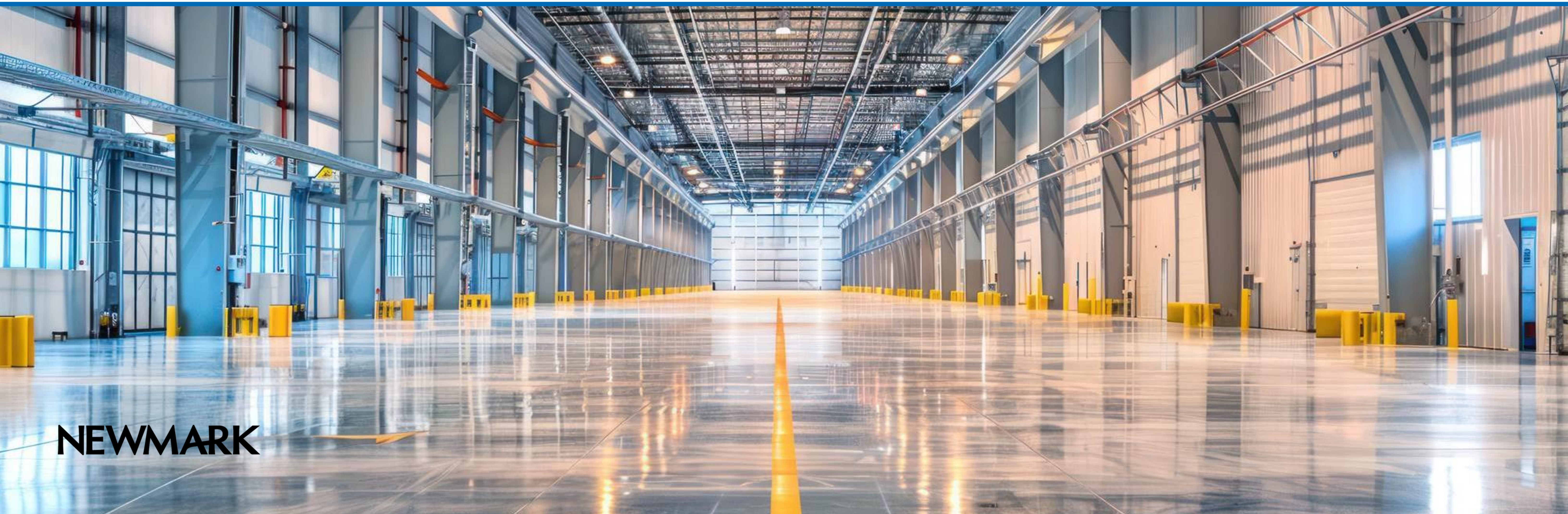
2Q25

Inland Empire Industrial Market Overview



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Market Observations

Economy

- The Trump Administration's declaration of broad tariffs on foreign goods has given way to deadline extensions and country-by-country negotiations. A lack of clarity regarding the rollout, composition, effects, and duration of the new tariffs persists at the time of writing.
- China, which faces the steepest tariff hikes, has deep ties to Southern California's ports and industrial markets.
- Loaded imports at Southern California's ports totaled 4.0 million containers in the first five months of 2025. Volume will be uneven in the coming months.
- Consumer confidence has fallen in recent months, and U.S. retail sales are anticipated to slow. Sales will suffer a steeper decline if tariff-induced inflation sets in and domestic unemployment increases.

Major Transactions

- Twenty big-box (100,000+ SF) direct leases were signed this quarter, a sharp decline from the 34 inked last quarter and the 27 in the second quarter of 2024.
- Chinese firms committed to fewer big-box spaces this quarter, when surveying new leasing volume: Square feet leased by Chinese companies plunged 56.2% from three months ago compared to a 16.5% drop among non-Chinese firms.
- Maersk doubled its Hesperia footprint, after leasing 1.0 MSF at 8130 Caliente Road. The building is adjacent to the company's existing operations at 8140 Caliente Road.
- The greater market will receive an absorption boost once Maersk takes occupancy of its new space.

Leasing Market Fundamentals

- The West continued to outperform the East in leasing activity, though to a lesser extent than in 2024 as product availability in the West has begun to tighten. Leasing remains most pronounced within the 100,000- to 499,999-SF segment, which boasts higher availability and steeper rent declines relative to other size thresholds.
- Current lease term lengths are higher than the historical average as tenants lock in today's more-occupier-favorable conditions.
- Market-wide vacancy rose to 7.8%, as larger move-outs outweighed limited move-ins.
- Quarterly net absorption totaled 607,351 SF. The delivery of a 1.5-MSF build-to-suit facility in the High Desert for Goodyear kept net occupancy positive.
- Available sublease space totals 15.9 MSF, up 5.1% from the first quarter.

Outlook

- Prolonged uncertainty concerning U.S. tariff policy will depress leasing activity as some occupiers refrain from new commitments.
- 9.0 MSF of new construction is slated to deliver next quarter and only 2.8% has pre-leased. Vacancy will rise.
- The recent passage of California Assembly Bill 98 will eventually spur more construction activity in the High Desert, as developers will face fewer regulatory hurdles in the sparsely populated region than elsewhere.
- Sustained tariffs will increase raw material prices, while federal immigration raids may lead to construction labor shortages. Both will drive up replacement costs, limit new construction, and insulate rents of existing product.

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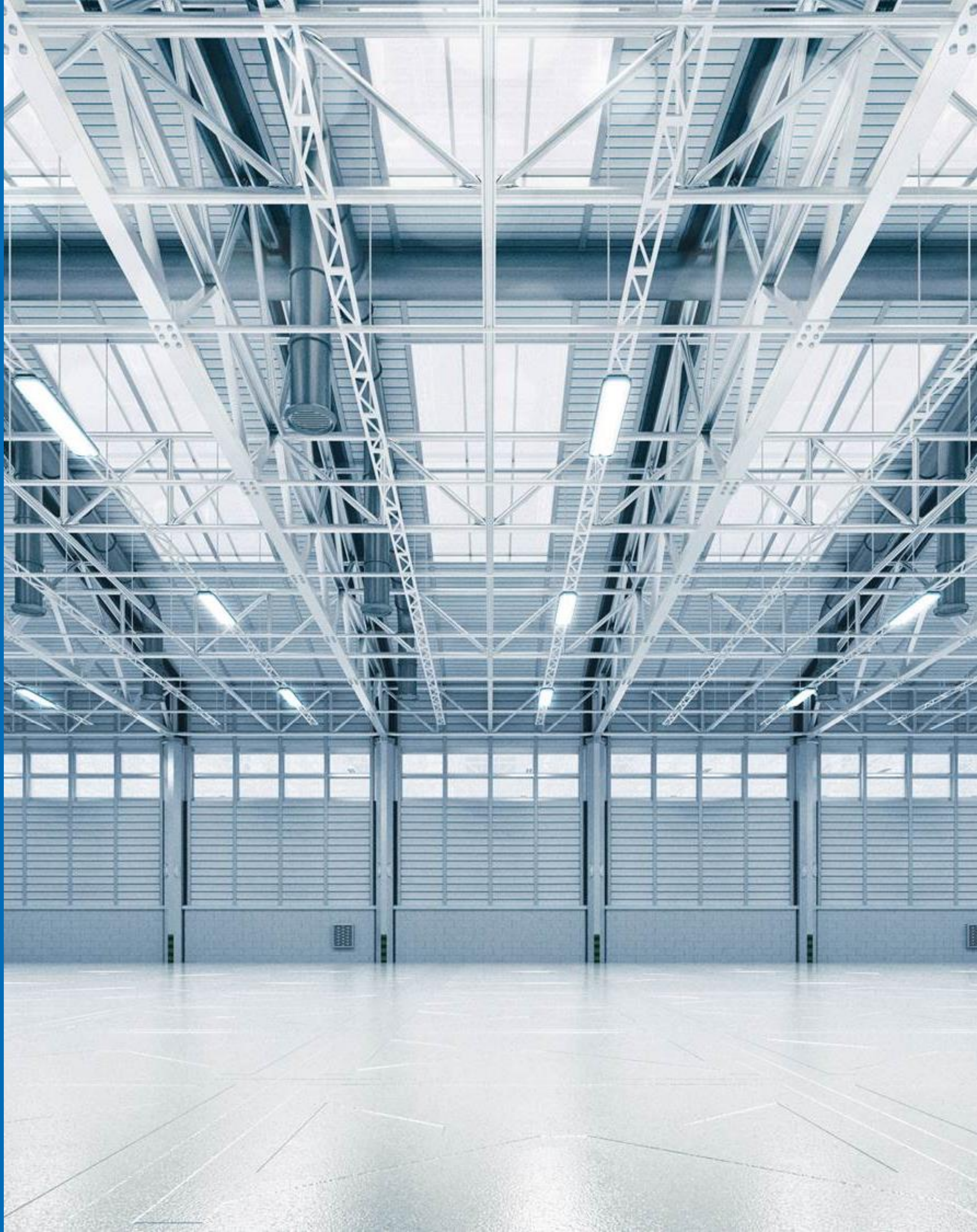
Southern California's Ports and U.S. Retail Sales



Ocean Container Spot Rates Remain Volatile

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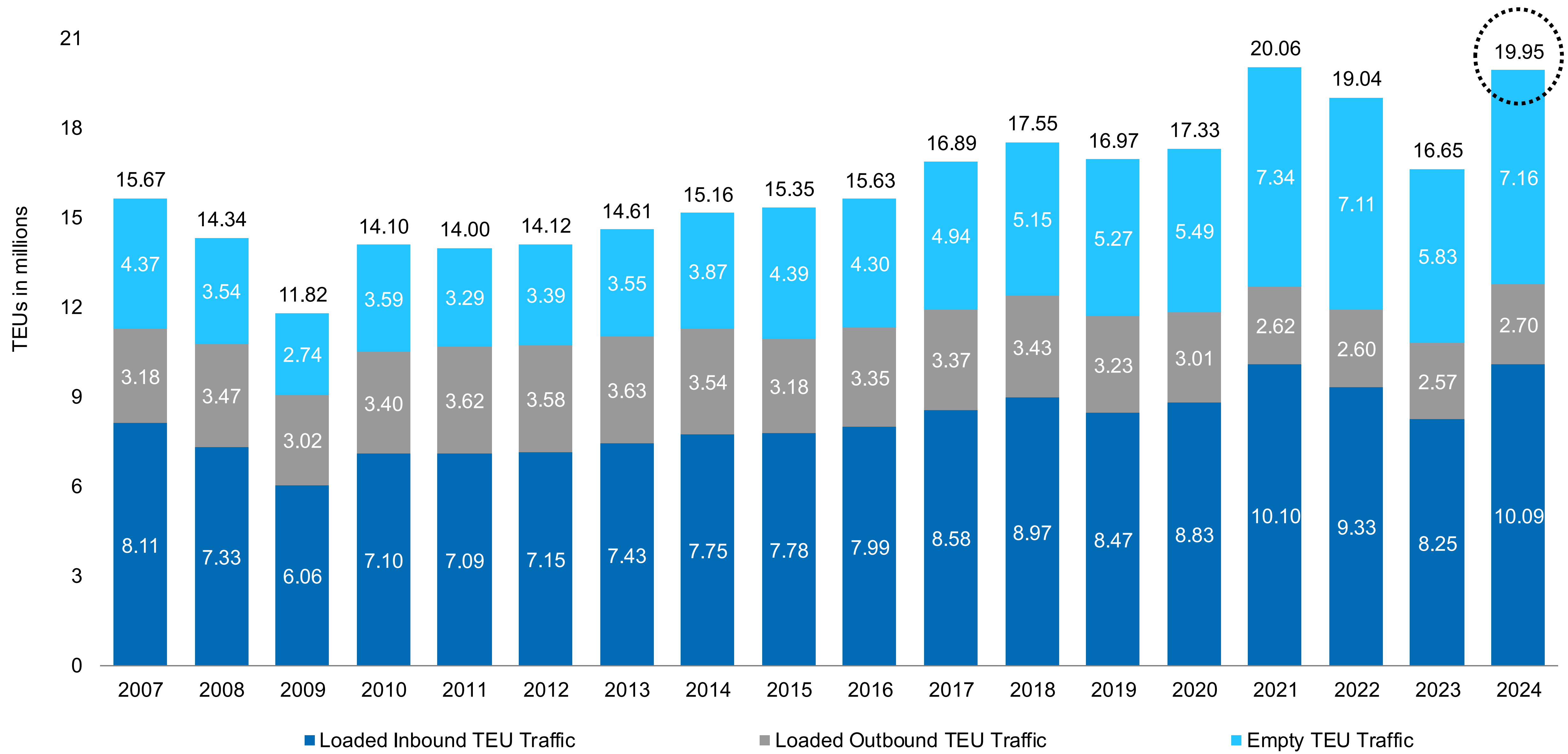
Southern California's Ports: 2024 Was the Second Busiest Year on Record

The inflated growth of 2021-2022 (due to strong retail sales from stay-at-home measures, government stimulus, and distributors stockpiling goods) has passed. Southern California's ports then contended with an influx of imports in 2024 due to labor negotiations with Gulf and East Coast dockworkers and the frontloading of cargo as a hedge against potential tariffs.

