

FIGURES | INLAND EMPIRE INDUSTRIAL | Q4 2024

# Submarkets further diverge as the IE West vacancy decline spotlights early recovery

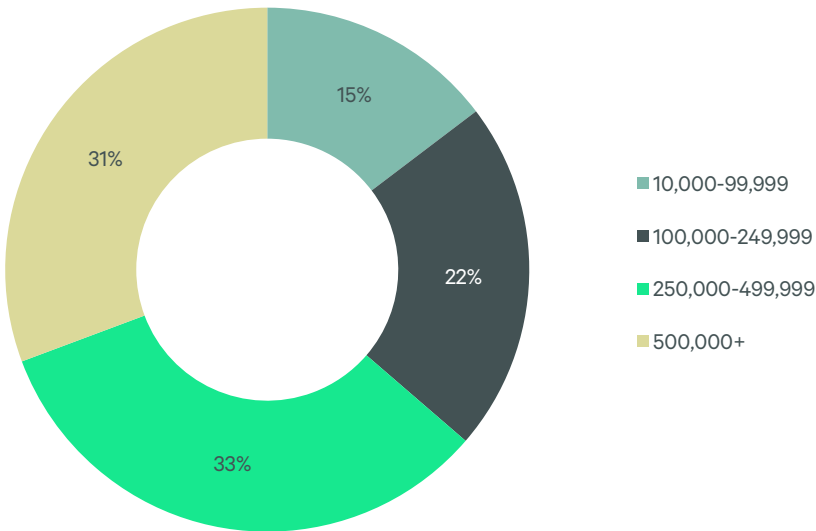


Note: Arrows indicate change from previous quarter.

## MARKET OVERVIEW

The divergence between the IE (Inland Empire) West and IE East became more pronounced in Q4 2024 as the IE West continued to show signs of improvement with positive net absorption, falling vacancy rates, and only modest rate declines. Alternatively, the IE East continued to struggle in Q4 2024 as net absorption remained negative for the fourth consecutive quarter, the vacancy rate increased, and rate decline was more notable at 4.4% quarter-over-quarter. Despite new leasing and user sales activity declining in Q4 2024 by 39% quarter-over-quarter with only 7.9 million sq. ft. transacting, activity in 2024 saw a 57% increase over 2023, boosted by leasing in all size ranges in both the IE West and IE East. Construction continued to dwindle with deliveries outpacing starts by almost 3 to 1 as 1.4 million sq. ft. delivered and only 580,000 sq. ft. started in Q4 2024. Year-over-year, rates declined by 22.1% from \$1.49 NNN per sq. ft. per month in Q4 2023 to \$1.16 NNN per sq. ft. per month in Q4 2024 as the market readjusted from the unsustainable growth from 2020 to 2022. Overall, the Inland Empire remained an attractive market for occupiers looking to capitalize on relatively affordable rates and landlords poised to sign the next deal.

FIGURE 1: IE Core Available Space Distribution by Sq. Ft.



Source: CBRE Research, Q4 2024.

UNEMPLOYMENT

Unemployment in the Inland Empire decreased month-over-month to 5.3% in November 2024 from 5.5% in October 2024. The California unemployment rate was 5.3% in November 2024, a decrease of 10 bps month-over-month, while the United States unemployment rate landed at 4.2% in November, an increase of 10 bps month-over-month. In the Inland Empire, transportation, warehousing, and utilities gained 11,500 jobs month-over-month while construction lost 1,900 jobs and manufacturing lost 200 in the same period.

LEASE RATE ANALYSIS

Taking rates fell by \$0.03 quarter-over-quarter to \$1.16 NNN per sq. ft. per month in Q4 2024. In the IE West, rates fell by \$0.03 to \$1.19 NNN per sq. ft. per month quarter-over-quarter. In the IE East, taking rates declined by \$0.05 to \$1.09 NNN per sq. ft. per month. Taking rents declined 22.1% year-over-year as the rapid rate increases from 2020-2022 gradually eroded over the last six quarters. Prolonged vacancies and competing sublease availability put downward pressure on rents as landlords competed to get the next deal signed. While rents looked to start stabilizing in the IE West, the IE East may still have some room to fall before hitting the bottom. Concessions including free rent and lower annual escalations increased in Q4 2024, bringing down effective rents across the Inland Empire.

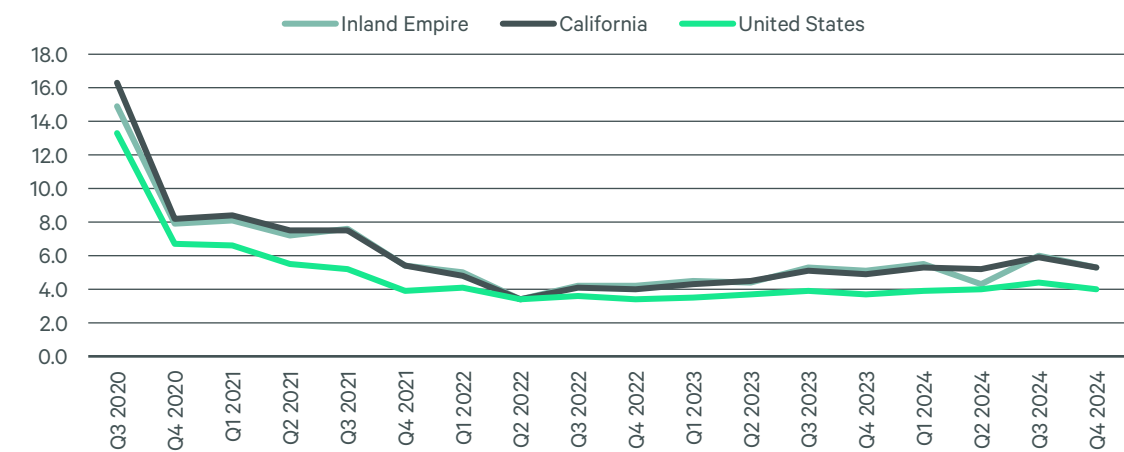
INVESTMENT

Sales volume increased 54% quarter-over-quarter in the Inland Empire to \$508.8 million in Q4 2024. Year-over-year, 2024 sales volume fell by 60.1% due to market instability and difficulty in underwriting deals because of falling lease rates. Cap rates remained unchanged quarter-over-quarter at 4.8% while the price per sq. ft. improved to \$253 in Q4 2024 from \$242 in Q3 2024.

