Large move-outs weigh on the market, overshadowing strong leasing activity

▲7.8%	▼(4.7M)	▼72,876	▲3.3M	▼$1.09
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	NNN/MTH Direct Asking Lease Rate

Note: Arrows indicate change from previous quarter. Vacancy rate refers to the rate of total vacant space

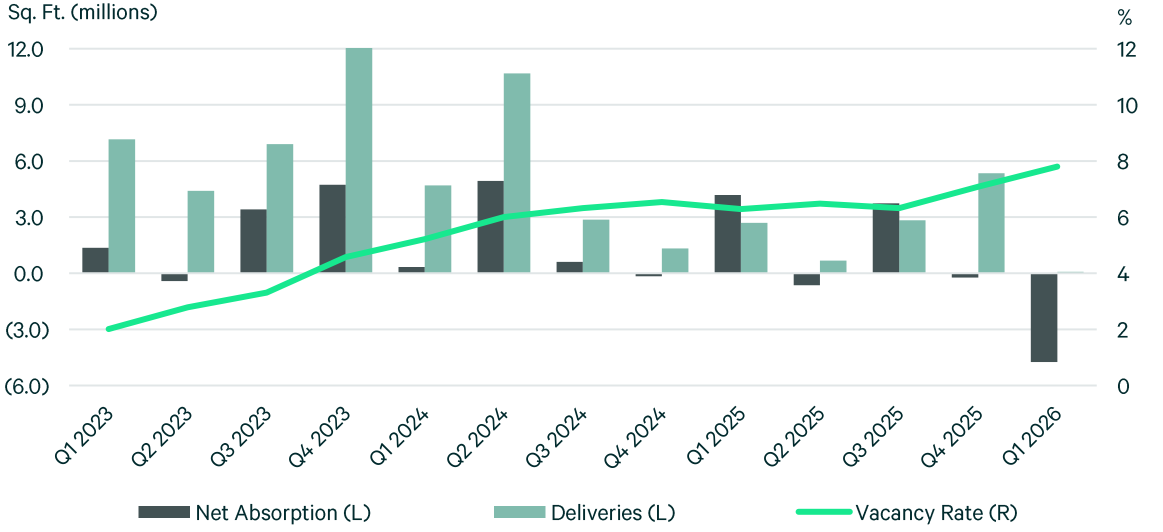
Market Overview

Inland Empire (IE) industrial market was defined by big move outs in the 500,000 sq. ft. and above size range which drove net absorption to negative 4.7 million sq. ft. in Q1 2026, despite minimal new deliveries and strong leasing activity across submarkets. However, although vacancy rose 70 basis-points (bps) quarter-over-quarter and 150 bps year-over-year to 7.8% in the IE Core (IE East and IE West), taking lease rates increased $0.05 quarter-over-quarter to $1.08 NNN per sq. ft. per month, just $0.01 lower than the asking lease rate of $1.09 NNN per sq. ft. per month.

The IE West saw vacancy rise 80 bps quarter-over-quarter to 6.4% due to 2.9 million sq. ft. of negative net absorption, while taking lease rates rose by $0.02 to $1.14 NNN per sq. ft. per month. In the IE East, vacancy rose 60 bps quarter-over-quarter to 9.3% due to 1.9 million sq. ft. of negative net absorption, but taking lease rates saw a $0.01 increase to $0.94 NNN per sq. ft. per month.

Regarding development activity, the IE Core saw 854,000 sq. ft. of new projects commence in Q1 2026 while only 73,000 sq. ft. was delivered. With 3.3 million sq. ft. under construction across the IE Core, the new supply pipeline remained subdued, which could lead to declines in vacancy and availability across the market as new supply additions remain limited and strong leasing activity persists.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

