MARKET TRENDS

INLAND EMPIRE
INDUSTRIAL

The Inland Empire's industrial market is experiencing significant changes, with vacancy rates surging to 6.9% because of a 400-basis point increase, positioning it just behind Phoenix in national rankings.

MARKET DRIVERS

Despite over 34.5 million square feet of new industrial space added since 2023, with 34% still unleased, demand is declining, evidenced by major distribution center closures by companies like Maersk-owned Performance Team and NFI Industries, and an influx of sublease offerings. This paradox of booming construction amidst waning tenant interest is nudging the market towards a more balanced state, albeit with future uncertainties.

The reduction in construction starts may help maintain this balance, but the market's direction remains to be seen, depending on whether absorption rates can counteract current trends. The market has seen a -3.4 million square foot net absorption rate over the past 12 months and a decrease in asking rents for the first time in a decade, driven by a flood of discounted sublease space. Landlords are facing longer lease-up times, which compels them to adjust rents and offer concessions to attract quality tenants.

Conversely, tenants, particularly those with strong credit, find themselves in a favorable position to negotiate lease terms and rents, potentially redefining market rent standards. The Inland Empire's industrial landscape is at a crossroads, with its future dependent on the dynamic interplay between supply, demand, and broader economic factors.

↓ *3.2M SF*
LEASING ACTIVITY

↑ *2.5M SF*
NET ABSORPTION

↑ *4.9%*
VACANCY RATE

↑ *$1.41*
ASKING RENT (AVG)

↓ *6.6M SF*
NEW DELIVERIES

Year-Over-Year Trend

## *Market Highlights*

DIRECT VACANCY in Inland Empire is currently at 4.9%

AVERAGE ASKING RATE in the beginning of the year was lowered to $1.41/SF on a triple net lease (NNN) basis

AVERAGE SALE PRICE is $218.82/SF with an average cap rate of 5.7%

Market Summary

	1Q24	4Q23	1Q23	YOY Change
Direct Vacancy Rate	4.9%	4.3%	2.5%	**94.06%**
Total Availability Rate	12.5%	10.5%	7.7%	**62.06%**
Direct Asking Lease Rate	$1.41	$1.44	$1.39	**1.44%**
	1Q24	4Q23	1Q23	YOY Change
Total Lease Transactions	3,156,807	8,342,173	12,193,669	**-74.11%**
Sale Transactions	1,409,270	2,444,421	3,148,146	**-55.23%**
Direct Net Absorption	2,514,201	6,379,299	1,615,936	**N/A**

LEASE RATE, VACANCY & AVAILABILITY

■ Direct Lease Rate (FSG)

○─ Direct Vacancy

○─ Total Availability
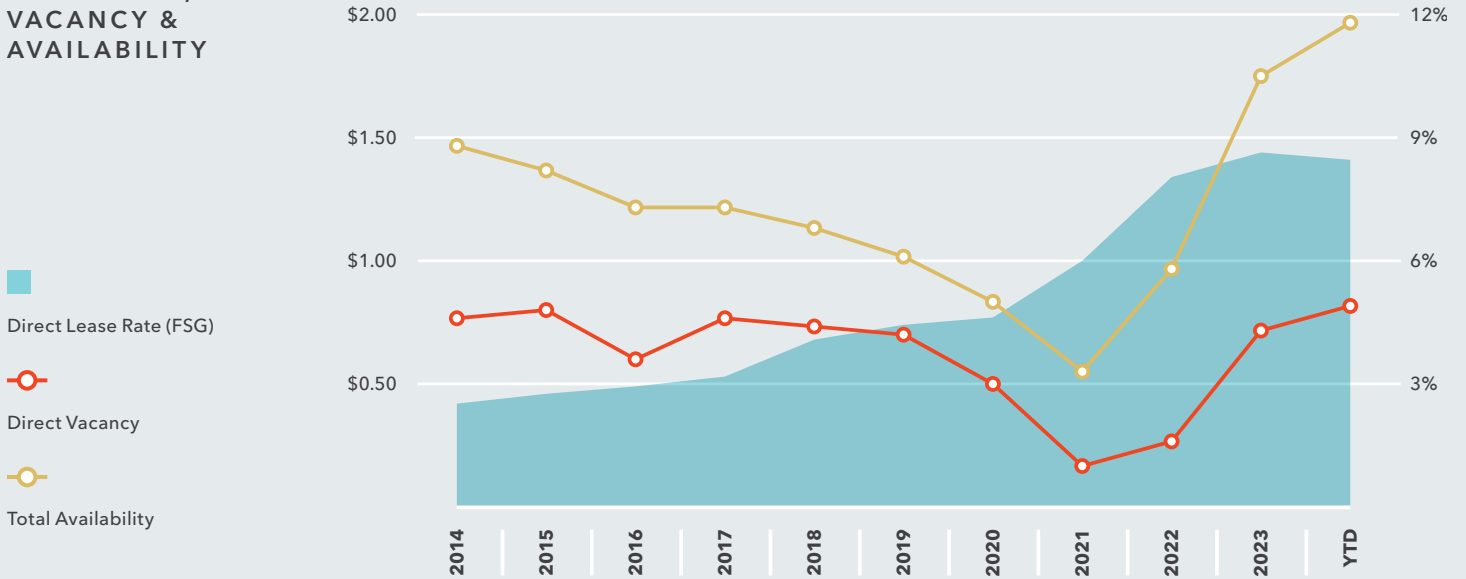
BIGGEST SALE OF THE QUARTER

