

MARKET TRENDS

INLAND EMPIRE INDUSTRIAL

MARKET DRIVERS

THE INLAND EMPIRE emerged as one of the nation's premier logistics industries because of its remarkable expansion during the previous decade, which has elevated it to the third-most profitable industrial market in the US. The primary industrial market of the Inland Empire is ideally situated close to Southern Californian ports, making it simple for companies to distribute goods.

VACANCY remains below historical and national levels, but market conditions are gradually deteriorating, particularly the under-construction of the vacant space inventory.

ECONOMIC REVIEW

THE INDUSTRIAL AND COMMERCIAL ECONOMY of the Inland Empire is still a driving force in Southern California and the broader national economy in the third quarter of 2023. This region's industrial sector, distinguished by enormous warehouses, logistical hubs, and manufacturing facilities, is crucial to the worldwide supply chain.

THE INLAND EMPIRE'S capital markets have pulled back on their available money to lend/invest, causing a massive restriction in the amount of money available to developers for continued land acquisition, economy is still resilient, adaptable, and crucial to California's economic growth halfway through 2023. However, various factors, including interest rates, the state of the economy, and the ongoing supply-demand imbalance, has impact the market.

NEAR-TERM OUTLOOK

IN Q3 2023, the Inland Empire Industrial Market experienced a slowdown, but they are still fundamentally stable. Various challenging factors, such as a reduction in consumer spending, sluggish international trade, and an increase in the supply of new industrial space, contributed to negative net absorption and rising vacancies. However, due to several significant factors, including proximity to major ports, a large and expanding population, and a diverse economy, the market is anticipated to remain balanced towards the end of 2023 and into 2024. A rise in interest in sustainable industrial growth is one of the key trends, as is the growing requirement for e-commerce and last-mile logistics space.

THE INLAND EMPIRE is one of the top five markets that is constantly active in development.

Market Summary

	3Q23	2Q23	3Q22	Annual Change
Direct Vacancy Rate	3.5%	2.8%	1.1%	218.03%
Availability Rate	10.3%	8.7%	5.2%	98.47%
Asking Lease Rate	\$1.37	\$1.41	\$1.29	6.20%
Leasing Activity (SF)	4,285,548	10,148,620	15,589,350	-72.51%
Sale Volume (SF)	1,132,810	5,062,934	4,344,777	-73.93%
Net Absorption (SF)	(2,742,040)	-723,645	1,798,491	N/A

↓ **4.3M SF**
LEASING ACTIVITY

↓ **2.7M SF**
NET ABSORPTION

↑ **3.5%**
VACANCY RATE

↑ **\$1.37**
ASKING RENT (AVG)

