

MARKET TRENDS

INLAND EMPIRE INDUSTRIAL

MARKET DRIVERS

The Inland Empire Industrial sector's 4Q23 review and near-term outlook reflect a landscape of growth and resilience amidst challenges. As of the fourth quarter of 2023, the sector experienced a significant uptick in available buildings, fueled by new construction deliveries, subleases, and portions of larger facilities being offered at competitive prices. This surge was partly driven by an increase in TEU's outbound from the LA/Long Beach harbors, setting the stage for heightened leasing activity in the second quarter of 2024 and beyond. Additionally, a considerable number of companies and investors, previously on standby, are now poised to re-enter the market.

Tenants and occupiers will need a little more time to develop confidence in the stability of the market but are then expected to re-enter in 3Q24 and 4Q24.

ECONOMIC REVIEW

The market drivers were offset by the complete collapse of the active tenants in the market. Therefore, the lack of any scale to observe increased the difficulty in developing marketing strategies and entitlements. Despite economic challenges, the Inland Empire Industrial's broad selection and stable foundation continue to ensure confidence that the future growth path in the market remains positive in the fourth quarter of 2023-24. The primary ports and transit centers in the area have shown resilience and are still an incentive for companies and investors.

The Inland Empire Industrial sector also features a considerable number of newly constructed contemporary, energy-efficient buildings that attract tenants with pre-leased tenant packages.

NEAR-TERM OUTLOOK

Major infrastructural upgrades in the Inland Empire played a crucial role in establishing the area as a premier hub for distribution and warehousing operations. Despite the collapse of active tenants in the market, which complicated the development of marketing strategies and entitlements, the sector's diverse offerings and stable foundation continued to inspire confidence in its future growth trajectory. The resilience of primary ports and transit centers in the area further bolstered this optimism, keeping them attractive to companies and investors.

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Market Summary

	4Q23	3Q23	4Q22	Annual Change
Direct Vacancy Rate	4.4%	3.5%	1.6%	173.71%
Availability Rate	11.0%	9.8%	5.8%	90.44%
Asking Lease Rate	\$1.44	\$1.44	\$1.34	7.46%
Leasing Activity (SF)	6,718,397	7,632,750	7,354,224	-8.65%
Sale Volume (SF)	1,320,883	1,251,571	3,955,229	-66.60%
Net Absorption (SF)	4,977,977	-2,535,703	3,534,632	N/A

↓ **6.7M SF**
LEASING ACTIVITY

↑ **5.0M SF**
NET ABSORPTION

↑ **4.4%**
VACANCY RATE

↑ **\$1.44**
ASKING RENT (AVG)