DEVELOPMENT

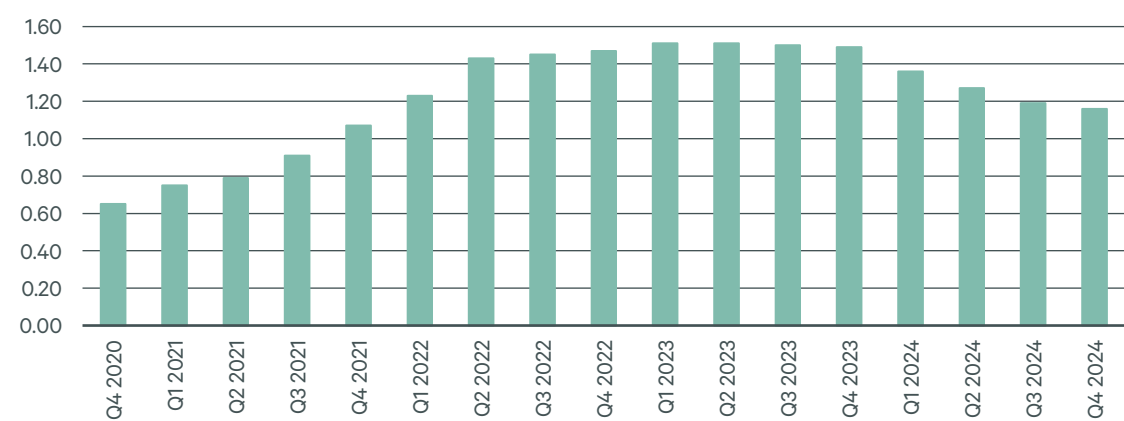
Construction fell slightly to 11.6 million sq. ft. in Q4 2024 in the IE Core (IE West and IE East). Only 580,000 sq. ft. broke ground in Q4 2024 while 1.4 million sq. ft. delivered across the market. The pre-lease rate increased to 8.8% in the IE Core and 18% in the Inland Empire overall. Rate decline and over-supply temporarily cooled development although market stabilization will likely bring new projects in 2025. The average size of developments in Q4 2024 was 292,000 sq. ft., up from 280,000 sq. ft. in Q3 2024, as developers increasingly focused on larger projects.

FIGURE 2: Unemployment Rate (%)



Source: U.S. Bureau of Labor Statistics, Q4 2024.

FIGURE 3: Average Taking Lease Rate (\$PSF/MO/NNN)



Source: CBRE Research, Q4 2024.

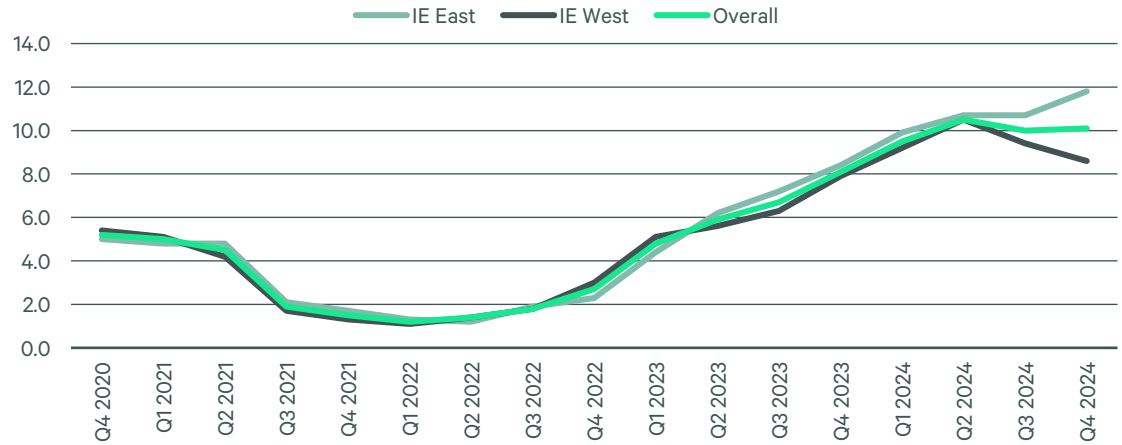
VACANCY & AVAILABILITY

Vacancy increased slightly in Q4 2024 to 6.9% in the IE Core, with the IE East rising 20 bps to 8.4% and the IE West falling 10 bps to 5.5%. Although vacant construction deliveries were the primary factor behind the increase in vacancy from 2022 to Q3 2024, the rise in vacancy in Q4 2024 was predominantly attributed to an increase in existing buildings over 500,000 sq. ft., which saw over 1.7 million sq. ft. more space become vacant compared to Q3 2024. Sublease availability increased by 790,000 sq. ft. in Q4 2024 to 16.6 million sq. ft., most of which was concentrated in the IE East with 11.2 million sq. ft. available for sublease in that submarket. The IE North experienced a substantial quarter-over-quarter vacancy increase of 500 basis points, rising to 14.3% in Q4 2024 due to the introduction of a single large space exceeding 1 million sq. ft. This contributed to a total vacancy rate of 7.1% for the Inland Empire..

