



MARKET CHANGE

Compared to Previous Year:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

DOWN



Deliveries

UP



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VOIT Real Estate Services

HIGHLIGHTS

- **Encouraging Numbers** - The amount of occupied space in the Inland Empire has doubled since the first quarter of 2000, having gone from 224.3 million square feet to 454.1 million square feet in 16 years. The Inland Empire industrial market continued to improve and displayed signs of growth in 2015. Compared to 2014, availability dropped, while asking lease rates continued to increase on an annual basis. Net absorption posted 20.4 million square feet of positive absorption and 21 million square feet was added to the inventory during 2015.
- **Construction** - There was 23.9 million square feet under construction in the Inland Empire at the end of the fourth quarter, composed mostly of buildings 500,000 square feet and above. Over 42 million square feet of new space was delivered since the first quarter of 2014, which caused a bump in vacancy, and almost 90 million square feet remains planned for future development.
- **Vacancy** - Direct/sublease space (unoccupied) finished the year at 4.95%, a 3.70% decrease compared to the same quarter last year. The Inland Empire's West submarket had the overall lowest vacancy rate, finishing the year at 2.44%.
- **Availability** - Direct/sublease space being marketed was 6.26% at the end of the year, a 32.54% decrease from 2014's fourth quarter rate. We expect availability to continue its descent in coming quarters.
- **Lease Rates** - The average asking triple-net lease rate was \$.47 for the fourth quarter of 2015, up one cent from the previous quarter and four cents, or 9.3%, from the same quarter last year. We anticipate lease rates to rise in the foreseeable future. This marks a new record high for the average asking lease rate, which eclipses the old record high rate of \$.46 established in the first quarter of 2008.
- **Absorption** - The Inland Empire industrial market posted over 20.4 million square feet of positive absorption in 2015, giving the market a total of over 90 million square feet of positive

absorption for the last six years. Over the last three years, the market averaged just over 4.8 million square feet of positive absorption per quarter or 19.2 million square feet per year.

- **Transaction Activity** - Leasing activity checked in at just over 41.3 million square feet for 2015, a decrease from the previous year's 45.7 million, likely a consequence of limited inventory in some size ranges. Combined, sales and leasing activity in 2015 fell behind the square feet transacted in 2014, coming in at 62.9 million square feet as opposed to the 67.8 million in 2014. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher on the next report.
- **Employment** - The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 6.1% in November 2015, down from a revised 6.3% in October 2015 and below the year-ago estimate of 7.6%. This compares with an unadjusted unemployment rate of 5.7% for California and 4.8% for the nation during the same period. The unemployment rate was 6.2% for Riverside County and 5.9% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA showed a net gain of 46,100 payroll jobs from November 2014 to November 2015 with most of the gains (9,800 jobs) coming from the trade, transportation and utilities sector.
- **Overall** - A lack of product available for lease and sale in some size ranges (particularly anything below 100,000 square feet) is causing an increase in prices and a drop in transaction volume. Net occupancy continues to be positive, and with new inventory being added each quarter we anticipate the possibility of upward pressure on vacancy in the short run. We expect to see moderate increases in leasing and sales activity in the coming year, as job creation continues to occur. As unemployment rates drop and consumer confidence stabilizes, the industrial market will continue to improve and accelerate.

FORECAST

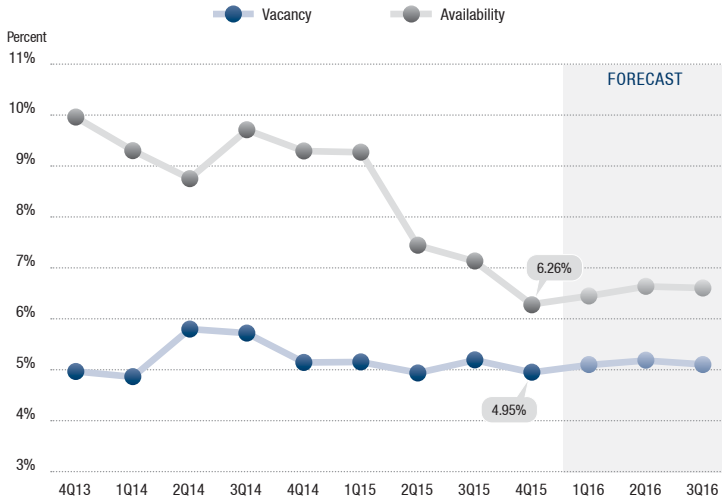
- **Employment** - We anticipate job growth of around 2.4%, or 30,200 jobs, in the Inland Empire area over the year. Look for leisure, hospitality, transportation, logistics, distribution and construction to lead the way for employment gains in the coming years.
- **Lease Rates** - Expect average asking lease rates to increase by 7% to 10% over the next four quarters.
- **Vacancy** - Although upward pressure on the vacancy rate will increase as projects currently under construction come online; however, we anticipate vacancy rates to remain within the 5.0 to 5.5% range over the next three quarters.

