

MARKET TRENDS

INLAND EMPIRE INDUSTRIAL

MARKET DRIVERS

THE INLAND EMPIRE'S main industrial market driver is still in Southern California, close to the Los Angeles and Long Beach ports, providing businesses easy access to critical transportation and logistical networks crucial for distributing commodities.

THIS YEAR, consumer spending has slowed, and cargo volume at Southern California ports has dropped considerably due to a downturn in international trade. Nevertheless, asking rents have grown more quickly in specific areas where supply has expanded the most.

A KEY DRIVER in the industrial market is balancing supply and demand. Rents and property values may rise if there is a gap between demand and supply for industrial spaces. However, an oversupply of industrial properties can lead to reduced rental prices and more landlord competition.

ECONOMIC REVIEW

THE CONVERGENCE of decreasing demand, rising vacancies, and higher delivery costs may negatively impact market circumstances. Developers are still quite active, as seen by the 5.0% of under-construction inventory that makes up the current inventory and the fact that it has the highest relative construction velocity of all the major U.S. industrial markets.

DEMAND IS SOFTENING due to reduced consumer spending and sluggish international trade at the ports. The delayed disruption caused by labor contract conflicts in West Coast ports in June resulted in container backlogs and prolonged wait times, and as a result, some shippers chose to offload in East Coast ports. Deal flow has slowed this year, but a few significant transactions have increased volume.

NEAR-TERM OUTLOOK

THROUGH 2023, the Inland Empire Industrial Market is expected to experience an increase in vacant property as released construction projects come to completion. There will then be a period of decline as the new supply is absorbed and the pace of development comes to typical levels. Supply growth will generate further upward pressure on vacancy at least through the end of the year, as the under-construction inventory is pre-leasing at a slower rate.

Market Summary

	2Q23	1Q23	2Q22	Annual Change
Direct Vacancy Rate	2.9%	2.4%	0.9%	225.63%
Availability Rate	9.0%	7.9%	4.6%	96.52%
Asking Lease Rate	\$1.41	\$1.45	\$1.01	39.60%
Leasing Activity (SF)	8,367,288	9,277,812	8,545,091	-2.08%
Sale Volume (SF)	3,912,160	3,044,755	6,252,572	-37.43%
Net Absorption (SF)	(2,289,402)	3,547,793	4,333,667	N/A

↔ **8.4M SF**
LEASING ACTIVITY

↓ **2.3M SF**
NET ABSORPTION

↑ **2.9%**
VACANCY RATE

↑ **\$1.41**
ASKING RENT (AVG)

