



Inland Empire industrial market report

Q4 2023

**AVISON
YOUNG**

Inland Empire industrial market trends

11.4%

Sublet and total availabilities reach new highs

Total availabilities continued to climb to new record highs for the Inland Empire industrial market. This can be attributed to leasing fundamentals declining and occupiers deciding to shed unused space that may have been acquired during the rapid expansion that stemmed from the pandemic.

In the first quarter of 2023 there was 7.3 msf of available sublet space in the market, by year end there is nearly 15.7 msf, an increase of 114%.

4.8 msf

Tenant movement rebounds from it's slow start in Q2

After a slow start to the year, total net absorption in Q4 2023 for the Inland Empire industrial market reported positive 4.8 msf. The strong quarter can be attributed to major occupiers moving into million square foot facilities. Shein took occupation of two new state-of-the-art facilities in Apple Valley that was pre-leased, totaling 1.8 msf. Additionally, Constellation Brands and United Legwear both moved into 1.3 msf facilities during the fourth quarter.

Although availabilities can be seen at high levels, we do see tenant movement rebounding in 2024.

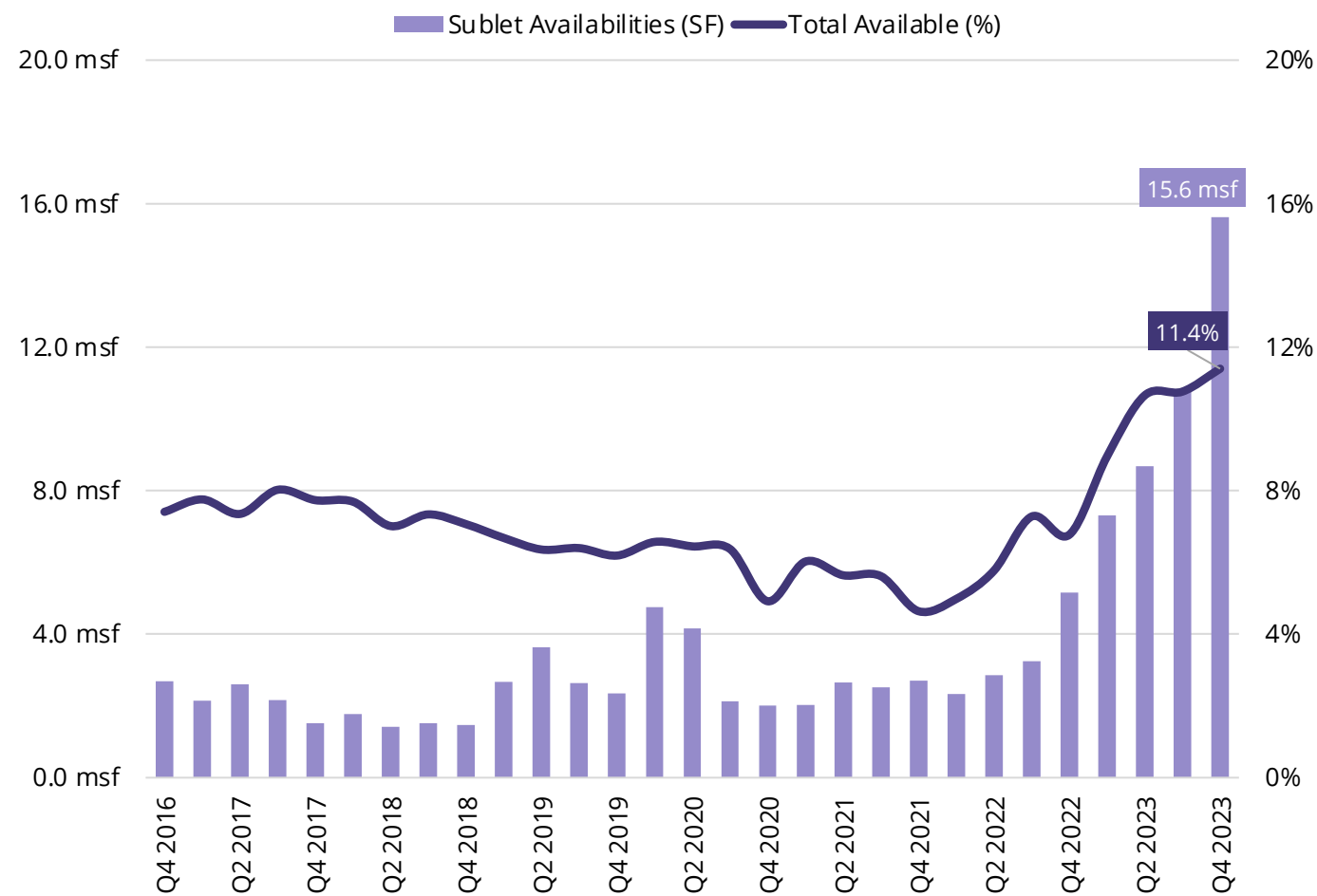
7.6 msf

Leasing fundamentals remain stagnant

Leasing volume has maintained a low volume in Q4 2023, with a total volume of 7.6m square feet leased in the Inland Empire industrial market. This comes in tandem with only 62 newly leased spaces in Q4 2023, the lowest quarterly amount of leases signed over the last seven years.

