



# FOURTH QUARTER 2014 INLAND EMPIRE RETAIL

**Voit**  
REAL ESTATE SERVICES

## MARKET CHANGE

Compared to 2013:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

DOWN



Transactions

DOWN



Deliveries

UP



## HIGHLIGHTS

- **Positive Direction** - The Inland Empire retail market continued to move in a positive direction during 2014. Vacancy decreased compared to the prior year. The market saw over 585,995 square feet of positive net absorption for the year, while average asking triple-net lease rates decreased one cent from the same quarter last year. These are all good indications that the market is maintaining continuous growth.
- **Construction** - There was 299,320 square feet of retail space under construction in the Inland Empire at the end of the year, 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 fourth quarter of 2014 at 7.75%, up from third quarter but a decrease of 7.3% from the same quarter of 2013. General retail had the lowest vacancy rate in the fourth quarter, coming in at only 4.18%, while shopping centers had the highest at 10.37%.
- **Availability** - Direct/sublease space being marketed was 10.49% at the end of the quarter, up a bit from 2013's fourth quarter rate of 10.43%. West and East submarkets checked in at 9.09% and 11.11% 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 fourth quarter of 2014, a decrease of one cent from the same quarter previous year, indicating stability.
- **Absorption** - The Inland Empire retail market posted 166,868 square feet of negative net absorption in the fourth quarter of 2014, giving the Inland Empire a total of over 3.1 million square feet of positive net absorption since the third quarter of 2011.
- **Transaction Activity** - Leasing activity checked in at just over 2.9 million square feet for 2014, down from 2013's rate of 4.2 million square feet. Sales activity showed an annual increase, posting almost 6 million square feet in 2014 compared to 2013's total of 5.1 million square feet. This statistic can have some lag time in being reported, so look for fourth quarter 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 8.0% in November 2014, down from a revised 8.1% in October 2014 and below the year-ago estimate of 9.3%. This compares with an unadjusted unemployment rate of 7.1% for California and 5.5% for the nation during the same period. The unemployment rate was 8.2% for Riverside County and 7.7% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA showed a net gain of 27,500 payroll jobs from November 2013 to November 2014. The largest gains were 9,300 jobs in professional and business services and 9,100 jobs in trade, transportation, & utilities.
- **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 least 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 1.5% or 25,700 jobs in the Inland Empire area over 2014. 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 45 basis points, to around 7.30%, by the end of the third quarter of 2015.

## OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	7.75%	7.92%	8.36%	(7.30%)
Availability Rate	10.49%	10.43%	10.47%	0.19%
Average Asking Lease Rate	\$1.36	\$1.37	\$1.35	0.74%
Sale & Lease Transactions	8,059,678	9,419,851	9,424,935	(14.49%)
Gross Absorption	3,860,914	5,029,856	5,713,245	(32.42%)
Net Absorption	588,995	1,106,099	955,456	N/A

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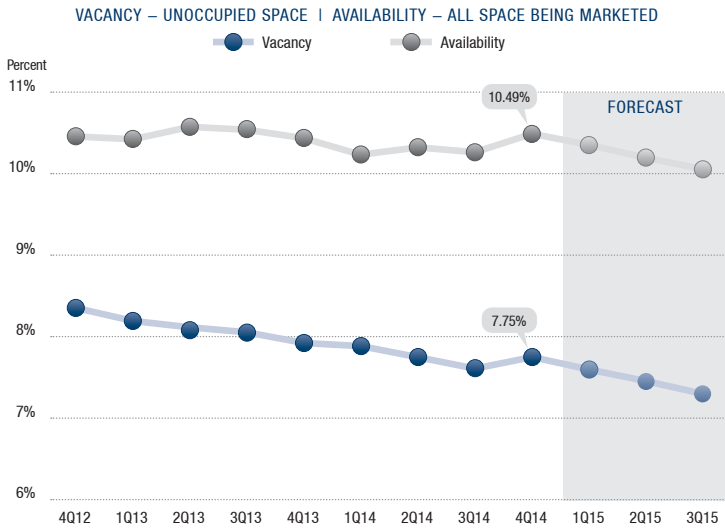
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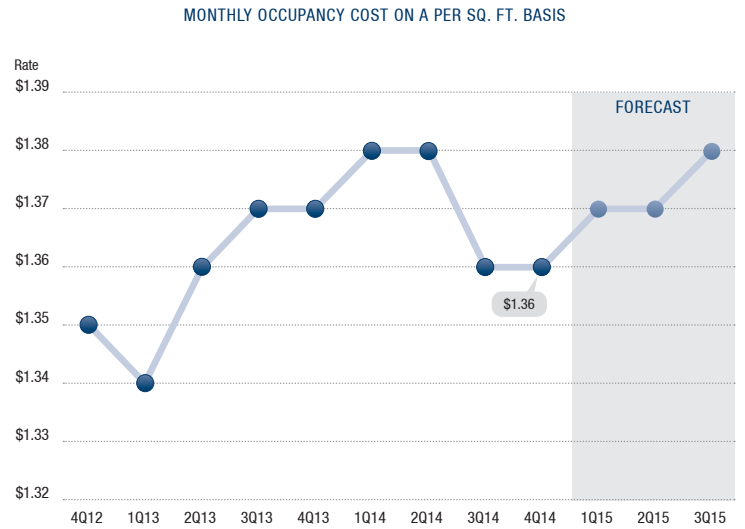
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## VACANCY & AVAILABILITY RATE

