

Inland Empire



Quick Stats

4.3%

Inland Empire
Unemployment Rate

185,868 SF

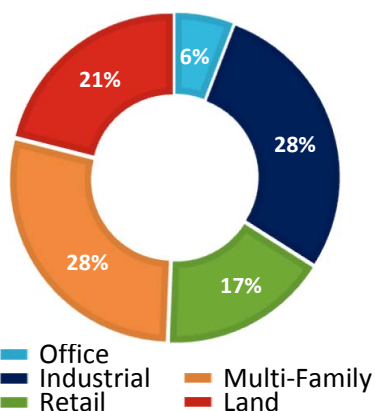
Positive Net Absorption
Current Quarter

8.8%

Total Vacancy Rate
Down From 9.3% In Q4 2018

\$1.95 PSF

Asking Rental Rate
Weighted Average

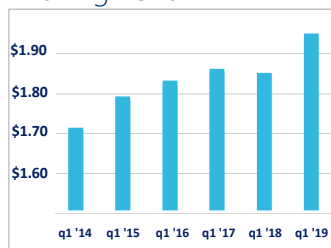
Q1 2019 Transaction Volume by
Property Sector


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 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.

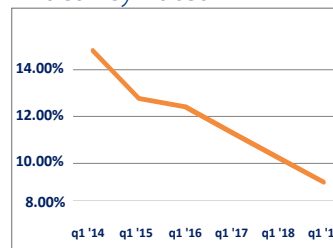
The counties of Riverside and San Bernardino, which make up the Inland Empire market, are responding to the increasing need for healthcare services due to the population boom in the market. The vast majority of newly delivered office inventory, in addition to projects currently under construction, consist 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. There were no new office deliveries in the first quarter of 2019.

As of the first quarter of 2019, vacancy in the Inland Empire's office market has tightened to 8.8%, from the previous quarter at 9.3%, and decreased from 10.1% 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 first quarter rents averaged \$1.95 psf FSG, up from the previous quarter, and up from the same time in the previous year at \$1.85 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 185,868 sf for the quarter, and positive 495,346 sf for the most recent 12 month time period.

