Industrial Market Trends
Inland Empire
2025

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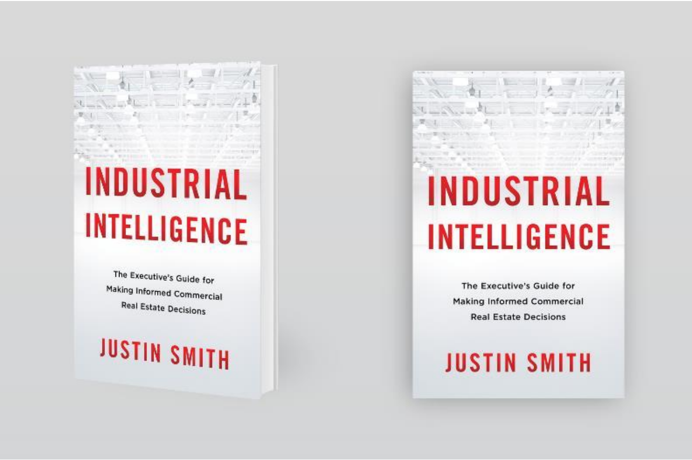
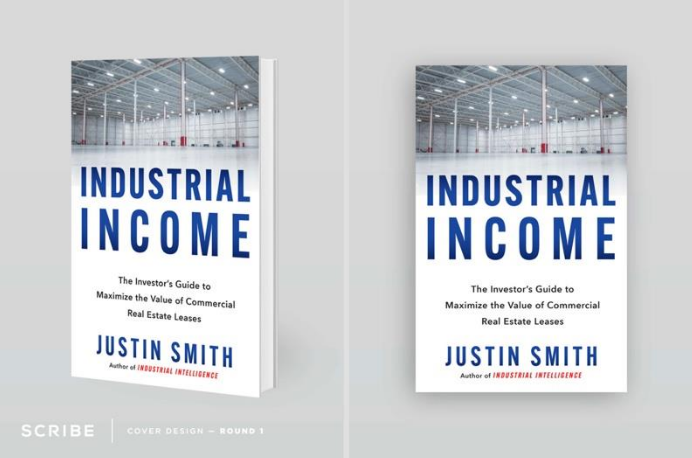
Know Your Audience

- Are we at the bottom yet in Southern California?
- Who is using ChatGPT/Claude in their work? How? Why?
- How is appraisal volume YTD?
- Who is appraising industrial in the IE?
- What are challenges you are facing?
- How many of you have worked on an arbitration?

Justin Smith - SVP

- 20 years with Lee & Associates, Irvine Office, #1 producer multiple years, 700 transactions, $700 million of property
- Primary focus is industrial:
    - 80% within LA/OC/IE, 20% National
    - 80% Tenant, 20% Landlord
    - 80% Leases, 20% Sales
- Education - UCI Econ, USC MBA, USC MRED, University of Arkansas Master of Supply Chain
- Author – Industrial Intelligence & Industrial Income
- Investor – Own 30 units between SFR and industrial multi tenant, invested as LP in 8 industrial deals





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Executive Summary

Inland Empire Industrial Market Summary 1Q 2025

- New leasing soared, could reach new record of 16 to 18 million SF
- Net absorption 3.4 Million SF in Q1
- Vacancy decline holds – down 2nd consecutive quarter to 7.2%
- But, availability ticked back up 20 basis points in Q1 to 11.5%
- Rents continue to fall, now down 27% (NNN Asking Rent Avg)
    - Tenants still face higher costs upon lease expiration
- Under construction supply down to 14 Million SF (from 45 Million SF 2022 peak)
- Median pricing ticked up to $303/SF in Q1 (Deals exceeding $10 million)

CoStar™

Prologis Research - January

01 **U.S. logistics facilities still have excess capacity, limiting growth across the market.** Despite rising this year, the IBI Utilization Rate remained below normal levels (85% to 86%) in Q3 (averaging 84.4%), reflecting spare capacity. With existing space to grow into, new logistics real estate demand was subdued in spite of healthy GDP and consumption growth.

02 **Average market rents declined by approximately 3% in Q3, led by declines in Southern California.**[i] Prolonged decision-making timelines and sluggish demand are prompting some owners to increase concessions and lower headline rents on new leases, although trends vary widely by market.

03 **Vacancy is likely to remain near its cyclical peak through the first half of 2025 as occupier decision-making gradually picks up pace through 2025.** Vacancies were at or near peak in Q3 at 6.8%. Improvement in demand will happen against a backdrop of falling new supply: Completions decreased 33% quarter-over-quarter in Q3 and will remain low through 2025.

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Prologis Research - May

01 **During periods of high uncertainty, customer feedback is especially valuable.** Many customers have accelerated—or are currently accelerating—imports to manage their tariff exposure. In response to the shifting trade and consumption landscape, they seem to be prioritizing agility and overflow strategies. Macroeconomic volatility and uncertainty around tariffs are causing customers to delay capital expenditure and real estate decisions until policies become clearer.

02 **Our proprietary data reveals a moderate rise in space utilization, an outgrowth of recovery and the shift in inventory strategies this year.** The Industrial Business Indicator (IBI™) Utilization Rate rose to 85.1% in April after averaging 84.6% over February and March, while the IBI™ Activity Index reflected slower growth with a reading of 54.4 after spending 19 months in the high 50s/low 60s range.

03 **Deliveries are set to contract further in coming quarters and are expected to stay historically low into 2026.** The under-construction pipeline continued to empty and is now 25% lower than 2019 levels. At the same time, rising development costs widened the gap between market rents and replacement cost rents, disincentivizing speculative construction starts and putting upward pressure on rents when conditions normalize.

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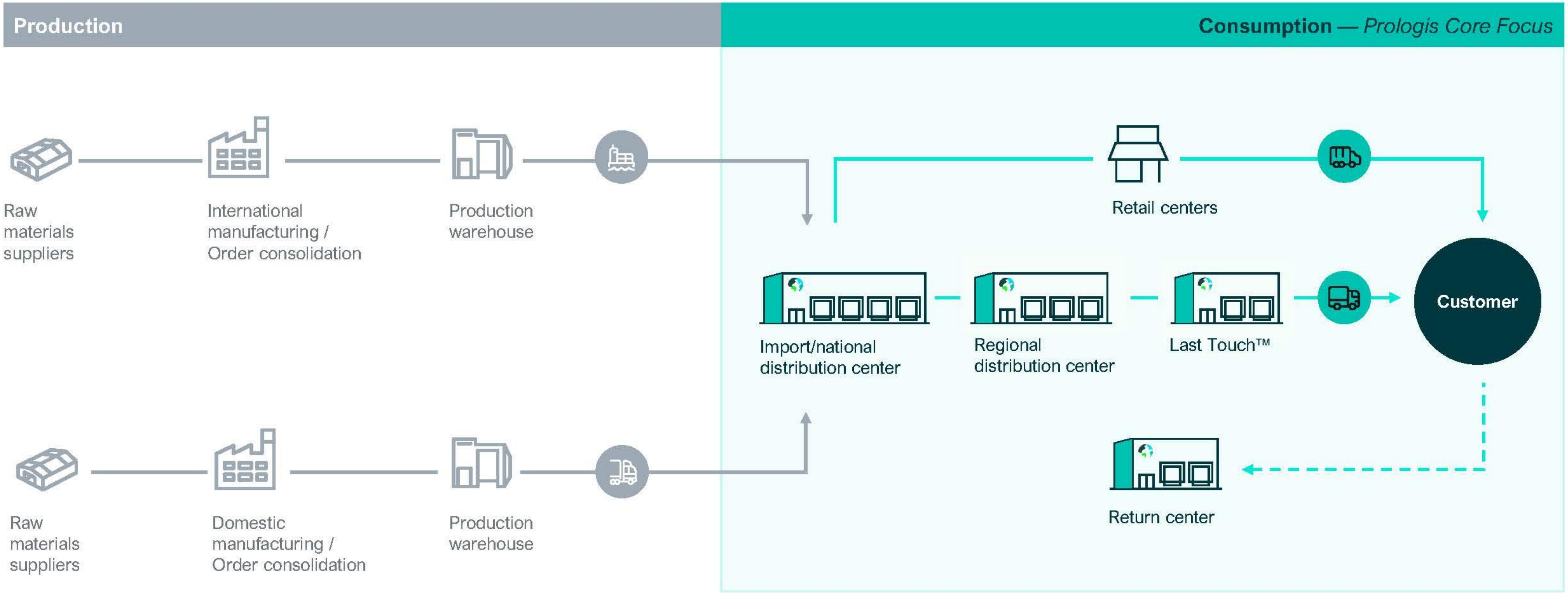
Prologis Research

Essential infrastructure for commerce



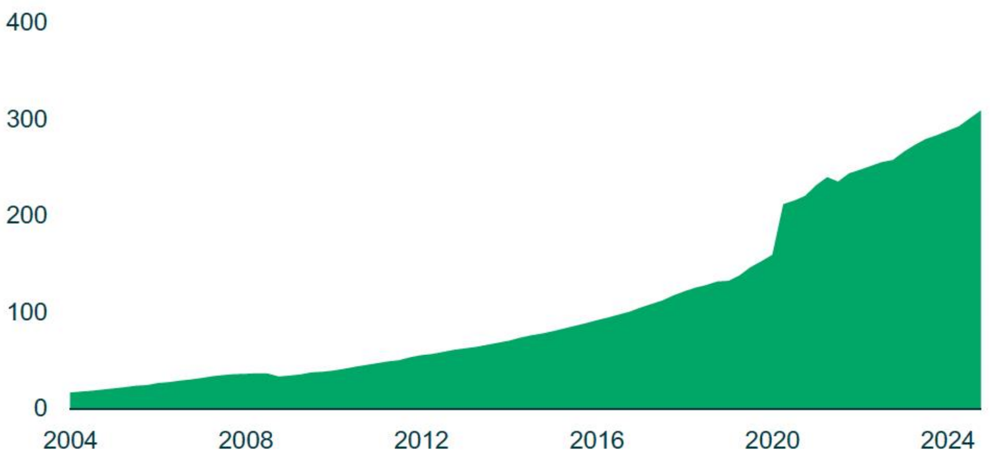
Prologis Research

Robust structural trends

More space needs

Demand | e-commerce[1]

