



Industrial Inland Empire 22Q1

Key Takeaways

- Net absorption closed out the quarter at 3.1M SF.
- Construction activity is robust with 32.4M SF underway.
- Average asking rents skyrocketed from \$1.07 to \$1.27 NNN.
- For the first time in seven quarters, net absorption failed to surpass new supply.

Vacancy Rate 0.3% YOY FORECAST	Net Absorption 3.1M SF YOY FORECAST	Under Construction 32.4M SF YOY FORECAST	Overall Asking Lease Rates (NNN) \$1.27/SF YOY FORECAST
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Inland Empire Warehouse Rents Continue Unprecedented Growth

On the heels of the strongest year of market fundamentals in the Inland Empire's existence, vacancy, average asking rents and development all reached new levels. Average asking rents continue their meteoric rise, jumping 18.7% or \$0.20 PSF quarter over quarter. Vacancy in the region dipped another 20 basis points, closing out the quarter at 0.3%. It is safe to say that the Inland Empire is no longer a significantly discounted option compared to the infill Los Angeles markets, due to its 67% rental growth in a 12-month period. E-commerce and the Southern California ports continue to be the primary driver of growth throughout the region, and the Inland Empire has proven to be the most sought-after market in the United States.

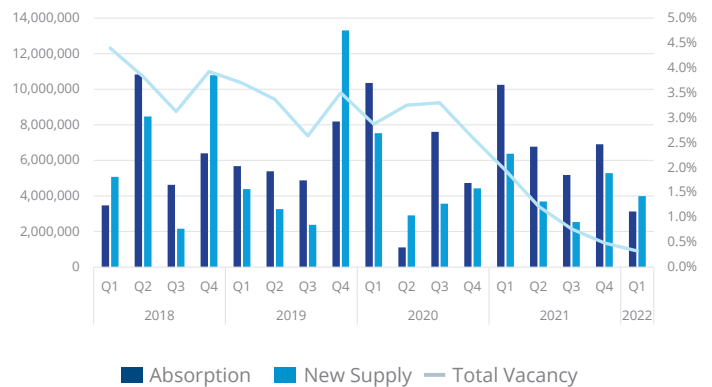
Market Indicators

5.0% Unemployment Rate	5.1% GDP - Quarterly % Change YOY	2.398% U.S. 10-Year Treasury Note
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Historic Comparison

	Q1 2021	Q4 2021	Q1 2022
Total Inventory (SF)	580,720,233	582,515,993	584,714,087
New Supply (SF)	6,379,540	5,279,676	3,993,854
Net Absorption (SF)	10,251,270	6,906,602	3,127,362
Overall Vacancy	1.9%	0.5%	0.3%
Under Construction (SF)	19,505,857	25,797,786	32,368,846
Overall Asking Lease Rates (NNN)	\$0.76	\$1.07	\$1.27

Market Graph



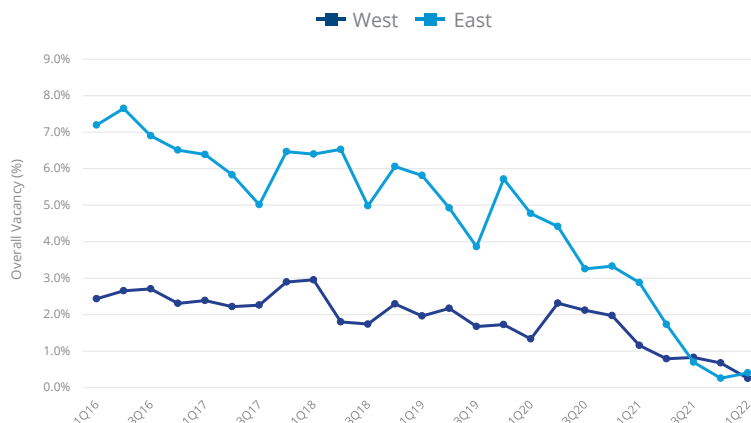
After six consecutive quarters of net absorption surpassing new supply, the Inland Empire came up just short of continuing that streak. However, vacancy still decreased quarter over quarter to a historic low of 0.3%.

