

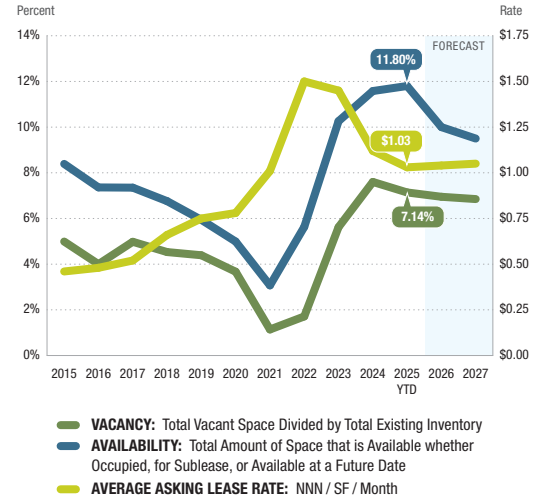
OVERVIEW. The Inland Empire industrial market showed encouraging signs in the first quarter of 2025 with an uptick in leasing activity and total vacant square feet pulling back. Landlords are still leaning on concessions to fuel this activity and rental rates remain stifled by competition from recently delivered product and a mountain of sublease availability. Sales activity continues to languish and all eyes will be on the Oval Office to determine the extent and duration of recently introduced tariffs.

VACANCY & AVAILABILITY. The Inland Empire vacancy rate is on a downward trend, finishing Q1 at 7.14%, 82 basis points below the peak reached in mid-2024. The wave of new supply to the market had been pushing vacancy steadily higher after briefly dipping below 1% in 2022. Vacancy measures the amount of space which is unoccupied regardless of whether it is being marketed for sale or lease. Availability measures the amount of space which is on the market, regardless of whether it is occupied. Sublease availability continues to march higher quarter after quarter, reaching 18 MSF in Q1. This total was under 2 MSF as recently as three and a half years ago.

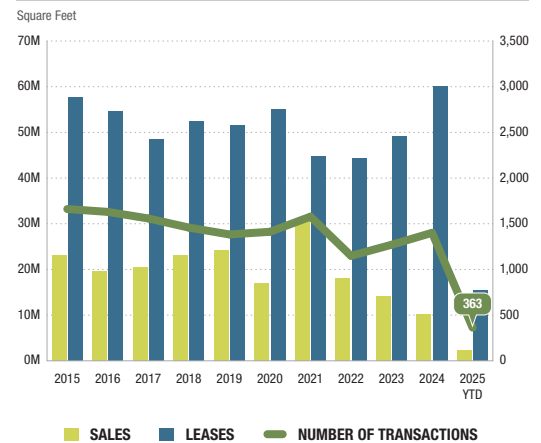
LEASE RATES. The average asking rate in Q1 was down 8% from the prior quarter, and a substantial 25% from the level of a year ago. Tenants have finally seen a reprieve from rents that were rising out of control for several years. Things finally started to settle down in the second half of 2022, and conditions have been softening since then. The delivery of large amounts of new space coupled with a significant falloff in demand in the distribution sector has finally given tenants a pause 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 was.

TRANSACTION ACTIVITY. Sale and lease activity, which measures space going under contract in a given period, saw an uptick in Q1 rising to 16,355,301 SF from 13,613,527 SF in Q4, a 7.2% increase over the level of Q1 2024. The lease transaction count came in at 292, the second highest quarterly total of the last four quarters. Total square footage leased increased to 14.1 MSF, of which 1.7 MSF came in the form of sublease transactions. Sublease activity has surpassed 1 MSF for eight consecutive quarters and even eclipsed 3 MSF twice during that span. The sales market remains in the doldrums, falling short of \$600 million of industrial buildings sales for only the third time since Q4 2020. Elevated interest rates and the supply/demand imbalance of the past two years continue to slow sales activity, with owner-users and institutional buyers alike taking a cautious stance. The largest sale of the quarter was a purchase by a tenant: Burlington acquired the 889,445 SF facility they occupy at 21600 Cactus Avenue in Riverside from BlackRock for \$257 million. The seller had acquired the site in 2019 for \$117 million. This demonstrates that opportunity exists even in a soft stretch of the market.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

