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First Quarter 2019 / Industrial Market Report

Inland Empire



Quick Stats

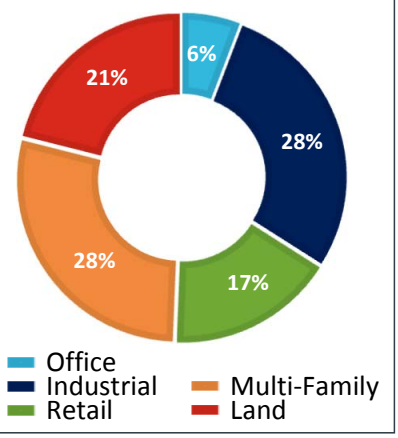
4.3%
Inland Empire
Unemployment Rate

5,378,971 SF
Positive Net Absorption
Current Quarter

5.0%
Total Vacancy Rate
Down From 5.1% In Q4 2018

$0.71 PSF
Asking Rental Rate
Weighted Average

Q1 2019 Transaction Volume by Property Sector



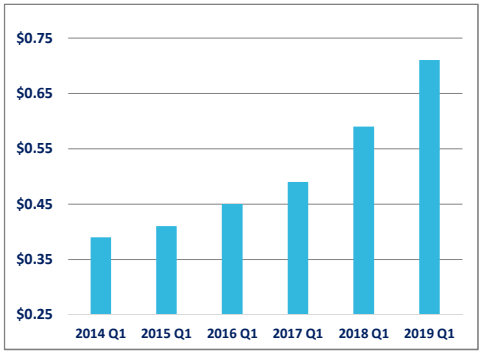
Supporting the rapidly growing warehousing and logistics demands for the entire Southern California region, the Inland Empire is a powerhouse of industrial inventory and continues to exhibit robust fundamentals as of the first quarter of 2019. The counties of Riverside and San Bernardino, which make up the Inland Empire market, are attracting investors and developers, as well as leading retail warehouses and distribution centers. Vacancy is still tight and remained at record lows. Meanwhile, 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 further 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 94 industrial projects under construction as of the first quarter of the year, exceeding 22.0M sf of new inventory that is expected to be delivered during the coming year. The largest project to deliver at the beginning of 2019 was Prologis Park Moreno Valley Eucalyptus, consisting of four LEED Silver buildings located in the North Riverside submarket. The project adds 1.5M sf of new inventory, 53% of which is pre-committed to tenants. The next largest delivery in the first quarter was a spec development at 4323 Indian Ave in Perris, located in the South Riverside submarket. The 657k SF facility delivered with no tenant pre-commitments, and sits on over 30 acres of land, adjacent to high profile distribution centers including the likes of Home Depot, Lowes, Ross, Walgreens and Amazon.

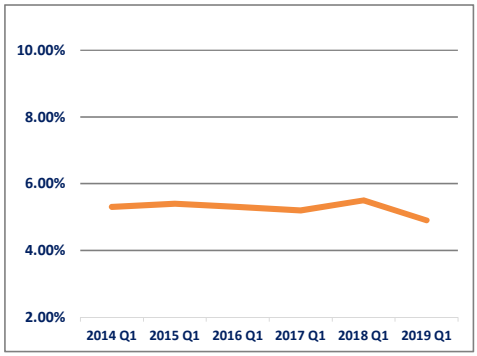
As of the first quarter of 2019, vacancy shrank to 5.0%, down from 5.1% in the previous quarter, and down more significantly from 5.5% at the same time one year ago. Vacancy has remained within a tight range for the past four years running, in-spite of the consistent addition of new inventory. The industrial market recorded positive total net absorption of 5.4M sf for the quarter, and positive 23.1M sf for the most recent 12 month period. Rental rates for the entire market on average reached a new high in the first quarter at $0.71 psf FSG, up from the previous quarter at $0.69 psf FSG, and significantly elevated from $0.59 psf FSG at the same time in the previous year.

The Inland Empire's unemployment rate, as of the first quarter of 2019, has risen to 4.3%, up from 3.9% in the previous quarter, and up from 4.1% one year ago. Within the market, unemployment was 4.5% in Riverside County and 4.2% in San Bernardino County. Retail accounted for half of the job losses in the first quarter. Transportation and warehousing have been leading the way in employment gains year-over-year, along with significant additions in government jobs. Meanwhile, hospitality, healthcare and education are also expanding as a result of population growth.

