

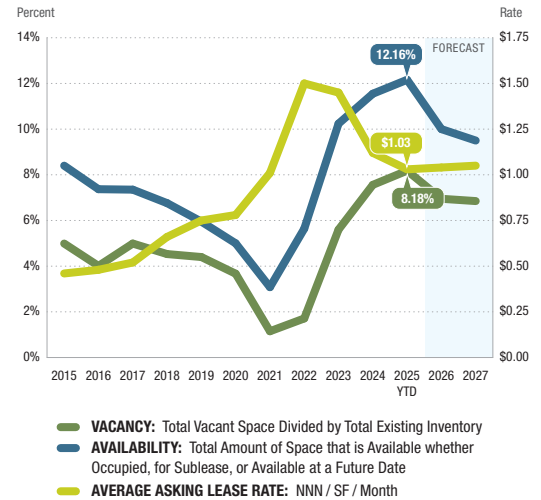
OVERVIEW. The Inland Empire industrial market showed encouraging signs in the first quarter of 2025 with an uptick in leasing activity and total vacant square feet pulling back, but the trade war dealt the market a setback in Q2. Landlords are still leaning on concessions to fuel leasing activity and rental rates remain stifled by competition from recently delivered product and a surplus of sublease availability. Sales activity continues to languish, and all eyes remain on Washington in an attempt to forecast the extent and duration of tariffs.

VACANCY & AVAILABILITY. The Inland Empire vacancy rate is trending back upward, finishing Q2 at 8.18%, a full percentage point higher than the level of a year ago. The wave of new supply to the market has been pushing vacancy steadily higher after briefly dipping below 1% in 2022. Vacancy measures the amount of space which is unoccupied regardless of whether it is being marketed for sale or lease. Availability measures the amount of space which is on the market, regardless of whether it is occupied. Sublease availability continues to remain a significant factor in the market, exceeding 17 MSF in Q2 for the sixth consecutive quarter. This total was under 3 MSF as recently as three and a half years ago.

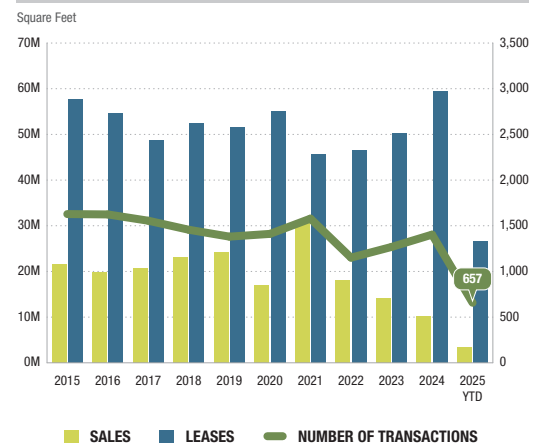
LEASE RATES. The average asking rate in Q2 unchanged from the previous quarter, but down a substantial 21% from the level of a year ago. Tenants have finally seen a reprieve from rents that were rising out of control for several years. Things finally started to settle down in the second half of 2022, and conditions have been softening since then. The delivery of large amounts of new space coupled with a significant falloff in demand in the distribution sector has finally given tenants a pause from rising occupancy costs. Leasing concessions such as rental abatement are elevated, as landlords are getting aggressive in pursuing tenants. Of course, the local balance of negotiating leverage across the market varies depending on the location and building characteristics.

TRANSACTION ACTIVITY. Sale and lease activity saw a pullback in Q2, dipping to 12.6 MSF from 16.9 MSF in Q1, a 45% decrease from the level of Q2 2024. The lease transaction count came in at 246, a 10% decrease compared with the quarterly average of 259 leases over the prior eight quarters. Total square footage leased in Q2 tallied 11 MSF, of which 1.4 MSF came in the form of sublease transactions. Sublease activity has surpassed 1 MSF for nine consecutive quarters and even eclipsed 3 MSF twice during that span. The sales market remains in the doldrums, falling short of \$600 million of industrial buildings sales for the second consecutive quarter and for only the fourth time since the start of 2021. Elevated interest rates and the supply/demand imbalance of the past two years continue to slow sales activity, with owner-users and institutional buyers alike taking a cautious stance. Curiously, the largest sale of Q2 was next door to the largest sale of Q1, and both sales involved occupiers of the buildings. In Q1 Burlington acquired the 889,445 SF facility they occupy at 21600 Cactus Avenue in Riverside, and in Q2 Nissan executed a sale-leaseback of their 620,000-SF facility at 21800 Authority Way.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

