

# Inland Empire

## Industrial Market Outlook Q2 2022

### MARKET OVERVIEW

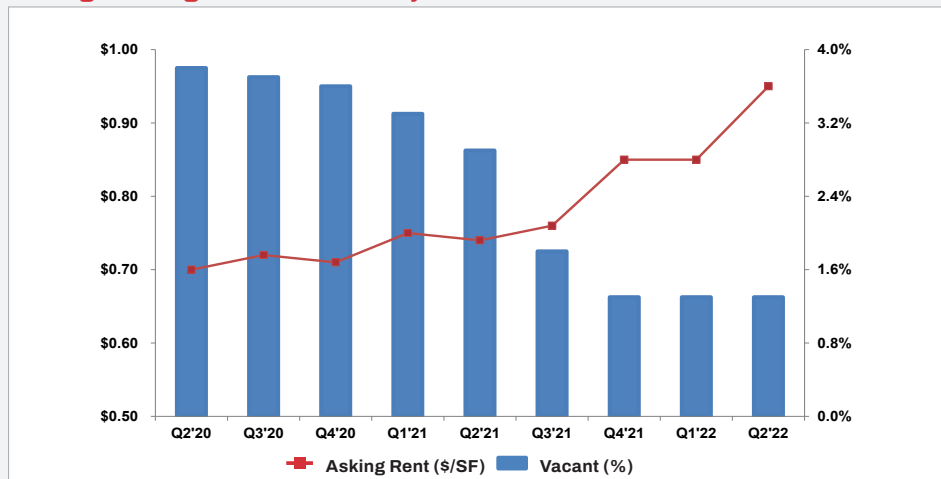
Sustained demand for warehouse distribution space is keeping developers active in the market which has resulted in more industrial development projects in the Inland Empire to keep pace with economic growth and the relentless demand for additional warehouse distribution space across the region from ecommerce. Industrial space under construction jumped 9.4 percent from the prior quarter, up 50.3 percent compared to last year to more than 33.5 million square feet. With completed construction totaling close to 11.1 million square feet and net absorption at 11 million square feet in the first half of 2022, the increased supply of industrial development is scarcely keeping pace with persistent demand. The Inland Empire, over the past five quarters, averaged approximately 5 million square feet of completed construction added to the market while net absorption averaged 7.4 million square feet.

The shortage of warehouse distribution space in the Inland Empire's industrial market continued in the second half of 2022. The vacancy rate remained at a record low of 1.3 percent, steady from the previous quarter and 160 basis points below the second quarter of 2021. The market's strength was extraordinary in the first half of 2022, with virtually all newly completed warehouse distribution space continuing to get leased. The average asking rent increased 11.8 percent from the prior quarter to \$0.95 triple net, up 28.4 percent from the second quarter of 2021.

### TRENDS TO WATCH

As the supply chain disruptions caused by the COVID-19 shutdown dissipate, demand from ecommerce to feed distribution networks will cause developers ease construction of warehouse distribution facilities. In the West Inland Empire Amazon's 4.06 million square foot facility, currently under construction, remains the largest facility under construction in Southern California and will become the largest warehouse in Amazon's logistics network. With land for development becoming increasingly scarce in the West IE because of projects like Amazon's, development is spreading eastward. Inland Empire's East industrial submarket has become the tightest in the region. Vacant industrial space in the East IE fell 75.6 percent from last year to a historic low of 0.8 percent. Rent in the East IE shot up 82.9 percent from last year to \$1.50 per square foot per month – the highest in the region. In the East, industrial space under construction soared 55.0 percent from the second quarter of 2021. As demand for well-located state of the art warehouse distribution space continues, the East Inland Empire will compete with the West IE as a distribution hub for the largest, newest, big-box industrial buildings in Southern California.

### 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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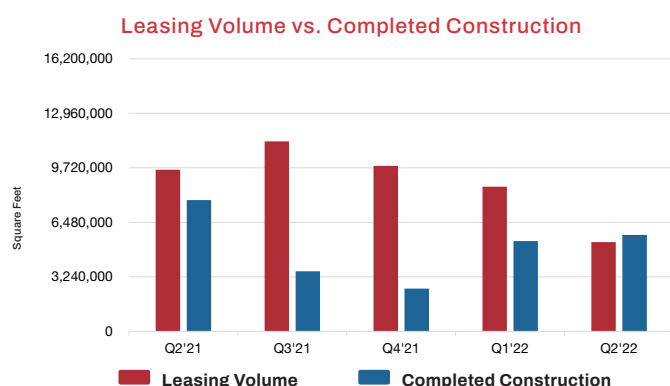
NAI Capital Commercial Research  
[www.naicapital.com](http://www.naicapital.com)

