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The Valbridge Difference

Valbridge Property Advisors is now the largest independent commercial property appraisal firm in the U.S. with 74 offices, 200 MAIs, and 675+ staff across the nation.

Valbridge Property Advisors Los Angeles-Inland Empire employs 10 professional staff and is led by two MAI-designated members of the Appraisal Institute.

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ANNOUNCEMENTS

A Consistent Commitment to Success: The Valbridge Difference

At Valbridge Property Advisors, we're different from the competition. Sure, we can tell you that, but how do you know it's true? At Valbridge, we pride ourselves on delivering consistent, positive experiences with our clients. We provide independent valuations and advise clients on real estate investment decisions, including buy-sell-hold and lease-own alternatives; and have been doing so for years. We're proud of the fact that clients across the nation benefit from our collective strength, with more than 675 staff in 74 office locations, and our dedication to elevating appraisal industry standards for long-term and trusted accuracy, integrity, reporting, technology and data.

At Valbridge Property Advisors, *we're different from the competition*, and we're here to help you understand how. Please see the last page of this newsletter for an inside look into Valbridge Property Advisors: "A Consistent Commitment to Success: The Valbridge Difference."

Valbridge Property Advisors | Los Angeles-Inland Empire Welcomes Chip Heller

Chip Heller, a former single-family residential appraiser and real estate investor, joins our office as a Real Estate Analyst. Commercial real estate investing has always been a passion of Chip's and he is grabbing the bull by its horns in his new position to learn as much as possible about the world of commercial real estate through assisting our Senior Appraiser staff with their assignments here in the office. On the weekends you can find Chip at your local park refereeing youth soccer games. To say he brings a big heart and a tremendously refreshing positive energy to our office fails to describe the appreciation we all have with him being on our team. Welcome Chip!

Wishing You Safe and Sunny Summer Travels



Jeju Island, South Korea

Senior Appraiser David Kwon recently returned from a family trip to South Korea, Randy Walker is taking his family camping up in Morro Bay, Troy Webb is going to Cabo with his family, Scott Shepherd will be trekking in Kathmandu, Nepal, and Calvin Cummings is going on a cruise in Alaska.

We are pleased to bring you quarterly market trends for rental rates, pricing, and capitalization rates for industrial, office, retail, and multifamily properties in the greater Los Angeles and Inland Empire markets as reported by CoStar™. We have been proudly serving the greater Los Angeles and Inland Empire commercial markets since 2002. For an appraisal consultation or quote for any type of commercial property, please call us at (626) 486-9327, or email us at LA@valbridge.com.

Market Overview

Los Angeles Market

Inland Empire Market

Industrial

- | | |
|---|--|
| <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available industrial space increased 2.2% from 1Q2018 to \$11.95/SF/Yr. at the end of 2Q2018. • Price/SF - Average price/SF increased for 2Q2018 with 87 transactions totaling 4,758,552 square feet averaging \$163.92/SF compared to \$145.88/SF in the previous quarter. • Cap Rates - Cap rates have been lower in 2018, and averaged 5.59%, compared to first three months of last year when they averaged 5.84%. | <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available industrial space increased 2.1% from 1Q2018 to \$8.80/SF/Yr. at the end of 2Q2018. • Price/SF - Average price/SF increased for 2Q2018 with 54 transactions totaling 4,861,315 square feet averaging \$116.42/SF compared to \$108.45/SF in the previous quarter. • Cap Rates - Cap rates have been lower in 2018, and averaged 5.01%, compared to the first three months of last year when they averaged 5.25%. |
|---|--|

Office

- | | |
|--|---|
| <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available office space, all classes, increased 1.1% from 1Q2018 to \$35.48/SF/Yr. at the end of 2Q2018. • Price/SF - Average price/SF decreased for 2Q2018 with 41 transactions totaling 3,485,789 square feet averaging \$329.56/SF compared to \$357.51/SF in the previous quarter. • Cap Rates - Cap rates have been lower in 2018, and averaged 5.42% compared to the same period in 2017 when they averaged 5.96%. | <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available office space, all classes, increased 1.6% from 1Q2018 to \$20.97/SF/Yr. at the end of 2Q2018. • Price/SF - Average price/SF increased for 2Q2018 with 8 transactions totaling 582,645 square feet averaging \$175.08/SF compared to \$171.52/SF in the previous quarter. • Cap Rates - Cap rates have been lower in 2018, and averaged 7.08% compared to the same period in 2017 when they averaged 7.42%. |
|--|---|

