

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q1 | 2025

# Market Report

Inland Empire Industrial



West

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### MARKET ACTIVITY

### KEY TAKE AWAYS

### ECONOMIC OUTLOOK

#### MARKET

- **Vacancy Rate:** Declined by 95 bps from Q4 to a rate of 5.85% in Q1.
- **Asking Rents:** Declined \$0.01 PSF or 0.8% to a rate of \$1.18 PSF NNN. Searching for equilibrium post pandemic boom.
- **Industrial Supply:** 715K SF was delivered in Q1. Construction activity revised to 6.7M SF.
- **Sales:** The median price PSF in Q1 was \$321.52. Volume in Q1 was down 79.2% to \$130.5M.

#### ECONOMIC OUTLOOK

- **Interest Rates:** At both the January & March meetings, the FOMC decided hold rates at 4.25-4.50%. FOMC members are only projecting two 25 bps cuts to occur in 2025.
- **Supply Chain:** YTD Y/Y volume at the San Pedro Port Complex is up 15.3%. The cost from China/East Asia to North America West Coast declined 63% over Q1, ending at \$2,187 per container. (Freightos). Newly announced sweeping tariffs aimed at resetting global trade will potentially have a significant impact on businesses and consumers. To avoid the impact of the tariffs, businesses may decide to onshore manufacturing. A positive sign for the industrial real estate sector.

  
Direct Vacancy  
✓ 4.67%

  
Net Absorption  
▲ 4,634,552 SF

  
Overall Vacancy  
✓ 5.85%

  
Gross Absorption  
✓ 10,323,675 SF

  
Under Construction  
✓ 6,717,667 SF

  
Rental Rates (NNN)  
✓ \$1.18

  
Median Sale \$/SF  
▲ \$321.52


  
Deal Volume  
✓ \$130.5M

  
U.S. Employment  
◀ 4.1%

  
U6 Rate  
▲ 8.0%


  
Interest Rate  
✓ 6.65%  
(30 year fixed)

  
Changing GDP  
✓ -3.7%

  
Port Traffic Y/Y Δ  
▲ 15.3%

  
NYSE Performance  
✓ -5.4%

  
Inflation Change  
▲ 2.81%

  
10 Yr. - 2 Yr. Spread  
▲ 34 BPS

EXPERIENCE IN A CHANGING MARKET

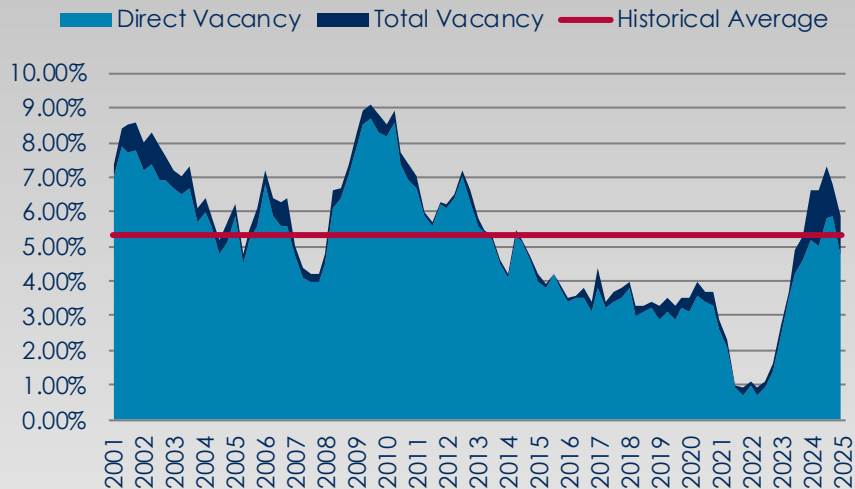
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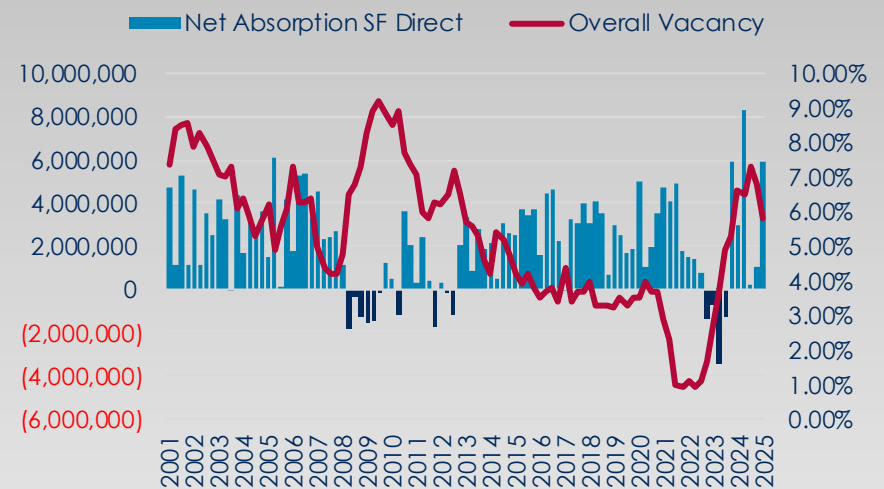
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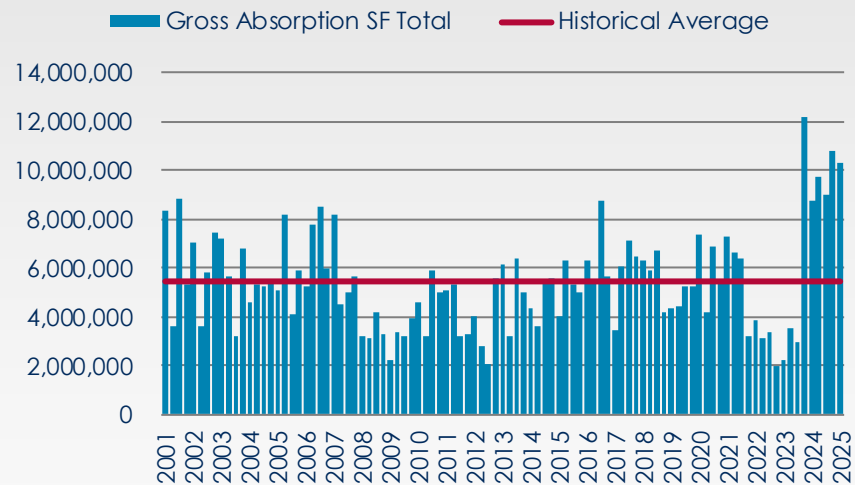
## OVERALL VACANCY DECLINED 95 BPS FROM Q4 TO 5.85% IN Q1



