

Inland Empire Overview

PRESENTED BY BOB WOODS

Dynamic Market | Growing Industrial Landscape

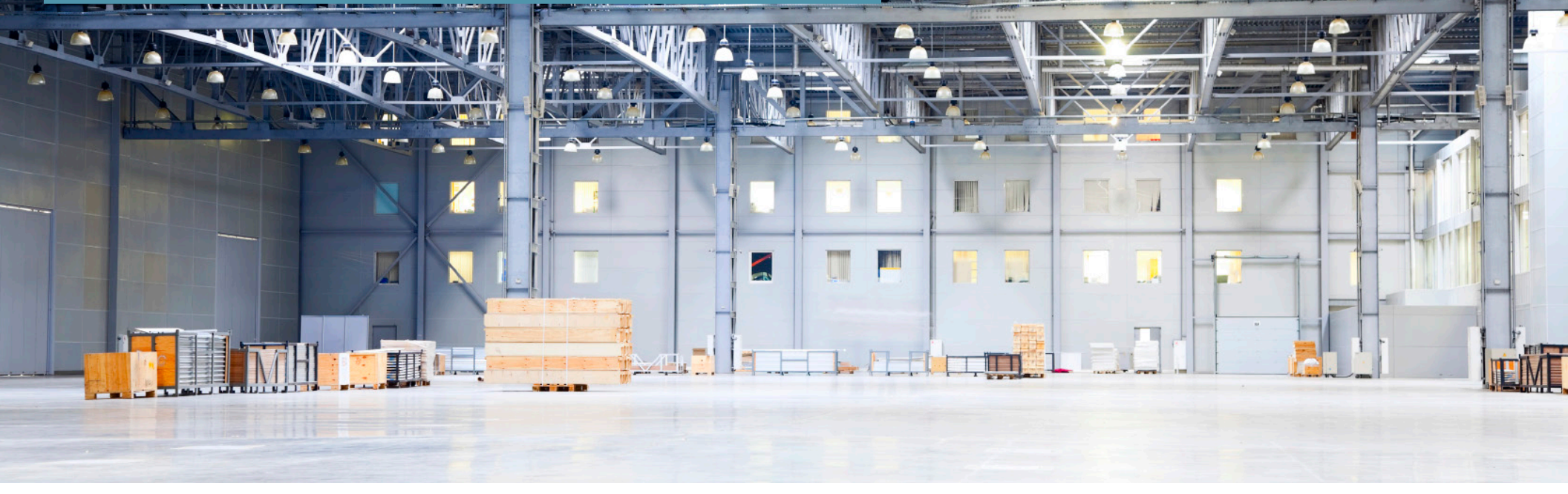


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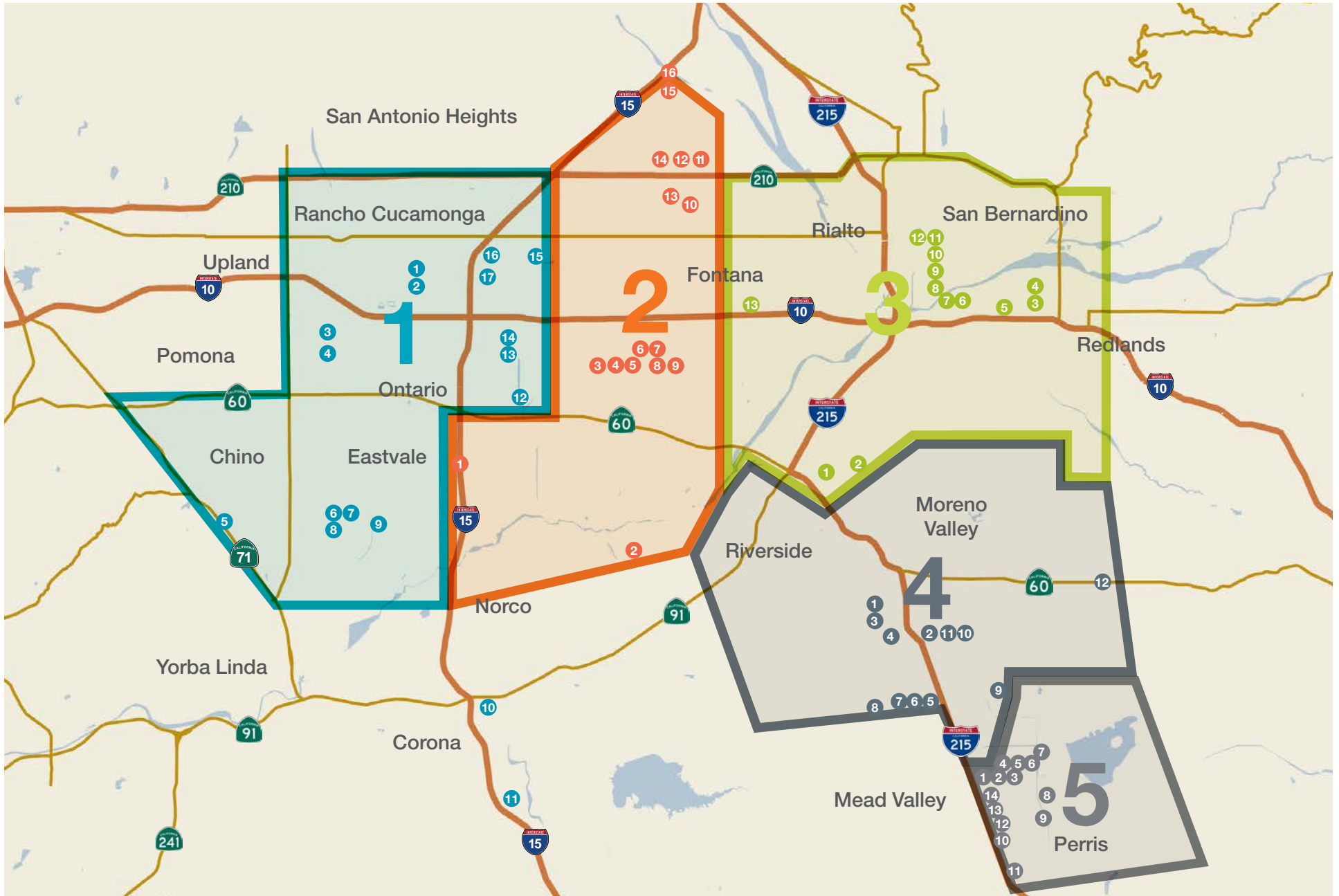


Inland Empire Overview

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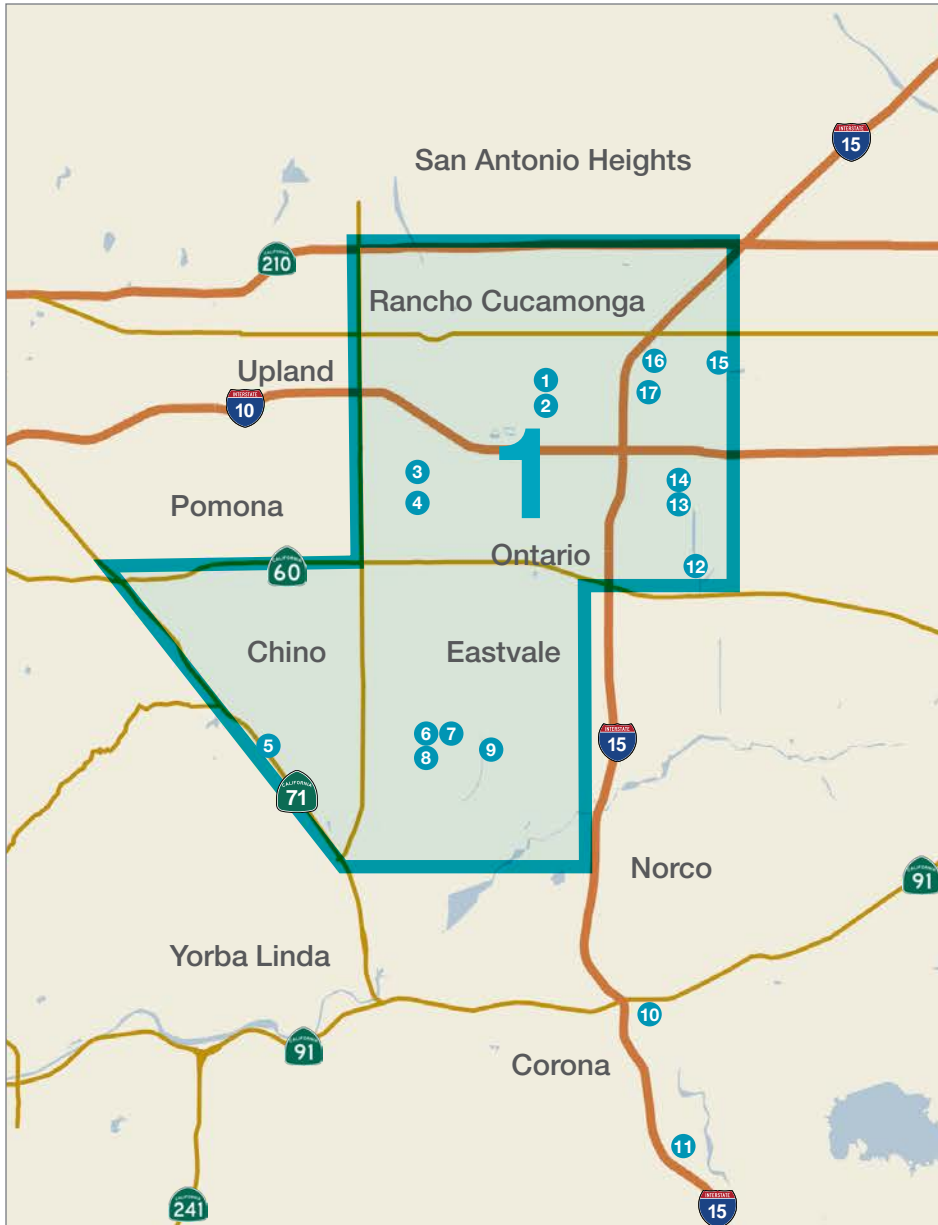
Inland Empire Overview