Labor Force

	Construction	Manufacturing	Transportation, Trade & Utilities
12-Mo Employment Growth (%)	0.8%	2.6%	7.1%
12-Mo Actual Employment Change	900	2,400	31,000

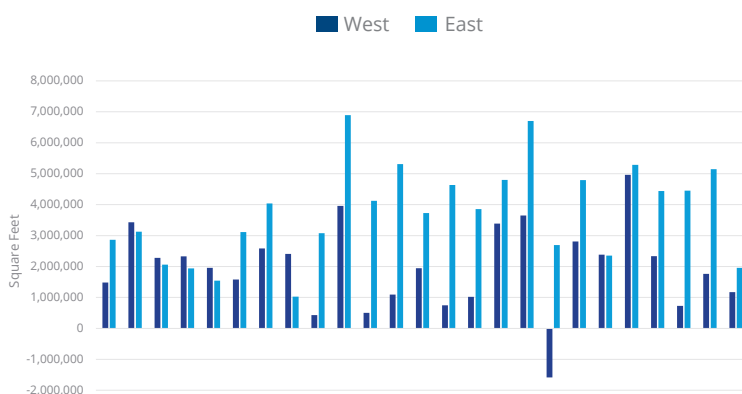
Vacancy

Overall vacancy decreased 20 basis points to a record low of 0.3%, now the lowest in all greater Los Angeles. Vacancy in the East slightly increased 10 basis points to 0.4% due to a 606,133-SF building that delivered vacant. The West saw the largest drop in vacancy due to the demolition of the former Big Lots facility in Rancho Cucamonga, removing 1.4M SF of vacant space from the market. Over 10M SF is expected to deliver next quarter, which will likely cause vacancy to ebb and flow, but we can expect it to remain sub 1% going forward.



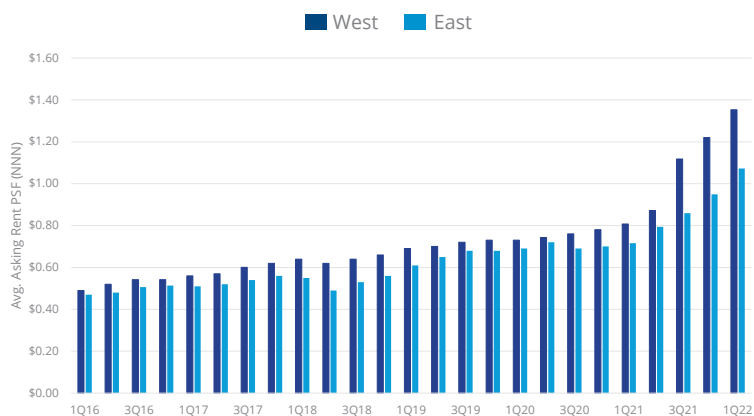
Absorption & Leasing Activity

Net absorption peaked at 3.1M SF, significantly lower than the quarterly average over the last two years due to lack of vacant existing space. With 3.9M SF of new supply, most of the demand came from buildings leased prior to completion. Total leasing activity consisted of 14M SF; 87% of that total came from 20 new leases over 100,000 SF. For the first time in seven quarters, net absorption failed to surpass new supply. This will likely be a common theme moving forward due to the region's rock-bottom vacancy, and not all new deliveries will have a tenant in tow. Lululemon and Home Depot both preleased over 1M SF of facilities in the West in Q1, as these types of buildings are becoming scarcer due to the lack of industrial land in the region's largest market.



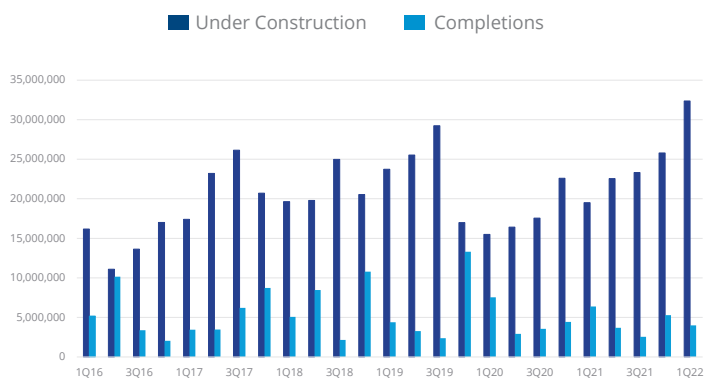
Rental Rates

Despite the Inland Empire having one of the lowest vacancy rates in the country, the statistic that stands out the most is the rental rate growth during the industrial boom that was sparked by the COVID-19 pandemic. The region's overall average asking rent closed out at \$1.27 PSF NNN, a 18.7% jump compared to last quarter, a 67% spike year over year and a 78% difference from the beginning of 2020. As staggering as these numbers are, annual rent adjustments/escalations have significantly increased as well. Gone are the days of the gold standard 3% increase at the end of each year. These increases are now north of 4%, which exponentially brings up the overall value of a lease transaction.



