

Inland Empire



Quick Stats

14.3%

Inland Empire
Unemployment Rate

334,160 SF

Positive Net Absorption
Current Quarter

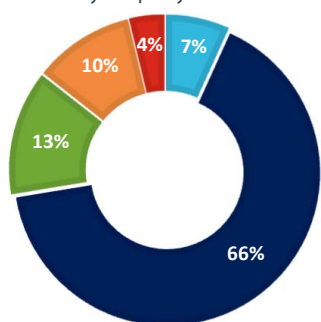
8.9%

Total Vacancy Rate
Up From 8.8% In Q1 2020

\$2.07 PSF

Asking Rental Rate
Weighted Average

Q2 2020 Transaction Volume
by Property Sector



Office
Industrial
Retail
Multi-Family
Land

The Inland Empire's economic success over the past decade has placed the market in a strengthened position to weather the volatility brought on by the Covid-19 pandemic. While the market is dominated by its industrial and logistics platform; multifamily property growth, and elevated demand for office, and more specifically medical office space, are strong drivers. Accelerated population growth, driven in part by out-migration from more expensive neighboring coastal counties, has contributed to an increased need for professional services and healthcare services. The limited development of traditional office space in recent years had led to pent up demand for this property type prior to the pandemic. Now uncertainty is expected to further delay new development of traditional office in the Inland Empire, as companies review their space needs amid evolving economic conditions. Flexible workspace and remote working are expected to influence decisions regarding office lease renewals, asset investments and new development long into the future, while demand for medical office space is expected to continue to grow.

The impact of the coronavirus pandemic emerged sharply in labor statistics during the second quarter. The Inland Empire's unemployment rate, as of the end of the second quarter, climbed to 14.3%, up from 5.2% in the previous quarter, and 4.2% one year prior. Within the market, unemployment was 14.8% in Riverside County and 13.8% in San Bernardino County. Inland Empire figures are slightly below the

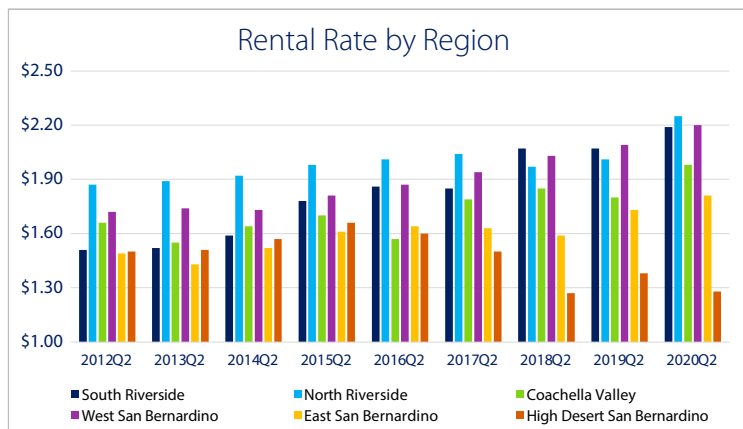
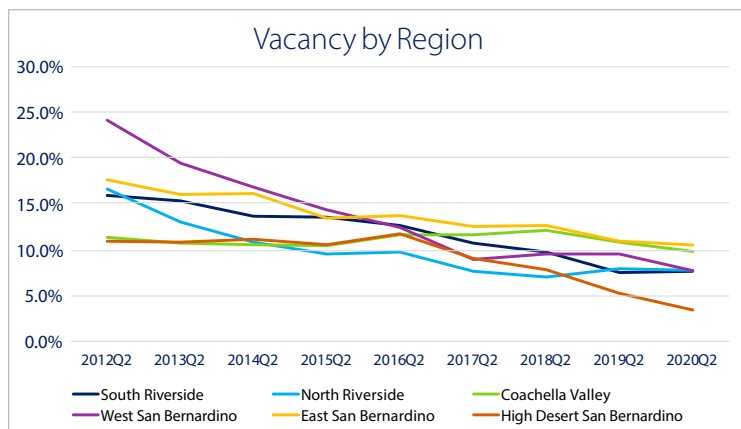
state average; currently California's unemployment rate is at 14.9%, while U.S. unemployment is 11.2%. Leisure, hospitality and food services have registered the most losses year-over-year, while transportation, trade and utilities recorded employment gains.

