

FIGURES | INLAND EMPIRE OFFICE | Q3 2026

Asking lease rates rise for the fifth consecutive quarter in the Inland Empire Office market



Note: Arrows indicate change from previous quarter.

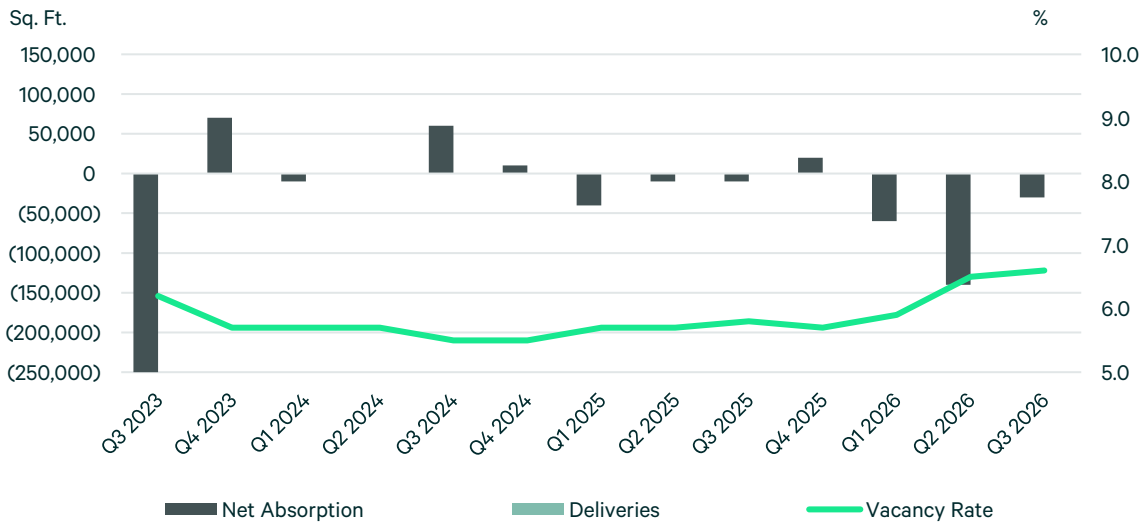
Market Overview

The Inland Empire (IE) office market showed improvement in Q3 2026, as stronger leasing activity narrowed net absorption losses and asking rents climbed for the fifth consecutive quarter. Class A assets led the increase, as large owners raised pricing for higher-quality space, lifting the average asking lease rate \$0.06 quarter-over-quarter from \$2.28 FSG per sq. ft. per month in Q2 2026 to \$2.34 FSG per sq. ft. per month in Q3 2026, a \$0.28 increase from Q2 2025.

Leasing activity increased 16% quarter-over-quarter to 154,000 sq. ft. across 50 transactions, with Class A capturing over half of the leasing volume. The increase in leasing volume, along with fewer large tenant move-outs, supported an improvement in net absorption from negative 140,000 sq. ft. in Q2 2026 to negative 35,000 sq. ft in Q3 2025. Despite the uptick in leasing, vacancy and availability both edged up 10 basis-points (bps) quarter-over-quarter, with vacancy rising from 6.5% in Q2 2026 to 6.6% in Q3 2026, and availability reaching 8.8% this quarter.

On the capital markets side, investment sales activity continued to fluctuate quarter-over-quarter, with volume totaling \$40.1 million in Q3 2026, more than tripling from Q3 2025, though down 52% from the previous quarter. With no new construction in the pipeline and net absorption losses narrowing, the IE office market is well positioned to regain momentum as leasing activity continues to build.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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Vacancy

Overall vacancy in the Inland Empire office market rose 10 bps quarter-over-quarter, from 6.5% in Q2 2026 to 6.6% in Q3 2026. The increase was modest as fewer large blocks of space were returned to the market, with only three spaces above 10,000 sq. ft. becoming vacant compared with seven in Q2 2026. The quarter’s increase was concentrated in Class B and Class C, where vacancy rose 30 bps and 20 bps quarter-over-quarter to 7.6% and 3.3%, respectively, while Class A vacancy held flat at 7.1%. Class A posted the largest increase year-over-year at roughly 120 bps, as national tenants, primarily insurance companies, trimmed their footprints by as much as 50%. The downsizing returned large blocks of vacant space to a market where deal sizes continue to trend smaller, extending the time needed to absorb them.

