

Inland Empire



Market Facts

4.7%

Inland Empire
Unemployment Rate

90,368 SF

Positive Net Absorption
Current Quarter

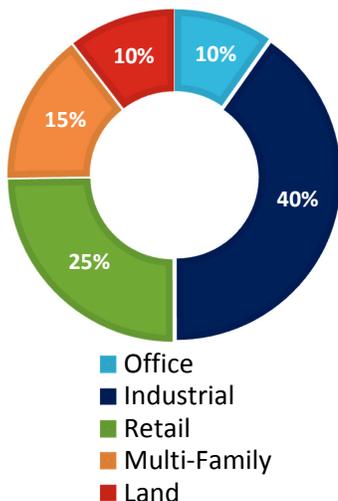
10.0%

Total Vacancy Rate
Down From 10.1% In Q1 2018

\$1.90 PSF

Asking Rental Rate
Weighted Average

Q2 2018 Transaction Volume by
Property Sector



Market Overview

Demand for office space in the Inland Empire continues to grow at the mid-point of 2018. Vacancy has decreased year-over-year post-recession, while rental rates have been bolstered by increasing demand in the same time frame. 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.

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. Office inventory will likely grow further out of a response to the market's massive industrial inventory, the multifamily inventory boom, and retail expansion that has followed in natural progression. Construction deliveries of office inventory are far below pre-recession levels, and the market has extensive room to grow. There were four office deliveries during the second quarter of the year, resulting in 103,000 sf of new inventory, more than 80% pre-committed to occupants. There are currently eleven buildings under construction, with a total of 548,000 sf of expected new inventory.

As of the second quarter of 2018, vacancy in the Inland Empire's office market has decreased to 10.0%, from the previous quarter at 10.1%, and down from 10.4% at the same time in the previous year. On a year-over-year basis, vacancy has decreased significantly since recession highs of 20% when construction activity had reached record levels. Rental rates in the market have been responding to the contraction in availability. Rents remain elevated while a choppy upward trajectory is expected to continue. Office rents have not yet reached pre-recession levels, which had surged above \$2.20 during the historical height of construction activity. In the second quarter of 2018 rents averaged \$1.90 psf FSG, up from the previous quarter at \$1.85 psf FSG, and up slightly from the same time in the previous year at \$1.88 psf FSG. Total net absorption registered positive 90,368 sf for the quarter, and positive 327,522 sf for the most recent 12 month period.

