



Rental rates continue to grow while the market starts to show a slowdown

The Inland Empire's overall vacancy, one of the lowest in the nation, increased 70 basis points (bps) over the last quarter to 2.2%. This is also up 70 bps from the total vacancy rate of 1.5% recorded one year ago. Despite this increase in vacancy, market conditions are the healthiest in the nation due to the demand for e-commerce fulfillment, last-mile supply chain space and proximity to the Los Angeles and Long Beach ports. Much of the quarter's leasing activity was seen in the Inland Empire East submarket, with three deals over 1.0 million square feet (msf). Of these deals, two were renewals. Skechers USA Inc. signed a 1.0 msf deal in Banning, while Under Armour Inc. renewed 1.2 msf in Rialto and Hanes Brands Inc. renewed 1.3 msf in Perris. The largest lease deal in the Inland Empire West submarket was Nestle's renewal of 814,186 square feet in Mira Loma.

Warehouse rental rate growth keeps surging as market remains extremely landlord-favorable

Over 30 msf of inventory has been added to the Inland Empire industrial market over the past year. Overall net absorption in the fourth quarter recorded 1.5 million square feet, down 83% from 8.7 msf reported a year ago. The Inland Empire East submarket continues to lead the overall market with close to 1.0 msf of net absorption due to the high concentration of construction deliveries. Although there has been a slowdown in net absorption, this has not stopped landlords from increasing asking rental rates, with the overall average rental rate rising to \$1.46 per square foot, up 68% from one year ago.

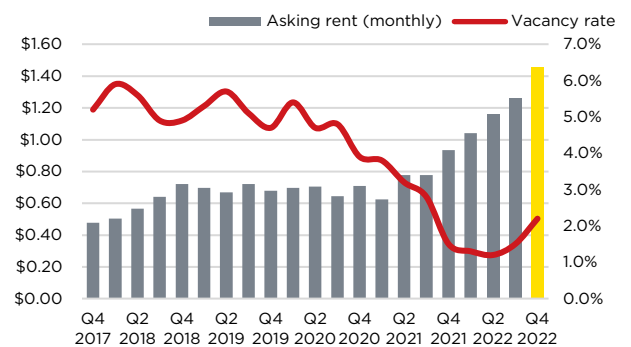
New supply scarce as the region's industrial market is increasingly built out

Despite a record amount of space under construction, the continued ultra-low vacancy rate suggests there is not enough available inventory. As land sites become more limited and city measures try to curb development, pressure will be put on new construction opportunities. The Inland Empire industrial market continues to see highly favorable market conditions for landlords, with record-low vacancy levels. However, as the expectation of a recession looms, landlords, developers, tenants and lenders should closely monitor consumer spending as it relates to e-commerce fulfillment demand.

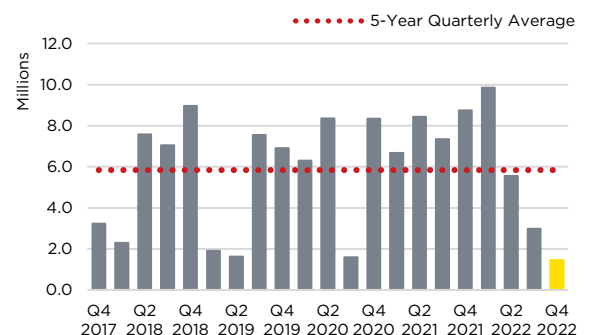
KEY STATISTICS

	Q4 2021	Q4 2022	y-o-y Change
Inventory	530.9 MSF	561.9 MSF	▲
Vacancy Rate	1.5%	2.2%	▲
Quarterly Net Absorption	8.7 MSF	1.5 MSF	▼
Under Construction	23.6 MSF	35.9 MSF	▲
Deliveries	1.5 MSF	7.9 MSF	▲
Asking Rental Rate (Monthly)	\$0.87	\$1.46	▲

