

FIGURES | INLAND EMPIRE INDUSTRIAL | Q2 2026

Vacancy falls and net absorption rebounds as new leasing activity surges to new high

▼ 7.4%

Vacancy Rate

▲ 4.3M

SF Net Absorption

▲ 1.2M

SF Construction Delivered

▲ 6.2M

SF Under Construction

▼ \$1.08

NNN/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

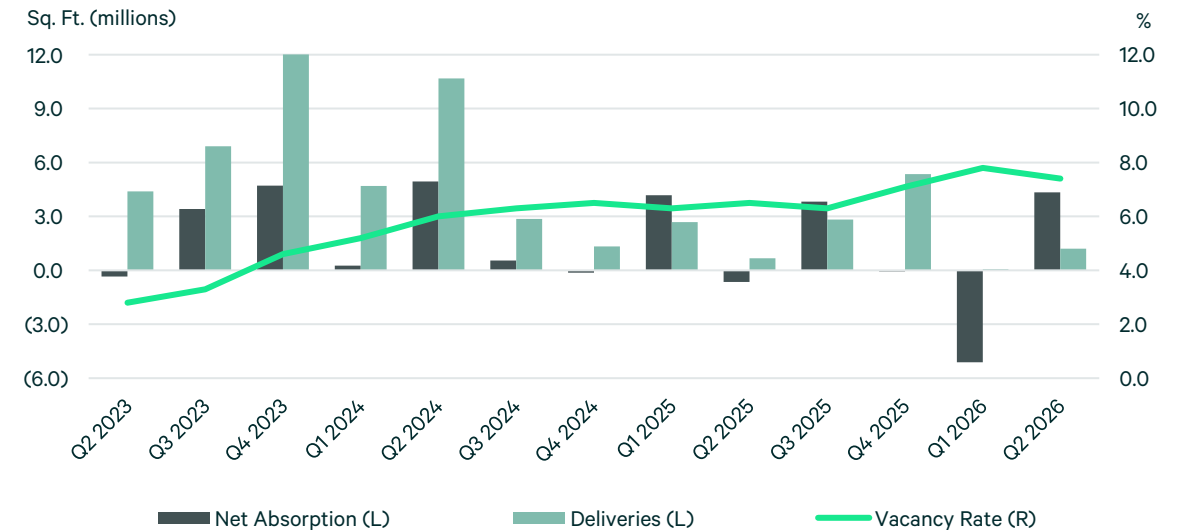
Market Overview

Alongside a rise in development activity across the Inland Empire (IE) industrial market, a surge in new leasing activity drove net absorption back to positive territory in Q2 2026, totaling 4.3 million sq. ft. in the IE Core (IE East and IE West). The rise in demand pushed vacancy down 40 basis points (bps) quarter-over-quarter to 7.4% in the IE Core even as taking lease rates softened, falling \$0.03 quarter-over-quarter to \$1.05 NNN per sq. ft. per month.

At the submarket level, IE East and IE West benefited from a lack of new speculative deliveries and rising demand for industrial space, fueling a 30 bps and 60 bps quarter-over-quarter vacancy decline to 9.0% and 5.9% respectively in Q2 2026. While taking lease rates held steady at \$0.94 NNN per sq. ft. per month in IE East, they fell \$0.03 to \$1.11 NNN per sq. ft. per month in IE West, returning to year-ago levels.

On the supply side, developer activity rose across the IE Core, with 3.5 million sq. ft. of new projects commencing, bringing the under-construction pipeline to 6.2 million sq. ft. in Q2 2026. With the new supply pipeline 41.3% below year-ago levels, future supply additions should be tempered as developers remained realistic about starting new projects.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Availability & Vacancy

Elevated availability continued to spur competition among landlords, which, paired with strong new leasing activity, drove availability down 30 bps quarter-over-quarter to 11.5% in the IE Core, though it remained 90 bps above year-ago levels. The IE East saw availability decline 80 bps quarter-over-quarter to 12.4% while the IE West’s availability rose 10 bps quarter-over-quarter to 10.7%.

