

## Report to Economic Development Sub-Committee

**TO:** Economic Development Subcommittee  
**FROM:** Mike Lee, Economic Development Director  
**AGENDA DATE:** February 13, 2018  
**TITLE:** MARKET UPDATES

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### RECOMMENDED ACTION

Staff recommends that the Economic Development Subcommittee members receive and file the attached information about Moreno Valley's Retail, Office, and Industrial markets. Staff will provide a verbal presentation at the Subcommittee meeting.

### ATTACHMENTS

EXHIBIT A: Market Report for Moreno Valley's OFFICE activity  
EXHIBIT B: Market Report for Moreno Valley's INDUSTRIAL activity  
EXHIBIT C: Market Report for Moreno Valley's RETAIL activity  
EXHIBIT D: Moreno Valley Sales Tax Update – 3<sup>rd</sup> Quarter 2017

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Economic Development Manager

Department Head Approval: Mike Lee  
Economic Development Director

# Moreno Valley Market Report - OFFICE 4Q 2017

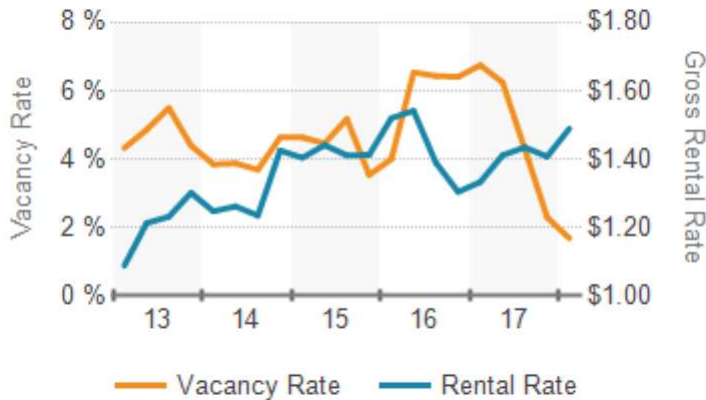
Availability	Survey	5-Year Avg
Gross Rent Per SF	\$1.49	\$1.34
Vacancy Rate	1.7%	4.8%
Vacant SF	22,086	61,919
Availability Rate	3.1%	6.2%
Available SF	41,284	79,730
Sublet SF	0	287
Months on Market	7.7	16.9

Inventory	Survey	5-Year Avg
Existing Buildings	93	92
Existing SF	1,320,740	1,290,945
12 Mo. Const. Starts	0	19,606
Under Construction	0	9,803
12 Mo. Deliveries	0	23,963

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	58,584	15,739
12 Mo. Leasing SF	77,678	32,904

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$112	\$215
Asking Price Per SF	\$157	\$205
Sales Volume (Mil.)	\$1.4	\$8.2
Cap Rate	-	7.0%

