

# CoStar Office Statistics

Mid-Year 2018

## Inland Empire Office Market



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## IMPORTANT FEATURE ANNOUNCEMENT

### New Market Reports Now Available

**Market Reports have received a major upgrade.**

The new reports are dynamic: You can now run a report anytime. They also incorporate many more markets and submarkets, and include five-year forecasts for several KPIs.

These new reports can be found at the Markets & Submarkets link on CoStar.com under the Analytics menu.

This legacy report will be phased out later this year.



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## Methodology

The CoStar Office Report, unless specifically stated otherwise, calculates office statistics using CoStar Group's entire database of existing and under construction office buildings in each metropolitan area. Included are office, office condominium, office loft, office medical, all classes and all sizes, and both multi-tenant and single-tenant buildings, including owner-occupied buildings. CoStar Group's global database includes approximately 119 billion square feet of coverage in 5.4 million properties. All rental rates reported in the CoStar Office Report have been converted to a Full Service equivalent rental rate.

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## Terms & Definitions

**Availability Rate:** The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

**Available Space:** The total amount of space that is currently being marketed as available for lease in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

**Build-to-Suit:** A term describing a particular property, developed specifically for a certain tenant to occupy, with structural features, systems, or improvement work designed specifically for the needs of that tenant. A build-to-suit can be leased or owned by the tenant. In a leased build-to-suit, a tenant will usually have a long term lease on the space.

**Buyer:** The individual, group, company, or entity that has purchased a commercial real estate asset.

**Cap Rate:** Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

**CBD:** Abbreviation for Central Business District. (See also: Central Business District)

**Central Business District:** The designations of Central Business District (CBD) and Suburban refer to a particular geographic area within a metropolitan statistical area (MSA) describing the level of real estate development found there. The CBD is characterized by a high density, well organized core within the largest city of a given MSA.

**Class A:** A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans. They can be an architectural or historical landmark designed by prominent architects. These buildings contain a modern mechanical system, and have above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings. They are generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

**Class B:** A classification used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties. Such buildings offer utilitarian space without special attractions, and have ordinary design, if new or fairly new; good to excellent design if an older non-landmark building. These buildings typically have average to good maintenance, management and tenants. They are less appealing to tenants than Class A properties, and may be deficient in a number of respects including floor plans, condition and facilities. They lack prestige and must depend chiefly on a lower price to attract tenants and investors.

**Class C:** A classification used to describe buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market. Such buildings typically have below-average maintenance and management, and could have mixed or low tenant prestige, inferior elevators, and/or mechanical/electrical systems. These buildings lack prestige and must depend chiefly on a lower price to attract tenants and investors.

**Construction Starts:** Buildings that began construction during a specific period of time. (See also: Deliveries)

**Contiguous Blocks of Space:** Space within a building that is, or is able to be joined together into a single contiguous space.

**Deliveries:** Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certifi-

cate of occupancy must have been issued for the property.

**Delivery Date:** The date a building completes construction and receives a certificate of occupancy.

**Developer:** The company, entity or individual that transforms raw land to improved property by use of labor, capital and entrepreneurial efforts.

**Direct Space:** Space that is being offered for lease directly from the landlord or owner of a building, as opposed to space being offered in a building by another tenant (or broker of a tenant) trying to sublet a space that has already been leased.

**Existing Inventory:** The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

**Flex Building:** A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

**Full Service Rental Rate:** Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

**Gross Absorption:** The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing Activity, which is the sum of all space leased over a certain period of time. Unless otherwise noted Gross Absorption includes direct and sublease space.

**Growth in Inventory:** The change in size of the existing square footage in a given area over a given period of time, generally due to the construction of new buildings.

**Industrial Building:** A type of building adapted for such uses as the assemblage, processing, and/or manufacturing of products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities. The primary purpose of the space is for storing, producing, assembling, or distributing product.

**Landlord Rep:** (Landlord Representative) In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the owner/landlord is referred to as the Landlord Rep.

**Leased Space:** All the space that has a financial lease obligation. It includes all leased space, regardless of whether the space is currently occupied by a tenant. Leased space also includes space being offered for sublease.

**Leasing Activity:** The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction, or under renovation buildings.

**Market:** Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building-type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets. (See also: Submarkets)

**Multi-Tenant:** Buildings that house more than one tenant at a given time. Usually, multi-tenant buildings were designed and built to accommodate many different floor plans and designs for different

tenant needs. (See also: Tenancy).

**Net Absorption:** The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

**Net Rental Rate:** A rental rate that excludes certain expenses that a tenant could incur in occupying office space. Such expenses are expected to be paid directly by the tenant and may include janitorial costs, electricity, utilities, taxes, insurance and other related costs.

**New Space:** Sometimes called first generation space, refers to space that has never been occupied and/or leased by a tenant.

**Occupied Space:** Space that is physically occupied by a tenant. It does not include leased space that is not currently occupied by a tenant.

**Office Building:** A type of commercial building used exclusively or primarily for office use (business), as opposed to manufacturing, warehousing, or other uses. Office buildings may sometimes have other associated uses within part of the building, i.e., retail sales, financial, or restaurant, usually on the ground floor.

**Owner:** The company, entity, or individual that holds title on a given building or property.

**Planned/Proposed:** The status of a building that has been announced for future development but not yet started construction.

**Preleased Space:** The amount of space in a building that has been leased prior to its construction completion date, or certificate of occupancy date.

**Price/SF:** Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

**Property Manager:** The company and/or person responsible for the day-to-day operations of a building, such as cleaning, trash removal, etc. The property manager also makes sure that the various systems within the building, such as the elevators, HVAC, and electrical systems, are functioning properly.

**Quoted Rental Rate:** The asking rate per square foot for a particular building or unit of space by a broker or property owner. Quoted rental rates may differ from the actual rates paid by tenants following the negotiation of all terms and conditions in a specific lease.

**RBA:** Abbreviation for Rentable Building Area. (See also: Rentable Building Area)

**Region:** Core areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Regions are further divided into market areas, called Markets. (See also: Markets)

**Relet Space:** Sometimes called second generation or direct space, refers to existing space that has previously been occupied by another tenant.

**Rentable Building Area:** (RBA) The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation. Generally RBA includes a percentage of common areas including all hallways, main lobbies, bathrooms, and telephone closets.