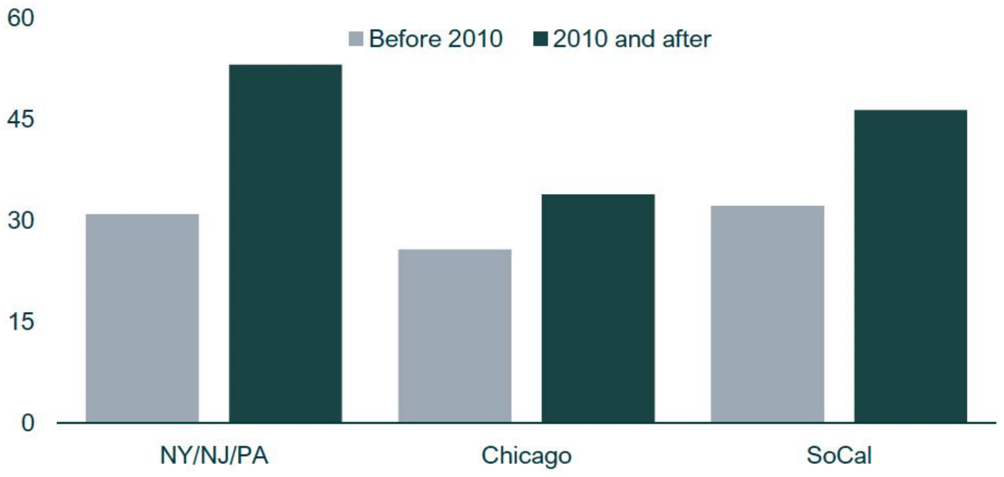
Quarterly volume of sales, $B, SA



More difficult to build

Supply | further out[2]

New development average distance from city center, miles



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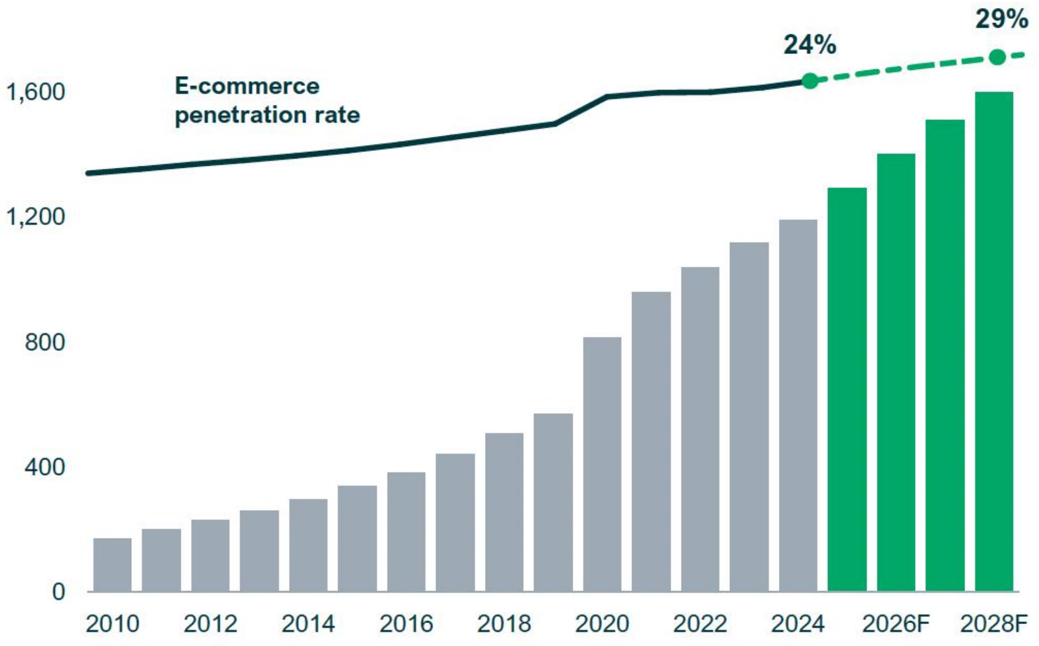
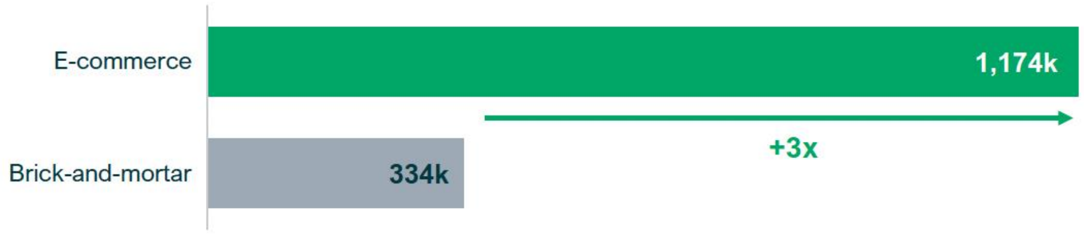
Prologis Research

E-commerce multiplier effect

E-commerce sales
$B



Space intensity
SF per $B of sales



Why is e-commerce more space intensive?

1. Higher product variety
2. Greater inventory
3. Parcels vs. pallets
4. Reverse logistics

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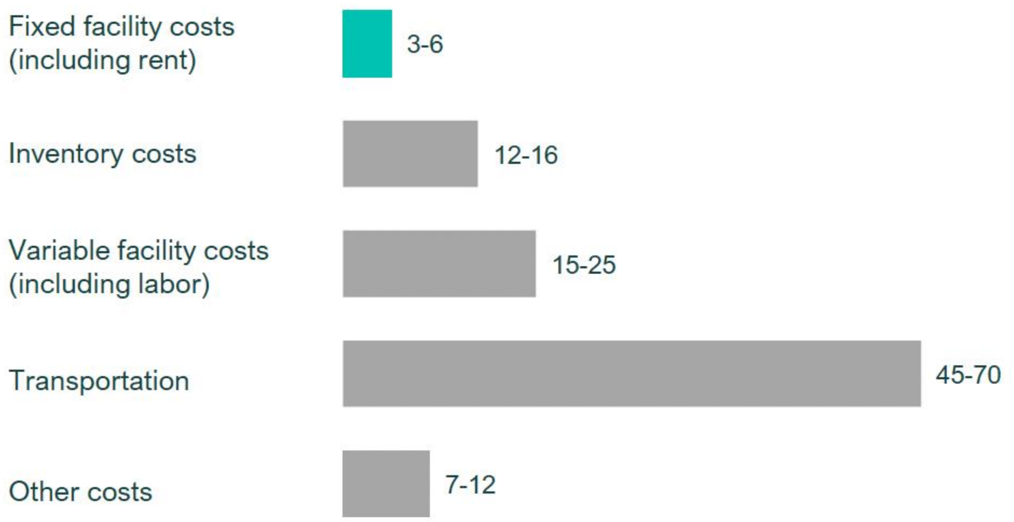
Customer proximity is valuable

