

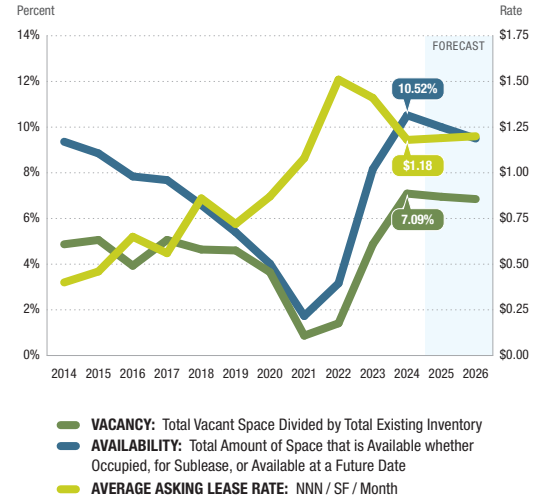
**OVERVIEW.** The Inland Empire industrial market ended the year on a bit of a high note. Vacancy reversed course and finished lower on a flurry of move-ins. Net and gross absorption both moved higher. However, it wasn't all good news. Lease and sale activity were both off the pace and average asking lease rates were down again. Total inventory increased by over 2 MSF on new deliveries, while total space under construction fell to 10 MSF, the lowest level in a decade. Sale and lease activity both took another hit. Mortgage interest rates, which fell near the end of Q3, were back up in the mid 6% range by the end of the year.

**VACANCY & AVAILABILITY.** The Inland Empire vacancy rate was the big story in Q4. It fell by 62 basis points to 7.09% on a flurry of move-ins. This time last year, the overall vacancy rate was just 4.87%, but rose to 7.71% in Q3, before the decline in Q4. Big winners in Q4 were Chino / Chino Hills and Ontario both of which made outsized gains in net absorption. Total vacant space fell to 48.6 MSF in Q4, from 52.5 MSF in Q3. Vacancy remained highest in the 250,000–500,000 SF range at 9.89%, mainly because most of the new space under construction has been in that size range. In fact, vacancy in that range spiked to 17% in the IE East market on new speculative deliveries. Buildings under 25,000 SF posted the lowest vacancy rate of just 3.45%, down 20 basis points for the quarter. The overall availability rate, which includes vacant space and occupied space offered for sale or lease, also fell to 10.52% in Q4 from 11.1%, which indicates a reduction of currently occupied space being offered for sublease.

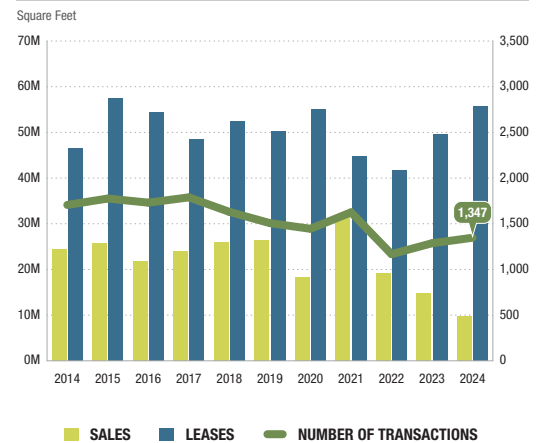
**LEASE RATES.** The average asking rate in Q4 was down \$0.02 in Q4 following a more significant decline of \$0.10 in Q3. That brought the decline in rents to 16.3% in the past year. Tenants have finally gotten a reprieve from rents that have been rising out of control for several years. Things finally started to settle down in the second half of 2022, and conditions have been softening since then. The delivery of copious amounts of new space coupled with a significant falloff in demand in the distribution sector has finally given tenants relief from rising occupancy cost. Concessions are also on the rise even as asking rents decline, as most of the new space being delivered is not pre-leased as it once had been.

