



# Industrial Inland Empire 21Q2

## Key Takeaways

- Absorption remained strong with 6.7 MSF of occupancy gains.
- Construction activity picked up with 22.6 MSF in active developments.
- Average asking rents jumped \$0.10 to \$0.86 NNN.
- Net absorption outpaced new supply for the fourth consecutive quarter, bringing down the vacancy rate to a historic low of 1.2%.

|   |  |   |  |
|---|--|---|--|
| <b>Vacancy Rate</b><br><b>1.2%</b><br>YOY<br>FORECAST | <b>Net Absorption</b><br><b>6.7M SF</b><br>YOY<br>FORECAST | <b>Under Construction</b><br><b>22.6M SF</b><br>YOY<br>FORECAST | <b>Overall Asking Lease Rates (NNN)</b><br><b>\$0.86/SF</b><br>YOY<br>FORECAST |
|---|--|---|--|

## Inland Empire Industrial Continues Historic Run

After a strong start to 2021, the Inland Empire continued to show very solid market fundamentals in the second quarter with a new record-low vacancy of 1.2% and a \$0.10 increase in overall average asking rents to \$0.86 NNN. Net absorption closed out the quarter at 6.7 MSF, bringing the year-to-date total to 17 MSF. Overall vacancy dropped 70 basis points to 1.2%, and the market saw intense competition for well-located, Class A buildings. Historically, the Inland Empire was always a cheaper alternative with plenty of options compared to the infill markets of greater Los Angeles. In 12 months, asking rental rates increased 19%, and vacancy has dropped 210 basis points.

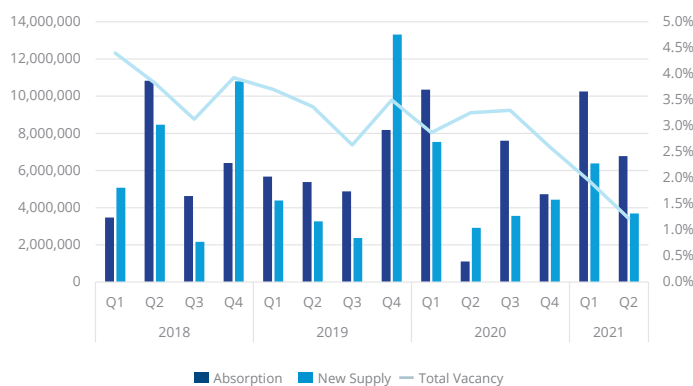
## Market Indicators

|                                      |   |  |
|--------------------------------------|---|--|
| <br><b>7.2%</b><br>Unemployment Rate | <br><b>13.16%</b><br>GDP - Quarterly % Change YOY | <br><b>1.47%</b><br>U.S. 10-Year Treasury Note |
|--------------------------------------|---|--|

## Historic Comparison

|   | Q2 2020     | Q1 2021     | Q2 2021     |
|---|-------------|-------------|-------------|
| <b>Total Inventory (SF)</b>             | 553,292,983 | 567,671,323 | 571,362,413 |
| <b>New Supply (SF)</b>                  | 2,914,900   | 6,379,540   | 3,691,090   |
| <b>Net Absorption (SF)</b>              | 1,107,200   | 10,251,270  | 6,773,452   |
| <b>Overall Vacancy</b>                  | 3.3%        | 1.9%        | 1.2%        |
| <b>Under Construction (SF)</b>          | 16,417,500  | 19,505,857  | 22,559,453  |
| <b>Overall Asking Lease Rates (NNN)</b> | \$0.72      | \$0.76      | \$0.86      |

