

Inland Empire



Quick Stats

3.9%

Inland Empire
Unemployment Rate

2,948,664 SF

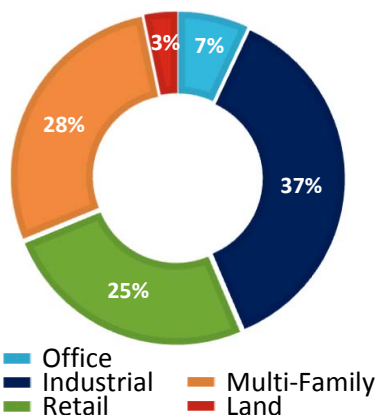
Positive Net Absorption Current
Quarter

5.1%

Total Vacancy Rate
Up From 4.9% In Q3 2018

\$0.69 PSF

Asking Rental Rate
Weighted Average

Q4 2018 Transaction Volume by
Property Sector


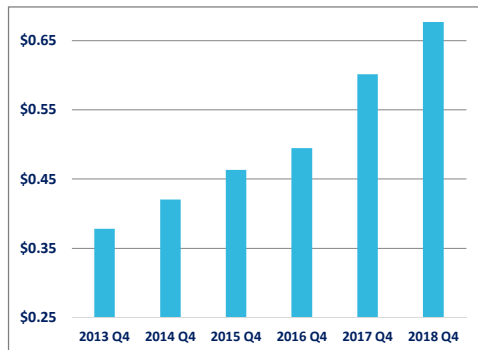
Supporting the rapidly growing warehousing and logistics demands for the entire Southern California region, the Inland Empire is a powerhouse of industrial inventory and continues to exhibit robust fundamentals as of the fourth quarter of 2018. The counties of Riverside and San Bernardino, which make up the Inland Empire market, are attracting investors and developers, as well as leading retail suppliers. Vacancy nudged up quarter-over-quarter, although remaining at record lows. Rental rates remained at record highs. While some volatility may emerge as a result of changing macro-economic conditions, tight inventory in this market 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 fourth quarter of the year, amounting to 22.0M sf of new inventory that is expected to be delivered into the coming year. The largest project under construction at the end of 2018 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.

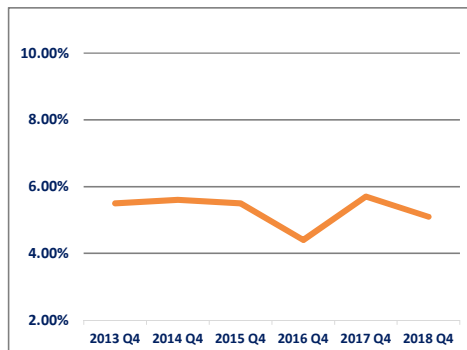
As of the fourth quarter of 2018, vacancy increased to 5.1%, up from 4.9% in the previous quarter, but down from 5.7% at the same time one year ago. Vacancy has remained below 6.0% for the past four years running, in spite of the addition of new inventory which has ramped-up over the past three years. The industrial market recorded positive total net absorption of 2.9M sf for the quarter, and positive 24.6M sf for the most recent 12 month period. Rental rates for the entire market on average surged in the fourth quarter to \$0.69 psf FSG, up from the previous quarter at \$0.62 psf FSG, and significantly elevated from \$0.58 psf FSG at the same time in the previous year.

The Inland Empire's unemployment rate, as of the fourth quarter of 2018, was 3.9%, down from 4.1% in the previous quarter, and down from 4.1% one year ago. Within the market, unemployment was 4.1% in Riverside County and 3.7% 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.

