

Inland Empire



Quick Stats

3.5%

Inland Empire
Unemployment Rate

-143,826 SF

Negative Net Absorption
Current Quarter

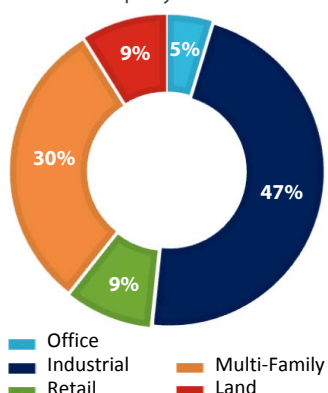
9.5%

Total Vacancy Rate
Down From 8.8% In Q1 2019

\$1.99 PSF

Asking Rental Rate
Weighted Average

Q2 2019 Transaction Volume by
Property Sector



As of the second quarter of 2019, the moderate increase in office construction in the Inland Empire is nudging vacancy up, while rents continue to climb. The Inland Empire's unemployment rate, as of the second quarter, has dropped to 3.5%, from 4.3% in the previous quarter, and down from 4.7% one year ago. Within the market, unemployment was 3.6% in Riverside County and 3.3% in San Bernardino County. 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.

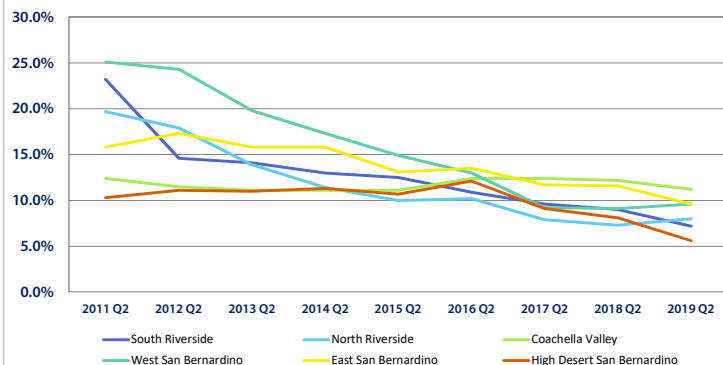
Office demand in the counties of Riverside and San Bernardino, which make up the Inland Empire market, is primarily driven by the increasing need for healthcare services due to the population boom in the market. The majority of newly delivered office inventory in the past five years consists of medical office space. Although construction activity has picked up over the past two years, there is still a wide distance from the 10M sf of office inventory that was delivered to the market in the years leading up to the recession, while 165K sf of office

delivered in the past 12 months. There are currently nine buildings under construction throughout the market, with a total of 653K sf of new inventory expected to deliver in the next 12 months. Three properties delivered during the second quarter of 2019: Upland and the city of Riverside each gained medical office space; while 24K sf of new development in Menifee was immediately leased to the local government for the interim relocation of City Hall.

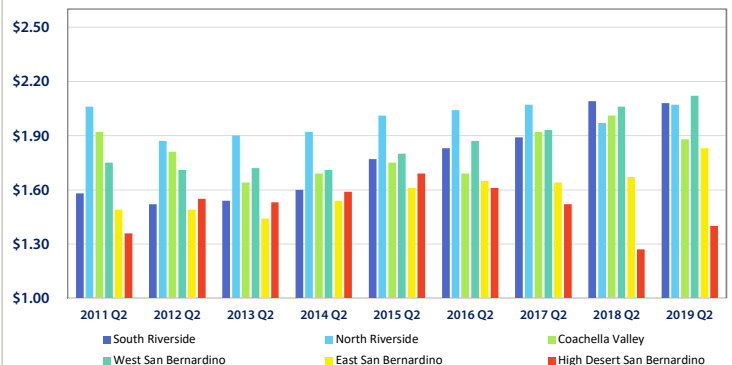
As of the second quarter, vacancy in the Inland Empire's office market has crept up to 9.5%, as compared to the previous quarter at 8.8%. However, vacancy is still tighter than one year ago, and has decreased tremendously year-over-year for the past decade, due in part to modest construction in that time period. Constricted inventory has helped keep rental rates at their highest level in nine years. In the second quarter, rents averaged \$1.99 psf FSG, up from the previous quarter at \$1.95 psf FSG, and up from the same time in the previous year at \$1.91 psf FSG. The highest submarket rents are currently found in West San Bernardino in the Airport Area and Chino, while South Riverside rents are a close second.

