

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q3 | 2025

# Market Report

Inland Empire Industrial



West

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### MARKET ACTIVITY

### KEY TAKE AWAYS

### ECONOMIC OUTLOOK

#### MARKET

- **Vacancy Rate:** Increased by 105 bps from revised Q2 to a rate of 7.67% in Q3.
- **Net Absorption:** Remains negative amid tariff pressures in Q3 totaling -863K SF.
- **Asking Rents:** Declined \$0.03 PSF or 2.8% to a rate of \$1.06 PSF NNN. Searching for equilibrium post pandemic boom.
- **Sales:** The median price PSF in Q3 was \$275.00. Volume in Q3 was up 63.5% to \$547.2M. Halfway through 2025, volume has totaled \$465.1M. YTD volume has totaled \$1.01B. A decline of 22.0% compared to 2024.

#### ECONOMIC OUTLOOK

- **Interest Rates:** At the September meeting, the FOMC decided cut rates to 4.00-4.25%. FOMC members are still projecting two additional 25 bps cuts to occur in 2025.
- **Supply Chain:** YTD Y/Y volume at the San Pedro Port Complex is up 6.4%. The cost from China/East Asia to the West Coast declined 45.3% over Q3, ending at \$1,853 per container. (Freightos). US tariffs stabilized at country-specific rates (25-40% most nations, 125% China) effective August 1. Nearshoring accelerations drive 45% of businesses increasing regional sourcing from Mexico/Southeast Asia, sustaining strong industrial property demand as companies prioritize supply chain resilience.


  
Direct Vacancy  
⬆ 6.76%

  
Net Absorption  
⬆ -862,777 SF

  
Overall Vacancy  
⬆ 7.67%

  
Gross Absorption  
⬇ 4,256,884 SF


  
Under Construction  
⬇ 2,801,200 SF

  
Rental Rates (NNN)  
⬇ \$1.06


  
Median Sale \$/SF  
⬇ \$275.00

  
Deal Volume  
⬆ \$547.2M

  
U.S. Employment  
⬆ 4.3%


  
U6 Rate  
⬆ 8.1%

  
Interest Rate  
⬇ 6.30%  
(30 year fixed)

  
Changing GDP  
⬆ 3.8%

  
Port Traffic Y/Y Δ  
⬆ 6.4%

  
NYSE Performance  
⬆ 8.1%

  
Inflation Change  
⬆ 2.94%

  
10 Yr. - 2 Yr. Spread  
⬆ 56 BPS

EXPERIENCE IN A CHANGING MARKET

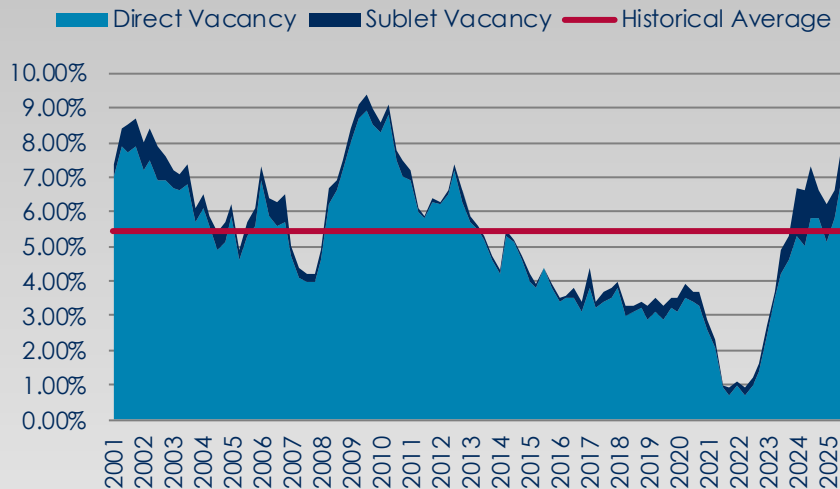
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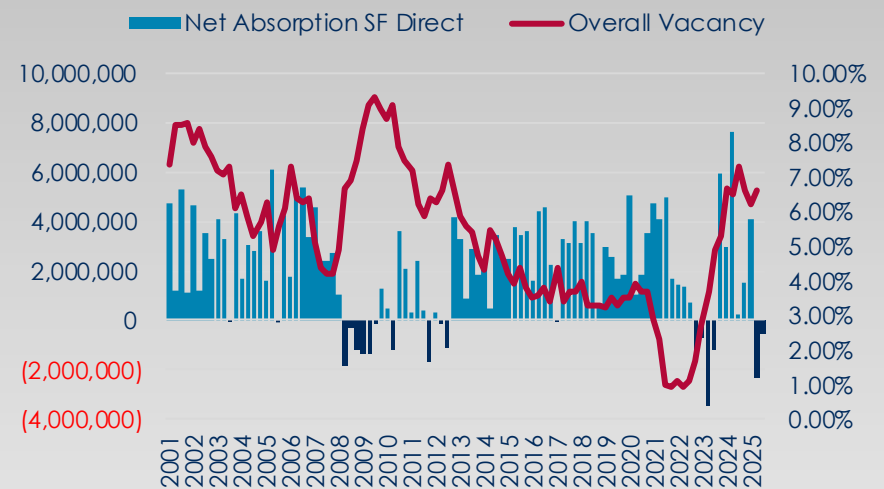
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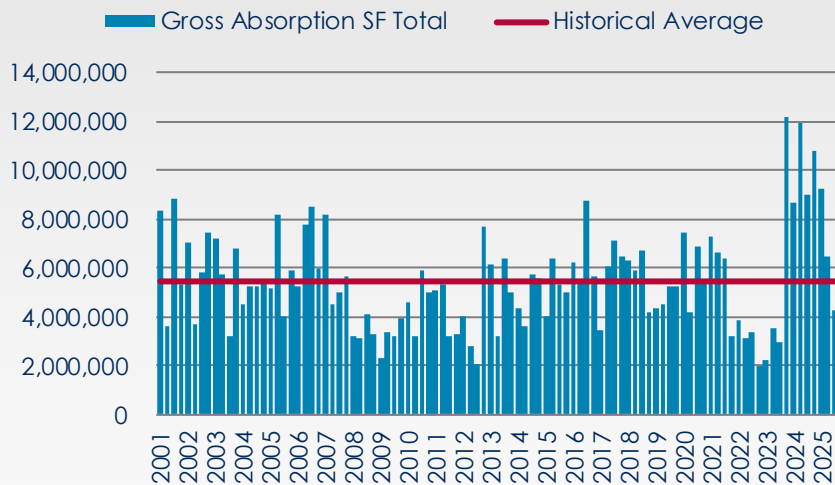
## OVERALL VACANCY INCREASED 105 BPS FROM REVISED Q2 TO 7.67% IN Q3



