

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q2 | 2025

Market Report

Inland Empire Industrial



West

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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** After a experiencing a drop in Q1, the vacancy rate increased by 76 bps from Q1 to a rate of 7.06% in Q2.
- **Net Absorption:** Significant fall in demand amid tariff pressures. Turned negative in Q2 totaling -3M SF.
- **Asking Rents:** Declined \$0.09 PSF or 7.6% to a rate of \$1.09 PSF NNN. Searching for equilibrium post pandemic boom.
- **Sales:** The median price PSF in Q2 was \$324.33. Volume in Q2 was up 156.3% to \$334.6M. Halfway through 2025, volume has totaled \$465.1M. A decline of 40.9% compared to H1 2024.

ECONOMIC OUTLOOK

- **Interest Rates:** At both the May & June meetings, the FOMC decided hold rates at 4.25-4.50%. FOMC members are still projecting two 25 bps cuts to occur in 2025. With the first cut likely in September.
- **Supply Chain:** YTD Y/Y volume at the San Pedro Port Complex is up 10.2%. The cost from China/East Asia to the West Coast increased 55% over Q2, ending at \$3,389 per container. (Freightos). The US tariff landscape remains highly fluid with the July 9 deadline for the 90-day pause on "reciprocal tariffs" approaching. Current rates include a 10% baseline tariff on most imports plus country-specific levies. Onshoring trends are driving strong demand for industrial properties as companies relocate in US.



Direct Vacancy
⬆ 6.12%


Net Absorption
⬇ -3,029,682 SF


Overall Vacancy
⬆ 7.06%


Gross Absorption
⬇ 6,461,733 SF


Under Construction
⬇ 6,307,566 SF


Rental Rates (NNN)
⬇ \$1.09


Median Sale \$/SF
⬆ \$324.33



Deal Volume
⬆ \$334.6M


U.S. Employment
⬇ 4.1%


U6 Rate
⬇ 7.7%



Interest Rate
⬆ 6.77%
(30 year fixed)


Changing GDP
⬆ 2.5%


Port Traffic Y/Y Δ
⬆ 10.2%


NYSE Performance
⬆ 11.1%


Inflation Change
⬇ 2.38%


10 Yr. - 2 Yr. Spread
⬆ 52 BPS

EXPERIENCE IN A CHANGING MARKET

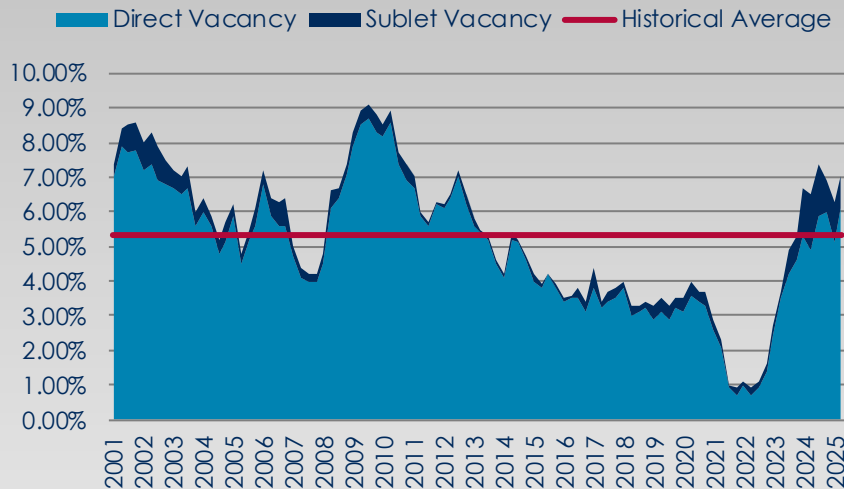
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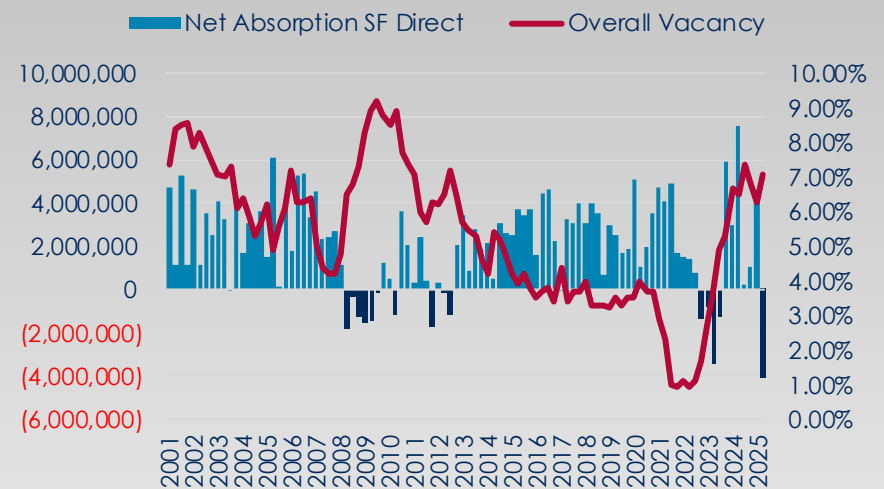
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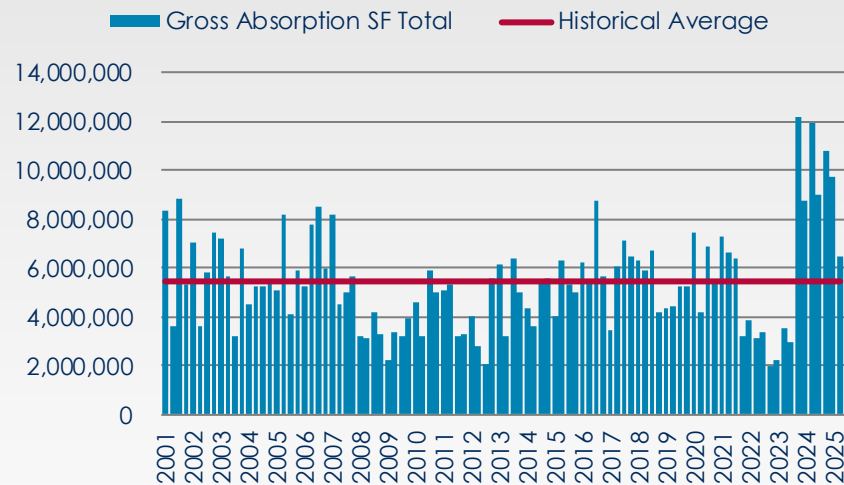
OVERALL VACANCY INCREASED 76 BPS FROM REVISED Q1 TO 7.06% IN Q2



