



Inland Empire Industrial Overview

June 1, 2017

Agenda

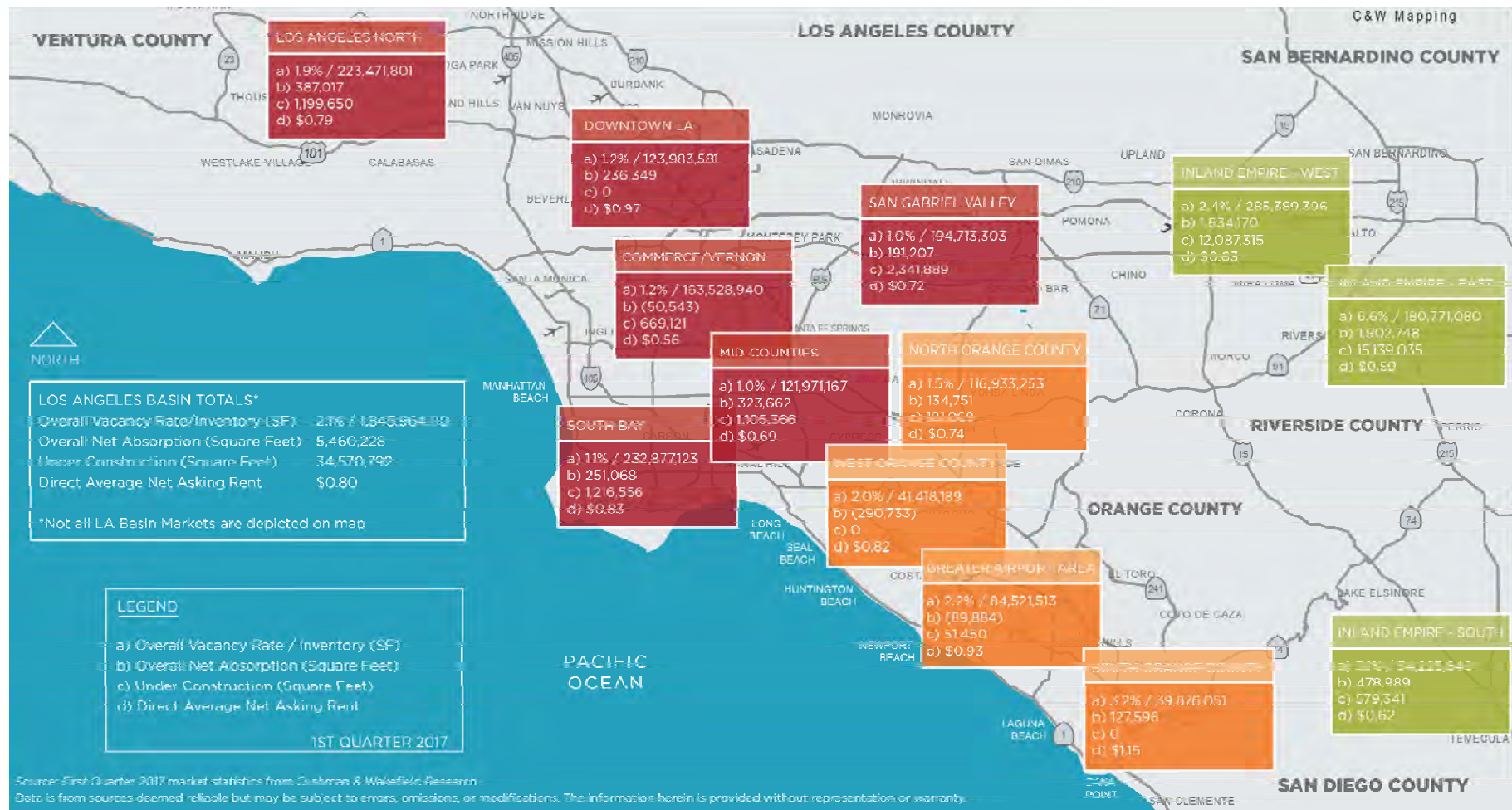
- ❖ DRIVERS FOR DEMAND
- ❖ PORTS OVERVIEW
- ❖ INLAND EMPIRE TRENDS
- ❖ BIG BOX TRENDS
- ❖ WHAT'S GOING TO HAPPEN?

Drivers for Demand



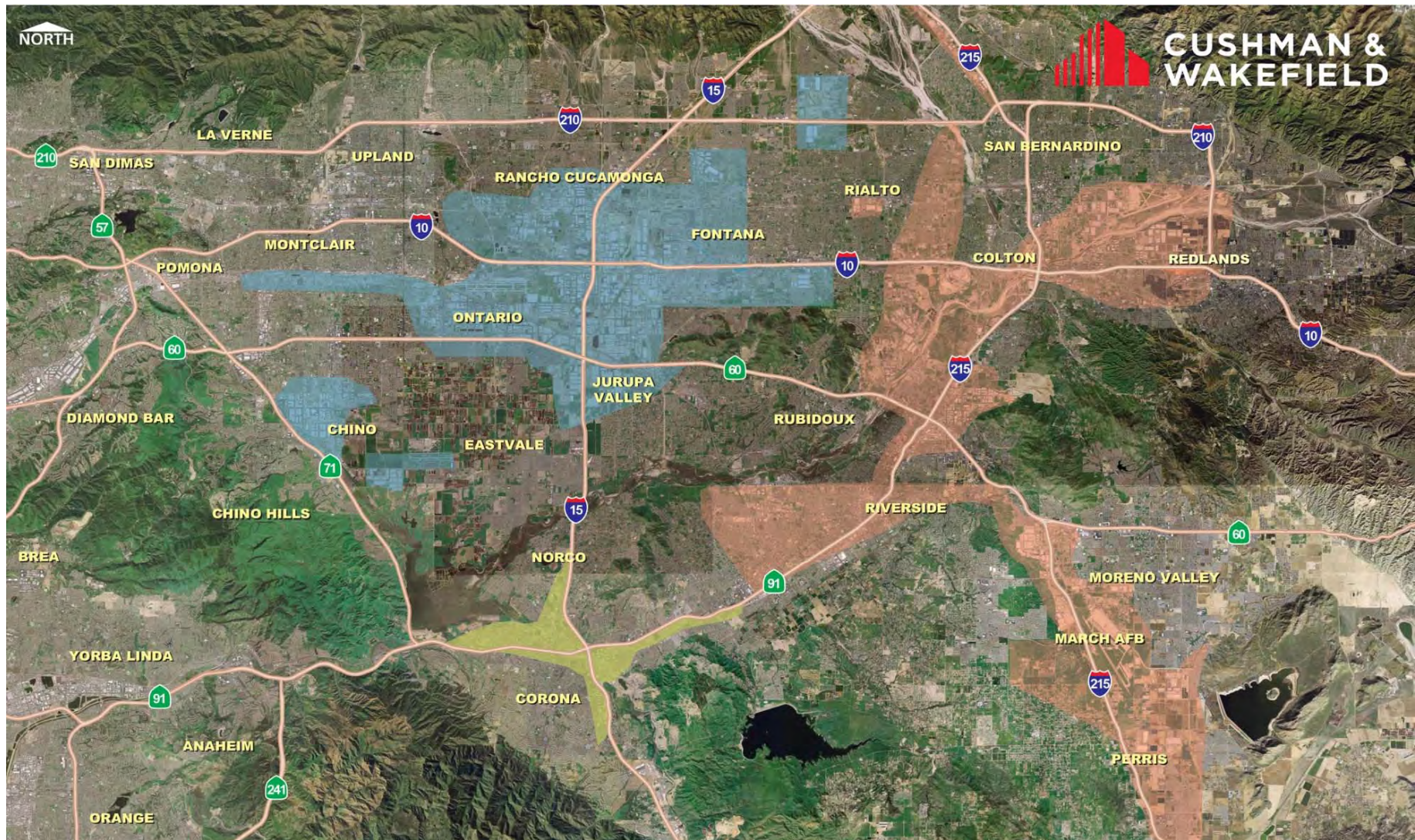
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Los Angeles Basin :: Summary of Current Conditions



