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Valbridge Women's Council

Valbridge Property Advisors is now the largest independent commercial property appraisal firm in the U.S. with 72 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

Valbridge Women's Council

The Valbridge Women's Council provides a platform for the growth and development of Valbridge Property Advisor's professional women through mentoring and education, national recognition, networking opportunities and other resources that provide opportunities for advancement and self-improvement. Our vision is to empower VPA professional women for advancement, growth and development in all facets of life. Please see the last page of this newsletter for an inside look into Valbridge Women's Council: "Valbridge – Women in Leadership."

Valbridge sponsored the 2018 Heckerling Institute on Estate Planning

Marking our 4th consecutive year attending the conference as a Gold Sponsor, Valbridge Property Advisors sent 10 representatives to hold a booth and network with current clients and inform potential clients about our firm. The conference had 45 educational sessions offering up to date information on the most recent changes in tax legislations and how those changes will affect estate planning.

Valbridge Property Advisors opens two new offices in Mississippi

Recently, Valbridge Property Advisors opened its newest locations, both serving South-Central Mississippi in the Gulfport-Biloxi and Jackson markets. These are the 71st and 72nd locations to open in the U.S., and are helmed by Senior Managing Directors Everette Ladner, III and F. Barr Biggs. Recall that the resources, expertise, and knowledge of all 72 of our Valbridge offices are available to you as one of our clients, and that all of us are ready to assist you with portfolio work throughout the continental United States.

Valbridge executive attends Chicago's annual NAIOP meeting

This past January, Valbridge Property Advisors' Anthony Mulé attended Chicago's NAIOP commercial real estate forecast meeting. Mark J. Eppli, a top industry professional, spoke to over 300 representatives from the world of commercial real estate with the topic centered on one question: Is the current commercial real estate environment sustainable or is it on the verge of a bubble? The industry forecast spoke of positives through continued confidence among consumers and the promise of lower corporate and personal tax rates, and negatives focusing primarily on the continued rise of the Federal Reserve interest rate. We are always here to advise on and carry out any real estate appraisal or consulting work to assist you.

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 4.5% from 4Q2017 to \$11.73/SF/Yr. at the end of 1Q2018. • Price/SF – Average price/SF increased for 1Q2018 with 110 transactions totaling 7,993,737 square feet averaging \$141.16/SF compared to \$132.92/SF in the previous quarter. • Cap Rates - Cap rates have been lower in 2017, and averaged 5.14%, compared to the twelve months of last year when they averaged 5.49%. | <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available industrial space did not change from 4Q2017 and stayed at \$8.67/SF/Yr. at the end of 1Q2018. • Price/SF - Average price/SF increased for 1Q2018 with 47 transactions totaling 6,252,017 square feet averaging \$108.43/SF compared to \$104.33/SF in the previous quarter. • Cap Rates - Cap rates have been lower in 2017, and averaged 5.79%, compared to the twelve months of last year when they averaged 5.95%. |
|---|--|

Office

- | | |
|---|---|
| <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available office space, all classes, increased 0.3% from 4Q2017 to \$35.13/SF/Yr. at the end of 1Q2018. • Price/SF - Average price/SF increased for 1Q2018 with 53 transactions totaling 5,750,384 square feet averaging \$359.57/SF compared to \$340.20/SF in the previous quarter. • Cap Rates - Cap rates have been higher in 2017, and averaged 5.67% compared to the same period in 2016 when they averaged 5.47%. | <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available office space, all classes, decreased 2.9% from 4Q2017 to \$20.65/SF/Yr. at the end of 1Q2018. • Price/SF - Average price/SF decreased for 1Q2018 with 13 transactions totaling 567,515 square feet averaging \$147.17/SF compared to \$168.46/SF in the previous quarter. • Cap Rates - Cap rates have been higher in 2017, and averaged 7.05% compared to the same period in 2016 when they averaged 6.76%. |
|---|---|

