

Adverse market conditions have ultimately caught up to the Inland Empire Industrial Market. In just one quarter, availability is up 15%, vacancy jumped 24%, and Q3 had nearly half as many big-box (over 100,000 square feet) lease transactions then last quarter. Despite inevitable market corrections, the I.E. industrial sector seeks to sustain the incredible growth experienced the past few years from the increase in e-commerce activity and greater logistics requirements, factors that will most likely linger.

Development in the I.E. is reaching its apex. With an entire quarter to go, developers have already completed more construction in the Inland Empire year-to-date than at the end of both 2021 and 2022. As supply is stacking up, the amount of industrial square footage under construction has begun to slow from the Q1 peak.

All of this quarter's completed constructions over 200,000 square feet have been pre-leased, which is the sole reason for the positive net absorption seen in Q3. While these move-ins are still substantial, most of the transactions occurred in previous quarters. Overall activity is also declining as the year progresses. Gross activity is down 43% year-over-year, as newly-delivered industrial product adds to the growing pool of availability, which has reached the highest rate seen in 11 years.

Subleases continue to dominate and rapidly increase in quantity and size month by month. Four of the largest deals in Q3 were subleases. Sublease space now accounts for over 16% of all availability in the Inland Empire, compared to just 5.46% in Q3 of last year. More square footage was subleased in the East this past quarter than leased directly or renewed.

Pricing has begun to soften in the industrial market, largely due to the increase in availability and shift in dynamics between Landlords and Tenants. Contributing factors also include a substantial boost in sublease space and their corresponding discounted rates, as well as the return of published asking pricing. During the height of the market, rates were accelerating at a pace in which maintaining an official asking rate would disrupt the possibility to achieve full market rental value. Now as supply is increasing and competition between Tenants is subsiding, published asking rates are returning. While overall pricing is trending downward, lease rates nevertheless remain at a historical high.

Triple-net lease rates for big-box space are up on average 85% from two years ago and up an astonishing 141% from three years ago.

While growth at that speed is rare, deals are still being executed at these elevated rates, sustaining the incredible rental growth experienced post-pandemic.

IE MARKET SNAPSHOT

BASE INVENTORY 674,662,719 SF

AVAILABILITY RATE 10.05%

VACANCY RATE 3.44%

2023 YTD NET ABSORPTION 2,391,806 SF

2023 YTD GROSS ACTIVITY 44,070,560 SF

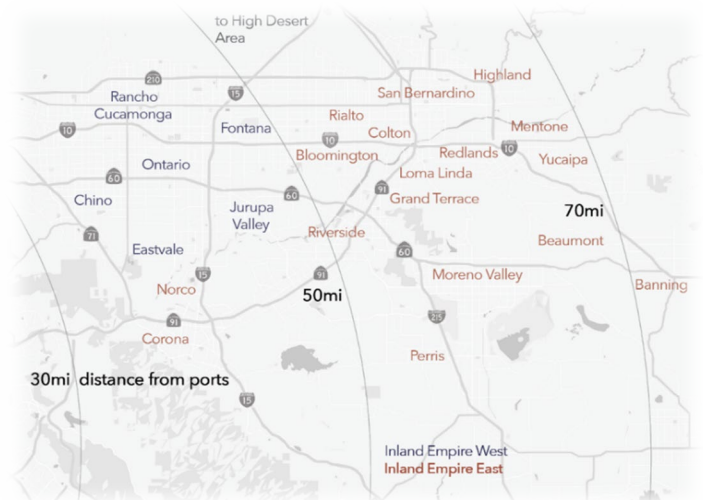
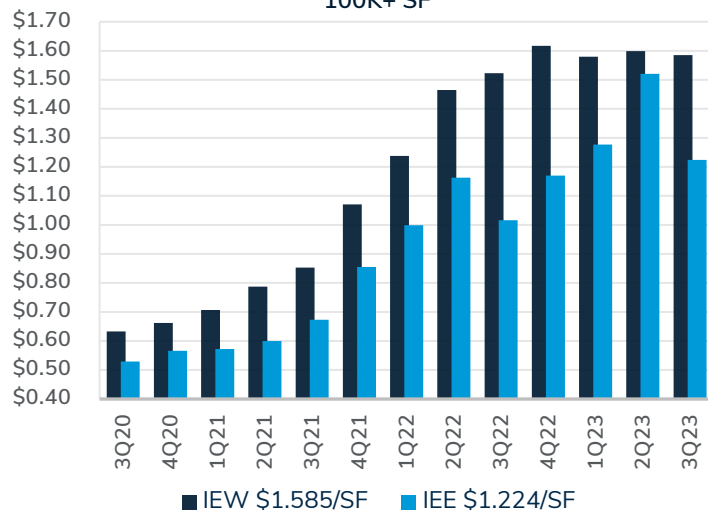
2023 YTD COMPLETED CONSTRUCTIONS 20,139,728 SF