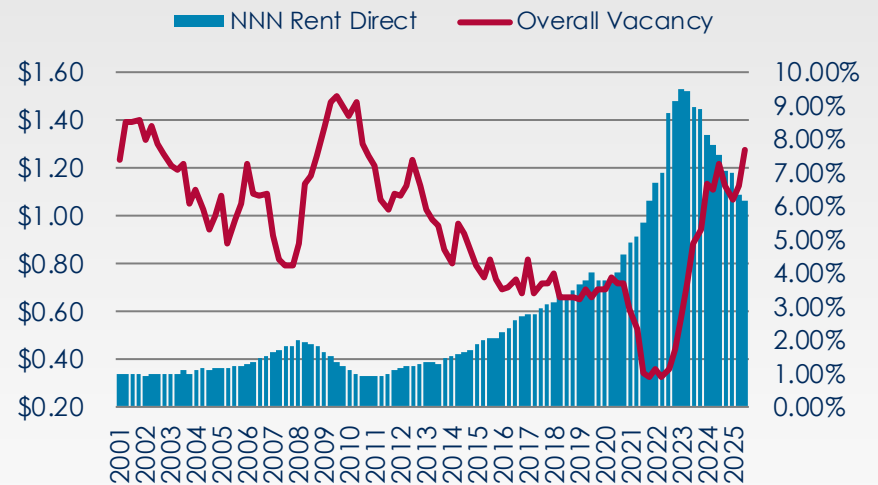
## NET ABSORPTION DEMAND REMAINS NEGATIVE IN Q3 TOTALING -863K SF