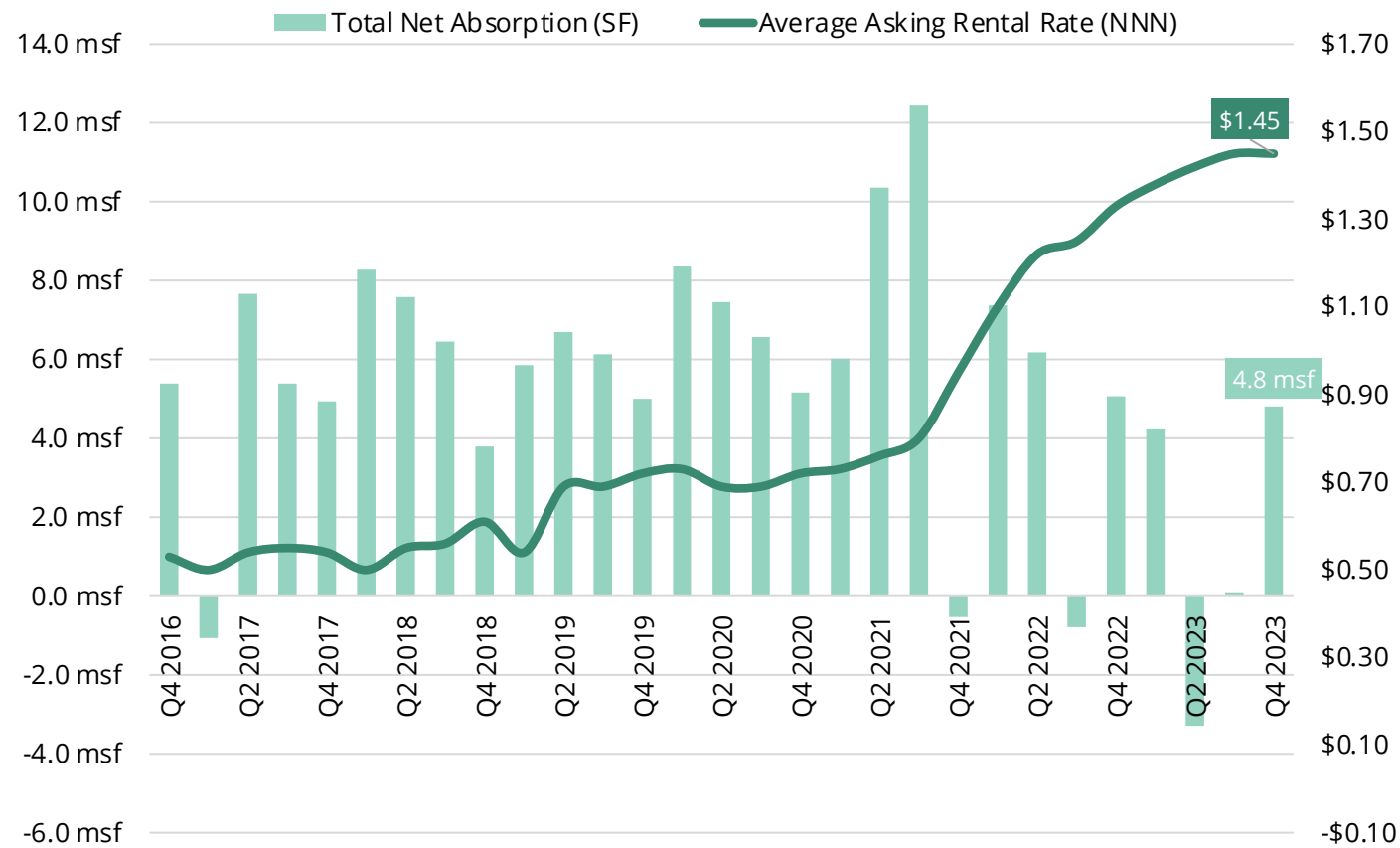
The slowdown comes after the leasing boom that occurred in 2020 in which occupiers adopted a “just-in-case” model, propelling the need for warehouse space. Since then, many occupiers have put a pause on expansion efforts and leasing fundamentals have begun to stabilize.