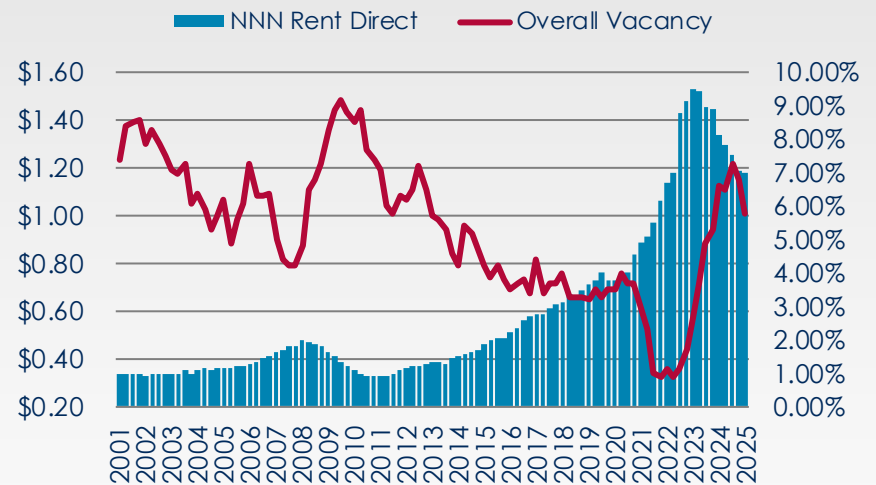
## NET ABSORPTION STRONGER DEMAND IN Q1 TOTALING 4.6M SF



