



# Inland Empire industrial market report

Q1 2024

**AVISON  
YOUNG**

# Inland Empire industrial market trends

## 20.9 msf

### Sublet availabilities up nearly 6 million square feet from Q4

The Inland Empire industrial market witnessed a significant increase in sublet availabilities reaching 20.9 msf, up nearly 6.0 msf from the prior quarter. The surge can be attributed to many occupiers shedding any unused space acquired during the pandemic as occupiers are no longer in need of a just-in-case business model.

Notably, Skechers contributed to this trend by offering 1.0 msf for sublease in Banning during Q1. The space was originally leased back in 2022.

## \$1.37

### Rents begin to come down from record highs

Rents for industrial properties across the Inland Empire experienced tremendous growth that started in 2020. Demand for industrial space were at all-time highs and extremely competitive as many occupiers were in need of additional space to fulfill their just-in-case business model.

As of late, rates have begun to decrease with leasing activities being seen at lower levels across the region and occupiers becoming more selective on new space requirements. Average asking lease rates have come down 5.5% from the prior quarter to \$1.37/SF.

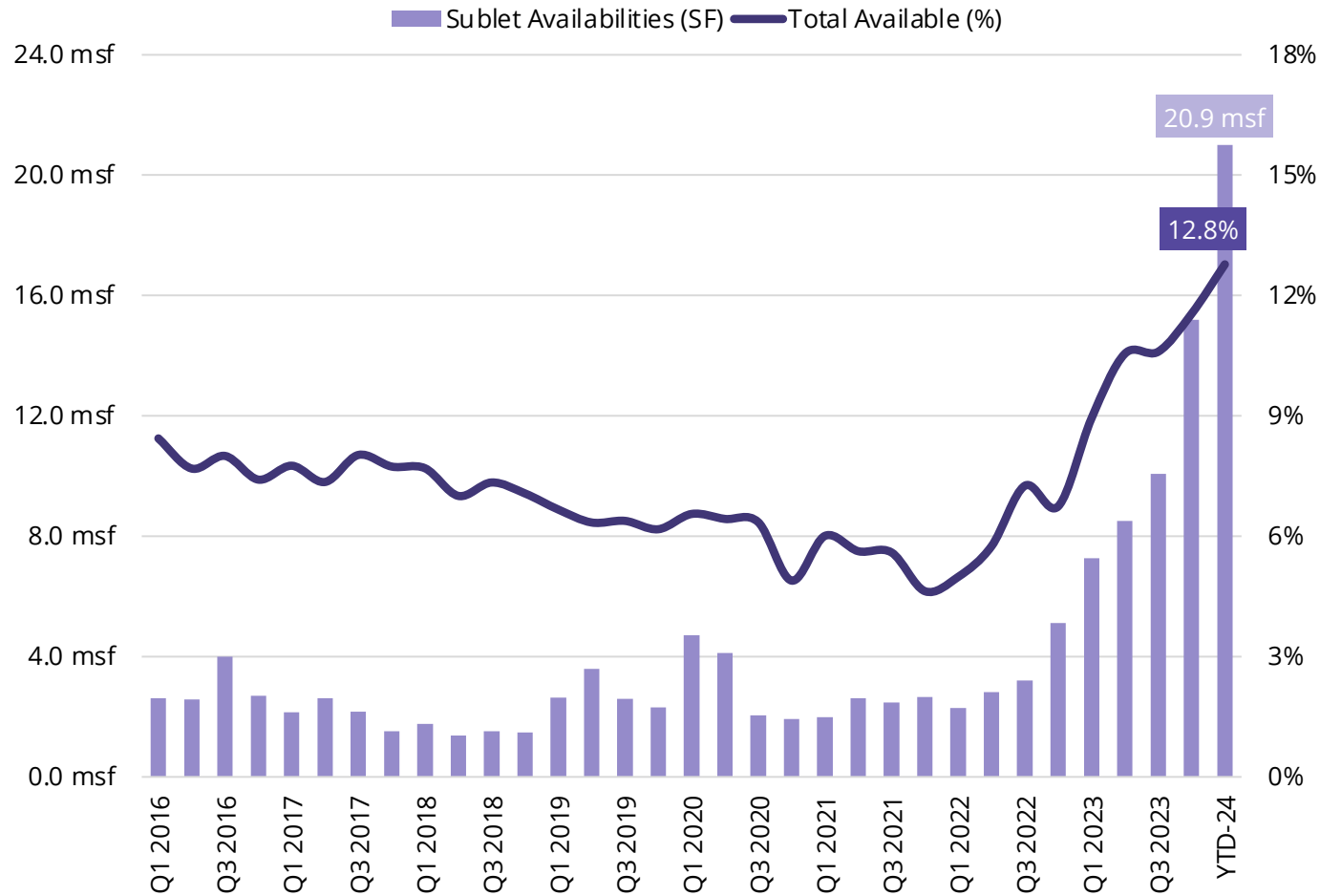
## 7.3 msf

### Leasing continues to remain quiet

Leasing activity remained quiet once again in Q1 2024, with 80 transactions and a total volume of 7.3 msf leased in the Inland Empire industrial market. Many occupiers have decided to put a hold on expansion efforts as rates remain at all-time highs with some occupiers making the decision to consolidate their industrial footprint.