## Market Graph



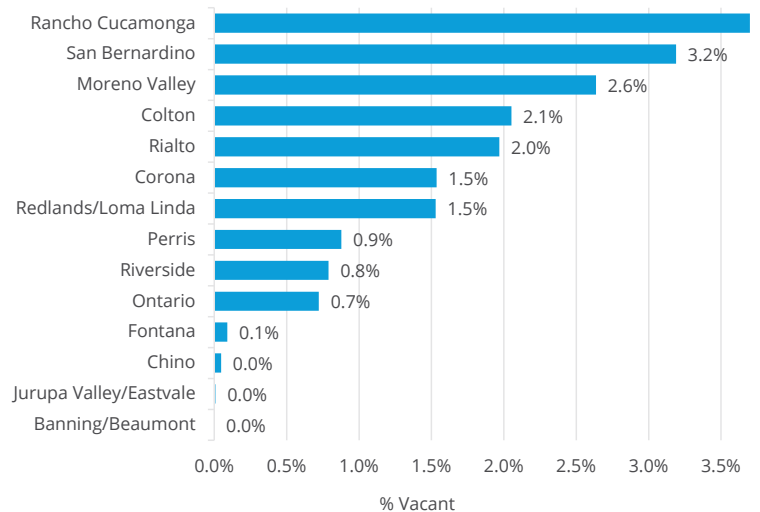
Net absorption once again eclipsed the total amount of newly constructed space for the fourth consecutive quarter. Over the last 12 months, net absorption has surpassed new supply by 11.3 MSF.

## Labor Force

|                                       | Construction | Manufacturing | Transportation, Trade & Utilities |
|---------------------------------------|--------------|---------------|-----------------------------------|
| <b>12-Mo Employment Growth (%)</b>    | 9.0%         | -0.5%         | 15.0%                             |
| <b>12-Mo Actual Employment Change</b> | 9,400        | -500          | 56,400                            |

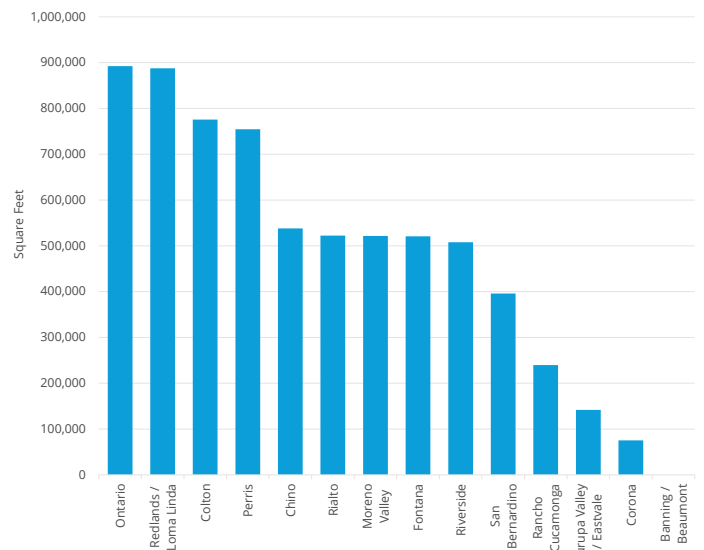
## Vacancy

Once again, overall vacancy reached a historic low of 1.2%, down 70 basis points from the end of the first quarter. The West submarket broke through the 1% barrier, closing out the quarter at 0.8%. The largest vacancy in the West is the former Big Lots distribution center in Rancho Cucamonga with no other vacancies over 250,000 SF. The East saw the largest drop in vacancy, a 120 basis point plunge from the previous quarter and closing out at 1.7%. Similar to the West, the East has a limited number of big-box vacancies with only three options over 200,000 SF.



