

FIGURES | INLAND EMPIRE | Q3 2021

Strong leasing from Discount Stores



Note: Arrows indicate change from previous quarter.

Vacancy Remains Unchanged

- The Inland Empire’s vacancy rate remained the same quarter over quarter and decreased 80 basis points (bps) year over year. As major retailers closed their stores in the market, landlords opted to work with their existing tenants on rents rather than having a vacant building. Moreover, business owners are confident about the economic outlook.

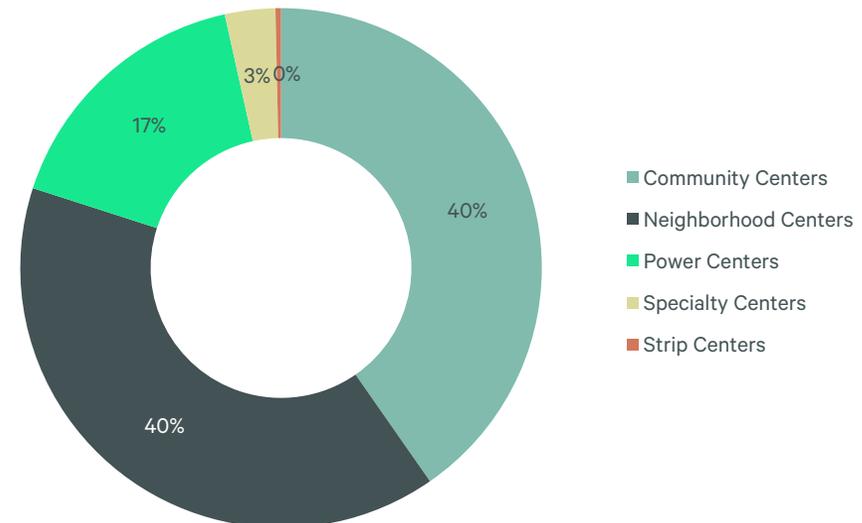
Retail Sales Accounted for 2.2% of Total U.S. Sales

- Total retail sales grew 5.7% year over year and are estimated to be \$52.6 billion by year end. CBRE Economic Advisors (CBRE EA) predicts an increase in population, personal income, and total employment growth which will increase retail demand.

U.S. Retail Sales increased 15.1% year over year

- The Census Bureau reported an unexpected 0.7% increase of U.S. retail sales to \$618.7 billion in August. An improved economy and strong consumer demand caused a surge in consumers spending specifically in clothing, furniture, electronics, and home goods. The National Retail Foundation forecasts retail sales to total \$4.44 trillion at year-end.

FIGURE 1: Vacant Space Distribution



Source: CBRE Research, Q3 2021.

Market Overview

This year’s summer began with a surge but eased back as the Delta variant forced consumers to rethink their holidays and restaurant visits. The Inland Empire (IE) retail market was hit hard due to the pandemic, the market’s recovery outpaced expectations due to increased leasing activity and strong year-to-date net absorption. In-migration to the IE increased as households from neighboring markets with high rents and real estate prices took advantage of lower prices in the IE. Oxford economics predicts a 5.0% real GDP for the IE and 5.1% growth by 2022.

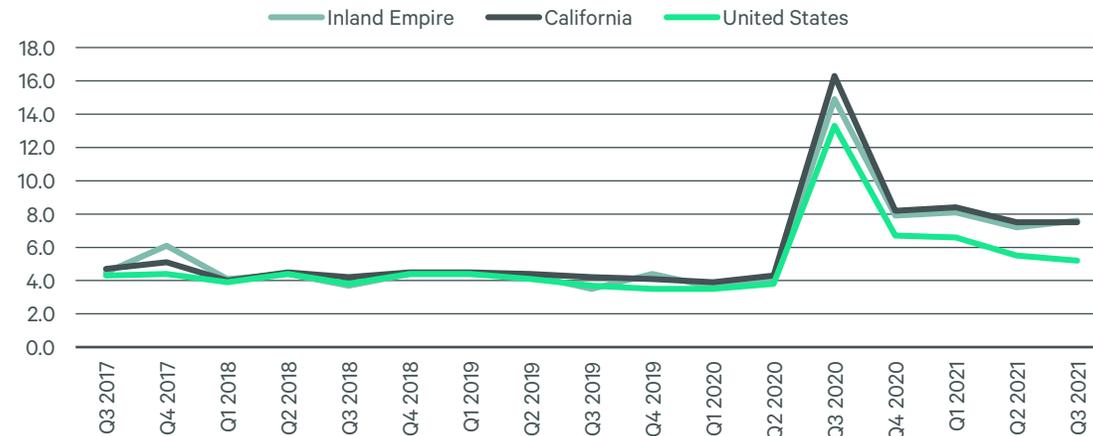
UNEMPLOYMENT

The unemployment rate in the IE was 7.6% in August 2021, a 30-basis-points (bps) decrease month over month. This is slightly above California’s 7.3% unemployment rate. Between July and August, total non-farm employment gained 5,500 jobs. Year-over-year, total employment increased 4.5% with trade, transportation and utilities accounting for the largest increase. Leisure and hospitality jobs increased by 20,100 jobs compared to last year. The national unemployment rate decreased from 14.7% in April 2020 to 5.2% in August 2021.

LEASE RATE ANALYSIS

The IE’s average asking lease rate remained unchanged quarter-over-quarter at \$2.07 per sq. ft. per month, a 1.0% increase year over year. Quarter-over-quarter, the average asking lease rate remained unchanged for most asset types but increased 1.0% in power centers. Strip centers had the highest rent appreciation and increased 30.2% year over year. Power centers increased 1.2% year over year, while overall rent declined 3.0% for community centers year over year. Despite economic optimism and increased leasing activity in Q3 2021 slow consumer activity and store closures over the past years hindered rent growth overall. CBRE EA projects rents to grow 2.2% by 2022.

