

INLAND EMPIRE

INDUSTRIAL MARKET OVERVIEW

June 2015

AGENDA

DRIVERS FOR DEMAND

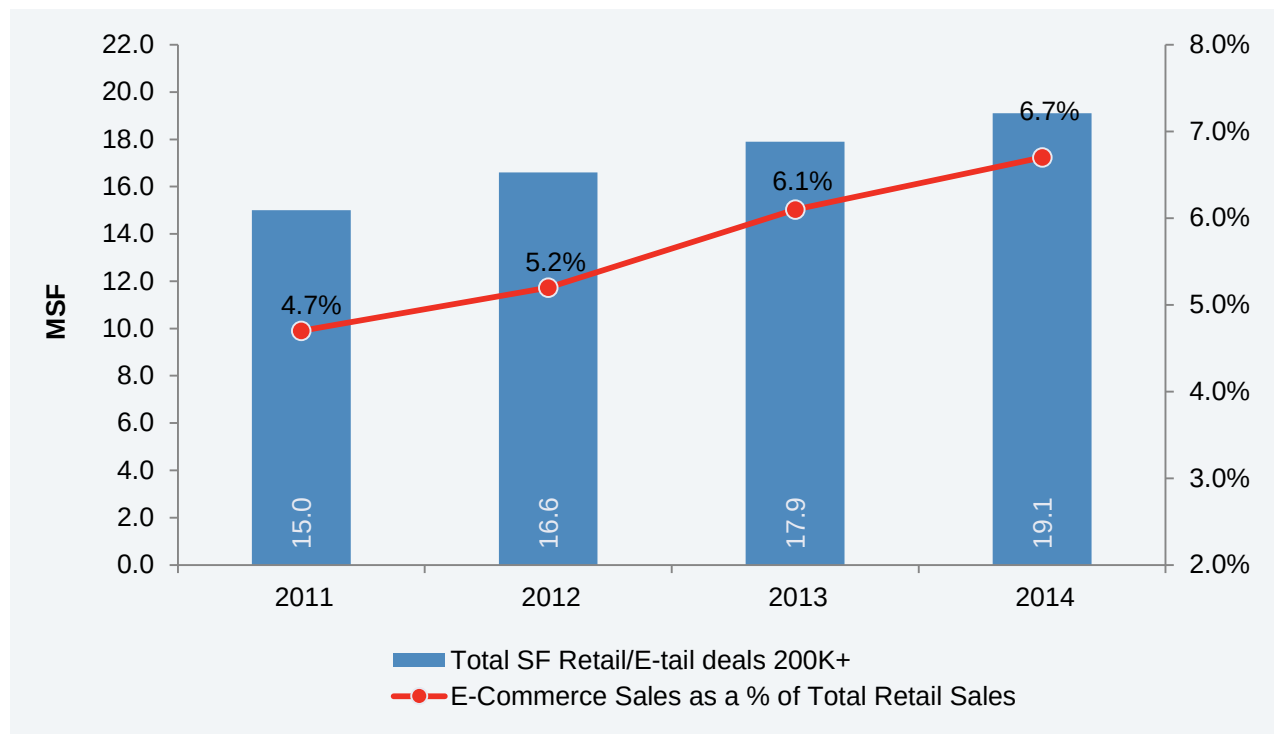
PORTS OVERVIEW

INLAND EMPIRE TRENDS

BIG BOX TRENDS

INLAND EMPIRE INDUSTRIAL MARKET

E-Commerce Activity in Top U.S. Markets



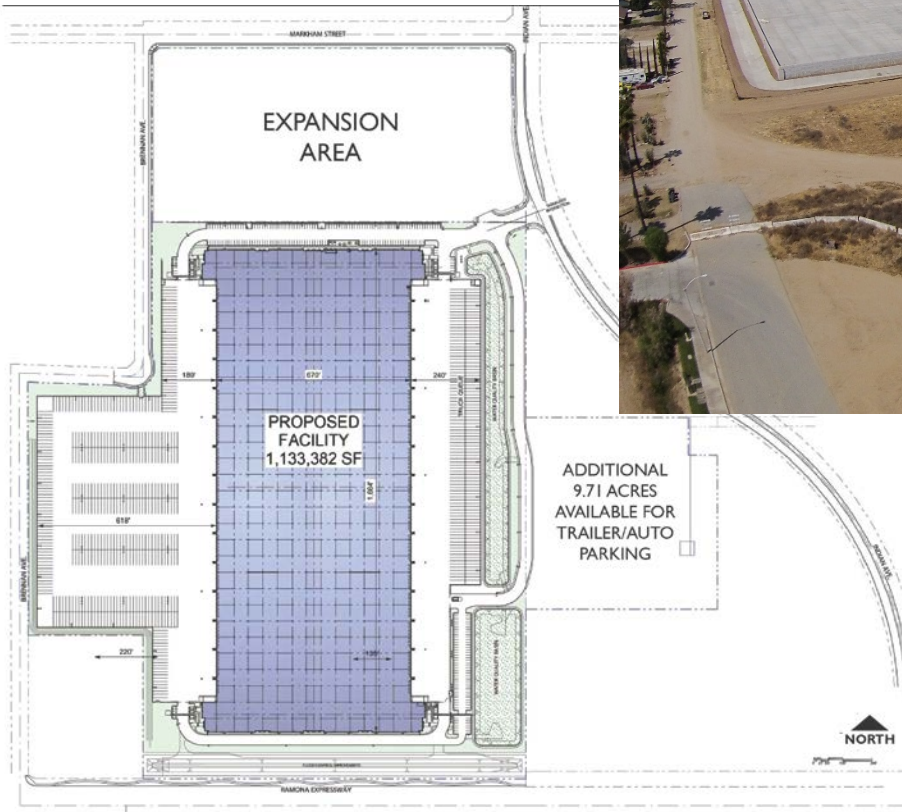
E-Commerce Accounts for 21% of Activity the Last Three Years

E-Commerce and E-Tail related firms leased approximately 19.1 msf during 2014, up 6.7% from the previous year

- 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 (Watson Legacy & Pacific Industrial Rialto projects)
- Super Flat Floors
- 8" Floor Slab, Ductilcrete
- Drive-Around Truck Court
- On Site Truck Queuing Lanes
- Separate and Secured Auto and Trailer Yards / Entrances

INLAND EMPIRE INDUSTRIAL MARKET

The Building of the Future – Available Today



NET SITE AREA: 2,820,655 SF
64.75 AC

BUILDING AREA:

1,133,282 SF
0 SF
1,133,382 SF

400 SF

40.18 %

302 STALLS
20 STALLS
534 STALLS
856 STALLS

GROUND FLOOR
MEZZANINE
TOTAL

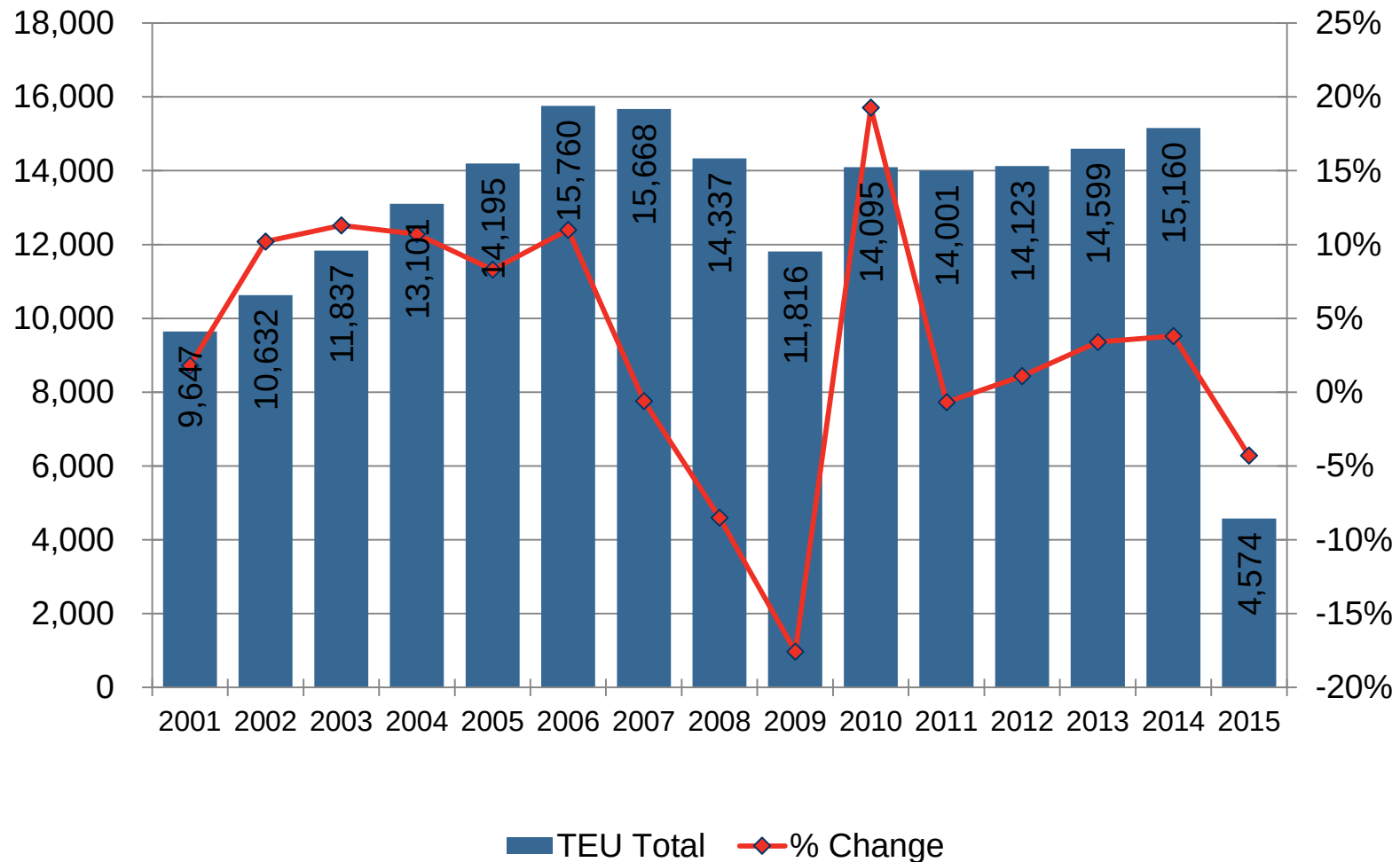
FIRE PUMP HOUSE

NET LOT COVERAGE

PARKING REQUIRED:
FUTURE OFFICE 45,260 @ 1/150 SF
WAREHOUSE 20,000 SF @ 1/1000 SF < 20000 SF
WAREHOUSE 1,068,122 SF @ 1/2000 SF > 20000 SF
TOTAL

PORTS OF LOS ANGELES & LONG BEACH

Container Volume – TEU Totals (in Thousands)