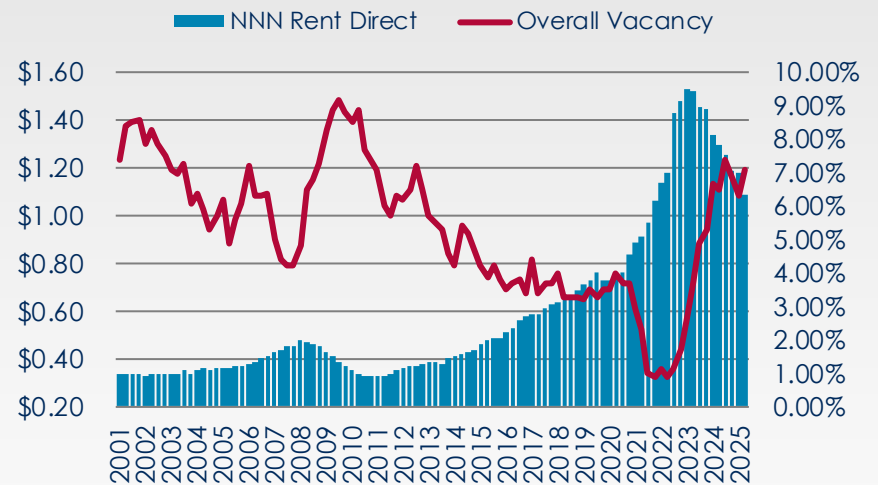
NET ABSORPTION DEMAND FELL SHARPLY IN Q2 TOTALING -3.0M SF



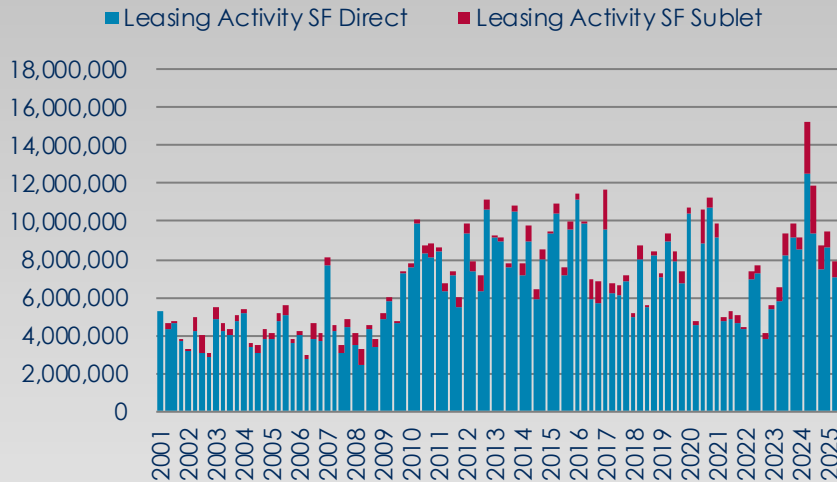
GROSS ABSORPTION DECLINED 33.8% FROM Q1 TOTALING 6.46M SF IN Q2



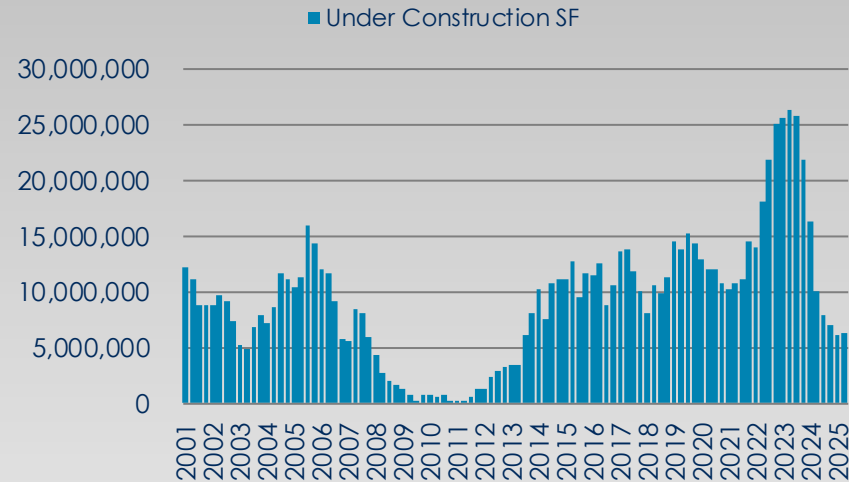
ASKING RENTS DECLINE OF \$0.09 PSF OR 7.6% TO A RATE OF \$1.09 PSF NNN IN Q2



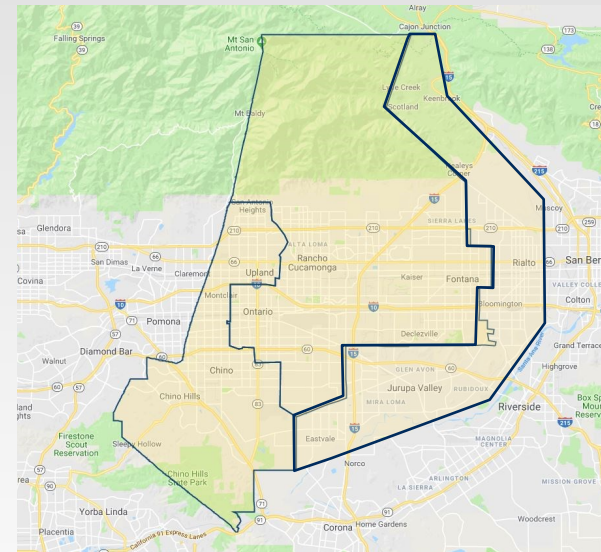
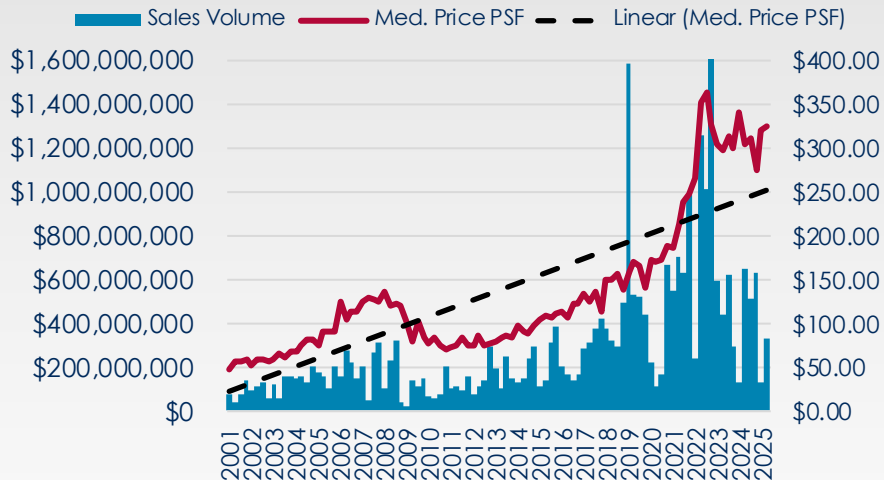
LEASING ACTIVITY DECLINED 16.1% FROM REVISED Q1 TOTALING 7.9M SF IN Q2