The Ports of Los Angeles and Long Beach: Combined TEU Volume | Loaded Imports, Loaded Exports and Empty Containers | By Year

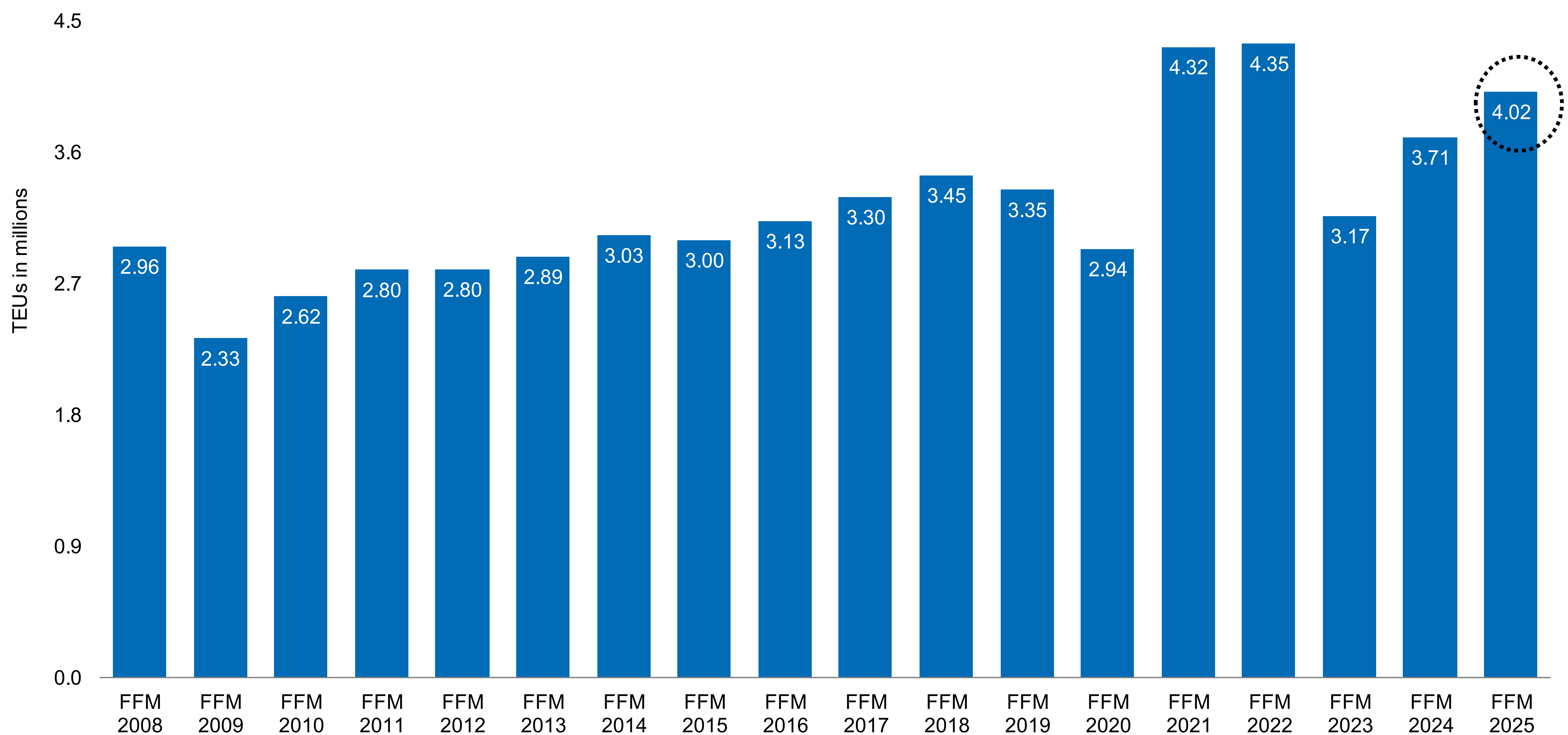


Source: Newmark Research, The Port of Long Beach and Los Angeles
Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size.

Loaded Import Volume in the First Five Months of 2025 Third Highest on Record

The frontloading of imports before President Trump's tariffs went into effect shaped 2025's year-to-date figure. Future volume will be uneven, as the next slide explores.

The Ports of Los Angeles and Long Beach: Loaded Imports | First Five Months (FFM) of a Given Year



Source: Newmark Research, The Port of Long Beach and Los Angeles
Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size.

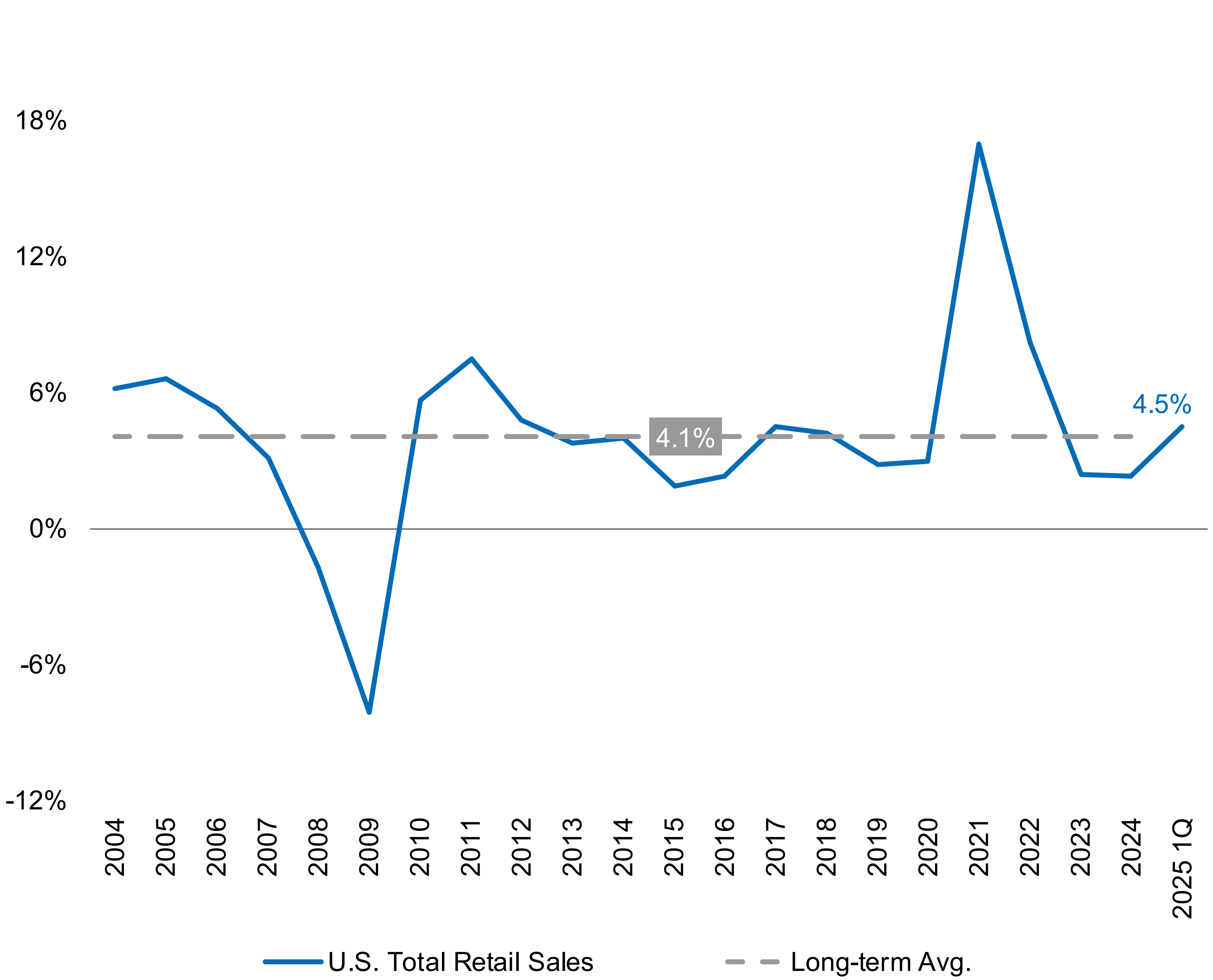
Southern California Ports Lead the Nation in Imports—Most of Which Originate from China

Southern California’s Ports: Rail Dwell Times Higher Than Trucks

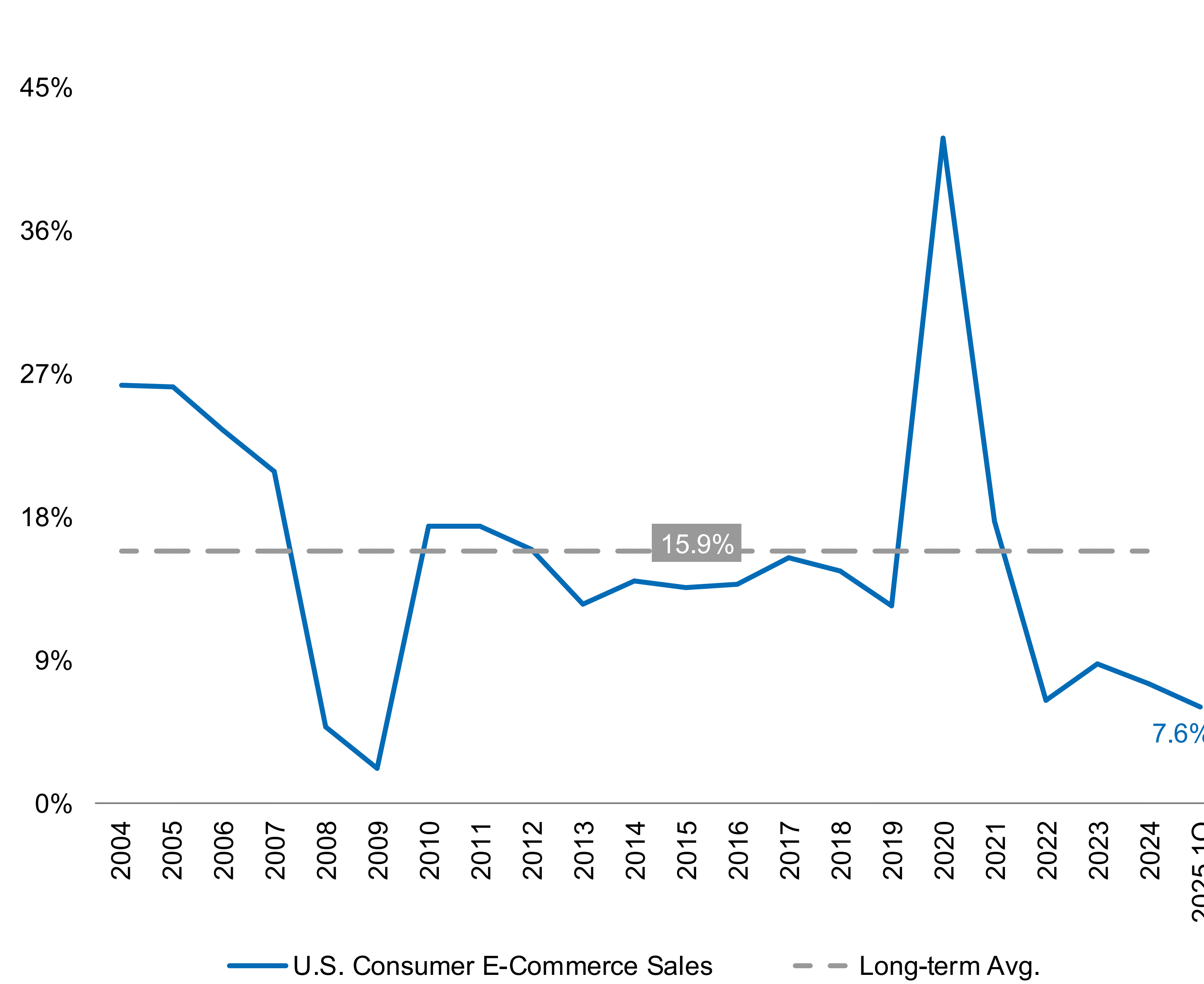
Retail Sales (an Indicator of Warehouse Demand) Up, But Projected to Slow

Overall retail sales were up 4.5% in the first quarter of 2025 relative to the same period in 2024 as consumers frontloaded purchases – led by motor vehicles – ahead of expected higher prices due to impending tariffs. For e-commerce specifically: Growth exceeded total retail sales (+7.6% over the same period), yet the decline from 2021 onward is noticeable as consumer spending generally registers slower gains. Since tariffs are typically stagflationary shocks, which simultaneously increase the likelihood of an economic slowdown while putting upward pressure on prices, many economists have lowered their retail sales growth projections.

