

MARKET TRENDS | **INLAND EMPIRE**
INDUSTRIAL

MARKET DRIVERS

TENANTS ARE STILL COMPETITIVE for the limited space in the market, which is causing lease rates to rise. Direct asking lease rates came to \$1.32/SF at the end of the second quarter, with IE East setting the bar at an exceptional rate of \$1.46/SF.

AS OF THE END OF THE SECOND QUARTER, direct vacancy rates were 0.9%, which are historically low levels. Modern, more recent buildings are in greater demand than ever since they are frequently pre-leased, and in certain cases, talks have already started on unqualified properties.

RECENT QUARTERS HAVE SEEN a lot of activity from firms in the logistics and e-commerce sectors. Over the previous year, NFI, Unis Transportation, Motivational Marketing, 4PX Express USA, and Allen Distribution have all rented more than 400,000 SF a piece.

DUE TO THE EXTREMELY LOW AVAILABILITY in older buildings, prospective tenants frequently resort to new construction to lease or purchase. Even though there are lease opportunities for around 75% of the 38.2M SF now under construction, most deliveries over the previous three years have been preleased or leased soon after completion.

ECONOMIC OVERVIEW

MAY 2022 saw a 20 BPS increase in the unemployment rate for Los Angeles County, bringing it to 4.5%. In May 2022, job increases climbed by 14,000 over the previous month to 5,058,000.

WITH A GAIN OF 31,100 jobs, trade, transportation, and utilities took the lead. There were payroll gains in the transportation, warehousing, and utility sectors (up 24,900), the retail sector (up 3,900), and the wholesale sector (up 2,300).

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Market Summary

	2Q22	1Q21	2Q21	Annual Change
Direct Vacancy Rate	0.9%	1.0%	2.5%	-63.08%
Total Availability Rate	5.9%	4.3%	5.0%	17.75%
Direct Asking Lease Rate	\$1.32	\$1.01	\$0.82	60.73%
Total Lease Transactions	5,076,727	8,691,446	9,501,291	-46.57%
Sale Transactions	3,868,903	2,869,688	6,825,125	-43.31%
Direct Net Absorption	3,890,825	5,572,606	9,509,980	N/A

▼ **5.1M**

LEASING ACTIVITY

▼ **8.8M**

NET ABSORPTION (SF)

▼ **0.9%**

VACANCY RATE

▲ **\$1.32**

AVERAGE ASKING RENT

▲ **38.2M**

NEW DELIVERIES (SF)

YEAR-OVER-YEAR TREND

Market Highlights

THE DIRECT VACANCY RATE for the current second quarter was lowest, at 0.9%, as compared to the previous quarters

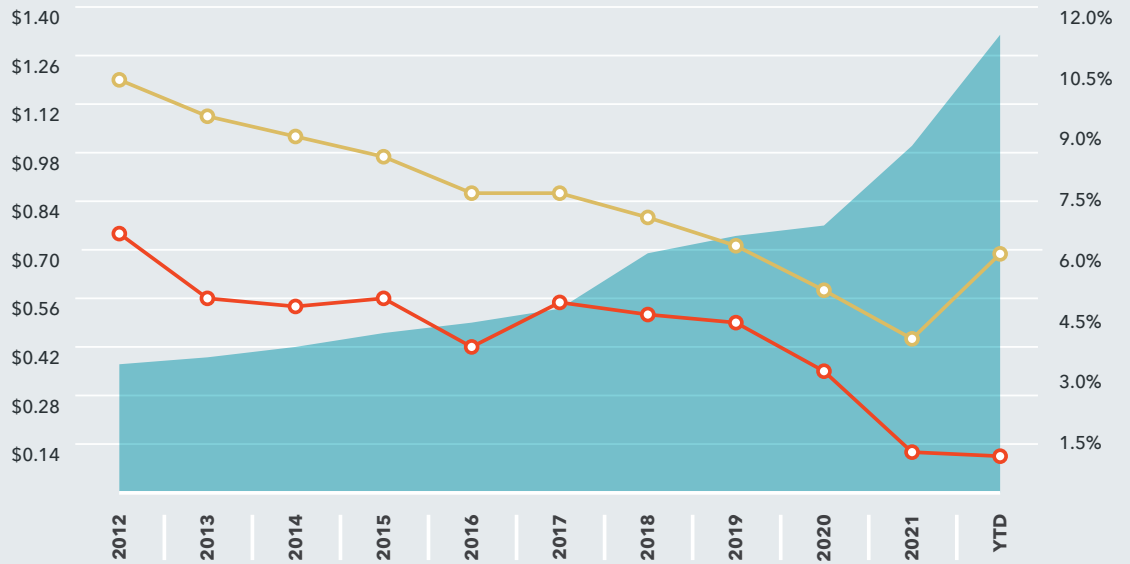
DIRECT ASKING LEASE RATES increased to \$1.32/SF on a triple net basis

