

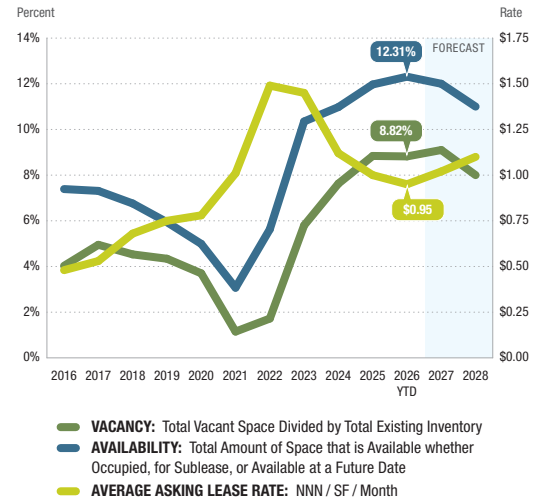
**OVERVIEW.** The Inland Empire industrial market entered 2026 with mixed signals. Vacancy held essentially flat compared with the prior quarter, though overall availability ticked up. Leasing activity remained subdued, with many occupiers taking a cautious approach amid ongoing economic uncertainty. On the capital markets side, sales activity showed a modest increase from late 2025 levels, though overall transaction volume remains below historical norms. Meanwhile, average asking rental rates continue to trend downward, as landlords contend with elevated availability across the region.

**VACANCY & AVAILABILITY.** The Inland Empire vacancy rate finished Q1 at 8.82%, effectively unchanged from the prior quarter, but 1.25 percentage points higher than the level of a year ago. The new supply to the market has been pushing vacancy steadily higher after briefly dipping below 1% in 2022. Vacancy measures the amount of space which is unoccupied regardless of whether it is being marketed for sale or lease. Availability measures the amount of space which is on the market, regardless of whether it is occupied. Available space was 12.31% of the market's inventory at the end of Q1, an increase of over 1 percentage point versus Q1 2025's rate of 11.25%. Sublease availability continues to remain a significant factor in the market, with 15.6 MSF of sublet space available at the end of Q1. This total was less than 3 MSF as recently as Q2 2022.

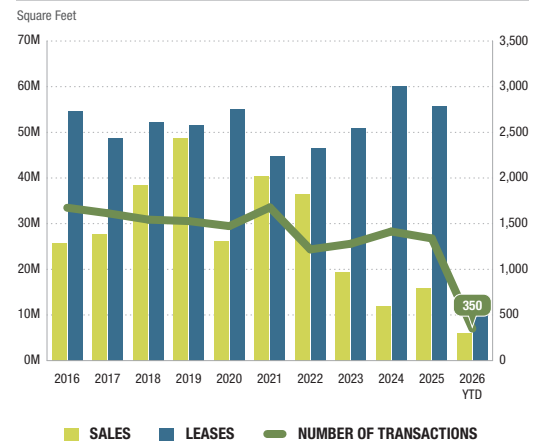
**LEASE RATES.** The average asking rate in Q1 was \$0.95 per square foot per month, a five-cent decrease from the previous quarter, and down a substantial 7.7% from the level of a year ago. There has been a sharp shift in the balance of negotiating leverage in recent years, with the average asking rate declining for three consecutive years, placing tenants in the driver's seat. This has resulted in elevated leasing concessions, such as rental abatement, as landlords are getting aggressive in pursuing tenants. The delivery of large amounts of new space coupled with a falloff in demand in the distribution sector has given tenants a pause from rising occupancy costs. Of course, the balance of negotiating leverage across the market varies depending on the location and building characteristics.

