

APPRAISAL INSTITUTE

Office Market Overview

Inland Empire Region

FIRST QUARTER 2026

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2026 Office Trends



Vacancy at 6.92%

Overall vacancy improved to 6.92% in Q1 2026, down from 7.03% at year-end 2025 — among the lowest of the top 50 U.S. office markets.



Users tap tax breaks

Owner-users are taking advantage of accelerated depreciation — bonus depreciation and cost segregation — to boost after-tax returns on purchases.



Rates have eased

Late-2025 Federal Reserve cuts brought the Fed Funds Rate into the 3.50%–3.75% range, drawing buyers back into the market.



Occupancy still rising

Net absorption rose to 243,916 SF from 221,057 SF at year-end 2025, with vacant space falling roughly 22,900 SF.



Supply stays limited

New construction ticked up to 41,715 SF, all Class B. The development pipeline remains thin, with no speculative supply.



A resilient market

A 22.5M-SF base with 1.56M SF vacant — the Inland Empire stays steadier than most major U.S. office markets.

2026 Office Trends, Continued



Large blocks remain scarce

Fourteen blocks over 20,000 SF and four over 30,000 SF. Government, healthcare, and regional users continue to absorb space at under-replacement-cost numbers.



Tenant improvements have repriced

Generic office TI ran \$55–\$65/SF in 2015; today it's \$120–\$150/SF. Higher TI cost is lengthening lease negotiations.



Users dominate the buy side

Public agencies and regional users keep buying high-vacancy product to house their own workforce — some occupying as leases roll.



Capital markets — SBA stays active

Broader capital markets remain selective, but SBA hasn't missed a beat for user sales as financing costs eased.



Landlords pushing rate, trimming concessions

Limited new supply, rising TIs, and higher operating expenses have landlords raising face rates and cutting free rent.



Small buildings eclipse \$400/SF

Well-located, highly improved small buildings have pushed past \$400/SF on a price-per-foot basis.

Definitions



Class A

- Three stories or greater
- Museum-quality finishes
- Highest rents in the market



Class B

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

Definitions, Continued



Class C

- Older Class B buildings
- Single-story or wood-frame & stucco garden style
- Office space in multi-tenant industrial parks



Small Buildings for Sale

- New freestanding or condo units
- Usually tracked as Class C space
- Owner-user demand drives pricing