	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q2 2019 Inventory (SF)	Q2 2019 Vacancy (SF)	Q2 2019 Vacancy (%)	Q1 2019 Vacancy (%)	Current Quarter Absorption	12 Month Total Absorption	Q2 2019 Rental Rates	Q1 2019 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries (SF)	Under Construction Quarter-End
South Riverside											
Temecula / Murrieta / Lake Elsinore	4,105,570	332,709	8.1%	7.4%	-28,197	89,727	\$2.09	\$2.16	-3.24%	0	0
Perris / Menifee	372,998	2,388	0.6%	0.8%	24,560	37,382	\$2.41	\$2.44	-1.23%	24,000	0
Hemet	315,489	28,114	8.9%	21.6%	39,229	36,889	\$1.85	\$1.86	-0.54%	0	0
South Riverside TOTAL	4,794,057	363,211	7.6%	7.9%	35,592	163,998	\$2.08	\$2.12	-1.89%	24,000	0
North Riverside											
Corona	2,608,049	201,586	7.7%	6.4%	-33,981	-35,228	\$2.10	\$2.10	0.00%	0	0
Riverside City	5,350,706	593,603	11.1%	9.4%	-92,447	-77,123	\$2.09	\$2.09	0.00%	0	87,317
Moreno Valley	1,520,619	22,140	1.5%	1.5%	25,738	38,540	\$1.93	\$1.72	12.21%	25,319	256,219
Beaumont / Banning	185,845	0	0.0%	0.0%	0	0	\$0.00	\$0.00	0.00%	0	172,183
West Riverside TOTAL	9,665,219	817,329	8.5%	7.2%	-100,690	-73,811	\$2.07	\$2.05	0.98%	25,319	515,719
Coachella Valley											
Indio / Coachella	283,094	19,811	7.0%	7.0%	0	443	\$1.76	\$1.76	0.00%	0	0
Palm Desert / Palm Springs	2,532,076	299,168	11.8%	13.1%	30,700	25,940	\$1.89	\$1.76	7.39%	0	0
Coachella Valley TOTAL	2,815,170	318,979	11.3%	12.4%	30,700	26,383	\$1.88	\$1.76	6.82%	0	0
West San Bernardino											
Chino	620,416	29,710	4.8%	3.8%	-5,998	7,834	\$2.44	\$2.33	4.72%	0	31,726
Airport Area	7,730,116	880,962	11.4%	11.3%	43,912	-46,808	\$2.11	\$2.07	1.93%	56,000	79,200
West San Bernardino TOTAL	8,350,532	910,672	10.9%	10.7%	37,914	-38,974	\$2.12	\$2.08	1.92%	56,000	110,926
East San Bernardino											
San Bernardino City / Redlands	7,492,676	791,586	10.6%	8.6%	-147,639	84,352	\$1.79	\$1.72	4.07%	0	0
Fontana / Rialto	800,940	60,954	7.6%	8.6%	7,852	98,261	\$1.99	\$1.91	4.19%	0	0
East San Bernardino TOTAL	8,293,616	852,540	10.3%	8.6%	-139,787	182,613	\$1.83	\$1.76	3.98%	0	0
High Desert San Bernardino											
Victorville/Hesperia/Adelanto	933,304	55,072	5.9%	4.3%	-14,971	16,102	\$1.53	\$1.49	2.68%	0	26,000
Barstow	55,217	2,188	4.0%	17.4%	7,416	6,953	\$0.87	\$0.89	-2.25%	0	0
North San Bernardino TOTAL	988,521	57,260	5.8%	5.0%	-7,555	23,055	\$1.40	\$1.36	2.94%	0	26,000
INLAND EMPIRE											
Class A	9,119,339	715,707	7.8%	7.1%	-72,218	-1,795	\$2.33	\$2.35	-0.85%	0 Bldgs	4 Bldgs
Class B	21,769,801	2,271,136	10.4%	10.0%	-1,847	332,993	\$1.91	\$1.87	2.14%	3 Bldgs	5 Bldgs
Class C	3,915,442	330,960	8.5%	6.7%	-69,761	-85,408	\$1.64	\$1.50	9.33%	0 Bldgs	0 Bldgs
TOTAL OFFICE	34,907,115	3,319,991	9.5%	8.8%	-143,826	245,790	\$1.99	\$1.95	2.05%	105,319 (SF)	652,645 (SF)

