MARKETBEAT

INLAND EMPIRE

INDUSTRIAL Q2 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
7.9% Vacancy Rate	▲	▲
1.6M YTD Net Absorption, SF	▼	▼
$1.14 Asking Rent, PSF *(Overall, Net Asking Rent)*	▼	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.7M Inland Empire Employment	▲	▲
5.3% Inland Empire Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

Between May 2024 and May 2025, total nonfarm employment in the Inland Empire (IE) increased by 9,400 jobs, a 0.6% year-over-year (YOY) gain. Gains were led by the trade, transportation and utilities sector, which expanded 2,200 positions (+0.5%), reflecting the region's continued role as a logistics hub. However, this growth was partially offset by notable reductions in manufacturing and construction contracting by 3,000 (-3.1%) and 6,200 (-5.3%) jobs, respectively, signaling a slowdown in industrial production and development. The unemployment rate edged up to 4.8%, compared to 4.5% a year ago, but remains 50 basis points (bps) below the quarterly average of 5.3%.[1]

Meanwhile, the Ports of Los Angeles (4.1 million) and Long Beach (4.0 million), often seen as bellwethers of economic momentum, handled a combined 8.1 million Twenty-Foot Equivalent Units (TEUs) through May 2025, a 10.2% YOY increase and a 19.5% jump from pre-pandemic 2019 levels.[2] This surge was driven by a strong Q1 2025 as importers were frontloading shipments to avoid potential U.S. tariffs. However, the lagging effects of the tariffs due to transit time started to be felt in May as TEU volumes dropped 20.7% from April 2025 and 6.4% from May 2024, the first YOY decrease in TEU volumes over the last 12 months.

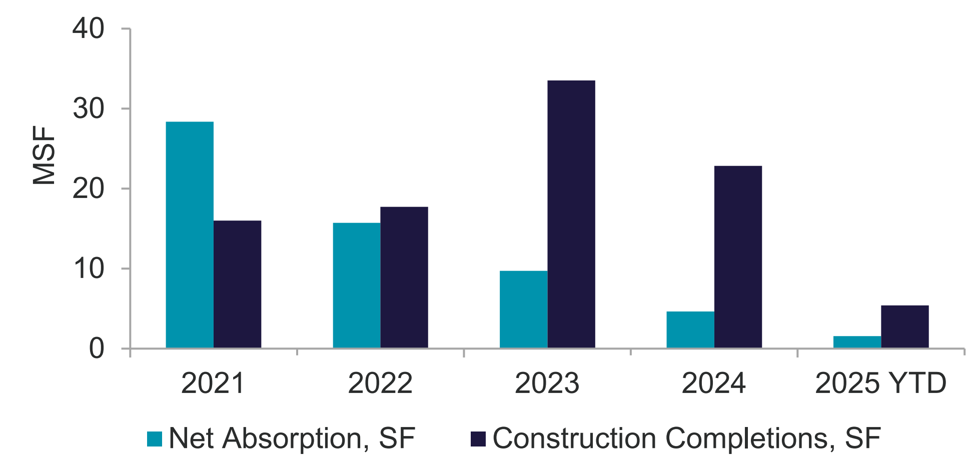
SUPPLY AND DEMAND

The overall vacancy rate rose to 7.9% in Q2 2025, up 70 bps quarter-over-quarter (QOQ). This reversed the modest improvement seen in Q1 and underscored the market's ongoing challenge of excess supply. Net absorption was negative at 1.8 million square feet (msf) in Q2, although gains from Q1 helped maintain a positive year-to-date total of 1.6 msf.

