

APPRAISAL INSTITUTE – OFFICE MARKET OVERVIEW

Mid Year 2025



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2024/25 OFFICE TRENDS

- Overall Market is 22.5 million square feet with a little over 1.63 million square feet of vacancy
- Overall Vacancy rate for Office in the IE is **7.24%**, down slightly from 8.18% in Mid 2024. One of the lowest in the top 50 MSA's in the entire country.
- New office construction in 2024 was Medical Build to Suite 40k at Chino Valley Medical Plaza and Government Build to Suit – Chino Valley Unified School District built 60k for their new administration center. Currently there is 24K Square Feet Medical Office Building under construction in Moreno Valley. The first significant period of construction in the IE since 2007/8. We do not anticipate any speculative development in the IE however, MGR has been talking about a new 12 story office building in Ontario.
- Most Tenants have decided to come back to the office full time, but the office market is still in flux. While many companies have expanded, there have been a few that have embraced the remote work/flex schedules, and several have downsized space.
- 2024 saw 166k sf of office space absorption but we've already seen 174k absorbed in the first quarter of 2025. The Riverside and San Bernardino markets posted positive absorption, but Ontario saw some major users consolidate and downsize.

2024/25 OFFICE TRENDS

- Large blocks of space are in short supply. 16 spaces over 20,000 square feet. 7 spaces over 30,000 square feet. Government and healthcare seemed to be the logical groups to absorb large blocks of space, but we are also seeing some regional companies absorb space and users continue to absorb spaces at under replacement value numbers.
- The capital markets continue to be challenging but SBA hasn't missed a beat for user sales
- The cost of Tenant Improvements has become a major factor in lease negotiations. TI's prices have continued to rise. An example would be in 2015 a generic office TI from shell space would cost \$55 psf to \$65 psf. In 2025 that number is now \$120-\$150 psf.
- Office lease deals are taking longer to do because of these increased TI costs.
- The lack of building, rise of TI's and inflation in operating expenses has created an environment where most Landlords are raising lease rates and cutting back concessions such as free rent to cover more of the TI costs.
- On the acquisition side, users dominant the office sales. San Bernardino County, WRCOG, and others have bought high vacancy office properties to house their workforce. Some users are buying today and occupying as tenants leases roll.
- Small building prices have eclipsed \$400 psf for well located and highly improved properties

DEFINITIONS

- Class A
 - 3 stories or greater
 - Museum quality finishes
 - Highest rates in the market

- Class B
 - Older Class A buildings
 - Less than 3 stories
 - No major functional obsolescence