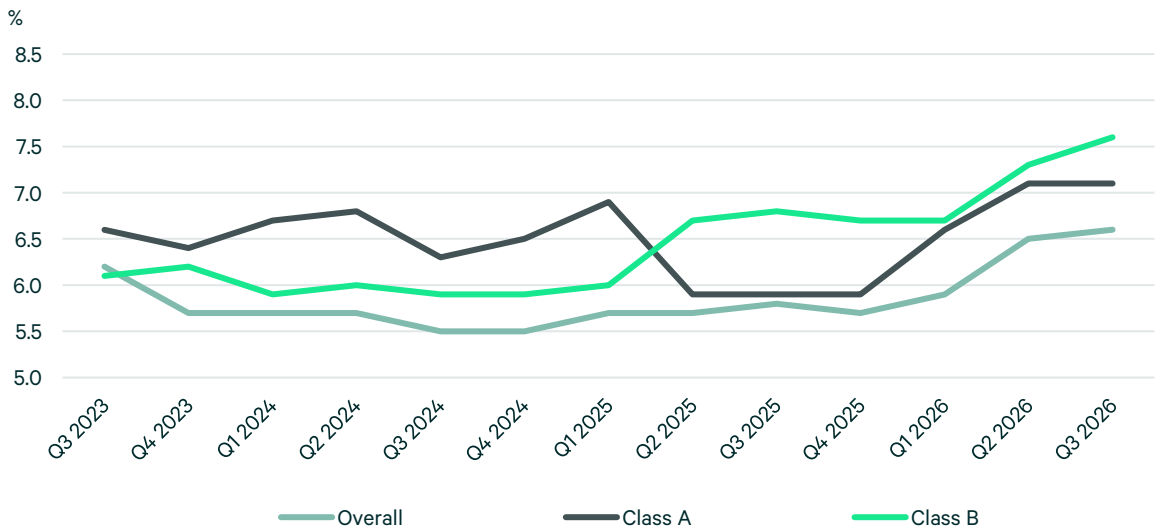
By submarket, vacancy in the Inland Empire East ended Q3 2026 at 5.6%, compared with 8.4% in the Inland Empire West. The East remained the tighter submarket as government hubs in downtown San Bernardino and downtown Riverside, along with the service organizations and nonprofits that support them, continued to anchor occupancy. The IE West, by contrast, was weighed down by Ontario and Rancho Cucamonga, where vacancy stood at 9.2% and 8.8%, respectively, as national tenants returned space to the market. Availability followed a similar trajectory, ending Q3 2026 at 8.8% overall, with the East at 6.9% and the West at 12.1%. Despite the quarterly uptick, overall vacancy and availability remain low, reinforcing the Inland Empire’s standing as the tightest office market in the nation.

Asking Rent

Average asking lease rates in the Inland Empire office market increased for the fifth consecutive quarter, rising \$0.28 since Q2 2025 and \$0.06 quarter-over-quarter to \$2.34 FSG per sq. ft. per month in Q3 2026. The increase came as large owners continued to factor higher insurance, operating, and construction costs into pricing, while the addition of Class A space to the market lifted the overall average.