Retail

- | | |
|--|---|
| <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available retail space decreased 0.3% from 4Q2017 to \$29.95/SF/Yr. at the end of 1Q2018. • Price/SF - Average price/SF decreased for 1Q2018 with 35 transactions totaling 2,255,000 square feet averaging \$256.57/SF compared to \$313.74/SF in the previous quarter. • Cap Rates - Cap rates have been lower in 2017, and averaged 5.41% compared to the same period in 2016 when they averaged 5.52%. | <ul style="list-style-type: none"> • Rents - The average quoted asking rental rate for available retail space decreased 0.3% from 4Q2017 to \$17.10/SF/Yr. at the end of 1Q2018. • Price/SF - Average price/SF increased for 1Q2018 with 24 transactions totaling 1,572,543 square feet averaging \$147.86/SF compared to \$142.33/SF in the previous quarter. • Cap Rates - Cap rates have been higher in 2017, and averaged 6.43% compared to the same period in 2016 when they averaged 6.25%. |
|--|---|

Multifamily

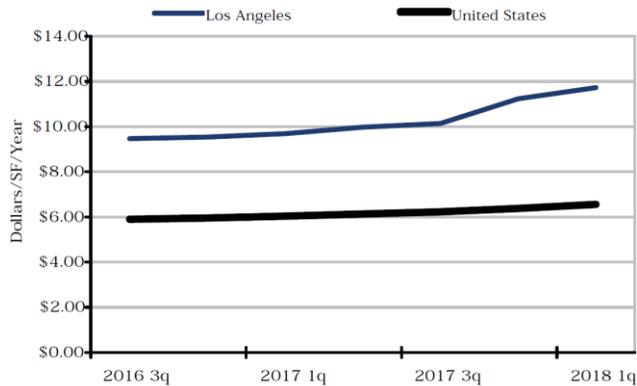
- | | |
|--|--|
| <ul style="list-style-type: none"> • Rents - Rent growth has begun to moderate as the rent-to-income ratio is approaching its limit. LA rent gains to rank near top of national markets for the foreseeable future. • Price/Unit - The average price per unit has passed \$250,000. Total sales volume slightly higher 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 \$130,000. The market can depend on steady demand from a growing student population projected over next 10 years. • Cap Rates - Cap rates decreased in 1Q2017, and averaged 5.3%, compared to the twelve months of last year when they averaged 5.7%. |
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Industrial Trends

