

FIGURES | INLAND EMPIRE INDUSTRIAL | Q1 2025

# Fundamentals improve despite delays in decision-making as tenants favor flexibility



Note: Arrows indicate change from previous quarter.

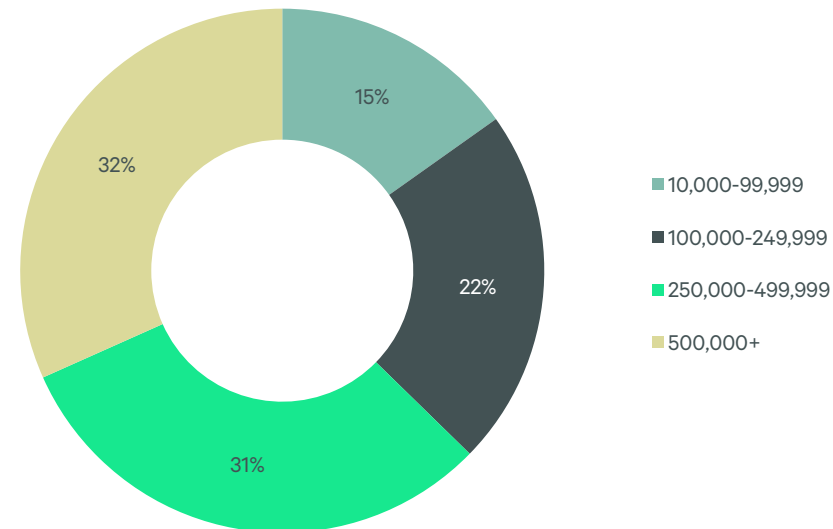
## MARKET OVERVIEW

The Inland Empire (IE) industrial market started 2025 with positive absorption in both the IE East and IE West, decreasing vacancy for the first time since Q3 2022, and strong leasing activity across all size ranges. Although signs of market recovery were evident in the first quarter, declining taking lease rates and stubborn sublease space in the IE East and IE West underscored a reason for continued pragmatism among owners and investors.

The divergence between submarkets continued as the IE West experienced a 90 basis-point (bps) decrease in vacancy quarter-over-quarter to 4.7%, a modest \$0.01 decrease in taking rents to \$1.18 NNN per sq. ft. per month, and 2.4 million sq. ft. of positive absorption. Although the IE East realized 1.1 million sq. ft. in positive net absorption, vacancy increased 50 bps quarter-over-quarter and taking lease rates decreased \$0.11, or 10%, to \$0.98 NNN per sq. ft. per month.

Development continued to dwindle in Q1 2025 with only 9.5 million sq. ft. under construction in the IE Core (IE East and IE West). Across the entire IE, 23.2% of construction space was preleased. Construction deliveries outpaced starts for the fourth consecutive quarter with 2.7 million sq. ft. of completed space entering the market, while only 549,000 sq. ft. broke ground.

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



Source: CBRE Research, Q1 2025.

EMPLOYMENT

Unemployment in the Inland Empire fell to 5.1% in February 2025, down from 5.3% in January 2025 and above the February 2024 rate of 5.2%. California’s unemployment rate rose to 5.5%, while the United States unemployment rate remained lower at 4.5% during the same period. Between January and February 2025, total nonfarm employment fell by 6,200 jobs. Transportation, warehousing, and utilities lost 6,600 jobs.

LEASE RATE ANALYSIS

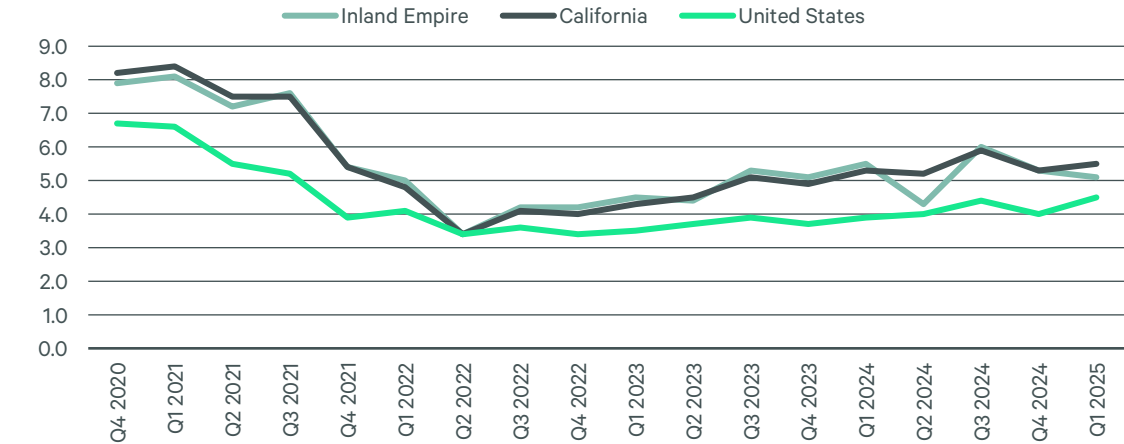
Average taking lease rates fell for the seventh consecutive quarter as the industrial market continued to rebalance from the historic rise from 2020 to 2022. Lease rates fell by \$0.04, or 3.4%, quarter-over-quarter to \$1.12 NNN per sq. ft. per month in the IE Core. Year-over-year, taking lease rates fell by 17.6% from \$1.36 NNN per sq. ft. per month in Q1 2024. Both institutional and private owners competed for tenants through concessions as increased free rent, lower annual escalations, and TI packages became more prevalent during Q1 2025. With the decline in taking lease rates, however, the Inland Empire reestablished its position as an affordable alternative to other nearby markets in Southern California. Lease rates in the IE West seemingly stabilized in Q1 2025 with only a \$0.01 per sq. ft. per month decline quarter-over-quarter, while the IE East, with the 10% decline quarter-over-quarter, signaled further rate decline in 2025.