17500 N Perris Blvd
Moreno Valley, CA

NET ABSORPTION & NEW DELIVERIES

■ Net Absorption (SF)   ■ New Deliveries (SF)
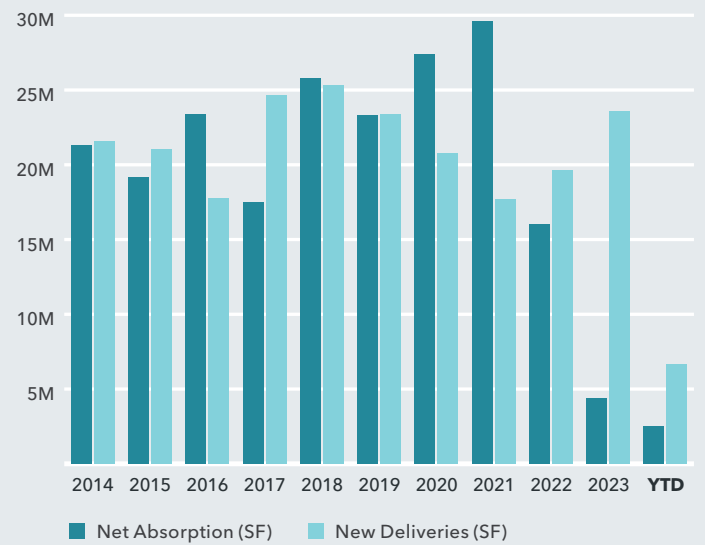
AVERAGE SALES PRICE/SF & CAP RATE

■ Sales Price/SF   ○─ Cap Rate
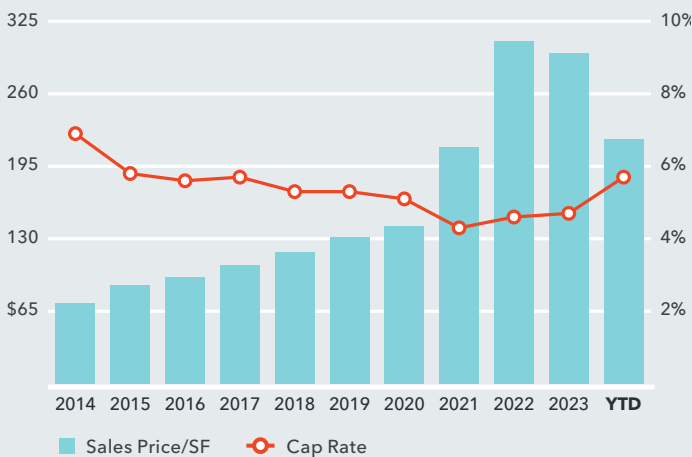
SALE VOLUME & LEASING ACTIVITY

■ Sold (SF)   ■ Leased (SF)
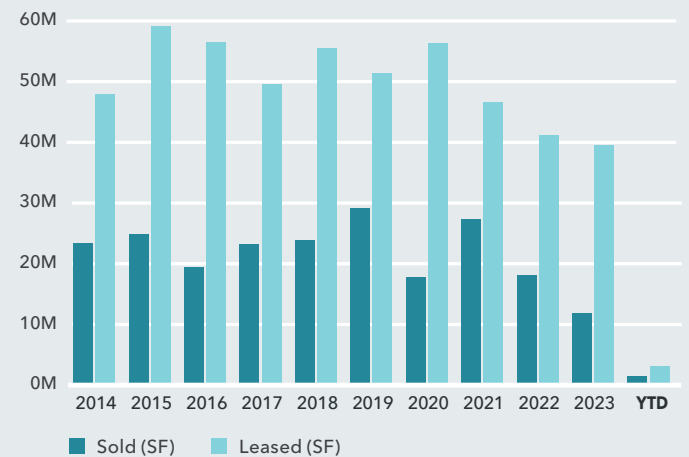
SUBMARKET STATISTICS