## GROSS ABSORPTION DECLINED 34.1% FROM Q2 TOTALING 4.26M SF IN Q3

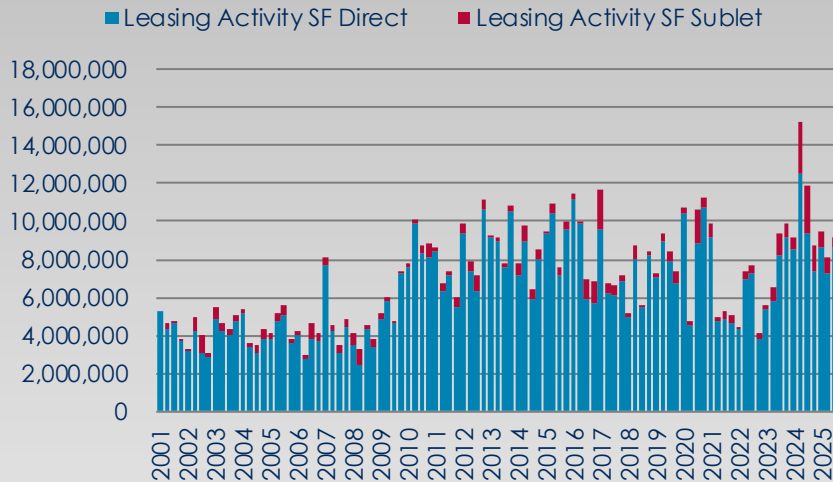


## ASKING RENTS DECLINE OF \$0.03 PSF OR 2.8% TO A RATE OF \$1.06 PSF NNN IN Q3

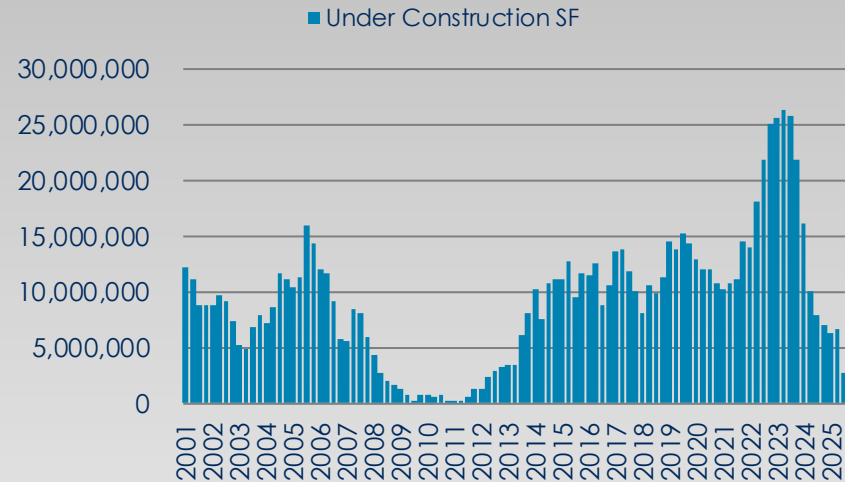




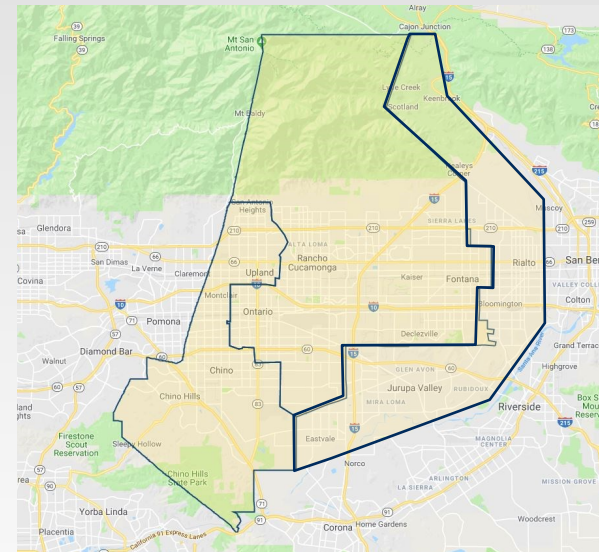
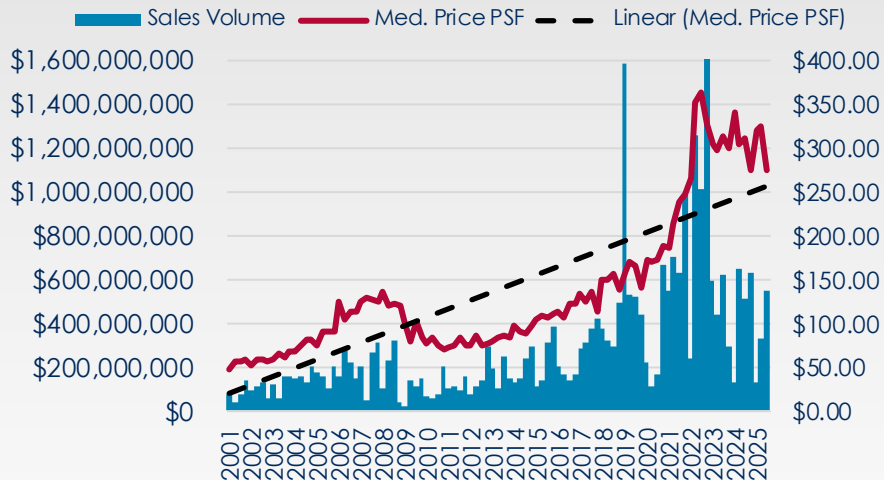
## LEASING ACTIVITY INCREASED 12.8% FROM REVISED Q2 TOTALING 9.2M SF IN Q3



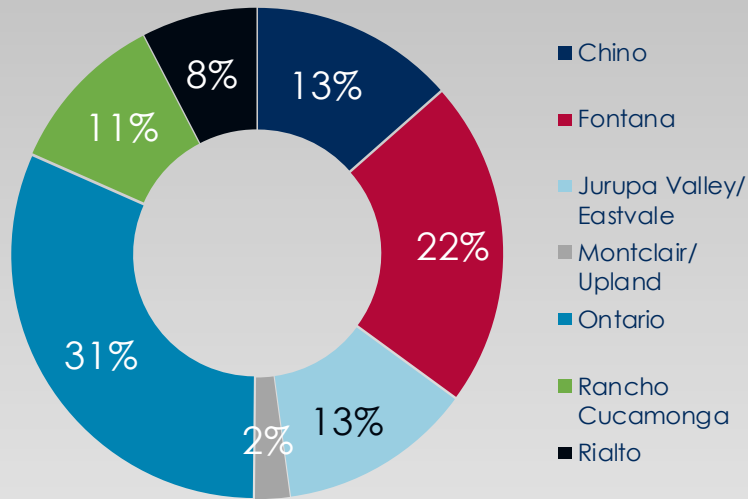
## CONSTRUCTION ACTIVITY 3.85M SF WAS DELIVERED IN Q3. UC REVISED TO 2.8M SF



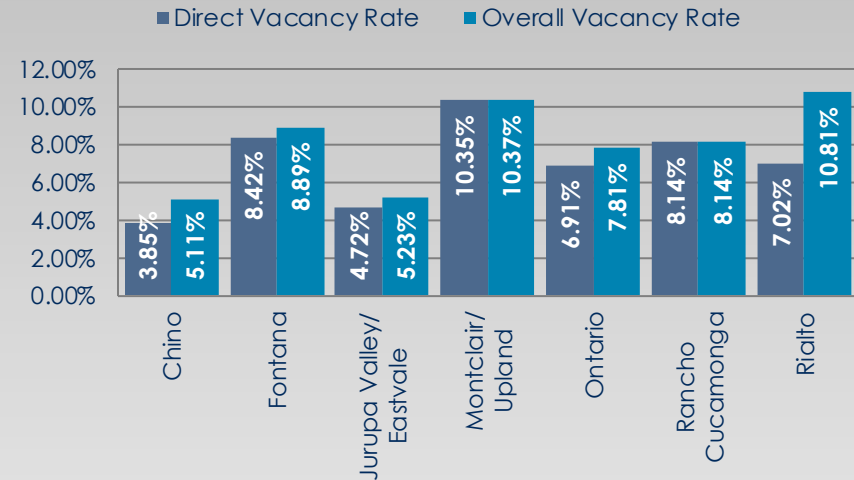
## SALES Q3 VOLUME WAS \$547.2M. MEDIAN PRICE WAS \$275.00 PSF



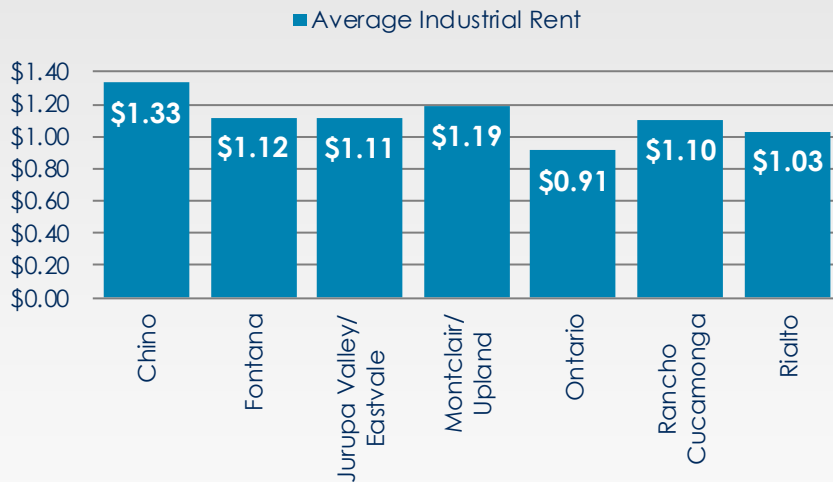
## SQUARE FOOT BREAKDOWN- 423,340,732 SF MARKET SIZE



