

# Inland Empire



## Market Facts

**4.1%**

Inland Empire  
Unemployment Rate

**349,982 SF**

Positive Net Absorption  
Current Quarter

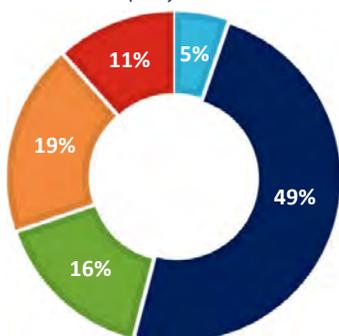
**9.0%**

Total Vacancy Rate  
Down From 10.0% In Q2 2018

**\$1.90 PSF**

Asking Rental Rate  
Weighted Average

Q3 2018 Transaction Volume by  
Property Sector



- Office
- Industrial
- Retail
- Multi-Family
- Land

## Market Overview

Construction activity in the Inland Empire is starting to increase as developers draw confidence from steadily decreasing vacancy combined with escalating rental rates. The Inland Empire's unemployment rate, as of the third quarter of 2018, was 4.1%, down from 4.7% in the previous quarter, and down from 4.9% one year ago. Within the market, unemployment was 4.4% in Riverside County and 3.8% 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 nine buildings under construction throughout the region, with a total of 645,745 sf of expected new inventory, 70% 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 third quarter of 2018, vacancy in the Inland Empire's office market has decreased to 9.0%, from the previous quarter at 10.0%, and down from 10.6% 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 third quarter rents averaged \$1.90 psf FSG, flat from the previous quarter, and up from the same time in the previous year at \$1.86 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 349,982 sf for the quarter, and positive 838,485 sf for the most recent 12 month time period.

