



# FIRST QUARTER 2015 INLAND EMPIRE RETAIL

**Voit**  
REAL ESTATE SERVICES

## MARKET CHANGE

*Compared to Previous Quarter:*

Vacancy



Net Absorption



Lease Rates



Transactions



Deliveries



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## HIGHLIGHTS

- **Positive Direction** - The Inland Empire retail market continued to move in a positive direction as we entered 2015. Vacancy and availability decreased compared to the prior year. The market saw 12,272 square feet of positive net absorption for the quarter, while average asking triple-net lease rates decreased two cents from the same quarter last year. These are all good indications that the market is maintaining continuous growth.
- **Construction** - There was 244,777 square feet of retail space under construction in the Inland Empire at the end of the quarter, most of which was for shopping centers in the eastern region. The slowdown in construction will continue to ease the upward pressure on vacancy rates and the downward pressure on lease rates, as demand catches up to supply.
- **Vacancy** - Direct/sublease space (unoccupied) finished the first quarter of 2015 at 7.62%, up two basis points from fourth quarter of 2014 but a decrease of 3.18% from the same quarter of 2014. General retail had the lowest vacancy rate in the third quarter, coming in at only 4.28%, while shopping centers had the highest at 9.98%.
- **Availability** - Direct/sublease space being marketed was 10.33% at the end of the quarter, up a bit from 2014's first quarter rate of 10.22%. West and East submarkets checked in at 9.02% and 10.91% respectively.
- **Lease Rates** - The average asking triple-net lease rate per month per square foot in the Inland Empire was \$1.36 at the end of the first quarter of 2015, a decrease of two cents from the same quarter previous year.
- **Absorption** - The Inland Empire retail market posted 12,272 square feet of positive net absorption in the first quarter of 2015, giving the Inland Empire a total of over

3.5 million square feet of positive net absorption since the third quarter of 2011.

- **Transaction Activity** - Leasing activity checked in at 510,501 square feet for the first quarter of 2015, down from 2014's first quarter rate of 970,000 square feet. Sales activity showed an increase, posting 1.72 million square feet in the first quarter of 2015 compared to 2014's first quarter total of 1.69 million square feet. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher in future reports. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 6.8% in February 2015, down from a revised 7.3% in January 2015 and below the year-ago estimate of 8.9%. This compares with an unadjusted unemployment rate of 6.8% for California and 5.8% for the nation during the same period. The unemployment rate was 6.9% for Riverside County and 6.7% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA showed a net gain of 56,600 payroll jobs from February 2014 to February 2015. The largest gains were 13,800 jobs in trade, transportation, & utilities and 12,100 jobs in professional and business services.
- **Overall** - Retail demand is slowly improving. We are seeing decreases in the amounts of vacant and available space, as well as stability in average asking lease rates. With few new deliveries in the pipeline to apply upward pressure on vacancy, the market should continue to strengthen. These positive indicators, combined with job creation will continue to drive demand in the Inland Empire retail market.

## FORECAST

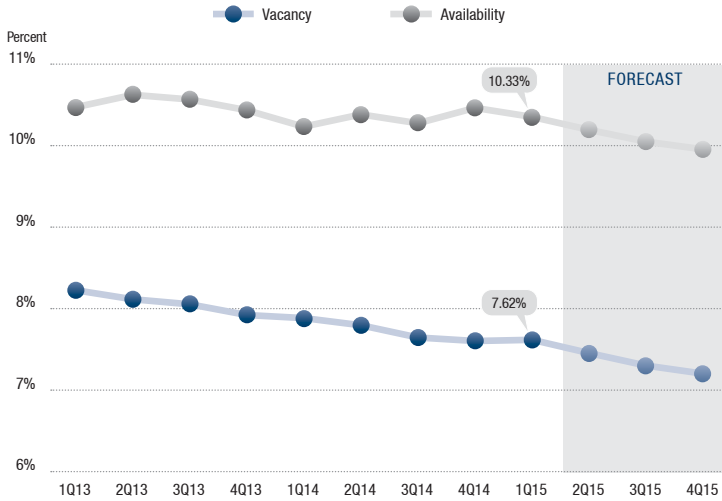
- **Employment** - We anticipate job growth of around 2.4%, or 30,200 jobs, in the Inland Empire area over the year. Look for leisure, hospitality, transportation, logistics, distribution and construction to lead the way for employment gains in the coming years.
- **Lease Rates** - Expect average asking lease rates to increase by 1% to 3% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 40 basis points, to around 7.2%, by the end of the fourth quarter of 2015.

## OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	7.62%	7.60%	7.87%	(3.18%)
Availability Rate	10.33%	10.46%	10.22%	1.08%
Average Asking Lease Rate	\$1.36	\$1.36	\$1.38	(1.45%)
Sale & Lease Transactions	2,227,214	2,204,512	2,659,589	(16.26%)
Gross Absorption	751,203	779,701	1,154,992	(34.96%)
Net Absorption	12,272	177,849	262,594	N/A

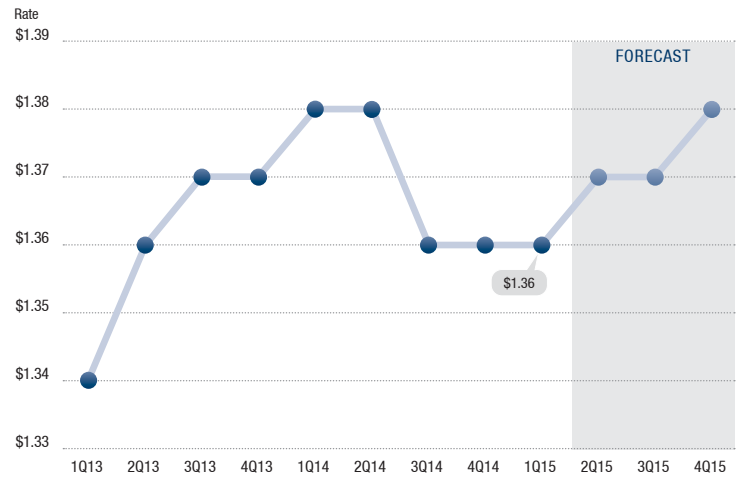
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



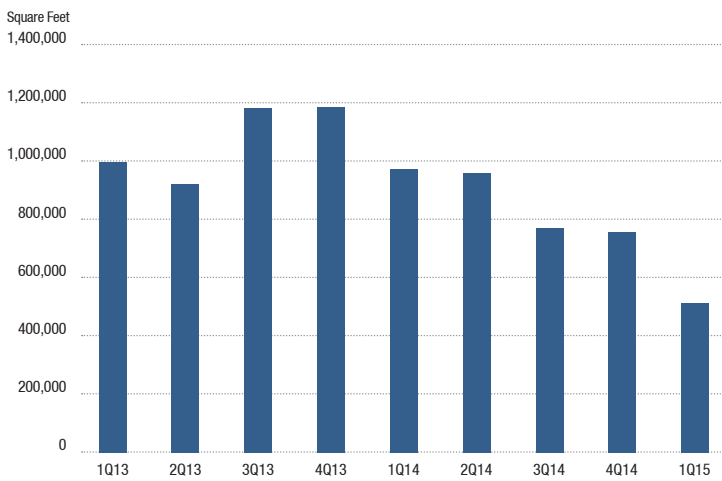
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



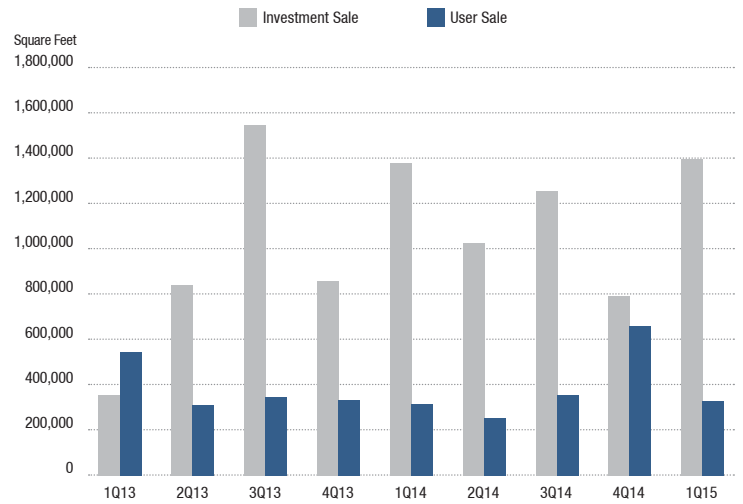
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