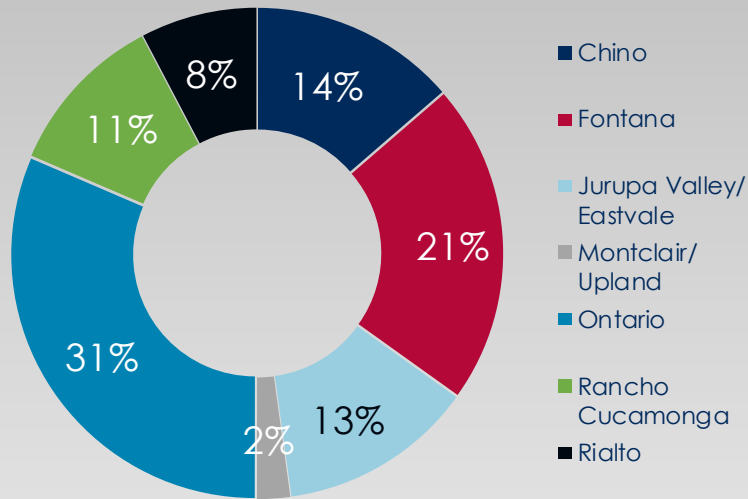
CONSTRUCTION ACTIVITY 167K SF WAS DELIVERED IN Q2. UC REVISED TO 6.3M SF



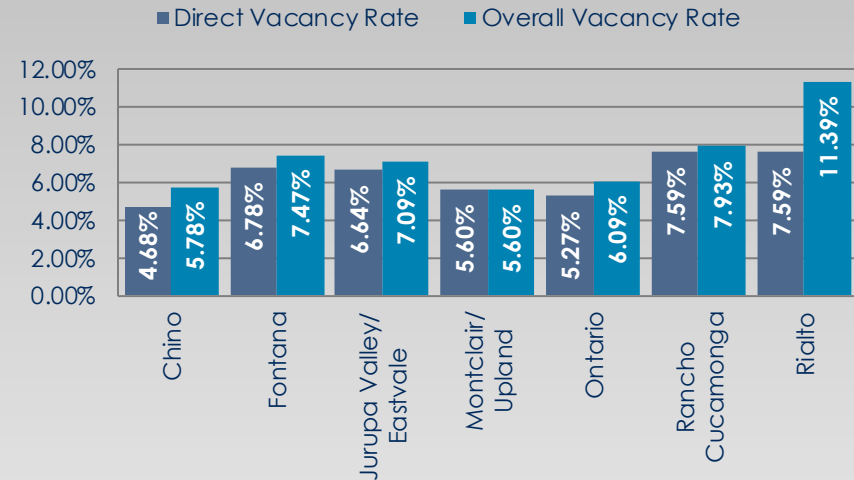
SALES Q2 VOLUME WAS \$334.6M. MEDIAN PRICE WAS \$324.33 PSF



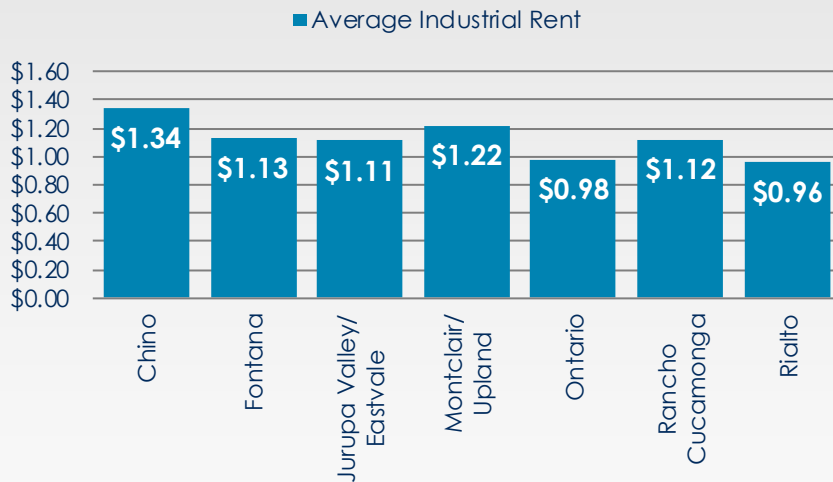
SQUARE FOOT BREAKDOWN- 418,723,166 SF MARKET SIZE



