IE Q3 25

THIRD QUARTER 2025 MARKET REPORT
INLAND EMPIRE INDUSTRIAL

Voit
REAL ESTATE SERVICES

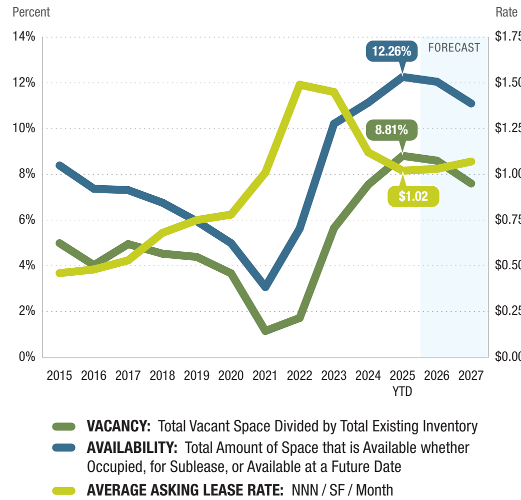
OVERVIEW. The Inland Empire industrial market showed encouraging signs in the first quarter of 2025 with an uptick in leasing activity and total vacancy pulling back, but the trade war dealt the market a setback starting in Q2. Landlords are still leaning on concessions to fuel leasing activity and rental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

VACANCY & AVAILABILITY. The Inland Empire vacancy rate is trending back upward, finishing Q3 at 8.81%, 0.78 percentage points higher than the level of a year ago. The 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. Available space being marketed (regardless of occupancy status) was 12.26% of the market's inventory at the end of Q3, an increase of 7.4% versus Q3 2024's rate of 11.41%. Sublease availability continues to remain a significant factor in the market, with 18.4 MSF of sublet space available at the end of Q3. This total was less than 3 MSF as recently as Q2 2022.

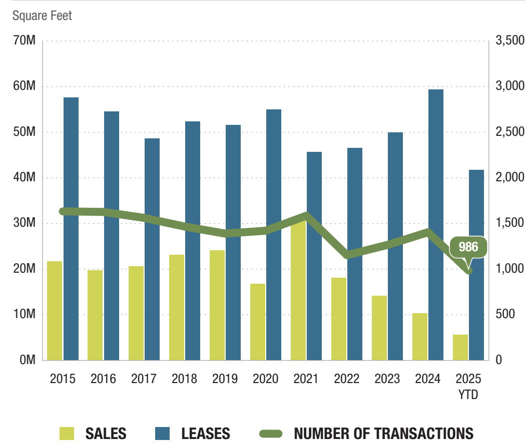
LEASE RATES. The average asking rate in Q2 was $1.02 per square foot per month, a one-cent decrease from the previous quarter, and down a substantial 15.7% from the level of a year ago. Tenants are seeing a reprieve from rents that were rising unabated for several years. Things finally started to settle 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 falloff in demand in the distribution sector, has finally given tenants a pause from rising occupancy costs. Leasing concessions such as rental abatement are significantly 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, which measures executed leases and closed sales in a given period, saw an uptick in Q3, increasing to 15.5 MSF from 14 MSF in Q2. Total square footage leased in Q3 reached 13.3 MSF, a modest rebound from the 12.5 MSF of leasing in Q2. The sales market remains in the doldrums, falling short of $600 million of industrial buildings sales for the third consecutive quarter, a mark that was not exceeded only twice between 2021–2024. Elevated interest rates and the supply/demand imbalance of the past two years continue to slow sales activity, with institutional buyers taking a cautious stance in light of softening market fundamentals in 2025. The largest sale of Q3 was UPS' sale-leaseback of 768,000 SF at 11991 Landon Drive in Jurupa Valley. This was the second consecutive quarter in which a sale-lease back landed among the top transactions of the quarter, demonstrating the desire of large companies to increase liquidity to face current economic turbulence.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