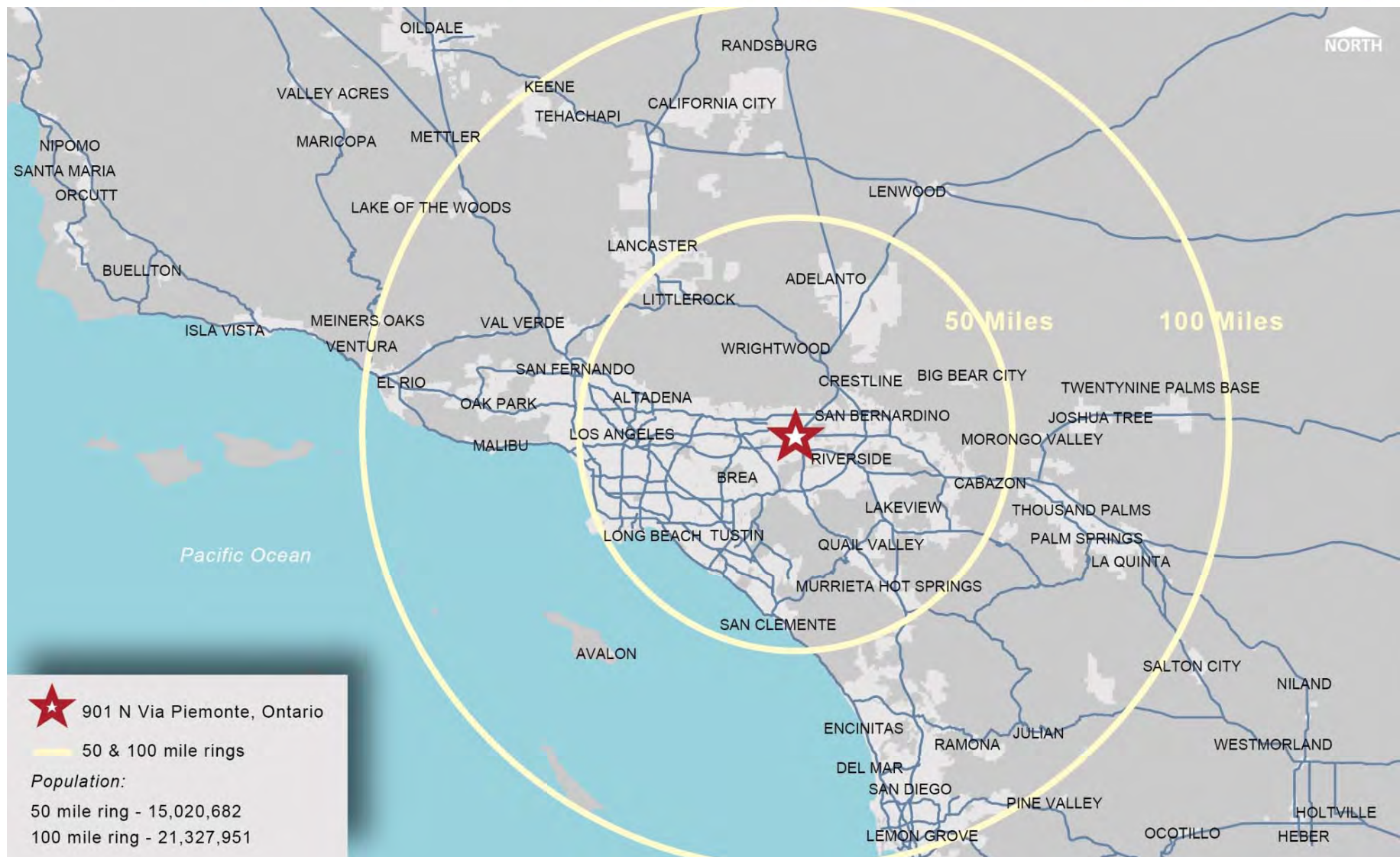
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Inland Empire Aerial Overview



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Population



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E-Commerce Activity

E-Commerce only accounts for **8.4%** of total retail sales in the U.S., but growing at rate that is **5x** faster

Of the Big-Boxes, E-Commerce Accounted for over **40%** of the Leasing Activity in the IE in 2016

Amazon.com Occupies 10 Buildings Totaling over **8.0 msf** in the IE, with another **1.0 msf** under construction



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The E-Commerce Impact On Industrial

A significant driver of the historic demand witnessed in recent years has been the growth of e-commerce. The shift in how people are shopping means the new retail eco system will require more warehouses (many of them highly specialized), different methods for the delivery of purchases, and new hybrid fulfillment center formats.

The key is logistics: With the growing need to get products to consumers faster, retailers have been strategically locating distribution, fulfillment and parcel-sorting operations in closer proximity to sizable population and metropolitan areas. Not only do companies covet the proximity to FedEx/UPS ground-shipping centers these locations often bring, proximity enables them to fill and deliver orders to a large number of customers quickly.

The closer those operations can be to population centers, the less it costs retailers to deliver products. With customers increasingly demanding speedy delivery, the importance of location is critical in online retail and will accelerate future demand for centrally located in-fill sites.

**INCREASING THE
PUSH TO BE BETTER,
SMARTER, FASTER &
CHEAPER**

POSITION THE RIGHT INVENTORY
CLOSER TO THE CUSTOMER AT
THE RIGHT TIME

**STRONG DEMAND
ACROSS ALL
PRODUCT TYPES
CONTINUES**

LARGE PERIPHERAL FCS,
SMALLER CLOSER-IN FCS,
SORTATION HUBS/CROSS-
DOCKS & LAST-MILE DEPOTS

**LAST MILE
FULFILLMENT
CONTINUES TO BE
THE HOLY GRAIL**

Many Reasons to Remain Optimistic

E-commerce Sales Forecast



Source: Census Bureau, Moody's Analytics, Cushman & Wakefield Research

Cushman & Wakefield Research

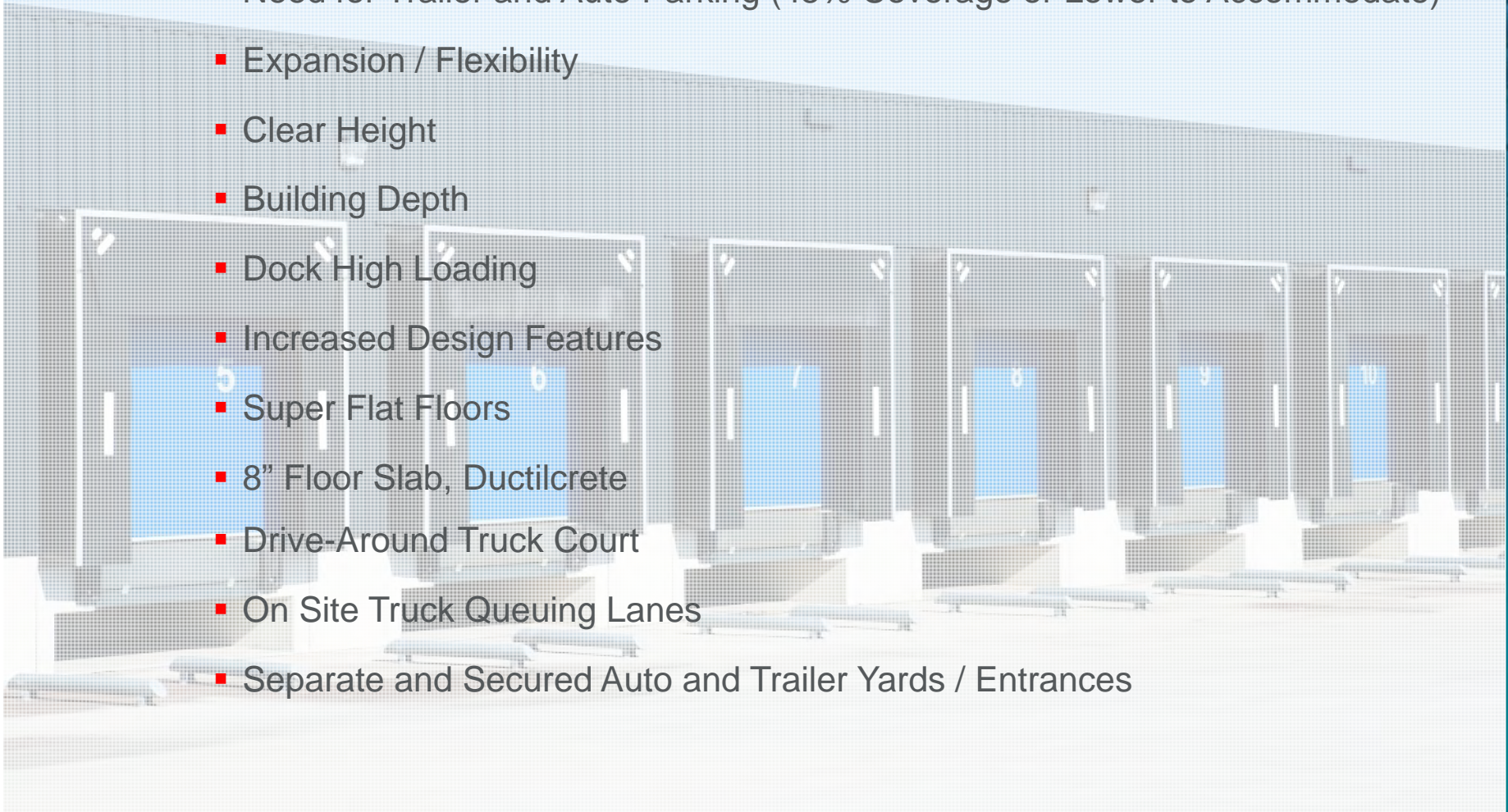


- There is nothing but growth ahead for E-Commerce.
- As a share of retail sales, excluding autos, E-commerce has grown from 1% in Q1 2000 to 8.4% in Q3 2016.
- We expect that share to increase by another 1% by the end of 2018; that means the current rate of \$100 billion E-commerce sales per quarter will increase roughly 25% to nearly \$125 billion per quarter in Q4 2018 as retail sales increase.
- This equates to an additional \$2 billion in E-commerce sales per month within the next two years.

