

Inland Empire



Market Facts

5.4%

Inland Empire
Unemployment Rate

-150,348 SF

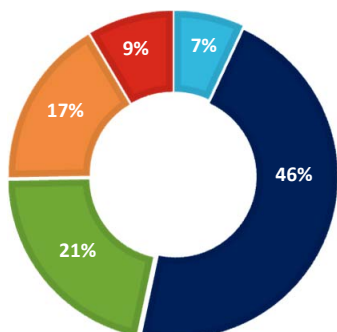
Negative Net Absorption
Current Quarter

10.8%

Total Vacancy Rate
Down From 11.0% In Q1 2017

\$1.86 PSF

Asking Rental Rate
Weighted Average

Q3 2017 Transaction Volume by
Property Sector


- Office
- Industrial
- Retail
- Multi-Family
- Land

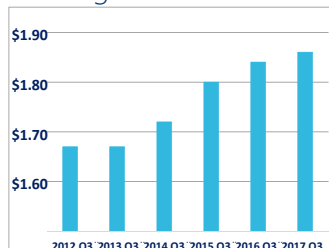
Market Overview

Demand for office space in the Inland Empire remains steady as of the third quarter of 2017. Vacancy has decreased year-over-year post-recession, while rental rates have gradually been bolstered by increasing demand in the same time frame. The Inland Empire's unemployment rate, as of September 2017, was 5.4%, down from 6.0% one year earlier. Within the market, unemployment was 5.6% in Riverside County and 5.0% in San Bernardino County.

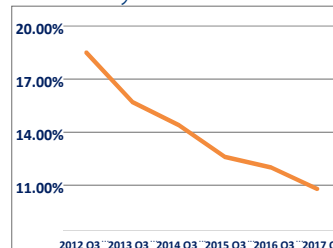
The counties of Riverside and San Bernardino, which make up the Inland Empire market, are experiencing strong economic fundamentals, and rapid growth in population and quality inventory. Office inventory will likely grow further out of a response to the market's massive industrial inventory, the multifamily inventory boom, and retail expansion that has followed in natural progression. Construction deliveries of office inventory are far below pre-recession levels, and the market has extensive room to grow.

As of the third quarter of 2017, vacancy in the Inland Empire's office market has inched up to 10.8%, from the previous quarter at 10.4%, and markedly down from the same time in the previous year at 12.0%. On a year-over-year basis, vacancy has decreased significantly since recession highs of 20%, when construction activity had reached record levels. Developers are proceeding cautiously, with a modest up-tick in construction activity for investment grade office over the past year. Rental rates in the market have been responding to the slow contraction in availability with a matched pacing. Third quarter rents averaged \$1.86 psf FSG, down slightly from the previous quarter at \$1.88 psf FSG, but up from the same time in the previous year at \$1.84 psf FSG. Total net absorption registered negative 150,348 sf for the quarter, and positive 466,913 sf for the most recent 12 month period.