UNDER CONSTRUCTION 29,096,718 SF

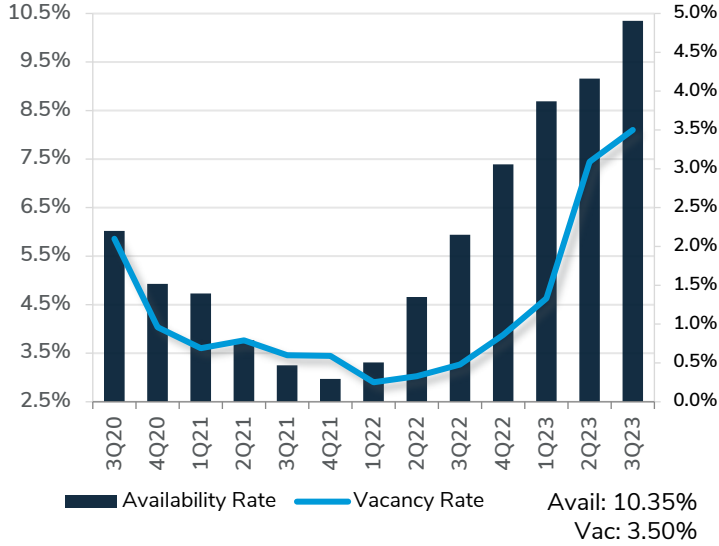
AVG NNN LEASE RATE (100K+) \$1.585/SF (West)
\$1.224/SF (East)

ACTUAL NNN LEASE RATE PRICE PER SF

100K+ SF



IE WEST AVAILABILITY & VACANCY



AVAILABILITY: All space being marketed (existing & U/C)

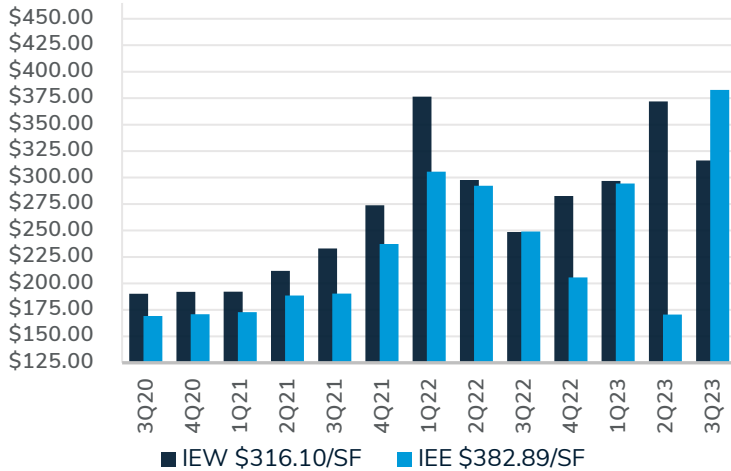
VACANCY: Unoccupied space (not including U/C or planned)