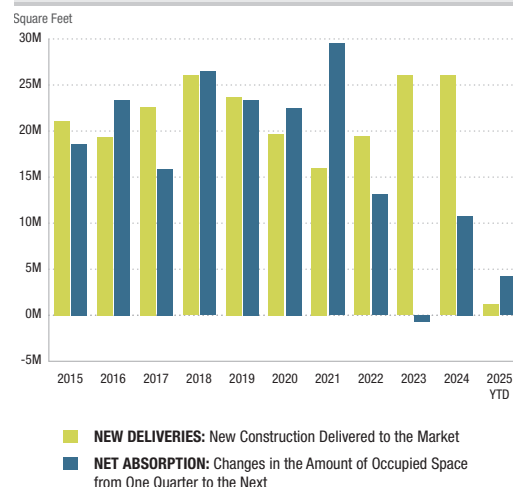
	Change Over Last Quarter		Q1 2025	Q4 2024	Q1 2024	% Change Over Last Year
Total Vacancy Rate	▼ DOWN		7.14%	7.60%	6.92%	3.13%
Availability Rate	▲ UP		11.80%	11.58%	11.63%	1.41%
Average Asking Lease Rate	▼ DOWN		\$1.03	\$1.12	\$1.38	(25.36%)
Sale & Lease Transactions	▲ UP		16,355,301	13,613,527	15,252,108	7.23%
Gross Absorption	▼ DOWN		13,854,320	14,224,857	11,839,856	17.01%
Net Absorption	▲ POSITIVE		4,210,051	4,411,587	(1,489,364)	N/A

ABSORPTION. Net absorption remained in positive territory in Q1. Across the region the net gain in occupied space increased by 4.2 MSF in Q1. The growth of occupied space was not distributed evenly. Nearly every city in the IE West saw growth in the level of occupied space, while the inverse was true in the IE East. Some of the overall growth can be contributed to the flurry of activity from foreign 3PL's in the months leading up to the tariffs, to get ahead of any potential disruption in trade.

CONSTRUCTION. Construction levels have been falling as planned projects were delayed and the existing pipeline of projects underway was completed and added to inventory. There were only 1.2 MSF of deliveries in Q1, the lowest quarterly total in years. Many planned or proposed projects do not have a set commencement date at this time in light of the increase in vacancy and decrease in rental rates of the last two years. Development activity already underway remains focused on spaces exceeding 250,000 SF. The falloff in new construction will give 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. The unemployment rate in the Riverside-San Bernardino MSA was 5.1% in February 2025, down from a revised 5.3% in January 2025, and below the year-ago estimate of 5.2%. In the Riverside-San Bernardino MSA, Trade, Transportation and Utilities declined by 8,200 jobs, while the Manufacturing and Construction employment sectors remained relatively flat compared with the prior month. With the normal delay in reporting from the California EDD, employment figures from March were unavailable at the time of publishing this report. For the nation as a whole, 228,000 jobs were added in March, while the seasonally adjusted U.S. unemployment rate increased from 4.1% to 4.2%.

NEW DELIVERIES & NET ABSORPTION



Forecast

Supply and demand are coming more into balance with the decrease in new construction starts. 2025 looked to be the year when the Inland Empire market re-stabilized. The encouraging start to the year will have some wind taken out of its sails at the start of Q2 as the overall direction of trade policy will be a point of consternation following the “Liberation Day” tariffs. A significant portion of the Inland Empire economy is driven by storing and distributing goods that come from China. The threat of a potential trade war will cast a pall over market sentiment in the near term until a clarity of outcome or direction is achieved.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
21600 Cactus Ave.	Riverside	889,445	\$257,050,000	Burlington	BlackRock
1932 S. Bon View Ave.	Ontario	174,494	\$55,227,351	U.S. Merchants	Panattoni
5733 W. Whittier Ave.	Hemet	140,000	\$23,900,000	Edison International	Impact Industries, LLC
13203–13215 Marlay Ave.	Fontana	60,800	\$16,150,000	Dimensional	13203 Marlay, LLC
8647 Helms Ave.	Rancho Cucamonga	26,158	\$10,700,000	Bay City Electric Works	Gutierrez Trust

