Los Angeles

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DAUM
COMMERCIAL REAL ESTATE SERVICES

Q3 | 2024

Market Report

Inland Empire Industrial

West

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MARKET REPORT Q3

Industrial 2024 Inland Empire West

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MARKET ACTIVITY

Direct Vacancy ⩓ 6.1%	Net Absorption ⩔ 426,988 SF
Overall Vacancy ⩓ 7.6%	Gross Absorption ⩔ 8,937,954 SF
Under Construction ⩔ 10,283,936 SF	Rental Rates (NNN) ⩔ $1.26
Median Sale $/SF ⩓ $310.00	Deal Volume ⩔ $287.9M

KEY TAKE AWAYS

MARKET

- **Vacancy Rate**: Increased by 80 bps from revised Q2 to 7.6% in Q3. The highest vacancy rate since 2012.
- **Asking Rents:** Declined $0.04 PSF or 3.1% to a rate of $1.26 PSF NNN. Searching for equilibrium post pandemic boom.
- **Industrial Supply**: 4M SF was delivered in Q3. Construction activity revised down to 10.3M SF.
- **Sales:** The median price PSF in Q3 was $310.00. Volume in Q3 was down 56.0% to $287.9M.

ECONOMIC OUTLOOK

- **Interest Rates:** At the September meeting, the FOMC decided to cut rates by 50 bps ending the historic rate hike cycle. The average 30-Yr. mortgage rate fell to lowest level in two years. In Q3, the 10-2Yr. yield curve disinverted. A historical indicator of a coming recession.
- **Inflation**: CPI continues to be elevated above the Fed's 2% target, but gradually improving.
- **Supply Chain**: YTD Y/Y volume at the San Pedro Port Complex is up 19.5%. The cost from China/East Asia to North America West Coast declined 3.3% over Q3, ending at $6,816 per container. (Freightos). Continued Middle East tensions and labor strikes at East Coast ports could impact future pricing.

ECONOMIC OUTLOOK

U.S. Employment ⩓ 4.2%	U6 Rate ⩓ 7.9%
Interest Rate ⩔ 6.08% (30 year fixed)	Changing GDP ⩓ 2.5%
Port Traffic Y/Y Δ ⩓ 19.5%	NYSE Performance ⩓ 5.4%
Inflation Change ⩔ 2.59%	10 Yr. - 2 Yr. Spread ⩓ 15 BPS

EXPERIENCE IN A CHANGING MARKET
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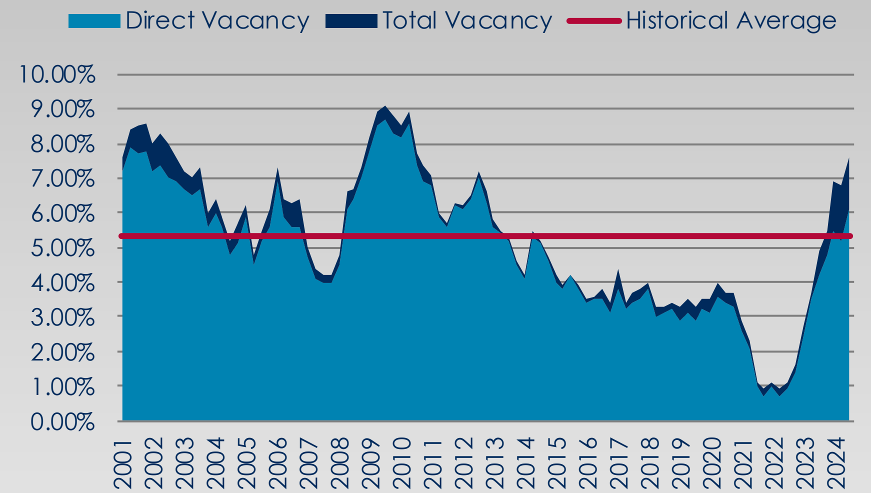
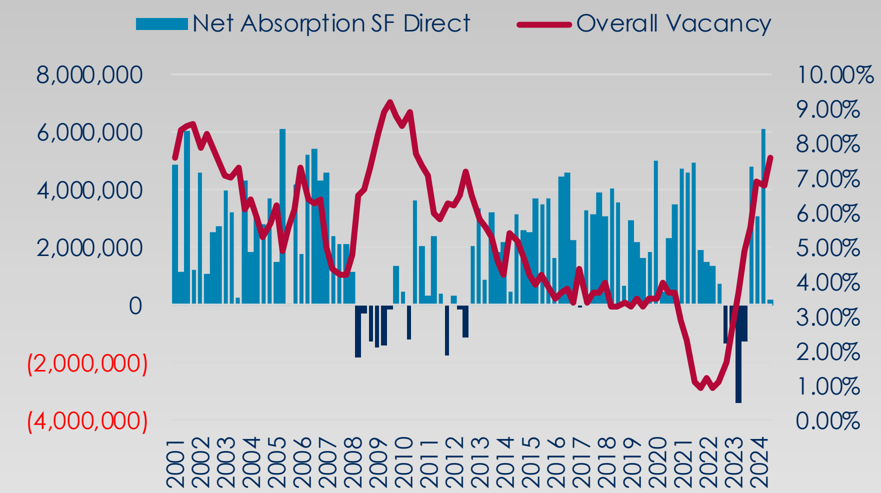
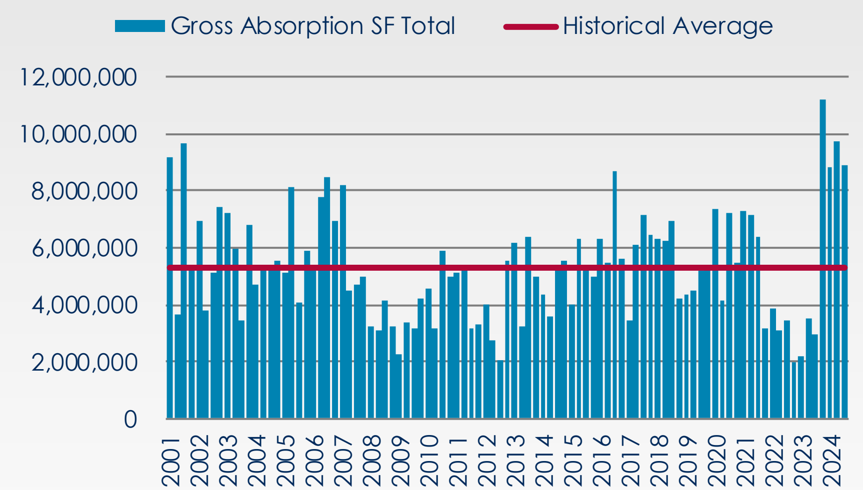
OVERALL VACANCY
INCREASED 80 BPS FROM Q2 TO 7.6% IN Q3