**Rental Rates:** The annual costs of occupancy for a particular space quoted on a per square foot basis.

**Sales Price:** The total dollar amount paid for a particular property at a particular point in time.

**Sales Volume:** The sum of sales prices for a given group of buildings in a given time period.

**Seller:** The individual, group, company, or entity that sells a particular commercial real estate asset.

**SF:** Abbreviation for Square Feet.

**Single-Tenant:** Buildings that are occupied, or intended to be occupied by a single tenant. (See also: Build-to-suit and Tenancy)

**Sublease Space:** Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

**Submarkets:** Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within (See also: Market).

**Suburban:** The Suburban and Central Business District (CBD) designations refer to a particular geographic area within a metropolitan statistical area (MSA). Suburban is defined as including all office inventory not located in the CBD. (See also: CBD)

**Tenancy:** A term used to indicate whether or not a building is occupied by multiple tenants (See also: Multi-tenant) or a single tenant. (See also: Single-tenant)

**Tenant Rep:** Tenant Rep stands for Tenant Representative. In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the tenant is referred to as a Tenant Rep.

**Time On Market:** A measure of how long a currently available space has been marketed for lease, regardless of whether it is vacant or occupied.

**Under Construction:** Buildings in a state of construction, up until they receive their certificate of occupancy. In order for CoStar to consider a building under construction, the site must have a concrete foundation in place. Abbreviated UC.

**Vacancy Rate:** A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

**Vacant Space:** Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space. Vacant space could be space that is either available or not available. For example, sublease space that is currently being paid for by a tenant but not occupied by that tenant, would be considered vacant space. Likewise, space that has been leased but not yet occupied because of finish work being done, would also be considered vacant space.

**Weighted Average Rental Rate:** Rental rates that are calculated by factoring in, or weighting, the square footage associated with each particular rental rate. This has the effect of causing rental rates on larger spaces to affect the average more than that of smaller spaces. The weighted average rental rate is calculated by taking the ratio of the square footage associated with the rental rate on each individual available space to the square footage associated with rental rates on all available spaces, multiplying the rental rate by that ratio, and then adding together all the resulting numbers. Unless specifically specified otherwise, rental rate averages include both Direct and Sublet available spaces.

**Year Built:** The year in which a building completed construction and was issued a certificate of occupancy.

**YTD:** Abbreviation for Year-to-Date. Describes statistics that are cumulative from the beginning of a calendar year through whatever time period is being studied.

# Inland Empire Office Market



Overview

## Inland Empire's Vacancy Stays at 7.8% Net Absorption Positive 143,677 SF in the Quarter

The Inland Empire Office market ended the second quarter 2018 with a vacancy rate of 7.8%. The vacancy rate was unchanged over the previous quarter, with net absorption totaling positive 143,677 square feet in the second quarter. Vacant sublease space decreased in the quarter, ending the quarter at 122,846 square feet. Rental rates ended the second quarter at \$20.97, an increase over the previous quarter. A total of five buildings delivered to the market in the quarter totaling 105,391 square feet, with 589,750 square feet still under construction at the end of the quarter.

### Absorption

Net absorption for the overall Inland Empire office market was positive 143,677 square feet in the second quarter 2018. That compares to positive 373,095 square feet in the first quarter 2018, positive 312,132 square feet in the fourth quarter 2017, and negative (231,654) square feet in the third quarter 2017.

Tenants moving out of large blocks of space in 2018 include: City of Redlands - Development Services Department moving out of 30,620 square feet at 2 E Citrus Ave; and Arrowhead Central Credit Union moving out of 28,574 square feet at 550 E Hospitality Ln; and National University moving out of 25,514 square feet at 804 E Brier Dr. - Bldg. A.

Tenants moving into large blocks of space in 2018 include: Bank of America moving into 24,638 square feet at One Piemonte; Clear Gold, Inc. moving into 14,560 square feet at Monterey 10 Business Park - 800 H; and High Desert Medical College moving into 12,418 square feet at 31625 De Portola Rd.

The Class-A office market recorded net absorption of

negative (2,713) square feet in the second quarter 2018, compared to positive 90,758 square feet in the first quarter 2018, positive 43,806 in the fourth quarter 2017, and positive 31,914 in the third quarter 2017.

The Class-B office market recorded net absorption of positive 149,730 square feet in the second quarter 2018, compared to positive 193,476 square feet in the first quarter 2018, positive 241,070 in the fourth quarter 2017, and negative (155,681) in the third quarter 2017.

The Class-C office market recorded net absorption of negative (3,340) square feet in the second quarter 2018 compared to positive 88,861 square feet in the first quarter 2018, positive 27,256 in the fourth quarter 2017, and negative (107,887) in the third quarter 2017.

### Vacancy

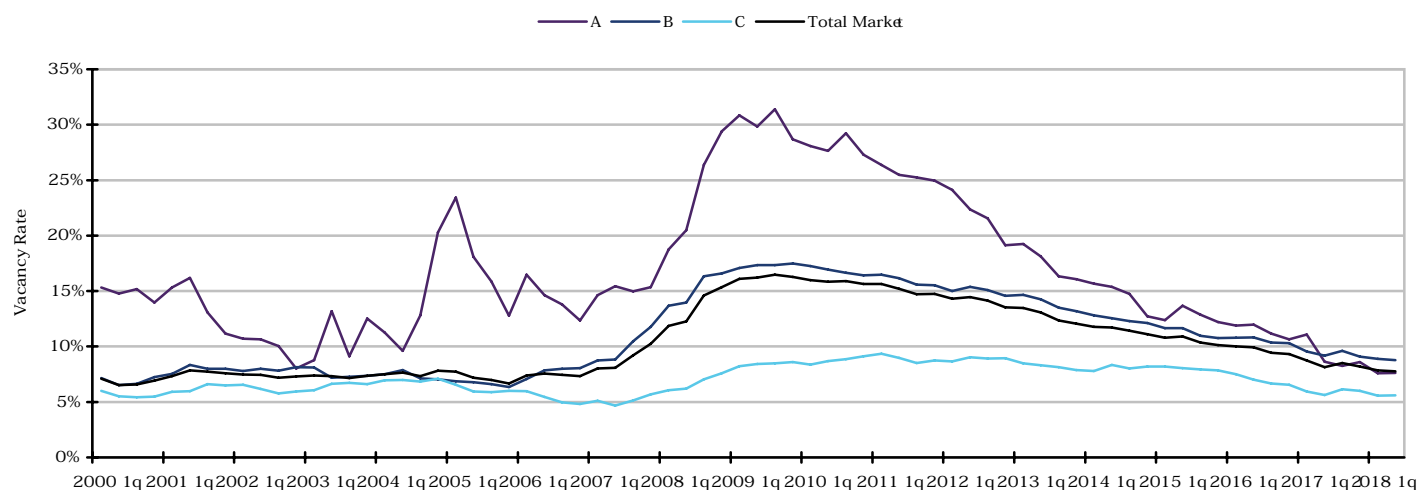
The office vacancy rate in the Inland Empire market area remained at 7.8% at the end of the second quarter 2018. The vacancy rate was 7.8% at the end of the first quarter 2018, 8.2% at the end of the fourth quarter 2017, and 8.5% at the end of the third quarter 2017.

