

3RD QUARTER REPORT

2016 Corona-Norco
Manufacturing/Distribution
Industrial Market



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Area Maps & Terminology

Terminology

■ **Gross Absorption:**
All lease and sale activity excluding: investments, options and renewals.

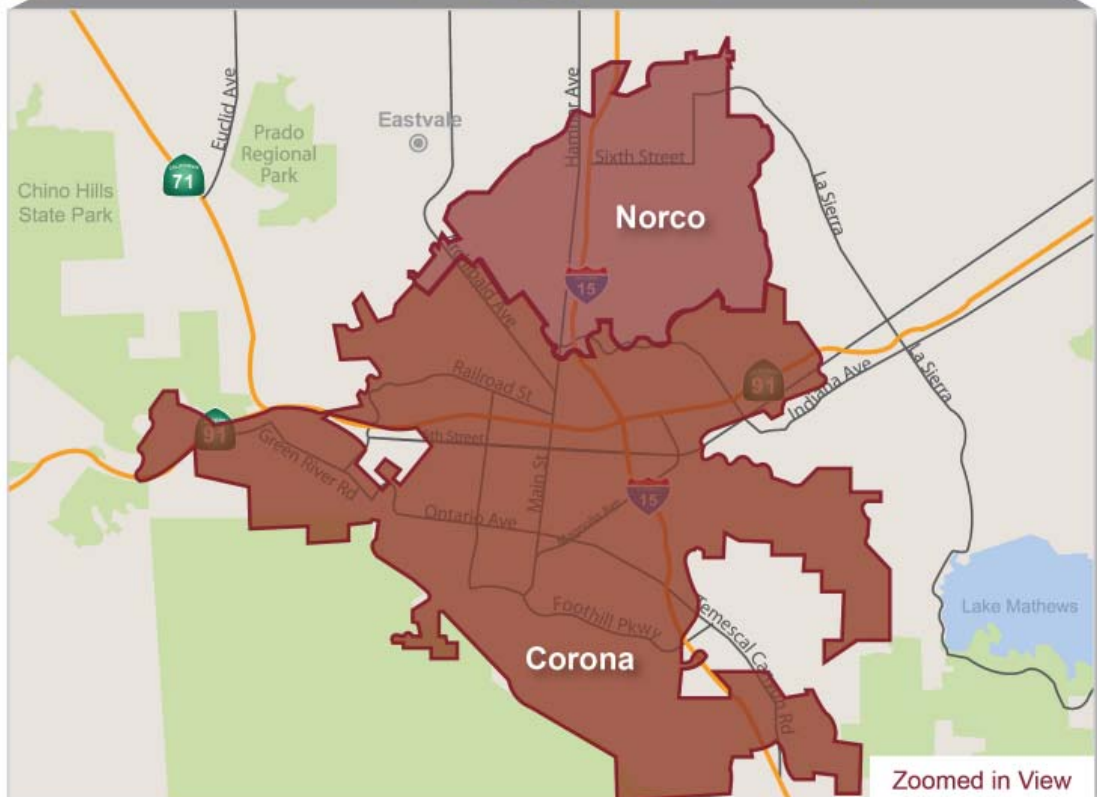
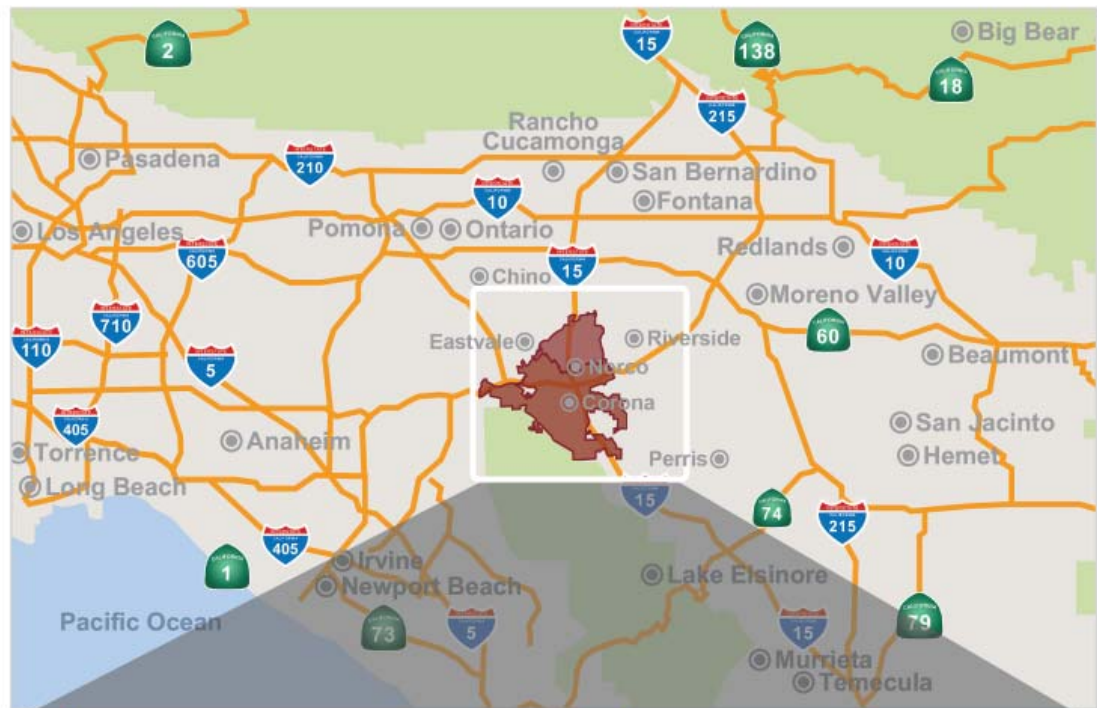
■ **Base:**
Total square feet excluding: possible divisibility, planned buildings and build to suits.