FIGURE 2: Unemployment Rate (%)



Source: U.S. Bureau of Labor Statistics, Q3 2021.

FIGURE 3: Average Asking Lease Rate (\$PSF/MO/FSG)



Source: CBRE Research, Q3 2021.

VACANCY

Driven by an increase in deal velocity, the IE’s vacancy rate decreased 80 bps year over year to 8.0%. The vacancy rate for power centers decreased 250 bps quarter over quarter to 6.5% but remained the same year over year. The vacancy rate decreased in Community centers and Neighborhood centers to 8.3% and 8.5%, respectively.

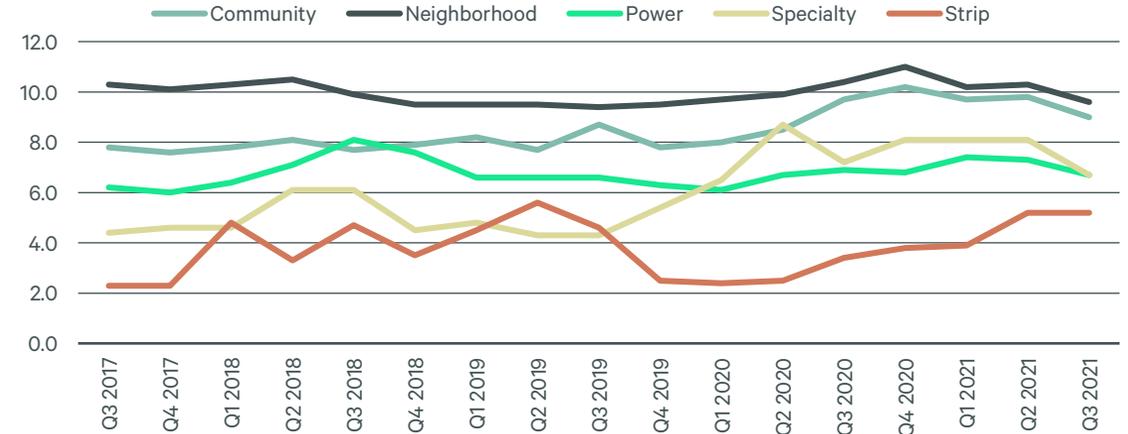
NET ABSORPTION & ACTIVITY

The Inland Empire’s net absorption was positive 70,613 sq. ft. in Q3 2021 and totaled 40,554 sq. ft. year-to-date. Retailers fared better in 2021 than 2020 as Retail Dive reported zero major bankruptcies in the retail industry this year as compared with 11 major retail bankruptcies last year. Leasing activity fueled by increased store openings, COVID-19 vaccine roll out, and increased consumer confidence. Of the top five deals in Q3 2021, four were from Discount retailers. Crazy Boss Discount Store, an up-and-coming soft goods discount retailer, signed a 103,157 sq. ft lease at the Vineyard Valley Center in Fontana. This is the companies eighth location, and it is expected to open later this year. Retailers Hobby Lobby, Burlington Coat Factory and Planet Fitness signed a total of 97,848 sq. ft. at the proposed The Ranch at Model Colony, respectively. Hobby Lobby signed a 55,259 sq. ft. deal, Burlington Coat Factory signed a 25,015 sq. ft. deal and Planet Fitness signed a 17,574 sq. ft. deal. The project is 73% pre-leased.

DEVELOPMENT

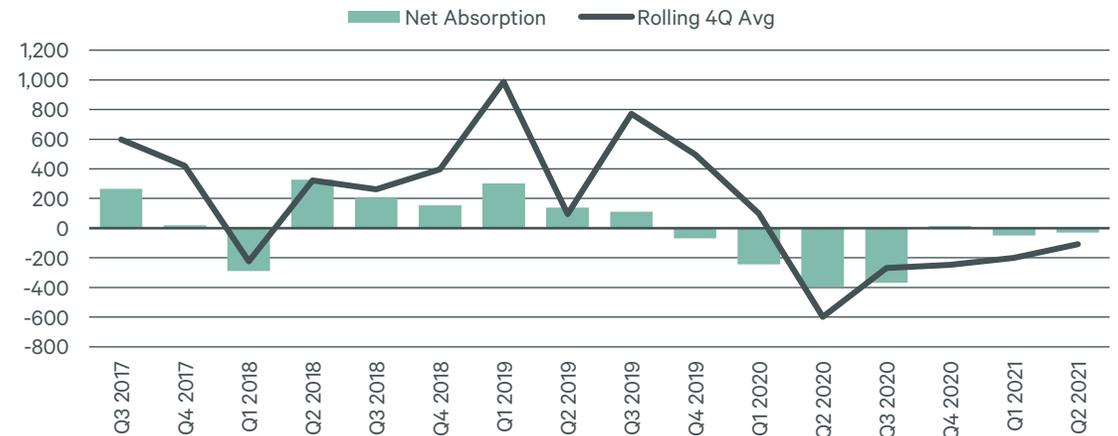
There are currently four projects totaling 926,428 sq. ft. of retail space under construction in the IE. Oak Valley Town Center, a 581,148 sq. ft. specialty center in Calimesa, is expected to deliver in Q3 2022. The Ranch at Model Colony, a proposed 206,072 sq. ft. retail center in Ontario is expected to start construction in Q2 2022.

FIGURE 4: Vacancy Rate By Center Type (%)



Source: CBRE Research, Q3 2021.

FIGURE 5: Net Absorption (SF)



Source: CBRE Research, Q3 2021.