Class-A projects reported a vacancy rate of 7.6% at the end of the second quarter 2018, 7.6% at the end of the first quarter 2018, 8.6% at the end of the fourth quarter 2017, and 8.3% at the end of the third quarter 2017.

Class-B projects reported a vacancy rate of 8.8% at the end of the second quarter 2018, 8.9% at the end of the first quarter 2018, 9.1% at the end of the fourth quarter 2017, and 9.6% at the end of the third quarter 2017.

Class-C projects reported a vacancy rate of 5.6% at the

## Vacancy Rates by Class 2000-2018



Source: CoStar Property®



end of the second quarter 2018, 5.6% at the end of first quarter 2018, 6.0% at the end of the fourth quarter 2017, and 6.1% at the end of the third quarter 2017.

## Largest Lease Signings

The largest lease signings occurring in 2018 included: the 200,000-square-foot lease signed by Riverside University Health System Medical Center at RUHS Medical Center Campus in the Inland Empire East market; the 17,401-square-foot deal signed by Desert Oasis Healthcare at 36963 Cook St in the Inland Empire East market; and the 14,560-square-foot lease signed by Clear Gold, Inc. at Monterey 10 Business Park - 800 H in the Inland Empire East market.

## Sublease Vacancy

The amount of vacant sublease space in the Inland Empire market decreased to 122,846 square feet by the end of the second quarter 2018, from 128,736 square feet at the end of the first quarter 2018. There was 132,895 square feet vacant at the end of the fourth quarter 2017 and 101,807 square feet at the end of the third quarter 2017.

Inland Empire’s Class-A projects reported vacant sublease space of 39,973 square feet at the end of second quarter 2018, down from the 50,239 square feet reported at the end of the first quarter 2018. There were 66,059 square feet of sublease space vacant at the end of the fourth quarter 2017, and 42,354 square feet at the end of the third quarter 2017.

Class-B projects reported vacant sublease space of 69,041 square feet at the end of the second quarter 2018, down from the 71,509 square feet reported at the end of the first quarter 2018. At the end of the fourth quarter 2017 there were 60,486 square feet, and at the end of the third quarter 2017 there were 52,718 square feet vacant.

Class-C projects reported increased vacant sublease space from the first quarter 2018 to the second quarter 2018. Sublease vacancy went from 6,988 square feet to 13,832 square

feet during that time. There was 6,350 square feet at the end of the fourth quarter 2017, and 6,735 square feet at the end of the third quarter 2017.

## Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$20.97 per square foot per year at the end of the second quarter 2018 in the Inland Empire market area. This represented a 1.6% increase in quoted rental rates from the end of the first quarter 2018, when rents were reported at \$20.64 per square foot.

The average quoted rate within the Class-A sector was \$27.63 at the end of the second quarter 2018, while Class-B rates stood at \$20.82, and Class-C rates at \$16.97. At the end of the first quarter 2018, Class-A rates were \$27.11 per square foot, Class-B rates were \$20.50, and Class-C rates were \$17.00.

## Deliveries and Construction

During the second quarter 2018, five buildings totaling 105,391 square feet were completed in the Inland Empire market area. This compares to four buildings totaling 110,635 square feet that were completed in the first quarter 2018, two buildings totaling 94,080 square feet completed in the fourth quarter 2017, and 1,558 square feet in one building completed in the third quarter 2017.

There were 589,750 square feet of office space under construction at the end of the second quarter 2018.

Some of the notable 2018 deliveries include: 2813 S Main St, a 45,204-square-foot facility that delivered in first quarter 2018 and is now 100% occupied, and Chino Professional Plaza, a 38,500-square-foot building that delivered in first quarter 2018 and is now 68% occupied.

The largest projects underway at the end of second quarter 2018 were RUHS Medical Center Campus, a 200,000-square-foot building with 100% of its space pre-leased, and Centrelake Corporate Center, a 79,200-square-foot facility that is 100% pre-leased.

## Inventory

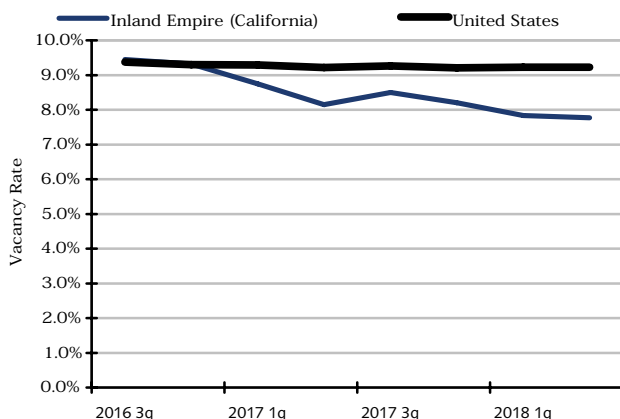
Total office inventory in the Inland Empire market area amounted to 75,001,810 square feet in 6,391 buildings as of the end of the second quarter 2018. The Class-A office sector consisted of 8,966,688 square feet in 105 projects. There were 3,108 Class-B buildings totaling 45,782,945 square feet, and the Class-C sector consisted of 20,252,177 square feet in 3,178 buildings. Within the Office market there were 236 owner-occupied buildings accounting for 6,932,734 square feet of office space.

