

Inland Empire

Industrial Market Outlook Q3 2021

MARKET OVERVIEW

The industrial market in the Inland Empire is going through the roof as a supply chain crisis continues to overwhelm the ports of Los Angeles and Long Beach waiting to unload thousands of cargo containers headed for local warehouses. While the economy recovers, more than a year after the pandemic shutdown began, demand for warehouses is spiking, rents are rising, and developers are racing to complete projects – and building more. Completed industrial space jumped 17.7% and space under construction increased 12.5% from the prior quarter to more than 20.8M square feet in Q3.

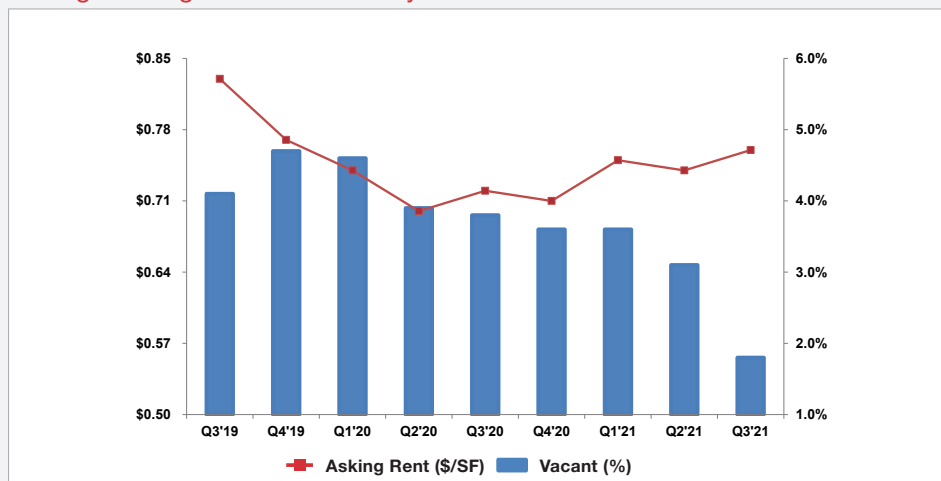
Vacant industrial space declined 51.4% in Q3 2021 from Q3 2020, as the average asking rent increased 5.6% from Q3 2020 to \$0.76/SF triple net. The vacancy rate fell to a new all-time low of 1.8%, down 200 bps points from Q3 2020, despite more than 12.7M square feet of completed construction added to the market this year. Since Q3 2020, the market has absorbed approximately 33.8M square feet, compared to 22M square feet of completed construction added over the same time. Demand for large distribution centers continued, driven by ecommerce, pushing construction further into the East Inland Empire.

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 20% quarter over quarter, as demand remained hot. Asking rent in the East increased 13.2% from Q3 2020 to \$0.86/SF triple net – one cent above the West Inland Empire. Vacancy in the East declined 280 bps from Q3 2020, despite more than 13.2M square feet of completed construction added over the same time frame.

The Inland Empire had 149 projects totaling over 20.8M square feet under construction this quarter, with an average size of 145,388 square feet - 9.6% larger than the average last quarter. Vacancy in the West plummeted to a low 1.5%, the tightest in the region, which is causing development to move further East. Nine 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



J.C. Casillas

Managing Director, Research
jcasillas@naicapital.com
Direct: 818.933.2433

NAI Capital Commercial Research
www.naicapital.com

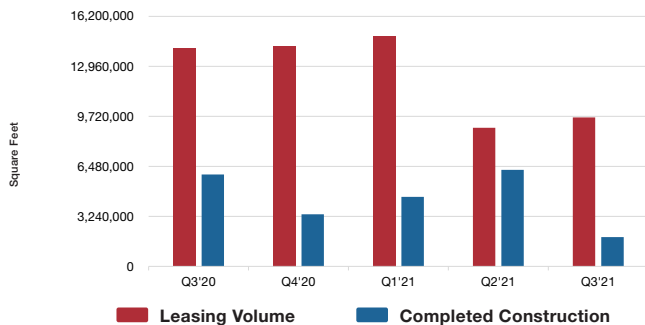
Market Statistics*

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	249,535,806	11,852,596	5.6%	1.7%	4,335,387	12,404,694	3,836,149	8,650,300	\$0.86	\$156
High Desert	21,653,601	23,580	4.9%	4.0%	41,363	1,197,392	201,228	478,651	\$0.46	\$139
South	22,326,005	151,256	8.5%	5.2%	179,497	1,468,289	338,274	1,144,485	\$0.71	\$175
West	334,201,594	8,860,589	3.6%	1.5%	5,093,935	18,470,111	2,051,942	7,155,080	\$0.85	\$234
Inland Empire	627,717,006	20,888,021	4.6%	1.8%	9,650,182	33,540,486	6,427,593	17,428,516	\$0.76	\$184

Leasing

Leasing volume totaled 33,540,486 square feet year to date as for the third quarter 2021, while completed construction added to the market totaled 12,658,990 square feet. The supply of completed construction remained well below demand, supporting development to continue in the region.

