

2019 Inland Empire Retail Overview



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Overview

- I. Retail Leasing Market
- II. Retail Investment Sales Market
- III. Commercial Land Sales Market
- IV. Trends & Observations
- V. Questions

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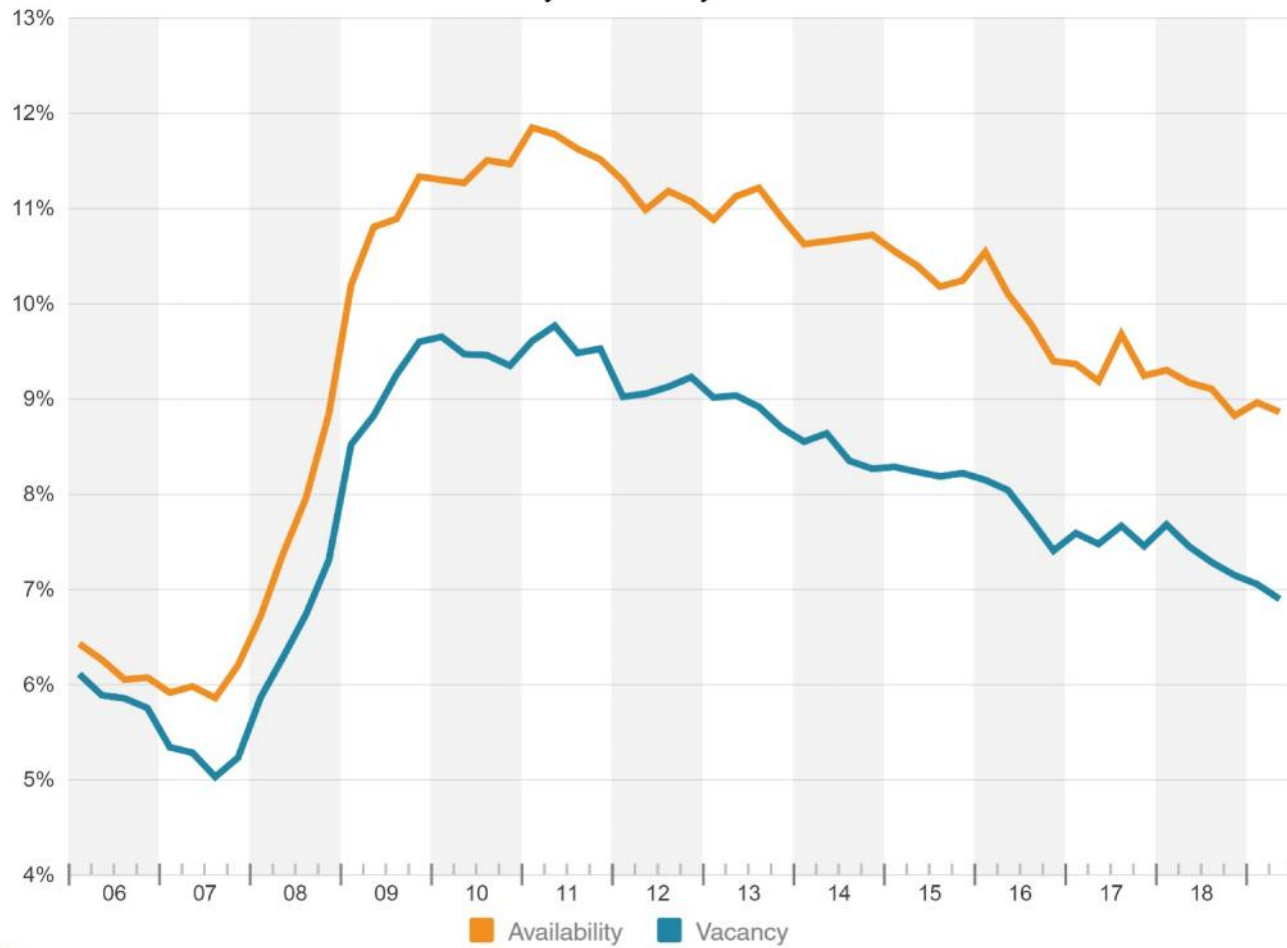
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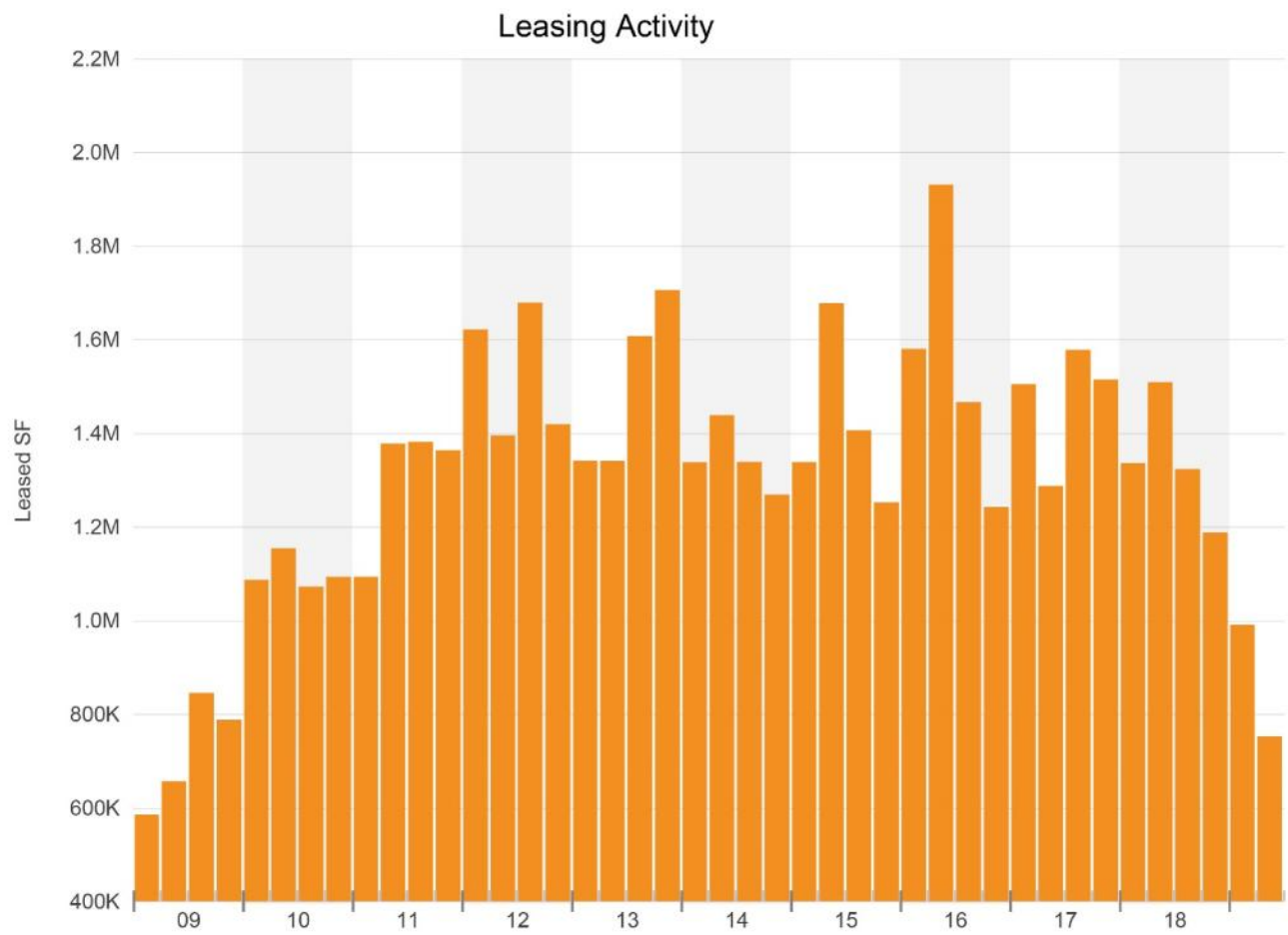
Leasing