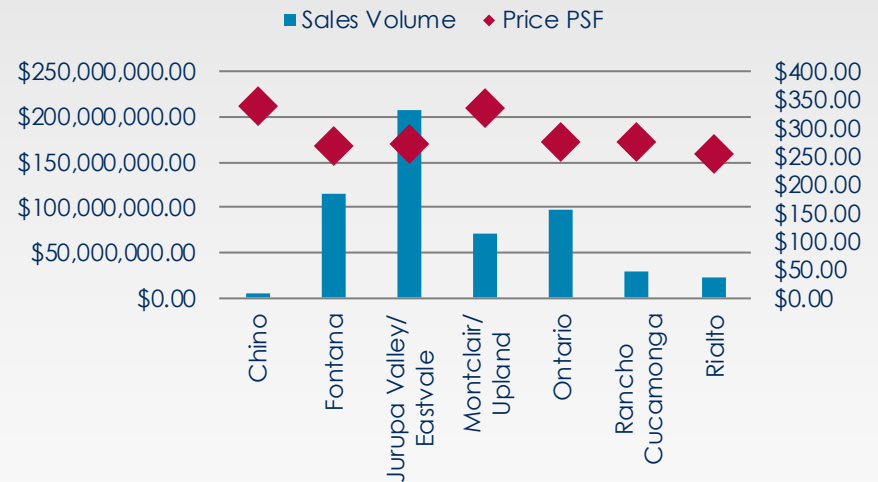
## VACANCY BREAKDOWN



## 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

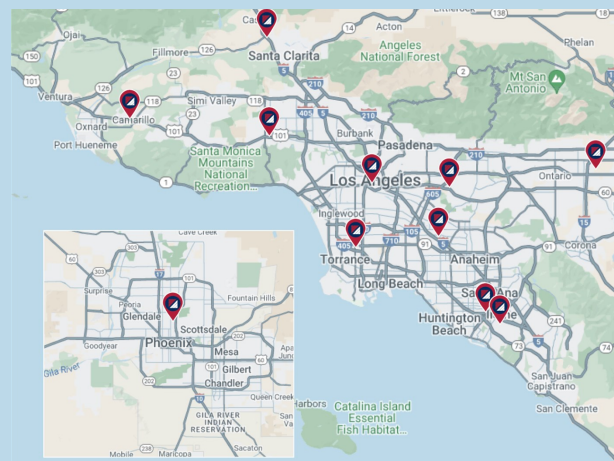
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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
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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
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INVESTMENT DIVISION	650 TOWN CENTER DR. SUITE 120 COSTA MESA, CA 92626	949-341-4500
INDIAN WELLS	74900 HIGHWAY 111, SUITE 221 INDIAN WELLS, CA 92210	760-253-8539



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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 38 bps to 9.99% in Q3. The highest since 2011.
- **Net Absorption:** Direct was negative, but overall turned positive totaling 148K SF in Q3.
- **Sales:** The median sale price PSF in Q3 was \$242.65. Total volume in Q3 was up 10.8% to \$231.3M. The largest sale in Q3 was 22491 Harley Knox Blvd in Perris. Cabot Properties purchased from Sares-Regis Group for \$90.6M at \$260.06 PSF. Accounting for 39% of the total volume in Q3.

#### ECONOMIC OUTLOOK

- **Interest Rates:** At the September meeting, the FOMC decided cut rates to 4.00-4.25%. FOMC members are still projecting two additional 25 bps cuts to occur in 2025.
- **Supply Chain:** YTD Y/Y volume at the San Pedro Port Complex is up 6.4%. The cost from China/East Asia to the West Coast declined 45.3% over Q3, ending at \$1,853 per container. (Freightos). US tariffs stabilized at country-specific rates (25-40% most nations, 125% China) effective August 1. Nearshoring accelerations drive 45% of businesses increasing regional sourcing from Mexico/Southeast Asia, sustaining strong industrial property demand as companies prioritize supply chain resilience.


  
Direct Vacancy  
⬆ 7.91%

  
Net Absorption  
⬆ 147,962 SF

  
Overall Vacancy  
⬆ 9.99%

  
Gross Absorption  
⬇ 3,496,184 SF


  
Under Construction  
⬇ 3,985,102 SF

  
Rental Rates (NNN)  
⬇ \$0.98

  
Median Sale \$/SF  
⬆ \$242.65

  
Deal Volume  
⬆ \$231.3M

  
U.S. Employment  
⬆ 4.3%


  
U6 Rate  
⬆ 8.1%


  
Interest Rate  
⬇ 6.30%  
(30 year fixed)

  
Changing GDP  
⬆ 3.8%

  
Port Traffic Y/Y Δ  
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NYSE Performance  
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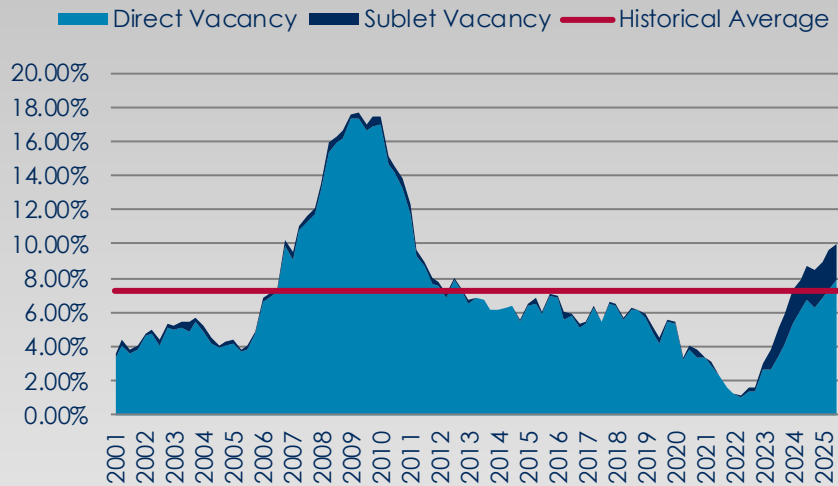