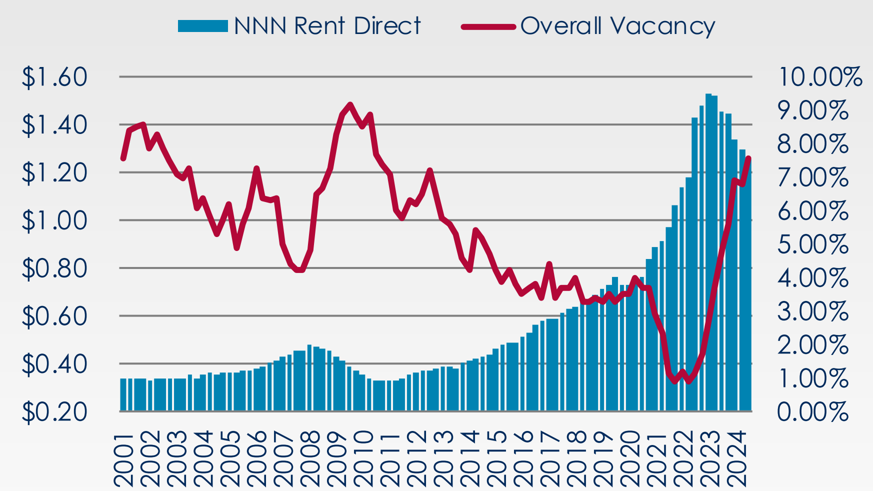
NET ABSORPTION
MINIMAL NET ABSORPTION IN Q3 TOTALING 427K SF



GROSS ABORPTION
DECLINED 8.2% FROM REVISED Q2 TOTALING 8.9M SF IN Q3



ASKING RENTS
DECLINE OF $0.04 PSF OR 3.1% TO A RATE OF $1.26 PSF NNN IN Q3



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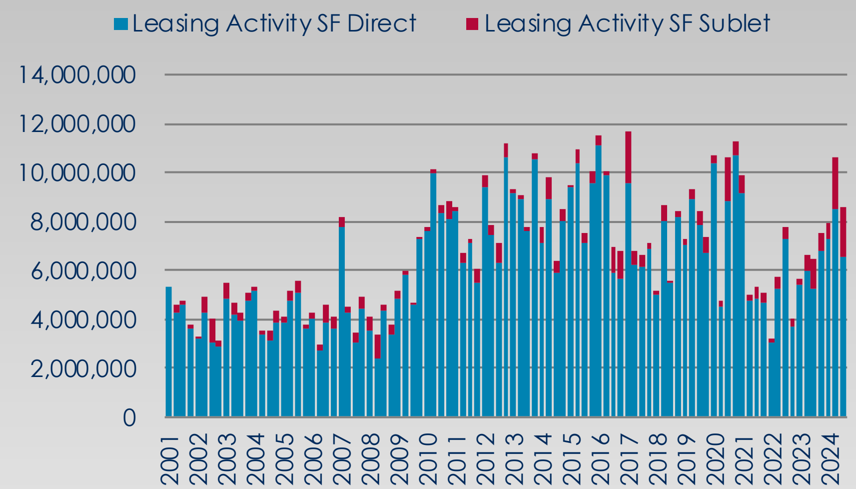
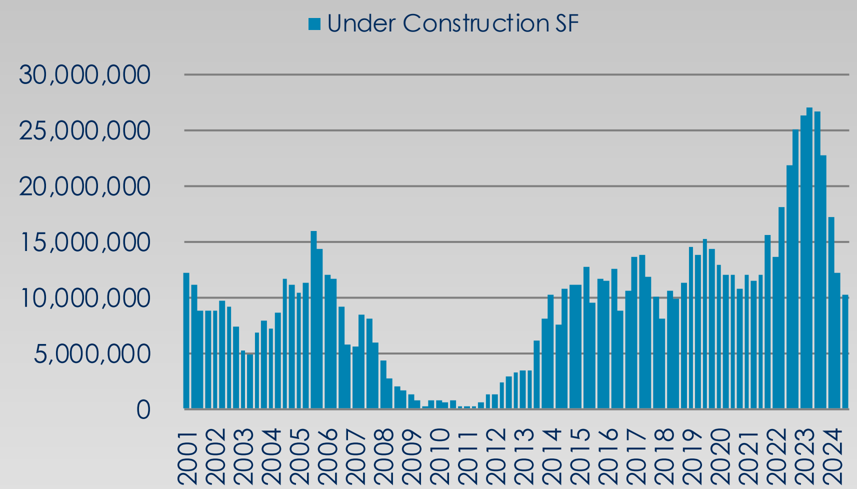
Q3 //////// Market Report

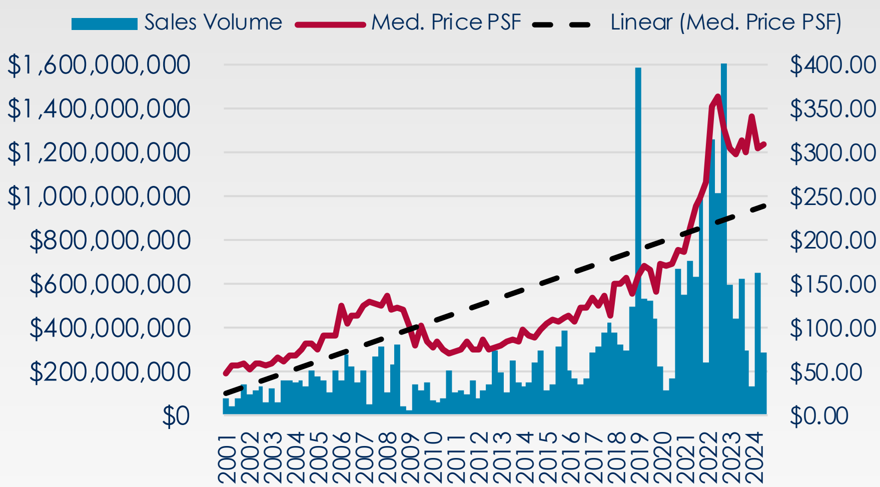
LEASING ACTIVITY
DECLINED 19.3% FROM Q2 TOTALING 8.56M SF IN Q3