Retail

- | | |
|---|---|
| <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available retail space increased 0.7% from 1Q2018 to \$30.05/SF/Yr. at the end of 2Q2018. • Price/SF - Average price/SF increased for 2Q2018 with 41 transactions totaling 1,900,349 square feet averaging \$303.73/SF compared to \$241.27/SF in the previous quarter. • Cap Rates - Cap rates have been higher in 2018, and averaged 5.88% compared to the same period in 2017 when they averaged 5.51%. | <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available retail space increased 7.0% from 1Q2018 to \$18.32/SF/Yr. at the end of 2Q2018. • Price/SF - Average price/SF decreased for 2Q2018 with 22 transactions totaling 1,064,985 square feet averaging \$143.39/SF compared to \$147.86/SF in the previous quarter. • Cap Rates - Cap rates have been higher in 2018, and averaged 6.41% compared to the same period in 2017 when they averaged 6.39%. |
|---|---|

Multifamily

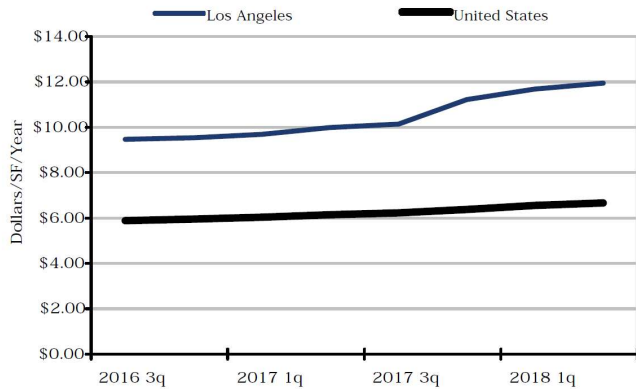
- | | |
|---|--|
| <ul style="list-style-type: none"> • Rents - Rent growth has begun to moderate as the rent-to-income ratio is approaching its limit. LA rent gains to rank near top of national markets for the foreseeable future. • Price/Unit - The average price per unit has passed \$250,000. Total sales volume slightly lower than 2017 pace. • Cap Rates - The average cap rate is at an all-time low near 4.0%. High prices and declining cap rates may deter investors from pursuing short-term gains. | <ul style="list-style-type: none"> • Rents - Rent growth in IE exceeded both LA and OC. If this continues, the window of affordability for IE may start to shrink. • Price/Unit - Average price per unit is near \$122,000. The market can depend on steady demand from a growing student population projected over next 10 years. • Cap Rates - Cap rates are lower in 2018, and averaged 5.5%, compared to the twelve months of last year when they averaged 5.8%. |
|---|--|

