
4Q23

Inland Empire Industrial Market Overview

NEWMARK

Market Observations

Economy

- U.S. retail sales are slowing, coinciding with measured industrial leasing activity.
- Loaded import volume at Southern California’s ports totaled 7.6 million containers in the first 11 months of 2023, slightly higher than the same period in 2016.
- A probable strike by Gulf and East Coast dockworkers, drought-induced restrictions at the Panama Canal and continued ship attacks on the Red Sea suggest significant import traffic gains at Southern California’s ports in 2024.
- A rise in imports does not necessarily portend more demand for Inland Empire warehouse space. Goods that are “just passing through” to other U.S. markets have a negligible effect on local market dynamics. Severe congestion at the ports (if it happens) will drive up ocean container spot and drayage rates, though.

Major Transactions

- 25 leases over 100,000 SF were signed this quarter, marking a decline relative to the fourth quarter of 2022 when 32 leases over 100,000 SF were signed.
- No pre-leases over 100,000 SF were signed for the second-straight quarter.
- Maersk signed this quarter’s largest lease when it committed to 1.2 MSF of space at the newly-built Westcore Hesperia Commerce Center in Hesperia. This marks the first time that the largest lease of the quarter was signed for a High Desert property.
- Link Logistics Real Estate acquired an under-construction, 799,522-SF facility from IDI Logistics. The building, which is based in Perris and was pre-leased by Home Depot, will deliver in 2024.

Leasing Market Fundamentals

- Leasing activity has declined as high rents, an uncertain retail sales outlook and elevated costs of doing business impose downward pressure on tenant demand.
- Available sublease space skyrocketed to an all-time high of 14.0 MSF as tenants shed excess space. Newly vacated sublease space has contributed in turn to a rise in overall vacancy, which is currently at an 11-year high.
- 30.8 MSF in construction deliveries was met with 5.9 MSF in net absorption gains in 2023, causing vacancy to rise to 5.1%. One year ago, vacancy was 1.5%.
- Lease term lengths are declining. A subset of lessees with short-term contracts are likely waiting for rents to soften further before leasing long-term.
- A scant 10.6% of the 25.1 MSF under-construction pipeline has pre-leased.

Outlook

- Vacancy will rise but will not reach the highs recorded during the aftermath of the Global Financial Crisis. The market is far larger now (713.9 MSF) than it was then (418.8 MSF in 2009), which helps to insulate it.
- Large pre-leased tenant move-ins shielded the market from significant net absorption losses in 2023. With few sizeable move-ins on the horizon amid continued tenant downsizings and departures, net occupancy losses are expected throughout.
- Developers continue to search for attractive land sites despite today’s sleepier leasing environment.
- The SCAQMD has begun to levy fines on industrial occupiers for non-compliance with the [WAIRE Program](#). The program, which will apply to additional property size segments in 2024, is expected to be recognized as federally enforceable.

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 2. Leasing Market Fundamentals
 3. Sales Activity
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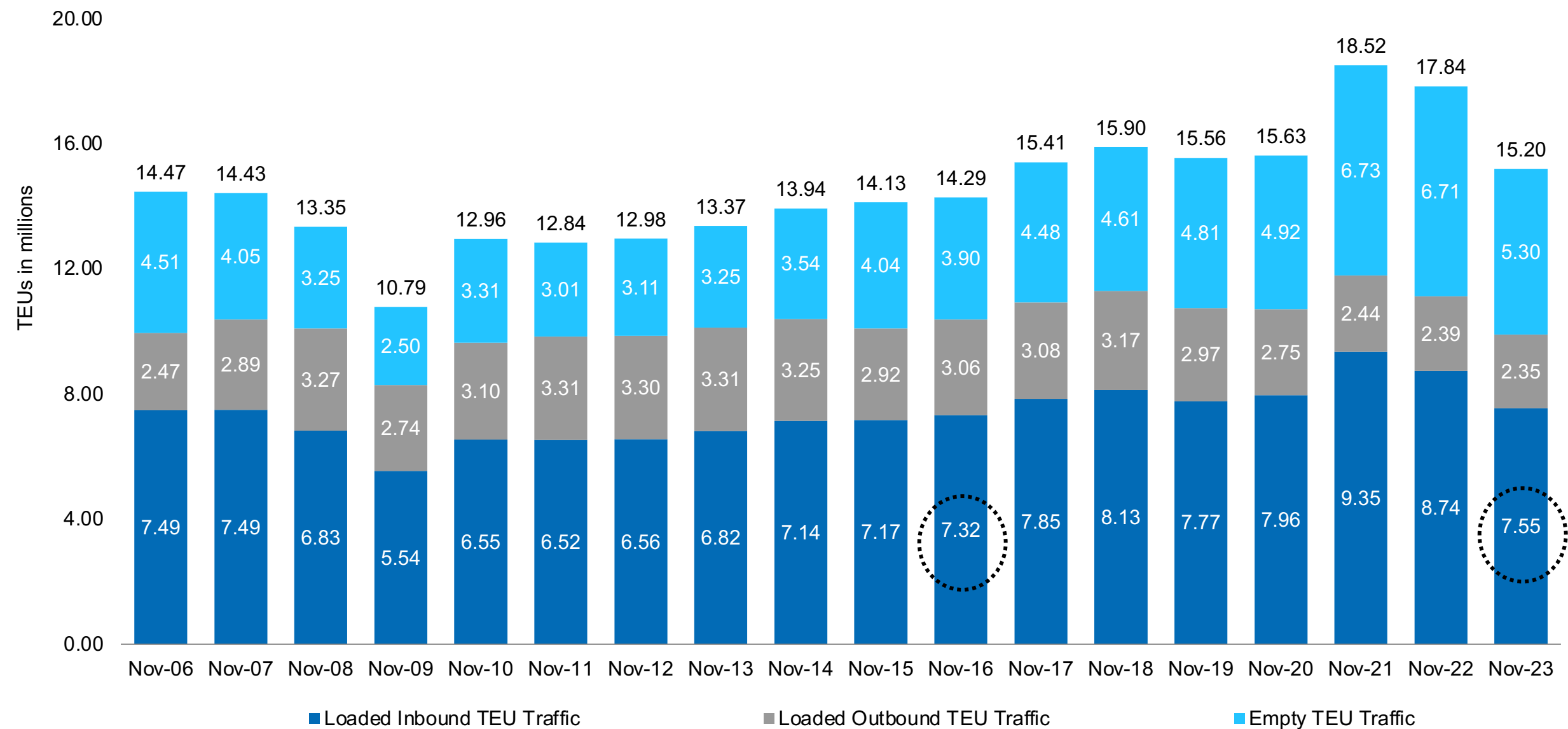
Economy



Loaded Imports in the First 11 Months of 2023 Were Slightly Higher than the Same Period in 2016

This is still healthy from a historical perspective. A return to normal for import traffic is, in turn, moderating demand for warehouse space.

The Ports of Los Angeles and Long Beach: Combined TEU Volume | Loaded Imports, Loaded Exports and Empty Containers | First 11 Months 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.

West Coast Dockworkers Signed a New Contract in 2023; Their Eastern Counterparts are Next Up...

The ILWU and PMA signed a new labor contract in September, restoring a sense of much-needed stability at U.S. West Coast seaports for the next six years. Longshoremen at East and Gulf Coast ports will soon negotiate their contract, which will expire in late 2024. Import volume will likely shift to West Coast ports until an agreement is reached.

West Coast Ports Agreement Reached...Finally!

- The International Longshore Warehouse Union (ILWU) represents dockworkers at 29 ports from Washington State to California. The Pacific Maritime Association (PMA) represents ocean carriers and terminal operators.
- The prior contract expired on July 1, 2022.
- The ILWU has a history of work disruptions in prior negotiation periods, ranging from strikes, to deliberate work slowdowns to under-staffing shifts.
- These disruptions have cost major retailers billions of dollars in the past.
- In March, for instance, the ILWU did not stagger shifts during meal periods.
- A tentative agreement was reached on June 15, 2023 for what became a new six-year contract. Longshore workers secured a 32% salary increase.
- Many Asian importers pushed inbound goods to East and Gulf Coast ports as talks dragged on. Some of this traffic is returning since stability is now less of a concern.



East and Gulf Coast Ports Are Up Next

- The International Longshoremen (ILA) represents dockworkers at 36 ports from Maine to Texas. The United States Maritime Alliance (USMA) represents ocean carriers and terminal operators.
- Their contract will expire on September 30, 2024.
- Harold Daggett, International President of the ILA, has warned that a strike is likely in 2024.
- Higher pay and job security as it pertains to automating port operations were primary issues for the ILA in 2018/the last negotiation period.

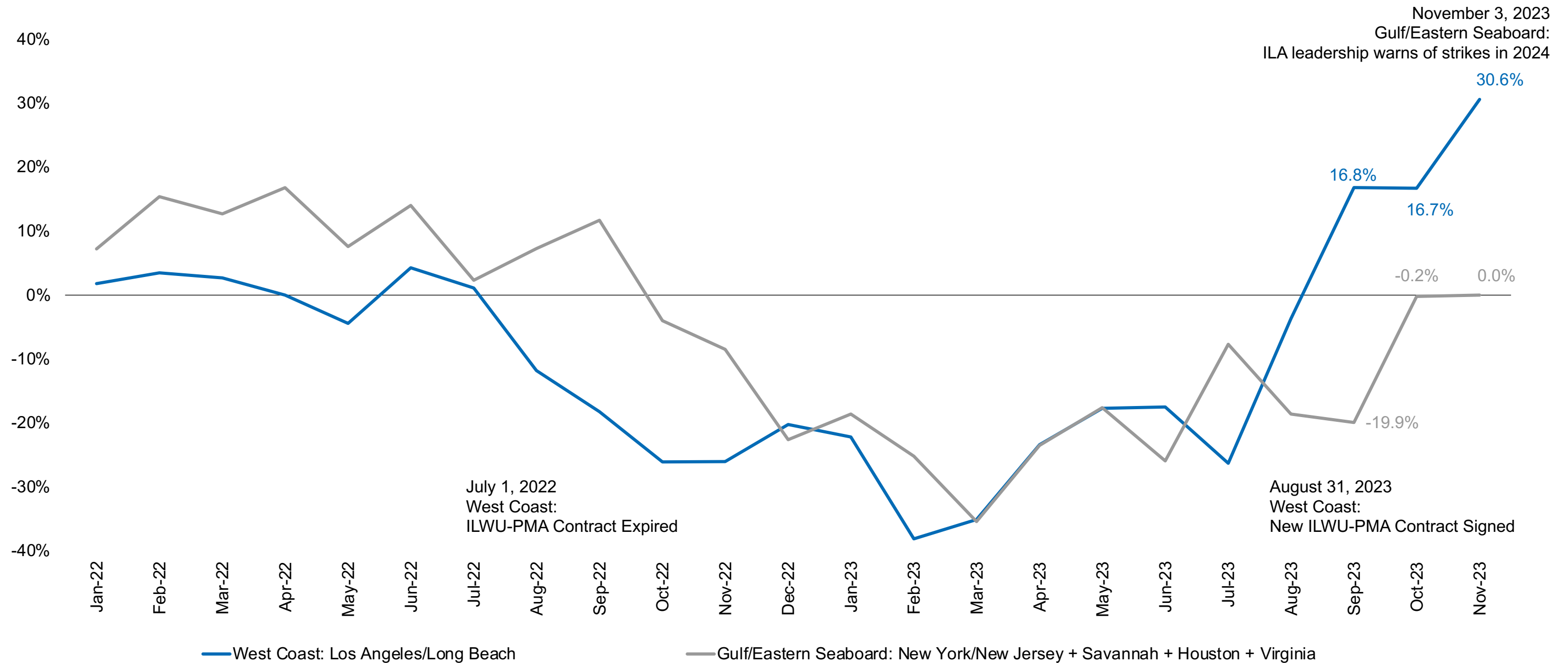


Source: Newmark Research, City of Los Angeles, The Real Deal

Import Traffic Recently Jumped at Los Angeles/Long Beach

Major Gulf and Eastern Seaboard ports are lagging by comparison as some importers re-route cargo to western points of entry due to labor concerns. The opposite happened throughout 2022 into mid-2023, a period when contract negotiations with West Coast dockworkers were often contentious. A rise in import activity at Los Angeles/Long Beach does not necessarily portend more demand for local warehouse space however, especially if goods are “just passing through” to other U.S. markets.