U.S. Overall Retail Sales Annual Growth



U.S. Consumer E-Commerce Sales Annual Growth



Source: US Census Bureau (consumer adjusted retail sales); most current data available

The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

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U.S. Wage Growth is Outpacing Inflation While Unemployment Remains Low

U.S. Consumer Confidence is Down

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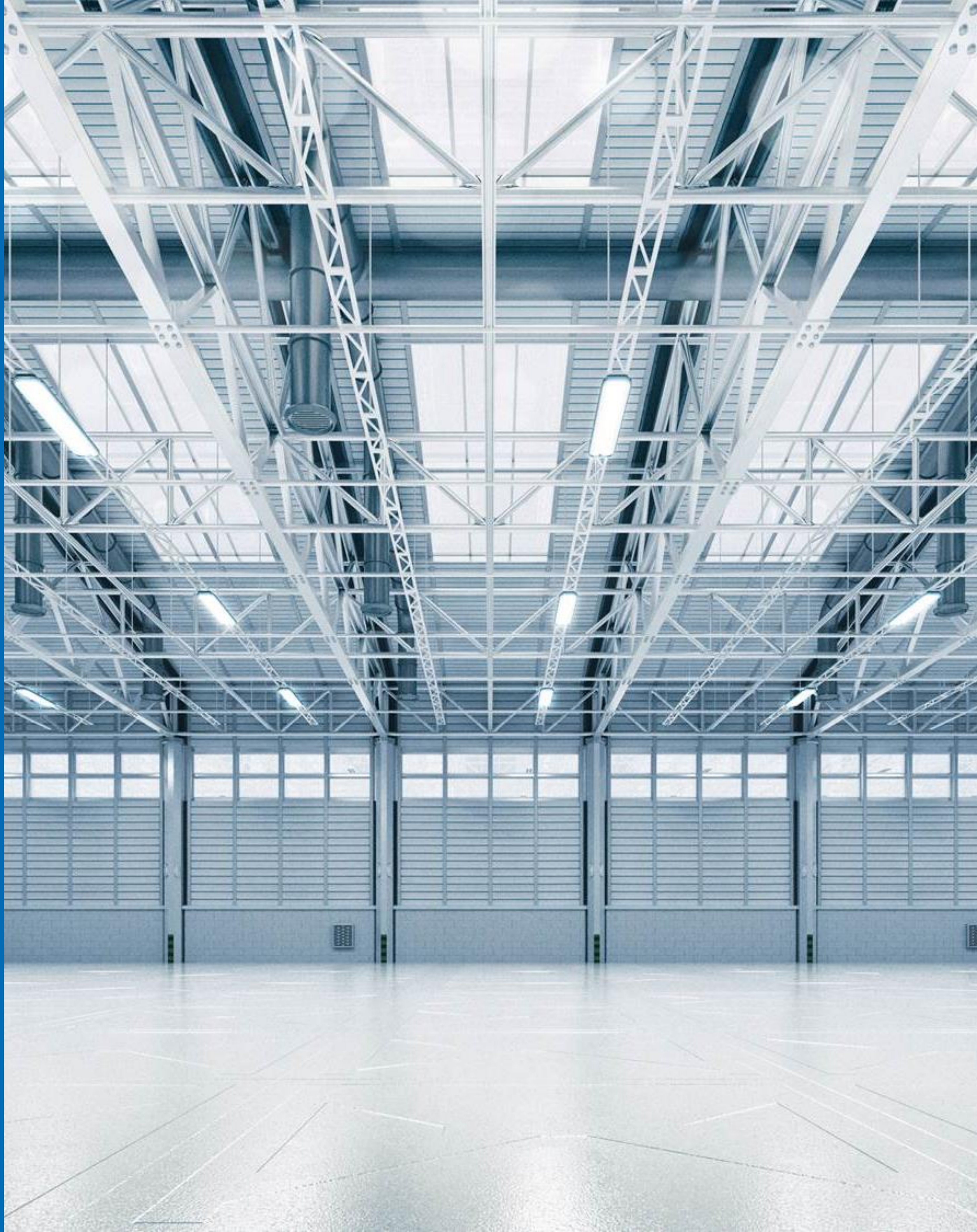
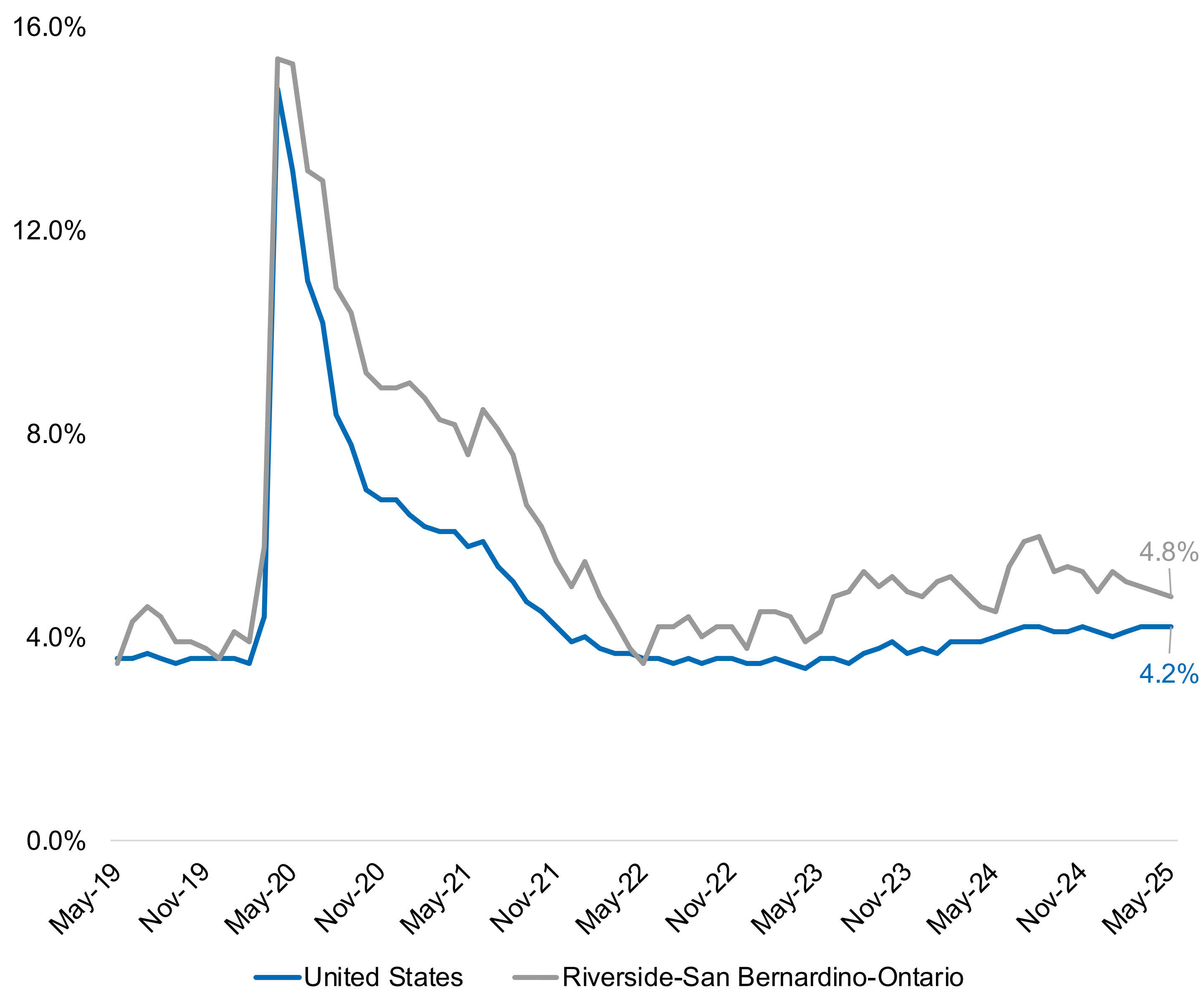
Local Employment



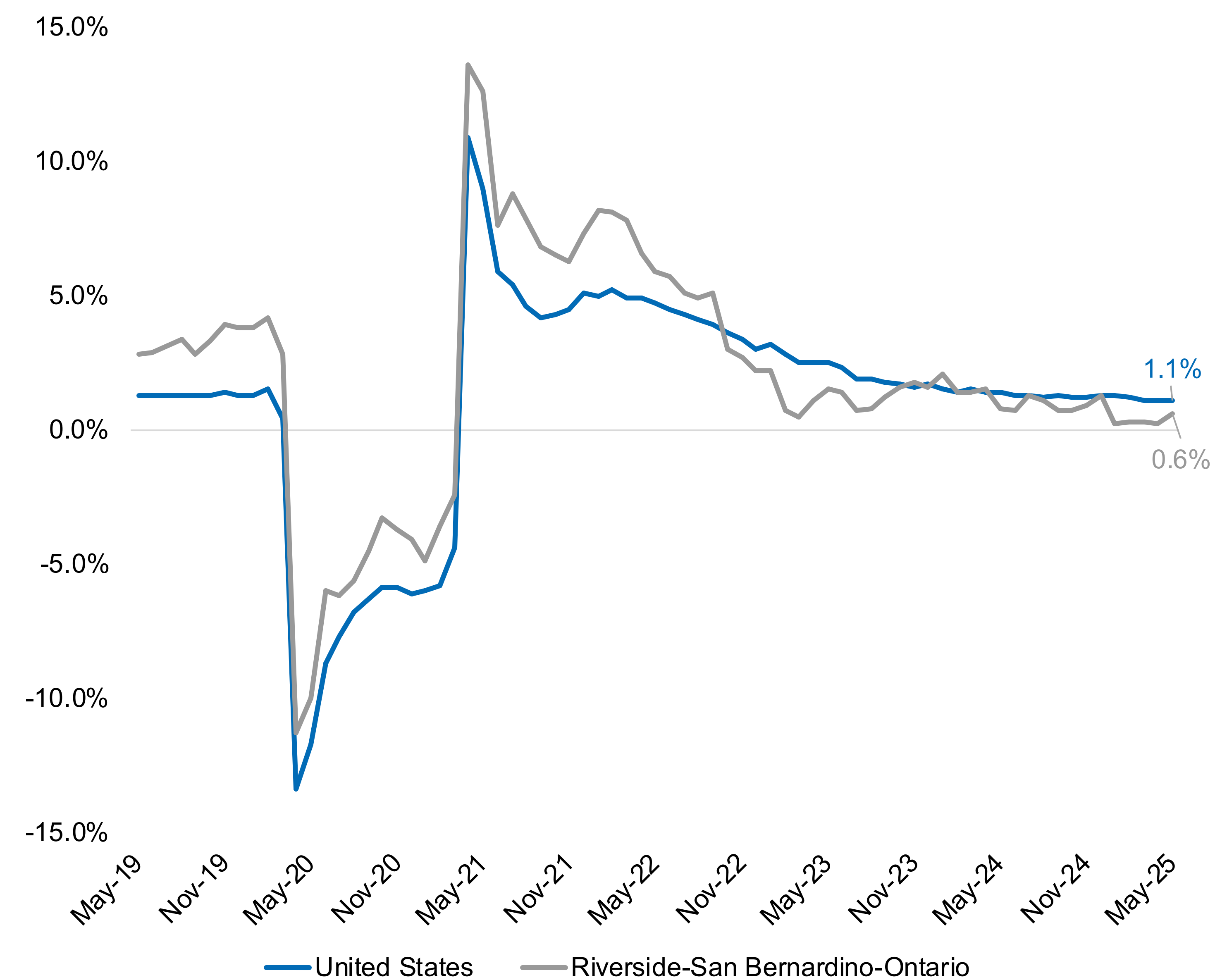
Modest Monthly Declines in Local Unemployment; Limited YOY Employment Growth

