

Inland Empire



Market Facts

4.7%

Inland Empire
Unemployment Rate

8,353,400 SF

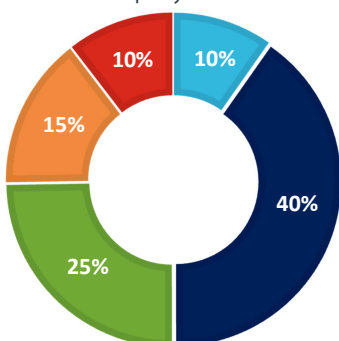
Positive Net Absorption
Current Quarter

4.7%

Total Vacancy Rate
Down From 5.5% In Q1 2018

\$0.63 PSF

Asking Rental Rate
Weighted Average

Q2 2018 Transaction Volume by
Property Sector


- Office
- Industrial
- Retail
- Multi-Family
- Land

Market Overview

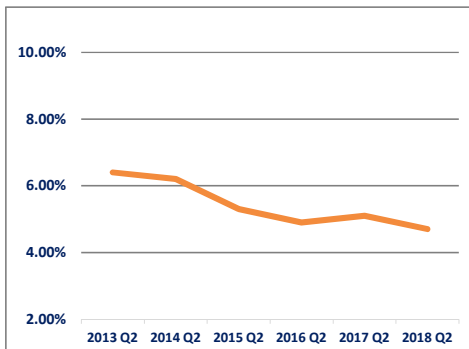
The Inland Empire industrial market continues to perform at optimal levels as of the second quarter of 2018, supporting the industrial demands of the entire Southern California region. Vacancy has contracted sharply quarter-over-quarter, after remaining nearly flat in the previous year. Reliable leasing demand has allowed rental rates to climb to record highs. The counties of Riverside and San Bernardino, which make up the Inland Empire market, are experiencing strong economic fundamentals, and rapid growth in population and quality inventory. These factors are driving heightened developer interest and elevated investor appetite.

Industrial construction activity resumed rapidly post-recession and has met pre-recession levels with fervor. The market had 96 industrial projects under construction at the second quarter of the year, amounting to 24.5M sf of new inventory that is expected to be delivered in the coming year. The largest project under construction is Optimus Logistics Center, located in the South Riverside city of Perris, including two buildings totaling nearly 1.5M sf with no tenant pre-commitments. The next largest project includes the new LEED Certified buildings that are being added to Watson Industrial Park, located in the West San Bernardino city of Chino, totaling over 1.4M sf of speculative space.

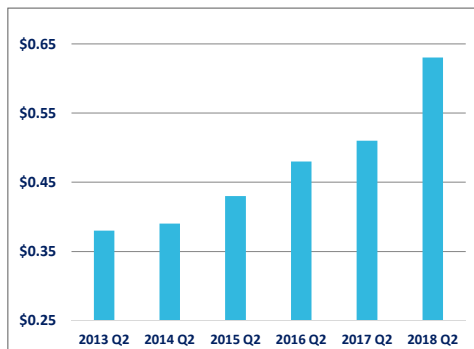
As of the second quarter of 2018, vacancy decreased to 4.7%, down nine basis points from the previous quarter, and dipping below 5% for the third time post-recession. Vacancy is within a tight range that has been typical for the last four years. Competitive vacancy levels have been sustainable in the market in spite of the addition of new inventory which has ramped-up over the past two years. The industrial market recorded positive total net absorption of 8.4M sf for the quarter, and positive 23.7M sf for the most recent 12 month period. Rental rates for the entire market on average have reached \$0.63 psf FSG, increasing from \$0.59 psf FSG quarter-over-quarter, and up significantly from \$0.51 psf FSG at the same time in the previous year.

The Inland Empire's unemployment rate, as of June 2018, was 4.7%, up from the previous quarter, but down from 5.3% one year earlier. Within the market, unemployment was 4.8% in Riverside County and 4.6% in San Bernardino County. Construction employment led the way in gains, along with transportation and warehouse jobs. Meanwhile, hospitality, education, healthcare and government sector employment are expanding as a result of population growth.

