

MARKET FUNDAMENTALS

	YOY Chg	Outlook
8.6% Vacancy Rate	▲	▼
-52K YTD Net Absorption, SF	▼	▲
\$2.33 Asking Rent, PSF/MO <i>(Overall, All Property Classes)</i>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.7M Inland Empire Employment	▲	▲
5.2% Inland Empire Unemployment Rate	▼	▲
4.2% Country Unemployment Rate	▼	▲

Source: BLS
*Q3 2026

ECONOMY

Inland Empire (IE) nonfarm employment grew by 12,700 jobs, or 0.7% year-over-year (YOY), between August 2025 and August 2026. Private education and health services led employment gains, adding 17,900 jobs (+5.2% YOY), primarily driven by healthcare and social assistance (+17,200 jobs). The trade, transportation and utilities sector followed, adding 5,900 jobs (+1.3% YOY). Conversely, professional and business services recorded the largest employment decline, shedding 5,700 jobs (-3.6% YOY).

Despite gains in nonfarm payroll employment, civilian employment declined by 31,400 workers YOY, while the labor force contracted by 39,200. The decline in unemployed residents contributed to a lower unemployment rate, from 6.2% in August 2025 to 5.9% in August 2026. However, the rate remained above the quarterly average of 5.2%.¹

Looking ahead, employment growth is expected to remain positive but moderate, with total employment projected to increase by 1.6% in 2027, below the region's five-year historical average of 2.5%.²

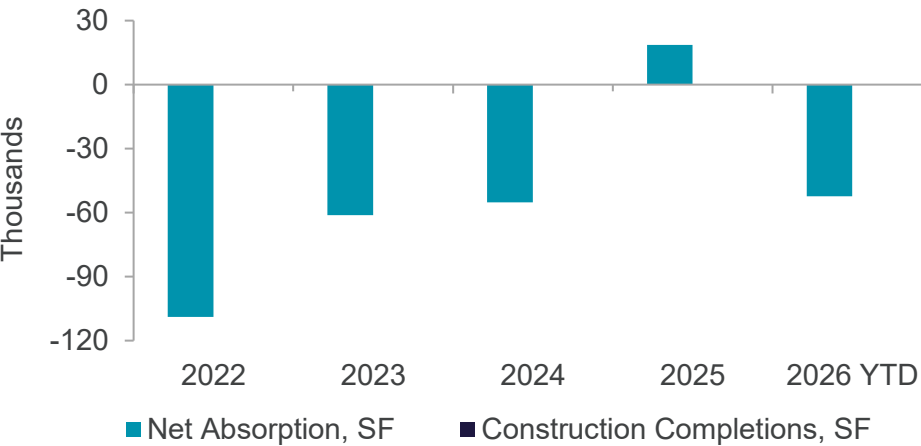
SUPPLY AND DEMAND

The IE market's overall vacancy rate held steady at 8.6%, unchanged quarter-over-quarter (QOQ) but up 80 basis points (bps) YOY. The IE maintained the lowest office vacancy rate in Southern California, supported by relatively affordable occupancy costs and limited new supply compared with coastal markets.

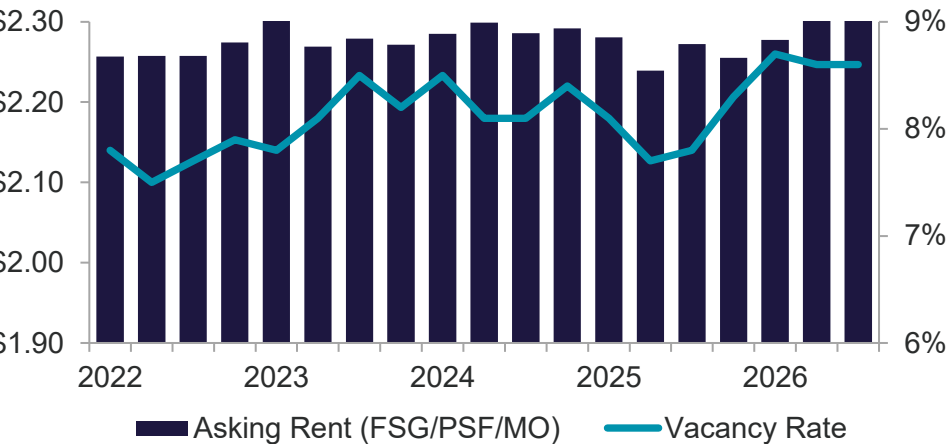
The direct vacancy rate increased 10 bps QOQ and 80 bps YOY to 8.3%, as tenant move-outs outpaced occupancy gains during the quarter. Meanwhile, sublease vacancy held steady at 0.3%, unchanged QOQ and YOY. Limited sublease availability suggests that tenants reducing their footprints are generally vacating space rather than offering excess space for sublease.

