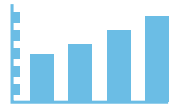


MARKET INDICATORS Q4 2017



VACANCY RATE

13.4% ▼



NET ABSORPTION

90K^{SF} ▲



CONSTRUCTION

25K^{SF} ▼



RENTAL RATE FSG

\$1.78^{PSF} ▲



UNEMPLOYMENT

4.8% ▼

MARKET OVERVIEW

In the fourth quarter of 2017, total vacancy rate for the Inland Empire office market decreased 50 basis points from 13.9% last quarter to 13.4%. The decrease in vacancy pull stems from the San Bernardino submarket, which recorded a decrease of 240 basis points. The fourth quarter closed with positive absorption recording at 99,000 square feet (SF). Leasing activity grew by 43% compared to last quarter, recording 412,800 SF for the quarter.

The weighted average asking rental rate increased during fourth quarter to \$1.78 per square foot (PSF), full service gross (FSG). As a historical perspective, one year ago the asking rental rate recorded at \$1.72 PSF FSG.

Four of eight submarkets witnessed positive net absorption with San Bernardino recording the highest at 119,400 SF and the Rancho Cucamonga submarket recording the lowest at -57,400 SF. Among building classes, Class C office led net absorption 69,100 SF for the quarter, while Class A had the lowest quarterly absorption at -32,100 SF.

UNEMPLOYMENT

The unemployment rate for the Inland Empire was 4.8% as of November 2017, adding 42,800 nonfarm jobs to the region over the past year.

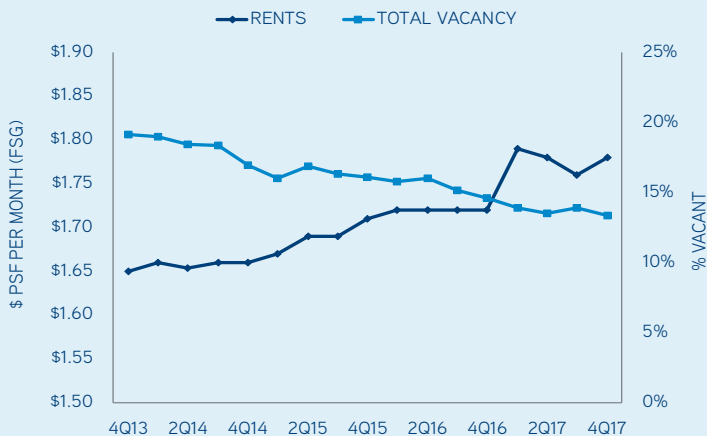
Construction registered the greatest year-over-year gain, adding 14,700 jobs. Specialty trade contractors accounted for 84% of the job growth in this sector. Another bright spot was leisure and hospitality, which has grown by 8,000 jobs over the past year.

MARKET DESCRIPTION

The Inland Empire office market is comprised of 20.5 million SF, representing 7% of the total inventory of office buildings 25,000 SF and greater in the Los Angeles basin. 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 mid-rise (11%) buildings.