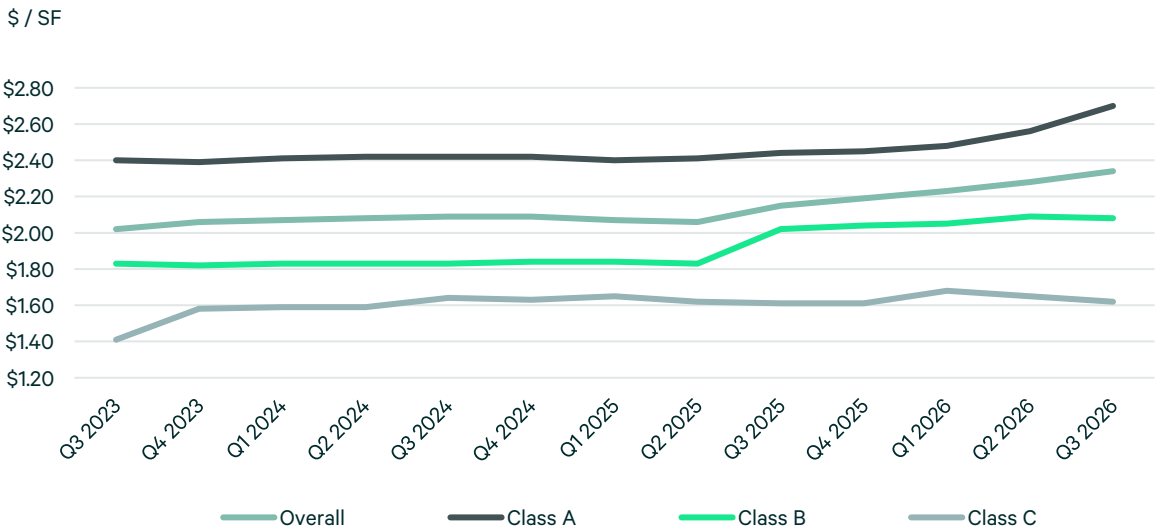
Class A drove the increase, with asking rates rising \$0.14 quarter-over-quarter from \$2.56 FSG per sq. ft. per month in Q2 2026 to \$2.70 FSG per sq. ft. per month in Q3 2026, as owners raised pricing for higher-quality space, effectively setting the benchmark for the market. Tenant improvement costs also weighed on leasing decisions, as build-out costs of \$75 to \$125 per sq. ft. far exceed landlord contributions of up to roughly \$35 per sq. ft., discouraging tenants from relocating and widening the gap between tenant budgets and landlord contributions.

Figure 2: Vacancy Rates by Class



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Figure 3: Average Direct Asking Rate by Class



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Net Absorption

Net absorption totaled negative 35,000 sq. ft. in Q3 2026, a 105,000 sq. ft. improvement from the negative 140,000 sq. ft. recorded in Q2 2026, as fewer large blocks of space were returned to the market. The improvement came primarily from fewer move-outs rather than stronger leasing, as the quarter-over-quarter gain in leasing activity accounted for only a fraction of the overall swing. Year-to-date net absorption remained at negative 231,000 sq. ft., as national tenants continued to reduce their footprints and government users pulling back on new requirements recorded less leasing activity, reflecting a market that is still right-sizing rather than expanding.

The improvement was broad-based, with both submarkets and all three asset classes recording smaller losses than the previous quarter. The Inland Empire East improved from negative 85,000 sq. ft. to negative 25,000 sq. ft. and continues to benefit from a stable base of government and nonprofit tenants and lower rents. The Inland Empire West improved from negative 56,000 sq. ft. to negative 10,000 sq. ft., although large vacancies in Rancho Cucamonga continued to weigh on the submarket, which has greater exposure to insurance and administrative uses that are reducing their footprints.

Employment

The Inland Empire unemployment rate rose to 5.9% in August 2026 from 5.7% in July 2026, above the California rate of 5.1%, while the national rate remained lower at 4.1% during the same period. Between July and August 2026, the Inland Empire added 5,800 nonfarm jobs, with office-using sectors mixed. Private education and health services (up 2,200) and government (up 2,100) led gains, financial activities added 100 jobs, information declined by 100, and professional and business services was unchanged. Year-over-year, nonfarm employment was up 0.7%, although professional and business services (down 3.6%), information (down 9.8%), and financial activities (down 2.3%) remained below year-ago levels, while private education and health services grew 5.2%, the fastest pace of any sector.