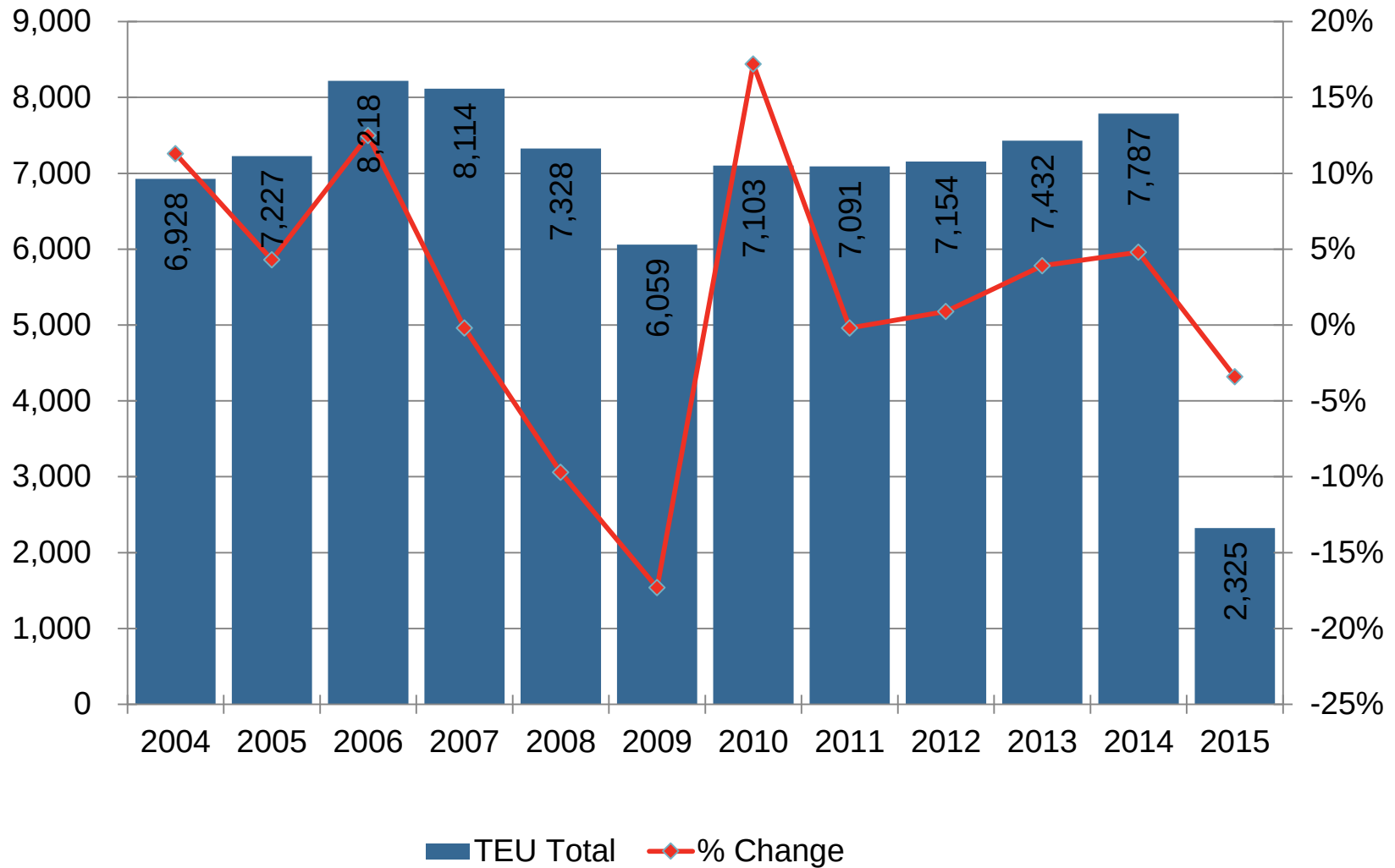


2015 total (as of April) of 4.6M is **down** 3.1% from a year ago.

TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size. Source: The Port of Long Beach and Los Angeles. Forecast from LAEDC

PORTS OF LOS ANGELES & LONG BEACH

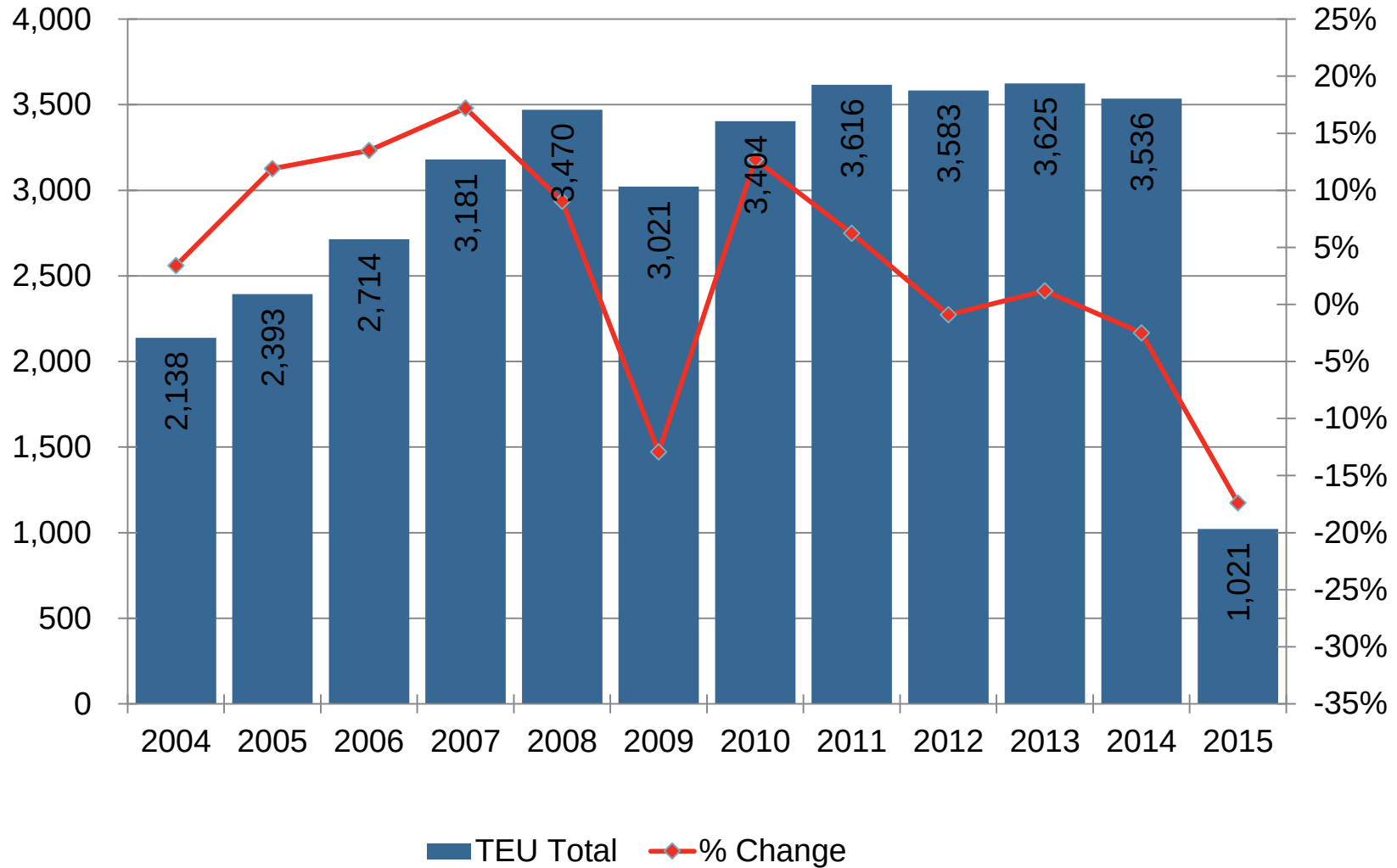
Loaded Inbound TEU Totals (Import Volume)



TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size. Source: The Port of Long Beach and Los Angeles.

PORTS OF LOS ANGELES & LONG BEACH

Loaded Outbound TEU Totals (Export Volume)

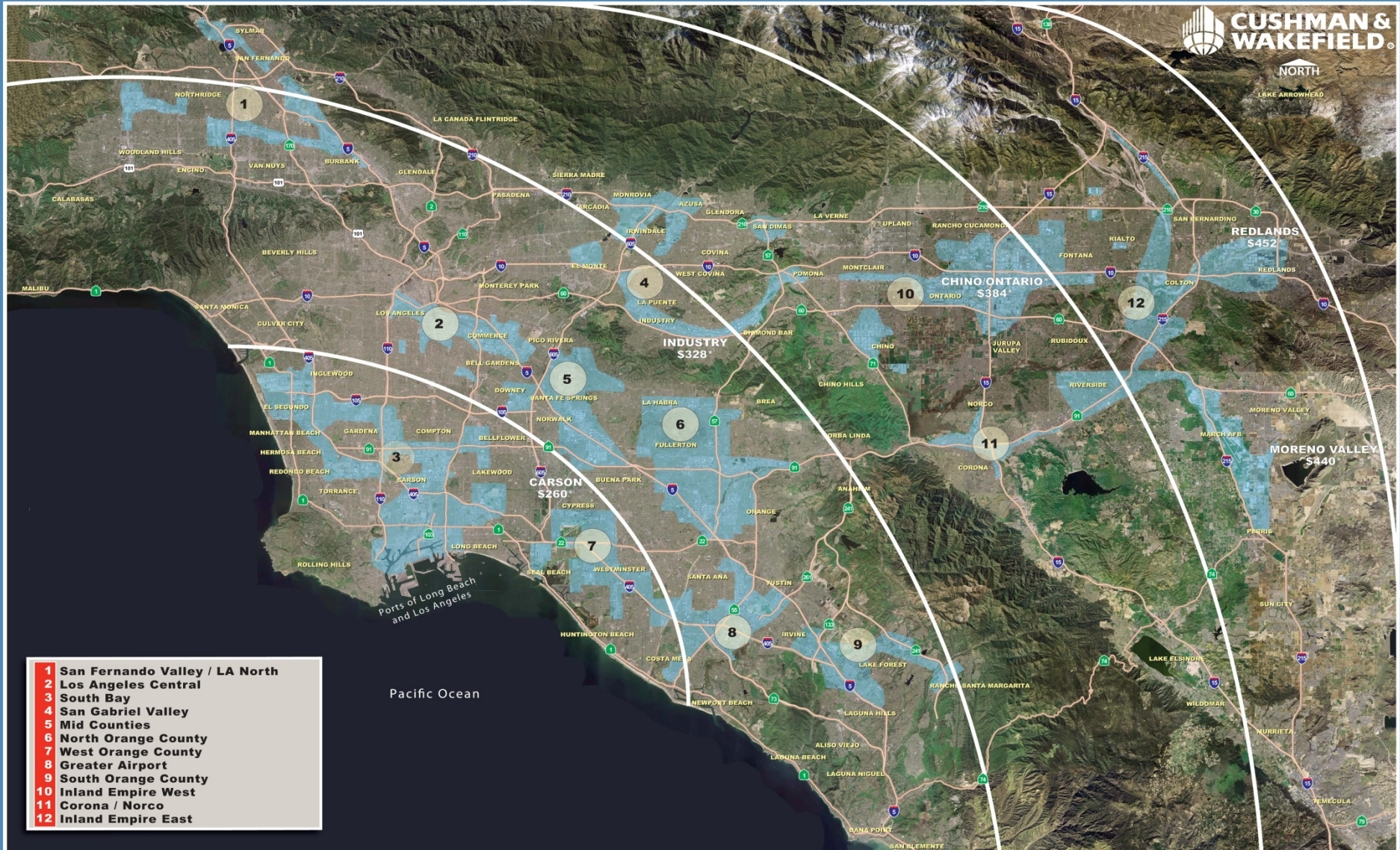


TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size. Source: The Port of Long Beach and Los Angeles.