Local unemployment has trended downward amid general stability in the civilian labor force. Local annualized nonfarm payroll employment growth has hovered below the nation since January; both growth metrics reflect stagnation of labor pool growth over the past year.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

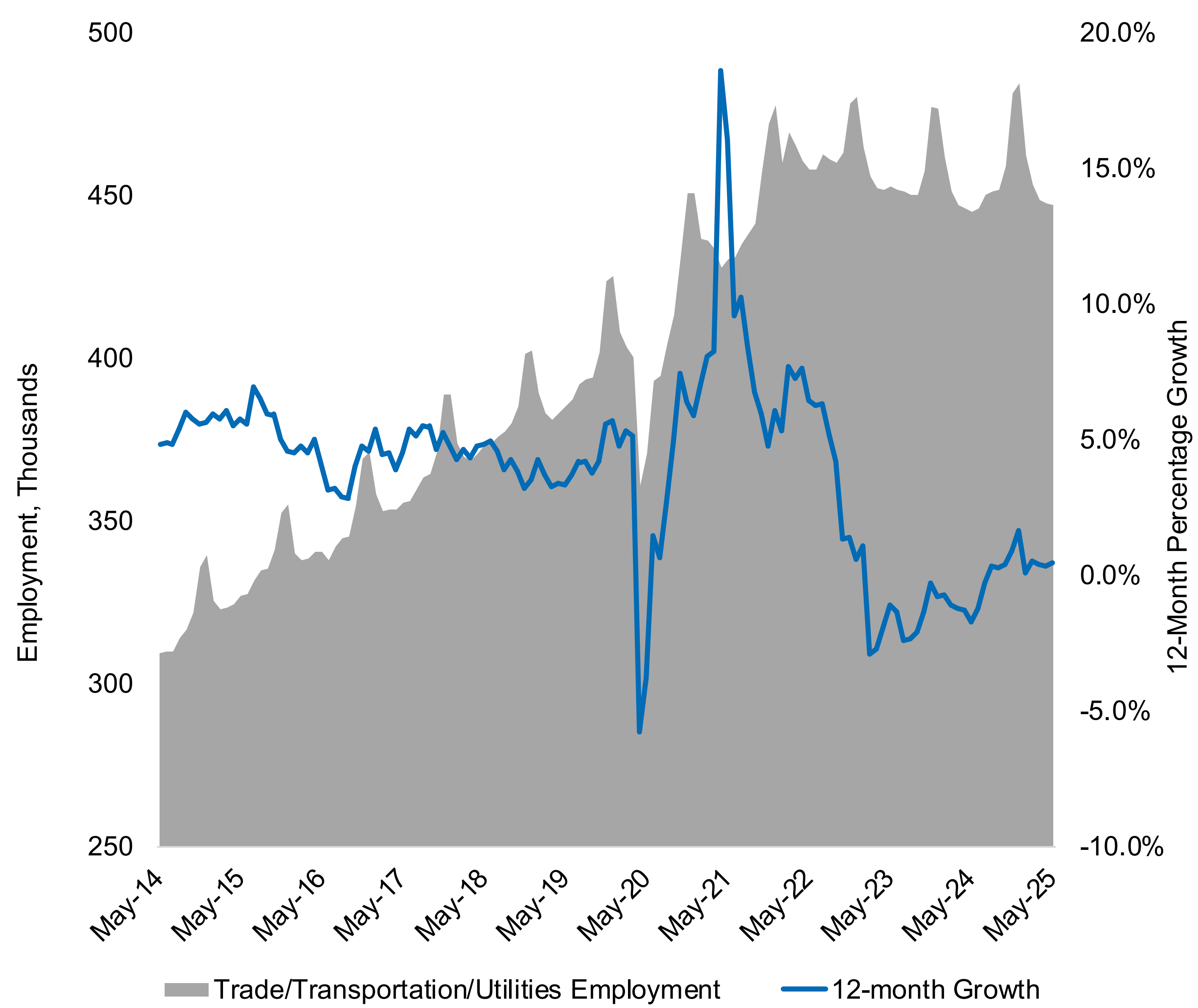


Source: U.S. Bureau of Labor Statistics, Riverside-San Bernardino-Ontario

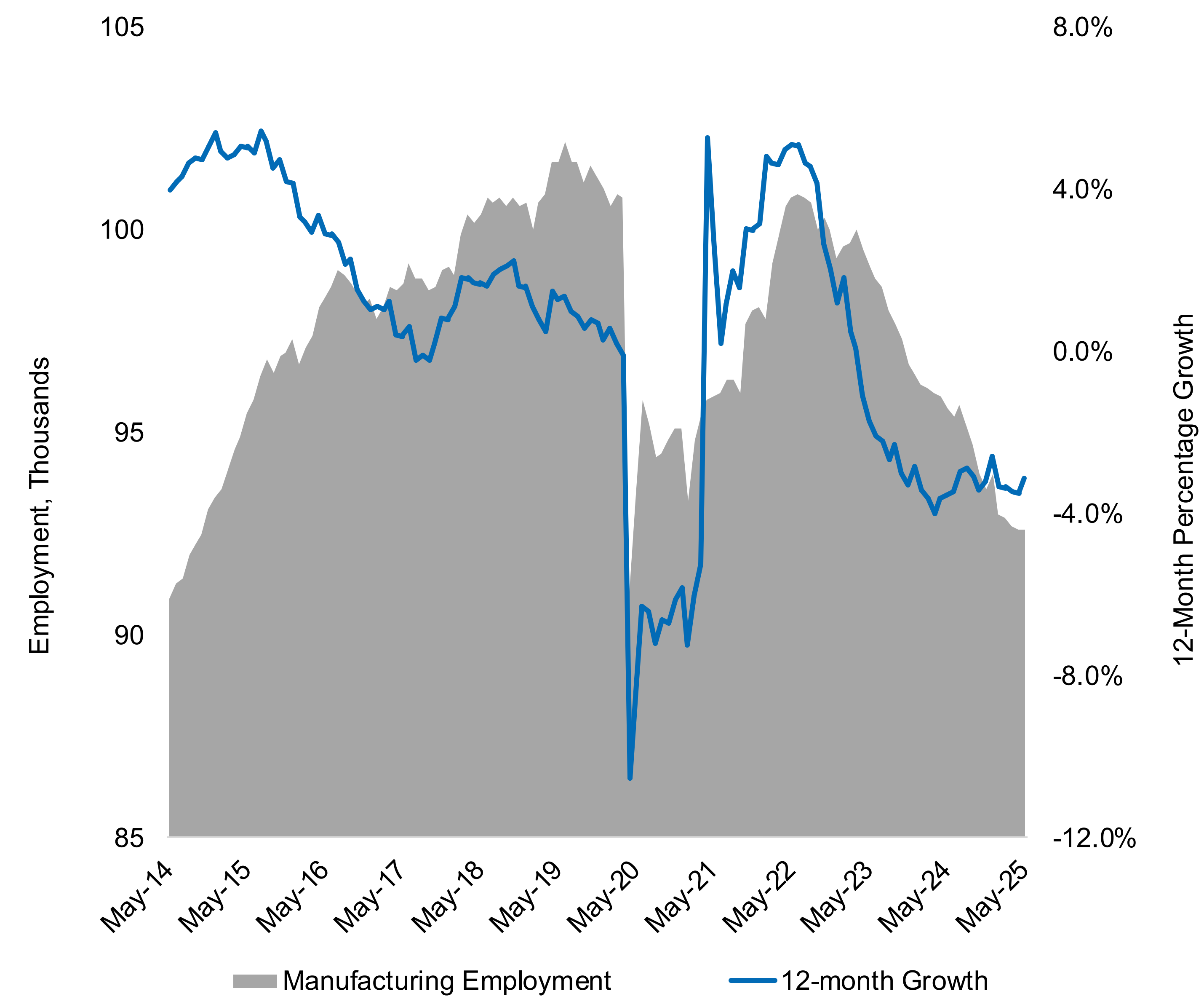
Overall Industrial Employment Growth Flat; Sector Vulnerable to Tariffs

The trade/transportation/utilities sector, which experienced marginal year-over-year employment growth, is vulnerable to tariffs if consumer spending slows and warehouse demand trends down. Manufacturing employment, which continues to drop from increased automation and elevated costs of doing business in California, also has exposure to tariffs as it pertains to higher raw material costs.

Trade/Transportation/Utilities Employment and 12-Month Growth Rate



Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics, Riverside-San Bernardino-Ontario

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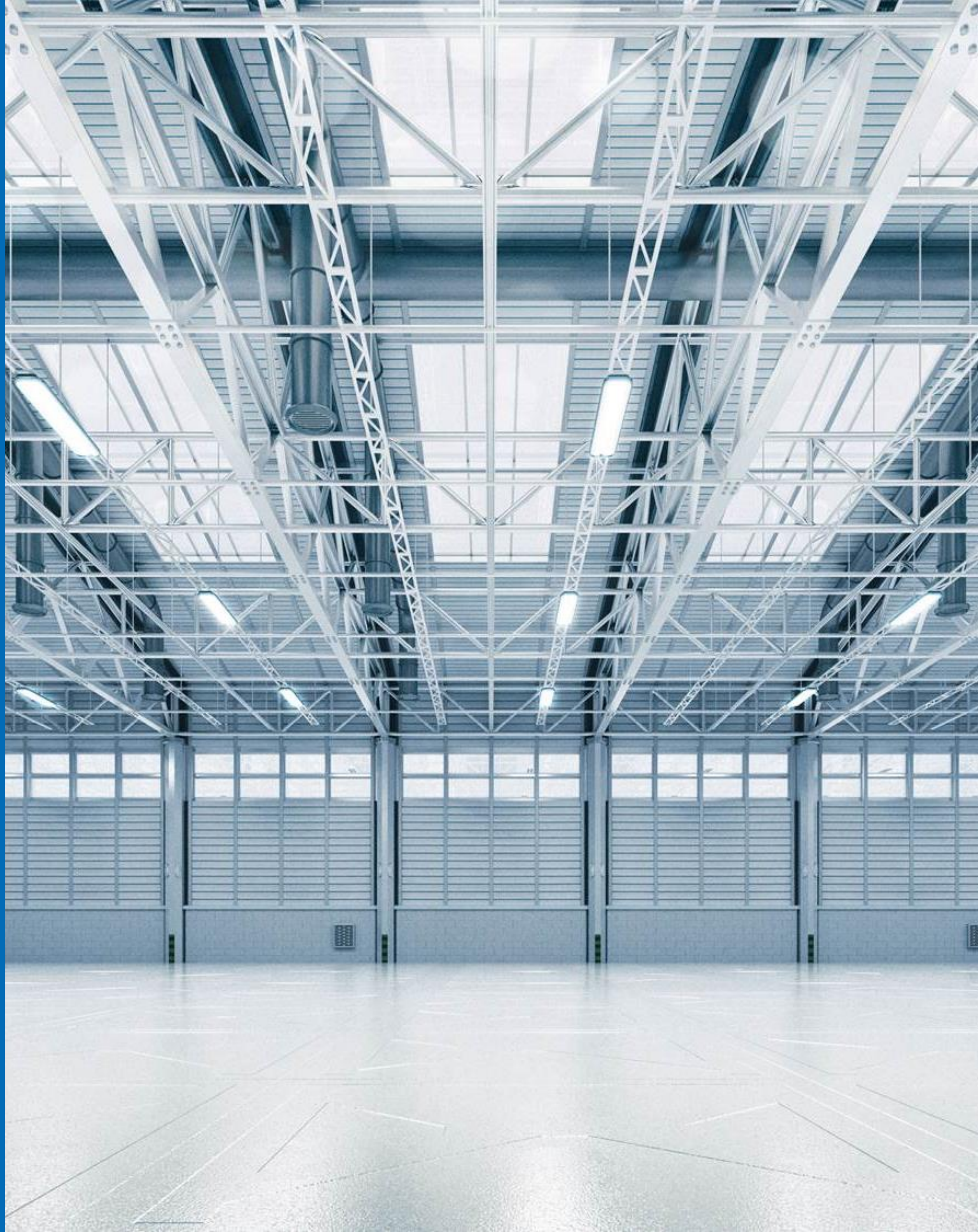
Leasing: General Conditions



