



4th Quarter 2017

2017 High Desert Commercial Real Estate at a Glance

The High Desert continues to see interest from both regional and national tenants as the area promotes great opportunity, unbeatable value and improved infrastructure throughout the region.

Adelanto

Adelanto's abundance of land attracted both regional and international companies looking to expand and relocate their operations. Aircore Cookware, a company from China, sought out Adelanto for the expansion of their operations. The building will be the largest manufacturing facility to date in Adelanto totaling 100,000 SF. Clark Pacific, the leading company for prefabricated building systems, relocated their Irwindale facility to Adelanto which is now located on over 135 acres.

Apple Valley

Keeping their residents top of mind, Apple Valley has authorized for a Walmart Supercenter to be built on Dale Evans Parkway near Thunderbird Road. The proposed 227,000 SF facility will more than double their existing 100,000 SF Walmart. Big Lots Distribution Center is currently under construction. With only 5 distribution centers in North America, the 1.3 million-square-foot facility, located on Johnson Rd., is expected to open in the beginning of 2019.

Barstow

Bringing new faces to Barstow, Kathryn Bailey, Sales and Leasing Agent of Lee & Associates had the pleasure of completing the signing of Tractor Supply Company, Dickey's BBQ and Cricket Wireless. Representing a multi-million-dollar investment in Barstow, Super Walmart opened its doors in their 200,000 SF facility. This location will be the fifth supercenter in the High Desert.

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Other additions in Barstow's retail market included tenants such as The Habit, Fallas Paredes and Marshall's.

Hesperia

Development, improved infrastructure and new communities were welcomed by the City of Hesperia this past year. Phase II of the High Desert Gateway is still under construction and will be bringing in confirmed tenants including Starbucks, Jimmy John's, Fatburger and Shell gas station. Germany based supermarket, Aldi made its appearance on the west end of Hesperia. Included in the shopping center is Dollar Tree, T-Mobile and Wendy's with Les Schwab Tire Center currently being developed. Aemerge Redpak, a green technology manufacturing company that relocated from Indiana debuted it's 37,700 SF facility making it the only permitted facility in the state able to treat all types of medical waste as regulated by the California Department of Public Health.

Victorville

Lee & Associates brings Harbor Freight to the City of Victorville. The 27,330 SF retail building located at 14676 7th St. is currently under construction with hopes of Harbor Freight opening early this year. Stirling development executed a multi-year lease with current tenant, Newell Brands, a consumer goods company. With this current lease, they will now occupy over 1 million square feet at SCLA. An 11,300 square foot multi-tenant building on Restaurant Row has made its debut. The building includes High Desert firsts, Which Which Superior Sandwiches, Nektar Juice Bar and Café Rio. Two additional buildings at the location will soon occupy Habit Burger and California's first Cracker Barrel Old Country Store.



COMMERCIAL REAL ESTATE SERVICES

Corporate ID 01328146

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INDICATORS AT A GLANCE**GDP Growth**

2.9% pace in '18, up from 2.2% in '17

Interest Rates10-year T-notes at 2.4%
By end '17**Inflation**

2.1% in '18 the same as in '17

Unemployment

Currently at 4.1%

Manufacturing GrowthIncreasing 3% in '17
2.8% in '18**Alerts****SB 173**

The BRE is now the DRE (Again): In 2012, the Department of Real Estate (DRE) became the Bureau of Real Estate (BRE). On January 1, 2018, the BRE will again become the DRE.

AB 1650

Real Estate Licensee Advertisements: Under existing law, "first point of contact" solicitation materials from real estate licensee must include the name and license number of the licensee and identify the responsible broker. Before January 1, 2018, there was an exception for advertisements in print or electronic media, or for newspapers and magazines. This exception has been eliminated. An exception remains for open house, "for sale", "for rent or for lease" and directional signs, as long as no identifying licensee information is included (or only the broker's name appears). Real estate licensees should include their name and license number, and the responsible broker, on all solicitation materials, including business cards, stationary, advertising flyers, advertisements on television, in print, or electronic media, signage, and other materials designed to "solicit the creation of a professional relationship between the licensee and a consumer."

