

Inland Empire

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The Inland Empire continues to see large occupier move-ins

In the second quarter, net absorption totaled 3.6 million square feet (msf). Positive absorption was driven by large occupier move-ins located in the Inland Empire West submarket. The Inland Empire market's vacancy increased 70 basis points (bps) from the first quarter to 8.5% in the second quarter. This is also up 420 bps from the total vacancy rate of just 4.3% recorded one year ago. This increase in vacancy is due to a large amount of available space being added to the market in buildings ranging from 100,000 to 400,000 square feet (sf). Despite positive tenant movement, vacant construction deliveries also increase vacancy rates. Overall construction deliveries recorded 9.5 msf, which is an increase from last quarter's low of 5.9 msf. Large occupier move-ins included Home Depot occupying 2.8 msf at the Merrill Commerce Center in Ontario, Amazon occupying 1.2 msf in Fontana, and Sketchers reoccupying 643,263 sf in Perris.

Leasing volume continues in the Inland Empire market

In the second quarter, Fontana showcased three top leases; with Amazon signing 1.2 msf, Tireco renewing 1.1 msf and Campbell's Soup renewing 690,900 sf. Additional top leases included B. Braun signing 611,500 sf in Rancho Cucamonga and Clorox renewing 575,500 sf in Redlands. Overall leasing activity climbed up by approximately 1.5 msf from last quarter to 9.9 msf. Available sublease space totals 18.5 msf, a decrease in comparison to last quarter's historical high. Vacancy is expected to continue to rise due to increasing space availability and future vacant construction deliveries.

Asking rental rates soften 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 75% higher than pre-pandemic. In the second quarter, asking rental rates decreased by 4.2% from last quarter to \$1.22 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

	Q2 2023	Q2 2024	Y-0-Y
Inventory	603.4 msf	614.0 msf	+42.9 msf
Vacancy Rate	4.3%	8.5%	+420 bps
Asking Rental Rate (Monthly)	\$1.44	\$1.22	-15.3%
Net Absorption	-4.9 msf	3.6 msf	+8.5 msf
Under Construction	35.7 msf	11.7 msf	-24.0 msf
Deliveries	3.3 msf	9.5 msf	+6.2 msf

Outlook

01 Vacancy will climb as companies continue to downsize resulting in added available sublease space

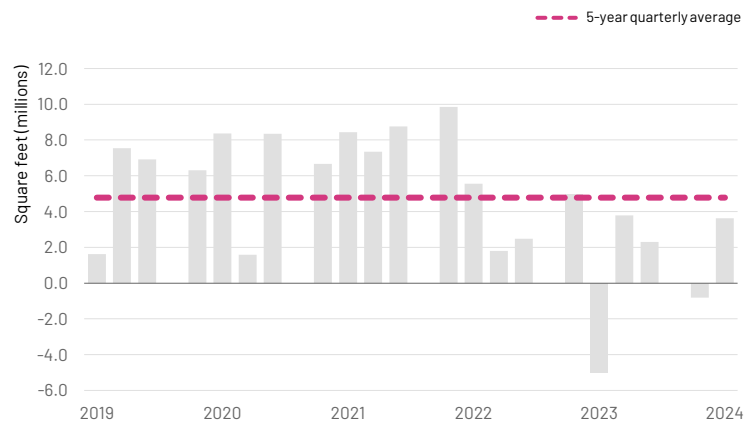
02 Amazon and Tireco signed 1.0+ msf leases, which implies there is continued demand from large occupiers; large square footage leases are expected to be signed through the second half of 2024

03 Employment growth is expected to slow; Inland Empire trade, transportation and utilities employment declined 0.8% year over year, while manufacturing employment fell by 3.5%

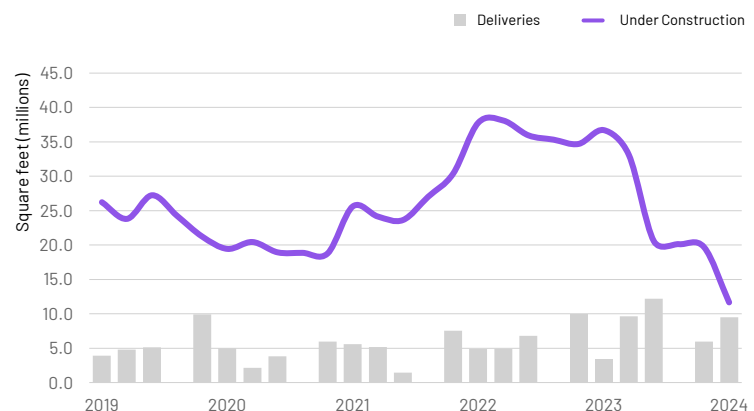
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