Construction Activity

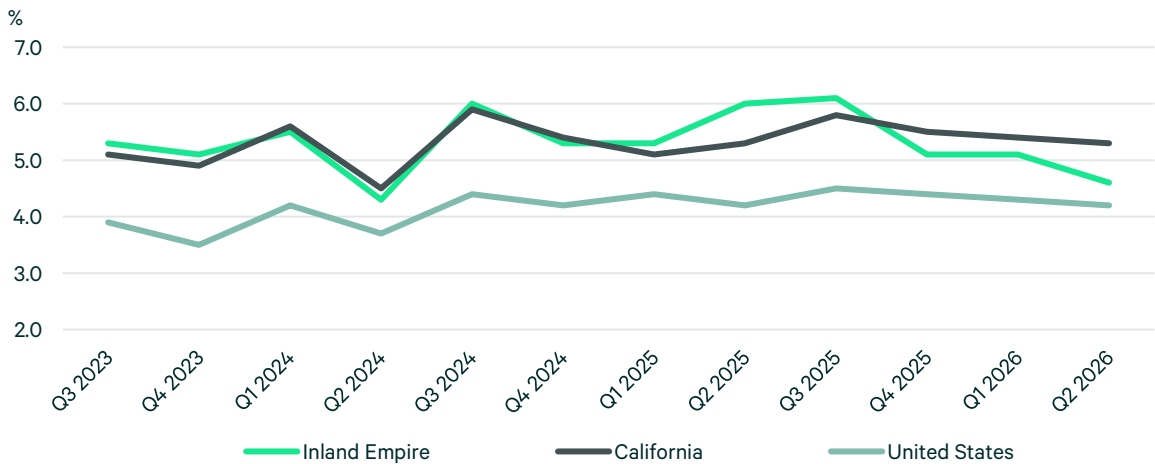
No new construction delivered or broke ground in the Inland Empire office market in Q3 2026, extending a stretch of more than a decade without new office development. As tenants downsize and deal sizes trend smaller, existing space continues to return to the market, edging vacancy higher and reducing the need for new supply in the near term.

Figure 4: Net Absorption Trend



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Figure 5: Unemployment Rate (%)



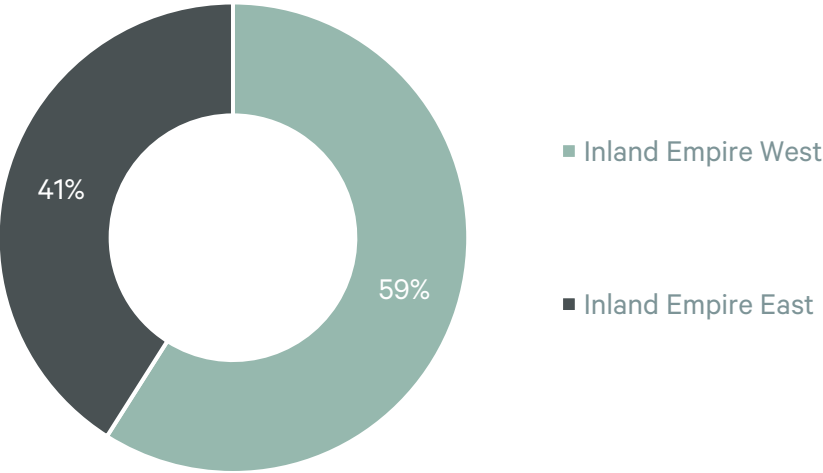
Source: U.S. Bureau of Labor Statistic

Leasing Activity

Leasing activity gained momentum in Q3 2026, totaling 154,000 sq. ft. across 50 transactions, a 16% increase from the 133,000 sq. ft. recorded last quarter. Despite the improvement, activity remained below last year's pace, with quarterly leasing 15% below Q3 2025 and year-to-date leasing 46% below the same period in 2025. Demand remained concentrated in Class A, which captured over half of the leasing volume with 85,000 sq. ft. across 21 deals while representing 38% of the market's inventory, followed by Class B with 44,000 sq. ft. across 18 transactions and Class C with 25,000 sq. ft. across 11 leases.

