Inland Empire
Industrial Market Outlook Q2 2021

NAI Capital
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

MARKET OVERVIEW

The industrial market in the Inland Empire is going strong, as the economy reopened. A year after the pandemic shutdown began, demand for warehouses is soaring, rents are rising, and developers are completing new projects. This quarter, completed industrial space jumped 39.8% from the prior quarter, up 49.6% compared to last year at more than 6.2M square feet.

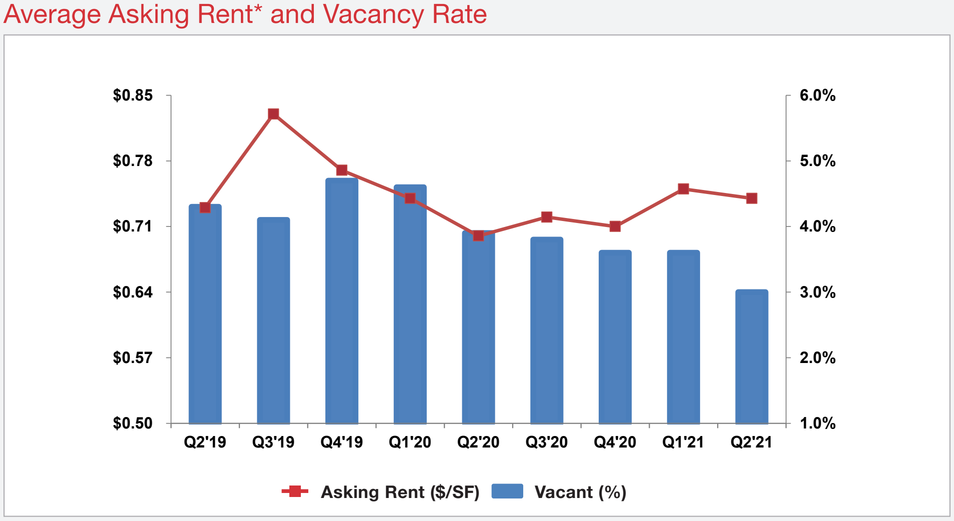
Vacant industrial space declined 18.5% in Q2 2021 from Q2 2020, while the average asking rent increased 5.7% from Q2 2020 to $0.74/SF triple net. The vacancy rate fell to a new all-time low of 3.0%, down 90 bps points from Q2 2020, despite more than 10.7M square feet of completed construction added to the market this year. Since Q2 2020, the market has absorbed approximately 30.7M square feet, compared to 22.9M square feet of completed construction added over the same time. Demand for large distribution centers continued, driven by ecommerce, pushing construction, and constrains on land availability. Still, development remained at full speed with 3 projects over 1M square feet underway. The largest project is a 1.2M square foot build-to-suit project for Uline in the West submarket city of Ontario.

TRENDS TO WATCH

The depletion of land in the West will continue to drive up development, land, rent, and sale prices in the East Inland Empire. In the East the pace of completed construction quickened this quarter, up 71.6% from this time last year, as demand remained hot. Asking rent in the East increased 10.8% from Q2 2020 to $0.82/SF triple net – on par with the West Inland Empire. The vacancy rate in the East declined 40 bps from Q2 2020, despite more than 13.2M square feet of completed construction added over the same timeframe.

The Inland Empire had 140 projects totaling over 18.8M square feet under construction this quarter, with an average size of 132,617 square feet. Vacancy in the West plummeted to a low 2.6%, the tightest in the region, which is causing development to move further East. Eighty percent of the top 10 largest projects under construction are in the East. Land for development will continue to get scarcer and pricier, fueling higher prices for completed space, particularly along the region's main logistics and distribution corridors.

Average Asking Rent* and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates ▲

Sale Prices ▲

Availability/Vacancy Rates ◀▶

Landlord Concessions ◀▶

Sales/Leasing Volume ▲

New Construction ▲

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*Rents reflects building of 10,000 SF or greater; quoted in $/SF NNN on a monthly basis.