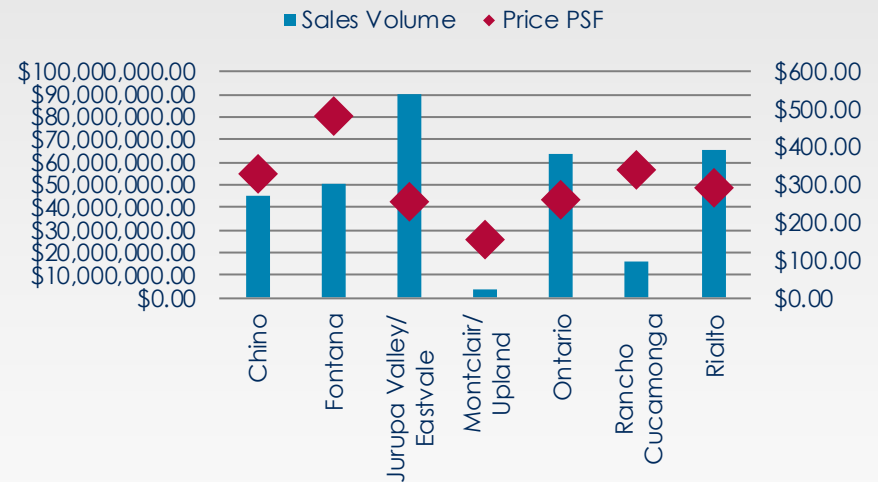
VACANCY BREAKDOWN



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

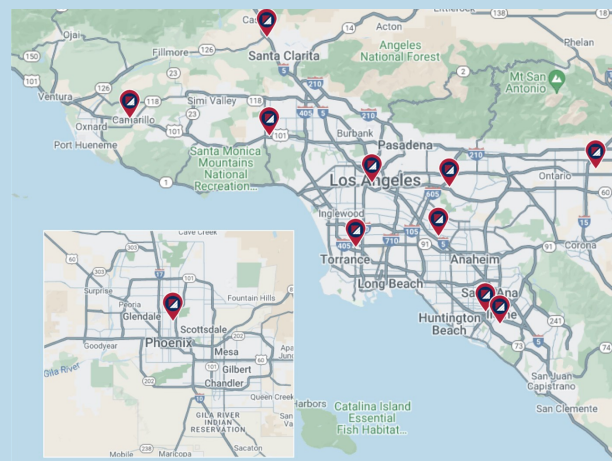
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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.



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LOS ANGELES	801 S FIGUEROA ST. SUITE 600 LOS ANGELES, CA 90017	213-626-9101
LOS ANGELES NORTH	21820 BURBANK BLVD. SUITE 130 WOODLAND HILLS, CA 91367	818-887-3600
SANTA CLARITA VALLEY	27200 TOURNEY RD. SUITE 425 VALENCIA, CA 91355	661-705-2299
SAN GABRIEL VALLEY	13181 CROSSROADS PKWY N. SUITE 100 CITY OF INDUSTRY, CA 91746	562-695-7244
SOUTH BAY	19191 S VERMONT AVE. SUITE 850 TORRANCE, CA 90502	310-538-6700
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ORANGE COUNTY	4400 MACARTHUR BLVD. SUITE 950 NEWPORT BEACH, CA 92660	949-724-1900
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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 115 bps to 9.81% in Q2. The highest since 2011.
- **Net Absorption:** Weaker demand amid tariff uncertainty. Totaling -2.99M SF in Q2.
- **Sales:** The median sale price PSF in Q2 was \$215.83. Total volume in Q2 was down 40.8% to \$208.8M. The largest sale in Q2 was 21800 Authority Way in Riverside. In a Sale Leaseback, Morgan Stanley purchased from Nissan for \$132.1M at \$213.12 PSF. Accounting for 63% of the total volume in Q2.

ECONOMIC OUTLOOK

- **Interest Rates:** At both the May & June meetings, the FOMC decided hold rates at 4.25-4.50%. FOMC members are still projecting two 25 bps cuts to occur in 2025. With the first cut likely in September.
- **Supply Chain:** YTD Y/Y volume at the San Pedro Port Complex is up 10.2%. The cost from China/East Asia to the West Coast increased 55% over Q2, ending at \$3,389 per container. (Freightos). The US tariff landscape remains highly fluid with the July 9 deadline for the 90-day pause on "reciprocal tariffs" approaching. Current rates include a 10% baseline tariff on most imports plus country-specific levies. Onshoring trends are driving strong demand for industrial properties as companies relocate in US.



Direct Vacancy
⬆ 7.27%


Net Absorption
⬆ -2,987,123 SF


Overall Vacancy
⬆ 9.81%


Gross Absorption
⬆ 3,472,566 SF


Under Construction
⬆ 4,539,151 SF


Rental Rates (NNN)
⬆ \$0.99


Median Sale \$/SF
⬆ \$215.83


Deal Volume
⬆ \$208.8M


U.S. Employment
⬆ 4.1%



U6 Rate
⬆ 7.7%



Interest Rate
⬆ 6.77%
(30 year fixed)


