

Inland Empire

Quick Stats

3.9%

Inland Empire
Unemployment Rate

44,556 SF

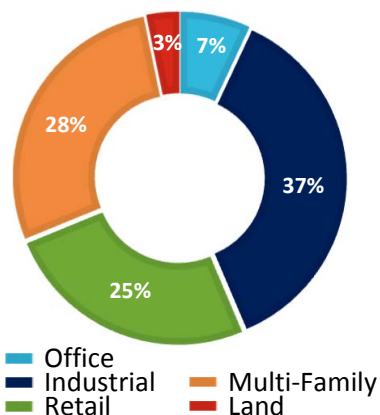
Positive Net Absorption
Current Quarter

9.3%

Total Vacancy Rate
Up From 9.0% In Q3 2018

\$1.94 PSF

Asking Rental Rate
Weighted Average

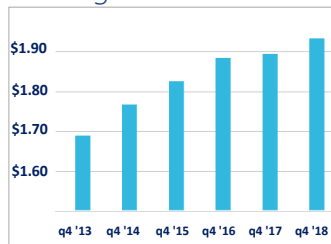
Q4 2018 Transaction Volume by
Property Sector


Construction activity in the Inland Empire has increased as developers draw confidence from steadily decreasing vacancy combined with escalating rental rates. 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.

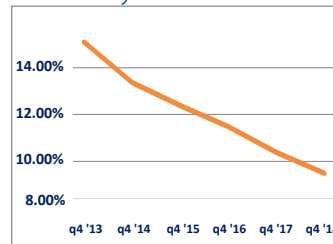
The counties of Riverside and San Bernardino, which make up the Inland Empire market, are responding to the increasing need for healthcare services due to the population boom in the market. The vast majority of newly delivered office inventory, in addition to projects currently under construction, consist of medical office space. Construction activity has gradually increased over the last two years, however deliveries are still well below pre-recession levels, and the market has extensive room to grow. There are currently ten buildings under construction throughout the region, with a total of 675,745 sf of expected new inventory, 70.3% of which is pre-committed to tenants. The largest project is the 200,000 sf outpatient center that will connect to the Riverside University Health Services medical center campus in Moreno Valley. Beaumont will also add significant medical space inventory with the Sundance Corporate Center.

As of the fourth quarter of 2018, vacancy in the Inland Empire's office market has increased slightly to 9.3%, from the previous quarter at 9.0%, but decreased from 10.3% at the same time one year ago. On a year-over-year basis, vacancy has decreased tremendously since recession highs of 20% when construction activity had reached record levels. Constricted inventory has helped keep rental rates at their highest level in eight years. As of the fourth quarter rents averaged \$1.94 psf FSG, up from the previous quarter, and up from the same time in the previous year at \$1.90 psf FSG. Office rents are expected to continue to climb, as they have not yet reached pre-recession levels, which had surged above \$2.20. Total net absorption registered positive 44,556 sf for the quarter, and positive 580,121 sf for the most recent 12 month time period.