ZONE MAP - INDUSTRIAL PROJECTS UNDER CONSTRUCTION



Inland Empire Overview

ZONE 1 - INDUSTRIAL PROJECTS UNDER CONSTRUCTION



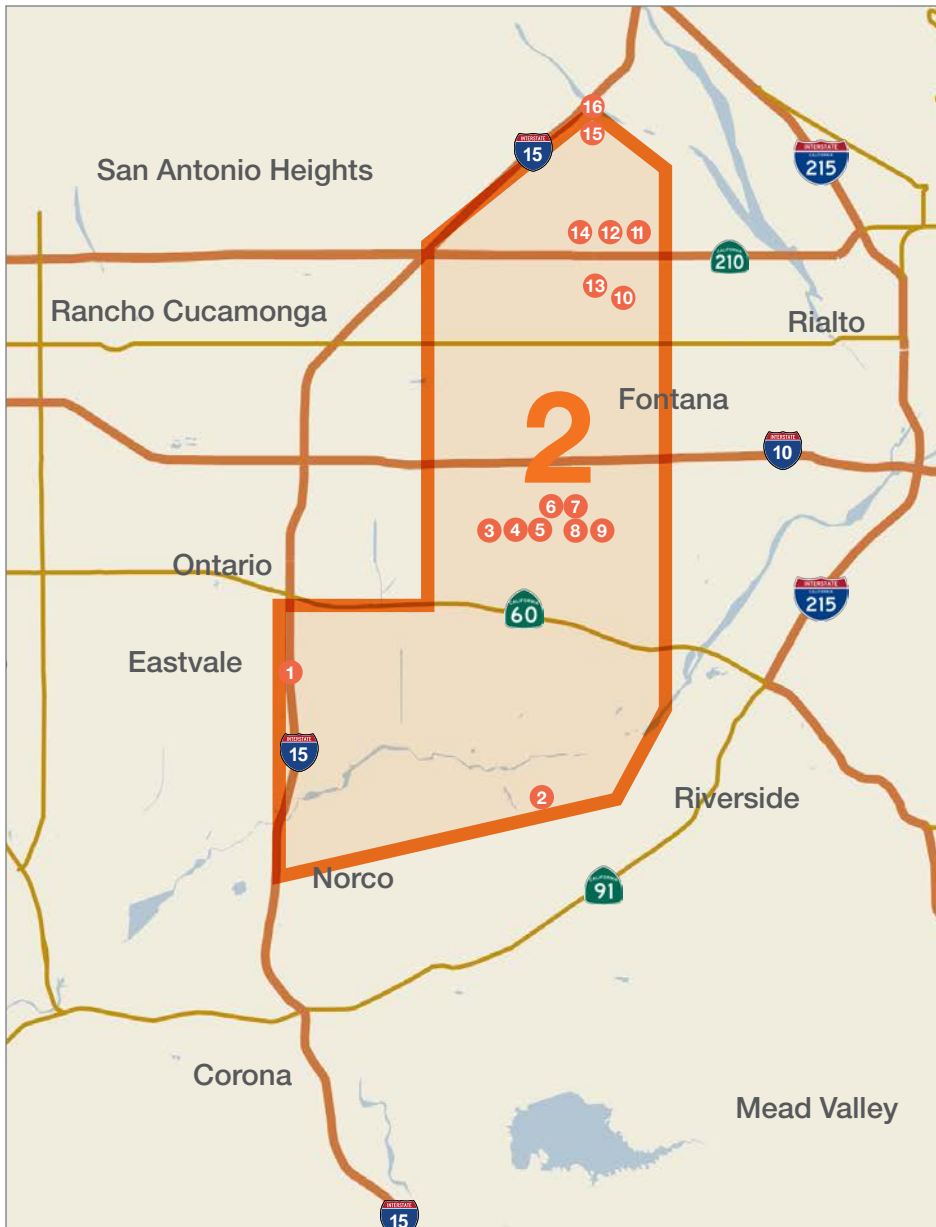
1	COMPANY	SF	PROJECT	CITY
1	TIAA-CREF	468,682	9050 Hermosa Ave.	R.Cucamonga
2	Phelan Development Company	102,530	6th and Hermosa	R.Cucamonga
3	Phelan Development Company	52,445	Mission and Grove	Ontario
4	Western Realco	189,404	Grove Avenue Business Park	Ontario
5	Newcastle Partners	100,326	Chino Hills Commerce Center	Chino Hills
6	Watson Land Company	5,103,000	Watson Industrial Park Chino	Chino
7	First Industrial Realty Trust	936,000	The Ranch by First Industrial	Eastvale
8	Sares-Regis Group	1,177,277	Kimball Business Park	Chino
9	Orbis Real Estate Partners & Chase Partners	733,688	The Campus	Eastvale
10	LBA Realty	165,565	515 Promenade Ave.	Corona
11	CapRock Partners	139,800	Temescal Valley Commerce Center	Corona
12	Davis Partners	269,631	Mira Loma Industrial Center North & South	Mira Loma
13	Principal	252,630	13204 Jurupa Ave.	Fontana
14	Alerre Property Group, LLC	671,557	Slover Commerce Center	Fontana
15	Oakmont Industrial Group	215,700	Oakmont Rancho/Hickory	R.Cucamonga
16	Industrial Property Trust	611,573	Arrow Route Distribution Center	R.Cucamonga
17	Oakmont Industrial Group	329,000	Oakmont Santa Anita	R.Cucamonga

Total Zone SF

11,518,808

Inland Empire Overview

ZONE 2 - INDUSTRIAL PROJECTS UNDER CONSTRUCTION



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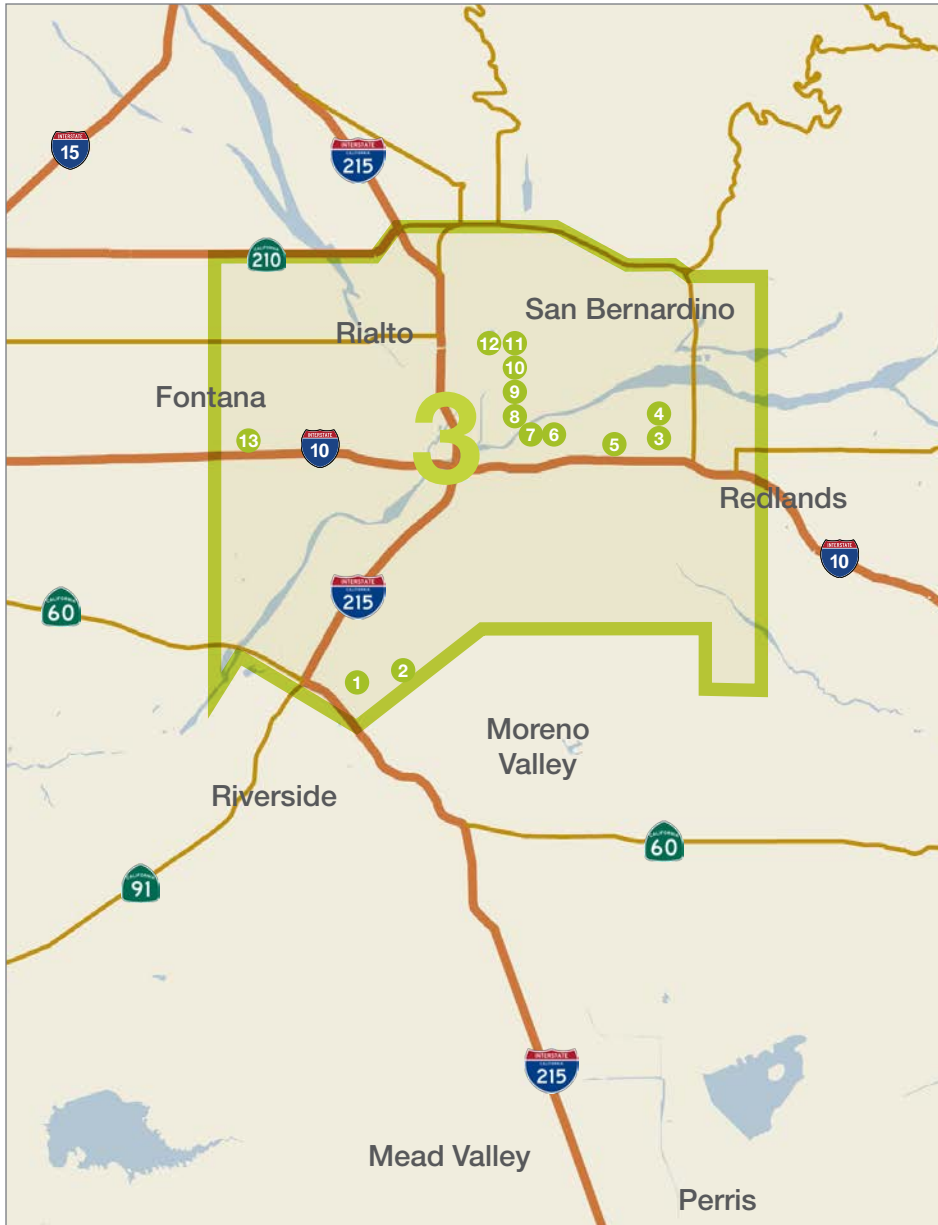
	COMPANY	SF	PROJECT	CITY
1	Goodman	3,037,731	Goodman Commerce Center Eastvale	Eastvale
2	Space Center	69,000	6971mCentral Avenue	Riverside
3	AEW/Western Realco	227,954	Jurupa Gateway Logistics Center	Fontana
4	Cabot Properties	100,960	Cherry Commerce Center	Fontana
5	First Industrial Realty Trust	360,000	Redwood Logistics Center	Fontana
6	Oakmont Industrial Group	225,260	Oakmont Catawba	Fontana
7	Alere Property Group, LLC	1,837,279	Citrus Commerce Center	Fontana
8	Duke Realty	288,215	Santa Ana and Oleander	Fontana
9	Goodman	1,628,936	Goodman Industrial Park Fontana	Fontana
10	Panattoni Development Company, Inc./ MetLife Real Estate Investors	702,668	I-210 Logistics Center III	Rialto
11	Panattoni Development Company, Inc./ MetLife Real Estate Investors	426,302	I-210 Logistics Center IV	Rialto
12	Panattoni Development Company, Inc./ MetLife Real Estate Investors	200,411	I-210 Logistics Center V	Rialto
13	Western Realco/AEW	350,000	Renaissance Palmetto Logistics Center	Rialto
14	Clarion Partners & Trammell Crow Company	587,818	Sierra Lakes Commerce Center	Fontana
15	Stirling Development		Southern California logistics Centre	Victorville
16	Stirling Development	973,060	Distribution Centre 19	Victorville

Total Zone SF

11,015,594

Inland Empire Overview

ZONE 3 - INDUSTRIAL PROJECTS UNDER CONSTRUCTION



3	COMPANY	SF	PROJECT	CITY
1	Silagi Development & Management		Northgate Business Park & Rustin Business Park	Riverside
2	Trammell Crow Company	1,470,000	Columbia Business Park	Riverside
3	Newcastle Partners/ Liberty Property Trust	156,323	Liberty Redlands Distribution Center	Redlands
4	Newcastle Partners	190,086	Redlands Commerce Center	Redlands
5	TH Real Estate	1,101,889	I-10 Redlands Logistics Center	Redlands
6	Rockefeller Group	425,535	Tri-City Industrial Complex	San Bernardino
7	1050 E. Orange Show Road Investors LLC	211,400	Orange Show Logistics Center	San Bernardino
8	Alere Property Group, LLC	480,510	Gateway South	San Bernardino
9	Seefried Industrial Properties	154,560	Valley View Distribution Center	San Bernardino
10	Hillwood in Partnership with Clarion Partners	365,961	Alliance California Westgate Buildings 2 & 3	San Bernardino
11	Hillwood	476,632	Alliance California Westgate Building 4	San Bernardino
12	Heitman	414,020	Waterman Logistics Center	San Bernardino
13	Panattoni Development Company, Inc.	2,252,867	Rialto Fulfillment Center	Rialto

