

FIGURES | INLAND EMPIRE OFFICE | Q1 2026

Office fundamentals soften as slower leasing activity and large vacancies shape the market

▲ 6.1%

Vacancy Rate

▼ (99,600)

SF Net Absorption

▶ 0

SF Construction Delivered

▶ 0

SF Under Construction

▲ \$2.23

FSG/MTH Direct Lease Rate

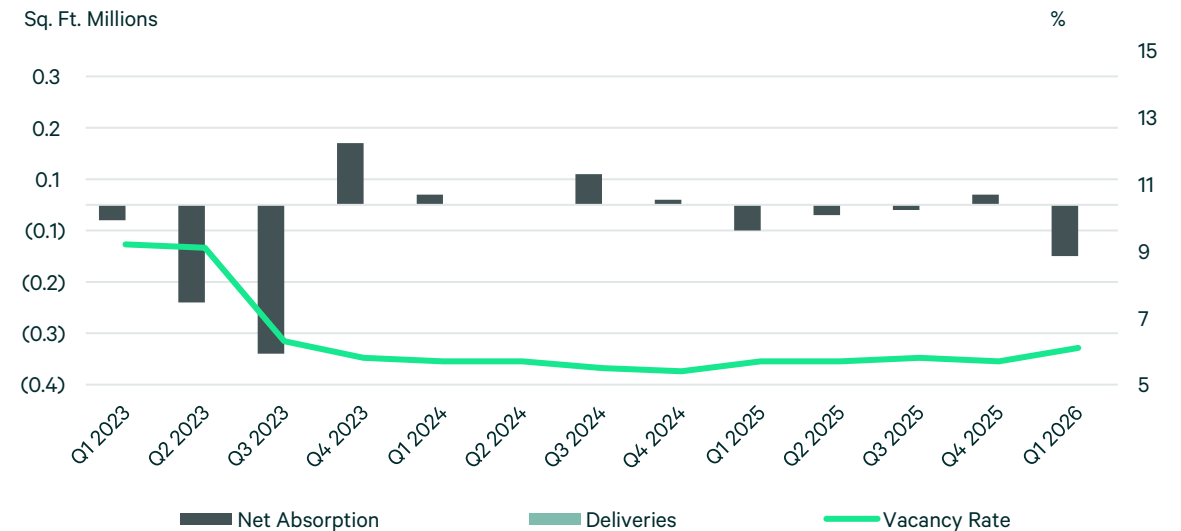
Note: Arrows indicate change from previous quarter.

Market Overview

The Inland Empire (IE) office market softened in Q1 2026 as slower leasing activity and an influx of large vacancies drove net absorption to negative 99,600 sq. ft. this quarter, representing a 115,000 sq. ft. reversal from Q4 2025. Vacancy increased modestly, ticking up 40 basis points from 5.7% in Q4 2025 to 6.1% in Q1 2026, with the rise concentrated primarily in Class A assets as larger, more sophisticated tenants continued to right-size their footprints and reduce space usage. Availability followed a similar trend, increasing 40 basis points quarter-over-quarter to 8.6%, though it remained roughly 200 basis points below levels recorded in Q1 2023. Despite softer demand, average asking rents increased \$0.03 quarter-over-quarter to \$2.23 FSG per sq. ft. per month in Q1 2026, supported by the addition of large Class A spaces with above-average asking rates entering the market.

The Inland Empire continued to stand out as the only regional metro posting a single-digit vacancy rate, well below the national average. Continued demand from government, education, healthcare, and industrial administrative users, combined with the absence of new construction, strong economic fundamentals, and proximity to coastal markets, continues to support the IE office market's long-term stability through 2026.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

Overall vacancy in the Inland Empire office market increased modestly in Q1 2026, reflecting the impact of several large move-outs rather than broad-market weakness. Vacancy rose 40 bps quarter-over-quarter from 5.7% in Q4 2025 to 6.1% in Q1 2026, driven primarily by six new availabilities exceeding 9,000 sq. ft. that collectively added 72,300 sq. ft. of vacant space to the market, highlighting the meaningful impact large move outs in a relatively small market. The increase was heavily concentrated in Class A assets, which accounted for nearly 90% of newly vacant space, as national and institutional tenants continued to reassess space needs and downsize footprints. As a result, Class A vacancy rose sharply by 90 bps from 6.0% in Q4 2025 to 6.9% this quarter, while Class B vacancy increased a modest 20 bps quarter-over-quarter to 7.0% in Q1 2026. This shift significantly narrowed the vacancy gap between Class A and Class B buildings to just 10 bps, down from a 90-bps spread in Q1 2025.