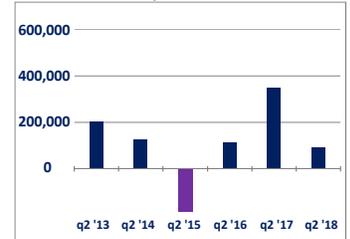
Asking Rent



Vacancy Rates

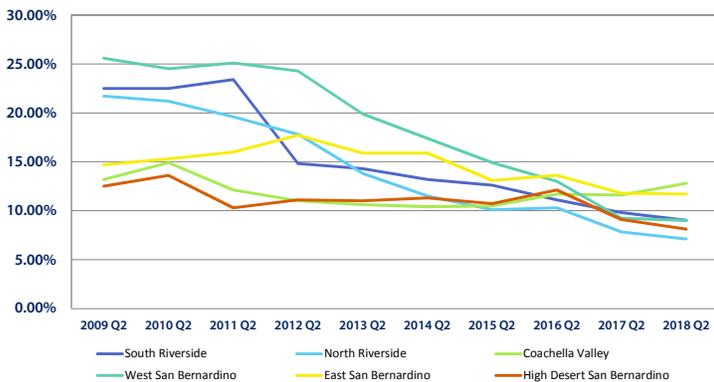


Net Absorption

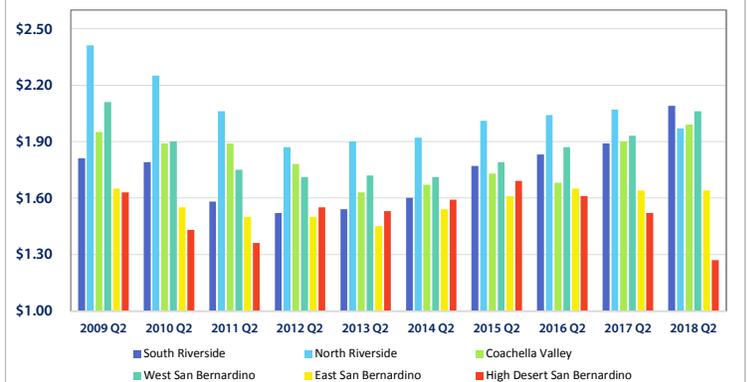


	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q2 2018 Inventory (SF)	Q2 2018 Vacancy (SF)	Q2 2018 Vacancy (%)	Q1 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q2 2018 Rental Rates	Q1 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries (SF)	Under Construction Currently (SF)
South Riverside											
Temecula / Murrieta / Lake Elsinore	3,999,029	365,049	9.10%	8.80%	19,172	68,448	\$2.13	\$2.10	1.43%	25,121	100,000
Perris / Menifee	348,998	15,770	4.50%	1.90%	-10,655	-9,107	\$2.27	\$2.08	9.13%	0	0
Hemet	312,101	65,003	20.80%	20.70%	-453	3,862	\$1.80	\$1.79	0.56%	0	0
South Riverside TOTAL	4,660,128	445,822	9.60%	9.20%	8,064	63,203	\$2.09	\$2.06	1.46%	25,121	100,000
North Riverside											
Corona	2,768,691	170,527	6.20%	6.00%	25,801	105,816	\$1.92	\$1.98	-3.03%	32,354	0
Riverside City	5,320,811	497,038	9.30%	8.50%	-22,462	4,564	\$2.00	\$1.98	1.01%	27,000	0
Moreno Valley	1,495,144	53,361	3.60%	3.80%	2,767	2,868	\$1.82	\$1.82	0.00%	0	225,319
Beaumont / Banning	137,332	0	0.00%	0.00%	0	0	\$0.00	\$0.00	0.00%	0	0
West Riverside TOTAL	9,721,978	720,926	7.40%	6.90%	6,106	113,248	\$1.97	\$1.96	0.51%	59,354	225,319
Coachella Valley											
Indio / Coachella	283,094	20,254	7.20%	7.20%	0	5,200	\$1.66	\$1.66	0.00%	0	0
Palm Desert / Palm Springs	2,633,376	353,763	13.40%	13.40%	9,201	10,165	\$2.02	\$1.91	5.76%	0	0
Coachella Valley TOTAL	2,916,470	374,017	12.80%	12.80%	9,201	15,365	\$1.99	\$1.89	5.29%	0	0
West San Bernardino											
Chino	620,416	37,544	6.10%	7.20%	7,012		\$2.29	\$2.23	2.69%	0	91,500
Airport Area	7,699,489	778,265	10.10%	11.00%	53,573	73,939	\$2.05	\$1.96	4.59%	0	135,200
West San Bernardino TOTAL	8,319,905	815,809	9.80%	10.70%	60,585	131,874	\$2.06	\$1.97	4.57%	0	226,700
East San Bernardino											
San Bernardino City / Redlands	7,595,898	885,558	11.70%	11.40%	-11,738		\$1.64	\$1.60	2.50%	0	0
Fontana / Rialto	762,463	159,215	20.90%	22.80%	11,204	8,647	\$1.66	\$1.64	1.22%	0	0
East San Bernardino TOTAL	8,358,361	1,044,773	12.50%	12.40%	-534	-45,066	\$1.64	\$1.61	1.86%	0	0
High Desert San Bernardino											
Victorville/Hesperia/Adelanto	933,304	71,174	7.60%	9.60%	6,946	8,347	\$1.43	\$1.66	-13.86%	0	0
Barstow	55,217	9,141	16.60%	16.60%	0	0	\$0.78	\$0.78	0.00%	0	0
North San Bernardino TOTAL	988,521	80,315	8.10%	10.00%	6,946	8,347	\$1.27	\$1.47	-13.61%	0	0
INLAND EMPIRE											
Class A	8,790,420	680,431	7.70%	7.80%	-2,713	87,555	\$2.31	\$2.27	1.76%	0 Bldgs	3 Bldgs
Class B	21,968,029	2,522,839	11.40%	11.70%	130,911	223,272	\$1.80	\$1.78	1.12%	3 Bldgs	5 Bldgs
Class C	4,206,914	278,392	6.70%	5.60%	-37,830	-23,856	\$1.60	\$1.56	2.56%	0 Bldgs	0 Bldgs
TOTAL OFFICE	34,965,363	3,481,662	10.00%	10.10%	90,368	286,971	\$1.90	\$1.85	2.70%	84,475 (SF)	552,019 (SF)

