

INVESTMENT FORECAST

Office
Riverside-San Bernardino Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Nation's Lowest Vacancy Rate Benefits From Long-Term Tailwinds as Short-Term Demand Softens

Infrastructure and hospital projects to aid performance. The Interstate 15 Corridor Express Lanes Project began last year and is slated to open in 2028, when it should enhance the appeal of offices in Ontario, Fontana, and Rancho Cucamonga. In the meantime, vacancy in the western half of the metro is falling quickly on its own. The bulk of the Inland Empire's 2024 office deliveries landed here, holding up vacancy reductions temporarily. Since then, the area's vacancy rate has fallen from around 10 percent to near 8 percent. These communities and the rest of the metro are also due for a year with limited competing office openings. This is translating into a narrowing gap between Class A and Class B/C vacancy, beginning in 2026 about 100 basis points apart. Additionally, Riverside Community Hospital has announced plans for a \$900 million expansion to its facilities, including a new 11-story tower. In the long term, this could serve as an anchor for outpatient healthcare demand in surrounding medical offices.

Trading focused in key areas. Amid multiyear-low vacancy, changes in cap rates and prices per square foot have become less substantial year-to-year since 2023. Transaction velocity entered 2026 at a slower pace than in recent years, with many owners likely holding assets while awaiting clearer pricing recovery. A small vacancy rate increase metrowide may not change the underlying strategy for most buyers, who could again target two-story Class B buildings in San Bernardino and the Ontario International Airport area. Sub-5 percent apartment vacancy in San Bernardino proper reflects the area's established residential base, which should continue to support demand for conveniently located offices. Rising passenger and air cargo volumes at the airport may also drive demand for office space in travel- or logistics-related businesses, drawing investor interest.

2026 MARKET FORECAST

+0.1%



Employment: The Inland Empire's workforce gains 2,500 jobs on net, while commonly office-using fields shed 1,000 roles. The overall jobs growth rate outranks five other major West Coast markets.

85,000
sq. ft.



Construction: The metro's office inventory expands by 0.1 percent year-over-year, the lowest supply pressure since at least 2007. Six other major markets will see similar or lower supply growth.

+20 bps



Vacancy: The metro's 7.4 percent office vacancy is the lowest among major metros. Despite fewer openings to compete with, a slight amount of space will be relinquished on net.

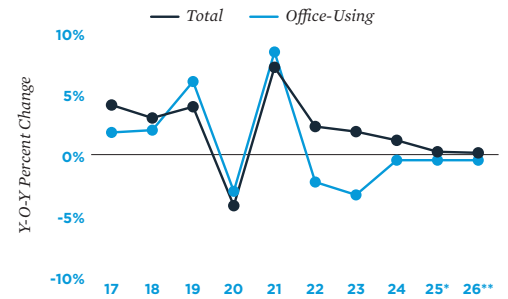
+0.4%



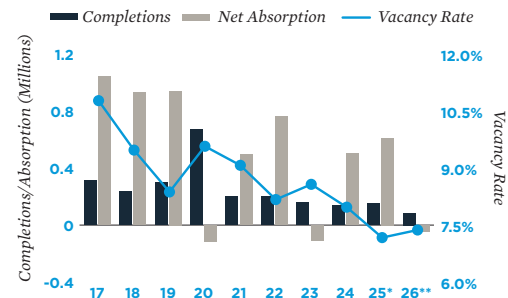
Rent: Although the vacancy rate inches up in 2026, a measure below the pre-pandemic mean will allow for some degree of average asking-rent growth. The metric rises to \$23.55 per square foot.

INVESTMENT: *Palm Springs' Downtown Revitalization Plan and its high-rise hotel and condo project, approved last year, may broaden office appeal here, with workspace needs in real estate and hospitality.*

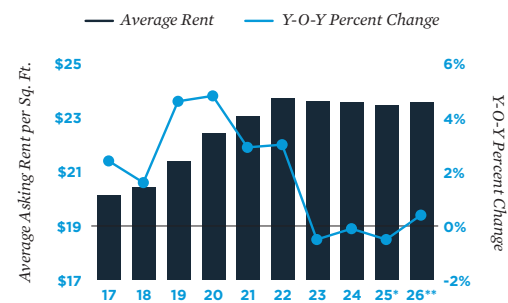
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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.