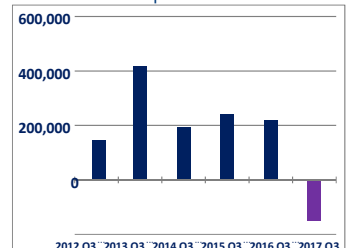
Asking Rent



Vacancy Rates

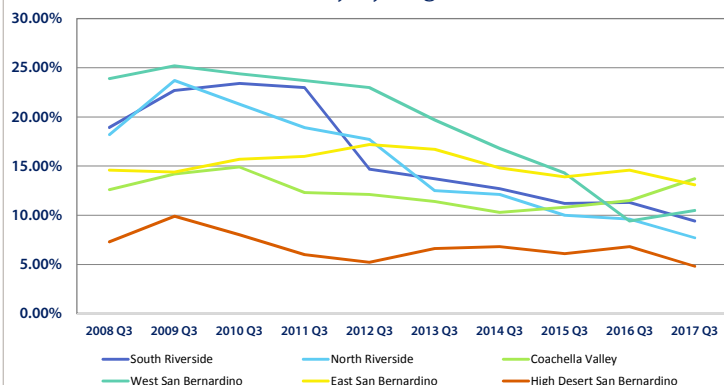


Net Absorption

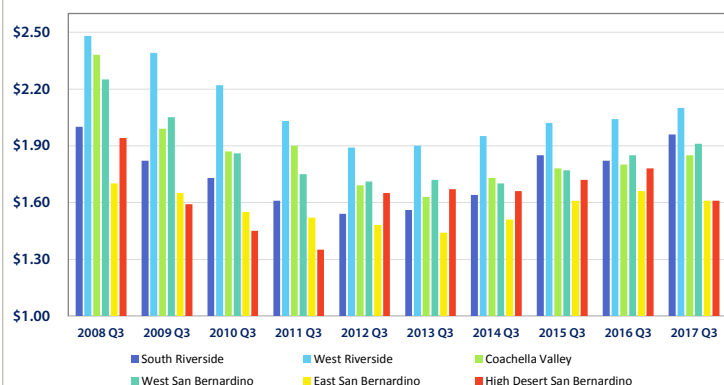


	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline	
	Q3 2017 Inventory (SF)	Q3 2017 Vacancy (SF)	Q3 2017 Vacancy (%)	Q2 2017 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q3 2017 Rental Rates	Q2 2017 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries (SF)	Under Construction Currently (SF)
South Riverside											
Temecula / Murrieta / Lake Elsinore	3,997,061	346,542	8.70%	9.00%	14,720	60,958	\$1.99	\$1.92	3.65%	0	85,000
Perris / Menifee	268,998	3,651	1.40%	2.30%	2,403	3,585	\$1.91	\$2.13	-10.33%	0	0
Hemet	312,101	86,044	27.60%	29.90%	7,173	15,074	\$1.73	\$1.71	1.17%	0	0
South Riverside TOTAL	4,578,160	436,237	9.50%	10.10%	24,296	79,617	\$1.96	\$1.89	3.70%	0	85,000
North Riverside											
Corona	2,696,933	197,497	7.30%	6.80%	-21,217	58,612	\$2.12	\$2.10	0.95%	0	45,204
Riverside City	5,304,417	508,118	9.60%	10.30%	6,930	-4,838	\$2.05	\$2.08	-1.44%	0	0
Moreno Valley	1,494,083	85,033	5.70%	7.50%	27,899	41,953	\$2.46	\$2.15	14.42%	0	0
Beaumont / Banning	137,332	0	0.00%	0.00%	0	0	\$0.00	\$0.00	0.00%	0	0
West Riverside TOTAL	9,632,765	790,648	8.20%	8.80%	13,612	95,727	\$2.10	\$2.09	0.48%	0	45,204
Coachella Valley											
Indio / Coachella	243,465	21,654	8.90%	8.90%	0	18,308	\$1.51	\$1.47	2.72%	0	0
Palm Desert / Palm Springs	2,602,483	378,558	14.50%	13.40%	-33,192	-33,684	\$1.89	\$1.98	-4.55%	0	0
Coachella Valley TOTAL	2,845,948	400,212	14.10%	13.00%	-33,192	-15,376	\$1.85	\$1.92	-3.65%	0	0
West San Bernardino											
Chino	581,779	63,198	10.90%	12.90%	11,731	40,020	\$2.22	\$2.22	0.00%	0	70,000
Airport Area	7,513,830	814,626	10.80%	9.80%	-53,440	39,093	\$1.89	\$1.90	-0.53%	0	0
West San Bernardino TOTAL	8,095,609	877,824	10.80%	10.00%	-41,709	79,113	\$1.91	\$1.93	-1.04%	0	70,000
East San Bernardino											
San Bernardino City / Redlands	7,723,187	996,483	12.90%	11.50%	-113,470	48,249	\$1.62	\$1.65	-1.82%	0	0
Fontana / Rialto	741,582	175,274	23.60%	23.80%	1,106	35,517	\$1.58	\$1.59	-0.63%	0	0
East San Bernardino TOTAL	8,464,769	1,171,757	13.80%	12.50%	-112,364	83,766	\$1.61	\$1.64	-1.83%	0	0
High Desert San Bernardino											
Victorville/Hesperia/Adelanto	1,048,975	44,087	4.20%	4.10%	-991	25,812	\$1.66	\$1.71	-2.92%	0	0
Barstow	55,217	9,141	16.60%	16.60%	0	2,558	\$0.94	\$0.70	34.29%	0	0
North San Bernardino TOTAL	1,104,192	53,228	4.80%	4.70%	-991	28,370	\$1.61	\$1.52	5.92%	0	0
INLAND EMPIRE											
Class A	8,670,266	753,144	8.70%	9.00%	32,057	239,628	\$2.28	\$2.24	1.79%	0 Bldgs	0 Bldgs
Class B	21,533,534	2,645,466	12.30%	11.90%	-175,795	-54,043	\$1.81	\$1.79	1.12%	0 Bldgs	5 Bldgs
Class C	4,454,772	272,973	6.10%	6.50%	-6,610	11,748	\$1.39	\$1.36	2.21%	0 Bldgs	0 Bldgs
TOTAL OFFICE	34,721,443	3,729,906	10.80%	10.40%	-150,348	351,217	\$1.86	\$1.88	-1.06%	0 (SF)	200,204 (SF)