Strong leasing activity and declining space under construction limited options for occupiers in the IE West, giving ownership increased leverage when negotiating with prospective tenants. Some occupiers migrated to the IE East where lease rates fell below \$1.00 NNN per sq. ft. per month for the first time since Q4 2021. As the market tightens in the IE West, lease rates are expected to rebound, albeit marginally, in 2025.

SALES ANALYSIS

User sale volume totaled 1.1 million sq. ft. in the Inland Empire in Q1 2025. Across investment and user sales, \$423.7 million transacted, including the largest user sale in the IE since Q2 2021. Users increasingly looked to reduce operating costs and take advantage of affordable deals. Investors seemed poised to step off the sidelines as pre-sale activity on sizeable portfolios in the Inland Empire suggested institutions were well-capitalized and ready to move before market fundamentals fully recovered.

FIGURE 2: Unemployment Rate (%)



Source: U.S. Bureau of Labor Statistics, February 2025.

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



Source: CBRE Research, Q1 2025.

DEVELOPMENT

Development activity continued to trend downward as only 9.5 million sq. ft. of space was under construction in the IE Core at the end of Q1 2025. Construction declined by 75% from the peak in Q2 2022 when 38.9 million sq. ft. was under development in the IE Core. All deliveries in Q1 2025 were in the IE East, with seven buildings totaling 2.7 million sq. ft. hitting the market, including 801 Redlands in Perris, a 1-million-sq. ft. project preleased by Lowe’s Companies, Inc. Development starts remained suppressed with only 549,000 sq. ft. breaking ground in Q1 2025. The prelease rate for the IE Core hit 12.7% while the IE prelease rate overall increased to 23.2%.

VACANCY & AVAILABILITY

Overall vacancy in the IE Core fell to 6.6% in Q1 2025, signaling a reprieve from tumultuous vacancy increases over the past ten quarters. The decline in vacancy was entirely isolated to the IE West submarket, where strong leasing activity and no construction deliveries led to a 90-bps decrease quarter-over-quarter to 4.7%. In the IE East, 1.6 million sq. ft. of new vacant deliveries contributed to the 50-bps increase quarter-over-quarter, while major move-outs in the 250,000 to 499,999 sq. ft. building size range further added to the increased vacant space. Sublease availability remained stagnant quarter-over-quarter with 16 million sq. ft. remaining on the market, down slightly from 16.6 million sq. ft. in Q4 2024. Sublease space was concentrated in the IE East where 10.9 million sq. ft. was available. The IE West totaled 4.2 million sq. ft. of sublease space, and the IE North had an additional 827,000 sq. ft. of sublease space.

NET ABSORPTION & LEASING ACTIVITY

The Inland Empire recorded 3.6 million sq. ft. of positive absorption in Q1 2025, driven by strong leasing in the 100,000 to 249,000 sq. ft. building size range in both the IE East and IE West, a 1-million-sq. ft. preleased delivery in Perris, and Shein occupying 1 million sq. ft. in Cherry Valley. As space in the IE West was absorbed, tenants searching for affordable rents pushed into the IE East, spurring robust activity and positive absorption for the quarter. Leasing was driven by logistics occupiers, many from Asia, as conversations around tariffs impacted supply chains.