■ **Availability Rate:**
Total existing available square feet divided by the base square feet.

■ **Under Construction:**
Buildings that are or have become under construction throughout the current quarter that are not yet complete.

■ **Submarket:**
A trade area comprised of one or more cities. Submarkets in the Corona/Norco area are as follows:

- ◆ City of Corona
- ◆ City of Norco



Current Quarter At A Glance

Absorption

The Corona/Norco market in the third quarter of 2016 posted 154,074 SF of gross absorption. With the lack of available product, limited new construction and vacancy rates remaining below the 5% mark, the Corona/Norco market is exhibiting escalating rental rates and increases in sales prices, a trend which will only continue throughout the remainder of 2016.

Total gross absorption for 2015 at almost 2.5 million SF represented a 95% increase over 2014's figure of almost 1.3 million SF, with a limited number of building availabilities in this market, absorption has been exceptionally strong. Absorption will remain stable in the Corona/Norco market due to demand from users migrating from neighboring, more expensive Orange and Los Angeles Counties, where available product is even harder to find, and larger warehouse and distribution buildings will continue to be a hot commodity.

Total absorption for third quarter 2016 in the Corona/Norco market was represented by 124,459 SF of leasing activity and 29,615 SF of sales activity. Total absorption for 2015 was represented by 1,411,604 SF of leasing activity and 1,046,205 SF of sales activity.

