

## MARKET TRENDS

# INLAND EMPIRE INDUSTRIAL

The Inland Empire’s industrial market is currently experiencing a market correction, this is evident from the notable increase in the total vacancy of 7.3%, which represents a significant increase of 360 basis points compared to the previous year, marking the ninth consecutive quarterly increase.

### MARKET DRIVERS

The Inland Empire experienced rapid expansion in the previous year because of a specific demand for the development of distribution and warehouse infrastructure. Industrial landlords are under pressure from the supply and demand sides, even with over 4.6 million square feet of new deliveries this quarter. Anticipated demand is set to return to its historical growth rate, as leasing prices experienced a sharp increase between 2023 and 2024, resulting from an oversupply of available resources.

Until the latter part of 2024, it is anticipated that the absorption trend in the industrial sector will exhibit primarily consistent levels. This tendency implies a required adjustment in the rate and absorption rates, rather than a significant increase or decrease in the occupancy or leasing of industrial space. Based on this forecast, it is projected that a phase of stability will precede a potential alteration in the supply or demand dynamics, exerting an influence on the industrial real estate market in the Inland Empire. According to projections, the absorption trend of the industrial sector will exhibit a predominantly stable pattern by the latter half of 2024. In addition, the Port of Los Angeles projects a 24.1% increase in container traffic in 2024 and says it is quite certain that it will recover from its post-Covid Losses this year.

### NEAR-TERM OUTLOOK

The industrial sector in the Inland Empire experienced a high number of lease renewals in the second quarter of 2024, indicating a preference for stability over relocation among tenants. In an attempt to attract qualified tenants, landlords are competing by offering attractive discounts and favorable lease terms. The majority of completed sales transactions are driven by cash buyers, indicating strong investor confidence in the industrial assets of the area. Additionally, there is an anticipation of significant lease deals for buildings larger than one million square feet, indicating strong demand from large-scale industrial customers, possibly influenced by expected increases in traffic at nearby ports.

## Market Summary

	2Q24	1Q24	2Q23	YOY Change
Direct Vacancy Rate	5.4%	5.3%	3.1%	<b>73.82%</b>
Total Availability Rate	12.6%	12.0%	8.7%	<b>44.87%</b>
Direct Asking Lease Rate	\$1.29	\$1.41	\$1.40	<b>-7.86%</b>
	1Q24	4Q23	1Q23	YOY Change
Total Lease Transactions	12,052,688	11,414,235	10,705,871	<b>12.58%</b>
Sale Transactions	3,009,350	1,506,829	5,081,813	<b>-40.78%</b>
Direct Net Absorption	3,457,646	2,079,261	-2,019,705	<b>N/A</b>

↑ **12.0M SF**  
LEASING ACTIVITY

↑ **3.4M SF**  
NET ABSORPTION

↑ **5.4%**  
VACANCY RATE

↓ **\$1.29**  
ASKING RENT (AVG)

↑ **12.0M SF**  
NEW DELIVERIES

Year-Over-Year Trend

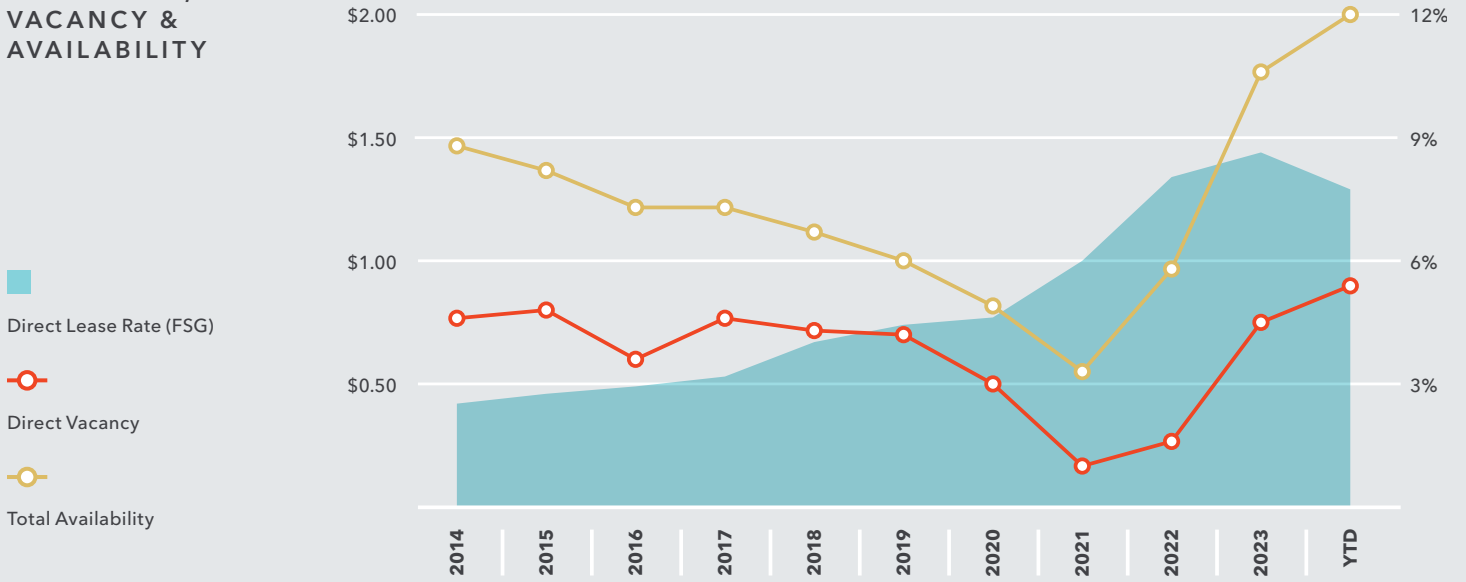
## Market Highlights

**DIRECT VACANCY** in Inland Empire is currently at 5.4%

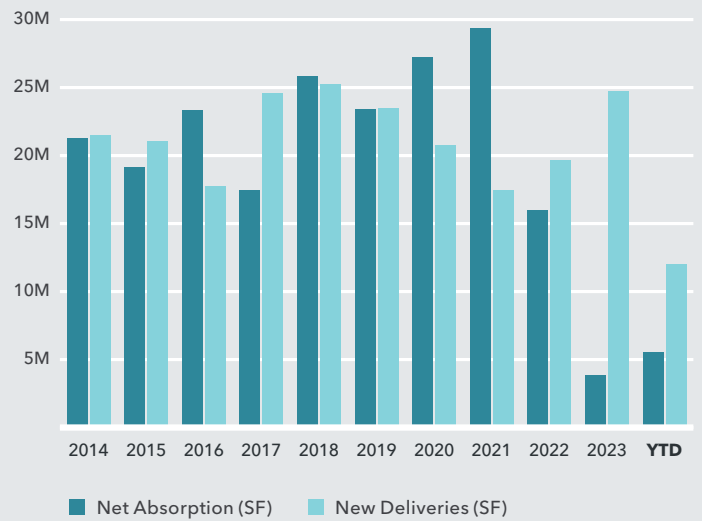
**AVERAGE ASKING RATE** in the second quarter was lowered to \$1.29/SF on a triple net lease (NNN) basis