Total Zone SF

7,699,783

Inland Empire Overview

ZONE 4 - INDUSTRIAL PROJECTS UNDER CONSTRUCTION



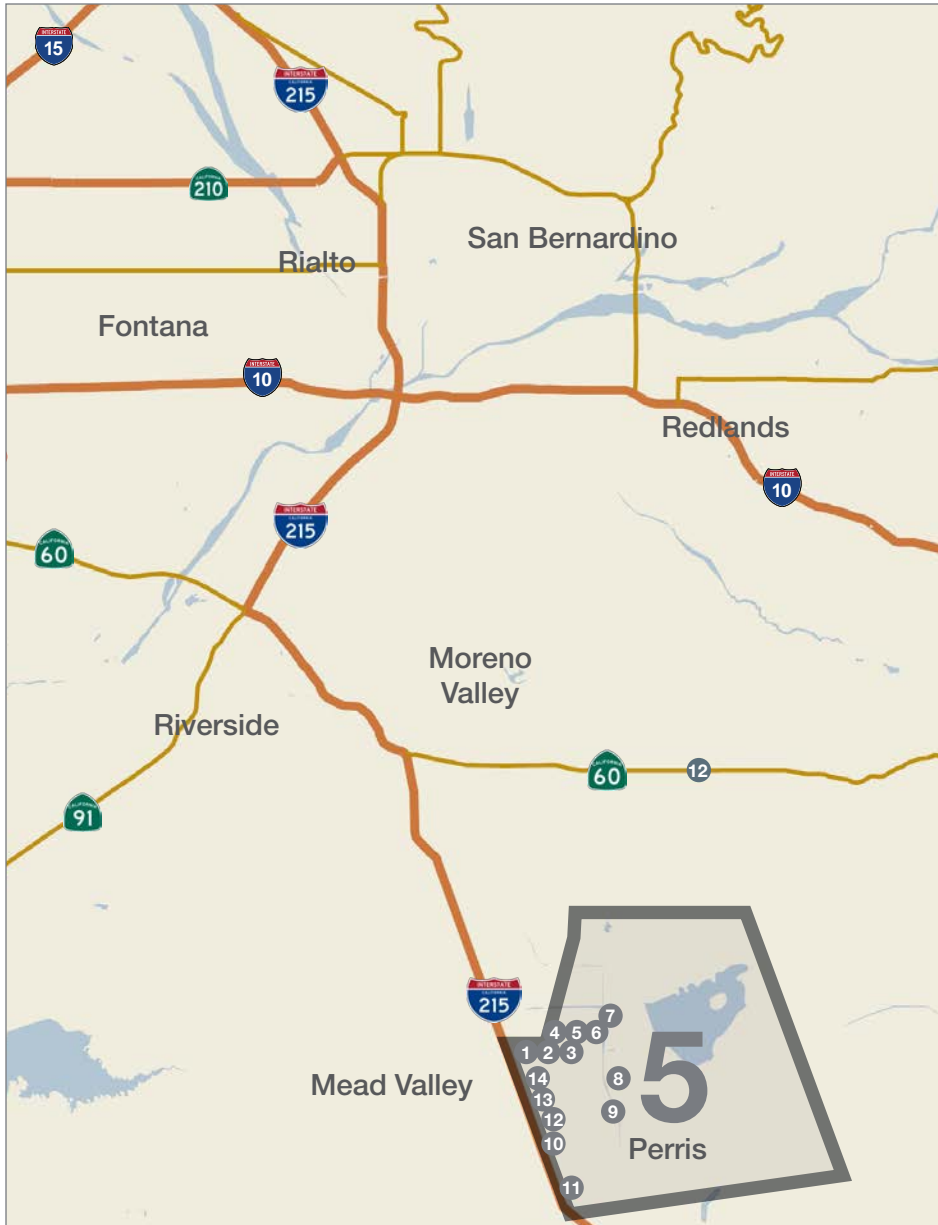
4	COMPANY	SF	PROJECT	CITY
1	Hillwood	1,012,995	Magnon Business Park Bldg 1	Riverside
2	First Industrial Realty Trust	242,580	First 215 Logistics Center	Riverside
3	Fullmer Construction/ Butler	82,200	Alessandro Business Center	Riverside
4	Silagi Development & Management	143,233	Alessandro Business Park	Riverside
5	Bentall Kennedy	503,592	Meridian Distribution center II	Riverside
6	Silagi Development & Management	296,755	Van Buren Business Park I & II	Riverside
7	Silagi Development & Management	107,550	Meridian Office Center I & II	Riverside
8	Lewis Management Corp/ Waypoint Property Group	2,000,000	Meridian Business Park - Phase III	Riverside
9	Duke Realty	400,935	15810 Heacock Street	Moreno Valley
10	Prologis	601,810	Prologis Moreno Valley Logistics Center	Moreno Valley
11	Westcore Properties	366,698	Newhope Distribution Center	Moreno Valley
12	Prologis	1,529,498	Prologis Park Moreno Valley Eucalyptus	Moreno Valley

Total Zone SF

7,287,846

Inland Empire Overview

ZONE 5 - INDUSTRIAL PROJECTS UNDER CONSTRUCTION



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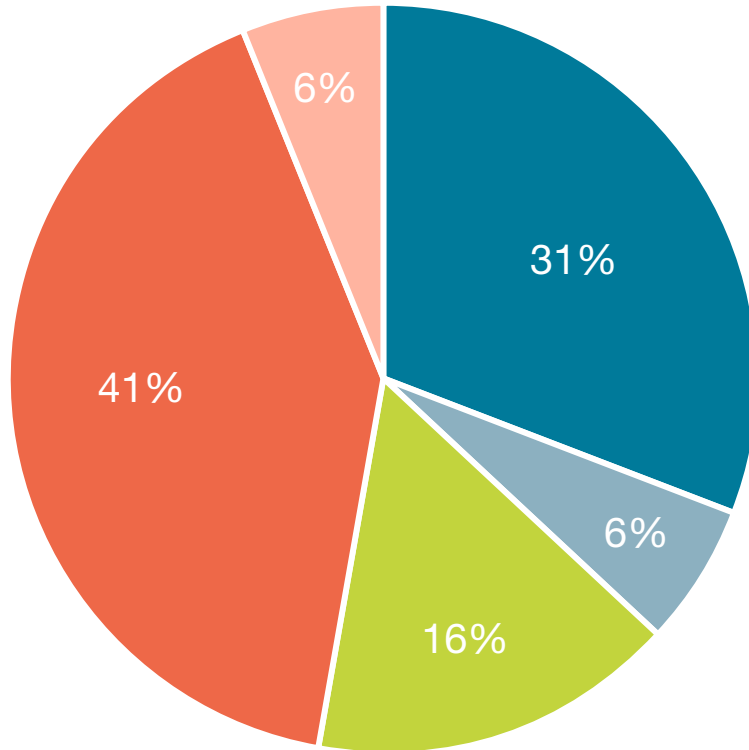
	COMPANY	SF	PROJECT	CITY
1	Clarion Partners & Trammell Crow Company	753,230	Knox Logistics Center II	Perris
2	Real Estate Development Associates	400,000	Perris Gateway Commerce Center	Perris
3	Sares-Regis Group	436,350	SRG Moreno Valley Industrial	Moreno Valley
4	First Industrial Realty Trust	1,387,899	First Nandina Logistics Center	Moreno Valley
5	IDS Real Estate Group	739,903	Nandina Distribution Center	Moreno Valley
6	Principal	277,243	March Buiness Center	Moreno Valley
7	Alere Property Group, LLC	1,109,378	Modular Logistics Center	Moreno Valley
8	IDI Gazeley	456,652	Stratford Ranch	Perris
9	IDI Gazeley	643,263	Rider Business Center	Perris
10	Rados Properties	1,191,080	Rados Distribution Center	Perris
11	IDS Real Estate Group	1,586,645	Nuevo Distribution Center	Riverside County
12	Majestic Realty Co.	600,000	Majestic Freeway Business Center	
13	Rockefeller Group	1,446,548	Optimus Logistics Center	Perris
14	Western Realco/AEW	912,338	Patterson Logistics Center	Perris

Total Zone SF

11,940,529

Inland Empire Overview

INLAND EMPIRE TOP BUYERS 100,000 & UP - 2017



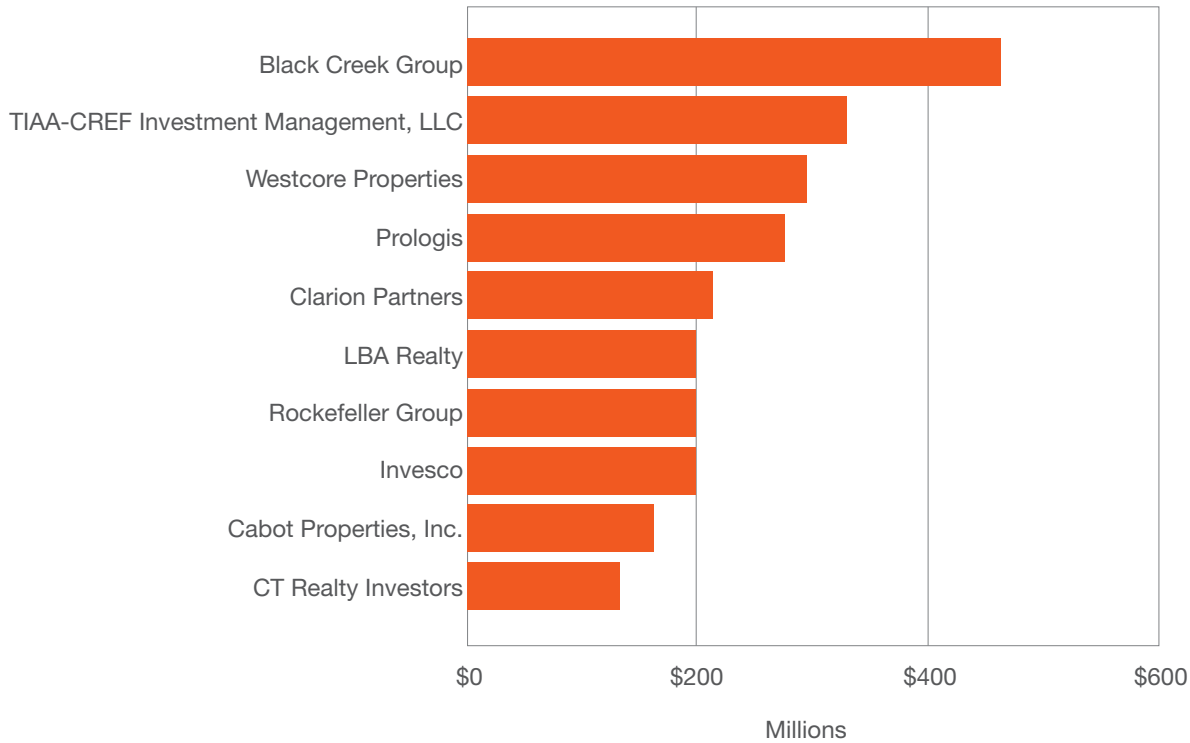
TOP BUYERS	
■	Private
■	User
■	Institutional
■	Private Equity
■	REIT/Public

SALES	SURVEY	MIN	MAX
Sale Price Per SF	\$97	\$40	\$146
Avg Sale Price (Mil.)	\$25	\$4.2	\$80
Cap Rate	4.8%	4.1%	5.9%
Percent Leased	82.1%	0.0%	100%

SALES VOLUME	SURVEY	MIN	MAX
Transactions	34	-	-
Sold SF	8,422,239	100,362	1,000,000
Sales Volume (Mil.)	\$756	\$4.2	\$80
Avg SF	247,713	100,362	1,000,000

Inland Empire Overview

INLAND EMPIRE TOP BUYERS 100,000 & UP - 2010 TO PRESENT



SALES VOLUME	SURVEY	MIN	MAX
Transactions	320	-	-
Sold SF	86,085,083	11,488	1,309,754
Sales Volume (Mil.)	\$5,484	\$0.5	\$105
Avg SF	271,562	11,488	1,309,754

SALES	SURVEY	MIN	MAX
Sale Price Per SF	\$72	\$1	\$260
Avg Sale Price (Mil.)	\$20	\$0.5	\$105
Cap Rate	5.8%	3.7%	10.0%
Percent Leased	77.7%	0.0%	100%