NET ABSORPTION & ACTIVITY

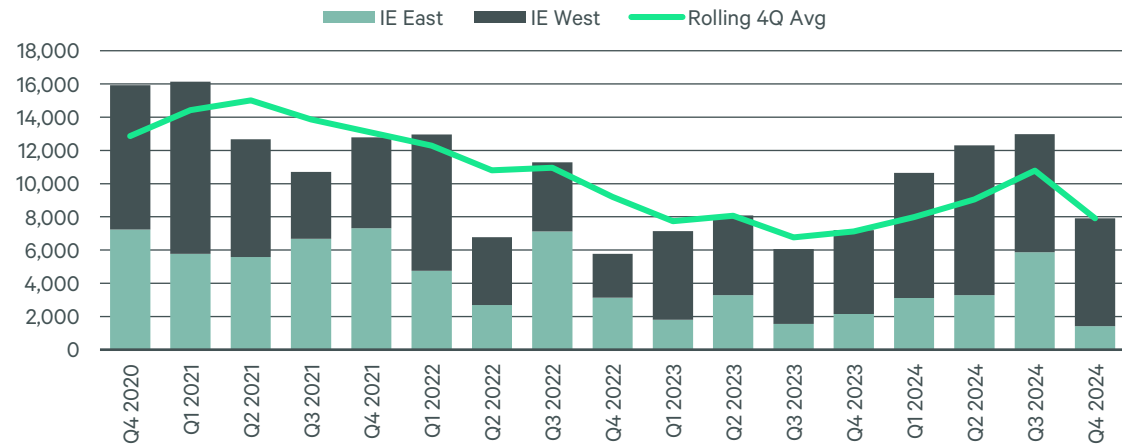
New leasing activity decreased significantly in Q4 2024 as only 7.6 million sq. ft. leased, .13 million sq. ft. in the IE East and 6.4 million in the IE West. The logistics and retail sectors were the most active as many foreign third-party logistics companies pushed to occupy space before possible tariffs interrupted the flow of goods into the United States. User sales fell by 58% quarter-over-quarter in Q4 2024 as well, although year-over-year user sale activity increased by 10.1% over 2023. Net absorption remained negative for the second consecutive quarter in the IE Core with the IE East realizing 965,000 sq. ft. of negative absorption while the IE West realized almost 206,000 sq. ft. of positive absorption. Negative net absorption was driven entirely by buildings 500,000 sq. ft. and above in Q4 2024. For the year, however, the IE Core had nearly 4 million sq. ft. of positive absorption with only the 250,000 to 499,999 sq. ft. size tranche realizing negative absorption for the year.

FIGURE 4: Availability Rate (%)



Source: CBRE Research, Q4 2024.

FIGURE 5: Gross Activity (MSF)



Source: CBRE Research, Q4 2024.

MARKET OUTLOOK

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Stronger debt markets and balanced and/or recovering market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

As the market begins to stabilize one submarket at a time, the fundamentals of the Inland Empire industrial landscape remain solid. The record-setting activity at the San Pedro Bay port complex underlines the need for industrial space in the region. The Inland Empire is fast-returning to the affordable alternative compared to other Southern California industrial markets while its close proximity to metropolitan centers and extensive transportation infrastructure punctuates opportunities for investors and occupiers alike.

FIGURE 6: Market Statistics

Submarket	Bldg. Sq. Ft.	Overall Vacancy (%)	Availability (%)	Q4 2024 Net Absorption (SF)	Q4 2024 Gross Activity (SF)	Under Construction (SF)	Construction Deliveries YTD (SF)	Avg. Taking Lease Rates (\$PSF/MO/NNN)
Inland Empire East	307,827,020	8.4	11.8	(965,484)	1,407,269	6,148,915	6,395,813	\$1.09
Inland Empire West	354,248,234	5.5	8.6	205,958	6,496,757	5,419,441	13,280,033	\$1.19
<b>Inland Empire Core</b>	<b>662,075,254</b>	<b>6.9</b>	<b>10.1</b>	<b>(759,526)</b>	<b>7,904,026</b>	<b>11,568,356</b>	<b>19,675,846</b>	<b>\$1.16</b>
Inland Empire North	23,605,604	14.3	14.7	(1,225,745)	27,446	1,296,000	30,000	\$0.93
<b>Inland Empire Total</b>	<b>685,680,858</b>	<b>7.1</b>	<b>10.2</b>	<b>(1,985,271)</b>	<b>7,931,472</b>	<b>12,864,356</b>	<b>19,705,846</b>	<b>\$1.16</b>

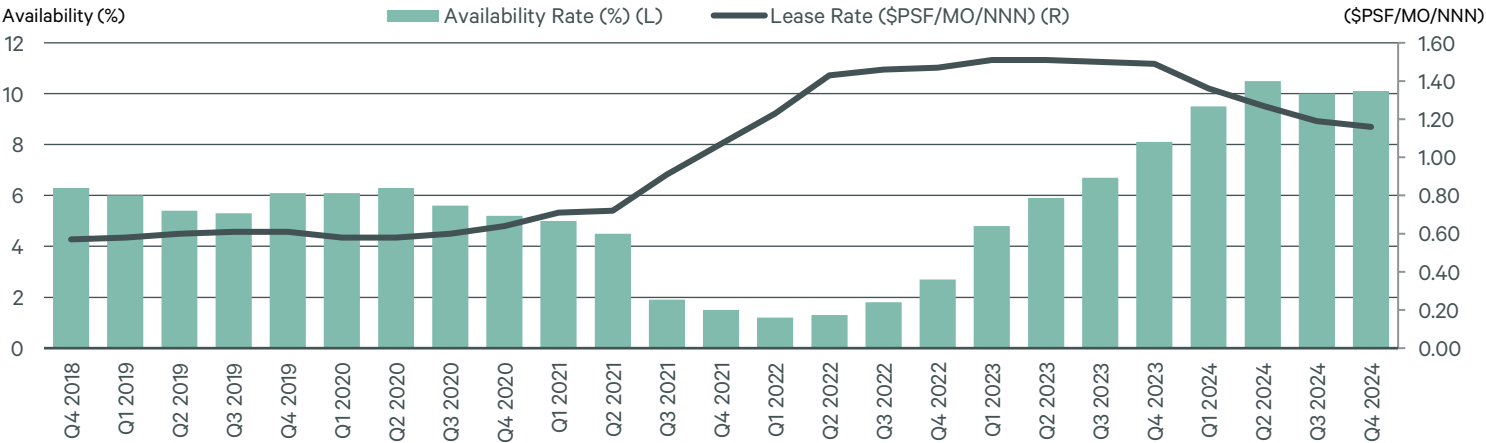
Source: CBRE Research, Q4 2024.