↑ **11.6M SF**
NEW DELIVERIES

Year-Over-Year Trend

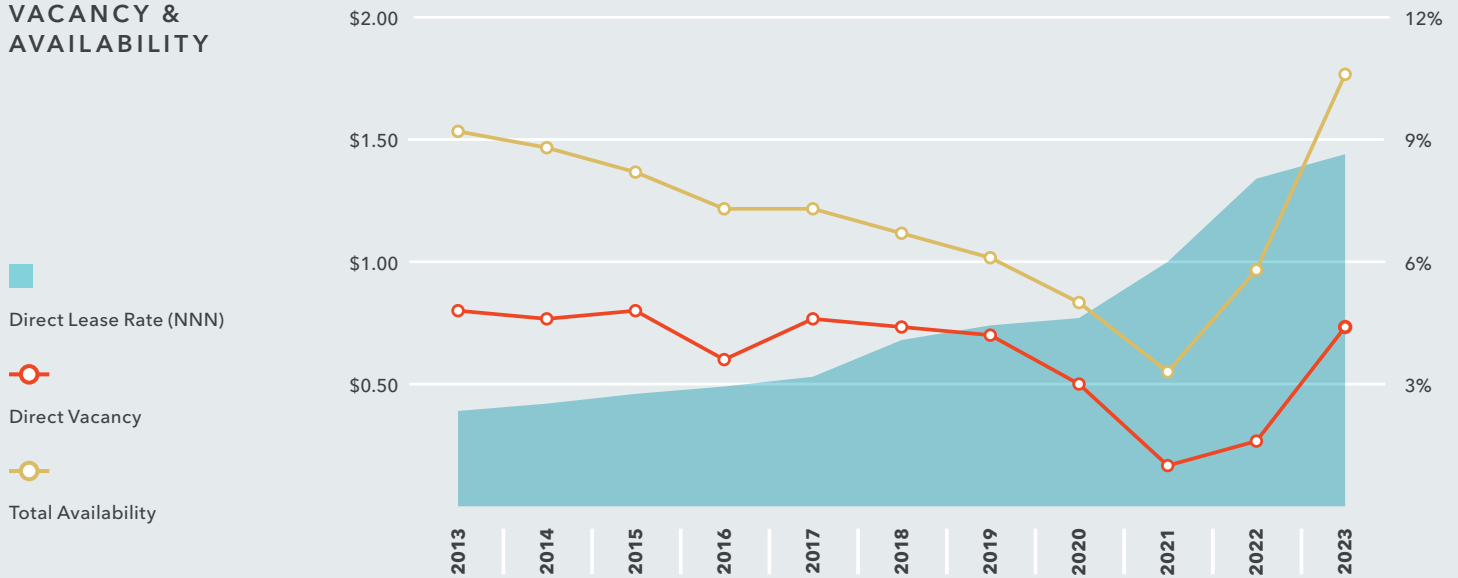
Market Highlights

A DIRECT VACANCY RATE of 4.4% for Q4 2023.

ASKING LEASE RATE is \$1.44/SF on a triple net basis.

AVERAGE SALE PRICE in Q4 2023 was \$290.47/SF, with a stable cap rate of 4.0%.