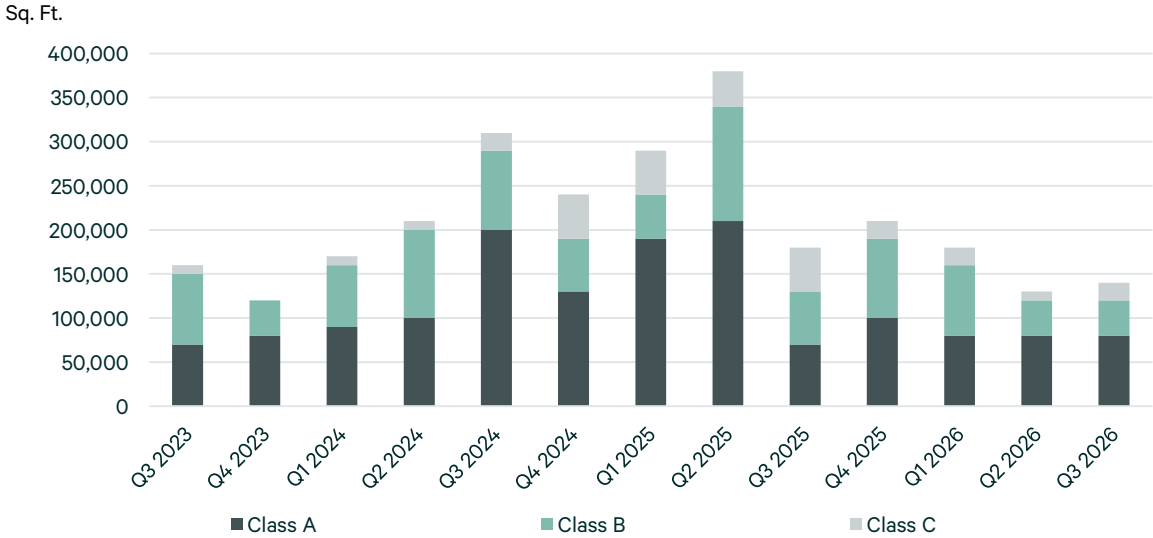
Smaller transactions shaped the leasing landscape, with the average lease size shrinking to about 3,100 sq. ft. from about 3,600 sq. ft. in Q2 2026. Only seven deals exceeded 5,000 sq. ft., and none exceeded 20,000 sq. ft. Leasing velocity decreased as occupiers grew selective amid economic uncertainty and rising relocation costs, with deals now taking 12 to 18 months to complete compared with 9 to 12 months in 2025. County and government tenants, a key source of demand in the market, were less active than last year as they adjusted to changing space needs. Overall, demand remains in place, led by Class A, though smaller deals and longer decision timelines have kept leasing below last year's pace.

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



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Figure 6: Leasing Activity Trend



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Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Richmond American Homes of Maryland	19,000	New Lease	391 N Main St	Inland Empire East
Confidential Tenant	12,000	New Lease	430 N Vineyard Ave	Inland Empire West
Confidential Tenant	9,000	New Lease	9302 Pittsburgh Ave	Inland Empire West
Confidential Tenant	8,000	New Lease	3500 Porsche Way	Inland Empire West
Confidential Tenant	8,000	New Lease	1131 W 6th St	Inland Empire West
Children's Advocacy Group	8,000	Renewal	685 E Carnegie Dr	Inland Empire East
Center for Employment Opportunities	7,000	Renewal	1777 Atlanta Ave	Inland Empire East
Parsons Corporation Parsons	4,000	New Lease	1250 Corona Pointe Ct	Inland Empire East