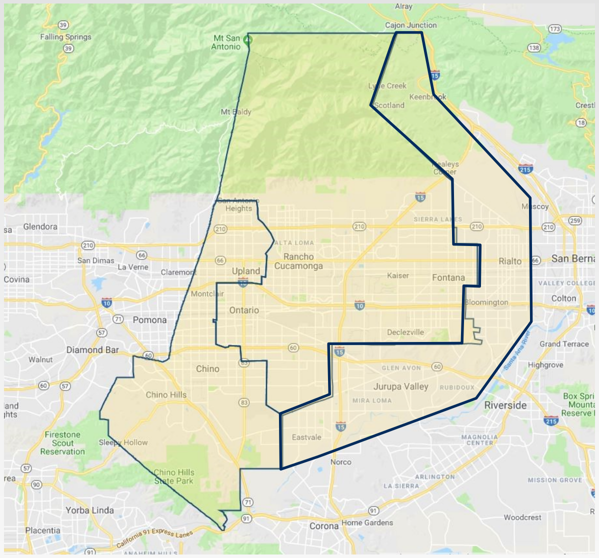


CONSTRUCTION ACTIVITY
4M SF WAS DELIVERED IN Q3. UC REVISED TO 10.3M SF



SALES
Q3 VOLUME WAS $287.9M. MEDIAN PRICE WAS $310.00 PSF





Inland Empire | Industrial //// Q3 2024

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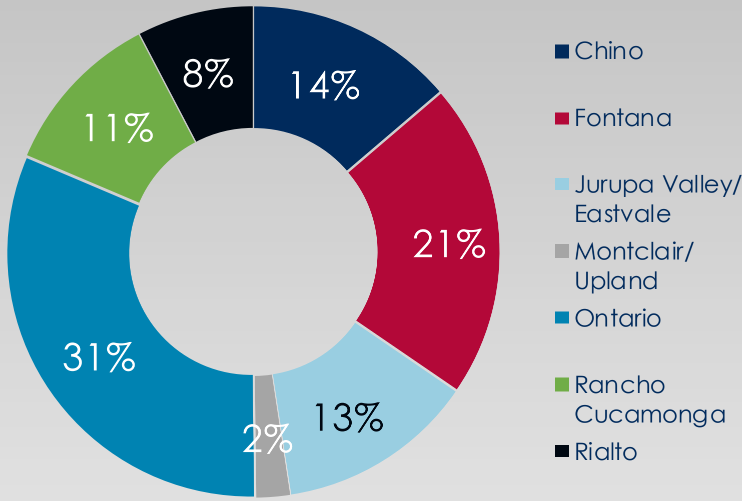
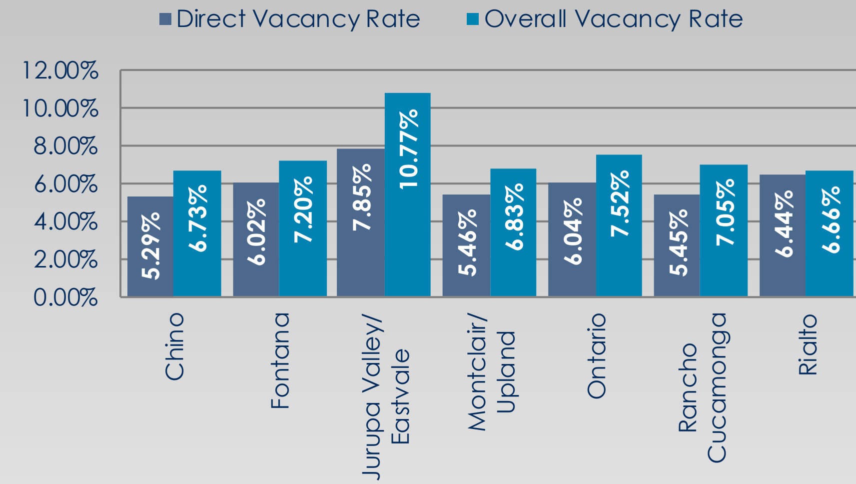
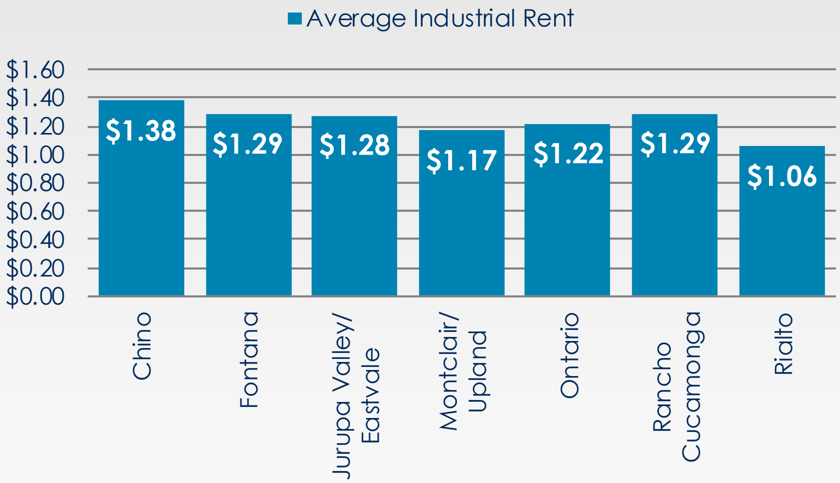
SQUARE FOOT BREAKDOWN– 414,351,533 SF MARKET SIZE



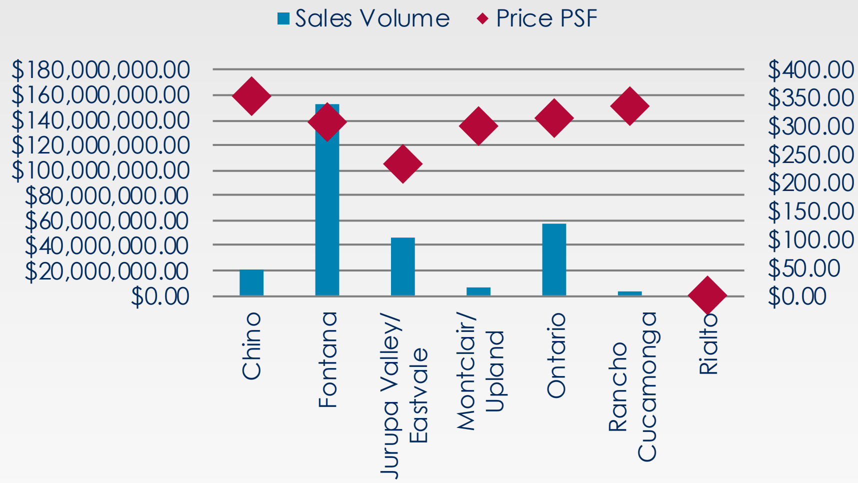
VACANCY BREAKDOWN



AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



VOLUME BREAKDOWN



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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.

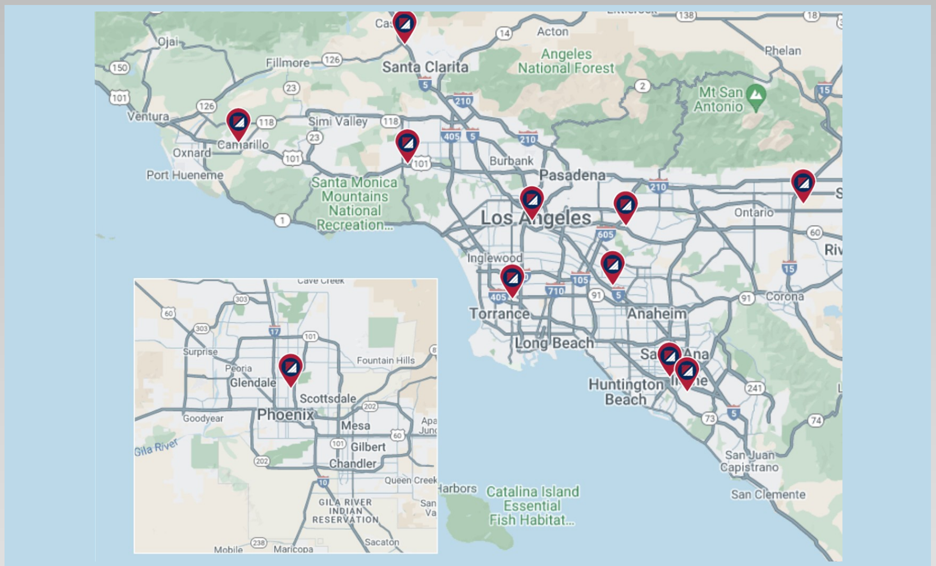
Vacancy W/ Sublet Rate
Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