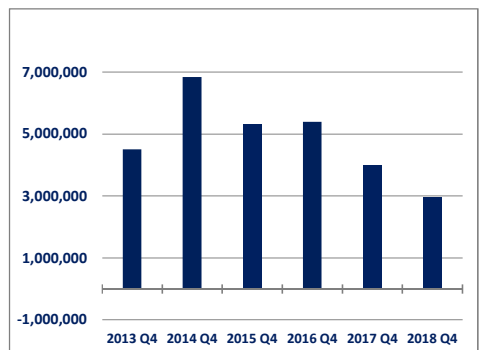
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Lowes	New	24385 Nandina Avenue, Moreno Valley	North Riverside	1,387,899
Hanesbrands, Inc.	Renewal	3700 Indian Avenue, Perris	South Riverside	1,309,754
DMS Holdings	New	24103 San Michele Road, Moreno Valley	North Riverside	739,903
FabFitFun	New	14101 Pipeline Avenue, Chino	West San Bernardino	600,000
Performance Team Freight	New	26881 Palmetto Avenue, Redlands	East San Bernardino	585,064

Top Sales

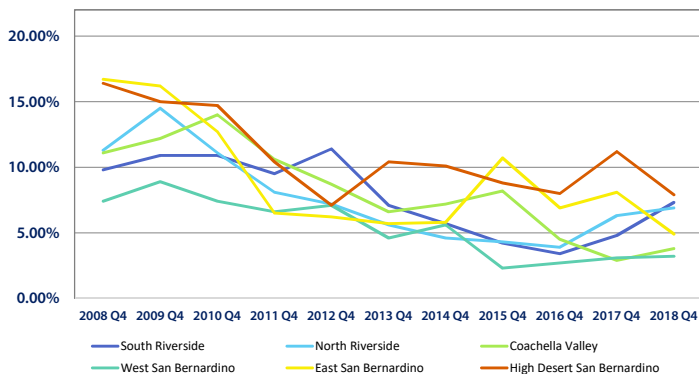
Address	Buyer	Seller	Price	SF	P/SF
Cajon Distribution Center, San Bernardino	GLP, Inc.	DHL Supply Chain	\$87,228,750	830,750	\$105
4000 E Mission Blvd, Ontario	Bridgestone Americas	SMBC Leasing and Finance	\$75,306,000	923,083	\$82
Interchange Business Center, 3 Bldgs, San Bernardino	Cabot Properties, Inc.	TA Realty	\$73,000,000	667,024	\$109
9050 Hermosa Ave, Rancho Cucamonga	Deutsche Bank Securities	Nuveen Real Estate	\$68,950,000	468,682	\$147
4382-4472 Georgia Blvd, San Bernardino	Deutsche Bank Securities	Industrial Property Trust	\$50,500,000	423,887	\$119

Under Construction

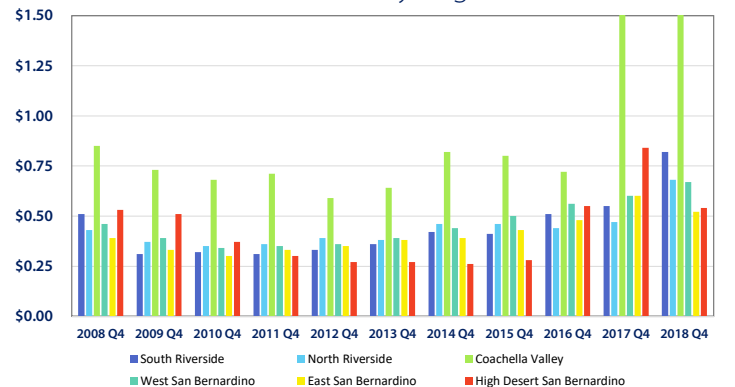
Address	Submarket	Developer	SF	Completion
Watson Industrial Park, Chino	West San Bernardino	Watson Land Company	1,426,766	Q3 2019
Big Lots Distribution Center, Apple Valley	High Desert San Bernardino	Haskell	1,350,000	Q2 2019
3520 S Cactus Avenue, Bloomington	East San Bernardino	Panattoni	1,264,102	Q3 2019
Majestic Freeway Business Center, Perris	South Riverside	Majestic Realty Company	1,200,000	Q4 2019
4815 S Hellman Avenue, Ontario	West San Bernardino	Ontario Land Ventures	1,180,908	Q3 2019