## GROSS ABSORPTION DECLINED 4.2% FROM Q4 TOTALING 10.3M SF IN Q1

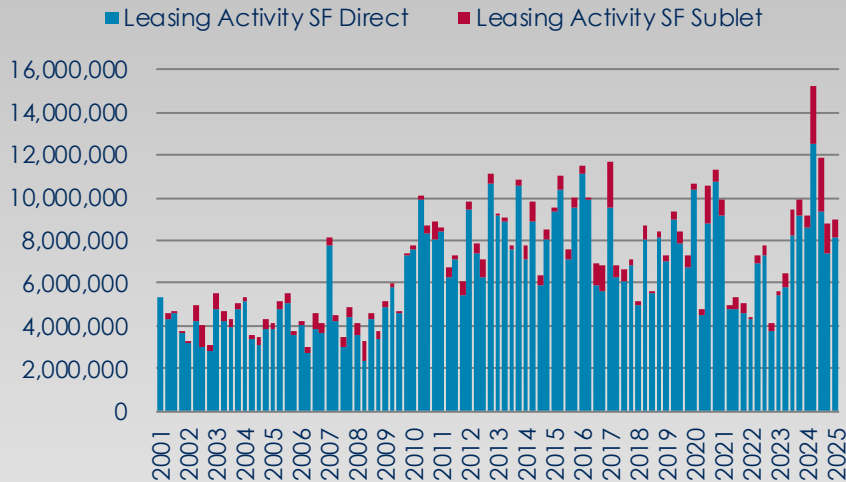


## ASKING RENTS DECLINE OF \$0.01 PSF OR 0.8% TO A RATE OF \$1.18 PSF NNN IN Q1

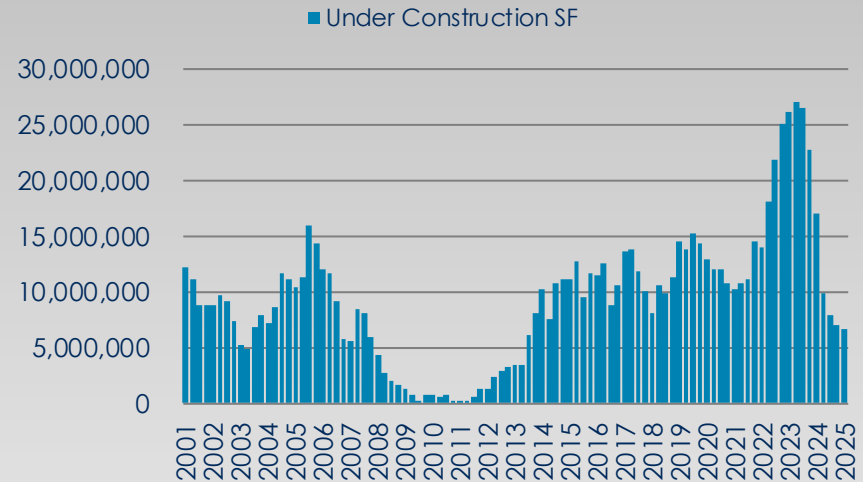




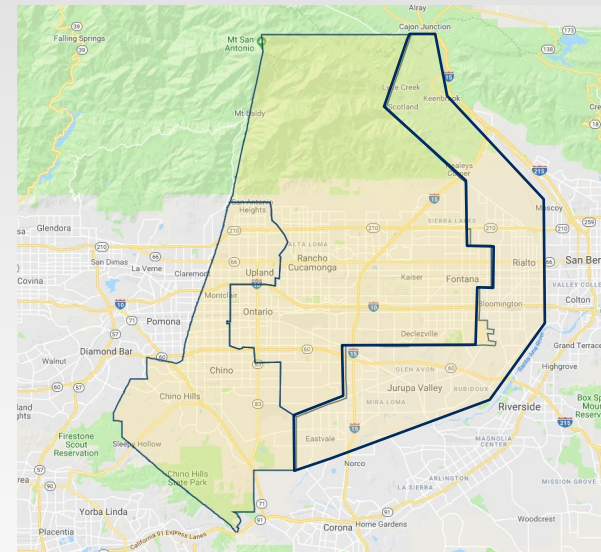
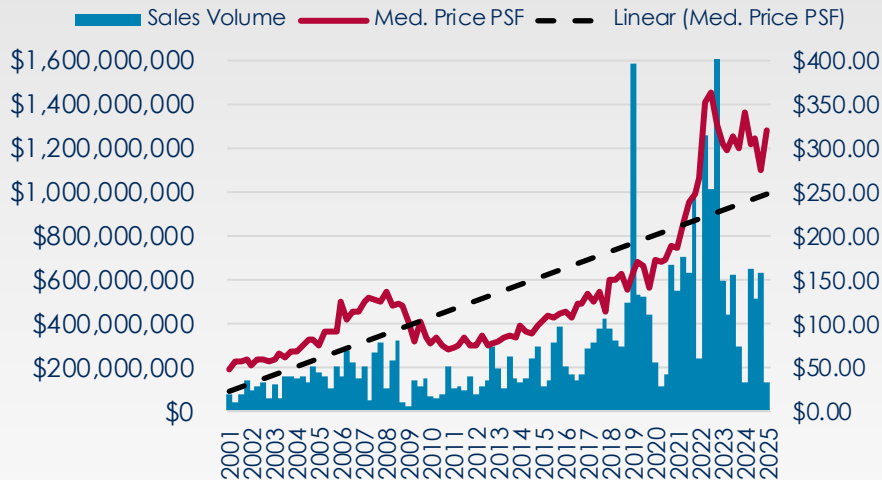
## LEASING ACTIVITY INCREASED 1.8% FROM REVISED Q4 TOTALING 8.9M SF IN Q1



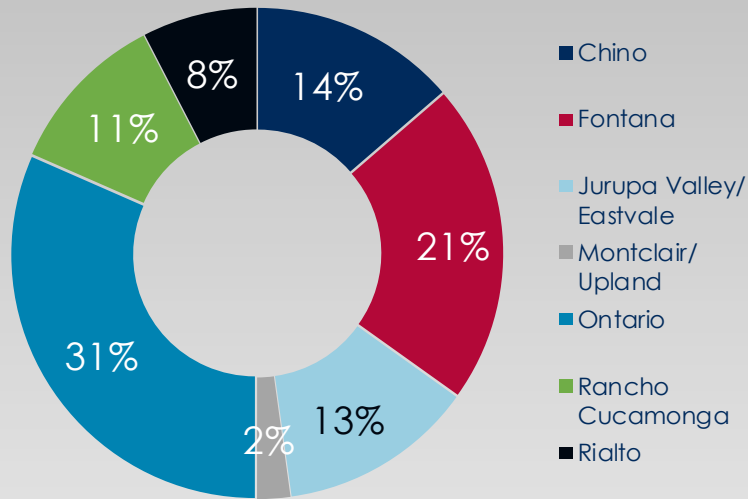
## CONSTRUCTION ACTIVITY 715K SF WAS DELIVERED IN Q1. UC REVISED TO 6.7M SF



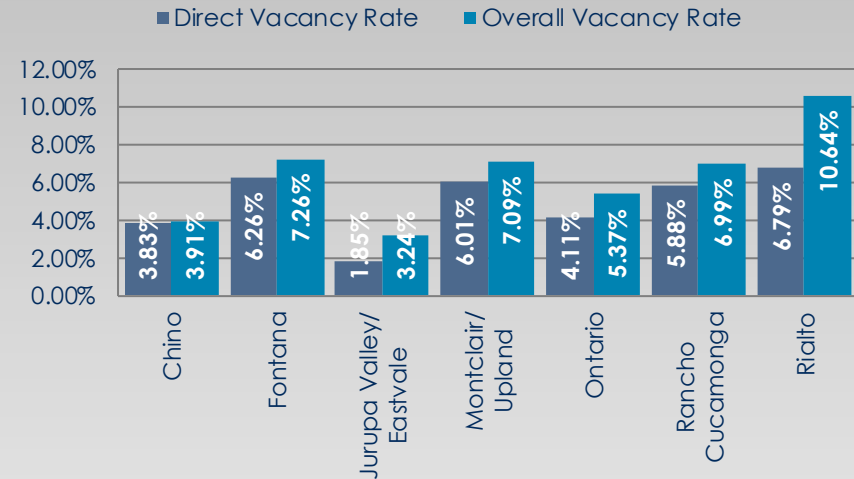
## SALES Q1 VOLUME WAS \$130.5M. MEDIAN PRICE WAS \$321.52 PSF



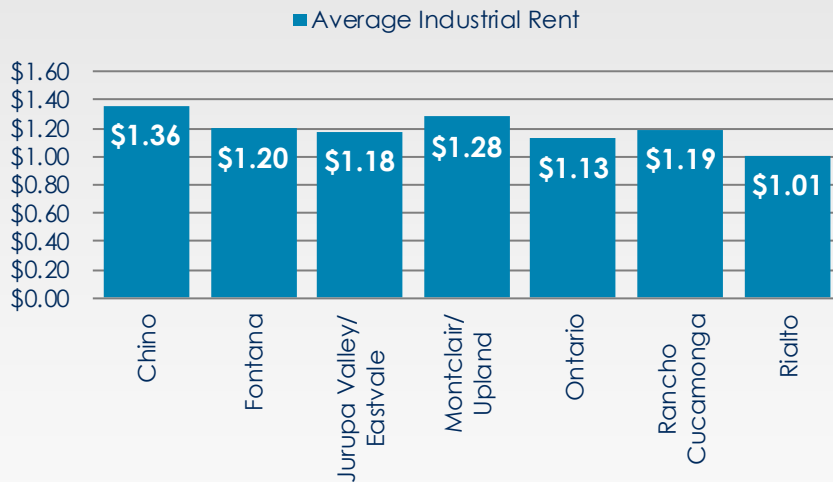
## SQUARE FOOT BREAKDOWN- 418,793,973 SF MARKET SIZE



