

Los Angeles  
Orange County  
Ventura  
Inland Empire  
Phoenix

Q2 | 2024

# Market Report

Inland Empire Industrial

West



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### MARKET ACTIVITY

### KEY TAKE AWAYS

### ECONOMIC OUTLOOK

#### MARKET

#### ECONOMIC OUTLOOK

- **Vacancy Rate:** Declined by 22 bps from revised Q1 to 6.6% in Q2. The amount of vacant sublet space increased by 16% from Q1 to a record of 6.7M SF.
- **Asking Rents:** Declined \$0.04 PSF or 3.0% to a rate of \$1.30 PSF NNN. Searching for equilibrium post pandemic boom.
- **Industrial Supply:** 3.9M SF was delivered in Q2. Construction activity revised to 13.9M SF.
- **Sales:** The median price PSF in Q2 was \$304.93. Volume in Q2 was up 57.6% to \$653.5M. Halfway through 2024 volume has totaled \$787.4M. Down 24.1% compared to 1H 2023.

- **Interest Rates:** At the June meeting, the FOMC decided once again to maintain rates at the current range of 5.25-5.50%. The median forecast of FOMC members currently projects only one rate cuts to occur in 2024.
- **Inflation:** CPI continues to be elevated above the Fed's 2% target, but gradually improving.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 94.4% over Q2, ending at \$7,052 per container. (Freightos). Middle East tensions, drought in the Panama Canal, the collapse of major bridge in Baltimore are some contributing factors to monitor.

Direct Vacancy  
 5.0%

Net Absorption  
 4,562,313 SF

Overall Vacancy  
 6.6%

Gross Absorption  
 11,963,877 SF

Under Construction  
 13,873,948 SF

Rental Rates (NNN)  
 \$1.30

Median Sale \$/SF  
 \$304.93

Deal Volume  
 \$653.5M

U.S. Employment  
 4.0%

U6 Rate  
 7.4%

Interest Rate  
 6.86%  
(30 year fixed)

Changing GDP  
 1.7%

Port Traffic Y/Y Δ  
 3.1%

NYSE Performance  
 3.5%

Inflation Change  
 3.25%

10 Yr. - 2 Yr. Spread  
 -35 BPS

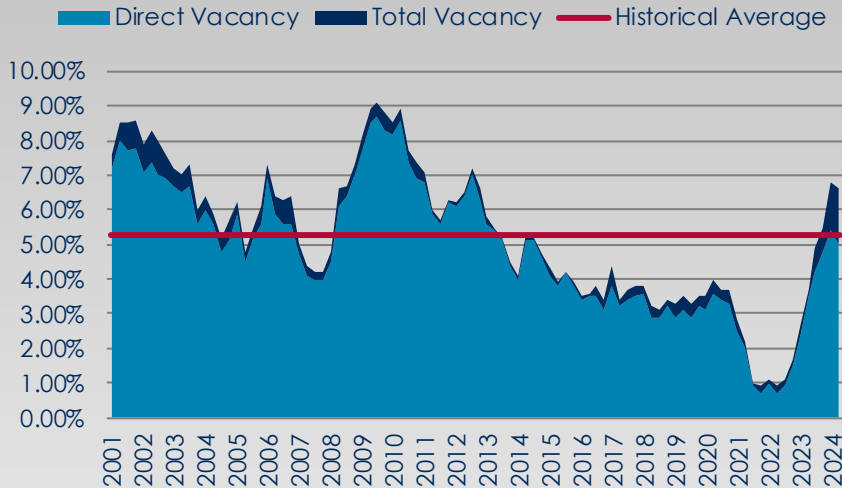
EXPERIENCE IN A CHANGING MARKET

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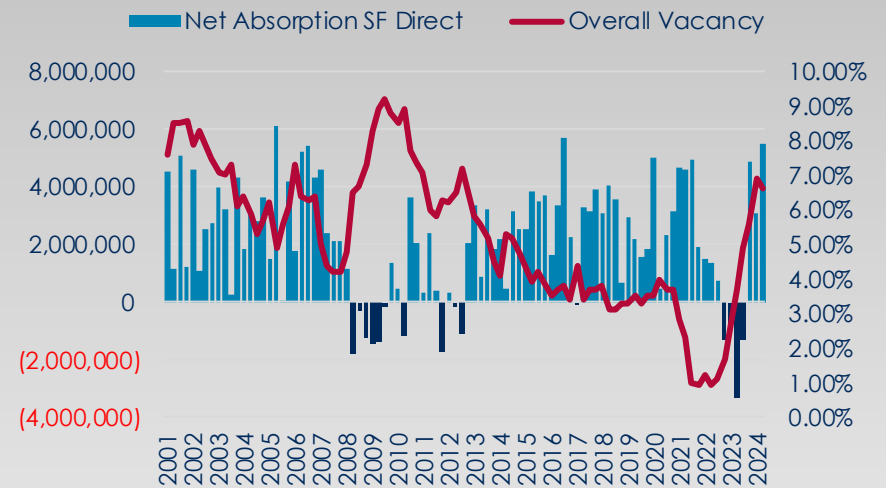


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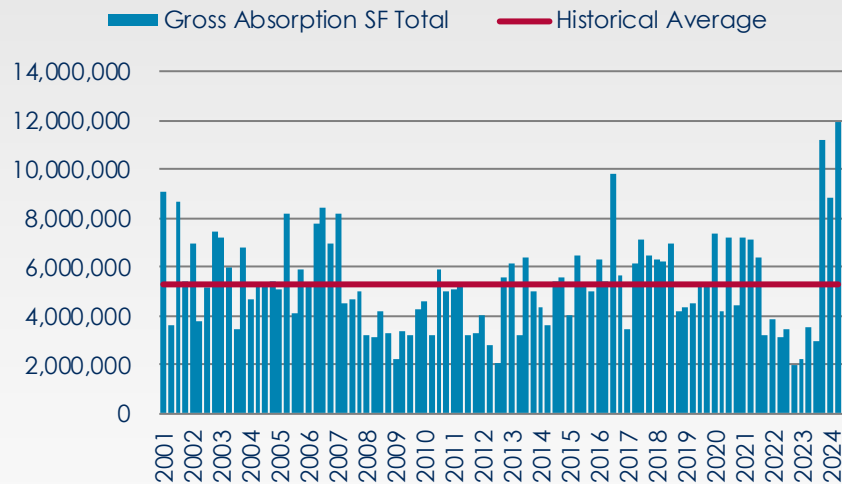
## OVERALL VACANCY DECLINED 27 BPS FROM Q1 TO 6.6% IN Q2