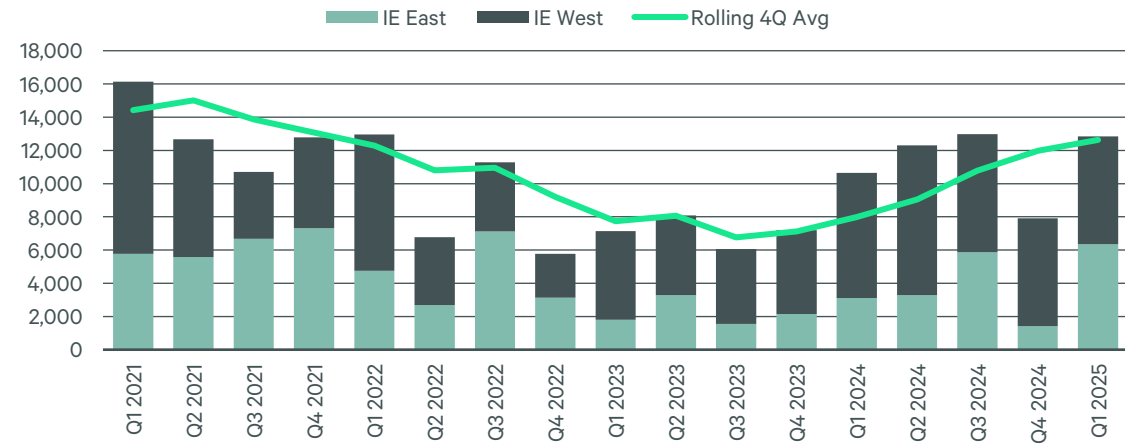
New leasing activity totaled 11.7 million sq. ft. in the Inland Empire, with 5.5 million sq. ft. leased in the IE East and 6.3 million sq. ft. leased in the IE West. Leasing was strongest in buildings 100,000 sq. ft. and above, making up 87% of new leasing in Q1 2025.

FIGURE 4: Availability Rate (%)



Source: CBRE Research, Q1 2025.

FIGURE 5: Gross Activity (MSF)



Source: CBRE Research, Q1 2025.

MARKET OUTLOOK

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

The Inland Empire seemingly turned a corner in 2025 as many fundamental indicators point towards a rebounding market. With vacancy decreasing significantly in the IE West and net absorption turning positive in both major submarkets, further market tightening is expected as new development projects are slow to break ground and new leasing activity continues to climb. Declining taking rates and lingering high levels of sublease availability prompt calls for caution among investors and owners, but the marked improvement at the start of 2025 should spark optimism for the Inland Empire industrial market.

FIGURE 6: Market Statistics

Submarket	Bldg. Sq. Ft.	Overall Vacancy (%)	Availability (%)	Q1 2025 Net Absorption (SF)	Q1 2025 Gross Activity (SF)	Under Construction (SF)	Construction Deliveries YTD (SF)	Avg. Taking Lease Rates (\$PSF/MO/NNN)
Inland Empire East	310,185,059	8.9	12.3	1,127,458	6,352,681	3,585,752	2,688,962	\$0.98
Inland Empire West	354,763,781	4.7	8.0	2,445,760	6,494,695	5,898,423	0	\$1.18
<b>Inland Empire Core</b>	<b>664,948,840</b>	<b>6.6</b>	<b>10.0</b>	<b>3,573,218</b>	<b>12,847,376</b>	<b>9,484,175</b>	<b>2,688,962</b>	<b>\$1.12</b>
Inland Empire North	23,602,109	14.2	18.1	(15,206)	33,393	1,296,000	0	\$0.86
<b>Inland Empire TOTAL</b>	<b>688,550,949</b>	<b>6.9</b>	<b>10.3</b>	<b>3,558,012</b>	<b>12,880,769</b>	<b>10,780,175</b>	<b>2,688,962</b>	<b>\$1.11</b>

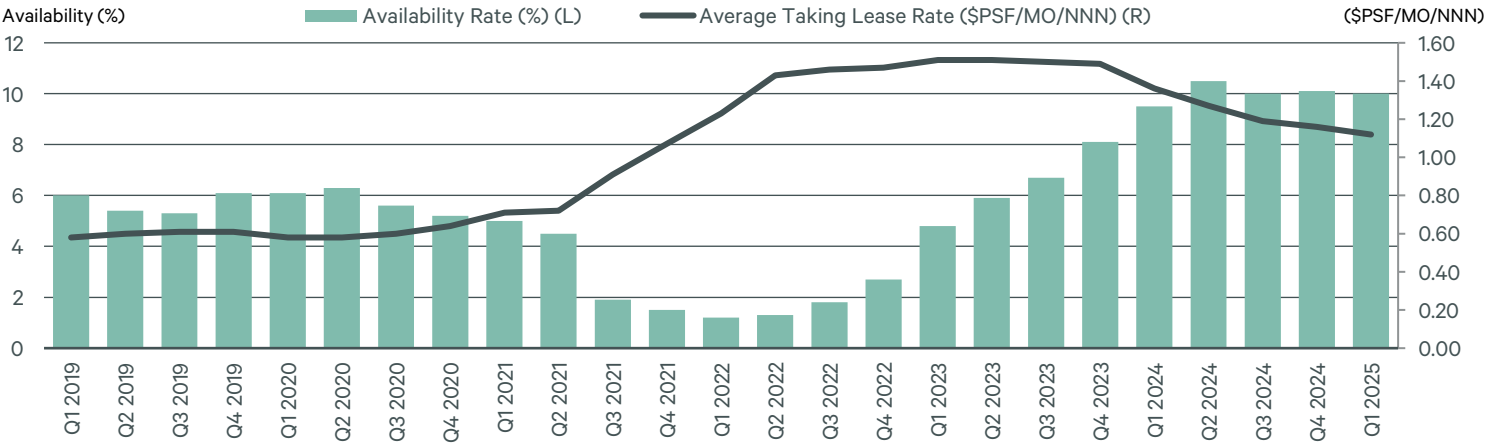
Source: CBRE Research, Q1 2025.