Inland Empire Overview

MARKET DEPTH

Total Base Square Footage

8,997

BUILDINGS

545,453,221

SQUARE FEET

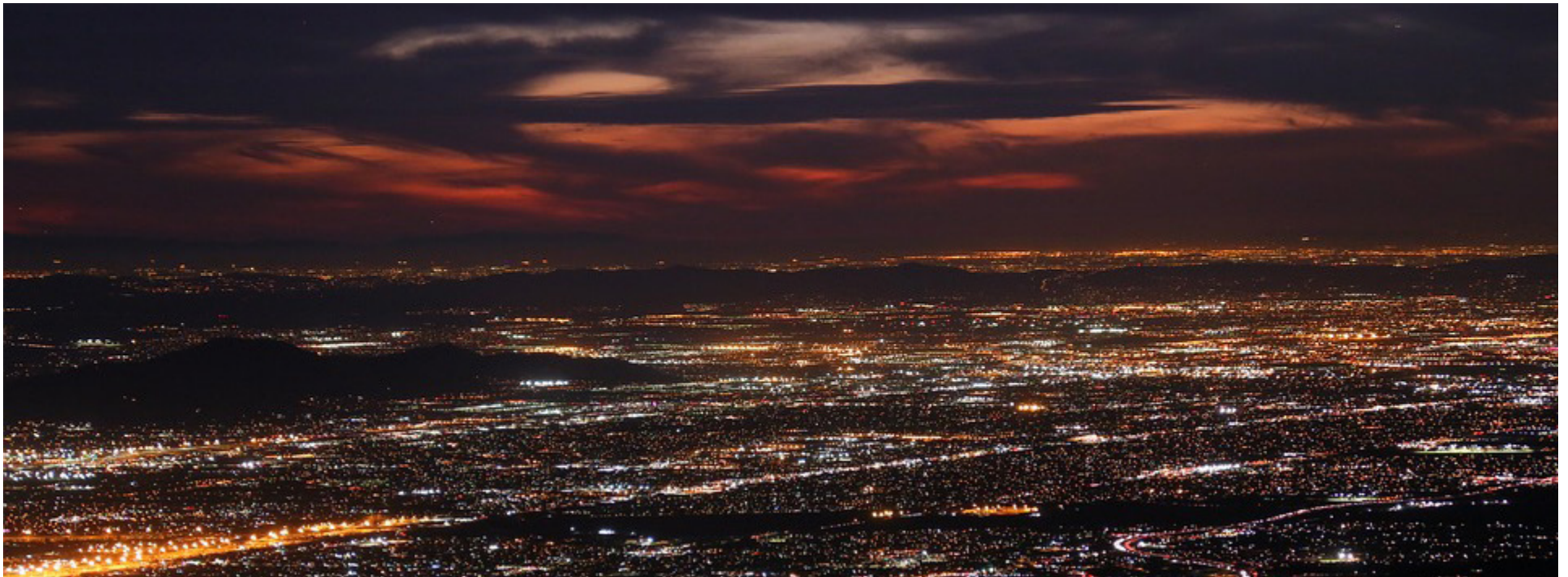
Total SF Institutionally Owned - 100,000 SF+

