INLAND EMPIRE OFFICE MARKET

Yardi[®] Matrix

Market Analysis

Second Quarter 2018

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

Institutional Research Manager Chris.Nebenzahl@Yardi.com (800) 866-1124 x2200

Veronica Grecu

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

Author

Razvan Cimpean

Associate Editor Razvan-I.Cimpean@Yardi.com

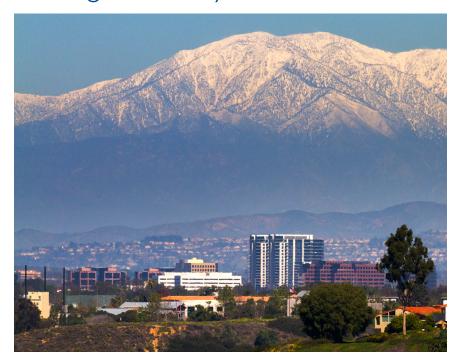
Aggregated and anonymized expense and lease expiration data is available to Yardi Matrix subscribers. Please contact us for details!

For more information please contact:

Ron Brock, Jr.

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

Strong Economy Boosts Offices



The Inland Empire's office sector has performed well of late, as moderate absorption and little new construction has pushed down the vacancy rate. However, the metro's **warehouse** and **logistics-focused economy** limits growth of the office segment.

The **unemployment rate** dropped to **3.7%**—the lowest level on record—as nearly 50,000 new jobs were added in the 12 months ending in April. Half of them were in the trade, transportation and utilities and professional and business services sectors. A continuous population shift from Los Angeles to San Bernardino and Riverside will boost the area's industrial market, while an uptick in medical office building construction will make room for more health services jobs. While the total number of office-using jobs is on par with pre-recession trends, they account for only 14.0% of the area's employment pool.

The area is in need of **infrastructure investment** to maintain current growth trends. Riverside County is set to receive millions in state money for more than 90 road improvement and related projects.

No major office projects were completed over the past six quarters and a mere 25,000 square feet is due for delivery by year's end—the lowest level in almost two decades. As a result, the metro's **vacancy** continued to decline, reaching **12.0%** in May, and is likely to keep going down in the coming quarters. Investment in the office sector has also hit a wall, as transactions went down 90% year-over-year in the second quarter of 2018.

Image by MCCAIG/iStockphoto.com