**TRANSACTION ACTIVITY.** Sale and lease activity, which measures executed leases and closed sales in a given period, finished Q1 2026 at 18.4 MSF, a 7.1% decrease compared with Q1 2025. There were 275 leases recorded in Q1 2026, consistent with the 2025 quarterly average of 273. The total square footage leased in Q1 2026 was 12.4 MSF, a slight decrease from 2025's quarterly average of 14.0 MSF. Sales volume saw a slight uptick in activity in the first quarter, with 6.0 MSF of buildings trading hands. This is an improvement from the average of 3.9 MSF per quarter from 2023–2025, but still well below the average of 8.6 MSF per quarter sold in 2021–2023. While the overall sale market remains down, 2025 saw the owner-user segment record its highest volume of sales, in terms of both dollars and square feet, since 2021. The largest owner-user sale in Q1 2026 was Walmart's acquisition of their 507,000-SF building at 1001 Columbia Avenue in Riverside. With price per square foot easing off of recent highs, industrial occupiers have been stepping up.

### VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



### TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



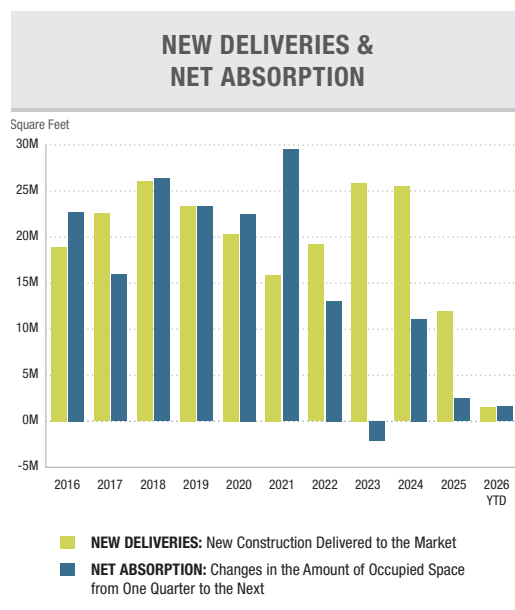
### Market Statistics

	Change Over Last Quarter	Q1 2026	Q4 2025	Q1 2025	% Change Over Last Year
Total Vacancy Rate	▼ DOWN	8.82%	8.84%	7.57%	16.45%
Availability Rate	▲ UP	12.31%	11.97%	11.25%	9.45%
Average Asking Lease Rate	▼ DOWN	\$0.95	\$1.00	\$1.03	(7.77%)
Sale & Lease Transactions	▲ UP	18,405,116	16,146,462	19,820,912	(7.14%)
Gross Absorption	▼ DOWN	13,455,515	13,668,827	13,291,953	1.23%
Net Absorption	▲ POSITIVE	1,587,049	2,917,134	2,782,602	N/A

**ABSORPTION.** Net absorption finished Q1 2026 just within the positive side of the ledger, with the East and West segments of the market each posting 0.8 MSF of positive net absorption. The total net absorption since the start of 2022 is now just 13.0 MSF, compared to 65.0 MSF in the preceding three years. The increased sublease availability of the past three years demonstrates that a number of companies in the region are right-sizing or consolidating operations.

**CONSTRUCTION.** Construction activity has continued to moderate into early 2026. Following a full-year total of just under 12 MSF of deliveries in 2025, the lowest annual output in over a decade, only approximately 1.6 MSF has been delivered through the first quarter of 2026. The development pipeline has contracted significantly, with just over 3.0 MSF currently under construction, a dramatic decline from peak levels seen earlier in the cycle. This rate of new construction in Q1 puts the market on pace for its second consecutive year of decreasing deliveries, and the first year of less than 10 MSF in new deliveries in over a decade.

**EMPLOYMENT.** The unemployment rate in the Riverside-San Bernardino MSA was 5.4% in January 2026, above the year-ago estimate of 5.3%. In the Riverside-San Bernardino MSA, the Transportation and Warehousing employment sector decreased by 9,300 jobs, the Construction employment sector decreased by 1,300 jobs, and the Manufacturing employment sector decreased by 300 jobs compared with the prior month. With the delay in reporting from the California EDD, employment figures from February and March were unavailable at the time of publishing this report. For the nation as a whole, unemployment edged higher to 4.4% from the prior month's revised 4.3% rate. The U.S. economy has seen an average of 68,000 jobs added per month in 2026, compared to 15,000 in 2025, and 186,000 in 2024.



