



Industrial Market Update Inland Empire 2024

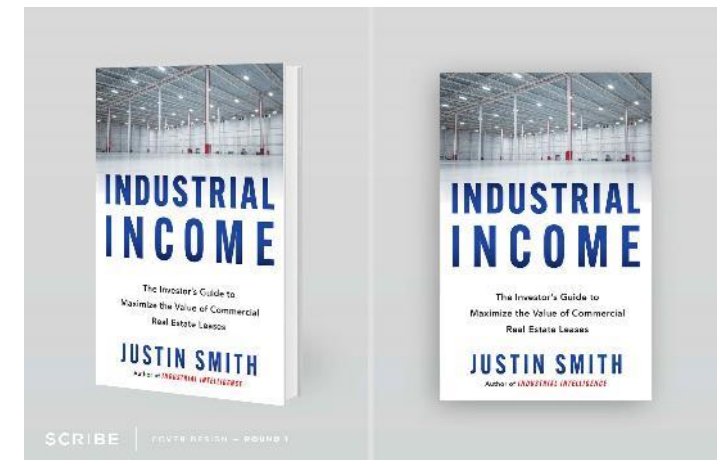
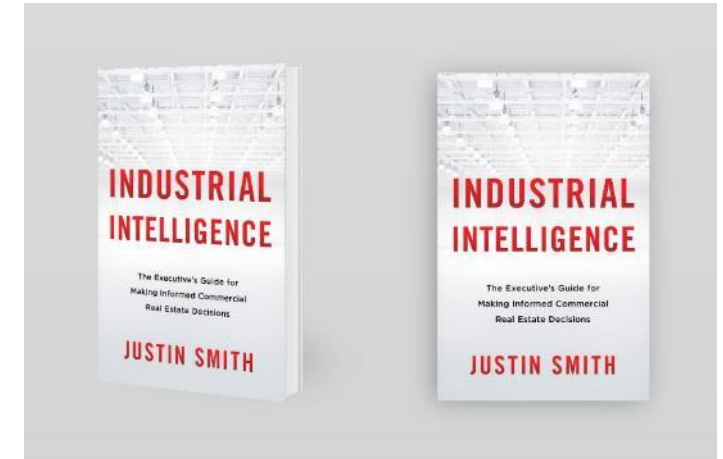
Appraisal Institute of Southern California

Prepared By:

Justin Smith, SIOR
Senior Vice President

Justin Smith - SVP

- 20 years with Lee & Associates, Irvine Office, #1 producer multiple years
- Primary focus is industrial:
 - 80% within LA/OC/IE, 20% National
- Education - UCI Econ, USC MBA, USC MRED, University of Arkansas Master of Supply Chain admission pending
- Author – Industrial Intelligence & Industrial Income
- Investor – Own 30 units between SFR and industrial multi tenant, invested as LP in 8 industrial deals



Know Your Audience

- What is the most helpful information I can provide?
- How much data do you want vs market commentary?
- What is the worst part of these presentations?

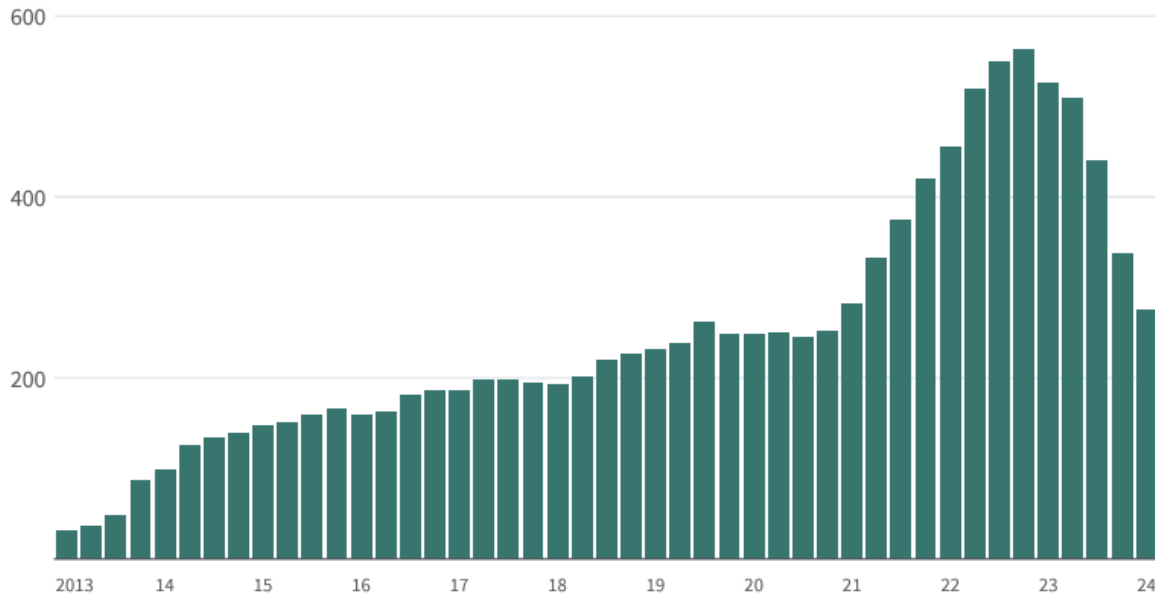
Prologis – May Research

Conclusion:

Logistics market conditions are rebalancing, yielding new growth opportunities for customers in select locations and size categories, after a period of unprecedented scarcity and competition for space. This opportunity could be short-lived, however, given the rapid fall in new supply and leading indicators that suggest an accumulation of pent-up demand. Prologis Research expects the U.S. vacancy rate to peak in the mid-6% range during 2024 and gradually fall to the mid-5% range in 2025. Customers that led the market in securing space during similar past periods are already actively leasing. We continue to recommend advance planning and early action to take advantage of this stage of the logistics real estate mini-cycle.

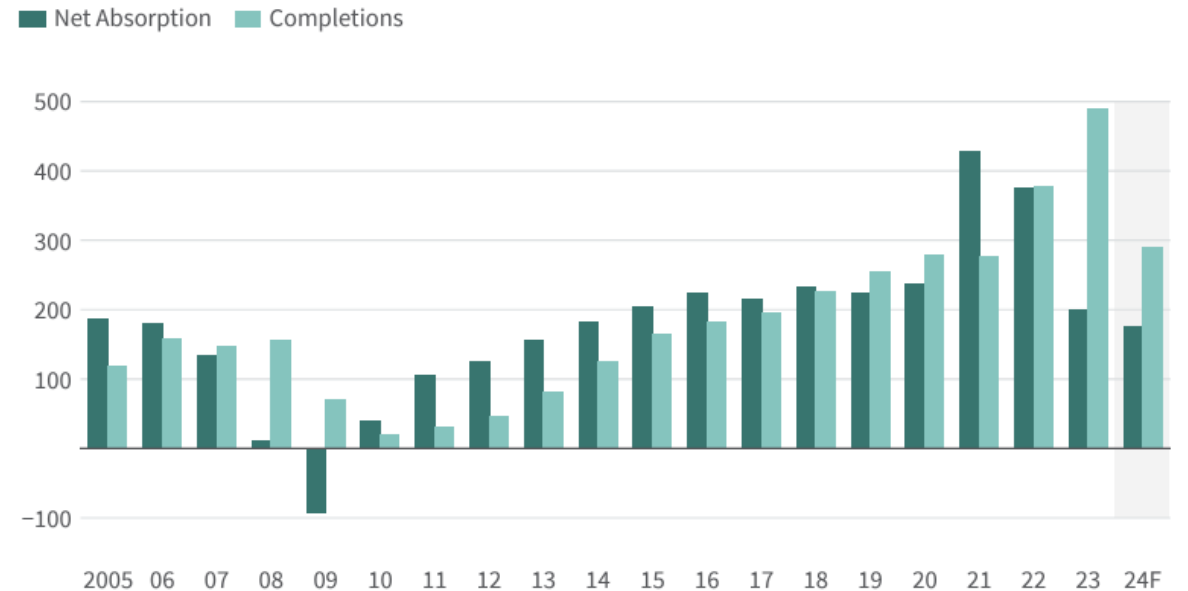
Prologis – May Research

UNDER CONSTRUCTION, U.S. INDUSTRIAL MSF



Source: CBRE, JLL, Cushman & Wakefield, Colliers, CoStar, CBRE-EA, Prologis Research.