## Sales Activity

Tallying office building sales of 15,000 square feet or larger, Inland Empire (California) office sales figures rose during the first quarter 2018 in terms of dollar volume compared

## U.S. Vacancy Comparison

Past 8 Quarters



Source: CoStar Property®



# Inland Empire Office Market



Overview

to the fourth quarter of 2017.

In the first quarter, eight office transactions closed with a total volume of \$102,007,500. The eight buildings totaled 582,645 square feet and the average price per square foot equated to \$175.08 per square foot. That compares to 14 transactions totaling \$99,469,300 in the fourth quarter 2017. The total square footage in the fourth quarter was 579,925 square feet for an average price per square foot of \$171.52.

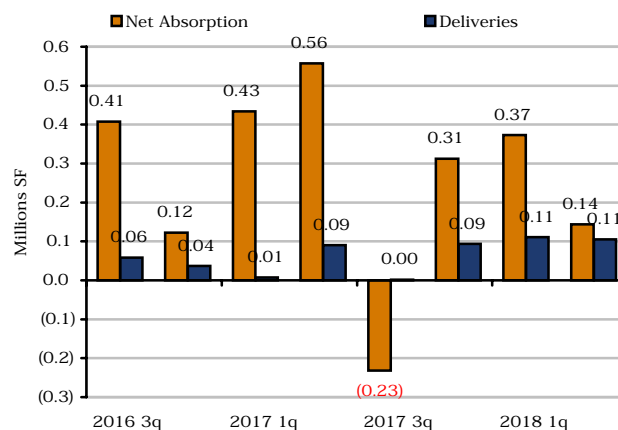
Total office building sales activity in 2018 was down compared to 2017. In the first three months of 2018, the market saw eight office sales transactions with a total volume of \$102,007,500. The price per square foot averaged \$175.08. In the same first three months of 2017, the market posted 13 transactions with a total volume of \$133,602,000. The price per square foot averaged \$172.43.

Cap rates have been lower in 2018, averaging 7.08% compared to the same period in 2017 when they averaged 7.42%.

One of the largest transactions that has occurred within the last four quarters in the Inland Empire (California) market is the sale of 41888 Motor Car Pkwy. Bldgs. F and G in Temecula. This 341,315-square-foot office complex sold for \$56,500,000, or \$165.54 per square foot. The property sold on 3/20/2018.

## Absorption & Deliveries

Past 8 Quarters



Source: CoStar Property®

Reports compiled by: Fred Ankenman, CoStar Research Manager, Luis Armendariz, CoStar Senior Research Associate, and Michael Billings, CoStar Research Associate.



## CoStar Submarket Clusters & Submarkets

In analyzing metropolitan areas, CoStar has developed geographic designations to help group properties together, called Markets, Submarket Clusters and Submarkets. Markets are the equivalent of metropolitan areas, or areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Markets are then divided into Submarket Clusters, which are core areas within a metropolitan area that are known to be competitive with each other in terms of attracting and keeping tenants. Markets are then further subdivided into smaller units called Submarkets, which serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted competitive set, or peer group.

Submarket Clusters	Submarkets
Inland Empire East	Coachella Valley Corona East San Bernardino Riverside Riverside Outlying San Bernardino Outlying South Riverside
Inland Empire West	Airport Area North San Bernardino West San Bernardino

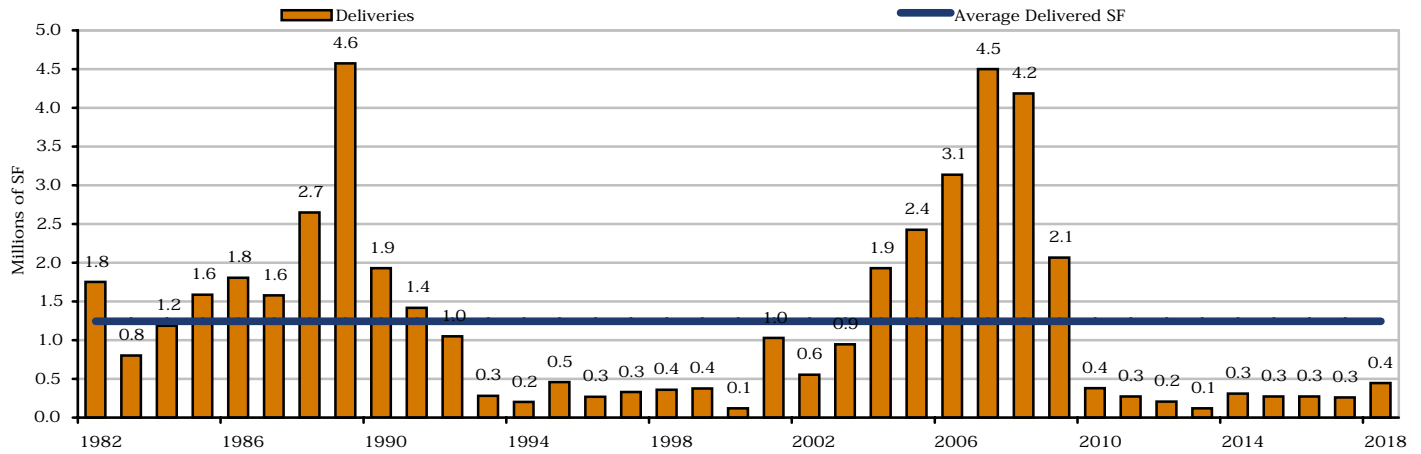
# Inland Empire Office Market



Inventory & development

## Historical Deliveries

1982 - 2018



Source: CoStar Property® \* Future deliveries based on current under construction buildings.