Industrial Trends

Los Angeles Market

U.S. Rental Rate Comparison

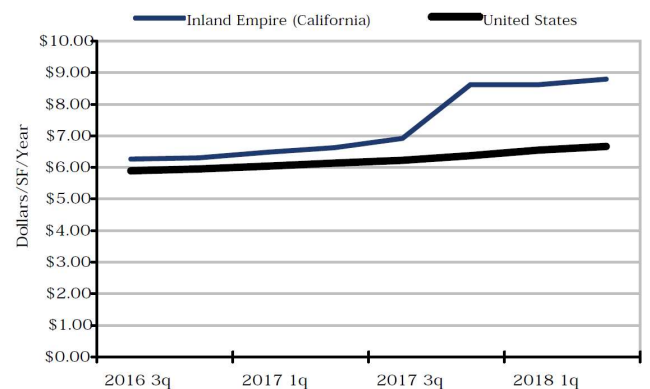
Based on Average Quoted Rental Rates



Inland Empire Market

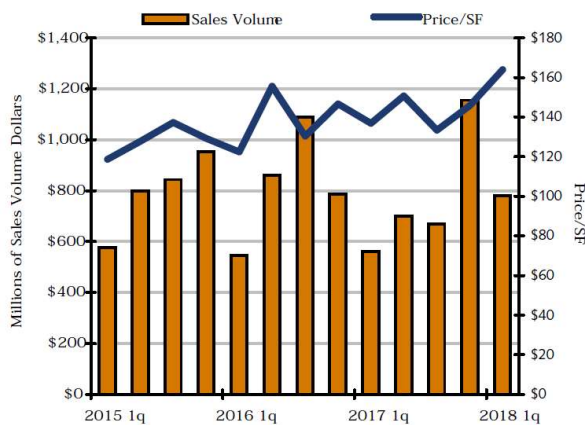
U.S. Rental Rate Comparison

Based on Average Quoted Rental Rates



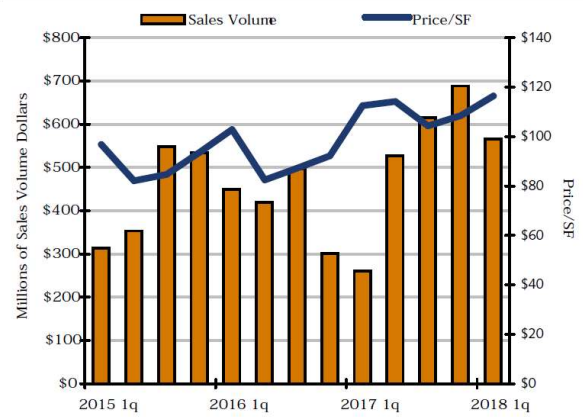
Sales Volume & Price

Based on Industrial Building Sales of 15,000 SF and Larger



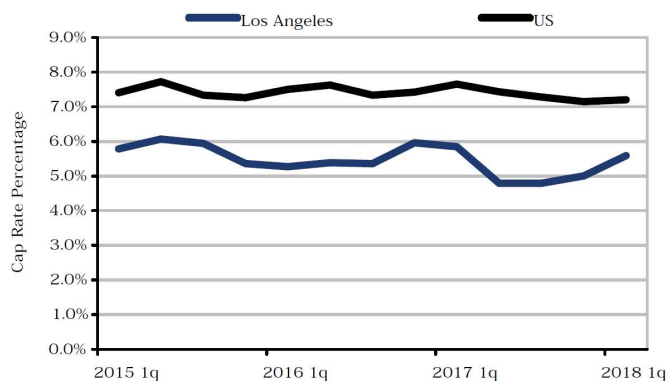
Sales Volume & Price

Based on Industrial Building Sales of 15,000 SF and Larger



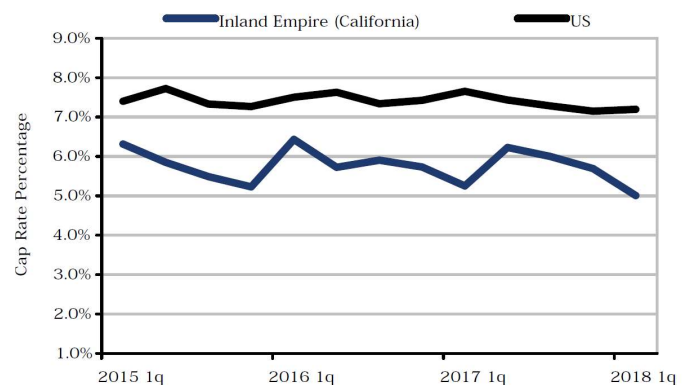
U.S. Cap Rate Comparison

Based on Industrial Building Sales of 15,000 SF and Larger



U.S. Cap Rate Comparison

Based on Industrial Building Sales of 15,000 SF and Larger



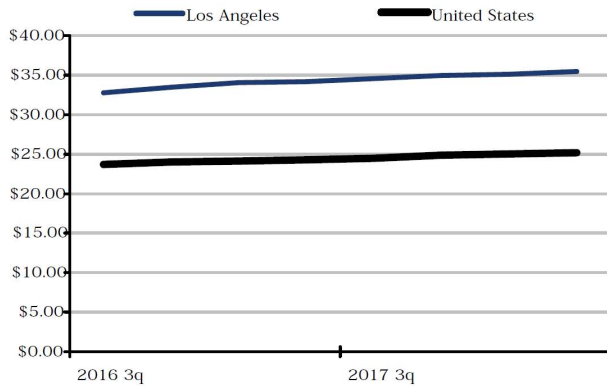


Office Trends

Los Angeles Market

U.S. Rental Rate Comparison

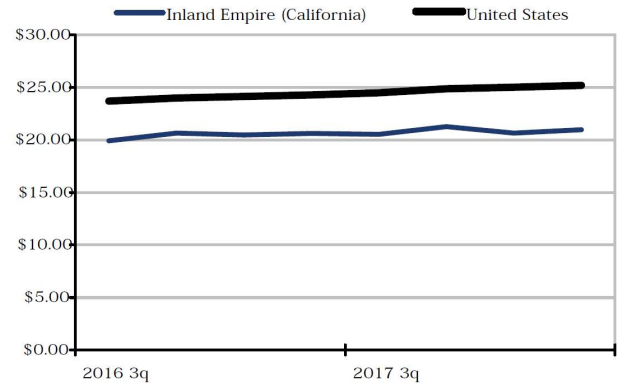
Based on Full-Service Equivalent Rental Rates