Total Availabilities



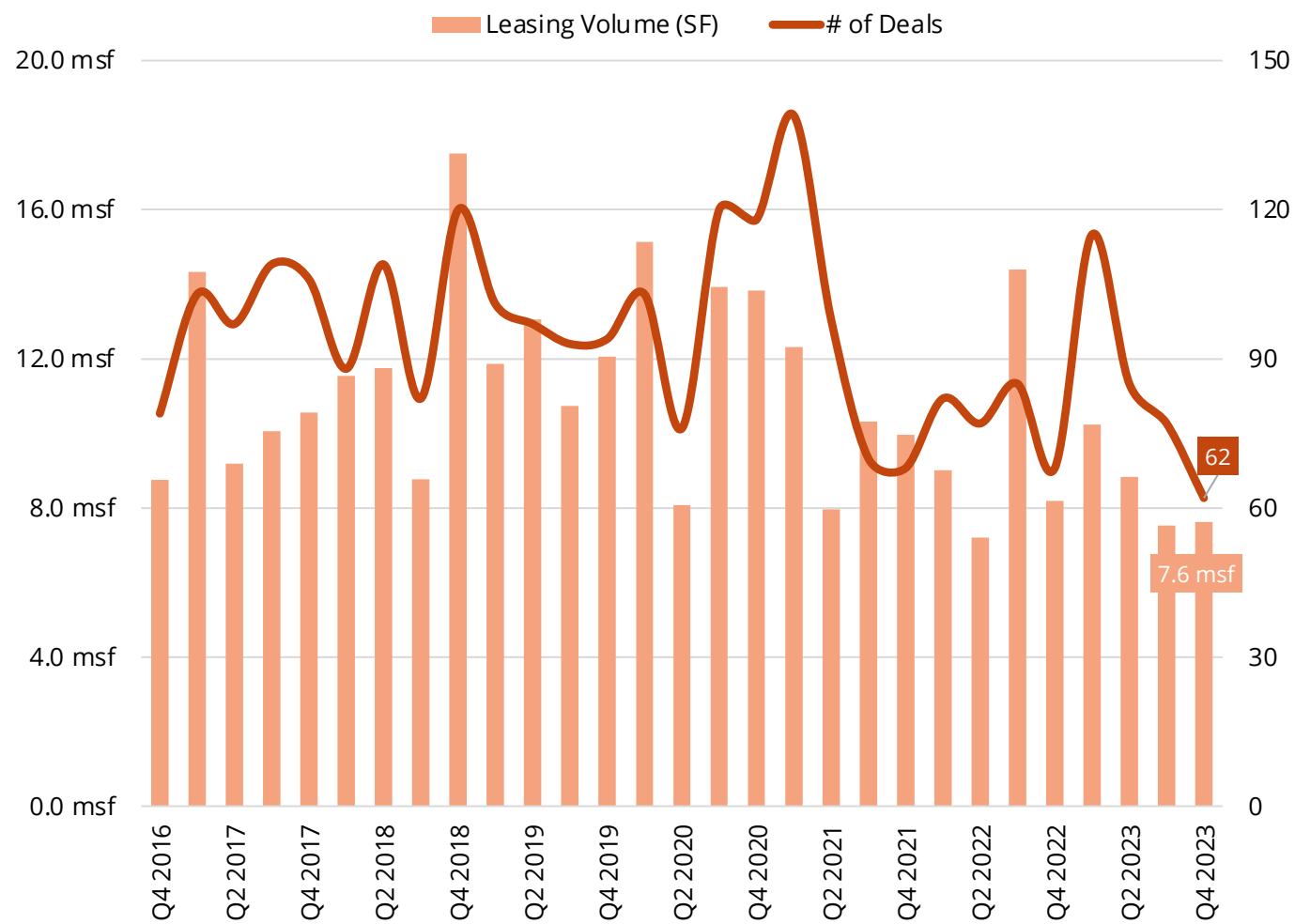
Q4 2023 sublet availabilities in the Inland Empire industrial market have reached a record high with 15.6 million square feet available.

Absorption



Absorption rebounded to end the quarter with 4.8 msf of positive net absorption. This is due to some occupiers moving into their million square foot spaces during the quarter.

Leasing Activity



Leasing volume has maintained a low volume in Q4 2023, with a total volume of 7.6m square feet leased in the Inland Empire industrial market.

