



Inland Empire Industrial Overview

June 2nd, 2016



Agenda

Drivers for Demand

Inland Empire Fundamentals

Capital Markets

Forecast





Drivers for Demand

Top 10 Ports

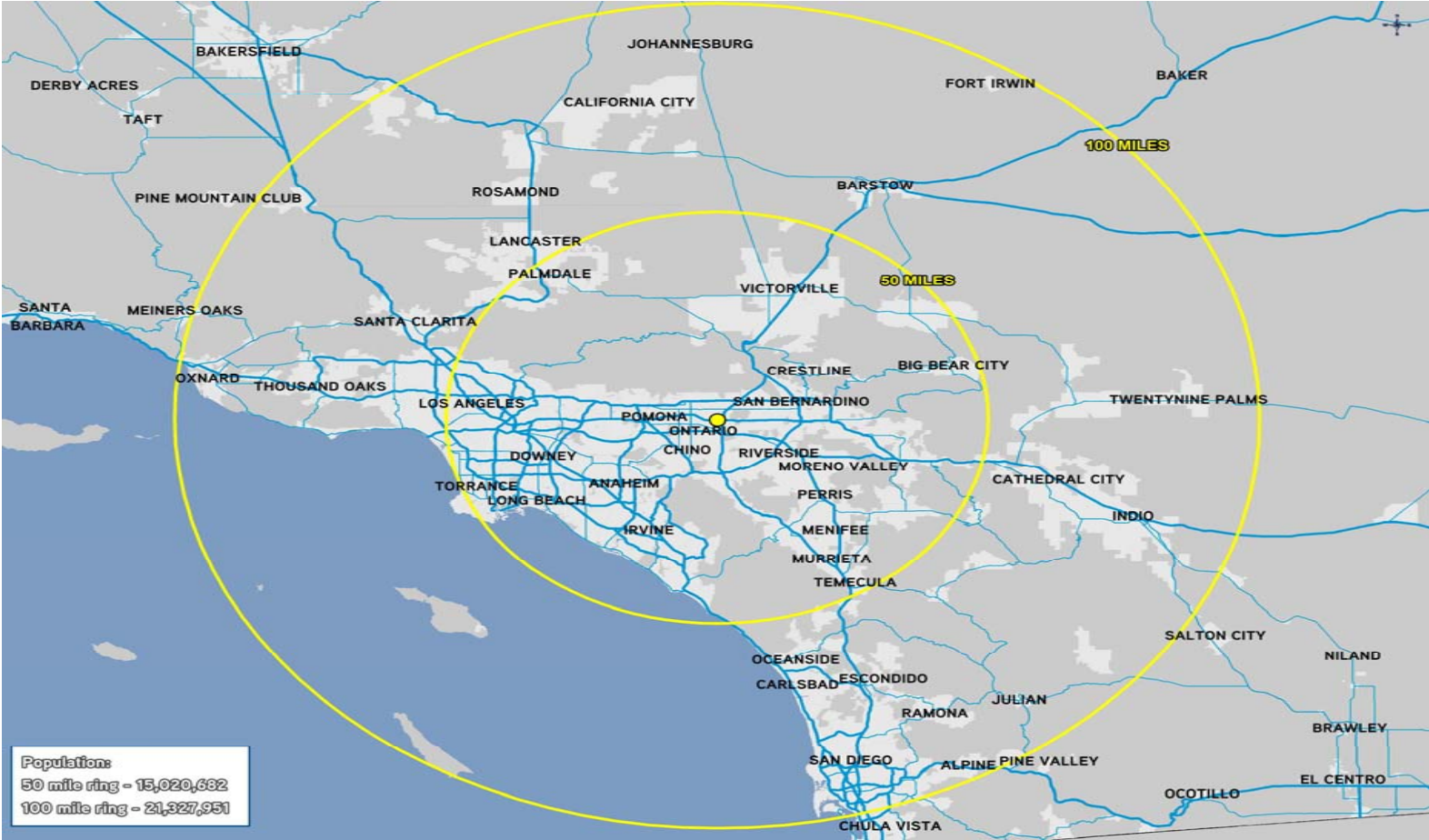
Calendar Year-over-Year TEU Comparison (March)

Port	YTD 2016 TEU Total	YTD 2015 TEU Total	YOY % Change
Los Angeles	2,030,982	1,823,954	11.35%
Long Beach	1,562,454	1,472,000	6.14%
New York / New Jersey	1,496,353	1,467,551	1.96%
Georgia Ports	887,483	910,747	-2.55%
Northwest Seaport Alliance	818,114	799,423	2.34%
Virginia	626,756	599,511	4.54%
Oakland	558,241	469,450	18.91%
Houston	510,639	525,058	-2.75%
Charleston	473,794	476,955	-0.66%
Jacksonville	240,458	216,465	11.08%