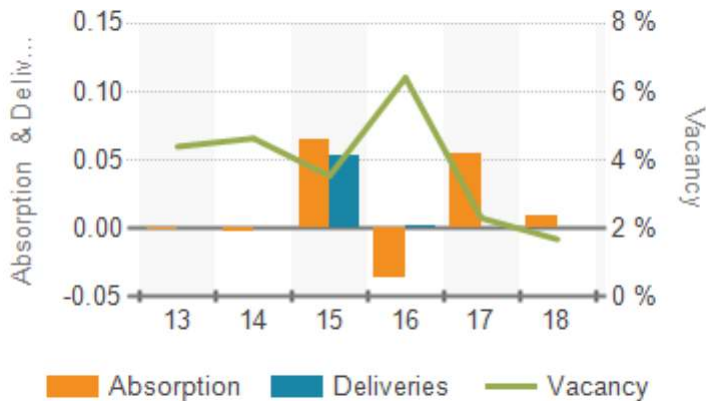
## Vacancy & Rental Rates



## Gross Asking Rent Per SF



## Absorption, Deliveries, Vacancy



## Months on Market



# Moreno Valley Market Report - INDUSTRIAL 4Q 2017

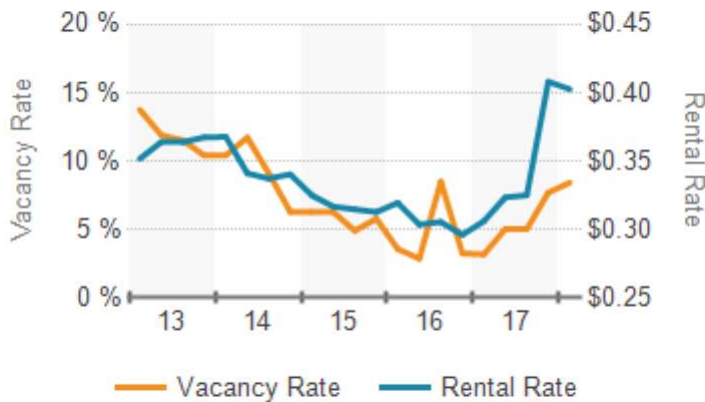
Availability	Survey	5-Year Avg
Rent Per SF	\$0.40	\$0.34
Vacancy Rate	8.4%	6.9%
Vacant SF	1,843,233	1,220,357
Availability Rate	20.5%	13.8%
Available SF	5,266,727	2,716,962
Sublet SF	0	197,323
Months on Market	8.0	9.9

Inventory	Survey	5-Year Avg
Existing Buildings	107	100
Existing SF	21,921,523	17,782,005
12 Mo. Const. Starts	3,199,332	2,002,648
Under Construction	3,787,721	1,906,120
12 Mo. Deliveries	1,002,745	2,374,363

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	-164,248	1,800,672
12 Mo. Leasing SF	755,738	2,669,132

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$90	\$68
Asking Price Per SF	\$103	\$101
Sales Volume (Mil.)	\$106	\$69
Cap Rate	5.1%	5.3%

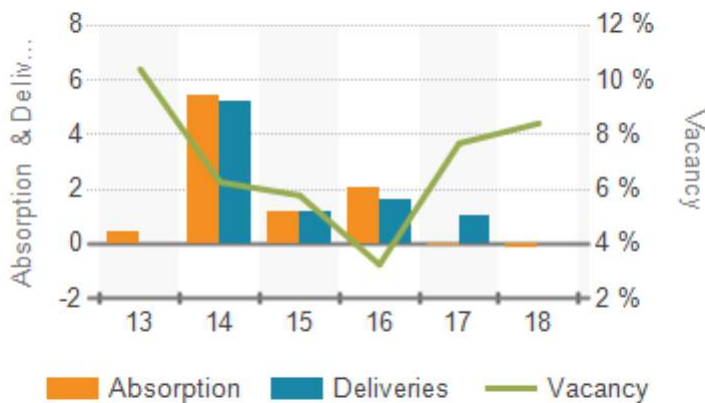
## Vacancy & Rental Rates



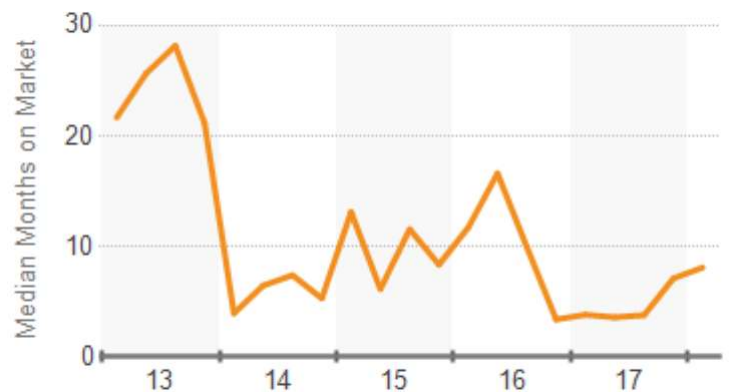
## Asking Rent Per SF



## Absorption, Deliveries, Vacancy



## Months on Market



# Moreno Valley Market Report - RETAIL 4Q 2017

Availability	Survey	5-Year Avg
NNN Rent Per SF	\$1.10	\$1.33
Vacancy Rate	12.7%	12.1%
Vacant SF	1,012,565	951,783
Availability Rate	16.4%	14.8%
Available SF	1,319,264	1,171,413
Sublet SF	45,600	70,171
Months on Market	15.0	30.7

Inventory	Survey	5-Year Avg
Existing Buildings	507	498
Existing SF	7,999,564	7,871,281
12 Mo. Const. Starts	21,176	41,288
Under Construction	23,759	34,005
12 Mo. Deliveries	55,061	40,080

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	-82,723	60,908
12 Mo. Leasing SF	168,374	273,538

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$136	\$169
Asking Price Per SF	\$239	\$242
Sales Volume (Mil.)	\$79	\$60
Cap Rate	7.8%	6.4%