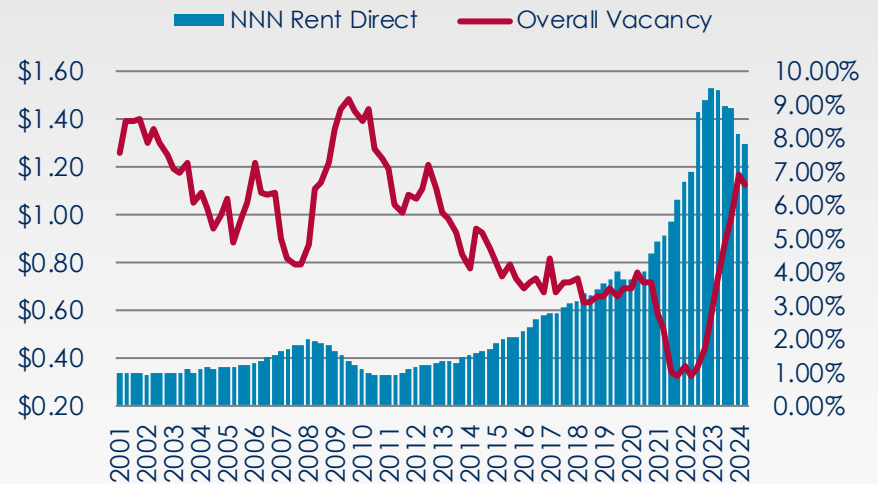
## NET ABSORPTION STRONGER DEMAND IN Q2 TOTALING 4.6M SF



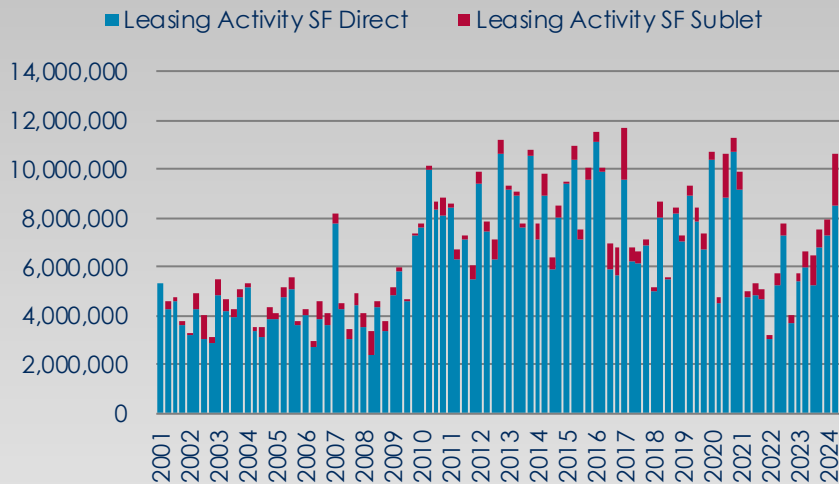
## GROSS ABSORPTION INCREASED TO A RECORD HIGH OF 11.9M SF IN Q2



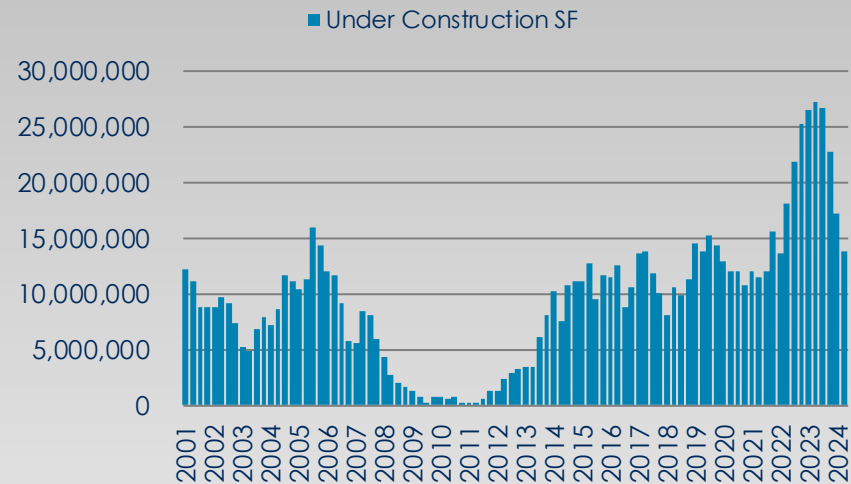
## ASKING RENTS DECLINE OF \$0.04 PSF OR 3.0% TO A RATE OF \$1.30 PSF IN Q2



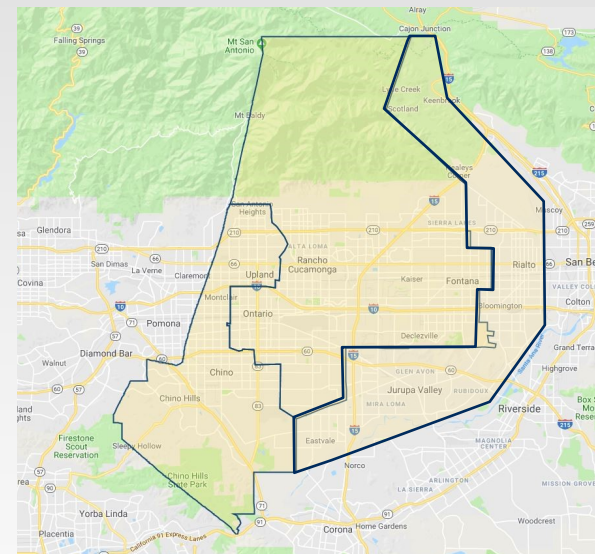
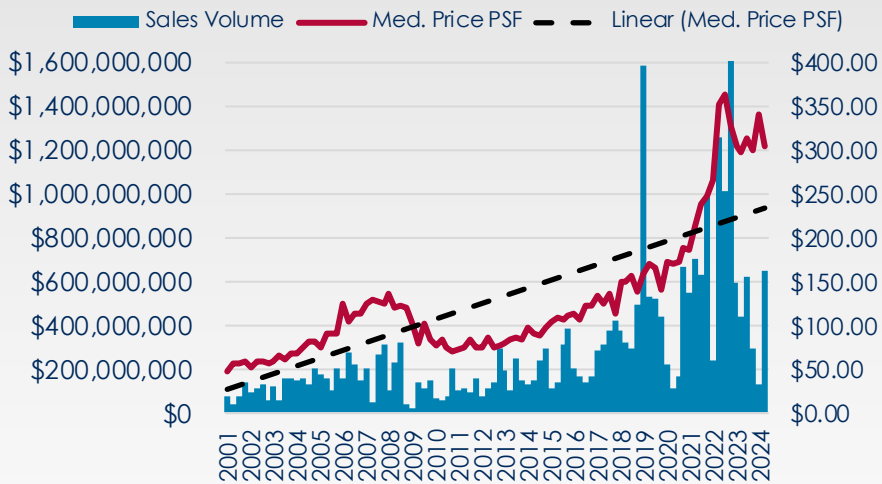
## LEASING ACTIVITY INCREASED 33.5% FROM Q1 TOTALING 10.6M SF IN Q2



