

FIGURES | INLAND EMPIRE OFFICE | Q2 2026

Vacancy increases as tenant consolidation and slower leasing weigh on the Inland Empire Office Market

▲ 6.6%

Vacancy Rate

▼ (150,000)

SF Net Absorption

▶ 0

SF Construction Delivered

▶ 0

SF Under Construction

▲ \$2.28

FSG/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

The Inland Empire office market softened in Q2 2026, as tenant consolidation and prolonged decision-making timelines weighed on fundamentals for a second consecutive quarter. Net absorption fell to negative 150,000 sq. ft. as occupiers continued to reassess their space needs and leasing velocity slowed. With space returning to the market faster than it could be absorbed, vacancy rose 60 basis points quarter-over-quarter to 6.6% and availability climbed 90 basis points from 8.4% in Q1 2026 to 9.3% in Q2 2026.

Leasing activity declined 32.5% quarter-over-quarter to 128,000 sq. ft. across 35 transactions, as occupiers grew more selective and average deal sizes contracted. The flight to quality remained a defining theme of the quarter, with demand heavily concentrated in Class A assets, which captured nearly 65% of all leasing activity as occupiers took advantage of newly available premium space to upgrade their footprints.

Despite the quarterly softening, landlords continued to push pricing higher. The average asking lease rate increased \$0.04 quarter-over-quarter from \$2.25 FSG per sq. ft. per month in Q1 2026 to \$2.28 FSG per sq. ft. per month in Q2 2026, as large landlords held firm on pricing across premium assets, effectively anchoring the market's rent floor. With construction at a standstill, the Inland Empire retained its position as the tightest office market in the United States.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy

Overall vacancy in the Inland Empire office market rose 60 basis points quarter-over-quarter, from 6.0% in Q1 2026 to 6.6% in Q2 2026. The increase was driven by seven move-outs exceeding 10,000 sq. ft. that collectively returned 107,500 sq. ft. to the market, following the 72,300 sq. ft. added in Q1 2026. The increase reflected slowing leasing velocity as occupiers grew increasingly selective amid a limited supply of quality options and few affordable alternatives.

Vacancy increased across all asset classes, Class A and Class B each rose 70 basis points quarter-over-quarter to 7.4% and 7.5%, respectively. Class C vacancy increased modestly by 50 basis points to 2.9%, supported by the relative stability of affordability-driven demand.

By submarket, the Inland Empire East posted a 60 bps increase quarter-over-quarter to 5.5% in Q2 2026, while the Inland Empire West rose 70 bps to 8.6% in Q2 2026. Of the 157,000 sq. ft. of the vacant space returned to the market, approximately 85,000 sq. ft. was concentrated in the City of Riverside. Availability followed a similar trajectory, with the Inland Empire East rising from 4.9% in the prior quarter to 5.5% this quarter and the Inland Empire West climbing from 7.9% to 8.6% quarter-over-quarter. Despite the quarterly uptick, overall vacancy and availability across the Inland Empire remain low by historical standards, reinforcing the market’s underlying stability.

Asking Rent

Asking lease rates in the Inland Empire office market increased for the fourth consecutive quarter, rising \$0.04 quarter-over-quarter and \$0.20 year-over-year to \$2.28 FSG per sq. ft. per month in Q2 2026. With limited quality options and few cost-effective alternatives, occupiers faced a constrained leasing environment that extended decision-making timelines and gave landlords little incentive to reduce pricing. Demand continued to be led by government and county entities, service organizations, and nonprofits, while industrial occupiers emerged as a growing source of activity, increasingly seeking dedicated office space to support expanding administrative functions and adding a new layer of demand to an already supply-constrained market.