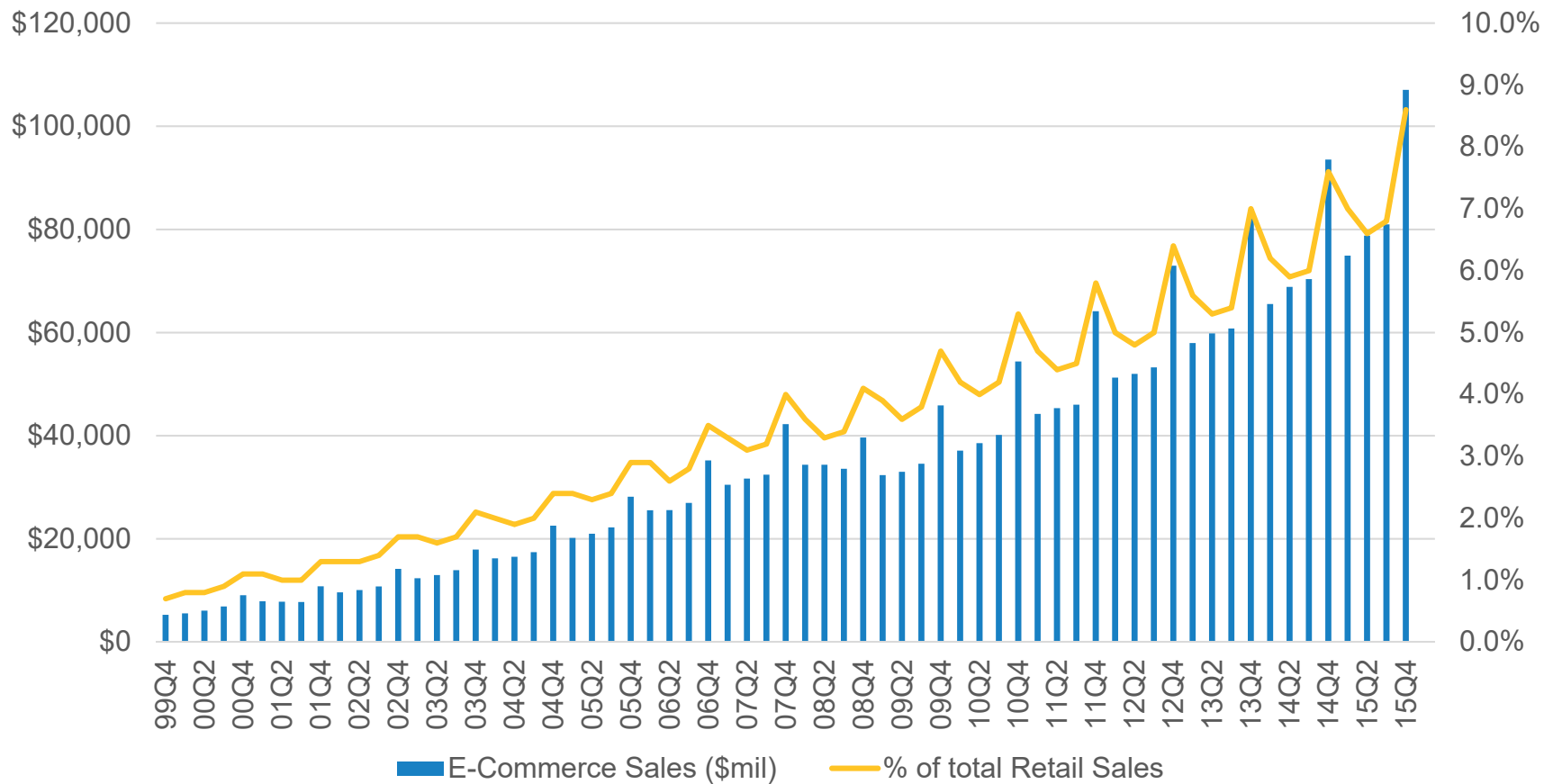
Inland Empire Market

21.3 million people within 100 miles of Ontario



E-Commerce Sales

Now 8.6% of Retail Sales – an all-time record



Inland Empire Industrial Market

E-Commerce Growth

E-commerce only accounts for **8.6%** of total retail sales in the U.S., but growing at rate that is **5x** faster.

E-Commerce dominant distribution facilities accounted for **11.8%** of the new leasing activity in the IE in 2015.

Amazon.com and Wayfair leased 1.0 MSF e-commerce facilities in the IE in 2016.



Inland Empire Industrial Market

Building Specification Trends

- Cross Dock Configuration
- Need for Trailer and Auto Parking (45% Coverage or Lower to Accommodate)
- Expansion / Flexibility
- Clear Height
- Building Depth
- Dock High Loading
- Increased Design Features
- Super Flat Floors
- 8" Floor Slab, Ductilcrete
- Drive-Around Truck Court
- Onsite Truck Queuing Lanes
- Separate and Secured Auto and Trailer Yards / Entrances