FIGURE 7: Key Transactions

Occupier	Industry Sector	Address	Location	Total Sq. Ft.
Komar Distribution	Distribution	3690 Webster, Perris	IE East	855,330
Confidential	Logistics	450 Rider, Perris	IE East	804,759
Samsung America*	Technology	5750 Francis, Ontario	IE West	800,526
US Elogistics*	Logistics	1420 Tamarind, Rialto	IE East	677,224
Confidential*	Retail	951 Etiwanda, Ontario	IE West	666,522

\*Indicates Renewal. Source: CBRE Research, Q1 2025.

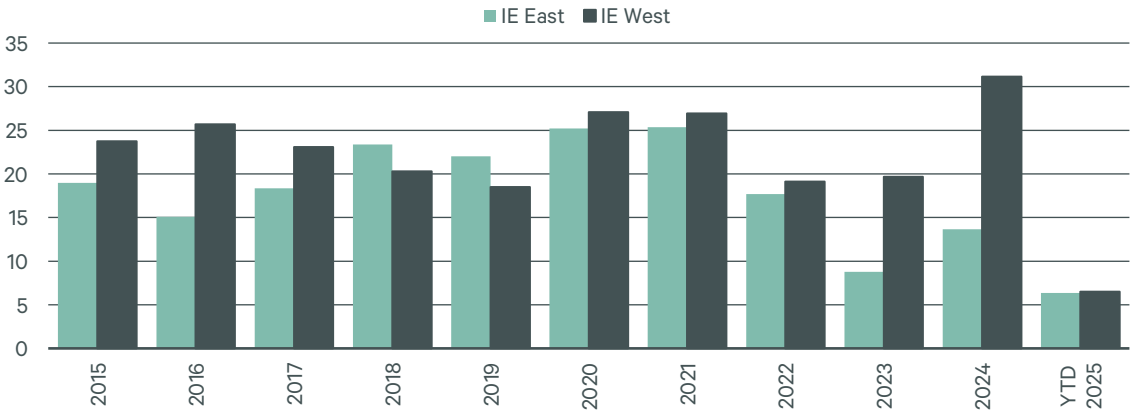
FIGURE 8: Availability and Taking Lease Rate



Source: CBRE Research, Q1 2025.

FIGURES INSERT | INLAND EMPIRE INDUSTRIAL | Q1 2025

FIGURE 1: Historical Gross Activity (MSF)



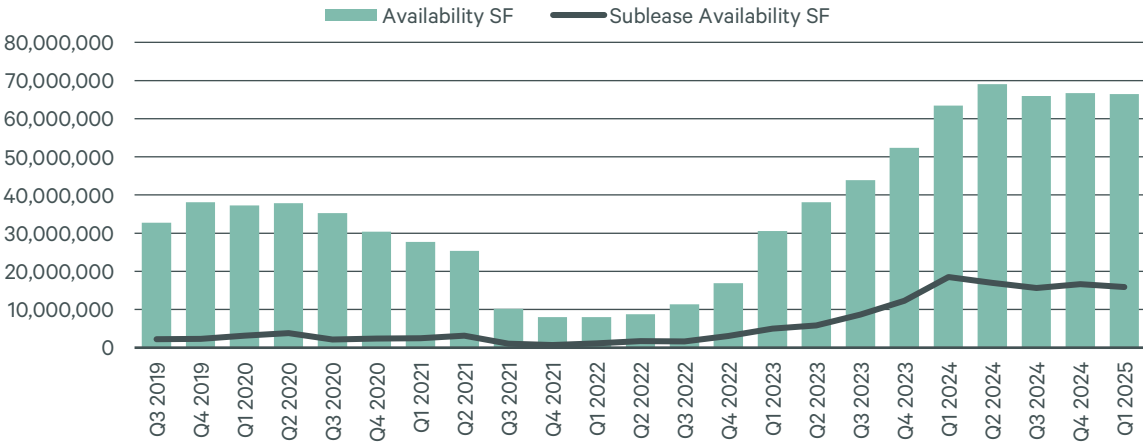
Source: CBRE Research, Q1 2025. Gross Activity only includes new leases and user sales.