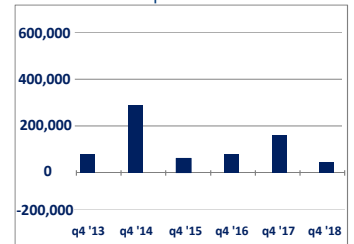
Asking Rent



Vacancy Rates

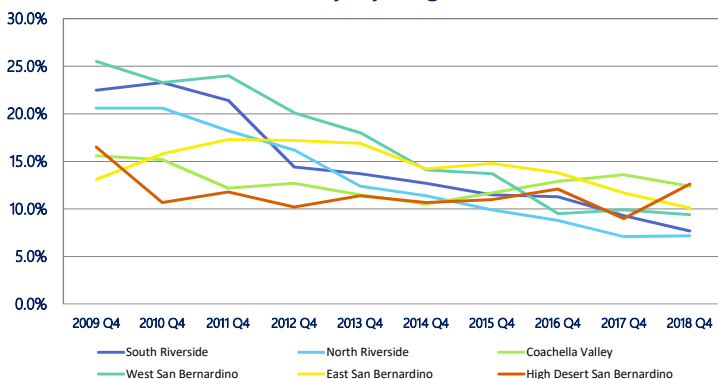


Net Absorption

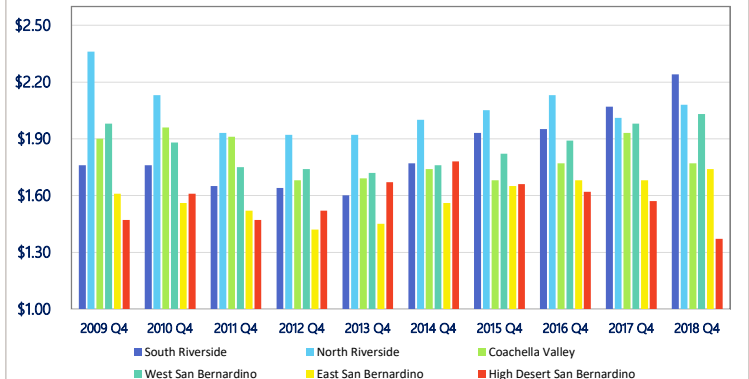


	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q4 2018 Inventory (SF)	Q4 2018 Vacancy (SF)	Q4 2018 Vacancy (%)	Q3 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q4 2018 Rental Rates	Q3 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries (SF)	Under Construction Currently (SF)
South Riverside											
Temecula / Murrieta / Lake Elsinore	4,105,568	330,770	8.1%	8.6%	13,819	91,666	\$2.33	\$2.15	8.37%	0	0
Perris / Menifee	348,998	1,377	0.4%	3.2%	9,943	14,393	\$2.39	\$2.40	-0.42%	0	24,000
Hemet	312,101	69,892	22.4%	22.1%	-888	-4,889	\$1.79	\$1.80	-0.56%	0	0
South Riverside TOTAL	4,766,667	402,039	8.4%	9.1%	22,874	101,170	\$2.24	\$2.11	6.16%	0	24,000
North Riverside											
Corona	2,613,214	155,408	5.9%	5.3%	-8,180	10,950	\$1.99	\$1.92	3.65%	0	0
Riverside City	5,353,494	516,804	9.7%	7.9%	9,720	82,743	\$2.11	\$2.05	2.93%	0	87,317
Moreno Valley	1,495,300	61,997	4.1%	3.7%	-6,815	-26,636	\$1.92	\$1.78	7.87%	0	225,319
Beaumont / Banning	185,845	0	0.0%	0.0%	0	0	\$0.00	\$0.00	0.00%	0	172,183
West Riverside TOTAL	9,647,853	734,209	7.6%	6.4%	-5,275	67,057	\$2.08	\$2.00	4.00%	0	484,819
Coachella Valley											
Indio / Coachella	283,094	18,838	6.7%	7.2%	1,416	1,416	\$1.77	\$1.70	4.12%	0	0
Palm Desert / Palm Springs	2,527,365	335,363	13.3%	14.5%	42,201	-10,255	\$1.77	\$1.90	-6.84%	0	0
Coachella Valley TOTAL	2,810,459	354,201	12.6%	13.8%	43,617	-8,839	\$1.77	\$1.89	-6.35%	0	0
West San Bernardino											
Chino	620,416	18,996	3.1%	3.2%	635	18,548	\$2.42	\$2.32	4.31%	0	31,726
Airport Area	7,702,657	770,858	10.0%	9.2%	-63,049	7,296	\$2.02	\$2.03	-0.49%	0	135,200
West San Bernardino TOTAL	8,323,073	789,854	9.5%	8.8%	-62,414	25,844	\$2.03	\$2.04	-0.49%	0	166,926
East San Bernardino											
San Bernardino City / Redlands	7,373,285	738,657	10.0%	11.1%	77,937	136,744	\$1.68	\$1.67	0.60%	0	0
Fontana / Rialto	800,940	109,869	13.7%	9.3%	-8,595	80,470	\$2.05	\$1.64	25.00%	0	0
East San Bernardino TOTAL	8,174,225	848,526	10.4%	10.9%	69,342	217,214	\$1.74	\$1.66	4.82%	0	0
High Desert San Bernardino											
Victorville/Hesperia/Adelanto	933,304	120,469	12.9%	6.0%	-24,583	-9,633	\$1.49	\$1.38	7.97%	0	0
Barstow	55,217	7,416	13.4%	15.2%	995	1,725	\$0.81	\$0.94	-13.83%	0	0
North San Bernardino TOTAL	988,521	127,885	12.9%	6.5%	-23,588	-7,908	\$1.37	\$1.35	1.48%	0	0
INLAND EMPIRE											
Class A	8,980,032	622,636	6.9%	6.0%	23,770	179,564	\$2.34	\$2.29	2.18%	0 Bldgs	3 Bldgs
Class B	21,712,397	2,296,173	10.6%	10.6%	33,602	228,003	\$1.88	\$1.85	1.62%	0 Bldgs	7 Bldgs
Class C	3,915,836	298,243	7.6%	7.4%	-12,816	-52,691	\$1.41	\$1.54	-8.44%	0 Bldgs	0 Bldgs
TOTAL OFFICE	34,710,798	3,256,714	9.3%	9.0%	44,556	394,538	\$1.94	\$1.90	2.11%	0 (SF)	675,745 (SF)

