/03/2017	WESTCORE II CAJON LLC	\$60,229,500
9363 Lucas Ranch Rd	08/17/2017	Property Reserve Inc	\$46,105,500
Inland Empire West	08/22/2017	TA Realty	\$44,163,954
1900 Burgundy Pl	08/17/2017	Property Reserve Inc	\$42,310,000

Terminology

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

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