AVG SALE PRICE for industrial industrial product was \$291.27/SF in 2Q 2022

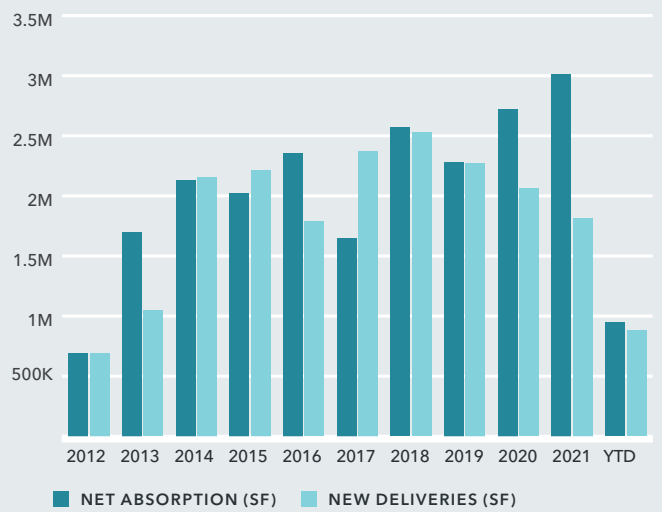
A PROGRESSIVE 38.2M SF is currently under construction

Lease Rate, Vacancy & Availability

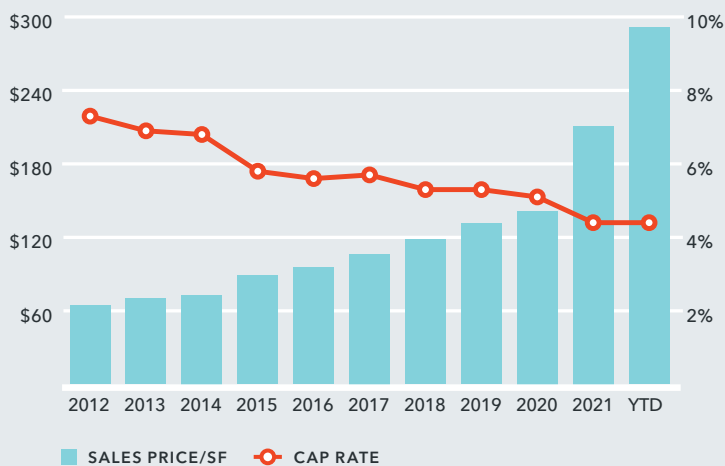
■ DIRECT LEASE RATE (NNN)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



