

2018

Inland Empire Retail Overview

Presented By:

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Overview

- Trends - 2018
- Retail Leasing Data
- Retail Sales Data
- Summary & Outlook
- Questions

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Inland Empire Retail Trends

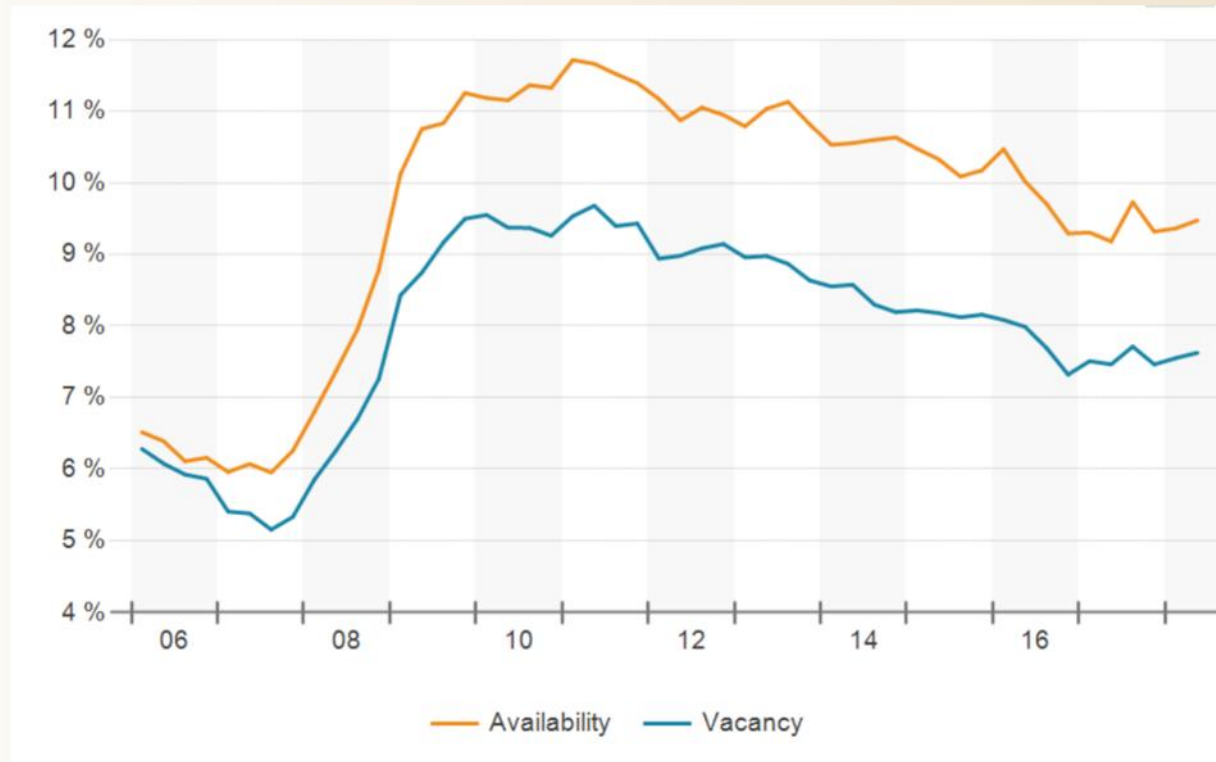
- Leasing market has transitioned from being a “brokers” market to a “Landlord’s” market.
- Ground up construction is completely tenant driven.
- Quality shop tenants, especially fast casual (The Habit, Chipotle, Pieology, Jersey Mike’s) are challenged to find space.
- Big Boxes are Big Problems
- Single tenant, long term lease market remains very healthy which is driving development.
- Multi-tenant investment market is in flux.