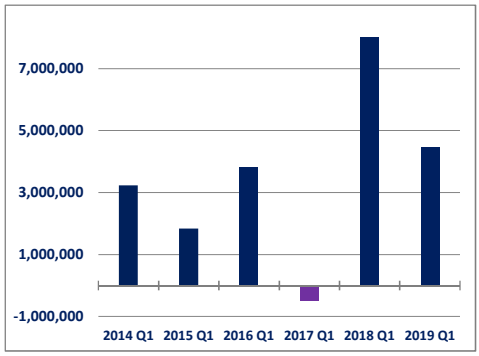
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Steelcase	New	Arrow Route Distribution Center, Rancho Cucamonga	West San Bernardino	611,573
Williams Sonoma	New	Sierra Lakes Commerce Center, Fontana	East San Bernardino	597,818
Motivational Fulfillment & Logistics	New	Watson Industrial Park, Chino	West San Bernardino	505,735
Capital Logistics	New	Meridian Distribution Center II, Riverside	North Riverside	503,592
Faro Logistics	New	Rancho Cucamonga Distribution Center, Rancho Cucamonga	West San Bernardino	418,265

Top Sales

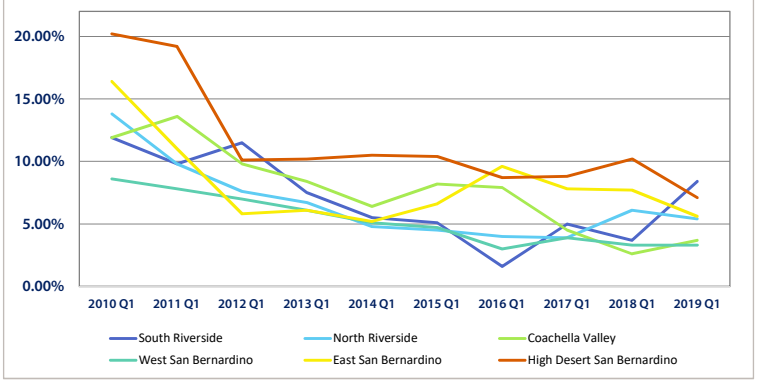
Address	Buyer	Seller	Price	SF	P/SF
Optimus Logistics Center, Perris	Kohlberg Kravis Roberts & Co.	Rockefeller Group	$43,512,000	406,650	$107
Fontana Commerce Center, Fontana	Black Creek Group	Boyd Properties, Inc.	$42,129,000	318,104	$132
Hallmark Distribution Center, San Bernardino	Bixby Land Company	Penwood Real Estate	$33,328,000	340,080	$98
Redlands Commerce Center, Redlands	Liberty Property Trust	Kensington Realty Advisors	$31,286,000	289,683	$108
Enterprise Distribution Center, Bloomington	TA Realty	Eaton	$30,075,000	274,494	$110

Under Construction

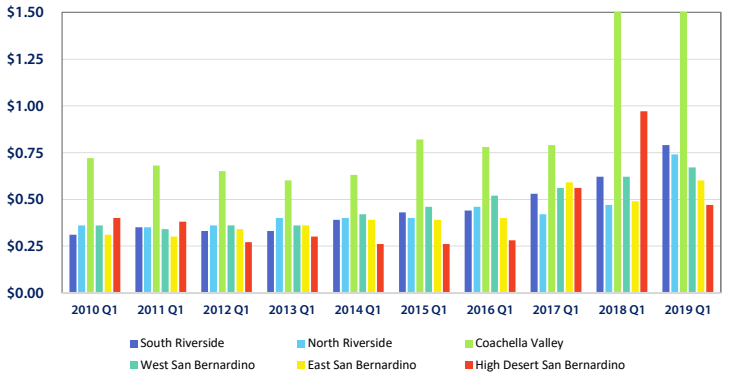
Address	Submarket	Developer	SF	Completion
Goodman Industrial Park, Fontana	East San Bernardino	Goodman North America	1,576,374	Q4 2019
Magnon Business Park, Riverside	North Riverside	Magnon Companies	1,374,341	Q4 2019
Big Lots Distribution Center, Apple Valley	High Desert San Bernardino	Haskell	1,350,000	Q3 2019
Colony Commerce Center, Ontario	West San Bernardino	CapRock Partners	1,289,292	Q3 2019
3520 S Cactus Avenue, Bloomington	East San Bernardino	Panattoni	1,264,102	Q4 2019

