



# Inland Empire industrial market report

Q3 2024

**AVISON  
YOUNG**

# Inland Empire industrial market trends

## 19.0 msf

### Sublease availabilities trend upward

The anticipated surge in demand for short-term subleases due to the potential strike at East and Gulf ports did not materialize as expected. Instead, the market has seen an increase in sublease space as companies actively reduce their industrial footprints to improve efficiency and cut costs. This trend highlights a shift towards operational optimization, with companies shedding excess space that is no longer aligned with their post-pandemic operational models. This increase in available sublease space which has reached 19.0 msf in the third quarter, reflects broader efforts to manage real estate costs in the face of evolving market conditions.

## \$1.23/SF

### Lease rates continue to cooldown

During the pandemic-driven expansion from 2020 to 2023, the Inland Empire saw a sharp increase in lease rates, driven by high demand for industrial space. As competition for properties intensified, rents surged. However, as demand has softened and occupiers have become more selective with industrial sites, leasing activities have slowed.

This shift has led to a gradual cooling of lease rates, bringing the market back to more sustainable levels. Since Q3 2023, average lease rates have decreased by 21.7% to \$1.23/SF. In response, landlords have offered incentives, such as rent abatements and first-year teaser rates, to attract tenants and stimulate demand.

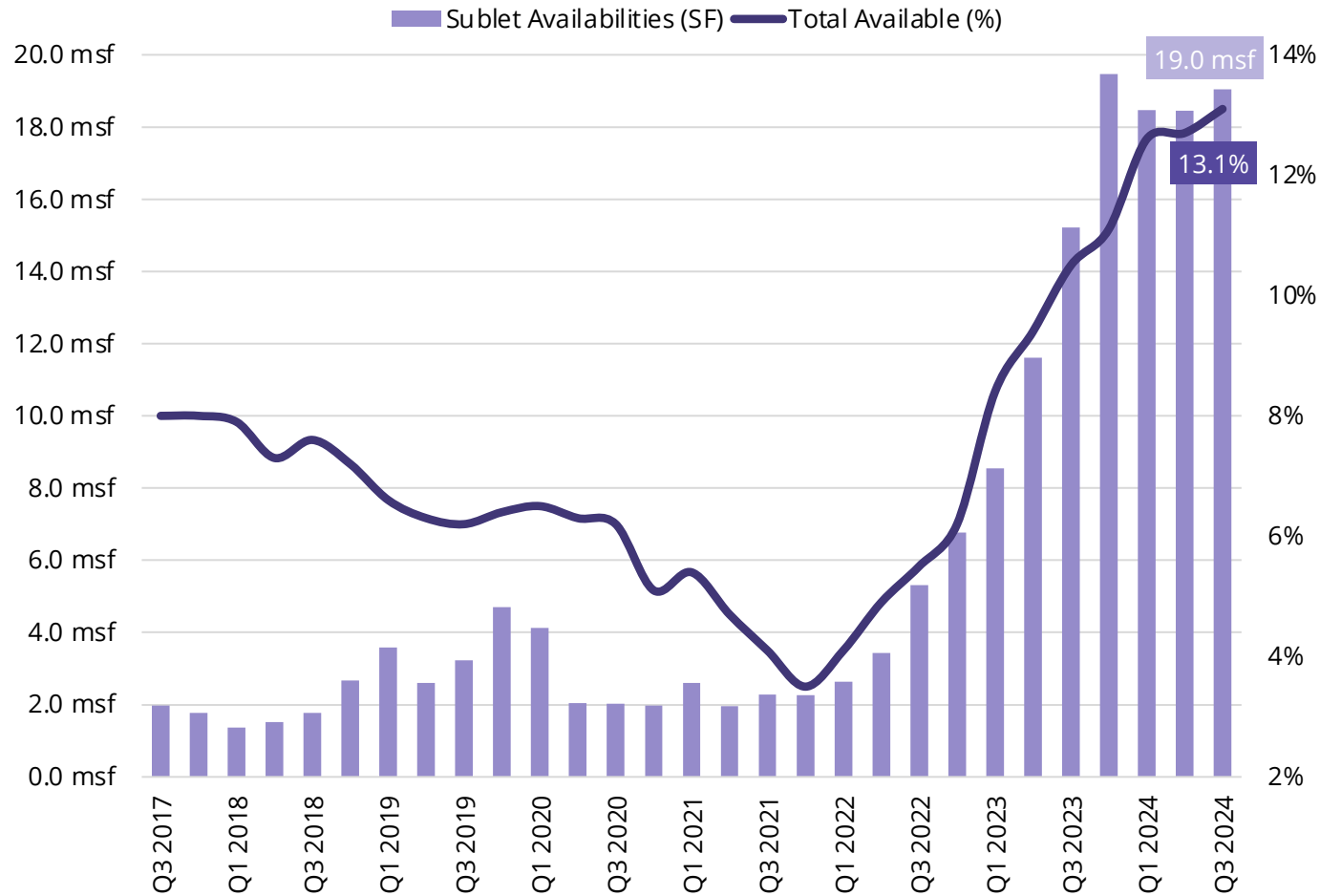
## 99 Deals

### Deal volume remains robust

Leasing activity in the market has slowed in Q3 2024 after a strong start to the year, driven by Amazon's significant expansion efforts. Total leasing volume for the quarter reached 9.6 msf, representing a 21.7% decrease from the previous quarter. However, the number of transactions remained robust, with 99 deals completed during the quarter, compared to 80 deals during the same time period last year.