↓ **1.9M SF**
NEW DELIVERIES

Year-Over-Year Trend

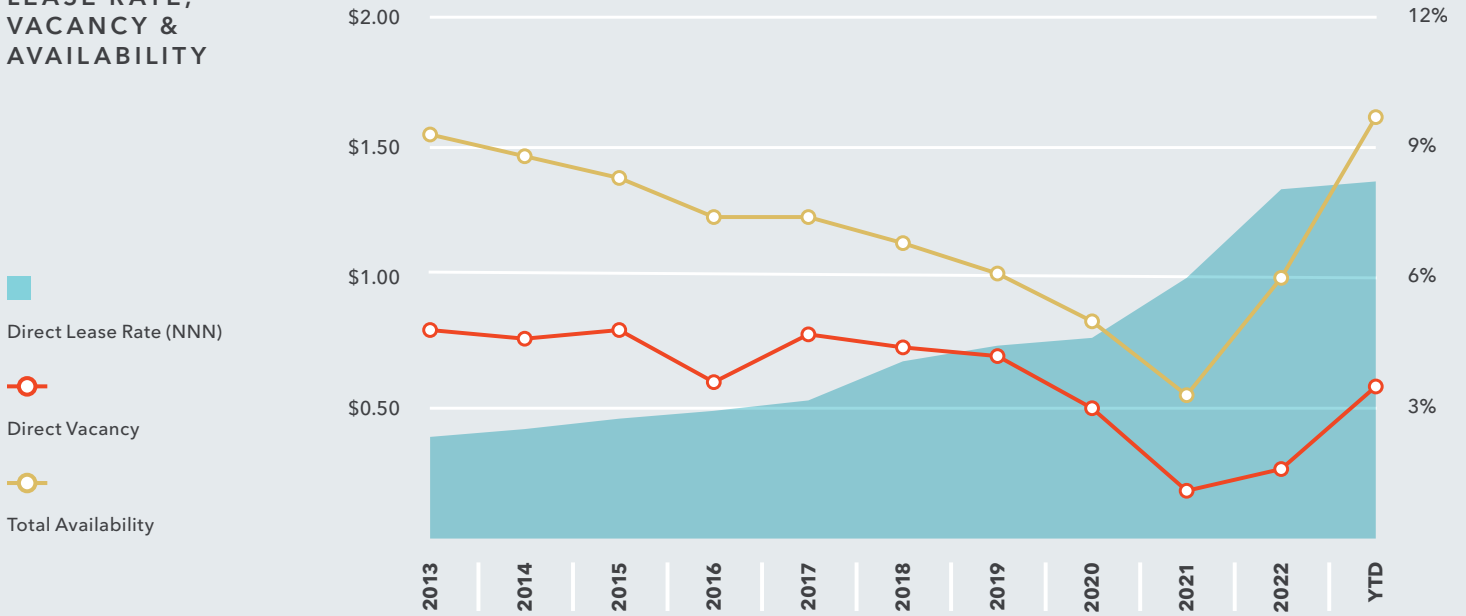
Market Highlights

THE MARKET is particularly tight, with a direct vacancy rate of 3.5%.

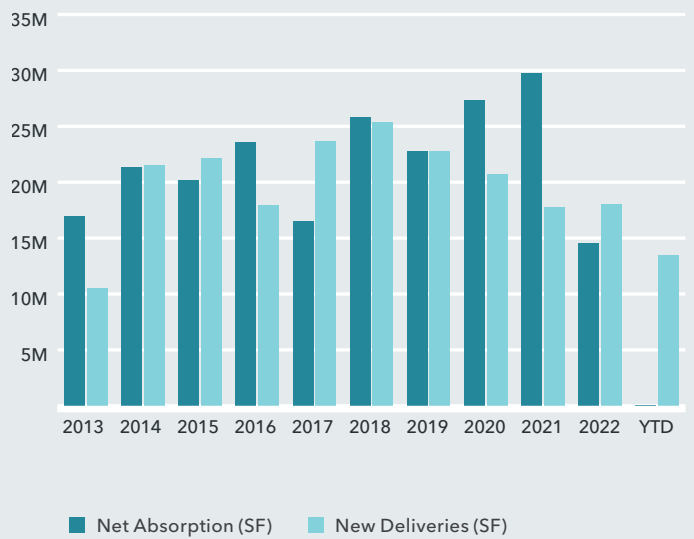
ASKING LEASE RATE is \$1.37/SF on a triple net basis.

THE AVERAGE SALE PRICE in Q3 2023 was \$260.18/SF, and the cap rate remained constant at 3.8%.

