

Inland Empire

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Leases over one million square feet prominent in first quarter

In the first quarter, net absorption totaled -804,288 square feet. Absorption would have been even lower for the quarter without five top lease transactions signed, each totaling over 1.0 million square feet (msf), two of which were renewals. The Inland Empire market vacancy increased 100 basis points (bps) from year-end 2023 to 7.8% in the first quarter. This is also up 490 bps from the total vacancy rate of just 2.9% recorded one year ago. This increase in vacancy is due to a large amount of available sublease space being added to the market as well as vacant construction deliveries. Overall construction deliveries recorded 5.9 msf, which is a change from last quarter's record high of 12.2 msf. Large occupier move-ins included Constellation Brands occupying 1.4 msf in Jurupa Valley, Home Depot occupying 1.1 msf in Ontario and Kimco Staffing Services occupying 645,300 sf in Jurupa Valley.

Lease volume continues in the Inland Empire market

The first quarter showcased leases signed in the 1.0 msf range. Whirlpool renewed 1.7 msf in Perris, QVC renewed 1.1 msf in Ontario, Amazon signed two leases totaling 2.0 msf in Jurupa Valley and Ontario, and E Logistics leased 1.0 msf in Fontana. Despite these top leases, overall leasing activity decreased approximately by 0.5 msf reported last quarter to 7.1 msf. Available sublease space jumped by 33.3% and now totals over 20.3 msf — the highest amount of available sublease space seen historically. Vacancy is expected to continue to increase due to growing sublease availability and future construction deliveries.

Asking rental rates stabilize as market conditions shift

As leasing activity has slowed and supply chains have adjusted to a more normal level from the immediate post-pandemic era, asking rental rates have declined as the market shows signs of correction. Despite the decline in asking rates, overall rents are still 80% higher than pre-COVID. In the first quarter, asking rental rates decreased by 2.7% from last quarter to \$1.32 NNN per month. Rental rates are expected to continue to soften in the near term as landlords offer higher concessions in effort to maintain occupancy.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	569.3 msf	602.7 msf	+33 msf
Vacancy Rate	2.9%	7.8%	+490 bps
Asking Rental Rate (Monthly)	\$1.43	\$1.32	-8.2%
Net Absorption	4.2 msf	-0.8 msf	-5.0 msf
Under Construction	34.8 msf	20.4 msf	-14.4 msf
Deliveries	9.9 msf	5.9 msf	-4.0 msf

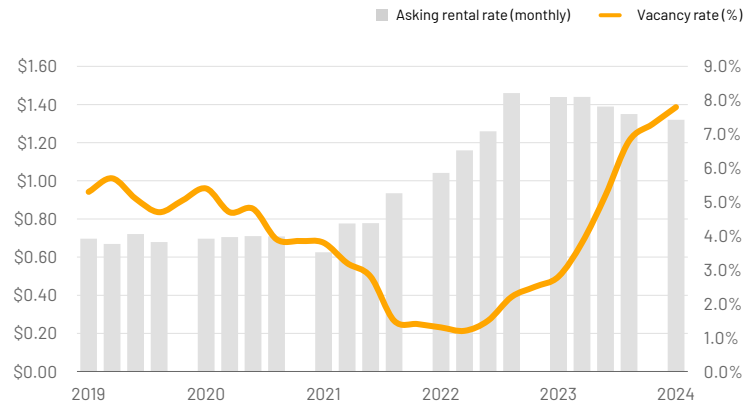
Outlook

01 Vacancy will increase as new construction delivers and companies continue to downsize resulting in added available sublease space

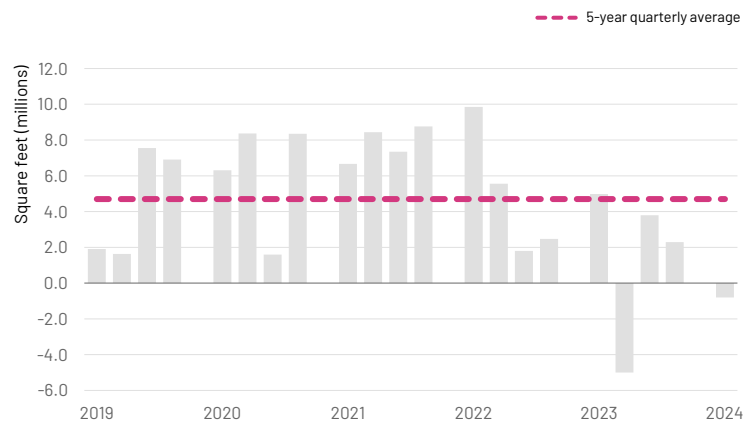
02 A strike with East and Gulf Coast port counterparts, the Panama drought and Red Sea diversions could increase Los Angeles/Long Beach Port cargo volume

03 Employment growth is expected to slow; Inland Empire trade, transportation and utilities employment declined 1.8% year over year, while manufacturing employment fell by 3.2%