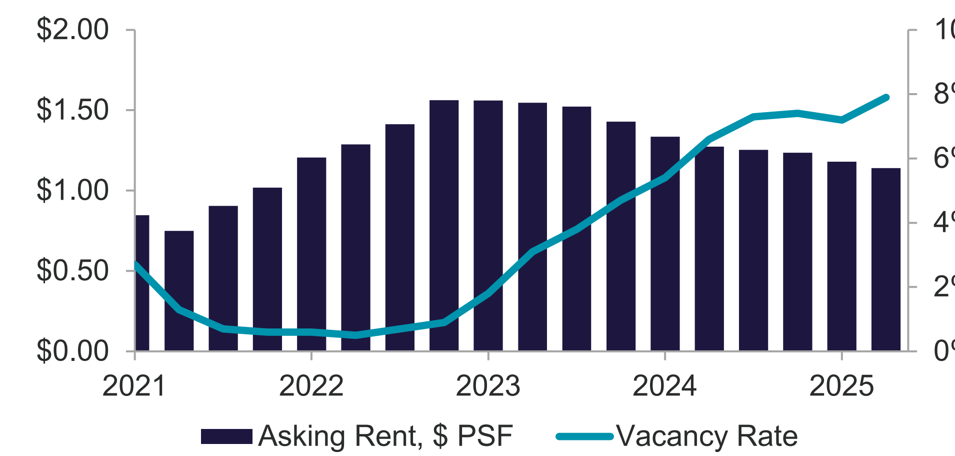
Total availability reached 11.0%, or 71.3 msf - driven largely by a 4.4 msf jump in direct space. Sublease availability also expanded by 601,425 square feet (sf), rising to 15.3 msf and accounting for 21.4% of total available space, further intensifying competition among landlords.

By submarket, the vacancy rate in the Inland Empire East (IEE) rose to 10.5%, an increase of 50 bps QOQ, primarily due to 1.2 msf of newly delivered vacant space.