Inland Empire Region

Riverside

8.8M SF total rentable

8.1%

VACANT

54,544

NET ABSORPTION

Ontario

7.7M SF total rentable

7.7%

VACANT

87,642

NET ABSORPTION

San Bernardino

6.1M SF total rentable

4.2%

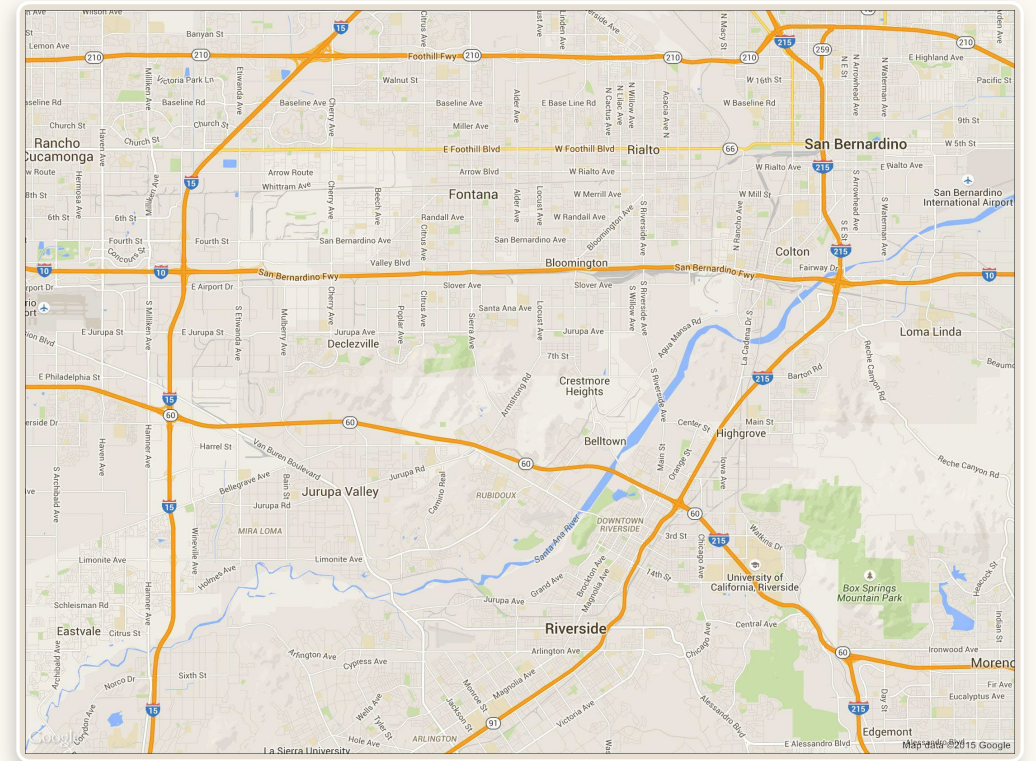
VACANT

101,730

NET ABSORPTION

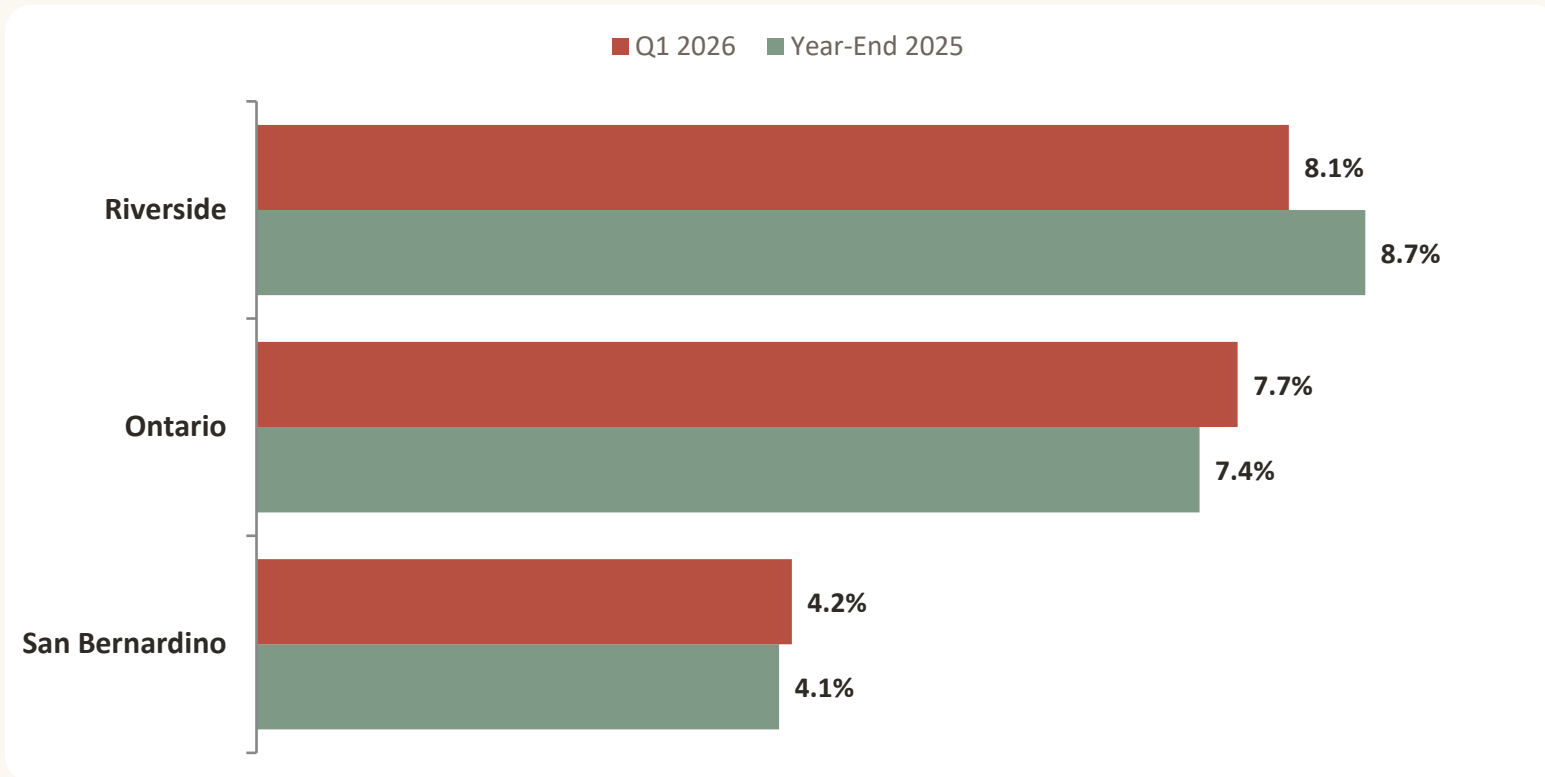
22,512,176 SF Total Square Feet

6.92% Vacant



Total tracked base across the three major submarkets, Q1 2026.