Affordability remains one of the IE's strongest competitive advantages, particularly relative to Los Angeles and Orange County. Lower occupancy costs continue to attract healthcare users and small and mid-sized businesses seeking cost certainty and workforce accessibility, supporting occupancy despite moderate leasing activity. While the market recorded 19,769 square feet (sf) of positive net

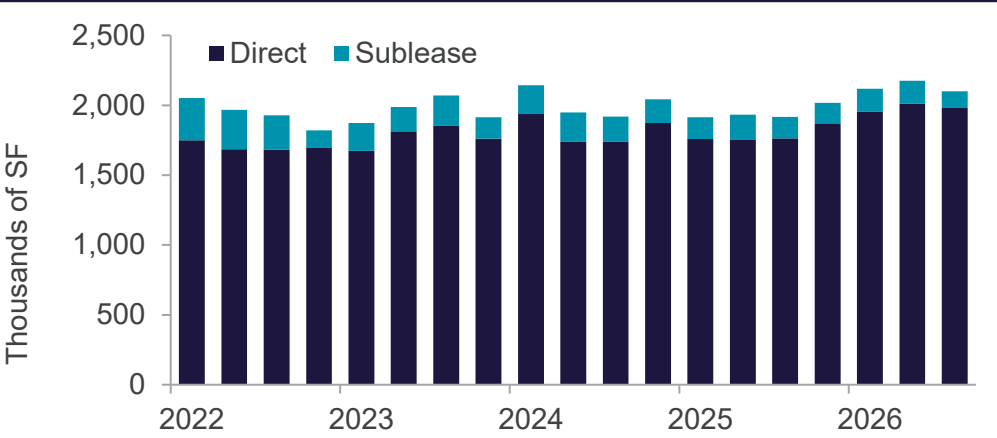
SPACE DEMAND / DELIVERIES



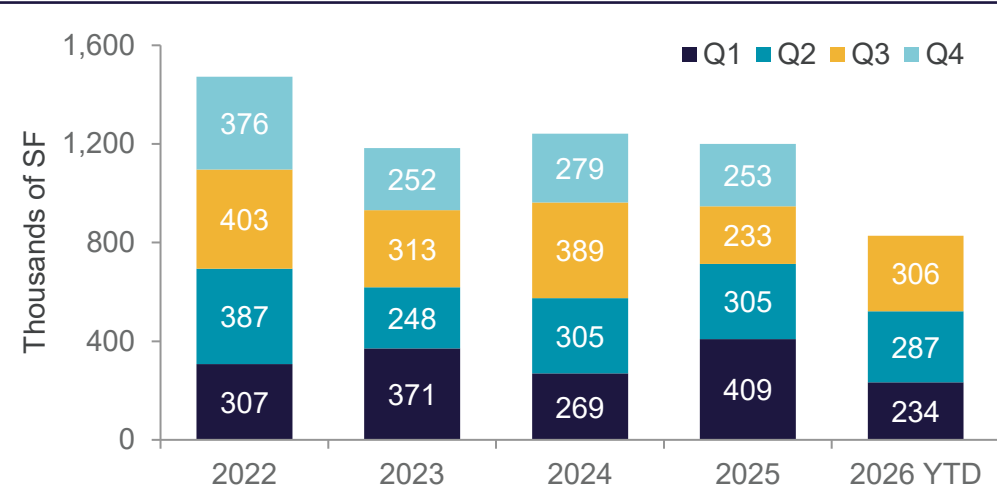
OVERALL VACANCY / ASKING RENT



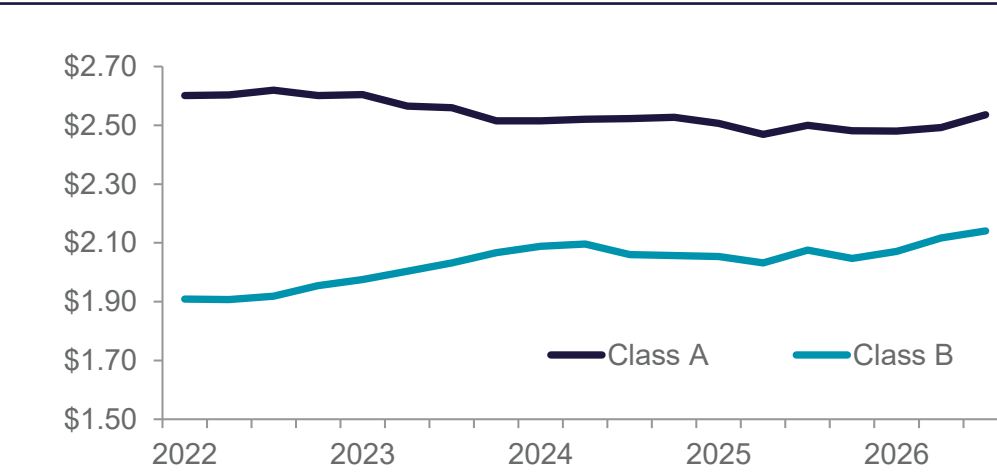
DIRECT VS. SUBLEASE AVAILABLE SPACE



NEW LEASING ACTIVITY



AVERAGE OVERALL ASKING RENT \$PSF MONTHLY



absorption in Q2 2026, these gains were insufficient to offset occupancy losses in Q1 and Q3. In Q3 2026, the IE recorded 1,726 sf of negative net absorption. Despite a 53,755-sf move-in and several other notable occupancies, four move-outs exceeding 10,000 sf each offset much of the quarterly gains. Accordingly, year-to-date (YTD) net absorption totaled -52,291 sf.

Submarket performance was mixed during the quarter. The Inland Empire West (IEW) recorded the largest occupancy decline, posting 32,114 sf of negative net absorption following several large move-outs. Vacancy increased to 10.1%, up 40 bps QOQ and 90 bps YOY. The Inland Empire East (IEE) posted 26,483 sf of positive net absorption, contributing to a decline in vacancy to 8.1%, down 30 bps QOQ but up 150 bps YOY. The Inland Empire South (IES) recorded a modest 3,905 sf of positive net absorption. Vacancy declined to 6.6%, down 10 bps QOQ and 80 bps YOY.