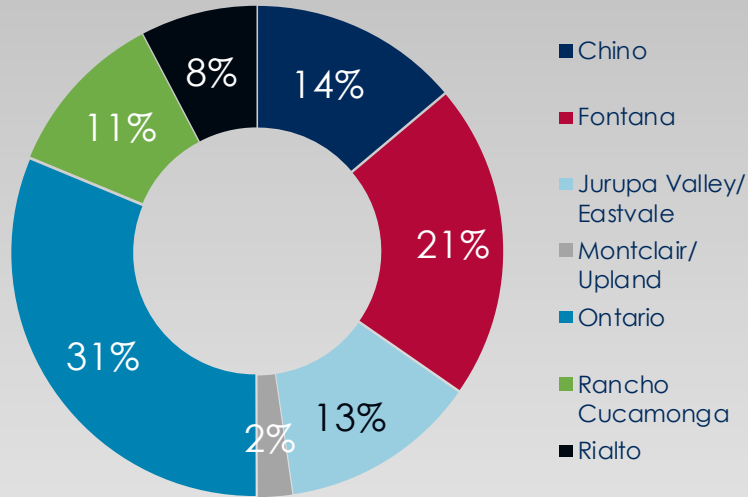
## CONSTRUCTION ACTIVITY 3.9M SF WAS DELIVERED IN Q2. UC REVISED TO 13.9M SF



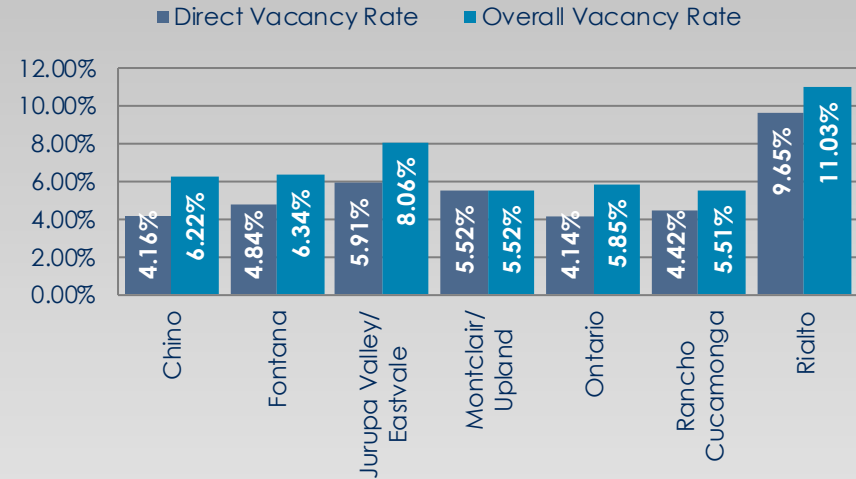
## SALES Q2 VOLUME WAS \$653.5M. MEDIAN PRICE WAS \$304.93 PSF



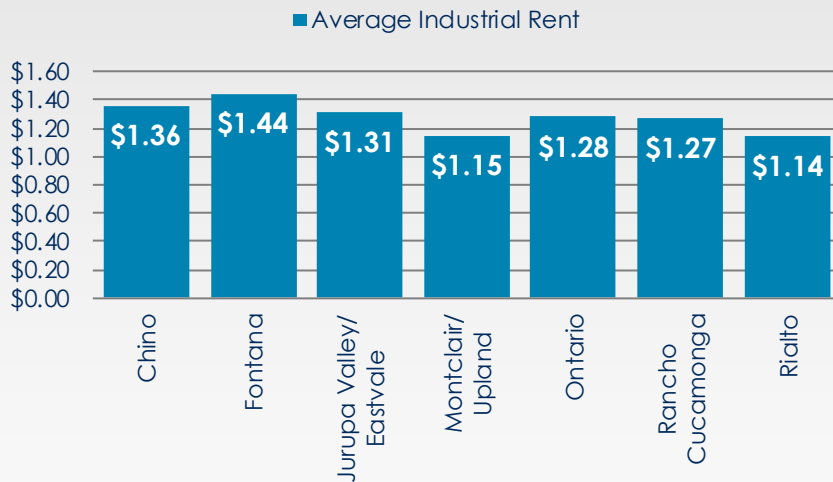
## SQUARE FOOT BREAKDOWN- 408,129,915 SF MARKET SIZE



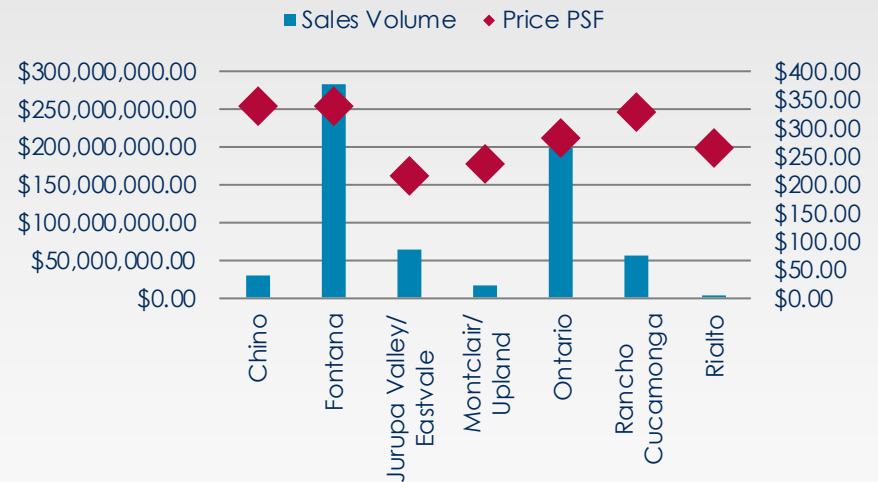
## VACANCY BREAKDOWN



## AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



## VOLUME BREAKDOWN



**METHODOLOGY & TERMINOLOGY**

**Methodology**

Industrial and flex (R & D) buildings that are 5,000 square feet and greater.

