

# Inland Empire Industrial Market

2022 - 2010

The Inland Empire Industrial Market continues to defy major headwinds including inflation, persistent port congestion, construction delays, etc. as these factors have shifted the economic outlook over Q2. With the all-items consumer price index (CPI) up 8.3% and the energy CPI up 30.3% year-over-year, the Federal Reserve responded by raising interest rates twice this quarter, once by 50 basis points (bps) in May, and another by 75 bps in June, with expectations rates will move by an additional three quarter point increase this month.

The current pressure on the ports has made shipping a container from overseas to the United States a great feat. It costs ten times as much as pre-pandemic levels and takes nearly twice as long (80 days vs 45 days). Many companies are responding to the supply chain crisis by housing back stock of product to avoid delays. Long term, it's expected that manufacturing will begin to move to North America, as manufacturing costs are now more cost effective in Mexico than in China, which would ease up the pressure on the ports.

Developing new industrial product is no easy task in today's market. Nationally, the entitlement & construction process for industrial builds is taking on average five months longer than in 2019. Construction costs are up 22% year-over-year, and historically, lumber is up more than twice the 20 year median price. Local challenges include lack of labor, city and community pushback, and excessive use of energy, with some cities running out of power. Moratoriums have either been extended, approved, or introduced for city council votes in nearly a dozen Inland Empire cities.

The nation's economic ambiguity seems to have little to no impact on the industrial market, specifically in the Inland Empire. Pricing continues to increase rapidly, product is being developed and pre-leased at an incredible rate, and although net absorption is down, there is virtually no physical vacancy in the market, simply leaving no space to absorb. The market's outlook is trusted so heavily by investors that existing warehouses are being traded at record-breaking prices to capitalize on the future rent growth of the Inland Empire's industrial sector.

| Inland Empire West        |             |             |             |             |             |             |             |             |             |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                           | 2022 YTD    | 2021        | 2020        | 2019        | 2018        | 2017        | 2016        | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        |
| Base Inventory            | 350,261,015 | 336,768,473 | 329,887,722 | 322,446,790 | 312,310,181 | 304,489,275 | 300,521,411 | 290,368,387 | 277,684,335 | 270,276,683 | 259,865,208 | 249,472,622 | 240,624,128 |
| Overall Availability Rate | 4.66%       | 2.93%       | 4.93%       | 5.51%       | 5.55%       | 5.37%       | 7.99%       | 6.85%       | 6.60%       | 8.58%       | 9.06%       | 10.27%      | 14.14%      |
| Overall Vacancy Rate      | 0.33%       | 0.60%       | 0.96%       | 1.30%       | 1.45%       | 2.08%       | 1.74%       | 1.56%       | 3.36%       | 3.47%       | 4.82%       | 4.40%       | 7.14%       |
| Net Absorption            | 4,106,751   | 8,226,403   | 10,411,357  | 4,387,023   | 11,791,264  | 7,300,334   | 7,504,854   | 14,848,951  | 8,221,997   | 6,054,074   | 1,235,742   | 6,212,088   | 734,085     |
| Sales                     | 2,900,083   | 7,795,393   | 6,251,372   | 7,950,666   | 7,537,917   | 10,822,654  | 7,372,998   | 7,035,398   | 5,504,643   | 9,848,519   | 8,892,033   | 6,744,276   | 9,416,377   |
| Leasing                   | 10,602,021  | 38,095,543  | 43,559,051  | 36,934,082  | 34,629,961  | 35,302,504  | 30,898,437  | 33,510,381  | 29,411,464  | 34,745,820  | 23,472,632  | 24,199,396  | 21,281,043  |
| Gross Absorption          | 13,502,104  | 45,890,936  | 49,810,423  | 44,884,748  | 42,167,878  | 46,125,158  | 38,271,435  | 40,545,779  | 34,916,107  | 44,594,339  | 32,364,665  | 30,943,672  | 30,697,420  |
| Construction Complete     | 3,261,900   | 7,067,243   | 9,392,670   | 4,046,985   | 9,984,509   | 8,415,407   | 8,200,051   | 9,861,118   | 8,173,862   | 2,902,859   | 2,793,269   | 0           | 667,000     |
| Under Construction        | 18,663,661  | 6,943,248   | 8,849,513   | 11,875,497  | 6,004,339   | 8,067,276   | 12,055,505  | 10,150,138  | 6,640,764   | 7,028,209   | 1,895,915   | 1,617,054   | 22,252      |

The **Inland Empire West (IE West)** industrial market includes the cities of Chino, Ontario, Rancho Cucamonga, Fontana, Eastvale and Jurupa Valley.