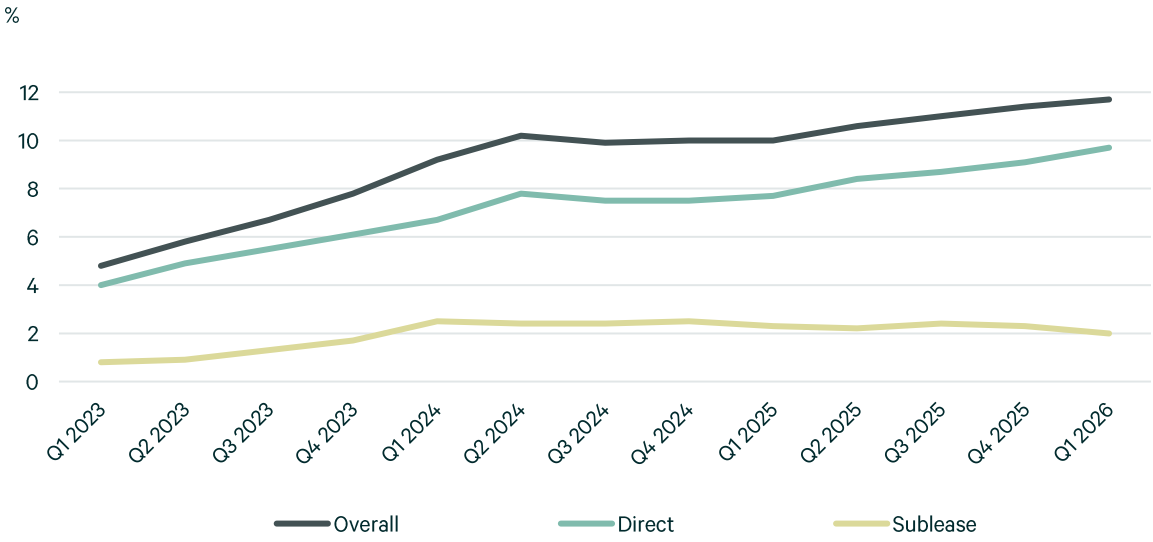
Availability & Vacancy

In Q1 2026, availability rose 30 bps quarter-over-quarter to 11.7% in the IE Core and remains 170 bps higher than year-ago levels in Q1 2025. Within the IE Core, the IE East continued to see the highest availability, which registered at 13.2% in Q1 2026 compared to the IE West's 10.5%.

Sublease availability declined 30 bps to 2% of the overall IE Core availability due to over one million sq. ft. of sublease activity during Q1 2026 and an increase in sublease space withdrawals as expiration dates neared or occupiers decided to keep their space. The IE East accounted for most of the sublease space on the market, with 9.5 million sq. ft. available for sublease while 4.2 million sq. ft. of sublease space remained available in the IE West.

Overall vacancy in the IE Core rose 70 bps quarter-over-quarter to 7.8% in Q1 2026 due to large move outs in the IE East and IE West in the 500,000 sq. ft. and above size range. Both submarkets were negatively impacted by major occupiers like Keeco, Under Armour, Home Depot and Cubework vacating over one million sq. ft. each across the IE Core. The IE West saw vacancy rise 80 bps quarter-over-quarter to 6.4% while the IE East saw a 60 bps increase in vacancy quarter-over-quarter to 9.3%.