On the sublease front, sublease availability in the IE Core dropped from 14.1 million sq. ft. in Q1 2026 to 10.4 million sq. ft. in Q2 2026 as subleasing momentum continued with 1.3 million sq. ft. of subleases signed, coupled with some landlords withdrawing large sublease listings and going direct instead.

Overall vacancy in the IE Core declined 40 bps quarter-over-quarter to 7.4% in Q2 2026, driven by rising demand for big box industrial. As vacant space within the 500,000 sq. ft. and above size range was leased across both submarkets, vacancy in this size range compressed 190 bps quarter-over-quarter to 6.3%. At the submarket level, the IE West saw vacancy decline 60 bps quarter-over-quarter to 5.9% compared to the IE East’s 30 bps decrease to 9.0%.

Asking Rent & Taking Rent

Asking lease rates decreased \$0.01, or 0.9%, quarter-over-quarter to \$1.08 NNN per sq. ft. per month in the IE Core, down \$0.05, or 4.4%, from year-ago levels, while taking lease rates fell \$0.03, or 2.8%, quarter-over-quarter to \$1.05 NNN per sq. ft. per month, down \$0.02, or 1.9%, from year-ago levels. A small gap of \$0.03 between asking and taking lease rates indicated that pricing expectations between landlords and occupiers were broadly aligned at the market level.

However, pricing expectations diverged across submarkets, with the IE West commanding a premium while the IE East remained the affordable alternative. In the IE West, asking lease rates averaged \$1.17 NNN per sq. ft. per month versus an average taking lease rate of \$1.11 NNN per sq. ft. per month, compared to an average asking lease rate of \$1.03 NNN per sq. ft. per month versus an average taking lease rate of \$0.94 NNN per sq. ft. per month in the IE East.

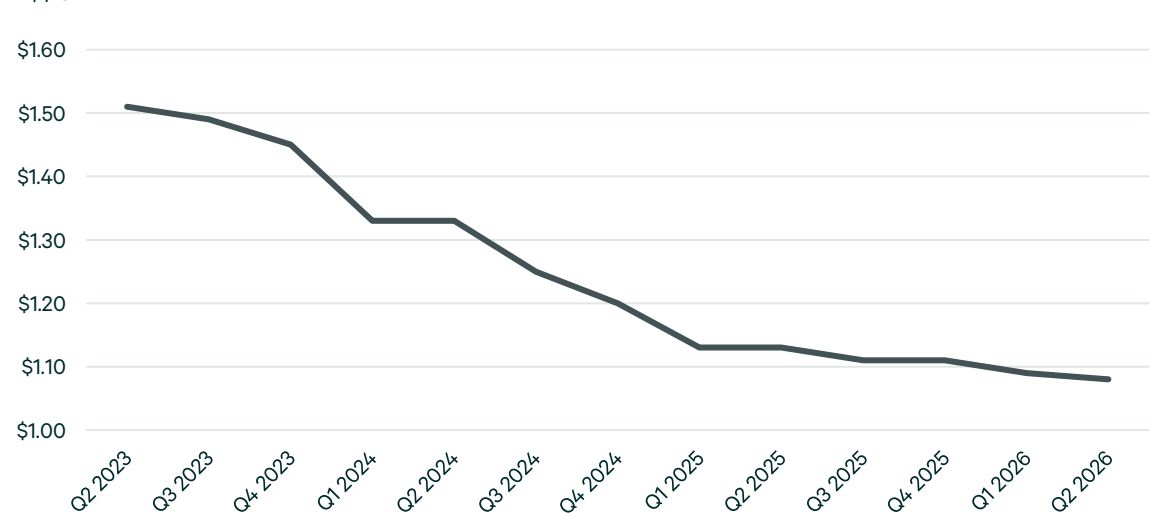
While elevated availability exacerbated competition between landlords to secure deals through cheaper lease rates in the IE East, the proximity of the IE West to major ports within Southern California helped lease rates remain stable. For investors and owners seeking lease rate stability, the IE West remains the preferred market while the IE East’s continued rate softening may present opportunities for cost-conscious occupiers who wish to enter the market.

