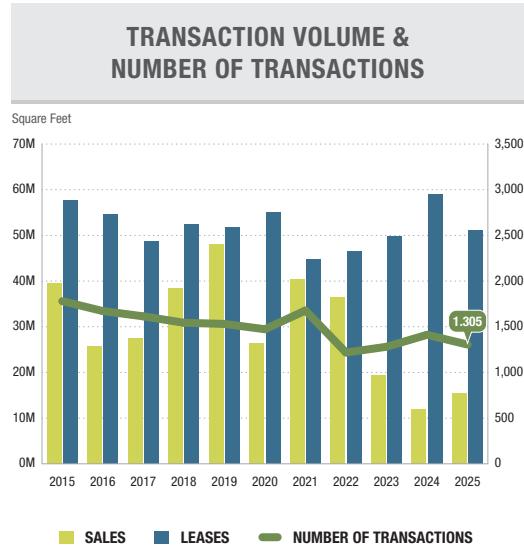
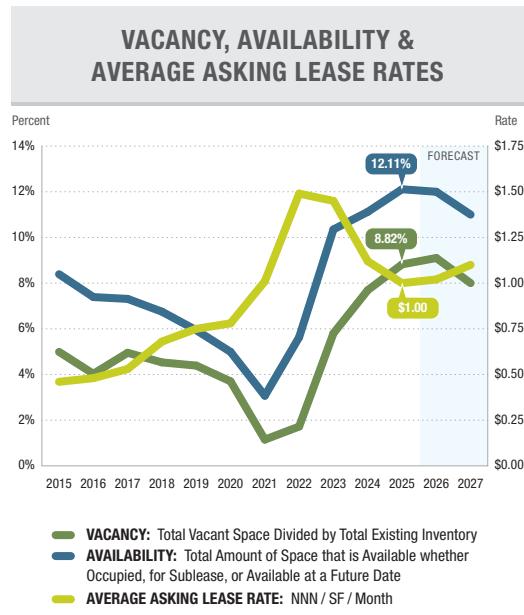


**OVERVIEW.** The Inland Empire industrial market showed some encouraging signs in 2025 with an uptick in leasing activity. But notwithstanding the falloff in the level of new construction in the market, supply still outpaced demand for the year, leading to an increase in vacancy in 2025. Landlords are 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 while rental rates and sale pricing have yet to rebound.

**VACANCY & AVAILABILITY.** The Inland Empire vacancy rate continued its upward trend, finishing Q4 at 8.82%, 1.1 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 12.11% of the market's inventory at the end of Q4, an increase of 1 percentage point versus Q4 2024's rate of 11.12%. Sublease availability continues to remain a significant factor in the market, with 17.8 MSF of sublet space available at the end of Q4. This total was less than 3 MSF as recently as Q2 2022.

**LEASE RATES.** The average asking rate in Q4 was \$1.00 per square foot per month, a two-cent decrease from the previous quarter, and down a substantial 10.7% from the level of a year ago. There has been a sharp shift in the balance of negotiating leverage in recent years, with the average asking rate declining for three consecutive years, placing tenants in the driver's seat. This has resulted in elevated leasing concessions, such as rental abatement, as landlords are getting aggressive in pursuing tenants. The delivery of large amounts of new space coupled with a falloff in demand in the distribution sector has given tenants a pause from rising occupancy costs. 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, pulled back in Q4, decreasing to 12.2 MSF from 20 MSF in Q3. Total square footage leased in 2025 surpassed 50 MSF for the second consecutive year, after failing to reach that mark in any of the preceding three years. The sales market remains in the doldrums, with 15.4 MSF of buildings trading hands in 2025. From 2023–2025 the annual sales total averaged 15.5 MSF, compared to an average of 34.4 MSF sold in 2021–2023. Elevated interest rates, coupled with increased vacancy and the lower lease rates of the past three years, have dampened the overall demand for Inland Empire real estate. While the overall sale market remains down, 2025 saw the owner-user segment record its highest volume of sales in terms of both dollars and square feet since 2021. With price per square foot and interest rates easing back off of recent highs, industrial occupiers took advantage of conditions moving in their favor.



