

NEWMARK

Inland Empire:
Industrial Market Overview

4Q25

Access the Expanded 4Q25 Inland Empire Industrial Market Overview



Inland Empire: Industrial Market Overview



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The expanded version of this report includes slides on:

- **Southern California's Ports, U.S. Retail Sales, Tariffs, and the Local Economy:** All shape industrial leasing market dynamics.
- **The Trajectory of Contract Rents**
- **Leasing Conditions by Building Size Segment**
- **Sales Activity:** Includes notable industrial sales, top buyers, and how industrial compares to other property segments.
- **Detailed Submarket Statistics**
- **Regulations**

Extensive content across 54 slides—a detailed presentation packed with useful office information and in-depth analysis.

Inland Empire Industrial Market Observations



Economy

- Loaded import volume at Southern California's ports reached 9.3 million containers in the first 11 months of 2025, the second-highest year-to-date total on record. Import traffic at Southern California's seaports was uneven this year due to ever-changing [U.S. tariffs](#) on foreign goods.
- [Tariff exemptions and enforcement gaps](#) kept effective tariff rates well below statutory rates in 2025, while companies broadly absorbed the bulk of tariff costs in the immediate term to keep consumer prices stable. Cost passthroughs to consumers continued to play out through the year, while annual job growth fell to the lowest level since 2020.
- U.S. wage growth continues to outpace inflation and retail sales are healthy despite a recent decline in consumer confidence and a rise in consumer debt. These trends will reverse course if unemployment meaningfully increases.



Leasing Market Fundamentals

- Lease terms for the year exceeded historical averages as tenants capitalized on occupier-favorable conditions to secure longer commitments.
- New construction deliveries outpaced net absorption for the fourth consecutive year, driving vacancy to 8.1%—a 100 bps increase from 2024.
- Available sublease space reached 17.4 MSF, up 5.2% from the third quarter, primarily due to new listings in the western portion of the market.
- New leasing activity on a square footage basis was nearly identical in the West and East I.E. this quarter. Lower rents and a larger pool of available space over 500,000 SF is luring some tenants east. For the West, most leasing remains concentrated in the 100,000- to 499,999-SF segment.



Major Transactions

- Twenty big-box (100,000+ SF) direct leases were signed this quarter, down sharply from the 33 inked last quarter and below the 24 signed in the fourth quarter of 2024.
- Chinese 3PLs accounted for five of the quarter's 10 largest industrial leases. Despite high threatened tariff rates on Chinese imports throughout much of 2025, effective duty rates fell significantly lower due to exemptions, adjustments, and enforcement factors, enabling many Chinese firms to pay below statutory levels..
- Bridge Logistics Properties acquired a 1.1-MSF distribution facility in Fontana from Scuderia Development in November. The \$174.3 million sale was the largest single-property trade of the quarter and the second-largest single-property trade of the year.
- Sales volume for the year rested slightly above the 2012-2019 average. Industrial sales activity will build momentum as leasing fundamentals improve.