Los Angeles Market

U.S. Rental Rate Comparison

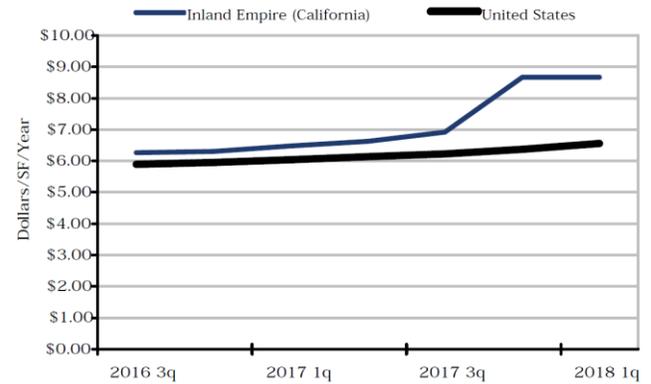
Based on Average Quoted Rental Rates



Inland Empire Market

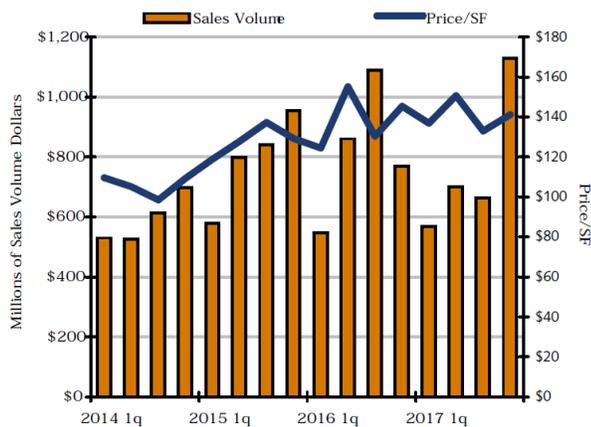
U.S. Rental Rate Comparison

Based on Average Quoted Rental Rates



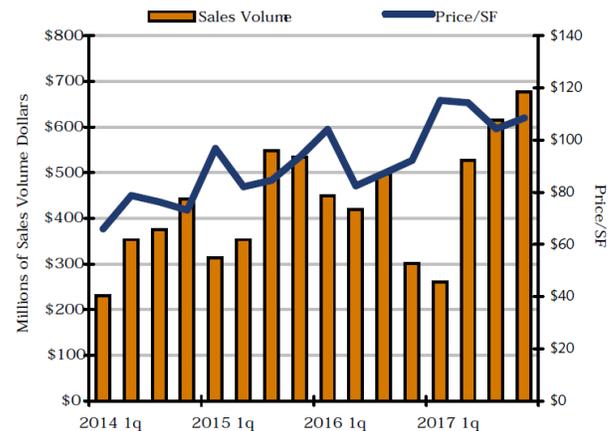
Sales Volume & Price

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



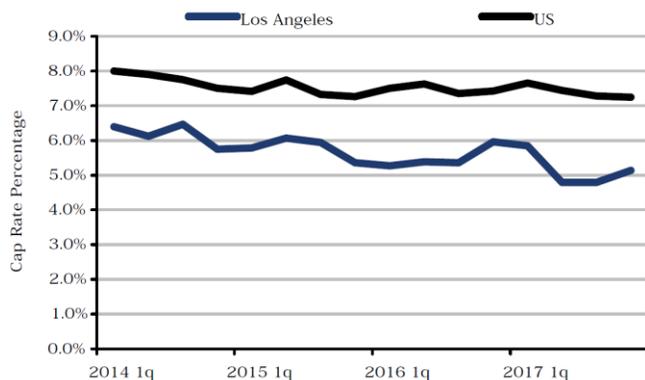
Sales Volume & Price

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



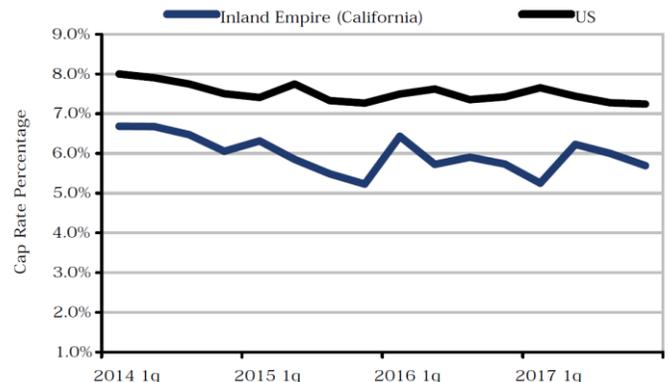
U.S. Cap Rate Comparison

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



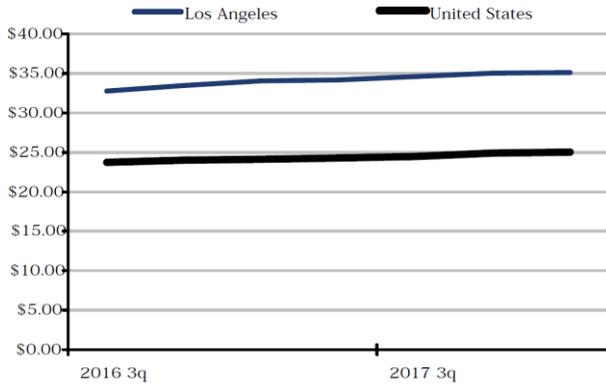
Office Trends