MARKET OUTLOOK

A plausible outlook is that waves of COVID-19 continue but the U.S. economy and health system learn to manage these disruptions. Employment employing growth should remain above 3% through 2022. Longer-term hiring in the U.S. will be restrained by a shrinking labor force.

This will allow room for 5% GDP growth in 2022, as business investment and consumer activity normalize. Upside risks include the prospect of greater infrastructure spending, albeit the political dynamics are fluid. Also, the construction of more housing units to correct a historic shortage—estimated at 3.8 million units, per FreddieMac—would also be a material tailwind for growth.

FIGURE 6: Market Statistics

Submarket	Bldg. Sq. Ft.	Overall Vacancy (%)	Q3 2021 Net Absorption	YTD Net Absorption	Under Construction	Construction Deliveries	Avg. Asking Lease Rates (\$PSF/MO/FSG)
East End	40,408,952	7.8	(25,123)	23,415	728,028	0	2.07
High Desert	9,490,365	7.1	34,246	87,231	0	0	1.68
Low Desert	16,463,506	9.9	12,861	(162,915)	0	0	2.11
South Riverside County	18,493,283	7.3	31,594	(8,072)	198,400	0	1.88
West End	28,308,694	7.8	17,035	100,805	0	0	2.61
Inland Empire	113,164,800	8.0	70,613	40,554	926,428	0	2.07

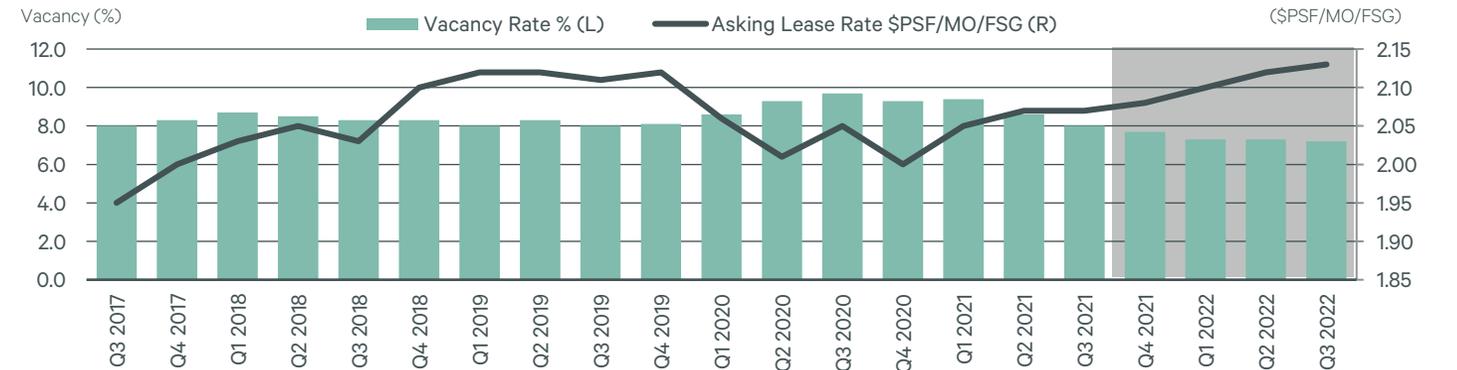
Source: CBRE Research, Q3 2021.

FIGURE 7: Key Transactions

Occupier	Industry Sector	Location	Total Sq. Ft.
Crazy Boss Big Discount Store	Discount Retailer	Fontana	103,157
Hobby Lobby	Arts & Crafts	Ontario	55,259
Big Lots	Discount Retailer	Beaumont	42,500
Burlington Coat Factory	Discount Retailer	Rialto	25,054
Burlington Coat Factory	Discount Retailer	Ontario	25,015

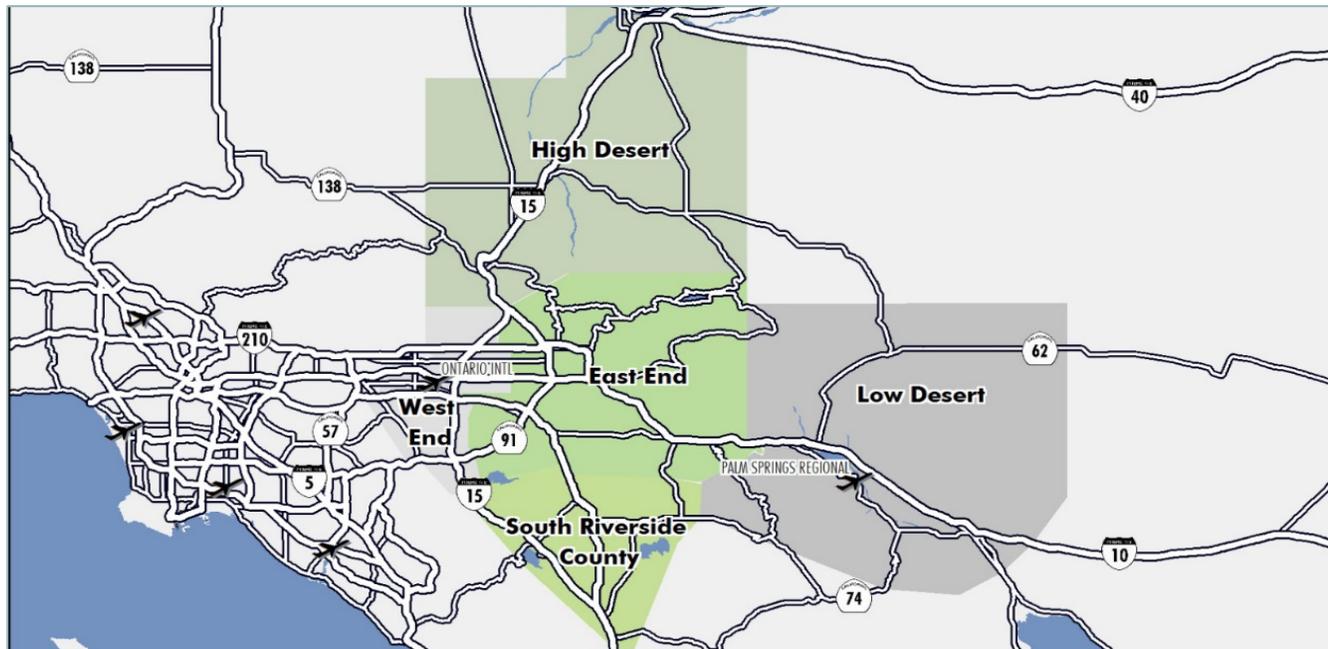
*Indicates Renewal: Source: CBRE Research, Q3 2021.