538

BUILDINGS

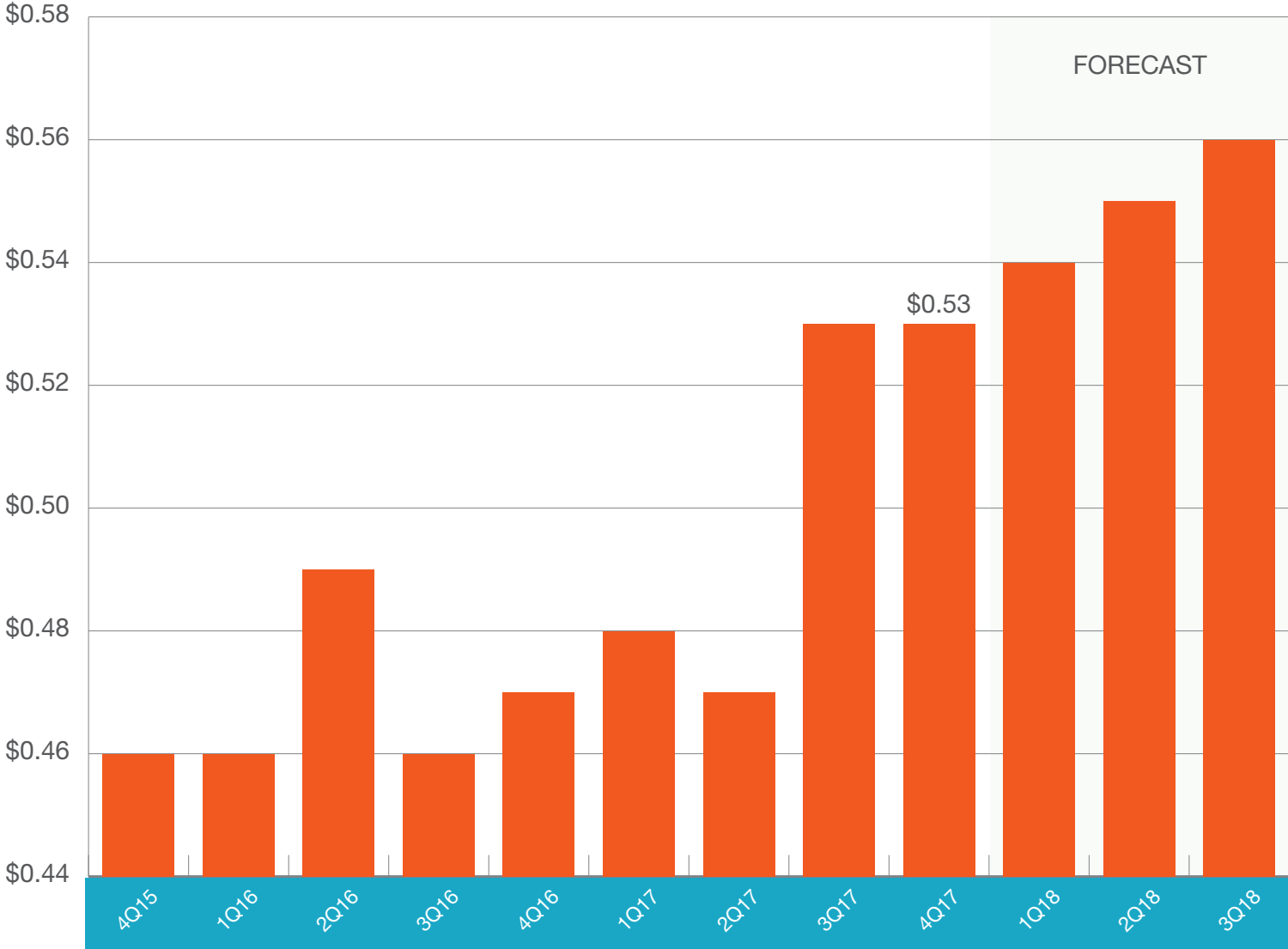
197,411,835

SQUARE FEET



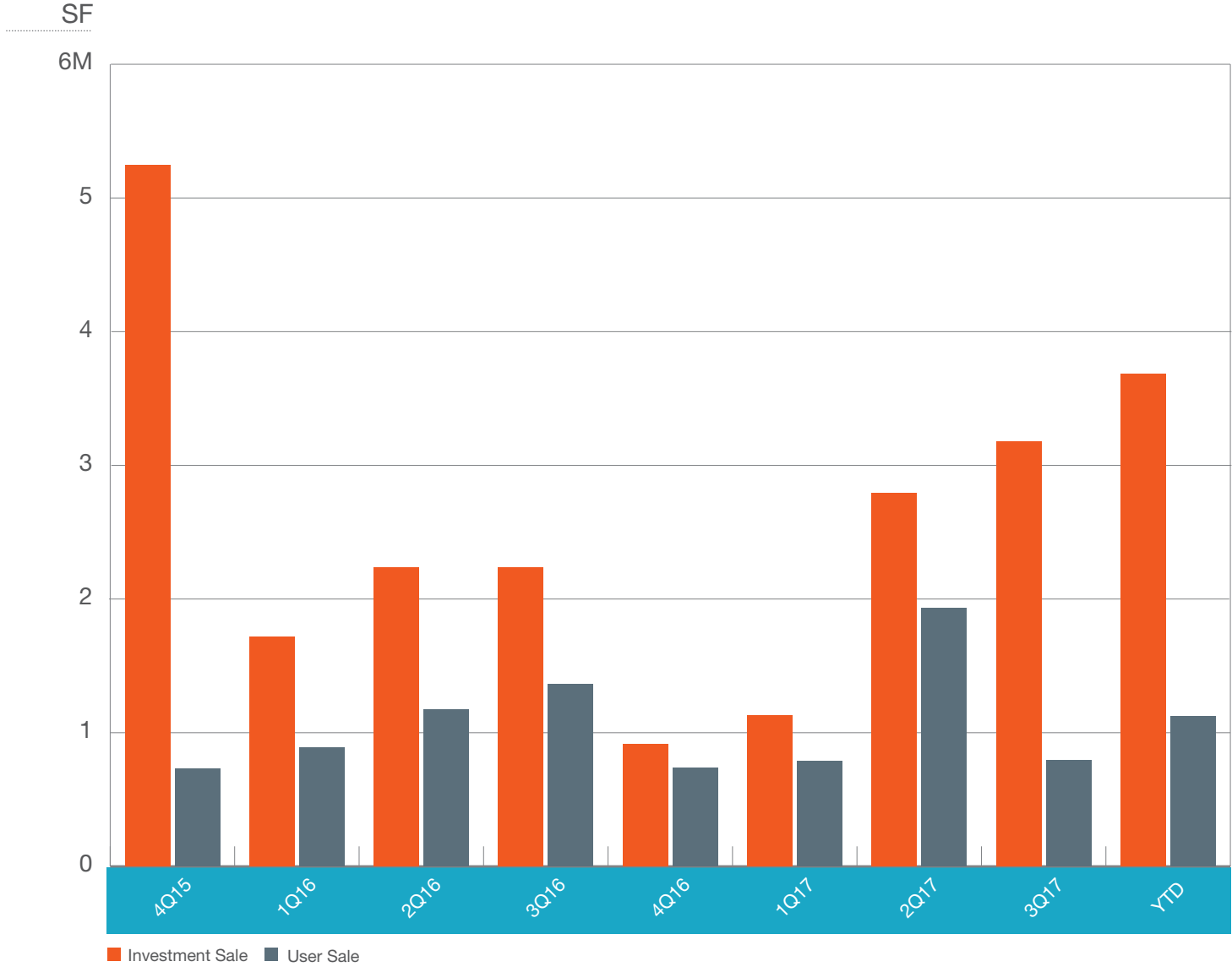
Inland Empire Overview

AVERAGE ASKING TRIPLE-NET LEASE RATE



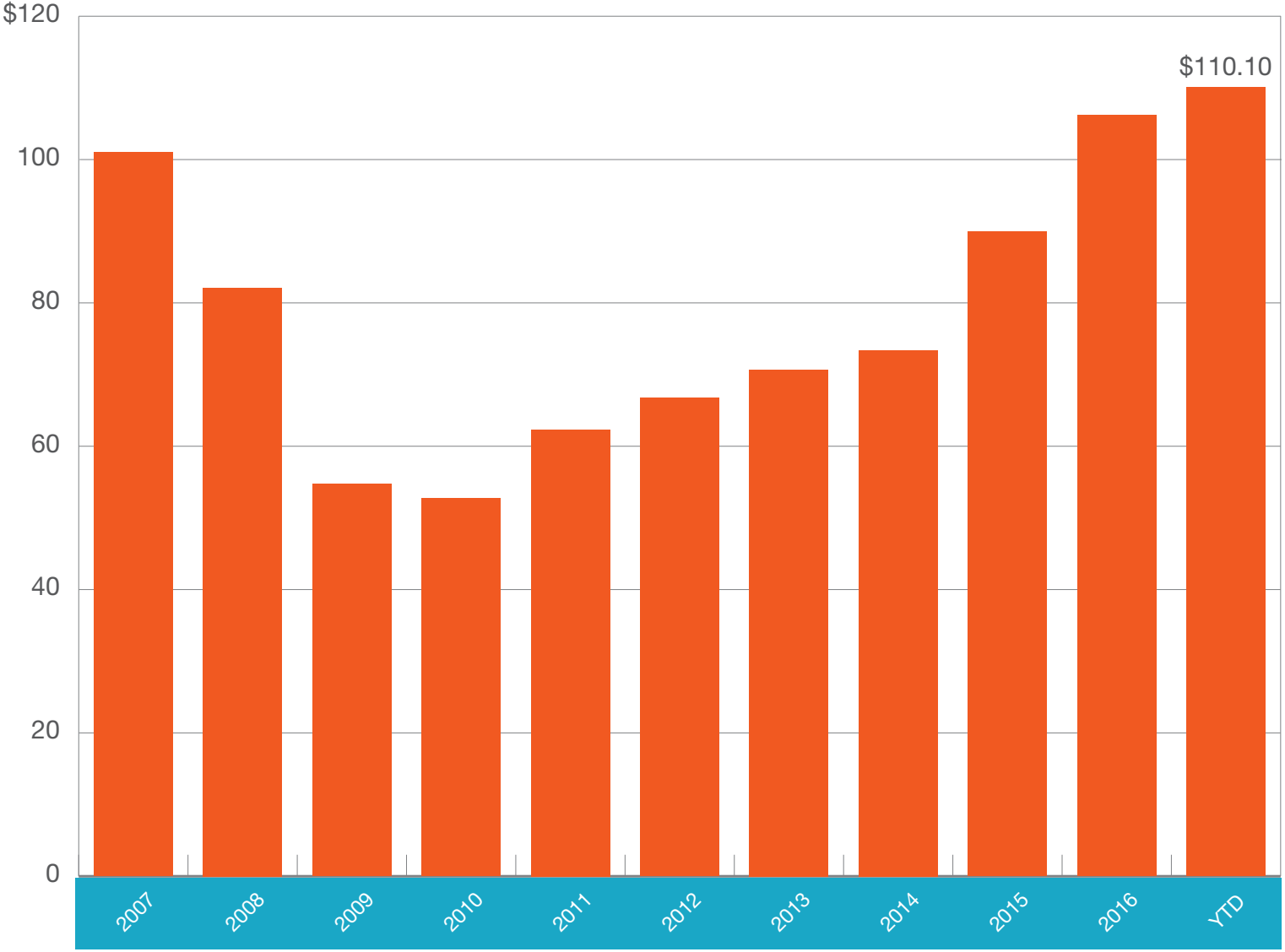
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SALES TRANSACTIONS



Inland Empire Overview

AVERAGE SALES PRICE





Industrial Market Report

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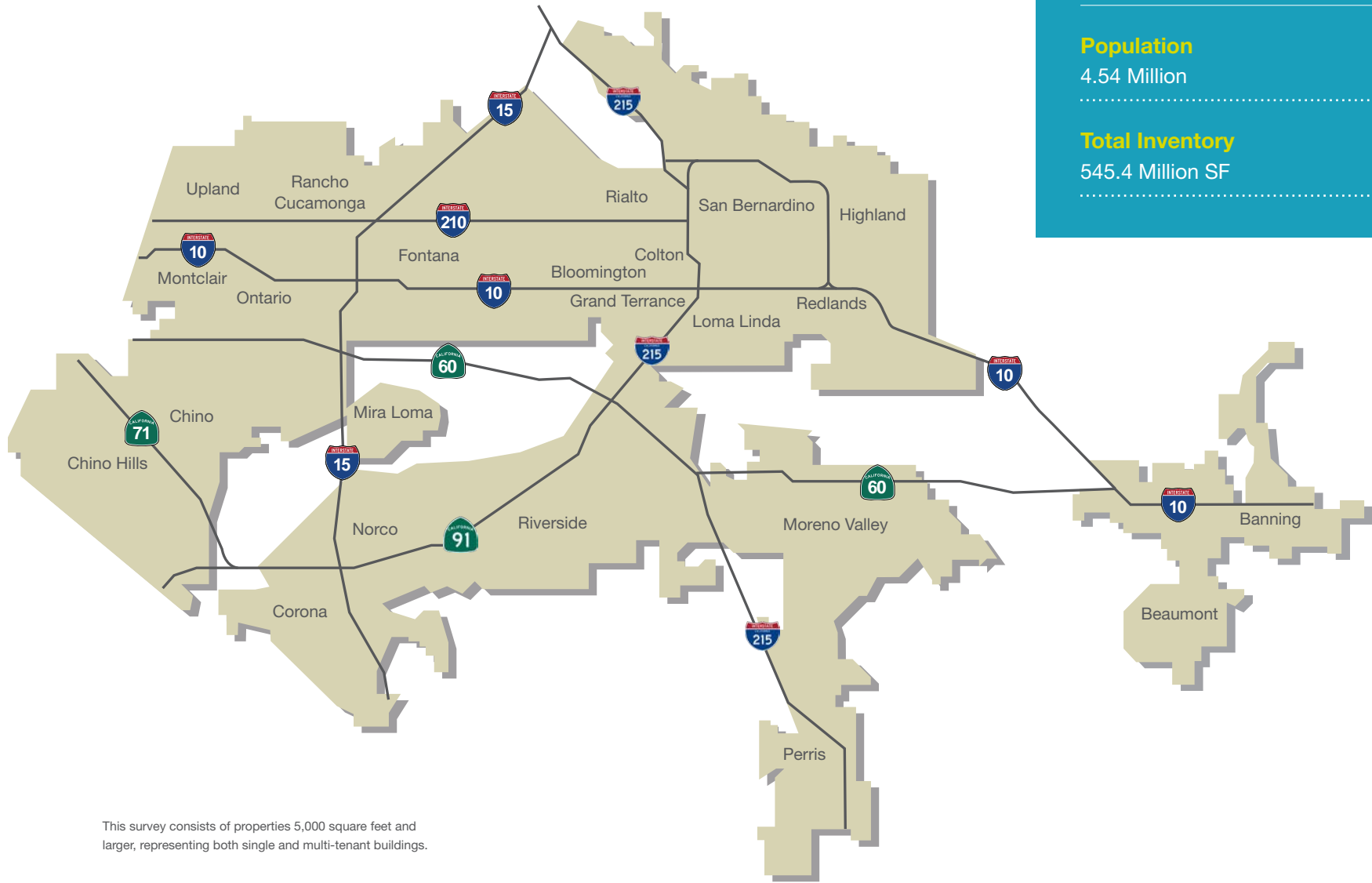
Industrial Market Report

SUBMARKET INVENTORY

Square Miles
27,298

Population
4.54 Million

Total Inventory
545.4 Million SF



This survey consists of properties 5,000 square feet and larger, representing both single and multi-tenant buildings.

Industrial Market Report

FUNDAMENTALS OVERVIEW

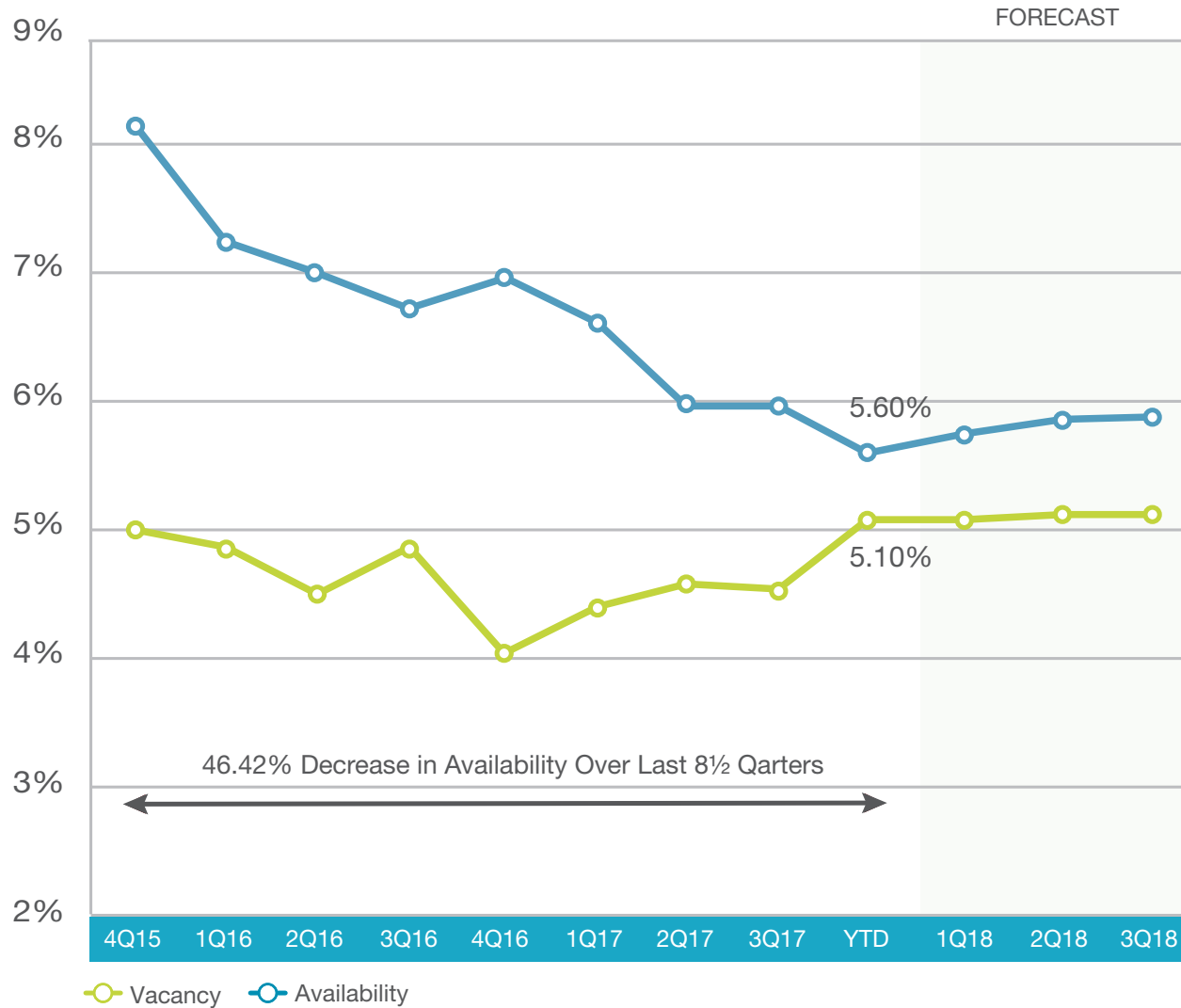
The Inland Empire Is One of the Largest & Most Critical Components of Supply Chain Infrastructure in the U.S.

The Inland Empire (IE) is one of the largest and most critical components of the supply-chain infrastructure in the U.S. Just inland from the busy ports of LA and Long Beach, this hub has grown by over 100% since China joined the World Trade Organization in December 2001, increasing trade and port traffic. With over 215 million square feet of space delivered since then, growth in the IE has been unmatched by that of any other market. Although volume remains strong in the ports, containerized imports will likely not increase as quickly as they did in the last cycle. Developers are still building as if the IE will continue to grow exponentially, and so far demand has kept up. However, with more than 20 million square feet of supply under construction as of Q4 2017, a hiccup in demand could drive up vacancies. Investment totals continue to exceed historical averages, but only time will tell how investors feel about the risk of oversupply here.