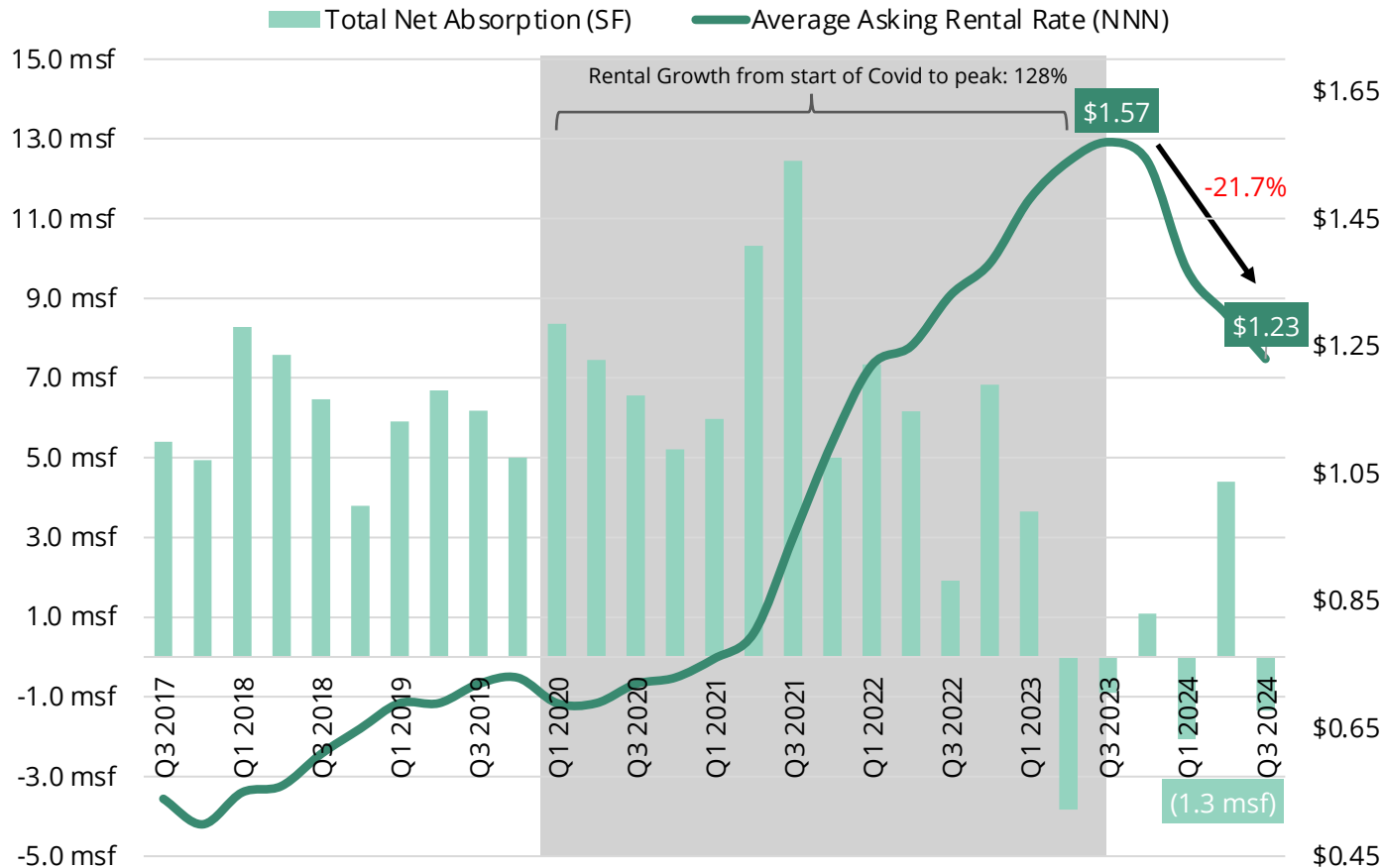
Notably, the average size of leased properties has decreased, with the typical transaction averaging 97,927 square feet, down from over 105,000 sf in the previous three quarters. This trend reflects a shift in tenant behavior, as occupiers are increasingly focused operating more efficiently, rather than expanding into larger industrial spaces.

# Total Availabilities



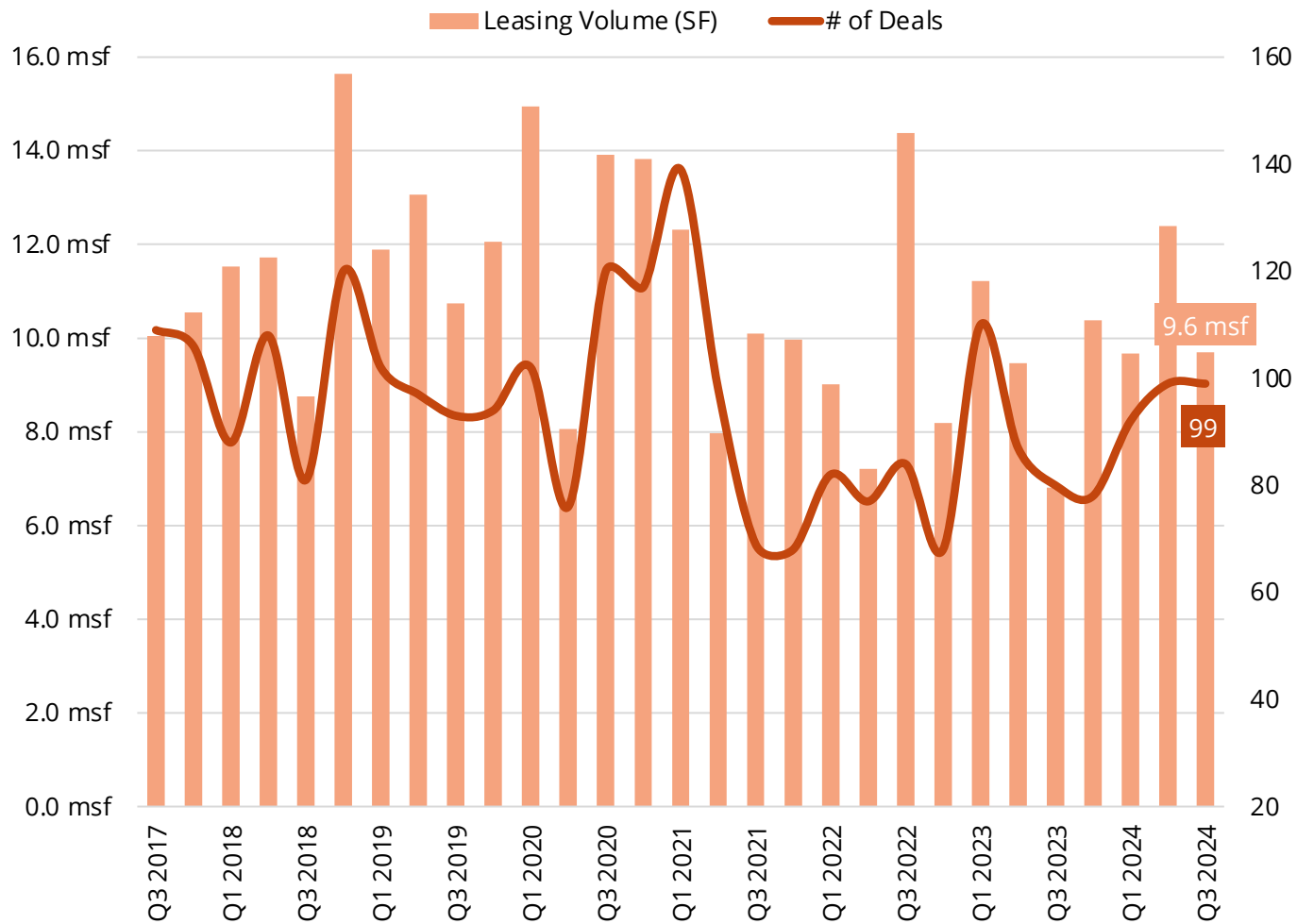
In Q3 2024, sublet availabilities in the Inland Empire rose to 19 million square feet, pushing total availability to 13.1%. This increase is driven by companies prioritizing efficiency and implementing cost-saving measures, leading to downsizing rather than expansion

# Absorption



Rents have declined by 21.7%, from hitting a peak of \$1.57/SF in 2023 to \$1.23/SF in Q3 2024. This drop is driven by weaker demand and tenants becoming more selective in their leasing decisions. To stimulate demand, landlords have offered rent abatements and teaser rates to incentivize deals