**Direct Vacant SF**

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale directly from the landlord.

**Total Vacant W/ Sublet SF**

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale by the landlord or for sublease by the current tenant.

**Direct Vacancy Rate**

Total vacant direct space (vacant space for lease or sale from the landlord or owner) divided by the total rentable square footage for existing buildings only.

**Vacancy W/ Sublet Rate**

Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

**Gross Absorption**

The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time.

**Net Absorption**

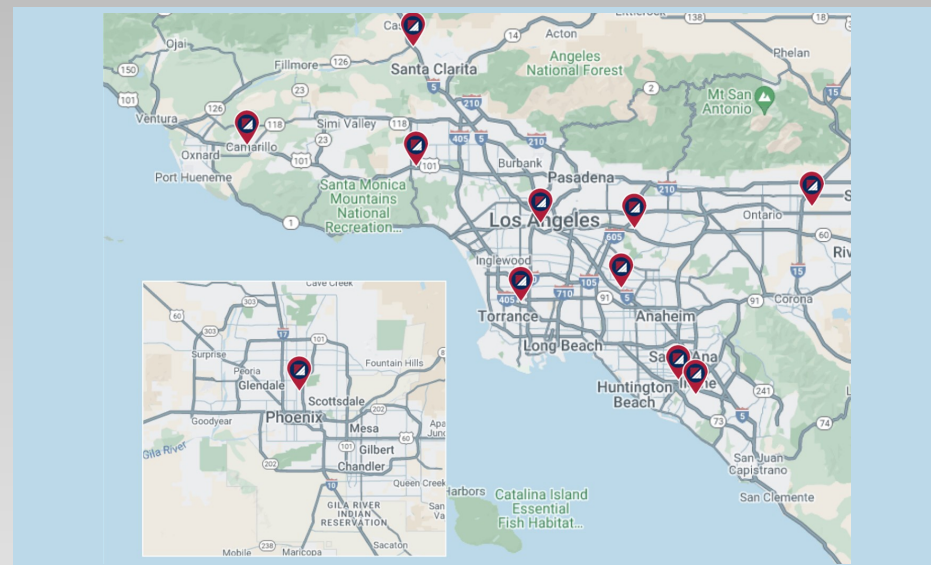
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

**Under Construction**

Planned buildings for which construction has started but have not yet been granted a Certificate of Occupancy. Planned buildings are not included.

**Completed in 2024**

New buildings with original construction completed in the year 2024 and granted a Certificate of Occupancy. Renovated buildings are not included.



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# Market Report

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East

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### KEY TAKE AWAYS

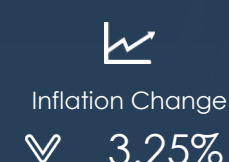
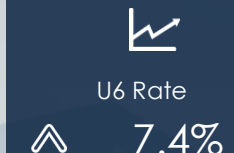
### ECONOMIC OUTLOOK

#### MARKET

#### ECONOMIC OUTLOOK

- **Vacancy Rate:** Increase of 81 bps to 8.4% in Q2.
- **Net Absorption:** Direct remained negative in Q2. Overall turned positive totaling 79K SF.
- **Asking Rents:** Declined by \$0.04 PSF or 3.3% to a rate of \$1.17 PSF NNN in Q2.
- **Industrial Supply:** 2.4M SF was delivered in Q2. Construction activity revised to 5.65M SF.
- **Sales:** The median sale price PSF in Q2 was \$270.86. Total volume in Q2 was \$199.9M. Halfway through 2024 volume has totaled \$454.1M. Down 32.7% compared to 1H 2023.

- **Interest Rates:** At the June meeting, the FOMC decided once again to maintain rates at the current range of 5.25-5.50%. The median forecast of FOMC members currently projects only one rate cuts to occur in 2024.
- **Inflation:** CPI continues to be elevated above the Fed's 2% target, but gradually improving.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 94.4% over Q2, ending at \$7,052 per container. (Freightos). Middle East tensions, drought in the Panama Canal, the collapse of major bridge in Baltimore are some contributing factors to monitor.



EXPERIENCE IN A CHANGING MARKET

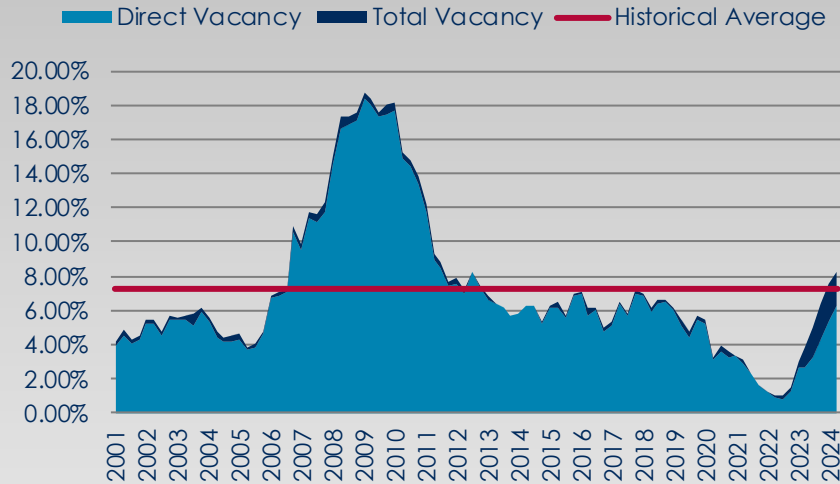
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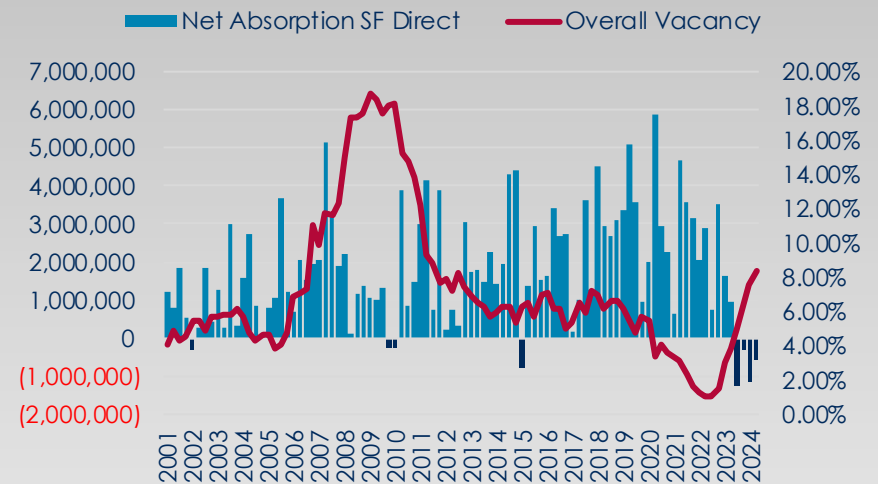
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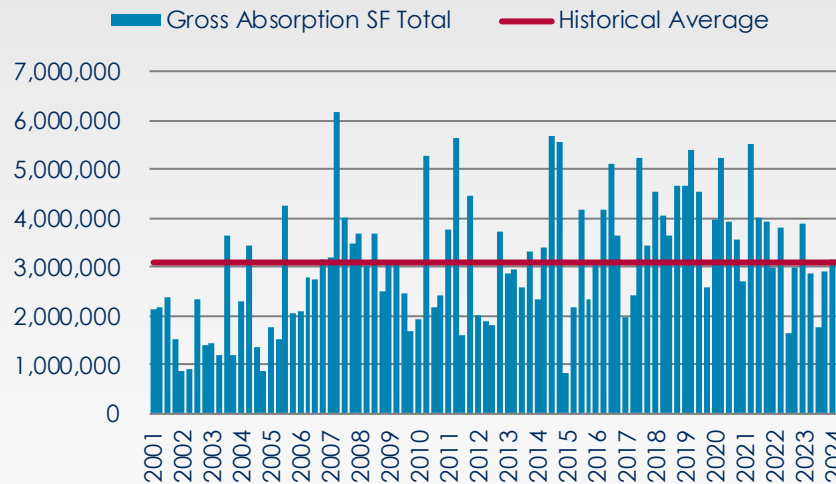
## OVERALL VACANCY INCREASED 81 BPS FROM Q1 TO 8.4% IN Q2