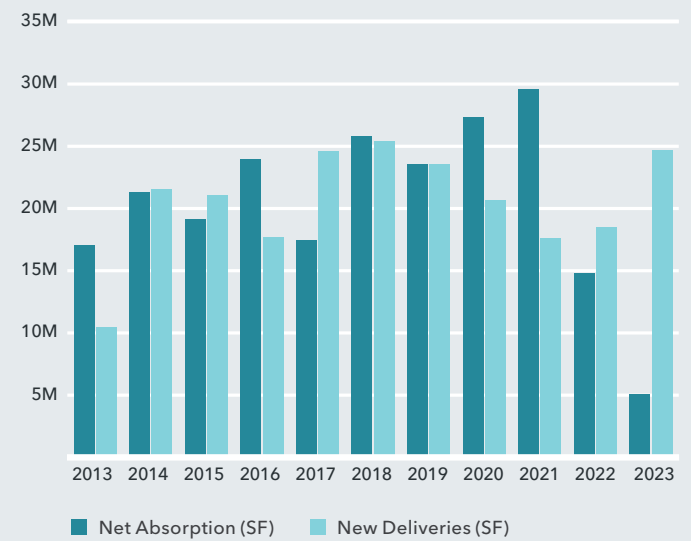
LEASE RATE, VACANCY & AVAILABILITY



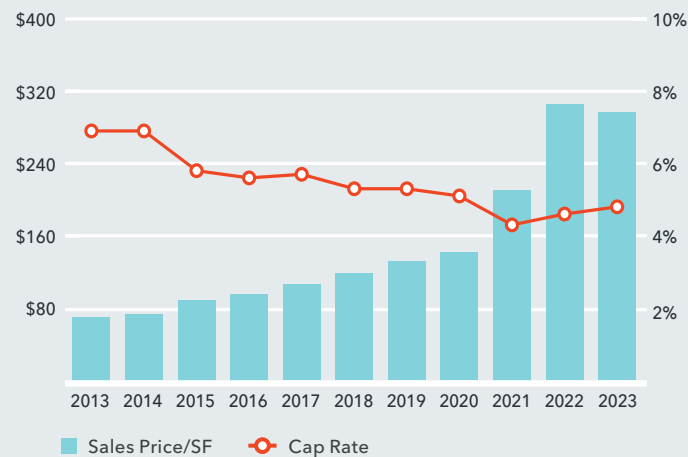
BIGGEST SALE OF THE QUARTER

*Scott Road Commerce Center
Menifee, CA*

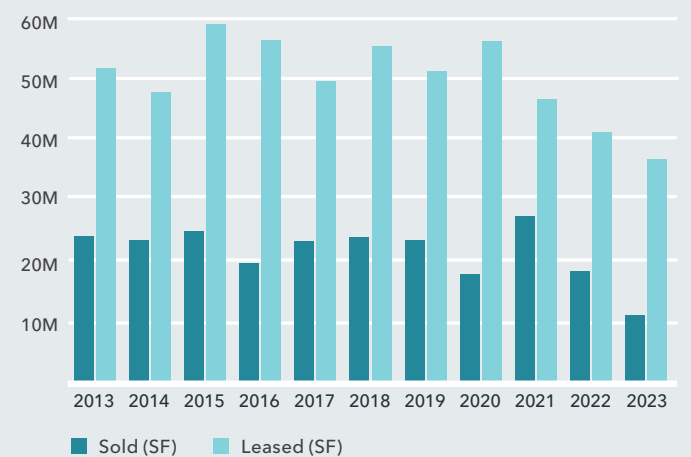
NET ABSORPTION & NEW DELIVERIES



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	4Q Direct Net Absorption	2023 Direct Net Absorption	4Q Total Leasing Activity	2023 Leasing Activity	Average Rental Rate (NNN)
Chino/Chino Hills	56,072,670	1,224,140	3.4%	0.1%	3.5%	6.9%	397,043	(658,039)	462,488	3,276,460	\$1.80
Fontana	72,377,202	4,145,310	5.4%	0.9%	6.3%	15.2%	(142,183)	(991,981)	1,755,430	4,319,858	\$1.23
Jurupa Valley	33,905,063	5,049,697	7.5%	0.8%	8.3%	12.7%	(1,760,226)	(555,002)	506,318	3,261,552	\$1.65
Mira Loma	712,371	0	8.6%	1.1%	9.8%	9.8%	0	(54,112)	0	17,424	\$1.36
Montclair	4,062,043	0	5.1%	0.0%	5.1%	8.9%	135,435	(13,786)	11,870	94,180	\$1.50
Ontario	122,760,094	12,097,358	4.0%	1.7%	5.7%	11.6%	4,307,627	2,170,373	1,178,907	5,864,377	\$1.54
Rancho Cucamonga	43,128,230	1,473,121	3.6%	0.2%	3.8%	10.8%	1,413,313	1,375,916	600,825	4,012,852	\$1.75
Upland	3,995,105	76,623	4.5%	0.0%	4.5%	7.2%	93,363	(68,802)	23,627	139,909	\$1.15
West	337,012,778	24,066,249	4.5%	0.9%	5.5%	11.5%	4,444,372	1,204,567	4,539,465	20,986,612	\$1.58
Banning	1,951,080	0	2.9%	2.9%	5.9%	17.5%	9,622	3,650	7,347	90,675	\$1.29
Beaumont	8,410,338	1,777,708	0.0%	0.0%	0.0%	5.5%	1,779,908	1,784,708	2,200	2,200	\$0.00
Bloomington	10,524,410	0	0.8%	3.3%	4.1%	8.2%	125,000	61,820	20,570	219,710	\$1.25
Colton	10,931,327	0	7.3%	0.5%	7.8%	8.6%	(345,296)	(572,866)	13,950	315,023	\$0.64
Corona	32,913,081	203,823	5.9%	0.2%	6.1%	8.3%	(420,454)	(689,457)	185,070	1,669,719	\$1.45
Eastvale	14,375,322	40,000	1.8%	0.0%	1.8%	6.9%	46,609	448,925	136,815	287,003	\$1.55
Grand Terrace	424,525	0	1.3%	0.0%	1.3%	3.7%	(1,452)	(5,664)	0	8,050	\$0.00
Highland	2,447,252	305,617	12.6%	0.0%	12.6%	12.6%	0	1,076,294	0	0	\$0.00
Loma Linda	434,679	0	18.4%	0.0%	18.4%	20.2%	25,997	(80,000)	0	27,365	\$0.54
Moreno Valley	32,980,589	1,039,909	0.9%	1.2%	2.1%	5.1%	773,882	947,906	0	1,114,280	\$1.25
