

## MARKET TRENDS

# INLAND EMPIRE INDUSTRIAL

### MARKET DRIVERS

**THE INLAND EMPIRE** logistics region is a significant target for developers since it is home to many of the largest industries in the country. Value-add investors interested in upgrading and making money from below-market rents have expressed interest in the substantial rent rises seen across several property types.

**VALUE-ADD INVESTORS** eager to make upgrades and benefit from below-market rents have showed strong interest due to the substantial rent increases seen across several property types.

**MOST NET ABSORPTION** comprises large warehouse and distribution facilities, which are still in high demand due to a rise in the involvement of logistics and e-commerce firms in these construction projects. Shein Distribution Corporation (1.8M SF), Skechers USA, Inc. (1.0M SF), and Fellowship Warehousing & Logistics (330K SF) are among the latest tenants.

### ECONOMIC REVIEW

**THE ADJUSTED UNEMPLOYMENT RATE** for the Inland Empire rose to 4.2% in November 2022 from 4.0% the previous year.

**THE INLAND EMPIRE METRO AREA**, which comprises Riverside and San Bernardino, is one of the nation's fastest-growing labor markets. Retirement communities have a disproportionately high need for health and education services, and employment in the sector is increasing annually.

### NEAR-TERM OUTLOOK

**THE INLAND EMPIRE** is one of the largest industrial markets in the country. The constant demand from warehousing and logistics firms has kept vacancies at a low level relative to the rest of the country, and new tenants typically choose to lease or buy new construction since there is so little space available in older structures.

**THE DEVELOPMENT** of online shopping and the need to increase distribution efficiency at the final step has contributed to the Inland Empire's availability of new, cutting-edge logistics facilities. Currently, 37.4M SF of space is being developed, with almost 40% already preleased.

## Market Summary

	4Q22	3Q22	4Q21	Annual Change
Direct Vacancy Rate	1.9%	1.4%	1.0%	<b>88.85%</b>
Availability Rate	7.4%	5.6%	3.5%	<b>110.30%</b>
Asking Lease Rate	\$1.45	\$1.37	\$1.00	<b>45.00%</b>
Leasing Activity (SF)	6,202,754	14,210,671	11,042,501	<b>-43.83%</b>
Sale Volume (SF)	3,827,789	4,419,351	5,659,318	<b>-32.36%</b>
Net Absorption (SF)	(903,795)	1,779,109	5,172,998	<b>N/A</b>

↓ **6.2M SF**  
LEASING ACTIVITY

↓ **-904K SF**  
NET ABSORPTION

↑ **1.9%**  
VACANCY RATE

↑ **\$1.45**  
ASKING RENT (AVG)

