

# Inland Empire

## Industrial Market Outlook Q3 2022

### MARKET OVERVIEW

In the third quarter of 2022, the Inland Empire industrial market continued to experience the effects of sorting out the supply chain challenges caused by pandemic. As the economy roared, rent continued rising as the demand for warehouse space outstripped supply across the region. The average asking rent increased 21 cents from the prior quarter to \$1.17 triple net, up 53.9 percent from the third quarter of 2021. The vacancy rate remained at a record low of 1.4 percent, up 20 basis points from the previous and down 40 basis points from the third quarter of 2021. The market's strength was extraordinary over the past year, vacancy moved 10.7 percentage points below its all-time peak, which hit in the third quarter of 2009 during the Great Recession. The exponential growth in demand for e-commerce due to COVID-19 has resulted in the huge development of industrial space in the Inland Empire.

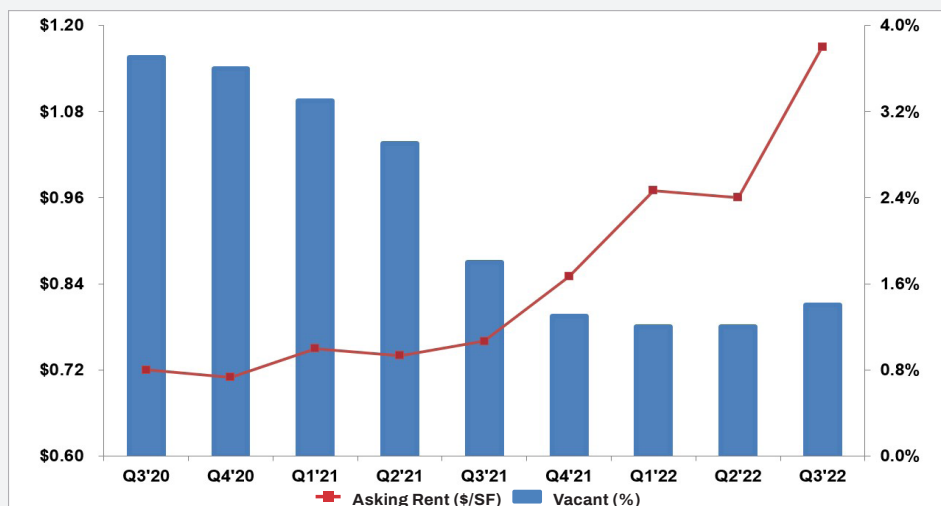
Soaring demand, for warehouse and distribution space, has kept developers busy. Completed construction added more than 2.4 million square feet to the market in the third quarter. Since the third quarter of 2021, close to 19.4 million square feet of industrial space was completed. With completed construction totaling close 13.5 million square feet and net absorption of more than 12.3 million square feet year to date, the supply of new construction has appeared to have caught up with demand this quarter.

### TRENDS TO WATCH

Developers continued building in the East Inland Empire as demand for warehouse and distribution space remains hot. The Inland Empire's East industrial submarket grew out of the necessity for large swaths of land to build mega distribution centers to serve Southern California's fast-growing logistics needs. This quarter in the East industrial space under construction was up 60.9 percent, with 8,274,926 million square feet of completed industrial space added to the market since Q3 2021. With net absorption of more than 4.9 million square feet year to date and completed construction totaling approximately 4.5 million square feet, the supply of new construction almost caught up with demand in the East Inland Empire this quarter. Demand for well-located state of the art warehouse distribution space is expected to continue, with the East Inland Empire remaining a magnet for the largest, newest, big-box industrial buildings in Southern California.

The outlook for the Inland Empire's industrial market points to demand remaining strong for warehouse and distribution space. The region's desirability as a distribution hub along the path of the ports of Los Angeles and Long Beach will further fuel demand for warehouse and distribution space.