MARKET FUNDAMENTALS, U.S. MSF

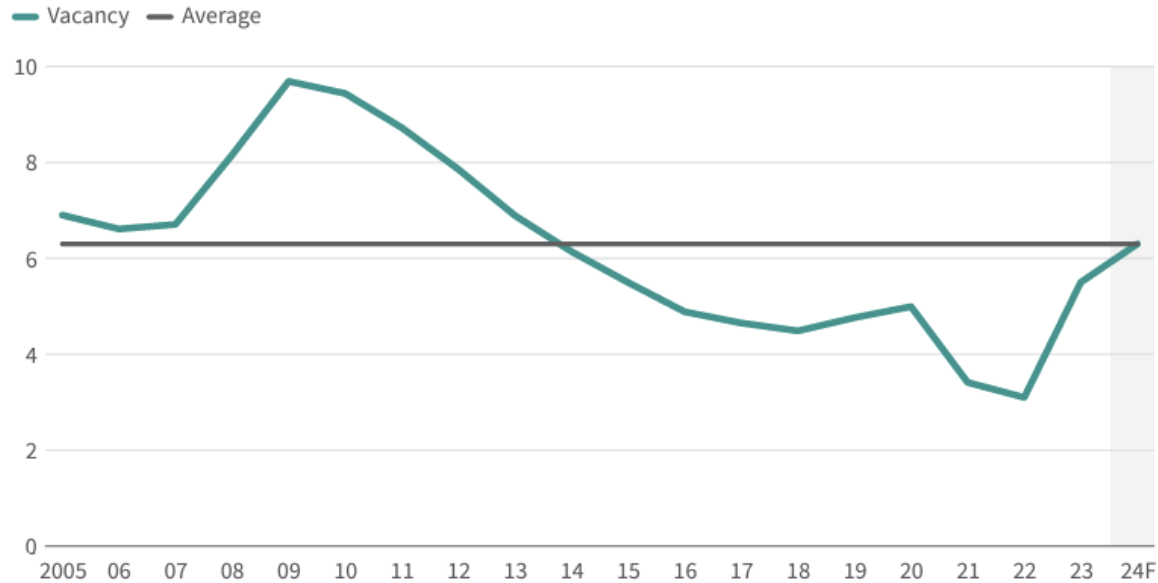


Source: CBRE, JLL, Cushman & Wakefield, Colliers, CoStar, CBRE-EA, Prologis Research.

Prologis – May Research

VACANCY, U.S.

%



Source: CBRE, JLL, Cushman & Wakefield, Colliers, CoStar, CBRE-EA, Prologis Research.

U.S. RENT GROWTH

%, y/y



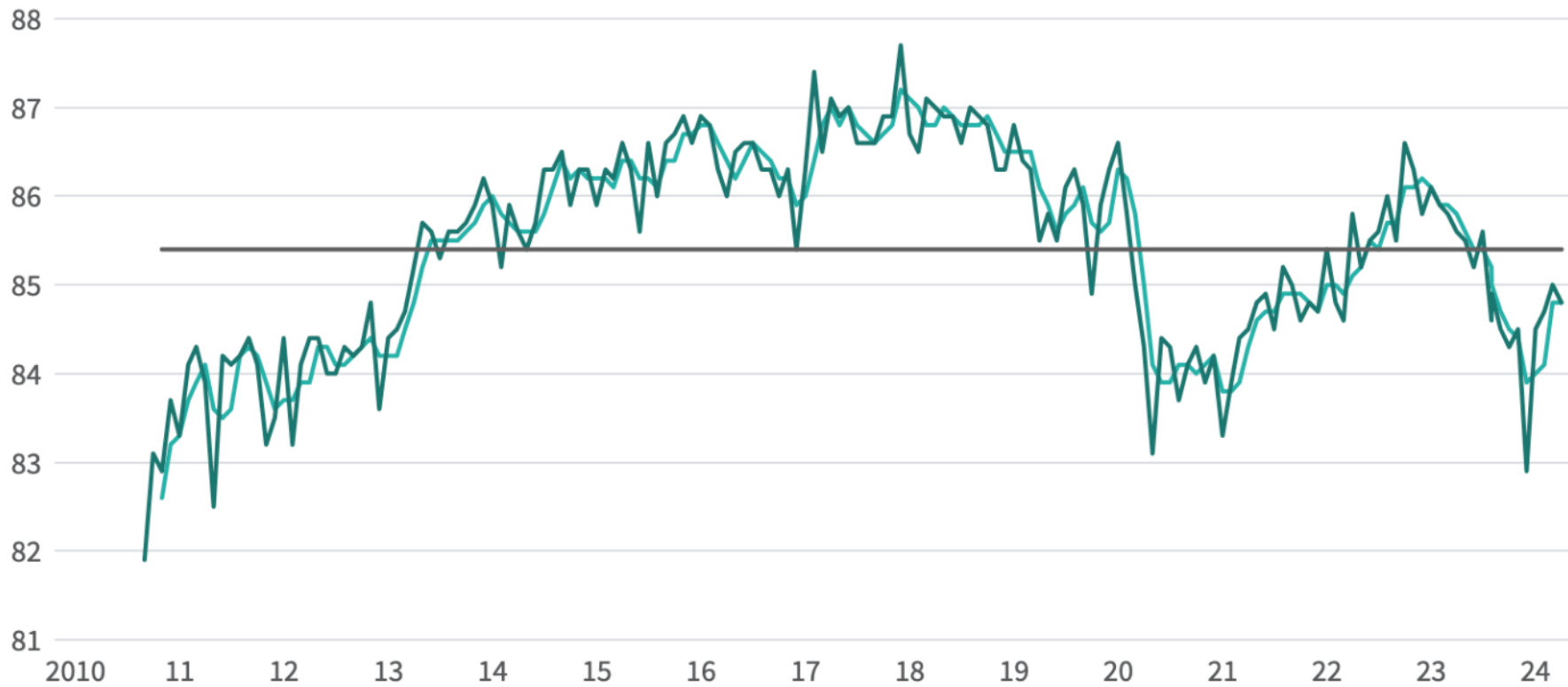
Source: Prologis Research

Prologis – May Research

UTILIZATION RATE

%

— Utilization Rate — Utilization Rate, 3 Mo. Moving Average — Average



Source: Prologis Research

LBA – Port Research

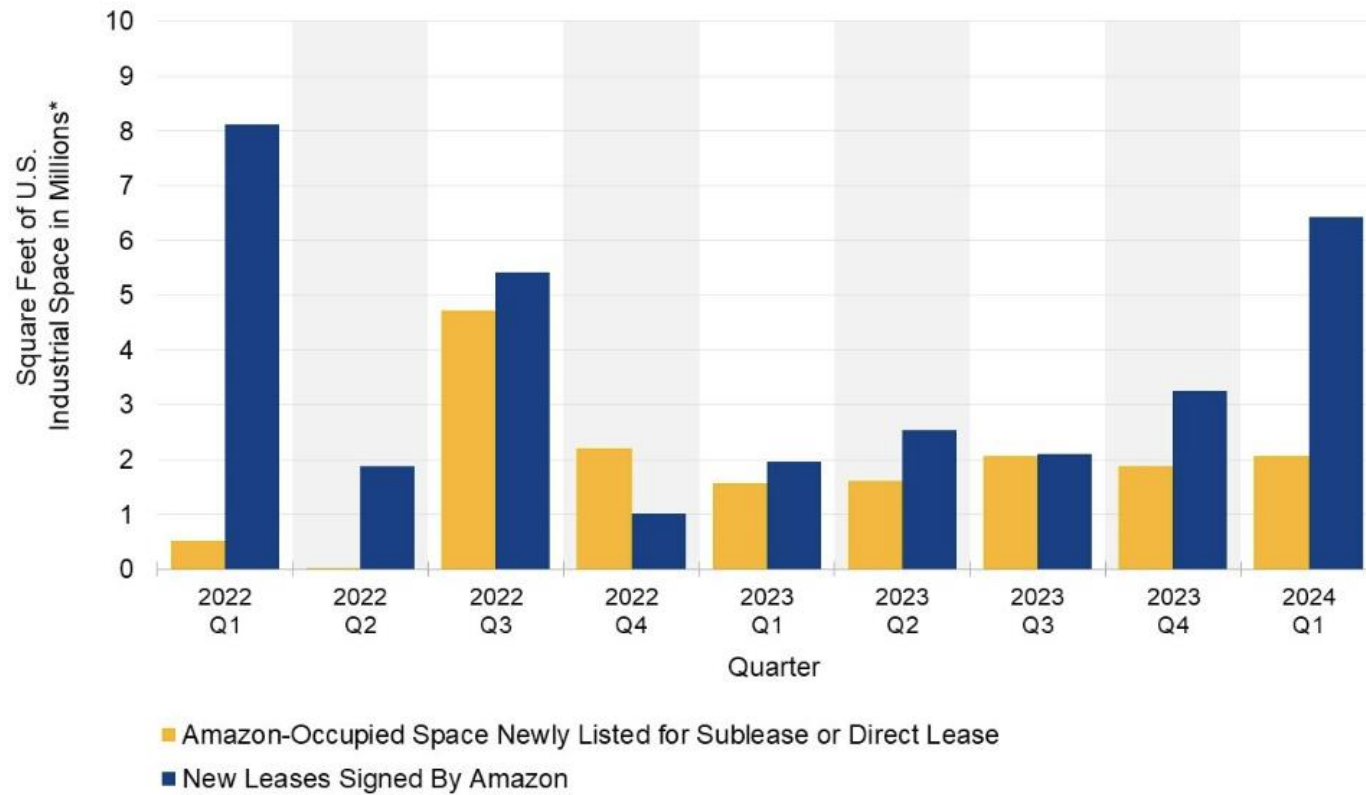
- **(5/7/24) Amazon and Volvo team up on big rig electric trucks, rolling out of Southern California ports**
 - Amazon is rolling out 50 all-electric big rigs in Southern California, with eight operating out of the Ports of Long Beach and Los Angeles.
 - These electric trucks, manufactured by Volvo, can travel up to 275 miles before needing a recharge and produce zero tailpipe emissions.
 - California mandates aim to replace diesel trucks with low-carbon technologies, banning new diesel truck sales by 2035 and prohibiting new diesel trucks from seaports.
 - The electric trucks will transport shipping containers from the ports to Amazon's freight center in Sante Fe Springs, then to distribution centers, airports, and delivery stations.
 - The cost of electric trucks ranges from \$300,000 to \$500,000, but subsidies and bulk purchasing allow Amazon to manage costs. Other companies, like Maersk, are also adopting electric trucks to comply with state mandates.
 - [Article Link: Amazon, Volvo team up on electric trucks at Southern California ports - Los Angeles Times \(latimes.com\)](#)