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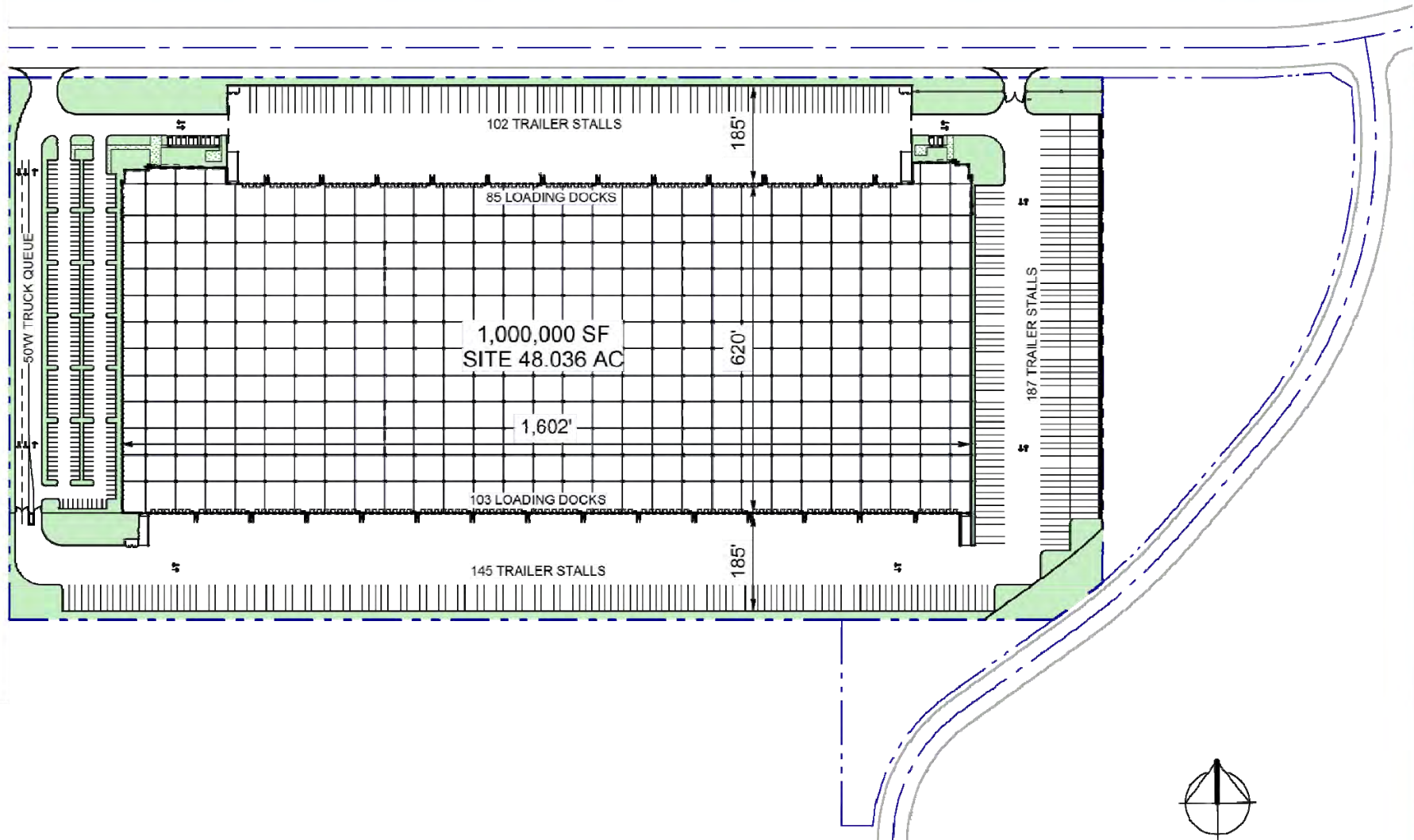
Building Specification Trends

- 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
- On Site Truck Queuing Lanes
- Separate and Secured Auto and Trailer Yards / Entrances



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Building Specification Trends

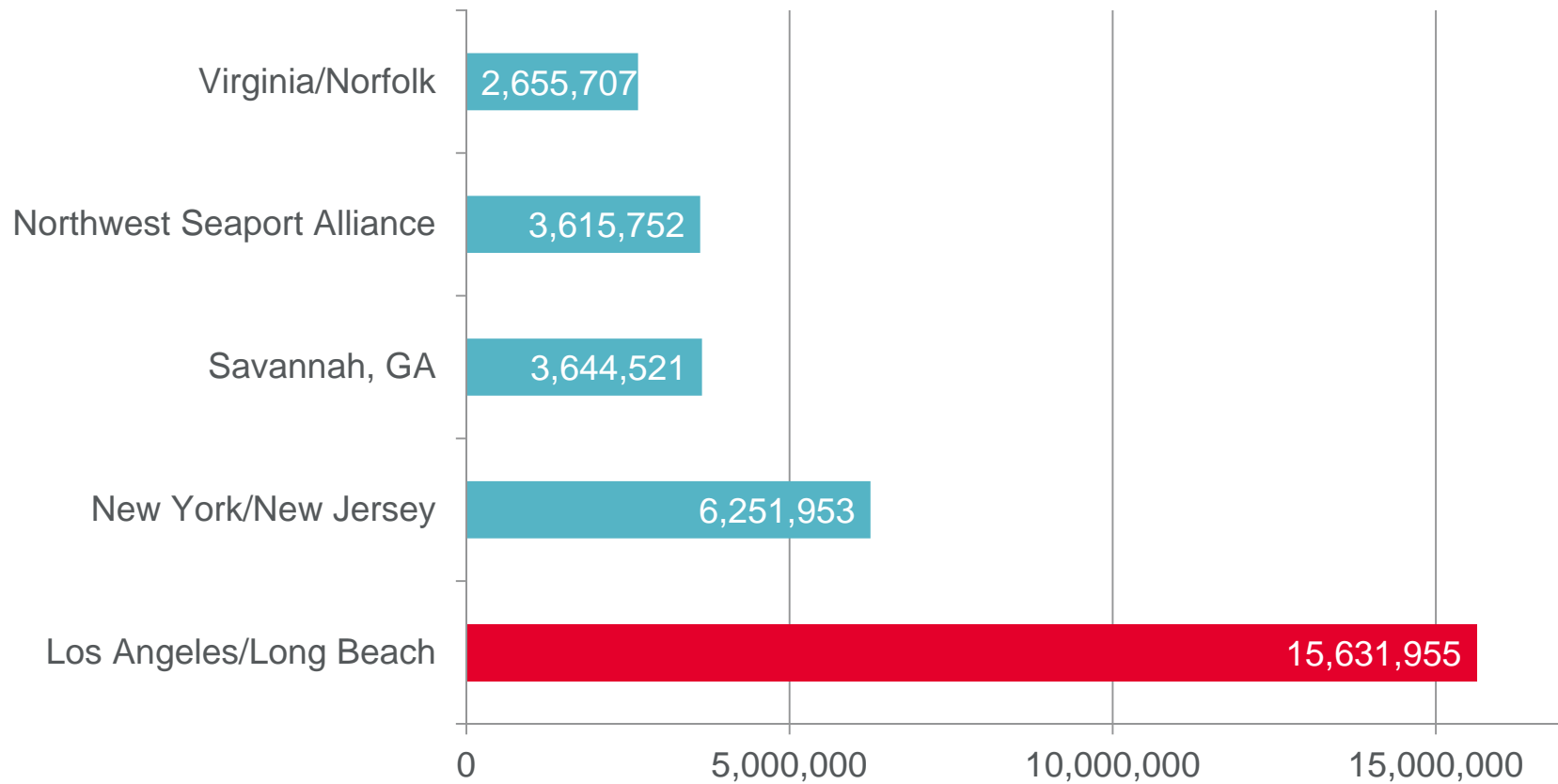


Ports Overview



Ports of Los Angeles & Long Beach

Container Volume – TEU Totals (In Thousands)