	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q4 2018 Inventory (SF)	Q4 2018 Vacancy (SF)	Q4 2018 Vacancy (%)	Q3 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q4 2018 Rental Rates NNN	Q3 2018 Rental Rates NNN	Qtr/Qtr Change (%)	Current Quarter Deliveries	Under Construction Quarter-End
South Riverside											
Temecula / Murrieta / Lake Elsinore	12,644,452	415,483	3.30%	1.80%	-146,723	381,264	\$0.76	\$0.73	4.11%	39,000	101,086
Perris / Menifee	24,208,232	2,365,609	9.80%	5.60%	-564,341	1,565,190	\$1.01	\$0.68	48.53%	479,485	5,259,198
Hemet	1,433,675	9,005	0.60%	1.00%	5,182	3,495	\$0.00	\$0.00	0.00%	0	0
South Riverside TOTAL	38,286,359	2,790,097	7.30%	4.10%	-705,882	1,949,949	\$0.82	\$0.71	15.49%	518,485	5,360,284
North Riverside											
Corona	26,003,489	1,094,475	4.20%	2.60%	-116,460	1,348,538	\$0.77	\$0.77	0.00%	202,521	115,507
Riverside City	65,485,507	2,913,108	4.40%	5.50%	716,798	2,992,676	\$0.62	\$0.61	1.64%	37,626	839,199
Moreno Valley	45,220,722	5,681,205	12.60%	13.10%	2,213,088	4,114,938	\$0.49	\$0.46	6.52%	2,267,066	2,990,044
Beaumont / Banning	4,701,021	44,500	0.90%	0.50%	-20,197	-5,769	\$2.10	\$0.36	483.33%	0	0
North Riverside TOTAL	141,410,739	9,733,288	6.90%	7.20%	2,793,229	8,450,383	\$0.68	\$0.56	21.43%	2,507,213	3,944,750
Coachella Valley											
Indio / Coachella	3,840,935	152,223	4.00%	3.00%	-38,788	-57,720	\$0.62	\$0.58	6.90%	0	0
Palm Desert / Palm Springs	4,063,539	149,515	3.70%	3.30%	-16,790	405,467	\$2.97	\$2.57	15.56%	0	25,380
Coachella Valley TOTAL	7,904,474	301,738	3.80%	3.20%	-55,578	347,747	\$2.11	\$1.56	35.26%	0	25,380
West San Bernardino											
Chino	46,183,201	1,634,144	3.50%	2.90%	-262,579	2,855,627	\$1.00	\$0.77	29.87%	100,326	1,426,766
Airport Area	142,018,124	4,451,417	3.10%	2.50%	-837,827	632,751	\$0.66	\$0.63	4.76%	102,530	2,215,182
West San Bernardino TOTAL	188,201,325	6,085,561	3.20%	2.60%	-1,100,406	3,488,378	\$0.67	\$0.63	6.35%	202,856	3,641,948
East San Bernardino											
San Bernardino City / Redlands	63,312,071	3,358,256	5.30%	6.70%	990,160	4,539,897	\$0.45	\$0.45	0.00%	500,572	1,615,141
Fontana / Rialto	97,558,355	4,522,036	4.60%	4.70%	921,281	4,882,894	\$0.57	\$0.57	0.00%	1,014,607	6,018,251
East San Bernardino TOTAL	160,870,426	7,880,292	4.90%	5.50%	1,911,441	9,422,791	\$0.52	\$0.52	0.00%	1,515,179	7,633,392
High Desert San Bernardino											
Victorville/Hesperia/Adelanto	13,795,010	1,027,807	7.50%	5.60%	-77,988	734,518	\$0.62	\$0.75	-17.33%	0	1,400,000
Barstow	682,961	109,971	16.10%	43.00%	183,848	197,265	\$0.22	\$0.22	0.00%	0	0
North San Bernardino TOTAL	14,477,971	1,137,778	7.90%	7.40%	105,860	931,783	\$0.54	\$0.65	-16.92%	0	1,400,000
INLAND EMPIRE											
20,000 SF to 49,999 SF	74,830,513	2,816,477	3.80%	3.80%	100,200	917,942	\$0.94	\$0.84	11.90%	4 Bldgs	26 Bldgs
50,000 SF to 149,999 SF	107,025,039	4,673,477	4.40%	3.90%	162,520	3,406,893	\$0.68	\$0.62	9.68%	7 Bldgs	20 Bldgs
150,000 SF and larger	369,291,542	20,438,800	5.50%	5.30%	2,685,944	20,266,196	\$0.55	\$0.49	12.24%	7 Bldgs	43 Bldgs
TOTAL INDUSTRIAL	551,151,294	27,928,754	5.10%	4.90%	2,948,664	24,591,031	\$0.69	\$0.62	11.29%	4,743,733 (SF)	22,005,754 (SF)