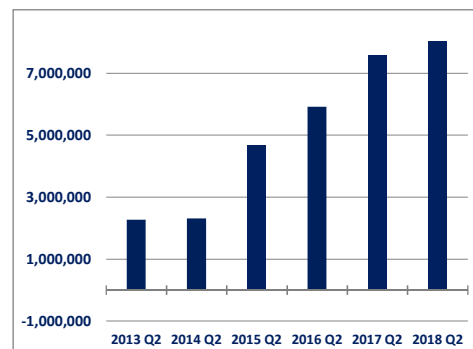
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
UPS	New	11281 Citrus Avenue	Fontana	1,003,570
DCG Fulfillment	New	1300 California Street	Redlands	771,839
Harbor Freight Tools	New	23450 Brodiaea Avenue	Moreno Valley	601,810
Kuehne + Nagel	New	2255 W Lugonia Avenue	Redlands	601,287
XPO Logistics	New	26525 Pioneer Avenue	Redlands	375,839

Top Sales

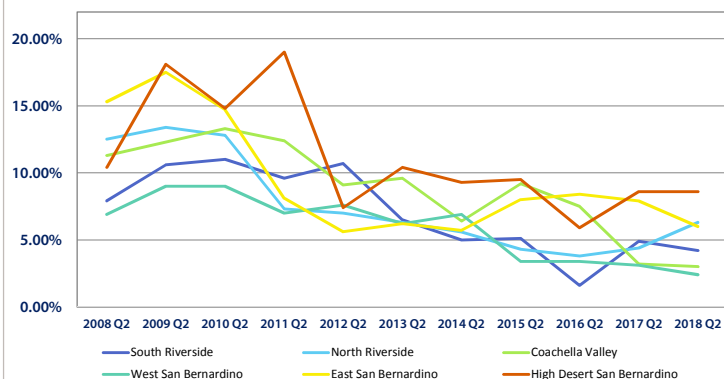
Address	Buyer	Seller	Price	SF	P/SF
1543 Alder Avenue, Realto	Liberty Property Trust	Panattoni Development	\$52,000,000	426,302	\$122
343 S Lena Road, San Bernardino	Trader Joe's	Hillwood	\$44,803,408	476,632	\$94
9150 Hermosa Avenue, Rancho Cucamonga	General Motors	ICG-REA Manager, LLC	\$36,850,000	407,074	\$91
701 Malaga Place, Ontario	Black Creek Group	Stockbridge Capital Group, LLC	\$30,770,000	246,757	\$125
4980 Eucalyptus Avenue, Chino	East Group Properties	Lite Source, Inc.	\$23,219,500	182,454	\$127

Under Construction

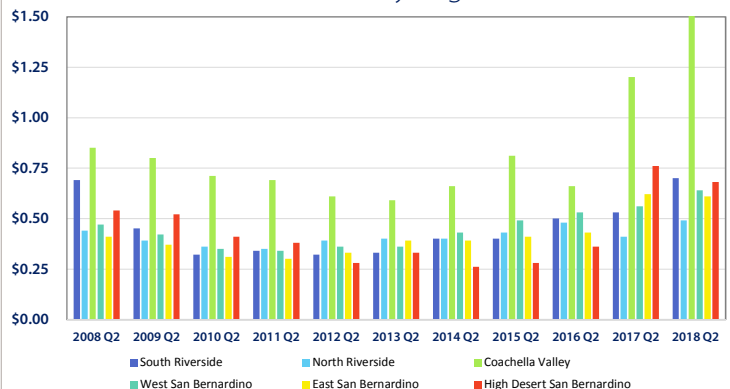
Address	Submarket	Developer	SF	Completion
Optimus Logistics Center, Perris	South Riverside	Rockefeller Group	1,446,548	Q4 2018
Watson Industrial Park, Chino	West San Bernardino	Watson Land Company	1,426,766	Q4 2018
Majestic Chino Gateway, Chino	West San Bernardino	Majestic Realty	1,412,000	Q4 2018
First Nandina Logistics Center, Moreno Valley	North Riverside	First Industrial Realty Trust	1,388,210	Q3 2018
Watson Logistics Center, Apple Valley	High Desert San Bernardino	Watson Land Company	1,350,000	Q1 2019