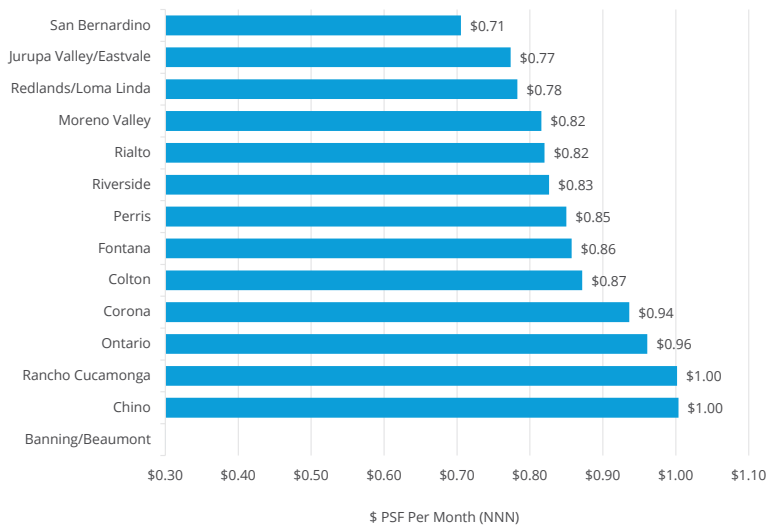
## Absorption & Leasing Activity

Net absorption for the second quarter of 2021 totaled 6.78 MSF, bringing the year-to-date total to 17 MSF. With 3.7 MSF of new supply, the majority of demand came from buildings leased prior to completion. Total leasing activity consisted of 12.6 MSF, and nearly half of that total came from 27 new leases over 100,000 SF. Net absorption once again eclipsed the total amount of newly constructed space for the fourth consecutive quarter. Over the last 12 months, net absorption has surpassed new supply by 11.3 MSF. Amazon added another building to their Inland Empire portfolio with a 700,000 SF lease in Redlands, bringing their market total to 21.5 MSF.



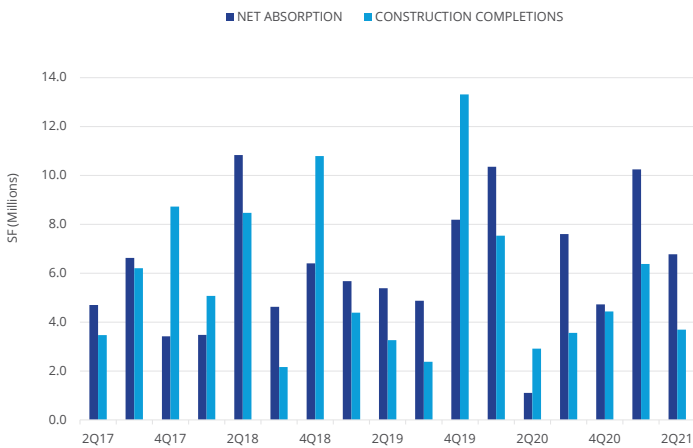
## Rental Rates

Average asking rental rates closed out the second quarter at \$0.86 NNN PSF per month. The 13% spike quarter over quarter is the best example of the current state of the market in the Inland Empire. Asking rates in the region are now \$0.14 higher than a year ago and \$0.27 higher than in the second quarter of 2018. Tenants seeking to expand or renew are challenged with very limited options and drastic increases in rent. As e-commerce tenants continue to drive demand, tenants will be forced to aggressively bid for Class A buildings that may not be deliverable for several months.



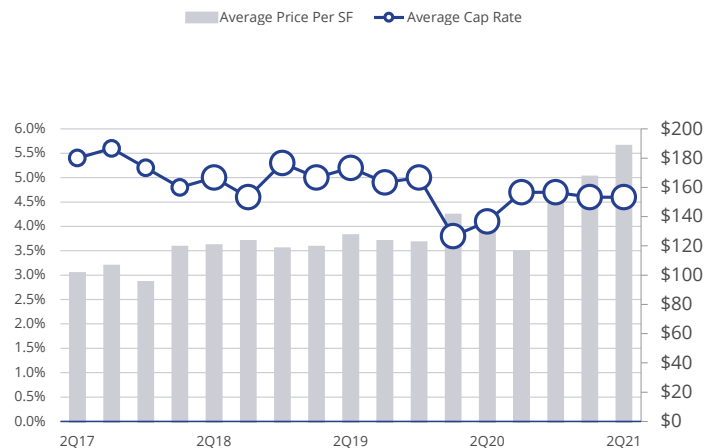
## Construction

Construction activity throughout the region remains robust, with 22.6 MSF currently underway. 13.2 MSF is expected to deliver in the next two quarters. There are currently 13 buildings over 500,000 SF under development, and two of those are already pre-leased, totaling 2 MSF. As land continues to become more scarce in the West, we will see the eastern boundary of the Inland Empire expand outward. Two projects in Banning/Beaumont broke ground this quarter, which will bring 2.8 MSF of new inventory to the region's most eastern submarket.



## Investment Trends

The industrial sector's resiliency during the COVID-19 pandemic has propelled industrial investment to the top of the most desired list of investors. E-commerce has grown exponentially over the last 12 months and will continue to attract institutional investment. With an all-time low vacancy and record-high lease rates, pricing is forecasted to increase with further cap rate compression.