FIGURE 2: Overall Vacancy (%)



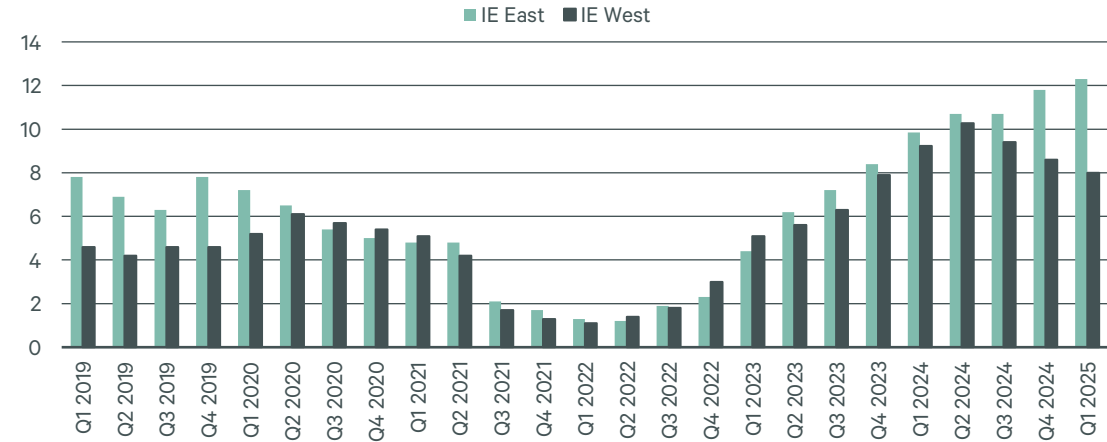
Source: CBRE Research, Q1 2025.

FIGURE 3: Historical Availability & Sublease Availability



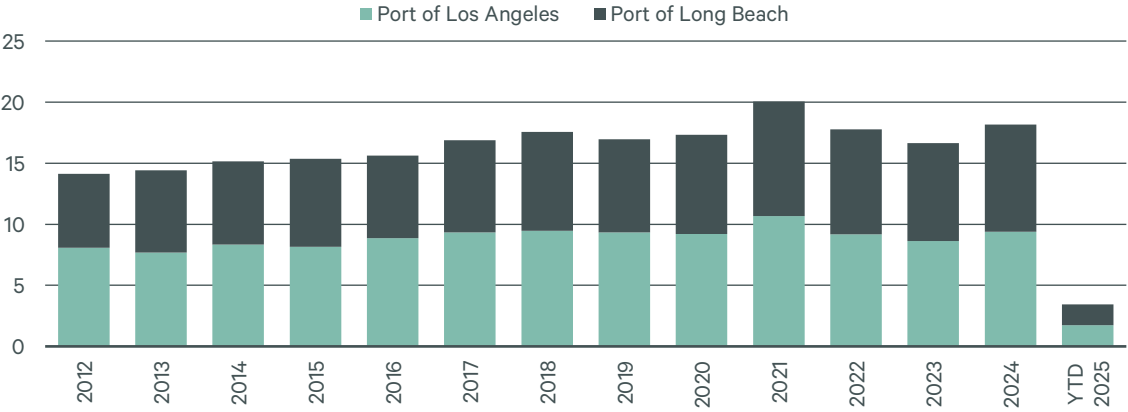
Source: CBRE Research, Q1 2025.

FIGURE 4: Historical Availability Rate (%)



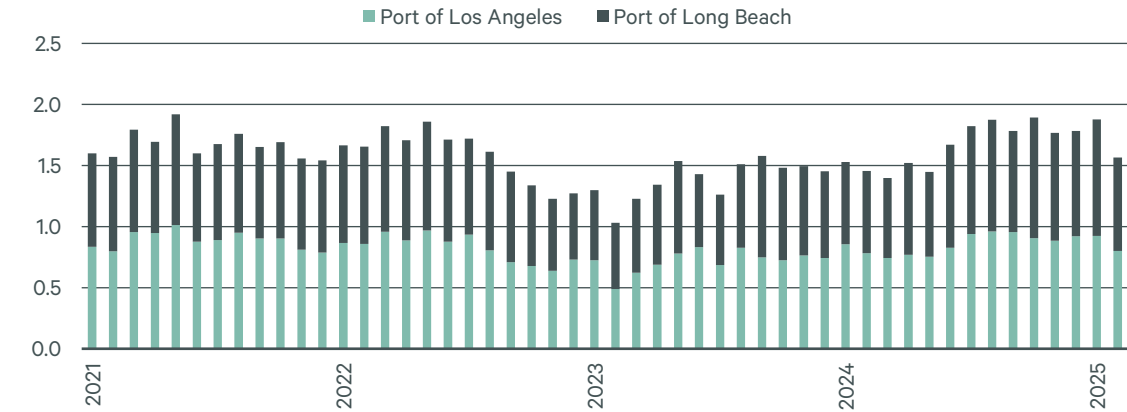
Source: CBRE Research, Q1 2025.