Leasing

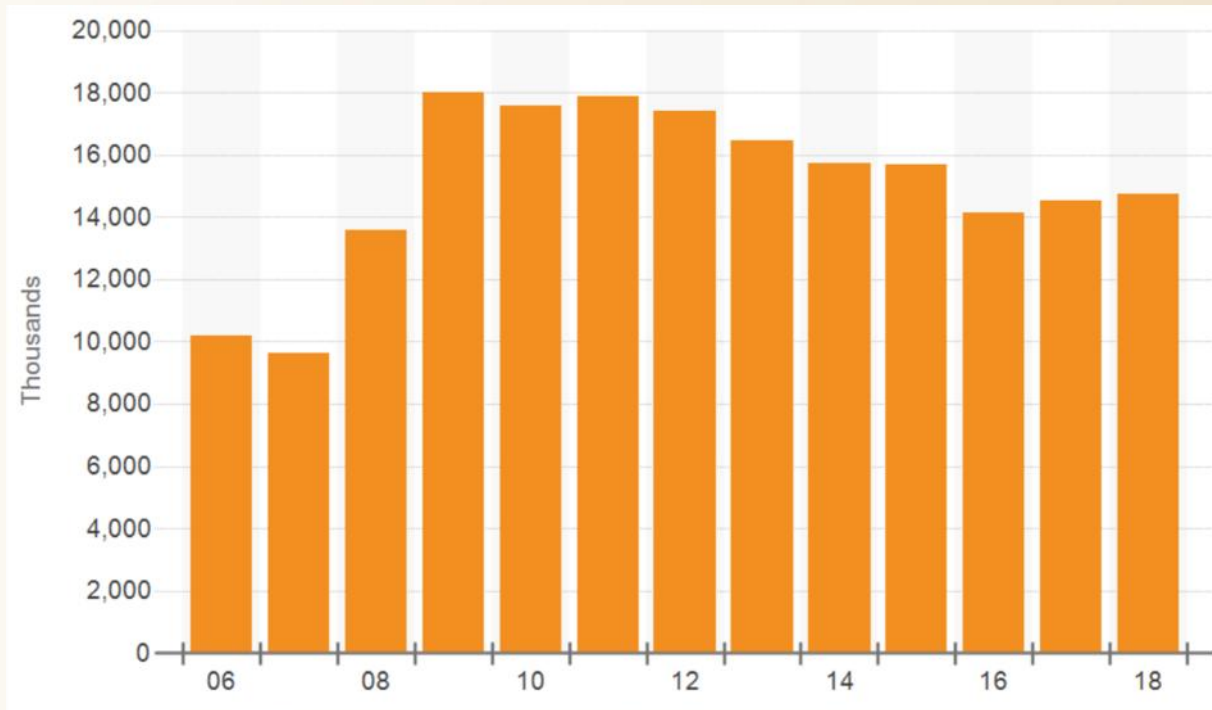
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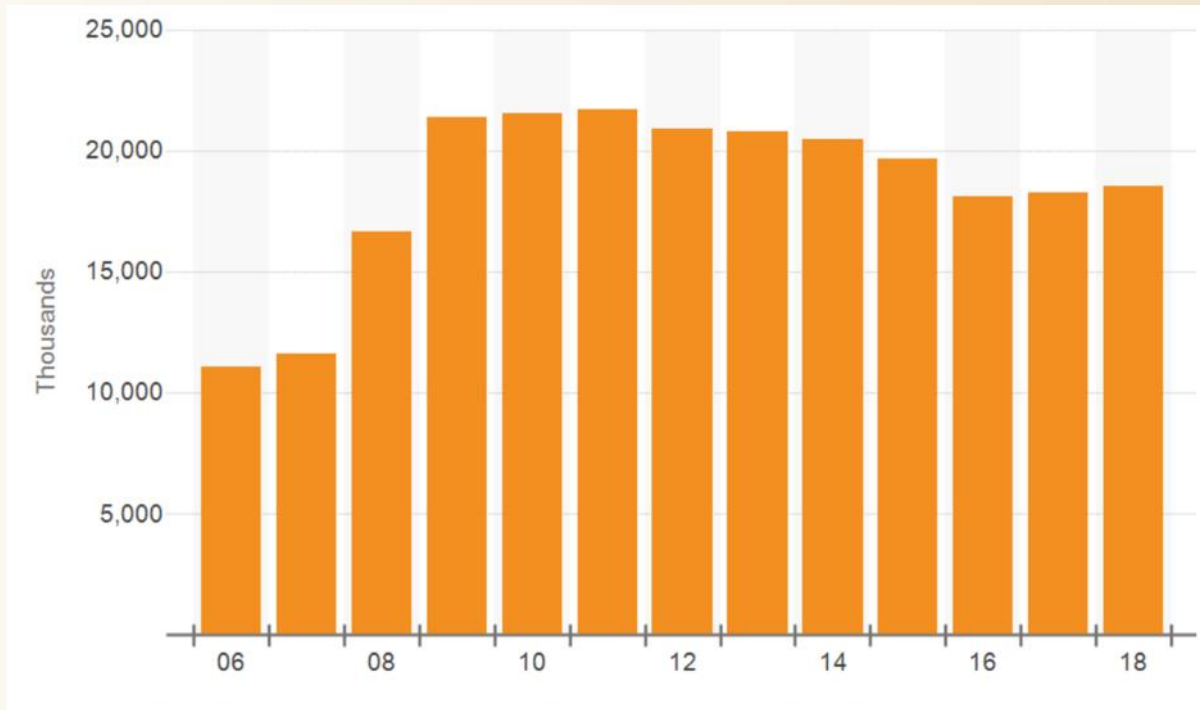
Availability & Vacancy Rate