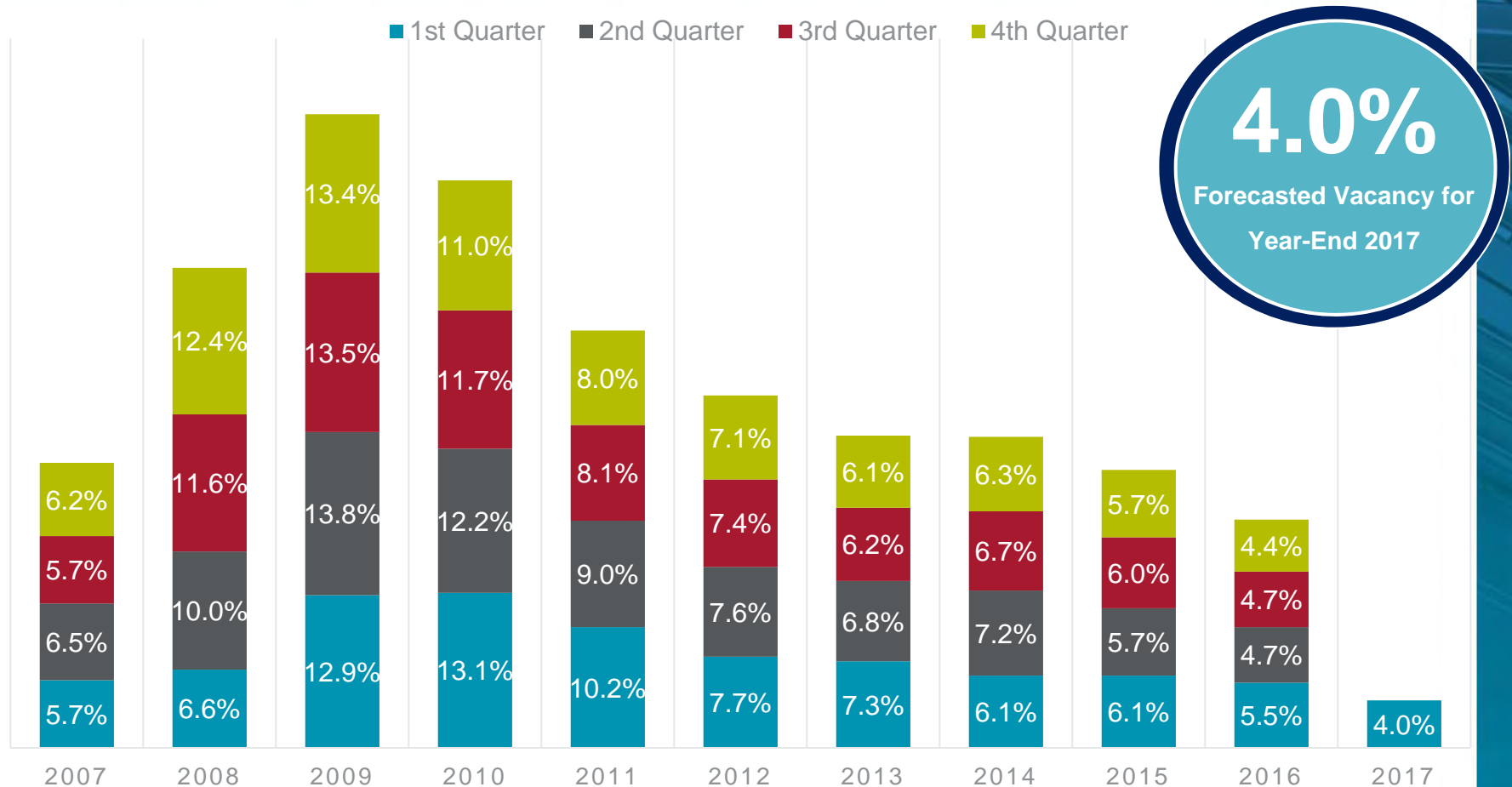


Inland Empire Trends



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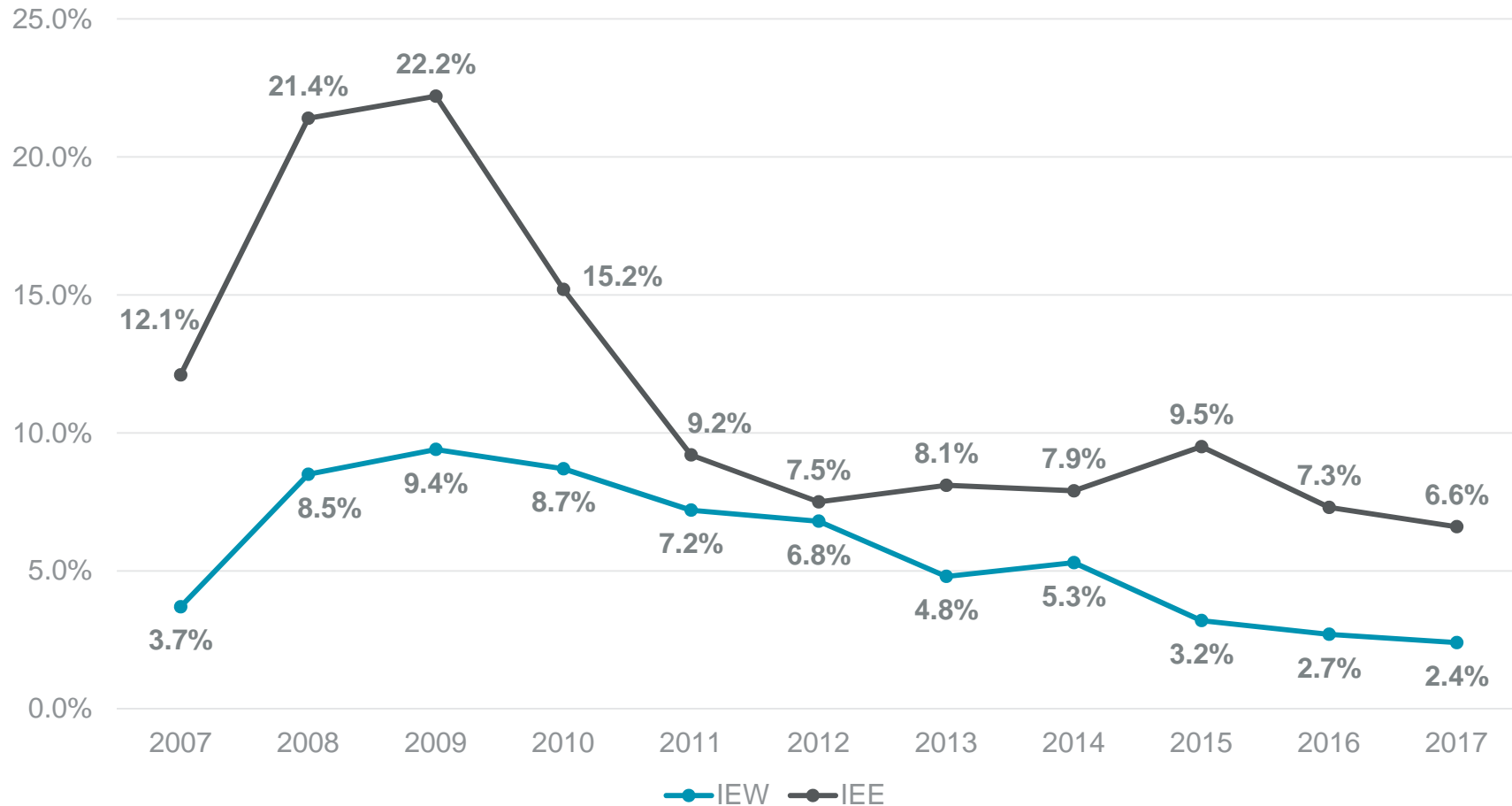
Historical Vacancy Rates by Quarter



Note: Existing buildings 10,000 square feet or larger. Includes flex space.