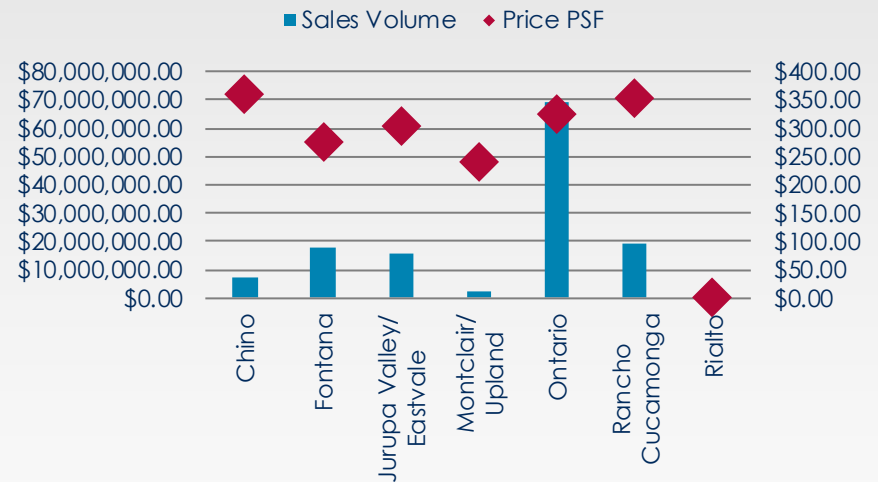
## VACANCY BREAKDOWN



## 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

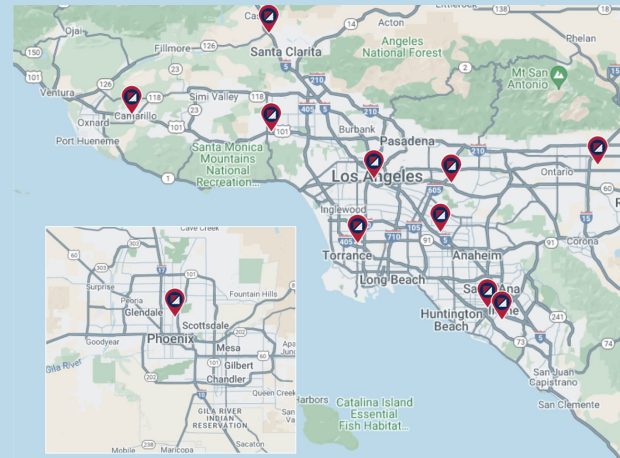
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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 2025

New buildings with original construction completed in the year 2025 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
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# Market Report

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### MARKET ACTIVITY

### KEY TAKE AWAYS

### ECONOMIC OUTLOOK

#### MARKET

Note: Market survey was expanded to include Beaumont/ Hemet & Coachella Valley areas.

- **Vacancy Rate:** Increased 29 bps to 8.61% in Q1.
- **Net Absorption:** Weaker demand in Q1, totaling -405,524 SF.
- **Industrial Supply:** 563K SF was delivered in Q1. Construction activity revised to 6M SF.
- **Sales:** The median sale price PSF in Q1 was \$221.15. Total volume in Q1 was up 29.0% to \$347.2M. The largest sale in Q1 was 21600 Cactus Ave in Perris. Sold for \$257.05M at \$289.00 PSF.

#### ECONOMIC OUTLOOK

- **Interest Rates:** At both the January & March meetings, the FOMC decided hold rates at 4.25-4.50%. FOMC members are only projecting two 25 bps cuts to occur in 2025.
- **Supply Chain:** YTD Y/Y volume at the San Pedro Port Complex is up 15.3%. The cost from China/East Asia to North America West Coast declined 63% over Q1, ending at \$2,187 per container. (Freightos). Newly announced sweeping tariffs aimed at resetting global trade will potentially have a significant impact on businesses and consumers. To avoid the impact of the tariffs, businesses may decide to onshore manufacturing. A positive sign for the industrial real estate sector.

  
Direct Vacancy  
⬆ 6.35%

  
Net Absorption  
⬇ -405,524 SF

  
Overall Vacancy  
⬆ 8.61%

  
Gross Absorption  
⬇ 3,970,082 SF

  
Under Construction  
⬆ 6,008,810 SF

  
Rental Rates (NNN)  
⬇ \$1.01

  
Median Sale \$/SF  
⬇ \$221.15


  
Deal Volume  
⬆ \$347.2M

  
U.S. Employment  
⬇ 4.1%

  
U6 Rate  
⬆ 8.0%


  
Interest Rate  
⬇ 6.65%  
(30 year fixed)

  
Changing GDP  
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Port Traffic Y/Y Δ  
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EXPERIENCE IN A CHANGING MARKET

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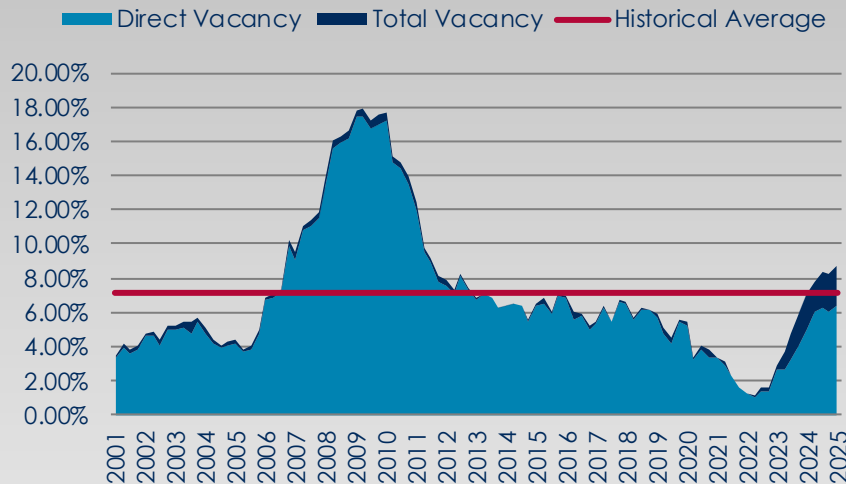