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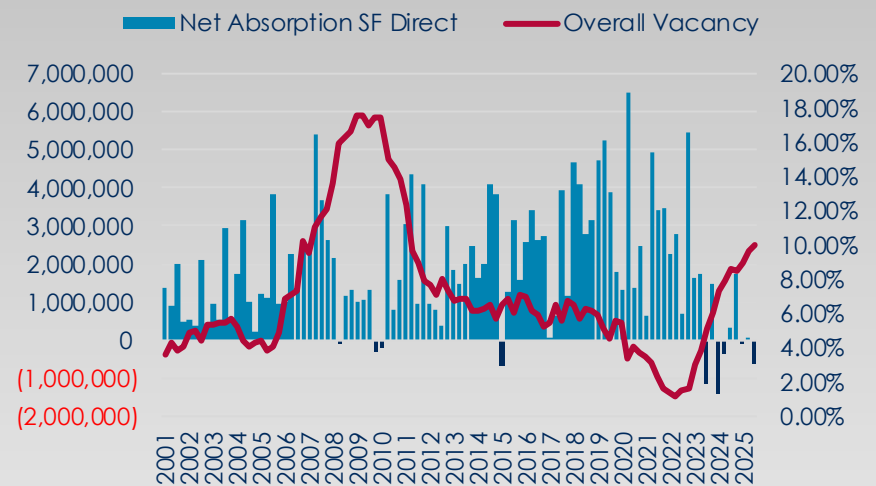
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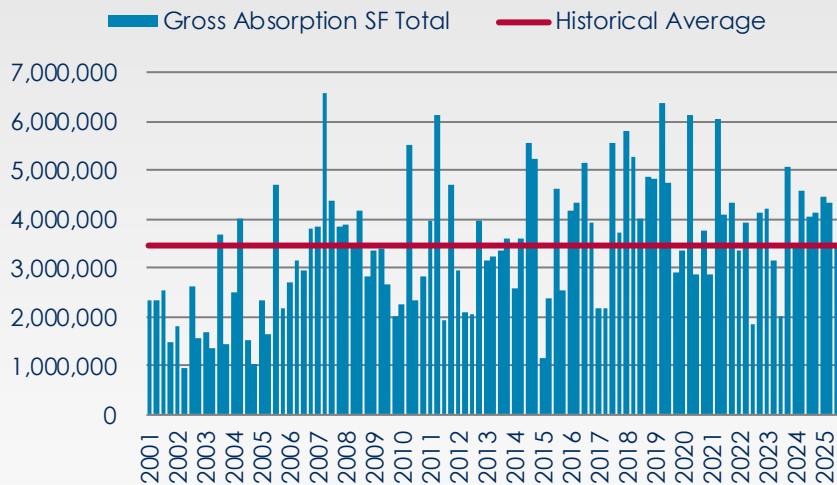
## OVERALL VACANCY INCREASED 38 BPS FROM Q2 TO 9.99% IN Q3



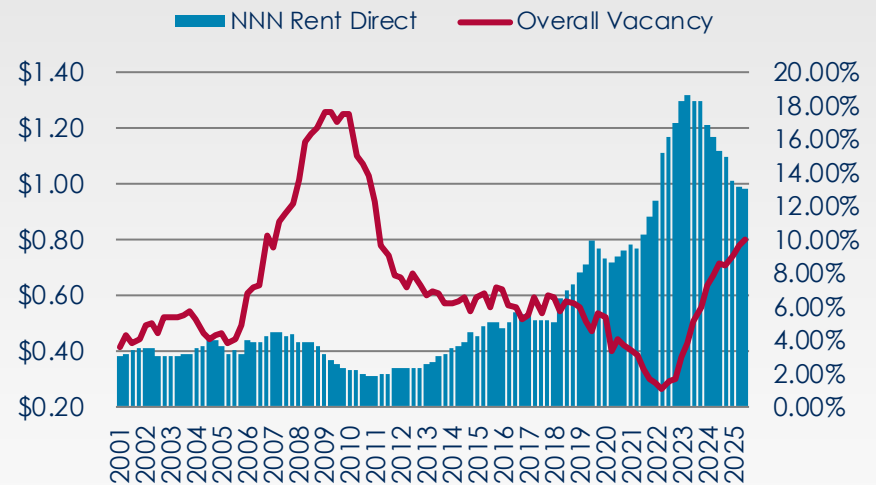
## NET ABSORPTION DIRECT WAS NEGATIVE BUT OVERALL POSITIVE AT 148K SF IN Q3



## GROSS ABSORPTION DECLINED BY 19.1% FROM REVISED Q2 TO 3.49M SF IN Q3



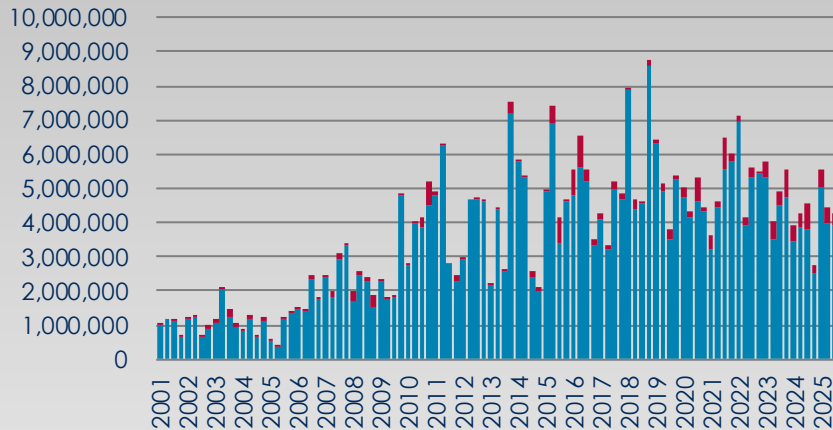
## ASKING RENTS FELL BY \$0.01 PSF OR 1.0% TO \$0.98 PSF NNN IN Q3