↓ **1.6M SF**
NEW DELIVERIES

Year-Over-Year Trend

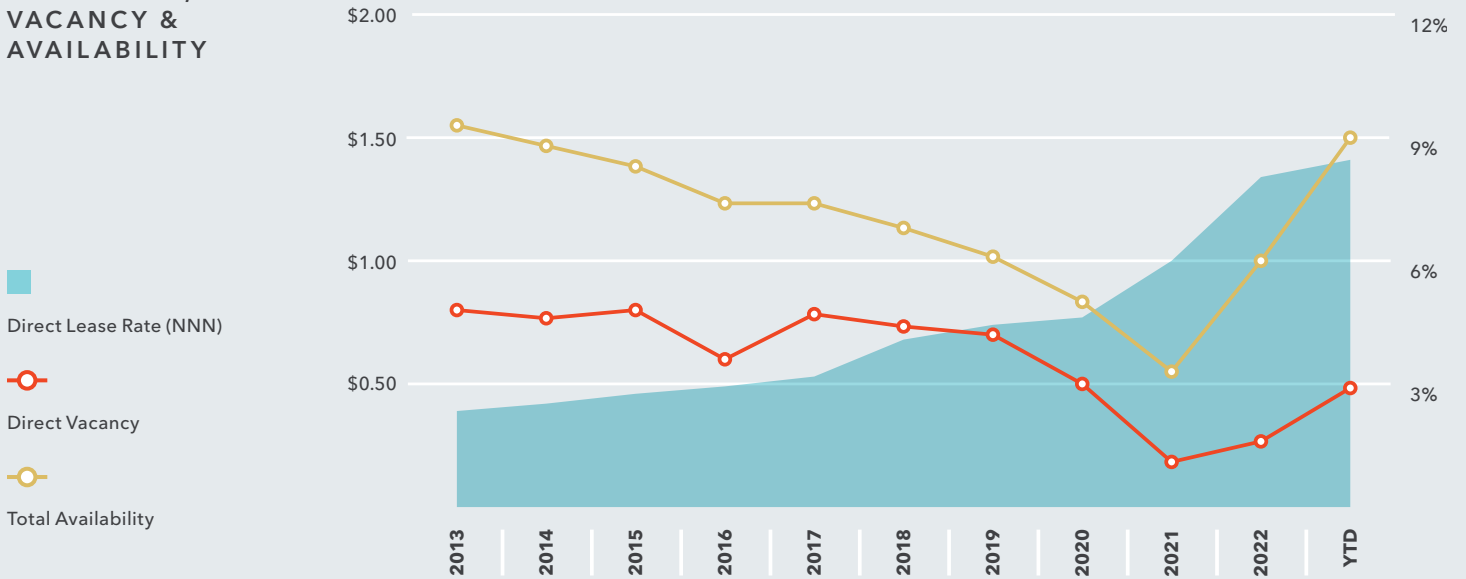
Market Highlights

DIRECT VACANCY is 2.9% due to a significant amount of currently constructed new buildings

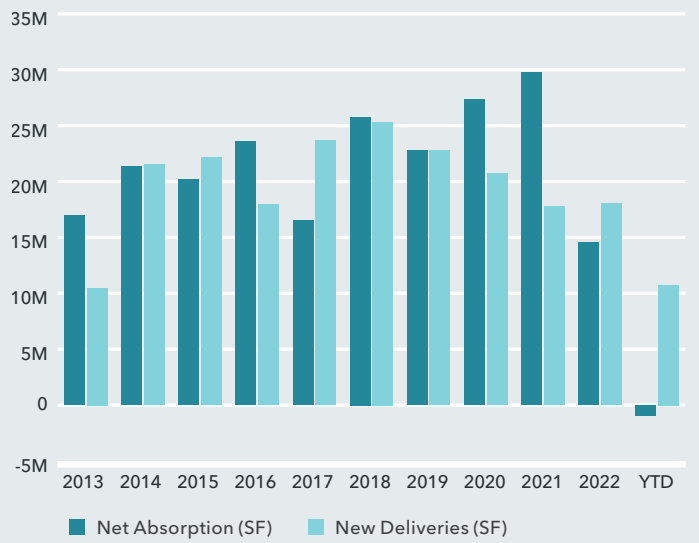
MARKET AVERAGE remains steady at \$1.41/SF on a triple net basis

AVERAGE SALE PRICE in Q2 2023 was \$296.11/SF, and the cap rate remained constant at 5.2%