	Change Over Last Quarter	Q2 2025	Q1 2025	Q2 2024	% Change Over Last Year
Total Vacancy Rate	▲ UP	8.18%	7.44%	7.16%	14.34%
Availability Rate	▲ UP	12.16%	11.82%	11.78%	3.25%
Average Asking Lease Rate	▬ FLAT	\$1.03	\$1.03	\$1.30	(20.77%)
Sale & Lease Transactions	▼ DOWN	12,594,805	16,857,804	22,754,938	(44.65%)
Gross Absorption	▼ DOWN	9,949,447	13,788,933	16,140,710	(38.36%)
Net Absorption	▼ NEGATIVE	(4,358,050)	3,287,108	7,236,523	N/A

ABSORPTION. Net absorption moved into negative territory in Q2, offsetting the positive net absorption from Q1, as foreign 3PL's rushed to get product onshore at the start of the year to get ahead of tariffs. Once tariffs went into effect, The ports of Long Beach and Los Angeles saw a significant reduction in cargo in Q2 with imports falling 13% and 9% respectively at the midpoint of the quarter. This decline in trade activity and therefore the demand for warehouse space led to a reduction in the IE tenant footprint, culminating in a net negative 1.1 MSF of absorption through the first two quarters of 2025. This has not been distributed evenly, with the IE East recording 4 MSF of negative net absorption in the first two quarters of the year, while the IE West saw 2.9 MSF of positive net absorption over the same period.

CONSTRUCTION. Construction levels have been falling as planned projects were delayed and the existing pipeline of projects underway was completed and added to inventory. There were only 3.6 MSF of deliveries in the IE core in the first half of 2025, putting the market on an annual pace of fewer than 10 MSF of new construction for the first time in more than a decade. Many planned or proposed projects do not have a set commencement date at this time in light of the increase in vacancy and decrease in rental rates over the last two years. Development activity already underway remains focused on spaces exceeding 250,000 SF. The falloff in new construction will give demand a chance to start catching up to excess supply, which has caused vacancy to spike and rents to fall over the last two years after a decade-long bull run.

EMPLOYMENT. The unemployment rate in the Riverside-San Bernardino MSA was 4.8% in May 2025, down from a revised 4.9% in May 2025, and above the year-ago estimate of 4.5%. In the Riverside-San Bernardino MSA, the Construction Employment sector increased by 500 jobs, Trade, Transportation and Utilities declined by 400 jobs, while the Manufacturing employment sector remained relatively flat compared with the prior month. With the normal delay in reporting from the California EDD, employment figures from June were unavailable at the time of publishing this report. For the nation as a whole, 147,000 jobs were added in June, while the seasonally adjusted U.S. unemployment rate decreased from 4.2% to 4.1%.

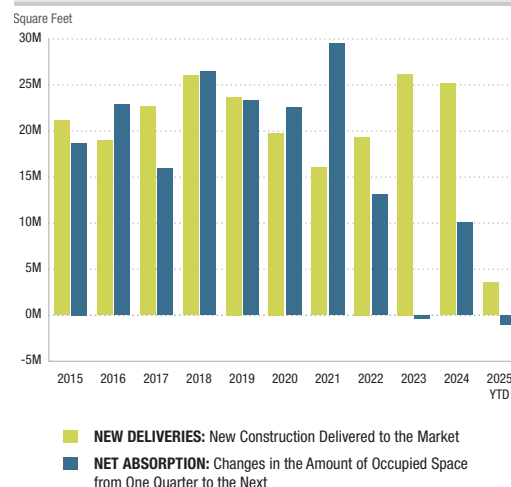
Forecast

2025 looked to be the year when the Inland Empire market re-stabilized. The encouraging start to the year had some wind taken out of its sails at the start of Q2 as the overall direction of trade policy became a point of consternation following the introduction of new tariffs. A significant portion of the Inland Empire economy is driven by storing and distributing goods that come from China. The hope is that trade negotiations will reach a resolution in Q3, allowing businesses to have the certainty needed to make major facilities planning decisions.