Changing GDP
⬆ 2.5%


Port Traffic Y/Y Δ
⬆ 10.2%


NYSE Performance
⬆ 11.1%


Inflation Change
⬆ 2.38%


10 Yr. - 2 Yr. Spread
⬆ 52 BPS

EXPERIENCE IN A CHANGING MARKET

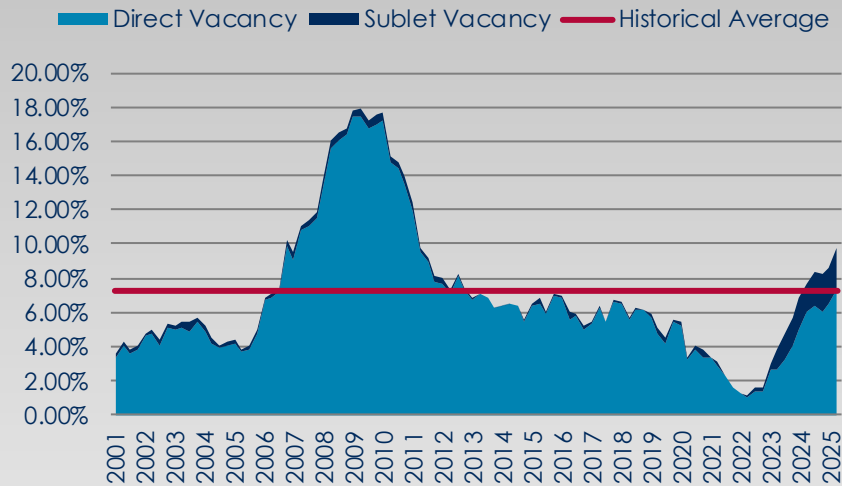
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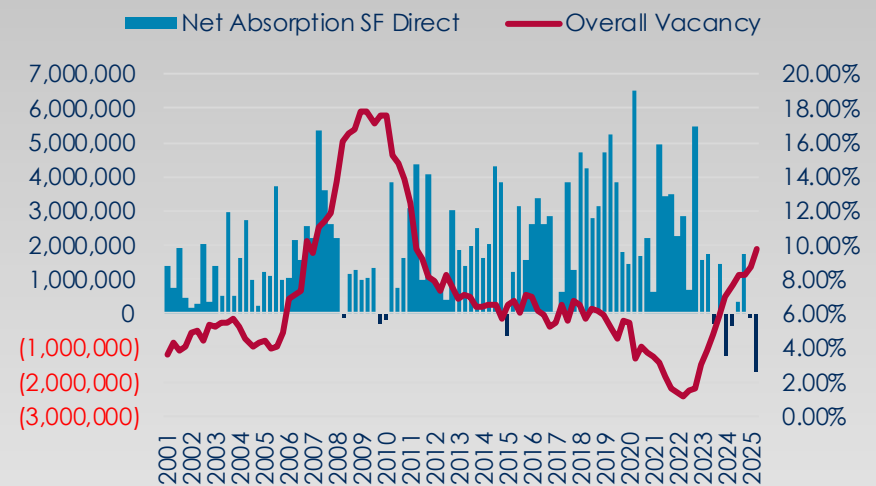
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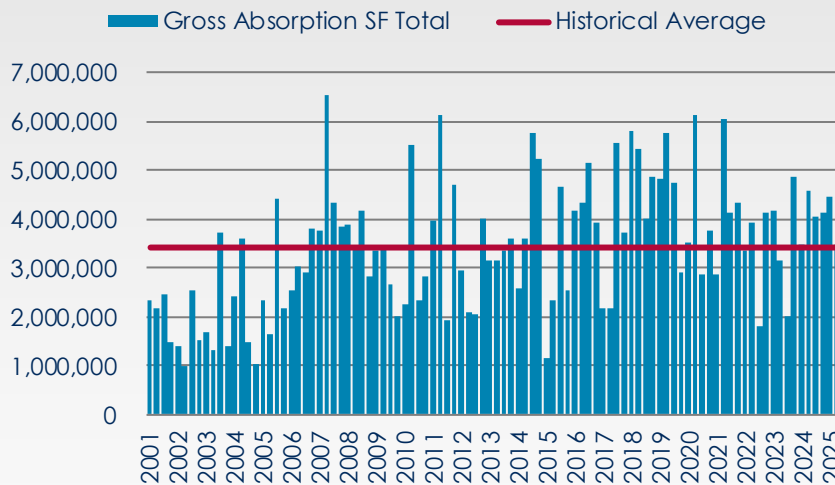
OVERALL VACANCY INCREASED 115 BPS FROM Q1 TO 9.81% IN Q2



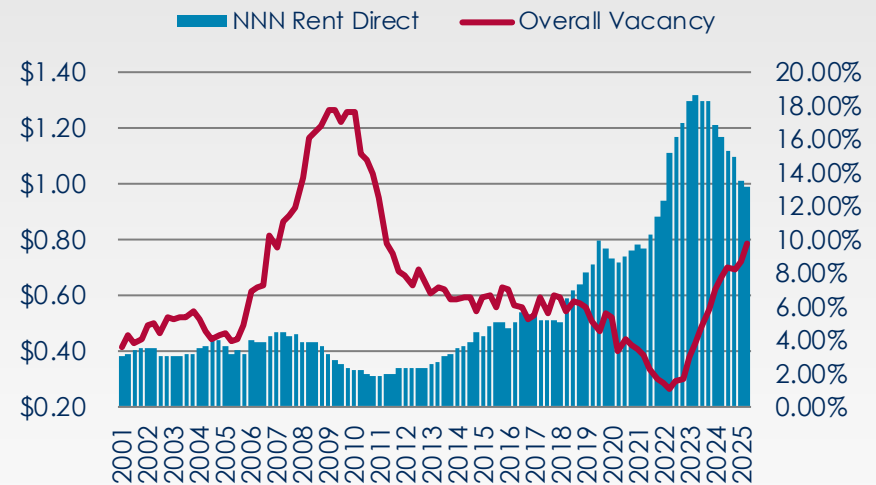
NET ABSORPTION SIGNIFICANT DROP IN DEMAND TOTALING -2.9M SF IN Q2



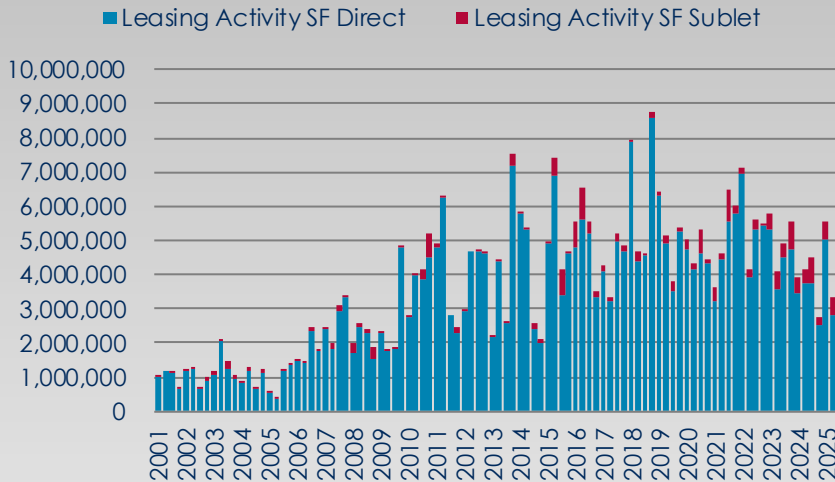
GROSS ABSORPTION DECLINED BY 22.4% FROM Q1 TO 3.47M SF IN Q2



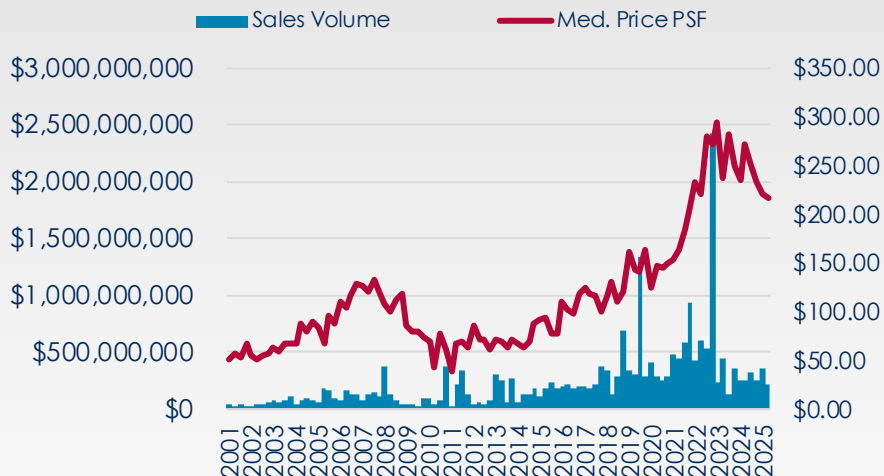
ASKING RENTS FELL BY \$0.02 PSF OR 2.0% TO \$0.99 PSF NNN IN Q2