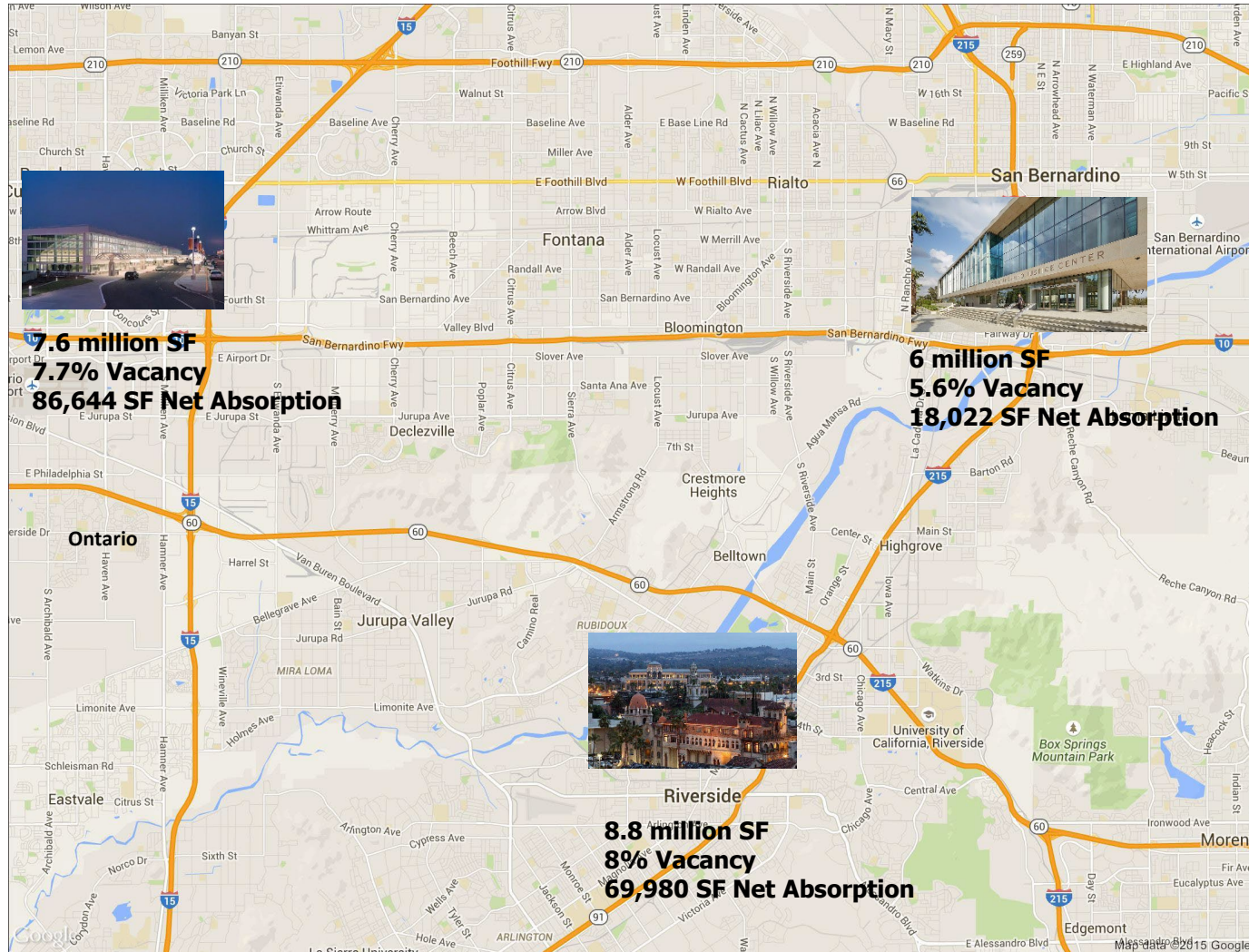
DEFINITIONS - CONTINUED

- Class C
 - Older Class B buildings
 - Single-story or wood frame and stucco garden style