Norco	2,782,955	0	32.4%	0.4%	32.8%	44.6%	(1,531)	185,510	97,193	302,303	\$1.49
Perris	41,080,595	3,366,645	3.8%	3.3%	7.1%	14.9%	188,478	4,082,087	117,505	2,832,508	\$1.34
Redlands	30,902,655	499,545	5.7%	5.5%	11.2%	12.9%	(199,885)	(620,397)	793,210	1,876,952	\$1.32
Rialto	31,582,473	527,352	7.0%	0.4%	7.5%	13.5%	(991,254)	(1,667,136)	75,490	1,029,059	\$1.45
Riverside	58,315,557	2,402,730	3.5%	2.3%	5.8%	8.7%	(154,999)	(596,468)	390,516	2,808,719	\$1.28
San Bernardino	43,648,779	981,609	3.1%	0.5%	3.6%	12.3%	(331,860)	(796,412)	164,554	2,144,596	\$1.33
East	323,705,617	11,144,938	4.2%	1.8%	6.0%	10.7%	502,765	3,562,500	2,004,420	14,728,162	\$1.30
Hemet	1,618,646	0	1.4%	0.0%	1.4%	2.8%	0	(16,703)	0	6,500	\$1.00
Lake Elsinore	2,768,239	0	3.9%	0.0%	3.9%	4.4%	3,760	(41,890)	43,803	140,632	\$1.00
Menifee	1,330,987	544,115	15.4%	0.0%	15.4%	59.0%	73,061	602,480	0	62,082	\$1.25
Murrieta	4,494,524	105,982	4.1%	0.0%	4.1%	5.8%	(39,509)	(63,252)	63,724	279,108	\$1.23
San Jacinto	1,108,019	0	0.5%	0.0%	0.5%	0.6%	2,500	12,270	2,000	7,000	\$0.80
Temecula	10,274,066	65,735	4.0%	1.3%	5.3%	8.8%	(8,972)	(214,913)	64,985	576,020	\$1.29
Wildomar	331,720	0	0.0%	0.0%	0.0%	0.0%	0	3,664	0	5,961	\$1.10
South	21,926,201	715,832	4.3%	0.6%	4.9%	9.7%	30,840	281,656	174,512	1,077,303	\$1.18
5,000 - 24,999	71,911,527	465,859	2.8%	0.2%	2.9%	4.7%	(208,959)	(544,900)	382,808	3,118,027	\$1.51
25,000 - 49,999	50,952,579	1,272,920	4.1%	0.5%	4.6%	8.3%	238,195	37,943	805,487	3,307,455	\$1.42
50,000 - 99,999	61,526,138	1,678,016	6.0%	0.8%	6.7%	12.7%	(402,686)	(865,528)	1,026,340	4,984,507	\$1.35
100,000 - 249,999	123,496,948	5,796,833	8.7%	1.8%	10.4%	16.6%	(205,990)	(2,775,037)	2,130,892	8,134,503	\$1.31
250,000 - 499,999	135,092,769	6,494,079	4.7%	2.7%	7.3%	14.9%	(486,928)	(1,561,354)	1,815,657	7,725,230	\$1.53
500,000 - 999,999	144,749,952	3,801,911	2.9%	1.5%	4.4%	8.7%	(520,536)	270,329	557,213	6,720,544	\$1.15
1,000,000 Plus	94,914,683	16,417,401	1.1%	0.1%	1.2%	7.1%	6,564,881	10,478,984	0	2,801,811	\$2.20
Inland Empire Total	682,644,596	35,927,019	4.4%	1.3%	5.7%	11.0%	4,977,977	5,048,723	6,718,397	36,792,077	\$1.44

