CBRE

Market sees sixth straight quarter of positive net absorption

▼ **7.9%**
Vacancy Rate

▼ **17,811**
SF Net Absorption

▶ **0**
SF Construction
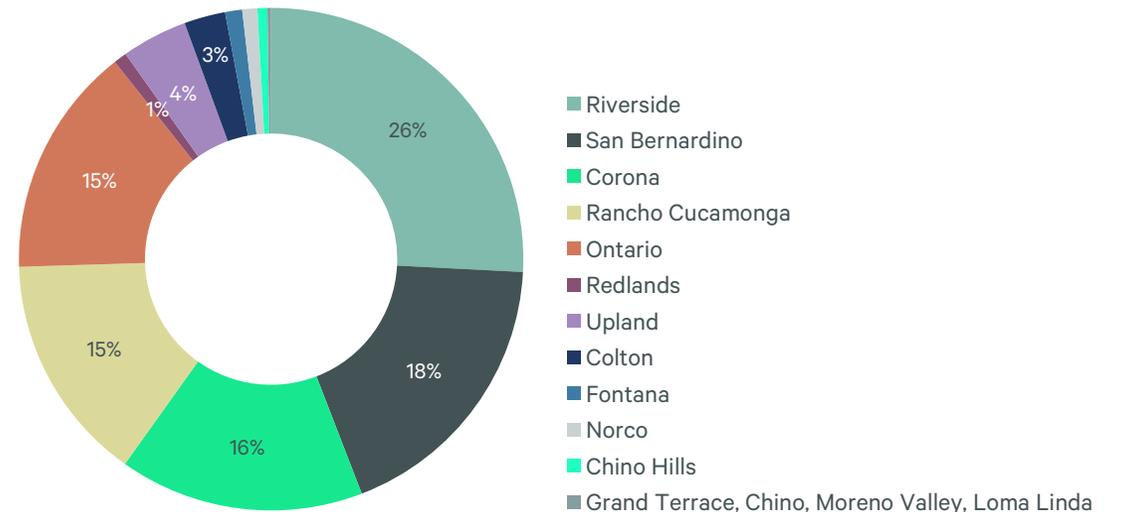
▶ **$2.06**
Avg Asking FSG / Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

The IE office market completed 2024 with another positive quarter from several indicators. Quarter-over-quarter, the vacancy rate decreased 0.1% from 8.0% in Q3 2024 to 7.9% in Q4 2024. Asking rates remained steady at $2.06 FSG per sq. ft. despite positive net absorption. Strong market fundamentals in the IE attracted credit tenants in engineering, insurance, government, and family service industries, with continued demand from healthcare and legal tenants. Tenant Improvement (TI) costs remain inflated as owners recognize importance of custom spaces to bring tenant's employees back into the office.

Investment sales activity decreased quarter-over-quarter from two sold in Q3 2024 to one sold in Q4 2024. A lack of distress in the market has led to no distressed or lender facilitated sales. Net absorption was positive for the sixth straight quarter with 17,811 sq. ft. of net absorption. In 2024, there was a total of 195,451 sq. ft. of positive net absorption representing positivity in the market overall. Inland Empire office continued to hold one of the strongest office markets in the country with a diverse mix of tenants, low vacancy rates, and positive net absorption for the past six quarters bookending a strong market performance in 2024.

FIGURE 1: Vacant Space Distribution (SF)

Legend:
- Riverside — 26%
- San Bernardino — 18%
- Corona — 16%
- Rancho Cucamonga — 15%
- Ontario — 15%
- Redlands — 1%
- Upland — 4%
- Colton — 3%
- Fontana
- Norco
- Chino Hills
- Grand Terrace, Chino, Moreno Valley, Loma Linda

Source: CBRE Research, Q4 2024.

UNEMPLOYMENT

Unemployment in the Inland Empire was 5.3% in November 2024, down from a revised 5.5% in October 2024 and above the November 2023 estimate of 5.1%. California's unadjusted unemployment rate sat at 5.4% and 4.2% for the United States during the same period. Between October to November 2024, the IE saw an increase of 14,900 nonfarm jobs. Trade Transportation, and Utilities saw the largest increase at 11,500 for the month. Government increased by 3,500 jobs and private education and health services added 2,200 jobs. Construction jobs had the largest decrease, losing 1,900 jobs over the month. Specialty trade contractors were down 1,600, and construction of buildings jobs were down 300.