Figure 2: Vacancy Rate



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate \$ / SF



Source: CBRE Research, Q2 2026

Net Absorption

In a reversal from the previous quarter’s 5.1 million sq. ft. of negative net absorption, an 18.2% rise quarter-over-quarter in bulk leasing within the 500,000 sq. ft. and above size range lifted net absorption back to positive levels in Q2 2026, totaling 4.3 million sq. ft. in the IE Core — 917,000 sq. ft. in IE East and 3.4 million sq. ft. in IE West. However, net absorption remained negative year-to-date, totaling 785,000 sq. ft.

While most of the negative net absorption recorded in Q1 2026 was driven by move-outs in older Class B buildings, the top three new lease transactions in Q2 2026 accounted for a combined 3.4 million sq. ft. of vacant Class A space coming off the market, highlighting the attractiveness of the best-in-class product among larger occupiers planning to commit long term in the market.

Among the various size ranges, only the 10,000–99,999 sq. ft. and 500,000 sq. ft. and above ranges posted positive net absorption in Q2 2026 across the IE Core, totaling 56,000 sq. ft. and 5.2 million sq. ft., respectively. Year-to-date, net absorption within these two size ranges remained positive, underscoring occupier demand for small-bay space alongside continued appetite for big box space, while the 100,000-249,999 sq. ft. and 250,000-499,999 sq. ft. have posted negative net absorption.

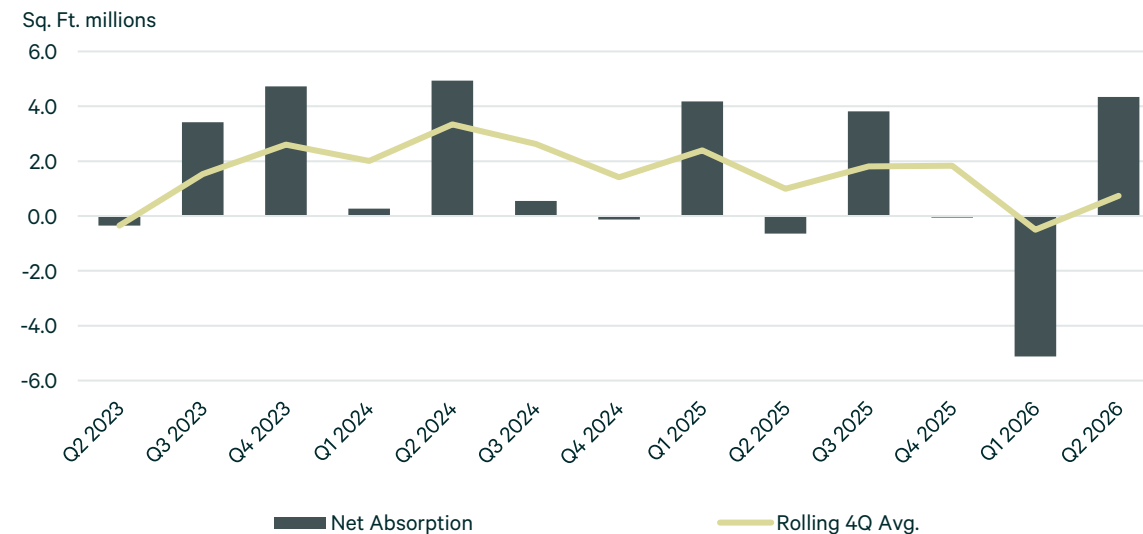
Construction Activity

Development activity picked up across the IE Core, with 3.5 million sq. ft. of new projects breaking ground and 1.2 million sq. ft. delivering in Q2 2026. The new supply pipeline stood at 6.2 million sq. ft., up 58.7% quarter-over-quarter, but still down 41.3% from the 10.5 million sq. ft. underway in Q2 2025.