By submarket, Inland Empire West led the increase in vacancy in Q1 2026, driven by sizable move outs in Rancho Cucamonga and Ontario that added a combined 79,900 sq. ft. of vacant space to the market. Vacancy in the IE West rose from 7.3% in Q4 2025 to 8.2% in Q1 2026, while availability increased by 140 bps to 11.8%. In contrast, the IE East remained comparatively stable, with vacancy edging up 10 bps quarter-over-quarter to 4.9% this quarter, while availability declined slightly by 10 bps from 7.0% in Q4 2025 to 6.9% in Q1 2026. 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

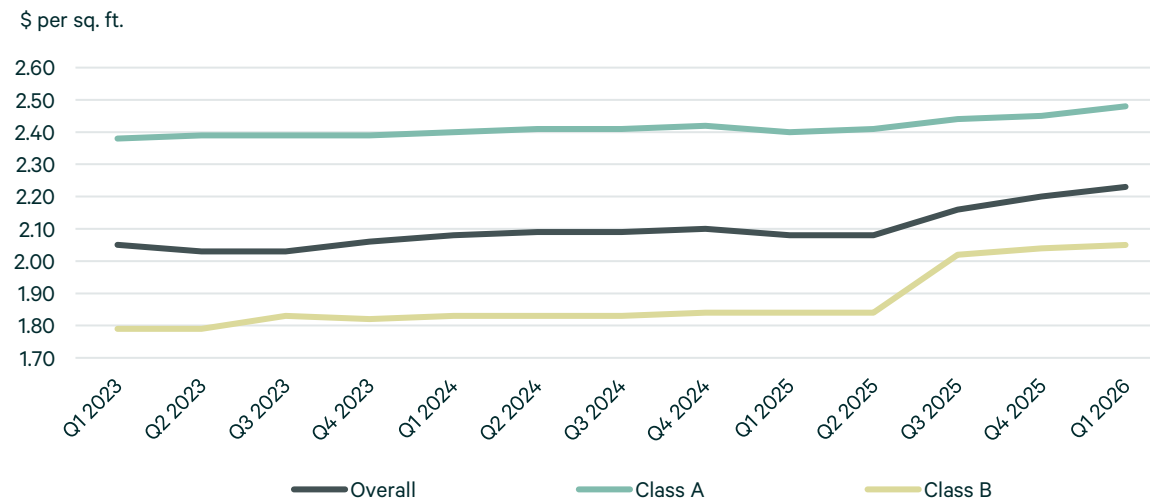
Asking lease rates in the Inland Empire office market continued to trend upward in Q1 2026, supported by a higher share of premium space entering the market. The average direct asking lease rate increased by \$0.03 per sq. ft. quarter-over-quarter, rising from \$2.20 FSG in Q4 2025 to \$2.23 FSG. Class A properties climbed from \$2.45 FSG in Q4 2025 to \$2.48 FSG per sq. ft. in Q1 2026. Class B asking rents also increased \$0.01 quarter-over-quarter to \$2.05 FSG per sq. ft. this quarter, while Class C rates recorded a sharper quarterly increase of \$0.09 per sq. ft., rising from \$1.53 FSG in Q4 2025 to \$1.62 FSG per sq. ft. in Q1 2026, though remaining relatively flat year-over-year. The overall increase in asking lease rates was largely driven by the addition of large Class A availabilities with above-average pricing, which lifted the market’s weighted average, while limited newly listed Class C supply contributed to modest upward pressure at the lower end of the market.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q1 2026

Net Absorption

The Inland Empire office market experienced a notable quarter-over-quarter decline in net absorption in Q1 2026, reversing prior momentum as leasing activity slowed and tenants reduced their space footprints. Net absorption fell to negative 99,600 sq. ft., down from positive 15,100 sq. ft. in Q4 2025, marking a 115,000 sq. ft. reversal. The decline was driven primarily by a wave of large-format space entering the market as accounting and insurance tenants continued to right-size footprints, consistent with a rolling slowdown in leasing activity observed over the past three-quarters. Submarket performance was uneven, with the Inland Empire West accounting for negative 81,900 sq. ft. of net absorption this quarter. Inland Empire East also shifted into negative territory, posting negative 17,685 sq. ft. of net absorption in Q1 2026 from 3,300 sq. ft. in Q4 2025, as approximately 19,000 sq. ft. of space was also returned to the market.

