

MARKET OVERVIEW

The Inland Empire's industrial market started 2024 by slowing construction momentum. Approximately 7.4 million square feet of completed construction in the first quarter were added to the market, marking a 45.4% decrease from the previous quarter, which saw the largest amount delivered in a single quarter for the Inland Empire. Over the past two years, the region has added approximately 55.3 million square feet of completed construction to the market, while absorption has resulted in a positive 11.8 million square feet during the same timeframe, indicating an imbalance in the supply-demand trajectory.

Moreover, space under construction decreased by 19.8% compared to last quarter, representing a 35.1% drop from the prior year at 26.3 million square feet. Developers, who previously raced to meet the demand for warehouse space spurred by e-commerce, have now hit the brakes on development. The once double-digit rent growth, which was the primary driver in the push for new construction, has indicated that the average asking rent in Q1 dropped by 4.2% from the previous quarter to \$1.36/SF triple net, still holding on to an 8.8% increase from Q4 2023. Slowing demand has impacted leasing volume, which, while up 6.0% quarter over quarter, is down 25.5% year over year at 10.3 million square feet.

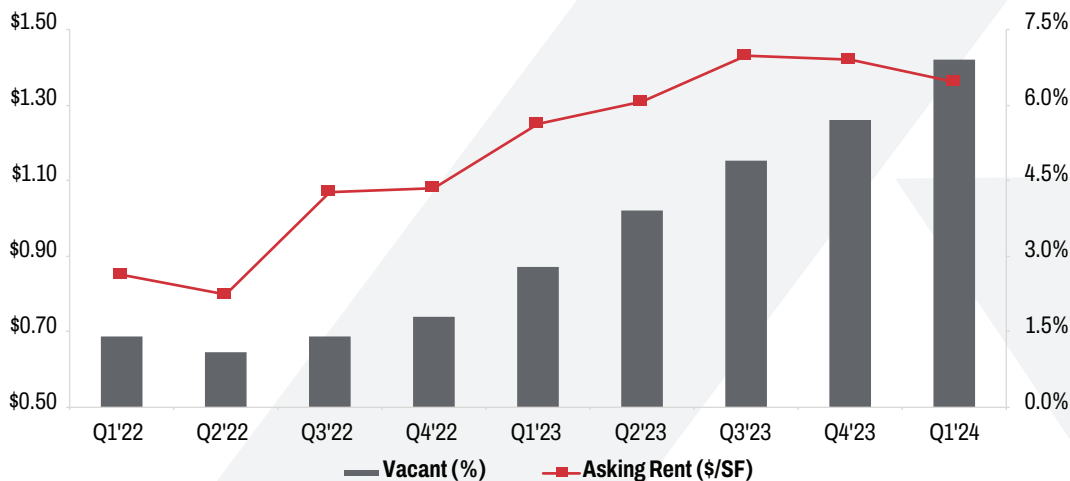
On the sales side, volume on a square foot basis declined by 64.3% from last year, marking the weakest start to the new year for building sales since Q1 2009 during the Great Recession.

TRENDS TO WATCH

The abundance of industrial space remains a concern for landlords while offering leverage to tenants in negotiating favorable deals. However, the surge in options for e-commerce warehousing is driving the market as companies pursue flexible solutions to meet evolving demands. Companies actively reducing excess warehouse space have led to a significant increase in available sublease space, up by 28.2% since the end of 2023 and a staggering 176% higher than Q1 2023, totaling over 20.2 million square feet—a new all-time high. In the Inland Empire, available sublease space is now four times greater than Q1 2009 during the Great Recession, providing ample options for companies with warehousing needs as port cargo remains positive.

Inbound TEU cargo volumes—a key driver of warehouse space demand in Southern California—have increased by 32% year-to-date as of February 2024, according to the latest figures from the Ports of Los Angeles and Long Beach. While growth rates are expected to slow, elevated prices and interest rates will impact industrial building sales, with well-located, quality space still commanding a premium. In the West submarket neighboring Los Angeles County, along the Ports transportation corridor, the average sale price per square foot increased by 12.9% year over year. In contrast, the East saw a 43.6% drop in the average sale price per square foot, indicating volatility. The combination of elevated interest rates and slowing demand will continue to stabilize pricing in the first half of the year as opportunities arise in the marketplace.