Inland Empire Market

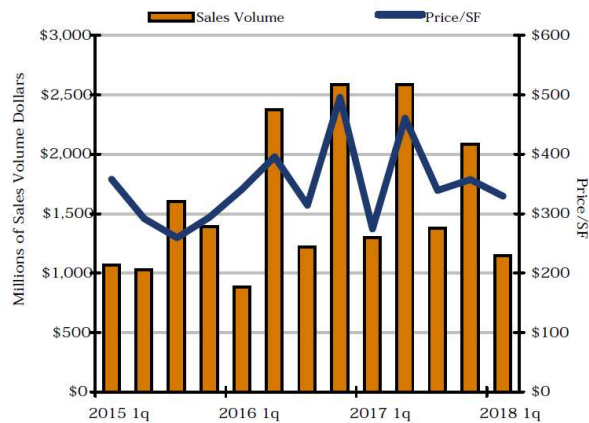
U.S. Rental Rate Comparison

Based on Full-Service Equivalent Rental Rates



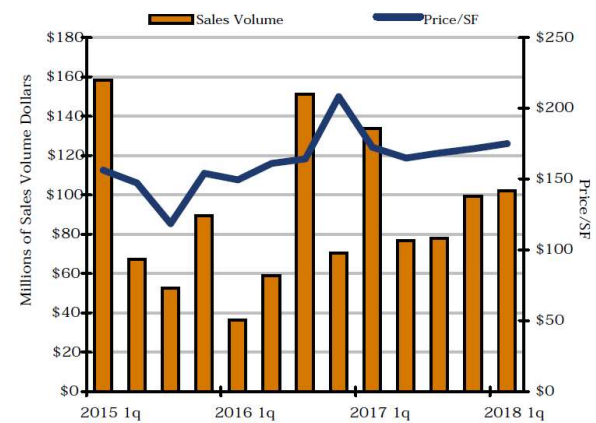
Sales Volume & Price

Based on Office Building Sales of 15,000 SF and Larger



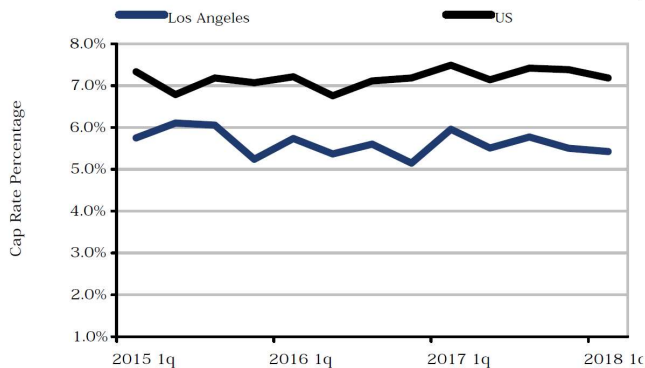
Sales Volume & Price

Based on Office Building Sales of 15,000 SF and Larger



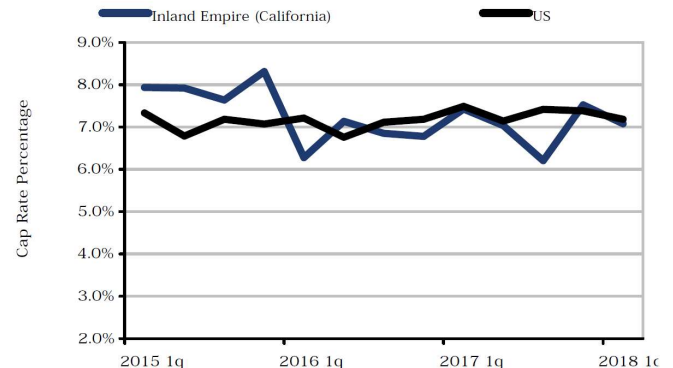
U.S. Cap Rate Comparison

Based on Office Building Sales of 15,000 SF and Larger



U.S. Cap Rate Comparison

Based on Office Building Sales of 15,000 SF and Larger

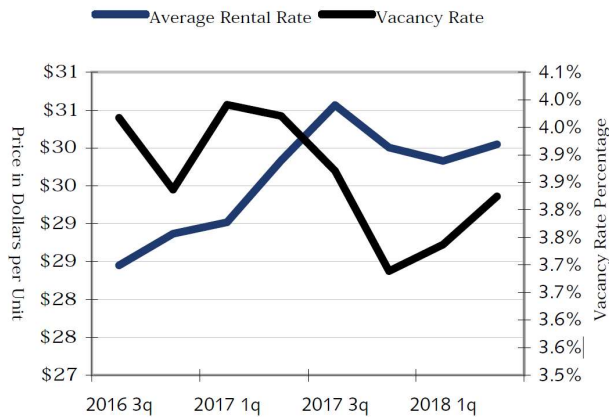


Retail Trends

Los Angeles Market

VACANCY & RENT

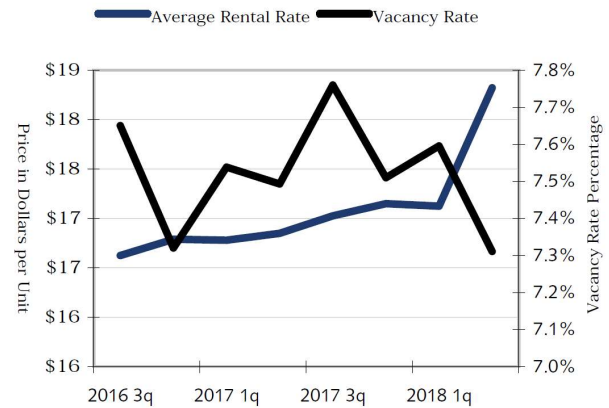
Past 8 Quarters



Inland Empire Market

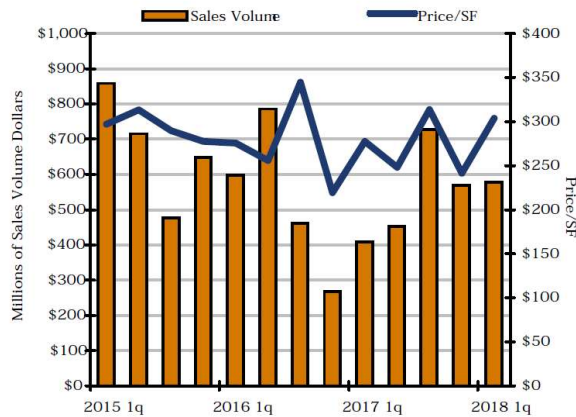
VACANCY & RENT

Past 8 Quarters



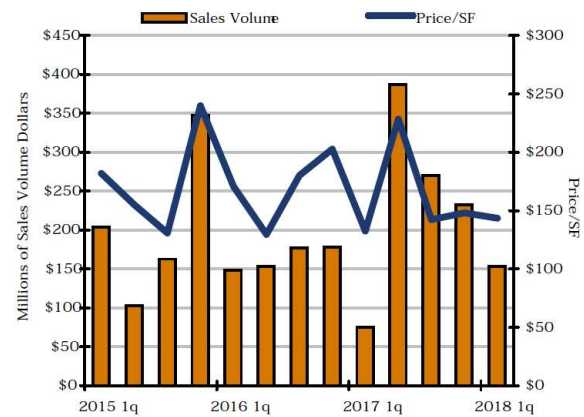
Sales Volume & Price

Based on Retail Building Sales of 15,000 SF and Larger



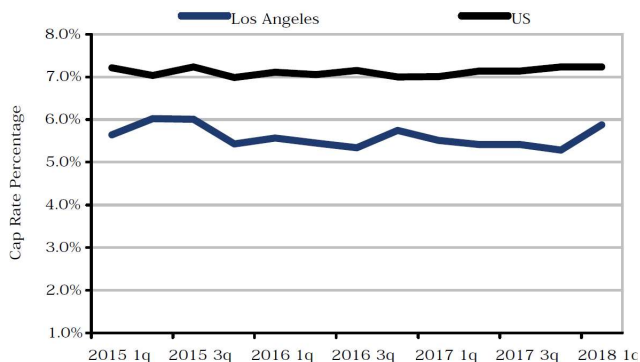
Sales Volume & Price

Based on Retail Building Sales of 15,000 SF and Larger