	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q2 2018 Inventory (SF)	Q2 2018 Vacancy (SF)	Q2 2018 Vacancy (%)	Q1 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q2 2018 Rental Rates NNN	Q1 2018 Rental Rates NNN	Qtr/Qtr Change (%)	Current Quarter Deliveries	Under Construction Quarter-End
South Riverside											
Temecula / Murrieta / Lake Elsinore	12,437,849	266,544	2.10%	2.60%	202,263	435,210	\$0.71	\$0.71	0.00%	143,689	219,461
Perris / Menifee	22,696,332	1,257,007	5.50%	4.40%	182,102	1,154,409	\$0.68	\$0.45	51.11%	456,652	3,822,930
Hemet	1,462,614	13,500	0.90%	0.20%	-11,000	-1,000	\$0.00	\$0.00	0.00%	0	0
South Riverside TOTAL	36,596,795	1,537,051	4.20%	3.60%	373,365	1,588,619	\$0.70	\$0.62	12.90%	600,341	4,042,391
North Riverside											
Corona	25,645,452	683,240	2.70%	4.50%	501,355	1,287,513	\$0.64	\$0.64	0.00%	0	460,724
Riverside City	63,890,055	3,024,443	4.70%	4.10%	-133,871	1,692,925	\$0.57	\$0.57	0.00%	293,268	1,924,429
Moreno Valley	39,797,840	4,668,954	11.70%	10.90%	1,342,851	1,683,870	\$0.47	\$0.41	14.63%	1,891,578	6,208,970
Beaumont / Banning	4,701,021	22,020	0.50%	0.80%	14,708	16,711	\$0.33	\$0.33	0.00%	0	0
North Riverside TOTAL	134,034,368	8,398,657	6.30%	6.00%	1,725,043	4,681,019	\$0.49	\$0.47	4.26%	2,184,846	8,594,123
Coachella Valley											
Indio / Coachella	3,793,856	115,098	3.00%	2.40%	-24,828	-20,595	\$0.28	\$0.57	-50.88%	0	0
Palm Desert / Palm Springs	3,796,751	111,035	2.90%	3.20%	229,645	236,947	\$3.04	\$2.43	25.10%	225,791	135,724
Coachella Valley TOTAL	7,590,607	226,133	3.00%	2.80%	204,817	216,352	\$2.45	\$2.16	13.43%	225,791	135,724
West San Bernardino											
Chino	43,187,385	626,123	1.40%	3.30%	858,375	1,089,018	\$0.64	\$0.63	1.59%	62,200	3,969,819
Airport Area	141,751,049	3,870,210	2.70%	3.40%	1,242,803	1,229,655	\$0.64	\$0.62	3.23%	356,613	1,007,263
West San Bernardino TOTAL	184,938,434	4,496,333	2.40%	3.30%	2,101,178	2,318,673	\$0.64	\$0.62	3.23%	418,813	4,977,082
East San Bernardino											
San Bernardino City / Redlands	61,570,276	4,791,642	7.80%	10.70%	1,710,193	2,161,183	\$0.63	\$0.42	50.00%	156,323	1,863,196
Fontana / Rialto	95,663,465	4,566,893	4.80%	6.20%	1,716,940	3,252,175	\$0.59	\$0.59	0.00%	426,302	3,367,754
East San Bernardino TOTAL	157,233,741	9,358,535	6.00%	8.00%	3,427,133	5,413,358	\$0.61	\$0.49	24.49%	582,625	5,230,950
High Desert San Bernardino											
Victorville/Hesperia/Adelanto	13,692,723	931,762	6.80%	7.20%	521,864	652,906	\$0.78	\$2.30	-66.09%	509,925	1,520,000
Barstow	682,961	307,007	45.00%	42.40%	0	229	\$0.22	\$0.22	0.00%	0	0
North San Bernardino TOTAL	14,375,684	1,238,769	8.60%	9.00%	521,864	653,135	\$0.68	\$0.97	-29.90%	509,925	1,520,000
INLAND EMPIRE											
20,000 SF to 49,999 SF	74,286,544	2,513,095	3.40%	3.30%	349,883	769,712	\$0.98	\$0.90	8.89%	10 Bldgs	29 Bldgs
50,000 SF to 149,999 SF	105,324,319	3,861,878	3.70%	4.40%	1,677,217	2,505,878	\$0.57	\$0.59	-3.39%	12 Bldgs	22 Bldgs
150,000 SF and larger	355,158,766	18,880,505	5.30%	6.30%	6,326,300	11,595,566	\$0.49	\$0.43	13.95%	6 Bldgs	45 Bldgs
TOTAL INDUSTRIAL	534,769,629	25,255,478	4.70%	5.50%	8,353,400	14,871,156	\$0.63	\$0.59	6.78%	4,522,341 (SF)	24,500,270 (SF)