## Market Description

The Inland Empire comprises 571.6 MSF and represents 34% of the total industrial space in greater Los Angeles for buildings 10,000 SF and greater. Considered the premier big-box market in Southern California, approximately 74% of the space in this market is in buildings 100,000 SF and greater. The vast majority (90%) of its space was built in the past 20 years. The Inland Empire continues to attract large distributors, warehouse, e-commerce companies and logistics firms seeking to consolidate their operations into large, state-of-the-art facilities.



## Sales Activity

| Property Address          | Size SF      | Sale Price    | Price PSF   | Buyer                   | Seller                  |
|---------------------------|--------------|---------------|-------------|-------------------------|-------------------------|
| 5600 Airport Dr, Ontario  | 1,631,743 SF | 345.0 Million | \$211.4 PSF | Costco                  | CenterPoint Properties  |
| 2151 Vintage Ave, Ontario | 766,235 SF   | 184.2 Million | \$240.4 PSF | Duke Realty             | LaSalle Investment Mgmt |
| 9180 Center Ave, Ontario  | 102,516 SF   | 24.5 Million  | \$238.7 PSF | Black Creek Group       | S&N Woomer II LLC       |
| 959 3rd St, Corona        | 99,560 SF    | 23.6 Million  | \$237.0 PSF | Ping Hua Hsu            | EBS Realty Partners     |
| 2620 Palisades Dr, Corona | 63,302 SF    | 14.7 Million  | \$233.0 PSF | Crown Associates Realty | L&CD Developments, LLC  |

## Leasing Activity

| Property Address            | Size SF    | Lease Type   | Submarket | Lessee                     | Lessor                    |
|-----------------------------|------------|--------------|-----------|----------------------------|---------------------------|
| 1895 Marigold Ave, Redlands | 699,350 SF | Direct - New | East      | Amazon                     | Prologis                  |
| 2220 Almond Ave, Redlands   | 411,879 SF | Direct - New | East      | Aosom, LLC                 | Clarion Partners          |
| 251 Rider St, Perris        | 354,810 SF | Direct - New | East      | IDC Logistics              | WPT Industrial            |
| 13083 Slover Ave, Fontana   | 323,660 SF | Direct - New | West      | Western Post (US), Inc.    | Prologis                  |
| 1375 E Locust St, Ontario   | 322,019 SF | Direct - New | West      | US eLogistics Service Corp | JCC California Properties |

## Major Developments

| Project                                   | Developer        | Size SF      | Submarket | Status             | Estimated Completion |
|---|------------------|--------------|-----------|--------------------|----------------------|
| Agua Mansa Commerce Center, Jurupa Valley | CT Realty        | 3,600,000 SF | West      | Under Construction | 2021/2022            |
| 728 Rider, Perris                         | Duke Realty      | 1,200,000 SF | East      | Under Construction | 4Q 2021              |
| Ontario Ranch Logistics Center, Ontario   | Clarion Partners | 1,200,000 SF | West      | Preleased          | 3Q 2021              |
| Goodman Logistics Center, Fontana         | Goodman          | 453,020 SF   | West      | Preleased          | 3Q 2021              |