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



MARKET	OFFICE ADDRESS	PHONE NUMBER
LOS ANGELES	801 S FIGUEROA ST. SUITE 600 LOS ANGELES, CA 90017	213-626-9101
LOS ANGELES NORTH	21820 BURBANK BLVD. SUITE 130 WOODLAND HILLS, CA 91367	818-887-3600
SANTA CLARITA VALLEY	27200 TOURNEY RD. SUITE 425 VALENCIA, CA 91355	661-705-2299
SAN GABRIEL VALLEY	13181 CROSSROADS PKWY N. SUITE 100 CITY OF INDUSTRY, CA 91746	562-695-7244
SOUTH BAY	19191 S VERMONT AVE. SUITE 850 TORRANCE, CA 90502	310-538-6700
MID-COUNTIES	13810 CERRITOS CORPORATE DR. SUITE C CERRITOS, CA 90703	562-207-3300
ORANGE COUNTY	4400 MACARTHUR BLVD. SUITE 950 NEWPORT BEACH, CA 92660	949-724-1900
VENTURA COUNTY	751 DAILY DR. SUITE 105 CAMARILLO, CA 93010	805-987-8866
INLAND EMPIRE	3595 E INLAND EMPIRE BLVD. BLDG 5 ONTARIO, CA 91764	909-980-1234
PHOENIX	1702 E HIGHLAND AVE. SUITE 120 PHOENIX, AZ 85016	602-957-7300
INVESTMENT DIVISION	650 TOWN CENTER DR. SUITE 120 COSTA MESA, CA 92626	949-341-4500

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Market Report

Inland Empire Industrial

East

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MARKET REPORT Q3

Industrial 2024 Inland Empire East

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MARKET ACTIVITY

Direct Vacancy	Up	6.6%
Net Absorption	Down	-820,755 SF
Overall Vacancy	Up	9.0%
Gross Absorption	Down	3,745,594 SF
Under Construction	Down	4,801,425 SF
Rental Rates (NNN)	Down	$1.12
Median Sale $/SF	Down	$250.34
Deal Volume	Up	$311.3M

KEY TAKE AWAYS

MARKET

- **Vacancy Rate**: Increase of 65 bps to 9.0% in Q3. Highest since 2011.
- **Net Absorption**: Direct was slightly positive in Q3. Overall was weaker totaling -821K SF.
- **Asking Rents**: Declined by $0.05 PSF or 4.3% to a rate of $1.12 PSF NNN in Q3.
- **Industrial Supply**: 982K SF was delivered in Q3. Construction activity revised to 4.8M SF.
- **Sales**: The median sale price PSF in Q3 was $250.34. Total volume in Q3 was up 24.1% to $311.3M. The sale of 7250 Cajon Blvd in San Bernardino sold for $168.3M. Accounting for 54.1% of the total volume.

ECONOMIC OUTLOOK

- **Interest Rates:** At the September meeting, the FOMC decided to cut rates by 50 bps ending the historic rate hike cycle. The average 30-Yr. mortgage rate fell to lowest level in two years. In Q3, the 10-2Yr. yield curve disinverted. A historical indicator of a coming recession.
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- **Supply Chain**: YTD Y/Y volume at the San Pedro Port Complex is up 19.5%. The cost from China/East Asia to North America West Coast declined 3.3% over Q3, ending at $6,816 per container. (Freightos). Continued Middle East tensions and labor strikes at East Coast ports could impact future pricing.

ECONOMIC OUTLOOK

U.S. Employment	Up	4.2%
U6 Rate	Up	7.9%
Interest Rate	Down	6.08% (30 year fixed)
Changing GDP	Up	2.5%
Port Traffic Y/Y Δ	Up	19.5%
NYSE Performance	Up	5.4%
Inflation Change	Down	2.59%
10 Yr. - 2 Yr. Spread	Up	15 BPS

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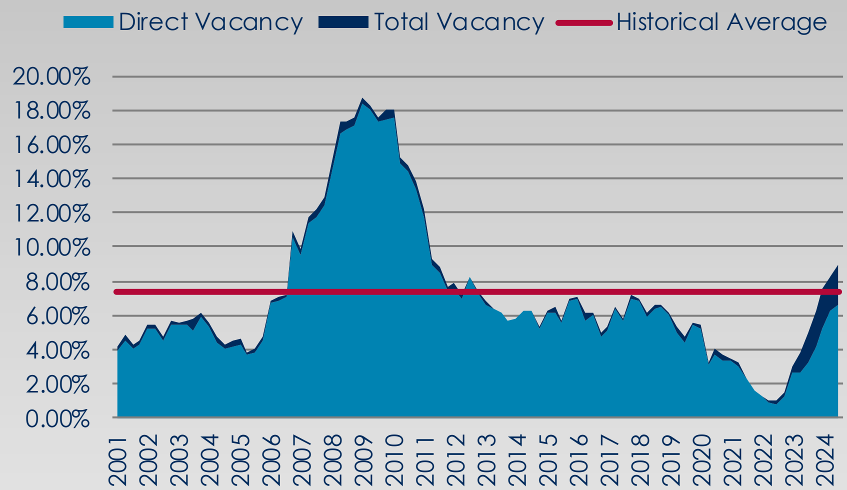
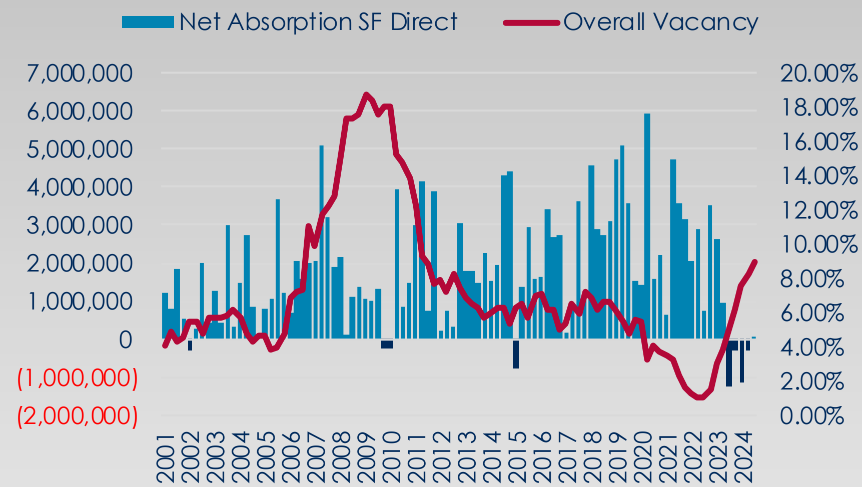
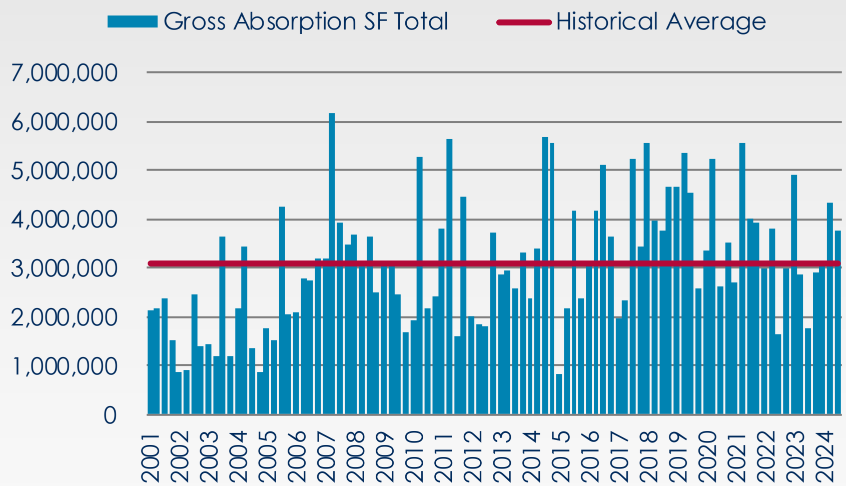
OVERALL VACANCY
INCREASED 65 BPS FROM Q2 TO 9.0% IN Q3