*INCLUDES ALL CLASSES OF BUILDINGS

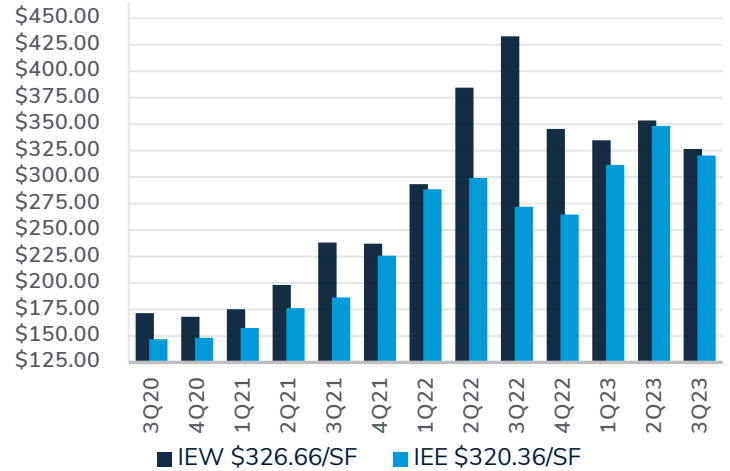
IE EAST AVAILABILITY & VACANCY



USER SALES PRICE PER SF

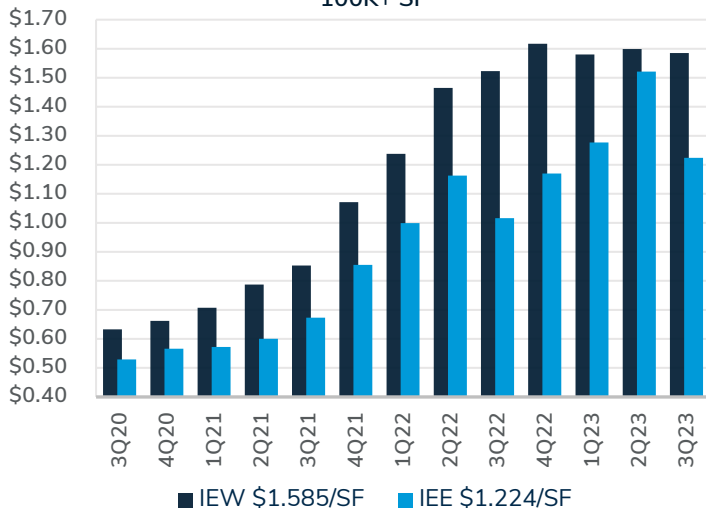


INVESTMENT SALES PRICE PER SF



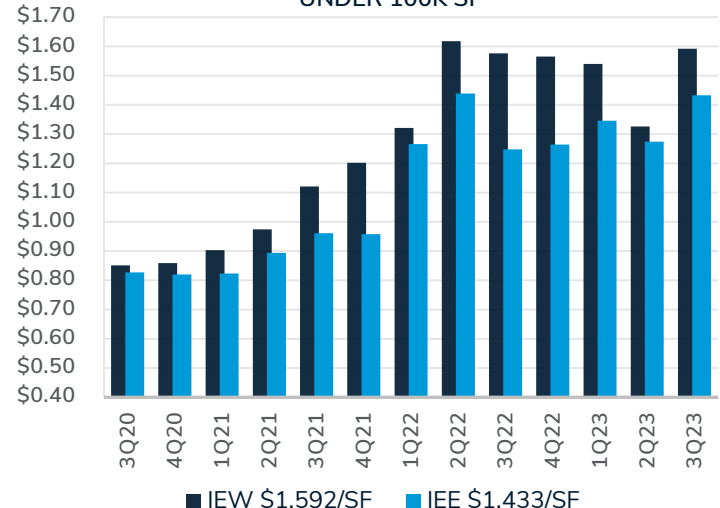
ACTUAL NNN LEASE RATE PRICE PER SF

100K+ SF

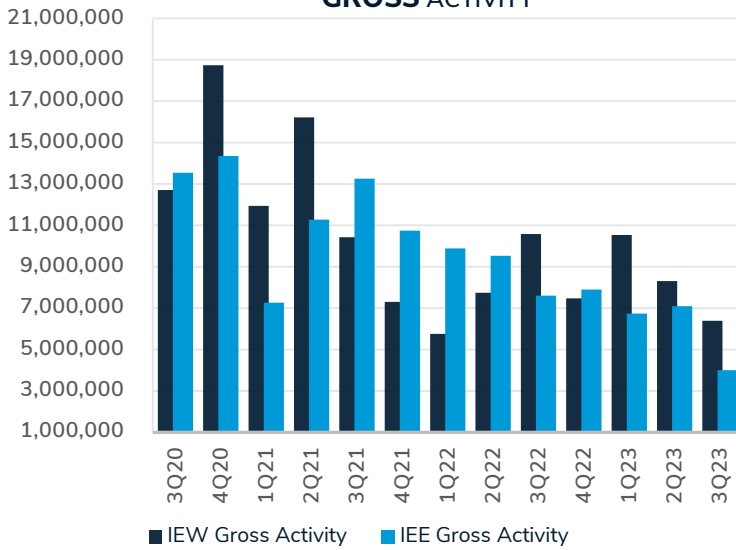


ACTUAL GROSS LEASE RATE PRICE PER SF

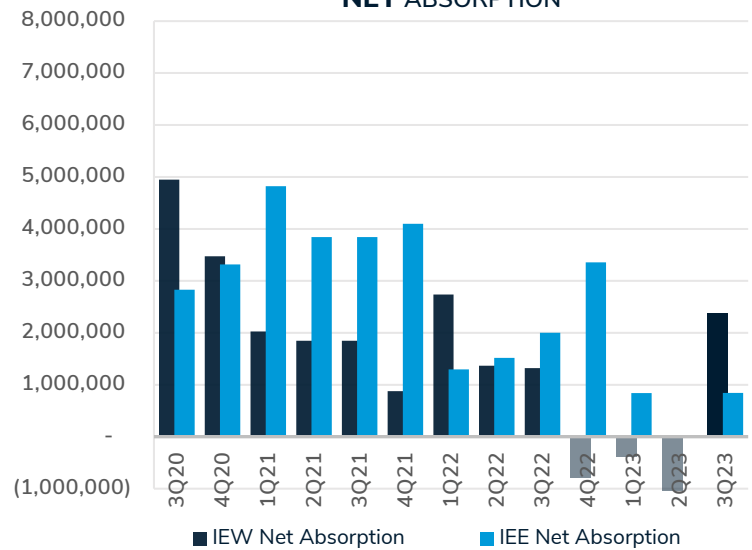
UNDER 100K SF



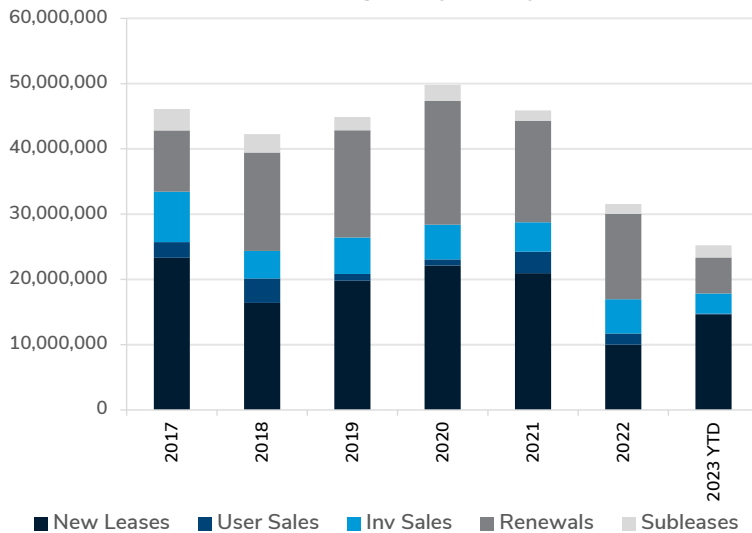
GROSS ACTIVITY



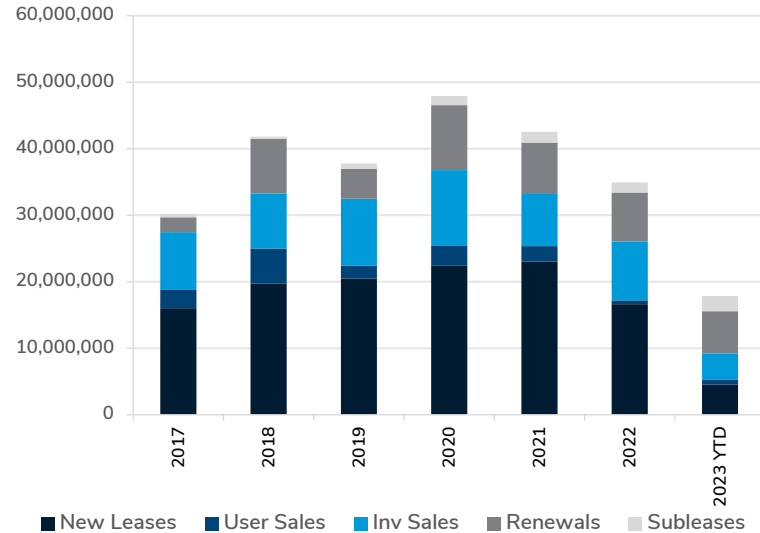
NET ABSORPTION



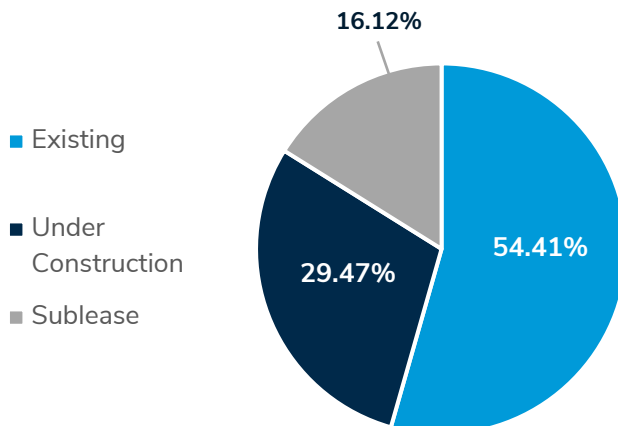
IE WEST - TOTAL ACTIVITY



IE EAST - TOTAL ACTIVITY



3Q23 Lease Availability BREAKDOWN



TOTAL ACTIVITY

Transaction Type	IEW	IEE	TOTAL
New Leases	3,968,664	726,217	4,694,881
Renewals	1,343,026	573,684	1,916,710
Subleases	751,857	1,051,921	1,803,778
User Sales	26,131	206,533	232,664