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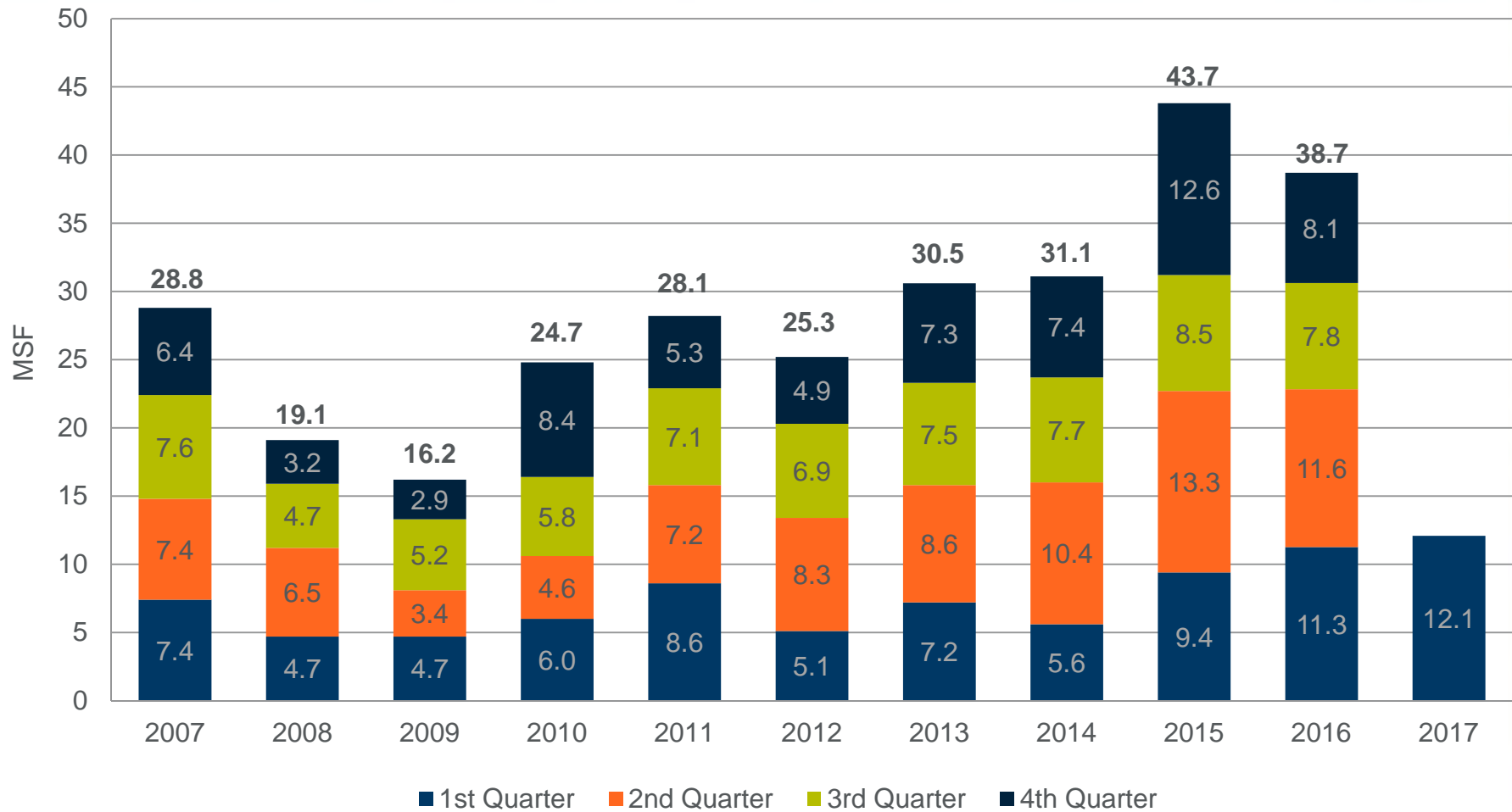
IEW vs. IEE Historical Vacancy Rates



Note: Existing buildings 10,000 square feet or larger. Includes flex space.

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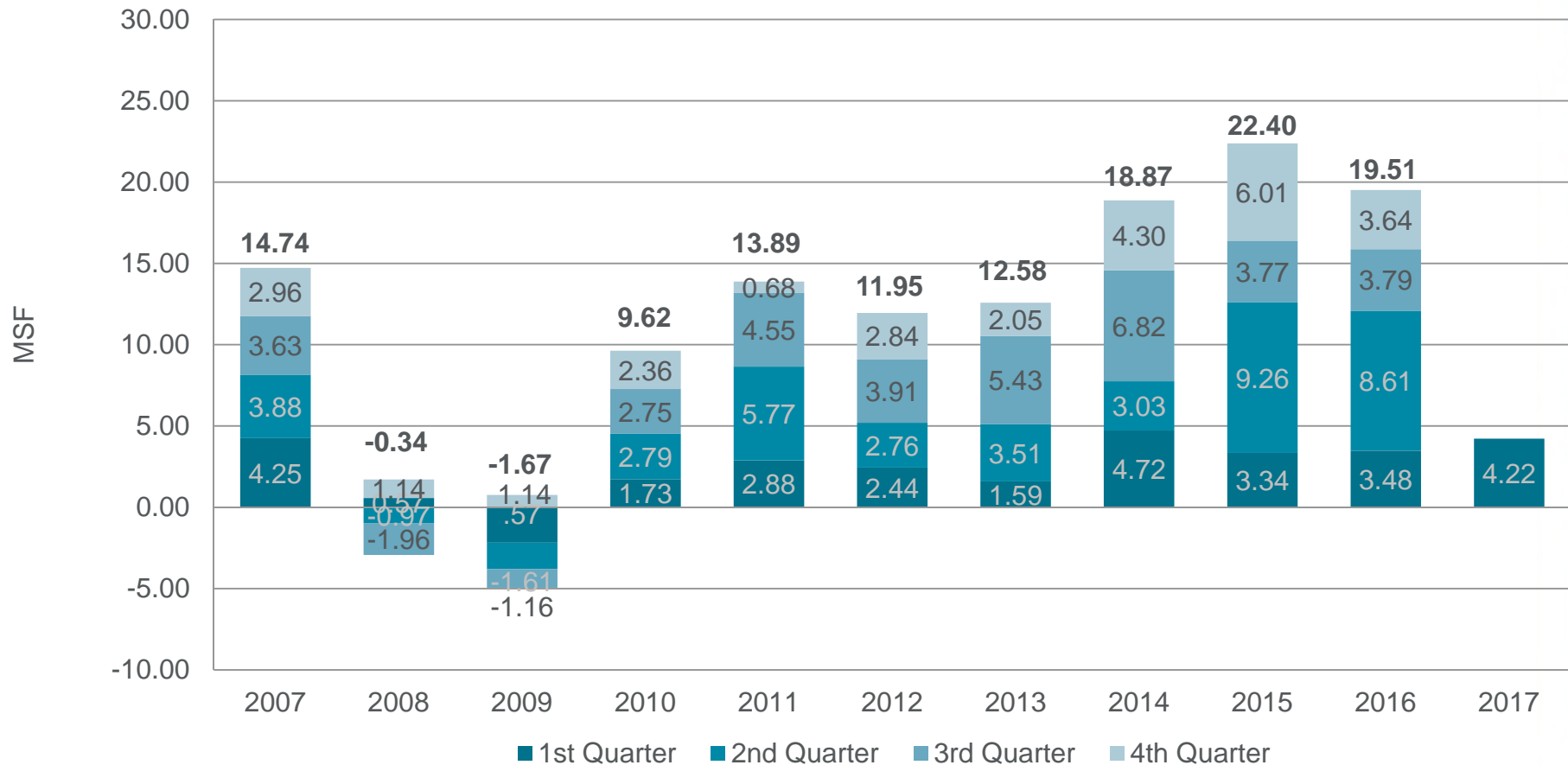
Historical Quarterly Leasing Activity



Note: Existing buildings 10,000 square feet or larger. Includes flex space.