OVERVIEW

	2015	2014	2013	% of Change vs. 2014
Added Inventory	20,973,274	21,289,348	10,671,774	(1.48%)
Under Construction	23,892,791	14,855,469	17,904,226	60.83%
Vacancy Rate below 100K SF	2.11%	3.07%	3.54%	(31.27%)
Vacancy Rate above 100K SF	6.34%	6.13%	5.73%	3.43%
Vacancy Rate	4.95%	5.14%	4.99%	(3.70%)
Availability Rate	6.26%	9.28%	9.99%	(32.54%)
Average Asking Lease Rate	\$0.47	\$0.43	\$0.37	9.30%
Sale & Lease Transactions	62,945,598	67,817,624	72,781,482	(7.18%)
Gross Absorption	38,316,237	43,886,712	37,030,842	(12.69%)
Net Absorption	20,439,252	19,544,399	17,600,942	N/A

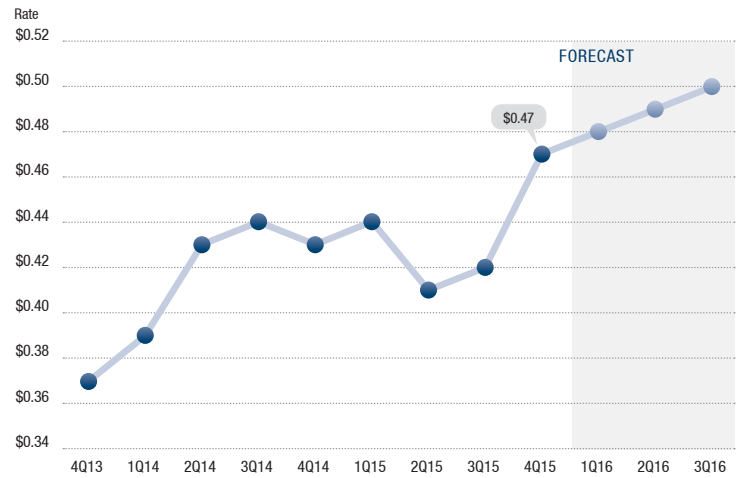
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



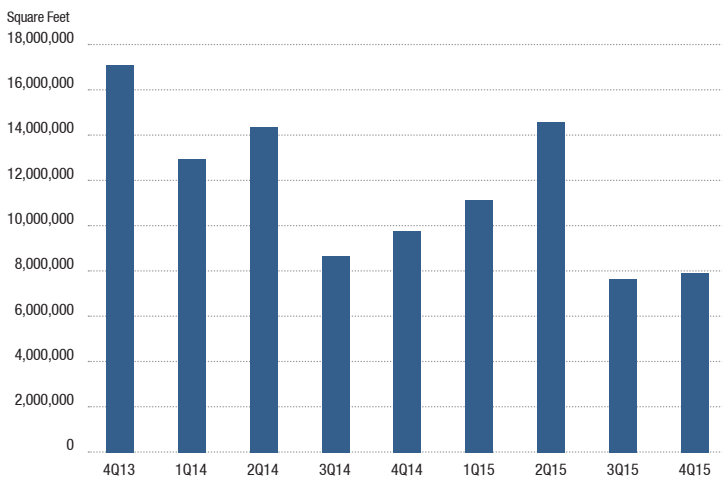
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