Contact Rents Continue to Adjust

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Term Lengths are Generally Up After Declines in 2022-2023

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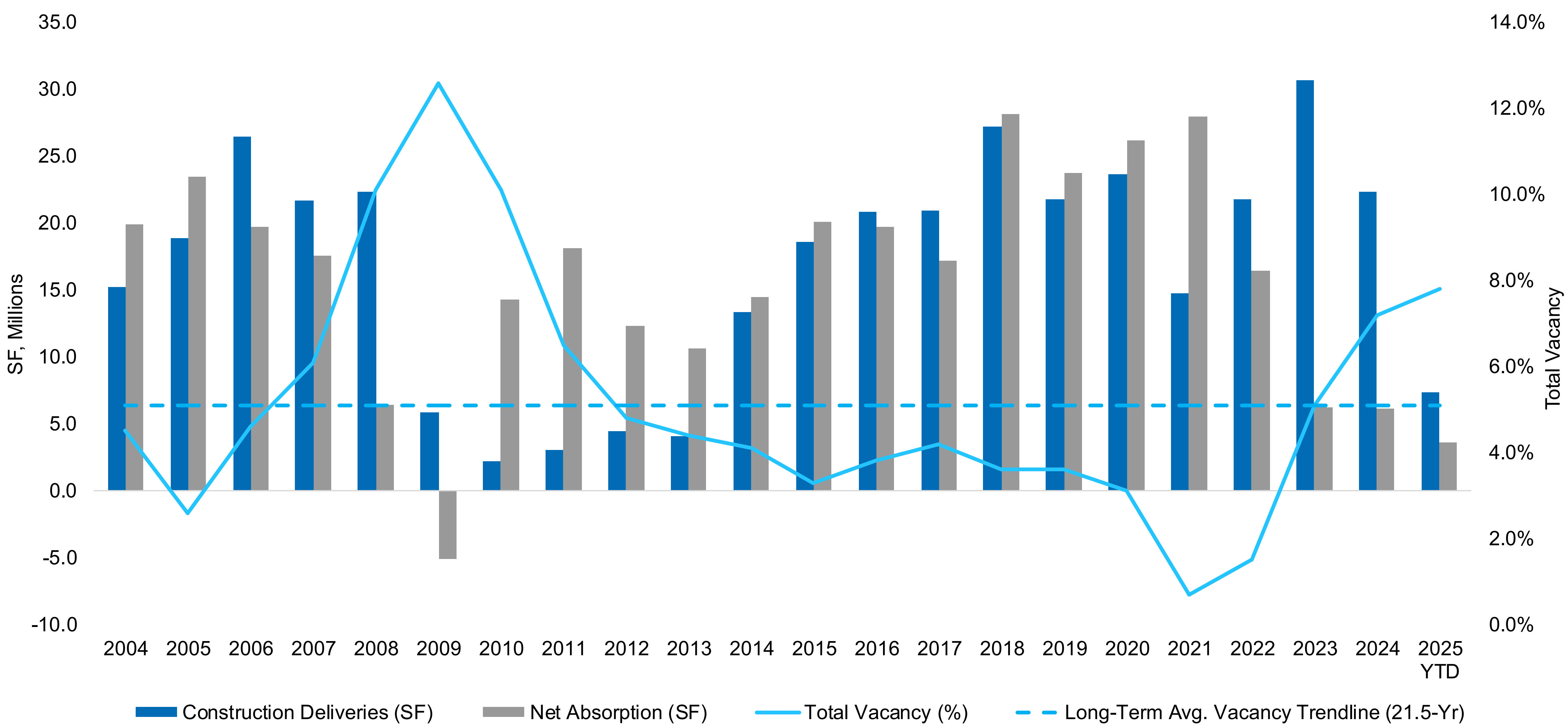
1 MSF+ Pre-Leased Delivery Keeps Absorption Positive; 100 KSF+ Move-Ins Decline

Net absorption for the second quarter of 2025 totaled 607,351 SF. The completion and occupancy of a 1.5 MSF Victorville-based build-to-suit by Goodyear kept net occupancy positive amid a pronounced decline in 100 KSF+ move-ins. Year-to-date net absorption rests at 3.6 MSF, up from 2.0 MSF in the first half of 2024, while vacancy (7.8%) moderately rose.

Historical Construction Deliveries, Net Absorption, and Vacancy

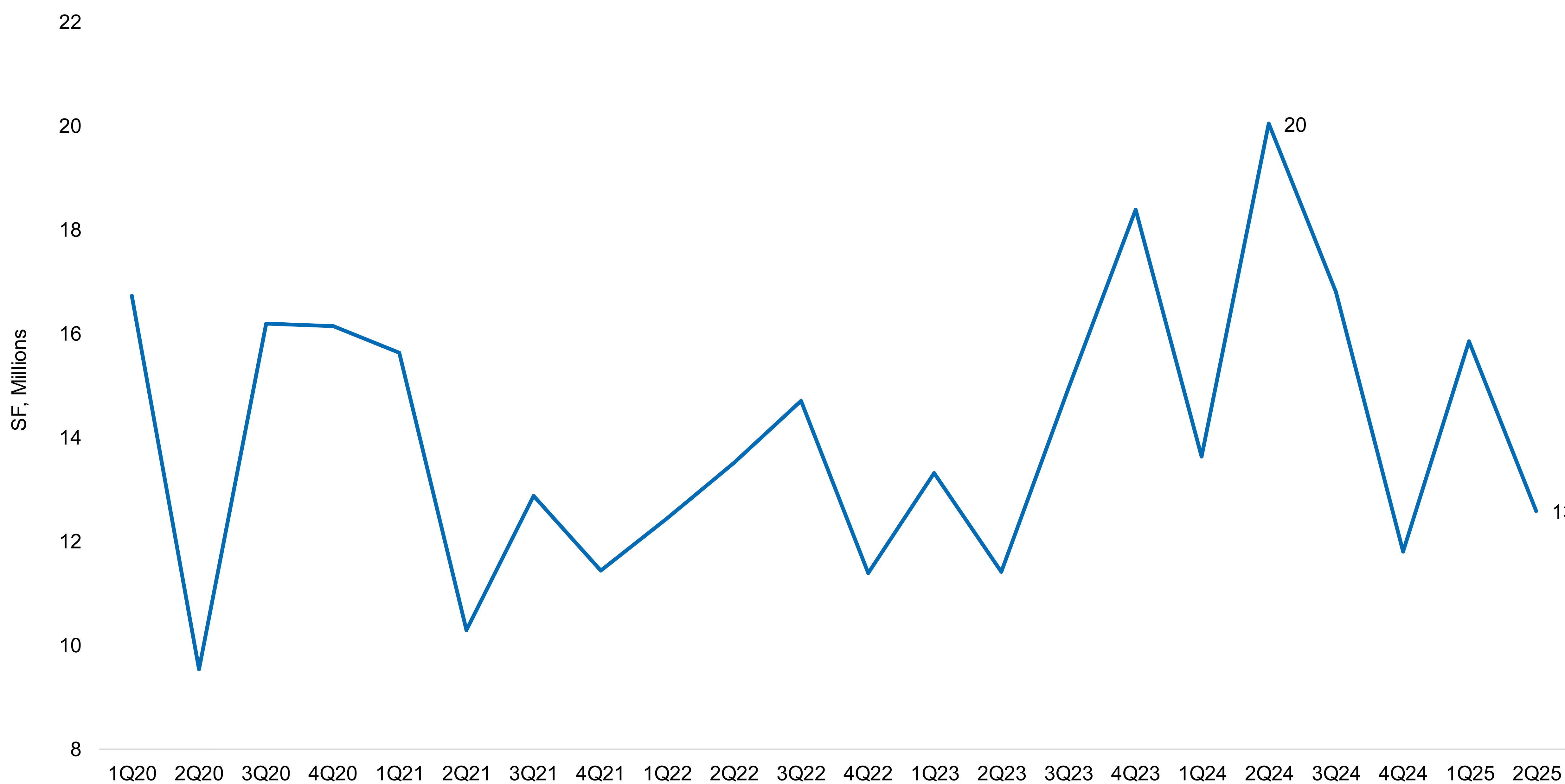


Source: Newmark Research

Quarterly Leasing Activity, Uneven Since 2019, is Driven by Big-Box Signings

The uneven factor is a function of how many facilities greater than 500,000 SF lease in a given quarter, coupled with macro economic conditions at the time (e.g., there was a great deal of uncertainty during the second quarter of 2020 – the first full quarter after a national health emergency was declared – while uncertainty currently persists regarding the composition, timing, and effects of U.S. tariff policy).

Total Leasing Activity (SF): New Leases and Renewals

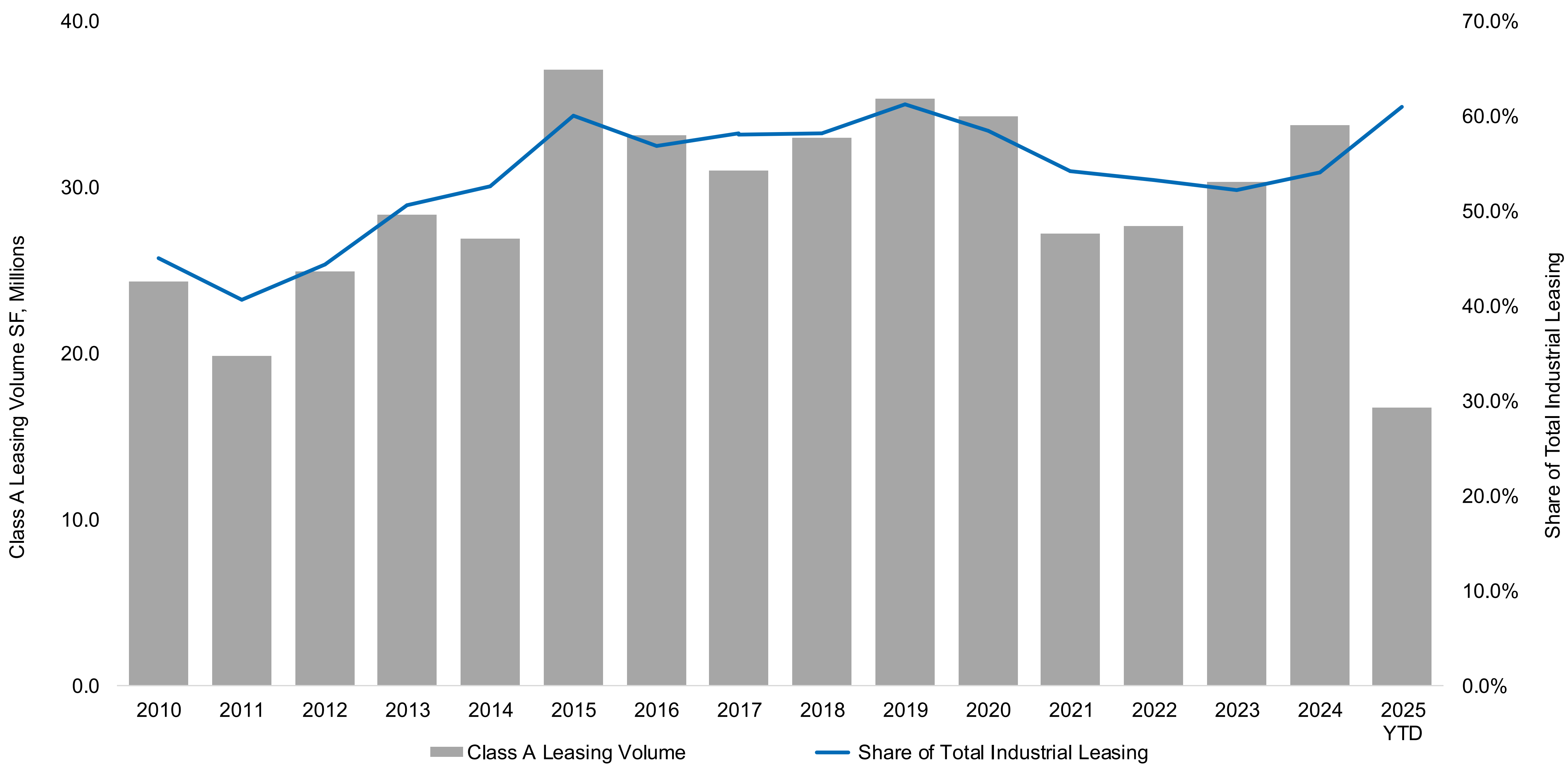


Source: Newmark Research, CoStar, AIR

Class A Warehouse Demand Elevated as Rents for 100 KSF+ Product Broadly Fall

Class A warehouse leasing accounted for 61.1% of total leasing activity in the second quarter of 2025, exceeding the preceding 15.5-year average of 53.9%. Rents in most big-box size segments have steadily declined over the past two years and this is strengthening the resolve of tenants that want top-shelf space.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar
Note: Class A is defined as 100,000+ SF warehouse/distribution facilities constructed since 2000 with a 30'+ minimum interior ceiling height.