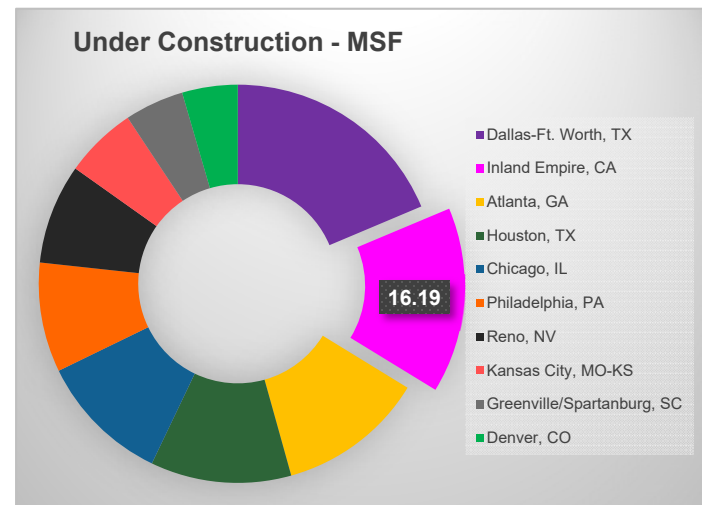
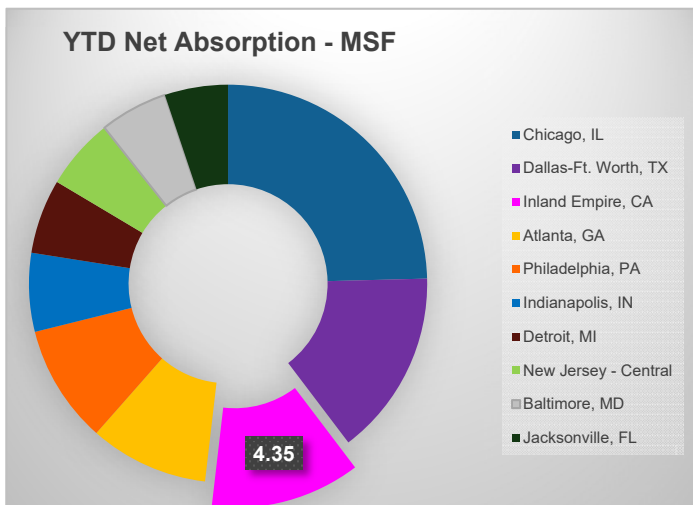
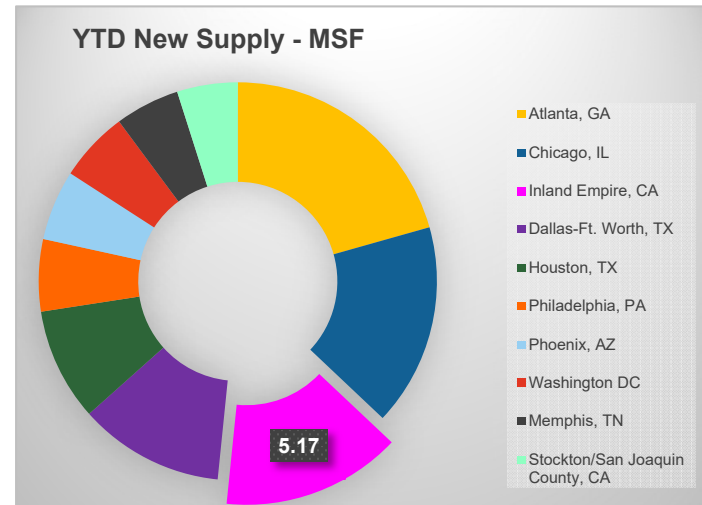
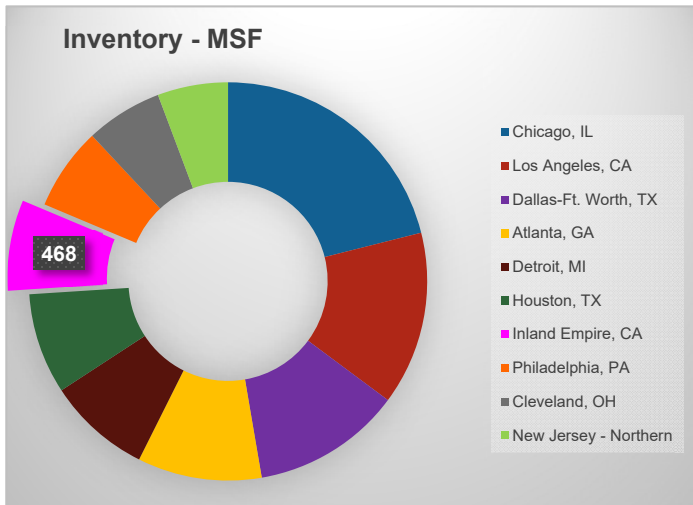