## Market Statistics

	Change Over Last Quarter	Q4 2025	Q3 2025	Q4 2024	% Change Over Last Year
Total Vacancy Rate	DOWN	8.82%	8.95%	7.69%	14.67%
Availability Rate	DOWN	12.11%	12.24%	11.12%	8.85%
Average Asking Lease Rate	DOWN	\$1.00	\$1.02	\$1.12	(10.71%)
Sale & Lease Transactions	DOWN	12,213,968	19,751,766	14,333,719	(14.79%)
Gross Absorption	UP	13,666,337	7,374,317	14,220,146	(3.89%)
Net Absorption	POSITIVE	1,877,631	(481,144)	5,202,310	N/A

**ABSORPTION.** Net absorption finished the year in the black with a total increase in the industrial-occupier footprint of 1.9 MSF. The East and West segments of the market were on different trajectories throughout the year. The West IE core recorded over 4 MSF of positive absorption in Q1, followed by three consecutive quarters of negative net absorption. The IE East recorded negative net absorption in each of the first two quarters of the year, followed by the inverse in the last two quarters of 2025. Ultimately both segments of the IE core finished 2025 with positive net absorption for the year as a whole. Many smaller companies operate on thin margins and the volatility in trade policy this year has had a significant impact on highly leveraged undercapitalized operations, leading to a reduction in demand for warehouse space.

**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 10.6 MSF of deliveries in the IE core 2025, the first calendar year with fewer than 15 MSF of new construction 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.

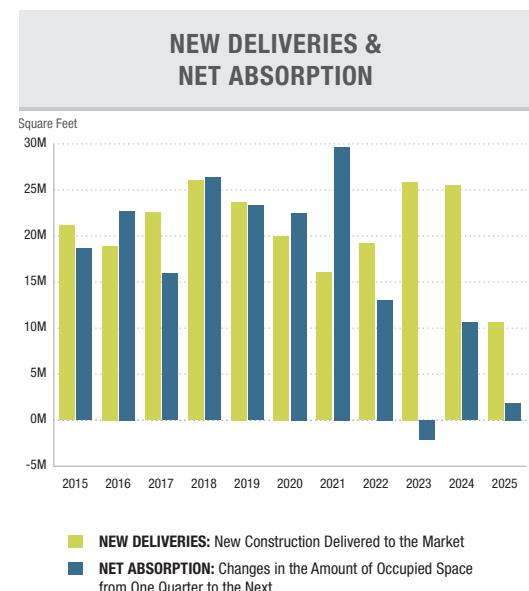
**EMPLOYMENT.** The unemployment rate in the Riverside-San Bernardino MSA was 5.4% in November 2025, above the year-ago estimate of 5.3%. In the Riverside-San Bernardino MSA, the Trade, Transportation and Utilities employment sector increased by 16,100 jobs, the Construction employment sector added 2,600 jobs, and the Manufacturing employment sector decreased by 800 jobs compared with the prior month. With the normal delay in reporting from the California EDD, employment figures from December were unavailable at the time of publishing this report. For the nation as a whole, unemployment ticked down to 4.4% from the prior month's revised 4.5% rate. 584,000 jobs were added across the U.S. in 2025, down from more than 2 million in 2024.

## Forecast

Ever-shifting trade policies created uncertainty for businesses and consumers in 2025, and volatility became the new normal in the national economy. The industrial real estate owners with a lower cost basis or stronger capitalization will remain aggressive on lease rates and rental concessions. Increased leasing activity in the near future and the currently diminished construction pipeline have the potential to nudge supply and demand dynamics toward greater balance in 2026.

## Significant Transactions

Sales						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
10681 Production Ave.	Fontana	1,101,900	\$174,311,927	BLP*	10681 Production Avenue, LLC	
11119 Juniper Ave.	Fontana	436,424	\$128,500,000	BGO	REDA/Clarion Partners	
890 E. Mill St.	San Bernardino	525,756	\$123,000,000	Overton Moore Properties	Brookfield Properties	
875 W. State St.	Ontario	256,722	\$57,342,000	The Orden Company	Inland Harbor, LLC	
15 Longitude Way	Corona	164,888	\$44,280,000	BGO	Condor Cold Storage/AEW	
Leases						
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner	
10825 Production Ave. - Renewal	Fontana	753,170	Nov-2025	CJ Logistics	Invesco	
4323 Indian Ave.	Perris	656,695	Dec-2025	RJW Logistics	Prologis	
17820 Slover Ave.	Bloomington	651,815	Dec-2025	Spirit Halloween	Prologis	
701 S. Arrowhead Ave.	San Bernardino	592,710	Nov-2025	Kohler	Alere Property Group, LLC	
22750 Cactus Ave.	Moreno Valley	522,772	Nov-2025	Hisense	Prologis	