**TRANSACTION ACTIVITY.** Sale and lease activity, which measures space going under contract in a given period, was well off the recent pace in Q4, falling to 10,091,989 SF from 18,280,331 SF in Q3. This is the first time this metric has fallen to this level since Q4 of 2022 when inflation was running hot and interest rates were moving up fast. Lease transaction count fell by 59 to 245 and total square footage leased declined to 8,656,485 from 15,387,533 SF in Q3. Sale transactions fell by 25 to just 37 from 62 in Q3. This is the lowest number of sales since the beginning of 2022. Total square footage sold decreased to 1,435,504 SF from 2,892,798 SF in Q3.

### VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



### TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



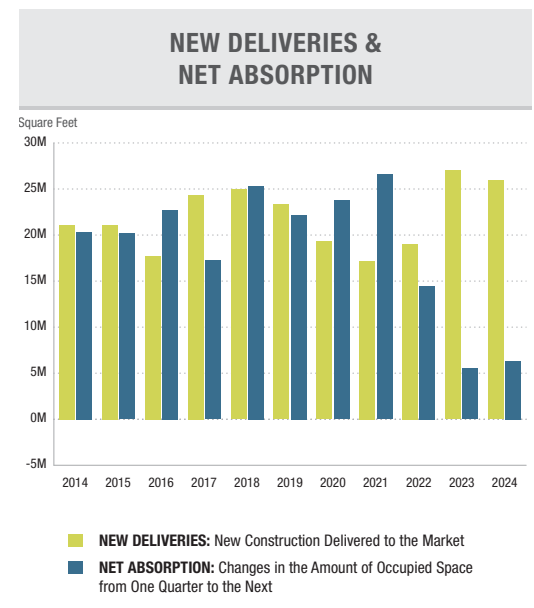
### Market Statistics

	Change Over Last Quarter	Q4 2024	Q3 2024	Q4 2023	% Change Over Last Year
Total Vacancy Rate	▼ DOWN	7.09%	7.71%	4.87%	45.39%
Availability Rate	▼ DOWN	10.52%	11.11%	8.16%	28.94%
Average Asking Lease Rate	▼ DOWN	\$1.18	\$1.20	\$1.41	(16.31%)
Sale & Lease Transactions	▼ DOWN	10,091,989	18,280,331	16,669,594	(39.46%)
Gross Absorption	▲ UP	16,725,371	14,453,339	12,391,901	34.97%
Net Absorption	▲ POSITIVE	3,166,696	1,227,370	1,320,786	N/A

**ABSORPTION.** Net absorption remained in positive territory for the third straight quarter in Q4. Region-wide the net gain in occupied space rose to 3,166,696 SF from 1,227,370 SF in Q3. However, the IE East submarket suffered another decline, remaining in negative territory with a loss of 839,511 SF. The losses there were concentrated in the larger size ranges in the Beaumont/Cherry Valley area and Bloomington. IE West fared much better with a robust net gain of 4,006,207 SF. Chino/Chino Hills, Fontana, Mira Loma/Eastvale/Jurupa Valley and Ontario each recorded over 1 MSF on positive net absorption. For all of 2024 the picture looked the same. IE West posted a net gain of 12,120,875 SF while IE East suffered a net loss of 5,779,990 SF. Ontario was on top for all of the IE with an occupancy gain of 6,130,775 SF for the year.

**CONSTRUCTION.** Thankfully, construction levels have been falling steadily all year as planned projects were delayed and the existing pipeline of projects underway were completed and added to inventory. For several years running, the IE consistently had 25 MSF or more under construction at any given time. By the end of Q4 of 2024, that dropped to just 10,178,675 SF. Development activity remains focused on spaces exceeding 250,000 SF. The falloff in new construction is giving demand a chance to start catching up to excess supply, which has caused vacancy to spike and rents to fall over the last two years after a decade long bull run.

**EMPLOYMENT.** Inland Empire unemployment fell to 5.3% in November, with Riverside County at 5.4% and San Bernardino County at 5.1%. Trade, transportation, and utilities added 3,700 jobs. Manufacturing employment remains steady. This suggests a healthy regional economy.