# Leasing Activity

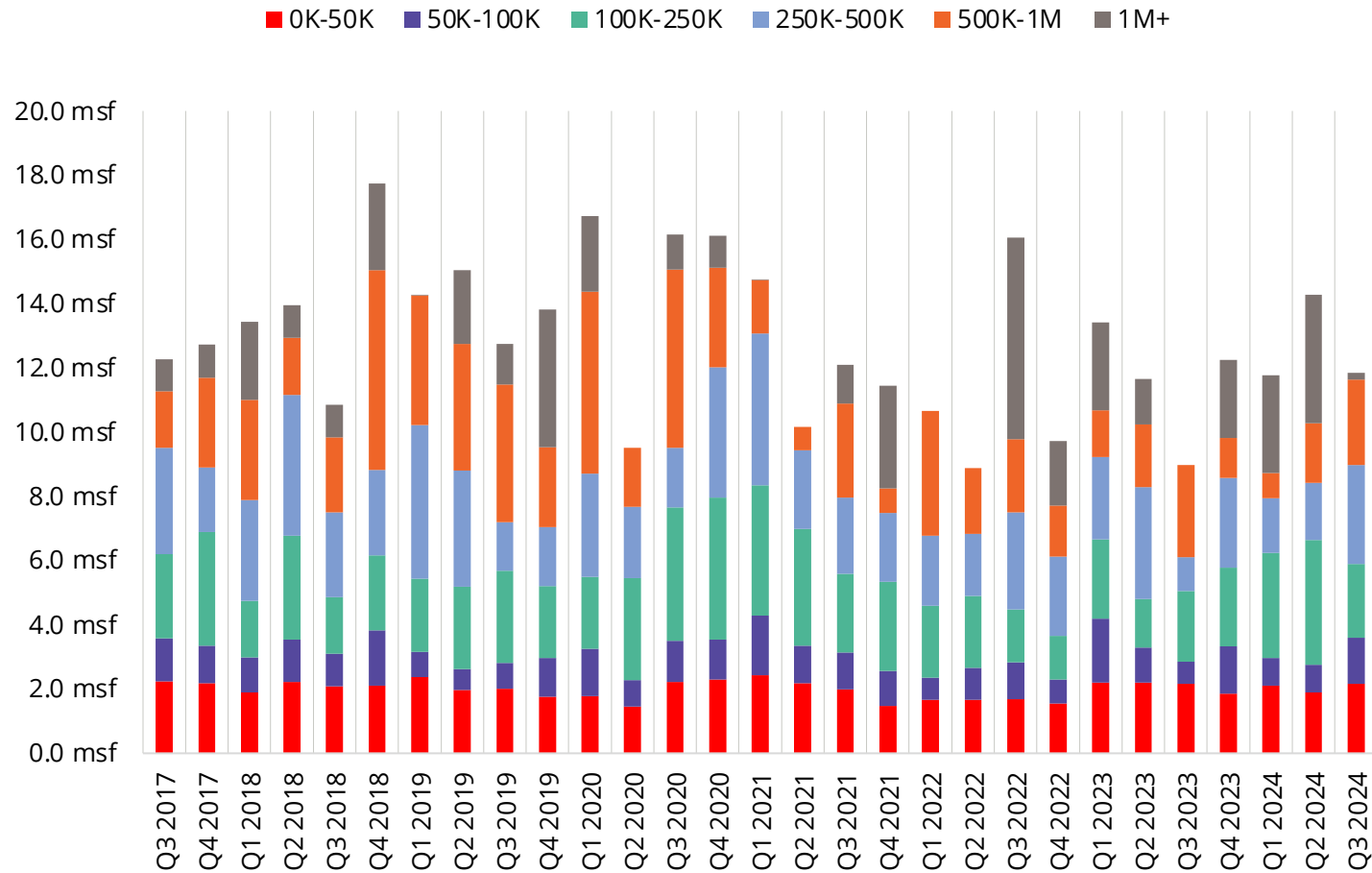


Despite a cautious approach among many occupiers, the market remains active, with 99 transactions completed in the third quarter. While companies are prioritizing efficiency and risk management, there is still interest in securing space, indicating that strategic leasing continues to occur

# Appendix



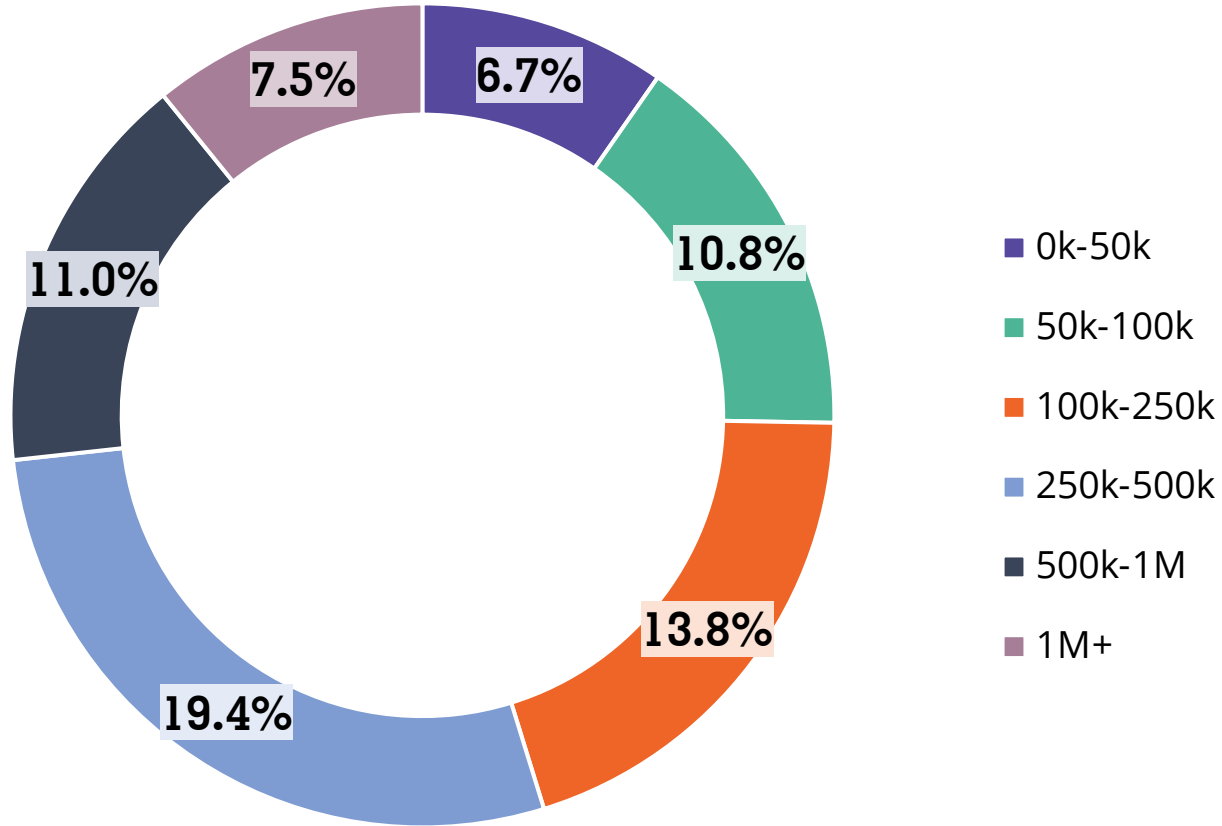
# Leasing remains robust within buildings up to 100,000 square feet



\*Survey based on ALL industrial/flex buildings

Leasing activity remains strong for small-bay spaces, as occupiers prioritize efficiency over expansion. Demand for spaces within buildings up to 100K square feet saw a sharp increase in demand, with leasing activity rising by 30.1% from the previous quarter, totaling 3.5 million square feet in Q3 2024.