LEASE RATE ANALYSIS

In Q4 2024, the average asking lease rate for office space remained flat at $2.06 FSG per sq. ft. per month. This rate, although flat quarter-over-quarter, is up $0.03 cents from a year ago and $0.11 from three years prior. Lower space absorption quarter-over-quarter led to no change in the asking rate as landlords sought filling their vacancies instead of raising rates despite strong demand in the IE.

VACANCY

The IE vacancy rate fell 10 bps quarter-over-quarter from 8.0% in Q3 2024 to 7.9% in Q4 2024, decreasing by 90 bps year-over-year. An increase in healthcare, family services, and government jobs as well as strong activity in legal and engineering and their need to be in the office has led to a decrease in the vacancy rate. New healthcare leases this quarter in Ontario led to a 110 bps decrease. Class A buildings saw a 19 bps decrease highlighting the positivity in the market as occupiers look to newer buildings and spaces to bring employees back into the office.

FIGURE 2: Unemployment Rate (%)
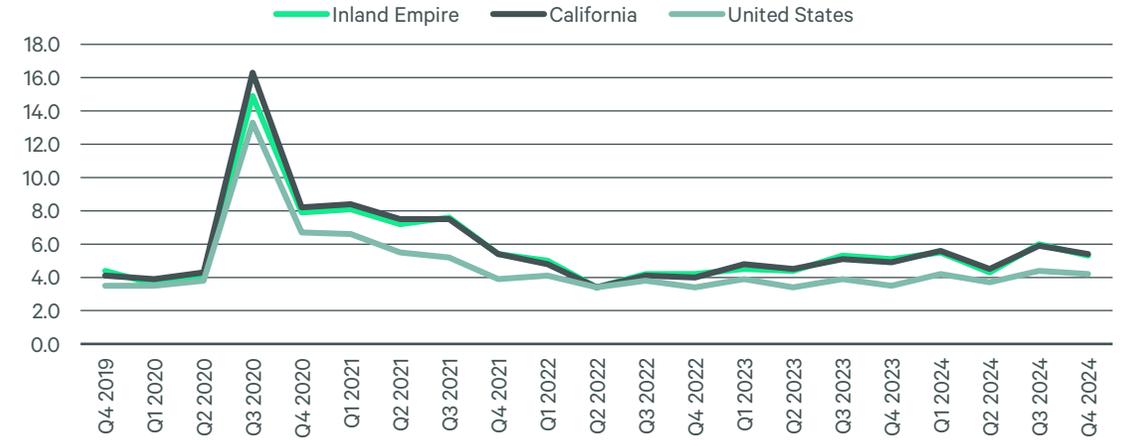
Source: U.S. Bureau of Labor Statistics, Q4 2024.

FIGURE 3: Average Asking Lease Rate ($PSF/MO/FSG)

Source: CBRE Research, Q4 2024.

NET ABSORPTION & ACTIVITY

The IE saw its sixth consecutive quarter of positive net absorption in Q4 2024 totaling 17,811 sq. ft. The City of Ontario saw the largest amount absorbed with 21,286 sq. ft., while Chino Hills saw the most space given up this quarter with negative 13,512 sq. ft. of net absorption with space coming back to market at the Chino Hills Corporate Park. Class B buildings saw the most absorption with 21,945 sq. ft. as they provided tenants more affordable lease rates compared to their Class A counterparts. Large lease activity decreased quarter-over-quarter from five leases signed above 10,000 sq. ft. in Q3 2024, to four leases signed above 10,000 sq. ft. in Q4 2024. The IE continued to attract national and local companies alike due to its strong market fundamentals in affordability, safety, and positivity surrounding the future of the region. Large insurance tenants were willing to sign long-term leases and owners who were willing to contribute to TI packages for tenants saw the most leasing activity.

INVESTMENT

IE office investment sales transaction volume totaled $21.5 million in Q4 2024, an increase of 85% from the previous quarter's $11.6 million, but down 64% year-over-year according to MSCI Real Capital Analytics. One office building sold in the Inland Empire in Q4 2024, one less than the two sold in Q3 2024, and seven less than that of Q4 2023. Positive leasing activity and other metrics meant there was no lender-facilitated or distressed sales.