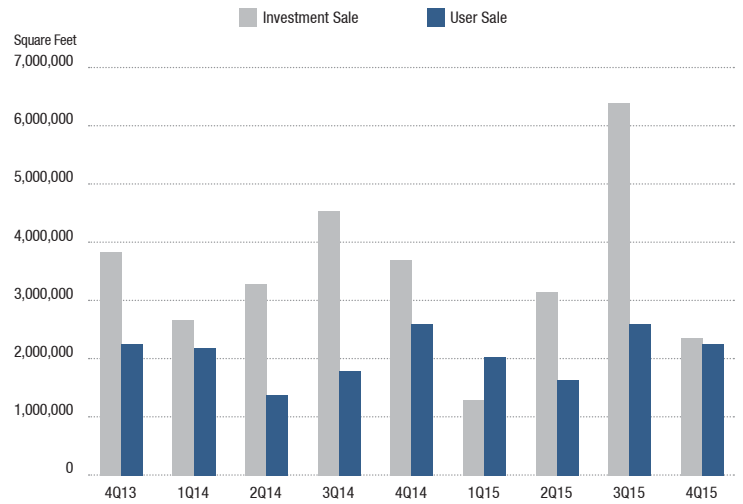
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



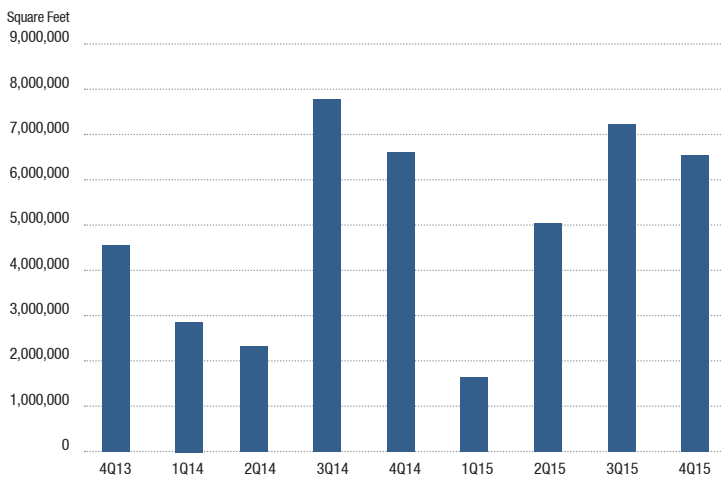
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



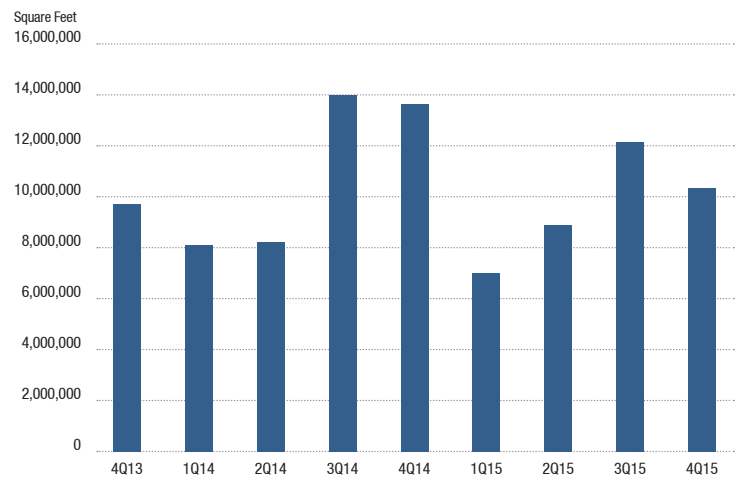
NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