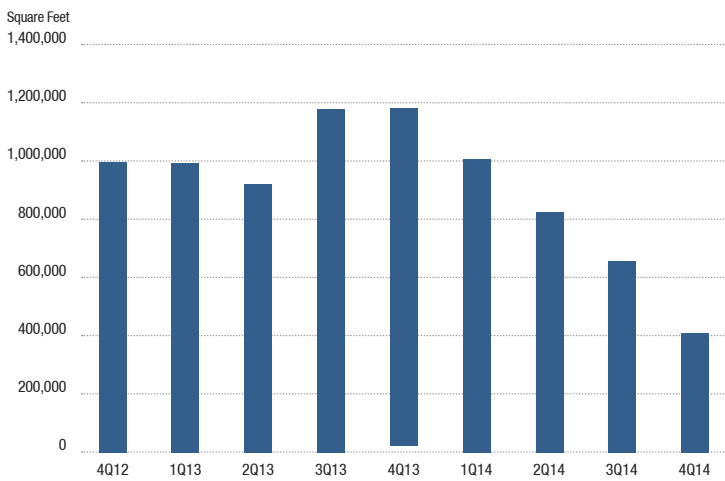


## AVERAGE ASKING TRIPLE-NET LEASE RATE



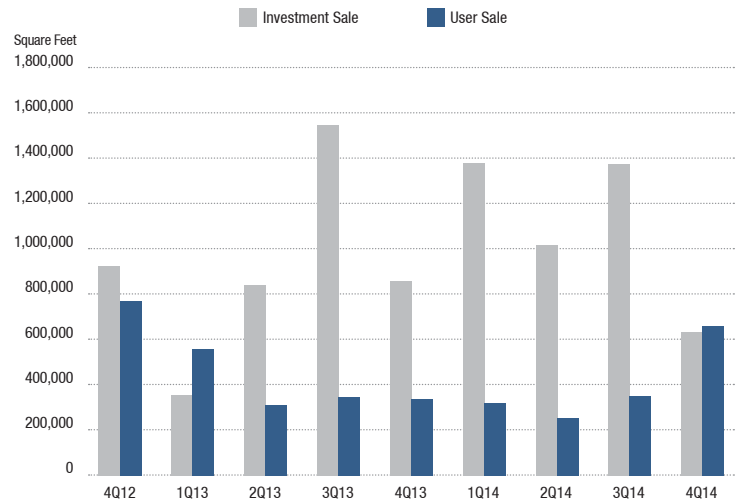
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



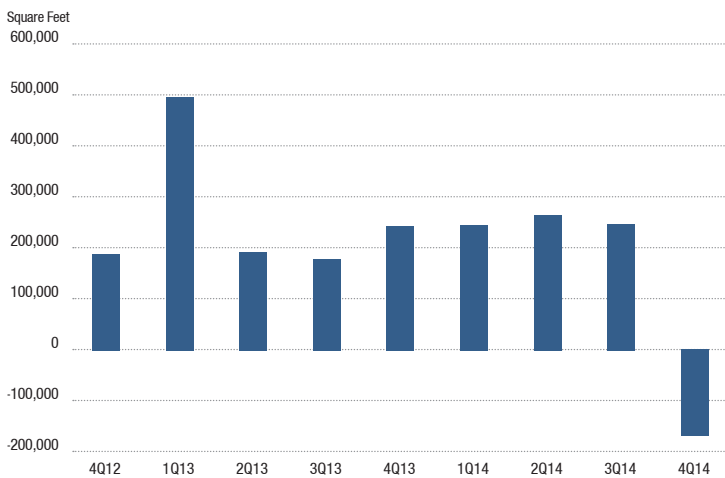
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



