

INLAND EMPIRE OFFICE MARKET SNAPSHOT

Q3 2016



Accelerating success.

MARKET INDICATORS Q3 2016



MARKET OVERVIEW

In third quarter 2016, the total vacancy rate for the Inland Empire office market decreased 80 basis points from 16.0% last quarter to 15.2%. A longer historical perspective shows the vacancy rate at 16.3% one year ago. Net absorption for third quarter was positive at 166,200 square feet (SF) compared to -54,300 SF one quarter ago. Leasing activity stayed above the three year historical average (230,000 SF) recording at 259,600 SF for third quarter.

The weighted average asking rental rate remained unchanged during second quarter at \$1.72 per square foot (PSF), full service gross (FSG). The average asking rental rate in the Inland Empire office market has been relatively flat over the past two years, fluctuating only \$0.02 up or down over each quarter.

Six of eight submarkets witnessed positive net absorption with Ontario recording the highest at 39,700 SF and Rancho Cucamonga recording the lowest at -4,900 SF. Among building classes, Class B office led with net absorption at 130,600 SF.

UNEMPLOYMENT

The unemployment rate for the Inland Empire was 6.6% as of August 2016, and experienced job growth of 2.3% over the last 12 months.

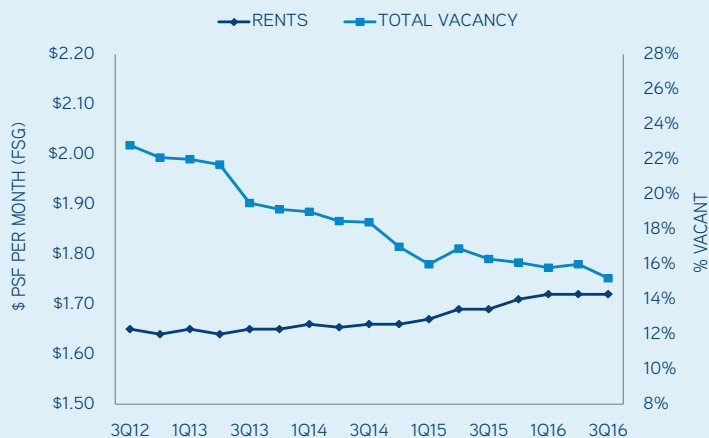
Trade, transportation and utilities experienced the most gains in employment over the year adding 9,100 jobs. Government grew by 8,700 jobs and educational and health services grew by 5,200 jobs. Two industries that declined were mining and logging (down 100 jobs) and financial services (down 200 jobs).

MARKET DESCRIPTION

The Inland Empire office market is comprised of 20.5 million SF, representing seven percent of the total inventory of office buildings 25,000 SF and greater in the Los Angeles basin. Most of the office tenants located in the Inland Empire are predominantly firms in the finance, insurance, real estate and professional services sectors. In contrast with most other office markets in Southern California, all of the space is located in low-rise (89%) and in mid-rise (11%) buildings.