Los Angeles Market

Inland Empire Market

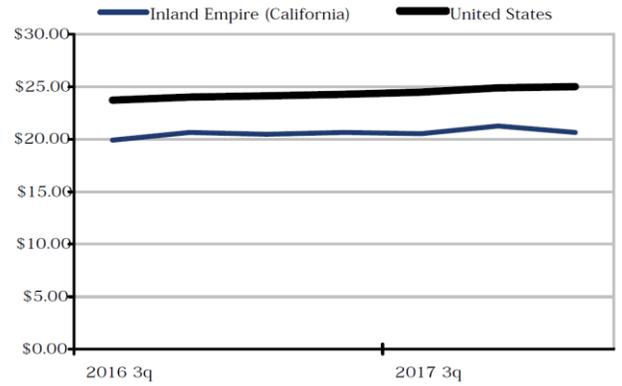
U.S. Rental Rate Comparison

Based on Full-Service Equivalent Rental Rates



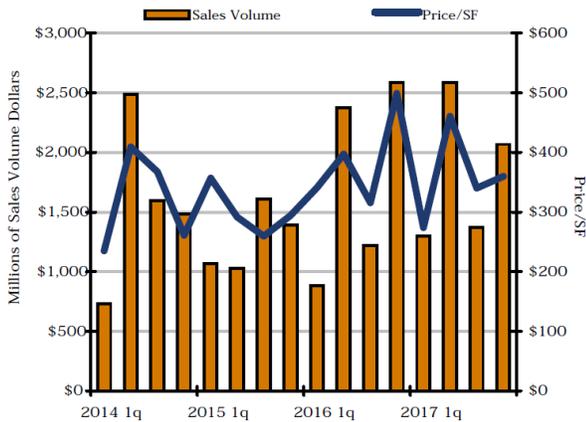
U.S. Rental Rate Comparison

Based on Full-Service Equivalent Rental Rates



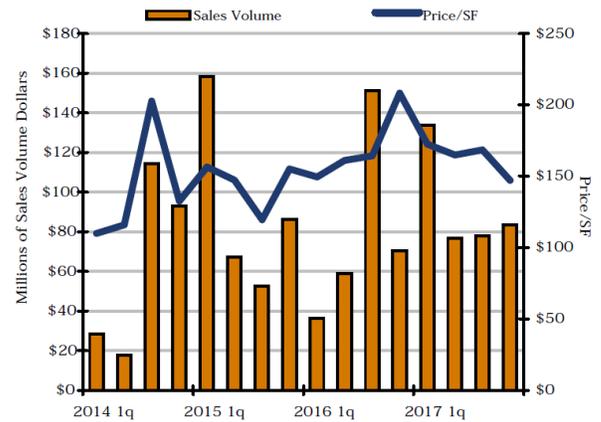
Sales Volume & Price

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



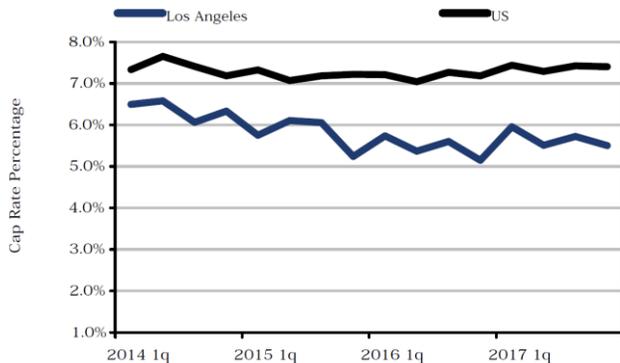
Sales Volume & Price

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



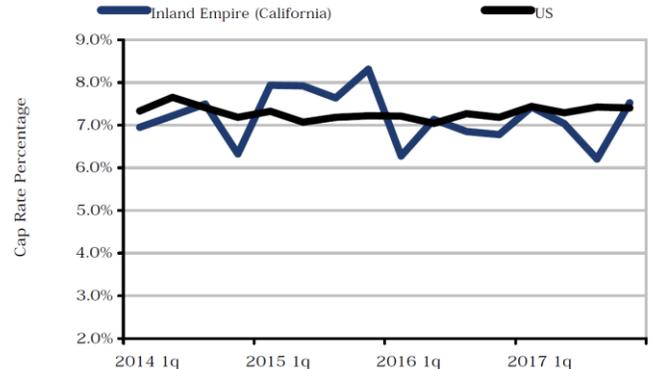
U.S. Cap Rate Comparison

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

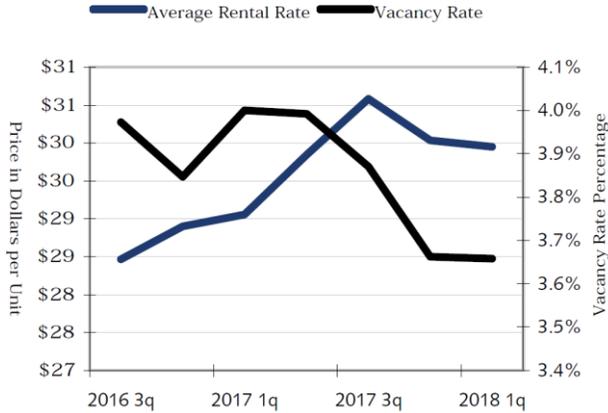


Retail Trends

