



YoY
Chg

12-Mo.
Forecast

9.5%

Vacancy Rate

**-288K**

YTD Net Absorption, SF

**\$2.08**

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

YoY
Chg

12-Mo.
Forecast

1.5MInland Empire
Employment**7.6%**Inland Empire
Unemployment Rate**5.2%**U.S.
Unemployment Rate

Source: BLS and EDD. August 2021 data.

ECONOMIC OVERVIEW: Office Sector Sees Large Monthly Job Gains

The unemployment rate in the Inland Empire (IE) decreased to 7.6% in August 2021, up from a revised 7.9% in July 2021, and below the year-ago unemployment rate of 11.5%. Both San Bernardino and Riverside County reported a 7.6% unemployment rate in August. Between the month of July and August, total nonfarm employment increased by 5,500 jobs. The government sector recorded the largest payroll increase over the last month with local government accounting for all job gains during the same time period. Year-over-year, employment gains occurred in educational and health services (up 13,900), professional and business services (up 7,700), other services (up 5,000), and information (up 400).

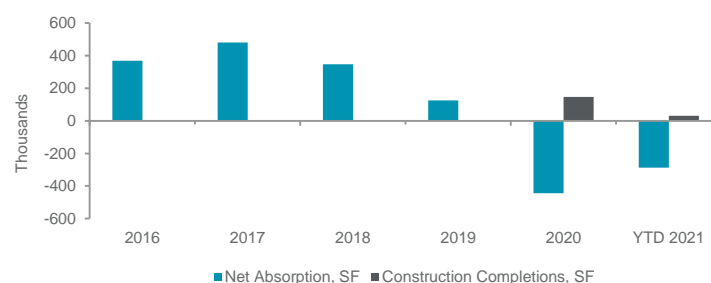
SUPPLY AND DEMAND: New Leasing Activity Picks Up in Third Quarter 2021

Despite job gains within industries occupying office space (or use office using jobs), the IE office market has moved at a slower pace with the impact of work from home (WFH) initiatives, a response to the pandemic. In third quarter 2021, the overall vacancy rate in the IE increased to 9.5%, a 280-basis point (bps) increase over last year and a quarter-over-quarter (QOQ) increase of 80-bps. Additionally, since the onset of the pandemic occupancy losses in the IE continue, posting -287,987 square feet (sf) of net absorption in third quarter 2021. The Inland Empire East (IEE) recorded the most negative absorption with -193,646 sf, bringing the IEE vacancy rate to 10.4%. Meanwhile, the Inland Empire West (IEW) followed with -109,620 sf and a vacancy rate of 8.8%. On the other hand, the Inland Empire South (IES) has retained slight positive absorption of 15,279 sf with most of it coming from Corona. The IES recording a vacancy rate of 8.8%. Total year-to-date (YTD) new leasing activity, however, has increased slightly to 783,182 sf, up 0.5% from third quarter 2020. In third quarter 2021 alone, new leasing activity increased by 7.0% from the same time last year, posting 282,621 sf. The IEW made up 45.1% of all new deals in the IE with 353,195 sf leased followed by the IES with 230,952 sf leased. Direct Home Lending signed the largest deal of the quarter, a 9,904-sf new deal at 4160 Temescal Canyon Road in Corona. New office development projects have remained minimal with a 30,521-sf project that delivered in Ontario in the third quarter. However, a lack of projects in the pipeline have helped moderate supply and maintain vacancy rates over the years. While recovery efforts for the economy are still ongoing, the IE office market still has further to go before reaching pre-pandemic levels; however, given the IE's strong market fundamentals, the IE is poised to make a healthy rebound in the coming year.

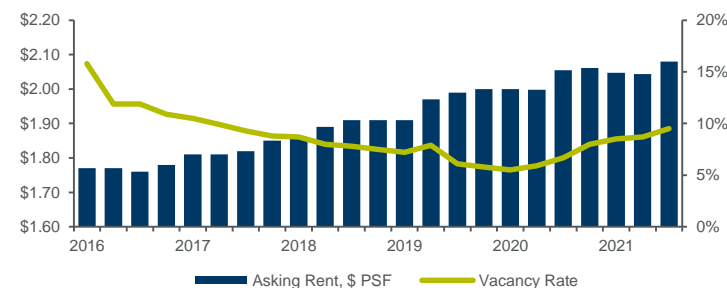
PRICING: Asking Rents Still Rising

While the effects of the pandemic are still weighing on office demand, the IE office market has maintained steady to slightly increasing rent growth in the last year. Overall average asking rates have increased to \$2.08 per square foot per month (psf/mo), up 1.2% from third quarter 2021. Likewise, class A asking rents averaged \$2.45 psf/mo, up 6.5% 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	3,825,551	4,357	364,127	9.6%	1,823	-37,842	152,860	0	\$2.25	\$2.48
Rancho Cucamonga	3,103,332	0	303,218	9.8%	-83,776	-122,104	125,831	0	\$2.08	\$2.41
Fontana	104,235	0	0	0.0%	0	0	0	0	N/A	N/A
Chino/Chino Hills	585,172	3,155	9,718	2.2%	10,886	1,659	20,034	0	\$2.75	\$2.80
Upland	831,279	0	62,794	7.6%	6,709	48,667	54,470	0	\$1.84	N/A
INLAND EMPIRE WEST	8,449,569	7,512	739,857	8.8%	-64,358	-109,620	353,195	0	\$2.15	\$2.47
Riverside	4,419,924	0	466,740	10.6%	-26,312	-74,799	80,446	0	\$2.21	\$2.59
San Bernardino	3,485,884	0	355,355	10.2%	-73,418	-123,604	70,216	0	\$1.72	\$2.14
Colton	268,295	0	66,793	24.9%	-1,270	-2,071	2,995	0	\$1.07	N/A
Redlands/Loma Linda	1,093,045	3,200	70,344	6.7%	3,510	6,828	45,378	0	\$1.74	\$2.46
INLAND EMPIRE EAST	9,267,148	3,200	959,232	10.4%	-97,490	-193,646	199,035	0	\$1.99	\$2.47
Corona	2,009,307	2,410	239,940	12.1%	-3,296	10,290	115,509	0	\$2.39	\$2.46
Temecula	1,377,580	4,528	76,765	5.9%	9,572	2,855	74,349	0	\$1.45	\$1.96
Murrieta	575,583	12,419	20,123	5.7%	4,950	5,173	39,919	0	\$1.90	\$1.99
Lake Elsinore	122,527	0	4,214	3.4%	-1,830	-3,039	1,175	0	\$1.50	N/A
INLAND EMPIRE SOUTH	4,084,997	19,357	341,042	8.8%	9,396	15,279	230,952	0	\$2.12	\$2.38
INLAND EMPIRE TOTALS	21,801,714	30,069	2,040,131	9.5%	-152,452	-287,987	783,182	0	\$2.08	\$2.45

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4160 Temescal Canyon Road	Corona	Undisclosed	9,904	New Lease
3633 Inland Empire Boulevard	Ontario	Undisclosed	7,111	New Lease
870 North Mountain Avenue	Upland	MedRevenu, LLC	6,937	New Lease

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
301 Vanderbilt Way	San Bernardino	Harbor Associates, LLC / Davenport Partners, Inc.	74,836	\$8.9M / \$119
3550 Vine Street	Riverside	Dornin Investment Group / Fuad F. Rafidi, MD	46,089	\$11.4M / \$247
1500 S Haven Avenue	Ontario	Zion Enterprises / Jurupa-Haven LP	45,094	\$9.1M / \$202

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