 - Office space in multi-tenant

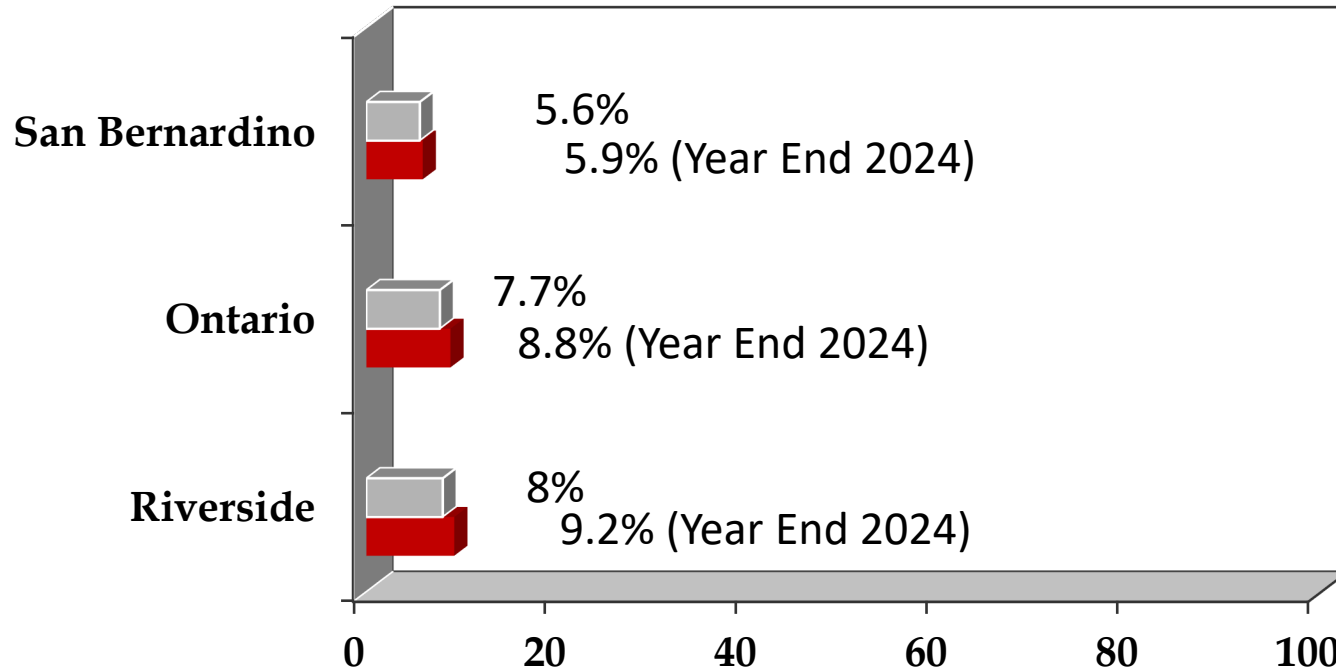
- Small Buildings for Sale
 - New freestanding or condo units
 - Usually tracked as Class C space