FIGURE 8: 12-Month Forecast



Source: CBRE Econometric Advisors, Q3 2021.

Market Area Overview



Definitions

Average Asking Lease Rate: The rate determined by multiplying the asking Net Lease rate for each building in the summary by its associated available space, summing the products, then dividing by the sum of the available spaces with gross lease rates for all buildings in the summary. Direct leases only; excludes sublease space. **Gross Leaseable Area (GLA):** The total leaseable area in the property designed for tenant's occupancy. **Net Absorption:** The change in Occupied Shop Space Sq. Ft. from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy. **Net Leases** Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property including utilities, insurance and/or maintenance expenses. **Occupied Sq. Ft.:** Total Sq. Ft. not considered Vacant. **Shop Space** The total leaseable area in the property excluding anchor tenants. **Vacancy Rate:** Vacant Sq. Ft. divided by the total GLA. Vacant Sq. Ft. Portion of Available Sq. Ft. which is either physically vacant or immediately available. Includes Subleases. **Normalization:** Due to a reclassification of the market, the base, number and square footage of buildings for previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

Survey Criteria

CBRE's market report analyzes all retail centers 50,000 sq. ft. and greater in size. New construction includes buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Annette Jdanov

Field Research Manager
+1 949 725 08591
Annette.jdanov@cbre.com

Joele Atonfack

Sr. Field Research Analyst
+1 909 418 2126
joele.atonfack@cbre.com

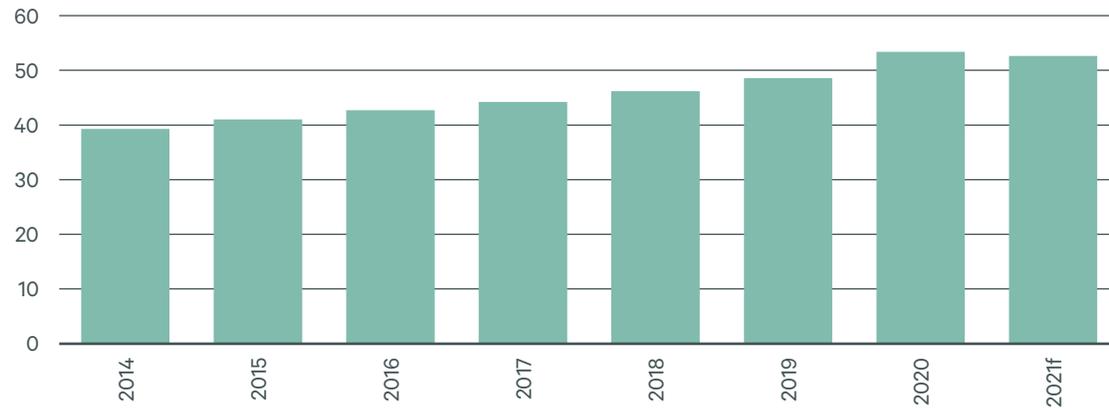
© Copyright 2021. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.



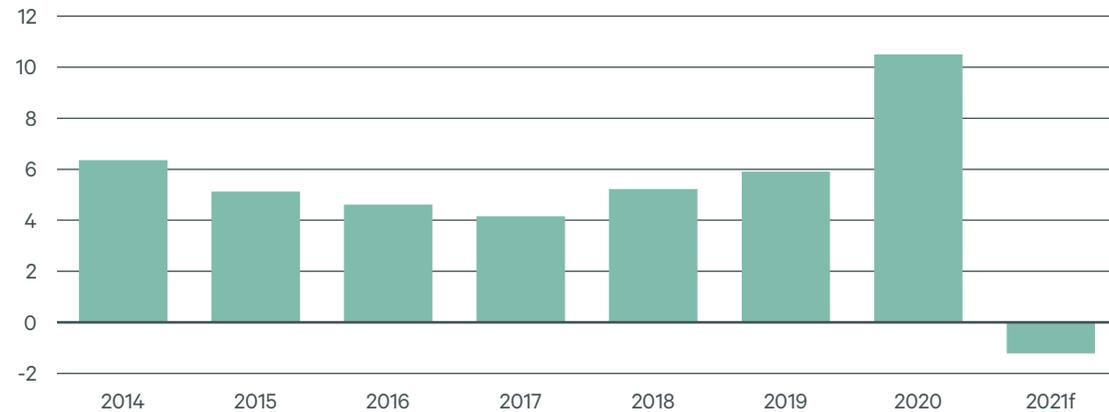
FIGURES INSERT | INLAND EMPIRE | Q3 2021

FIGURE 1: Total Retail Sales (\$Millions)