Distribution of supply chain costs

%



1%

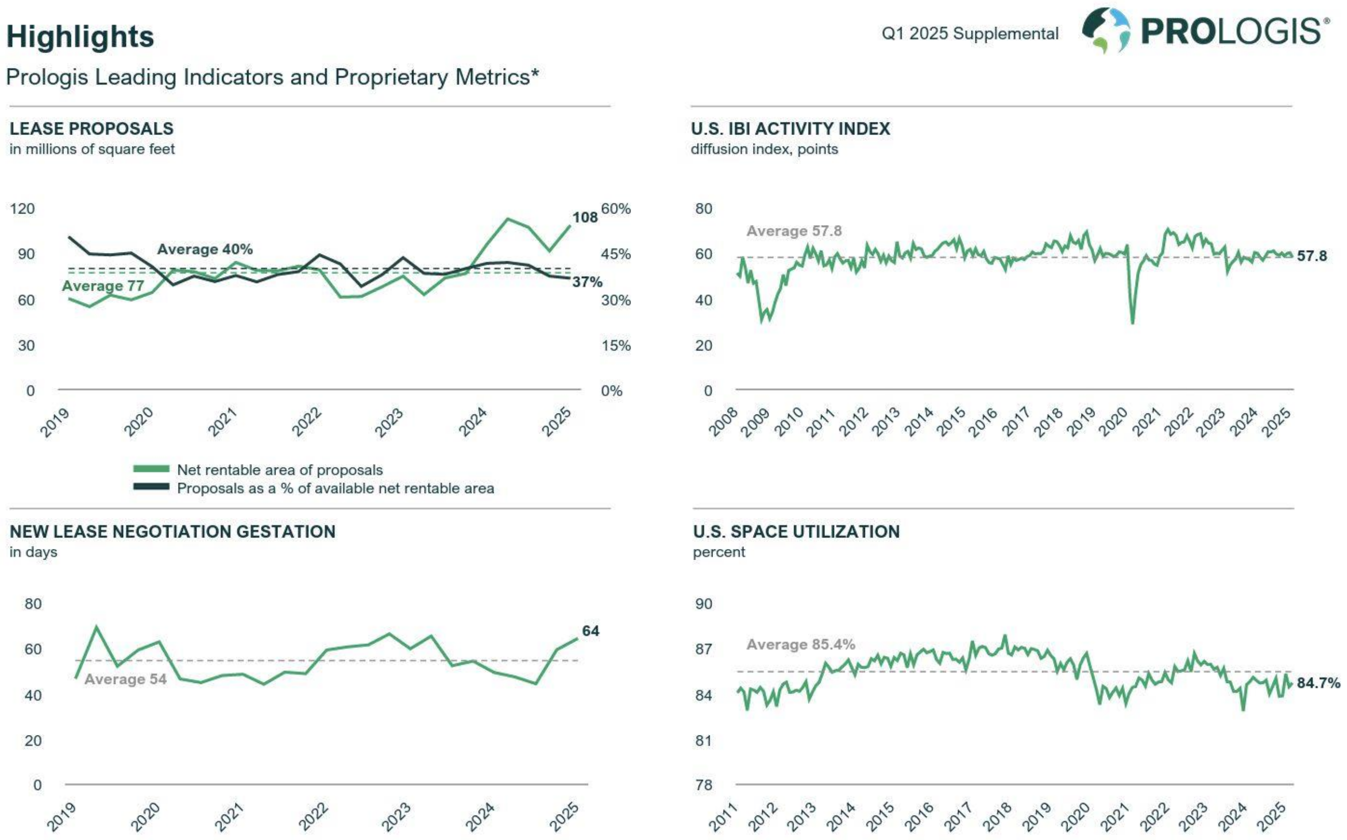
Cost savings in transport and labor

→

~17%

Increased capacity for rent

Prologis Q1 2025



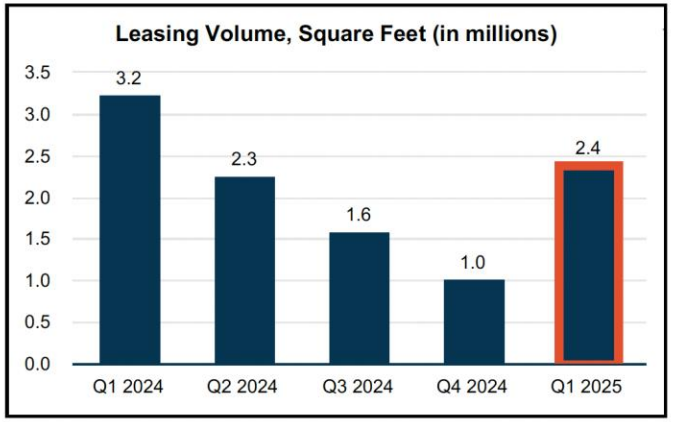
"We've now dialogued with more than 300 customers, including two impromptu customer advisory boards representing over 20% of our rent roll. This is what we've heard. Our customers are moving quickly to manage tariff volatility with many accelerating shipments where possible. They're also re-routing volumes and have urgent demand for overflow space. Accordingly, they are looking for short-term flexibility and 3PLs are typically where they turn."

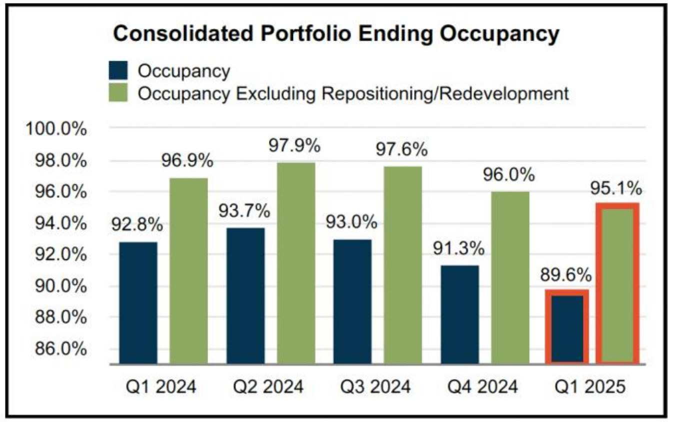
"In the last two weeks alone, we've signed approximately 80 leases for more than 6 million square feet. That's a roughly 20% dip from our usual pace and we expect things may slow further, but it does reflect a market that's still active."

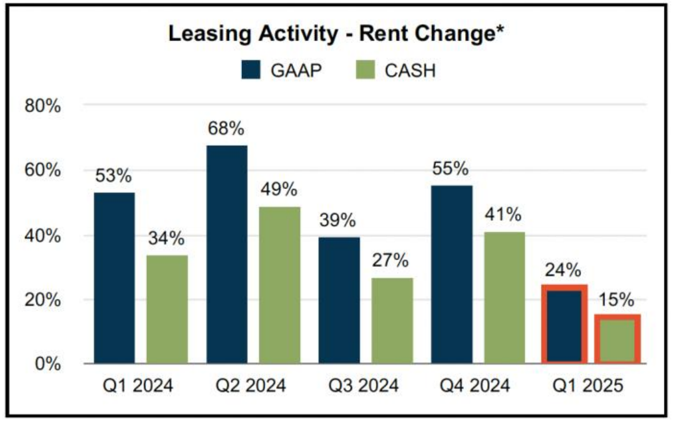
"We have definitely seen Amazon in the market. As a matter of fact, we've signed some pretty good deals with them this year. And we're seeing the overall e-commerce segment of our customer base very strong right now, back to high-teens, 20% of our overall leasing."

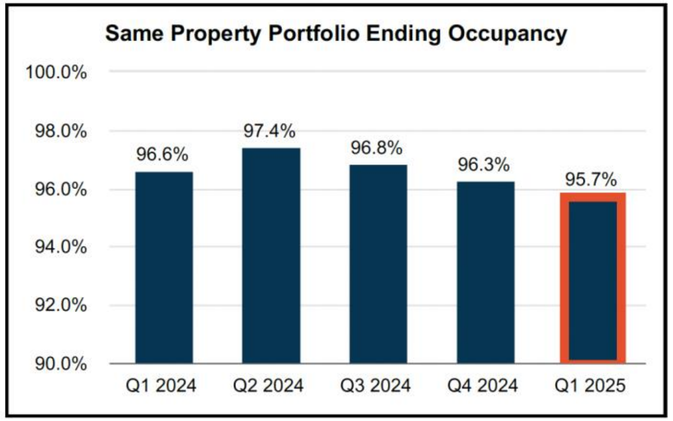
"...If I were going to predict anything, I would say Mexico would be a big beneficiary of all this, so would Brazil, and we would probably have less coming from China for sure."

Rexford Industrial Q1 2025









Rexford tenant retention ratio is still very high at 82%. Lease rate annual increases still averaging 3.6% (though less than 100,000 SF still closer to 4%). Rents are down 2.8% this quarter as oppossed to 1.5% last quarter. "The decline in Rexford's portfolio market rents was largely concentrated in spaces above 100,000 square feet which are experiencing some excess supply, in the submarkets of mid counties, North Orange County, and the Inland Empire West." Buildings under 50,000 SF are much more resilient.

Guidance for downtime between tenants increased from 8 to 9 months. 6 is what we generally see when the market is balanced. The flip side of this idea is that there are increasingly short term lease extensions for Rexford to keep properties cash flowing until it is an optimal time for redevelopment.

You'll love this, exit caps in the low 4%! These were property sales to their tenants (owner/user sales) that were not marketed and where as a result of tenants asking Rexford to sell. When the market cap is 4.5-5% and most would argue 5.5% is hard to pass up. They have $30 million in the disposition process now.

Also notable, no acquisitions under contract or accepted offer right now across the entire Southern California marketplace.

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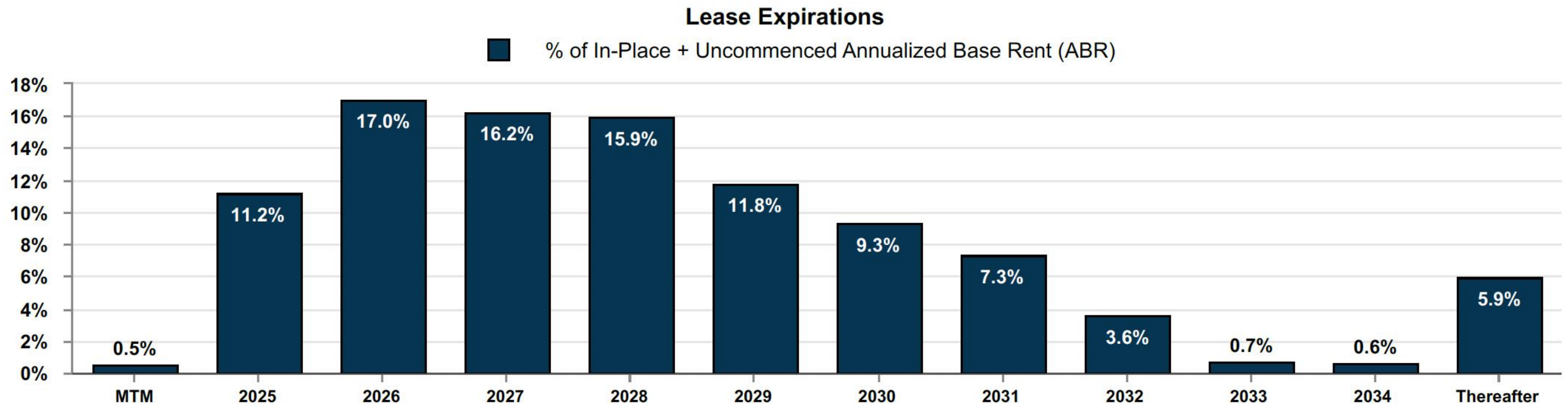
Rexford Industrial Q1 2025