Investment Sales	301,709	1,446,274	1,747,983
3Q23 Total	6,391,387	4,004,629	10,396,016
2Q23 Total	8,306,068	7,093,856	15,399,924
1Q23 Total	10,532,133	6,742,487	17,274,620

LEASED PROPERTY	LESSOR	LESSEE	SIZE	DEAL TYPE
12415 6th St, Rancho Cucamonga	Bridge Development	Ceva Logistics, Inc.	745,595	New
1420 N. Tamarind, Rialto	Keeco, LLC	US ELogistics	677,224	Sublease
11618 Mulberry Ave, Fontana	United Facilities, Inc.	Armstrong Logistics	633,953	New
2185 Lugonia Ave, Redlands	Nuveen Real Estate	Ashley Furniture	500,602	Renewal
14725 & 14875 Monte Vista Ave, Chino	Majestic Realty Company	Schneider Electric	420,000	Renewal
13032 Slover Ave, Fontana	Alere Property Group, LLC	Niagara Bottling	303,857	New
6911 Bickmore Ave, Chino	Watson Land Company	Huffy Corporation	265,267	New
290 Markham St, Perris	TechStyle, Inc.	Uniqlo	247,384	Sublease
2521 E. Francis St, Ontario	Vic-Vin Enterprises	The Merchants of Tennis, Inc	200,036	New
11500 Philadelphia Ave, Jurupa Valley	L & B Realty Advisors	Mitsubishi Electric	180,632	Renewal
10404 6th St, Rancho Cucamonga	Bixby Land Company	GITI Tire	177,550	Renewal
15559 Flight Ave, Chino	JP Morgan, Sares Regis Group	1st Mars Logistics Inc.	173,776	New
16796 Boyle Ave, Fontana	Transwestern Development Company	ADC / Horizon Brands	172,219	New
9774 Calabash Ave, Fontana	OnTrac	Paramount Can Company, Inc.	167,472	Sublease
1400 Marlborough Ave, Riverside	Realterm US, Inc.	Freight Masters USA, a California Corporation	153,726	New
3645 Philadelphia St, Ontario	ProLogis	Hill's Pet Nutrition	113,398	Renewal
1551 S Lilac Ave, Rialto	Landex Corporation LLC	MyDepot Inc and Red Fox USA Inc	105,000	New
10846 Commerce Way, Fontana	Nogin Commerce, Inc.	JEDD 3PL, LLC	102,100	Sublease