Major U.S. Seaports: Annual Change in Loaded Imported TEUs | By Month

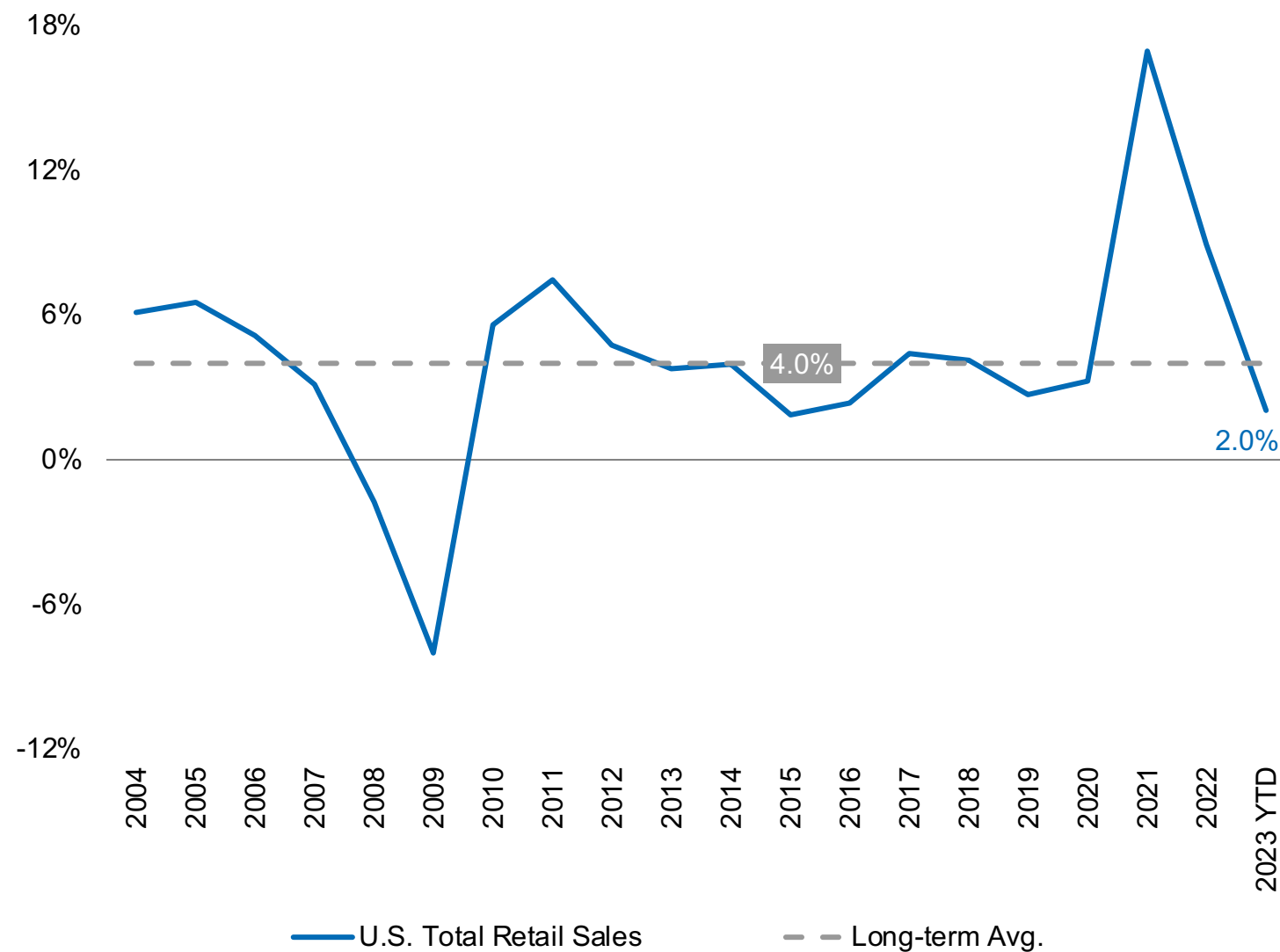


Source: Newmark Research, Individual Seaport

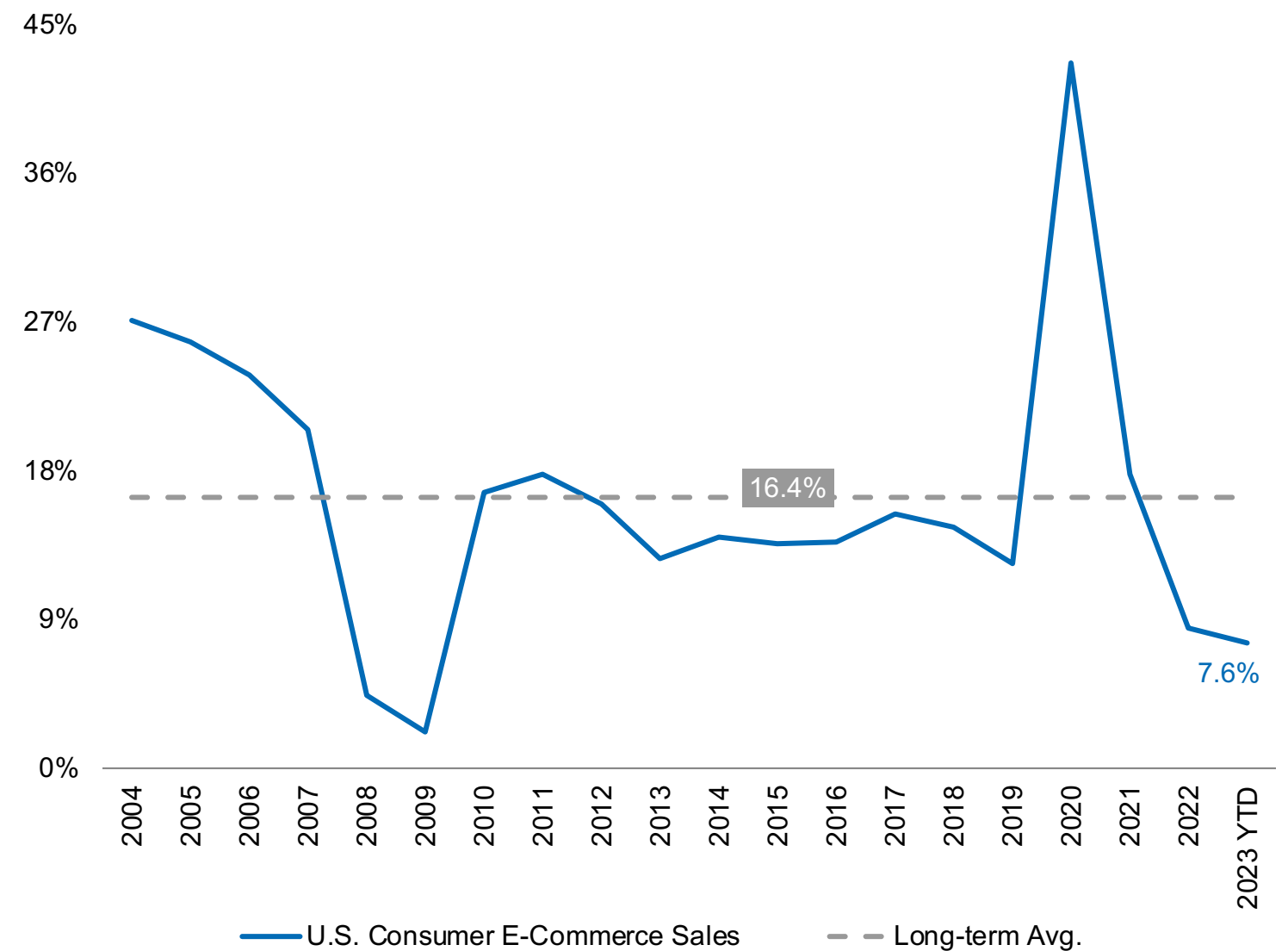
Retail Sales (an Indicator of Warehouse Demand) Continue to Moderate

Consumer e-commerce sales were up 7.6% in the first nine months of 2023 compared with the same period in 2022. Although e-commerce sales growth exceeded total retail sales (+2.0% over the same period), the decline from 2021 onward is noticeable as the macro economy slows.

U.S. Retail Sales Annual Growth



U.S. Consumer E-Commerce Sales Annual Growth

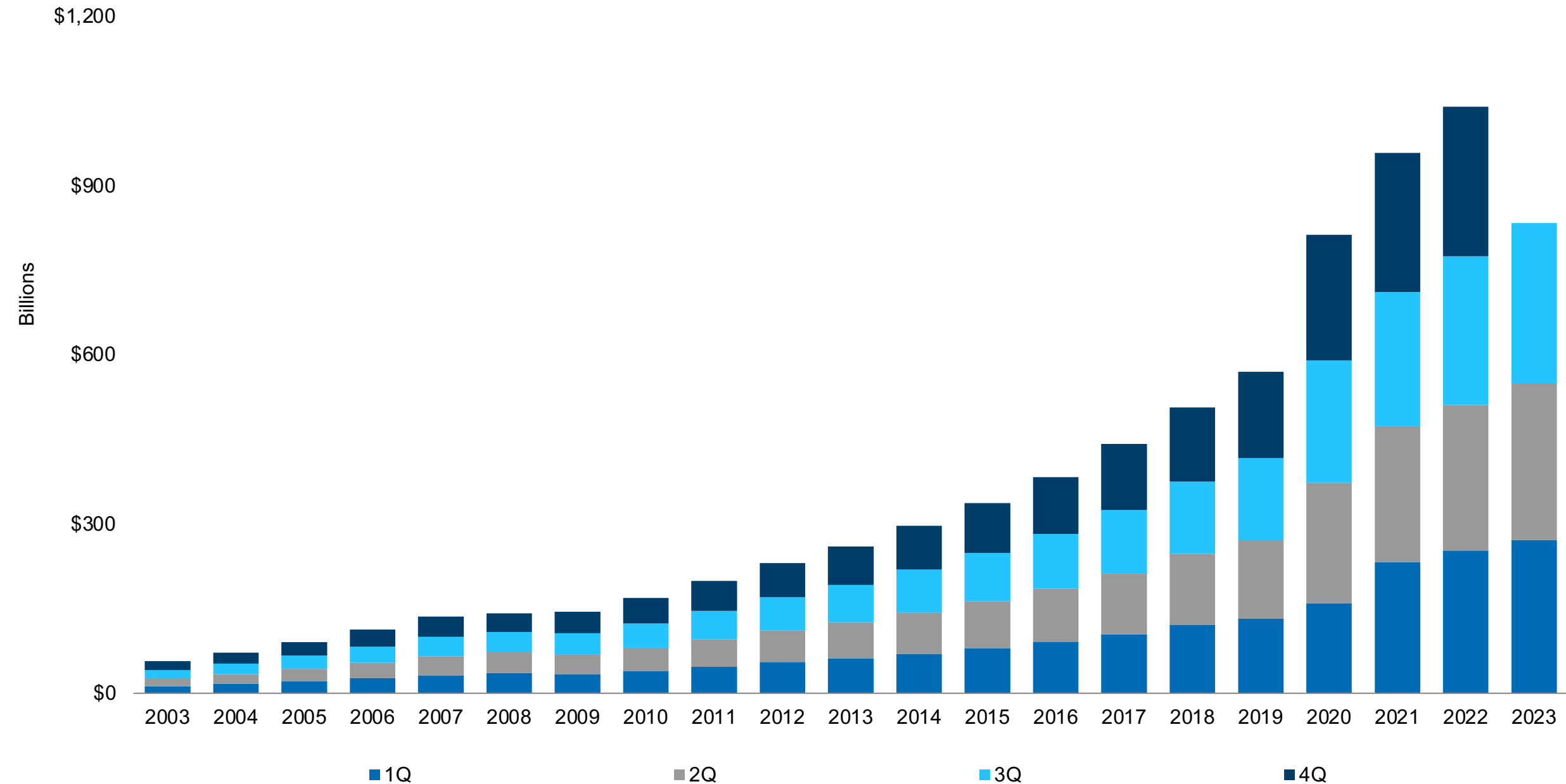


Source: US Census Bureau (consumer adjusted retail sales); most current data available
 Note: 2023 YTD encompasses the first nine months of 2023

The Pandemic Accelerated E-Commerce Sales Growth

It is estimated that every \$1.0 billion in e-commerce sales is supported by 1.2 MSF of logistics space.

U.S. Consumer E-Commerce Sales Volume | By Quarter

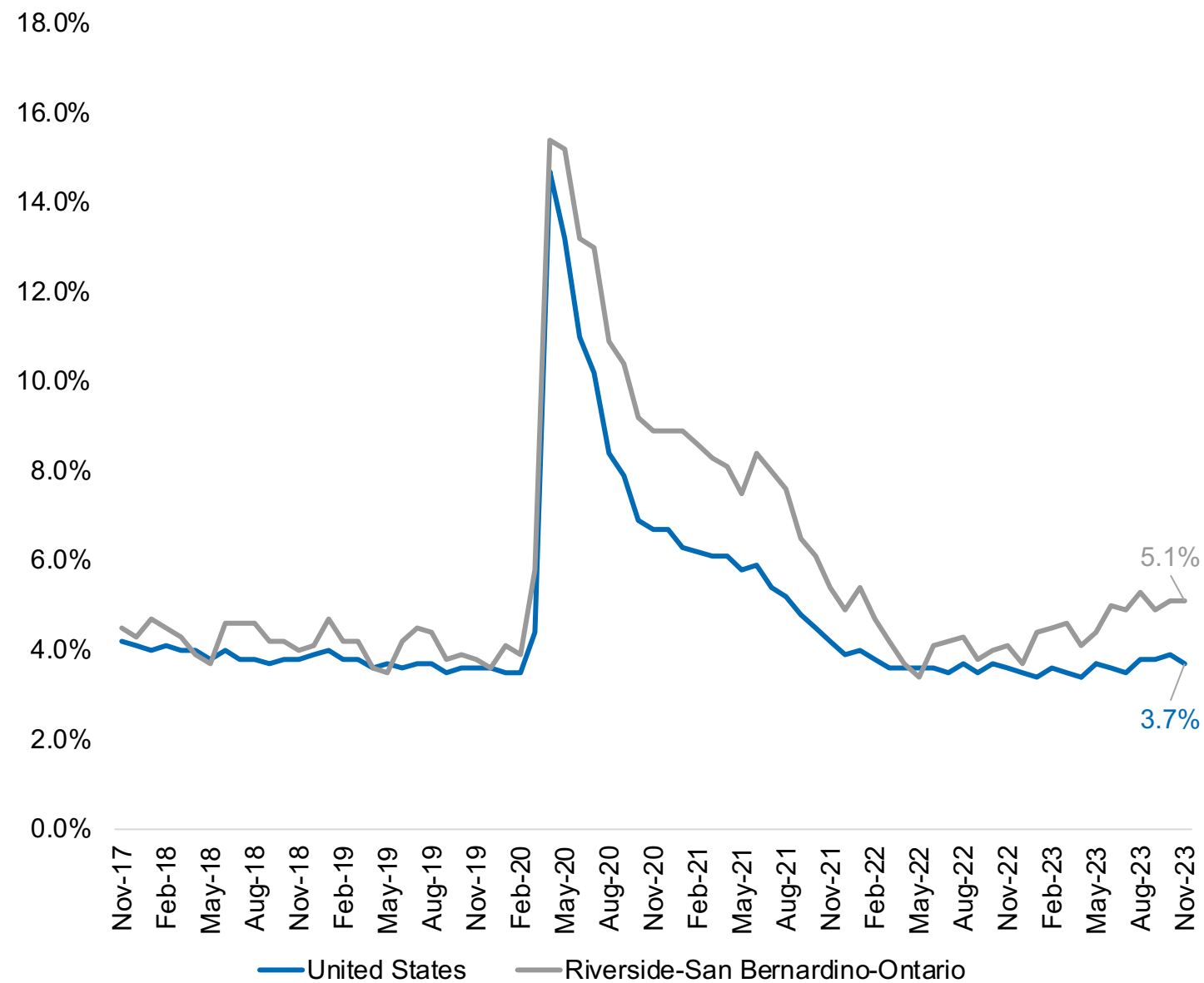


Source: US Census Bureau (consumer adjusted retail sales); most current data available.

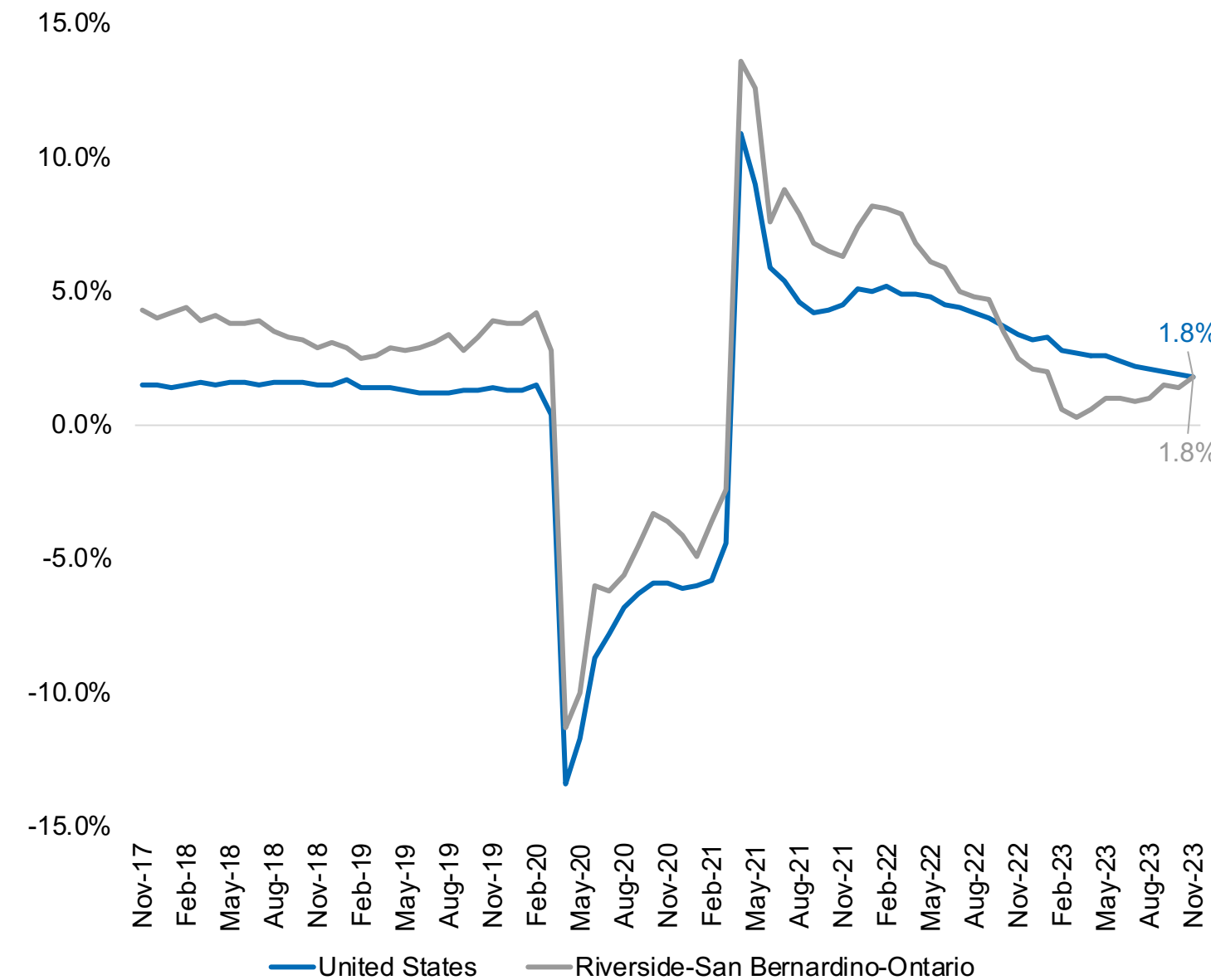
Local Unemployment Remains Elevated; Marginal Job Growth Unlikely to Persist

The local unemployment rate remains elevated compared to the first half of the year despite five months of successive job growth. While total nonfarm employment growth edged upward in the latter half of the year, the job gains in the government, education and health services and construction sectors that contributed to the increase have stagnated in recent months. Job stagnation, coupled with depressed industrial construction activity projected for 2024, suggests anemic growth in 2024.