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
3690 Webster Ave.	Perris	804,803	Mar 2025	Komar Distribution Services	Deca Companies
450 E. Rider St.	Perris	804,803	Mar 2025	GreenBox	IDI Logistics
5750 Francis St. - Renewal	Ontario	800,526	Feb 2025	Samsung	Alere Property Group
1420 N. Tamarind Ave. - Renewal	Rialto	677,225	Feb 2025	US Elogistics	Prologis
375 Markham St.	Perris	456,652	Feb 2025	American Exchange	IDI Logistics

	INVENTORY				VACANCY & LEASE RATES				ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2025	Square Feet Available	Availability Rate Q1 2025	Average Asking Lease Rate	Net Absorption Q1 2025	Net Absorption 2025	Gross Absorption Q1 2025	Gross Absorption 2025
West													
Chino / Chino Hills	956	57,098,724	0	3,816,288	2,219,966	3.89%	3,626,886	6.35%	\$1.39	765,479	765,479	1,596,337	1,596,337
Fontana	809	77,503,510	2,123,630	10,548,273	5,157,368	6.65%	8,669,000	10.89%	\$1.22	(425,064)	(425,064)	593,146	593,146
Mira Loma / Eastvale / Jurupa Valley	419	53,895,181	0	1,167,939	1,495,726	2.78%	4,573,262	8.49%	\$1.17	2,186,221	2,186,221	2,232,994	2,232,994
Montclair	207	4,120,740	513,925	0	453,125	11.00%	1,064,573	22.97%	\$0.88	36,581	36,581	54,698	54,698
Ontario	1,544	130,468,241	3,075,673	10,490,084	6,910,529	5.30%	14,614,539	10.94%	\$0.92	3,004,706	3,004,706	4,184,715	4,184,715
Rancho Cucamonga	750	43,686,146	151,455	740,000	3,080,773	7.05%	4,511,225	10.29%	\$1.27	566,222	566,222	1,352,667	1,352,667
Upland	262	4,104,667	0	50,000	152,453	3.71%	220,091	5.36%	\$1.26	44,100	44,100	61,955	61,955
5,000-24,999	2,795	33,924,112	44,508	261,515	1,209,702	3.57%	1,679,246	4.94%	\$1.37	(39,517)	(39,517)	403,578	403,578
25,000-49,999	776	27,273,495	300,833	417,171	1,494,926	5.48%	2,400,602	8.71%	\$1.22	(69,002)	(69,002)	442,404	442,404
50,000-99,999	495	34,616,043	0	419,734	2,095,197	6.05%	3,273,739	9.46%	\$1.40	542,642	542,642	828,093	828,093
100,000-249,999	502	77,161,247	806,594	2,194,884	4,499,615	5.83%	9,259,113	11.88%	\$1.08	1,574,974	1,574,974	2,243,020	2,243,020
250,000-499,999	245	86,395,711	890,197	4,625,176	6,000,944	6.95%	9,097,002	10.42%	\$0.56	1,070,495	1,070,495	3,060,764	3,060,764
500,000 plus	134	111,506,601	3,822,551	18,894,104	4,169,556	3.74%	11,569,874	10.03%	\$1.12	3,098,653	3,098,653	3,098,653	3,098,653
West Total	4,947	370,877,209	5,864,683	26,812,584	19,469,940	5.25%	37,279,576	9.90%	\$1.07	6,178,245	6,178,245	10,076,512	10,076,512
East													
Banning	48	1,933,563	0	3,046,095	49,400	2.55%	1,160,331	60.01%	\$0.85	70,782	70,782	70,782	70,782
Beaumont	50	8,383,097	0	1,695,302	464,954	5.55%	468,240	5.59%	\$1.16	(6,250)	(6,250)	0	0
Bloomington	126	11,175,060	261,632	162,268	1,296,814	11.60%	1,823,008	15.94%	\$0.80	(344,682)	(344,682)	26,760	26,760
Corona / Norco	1,012	35,857,810	157,920	1,377,257	2,353,659	6.56%	2,473,188	6.87%	\$1.11	(257,051)	(257,051)	299,219	299,219
Colton / Grand Terrace	195	11,604,919	599,932	1,038,304	702,128	6.05%	1,342,354	11.00%	\$0.93	203,426	203,426	232,233	232,233
Moreno Valley	120	33,297,493	77,820	41,991,105	1,982,925	5.96%	4,350,779	13.04%	\$0.99	(3,056)	(3,056)	452,229	452,229
Perris	269	46,348,582	2,334,070	10,179,061	6,682,951	14.42%	8,772,307	18.02%	\$0.98	477,126	477,126	480,285	480,285
Redlands / Loma Linda	250	31,409,461	564,791	452,624	3,612,296	11.50%	5,143,466	16.09%	\$0.83	(997,817)	(997,817)	115,120	115,120
Rialto	212	31,745,700	591,352	1,046,484	3,379,742	10.65%	4,525,988	14.00%	\$1.08	(1,179,113)	(1,179,113)	50,686	50,686
Riverside	1,139	58,992,747	1,153,817	1,552,067	4,734,636	8.03%	7,933,382	13.19%	\$1.15	932,238	932,238	1,769,216	1,769,216