NEAR-TERM OUTLOOK CONTINUED

Looking ahead to 2024, the Inland Empire Industrial market is expected to benefit from the steady growth in inbound TEU deliveries and a more stabilized financial market. Although tenants and occupiers may need additional time to build confidence in the market's stability, a

notable re-entry is anticipated in the latter half of the year. Despite potential constraints due to rising development costs amid economic uncertainties, the overall outlook for the Inland Empire industrial sector remains highly positive.

TOP SALE TRANSACTIONS 4Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Scott Road Commerce Center (2)	Inland Empire East	157,147	\$36,095,000	\$229.69	STAG Industrial, Inc.	Jupiter Holdings LLC
15122 Ceres Ave	Inland Empire West	13,500	\$24,206,000	\$1,793.04	Ocean West Capital Partners	Brasa Capital Management
7920 Lindbergh Dr	Inland Empire East	53,116	\$21,000,000	\$395.36	MagnaFlow	JRC Real Estate Inv. Corp.
484 Alcoa Cir	Inland Empire East	67,150	\$20,250,000	\$301.56	BRF 484 Alcoa Circle Property, LLC	Alcoa Corona, LP
23711 Rider St	Inland Empire East	63,880	\$17,500,000	\$273.95	JM Eagle	W.P. Carey Inc.

TOP LEASE TRANSACTIONS 4Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
California Palms Business	Inland Empire East	585,064	November 2023	Clarion Partners	Performance Team (PT)
Watson Commerce Center	Inland Empire East	557,213	October 2023	Watson Land Company	Yita LLC (Sublease)
Kaiser Commerce Center	Inland Empire West	450,052	October 2023	Prologis, Inc.	API Logistics
Prologis Slover Distribution Center	Inland Empire West	410,006	November 2023	Prologis, Inc.	GigaCloud Technology Inc. (GCT)
North Sierra Distribution	Inland Empire West	332,996	October 2023	Brookfield Properties	LX Pantos/LG Electronics

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Merrill Commerce Center	Walker Ave & Merrill Ave Site	Inland Empire West	5,338,232	Prologis	Q1 - Q2 2024
Agua Mansa Commerce Center	Clinker Dr, El Rivino Rd, & Sandstone Rd	Inland Empire East	2,577,346	CT Realty Investors	Q1 - Q3 2024
Link - Space Center	3412-3413 Manitou Ct	Inland Empire East	1,939,312	Blackstone Inc.	Q4 2023
Ontario Ranch Business Park	SEC Eucalyptus & Euclid (1-7)	Inland Empire West	1,691,533	Clarion Partners	Q1 2024
I-15 Logistics Center	4121 Lytle Creek Road	Inland Empire West	1,171,788	CapRock Partners	Q1 2024
Sierra Business Center	16604 Slover Ave	Inland Empire West	690,967	Panattoni	Q1 2024

Data Source: EDD, CoStar



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COMMERCIAL BROKERAGE	\$12B TRANSACTION VOLUME ANNUALLY	32.1M ANNUAL SALES SF	41.2M ANNUAL LEASING SF
ASSET SERVICES	53M MANAGEMENT PORTFOLIO SF	771+ ASSETS UNDER MANAGEMENT	250+ ASSET SERVICES CLIENTS
VALUATION ADVISORY	2,800+ ASSIGNMENTS ANNUALLY	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS