

Inland Empire



Market Facts

4.1%

Inland Empire
Unemployment Rate

6,771,211 SF

Positive Net Absorption
Current Quarter

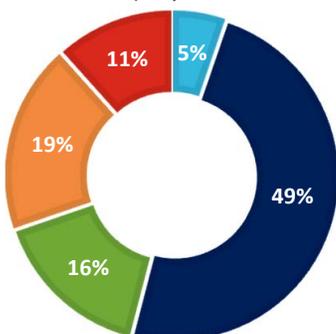
4.9%

Total Vacancy Rate
Up From 4.7% In Q2 2018

\$0.62 PSF

Asking Rental Rate
Weighted Average

Q3 2018 Transaction Volume by
Property Sector



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

Market Overview

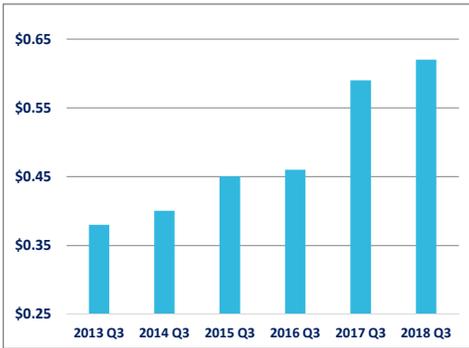
The Inland Empire industrial market continues to exhibit robust fundamentals as of the third quarter of 2018, supporting the rapidly growing warehousing and logistics demands of the entire Southern California region. The counties of Riverside and San Bernardino, which make up the Inland Empire market, are attracting investors and developers, as well as leading retail suppliers. Vacancy nudged up quarter-over-quarter, while remaining at record lows. Similarly, rental rates moved slightly downward, while remaining at record highs. While some volatility may emerge as a result of changing macro-economic conditions, tight inventory in this market so vital to the region is expected to push rents up with increased demand.

Industrial construction activity resumed rapidly post-recession and has met pre-recession averages without escalating to pre-recession highs. The market had 89 industrial projects under construction as of the third quarter of the year, amounting to 20.5M sf of new inventory that is expected to be delivered in the coming year. The largest project under construction is Watson Industrial Park, consisting of three LEED buildings located in Chino, south of the Ontario Airport Area. The project adds 1.43M sf of new inventory, 43% of which is pre-committed to tenants. The next largest project in the market is the 1.35M sf Big Lots Distribution Center located in Apple Valley, south of the existing Walmart Distribution Center, expected to complete construction mid-2019. Apple Valley is part of an expanding area surrounding the Southern California Logistics Airport in the High Desert emerging as an affordable option for supply-chain growth.

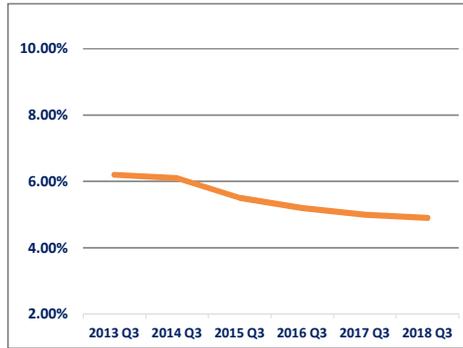
As of the third quarter of 2018, vacancy increased to 4.9%, up from 4.7% in the previous quarter, but down from 5.0% at the same time one year ago. Vacancy has remained below 6.0% for the past four years running, in spite of the addition of new inventory which has ramped-up over the past three years. The industrial market recorded positive total net absorption of 6.8M sf for the quarter, and positive 26.4M sf for the most recent 12 month period. Rental rates for the entire market on average stayed relatively flat in the third quarter at \$0.62 psf FSG, down slightly from the previous quarter at \$0.63 psf FSG, but still elevated from \$0.59 psf FSG at the same time in the previous year.

The Inland Empire's unemployment rate, as of the third quarter of 2018, was 4.1%, down from 4.7% in the previous quarter, and down from 4.9% one year ago. Within the market, unemployment was 4.4% in Riverside County and 3.8% in San Bernardino County. Transportation and warehousing have been leading the way in employment gains over the past year, along with significant additions in government jobs. Meanwhile, hospitality, healthcare and education are also expanding as a result of population growth.