By asset class, Class A buildings drove the contraction, posting negative net absorption of 84,000 sq. ft. in Q1 2026, compared with negative 44,100 sq. ft. in the prior quarter, reflecting the concentration of larger tenant move-outs in high quality buildings as tenants continue to adopt hybrid work strategies that result in smaller overall footprints even when maintaining a preference for Class A assets. Class B absorption also turned negative at 22,400 sq. ft., reversing from positive 9,000 sq. ft. last quarter. In contrast, Class C assets remained resilient, recording positive net absorption of 6,900 sq. ft., though down from 10,600 sq. ft. in Q4 2025, supported by competitive pricing and steady demand from smaller, locally based tenants. As availability increases across higher-quality assets, the market is expected to see renewed interest from medical, industrial, and administrative users seeking well-located office space, which should support strong leasing activity during 2026.

Construction Activity

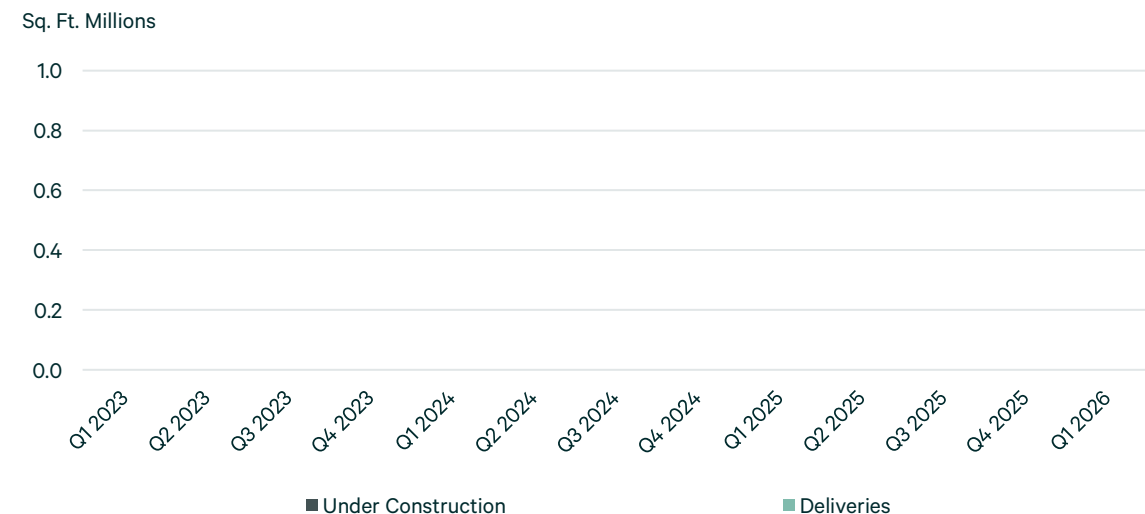
While the Inland Empire continued to attract strong demand as a cost-effective alternative to coastal markets, rental rates have not kept pace with rising construction costs, constraining new development and resulting in limited office supply growth for over a decade.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

Leasing Activity

Leasing activity softened in Q1 2026, totaling 156,700 sq. ft., a 21% decline from the 199,140 sq. ft. recorded in the prior quarter and a 45% decrease year-over-year from 284,377 sq. ft. Class A properties captured the largest share of leasing activity at 74,260 sq. ft., followed by Class B assets with 62,210 sq. ft., while Class C properties accounted for the remaining 20,270 sq. ft. Deal sizes continued to trend smaller, with the average lease size declining to 3,500 sq. ft., down from 4,400 sq. ft. in Q4 2025 and 5,300 sq. ft. one year ago, as tenants prioritized efficiency and flexibility.