Inland Empire Industrial development pipeline

272 properties

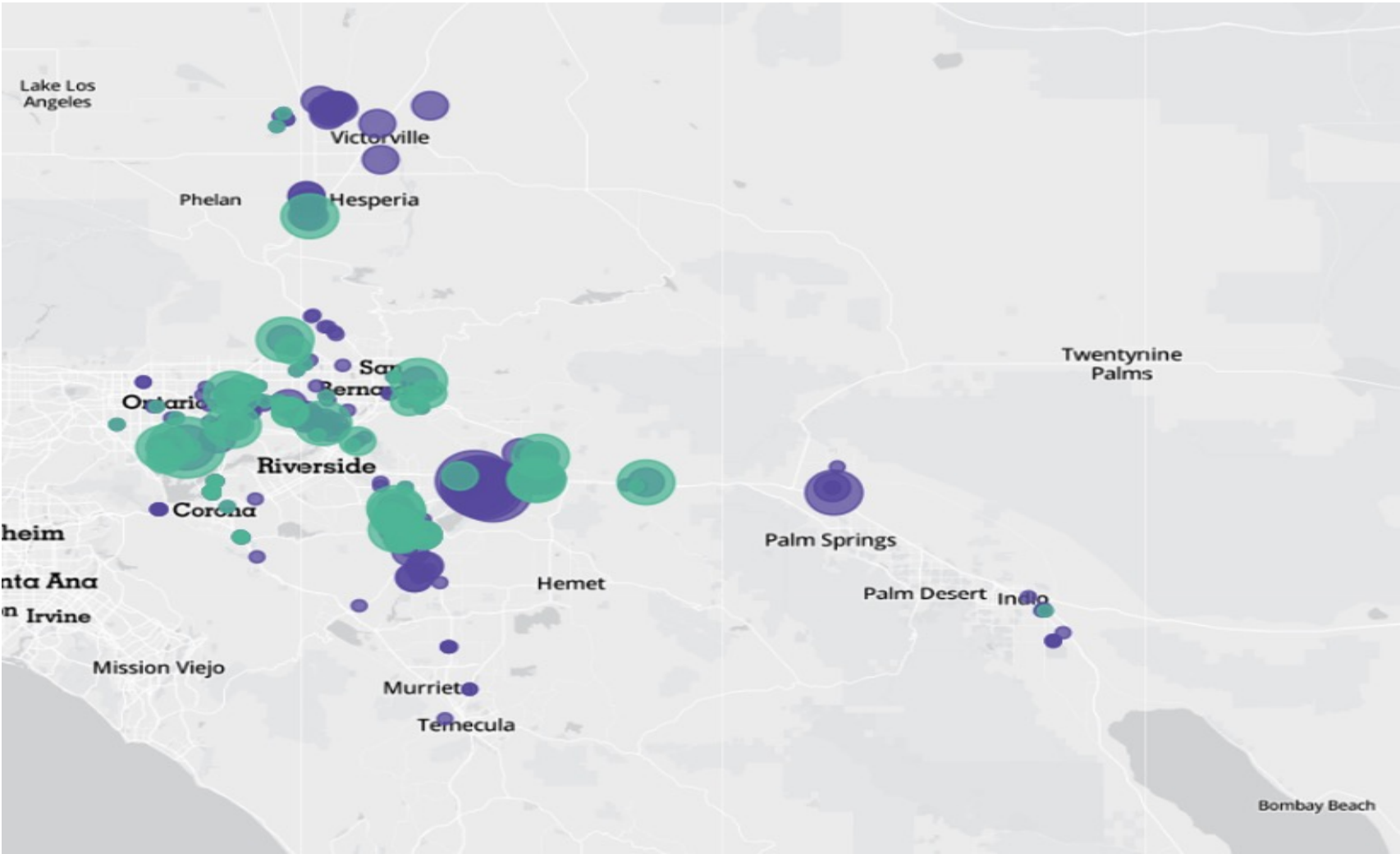
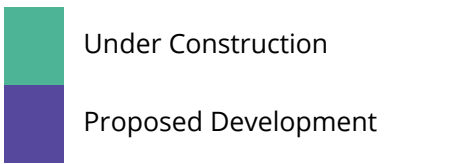
97 under construction
175 proposed

151.9 million sf

28.4 million sf under construction
123.5 million sf proposed

Major developments

- 1363 Merrill Ave – 1.5 million sf
- I-15 Logistics Center - 1.2 million sf
- Eucalyptus & Euclid - 1.1 million sf
(Pre-leased) – Home Depot