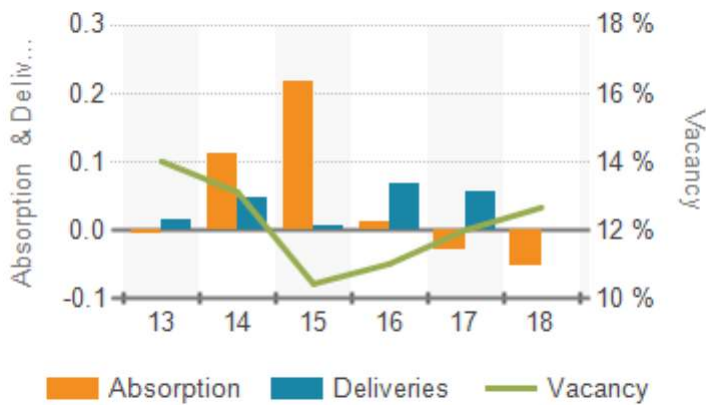
### Vacancy & Rental Rates



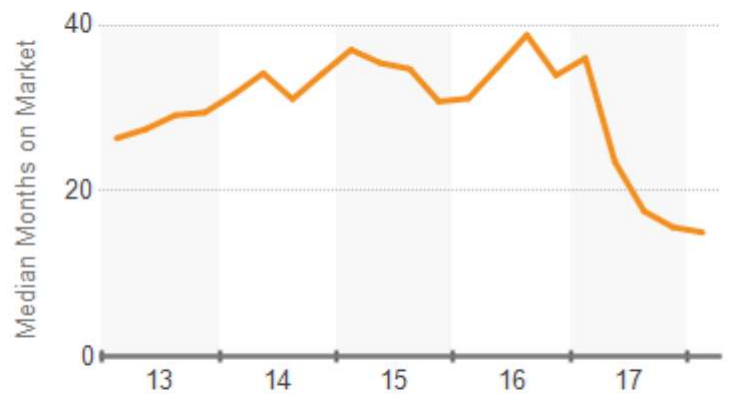
### NNN Asking Rent Per SF



### Absorption, Deliveries, Vacancy



### Months on Market





# Q3 2017



# Moreno Valley Sales Tax *Update*

*Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)*

## Moreno Valley In Brief

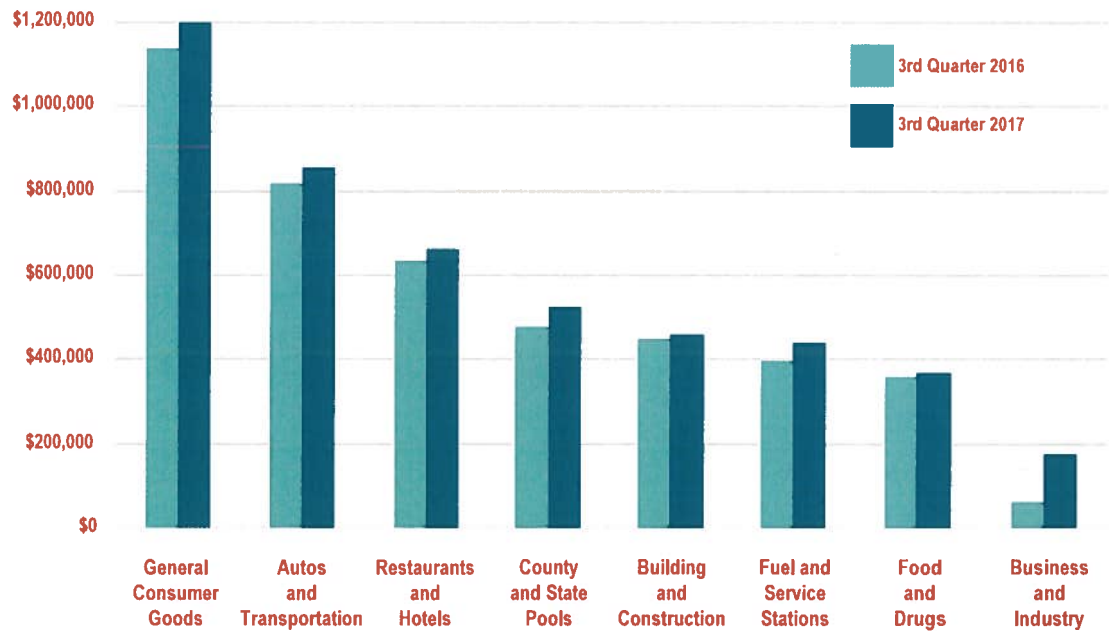
Receipts for Moreno Valley's July through September sales were 8.2% higher than the same quarter one year ago when accounting adjustments cut postings from multiple business and industry group accounts. Actual sales increased 4.3% when these and other anomalies were excluded.