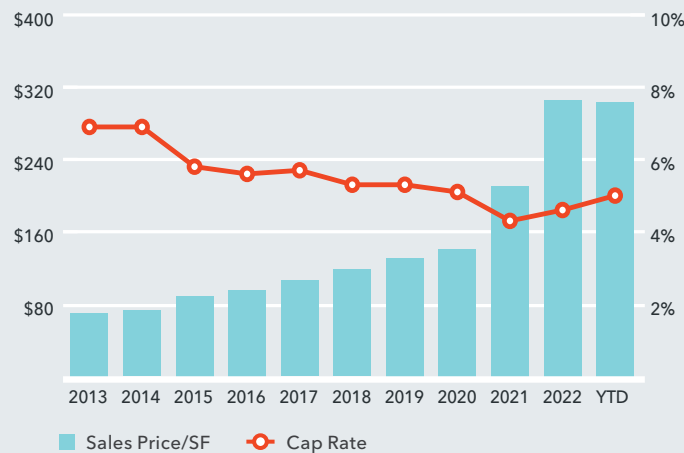
LEASE RATE, VACANCY & AVAILABILITY



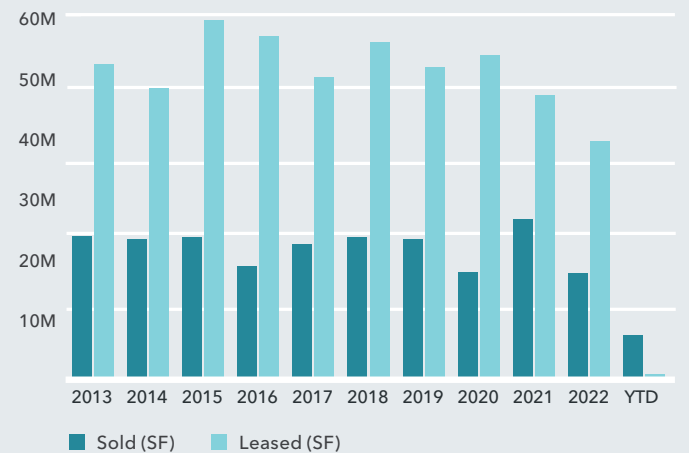
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Const.	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q Direct Net Absorption	YTD Direct Net Absorption	2Q Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Chino/Chino Hills	55,685,977	1,405,786	3.6%	0.3%	3.9%	7.1%	(775,949)	(258,085)	589,536	2,904	\$1.75
Fontana	71,780,822	4,161,510	4.5%	0.3%	4.7%	15.5%	(142,618)	(84,364)	741,819	401,970	\$1.65
Jurupa Valley	31,757,009	4,484,495	1.0%	0.0%	1.0%	10.2%	(52,709)	0	871,299	0	\$1.82
Mira Loma	947,204	0	6.5%	0.9%	7.3%	7.3%	0	(38,955)	10,000	0	\$1.58
Montclair	4,053,318	0	7.5%	0.0%	7.5%	7.7%	(96,712)	(13,146)	33,128	8,194	\$1.50
Ontario	117,140,546	7,561,272	3.0%	0.4%	3.4%	8.6%	(1,381,029)	(407,768)	1,302,828	40,288	\$1.72
Rancho Cucamonga	40,825,521	2,830,654	2.6%	0.2%	2.8%	8.6%	(236,886)	(98,863)	1,783,377	6,358	\$1.53
Upland	3,978,381	60,900	1.6%	0.0%	1.6%	4.8%	(14,832)	(9,109)	27,564	0	\$1.34
West	326,168,778	20,504,617	3.2%	0.3%	3.5%	9.9%	(2,700,735)	(910,290)	5,359,551	459,714	\$1.61
Banning	1,951,080	1,186,690	6.0%	0.0%	6.0%	5.2%	(6,700)	0	74,353	0	\$2.00
Beaumont	6,632,630	1,777,708	0.0%	0.0%	0.0%	0.0%	0	0	0	0	\$0.00
Bloomington	10,163,613	0	0.8%	0.0%	0.8%	1.9%	9,510	(8,600)	17,750	0	\$1.24
Colton	10,885,877	0	4.2%	0.7%	4.9%	10.8%	(156,996)	(63,250)	62,279	0	\$1.00
Corona	32,843,908	1,095,498	4.5%	0.1%	4.6%	7.3%	(95,062)	(145,636)	386,930	0	\$1.60
Eastvale	14,073,757	0	1.7%	0.0%	1.7%	2.8%	0	0	425	0	\$1.55
Grand Terrace	424,525	0	0.6%	0.0%	0.6%	0.4%	250	0	3,910	0	\$0.00
Highland	2,089,637	305,617	0.0%	0.0%	0.0%	14.6%	0	0	0	0	\$0.00
Loma Linda	427,629	0	0.0%	0.0%	0.0%	0.0%	1,368	0	27,365	0	\$1.25
Moreno Valley	32,132,325	1,052,800	1.1%	0.9%	2.0%	2.5%	381,847	104,282	3,402	0	\$1.20
Norco	2,782,955	699,356	36.8%	0.0%	36.8%	32.6%	(3,519)	0	129,261	0	\$1.48
Perris	40,020,510	6,995,564	3.3%	2.5%	5.8%	9.8%	327,399	251,366	752,026	0	\$1.25
Redlands	30,433,597	549,772	1.6%	2.5%	4.0%	10.1%	161,014	1,475	105,373	0	\$1.42
Rialto	31,557,902	555,060	1.9%	0.0%	1.9%	10.1%	27,840	2,400	208,079	0	\$1.25
Riverside	57,230,299	1,578,062	1.7%	1.4%	3.2%	6.8%	(229,055)	(21,020)	790,057	8,117	\$1.51
San Bernardino	43,358,075	201,195	1.5%	0.6%	2.1%	11.0%	(186,927)	(58,886)	292,632	2,372	\$1.39
East	317,008,319	15,997,322	2.5%	1.0%	3.5%	7.9%	230,969	62,131	2,853,842	10,489	\$1.42
Hemet	1,607,929	0	1.7%	0.0%	1.7%	3.3%	(21,110)	0	0	0	\$0.00
Lake Elsinore	2,731,369	0	2.0%	0.0%	2.0%	7.3%	(8,980)	(5,138)	4,996	2,961	\$1.09
Menifee	1,322,987	544,115	60.4%	0.0%	60.4%	60.4%	0	0	0	0	\$1.25
Murrieta	4,496,754	253,464	1.9%	0.2%	2.1%	5.8%	50,254	(7,400)	39,448	10,356	\$1.32
San Jacinto	1,086,019	0	1.8%	0.0%	1.8%	2.2%	6,030	(2,500)	0	0	\$0.80
Temecula	10,289,278	109,585	0.8%	1.2%	2.0%	5.2%	150,506	(40,598)	109,451	3,870	\$1.15
Wildomar	317,860	0	0.0%	0.0%	0.0%	0.0%	3,664	0	5,961	0	\$1.10
South	21,852,196	907,164	4.9%	0.6%	5.5%	11.6%	180,364	(55,636)	159,856	17,187	\$1.18
5,000 - 24,999	71,562,699	486,351	2.4%	0.1%	2.5%	3.9%	(96,684)	(108,117)	829,029	24,337	\$1.50
25,000 - 49,999	50,427,361	1,203,244	4.1%	0.3%	4.4%	7.1%	111,755	(144,163)	626,284	50,727	\$1.51
50,000 - 99,999	60,965,108	2,590,434	5.1%	0.2%	5.3%	9.1%	(332,751)	(431,465)	876,916	76,809	\$1.45
100,000 - 249,999	122,213,303	6,209,853	6.3%	0.6%	7.0%	14.1%	(1,495,872)	(471,416)	881,022	0	\$1.52
250,000 - 499,999	133,424,870	3,385,356	2.5%	1.3%	3.7%	10.6%	(360,927)	251,366	1,629,439	325,161	\$1.77
500,000 - 999,999	142,572,953	2,518,262	1.1%	1.1%	2.1%	8.3%	0	0	645,311	0	\$1.02
1,000,000 Plus	83,857,547	7,783,027	0.0%	0.0%	0.0%	5.8%	0	0	1,422,524	0	\$0.98
Inland Empire Total	665,029,293	37,409,103	2.9%	0.6%	3.6%	9.0%	(2,289,402)	(903,795)	8,373,249	487,390	\$1.41