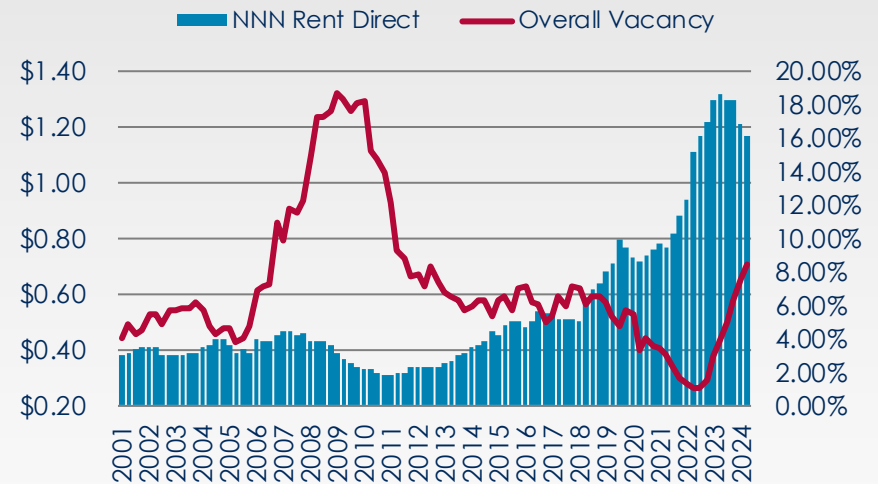
## NET ABSORPTION IMPROVED FROM Q1. DIRECT REMAINS NEGATIVE. OVERALL +79K SF



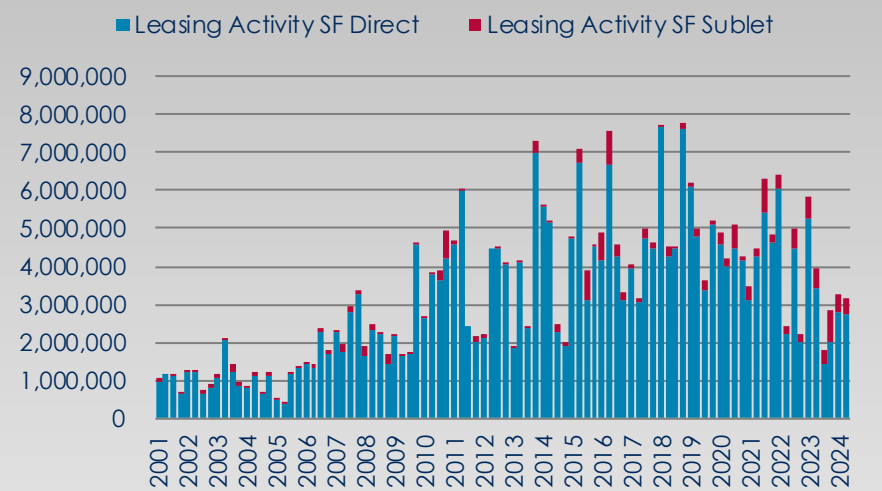
## GROSS ABSORPTION INCREASED BY 37.2% FROM Q1 TO 4.3M SF IN Q2



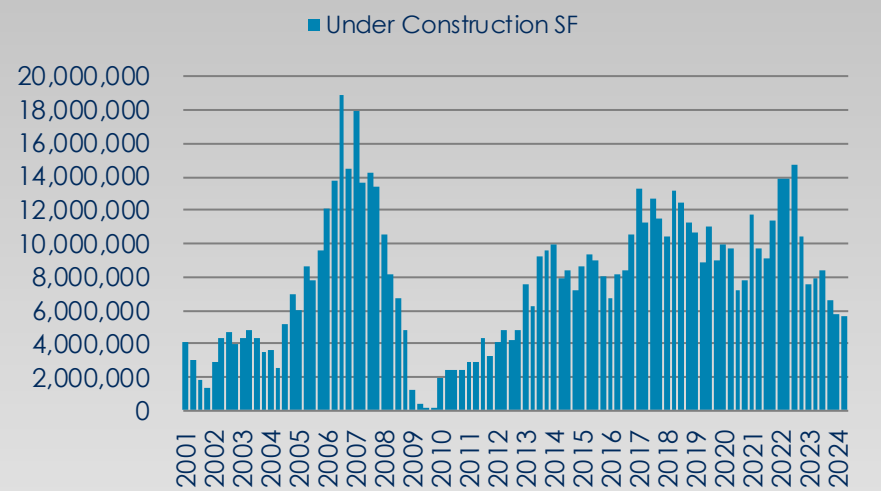
## ASKING RENTS FELL BY \$0.04 PSF OR 3.3% TO \$1.17 PSF NNN IN Q2