Los Angeles Market

VACANCY & RENT

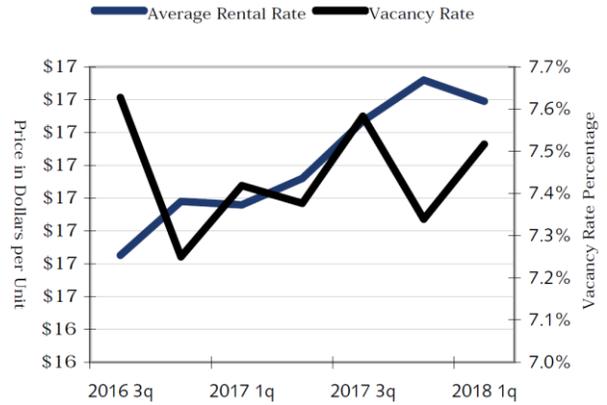
Past 7 Quarters



Inland Empire Market

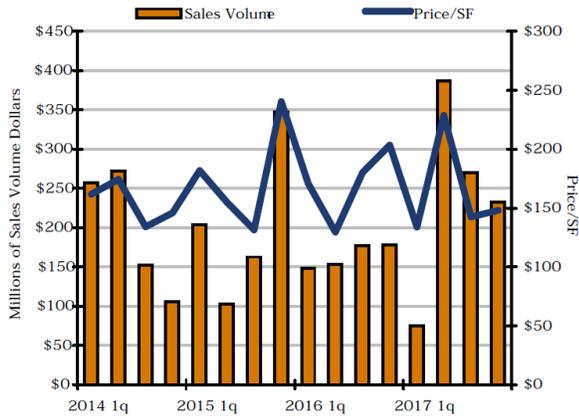
VACANCY & RENT

Past 7 Quarters



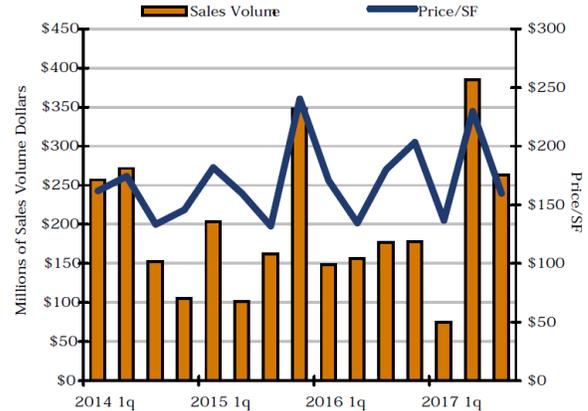
Sales Volume & Price

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



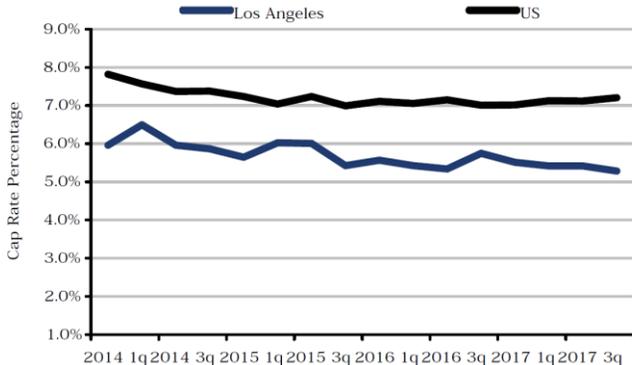
Sales Volume & Price

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



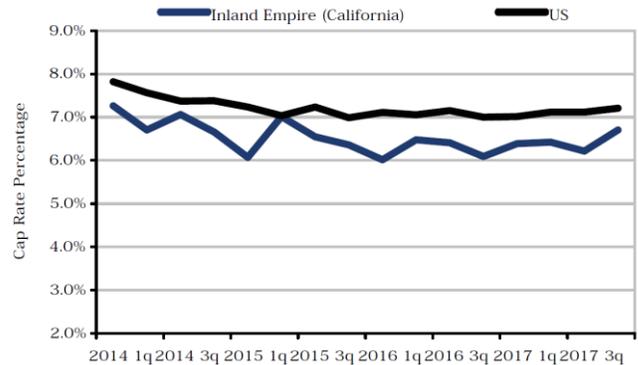
U.S. Cap Rate Comparison

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



U.S. Cap Rate Comparison

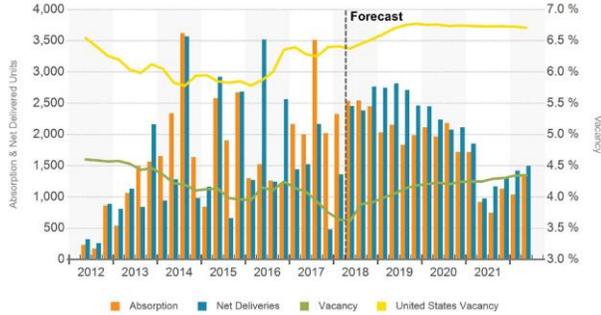
Based on Retail Building Sales of 15,000 SF and Larger