↑ **4.2M SF**  
NEW DELIVERIES

Year-Over-Year Trend

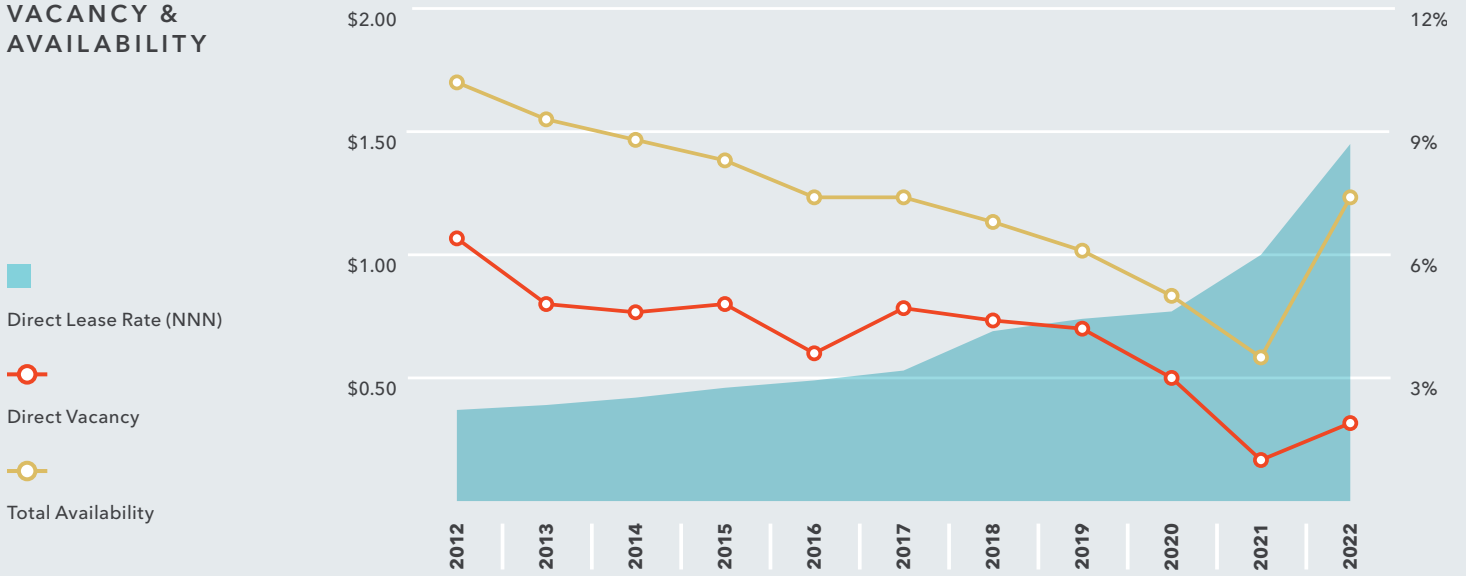
## Market Highlights

**DIRECT VACANCY 1.9% RATE**, will boost by several completed buildings.

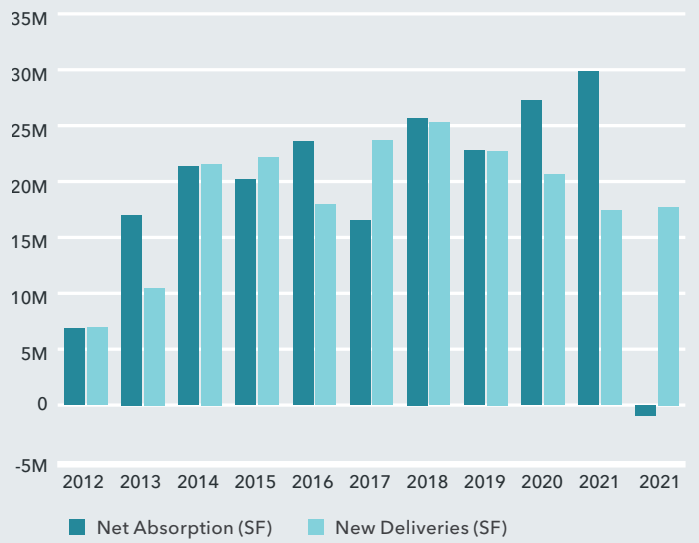
**MARKET AVERAGE** of \$1.45/SF on a triple net basis climbed by 45% from year-to-year.