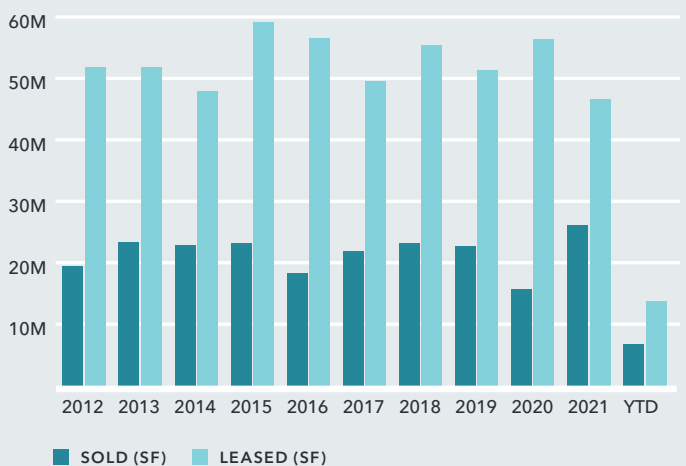
Net Absorption & New Deliveries



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	2Q22 Direct Net Absorption	YTD Direct Net Absorption	2Q22 Total Leasing Activity	YTD Total Leasing Activity	Avg Direct Rental Rate (NNN)
Chino/Chino Hills	923	54,627,425	1,296,809	0.5%	0.1%	0.6%	2.4%	(21,863)	482,749	500,865	773,936	\$1.57
Fontana	757	69,175,465	4,094,458	0.8%	0.7%	1.5%	8.0%	637,944	1,271,236	772,318	1,291,196	\$1.23
Jurupa Valley	297	30,160,400	3,709,421	0.3%	0.0%	0.3%	10.0%	(80,198)	62,475	167,622	483,859	\$1.17
Mira Loma	22	1,677,327	0	0.4%	0.0%	0.4%	0.4%	10,252	24,051	10,252	24,051	\$1.01
Montclair	202	3,974,287	27,378	0.5%	0.0%	0.5%	1.0%	25,438	23,149	27,016	69,323	\$0.96
Ontario	1507	116,330,382	8,078,814	0.6%	0.2%	0.9%	4.4%	(495,795)	1,157,228	878,859	1,580,924	\$1.48
Rancho Cucamonga	750	40,781,722	2,330,251	1.1%	0.0%	1.1%	8.1%	19,443	(44,415)	471,731	934,174	\$1.58
Upland	257	3,941,659	0	2.2%	0.5%	2.7%	5.0%	(69,083)	(9,042)	32,387	81,663	\$1.15
West	4715	320,668,667	19,537,131	0.7%	0.3%	1.0%	5.8%	26,138	2,967,431	2,861,050	5,239,126	\$1.32
Banning	47	940,537	1,186,690	4.4%	0.0%	4.4%	57.7%	10,009	6,500	5,018	12,518	\$1.80
Beaumont	46	5,632,460	2,777,878	0.0%	0.0%	0.0%	31.7%	0	5,165	0	4,200	\$0.99
Bloomington	119	10,055,800	47,809	0.7%	0.0%	0.7%	1.7%	106,495	119,092	0	0	\$1.02
Colton	171	10,835,710	0	0.2%	0.1%	0.3%	3.0%	16,325	138,585	19,706	200,906	\$0.92
Corona	913	31,473,241	649,316	0.9%	0.2%	1.1%	2.8%	261,012	626,214	242,179	322,333	\$1.52
Eastvale	67	13,303,068	0	2.3%	0.0%	2.3%	2.3%	1,091,002	1,091,002	161,120	662,769	\$1.02
Grand Terrace	13	424,525	0	0.0%	0.0%	0.0%	0.0%	0	0	0	0	\$0.00
Highland	20	1,001,028	1,080,144	1.9%	0.0%	1.9%	52.8%	102,194	102,194	0	0	\$0.00
Loma Linda	24	354,629	0	0.0%	0.0%	0.0%	8.8%	16,000	16,000	3,441	3,441	\$0.86
Moreno Valley	101	31,721,041	1,003,000	0.0%	0.9%	0.9%	2.7%	161,730	940,486	0	423,793	\$0.90
Norco	77	1,708,908	1,048,649	0.1%	0.0%	0.1%	39.0%	(1,531)	8,733	0	0	\$1.25
Perris	228	35,261,793	5,944,536	1.3%	0.0%	1.3%	15.4%	(46,266)	1,246,833	130,000	1,611,045	\$0.75
Redlands	215	29,670,242	1,058,256	1.9%	0.0%	1.9%	4.3%	421,680	591,093	765,747	1,253,173	\$1.25
Rialto	201	31,111,314	601,291	0.0%	0.0%	0.0%	2.3%	60,152	199,644	63,670	232,110	\$1.20
Riverside	1123	55,342,507	2,721,298	0.8%	0.0%	0.8%	2.2%	1,724,300	1,038,844	247,523	2,917,101	\$1.02
San Bernardino	572	42,713,581	179,000	0.1%	0.1%	0.1%	1.3%	256,515	593,389	67,941	158,336	\$1.10