Multifamily Trends

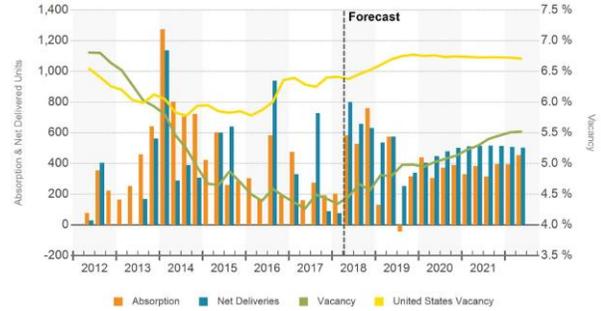
Los Angeles Market

ABSORPTION, NET DELIVERIES & VACANCY

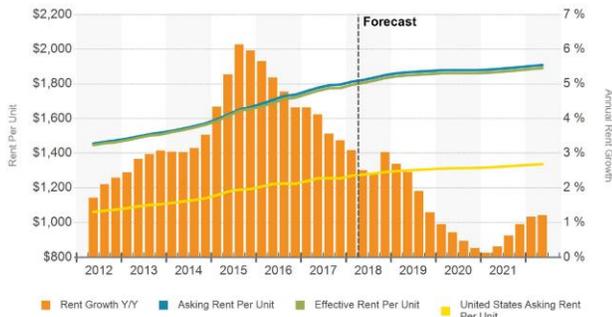


Inland Empire Market

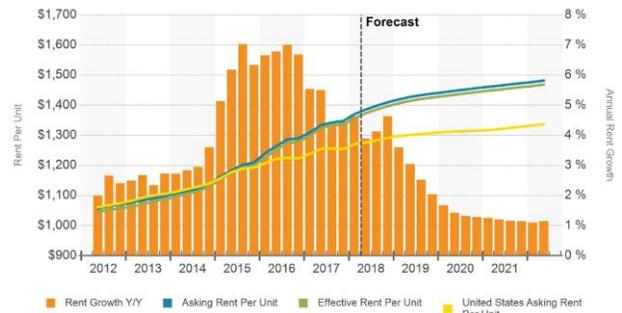
ABSORPTION, NET DELIVERIES & VACANCY



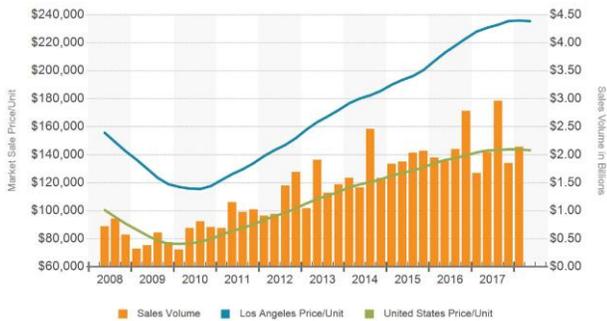
ASKING RENT PER UNIT & RENT GROWTH



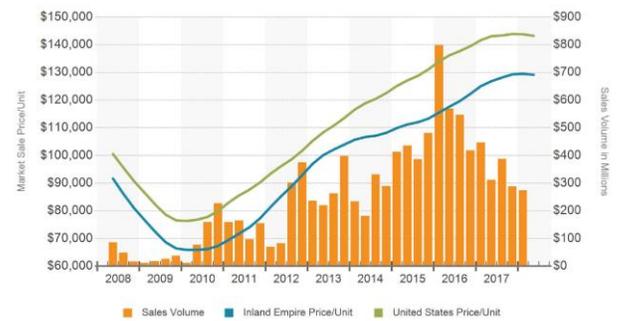
ASKING RENT PER UNIT & RENT GROWTH



SALES VOLUME & PRICE PER UNIT INDEX



SALES VOLUME & PRICE PER UNIT INDEX



OVERALL SALES

Year	Deals	Volume	Completed Transactions			Market Pricing Trends			
			Turnover	Avg Price	Avg Price/Unit	Avg Cap Rate	Price/Unit	Price Index	Cap Rate
YTD	899	\$2,154 M	1.2%	\$4,951,371	\$245,705	4.1%	\$235,674	166	4.1%
2017	3,919	\$8,535 M	5.7%	\$4,087,733	\$255,820	4.3%	\$235,516	165	4.0%
2016	3,089	\$8,719 M	5.0%	\$3,885,402	\$237,739	4.5%	\$223,201	157	4.1%
2015	3,022	\$7,822 M	5.1%	\$3,490,309	\$205,318	4.9%	\$200,554	141	4.3%
2014	2,784	\$7,048 M	5.0%	\$3,181,880	\$204,505	5.3%	\$185,743	130	4.5%
2013	2,453	\$5,742 M	5.1%	\$2,834,178	\$174,059	5.8%	\$171,938	121	4.7%
2012	2,385	\$4,994 M	5.9%	\$2,745,381	\$156,891	6.1%	\$151,946	107	5.1%
2011	1,791	\$3,846 M	3.4%	\$2,861,858	\$150,300	6.4%	\$133,960	94	5.6%
2010	1,135	\$2,521 M	2.0%	\$2,614,743	\$162,599	6.5%	\$117,682	83	6.2%