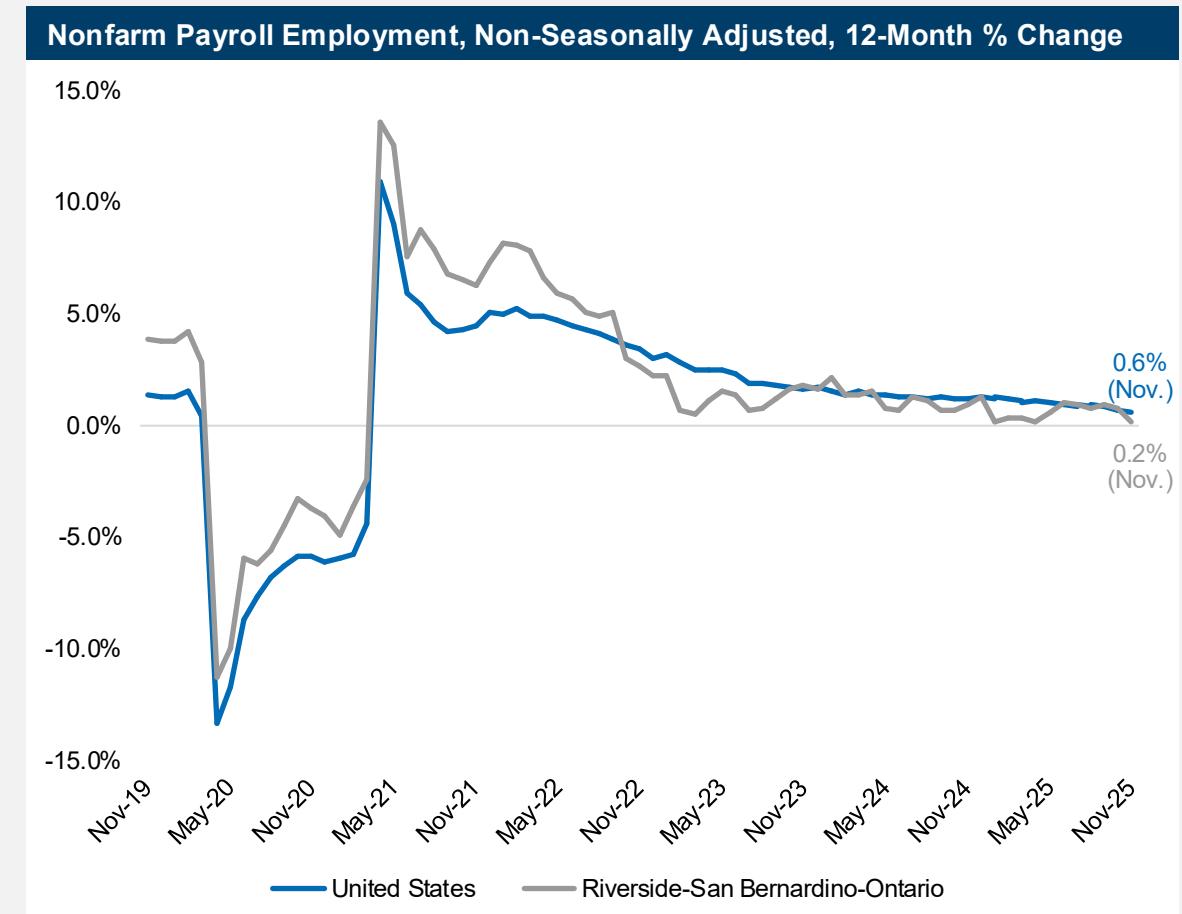
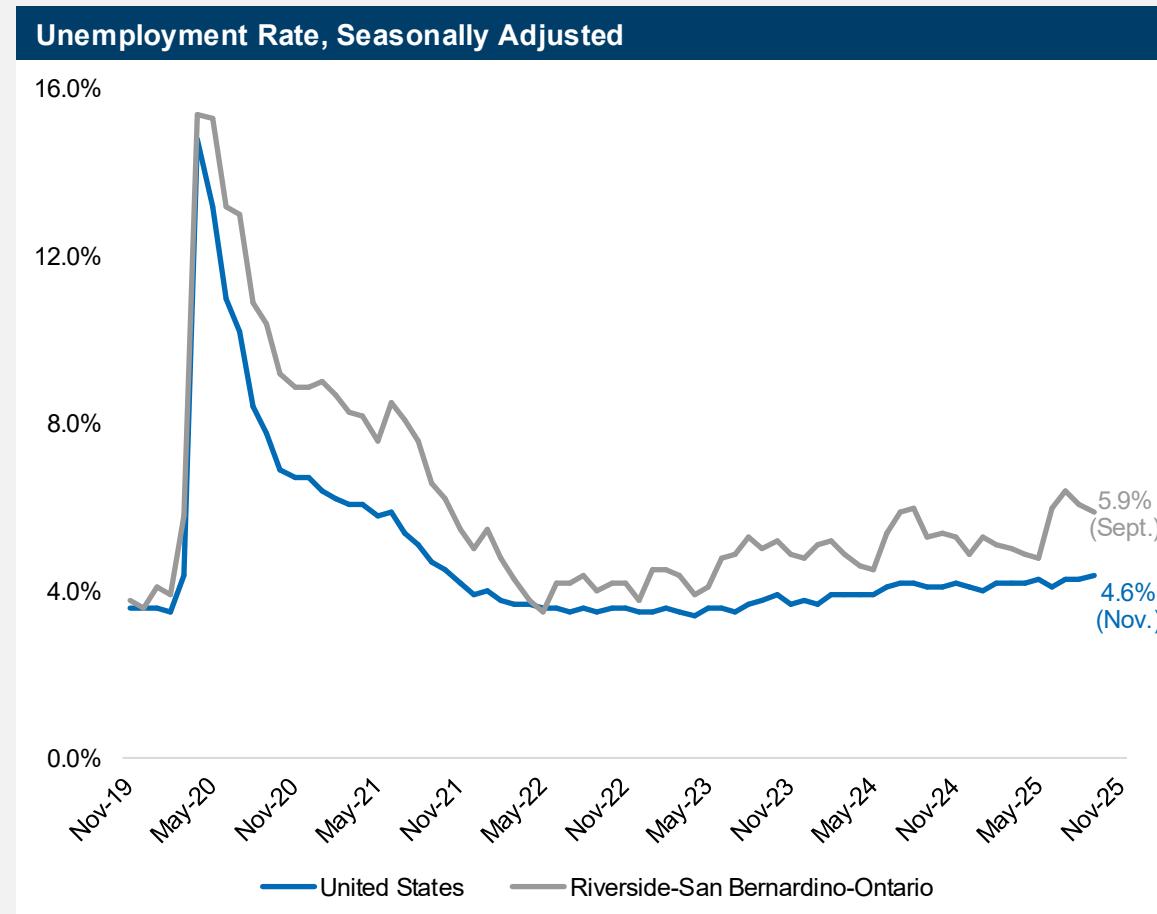