Despite net occupancy losses, new leasing activity improved during the quarter. In Q3 2026, new leasing totaled 305,957 sf across 123 transactions, up 6.5% QOQ and 31.3% YOY. Through Q3 2026, new leasing totaled 827,040 sf across 357 transactions, down 12.7% YOY compared with elevated activity during the first three quarters of 2025.

FUTURE INVENTORY

Developers continue to exercise restraint, particularly in the traditional office sector. Medical office remains the primary focus of new development, supported by strong preleasing, favorable demographics and resilient healthcare demand. The limited development pipeline is expected to minimize additional supply pressure and support vacancy stability in the near term.

PRICING

Average asking rent reached \$2.33 per square foot (psf) per month on a full-service gross basis, up 0.8% QOQ and 2.3% YOY. The increase may partly reflect the composition of available inventory, as Class B properties accounted for 59.4% of Q3 leasing activity, potentially leaving more higher-priced Class A space available. Class A asking rent averaged \$2.54 psf per month, up 1.7% QOQ and 1.4% YOY. By submarket, IEW asking rents averaged \$2.41 psf, up 4.9% YOY. IES averaged \$2.47 psf, up 2.3% YOY, while IEE recorded the slowest annual rent growth, with average asking rent of \$2.18 psf, up 0.7% YOY.