Vacancy by Region



San Bernardino · 4.2%

Tightest major submarket; ticked up only slightly from 4.1%.

Ontario · 7.7%

Softened modestly from 7.4% on some user consolidation.

Riverside · 8.1%

Clearlest improvement of the three, down from 8.7%.

Regionwide vacancy improved 11 basis points to 6.92%.

Vacancy Rate by Class



Class A · 6.8%

Softened slightly as more top-tier space came available; slower leasing velocity.

Class B · 7.8%

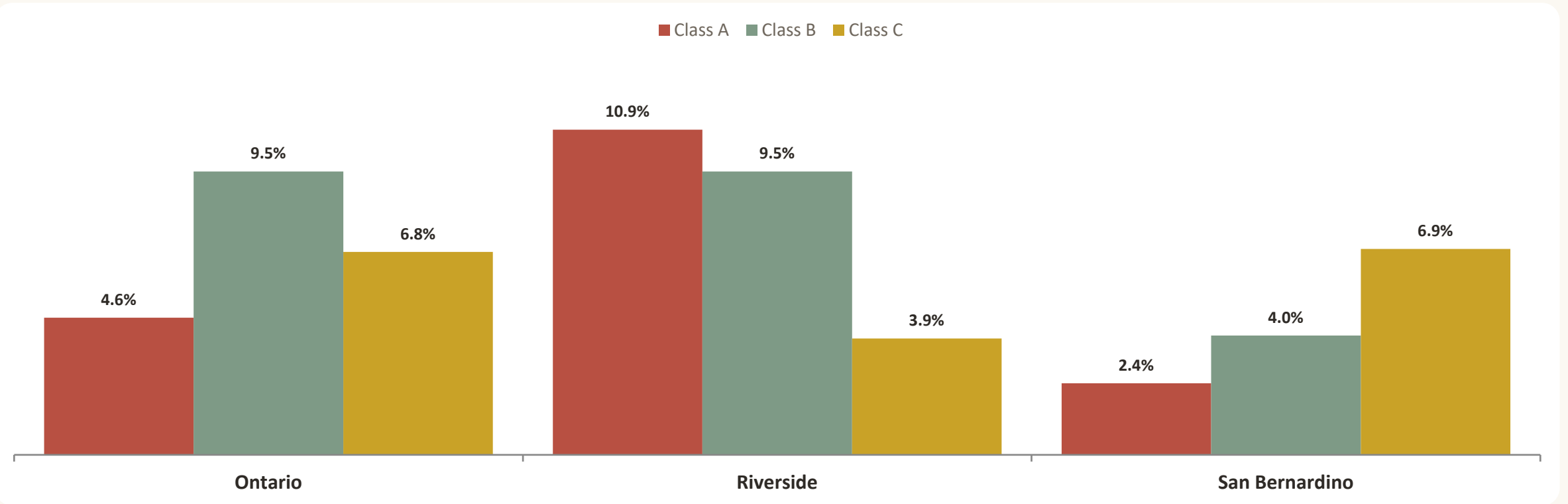
Best-positioned: vacancy fell and ~34,000 SF absorbed. The IE workhorse.

Class C · 5.3%

Edged down, but absorption stayed negative — most exposed to move-outs.