**AVERAGE SALE PRICE** is \$251.70/SF with an average cap rate of 5.5%

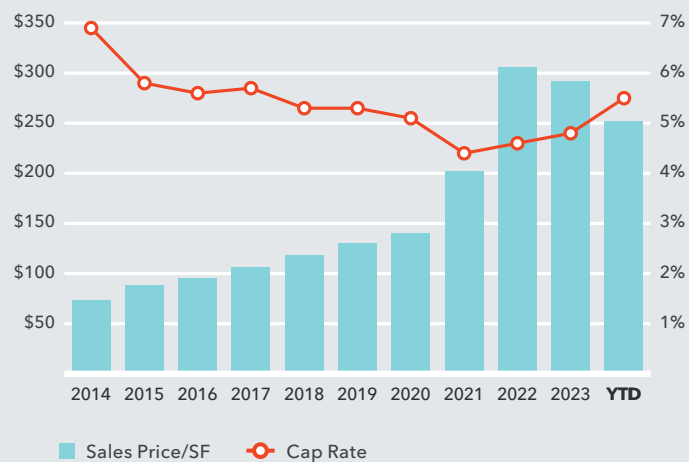
## LEASE RATE, VACANCY & AVAILABILITY



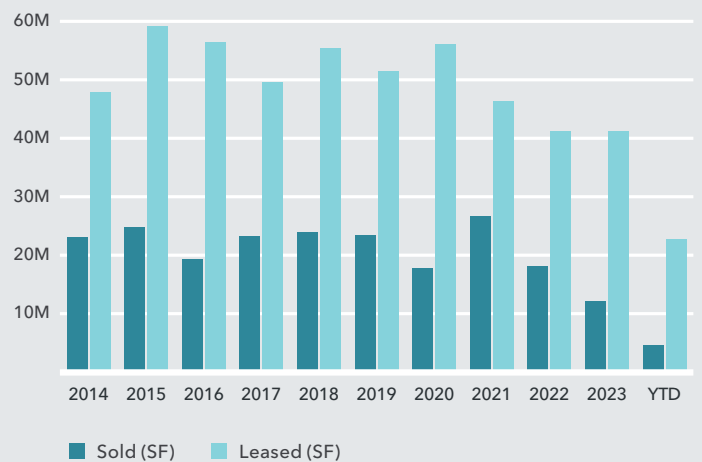
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