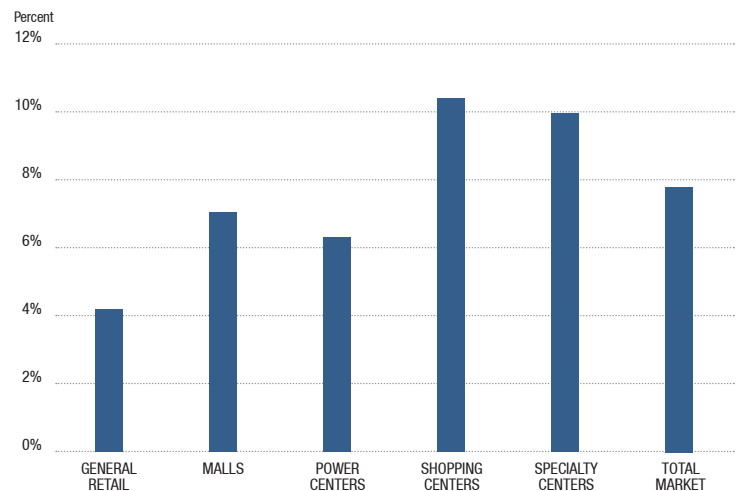
## NET ABSORPTION

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



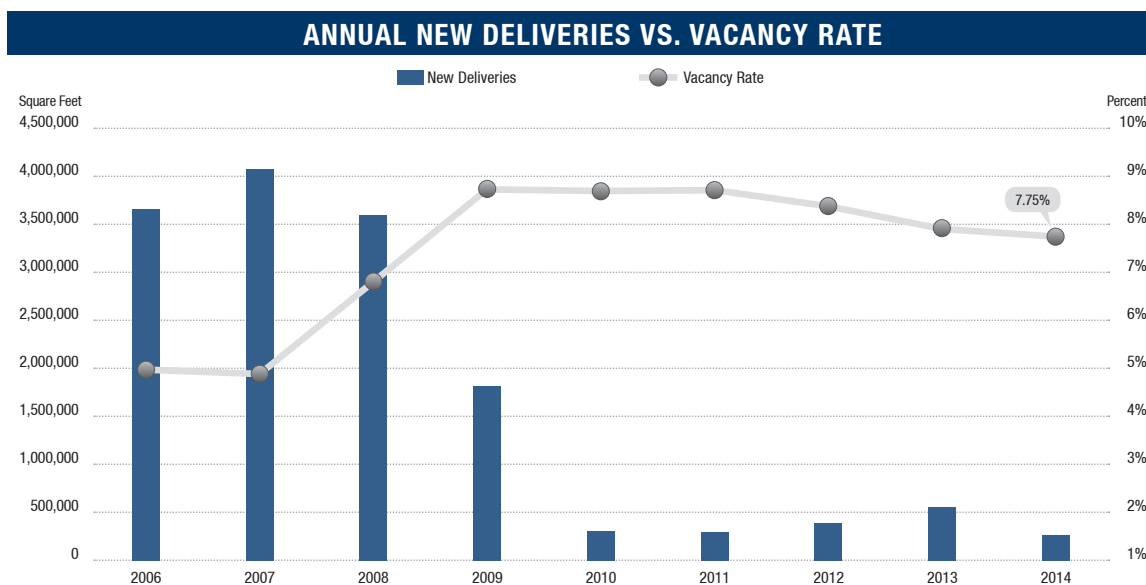
## VACANCY RATE BY PRODUCT TYPE

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 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
<b>East</b>													
General Retail	5,158	31,531,582	82,931	2,869,933	1,305,450	4.14%	2,190,061	6.95%	\$1.02	(14,154)	147,949	91,793	662,154
Malls	117	8,094,969	0	1,136,590	776,561	9.59%	1,118,289	13.81%	\$2.54	7,368	138,887	18,767	203,827
Power Centers	118	4,388,900	0	830,274	369,139	8.41%	404,270	9.21%	\$1.36	5,963	12,915	7,325	33,953
Shopping Centers	2,836	48,011,707	189,990	3,164,661	5,128,888	10.68%	6,459,409	13.45%	\$1.35	(277,563)	68,093	302,777	1,714,454
Specialty Centers	46	1,569,778	0	60,000	176,733	11.26%	224,887	14.33%	\$1.17	0	4,117	0	40,506
<b>East Total</b>	<b>8,275</b>	<b>93,596,936</b>	<b>272,921</b>	<b>8,061,458</b>	<b>7,756,771</b>	<b>8.29%</b>	<b>10,396,916</b>	<b>11.11%</b>	<b>\$1.31</b>	<b>(278,386)</b>	<b>371,961</b>	<b>420,662</b>	<b>2,654,894</b>
<b>West</b>													
General Retail	1,594	10,852,129	7,000	673,015	468,059	4.31%	625,258	5.76%	\$1.10	7,059	(545)	48,852	195,939
Malls	40	5,448,232	0	0	173,443	3.18%	252,280	4.63%	\$1.92	0	(16,836)	0	3,350
Power Centers	183	7,078,433	0	12,940	350,854	4.96%	649,431	9.17%	\$1.62	14,923	37,656	26,847	145,426
Shopping Centers	1,093	18,149,714	19,399	1,065,682	1,733,910	9.55%	2,266,782	12.49%	\$1.48	87,611	188,626	206,183	853,172
Specialty Centers	16	348,614	0	15,400	14,093	4.04%	14,093	4.04%	\$1.75	1,925	8,133	1,925	8,133
<b>West Total</b>	<b>2,926</b>	<b>41,877,122</b>	<b>26,399</b>	<b>1,767,037</b>	<b>2,740,359</b>	<b>6.54%</b>	<b>3,807,844</b>	<b>9.09%</b>	<b>\$1.46</b>	<b>111,518</b>	<b>217,034</b>	<b>283,807</b>	<b>1,206,020</b>
<b>Inland Empire Total</b>	<b>11,201</b>	<b>135,474,058</b>	<b>299,320</b>	<b>9,828,495</b>	<b>10,497,130</b>	<b>7.75%</b>	<b>14,204,760</b>	<b>10.49%</b>	<b>\$1.36</b>	<b>(166,868)</b>	<b>588,995</b>	<b>704,469</b>	<b>3,860,914</b>