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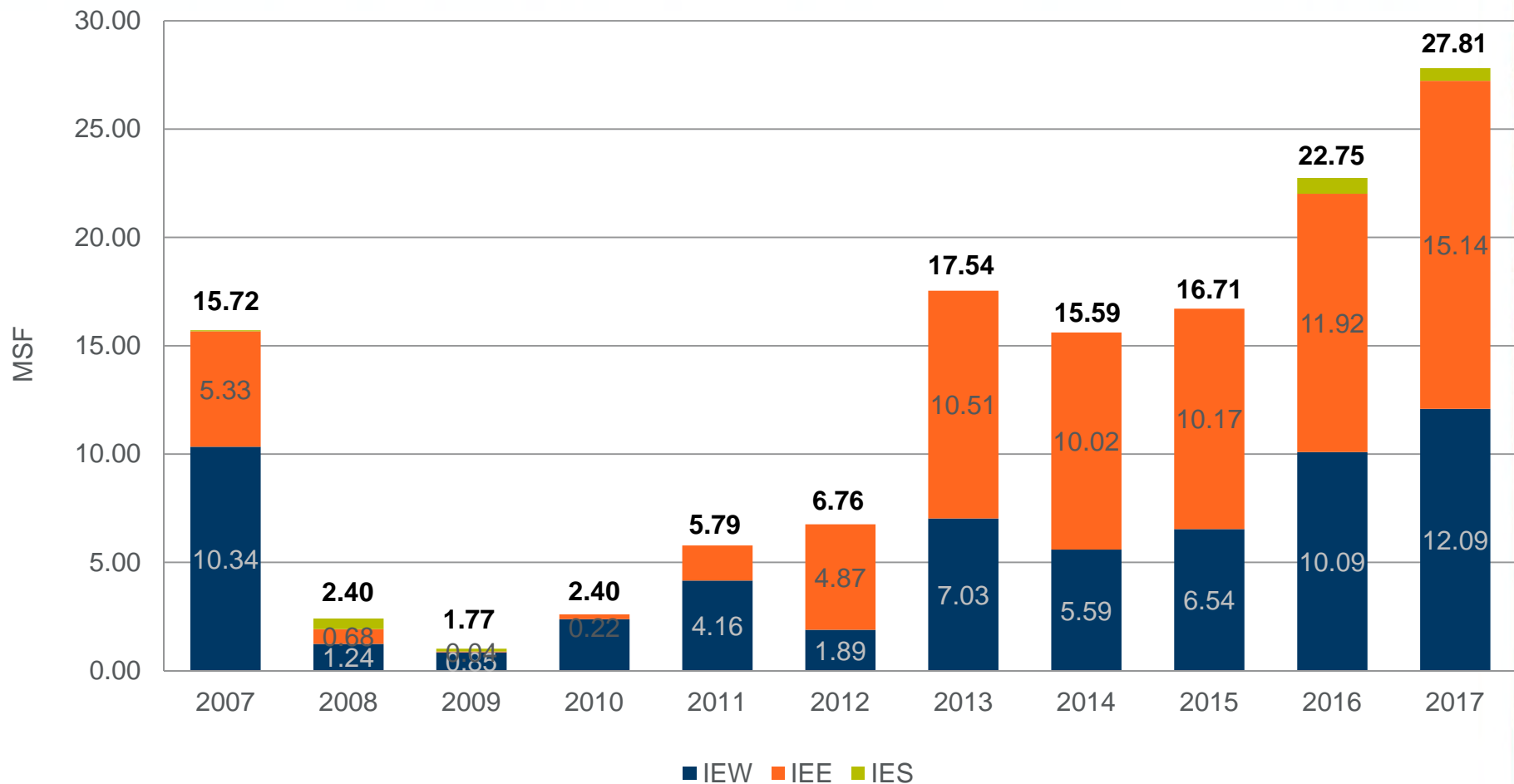
Historical Quarterly Net Absorption



Note: Existing buildings 10,000 square feet or larger. Includes flex space.

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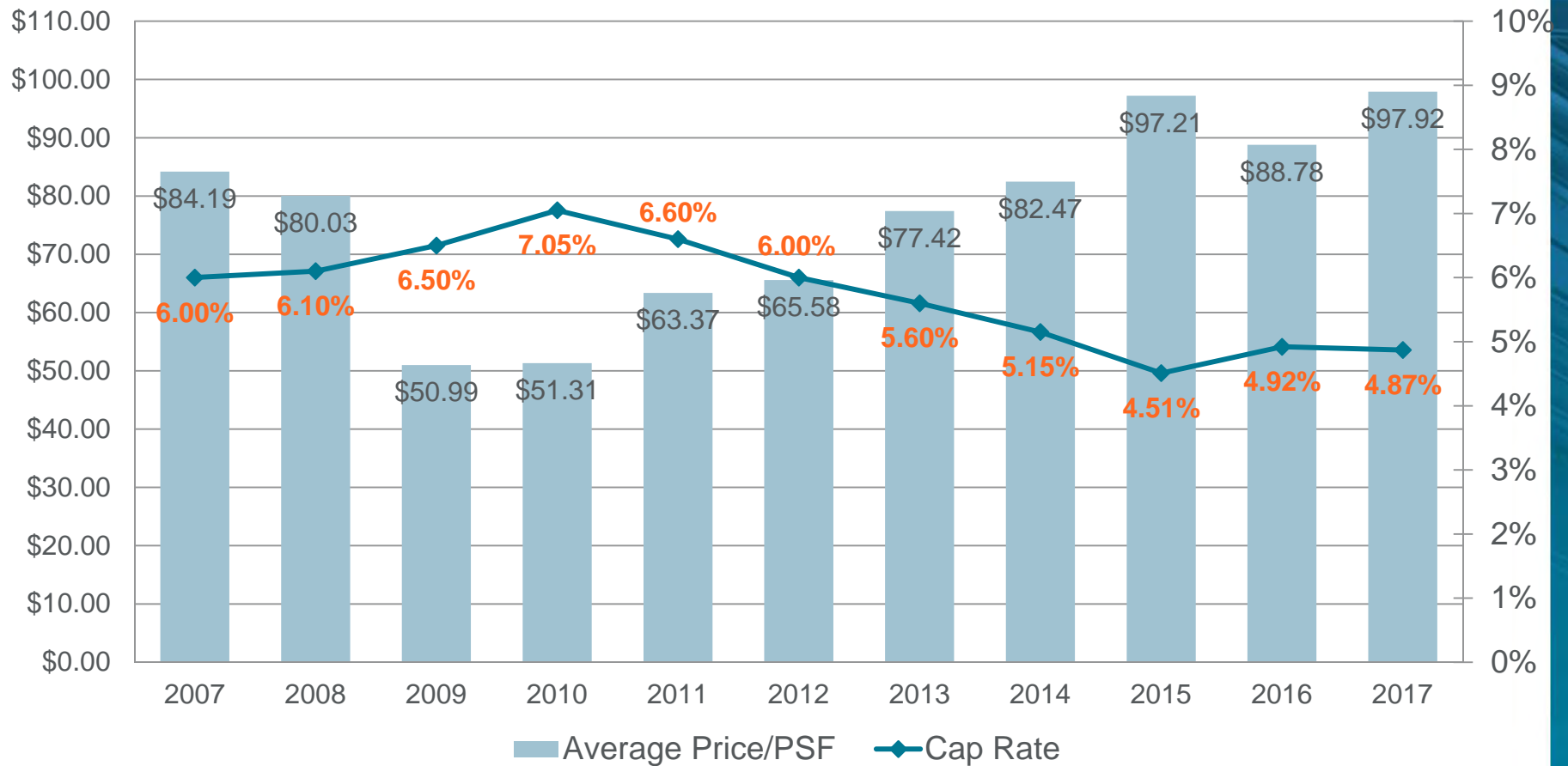
Historical Under Construction (Includes BTS)



Note: Existing buildings 10,000 square feet or larger. Includes flex space.