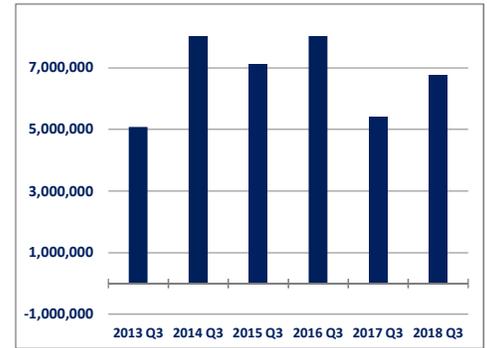
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Kellogg's	New	1686 W Baseline Road, Rialto	East San Bernardino	758,940
Dorel Industries, Inc.	Renewal	5400 Shea Center Drive, Ontario	West San Bernardino	623,630
ACT Fulfillment, Inc.	Renewal	11001 Etiwanda Avenue, Fontana	East San Bernardino	404,721
Kenco	New	26525 Pioneer Avenue, Redlands	East San Bernardino	375,839
Performance Team	Renewal	1898 Marigold Avenue, Redlands	East San Bernardino	289,683

Top Sales

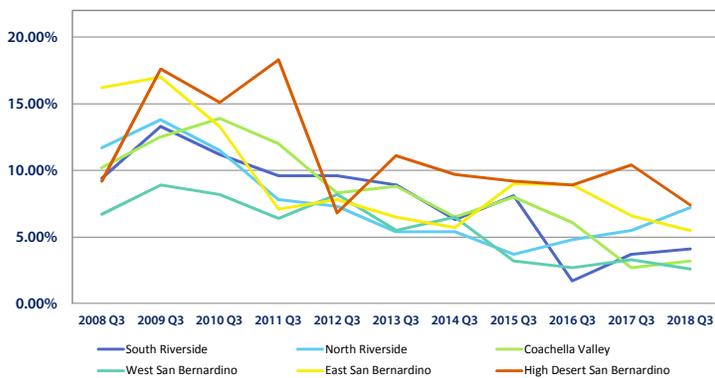
Address	Buyer	Seller	Price	SF	P/SF
4100 N Webster Avenue, Perris	Ferguson Enterprises, Inc.	Rockefeller Group	\$99,547,000	1,039,898	\$96
6207 Cajon Boulevard, San Bernardino	Hyperion Properties	Westcore Properties	\$87,229,000	830,750	\$105
1110 W Merrill Avenue, Rialto	Square Mile Capital Mgmt.	Toys "R" Us, Inc.	\$87,000,000	1,106,124	\$79
22000 Opportunity Way, Riverside	Invesco	Sun Life Assurance Co.	\$52,370,000	503,592	\$104
6285-6330 Providence Way, Eastvale	LBA Realty	Chase Partners	\$36,900,000	192,913	\$191

Under Construction

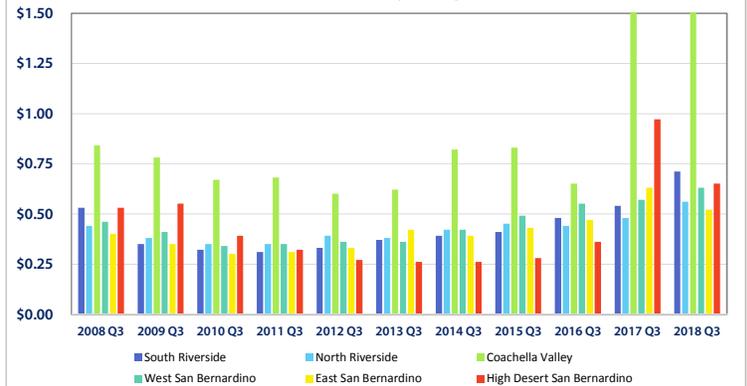
Address	Submarket	Developer	SF	Completion
Watson Industrial Park, Chino	West San Bernardino	Watson Land Company	1,426,766	Q1 2019
Big Lots Distribution Center, Apple Valley	High Desert San Bernardino	Haskell	1,350,000	Q2 2019
3520 S Cactus Avenue, Bloomington	East San Bernardino	Panattoni	1,264,102	Q3 2019
4815 S Hellman Avenue, Ontario	West San Bernardino	Ontario Land Ventures	1,180,908	Q3 2019
1494 S Waterman Avenue, San Bernardino	East San Bernardino	Hillwood	1,032,072	Q4 2019