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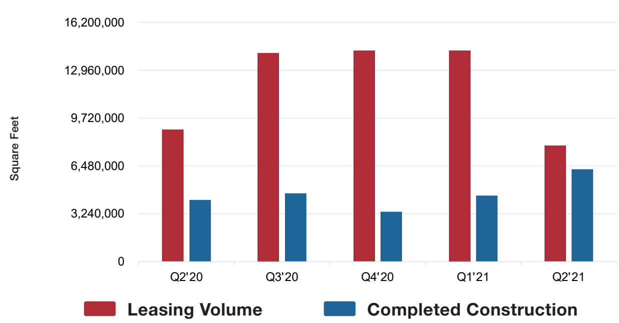
Market Statistics*

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT $/SF NNN	AVERAGE SALE PRICE $/SF
East	249,080,262	9,802,196	6.4%	3.3%	3,058,859	6,819,396	2,444,985	4,666,344	$0.82	$212
High Desert	21,646,967	0	5.3%	3.9%	80,099	1,104,329	74,519	238,523	$0.49	$103
South	21,986,170	517,904	7.5%	5.9%	208,251	1,214,599	289,968	775,531	$0.71	$157
West	333,707,747	8,535,717	4.2%	2.6%	4,505,918	13,017,169	2,975,352	4,436,504	$0.82	$139
Inland Empire	**626,421,146**	**18,855,817**	**5.2%**	**3.0%**	**7,853,127**	**22,155,493**	**5,784,824**	**10,116,902**	**$0.74**	**$155**

Leasing

Leasing volume totaled 22,155,493 square feet in the first half of 2021, while completed construction added to the market totaled 10,726,789 square feet. The supply of completed construction remained well below demand, supporting development to continue in the region.

Leasing Volume vs. Completed Construction



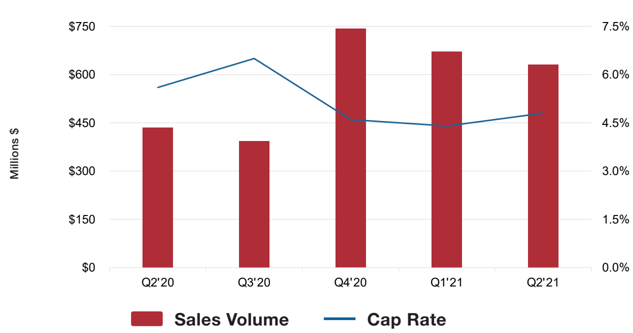
Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
2220 Almond Ave	Redlands	East	411,879
251 E Rider St	Perris	East	354,810
1375 E Locust St	Ontario	West	322,019
14210-14380 Telephone Ave	Chino	West	315,000
6860 Sycamore Canyon Blvd	Riverside	East	300,000

Sales

Sales volume continued at brisk pace the in first half of 2021, rising 69% from the first half of 2020 to more than $1.3B. The average cap rate on investment sales inched up 40 bps points from the previous quarter, down 80 bps points from the second quarter of 2020 to 4.8%

Sales Volume vs. Cap Rate



Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
5051 Carpenter Ave - Building 1	Ontario	West	1,197,339
3994-96 S Riverside Ave Portfolio of 2 Industrial Properties Sold	Colton	East	1,396,495
2151 S Vintage Ave	Ontario	West	766,235
1400 Marlborough Ave	Riverside	East	168,623
5733 W Whittier Ave	Hemet	South	140,000

*RBA includes all industrial buildings. Rents reflect buildings of 10,000 SF or greater.

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High Desert

- Adelanto
- Apple Valley
- Barstow
- Helendale
- Hesperia
- Lucerne Valley
- Phelan
- Silver Lakes
- Victorville

