

MARKET TRENDS | **INLAND EMPIRE**
INDUSTRIAL

MARKET DRIVERS

FUELED BY THE RISE in ecommerce and being known as a logistical hub, there was no shortage in demand for big-box locations throughout the market. Major tenants that continued their expansion efforts included Amazon, IDC Logistics, and CLC Logistics, as they were some of the top leases in the second quarter.

VACANCY LEVELS FELL in 2Q21 to 2.7%. Demand for newer state-of-the-art locations has never been higher and coupled with limited availabilities for quality industrial space has caused a spike in rental rates. Average asking rates increased by 8.33% YOY to \$0.78/SF, a new all-time high.

CONSTRUCTION DELIVERIES DECREASED in 2Q21 with over 4.2M SF entering the market. Yet, there has been no slow down on new projects with over 22.8M SF under construction. Over 75% of the 22.8M SF remains available for lease, but brand-new projects commonly become pre-leased or leased within a couple months after completion, a trend that occurred over the past 2 years.

ECONOMIC OVERVIEW

THE PORTS OF LOS ANGELES processed 1,012,048 TEU's in May, an increase of 74% from the year prior and the first time a Western Hemisphere port has processed over 1M TEU's.

THE UNEMPLOYMENT RATE as of May was at 7.2% with construction and manufacturing jobs reporting job gains of 1,600 and 1,300, respectively.

NEAR-TERM OUTLOOK

MARKET FUNDAMENTALS WILL REMAIN ROBUST as demand continues to continued on page 3

Market Summary

	2Q 2021	1Q 2021	2Q 2020	Annual Change
Direct Vacancy Rate	2.7%	3.1%	3.4%	-21.17%
Total Availability Rate	5.7%	6.0%	6.2%	-8.17%
Direct Asking Lease Rate	\$0.78	\$0.76	\$0.72	8.33%
Total Lease Transactions	7,459,828	13,616,667	9,260,410	-19.44%
Sale Transactions	5,609,067	6,025,176	3,291,836	70.39%
Direct Net Absorption	9,286,374	5,012,989	7,581,984	N/A

▼ **7.46M**

LEASING ACTIVITY

▲ **9.29M**

NET ABSORPTION (SF)

▼ **2.7%**

VACANCY RATE

▲ **\$0.78**

AVERAGE ASKING RENT

▲ **6.6M**

NEW DELIVERIES (SF)

YEAR-OVER-YEAR TREND

Market Highlights

DIRECT VACANCIES decreased by 70 basis points YOY to 2.7% in 2Q21

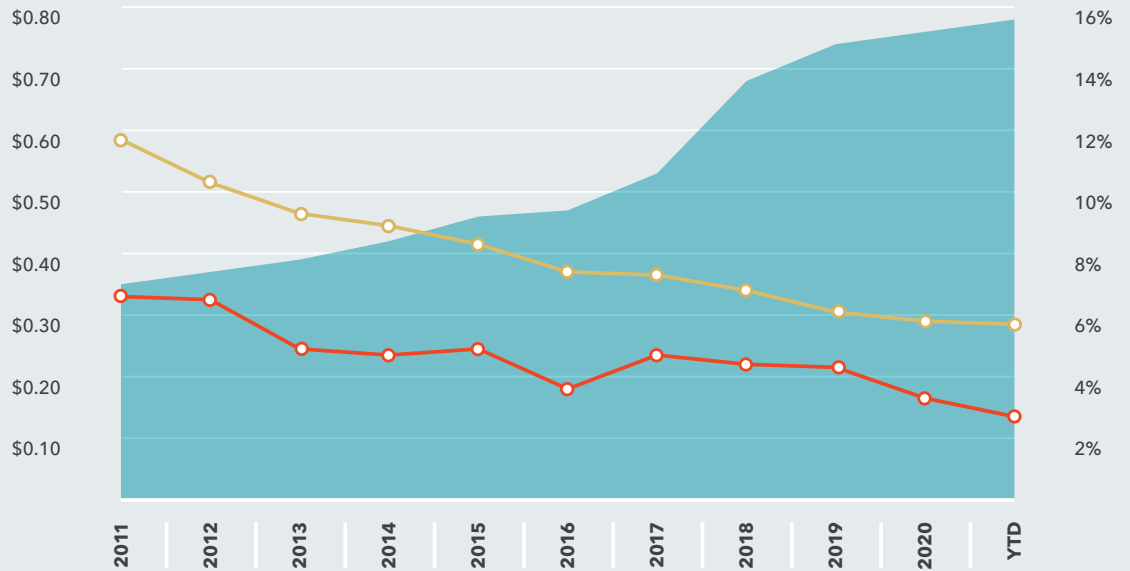
AVG ASKING RENTAL RATES grew over 8% from the prior year to conclude the quarter at \$0.78/SF on a triple net basis.