Vacant SF per Year



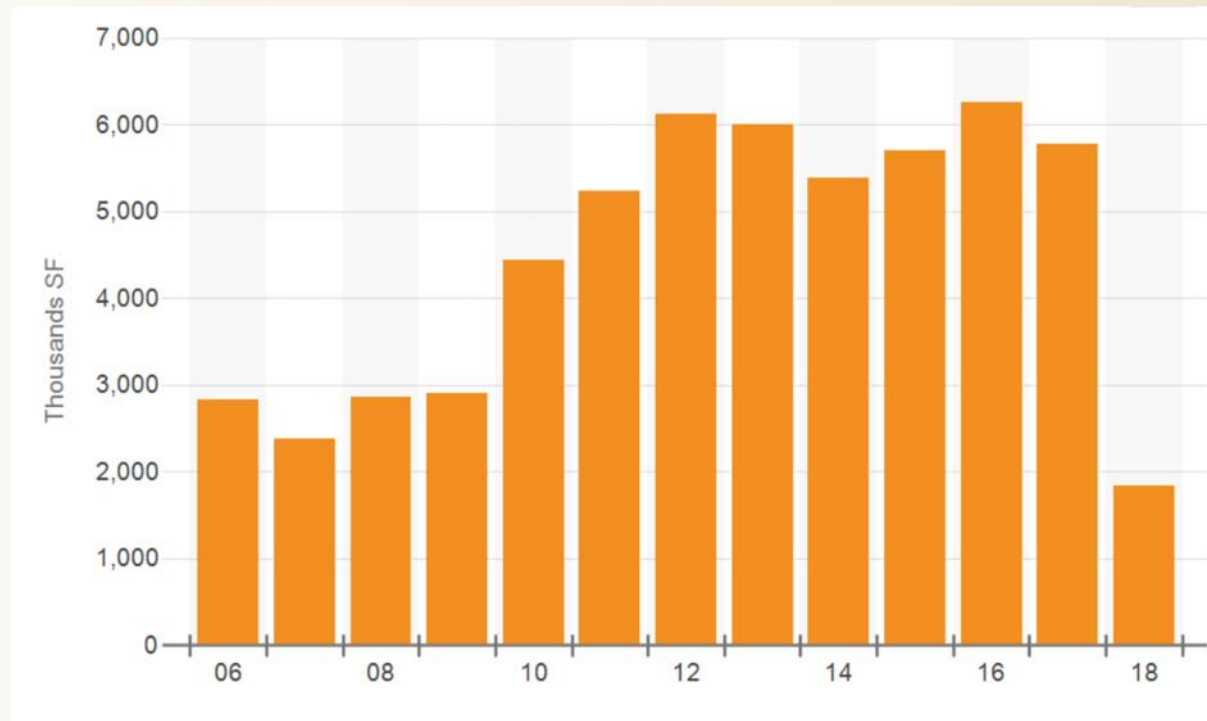
Available SF per Year



Total Vacancy

	2016	2017	2018
• Coachella Valley	11.8%	10.7%	10.6%
• High Desert	10.8%	10.9%	8.6%
• East San Bernardino	9.8%	10.9%	9.2%
• South Riverside	7.8%	6.9%	6.8%
• Inland Empire West	6.5%	6.2%	7.0%
• Greater Riverside	6.3%	6.6%	8.5%

