

INLAND EMPIRE OFFICE MARKET

Yardi® Matrix

Market Analysis

Fourth Quarter 2019

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Steady Demand, Limited Supply



The Inland Empire's office sector, while modest in size, showed signs of health late into 2019's fourth quarter. While overshadowed by the metro's intense industrial activity, demand endured as smaller companies sought out space in the market as a low-cost alternative to other metros in Southern California. As a result, the office-using employment sector gained 8,200 jobs in the 12 months ending in September, up 3.8% year-over-year.

The metro's overall office vacancy rate was 9.6% as of October. The average office rent stabilized at \$23.26 per square foot in October, a discount of 42.6% when compared to the asking rate in neighboring Los Angeles. Given the lack of new deliveries, the Inland Empire's office vacancy rate will continue to contract in the coming quarters, particularly outside the health-care sector. Of the metro's 413,631 square feet of office space under construction as of October, less than 50% is dedicated to traditional office users. The remaining projects target the increased demand for medical office space adjacent to expanding hospital campuses.

Demand for quality space is on the rise despite the lack of supply. Class B and C assets comprise more than 70% of the Inland Empire's existing office stock, highlighting the viability of value-add opportunities. While transaction volume totaled \$155.9 million year-to-date through October—less than half the volume during the same period in 2018—more than 70% of all acquisitions involved Class B or C properties.