West IE

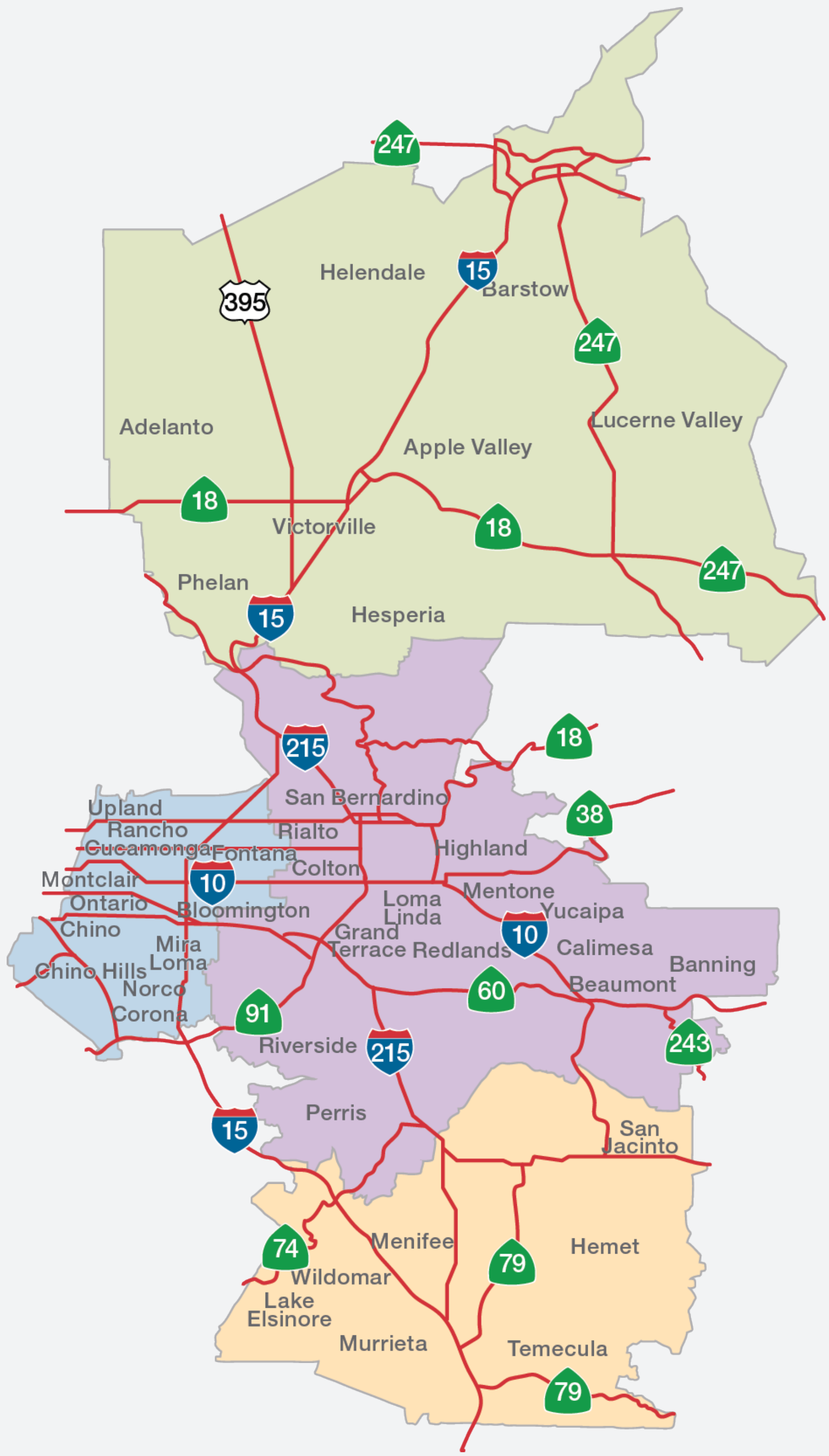
- Chino Hills
- Chino
- Corona
- Eastvale
- Fontana
- Mira Loma
- Montclair
- Norco
- Ontario
- Rancho Cucamonga
- Upland

East IE

- Banning
- Beaumont
- Bloomington
- Calimesa
- Colton
- Grand Terrace
- Highland
- Loma Linda
- Mentone
- Moreno Valley
- Perris
- Redlands
- Rialto
- Riverside
- Rubidoux
- San Bernardino
- Yucaipa

South IE

- Hemet
- Lake Elsinore
- Menifee
- Murrieta
- San Jacinto
- Temecula
- Wildomar



NAI Capital
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

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Torrance
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Torrance, CA 90502
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Pasadena
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Pasadena, CA 91101
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Valencia
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Diamond Bar
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Diamond Bar, CA 91765
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Westlake Village, CA 91361
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Inland Empire

Ontario
800 N. Haven Dr., Ste. 400
Ontario, CA 91764
909.945.2339

Victorville
13911 Park Ave., Ste. 206
Victorville, CA 92392
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Orange County

Irvine
1920 Main St., Ste. 100
Irvine, CA 92614
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Coachella Valley

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75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
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