Figure 2: Availability Rates



Source: CBRE Research, Q1 2026

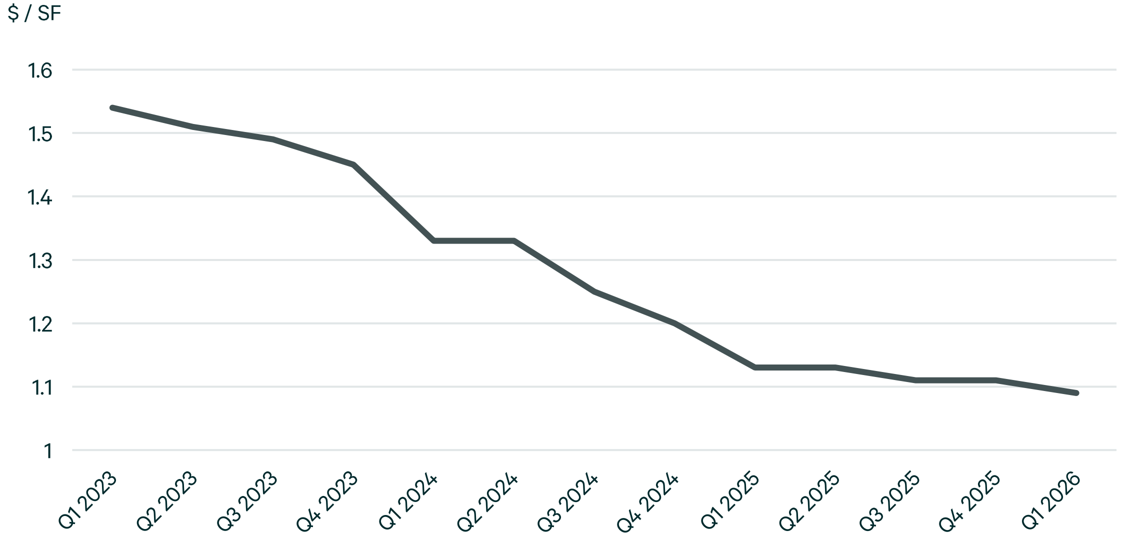
Asking Rent & Taking Rent

Continuing the downward trend seen over the past few years, asking lease rates declined $0.02, or 1.8% quarter-over-quarter to $1.09 NNN per sq. ft. per month in Q1 2026. However, year-over-year, asking lease rates fell by 3.5%, or $0.06, from $1.13 NNN per sq. ft. per month. Over the last three years, asking lease rates have decreased by 29.2%, or $0.45, alongside the doubling in availability since Q1 2023.

Like asking lease rates, taking lease rates experienced a general decline over the past few years as competition amongst landlords intensified due to rising availability. Since Q1 2023, taking lease rates declined by 28.5%, or $0.43 to $1.08 NNN per sq. ft. per month in the IE Core. The delta between asking lease rates and taking lease rates shrunk to $0.01 in Q1 2026, signaling a convergence between landlord and occupier expectations on industrial space in the IE.

However, between submarkets, noticeable differences remained in the expectations between landlords and occupiers. In in IE East, asking lease rates averaged $1.04 NNN per sq. ft. per month versus an average taking lease rate of $0.94 NNN per sq. ft. per month - a $0.10 difference. However, expectations were more aligned in the IE West as the difference between average asking lease rates and average taking lease rates was only $0.02.

Figure 3: Average Direct Asking Rate and Average Taking Lease Rate



Source: CBRE Research, Q1 2026

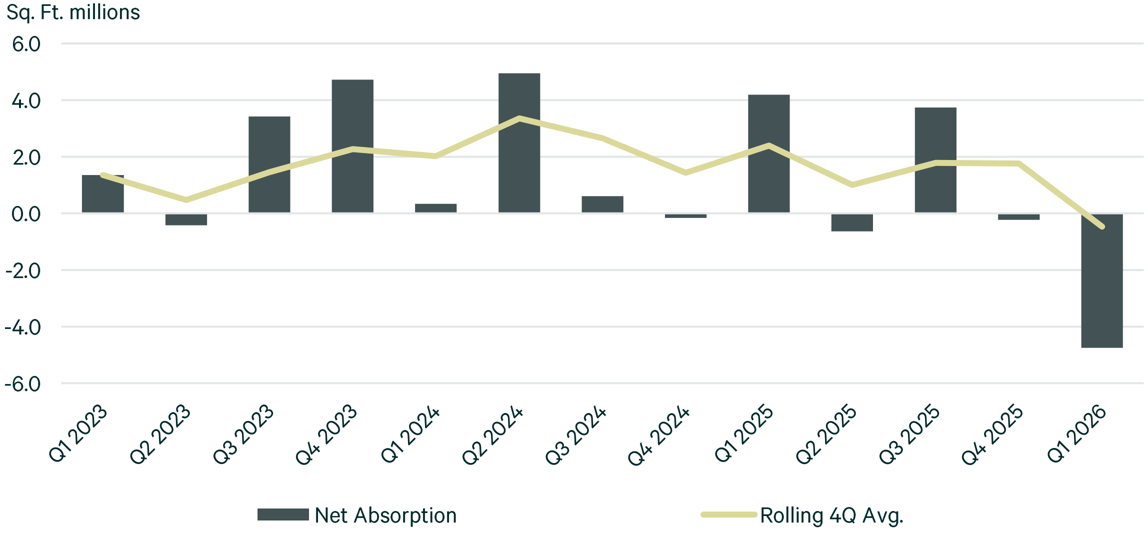
Net Absorption

Move outs in the 500,000 sq. ft. and above size range significantly impacted the IE Core, resulting in 4.7 million sq. ft. of negative net absorption in Q1 2026 despite strong leasing activity, with the IE West accounting for 2.9 million sq. ft. of negative net absorption compared to the IE East's 1.8 million sq. ft. of negative net absorption.