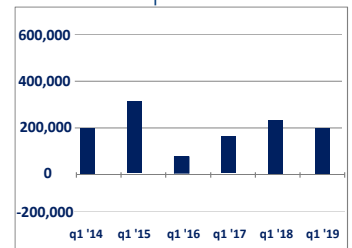
Asking Rent



Vacancy Rates

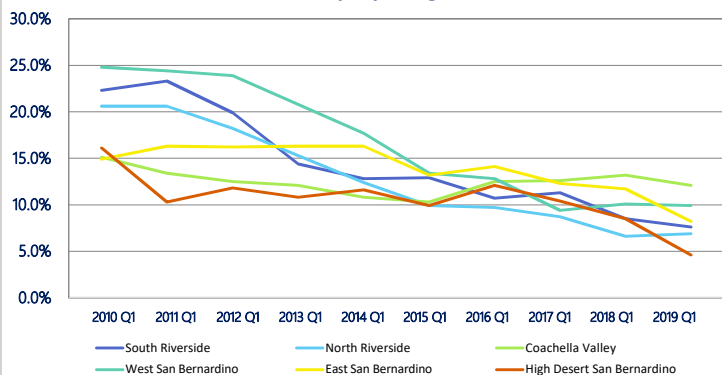


Net Absorption

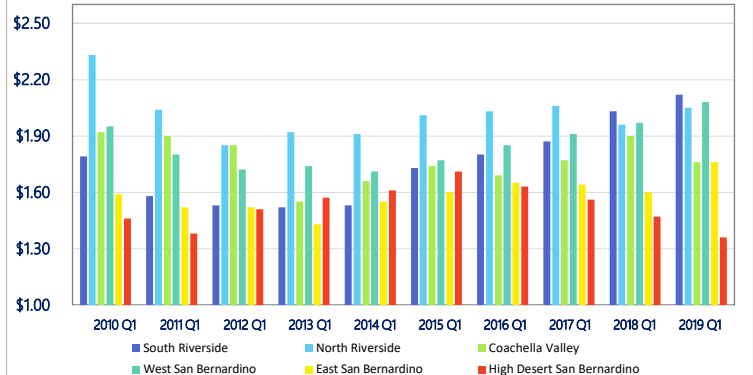


	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q1 2019 Inventory (SF)	Q1 2019 Vacancy (SF)	Q1 2019 Vacancy (%)	Q4 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q1 2019 Rental Rates	Q4 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries (SF)	Under Construction Currently (SF)
South Riverside											
Temecula / Murrieta / Lake Elsinore	4,105,568	304,512	7.4%	8.1%	26,258	26,258	\$2.16	\$2.33	-7.30%	0	0
Perris / Menifee	348,998	2,948	0.8%	0.4%	-1,571	-1,571	\$2.44	\$2.39	2.09%	0	24,000
Hemet	312,101	67,343	21.6%	22.4%	2,549	2,549	\$1.86	\$1.79	3.91%	0	0
South Riverside TOTAL	4,766,667	374,803	7.9%	8.4%	27,236	27,236	\$2.12	\$2.24	-5.36%	0	24,000
North Riverside											
Corona	2,613,214	167,605	6.4%	5.9%	-12,197	-12,197	\$2.10	\$1.99	5.53%	0	0
Riverside City	5,353,494	501,156	9.4%	9.7%	15,648	15,648	\$2.09	\$2.11	-0.95%	0	87,317
Moreno Valley	1,495,300	22,559	1.5%	4.1%	39,438	39,438	\$1.72	\$1.92	-10.42%	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	691,320	7.2%	7.6%	42,889	42,889	\$2.05	\$2.08	-1.44%	0	484,819
Coachella Valley											
Indio / Coachella	283,094	19,811	7.0%	6.7%	-973	-973	\$1.76	\$1.77	-0.56%	0	0
Palm Desert / Palm Springs	2,527,365	329,868	13.1%	13.3%	5,495	5,495	\$1.76	\$1.77	-0.56%	0	0
Coachella Valley TOTAL	2,810,459	349,679	12.4%	12.6%	4,522	4,522	\$1.76	\$1.77	-0.56%	0	0
West San Bernardino											
Chino	620,416	23,712	3.8%	3.1%	-4,716	-4,716	\$2.33	\$2.42	-3.72%	0	31,726
Airport Area	7,702,657	868,874	11.3%	10.0%	-98,016	-98,016	\$2.07	\$2.02	2.48%	0	135,200
West San Bernardino TOTAL	8,323,073	892,586	10.7%	9.5%	-102,732	-102,732	\$2.08	\$2.03	2.46%	0	166,926
East San Bernardino											
San Bernardino City / Redlands	7,492,200	643,947	8.6%	10.0%	94,710	94,710	\$1.72	\$1.68	2.38%	0	0
Fontana / Rialto	800,940	68,806	8.6%	13.7%	41,063	41,063	\$1.91	\$2.05	-6.83%	0	0
East San Bernardino TOTAL	8,293,140	712,753	8.6%	10.4%	135,773	135,773	\$1.76	\$1.74	1.15%	0	0
High Desert San Bernardino											
Victorville/Hesperia/Adelanto	933,304	40,101	4.3%	12.9%	80,368	80,368	\$1.49	\$1.49	0.00%	0	0
Barstow	55,217	9,604	17.4%	13.4%	-2,188	-2,188	\$0.89	\$0.81	9.88%	0	0
North San Bernardino TOTAL	988,521	49,705	5.0%	12.9%	78,180	78,180	\$1.36	\$1.37	-0.73%	0	0
INLAND EMPIRE											
Class A	9,098,947	643,489	7.1%	6.9%	-20,853	-20,853	\$2.35	\$2.34	0.43%	0 Bldgs	3 Bldgs
Class B	21,712,397	2,163,970	10.0%	10.6%	132,203	132,203	\$1.87	\$1.88	-0.53%	0 Bldgs	7 Bldgs
Class C	3,915,836	261,199	6.7%	7.6%	37,044	37,044	\$1.50	\$1.41	6.38%	0 Bldgs	0 Bldgs
TOTAL OFFICE	34,829,713	3,070,846	8.8%	9.3%	185,868	185,868	\$1.95	\$1.94	0.52%	0 (SF)	675,745 (SF)

Vacancy by Region



Rental Rate by Region

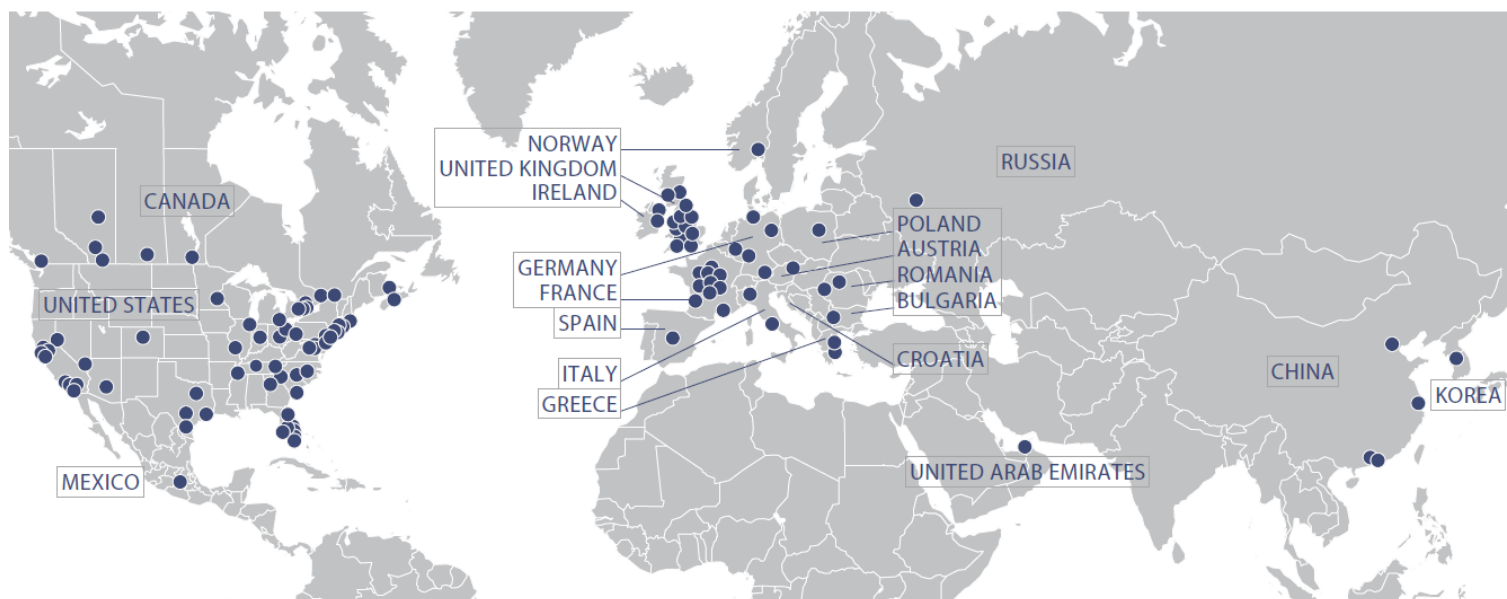


SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
	Riverside City	Eastvale, Jurupa Valley, Mira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

Avison Young at a Glance

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Countries:	20
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