

# INLAND EMPIRE



Office Q1 2024

	YoY Chg	12-Mo. Forecast
<b>9.4%</b> Vacancy Rate	▲	▲
<b>-64.0K</b> Net Absorption, SF	▼	▼
<b>\$2.22</b> Asking Rent, PSF	▼	▼

*Overall, All Property Classes*

## ECONOMIC OVERVIEW

Total nonfarm employment in Inland Empire (IE) grew by 21,900, or 1.3% year-over-year (YOY) between February 2023 and February 2024. The private education and health services sector accounted for an equal amount of job gains at 21,900 jobs added (+7.9% YOY). The IE monthly unemployment rate increased from 4.4% last year to 5.5% and is currently 20 basis points (bps) above the quarterly average of 5.3%.<sup>1</sup> All employment sectors are projected to grow at a combined rate of 2.6% in 2024 and 2.1% in 2025 compared to the 5-year historical average of 1.9%.<sup>2</sup>

## SUPPLY AND DEMAND

In Q1 2024, the IE recorded an overall vacancy rate of 9.4%, marking a 30 bps rise quarter-over-quarter (QOQ) and 140 bps YOY. Direct vacancy increased 130 bps YOY to 9.0%, while sublease vacancy rose 10 bps annually to 0.5%. Despite the minor quarterly bump in vacancy, the IE office market has upheld robust market fundamentals by catering to its primarily local population. The IE's office market brings consistent leasing demand from local professionals, healthcare providers and resilient small businesses, making it less dependent on large corporate tenants or tech companies than the neighboring coastal markets. As a result, IE maintains the lowest overall vacancy rate across Southern California.

Despite overall resilience, in Q1 2024, tenants vacated 63,998 square feet (sf) across all three major markets. The Inland Empire West (IEW) recorded the most significant negative absorption, with 43,066 sf, primarily concentrated in the Ontario submarket (-54,978 sf). The Inland Empire South (IES) trailed with 15,667 sf of negative absorption, while the Inland Empire East (IEE) recorded a smaller loss of -5,265 sf. New leasing activity picked up in Q1 2024 from last quarter, totaling 258,381 sf across 106 deals, excluding renewals, compared to 217,679 sf (98 deals) in Q4 2023. However, new leasing activity dropped 18.7% from Q1 2023 when activity stood at 285,478 sf (137 deals). Ontario was the most active submarket, accounting for 35% of new deals, followed by Rancho Cucamonga (13%) and Riverside (13%). New construction has remained stagnant in recent years as buildings are often delivered partially to fully vacant, making it challenging to justify new development. However, the need for more new construction has effectively prevented an oversupply and subsequent increase in vacancies. Notably, the only new development in the IE market has been medical buildings, typically fully leased before or shortly after delivery.

## PRICING

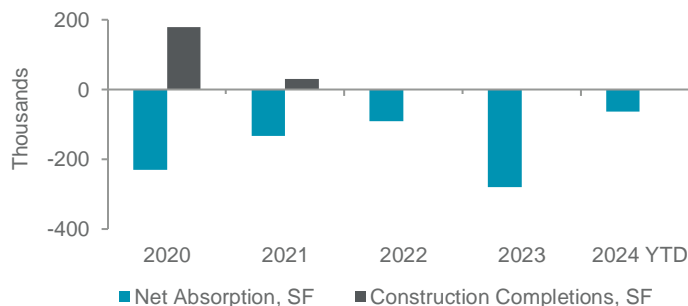
The overall average asking rent showed a modest 0.5% increase QOQ, but posted a 2.2% decrease YOY, averaging \$2.22 per square foot (psf) on a monthly full-service basis. Similarly, Class A buildings recorded a slight quarterly uptick of 0.9% but a 3.5% decrease YOY, averaging \$2.51 psf. The average asking rent in the IEW stood at \$2.27 psf (-0.8% YOY), while in the IEE, it was \$2.08 psf (-1.7% YOY). The IES maintained the highest average asking rent at \$2.35 psf, despite a 5.5% decrease YOY.

## ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
<b>1.7M</b> Inland Empire Employment	▲	▲
<b>5.3%</b> Inland Empire Unemployment Rate	▲	▼
<b>3.8%</b> U.S. Unemployment Rate	▲	▲

Source: BLS

## 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	41,761	486,868	14.8%	-54,978	-54,978	91,256	0	\$2.37	\$2.56
Rancho Cucamonga	3,074,932	17,386	186,082	6.6%	11,902	11,902	34,770	0	\$2.15	\$2.45
Fontana	104,235	0	7,934	7.6%	1,526	1,526	0	0	N/A	N/A
Chino/Chino Hills	569,866	0	31,012	5.4%	-3,587	-3,587	8,885	0	\$2.16	\$2.47
Upland	782,829	0	68,593	8.8%	2,071	2,071	11,622	0	\$2.11	N/A
<b>IE WEST</b>	<b>8,104,598</b>	<b>59,147</b>	<b>780,489</b>	<b>10.4%</b>	<b>-43,066</b>	<b>-43,066</b>	<b>146,533</b>	<b>0</b>	<b>\$2.27</b>	<b>\$2.53</b>
Riverside	4,331,840	2,486	351,040	8.2%	8,117	8,117	33,027	0	\$2.19	\$2.57
San Bernardino	3,453,065	7,965	284,585	8.5%	-3,778	-3,778	17,319	0	\$1.93	\$2.10
Colton	275,082	0	69,501	25.3%	-575	-575	8,792	0	\$1.40	N/A
Redlands/Loma Linda	1,116,995	1,959	35,010	3.3%	-9,029	-9,029	11,333	0	\$2.20	\$2.15
<b>IE EAST</b>	<b>9,176,982</b>	<b>12,410</b>	<b>740,136</b>	<b>8.2%</b>	<b>-5,265</b>	<b>-5,265</b>	<b>70,471</b>	<b>0</b>	<b>\$2.08</b>	<b>\$2.43</b>
Corona	1,952,771	13,462	309,864	16.6%	-11,539	-11,539	22,334	0	\$2.42	\$2.59
Temecula	1,317,175	11,075	46,750	4.4%	-8,617	-8,617	12,863	0	\$1.98	\$2.31
Murrieta	550,583	304	25,981	4.8%	4,489	4,489	6,180	0	\$2.07	\$1.94
Lake Elsinore	122,527	0	0	0.0%	0	0	0	0	N/A	N/A
<b>IE SOUTH</b>	<b>3,943,056</b>	<b>24,841</b>	<b>382,595</b>	<b>10.3%</b>	<b>-15,667</b>	<b>-15,667</b>	<b>41,377</b>	<b>0</b>	<b>\$2.35</b>	<b>\$2.54</b>
<b>IE TOTALS</b>	<b>21,224,636</b>	<b>96,398</b>	<b>1,903,220</b>	<b>9.4%</b>	<b>-63,998</b>	<b>-63,998</b>	<b>258,381</b>	<b>0</b>	<b>\$2.22</b>	<b>\$2.51</b>

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

## KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3546 Concours St.	Ontario	Undisclosed	17,407	New
9445 Fairway View Pl.	Rancho Cucamonga	Aerotek Affiliated Services, Inc.	13,943	Renewal
3990 Concours St.	Ontario	Spectrum Reach	11,317	New
650 E. Hospitality Ln.	San Bernardino	Willdan	10,539	Renewal
10681 Foothill Blvd.	Rancho Cucamonga	Undisclosed	9,711	New