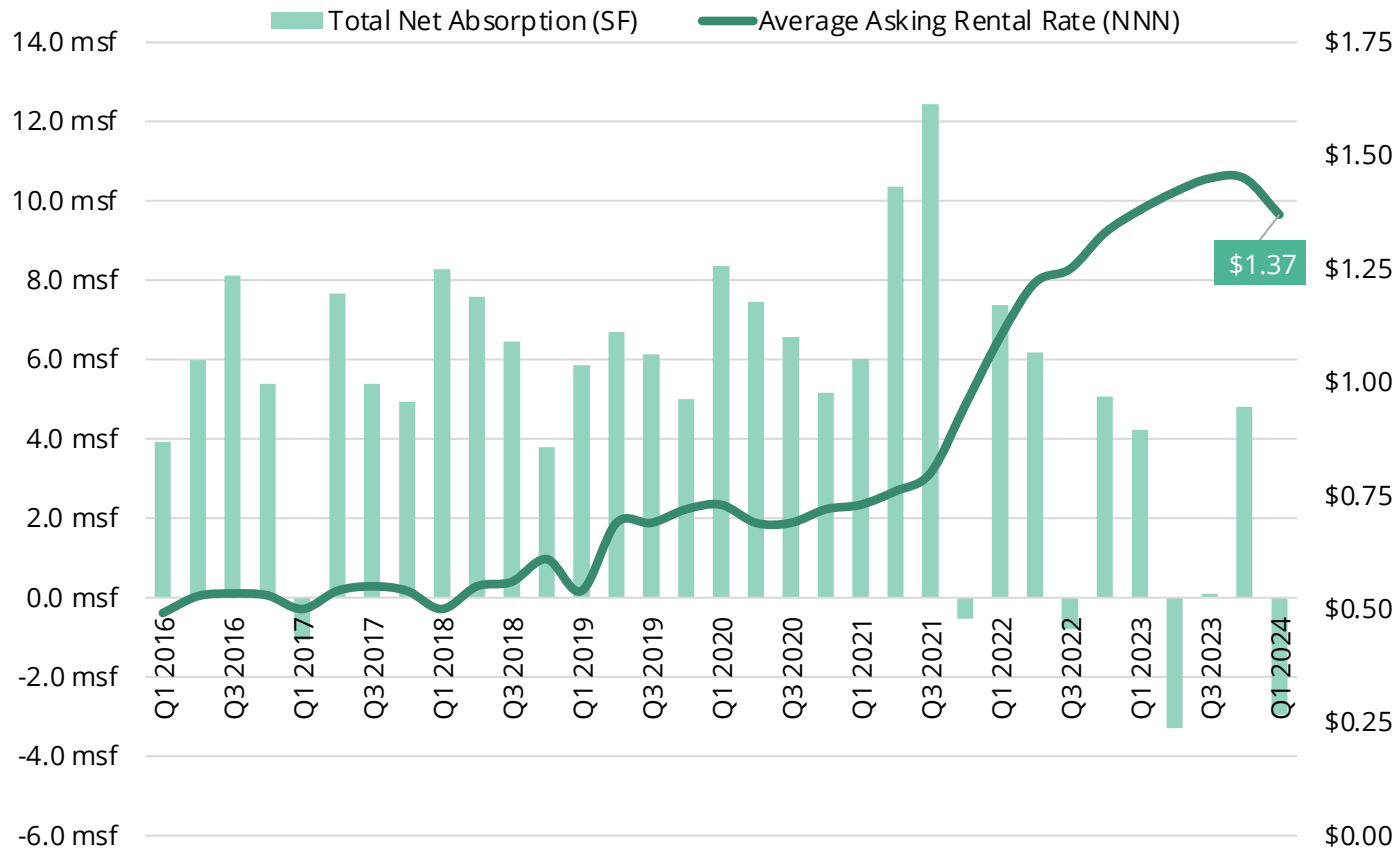
Additionally, there is still demand stemming from logistics and ecommerce users with two deals over 1.0 msf that were transacted in the first quarter.