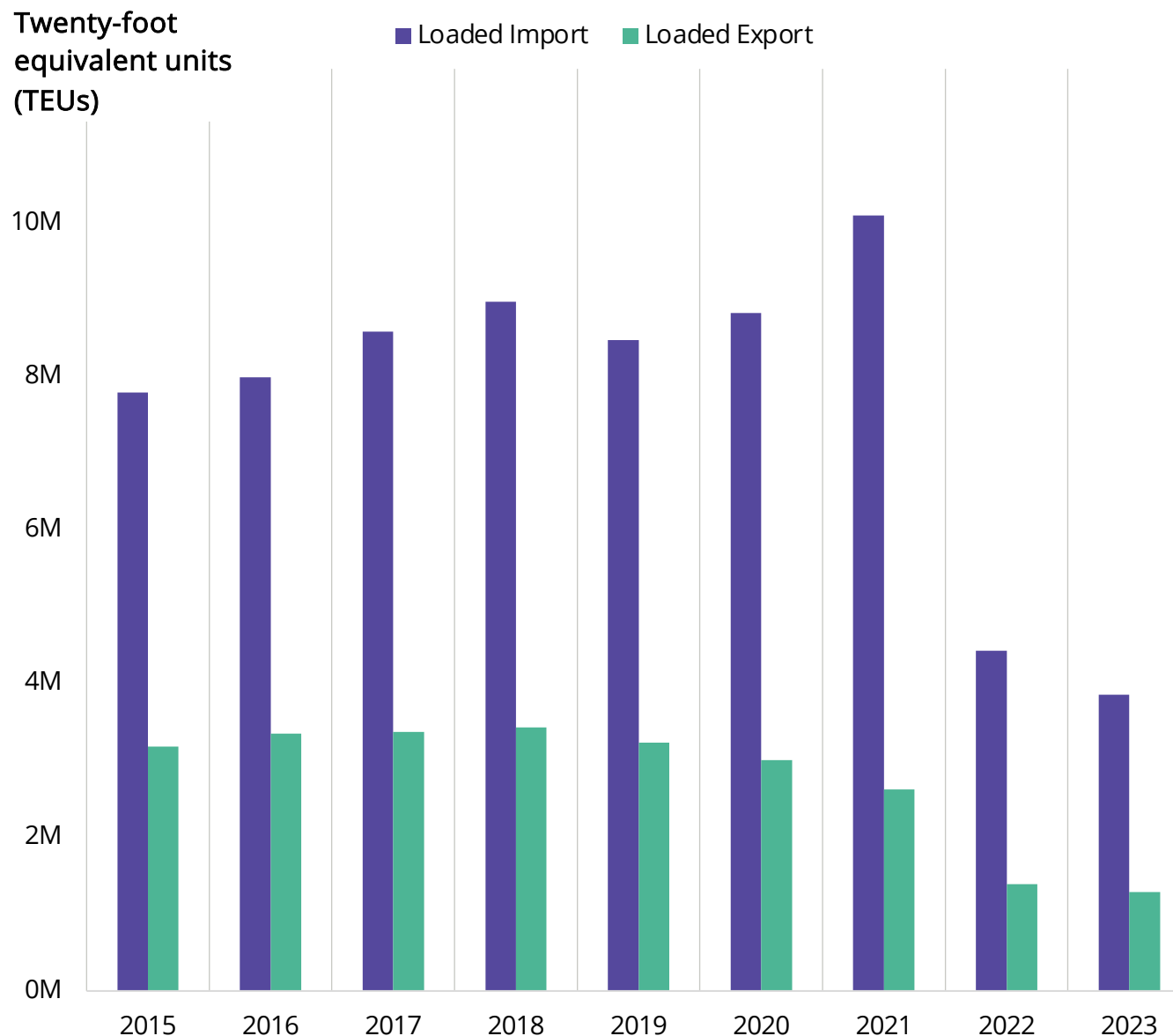
*Survey consists of industrial buildings greater than 50,000 sf.