Across asset classes, Class A led gains with asking rates reaching \$2.54 FSG per sq. ft. per month this quarter, up from \$2.41 FSG per sq. ft. per month in Q2 2025, while Class B posted the strongest year-over-year growth of all segments, rising \$0.26 to \$2.09 FSG per sq. ft. per month. Class C remained largely flat, easing slightly to \$1.59 FSG per sq. ft. per month, as limited inventory and affordability-driven demand left little room for meaningful rate movement in either direction.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

Net Absorption

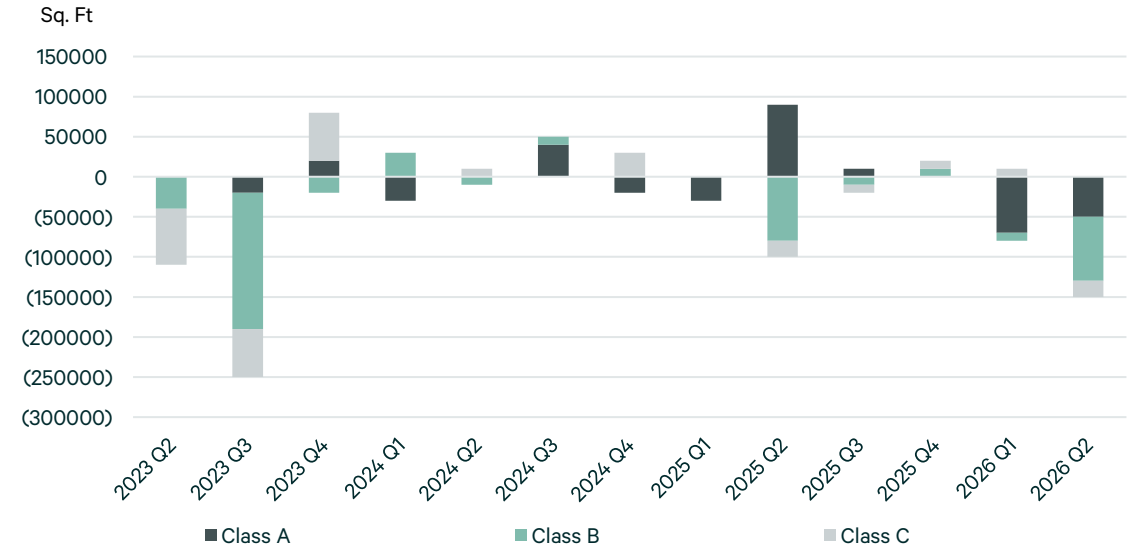
The Inland Empire office market recorded negative 150,000 sq. ft. of net absorption in Q2 2026, a decline of 85,000 sq. ft. from the negative 65,000 sq. ft. posted in Q1 2026, as accounting and insurance tenants continued to shed space in response to more permanent remote and hybrid work arrangements. The pullback was driven primarily by the Inland Empire East, where net absorption fell from negative 12,400 sq. ft. in Q1 2026 to negative 93,400 sq. ft. this quarter, accounting for more than 95% of the market's quarter-over-quarter contraction. The Inland Empire West, by contrast, held relatively stable with net absorption moving modestly from negative 52,300 sq. ft. to negative 56,300 sq. ft. quarter-over-quarter, a resilient outcome considering the submarket absorbed the majority of newly vacated space this quarter while simultaneously capturing over 70% of leasing activity.

By asset class, Class A absorption improved from negative 72,300 sq. ft. in Q1 2026 to negative 52,000 sq. ft. in Q2 2026, as the quarter's leasing activity was heavily concentrated in premium assets. As higher-quality space became available, occupiers took the opportunity to upgrade, gravitating toward Class A product and leaving behind Class B and Class C space. Class B led the decline, swinging from negative 6,000 sq. ft. in Q1 2026 to negative 75,400 sq. ft. in Q2 2026, as the volume of space returned to the market far exceeded new leasing activity in this asset type. Class C followed a similar pattern, shifting from positive 13,700 sq. ft. in Q1 2026 to negative 22,200 sq. ft. in Q2 2026. With Class C assets capturing just 5% of leasing activity during the quarter, even a modest number of move-outs was sufficient to push absorption negative in a segment where affordability typically supports greater occupancy stability.