Sublet Availability Up as New Listings Outweigh New Sublease Signings

Big-Box Listings Drive Increase in East I.E. Sublet Availability

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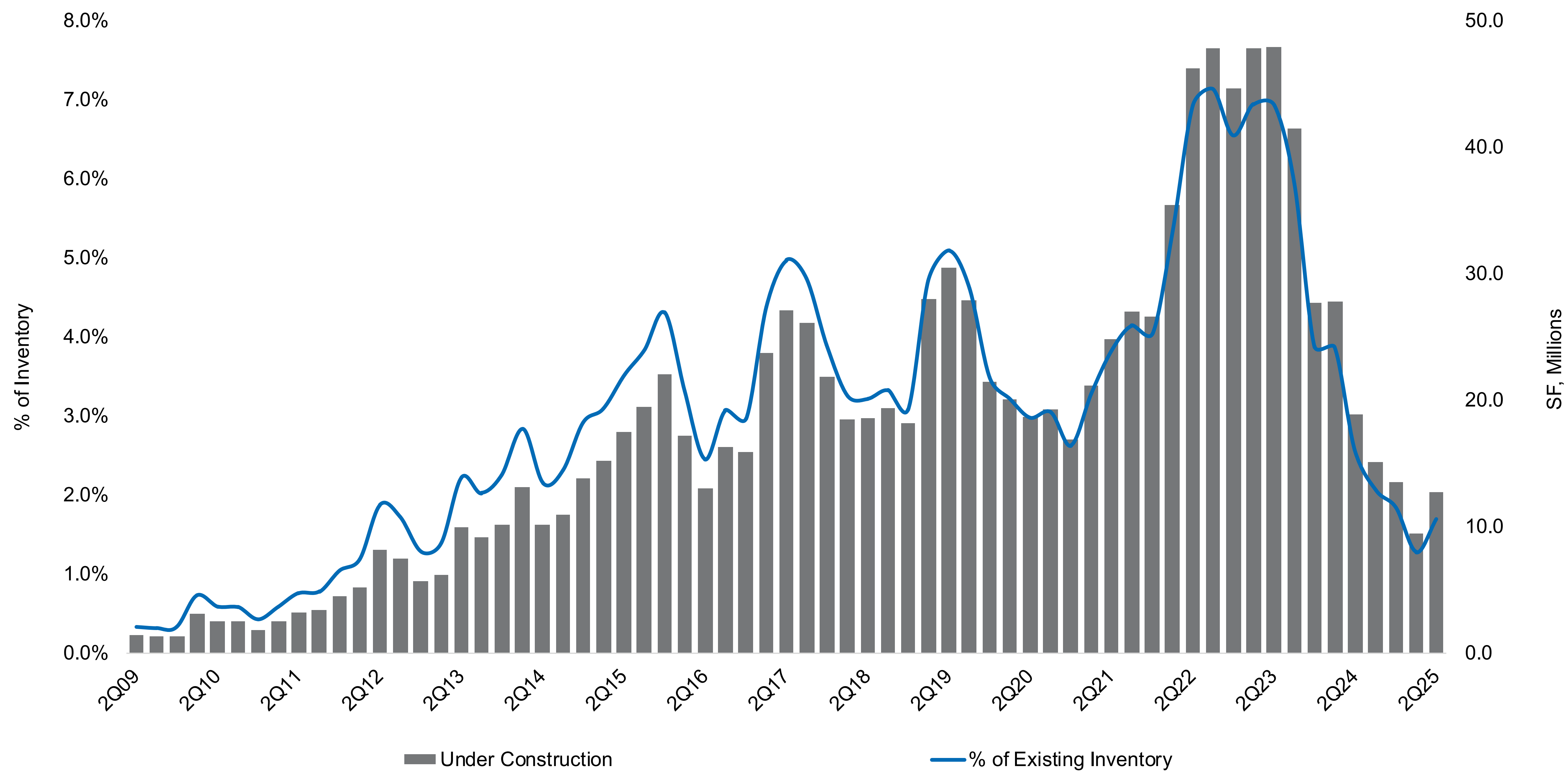
Bulk of Under-Construction Space Unleased; 1MSF+ Construction Boosts Volume

A mere 8.8% of all inventory in the construction pipeline has pre-leased, while 2.8% of the 9.0 MSF set to deliver next quarter has committed tenants attached. Under-construction activity remains well below the 2012-2019 pre-pandemic average of 16.5 MSF, though construction commencement on a portion of the Menifee Valley Business Park (three buildings totaling 2.4 MSF) contributed to the largest quarterly construction boost in three years.

Industrial Under Construction and % of Inventory



Source: Newmark Research

Under-Construction Leasing Limited Amid Increasing Array of Leasing Options

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Notable 2Q25 Lease Transactions

Thirty-three leases exceeding 100,000 SF were signed this quarter, a decline from the 52 signed in the same period of 2024. Of this quarter's big-box leases, 20 were direct, seven were renewals/extensions, and six were subleases. Seventeen of this quarter's big-box leases were for West I.E. properties, 15 occurred in the East, and one was in the High Desert.

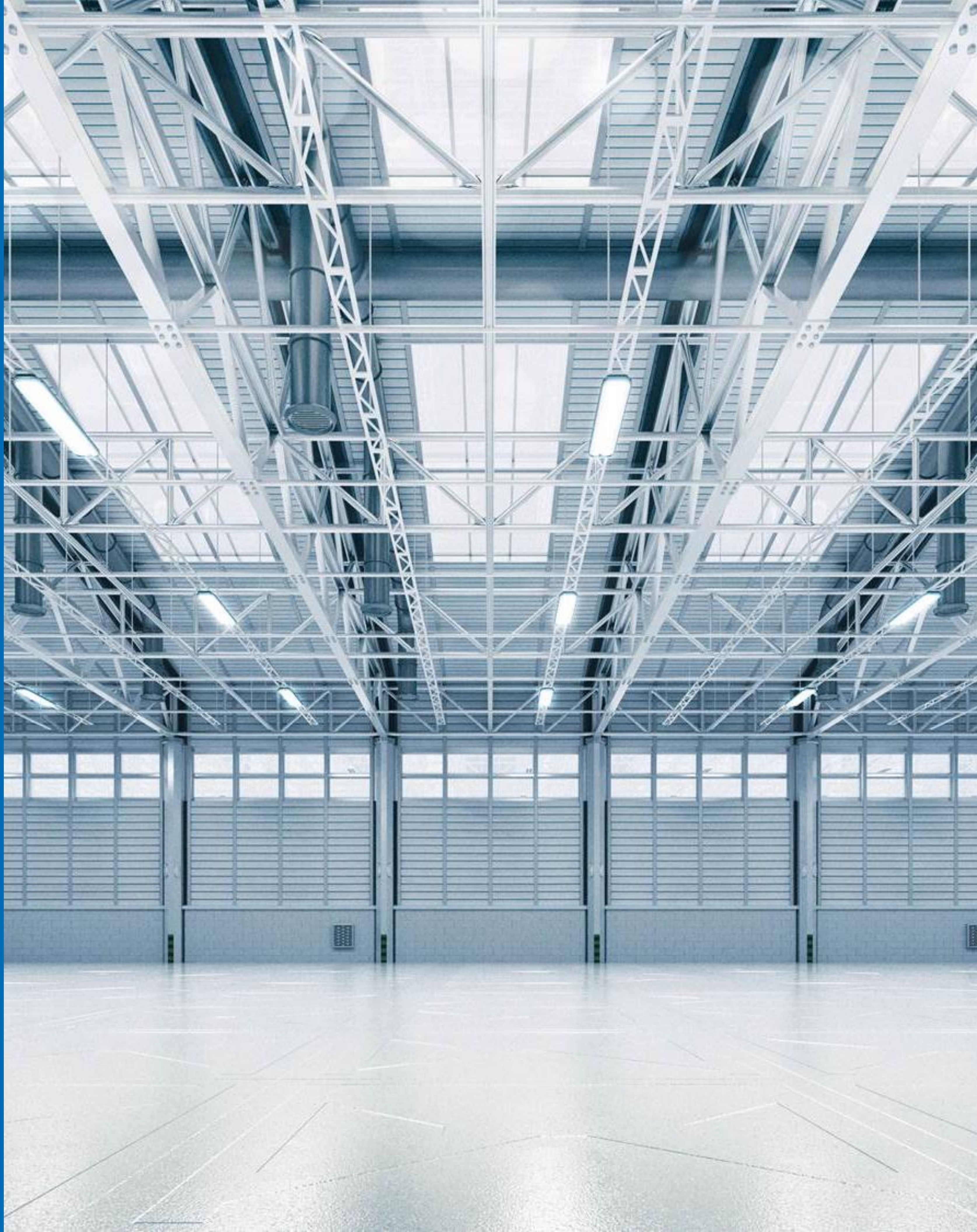
Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Maersk	8130 Caliente Rd	High Desert	Direct Lease	1,004,400
Maersk presently occupies 1.2 MSF at the adjacent 8140 Caliente Road. The company's new lease nearly doubles its footprint in the City of Hesperia.				
Burlington Coat Factory	570 E Mill St	East I.E.	Lease Renewal	761,422
The department store retailer, which has a historical presence throughout the Inland Empire, has occupied the property since 2006. Renewed lease term expires in 1Q31.				
American Building Supply	120 S Cedar Ave	East I.E.	Lease Renewal	715,433
The business-to-business building material supplier has occupied the property since 2011. Renewed lease term expires in 1Q31.				
Nissan North America	21800 Authority Way, Bldg 2	East I.E.	Direct Lease	620,000
The automobile manufacturer, which purchased the property in 2019 and occupied it as an owner-user, sold the property to Morgan Stanley in April in a sale-leaseback.				
Elf Beauty	5685 Jurupa Ave	East I.E.	Lease Renewal/Expansion	615,940
The cosmetics company is expanding into adjacent space previously occupied by Geodis. Lease term expires in 4Q31.				

Source: Newmark Research

2Q25

Leasing: Size Segments and the Primary Submarkets



Big-Box Segment: Chinese Firms Have Comprised 25.9% of Leasing Activity Since 2023

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Availability is Tighter in the Smallest and Largest Size Segments

Current Rent in the 1M+ SF Segment is Higher Compared to 2023

West Tops East in Leasing Activity from 2023+; Some Size Segments are Especially Active