### 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	257,324,513	16,573,291	5.8%	0.8%	1,314,251	6,830,113	2,138,269	3,468,969	\$1.50	\$293
High Desert	26,412,328	341,762	4.3%	3.5%	67,843	275,916	13,433	89,164	\$0.45	\$77
South	22,692,758	353,108	10.3%	6.9%	527,903	753,371	94,701	240,428	\$0.95	\$155
West	338,672,415	16,273,773	4.8%	1.1%	3,394,768	6,045,615	1,491,017	2,660,039	\$1.17	\$362
<b>Inland Empire</b>	<b>645,102,014</b>	<b>33,541,934</b>	<b>5.4%</b>	<b>1.3%</b>	<b>5,304,765</b>	<b>13,905,015</b>	<b>3,737,420</b>	<b>6,458,600</b>	<b>\$0.95</b>	<b>\$316</b>

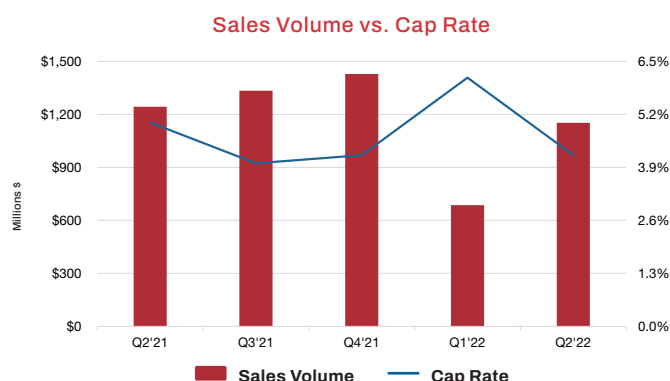
### Leasing

Increased speculative development in the second half of 2022, along with strong leasing volume, underscored the need to supply more construction. Well-located, state of the art warehouse distribution space continued to be in strong demand.



### Sales

Sales volume increased the second quarter of 2022 after a pause in the first quarter, coming off to an all-time high in the fourth quarter of 2021. Second quarter 2022 sales volume totaled close \$1.2 billion. In the second quarter of 2022, the average cap rate dropped 80 basis points from the second quarter of 2021 to 4.2 percent.



### Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
2255 W Lugonia Ave	Redlands	East	606,133
1901 California St	Redlands	East	467,853
11625 Venture Dr	Jurupa Valley	East	418,500
2830 E Philadelphia St	Ontario	West	383,619
41980 Winchester Rd	Temecula	South	296,030

### Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
630 Nicholas Rd	Beaumont	East	600,000
18025 Slover Ave	Bloomington	East	344,360
19319 Harvill Ave	Perris	East	289,407
6300 Providence Way	Eastvale	West	281,000
2830 Barrett Ave	Perris	East	270,320

\*RBA includes all industrial buildings. Rents reflect buildings of 10,000 SF or greater; quoted in \$/SF NNN on a monthly basis.