# Total Availabilities



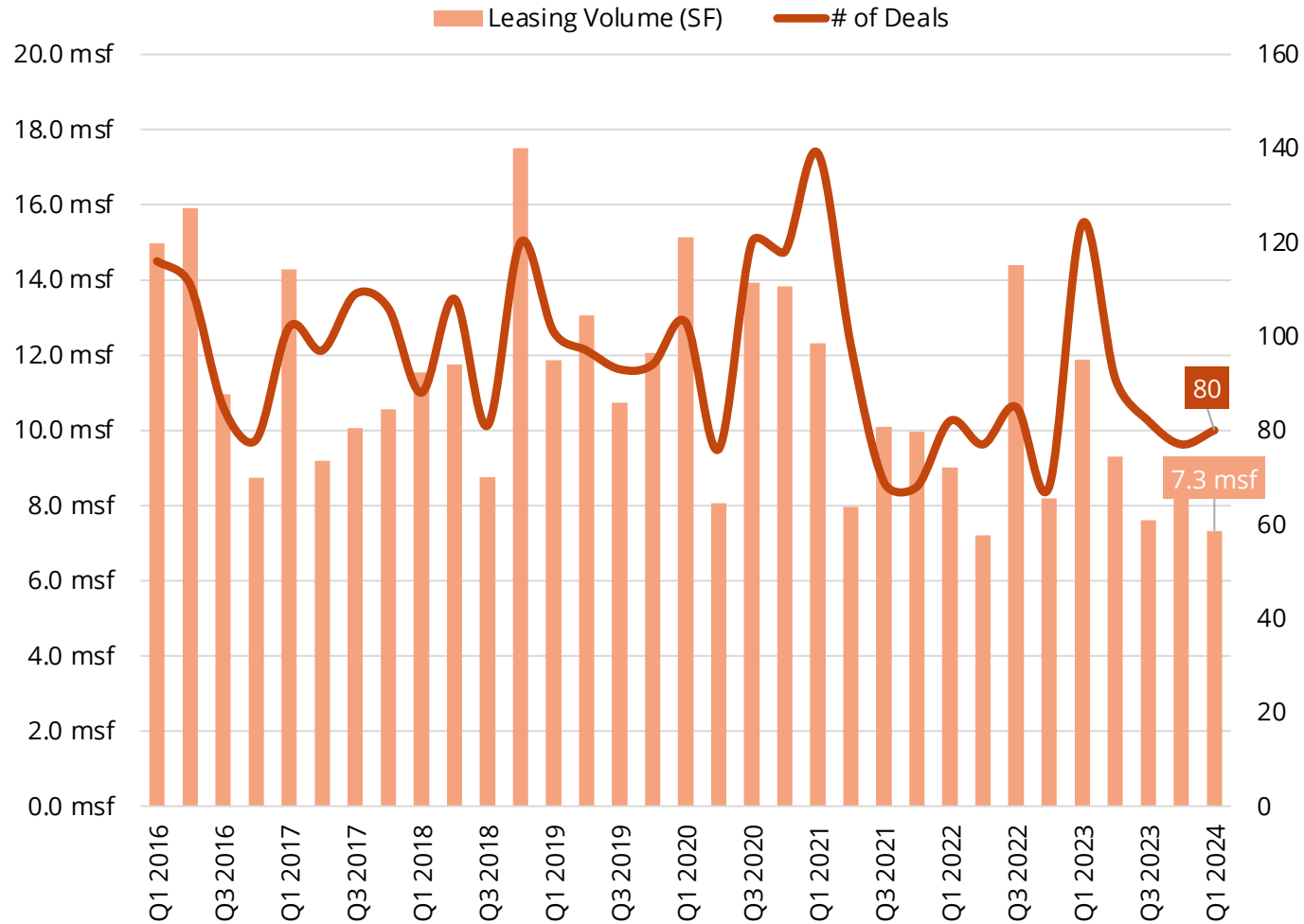
**Q1 2024 sublet availabilities in the Inland Empire industrial market have reached a record high with 20.9 million square feet available.**