INLAND EMPIRE REGION

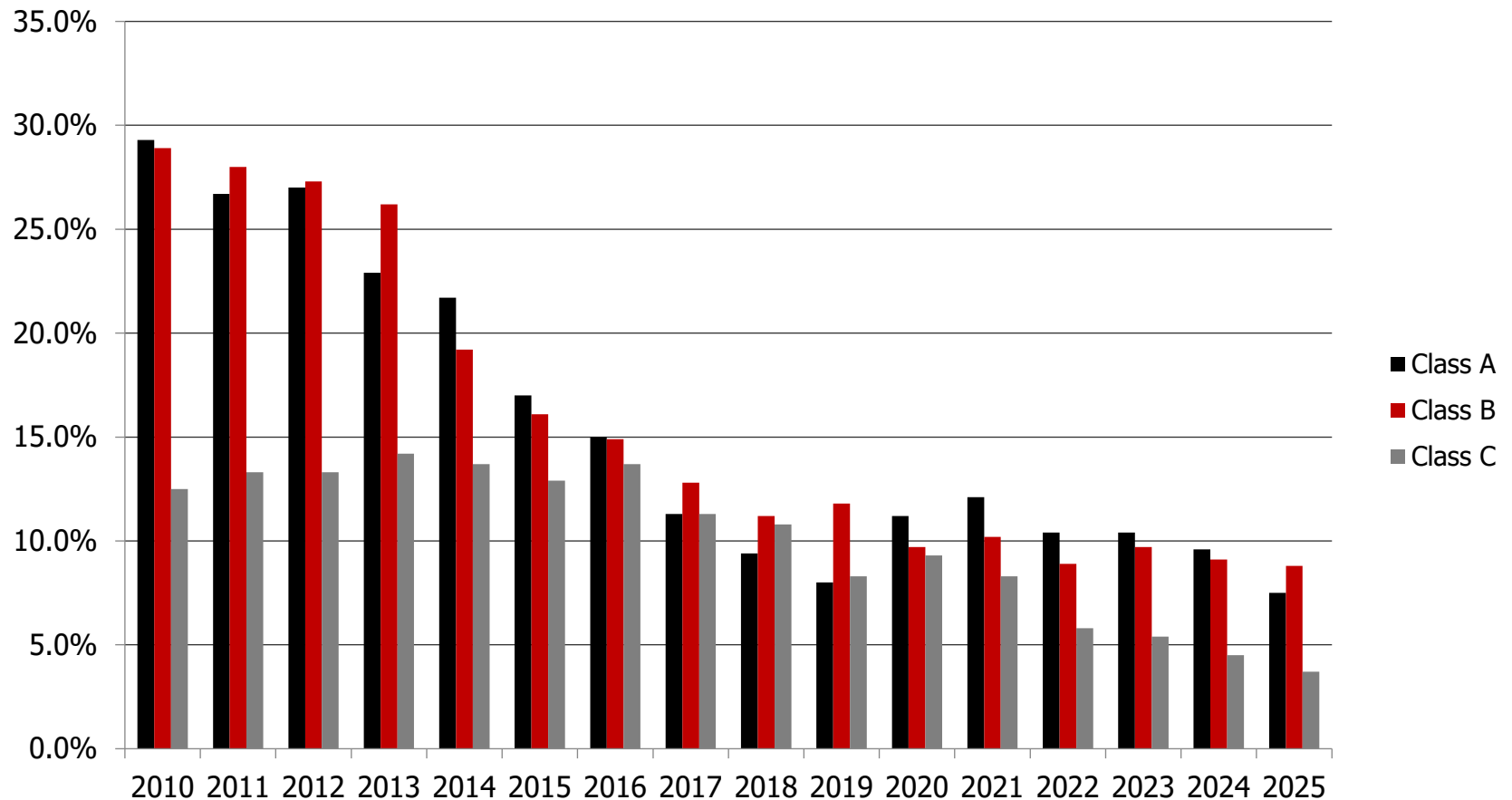


VACANCY BY REGION



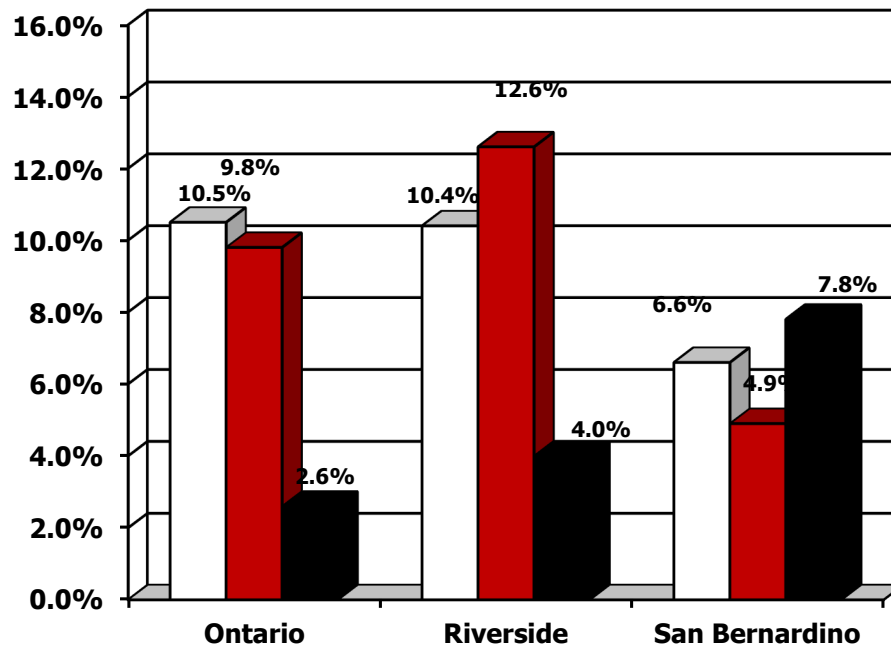
Mid Year 2025 Current Regional Vacancy – 7.24%