East	3937	301,550,384	18,297,867	0.8%	0.1%	0.9%	5.6%	4,179,617	6,723,774	1,706,345	7,801,725	\$1.46
Hemet	87	1,602,979	0	2.3%	0.0%	2.3%	2.1%	(20,311)	(5,011)	0	15,300	\$1.25
Lake Elsinore	181	2,701,192	0	0.8%	0.0%	0.8%	5.0%	(13,923)	71,399	38,349	106,414	\$1.02
Menifee	26	1,331,829	0	60.0%	0.0%	60.0%	65.5%	0	0	36,417	52,417	\$1.15
Murrieta	257	4,390,368	140,375	1.0%	0.0%	1.0%	3.2%	(945)	101,614	50,267	74,003	\$0.99
San Jacinto	65	1,077,514	0	3.0%	0.0%	3.0%	4.1%	0	0	0	0	\$0.00
Temecula	332	10,456,839	193,580	4.7%	1.0%	5.8%	11.2%	(342,296)	(402,378)	352,475	431,013	\$0.82
Wildomar	11	317,860	0	0.0%	0.0%	0.0%	3.5%	0	0	55,341	55,341	\$0.90
South	959	21,878,581	333,955	6.5%	0.5%	7.0%	11.0%	(377,475)	(234,376)	532,849	734,488	\$0.97
5,000 - 24,999	5,954	70,869,662	743,665	1.3%	0.0%	1.3%	2.8%	(52,984)	108,301	570,346	1,191,054	\$1.43
25,000 - 49,999	1,407	49,099,385	1,537,407	1.5%	0.1%	1.6%	4.4%	(69,608)	337,894	564,600	1,164,108	\$1.51
50,000 - 99,999	850	58,912,944	3,108,353	1.6%	0.4%	2.0%	5.4%	243,173	820,569	688,693	1,257,413	\$1.60
100,000 - 249,999	768	117,183,006	7,389,619	0.8%	0.4%	1.2%	7.7%	2,168,467	4,056,638	1,326,491	2,936,219	\$1.47
250,000 - 499,999	364	130,321,455	4,688,079	1.2%	0.5%	1.6%	6.6%	(647,479)	502,667	869,609	2,172,226	\$1.09
500,000 - 999,999	209	140,281,343	5,572,469	0.6%	0.0%	0.6%	1.8%	2,186,711	2,385,711	1,080,505	3,809,270	\$1.02
1,000,000 Plus	60	77,442,483	15,129,361	0.0%	0.0%	0.0%	13.5%	0	1,245,049	0	1,245,049	\$0.98
Inland Empire Total	9,612	644,110,278	38,168,953	0.9%	0.2%	1.1%	5.9%	3,828,280	9,456,829	5,100,244	13,775,339	\$1.32

NEAR-TERM OUTLOOK

THE INLAND EMPIRE The Inland Empire has made a name for itself as the most sought-after market in the country, and growth in the area is still mostly driven by e-commerce and the ports of Southern California. The Inland Empire, from

the San Gorgonio Pass to the Coachella Valley, are experiencing an increase in the number of large industrial warehouses that are moving east along Interstate-10. More than 3.0 M SF of extra logistics space will be provided by two proposed structures next to I-10, which crosses over the nearby communities of Beaumont and Jurupa Valley.

TOP SALE TRANSACTIONS FOR 2Q22

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 2Q22

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

50/25
TOTAL NO. APPRAISERS/MAI'S

Asset Services

62M
MANAGEMENT PORTFOLIO SF

\$11B
IN ASSETS UNDER MANAGEMENT

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