		Vacancy			Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q1 2019 Inventory (SF)	Q1 2019 Vacancy (SF)	Q1 2019 Vacancy (%)	Q4 2018 Vacancy (%)	Current Quarter Absorption	12 Month Total Absorption	Q1 2019 Rental Rates NNN	Q4 2018 Rental Rates NNN	Qtr/Qtr Change (%)	Current Quarter Deliveries	Under Construction Quarter-End
South Riverside											
Temecula / Murrieta / Lake Elsinore	12,447,281	359,890	2.90%	3.30%	55,593	203,910	$0.76	$0.76	0.00%	0	101,086
Perris / Menifee	25,777,265	2,919,672	11.30%	9.80%	1,014,970	1,607,853	$1.04	$1.01	2.97%	1,569,033	2,255,671
Hemet	1,433,675	33,218	2.30%	0.60%	-24,213	-30,718	$0.00	$0.00	0.00%	0	0
South Riverside TOTAL	39,658,221	3,312,780	8.40%	7.30%	1,046,350	1,781,045	$0.79	$0.82	-3.66%	1,569,033	2,356,757
North Riverside											
Corona	26,029,248	1,030,747	4.00%	4.20%	158,875	399,055	$0.76	$0.77	-1.30%	95,147	1,240,395
Riverside City	65,536,614	1,535,144	2.30%	4.40%	1,396,422	2,630,559	$0.65	$0.62	4.84%	33,773	942,450
Moreno Valley	46,085,794	5,031,432	10.90%	12.60%	1,623,105	4,697,024	$0.58	$0.49	18.37%	973,332	3,385,755
Beaumont / Banning	4,701,021	46,616	1.00%	0.90%	-2,116	-9,888	$2.23	$2.10	6.19%	0	0
North Riverside TOTAL	142,352,677	7,643,939	5.40%	6.90%	3,176,286	7,716,750	$0.74	$0.68	8.82%	1,102,252	5,568,600
Coachella Valley											
Indio / Coachella	3,917,735	138,696	3.50%	4.00%	13,527	-48,426	$0.48	$0.62	-22.58%	0	0
Palm Desert / Palm Springs	4,063,539	153,797	3.80%	3.70%	-3,082	385,243	$2.93	$2.97	-1.35%	0	53,128
Coachella Valley TOTAL	7,981,274	292,493	3.70%	3.80%	10,445	336,817	$2.38	$2.11	12.80%	0	53,128
West San Bernardino											
Chino	46,551,727	960,244	2.10%	3.50%	989,196	3,830,000	$0.86	$1.00	-14.00%	315,296	1,111,470
Airport Area	142,993,067	5,217,822	3.60%	3.10%	260,038	925,117	$0.66	$0.66	0.00%	1,024,343	1,453,620
West San Bernardino TOTAL	189,544,794	6,178,066	3.30%	3.20%	1,249,234	4,464,763	$0.67	$0.67	0.00%	1,339,639	2,565,090
East San Bernardino											
San Bernardino City / Redlands	63,718,653	3,678,533	5.80%	5.30%	74,606	4,464,763	$0.46	$0.45	2.22%	392,983	1,186,066
Fontana / Rialto	98,163,296	5,329,821	5.40%	4.60%	-335,901	3,088,647	$0.63	$0.57	10.53%	458,691	8,898,655
East San Bernardino TOTAL	161,881,949	9,008,354	5.60%	4.90%	-261,295	7,553,410	$0.60	$0.52	15.38%	851,674	10,084,721
High Desert San Bernardino											
Victorville/Hesperia/Adelanto	13,878,193	919,856	6.60%	7.50%	157,951	763,320	$0.54	$0.62	-12.90%	50,000	1,373,580
Barstow	682,961	109,971	16.10%	16.10%	0	197,036	$0.22	$0.22	0.00%	0	0
North San Bernardino TOTAL	14,561,154	1,029,827	7.10%	7.90%	157,951	960,356	$0.47	$0.54	-12.96%	50,000	1,373,580
INLAND EMPIRE											
20,000 SF to 49,999 SF	75,156,326	2,788,857	3.70%	3.80%	241,463	687,404	$0.86	$0.94	-8.51%	8 Bldgs	28 Bldgs
50,000 SF to 149,999 SF	107,243,032	4,004,920	3.70%	4.40%	978,168	3,638,027	$0.70	$0.68	2.94%	4 Bldgs	22 Bldgs
150,000 SF and larger	374,056,212	21,147,237	5.70%	5.50%	4,159,340	18,778,064	$0.58	$0.55	5.45%	12 Bldgs	44 Bldgs
TOTAL INDUSTRIAL	555,980,069	27,465,459	5.00%	5.10%	5,378,971	23,103,495	$0.71	$0.69	2.90%	4,912,598 (SF)	22,001,876 (SF)