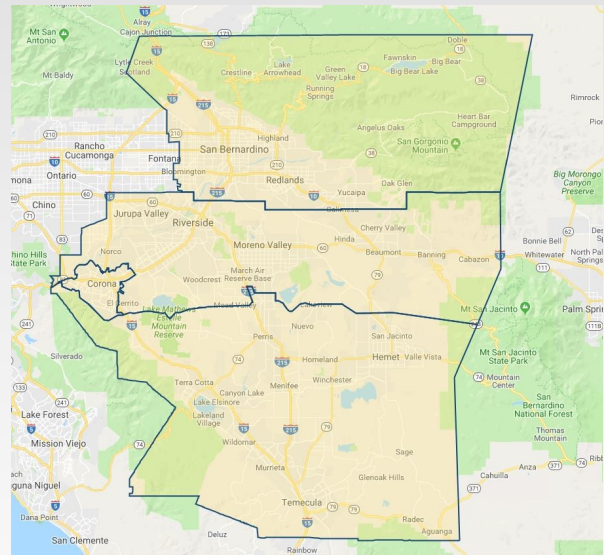
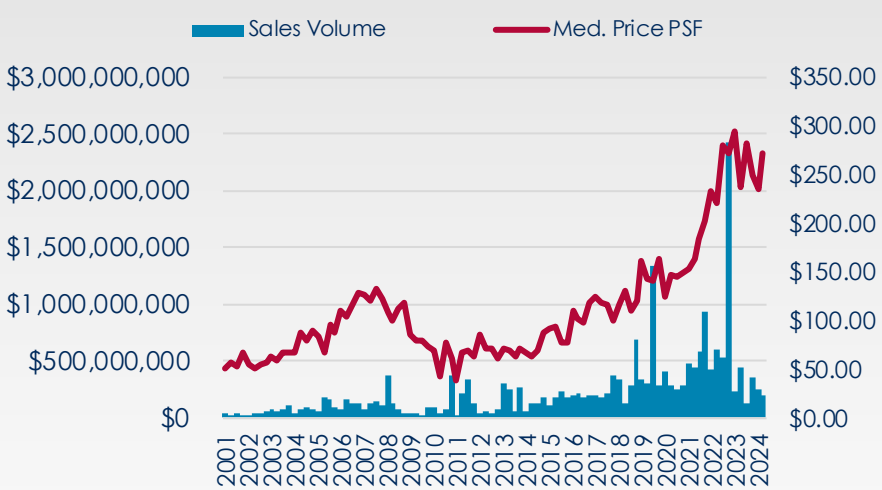
## LEASING ACTIVITY DECLINED 4.1% FROM Q1 TOTALING 3.1M SF IN Q2



## CONSTRUCTION ACTIVITY 2.4M SF WAS DELIVERED IN Q2. UC REVISED TO 5.65M SF

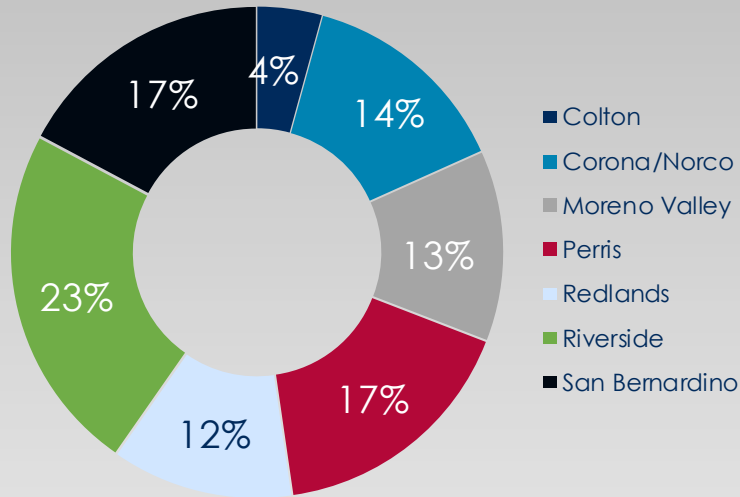


## SALES VOLUME WAS \$199.9M. MEDIAN PRICE IN Q2 WAS \$270.86 PSF

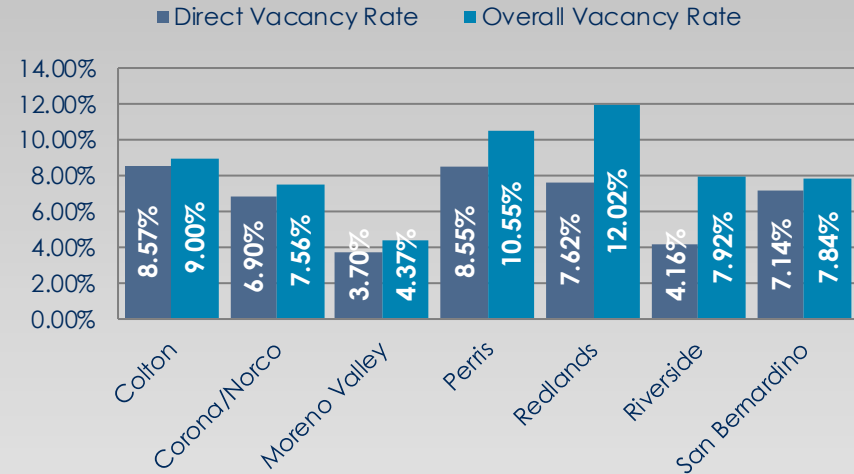


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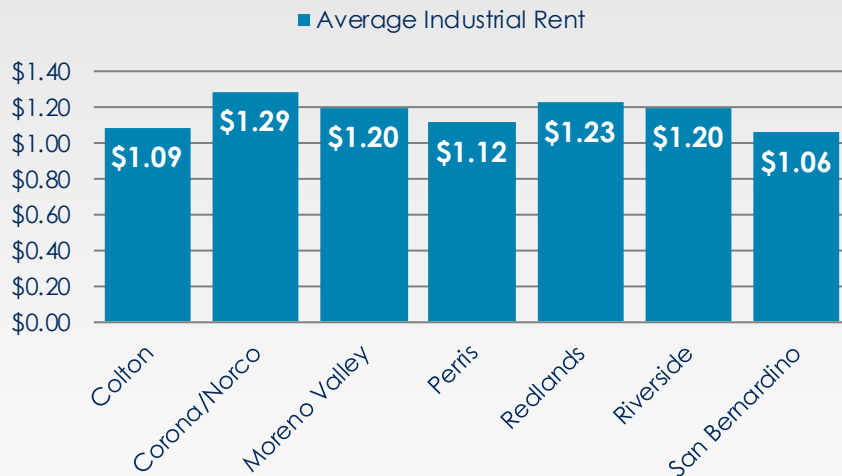
## SQUARE FOOT BREAKDOWN- 263,276,277 SF MARKET SIZE