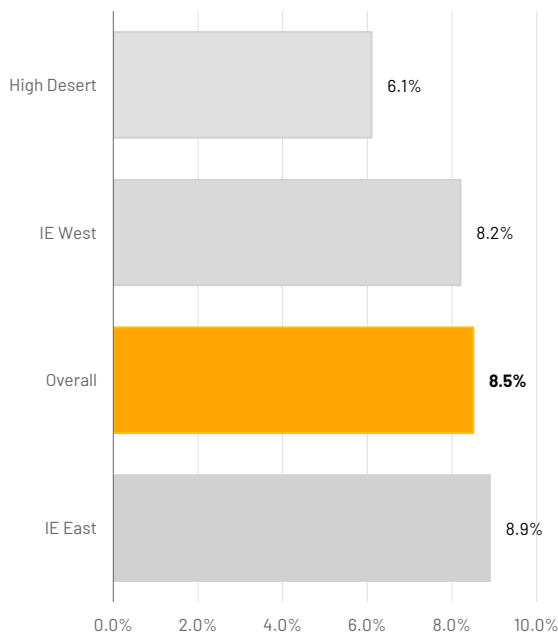
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Amazon	1,171,788	IE West	4121 Coyote Canyon	New Lease	E-commerce
Tireco	1,101,840	IE West	10545 Production Avenue	Renewal	Automotive
Campbell Soup	690,967	IE West	16604 Slover Avenue	New Lease	Food & Beverage
B. Braun	611,573	IE West	12400 Arrow Route	New Lease	Biosciences / Medical / Pharmaceuticals
Western Post USA	609,500	IE East	7776 Tippecanoe Avenue	New Lease	Logistics & Distribution/3PLs

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
EQT Exeter	819,000	IE West	13423-13473 Santa Ana Avenue	\$197.0 M / \$240	Manulife Investment
Stockbridge Capital Group, LLC	519,116	IE West	4450 E Lowell St/3351 E Philadelphia	\$142.3 M / \$274	Principal RE Investors
Dalfen Industrial	340,080	IE East	4982 Hallmark Parkway	\$74.1 M / \$217	Bixby Land
BentallGreenOak	172,200	IE West	16796 Boyle Avenue	\$58.3 M / \$338	Transwestern
Folded Color Packaging	143,800	IE West	210 Radio Road	\$46.9 M / \$326	The Carlyle Group

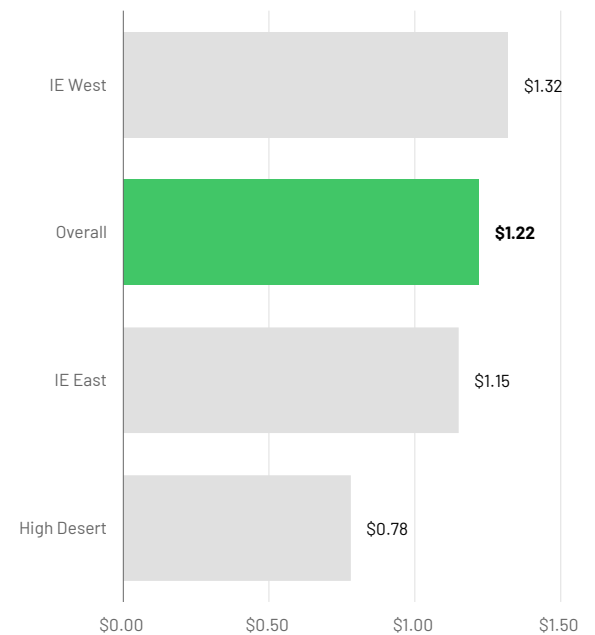
Vacancy Rate Comparison (%)

INLAND EMPIRE SUBMARKETS



Rental Rate Comparison (\$/sf)*

INLAND EMPIRE SUBMARKETS



*based on all classes of available inventory

Inland Empire Q2 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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