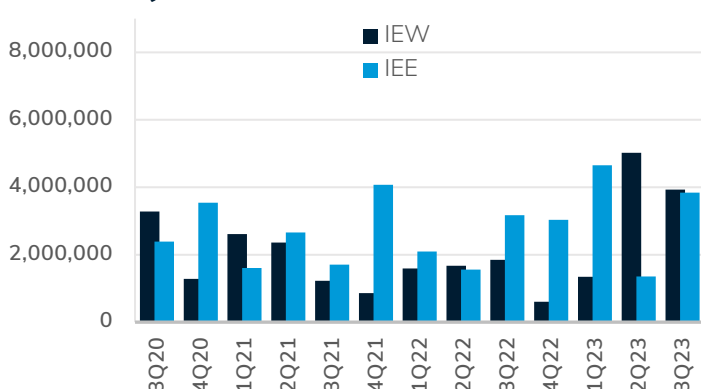
SOLD PROPERTY	BUYER	SELLER	SIZE	DEAL TYPE
1600 Agua Mansa Rd, Colton	Ponte Gadea USA	LBA RV-Company	340,804	Investment
21500 Harvill Ave, Perris	MDH Partners LLC	Blumenfeld Development	333,572	Investment
3255 Cactus Ave, Rialto	Prologis	Blackstone Group	311,363	Investment
24712 6th St, San Bernardino	Exeter Property Group	Starpoint Properties	179,000	Investment
17618 Harvill Ave, Riverside	MDH Partners LLC	TA Realty	147,354	Investment

2023 3rd QUARTER 100K+ CONSTRUCTION COMPLETIONS

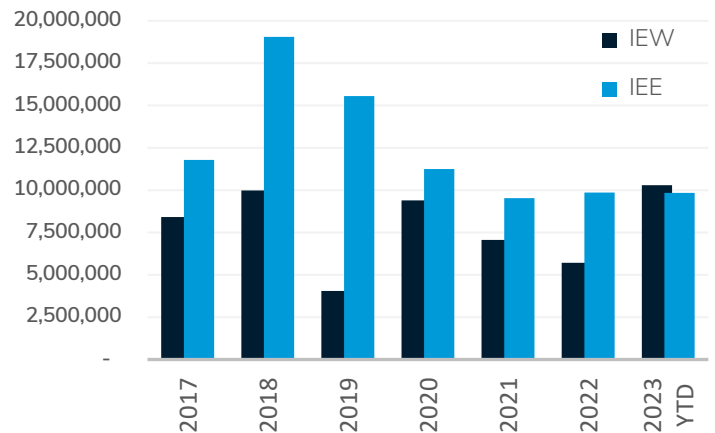
PROPERTY	SIZE	DEVELOPER
23000 Van Buren Blvd, Riverside (Leased)	1,800,000	Hillwood Development
5400 El Rivino Rd, Jurupa Valley (Leased)	1,186,950	CT / PGIM Real Estate
4900 Sultana Ave, Ontario (Leased)	1,099,629	REDA / Clarion Partners
2615 E 3rd St, San Bernardino (Leased)	1,080,144	TrammelCrow
12415 6th St, Rancho Cucamonga (Leased)	745,595	Bridge Development
22773 Oleander Ave, Perris (Leased)	406,496	Majestic Realty
18740 Harvill Ave, Perris (Leased)	373,368	Majestic Realty
16255 Slover Ave, Fontana	194,595	Prologis
16171 Slover Ave, Fontana	193,077	Prologis
24712 6th Street, San Bernardino	179,000	Starpoint (Sold to Exeter)
1945 S Grove St, Ontario	117,380	EBS / Penwood (Sold to GLP)
6260 Mango Ave, Fontana	113,390	Magellan Value Partners
717 W. State Street, Ontario	106,212	Comstock Realty