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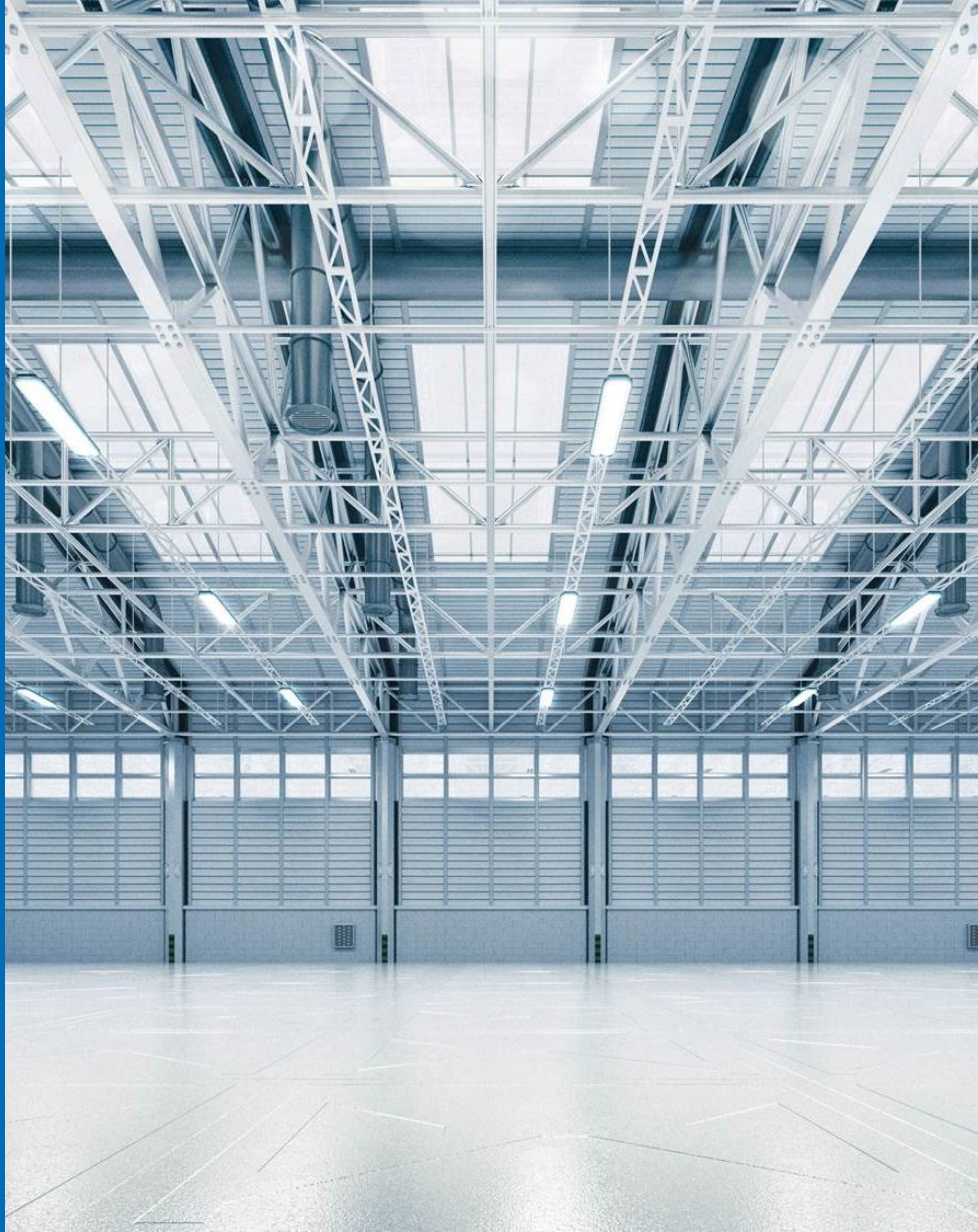
Submarket Availability Rates Diverge as New Leasing Activity Picks Up in the West

2Q25

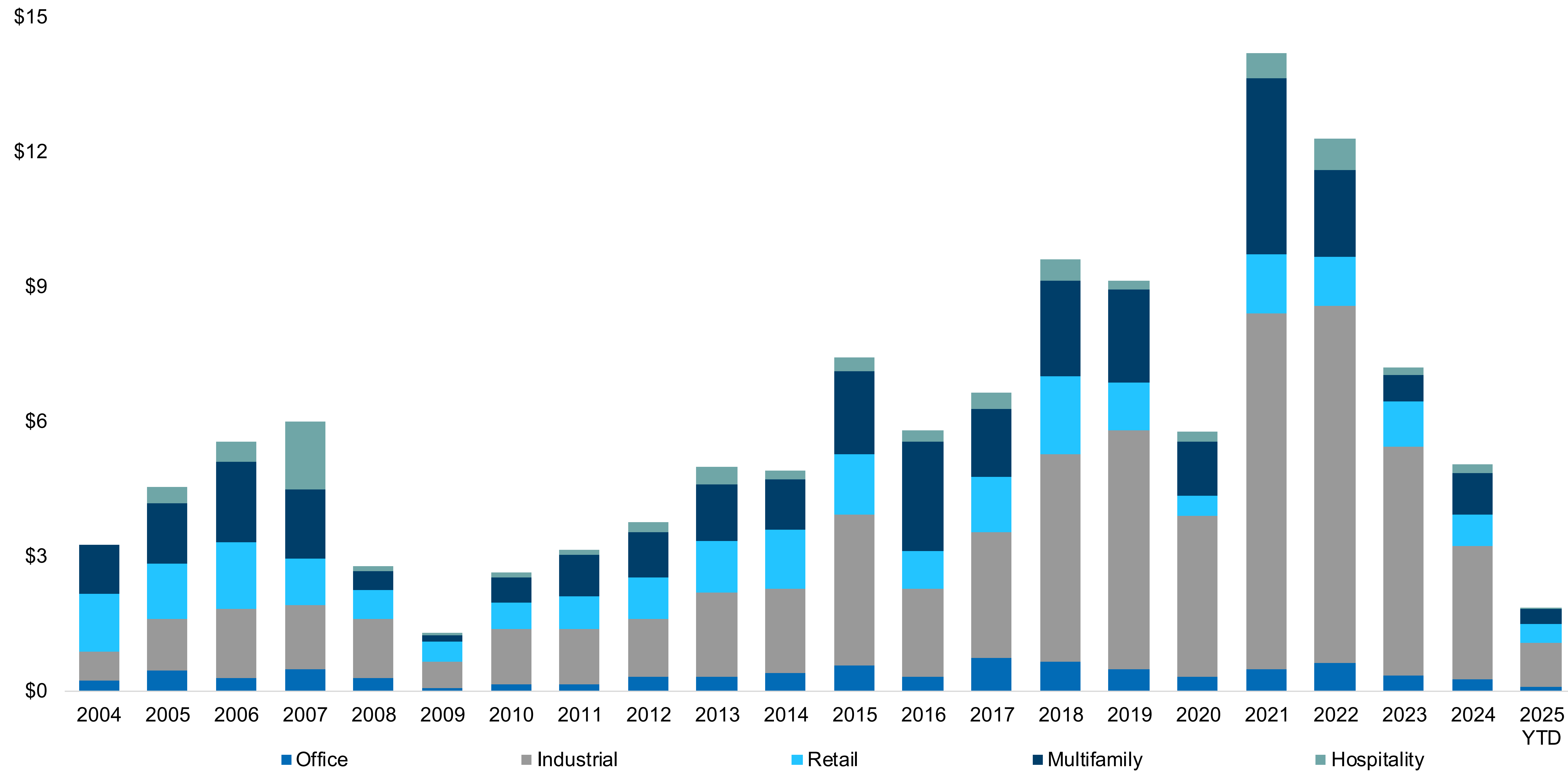
Sales Activity



Industrial Comprised 52.1% of Total Sales Volume in the First Half of 2025

The figure is above the 21-year average of 44.1%. Heated rent growth in recent years favors the segment, with many investors (institutional down to private buyers) targeting desirable buildings with credit tenants whose leases are up for renewal.

Inland Empire: Sales Volume Across Commercial Property Segments ($ in Billions)

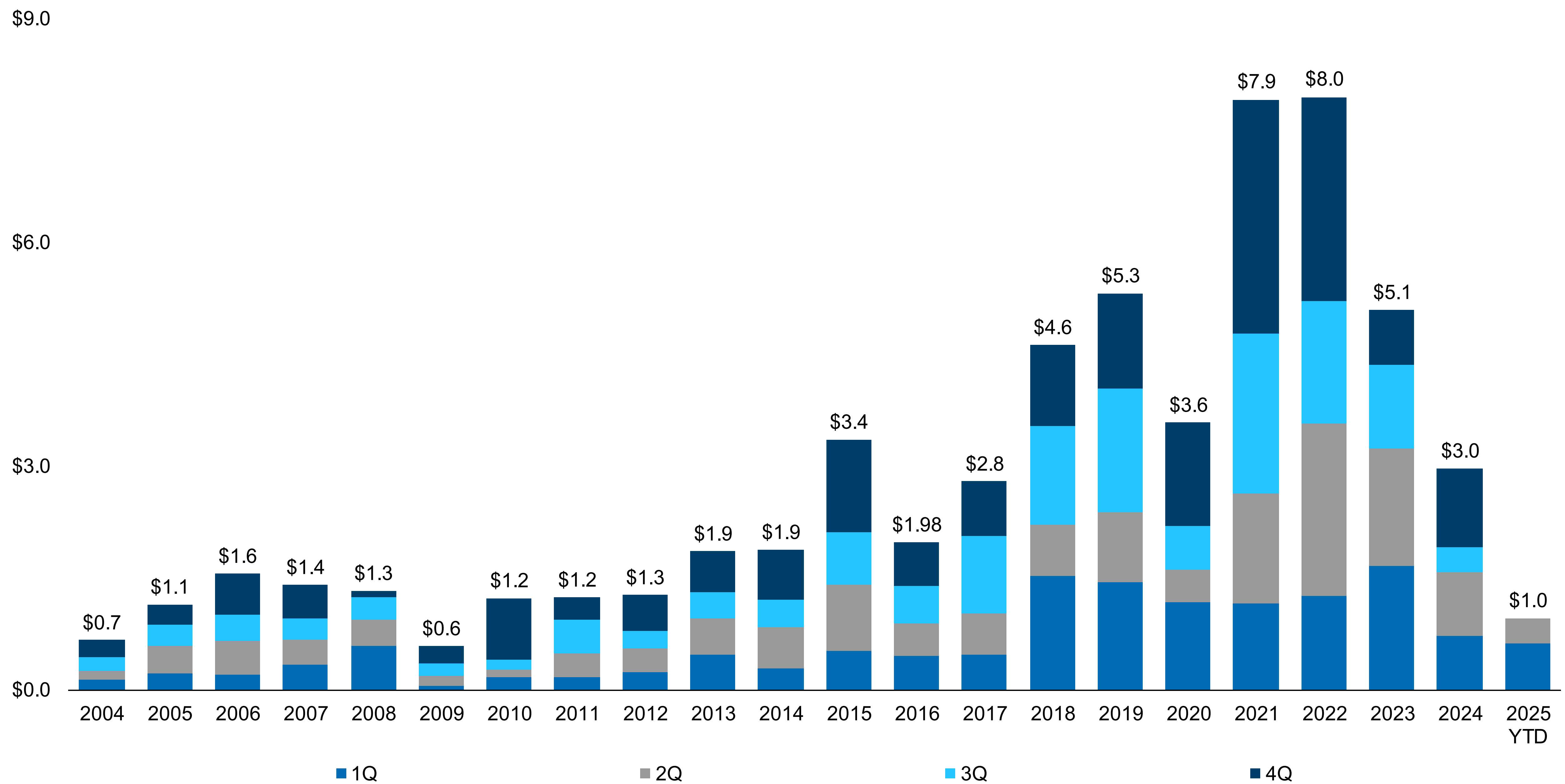


Source: MSCI Real Capital Analytics, Newmark Research
Note: Preliminary data is cited for the second quarter of 2025

Industrial Sales Volume: Up Close

Industrial sales volume totaled $341.0 million in the second quarter of 2025, a 59.9% decline from the same period in 2024. The higher cost of capital, adjusting leasing fundamentals, and limited sales offerings are crimping momentum.

Inland Empire: Industrial Sales Volume ($ in Billions) | By Quarter



Source: Newmark Research, MSCI Real Capital Analytics
Note: Preliminary data is cited for the second quarter of 2025