Unemployment Rate, Seasonally Adjusted



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

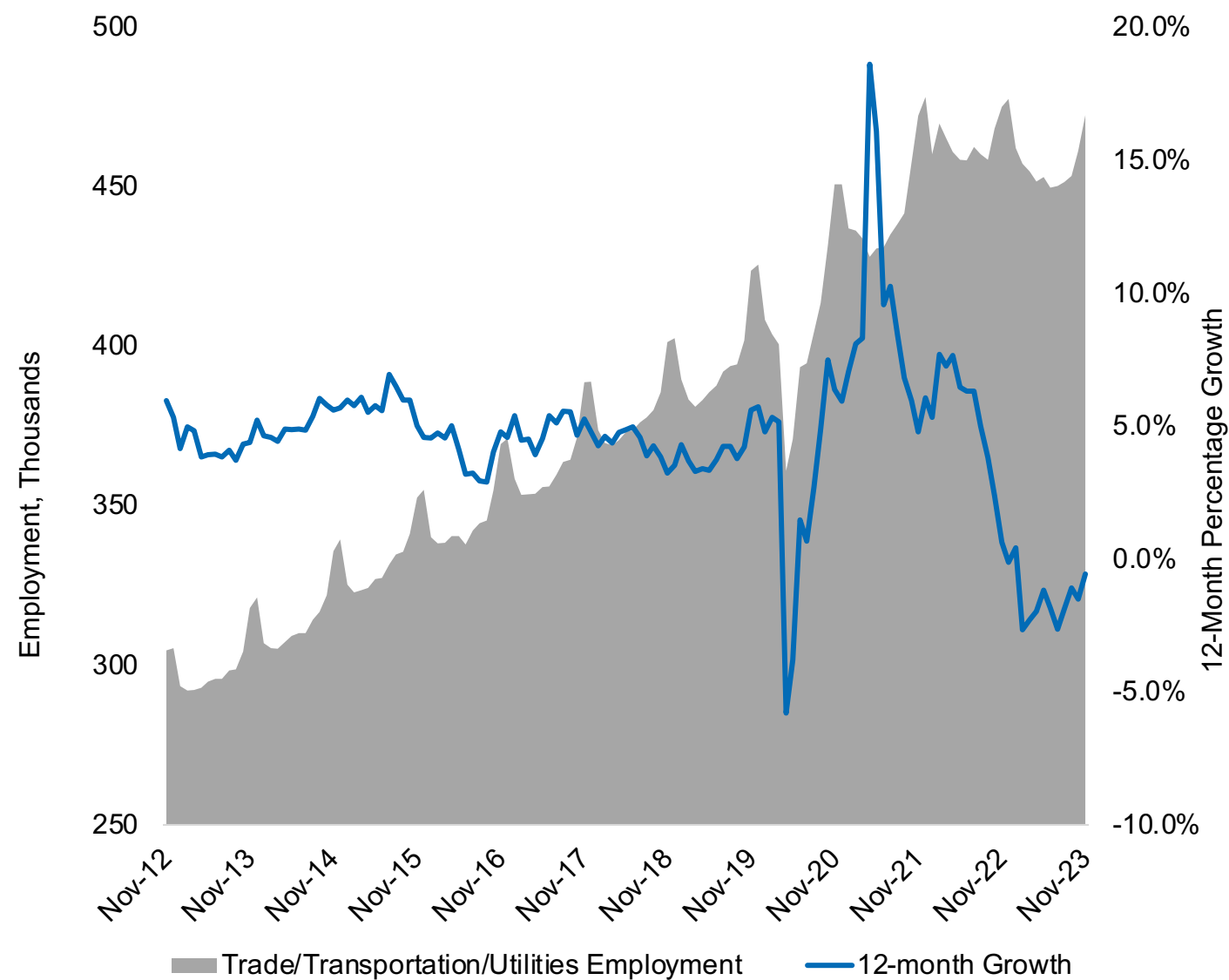


Source: U.S. Bureau of Labor Statistics, Riverside-San Bernardino-Ontario

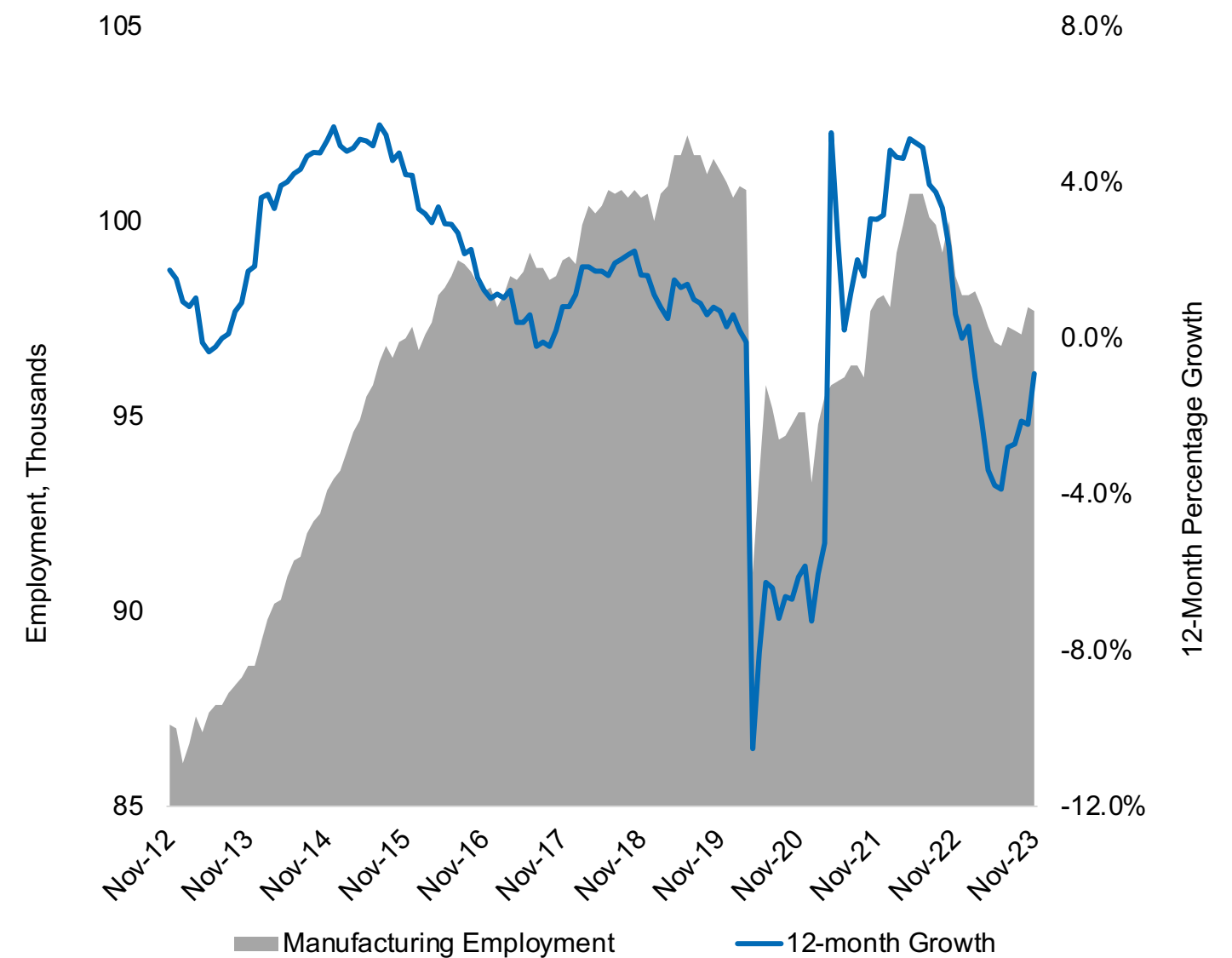
Industrial Employment Remains Vulnerable to Decline in 2024

Seasonal job gains in the retail sector were undercut by recent reductions in industrial labor, such that the November year-over-year growth rate for the trade/transportation/utilities sector was just under zero. Manufacturing employment growth fell by nearly 1.0% in November despite modest employment gains in the latter half of the year as manufacturers continued to struggle with elevated lending costs, declining demand and comparatively high costs of doing business in the state.

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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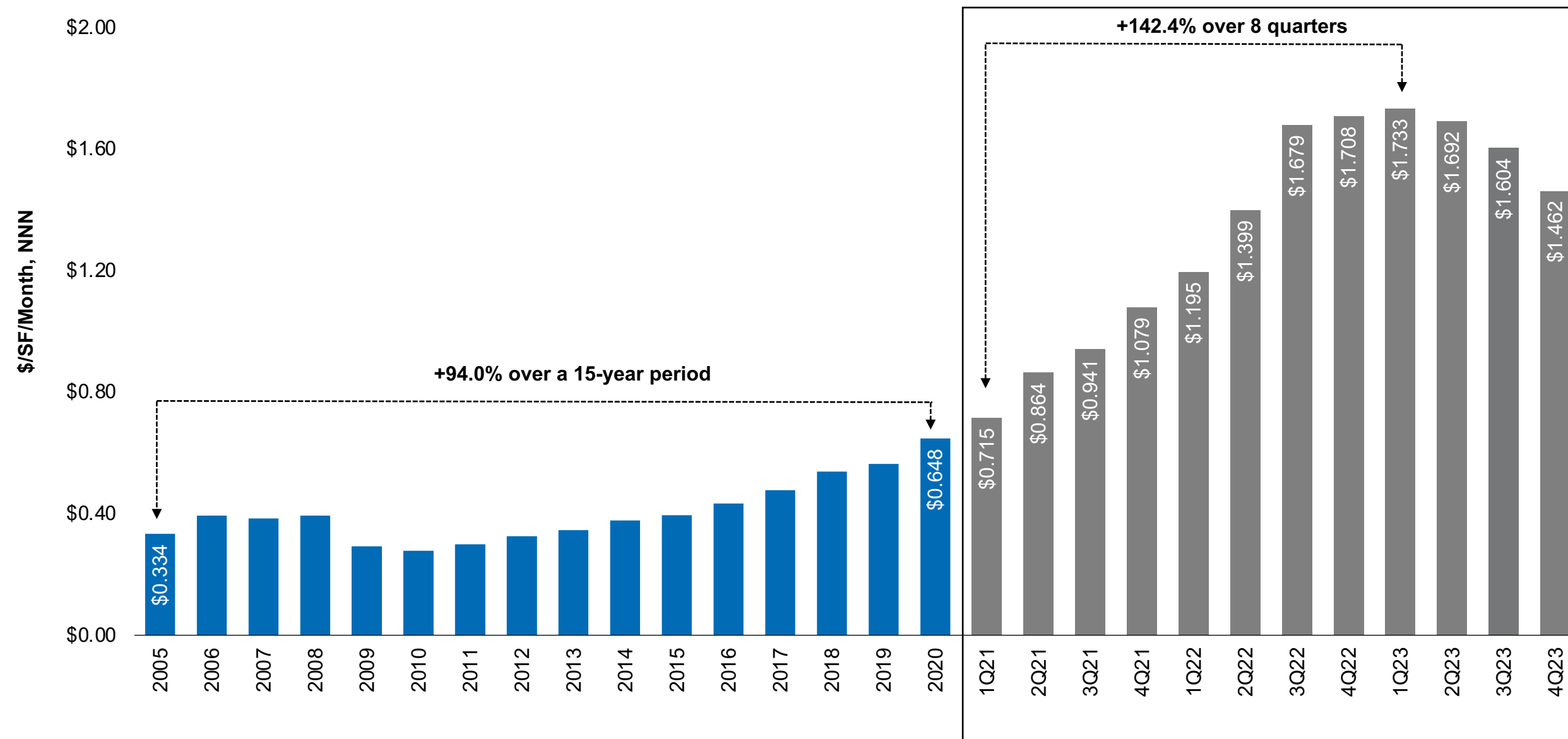
Leasing Market Fundamentals



Unprecedented Rent Growth Occurred from Early 2021 through Early 2023

Rents have moderated since as once-fervent demand for industrial space has normalized. Landlords are becoming more competitive to secure tenants through increased concessions and/or lower rents. Rising sublet availability and future speculative construction deliveries will also shift leverage away from landlords.

Western Inland Empire: Average Weighted Start Rent for Warehouse Leases: 100,000 to 500,000 SF | 30'+ Clear Facilities

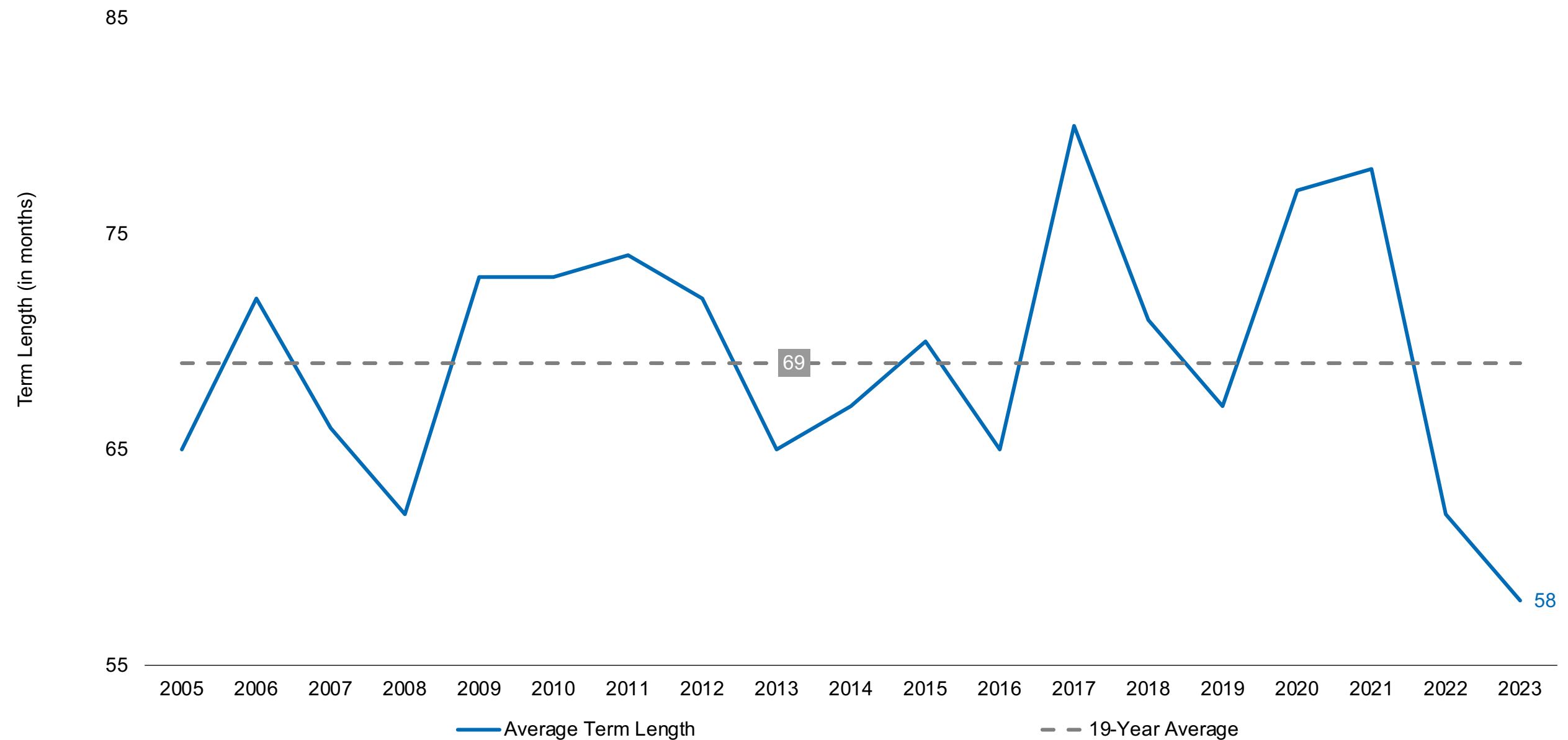


Source: Newmark Research
 Note: Data drawn from 678 transactions and excludes subleases. Developed on December 26, 2023.

Average Weighted Lease Terms Are Declining

This has two implications: a) tenants are exercising more caution (e.g., why commit to a long-term lease if rents are anticipated to soften?) and b) landlords are more willing to work with tenants' needs than they were one year ago, a time when rents were on the upswing.

Western Inland Empire: Average Weighted Term Length for Warehouse Leases: 100,000 to 500,00 SF | 30'+ Clear Facilities

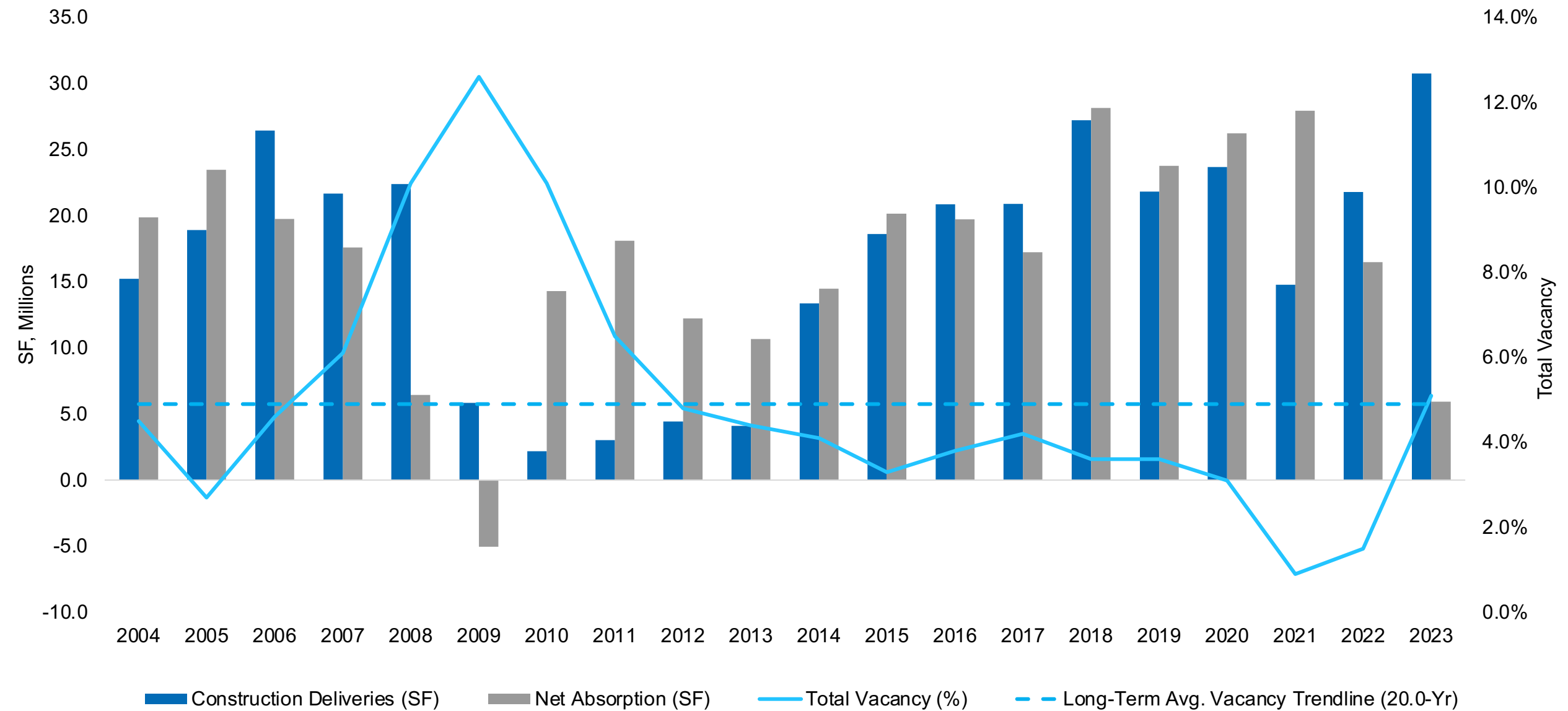


Source: Newmark Research
Note: Includes leases with 36-month+ term lengths. Excludes subleases and extensions. Developed on December 26, 2023.