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



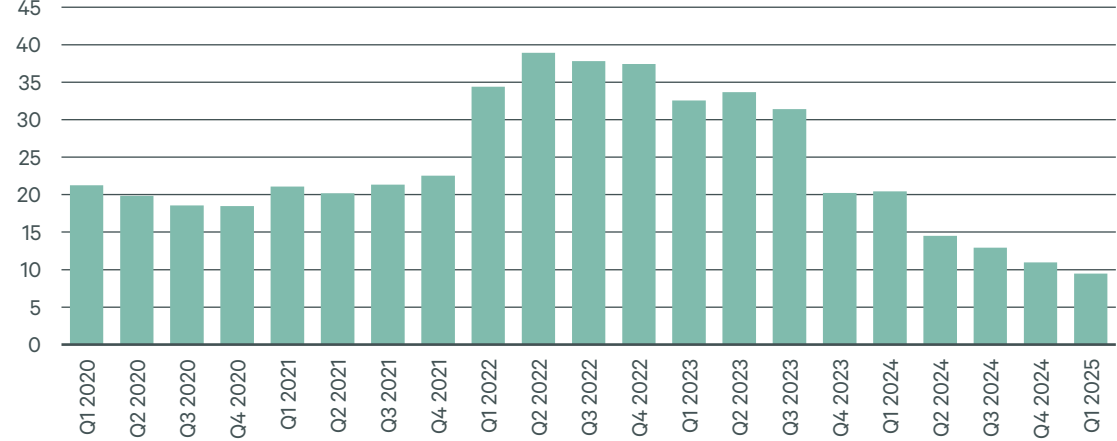
Sources: POLB.com, PortofLosAngeles.org, through February 2025.

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



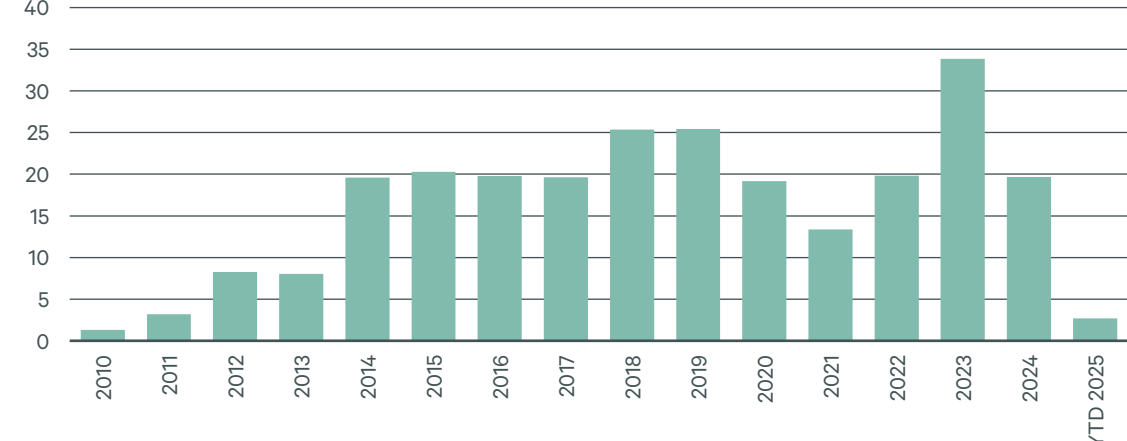
Source: POLB.com, PortofLosAngeles.org, through February 2025.

FIGURE 7: Under Construction (MSF)



Source: CBRE Research, Q1 2025.

FIGURE 8: Historical Completed Construction (MSF)



Source: CBRE Research, Q1 2025.