Outlook

- U.S. tariff policy—along with high borrowing costs and AI—continues to cut into corporate profit margins, raise consumer costs, and depress hiring. At the same time, slackening labor constraints, federal policy initiatives and AI-facilitated corporate efficiencies favor spending in 2026. Select occupiers will strategically curb lease commitments as the economy remains in flux.
- Under-construction volume in the fourth quarter fell to 7.5 MSF, the lowest level since 2013. Only 3.9 MSF of underway space is speculative, which will help to insulate vacancy in 2026.
- The future delivery of Amazon's first West Coast "Middle Mile" facility in Hesperia (2.4 MSF) and a 1.2-MSF build-to-suit for Lecangs in Apple Valley will lead to notable absorption gains.
- High Desert construction is at a peak. California AB 98 will spur further projects in this area as developers face fewer regulatory hurdles in the sparsely populated region than elsewhere. The region is also outside of SCAQMD's jurisdiction and therefore exempt from the WAIRE Program.

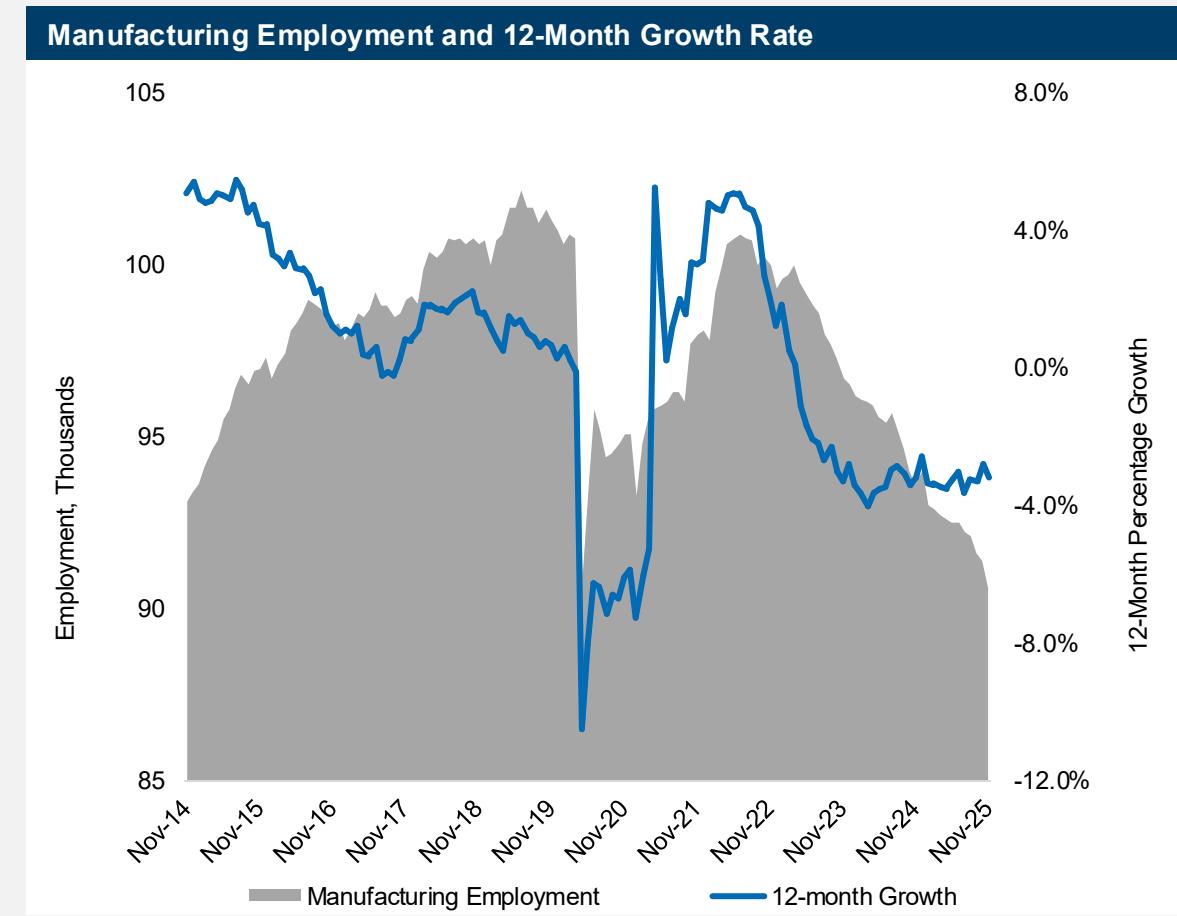
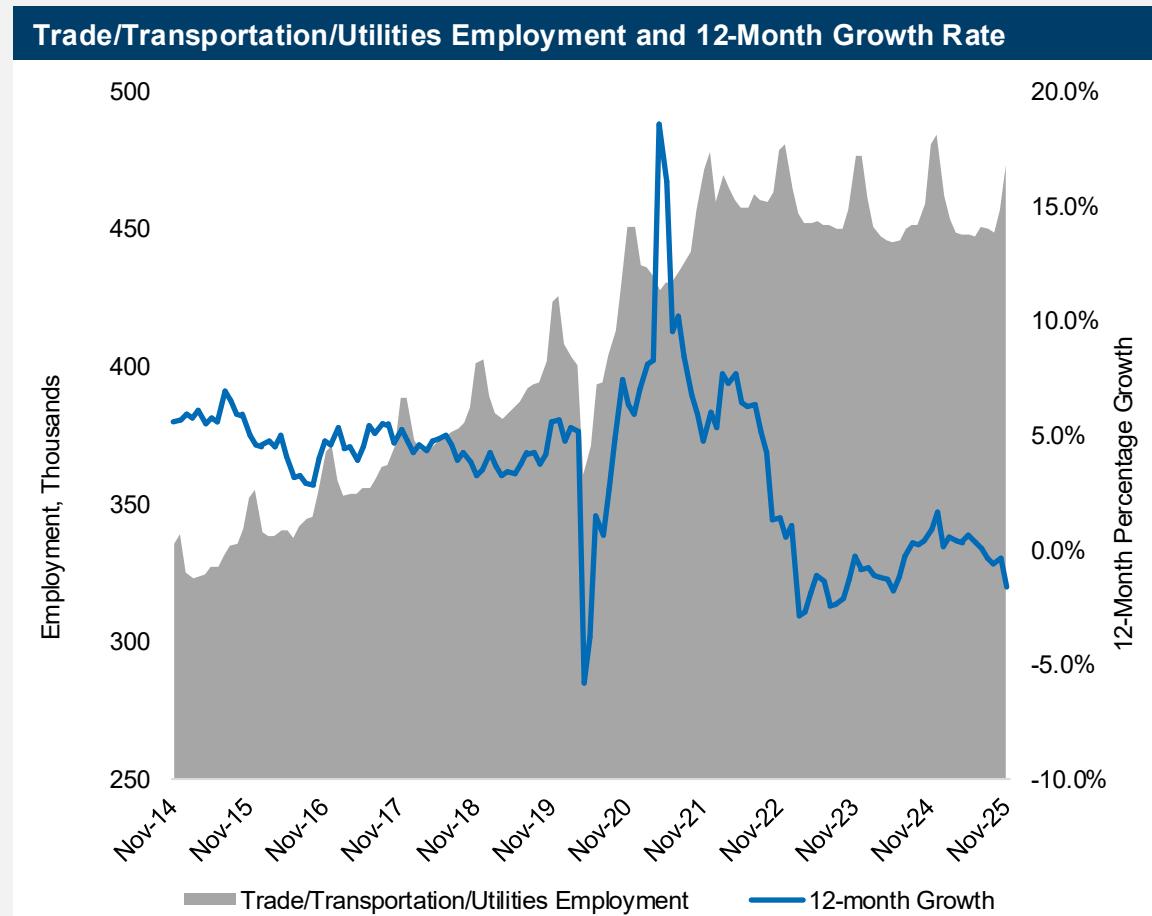
Local Unemployment Well Above National Rate; YOY Employment Growth Near Zero

Local unemployment hovered a full 150 bps higher than the national rate in September. Local annualized nonfarm payroll employment growth slowed to a mere 0.2% in November amid a concurrent decline in the national growth rate.