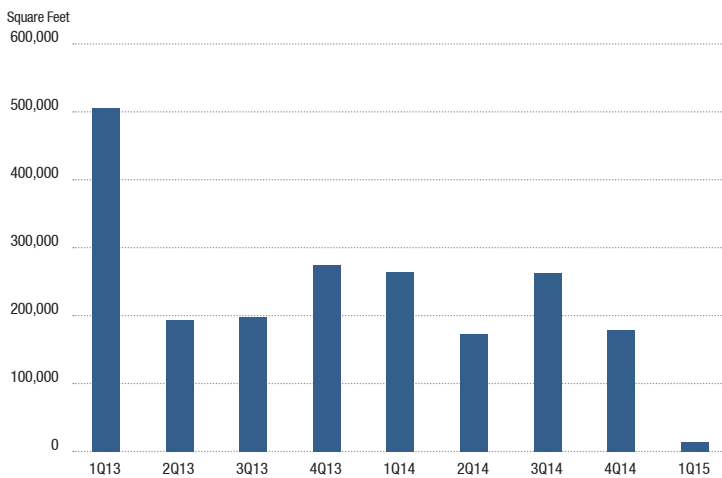
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



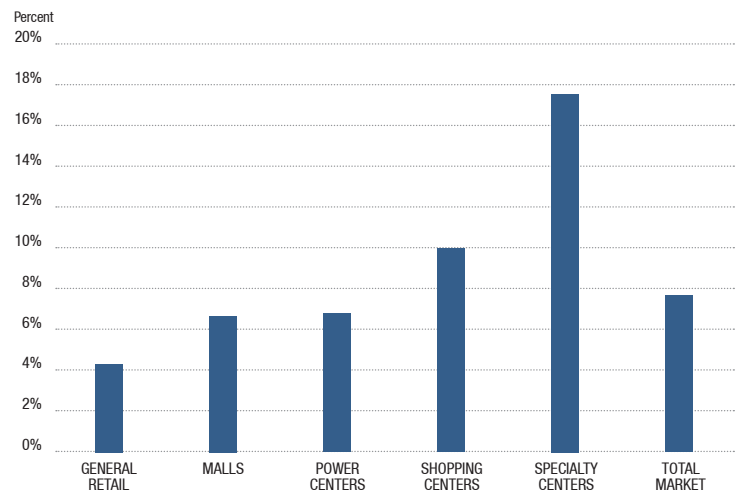
## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



