

INVESTMENT FORECAST

Office
Riverside-San Bernardino

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Performance Divide Between Property Types Widened by Upcoming Store Closures

Multi-tenant properties continue to outperform. The Inland Empire's retail market faces a challenging near-term environment marked by a disconnect between tenancy-type demand. Steadier leasing held multi-tenant vacancy in the mid-6 percent range in 2025, more than 100 basis points below its long-term average. Single-tenant vacancy, however, has risen rapidly over the past two years, pushing the rate to 7.4 percent, the highest level among major U.S. markets heading into 2026. Softness has been most pronounced across properties ranging from 10,000 to 30,000 square feet, driven in part by store closures stemming from national retailer downsizing and bankruptcies. These pressures are likely to persist in the coming year. Macy's and Walgreens have announced multiyear store-closure programs through 2026, which could result in additional move-outs locally. Among submarkets, Rancho Cucamonga-Ontario and San Bernardino proper are best positioned, while Moreno Valley and the Coachella Valley each entered this year with some of the metro's highest vacancy rates.

Smaller-format spaces attract investment appeal. Investors remain focused on the Inland Empire's regional differentiation. The metro is the only one in Southern California to record five straight years of average sale price growth, and the only California market expecting near-term positive net migration. Competition for single-tenant net-leased assets, most of which pencil below \$5 million, may intensify as smaller-format retail properties have experienced less vacancy pressure than big-box space. Restaurant and fast-food concepts should stand out, with vacancy near 4 percent across the segments entering 2026. Marketwide, investor interest in shopping centers should also remain visible, given the sector's relative outperformance.

2026 MARKET FORECAST

+0.3%



Employment: This year's employment growth remains well below the trailing decade's 2.2 percent annual average, as just 6,000 jobs are created. Still, this marks an improvement over last year.

770,000
sq. ft.



Construction: The development pipeline is expected to contract modestly in 2026, with total inventory expanding by 0.5 percent – in line with the trailing five-year annual average.

+20 bps



Vacancy: While the metro's vacancy is forecast to rise for a third consecutive year in 2026, the pace of increase is expected to moderate, bringing the rate to 7.4 percent by year-end.

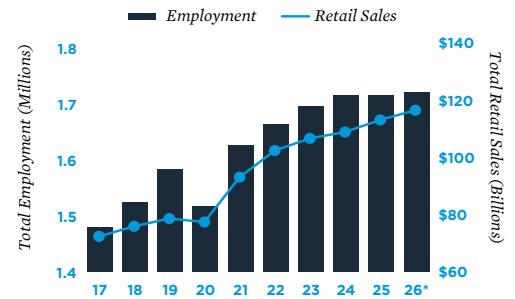
+0.4%



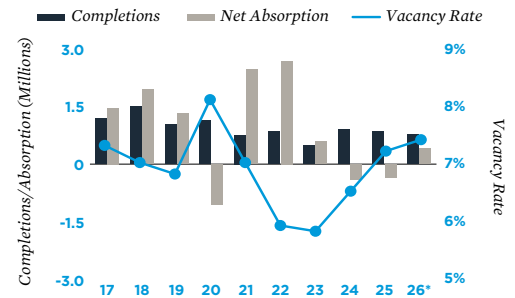
Rent: Rising vacancy continues to weigh on the metro's average asking rent, shifting the year-end figure to \$20.40 per square foot, down more than 5 percent from its early-2024 peak.

INVESTMENT: Sub-10,000-square-foot retail properties in Riverside, San Bernardino, and Ontario cities head into 2026 with a vacancy rate near historic lows, likely further sustaining investor interest.

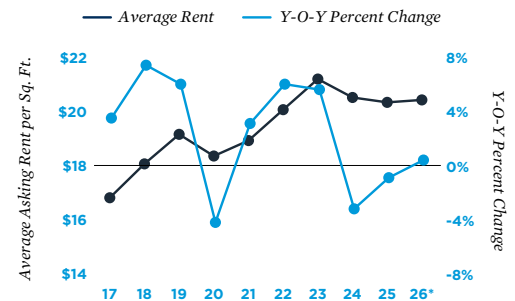
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.