SOUTHERN CALIFORNIA DRAYAGE COST

INLAND EMPIRE
INDUSTRIAL
OVERVIEW

DRAYAGE RATES BASED ON 4,000 CONTAINERS PER ANNUM



* Rates are inclusive of 24% Fuel Service Charge and Clean Truck Fees

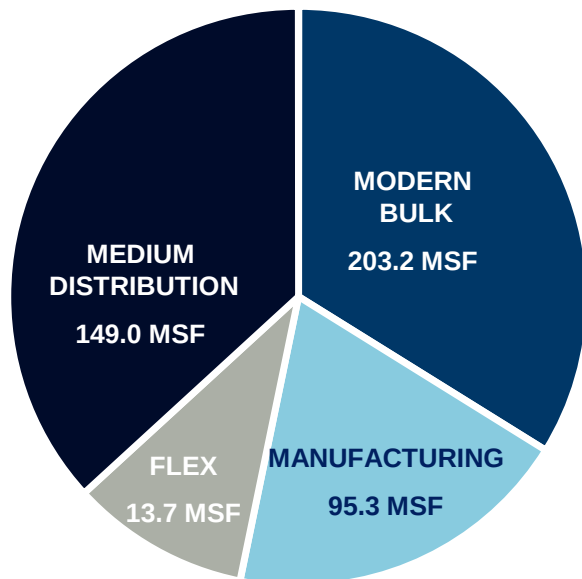
Source: F&S - July 2013

TOTAL MARKET SIZE

463,126,168 SF

MODERN BULK MARKET SIZE

203,166,301 SF



MODERN BULK FACILITIES



OVERALL VACANCY



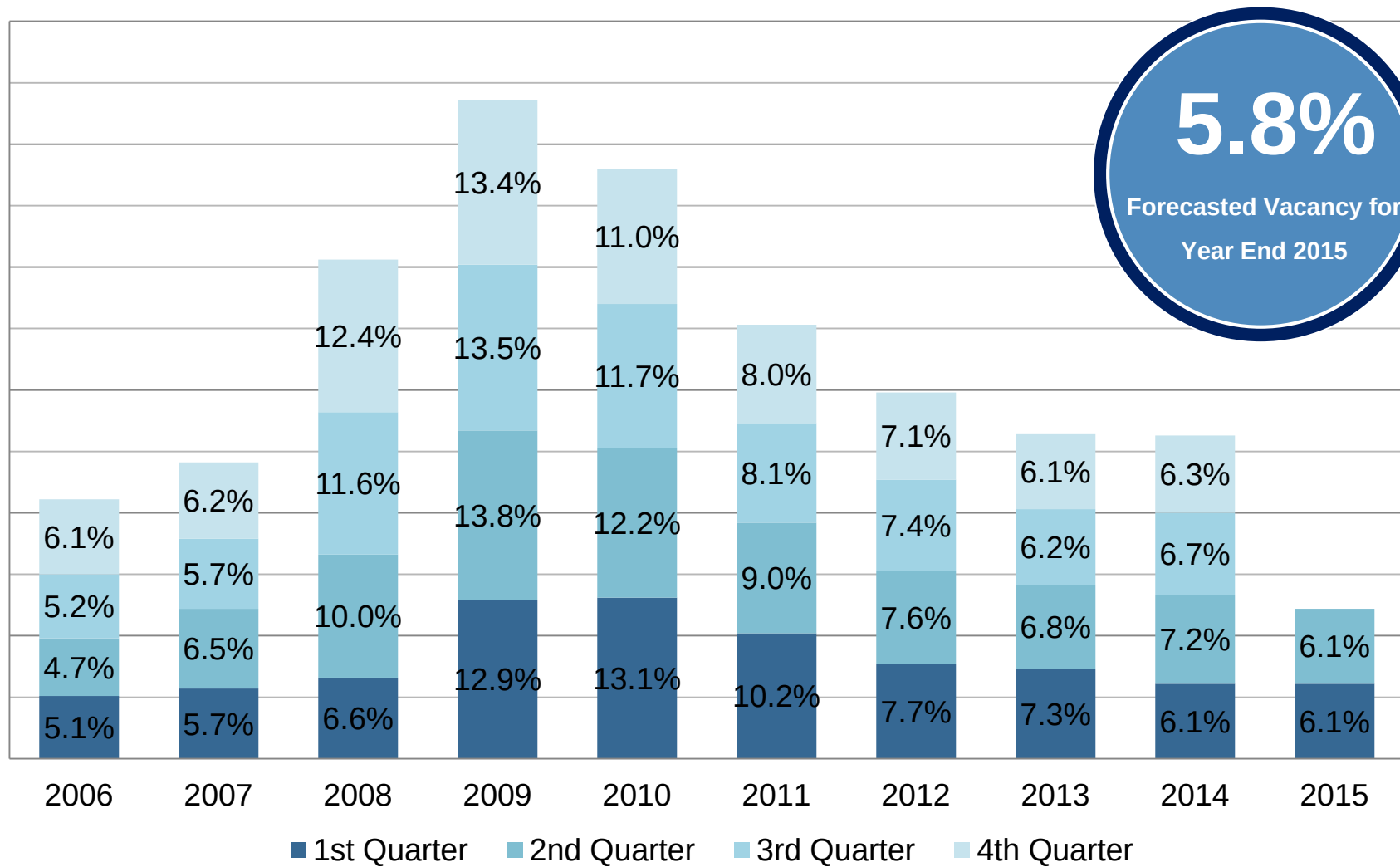
IEW VACANCY



IEE VACANCY

INLAND EMPIRE INDUSTRIAL MARKET

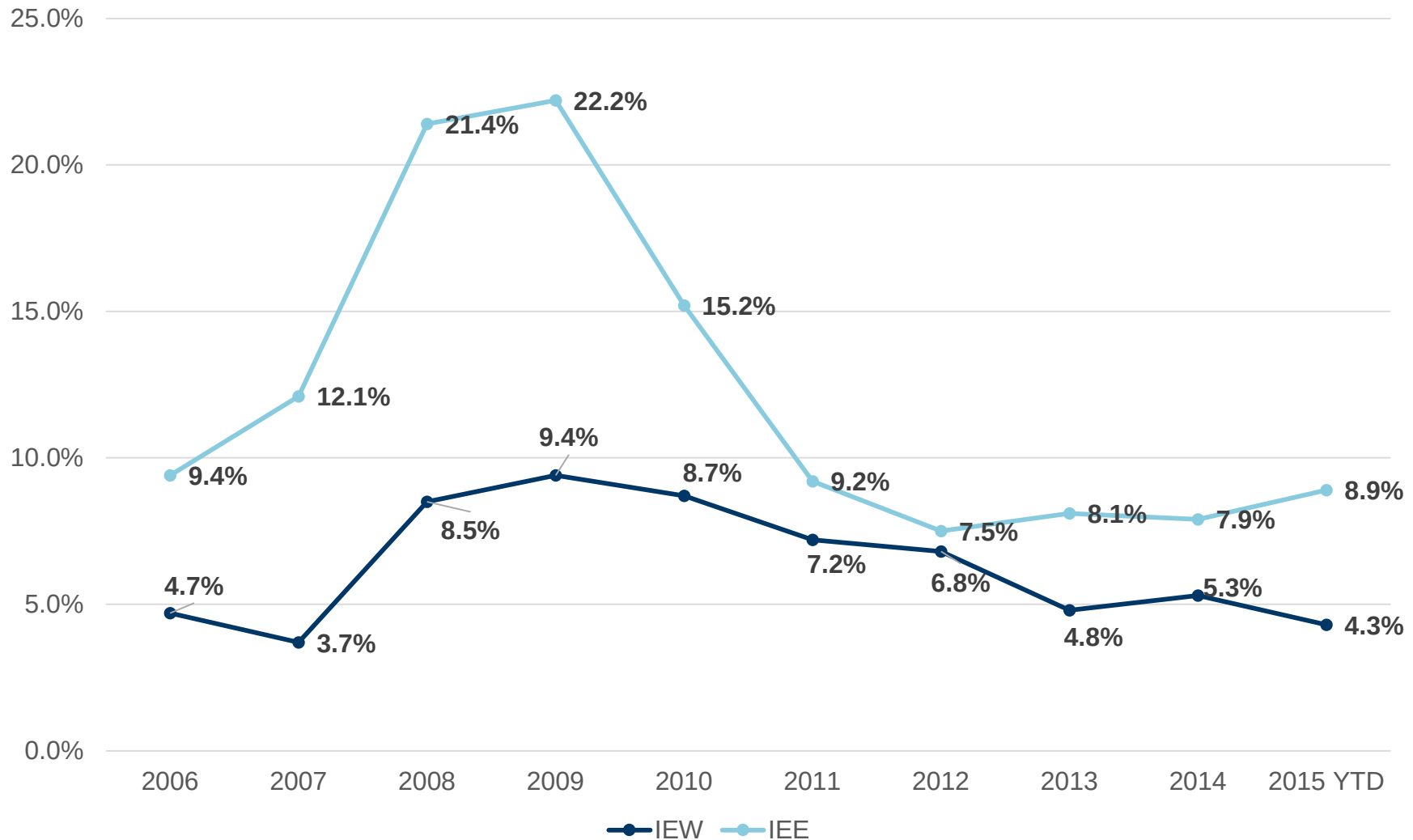
Historical Vacancy Rates by Quarter



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