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Investment Sales Activity

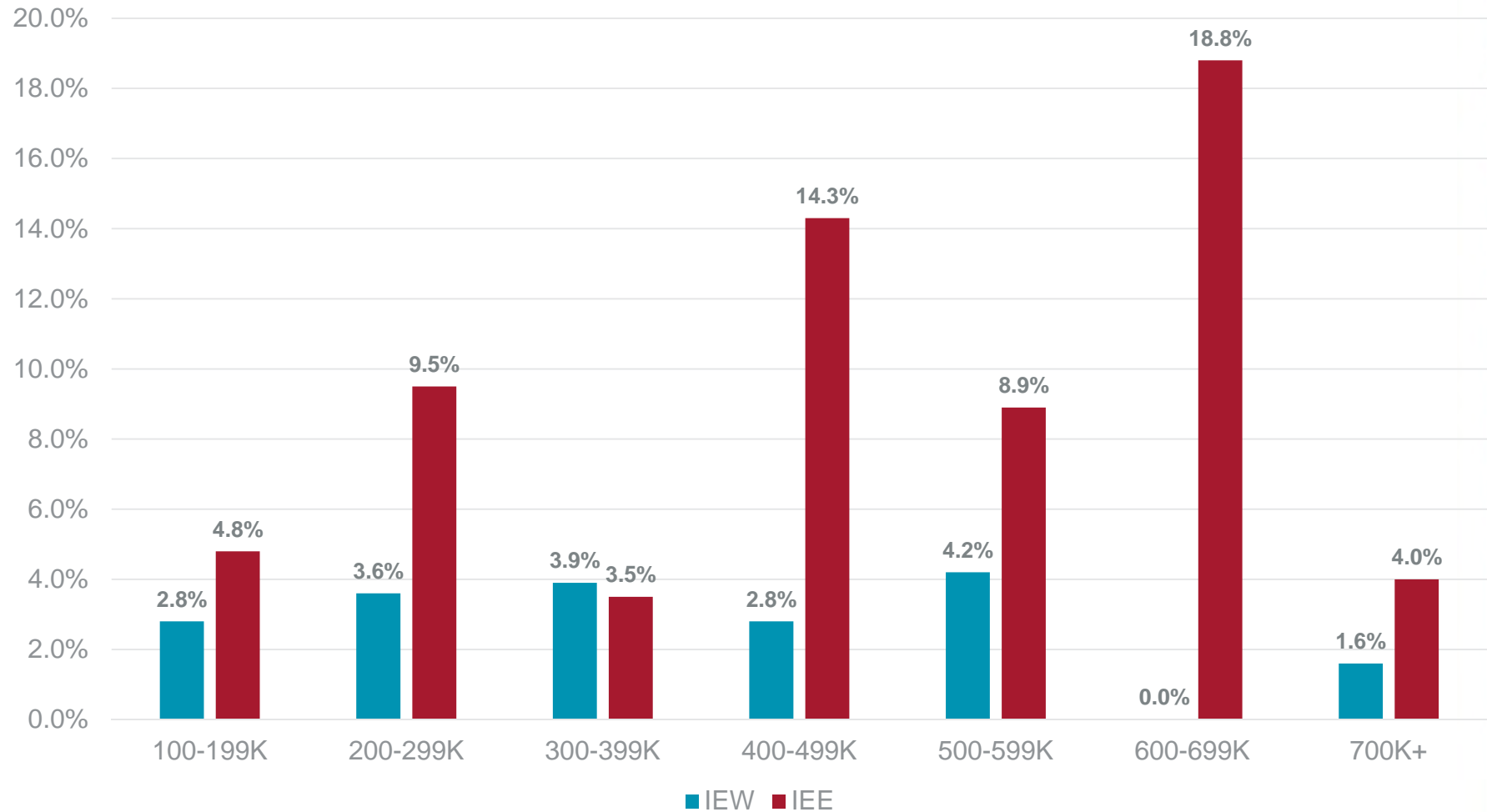


Big Box Trends



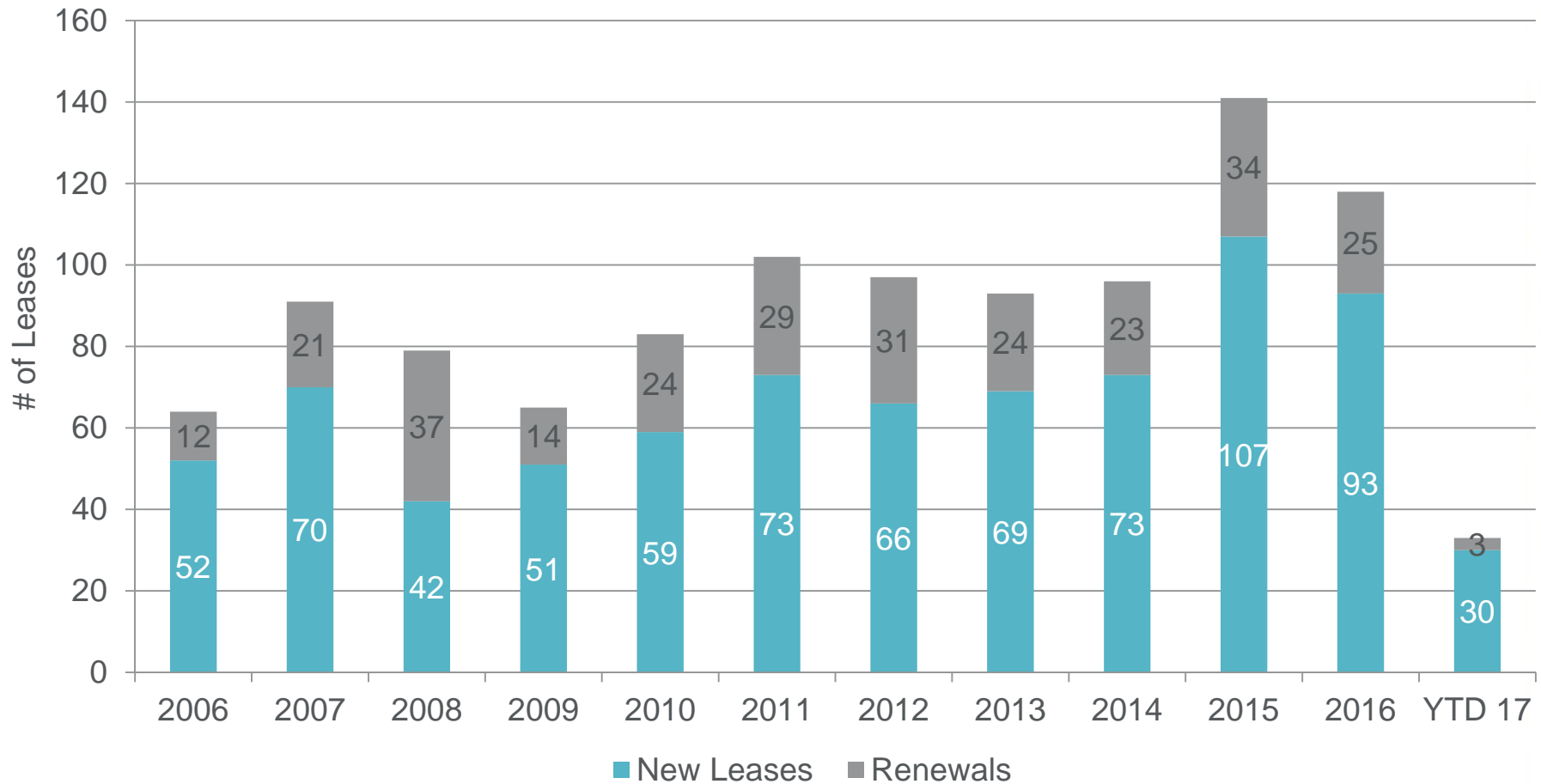
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Overall Vacancy Rate – 100,000 SF and Above



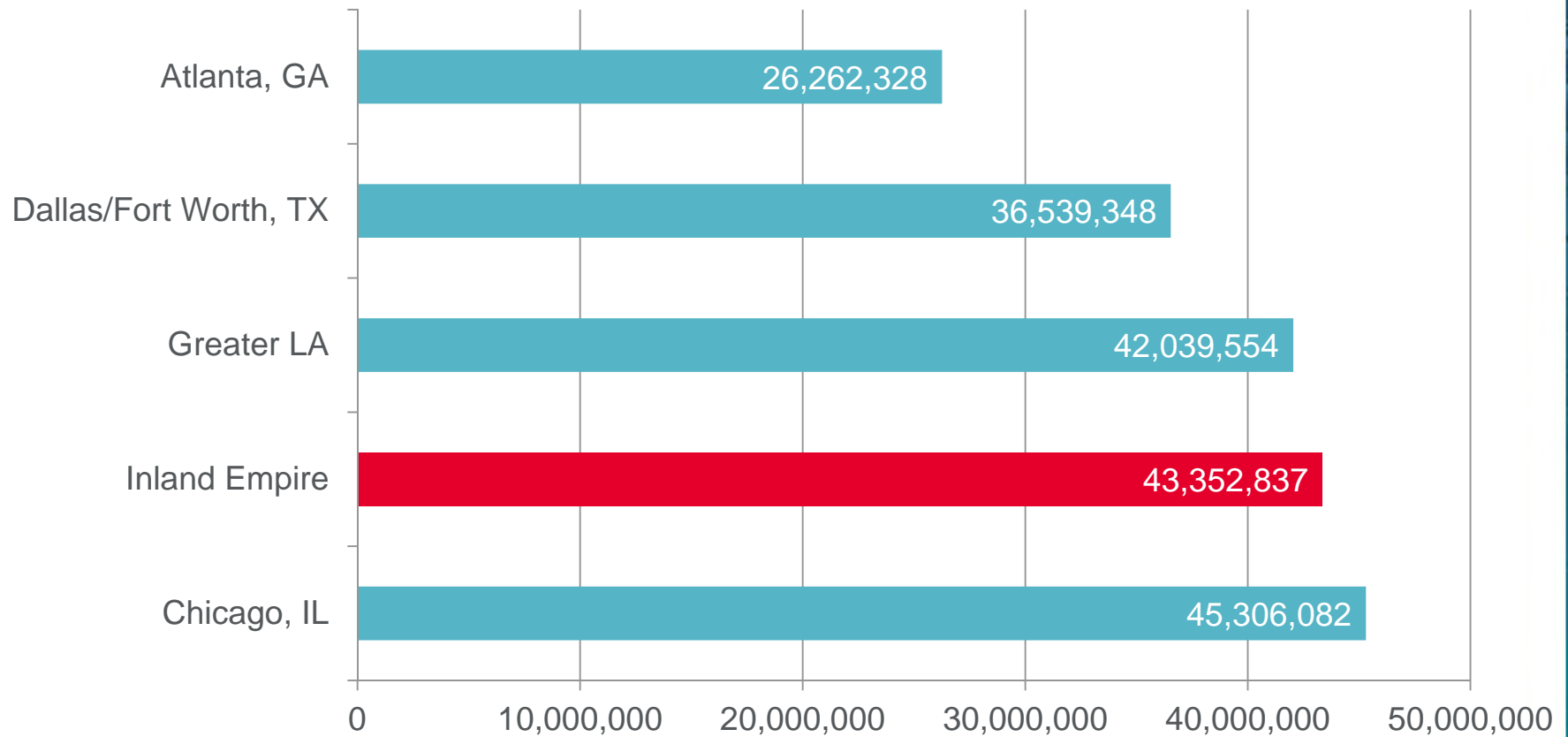
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Lease Transactions – 100,000 SF and Above