# Inland Empire

## Industrial Market Outlook Q2 2022

### High Desert

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

### West IE

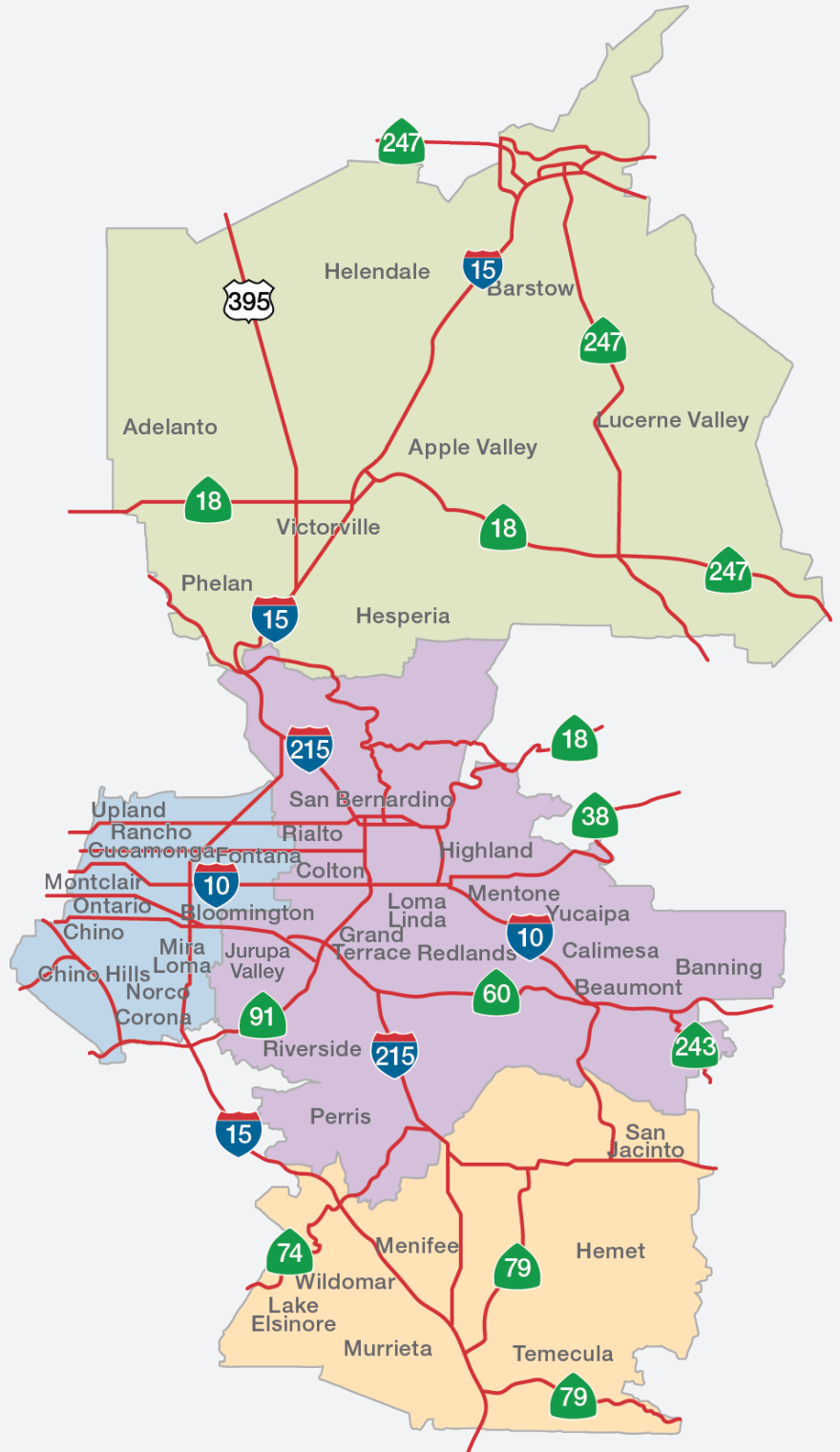
- Chino Hills
- Chino
- Corona
- Eastvale
- Fontana
- Mira Loma
- Montclair
- Norco
- Ontario
- Rancho Cucamonga
- Upland

### East IE

- Banning
- Beaumont
- Bloomington
- Calimesa
- Colton
- Grand Terrace
- Highland
- Jurupa Valley
- 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 Southern California Office Locations

#### Headquarters

15821 Ventura Blvd., Ste. 320  
Los Angeles, CA 91436  
818.905.2400

#### Los Angeles County

##### Downtown LA

707 Wilshire Blvd., Ste. 5125  
Los Angeles, CA 90017  
213.632.7700

##### West Los Angeles

11835 Olympic Blvd., Ste. 700E  
Los Angeles, CA 90064  
310.440.8500

##### Torrance

970 W. 190th St., Ste. 100  
Torrance, CA 90502  
310.532.9080

##### Pasadena

225 S. Lake Ave., Ste. 1170  
Pasadena, CA 91101  
626.564.4800

##### Valencia

25060 Avenue Stanford., Ste. 165  
Valencia, CA 91355  
661.705.3550

##### Diamond Bar

21660 E. Copley Dr., Ste. 320  
Diamond Bar, CA 91765  
909.348.0600

#### Ventura County

##### Oxnard

300 Esplanade Dr., Ste. 470  
Oxnard, CA 93036  
805.278.1400

##### Westlake Village

2555 Townsgate Rd., Ste. 320  
Westlake Village, CA 91361  
805.446.2400

#### Inland Empire

##### Ontario

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

##### Victorville

13911 Park Ave., Ste. 206  
Victorville, CA 92392  
760.780.4200

#### Orange County

##### Irvine

1920 Main St., Ste. 100  
Irvine, CA 92614  
949.854.6600

#### Coachella Valley

##### Palm Desert

75-410 Gerald Ford Dr., Ste. 200  
Palm Desert, CA 92211  
760.346.1566