Loaded import and export container volumes

+56%

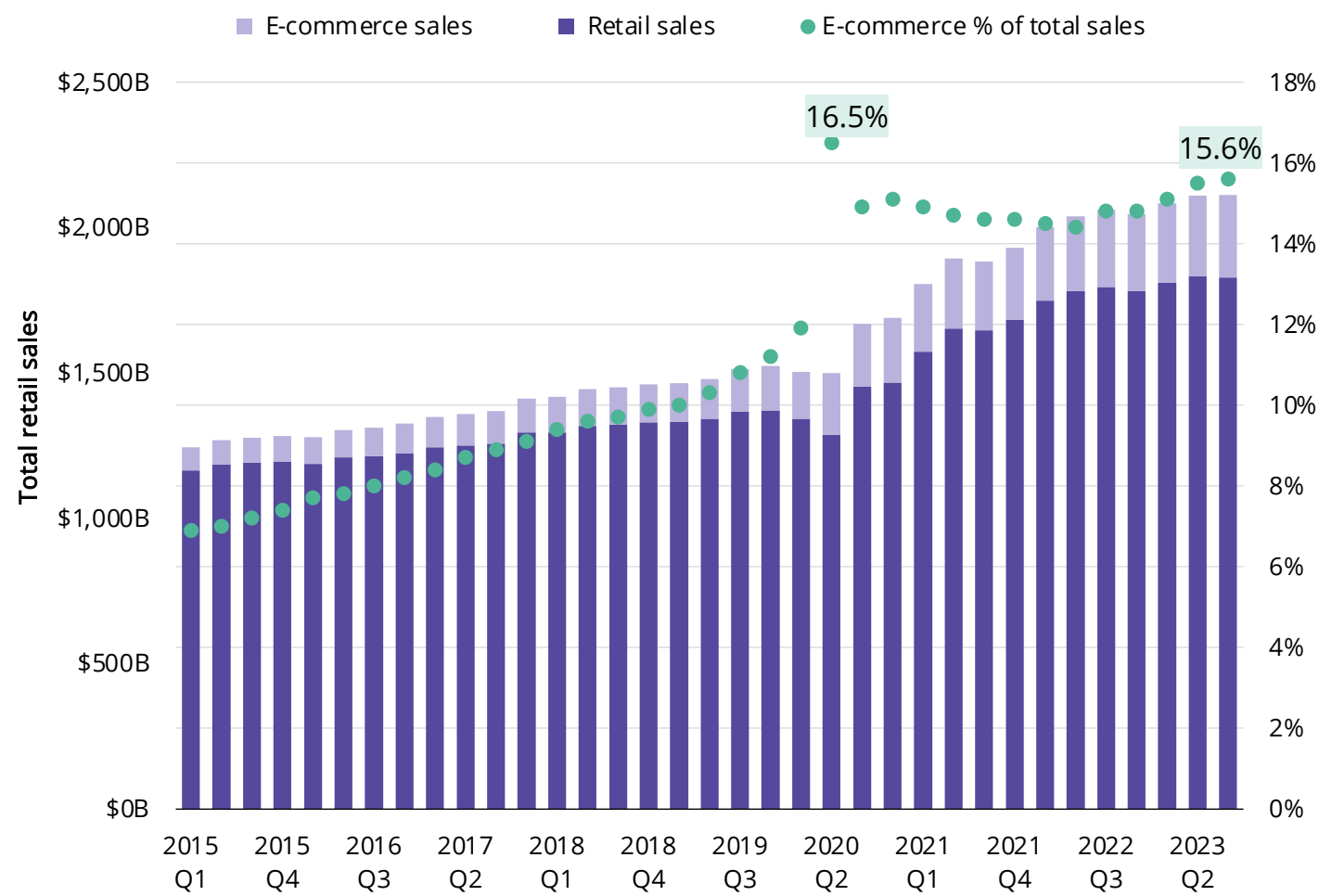
Cargo volume at the Ports have increased by 56% when compared to November of 2022.

Despite economic concerns, port activity in the month of November has increased when compared to the prior year. In November 2023, the Port of Los Angeles moved 881,131 loaded import/export TEUs, its best performance since August. Elevated shipments in preparation for the holiday season can be attributed to the increase in shipments. Although, numbers have slowed from pandemic levels, consumer's have taken a conservative approach on expenditures as the economy continues to tackle high inflation costs.



Port of Los Angeles, Port of Long Beach. Totals consist of loaded imports and exports