By submarket, the Inland Empire East took the lead with 97,500 sq. ft. of leasing activity across 22 transactions during the quarter. By comparison, Inland Empire West recorded 59,200 sq. ft. across 24 deals, reflecting a higher transaction count but smaller average deal sizes. Leasing in the IE East was weighted toward higher-quality assets, including approximately 27,000 sq. ft. of Class A and 18,000 sq. ft. of Class B space, reinforcing the continued demand for premium buildings even as overall market activity moderated.

Figure 6: Leasing Activity Trend



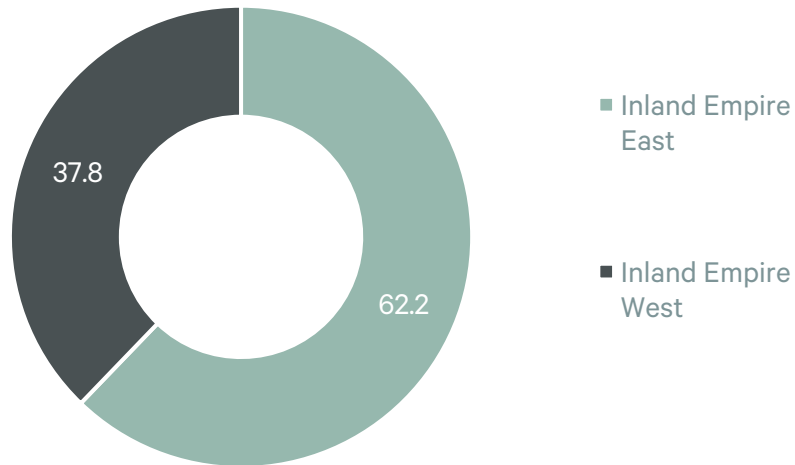
Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Stanbridge University	27,000	Renewal	1325 Spruce St	Inland Empire East
Ferguson Enterprises	18,000	New Lease	1860 Compton Ave	Inland Empire East
Confidential Tenant	14,000	Renewal	9411 Haven Ave	Inland Empire West

Source: CBRE Research, Q1 2026

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



Source: CBRE Research, Q1 2026

Market Statistics

Figure 9: Market Statistics by Class

Property Class	Net Rentable Area (MSF)	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	9.36	6.9	11.0	10.1	0.9	2.48	(84,000)	(84,000)	-	-
Class B	10.76	7.0	8.8	7.8	1.0	2.05	(22,000)	(22,000)	-	-
Class C	4.64	2.6	3.5	3.3	0.1	1.62	7,000	7,000	-	-
Total	24.76	6.1	8.6	7.8	0.8	2.23	(100,000)	(100,000)	-	-

Source: CBRE Research, Q1 2026

Figure 10: Market Statistic by Submarket

Submarket	Net Rentable Area (MSF)	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)
Inland Empire East	15.85	5.0	6.9	6.7	0.1	2.15	(18,000)	(18,000)	-	-
Inland Empire West	8.91	8.2	11.8	9.8	1.9	2.33	(82,000)	(82,000)	-	-
Total	24.76	6.1	8.6	7.8	0.8	2.23	(100,000)	(100,000)	-	-