# Absorption



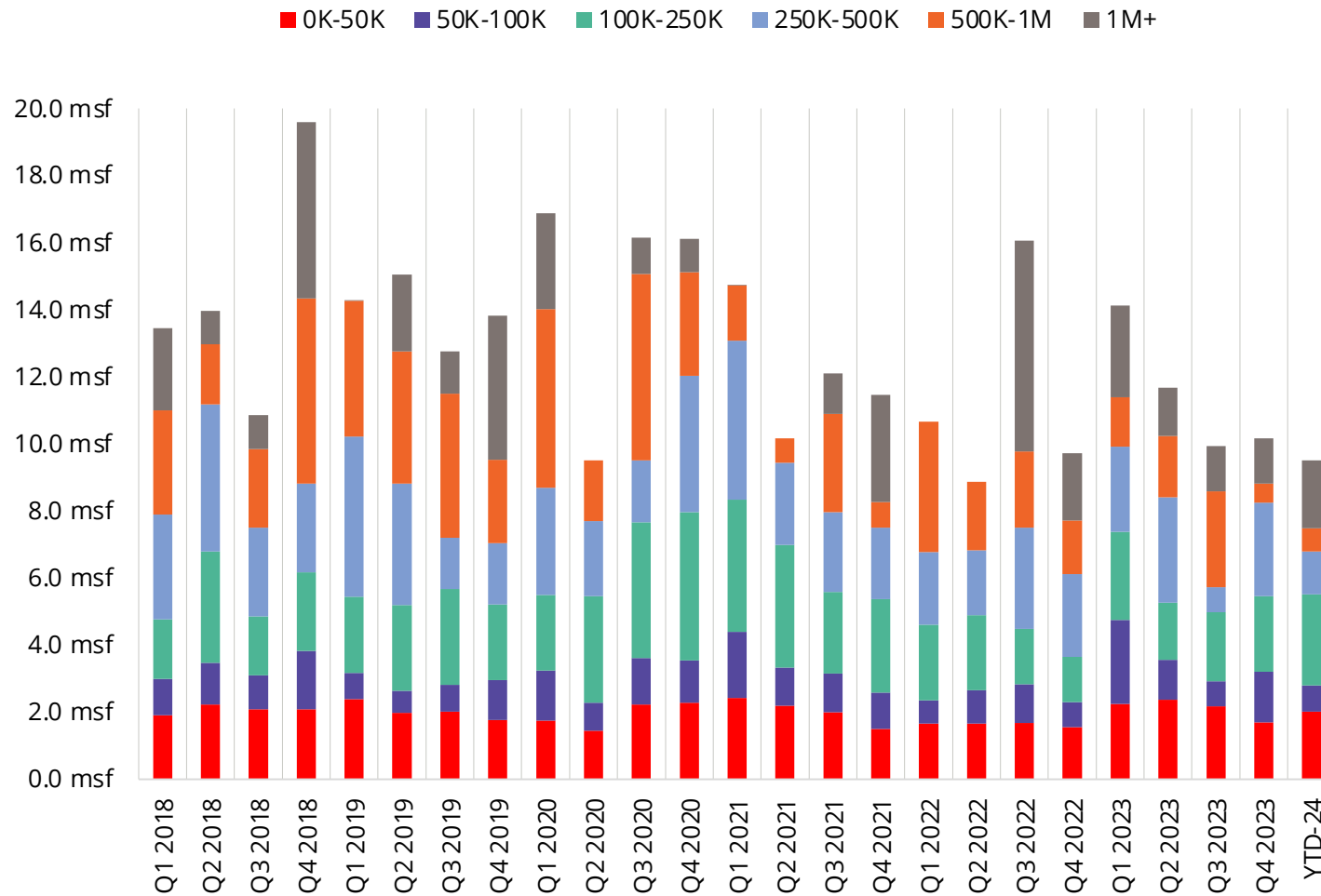
**Absorption fell into the red with 2.9 msf of negative net absorption. Tenant movement should improve with large occupiers who leased space in Q1 begin moving into their spaces within the year.**

# Leasing Activity



**Leasing volume remained stagnant in Q1, with a total volume of 7.3m square feet leased in the Inland Empire industrial market.**