While the IE Core saw 4.8 million sq. ft. of negative net absorption from the 500,000 sq. ft. and above size range, the smaller end of the size range spectrum drew a contrasting picture. The 10,000-99,999 sq. ft size range was the only size range to experience positive net absorption across both submarkets, which totaled 470,000 sq. ft. in the IE Core.

Much of the negative absorption in Q1 2026 was driven by move outs in older, Class B space. Despite strong leasing activity during the quarter, many of the pandemic era leases are nearing expiration, with some tenants searching for new space. As a result, leasing activity will likely be elevated in coming years, but net absorption will see increased volatility as the market fluctuates.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

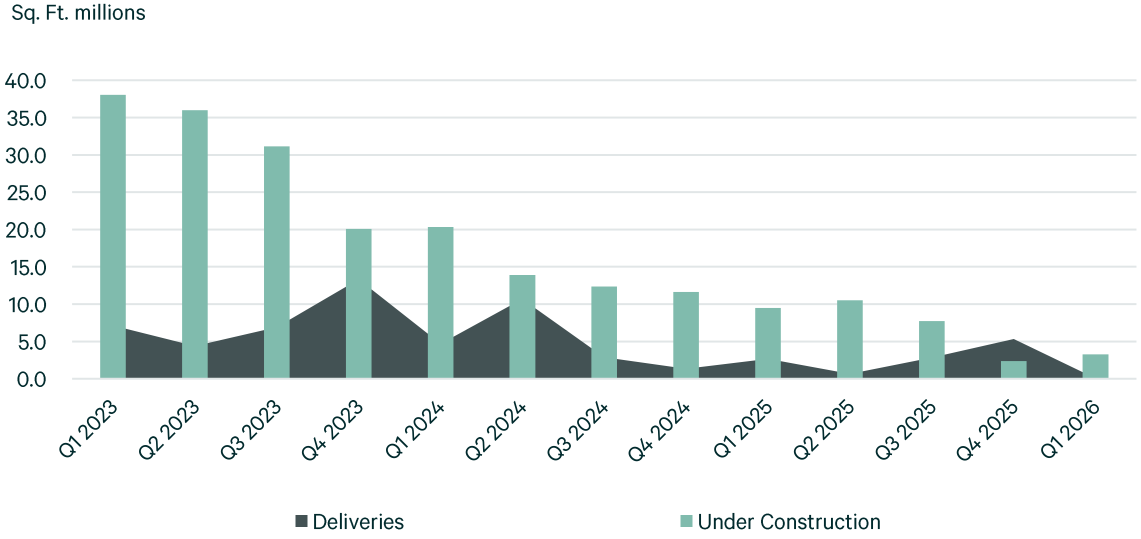
Construction Activity

Despite 855,000 sq. ft. of new developments commencing in Q1 2026, development activity remained subdued with 3.3 million sq. ft. under construction in the IE Core, down 65.5% from the 9.5 million sq. ft. underway in Q1 2025. Additionally, the IE Core saw less than 75,000 sq. ft. of new developments deliver in Q1 2026, a major shift from over five million sq. ft. in deliveries in Q4 2025, most of which delivered vacant.

Roughly 54% of the construction activity was tied to three developments over 400,000 sq. ft. in the IE Core. The preleased Building Six of the South Ontario Logistics Center in Ontario was the largest development underway at 672,000 sq. ft., followed by the 631,000 sq. ft. Ellis Logistics Center in Perris and the 469,000 sq. ft. North Rialto Distribution Center in Rialto, both of which are speculative projects. With only one build-to-suit project underway, the IE Core's prelease rate stood at 20.5% in Q1 2026, down from 28.1% in Q4 2025, while the IE overall's prelease rate stood at 59.7%.

Looking ahead, a constrained new supply pipeline will help the IE deal with rising vacancy and availability as new supply additions entering the market are limited moving forward.