TOTAL 7,596,376

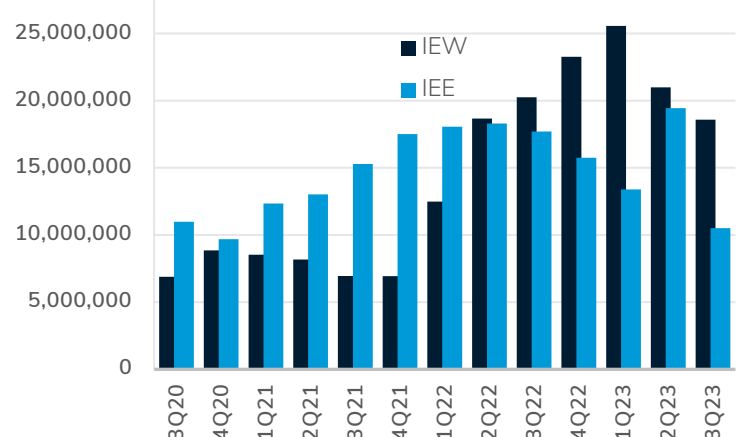
QUARTERLY CONSTRUCTION COMPLETIONS



CONSTRUCTION COMPLETIONS – BY YEAR



UNDER CONSTRUCTION



Inland Empire WEST - 5,000 SF and Greater

CITY	BASE	SF AVAILABLE	AVAILABILITY RATE	SF VACANT	VACANCY RATE	3Q NET ABSORPTION	3Q CONSTRUCTION COMPLETIONS	UNDER CONSTRUCTION
Chino	57,662,490	3,872,851	6.72%	1,483,344	2.57%	23,791	28,511	819,425
Eastvale	13,691,277	358,417	2.62%	269,917	1.97%	48,315	60,025	0
Fontana	76,312,304	10,649,771	13.96%	5,321,980	6.97%	703,983	584,742	3,911,231
Jurupa Valley	35,121,430	4,613,180	13.13%	1,225,939	3.49%	181,141	1,186,950	3,862,742
Ontario	134,794,750	14,479,274	10.74%	3,356,718	2.49%	729,218	1,323,221	7,726,659
Rancho Cucamonga	44,247,295	3,491,606	7.89%	1,012,325	2.29%	686,162	745,595	2,267,196
TOTAL	361,829,546	37,465,099	10.35%	12,670,223	3.50%	2,372,610	3,929,044	18,587,253

Inland Empire EAST - 5,000 SF and Greater

CITY	BASE	SF AVAILABLE	AVAILABILITY RATE	SF VACANT	VACANCY RATE	3Q NET ABSORPTION	3Q CONSTRUCTION COMPLETIONS	UNDER CONSTRUCTION
Banning / Beaumont	8,555,169	547,717	6.40%	44,000	0.51%	6,920	0	1,777,708
Bloomington	3,425,634	86,008	2.51%	86,008	2.51%	0	0	0
Colton	10,499,374	852,214	8.12%	315,034	3.00%	(120,801)	0	0
Corona / Norco	37,835,377	3,698,250	9.77%	2,800,669	7.40%	(668,506)	0	203,823
Grand Terrace	468,436	8,000	1.71%	0	0.00%	0	0	8,000
Highland/Mentone/Yucaipa	1,975,308	860,792	43.58%	50,000	2.53%	0	0	668,611
Moreno Valley	33,138,152	1,145,757	3.46%	852,520	2.57%	0	0	288,162
Perris	40,469,957	5,973,988	14.76%	920,031	2.27%	713,836	779,864	3,721,136
Redlands / Loma Linda	32,350,139	4,644,637	14.36%	1,070,779	3.31%	(556,495)	0	499,545
Rialto	37,524,217	3,754,596	10.01%	1,272,591	3.39%	(609,888)	0	1,072,822
Riverside	60,694,620	3,584,238	5.91%	1,505,236	2.48%	1,853,295	1,800,000	1,080,514
San Bernardino	45,784,117	5,186,316	11.33%	1,637,383	3.58%	224,265	1,259,144	1,189,144
TOTAL	312,720,500	30,342,513	9.70%	10,554,251	3.37%	842,626	3,839,008	10,509,465