GROSS ABSORPTION

TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2015	Square Feet Available	Availability Rate 4Q2015	Average Asking Lease Rate	Net Absorption 4Q2015	Net Absorption 2015	Gross Absorption 4Q2015	Gross Absorption 2015
West													
Chino/Chino Hills	874	46,011,008	0	2,111,803	368,191	0.80%	2,629,069	5.71%	\$0.00	801,876	4,982,299	1,583,015	7,604,191
Fontana	684	53,941,355	3,822,756	7,725,465	3,111,644	5.77%	4,206,182	7.80%	\$0.48	899,157	2,124,025	1,080,100	3,299,345
Mira Loma/Eastvale/Jurupa Valley	214	32,008,440	2,384,492	1,189,510	375,059	1.17%	447,161	1.40%	\$0.49	99,765	379,745	208,505	1,214,488
Montclair	195	3,346,256	0	100,000	37,710	1.13%	289,389	8.65%	\$0.51	123,474	166,834	154,374	301,241
Ontario	1,410	100,884,777	4,236,189	2,038,771	2,225,654	2.21%	3,564,543	3.53%	\$0.59	385,822	4,668,079	1,437,160	8,244,161
Rancho Cucamonga	706	38,188,821	387,729	1,477,660	522,103	1.37%	1,481,847	3.88%	\$0.54	2,122,395	2,422,676	2,593,282	4,619,133
Upland	252	4,003,970	0	159,182	154,513	3.86%	270,851	6.76%	\$0.71	27,795	63,010	70,223	226,255
5,000-24,999	2,612	31,491,694	72,625	127,696	568,647	1.81%	979,121	3.11%	\$0.99	(36,084)	194,326	294,063	1,672,116
25,000-49,999	647	22,467,315	279,144	633,875	339,664	1.51%	872,328	3.88%	\$0.57	55,996	464,273	179,236	1,290,072
50,000-99,999	407	28,293,432	501,434	468,394	523,294	1.85%	1,238,709	4.38%	\$0.43	239,618	563,547	787,488	2,323,292
100,000-249,999	381	58,116,775	1,288,502	2,484,422	2,013,324	3.46%	3,319,385	5.71%	\$0.48	145,785	1,812,129	1,154,591	5,546,342
250,000-499,999	199	70,915,712	2,040,858	2,457,303	1,394,120	1.96%	3,806,138	5.36%	\$0.37	1,216,469	4,135,282	1,872,781	6,194,373
500,000 plus	89	67,064,699	6,648,603	8,630,701	1,955,825	2.92%	2,673,361	3.99%	\$0.00	2,838,500	7,637,111	2,838,500	8,482,619
West Total	4,335	278,384,627	10,831,166	14,802,391	6,794,874	2.44%	12,889,042	4.63%	\$0.52	4,460,284	14,806,668	7,126,659	25,508,814
East													
Banning	49	1,002,507	0	2,643,507	55,276	5.51%	99,485	9.92%	\$0.00	2,538	6,191	4,872	24,767
Beaumont	41	2,316,289	11,625	3,486,664	450,637	19.46%	450,637	19.46%	\$0.31	(6,182)	100,248	2,233	138,691
Bloomington	89	4,492,870	0	2,408,274	173,719	3.87%	68,719	1.53%	\$0.00	9,500	(73,041)	9,500	70,198
Corona/Norco	940	30,194,984	715,879	649,723	1,297,201	4.30%	2,203,080	7.30%	\$0.48	156,854	695,835	485,359	1,998,075
Colton/Grand Terrace	162	8,555,532	808,500	2,077,165	144,591	1.69%	210,808	2.46%	\$0.00	174,066	256,538	249,876	477,775
Moreno Valley	75	19,172,659	1,568,046	45,717,448	1,110,222	5.79%	1,128,626	5.89%	\$0.40	(159,925)	1,173,048	3,320	1,377,363
Perris	169	16,429,742	1,727,382	9,008,359	1,190,152	7.24%	222,549	1.35%	\$0.00	1,588,058	1,565,627	1,598,958	1,655,461
Redlands/Loma Linda	216	23,977,841	4,652,937	1,048,354	3,584,232	14.95%	4,336,873	18.09%	\$0.00	(27,136)	1,062,021	34,814	2,750,438
Rialto	159	19,086,168	2,860,584	1,390,924	3,485,824	18.26%	1,532,245	8.03%	\$0.00	(35,294)	(151,655)	13,411	1,093,716
Riverside	1,104	46,785,890	716,672	4,287,212	1,584,228	3.39%	2,771,385	5.92%	\$0.52	144,341	471,926	404,126	1,602,047
San Bernardino/Highland	555	34,869,032	0	1,859,688	4,149,390	11.90%	4,454,041	12.77%	\$0.53	261,165	525,846	366,234	1,618,892