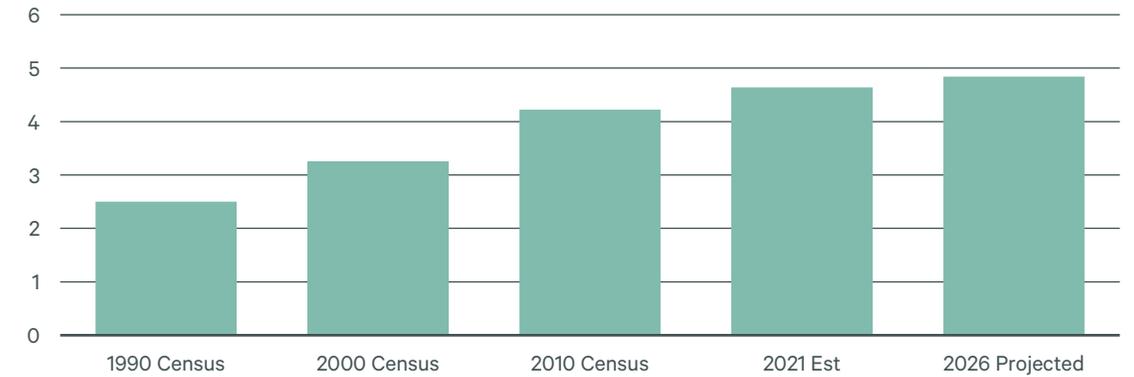
Source: CBRE Economic Advisors, Q3 2021.

FIGURE 3: Personal Income Growth (%)



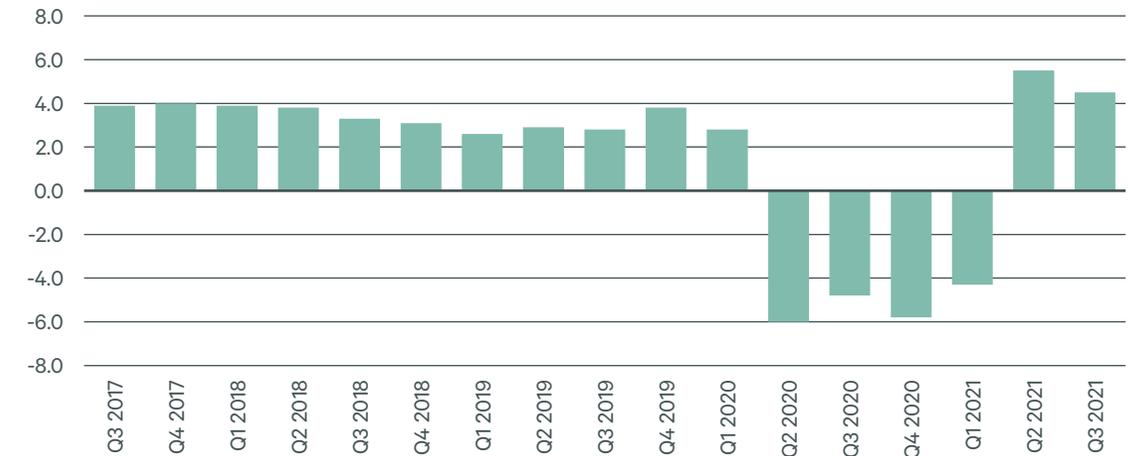
Source: CBRE Economic Advisors, Q3 2021

FIGURE 2: Population Growth



Source: CBRE Research, Q3 2021.

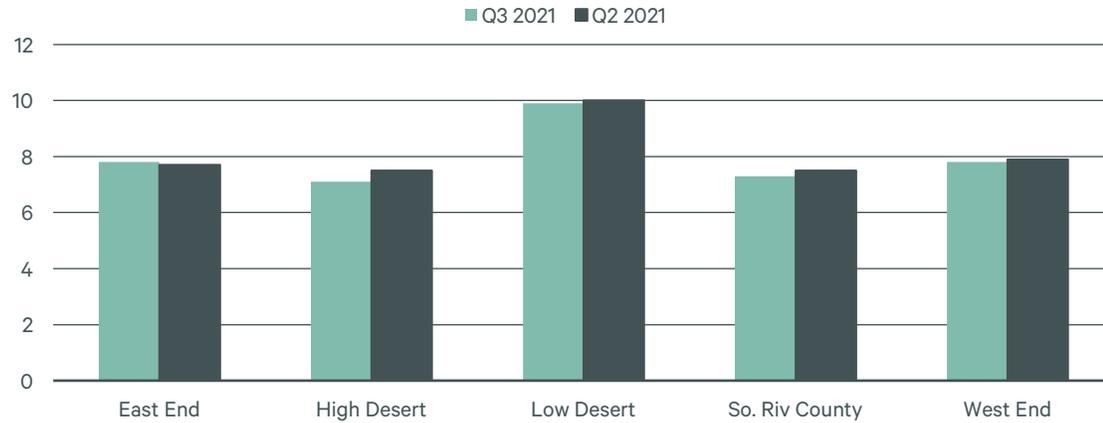
FIGURE 4: Year-Over-Year Job Growth (%)



Source: U.S. Bureau of Labor Statistics, Q3 2021.