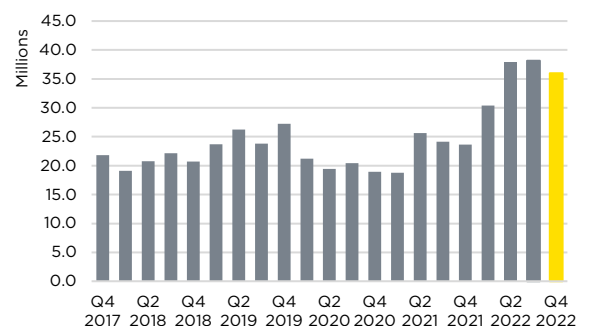
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



Outlook

- Market conditions are expected to remain tight; however, concerns about a recession will persist through 2023
- A slowdown in rent growth is likely due to economic challenges, rising operating expenses and the California WAIRE program
- Developers will continue to see pushback from Inland Empire cities as measures are made to halt new warehouse developments

BY THE NUMBERS

35.9M

square feet under construction

46%

increase in asking rental rates over the past 12 months

17.1M

Inland Empire West has the most square feet under construction

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Hanes Brands, Inc.	1,309,754	3700 Indian Avenue	Renewal	Inland Empire-East	Nuveen
Under Armour, Inc.	1,197,051	2510-2580 W Walnut Avenue	Renewal	Inland Empire-East	Prologis Trust
Skechers USA, Inc.	1,000,000	2600 E John Street	New	Inland Empire-East	Logistics Property Co.
Nestle	814,186	3450-3600 Dulles Drive	Renewal	Inland Empire-West	CalPERS
Michelin North America	801,581	3525 N Mike Daley Drive	Renewal	Inland Empire-East	Nuveen

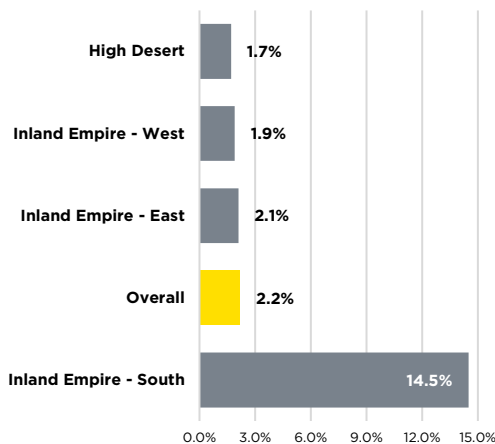
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
NFI Industries, Inc.	760,800	3100 Milliken Avenue	\$220,000,000	Inland Empire-East	Sares-Regis Group
GLP Capital Partners	355,000	251 E Rider Street	\$90,000,000	Inland Empire-East	Blackstone Real Estate Income Trust, Inc.
Bridge Investment Group	252,800	601 Rockefeller Avenue	\$74,888,000	Inland Empire-West	Truist Securities, Inc.
Ares Management, LLC	205,600	100 W Walnut Avenue	\$59,275,000	Inland Empire-East	Doron Kadosh
EverWest Real Estate Investors, LLC	120,651	1925 S Grove Avenue	\$55,000,000	Inland Empire-West	Penwood Real Estate Investment Management

Source: Savills Research

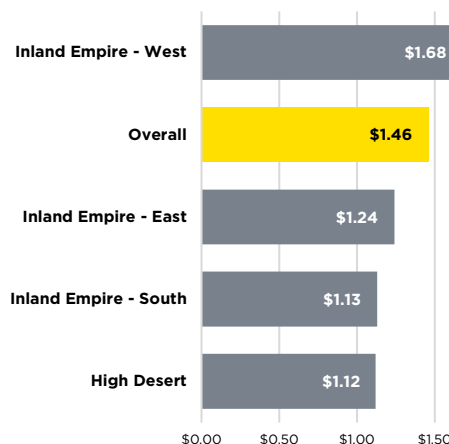
VACANCY RATE COMPARISON

Inland Empire Industrial Submarkets



RENTAL RATE COMPARISON (\$/SF)*

Inland Empire Industrial Submarkets



*Based on all classes of available inventory

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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