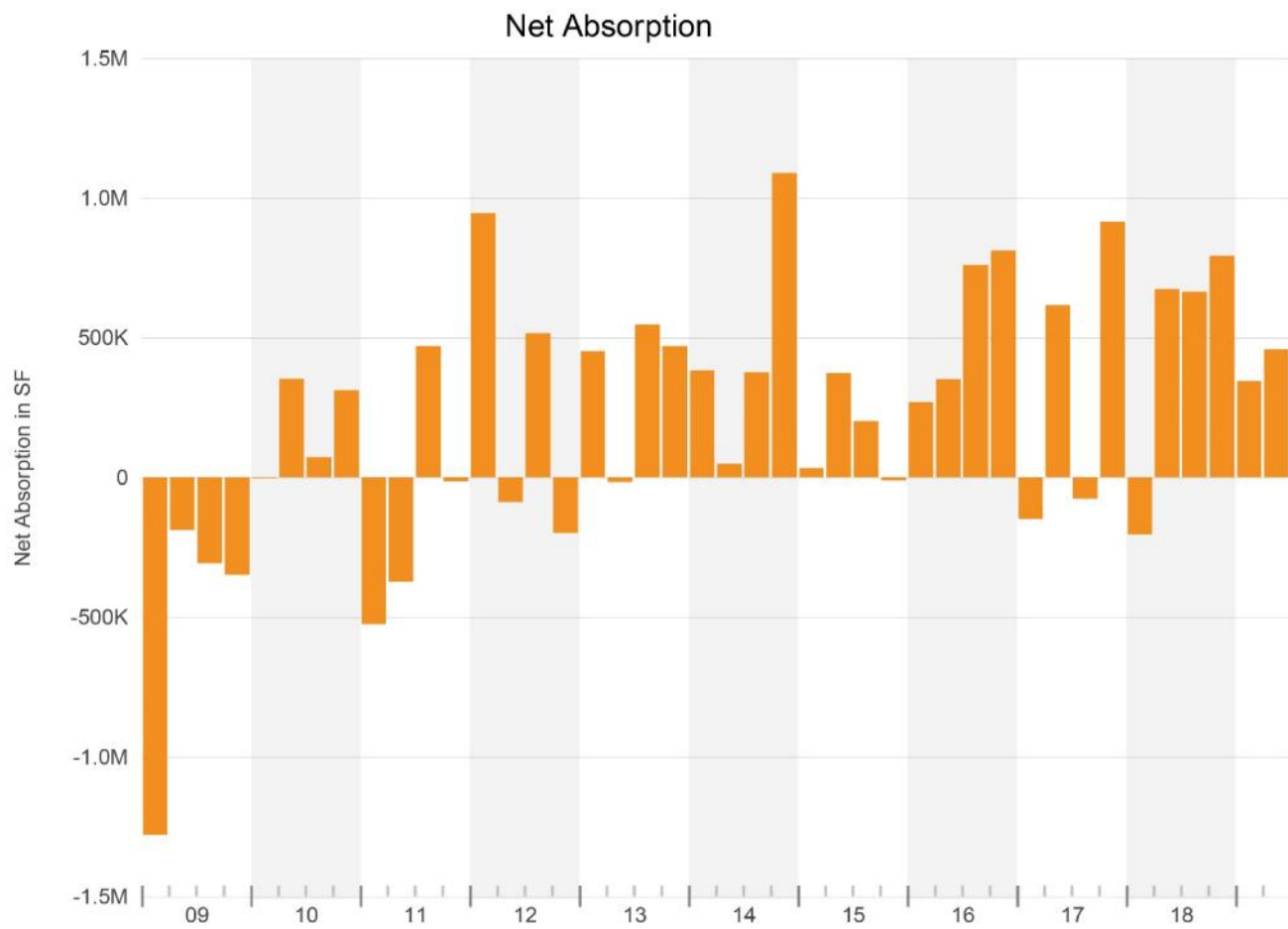
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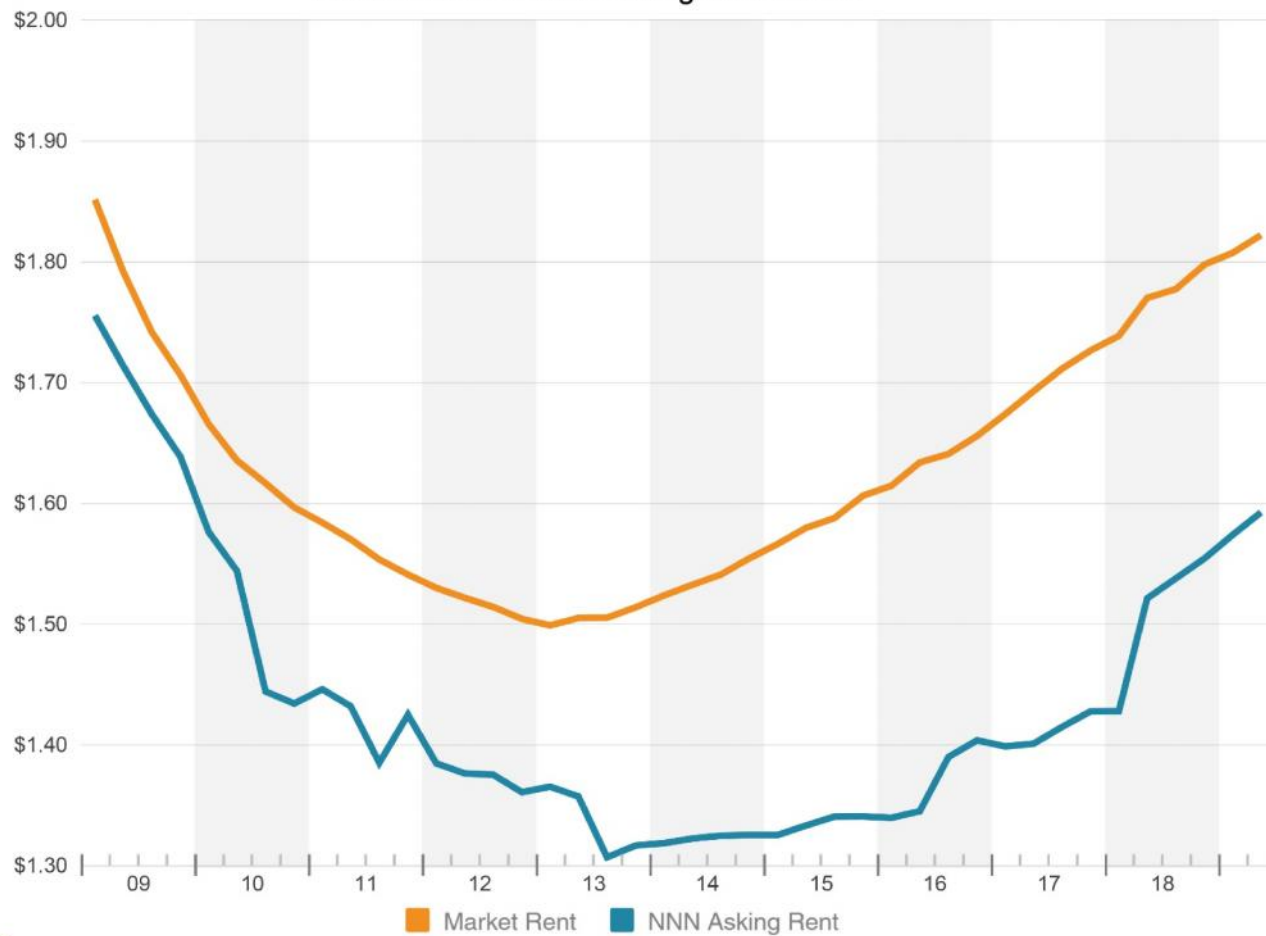
Availability & Vacancy Rate