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	Q1 2025 GROSS ACTIVITY	YTD 2025 GROSS ACTIVITY	Q1 2025 NET ABSORP.	YTD 2025 NET ABSORP.	AVG TAKING LEASE RATE (NNN)
Banning/Beaumont	62	9,525,613	0	0	1,458,704	15.3	1,458,704	15.3	0	0	0	0	0	0	1,017,845	1,017,845	\$0.00
Colton	119	8,757,197	5	599,932	147,301	1.7	380,774	4.3	0	0	3	449,943	449,943	449,943	439,943	439,943	\$0.81
Corona/Norco	714	33,767,843	1	157,920	1,509,333	4.5	2,068,804	6.1	0	0	7	581,399	581,399	581,399	337,565	337,565	\$1.07
Moreno Valley	110	33,741,678	1	38,820	2,500,848	7.4	4,897,692	14.5	0	0	1	256,795	256,795	256,795	(357,890)	(357,890)	\$0.83
Perris	174	42,688,411	2	1,285,153	5,100,543	11.9	6,132,819	14.4	0	0	6	2,603,713	2,603,713	2,603,713	2,340,434	2,340,434	\$1.04
Redlands/Loma Linda	186	30,775,080	2	564,791	3,782,268	12.3	5,368,744	17.4	0	0	0	0	0	0	(1,536,781)	(1,536,781)	\$0.00
Rialto/Bloomington	248	43,516,593	2	360,353	4,240,062	9.7	6,074,149	14.0	0	0	6	619,367	619,367	619,367	(129,724)	(129,724)	\$1.03
Riverside	790	61,429,827	4	243,323	4,115,173	6.7	5,618,932	9.1	1	889,445	10	480,472	1,369,917	1,369,917	(44,043)	(44,043)	\$0.91
San Bernardino	409	45,982,817	1	335,460	4,785,498	10.4	6,192,471	13.5	0	0	2	471,547	471,547	471,547	(939,891)	(939,891)	\$0.90
Inland Empire East	2,812	310,185,059	18	3,585,752	27,639,730	8.9	38,193,089	12.3	1	889,445	35	5,463,236	6,352,681	6,352,681	1,127,458	1,127,458	\$0.98
Chino/Chino Hills	655	57,024,112	0	0	1,354,739	2.4	3,402,614	6.0	0	0	9	1,389,824	1,389,824	1,389,824	318,925	318,925	\$1.17
Fontana	597	78,593,025	5	2,123,630	3,479,872	4.4	4,914,276	6.3	0	0	9	899,984	899,984	899,984	546,096	546,096	\$1.12
Jurupa Valley/Eastvale	302	48,781,696	0	0	2,279,056	4.7	4,700,680	9.6	0	0	7	608,042	608,042	608,042	424,581	424,581	\$1.15
Ontario/Montclair/Upland	1,252	126,006,939	18	3,623,338	7,133,890	5.7	10,992,176	8.7	2	198,994	32	3,093,375	3,292,369	3,292,369	1,272,082	1,272,082	\$1.22
Rancho Cucamonga	607	44,358,009	1	151,455	2,263,586	5.1	4,259,344	9.6	2	24,867	10	279,609	304,476	304,476	(115,924)	(115,924)	\$1.16
Inland Empire West	3,413	354,763,781	24	5,898,423	16,511,143	4.7	28,269,090	8.0	4	223,861	67	6,270,834	6,494,695	6,494,695	2,445,760	2,445,760	\$1.18
INLAND EMPIRE CORE	6,225	664,948,840	42	9,484,175	44,150,873	6.6	66,462,179	10.0	5	1,113,306	102	11,734,070	12,847,376	12,847,376	3,573,218	3,573,218	\$1.12
Adelanto	102	4,379,348	0	0	260,500	5.9	358,613	8.2	0	0	0	0	0	0	0	0	\$0.00
Apple Valley	24	3,266,548	0	0	1,356,745	41.5	1,356,745	41.5	0	0	0	0	0	0	(12,500)	(12,500)	\$0.00
Barstow	15	571,828	0	0	0	0.0	0	0.0	0	0	0	0	0	0	0	0	\$0.00
Hesperia	70	5,367,270	0	0	1,205,380	22.5	1,205,380	25.3	0	0	0	0	0	0	0	0	\$0.00
Victorville	78	10,017,115	1	1,296,000	528,892	5.3	1,355,892	13.5	0	0	2	33,393	33,393	33,393	(2,706)	(2,706)	\$0.86
Inland Empire North	289	23,602,109	1	1,296,000	3,351,517	14.2	4,276,630	18.1	0	0	2	33,393	33,393	33,393	(15,206)	(15,206)	\$0.86
INLAND EMPIRE + IEN	6,514	688,550,949	43	10,780,175	47,502,390	6.9	70,738,809	10.3	5	1,113,306	104	11,767,463	12,880,769	12,880,769	3,558,012	3,558,012	\$1.11

Source: CBRE Research, Q1 2025.

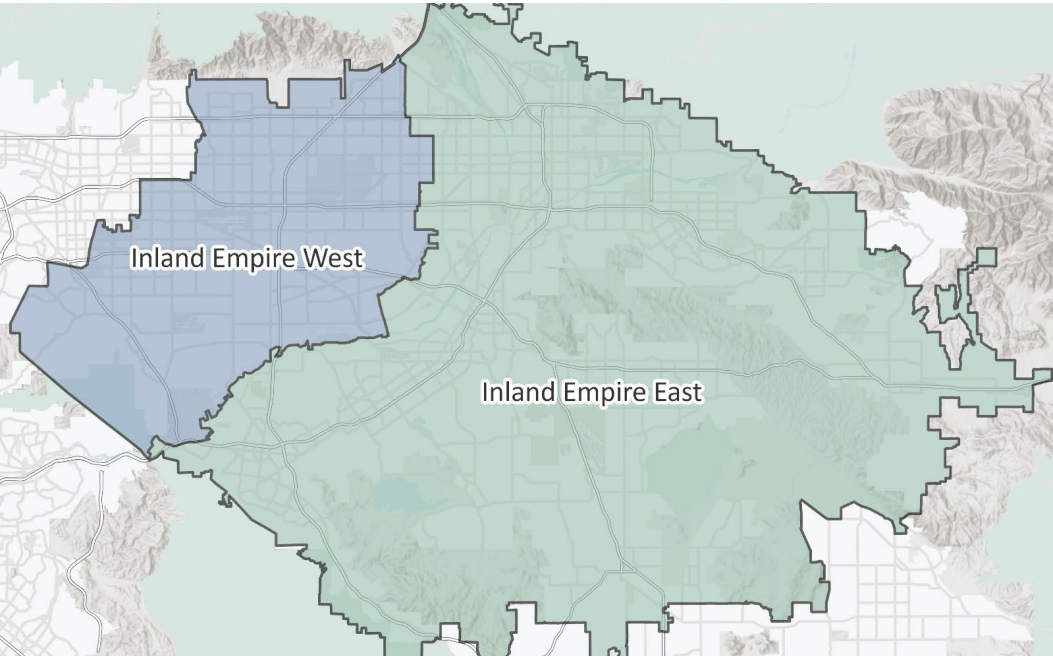
FIGURE 10: Industrial Market Statistics by Building Size Range\*

