

Inland Empire

Industrial Market Outlook Q1 2021

MARKET OVERVIEW

A year into the pandemic, the pace of the Inland Empire's industrial market changed. As the economy began to reopen from the Covid-19 shutdown, rising rents and soaring demand for warehouses motivated developers to bring new projects online. Industrial space under construction jumped 24.4% from the prior quarter, up 14.4% compared to last year at 22.4M square feet.

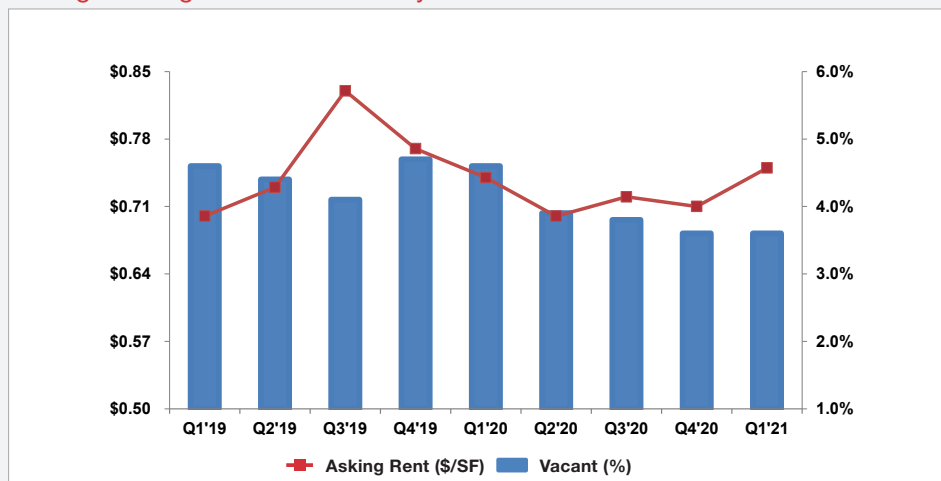
Vacant industrial space decreased 20.4% in Q1 2021 from Q1 2020, while the average asking rent rose four cents from the prior quarter to \$0.75/SF triple net, up 1.4% from Q1 2020. The vacancy rate remained at an all-time low 3.6%, down 100 bps from Q1 2020, despite more than 2.8M square feet of completed construction added to the market in Q1 2021. Year-over-year, the market absorbed over 26.6M square feet, compared to approximately 21.2M square feet of completed construction added over the same time. The acceleration of ecommerce during the pandemic boosted demand for large distribution centers. Over the past year, five mega warehouse/distribution facilities larger than 1M square feet each were completed, and all were 100% leased.

TRENDS TO WATCH

The depletion of land in the West submarket will continue to drive up development, land, rent, and sales prices in the East Inland Empire. Developers in the East stepped construction up 38.2% from the previous quarter, as demand for large distribution centers persisted. Asking rent in the East increased 19.7% from the prior quarter, up 26.4% from Q1 2020 to \$0.91/SF triple net – the highest in the region. Vacancy in the East declined 240 bps from Q1 2020, despite more than 11.7M square feet of completed construction added over the same timeframe.

The Inland Empire had two huge distribution centers over 1.2M square feet under construction in Q1 2021. One in the West preleased and the one in the East remained available. Vacancy in the West stayed the tightest in the region, causing development to move East. Land for the development of mega warehouse centers will continue to get scarcer and pricier, fueling higher prices for finished warehouse/distribution space, particularly in densely populated submarkets with lower vacancy that have higher land prices.

Average Asking Rent* and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



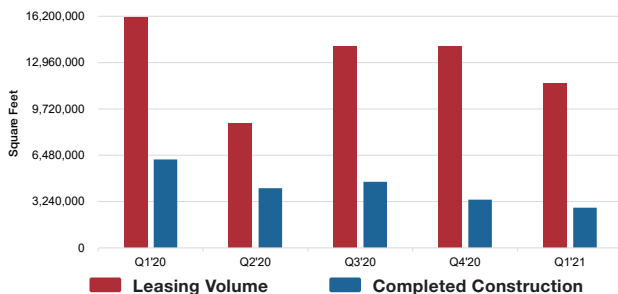
Market Statistics*

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	243,349,900	11,860,154	7.0%	3.9%	2,997,850	2,997,850	1,620,904	1,620,904	\$0.91	\$145
High Desert	21,651,647	0	5.8%	3.7%	51,630	51,630	160,617	160,617	\$0.49	\$97
South	22,049,892	91,242	4.5%	6.7%	964,372	964,372	405,925	405,925	\$0.72	\$109
West	330,144,212	10,484,039	5.5%	3.1%	7,471,203	7,471,203	1,259,640	1,259,640	\$0.78	\$191
Inland Empire	617,195,651	22,435,435	6.1%	3.6%	11,485,055	11,485,055	3,447,086	3,447,086	\$0.75	\$155

Leasing

Leasing volume totaled 11,485,055 square feet in the first quarter of 2021, while completed construction added to the market totaled 2,809,497 square feet. The supply of completed construction remained well below demand, encouraging more development in the region.