## KEY SALES TRANSACTIONS Q1 2024

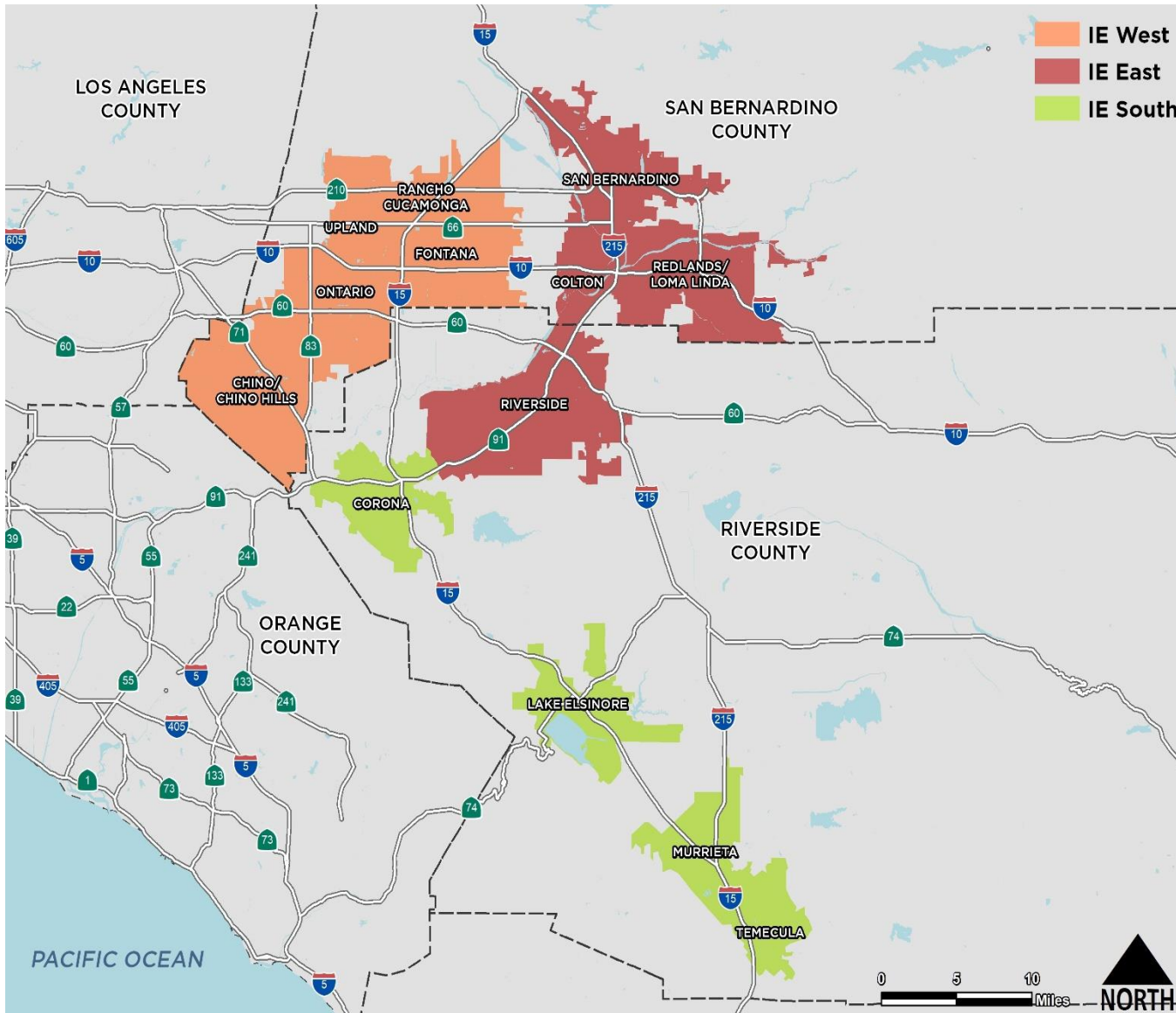
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
451 E. Vanderbilt Way	San Bernardino	Tri-City Property LLC   County of San Bernardino	115,520	\$26.8M   \$232

# INLAND EMPIRE

Office Q1 2024



## OFFICE SUBMARKETS



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