5,000-24,999	2,333	27,403,526	60,597	379,747	718,018	2.62%	1,275,135	4.65%	\$0.72	87,338	268,030	425,141	1,617,151
25,000-49,999	531	18,569,676	213,223	625,970	516,555	2.78%	924,692	4.98%	\$0.47	(31,902)	8,167	164,379	746,951
50,000-99,999	315	21,574,269	168,506	934,204	493,117	2.29%	1,068,249	4.95%	\$0.48	223,172	413,982	400,035	1,245,823
100,000-249,999	202	30,033,416	655,309	2,968,797	1,226,113	4.08%	2,417,349	8.05%	\$0.54	402,464	714,388	595,440	2,116,485
250,000-499,999	84	30,331,169	1,851,277	5,003,911	4,034,925	13.30%	4,705,152	15.51%	\$0.37	(160,795)	485,255	0	1,324,779
500,000 plus	94	78,971,458	10,112,713	64,664,689	10,236,744	12.96%	7,087,871	8.98%	\$0.00	1,587,708	3,742,762	1,587,708	5,756,234
East Total	3,559	206,883,514	13,061,625	74,577,318	17,225,472	8.33%	17,478,448	8.45%	\$0.45	2,107,985	5,632,584	3,172,703	12,807,423
Inland Empire Total	7,894	485,268,141	23,892,791	89,379,709	24,020,346	4.95%	30,367,490	6.26%	\$0.47	6,568,269	20,439,252	10,299,362	38,316,237
5,000-24,999	4,945	58,895,220	133,222	507,443	1,286,665	2.18%	2,254,256	3.83%	\$0.80	51,254	462,356	719,204	3,289,267
25,000-49,999	1,178	41,036,991	492,367	1,259,845	856,219	2.09%	1,797,020	4.38%	\$0.50	24,094	472,440	343,615	2,037,023
50,000-99,999	722	49,867,701	669,940	1,402,598	1,016,411	2.04%	2,306,958	4.63%	\$0.39	462,790	977,529	1,187,523	3,569,115
100,000-249,999	583	88,150,191	1,943,811	5,453,219	3,239,437	3.67%	5,736,734	6.51%	\$0.45	548,249	2,526,517	1,750,031	7,662,827
250,000-499,999	283	101,281,881	3,892,135	7,461,214	5,429,045	5.36%	8,511,290	8.40%	\$0.33	1,055,674	4,620,537	1,872,781	7,519,152
500,000 plus	183	146,036,157	16,761,316	73,295,390	12,192,569	8.35%	9,761,232	6.68%	\$0.00	4,426,208	11,379,873	4,426,208	14,238,853
Inland Empire Total	7,894	485,268,141	23,892,791	89,379,709	24,020,346	4.95%	30,367,490	6.26%	\$0.47	6,568,269	20,439,252	10,299,362	38,316,237
High Desert													
Adelanto	133	3,128,334	0	17,401,463	97,705	3.12%	300,468	9.60%	\$0.00	(3,400)	90,641	24,000	130,546
Apple Valley	71	2,475,058	0	1,847,530	43,847	1.77%	43,847	1.77%	\$0.73	45,033	35,573	59,050	85,906
Barstow	49	1,009,938	0	0	200,269	19.83%	204,269	20.23%	\$0.45	(630)	(13,270)	6,000	31,680
Hesperia	181	3,134,221	0	2,271,490	422,423	13.48%	449,029	14.33%	\$0.00	24,200	157,247	28,200	185,017
Victorville	121	6,912,301	0	11,513,600	207,257	3.00%	292,824	4.24%	\$0.47	11,295	(647)	17,995	76,330
High Desert Total	555	16,659,852	0	33,034,083	971,501	5.83%	1,290,437	7.75%	\$0.53	76,498	269,544	135,245	509,479
Temecula Valley													
Hemet	83	1,462,012	0	0	19,400	1.33%	117,682	8.05%	\$0.42	9,500	88,693	17,220	96,413
Lake Elsinore	154	2,298,212	0	283,679	22,804	0.99%	100,390	4.37%	\$0.00	(18,788)	27,869	3,100	106,973
Menifee	21	422,960	0	0	39,789	9.41%	44,013	10.41%	\$0.90	0	(2,564)	2,412	30,509
Murrieta	226	3,717,198	5,538	0	67,856	1.83%	141,476	3.81%	\$0.72	(19,184)	(16,337)	37,137	197,542
San Jacinto	58	1,015,636	0	109,948	67,800	6.68%	99,938	9.84%	\$0.52	8,900	3,900	21,400	25,000
Temecula	333	10,474,872	0	110,803	249,177	2.38%	247,820	2.37%	\$1.00	(7,844)	150,711	38,973	415,380
Wildomar	11	349,043	0	0	18,503	5.30%	3,664	1.05%	\$0.00	4,183	(6,711)	18,503	30,014
Temecula Valley Total	886	19,739,933	5,538	504,430	485,329	2.46%	754,983	3.82%	\$0.49	(23,233)	245,561	138,745	901,831