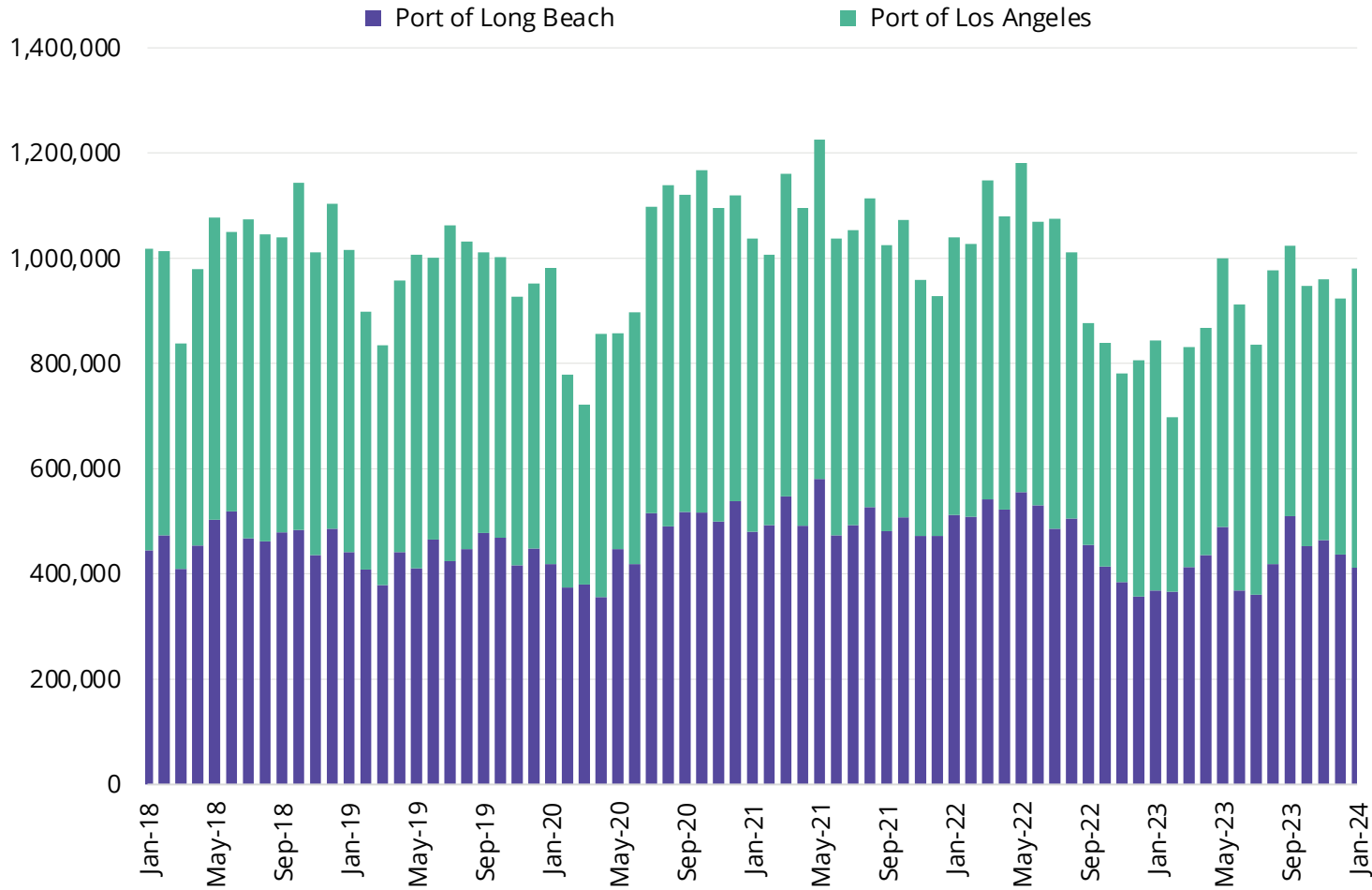
# Small box buildings remain in demand



\*Survey based on industrial/flex buildings 50K+

**Demand has been robust across various building sizes, particularly for small-box buildings up to 50K SF and those ranging between 100K-250K SF, with 2.0 msf and 2.7 msf leased, respectively.**

# Supply chains search for stability to limit holiday impact amid Gulf & East Coast Union contract issues



**Contract negotiations on the East Coast, set to expire on Sept. 30th, may drive heightened activity at the LA Ports, potentially leading to increased demand for warehouse space.**



# Inland Empire Industrial development pipeline

## 270 properties

85 under construction  
185 proposed

## 150.8 million sf

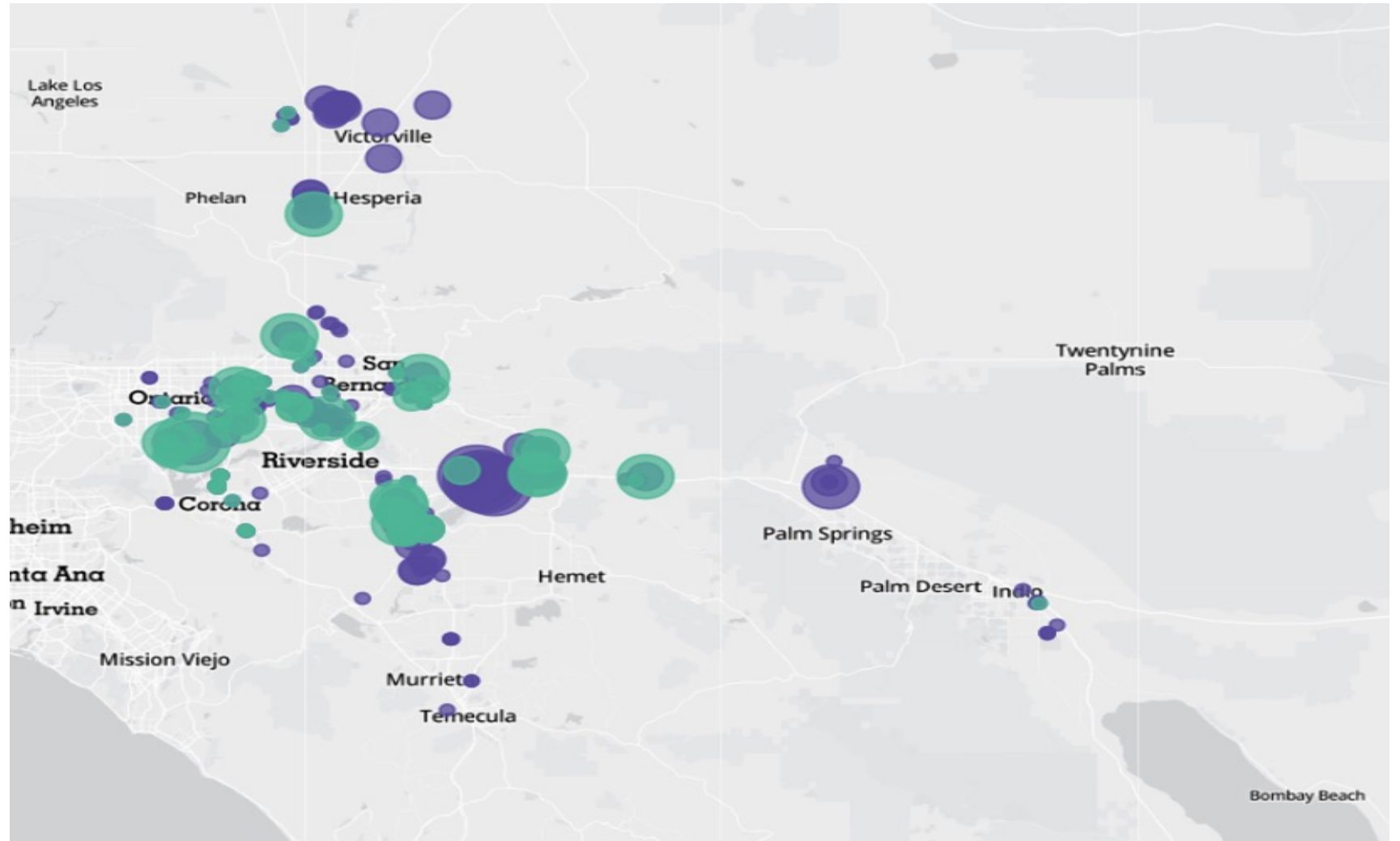
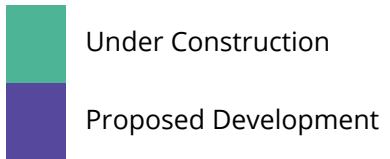
24.8 million sf under construction  
126.0 million sf proposed