Vacancy by Region



Rental Rate by Region

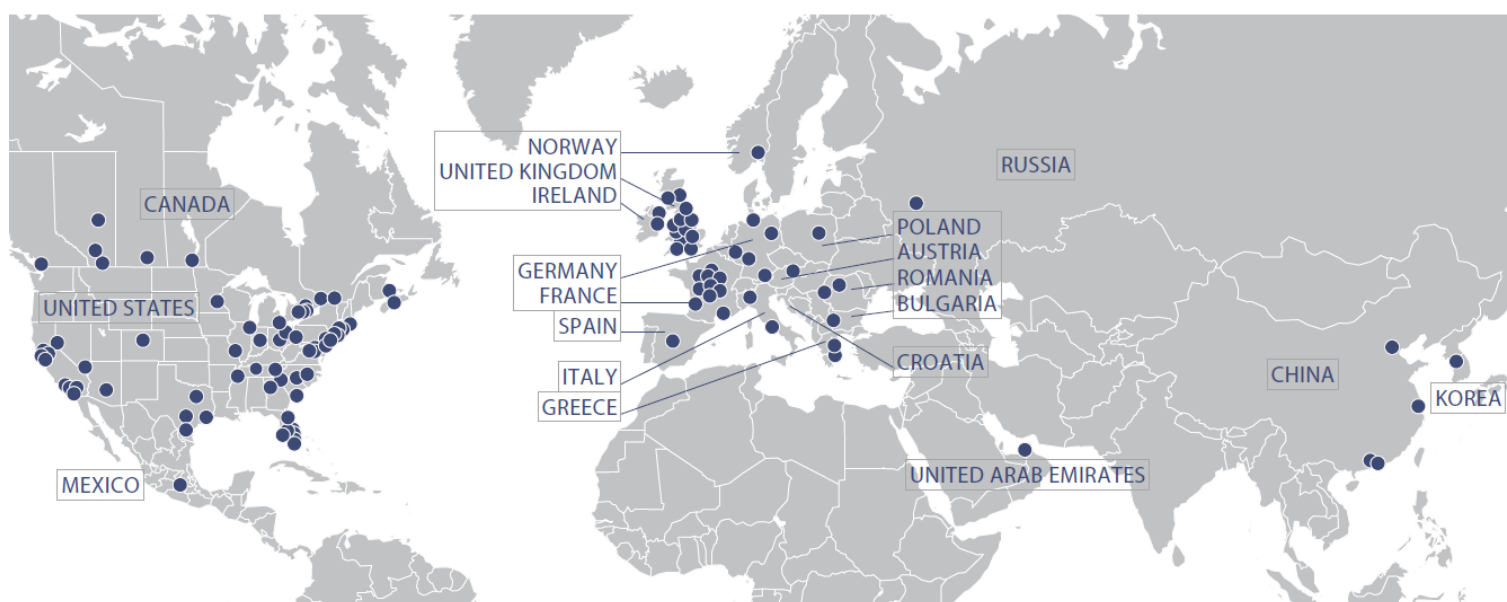


SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
	Riverside City	Eastvale, Jurupa Valley, Mira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