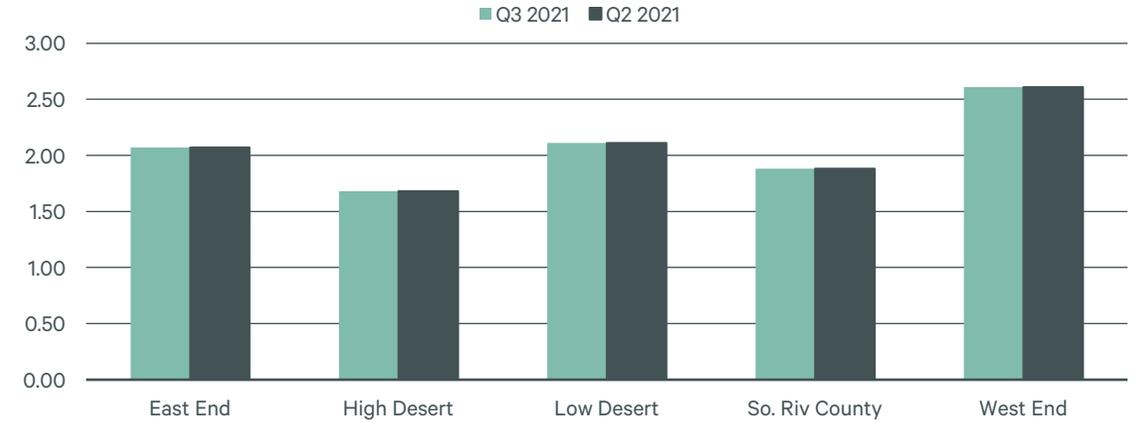
FIGURES INSERT | INLAND EMPIRE | Q3 2021

FIGURE 5: Vacancy Rate by Submarket (%)



Source: CBRE Research, Q3 2021.

FIGURE 6: Avg. Asking Lease Rate by Submarket (\$PSF/MO/FSG)



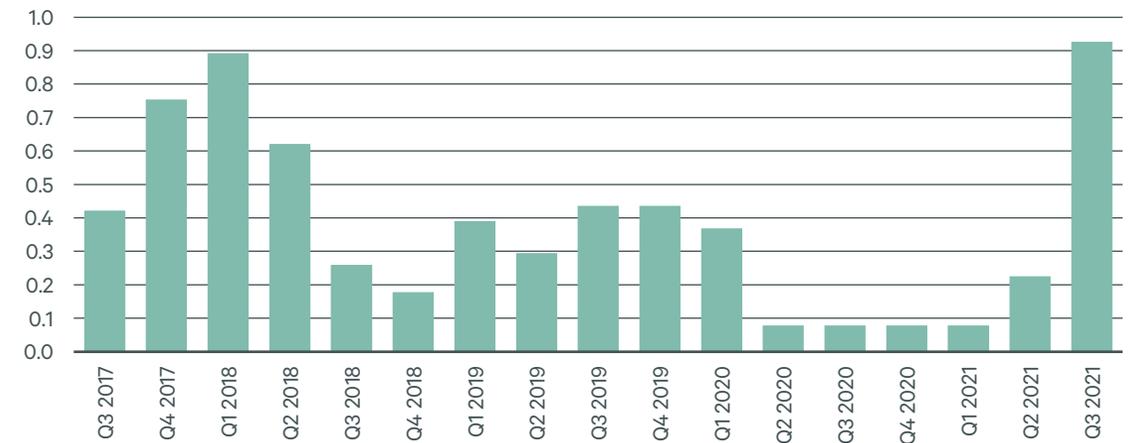
Source: CBRE Research, Q3 2021.

FIGURE 7: Year-Over-Year Rent Growth (%)



Source: CBRE Research, Q3 2021.

FIGURE 8: Under Construction (SF in Millions)



Source: CBRE Research, Q3 2021.

FIGURE 9: Market Statistics

	Existing Base			New Construction			Retail Space Statistics				Occupied Space (Sq. Ft.)	Overall Avg. Asking (\$) ⁽³⁾	
	Center Count	Inventory (Sq. Ft.)	Shop Space (Sq. Ft.)	Center Count	Sq. Ft. Under Construction	Total Vacant (Sq. Ft.)	Vacancy Rate (%)	Q3 2021 Net Absorption	YTD Net Absorption	Avg. Asking Low (\$) ⁽³⁾			Avg. Asking Hight (\$) ⁽³⁾
EAST END⁽⁵⁾													
Community Centers	63	12,296,772		1	146,880	915,142	7.4	(56,380)	(20,976)	0.42	4.00	11,381,630	1.82
Neighborhood Centers	129	11,789,744		0	0	985,197	8.4	22,037	45,616	0.99	4.50	10,804,547	2.02
Power Centers	11	4,616,954		0	0	358,295	7.8	3,716	(8,803)	1.10	4.00	4,258,659	2.32
Specialty Centers	5	1,905,331		1	581,148	136,921	7.2	5,504	7,004	1.70	2.50	1,768,410	2.10
Strip Centers	3	157,725		0	0	2,176	1.4	0	574	3.50	3.50	155,549	3.60
Free-Standing	29	2,891,234		0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Regional Centers	7	6,751,192		0	0	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
EAST END TOTALS	247	40,408,952		2	728,028	2,397,731	7.8	(25,123)	23,415	1.54	3.70	28,368,795	2.07
HIGH DESERT													
Community Centers	15	3,264,776		0	0	261,729	8.0	18,055	16,555	1.45	3.50	3,003,047	1.96
Neighborhood Centers	34	3,543,521		0	0	290,527	8.2	13,330	20,634	0.08	2.50	3,252,994	1.50
Power Centers	3	1,633,172		0	0	38,770	2.4	1,711	48,982	1.25	2.25	1,594,402	1.75
Specialty Centers	0	0		0	0	0	0.0	0	0	0.00	0.00	0	0.00
Strip Centers	1	50,249		0	0	9,100	18.1	1,150	1,150	1.20	1.20	41,149	1.50
Free-Standing	2	315,000		0	0	(2)	(2)	(2)	(2)	(2)	(2)	-2	(2)
Regional Centers	1	683,647		0	0	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
HIGH DESERT TOTALS	56	9,490,365		0	0	600,126	7.1	34,246	87,321	0.99	2.36	7,891,592	1.68
LOW DESERT													
Community Centers	35	6,144,052		0	0	673,435	11.0	7,345	(155,830)	1.00	3.00	5,470,617	1.97
Neighborhood Centers	43	3,727,133		0	0	462,501	12.4	17,413	21,825	1.25	3.00	3,264,632	1.64
Power Centers	8	3,606,000		0	0	200,226	5.6	(4,313)	(21,326)	1.65	4.00	3,405,774	2.32
Specialty Centers	3	556,732		0	0	62,811	11.3	(12,015)	(12,015)	2.15	3.11	493,921	2.40
Strip Centers	3	173,230		0	0	13,635	7.9	4,431	4,431	2.00	2.75	159,595	2.22
Free-Standing	5	357,932		0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Regional Centers	3	1,898,427		0	0	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
LOW DESERT TOTALS	100	16,463,506		0	0	1,412,608	9.9	12,861	(162,915)	1.61	3.17	12,794,539	2.11
SO. RIV COUNTY													
Community Centers	39	8,514,744		1	120,000	756,838	8.9	23,824	12,179	1.17	3.75	7,757,906	2.25
Neighborhood Centers	68	5,916,738		1	78,400	455,654	7.7	(14,196)	(63,241)	1.00	3.85	5,461,084	1.90
Power Centers	5	1,883,915		0	0	1,200	0.1	21,966	42,990	1.75	3.00	1,882,715	2.20
Specialty Centers	1	246,335		0	0	0	0.0	0	0	1.15	1.15	246,335	1.15
Strip Centers	1	73,684		0	0	0	0.0	0	0	0.00	0.00	73,684	0
Free-Standing	5	516,757		0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Regional Centers	1	1,341,110		0	0	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
SO. RIV COUNTY TOTALS	120	18,493,283		2	198,400	1,213,692	7.3	31,594	(8,072)	1.27	2.94	15,421,724	1.88