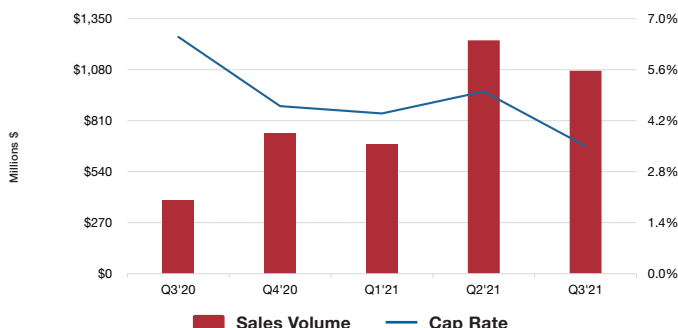
Leasing Volume vs. Completed Construction



Sales

Sales volume continued at a rapid pace year to date through the third quarter 2021, soaring 158.4% from Q3 2020 to more than \$3B. The average cap rate on investment sales dropped 150 bps from the previous quarter, down 300 bps from the third quarter of 2020 to 3.5%.

Sales Volume vs. Cap Rate



Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
3100 Milliken Ave	Mira Loma	West	760,829
2677 Alessandro Blvd	Riverside	East	709,081
11310 Cantu Galleano Ranch Rd	Jurupa Valley	East	683,200
7140 N Cajon Blvd	San Bernardino	East	671,913
5101 E Philadelphia St	Ontario	West	452,952

Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
1110 W Merrill Ave	Rialto	East	1,106,124
12050 Agua Mansa Rd Building 3	Bloomington	East	505,906
5772 Jurupa St	Ontario	West	349,835
21500 Harvill Ave	Perris	East	333,572
500 S Dupont Ave Dupont Bldg	Ontario	West	276,000

Inland Empire

Industrial Market Outlook Q3 2021

High Desert

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

West IE

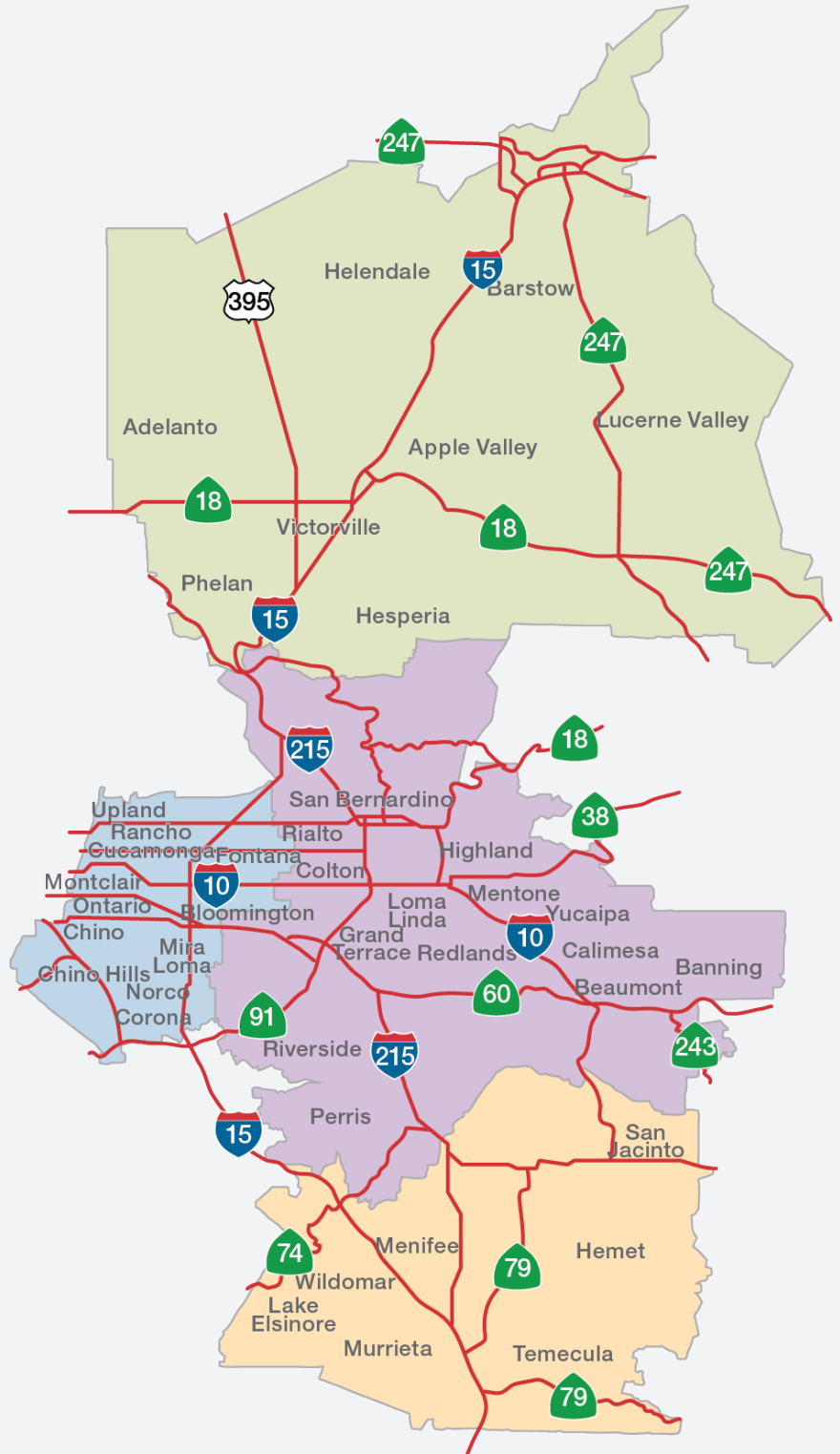
- Chino Hills
- Chino
- Corona
- Eastvale
- Fontana
- Mira Loma
- Montclair
- Norco
- Ontario
- Rancho Cucamonga
- Upland

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



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