Industrial Market Report

VACANCY VS. AVAILABILITY

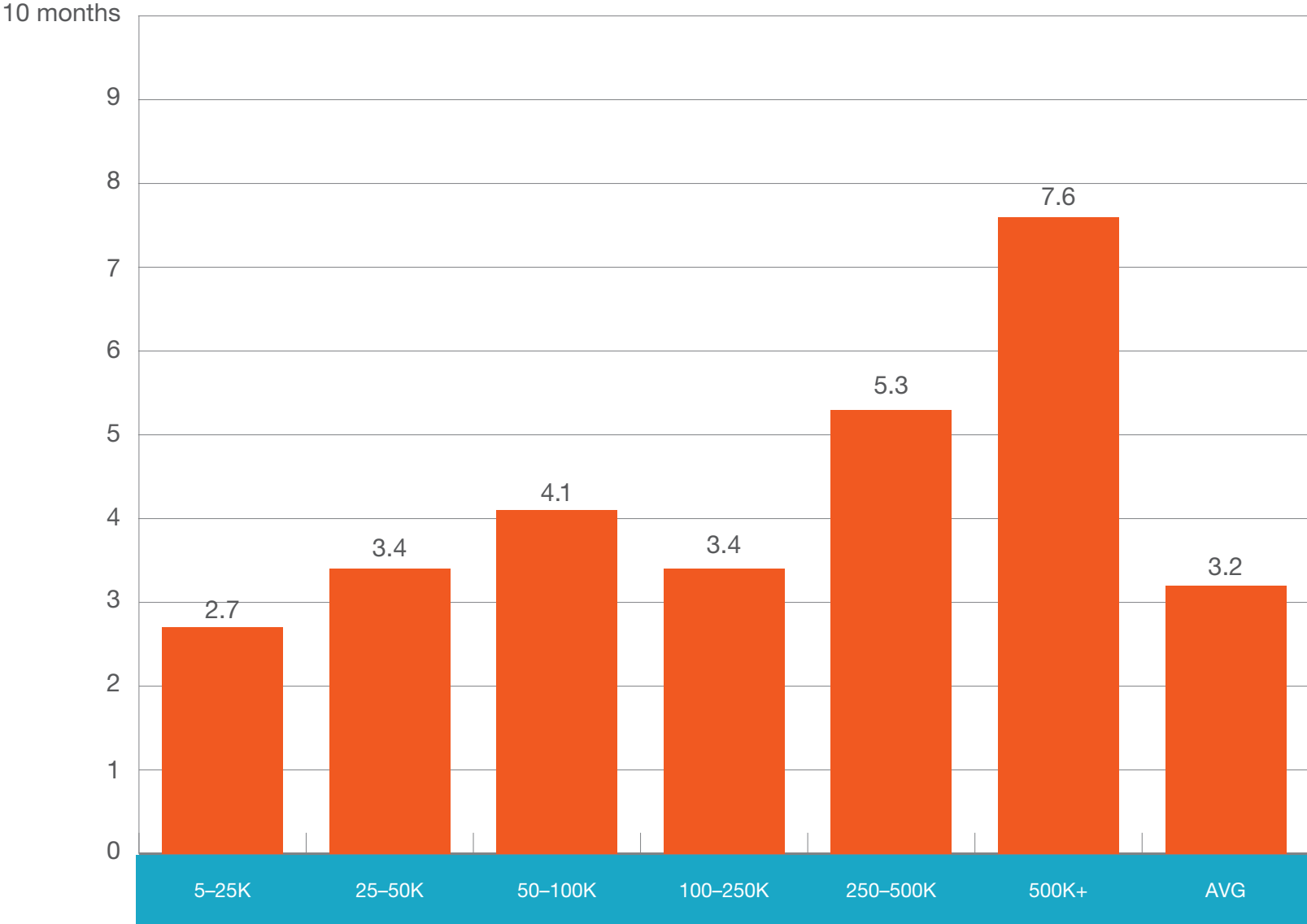


VACANCY

Vacancy in the Inland Empire's industrial sector currently stands at 5.1%. Availabilities continued to decline reaching 5.6% at the end of Q4, the lowest it has been over the past 8½ quarters. As the pace of new deliveries begin to intensify, we can anticipate consistent vacancy growth to increase going into 2018.

Industrial Market Report

TIME ON THE MARKET



Industrial Market Report

RENT AND INVESTMENT TRENDS

Rent Recovery in the Inland Empire is Among Best in the U.S., With Rents Pushing Past Former Peak Levels

The average asking rental rate in the Inland Empire is \$0.53/SF on a triple net basis per month. Asking rates have stayed consistent for the last three quarters, steadily increasing as new high quality products become available. The lack of product available for lease in some size ranges (particularly below 25,000 SF) is providing an asking rate of \$0.90/SF on a triple net basis per month. In a trend which first emerged in 2013, many industrial spaces are entering the market unpriced, with landlords letting the market set the going rate. With the availability of products becoming less obtainable, we anticipate the asking rate for high quality industrial space in Inland Empire to continue to increase. Indeed, we forecast that Inland Empire rents will continue to rise by as much as 30% over the next sixteen quarters.

Surpassing Levels Set in Previous High of 2006, Average Sale Prices for Industrial Buildings Have Never Been Better

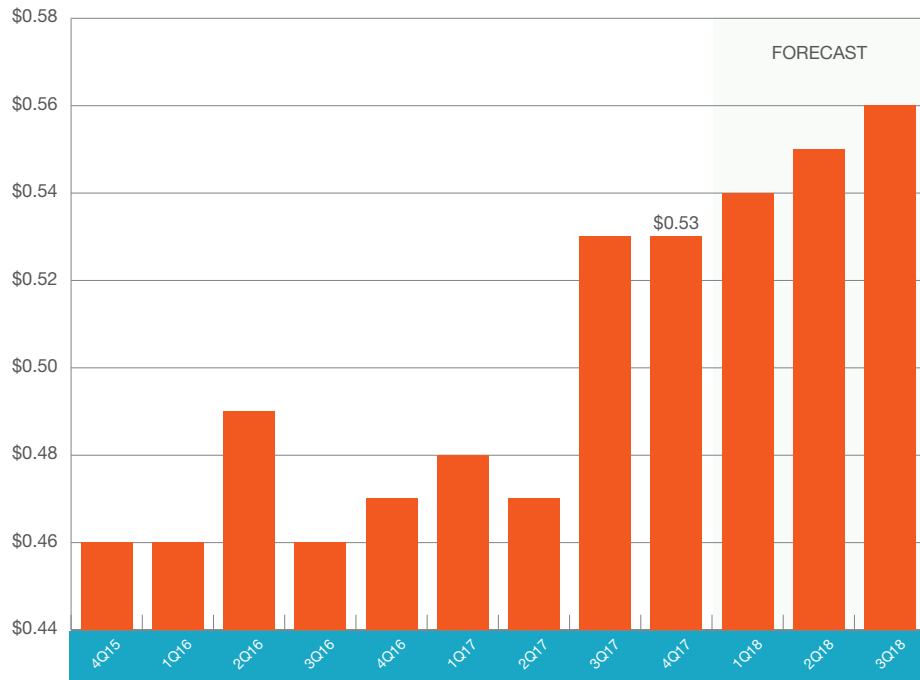
Institutions, private investors, and REITs are all looking and competing for deals in the market. Averaging over \$428 million for the past seventeen quarters, investment volume has exploded since the fourth quarter of 2013. The lack of product available for sale continues to drive cap rates down. With average cap rates around 5.7% and average sale prices per square foot equaling \$110, sale prices have already exceeded the peak levels of the previous cycle. Buyers can afford these cap rates and prices, as they expect to make most of their return on the back end, rolling today's rents up 20%, getting a nice capital appreciation, and achieving an 8% unleveraged IRR. Our forecast actually supports this strategy, as we expect rents to be up nearly 30% from here, while cap rates will remain mostly flat for the next couple of years.



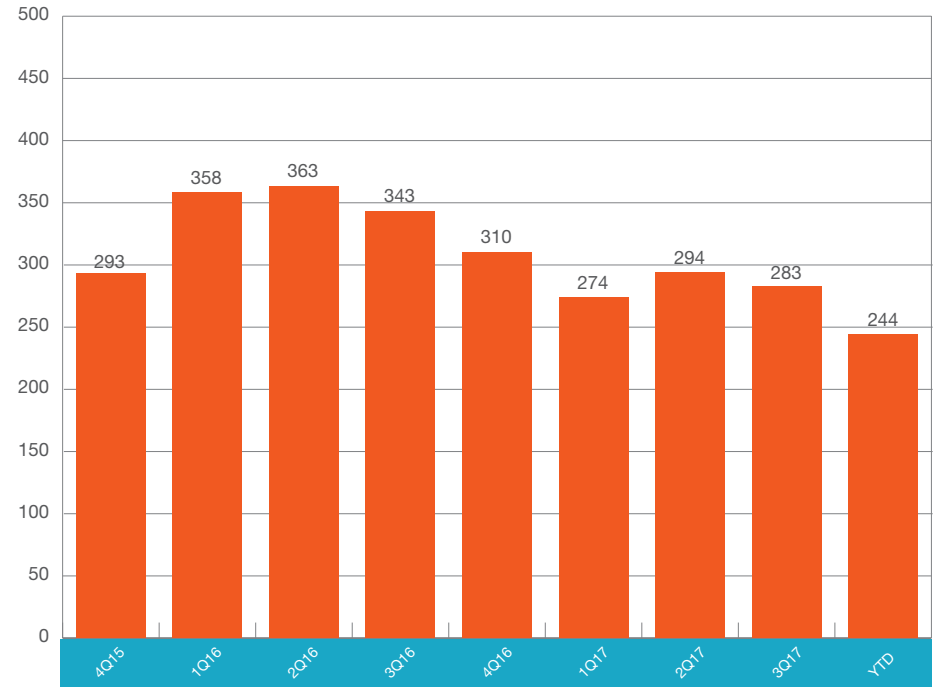
Industrial Market Report

LEASING MARKET

Average Asking Triple Net Lease Rate



Number of Lease Transactions



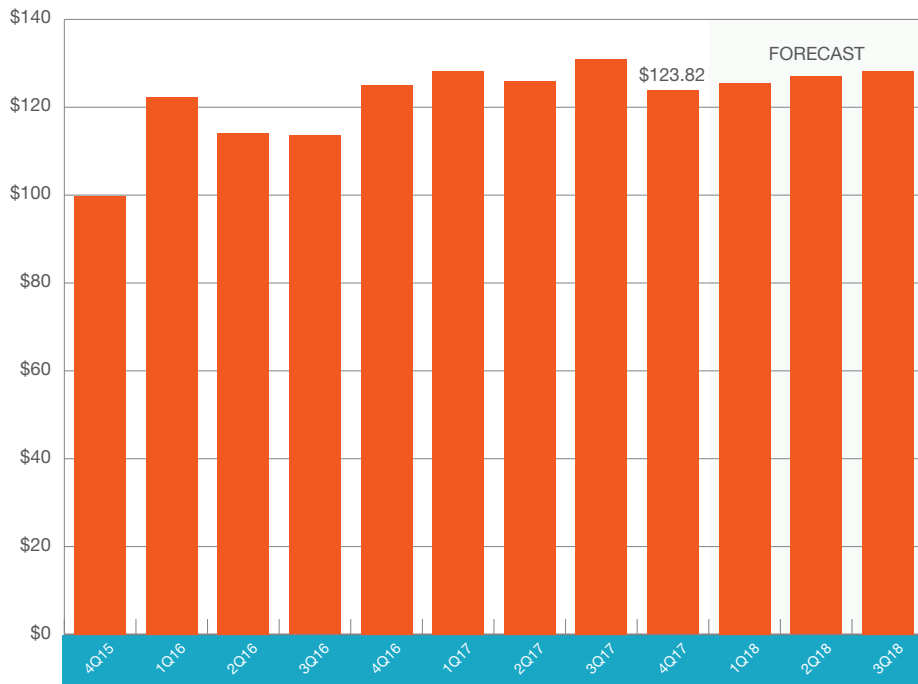
Rent Trends

We anticipate average rental rates for the Inland Empire industrial market continuing to climb and reaching peak levels not seen in the past 8½ quarters.