Construction Activity

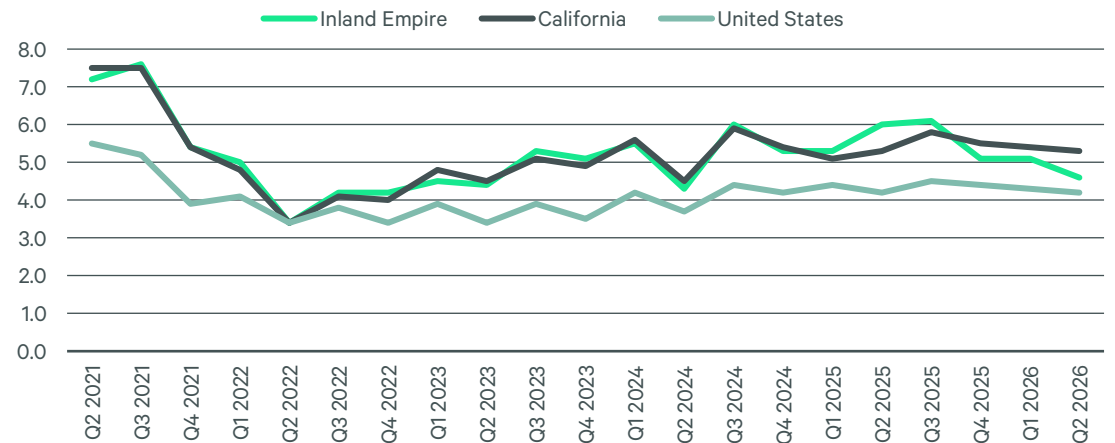
No new construction delivered or broke ground in the Inland Empire office market in Q2 2026, a trend that has persisted for over a decade. With development at a standstill, the existing inventory base remained unchanged, keeping supply constrained and reinforcing the region's historically tight market conditions. Unlike neighboring coastal markets, where office-to-residential conversions have emerged as a growing response to elevated vacancy, the Inland Empire has seen little appetite for conversion activity. With vacancy remaining the lowest in the nation and more affordable developable land available throughout the region, conversion is neither an economic necessity nor a practical alternative, leaving ground-up development as the more viable path forward when market conditions eventually support new supply.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 5: Unemployment Rate (%)



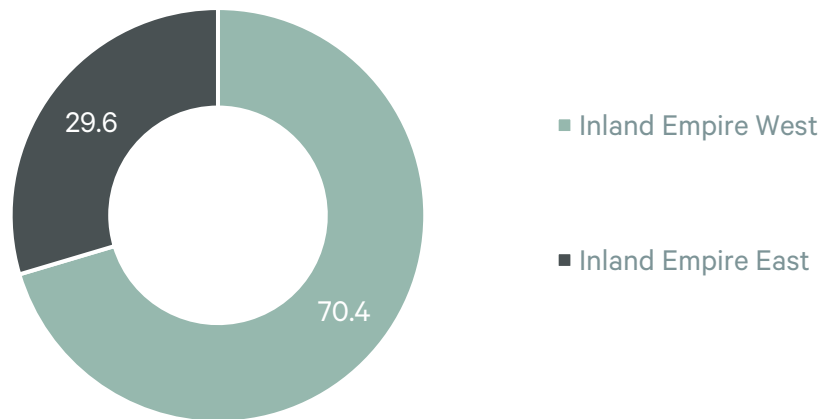
Source: U.S Bureau of Labor Statistics

Leasing Activity

Leasing activity in the Inland Empire office market softened in Q2 2026, totaling 128,000 sq. ft. across 35 transactions, a 32.5% decline from the 189,553 sq. ft. recorded last quarter. Despite the slowdown, demand remained concentrated on higher-quality properties. Class A assets captured nearly 65% of all leasing volume, with 82,046 sq. ft. across 22 deals, while Class B properties recorded 40,160 sq. ft. across 10 transactions. Class C accounted for just 5% of quarterly activity, with three leases totaling 6,025 sq. ft. completed during the quarter, reinforcing the ongoing flight-to-quality even as overall market activity moderated.