| Existing Properties          |                       | Construction                     |                             | Vacancy         |                         | Availability         | Activity                |                         |                                    |                                | Absorption                   |                          | Rents                              |
|------------------------------|-----------------------|----------------------------------|-----------------------------|-----------------|-------------------------|----------------------|-------------------------|-------------------------|------------------------------------|--------------------------------|------------------------------|--------------------------|------------------------------------|
| Submarket/<br>Subtype        | Total<br>Inventory SF | Completions<br>Current<br>Qtr SF | Under<br>Construction<br>SF | Vacancy<br>Rate | Vacancy<br>Prior<br>Qtr | Availability<br>Rate | Sales<br>Activity<br>SF | Lease<br>Activity<br>SF | Total Gross<br>Activity<br>Current | Total Gross<br>Activity<br>YTD | Net<br>Absorption<br>Current | Net<br>Absorption<br>YTD | Avg Direct<br>Asking Rate<br>(NNN) |
| <b>West Inland Empire</b>    |                       |                                  |                             |                 |                         |                      |                         |                         |                                    |                                |                              |                          |                                    |
| Chino                        | 53,863,349            | 535,075                          | 1,047,444                   | 0.0%            | 0.1%                    | 0.3%                 | 35,398                  | 1,080,020               | 1,115,418                          | 2,101,582                      | 538,127                      | 1,146,068                | \$1.00                             |
| Fontana                      | 62,061,694            | 466,582                          | 1,809,907                   | 0.1%            | 0.5%                    | 1.1%                 | 0                       | 1,272,038               | 1,272,038                          | 3,572,704                      | 520,854                      | 1,334,604                | \$0.86                             |
| Jurupa Valley /<br>Eastvale  | 44,429,848            | 0                                | 3,801,277                   | 0.0%            | 0.3%                    | 2.1%                 | 0                       | 333,005                 | 333,005                            | 1,576,147                      | 141,743                      | 1,820,665                | \$0.77                             |
| Ontario                      | 107,736,279           | 226,680                          | 2,031,971                   | 0.7%            | 1.4%                    | 1.8%                 | 2,210,436               | 774,604                 | 2,985,040                          | 5,011,820                      | 892,222                      | 2,549,396                | \$0.96                             |
| Rancho<br>Cucamonga          | 42,304,504            | 198,932                          | 429,348                     | 3.8%            | 3.8%                    | 4.5%                 | 19,696                  | 734,975                 | 754,671                            | 1,872,061                      | 239,574                      | 446,739                  | \$1.00                             |
| <b>Subtotal</b>              | <b>310,395,674</b>    | <b>1,427,269</b>                 | <b>9,119,947</b>            | <b>0.8%</b>     | <b>1.2%</b>             | <b>1.8%</b>          | <b>2,265,530</b>        | <b>4,194,642</b>        | <b>6,460,172</b>                   | <b>14,134,314</b>              | <b>2,332,520</b>             | <b>7,297,472</b>         | <b>\$0.87</b>                      |
| <b>East Inland Empire</b>    |                       |                                  |                             |                 |                         |                      |                         |                         |                                    |                                |                              |                          |                                    |
| Banning /<br>Beaumont        | 6,846,079             | 0                                | 2,832,667                   | 0.0%            | 0.0%                    | 0.0%                 | 0                       | 0                       | 0                                  | 32,337                         | 0                            | 0                        | n/a                                |
| Colton                       | 10,551,843            | 407,815                          | 63,264                      | 2.1%            | 5.7%                    | 2.1%                 | 1,637,121               | 508,705                 | 2,145,826                          | 3,400,555                      | 775,641                      | 983,011                  | \$0.87                             |
| Corona                       | 28,707,944            | 99,560                           | 872,730                     | 1.5%            | 1.4%                    | 2.0%                 | 30,000                  | 446,982                 | 476,982                            | 1,154,760                      | 75,233                       | 493,243                  | \$0.94                             |
| Moreno Valley                | 30,731,264            | 258,809                          | 1,152,162                   | 2.6%            | 3.5%                    | 3.6%                 | 0                       | 36,950                  | 36,950                             | 527,517                        | 521,728                      | 844,660                  | \$0.82                             |
| Perris                       | 31,558,231            | 0                                | 5,020,595                   | 0.9%            | 3.2%                    | 0.1%                 | 0                       | 846,204                 | 846,204                            | 1,751,273                      | 754,482                      | 965,626                  | \$0.85                             |