Inland Empire Fundamentals

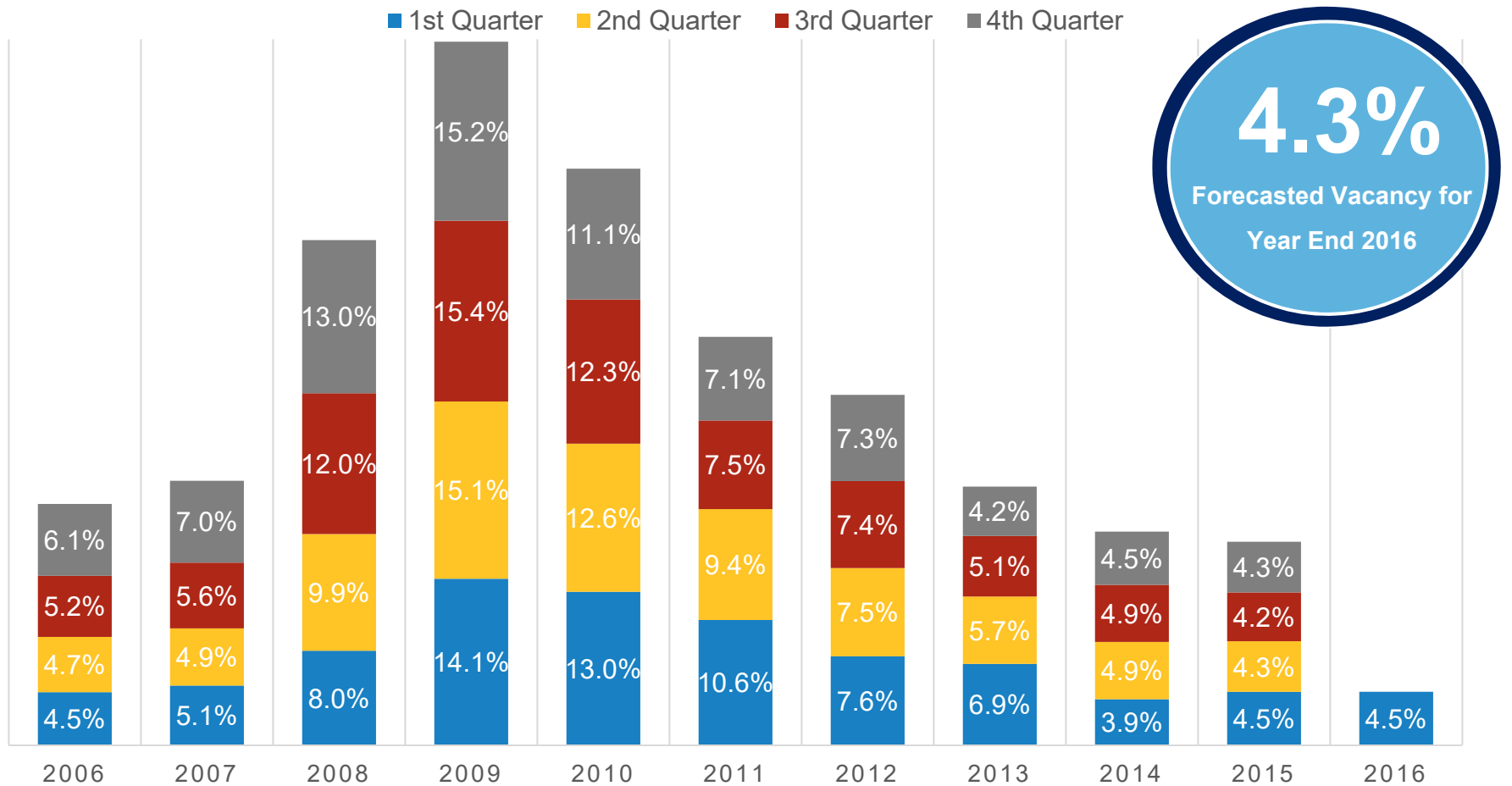
United States Top 10 Rankings

Inland Empire Top 5 in New Supply, Absorption, & Under Construction Product



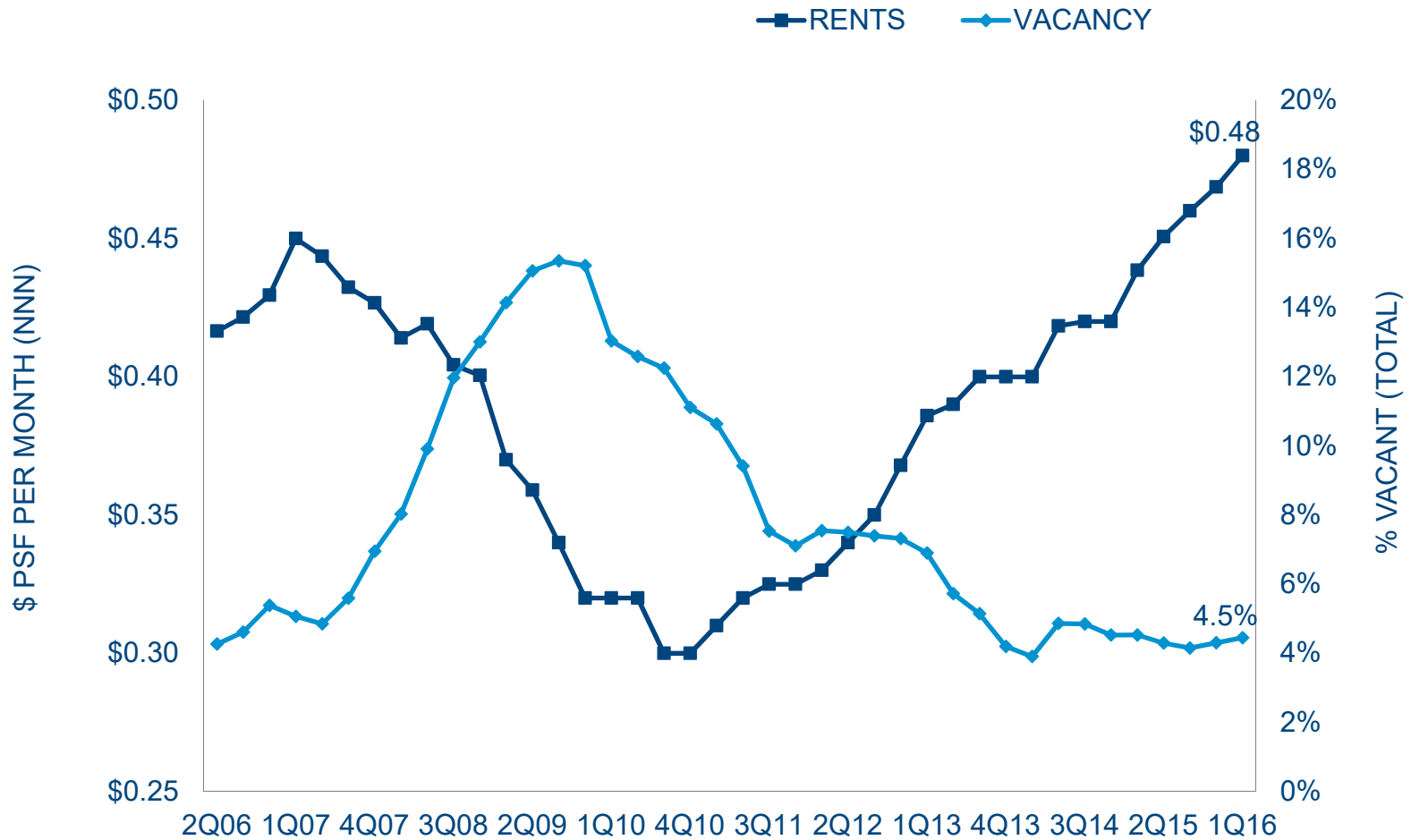
Inland Empire Vacancy Rates

New Construction Keeping Vacancy Rate Stable



Inland Empire Vacancy Rate vs. Asking Rents

Asking Rents at All-Time Highs



Inland Empire Size Range Statistics