FIGURE 7: Key Transactions

Occupier	Industry Sector	Location	Total Sq. Ft.
Burlington Coat Factory*	Retail	Inland Empire East	800,444
Confidential	Logistics	Inland Empire West	600,000
White Horse Logistics	Logistics	Inland Empire West	560,025
CJ Logistics	Logistics	Inland Empire West	557,500
Burlington Coat Factory*	Retail	Inland Empire East	542,977

\*Indicates Renewal. Source: CBRE Research, Q4 2024.

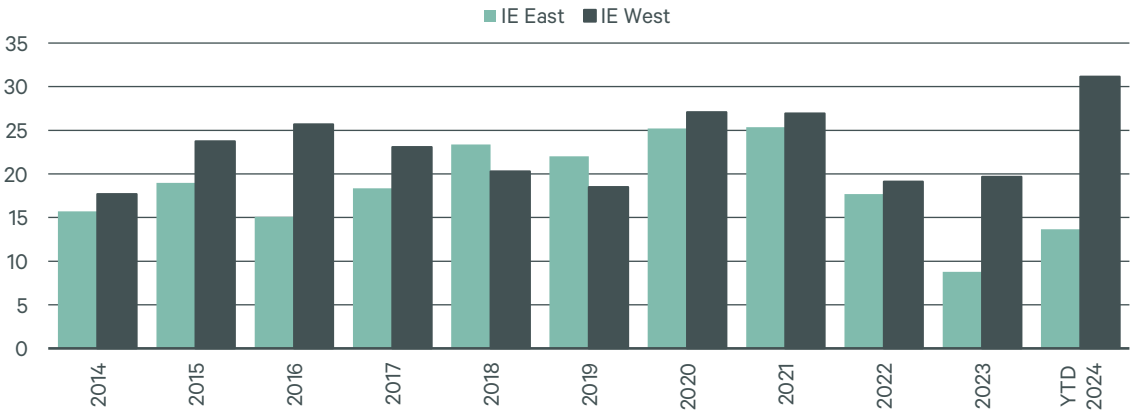
FIGURE 8: Availability and Taking Lease Rate



Source: CBRE Research, Q4 2024.

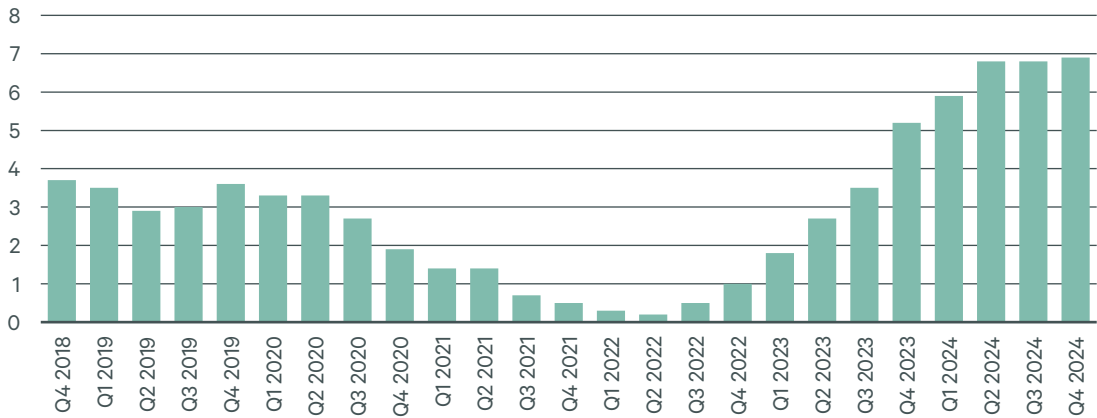
FIGURES INSERT | INLAND EMPIRE INDUSTRIAL | Q4 2024

FIGURE 1: Historical Gross Activity (MSF)



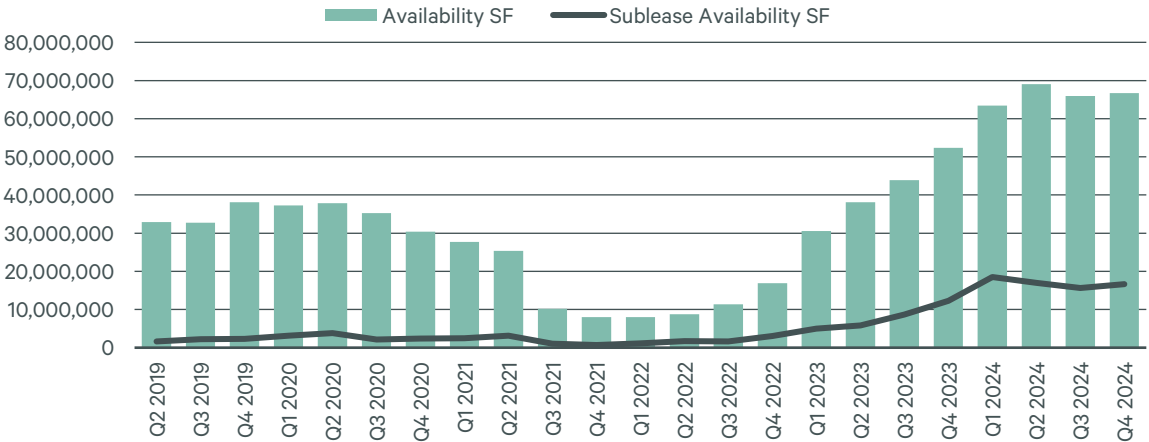
Source: CBRE Research, Q4 2024.