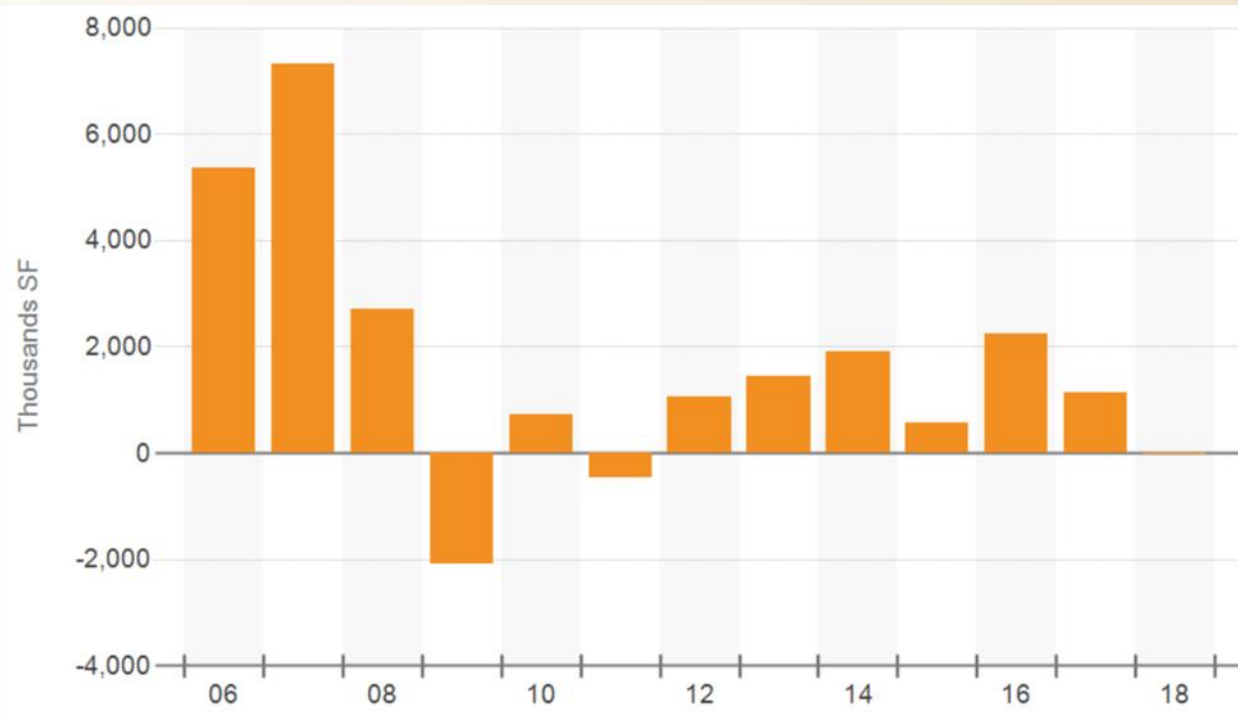
Leasing Activity – 10+ years annually



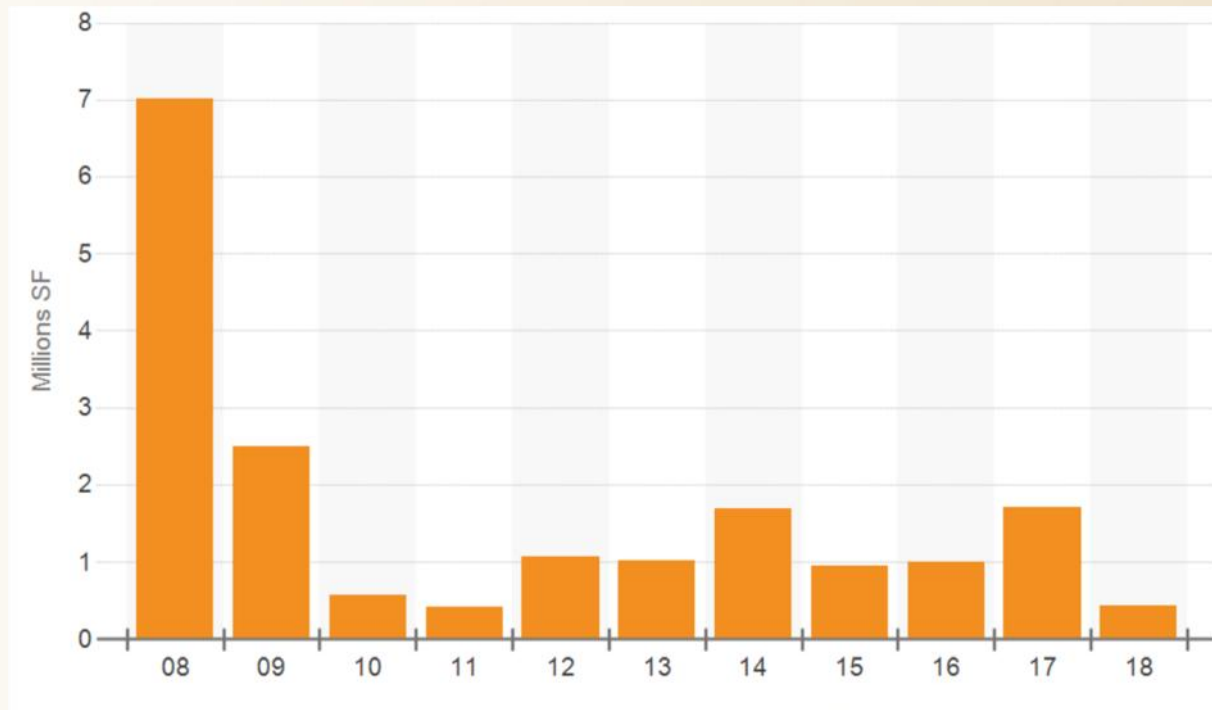
Months on the Market



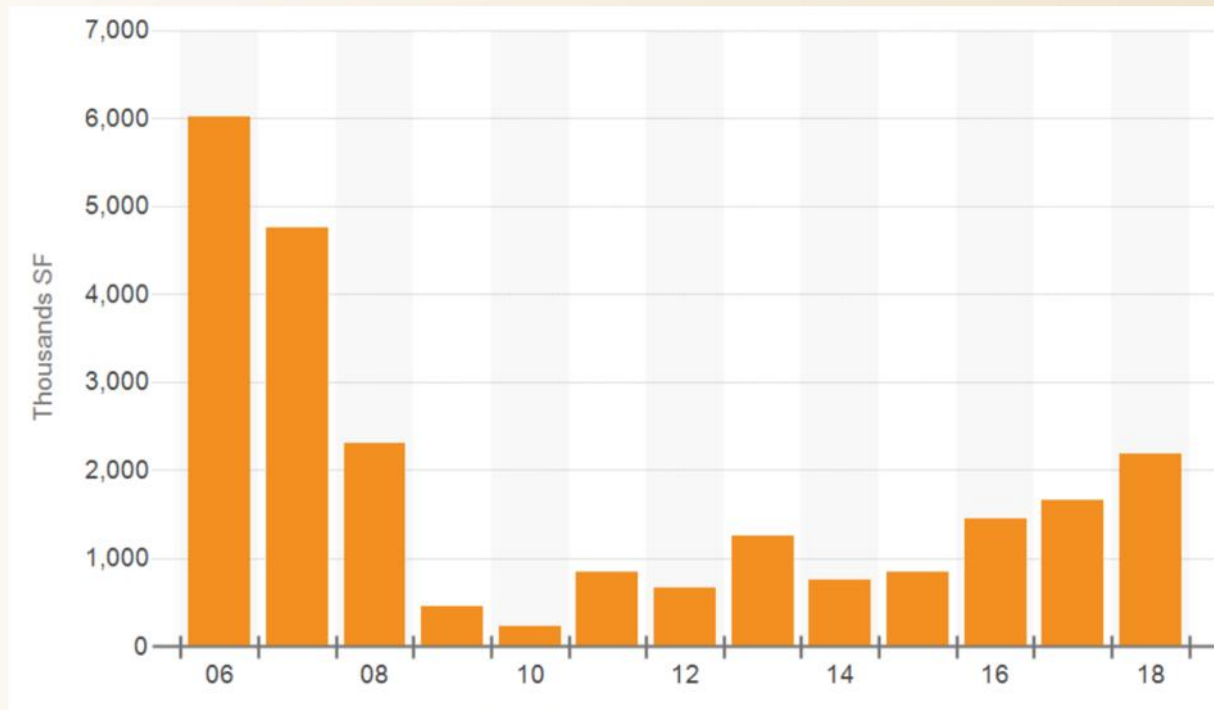
Net Absorption



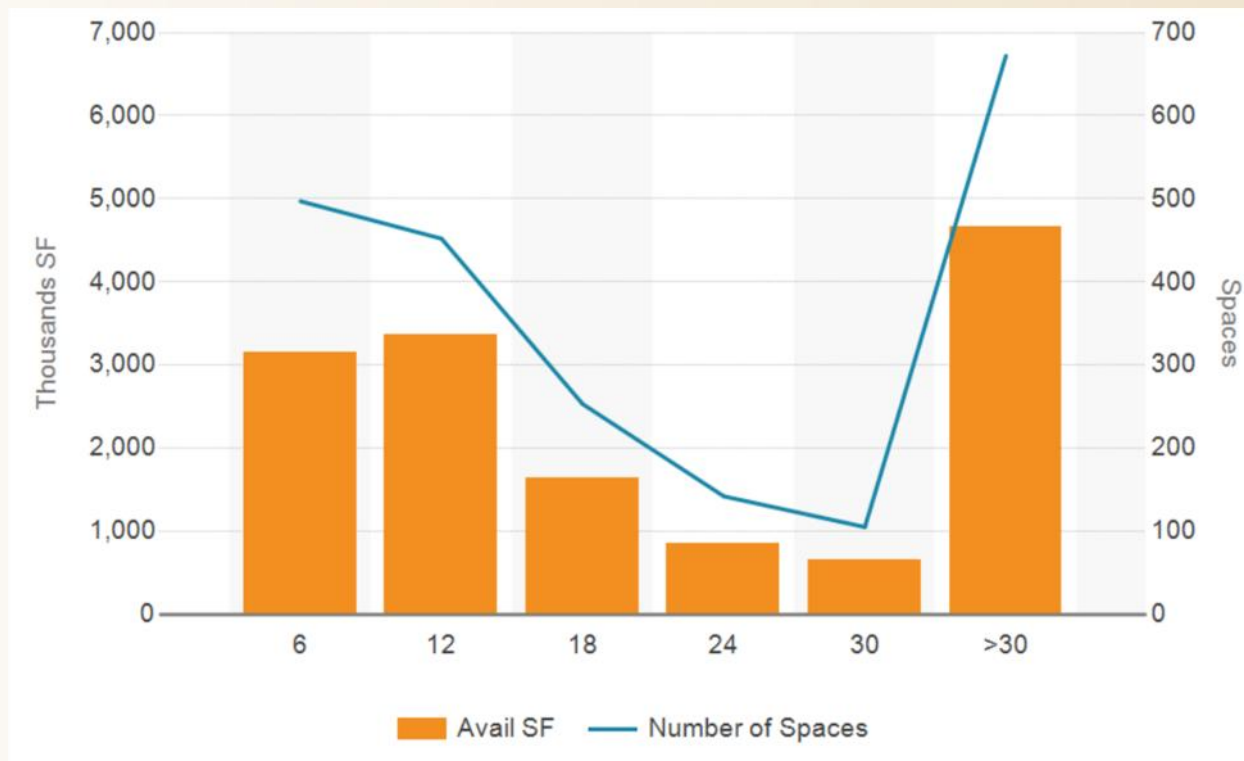
Delivery



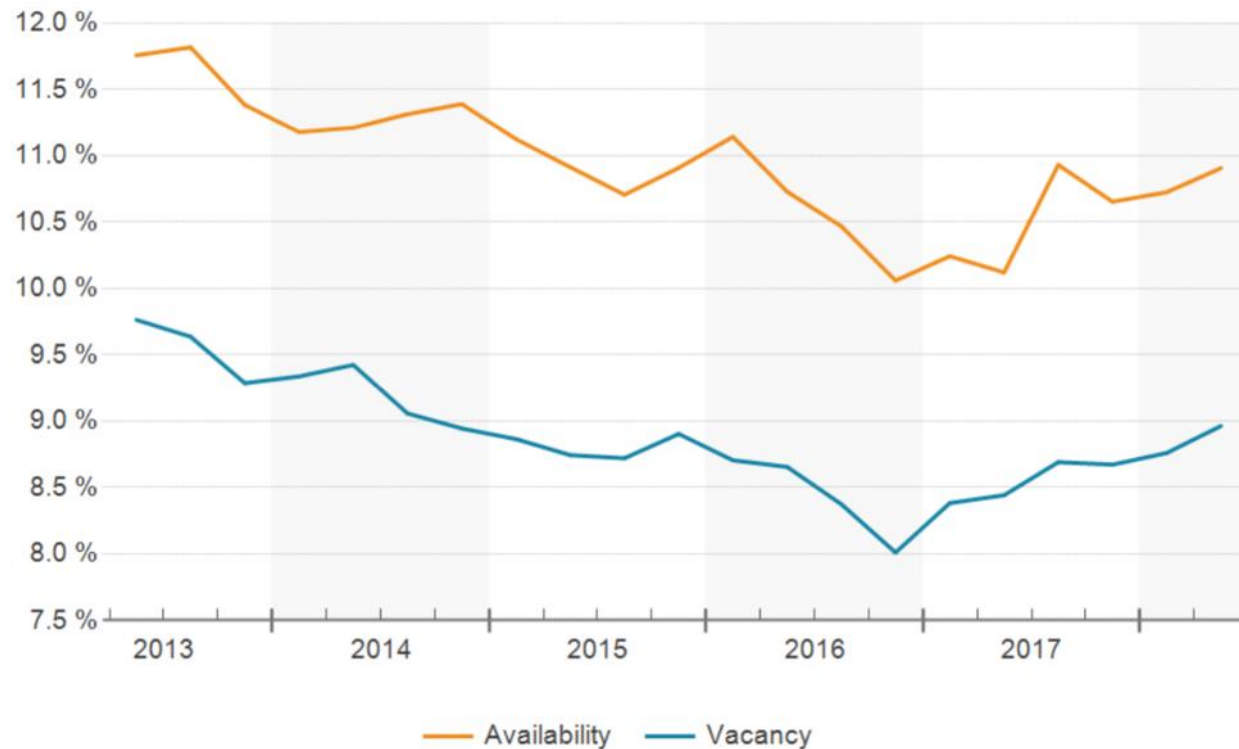
Under Construction



Available SF & # of Spaces – 15K or greater



Availability vs. Vacancy – 15K or greater



Inland Empire - All vs. “Big Box”

	ALL	15K or Greater	%of Total
Total Buildings	18,297	303	1.6%
Total SF	195,052,000	16,109,000	8.25%
Available Spaces	4,278	385	9%
Available SF	18,554,000	9,163,000	49%
12 Month Absorption	1,232,004	(2,222,000)	

*9,163,000 compares to a 5 year average of 5,834,000 – 57% higher!

Who is Closing!

And What Do Many Have in Common?

- Kmart
- Sears
- Toys R Us/Kids R Us
- Fallas
- Golfsmith
- 99 Cent Only
- Big Lots
- Target
- Walmart
- CVS/Walgreens/Rite Aid

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Who is Opening!

And What Do Many Have in Common?