The single sale of the quarter was at 9337 Milliken Ave in Rancho Cucamonga for $21.5 million. The property was purchased by Howard & Chun An from Citizens Business Bank in a sale leaseback transaction. Citizens Business Bank will occupy the entire 47,720 sq. ft. building.

FIGURE 4: Vacancy Rate by Class (%)
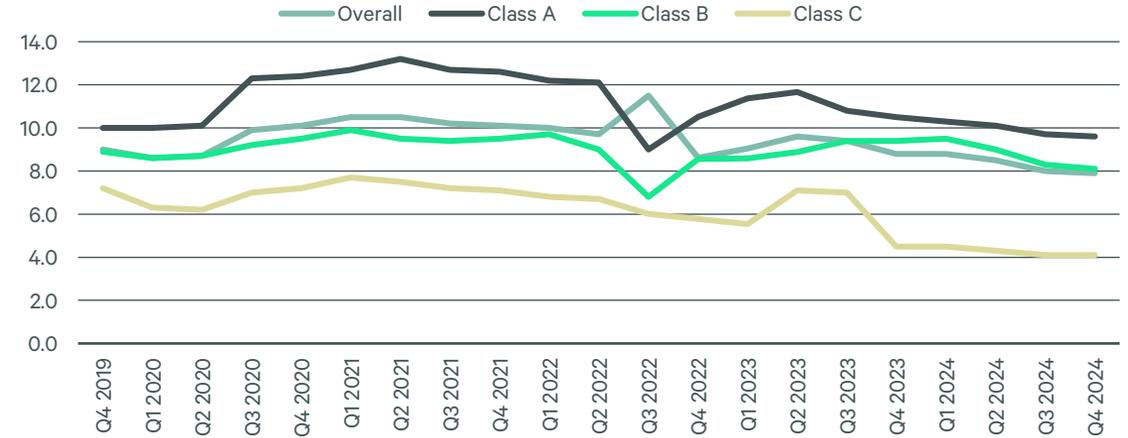
Source: CBRE Research, Q4 2024.

FIGURE 5: Net Absorption by Class (sq. ft. in thousands)

Source: CBRE Research, Q4 2024.

MARKET OUTLOOK

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Stronger debt markets and balanced and/or recovering market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

The Inland Empire office market completed the final quarter of the year on another positive note, bookending a positive 2024 overall for the market despite national office market headwinds. Tenants in industries who need to be in the office such as insurance, government, healthcare, and legal services paved the way for continued leasing activity from national and local companies, and landlords and tenants worked with one another to find creative ways to build out space and help bring employees back into the office. Positive labor trends, no new construction starts or deliveries, and a growing population will help keep the Inland Empire positive on all metrics going into 2025.

FIGURE 6: Market Statistics

Submarket	Market Rentable Area (sq. ft.)	Avail. Rate (%)	Vacancy Rate (%)	Q4 2024 Net Absorption (sq. ft)	2024 YTD Net Absorption (sq. ft)	Under Construction (sq. ft)	Construction Deliveries (sq. ft)	Avg Asking Lease Rate ($/SF/MO)
Class A	9,269,485	16.2%	9.8%	(7,172)	67,126	0	0	$2.36
Class B	11,197,358	11.6%	8.1%	21,945	113,220	0	0	$1.78
Class C	4,871,356	6.1%	4.0%	3,058	15,105	0	0	$1.58
Inland Empire Total	25,338,199	12.3%	7.9%	17,811	195,451	0	0	$2.06

Source: CBRE Research, Q4 2024.

FIGURE 7: Key Transactions

Address	City	Submarket	Total Sq. Ft.
1020 Iowa Ave	Riverside	Inland Empire East	24,830
11376 N 5th St	Rancho Cucamonga	Inland Empire West	20,000
11175 Azusa Ct	Rancho Cucamonga	Inland Empire West	12,604
3801 University Ave	Riverside	Inland Empire East	12,604
1600 Iowa Ave	Riverside	Inland Empire East	11,735

Source: CBRE Research, Q4 2024.