General Retail	6,752	42,383,711	89,931	3,542,948	1,773,509	4.18%	2,815,319	6.64%	\$1.11	(7,095)	147,404	140,645	858,093
Malls	157	13,543,201	0	1,136,590	950,004	7.01%	1,370,569	10.12%	\$2.02	7,368	122,051	18,767	207,177
Power Centers	301	11,467,333	0	843,214	719,993	6.28%	1,053,701	9.19%	\$1.52	20,886	50,571	34,172	179,379
Shopping Centers	3,929	66,161,421	209,389	4,230,343	6,862,798	10.37%	8,726,191	13.19%	\$1.38	(189,952)	256,719	508,960	2,567,626
Specialty Centers	62	1,918,392	0	75,400	190,826	9.95%	238,980	12.46%	\$1.39	1,925	12,250	1,925	48,639
<b>Inland Empire Total</b>	<b>11,201</b>	<b>135,474,058</b>	<b>299,320</b>	<b>9,828,495</b>	<b>10,497,130</b>	<b>7.75%</b>	<b>14,204,760</b>	<b>10.49%</b>	<b>\$1.36</b>	<b>(166,868)</b>	<b>588,995</b>	<b>704,469</b>	<b>3,860,914</b>

Lease rates are on a triple-net basis.



## MAJOR TRANSACTIONS OF 2014

## Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
8250 Day Creek Blvd.	West	312,733	\$172.67	Tivoli Square Apartments, LP	Foothill Crossing, LLC
12625 Frederick St.	East	285,775	\$146.87	Brixton-Alto Shopping Center, LLC	WFD Towngate Investors VI, LLC
4120-4190 E. St.	West	213,416	\$101.68	4th Street Retail, LLC	2013 Opportunity Fund B, LLC
6301-6413 Pats Ranch Rd.	West	210,963	\$232.27	MGB X Verlona, LLC	Vernola Marketplace, LLC
717- 747 E. State St.	West	193,367	Undisclosed	Opone, LLC	Southern CA Holdings XIII, LLC

## Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
319 W. Holt Blvd.	West	17,266	Oct-14	Undisclosed	Moein Azizgolshani
22985 Cottonwood Ave.	East	13,969	Apr-14	99 Cents Only Stores	Veimoen Magne 2002 Trust
9741 Magnolia Ave.	East	13,200	Feb-14	Indian Sweet & Spice Market	BrightChoice Corporation
1625 Industrial Park Ave.	East	10,438	Mar-14	Undisclosed	Warren C. Schilaberg
17525 Arrow Blvd.	West	8,760	May-14	99 Cents Only Stores	Sajid & Shazia Siddiqi
710 N. Mountain Ave.	West	8,270	Mar-14	Urban Florist	BCS Investments, LLC

**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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