

INLAND EMPIRE OFFICE MARKET

Yardi® Matrix

Market Analysis

Second Quarter 2019

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern

Director of Research and
Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Chris Nebenzahl

Senior Analyst
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Veronica Grecu

Senior Real Estate Market Analyst
Veronica.Grecu@Yardi.com
(306) 955-1855 x7583

Author

Jeff Hamann

Associate Editor
Jeffrey.Hamann@Yardi.com
(212) 977-0041 x8598

Aggregated and anonymized
expense and lease expiration
data is available to Yardi Matrix
subscribers. Please contact us
for details!

For more information please contact:

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Medical Office Leads the Way



Although a fraction the size of the industrial sector, which remains the Inland Empire's economic cornerstone, the office sector boasts strong fundamental performance. Vacancy decreased to 10.3% at the end of June, and a lack of competitive developments on the horizon is likely to push it even lower. The expansion of the industrial segment continues to dominate the Inland Empire's economy: Investment is booming, with transaction volume exceeding \$1 billion in the first half of 2019.

Office transaction volume slowed in the first half of 2019 to \$71 million, compared to \$454 million the previous year. Class B properties comprised the majority of sales, indicating the potential value-add plays bear in the market. Asking prices for office leases averaged \$23.19 per square foot in June. While far below the national average, rents are expected to rise given the supply constraints of the market.

The aging population's demand for quality health care has been the main driver of development activity: The two major construction projects are medical office buildings. Similarly, all of the nearly 140,000 square feet delivered in 2018 consisted of medical office space. While office employment is growing—the professional and business services field saw a net gain of 4,300 jobs year-over-year through May—developers have been hesitant to add speculative office projects to the pipeline.