VACANCY RATE BY CLASS

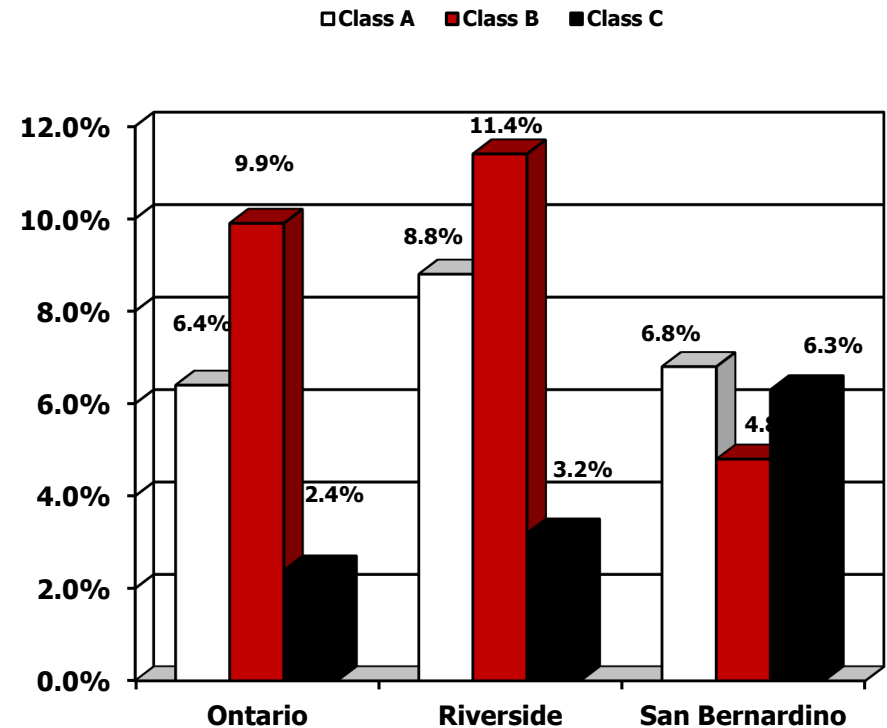


VACANCY RATE BY MAJOR MARKET AND BUILDING CLASS

