

MARKET TRENDS | INLAND EMPIRE

INDUSTRIAL

MARKET DRIVERS

LEASE RATES CONTINUE TO SPIKE as tenants remain aggressive for the limited available space in the market. Direct asking lease rates concluded the first quarter at \$1.08/SF, with IE West reaching an unprecedented rate of \$1.29/SF.

DIRECT VACANCY LEVELS REMAIN at historical lows, concluding the quarter at 1.2%. Demand for newer state-of-the-art locations has never been higher as new construction projects are commonly pre-leased, and in some cases, negotiations have already begun on buildings that have not been entitled.

THE RISE IN ECOMMERCE and a push for major retailers to hold more goods to compensate for any future supply disruptions, have increased the demand for big-box locations. Retailers continued expansion efforts with Home Depot and Best Buy leasing 1,099,629 SF and 501,649 SF, respectively.

CONSTRUCTION DELIVERIES PICKED UP in 1Q 2022 with over 5.2M SF to help meet the rise in demand. A staggering 32.5M SF remain under construction with over 4.0M SF of that going to Amazon's multi-level project in Ontario.

ECONOMIC OVERVIEW

THE PORTS OF LOS ANGELES processed 857,764 TEU's in the month of February, a 7.3% increase compared to last year. This marks the Port's busiest February in its 115-year history.

AS OF FEBRUARY, the unemployment rate was at 5.0% with the construction sector expanding by 4,700 jobs over the month.

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Market Summary

	1Q22	4Q21	1Q21	Annual Change
Direct Vacancy Rate	1.2%	1.0%	3.1%	-59.69%
Total Availability Rate	5.0%	4.5%	5.8%	-13.54%
Direct Asking Lease Rate	\$1.08	\$0.96	\$0.83	30.12%
Total Lease Transactions	6,155,092	11,015,682	14,237,695	-56.77%
Sale Transactions	1,915,928	5,619,248	6,123,036	-68.71%
Direct Net Absorption	4,425,418	5,692,554	5,749,517	N/A

▼ **6.15M**

LEASING ACTIVITY

▼ **4.42M**

NET ABSORPTION (SF)

▼ **1.2%**

VACANCY RATE

▲ **\$1.08**

AVERAGE ASKING RENT

▲ **32.5M**

NEW DELIVERIES (SF)

YEAR-OVER-YEAR TREND

Market Highlights

DIRECT VACANCIES remain at historical lows, concluding the quarter at 1.2%

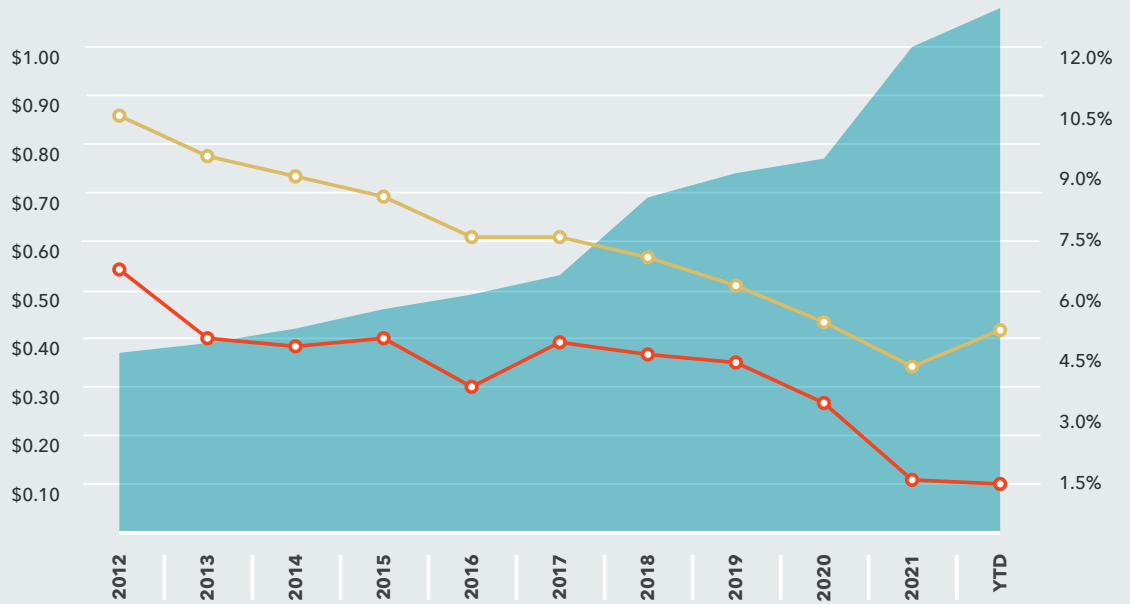
DIRECT ASKING LEASE RATES increased to \$1.08/SF on a triple net basis