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

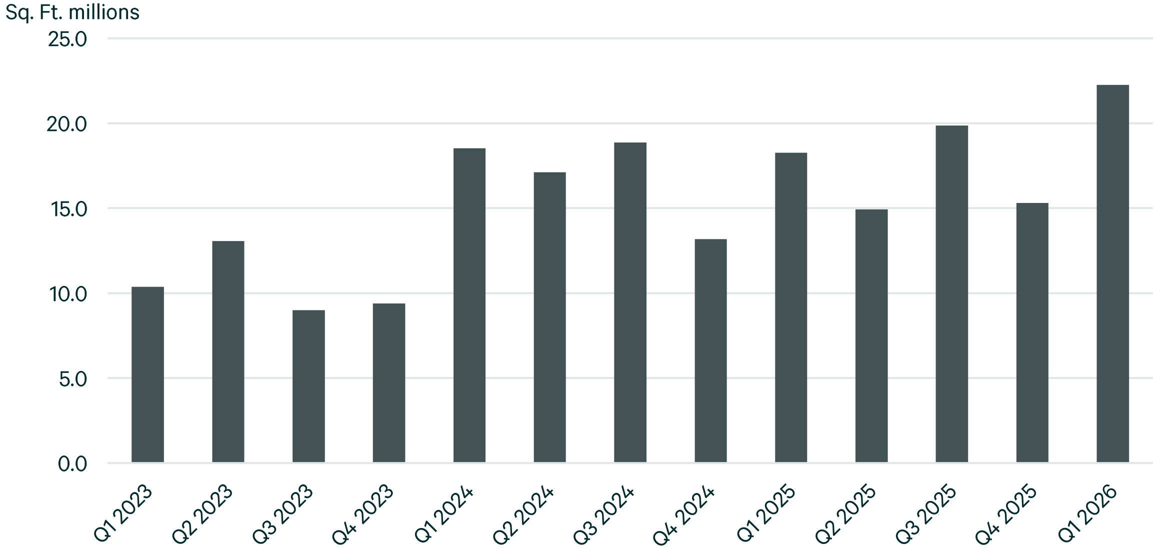
Leasing Activity

In Q1 2026, leasing volume (new leases and renewals) totaled 22.3 million sq. ft in the IE Core, up 45.5% quarter-over-quarter from 15.3 million sq. ft. in Q4 2025 and up 21.9% year-over-year from 18.3 million sq. ft. in Q1 2025. New leasing activity accounted for 61.1%, or 13.6 million sq. ft., of the total leasing volume in Q1 2026, while renewals contributed 8.7 million sq. ft., or 38.9%.

The mix of new leases and renewals aligned with the trend seen in 2025. In 2025, new leases accounted for roughly 65% of leasing volume while renewals accounted for 35%. Renewals are expected to remain a significant component of leasing activity in the IE Core, due to consistently representing over one-third of overall leasing volume.

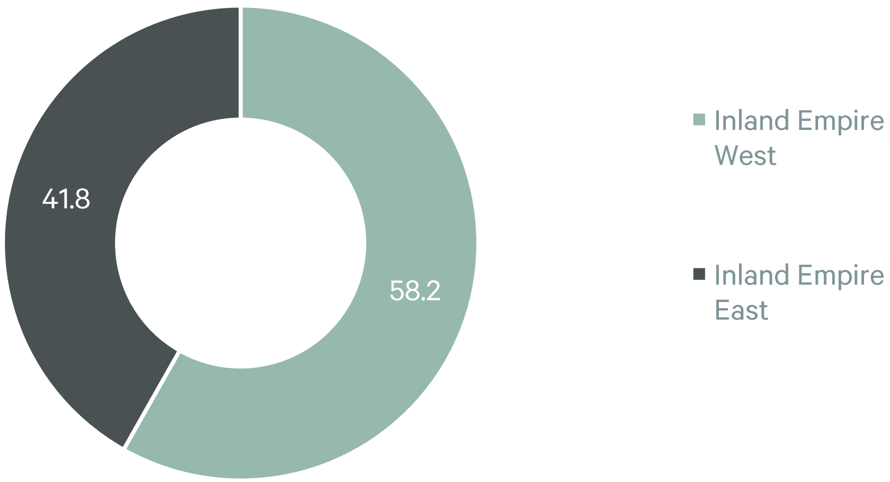
The IE West recorded 13 million sq. ft. of space leased in Q1 2026 compared to the IE East's 9.3 million sq. ft. leased. In both submarkets, new leasing continued to dominate, accounting for 56.8% or 7.4 million sq. ft. in the IE West compared to 67.1%, or 7.4 million sq. ft. in the IE East. Across submarkets, the 500,000 sq. ft. and above size range dominated leasing activity, contributing 6.6 million sq. ft. in new leasing volume fueled by two major build-to-suit deals, alongside 4.7 million sq. ft. in renewal volume.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q1 2026