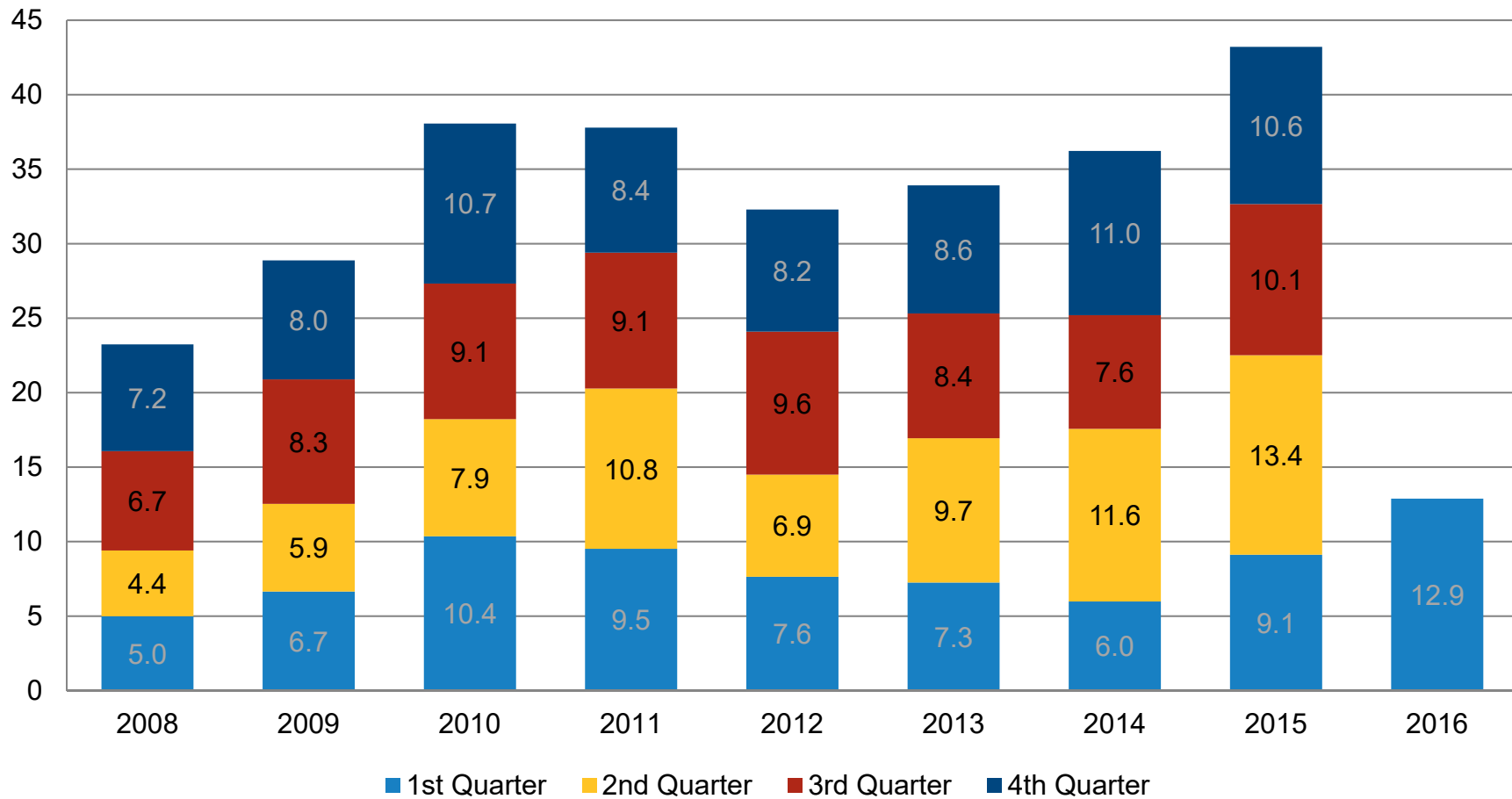
Small Building Vacancies at All-Time Lows

	Overall Vacancy Rate (Quarter over Quarter Change)
10,000 SF to 19,999 SF	0.6% (-0.2 pp)
20,000 SF to 39,999 SF	1.4% (-1.0 pp)
40,000 SF to 69,999 SF	2.6% (+0.8 pp)
70,000 SF to 99,999 SF	1.8% (+0.4 pp)
100,000 SF to 249,999 SF	3.1% (-0.4 pp)
250,000 SF to 499,999 SF	5.0% (-1.10 pp)
500,000 SF and Above	7.3% (+1.2 pp)
Inland Empire Average	4.5% (+0.2 pp)