Vacancy

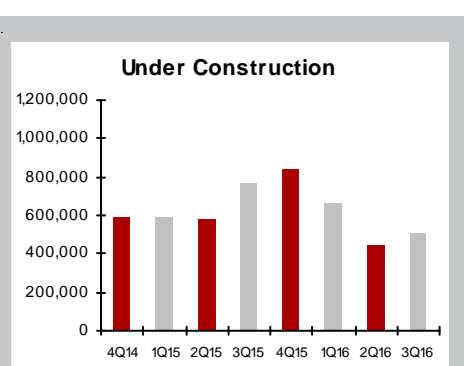
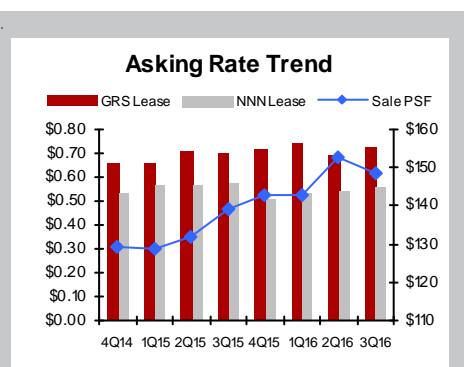
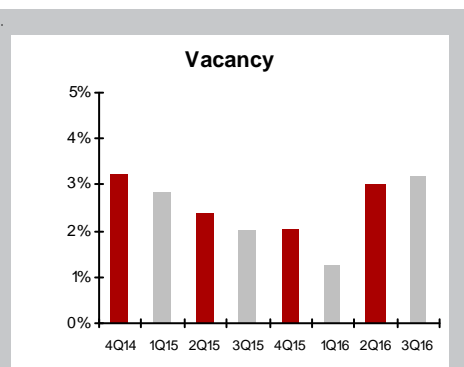
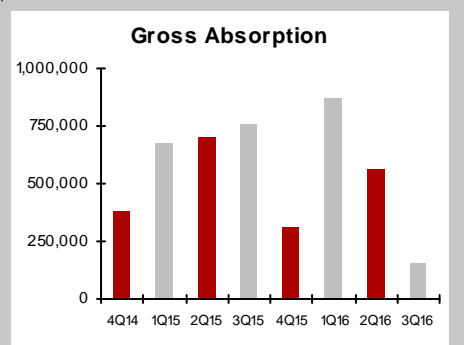
The vacancy rate for third quarter 2016 was 3.17%, representing the 21st consecutive quarter that the rate has been below the 5% level, a trend that was last seen in 2008. Vacancy rates are expected to remain at record low levels throughout the remainder 2016 due to a lack of available supply in the market, and limited new construction.

Rate Trend

Asking sales prices per SF averaged \$148.41 decreasing 2.75% over the second quarter of 2016, primarily due to the quality of buildings sold. Asking lease rates averaged \$0.73 GRS and \$0.56 NNN in the third quarter. GRS rates increased 5.63% over the second quarter rates. NNN rates increased 2.66% over the previous quarter. Asking lease rates will continue to trend upward in the remainder 2016 due to high demand and a supply constrained market, as will asking sales prices due to the lack of buildings available for sale.

Under Construction

The base for third quarter 2016 represented 501,767 SF under construction in eight buildings. While new construction increased in 2014 and 2015, it will remain limited in the future, due to the shortage of land available for new industrial development. There are only six planned buildings in this market representing a total of 221,005 SF. Speculative development has returned to this supply constrained market, but is expected to be absorbed very quickly due to the lack of available product.



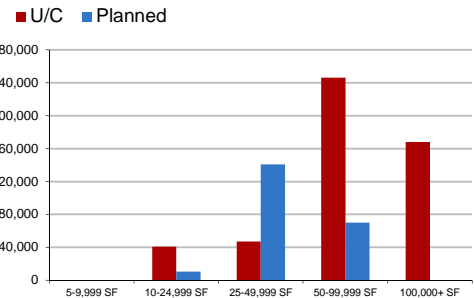
Manufacturing & Distribution Buildings Corona/Norco Market Summary

Size	Bldgs	Total SF	Available SF	Availability Rate	Vacant Available	Vacancy Rate	Gross Absorption*
5-9,999 SF	276	2,053,032	80,840	3.94%	26,380	1.28%	35,379
10-24,999 SF	321	4,985,215	299,619	6.01%	47,672	0.96%	88,695
25-49,999 SF	158	5,522,193	380,280	6.89%	211,824	3.84%	30,000
50-99,999 SF	106	7,236,286	931,646	12.87%	367,166	5.07%	-
100,000+ SF	62	11,292,325	500,228	4.43%	332,241	2.94%	-
Totals	923	31,089,051	2,192,613	7.05%	985,283	3.17%	154,074