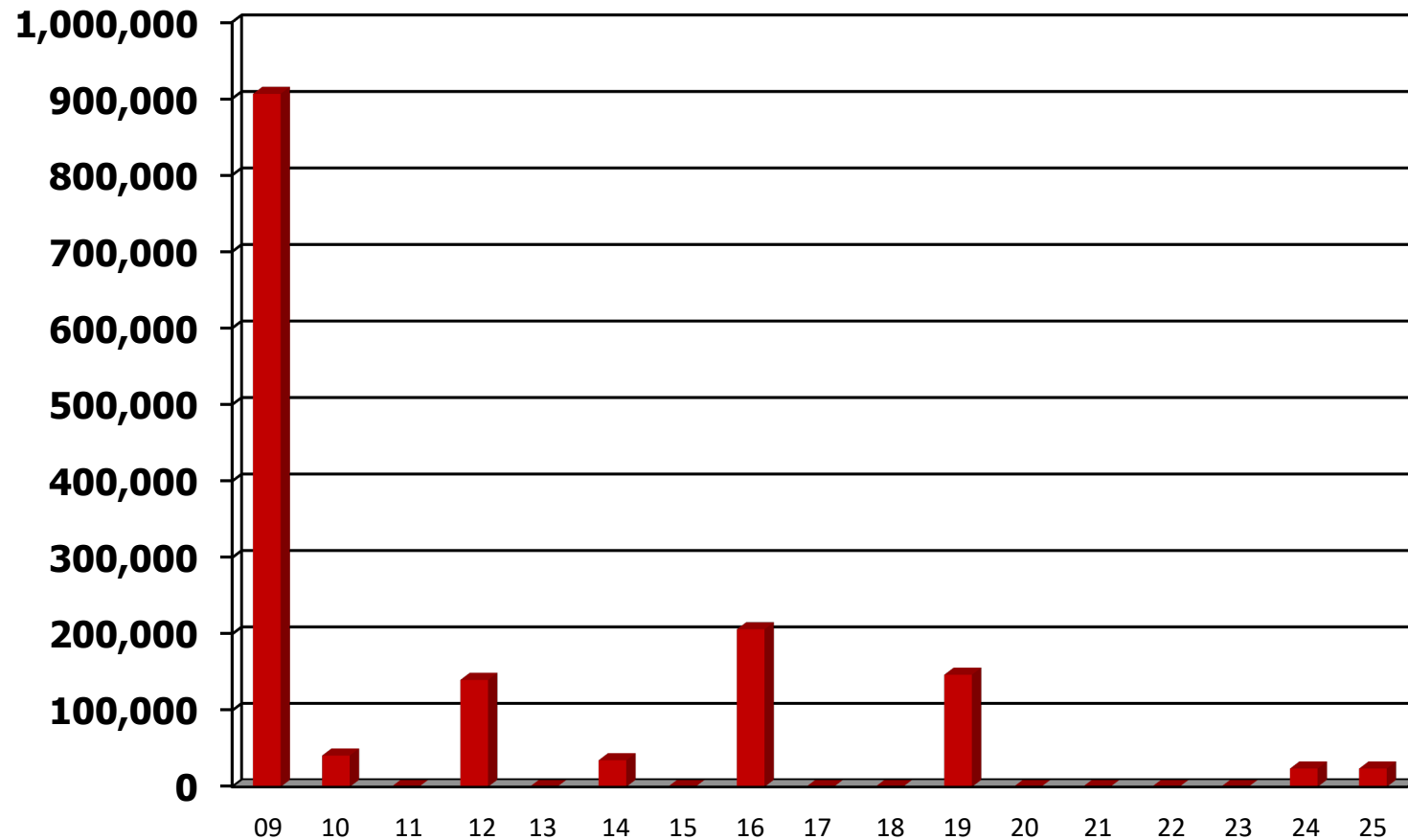
YEAR END 2024



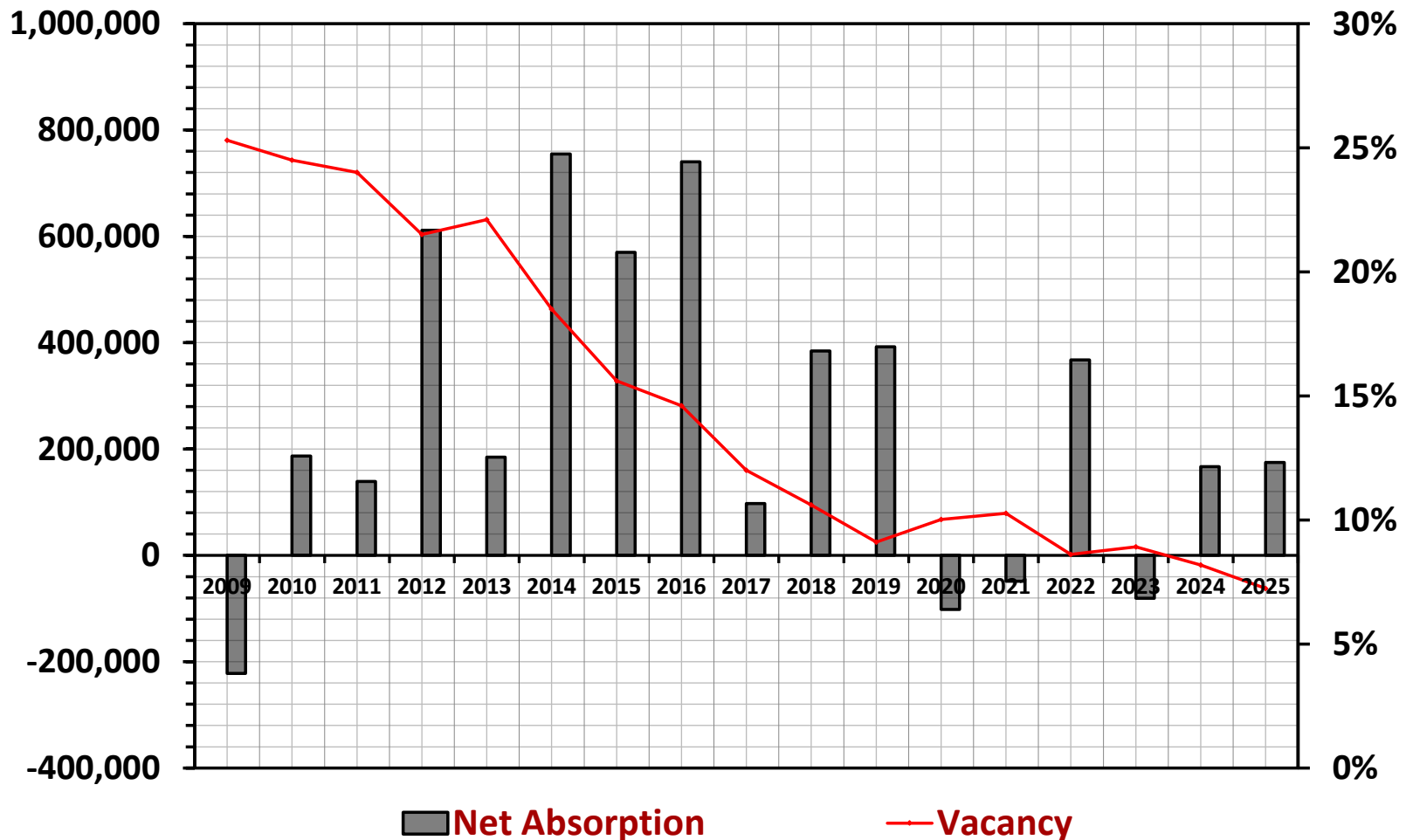