OUTLOOK

- Vacancy is expected to remain near current levels through year-end. Although periodic move-outs have created short-term fluctuations, limited new supply and a relatively balanced tenant base should help mitigate further vacancy increases.
- Healthcare and medical office users are expected to remain among the most active tenant groups, supported by continued population growth and expanding healthcare needs. As a result, leasing momentum is expected to remain strongest in submarkets with established healthcare corridors.
- Looking ahead, artificial intelligence adoption could influence future office demand from professional and business services firms, historically one of the IE office market's three largest tenant demand drivers. However, the extent and timing of any impact on space requirements remain uncertain, with limited evidence of widespread occupancy adjustments to date.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (CLASS A)*	OVERALL AVG ASKING RENT (ALL CLASSES)*
Ontario	3,572,736	15,572	348,845	10.2%	-35,357	-64,983	151,432	0	\$2.60	\$2.51
Rancho Cucamonga	3,264,638	36,033	351,053	11.9%	-566	-22,993	72,710	0	\$2.44	\$2.34
Fontana	104,235	0	3,308	3.2%	966	5,334	6,855	0	N/A	N/A
Chino/Chino Hills	569,866	0	24,421	4.3%	345	-6,767	17,844	0	\$2.60	\$2.45
Upland	782,829	1,159	54,583	7.1%	2,498	21,450	61,552	0	N/A	\$2.28
Inland Empire West	8,294,304	52,764	782,210	10.1%	-32,114	-67,959	310,393	0	\$2.52	\$2.41
Riverside	4,331,840	7,614	421,344	9.9%	-25,676	-20,695	100,633	0	\$2.61	\$2.34
San Bernardino	3,410,065	3,778	189,510	5.7%	63,629	11,697	87,757	0	\$2.17	\$2.01
Colton	275,082	0	73,175	26.6%	-11,036	-15,922	4,600	0	N/A	\$1.66
Redlands/Loma Linda	1,116,995	0	43,604	3.9%	-434	-9,636	35,527	0	\$2.16	\$1.76
Inland Empire East	9,133,982	11,392	727,633	8.1%	26,483	-34,556	228,517	0	\$2.51	\$2.18
Corona	1,924,771	282	118,514	6.2%	28,910	65,163	166,796	0	\$2.76	\$2.69
Temecula	1,317,175	0	98,801	7.5%	-21,789	-20,674	80,833	0	\$2.20	\$2.12
Murrieta	555,017	0	34,192	6.2%	-3,216	5,735	40,501	0	\$2.50	\$2.50
Lake Elsinore	122,527	0	5,444	4.4%	0	0	0	0	N/A	\$1.66
Inland Empire South	3,919,490	282	256,951	6.6%	3,905	50,224	288,130	0	\$2.65	\$2.47
Inland Empire Totals	21,347,776	64,438	1,766,794	8.6%	-1,726	-52,291	827,040	0	\$2.54	\$2.33