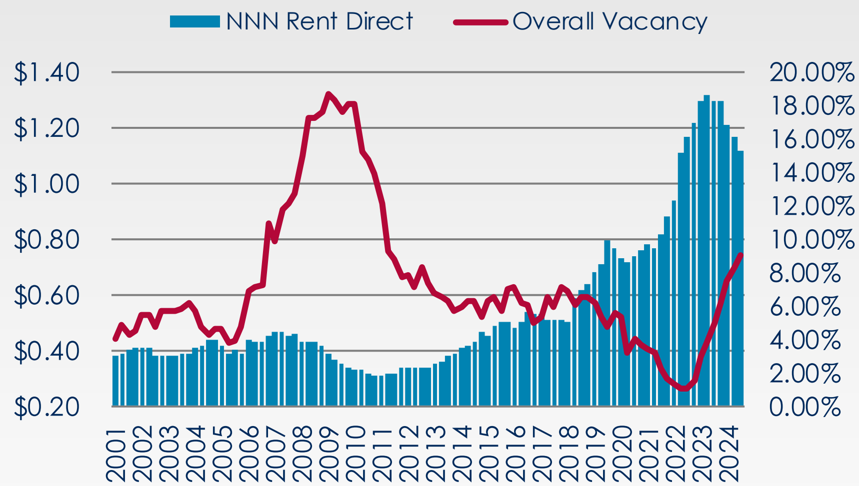
NET ABSORPTION
DIRECT WAS POSITIVE IN Q3. OVERALL WEAKER AT -821K SF



GROSS ABORPTION
DECLINED BY 13.2% FROM Q2 TO 3.7M SF IN Q3



ASKING RENTS
FELL BY $0.05 PSF OR 4.3% TO $1.12 PSF NNN IN Q3



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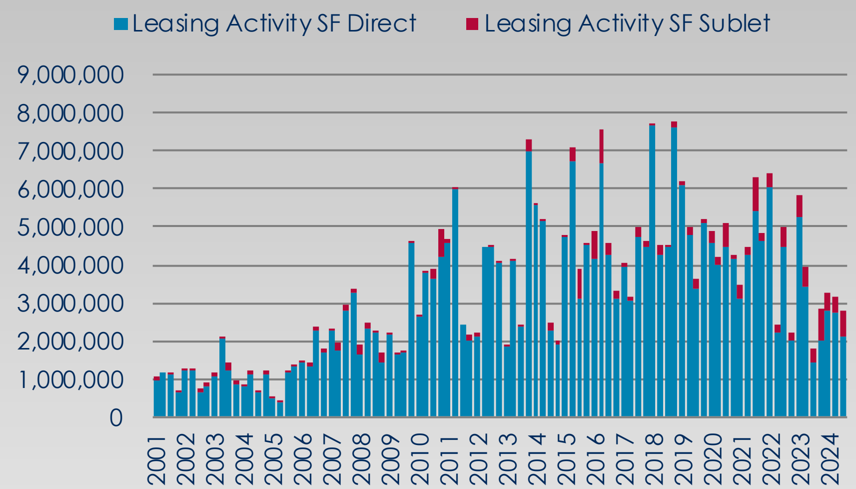
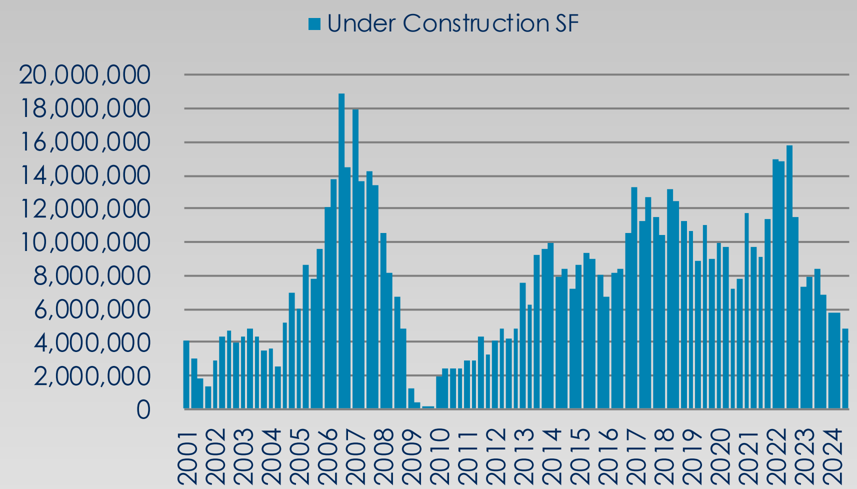
Q3 //////// Market Report

Inland Empire | Industrial //// Q3 2024

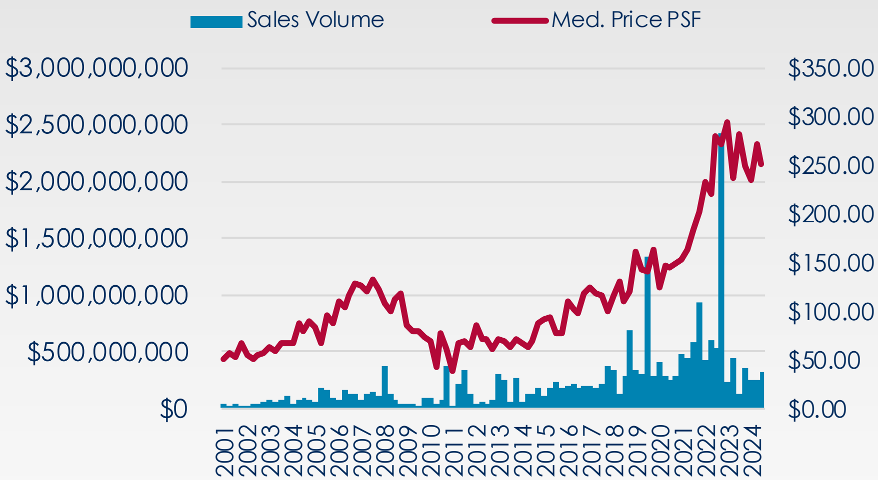
LEASING ACTIVITY
DECLINED 11.0% FROM Q2 TOTALING 2.8M SF IN Q3