- Sprouts
- Smart & Final
- Stater Bros.
- Aldi
- Grocery Outlet
- Walmart
- 24 Hour Fitness
- LA Fitness
- Planet Fitness
- Burlington Coat Factory
- Ross/Marshalls/TJ Maxx
- Dollar Tree/Family Dollar
- Movie Theaters (Cinemark & AMC)
- Bob's Discount Furniture
- Trampoline Parks
- Indoor Playgrounds

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Internet Resistant

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Sales Data

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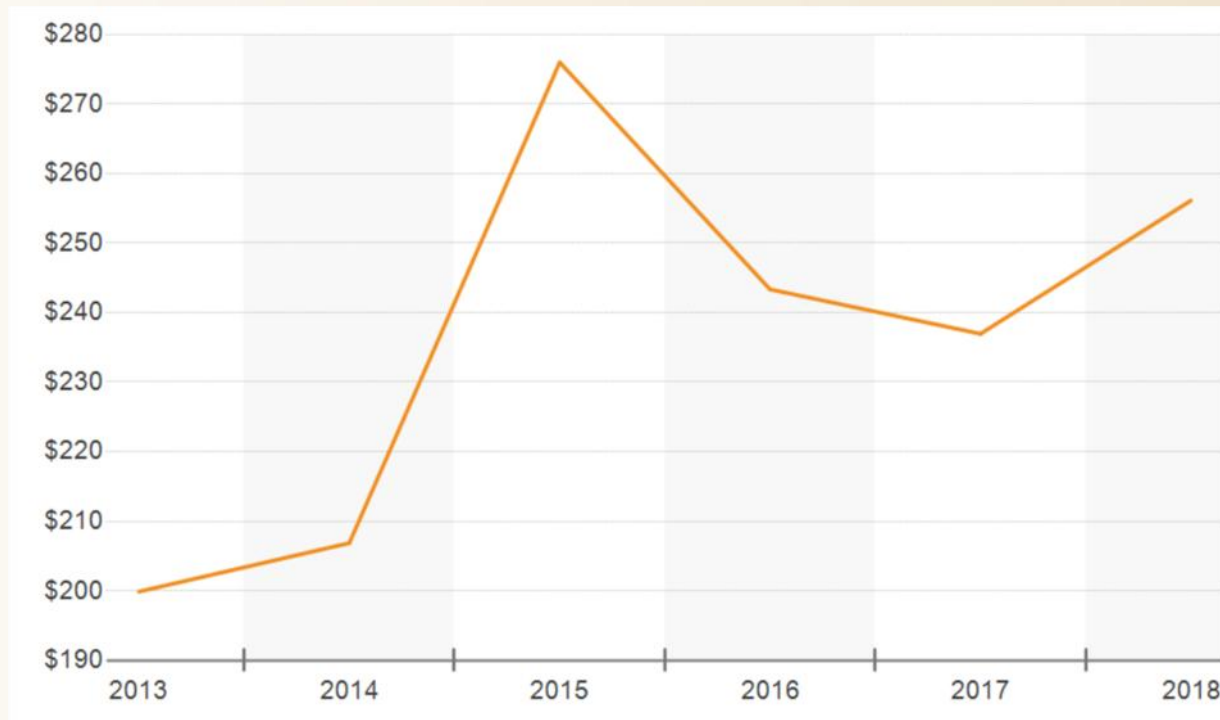
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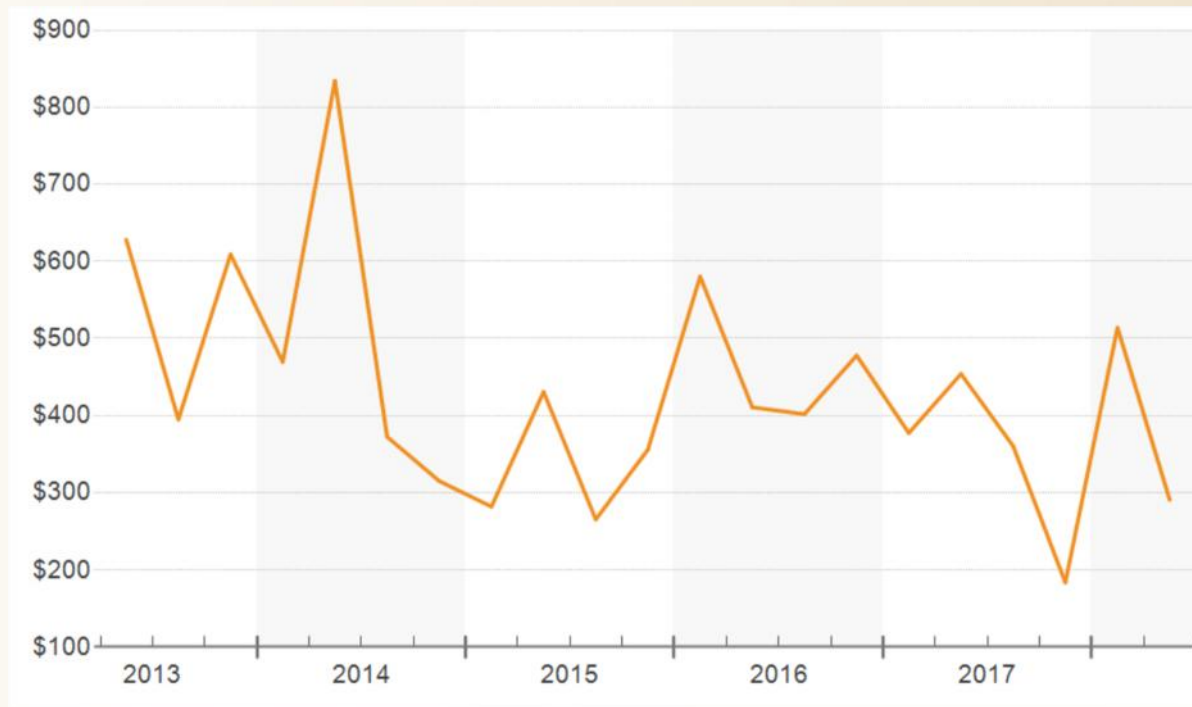
Sales Volume