## Forecast

Supply and demand are still out of balance, but with the anticipated decrease in new construction starts, 2025 could be the year where the Inland Empire market re-stabilizes. Vacancy will still move up until construction levels fall further and tenant activity picks back up, which is expected now that the election results are no longer a mystery. Just a few large deals in the upper size ranges could really move the absorption and vacancy needles, as that is where the bulk of the new construction is focused. What we have been seeing is a traditional correction cycle, whereby strong demand stimulates a wave of new construction that ultimately cannot be absorbed due to changes in the business climate. In this case, the rapid rise in interest rates precipitated by a run-up in inflation was the culprit. Though interest rates are still high, inflation has eased, and that should bring more requirements off the sidelines. Developers will keep new projects on hold until the current glut of space leases up and rent growth prospects improve.

## Significant Transactions

### Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
1680 Eastridge Ave.	Riverside	449,040	\$83,400,000	Ares Management Corporation	Ross Dress For Less, Inc.
13201 Dahlia St.	Fontana	278,650	\$70,100,000	Rexford Industrial	Cabot Properties
5005 E. Philadelphia St.	Ontario	252,764	\$49,300,000	Exeter Property Group	LBA Realty
15521 Slover Ave.	Fontana	192,794	\$49,100,000	TA Realty	Brookfield
4331 Eucalyptus Ave.	Chino	100,615	\$36,000,000	ASRock America Inc.	Cress Capital LLC

### Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
27582 Pioneer Ave. - Renewal	Redlands	800,444	Nov-2024	Burlington Coat Factory	Prologis
4902 S. Baker Ave. - Sublease	Ontario	600,000	Oct-2024	US eLogistics	Lululemon
3412 Manitou Ct.	Jurupa Valley	560,825	Dec-2024	White Horse Logistics	Link Logistics
12300 Riverside Dr.	Eastvale	557,500	Oct-2024	LC Logistics Services	TIAA-CREF
11119 Juniper Ave.	Fontana	436,424	Nov-2024	AmerisourceBergen Drug Corporation	Clarion / REDA