Vacancy Swiftly Increased in 2023

30.8 MSF in construction deliveries was met with only 5.9 MSF in net absorption activity in 2023 as occupancies of pre-leased construction were levied against multiple space givebacks. Vacancy jumped from 1.5% by year-end 2022 to 5.1% during the fourth quarter of 2023.

Historical Construction Deliveries, Net Absorption, and Vacancy

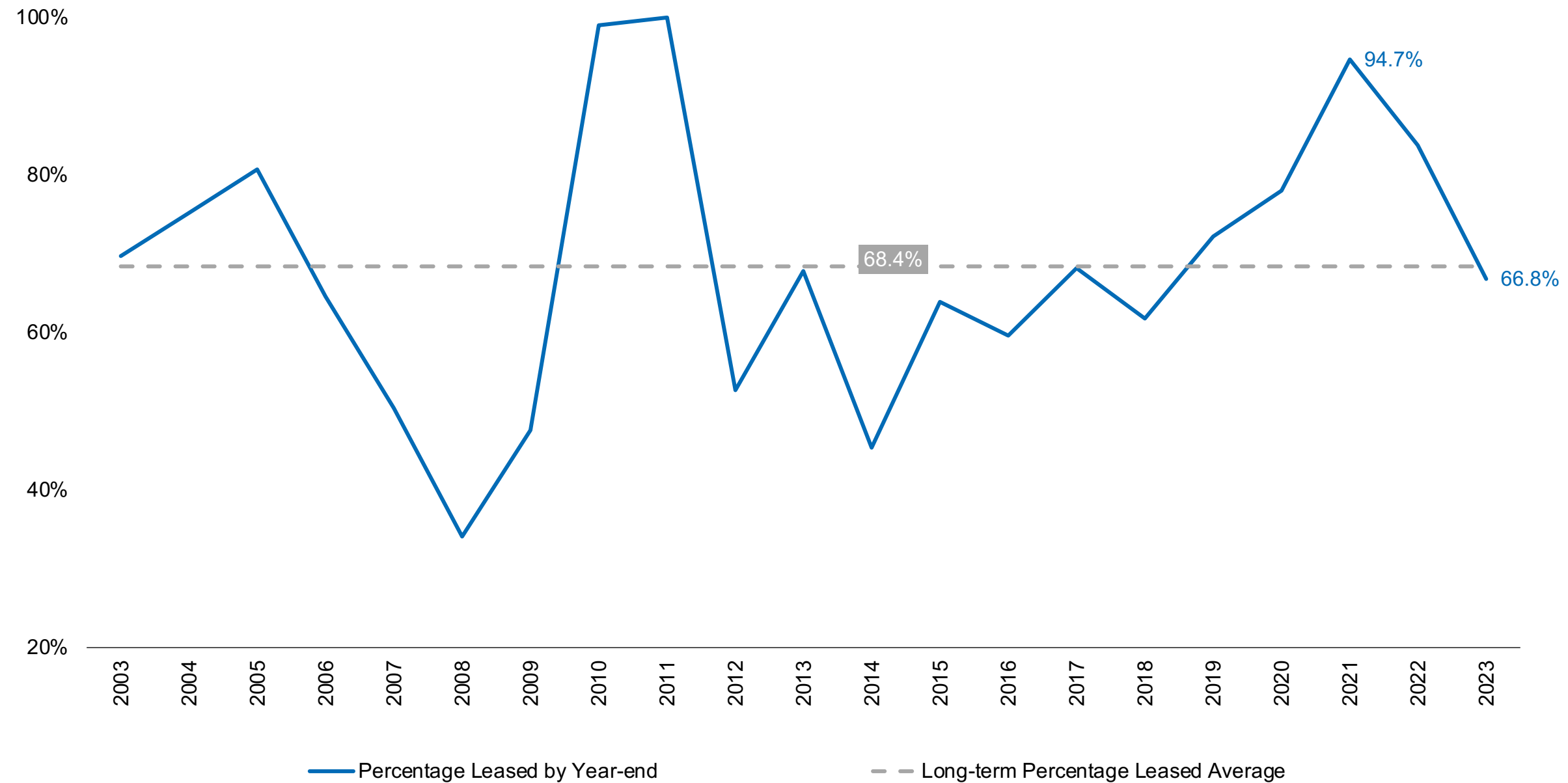


Source: Newmark Research

New Construction Leasing Averages are Declining

Slowing tenant commitments for higher-priced modern space is causing most developers pause future groundbreakings. Developers with finished available product, meanwhile, will become more competitive to vie for tenants, whether through greater concession packages, lower rents or a combination of the two.

Year-end Lease Up Average of Buildings Delivered in a Given Year

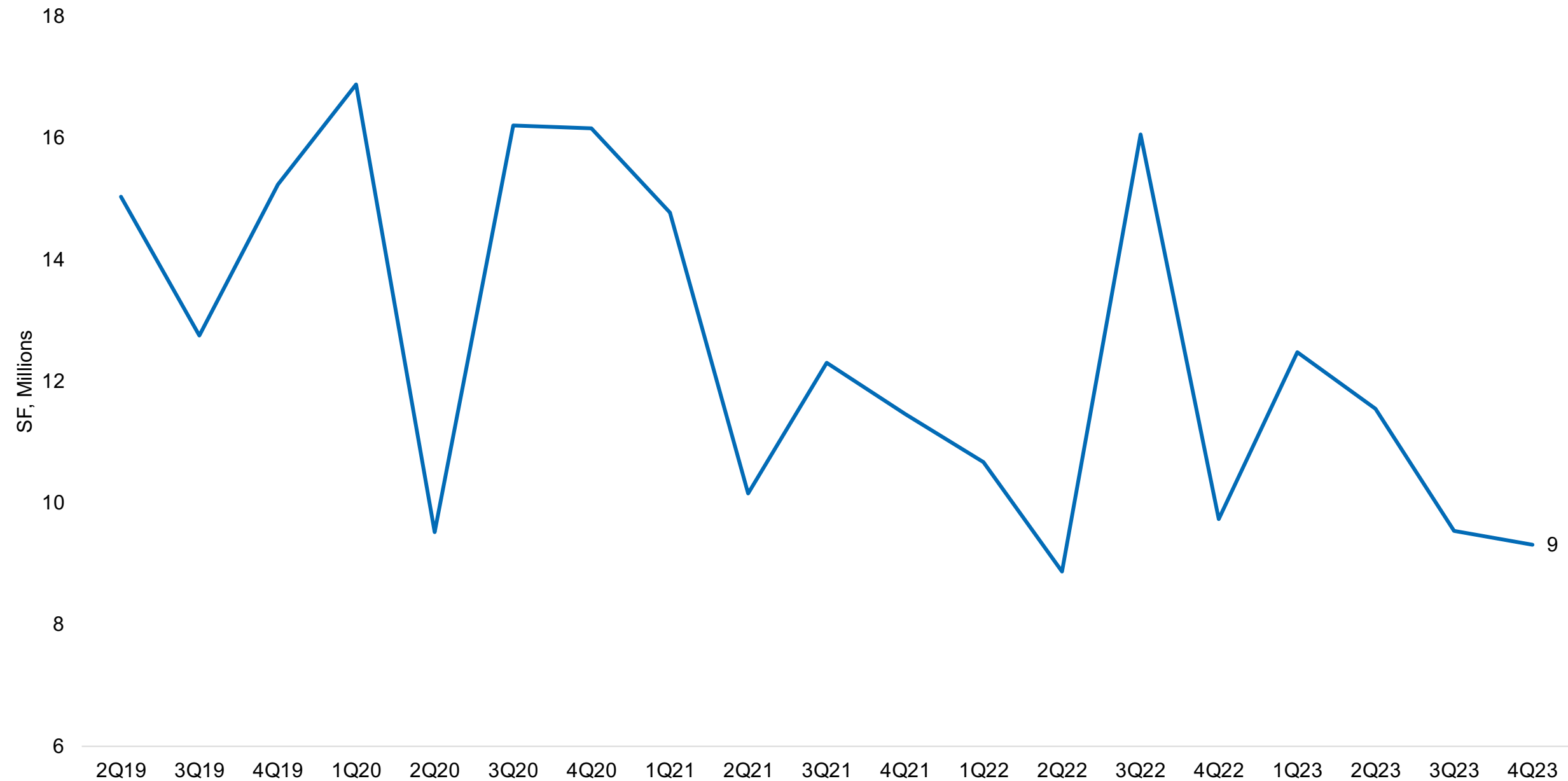


Source: Newmark Research

Quarterly Leasing Activity, Uneven Since Early 2019, Has Decelerated

The uneven factor is a function of how many mega-warehouse projects 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). One trend is clear however: leasing activity is decelerating.

Total Leasing Activity (SF)

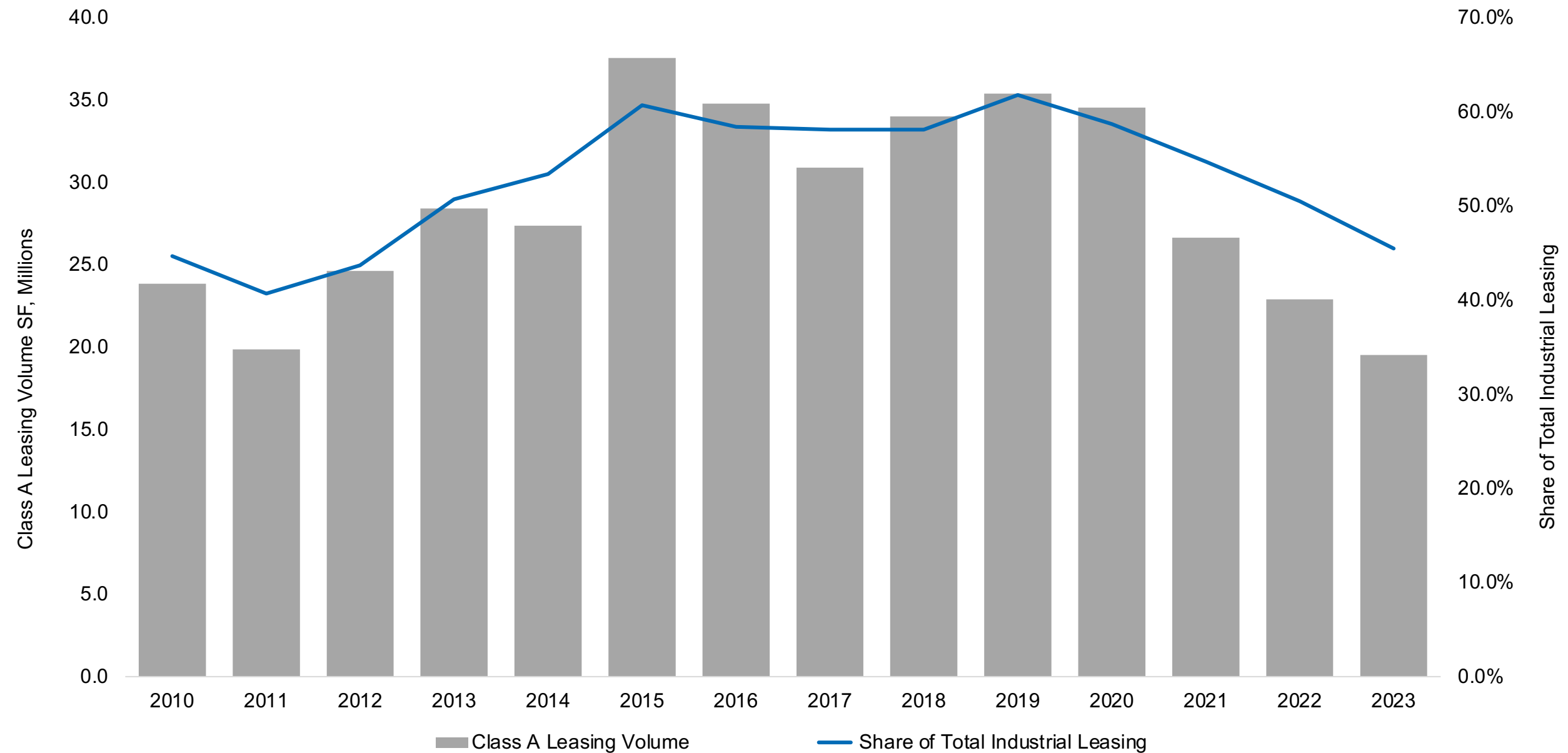


Source: Newmark Research, CoStar

Class A Warehouse Leasing Falls

Class A warehouse leasing accounted for 45.5% of total leasing activity in 2023, below the 14-year average of 52.8%. As the stark drop in the average lease term suggests, more tenants are waiting until rents sufficiently decline before committing to top-tier space.

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



Source: Newmark Research, CoStar

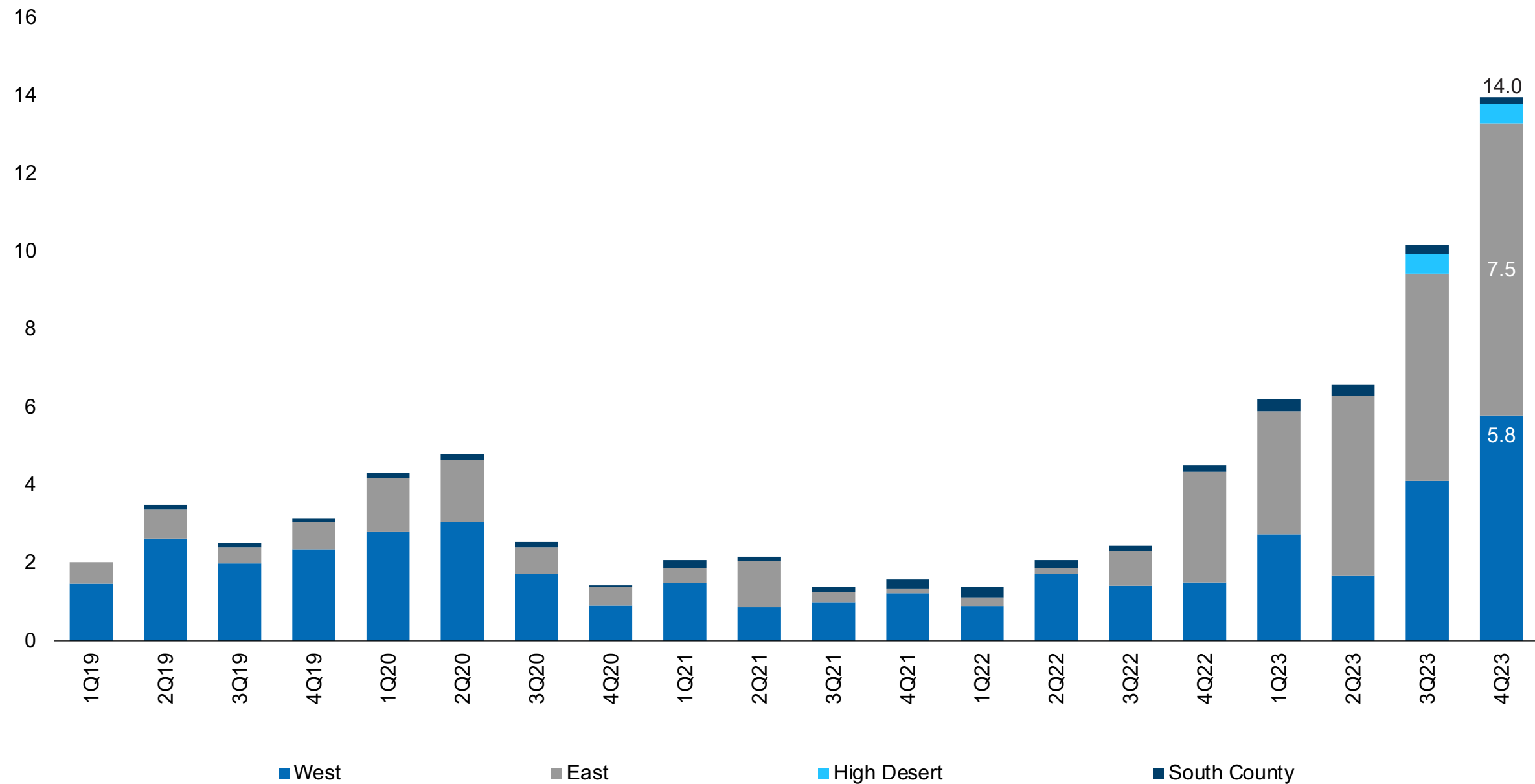
Note: Class A is defined as 100,000+ SF warehouse/distribution facilities constructed since 2000 with a 30'+ minimum interior ceiling height.

Total Sublease Availability Hits All-Time High for Second Quarter in a Row

New listings by Newel Brands (827,560 SF in Fontana) and Daltille (392,904 SF in Ontario) bolstered West I.E.'s proportional share of available sublease space (41.4% of total available sublease space in the market).

Market-wide available sublease space totals 14.0 MSF, a new peak.