FIGURE 8: Vacancy and Asking Lease Rate ($PSF/MO/FSG)
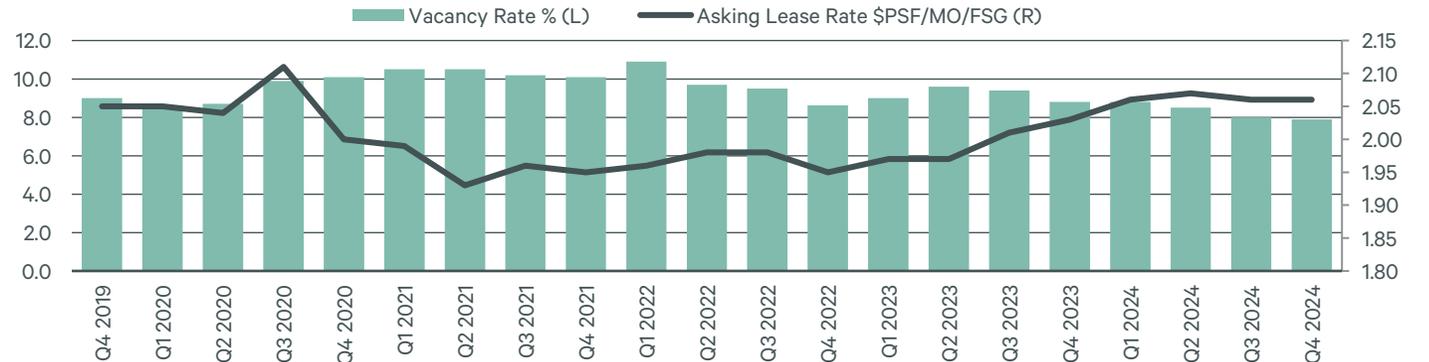
Source: CBRE Research, Q4 2024.

FIGURE 1: Market Statistics by City

City	Bldg Count	Sq. Ft. RBA	Total Sq. Ft. Available	Availability Rate (%)	Sq. Ft. Vacant Direct	Sq. Ft. Vacant Sublease	Sq. Ft. Vacant Total	Total Vacancy Rate (%)	Q4 2024 Net Absorption (sq. ft.)	2024 YTD Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Construction Deliveries (sq. ft.)	Avg Asking Lease Rate ($PSF/MO/FSG)
Colton	24	589,321	64,707	11.0%	54,052	0	54,052	9.17%	0	0	0	0	$1.66
Corona	49	2,281,550	369,140	16.2%	320,861	0	320,861	14.06%	0	15,232	0	0	$2.22
Grand Terrace	1	32,340	8,470	26.2%	4,771	0	4,771	14.75%	0	0	0	0	$1.65
Loma Linda	15	276,373	0	0%	0	0	0	0.00%	0	0	0	0	$0.00
Moreno Valley	20	573,378	33,544	5.9%	2,888	0	2,888	0.50%	0	0	0	0	$2.13
Norco	12	326,643	28,223	8.6%	19,768	0	19,768	6.05%	0	0	0	0	$1.57
Redlands	41	1,206,366	30,237	2.5%	17,253	0	17,253	1.43%	0	56,315	0	0	$2.16
Riverside	203	6,566,870	708,658	10.8%	511,378	9,348	520,726	7.97%	12,710	62,809	0	0	$1.97
San Bernardino	102	4,244,134	491,726	11.4%	374,724	3,486	378,726	8.91%	0	0	0	0	$1.55
Inland Empire East	**467**	**16,096,975**	**1,734,705**	**10.7%**	**1,305,695**	**12,834**	**1,318,529**	**8.2%**	**12,710**	**134,356**	**0**	**0**	**$1.90**
Chino	7	242,508	3,600	1.5%	3,600	0	3,600	1.48%	0	0	0	0	$2.11
Chino Hills	13	284,438	43,157	14.7%	20,094	0	20,094	7.06%	-13,512	13,915	0	0	$2.48
Fontana	6	138,659	15,451	11.1%	15,451	0	15,451	11.14%	0	6,333	0	0	$2.23
Ontario	70	3,611,258	603,981	16.5%	249,320	0	249,320	6.9%	21,286	64,689	0	0	$2.40
Rancho Cucamonga	113	4,058,312	601,399	14.8%	306,319	10,252	316,571	7.8%	(2,673)	(23,842)	0	0	$2.27
Upland	30	906,049	110,790	12.2%	86,287	0	86,287	9.52%	0	0	0	0	$1.56
Inland Empire West	**239**	**9,241,224**	**1,378,378**	**14.8%**	**681,071**	**10,252**	**691,323**	**7.5%**	**5,101**	**61,095**	**0**	**0**	**$2.27**
Inland Empire Total	**706**	**25,338,199**	**3,113,083**	**12.3%**	**1,986,766**	**23,086**	**2,009,852**	**7.9%**	**17,811**	**195,451**	**0**	**0**	**$2.06**

Source: CBRE Research, Q4 2024.