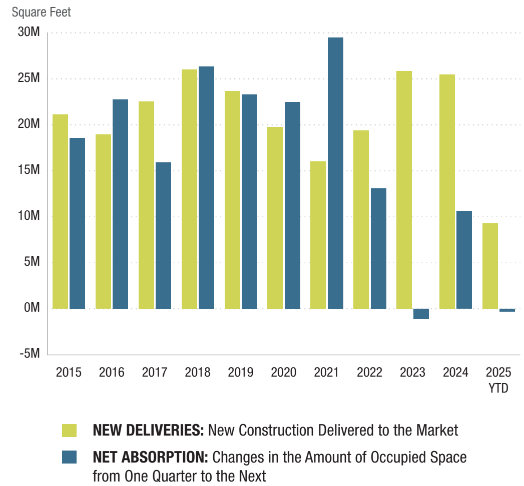
	Change Over Last Quarter		Q3 2025	Q2 2025	Q3 2024	% Change Over Last Year
Total Vacancy Rate	▲	UP	8.81%	7.96%	8.03%	9.83%
Availability Rate	▲	UP	12.26%	11.57%	11.41%	7.40%
Average Asking Lease Rate	▼	DOWN	$1.02	$1.03	$1.21	(15.70%)
Sale & Lease Transactions	▲	UP	15,456,599	14,021,022	18,878,896	(18.13%)
Gross Absorption	▼	DOWN	7,369,937	9,952,880	12,624,880	(41.62%)
Net Absorption	▼	Negative	(743,803)	(2,309,757)	(40,980)	N/A

ABSORPTION. Net absorption is slightly negative through three quarters of the year, with a total reduction of 284,732 SF of the industrial occupier footprint, equating to only a 0.04% change. Many smaller companies operate on thin margins and the volatility in trade policy this year has had a significant impact on undercapitalized operations, leading to a reduction in demand for warehouse space. The shift in local demand has not been distributed evenly, with the IE East recording 2.2 MSF of negative net absorption in the first three quarters of the year, while the IE West saw 1.9 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 9.3 MSF of deliveries in the IE core in the first three quarters of 2025, putting the market on an annual pace of fewer than 15 MSF of new construction for the first time in over 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 of the last two years. Development activity already underway remains focused on spaces exceeding 250,000 SF.

EMPLOYMENT. The unemployment rate in the Riverside-San Bernardino MSA was 6.1% in August 2025, down from a revised 6.4% in July 2025, and above the year-ago estimate of 6.0%. In the Riverside-San Bernardino MSA, the Construction Employment sector decreased by 1,200 jobs, Trade, Transportation and Utilities declined by 300 jobs, and the Manufacturing employment sector lost 200 jobs compared with the prior month. With the normal delay in reporting from the California EDD, employment figures from September were unavailable at the time of publishing this report. For the nation as a whole, 22,000 jobs were added in August, while the seasonally adjusted U.S. unemployment rate increased from 4.2% to 4.3%, the highest unemployment rate since October 2021.

NEW DELIVERIES & NET ABSORPTION



Forecast

Ever-shifting trade policies continue to create uncertainty for businesses and consumers, and volatility has become the new normal in the 2025 U.S. economy. The industrial real estate owners with a lower cost basis or stronger capitalization will remain aggressive on lease rates and rental concessions. Many landlords and tenants choose short-term lease extensions in the current business landscape. Landlords seek to avoid locking in discounted rates for a long period, and tenants are skittish about long-term commitments while trade policies are fluctuating so quickly. This increase of shorter lease extensions will continue in the short term as market participants wait for improved clarity in economic conditions.

Significant Transactions

Sales

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
11991 Landon Dr.	Jurupa Valley	768,000	$208,760,000	Fortress Net Lease REIT	UPS
22491 Harley Knox Blvd.	Perris	348,375	$90,600,000	Cabot Properties	Sares-Regis Group
14074 Rancho Ct. & 14928 Washington Dr.	Fontana	332,793	$83,500,000	Bridge Logistics Properties	Hillwood
4471 State St.	Montclair	110,507	$38,125,000	Hot Focus	Oakmont Industrial Group, LLC
720–780 S. Milliken Ave.	Ontario	133,400	$29,900,000	MDH F3 SoCal OCP II LLC*	The Realty Associates Fund XII Portfolio LP*

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
5690 Industrial Pkwy.	San Bernardino	844,311	Jul-2025	IDC Logistics	Alere Property Group
13052 Jurupa Ave.	Fontana	827,578	Sep-2025	E-Logistics	Principal
3994 S. Riverside Ave.	Colton	798,304	Jul-2025	Living Spaces (Renewal)	Link Logistics
1300 California St.	Redlands	771,839	Aug-2025	DCG Group (Renewal)	Ares Industrial
11991 Landon Dr.	Jurupa Valley	768,000	Aug-2025	UPS (Sale-Leaseback)	Fortress Net Lease REIT