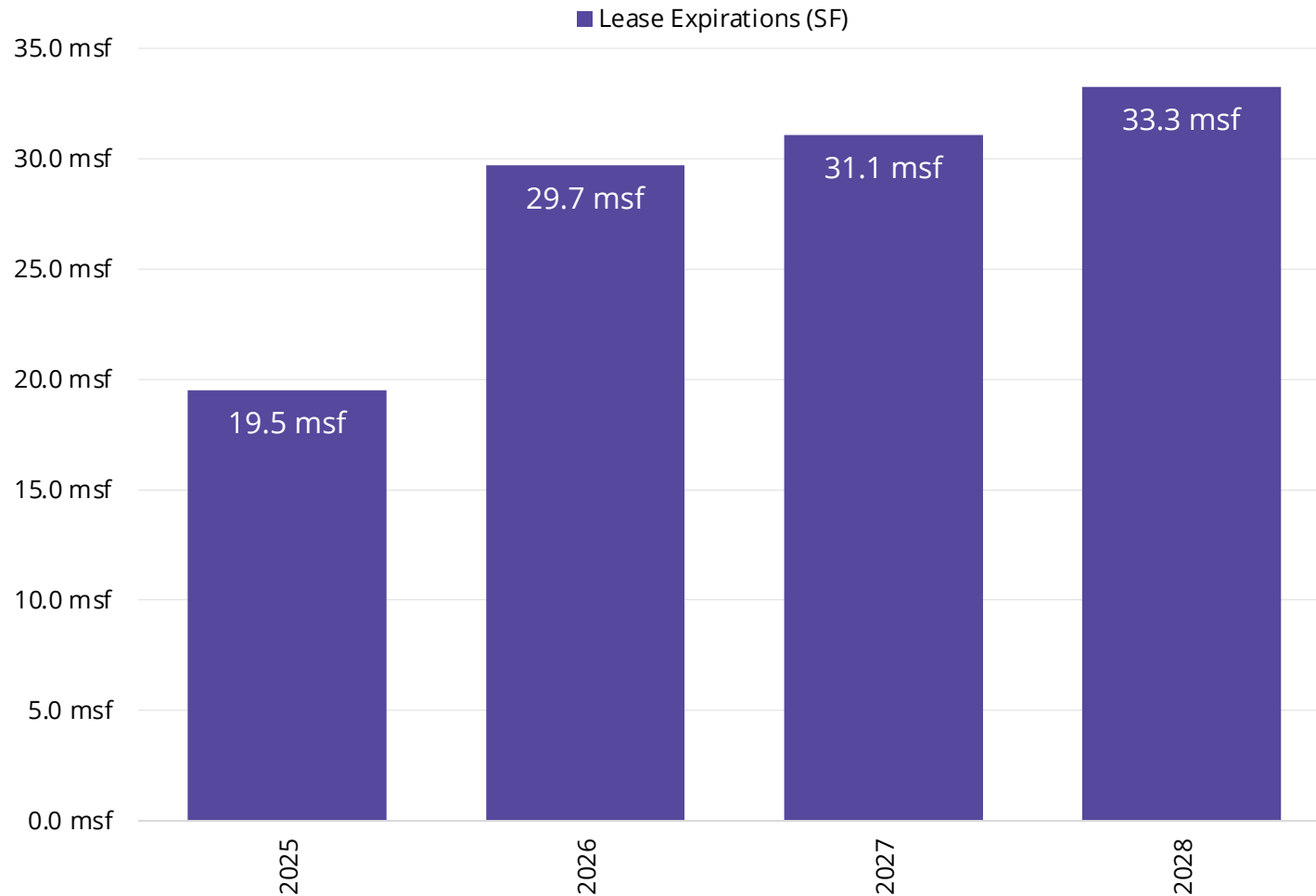
# Total Availabilities



Total availabilities have been rising due to new developments and larger occupiers vacating space to focus on cost-saving initiatives. Big-box buildings between 250K–500K square feet have reached a record 19.4% availability. Additionally, availability for buildings of 1 million square feet and above stands at 7.5% by quarter end, largely driven by new listings at 8130 Caliente and Home Depot’s vacating of 1 million square feet at 19115 Harvill Avenue.