FIGURE 2: Market Statistics By Class

| Class	Bldg Count	Sq. Ft. RBA	Total Sq. Ft. Available	Availability Rate (%)	Sq. Ft. Vacant Direct	Sq. Ft. Vacant Sublease	Sq. Ft. Vacant Total	Total Vacancy Rate (%)	Q4 2024 Net Absorption (sq. ft.)	2024 YTD Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Construction Deliveries (sq. ft.)	Avg Asking Lease Rate ($PSF/MO/FSG)
Class A	133	9,269,485	1,522,549	16.4%	897,762	8,033	905,795	9.77%	(7,172)	67,126	0	0	$2.36
Class B	393	11,197,358	1,290,976	11.6%	895,953	10,800	906,753	8.12%	21,945	113,220	0	0	$1.78
Class C	180	4,871,356	299,588	6.2%	193,051	4,253	197,304	4.05%	3,038	15,105	0	0	$1.58
Inland Empire Total	**706**	**25,338,199**	**3,113,083**	**12.3%**	**1,986,766**	**23,086**	**2,009,852**	**7.9%**	**17,811**	**195,451**	**0**	**0**	**$2.06**

Source: CBRE Research, Q4 2024.

FIGURE 3: Market Statistics By District

	Bldg Count	Sq. Ft. RBA	Total Sq. Ft. Available	Availability Rate (%)	Sq. Ft. Vacant Direct	Sq. Ft. Vacant Sublease	Sq. Ft. Vacant Total	Total Vacancy Rate (%)	Q4 2024 Net Absorption	2024 YTD Net Absorption	Sq. Ft. Under Construction	Q1 2024 Sq. Ft. Construction Completed	Avg Asking Lease Rate ($PSF/MO/FSG)
Canyon Springs	16	762,021	57,773	7.6%	29,186	0	29,186	3.8%	0	0	0	0	$1.62
Chino/Chino Hills	20	526,946	46,0757	8.8%	23,694	0	23,694	4.6%	(13,512)	13,915	0	0	$2.45
Commercenter/Tri-City	60	2,703,795	321,397	11.9%	228,239	3,486	231,725	8.6%	0	0	0	0	$1.76
Cooley Ranch	22	566,481	64,707	11.4%	54,052	0	54,052	9.5%	0	0	0	0	$1.66
Downtown Riverside	30	1,303,434	189,728	14.5%	102,876	0	102,876	7.9%	(738)	28,552	0	0	$2.63
Downtown San Bernardino	31	1,050,995	86,482	8.2%	84,197	0	84,197	8.0%	0	0	0	0	$1.02
Fairmount Park	10	314,624	43,888	14.0%	27,985	2,846	30,831	9.8%	10,341	16,399	0	0	$2.02
Hunter Park	57	1,751,662	277,309	16.1%	240,229	2,493	242,722	14.1%	2,927	19,225	0	0	$1.73
Magnolia Center	50	1,081,181	74,340	6.9%	64,962	0	64,962	6.0%	180	334	0	0	$1.58
Ontario	70	3,611,258	603,981	16.7%	249,320	0	249,320	7.0%	21,286	64,689	0	0	$2.40
Rancho Cucamonga	113	4,058,312	601,399	14.8%	306,319	10,252	316,571	7.8%	(2,673)	(23,842)	0	0	$2.27
Tyler Area	10	449,423	8,060	1.8%	1,385	0	1,385	0.3%	0	0	0	0	$2.45
Non-Submarket Area	217	7,158,067	737,820	10.3%	574,322	4,009	578,331	8.1%	0	76,179	0	0	$1.96
Inland Empire Total	**706**	**25,338,199**	**3,113,083**	**12.3%**	**1,986,766**	**23,086**	**2,009,852**	**7.9%**	**17,811**	**195,451**	**0**	**0**	**$2.06**

Source: CBRE Research, Q4 2024.