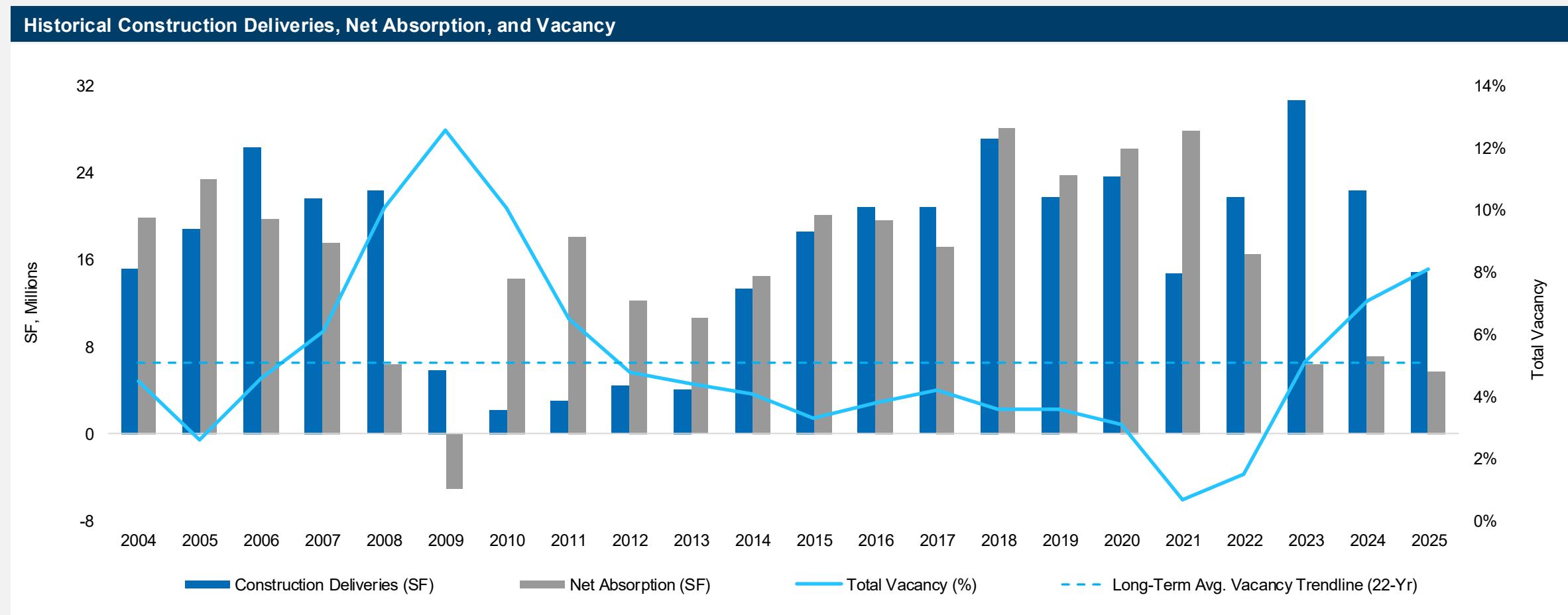
Overall Industrial Employment Growth Turns Negative; Sector Vulnerable to Tariffs

The trade/transportation/utilities sector, which reached an 11-month employment peak in November due to seasonal hirings, nevertheless experienced a modest decline in year-over-year employment amid fewer full-time job openings. Manufacturing employment, which continues to drop from increased automation and elevated costs of doing business in California, has particularly severe exposure to tariffs as it pertains to higher raw material costs.



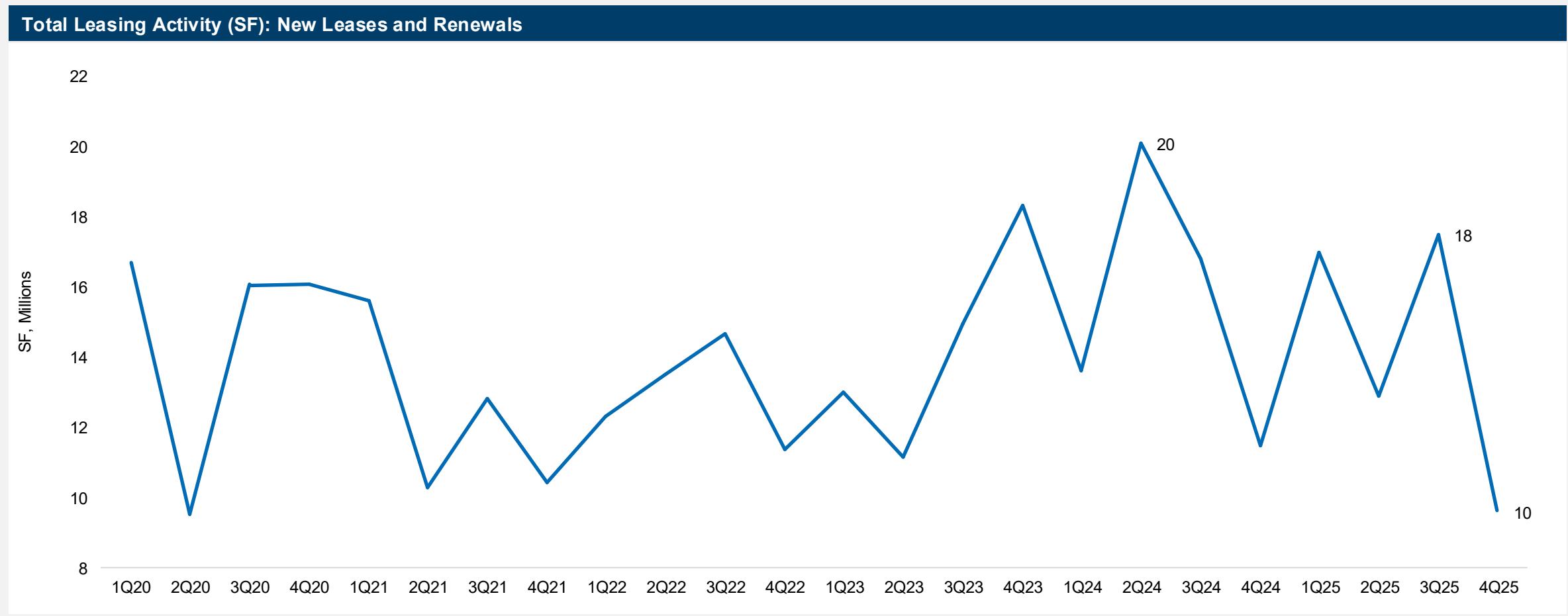
Healthy Net Absorption Gains in Fourth Quarter; Vacancy Hits Highest Rate Since 2011