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q4 2024	Square Feet Available	Availability Rate Q4 2024	Average Asking Lease Rate	Net Absorption Q4 2024	Net Absorption 2024	Gross Absorption Q4 2024	Gross Absorption 2024
<b>West</b>													
Chino / Chino Hills	955	57,113,502	315,065	2,151,314	2,634,960	4.61%	5,194,000	9.09%	\$1.45	1,204,443	481,420	1,888,300	4,737,228
Fontana	806	77,328,426	1,814,822	2,066,139	4,292,257	5.55%	6,978,631	9.02%	\$1.36	1,348,242	5,174,001	3,645,716	9,415,149
Mira Loma / Eastvale / Jurupa Valley	415	53,705,594	0	350,171	2,818,226	5.25%	5,068,734	9.44%	\$1.17	1,239,107	2,014,743	1,367,501	7,064,360
Montclair	208	4,154,432	513,925	0	494,336	11.90%	594,294	14.31%	\$0.88	(171,845)	(241,222)	18,298	295,191
Ontario	1,539	130,310,896	2,858,737	3,290,122	7,894,114	6.06%	11,759,314	9.02%	\$1.26	1,008,887	6,130,775	4,240,404	15,014,424
Rancho Cucamonga	750	43,683,769	151,455	620,000	3,488,995	7.99%	4,374,207	10.01%	\$1.26	(647,569)	(1,318,149)	586,837	2,780,105
Upland	261	4,081,505	0	0	203,532	4.99%	254,973	6.25%	\$1.26	24,942	(120,693)	122,327	420,027
5,000-24,999	2,785	33,802,158	0	69,167	1,222,940	3.62%	1,386,192	4.10%	\$1.60	163,513	(176,298)	691,239	2,281,441
25,000-49,999	779	27,379,087	262,331	124,666	1,403,136	5.12%	2,164,876	7.91%	\$1.32	149,971	149,347	783,756	2,271,378
50,000-99,999	490	34,286,990	0	284,809	2,487,758	7.26%	2,830,778	8.26%	\$1.36	(144,042)	113,583	725,302	3,272,905
100,000-249,999	501	77,014,681	639,420	1,143,573	5,606,881	7.28%	8,652,901	11.24%	\$1.21	769,813	2,927,309	2,862,995	10,404,867
250,000-499,999	245	86,398,607	929,702	839,912	4,768,327	5.52%	9,361,474	10.84%	\$1.10	3,847,378	2,026,334	2,784,418	7,427,524
500,000 plus	134	111,496,601	3,822,551	6,015,619	6,337,378	5.68%	9,827,932	8.81%	\$0.00	(780,426)	7,080,600	4,021,673	13,568,369
<b>West Total</b>	<b>4,934</b>	<b>370,378,124</b>	<b>5,654,004</b>	<b>8,477,746</b>	<b>21,826,420</b>	<b>5.89%</b>	<b>34,224,153</b>	<b>9.24%</b>	<b>\$1.26</b>	<b>4,006,207</b>	<b>12,120,875</b>	<b>11,869,383</b>	<b>39,726,484</b>
<b>East</b>													
Banning	48	1,933,563	0	476,955	120,182	6.22%	1,161,577	60.07%	\$0.79	(62,172)	(1,049,419)	0	101,753
Beaumont	50	8,383,097	0	2,154,262	1,476,549	17.61%	1,482,799	17.69%	\$0.00	(1,017,845)	(1,478,799)	0	9,500
Bloomington	126	11,173,640	261,632	119,860	952,132	8.52%	1,281,428	11.47%	\$0.55	(704,143)	(941,581)	651,815	971,673
Corona / Norco	1,013	35,902,382	220,589	819,083	1,940,456	5.40%	2,577,344	7.18%	\$1.26	277,670	500,872	785,261	2,851,899
Colton / Grand Terrace	192	11,416,449	596,932	602,597	896,646	7.85%	1,147,585	10.05%	\$1.20	120,645	208,569	228,776	997,465
Moreno Valley	119	33,297,507	0	884,700	1,811,934	5.44%	3,414,635	10.25%	\$1.20	5,817	(1,006,956)	364,786	803,076
Perris	266	45,422,333	1,904,704	7,861,945	6,762,459	14.89%	7,535,371	16.59%	\$1.06	10,506	(1,865,956)	53,792	2,710,536
Redlands / Loma Linda	248	31,358,726	208,000	403,690	2,638,450	8.41%	4,011,472	12.79%	\$1.23	755,524	698,618	1,084,319	1,962,082
Rialto	211	31,450,720	294,304	540,788	2,011,996	6.40%	2,315,263	7.36%	\$1.29	9,677	(354,173)	311,210	2,898,666
Riverside	1,137	58,910,941	703,050	1,010,696	4,394,643	7.46%	6,491,924	11.02%	\$1.14	(320,812)	(794,266)	469,478	2,867,964
San Bernardino / Highland	621	47,412,835	335,460	796,567	3,847,090	8.11%	6,654,144	14.03%	\$0.81	85,622	303,101	906,551	2,208,075
5,000-24,999	2,444	29,038,200	0	42,750	947,182	3.26%	1,487,758	5.12%	\$1.18	11,796	(219,011)	389,917	1,491,007
25,000-49,999	600	21,223,782	218,123	287,960	1,510,069	7.11%	1,839,861	8.67%	\$1.13	43,105	(491,891)	466,438	1,298,899