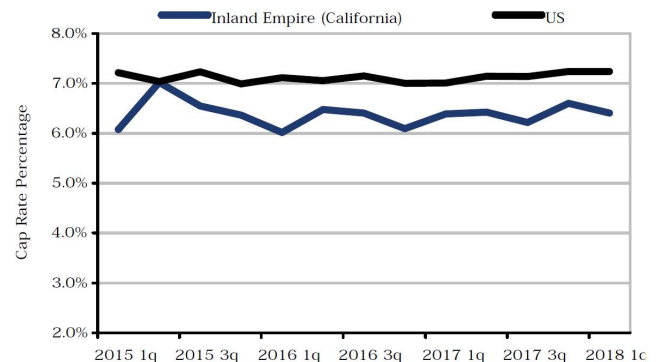
U.S. Cap Rate Comparison

Based on Retail Building Sales of 15,000 SF and Larger



U.S. Cap Rate Comparison

Based on Retail Building Sales of 15,000 SF and Larger

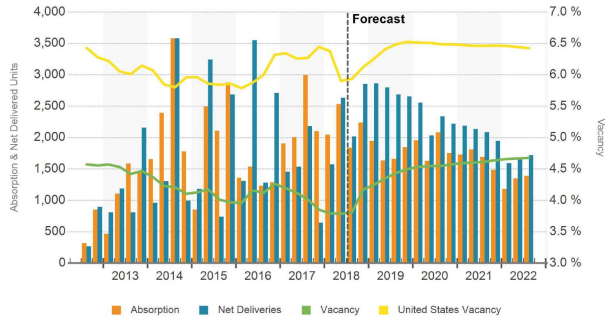




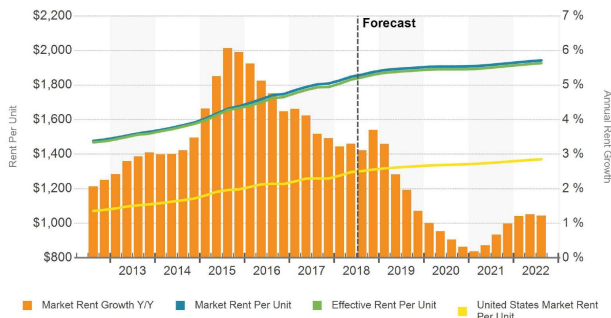
Multifamily Trends

Los Angeles Market

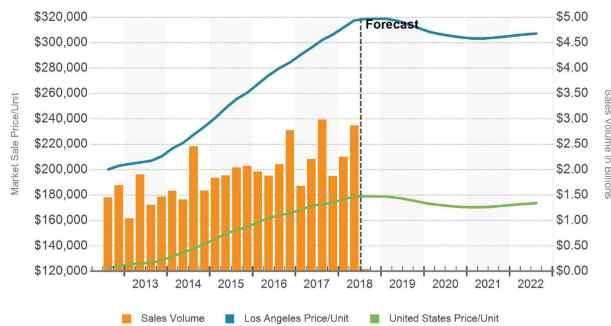
ABSORPTION, NET DELIVERIES & VACANCY



MARKET RENT PER UNIT & RENT GROWTH

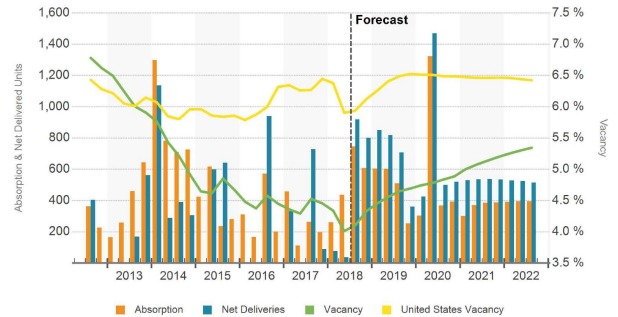


SALES VOLUME & MARKET SALE PRICE PER UNIT

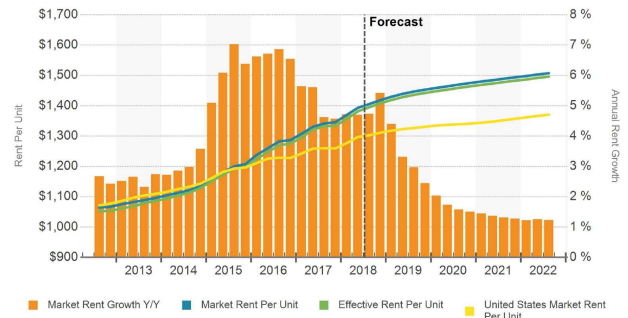


Inland Empire Market

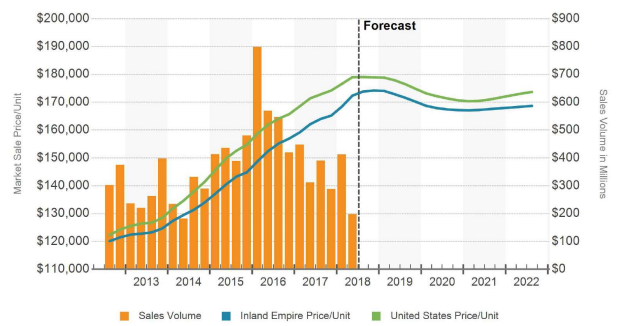
ABSORPTION, NET DELIVERIES & VACANCY



MARKET RENT PER UNIT & RENT GROWTH



SALES VOLUME & MARKET SALE PRICE PER UNIT



OVERALL SALES

Year	Deals	Volume	Turnover	Completed Transactions (1)			Market Pricing Trends (2)		
				Avg Price	Avg Price/Unit	Avg Cap Rate	Price/Unit	Price Index	Cap Rate
YTD	1,524	\$5,131 M	2.8%	\$5,350,660	\$281,413	4.2%	\$317,576	203	4.8%
2017	3,826	\$8,745 M	5.7%	\$4,174,092	\$260,089	4.3%	\$306,445	196	4.8%