Fourth quarter had the biggest net absorption gain of the year, with 3.1 MSF, thanks to a wave of larger move-ins from tenants such as Komar Distribution Services (855,330 SF at 3690 Webster Ave in Perris), IDC Logistics (844,311 SF at 5690 Industrial Pky in San Bernardino), and Elogistek (827,578 SF at 13052 Jurupa Ave in Fontana. Vacancy nevertheless increased to 8.1% amid the delivery of 4.0 MSF in primarily unleased new construction. For the year, net absorption totaled 5.7 MSF versus 14.9 MSF in construction deliveries.



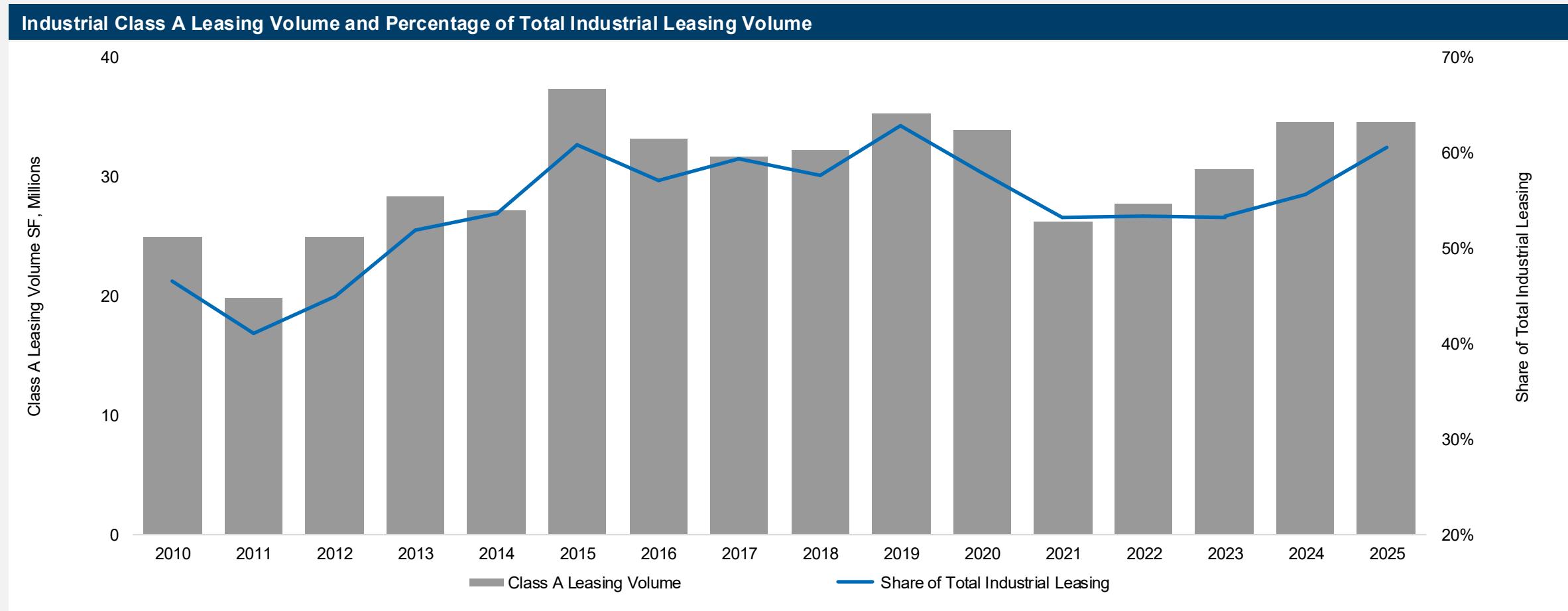
Quarterly Leasing Activity, Uneven Since 2019, is Driven by Big-Box Signings

The uneven factor is partially 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). A mixed economic forecast has exerted a downward pressure on leasing activity for the time being.