San Bernardino / Highland	618	47,548,310	335,460	1,490,193	4,485,463	9.43%	7,430,020	15.52%	\$0.76	(863,797)	(863,797)	281,278	281,278
5,000-24,999	2,439	28,987,777	0	85,423	1,168,800	4.03%	1,753,502	6.05%	\$1.16	(191,049)	(191,049)	256,649	256,649
25,000-49,999	607	21,438,323	355,100	509,855	1,358,338	6.34%	2,267,826	10.41%	\$1.12	101,504	101,504	292,647	292,647
50,000-99,999	373	26,055,948	159,671	1,129,108	2,465,604	9.46%	2,929,649	11.18%	\$0.96	86,798	86,798	429,579	429,579
100,000-249,999	306	46,924,532	684,496	3,572,181	5,454,013	11.62%	7,672,918	16.12%	\$0.99	421,577	421,577	1,069,796	1,069,796
250,000-499,999	149	53,690,755	3,001,540	5,500,908	9,799,529	18.25%	13,982,479	24.66%	\$0.98	(669,261)	(669,261)	1,020,056	1,020,056
500,000 plus	165	141,199,407	1,875,987	53,233,285	9,498,684	6.73%	16,816,689	11.75%	\$0.95	(1,717,763)	(1,717,763)	709,081	709,081
East Total	4,039	318,296,742	6,076,794	64,030,760	29,744,968	9.35%	45,423,063	14.00%	\$1.00	(1,968,194)	(1,968,194)	3,777,808	3,777,808
Inland Empire Total	8,986	689,173,951	11,941,477	90,843,344	49,214,908	7.14%	82,702,639	11.80%	\$1.03	4,210,051	4,210,051	13,854,320	13,854,320
5,000-24,999	5,234	62,911,889	44,508	346,938	2,378,502	3.78%	3,432,748	5.46%	\$1.28	(230,566)	(230,566)	660,227	660,227
25,000-49,999	1,383	48,711,818	655,933	927,026	2,853,264	5.86%	4,668,428	9.58%	\$1.16	32,502	32,502	735,051	735,051
50,000-99,999	868	60,671,991	159,671	1,548,842	4,560,801	7.52%	6,203,388	10.22%	\$1.12	629,440	629,440	1,257,672	1,257,672
100,000-249,999	808	124,085,779	1,491,090	5,767,065	9,953,628	8.02%	16,932,031	13.65%	\$1.02	1,996,551	1,996,551	3,312,816	3,312,816
250,000-499,999	394	140,086,466	3,891,737	10,126,084	15,800,473	11.28%	23,079,481	16.48%	\$0.86	401,234	401,234	4,080,820	4,080,820
500,000 plus	299	252,706,008	5,698,538	72,127,389	13,668,240	5.41%	28,386,563	11.23%	\$1.05	1,380,890	1,380,890	3,807,734	3,807,734
Inland Empire Total	8,986	689,173,951	11,941,477	90,843,344	49,214,908	7.14%	82,702,639	12.00%	\$1.03	4,210,051	4,210,051	13,854,320	13,854,320
High Desert													
Adelanto	182	6,812,884	0	6,048,602	278,915	4.09%	495,548	7.27%	\$1.24	(27,085)	(27,085)	44,500	44,500
Apple Valley	74	3,876,548	0	9,544,874	1,395,205	35.99%	1,387,253	35.79%	\$0.80	(1,358,445)	(1,358,445)	7,800	7,800
Barstow	54	1,311,348	0	0	28,310	2.16%	35,310	2.69%	\$0.88	0	0	0	0
Hesperia	194	6,588,012	0	9,413,744	1,131,663	17.18%	1,313,526	19.94%	\$0.99	3,903	3,903	28,548	28,548
Victorville	136	10,950,259	1,530,400	10,863,343	653,518	5.97%	1,455,417	11.66%	\$1.01	(24,998)	(24,998)	11,202	11,202
High Desert Total	640	29,539,051	1,530,400	35,870,563	3,487,611	11.81%	4,687,054	15.09%	\$1.06	(1,406,625)	(1,406,625)	92,050	92,050
Temecula Valley													
Hemet	87	1,576,491	0	0	39,918	2.53%	80,198	5.09%	\$0.90	(6,786)	(6,786)	0	0
Lake Elsinore	183	2,742,296	52,340	149,500	204,079	7.44%	237,218	8.49%	\$1.31	(22,790)	(22,790)	8,274	8,274
Menifee	29	1,160,101	2,402,260	4,526,518	0	0.00%	574,617	16.13%	\$1.25	544,115	544,115	544,115	544,115
Murrieta	280	4,642,645	50,575	183,653	69,470	1.50%	275,143	5.86%	\$1.24	(10,755)	(10,755)	8,798	8,798
San Jacinto	66	1,107,869	0	29,153	16,601	1.50%	16,601	1.50%	\$0.85	0	0	0	0
Temecula	351	10,391,264	33,927	82,066	588,268	5.66%	724,480	6.95%	\$1.32	87,961	87,961	110,395	110,395
Wildomar	12	331,720	0	0	0	0.00%	14,596	4.40%	\$1.11	0	0	0	0
Temecula Valley Total	1,008	21,952,386	2,539,102	4,970,890	918,336	4.18%	1,922,853	7.85%	\$1.28	591,745	591,745	671,582	671,582