Available Sublease Space (MSF), By Submarket

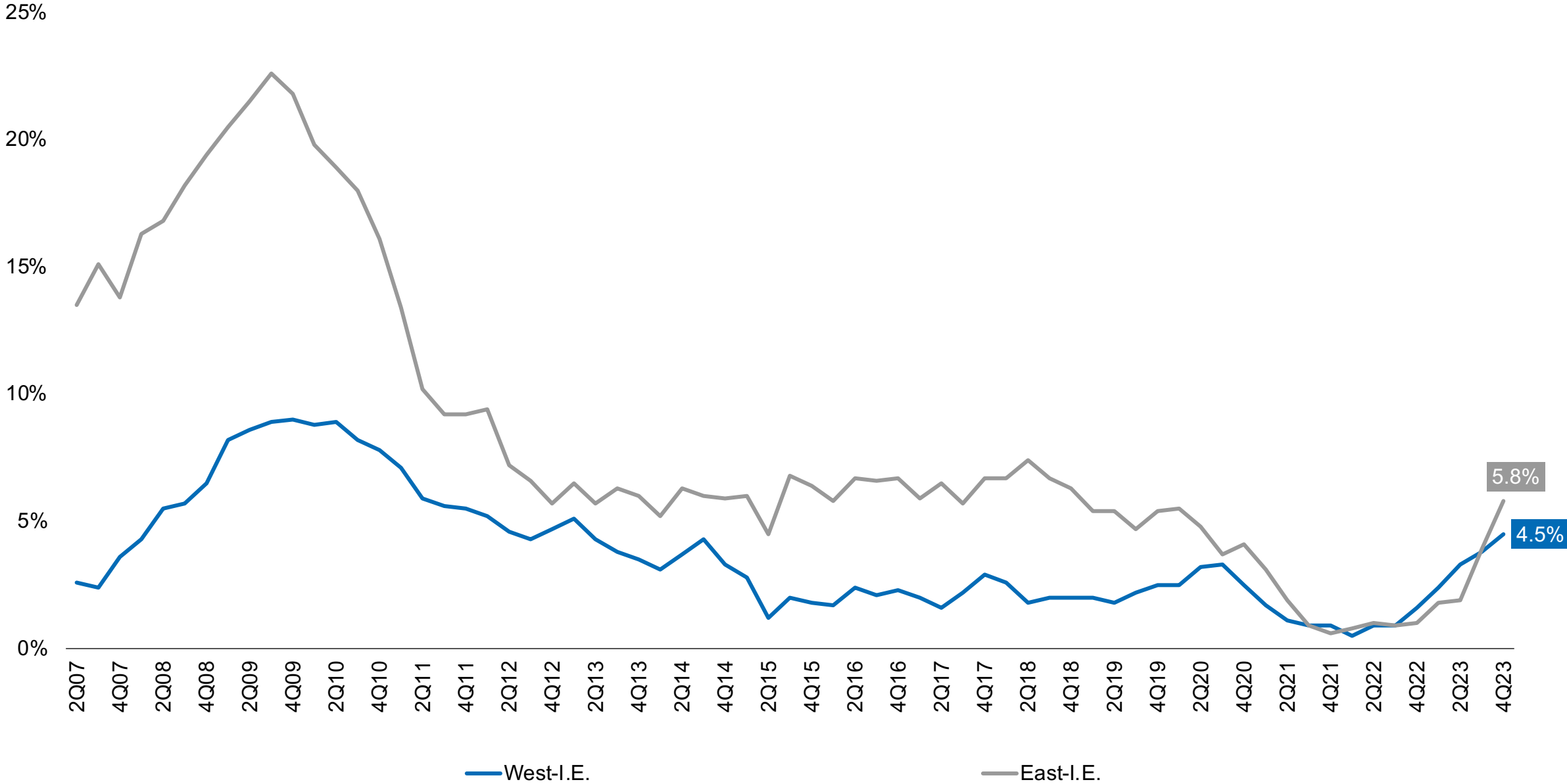


Source: Newmark Research

Vacancy Rates for West and East I.E. Likely to Diverge Again

Drayage costs are higher the more removed a warehouse occupier is from Southern California's ports. This gives the western half of the Inland Empire's core basin an advantage over its eastern counterpart, suggesting vacancy increases in the East will be more pronounced in the quarters ahead.

Historical Vacancies, West and East I.E.

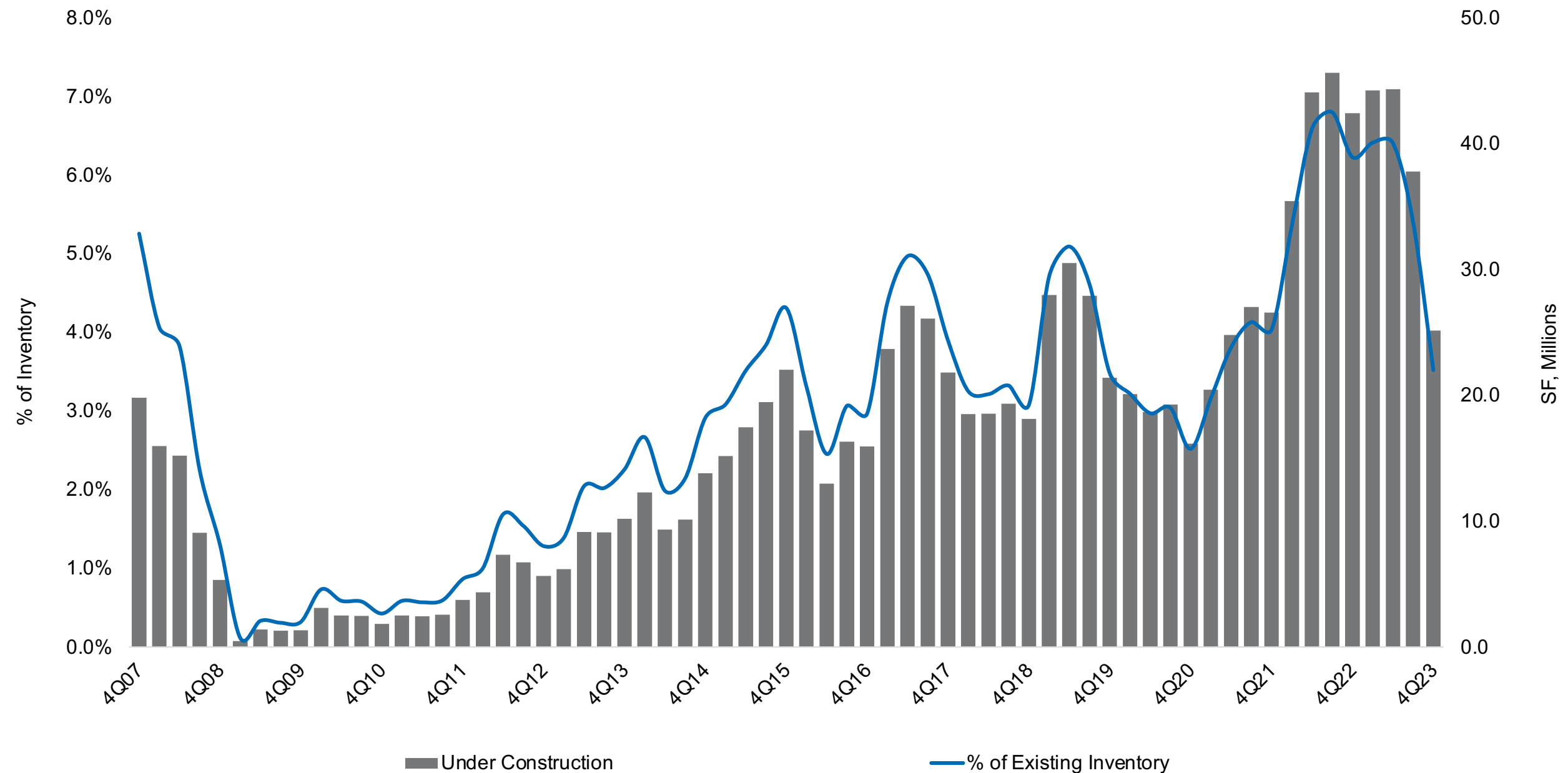


Source: Newmark Research

Volume of Under-Construction Activity Plummets; Bottom Not Yet Reached

Underway construction totals 25.1 MSF, a 33.5% drop from the previous quarter. A mere 10.6% of inventory in the construction pipeline has been pre-leased. Given constrained demand for new construction space, expect under-construction activity to fall further as proposed developments are put on hold or cancelled altogether.

Industrial Under Construction and % of Inventory

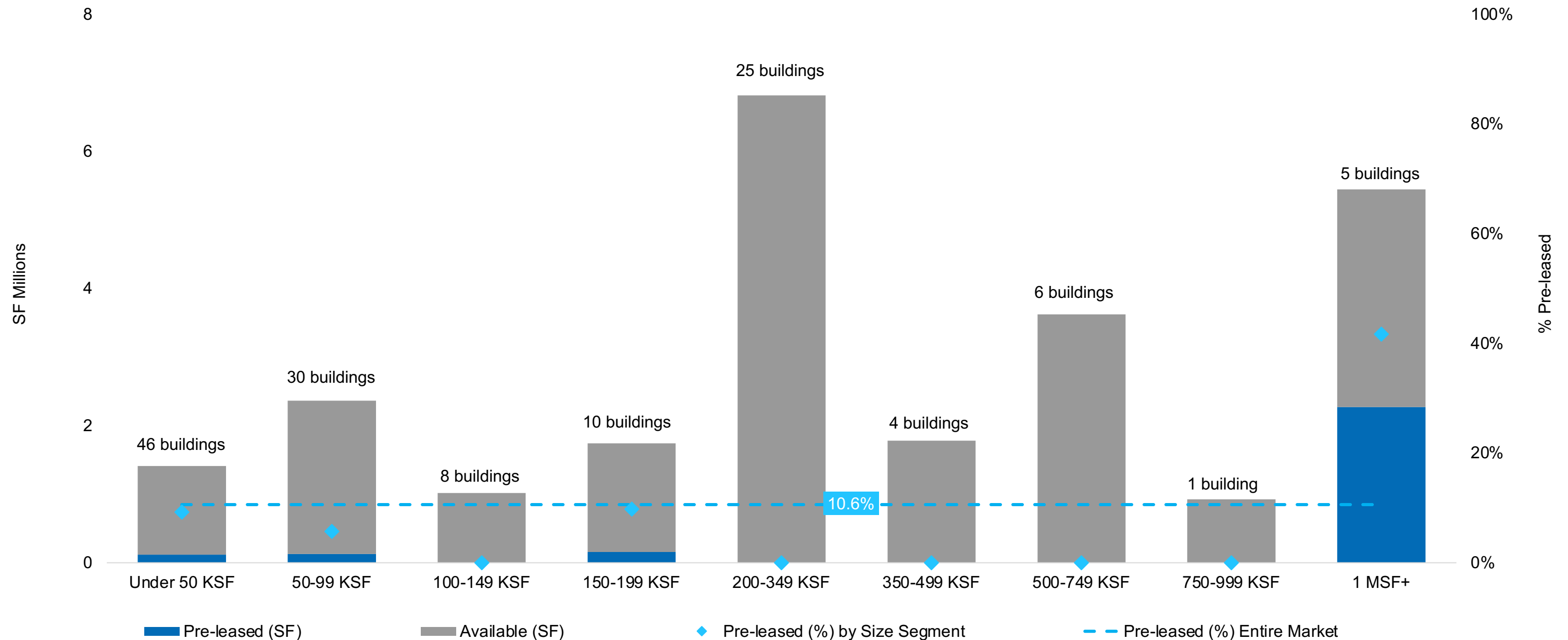


Source: Newmark Research

The 1 MSF+ Segment Leads in Pre-Leasing; Pre-Leasing Less in Smaller Size Thresholds

Pre-leasing averages 41.7% in the 1 MSF+ segment and sub-10% in smaller segments. The relative desirability of 1 MSF+ facilities is not surprising, given the economies of scale of modern large-box facilities that include (but are not limited to) increased storage capacity, the ability to automate operations and deep truck courts. There are also fewer buildings relative to smaller size segments.

Total Construction by Size Segment: Pre-leased vs. Available Space



Source: Newmark Research

Notable 4Q23 Lease Transactions

No pre-leases over 100,000 SF were signed during the quarter. As pre-leases historically drive net absorption gains in the market, negligible activity could contribute to depressed net absorption gains and a rise in vacancy as new supply delivers in 2024.

Select Lease Transactions

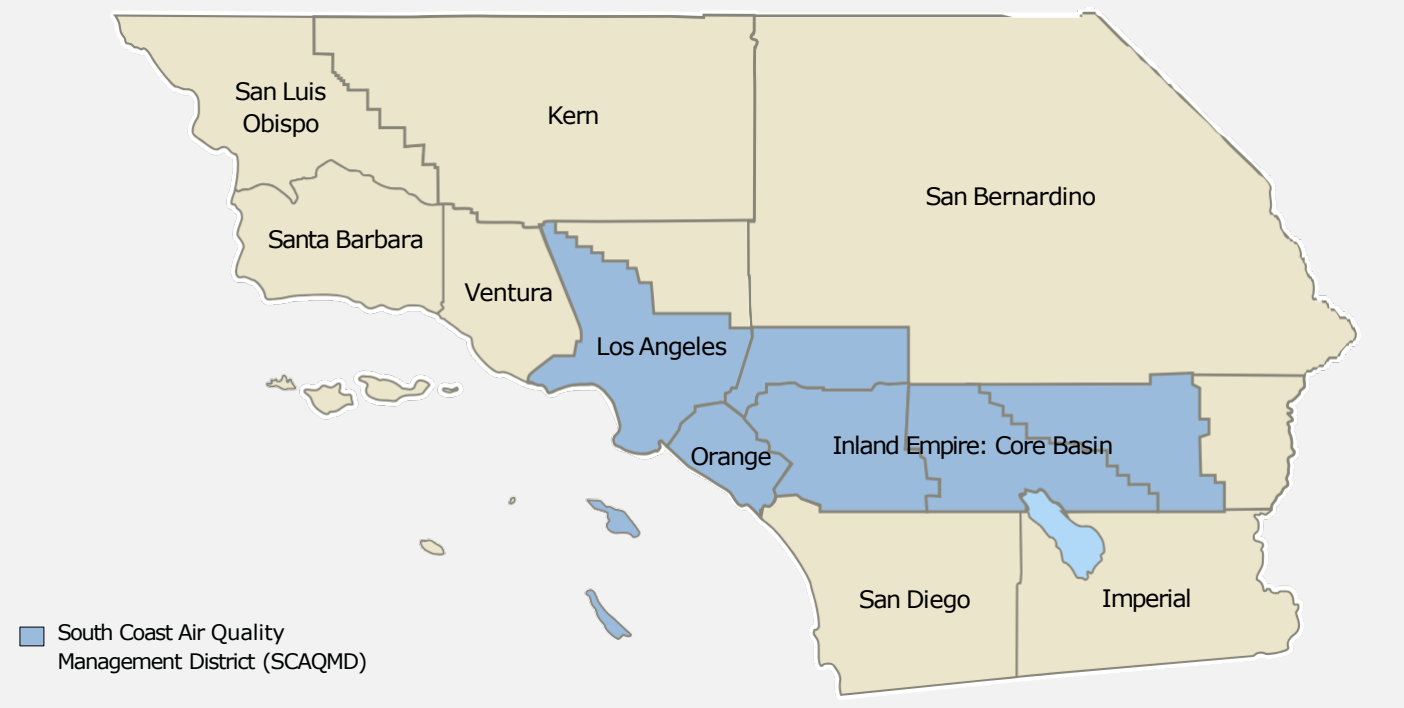
Tenant	Building	Submarket	Type	Square Feet
Maersk	8140 Caliente Rd	High Desert	Direct Lease	1,227,600
<i>The shipping and logistics company, which expanded its footprint to Redlands and Jurupa Valley in 2022, took space in the High Desert for the first time prior to the end of the quarter. Tenant occupies entire building, which was completed the same quarter that the lease was signed. Lease term expires in 4Q28.</i>				
Yita LLC	26597 San Bernardino	East-I.E.	Sublease	557,213
<i>Tenant subleased entire building from XPO Logistics and moved in prior to end of fourth quarter. Yita LLC is expanding its footprint in the region. Sublease term expires in 4Q27.</i>				
Gigacloud Technology (USA) Inc.	13521 Santa Ana Ave	West-I.E.	Direct Lease	423,388
<i>Tenant moved into vacant space prior to the end of fourth quarter. Tenant occupies entire building. Gigacloud is expanding to IE after occupying warehouse space in the San Gabriel Valley. Lease term expires in 1Q29.</i>				
Gigacloud Technology (USA) Inc.	10721 Jasmine St	West-I.E.	Direct Lease	410,006
<i>Tenant moved into vacant space prior to the end of fourth quarter. Tenant occupies entire building. Gigacloud is expanding to IE after occupying warehouse space in the San Gabriel Valley. Lease term expires in 2Q29.</i>				
ACT Fulfillment	11001 Etiwanda	West-I.E.	Lease Renewal	404,730
<i>Tenant has leased property since 2013.</i>				

WAIRE: Program Summary and Implications for Industrial

The Warehouse Actions and Investments to Reduce Emissions (WAIRE) Program imposes additional costs for warehouse occupiers and encourages new construction outside of South Coast Air Quality Management District's (SCAQMD's) jurisdiction.

Program Summary

- In 2021, SCAQMD implemented the WAIRE program to “reduce local and regional emissions of nitrogen oxides and particulate matter...[derived from] warehouses and the mobile sources attracted to warehouses.”
- The program essentially imposes an emissions-based tariff on warehouse occupiers whose footprints are above 100,000 SF in much of LA, Orange, Riverside and San Bernardino Counties.
- The first report submission year is 2023, and average collections are estimated to be between \$670 million and \$1.0 billion per year.
- For more information, please read [Newmark's report on the subject](#).