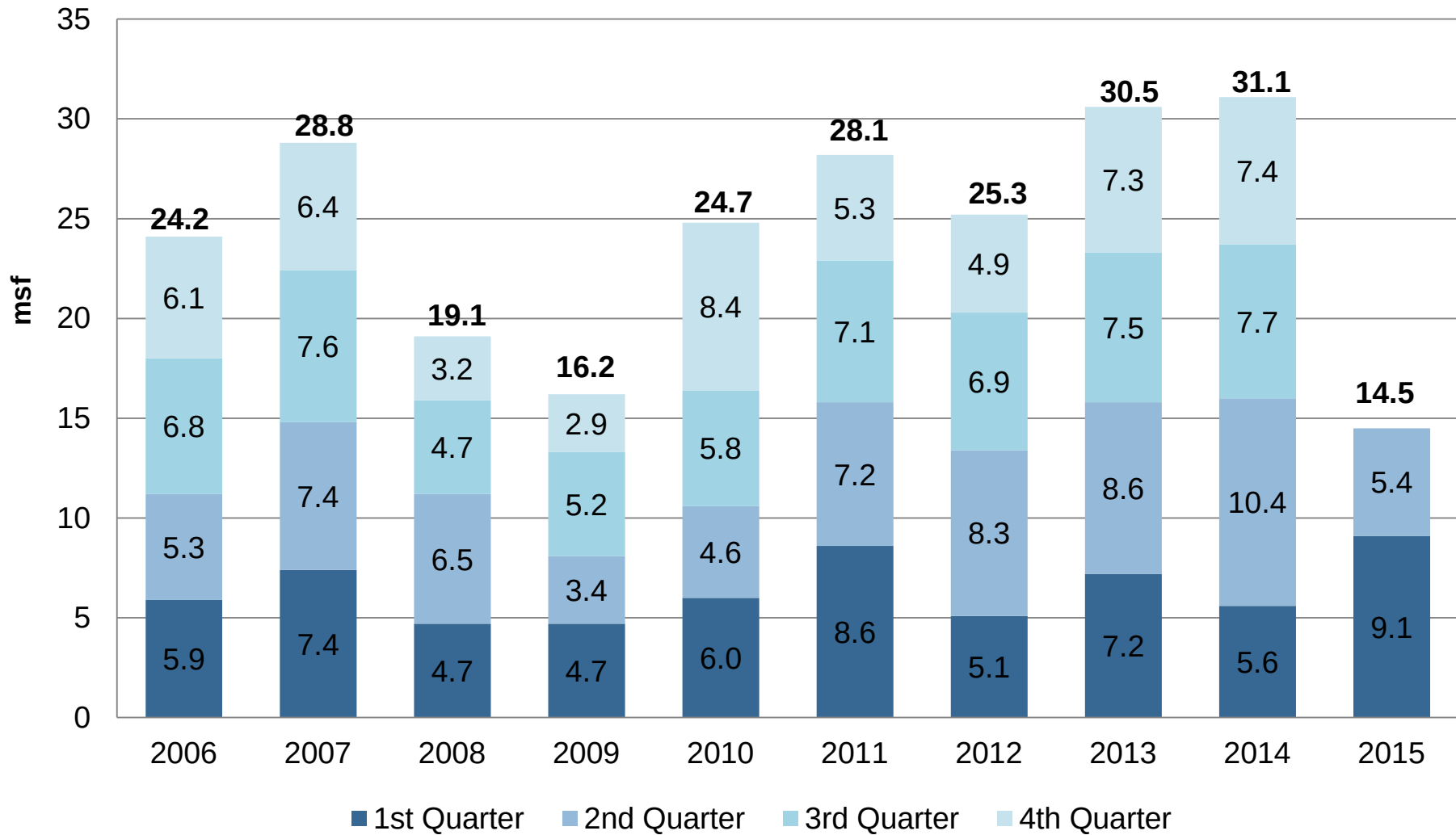
INLAND EMPIRE INDUSTRIAL MARKET

IEW vs. IEE Historical Overall Vacancy Rates



INLAND EMPIRE INDUSTRIAL MARKET

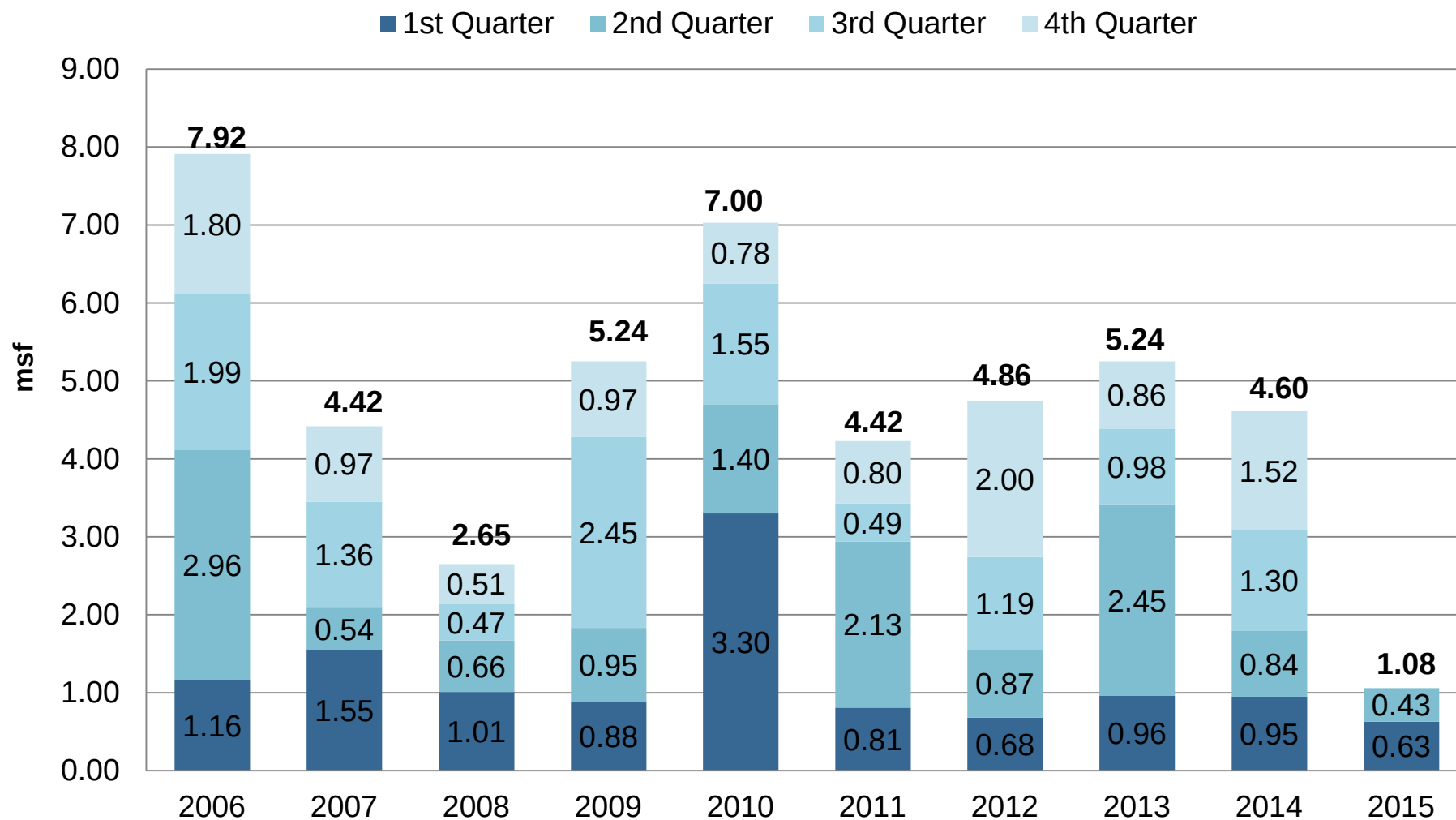
Quarterly Leasing Activity



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

INLAND EMPIRE INDUSTRIAL MARKET

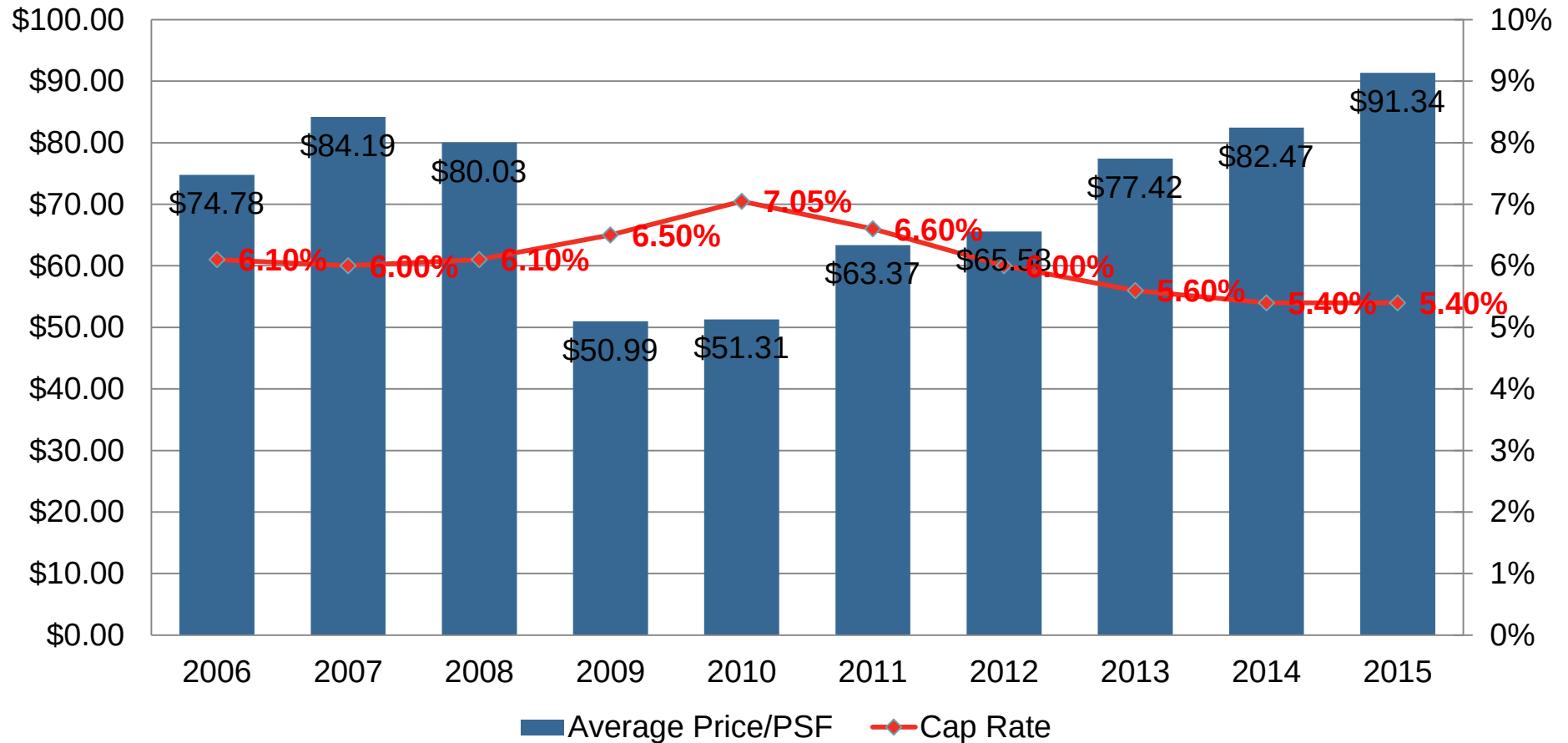
Quarterly User Sale Activity



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

INLAND EMPIRE INDUSTRIAL MARKET

Average Sale Prices vs. Cap Rates

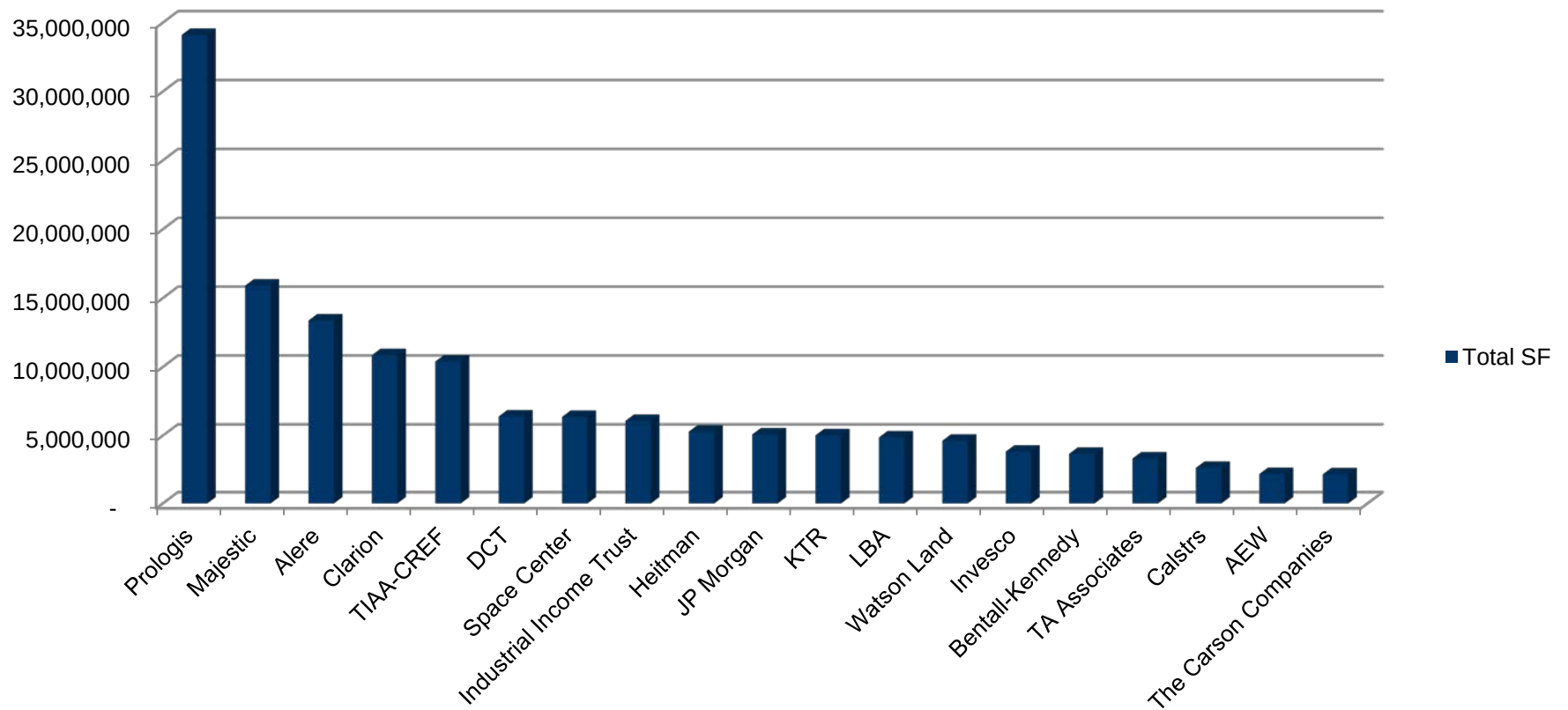


Note: Existing buildings 10,000 square feet or larger. Includes flex space.