MID YEAR 2025



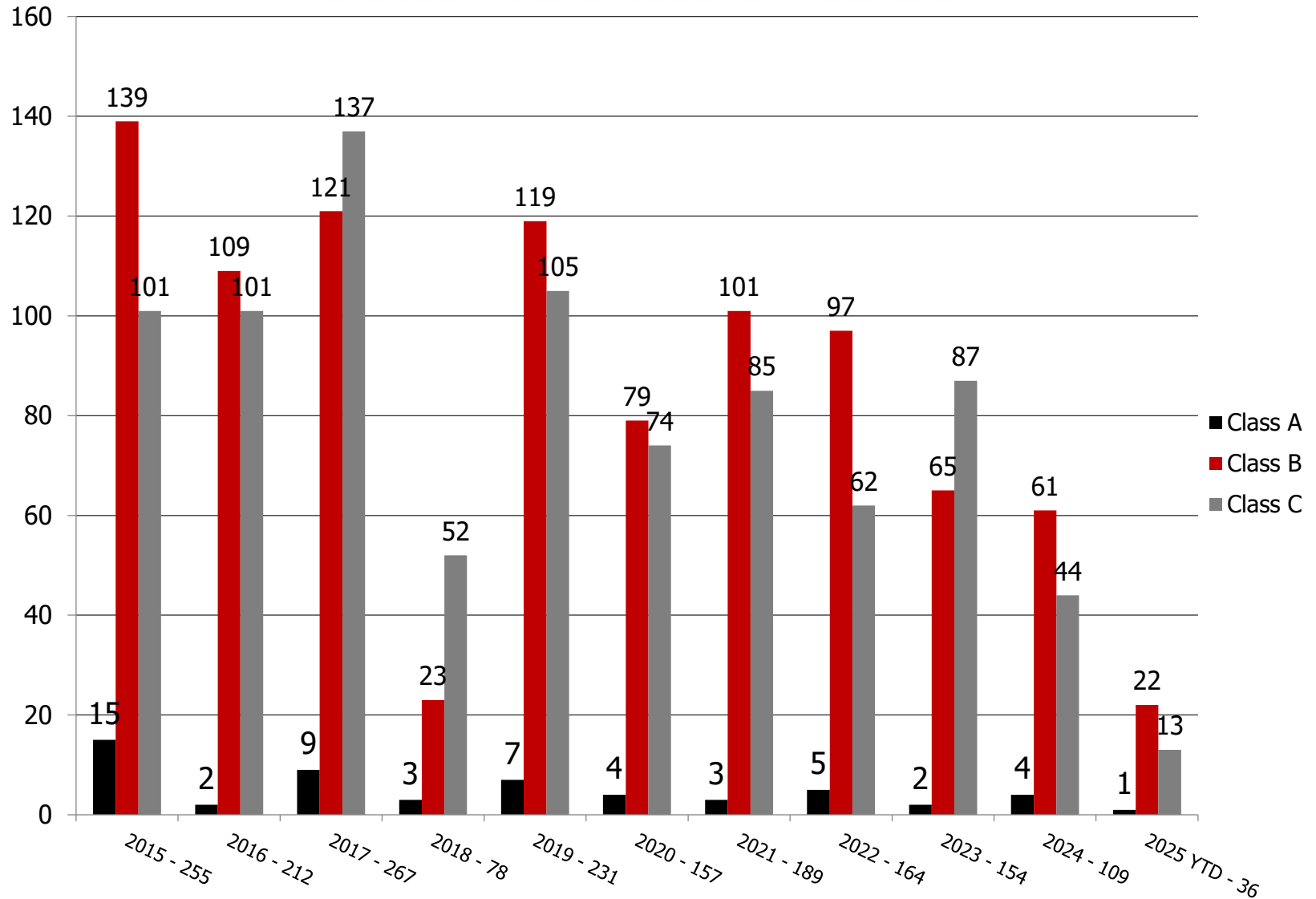
OFFICE CONSTRUCTION (COMPLETED SINCE 2009)