FIGURE 2: Overall Vacancy (%)



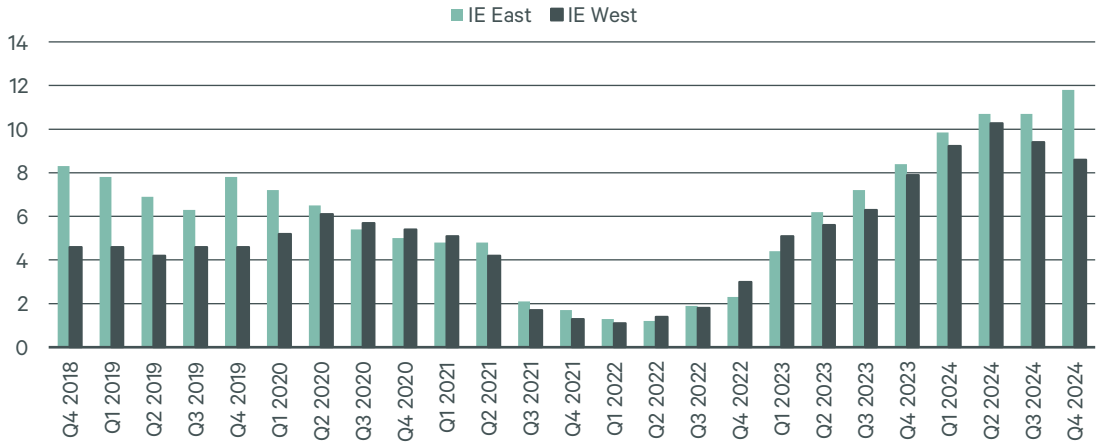
Source: CBRE Research, Q4 2024.

FIGURE 3: Historical Availability & Sublease Availability



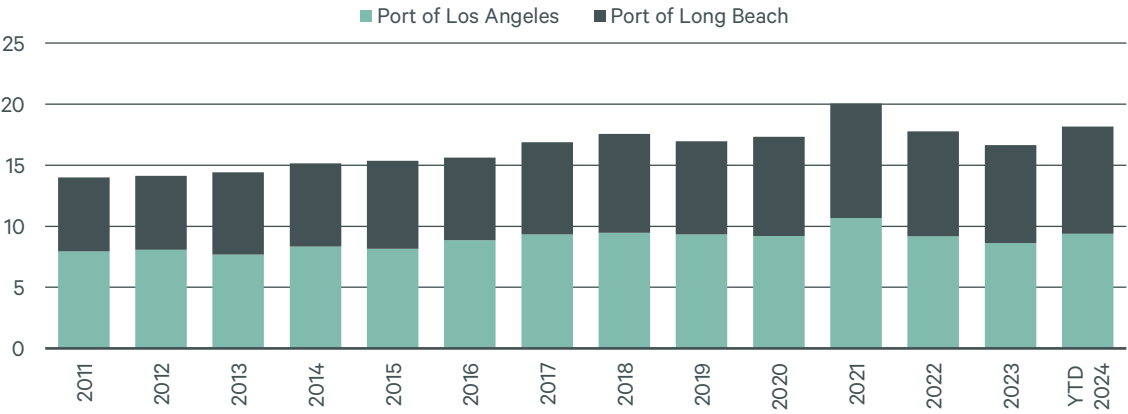
Source: CBRE Research, Q4 2024.

FIGURE 4: Historical Availability Rate (%)



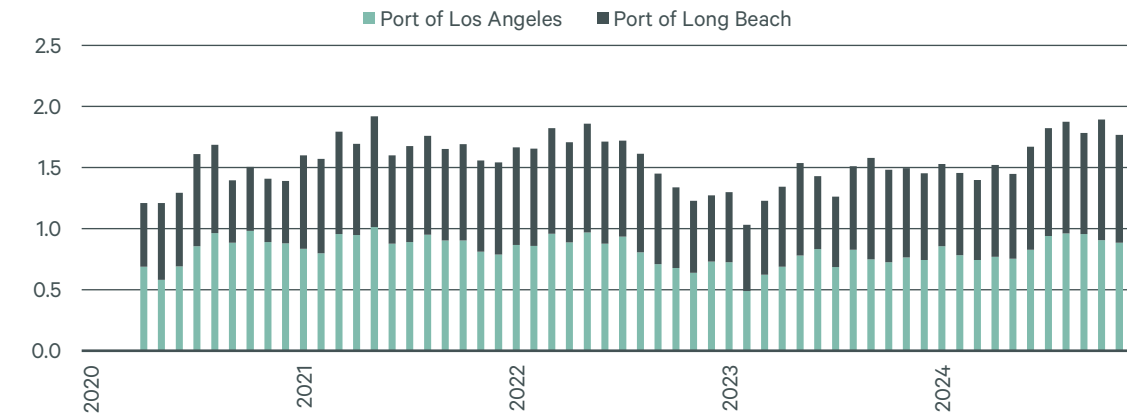
Source: CBRE Research, Q4 2024.

