



**SIOR**

INLAND EMPIRE &  
ORANGE COUNTY CHAPTER




## 2019 Inland Empire Office Market Review

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Senior Vice President



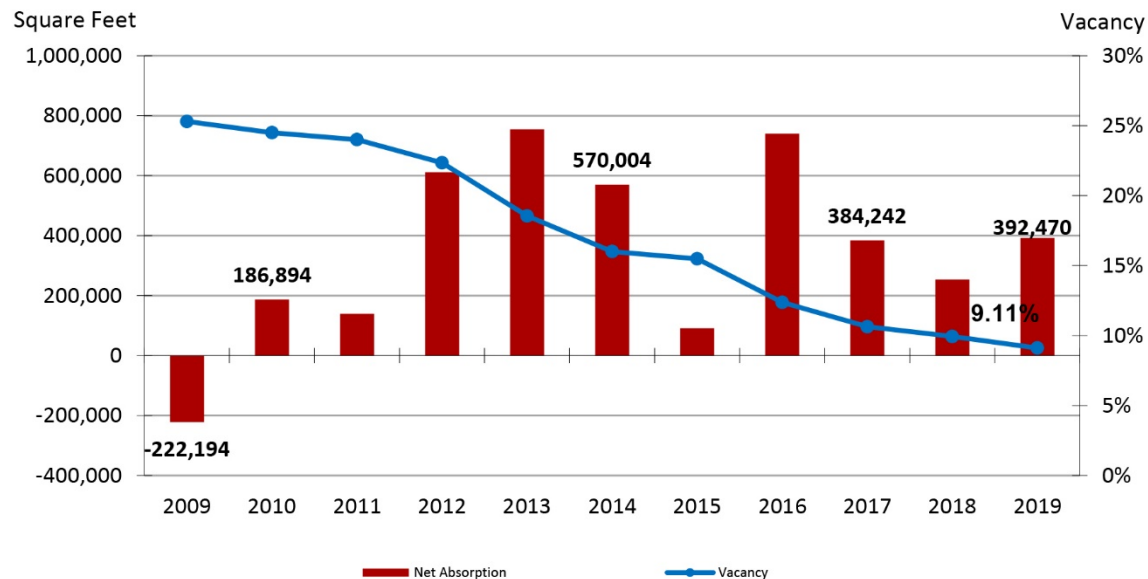
# KEY NOTES FROM 2019

- 10th consecutive year of positive net absorption – 392,470sf
- Inland Region office vacancy decreased from 9.9% to 9.1%
- 6 properties in West End with contiguous space over 20k
- 4.2% Vacancy level in Corona/West Riverside Market
- Effective lease rates increased 4% from 2018 year-end levels
- Office sale prices  15% & approaching reproduction costs
- 145k spec office to be delivered 2<sup>nd</sup> Quarter 2020 (only new spec construction)

