

# INVESTMENT FORECAST

Industrial

Riverside-San Bernardino Metro Area

IPA

INSTITUTIONAL  
PROPERTY  
ADVISORS

2024

## California's Inland Logistics Hub Adds The Most Space of Any Major U.S. Market

**Supply-induced vacancy spike expected for a second straight year.** From mid-2021 through 2022, industrial vacancy in the Inland Empire held below 2 percent. These historically tight conditions elicited multiple waves of project starts, with 2024 slated to receive the largest deluge of space from these groundbreaking. Of the more than 25 million square feet scheduled to come on-line this year, roughly half is in Ontario and Fontana, proximate to Ontario International Airport. Remaining additions are concentrated in the Riverside County cities of Jurupa Valley and Perris, where a combined 8 million square feet is on tap for completion. While a consistent number of 200,000-square-foot-plus lease commitments were executed across these four cities over the past two years, the upcoming group of larger speculative additions in these areas may struggle to secure tenants near term as logistics providers, wholesalers and suppliers reassess their local space needs. This dynamic will play a notable role in the metro recording the third-largest vacancy increase among major U.S. markets this year. Longer term, however, the Inland Empire remains well positioned due to its essential role in both the Southern California and national supply chains.

**Southern submarket poised to attract upside-seeking buyers.** Despite some adjustments to local fundamentals this year, the metro's status as a hub market — with proximity to Los Angeles' dual ports and a collection of sizable population centers — will support a healthy level of buyer competition for listings. Those seeking ownership near Ontario International Airport may have to pay a premium for warehouses, as local average pricing for these assets exceeded the metro's mean by roughly \$60 per square foot last year. Elsewhere, South Riverside County listings may gain in appeal as the area, which includes Temecula and Murrieta, is home to minimal construction activity and the metro's lowest vacancy.

### 2024 MARKET FORECAST

+0.6%



**EMPLOYMENT:** Many of the 11,000 positions added across the Inland Empire this year are retail trade, health care and government related, a reflection of the metro's ongoing population growth.

25.5 million  
sq. ft.



**CONSTRUCTION:** For the seventh time in 10 years, developers complete at least 21 million square feet, with supply additions in 2024 increasing the metro's industrial inventory by 3.8 percent.

+300 bps



**VACANCY:** Consecutive waves of speculative deliveries and some contraction by local tenants places upward pressure on vacancy, raising the metro's rate to a 14-year high of 8.5 percent.

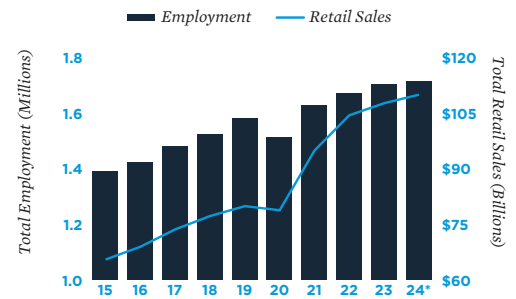
-0.5%



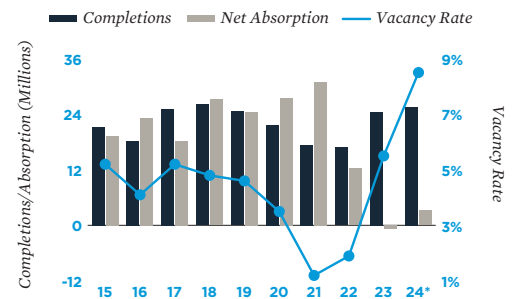
**RENT:** Despite a notable vacancy spike, the average asking rent adjusts nominally in 2024. At \$15.30 per square foot, the metro's mean is \$3 to \$5 per square foot below other Southern California markets.

**INVESTMENT:** This January, BNSF announced it will continue to make property acquisitions for its planned 4,500-acre intermodal rail facility in Barstow, a project that may heighten buyer interest in High Desert assets.

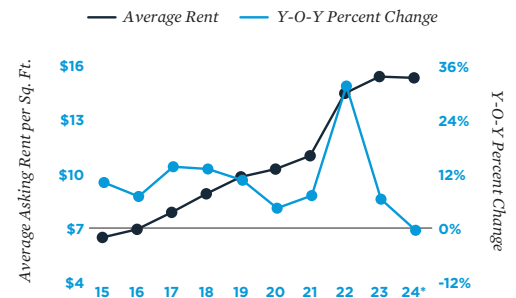
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.