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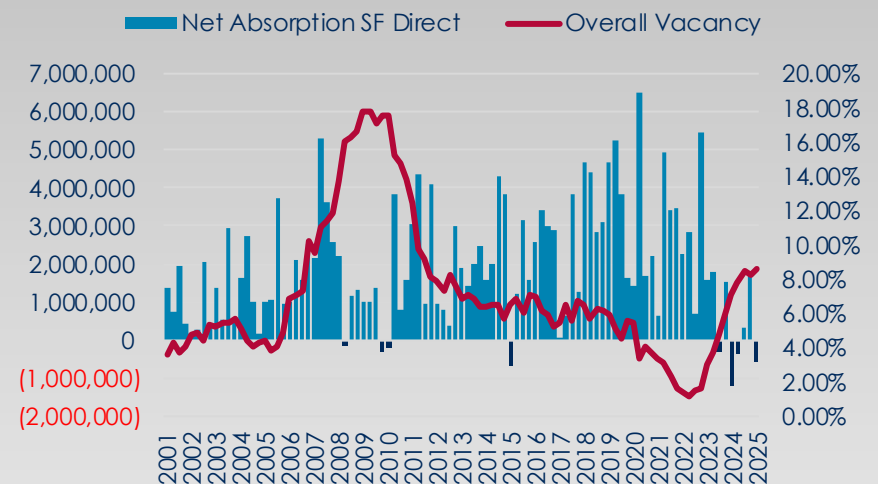
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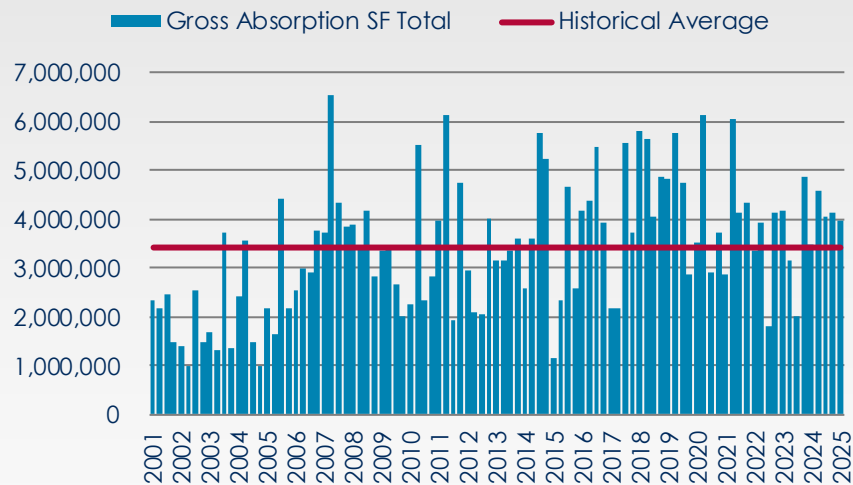
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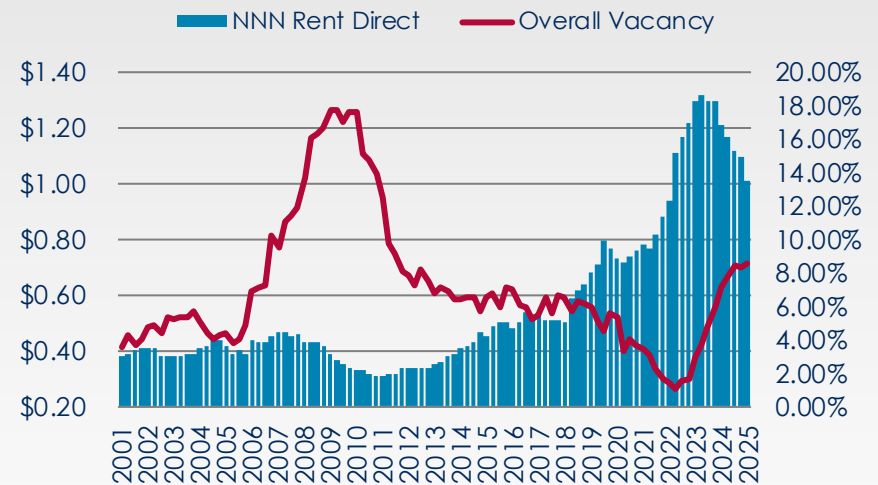
## NET ABSORPTION WEAKER DEMAND IN Q1 TOTALING -405K SF



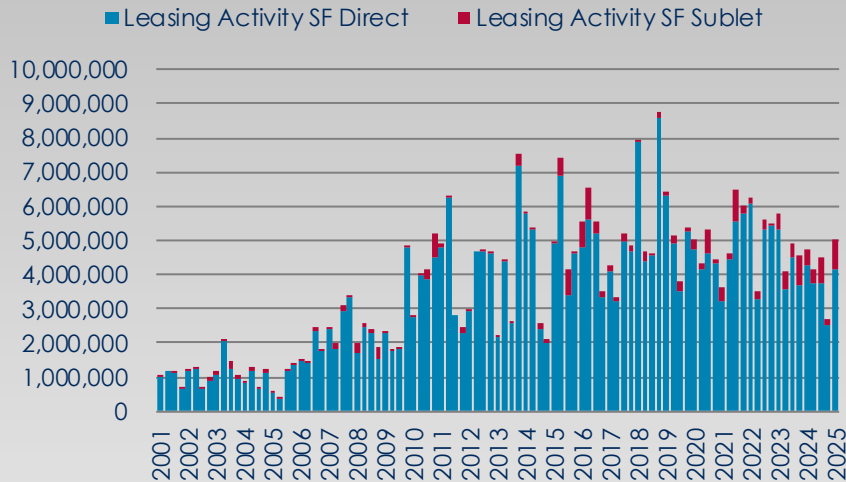
## GROSS ABSORPTION DECLINED BY 4.4% FROM Q4 TO 3.97M SF IN Q1



