

Inland Empire



Quick Stats

10.4%

Inland Empire
Unemployment Rate

-43,007 SF

Negative Net Absorption
Current Quarter

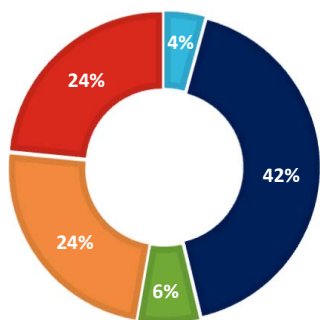
9.1%

Total Vacancy Rate
Up From 8.6% In Q2 2020

\$2.16 PSF

Asking Rental Rate
Weighted Average

Q3 2020 Transaction Volume
by Property Sector



Office
Industrial
Retail
Multi-Family
Land

The Inland Empire office market remains in a strong position to weather the volatility brought on by the Covid-19 pandemic, as of the third quarter of the year. While economic success is driven at length by the market's industrial and logistics platform; multifamily property growth, and elevated demand for medical office, have emerged as strong market drivers. Limited development of traditional office space in recent years led to pent up demand for this property type prior to the pandemic. The third quarter recorded the delivery of speculative office, and while a moderate up-tick in vacancy emerged, rental rates continued to soar. -Albeit, a delay in future development of traditional office in the Inland Empire is expected as companies review their space needs amid evolving pandemic conditions and long-term flexible workplace options. Meanwhile demand for medical office is expected to continue to proliferate in response to the growing general population and aging population in this market.

The Inland Empire's unemployment rate, as of the end of the third quarter, dropped to 10.4%, down from a peak of 14.3% in the previous quarter, yet still significantly elevated from 3.8% one year prior. Within the market, unemployment was 10.5% in Riverside County and 10.3% in San Bernardino County. Inland Empire figures are slightly below the state average; currently California's unemployment rate is at 11.0%, while U.S. unemployment is 7.9%. Government, retail trade,

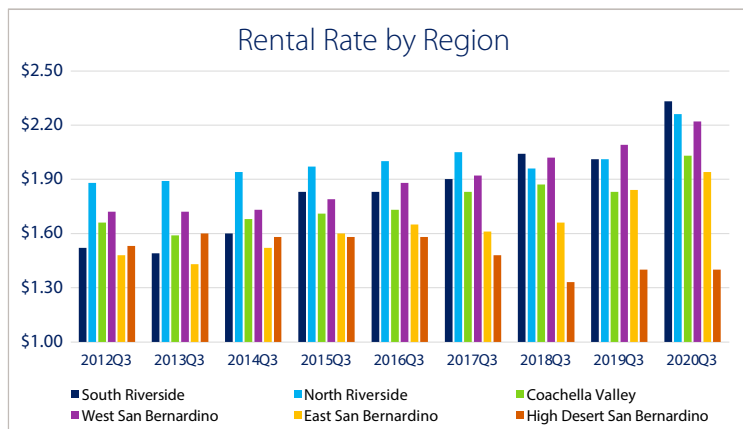
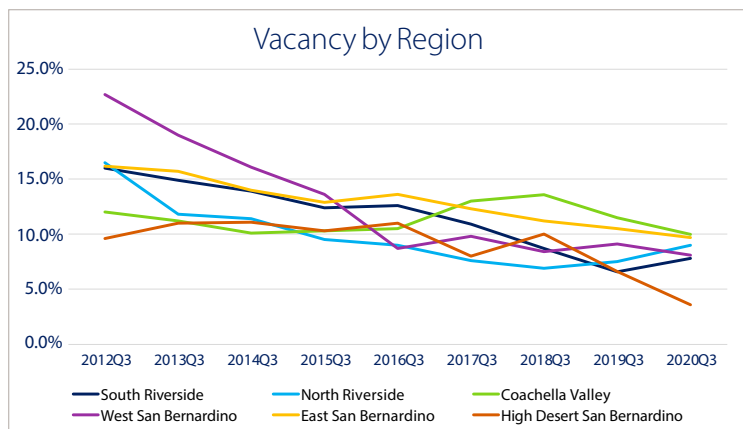
transportation, warehousing, and utilities led the way in employment gains.