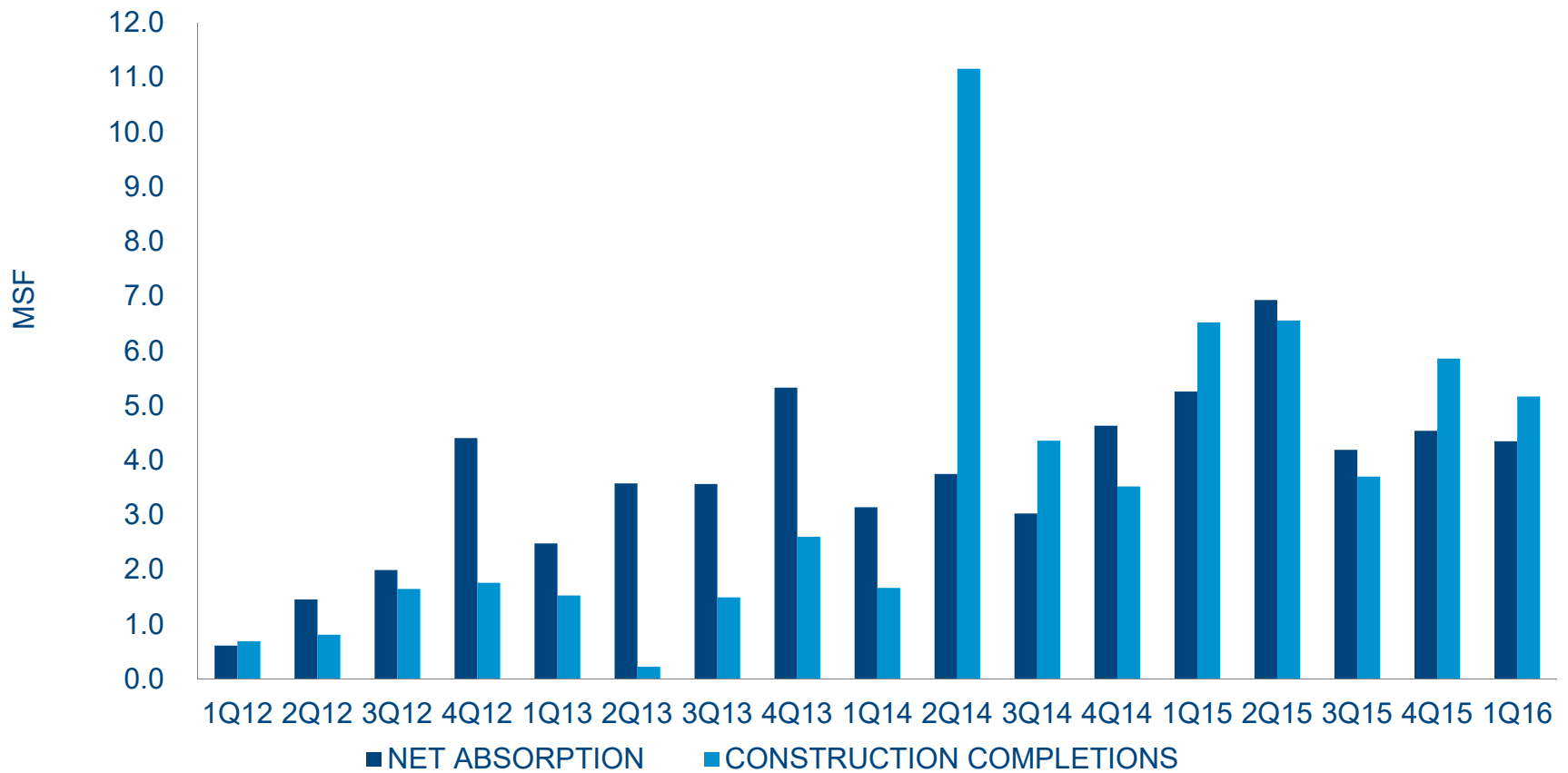
Inland Empire Gross Absorption

Inland Empire on Par for Another Robust Year



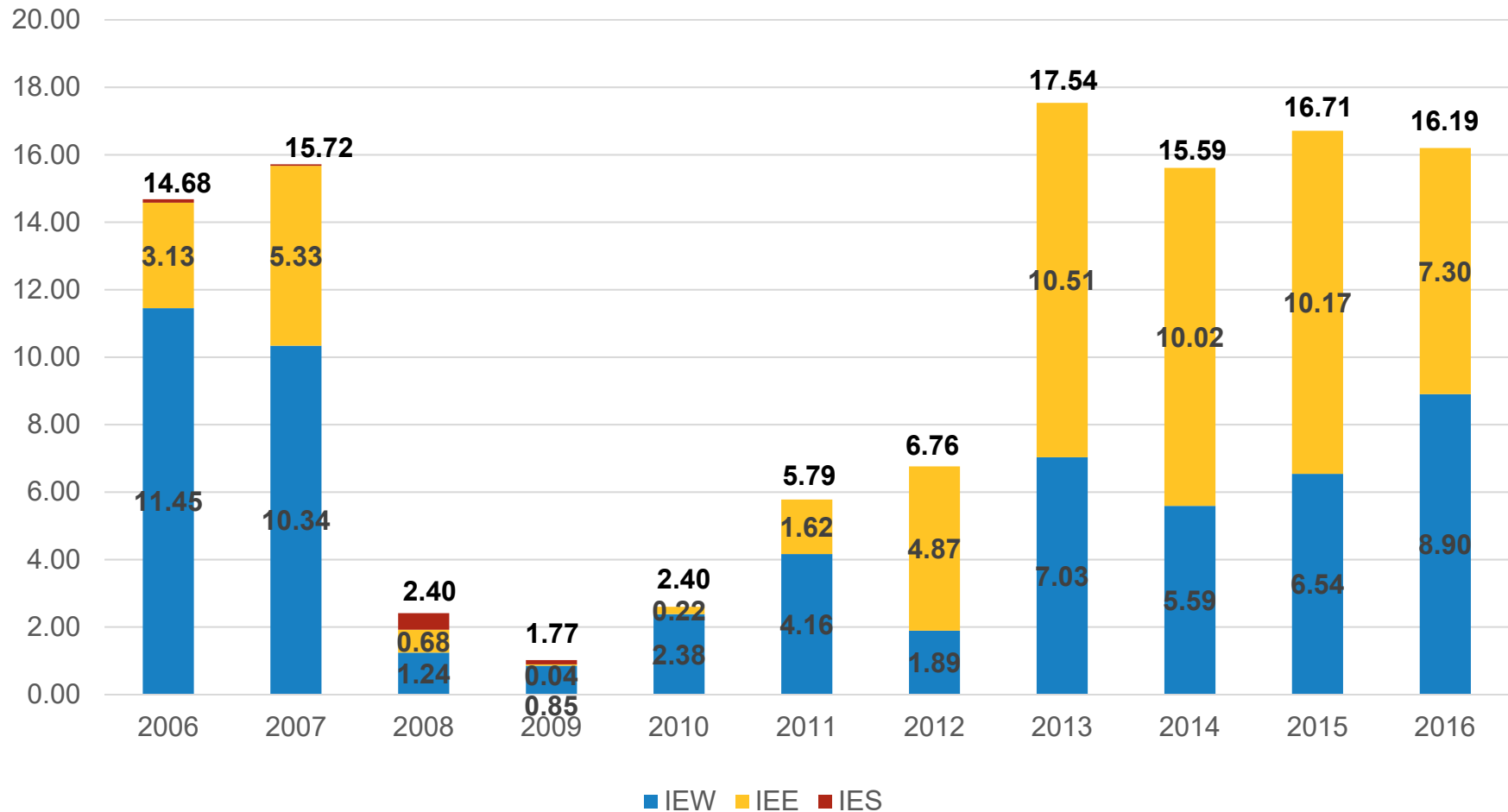
Inland Empire Net Absorption vs. New Construction

Is Construction Outpacing Absorption a Cause for Concern?