**IN 4Q 2022** the average sale price was \$270.56/SF, and the cap rate remained constant at 4.9%.

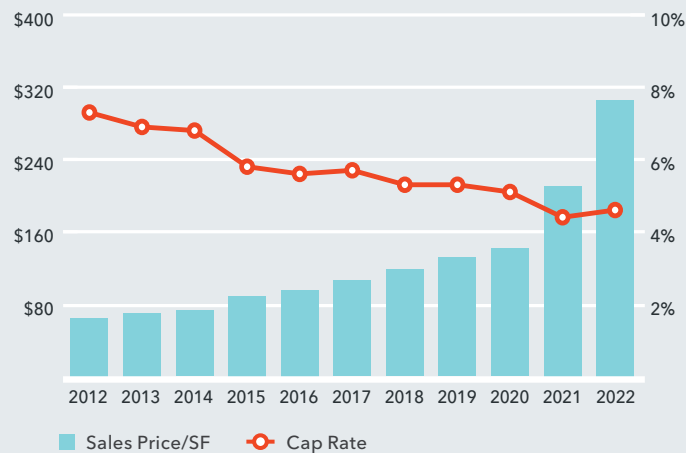
## LEASE RATE, VACANCY & AVAILABILITY



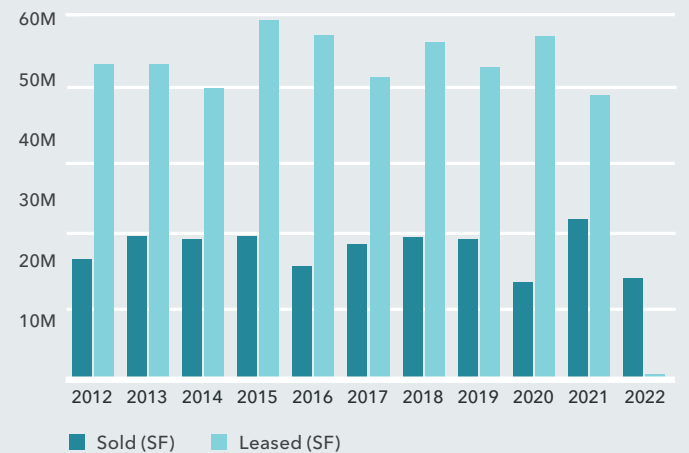
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



## SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Const.	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q Direct Net Absorption	2022 Direct Net Absorption	4Q Total Leasing Activity	2022 Leasing Activity	Average Rental Rate (NNN)
Chino/Chino Hills	54,627,425	1,405,786	1.4%	0.0%	1.4%	4.2%	(258,085)	(258,085)	2,904	2,904	\$1.72
Fontana	70,032,422	4,161,510	1.4%	0.4%	1.9%	12.2%	(84,364)	(84,364)	401,970	401,970	\$1.65
Jurupa Valley	31,704,884	4,484,495	4.5%	0.0%	4.5%	13.2%	0	0	0	0	\$1.71
Mira Loma	1,708,178	0	2.7%	0.0%	2.7%	2.7%	(38,955)	(38,955)	0	0	\$1.53
Montclair	4,023,262	0	4.6%	1.2%	5.8%	8.8%	(13,146)	(13,146)	8,194	8,194	\$1.16
Ontario	116,954,623	7,561,272	1.4%	0.6%	1.9%	6.1%	(407,768)	(407,768)	40,288	40,288	\$1.56
Rancho Cucamonga	40,772,098	2,830,654	1.8%	0.1%	2.0%	10.3%	(98,863)	(98,863)	6,358	6,358	\$1.53
Upland	3,960,446	60,900	2.6%	0.1%	2.7%	5.3%	(9,109)	(9,109)	0	0	\$1.34
<b>West</b>	<b>323,623,159</b>	<b>20,504,617</b>	<b>1.8%</b>	<b>0.3%</b>	<b>2.2%</b>	<b>8.4%</b>	<b>(910,290)</b>	<b>(910,290)</b>	<b>459,714</b>	<b>459,714</b>	<b>\$1.56</b>
Banning	947,487	1,186,690	6.4%	0.0%	6.4%	37.0%	0	0	0	0	\$2.00
Beaumont	6,632,630	1,777,708	0.1%	0.0%	0.1%	0.1%	0	0	0	0	\$0.99
Bloomington	10,146,544	0	1.5%	0.0%	1.5%	4.8%	(8,600)	(8,600)	0	0	\$1.17
Colton	10,877,518	0	2.6%	0.1%	2.7%	6.1%	(63,250)	(63,250)	0	0	\$0.92
Corona	31,946,973	1,095,498	1.4%	0.5%	1.8%	6.0%	(145,636)	(145,636)	0	0	\$1.52
Eastvale	13,312,928	0	4.9%	0.0%	4.9%	2.3%	0	0	0	0	\$1.02
Grand Terrace	424,525	0	0.0%	0.0%	0.0%	0.0%	0	0	0	0	\$0.00
Highland	2,089,637	305,617	51.7%	0.0%	51.7%	14.6%	0	0	0	0	\$0.00
Loma Linda	354,629	0	0.0%	0.0%	0.0%	11.8%	0	0	0	0	\$1.06
Moreno Valley	31,783,203	1,052,800	0.0%	0.0%	0.0%	3.6%	104,282	104,282	0	0	\$0.90
Norco	2,083,078	699,356	18.6%	0.0%	18.6%	52.0%	0	0	0	0	\$1.13
Perris	35,561,561	6,995,564	0.2%	0.0%	0.2%	9.9%	251,366	251,366	0	0	\$0.61
Redlands	30,341,594	549,772	2.0%	0.0%	2.0%	5.9%	1,475	1,475	0	0	\$1.42
Rialto	31,230,135	555,060	0.6%	0.0%	0.6%	7.5%	2,400	2,400	0	0	\$1.24
Riverside	56,996,403	1,578,062	1.1%	0.3%	1.4%	4.3%	(21,020)	(21,020)	8,117	8,117	\$1.45
San Bernardino	42,873,334	201,195	1.1%	0.1%	1.2%	4.3%	(58,886)	(58,886)	2,372	2,372	\$1.39
<b>East</b>	<b>307,602,179</b>	<b>15,997,322</b>	<b>1.6%</b>	<b>0.1%</b>	<b>1.7%</b>	<b>5.9%</b>	<b>62,131</b>	<b>62,131</b>	<b>10,489</b>	<b>10,489</b>	<b>\$1.46</b>
Hemet	1,607,929	0	0.4%	0.0%	0.4%	1.4%	0	0	0	0	-
Lake Elsinore	2,715,016	0	0.3%	0.0%	0.3%	5.8%	(5,138)	(5,138)	2,961	2,961	\$1.07
Menifee	1,336,605	544,115	60.4%	0.0%	60.4%	60.4%	0	0	0	0	\$1.22
Murrieta	4,387,857	253,464	0.4%	0.3%	0.8%	6.7%	(7,400)	(7,400)	10,356	10,356	\$1.31
San Jacinto	1,077,514	0	1.9%	0.0%	1.9%	1.9%	(2,500)	(2,500)	0	0	\$0.80
Temecula	10,636,371	109,585	5.4%	1.2%	6.6%	7.7%	(40,598)	(40,598)	3,870	3,870	\$1.12
Wildomar	317,860	0	1.2%	0.0%	1.2%	1.9%	0	0	0	0	\$1.10
<b>South</b>	<b>22,079,152</b>	<b>907,164</b>	<b>6.5%</b>	<b>0.6%</b>	<b>7.2%</b>	<b>12.7%</b>	<b>(55,636)</b>	<b>(55,636)</b>	<b>17,187</b>	<b>17,187</b>	<b>\$1.17</b>
5,000 - 24,999	71,148,823	486,351	1.5%	0.1%	1.6%	3.6%	(108,117)	(108,117)	24,337	24,337	\$1.50
25,000 - 49,999	49,696,125	1,203,244	2.8%	0.3%	3.1%	6.9%	(144,163)	(144,163)	50,727	50,727	\$1.51
50,000 - 99,999	59,607,985	2,590,434	3.2%	0.3%	3.5%	7.5%	(431,465)	(431,465)	76,809	76,809	\$1.43
100,000 - 249,999	119,784,084	6,209,853	3.3%	0.4%	3.6%	11.0%	(471,416)	(471,416)	0	0	\$1.52
250,000 - 499,999	131,604,665	3,385,356	1.0%	0.5%	1.4%	8.1%	251,366	251,366	325,161	325,161	\$1.23
500,000 - 999,999	139,769,041	2,518,262	0.5%	0.0%	0.6%	5.1%	0	0	0	0	\$1.02
1,000,000 Plus	81,693,767	7,783,027	2.5%	0.0%	2.5%	8.2%	0	0	0	0	\$0.98
<b>Inland Empire Total</b>	<b>653,304,490</b>	<b>37,409,103</b>	<b>1.9%</b>	<b>0.0%</b>	<b>2.1%</b>	<b>7.4%</b>	<b>(903,795)</b>	<b>(903,795)</b>	<b>487,390</b>	<b>487,390</b>	<b>\$1.45</b>