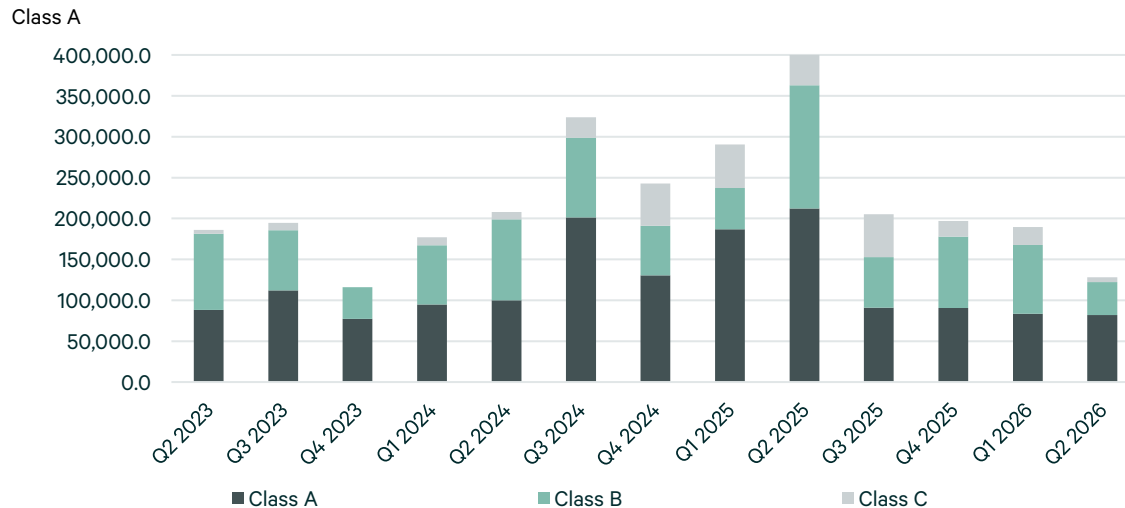
Leasing momentum continued to shift toward smaller transactions as occupiers remained cautious in their space commitments. Only nine deals exceeding 5,000 sq. ft. were completed in Q2 2026, down from 10 last quarter and well below the 22 recorded in Q2 2025. Larger leases grew increasingly rare, with just two transactions above 20,000 sq. ft. completed year-to-date in 2026, compared with four during the first half of last year. At the same time, leasing velocity slowed as tenants took longer to make occupancy decisions, reflecting a growing disconnect between tenant requirements and the space currently available in the market. Occupiers seeking premium, well-located space continued to face limited availability, while cost-conscious tenants encountered a shortage of quality options at lower price points. This imbalance between supply and demand has created additional friction in the leasing process, extending transaction timelines and contributing to a more measured pace of leasing activity across the Inland Empire office market.

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
United HealthCare Services	26,000	Renewal	3990 Concours	Inland Empire West
Innovative Metal Industries	18,000	New Lease	625 E Carnegie Dr	Inland Empire East
Confidential Tenant	9,000	New Lease	4150 Concours St	Inland Empire West
HORIZON HOBBY	9,000	New Lease	10681 Foothill Blvd	Inland Empire West
Acco Engineering Systems	6,000	New Lease	3990 Concours	Inland Empire West
Penske Logistics LLC	5,000	Renewal	2280 Wardlow Cir	Inland Empire East
Baron Financial & Insurance Services	5,000	Renewal	3633 Inland Empire Blvd	Inland Empire West

Source: CBRE Research, Q2 2026

Market Statistics by Class

Figure 9:

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	9.35M	7.2	11.6	10.7	0.9	2.54	(52,000)	(124,000)	-	-
Class B	10.63M	7.5	9.5	8.5	1.0	2.09	(75,000)	(81,000)	-	-
Class C	4.44M	2.9	3.7	3.5	0.2	1.59	(22,000)	(9,000)	-	-
Total	24.42M	6.6	9.3	8.5	0.8	2.28	(150,000)	(214,000)	-	-

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 10:

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Inland Empire East	15.63M	5.5	7.5	7.4	0.1	2.16	2.48	(93,000)	(106,000)	-	-
Inland Empire West	8.79M	8.6	12.4	10.4	2.0	2.42	2.60	(56,000)	(109,000)	-	-
Total	24.42M	6.6	9.3	8.5	0.8	2.28	2.54	(150,000)	(214,000)	-	-