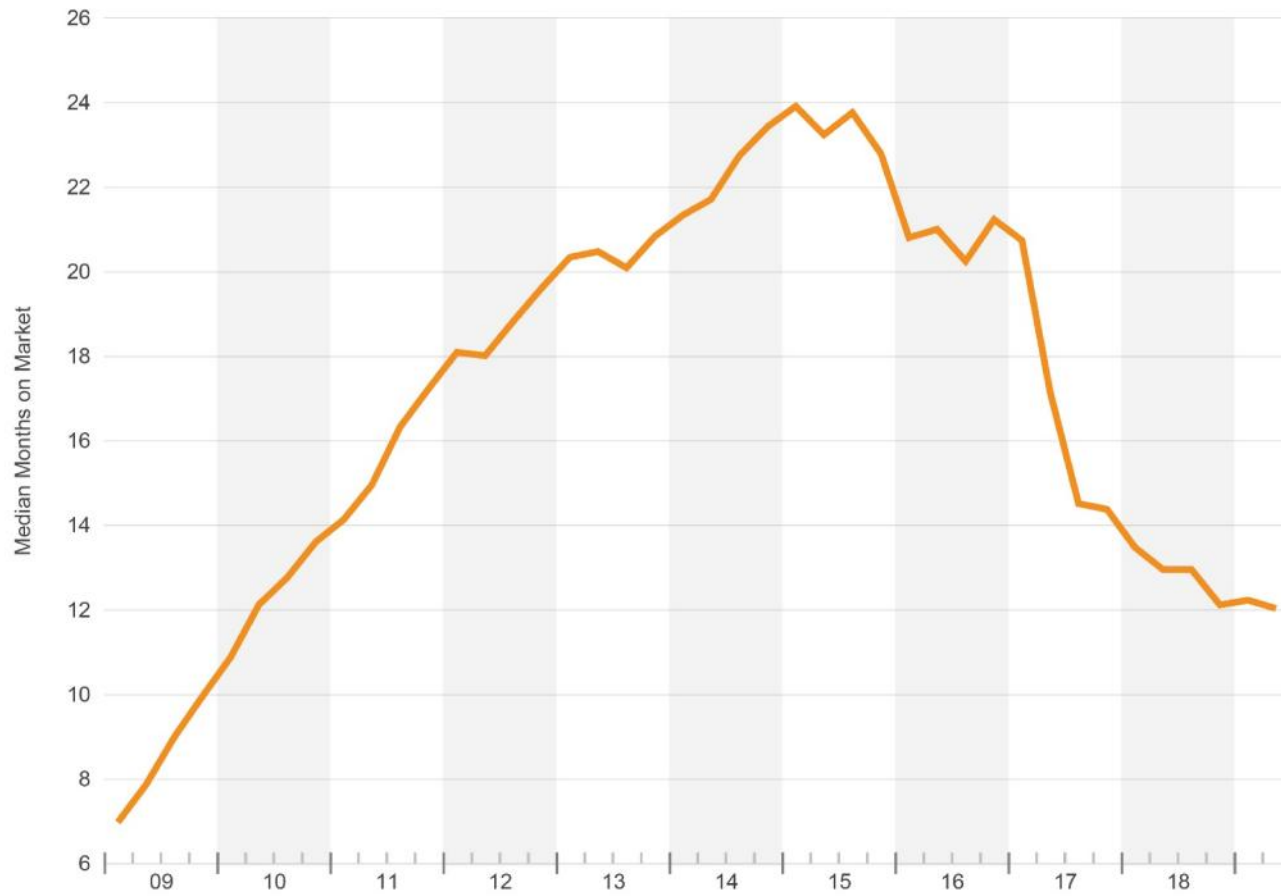




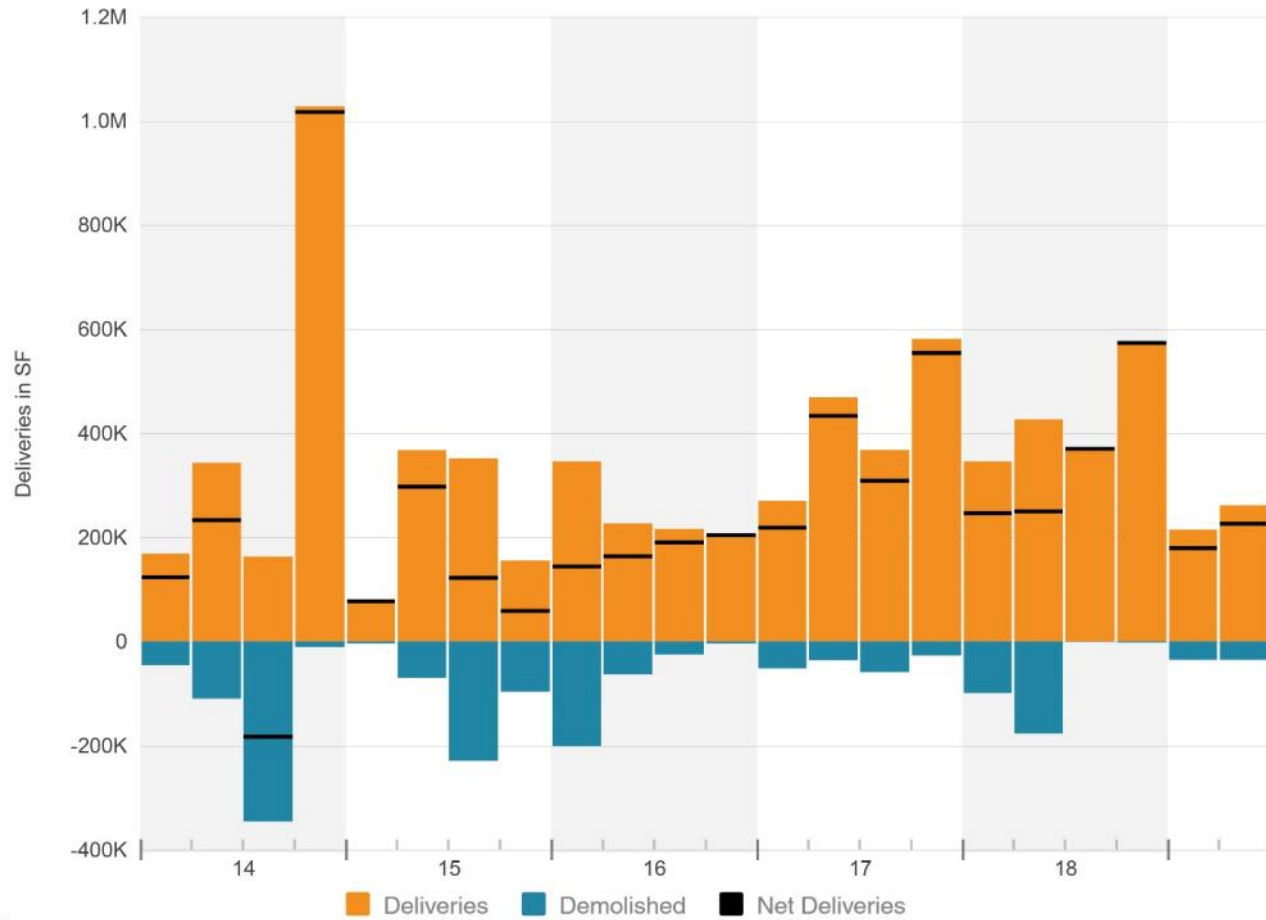
Market Rent & NNN Asking Rent Per SF

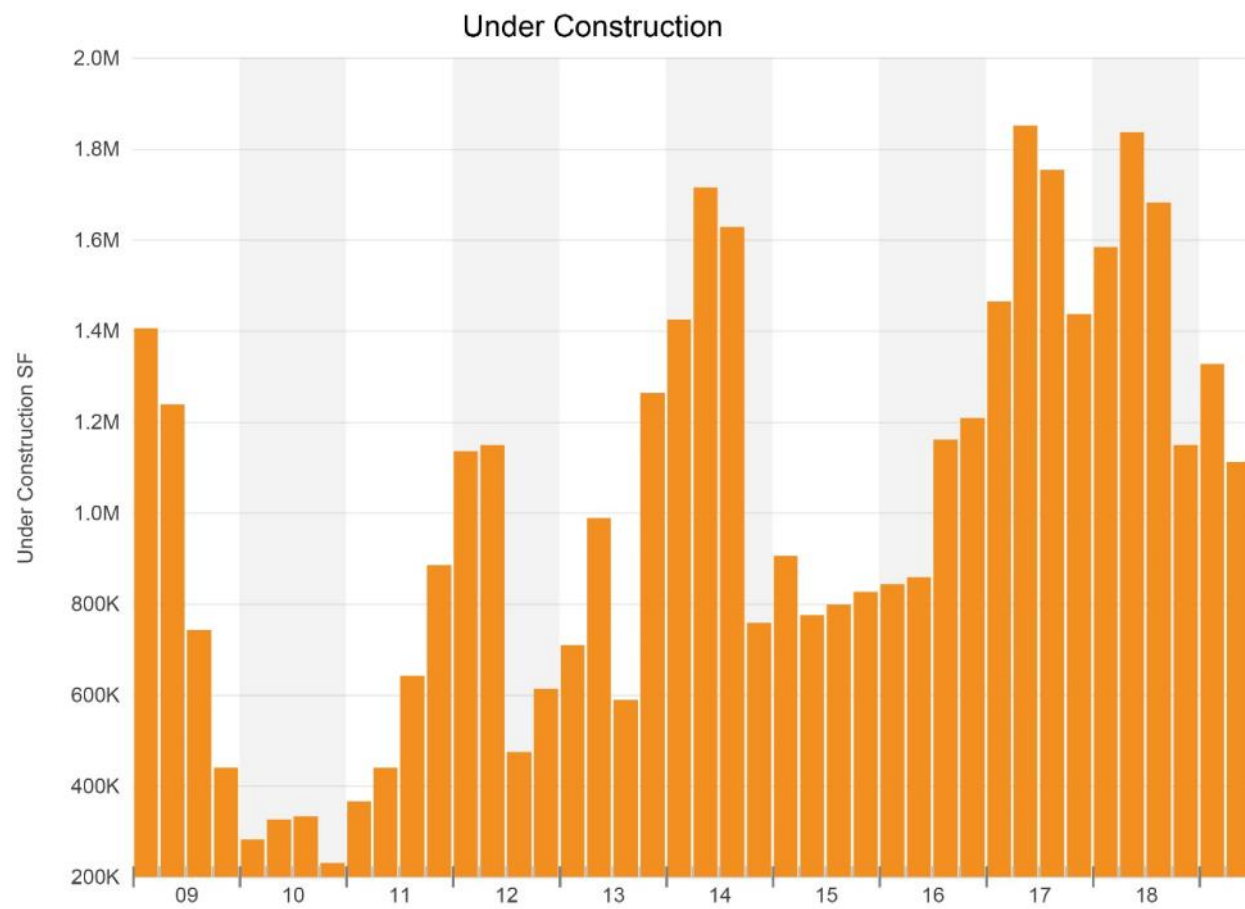


Months On Market



Deliveries & Demolitions





Vacancy Rate

	2018	2019	
• Airport Area	4.8%	4.4%	😊
• West San Bernardino	6.3%	6.5%	😐
• Greater Riverside	6.5%	6.3%	😐
• High Desert	8.6%	8.1%	😊
• Temecula Valley	6.8%	6.0%	😊
• East San Bernardino	9.2%	9.0%	😐
• Coachella Valley	10.6%	9.1%	😊

Leasing Observations

- A Majority of Vacant Space is Tough Space;
- Corporate Tenant Deals are Brutal;
- The Retail Community has embraced The Change;
- The 5 F's – Fitness, Food, Fashion, Fun & Furniture;
- Restaurants are a zero sum game;