# VACANCY & NET ABSORPTION

## Inland Empire Region Summary

Inland Empire Absorption & Vacancy Rates

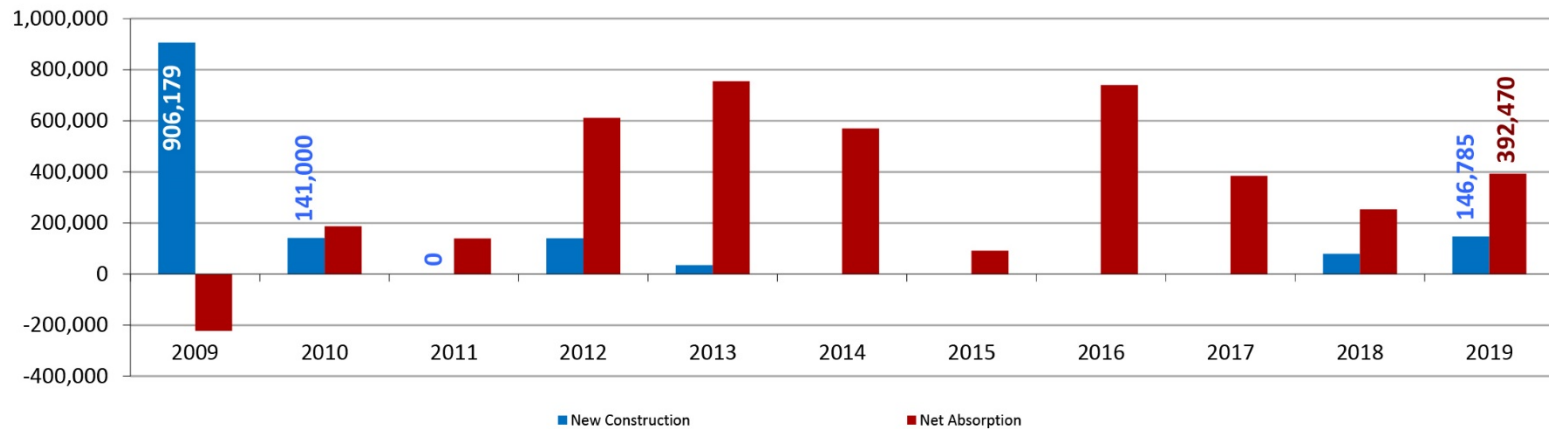


In 2007 vacancy was below 10% and 5 million SF of spec development was under construction or ready to break ground - today only 146,000 SF.



# ABSORPTION VS. CONSTRUCTION ANALYSIS

Inland Empire Absorption vs New Construction



The 145k currently under construction 100% speculative and located in Corona.

# LEASE RATES CLASS A

Cities	2007	2011	2020
	8.6% Market Vacancy	24.5% Market Vacancy	9.1% Market Vacancy
Riverside/Corona	\$2.25 - \$2.75	\$1.95 - \$2.05	<b>\$2.55 - \$3.60</b>
Ontario	\$2.10 - \$2.45	\$1.85 - \$1.95	<b>\$2.15 - \$2.50</b>
San Bernardino	\$1.95 - \$2.25	\$1.65 - \$1.85	<b>\$2.05 - \$2.25</b>

**Rates at or above record highs.**

# OFFICE SALE TRANSACTIONS

	Building	Square Feet	Purchase Price	Price per SF	Date Sold	Buyer
	Towers at Riverwalk 4210 Riverwalk Pkwy Riverside, CA	96,800	\$26.53 Million	\$273.95	12/2019	SchoolFirst Credit Union
	Waterside Center 3110 E. Guasti Rd Ontario, CA	91,300	\$22.1 Million	\$241.91	12/2019	MGR Real Estate
	HMC Center 3546 Concourses St Ontario, CA	56,700	\$13.9 Million	\$245.63	10/2019	HMC Architects
	Epic Medical Portfolio 2 W. Fern Ave Redlands, CA	157,000	\$56.4 Million	\$359.24	10/2019	MBRE Healthcare
	Spruce Common 1595 Spruce St Riverside, CA	67,000	\$6 Million	\$89.45	8/2019	Entera

# OFFICE LEASE TRANSACTIONS

	Building	Tenant	SF Leased	Rate	Term
	Ontario Airport Towers 2855 E. Guasti Rd, 5 <sup>th</sup> Fl Ontario, CA	Current (extension)	38,516	\$2.40 FSG	7 Years
	Hunter Park Office 2001 Iowa Ave Riverside, CA	County of Riverside (extension)	117,970	\$2.10 FSG	10 Years
	Tower at Riverwalk 4210 Riverwalk Pkwy Riverside, CA	County of Riverside (extension)	36,100	\$2.65 FSG	7 Years
	Riverside Plaza 3635 Central Ave Riverside, CA	Riverside Medical Clinic	20,929	\$2.35 FSG	10 Years
	Lakeside Tower 650 E. Hospitality San Bernardino, CA	Lewis Brisba's Bisgaard (extension)	21,002	\$2.25 FSG	5 Years

# KEY THOUGHTS FOR 2019

- **New Spec Development - Lakeshore Plaza II**
  - 146,000, 4-Story Office Building
  - Broken Ground – Delivery 2nd Quarter 2020
  - \$3.05 Full Service Gross
- **Office Buyers are Active**
  - Syndicators more than institutional
  - Prices approaching replacement costs for leased Buildings
  - Vacancy levels ↓
  - Extremely limited supply side
  - Continued strong regional and population growth
- **Occupancy Cost for Tenant's Rents are Increasing**
  - Limited quality opportunities >5,000 square feet
  - Class A vacancy dropping below 8%
  - Existing leases rolling into higher rates
  - Load Factors increasing





# LAKESHORE PLAZA AT DOS LAGOS

READY FOR TENANT IMPROVEMENTS



# Q & A Discussion

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