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2025	Square Feet Available	Availability Rate Q3 2025	Average Asking Lease Rate	Net Absorption Q3 2025	Net Absorption 2025	Gross Absorption Q3 2025	Gross Absorption 2025
West													
Chino / Chino Hills	952	56,959,264	0	3,816,288	2,917,240	5.12%	4,194,296	7.36%	$1.38	(133,858)	(444,277)	532,563	2,538,248
Fontana	814	79,377,728	360,936	12,117,327	6,506,429	8.20%	7,883,961	9.89%	$1.06	42,401	(405,528)	704,487	2,541,644
Mira Loma / Eastvale / Jurupa Valley	418	53,907,818	0	1,167,939	2,743,313	5.09%	7,473,189	13.86%	$1.11	(123,452)	938,636	730,538	3,567,452
Montclair	214	4,585,461	0	0	833,137	18.17%	1,003,827	21.89%	$1.08	(10,731)	170,494	8,376	334,822
Ontario	1,545	131,582,712	1,396,209	10,532,861	10,348,036	7.86%	15,007,764	11.29%	$0.91	(712,756)	1,488,451	1,265,359	7,024,407
Rancho Cucamonga	752	43,818,823	151,455	909,412	3,599,149	8.21%	6,177,084	14.05%	$1.10	(98,922)	65,762	555,446	2,643,896
Upland	263	4,142,958	0	50,000	134,281	3.24%	196,858	4.75%	$3.06	11,051	64,096	54,734	176,644
5,000-24,999	2,794	33,857,184	57,008	252,776	1,257,493	3.71%	1,678,731	4.95%	$1.44	(95,107)	(74,231)	322,341	1,193,882
25,000-49,999	781	27,456,354	78,073	417,171	1,614,470	5.88%	2,349,254	8.53%	$1.19	(124,499)	(32,324)	346,833	1,356,889
50,000-99,999	494	34,517,376	197,633	654,667	2,611,202	7.56%	3,848,803	11.09%	$1.26	129,158	57,975	520,081	1,847,467
100,000-249,999	506	77,860,439	151,455	2,439,913	5,699,448	7.32%	9,323,668	11.95%	$1.05	(423,278)	1,030,280	1,643,295	5,355,308
250,000-499,999	245	86,498,054	890,197	5,846,548	6,479,488	7.49%	9,997,211	11.44%	$0.84	(512,541)	666,648	1,018,953	5,726,178
500,000 plus	138	114,185,357	534,234	18,982,752	9,419,484	8.25%	14,739,312	12.85%	$1.12	0	229,286	0	3,347,389
West Total	4,958	374,374,764	1,908,600	28,593,827	27,081,585	7.23%	41,936,979	11.15%	$1.06	(1,026,267)	1,877,634	3,851,503	18,827,113
East													
Banning	48	1,952,588	0	3,046,095	58,052	2.97%	1,099,447	56.31%	$1.10	53,720	62,130	53,720	129,402
Beaumont	64	8,936,159	0	4,997,762	831,279	9.30%	1,428,085	15.98%	$0.70	0	(9,536)		0
Bloomington	127	11,689,353	424,037	162,268	1,567,970	13.41%	1,133,299	9.36%	$0.80	(112,609)	(615,838)	0	124,887
Corona / Norco	1,011	35,955,941	0	1,360,978	2,114,018	5.88%	3,079,754	8.57%	$1.06	191,394	134,416	589,232	1,554,424
Colton / Grand Terrace	195	11,477,000	182,123	626,597	800,274	6.97%	1,514,466	12.99%	$1.03	453,710	523,089	516,869	757,062
Moreno Valley	120	33,218,419	933,242	41,560,927	2,686,500	8.09%	4,528,348	13.26%	$0.95	(111,259)	(667,811)	209,312	713,394
Perris	269	47,058,355	1,285,153	9,527,333	6,758,377	14.36%	8,589,949	17.77%	$0.95	(10,788)	1,008,297	725,688	2,457,940
Redlands / Loma Linda	252	31,435,934	564,791	620,128	3,290,630	10.47%	3,212,408	10.04%	$0.90	60,636	(676,151)	203,213	991,163
Rialto	213	32,249,298	468,563	1,424,984	3,488,303	10.82%	5,350,079	16.35%	$1.09	185,157	(696,322)	234,326	496,257
Riverside	1,139	60,102,648	178,846	1,552,067	5,981,129	9.95%	8,125,574	13.48%	$1.13	11,647	656,861	566,940	3,305,782
San Bernardino / Highland	616	47,411,353	28,680	1,621,713	6,681,505	14.09%	6,035,535	12.72%	$0.95	(439,144)	(1,881,501)	419,134	1,251,496
5,000-24,999	2,447	29,090,838	24,370	70,423	1,259,665	4.33%	1,843,843	6.33%	$1.15	(168,814)	(275,969)	243,360	877,239