As of the second quarter, vacancy in the Inland Empire's office market recorded 8.9%, up only 10 basis points from the previous quarter, but down significantly from 9.8% 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 positive 334,160 sf for the quarter, and positive 713,597 sf for the most recent 12-month time period.

There are currently four investment grade office buildings under construction throughout the market, with a total of 263K sf of new inventory in the pipeline, including the 146,785 sf at Lakeshore Plaza in Corona. The largest new deliveries during the second quarter included the 200k sf RUHS Medical Center Campus in Moreno Valley, and the Sundance Corporate Center in Beaumont with 150k sf of medical office space.

Constricted office inventory has helped keep rental rates at their highest level in ten years. In the second quarter, rents averaged \$2.07 psf FSG, up from \$2.06 psf FSG in the previous quarter and up from \$1.93 one year ago. The highest submarket rents are currently found in North Riverside, specifically around the city of Corona, and in West San Bernardino, around the city of Chino.

	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q2 2020 Inventory (SF)	Q2 2020 Vacancy (SF)	Q2 2020 Vacancy (%)	Q1 2020 Vacancy (%)	Current Quarter Absorption	12 Month Total Absorption	Q2 2020 Rental Rates	Q1 2019 Rental Rates	Qtr/Qtr Change (%)	Current Qtr Deliveries (SF)	Under Construction Quarter-End
Temecula / Murrieta / Lake Elsinore	3,840,876	301,614	7.9%	6.8%	-38,945	25,393	\$2.27	\$2.26	0.44%	0	0
Perris / Menifee	292,998	5,048	1.7%	2.3%	1,819	-2,660	\$1.96	\$1.96	0.00%	0	0
Hemet	314,078	27,483	8.8%	8.8%	-	38,086	\$1.64	\$1.51	8.61%	0	0
South Riverside TOTAL	4,447,952	334,145	8.0%	6.7%	-37,126	60,819	\$2.19	\$2.19	0.00%	0	0
Corona	2,582,849	231,295	9.0%	9.3%	7,935	-31,492	\$2.55	\$2.43	4.94%	0	205,285
Riverside City	6,544,430	602,694	9.2%	9.2%	2,018	96,545	\$2.09	\$2.03	2.96%	0	57,317
Moreno Valley	1,706,869	29,806	1.7%	1.9%	199,169	203,143	\$2.14	\$2.14	0.00%	200,000	0
Beaumont / Banning	315,125	0	0.0%	0.0%	150,000	150,000	\$0.00	\$0.00	0.00%	150,000	0
North Riverside TOTAL	11,149,273	863,795	8.0%	7.9%	359,122	418,196	\$2.25	\$2.17	3.69%	350,000	262,602
Indio / Coachella	388,463	20,411	5.3%	5.3%	-	12,436	\$1.84	\$1.84	0.00%	0	0
Palm Desert / Palm Springs	2,509,546	266,927	10.6%	11.0%	9,431	18,079	\$1.99	\$1.87	6.42%	0	0
Coachella Valley TOTAL	2,898,009	287,338	10.0%	10.3%	9,431	30,515	\$1.98	\$1.88	5.32%	0	0
Chino	826,317	45,308	5.5%	3.8%	-13,959	-13,249	\$2.55	\$2.53	0.79%	31,726	0
Ontario / Rancho Cucamonga	7,772,431	677,140	8.7%	8.5%	-15,692	187,965	\$2.19	\$2.14	2.34%	0	0
West San Bernardino TOTAL	8,598,748	722,448	8.2%	8.2%	-29,651	174,716	\$2.20	\$2.16	1.85%	31,726	0
San Bernardino City / Redlands	7,770,158	812,266	10.5%	10.8%	27,410	117,059	\$1.77	\$1.77	0.00%	0	0
Fontana / Rialto	767,902	167,338	21.8%	19.9%	-14,619	-106,384	\$2.33	\$2.13	9.39%	0	0
East San Bernardino TOTAL	8,538,060	979,604	11.5%	11.6%	12,791	10,675	\$1.81	\$1.80	0.56%	0	0
Victorville/Hesperia/Adelanto	969,497	34,622	3.6%	5.6%	19,593	16,488	\$1.47	\$1.48	-0.68%	0	0
Barstow	91,009	-	0.0%	0.0%	-	2,188	\$0.75	\$0.89	-15.73%	0	0
High Desert San Bernardino	1,060,506	34,622	3.4%	5.3%	19,593	18,676	\$1.28	\$1.37	-6.57%	0	0
INLAND EMPIRE TOTAL OFFICE	36,692,548	3,221,952	8.9%	8.8%	334,160	713,597	\$2.07	\$2.06	0.49%	381,726	262,602