Inland Empire WEST - 100,000 SF and Greater

CITY	BASE	SF AVAILABLE	AVAILABILITY RATE	SF VACANT	VACANCY RATE	3Q NET ABSORPTION	3Q CONSTRUCTION COMPLETIONS	UNDER CONSTRUCTION
Chino	40,326,117	2,534,248	6.28%	949,043	2.35%	0	0	515,402
Eastvale	11,682,612	197,892	1.69%	197,892	1.69%	0	0	0
Fontana	63,013,867	9,355,107	14.85%	4,747,779	7.53%	845,416	501,602	3,691,754
Jurupa Valley	30,088,752	3,883,190	12.91%	1,025,132	3.41%	0	1,186,950	3,662,809
Ontario	101,195,177	10,978,733	10.85%	1,773,661	1.75%	1,062,294	1,323,221	7,010,050
Rancho Cucamonga	27,708,709	2,123,698	7.66%	386,969	1.40%	745,595	745,595	2,078,157
TOTAL	274,015,234	29,072,868	10.61%	9,080,476	3.31%	2,653,305	3,757,368	16,958,172

Inland Empire EAST - 100,000 SF and Greater

CITY	BASE	SF AVAILABLE	AVAILABILITY RATE	SF VACANT	VACANCY RATE	3Q NET ABSORPTION	3Q CONSTRUCTION COMPLETIONS	UNDER CONSTRUCTION
Banning / Beaumont	7,531,580	458,704	6.09%	0	0.00%	0	0	1,777,708
Bloomington	2,780,172	0	0.00%	0	0.00%	0	0	0
Colton	6,709,646	762,154	11.36%	305,034	4.55%	(125,801)	0	0
Corona / Norco	15,265,032	1,899,017	12.44%	1,453,949	9.52%	(193,268)	0	132,408
Grand Terrace	210,560	0	0.00%	0	0.00%	0	0	0
Highland/Mentone/Yucaipa	1,665,259	668,611	40.15%	0	0.00%	0	0	668,611
Moreno Valley	31,267,845	633,020	2.02%	633,020	2.02%	0	0	0
Perris	37,179,343	5,260,764	14.15%	804,803	2.16%	779,864	779,864	3,351,526
Redlands / Loma Linda	28,022,350	4,007,770	14.30%	748,031	2.67%	(490,376)	0	460,805
Rialto	32,545,993	2,939,413	9.03%	920,144	2.83%	(609,888)	0	802,764
Riverside	38,668,208	2,346,408	6.07%	1,225,286	3.17%	1,923,389	1,800,000	597,514
San Bernardino	35,987,185	4,458,345	12.39%	1,354,758	3.76%	203,433	1,259,144	1,070,712
TOTAL	237,833,173	23,434,206	9.85%	7,445,025	3.13%	1,487,353	3,839,008	8,862,048

Inland Empire - 500,000 SF and Greater

CITY	BASE	SF AVAILABLE	AVAILABILITY RATE	SF VACANT	VACANCY RATE	3Q NET ABSORPTION	3Q CONSTRUCTION COMPLETIONS	UNDER CONSTRUCTION
Inland Empire West	109,732,391	10,095,346	9.20%	2,606,629	2.38%	1,429,137	3,032,174	11,226,413
Inland Empire East	136,178,740	7,672,801	5.63%	2,762,594	2.03%	1,425,945	2,880,144	2,325,727
TOTAL	245,911,131	17,768,147	7.23%	5,369,223	2.18%	2,855,082	5,912,318	13,552,140



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