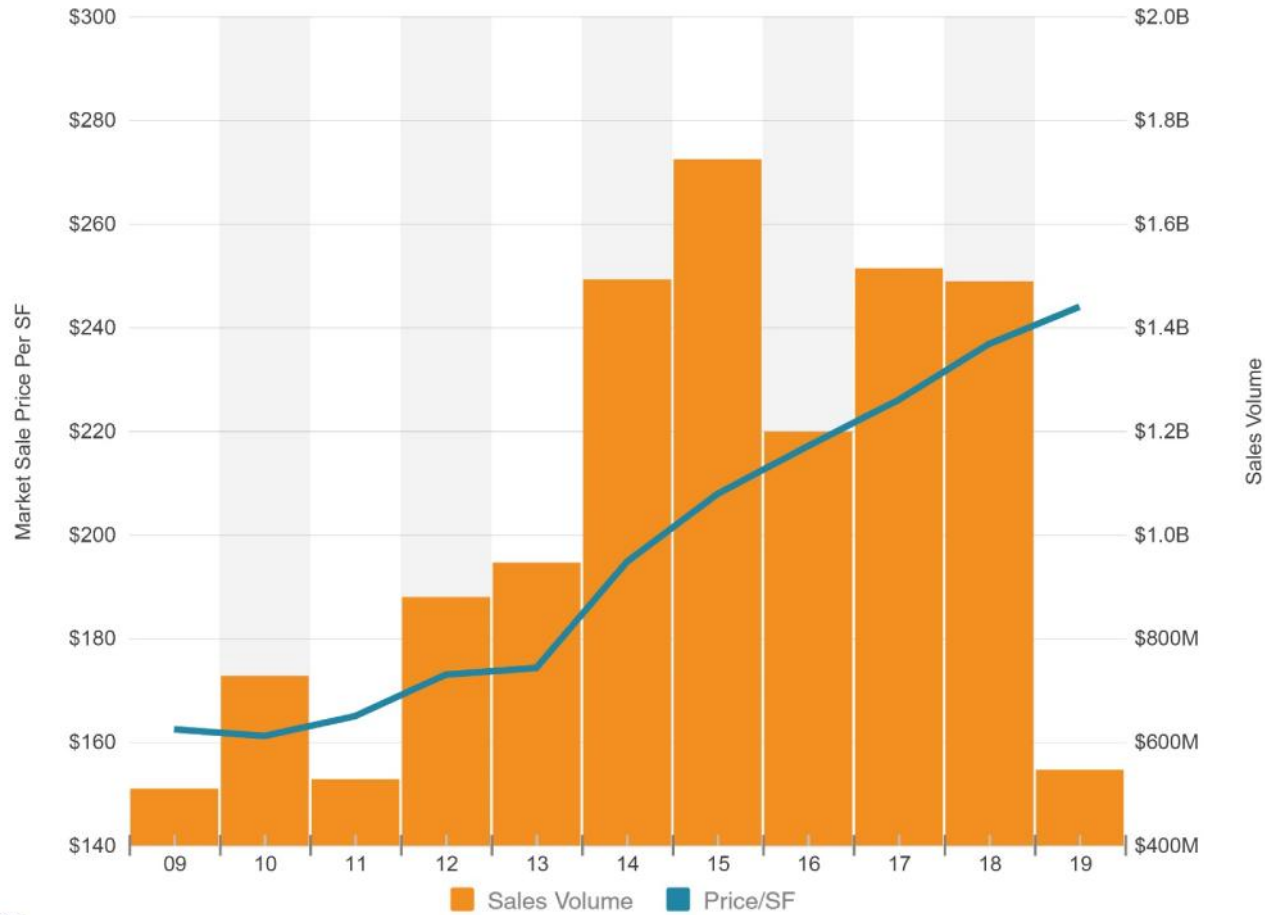
Sales Data

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Sales Volume & Market Sale Price Per SF