## Major developments

1363 Merrill Ave - 1.5 million sf

4704 Walker Ave - 1.4 million sf

3413 Manitou Court - 1.3 million sf



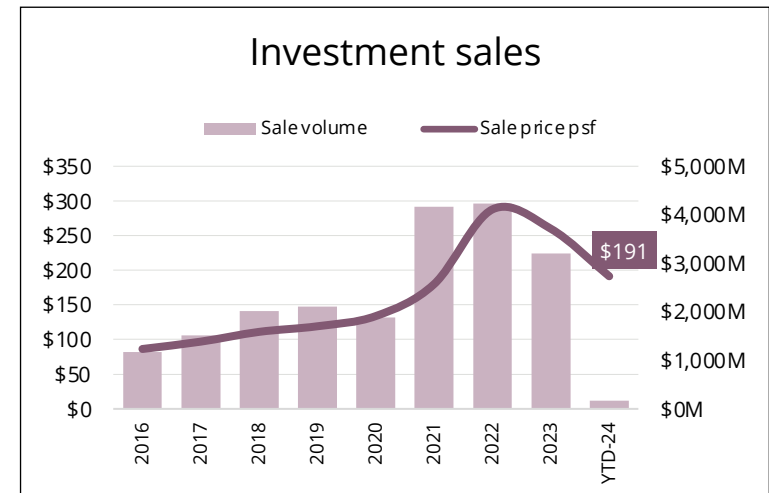
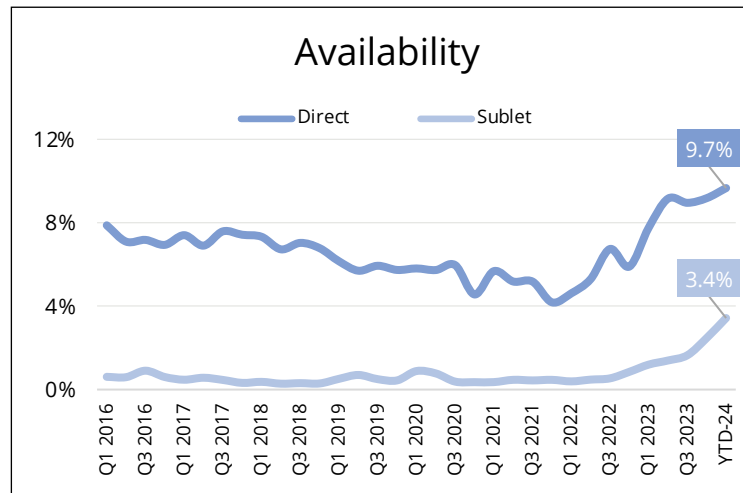
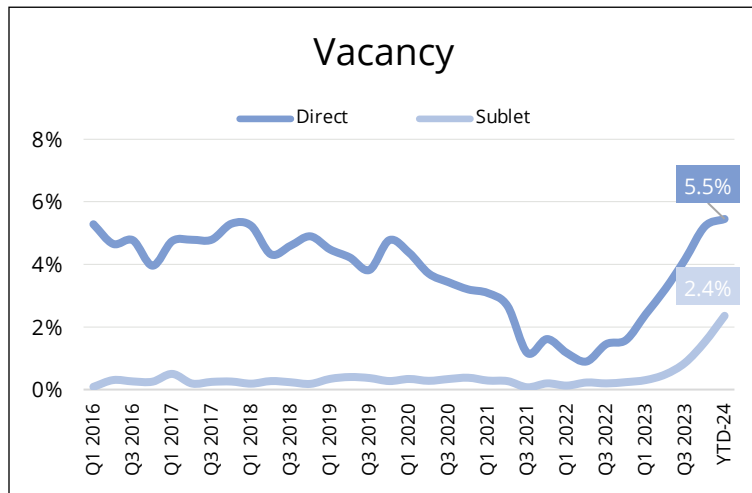
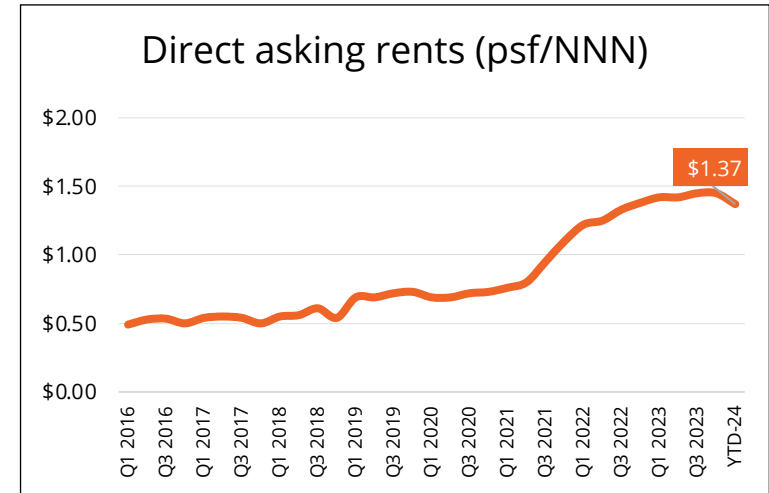
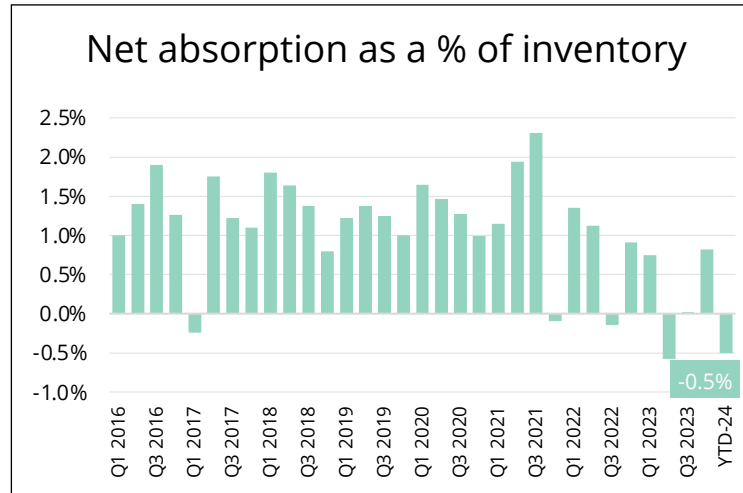
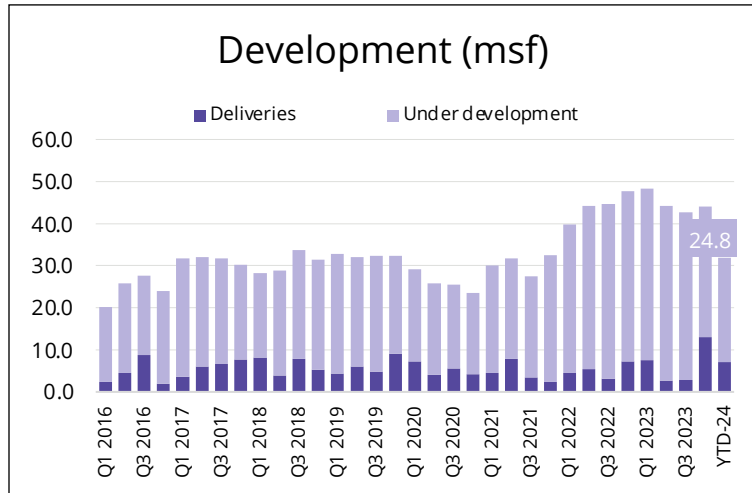
\*Survey consists of industrial buildings greater than 50,000 sf.