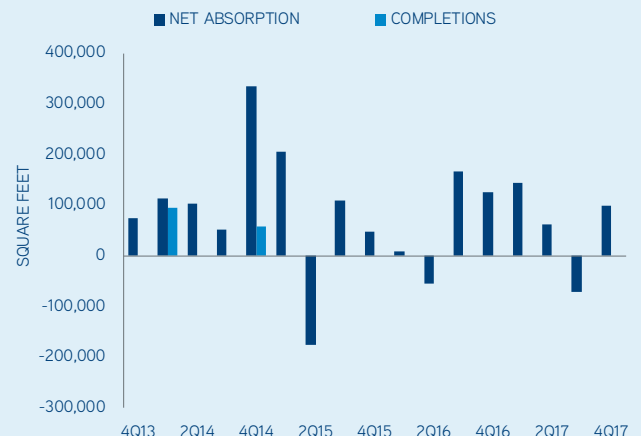
HISTORICAL VACANCY VS RENTS

INLAND EMPIRE OFFICE MARKET Q4 '13 - Q4 '17



HISTORICAL NET ABSORPTION & CONSTRUCTION COMPLETIONS

INLAND EMPIRE OFFICE MARKET • Q4 '13 - Q4 '17



OFFICE OVERVIEW

INLAND EMPIRE OFFICE MARKET • Q4 2017

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	55	4,994,200	11.3%	0.9%	12.3%	11.6%	142,000	287,300	(32,100)	(79,800)	0	0	\$2.27
B	301	13,387,500	13.3%	0.4%	13.7%	14.2%	257,700	891,700	62,000	197,500	0	25,000	\$1.70
C	68	2,110,700	14.1%	0.0%	14.1%	17.4%	13,100	64,400	69,100	118,800	0	0	\$1.29
CHINO/CHINO HILLS													
SUBTOTAL	9	338,300	12.2%	1.1%	13.3%	13.9%	30,000	55,800	2,100	13,700	0	0	\$2.41
COACHELLA VALLEY													
SUBTOTAL	36	959,800	16.0%	0.8%	16.7%	16.7%	9,900	49,000	(300)	6,200	0	0	\$1.72
CORONA													
SUBTOTAL	31	1,697,300	8.1%	0.2%	8.3%	8.8%	50,100	183,000	9,500	1,800	0	0	\$1.88
MURRIETA/TEMECULA													
SUBTOTAL	34	1,351,500	8.7%	0.6%	9.3%	8.8%	25,600	120,400	(5,800)	24,100	0	25,000	\$1.72
ONTARIO													
SUBTOTAL	65	3,706,600	12.0%	1.0%	12.9%	12.0%	118,500	241,600	(33,500)	8,000	0	0	\$1.96
RANCHO CUCAMONGA													
SUBTOTAL	55	2,878,700	9.4%	1.0%	10.4%	8.4%	45,500	139,700	(57,400)	15,400	0	0	\$1.84
RIVERSIDE													
SUBTOTAL	100	4,683,600	13.0%	0.1%	13.1%	14.5%	106,500	237,800	65,000	51,100	0	0	\$1.86
SAN BERNARDINO													
SUBTOTAL	94	4,876,600	17.9%	0.3%	18.2%	20.6%	26,700	216,100	119,400	116,200	0	0	\$1.60
MARKET TOTAL													
TOTAL	424	20,492,400	12.9%	0.5%	13.4%	13.9%	412,800	1,243,400	99,000	236,500	0	25,000	\$1.78

Note: revisions to the inventory base were made effective Q4 2017, historical data reported here reflect these revisions and may not match data reported in previous quarters.



RECENT TRANSACTIONS & MAJOR DEVELOPMENTS

INLAND EMPIRE OFFICE MARKET • Q4 2017

SALES ACTIVITY					
PROPERTY ADDRESS	SIZE SF	SALE PRICE	PRICE PSF	BUYER	SELLER
1003 E Brier Dr, San Bernardino	280,200 SF	\$44.6 Million	\$160 PSF	TPG Capital, LP	The Opus Group
3281 E Gusti Rd, Ontario	148,400 SF	\$36.9 Million	\$248 PSF	MGR Real Estate, Inc.	RREEF Management LLC
1461 E Cooley Dr, Colton	40,000 SF	\$4.25 Million	\$106 PSF	Satnam Investments LLC	Rademaker Trust
LEASING ACTIVITY					
PROPERTY ADDRESS	LEASED SF	LEASE TYPE	BLDG CLASS	LESSEE	LESSOR
901 Via Piemonte, Ontario	25,000 SF	Direct	A	Bank of America	PGIM Real Estate
2627 W Florida Ave, Hemet	9,896 SF	Direct	B	Coastline Beauty College	J and J
2275 Sampson Ave, Corona	8,100 SF	Direct	B	Undisclosed Tenant	CPI Properties
41923 2nd St, Temecula	7,700 SF	Direct	A	Nick & G's	Second Street Old Town
MAJOR DEVELOPMENTS					
PROJECT	DEVELOPER	SIZE SF	SUBMARKET	STATUS	ESTIMATED COMPLETION
31775 De Portola Rd, Temecula	Pacific Media Properites LLC	25,000 SF	Temecula	Under Construction	1Q18

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