INVENTORY			VACANCY & LEASE RATES						ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q4 2025	Square Feet Available	Availability Rate Q4 2025	Average Asking Lease Rate	Net Absorption Q4 2025	Net Absorption 2025	Gross Absorption Q4 2025	Gross Absorption 2025
<b>West</b>													
Chino / Chino Hills	953	57,014,887	343,137	3,863,939	2,258,213	3.96%	4,059,689	7.08%	\$1.26	677,027	234,150	1,122,019	3,661,667
Fontana	816	79,450,292	360,936	12,040,814	6,997,029	8.81%	9,906,516	12.41%	\$1.05	(490,906)	(895,028)	1,774,397	4,317,141
Mira Loma / Eastvale / Jurupa Valley	420	54,014,087	0	1,167,939	4,277,840	7.92%	8,459,486	15.66%	\$1.11	(534,350)	404,286	434,694	4,002,146
Montclair	214	4,584,990	0	0	474,160	10.34%	635,623	13.86%	\$1.04	358,977	531,971	395,583	732,905
Ontario	1,545	131,835,386	1,186,532	10,532,861	10,304,693	7.82%	14,240,983	10.71%	\$0.85	36,707	1,786,471	2,988,377	10,012,784
Rancho Cucamonga	752	43,823,248	151,455	909,412	4,111,654	9.38%	5,045,708	11.47%	\$1.11	(512,549)	(446,743)	671,878	3,315,774
Upland	263	4,111,750	0	50,000	111,568	2.71%	234,060	5.69%	\$2.55	20,074	86,809	33,241	209,885
5,000-24,999	2,798	33,887,472	57,008	252,776	1,240,641	3.66%	1,818,678	5.36%	\$1.43	28,749	(36,879)	531,305	1,727,687
25,000-49,999	777	27,326,647	123,073	417,171	1,562,556	5.72%	2,135,941	7.78%	\$1.18	48,698	22,090	574,073	1,933,462
50,000-99,999	497	34,712,698	197,633	732,267	2,264,435	6.52%	3,671,689	10.52%	\$1.13	346,461	404,742	753,366	2,600,833
100,000-249,999	507	77,968,979	151,455	2,232,780	6,422,766	8.24%	9,967,297	12.76%	\$1.09	(723,318)	306,962	1,244,079	6,599,387
250,000-499,999	246	86,752,987	978,657	5,947,219	6,449,643	7.43%	9,560,162	10.90%	\$0.84	29,845	951,170	1,569,636	7,295,814
500,000 plus	138	114,185,857	534,234	18,982,752	10,595,116	9.28%	15,428,298	13.45%	\$1.12	(175,455)	53,831	2,747,730	6,095,119
West Total	4,963	374,834,640	2,042,060	28,564,965	28,535,157	7.61%	42,582,065	11.30%	\$1.04	(445,020)	1,701,916	7,420,189	26,252,302
<b>East</b>													
Banning	49	1,960,290	0	3,046,095	58,052	2.96%	1,099,447	56.09%	\$2.05	0	62,130	0	129,402
Beaumont	64	8,753,395	0	4,997,762	370,789	4.24%	964,631	11.02%	\$0.70	460,490	450,954	461,990	461,990
Bloomington	127	11,929,985	0	421,741	434,464	3.64%	860,528	7.21%	\$0.80	1,397,538	779,300	1,397,538	1,522,425
Corona / Norco	1,012	35,932,037	0	1,360,978	2,234,285	6.22%	2,718,401	7.57%	\$1.09	(120,267)	14,257	247,809	1,802,341
Colton / Grand Terrace	202	11,694,345	0	626,597	979,838	8.38%	1,161,163	9.93%	\$1.06	8,968	532,057	265,212	1,024,154
Moreno Valley	120	33,218,419	904,242	41,723,454	2,770,068	8.34%	3,901,606	11.43%	\$0.95	(83,568)	(751,379)	672,772	1,386,166
Perris	270	47,116,173	1,285,153	10,016,473	6,033,032	12.80%	9,332,339	19.28%	\$0.95	725,345	1,733,642	1,052,245	3,510,185
Redlands / Loma Linda	254	32,026,134	0	620,128	3,517,646	10.98%	3,328,753	10.39%	\$0.86	337,775	(338,376)	525,418	1,516,581
Rialto	213	32,408,210	468,563	1,649,550	4,272,057	13.18%	5,393,338	16.40%	\$1.01	(783,754)	(1,480,076)	5,954	502,211
Riverside	1,145	60,282,051	136,615	1,556,082	5,732,903	9.51%	7,000,251	11.59%	\$1.10	288,166	944,087	605,545	3,911,327
San Bernardino / Highland	618	47,493,059	28,680	1,689,585	6,589,497	13.87%	6,717,449	14.14%	\$1.08	91,958	(1,789,543)	1,011,665	2,263,111
5,000-24,999	2,451	29,120,374	31,139	35,034	1,259,207	4.32%	1,648,263	5.65%	\$1.16	(21,492)	(299,861)	312,631	1,189,820