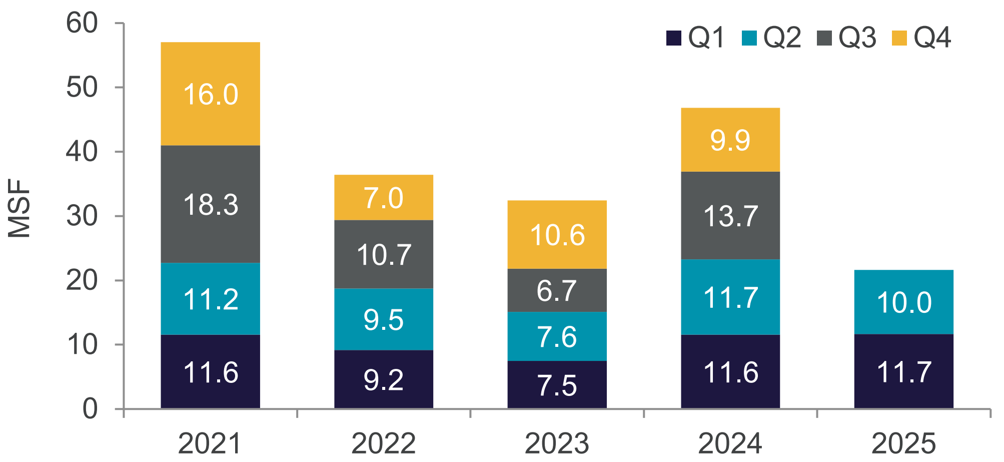
SPACE DEMAND / DELIVERIES



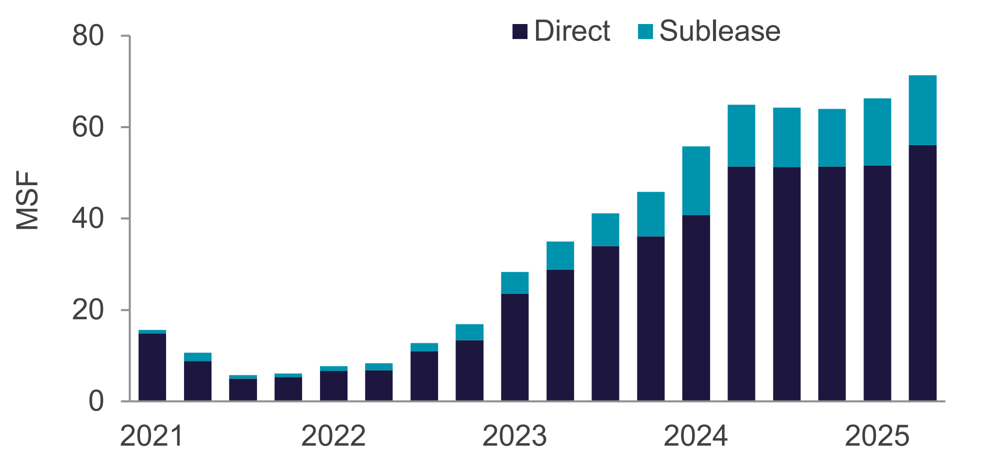
OVERALL VACANCY & ASKING RENT



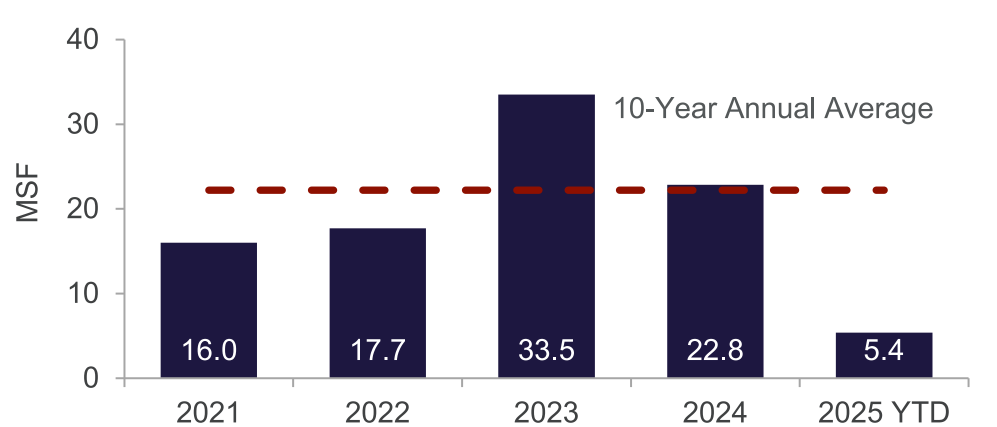
NEW LEASING ACTIVITY



DIRECT VS. SUBLEASE AVAILABLE SPACE



NEW SUPPLY



Despite this, the submarket still recorded 1.6 msf of positive net absorption. In the Inland Empire South (IES), vacancy climbed to 6.4%, up 70 bps, following 89,985 sf of net losses. The Inland Empire West (IEW) registered the largest vacancy increase, rising 100 bps to 6.0%, driven by significant tenant move-outs. However, strong gains in the first quarter, totaling 2.8 msf, helped the submarket maintain a positive net absorption of 265,747 sf at mid-year.

New leasing activity totaled 10.0 msf across 97 deals, down 14.5% QOQ. The IEW remained the most active, capturing 59% of the volume (5.9 msf across 57 deals), followed by IEE (3.7 msf across 26 deals). Still, overall leasing at mid-year (21.6 msf across 225 transactions) was down 7% YOY.

The slowdown in leasing activity reflects a mix of elevated vacancy, economic uncertainty and a widening gap between tenant expectations and landlord pricing. Despite the slowdown, the IE remains one of the most active industrial leasing markets in the U.S.

FUTURE INVENTORY

Deliveries were moderate in Q2, with 3.4 msf delivered across 9 buildings. Meanwhile, the development pipeline continued to shrink, with only 9.1 msf under construction across 36 projects - the lowest volume in nearly four years. Roughly 7.5 msf of that pipeline is expected to deliver by year-end 2025. This ongoing slowdown in new starts is expected to help bring supply and demand back into balance over the next 12 to 18 months, especially as remaining 2024 deliveries are gradually absorbed.

PRICING

Due to elevated vacancies, the IE experienced its ninth consecutive quarter of declining rents. Direct asking rents averaged $1.19 per square foot (psf) per month on a triple net basis, down 2.8% QOQ and 9.5% YOY. Sublease vacancies placed additional downward pressure on pricing, with sublease asking rents averaging $0.86 psf, pulling the overall average down to $1.14 psf. There is also considerable variation in overall asking rents between the IEW and IEE, with the IEW averaging $1.27 psf and the IEE at $1.08. Meanwhile, the IES averages $1.04 psf.