2016	3,090	\$8,716 M	4.9%	\$3,880,681	\$237,856	4.5%	\$284,557	182	4.9%
2015	3,024	\$7,826 M	5.0%	\$3,492,249	\$205,453	4.9%	\$260,672	166	5.1%
2014	2,783	\$7,045 M	5.0%	\$3,181,867	\$204,513	5.3%	\$233,872	149	5.3%
2013	2,448	\$5,723 M	5.0%	\$2,831,668	\$174,662	5.8%	\$210,498	134	5.6%
2012	2,388	\$5,002 M	5.8%	\$2,745,363	\$156,789	6.1%	\$203,086	130	5.6%
2011	1,789	\$3,841 M	3.4%	\$2,860,266	\$150,193	6.4%	\$194,095	124	5.6%
2010	1,135	\$2,520 M	2.0%	\$2,813,960	\$162,519	6.5%	\$178,013	114	5.8%
2009	1,029	\$1,751 M	1.8%	\$1,987,457	\$130,395	6.5%	\$137,022	87	6.4%
2008	1,394	\$3,216 M	2.5%	\$2,508,882	\$160,924	5.7%	\$156,613	100	6.1%
2007	2,005	\$6,861 M	4.8%	\$3,852,188	\$183,442	5.3%	\$196,335	125	5.5%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.
(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

OVERALL SALES

Year	Deals	Volume	Turnover	Completed Transactions (1)			Market Pricing Trends (2)		
				Avg Price/Unit	Avg Price/Unit	Avg Cap Rate	Price/Unit	Price Index	Cap Rate
YTD	180	\$609.2 M	3.6%	\$5,297,454	\$122,775	5.5%	\$172,365	183	6.1%
2017	398	\$1,436 M	7.6%	\$6,135,654	\$142,860	5.8%	\$165,211	175	6.2%