TOP SALE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Corona Lakeside Logistics Ctr.	Inland Empire East	727,708	\$325,000,000	\$446.61	Wilshire Corona Lakeside Owner (GLP)	Kearny Real Estate Company
Horizon Distribution Ctr.	Inland Empire East	329,831	\$125,500,000	\$380.50	Syracuse Parkhurst St Owner (GLP)	State Teachers Retirement Syst. of OH.
531 E Central Ave	Inland Empire East	457,125	\$121,079,500	\$264.87	Oaktree Capital Management, L.P.	Real Estate Development Associates
Enterprise Distribution Ctr.	Inland Empire East	272,120	\$84,200,000	\$309.42	New York Life R.E. Investors	TA Realty
Exeter Alessandro Comm. Ctr.	Inland Empire East	596,090	\$78,000,000	\$130.85	High Tech Logistics, LLC	EQT Exeter

TOP LEASE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
12430 Fourth St	Inland Empire West	1,422,524	May 2023	RC Fourth & Hermosa LLC	Chaudhry
Galleano Distribution Center	Inland Empire East	645,311	June 2023	Prologis, Inc.	Maersk
Harley Knox Gateway - Bldg A (UC)	Inland Empire East	348,375	June 2023	Mead Valley Industrial LLC	Undisclosed
Harvill Logistics Center	Inland Empire East	333,572	April 2023	Blumenfeld Development Group	Cypress Medical
Vintage Park East	Inland Empire West	303,120	June 2023	General Motors Company	Undisclosed

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Amazon	8900 Merrill Ave	Inland Empire West	4,055,890	Prologis	June 2023
Bridge Point Rancho Cucamonga I/II	12430 Fourth St & 12415 Sixth St	Inland Empire West	2,175,021	Bridge	September 2023
Link - Space Center	3412-3413 Manitou Ct	Inland Empire East	1,939,312	Blackstone Inc.	December 2023 / October 2023
Beaumont Crossroads Logistics Park	36855 W Fourth St	Inland Empire East	1,777,708	USAA Real Estate LLC	August 2023
Ontario Ranch Business Park	SEC Eucalyptus & Euclid (1-7)	Inland Empire West	1,691,533	Clarion Partners	June 2023
Agua Mansa Commerce Center	5400 El Rivino Rd	Inland Empire East	1,186,950	CT Realty Investors	September 2023
I-15 Logistics Center	4121 Lytle Creek Road	Inland Empire West	1,171,788	CapRock Partners	July 2023

Data Source: EDD, CoStar



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COMMERCIAL BROKERAGE	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,600+</i> ASSIGNMENTS ANNUALLY	<i>46</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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