INLAND EMPIRE INDUSTRIAL MARKET

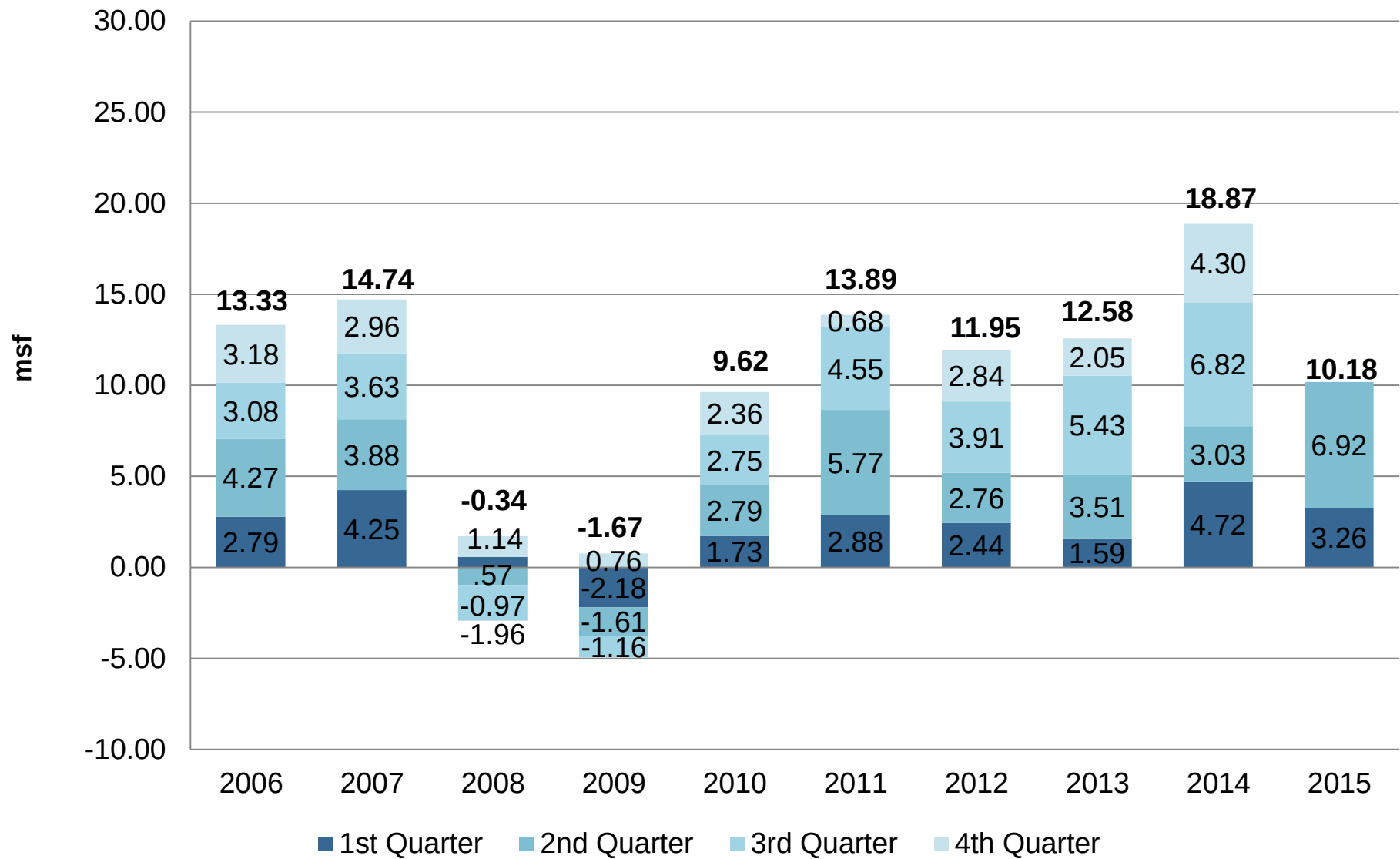
Major Developers in the Market

Inland Empire Top 20 Landlords



INLAND EMPIRE INDUSTRIAL MARKET

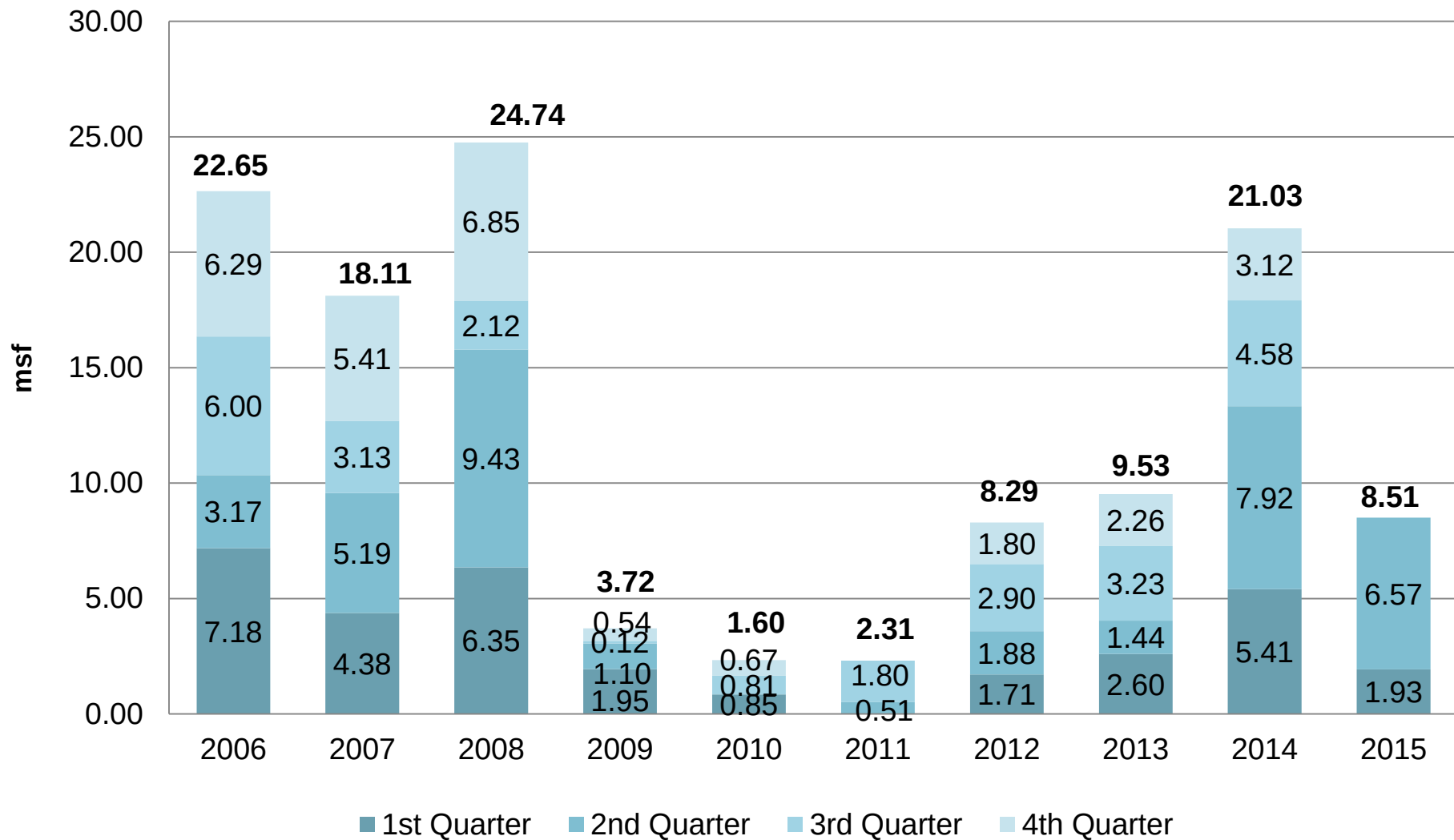
Quarterly Net Absorption



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

INLAND EMPIRE INDUSTRIAL MARKET

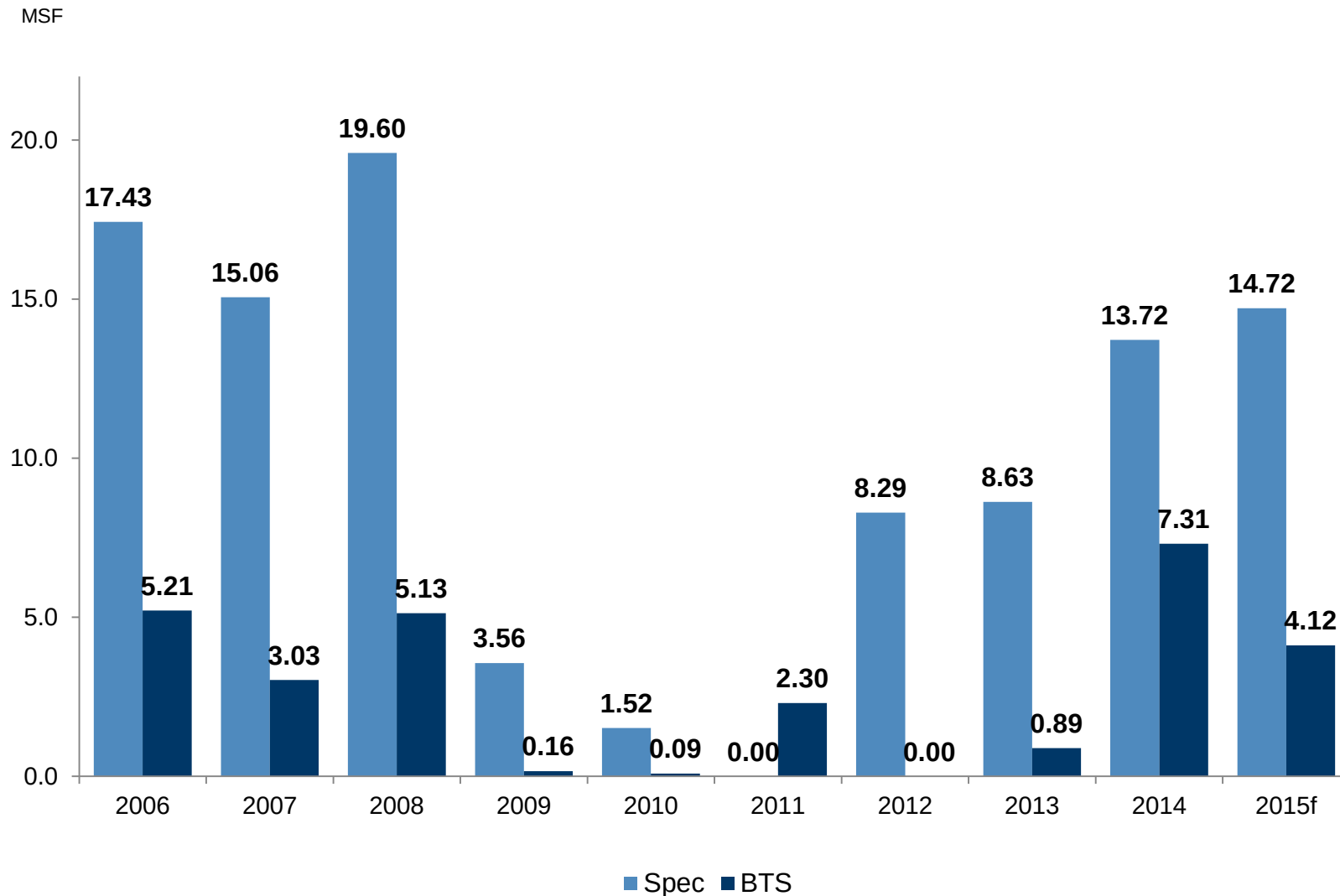
Construction Completions by Quarter



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

INLAND EMPIRE INDUSTRIAL MARKET

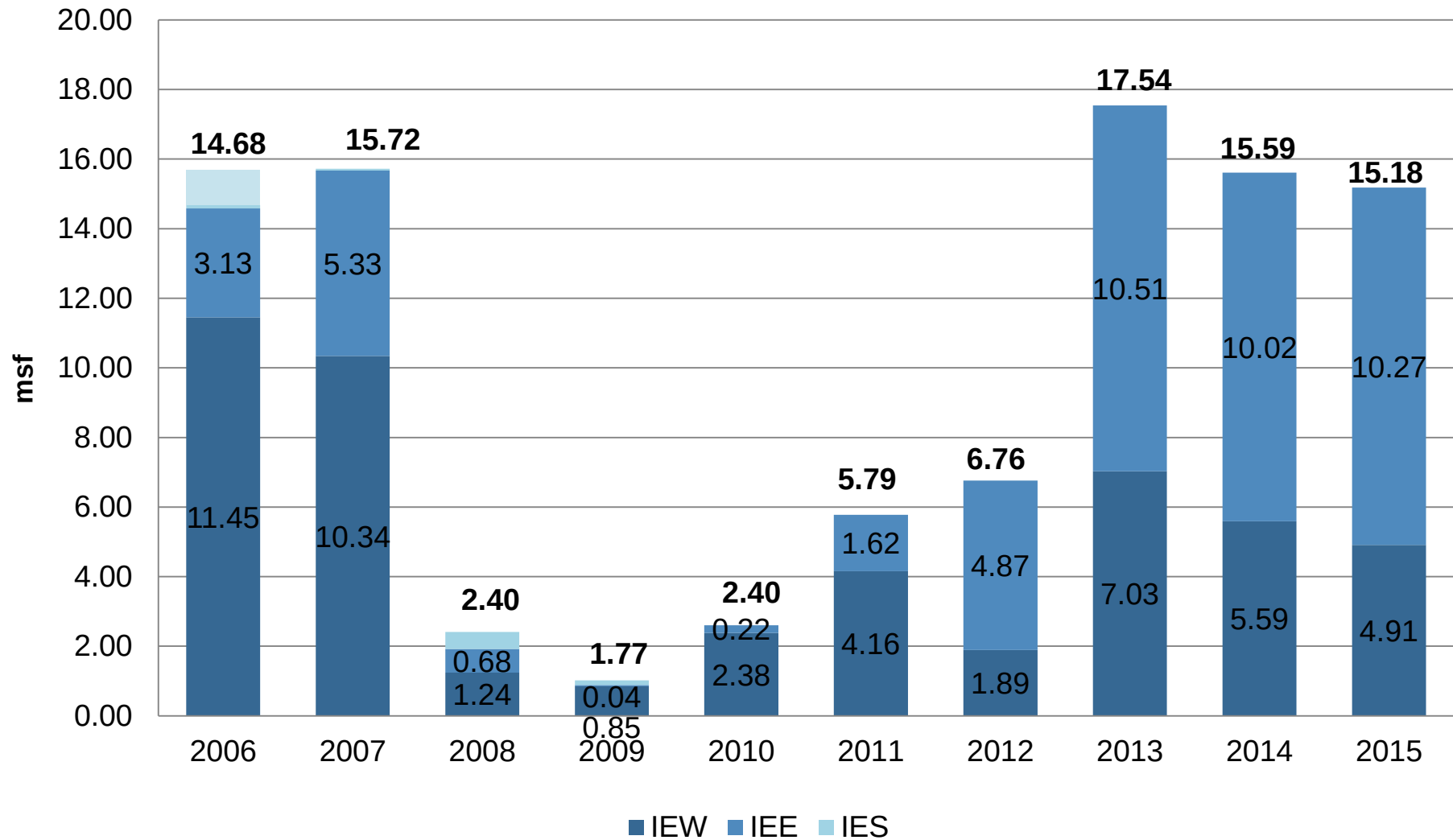
Spec vs. BTS Construction Completions



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

INLAND EMPIRE INDUSTRIAL MARKET

Under Construction (Including BTS)