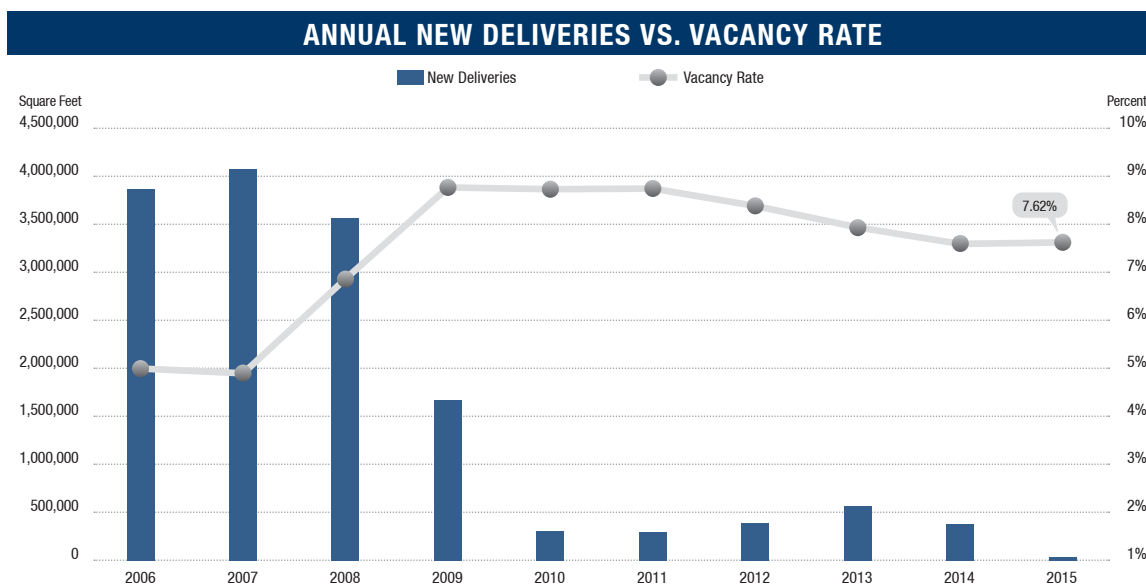
## VACANCY RATE BY PRODUCT TYPE

VACANCY – UNOCCUPIED SPACE



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2015	Square Feet Available	Availability Rate 1Q2015	Average Asking Lease Rate	Net Absorption 1Q2015	Net Absorption 2014	Gross Absorption 1Q2015	Gross Absorption 2014
<b>East</b>													
General Retail	5,162	31,615,064	49,825	3,394,743	1,377,507	4.36%	2,208,153	6.98%	\$1.02	(66,837)	147,949	99,527	662,154
Malls	145	9,038,709	0	1,141,790	798,013	8.83%	1,189,116	13.16%	\$1.90	(2,979)	138,887	4,441	203,827
Power Centers	129	4,570,934	0	830,274	380,395	8.32%	414,326	9.06%	\$1.36	(256)	12,915	4,950	33,953
Shopping Centers	2,841	47,696,126	194,952	3,201,604	4,860,411	10.19%	6,246,695	13.10%	\$1.35	103,248	68,093	404,731	1,714,454
Specialty Centers	20	636,020	0	60,000	158,260	24.88%	152,548	23.98%	\$0.00	0	4,117	0	40,506
<b>East Total</b>	<b>8,297</b>	<b>93,556,853</b>	<b>244,777</b>	<b>8,628,411</b>	<b>7,574,586</b>	<b>8.10%</b>	<b>10,210,838</b>	<b>10.91%</b>	<b>\$1.30</b>	<b>33,176</b>	<b>371,961</b>	<b>513,649</b>	<b>2,654,894</b>
<b>West</b>													
General Retail	1,598	10,910,678	0	680,757	442,618	4.06%	617,743	5.66%	\$1.09	17,647	(545)	47,500	195,939
Malls	40	5,448,232	0	0	165,111	3.03%	263,139	4.83%	\$1.92	8,332	(16,836)	10,000	3,350
Power Centers	182	7,021,779	0	12,940	407,296	5.80%	606,213	8.63%	\$1.52	(51,802)	37,656	11,237	145,426
Shopping Centers	1,096	18,141,831	0	1,060,182	1,709,672	9.42%	2,274,855	12.54%	\$1.53	4,919	188,626	168,817	853,172
Specialty Centers	16	348,614	0	15,400	14,093	4.04%	14,093	4.04%	\$1.75	0	8,133	0	8,133
<b>West Total</b>	<b>2,932</b>	<b>41,871,134</b>	<b>0</b>	<b>1,769,279</b>	<b>2,738,790</b>	<b>6.54%</b>	<b>3,776,043</b>	<b>9.02%</b>	<b>\$1.47</b>	<b>(20,904)</b>	<b>217,034</b>	<b>237,554</b>	<b>1,206,020</b>
<b>Inland Empire Total</b>	<b>11,229</b>	<b>135,427,987</b>	<b>244,777</b>	<b>10,397,690</b>	<b>10,313,376</b>	<b>7.62%</b>	<b>13,986,881</b>	<b>10.33%</b>	<b>\$1.36</b>	<b>12,272</b>	<b>588,995</b>	<b>751,203</b>	<b>3,860,914</b>
General Retail	6,760	42,525,742	49,825	4,075,500	1,820,125	4.28%	2,825,896	6.65%	\$1.11	(49,190)	147,404	147,027	858,093
Malls	185	14,486,941	0	1,141,790	963,124	6.65%	1,452,255	10.02%	\$2.02	5,353	122,051	14,441	207,177
Power Centers	311	11,592,713	0	843,214	787,691	6.79%	1,020,539	8.80%	\$1.52	(52,058)	50,571	16,187	179,379
Shopping Centers	3,937	65,837,957	194,952	4,261,786	6,570,083	9.98%	8,521,550	12.94%	\$1.38	108,167	256,719	573,548	2,567,626
Specialty Centers	36	984,634	0	75,400	172,353	17.50%	166,641	16.92%	\$1.39	0	12,250	0	48,639
<b>Inland Empire Total</b>	<b>11,229</b>	<b>135,427,987</b>	<b>244,777</b>	<b>10,397,690</b>	<b>10,313,376</b>	<b>7.62%</b>	<b>13,986,881</b>	<b>10.33%</b>	<b>\$1.36</b>	<b>12,272</b>	<b>588,995</b>	<b>751,203</b>	<b>3,860,914</b>