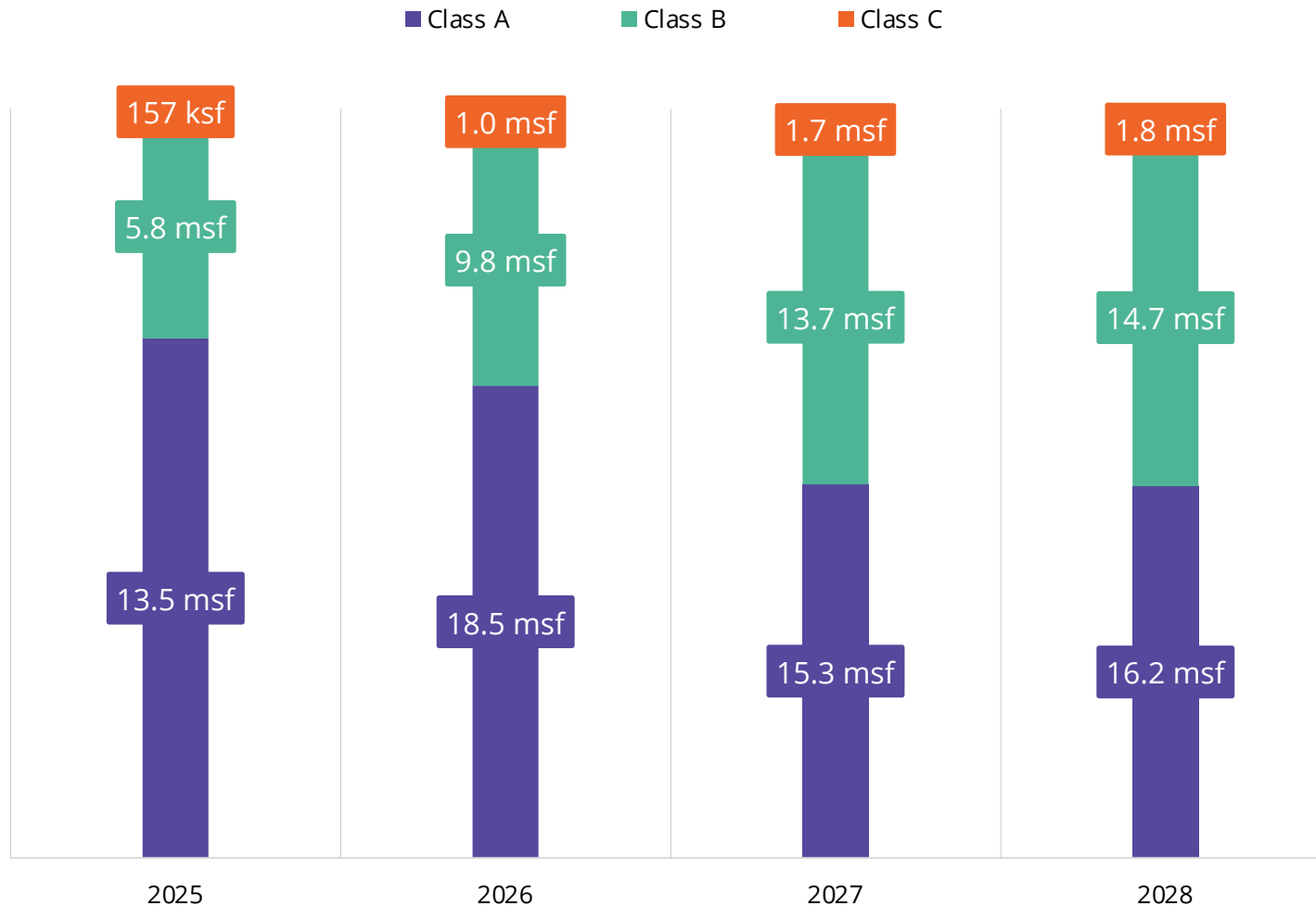


# Lease Expirations by Year



Leasing activity is expected to increase as nearly 50 million square feet of leases are set to expire by the end of 2026. Occupiers will need to re-evaluate their real estate options, and possibly take advantage of a market that currently favors them. If landlords adjust rental rates to align with market conditions, it could boost demand as tenants look for more favorable leasing terms.

# Lease Expirations by Class



By the end of 2026, 32 million square feet of Class A space is set to expire. Occupiers, drawn to these properties for their superior functionality and modern amenities, would unlikely downgrade to less efficient spaces. Instead, we anticipate many to renew their leases or relocate to other Class A spaces, maintaining strong demand for these high-quality properties. This will prove beneficial as there is an abundance of Class A options currently on the market.

# Inland Empire Industrial development pipeline

## 237 properties

49 under construction  
188 proposed

## 145.7 million sf

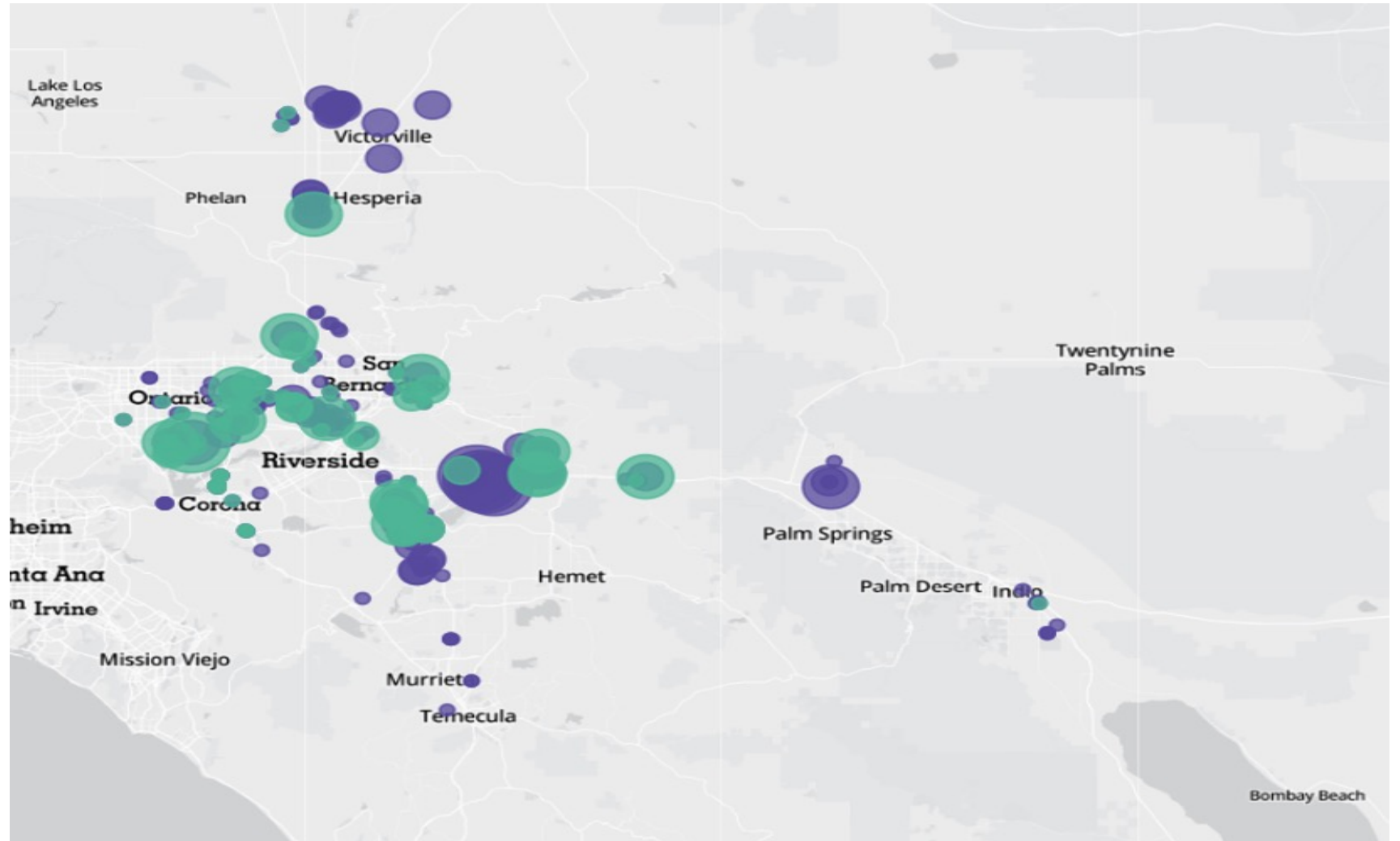
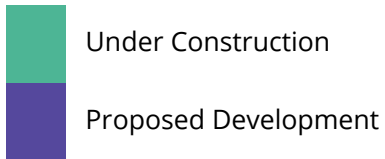
16.5 million sf under construction  
129.2 million sf proposed