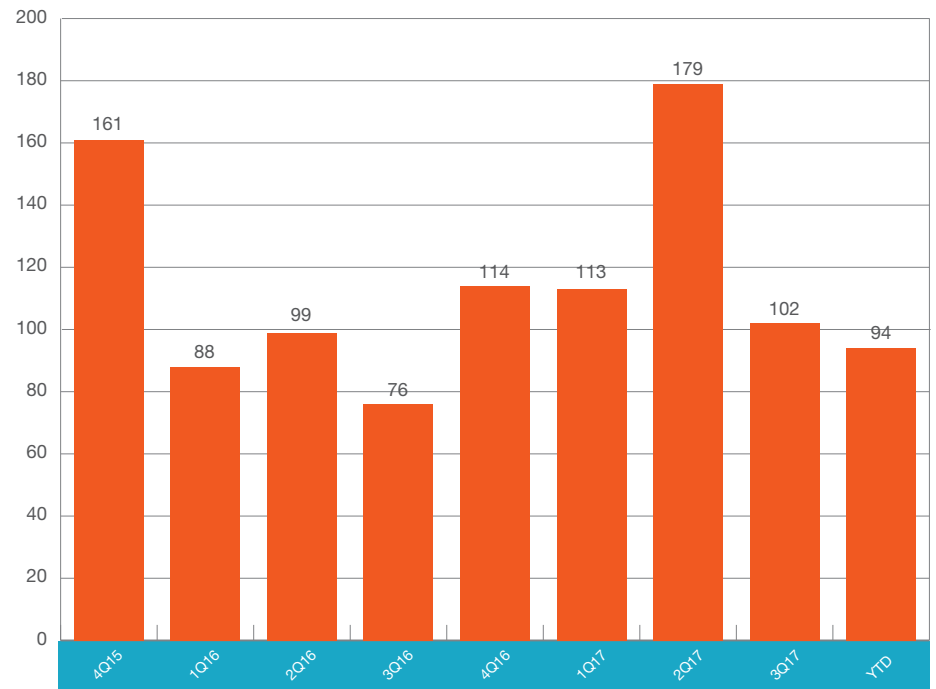
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SALES MARKET

Median Sales Price PSF



Number of Sale Transactions



Investment Trends

We anticipate the Inland Empire industrial market continuing to attract both institutional and private investors in coming quarters as rent growth progresses and new quality product become accessible.

Industrial Market Report

DEMAND TRENDS

Demand For Industrial Product in the Inland Empire Remains Healthy

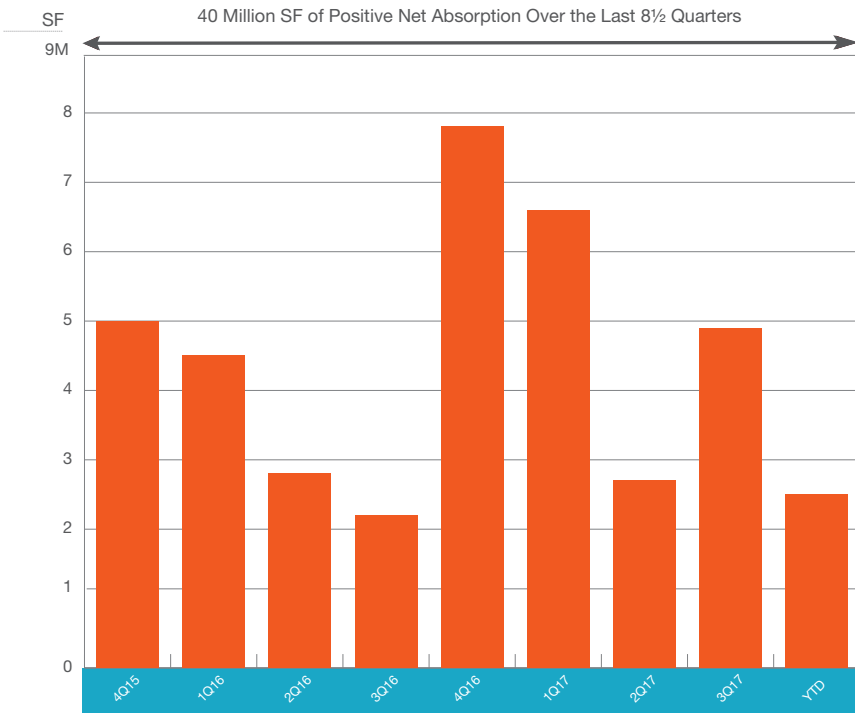
Demand for industrial product in the Inland Empire remained healthy as giants like Amazon, Walmart, and General Mills have gobbled up massive blocks of space. Thanks to its fantastic access to the ports of LA and Long Beach, the associated trade links to The East (China, South Korea, Japan, etc.), and the rise of e-commerce, the Inland Empire has averaged nearly 4 million square feet of positive absorption since Q1 of 2010. Moreover, the market functions not only as a distribution hub for the bulk of California, but also as a major arterial connection to other hubs across the U.S., so when times are good nationally, the Inland Empire thrives.



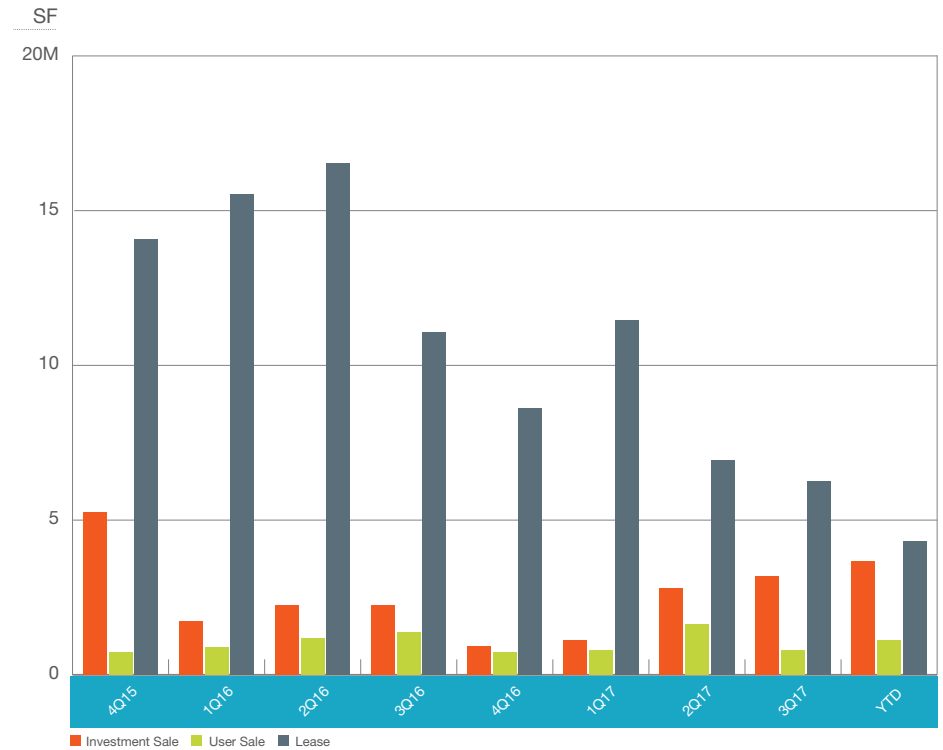
Industrial Market Report

DEMAND TRENDS II - NET ABSORPTION VS. TRANSACTION ACTIVITY

Net Absorption



Transaction Activity

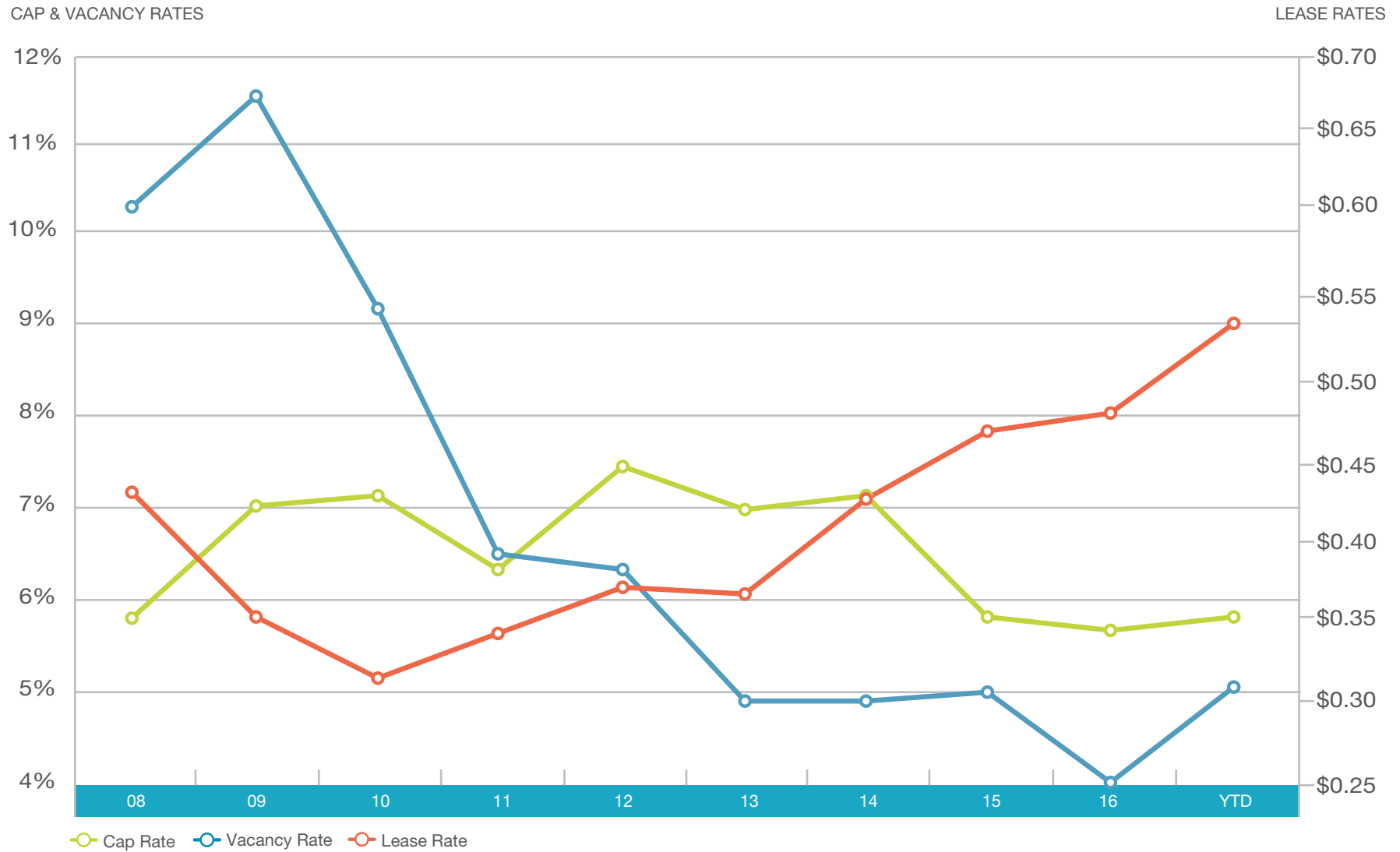


Demand Trends

We anticipate demand, largely dependent upon imports in this market, to continue its growth in the coming quarters. As e-commerce continues to grow, demand for quality industrial space will also increase.