VACANCY AND ABSORPTION TREND ANALYSIS



BUILDING SALES BY CLASS



LARGE LEASE COMPS

TENANT	BUILDING	SF	LEASE TERM	LEASE RATE	TIs
Bradshaw Home	Empire Corporate Plaza	42,302	87	\$2.40 MGR	\$40.00
Smith Chason College, Inc.	Ontario Corporate Center	36,830	180	\$2.45 FSG	\$0.00
County of Riverside	3650 14 th Street	36,637	120	\$2.35 GRS	\$0.00
County of San Bernardino	Tri-City Corporate Center – Two Parkside	29,969	120	\$2.40 FSG	\$55.00
Wings Speech and Language Center	Haven Airport Centre	21,868	84	\$1.80 MGR	\$0.00
Alternative Behavior Strategies	Calistoga Business Center	15,339	108	\$2.21 MGR	\$60.00
San Bernardino County	Three Carnegie Plaza	13,168	120	\$2.15 FSG	\$15.00
First American Title	Lakeshore Plaza	12,023	88	\$2.55 FSG	\$0.00
Alternative Behavior Strategies	The Grove Business Park	10,792	97	\$2.10 FSG	\$30.00
Alternative Behavior Strategies	10601 Church Street	10,384	125	\$2.00 MGR	\$0.00
Alternative Behavior Strategies	Vail Ranch Center	7,463	120	\$3.50 MGR	\$100.00
Stanbridge University	The Grove Business Park	7,344	63	\$2.05 FSG	\$0.00

SALES COMP

CORPORATE PLAZA I



10417 Mountain View Ave, Loma Linda, CA 92354

- Sale Price: **\$17,400,000**
- Price/SF: \$184.87
- Investment
- Buyer: Css Mountain View, LLC
- Seller: Crowsnest Properties, LLC

CORPORATE BUSINESS CENTER



10459 Mountain View Ave, Loma Linda, CA 92354

- Sale Price: **\$9,100,000**
- Price/SF: **\$233.41**
- Owner/User
- Buyer: Loma Linda University Dental Group, Inc.
- Seller: J F Davidson Investments, LLC

SALES COMP

NEIGHBORHOOD HEALTHCARE



4371 Latham St, Riverside, CA 92501

- Sale Price: **\$14,089,000**
- Price/SF: **\$312.30**
- Owner/User
- Buyer: Neighborhood Healthcare
- Seller: Turner Impact Capital, LP

CHICAGO GATEWAY



1955 Chicago Ave, Riverside, CA 92507

- Sale Price: **\$6,734,545**
- Price/SF: **\$195.03**
- Owner/User
- Buyer: Western Riverside Council of Governments
- Seller: ALTO Real Estate Funds

SALES COMP

RIVER POINTE



10769 Hole Ave, Riverside, CA 92505

- Sale Price: **\$12,975,000**
- Price/SF: **\$217.22**
- Owner/User
- Buyer: Inland Empire Health Plan
- Seller: River Pointe One, LLC

VICTORIA COMMONS (IN ESCROW)



8163 Rochester Ave, Rancho Cucamonga, CA 91730

- Asking Price: **\$14,182,000**
- Price/SF: **\$358.13**
- Owner/User
- Buyer: County of San Bernardino
- Seller:

FORECAST 2025 – WHAT’S AHEAD?

- Office activity will remain slow and steady.
- Growing population will drive office absorption as employees look to avoid long commutes and work closer to home.
- Low vacancy rates will keep the IE office market attractive but could stall higher absorption numbers as users expand in OC and Los Angeles markets.
- Users that buy will reap the benefit of reduced long term occupancy costs buying well below replacement costs.
- Space availability and TI's remain the biggest issues to leasing office space in the Inland Empire. Well capitalized Landlords that have vacant space will get the deals.
- Class A Property lease rates will continue to rise but values may be diminished as operating expenses increase and the cost of TI's impacts the leasing velocity.
- SBA is still flush with cash for small businesses looking to own. User sales will be the bulk of office sales in 2024 and may have an additional impact on office vacancy.

QUESTIONS?

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