Lease Expiration Schedule as of March 31, 2025:



Year of Lease Expiration	# of Leases Expiring	Total Rentable Square Feet	In-Place + Uncommenced ABR (in thousands)	In-Place + Uncommenced ABR per SF
Available	—	2,137,986	$ —	$—
Repositioning/Redevelopment[1]	—	2,766,170	—	$—
MTM Tenants	8	214,625	3,802	$17.71
2025	275	5,287,862	87,724	$16.59
2026	420	8,900,867	133,310	$14.98
2027	332	7,370,573	126,935	$17.22

Rexford Industrial Q1 2025

Lease Segmentation by Size:

Square Feet	Number of Leases	Leased Building Rentable SF	Building Rentable SF	Building Leased %	Building Leased % Excl. Repo/Redev	In-Place + Uncommenced ABR (in 000's)[1]	% of In-Place + Uncommenced ABR[1]	In-Place + Uncommenced ABR per SF[1]
<4,999	592	1,439,346	1,570,951	91.6%	92.0%	$ 28,700	3.7%	$19.94
5,000 - 9,999	231	1,653,135	1,777,814	93.0%	95.1%	31,470	4.0%	$19.04
10,000 - 24,999	319	5,156,910	5,969,008	86.4%	91.4%	95,787	12.2%	$18.57
25,000 - 49,999	174	6,424,933	7,362,260	87.3%	94.5%	110,457	14.1%	$17.19
50,000 - 99,999	118	8,567,460	9,563,416	89.6%	97.7%	143,707	18.4%	$16.77
>100,000	121	22,557,657	24,460,148	92.2%	96.3%	325,342	41.5%	$14.42
Building Subtotal / Wtd. Avg.	1,555	45,799,441 [2]	50,703,597 [2]	90.3% [2]	95.5%	$ 735,463	93.9%	$16.06
Land/IOS[3]	28	8,544,650 [4]				45,114	5.8%	$5.28 [4]
Other[3]	45					2,578	0.3%	
Total	1,628					$ 783,155	100.0%	

	Mar 31, 2025	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024
Ending Occupancy:					
Los Angeles County	88.0%	90.2%	93.6%	94.9%	93.8%
Orange County	88.4%	90.3%	90.6%	88.0%	89.4%
Riverside / San Bernardino County	95.9%	96.0%	93.9%	94.8%	90.9%
San Diego County	89.6%	89.8%	92.3%	92.6%	94.9%
Ventura County	87.7%	91.2%	89.8%	92.5%	92.6%
Total/Weighted Average	89.6%	91.3%	93.0%	93.7%	92.8%
Total Portfolio RSF	50,952,137	50,788,225	50,067,981	49,710,628	49,162,216

Client Talk – Is West Coast Necessary?

We have dozens of clients in Southern California that are on the fence of what to do with their West Coast distribution centers given the tariff implications.

Almost every single client is scrutinizing their supply chain network and their contracts with FedEx.

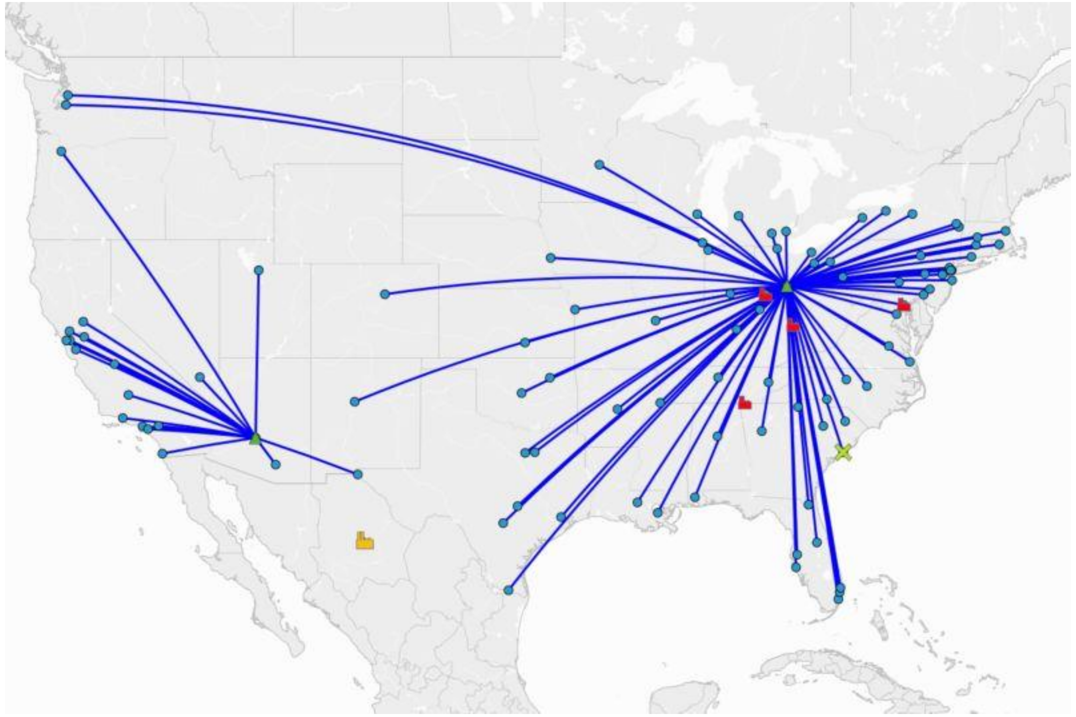
Ton's of clients have DC's in Indiana, Chicago, and Columbus that are outsourced.

If FedEx will ship product without major cost increases from the midwest, and the main downside is 2-3 extra days shipping time, customers will have to take a hard look at utilizing that over maintaining a Southern California warehouse.

If I had to guess I would guess that we see 1/3 of companies keep their current size DC's, 1/3 downsize them, and 1/3 outsource them as a result.

Why? We have a compelling labor source in Southern California. We have the proximity to customers both her and up to parts of Washington. We have to deal with make capital decisions that have 5 year implications.

Of course there is the shifting of manufacturing from China to other Southeastern Asia countries for supplier resilience that is happening. I just don't have as much visibility into that.



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Client Talk – Is West Coast Necessary?

National Coverage

- How many distribution centers do you need to cover 95% of US coverage in 2 days?
    - 3 strategically placed facilities
- 1 day delivery (assuming 500 miles)?
    - 8 locations
- Half-day delivery?
    - 21 locations
- 1-hour delivery?
    - 225 locations!
- Fun fact - Amazon has achieved 11-minute fulfillment time from order to vehicle loading
- How much more inventory increases as the number of DC's increases?
    - Not double but the square root of double.
        - 1-2 DC's aggregate inventory goes up 41%
        - 8 to 21 DC's aggregate inventory goes up 62%
        - Therefore going from 3 to 21 DC's aggregate inventory is up 164%

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Client Talk – IE vs LV vs PHX

Q1 2025 Market Performance Dashboard

Key Performance Metrics	Inland Empire	Las Vegas	Phoenix	Best Market
Average Rent (NNN/SF)	$1.10 down $0.05	$1.12 (stable)	$1.12 (stable)	**Inland Empire**
Vacancy Rate	6.3% down 0.5pp	9.1% up 0.5pp	11.2% up 0.6pp	**Inland Empire** (tightest)
Q1 Net Absorption	4.8M SF	0.3M SF	4.1M SF	**Inland Empire**
Total Inventory	649.5M SF	181.2M SF	449.5M SF	**Inland Empire** (scale)
Under Construction	10.8M SF	5.6M SF	12.6M SF	**Las Vegas** (lowest)
Availability Rate	10.1%	10.8%	13.2%	**Inland Empire**
Market Momentum	Strengthening	Weakening	Stable	**Inland Empire**