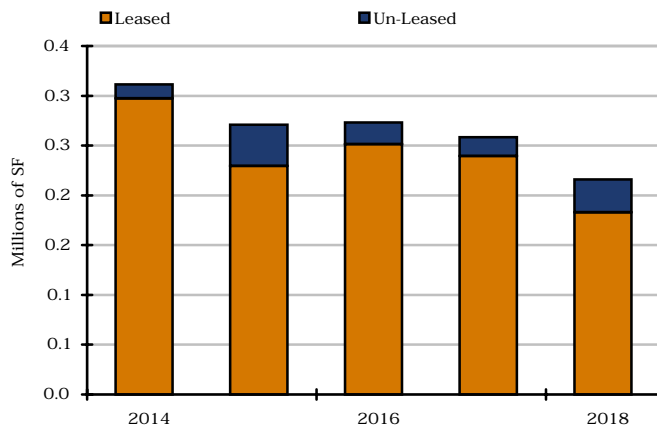
## CONSTRUCTION ACTIVITY Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Inland Empire East	8	363,050	283,800	78.2%	11,982	45,381
Inland Empire West	4	226,700	135,200	59.6%	11,222	56,675
<b>Totals</b>	<b>12</b>	<b>589,750</b>	<b>419,000</b>	<b>71.0%</b>	<b>11,736</b>	<b>49,146</b>

Source: CoStar Property®

## Recent Deliveries

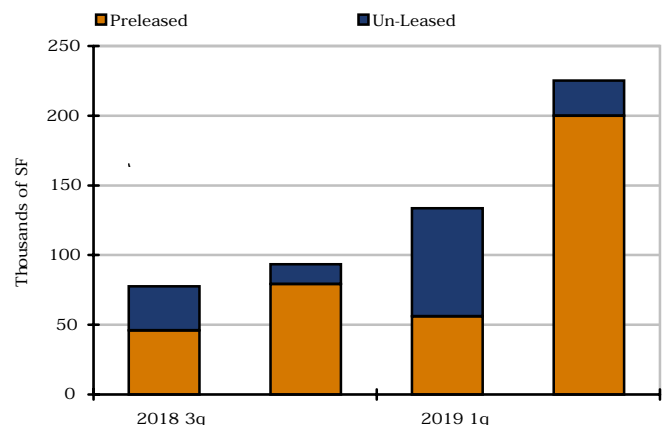
Leased & Un-Leased SF in Deliveries Since 2014



Source: CoStar Property®

## Future Deliveries

Preleased & Un-Leased SF in Properties Scheduled to Deliver



Source: CoStar Property®

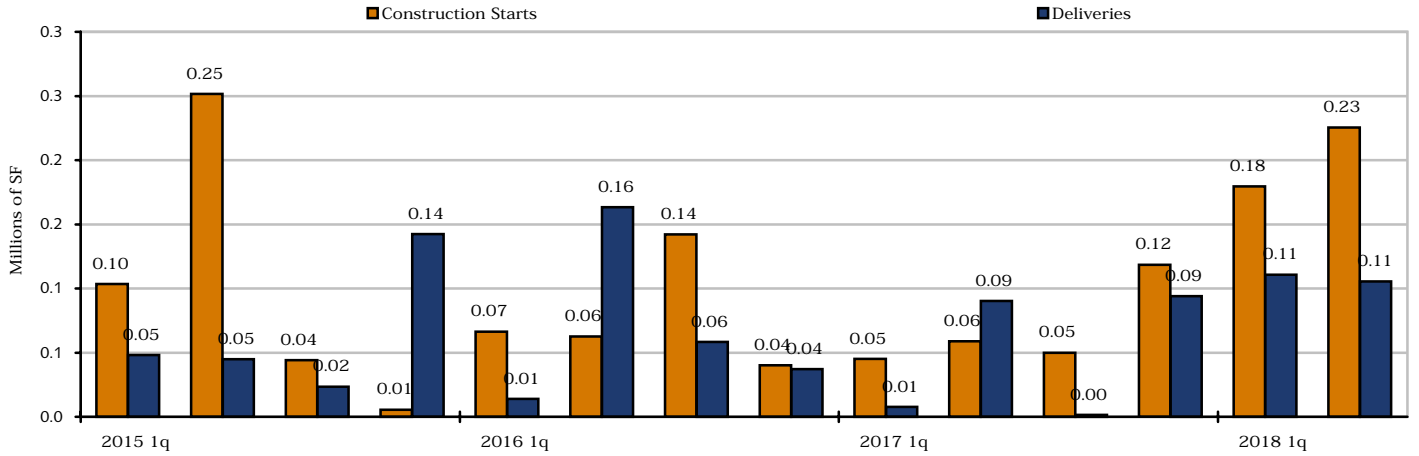


# Inland Empire Office Market

Inventory & development

## Historical Construction Starts & Deliveries

Square Footage Per Quarter Starting and Completing Construction



Source: CoStar Property®

## RECENT DELIVERIES BY PROJECT SIZE Breakdown of Year-to-Date Development Based on RBA of Project

Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	9	216,026	182,934	84.7%	\$30.66	0	216,026
50,000 SF - 99,999 SF	0	0	0	0.0%	\$0.00	0	0
100,000 SF - 249,999 SF	0	0	0	0.0%	\$0.00	0	0
250,000 SF - 499,999 SF	0	0	0	0.0%	\$0.00	0	0
>= 500,000 SF	0	0	0	0.0%	\$0.00	0	0

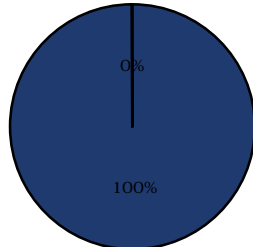
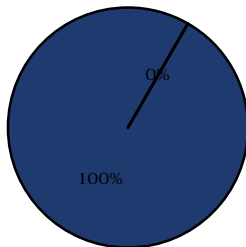
Source: CoStar Property®

## Recent Development by Tenancy

Based on RBA Developed for Single & Multi Tenant Use

2018 Deliveries

Currently Under Construction



■ Multi ■ Single

■ Multi ■ Single

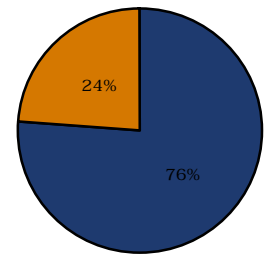
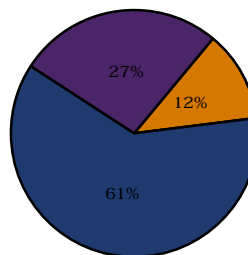
Source: CoStar Property®