	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q3 2018 Inventory (SF)	Q3 2018 Vacancy (SF)	Q3 2018 Vacancy (%)	Q2 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q3 2018 Rental Rates NNN	Q2 2018 Rental Rates NNN	Qtr/Qtr Change (%)	Current Quarter Deliveries	Under Construction Quarter-End
South Riverside											
Temecula / Murrieta / Lake Elsinore	12,585,175	229,760	1.80%	2.10%	92,777	527,987	\$0.73	\$0.71	2.82%	55,993	163,836
Perris / Menifee	23,743,698	1,321,783	5.60%	5.50%	975,122	2,129,531	\$0.68	\$0.68	0.00%	1,039,898	4,283,386
Hemet	1,433,675	14,187	1.00%	0.90%	-687	-1,687	\$0.00	\$0.00	0.00%	0	0
South Riverside TOTAL	37,762,548	1,565,730	4.10%	4.20%	1,067,212	2,655,831	\$0.71	\$0.70	1.43%	1,095,891	4,447,222
North Riverside											
Corona	25,763,994	672,276	2.60%	2.70%	177,485	1,464,998	\$0.77	\$0.64	20.31%	166,521	318,028
Riverside City	65,148,076	3,594,724	5.50%	4.70%	582,953	2,275,878	\$0.61	\$0.57	7.02%	1,149,534	871,074
Moreno Valley	43,010,388	5,627,227	13.10%	11.70%	217,980	1,901,850	\$0.46	\$0.47	-2.13%	1,176,253	4,477,877
Beaumont / Banning	4,701,021	24,303	0.50%	0.50%	-2,283	14,428	\$0.36	\$0.33	9.09%	0	0
North Riverside TOTAL	138,623,479	9,918,530	7.20%	6.30%	976,135	5,657,154	\$0.56	\$0.49	14.29%	2,492,308	5,666,979
Coachella Valley											
Indio / Coachella	3,793,856	113,435	3.00%	3.00%	1,663	-18,932	\$0.58	\$0.28	107.14%	0	0
Palm Desert / Palm Springs	3,982,551	132,725	3.30%	2.90%	185,310	422,257	\$2.57	\$3.04	-15.46%	207,000	25,380
Coachella Valley TOTAL	7,776,407	246,160	3.20%	3.00%	186,973	403,325	\$1.56	\$2.45	-36.33%	207,000	25,380
West San Bernardino											
Chino	45,767,578	1,335,988	2.90%	1.40%	2,029,188	3,118,206	\$0.77	\$0.64	20.31%	2,565,053	1,816,086
Airport Area	142,057,648	3,563,750	2.50%	2.70%	240,923	1,470,578	\$0.63	\$0.64	-1.56%	61,650	1,894,915
West San Bernardino TOTAL	187,825,226	4,899,738	2.60%	2.40%	2,270,111	4,588,784	\$0.63	\$0.64	-1.56%	2,626,703	3,711,001
East San Bernardino											
San Bernardino City / Redlands	62,920,448	4,241,269	6.70%	7.80%	1,388,554	3,549,737	\$0.45	\$0.63	-28.57%	1,293,947	737,232
Fontana / Rialto	96,528,476	4,537,805	4.70%	4.80%	709,438	3,961,613	\$0.57	\$0.59	-3.39%	630,820	4,554,259
East San Bernardino TOTAL	159,448,924	8,779,074	5.50%	6.00%	2,097,992	7,511,350	\$0.52	\$0.61	-14.75%	1,924,767	5,291,491
High Desert San Bernardino											
Victorville/Hesperia/Adelanto	13,673,771	770,269	5.60%	6.80%	159,600	812,506	\$0.75	\$0.78	-3.85%	0	1,400,000
Barstow	682,961	293,819	43.00%	45.00%	13,188	13,417	\$0.22	\$0.22	0.00%	0	0
North San Bernardino TOTAL	14,356,732	1,064,088	7.40%	8.60%	172,788	825,923	\$0.65	\$0.68	-4.41%	0	1,400,000
INLAND EMPIRE											
20,000 SF to 49,999 SF	74,644,862	2,832,514	3.80%	3.40%	48,030	817,742	\$0.84	\$0.98	-14.29%	8 Bldgs	27 Bldgs
50,000 SF to 149,999 SF	106,484,088	4,188,333	3.90%	3.70%	738,495	3,244,373	\$0.62	\$0.57	8.77%	11 Bldgs	22 Bldgs
150,000 SF and larger	364,664,366	19,452,473	5.30%	5.30%	5,984,686	17,580,252	\$0.49	\$0.49	0.00%	15 Bldgs	40 Bldgs
TOTAL INDUSTRIAL	545,793,316	26,473,320	4.90%	4.70%	6,771,211	21,642,367	\$0.62	\$0.63	-1.59%	8,346,669 (SF)	20,542,073 (SF)