Expanding e-commerce industrial demand

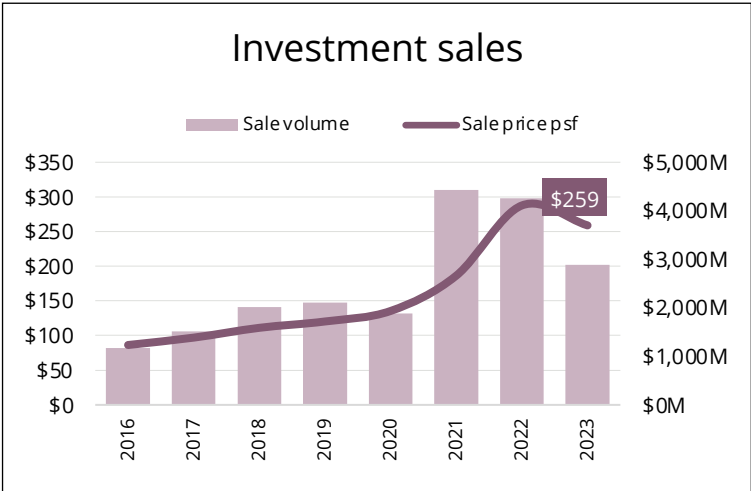
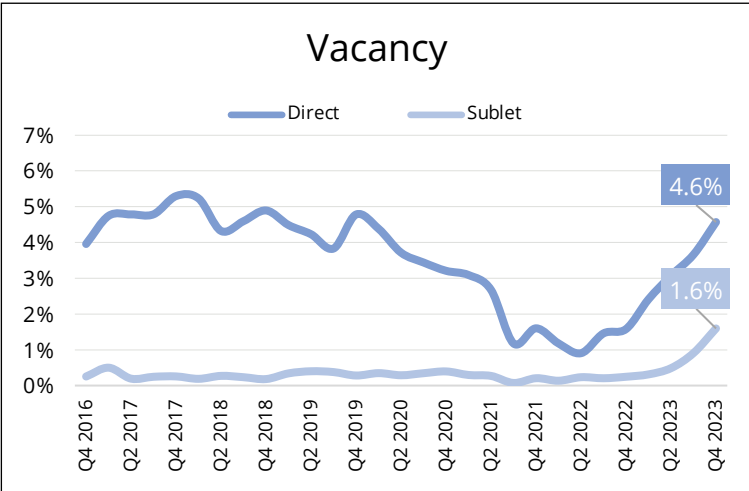
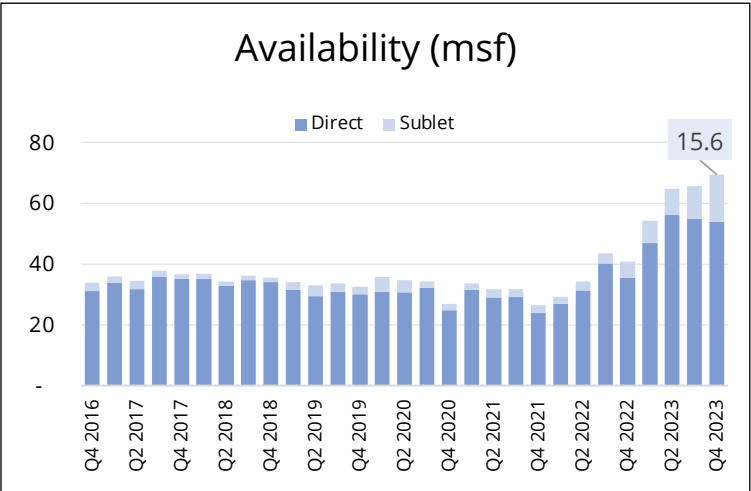
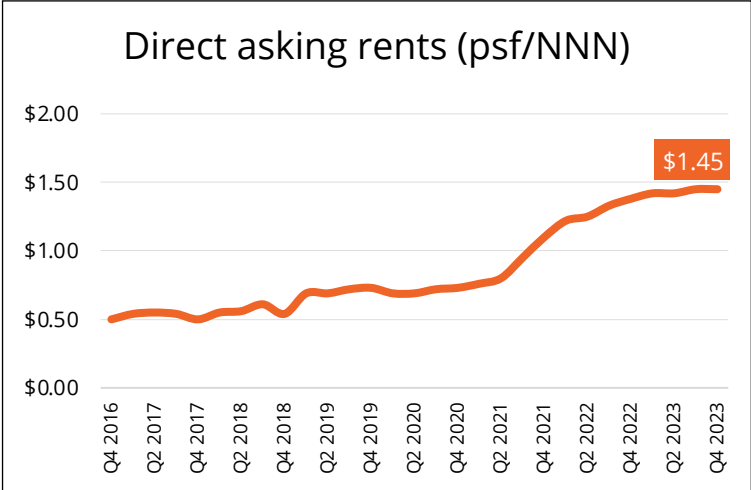
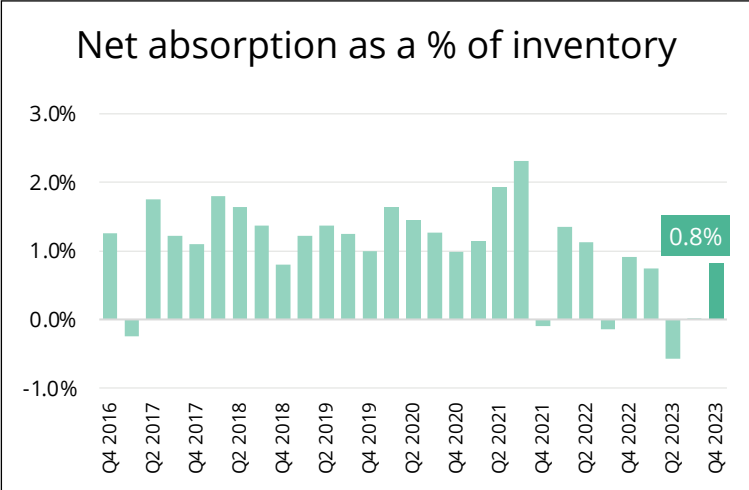
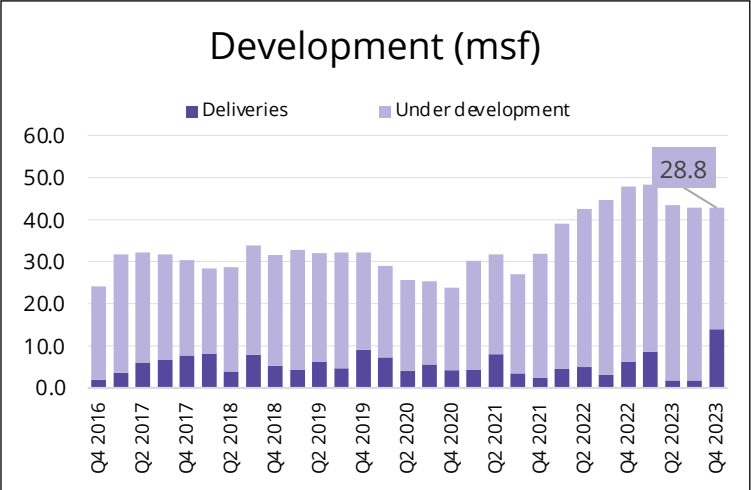