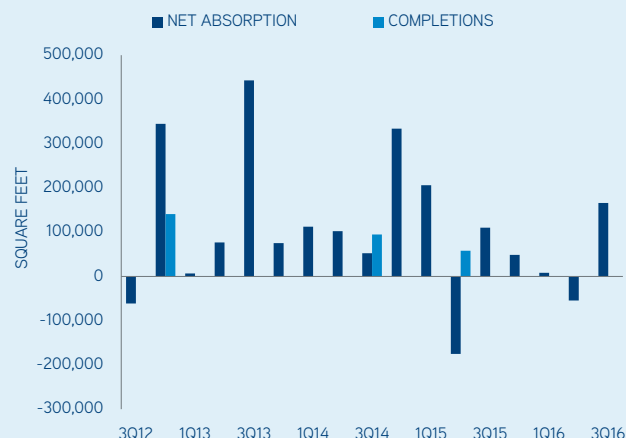
HISTORICAL VACANCY VS RENTS

INLAND EMPIRE OFFICE MARKET Q3 '12 - Q3 '16



HISTORICAL NET ABSORPTION & CONSTRUCTION COMPLETIONS

INLAND EMPIRE OFFICE MARKET • Q3 '12 - Q2 '16



OFFICE OVERVIEW

INLAND EMPIRE OFFICE MARKET • Q3 2016

EXISTING PROPERTIES			VACANCY				ACTIVITY		ABSORPTION		CONSTRUCTION		RENTS
Submarket/ Class	Bldgs	Total Inventory SF	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Vacancy Prior Qtr	Leasing Activity Current Qtr SF	Leasing Activity YTD SF	Net Absorption Current Qtr SF	Net Absorption YTD SF	Completions Current Qtr SF	Under Construction SF	Weighted Avg Asking Lease Rate
A	56	5,067,427	12.9%	0.3%	13.2%	13.7%	66,300	165,600	20,700	20,600	0	0	\$2.19
B	302	13,277,442	15.3%	0.1%	15.3%	16.3%	167,700	512,800	130,600	112,400	0	25,000	\$1.68
C	68	2,112,923	19.0%	0.0%	19.0%	19.7%	25,600	101,900	14,900	(12,900)	0	0	\$1.21
CHINO/CHINO HILLS													
SUBTOTAL	9	338,333	7.7%	0.0%	7.7%	13.9%	10,800	20,900	21,100	13,500	0	0	\$2.41
COACHELLA VALLEY													
SUBTOTAL	36	981,063	14.4%	0.5%	14.9%	14.7%	12,300	29,700	(2,300)	(73,500)	0	0	\$1.41
CORONA													
SUBTOTAL	31	1,694,428	11.3%	0.0%	11.3%	12.8%	62,100	114,100	25,600	41,000	0	0	\$1.77
MURRIETA/TEMECULA													
SUBTOTAL	34	1,325,001	12.9%	0.0%	12.9%	14.0%	15,400	64,300	14,200	43,700	0	25,000	\$1.66
ONTARIO													
SUBTOTAL	65	3,647,699	13.9%	0.2%	14.1%	15.2%	91,900	191,500	39,700	11,200	0	0	\$1.77
RANCHO CUCAMONGA													
SUBTOTAL	56	2,913,488	13.5%	0.0%	13.5%	13.4%	32,400	107,500	(4,900)	(10,800)	0	0	\$1.86
RIVERSIDE													
SUBTOTAL	101	4,754,645	14.1%	0.0%	14.1%	14.9%	16,500	92,300	34,500	36,300	0	0	\$1.84
SAN BERNARDINO													
SUBTOTAL	94	4,803,135	20.5%	0.2%	20.7%	21.5%	18,200	160,000	38,300	58,700	0	0	\$1.59
MARKET TOTAL													
TOTAL	426	20,457,792	15.1%	0.1%	15.2%	16.0%	259,600	780,300	166,200	120,100	0	25,000	\$1.72



RECENT TRANSACTIONS & MAJOR DEVELOPMENTS

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SALES ACTIVITY					
PROPERTY ADDRESS	SIZE SF	SALE PRICE	PRICE PSF	BUYER	SELLER
9500 Cleveland Ave, Rancho Cucamonga	241,300 SF	\$44,300,000	\$184/PSF	Inland Empire Health Plan	Utah Retirement Systems
9680 Haven Ave, Rancho Cucamonga	75,140 SF	\$16,456,000	\$219/PSF	Graphic Ideas	Buchanan Street Partners
12625 Heacock St, Moreno Valley	52,500 SF	\$14,500,000	\$276/PSF	Alchael 2016, LLC	Capital Partners Development
LEASING ACTIVITY					
PROPERTY ADDRESS	LEASED SF	LEASE TYPE	BLDG CLASS	LESSEE	LESSOR
31775 De Portola Rd, Temecula	25,000 SF	Direct	B	Radnet Management	Pacific Media Properties, LLC
430 N Vineyard Ave, Ontario	20,100 SF	Direct	B	N/A	Providence Capital Group, Inc.
44595 Avenida de Misiones, Temecula	12,100 SF	Direct - Medical	B	DaVita Dialysis	Parker 215 General
15345 Fairfield Ranch Rd, Chino Hills	5,900 SF	Direct	A	Port Plastics	Chino Hills Business Park LP
MAJOR DEVELOPMENTS					
PROJECT	DEVELOPER	SIZE SF	SUBMARKET	STATUS	ESTIMATED COMPLETION
1111 E Mill St, San Bernardino		70,600 SF	San Bernardino	Under Renovation	4Q16
31775 De Portola Rd, Temecula	Pacific Media Properties LLC	25,000 SF	Temecula	Under Construction	1Q17

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