## Forecast

The Inland Empire industrial market enters 2026 at an inflection point, with fundamentals showing early signs of stabilization but broader uncertainty clouding the near-term outlook. While the pullback in new construction is helping to gradually rebalance supply and demand, elevated availability and soft leasing activity continue to weigh on overall market momentum. Landlords remain competitive, and rental rate pressure is expected to persist in the near term as tenants maintain a cautious stance. Looking ahead, macroeconomic risks, exacerbated by the ongoing turmoil in the Middle East, pose additional challenges. Potential supply chain disruptions and renewed inflationary pressures could increase operating costs for occupiers, while also dampening consumer confidence. This combination may further delay expansion decisions and temper warehouse demand in the short term. That said, the Inland Empire's position as a critical logistics hub should support long-term demand, with the market expected to regain footing as economic conditions stabilize and excess space is absorbed.

## Significant Transactions

Sales						* Voit Real Estate Services Deal
Property Address	City	Square Feet	Sale Price	Buyer	Seller	
1001 Columbia Ave.	Riverside	507,000	\$223,000,000	Walmart	State Street Global Advisors	
20901 Krameria Ave.	Riverside	1,001,789	\$145,050,000	Clarion Partners	Invesco/LACERA	
13880 Monte Vista Ave.	Chino	409,930	\$105,000,000	MDH Partners	Nuveen	
14600 Innovation Dr.	Riverside	601,246	\$70,388,000	AEW Capital Mgmt.*	Scuderia Development, LLC	
1001 Doubleday Ave.	Ontario	393,118	\$40,197,000	AEW Capital Mgmt.*	Scuderia Development, LLC	

Leases					
Property Address	City	Square Feet	Transaction Date	Tenant	Owner
10545 Production Ave.	Fontana	1,101,400	Jan-2026	Tireco (Renewal)	Rexford Industrial
9030 Merrill Ave.	Ontario	1,053,152	Mar-2026	Walmart	Prologis
786 E. Central Ave.	San Bernardino	914,000	Mar-2026	Pactiv (Renewal)	Alere Property Group, LLC
16850 Heacock St.	Moreno Valley	756,340	Mar-2026	Unis	Clarion Partners
2325 Cottonwood Ave.	Riverside	633,500	Jan-2026	Continental Tire	Panattoni Development