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	Q1 2025 GROSS ACTIVITY	YTD 2025 GROSS ACTIVITY	YTD 2025 DELIVERIES	AVG TAKING RENT
10,000-19,999	948	13,104,749	0	0	247,275	1.9	430,666	3.3	0	0	4	42,441	42,441	42,441	0	\$0.93
20,000-29,999	415	9,895,309	1	27,897	307,895	3.1	605,290	6.1	0	0	2	36,114	36,114	36,114	0	\$1.01
30,000-39,999	232	7,907,315	3	117,720	313,212	4.0	424,203	5.4	0	0	0	0	0	0	0	\$0.00
40,000-49,999	180	7,987,655	3	142,223	678,138	8.5	874,198	10.9	0	0	2	50,500	50,500	50,500	0	\$0.79
50,000-59,999	134	7,194,235	0	0	450,858	6.3	548,776	7.6	0	0	3	150,587	150,587	150,587	0	\$1.04
60,000-69,999	81	5,199,599	1	60,950	316,270	6.1	452,324	8.7	0	0	0	0	0	0	62,669	\$0.00
70,000-79,999	79	5,874,504	0	0	328,007	5.6	328,007	5.6	0	0	2	151,963	151,963	151,963	0	\$1.12
80,000-89,999	52	4,340,960	0	0	375,346	8.6	817,630	18.8	0	0	1	17,140	17,140	17,140	0	\$0.00
90,000-99,999	45	4,269,778	1	98,721	284,604	6.7	384,164	9.0	0	0	4	235,725	235,725	235,725	0	\$1.00
100,000-249,999	326	49,831,242	3	481,396	5,178,434	10.4	6,444,626	12.9	0	0	9	1,122,638	1,122,638	1,122,638	203,100	\$0.97
250,000-499,999	158	56,823,159	5	1,801,515	10,965,443	19.3	13,364,291	23.5	0	0	5	1,581,935	1,581,935	1,581,935	1,405,015	\$0.88
500,000 and greater	162	137,756,554	1	855,330	8,194,248	5.9	13,518,914	9.8	1	889,445	3	2,074,193	2,963,638	2,963,638	1,018,178	\$1.10
INLAND EMPIRE EAST	2,812	310,185,059	18	3,585,752	27,639,730	8.9	38,193,089	12.3	1	889,445	35	5,463,236	6,352,681	6,352,681	2,688,962	\$0.98
10,000-19,999	1,069	14,644,642	2	33,248	321,271	2.2	608,518	4.2	2	24,867	8	93,444	118,311	118,311	0	\$1.23
20,000-29,999	492	11,984,519	0	0	530,534	4.4	852,288	7.1	1	24,500	10	231,139	255,639	255,639	0	\$1.26
30,000-39,999	282	9,744,373	6	212,910	460,204	4.7	598,462	6.1	0	0	6	148,616	148,616	148,616	0	\$1.39
40,000-49,999	191	8,442,019	3	132,923	329,029	3.9	461,735	5.5	0	0	3	84,869	84,869	84,869	0	\$1.20
50,000-59,999	165	8,907,527	0	0	586,222	6.6	806,821	9.1	0	0	0	0	0	0	0	\$1.40
60,000-69,999	106	6,737,309	0	0	312,510	4.6	588,437	8.7	0	0	2	98,738	98,738	98,738	0	\$1.20
70,000-79,999	67	5,018,802	0	0	26,087	0.5	254,146	5.1	0	0	0	0	0	0	0	\$1.27
80,000-89,999	69	5,825,897	0	0	327,197	5.6	530,068	9.1	0	0	3	226,797	226,797	226,797	0	\$1.16
90,000-99,999	72	6,843,309	0	0	504,008	7.4	523,704	7.7	0	0	0	0	0	0	0	\$1.18
100,000-249,999	519	80,168,151	5	806,594	4,652,007	5.8	8,263,725	10.3	1	174,494	21	2,439,045	2,613,539	2,613,539	0	\$1.11
250,000-499,999	252	89,361,062	3	890,197	3,844,673	4.3	7,242,476	8.1	0	0	11	2,183,719	2,183,719	2,183,719	0	\$1.11
500,000 and greater	129	107,086,171	5	3,822,551	4,617,401	4.3	7,538,710	7.0	0	0	3	764,467	764,467	764,467	0	\$1.20
INLAND EMPIRE WEST	3,413	354,763,781	24	5,898,423	16,511,143	4.7	28,269,090	8.0	4	223,861	67	6,270,834	6,494,695	6,494,695	0	\$1.18
INLAND EMPIRE CORE	6,225	664,948,840	42	9,484,175	44,150,873	6.6	66,462,179	10.0	5	1,113,306	102	11,734,070	12,847,376	12,847,376	2,688,962	\$1.12

\*Does not include Inland Empire North. Source: CBRE Research, Q1 2025.



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, preleased, 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. **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.