Vacancy by Region



Rental Rate by Region

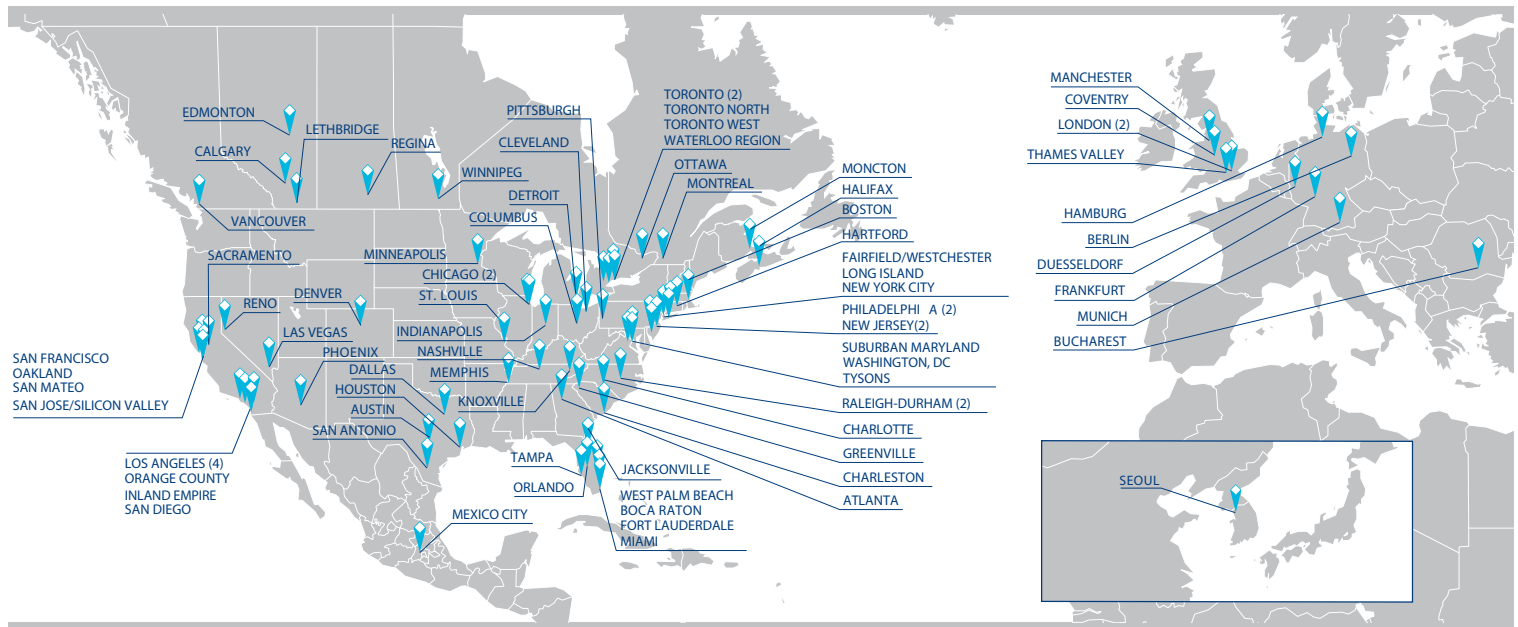


SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
	Riverside City	Eastvale, Jurupa Valley, Mira 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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Total Real Estate Professionals: **2,700**
Offices: **85**
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Property Under Management: **110 million sf**

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