**Rental rates reflect full-service gross (FSG) asking, \$psf/month. **Renewals not included in leasing statistics.

KEY LEASE TRANSACTIONS Q3 2026

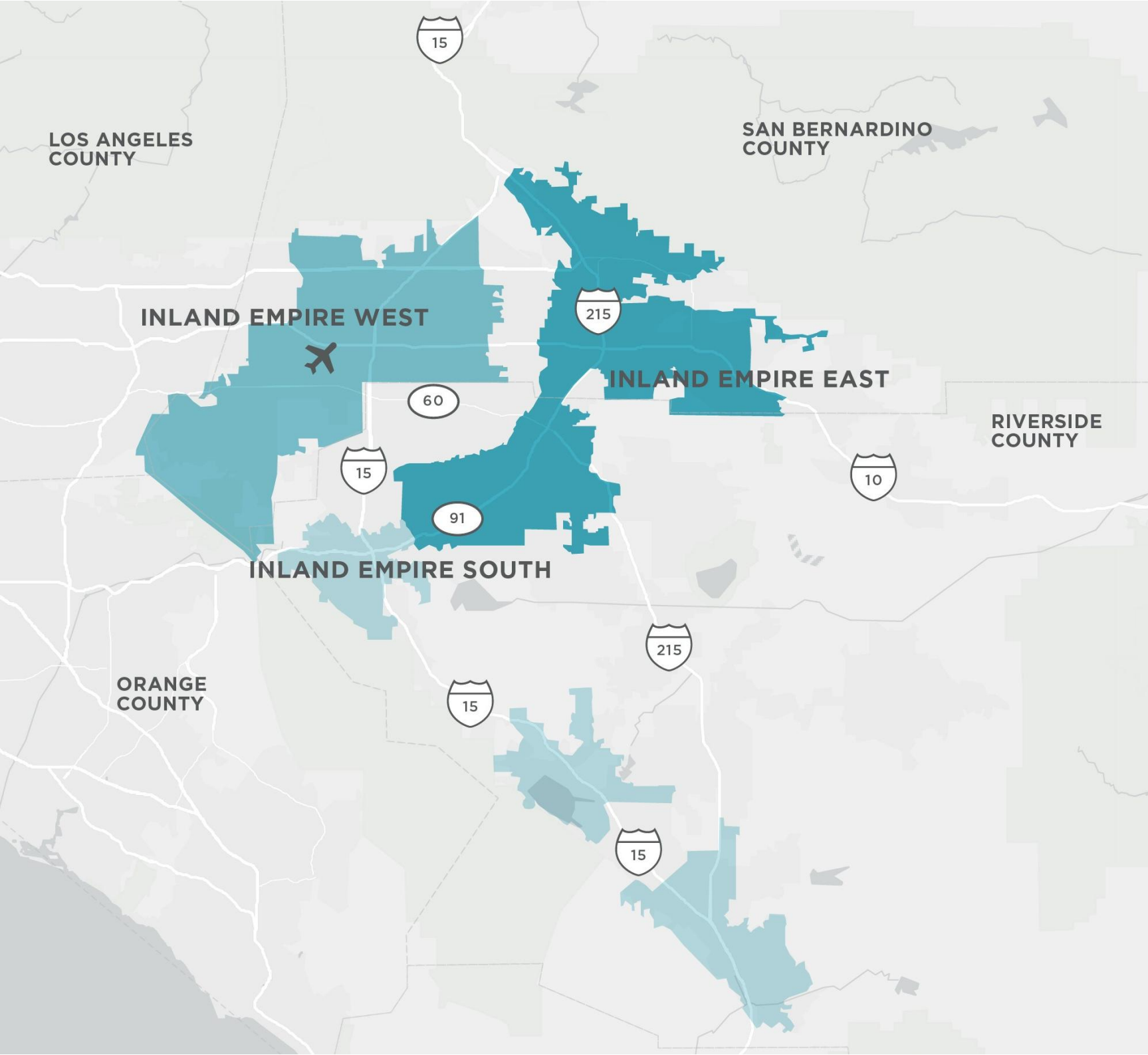
PROPERTY	SUBMARKET	TENANT	SF	TYPE
27368 Via Industria	Temecula	Undisclosed	15,908	New
430 N. Vineyard Ave.	Ontario	Undisclosed	11,997	New
202 E. Airport Dr.	San Bernardino	Undisclosed	11,866	New

KEY SALE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
1003 E. Brier Dr.	San Bernardino	Quarry Capital / SAC Health System	280,173	\$95M / \$339
901 Via Piemonte	Ontario	Greenlaw Partners / Michael G. Rademaker Trust	122,602	\$34M / \$275

Sources: ¹ www.EDD.gov Riverside-San Bernardino-Ontario, CA MSA. ²Lightcast Forecast for Riverside County, CA as of October 2026.

OFFICE SUBMARKETS



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