Solid sales at new car dealerships, combined with higher fuel prices that hiked returns from service stations and consumer goods retailers with gasoline sales, were major factors for the overall increase. This quarter's allocation from the county-wide use tax pool was also a factor. Payment deviations inflated results from electronics/appliances, home furnishings, restaurants and the food-drugs group.

Net of aberrations, lower sales in the drugs/chemicals and light industrial sectors pared business and industry group proceeds by 5.5%. Consumer goods increases were partially offset by lower department store sales and last year's closeout of a sporting goods store.

Adjusted for onetime reporting events, taxable sales for all of Riverside County increased 5.1% over the same period; Southern California regional totals were up 3.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Moss Bros Toyota
Chevron	Robertsons Ready Mix
Circle K	Ross
Costco	Sears
Food 4 Less	Stater Bros
Home Depot	Target
JC Penney	Tesoro Refining & Marketing
Lowe's	TJ Maxx/Home Goods
Macys	Volkswagen of Moreno Valley
Moreno Beach Market	Walgreens
Moss Bros Buick GMC	Walmart Supercenter
Moss Bros Chevrolet	
Moss Bros Chrysler Jeep Dodge Ram Fiat	
Moss Bros Honda	

## REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$3,855,374	\$4,157,574
County Pool	473,526	522,466
State Pool	1,311	3,219
<b>Gross Receipts</b>	<b>\$4,330,211</b>	<b>\$4,683,259</b>

**Statewide Trends**

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

**Cannabis Taxation**

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

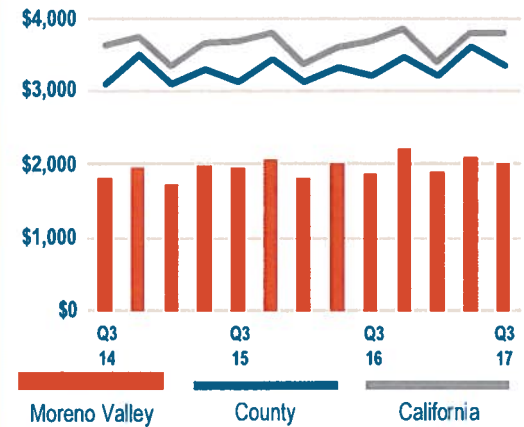
**Sales Tax and Natural Disasters**

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

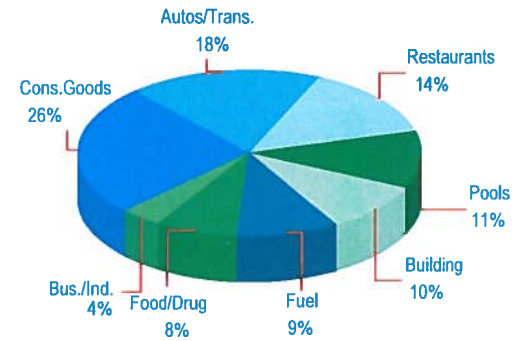
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Moreno Valley This Quarter



**MORENO VALLEY TOP 15 BUSINESS TYPES**

Business Type	Moreno Valley		County	HdL State
	Q3 '17*	Change	Change	Change
Automotive Supply Stores	86.6	1.6%	4.9%	3.7%
Building Materials	304.7	3.1%	4.8%	5.6%
Casual Dining	217.0	2.5%	5.1%	2.3%
Contractors	— CONFIDENTIAL —	—	5.5%	6.5%
Convenience Stores/Liquor	64.8	0.7%	9.0%	7.8%
Department Stores	136.0	-9.8%	-5.7%	-7.5%
Discount Dept Stores	— CONFIDENTIAL —	—	4.5%	6.1%
Electronics/Appliance Stores	80.3	13.5%	-2.9%	0.3%
Family Apparel	165.8	3.4%	0.0%	1.7%
Fulfillment Centers	— CONFIDENTIAL —	—	434.1%	42.9%
Grocery Stores	259.1	2.5%	1.6%	0.6%
New Motor Vehicle Dealers	632.1	5.6%	3.9%	0.9%
Quick-Service Restaurants	375.8	6.9%	5.3%	4.8%
Service Stations	439.4	11.2%	8.7%	9.2%
Shoe Stores	61.9	-0.2%	-1.1%	-1.0%
<b>Total All Accounts</b>	<b>4,157.6</b>	<b>7.8%</b>	<b>6.0%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>525.7</b>	<b>10.7%</b>	<b>8.8%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>4,683.3</b>	<b>8.2%</b>	<b>6.3%</b>	<b>4.2%</b>