AVG SALE PRICE for industrial product was \$155.49/SF with cap rates settling at 4.9%.

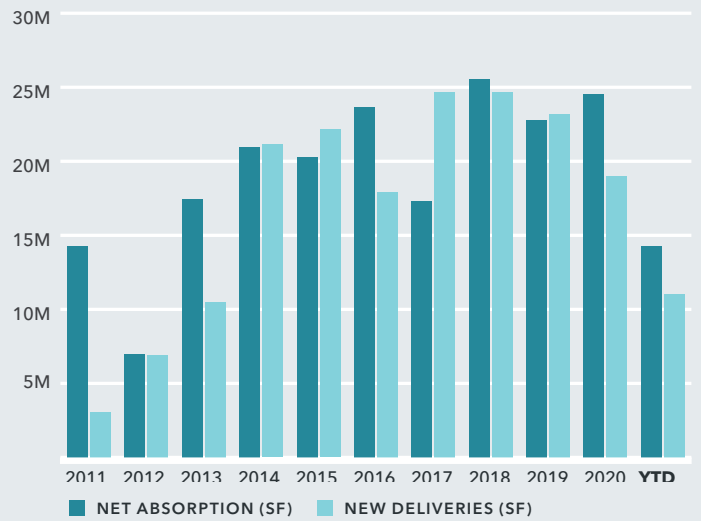
OVER 22.8M SF is currently under construction

Lease Rate, Vacancy & Availability

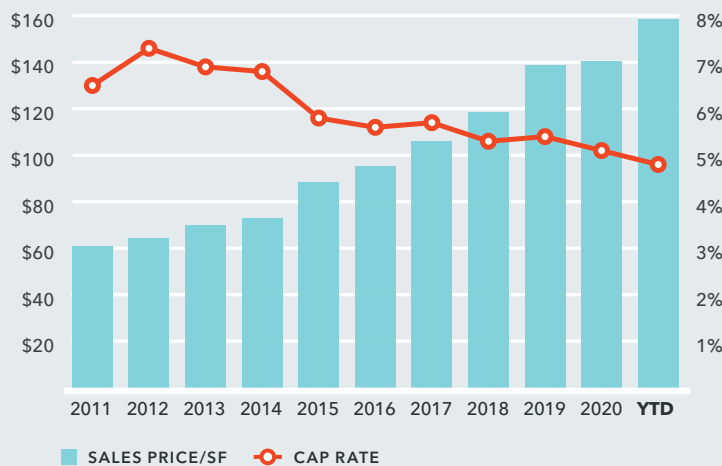
■ DIRECT LEASE RATE (NNN)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