Inland Empire Under Construction

Majority of U.C. Product in the West – First Time Since 2011





Capital Markets

U.S. Industrial Market

Transaction Summary

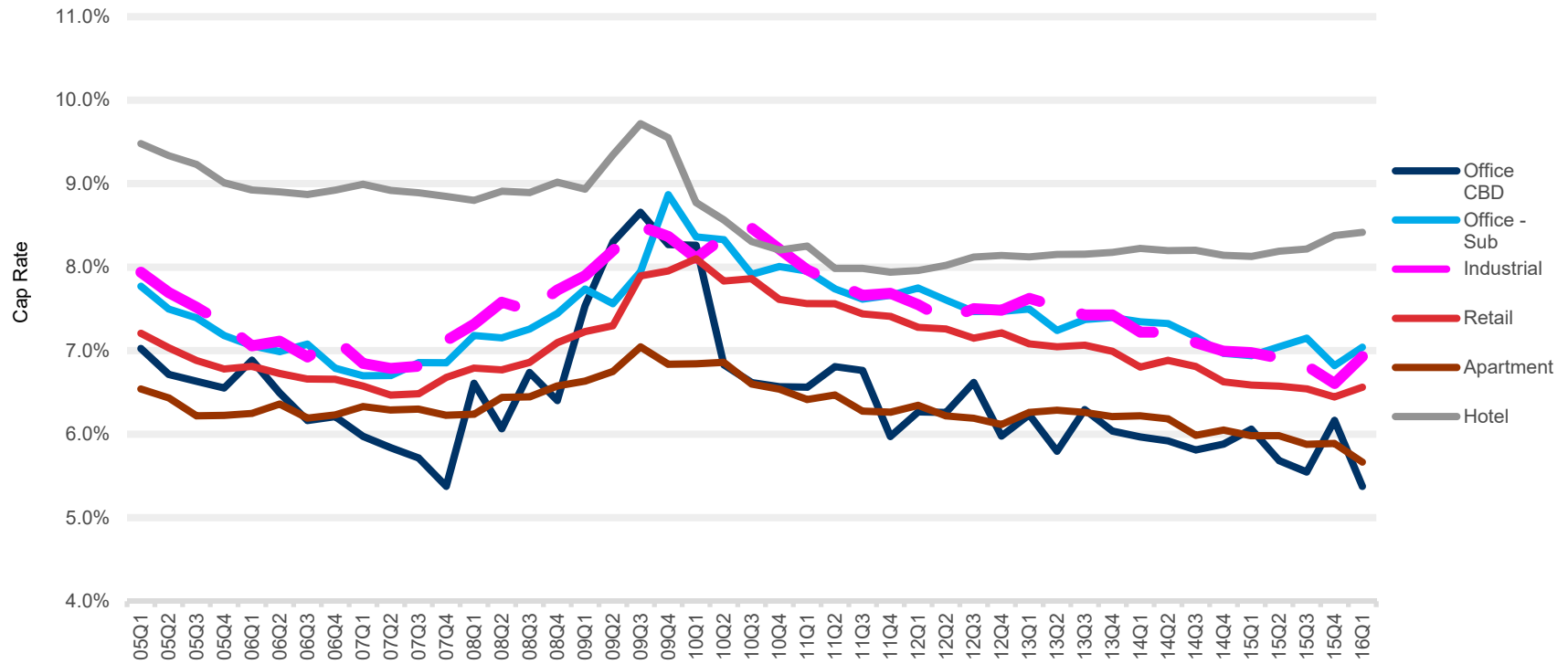
Summary Table							
	volume Q1'16 vs Q1'15				average pricing Q1'16 vs Q4'15		
	Total Sales (\$B)	yoy chg	Single Assets (\$B)	yoy chg		Average cap rate	bps
Flex	\$5.5	31%	\$2.0	-8%		7.0%	6
Warehouse	\$7.2	-56%	\$5.9	-7%		6.9%	22
Industrial Total	\$12.6	-38%	\$7.9	-7%		6.9%	16
Single Tenant	\$2.7	-49%	\$2.1	-10%		7.1%	9
R&D/Tech	\$2.6	240%	\$0.3	-28%		6.2%	13
Major Metros	\$6.5	-16%	\$3.8	-12%		6.4%	23
Secondary Mkts	\$4.7	-46%	\$3.0	4%		7.2%	24
Tertiary Mkts	\$1.4	-63%	\$1.1	-15%		7.5%	4
Core/Stabilized	\$7.5	-51%	\$5.1	8%		6.9%	18
Value Add	\$2.3	-27%	\$1.8	-13%		6.4%	-4
\$25M+ Deals	\$6.7	-52%	\$2.3	-5%		6.7%	29
Under \$25M Deals	\$5.9	-6%	\$5.5	-8%		7.1%	0