## TOP SALE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
3100 Milliken Ave	Inland Empire West	760,829	\$220,000,000	\$289.16	NFI Industries, Inc.	Sares-Regis Group
Rider Distribution Center	Inland Empire East	355,031	\$90,000,000	\$253.50	GLP Capital Partners	Blackstone Real Estate
Dairy Fresh Distribution	Inland Empire West	252,800	\$74,888,000	\$296.23	Bridge Investment Group	Truist Securities, Inc.
100 W Walnut Ave	Inland Empire East	205,589	\$59,275,000	\$288.32	Ares Management LLC	100 Walnut LLC
Grove Ontario Commerce Center	Inland Empire West	120,651	\$55,000,000	\$455.86	EverWest Real Estate Inv	Penwood RE Investment Mgmt

## TOP LEASE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
I-10 Logistics Center	Inland Empire East	1,832,667	December 2022	Shopoff Realty Investments	Shein Distribution Corporation
Banning One	Inland Empire East	1,000,000	October 2022	Pacific Newport Properties, Inc.	Skechers USA, Inc.
Chino South Business Park	Inland Empire West	534,404	October 2022	Manulife Financial Corporation	Undisclosed
Columbia Business Park	Inland Empire East	374,000	November 2022	Washington Capital Mgmt, Inc.	Undisclosed
23840-23842 Rider St	Inland Empire East	330,735	October 2022	Duke Realty Rider & Harvill, LP	Fellowship Warehousing & Logistics

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Amazon	8900 Merrill Ave	Inland Empire West	4,055,890	Prologis	January 2023
Bridge Point Rancho Cucamonga I/II	12430 Fourth St & 12415 Sixth St	Inland Empire West	2,175,021	Bridge	September 2023
Link - Space Center	3412-3413 Manitou Ct	Inland Empire East	1,939,312	Blackstone Inc.	December 2023
Beaumont Crossroads Logistics Park	36855 W Fourth St	Inland Empire East	1,777,708	USAA Real Estate LLC	August 2023
Ontario Ranch Business Park	SEC Eucalyptus & Euclid (1-7)	Inland Empire West	1,691,544	Clarion Partners	January 2023
I-15 Logistics Center	4121 Lytle Creek Road	Inland Empire West	1,171,788	CapRock Partners	May 2023
Knox Logistics Center VII	19115 Harville Ave	Inland Empire East	1,138,800	Clarion Partners	January 2023

Data Source: EDD, CoStar



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

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<b>COMMERCIAL BROKERAGE</b>	<b>\$10.9B</b> TRANSACTION VOLUME ANNUALLY	<b>49.7M</b> ANNUAL SALES SF	<b>43.7M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>52M</b> MANAGEMENT PORTFOLIO SF	<b>875+</b> ASSETS UNDER MANAGEMENT	<b>270+</b> ASSET SERVICES CLIENTS
<b>VALUATION ADVISORY</b>	<b>2,600+</b> ASSIGNMENTS ANNUALLY	<b>45</b> TOTAL APPRAISERS	<b>25</b> WITH MAI DESIGNATIONS

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