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.



Searching for Stability

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Real Estate Market Overview

Entering the first quarter of 2025, the real estate market has largely remained challenging. While some disruption was expected with the new administration, tariffs have added significant uncertainty. These tariffs impact commercial real estate by driving up costs, which are passed on to consumers. Combined with rising inflation, this has caused consumers to pull back on spending, hurting business revenue. As a result, many companies are delaying expansions or relocations until market conditions stabilize.

Interest rates have remained somewhat steady this first quarter, following a cut in December 2024. However, inflation continues to rise, with tariffs potentially worsening the situation. The Federal Reserve has indicated it may reduce rates in 2025, but the timing will depend on multiple factors. If inflation persists, it may be hard to justify cuts, but if the economy slows, rate cuts may become necessary.

In the long term, tariffs could prompt US companies to increase domestic investment, possibly boosting job growth and local manufacturing. However, the potential impermanence of tariffs makes this outcome uncertain.

Inland Empire Industrial Market

For the Inland Empire industrial market, signals are mixed. While some areas show promise, others face challenges. The gap between the Inland Empire West and the East is widening, with demand concentrated in core areas like Chino, Ontario, and Rancho Cucamonga. Lease rates are declining, but the pace of decline is slower than last year. Vacancies, sometimes lasting months or years, remain common. Sale values are declining, but at a slower pace than lease rates, as supply constraints have kept major reductions at bay.

For investors, cap rates have remained stable, reflecting the interest rate environment. However, underwriting has become challenging due to market uncertainty. Unless we target a pure basis play, purchasing vacant or short-term leased assets can be risky. Accurately predicting downtime, concessions, and lease rates requires expertise and reasonable caution.

For owner-users, it may be a good time to revisit long-term strategies. While leasing remains attractive with TI packages and free rent, the experience of the last market cycle suggests that owning property, especially in the Inland Empire, could be a wise strategy for controlling long-term business stability and costs.

For tenants, now is a favorable time to seize the moment, particularly for stable businesses. This is an ideal time to work with a local broker to negotiate lease expansions or renewals, consider blending and extending leases to match market rates, or request favorable TI packages.

For landlords, cooperation and local intel is key. Understanding market dynamics and competition is critical. Private landlords with low property taxes and a long-term basis have a unique advantage over institutional competitors and should use this flexibility to stay ahead.

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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.

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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