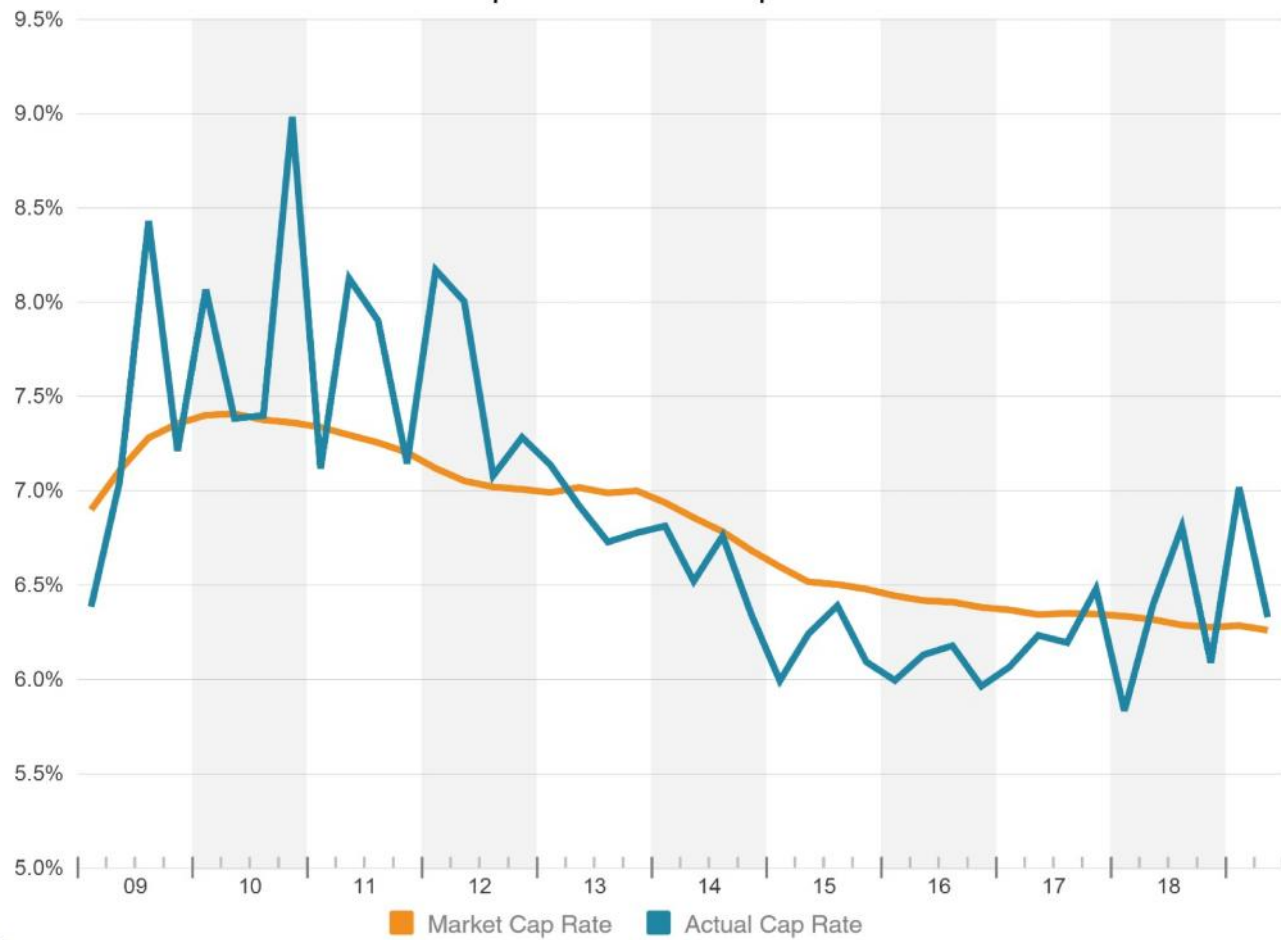


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Market Cap Rate & Actual Cap Rate



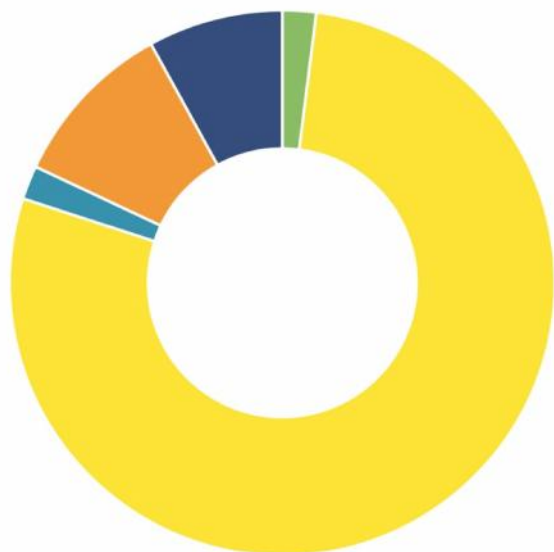
Market Cap Rate Actual Cap Rate

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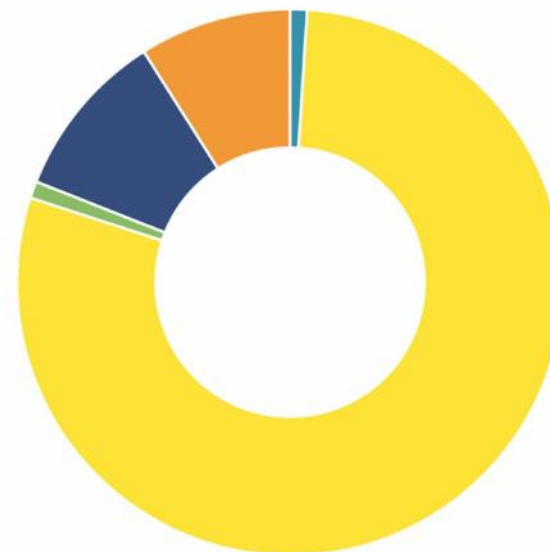
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Sales Volume by Seller Type




 Private Equity - 2% Private - 78% REIT/Public - 2% Institutional - 10% User - 8%
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Sales Volume by Buyer Type




 REIT/Public - 1% Private - 79% Private Equity - <1% User - 10% Institutional - 9%
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Deal Story – Corona Freeway Center

2410 Wardlow Road, Corona, CA



- 67,690 SF
- \$11M sale price; \$11.3M ask
- 5.62% Cap Rate
- Value Added Due to Low Lease Rates
- Freeway Adjacent
- "East Orange County"

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Deal Story – Rancherias Shops

20162 Highway 18, Apple Valley, CA



- 15k SF shops anchored by CVS and 99 Cent Only
- \$2.55M sale price; \$2.60M ask
- 8.00% cap rate
- 8 total offers; 8-month list to close
- Location and vacancy were primary challenges
- Pricing and market timing had to sync

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Deal Story – Shops at Ramona Expressway

780 Ramona Expressway, Perris, CA



- 9,000 SF shops adjacent to high performing Chevron
- Mostly mom & pop tenants
- \$3.50M sale price; \$3.54M ask
- 6.32% cap rate
- 11 total offers
- Buyers attracted to “core” Riverside County location with clear growth patterns