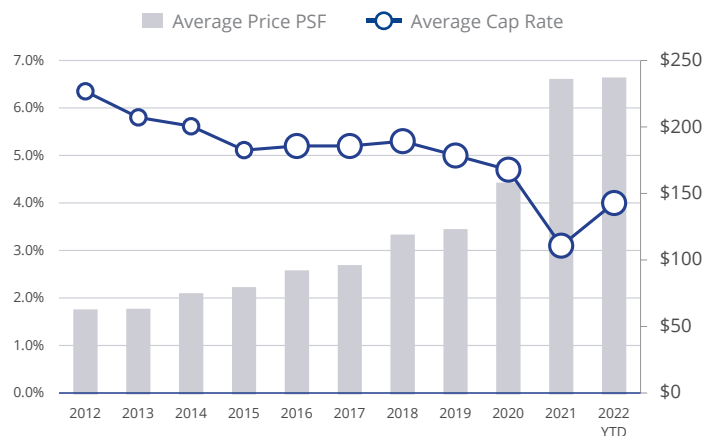
Construction

Construction activity throughout the region remains robust, with 32.4M SF currently underway. 19.1M SF is expected to deliver in the next two quarters. There are currently 60 buildings over 100,000 SF under development; 19 of those are already pre-leased, totaling 15.3M SF. 3.9M SF was delivered in the first quarter, which is well below the five-year average of 5.3M SF, largely due to long lead times and supply shortages. As land continues to become scarcer in the West, we will continue to see the eastern boundary of the Inland Empire expand outward. Four buildings in Banning/ Beaumont are currently underway, which will bring 3.8M SF of new inventory to the region's most eastern submarket.



Investment Trends

The industrial sector's massive boom sparked by COVID-19 has propelled industrial investment to the top of the most desired list for investors. E-commerce has grown exponentially since the start of the pandemic and will continue to attract institutional investment. With an all-time low vacancy and record-high rent growth, pricing is forecasted to increase with further cap rate compression as competition will remain hyper competitive.



Market Description

The Inland Empire comprises 584.7M SF and represents 34.8% of the total industrial space in greater Los Angeles for buildings 10,000 SF and greater. Considered the premier big-box market in Southern California, approximately 76.8% of the space in this market is in buildings 100,000 SF and greater. The vast majority of its space was built in the past 22 years. The Inland Empire continues to attract large distributors, warehouse, e-commerce companies and logistics firms seeking to consolidate their operations into large, state-of-the-art facilities.



Sales Activity

Property Address	Size SF	Sale Price	Price PSF	Buyer	Seller
14800 Meridian Pkwy, Riverside	1,174,800 SF	\$225.0 Million	\$191.5 PSF	IDS Real Estate Group	Prologis
21362 Harvill Ave, Perris	197,865 SF	\$41.4 Million	\$209.0 PSF	Black Creek Group	Core5 Industrial Partners
5401 Jurupa St, Ontario	142,404 SF	\$43.0 Million	\$302.0 PSF	TA Realty	Bayside Properties
2777 Cedar St, Ontario	108,616 SF	\$52.0 Million	\$478.8 PSF	CenterPoint Properties	KGP Logistics
23900 Brodiaea Ave, Moreno Valley	104,282 SF	\$27.0 Million	\$258.9 PSF	Nuveen	United Material Handling

Leasing Activity

Property Address	Size SF	Lease Type	Submarket	Lessee	Lessor
Merrill Ave, Ontario	1,255,320 SF	New	West	Lululemon	Prologis
Sultana Ave, Ontario	1,099,629 SF	New	West	Home Depot	Clarion/REDA
20201 Caroline Way, Riverside	782,209 SF	New	East	Republic National Distributing	Waypoint Property Group
23550 Placentia Ave, Perris	682,700 SF	New	East	NFI Industries	Black Creek Group
6251 Archibald St, Eastvale	501,649 SF	New	West	Best Buy	Dermody Properties