Of the 3.5 million sq. ft. that commenced in Q2 2026, one million sq. ft. was tied to the Medline build-to-suit (BTS) development in Perris, while Phase II of The Hub in Ontario accounted for nearly 2.2 million sq. ft. Outside of the Medline BTS and the 620,000 sq. ft. Reyes Coca-Cola Bottling BTS underway in Rancho Cucamonga, the remaining 4.5 million sq. ft., or 73.4%, of projects underway were speculative. The IE Core's prelease rate stood at 26.6% in Q2 2026.

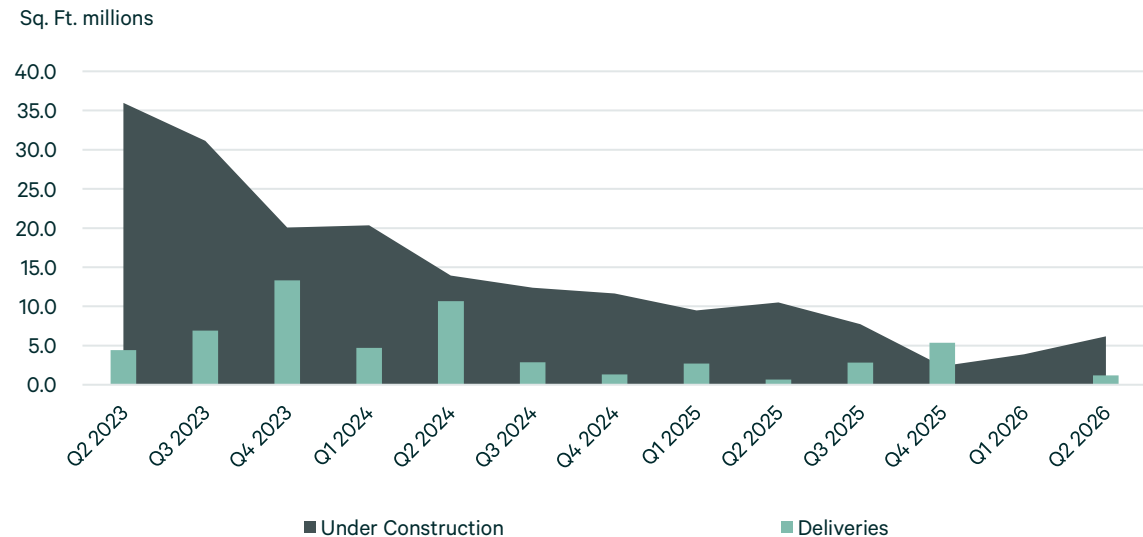
Looking ahead, development activity should be tempered by developers remaining realistic about the costs of undertaking new speculative projects. However, for occupiers seeking big box Class A space, tertiary cities outside of the IE Core, such as Menifee, may provide viable options through Core5 Industrial Partners’ Menifee Commerce Center and Brookfield Properties’ Menifee Valley Business Park (Phase I), which will bring nearly 3 million sq. ft. of Class A Industrial space by year-end 2026.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity



Source: CBRE Research, Q2 2026

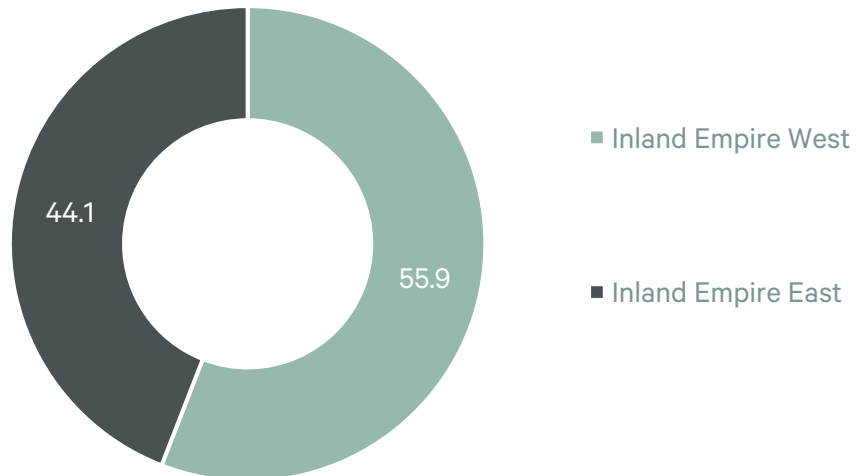
Leasing Activity

Spurred by major credit tenants committing to big box spaces across the IE Core, new leasing activity surged to a record high of 15.5 million sq. ft., rising 12% above the previous high of 13.9 million sq. ft. in Q1 2026 and up 41.7% from 10.9 million sq. ft. in Q2 2025. Logistics occupiers remained the most active users on the market, followed by retail and manufacturing users, as seen in previous quarters.

However, renewal activity declined 47.9% quarter-over-quarter to 4.5 million sq. ft. in Q2 2026, accounting for only 22.6% of the overall leasing volume (new leasing and renewals). Despite the decline in renewal activity, overall leasing volume still surpassed 20 million sq. ft. for the second consecutive quarter in 2026, totaling 20.1 million sq. ft., an 11.1% decrease quarter-over-quarter from 22.6 million sq. ft. in Q1 2026 but up 34.6% from 14.9 million sq. ft. in Q2 2025.

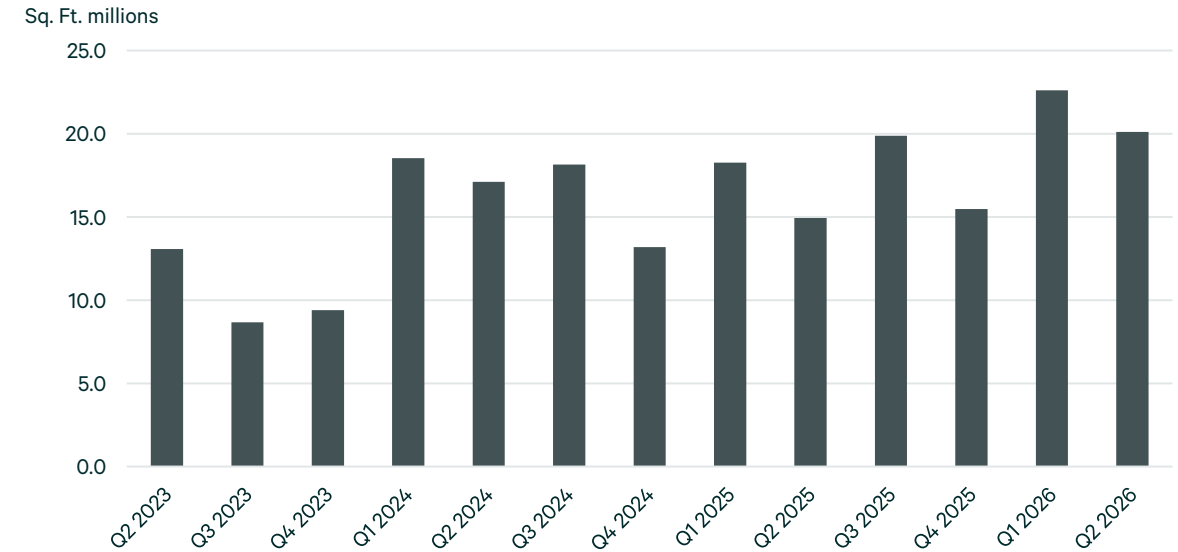
The IE West recorded 11.2 million sq. ft. in overall leasing volume in Q2 2026 compared to 8.9 million sq. ft. in the IE East. In both submarkets, renewal activity accounted for less than 25% of overall leasing volume, totaling 2.7 million sq. ft., or 23.8%, in the IE West and 1.8 million sq. ft., or 21.4%, in the IE East. Notably, the 500,000 sq. ft. and above size range dominated leasing activity once again, contributing 7.8 million sq. ft. in new leasing and 1.5 million sq. ft. in renewals.