VACANCY RATE AND AVERAGE ASKING RENT



MARKET OUTLOOK

**Asking
Rental Rates**



**Sale
Prices**



**Availability
Vacancy Rates**



**Landlord
Concessions**



**Leasing/Sales
Volume**



**New
Construction**



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Inland Empire

Industrial Market Outlook Q1 2024

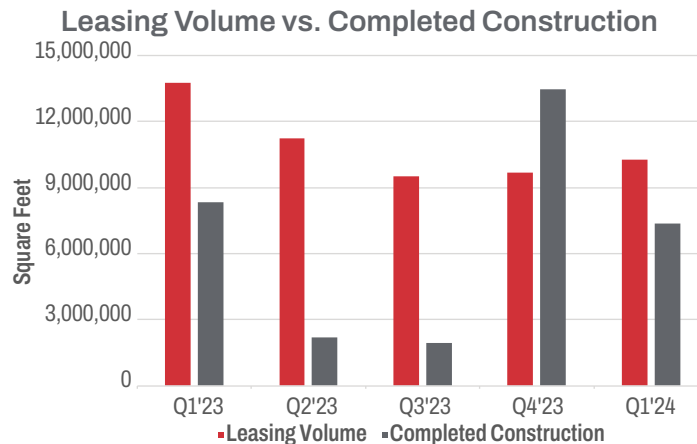
MARKET STATISTICS*

Submarket	Existing Total RBA (SF)	Under Construction (SF)	Total Available (%)	Total Vacancy (%)	Leasing Volume (SF)	YTD Leasing Volume (SF)	Sales Volume (SF)	YTD Sales Volume (SF)	Average Asking Rent (\$/SF NNN)	Average Sale Price (\$/SF)
East	312,950,807	10,848,175	12.2%	7.2%	5,150,173	5,150,173	1,094,050	1,094,050	\$1.12	\$194
High Desert	29,640,649	573,312	6.8%	6.2%	79,641	79,641	29,830	29,830	\$1.22	\$113
South	22,818,602	758,413	9.5%	5.0%	254,214	254,214	37,056	37,056	\$1.20	\$274
West	358,204,525	14,147,249	12.9%	6.7%	4,785,889	4,785,889	387,841	387,841	\$1.47	\$348
Inland Empire	723,614,583	26,327,149	12.2%	6.9%	10,269,917	10,269,917	1,548,777	1,548,777	\$1.36	\$233

*RBA includes industrial buildings of all sizes. Rents reflect buildings of 10,000 square feet or greater.

LEASING TRENDS

In 2023, leasing volume trended downward through the third quarter of the year. In 2024, leasing volume increased by 6.0% from the fourth quarter of 2023, marking two consecutive quarters of increases. Completed construction in Q1 2024 decreased by 45.4% from the previous quarter's all-time high of 13.4M square feet completed in a single quarter.



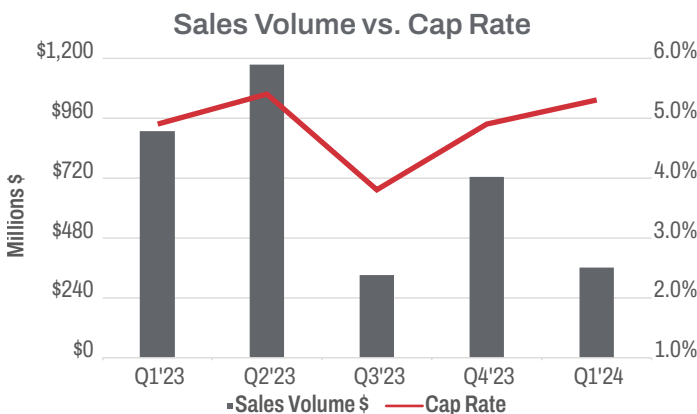
Select Lease Transactions

Address	City	Submarket	Square Feet
6120 Clinker Dr	Jurupa Valley	East	1,025,132
17500 N Perris Blvd*	Moreno Valley	East	692,600
11281 Citrus Ave Elogistek	Fontana	West	501,796
11281 Citrus Ave eFulfill	Fontana	West	501,796
12249 Holly St	Colton	East	457,120

*Sale Leaseback

SALES TRENDS

Over the last five quarters, sales volume has ebbed and flowed, closing lower in the first quarter of 2024, losing momentum. In the first quarter of 2024, quarter-over-quarter sales volume nearly hit \$360 million, reflecting a 50.3% decrease from the previous quarter. Simultaneously, the average cap rate increased by 40 basis points from the prior quarter and from the first quarter of 2023, reaching 5.3%



Select Sales Transactions

Address	City	Submarket	Square Feet
17500 N Perris Blvd*	Moreno Valley	East	692,600
8545 Pecan Ave	Rancho Cucamonga	West	157,146
6450 Sycamore Canyon Blvd	Riverside	East	71,700
4695 N Hallmark Pky	San Bernardino	East	51,886
1141 California Ave	Corona	West	49,861

*Sale Leaseback