Source: CBRE Research, Q3 2026

Investment Sale Activity

Investment sales volume totaled \$40.1 million in Q3 2026, a 52% decline from the \$84.3 million recorded in Q2 2026. Year-to-date volume reached \$177.1 million through Q3 2026. The decline reflected fewer transactions, with three trades closing in Q3 2026 compared with seven in Q2 2026, when two large transactions of around \$20 million each anchored volume. Private buyers accounted for all of the quarter's activity as institutional buyers, who made up roughly 30% of Q2 2026 volume, were absent.

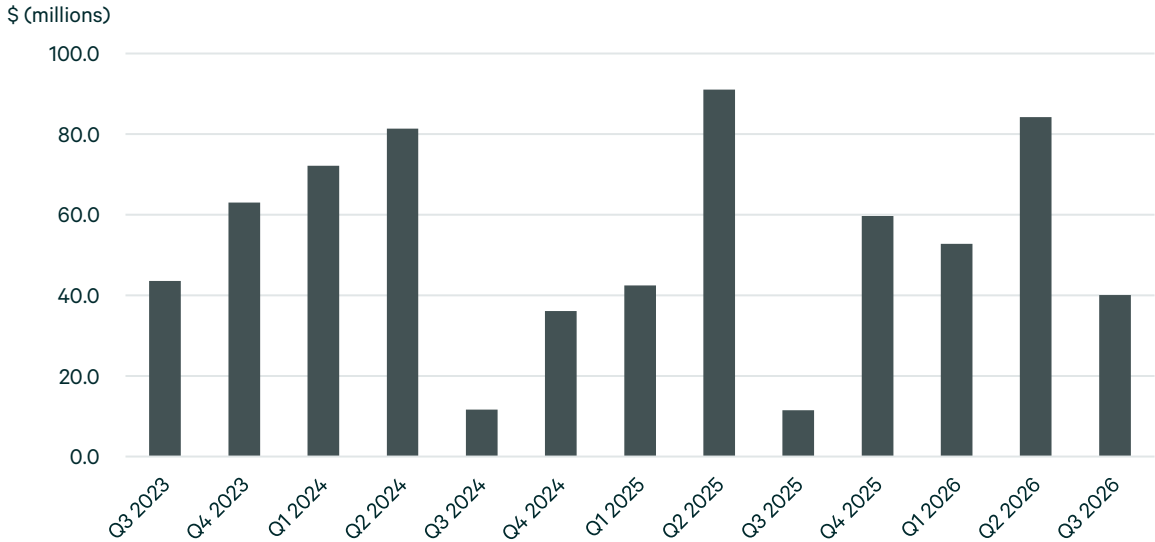
The quarter was carried by One Piemonte, a 125,685 sq. ft. Class A building in Ontario, built in 2008 and 99% leased at the time of sale, acquired by MGR Real Estate for \$33.7 million, or \$268 per sq. ft., which alone represented 84% of volume. Other top sales in the Inland Empire West included 2890 Inland Empire Boulevard, a 19,907 sq. ft. building acquired by Abbey Company for \$4.2 million at \$211 per sq. ft., and 6951 Edison Avenue, a 6,387 sq. ft. asset acquired by Naoufel Mourchid for \$2.2 million at \$341 per sq. ft.