## LEASING ACTIVITY

DECLINED 4.9% FROM REVISED Q2 TOTALING 4.25M SF IN Q3

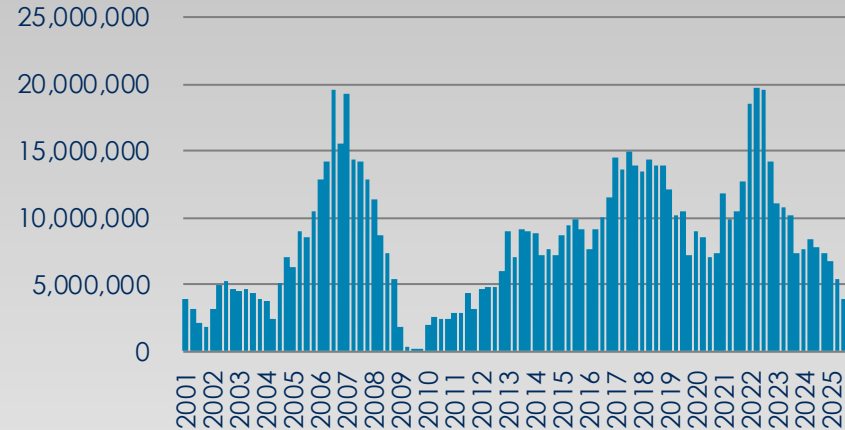
■ Leasing Activity SF Direct ■ Leasing Activity SF Sublet



## CONSTRUCTION ACTIVITY

1.42M SF WAS DELIVERED IN Q3. UC REVISED TO 3.99M SF

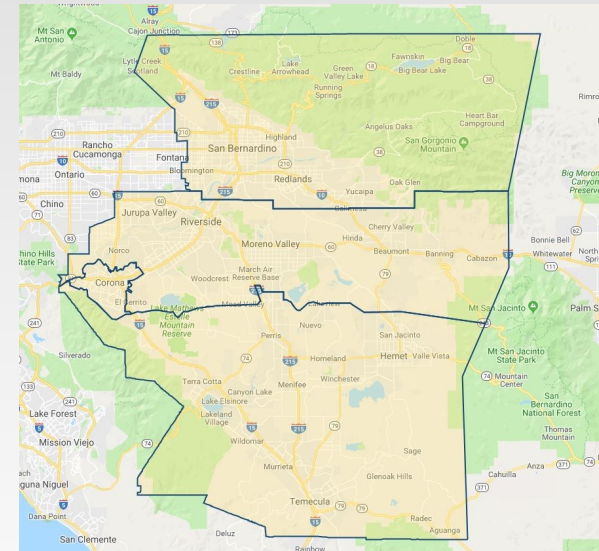
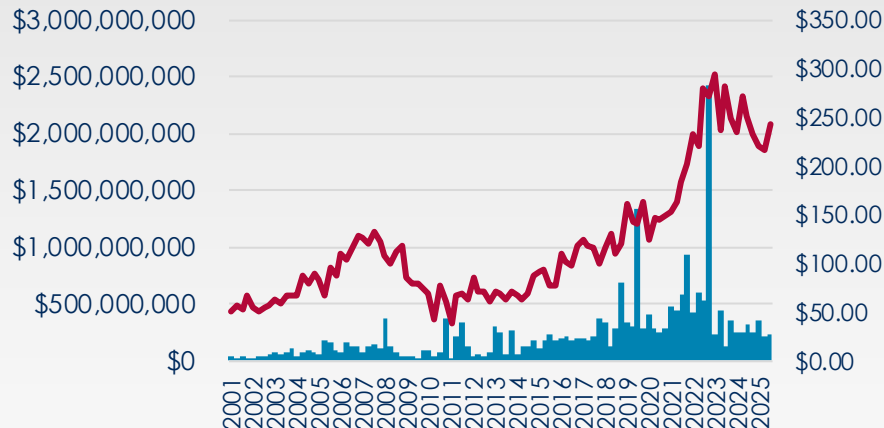
■ Under Construction SF