25,000-49,999	618	21,775,750	61,190	578,413	1,601,055	7.35%	2,112,281	9.67%	\$1.09	(16,690)	187,420	220,529	1,257,153
50,000-99,999	374	26,135,570	0	1,336,338	2,266,163	8.67%	2,322,902	8.89%	\$0.97	(196,586)	395,000	203,192	1,760,257
100,000-249,999	311	47,908,625	115,476	4,087,366	6,300,799	13.15%	7,115,836	14.82%	\$1.01	220,598	143,919	1,091,416	2,826,013
250,000-499,999	154	55,895,481	898,386	5,951,729	10,591,775	18.95%	14,758,029	25.99%	\$0.95	189,013	1,059,189	633,704	4,053,769
500,000 plus	166	141,978,298	1,717,062	55,719,565	10,973,632	7.73%	14,520,595	10.11%	\$0.76	2,147,808	(1,328,614)	3,784,676	6,942,881
East Total	4,074	322,814,098	2,823,253	67,708,445	32,992,631	10.22%	42,477,906	13.04%	\$0.96	2,322,651	157,053	6,246,148	18,029,893
<b>Inland Empire Total</b>	<b>9,037</b>	<b>697,648,738</b>	<b>4,865,313</b>	<b>96,273,410</b>	<b>61,527,788</b>	<b>8.82%</b>	<b>85,059,971</b>	<b>12.11%</b>	<b>\$1.00</b>	<b>1,877,631</b>	<b>1,858,969</b>	<b>13,666,337</b>	<b>44,282,195</b>
5,000-24,999	5,249	63,007,846	88,147	287,810	2,499,848	3.97%	3,466,941	5.49%	\$1.29	7,257	(336,740)	843,936	2,917,507
25,000-49,999	1,395	49,102,397	184,263	995,584	3,163,611	6.44%	4,248,222	8.62%	\$1.14	32,008	209,510	794,602	3,190,615
50,000-99,999	871	60,848,268	197,633	2,068,605	4,530,598	7.45%	5,994,591	9.82%	\$1.05	149,875	799,742	956,558	4,361,090
100,000-249,999	818	125,877,604	266,931	6,320,146	12,723,565	10.11%	17,083,133	13.54%	\$1.05	(502,720)	450,881	2,335,495	9,425,400
250,000-499,999	400	142,648,468	1,877,043	11,898,948	17,041,418	11.95%	24,318,191	16.83%	\$0.90	218,858	2,010,359	2,203,340	11,349,583
500,000 plus	304	256,164,155	2,251,296	74,702,317	21,568,748	8.42%	29,948,893	11.59%	\$0.89	1,972,353	(1,274,783)	6,532,406	13,038,000
<b>Inland Empire Total</b>	<b>9,037</b>	<b>697,648,738</b>	<b>4,865,313</b>	<b>96,273,410</b>	<b>61,527,788</b>	<b>8.82%</b>	<b>85,059,971</b>	<b>12.11%</b>	<b>\$1.00</b>	<b>1,877,631</b>	<b>1,858,969</b>	<b>13,666,337</b>	<b>44,282,195</b>
<b>High Desert</b>													
Adelanto	179	5,855,950	20,000	7,111,356	279,920	4.78%	348,703	5.93%	\$1.07	(41,455)	(6,210)	36,880	202,810
Apple Valley	74	3,895,773	1,207,135	8,590,167	1,379,900	35.42%	1,381,100	27.06%	\$0.96	4,216	(1,342,640)	18,376	68,876
Barstow	54	1,328,348	0	0	106,310	8.00%	141,527	10.65%	\$0.79	24,000	(78,000)	24,000	24,000
Hesperia	194	6,738,800	2,906,138	3,679,685	1,192,298	17.69%	754,746	7.83%	\$1.08	(79,380)	(56,732)	52,852	132,758
Victorville	137	12,253,782	0	11,436,710	1,409,627	11.50%	1,750,694	14.29%	\$1.12	(809,424)	506,792	46,391	1,423,895
High Desert Total	638	30,072,653	4,133,273	30,817,918	4,368,055	14.53%	4,376,770	12.80%	\$0.98	(902,043)	(976,790)	178,499	1,852,339
<b>Temecula Valley</b>													
Hemet	89	2,434,715	0	0	53,132	2.18%	53,132	2.18%	\$0.90	0	830,640	0	857,426
Lake Elsinore	180	2,751,623	62,544	0	127,242	4.62%	195,790	6.96%	\$1.10	27,420	54,047	77,968	180,877
Menifee	29	1,158,710	1,863,854	4,983,970	450,540	38.88%	2,354,812	77.91%	-	93,575	93,575	93,575	187,150
Murrieta	290	4,726,640	0	183,653	119,913	2.54%	209,909	4.44%	\$1.19	(9,648)	(8,124)	20,177	94,836
San Jacinto	66	1,107,769	0	29,153	8,400	0.76%	2,500	0.23%	\$0.85	(3,420)	8,201	2,480	21,601
Temecula	350	9,911,252	0	75,000	254,774	2.57%	326,625	3.30%	\$1.18	127,598	455,382	218,478	681,284
Wildomar	12	331,720	0	0	2,257	0.68%	5,921	1.78%	\$1.18	0	(2,257)	0	14,596
Temecula Valley Total	1,016	22,422,429	1,926,398	5,271,776	1,016,258	4.53%	3,148,689	12.93%	\$1.16	235,525	1,431,464	412,678	2,037,770