## Existing Inventory Comparison

Based on Total RBA

By Class

By Space Type



■ Class A ■ Class B ■ Class C

■ Multi ■ Single

Source: CoStar Property®

# Inland Empire Office Market



Inventory &amp; development

## Select Year-to-Date Deliveries

Based on Project Square Footage

<p><b>1. 2813 S Main St</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>45,204</b>            # Floors: <b>2</b>            Class: <b>B</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>First Quarter 2017</b>            Deliv Date: <b>First Quarter 2018</b>            Leasing Co: <b>Coldwell Banker Commercial SC</b></p> <p>Developer: <b>N/A</b>            Architect: <b>N/A</b></p>	<p><b>2. Chino Professional Plaza</b></p> <p>Submarket: <b>Inland Empire West</b>            RBA: <b>38,500</b>            # Floors: <b>3</b>            Class: <b>B</b>            Occupied: <b>68%</b>            Quoted Rate: <b>Negotiable</b>            Grnd Brk Date: <b>Fourth Quarter 2016</b>            Deliv Date: <b>First Quarter 2018</b>            Leasing Co: <b>N/A</b>            Developer: <b>N/A</b>            Architect: <b>N/A</b></p>	<p><b>3. 14260 Schleisman Rd</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>32,354</b>            # Floors: <b>2</b>            Class: <b>B</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Third Quarter 2017</b>            Deliv Date: <b>Second Quarter 2018</b>            Leasing Co: <b>Strategic Retail Advisors</b>            Developer: <b>StoneCreek Company Developers</b></p> <p>Architect: <b>N/A</b></p>
<p><b>4. 4500 Olivewood Ave</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>27,000</b>            # Floors: <b>2</b>            Class: <b>B</b>            Occupied: <b>52%</b>            Quoted Rate: <b>Negotiable</b>            Grnd Brk Date: <b>Second Quarter 2017</b>            Deliv Date: <b>Second Quarter 2018</b>            Leasing Co: <b>CBRE</b>            Developer: <b>N/A</b>            Architect: <b>N/A</b></p>	<p><b>5. 31625 De Portola Rd</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>25,121</b>            # Floors: <b>2</b>            Class: <b>B</b>            Occupied: <b>51%</b>            Quoted Rate: <b>\$39.51</b>            Grnd Brk Date: <b>Fourth Quarter 2017</b>            Deliv Date: <b>Second Quarter 2018</b>            Leasing Co: <b>Epic Management Group</b>            Developer: <b>N/A</b>            Architect: <b>N/A</b></p>	<p><b>6. 31775 De Portola Rd</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>25,000</b>            # Floors: <b>2</b>            Class: <b>B</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Second Quarter 2016</b>            Deliv Date: <b>First Quarter 2018</b>            Leasing Co: <b>Pacific Media Properties</b>            Developer: <b>Pacific Media Properties</b>            Architect: <b>Pacific Media Properties</b></p>
<p><b>7. Ivy Plaza</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>19,006</b>            # Floors: <b>2</b>            Class: <b>B</b>            Occupied: <b>69%</b>            Quoted Rate: <b>\$22.20</b>            Grnd Brk Date: <b>Third Quarter 2017</b>            Deliv Date: <b>Second Quarter 2018</b>            Leasing Co: <b>Lee &amp; Associates</b>            Developer: <b>N/A</b>            Architect: <b>N/A</b></p>		

## Select Top Under Construction Properties

Based on Project Square Footage

### 1. RUHS Medical Center Campus

Submarket: **Inland Empire East**  
 RBA: **200,000**  
 # Floors: **3**  
 Class: **A**  
 Preleased: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **Second Quarter 2018**  
 Deliv Date: **Second Quarter 2019**  
 Leasing Co: **Trammell Crow Company**  
 Developer: **N/A**  
 Architect: **N/A**

### 2. Centrelake Corporate Center

Submarket: **Inland Empire West**  
 RBA: **79,200**  
 # Floors: **3**  
 Class: **A**  
 Preleased: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **2017**  
 Deliv Date: **Fourth Quarter 2018**  
 Leasing Co: **HMC Architects**  
 Developer: **N/A**  
 Architect: **N/A**

### 3. 15708 Pomona Rincon Rd

Submarket: **Inland Empire West**  
 RBA: **60,000**  
 # Floors: **3**  
 Class: **B**  
 Preleased: **0%**  
 Quoted Rate: **Negotiable**  
 Grnd Brk Date: **First Quarter 2018**  
 Deliv Date: **First Quarter 2019**  
 Leasing Co: **Newmark Knight Frank**  
 Developer: **N/A**  
 Architect: **N/A**

### 4. Rady Children's Medical Plaza

Submarket: **Inland Empire East**  
 RBA: **60,000**  
 # Floors: **3**  
 Class: **B**  
 Preleased: **63%**  
 Quoted Rate: **\$40.26**  
 Grnd Brk Date: **Second Quarter 2017**  
 Deliv Date: **Second Quarter 2018**  
 Leasing Co: **Rady Children's Hospital**  
 Developer: **N/A**  
 Architect: **N/A**

### 5. 1150 San Bernardino Rd

Submarket: **Inland Empire West**  
 RBA: **56,000**  
 # Floors: **2**  
 Class: **B**  
 Preleased: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **First Quarter 2018**  
 Deliv Date: **First Quarter 2019**  
 Leasing Co: **California Commercial RE**  
 Developer: **Pacific Medical Buildings**  
 Architect: **N/A**

### 6. 26800 Single Oak Dr

Submarket: **Inland Empire East**  
 RBA: **40,000**  
 # Floors: **2**  
 Class: **A**  
 Preleased: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **First Quarter 2018**  
 Deliv Date: **Third Quarter 2018**  
 Leasing Co: **N/A**  
 Developer: **N/A**  
 Architect: **N/A**

### 7. The Rincon - Bldg P4

Submarket: **Inland Empire West**  
 RBA: **31,500**  
 # Floors: **3**  
 Class: **B**  
 Preleased: **0%**  
 Quoted Rate: **Negotiable**  
 Grnd Brk Date: **Third Quarter 2017**  
 Deliv Date: **Third Quarter 2018**  
 Leasing Co: **Newmark Knight Frank**  
 Developer: **N/A**  
 Architect: **N/A**

### 8. Riverside Medical Plaza

Submarket: **Inland Empire East**  
 RBA: **25,319**  
 # Floors: **2**  
 Class: **B**  
 Preleased: **0%**  
 Quoted Rate: **Negotiable**  
 Grnd Brk Date: **Second Quarter 2018**  
 Deliv Date: **Second Quarter 2019**  
 Leasing Co: **Tarbell Realtors**  
 Developer: **N/A**  
 Architect: **N/A**