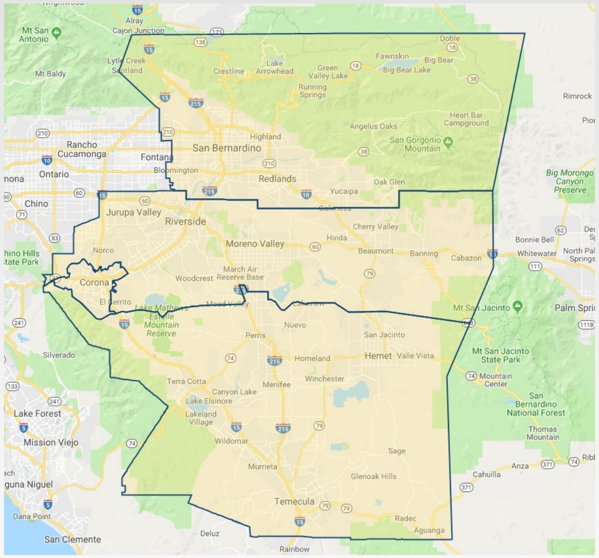


CONSTRUCTION ACTIVITY
982K SF WAS DELIVERED IN Q3. UC REVISED TO 4.8M SF



SALES
VOLUME WAS $311.3M. MEDIAN PRICE IN Q3 WAS $250.34 PSF





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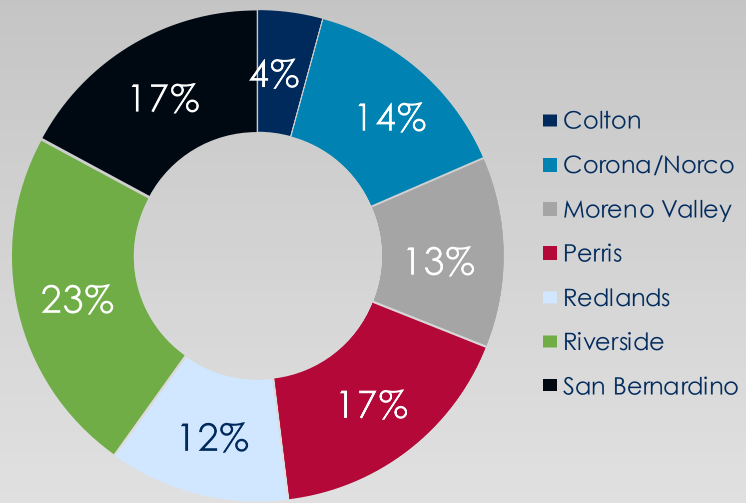
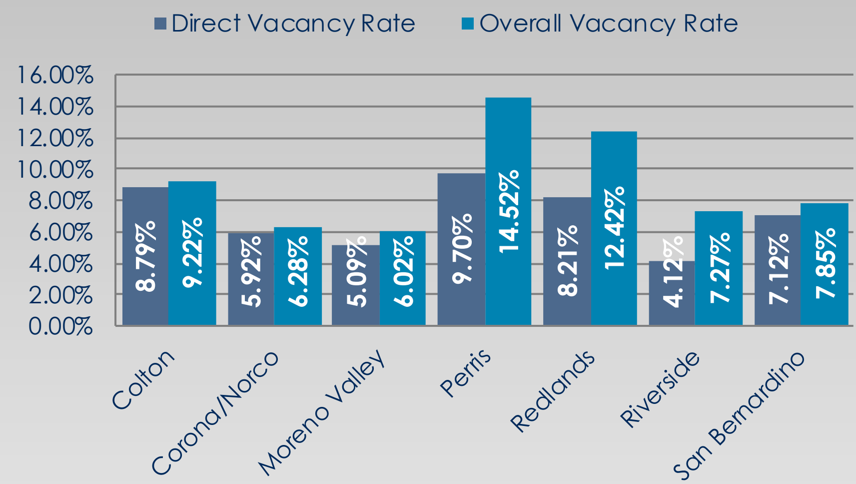
Inland Empire | Industrial //// Q3 2024

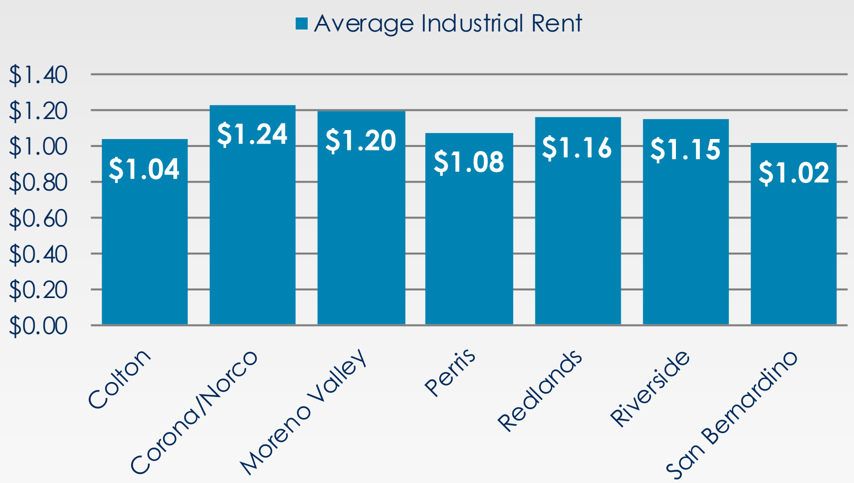
SQUARE FOOT BREAKDOWN– 265,949,131 SF MARKET SIZE