25,000-49,999	608	21,455,762	321,313	553,259	1,299,093	6.05%	2,199,576	10.10%	$1.08	(75,411)	237,550	252,836	1,034,744
50,000-99,999	373	26,076,692	0	1,254,216	2,102,077	8.06%	2,601,119	9.97%	$1.03	304,330	559,086	542,243	1,557,065
100,000-249,999	308	47,376,517	485,881	3,557,438	6,313,397	13.33%	7,559,346	15.79%	$0.98	(372,406)	(76,787)	228,123	1,734,489
250,000-499,999	152	55,277,279	1,516,809	5,345,951	10,162,365	18.38%	15,078,772	26.55%	$0.97	1,243,626	870,176	1,720,785	3,420,065
500,000 plus	166	142,209,960	1,717,062	55,719,565	13,121,440	9.23%	14,814,288	10.29%	$0.86	(648,861)	(3,476,422)	531,087	3,158,205
East Total	4,054	321,487,048	4,065,435	66,500,852	34,258,037	10.66%	44,096,944	13.55%	$0.98	282,464	(2,162,366)	3,518,434	11,781,807
Inland Empire Total	**9,012**	**695,861,812**	**5,974,035**	**95,094,679**	**61,339,622**	**8.81%**	**86,033,923**	**12.26%**	**$1.02**	**(743,803)**	**(284,732)**	**7,369,937**	**30,608,920**
5,000-24,999	5,241	62,948,022	81,378	323,199	2,517,158	4.00%	3,522,574	5.60%	$1.29	(263,921)	(350,200)	565,701	2,071,121
25,000-49,999	1,389	48,912,116	399,386	970,430	2,913,563	5.96%	4,548,830	9.30%	$1.13	(199,910)	205,226	599,669	2,391,633
50,000-99,999	867	60,594,068	197,633	1,908,883	4,713,279	7.78%	6,449,922	10.64%	$1.14	433,488	617,061	1,062,324	3,404,532
100,000-249,999	814	125,236,956	637,336	5,997,351	12,012,845	9.59%	16,883,014	13.48%	$1.01	(795,684)	953,493	1,871,418	7,089,797
250,000-499,999	397	141,775,333	2,407,006	11,192,499	16,641,853	11.74%	25,075,983	17.69%	$0.91	731,085	1,536,824	2,739,738	9,146,243
500,000 plus	304	256,395,317	2,251,296	74,702,317	22,540,924	8.79%	29,553,600	11.53%	$0.96	(648,861)	(3,247,136)	531,087	6,505,594
Inland Empire Total	**9,012**	**695,861,812**	**5,974,035**	**95,094,679**	**61,339,622**	**8.81%**	**86,033,923**	**12.26%**	**$1.02**	**(743,803)**	**(284,732)**	**7,369,937**	**30,608,920**
High Desert													
Adelanto	179	5,845,870	10,000	7,796,126	201,585	3.45%	358,218	6.12%	$1.05	67,100	35,245	67,100	165,930
Apple Valley	74	3,895,773	1,207,135	8,044,667	1,384,116	35.53%	1,383,226	27.11%	$0.80	(24,966)	(1,346,856)	2,250	50,500
Barstow	54	1,328,348	0	0	130,310	9.81%	167,866	12.64%	$1.01	(102,000)	(102,000)	0	0
Hesperia	194	6,714,800	2,906,138	3,679,685	1,112,918	16.57%	669,336	6.96%	$1.08	20,822	22,648	29,238	79,906
Victorville	137	12,272,382	0	11,436,710	600,203	4.89%	1,766,725	14.40%	$1.02	1,452	1,316,216	22,738	1,377,504
High Desert Total	638	30,057,173	4,123,273	30,957,188	3,429,132	11.41%	4,345,371	12.71%	$1.03	(37,592)	(74,747)	121,326	1,673,840
Temecula Valley													
Hemet	89	2,434,715	0	0	53,132	2.18%	60,282	2.48%	$0.90	(20,000)	830,640	0	857,426
Lake Elsinore	181	2,770,950	62,544	0	154,662	5.58%	235,513	8.31%	$1.31	47,858	26,627	58,601	102,909
Menifee	29	1,158,710	0	7,326,819	544,115	46.96%	575,325	49.65%	-	(93,575)	0	0	93,575
Murrieta	290	4,717,040	0	183,653	110,540	2.34%	233,996	4.96%	$1.23	2,249	1,249	24,780	74,659
San Jacinto	65	1,101,869	0	29,153	4,980	0.45%	4,980	0.45%	$0.85	8,350	11,621	10,850	19,121
Temecula	352	9,914,631	0	82,066	382,372	3.86%	482,966	4.87%	$1.20	10,769	328,284	62,130	463,306
Wildomar	12	331,720	0	291,908	2,257	0.68%	8,213	2.48%	$1.13	10,416	(2,257)	10,416	14,596
Temecula Valley Total	1,018	22,429,635	62,544	7,913,599	1,252,058	5.58%	1,601,275	7.12%	$1.23	(33,933)	1,196,164	166,777	1,625,592