Vacancy by Region



Rental Rate by Region



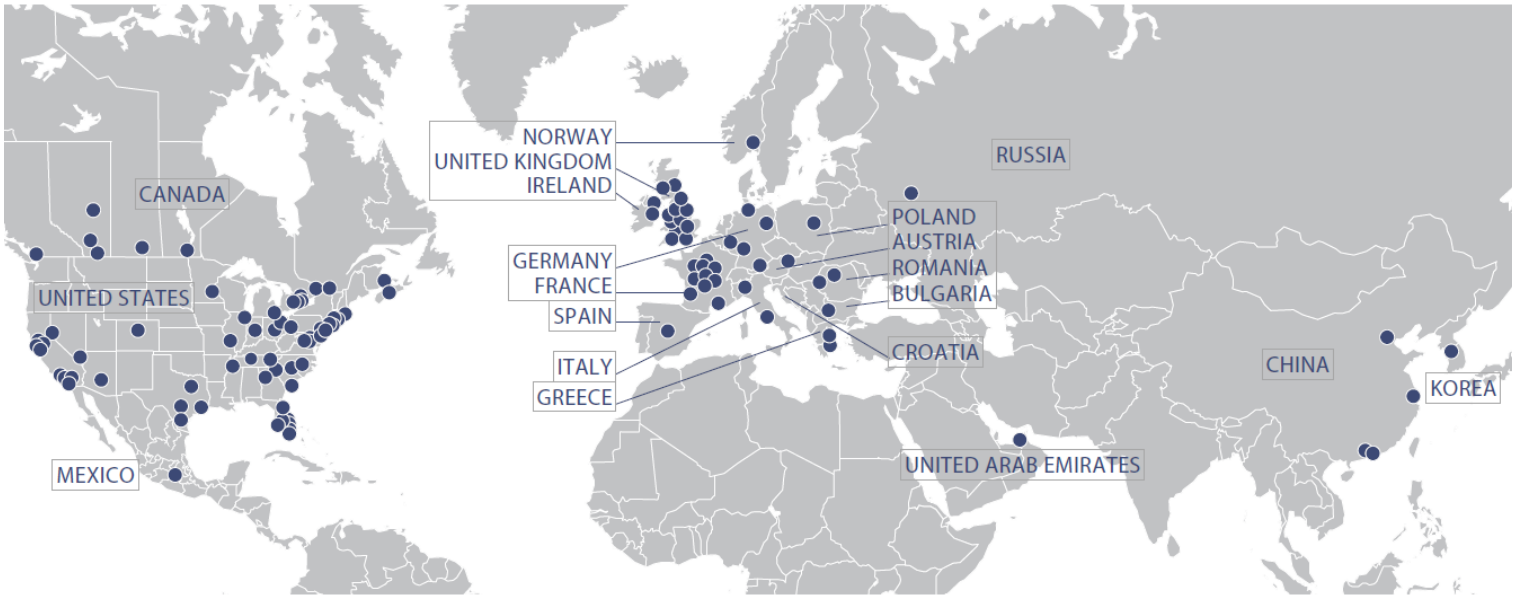
SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
North Riverside	Corona	Corona, Norco
	Riverside City	Eastvale, Jurupa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

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Avison Young at a Glance

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Property Under Management:	**290 million sf**

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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 - 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: Brian Cooper
brian.cooper@avisonyoung.com
858.201.7068

Inland Empire - Ontario
3281 Guasti Rd, Suite 700
Ontario, CA 91761
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 Director
4655 Executive Dr, Ste 325
San Diego, CA 92121
amber.jagers@avisonyoung.com
858.201.7072

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