Source: CBRE Research, Q3 2021.

FIGURE 9: Market Statistics (continued)

	Existing Base			New Construction		Retail Space Statistics							
	Center Count	Inventory (Sq. Ft.)	Shop Space (Sq. Ft.)	Center Count	Sq. Ft. Under Construction	Total Vacant (Sq. Ft.)	Vacancy Rate (%)	Q3 2021 Net Absorption	YTD Net Absorption	Avg. Asking Low (\$) ⁽³⁾	Avg. Asking High (\$) ⁽³⁾	Occupied Space (Sq. Ft.)	Overall Avg. Asking High (\$) ⁽³⁾
WEST END ⁽⁵⁾													
Community Centers	24	5,096,969		0	0	340,880	6.7	(5,355)	31,248	1.00	3.25	4,756,089	1.98
Neighborhood Centers	97	8,934,477		0	0	704,611	7.9	20,534	(6,688)	1.15	3.50	8,229,866	2.21
Power Centers	13	6,757,751		0	0	612,224	9.1	(4,614)	77,953	1.50	3.25	6,145,527	2.07
Specialty Centers	4	656,976		0	0	28,885	4.4	6,470	(1,708)	4.17	4.17	628,091	4.17
Strip Centers	2	157,652		0	0	0	0.0	0	0	0.00	0.00	157,652	0.00
Free-Standing	15	1,602,616		0	0	⁽²⁾	⁽²⁾	⁽²⁾	⁽²⁾	⁽²⁾	⁽²⁾	⁽²⁾	⁽²⁾
Regional Centers	4	5,102,253		0	0	⁽³⁾	⁽³⁾	⁽³⁾	⁽³⁾	⁽³⁾	⁽³⁾	⁽³⁾	⁽³⁾
WEST END TOTALS	159	28,308,694		0	0	1,686,600	7.8	17,035	100,805	1.96	3.54	19,917,225	2.61
BY TYPE													
Community Centers	176	35,317,313		2	266,880	2,948,024	8.3	(12,511)	(116,824)	9.0	3.50	32,369,289	2.00
Neighborhood Centers	371	33,911,613		1	78,400	2,898,490	8.5	59,118	18,146	9.6	3.47	31,013,123	1.85
Power Centers	40	18,497,792		0	0	1,210,715	6.5	18,466	139,796	6.7	3.30	17,287,077	2.13
Specialty Centers	13	3,365,374		1	581,148	228,617	6.8	(41)	(6,719)	6.7	2.61	3,136,757	2.46
Strip Centers	10	612,540		0	0	24,911	4.1	5,581	6,155	5.2	2.08	587,629	0.74
Free-Standing	56	5,683,539		0	0	⁽²⁾	⁽²⁾	⁽²⁾	⁽²⁾	⁽²⁾	⁽²⁾	⁽²⁾	⁽²⁾
Regional Centers	16	15,776,629		0	0	⁽³⁾	⁽³⁾	⁽³⁾	⁽³⁾	⁽³⁾	⁽³⁾	⁽³⁾	⁽³⁾
Inland Empire Totals	682	113,164,800		4	926,428	7,310,757	8.0	70,613	40,554	1.47	3.14	84,393,875	2.07

Historical values have been normalized to adjust for increases/decreases in base so historical trend figures in this market report may not agree to previous market reports

⁽¹⁾ Existing retail centers 50,000 square feet or greater, excluding factory outlet centers.

⁽²⁾ Free-standing retail buildings, by definition, contain no shop space and pads that have not yet been built out.