FIGURE 5: Annual TEU's (# of Containers)



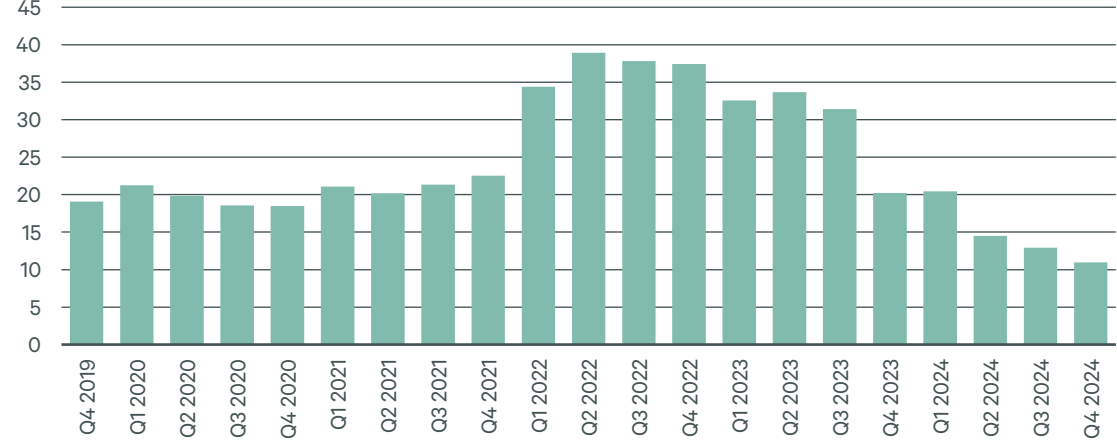
Sources: POLB.com, PortofLosAngeles.org, Through November, 2024.

FIGURE 6: Monthly Total TEU Activity (# of Containers)



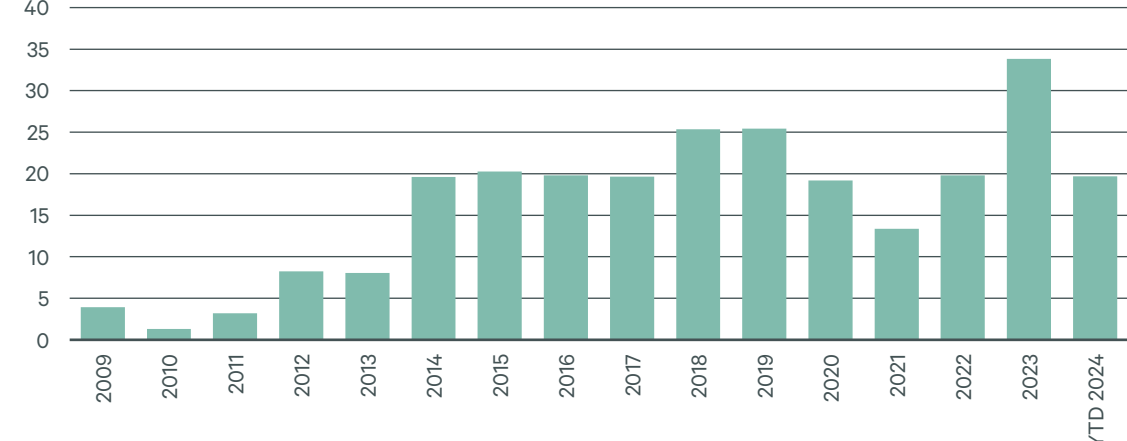
Source: POLB.com, PortofLosAngeles.org, Through November, 2024.

FIGURE 7: Under Construction (MSF)



Source: CBRE Research, Q4 2024.

FIGURE 8: Historical Completed Construction (MSF)



Source: CBRE Research, Q4 2024.