Implications for Industrial Real Estate

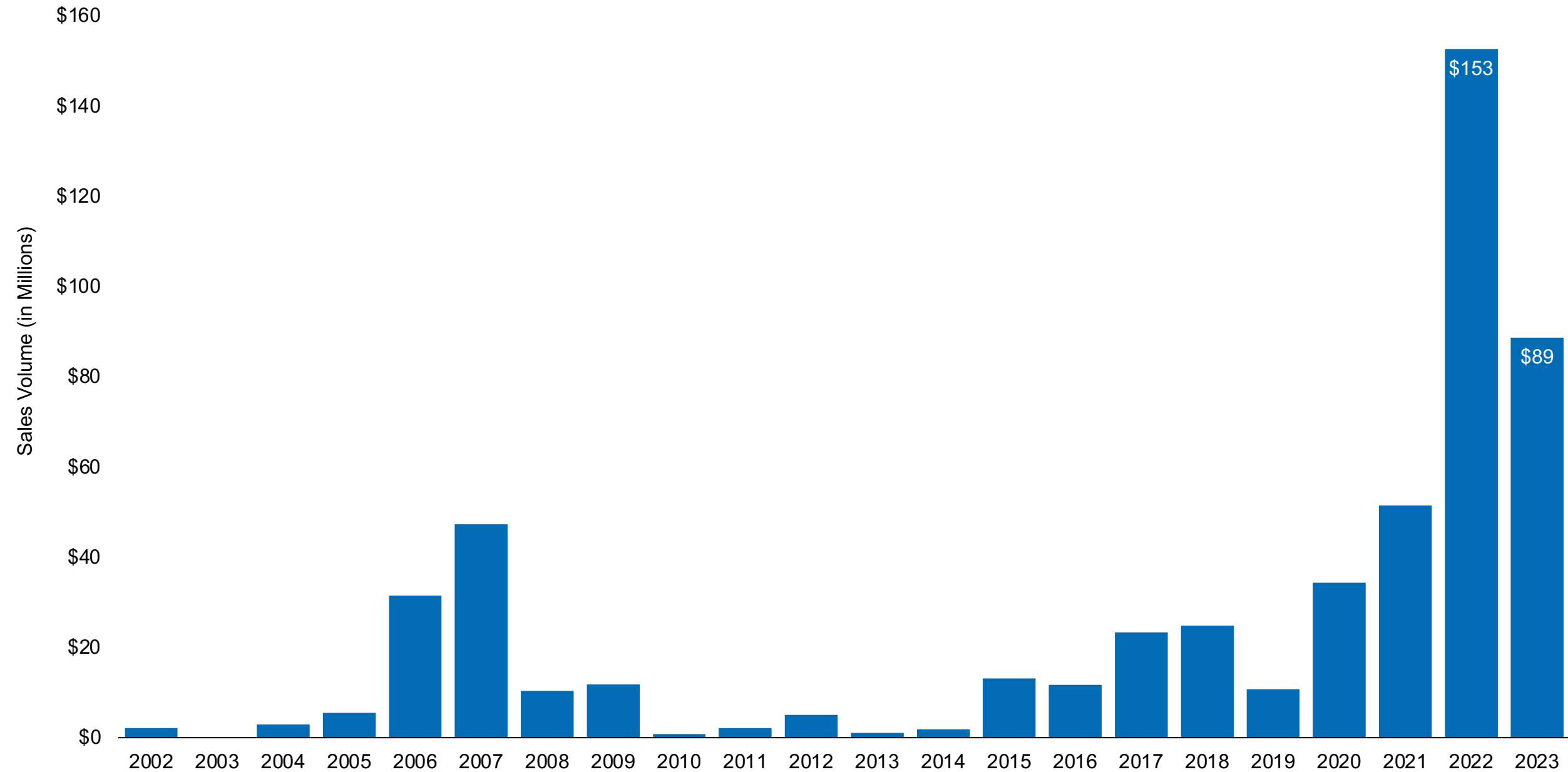
- Retrofitted buildings within SCAQMD's jurisdiction that have solar roof panels, EV stations, etc. help to lower a tenant's annual WAIRE costs. These buildings will command a rent premium.
- Building owners can participate in the WAIRE Program and can give preferential treatment to top-credit tenants.
- There will be a progressive shift in where new construction occurs. Developers in the High Desert, for instance, are actively buying large land parcels and are banking them for future construction. The High Desert is outside of the SCAQMD's jurisdiction.



Industrial Land Sales in the High Desert Set a New High in 2022, Were Strong in 2023

Steep rents in the Inland Empire's core basin, along with higher occupancy costs associated with the WAIRE Program, will increasingly push development to the High Desert. BNSF Railway will also invest \$1.5 billion to construct a master-planned rail facility in Barstow; the 4,500-acre inland port will have direct connections to Southern California seaports, in addition to the rest of the nation.

High Desert: Annual Sales Volume of Industrial-zoned Land Sites | 3+ Acres



Source: Newmark Research, CoStar, BNSF

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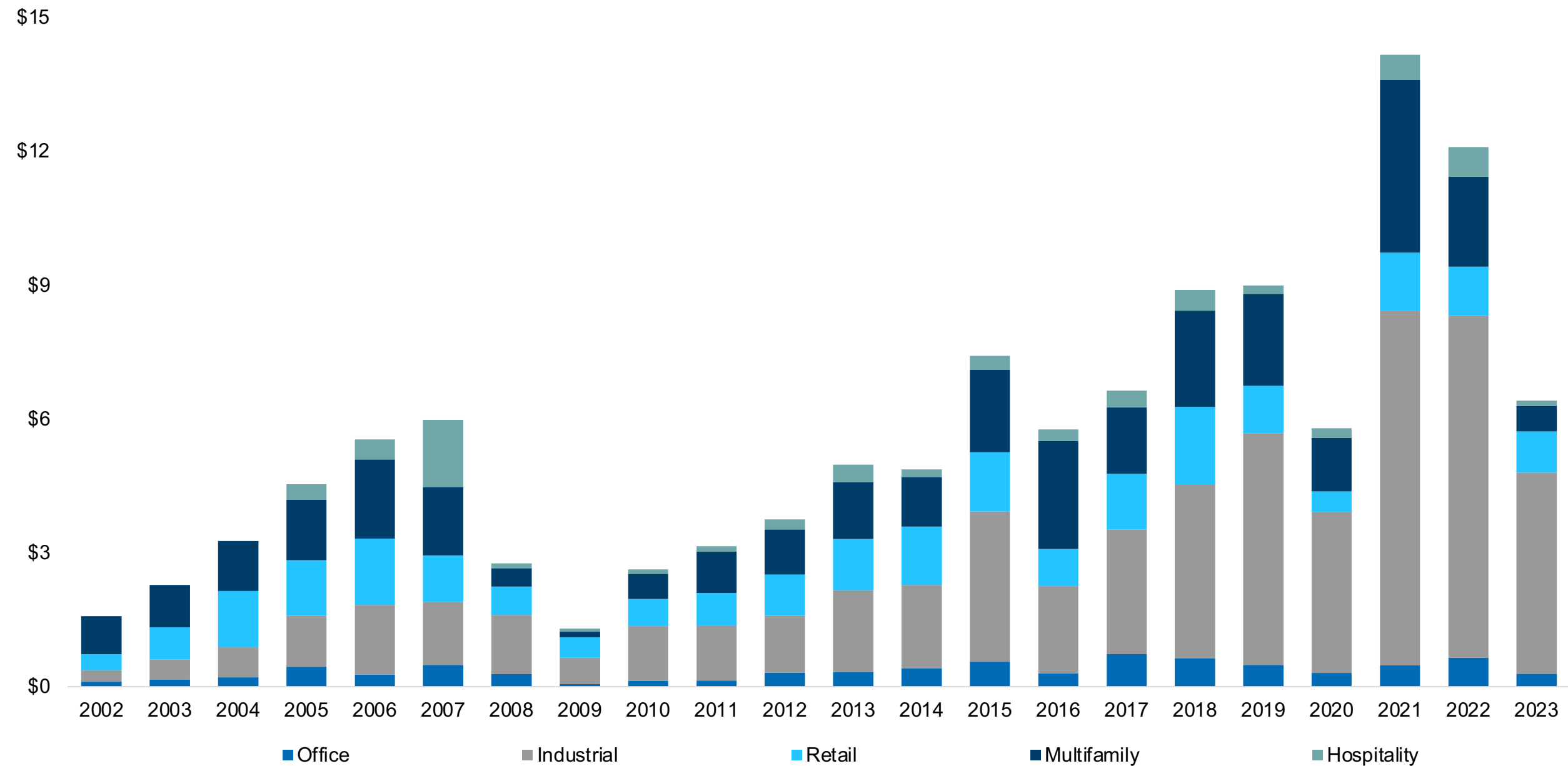
Sales Activity



Industrial Comprised an Unprecedented 70.2% of Total Sales Volume in 2023

70.2% vastly exceeds the 21-year average (2002 to 2022) of 39.3%. Heated rent growth in recent years favor the segment, with many investors targeting desirable buildings with credit tenants whose leases are up for renewal. What the tenant was paying (\$\$) is different than today's rent averages (\$\$\$\$).

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

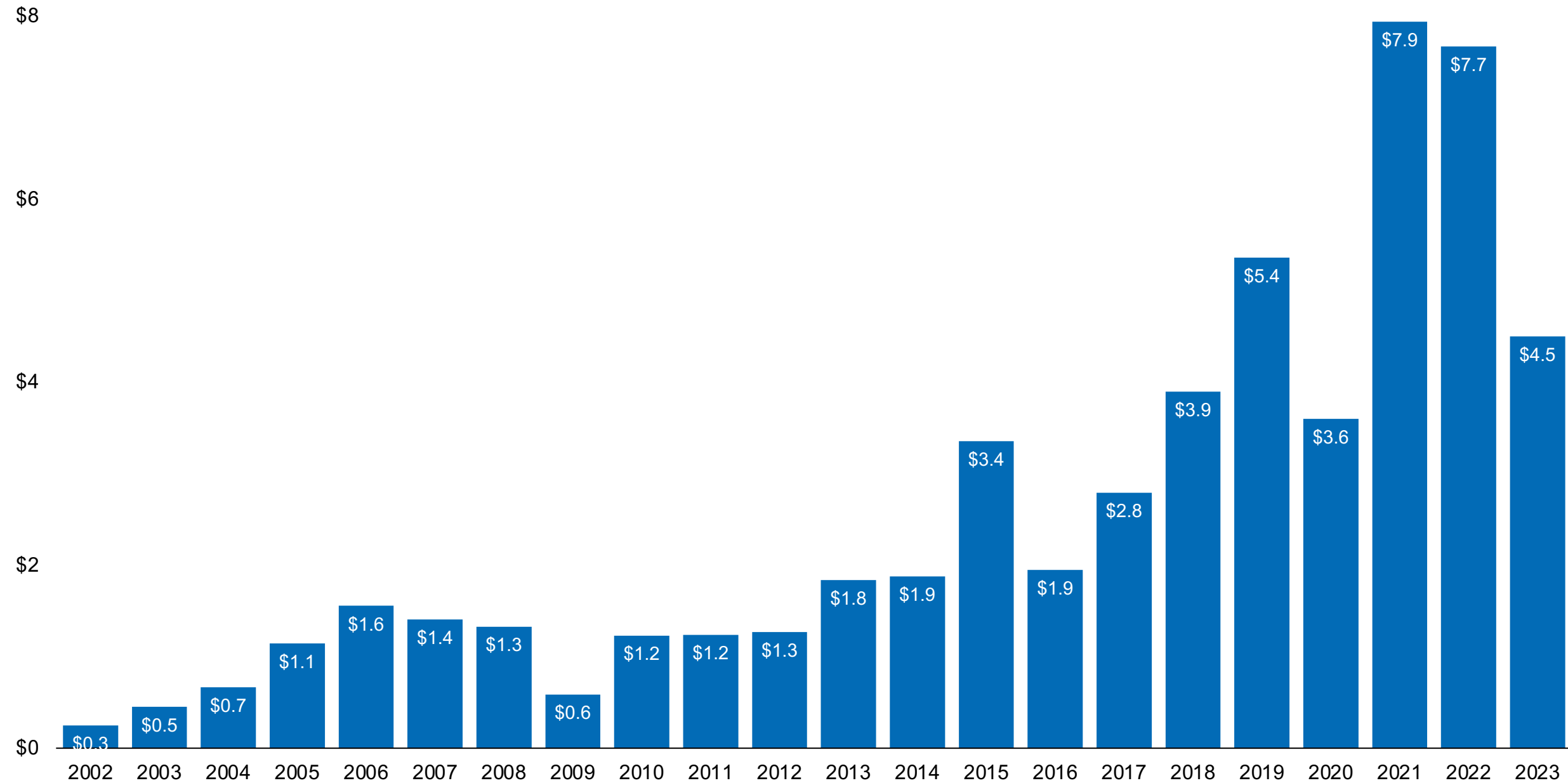


Source: MSCI Real Capital Analytics, Newmark Research
 Note: Preliminary data is cited for the fourth quarter of 2023

Industrial Sales Volume: Up Close

Industrial sales volume totaled \$4.5 billion in 2023, falling considerably short of 2022's total. The higher cost of capital following multiple interest rate hikes is crimping momentum, in addition to cooling leasing fundamentals. Both have added downward pressure to pricing.

Inland Empire: Industrial Sales Volume (\$ in Billions)

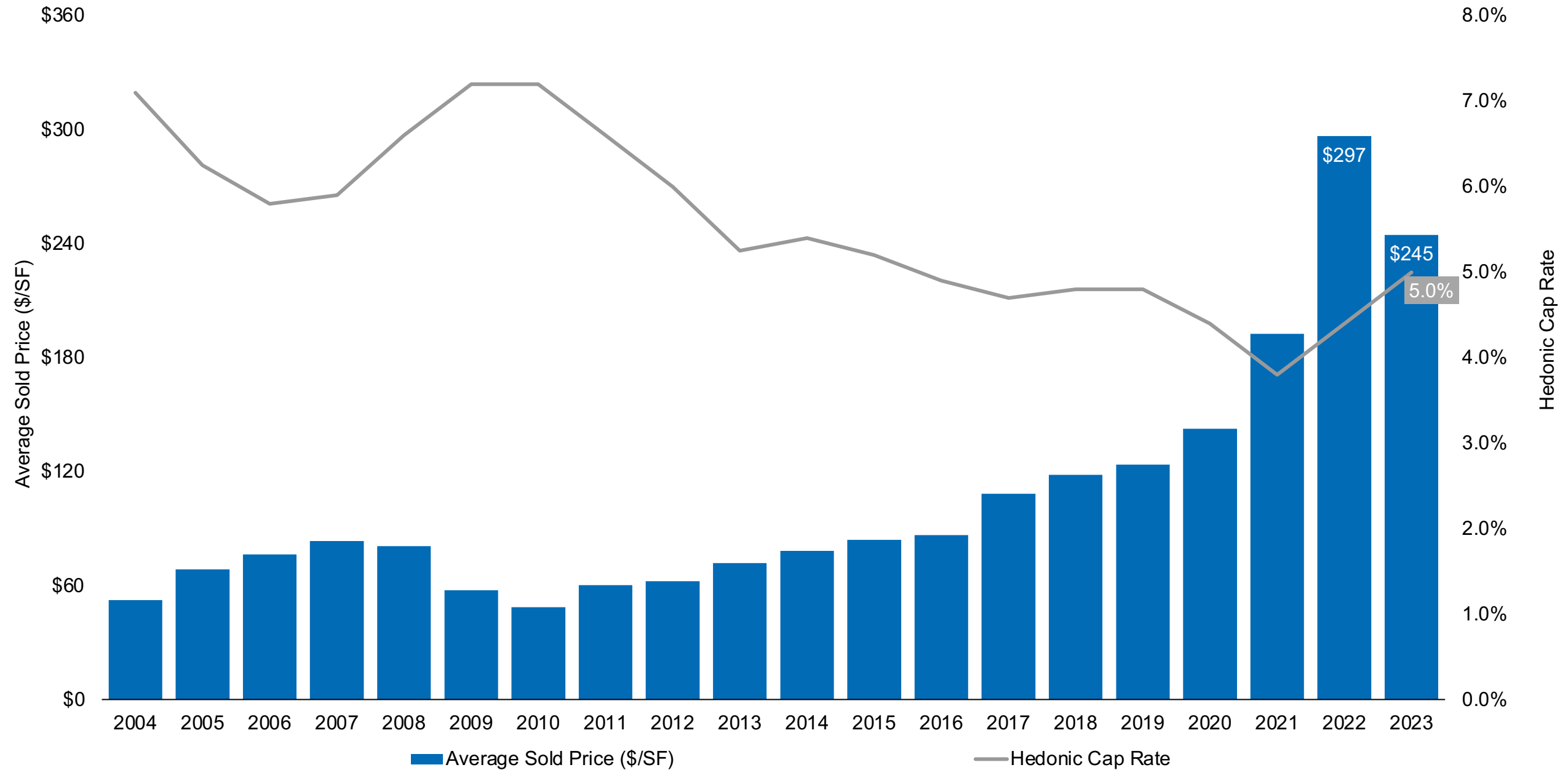


Source: Newmark Research, MSCI Real Capital Analytics
Note: Preliminary data is cited for the fourth quarter of 2023

Pricing Falls, While Cap Rates are Rising

Current pricing (\$245/SF) is down 17.5% compared to year-end 2022's average, while cap rates are increasing.