| Redlands / Loma<br>Linda     | 27,296,111            | 0                                | 1,005,812                   | 1.5%            | 5.5%                    | 0.6%                 | 0                       | 1,185,520               | 1,185,520                          | 1,374,585                      | 887,666                      | 2,088,584                | \$0.78                             |
| Rialto                       | 36,020,083            | 334,582                          | 558,956                     | 2.0%            | 3.6%                    | 1.3%                 | 11,562                  | 75,628                  | 87,190                             | 413,137                        | 522,269                      | 2,271,661                | \$0.82                             |
| Riverside                    | 49,832,845            | 0                                | 1,391,323                   | 0.8%            | 1.8%                    | 2.8%                 | 120,569                 | 864,433                 | 985,002                            | 1,624,725                      | 507,970                      | 1,089,022                | \$0.83                             |
| San Bernardino               | 39,422,339            | 1,163,055                        | 541,997                     | 3.2%            | 1.6%                    | 4.4%                 | 60,834                  | 324,905                 | 385,739                            | 660,922                        | 395,943                      | 991,443                  | \$0.71                             |
| <b>Subtotal</b>              | <b>260,966,739</b>    | <b>2,263,821</b>                 | <b>13,439,506</b>           | <b>1.7%</b>     | <b>2.9%</b>             | <b>2.2%</b>          | <b>1,860,086</b>        | <b>4,289,327</b>        | <b>6,149,413</b>                   | <b>10,907,474</b>              | <b>4,440,932</b>             | <b>9,727,250</b>         | <b>\$0.79</b>                      |
| <b>West Inland Empire</b>    |                       |                                  |                             |                 |                         |                      |                         |                         |                                    |                                |                              |                          |                                    |
| 10,000 - 19,999              | 15,395,033            | 0                                | 239,668                     | 0.5%            | 0.8%                    | 1.0%                 | 55,094                  | 202,902                 | 257,996                            | 480,101                        | 48,428                       | 69,722                   | \$1.00                             |
| 20,000 - 39,999              | 21,524,049            | 53,645                           | 383,152                     | 0.2%            | 0.4%                    | 0.9%                 | 76,917                  | 284,825                 | 361,742                            | 853,547                        | 79,622                       | 314,285                  | \$0.88                             |
| 40,000 - 69,999              | 23,876,591            | 0                                | 461,357                     | 1.3%            | 1.6%                    | 1.9%                 | 0                       | 341,726                 | 341,726                            | 1,305,846                      | 75,474                       | 705,129                  | \$0.99                             |
| 70,000 - 99,999              | 15,757,171            | 152,972                          | 325,205                     | 0.8%            | 1.1%                    | 1.3%                 | 91,776                  | 254,943                 | 346,719                            | 753,189                        | 205,092                      | 317,194                  | \$0.99                             |
| 100 - 249k                   | 66,340,605            | 715,652                          | 2,658,178                   | 0.7%            | 0.6%                    | 2.2%                 | 0                       | 1,931,982               | 1,931,982                          | 4,320,071                      | 417,974                      | 1,417,603                | \$0.96                             |
| 250 - 499k                   | 80,633,160            | 0                                | 1,092,889                   | 0.0%            | 0.0%                    | 1.1%                 | 410,000                 | 1,148,364               | 1,558,364                          | 4,146,576                      | 0                            | 297,161                  | \$0.86                             |
| 500,000 +                    | 86,869,065            | 505,000                          | 3,959,498                   | 1.6%            | 2.8%                    | 2.6%                 | 1,631,743               | 29,900                  | 1,661,643                          | 2,274,984                      | 1,505,930                    | 4,176,378                | \$0.77                             |
| <b>Subtotal</b>              | <b>310,395,674</b>    | <b>1,427,269</b>                 | <b>9,119,947</b>            | <b>0.8%</b>     | <b>1.2%</b>             | <b>1.8%</b>          | <b>2,265,530</b>        | <b>4,194,642</b>        | <b>6,460,172</b>                   | <b>14,134,314</b>              | <b>2,332,520</b>             | <b>7,297,472</b>         | <b>\$0.87</b>                      |
| <b>East Inland Empire</b>    |                       |                                  |                             |                 |                         |                      |                         |                         |                                    |                                |                              |                          |                                    |
| 10,000 - 19,999              | 13,006,805            | 0                                | 236,224                     | 0.3%            | 1.0%                    | 0.7%                 | 163,162                 | 241,589                 | 404,751                            | 791,984                        | 89,773                       | 222,858                  | \$0.95                             |