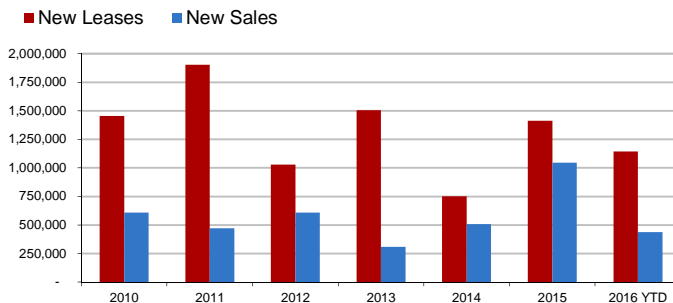
Gross Absorption*	2010	2011	2012	2013	2014	2015	2016 YTD
New Leases	1,453,728	1,901,717	1,028,338	1,505,856	751,789	1,411,604	1,144,680
New Sales	608,215	471,465	608,541	308,965	506,827	1,046,205	437,834
Totals	2,061,943	2,373,182	1,636,879	1,814,821	1,258,616	2,457,809	1,582,514

Size	U/C	Count	Planned	Count
5-9,999 SF	0	0	0	0
10-24,999 SF	40,779	2	10,368	1
25-49,999 SF	46,944	1	140,637	4
50-99,999 SF	246,057	4	70,000	1
100,000+ SF	167,987	1	0	0
Totals	501,767	8	221,005	6

Under Construction vs Planned



Lease Activity vs Sales Activity



Availability Rate vs Vacancy Rate



Total Available Square Feet Includes Available Existing, Under Construction and Vacant.

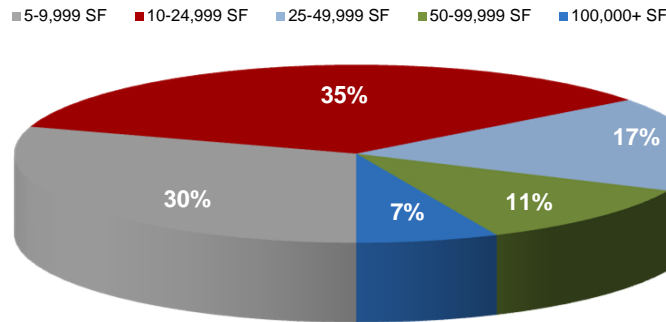
*Gross Absorption Represents all Activity Excluding Investments, Options & Renewals From 7/1/2016-9/30/2016.

**Manufacturing & Distribution Buildings
Corona/Norco Rate Summary**

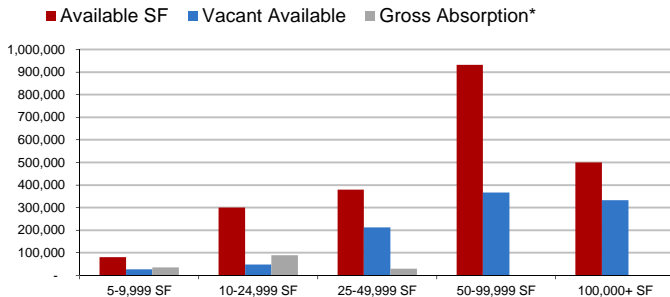
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25-49,999 SF	158	5,522,193	380,280	6.89%	211,824	3.84%	30,000
50-99,999 SF	106	7,236,286	931,646	12.87%	367,166	5.07%	-
100,000+ SF	62	11,292,325	500,228	4.43%	332,241	2.94%	-
Totals	923	31,089,051	2,192,613	7.05%	985,283	3.17%	154,074

Avg. Asking Rates	2010	2011	2012	2013	2014	2015	2016 YTD
GRS	\$0.417	\$0.536	\$0.565	\$0.587	\$0.634	\$0.697	\$0.719
NNN	\$0.459	\$0.413	\$0.424	\$0.442	\$0.517	\$0.554	\$0.543
Sales	\$112.06	\$107.42	\$102.55	\$108.85	\$122.45	\$135.70	\$147.93

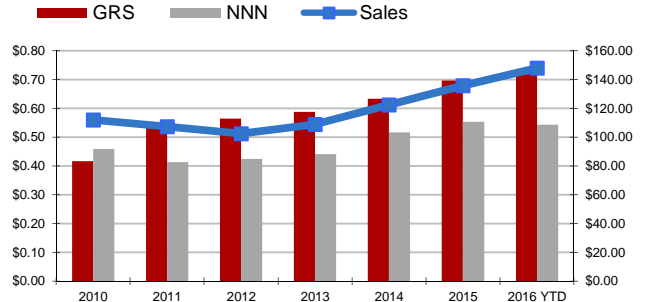
Inventory By Size Based on Number of Buildings