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Deal Story – Beaumont Popeyes

501 E 5th Street



- \$2.4M ask (5.00% cap)
- 18 years remaining; franchise signature
- 8 offers generated so far
- In-and-out of escrow twice (now entering 3rd)
- Exchange buyers tying up multiple properties and tightening their underwriting belts

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Investment Sales Trends & Observations

- Investor activity has improved due to increased confidence and lower loan rates.
- Single tenant market is holding firm based upon maturing 1031 buyers looking to simplify life and get a return on their capital;
- Multi-tenant market is very property & location specific;

Commercial Land Values

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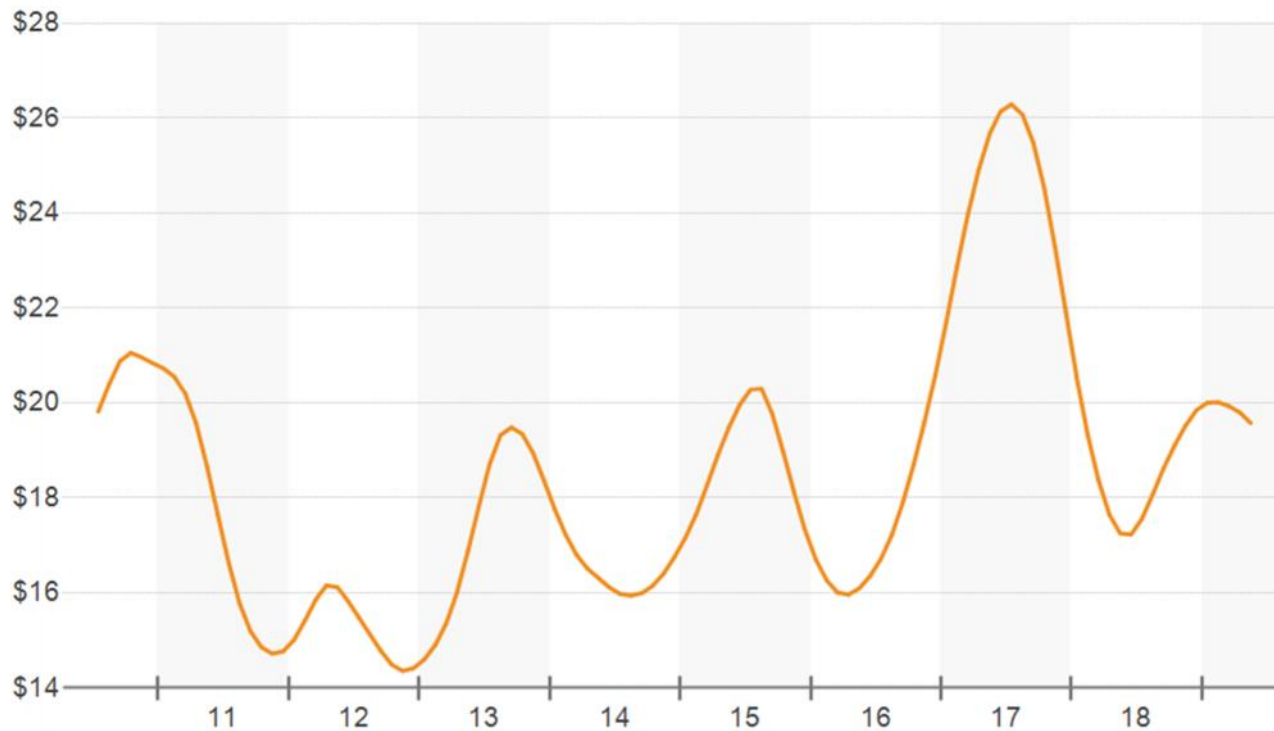
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Challenges of Valuing Commercial Land

- Few transactions
- Hard to compare apples to apples
- Tenant driven – some tenants can pay a lot
- Size matters – the smaller the better!
- Ground Leases Are Prevalent
- Tear downs do not show up as land comps
- Costar incorrectly categorizes most transactions

Inland Empire Vacant Commercial Land ½ Acre to 2 Acres



Inland Empire Commercial Land Values for New Retail Construction

- Analyzed 170 sold comparables over the past 2 years that Costar labeled as “commercial” – all were over 2 acres. Parcels subject to ground leases were excluded.
- Concluded that most were parcels intended for residential or industrial.
- Used our knowledge of location and developers to determine if it was a “retail developer” site or owner/user site.

Inland Empire Commercial Land Comp Summary

Comp #	Developer Comps
1	\$6.35
2	\$7.73
3	\$7.86
4	\$9.17
5	\$9.37
6	\$9.54
7	\$9.85
8	\$9.96
9	\$10.00
10	\$12.96
11	\$14.00
12	\$16.58
13	\$20.28
Average	\$11.05
Median	\$9.85

Comp #	Owner/User Comps
2	\$6.76
3	\$7.40
4	\$11.81
5	\$13.14
6	\$13.25
7	\$13.75
8	\$15.19
9	\$15.87
10	\$16.53
11	\$16.69
12	\$19.22
1	\$22.22
13	\$25.97
14	\$33.34
Average	\$16.51
Median	\$14.47

Note: Mostly Auto Related including service stations and auto dealers

Final Thoughts

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Final Thoughts

- Overall, we are in a very positive environment;
- Development will be modest due to changes in the retail sector, concerns about the cycle, rising costs (construction, land, fees), and retailer caution;
- Expect continued challenges and opportunities as there are numerous retailers that are challenged by both technology and debt;



Questions

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