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2026	Square Feet Available	Availability Rate Q1 2026	Average Asking Lease Rate	Net Absorption Q1 2026	Net Absorption 2026	Gross Absorption Q1 2026	Gross Absorption 2026
<b>West</b>													
Chino / Chino Hills	954	57,036,568	0	4,207,076	2,106,191	3.69%	3,023,088	5.30%	\$1.15	151,190	151,190	1,448,732	1,448,732
Fontana	817	79,361,889	560,217	12,467,525	7,758,605	9.78%	10,264,907	12.84%	\$1.04	(716,864)	(716,864)	652,142	652,142
Mira Loma / Eastvale / Jurupa Valley	419	53,993,067	0	1,167,939	4,363,821	8.08%	7,938,146	14.70%	\$1.11	(90,940)	(90,940)	581,162	581,162
Montclair	215	4,590,110	0	0	389,040	8.48%	447,523	9.75%	\$1.04	90,240	90,240	110,233	110,233
Ontario	1,549	132,442,698	602,593	8,502,161	10,033,019	7.58%	14,142,229	10.63%	\$0.87	812,048	812,048	3,011,238	3,011,238
Rancho Cucamonga	752	43,840,245	151,455	909,412	3,561,107	8.12%	6,676,676	15.18%	\$1.08	550,541	550,541	1,366,415	1,366,415
Upland	264	4,117,309	0	144,309	128,012	3.11%	236,488	5.74%	\$2.62	(16,444)	(16,444)	37,143	37,143
5,000-24,999	2,804	33,992,256	0	246,576	1,473,405	4.33%	1,814,563	5.34%	\$1.32	(144,754)	(144,754)	418,775	418,775
25,000-49,999	777	27,332,646	84,628	459,521	1,472,856	5.39%	1,904,829	6.95%	\$1.10	55,905	55,905	506,415	506,415
50,000-99,999	497	34,718,289	197,633	784,226	2,507,380	7.22%	3,425,183	9.81%	\$1.08	(242,945)	(242,945)	588,176	588,176
100,000-249,999	507	77,969,845	396,484	1,823,308	6,291,530	8.07%	10,603,172	13.53%	\$1.10	127,196	127,196	2,245,429	2,245,429
250,000-499,999	246	86,769,106	635,520	7,132,739	6,304,210	7.27%	10,496,144	12.01%	\$0.83	145,433	145,433	2,310,063	2,310,063
500,000 plus	139	114,599,744	0	16,952,052	10,290,414	8.98%	14,485,166	12.64%	\$1.12	838,936	838,936	1,138,207	1,138,207
<b>West Total</b>	<b>4,970</b>	<b>375,381,886</b>	<b>1,314,265</b>	<b>27,398,422</b>	<b>28,339,795</b>	<b>7.55%</b>	<b>42,729,057</b>	<b>11.34%</b>	<b>\$1.02</b>	<b>779,771</b>	<b>779,771</b>	<b>7,207,065</b>	<b>7,207,065</b>
<b>East</b>													
Banning	50	2,001,994	312,205	3,046,095	84,552	4.22%	1,125,947	48.65%	\$1.33	(26,500)	(26,500)	25,500	25,500
Beaumont	64	8,753,395	0	6,255,556	370,789	4.24%	964,631	11.02%	\$0.70	0	0	0	0
Bloomington	127	11,913,779	0	815,198	437,464	3.67%	850,372	7.14%	\$0.55	(3,000)	(3,000)	0	0
Corona / Norco	1,011	35,932,135	0	1,360,978	2,253,282	6.27%	2,718,152	7.56%	\$1.08	(18,997)	(18,997)	420,040	420,040
Colton / Grand Terrace	202	11,694,345	0	626,597	1,236,686	10.58%	1,239,055	10.60%	\$0.96	(256,848)	(256,848)	66,894	66,894
Moreno Valley	119	34,043,851	42,510	39,638,804	2,814,378	8.27%	4,064,785	11.92%	\$0.90	817,422	817,422	1,332,852	1,332,852
Perris	271	48,371,939	631,011	9,606,840	6,015,232	12.44%	9,342,340	19.06%	\$0.94	447,623	447,623	1,213,939	1,213,939
Redlands / Loma Linda	255	32,035,556	0	620,128	3,263,750	10.19%	4,703,236	14.68%	\$0.85	253,896	253,896	403,793	403,793
Rialto	213	32,010,254	510,971	2,224,409	4,326,865	13.52%	4,649,595	14.30%	\$0.96	(241,665)	(241,665)	77,146	77,146
Riverside	1,145	60,350,830	136,615	1,556,082	6,107,646	10.12%	6,701,779	11.08%	\$0.92	(374,743)	(374,743)	1,035,218	1,035,218
San Bernardino / Highland	620	47,575,410	101,235	1,589,585	6,490,996	13.64%	7,499,359	15.73%	\$0.94	210,090	210,090	1,673,068	1,673,068
5,000-24,999	2,452	29,150,908	31,139	35,034	1,228,137	4.21%	1,687,465	5.78%	\$1.10	38,894	38,894	416,005	416,005
25,000-49,999	618	21,791,305	74,918	536,005	1,745,295	8.01%	2,215,105	10.13%	\$1.05	(94,990)	(94,990)	286,303	286,303
50,000-99,999	375	26,211,116	0	1,396,338	1,916,157	7.31%	2,318,325	8.84%	\$0.92	404,521	404,521	621,896	621,896