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	947	56,467,216	819,399	4.2%	2.1%	6.4%	9.0%	(166,625)	(419,225)	755,335	2,748,939	\$1.54
Eastvale	71	14,456,540	274,403	4.2%	5.1%	9.3%	11.2%	257,917	(343,647)	474,131	0	\$1.57
Fontana	789	73,880,924	4,996,612	5.4%	0.5%	5.9%	16.2%	836,239	2,231,107	1,873,508	3,169,873	\$1.47
Jurupa Valley	321	37,785,271	770,029	6.9%	1.1%	8.0%	12.7%	2,061,560	3,233,383	557,943	2,097,344	\$1.50
Mira Loma	20	712,371	0	5.6%	1.1%	6.7%	6.7%	(9,392)	21,617	0	0	\$1.36
Montclair	208	4,164,242	513,925	4.9%	0.0%	4.9%	21.6%	(64,096)	(2,117)	12,595	91,632	\$1.10
Ontario	1527	124,539,438	5,959,220	4.0%	2.1%	6.2%	12.9%	1,097,996	2,647,295	3,200,683	5,269,669	\$1.33
Rancho Cucamonga	746	43,492,898	363,448	4.9%	1.1%	6.0%	9.6%	(192,862)	48,290	1,469,032	1,796,913	\$1.86
Upland	260	4,100,450	7,700	7.2%	0.0%	7.2%	7.6%	25,680	(10,661)	81,508	134,643	\$1.06
<b>West</b>	<b>4,889</b>	<b>359,599,350</b>	<b>13,704,736</b>	<b>4.8%</b>	<b>1.6%</b>	<b>6.4%</b>	<b>12.5%</b>	<b>3,846,417</b>	<b>7,406,042</b>	<b>8,424,735</b>	<b>15,309,013</b>	<b>\$1.50</b>
Banning	48	1,944,130	0	0.8%	0.0%	0.8%	54.3%	0	34,900	0	0	\$0.81
Beaumont	48	8,410,430	0	0.0%	5.5%	5.5%	5.5%	5,000	(2,250)	0	7,250	\$0.00
Bloomington	127	10,690,431	261,632	2.4%	8.6%	11.1%	14.7%	(1,300)	7,700	0	137,744	\$0.00
Colton	176	10,942,513	0	8.7%	0.4%	9.1%	9.9%	320,075	284,255	1,220	480,773	\$0.60
Corona	926	33,020,497	424,412	4.8%	0.8%	5.6%	8.4%	299,649	228,596	620,758	802,249	\$1.35
Grand Terrace	12	412,067	10,000	0.7%	0.0%	0.7%	0.7%	(2,760)	2,904	0	12,832	\$0.00
Highland	25	2,479,742	0	12.3%	0.0%	12.3%	12.3%	0	3,850	0	3,850	\$0.00
Loma Linda	25	434,679	0	33.7%	0.0%	33.7%	33.3%	(30,124)	(66,437)	1,780	9,780	\$0.70
Moreno Valley	113	33,076,273	257,973	3.6%	0.7%	4.3%	8.1%	(847,074)	(829,894)	1,000	155,891	\$1.20
Norco	87	2,693,546	0	33.5%	0.4%	33.9%	45.7%	2,265	(540)	13,528	21,168	\$1.22
Perris	255	43,692,925	3,146,985	7.3%	2.3%	9.7%	16.2%	124,699	688,969	1,713,339	2,877,877	\$1.12
Redlands	223	30,939,453	208,000	7.4%	4.4%	11.9%	14.5%	(483,868)	(498,066)	87,867	370,893	\$1.20
Rialto	210	31,365,983	1,240,884	8.3%	1.2%	9.5%	13.4%	179,838	(208,318)	603,746	721,173	\$1.32
Riverside	1134	58,651,205	1,293,730	4.2%	3.8%	7.9%	11.9%	(38,330)	(299,703)	156,002	691,868	\$1.26
San Bernardino	592	44,333,652	999,131	7.1%	0.6%	7.8%	14.1%	54,051	(1,181,696)	247,027	706,017	\$0.88
<b>East</b>	<b>4,001</b>	<b>313,087,526</b>	<b>7,842,747</b>	<b>6.1%</b>	<b>2.3%</b>	<b>8.4%</b>	<b>12.9%</b>	<b>(417,879)</b>	<b>(1,835,730)</b>	<b>3,446,267</b>	<b>6,999,365</b>	<b>\$1.16</b>
Hemet	88	1,618,646	0	1.4%	0.0%	1.4%	4.1%	(132)	(132)	2,580	2,580	\$1.00
Lake Elsinore	183	2,728,884	0	6.1%	0.0%	6.1%	6.8%	(12,861)	(91,392)	26,832	32,844	\$1.19
Menifee	27	1,330,986	544,115	16.5%	0.0%	16.5%	56.5%	(13,543)	(13,726)	24,793	36,417	\$0.28
Murrieta	280	4,650,293	20,000	3.8%	0.0%	3.8%	5.7%	61,096	68,049	37,447	87,711	\$1.20
San Jacinto	66	1,108,019	0	1.6%	0.0%	1.6%	1.9%	(8,521)	(14,521)	1,250	3,750	\$1.05
Temecula	347	10,299,888	126,803	4.6%	1.1%	5.6%	9.1%	(15,595)	3,317	86,694	257,441	\$1.27
Wildomar	13	346,720	0	0.0%	0.0%	0.0%	6.5%	18,664	15,000	2,090	5,754	\$0.00
<b>South</b>	<b>1,004</b>	<b>22,083,436</b>	<b>690,918</b>	<b>4.9%</b>	<b>0.5%</b>	<b>5.4%</b>	<b>10.2%</b>	<b>29,108</b>	<b>(33,405)</b>	<b>181,686</b>	<b>426,497</b>	<b>\$0.93</b>
5,000 - 24,999	6,034	71,976,593	515,373	3.2%	0.2%	3.4%	5.1%	(207,275)	(239,866)	611,502	1,505,176	\$1.40
25,000 - 49,999	1,470	51,629,977	1,647,442	5.6%	0.5%	6.1%	9.9%	(552,554)	(338,053)	551,837	1,450,894	\$1.35
50,000 - 99,999	899	62,591,857	3,018,926	7.1%	0.7%	7.8%	12.3%	235,057	282,072	714,880	1,548,957	\$1.19
100,000 - 249,999	813	124,284,842	14,157,660	8.8%	1.8%	10.6%	17.0%	1,356,186	1,549,629	3,016,983	6,280,417	\$1.20
250,000 - 499,999	385	137,383,077	2,899,000	7.3%	4.2%	11.6%	18.2%	(214,967)	(1,711,667)	1,426,642	3,124,681	\$1.24
500,000 - 999,999	219	147,267,315	0	3.9%	2.5%	6.4%	13.3%	436,780	(939,030)	1,867,548	2,646,600	\$1.15
1,000,000 Plus	75	99,739,994	0	1.0%	0.6%	1.6%	5.4%	2,404,419	6,933,822	3,863,296	6,910,198	\$2.20
<b>Inland Empire Total</b>	<b>9,894</b>	<b>694,770,312</b>	<b>22,238,401</b>	<b>5.4%</b>	<b>1.9%</b>	<b>7.3%</b>	<b>12.6%</b>	<b>3,457,646</b>	<b>5,536,907</b>	<b>12,052,688</b>	<b>22,734,875</b>	<b>\$1.29</b>