2009	1,029	\$1,751 M	1.8%	\$1,987,385	\$130,391	6.5%	\$119,004	84	6.3%
2008	1,394	\$3,216 M	2.5%	\$2,508,882	\$160,924	5.7%	\$142,387	100	5.6%
2007	2,008	\$6,865 M	4.9%	\$3,847,918	\$183,327	5.3%	\$162,439	114	4.9%
2006	2,028	\$5,552 M	4.4%	\$2,828,089	\$154,192	5.1%	\$162,478	114	4.7%

OVERALL SALES

Year	Deals	Volume	Completed Transactions			Market Pricing Trends			
			Turnover	Avg Price	Avg Price/Unit	Avg Cap Rate	Price/Unit	Price Index	Cap Rate
YTD	86	\$274.0 M	1.6%	\$5,592,341	\$130,178	5.3%	\$129,329	160	5.0%
2017	399	\$1,434 M	7.6%	\$6,181,758	\$142,831	5.7%	\$129,322	160	5.0%
2016	338	\$2,331 M	10.0%	\$9,140,285	\$161,243	6.1%	\$122,285	151	5.0%
2015	381	\$1,717 M	9.5%	\$6,334,335	\$136,141	6.0%	\$113,340	140	5.1%
2014	357	\$1,036 M	7.0%	\$3,685,091	\$110,714	6.4%	\$108,200	134	5.1%
2013	291	\$1,116 M	7.4%	\$5,027,482	\$108,496	6.9%	\$103,950	128	5.1%
2012	206	\$828.8 M	6.8%	\$5,381,925	\$114,572	7.2%	\$92,915	115	5.6%
2011	153	\$575.4 M	4.9%	\$4,918,207	\$92,722	7.4%	\$77,344	95	6.5%
2010	125	\$476.0 M	3.9%	\$4,713,171	\$88,613	8.2%	\$67,969	83	7.4%
2009	80	\$93.8 M	1.0%	\$1,360,030	\$66,897	7.5%	\$66,456	82	7.6%
2008	87	\$291.0 M	1.7%	\$3,663,042	\$119,491	6.4%	\$81,008	100	6.7%
2007	168	\$1,489 M	8.0%	\$10,127,355	\$159,017	5.8%	\$100,733	124	5.6%
2006	120	\$941.9 M	5.9%	\$8,485,392	\$125,100	5.5%	\$108,473	134	5.0%