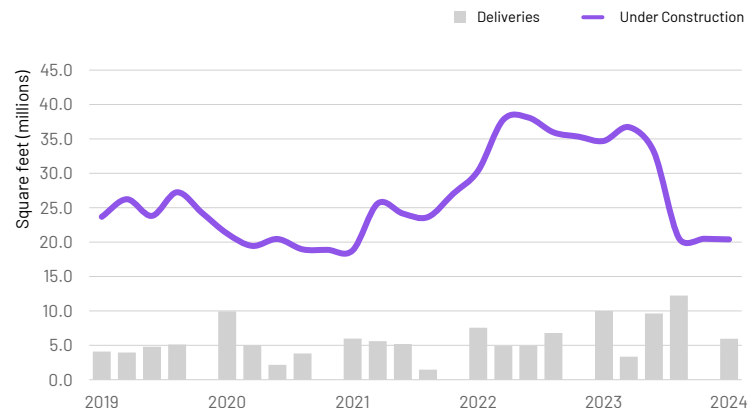
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Outlook

Top Leases

Source: Savills Research

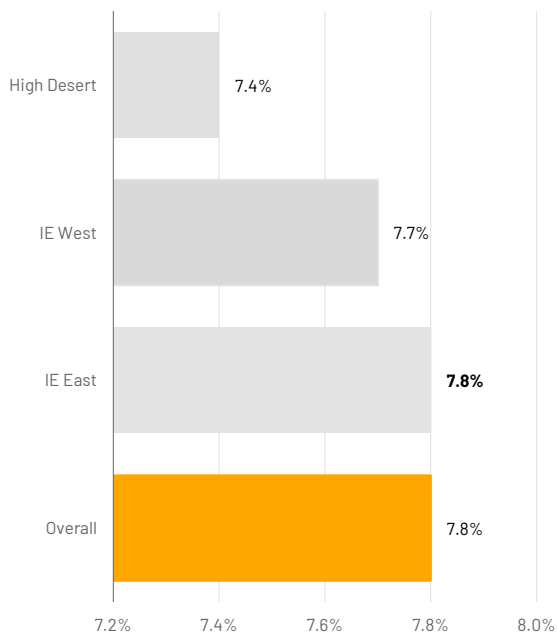
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Whirlpool Corporation	1,656,590	IE East	3691 N Perris Boulevard	Renewal	Consumer Goods
QVC	1,061,735	IE West	853 Qvc Way	Renewal	E-commerce
Amazon	1,025,132	IE East	6120 Clinker Drive	New Lease	E-commerce
Amazon	1,003,918	IE West	4000 S Hamner Avenue	New Lease	E-commerce
Elogistek LLC & Efulfill Inc.	1,003,592	IE West	11281 Citrus Avenue	New Lease	Logistics & Distribution/ 3PLs

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Easton Manson	692,600	IE East	17500 N Perris Boulevard	\$111.7 M / \$161	Walgreens
Pecan Ave, LLC	98,685	IE West	8545 Pecan Avenue	\$33.7 M / \$342	Xebec
WPT Capital Advisors, LLC	71,700	IE East	6450 Sycamore Canyon Boulevard	\$16.6 M / \$231	RJ Property Mgmt & Dev
Reus Colton LLC	126,000	IE East	2245 W Valley Boulevard	\$15.3 M / \$122	2245 Valley LLC
Excelsior Partners, LLC	41,814	IE West	4001 Greystone Drive	\$13.8 M / \$330	GF Properties

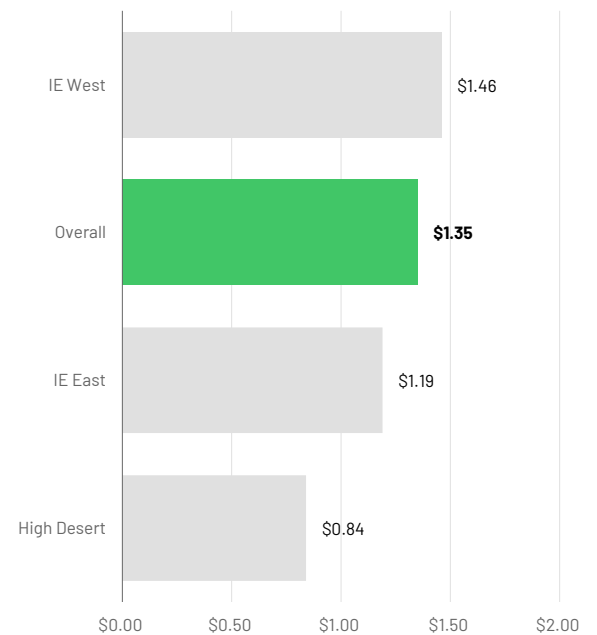
Vacancy Rate Comparison (%)

INLAND EMPIRE SUBMARKETS



Rental Rate Comparison (\$/sf)*

INLAND EMPIRE SUBMARKETS



*based on all classes of available inventory

Inland Empire Q1 2024 - Industrial

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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