



YoY
Chg

12-Mo.
Forecast

9.0%

Vacancy Rate

**-534K**

YTD Net Absorption, SF

**\$2.04**

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

YoY
Chg

12-Mo.
Forecast

1.5MInland Empire
Employment**7.9%**Inland Empire
Unemployment Rate**6.7%**U.S.
Unemployment Rate

Source: BLS and EDD. November 2020 data.

ECONOMIC OVERVIEW: Lowest Unemployment Rate Since Start of Pandemic

The unemployment rate in the Inland Empire (IE) dropped to 7.9% in November 2020, down from a revised 10.2% in September 2020. San Bernardino County reported an 8.0% unemployment rate in November while Riverside County's unemployment rate decreased to 7.8% for the same time period. Between the month of October and November, total nonfarm employment increased by 17,200 jobs. Despite the recent job growth, the IE lost 108,000 jobs over the year with industries occupying office space being heavily affected. The government sector declined by 13,700, educational and health services lost 10,900 jobs, and professional and business services posted a loss of 6,400 jobs.

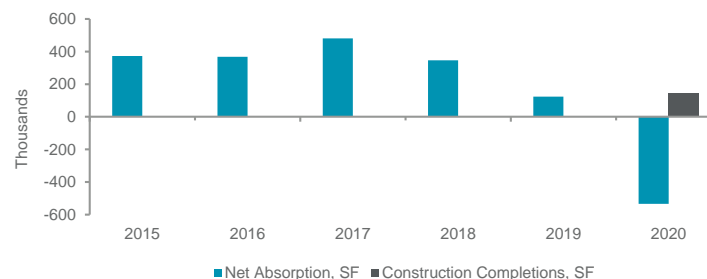
SUPPLY AND DEMAND: COVID-19's Impact on Office Demand

Although the U.S. economy has partially rebounded from the first half of 2020, the IE office market continued to be heavily impacted by the pandemic. In fourth quarter of 2020, overall vacancy in the IE increased to 9.0%, a 320-basis point (bps) increase over last year. Quarter-over-quarter (QOQ), the IE experienced a 160-bps increase over third quarter 2020. Despite starting the year with net gains of 34,761 square feet (sf) in the first quarter, the IE experienced negative absorption throughout the remainder of the year and posted -534,006 sf of net absorption by year-end 2020. The Inland Empire West (IEW) experienced the most negative absorption with -221,374 sf, bringing the IEW vacancy rate to 8.1%. Meanwhile, the Inland Empire South (IES) recorded -20,654 of absorption with a vacancy rate of 10.8%. The COVID-19 impact slowed new leasing activity with 191,277 sf leased in fourth quarter alone, down 44.3% from last year. Year-to-date (YTD), leasing activity totaled 970,722 sf, down 19.4% from the previous year. Regus signed the largest deal in fourth quarter, a 15,210-sf renewal at Three Parkside in San Bernardino. As for construction completions, Corona delivered 146,785 sf of new Class A inventory in the Lakeshore Plaza. However, further development has remained minimal in recent years, which has been beneficial for existing inventory and has helped moderate vacancy rates. Although the pandemic is expected to continue in the new year, there is now a positive outlook as vaccinations may become more readily available and thus help alleviate struggling industries. Although faced with a challenging year, the IE office market entered 2020 with low vacancy, positive absorption, and higher leasing activity than the year prior. That said, it will take time for the economy to fully recover, however, the IE should make a healthy rebound due to its strong market fundamentals.

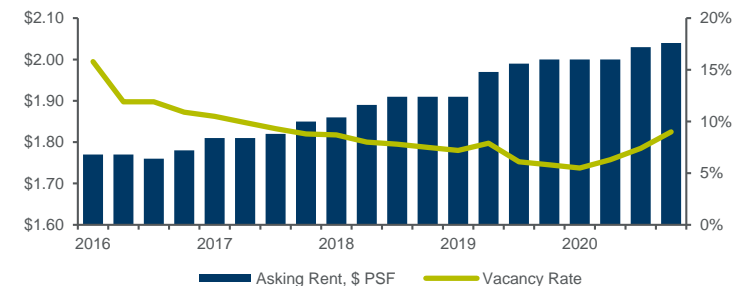
PRICING: Continued Rent Growth in Year-End 2020

Overall average asking rates have increased slightly since last year at \$2.04 per square foot per month (psf/mo), up 2.0%. Likewise, overall class A rents averaged \$2.33 psf/mo, up 0.08% from last year. Despite the pandemic, asking rates for IE office experienced steady to slightly increasing growth rate throughout 2020. However, some landlords have been more willing to grant concessions in order to keep face rates strong and maintain occupancy.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Ontario	3,795,030	2,721	301,064	8.0%	-96,240	-124,638	160,863	0	\$2.29	\$2.53
Rancho Cucamonga	3,103,332	43,070	185,517	7.4%	-75,071	-70,984	131,652	0	\$2.03	\$2.04
Fontana	104,235	0	0	0.0%	0	968	968	0	N/A	N/A
Chino/Chino Hills	585,172	6,320	13,804	3.4%	-5,082	33,724	22,973	0	\$2.33	\$2.64
Upland	831,279	0	127,075	15.3%	-44,981	-71,836	58,816	0	\$1.97	N/A
INLAND EMPIRE WEST	8,419,048	52,111	627,460	8.1%	-221,374	-232,766	375,272	0	\$2.13	\$2.38
Riverside	4,419,924	0	415,604	9.4%	-32,608	-70,781	140,292	0	\$2.06	\$2.39
San Bernardino	3,485,884	12,573	257,473	7.7%	-30,899	-72,318	110,200	0	\$1.78	\$2.23
Colton	268,295	0	64,722	24.1%	-11,519	-8,658	9,195	0	\$1.00	N/A
Redlands/Loma Linda	1,093,045	3,200	84,402	8.0%	-34,335	-49,174	56,203	0	\$1.72	\$2.05
INLAND EMPIRE EAST	9,267,148	15,773	822,201	9.0%	-109,361	-200,931	315,890	0	\$1.93	\$2.35
Corona	2,009,307	0	298,256	14.8%	-25,861	-48,975	127,885	0	\$2.28	\$2.32
Temecula	1,404,550	4,528	83,819	6.3%	-5,260	-14,698	81,413	0	\$1.56	\$1.59
Murrieta	575,583	14,232	40,978	9.6%	10,467	-44,033	61,690	0	\$1.89	\$1.97
Lake Elsinore	122,527	0	1,175	1.0%	0	7,397	8,572	0	\$1.50	N/A
INLAND EMPIRE SOUTH	4,111,967	18,760	424,228	10.8%	-20,654	-100,309	279,560	0	\$2.11	\$2.25
INLAND EMPIRE TOTALS	21,798,163	86,644	1,873,889	9.0%	-351,389	-534,006	970,722	0	\$2.04	\$2.33

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
473 East Carnegie Lane	San Bernardino	Regus	15,210	Renewal*
4160 Temescal Canyon Road	Corona	Undisclosed	14,240	New Lease
32605 Temecula Parkway	Murrieta	Undisclosed	7,641	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
400 & 440 North Mountain Avenue	Upland	William Lee / The Bascom Group	84,498	\$10,250,000 / \$121
4361 Latham Street	Riverside	Zepporah Glass Trust / Jumyun Lee	31,201	\$7,850,000 / \$252
10737 Laurel Street	Rancho Cucamonga	Borchard Cucamonga LP / Michael Rademaker	30,162	\$3,750,000 / \$124

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