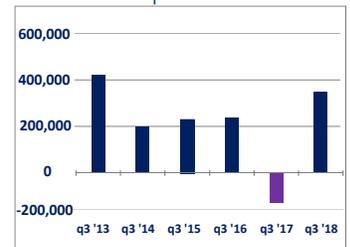
### Asking Rent



### Vacancy Rates

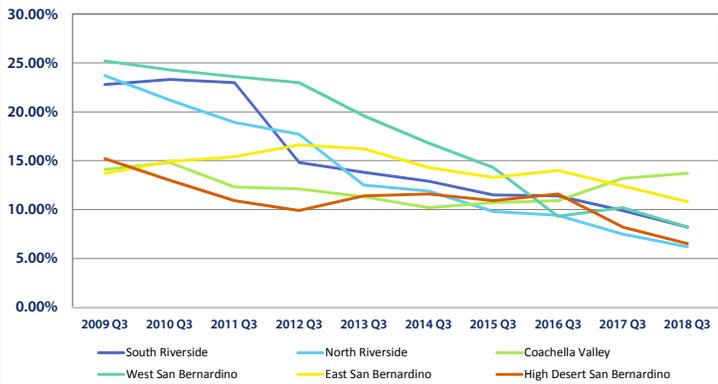


### Net Absorption

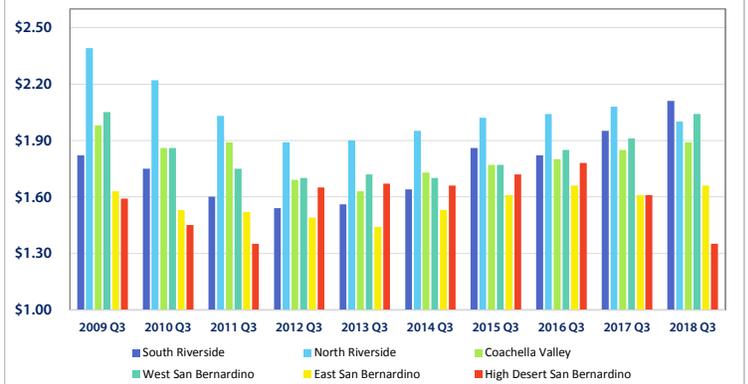


	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q3 2018 Inventory (SF)	Q3 2018 Vacancy (SF)	Q3 2018 Vacancy (%)	Q2 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q3 2018 Rental Rates	Q2 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries (SF)	Under Construction Currently (SF)
<b>South Riverside</b>											
Temecula / Murrieta / Lake Elsinore	4,071,490	348,584	8.60%	9.10%	77,847	146,295	\$2.15	\$2.13	0.94%	60,000	0
Perris / Menifee	348,998	11,320	3.20%	4.50%	4,450	-4,657	\$2.40	\$2.27	5.73%	0	24,000
Hemet	312,101	69,004	22.10%	20.80%	-4,001	-139	\$1.80	\$1.80	0.00%	0	0
<b>South Riverside TOTAL</b>	<b>4,732,589</b>	<b>428,908</b>	<b>9.10%</b>	<b>9.60%</b>	<b>78,296</b>	<b>141,499</b>	<b>\$2.11</b>	<b>\$2.09</b>	<b>0.96%</b>	<b>60,000</b>	<b>24,000</b>
<b>North Riverside</b>											
Corona	2,766,022	147,228	5.30%	6.20%	19,130	124,946	\$1.92	\$1.92	0.00%	0	0
Riverside City	5,320,835	418,937	7.90%	9.30%	73,023	77,587	\$2.05	\$2.00	2.50%	0	57,317
Moreno Valley	1,495,300	55,182	3.70%	3.60%	-19,821	-16,953	\$1.78	\$1.82	-2.20%	0	225,319
Beaumont / Banning	137,332	0	0.00%	0.00%	0	0	\$0.00	\$0.00	0.00%	0	22,183
<b>West Riverside TOTAL</b>	<b>9,719,489</b>	<b>621,347</b>	<b>6.40%</b>	<b>7.40%</b>	<b>72,332</b>	<b>185,580</b>	<b>\$2.00</b>	<b>\$1.97</b>	<b>1.52%</b>	<b>0</b>	<b>304,819</b>
<b>Coachella Valley</b>											
Indio / Coachella	283,094	20,254	7.20%	7.20%	0	5,200	\$1.70	\$1.66	2.41%	0	0
Palm Desert / Palm Springs	2,608,205	377,564	14.50%	13.40%	-52,456	-42,291	\$1.90	\$2.02	-5.94%	0	0
<b>Coachella Valley TOTAL</b>	<b>2,891,299</b>	<b>397,818</b>	<b>13.80%</b>	<b>12.80%</b>	<b>-52,456</b>	<b>-37,091</b>	<b>\$1.89</b>	<b>\$1.99</b>	<b>-5.03%</b>	<b>0</b>	<b>0</b>
<b>West San Bernardino</b>											
Chino	620,416	19,631	3.20%	6.10%	17,913	17,913	\$2.32	\$2.29	1.31%	0	91,500
Airport Area	7,676,921	707,809	9.20%	10.10%	70,345	144,284	\$2.03	\$2.05	-0.98%	0	135,200
<b>West San Bernardino TOTAL</b>	<b>8,297,337</b>	<b>727,440</b>	<b>8.80%</b>	<b>9.80%</b>	<b>88,258</b>	<b>220,132</b>	<b>\$2.04</b>	<b>\$2.06</b>	<b>-0.97%</b>	<b>0</b>	<b>226,700</b>
<b>East San Bernardino</b>											
San Bernardino City / Redlands	7,573,555	840,849	11.10%	11.70%	58,807	58,807	\$1.67	\$1.64	1.83%	0	0
Fontana / Rialto	854,898	79,253	9.30%	20.90%	89,065	97,712	\$1.64	\$1.66	-1.20%	0	0
<b>East San Bernardino TOTAL</b>	<b>8,428,453</b>	<b>920,102</b>	<b>10.90%</b>	<b>12.50%</b>	<b>147,872</b>	<b>102,806</b>	<b>\$1.66</b>	<b>\$1.64</b>	<b>1.22%</b>	<b>0</b>	<b>0</b>
<b>High Desert San Bernardino</b>											
Victorville/Hesperia/Adelanto	933,304	56,224	6.00%	7.60%	14,950	23,297	\$1.38	\$1.43	-3.50%	0	0
Barstow	55,217	8,411	15.20%	16.60%	730	730	\$0.94	\$0.78	20.51%	0	0
<b>North San Bernardino TOTAL</b>	<b>988,521</b>	<b>64,635</b>	<b>6.50%</b>	<b>8.10%</b>	<b>15,680</b>	<b>24,027</b>	<b>\$1.35</b>	<b>\$1.27</b>	<b>6.30%</b>	<b>0</b>	<b>0</b>
<b>INLAND EMPIRE</b>											
Class A	8,988,621	537,264	6.00%	7.70%	155,794	243,349	\$2.29	\$2.31	-0.87%	0 Bldgs	2 Bldgs
Class B	21,905,928	2,322,084	10.60%	11.40%	194,401	417,673	\$1.85	\$1.80	2.78%	1 Bldgs	7 Bldgs
Class C	4,055,889	300,902	7.40%	6.70%	-39,875	-63,731	\$1.54	\$1.60	-3.75%	0 Bldgs	0 Bldgs
<b>TOTAL OFFICE</b>	<b>35,057,688</b>	<b>3,160,250</b>	<b>9.00%</b>	<b>10.00%</b>	<b>349,982</b>	<b>636,953</b>	<b>\$1.90</b>	<b>\$1.90</b>	<b>0.00%</b>	<b>60,000 (SF)</b>	<b>555,519 (SF)</b>