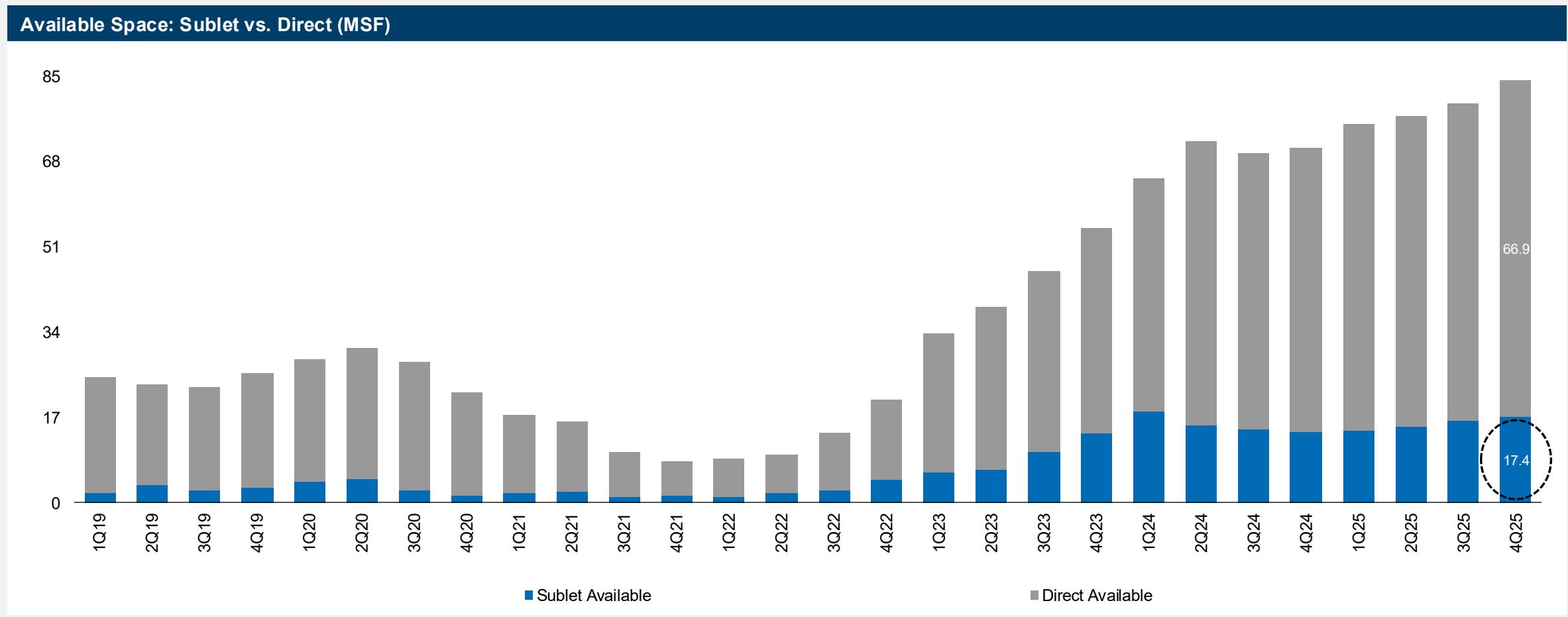
Class A Warehouse Demand Elevated Amid Excess of Available Premium Space

Class A warehouse leasing accounted for 60.6% of total leasing activity in 2025, exceeding the 16-year historical average of 54.4%. Rents in most big-box size segments have declined over the past two years as availability has steadily risen; this is strengthening the resolve of tenants that want top-shelf space.