Significant Transactions

Sales						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
21800 Authority Way	Riverside	620,000	\$132,136,000	North Haven Net REIT	Nissan	
11296 Harrel St.	Jurupa Valley	353,361	\$90,450,000	LBA Realty	STRS Ohio	
1930 S. Rochester Ave. & 2580 E. Philadelphia St.	Ontario	243,000	\$63,600,000	Faropoint	Panattoni / Link Logistics	
1990 W. Renaissance Pkwy.	Rialto	134,256	\$38,500,000	DHG	Link Logistics	
2688 W. Baseline Ave.	Rialto	90,726	\$26,582,718	WINIX	Link Logistics*	
Leases						
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner	
8130 Caliente Rd.	Hesperia	1,004,400	Jun-2025	Maersk	EQT Real Estate	
120 S. Cedar Ave. - Renewal	Rialto	715,443	May-2025	American Building Supply	IDI Logistics	
570 E. Mill St. - Renewal	San Bernardino	758,180	Jun-2025	Burlington	Prologis	
21800 Authority Way - Sale-Leaseback	Riverside	620,000	Apr-2025	Nissan	North Haven Net REIT	
5650 E. Santa Ana St. - RenewalExpansion	Ontario	615,940	Apr-2025	e.l.f. Beauty	Alere Property Group	

