

MARKETBEAT

Inland Empire

Industrial Q4 2018



INLAND EMPIRE INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Inland Empire Employment	1.47M	1.51M	▲
Inland Empire Unemployment*	4.8%	4.2%	▼
U.S. Unemployment*	4.1%	3.7%	▼

*Q4 is for November

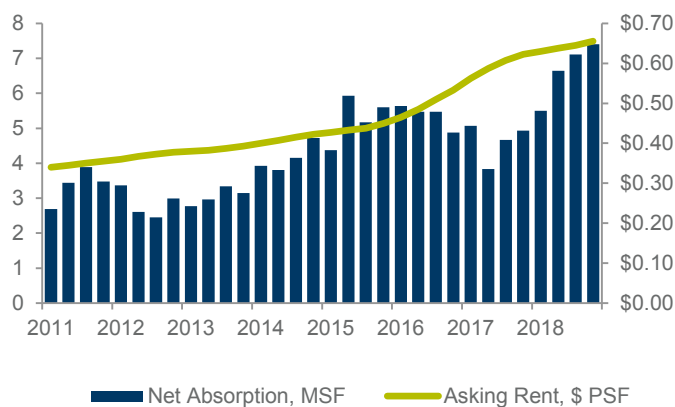
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	4.1%	3.8%	■
YTD Net Absorption (SF)	19.7M	29.6M	▼
Under Construction (SF)	25.2M	24.7M	■
Average Asking Rent**	\$0.63	\$0.67	▲

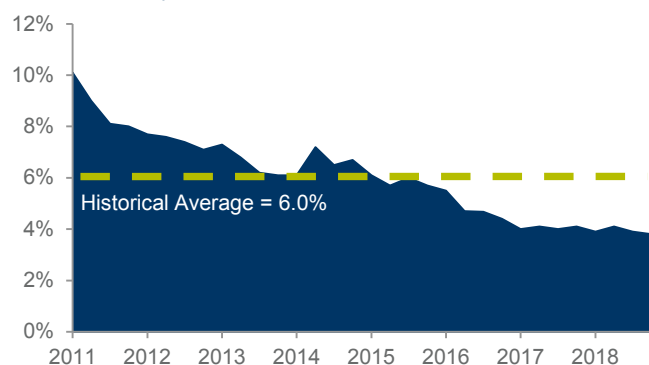
**Rental rates reflect net asking \$psf/month

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Inland Empire (IE) employment market continued to exhibit strong job growth as its unemployment rate decreased to 4.2% in the fourth quarter 2018, a 60 basis point (bp) decline compared with the previous year. San Bernardino County outpaced California's unemployment rate of 3.9%, down to 3.7% at the end of November while Riverside County's unemployment rate fell to 4.1% for the same time period. Job gains increased 2.2% from the previous year adding 33,200 jobs. The logistics sector accounted for 23.6% of the jobs created in the IE from 2011-2018 and will continue to grow. Although there has been a slight slowdown in combined cargo volume at the San Pedro Bay Ports with only a 3.2% annual growth in volume through November, 2018 will be another record year for the ports.

Market Overview

The IE closed out 2018 with an eye-popping 29.6 million square feet (msf) of positive net absorption, roughly 10.0 msf more than what was recorded in either of the previous two years. A record-setting 53.0 msf of gross absorption not only contributed to record occupancy gains, but it also pushed the market's overall vacancy rate down to 3.8%, a historic low and a decline of 30 bps from a year ago. While development in the Inland Empire East (IEE) drives most of these indicators, the Inland Empire West (IEW) has begun to resemble the impacted coastal market of Los Angeles and Orange County. The vacancy rate in the IEW dropped to 2.0% at the end of 2018, down 40 bps, from 2.4% at the end of 2017. Big-box activity increased as a result of the continued demand for larger product from eCommerce related users. More than 75% of new big-box leases in 2018 were for warehouses 250,000 sf or larger. The need for this size sector will continue throughout 2019, with an emphasis in the IEE. While construction completions and gross activity in the IEW were strong, they did not match their all-time highs due to the scarcity of developable land and low vacancy. The IE delivered more than 27.7 msf of new construction in 2018, 63.8% of that coming from the IEE, yet vacancy did not increase in either submarket, a testament to the IE's unrivaled user demand. Rental rates have continued to rise across the board as tenants chase fewer availabilities and newer product.

Outlook

Strong warehouse demand will continue to be fueled by the vast consumer appetite for eCommerce and strong port volume. Although economic headwinds are intensifying for the U.S. and the rest of the world, the IE continued to break records pushing market fundamentals to extraordinary levels. As it benefits from ample land to support its development pipeline and record occupancy gains, the IE will continue to be a top performing market in the nation for the foreseeable future.