Q1 2024 TEU Container Activity							
Rank		Total TEUs				Loaded Inbound TEUs	
N.A.	U.S.	Port	Coast	TEU Containers	Y-o-Y Change	TEU Containers	Y-o-Y Change
1	1	Los Angeles	W	2,380,503	29.6%	1,230,069	30.7%
2	2	Long Beach	W	2,002,820	16.4%	957,710	20.1%
3	3	New York & New Jersey	E	2,001,449	11.7%	1,028,331	14.5%
4	4	Savannah	E	1,315,706	11.1%	649,109	14.8%
5	5	Houston	G	1,069,917	14.5%	485,976	14.3%
6		Manzanillo, Mexico	W	958,271	17.8%	399,704	19.3%
7		Vancouver, Canada	W	861,517	21.6%	459,842	27.3%
8	6	Port of Virginia	E	850,294	7.1%	395,113	13.3%
9	7	NSA (Seattle)	W	699,381	2.9%	255,020	5.6%
10	8	Charleston	E	627,297	2.9%	311,120	5.7%
11	9	Oakland	W	566,053	12.5%	232,298	25.6%
12		Lazaro Cardenas, Mexico	W	535,021	34.7%	165,718	27.9%
13		Montreal, Canada	E	353,026	-2.4%	173,619	-2.4%
14		Prince Rupert, Canada	W	191,447	2.1%	142,764	53.8%
All Major Ports				14,412,702	15.1%	6,886,393	18.9%
Major West Coast Ports			W	8,195,013	19.7%	3,843,125	24.6%
Major East Coast Ports			E	5,147,772	8.6%	2,557,292	11.9%
Major Gulf Coast Ports			G	1,069,917	14.5%	485,976	14.3%

Source: Various Port Authorities, CBRE Research, Q1 2024.

CoStar Intel

Amazon's New Leasing Has Pulled Well Ahead of Distribution Center Closures in 2024



*Excludes data centers.
Source: CoStar, May 2024



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CoStar Intel

So far this year, Amazon has signed at least six U.S. leases larger than 1 million square feet, already matching the number of leases for spaces that size signed by the company in all of 2023.

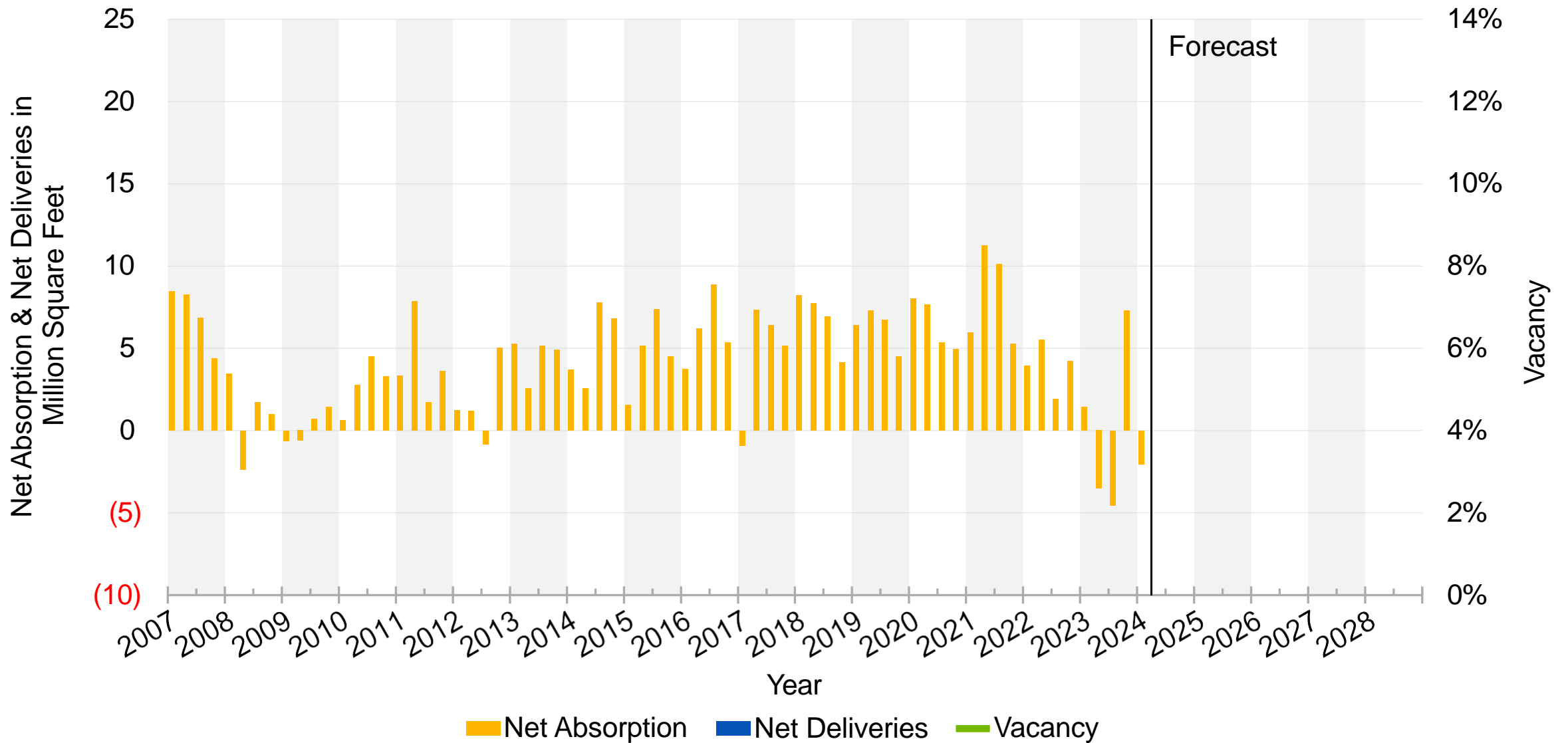
Space for Advanced Sorting Tech

One factor behind the company's emphasis on retaining and growing its network of million-square-foot facilities could be that these giant distribution facilities with high ceiling heights are best positioned to accommodate cutting-edge robotics and sorting technologies.

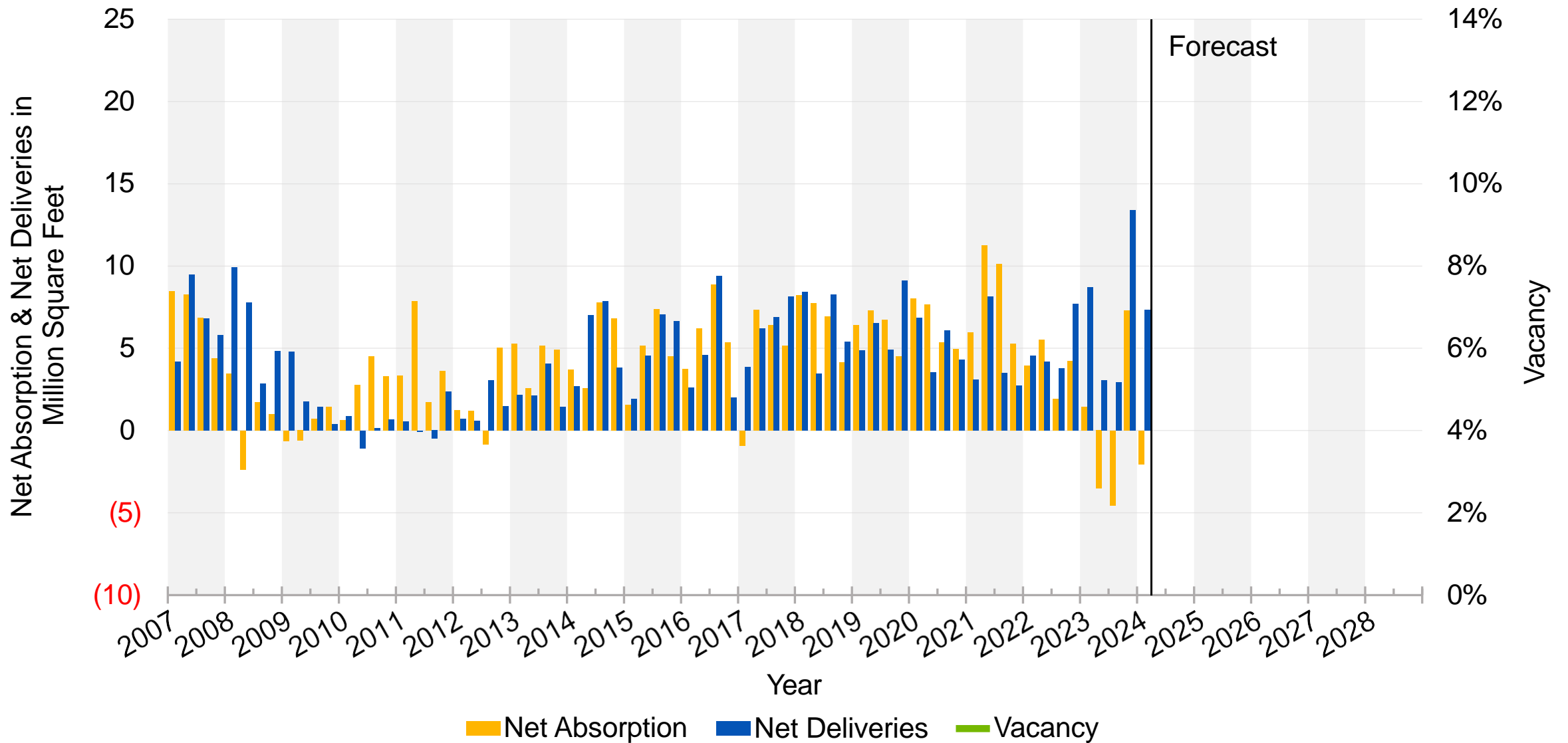
CoStar Intel

Amazon's recent focus on expansions in Southern California and Arizona could be part of a strategy to help the e-commerce giant hedge against the risk of disruptions at East and Gulf Coast ports later this year by pre-emptively increasing its warehouse capacity near major West Coast ports.