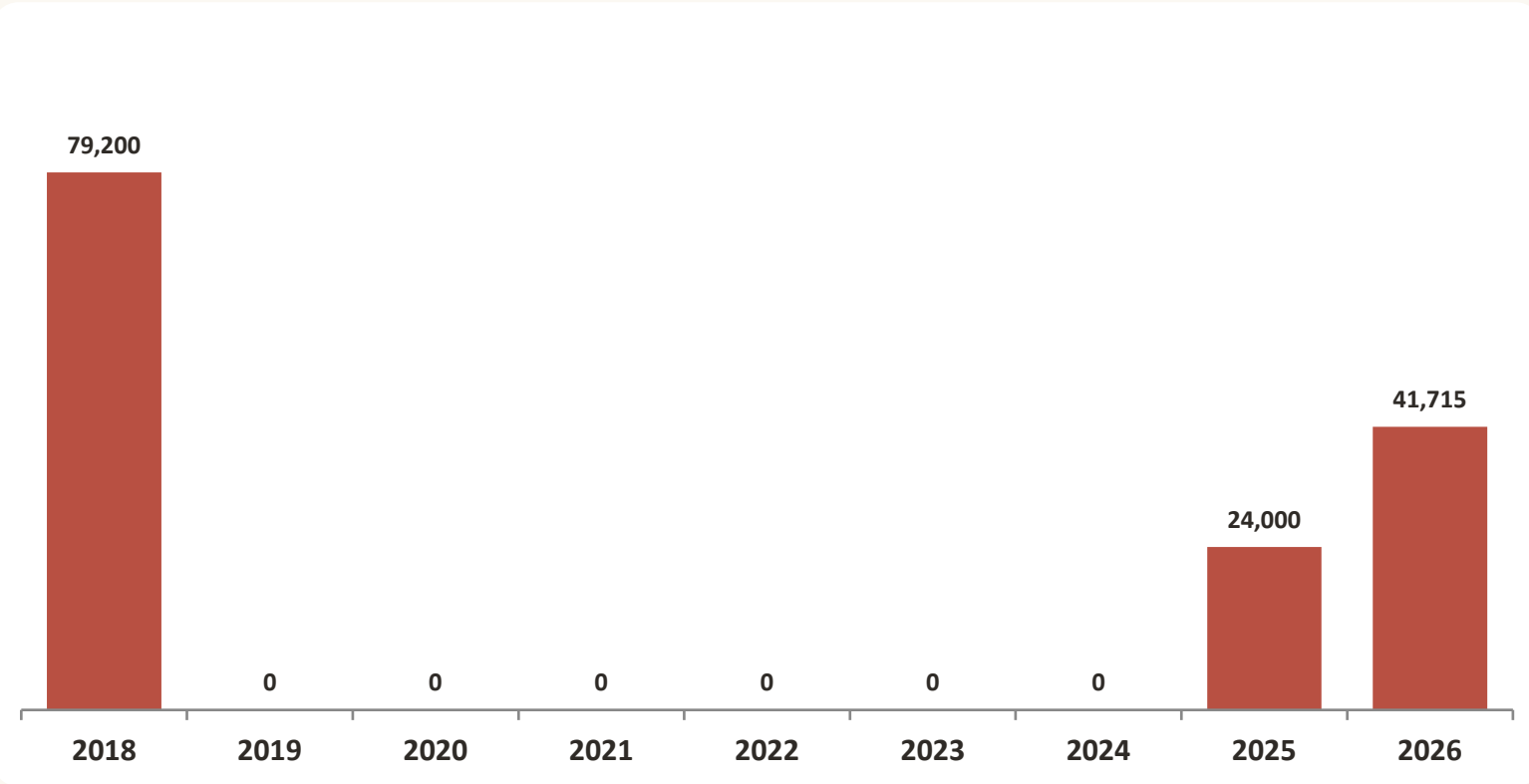
Vacancy by Major Market & Building Class

Q1 2026 percent vacant, by submarket and class.



Riverside Class A runs hottest at 10.9%; San Bernardino is tightest across the board.