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

INLAND EMPIRE INDUSTRIAL MARKET

Under Construction by Building (Including BTS)

Inland Empire Under Construction



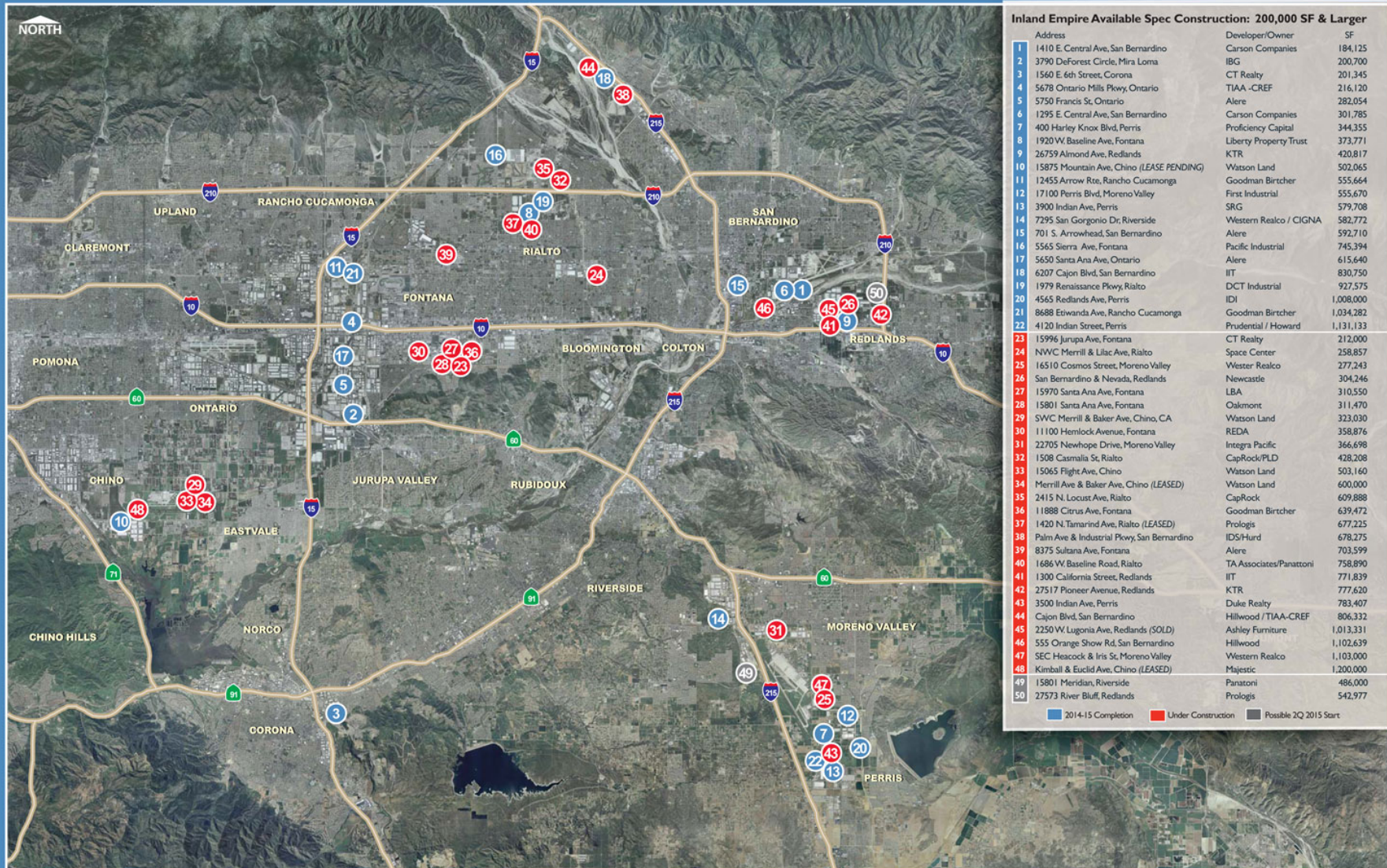
	Address	City	Owner	SF	Delivery	Height	Type
1	3375 De Forest Circle	Jurupa Valley	Western Realco	99,998	Oct-15	30'	Speculative
2	9060 Rochester Avenue	Rancho Cucamonga	Dedeaux Properties	120,624	Dec-15	30'	Speculative
3	11101 Catawba Avenue	Fontana	CT Realty	145,570	Aug-15	32'	Speculative
4	10395 Nobel Court	Jurupa Valley	Western Realco	154,380	Oct-15	30'	Speculative
5	15996 Jurupa Avenue	Fontana	CT Realty	212,000	Jul-15	32'	Speculative
6	NW C Merrill & Lilac	Rialto	Space Center	258,857	Aug-15	32'	Speculative
7	16510 Cosmos Street	Moreno Valley	Western Realco	277,243	Feb-16	32'	Speculative
8	26871 San Bernardino Ave	Redlands	Newcastle/Sunlife	304,246	Oct-15	32'	Speculative
9	15790 Santa Ana Avenue	Fontana	LBA	310,550	Jan-16	32'	Speculative
10	15801 Santa Ana Avenue	Fontana	Oakmont	311,470	Oct-15	32'	Speculative
11	11100 Hemlock Avenue	Fontana	REDA	358,876	Sep-15	32'	Speculative
12	22705 Newhope Drive	Moreno Valley	Integra Pacific	366,698	Aug-15	32'	Speculative
13	1508 Casmalia Street	Rialto	Prologis	428,208	Jul-15	32'	Speculative
14	0 Baker Avenue	Chino	Watson Land Company	503,000	Oct-15	36'	Speculative
15	0 Alder Avenue	Rialto	Niagra Water	596,749	Mar-16	36'	BTS
16	2415 N Locust Avenue	Rialto	Cap Rock Partners	609,888	Dec-15	32'	Speculative
17	11188 Citrus Avenue	Fontana	Goodman	639,472	Aug-15	36'	Speculative
18	8375 Sultana Avenue	Fontana	Alere Property Group	703,599	Dec-15	36'	Speculative
19	1300 California Street	Redlands	IIT/Hillwood	771,839	Jul-15	36'	Speculative
20	27517 Pioneer Avenue	Redlands	KTR	777,620	Oct-15	36'	Speculative
21	3500 Indian Avenue	Perris	Duke	783,407	Sep-15	36'	Speculative
22	0 Cajon Boulevard	San Bernardino	Hillwood/TIAA-CREF	806,332	Sep-15	36'	Speculative
23	0 Lugonia Avenue	Redlands	Ashley Furniture	1,013,331	Aug-15	36'	BTS
24	0 Locust Avenue	Rialto	Medline	1,070,320	Mar-16	37'	BTS
25	555 E. Orange Show Road	San Bernardino	Hillwood	1,102,639	Dec-15	36'	Speculative
26	24101 Iris Avenue	Moreno Valley	Western Realco	1,103,003	Feb-16	36'	Speculative
27	NW C Kimball & Euclid	Chino	Majestic (Walmart.com)	1,219,500	Aug-15	36'	BTS
				15,049,419			

INLAND EMPIRE INDUSTRIAL MARKET

Development Breakdown

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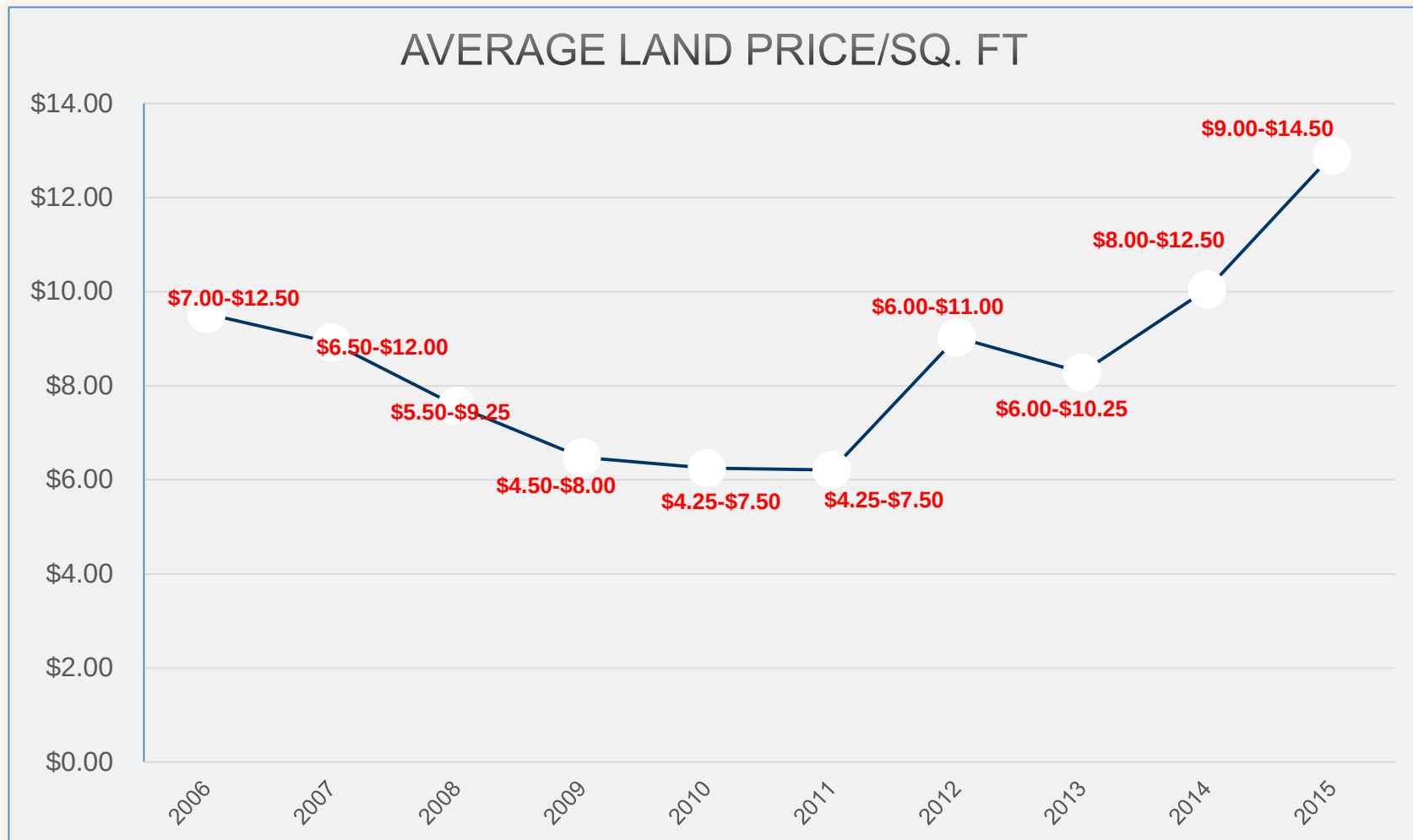
Inland Empire Development Aerial



