

Inland Empire

The Inland Empire ends a banner year by setting another record

- The Inland Empire posted record positive absorption in Q4 thanks to a significant rise in e-commerce and best ever port volumes
- The development pipeline rebounded from a five-year low, but a shortage of supply is still a concern over the near-term
- Demand for big box product helped drive the vacancy rate to a new all-time low

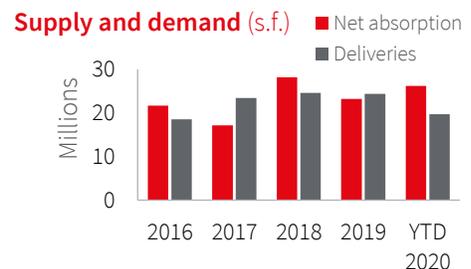
The Inland Empire industrial market achieved another record this quarter, posting the highest amount of positive absorption in the market's history. Activity has been robust for much of 2020 in the Inland Empire as a result of the significant increase in e-commerce seen nation-wide, as many Americans were asked to shelter-in-place and avoid in-store shopping. Add to this, container volumes at the Ports of Los Angeles and Long Beach have been setting records in recent months as supply chains rush to restock their warehouses and fulfill online orders. These factors have resulted in an overwhelming amount of demand for industrial product in the Inland Empire.

Quarter-over-quarter, vacancy dropped a staggering 160 basis points as a majority of the leases that were signed in the record Q3 '20 commenced. Furthermore, Q4 '20 saw an additional 19.1 million s.f. of leases signed. This is the second highest total in the market's history, just behind Q3 '20's 19.8 million s.f. Concurrently, the development pipeline has slowed in recent quarters and available product is dwindling as result. Despite 19.7 million s.f. of newly constructed product delivering this year, there is still a shortage of quality space. This has allowed landlords to push rents quickly despite the broader economic headwinds in place. Rents climbed 8.8% in 2020, and we expect to see these increases to continue well in 2021.

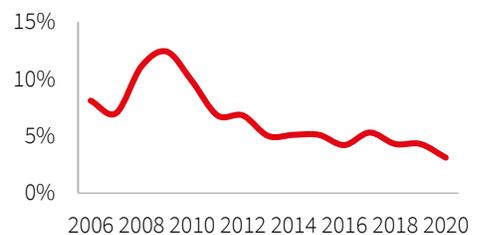
Outlook

Looking forward, as shelter-in-place orders are implemented for a second time this year, we expect to see continued strong demand for industrial product in the Inland Empire. Big box product of 400,000 s.f. and above may see an unprecedented 0% availability by mid-2021. However, this big box shortage will likely be brief, as many major developers plan to break ground on larger blocks of space in the second half of 2021.

Fundamentals	Forecast
YTD net absorption	26,277,784 s.f. ▲
Under construction	19,981,299 s.f. ▼
Total vacancy	3.1% ▼
Sublease vacancy	1,329,488 s.f. ▼
Direct asking rent	\$0.62 p.s.f. ▲
Sublease asking rent	\$0.69 p.s.f. ▲
Concessions	Increasing ▲



Total vacancy (%)



Average asking rent (\$ p.s.f.)