Source: CBRE Research, Q2 2026

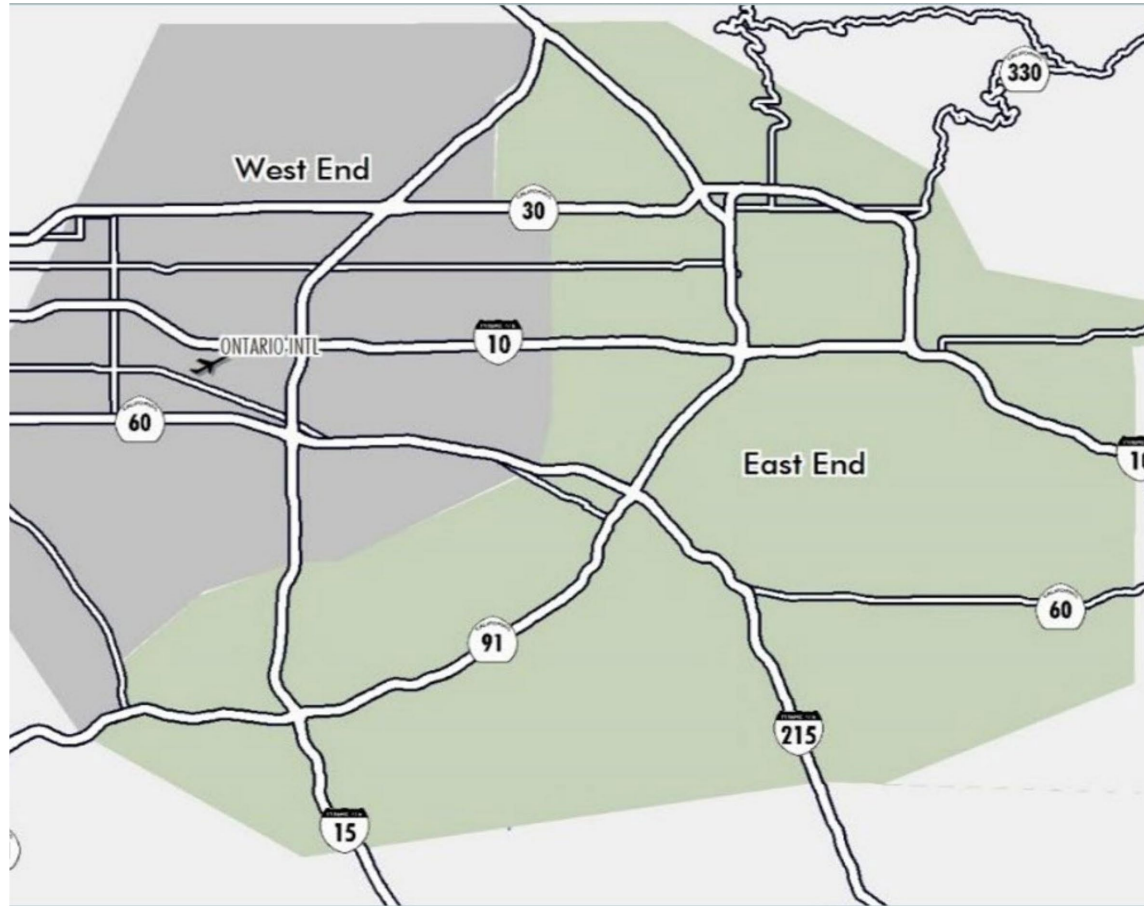
Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

Despite a slower first half of 2026, the Inland Empire office market remains well positioned to regain momentum as macroeconomic uncertainty begins to ease. As occupiers gain greater clarity on the economic outlook, occupiers who deferred leasing decisions are expected to re-enter the market, supporting a healthier pace of leasing activity through the second half of the year. The region continues to benefit from a distinct competitive advantage, offering high-quality office product at a meaningful discount to neighboring coastal Southern California markets. Combined with stable government occupiers, growing demand from industrial occupiers backfilling office space to accommodate administrative functions, and no new construction in the pipeline, these dynamics are expected to support stable fundamentals and reinforce the Inland Empire's standing as the nation's tightest office market.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Vacant Available Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all Class A and B multi-tenant office projects 10,000 sq. ft. and larger, excluding government, medical, and owner-user buildings. Excludes buildings Under Construction or Planned. Under construction buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Taylor Coyne

Research Director
taylor.coyne@cbre.com

Rick Cozart

Research Manager
rick.cozartii@cbre.com

Stephany Torrealba

Research Analyst
stephany.torrealba@cbre.com