E-commerce retail spend has increased by 31% since the start of 2020, indicating increased consumer shift on how goods are purchased and sustained e-commerce source of industrial demand.

Appendix



Inland Empire industrial market indicators



Inland Empire industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Maersk	8140 Caliente Rd	IE North	Nov 2023	1,227,600	Direct	New
Yita	26597 W San Bernardino Ave	IE East	Oct 2023	557,213	Direct	Sublease
GigaCloud	13521 Santa Ana Ave	IE West	Oct 2023	423,388	Direct	New

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
STAG Industrial	Zeiders Rd(2 Bldgs)	Oct 2023	157,146	\$36,095,000	\$229.69/sf	Jupiter Holdings
MagnaFlow	7920 Lindbergh Dr	Oct 2023	53,116	\$21,000,000	\$395.36/sf	JRC Real Estate Investment
Glanbia	484 Alcoa Cir	Nov 2023	67,150	\$20,250,000	\$301.56/sf	Charles Zhang

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
1363 Merrill Ave	IE West	Mar 2024	1,488,000	0%	Prologis
I-15 Logistics Center	IE West	Jan 2024	1,171,788	0%	CapRock Partners
SEC Eucalyptus & Euclid	IE West	Jan 2024	1,099,629	100%	Clarion Partners

Inland Empire industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption (QTD)	Net absorption (YTD)	Annual direct asking rent psf NNN
IE West	313,253,719	10,694,237	13,979,700	4.6%	0.9%	5.8%	1,470,935	2,068,448	\$1.57
IE East	246,610,597	13,496,397	13,935,870	4.1%	2.4%	6.5%	1,342,590	273,107	\$1.45
IE North	20,226,399	2,420,770	563,312	4.2%	2.5%	6.7%	1,937,401	1,214,730	\$1.18
IE South	9,759,233	0	0	6.6%	1.4%	8.0%	66,925	637,663	\$1.10
Market total	589,849,948	26,611,404	28,478,882	4.6%	1.6%	6.2%	4,817,851	4,193,948	\$1.45

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption (QTD)	Net absorption (YTD)	Annual direct asking rent psf NNN
Class A	312,881,842	24,352,751	24,860,372	5.6%	1.7%	7.3%	6,202,894	11,557,473	\$1.58
Class B	241,427,657	2,258,653	3,618,510	3.4%	1.5%	4.9%	(1,563,968)	(6,866,938)	\$1.46
Class C	35,540,449	0	0	3.6%	1.7%	5.3%	178,925	(496,587)	\$1.30
Market total	589,849,948	26,611,404	28,478,882	4.6%	1.6%	6.2%	4,817,851	4,193,948	\$1.45

Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship good with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
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