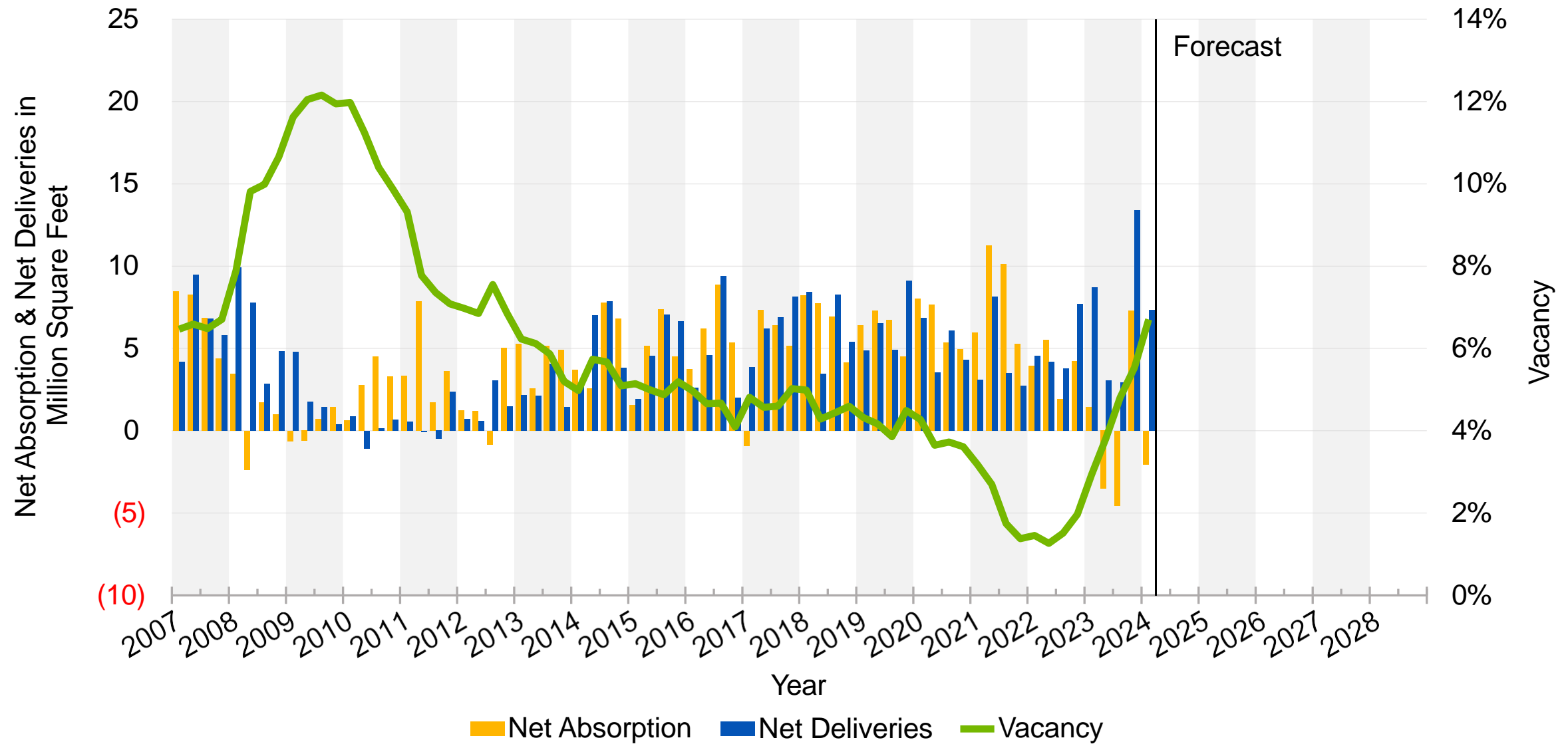
IE Industrial Fundamentals - Demand



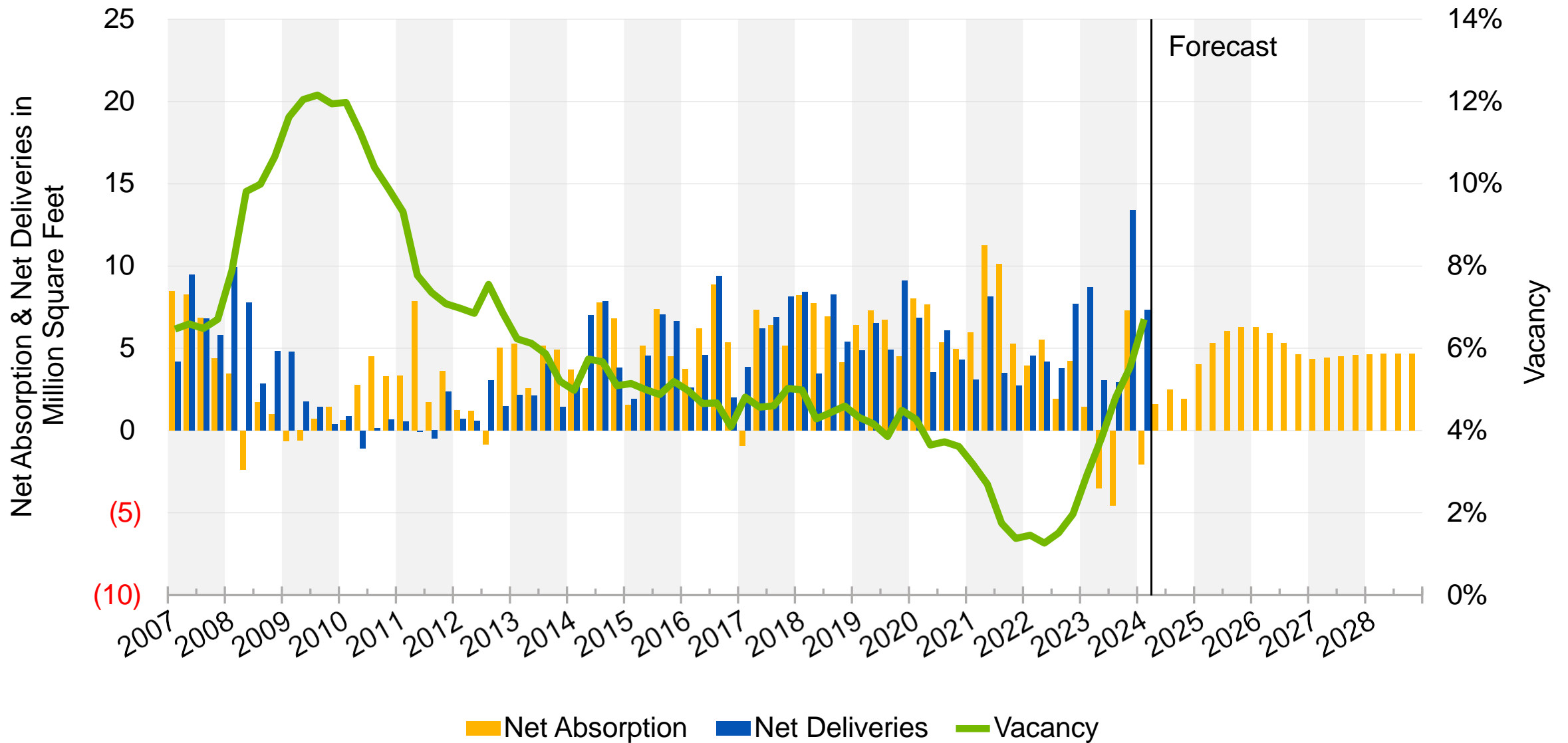
IE Industrial Fundamentals - Supply