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SUBMARKET	INVENTORY (SF)	*YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	YTD USER SALES ACTIVITY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL WEIGHTED AVG. NET RENT
Ontario	110,383,590	5,276,839	1.4%	1,067,123	2,710,132	904,082	1,676,040	2,156,306	\$0.73
Rancho Cucamonga	40,992,689	2,375,189	3.1%	783,045	927,093	1,081,483	291,104	1,321,392	\$0.80
Fontana	59,318,154	4,509,226	2.5%	2,211,737	2,319,505	1,333,186	62,934	698,072	\$0.80
Chino	48,910,113	4,609,366	1.6%	2,438,932	921,031	2,718,193	423,619	330,403	\$0.82
Jurupa Valley/Eastvale	36,106,577	2,391,343	2.3%	4,105,316	602,640	3,345,665	667,477	409,213	\$0.79
Montclair	3,102,242	34,418	0.4%	-3,558	53,942	0	35,583	0	\$0.90
Upland	2,985,034	33,682	0.4%	-13,204	0	0	8,050	0	N/A
Inland Empire West	301,798,399	19,230,063	2.0%	10,589,391	7,534,343	9,382,609	3,164,807	4,915,386	\$0.77
Riverside	47,869,673	4,727,590	5.8%	4,349,583	4,416,333	4,153,820	1,459,829	1,597,658	\$0.65
San Bernardino	38,347,305	2,530,908	6.0%	2,745,431	1,032,072	2,662,371	1,653,959	2,825,867	\$0.47
Colton	8,054,071	247,892	7.5%	108,502	0	0	26,180	309,244	\$0.66
Redlands	28,559,536	6,317,200	3.7%	3,891,104	0	156,263	93,813	1,069,120	\$0.71
Rialto	27,936,088	1,589,266	7.6%	918,529	4,228,244	2,050,241	241,990	5,053,089	\$0.83
Moreno Valley	27,188,447	5,289,662	10.1%	4,779,286	584,346	5,875,214	232,596	0	N/A
Perris	22,452,658	161,490	10.0%	774,756	3,885,110	2,656,430	1,096,760	481,046	N/A
Hesperia	923,073	0	27.9%	128,000	0	128,000	0	0	N/A
Victorville	6,706,312	478,975	0.2%	-2,909	465,667	0	357,000	0	N/A
Banning	187,500	0	0.0%	0	0	0	0	0	N/A
Beaumont	2,005,627	1,074,628	0.0%	0	1,074,628	0	0	0	N/A
Inland Empire East	210,230,290	22,417,611	6.7%	17,692,282	15,686,400	17,682,339	5,162,127	11,336,024	\$0.59
Corona	28,146,193	1,553,285	1.2%	902,980	1,248,513	396,755	627,234	467,369	\$0.76
Temecula	4,866,837	181,273	3.8%	335,453	53,259	199,162	390,621	536,798	\$0.65
Lake Elsinore	1,037,563	38,910	3.1%	81,785	70,723	74,800	102,576	74,800	\$0.76
Murrieta	1,608,125	72,942	0.5%	21,118	94,084	0	31,031	13,797	\$0.95
Inland Empire South	35,658,718	1,846,410	1.6%	1,341,336	1,466,579	670,717	1,151,462	1,092,764	\$0.73
INLAND EMPIRE TOTALS	547,687,407	43,494,084	3.8%	29,623,009	24,687,322	27,735,665	9,478,396	17,344,174	\$0.67

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
24385 Nandina Avenue, Moreno Valley	1,387,899	Lowe's Home Center	New Lease	Inland Empire East
24400 Krameria Avenue, Moreno Valley	1,331,763	Keeco	New Lease	Inland Empire East
21705 Cactus Avenue, Riverside	889,445	Burlington	New Lease	Inland Empire East
13052 Jurupa Avenue, Fontana	827,560	Jarden Consumer Solutions	Renewal*	Inland Empire West

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
4000 East Mission Boulevard, Ontario	923,083	SMBC Group / Bridgestone Americas, Inc.	\$75,306,000 / \$81.58	Inland Empire West
6207 Cajon Boulevard, San Bernardino	830,750	DHL / GLP	\$96,638,001 / \$116.33	Inland Empire East
Interchange Business Center, San Bernardino	667,024	TA Realty / Cabot Properties	\$73,000,000 / \$109.44	Inland Empire East
450 South Cactus Avenue, Rialto	500,000	USR Real Estate Holdings / LBA Realty	\$66,360,500 / \$132.72	Inland Empire East

*Leasing Activity does not include Renewals

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