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



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	1,102,000	Renewal	10545 Production Ave	Inland Empire West
Confidential Tenant	1,053,000	New Lease	9030 Merrill Ave	Inland Empire West
Medline Industries	1,021,000	New Lease	815 S Redlands Ave	Inland Empire East
Confidential Tenant	914,000	Renewal	786 E Central Ave	Inland Empire East
Confidential Tenant	886,000	Renewal	11640 Harrell St	Inland Empire West
Unis	756,000	New Lease	16850 Heacock St	Inland Empire East
Confidential Tenant	731,000	Renewal	7010 N Cajon Blvd	Inland Empire East
Spirit Halloween Superstores	652,000	New Lease	17820 Slover Ave	Inland Empire East

Source: CBRE Research, Q1 2026

Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/mth)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Under Construction (MSF)	Deliveries (SF)
Inland Empire East	319.30	9.3	13.2	10.2	3.0	1.04	(1.82)	(1.82)	1.68	-
Inland Empire West	357.39	6.4	10.5	9.3	1.2	1.16	(2.93)	(2.93)	1.59	73,000
Total	**676.69**	**7.8**	**11.7**	**9.7**	**2.0**	**1.09**	**(4.75)**	**(4.75)**	**3.27**	**73,000**

Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/mth)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Under Construction (MSF)	Deliveries (SF)
Under 100,000 sq. ft.	144.36	4.3	7.4	6.7	0.7	1.19	0.47	0.47	0.45	73,000
100,000-199,999 sq. ft.	96.51	7.3	12.1	11.0	1.1	1.06	(0.14)	(0.14)	0.53	-
200,000-299,999 sq. ft.	59.89	8.7	14.5	13.4	1.1	1.04	0.36	0.36	0.52	-
300,000-499,999 sq. ft.	124.11	11.1	15.8	13.5	2.3	0.99	(0.66)	(0.66)	0.47	-
500,000-749,999 sq. ft.	90.72	8.8	12.4	9.4	3.0	1.14	(1.26)	(1.26)	1.30	-
750,000 sq. ft.	161.10	7.8	10.9	7.5	3.4	1.22	(3.52)	(3.52)	-	-
Total	**676.69**	**7.8**	**11.7**	**9.7**	**2.0**	**1.09**	**(4.75)**	**(4.75)**	**3.27**	**73,000**

Source: CBRE Research, Q1 2026

Market Statistics by Product Type

Figure 11

Product Type	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/mth)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Under Construction (MSF)	Deliveries (SF)
Distribution/Logistics	623.87	8.0	12.0	9.9	2.1	1.09	(4.79)	(4.79)	3.27	73,000
Manufacturing - General	40.93	3.0	5.0	4.2	0.8	0.96	0.04	0.04	-	-
R&D/Flex	2.18	2.3	11.7	4.8	6.9	1.03	-	-	-	-
Other Industrial	9.71	15.1	20.8	20.8	-	1.06	0.01	0.01	-	-
Total	**676.69**	**7.8**	**11.7**	**9.7**	**2.0**	**1.09**	**(4.75)**	**(4.75)**	**3.27**	**73,000**