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.

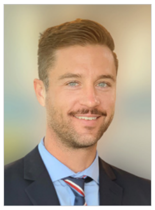
THIRD QUARTER 2025 MARKET REPORT

INLAND EMPIRE INDUSTRIAL

Voit
REAL ESTATE SERVICES

Inland Empire Rents: Is The Bottom In?

by Jon Larson and Dante Borruso



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The Inland Empire industrial real estate sector has been navigating a challenging environment over the past couple of years, defined by softening institutional rents and prolonged vacancy. For years, institutional capital, new development, low interest rates, and enormous tenant demand created the perfect storm for rapid rent escalation. But as the economy cooled and interest rates increased, the tenant and developer/investor demand waned dramatically. So, where are we now? The data illustrates the reality: vacancy rates have ticked upward across core submarkets such as Ontario (7.86%) and Fontana (8.20%), while net absorption in Q3 turned negative in key trade-oriented hubs like Chino / Chino Hills (133,858 SF) and Rancho Cucamonga (98,922 SF). Even with gross absorption reaching more than 7 MSF year to date in Ontario alone, the imbalance between new supply under construction and tepid leasing velocity is pressuring landlords to cut deals below peak rents. Average asking rates, ranging from $0.91 to $1.44 PSF, reveal a clear retrenchment from the highs that defined the last cycle.

That said, we have seen a large number of lease deals in the Inland Empire West this year, and we have enough data to highlight some common themes. Class A warehouse space leases at approximately $1.35 gross, while Class B warehouse space leases around $1.25 gross. Tenants expect at least one month of free rent per year of lease term, a tenant improvement allowance, and other landlord concessions. In addition, many of the tenants have weaker credit than we have historically seen, but there is a current trend of stronger-credit tenants beginning to look for space as well. The Inland Empire East has been a different story as it continues to struggle with high vacancy, low deal velocity, and falling rents, as the tenants have flocked to the West to pursue space at rates discounted from the peak. So, in the IE West, the bottom seems to be in, but in the IE East, it remains to be seen where the market will stabilize.

The Federal Reserve's recent steps toward rate reductions offer some relief. Lower borrowing costs will cushion the landing by softening cap rates and narrowing the gap between buyer and seller expectations. However, incremental reductions are unlikely to spur immediate recovery in tenant demand or institutional reinvestment. Confidence, more than pricing alone, will reignite absorption.

As confidence continues to return, the Inland Empire's fundamentals, including a deep labor pool, logistics infrastructure, new state-of-the-art buildings, and proximity to ports, will reassert themselves. Absorption trends show that even in a cooling cycle, millions of square feet are still being transacted annually. Once the tenant and buyer conviction is restored, absorption will accelerate, rents will stabilize, and the development pipeline will again look feasible.

In short, the market is not in free fall but in recalibration. Aggressive monetary easing will hopefully be a catalyst to accelerate the rebound, transforming today's uncertainty into tomorrow's recovery cycle.

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

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