100,000-249,999	310	47,787,884	216,711	4,377,302	6,466,978	13.53%	7,150,957	14.90%	\$0.94	(353,036)	(353,036)	782,804	782,804
250,000-499,999	155	56,325,304	780,768	5,546,583	11,681,277	20.74%	13,921,735	24.38%	\$0.88	(659,679)	(659,679)	1,367,492	1,367,492
500,000 plus	167	143,416,971	631,011	55,449,010	10,363,796	7.23%	16,565,664	11.50%	\$0.76	1,471,568	1,471,568	2,773,950	2,773,950
<b>East Total</b>	<b>4,077</b>	<b>324,683,488</b>	<b>1,734,547</b>	<b>67,340,272</b>	<b>33,401,640</b>	<b>10.29%</b>	<b>43,859,251</b>	<b>13.44%</b>	<b>\$0.90</b>	<b>807,278</b>	<b>807,278</b>	<b>6,248,450</b>	<b>6,248,450</b>
<b>Inland Empire Total</b>	<b>9,047</b>	<b>700,065,374</b>	<b>3,048,812</b>	<b>94,738,694</b>	<b>61,741,435</b>	<b>8.82%</b>	<b>86,588,308</b>	<b>12.31%</b>	<b>\$0.95</b>	<b>1,587,049</b>	<b>1,587,049</b>	<b>13,455,515</b>	<b>13,455,515</b>
5,000-24,999	5,256	63,143,164	31,139	281,610	2,701,542	4.28%	3,502,028	5.54%	\$1.18	(105,860)	(105,860)	834,780	834,780
25,000-49,999	1,395	49,123,951	159,546	995,526	3,218,151	6.55%	4,119,934	8.36%	\$1.07	(39,085)	(39,085)	792,718	792,718
50,000-99,999	872	60,929,405	197,633	2,180,564	4,423,537	7.26%	5,743,508	9.40%	\$1.01	161,576	161,576	1,210,072	1,210,072
100,000-249,999	817	125,757,729	613,195	6,200,610	12,758,508	10.15%	17,754,129	14.05%	\$1.03	(225,840)	(225,840)	3,028,233	3,028,233
250,000-499,999	401	143,094,410	1,416,288	12,679,322	17,985,487	12.57%	24,417,879	16.90%	\$0.86	(514,246)	(514,246)	3,677,555	3,677,555
500,000 plus	306	258,016,715	631,011	72,401,062	20,654,210	8.00%	31,050,830	12.01%	\$0.89	2,310,504	2,310,504	3,912,157	3,912,157
<b>Inland Empire Total</b>	<b>9,047</b>	<b>700,065,374</b>	<b>3,048,812</b>	<b>94,738,694</b>	<b>61,741,435</b>	<b>8.82%</b>	<b>86,588,308</b>	<b>12.31%</b>	<b>\$0.95</b>	<b>1,587,049</b>	<b>1,587,049</b>	<b>13,455,515</b>	<b>13,455,515</b>
<b>High Desert</b>													
Adelanto	178	5,843,450	20,000	7,733,126	310,610	5.32%	344,908	5.88%	\$1.28	(30,690)	(30,690)	0	0
Apple Valley	74	3,895,773	1,207,135	8,805,726	1,369,290	35.15%	1,365,720	26.76%	\$0.96	10,610	10,610	11,860	11,860
Barstow	53	1,048,348	0	0	112,130	10.70%	126,130	12.03%	\$0.79	(5,820)	(5,820)	5,680	5,680
Hesperia	194	6,754,775	2,906,138	3,626,885	214,382	3.17%	654,670	6.78%	\$1.25	977,916	977,916	1,015,850	1,015,850
Victorville	138	12,143,346	217,832	10,936,600	1,458,954	12.01%	1,800,432	14.57%	\$1.10	(49,327)	(49,327)	20,395	20,395
<b>High Desert Total</b>	<b>637</b>	<b>29,685,692</b>	<b>4,351,105</b>	<b>31,102,337</b>	<b>3,465,366</b>	<b>11.67%</b>	<b>4,291,860</b>	<b>12.61%</b>	<b>\$1.08</b>	<b>902,689</b>	<b>902,689</b>	<b>1,053,785</b>	<b>1,053,785</b>
<b>Temecula Valley</b>													
Hemet	89	2,439,643	0	0	41,132	1.69%	41,132	1.69%	-	12,000	12,000	12,000	12,000
Lake Elsinore	182	2,814,119	149,500	0	193,734	6.88%	366,338	12.36%	\$1.04	(3,948)	(3,948)	37,731	37,731
Menifee	28	1,141,670	2,910,393	4,790,680	450,540	39.46%	3,398,783	83.88%	-	0	0	0	0
Murrieta	290	4,718,645	0	183,653	81,418	1.73%	171,527	3.64%	\$1.19	38,495	38,495	54,148	54,148
San Jacinto	66	1,108,833	0	29,153	7,500	0.68%	12,500	1.13%	-	900	900	5,900	5,900
Temecula	352	9,922,683	0	143,695	278,595	2.81%	654,166	6.59%	\$1.08	(24,235)	(24,235)	70,277	70,277
Wildomar	12	329,540	0	0	0	0.00%	23,260	7.06%	\$1.15	2,257	2,257	2,257	2,257
<b>Temecula Valley Total</b>	<b>1,019</b>	<b>22,475,133</b>	<b>3,059,893</b>	<b>5,147,181</b>	<b>1,052,919</b>	<b>4.68%</b>	<b>4,667,706</b>	<b>18.28%</b>	<b>\$1.12</b>	<b>25,469</b>	<b>25,469</b>	<b>182,313</b>	<b>182,313</b>