# Appendix



# Inland Empire industrial market indicators



\*Survey based on industrial/flex buildings 50K+

# Inland Empire industrial market activity

## Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Confidential	6120 Clinker Dr., Jurupa Valley	IE West	Mar 2024	1,025,132	Direct	New
Elogistek	11281 Citrus Ave., Fontana	IE West	Feb 2024	1,003,592	Direct	New
SharkNinja	16300 Fern Ave., Chino	IE West	Jan 2024	779,052	Direct	Renewal

## Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
TMG MV Real Estate Investments	17500 N Perris Blvd., Moreno Valley	Jan 2024	692,600	\$111,690,000	\$161	Walgreens
Pecan Ave, LLC	8545 Pecan Ave., Rancho Cucamonga	Feb 2024	98,685	\$33,750,500	\$342	Xebec
WPT Capital Advisors	6450 Sycamore Canyon Blvd., Riverside	Jan 2024	71,700	\$16,600,000	\$231	RJ Property Management & Development

## Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
1363 Merrill Ave., Ontario	IE West	Jun 2024	1,488,000	0%	Prologis
4704 Walker Ave., Ontario	IE West	Apr 2024	1,411,000	0%	Prologis
3413 Manitou Court, Jurupa Valley	IE West	Apr 2024	1,379,287	100%	Blackstone