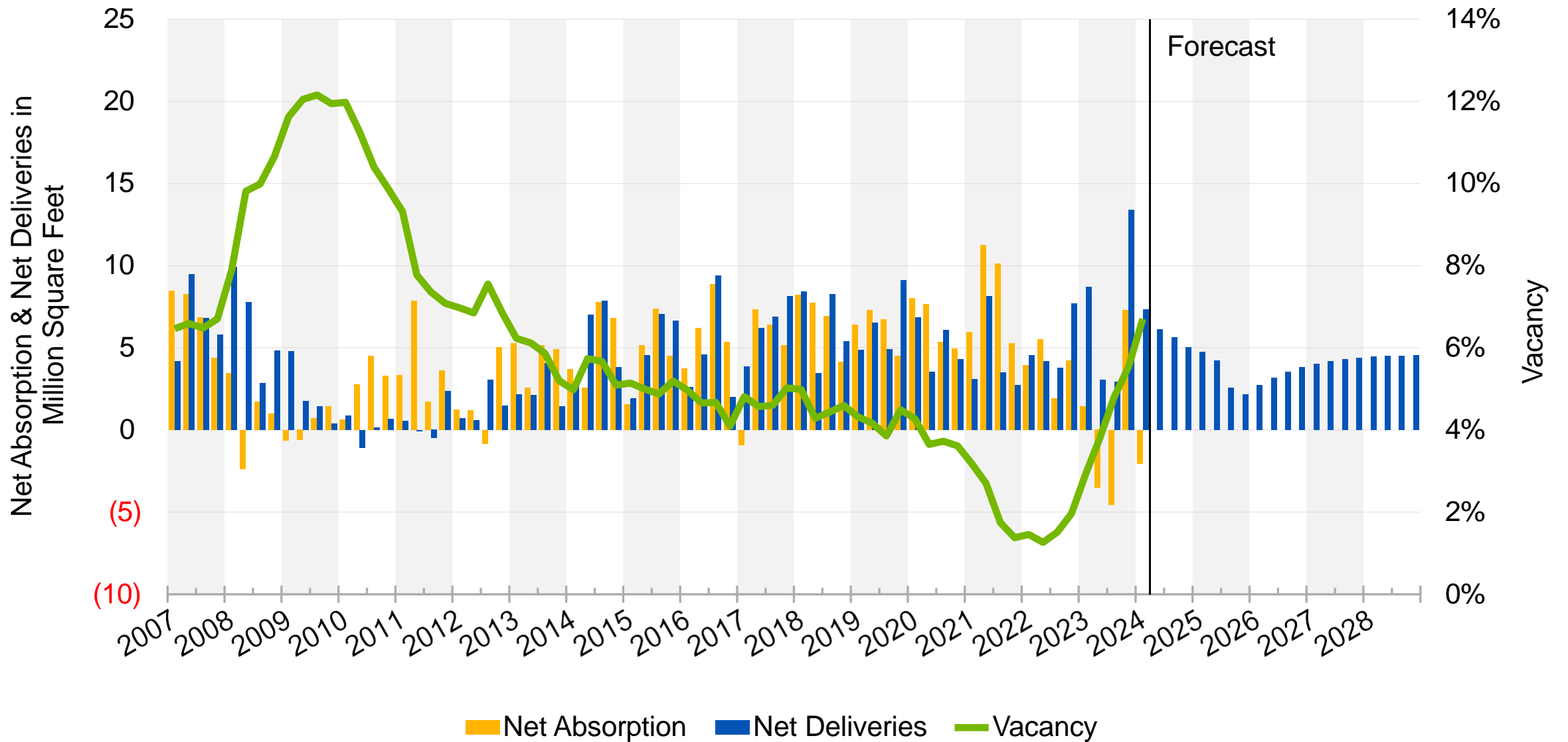
IE Industrial Fundamentals - Vacancy



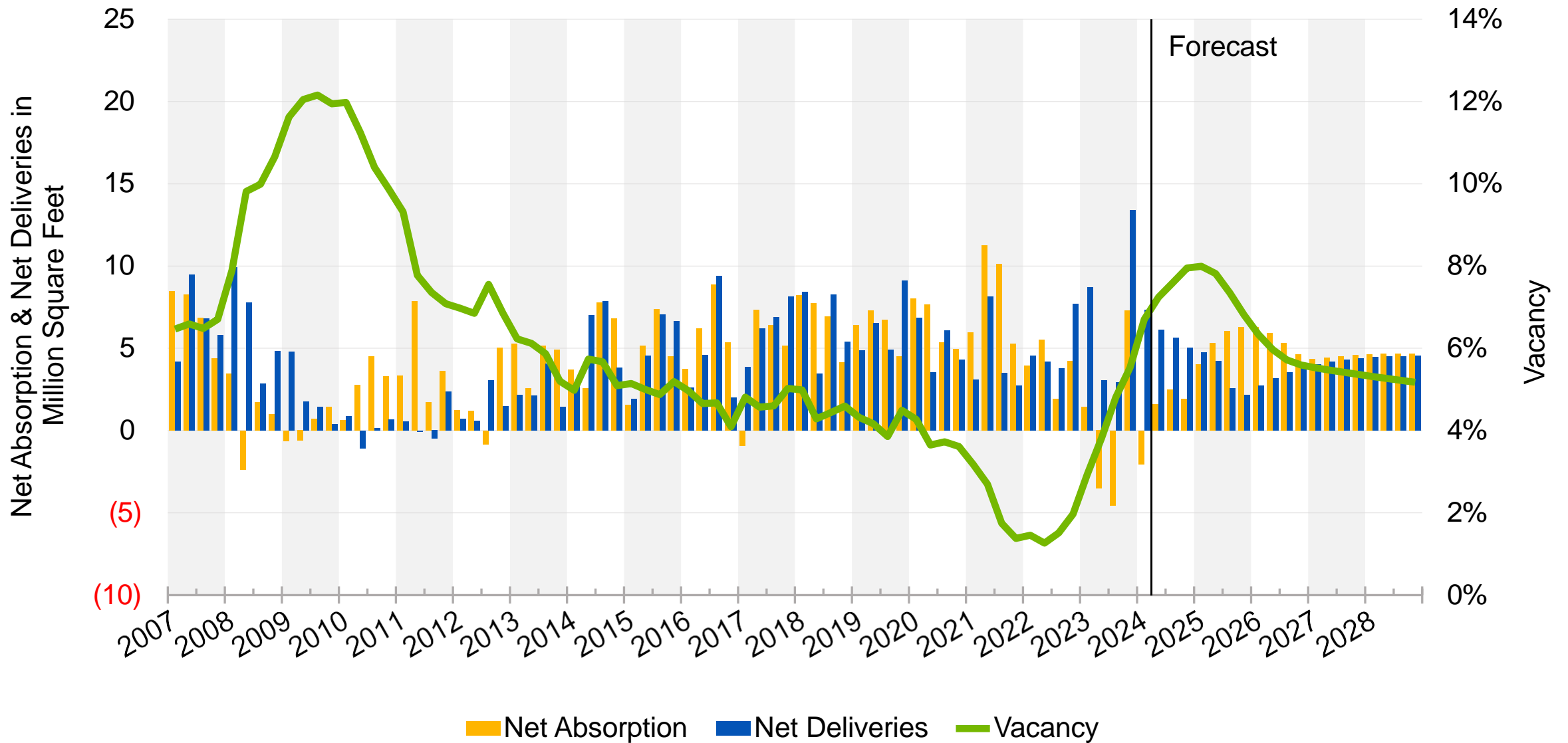
IE Industrial Fundamentals – Demand Forecast