NEW DELIVERIES & NET ABSORPTION



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2025	Square Feet Available	Availability Rate Q2 2025	Average Asking Lease Rate	Net Absorption Q2 2025	Net Absorption 2025	Gross Absorption Q2 2025	Gross Absorption 2025
West													
Chino / Chino Hills	954	57,057,197	0	3,816,288	3,289,117	5.76%	2,990,342	5.24%	\$1.40	(1,075,908)	(310,419)	915,083	2,511,420
Fontana	809	77,531,660	2,175,758	11,555,429	5,136,008	6.62%	7,984,610	10.02%	\$0.96	(27,865)	(452,929)	1,239,011	1,832,157
Mira Loma / Eastvale / Jurupa Valley	417	53,858,064	0	1,167,939	2,619,861	4.86%	6,819,138	12.66%	\$1.11	(343,216)	1,062,088	603,918	2,836,914
Montclair	206	4,071,536	513,925	0	308,481	7.58%	1,073,383	23.41%	\$1.00	144,644	181,225	271,748	326,446
Ontario	1,542	129,616,223	2,915,796	10,197,084	8,113,518	6.26%	16,059,750	12.12%	\$0.98	(378,918)	2,201,207	1,997,283	5,756,873
Rancho Cucamonga	750	43,671,633	151,455	826,194	3,482,311	7.97%	5,525,093	12.61%	\$1.12	(249,158)	164,684	888,163	2,088,450
Upland	262	4,144,743	0	50,000	145,332	3.51%	192,753	4.65%	\$2.02	7,121	51,221	54,682	116,637
5,000-24,999	2,788	33,792,309	57,008	249,015	1,159,527	3.43%	1,603,785	4.74%	\$1.51	48,776	1,736	457,690	859,093
25,000-49,999	775	27,230,433	340,404	417,171	1,241,744	4.56%	2,198,305	7.97%	\$1.13	182,823	104,491	582,884	1,010,056
50,000-99,999	495	34,591,532	197,633	592,210	2,709,024	7.83%	3,898,252	11.21%	\$1.27	(613,827)	(71,183)	499,291	1,327,386
100,000-249,999	504	77,549,569	449,141	2,439,913	4,978,484	6.42%	9,611,753	12.32%	\$1.06	292,075	1,453,558	1,758,226	3,712,013
250,000-499,999	245	86,416,205	890,197	5,020,521	5,966,947	6.90%	10,083,514	11.55%	\$0.67	379,559	1,179,189	1,917,326	4,707,225
500,000 plus	133	110,371,008	3,822,551	18,894,104	7,038,902	6.38%	13,249,460	11.60%	\$1.12	(2,212,706)	229,286	754,471	3,853,124
West Total	4,940	369,951,056	5,756,934	27,612,934	23,094,628	6.24%	40,645,069	10.82%	\$1.05	-1,923,300	2,897,077	5,969,888	15,468,897
East													
Banning	47	1,926,399	0	3,046,095	111,772	5.80%	1,099,447	57.07%	\$0.80	(62,372)	8,410	4,900	75,682
Beaumont	50	8,383,097	0	1,695,302	1,068,332	12.74%	1,068,332	12.74%	\$1.16	(603,378)	(609,628)	0	0
Bloomington	127	11,178,006	261,632	423,900	1,455,361	13.02%	1,875,877	16.40%	\$0.80	(158,547)	(503,229)	98,127	124,887
Corona / Norco	1,012	35,958,783	0	1,360,978	2,305,412	6.41%	2,481,974	6.90%	\$1.10	237,391	(50,884)	672,067	971,286
Colton / Grand Terrace	195	11,566,397	599,932	1,226,529	836,175	7.23%	1,465,731	12.05%	\$0.93	(99,714)	69,379	7,960	240,193
Moreno Valley	121	33,339,348	71,510	37,244,813	2,575,241	7.72%	4,107,127	12.29%	\$0.99	(553,496)	(556,552)	51,853	504,082
Perris	269	46,955,299	1,313,413	12,108,984	6,747,589	14.37%	8,632,272	17.88%	\$0.98	(218,747)	1,019,085	491,261	1,732,252
Redlands / Loma Linda	250	31,408,957	564,791	1,017,415	3,351,266	10.67%	4,259,016	13.32%	\$0.87	261,030	(736,787)	672,830	787,950
Rialto	212	32,231,131	567,284	1,992,268	3,673,460	11.40%	4,486,869	13.68%	\$1.09	198,913	(980,200)	211,245	261,931
Riverside	1,139	59,245,143	844,423	2,396,490	5,328,726	8.99%	8,215,896	13.67%	\$1.15	(154,000)	645,214	1,091,016	2,738,842
San Bernardino / Highland	615	47,492,870	364,140	1,985,853	5,894,493	12.41%	6,810,173	14.23%	\$0.89	(1,281,830)	(2,272,827)	678,300	832,378
5,000-24,999	2,439	29,024,253	0	70,423	1,113,170	3.84%	1,689,177	5.82%	\$1.10	71,688	(111,119)	377,830	634,479
25,000-49,999	602	21,244,766	375,470	279,224	1,188,084	5.59%	2,205,998	10.20%	\$1.13	236,663	285,950	443,861	736,508
50,000-99,999	373	26,046,801	159,671	1,254,216	2,345,457	9.00%	2,748,753	10.49%	\$0.92	120,147	206,945	636,153	1,065,732
100,000-249,999	308	47,359,290	526,576	3,565,769	5,737,891	12.12%	7,210,562	15.06%	\$1.00	155,848	295,619	685,160	1,506,366
250,000-499,999	150	54,310,844	2,670,078	5,964,246	9,889,683	18.21%	13,912,522	24.42%	\$0.98	555,762	(373,450)	939,175	1,699,280
500,000 plus	165	141,699,476	855,330	53,364,749	13,073,542	9.23%	16,735,702	11.74%	\$1.01	(3,574,858)	(4,271,964)	897,380	2,627,118
East Total	4,037	319,685,430	4,587,125	64,498,627	33,347,827	10.43%	44,502,714	13.72%	\$1.01	-2,434,750	-3,968,019	3,979,559	8,269,483
Inland Empire Total	8,977	689,636,486	10,344,059	92,111,561	56,442,455	8.18%	85,147,783	12.16%	\$1.03	(4,358,050)	(1,070,942)	9,949,447	23,738,380
5,000-24,999	5,227	62,816,562	57,008	319,438	2,272,697	3.62%	3,292,962	5.24%	\$1.32	120,464	(109,383)	835,520	1,493,572
25,000-49,999	1,377	48,475,199	715,874	696,395	2,429,828	5.01%	4,404,303	9.09%	\$1.13	419,486	390,441	1,026,745	1,746,564
50,000-99,999	868	60,638,333	357,304	1,846,426	5,054,481	8.34%	6,647,005	10.96%	\$1.09	(493,680)	135,762	1,135,444	2,393,118
100,000-249,999	812	124,908,859	975,717	6,005,682	10,716,375	8.58%	16,822,315	13.47%	\$1.03	447,923	1,749,177	2,443,386	5,218,379
250,000-499,999	395	140,727,049	3,560,275	10,984,767	15,856,630	11.27%	23,996,036	17.05%	\$0.94	935,321	805,739	2,856,501	6,406,505
500,000 plus	298	252,070,484	4,677,881	72,258,853	20,112,444	7.98%	29,985,162	11.90%	\$1.04	(5,787,564)	(4,042,678)	1,651,851	6,480,242
Inland Empire Total	8,977	689,636,486	10,344,059	92,111,561	56,442,455	8.18%	85,147,783	12.35%	\$1.03	(4,358,050)	(1,070,942)	9,949,447	23,738,380
High Desert													
Adelanto	179	5,887,346	0	7,796,126	268,685	4.56%	397,318	6.75%	\$1.08	(4,770)	(31,855)	54,330	98,830
Apple Valley	74	3,898,306	1,207,135	8,337,739	1,359,150	34.87%	1,359,150	26.62%	\$0.80	36,055	(1,322,390)	39,950	47,750
Barstow	54	1,311,348	0	0	28,310	2.16%	42,310	3.23%	\$1.00	-	0	-	0
Hesperia	194	6,716,012	2,500,000	3,657,638	1,133,740	16.88%	1,305,743	14.17%	\$1.29	(2,077)	1,826	22,120	50,668
Victorville	137	12,272,382	0	10,863,343	601,655	4.90%	1,811,393	14.76%	\$1.01	1,340,609	1,314,764	1,344,411	1,354,766
High Desert Total	638	30,085,394	3,707,135	30,654,846	3,391,540	11.27%	4,915,914	14.55%	\$1.06	1,369,817	(37,655)	1,460,811	1,552,014
Temecula Valley													
Hemet	87	1,576,491	0	0	33,132	2.10%	67,932	4.31%	\$0.90	6,786	0	6,786	6,786
Lake Elsinore	182	2,751,748	52,340	0	202,520	7.36%	249,569	8.90%	\$1.34	1,559	(21,231)	36,034	44,308
Menifee	29	1,160,101	0	4,526,518	0	0.00%	574,617	49.53%	-	-	544,115	-	544,115
Murrieta	281	4,653,725	50,575	183,653	57,883	1.24%	268,649	5.71%	\$1.23	15,587	832	40,837	49,635
San Jacinto	66	1,107,869	0	29,153	13,330	1.20%	9,980	0.90%	\$0.85	3,271	3,271	8,271	8,271
Temecula	350	9,871,119	33,927	82,066	359,214	3.64%	486,892	4.92%	\$1.37	229,054	317,015	290,281	400,676
Wildomar	12	331,720	0	291,908	12,673	3.82%	12,673	3.82%	\$1.11	(12,673)	(12,673)	4,180	4,180
Temecula Valley Total	1,007	21,452,773	136,842	5,113,298	678,752	3.16%	1,670,312	7.74%	\$1.29	243,584	831,329	386,389	1,057,971