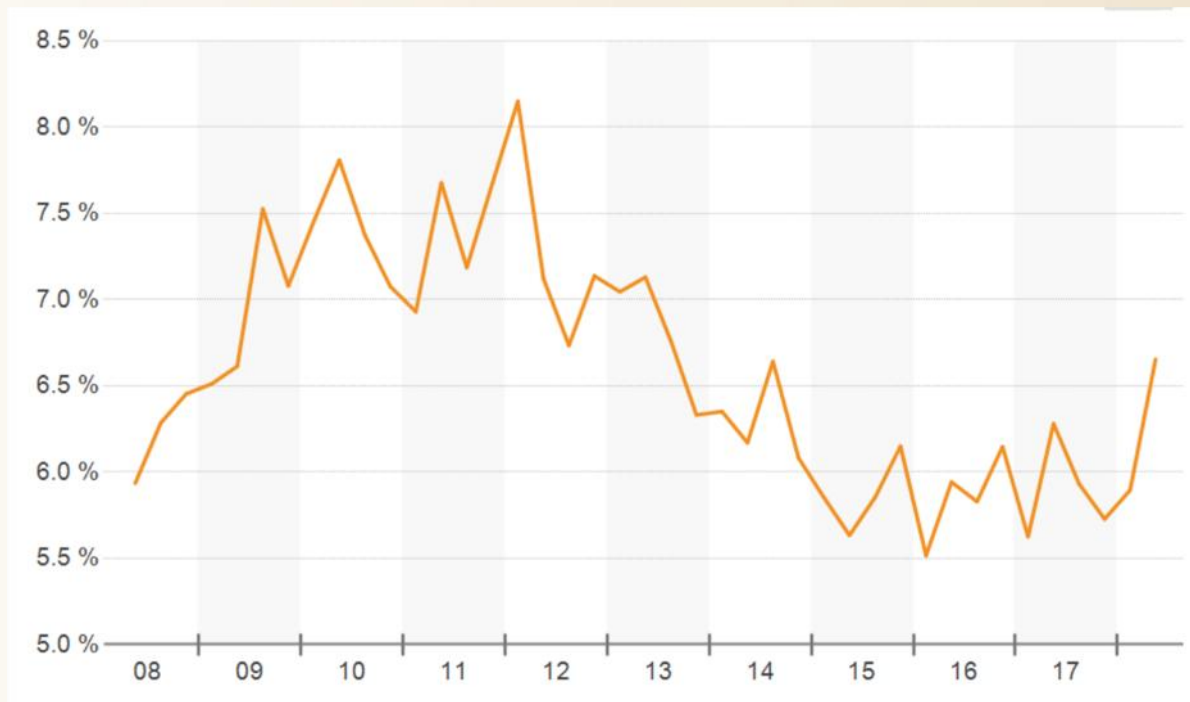
Average Sale Price Per SF – All



Average Sale Price Per SF – Single Tenant



Cap Rate – All



Cap Rate – Single Tenant

2012	6.90%
2013	5.82%*
2014	5.67%
2015	5.42%
2016	5.17%
2017	5.18%
2018 YTD	5.10%

Summary & Outlook

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Summary & Outlook

- Development will continue to be tenant driven;
- Internet challenged retail will start to stabilize;
- Technology will continue to have a significant impact on retail including the internet, labor substitution, Yelp, electric/driverless cars, vertical distribution,
- Capital markets will continue to adjust to risks. Big boxes are most affected now, but others uses may follow.
- Lease rates for decent to great shop space should strengthen unless rising costs are too impactful.

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