Submarket	Building Count	Total Inventory	SF Under Construction	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	QTR Direct Net Absorption	YTD Direct Net Absorption	QTR Total Leasing Activity	YTD Total Leasing Activity	AVG NNN Rental Rate
Chino/Chino Hills	944	56,008,074	1,195,603	3.5%	1.7%	5.2%	8.4%	31,893	31,893	778,783	778,783	$1.62
Eastvale	71	14,439,175	274,405	2.1%	0.0%	2.1%	9.1%	(44,064)	(44,064)	0	0	$1.60
Fontana	784	73,231,398	5,632,699	4.8%	1.9%	6.8%	18.2%	1,048,166	1,048,166	27,690	27,690	$1.51
Jurupa Valley	317	35,075,313	3,329,708	5.5%	0.1%	5.6%	16.3%	1,151,206	1,151,206	78,089	78,089	$1.22
Mira Loma	20	712,371	0	8.6%	1.1%	9.8%	9.8%	0	0	0	0	$1.36
Montclair	207	4,105,712	0	3.2%	0.0%	3.2%	9.4%	69,214	69,214	38,249	38,249	-
Ontario	1530	124,607,940	5,950,691	4.9%	1.9%	6.9%	11.9%	1,299,633	1,299,633	876,033	876,033	$1.58
Rancho Cucamonga	749	43,567,552	261,284	4.6%	0.7%	5.3%	10.6%	133,617	133,617	186,209	186,209	$1.71
Upland	259	4,078,220	7,700	7.2%	0.0%	7.2%	9.8%	(32,505)	(32,505)	20,125	20,125	$1.07
West	**4,881**	**355,825,755**	**16,652,090**	**4.8%**	**1.8%**	**6.6%**	**13.8%**	**3,657,160**	**3,657,160**	**2,005,178**	**2,005,178**	**$1.53**
Banning	48	1,944,130	0	0.3%	2.9%	3.2%	5.4%	44,500	44,500	0	0	$0.91
Beaumont	48	8,410,338	0	0.1%	5.5%	5.6%	5.6%	(9,500)	(9,500)	0	0	$0.00
Bloomington	125	10,504,094	179,621	0.7%	2.6%	3.3%	5.0%	9,000	9,000	137,744	137,744	-
Colton	177	10,932,274	0	11.7%	0.5%	12.3%	13.0%	(50,360)	(50,360)	12,133	12,133	$0.67
Corona	926	33,027,070	203,823	5.8%	0.7%	6.5%	9.2%	(93,043)	(93,043)	71,914	71,914	$1.42
Grand Terrace	13	424,525	10,000	1.3%	0.0%	1.3%	1.3%	0	0	10,000	10,000	$0.00
Highland	25	2,479,742	0	12.5%	0.0%	12.5%	12.3%	0	0	3,850	3,850	$0.00
Loma Linda	25	434,679	0	28.6%	0.0%	28.6%	29.4%	(44,313)	(44,313)	8,000	8,000	$0.74
Moreno Valley	111	33,003,219	291,194	0.8%	1.5%	2.3%	6.5%	12,692	12,692	126,679	126,679	$1.29
Norco	87	2,693,547	0	33.6%	0.4%	34.0%	46.1%	(3,844)	(3,844)	5,375	5,375	$1.22
Perris	249	42,430,715	2,877,243	4.4%	4.7%	9.1%	19.4%	696,385	696,385	10,557	10,557	$1.18
Redlands	222	30,926,734	19,370	5.9%	7.7%	13.6%	15.2%	(31,687)	(31,687)	213,264	213,264	$1.27
Rialto	210	31,460,051	1,324,156	8.0%	0.2%	8.2%	15.7%	(197,771)	(197,771)	29,804	29,804	$1.44
Riverside	1134	58,391,008	781,991	4.1%	2.7%	6.8%	9.7%	(256,800)	(256,800)	347,760	347,760	$1.27
San Bernardino	584	43,678,854	1,241,525	5.9%	0.6%	6.5%	12.5%	(1,166,545)	(1,166,545)	40,227	40,227	$1.23
East	**3,984**	**310,740,980**	**6,928,923**	**5.3%**	**2.5%**	**7.8%**	**12.3%**	**(1,091,286)**	**(1,091,286)**	**1,017,307**	**1,017,307**	**$1.23**
Hemet	88	1,618,646	0	1.4%	0.0%	1.4%	4.2%	0	0	0	0	$1.00
Lake Elsinore	182	2,705,239	63,000	5.6%	0.0%	5.6%	4.4%	(80,531)	(80,531)	2,000	2,000	$1.03
Menifee	27	1,330,986	544,115	15.4%	0.0%	15.4%	59.3%	(183)	(183)	0	0	$1.25
Murrieta	275	4,543,790	56,716	4.7%	0.0%	4.7%	5.5%	(4,163)	(4,163)	27,147	27,147	$1.23
San Jacinto	66	1,108,019	0	0.9%	0.0%	0.9%	0.9%	(6,000)	(6,000)	2,500	2,500	$1.13
Temecula	346	10,305,604	94,582	3.8%	1.2%	5.0%	8.8%	42,868	42,868	102,675	102,675	$1.28
Wildomar	12	331,720	0	1.1%	0.0%	1.1%	1.1%	(3,664)	(3,664)	0	0	-
South	**996**	**21,944,004**	**758,413**	**4.6%**	**0.6%**	**5.1%**	**9.8%**	**(51,673)**	**(51,673)**	**134,322**	**134,322**	**$1.23**
5,000 - 24,999	6,025	71,830,221	524,709	2.7%	0.2%	3.0%	4.8%	7,527	7,527	521,278	521,278	$1.47
25,000 - 49,999	1,462	51,241,907	1,720,458	4.4%	0.3%	4.7%	9.2%	(49,038)	(49,038)	524,008	524,008	$1.45
50,000 - 99,999	892	62,015,390	2,682,365	6.3%	0.8%	7.1%	12.2%	153,479	153,479	503,075	503,075	$1.25
100,000 - 249,999	812	123,966,220	10,671,174	9.3%	1.7%	11.0%	17.0%	(207,040)	(207,040)	1,350,702	1,350,702	$1.31
250,000 - 499,999	381	136,049,097	8,740,720	5.8%	4.0%	9.8%	18.4%	(885,310)	(885,310)	257,744	257,744	$1.46
500,000 - 999,999	217	146,069,141	0	3.3%	2.9%	6.2%	11.8%	(31,228)	(31,228)	0	0	$1.15
1,000,000 Plus	73	97,436,106	0	1.1%	0.6%	1.7%	7.0%	3,525,811	3,525,811	0	0	$2.20
Inland Empire Total	**9,861**	**688,510,739**	**24,339,426**	**4.9%**	**1.9%**	**6.8%**	**12.5%**	**2,514,201**	**2,514,201**	**3,156,807**	**3,156,807**	**$1.41**

