

MARKETBEAT INLAND EMPIRE

Office Q2 2021



9.0%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



-160K

YTD Net Absorption, SF



\$2.04

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

1.5M

Inland Empire
Employment

YoY
Chg



12-Mo.
Forecast



7.2%

Inland Empire
Unemployment Rate



5.9%

U.S.
Unemployment Rate



Source: BLS and EDD. May 2021 data.

ECONOMIC OVERVIEW: Large Annual Job-Gains in the Office Sector

The unemployment rate in the Inland Empire (IE) decreased to 7.2% in May 2021, down from a revised 7.5% in April 2021, and below the year-ago unemployment rate of 14.9%. San Bernardino County reported a 7.3% unemployment rate in May while Riverside County's unemployment rate decreased to 7.2% for the same time period. Between the month of April and May, total nonfarm employment increased by 9,600 jobs. Since the peak of the pandemic, the combination of U.S. and state efforts plus efficient vaccination distributions have alleviated many social restrictions in California and have created the opportunity to regain many of the job losses in the past year. As the year progresses, expect to see further job gains within (office using jobs) industries occupying office space which were heavily affected by the pandemic. Educational and health services saw an increase in annual job gains (up 18,500), professional and business services (up 13,300), and government (up 800), financial activities (up 500), and information (up 300).

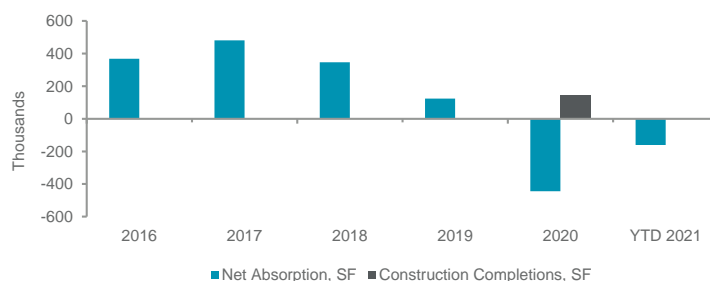
SUPPLY AND DEMAND: Leasing Activity Still Remains Low at Mid-Year 2021

While U.S. and state recovery efforts from the pandemic are still taking place, the IE office market has experienced a slower rate of recovery. At mid-year 2021, the overall vacancy rate in the IE increased to 9.0%, a 310-basis point (bps) increase over last year and a quarter-over-quarter (QOQ) increase of 20-bps. Additionally, since the onset of the pandemic occupancy losses in the IE continue posting -160,276 square feet (sf) of net absorption in second quarter 2021. The Inland Empire East (IEE) recorded the most negative absorption with -110,209 sf, bringing the IEE vacancy rate to 9.7%. Meanwhile the Inland Empire West (IEW) followed with -50,683 sf and a vacancy rate of 7.9%. On the other hand, the Inland Empire South (IES) has retained slight positive absorption of 616 sf, recording a vacancy rate of 9.7%. New leasing activity continued to slow at mid-year 2021 with 462,133 sf, down 10.0% from mid-year 2020. The IEW made up 43.1% of all new deals in the IE with 199,017 sf leased followed by the IES with 148,740 sf leased. CTDI signed the largest deal of the quarter, a 21,900-sf sublease at 9859 Seventh Street in Rancho Cucamonga. New office development projects remain minimal with 30,521 sf currently under construction in Ontario, expected to deliver in the second half of the year. Although effects of the pandemic still weigh on office demand, the IE's market fundamentals have not been severely impacted as they were during the Global Financial Crisis. While recovery efforts show a promising outlook for the economy, the IE office market still has further to go before reaching pre-pandemic levels; however, the IE is poised to make a healthy rebound in the coming quarters.

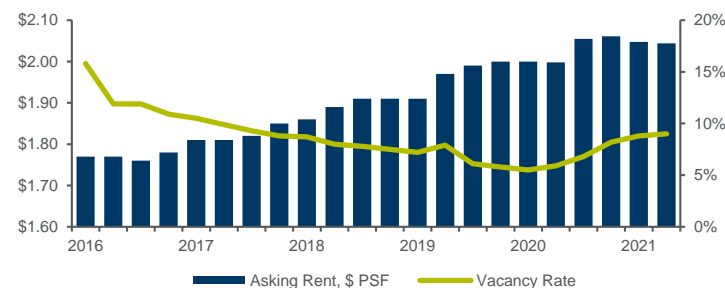
PRICING: Rent Growth Steadily Increasing

While the effects of the pandemic are still weighing on office demand, the IE's strong market fundamentals have maintained steady to slightly increasing rent growth in the last year. Overall average asking rates have increased to \$2.04 per square foot per month (psf/mo), up 2.3% from second quarter 2020. Likewise, overall class A asking rents averaged \$2.38 psf/mo, up 4.0% for the same time period. However, rather than adjusting face rates, some landlords have been more willing to grant concessions to new tenants. As the IE office sector continues to recover from the pandemic expect rent growth to hold steady for the remainder of the year.

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	7,078	338,035	9.1%	5,729	-42,271	64,687	30,521	\$2.27	\$2.51
Rancho Cucamonga	3,103,332	0	221,140	7.1%	-1,822	-38,328	94,966	0	\$2.08	\$2.31
Fontana	104,235	0	0	0.0%	0	0	0	0	N/A	N/A
Chino/Chino Hills	585,172	4,217	20,604	4.2%	-4,964	-10,289	7,521	0	\$2.56	\$2.71
Upland	831,279	0	71,256	8.6%	2,310	40,205	31,843	0	\$1.75	N/A
INLAND EMPIRE WEST	8,419,048	11,295	651,035	7.9%	1,253	-50,683	199,017	30,521	\$2.15	\$2.49
Riverside	4,419,924	0	444,392	10.1%	-14,263	-44,368	52,815	0	\$2.12	\$2.43
San Bernardino	3,485,884	7,981	303,837	8.9%	-37,714	-68,358	44,202	0	\$1.74	\$2.21
Colton	268,295	0	65,523	24.4%	-137	-801	2,123	0	\$1.29	N/A
Redlands/Loma Linda	1,093,045	3,200	73,854	7.0%	-2,148	3,318	15,236	0	\$1.71	\$2.05
INLAND EMPIRE EAST	9,267,148	11,181	887,606	9.7%	-54,262	-110,209	114,376	0	\$1.95	\$2.38
Corona	2,009,307	2,410	264,140	13.3%	13,187	8,319	71,049	0	\$2.29	\$2.33
Temecula	1,404,550	4,528	86,337	6.5%	385	-6,717	53,551	0	\$1.55	\$2.10
Murrieta	575,583	14,232	23,260	6.5%	-7,181	223	22,965	0	\$1.95	\$2.09
Lake Elsinore	122,527	0	2,384	1.9%	-1,209	-1,209	1,175	0	\$1.60	N/A
INLAND EMPIRE SOUTH	4,111,967	21,170	376,121	9.7%	5,182	616	148,740	0	\$2.06	\$2.29
INLAND EMPIRE TOTALS	21,798,163	43,646	1,914,762	9.0%	-47,827	-160,276	462,133	30,521	\$2.04	\$2.38

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
9859 Seventh Street	Rancho Cucamonga	CTDI	21,900	Sublease
901 Via Piemonte	Ontario	IMEG Corp.	15,474	Renewal*
43300-43320 Business Park Drive	Temecula	Undisclosed	13,602	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1101 California Avenue	Corona	Charles X. Zhang / Davenport Partners, Inc.	39,362	\$6,950,000 / \$177
3685 Main Street	Riverside	JF Davidson Investments LLC / Mark Sterner	29,124	\$6,135,000 / \$211

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