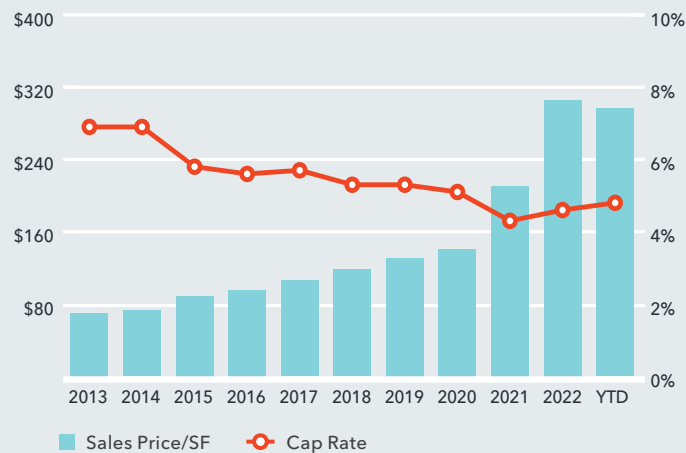
LEASE RATE, VACANCY & AVAILABILITY



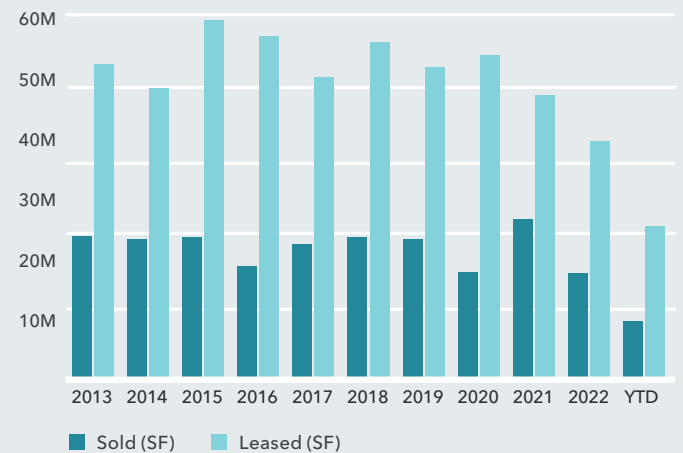
NET ABSORPTION & NEW DELIVERIES



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	3Q Direct Net Absorption	YTD Direct Net Absorption	3Q Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Chino/Chino Hills	55,795,573	1,224,140	4.3%	0.3%	4.6%	7.2%	(362,241)	(1,191,190)	358,767	2,059,207	\$1.88
Fontana	71,897,032	4,145,310	4.8%	0.5%	5.3%	15.5%	(120,565)	(849,898)	973,763	2,170,977	\$1.65
Jurupa Valley	33,342,713	5,049,697	0.8%	0.7%	1.5%	10.7%	(15,324)	1,162,882	58,532	2,719,347	\$1.69
Mira Loma	947,349	0	6.5%	0.9%	7.4%	7.4%	(145)	(54,112)	0	17,424	\$1.36
Montclair	4,062,043	0	8.4%	0.0%	8.4%	7.6%	(45,278)	(149,221)	0	68,544	\$1.50
Ontario	117,431,786	12,097,358	3.2%	1.1%	4.3%	11.5%	(341,057)	(2,236,359)	713,932	3,725,870	\$1.61
Rancho Cucamonga	42,250,833	1,473,121	3.7%	0.8%	4.4%	10.3%	876,533	622,849	368,670	2,587,181	\$1.14
Upland	4,045,893	76,623	6.7%	0.0%	6.7%	8.8%	(209,704)	(159,420)	13,810	71,282	\$1.12
West	329,773,222	24,066,249	3.7%	0.7%	4.4%	11.3%	(217,781)	(2,854,469)	2,487,474	13,419,832	\$1.53
Banning	1,951,080	0	3.4%	0.0%	3.4%	5.5%	51,155	(5,972)	6,700	81,053	\$2.00
Beaumont	6,632,630	1,777,708	0.0%	0.0%	0.0%	0.0%	(2,200)	4,800	0	0	\$0.00
Bloomington	10,209,280	0	1.9%	0.2%	2.1%	1.2%	(105,000)	(43,180)	105,000	199,140	\$1.24
Colton	10,904,405	0	4.3%	0.6%	4.9%	10.6%	(12,973)	(245,056)	24,765	285,913	\$0.30
Corona	32,914,590	203,823	4.6%	0.3%	5.0%	7.1%	(150,173)	(278,147)	163,534	1,059,962	\$1.51
Eastvale	14,133,782	40,000	2.2%	0.0%	2.2%	2.8%	0	402,316	0	150,188	\$1.55
Grand Terrace	424,525	0	1.0%	0.0%	1.0%	1.0%	(2,402)	(4,212)	2,760	6,670	\$0.00
Highland	2,117,635	305,617	0.2%	0.0%	0.2%	14.6%	(3,850)	1,076,294	0	0	\$0.00
Loma Linda	434,629	0	24.4%	0.0%	24.4%	20.2%	(105,997)	(105,997)	0	27,365	\$1.25
Moreno Valley	32,143,739	1,039,909	0.8%	0.9%	1.7%	3.7%	79,988	197,024	2,672	1,114,280	\$1.12
Norco	2,782,955	0	32.3%	0.0%	32.3%	47.6%	5,050	187,041	7,975	140,702	\$1.50
Perris	40,376,266	3,366,645	2.7%	1.7%	4.4%	12.6%	200,654	3,893,609	289,402	2,604,991	\$1.34
Redlands	30,641,075	499,545	3.6%	7.2%	10.8%	15.5%	(515,015)	(420,512)	38,740	602,510	\$1.33
Rialto	31,495,108	527,352	4.5%	2.3%	6.9%	9.5%	(814,823)	(905,505)	702,064	953,569	\$1.54
Riverside	57,226,227	2,402,730	2.7%	1.8%	4.5%	7.3%	(632,792)	(442,396)	245,014	1,890,684	\$1.41
San Bernardino	44,009,625	981,609	3.2%	0.0%	3.3%	12.4%	(600,110)	(456,341)	21,568	1,758,416	\$1.37
East	318,397,551	11,144,938	3.3%	1.6%	4.9%	9.3%	(2,608,488)	2,853,766	1,610,194	10,875,443	\$1.27
Hemet	1,618,646	0	1.4%	0.0%	1.4%	2.8%	4,407	(16,703)	6,500	6,500	\$1.00
Lake Elsinore	2,768,239	0	3.5%	0.0%	3.5%	8.3%	(42,614)	(92,520)	53,920	96,829	\$0.93
Menifee	1,322,987	544,115	20.4%	0.0%	20.4%	69.8%	529,000	537,418	0	62,082	\$1.25
Murrieta	4,502,443	105,982	3.5%	0.0%	3.5%	6.3%	(84,496)	(35,355)	81,179	180,632	\$1.24
San Jacinto	1,108,019	0	0.7%	0.0%	0.7%	1.0%	11,770	9,770	0	2,500	\$0.80
Temecula	10,280,919	65,735	3.9%	1.2%	5.0%	9.0%	(333,838)	(204,463)	46,281	264,746	\$0.90
Wildomar	317,860	0	0.0%	0.0%	0.0%	0.0%	0	3,664	0	5,961	\$1.02
South	21,919,113	715,832	4.4%	0.5%	4.9%	11.0%	84,229	201,811	187,880	619,250	\$1.02
5,000 - 24,999	71,743,198	465,859	2.4%	0.1%	2.6%	4.4%	(129,527)	(378,182)	721,584	2,621,318	\$1.43
25,000 - 49,999	50,573,102	1,272,920	4.1%	0.6%	4.7%	9.2%	(110,056)	(253,579)	516,681	2,238,875	\$1.43
50,000 - 99,999	61,339,689	1,678,016	5.4%	0.4%	5.9%	10.2%	(147,354)	(700,336)	553,485	3,262,347	\$1.26
100,000 - 249,999	122,934,835	5,796,833	7.5%	1.3%	8.8%	16.6%	(1,555,300)	(2,633,764)	935,237	4,685,544	\$1.33
250,000 - 499,999	133,416,805	6,494,079	3.7%	1.6%	5.3%	12.9%	(1,637,847)	(1,265,541)	247,384	4,698,255	\$1.50
500,000 - 999,999	142,719,249	3,801,911	1.5%	2.3%	3.8%	8.6%	(584,480)	790,865	1,311,177	4,606,375	\$1.02
1,000,000 Plus	87,363,008	16,417,401	0.0%	0.0%	0.0%	6.1%	1,422,524	4,641,645	0	2,801,811	\$0.98
Inland Empire Total	670,089,886	35,927,019	3.5%	1.1%	4.6%	10.3%	(2,742,040)	201,108	4,285,548	24,914,525	\$1.37