901 N. Via Piemonte, Suite 200, Ontario, CA 91764 | (909) 980-7788 License# 00616335

INLAND EMPIRE INDUSTRIAL MARKET

Inland Empire East Land Sale Price PSF Ranges 10 Acres+

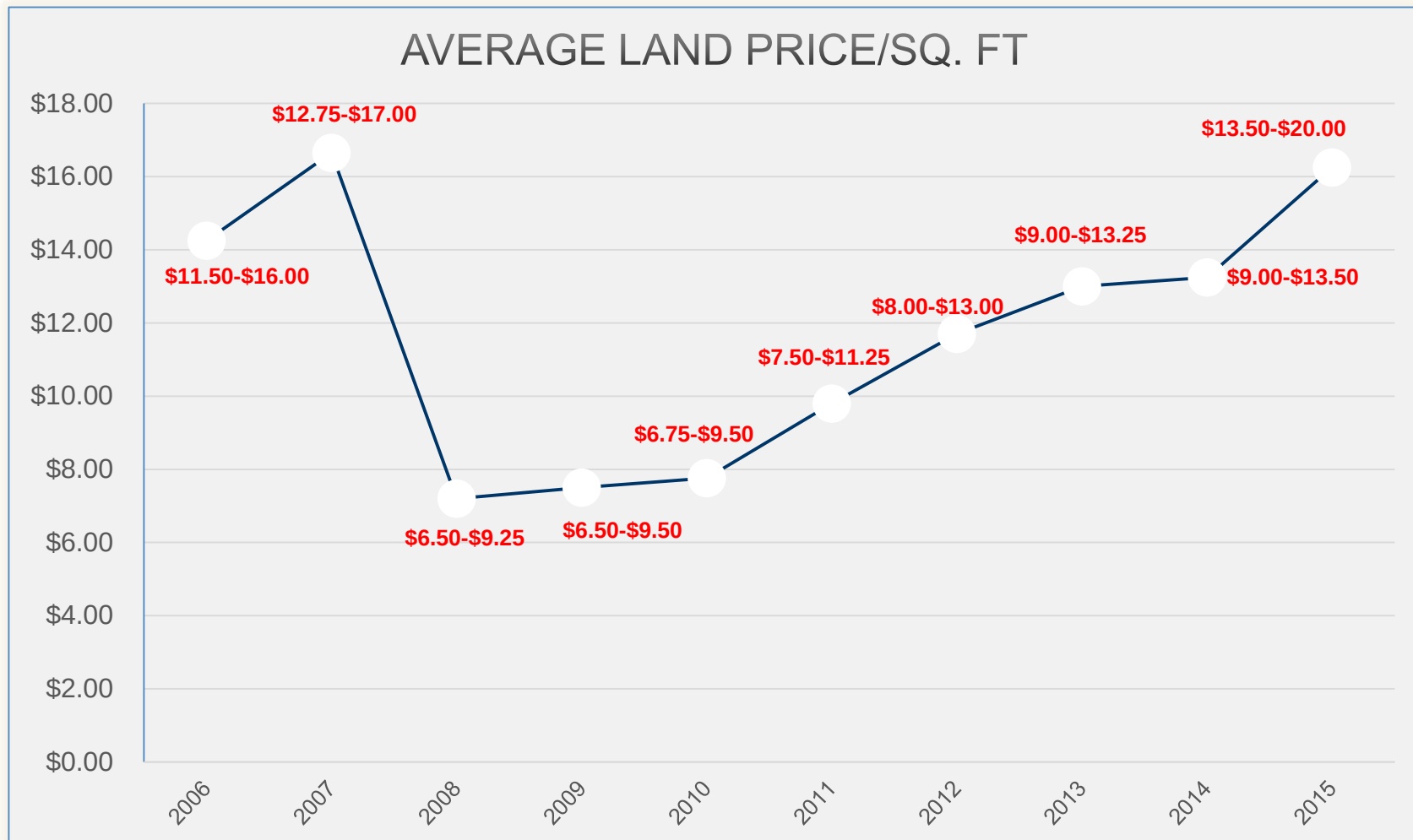


*Data is based on minimum 10 acre site.

**Sample data is comprised of cities located within the Inland Empire East (Riverside, San Bernardino, Colton, Redlands, Moreno Valley, Perris, Beaumont.)

INLAND EMPIRE INDUSTRIAL MARKET

Inland Empire West Land Sale Price PSF Ranges 10 Acres+



*Data is based on minimum 10 acre site.

**Sample data is comprised of cities located within the Inland Empire West (Chino, Eastvale, Fontana, Jurupa Valley, Ontario, Rancho Cucamonga.)

INLAND EMPIRE INDUSTRIAL MARKET

Size Range Statistics

	Overall Vacancy Rate (Quarter over Quarter Change)	Asking Net Rental Rate
10,000 SF to 24,999 SF	5.40% (-0.20 pp)	\$0.57
25,000 SF to 49,999 SF	4.90% (-0.30 pp)	\$0.51
50,000 SF to 74,999 SF	5.70% (+0.20 pp)	\$0.44
75,000 SF to 99,999 SF	5.40% (-0.30 pp)	\$0.39
100,000 SF to 249,999 SF	5.80% (-0.20 pp)	TBD
250,000 SF to 499,999 SF	5.70% (-1.20 pp)	TBD
500,000 SF to 749,999 SF	8.30% (-1.20 pp)	TBD
750,000 SF and Above	7.60% (+1.40 pp)	TBD
Inland Empire Average	6.10% (0.00 pp)	\$0.44

INLAND EMPIRE INDUSTRIAL MARKET

Statistics Breakdown – 100,000 SF and Above

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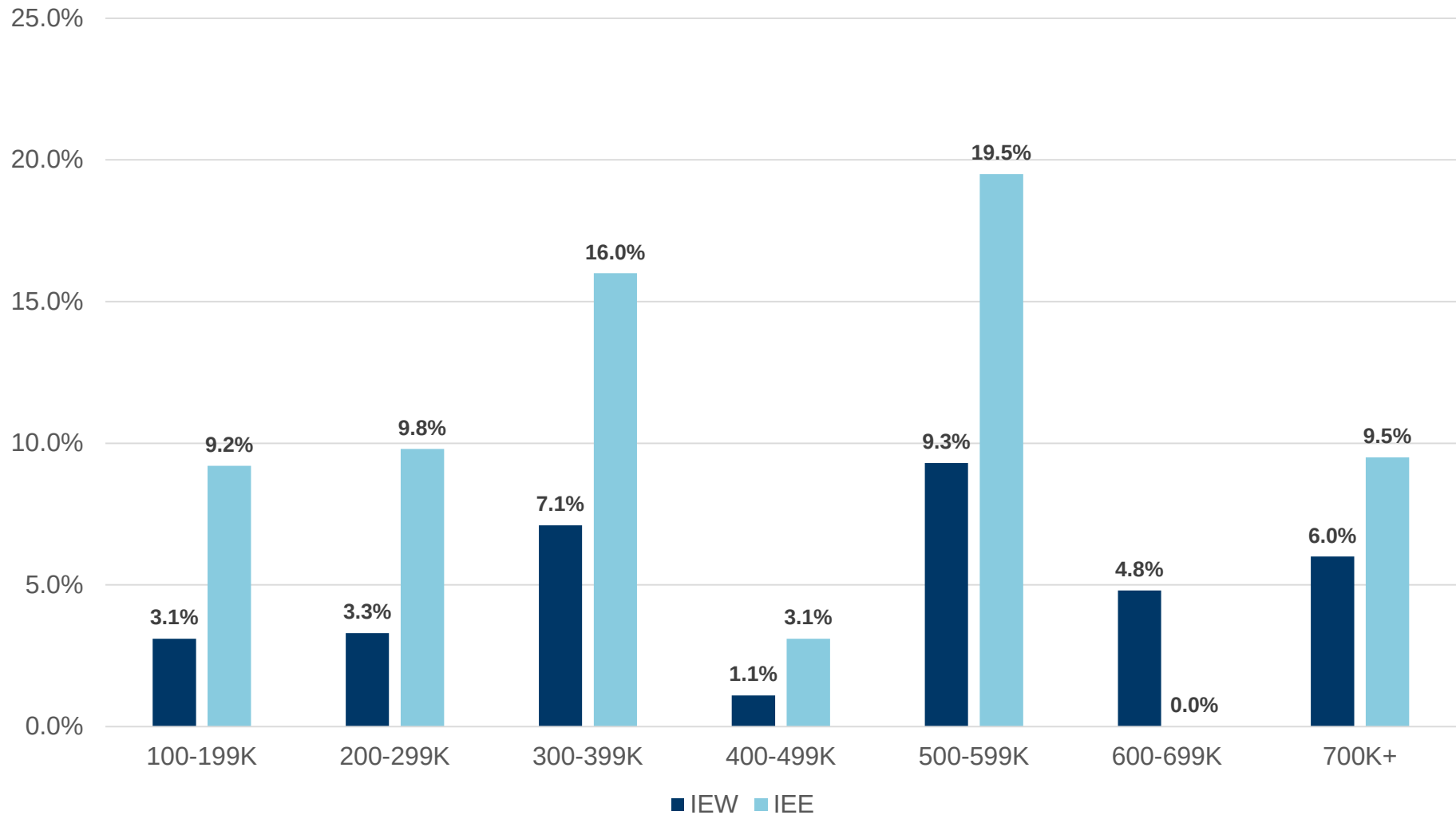


Inland Empire Industrial Statistics - 100,000 SF and Above

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Overall Net Absorption
Riverside	24,639,067	99	4.7%	-	-	-	464,000
San Bernardino	23,136,237	55	12.3%	134,390	2,686,591	485,910	82,504
Colton	3,635,736	14	2.9%	-	-	-	-
Redlands	18,214,845	45	6.9%	2,263,233	2,089,416	425,940	963,396
Rialto	14,465,743	30	11.6%	106,000	2,964,022	677,225	484,329
Moreno Valley	16,814,555	28	3.3%	532,926	1,746,944	800,430	1,333,266
Perris	12,809,411	22	24.5%	579,708	783,047	2,483,866	-
Hesperia	638,817	2	23.5%	-	-	-	-
Victorville	5,719,792	11	5.1%	-	-	-	-
Banning	127,500	1	0.0%	-	-	-	-
Beaumont	1,172,143	3	37.9%	-	-	-	-
Inland Empire East	121,373,846	310	9.6%	3,616,257	10,270,020	4,873,371	3,327,495
Ontario	74,458,957	281	3.7%	2,888,800	-	416,025	2,123,269
Rancho Cucamonga	24,295,215	107	8.2%	468,410	124,500	1,589,946	813,250
Fontana	40,783,545	124	2.7%	1,350,777	2,679,494	930,332	727,029
Chino	29,274,282	102	6.1%	1,453,133	1,722,660	600,140	1,768,716
Jurupa Valley/Eastvale	25,475,086	76	2.1%	661,896	154,380	-	-
Montclair	449,174	3	3.9%	-	129,928	-	-
Upland	1,316,227	6	0.0%	-	-	-	-
Inland Empire West	196,052,486	699	4.2%	6,823,016	4,810,962	3,536,443	5,432,264
Corona	9,221,655	56	10.0%	-	-	-	-
Temecula	1,935,845	10	16.6%	-	-	-	-
Lake Elsinore	-	-	0.0%	-	-	-	-
Murrieta	115,000	1	68.7%	-	-	-	-
Inland Empire South	11,272,500	67	11.8%	-	-	-	-
Inland Empire Total	328,698,832	1,076	6.4%	10,439,273	15,080,982	8,409,814	8,759,759