This survey consists of industrial buildings greater than 5,000 square feet. Lease rates are on a triple-net basis. Some buildings do not quote asking rental rates and therefore are reflected as \$0.00.



## How Low Can You Go?

by **Braden Sprenger**

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Notwithstanding the commercial real estate community's eternal optimism, the reality on the ground is more complicated than many would hope. The headlines haven't helped: global conflict, persistent inflationary pressure, rising fuel costs, and ongoing uncertainty around trade policy, continue to create friction across the supply chain. For occupiers, it's been a constant stream of variables with no clear resolution. While there are pockets of activity, it's hard to ignore the broader backdrop.

We're now four years removed from a post-pandemic unwind that has reshaped capital markets and the way industrial real estate is underwritten, leased, and occupied across the Inland Empire. We've also just passed the one-year mark of the tariff debacle.

Deals are getting done, but inconsistently, and most are driven by a "necessity component": death, taxes, or divorce on the sale side; and force-outs on the tenant side. Users are cautious, highly analytical, and often hesitant to commit. Many are operating with shorter planning horizons, unsure where their costs or demand will land six to twelve months (sometimes weeks) out and are wary of locking into rents while the target is still moving. Expansion is a rare driver in today's market. A meaningful portion of demand remains tied to consolidation, cost control, or operational reshuffling. The large-scale, corporate America, conviction-based decisions that defined the peak years in the market are still largely absent.

Vacancy remains elevated across both the East and West Inland Empire, a direct result of the development wave that coincided with a softening demand environment. Some tenants have even given up the keys on space in which they were over-extended. While new construction starts have slowed, the market is still working through existing inventory, and lease-up timelines remain much longer than historical norms. Due to the aforementioned, landlords have kept in a defensive posture. Concessions, while less aggressive than their peak, are still a necessary part of most deals. Pricing has stabilized in some pockets, but it has not meaningfully rebounded. In many cases, effective rents are still being negotiated below where deals were penciling even 12–18 months ago.

The Inland Empire remains one of the most important industrial markets in the country and across the world, but it is no longer insulated from broader economic pressure. The idea that "it always comes back" may still hold true long term, but in the near term, recovery looks slower, more uneven, and more selective than many had anticipated. For tenants, there is still opportunity, but it requires decisiveness. For landlords, patience remains an absolute necessity. And for the market as a whole, the question isn't whether things will improve, it's how long this phase lasts before they do.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

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## Product Type

### MFG./DIST.

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

## Submarkets

### WEST

Chino / Chino Hills, Fontana, Mira Loma / Eastvale / Jurupa Valley, Montclair, Ontario, Rancho Cucamonga, Upland

### EAST

Banning, Beaumont, Bloomington, Corona / Norco, Colton / Grand Terrace, Moreno Valley, Perris, Redlands / Loma Linda, Rialto, Riverside, San Bernardino / Highland

### HIGH DESERT

Adelanto, Apple Valley, Barstow, Hesperia, Victorville

### TEMECULA VALLEY

Hemet, Lake Elsinore, Menifee, Murrieta, San Jacinto, Temecula, Wildomar