Market Summary (SF)



Average Asking Rate Trend



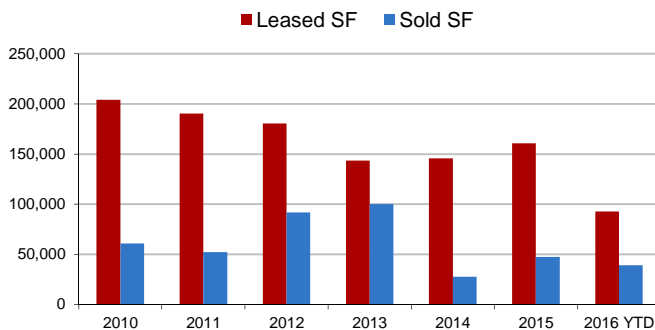
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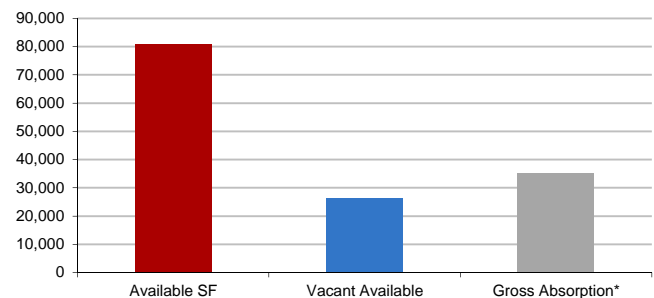
**Manufacturing & Distribution Buildings
Corona/Norco 5,000-9,999 SF**

Size	Bldgs	Total SF	Available SF	Availability Rate	Vacant Available	Vacancy Rate	Gross Absorption*
5-9,999 SF	276	2,053,032	80,840	3.94%	26,380	1.28%	35,379

Leased vs Sold



Current Quarter



Absorption Figures*

	2010	2011	2012	2013	2014	2015	2016 YTD
Leased SF	204,144	190,434	180,340	143,538	145,709	160,717	92,852
Number Leases	28	26	27	22	21	22	12
Sold SF	61,051	52,253	91,923	100,226	27,645	47,561	39,132
Number Sales	7	6	12	12	4	6	5
Total SF	265,195	242,687	272,263	243,764	173,354	208,278	131,984

Current Average Asking Rates and Sales Prices

GRS	\$0.83
NNN	N/A
PSF	\$163.62

Current Average Actual Lease Rates and Sales Prices

GRS	\$0.79
NNN	N/A
PSF	\$185.00

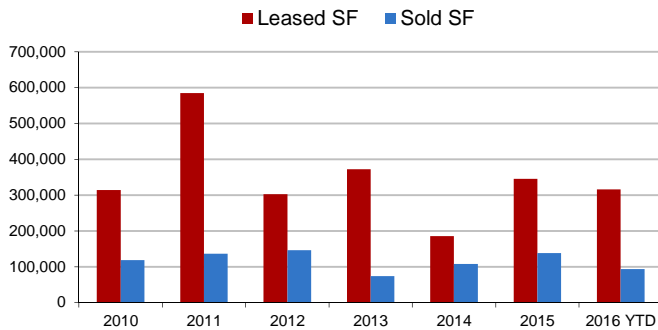
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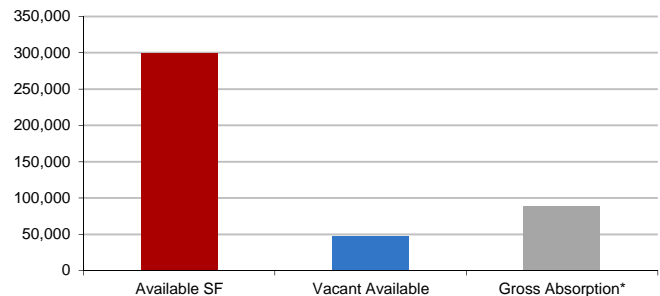
**Manufacturing & Distribution Buildings
Corona/Norco 10,000-24,999 SF**