**SIGNIFICANT SALE TRANSACTIONS FOR 2Q24**

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
13423-13473 Santa Ana Ave	Inland Empire West	819,004	\$197,000,000	\$240.54	EQT Exeter	Manulife Investment Management
Milliken Airport Ctr Portfolio	Inland Empire West	519,116	\$142,250,000	\$274.02	Stockbridge Capital Group, LLC	Principal Real Estate Investors
4982 Hallmark Pky	Inland Empire East	340,080	\$74,050,000	\$217.74	Dalfen Industrial	Bixby Land Co.
16796 Boyle Ave	Inland Empire West	172,219	\$58,250,000	\$338.23	Bentall Green Oak	Transwestern Development Co.
210 Radio Rd	Inland Empire East	143,785	\$46,972,000	\$326.68	Folded Color Packaging	The Carlyle Group
16748 Boyle Ave	Inland Empire West	75,428	\$27,750,000	\$367.90	Young's Holdings, Inc.	Transwestern Development Co.

**SIGNIFICANT LEASE TRANSACTIONS FOR 2Q24**

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Perris Distribution Center	Inland Empire East	1,686,590	April 2024	Heitman	Whirlpool Corp. (Renewal)
4121 Coyote Cyn	Inland Empire West	1,171,788	April 2024	CapRock Partners	Amazon
4000 S Hamner Ave	Inland Empire West	1,003,918	April 2024	Dermody Properties, Inc.	Amazon
Arrow Route DC	Inland Empire West	611,573	June 2024	Ares Industrial Real Estate	Undisclosed
ProLogis Park Ontario Airport	Inland Empire West	562,089	April 2024	Prologis, Inc.	Gigacloud Technology
Ontario Mills Distribution Center	Inland Empire West	520,161	April 2024	Blackstone, Inc.	Owens & Minor (Renewal)
Chino South Business Park	Inland Empire West	413,773	April 2024	Carson Co.	NFI Industries, Inc. (Renewal)

**SIGNIFICANT UNDER CONSTRUCTION**

Property	Address	Submarket	SF	Owner	Delivery
Merrill Commerce Center	Walker Ave & Merrill Ave Site	Inland Empire West	2,899,000	Prologis	June 2024
Ontario Commerce Center	Dreamland Dr   Napa St	Inland Empire West	1,970,034	Hillwood Dev Corp.	June 2023   January 2025
I-15 Logistics Center	4121 Lytle Creek Rd	Inland Empire West	1,171,788	CapRock Partners	July 2024
Perris Logistics Center North	801 S Redlands Ave	Inland Empire East	1,020,657	IDI Logistics	March 2024
Ontario Commerce Center	4000 S Hamner Ave	Inland Empire West	1,003,918	Dermody Prop, Inc.	June 2024
Sierra Business Center	16604 Slover Ave	Inland Empire West	690,967	Panattoni	June 2024
Link - Space Center	3412 Manitou Ct	Inland Empire East	560,025	Blackstone, Inc.	July 2024
Agua Mansa Commerce Center	6500 Clinker Dr	Inland Empire East	210,004	CT Realty Investors	June 2024

Data Source: EDD, CoStar



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The information in this report was composed by the Kidder Mathews Research Group.

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<b>COMMERCIAL BROKERAGE</b>	<i>\$10B</i> 3-YEAR AVERAGE TRANSACTION VOLUME	<i>31.7M</i> ANNUAL SALES SF	<i>42.4M</i> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<i>55M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>800+</i> ASSETS UNDER MANAGEMENT	<i>260+</i> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<i>2,600+</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>43</i> TOTAL APPRAISERS	<i>27</i> WITH MAI DESIGNATIONS

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