Vacancy by Region



Rental Rate by Region



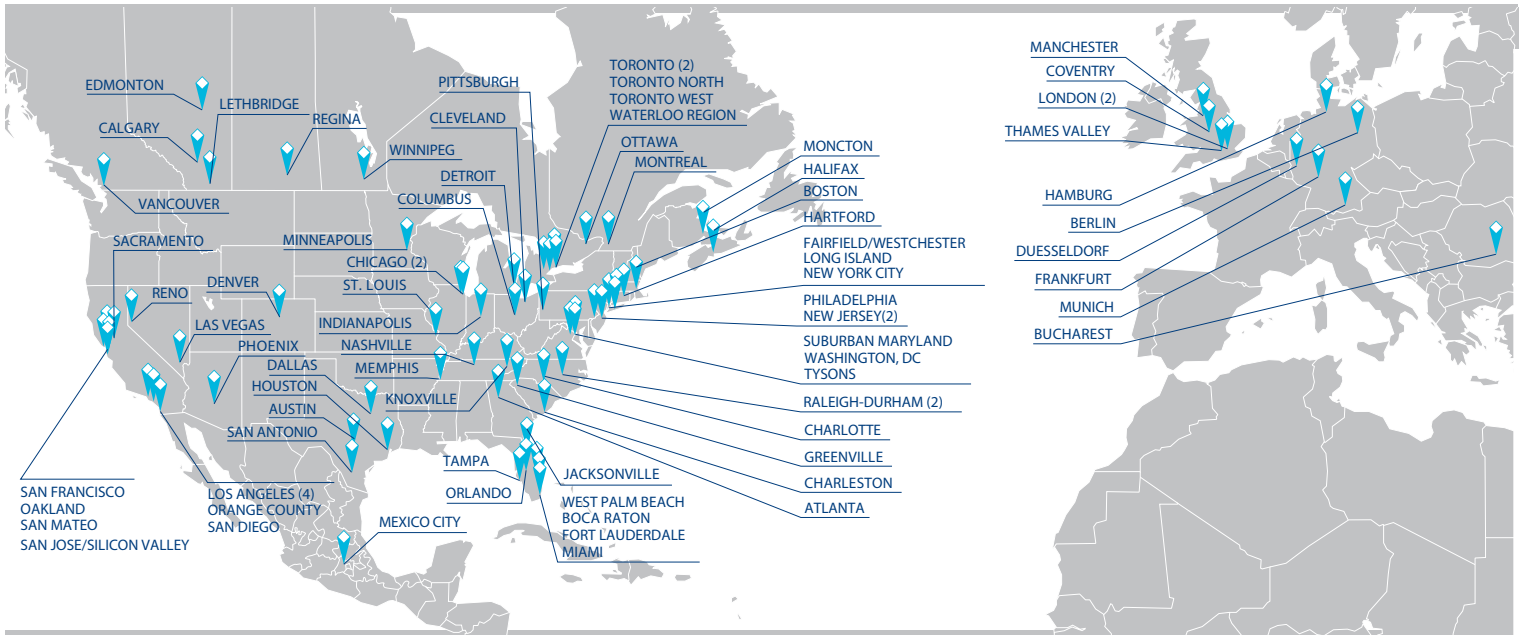
SUBMARKET	SUBMARKET DIVISIONS	CITIES WITHIN SUBMARKET
South Riverside	Temecula / Murrieta / Lake Elsinore	Temecula, Murrieta, Lake Elsinore, Wildomar
	Perris / Menifee	Perris, Menifee, Nuevo, Romoland, Sun City
	Hemet	Hemet, San Jacinto
	Corona	Corona, Norco
	Riverside City	Eastvale, Jurupa Valley, Mira Loma, Riverside City-North
North Riverside	Moreno Valley	Moreno Valley, Riverside City-South
	Beaumont / Banning	Beaumont, Banning, Cabazon, Callimesa
Coachella Valley	Coachella / Indio	Coachella, Indio, Mecca, Thermal
	Palm Desert / Palm Springs	Palm Desert, Palm Springs, North Palm Springs, Desert Hot Springs, Bermuda Dunes, Cathedral City, Thousand Palms, Rancho Mirage, Indian Wells, La Quinta
West San Bernardino	Chino	Chino, Chino Hills
	Airport Area	Ontario, Rancho Cucamonga, Upland, Etiwanda, Montclair
East San Bernardino	San Bernardino City / Redlands	San Bernardino City, Redlands, Highland, Mentone, Yucaipa
	Fontana / Rialto	Fontana, Rialto, Colton, Grand Terrace, Loma Linda, Bloomington
High Desert San Bernardino	Victorville / Hesperia / Adelanto	Victorville, Hesperia, Adelanto, Apple Valley, Oak Hills, Silver Lakes
	Barstow	Barstow

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Property Under Management: **100 million sf**

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