Market Area Overview
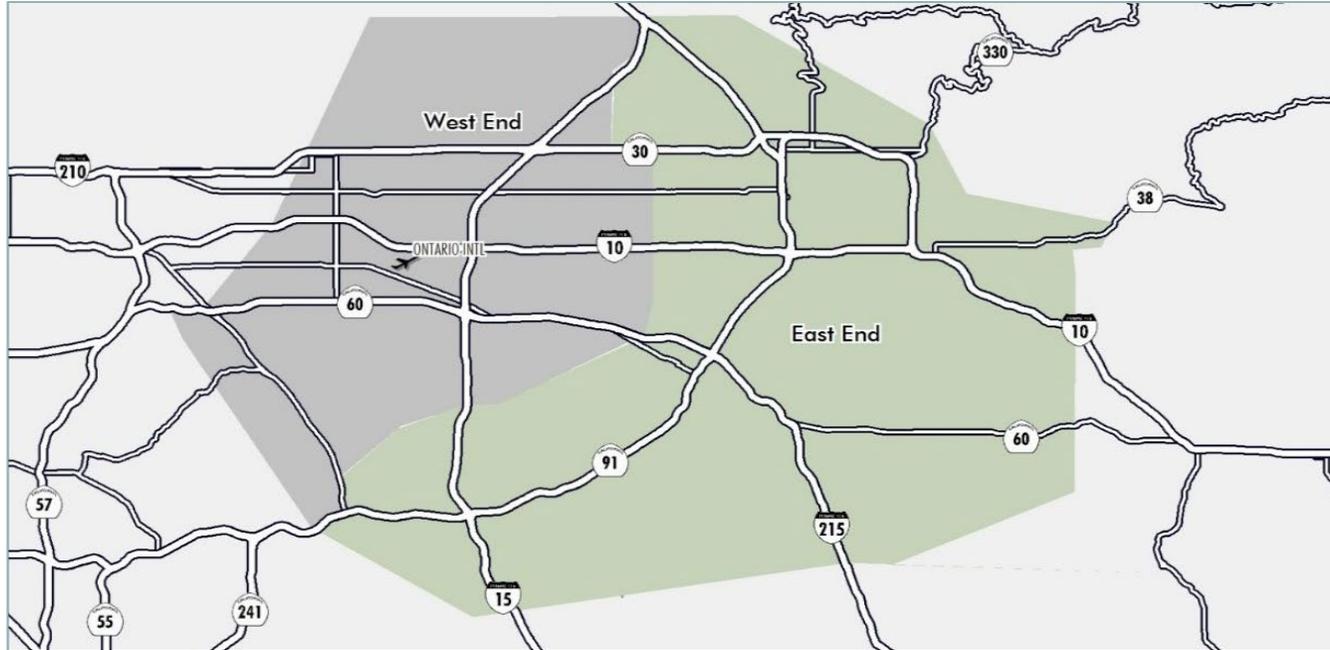
Definitions

Net Rentable Area The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas. **Available Sq. Ft.** Space Available for lease which is either physically vacant or occupied. Includes Subleases. **Vacant Sq. Ft.** Portion of Available sq. ft. which is either physically vacant or immediately available. Includes Subleases. **Direct Vacancy Sq. Ft.** Portion of Available sq. ft. which is either physically vacant or immediately available. Excludes subleases. **Vacancy Rate** Vacant sq. ft. divided by the NRA. **Occupied Sq. Ft.** NRA not considered vacant. **Net Absorption** The change in Occupied sq. ft. from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy. **Average Asking Lease Rate** The rate determined by multiplying the asking gross lease rate for each building in the summary by its associated available space, summing the products, then dividing by the sum of the available spaces with gross lease rates for all buildings in the summary. Direct leases only; excludes sublease space and parking charges. **Full Service Gross (FSG)** Lease Type whereby the landlord assumes responsibility for all of the operating expenses and taxes for the property. **Normalization** Due to a reclassification of the market and updating demolished buildings in prior quarters, the base, number and sq. ft. of buildings for previous quarters have been adjusted to match the current base. Availability and vacancy amounts for these buildings have also been adjusted in previous quarters.

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.

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