

# Inland Empire

## Industrial Market Outlook Q4 2020

### MARKET OVERVIEW

In the fourth quarter of 2020, the Inland Empire industrial market continued to battle the effects of an economy that spent three quarters of the year under a COVID-19 shutdown. The average asking rent dipped one cent from the prior quarter to \$0.71 triple net, down 7.8% from the fourth quarter of 2019. The vacancy rate declined 20 basis points from the previous quarter's record low, down 110 basis points from the fourth quarter of 2019 to 3.6%. Pointing to the market's resilience this time around, vacancy remains 870 basis points lower than the prior peak, which hit in the third quarter of 2009 during the Great Recession. The exponential growth in demand for ecommerce due to COVID-19 propelled the Inland Empire industrial market to a quick recovery.

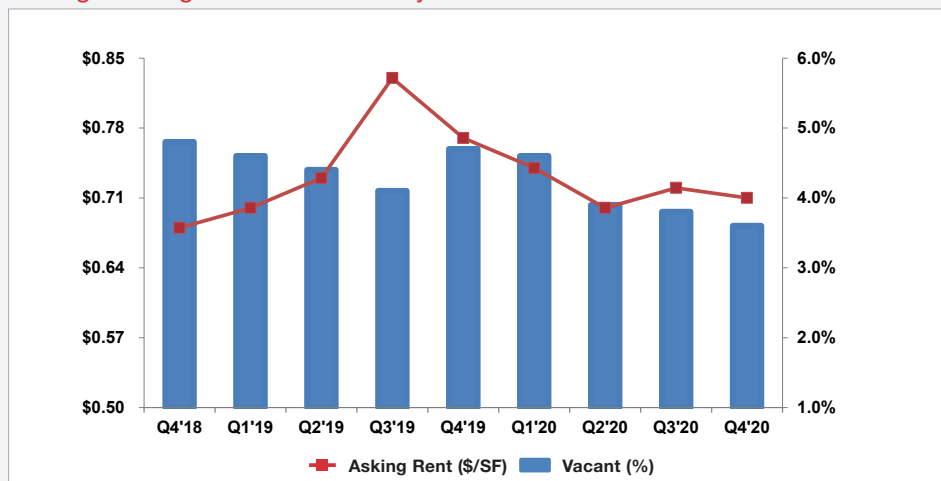
Soaring demand for warehouse and distribution space created opportunity for developers. Completed construction has added more than 2.1M SF to the market in the fourth quarter. Since the first quarter of 2020, more than 15.8M SF of industrial space has been completed. Despite the increase in new construction, the demand outpaced completions by over 6.9M SF – net absorption totaled approximately 22.8M SF for all of 2020.

### TRENDS TO WATCH

While the COVID-19 shutdown noticeably disrupted businesses, developers moved forward with construction due to persistent demand for industrial space. Inland Empire's West industrial submarket is the fastest-growing and most dynamic in Southern California. Industrial space under construction in the West submarket ticked up 11% from the prior quarter and leasing volume exceeded 27M SF in 2020 – both figures were the highest in the region. Demand for well-located, state-of-the-art warehouse distribution space with high ceilings and very good truck turning radius for efficient goods movement continues to hold vacancy down.

The outlook for the Inland Empire's industrial market remains positive, pointing to a swift recovery. Favorable demographics will help the region absorb the supply of completed warehouses. Not surprisingly, the region's desirability as a distribution hub along the path of the Ports of Los Angeles and Long Beach will always help 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



### 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	240,873,514	9,063,835	6.1%	4.2%	3,991,870	19,999,134	1,294,924	6,088,402	\$0.76	\$134
High Desert	21,598,623	23,580	6.0%	4.4%	28,621	775,927	24,833	204,506	\$0.46	\$109
South	22,036,049	28,000	5.5%	3.1%	312,362	1,211,291	98,776	1,805,573	\$0.70	\$97
West	327,027,111	10,814,269	5.4%	3.2%	7,925,938	27,021,729	2,192,671	4,858,593	\$0.76	\$181
<b>Inland Empire</b>	<b>611,535,297</b>	<b>19,929,684</b>	<b>5.7%</b>	<b>3.6%</b>	<b>12,258,791</b>	<b>49,008,081</b>	<b>3,611,204</b>	<b>12,957,074</b>	<b>\$0.71</b>	<b>\$162</b>

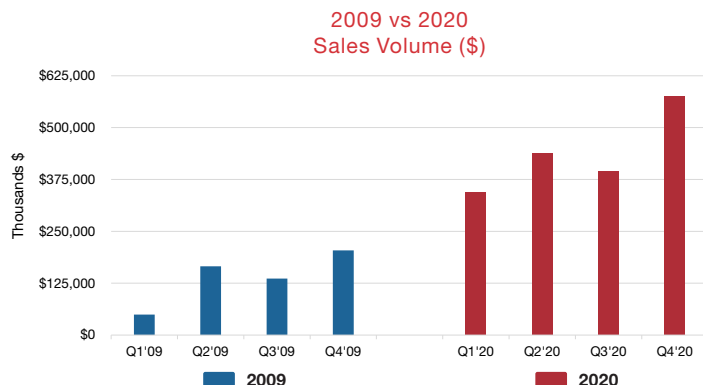
### Leasing

Steady leasing volume in the fourth quarter underscores the brisk absorption of speculative development in well-located, state-of-the-art warehouse distribution space – which remains in high demand.



### Sales

Sales dollar volume also jumped in the fourth quarter, rising 46.5% from the third quarter of 2020 to more than \$576M. The average cap rate moved down 130 basis points from the third quarter of 2020, to 5.2%.



### Select Lease Transactions

TENANT	ADDRESS	SUBMARKET	RENT \$/SF	SQUARE FEET
Restoration Hardware	5170 S. Archibald Ave.	West	\$0.55*	1,000,930
Geodis Logistics	1950 Palmetto Ave.	East	\$0.45*	809,338
US ELogistics	2221 E. Remington Ave.	West	\$0.60*	700,280
Logistics Plus	8975 Remington Ave.	West	\$0.60*	565,925
Custom Goods	1642 W. Miro Way	East	\$0.45*	125,000

### Select Sales Transactions

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/SF	SQUARE FEET
Brookfield Properties	1603-1601 Steel Rd. (Part of a Portfolio)	East	\$139	330,634
Truist	601 Rockefeller Ave.	West	\$258	252,800
Innovative Industrial Properties, Inc.	736 W. Inland Center Dr.	East	\$133	190,704
EastGroup Properties, Inc.	9449 8th St.	West	\$172	161,555
Win Soon Chicago Inc	132 Business Center Dr.	West	\$107	149,129

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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



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#### 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  
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#### Coachella Valley

##### Palm Desert

75-410 Gerald Ford Dr., Ste. 200  
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