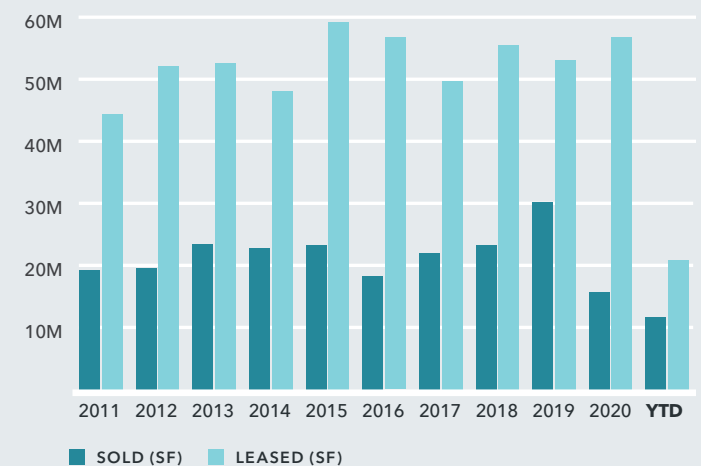
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Building Count	Total Inventory	SF Under Construction	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Availability Rate	2Q21 Direct Net Absorption	YTD Direct Net Absorption	2Q21 Total Leasing Activity	YTD Total Leasing Activity	Avg Direct Rental Rate (NNN)
Chino/Chino Hills	910	54,213,889	1,099,790	1.8%	0.1%	1.9%	2.2%	61,195	681,519	874,776	1,442,074	\$0.86
Fontana	746	67,279,164	1,841,075	2.4%	0.0%	2.4%	4.3%	643,388	1,649,584	548,187	3,073,612	\$0.70
Jurupa Valley	308	31,648,560	3,792,137	0.7%	0.1%	0.8%	13.4%	415,722	1,603,845	58,739	431,740	\$0.78
Mira Loma	22	1,677,454	0	0.5%	0.0%	0.5%	46.4%	8,143	36,322	12,000	12,000	\$0.78
Montclair	201	3,905,404	140,384	1.5%	0.8%	2.3%	5.1%	119,738	200,679	64,791	191,262	\$0.73
Ontario	1,498	114,544,518	2,342,761	1.6%	0.6%	2.2%	3.1%	1,857,743	3,304,938	966,749	3,869,831	\$0.80
Rancho Cucamonga	740	41,474,548	499,205	4.9%	0.0%	4.9%	5.2%	481,745	568,203	878,906	2,070,588	\$0.87
Upland	254	3,923,168	72,205	2.0%	0.2%	2.1%	5.7%	158	(23,922)	28,683	62,937	\$0.92
West	4,679	318,666,705	9,787,557	2.1%	0.3%	2.4%	4.8%	3,587,832	8,021,168	3,432,831	11,154,044	\$0.80
Banning	47	943,537	0	5.9%	0.0%	5.9%	6.6%	24,353	4,355	47,895	47,895	\$0.68
Beaumont	45	6,386,319	0	0.2%	0.0%	0.2%	0.2%	(5,165)	5,335	0	0	\$0.63
Bloomington	108	9,669,590	174,780	9.4%	0.0%	9.4%	1.8%	347,860	444,359	0	404,606	\$0.67
Colton	172	10,772,726	0	6.9%	0.1%	6.9%	3.5%	48,177	103,571	446,014	452,194	\$0.75
Corona	908	31,301,311	872,730	3.4%	0.0%	3.4%	4.9%	77,458	(128,493)	601,871	1,111,054	\$0.77
Eastvale	59	11,950,419	1,736,828	2.6%	0.0%	2.6%	12.2%	92,280	27,648	323,620	747,098	\$0.72
Grand Terrace	13	429,469	0	2.6%	0.0%	2.6%	1.9%	(11,000)	(6,200)	11,000	11,000	\$0.00
Highland	16	217,387	121,294	0.0%	0.0%	0.0%	58.1%	0	0	0	0	\$0.00
Loma Linda	23	338,442	0	0.0%	0.0%	0.0%	0.0%	11,712	11,712	0	11,712	\$0.66
Moreno Valley	96	30,322,654	2,064,975	0.3%	0.0%	0.3%	4.8%	308,201	545,464	36,950	295,245	\$0.68
Norco	77	1,736,646	0	0.5%	0.7%	1.1%	1.1%	(8,109)	15,421	0	2,800	\$0.00
Perris	221	31,791,965	5,051,912	2.0%	0.0%	2.0%	14.8%	496,148	504,063	361,086	1,388,994	\$0.68
Redlands	211	28,838,533	801,495	5.4%	0.0%	5.4%	7.4%	2,059,527	1,450,566	491,204	635,755	\$0.66
Rialto	199	30,615,048	624,070	3.5%	0.3%	3.7%	3.5%	529,622	1,100,945	333,070	1,116,913	\$0.67
Riverside	1,100	54,017,742	671,053	2.5%	0.1%	2.6%	5.6%	525,068	1,344,910	1,017,950	1,665,113	\$0.81
San Bernardino	573	42,400,423	415,310	3.0%	0.8%	3.8%	6.6%	1,031,945	1,258,142	157,928	618,971	\$0.75
East	3,868	291,732,211	12,534,447	3.1%	0.2%	3.3%	6.5%	5,528,077	6,681,798	3,828,588	8,509,350	\$0.73
Hemet	86	1,543,926	66,640	1.2%	0.0%	1.2%	1.7%	142,208	146,970	3,316	7,247	\$0.62
Lake Elsinore	178	2,595,390	91,242	2.1%	0.0%	2.1%	5.1%	16,844	(33,784)	51,452	112,742	\$0.77
Menifee	25	1,188,036	0	60.2%	0.0%	60.2%	66.3%	0	(715,000)	26,000	741,000	\$0.65
Murrieta	256	3,916,183	360,022	2.5%	0.0%	2.5%	6.5%	(21,964)	19,319	47,926	160,614	\$0.00
San Jacinto	65	1,070,606	0	4.5%	0.0%	4.5%	4.5%	(8,271)	(5,771)	0	0	\$0.00
Temecula	331	10,435,655	0	1.2%	2.1%	3.4%	5.0%	48,147	191,162	63,216	169,683	\$0.70
Wildomar	12	324,860	0	2.0%	0.0%	2.0%	1.3%	(6,499)	(6,499)	6,499	6,499	\$0.00
South	953	21,074,656	517,904	5.1%	1.1%	6.1%	8.4%	170,465	(403,603)	198,409	1,197,785	\$0.70
5,000 - 24,999	5,914	70,210,849	581,915	1.8%	0.0%	1.8%	3.4%	155,300	364,855	961,616	1,933,587	\$0.96
25,000 - 49,999	1,391	48,506,001	1,111,433	2.2%	0.1%	2.2%	5.2%	537,074	668,658	636,849	1,493,071	\$0.90
50,000 - 99,999	831	57,484,880	1,986,132	2.7%	0.3%	3.1%	5.2%	753,066	2,004,963	946,201	2,762,987	\$0.87
100,000 - 249,999	746	113,950,752	5,060,234	4.8%	0.4%	5.2%	8.7%	1,290,813	3,213,361	2,859,369	6,431,662	\$0.80
250,000 - 499,999	355	127,284,248	4,243,828	1.9%	0.7%	2.6%	4.3%	2,511,901	2,784,729	2,025,893	6,543,515	\$0.77
500,000 - 999,999	203	136,314,420	3,056,936	2.7%	0.0%	2.7%	4.0%	1,327,241	3,182,631	29,900	1,696,357	\$0.64
1,000,000 Plus	60	77,722,422	6,799,430	1.8%	0.0%	1.8%	9.4%	2,710,979	2,080,166	0	0	\$0.54
Inland Empire Total	9,500	631,473,572	22,839,908	2.7%	0.2%	2.9%	5.7%	9,286,374	14,299,363	7,459,828	20,861,179	\$0.78