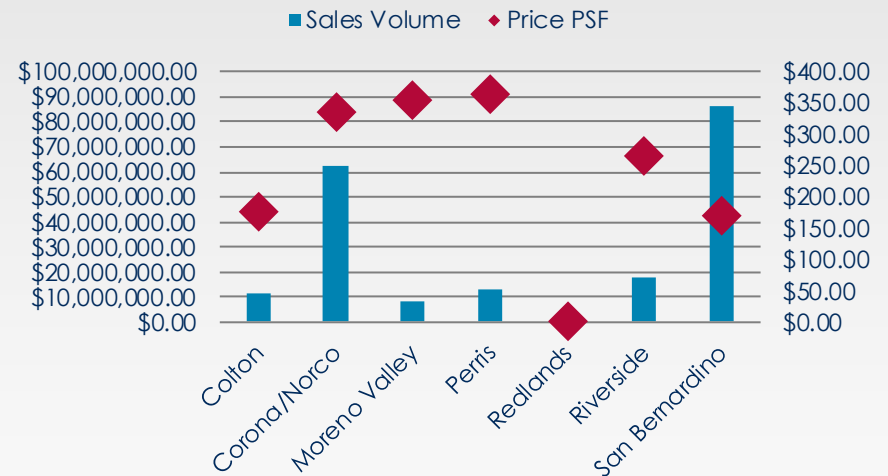
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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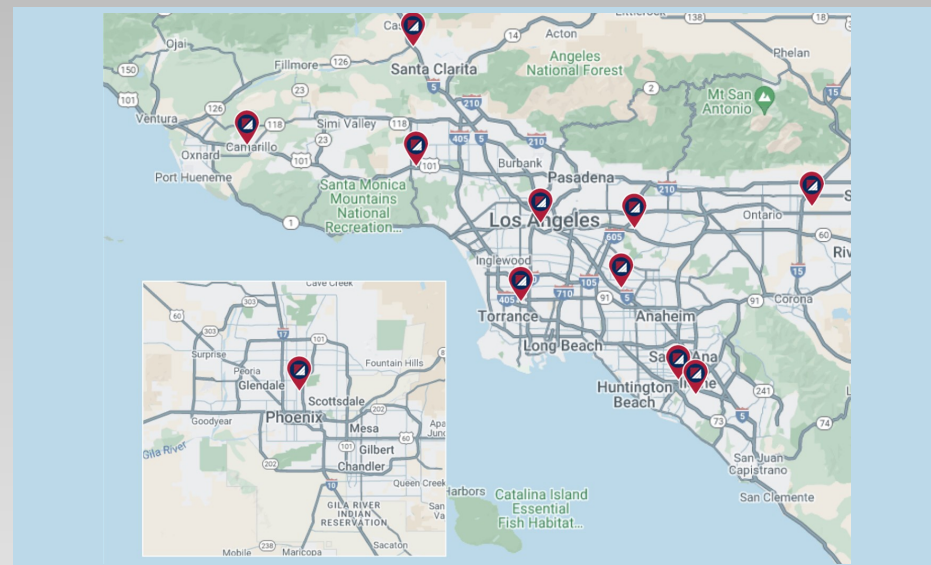
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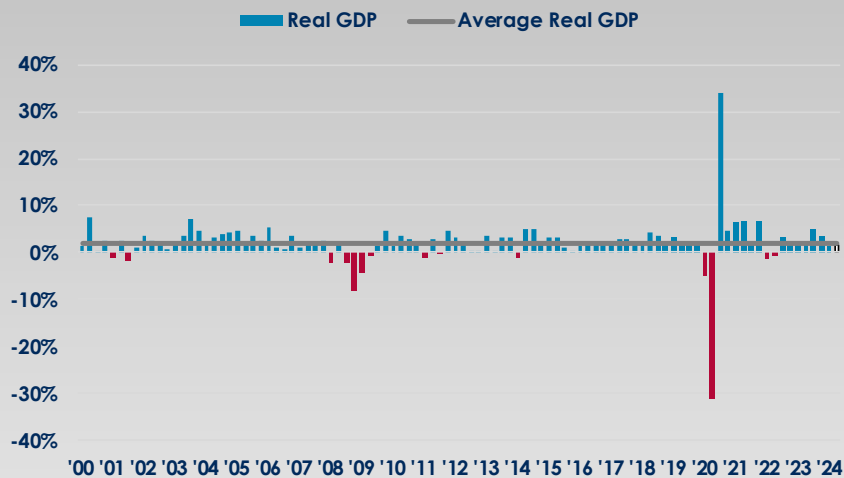
# Economic Overview



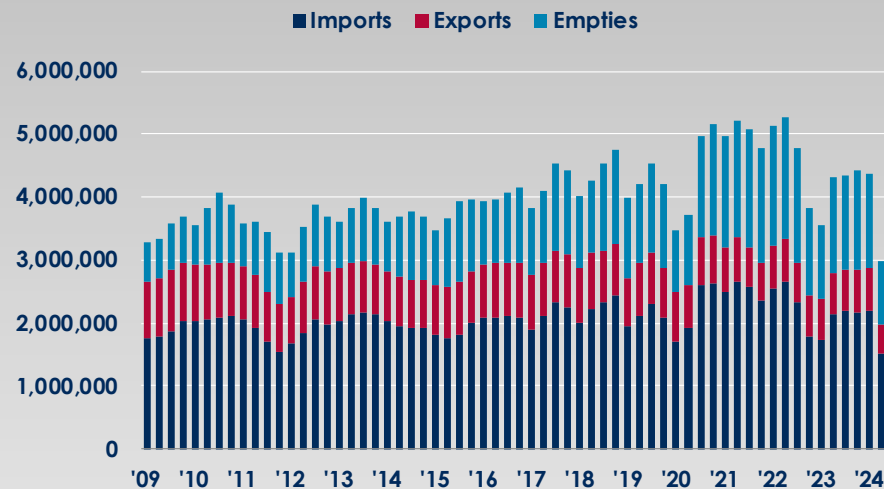
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GDP IN Q1 FINISHED AT 1.4%. Q2 ESTIMATE AT 1.7% PER GDPNOW