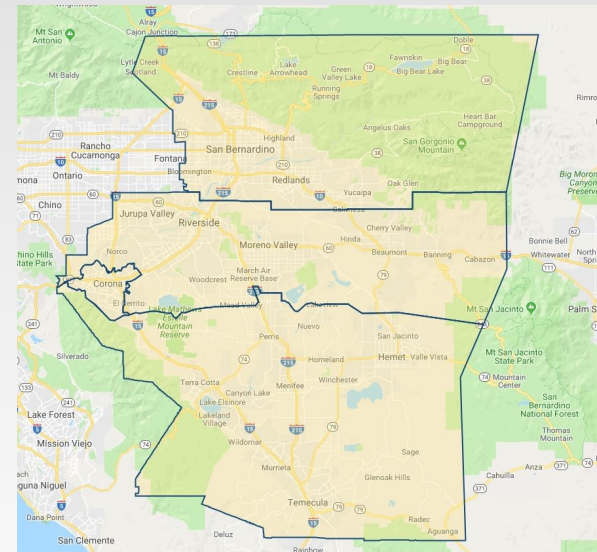
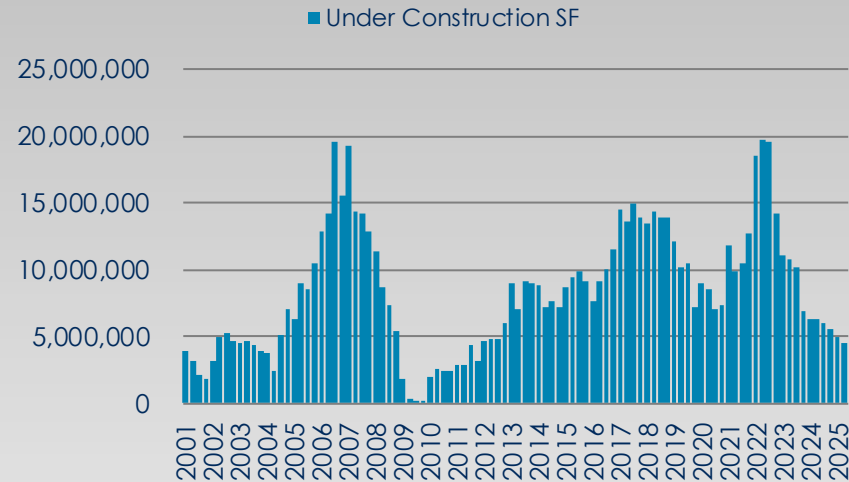
LEASING ACTIVITY DECLINED 39.9% FROM Q1 TOTALING 3.32M SF IN Q2



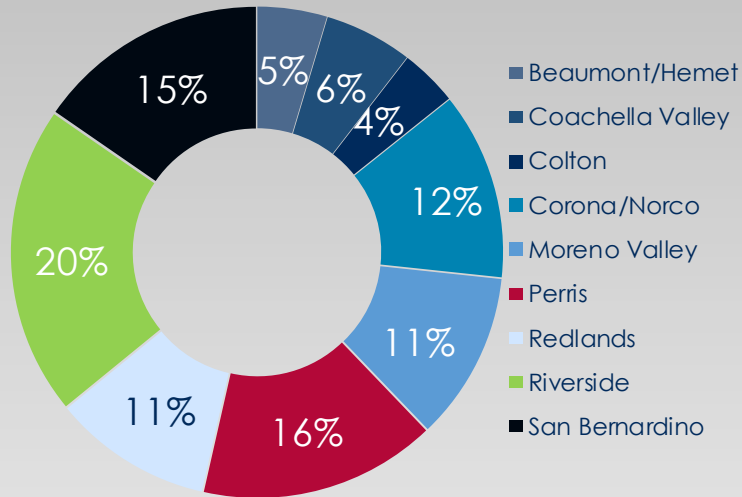
SALES VOLUME WAS \$208.8M. MEDIAN PRICE IN Q2 WAS \$215.83 PSF