50,000-99,999	369	25,680,356	123,619	481,590	2,115,283	8.24%	3,276,590	12.76%	\$1.10	(44,442)	(388,358)	447,224	1,830,388
100,000-249,999	306	46,916,917	675,572	1,760,178	5,575,832	11.88%	6,693,641	14.27%	\$1.15	439,903	1,085,107	1,014,195	4,318,944
250,000-499,999	147	53,048,846	2,486,700	3,422,293	9,017,486	17.00%	12,479,615	23.52%	\$1.13	555,355	(1,855,531)	1,886,399	5,510,916
500,000 plus	165	140,754,092	1,020,657	9,676,372	7,686,685	5.46%	12,296,077	8.74%	\$1.05	(1,845,228)	(3,910,306)	651,815	3,932,535
<b>East Total</b>	<b>4,031</b>	<b>316,662,193</b>	<b>4,524,671</b>	<b>15,671,143</b>	<b>26,852,537</b>	<b>8.48%</b>	<b>38,073,542</b>	<b>12.02%</b>	<b>\$1.12</b>	<b>(839,511)</b>	<b>(5,779,990)</b>	<b>4,855,988</b>	<b>18,382,689</b>
<b>Inland Empire Total</b>	<b>8,965</b>	<b>687,040,317</b>	<b>10,178,675</b>	<b>24,148,889</b>	<b>48,678,957</b>	<b>7.09%</b>	<b>72,297,695</b>	<b>10.52%</b>	<b>\$1.18</b>	<b>3,166,696</b>	<b>6,340,885</b>	<b>16,725,371</b>	<b>58,109,173</b>
5,000-24,999	5,229	62,840,358	0	111,917	2,170,122	3.45%	2,873,950	4.57%	\$1.39	175,309	(395,309)	1,081,156	3,772,448
25,000-49,999	1,379	48,602,869	480,454	412,626	2,913,205	5.99%	4,004,737	8.24%	\$1.23	193,076	(342,544)	1,250,194	4,070,277
50,000-99,999	859	59,967,346	123,619	766,399	4,603,041	7.68%	6,107,368	10.18%	\$1.17	(188,484)	(274,775)	1,172,526	5,103,293
100,000-249,999	807	123,931,598	1,314,992	2,903,751	11,182,713	9.02%	15,346,542	12.38%	\$1.13	1,209,716	4,012,416	3,877,190	14,723,811
250,000-499,999	392	139,447,453	3,416,402	4,262,205	13,785,813	9.89%	21,841,089	15.66%	\$1.10	4,402,733	170,803	4,670,817	12,938,440
500,000 plus	299	252,250,693	4,843,208	15,691,991	14,024,063	5.56%	22,124,009	8.77%	\$0.00	(2,625,654)	3,170,294	4,673,488	17,500,904
<b>Inland Empire Total</b>	<b>8,965</b>	<b>687,040,317</b>	<b>10,178,675</b>	<b>24,148,889</b>	<b>48,678,957</b>	<b>7.09%</b>	<b>72,297,695</b>	<b>10.52%</b>	<b>\$1.18</b>	<b>3,166,696</b>	<b>6,340,885</b>	<b>16,725,371</b>	<b>58,109,173</b>
<b>High Desert</b>													
Adelanto	181	6,792,629	0	3,291,768	50,832	0.75%	85,632	1.26%	\$1.38	176,652	153,383	201,652	429,328
Apple Valley	75	3,882,220	0	6,522,805	182,341	4.70%	215,407	5.55%	\$0.80	(4,800)	16,000	23,200	86,500
Barstow	54	1,311,348	0	0	563,365	42.96%	567,825	43.30%	\$0.88	6,342	82,817	12,972	97,972
Hesperia	196	6,600,019	2,378,727	0	56,987	0.86%	231,597	3.51%	\$0.99	138,373	(523,152)	163,320	704,253
Victorville	136	10,950,259	1,530,400	5,389,443	16,601	0.15%	16,601	0.15%	\$1.01	(16,623)	104,232	3,662	260,475
<b>High Desert Total</b>	<b>642</b>	<b>29,536,475</b>	<b>3,909,127</b>	<b>15,204,016</b>	<b>870,126</b>	<b>2.95%</b>	<b>1,117,062</b>	<b>3.78%</b>	<b>\$1.28</b>	<b>299,944</b>	<b>(166,720)</b>	<b>404,806</b>	<b>1,578,528</b>
<b>Temecula Valley</b>													
Hemet	88	1,641,646	0	0	50,832	3.10%	85,632	5.22%	\$1.00	5,000	(31,842)	5,000	6,290
Lake Elsinore	183	2,730,630	0	212,500	182,341	6.68%	215,407	7.89%	\$1.32	(11,152)	(106,947)	38,464	85,788
Menifee	29	1,160,102	2,402,260	277,578	563,365	48.56%	567,825	48.95%	\$1.25	(19,250)	(24,793)	19,250	63,476
Murrieta	278	4,646,868	0	173,653	56,987	1.23%	231,597	4.98%	\$1.24	79,245	179,894	104,584	286,369
San Jacinto	66	1,107,869	0	0	16,601	1.50%	16,601	1.50%	\$0.85	0	(12,871)	2,500	7,900
Temecula	349	10,352,425	71,862	76,338	661,317	6.39%	729,104	7.04%	\$1.33	(78,147)	(24,971)	210,552	594,768
Wildomar	12	331,720	0	291,908	0	0.00%	0	0.00%	\$0.00	7,609	15,000	7,609	28,363
<b>Temecula Valley Total</b>	<b>1,005</b>	<b>21,971,260</b>	<b>2,474,122</b>	<b>1,031,977</b>	<b>1,531,443</b>	<b>6.97%</b>	<b>1,846,166</b>	<b>8.40%</b>	<b>\$1.29</b>	<b>(16,695)</b>	<b>(6,530)</b>	<b>387,959</b>	<b>1,072,954</b>

