INVESTMENT FORECAST

Industrial

Riverside-San Bernardino

IPA INSTITUTIONAL PROPERTY ADVISORS

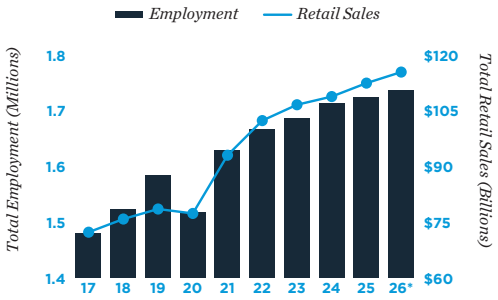
2026

West Coast's Industrial Hub a Regional Standout as Supply and Demand Reach Alignment

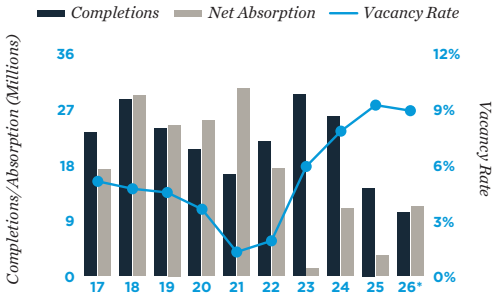
Enacted legislation impacts pipeline. The Inland Empire's industrial sector is in transition. Vacancy is near a 15-year high, and recent increases in shipping costs could influence local demand, as the metro is the initial offloading destination for many TEUs arriving at the ports of Los Angeles and Long Beach. Additionally, after five years of development activity that saw 107 million square feet of space come online, the market is expected to register its smallest delivery slate since 2012. The Mojave River Valley adds the most space among submarkets, a historical first that should provide some near-term relief to other larger areas that have shouldered the bulk of recent supply additions. The pullback in completions may extend beyond this year as California Assembly Bill 98, which established strict development regulations for Inland Empire warehouses and distribution centers, took effect in 2026. Should this materialize, a share of the metro's supply overhang should be occupied over time, as roughly 8 million square feet of 2020s-built space was absorbed over the 12-month period ending in March.

Private buyer pool is sizable. Sales below $5 million continue to dictate local deal flow despite larger, newer, properties grabbing headlines. Competition for smaller assets catering to last-mile operations and single users will remain, as vacancy among sub-50,000-square-foot warehouses was 5.1 percent in March, well below the metro mean. Lower per square foot entry costs relative to the $60-$90 average across other Southern California markets should also attract private buyers. Listings in nonperforming areas — south Riverside County, Coachella Valley, and Ontario — may garner the most attention.

Economic Trends



Supply and Demand



2026 MARKET FORECAST

+0.8%

Employment: The local job count reaches a record high, with 14,000 positions added. Blue-collar hiring, including the creation of transportation and warehousing roles, drives this growth.

10.2 million *sq. ft.*

Construction: For the first time since 2011, the Inland Empire's inventory expands by less than 2 percent. Completions are centered in Menifee, Hesperia, Apple Valley, and Ontario.

-30 bps

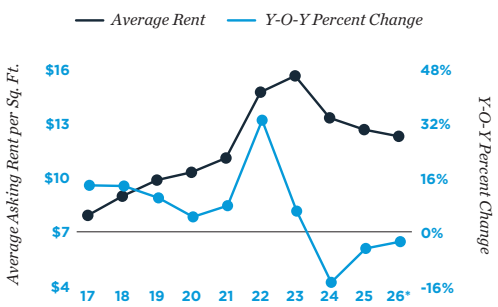
Vacancy: After rising a collective 730 basis points over the last three years, vacancy across the Inland Empire dips moderately to 8.9 percent — a rate 50 basis points above the national mark.

-2.9%

Rent: Asking rent remains on a downward trajectory despite declining vacancy. At $12.25 per square foot, the metro's average represents a $4 to $7.50 discount to other Southern California markets.

INVESTMENT: *In response to AB 98, active investors may increasingly target listings in areas with the most hurdles to development, anticipating a pullback in supply pressure that aids existing property performance.*

Rent Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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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.

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