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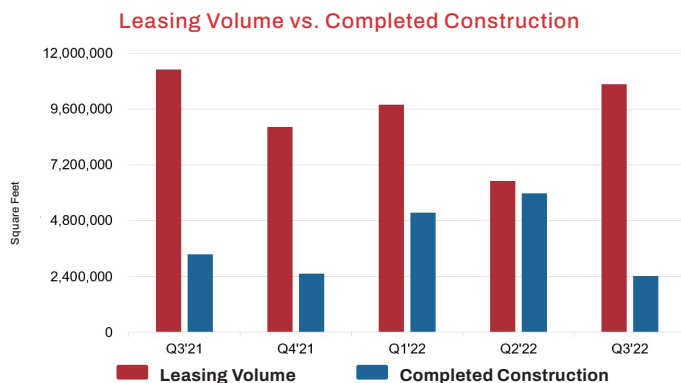
NAI Capital Commercial Research  
[www.naicapital.com](http://www.naicapital.com)

### 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	258,500,232	17,536,115	5.0%	1.1%	6,381,118	14,710,538	1,261,620	5,207,885	\$1.57	\$287
High Desert	26,578,097	1,549,662	9.0%	3.1%	32,990	765,425	288,685	379,908	\$0.71	\$86
South	22,747,359	440,458	10.6%	7.5%	205,146	963,965	332,360	598,180	\$1.01	\$125
West	340,303,400	16,420,471	5.6%	1.2%	4,041,810	10,518,137	2,310,862	5,533,829	\$1.44	\$409
<b>Inland Empire</b>	<b>648,129,088</b>	<b>35,946,706</b>	<b>5.7%</b>	<b>1.4%</b>	<b>10,661,064</b>	<b>26,958,065</b>	<b>4,193,527</b>	<b>11,719,802</b>	<b>\$1.17</b>	<b>\$328</b>

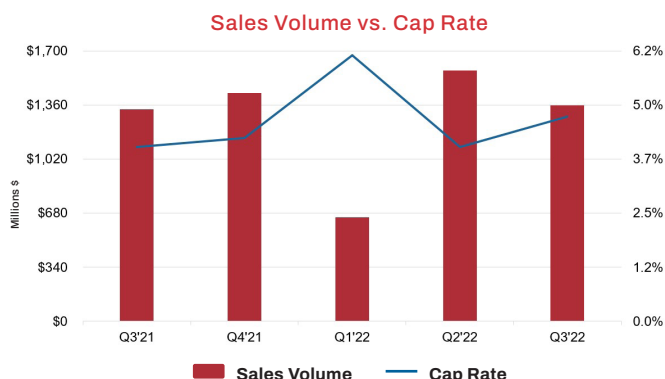
### Leasing

Brisk leasing volume through the third quarter of 2022 highlights the demand for speculative development exceeding completed construction. In demand, well-located, state of the art warehouse distribution space continues to be added to the market.



### Sales

Sales volume dropped in the third quarter of 2022, down 14 percent from the second quarter of 2022 to approximately \$1.4 billion. The average cap rate moved up 70 basis points from the prior quarter to 4.7 percent as interest rates increased, placing upward pressure on cap rates.



### Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
36855 W Fourth St	Beaumont	East	1,777,708
5400 El Rivino Rd	Jurupa Valley	East	1,186,950
19115 Harvill Ave	Perris	East	1,138,800
2615 E 3rd St	Highland	East	1,080,144
3950 Airport Dr	Ontario	West	414,962

### Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
Portfolio of 6 Industrial Properties Sold	Eastvale	East	1,057,419
3900 Indian Av	Perris	East	579,708
100 W Walnut Ave	Perris	East	205,589
5733 W Whittier Ave	Hemet	South	140,000
11096 Jersey Blvd	West	East	123,012