IE Industrial Fundamentals – Supply Forecast



IE Industrial Fundamentals – Vacancy Forecast



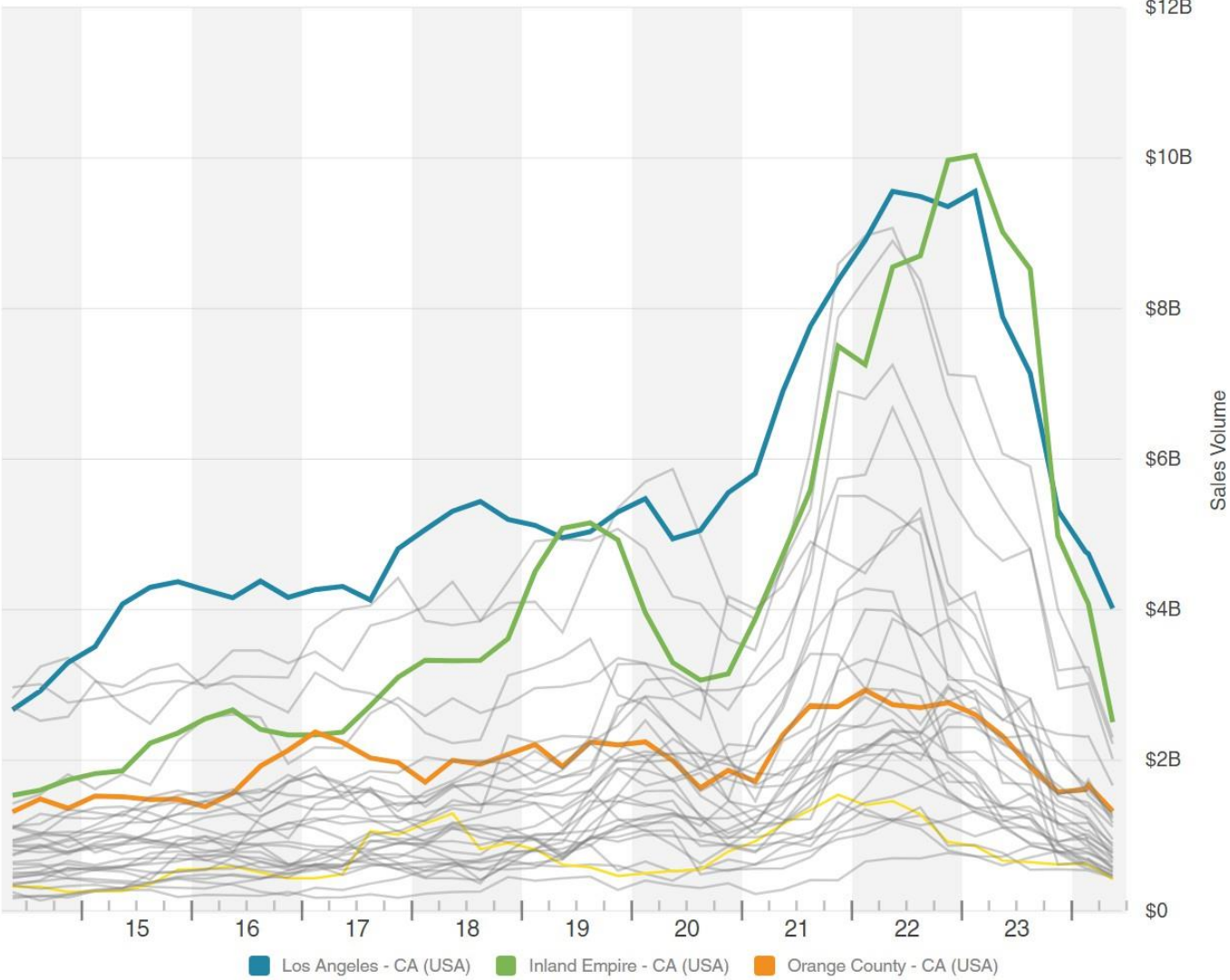
Trailing 12 Month Sales Volume

12 Mo Sales Volume

Find Sort: 12 Mo Sales Volume

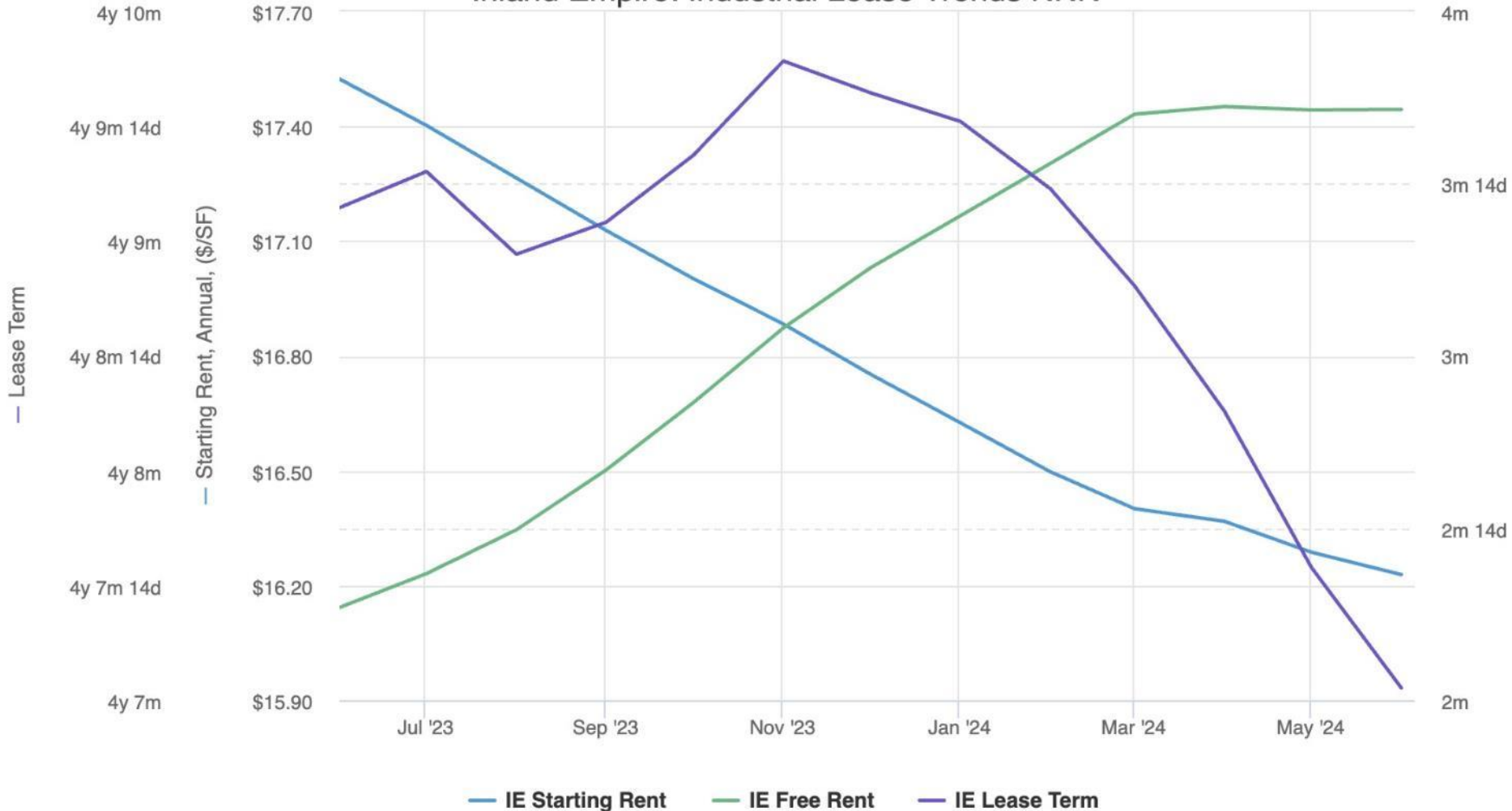
Inflation Adjusted | History 1Y 3Y 5Y 10Y All | Hide Unselected

<input checked="" type="checkbox"/>	Los Angeles - CA (USA)	\$4.7B
<input checked="" type="checkbox"/>	Inland Empire - CA (USA)	\$4.1B
<input type="checkbox"/>	Chicago - IL (USA)	\$3.2B
<input type="checkbox"/>	New York - NY (USA)	\$3.1B
<input type="checkbox"/>	Atlanta - GA (USA)	\$3B
<input type="checkbox"/>	Phoenix - AZ (USA)	\$2.3B
<input type="checkbox"/>	East Bay - CA (USA)	\$1.7B
<input checked="" type="checkbox"/>	Orange County - CA (USA)	\$1.7B
<input type="checkbox"/>	Miami - FL (USA)	\$1.6B
<input type="checkbox"/>	Boston - MA (USA)	\$1.6B
<input type="checkbox"/>	San Diego - CA (USA)	\$1.5B
<input type="checkbox"/>	Minneapolis - MN (USA)	\$1.4B
<input type="checkbox"/>	Philadelphia - PA (USA)	\$1.4B
<input type="checkbox"/>	Washington - DC (USA)	\$1.2B
<input type="checkbox"/>	Las Vegas - NV (USA)	\$1.2B
<input type="checkbox"/>	Charlotte - NC (USA)	\$1.2B
<input type="checkbox"/>	San Jose - CA (USA)	\$1.1B
<input type="checkbox"/>	Tampa - FL (USA)	\$1B
<input type="checkbox"/>	Denver - CO (USA)	\$977M
<input type="checkbox"/>	Dallas-Fort Worth - TX (USA)	\$919M
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<input type="checkbox"/>	Baltimore - MD (USA)	\$833M
<input type="checkbox"/>	Orlando - FL (USA)	\$777M
<input type="checkbox"/>	Nashville - TN (USA)	\$762M
<input type="checkbox"/>	Detroit - MI (USA)	\$690M
<input type="checkbox"/>	Jacksonville - FL (USA)	\$684M
<input type="checkbox"/>	Seattle - WA (USA)	\$660M
<input type="checkbox"/>	Indianapolis - IN (USA)	\$626M



Compstak Intel

Inland Empire: Industrial Lease Trends NNN



\$	17.70	\$	1.48
\$	17.40	\$	1.45
\$	17.10	\$	1.43
\$	16.80	\$	1.40
\$	16.50	\$	1.38
\$	16.20	\$	1.35
\$	15.90	\$	1.33

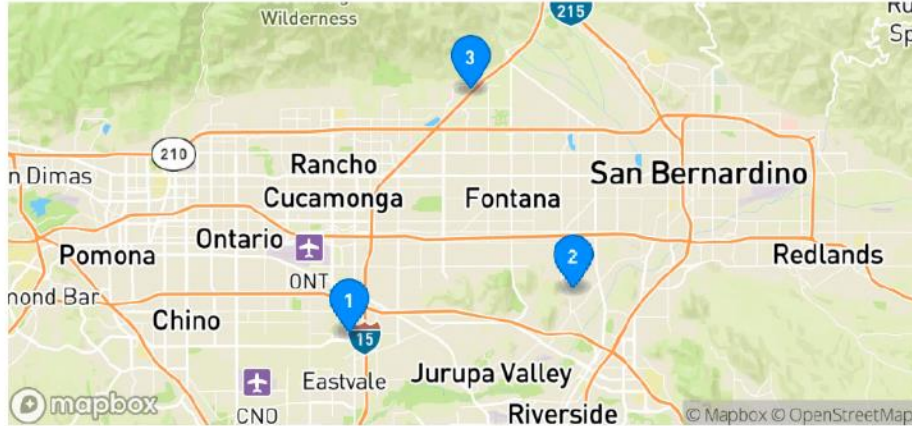
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	2024	1Y CAGR
	Leases	
IE Starting Rent Leases: 227 • SQFT: 34.2M	\$16.63 \$ 1.39	-8.1%
IE Free Rent Leases: 137 • SQFT: 21.8M	3m 11d	80.0%
IE Lease Term Leases: 205 • SQFT: 32.9M	4y 9m 15d	-1.5%

Compstak Intel



Amazon Leases Inland Empire - 06/04/2024



CREATED ON

June 4, 2024 at 4:09 PM

The map shows only the first 99 pins.