## Major developments

19100 Gateway Dr – 1.5 million sf

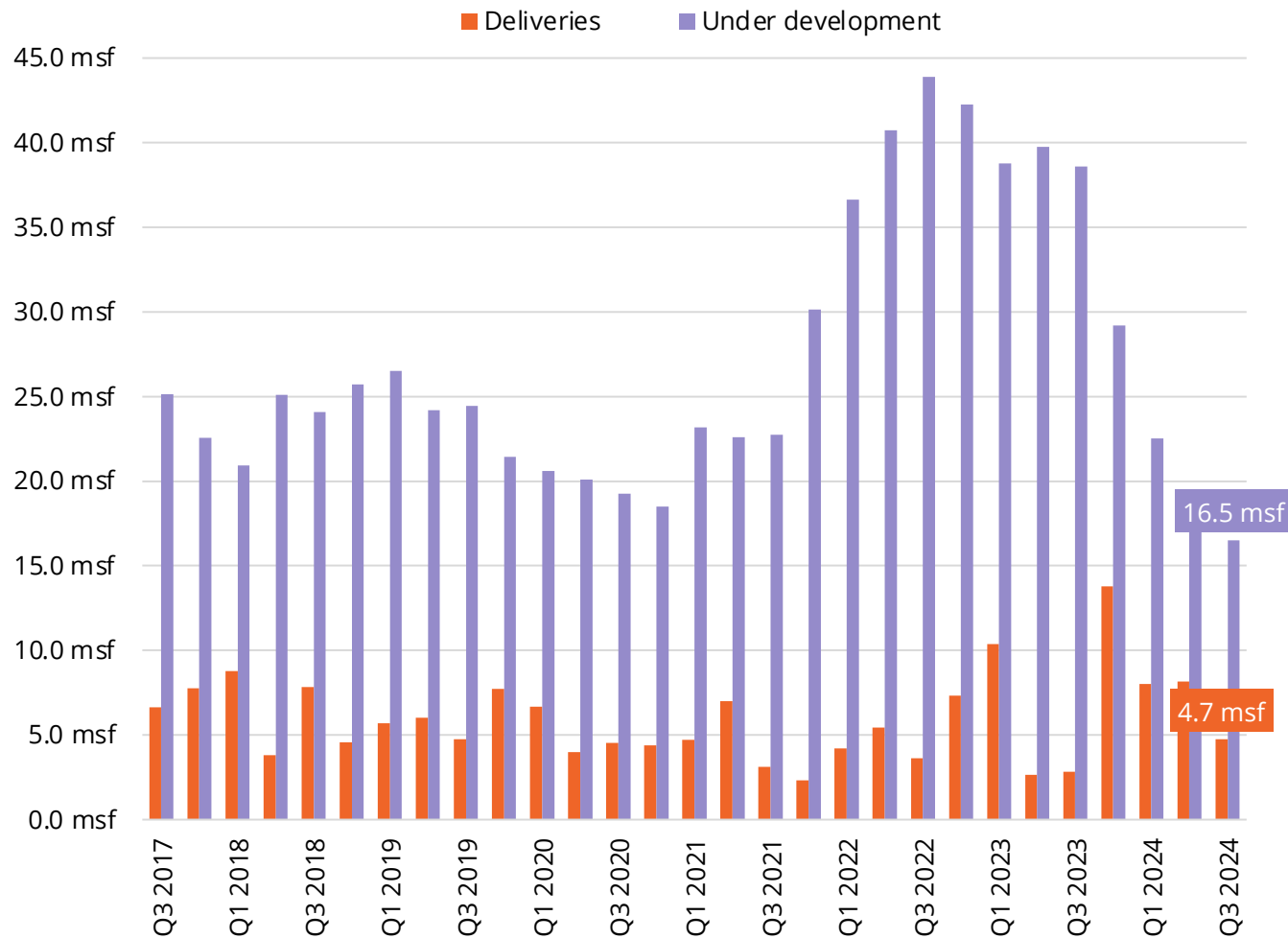
9253 Dreamland Dr - 1.3 million sf

4121 Coyote Canyon (Pre-leased) -  
1.2 million sf



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

# AB98 could hinder future developments



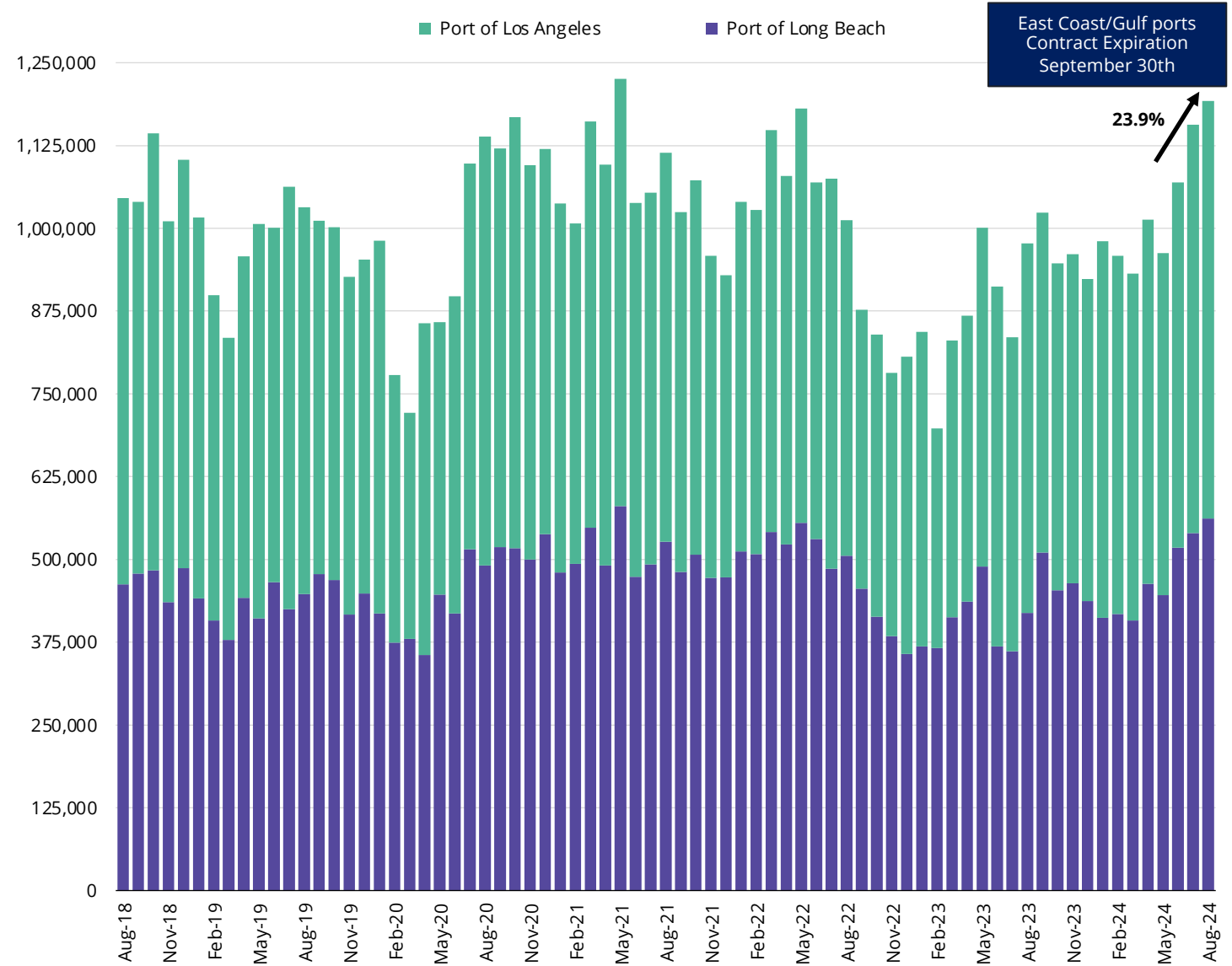
In Q3 2024, the Inland Empire industrial market added 4.7 million square feet of new space, bringing the total for the year to 20.9 million square feet. However, the recently passed AB98 bill, may impact future industrial developments. This legislation introduces stricter environmental regulations aimed at addressing concerns from local communities regarding new construction projects. These tighter controls could potentially slow down the pace of industrial development in the region, as developers will need to navigate more rigorous approval processes.