Although rent growth has softened, the market's affordability compared to neighboring regions keeps it competitive and continues to attract tenants within Southern California. While landlords continue to offer concessions and shorter lease terms to attract tenants - particularly for Class B properties - pricing for well-located, modern Class A assets is proving more resilient. In some cases, landlords are choosing to hold out rather than discount, especially where replacement costs remain high.

OUTLOOK

- Vacancy will likely remain elevated through the end of 2025, particularly in the IEE, where a mix of second-generation product and recent deliveries continues to dampen absorption. However, Class A product is beginning to tighten, and the IEW submarket may see stabilization within the next six to nine months as supply tapers and demand rebounds.
- Rental rates will likely continue to decline in the near term, especially for Class B assets, as landlords prioritize occupancy with increased concessions and shorter lease terms. That said, pricing for modern warehouses is expected to hold firm, with some landlords opting to wait out the market rather than discount rents.
- Tenant demand is gradually returning, but decision-making remains cautious, particularly among large users navigating tariff uncertainty and shifting supply chain strategies. Build-to-suit activity is gaining traction as tenants seek customized solutions not readily available in the existing inventory.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD NEW LEASING ACTIVITY (SF)**	CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	AVERAGE ASKING OVERALL RENT (ALL TYPES)*	AVERAGE ASKING OVERALL RENT (W/D)
Inland Empire East	276,512,677	28,970,027	10.5%	829,150	1,386,123	7,868,848	4,223,675	3,003,825	$1.08	$1.08
Inland Empire West	335,164,863	20,015,195	6.0%	-2,540,950	265,747	12,802,600	938,599	6,122,793	$1.27	$1.28
Inland Empire South	35,464,319	2,275,713	6.4%	-110,776	-89,985	968,663	241,414	17,110	$1.04	$1.02
Inland Empire Totals	**647,141,859**	**51,260,935**	**7.9%**	**-1,822,576**	**1,561,885**	**21,640,111**	**5,403,688**	**9,143,728**	**$1.14**	**$1.14**

**Rental rates reflect weighted triple-net asking $psf/month. **Renewals not included in leasing statistics. W/D = Warehouse/Distribution.*

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
8130 Caliente Rd.	Hesperia	Maersk Logistics/Amazon	1,004,400	New Lease
450 E. Rider St.	Perris	GB Real Estate LLC	804,759	New Lease
570 E. Mill St.	San Bernardino	Burlington Coat Factory	758,180	Renewal*
120 Cedar Ave.	Rialto	JELD-WEN, Inc.	715,433	Renewal*
5685 Jurupa St.	Ontario	E.L.F. Cosmetics, Inc.	615,650	Expansion, Renewal*