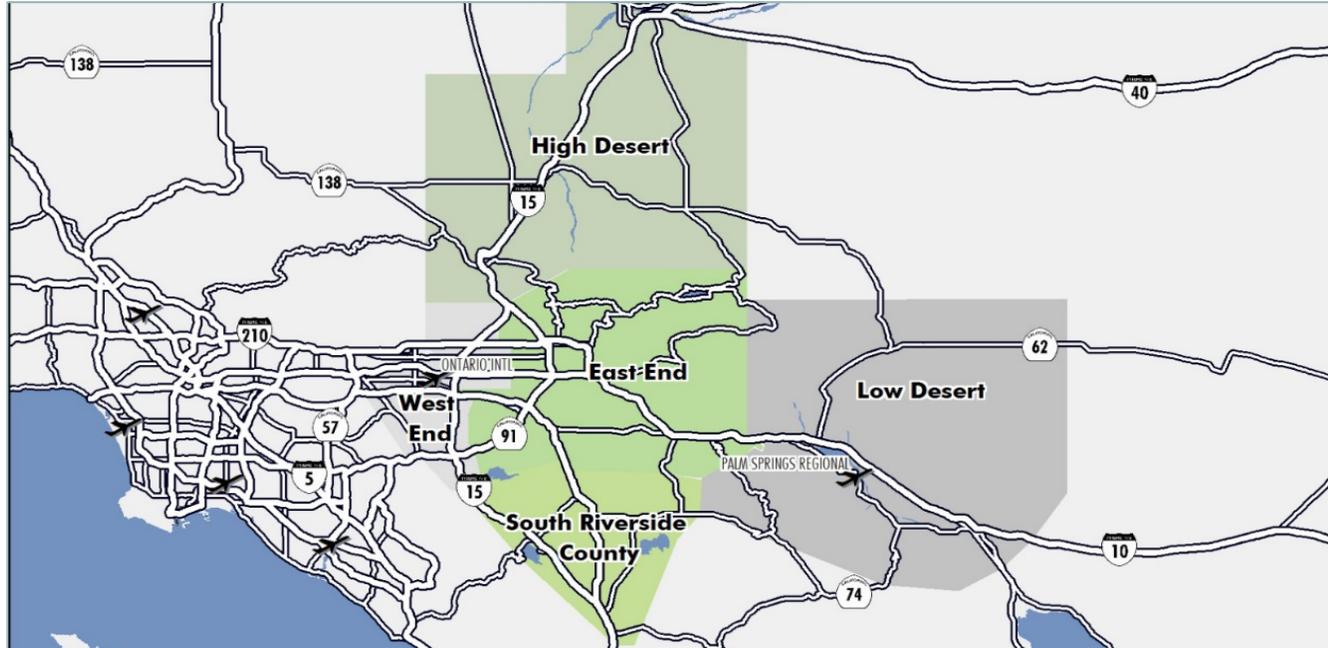
⁽³⁾ CBREA Research does not track freestanding or regional mall vacancy in the Inland Empire.

⁽⁴⁾ All lease rates are triple net.

⁽⁵⁾ East End and West End submarkets have been adjusted to reflect corrected boundaries.

⁽⁶⁾ Retail center types are defined as follows: **Free-standing** - A single-tenant retail building which is not part of a retail center. For purposes of shop space analysis, Free-standing retail buildings are not considered shop space. **Strip Center** - A neighborhood-type center which does not have a cohesive theme or a grocery or drug anchor. For purposes of shop space analysis all strip centers are defined as consisting of 100% shop space. **Neighborhood Center** - A center that provides for the sale of convenience goods (food, drugs, etc.) and personal services (laundry, dry cleaning, etc.) for the day-to-day living needs of the immediate neighborhood. A supermarket usually is the principle tenant. A neighborhood center typically ranges from 30,000 to 100,000 sq. ft. **Community Center** - A retail center with a wider range of facilities for the sale of soft lines (apparel) and hard lines (hardware, appliances, etc.) than a neighborhood center. A community center is usually built around a junior department store, variety store or discount department store in addition to a supermarket. The size of a community center typically ranges from 100,000 to 450,000 sq. ft. **Power Center** - A power center is typically anchored by four or more "big box/category killers" or two or more "big box/category killers" and a discount department store or warehouse club. A power center usually has at least 350,000 sq. ft. in size. **Regional Center** - A regional center, or "mall", provides general merchandise, apparel, furniture, and home furnishings in full depth and variety. Regional centers are typically built around at least one full-line department store of generally not less than 100,000 sq. ft. Regional centers typically range in size from 300,000 to more than 850,000 sq. ft. **Specialty Center** - A specialty center is a retail center which does not fit into any of the above categories and is otherwise known by a dominant marketing theme such as Home improvement, Entertainment, Factory Outlet, Off-Price, Freeway Showroom or other concept.

Market Area Overview



Contacts

Annette Jdanov

Field Research Manager
+1 949 725 08591
Annette.jdanov@cbre.com

Joele Atonfack

Sr. Field Research Analyst
+1 909 418 2126
joele.atonfack@cbre.com

© Copyright 2021. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

Definitions

Average Asking Lease Rate: The rate determined by multiplying the asking Net Lease rate for each building in the summary by its associated available space, summing the products, then dividing by the sum of the available spaces with gross lease rates for all buildings in the summary. Direct leases only; excludes sublease space. **Gross Leaseable Area (GLA):** The total leaseable area in the property designed for tenant's occupancy. **Net Absorption:** The change in Occupied Shop Space Sq. Ft. from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy. **Net Leases** Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property including utilities, insurance and/or maintenance expenses. **Occupied Sq. Ft.:** Total Sq. Ft. not considered Vacant. **Shop Space** The total leaseable area in the property excluding anchor tenants. **Vacancy Rate:** Vacant Sq. Ft. divided by the total GLA. **Vacant Sq. Ft.** Portion of Available Sq. Ft. which is either physically vacant or immediately available. Includes Subleases. **Normalization:** Due to a reclassification of the market, the base, number and square footage of buildings for previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

Survey Criteria

CBRE's market report analyzes all retail centers 50,000 sq. ft. and greater in size. New construction includes buildings which have begun construction as evidenced by site excavation or foundation work.