

Inland Empire

Industrial Market Outlook Q1 2022

MARKET OVERVIEW

The shortage of warehouse distribution space in the Inland Empire's industrial market continued in the first quarter of 2022, as new development increased to keep pace with the economic growth and seemingly unending demand for more industrial space across the region from ecommerce. The soaring demand for warehouse distribution space is keeping developers active in the market, which has resulted in large industrial development projects in the Inland Empire. Industrial space under construction jumped 22.2 percent from the prior quarter, up 39.4 percent compared to last year to 32.2 million square feet. With completed construction totaling close to 5.7 million square feet and net absorption at 5.3 million square feet in the first quarter, the increased supply of industrial development has made an impressive effort to keep pace with demand. Year over year, close to 24.3 million square feet of industrial space was completed while the sum of net absorption over the past five quarters totaled 35.6 million square feet.

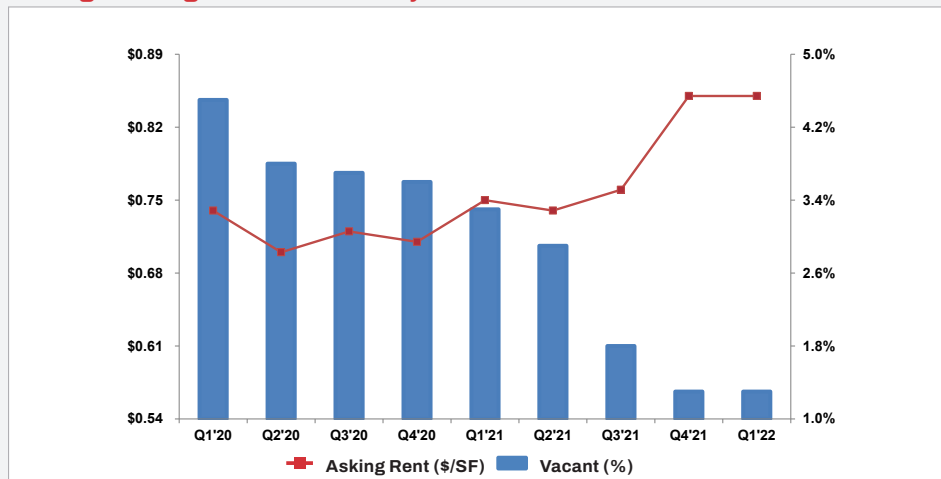
The average asking rent held steady from the prior quarter at \$0.85 triple net, up 13.3 percent from the first quarter of 2021. The vacancy rate remained at a record low of 1.3 percent, steady from the previous quarter and 200 basis points below the first quarter of 2021. The market's strength was extraordinary in the first quarter, with virtually all new warehouse distribution space getting leased and occupied rapidly upon completion.

TRENDS TO WATCH

As supply chains were disrupted by the COVID-19 shutdown, the demand for ecommerce that followed prompted developers to build mega warehouse distribution facilities to feed distribution networks. A 4.06 million square foot facility is now under construction in the West Inland Empire, reportedly for Amazon. It's the largest such facility under construction in Southern California. Inland Empire's West industrial submarket has become the largest and tightest in the region. Vacant industrial space in the West IE fell 58.4 percent from last year to a historic low of 0.8 percent, as rent shot up 50 percent from last year to \$1.17 per square foot per month – the highest in the region.

As demand for well-located state of the art warehouse distribution space continues, the West Inland Empire will remain a magnet as a distribution hub with 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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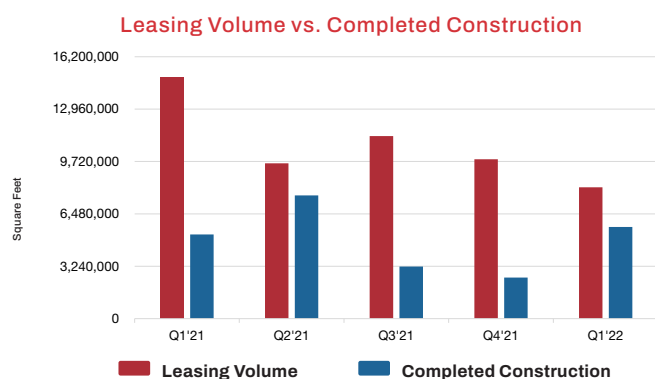
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Market Statistics*

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	255,980,374	15,385,992	4.9%	1.5%	5,317,320	5,317,320	1,299,603	1,299,603	\$0.88	\$257
High Desert	23,812,805	2,098,930	3.5%	3.5%	208,073	208,073	63,731	63,731	\$0.48	\$157
South	22,604,571	385,716	11.8%	5.3%	167,624	167,624	145,727	145,727	\$0.98	\$184
West	336,636,566	14,314,663	4.2%	0.8%	2,430,112	2,430,112	1,185,475	1,185,475	\$1.17	\$270
Inland Empire	639,034,316	32,185,301	4.7%	1.3%	8,123,129	8,123,129	2,694,536	2,694,536	\$0.85	\$256

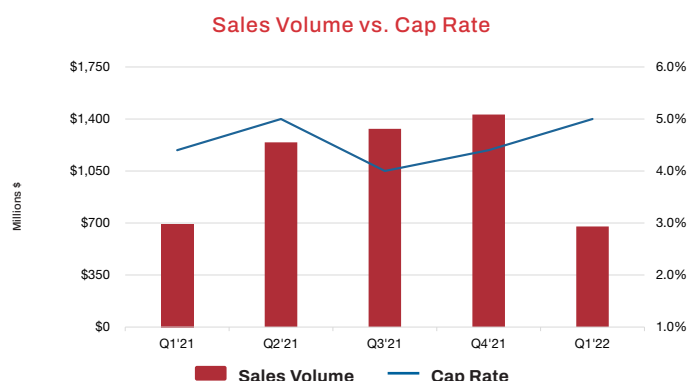
Leasing

Increased speculative development in the first quarter, on the heels of solid leasing volume, underscores the need to supply more construction. Well-located, state of the art warehouse distribution buildings remain in strong demand.



Sales

Sales volume took a pause in the first quarter of 2022 after growing to an all-time high in the fourth quarter of 2021. First quarter 2022 sales volume totaled more than \$676 million. In the first quarter of 2022, the average cap rate moved up 10 basis points from the fourth quarter of 2021 to 5.0 percent.



Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
20201 Caroline Way	Riverside	East	782,209
12215 Holly St	Riverside	East	750,579
23550 Placentia Ave	Perris	East	682,700
6251 Archibald Ave	Eastvale	West	501,649
15801 Meridian Pky	Riverside	East	526,258

Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
14800 Meridian Pky	March Air Reserve Base	East	1,174,800
20820 Krameria Ave (Part of a Portfolio)	Riverside	East	390,480
21362 Harvill Ave	Perris	East	197,865
3601 Galleria At Tyler	Riverside	East	145,258
5401 E Jurupa St	Ontario	West	142,404

NAI Capital Commercial Southern California Office Locations

Headquarters

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Los Angeles County

Downtown LA

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