Source: CBRE Research, Q1 2026

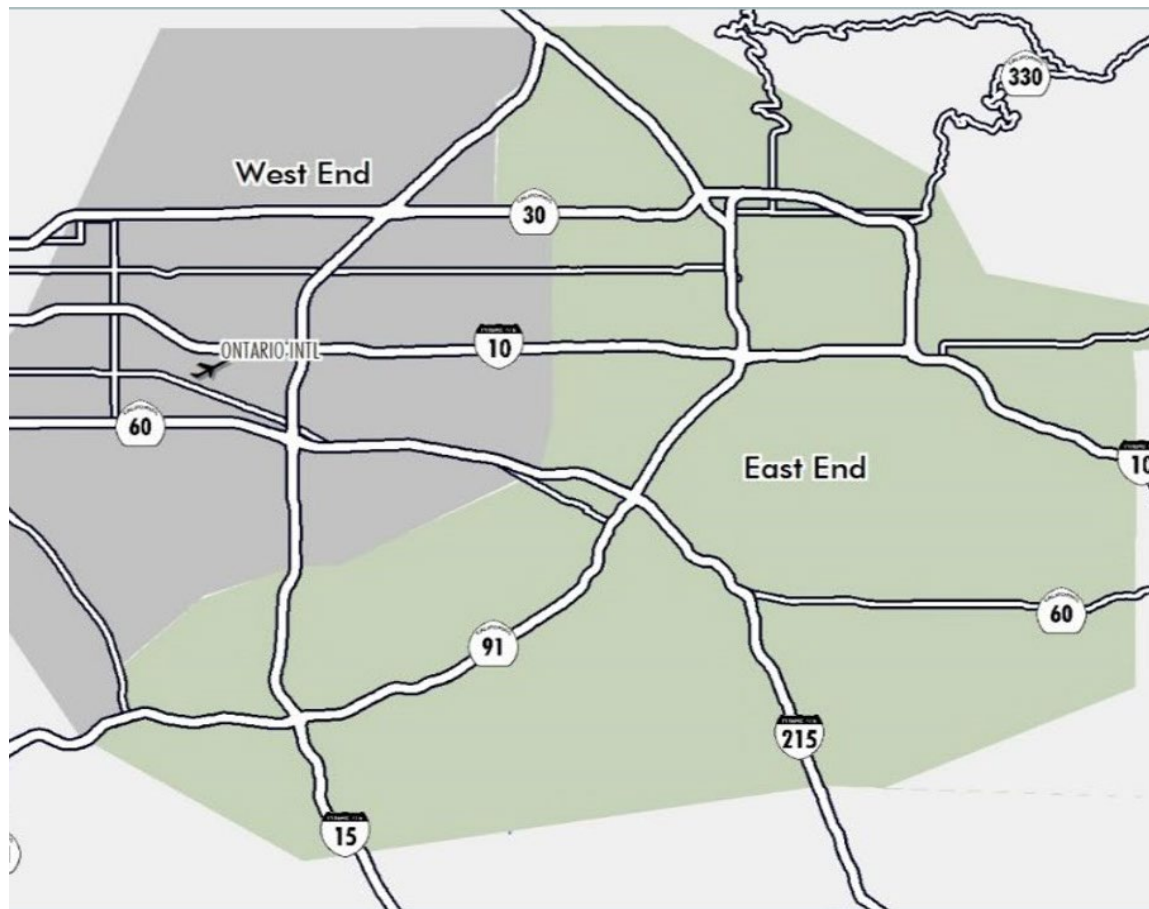
U.S. Economic Overview

The U.S. economy remains on solid footing five years into the current business cycle, even as headwinds continue to build. GDP growth is expected to average 2.1% in 2026, matching last year's pace and outperforming most advanced economies. A key differentiator is America's aggressive buildout of AI infrastructure — major technology companies are now investing nearly as much in data centers and related infrastructure as the entire residential construction sector, a scale of spending with few historical precedents. Even so, questions about the sustainability of AI-driven growth and its broader economic spillovers are unsettling both credit and equity markets.

The ongoing military conflict in the Middle East has emerged as a significant source of economic uncertainty. Disruptions to global energy supply through the Strait of Hormuz have contributed to elevated oil prices and added upward pressure to an inflation outlook that was already trending higher — headline inflation is now forecast to average 3.2% this year, up from the mid-2% range projected in February. The broader economic impact will depend largely on the duration and trajectory of the conflict, but even under more favorable scenarios, energy markets, shipping routes, and global supply chains would take considerable time to normalize.

The Inland Empire office market stands apart within Southern California, supported by sustained population inflows and pricing advantages that continue to draw tenants away from higher-cost coastal areas. Exceptionally low vacancy levels, resilient demand from public-sector and institutional users, and industrial occupiers increasingly backfilling office space to accommodate administrative functions, have created a favorable supply-demand environment. As economic uncertainty eases, interest rates trend downward, and trade policy conditions normalize, the region is positioned to capture growing attention from both occupiers and capital sources.

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: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

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

Stephany Torrealba

Research Analyst
Orange County, Inland Empire
Stephany.torrealba@cbre.com

Rick Cozart

Research Manager
Orange County, Inland Empire
Rick.cozartii@cbre.com