Major Developments

Project	Developer	Size SF	Submarket	Status	Estimated Completion
8900 Merrill Ave, Ontario	Prologis	4,055,890 SF	West	BTS - Multi-Story	2022 4Q
Veterans Industrial Park 215, Riverside	Hillwood	1,866,948 SF	East	BTS	2023 1Q
Ontario Ranch Logistics Center, Ontario	Clarion/REDA	1,245,049 SF	West	Preleased	2022 2Q
Knox Logistics Center VII, Riverside	Clarion Partners	1,138,800 SF	East	Under Construction	2022 2Q
San Manuel Landing, San Bernardino	Trammell Crow	1,080,144 SF	East	Under Construction	2022 3Q

Existing Properties		Construction		Vacancy		Availability	Activity				Absorption		Rents
Submarket/ Subtype	Total Inventory SF	Completions Current Qtr SF	Under Construction SF	Vacancy Rate	Vacancy Prior Qtr	Availability Rate	Sales Activity SF	Lease Activity SF	Total Gross Activity Current	Total Gross Activity YTD	Net Absorption Current	Net Absorption YTD	Avg Direct Asking Rate (NNN)
West Inland Empire													
Chino	54,087,473	287,050	1,347,880	0.1%	0.1%	0.5%	62,097	5,461,859	5,523,956	5,523,956	288,067	288,067	\$1.26
Fontana	63,384,344	340,556	2,577,404	0.7%	0.7%	2.3%	31,422	226,355	257,777	257,777	165,023	165,023	\$1.38
Jurupa Valley / Eastvale	46,068,140	211,396	2,492,533	0.0%	0.0%	0.4%	30,684	333,122	363,806	363,806	211,396	211,396	n/a
Ontario	108,769,628	410,175	7,831,979	0.1%	0.1%	1.3%	105,455	1,847,916	1,953,371	1,953,371	392,239	392,239	\$1.29
Rancho Cucamonga	41,348,508	214,721	23,380	0.5%	3.7%	1.7%	39,824	408,797	448,621	448,621	114,892	114,892	\$1.40
Subtotal	313,658,093	1,463,898	14,273,176	0.3%	0.7%	1.3%	269,482	8,278,049	8,547,531	8,547,531	1,171,617	1,171,617	\$1.35
East Inland Empire													
Banning / Beaumont	6,846,079	0	3,823,930	0.0%	0.0%	0.1%	0	0	0	0	-2,509	-2,509	\$0.82
Colton	11,256,091	0	47,809	0.0%	0.0%	0.0%	57,379	175,855	233,234	233,234	0	0	n/a
Corona	28,969,271	0	2,380,584	0.2%	0.3%	0.7%	0	579,431	579,431	579,431	-31,825	-31,825	\$1.06
Moreno Valley	31,967,204	0	219,932	0.0%	0.0%	0.3%	0	423,793	423,793	423,793	0	0	n/a
Perris	35,259,723	1,584,320	5,332,520	0.6%	0.6%	0.7%	0	2,025,554	2,025,554	2,025,554	1,589,320	1,589,320	\$1.19
Redlands / Loma Linda	28,904,720	794,679	1,058,256	2.2%	0.2%	4.6%	49,510	965,619	1,015,129	1,015,129	157,902	157,902	n/a
Rialto	36,251,228	0	558,292	0.0%	0.0%	0.1%	0	1,500	1,500	1,500	920	920	n/a
Riverside	51,203,336	150,957	3,137,078	0.3%	0.6%	2.0%	44,355	1,505,395	1,549,750	1,549,750	198,265	198,265	\$0.95
San Bernardino	40,398,342	0	1,537,269	0.0%	0.1%	0.2%	34,028	56,340	90,368	90,368	43,672	43,672	n/a
Subtotal	271,055,994	2,529,956	18,095,670	0.4%	0.3%	1.1%	185,272	5,733,487	5,918,759	5,918,759	1,955,745	1,955,745	\$1.07
West Inland Empire													