Vacancy by Region



Rental Rate by Region



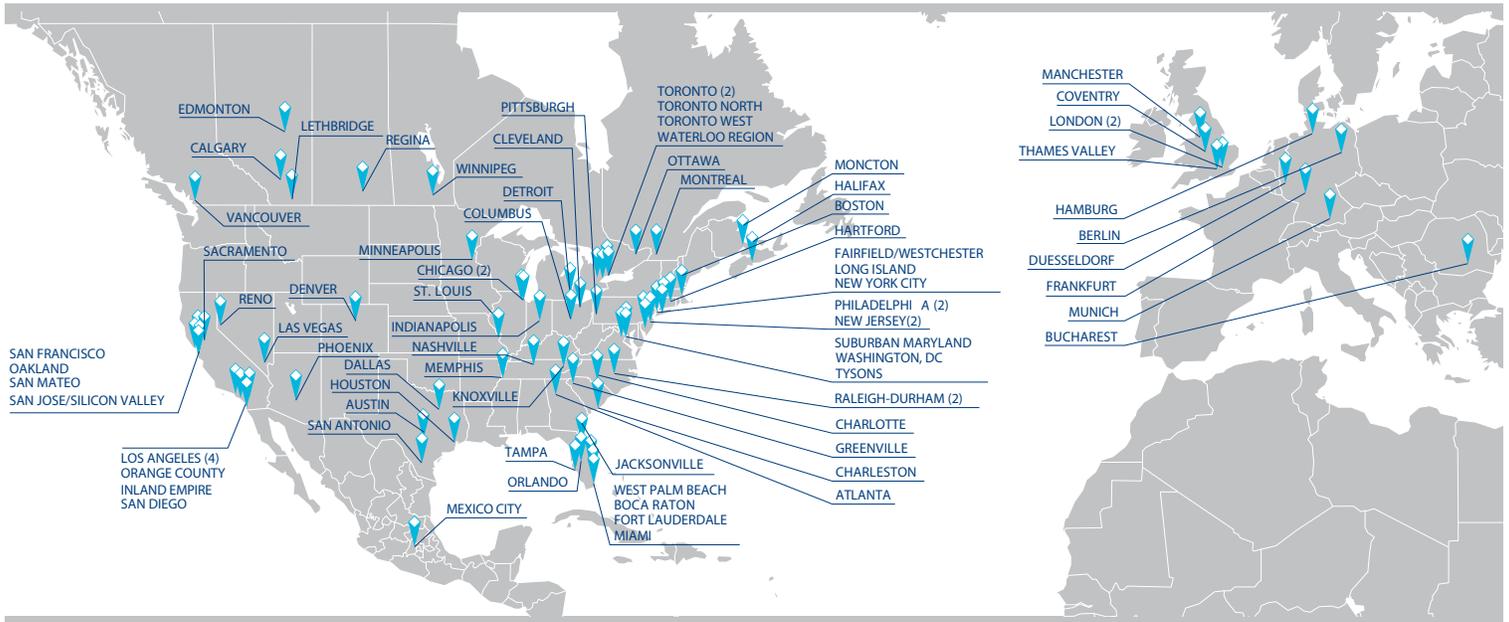
SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
	Riverside City	Eastvale, Jurupa Valley, Mira Loma, Riverside City-North
North Riverside	Moreno Valley	Moreno Valley, Riverside City-South
	Beaumont / Banning	Beaumont, Banning, Cabazon, Callinesa
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
East San Bernardino	Airport Area	Ontario, Rancho Cucamonga, Upland, Etiwanda, Montclair
	San Bernardino City / Redlands	San Bernardino City, Redlands, Highland, Mentone, Yucaipa
High Desert San Bernardino	Fontana / Rialto	Fontana, Rialto, Colton, Grand Terrace, Loma Linda, Bloomington
	Victorville / Hesperia / Adelanto	Victorville, Hesperia, Adelanto, Apple Valley, Oak Hills, Silver Lakes
	Barstow	Barstow

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