CONSTRUCTION ACTIVITY 504K SF WAS DELIVERED IN Q2. UC REVISED TO 4.5M SF

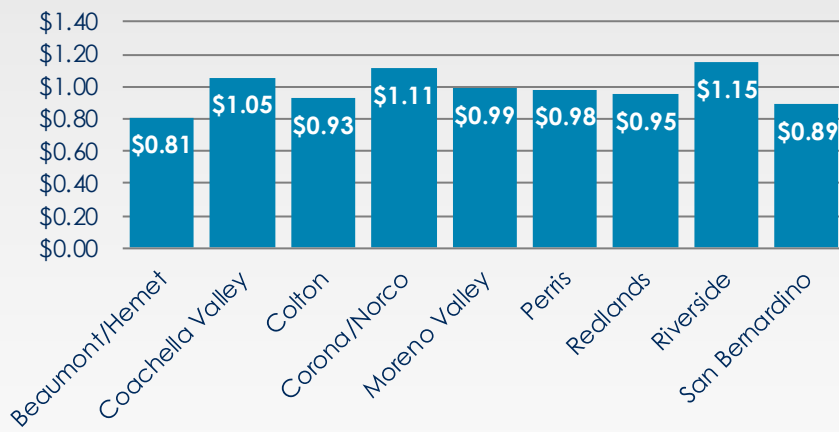


SQUARE FOOT BREAKDOWN- 299,176,053 SF MARKET SIZE



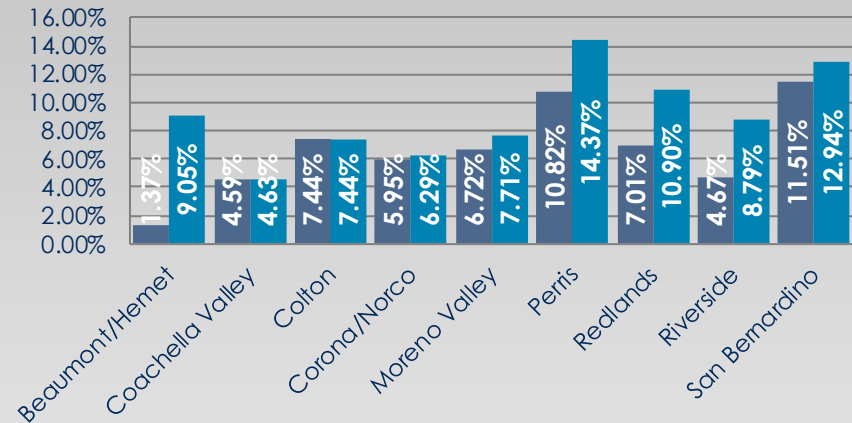
AVERAGE RENT PSF

■ Average Industrial Rent



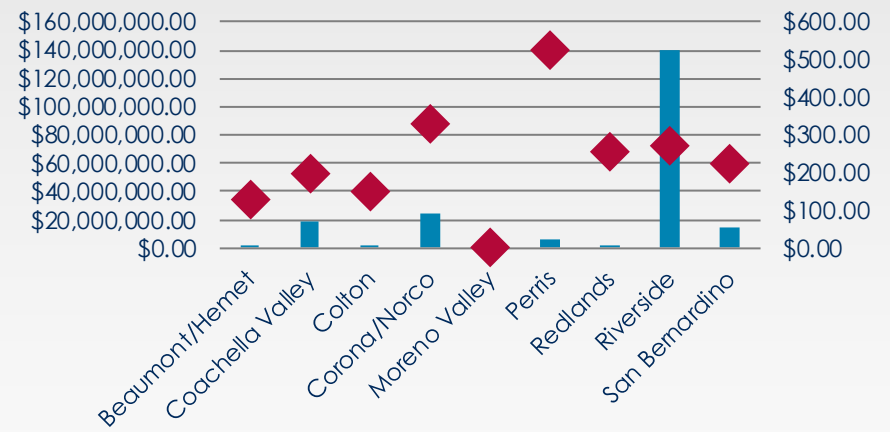
VACANCY BREAKDOWN

■ Direct Vacancy Rate ■ Overall Vacancy Rate



VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF



METHODOLOGY & TERMINOLOGY

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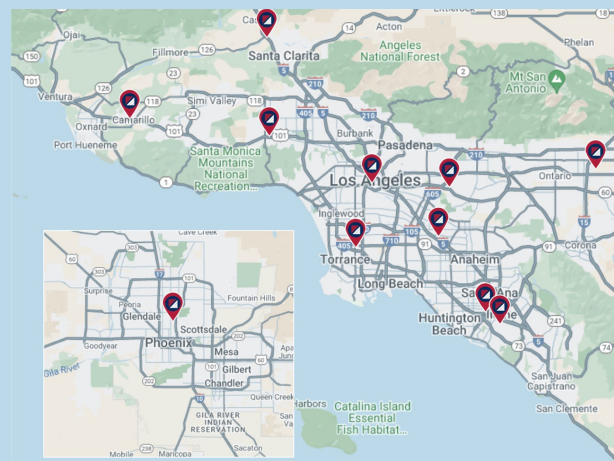
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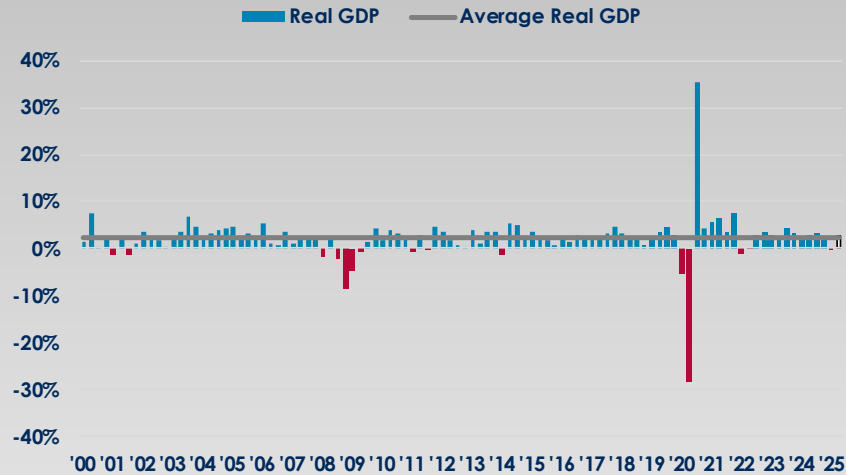
Economic Overview



////////// Q2 2025

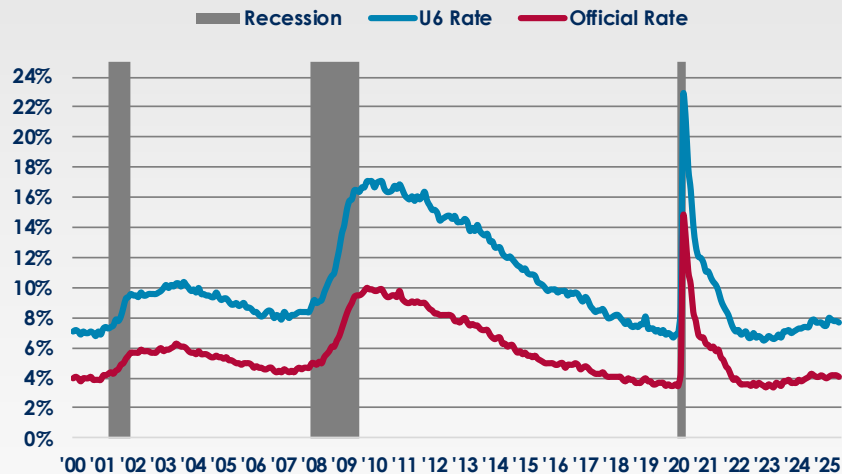
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GDP IN Q1 FINISHED AT -0.5%. Q2 ESTIMATE AT 2.5% PER GDPNOW