NEWS & VIEWS

Valbridge – Women in Leadership

At Valbridge, we believe in the importance of diversity in the work place. Our core company foundation embraces women in leadership. Valbridge recently participated in The Commercial Real Estate Women (CREW) Network Convention, which gives us a better look into the importance of women in the workforce, especially in commercial real estate.

CREW Network

Information highlighted at the convention provided insight on women in commercial real estate and why women play such a large role. In 2015, CREW released a Benchmark Study Report, and after that, women focused their efforts and research on barriers that persist for women's advancement, specifically in commercial real estate. There has been, a gender gap in almost every area of employment where women are concerned, and we continue to see it today. In 2016, the white paper, *Closing the Gap: Addressing Gender Bias and Other Barriers for Women in Commercial Real Estate*, gave detailed statistical data and personal accounts of both conscious and unconscious gender bias against women. Based on the study conducted by CREW Network, women represent about 35% of the commercial real estate workforce in the United States, and 37% in Canada.

Women in Valbridge

Valbridge is a leader in the commercial real estate profession, having various women holding executive positions within the company. Our female leadership team has decades of experience across diverse valuation categories and hold some of the highest level commercial appraisal designations in the industry. Here at Valbridge, we celebrate the accomplishments of our female leaders and proudly recognize the outstanding women on our executive team.

Geri Armalavage, MAI, CBA, CVA, our Chairwoman of the Board of Directors, has been in valuation and advisory services since 1987. Her specialties include complex commercial real estate, business and entity valuations with emphasis on estate planning. Geri holds valuation designations from the Appraisal Institute and the National Association of Certified Valuators and Analysts. Geri was the first woman in the United States to obtain the MAI and CBA/CVA designations.

Yvonne Broszus, MAI has extensive experience in appraisal/valuation and consulting in all types of commercial and special purpose properties. Ms. Broszus provides valuation services for complex civil litigation cases involving real estate in matters of condemnation, contract disputes, bankruptcy/creditor matters, environmental lawsuits, and more. She specializes in property tax appeals, having helped clients recover millions in property tax refunds. Qualified as an expert witness, Ms. Broszus has testified in many state and federal courts and is a highly experienced forensic appraiser.

Karlene Perry, our Chief Financial Officer, has been in valuation and advisory services since 1986, and has served as chief executive officer and a principal of a Valbridge firm in the Pacific Northwest since 2001. Karlene has significant experience in business management and operations, including process and workflow management. In addition to her work with Valbridge, Karlene also serves as CEO of Dynamic Business Advancement, LLC, a consulting services business focused on the appraisal sector.

Ashley Soape, MAI has over 8 years of valuation and consulting experience on all types of real estate including commercial, industrial, special purpose properties and vacant land. Ashley is a member of the International Right-of-Way Association as well as the Appraisal Institute. She was awarded the Appraisal Institute-Houston Chapter Key Person Award in 2013 for her commitment to fostering the growth of members of the Young Appraiser Professional Group. She continues to serve AI Houston as the Co-Chair of the Candidate Guidance Committee.

Diana Spencer, MAI is Senior Managing Director of Valbridge Property Advisors | Raleigh-Durham. Ms. Spencer originally started Paramount Appraisal Group, Inc. in May 2003 after being a fee appraiser at Hester and Company, another area commercial real estate firm for over 10 years. On March 19, 2013, Diana joined Valbridge Property Advisors as one of the founding members.

Valbridge embraces our mission to ensure diversity within our company and provide women with opportunities to excel.

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