# Inland Empire

## Industrial Market Outlook Q3 2022

● **High Desert**

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

● **West IE**

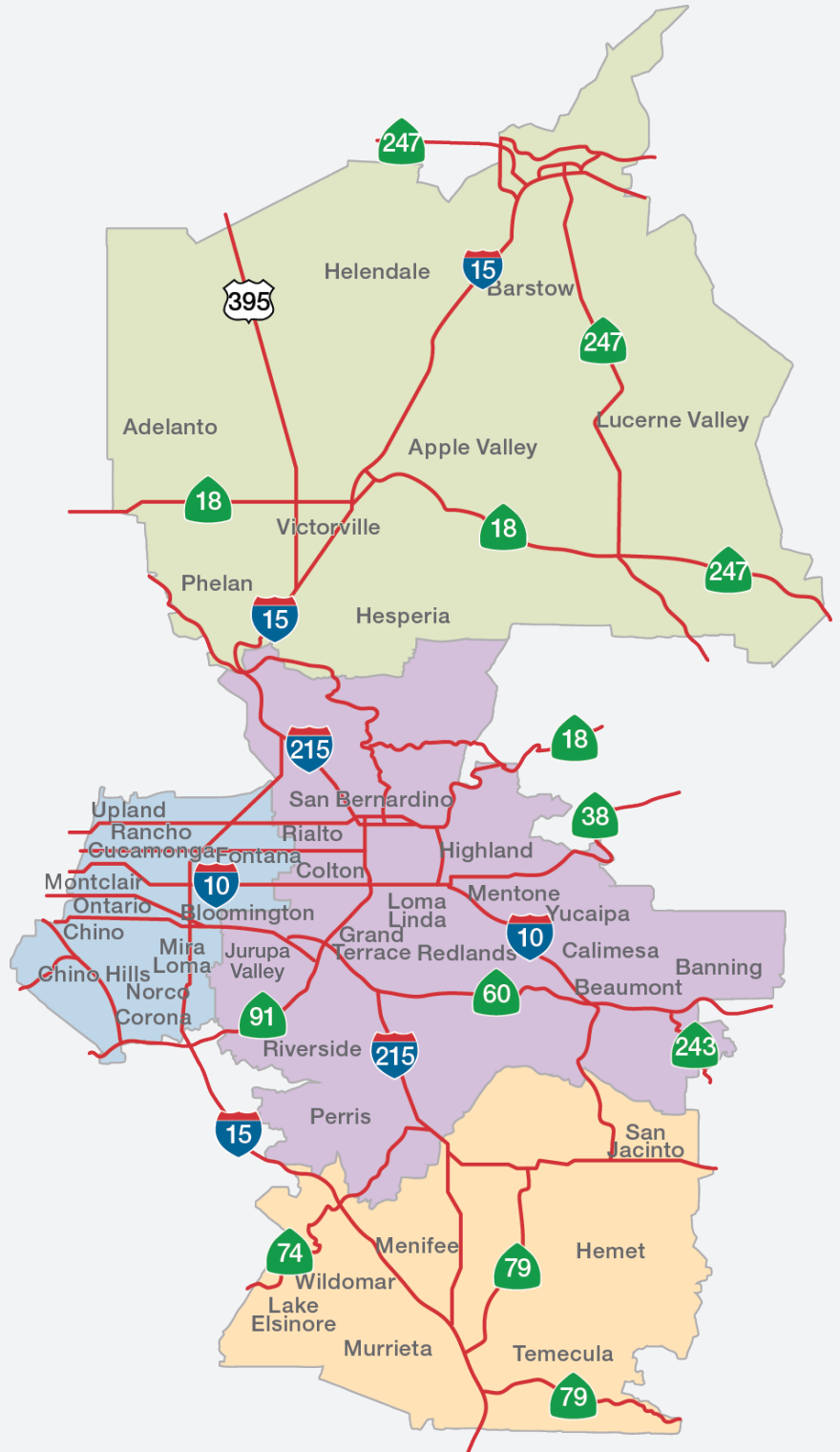
- Chino Hills
- Chino
- Corona
- Eastvale
- Fontana
- Mira Loma
- Montclair
- Norco
- Ontario
- Rancho Cucamonga
- Upland

● **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