Figure 13: Key Sales

Property	Submarket	Buyer	Sales Price	Size (SF)	Price Per SF
One Piemonte	Inland Empire West	MGR Real Estate	\$33.7M	125,685	\$268.13
2890 Inland Empire Boulevard	Inland Empire West	Abbey Company	\$4.2M	19,907	\$210.98
6951 Edison Avenue	Inland Empire West	Naoufel Mourchid	\$2.2M	6,387	\$341.32

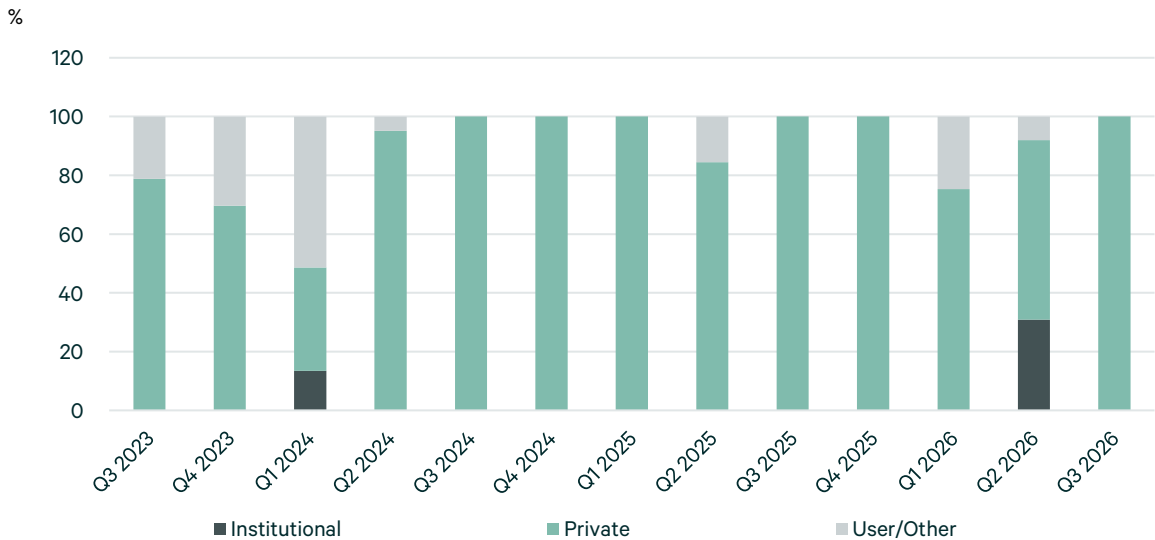
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Figure 12: Quarterly Sales Volume



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Figure 14: Buyer Composition



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Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.

The Inland Empire office market entered the final months of 2026 with mixed but improving signals, as leasing activity gained momentum and net absorption losses narrowed. Uncertainty in the market is making it hard for tenants and landlords to make decisions, extending deal timelines and keeping year-to-date leasing activity below last year's pace. Even so, the market's underlying fundamentals remained intact, with vacancy still in single digits and no new office construction in the pipeline, keeping supply constrained. As the economic outlook gains clarity, occupiers who deferred leasing decisions are expected to re-enter the market, supporting a healthier pace of leasing activity in the quarters ahead.

Market Statistics

Figure 9: Suburban Market Statistics by Class

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	7.1	10.1	9.6	0.5	2.70	(2,000)	(115,000)	-	-
Class B	10.63M	7.6	9.4	8.5	0.9	2.08	(23,000)	(95,000)	-	-
Class C	4.44M	3.2	4.1	3.7	0.4	1.60	(10,000)	(21,000)	-	-
Total	24.42M	6.6	8.8	8.1	0.7	2.34	(35,000)	(231,000)	-	-

Source: CBRE Research, Q3 2026

Figure 10: Urban Market Statistics by Class

Market Statistics by Submarket

Figure 10: Metro Market Statistics by Submarket

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	5.6	6.9	6.7	0.1	2.24	2.78	(25,000)	(118,000)	-	-
Inland Empire West	8.79M	8.4	12.1	10.4	1.6	2.45	2.64	(10,000)	(113,000)	-	-
Out of Submarket	20,000	25.8	25.8	25.8	-	2.12	-	-	-	-	-
Total	24.44M	6.6	8.8	8.1	0.7	2.34	2.70	(35,000)	(231,000)	-	-

Source: CBRE Research, Q3 2026

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.

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