SIGNIFICANT SALE TRANSACTIONS FOR 1Q24

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
17500 N Perris Blvd	Inland Empire East	692,600	$111,690,000	$161.26	TMG MV Real Estate Investments	Walgreen Co (Sale Leaseback)
8545 Pecan Ave	Inland Empire West	98,685	$33,750,500	$342.00	Pecan Ave, LLC	Xebec
40610 County Center Dr	Inland Empire East	163,690	$28,250,000	$172.58	SENTRE, Inc.	RR Donnelley (Sale Leaseback)
6450 Sycamore Canyon Blvd	Inland Empire East	71,700	$16,600,000	$231.52	WPT Capital Advisors, LLC	RJ Property Mgmt & Development
4001 Greystone Dr	Inland Empire West	41,871	$13,800,000	$329.58	Excelsior Partners LLC	GF Properties

SIGNIFICANT LEASE TRANSACTIONS FOR 1Q24

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Perris Logistics Center North	Inland Empire East	1,018,178	January 2024	IDI Logistics	Undisclosed
Citrus Commerce Center	Inland Empire West	1,003,592	February 2024	Alere Property Group	YQL Elogistek
Empire Gateway	Inland Empire West	779,052	January 2024	Invesco Limited	SharkNinja (Renewal)
Prologis IE Distribution Center II	Inland Empire West	373,283	March 2024	Prologis, Inc.	Undisclosed
Chino South Business Park	Inland Empire West	226,585	February 2024	Carson Companies	Undisclosed

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Merrill Commerce Center	Walker Ave & Merrill Ave Site	Inland Empire West	2,899,000	Prologis	March/April 2024
Ontario Commerce Center	Dreamland Dr | Napa St	Inland Empire West	1,970,034	Hillwood Development Corp	January 2025
Link - Space Center	3412-3413 Manitou Ct	Inland Empire East	1,939,312	Blackstone Inc.	Q2/3 2024
Agua Mansa Commerce Center	Clinker Dr | Sandstone Rd	Inland Empire East	1,390,396	CT Realty Investors	June 2024
Constellation Brands	3413 Manitou Ct	Inland Empire East	1,379,287	Blackstone Inc.	April 2024

Data Source: EDD, CoStar

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COMMERCIAL BROKERAGE	*$10B* 3-YEAR AVERAGE TRANSACTION VOLUME	*31.7M* ANNUAL SALES SF	*42.4M* ANNUAL LEASING SF
ASSET SERVICES	*51M SF* MANAGEMENT PORTFOLIO SIZE	*750+* ASSETS UNDER MANAGEMENT	*250+* CLIENTS SERVED
VALUATION ADVISORY	*2,600+* 3-YEAR AVERAGE ASSIGNMENTS	*43* TOTAL APPRAISERS	*25* WITH MAI DESIGNATIONS

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