This survey consists of industrial buildings greater than 5,000 square feet. Lease rates are on a triple-net basis. Some buildings do not quote asking rental rates and therefore are reflected as \$0.00.



## Navigating the Shifting Economic Sands

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The Inland Empire industrial real estate market has gone through substantial changes since the decade-long bull run ended in late 2022. Vacancy spiked, lease rates fell and construction levels remained elevated despite waning demand. However, a shift back to normalcy may be at hand, as the market has recently seen a modest decline in both vacancy and availability rates, painting a picture of cautious optimism among building owners and other stakeholders. Demand from e-commerce giants and general industrial tenants for state-of-the-art space persists. Last year, the Inland Empire East and West saw a combined 1,126 lease deals completed, which is an increase of 126, or 11.19%, compared with 2023.

Tenant demand has been a mixed bag all year and particularly tricky to predict from quarter to quarter. One of the truest measures of demand, net absorption, was firmly in positive territory in the fourth quarter, which is a hopeful sign of improving conditions. Our Inland Empire team is noticing a general decrease in urgency from tenants to lease space, but certain companies are taking advantage of the market's lower lease rates to get ahead of the next cycle. With a glut of sublease product available, as well as landlords offering attractive concessions, tenants still have the upper hand.

Chinese-based companies have been sounding the alarm throughout the year in response to the president-elect's promise to impose steep tariffs on imports from China, which would have significant implications on supply chains throughout the US. This could lead to the stockpiling of goods that would create a positive demand for warehousing in the Inland Empire. For example, two of the largest leases completed in the fourth quarter were Chinese-based companies, US eLogistics and LC Logistics Services, who leased 600,000 and 557,500 square feet respectively.

The Inland Empire has historically been driven by tenant and owner-user demand for less expensive buildings that are still reasonably close to the West Coast ports. The degree to which that continues in 2025 will be determined by global trade policies, consumer behavior, port activity and the Fed's monetary policy.

## Product Type

### MFG./DIST.

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

## Submarkets

### WEST

Chino / Chino Hills, Fontana, Mira Loma / Eastvale / Jurupa Valley, Montclair, Ontario, Rancho Cucamonga, Upland

### EAST

Banning, Beaumont, Bloomington, Corona / Norco, Colton / Grand Terrace, Moreno Valley, Perris, Redlands / Loma Linda, Rialto, Riverside, San Bernardino / Highland

### HIGH DESERT

Adelanto, Apple Valley, Barstow, Hesperia, Victorville

### TEMECULA VALLEY

Hemet, Lake Elsinore, Menifee, Murrieta, San Jacinto, Temecula, Wildomar

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.