FIGURE 9: Industrial Market Statistics by City

CITY	BLDG. COUNT	BLDG SQ. FT.	U/C BLDG COUNT	U/C BLDG SQ. FT.	VACANT SQ. FT.	VACANCY RATE	AVAIL SQ. FT.	AVAIL RATE	NO. SALES	SQFT SOLD	NO. LEASES	SQ. FT. LEASED	4TH QTR GROSS ACTIVITY	2024 GROSS ACTIVITY	4TH QTR NET ABSORP.	2024 NET ABSORP.	AVG TAKING LEASE RATE (NNN)
Banning/Beaumont	62	9,525,613	0	0	2,476,549	26.0	2,476,549	26.0	0	0	0	0	0	57,253	(1,017,845)	(1,960,592)	\$0.00
Colton	119	8,765,289	5	599,932	587,244	6.7	797,384	9.1	1	10,295	3	214,233	224,528	317,468	199,233	(338,571)	\$0.91
Corona/Norco	716	33,834,496	2	220,589	1,784,229	5.3	2,242,886	6.6	2	21,018	8	158,177	179,195	2,124,051	47,868	880,735	\$1.27
Moreno Valley	110	33,741,678	1	38,820	1,948,800	5.8	4,215,777	12.5	0	0	2	107,200	107,200	544,039	(108,800)	(862,738)	\$1.05
Perris	172	41,322,390	4	2,651,003	6,075,127	14.7	7,064,452	17.1	0	0	3	223,510	223,510	1,995,302	223,510	(1,899,833)	\$0.00
Redlands/Loma Linda	185	30,412,041	3	928,649	1,882,448	6.2	4,008,276	13.2	0	0	3	52,469	52,469	1,973,445	4,271	138,940	\$0.75
Rialto/Bloomington	248	43,320,980	2	555,936	3,914,755	9.0	4,624,833	10.7	0	0	0	0	0	2,978,591	(707,383)	(1,004,787)	\$1.15
Riverside	788	60,830,664	5	818,526	3,468,030	5.7	4,979,914	8.2	1	44,608	8	478,756	523,364	2,214,712	398,862	(139,653)	\$1.05
San Bernardino	411	46,073,869	1	335,460	3,823,507	8.3	5,867,044	12.7	1	38,965	2	58,038	97,003	1,440,039	(5,200)	(338,170)	\$1.04
Inland Empire East	2,811	307,827,020	23	6,148,915	25,960,689	8.4	36,277,115	11.8	5	114,886	29	1,292,383	1,407,269	13,644,900	(965,484)	(5,524,669)	\$1.09
Chino/Chino Hills	654	56,532,772	0	0	1,718,895	3.0	4,710,243	8.3	2	129,277	9	446,574	575,851	3,614,499	(10,493)	570,886	\$1.17
Fontana	599	78,596,369	3	1,856,822	4,450,395	5.7	5,904,812	7.5	0	0	10	1,153,916	1,153,916	8,811,150	168,421	3,889,518	\$1.25
Jurupa Valley/Eastvale	302	48,781,376	0	0	2,697,805	5.5	3,606,985	7.4	1	15,000	8	1,849,481	1,864,481	5,377,025	1,185,011	1,755,743	\$1.13
Ontario/Montclair/Upland	1,251	125,942,910	16	3,411,164	8,550,019	6.8	12,271,486	9.7	0	0	26	2,431,252	2,431,252	10,577,045	(586,586)	3,513,556	\$1.22
Rancho Cucamonga	608	44,394,807	1	151,455	2,212,684	5.0	3,884,060	8.7	0	0	9	471,257	471,257	2,773,131	(550,395)	(232,612)	\$1.13
Inland Empire West	3,414	354,248,234	20	5,419,441	19,629,798	5.5	30,377,586	8.6	3	144,277	62	6,352,480	6,496,757	31,152,850	205,958	9,497,091	\$1.19
INLAND EMPIRE CORE	6,225	662,075,254	43	11,568,356	45,590,487	6.9	66,654,701	10.1	8	259,163	91	7,644,863	7,904,026	44,797,750	(759,526)	3,972,422	\$1.16
Adelanto	102	4,379,348	0	0	319,500	7.3	387,663	8.9	0	0	0	0	0	149,725	94,800	94,800	\$0.00
Apple Valley	24	3,266,548	0	0	1,344,245	41.2	1,356,745	41.5	0	0	0	0	0	0	(1,344,245)	(1,344,245)	\$0.00
Barstow	16	593,054	0	0	0	0.0	0	0.0	1	27,446	0	0	27,446	27,446	0	0	\$0.00
Hesperia	69	5,349,539	0	0	1,187,533	22.2	1187533	10.1	0	0	0	0	0	23,290	0	(1,154,400)	\$0.00
Victorville	78	10,017,115	1	1,296,000	526,186	5.3	538,585	5.4	0	0	0	0	0	0	23,700	2,706	\$0.00
Inland Empire North	289	23,605,604	1	1,296,000	3,377,464	14.3	3,470,526	14.7	1	27,446	0	0	27,446	200,461	(1,225,745)	(2,401,139)	\$0.93
INLAND EMPIRE + IEN	6,514	685,680,858	44	12,864,356	48,967,951	7.1	70,125,227	10.2	9	286,609	91	7,644,863	7,931,472	44,998,211	(1,985,271)	1,571,283	\$1.16

Source: CBRE Research, Q4 2024.

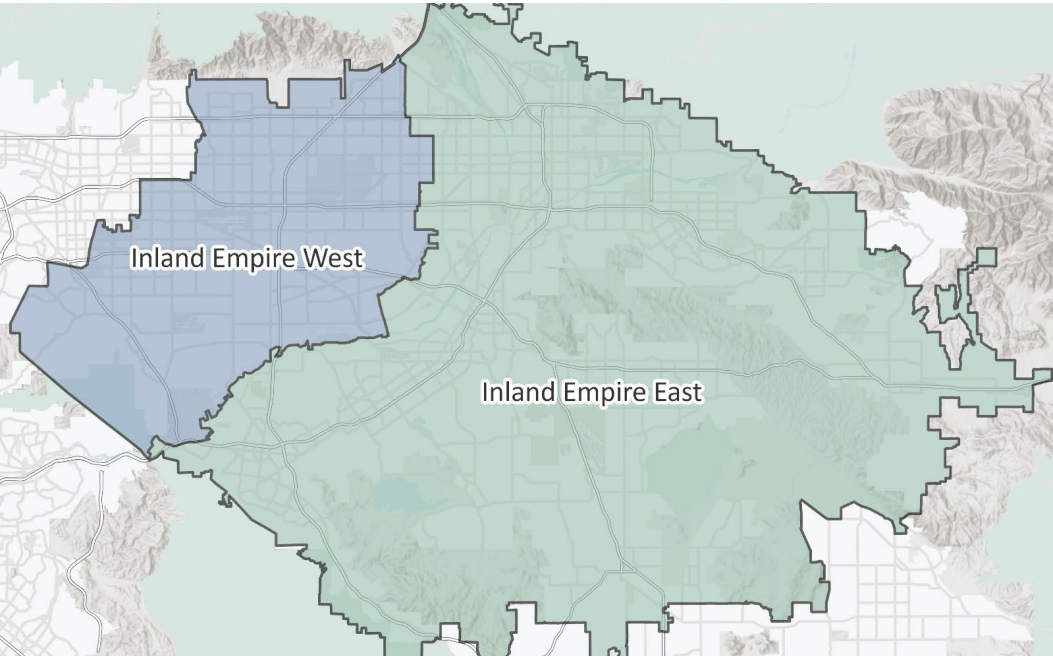
FIGURE 10: Industrial Market Statistics by Building Size Range\*