Figure 7: Leasing Activity 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
Confidential Tenant	1,332,000	New Lease	24405 Krameria Ave	Inland Empire East
Confidential Tenant	1,287,000	New Lease	9253 Dreamland Dr	Inland Empire West
Centric Brands	831,000	New Lease	6207 Cajon Blvd	Inland Empire East
Creative Innovations	748,000	New Lease	5400 Shea Center Dr	Inland Empire West
Confidential Tenant	671,000	New Lease	7140 N Cajon Blvd	Inland Empire East
Confidential Tenant	657,000	New Lease	11850 Riverside Ave	Inland Empire West
Elogistek	617,000	New Lease	17335 Glen Helen Pkwy	Inland Empire East
Williams-Sonoma, Inc.	598,000	Renewal	6101 Sierra Ave	Inland Empire West

Source: CBRE Research, Q2 2026

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	625.12M	7.7	11.8	10.3	1.5	1.09	3.59M	(1.58M)	1.21M	6.17M
Manufacturing - General	40.65M	3.4	5.9	4.4	1.5	1.18	(74,000)	(36,000)	-	-
R&D/Flex	2.18M	4.8	11.7	2.9	8.8	1.03	(54,000)	(54,000)	-	-
Other Industrial	9.71M	5.7	15.9	15.4	0.5	0.97	879,000	886,000	-	-
Total	677.67M	7.4	11.5	10.0	1.5	1.08	4.34M	(785,000)	1.21M	6.17M

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	84.51M	4.0	7.1	6.4	0.7	1.24	(19,000)	218,000	107,000	156,000
50K-99,999 SF	59.80M	5.0	9.3	8.5	0.8	1.08	74,000	239,000	-	258,000
100K-249,999 SF	132.51M	7.6	13.1	12.2	1.0	1.07	(164,000)	(307,000)	151,000	1.04M
250K-499,999 SF	148.36M	11.8	16.6	14.7	1.9	1.01	(802,000)	(1.41M)	276,000	1.38M
500K-749,999 SF	91.39M	5.5	9.6	8.7	0.9	1.05	3.56M	2.30M	672,000	2.31M
750,000 SF +	161.10M	6.8	9.7	6.9	2.8	1.30	1.69M	(1.83M)	-	1.02M
Total	677.67M	7.4	11.5	10.0	1.5	1.08	4.34M	(785,000)	1.21M	6.17M

Source: CBRE Research, Q2 2026

Market Statistics by Class

Figure 11

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	297.16M	9.1	14.0	11.4	2.6	1.09	188,000	(2.37M)	107,000	5.38M
Institutional	255.42M	9.4	14.3	11.4	2.9	1.08	170,000	(2.93M)	-	-
Other Class A	41.74M	7.6	12.1	11.2	0.8	1.14	17,000	562,000	107,000	5.38M
All Other Industrial	380.51M	6.0	9.6	8.9	0.7	1.08	4.15M	1.58M	1.10M	783,000
Total	677.67M	7.4	11.5	10.0	1.5	1.08	4.34M	(785,000)	1.21M	6.17M

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Inland Empire East	319.28M	9.0	12.4	10.3	2.1	1.03	917,000	(813,000)	42,000	2.64M
Inland Empire West	358.39M	5.9	10.7	9.7	1.0	1.17	3.42M	28,000	1.16M	3.53M
Total	677.67M	7.4	11.5	10.0	1.5	1.08	4.34M	(785,000)	1.21M	6.17M