Client Talk – Manufacturers Need Power

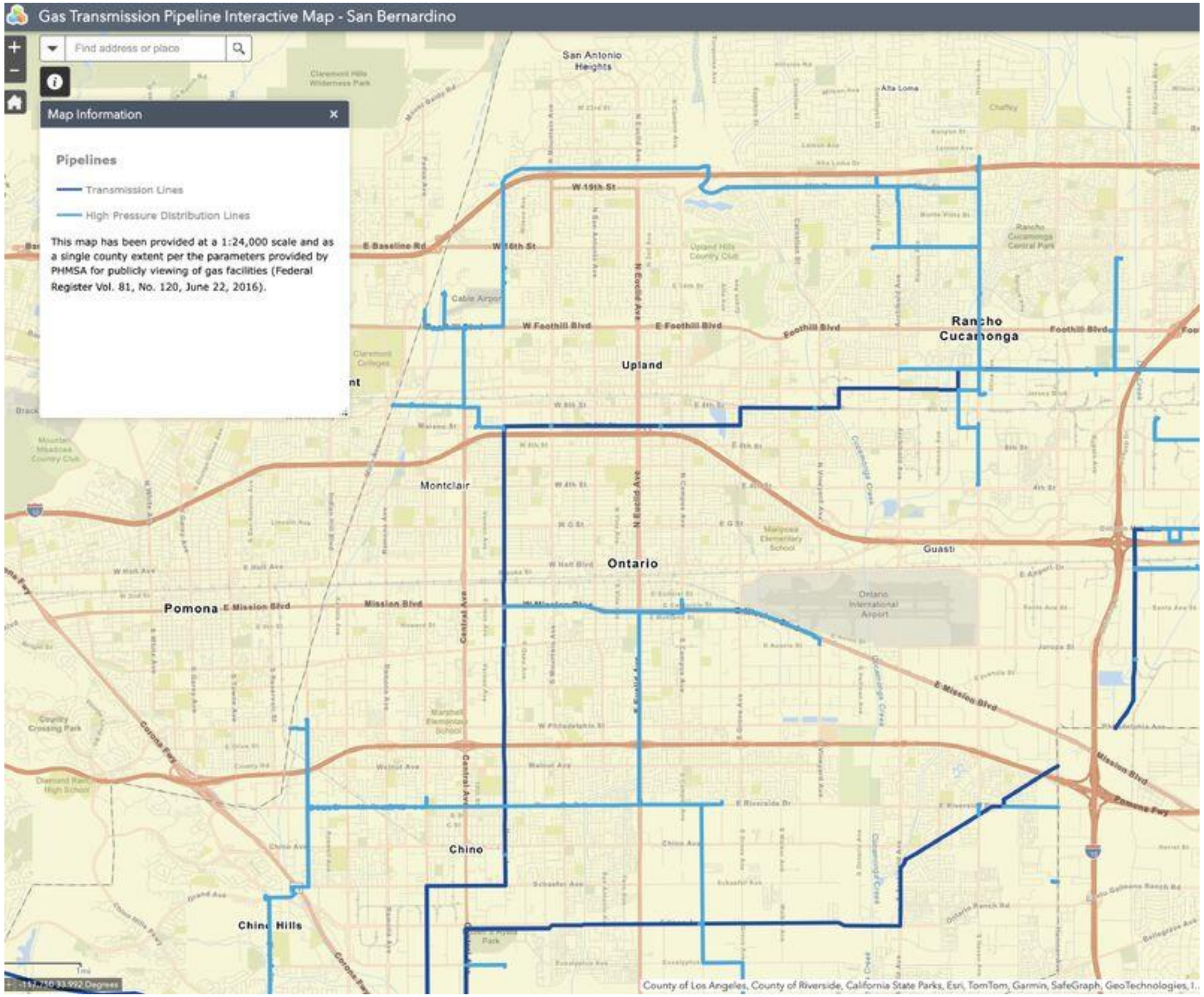
Brad shared the next level project he is working on across the country and with high tech manufacturing and data centers that require more power than most can imagine and how to work through sub station infrastructure.

Michael gave us a fresh perspective on how municipalities can attract corporates and developers to their cities and be ready to land large requirements.

My experience revolved around what it takes for large manufacturers setup properties that require exorbitant power. We come across multi-tenant projects that require additional power distribution, new properties that are plumbed for more power than they actually serve, older properties that have switchgear that does not provide what is in the building plans, requests for ideal load capacity that is far above present utilization and a whole host of issues.

Remember to calculate your demand load through an itemized load summary. Confirm what your current operation is already drawing from your current building with your utility provider. Then bring on a subject matter expert like John Gaglio to help you size up your future needs appropriately. Then go shopping with your broker and engage with utilities.

Client Talk – Manufacturers Need Gas



Inland Empire West

15559 Flight Ave, Chino

- 173,776 SF
- $1.20/SF NNN + $.20/SF OPEX
- 8 Months of half rent
- $5/SF TI Allowance
- 5 Year deal

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Inland Empire East

$0.80 - $1.00 PSF NNN
Vacant 2-3 years
Investors Weighing Cost of Deal Now vs Later

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Inland Empire North

PROPERTY FEATURES

- Five (5) ±29,950 SF Units Available - Can be combined for up to 89,850 SF of contiguous space
- New Construction (Built in 2021)
- Site Plan Size: ±522,720 SF
- CTU Construction
- ±900 SF Single Story Office
- 1 (14’x12) GL Door / unit (additional possible / unit)
- Possible DH loading position
- 28’ minimum warehouse clearance
- 24/7 Guard Gate Security
- LED Warehouse Lighting
- 2,500 Amp, 480v, Phase Power
- 0.20/1500 SF Sprinkler (Possible ESFR Upgrade)

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Inland Empire West – Inventory 20-200k

1. Market-Liquidity Snapshot (20 – 200 KSF band, YTD 2025)

City	YTD Deals Closed	Current Listings	Months of Supply (at '25 leasing pace)	Leases per 100 Listings
Ontario	**34**	**77**	**≈ 10**	**44**
Riverside	13	18	≈ 6	72
Rancho Cucamonga	9	30	≈ 15	30
Corona	8	28	≈ 16	29
Chino	6	25	≈ 19	24
Jurupa Valley	6	21	≈ 16	29

Ontario keeps proving it's the Inland Empire's most liquid submarket, 34 mid-bay deals already inked this year and 77 options still on the shelf (10 months of supply). The current remaining inventory skews larger with the average closed deal coming in at 65,000 SF, and the typical warehouse still available is closer to 87,000 SF—great news for tenants needing extra room.

Riverside is the tightest of the bunch with 13 leases YTD, bringing down the remaining inventory to 18 listings (6 months of inventory). Inventory size currently matches demand size.

Rancho Cucamonga has 30 active listings versus 9 leases which translates to roughly 15 months of supply, giving tenants meaningful leverage. Those choices are bigger than what's been moving: closed deals averaged 56,000 SF while today's vacancies average 75,000 SF.

Corona mirrors Rancho with 28 listings and 8 leases (16 months of stock). The available space are also larger averaging 68,000 SF where demand is coming in around 43,000 SF.

Chino is the softest velocity though the deal size is up. 25 buildings still available with 6 leases YTD. This comes out to 19 months of supply and the lowest turnover ratio in the set. The interesting twist is the leases average 115,000 SF with the remaining inventory averaging only 86,000 SF.

Jurupa Valley, last but not least. 21 listings to 6 leased deals, yields about 16 months of supply. Here the remaining options are actually smaller than the year's typical lease with 67,000 SF of Available vs. 83,000 SF of YTD leased deals.