Vacancy by Region



Rental Rate by Region



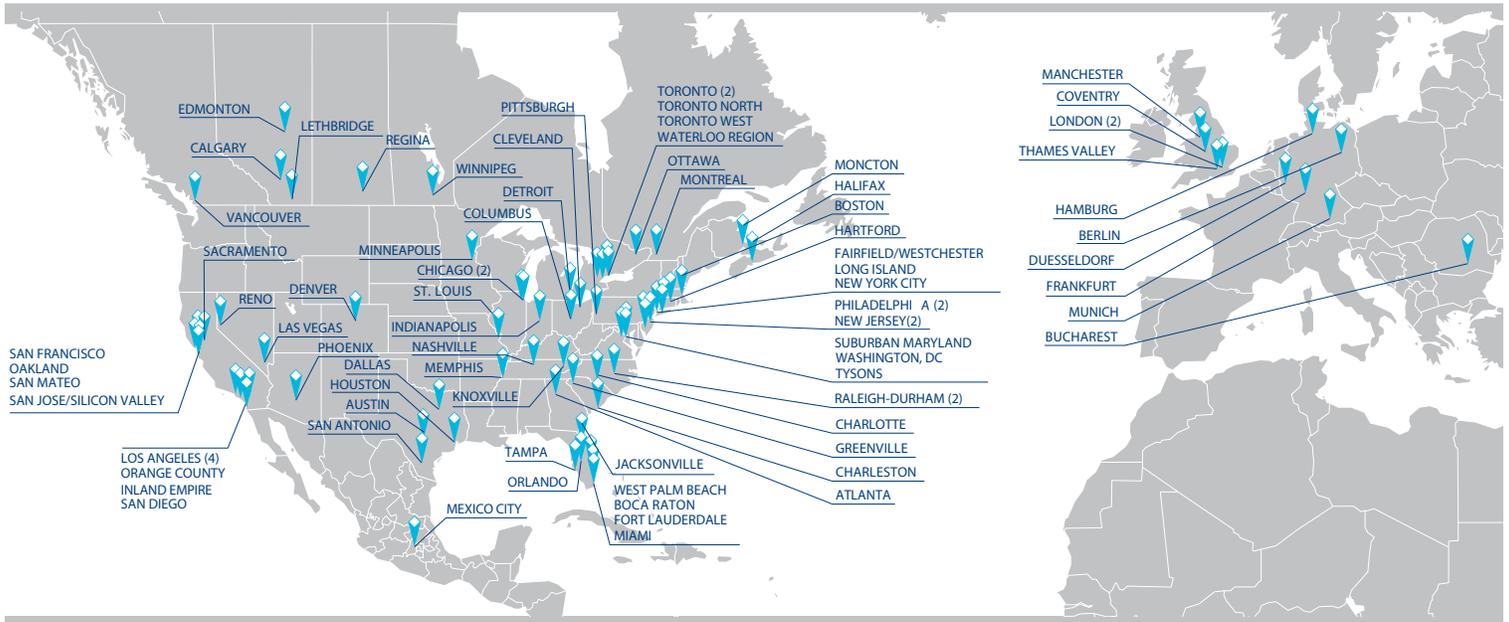
SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
	Riverside City	Eastvale, Jurupa Valley, Mira 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

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Avison Young at a Glance

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 Offices: **84**
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