Industrial Market Report

LEASE, CAPITALIZATION, AND VACANCY RATES



This survey consists of properties 5,000 square feet and larger, representing both single and multi-tenant buildings.

Industrial Market Report

SUPPLY TRENDS

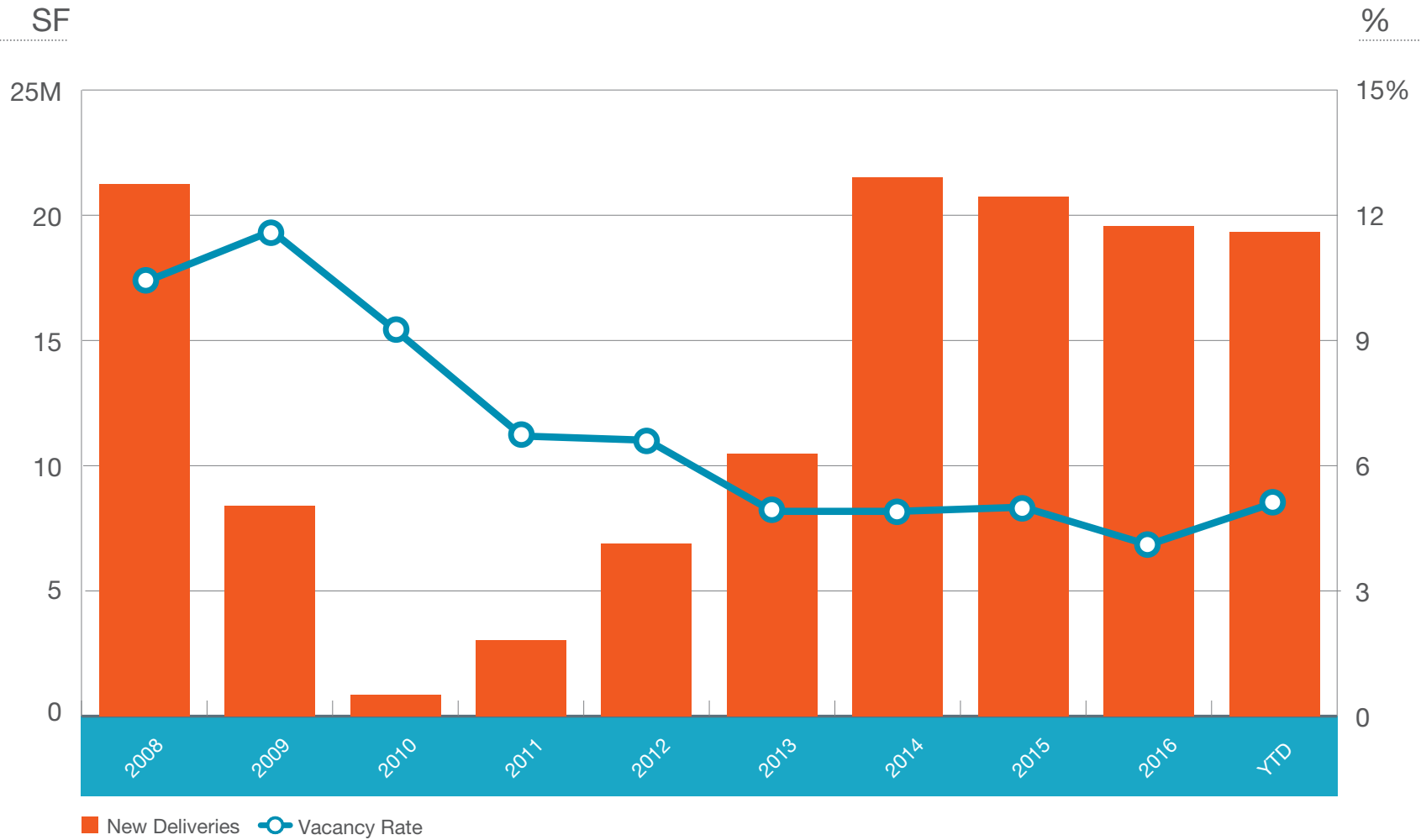
The Inland Empire was the First Market to Build Spec During Recovery, and Developers Have Not Turned Back

It has been a top-three market in deliveries every quarter since the fourth quarter of 2011, completing over 13.8M SF in total. It is also the market with the most SF underway. To appreciate the scale of the development underway, consider that of the 20M SF that is in progress at the end of the fourth quarter, there are seven buildings each equaling 1M SF or more that are slated to be built by 2018. Of the seven million-square-foot buildings, Alere is constructing the largest one, 1,109,378 SF in Moreno Valley. The majority of these buildings (four of the seven) are spec, and with the exception of two buildings—one from Majestic Realty in Chino, and the other from Monster Beverage Corporation in Rialto— all of these buildings are being built in Riverside county. We expect more developments to commence throughout the year, as there is no retrenchment in need of distribution and warehouse space in the IE market.



Industrial Market Report

ANNUAL NEW INDUSTRIAL DELIVERIES VS. VACANCY RATE



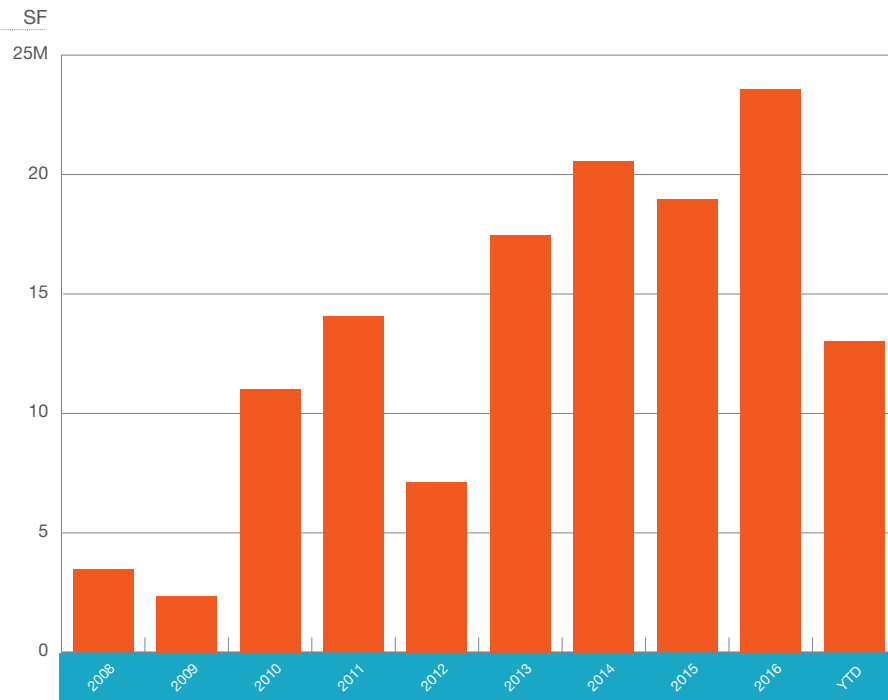
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Industrial Market Report

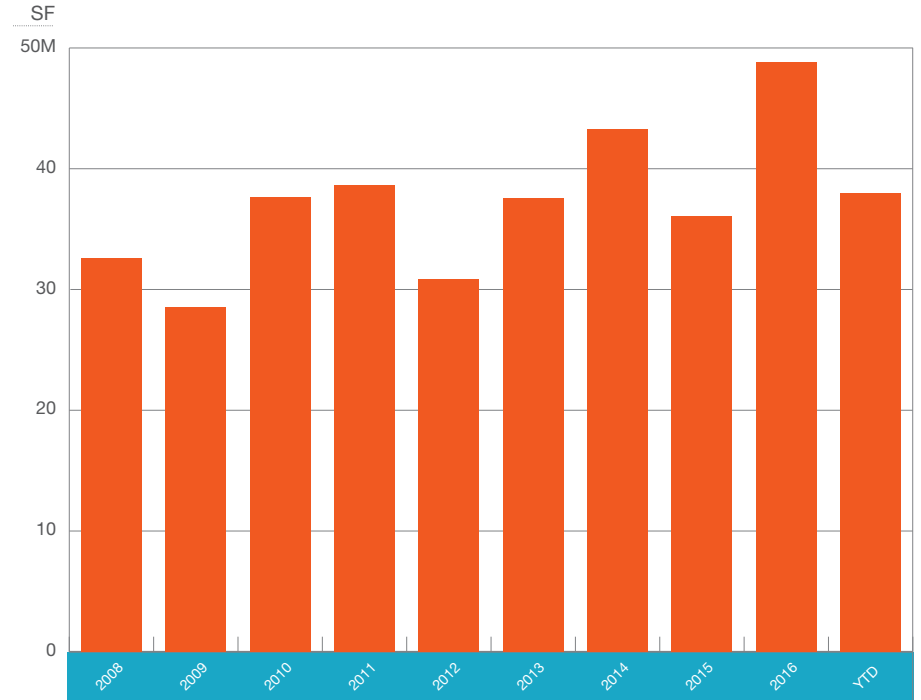
MARKET STATISTICS

	4Q17	3Q17	4Q16	% of Change 4Q17 vs. 4Q16
Vacancy	5.1%	4.6%	4.1%	24.39%
Availability	5.6%	5.9%	6.9%	-18.84%
Average Asking Lease Rate	\$0.53	\$0.53	\$0.47	12.76%
Sale & Lease Transactions	9,165,259	10,659,547	12,300,546	-25.48%
Gross Absorption	9,776,915	11,028,473	11,196,807	-12.68%
Net Absorption	1,524,968	5,016,333	5,312,282	N/A

Annual Net Absorption



Annual Gross Absorption



This survey consists of properties 5,000 square feet and larger, representing both single and multi-tenant buildings.

Industrial Market Report

RECENT MAJOR TRANSACTIONS OF Q4 2017

Sales Activity

PROPERTY ADDRESS	CITY	SF	SALE PRICE (per SF)	BUYER	SELLER
20901 Krameria Ave	Riverside	1,000,000	\$80.10	Invesco Advisors, Inc.	Lewis Commercial
7776 Tippecanoe Ave.(2 Bldgs.)	San Bernardino	609,499	\$93.24	Westcore Properties	Bentall Kennedy
290 W. Markham St.	Perris	474,235	\$110.00	Heitman	PRG Investment and Management, Inc
1900 Burgundy Place	Ontario	397,125	\$105.76	Saturn Intelligence Ltd	Property Reserve, Inc
415 Nicholas Rd. Bldg B	Beaumont	444,455	\$72.00	CJ Foods Manufacturing	Valley View Center LLC

Lease Activity

PROPERTY ADDRESS	CITY	SF	TRANSACTION DATE	TENANT	OWNER
6720 Kimball Ave.	Chino	1,022,680	Dec. 2017	undisclosed	Majestic Realty Co.
1600 W. Agua Mansa Rd.	Colton	808,500	Nov. 2017	undisclosed	LBA Rv-Co Xi LP
15835 San Antonio Ave.	Chino	534,390	Nov. 2017	NFI Distribution	John Hancock Life Ins. Company USA
10886 S. Citrus Ave.	Fontana	424,427	Nov. 2017	undisclosed	Clarion Partners
5150 Eucalyptus Ave.	Chino	186,773	Oct. 2017	Home Products International Inc.	G&O Chino Property

This survey consists of properties 5,000 square feet and larger, representing both single and multi-tenant buildings.

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