As of the third quarter, vacancy in the Inland Empire's office market recorded 9.1%, up 50 basis points from the previous quarter, but still lower than the 9.4% recorded one year ago. Vacancy has decreased year-over-year for the past decade, due in part to minimal construction over the same time period. Total net absorption registered negative 38,997 sf for the quarter, while the total year-to-date for 2020 remains in the positive at 282,632 sf.

There are currently four office buildings under construction tracking in the market, with a total of 124k sf of new inventory in the pipeline, including 31k sf of speculative traditional office, while the remainder is planned for medical office use. The largest new delivery during the third quarter included phase two of Lakeshore Plaza at Dos Lagos in Corona, bringing 147k sf of speculative traditional office space to the market.

Constricted office inventory has helped keep rental rates at their highest level since the record highs of 2008, continuing to climb despite the current climate of uncertainty. At the third quarter, rents averaged \$2.16 psf FSG, up from \$2.08 in the previous quarter and up from \$1.96 one year ago. The highest submarket rents are currently found in the West San Bernardino city of Chino, the North Riverside city of Corona, and in the South Riverside city of Murrieta, respectively.

	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q3 2020 Inventory (SF)	Q3 2020 Vacancy (SF)	Q3 2020 Vacancy (%)	Q2 2020 Vacancy (%)	Current Quarter Absorption	12 Month Total Absorption	Q3 2020 Rental Rates	Q2 2019 Rental Rates	Qtr/Qtr Change (%)	Current Qtr Deliveries (SF)	Under Construction Quarter-End
Temecula / Murrieta / Lake Elsinore	3,822,757	357,654	9.4%	7.9%	-48,454	-50,345	\$2.46	\$2.27	8.37%	0	0
Perris / Menifee	293,998	18,823	6.4%	1.7%	-	-11,956	\$1.96	\$1.96	0.00%	0	0
Hemet	314,078	29,805	9.5%	8.8%	-2,322	-15,225	\$1.58	\$1.64	-3.66%	0	0
South Riverside TOTAL	4,430,833	406,282	9.2%	8.0%	-50,776	-77,526	\$2.33	\$2.19	6.39%	0	0
Corona	2,736,858	379,434	13.9%	9.0%	-3,735	-26,395	\$2.51	\$2.55	-1.57%	146,784	58,500
Riverside City	6,566,111	592,333	9.0%	9.2%	41,163	37,960	\$2.13	\$2.09	1.91%	0	0
Moreno Valley	1,706,869	53,378	3.1%	1.7%	-23,572	174,202	\$2.16	\$2.14	0.93%	0	0
Beaumont / Banning	315,125	0	0.0%	0.0%	-	150,000	\$0.00	\$0.00	0.00%	0	0
North Riverside TOTAL	11,324,963	1,025,145	9.1%	8.0%	13,856	335,767	\$2.26	\$2.25	0.44%	146,784	58,500
Indio / Coachella	389,282	25,888	6.7%	5.3%	-5,477	14,840	\$1.99	\$1.84	8.15%	0	35,000
Palm Desert / Palm Springs	2,565,449	270,693	10.6%	10.6%	4,889	37,655	\$2.04	\$1.99	2.51%	0	0
Coachella Valley TOTAL	2,954,731	296,581	10.1%	10.0%	-588	52,495	\$2.03	\$1.98	2.53%	0	35,000
Chino	858,472	53,091	6.2%	5.5%	-4,851	17,845	\$2.57	\$2.55	0.78%	0	0
Ontario / Rancho Cucamonga	7,855,526	684,124	8.7%	8.7%	-31,770	151,950	\$2.21	\$2.19	0.91%	0	30,521
West San Bernardino TOTAL	8,713,998	737,215	8.5%	8.2%	-36,621	169,795	\$2.22	\$2.20	0.91%	0	30,521
San Bernardino City / Redlands	7,740,225	728,084	9.4%	10.5%	23,855	84,036	\$1.91	\$1.77	7.91%	0	0
Fontana / Rialto	769,529	119,836	15.6%	21.8%	10,630	3,046	\$2.36	\$2.33	1.29%	0	0
East San Bernardino TOTAL	8,509,754	847,920	10.0%	11.5%	34,485	87,082	\$1.94	\$1.81	7.18%	0	0
Victorville/Hesperia/Adelanto	989,545	38,283	3.9%	3.6%	-3,363	36,003	\$1.40	\$1.47	-4.76%	0	0
Barstow	91,009	-	0.0%	0.0%	-	0	\$0.00	\$0.75	-100.00%	0	0
High Desert San Bernardino	1,080,554	38,283	3.7%	3.4%	-3,363	36,003	\$1.40	\$1.28	9.37%	0	0
INLAND EMPIRE TOTAL OFFICE	37,014,833	3,351,426	9.1%	8.9%	-43,007	603,616	\$2.16	\$2.07	4.35%	146,784	124,021