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q2 2025

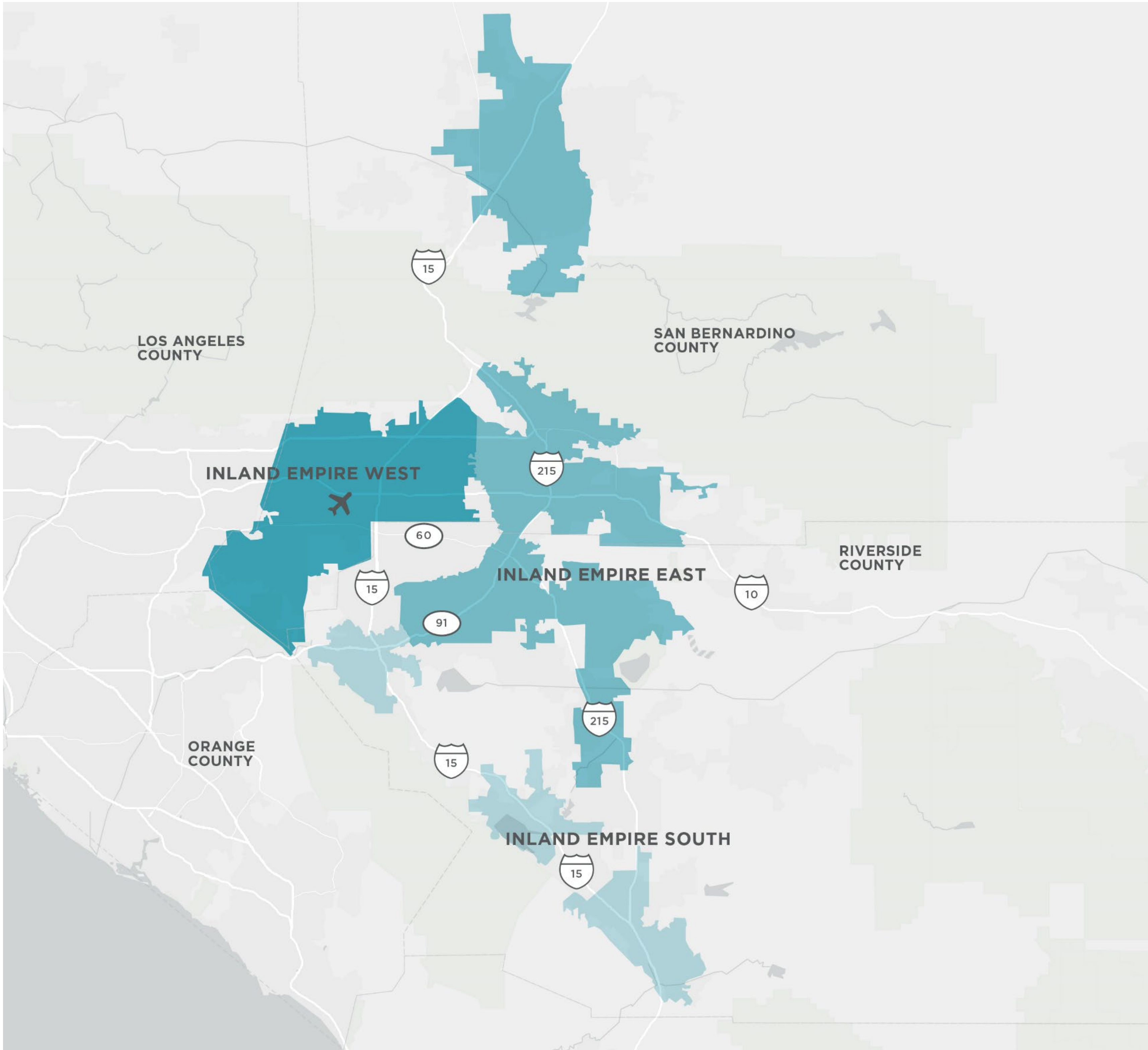
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
21800 Authority Way	Riverside	Nissan North America | Morgan Stanley & Co. LLC	620,000	$132M | $213
1930 S. Rochester Ave.	Ontario	Link Logistics | Faropoint	242,019	$64M | $263
1990 W. Renaissance Pkwy.	Rialto	Link Logistics | DHG Solutional, Inc.	134,446	$38M | $286
2688 W. Baseline Ave.	Rialto	Link Logistics | Winix Global	90,726	$27M | $293
525 Klug Cir.	Corona	TA Realty | Klug Corona LLC	42,400	$8M | $192

KEY CONSTRUCTION COMPLETIONS Q2 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
19100 Gateway Dr.	Victorville	Goodyear	1,296,000	Prologis
3550 S. Mill Creek Ave.	Ontario	N/A	534,234	Brookfield Properties
1304 E. Alessandro Blvd.	Riverside	N/A	400,000	Rockefeller Group
18369 Harvill Ave.	Perris	N/A	347,672	Majestic Realty Co.
19275 Slover Ave.	Rialto	N/A	261,632	Crow Holdings

Sources: [1] www.bls.gov Riverside-San Bernardino-Ontario, CA MSA. [2]The Port of Long Beach and Los Angeles, San Pedro Ports.

INDUSTRIAL SUBMARKETS



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