2016	340	\$2,332 M	9.9%	\$9,074,116	\$181,242	6.1%	\$156,929	167	6.3%
2015	380	\$1,718 M	9.5%	\$6,363,175	\$136,365	6.0%	\$144,824	154	6.4%
2014	360	\$1,036 M	7.0%	\$3,660,974	\$110,666	6.4%	\$133,970	142	6.6%
2013	292	\$1,116 M	7.4%	\$5,006,228	\$108,472	6.9%	\$124,702	132	6.8%
2012	205	\$828.8 M	6.5%	\$5,381,925	\$114,572	7.2%	\$121,477	129	6.8%
2011	153	\$575.4 M	4.8%	\$4,918,207	\$92,766	7.4%	\$116,778	124	6.8%
2010	125	\$476.0 M	3.9%	\$4,713,171	\$88,613	8.2%	\$106,604	116	7.0%
2009	80	\$93.8 M	1.0%	\$1,360,030	\$66,697	7.5%	\$85,837	91	7.6%
2008	86	\$288.7 M	1.7%	\$3,701,542	\$119,751	6.4%	\$94,215	100	7.4%
2007	168	\$1,489 M	8.0%	\$10,127,355	\$159,017	5.8%	\$124,040	132	6.5%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.
(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

NEWS & VIEWS

A Consistent Commitment to Success: The Valbridge Difference

At Valbridge, we admit that our professionals can't tell the future. Still, we're trusted by clients to provide independent valuations and powerful insights for better business. And that's exactly what we do.