Office Construction Completed Since 2009

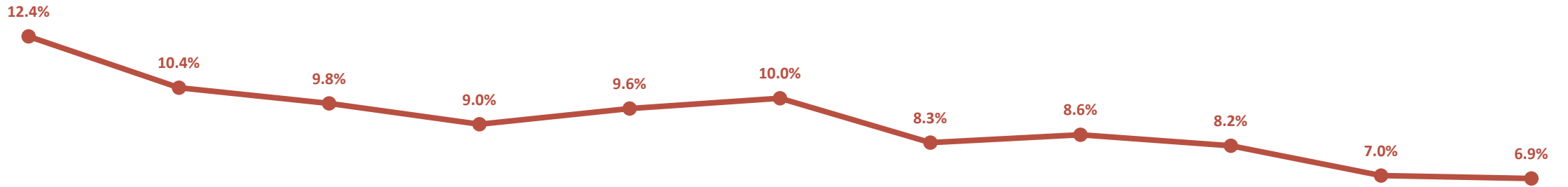


41,715 SF
UNDER CONSTRUCTION · Q1 2026
All in the Class B segment

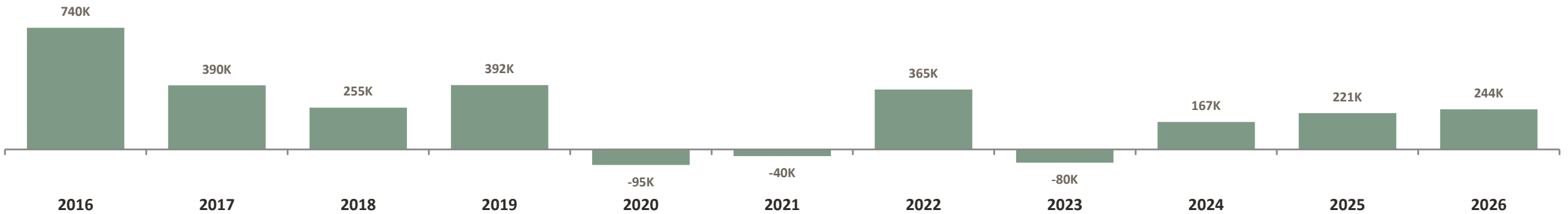
Up from 24,000 SF at year-end 2025. The pipeline remains thin, with no meaningful speculative supply — a continuing constraint that supports occupancy and underpins replacement-cost value.

Vacancy & Absorption Trend Analysis

VACANCY RATE (%)



NET ABSORPTION (SF)



Vacancy has compressed from 12.37% (2016) to 6.92% today, while absorption has stayed positive for three straight readings.

Office Sales Comps — Q1 2026

Property	City	RBA (SF)	Sale Price	\$/SF	Cap / Type	Sold
Lakeview Center II 3237 E Guasti Rd	Ontario	53,123	\$12,200,000	\$229.66	8.00%	4/30/26
Corona Corporate Plaza II 255 E Rincon St	Corona	59,096	\$12,000,000	\$203.06	User	1/30/26
Victoria Commons 8163 Rochester Ave	Rancho Cucamonga	39,600	\$12,000,000	\$303.03	7.2%	10/9/25
The Grove Business Park 1450 Iowa Ave	Riverside	53,608	\$12,329,850	\$230.00	User	10/23/25
The Grove Business Park 1500 Iowa Ave	Riverside	49,202	\$12,200,000	\$247.96	User	10/23/25
County of San Bernardino 265 E 4th St	San Bernardino	50,082	\$12,950,000	\$258.58	7.45%	11/21/25
Laurel Aspen 10737 Laurel St	Rancho Cucamonga	31,415	\$7,100,000	\$226.01	—	5/15/26

Cap rates shown for investment sales; "User" denotes an owner-user purchase. Built 2001–2008 (Laurel Aspen 1993). Source: CoStar Group, licensed to Lee & Associates.

Office Lease Comps — Q1 2026

Property	Tenant	SF	Rate / Type	Term	Deal	Free / TI	Class · Built
Corona Corporate Center 495 E Rincon St, Corona	Rios and Rios	12,573	\$2.15 FSG	23	Renewal	0 / N/A	B · 1990
Hospitality Executive Ctr 275 W Hospitality Ln, San Bernardino	Marsell Wellness Center	10,008	\$1.70 FSG	75	New	2 / N/A	B · 1986
Spruce Commons 1595 Spruce St, Riverside	Nuvia Dental	11,882	\$2.10 NNN	120	New	0 / \$90	B · 1986
Empire Corporate Plaza 10760 4th St, Rancho Cucamonga	PBK Architects, Inc.	24,656	\$2.35 MGR	88	New	4 / \$35	B · 2007
City Center 10681 Foothill Blvd, Rancho Cucamonga	Eide Bailly	19,168	\$2.50 FSG	5	Renewal	N/A / N/A	B · 1987
Lakeshore Plaza 4140 Temescal Canyon Rd, Corona	Keenan & Associates	12,023	\$1.74 FSG	62	New	2 / N/A	A · 2020
Corona Pointe 1305 Corona Pointe Ct, Corona	La Sierra University	11,087	\$1.95 NNN	60	New	2 / N/A	B · 2004

FSG = Full-Service Gross · MGR = Modified Gross · NNN = Triple Net. Term in months. Free rent (months) / TI allowance per SF. ~3% annual escalations typical. Source: Lee & Associates.