This survey consists of industrial buildings greater than 5,000 square feet. Lease rates are on a triple-net basis.

MAJOR TRANSACTIONS OF 2015

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
3450 Dulles Dr.	Mira Loma	814, 186	\$79.53	Bentall Kennedy	MetLife
6227 Cajon Blvd.	San Bernardino	806,322	\$72.87	TIAA-CREF	Hillwood Properties
1300 California St.	Redlands	771,000	\$70.00	IIT	Hillwood Properties
1616 Marlborough Ave. (17 Properties)	Riverside	481,038	\$63.50	Saunders Property Company	AEW Capital Management
10302 Birtcher Dr. (14 Properties)	Mira Loma	469,850	\$88.75	TA Realty	Cornerstone Real Estate Advisers, LLC
1508 W. Casmalia St.	Rialto	428,208	\$65.21	Prologis	CapRock Partners

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
4120 Indian St.	Perris	1,547,342	Oct-2015	General Mills	Classic Properties
0 Inland Empire Blvd.	Ontario	1,050,000	July-2015	QVC	Sares Regis
8688 Etiwanda Ave.	Rancho Cucamonga	1,034,282	Jun-2015	Georgia-Pacific	Goodman Birtcher
4565 Redlands	Perris	1,008,000	Aug-2015	Home Depot	IDI
15750 Jurupa Ave.	Fontana	970,747	Nov-2015	Black & Decker	DCT Industrial
2496 Walnut St.	Rialto	882,230	Oct-2015	Amazon	Prologis
10299 6th St.	Rancho Cucamonga	841,325	Feb-2015	Kumho Tires USA, Inc.	TIAA-CREF

PRODUCT TYPE

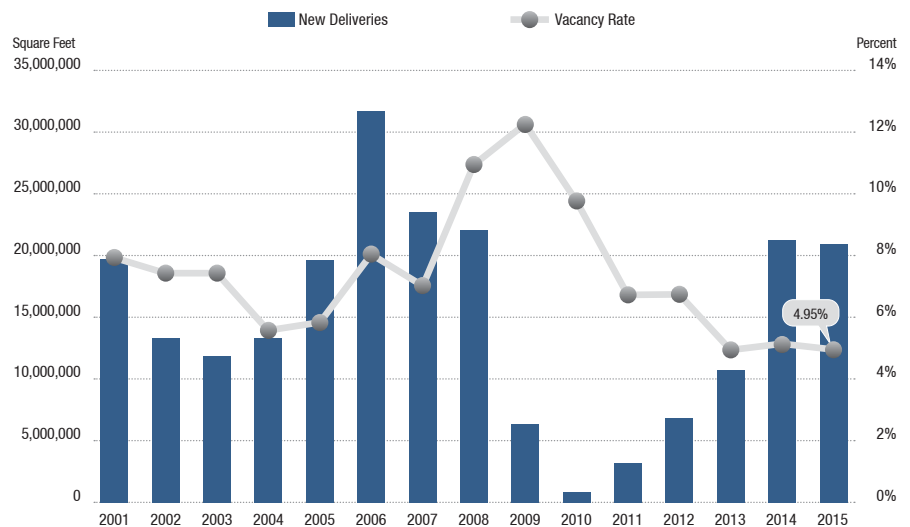
MFG./DIST.

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