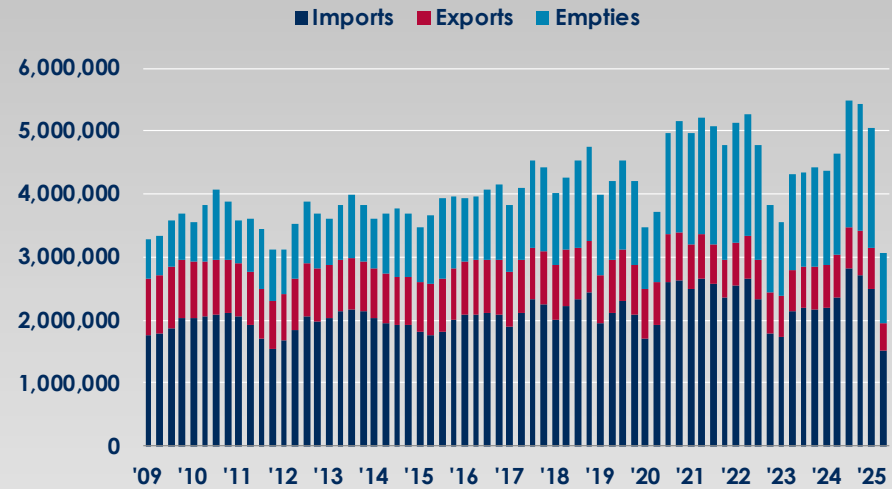


*2.5% Estimate for Q2-25 from the Federal Reserve Bank of Atlanta GDPNow

LABOR MARKET REMAINS RESILIENT; MAKING FED DECISION TO CUT HARDER

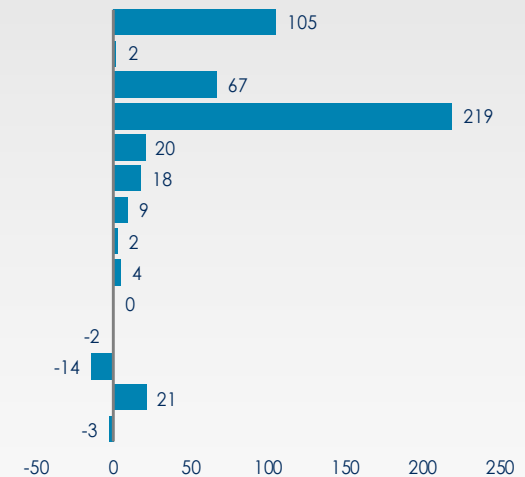


PORT ACTIVITY IN Q1 WAS UP 15.0% Y/Y. YTD 2025 UP 10.2% Y/Y

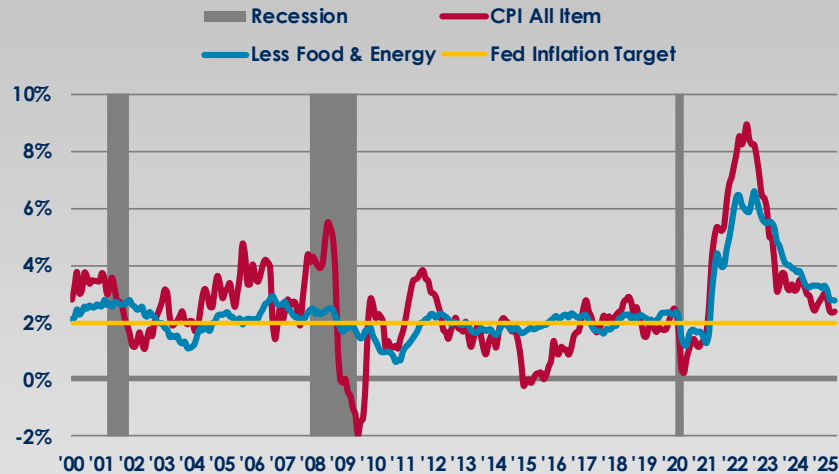


EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q2

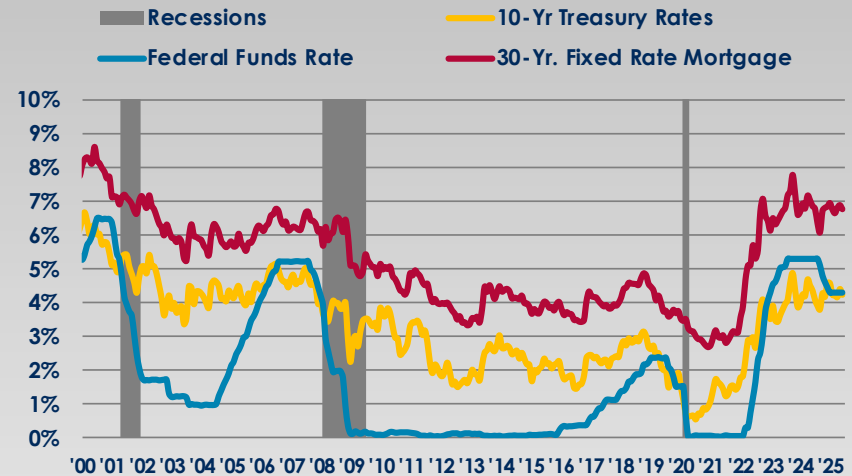
- Government
- Other Services
- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Information
- Utilities
- Transportation and Warehousing
- Retail Trade
- Wholesale Trade
- Manufacturing
- Construction
- Mining and Logging



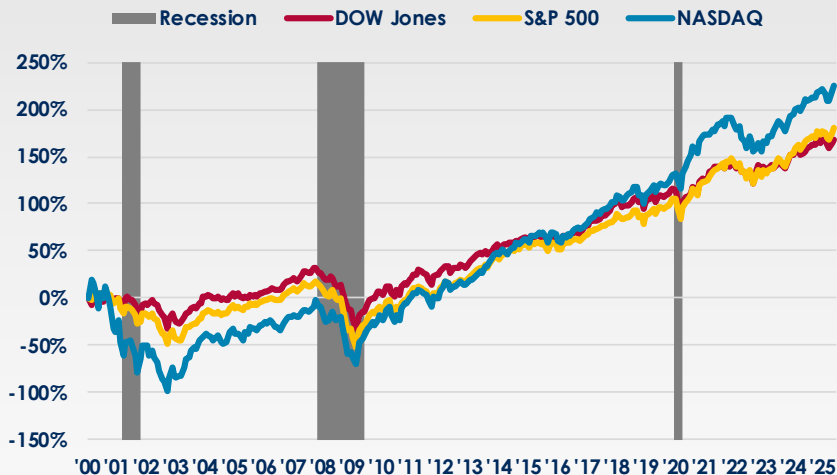
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



THE FED HELD RATES IN MAY & JUNE. 10 YR UP BY ONLY 1 BPS IN Q2



S&P 500 AND NASDAQ REACHED ALL TIME HIGHS TO CLOSE Q2



10-2 YEAR YIELD CURVE STEEPENED IN Q2