This survey consists of industrial buildings greater than 5,000 square feet. Lease rates are on a triple-net basis. Some buildings do not quote asking rental rates and therefore are reflected as \$0.00.



Will Tariffs Lead to Onshoring?

by **Sean Sullivan**

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As we entered 2025 there was some cautious optimism that the Southern California industrial market was showing signs of stabilization. This was short lived as the resurgence of tariffs—from steel and aluminum to electronics—became the driving force behind another downward trend in the industrial real estate world. Even so, there were still some holding out hope that things would start to turn in a positive direction. The most popular of the optimistic narratives was one that touted an “onshoring” of manufacturing for American companies. While politically appealing, is it reasonable to think onshoring will play a major factor in the next upcycle? Some key considerations:

- **Cost Structure.** Most operators cite cost as the biggest barrier to onshoring. Many say that it would more than double their operational cost and would instead prefer to shift to other lower-tariff countries.
- **Lack of Infrastructure.** The scaling effort needed to meet the infrastructure demand for an impactful onshoring is simply too much to expect local and state government agencies to handle. Lengthy permitting processes, power grid inadequacy, and zoning and community approvals are cumbersome as it is. To compound those issues with a large-scale influx of manufacturers will likely overburden the existing infrastructure.
- **Skilled Labor Shortages.** Skilled labor jobs are a crucial component to any manufacturing operation. Unfortunately, as manufacturing has left the US over the last four decades, the demand for these jobs has as well. There was simply no need for the working population to focus on accruing the skills necessary to work these types of jobs, which has left us without the workforce to fill any jobs that would return home.
- **Policy Uncertainty.** Maybe the most difficult component for companies to handle is the unpredictability that comes with the implementation of new tariffs. Not knowing how to price your product makes it nearly impossible to operate your business. US-based companies facing higher costs are expected to transfer more than half of these to consumers, which begins to trigger inflation and recessionary concerns. In addition to this, global trade partners can retaliate, which just creates further volatility.

Even given the above concerns, there are still some glimmers of hope. Certain sectors such as steel, chemicals and solar have seen an increase in domestic investment. However, peel back the layers and you may find that in order for that to happen, there was an alignment of incentives, infrastructure, supply and timing. This is the major takeaway—there must be an alignment of all of these things in order for any onshoring to be successful. Tariffs should come after the fact and not before. We have put the proverbial cart before the horse and simply are not ready to support the manufacturing needed to make a critical impact.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

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Product Type

MFG./DIST.

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

Submarkets

WEST

Chino / Chino Hills, Fontana, Mira Loma / Eastvale / Jurupa Valley, Montclair, Ontario, Rancho Cucamonga, Upland

EAST

Banning, Beaumont, Bloomington, Corona / Norco, Colton / Grand Terrace, Moreno Valley, Perris, Redlands / Loma Linda, Rialto, Riverside, San Bernardino / Highland

HIGH DESERT

Adelanto, Apple Valley, Barstow, Hesperia, Victorville

TEMECULA VALLEY

Hemet, Lake Elsinore, Menifee, Murrieta, San Jacinto, Temecula, Wildomar