AVG SALE PRICE for industrial product was \$277.37/SF in 1Q 2022

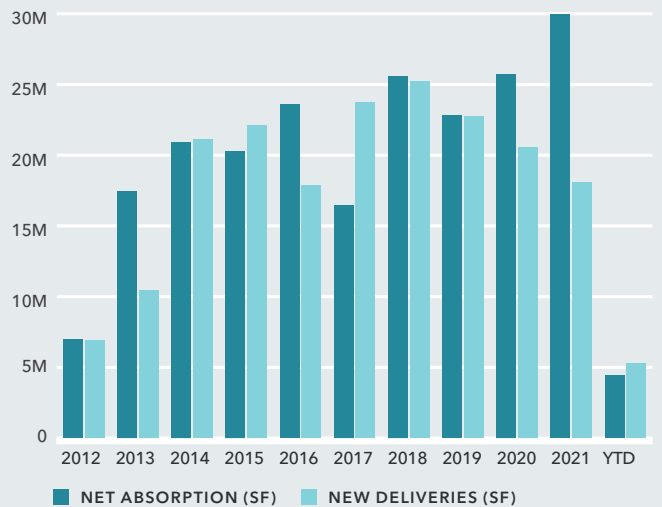
A STAGGERING 32.5M SF is currently under construction

Lease Rate, Vacancy & Availability

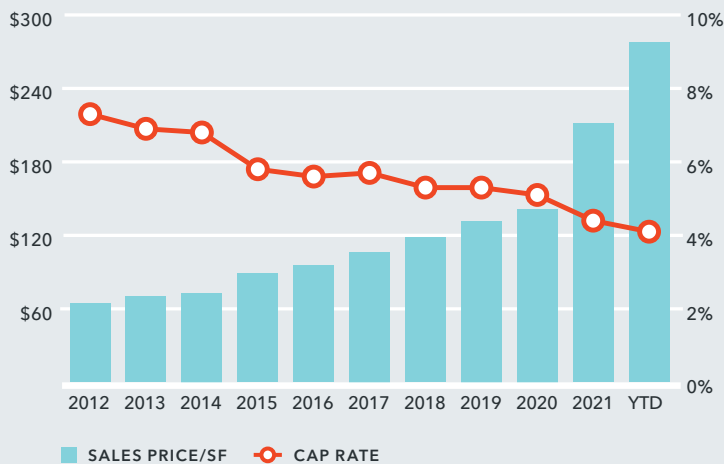
■ DIRECT LEASE RATE (NNN)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