10,000 - 19,999	15,462,940	154,286	118,582	0.4%	0.1%	1.1%	107,743	115,272	223,015	223,015	106,890	106,890	\$1.34
20,000 - 39,999	21,839,745	188,421	274,979	0.2%	0.1%	0.7%	56,284	221,335	277,619	277,619	158,112	158,112	\$1.33
40,000 - 69,999	23,794,429	106,100	769,874	0.7%	1.1%	1.1%	0	308,208	308,208	308,208	203,209	203,209	\$1.49
70,000 - 99,999	16,007,345	171,566	689,233	0.5%	0.0%	2.0%	0	232,369	232,369	232,369	95,082	95,082	\$1.24
100,000 - 249,999	68,394,687	843,525	2,715,750	0.6%	0.6%	1.5%	105,455	442,861	548,316	548,316	608,324	608,324	\$1.46
250,000 - 499,999	81,785,882	0	1,777,942	0.0%	0.0%	2.0%	0	547,165	547,165	547,165	0	0	\$1.30
500,000 +	86,373,065	0	7,926,816	0.0%	1.6%	0.4%	0	6,410,839	6,410,839	6,410,839	0	0	\$1.35
Subtotal	313,658,093	1,463,898	14,273,176	0.3%	0.7%	1.3%	269,482	8,278,049	8,547,531	8,547,531	1,171,617	1,171,617	\$1.35
East Inland Empire													
10,000 - 19,999	12,861,518	105,042	99,924	0.4%	0.3%	0.8%	42,408	81,211	123,619	123,619	90,275	90,275	\$1.20
20,000 - 39,999	16,367,703	45,915	267,174	0.6%	0.1%	0.8%	93,354	120,982	214,336	214,336	-24,638	-24,638	\$1.02
40,000 - 69,999	16,858,031	0	848,028	0.2%	0.4%	1.4%	49,510	70,110	119,620	119,620	21,282	21,282	\$0.65
70,000 - 99,999	11,956,191	0	597,003	0.0%	1.4%	1.4%	0	156,686	156,686	156,686	90,960	90,960	\$0.95
100,000 - 249,999	39,939,301	574,191	2,355,920	0.5%	0.8%	1.7%	0	909,855	909,855	909,855	574,191	574,191	\$1.12
250,000 - 499,999	45,399,460	0	3,055,442	0.2%	0.2%	2.5%	0	1,735,440	1,735,440	1,735,440	0	0	n/a
500,000 +	127,673,790	1,804,808	10,872,179	0.5%	0.0%	0.5%	0	2,659,203	2,659,203	2,659,203	1,203,675	1,203,675	n/a
Subtotal	271,055,994	2,529,956	18,095,670	0.4%	0.3%	1.1%	185,272	5,733,487	5,918,759	5,918,759	1,955,745	1,955,745	\$1.07
Inland Empire Overall													
10,000 - 19,999	28,324,458	259,328	218,506	0.4%	0.2%	1.0%	150,151	196,483	346,634	346,634	197,165	197,165	\$1.29
20,000 - 39,999	38,207,448	234,336	542,153	0.4%	0.1%	0.8%	149,638	342,317	491,955	491,955	133,474	133,474	\$1.19
40,000 - 69,999	40,652,460	106,100	1,617,902	0.5%	0.8%	1.3%	49,510	378,318	427,828	427,828	224,491	224,491	\$1.12
70,000 - 99,999	27,963,536	171,566	1,286,236	0.3%	0.6%	1.8%	0	389,055	389,055	389,055	186,042	186,042	\$1.13
100,000 - 249,999	108,333,988	1,417,716	5,071,670	0.6%	0.6%	1.6%	105,455	1,352,716	1,458,171	1,458,171	1,182,515	1,182,515	\$1.27
250,000 - 499,999	127,185,342	0	4,833,384	0.1%	0.1%	2.2%	0	2,282,605	2,282,605	2,282,605	0	0	\$1.30
500,000 +	214,046,855	1,804,808	18,798,995	0.3%	0.7%	0.4%	0	9,070,042	9,070,042	9,070,042	1,203,675	1,203,675	\$1.35
Total	584,714,087	3,993,854	32,368,846	0.3%	0.5%	1.2%	454,754	14,011,536	14,466,290	14,466,290	3,127,362	3,127,362	\$1.27

FOR MORE INFORMATION

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