Vacancy by Region



Rental Rate by Region



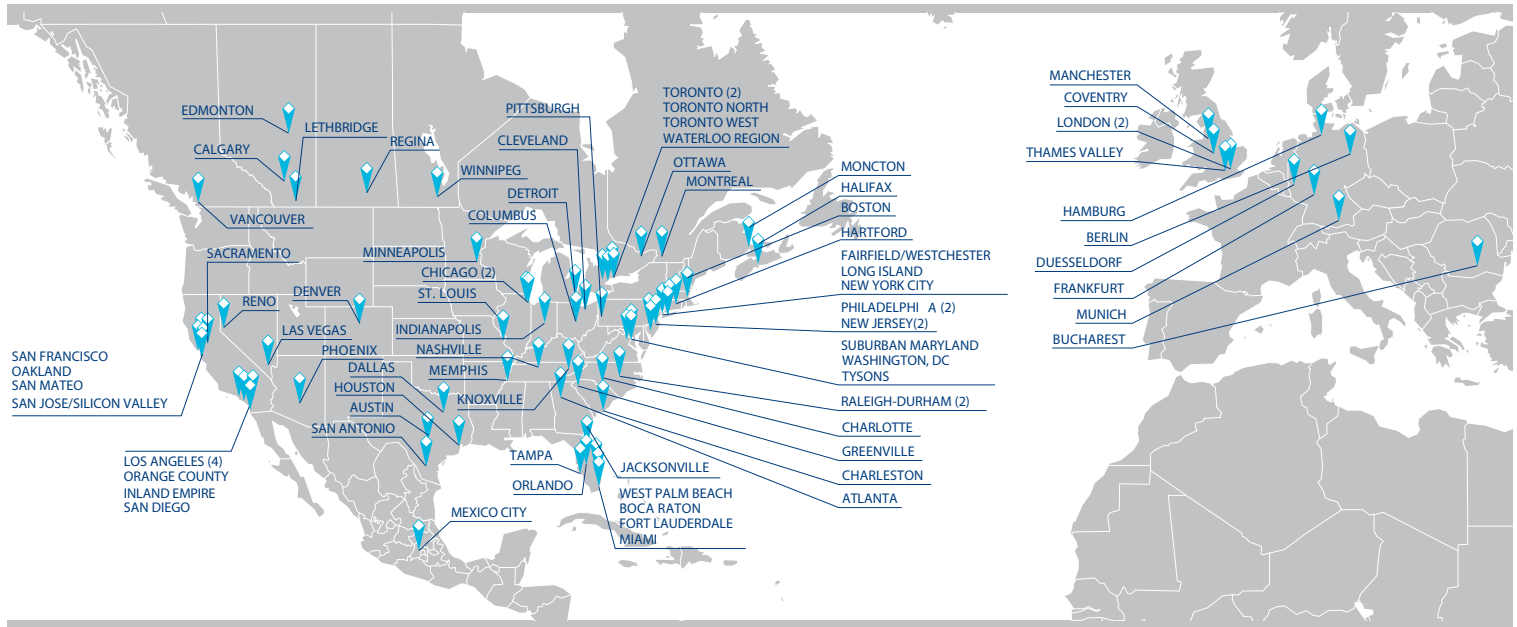
SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
	Riverside City	Eastvale, Jurupa Valley, Mira Loma, Riverside City-North
North Riverside	Moreno Valley	Moreno Valley, Riverside City-South
	Beaumont / Banning	Beaumont, Banning, Cabazon, Callimesa
Coachella Valley	Coachella / Indio	Coachella, Indio, Mecca, Thermal
	Palm Desert / Palm Springs	Palm Desert, Palm Springs, North Palm Springs, Desert Hot Springs, Bermuda Dunes, Cathedral City, Thousand Palms, Rancho Mirage, Indian Wells, La Quinta
West San Bernardino	Chino	Chino, Chino Hills
	Airport Area	Ontario, Rancho Cucamonga, Upland, Etiwanda, Montclair
East San Bernardino	San Bernardino City / Redlands	San Bernardino City, Redlands, Highland, Mentone, Yucaipa
	Fontana / Rialto	Fontana, Rialto, Colton, Grand Terrace, Loma Linda, Bloomington
High Desert San Bernardino	Victorville / Hesperia / Adelanto	Victorville, Hesperia, Adelanto, Apple Valley, Oak Hills, Silver Lakes
	Barstow	Barstow