Inland Empire: Industrial Price Per Square Foot and Hedonic Cap Rate Averages

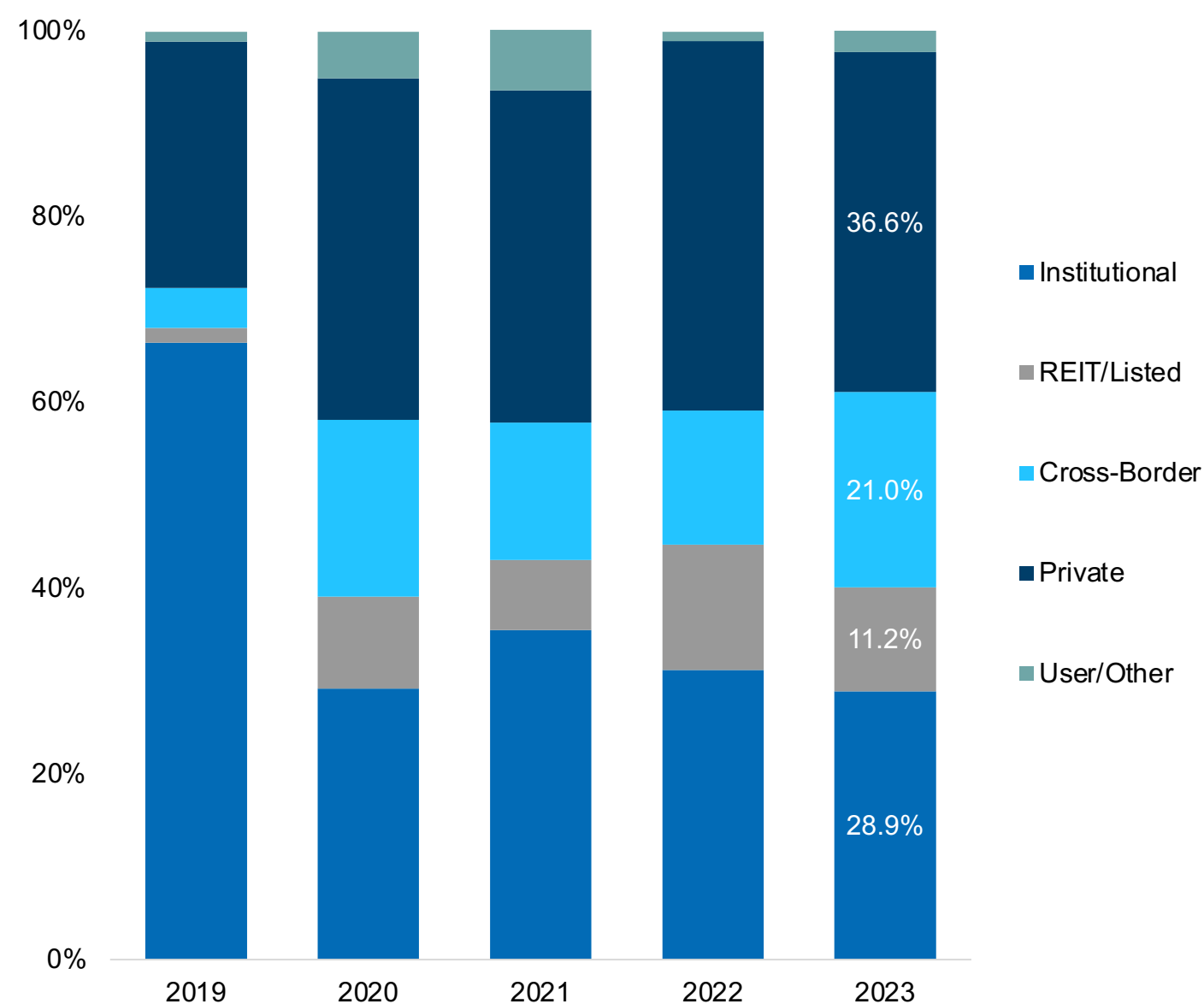


Source: Newmark Research, MSCI Real Capital Analytics
 Note: 12-month trailing averages are cited.

Share of Institutional Buyers Down Post-2021; All Other Investor Types Remain Active

Cross-border buyers had a noticeable presence in 2023 relative to prior years. Industrial is widely perceived as being more stable in today's environment when compared with other commercial property segments. Additionally, domestic e-commerce growth is spurring interest in last-mile facilities in the nation's primary markets.

Inland Empire: Industrial Buyer Composition, by Year | Based on Sales Volume



Inland Empire: Most Active Industrial Buyers | Last 12 Months

Company	Investor Type	Volume	# of Properties	Size (SF)
Westcore Properties	Private	\$462,000,500	2	1,464,611
Rexford Industrial REIT	REIT/Listed	\$392,500,000	2	1,139,543
GLP Capital Partners	Cross-Border	\$381,630,947	3	847,380
Brookfield AM	Cross-Border	\$329,000,000	1	1,834,822
Blue Owl Capital	Institutional	\$219,078,500	1	1,362,900
NexPoint	Institutional	\$190,000,000	1	450,000
Blackstone	Institutional	\$160,500,000	2	760,559
MDH Partners	Private	\$137,350,000	2	480,926
Bridge Investment Grp	Institutional	\$125,500,000	1	329,831
Oaktree	Institutional	\$121,079,078	1	457,125
BentallGreenOak	Institutional	\$120,000,000	1	361,346
Pontegadea	User/Other	\$109,000,000	1	340,464

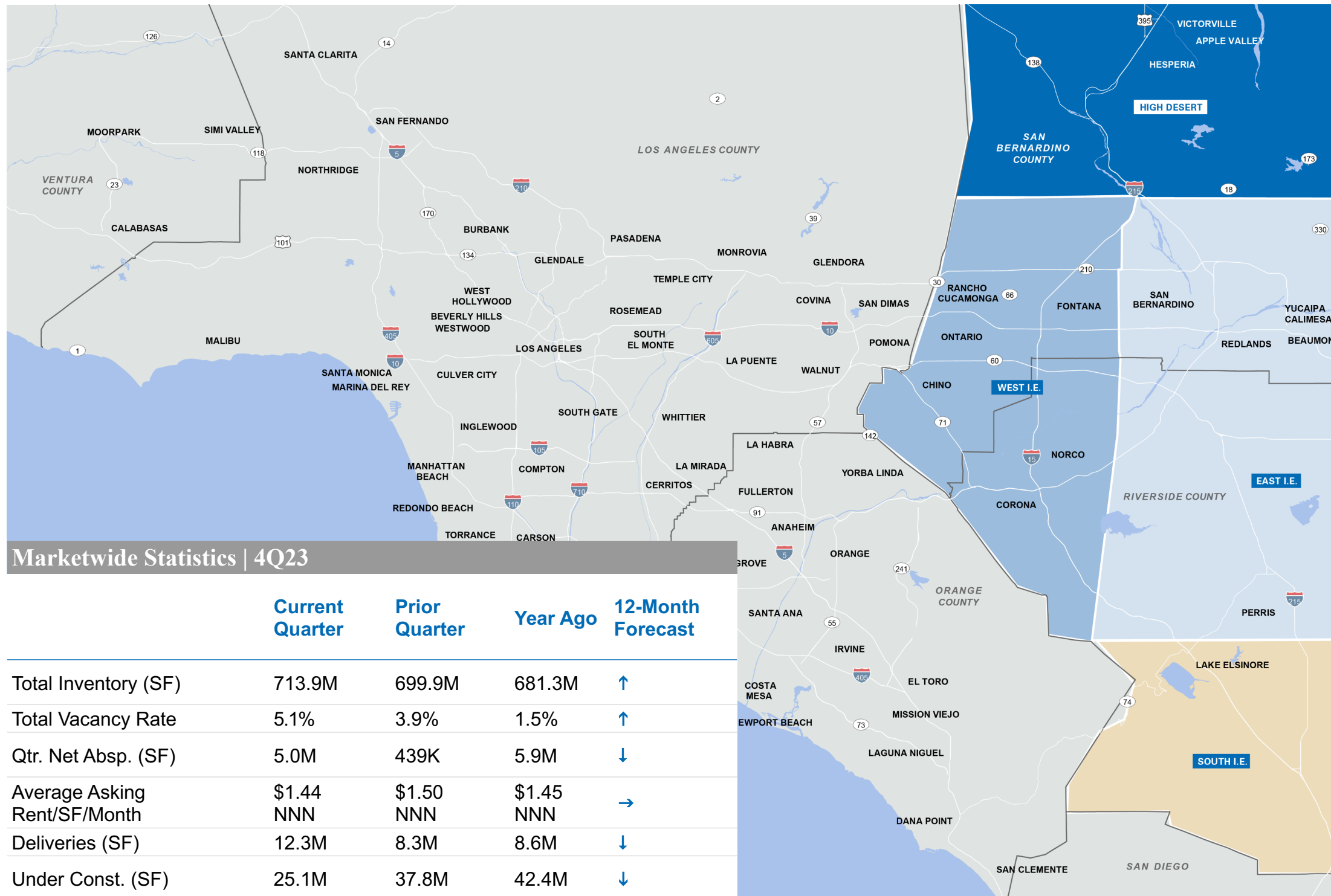
Source: Newmark Research
 Note: Preliminary data is cited for the fourth quarter of 2023.

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Appendix



Inland Empire Submarket Map and High-Level Statistics | 4Q23



Source: Newmark Research

Inland Empire Submarket Statistics | 4Q23

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Price/SF)
East I.E.	278,278,852	10,604,914	5.8%	1,007,044	-232,462	6,549,719	13,052,806	\$1.32
High Desert	20,690,388	23,580	7.8%	1,203,655	1,494,280	1,227,600	2,264,182	\$1.18
South I.E.	19,360,093	728,882	3.5%	-12,088	-117,985	19,727	187,967	\$1.27
West I.E.	395,540,277	13,769,081	4.5%	2,798,878	4,797,586	4,486,216	15,248,402	\$1.50
Inland Empire	713,869,610	25,126,457	5.1%	4,997,489	5,941,419	12,283,262	30,753,357	\$1.44

Submarket Breakdowns

	Cities
East I.E.	Banning, Beaumont, Bloomington, Calimesa, Cherry Valley, Colton, Glen Avon, Grand Terrace, Highland, Loma Linda, Mentone, Moreno Valley, Perris, Rialto, Redlands, Riverside, Rubidoux, San Bernardino, Yucaipa
High Desert	Adelanto, Apple Valley, Barstow, Desert Knolls, Helendale, Hesperia, Lancaster, Lenwood, Lucerne Valley, Phelan, Silver Lakes, Victorville
South I.E.	Hemet, Lake Elsinore, Menifee, Murrieta, San Jacinto, Sun City, Temecula, Wildomar
West I.E.	Chino, Chino Hills, Corona, Eastvale, Fontana, Jurupa Valley, Mira Loma, Montclair, Norco, Ontario, Rancho Cucamonga, Upland

Source: Newmark Research

Inland Empire Statistics by Building Size Segment | 4Q23

Vacancy is noticeably higher in the sub-200,000-SF segment, which generally caters to smaller businesses that are more impacted by volatility in the economy. At the other end of the spectrum, vacancy in the “mega-box” (500,000+ SF) size thresholds currently rests at 3.9%. This portion of the market generally appeals to Fortune 500 companies seeking the economies of scale that larger facilities offer.

Statistics by Building Size Segment - All Classes

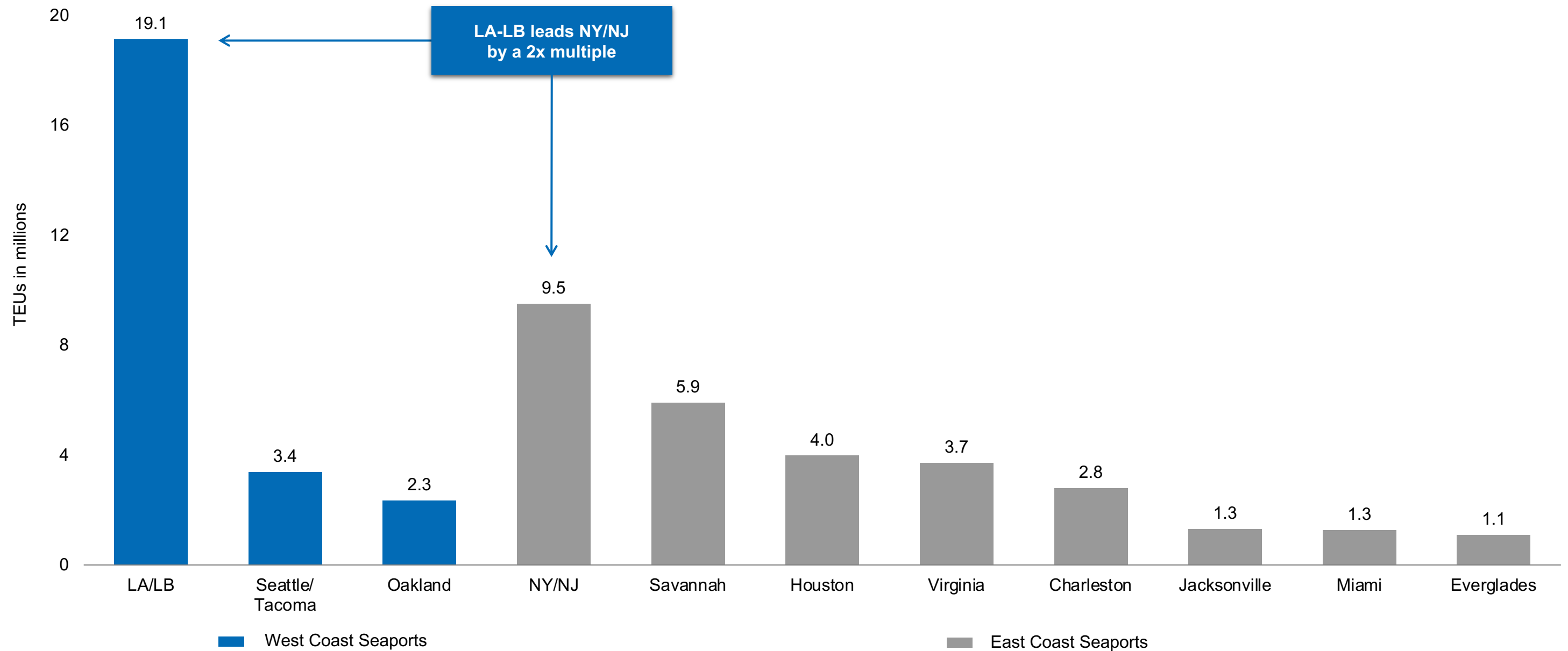
	Total Inventory (# of Bldgs)	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Availability Rate
Under 50,000 SF	7,367	112,178,576	1,410,952	2.8%	45,091	-63,651	337,537	1,105,389	4.0%
50,000 to 99,999 SF	1,033	67,426,306	2,364,846	4.8%	-382,018	-836,018	128,814	1,246,596	7.1%
100,000 to 149,999 SF	519	56,482,563	1,017,168	7.8%	-372,425	-878,489	389,228	1,097,651	10.6%
150,000 to 199,999 SF	272	42,656,129	1,739,684	10.2%	-208,270	-1,077,719	718,864	1,784,369	12.8%
Under 200,000 SF	9,191	278,743,574	6,532,650	5.4%	-917,622	-2,855,877	1,574,443	5,234,005	7.4%
200,000 to 349,999 SF	367	92,198,878	6,818,704	6.2%	238,781	-156,503	1,536,200	3,022,897	9.0%
350,000 to 499,999 SF	216	88,945,803	1,778,878	6.3%	-759,312	-3,424,543	460,805	1,677,093	11.3%
500,000 to 749,999 SF	151	91,896,009	3,624,555	3.0%	-975,628	-2,622,703	0	0	6.0%
750,000 to 999,999 SF	79	64,912,021	925,362	3.8%	814,822	-106,892	814,822	2,372,122	8.3%
1 MSF+	112	97,173,325	5,446,308	4.9%	6,596,448	15,107,937	7,896,992	18,447,240	4.9%
Over 200,000 SF	925	435,126,036	18,593,807	4.9%	5,915,111	8,797,296	10,708,819	25,519,352	7.8%
Inland Empire	10,116	713,869,610	25,126,457	5.1%	4,997,489	5,941,419	12,283,262	30,753,357	7.7%

Source: Newmark Research

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.