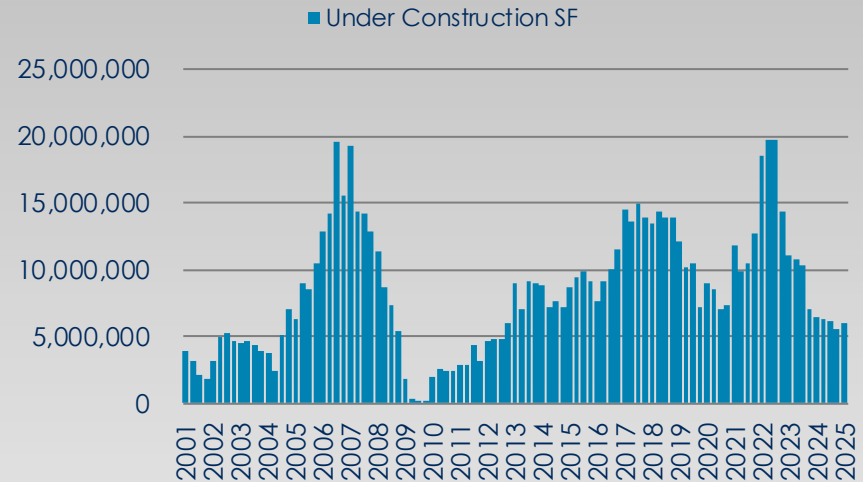
## ASKING RENTS FELL BY \$0.09 PSF OR 8.2% TO \$1.01 PSF NNN IN Q1



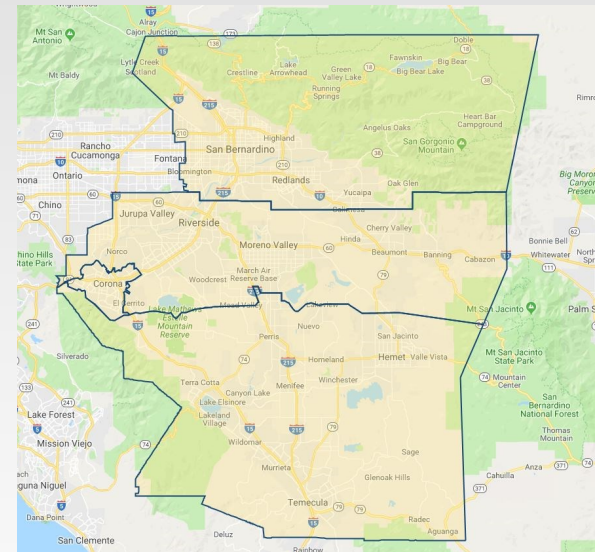
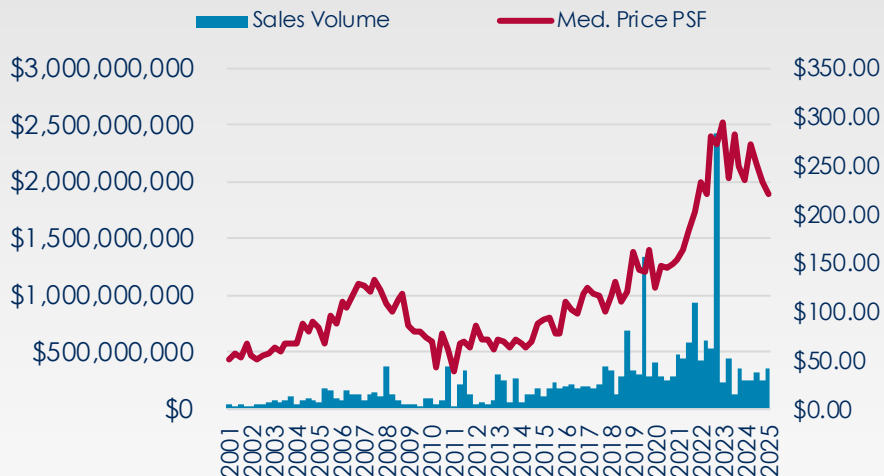
## LEASING ACTIVITY JUMPED 87% FROM Q4 TOTALING 5.05M SF IN Q1



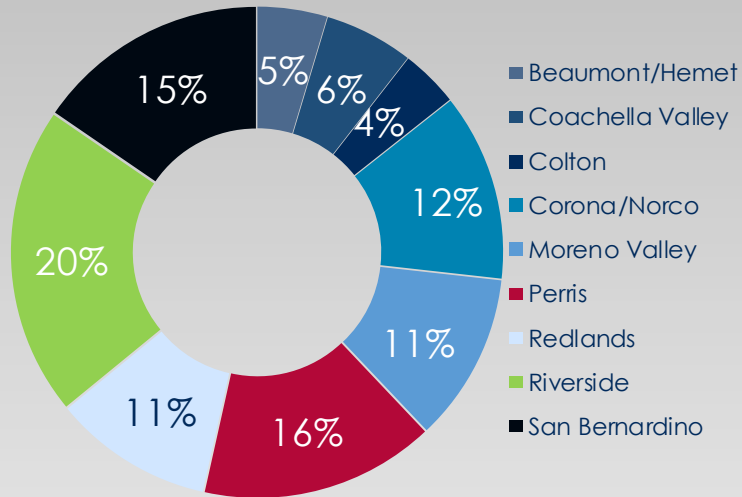
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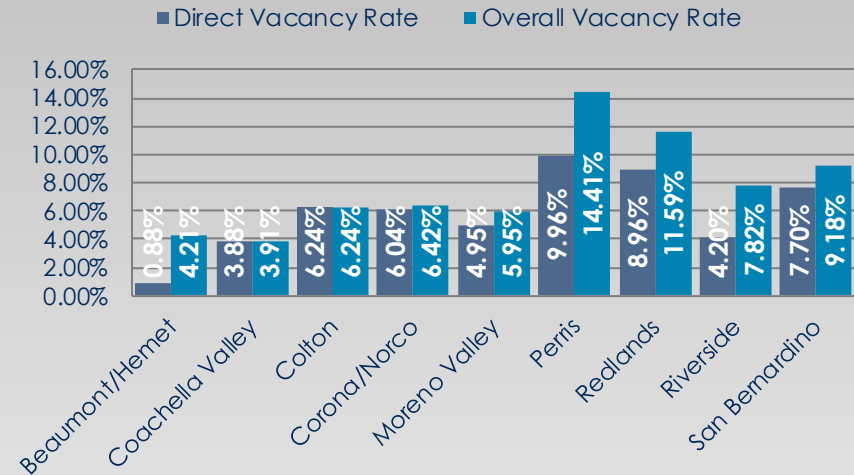
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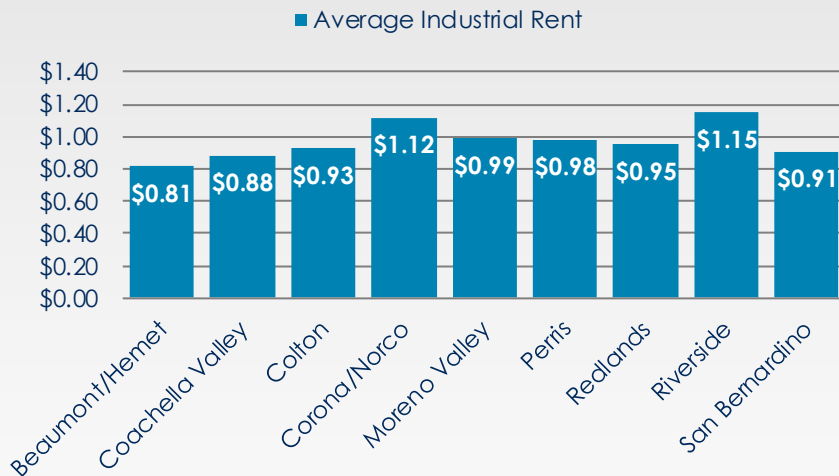
## SQUARE FOOT BREAKDOWN- 298,321,430 SF MARKET SIZE



## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN





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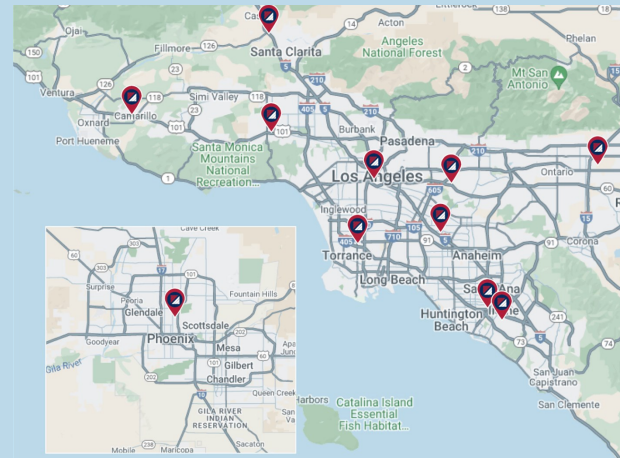
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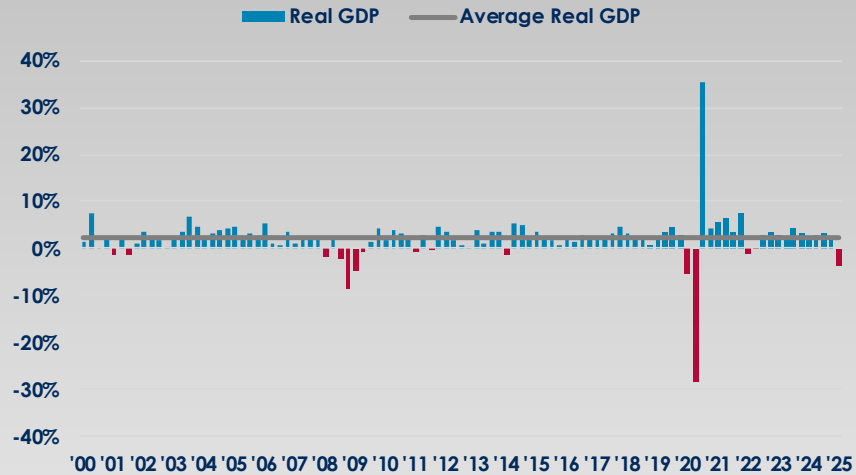
# Economic Overview

Q1 2025



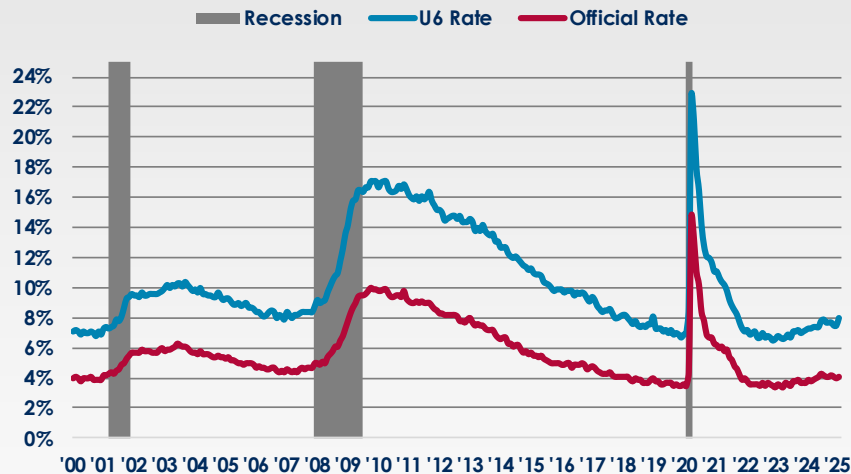
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GDP IN Q4 FINISHED AT 2.4%. Q1 ESTIMATE AT -3.7% PER GDPNOW

