

INLAND EMPIRE

Office Q4 2023

9.5%
Vacancy Rate



-58.8K
Net Absorption, SF



\$2.21
Asking Rent, PSF



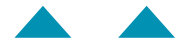
(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

1.7M
Inland Empire Employment



4.9%
Inland Empire Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

Total nonfarm employment in Inland Empire (IE) grew by 30,000, or 1.8% year-over-year (YOY) between November 2022 and November 2023, with the private education and health services sector accounting for the most significant gains or 12,400 jobs added (+4.6% YOY), followed by the government sector adding 10,800 jobs (+4.2% YOY). The IE monthly unemployment rate increased from 4.1% last year to 5.1% and is currently 20 basis points (bps) above the quarterly average of 4.9%.¹ All employment sectors are projected to grow at a combined rate of 2.5% in 2024 and 2.0% in 2025 compared to the 5-year historical average of 2.4%.²

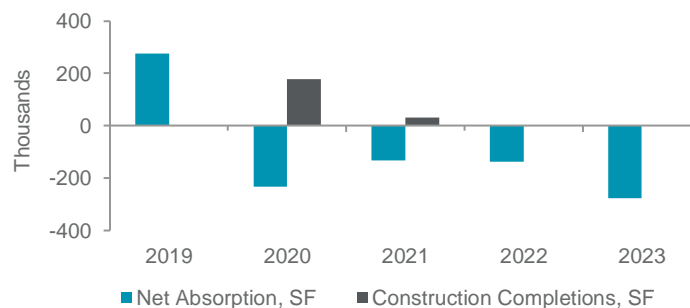
SUPPLY AND DEMAND

In Q4 2023, the IE recorded an overall vacancy rate of 9.5%, marking a 30 bps rise quarter-over-quarter (QOQ) and 130 bps YOY. Direct vacancy increased 110 bps YOY to 9.0%, while sublease vacancy rose 20 bps annually to 0.4%. Despite the minor quarterly bump in vacancy, the IE office market has upheld robust market fundamentals by catering to its primarily local population. Consequently, remote work and hybrid schedules have had minimal influence compared to neighboring markets. As a result, IE maintains the lowest overall vacancy rate across Southern California. Yet, in Q4 2023, tenants still vacated 58,763 square feet (sf) across all classes, marking the sixth consecutive quarter of occupancy losses. Through year-end, tenants have returned 277,441 sf to the market, most of it (173,592 sf) to the Inland Empire West (IEW), followed by the Inland Empire South at 126,800 sf. Meanwhile, the Inland Empire East recorded occupancy gains of 22,951 sf. New leasing activity trickled downwards in Q4 2023, totaling 208,495 sf across 96 deals, excluding renewals, compared to 223,341 sf (92 deals) in Q3 2023 and 376,105 sf (139 deals) in Q4 2022. Riverside was the most active submarket throughout the year, accounting for 19% of new deals, followed by Ontario (17%) and Corona (16%). Smaller-sized tenants have predominately driven leasing demand and larger deals are infrequent for the market. For instance, in 2023, the average new deal was 2,191 sf. New construction has remained stagnant in recent years as office buildings are often delivered partially to fully vacant, making it challenging to justify new development. However, the lack of new construction has effectively prevented an oversupply and subsequent increase in vacancies, posing minimal risk to strong market fundamentals. Notably, the only new development in the IE office market has been medical buildings, typically fully leased before or shortly after delivery.

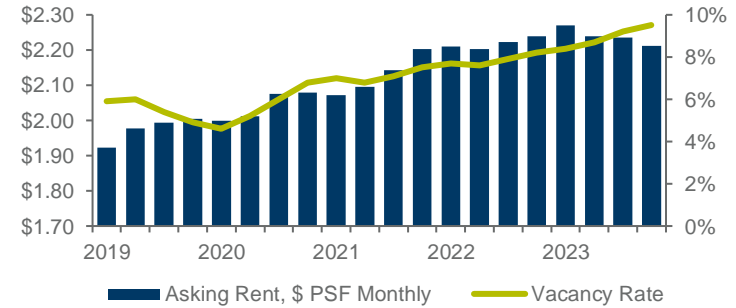
PRICING

The overall average asking rent fell by 1.0% QOQ and decreased by 1.2% YOY, averaging \$2.21 per square foot (psf) on a monthly full-service. However, the average asking rent for Class A buildings decreased by 4.2% YOY to \$2.49 psf, declining gradually through 2023. The average asking rent in the IEW was \$2.24 psf (-2.9% YOY); in the IEE it was \$2.10 (+1.3% YOY). The IES maintained the highest average asking rent at \$2.39 psf (- 4.1% YOY).