INLAND EMPIRE INDUSTRIAL MARKET

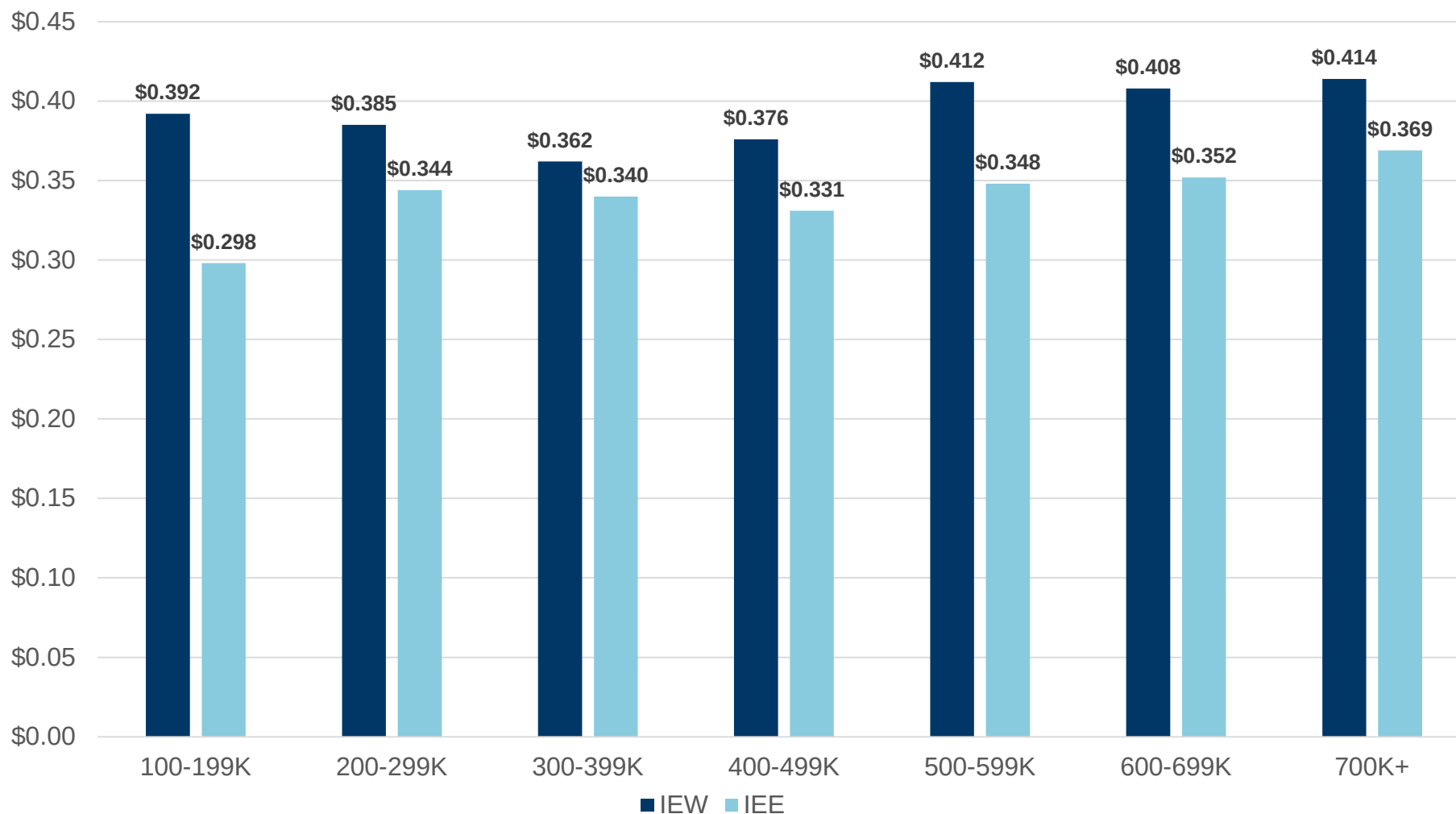
Overall Vacancy Rates – 100,000 SF and Above



INLAND EMPIRE INDUSTRIAL MARKET

First Year Taking Rents – 100,000 SF and Above (1-1-14 to 6-4-15)

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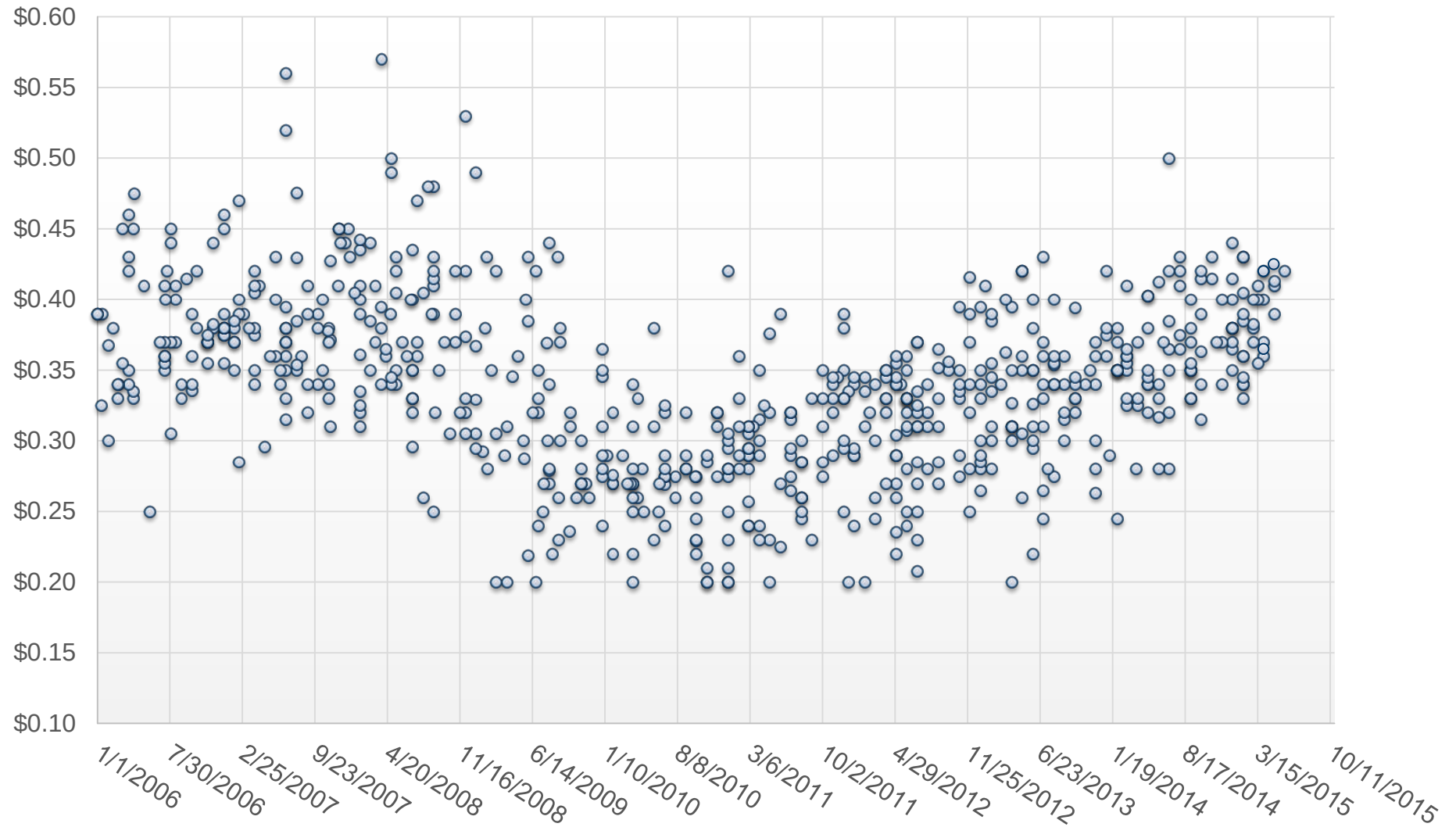
■ IEW ■ IEE

Free Rent Average = (# of transactions)	IEW = 2.3 (30)	IEW = 2.2 (12)	IEW = 2.9 (13)	IEW = 1.7 (12)	IEW = 4.0 (6)	IEW = 3.3 (4)	IEW = 2.6 (2)
	IEE = 3.8 (5)	IEE = 3.5 (6)	IEE = 4.8 (4)	IEE = 1.8 (6)	IEE = 7.0 (4) *	IEE = 0.5 (2)	IEE = 2.3 (4)

* IEE Average of 7.0 mos. free rent for leases 500-600K includes a 10 year deal signed by Serta in March 2015 with 12 mos. of free rent.

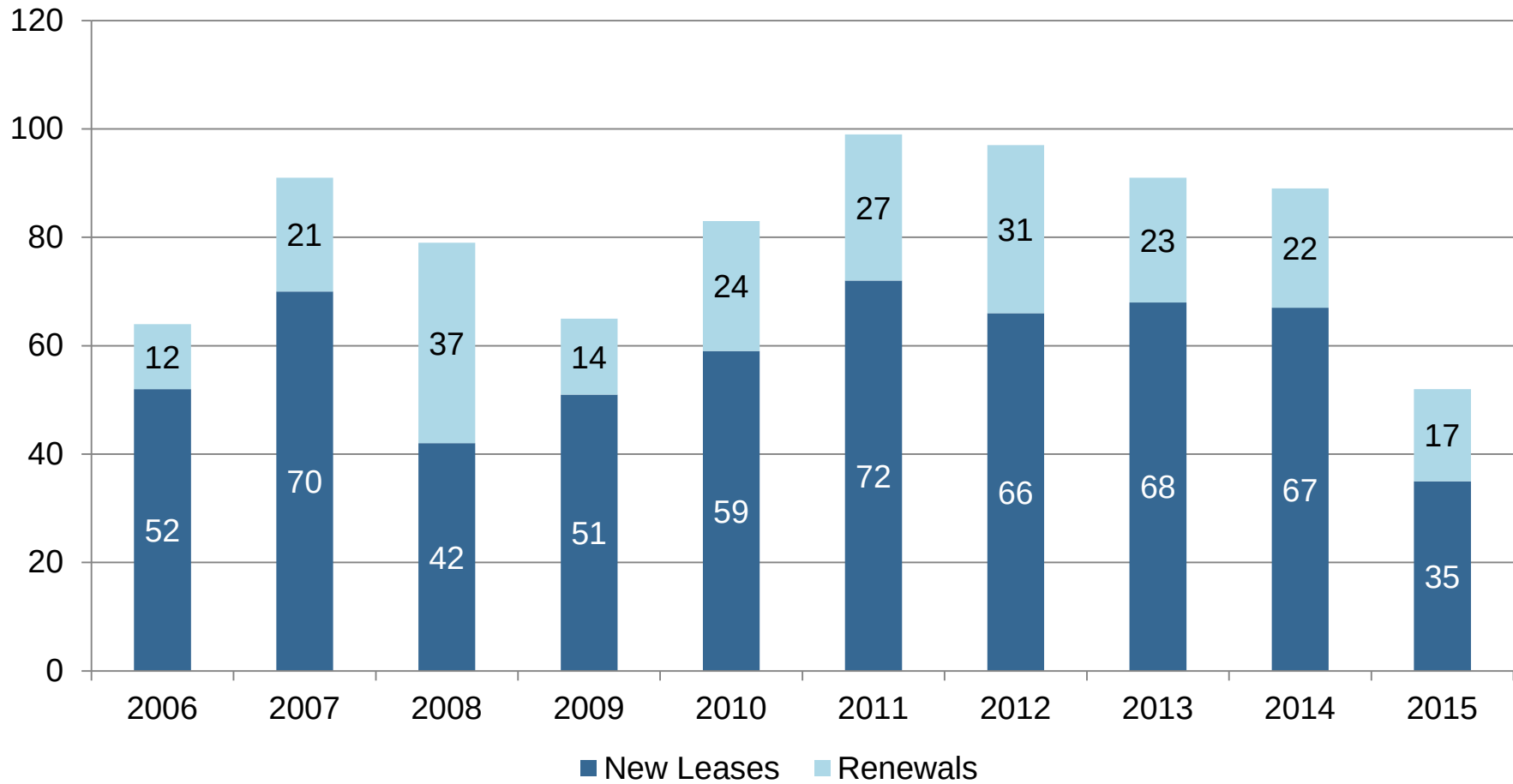
INLAND EMPIRE INDUSTRIAL MARKET

Historic First Year Taking Rents – 100,000 SF and Above



INLAND EMPIRE INDUSTRIAL MARKET

Lease Transactions – 100,000 SF and Above



INLAND EMPIRE INDUSTRIAL MARKET

Lease Transactions – 500,000 SF and Above