Source: CBRE Research, Q2 2026

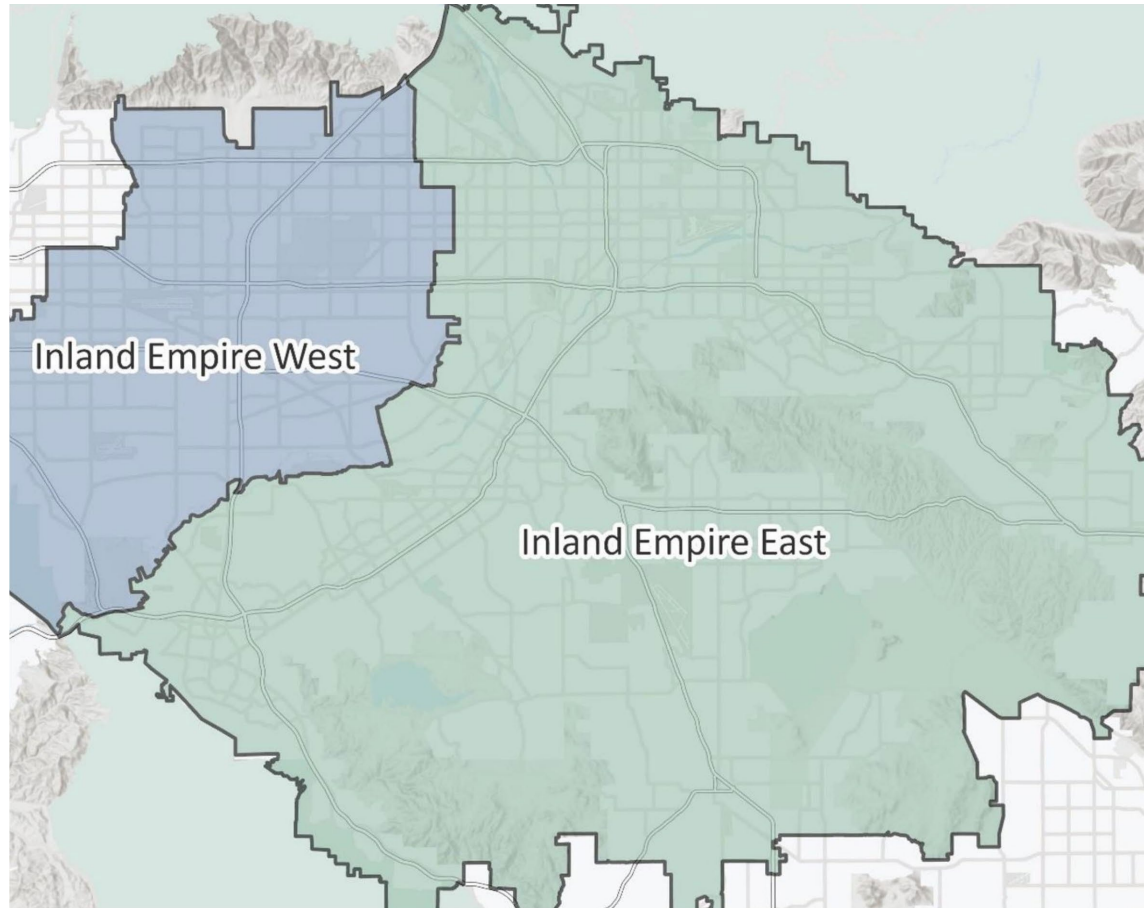
Economic Overview

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.

Although the Inland Empire market has experienced volatility in vacancy and availability through the first half of 2026, strong leasing activity has persisted — a reflection of the market's desirability among investors and occupiers drawn to its proximity to the San Pedro Port Complex, affordability, and access to key Southern California markets. Heightened user sale, leasing and development activity will keep players committed to the market long term, as occupiers continue to seek quality space in one of the nation's premier logistics markets.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy; 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 user sale and new 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 Vacant Available 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 Available 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 industrial buildings 10,000 sq. ft. and greater in size in the Inland Empire. Buildings which have begun construction as evidenced by site excavation or foundation work. CBRE Research updated submarket boundaries in Q1 2026, causing slight changes between the IE East and the IE West submarkets. Historical statistics have been updated to reflect these changes.

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