# Inland Empire industrial market stats

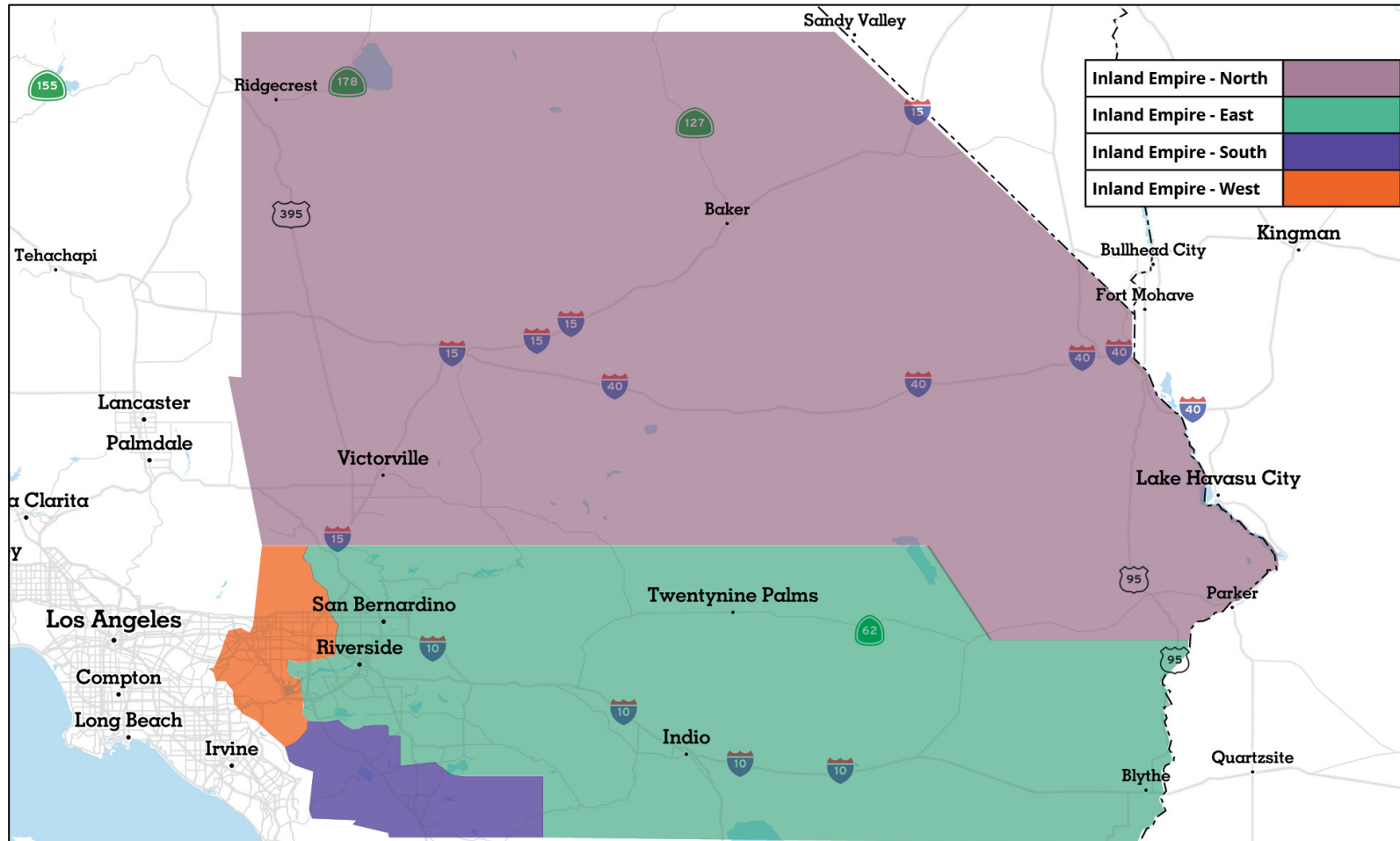
	Existing inventory sf	Deliveries sf	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf	Direct asking rent psf NNN
IE West	314,588,619	4,119,319	12,975,646	5.6%	1.9%	7.5%	(135,450)	\$1.50
IE East	247,107,883	2,959,856	11,255,871	5.3%	2.9%	8.2%	(2,722,931)	\$1.32
IE North	20,226,399	0	563,312	4.2%	2.5%	6.7%	(124,195)	\$1.15
IE South	9,759,922	0	0	6.4%	1.2%	7.6%	40,034	\$1.10
<b>Market total</b>	<b>591,682,823</b>	<b>7,079,175</b>	<b>24,794,829</b>	<b>5.5%</b>	<b>2.4%</b>	<b>7.9%</b>	<b>(2,942,542)</b>	<b>\$1.37</b>

	Existing inventory sf	Deliveries sf	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf	Direct asking rent psf NNN
Class A	313,296,105	5,864,771	21,858,882	6.7%	2.5%	9.2%	(408,440)	\$1.50
Class B	243,090,599	1,214,404	2,935,947	4.0%	2.3%	6.3%	(2,281,649)	\$1.41
Class C	35,296,119	0	0	4.1%	1.3%	5.4%	(252,453)	\$1.30
<b>Market total</b>	<b>591,682,823</b>	<b>7,079,175</b>	<b>24,794,829</b>	<b>5.5%</b>	<b>2.4%</b>	<b>7.9%</b>	<b>(2,942,542)</b>	<b>\$1.37</b>

\*Survey based on industrial/flex buildings 50K+



# Inland Empire submarket map



# 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 information visit **avisonyoung.com**

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