| 20,000 - 39,999              | 16,557,217            | 36,950                           | 323,207                     | 0.5%            | 1.0%                    | 1.4%                 | 106,391                 | 161,288                 | 267,679                            | 691,331                        | 107,511                      | 378,306                  | \$0.88                             |
| 40,000 - 69,999              | 16,986,932            | 0                                | 272,752                     | 1.0%            | 1.4%                    | 1.9%                 | 94,128                  | 288,199                 | 382,327                            | 818,702                        | 80,095                       | 393,527                  | \$0.77                             |
| 70,000 - 99,999              | 11,865,907            | 252,063                          | 774,783                     | 2.1%            | 3.0%                    | 1.9%                 | 99,560                  | 121,378                 | 220,938                            | 671,416                        | 351,359                      | 309,953                  | \$0.95                             |
| 100 - 249k                   | 38,562,914            | 1,325,952                        | 1,553,224                   | 4.6%            | 3.9%                    | 5.1%                 | 0                       | 1,181,646               | 1,181,646                          | 2,657,193                      | 892,053                      | 2,290,377                | n/a                                |
| 250 - 499k                   | 40,715,441            | 648,856                          | 2,268,113                   | 3.7%            | 8.9%                    | 3.7%                 | 0                       | 1,595,877               | 1,595,877                          | 3,126,573                      | 2,220,791                    | 3,232,427                | \$0.70                             |
| 500,000 +                    | 123,271,523           | 0                                | 8,011,203                   | 0.6%            | 1.3%                    | 1.1%                 | 1,396,845               | 699,350                 | 2,096,195                          | 2,150,275                      | 699,350                      | 2,899,802                | n/a                                |
| <b>Subtotal</b>              | <b>260,966,739</b>    | <b>2,263,821</b>                 | <b>13,439,506</b>           | <b>1.7%</b>     | <b>2.9%</b>             | <b>2.2%</b>          | <b>1,860,086</b>        | <b>4,289,327</b>        | <b>6,149,413</b>                   | <b>10,907,474</b>              | <b>4,440,932</b>             | <b>9,727,250</b>         | <b>\$0.79</b>                      |
| <b>Inland Empire Overall</b> |                       |                                  |                             |                 |                         |                      |                         |                         |                                    |                                |                              |                          |                                    |
| 10,000 - 19,999              | 28,401,838            | 0                                | 475,892                     | 0.4%            | 0.9%                    | 0.9%                 | 94,128                  | 444,491                 | 538,619                            | 1,196,627                      | 138,201                      | 292,580                  | \$0.98                             |
| 20,000 - 39,999              | 38,081,266            | 90,595                           | 706,359                     | 0.3%            | 0.6%                    | 1.1%                 | 218,256                 | 446,113                 | 664,369                            | 1,591,904                      | 187,133                      | 692,591                  | \$0.88                             |
| 40,000 - 69,999              | 40,863,523            | 0                                | 734,109                     | 1.1%            | 1.5%                    | 1.9%                 | 183,308                 | 629,925                 | 813,233                            | 2,152,980                      | 155,569                      | 1,098,656                | \$0.79                             |
| 70,000 - 99,999              | 27,623,078            | 405,035                          | 1,099,988                   | 1.4%            | 1.9%                    | 1.6%                 | 191,336                 | 376,321                 | 567,657                            | 1,424,605                      | 556,451                      | 627,147                  | \$0.97                             |
| 100 - 249k                   | 104,903,519           | 2,041,604                        | 4,211,402                   | 2.1%            | 1.8%                    | 3.3%                 | 410,000                 | 3,113,628               | 3,523,628                          | 7,331,244                      | 1,310,027                    | 3,707,980                | \$0.96                             |
| 250 - 499k                   | 121,348,601           | 648,856                          | 3,361,002                   | 1.2%            | 2.9%                    | 1.9%                 | 0                       | 2,744,241               | 2,744,241                          | 6,919,169                      | 2,220,791                    | 3,529,588                | \$0.80                             |
| 500,000 +                    | 210,140,588           | 505,000                          | 11,970,701                  | 1.0%            | 1.9%                    | 1.7%                 | 3,028,588               | 729,250                 | 3,757,838                          | 4,425,259                      | 2,205,280                    | 7,076,180                | \$0.77                             |
| <b>Total</b>                 | <b>571,362,413</b>    | <b>3,691,090</b>                 | <b>22,559,453</b>           | <b>1.2%</b>     | <b>1.9%</b>             | <b>2.0%</b>          | <b>4,125,616</b>        | <b>8,483,969</b>        | <b>12,609,585</b>                  | <b>25,041,788</b>              | <b>6,773,452</b>             | <b>17,024,722</b>        | <b>\$0.86</b>                      |

FOR MORE INFORMATION  
 Matt Nelson  
 Senior Research Director  
 Greater Los Angeles  
 +1 949 724 5519  
 matt.nelson@colliers.com

Cody Cannon  
 Executive Managing Director  
 Greater Los Angeles  
 +1 949 724 5513  
 cody.cannon@colliers.com

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