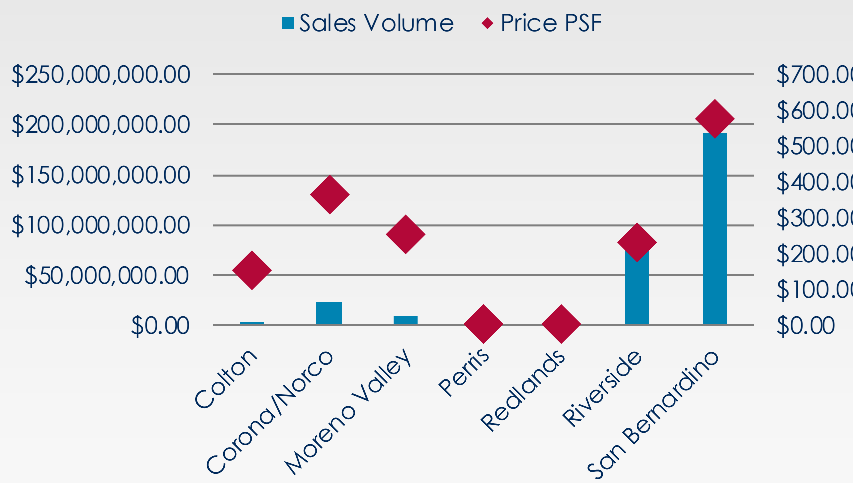
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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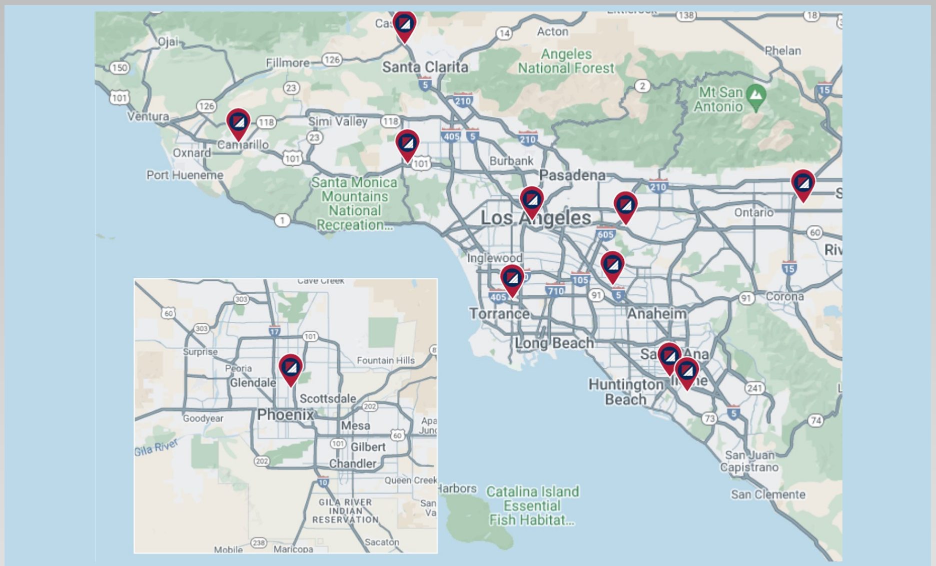

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Economic Overview

Q3 2024

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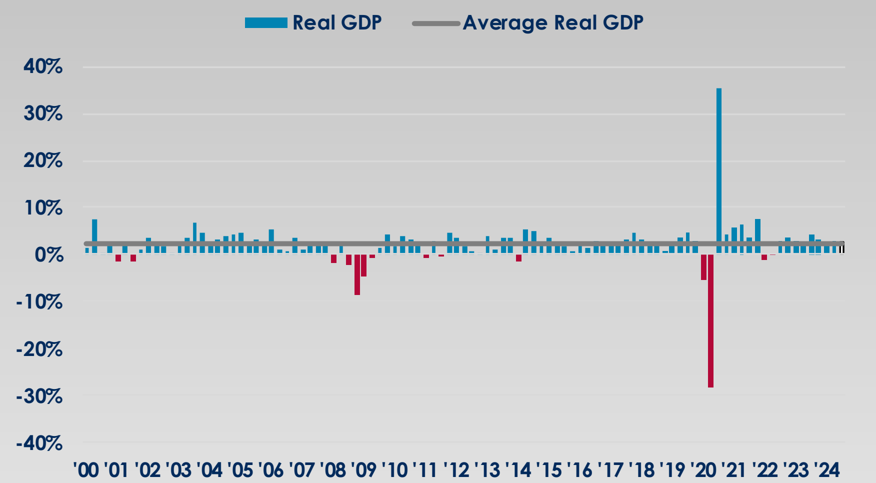
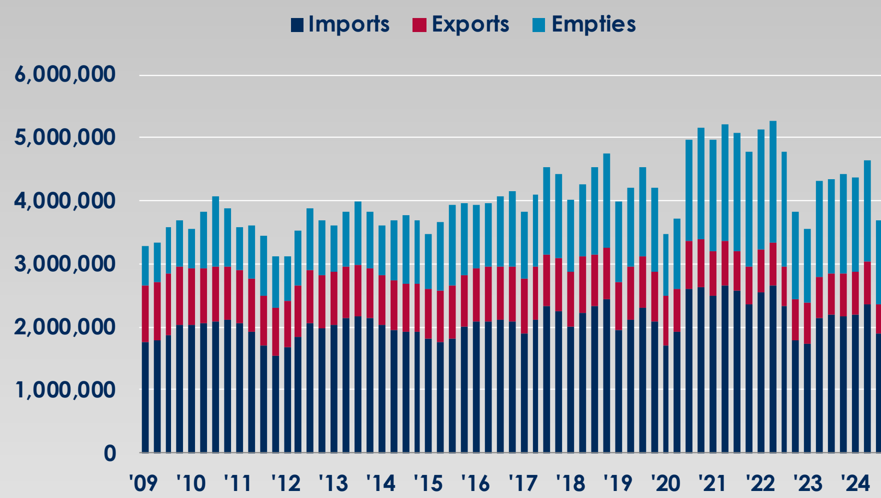
Q3 ////////// Market Report

GDP IN Q2 FINISHED AT 3.0%. Q3 ESTIMATE AT 2.5% PER GDPNOW

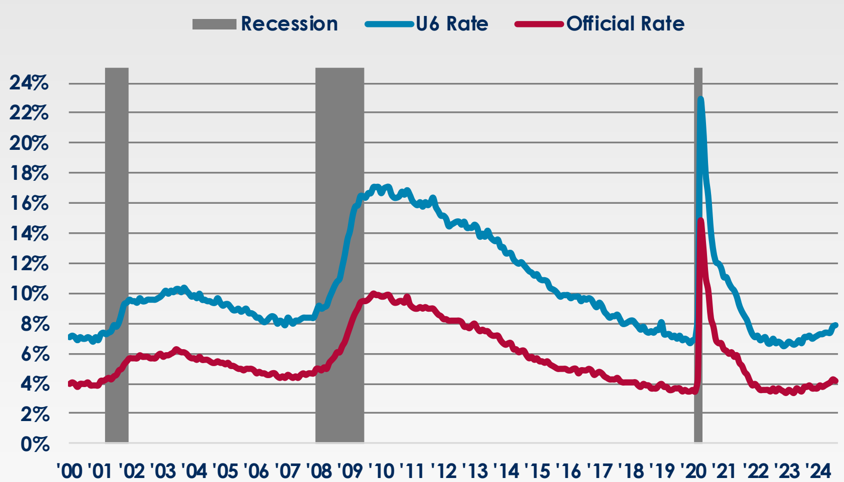


**2.5% Estimate for Q3-24 from the Federal Reserve Bank of Atlanta GDPNow*

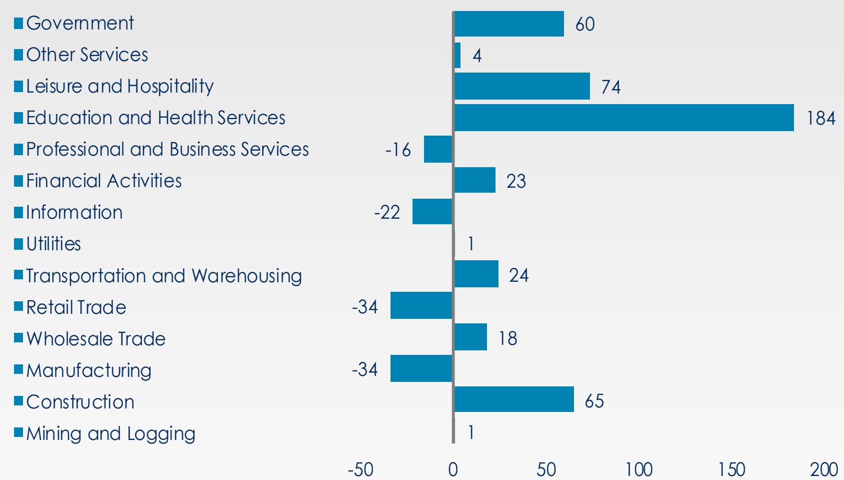
PORT ACTIVITY IN Q2 WAS UP 7.6% Y/Y. YTD UP 19.5% Y/Y