outpace supply. Additionally, drayage costs have increased and tenants located in the East may turn their focus to the West to better serve the neighboring markets of LA and OC. Demand for newer big box locations will continue to rise as major tenants look to further perfect their logistics

channels. Furthermore, tenants relocating out of LA and OC in search for more affordable rates will drive up the competition for quality industrial space, further propelling rental rates upward.

TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2151 S Vintage Ave	Airport Area	766,235	\$184,170,000	\$240.36	Duke Realty Corp.	LaSalle Investment Management
1400 Marlborough Ave	Riverside	168,623	\$56,000,000	\$332.10	Realterm US, Inc.	Anheuser-Busch
12273 Brown Ave	San Bernardino	62,585	\$28,500,000	\$455.38	Miramar Capital Advisors	Proficiency Capital LLC
9180 Center Ave	Airport Area	102,516	\$24,470,000	\$238.69	Black Creek Group	S&N Woomer II LLC
Redlands Corporate Center	Redlands/Loma Linda	118,482	\$18,375,000	\$155.09	Exeter Property Group	Garner Holt Productions, Inc.

TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Redlands Distribution Center	Redlands/Loma Linda	699,350	April 2021	CJ Logistics	Amazon
2220 Almond Ave	Redlands/Loma Linda	411,879	May 2021	Clarion Partners	Aosom, LLC
Rider Distribution Center	Moreno Valley/Perris	354,810	April 2021	WPT Industrial REIT	IDC Logistics
5085 Schaefer Ave	Chino/Chino Hills	325,116	April 2021	New York Life RE Investors	CLC Logistics
Ontario Gateway West	Airport Area	322,019	April 2021	James Campbell Company	US eLogistics

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
Ontario Ranch Logistics Center	4810 S Hellman Ave	Airport Area	1,245,049	REDA	September 2021
728 W Rider St	728 W Rider St	Moreno Valley/Perris	1,203,449	Duke Realty Corp.	December 2021
Agua Mansa Commerce Center	5400 El Rivino Rd	Riverside	1,187,000	Panatonni	January 2022
Knox Logistics Center	19115 Harville Ave	Moreno Valley/Perris	1,138,000	Clarion Partners	January 2022
Agua Mansa Commerce Center	6120 Clinker Dr	Riverside	1,025,132	PGIM Real Estate	January 2022

DATA SOURCE: COSTAR, EDD, PORTS OF LOS ANGELES

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The information in this report was composed by the Kidder Mathews Research Group.

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**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

40/19
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

70M
MANAGEMENT
PORTFOLIO SF

\$12B
IN ASSETS UNDER
MANAGEMENT

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