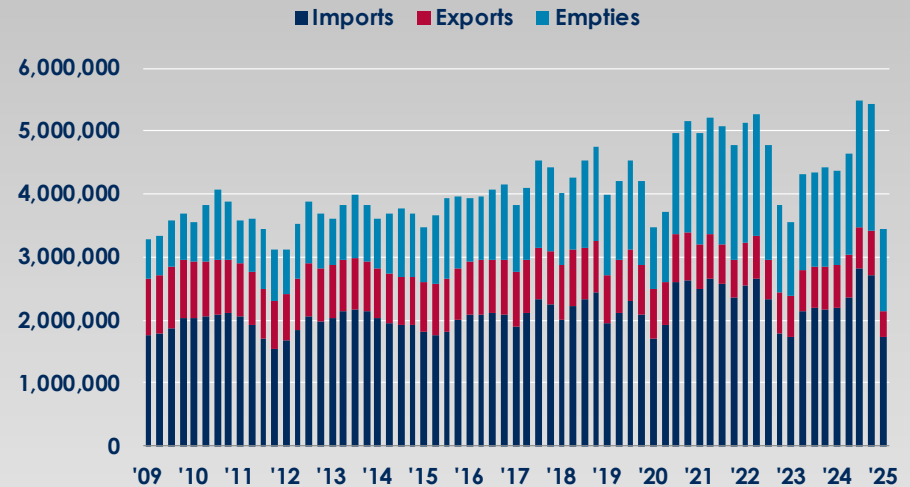


\*-3.7% Estimate for Q1-25 from the Federal Reserve Bank of Atlanta GDPNow

LABOR MARKET SHOWING SIGNS OF SOFTENING, BUT REMAINS RESILIENT

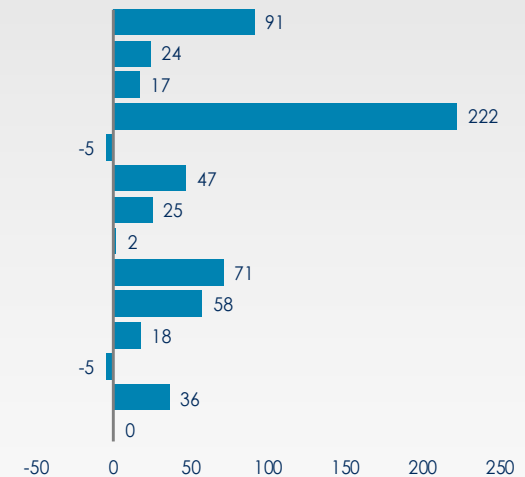


PORT ACTIVITY IN Q4 WAS UP 22.8% Y/Y. YTD 2025 UP 15.3% Y/Y



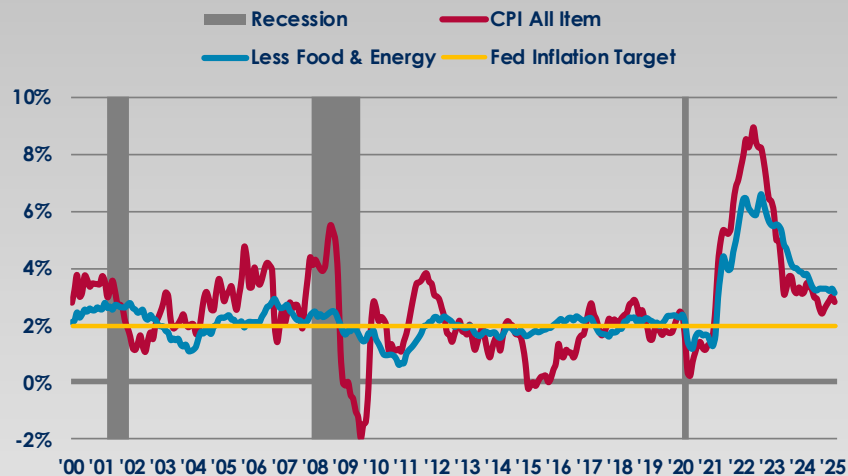
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q1

- 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

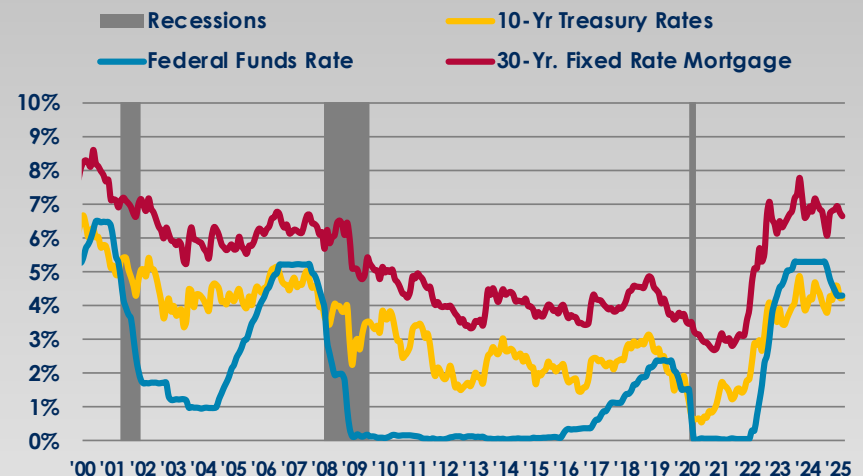




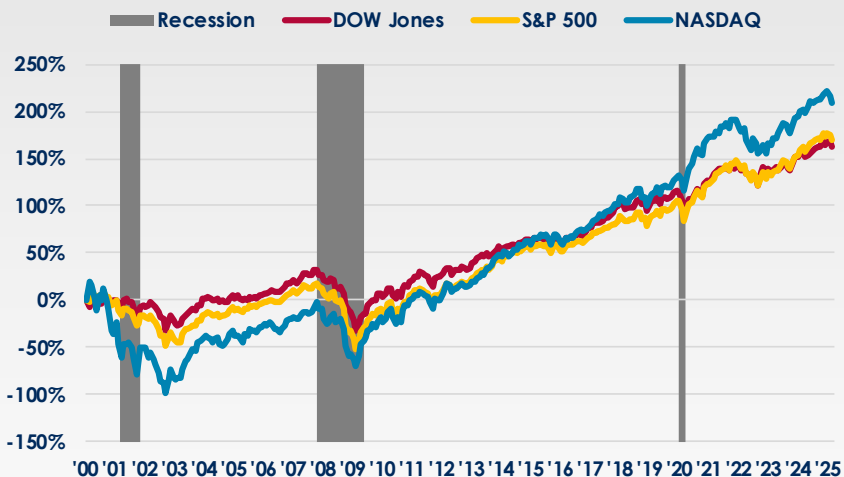
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



THE FED HELD RATES IN JAN & MARCH. 10 YR DOWN 35 BPS IN Q1



THE MAJOR INDEXES WERE DOWN AN AVERAGE OF 5.4% IN Q1



10-2 YEAR YIELD CURVE STEEPENED IN Q1