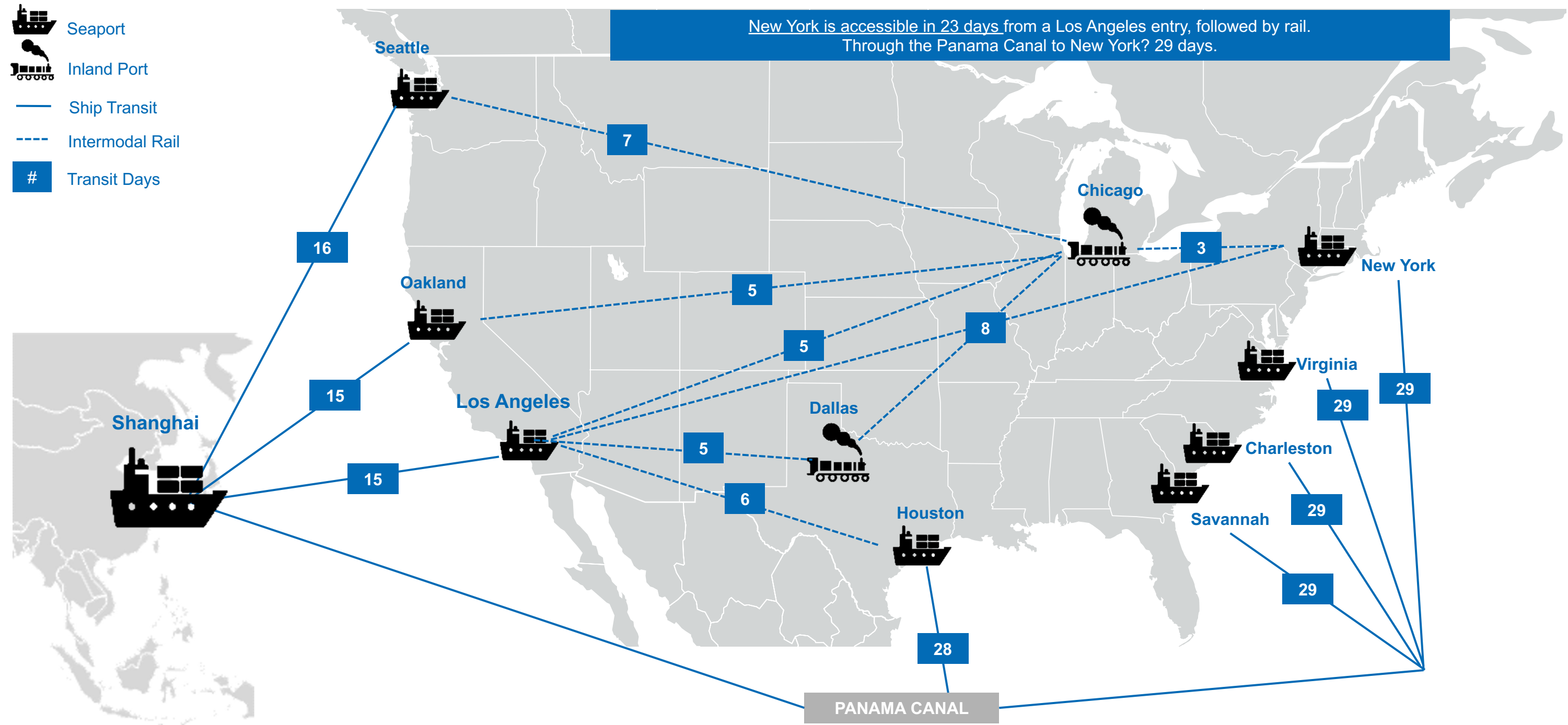
Major U.S. Seaports: 2022 TEU Volume (All Containers: Loaded and Empty)



Source: Newmark Research, Individual Seaports

Why Los Angeles-Long Beach?

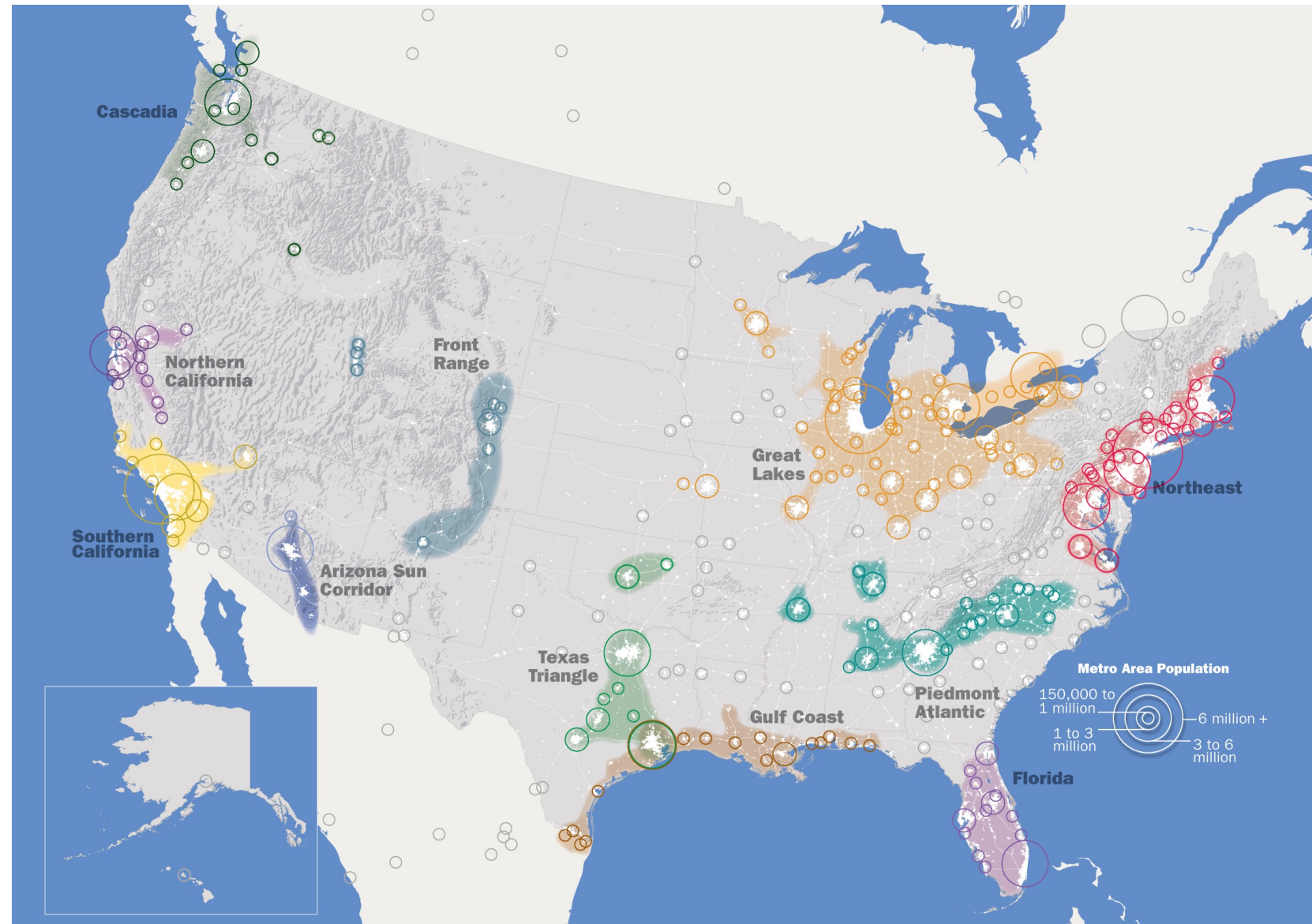
In a normal environment, shorter transit time from Shanghai. Double-stack rail connectivity allows distributors to touch multiple U.S. markets, which is more cost-effective.



Source: Newmark Research, IMS Worldwide

Population of Megaregions: Past and Projected

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



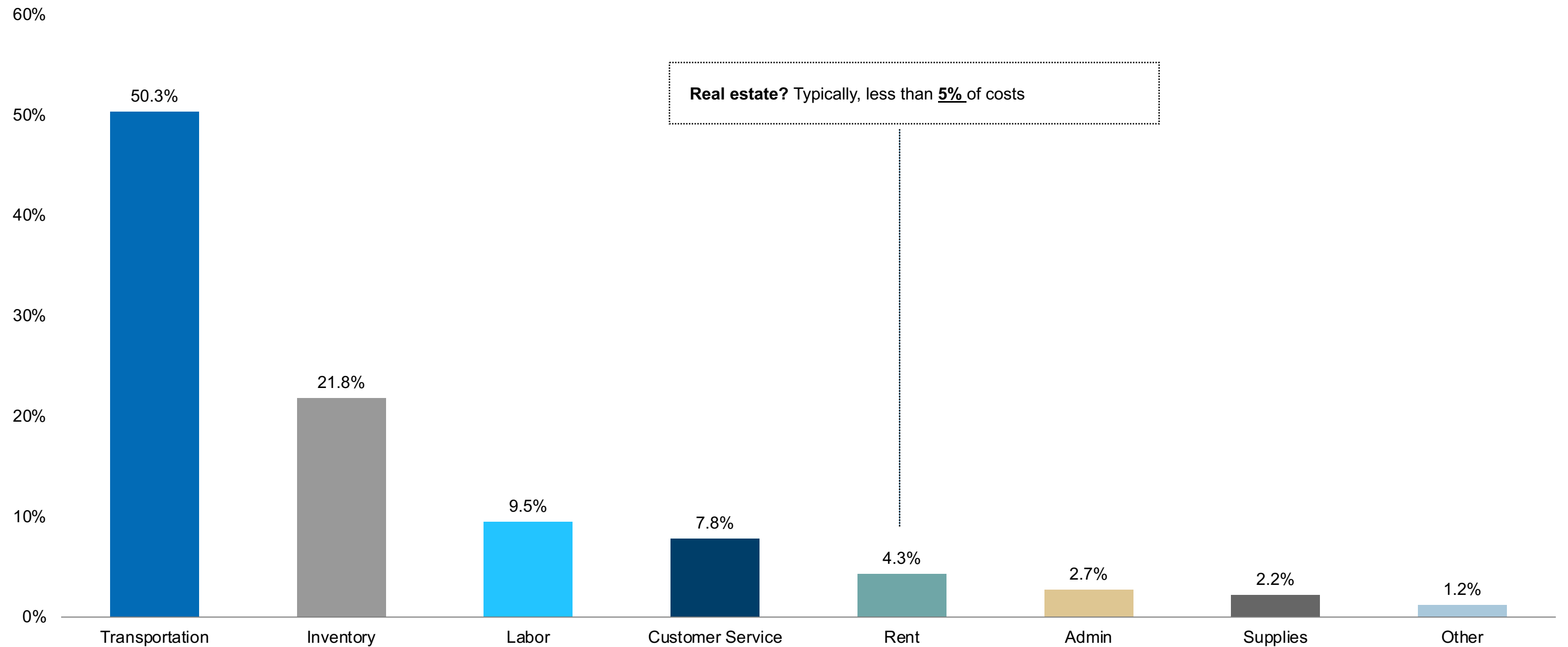
Megaregion	2010 Population	2025 Pop. Est.
Arizona Sun Corridor	5.7M	7.8M
Cascadia	8.4M	8.8M
Florida	17.3M	21.5M
Front Range	5.5M	7.0M
Great Lakes	55.6M	60.7M
Gulf Coast	13.4M	16.3M
Northeast	52.3M	58.4M
Northern California	14.0M	16.4M
Piedmont Atlantic	17.6M	21.7M
Greater Southern California	24.4M	29.0M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

Source: U.S. Census Bureau

Transport Costs Are the Biggest Expenditure for Most Warehouse Occupiers

Before the pandemic, the average was just over 50%.

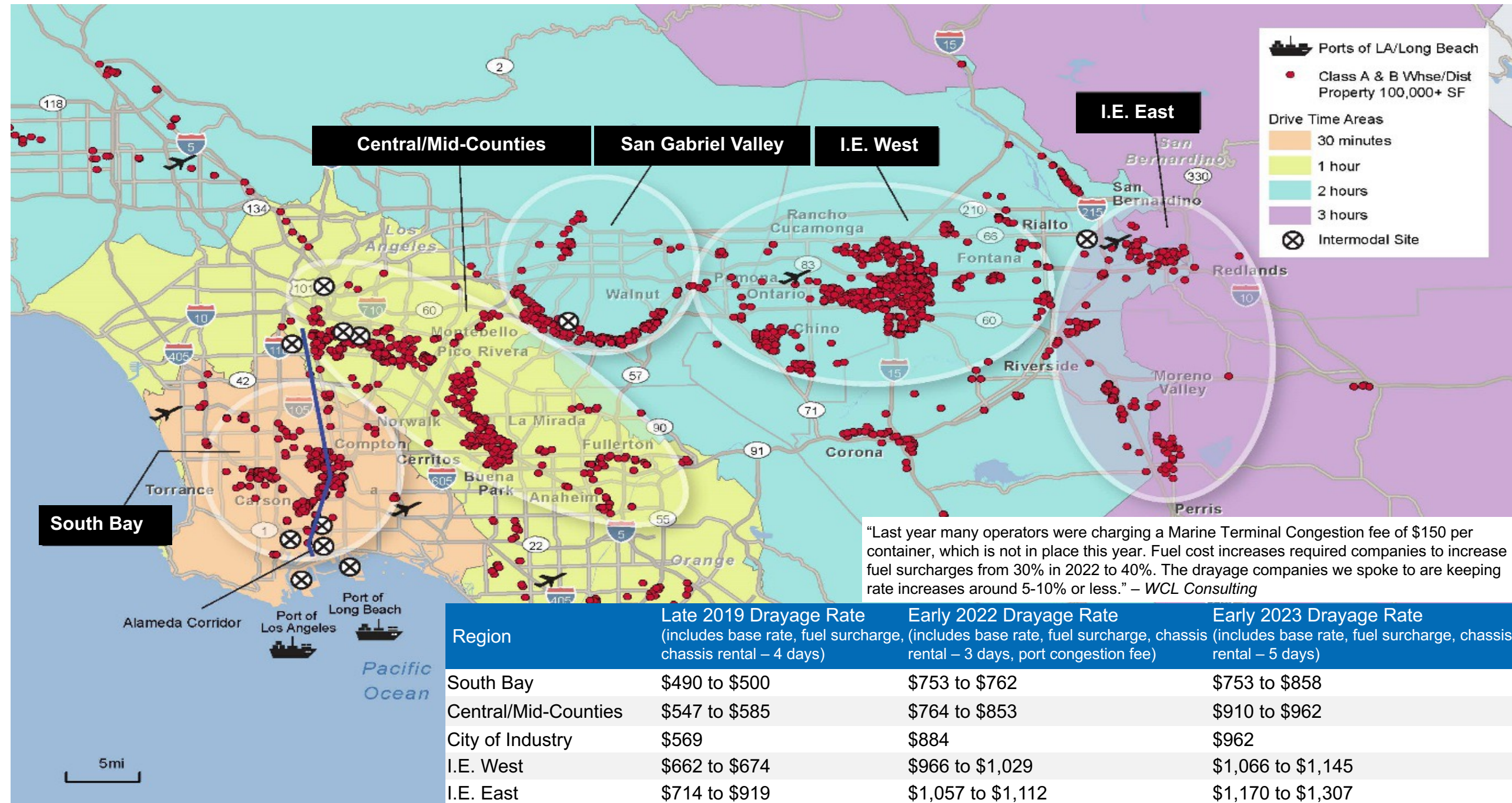
Cost Splits for the Average Warehouse Occupier



Source: Newmark Research, Exchange Inc. Logistics Cost & Service Report
Note: These ratios do not apply to all industries. 3PLs, for instance, are highly rent-sensitive.

Transport Costs per TEU Container

Drayage costs increase the further an occupier is from the ports.



Source: Newmark Research, WCL Consulting, Inc.

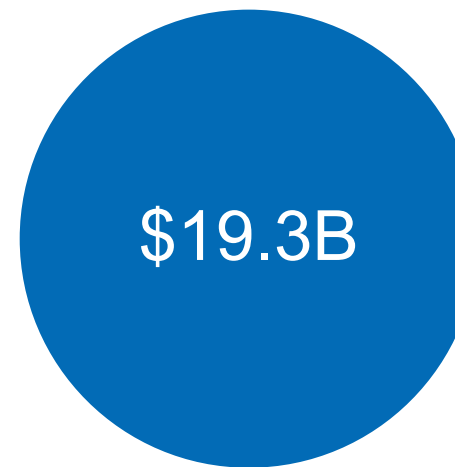
Note: The drayage rates are roundtrip base rates to haul a container from the Ports of Long Beach or Los Angeles and return it after unloading. Assumptions: 1) Annual volume: 5,000 x 40' containers per year; 2) Commodity: Consumer Goods/Non-Hazardous; 3) Origins: Ports of Los Angeles and Long Beach Marine Terminals.

Amazon Is the Inland Empire's Top Occupier and Employer

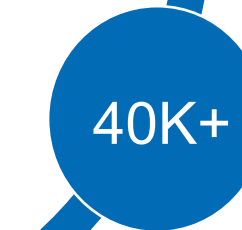
The e-tailer took occupancy of a multi-story facility in Ontario, totaling 4.1 MSF, in 2023.



Amazon's investment in the Inland Empire since 2010



500,000+ SF centers (opened and planned)



Jobs created

- The e-commerce giant opened an air gateway at March Air Reserve Base in 2018 and received clearance for up to six flights a day. The facility supplements its operations at Ontario International Airport (ONT).
- ONT moved 851,924 tons of freight in 2022, up 8.9% from 2019. The airport is ranked as one of the nation's busiest in outbound shipments, which is supporting e-commerce trade. Freight volumes will grow as e-commerce spending rises.
- The Inland Empire is the perfect environment for more large-box fulfillment centers. Approximately 30.3 million consumers can be reached within a 5.0-hour drive time.
- Amazon finished work on a 658,000-SF facility at San Bernardino International Airport for its Western air freight hub, which has the capacity to support up to 14 daily flights. The company also took occupancy of its multi-story, 4.1-MSF facility near the Chino Airport this quarter.
- Amazon Air currently has 90 cargo aircrafts with scheduled flights to 53 U.S. airports.

Source: Newmark Research, Amazon, Ontario International Airport, Statistica, Tech Crunch, FreightWaves, Daily Bulletin, San Bernardino Sun

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