BUILDING SIZE RANGE (SQ. FT.)	BLDG. COUNT	BLDG SQFT	U/C BLDG. COUNT	U/C BLDG SQFT	VACANT SQFT	VACANCY RATE	AVAIL SQFT	AVAIL RATE	NO. SALES	SQFT SOLD	NO. LEASES	SQFT LEASED	4TH QTR TOTAL ACTIVITY	2024 GROSS ACTIVITY	NEW TO MARKET	AVG TAKING RENT
10,000-19,999	948	13,098,134	0	0	198,002	1.5	391,826	3.0	3	31,313	4	54,200	85,513	471,867	145,321	\$1.08
20,000-29,999	417	9,945,361	0	0	245,829	2.5	436,231	4.4	0	0	5	107,268	107,268	528,099	112,287	\$1.22
30,000-39,999	233	7,937,315	3	117,720	277,544	3.5	277,544	3.5	1	38,965	4	91654	130,619	294,445	38,816	\$1.63
40,000-49,999	180	7,987,655	3	142,223	637,538	8.0	848,409	10.6	1	44608	5	151,500	196,108	647,356	58,384	\$0.77
50,000-59,999	134	7,194,235	0	0	566,741	7.9	636,572	8.8	0	0	0	0	0	230,745	0	\$0.00
60,000-69,999	80	5,135,349	2	123,619	253,601	4.9	321,995	6.3	0	0	2	126,912	126,912	316,623	0	\$0.98
70,000-79,999	80	5,949,504	0	0	327,937	5.5	552,460	9.3	0	0	2	59,118	59,118	387,160	152,023	\$0.00
80,000-89,999	53	4,420,960	0	0	375,346	8.5	720,155	16.3	0	0	2	38,489	38,489	208,615	132,003	\$0.93
90,000-99,999	46	4,368,499	0	0	520,329	11.9	619,889	14.2	0	0	0	0	0	99,948	0	\$1.15
100,000-249,999	325	49,623,488	4	684,496	5,246,046	10.6	6,220,990	12.5	0	0	4	510,877	510,877	3,634,476	545,144	\$1.03
250,000-499,999	154	55,418,144	9	3,207,349	8,524,717	15.4	13,284,844	24.0	0	0	1	152,365	152,365	2,968,793	1,504,247	\$1.13
500,000 and greater	161	136,748,376	2	1,873,508	8,787,059	6.4	11,966,200	8.8	0	0	0	0	0	3,856,773	3,167,392	\$0.00
INLAND EMPIRE EAST	2,811	307,827,020	23	6,148,915	25,960,689	8.4	36,277,115	11.8	5	114,886	29	1,292,383	1,407,269	13,644,900	5,855,617	\$1.09
10,000-19,999	1,071	14,670,555	0	0	239,633	1.6	513,903	3.5	1	15,000	11	160,700	175,700	755,346	131,058	\$1.18
20,000-29,999	490	11,936,082	0	0	575,831	4.8	856,052	7.2	1	28,662	7	165,378	194,040	831,695	231,643	\$1.35
30,000-39,999	282	9,740,738	6	212,910	493,249	5.1	699,411	7.2	0	0	4	107,372	107,372	719,967	140,327	\$1.30
40,000-49,999	194	8,569,205	3	129,923	369,562	4.3	433,922	5.1	0	0	8	325,994	325,994	852,730	0	\$1.15
50,000-59,999	165	8,907,527	0	0	470,488	5.3	587,480	6.6	0	0	1	23,842	23,842	259,306	92,426	\$1.21
60,000-69,999	107	6,797,309	0	0	287,010	4.2	557,127	8.2	0	0	0	0	0	437,429	30,750	\$0.00
70,000-79,999	67	5,018,802	0	0	11,666	0.2	122,643	2.4	0	0	0	0	0	286,754	11,666	\$0.00
80,000-89,999	68	5,744,574	0	0	336,328	5.9	507,665	8.8	0	0	6	285,685	285,685	540,617	33,893	\$1.29
90,000-99,999	72	6,843,309	0	0	696,574	10.2	696,574	10.2	0	0	3	166,169	166,169	941,058	94,911	\$1.13
100,000-249,999	518	80,061,463	4	639,420	6,391,717	8.0	8,215,552	10.3	1	100,615	11	917,282	1,017,897	7,767,267	1,525,155	\$1.14
250,000-499,999	251	88,872,499	2	614,637	4,920,697	5.5	8,693,662	9.8	0	0	8	2,482,533	2,482,533	7,272,669	1,572,695	\$1.01
500,000 and greater	129	107,086,171	5	3,822,551	4,837,043	4.5	8,493,595	7.9	0	0	3	1,717,525	1,717,525	10,488,012	1,723,499	\$1.21
INLAND EMPIRE WEST	3,414	354,248,234	20	5,419,441	19,629,798	5.5	30,377,586	8.6	3	144,277	62	6,352,480	6,496,757	31,152,850	5,588,023	\$1.19
INLAND EMPIRE CORE	6,225	662,075,254	43	11,568,356	45,590,487	6.9	66,654,701	10.1	8	259,163	91	7,644,863	7,904,026	44,797,750	11,443,640	\$1.16

\*Does not include Inland Empire North. Source: CBRE Research, Q4 2024.



Market Area Overview



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Definitions

**Available Sq. Ft.:** Space in a building, ready for occupancy within six months; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the total Building Area. **Building Area:** The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. **Gross Activity:** All user sales, pre-leased, and new lease transactions completed within a specified time period. Excludes investment sale transactions and lease renewals. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, and major maintenance. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. **New to Market:** Available space added to the market during the specified quarter. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that can be occupied within 30 days. **Average Taking Rent:** The first-year base rent (NNN), not including property taxes, insurance and maintenance. **Inland Empire Core:** Includes the Inland Empire West and Inland Empire East submarkets which make up the original Inland Empire market and Out of Submarket cities of Upland and Montclair. **Inland Empire Total:** Includes Inland Empire West, Inland Empire East and Inland Empire North (Hesperia, Barstow, Victorville, Apple Valley, and Adelanto). **Normalization** Due to a reclassification of the market and updating demolished buildings in prior quarters, the base, number and sq. ft. of buildings for previous quarters have been adjusted to match the current base. Availability and vacancy amounts for these buildings have also been adjusted in previous quarters.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in the Inland Empire. Buildings which have begun construction as evidenced by site excavation or foundation work.