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.



## Maturing Market

by **Ryan Lal, SIOR**

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As we say farewell to 2025, it is safe to say that the industrial market of the past few years has pulled back from the rapid post-pandemic growth seen across the U.S., and specifically in the Inland Empire. The years of double-digit rent growth and more than 20 MSF of new construction per year have subsided. The IE market now finds itself in a period of longer lease-up timeframes, increased leasing concessions, and greater tenant leverage in negotiations. This can be seen as a correction from the boom years, when tenants coming off five-year leases often faced rent increases of more than 50%. Recall that at the end of 2021 there were less than 20 MSF being marketed for lease across the IE East and West core, while by the end of 2025 there were more than 80 MSF on the market. In light of these market dynamics, landlords are now conceding significant amounts of free rent and rental rates have come down from their all-time highs. This shift has been driven by both supply-side pressure from new construction and lighter occupier demand due to inflation, tariffs, and other factors.

The change in market dynamics has placed pressure on landlords, but it has not resulted in significant levels of distressed sales, nor has it caused the development pipeline to completely come to a halt. Despite the slowdown in leasing activity over the past couple of years, many landlords are moving ahead with construction plans rather than face the prospect of their entitlements expiring. New development has become more difficult across the IE, as many jurisdictions have taken a more restrictive stance on construction and developers are increasingly unlikely to receive extensions on existing entitlements. Faced with the choice of moving forward with new construction in a softer leasing environment than originally underwritten, or allowing entitlements to expire, many owners are opting to proceed. For many, the risk of a slower lease-up is preferable to the risk of losing entitlements entirely. While a more challenging development environment presents short-term pressures, over the long term these barriers to new construction should enhance the value of existing real estate. These are signs of a maturing market.

The first half of 2025 brought significant disruption to the industrial market with the introduction of tariffs, but the market is adjusting and learning to operate within this new reality. There has been an uptick in leasing activity, as companies that had been waiting for uncertainty to subside are beginning to re-enter the market. Interest rates have started to move lower, and inflation has cooled relative to recent highs. While the industrial market is unlikely to return to early post-pandemic growth rates in 2026, there are indicators pointing toward increased stability in this increasingly mature market.

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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.

## 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