### 9. 25449 Redlands Blvd

Submarket: **Inland Empire East**  
 RBA: **17,500**  
 # Floors: **2**  
 Class: **B**  
 Preleased: **0%**  
 Quoted Rate: **Negotiable**  
 Grnd Brk Date: **First Quarter 2018**  
 Deliv Date: **First Quarter 2019**  
 Leasing Co: **Keller Williams**  
 Developer: **N/A**  
 Architect: **N/A**

### 10. MS Alessandro Office Park - Bldg 12

Submarket: **Inland Empire East**  
 RBA: **7,641**  
 # Floors: **1**  
 Class: **B**  
 Preleased: **0%**  
 Quoted Rate: **Negotiable**  
 Grnd Brk Date: **Fourth Quarter 2017**  
 Deliv Date: **Fourth Quarter 2018**  
 Leasing Co: **Lee & Associates**  
 Developer: **N/A**  
 Architect: **N/A**

### 11. MS Alessandro Office Park - Bldg 13

Submarket: **Inland Empire East**  
 RBA: **6,590**  
 # Floors: **1**  
 Class: **B**  
 Preleased: **0%**  
 Quoted Rate: **Negotiable**  
 Grnd Brk Date: **Fourth Quarter 2017**  
 Deliv Date: **Fourth Quarter 2018**  
 Leasing Co: **Lee & Associates**  
 Developer: **N/A**  
 Architect: **N/A**

### 12. 29776 Haun Rd

Submarket: **Inland Empire East**  
 RBA: **6,000**  
 # Floors: **1**  
 Class: **B**  
 Preleased: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **First Quarter 2018**  
 Deliv Date: **Third Quarter 2018**  
 Leasing Co: **Amber Management**  
 Developer: **N/A**  
 Architect: **N/A**

# Inland Empire Office Market



Figures at a Glance

## Class A Market Statistics

Mid-Year 2018

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Inland Empire East	74	6,473,552	484,191	494,138	7.6%	36,588	0	240,000	\$27.41
Inland Empire West	31	2,493,136	158,277	188,303	7.6%	51,457	0	79,200	\$28.18
<b>Totals</b>	<b>105</b>	<b>8,966,688</b>	<b>642,468</b>	<b>682,441</b>	<b>7.6%</b>	<b>88,045</b>	<b>0</b>	<b>319,200</b>	<b>\$27.63</b>

Source: CoStar Property®

## Class B Market Statistics

Mid-Year 2018

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Inland Empire East	2,048	30,575,974	2,913,000	2,964,730	9.7%	223,234	175,595	123,050	\$20.18
Inland Empire West	1,060	15,206,971	1,034,374	1,051,685	6.9%	119,972	40,431	147,500	\$22.59
<b>Totals</b>	<b>3,108</b>	<b>45,782,945</b>	<b>3,947,374</b>	<b>4,016,415</b>	<b>8.8%</b>	<b>343,206</b>	<b>216,026</b>	<b>270,550</b>	<b>\$20.82</b>

Source: CoStar Property®

## Class C Market Statistics

Mid-Year 2018

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Inland Empire East	2,198	14,711,364	816,540	826,796	5.6%	48,616	0	0	\$17.38
Inland Empire West	980	5,540,813	300,532	304,108	5.5%	36,905	0	0	\$15.91
<b>Totals</b>	<b>3,178</b>	<b>20,252,177</b>	<b>1,117,072</b>	<b>1,130,904</b>	<b>5.6%</b>	<b>85,521</b>	<b>0</b>	<b>0</b>	<b>\$16.97</b>

Source: CoStar Property®

## Total Office Market Statistics

Mid-Year 2018

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Inland Empire East	4,320	51,760,890	4,213,731	4,285,664	8.3%	308,438	175,595	363,050	\$20.54
Inland Empire West	2,071	23,240,920	1,493,183	1,544,096	6.6%	208,334	40,431	226,700	\$22.11
<b>Totals</b>	<b>6,391</b>	<b>75,001,810</b>	<b>5,706,914</b>	<b>5,829,760</b>	<b>7.8%</b>	<b>516,772</b>	<b>216,026</b>	<b>589,750</b>	<b>\$20.97</b>

Source: CoStar Property®



# Inland Empire Office Market

Figures at a Glance

## Class A Submarket Statistics

Mid-Year 2018

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	25	2,260,720	143,724	173,750	7.7%	34,901	0	79,200	\$28.13
Coachella Valley	10	385,490	30,906	30,906	8.0%	14,857	0	0	\$30.83
Corona	11	804,570	14,583	14,583	1.8%	16,757	0	0	\$26.90
East San Bernardino	15	1,954,158	155,724	165,671	8.5%	1,634	0	0	\$25.70
North San Bernardino	2	93,824	4,833	4,833	5.2%	(2,058)	0	0	\$31.16
Riverside	17	1,753,423	206,264	206,264	11.8%	755	0	200,000	\$28.46
Riverside Outlying	0	0	0	0	0.0%	0	0	0	\$0.00
San Bernardino Outlying	0	0	0	0	0.0%	0	0	0	\$0.00
South Riverside	21	1,575,911	76,714	76,714	4.9%	2,585	0	40,000	\$28.11
West San Bernardino	4	138,592	9,720	9,720	7.0%	18,614	0	0	\$28.80
<b>Totals</b>	<b>105</b>	<b>8,966,688</b>	<b>642,468</b>	<b>682,441</b>	<b>7.6%</b>	<b>88,045</b>	<b>0</b>	<b>319,200</b>	<b>\$27.63</b>

Source: CoStar Property®

## Class B Submarket Statistics

Mid-Year 2018

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	427	8,938,398	653,116	665,591	7.4%	57,251	0	0	\$23.92
Coachella Valley	404	5,412,062	560,514	586,019	10.8%	23,278	0	0	\$20.66
Corona	116	2,055,307	152,659	155,642	7.6%	50,603	45,204	0	\$24.69
East San Bernardino	574	8,518,780	1,066,132	1,073,748	12.6%	(11,978)	0	17,500	\$17.88
North San Bernardino	394	3,254,303	175,019	175,019	5.4%	1,704	1,931	0	\$16.14
Riverside	451	8,379,930	634,944	646,153	7.7%	100,364	61,264	39,550	\$20.07
Riverside Outlying	4	27,400	5,184	5,184	18.9%	(2,944)	0	0	\$26.01
San Bernardino Outlying	18	227,177	0	0	0.0%	0	0	0	\$19.50
South Riverside	481	5,955,318	493,567	497,984	8.4%	63,911	69,127	66,000	\$23.49
West San Bernardino	239	3,014,270	206,239	211,075	7.0%	61,017	38,500	147,500	\$22.68
<b>Totals</b>	<b>3,108</b>	<b>45,782,945</b>	<b>3,947,374</b>	<b>4,016,415</b>	<b>8.8%</b>	<b>343,206</b>	<b>216,026</b>	<b>270,550</b>	<b>\$20.82</b>