Price Drops Begin to Moderate; Cap Rates Increase

Private Buyers Comprise Bulk of Sales Volume Over Past 12 Months

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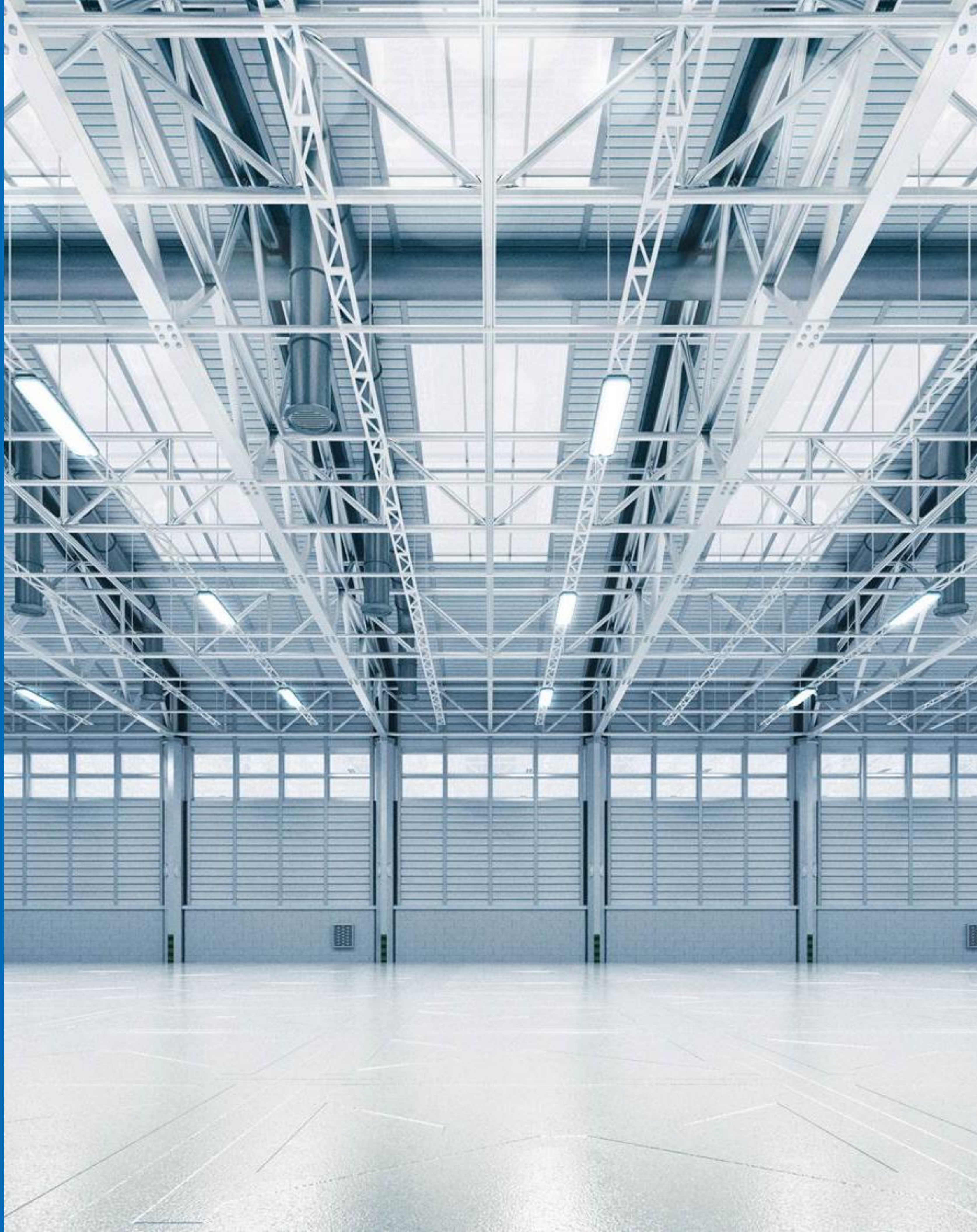
Appendix



Inland Empire Submarket Map and High-Level Statistics | 2Q25

Inland Empire Submarket Statistics | 2Q25

Inland Empire Statistics by Building Size Segment | 2Q25

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The World’s Top 20 Containerized Cargo Seaports

Sixteen are in Asia, China leads all other countries with nine and Los Angeles-Long Beach is the only U.S. complex to make the list.

Rank	Seaport	2024 Volume (TEU, in millions)
1	Shanghai, China	51.5
2	Singapore	41.1
3	Ningbo-Zhoushan, China	39.3
4	Shenzhen, China	33.4
5	Qingdao, China	30.9
6	Guangzhou, China	26.1
7	Busan, South Korea	24.4
8	Tianjin, China	23.3
9	**Los Angeles-Long Beach, U.S.**	**18.3**
10	Jebel Ali, United Arab Emirates	15.5

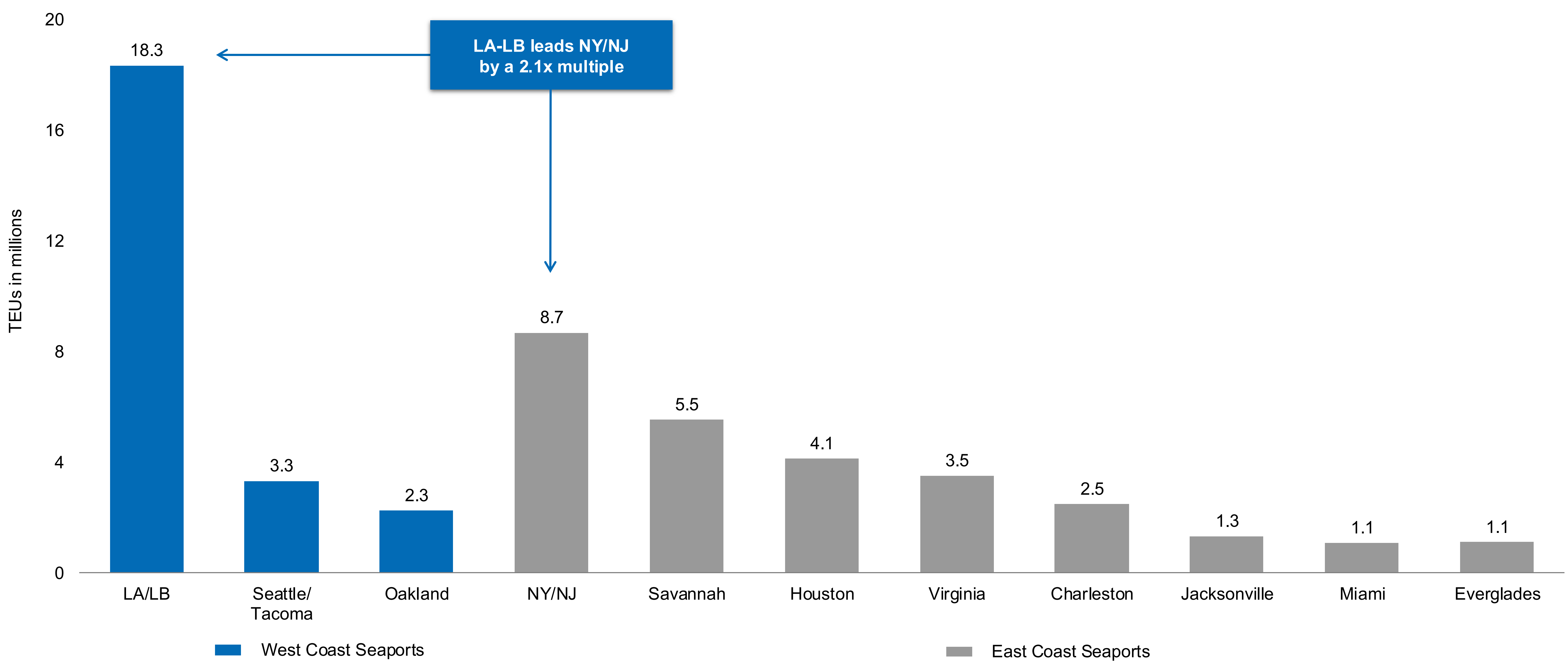
Rank	Seaport	2024 Volume (TEUs, in millions)
11	Port Kelang, Malaysia	14.6
12	Rotterdam, The Netherlands	13.8
13	Hong Kong, China	13.7
14	Antwerp-Bruges, Belgium	13.5
15	Tanjung Pelepas, Malaysia	12.3
16	Xiamen, China	12.3
17	Tanger Med, Morocco	10.2
18	Laem Chabang, Thailand	9.5
19	Kaoshiung, Taiwan	9.2
20	Beibu Gulf, China	9.0

Source: Newmark Research, upply
Note: TEU totals includes loaded and empty containers

Los Angeles-Long Beach is the Nation's Dominant Port System

Los Angeles-Long Beach can accommodate 18,000 TEU vessels, which are too wide to traverse the new Panama Canal. Additionally, both ports have Class 1 freight rail connectivity to the nation's major population centers.

Major U.S. Seaports: 2024 TEU Volume (All Containers: Loaded and Empty)



Source: Newmark Research, Individual Seaports

Why Los Angeles-Long Beach?

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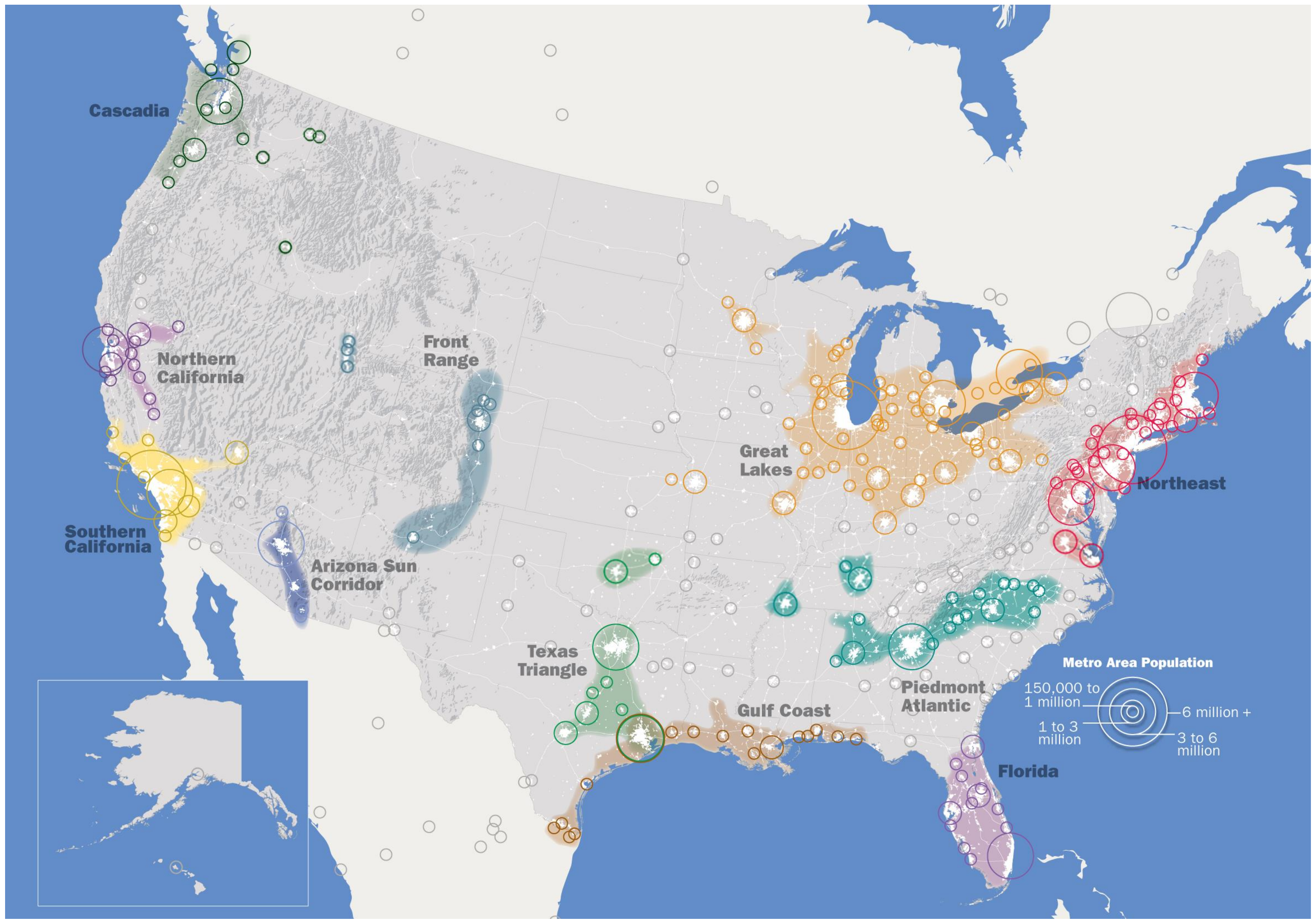
Population of Megaregions: Past and Projected

Southern California benefits from its consumer base, ports and rail connectivity.



Megregion	2010 Population	2025 Pop. Est.
Arizona Sun Corridor	5.7M	7.8M
Cascadia	8.4M	8.8M
Florida	17.3M	21.5M
Front Range	5.5M	7.0M
Great Lakes	55.6M	60.7M
Gulf Coast	13.4M	16.3M
Northeast	52.3M	58.4M
Northern California	14.0M	16.4M
Piedmont Atlantic	17.6M	21.7M
Greater Southern California	**24.4M**	**29.0M**
Texas Triangle	19.8M	24.8M

Source: U.S. Census Bureau

Transport Costs Are the Biggest Expenditure for Most Warehouse Occupiers

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Transport Costs Per TEU Container Increase the Further an Occupier is from the Ports

Modern Supply is More Readily Available in the Inland Empire

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An Inland Empire Location Offers Distributors Proximity to Densely Populated Areas

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Amazon Is the Inland Empire's Top Occupier and Employer

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Southeast Asia Imports to POLA-POLB are Growing; Mexico Remains U.S.' Top Trade Partner

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New California Bill Adds Regulations on Warehouse Development in the State

WAIRE: Program Summary and Implications for Industrial

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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