Office & Industrial Market at a Glance

Office: total RBA is **6,975,146 SF** and **509,865 available SF**. There are a total of **1,190** buildings. The vacancy rate is 4.8% with a Q4 net absorption of **(14,272) SF** and the average lease rate is **\$1.38/psf MG**.

Industrial: total RBA is **20,041,589 SF** with **1,860,834 available SF**. There are a total of **1,000** buildings. The vacancy rate is 7.4% with a Q4 net absorption of **(161,834) SF** and an average lease rate of **\$ 0.90/psf MG**.

Retail: total RBA is **23,490,851 SF** with **2,551,090 available SF**. There are a total of **2,520** buildings. The vacancy rate is 8.8% with a Q4 net absorption of **(14,786) SF** and an average lease rate of **\$ 1.10/psf NNN**.

The condition of the High Desert commercial real estate market has continued to improve, with steady absorption for the foreseeable future. We are seeing momentum improve quarterly. The Inland Empire has been a top five market for developers since 4th Quarter of 2011.



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Completed Lease Transactions

<u>Tenant</u>	<u>Size</u>	<u>Address</u>	<u>Leasing Rates</u>
Desert Medical Equipment	4,500 SF	12402 Industrial Blvd. Victorville	\$1.10 NNN
A Star Transmission	4,000 SF	13625 Manhasset Rd. Apple Valley	\$.39 G
Distribution Use	3,750 SF	17359 Darwin Ave. Hesperia	\$0.53 MG
Sprint	3,325 SF	1350 E. Main St. Barstow	\$1.16 NNN
Glass Doctor of Victorville	2,550 SF	12402 Industrial Blvd. Victorville	\$0.50 MG
Garcia's Auto Repair	2,500 SF	17359 Darwin Ave. Hesperia	\$0.60 MG
CVH Medical	2,400 SF	1332 E. Main St. Barstow	\$0.79 NNN

Sold Properties



16276 Koala Rd. Adelanto



17474 Catalpa St. Hesperia

14678 7th St. Victorville14676 7th St. Victorville

ECONOMIC INDICATORS, BUSINESS NOTES, AND PREDICTIONS:

- With consumer spending up and online sales growing, e-commerce continues to factor into the Inland Empire industrial landscape.
- Carrying into 2018, the Inland Empire can expect to attract tenants that are feeling priced out of the Orange County and Los Angeles markets as well as factors related to the e-commerce distribution chain.
- Energy prices rose 8% this year as rising crude oil prices spurred gasoline and fuel oil prices. Electricity and natural gas prices also trended up.
- Oil is currently trading at \$61 per barrel and will begin to trend lower in 2018. By February we can expect to see barrels trading at \$50 to \$55.
- In November, new home sales soared to 17.5%. Sales for October, September and August were revised lower. From month to month new home sales are erratic but have been on an upward trend for the year.
- Strong demand has also led to higher permitting for nonresidential buildings. Nonresidential permitting activity in the first nine months of 2017 was 27.8% above the same period in 2016.
- The robust expansion is related to the jump in the local population. The region's population growth from 2016 and 2017 placed San Bernardino County in the 10 fastest growing counties in California
- The Leisure and Hospitality sector led job gains in November, adding 15,400 positions. With several months of solid job gains, growth in this sector has jumped to 2.9% year-over-year, well ahead of the 1.8% pace in the nation overall. The largest job losses were in the Retail Trade sector, which shed 7,500 jobs during the month. This marks a continued slowdown for the sector, with year-over-year growth falling to -0.2% in November.



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**Industrial Building
Vacancy Rate**



Present & Past Clients of Don Brown:

- *Desert Community Bank
- *Western Realty Property
- *Wedington Heritage
- *Equitable Companies LLC
- *City of Victorville
- *City of Barstow
- *County of San Bernardino
- *City of Adelanto
- *Enterprise Funding Corp.
- *Pacific Western Bank
- *Alaska Federal Credit Union
- *Town of Apple Valley
- *Choice Medical Group
- *Citizens Business Bank
- *Hudson Realty Advisors
- *Lewis Retail Centers
- *Chino Commercial Bank
- *Space Center Incorporated
- *Nutro Products
- *Farmers Insurance
- *General Atomics
- *World Premier Investments



For a Property Evaluation or Further Information contact:

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