Size	Bldgs	Total SF	Available SF	Availability Rate	Vacant Available	Vacancy Rate	Gross Absorption*
10-24,999 SF	321	4,985,215	299,619	6.01%	47,672	0.96%	88,695

Leased vs Sold



Current Quarter



Absorption Figures*

	2010	2011	2012	2013	2014	2015	2016 YTD
Leased SF	314,123	584,902	302,381	372,202	185,707	345,508	315,773
Number Leases	22	36	20	25	12	22	20
Sold SF	119,152	136,635	146,502	73,787	108,020	138,569	93,824
Number Sales	7	8	9	5	7	8	6
Total SF	433,275	721,537	448,883	445,989	293,727	484,077	409,597

Current Average Asking Rates and Sales Prices

GRS	\$0.64
NNN	\$0.61
PSF	\$154.83

Current Average Actual Lease Rates and Sales Prices

GRS	\$0.67
NNN	N/A
PSF	\$161.06

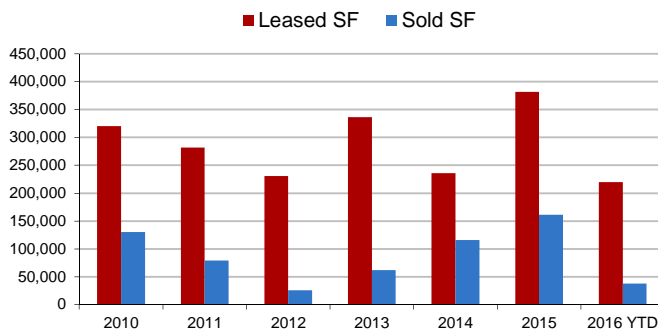
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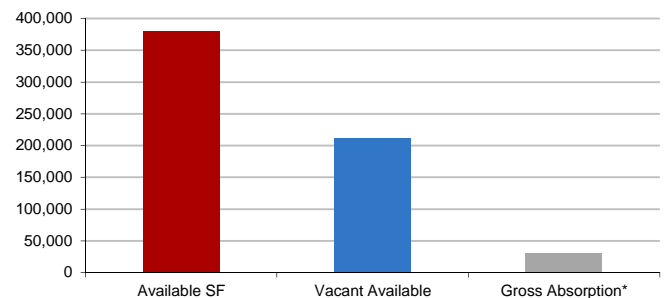
Manufacturing & Distribution Buildings
Corona/Norco 25,000-49,999 SF

Size	Bldgs	Total SF	Available SF	Availability Rate	Vacant Available	Vacancy Rate	Gross Absorption*
25-49,999 SF	158	5,522,193	380,280	6.89%	211,824	3.84%	30,000

Leased vs Sold



Current Quarter



Absorption Figures*

	2010	2011	2012	2013	2014	2015	2016 YTD
Leased SF	320,331	282,093	231,025	336,148	235,641	381,941	220,054
Number Leases	9	8	6	10	6	11	6
Sold SF	130,228	79,400	25,707	62,002	116,230	161,433	37,927
Number Sales	4	3	1	2	4	5	1
Total SF	450,559	361,493	256,732	398,150	351,871	543,374	257,981

Current Average Asking Rates and Sales Prices

GRS	\$0.68
NNN	\$0.57
PSF	\$143.73

Current Average Actual Lease Rates and Sales Prices

GRS	\$0.60
NNN	N/A
PSF	N/A

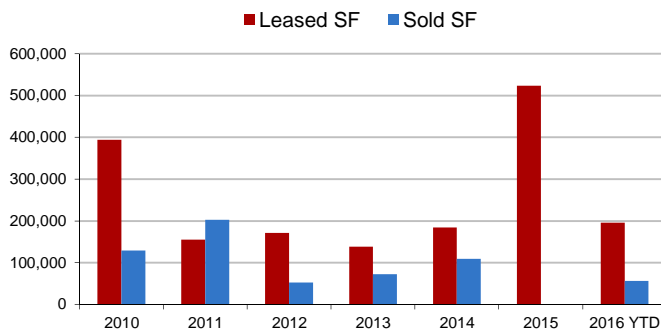
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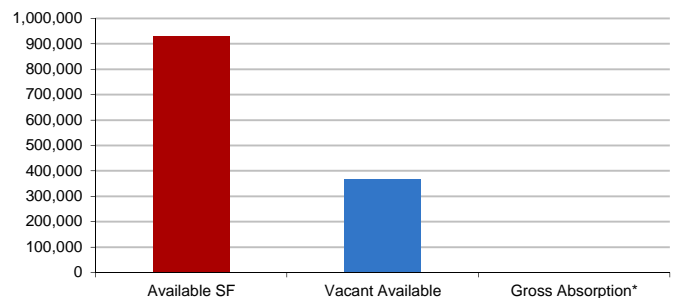
**Manufacturing & Distribution Buildings
Corona/Norco 50,000-99,999 SF**