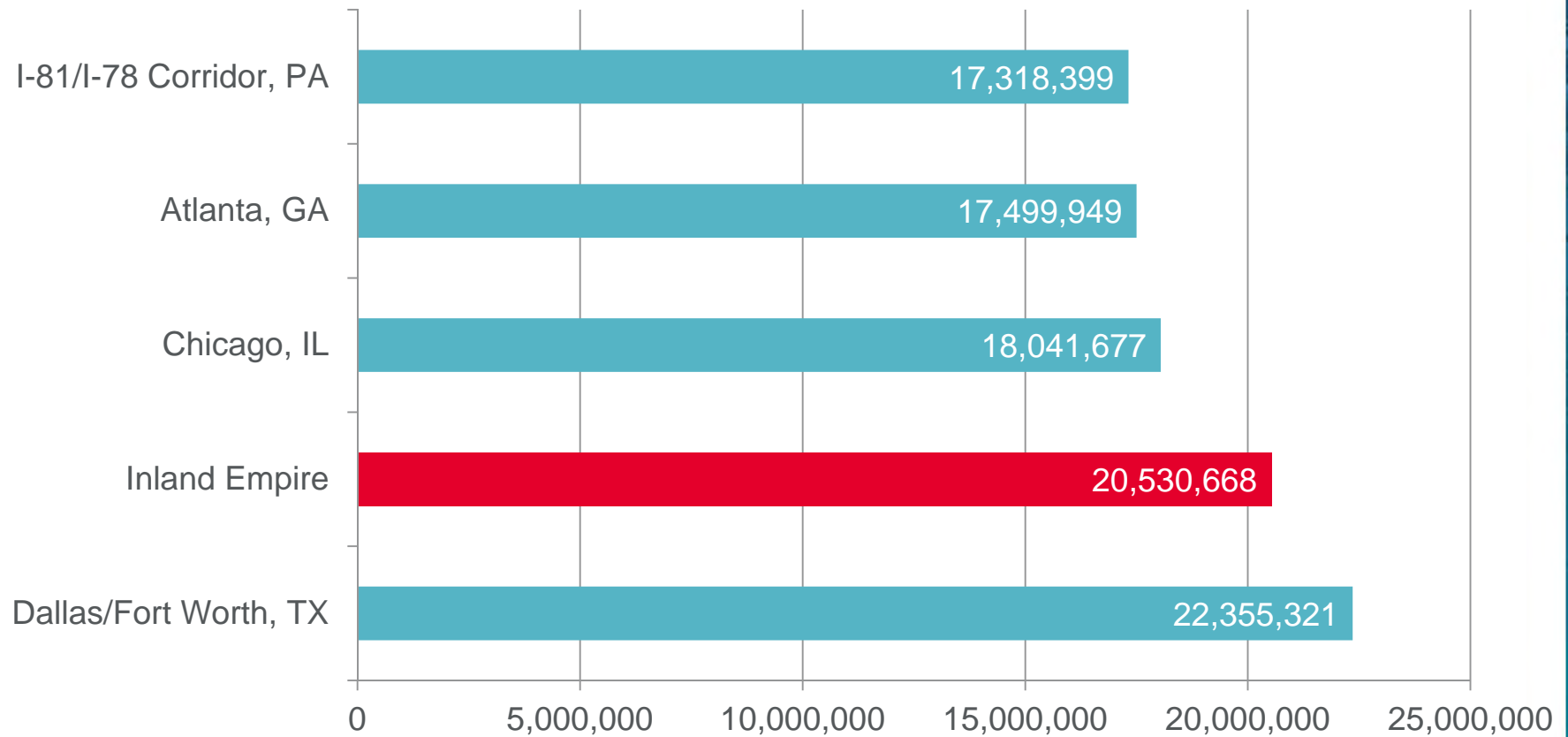
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2016 Overall Gross Activity



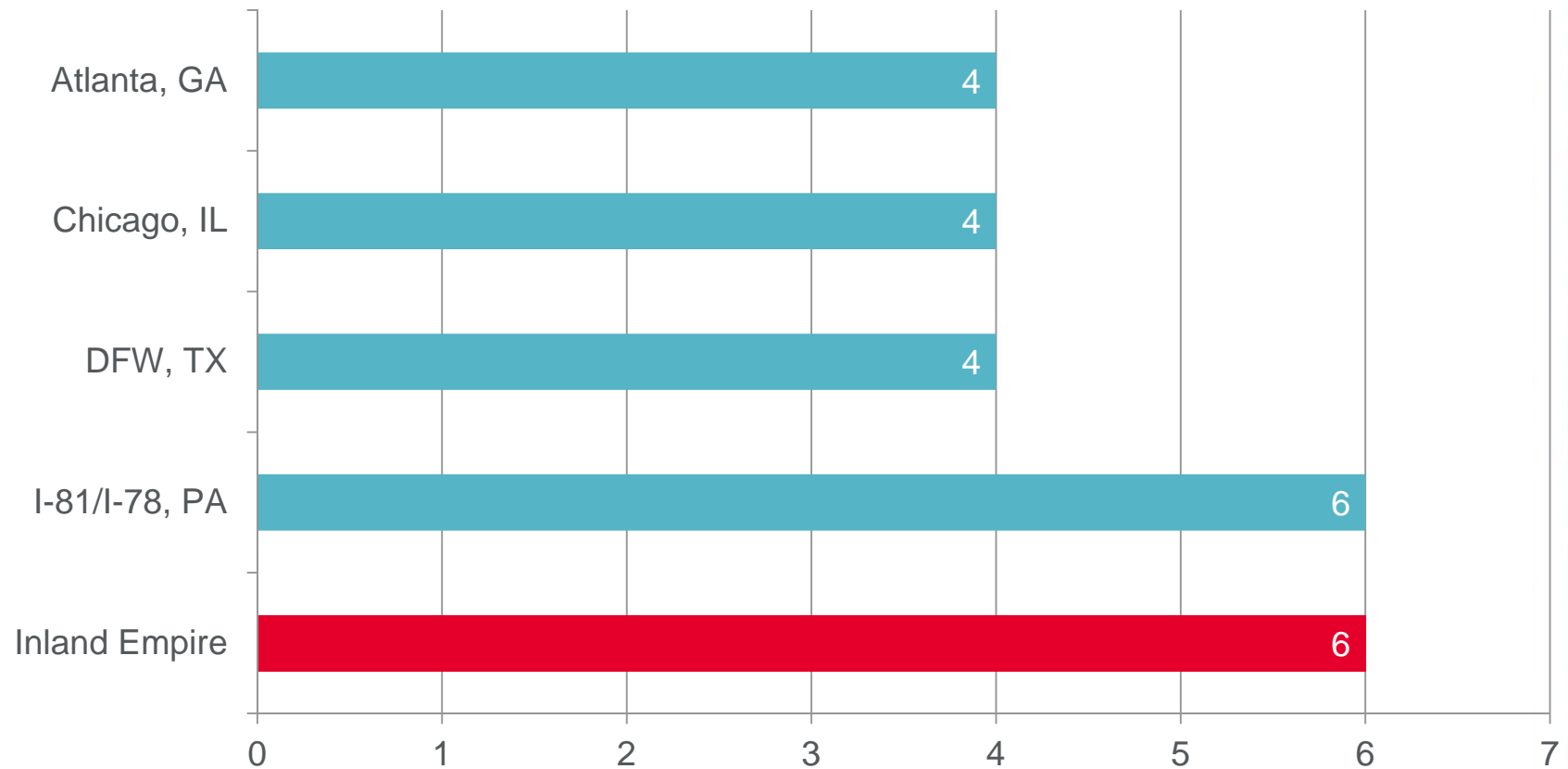
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2016 Construction Completions



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2016 Lease Transactions Over 800,000 SF



What's Going to Happen?



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Looking Ahead



E-commerce Will
Continue To Drive
Industrial Market Growth

Despite Over 20 MSF of
Spec Space Completing
in 2017, Vacancies
Should Continue to
Stabilize

The Average Size of Buildings
Under Construction Will
Reduce Due to Land
Constraints and Market
Conditions

Taking Rents and Sales
Prices on User
Transactions Will Pass
Pre-Recession Highs



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