Vacancy by Region



Rental Rate by Region



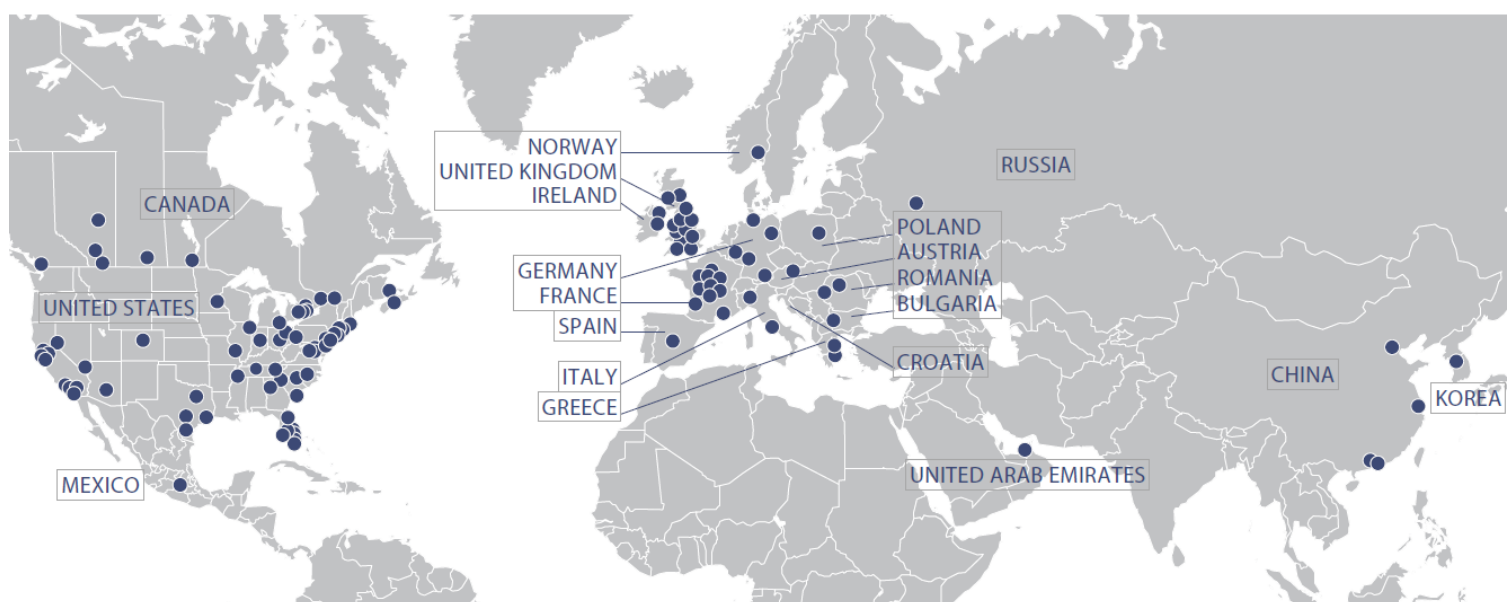
SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
North Riverside	Riverside City	Eastvale, Jurupa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

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