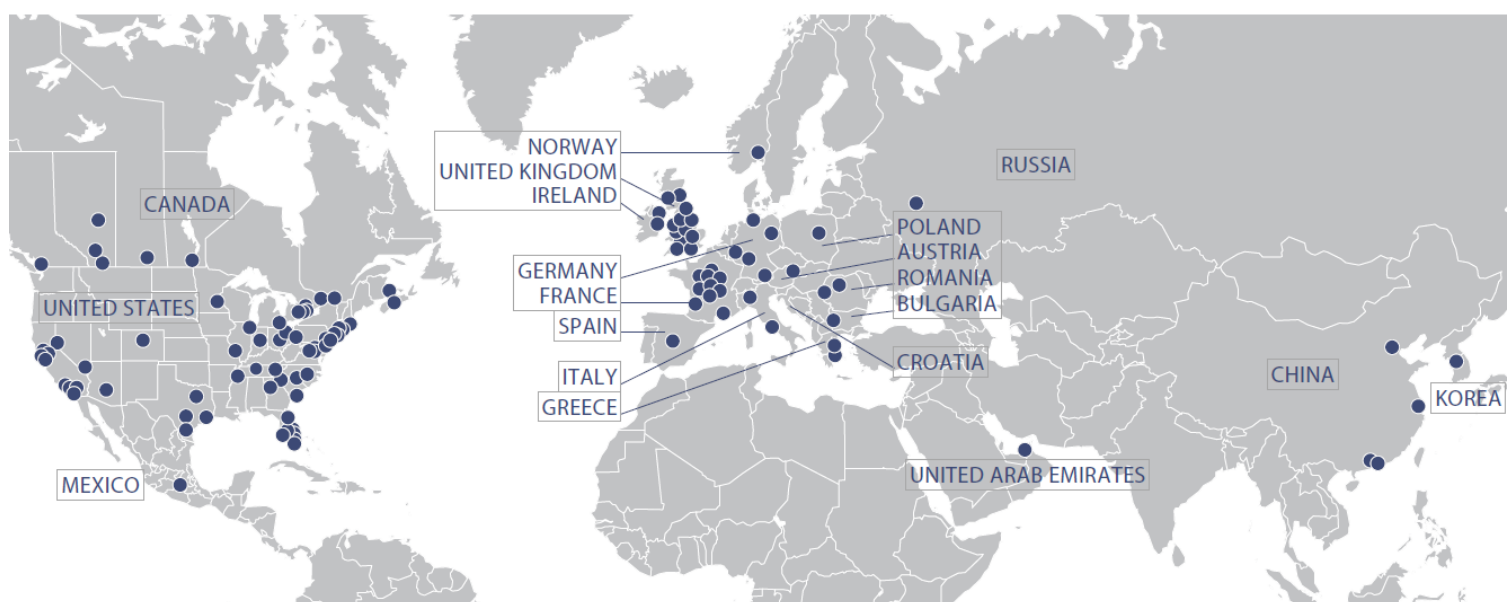
SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
North Riverside	Riverside City	Eastvale, Jurupa 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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Offices:	120
Countries:	20
Brokerage Professionals:	1,600
Property Under Management:	290 million sf

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