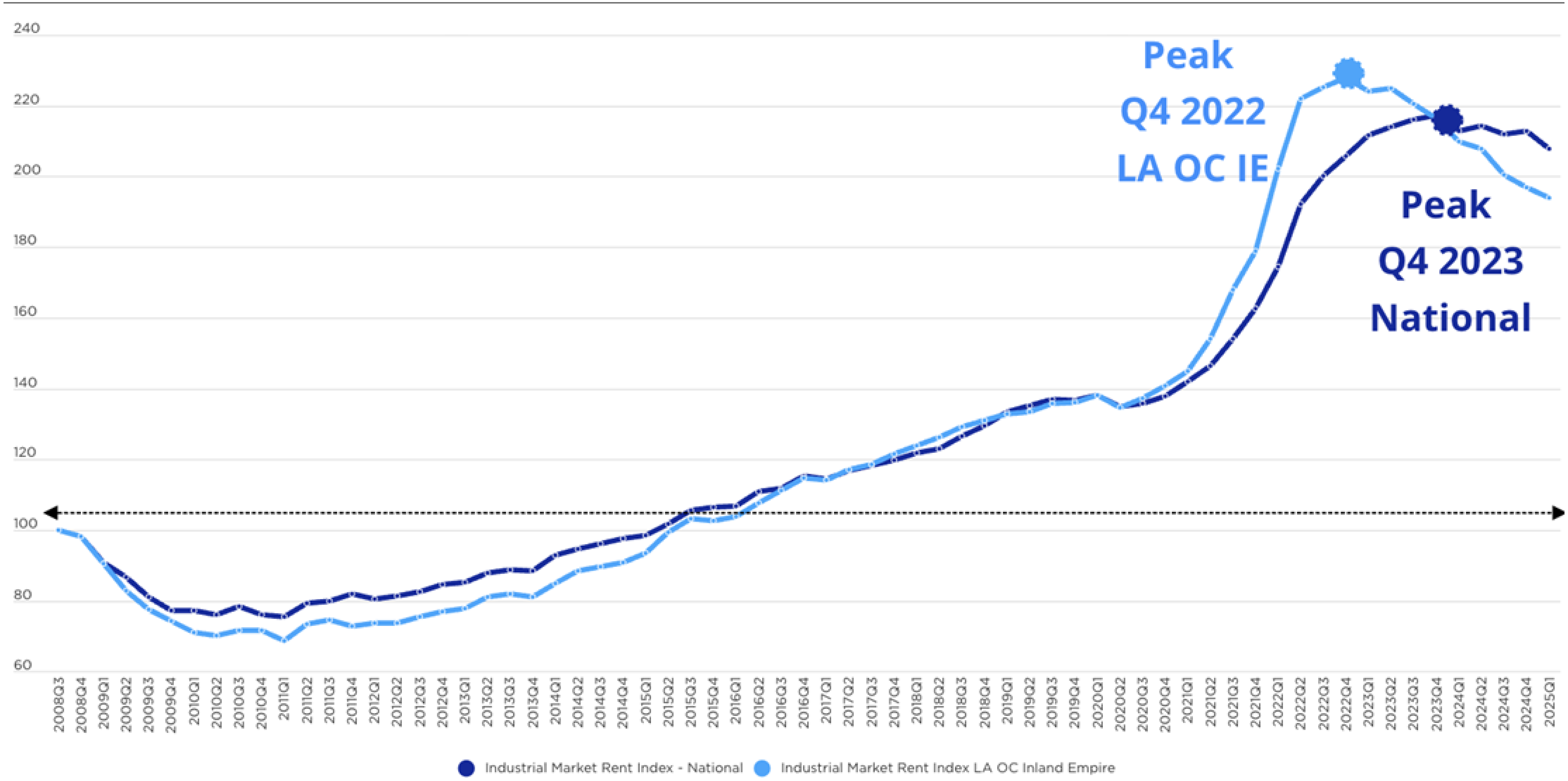
Southern California in a Nutshell

Southern California Market Observations

- **Capital Markets Activity Picking Up:** SoCal seeing the strongest wave of offerings YTD (15+ marketed opportunities throughout SoCal); strong push before summer. Bid sheets appear to be strong in depth. Private & Institutional ownership finally starting to become in tune with reset valuations.
- **Defense Fueling Demand:** Aerospace/Defense corridor (predominately in the South Bay & OC) benefiting from defense budgets, AI innovation, and geopolitical tension, translating to real tenant demand. True distribution requirements in OC/South Bay seem to have dropped off quiet a bit.
- **SoCal Leads the West:** While markets like Seattle are just entering correction mode, SoCal has been repricing for two+ years, positioned for an earlier rebound & rent resurgence. *Construction pipeline is limited, we have the best port and a very dynamic economy (optimistic)*
- **Small Bay Is the New IOS:** Capital is shifting from IOS to small bay industrial (BKM received a large allocation). For IOS, rents continue to be difficult to pinpoint & out of state buyers continues to be aggressive. *Many operators want to take small bets right now given uncertainty*
- **Owner-User Pricing Sliding:** Specifically, In the IEW, investors are transacting around \$250–\$270/SF, while owner-users, once at \$350/SF, are now in the low \$300s. Owner users taking advantage of depressed values.
- **Liberation Day Fallout:** Corporate occupiers are still working through post-reorg footprints, leading to hesitation around long-term lease commitments. Short term requirements are trending. *Fundraising for SoCal industrial has cooled, investors cite port volatility and geopolitical risk as near-term concerns. Harder to raise capital.*
- **3PL Pullback Coming:** Watching for regional and local 3PLs to shed space. M&A activity is heating for smaller companies.
- **Lease Rate Reset (Class B Snapshot):** *South Bay's historical premium to the Inland Empire is gone:*

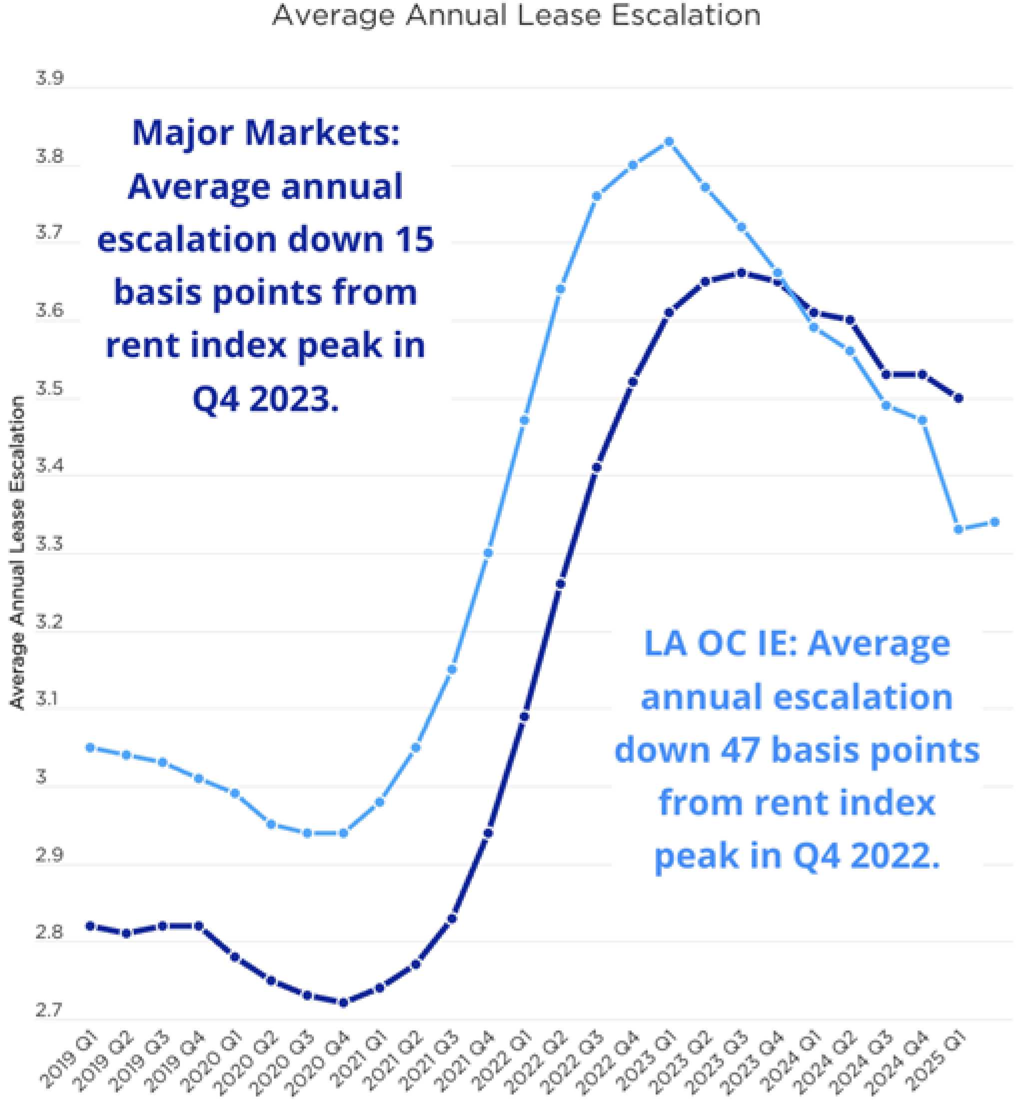
Submarket	Class B (Now)	Class B Peak
Inland Empire West	$1.25 Gross	$1.45 NNN
South Bay	$1.30 Gross	$1.90+ NNN

CompStak Major Markets Industrial Rent Index Down 4.3% from Q4 2023 Peak, with Declines in 3 of the Last 5 Quarters, LA OC IE Peaked Earlier with Declines for 7 Straight Quarters



Source: CompStak, indexed to Q3 2008, reflects starting rents

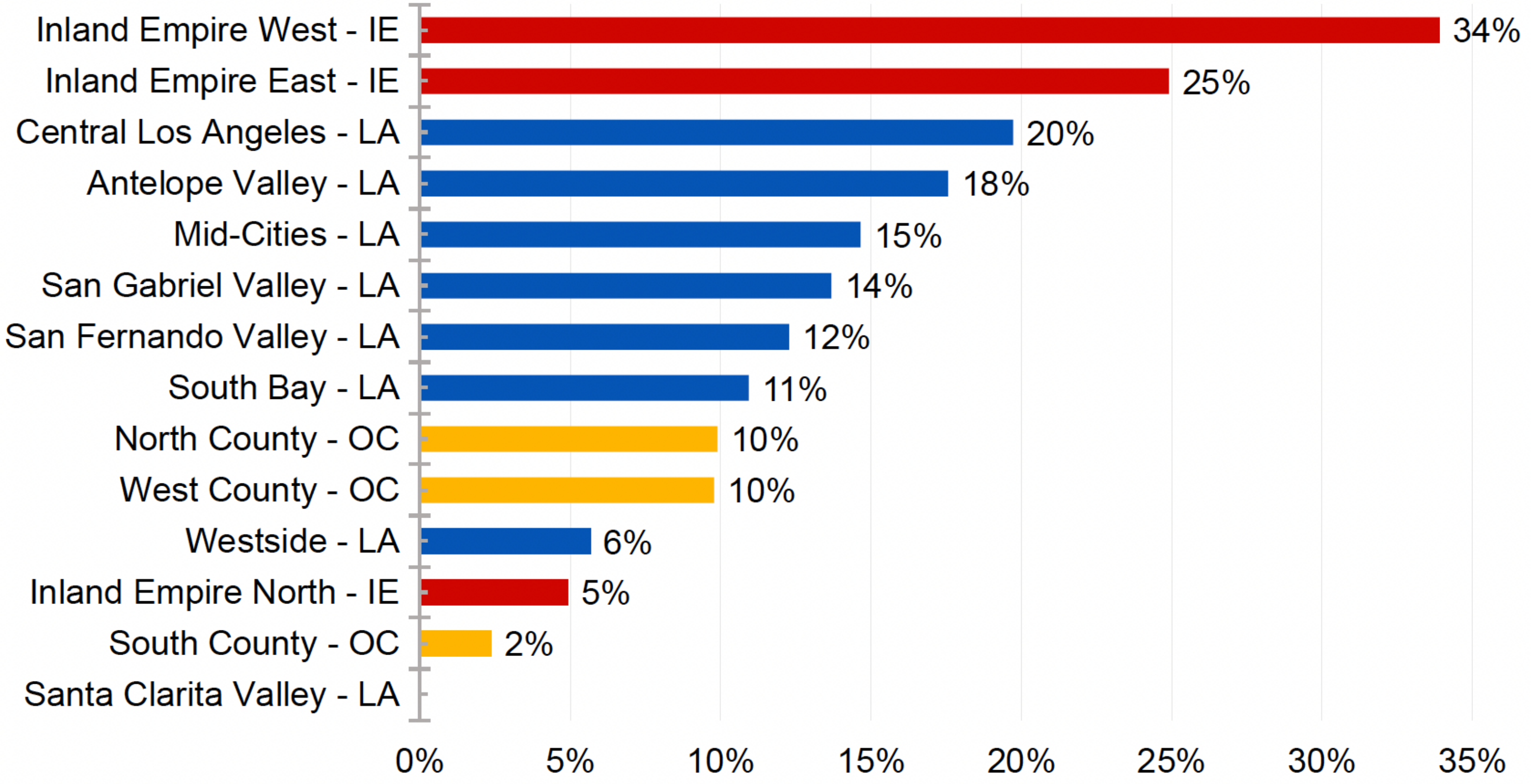
Continued Industrial Sector Uncertainty May Lead to Shorter Lease Terms, Lower Escalations, and More Free Rent