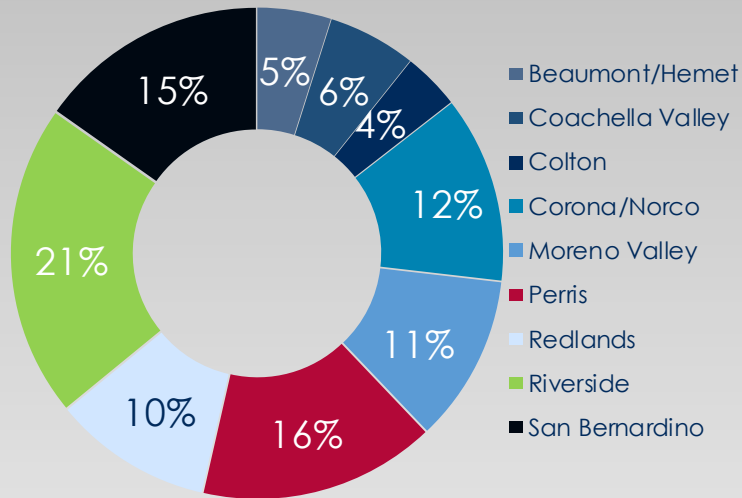
## SALES

VOLUME WAS \$231.3M. MEDIAN PRICE IN Q3 WAS \$242.65 PSF

■ Sales Volume ■ Med. Price PSF



## SQUARE FOOT BREAKDOWN- 300,591,400 SF MARKET SIZE



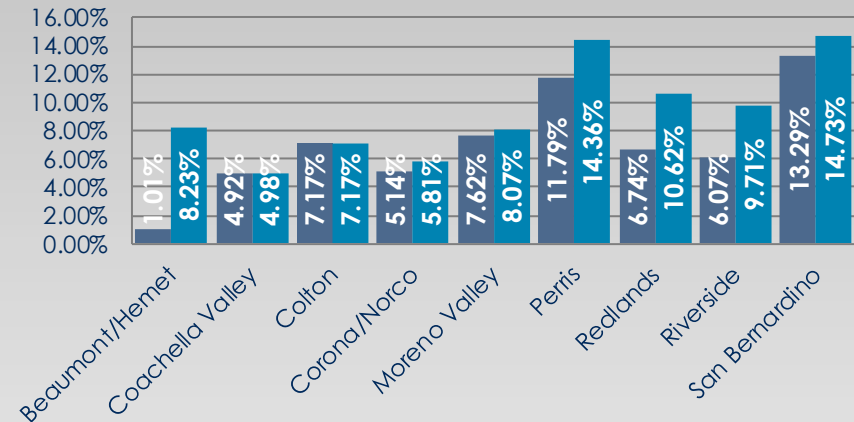
## AVERAGE RENT PSF

■ Average Industrial Rent



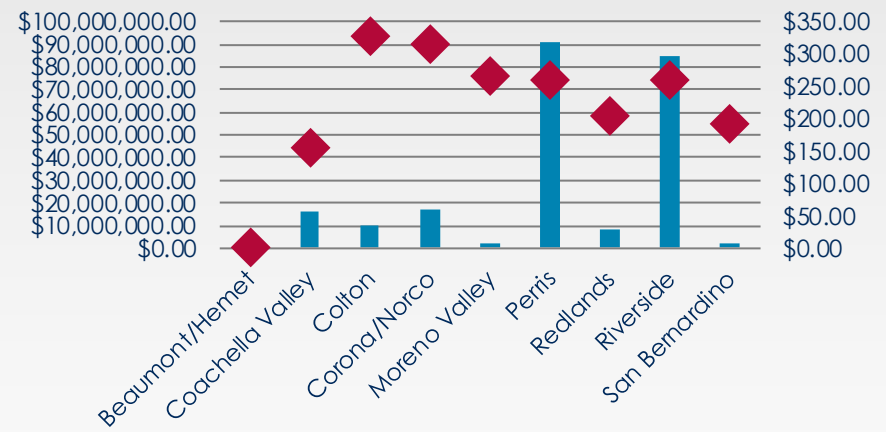
## VACANCY BREAKDOWN

■ Direct Vacancy Rate ■ Overall Vacancy Rate



## VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF





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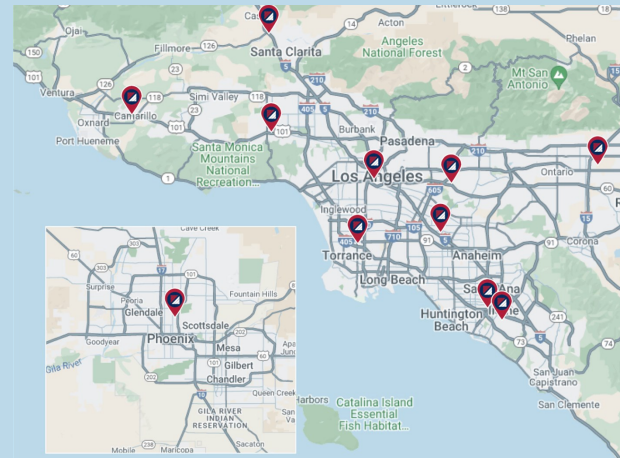
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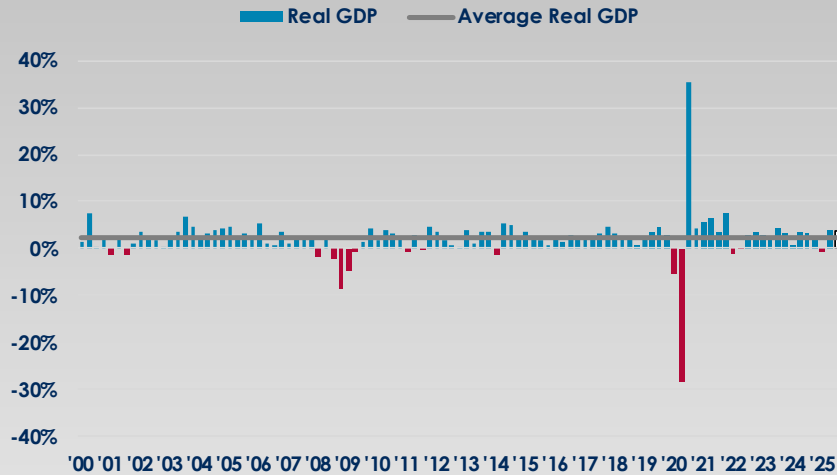
# Economic Overview



Q3 2025

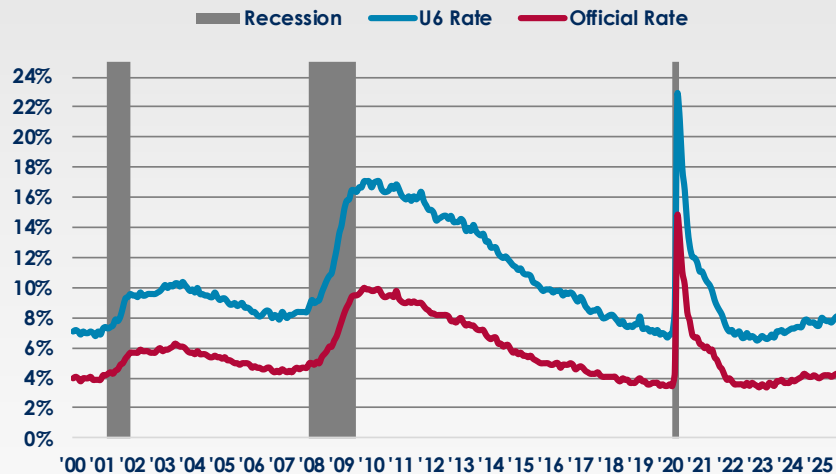
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GDP IN Q2 FINISHED AT 3.8%. Q3 ESTIMATE AT 3.8% PER GDPNOW