ADDRESS	TRANS. QTR.	TENANT	SIZE	FLOOR(S)	TRANS. TYPE	TERM	STARTING RENT	RENT SCHEDULE	FREE RENT	TI VALUE / WORK VALUE
1 4000 Hamner Avenue	2024 - Q1	Amazon.com	1,003,918 SF	New Lease	10y	\$1.75 (Monthly)	4.00% per year	4m	\$5.31	
2 6120 Clinker Drive	2024 - Q1	Amazon.com	1,025,132 SF	New Lease	9y 10m	\$1.35 (Monthly)	3.75% per year	0m	\$3.50	
3 4121 Coyote Canyon Road	2024 - Q2	Amazon.com	1,171,788 SF	New Lease	10y	\$1.30 (Monthly)	3.25% per year	6m 14d	\$7.00	

Data provided by COMPSTAK

All information is not guaranteed and should be verified by personal inspection by and/or with the appropriate professional(s).

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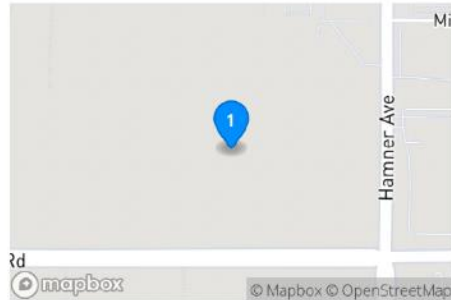


Amazon Leases Inland Empire - 06/04/2024

Amazon.com
LogistiCenter at Ontario Ranch
4000 Hamner Avenue | Ontario, CA 91761
[Property #1](#)

2024 - Q1 • Industrial • Class A • 1,003,918 SF @ \$1.75 (Monthly) PSF

Building



Address	4000 Hamner Avenue, Ontario, CA, 91761
Building Class	A
Building Name	LogistiCenter at Ontario Ranch
Property Type	Industrial
Property Subtype	Warehouse/Distribution
Submarket	Ontario-Upland-Montclair
Building Size (SF)	1,003,918
Year Built	2024
Parking Ratio	0.13
Country	United States of America
Parking Notes	7.2 AC trailer parking (137 stalls)
Amps	4000
Lot Size (Acres)	52.98

Lease

Tenant Name	Amazon.com
Transaction Quarter	2024 - Q1
Transaction SQFT	1,003,918 SF
Transaction Type	New Lease
Starting Rent (PSF)	\$1.75 (Monthly)
Lease Type	NNN
Free Rent	4m
Rent Schedule	4.00% per year
Net Effective Rent (PSF)	\$2.00 (Monthly)
Work Type	TI
TI Value / Work Value (PSF)	\$5.31
Sublease	No
Current Rent (PSF)	\$0
Concessions Notes	TI New low \$5.31
Operating Expense (PSF)	\$0.39
Operating Expense Notes	NNN Chgs 0.39
Blended Rent (PSF)	\$1.92

Dates

Commencement Date	June 1, 2024
Lease Term	10y
Execution Date	Mar 22, 2024
Expiration Date	May 31, 2034
Date Created	Apr 12, 2024
Notes	Starting Rate = \$1.92/sf NNN blended - \$1.75 nnn for building + \$0.55 PLSF NNN for 7.2 acre trailer yard
Space	
Space Type	Industrial
Suite	-
Sprinkler	Yes
Clear Height	42'
Doors	4
Loading Docks	196
Rail Access	No
Office Portion (SF)	15,000 SF

Landlord

Current Landlord	Dermody Properties
Landlord Brokerage Firms	CBRE
Landlord Brokers	Josh Hayes, Eloy Covarrubias, Joe Werdein

Tenant

HQ Address	410 Terry Ave N Seattle, WA 98109-5210, United States
Employees	1,544,000
Revenue (USD)	\$502.2B
Phone Number	+1 206 266 1000
Website	https://www.amazon.com/
Status	Operating
Ownership	Public
Ticker Symbol	AMZN (NASDAQ)
Industry	Software & Information
Primary NAICS / SIC (US)	455219 / 5961
Tenant Brokerage	
Tenant Brokerage Firms	KBC Advisors
Tenant Brokers	Ryan Bos, Colin MacMillan

Data provided by COMPSTAK

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ID: 2777711



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Amazon Leases Inland Empire - 06/04/2024

Amazon.com
 Agua Mansa Commerce Park
 6120 Clinker Drive | Jurupa Valley, CA 92509
[Property #2](#)

2024 - Q1 • Industrial • Class A • 1,025,132 SF @ \$1.35 (Monthly) PSF

Building



Address	6120 Clinker Drive, Jurupa Valley, CA, 92509
Building Class	A
Building Name	Agua Mansa Commerce Park
Property Type	Industrial
Property Subtype	Warehouse/Distribution
Submarket	Riverside
Building Size (SF)	1,025,132
Number of Floors	1
Year Built	2022
Parking Ratio	0.40
Country	United States of America
Lot Size (Acres)	52.73

Lease

Tenant Name	Amazon.com
Transaction Quarter	2024 - Q1
Transaction SQFT	1,025,132 SF
Transaction Type	New Lease
Starting Rent (PSF)	\$1.35 (Monthly)
Lease Type	NNN
Free Rent	0m
Free Rent Type	Net
Rent Schedule	3.75% per year
Net Effective Rent (PSF)	\$1.57 (Monthly)
Work Type	TI
TI Value / Work Value (PSF)	\$3.50
Sublease	No
Current Rent (PSF)	\$1.35
Concessions Notes	TI New low \$3.5
Operating Expense (PSF)	\$0.16
Operating Expense Notes	NNN Chgs 0.25

Dates

Commencement Date	June 1, 2024
Lease Term	9y 10m
Execution Date	Mar 26, 2024
Expiration Date	Mar 31, 2034
Date Created	Apr 1, 2024

Notes

120 month term. Year 1 \$1.35 NNN. 3.75% annual increase thereafter. No free rent. TI's = \$3.50 psf. Estimated NNN = \$0.164 psf.

Space

Space Type	Industrial
Suite	—
Sprinkler	Yes
Clear Height	40'
Doors	3
Loading Docks	177
Rail Access	No
Office Portion (SF)	14,602 SF

Landlord

Current Landlord	CT Realty, PGIM Real Estate
Landlord Brokerage Firms	CBRE
Landlord Brokers	Darla Longo, Dan De La Paz, Jeff Fritch, Barbara Perrier

Tenant

HQ Address	410 Terry Ave N Seattle, WA 98109-5210, United States
Employees	1,544,000
Revenue (USD)	\$502.2B
Phone Number	+1 206 266 1000
Website	https://www.amazon.com/
Status	Operating
Ownership	Public
Ticker Symbol	AMZN (NASDAQ)
Industry	Software & Information
Primary NAICS / SIC (US)	455219 / 5961
Tenant Brokerage	
Tenant Brokerage Firms	KBC Advisors
Tenant Brokers	Ryan Bos, Colin MacMillan

Data provided by COMPSTAK

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ID: 2774269



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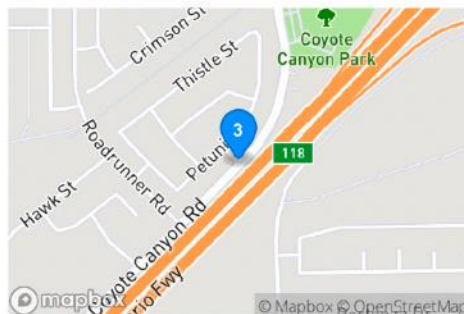


Amazon Leases Inland Empire - 06/04/2024

Amazon.com
 I-15 LOGISTICS CENTER
 4121 Coyote Canyon Road | Fontana, CA 92336
[Property #3](#)

2024 - Q2 • Industrial • Class A • 1,171,788 SF @ \$1.30 (Monthly) PSF

Building



Address	4121 Coyote Canyon Road, Fontana, CA, 92336
Building Class	A
Building Name	I-15 LOGISTICS CENTER
Property Type	Industrial
Property Subtype	Warehouse/Distribution
Submarket	Rancho Cucamonga
Building Size (SF)	1,171,788
Year Built	2024
Parking Ratio	0.50
Country	United States of America
Lot Size (Acres)	61.00

Lease

Tenant Name	Amazon.com
Transaction Quarter	2024 - Q2
Transaction SQFT	1,171,788 SF
Transaction Type	New Lease
Starting Rent (PSF)	\$1.30 (Monthly)
Lease Type	NNN
Free Rent	6m 14d
Rent Schedule	3.25% per year
Net Effective Rent (PSF)	\$1.38 (Monthly)
Work Type	TI
TI Value / Work Value (PSF)	\$7.00
Sublease	No
Current Rent (PSF)	\$0
Concessions Notes	TIA: \$8,202,516
Operating Expense (PSF)	\$0.22
Operating Expense Notes	NNN Chgs 0.22

Dates

Commencement Date	May 1, 2024
Lease Term	10y
Execution Date	Apr 1, 2024
Expiration Date	Apr 30, 2034
Date Created	Apr 30, 2024

Notes

Free Rent 6.5 Months

Space

Space Type	Industrial
Suite	—
Sprinkler	Yes
Clear Height	40'
Doors	2
Loading Docks	200
Rail Access	No
Office Portion (SF)	6,700 SF

Landlord

Current Landlord	Consolidated Precision Products
Landlord Brokerage Firms	Lee & Associates
Landlord Brokers	Paul Earnhart, Ryan Earnhart, Brian Pharris

Tenant

HQ Address	410 Terry Ave N Seattle, WA 98109-5210, United States
Employees	1,544,000
Revenue (USD)	\$502.2B
Phone Number	+1 206 266 1000
Website	https://www.amazon.com/
Status	Operating
Ownership	Public
Ticker Symbol	AMZN (NASDAQ)
Industry	Software & Information
Primary NAICS / SIC (US)	455219 / 5961
Tenant Brokerage	
Tenant Brokerage Firms	KBC Advisors
Tenant Brokers	Ryan Bos, Colin MacMillan