LABOR MARKET SHOWING SIGNS OF SOFTENING



EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q3



National Economic Overview //// Q3 2024

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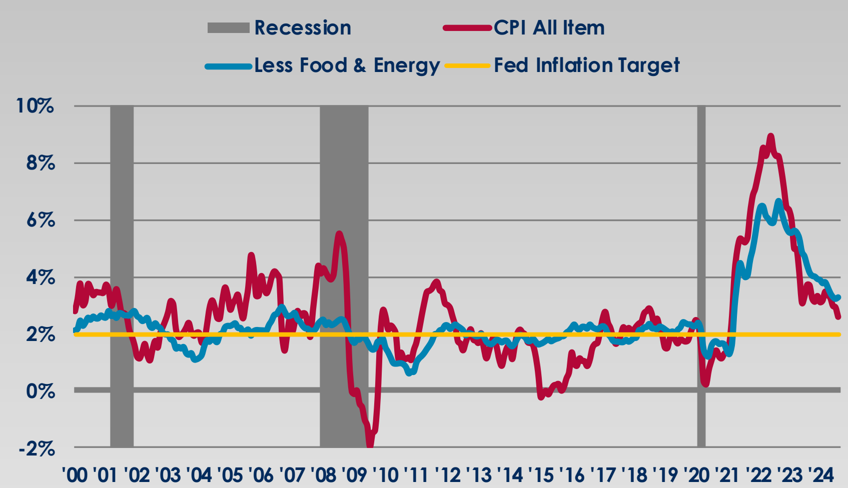
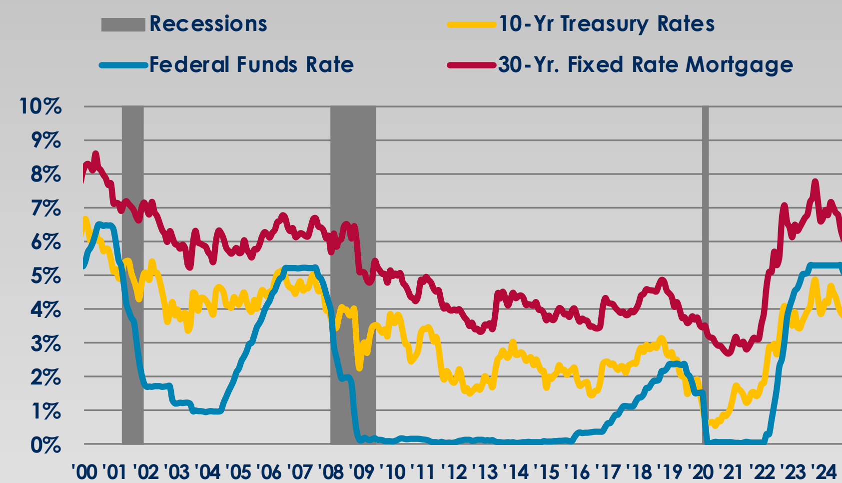
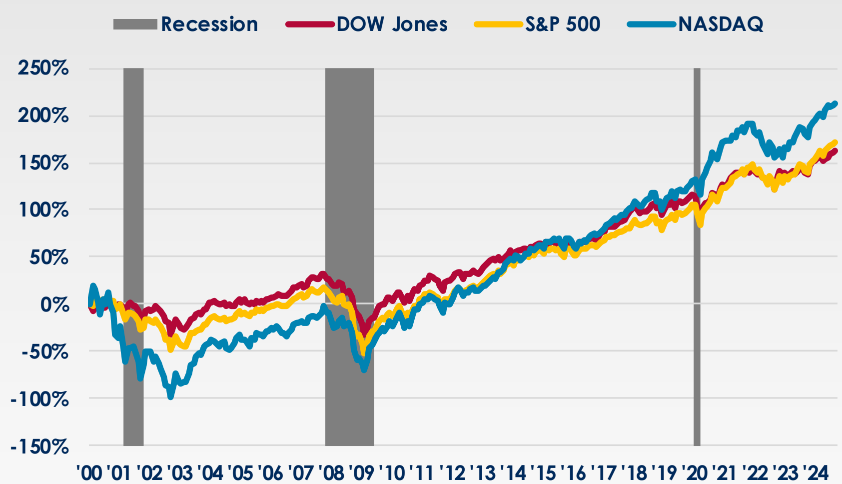
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



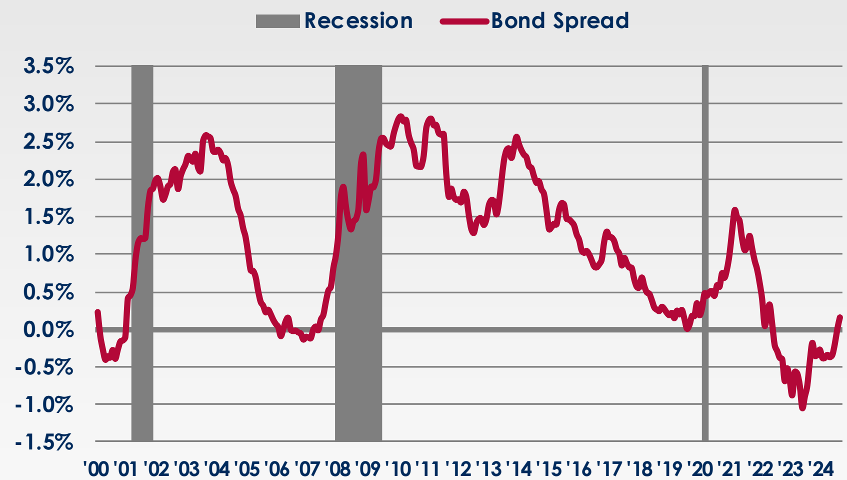
THE FED CUT RATES BY 50 BPS IN SEPTEMBER IN RECALIBRATION



THE MAJOR INDEXES AT ALL TIME HIGHS UP AN AVERAGE 5.4% IN Q3



10-2 YEAR SPREAD DISINVERTED IN Q3 ENDING AT 15 BPS



DAUM
COMMERCIAL REAL ESTATE SERVICES

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