A Growing, Multinational Presence

Avison Young at a Glance

Founded: **1978**
Total Real Estate Professionals: **2,600**
Offices: **84**
Brokerage Professionals: **1,100**
Property Under Management: **100 million sf**

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 84 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



Contact Information - Southern California, United States

Los Angeles - Downtown

555 S Flower St, Ste 3200
Los Angeles, CA 90071
Primary Contact: Ted Simpson
ted.simpson@avisonyoung.com
213.935.7430

Los Angeles - North

6711 Forest Lawn Dr
Los Angeles, CA 90068
Primary Contact: Mark Evanoff
mark.evanoff@avisonyoung.com
323.851.6666

Los Angeles - Santa Monica

301 Arizona Ave, Ste 303
Santa Monica, CA 90401
Primary Contact: Randy Starr
randy.starr@avisonyoung.com
310.899.1800

Los Angeles - West

10940 Wilshire Blvd, Ste 800
Los Angeles, CA 90024
Primary Contact: Jonathan Larsen
jonathan.larsen@avisonyoung.com
213.471.1069

Orange County - Irvine

2030 Main St, Ste 150
Irvine, CA 92614
Primary Contact: Keith Kropfl
keith.kropfl@avisonyoung.com
949.757.1190

San Diego - UTC

4655 Executive Dr, Ste 325
San Diego, CA 92121
Primary Contact: Jerry Keeney
jerry.keeney@avisonyoung.com
858.201.7077

Inland Empire - Temecula

27555 Ynez Rd, Suite 204
Temecula, CA 92590
Primary Contact: Stan Nowak
stan.nowak@avisonyoung.com
951.267.2770

Regional Managing Director:

Chris Cooper - Corporate
555 S Flower St, Ste 3200
Los Angeles, CA 90071
chris.cooper@avisonyoung.com
213.935.7435

Report Prepared By:

Amber Jagers - Research Manager
4655 Executive Dr, Ste 325
San Diego, CA 92121
amber.jagers@avisonyoung.com
858.201.7072



Intelligent
Real Estate
Solutions



avisonyoung.com