Data provided by COMPSTAK










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ID: 2784331









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Client Intel – Active Assignments

9 Properties									
Address	19839 Santa Ana Avenue Unit 1 Bloomington, CA	19839 Santa Ana Avenue Unit 2 Bloomington, CA	1595 West Casmalia Street Entire Building Interstate I-210 Business Park – Bldg 2 Rialto, CA	1545 West Casmalia Street Entire Building Interstate I-210 Business Park – Bldg 3 Rialto, CA	4855 E Euclid Ave POL 97,935 Ontario, CA	400 Eucalyptus Avenue POL 98,644 Ontario, CA	100 Eucalyptus Avenue Entire Building 100 Eucalyptus – Bldg 5 Ontario, CA	1910 Renaissance Pky Unit A Rialto, CA	1910 Renaissance Pky Unit B Rialto, CA
Total SQ FT	54,919 SQ FT	43,208 SQ FT	41,266 SQ FT	49,009 SQ FT	48,867 SQ FT	49,322 SQ FT	45,315 SQ FT	56,809 SQ FT	57,306 SQ FT
Base Rent SQ FT / MO	\$1.20	\$1.20	\$1.10	\$1.10	\$1.60	\$1.60	\$1.60	\$1.10	\$1.10
OPEX SQ FT / MO	\$0.25	\$0.25	\$0.47	\$0.48	\$0.31	\$0.31	\$0.31	\$0.30	\$0.30
Monthly Rent	\$79,632.55	\$62,651.60	\$64,787.62	\$77,434.22	\$93,526.97	\$94,205.02	\$86,551.65	\$79,532.60	\$80,228.40
Ceiling Height	32'	32'	30'	30'	32'	32'	30'	36'	36'
Existing Office SQ FT	3,774		3,500	4,500			4,438		5,581
Dock High Doors	7	6	4	4	12	7	9	6	6
Grade Level Doors	1	1	2	3	2	1	1	1	1
Available Date	Available Now	Available Now	-	-	Available Now	Available Now	Available Now	-	-
Sprinklers	ESFR	ESFR	ESFR	ESFR	ESFR	ESFR	ESFR	ESFR	ESFR
Power	800 AMP	800 AMP	2,000 AMP	800 AMP	800 AMP	800 AMP	1,200 AMP	1,000 AMP	1,000 AMP
Truck Court Length	135	135	159	151	125	135	125	130	

Client Intel – Active Assignments

6 Properties							
Address		151 Marcellin Dr 300,000 - 606,480 SF City Of Industry, CA	171 Marcellin Drive 350,000 - 694,400 SF Grand Crossing South City of Industry, CA	13160 Napa St Entire Building Rancho Cucamonga, CA	3100 Hamner Avenue Entire Building Ontario, CA	15835 San Antonio Avenue Entire Building Chino, CA	6251 Archibald Avenue Entire Building Eastvale, CA
Total SQ FT		606,480 SQ FT	350,000 SQ FT	500,403 SQ FT	250,369 SQ FT	534,404 SQ FT	501,649 SQ FT
Base Rent SQ FT / MO		\$1.45	\$1.45	\$1.35	\$1.35	\$1.40	\$1.40
OPEX SQ FT / MO		\$0.28	\$0.28	\$0.21	\$0.38	\$0.00	\$0.00
Monthly Rent		\$1,049,210.40	\$605,500.00	\$780,628.68	\$433,138.37	\$748,165.60	\$702,308.60
Ceiling Height		40'	40'	40'	36'	32'	40'
Existing Office SQ FT		BTS	BTS	5,478	14,588	12,500	3,712
Dock High Doors		111	112	79	38	102	54
Grade Level Doors		4	4	3	2	4	2
Sprinklers		ESFR	ESFR	ESFR	ESFR	ESFR	ESFR
Power		4,000 AMP	4,000 AMP	4,000 AMP	4,000 Amp	2,800 AMP	4,000 AMP
Truck Court Length				185	162	185	185
Trailer Spaces		162	154	86	30	135	69

Client Intel - Owner/User Sale \$307 PSF



JUST SOLD | ±38,176 SF

8580 MILLIKEN, RANCHO CUCAMONGA

REPRESENTED BUYER | OWNER-USER SALE




LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

JUSTIN SMITH
Sr. Vice President
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Client Intel - Owner/User Sale Market

3 Properties				
Address		4331 Eucalyptus Avenue Entire Building Chino, CA	210 Radio Road Entire Building Corona, CA	959 East 3rd Street Entire Building Corona, CA
Total SQ FT		100,615 SQ FT	143,758 SQ FT	99,560 SQ FT
Sale Price		\$40,246,000.00	\$50,000,000.00	\$37,335,000.00
Price Per SQ FT		\$400.00	\$347.81	\$375.00
Dock High Doors		9	16	11
Grade Level Doors		8	4	2
Ceiling Height		28'	32'	32'
Sprinklers		.45/3000	ESFR	ESFR
Existing Office SQ FT		14,458	10,000	5,393

Investor / Developer Intel

Buying:

- Very challenging to deploy equity in the IE right given there is 2 years' worth of supply that needs to be absorbed. Almost all deals on the market are signed with in-place above market rent which is causing deals to trade close to replacement cost and there is a reverse mark to market story, essentially implying what's your tenant expires, you are locking in a lower rate, which significantly impacts your IRR.
- There is a record number of buyers and a limited amount of product right now, which is causing cap rate compression (No correlation between tenant fundamentals)

Leasing:

- Deals are taking very long to complete. Almost all markets in SoCal became a "gross market". Tenants are seeking low quality options (flight to value).
- Almost all Class A buildings are sitting given the all in gross rates
- OC is the bright spot given the diversified tenant mix and access to skilled labor

Development:

- Growing anti-industrial sentiment continues throughout SoCal
- Entitlement timing is getting pushed out a few months
- Land value in the IE has dropped 60%+, however rents have also deteriorated substantially.
- Have not yet seen deals trade at opportunistic land bases; expecting merchant developer distress soon

Strengths:

- 700k SF and above is relatively tight (only 11 buildings)
- Rental rates are at a discount to the LA/OC Markets

Weaknesses:

- Leasing demand is soft causing continued downward pressure on rental rates
- Majority of requirements in the market lack credit
- 2+ years of existing supply in the 100-300k SF size range

As it relates to the Inland Empire, we are seeing a general re-establishment of the gradient of value from the Port of LA/LB and eastbound. For instance, rent in Cerritos should be higher than San Bernardino, and we are seeing that general reversion to the mean.

Investor / Developer Intel

- Major Themes

- Activity seems to be up, more tours but not necessarily converting to deals
- Major consolidations happening resulting in more subleasing and buyouts
- 3 Amazon leases in IE
- Sublease activity has average of 26% since beginning of 2023
- Heavily weighted in IE

- Inland Empire

- Toughest size segment is 100k-300k SF. Availability hovering around 12%
- Expecting worse comps in the next 6 months
- Very competitive supply pipeline
- Sublease pipeline continues to grow
- Very strong focus on gross rents | Mid \$1.40s for 100k-300k SF
- Bumps still holding between 3.5-4%
- Overall market activity has improved. 4 MSF of deals done in past 2 months
- PLD leased 200k SF in Fontana at \$1.00 NNN (\$1.52 gross)
- Users not leaving to other states

Activity has picked up a fair amount from the beginning of the year. Rental rates have decreased over all resulting in the increased activity as users have seen a shift from a landlord market to a user market. That said, majority of tenants seeking space right now are bottom feeders looking for a deal or economic win and none of them have credit or enough cashflow to justify their lease obligations. Brokers are so desperate for leasing commissions that they have helped drive the market down and enabled the flurry of user demand.

There is zero credit given to quality or location with certain users. Deal structuring is key to trying to achieve or overcome questionable tenants with bad credit.

Investor / Developer Intel

- While we are fully leased, market rents continue to go backwards as landlords continue to take lower rents or concessions. Leasing activity in the broader LA/IEW market are very slow with few tenants providing RFPs for under construction product or subleases. That said, great, high-demand buildings in great locations are seeing all the activity (example: 1m sqft in IEW, >500k in LA, etc)
- We've finally seen a few sales comps which are starting to provide guidance on market, namely in the 5.00-5.25% cap rate range. These comps appear to be at market rent with decent credit tenants. This is invaluable data to assist go forward market pricing sentiment.
- Development continues not to make sense at current land prices. The combination of falling rents and higher cap rates, coupled with Sellers who have not adjusted land prices means development continues not to make sense.
- Leasing – We are encouraged by some pickup in lease activity and in the past 30 days but certainly 30 days doesn't constitute a trend.
- Tenant demand remains weak after 3PL's absorbed too much space in 2020 thru 2022. Some tenant requirements are on hold. Nevertheless, tenant activity is up in the past 30 to 90 days and leases are getting signed especially in the Inland Empire West.
- Some markets have significant sublease inventory (e.g., 25 million SF in the IE). Additionally, new construction completions are adding more supply thus, vacancy rates won't come down until year end 2024 or later.

I think now more than ever you have to approach any leasing in the Inland Empire from a very micro perspective. You will see significant disparity in pricing, availability, concessions, etc depending on location, size and vintage. At the present moment the bookends of the market are most active in terms of demand. We've seen a meaningful uptick in both tour and RFP activity in 100K and below and 700K and above. The middle market size segment is still challenged due to a combination of second generation supply and minimal demand.

Thank you!



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