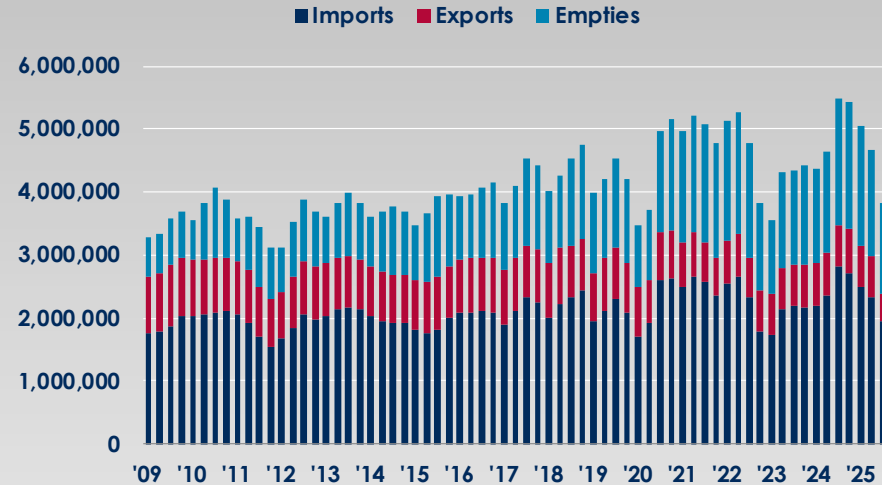


\*3.8% Estimate for Q3-25 from the Federal Reserve Bank of Atlanta GDPNow

LABOR MARKET SOFTENING AS THE FED BEGINS TO CUT RATES

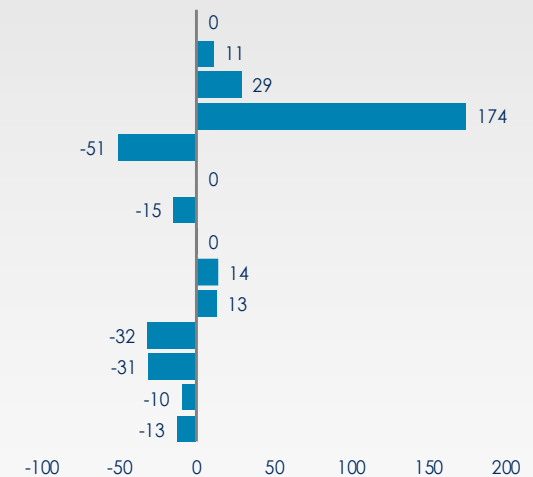


PORT ACTIVITY IN Q2 UP 0.5% Y/Y. YTD 2025 UP 6.4% Y/Y



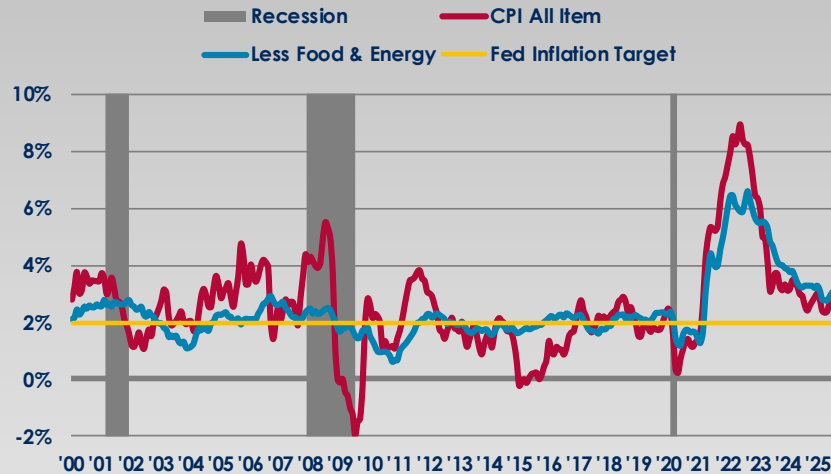
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q3

- 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

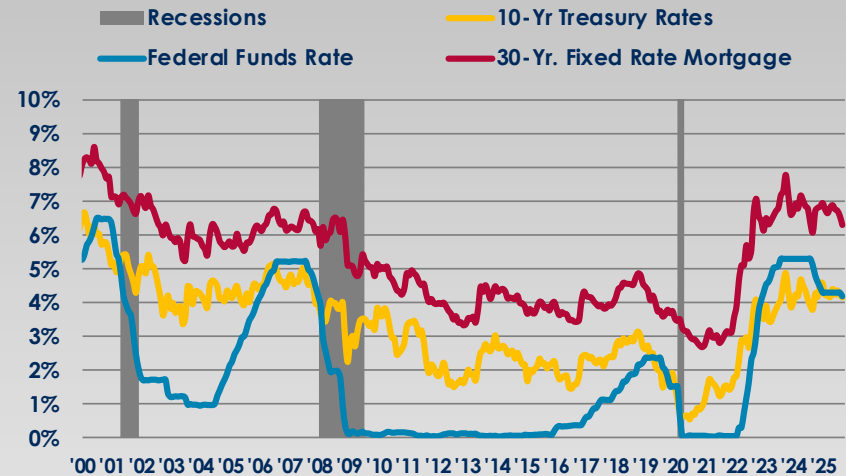




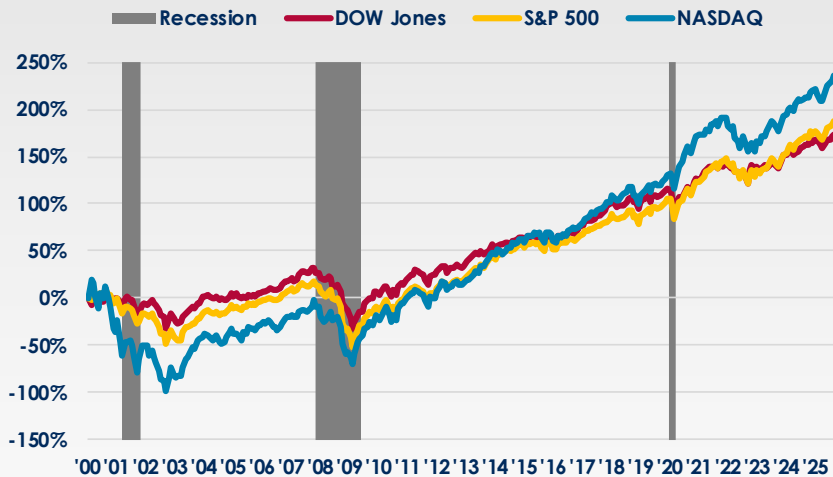
## INFLATION TRENDING UPWARD ABOVE THE FED TARGET OF 2%



## THE FED CUT RATES BY 25 BPS; EST. 50 BPS MORE OF CUTS BY EOY



## MAJOR INDEXES REACHED ALL TIME HIGHS TO CLOSE Q3



## 10-2 YEAR YIELD CURVE STEEPENED IN Q3