TOP SALE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Harvill Logistics Center 24712 6th St	Inland Empire East	333,572	\$112,250,000	\$336.51	MDH Partners, LLC	Blumenfeld Development Group
16355 Slover Ave	Inland Empire West	95,813	\$37,000,000	\$386.17	LBA Realty	The Carlyle Group
Hilton Logistics Center	Inland Empire West	76,809	\$28,430,000	\$370.14	Wafra, Inc	Compass Danbe Real Estate
Rancho Business Park	Inland Empire East	160,561	\$26,850,000	\$167.23	Brennan/W&D Investment	Furniture City (Sale-Leaseback)

TOP LEASE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1420 N Tamarind - ProLogis Park I-210	Inland Empire East	677,224	August 2023	Prologis, Inc	Undisclosed (Sublease)
11905 Landon - Galleano Disr. Ctr	Inland Empire East	645,311	June 2023	Prologis, Inc	Undisclosed
11618 Mulberry Ave	Inland Empire West	633,953	August 2023	United Facilities, Inc	Undisclosed
290 W Markham - Perris Circle Ind Pk	Inland Empire East	247,384	August 2023	Heitman	Undisclosed (Sublease)
290 S Milliken - CA Commerce Ctr	Inland Empire West	230,484	July 2023	Panattoni Development Co	Berlin Packaging, LLC

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Amazon - Merrill Commerce Center	8900 Merrill Ave	Inland Empire West	4,055,890	Prologis	November 2023
Bridge Point Rancho Cucamonga I/II	36855 Fourth St & 12415 Sixth St	Inland Empire West	2,530,205	Bridge	September / December 2023
Link - Space Center	3412-3413 Manitou Ct	Inland Empire East	1,939,312	Blackstone Inc	December / October 2023
Ontario Ranch Business Park	SEC Eucalyptus & Euclid (1-7)	Inland Empire West	1,691,533	Clarion Partners	October 2023
Merrill Commerce Center	1363 Merrill Ave	Inland Empire West	1,488,000	Prologis	November 2023
Merrill Commerce Center	8900 Merrill Ave - Building 7	Inland Empire West	1,777,708	Liberty Property Ltd	November 2023
Agua Mansa Commerce Center	5400 El Rivino Rd	Inland Empire East	1,186,950	CT Realty Investors	October 2023
I-15 Logistics Center	4121 Lytle Creek Road	Inland Empire West	1,171,788	CapRock Partners	November 2023

Data Source: EDD, CoStar



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

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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>2,800+</i> ASSIGNMENTS ANNUALLY	<i>41</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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