Understanding industry trends & firm responses

With such a mobile industry that's always evolving and adapting to changing market standards, consistency is tough to come by in the commercial property advisement field. Oftentimes, big name valuation companies have to make considerable changes to keep up with the demands of the industry. Let's take a closer look at some of the more recent industry trends.

A look into the real estate future

Within just the next two years (by 2020), experts believe that investable real estate will have grown by more than 55 percent compared to 2012. The global investable real estate universe is expanding substantially, leading to a huge growth in opportunity, especially in emerging economies, and for property investors.

At Valbridge, we've noticed that many names in the industry are increasingly looking to sell to the highest bidder or be acquired. These moves have marked pivotal moments in the property advising industry. And while we at Valbridge commend the decision by our fellow industry leaders to restructure and reform in the hope of continued success, we also know of the added challenge such changes put on being able to become accustomed to the already pivoting market. That's why we are proud that we are still standing tall through it all.

What has Valbridge been up to?

May of this year was our Fifth Birthday. In addition to being the youngest firm in North America, we also boast a large youthful team in what has grown into the largest independent valuation firm in North America. Over the course of the last five years, Valbridge has been busy working on internal success strategies and processes, custom valuation solutions for our clients and enhancements to Datapraise, our flagship software system. Surely and steadily, our offices have continued to grow and remain solid and prosperous in the commercial real estate advising field.

In all honesty, we're pretty proud that we haven't been able to boast about any mergers – we remain the same trusted team that our clients know, love, and rely on for excellence. Instead of adding in new dynamics, we've been working on strengthening our existing processes. In fact, our latest news headlines include:

- Attendance at the seventh-annual meeting of the [National Association of Industrial and Office Properties \(NAIOP\)](#) to discuss trends and growth sectors of commercial real estate for the coming year
- Participation in [The Commercial Real Estate Women \(CREW\) Network Convention](#), which gave us a better look into the importance of women in the workforce, especially in commercial real estate
- Launch of the [Valbridge Women's Council](#), promoting advancement for women and diversity in the workplace as a corporate priority
- Attendance at the [2018 Heckerling Institute Estate Planning Conference](#) to obtain exclusive information and practical guidance needed to plan effectively in an uncertain and unpredictable economic environment

You see, we at Valbridge place a stronger importance on the advancement of our established company rather than always looking to grow in areas that don't even present a strong foundation.

Every Valbridge office is managed by an appraiser who holds the MAI designation of the Appraisal Institute. The MAI designation signifies deep experience in the valuation and evaluation of commercial, industrial, residential and other types of properties. At Valbridge, we have over 200 MAI appraisers on staff!

Additionally, we maintain our own organizational peer review process to ensure that property appraisals and evaluations meet consistent company standards for quality and reporting. Comprised of the industry's "who's who", the five-panel team works to maintain quality throughout all of our offices, enhancing the client experience. Our quality control panel consists of the following industry experts: Bruce Jolicoeur, MAI (past BOD Appraisal Institute); Stephen C. Walton, MAI, CCIM (Oklahoma RE Appraisers Board); Christopher D. Donato, MAI, CCIM (South Carolina RE Appraisers Board); Arthur Schwertz, MAI (BOD VPA, Past President Louisiana Chapter of the Appraisal Institute); and Walter D. Carney, MAI (American Bar Association, IRWA).

Because at Valbridge, we're different from the competition; and we know what really counts when it comes to honest success and a strong commitment to excellence for our clients. Contact Valbridge today and experience the difference for yourself.

Our Los Angeles-Inland Empire practice is a proud member of this forward thinking and moving organization that is Valbridge. For more information on general commercial or specialty property type commercial real estate appraisals and consulting, please contact us at (626) 486-9327, or email us at LA@valbridge.com.