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Ontario	3,572,736	32,077	432,008	13.0%	-14,038	-69,371	160,521	0	\$2.37	\$2.57
Rancho Cucamonga	3,074,932	9,161	196,498	6.7%	5,601	-56,086	118,400	0	\$1.99	\$1.93
Fontana	104,235	0	9,460	9.1%	0	-9,460	1,526	0	\$1.78	N/A
Chino/Chino Hills	569,866	8,500	26,481	6.1%	-850	-17,060	10,761	0	\$2.43	\$2.68
Upland	782,829	0	77,827	9.9%	4,670	-21,615	51,587	0	\$2.07	N/A
IE WEST	8,104,598	49,738	742,274	9.8%	-4,617	-173,592	342,795	0	\$2.24	\$2.44
Riverside	4,331,840	2,486	359,157	8.3%	507	-17,217	178,312	0	\$2.20	\$2.60
San Bernardino	3,453,065	7,965	343,778	10.2%	-22,543	40,500	134,319	0	\$1.99	\$2.12
Colton	275,082	0	68,926	25.1%	10,021	6,856	18,344	0	\$1.43	N/A
Redlands/Loma Linda	1,116,995	1,959	25,981	2.5%	-2,868	-7,188	30,914	0	\$2.10	\$2.15
IE EAST	9,176,982	12,410	797,842	8.8%	-14,883	22,951	361,889	0	\$2.10	\$2.47
Corona	1,952,771	16,804	307,374	16.6%	-18,744	-103,080	155,316	0	\$2.48	\$2.63
Temecula	1,317,175	11,075	38,133	3.7%	-12,300	-19,026	60,776	0	\$1.91	\$2.34
Murrieta	550,583	0	30,774	5.6%	-8,219	-4,694	38,842	0	\$2.04	\$1.99
Lake Elsinore	122,527	0	0	0.0%	0	0	0	0	N/A	N/A
IE SOUTH	3,943,056	27,879	376,281	10.2%	-39,263	-126,800	254,934	0	\$2.39	\$2.58
IE TOTALS	21,224,636	90,027	1,916,397	9.5%	-58,763	-277,441	959,618	0	\$2.21	\$2.49

*Rental rates reflect full service asking, psf monthly. **Renewals not included in leasing statistics.

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
10681 Foothill Blvd.	Rancho Cucamonga	Undisclosed	16,286	New
301 Vanderbilt Way	San Bernardino	Undisclosed	12,336	New
3880 Lemon St.	Riverside	Undisclosed	7,620	New
800 N. Haven Ave.	Ontario	Undisclosed	6,410	New
6370 Magnolia Ave.	Riverside	Undisclosed	6,405	New

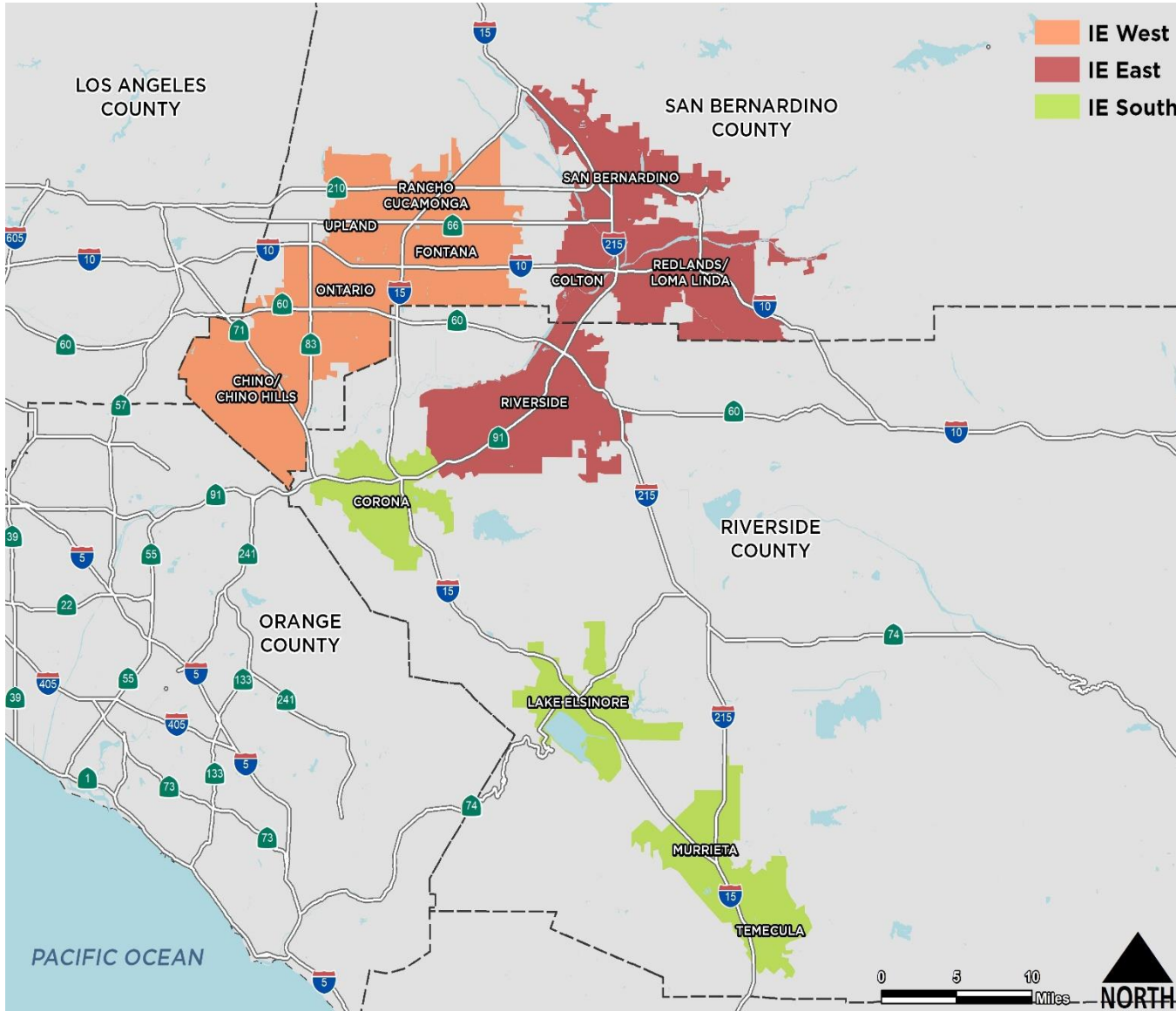
KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
400 N. Mountain Ave.	Upland	Harbor Associates Upland Mountain Properties LLC	47,850	\$9.0M \$188

INLAND EMPIRE

Office Q4 2023

OFFICE SUBMARKETS



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