Size	Bldgs	Total SF	Available SF	Availability Rate	Vacant Available	Vacancy Rate	Gross Absorption*
50-99,999 SF	106	7,236,286	931,646	12.87%	367,166	5.07%	-

Leased vs Sold



Current Quarter



Absorption Figures*

	2010	2011	2012	2013	2014	2015	2016 YTD
Leased SF	394,489	155,459	171,491	138,400	184,732	523,438	196,003
Number Leases	6	3	2	2	3	7	3
Sold SF	129,334	203,177	52,758	72,950	109,552	0	57,001
Number Sales	2	3	1	1	2	0	1
Total SF	523,823	358,636	224,249	211,350	294,284	523,438	253,004

Current Average Asking Rates and Sales Prices

GRS	\$0.57
NNN	\$0.54
PSF	\$134.25

Current Average Actual Lease Rates and Sales Prices

GRS	N/A
NNN	N/A
PSF	N/A

Total Available Square Feet Includes Available Existing, Under Construction and Vacant.

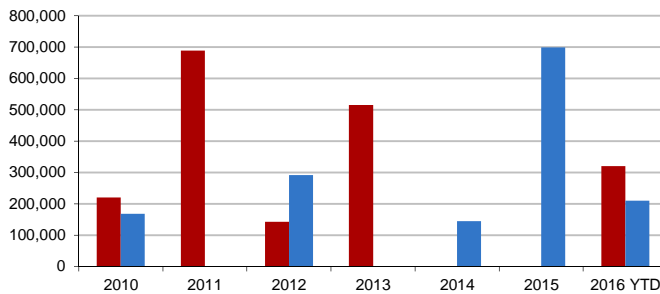
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**Manufacturing & Distribution Buildings
Corona/Norco 100,000+ SF**

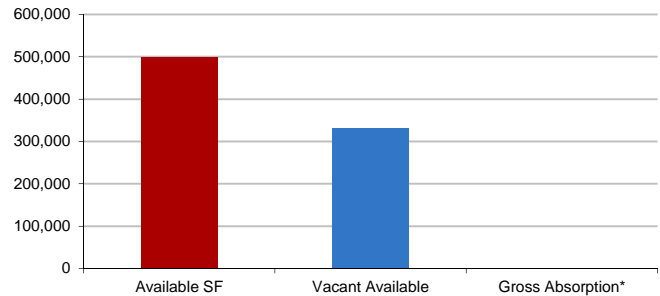
Size	Bldgs	Total SF	Available SF	Availability Rate	Vacant Available	Vacancy Rate	Gross Absorption*
100,000+ SF	62	11,292,325	500,228	4.43%	332,241	2.94%	-

Leased vs Sold

■ Leased SF ■ Sold SF



Current Quarter



Absorption Figures*

	2010	2011	2012	2013	2014	2015	2016 YTD
Leased SF	220,641	688,829	143,101	515,568	0	0	319,998
Number Leases	2	3	1	3	0	0	2
Sold SF	168,450	0	291,651	0	145,380	698,642	209,950
Number Sales	1	0	2	0	1	4	1
Total SF	389,091	688,829	434,752	515,568	145,380	698,642	529,948

Current Average Asking Rates and Sales Prices

GRS	N/A
NNN	\$0.43
PSF	N/A

Current Average Actual Lease Rates and Sales Prices

GRS	N/A
NNN	N/A
PSF	N/A

Total Available Square Feet Includes Available Existing, Under Construction and Vacant.

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