# Loaded import and export container volumes

# 23.9%

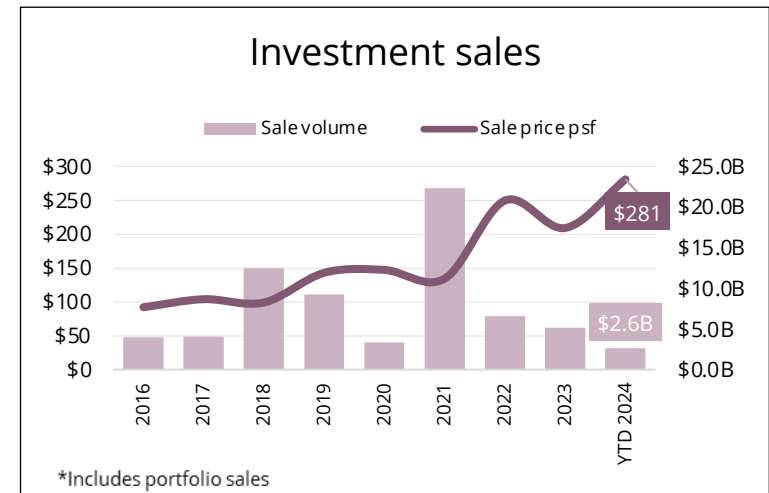
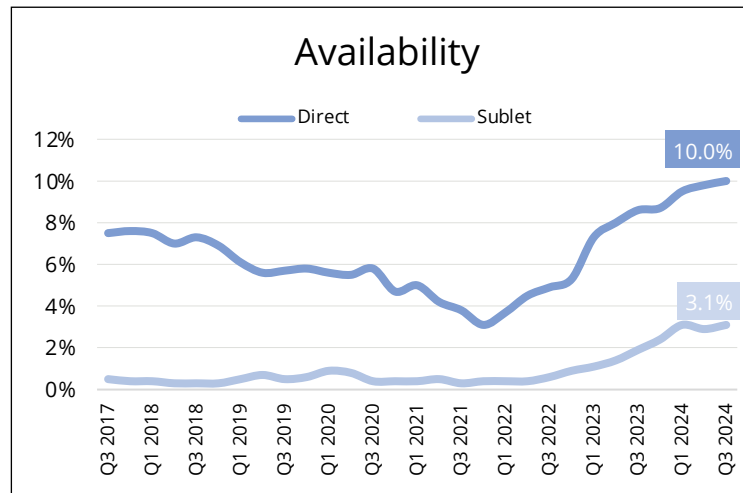
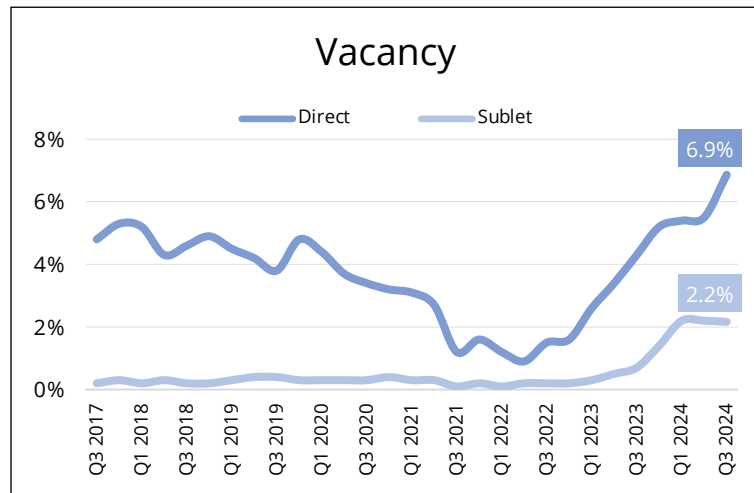
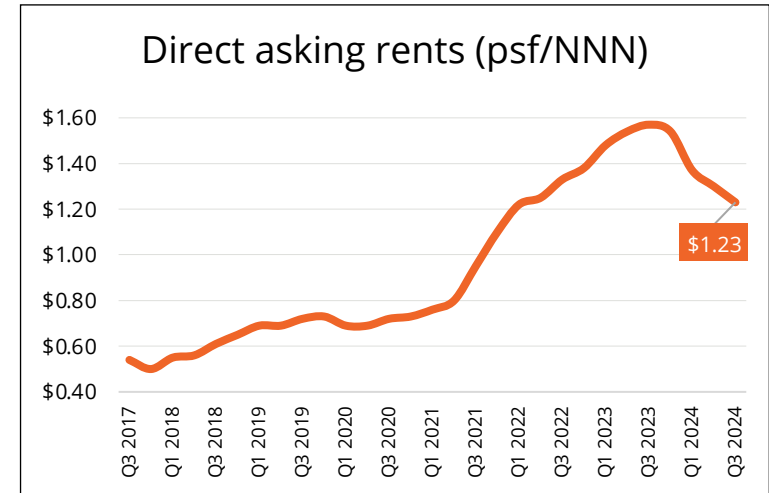
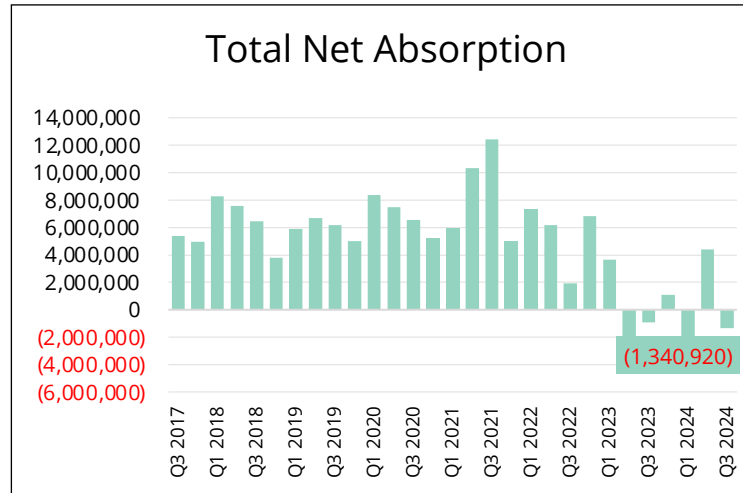
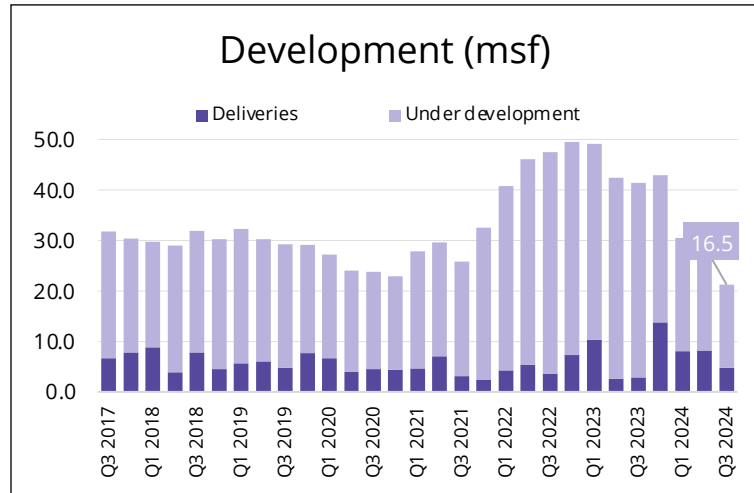
Due to the looming strike at East and Gulf ports, West Coast ports experienced a 23.9% increase in activity three-months prior to the expiration.