Source: CBRE Research, Q1 2026

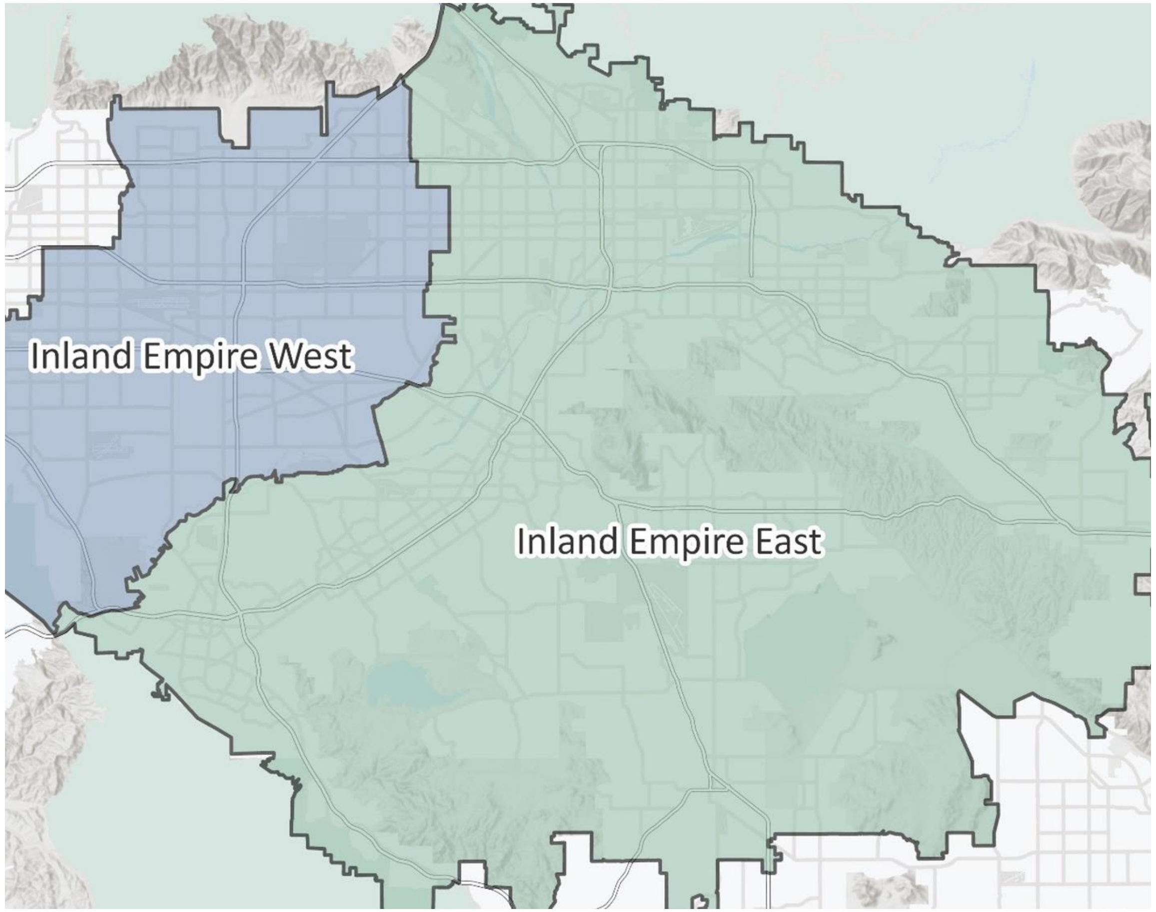
Economic Overview and Market Outlook

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 market showed mixed signals at the start of 2026. While strong leasing activity in Q1 2026 and stable lease rates suggested a gradually rebounding market, space vacated by large occupiers created downward pressure, leading to rising vacancy and availability. However, the market could benefit from several tailwinds: a constrained new supply pipeline, an increase in occupier interest in owning buildings, and continued strong leasing activity as leases from the pandemic era begin to expire. Furthermore, the market's appeal is bolstered by its proximity to the San Pedro Port Complex, excellent access to other key markets, and its affordability relative to other markets within Southern California.

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 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**: Vacant Available Sq. Ft. divided by the total Building Area. Excludes vacant not-available sq. ft. **Vacant Sq. Ft.**: Space that is available for immediate occupancy. 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, causing slight changes between the IE East and the IE West submarkets. Historical statistics have been updated to reflect these changes.

Contacts

Saul Lua
Senior Research Analyst
Inland Empire
saul.lua@cbre.com

Rick Cozart
Research Manager
Orange County & Inland Empire
rick.cozartii@cbre.com