Lease rates are on a triple-net basis.



## MAJOR TRANSACTIONS

## Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
500 Inland Center Dr. – 4 Properties	East	588,729	\$174.27	The Macerich Company	Undisclosed
813-907 W. Foothill Blvd.	West	104,565	\$227.13	IRA Capital	NewMark Merrill Companies
301 S. Lincoln Ave. – 7 Properties	East	121,393	\$160.31	Pacific Properties Group, Inc.	Hunt Enterprises
2403-2411 S. Vineyard Ave. – 5 Properties	West	93,520	\$184.13	Deba Shyam	LNR Property Corporation
12660 Day St.	East	40,000	\$355.00	Che Chen Liu & Shu Fen Liu	Waypoint Property Group

## Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
12689 Foothill Blvd.	West	25,030	Jan-2015	Undisclosed	Thm Ent., LLC
1300-1480 E. Florida Ave.	Temecula Valley	20,034	Jan-2015	Grocery Outlet	Jar-Ramona Plaza, LLC
333 S. Waterman Ave.	East	13,925	Jan-2015	Abbasi Auto, Inc.	Sami & Sami
1520 S. E. St.	East	8,640	Mar-2015	Undisclosed	City of Riverside
1376-1410 W. 7th St.	West	8,175	Mar-2015	Undisclosed	Ap-Upland Freeway Center, LLC
656 E. Maitland St.	West	7,500	Mar-2015	A & AL Auto Body	Vincent G. Stranieri

**General Retail:** Typically single-tenant freestanding general purpose commercial buildings with parking. Many single retail buildings fall into this use code, especially when they don't meet any of the more detailed use code descriptions.

**Mall:** Retail centers which provide shopping goods, general merchandise, apparel, furniture, and home furnishings in full depth and variety. Malls are generally built around one or more full-line department stores as the major drawing powers. However, some malls, such as lifestyle centers, lack major anchors and instead rely on trendier, upscale retail to draw business from nearby affluent neighborhoods.

**Power Center:** The center typically consists of several freestanding anchors and only a minimum amount of small specialty tenants. 250,000–600,000 SF and is dominated by several large anchors, including discount department stores, off-price stores, and warehouse clubs.

**Shopping Center:** Combination of the following retail types:

**Strip Center:** An attached row of stores or service outlets managed as a coherent retail entity. May be configured in a straight line, L, or U shape. On-site parking usually in front of stores.

**Neighborhood Center:** Centers providing convenience goods (food, drugs, etc.) and personal services (laundry, dry cleaning, etc.) for day-to-day needs of surrounding neighborhood. Generally 30,000–100,000 square feet in size.

**Community Center:** Centers offering a wider range of apparel and goods than community centers. Often anchored by supermarkets, super drugstores, or discount department stores. Usually configured in a straight line or L or U shape. Generally 100,000–350,000 square feet in size.

**Specialty Center:** Centers focused on a particular specialty or theme. Examples include Airport Retail (a center using an airport as its main draw), Outlet Center (a center of bigger chain stores often found in malls selling their own merchandise at a discount), and Theme / Festival Center (centers built around a unifying theme, often appealing most to tourists).

## SUBMARKETS

## EAST

Banning, Beaumont,  
Bloomington, Colton,  
Corona, Grand Terrace,  
Highland, Loma Linda,  
Mira Loma, Moreno  
Valley, Norco, Perris,  
Redlands, Rialto,  
Riverside,  
San Bernardino

## WEST

Chino Hills,  
Chino, Fontana,  
Montclair, Ontario,  
Rancho Cucamonga,  
Upland

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