FEATURED SALE

Sales Comp — 1450 & 1500 Iowa Ave (The Grove)

THE GROVE BUSINESS PARK

Riverside, CA 92507 · Sold 10/23/2025



WITH BIG THANKS TO STEVE FONTES

1450 IOWA AVE

\$12,329,850

\$230.00 /SF

53,608 SF · 70.9% leased
Built 2007

Seller: Renken Consulting Group

1500 IOWA AVE

\$12,200,000

\$247.96 /SF

49,202 SF · 100% leased
Built 2006

Seller: Samir Batniji

\$24.53M combined · 102,810 SF · ~\$238.59/SF blended · both to **Riverside Unified School District**

A paired owner-user acquisition by RUSD — a public agency buying below replacement cost.

Sales Comps — Detail



INVESTMENT · 1031 EXCHANGE

Corona Corporate Plaza II

255 E Rincon St, Corona, CA 92879

\$12,000,000 \$203.06/SF

59,096 SF (95.5%) · Built 2001 · Sold 1/30/26

Buyer: Renken Consulting Group

Seller: Providence Capital Group, Inc.



OWNER/USER · PUBLIC AGENCY

Victoria Commons

8163 Rochester Ave, Rancho Cucamonga

\$12,000,000 \$303.03/SF

39,600 SF · Built 2008 · Sold 10/9/25

Buyer: County of San Bernardino

Seller: Anthony L. Coelho

Sales Comps — Detail, Continued



INVESTMENT · 8.00% CAP

Lakeview Center II

3237 E Guasti Rd, Ontario, CA 91761

\$12,200,000 \$229.66/SF

53,123 SF · Built 2006 · Sold 4/30/26

Buyer: MGR Real Estate
Seller: BH Properties, LLC



INVESTMENT · 7.45% CAP

265 E 4th Street

265 E 4th St, San Bernardino, CA 92415

\$12,950,000 \$258.58/SF

50,082 SF (100%) · Built 2008 · Sold 11/21/25

Buyer: Wen Hou
Seller: The Krausz Companies, LLC

BUT DON'T FORGET

Tenant Improvement Costs

Setting realistic TI budgets early keeps deals moving. Ranges are per rentable SF unless noted; a first-generation shell needs complete buildout and generally costs more than reconfiguring second-generation space.

TYPICAL BUDGET RANGES

Project Type	First Gen	Second Gen
White Box Improvements	\$40–\$75/SF	\$25–\$50/SF
Basic Office TI	\$85–\$150/SF	\$50–\$95/SF
Creative Office	\$110–\$190/SF	\$70–\$130/SF
Medical Office	\$175–\$325/SF	\$125–\$250/SF
Dental Office	\$225–\$400+/SF	\$175–\$350/SF

First Generation

Typically requires complete infrastructure buildout — HVAC, electrical, plumbing, lighting, ceilings, and interior walls.

Second Generation

Generally contains improvements from prior tenants, often allowing more cost-effective renovations depending on use.

MOST COMMON PRICED ITEMS

Office Demolition	\$3–\$10/SF
Standard Office Wall	\$70–\$110/LF
Carpet / LVP Flooring	\$5–\$12/SF
Interior Paint	\$2–\$6/SF
Basic Office Electrical	\$7–\$18/SF
HVAC Modifications	\$4–\$12/SF
New ADA Restroom	\$30K–\$50K
Rooftop HVAC Unit	\$10K–\$30K+

Source: JACOR Construction TI Budget & Planning Guide (CA & AZ). Planning estimates, not bids.

Forecast 2026 — What's Ahead?

Stable & steady

Office activity should remain stable with modest, uneven improvement; the IE stays more resilient than most U.S. office markets.

Single-digit vacancy is the headline advantage

Buyers are interested in the market because of low vacancy rates, which they believe will ultimately lead to increased lease rates.

TIs shape the deals

Space availability and tenant-improvement cost remain the biggest leasing hurdles; well-capitalized landlords win.

Health, education & government

Healthcare, education, and government users will continue to carry and expand the office market.

Users keep buying

SBA remains flush for small businesses; owner-users will be the bulk of office sales and a swing factor on vacancy.

Values vs. expenses

Class A rents keep rising, but values may be tempered by rising operating expenses and TI's drag on leasing velocity.

Questions?

Thank you. Happy to dig into any market, class, or valuation question.

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