Source: Real Capital Analytics



U.S. Sales Trends

Property Type Quarterly Cap Rate Comparison

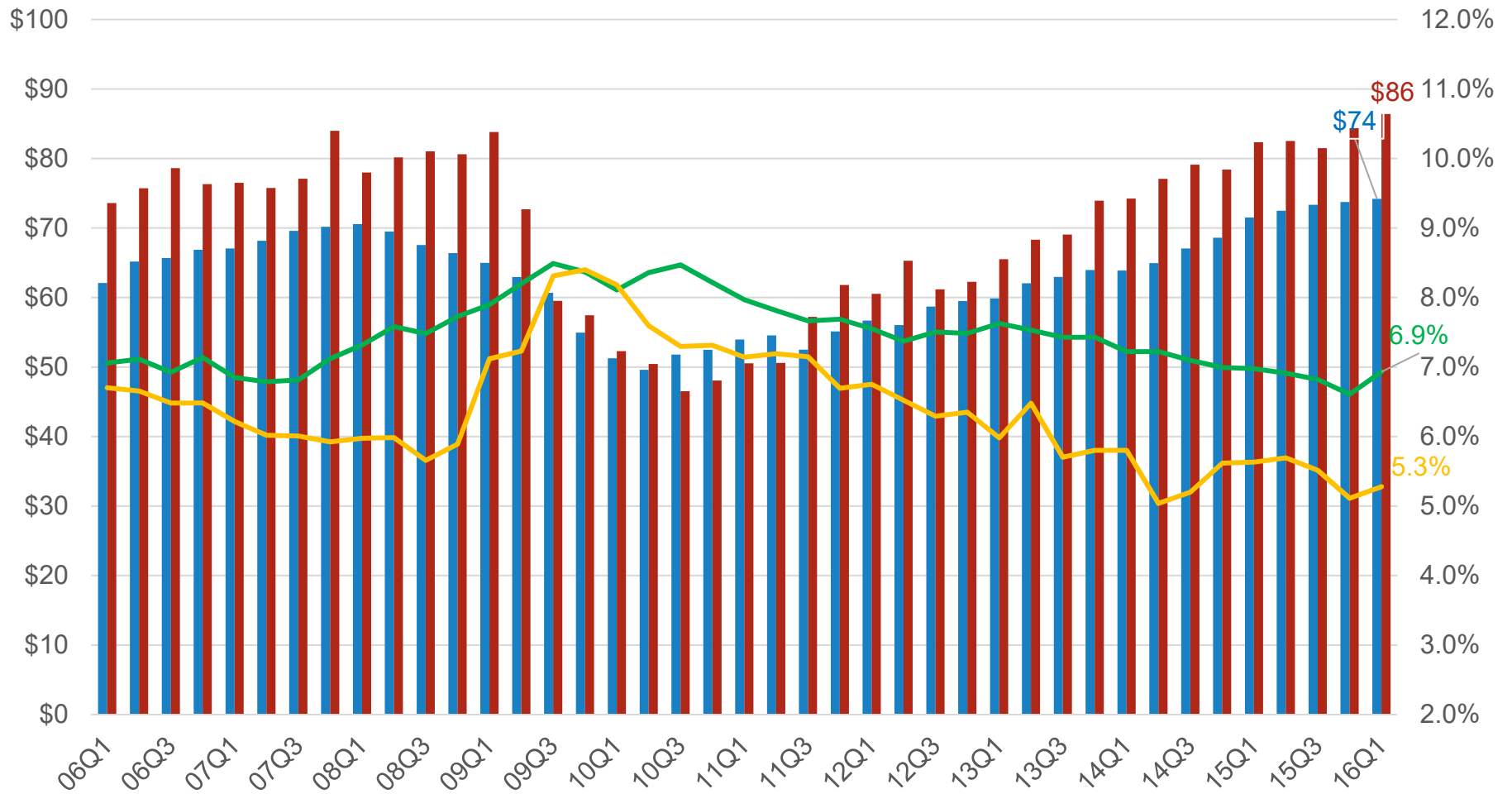


Source: Real Capital Analytics



U.S. vs I.E. Sale Transactions

High Sale Prices Keeping Cap Rates Low



Source: Real Capital Analytics

■ Avg Price PSF U.S.
 ■ Avg Price PSF I.E.
 — U.S. Cap Rate
 — I.E. Cap Rate



U.S. Sales Trends

Where is the Money Coming From? (April 15 – April 16)

Cross-Border Transaction Volume = \$18.6 Billion

Top Country: Norway at \$5.4 Billion

Markets to Watch in 2016: Indianapolis, Phoenix, East Coast Port Markets (Savannah, Charleston, Norfolk)

Top Countries of Origin (April 2015 - April 2016)

Country	Total Properties	Total Volume (\$ Mil)
Norway	217	\$ 5,439.6
Singapore	193	\$ 4,555.3
Canada	651	\$ 4,238.7
UAE	190	\$ 3,092.5
Switzerland	37	\$ 499.5
Germany	4	\$ 141.9
Bahrain	58	\$ 134.8
UK	16	\$ 95.0
Australia	2	\$ 87.6

Top Market Destinations (April 2015 - April 2016)

Country	Total Properties	Total Volume (\$ Mil)
Chicago	151	\$ 1,677.2
Inland Empire	41	\$ 1,308.5
Nor. NJ	44	\$ 1,247.7
Atlanta	114	\$ 1,135.8
Los Angeles	50	\$ 1,027.7
Dallas	81	\$ 1,013.3
Seattle	21	\$ 877.9
East Bay	31	\$ 615.6
Phoenix	28	\$ 546.5

Source: Real Capital Analytics





Forecast

What's Going to Happen?

Rebound in UC Product, Smaller Buildings Breaking Ground

With over 8.8 MSF of spec space completing in 2Q, vacancies will remain stable.

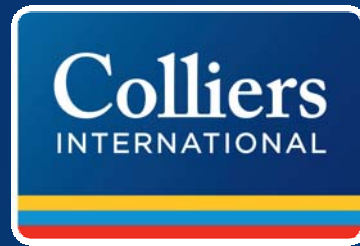
The size of buildings under construction will get smaller.

Taking rents and sales prices on user transactions will pass pre-recession highs.

Groundbreakings will escalate the second half of 2016.







Accelerating success.