| Inland Empire East        |             |             |             |             |             |             |             |             |             |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                           | 2022 YTD    | 2021        | 2020        | 2019        | 2018        | 2017        | 2016        | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        |
| Base Inventory            | 303,118,798 | 298,744,435 | 280,520,688 | 269,493,382 | 260,639,808 | 240,495,337 | 228,369,133 | 214,610,311 | 199,916,351 | 187,278,322 | 173,624,097 | 154,969,991 | 147,170,416 |
| Overall Availability Rate | 4.68%       | 4.92%       | 6.40%       | 9.10%       | 12.09%      | 11.98%      | 11.07%      | 11.30%      | 11.15%      | 10.16%      | 12.64%      | 14.63%      | 18.41%      |
| Overall Vacancy Rate      | 0.51%       | 0.24%       | 2.62%       | 4.56%       | 5.16%       | 5.53%       | 5.26%       | 4.55%       | 4.75%       | 5.51%       | 5.49%       | 6.87%       | 12.16%      |
| Net Absorption            | 2,811,545   | 16,160,896  | 16,190,023  | 16,734,925  | 18,880,225  | 10,510,202  | 9,855,964   | 12,156,520  | 10,968,822  | 5,883,458   | 7,469,616   | 11,417,996  | 6,658,940   |
| Sales                     | 6,788,213   | 10,182,468  | 14,313,812  | 12,146,354  | 13,567,747  | 10,520,945  | 11,117,795  | 9,775,752   | 7,065,600   | 15,329,287  | 5,341,926   | 13,857,955  | 8,940,119   |
| Leasing                   | 12,621,927  | 32,363,232  | 33,615,340  | 25,620,046  | 28,239,858  | 19,668,865  | 21,398,081  | 18,912,845  | 12,270,484  | 16,618,025  | 16,272,821  | 13,792,649  | 11,196,115  |
| Gross Absorption          | 19,410,140  | 42,545,700  | 47,929,152  | 37,766,400  | 41,807,605  | 30,189,810  | 32,515,876  | 28,688,597  | 19,336,084  | 31,947,312  | 21,614,747  | 27,650,604  | 20,136,234  |
| Construction Complete     | 3,657,754   | 9,524,590   | 11,244,942  | 15,558,858  | 19,047,154  | 11,791,269  | 12,105,911  | 13,210,819  | 10,136,099  | 6,675,732   | 6,355,748   | 3,743,526   | 0           |
| Under Construction        | 18,295,085  | 17,510,875  | 9,685,953   | 10,826,803  | 15,844,663  | 16,069,764  | 12,296,985  | 11,910,230  | 10,523,594  | 10,512,895  | 4,855,045   | 4,166,413   | 2,380,000   |

The **Inland Empire-East (IE East)** industrial market includes the Cities of Banning, Beaumont, Bloomington, Colton, Corona, Norco, Grand Terrace, Highland, Mentone, Yucaipa, Moreno Valley, Perris, Redlands, Loma Linda, Rialto, Riverside, and San Bernardino.

| Inland Empire Total       |             |             |             |             |             |             |             |             |             |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                           | 2022 YTD    | 2021        | 2020        | 2019        | 2018        | 2017        | 2016        | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        |
| Base Inventory            | 653,379,813 | 635,512,908 | 610,408,410 | 591,940,172 | 572,949,989 | 544,984,612 | 528,890,544 | 504,978,698 | 477,600,686 | 457,555,005 | 433,489,305 | 404,442,613 | 387,794,544 |
| Overall Availability Rate | 4.67%       | 3.86%       | 5.61%       | 7.14%       | 8.52%       | 8.28%       | 9.32%       | 8.74%       | 8.51%       | 9.23%       | 10.50%      | 11.94%      | 15.76%      |
| Overall Vacancy Rate      | 0.42%       | 0.43%       | 1.72%       | 2.78%       | 3.14%       | 3.60%       | 3.26%       | 2.83%       | 3.94%       | 4.31%       | 5.09%       | 5.35%       | 9.05%       |
| Net Absorption            | 6,918,296   | 24,387,299  | 26,601,380  | 21,121,948  | 30,671,489  | 17,810,536  | 17,360,818  | 27,005,471  | 19,190,819  | 11,937,532  | 8,705,358   | 17,630,084  | 7,393,025   |
| Sales                     | 9,688,296   | 17,977,861  | 20,565,184  | 20,097,020  | 21,105,664  | 21,343,599  | 18,490,793  | 16,811,150  | 12,570,243  | 25,177,806  | 14,233,959  | 20,602,231  | 18,356,496  |
| Leasing                   | 23,223,948  | 70,458,775  | 77,174,391  | 62,554,128  | 62,869,819  | 54,971,369  | 52,296,518  | 52,423,226  | 41,681,948  | 51,363,845  | 39,745,453  | 37,992,045  | 32,477,158  |
| Gross Absorption          | 32,912,244  | 88,436,636  | 97,739,575  | 82,651,148  | 83,975,483  | 76,314,968  | 70,787,311  | 69,234,376  | 54,252,191  | 76,541,651  | 53,979,412  | 58,594,276  | 50,833,654  |
| Construction Complete     | 6,919,654   | 16,591,833  | 20,637,612  | 19,605,843  | 29,031,663  | 20,206,676  | 20,305,962  | 23,071,937  | 18,309,961  | 9,578,591   | 9,149,017   | 3,743,526   | 667,000     |
| Under Construction        | 36,958,746  | 24,454,123  | 18,535,466  | 22,702,300  | 21,849,002  | 24,137,040  | 24,352,490  | 22,060,368  | 17,164,358  | 17,541,104  | 6,750,960   | 5,783,467   | 2,402,252   |