

BRIEF | Intelligent Investment

Inland Empire holds lowest U.S. office vacancy rate for 5 straight quarters

by Conrad Smith and Deepa Shah

The Inland Empire (IE) office sector continued to show resilience amidst challenging office market conditions. While the IE office market ranked among one of the smallest markets compared to its West regional counterparts, local and national companies continued to move to the IE due to the market’s attractive fundamentals. The IE continued to boast strong and growing retail demand, newer and more affordable homes and limited distress compared to other Southern California markets, creating an environment for businesses to succeed.

The IE consistently outperformed other office markets in the country and held the lowest vacancy rate for the past five quarters, averaging a 9.1% vacancy rate during that timeframe. Construction deliveries were limited to only 31,116 sq. ft. since 2020. The lack of supply and increased demand compressed the vacancy rate below that of surrounding regions. The 13.6% availability rate in Q1 2024 remained relatively low as tenants tried to right-size their space. Companies recognized the importance of physical presence in the office, face-time with employees and continued to lease space in the Inland Empire during the first half of 2024.

Inland Empire Office Vacancy Rate, Q1 2024

8.8%

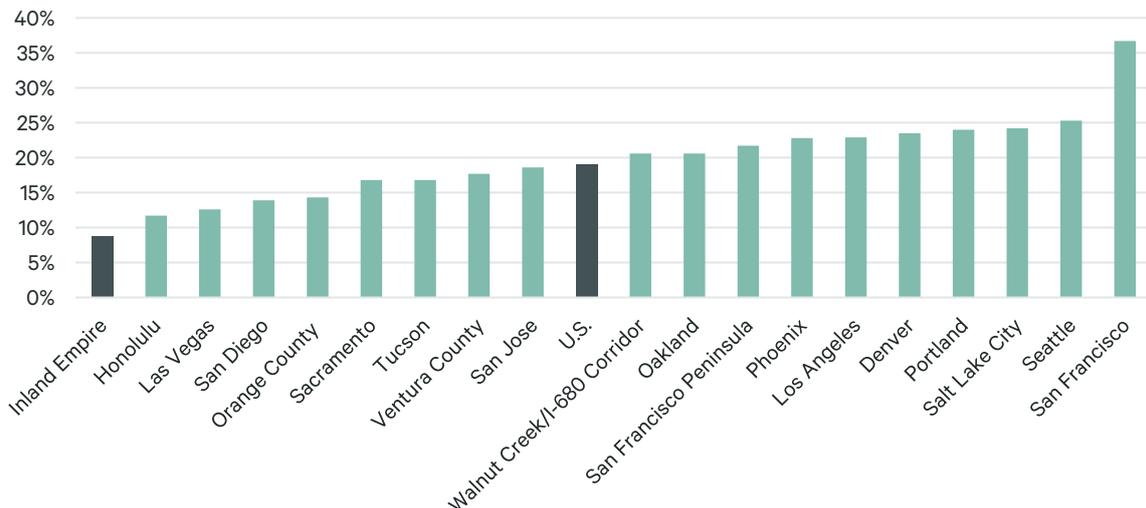
United States Office Vacancy Rate, Q1 2024

19.0%

Inland Empire Office Space Under Construction

44,081 SF

FIGURE 1: Western U.S. Office Market Vacancy Rates



Source: CBRE Research, Q1 2024.

Inland Empire fundamentals strengthen the need for office

Since Q1 2023, the IE office market experienced positive net absorption growth of 1.1% and stood out as the sole market in the Western region with positive net absorption growth over the past five quarters. In contrast, the overall U.S. office net absorption growth was negative 1.7% during the same timeframe. While office markets regionally and nationally continued to face headwinds in the office sector, the IE market continued to hold strong due to the government, healthcare and engineering industries driving office growth.

Government, healthcare and engineering industries have been highly active due to their need to be physically in the office to use equipment, and Riverside and San Bernardino Counties are in growth mode to provide services to their communities. This demand from a mix of healthy tenant industries enhances both the region’s appeal and the region’s stable office sector. The Inland Empire is an attractive choice for residents, investors, and those rethinking their office space needs nationwide, and the region is well-positioned to continue growing.

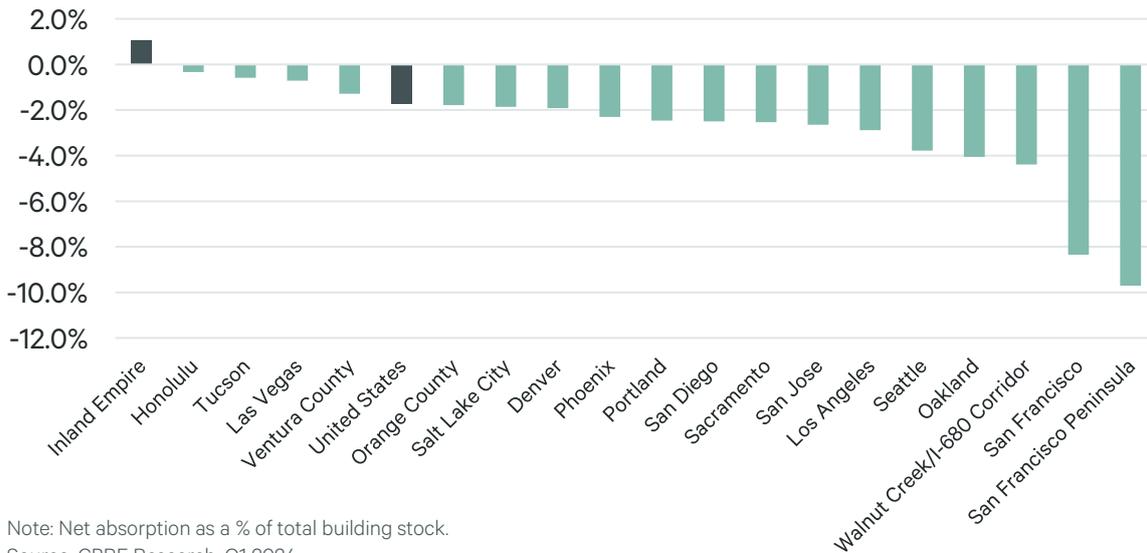
IE Office Net Absorption,
Q1 2023 to Q1 2024

271,761 SF

IE Office Inventory,
Q1 2024

25.3M

FIGURE 2: Net Absorption Growth (Q1 2023-Q1 2024)



Note: Net absorption as a % of total building stock.
Source: CBRE Research, Q1 2024.

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