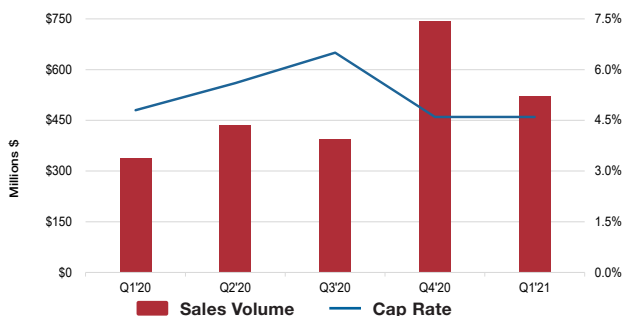
Leasing Volume vs. Completed Construction



Sales

Sales volume continued at a brisk pace in the first quarter of 2021, rising 54.2% from the first quarter of 2020 to more than \$523M. The average cap rate on investment sales inched down 30 bps from the previous quarter, down 50 bps from the first quarter of 2020 to 4.3%.

Sales Volume vs. Cap Rate



Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SQUARE FEET
13290 Sabre St.	Victorville	High Desert	950,000
1590 N. Tamarind Ave.	Rialto	East	543,400
8369 Milliken Ave.	Rancho Cucamonga	West	441,970
855 W. Valley Blvd.	Bloomington	East	401,106
1670 Etiwanda Ave.	Ontario	West	400,012

Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SQUARE FEET
Agua Mansa Commerce Center (Portfolio 3 Buildings & Land)	Colton	East	743,381
10965 Banana Ave.	Fontana	West	297,161
1901 W. Center St.	Colton	East	232,578
14180 Frederick St.	Moreno Valley	East	203,944
19972 Patterson Ave.	Perris	East	199,932

Inland Empire

Industrial Market Outlook Q1 2021

● High Desert

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

● West IE

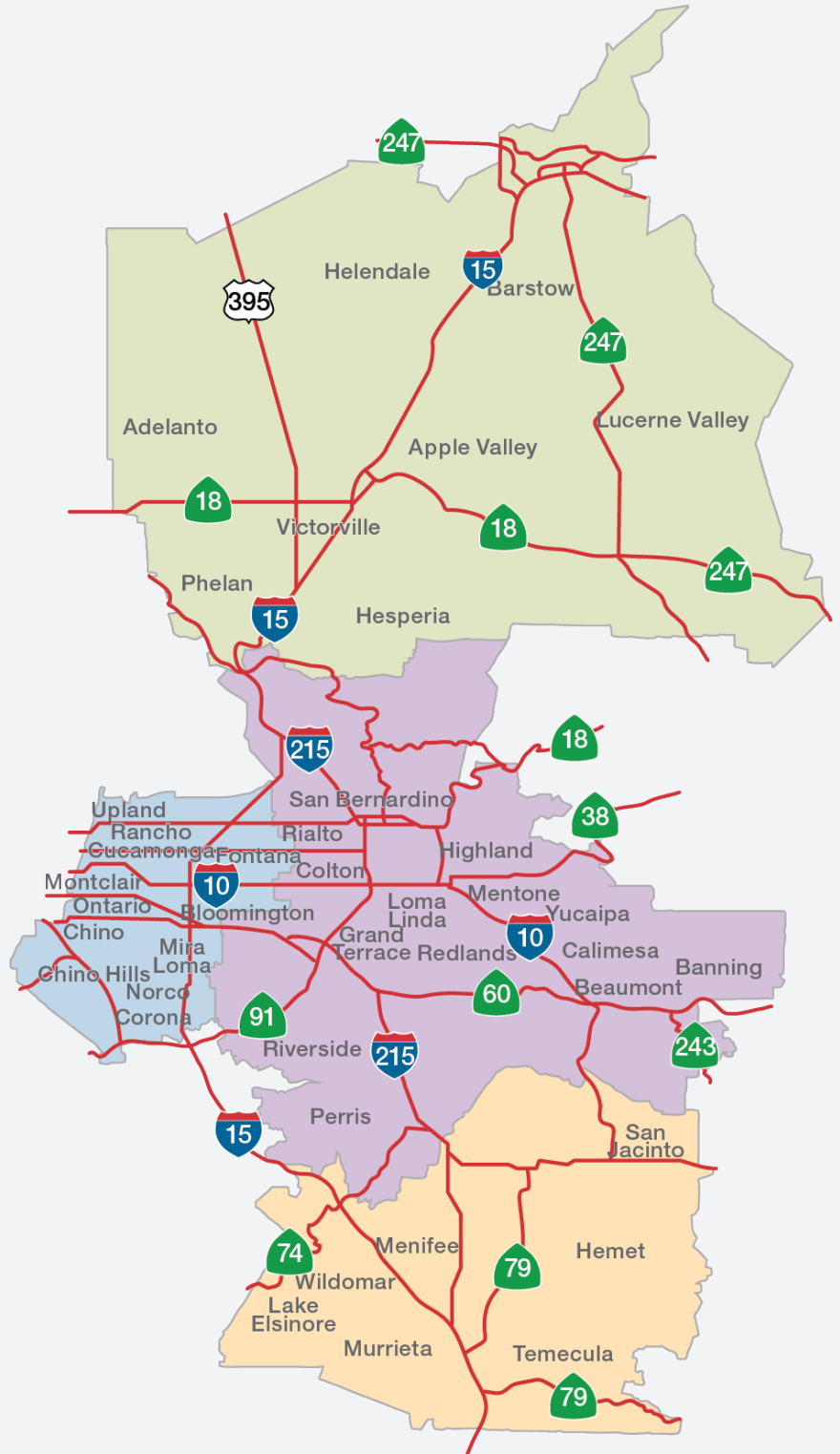
- Chino Hills
- Chino
- Corona
- Eastvale
- Fontana
- Mira Loma
- Montclair
- Norco
- Ontario
- Rancho Cucamonga
- Upland

● 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



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949.874.0415

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Downtown LA

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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