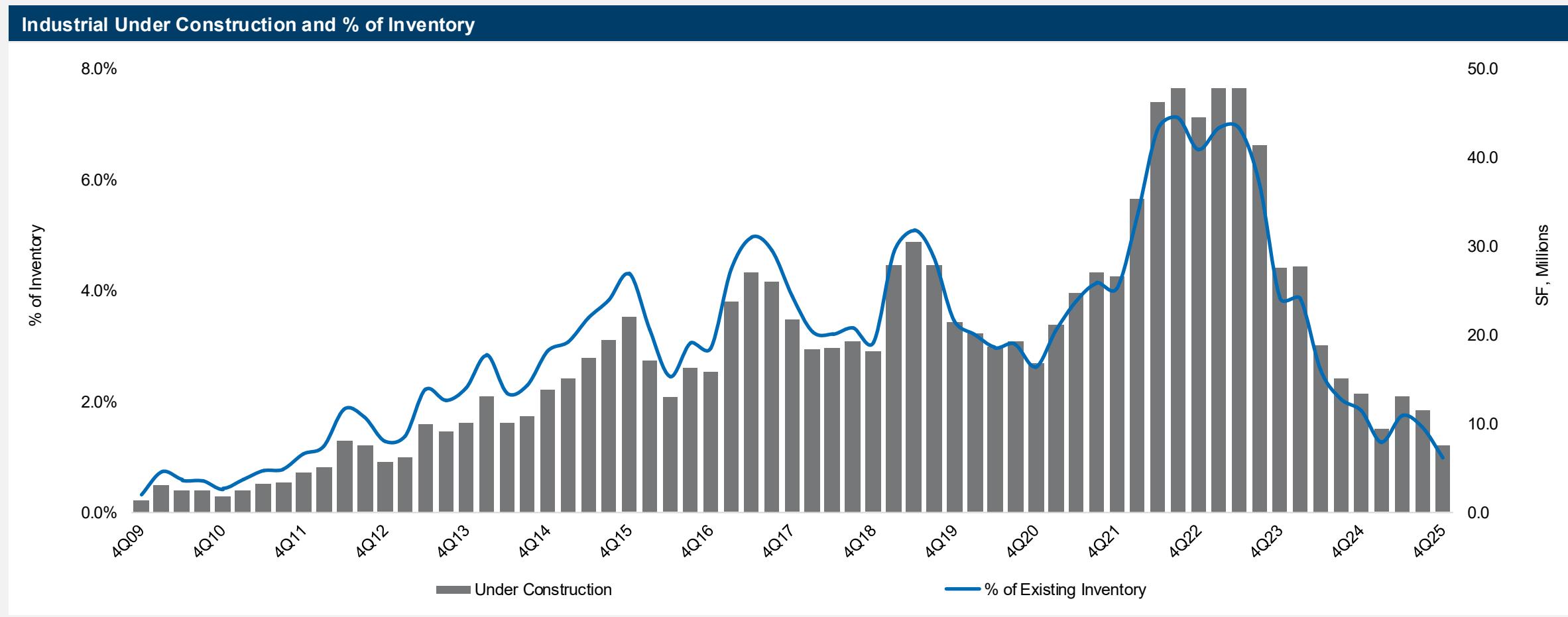
Sublet Availability Up as New Listings Outweigh New Sublease Signings

Available sublease space increased 5.2% from the third to the fourth quarter to reach 17.4 MSF following new listings from tenants such as NFI (682,700 SF at 23550 Placentia Ave in Perris), Best Buy (501,649 SF at 6251 Archibald Ave in Eastvale), and CEVA Logistics (409,996 SF at 11290 Cantu Galleano Ranch Rd in Mira Loma). Sublease space presently accounts for 20.6% of all available space in the market on a square footage basis.



Nearly Half of Under-Construction Space Now Leased; Construction Volume Falls

48.1% of underway space has pre-leased due to two 1.0 MSF+ committals. Under-construction activity, which remains well below the 2012-2019 pre-pandemic average of 16.5 MSF, will likely remain muted as long as vacancy remains elevated and leasing activity remains subdued.



Notable 4Q25 Lease Transactions

Thirty-one leases exceeding 100,000 SF were signed this quarter, down slightly from the 36 signed in the same period of 2024 and sharply below the 47 signed during the previous quarter of 2025. Of this quarter's big-box leases, 20 were direct, one was an expansion, seven were renewals/extensions, and three were subleases. Eighteen of this quarter's big-box leases were in the East I.E., while the remaining 13 were in the West.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
CJ Logistics (Hankook Tire)	10825 Production Ave	West I.E.	Lease Renewal	754,392
<i>The tire manufacturer, which has had a longstanding industrial presence within the West I.E., renewed at the Sierra Business Park in November.</i>				
RJW	4323 Indian Ave	East I.E.	Direct Lease	656,695
<i>The retail-focused 3PL, which is expanding into the Inland Empire, leased the presently-occupied property in December, and will occupy the property in 3Q26.</i>				
Spirit Halloween	17820 Slover Ave	East I.E.	Direct Lease	651,815
<i>The seasonal retailer, which leased the currently-occupied property in December, will occupy the property in 3Q26. Lease term expires in 4Q33.</i>				
Kohler Co.	701 S Arrowhead Ave	East I.E.	Lease Renewal	592,710
<i>The kitchen and bath manufacturer, which has occupied the property since 2016, renewed at Acco Airport Center in November.</i>				
Hisense	22750 Cactus Ave	East I.E.	Direct Lease	522,772
<i>The China-headquartered electronics manufacturer, which committed to the vacant facility in December, will occupy the property in 2Q26.</i>				

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