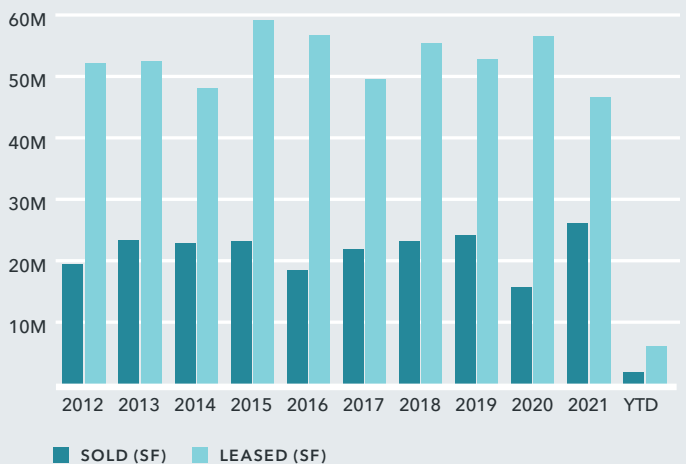
Net Absorption & New Deliveries



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	1Q22 Direct Net Absorption	2021 Direct Net Absorption	1Q22 Total Leasing Activity	2021 Total Leasing Activity	Avg Direct Rental Rate (NNN)
Chino/Chino Hills	917	54,348,750	1,529,162	1.8%	0.1%	1.9%	2.2%	(15,997)	1,199,135	226,729	2,072,366	\$1.43
Fontana	753	68,752,486	2,141,168	1.2%	0.5%	1.7%	5.3%	633,292	3,066,542	155,064	4,555,021	\$1.18
Jurupa Valley	308	31,605,550	4,099,421	0.0%	0.0%	0.0%	9.5%	142,673	1,672,784	316,237	2,186,651	\$1.21
Mira Loma	22	1,677,454	0	1.0%	0.0%	1.0%	0.0%	13,799	14,380	16,885	789,714	\$1.01
Montclair	201	3,947,567	68,359	0.2%	0.0%	0.2%	0.8%	3,022	302,714	40,057	260,176	\$0.96
Ontario	1506	116,297,338	5,215,200	0.2%	0.2%	0.4%	2.5%	1,605,590	6,183,288	635,587	7,212,779	\$1.27
Rancho Cucamonga	748	42,035,325	173,498	4.3%	0.0%	4.3%	5.2%	(182,948)	1,300,771	428,591	2,899,817	\$1.15
Upland	258	3,961,659	0	0.6%	0.7%	1.3%	5.1%	52,227	34,762	49,276	159,728	\$1.03
West	4713	322,626,129	13,226,808	1.0%	0.2%	1.2%	4.1%	2,251,658	13,774,376	1,868,426	20,136,252	\$1.29
Banning	47	940,537	1,000,000	5.5%	0.0%	5.5%	111.8%	(3,509)	11,855	7,500	103,995	\$0.97
Beaumont	45	5,624,460	2,777,878	0.0%	0.0%	0.0%	31.6%	5,165	8,002	4,200	7,398	\$0.99
Bloomington	118	10,043,529	0	1.7%	0.0%	1.7%	0.4%	17,584	1,337,937	0	605,129	\$1.02
Colton	174	10,798,592	0	0.6%	0.1%	0.7%	1.0%	122,260	658,831	176,200	770,652	\$1.08
Corona	908	31,048,531	1,088,645	0.4%	0.0%	0.4%	4.2%	339,093	535,635	80,154	2,438,150	\$1.09
Eastvale	62	12,443,541	859,527	2.7%	0.0%	2.8%	2.2%	197,892	335,101	501,649	1,402,369	\$1.02
Grand Terrace	13	424,525	0	0.0%	0.0%	0.0%	0.0%	0	4,800	0	19,250	\$0.00
Highland	20	995,928	0	12.2%	0.0%	12.2%	0.0%	0	0	0	121,294	\$0.00
Loma Linda	24	354,629	0	4.5%	0.0%	4.5%	6.8%	0	11,712	0	11,712	\$0.86
Moreno Valley	102	31,726,478	750,000	0.5%	0.0%	0.5%	1.0%	777,906	1,108,389	301,100	1,334,667	\$0.90
Norco	77	1,708,908	1,048,649	0.0%	0.0%	0.0%	61.8%	10,264	13,266	0	24,086	\$0.00
Perris	228	34,586,923	5,043,451	1.2%	0.0%	1.2%	9.6%	1,105,319	2,599,562	1,332,909	4,136,558	\$0.86
Redlands	214	29,654,580	1,058,256	3.4%	0.0%	3.4%	8.2%	160,639	2,629,177	8,152	2,057,508	\$0.94
Rialto	198	30,979,681	717,828	0.1%	0.0%	0.1%	2.0%	60,862	2,665,094	168,440	2,011,570	\$0.90
Riverside	1111	54,416,944	3,527,123	2.3%	0.0%	2.3%	4.3%	(729,602)	2,615,072	1,482,923	3,736,522	\$1.05
San Bernardino	572	42,727,399	1,080,144	1.5%	0.0%	1.5%	3.3%	890	2,278,133	81,395	2,722,924	\$1.01
East	3913	298,475,185	18,951,501	1.3%	0.0%	1.3%	5.4%	2,064,763	16,812,566	4,144,622	21,503,784	\$1.01
Hemet	87	1,602,979	0	2.5%	0.0%	2.5%	3.3%	(7,200)	192,792	15,300	7,247	\$0.75
Lake Elsinore	181	2,701,224	0	4.3%	0.0%	4.3%	3.9%	(20,880)	18,021	54,989	146,489	\$0.94
Menifee	25	1,247,517	84,312	57.3%	0.0%	57.3%	69.9%	0	(715,000)	16,000	741,000	\$0.80
Murrieta	257	4,387,368	107,824	3.0%	0.1%	3.1%	8.0%	113,109	338,275	13,296	280,641	\$0.99
San Jacinto	65	1,070,701	0	3.0%	0.0%	3.0%	3.8%	0	10,500	0	2,500	\$0.00
Temecula	332	10,456,839	193,580	0.5%	1.8%	2.3%	13.0%	41,840	230,224	42,459	420,944	\$0.85
Wildomar	12	324,860	0	5.5%	0.0%	5.5%	17.0%	(17,872)	0	0	8,791	\$0.00
South	959	21,791,488	385,716	5.1%	0.9%	6.0%	13.0%	108,997	74,812	142,044	1,607,612	\$0.94
5,000 - 24,999	5,944	70,700,221	690,114	1.2%	0.0%	1.2%	2.6%	(15,058)	1,107,580	404,497	3,324,057	\$1.31
25,000 - 49,999	1,399	48,828,702	1,154,574	1.0%	0.0%	1.0%	3.3%	159,157	1,455,969	419,366	2,699,052	\$1.21
50,000 - 99,999	840	58,235,799	2,147,235	1.0%	0.2%	1.2%	4.1%	483,296	3,248,393	562,620	4,910,139	\$1.13
100,000 - 249,999	769	117,269,556	5,515,980	2.3%	0.2%	2.5%	6.5%	1,609,538	7,432,908	847,681	12,752,497	\$1.09
250,000 - 499,999	365	130,454,051	3,565,172	1.0%	0.2%	1.2%	4.8%	739,590	6,808,260	1,445,954	11,336,992	\$1.02
500,000 - 999,999	208	139,847,343	4,040,361	1.3%	0.0%	1.3%	2.3%	203,846	6,079,980	1,375,345	5,996,330	\$1.02
1,000,000 Plus	60	77,557,130	15,450,589	1.8%	0.0%	1.8%	12.0%	1,245,049	4,528,664	1,099,629	2,228,581	\$0.98
Inland Empire Total	9,585	642,892,802	32,564,025	1.2%	0.1%	1.3%	5.0%	4,425,418	30,661,754	6,155,092	43,247,648	\$1.08