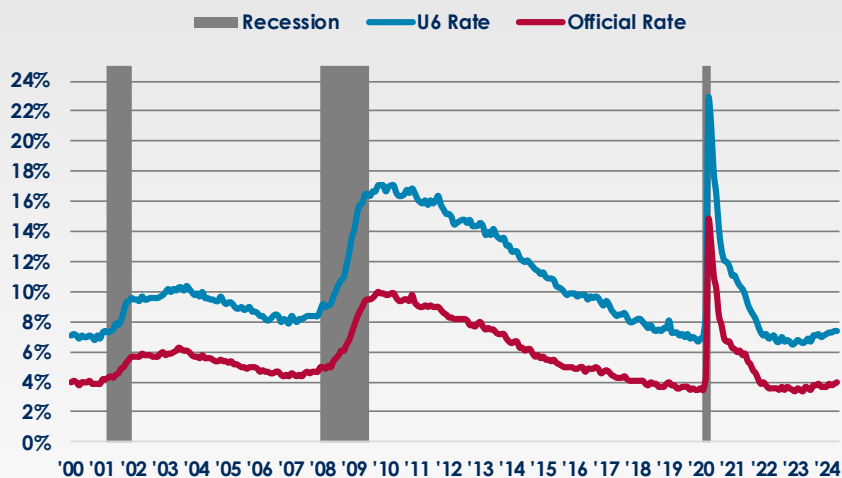


PORT ACTIVITY IN Q1 WAS UP 23.2% Y/Y. QTD Q2 UP 3.1% Y/Y



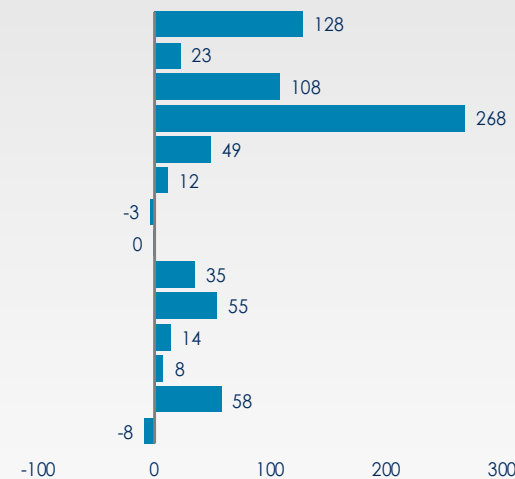
\*1.7% Estimate for Q2-24 from the Federal Reserve Bank of Atlanta GDPNow

LABOR MARKET CONTINUES TO BE RESILIENT

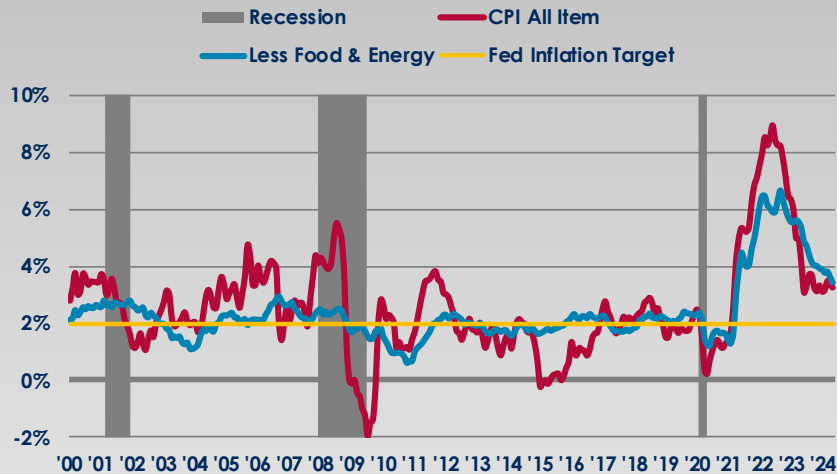


EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q2

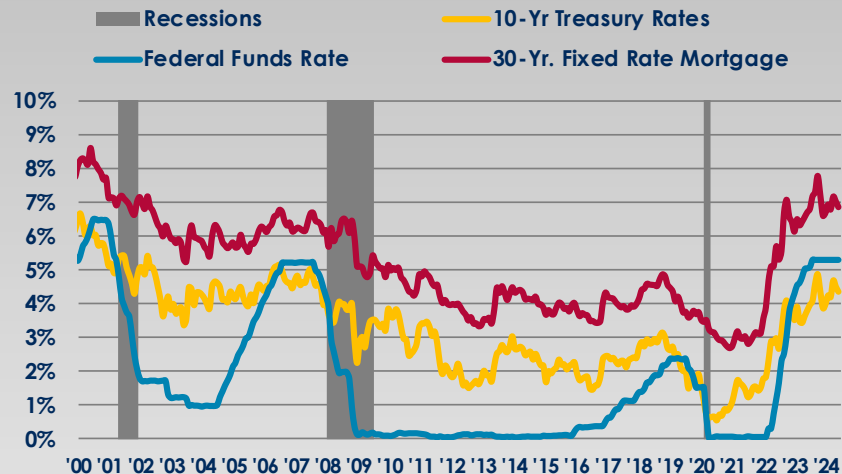
- Government
- Other Services
- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Information
- Utilities
- Transportation and Warehousing
- Retail Trade
- Wholesale Trade
- Manufacturing
- Construction
- Mining and Logging



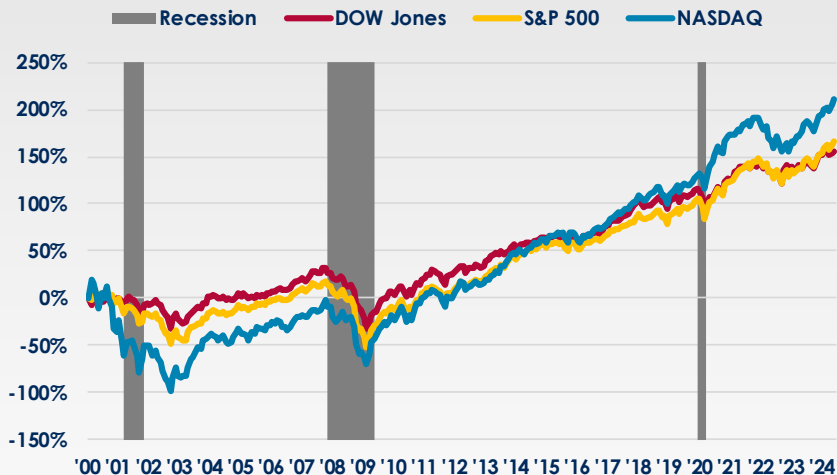
## CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



## THE FED HELD RATES AGAIN IN JUNE. ONLY 1 PROJECTED CUT IN 2024



## THE MAJOR INDEXES WERE UP AN AVERAGE 3.5% IN Q2



## 10-2 YEAR SPREAD REMAINS INVERTED IN Q2 ENDING AT -35 BPS