The ports of Long Beach and Los Angeles have shown strong recovery after labor negotiations and strike that occurred in 2023, driven by high consumer demand and holiday preparations. In 2024, they consistently handled over 1 million TEUs of cargo across four months. From May to August, trade volumes surged by 23.9%, partly due to the looming expiration of the East Coast labor contract. Currently, the strike has been suspended until January 15, 2025, and dock workers have returned to work.



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

# Inland Empire industrial market indicators



# Inland Empire industrial market activity

## Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Western Post	1979 W Renaissance Pkwy, Rialto	IE East	Aug 2024	927,696	Direct	New
eFulfill	17820 Slover Ave, Bloomington	IE East	Aug 2024	651,815	Direct	New
Lecangs	22000 Opportunity Way, Riverside	IE East	Sept 2024	503,592	Direct	New

## Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
BGO	16604 Slover Ave, Fontana	Sept 2024	690,967	\$240,637,500	\$348	Panattoni
Cabot Properties	8300 Almeria Ave, Fontana	Aug 2024	236,129	\$76,800,000	\$325	Transwestern Development Company
Warehouse Specialists	14339 Whittram Ave, Fontana	Aug 2024	209,700	\$58,716,000	\$280	Oakmont Industrial Group

## Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
19100 Gateway Dr, Victorville	IE North	Jan 2025	1,530,400	100%	Stirling Development
9253 Dreamland Dr, Fontana	IE West	Jan 2025	1,286,550	0%	Hillwood Development
4121 Coyote Canyon, Fontana	IE West	Oct 2024	1,171,788	100%	CapRock Partners

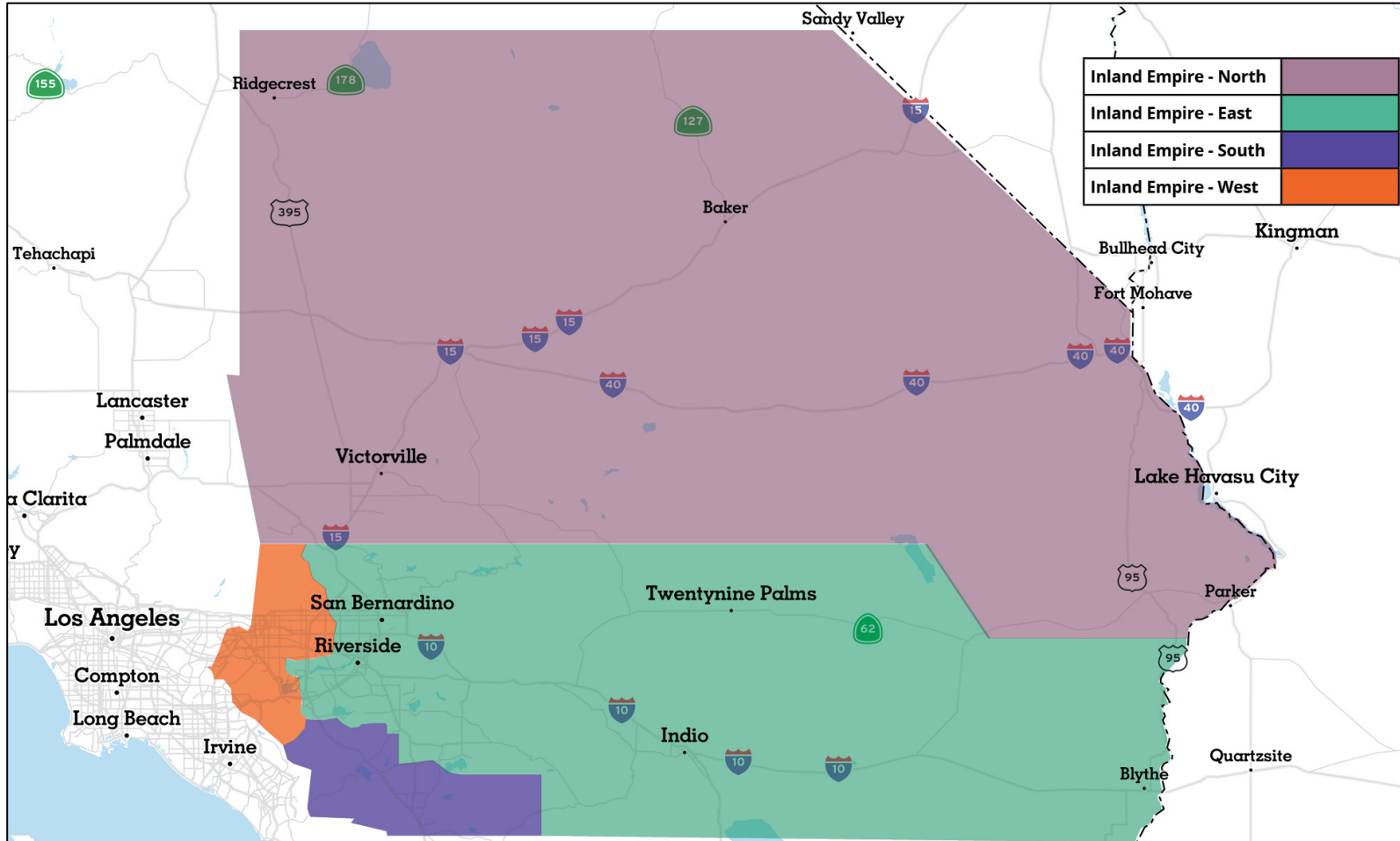
# Inland Empire industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (QTD)	Net absorption sf (YTD)	Direct asking rent psf NNN
IE West	325,533,114	10,127,008	8,433,498	6.3%	1.4%	7.7%	(283,059)	5,525,473	\$1.27
IE East	250,651,376	10,789,447	6,554,732	6.8%	2.7%	9.5%	(368,979)	(3,803,398)	\$1.10
IE North	19,095,449	0	1,530,400	10.3%	0%	10.3%	(710,773)	(753,403)	\$0.95
IE South	10,304,037	0	0	6.7%	1.0%	7.7%	21,891	24,723	\$1.03
<b>Market total</b>	<b>605,583,976</b>	<b>20,916,455</b>	<b>16,518,630</b>	<b>6.9%</b>	<b>2.2%</b>	<b>9.1%</b>	<b>(1,340,920)</b>	<b>993,395</b>	<b>\$1.23</b>

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Class A	327,822,211	20,462,167	16,169,969	8.5%	2.8%	11.3%	(824,823)	3,596,579	\$1.35
Class B	242,500,529	454,288	348,661	5.0%	1.3%	5.3%	(347,230)	(2,267,153)	\$1.26
Class C	35,261,236	0	0	4.5%	1.2%	5.7%	(162,262)	(336,031)	\$1.14
<b>Market total</b>	<b>605,583,976</b>	<b>20,916,455</b>	<b>16,518,630</b>	<b>6.9%</b>	<b>2.2%</b>	<b>9.1%</b>	<b>(1,340,920)</b>	<b>993,395</b>	<b>\$1.23</b>



# 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 goods 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

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