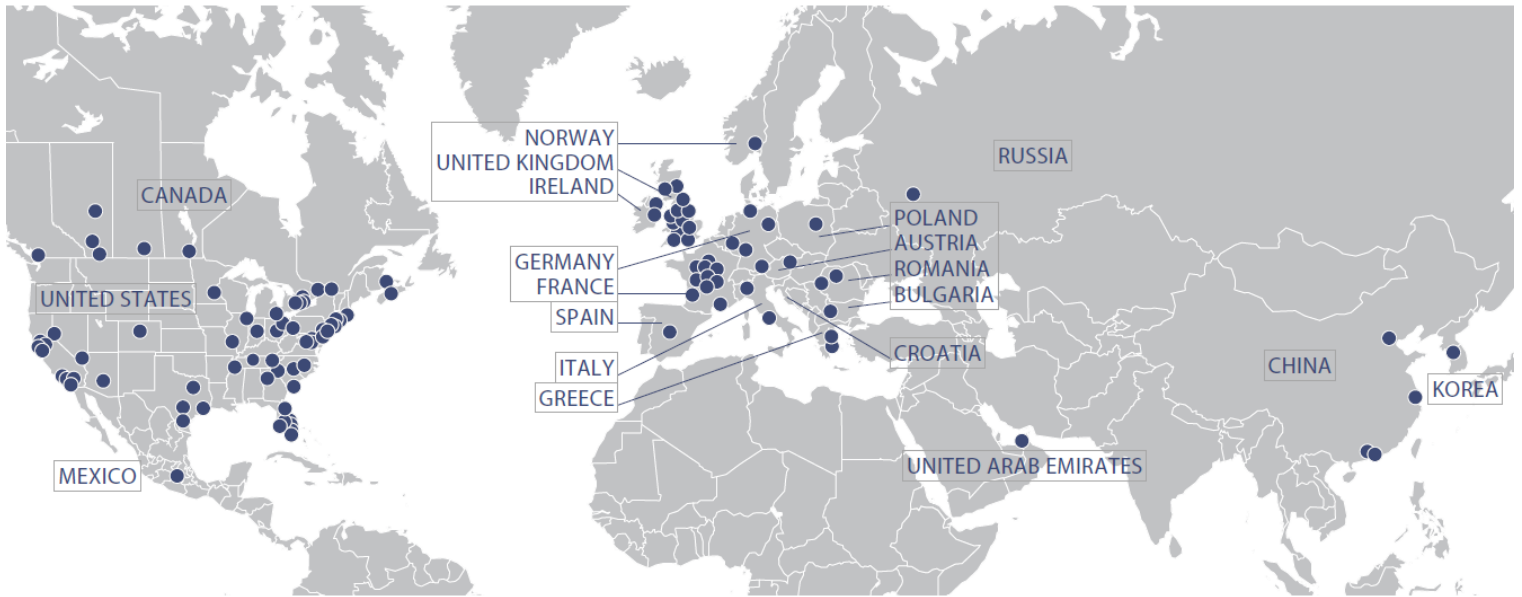
SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
North Riverside	Riverside City	Eastvale, Jurupa Valley, Mira Loma, Riverside City-North
	Moreno Valley	Moreno Valley, Riverside City-South
	Beaumont / Banning	Beaumont, Banning, Cabazon, Calimesa
	Coachella / Indio	Coachella, Indio, Mecca, Thermal
Coachella Valley	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

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Avison Young at a Glance

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