Source: CompStak, includes the following markets: Chicago, Atlanta, LA-OC-Inland Empire, Philadelphia/Central PA/DE/NJ, Dallas Fort Worth, NJ-North and Central, Phoenix, and Houston

CoStar Inland Empire Data Breakdown

Rents have fallen most in Inland Empire submarket clusters

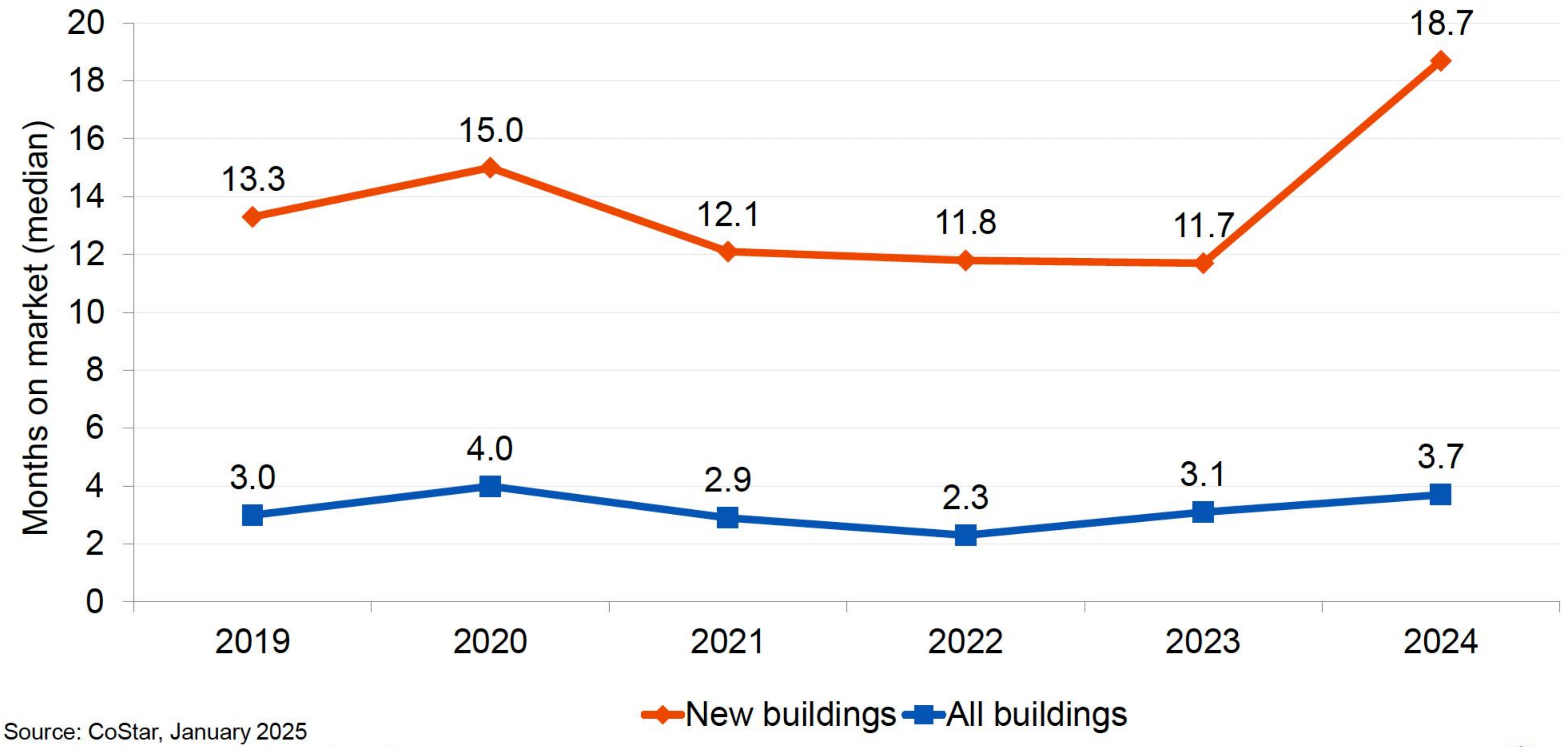


Decline in 2025 1Q from 2023 quarterly average

CoStar™

CoStar Inland Empire Data Breakdown

New buildings were available for over 18 months before leasing

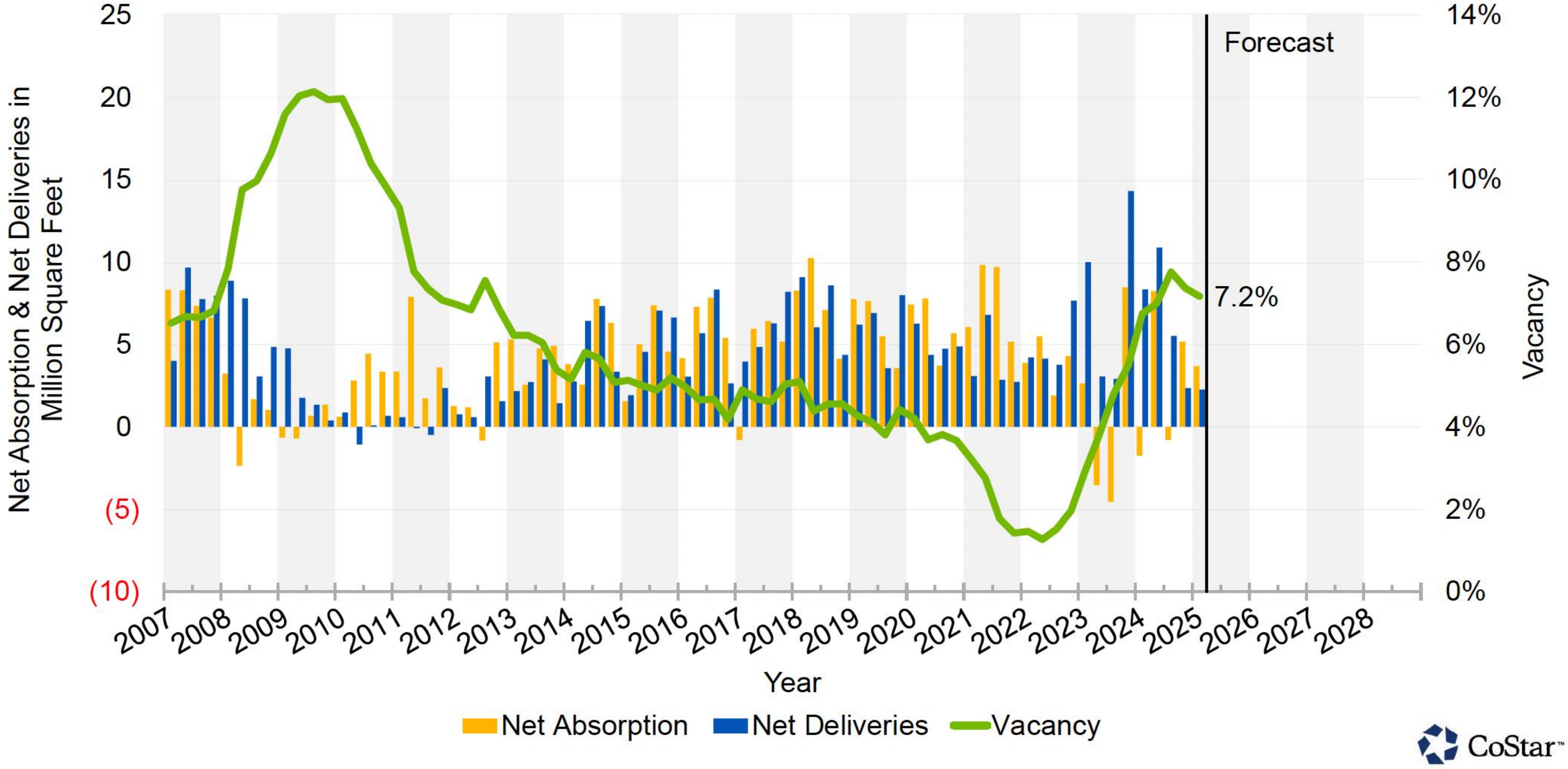


Source: CoStar, January 2025
Note: New (non-renewal) direct lease deals.