Vacancy by Region



Rental Rate by Region



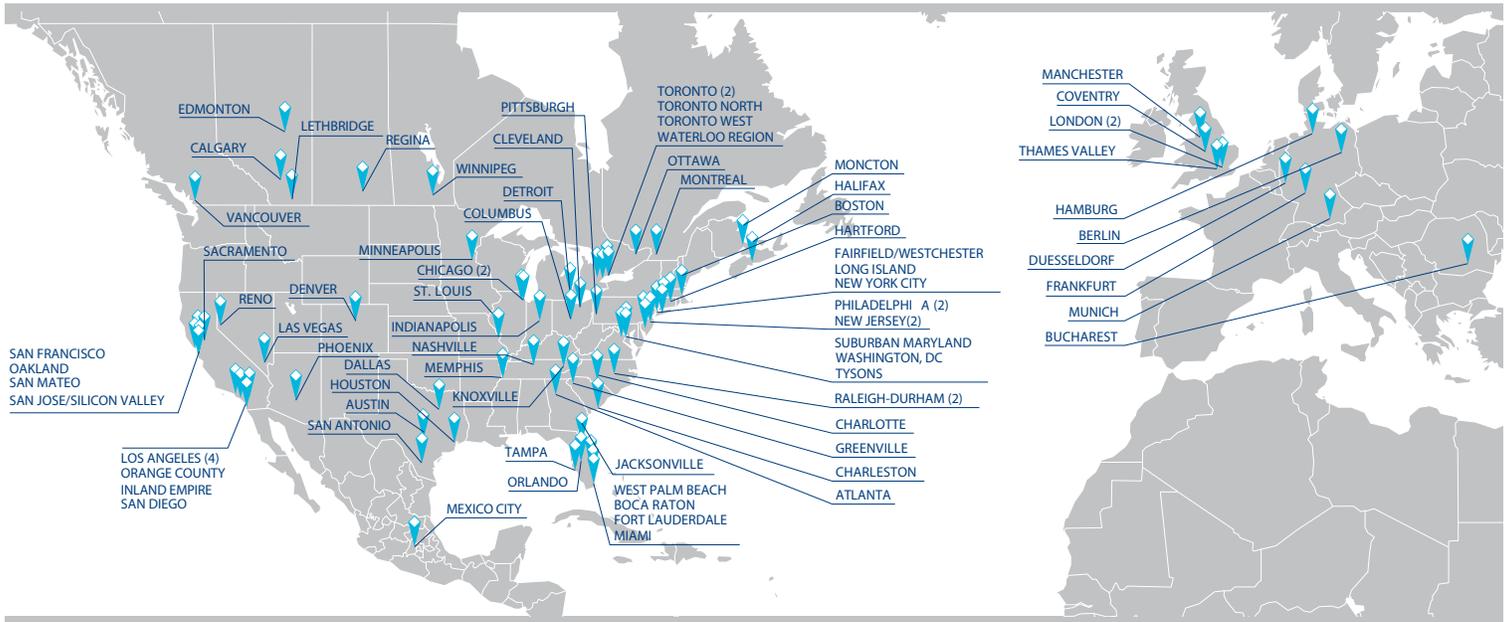
SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
<b>South Riverside</b>	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
	Riverside City	Eastvale, Jurupa Valley,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

# A Growing, Multinational Presence

## Avison Young at a Glance

Founded: **1978**  
 Total Real Estate Professionals: **2,600**  
 Offices: **84**  
 Brokerage Professionals: **1,100**  
 Property Under Management: **100 million sf**

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 84 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



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