NEAR-TERM OUTLOOK

LIMITED AVAILABILITIES, sweeping the LA Basin will keep competition for space at high levels. Tenants who have looked towards migrating from neighboring Los Angeles and Orange County are

in for a sticker shock as rental rates will continue to spike. We can expect renewals to increase in the following quarters as options for relocations remain limited and available space quickly becomes leased a year in advance. for relocations remain limited and available space quickly becomes leased a year in advance.

TOP SALE TRANSACTIONS FOR 1Q22

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2777 E Cedar St	Airport Area	108,616	\$52,000,000	\$478.75	CenterPoint Properties	KGP Logistics
5401 E Jurupa St	Airport Area	142,404	\$43,000,000	\$301.96	TA Realty	Bayside Properties
21362 Harvill Ave	Moreno Valley/Perris	197,865	\$41,354,000	\$209.00	Black Creek Group	Core5 Industrial Partners
22740 Temescal Canyon Rd	South Riverside	65,285	\$35,000,000	\$536.11	North Palisade Partners	Guardian Asset Mgmt
23900 Brodiaea Ave	Moreno Valley/Perris	104,282	\$27,000,000	\$258.91	Nuveen	United Material Handling Co

TOP LEASE TRANSACTIONS FOR 1Q22

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Ontario Business Park	Ontario	1,099,629	January 2022	Clarion Partners	Home Depot
Knox Logistics Center	Perris	692,645	January 2022	Clarion Partners	Syncreon Technology
Riverside Logistic Center	Perris	682,700	January 2022	Black Creek Group	NFI Industries, Inc
LogistiCenter	Eastvale	501,649	February 2022	Dermody Properties, Inc	Best Buy
Meridian Logistics Center	Moreno Valley	486,000	March 2022	Cabot Properties, Inc	Port Logistics

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
8900 Merrill Ave	8900 Merrill Ave	Airport Area	4,055,890	Prologis	January 2023
Beaumont Crossroads Logistics Park	36855 W Fourth St	Beaumont/Hemet	1,777,708	USAA Real Estate LLC	January 2023
Agua Mansa Commerce Center	5400 El Rivino Rd	Riverside	1,186,950	PGIM Real Estate	April 2022
Veterans Industrial Park	Van Buren Blvd	Moreno Valley/Perris	1,170,796	National Pension Service of Korea	December 2022
Knox Logistics Center	19115 Harville Ave	Moreno Valley/Perris	1,138,800	Clarion Partners	April 2022

DATA SOURCE: EDD, PORT OF LOS ANGELES

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**Commercial
Brokerage**

\$10.9B
TRANSACTION
VOLUME (ANNUAL)

49.7M
SALES SF
(ANNUAL)

43.7M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

2,600+
ASSIGNMENTS
ANNUALLY

51/24
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

62M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

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