CoStar™

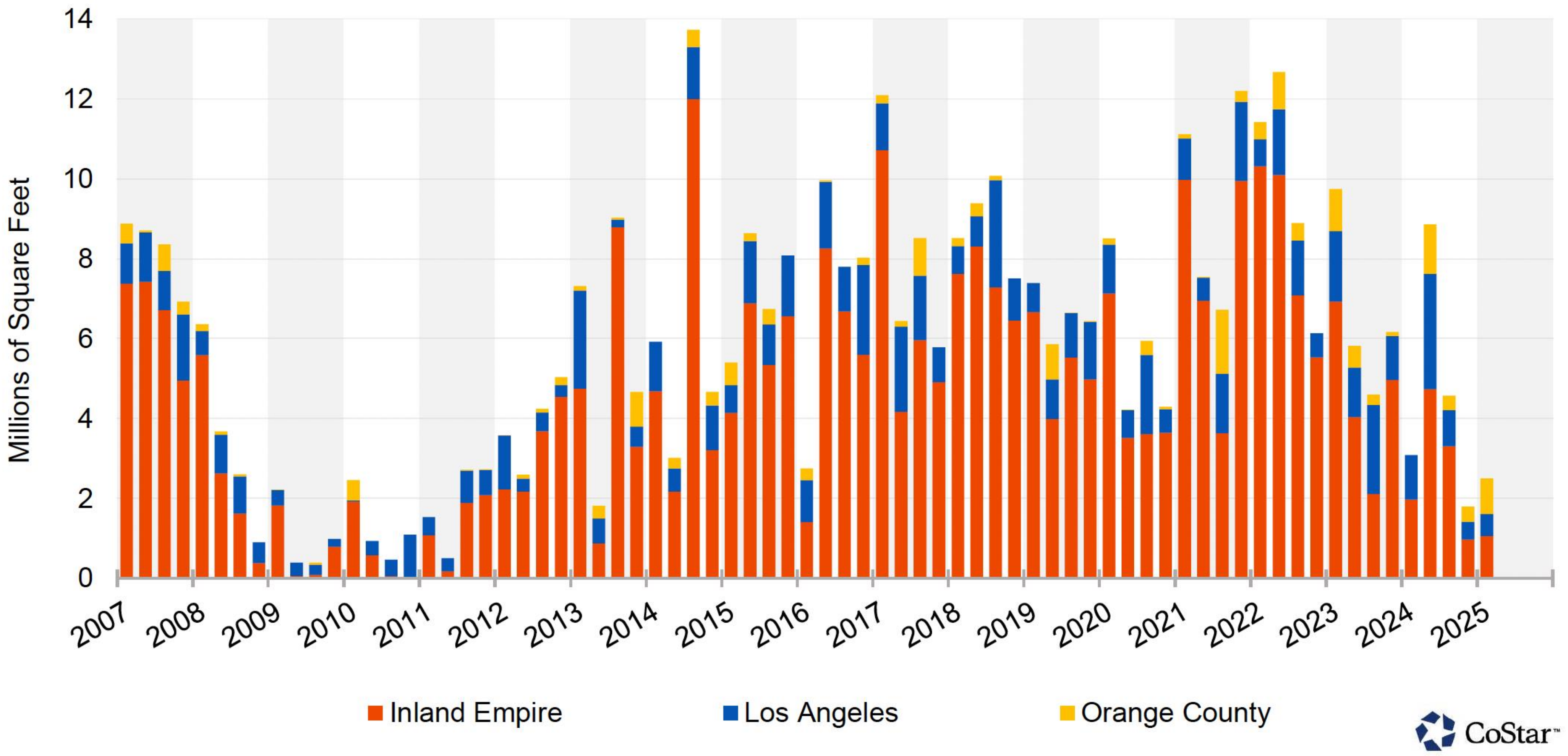
CoStar Inland Empire Data Breakdown

Declining vacancy trend holds for a 2nd consecutive quarter



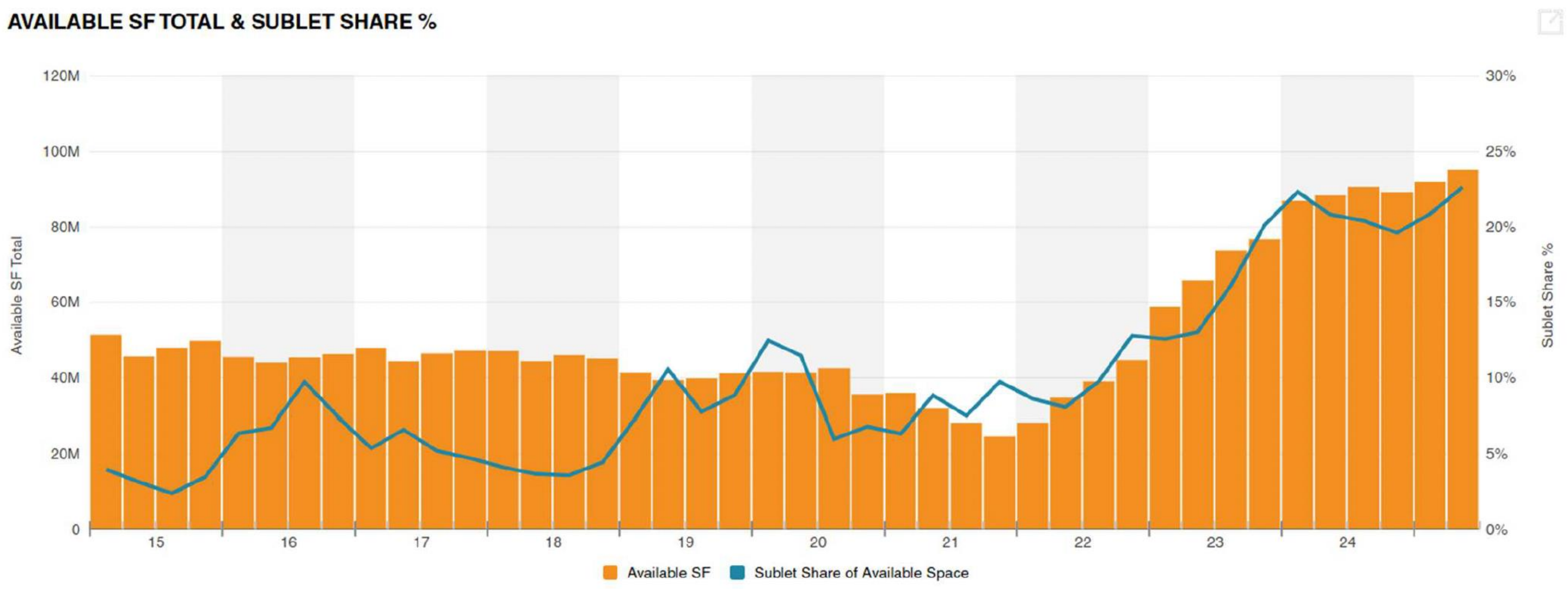
CoStar Inland Empire Data Breakdown

Southern California Industrial Construction Starts



CoStar Inland Empire Data Breakdown

IE Sublet Availability



CoStar™

CoStar Inland Empire Data Breakdown

Largest 20 industrial leases of Q1

Signed	Tenant	Size of Deal	Lease Type	Address
Jan-25	Lecangs	1,207,135	Direct	0 Dale Evans Pky Apple Valley CA
Feb-25	Komar Distribution Services	855,330	Direct	3690 Webster Ave Perris CA
Mar-25	TBD	804,803	Direct	450 Rider St E Perris CA
Apr-25	TBD	490,749	Sublease	300 310 Tippecanoe Ave S San Bernardino CA
Mar-25	American Exchange Group	456,652	Direct	375 Markham St Perris CA
Mar-25	HYTX Logistics	436,945	Direct	3355 Cedar St E Ontario CA
Jan-25	TBD	414,060	Sublease	4120 Indian Ave Perris CA
Feb-25	SML Warehouse Services	411,910	Direct	5691 Philadelphia St E Ontario CA
Jan-25	Kemon Warehouse, Inc	411,910	Direct	5691 Philadelphia St E Ontario CA
Apr-25	TBD	390,780	Direct	9425 Nevada St Redlands CA
Jan-25	TBD	312,770	Direct	1601 Cooley Dr E Colton CA
Feb-25	TBD	305,617	Direct	7820 Victoria Ave Highland CA
Jan-25	Sino Investment, Inc.	301,388	Sublease	14909 Summit Dr Eastvale CA
Mar-25	Domtar	289,940	Direct	990 Barrington Ave Ontario CA
Mar-25	Cart.com	275,243	Direct	41980 Winchester Rd Temecula CA
Mar-25	TBD	271,435	Direct	15820 15880 Euclid Ave Chino CA
Jan-25	TBD	256,795	Direct	23850 Brodiaea Ave Moreno Valley CA
Mar-25	Otto Cap	254,677	Direct	3551 Jurupa St E Ontario CA
Mar-25	TBD	252,822	Direct	1151 Mildred St S Ontario CA
Jan-25	KIK Consumer Products	250,111	Direct	5685 Industrial Pky San Bernardino CA

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Executive Summary

Inland Empire Industrial Market Summary 1Q 2025

- New leasing soared, could reach new record of 16 to 18 million SF
- Net absorption 3.4 Million SF in Q1
- Vacancy decline holds – down 2nd consecutive quarter to 7.2%
- But, availability ticked back up 20 basis points in Q1 to 11.5%
- Rents continue to fall, now down 27% (NNN Asking Rent Avg)
    - Tenants still face higher costs upon lease expiration
- Under construction supply down to 14 Million SF (from 45 Million SF 2022 peak)
- Median pricing ticked up to $303/SF in Q1 (Deals exceeding $10 million)

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Does It Feel Like the Bottom?

- ...Not the bottom
- Remember what Prologis said, vacancy to stay near peak through summer 2025, as decision makers gradually pick up the pace throughout the year.
- Was peak pushed up from Q3 to Q2 based on tarrifs?
- A lot could change in two more quarters of a new administration

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Thank you!


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