Source: CoStar Property®



## Inland Empire Office Market



Figures at a Glance

## Class C Submarket Statistics

Mid-Year 2018

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	321	2,171,770	126,237	126,943	5.8%	4,364	0	0	\$16.78
Coachella Valley	389	2,698,384	172,253	172,253	6.4%	(1,191)	0	0	\$21.62
Corona	94	896,799	30,501	30,501	3.4%	8,773	0	0	\$20.25
East San Bernardino	771	5,477,418	329,142	331,062	6.0%	2,362	0	0	\$15.96
North San Bernardino	482	2,236,965	134,314	135,481	6.1%	10,082	0	0	\$12.98
Riverside	625	3,860,422	188,406	192,747	5.0%	13,442	0	0	\$15.81
Riverside Outlying	14	49,619	0	0	0.0%	0	0	0	\$0.00
San Bernardino Outlying	95	336,895	22,593	22,593	6.7%	4,516	0	0	\$16.02
South Riverside	210	1,391,827	73,645	77,640	5.6%	20,714	0	0	\$19.02
West San Bernardino	177	1,132,078	39,981	41,684	3.7%	22,459	0	0	\$18.81
<b>Totals</b>	<b>3,178</b>	<b>20,252,177</b>	<b>1,117,072</b>	<b>1,130,904</b>	<b>5.6%</b>	<b>85,521</b>	<b>0</b>	<b>0</b>	<b>\$16.97</b>

Source: CoStar Property®

## Total Office Submarket Statistics

Mid-Year 2018

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	773	13,370,888	923,077	966,284	7.2%	96,516	0	79,200	\$23.81
Coachella Valley	803	8,495,936	763,673	789,178	9.3%	36,944	0	0	\$21.38
Corona	221	3,756,676	197,743	200,726	5.3%	76,133	45,204	0	\$24.19
East San Bernardino	1,360	15,950,356	1,550,998	1,570,481	9.8%	(7,982)	0	17,500	\$18.45
North San Bernardino	878	5,585,092	314,166	315,333	5.6%	9,728	1,931	0	\$14.99
Riverside	1,093	13,993,775	1,029,614	1,045,164	7.5%	114,561	61,264	239,550	\$20.78
Riverside Outlying	18	77,019	5,184	5,184	6.7%	(2,944)	0	0	\$26.01
San Bernardino Outlying	113	564,072	22,593	22,593	4.0%	4,516	0	0	\$16.24
South Riverside	712	8,923,056	643,926	652,338	7.3%	87,210	69,127	106,000	\$23.56
West San Bernardino	420	4,284,940	255,940	262,479	6.1%	102,090	38,500	147,500	\$22.08
<b>Totals</b>	<b>6,391</b>	<b>75,001,810</b>	<b>5,706,914</b>	<b>5,829,760</b>	<b>7.8%</b>	<b>516,772</b>	<b>216,026</b>	<b>589,750</b>	<b>\$20.97</b>

Source: CoStar Property®



# Inland Empire Office Market

Figures at a Glance

## Class A Market Statistics

Mid-Year 2018

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2018 2q	105	8,966,688	642,468	682,441	7.6%	(2,713)	0	0	3	319,200	\$27.63
2018 1q	105	8,966,688	629,489	679,728	7.6%	90,758	0	0	2	119,200	\$27.11
2017 4q	105	8,966,688	704,427	770,486	8.6%	43,806	1	80,000	1	79,200	\$27.28
2017 3q	104	8,886,688	691,938	734,292	8.3%	31,914	0	0	1	80,000	\$27.24
2017 2q	104	8,886,688	701,236	766,206	8.6%	251,264	1	38,000	1	80,000	\$26.81
2017 1q	103	8,848,688	927,441	979,470	11.1%	(37,718)	0	0	2	118,000	\$26.15
2016	103	8,848,688	931,805	941,752	10.6%	137,838	0	0	2	118,000	\$25.94
2015	103	8,848,688	1,056,512	1,079,590	12.2%	81,415	2	40,040	0	0	\$25.41
2014	101	8,808,648	1,113,935	1,120,965	12.7%	398,728	2	123,307	0	0	\$24.86
2013	99	8,685,341	1,389,356	1,396,386	16.1%	265,434	0	0	2	123,307	\$24.89
2012	99	8,685,341	1,661,820	1,661,820	19.1%	608,057	1	137,122	1	65,307	\$24.43
2011	98	8,548,219	1,915,904	2,132,755	24.9%	312,720	0	0	1	137,122	\$24.40
2010	97	8,395,422	2,074,054	2,292,678	27.3%	182,656	1	96,000	2	289,919	\$26.99
2009	96	8,299,422	2,157,866	2,379,334	28.7%	666,644	7	859,332	1	96,000	\$29.38
2008	89	7,440,090	1,927,229	2,186,646	29.4%	178,253	11	1,225,121	7	859,332	\$29.94
2007	76	5,995,543	861,537	920,352	15.4%	965,235	15	1,003,108	15	1,867,244	\$30.46

Source: CoStar Property®

## Class B Market Statistics

Mid-Year 2018

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2018 2q	3,108	45,782,945	3,947,374	4,016,415	8.8%	149,730	5	105,391	9	270,550	\$20.82
2018 1q	3,103	45,677,554	3,989,245	4,060,754	8.9%	193,476	4	110,635	13	350,622	\$20.50
2017 4q	3,099	45,566,919	4,083,109	4,143,595	9.1%	241,070	1	14,080	13	321,757	\$21.09
2017 3q	3,098	45,552,839	4,317,867	4,370,585	9.6%	(155,681)	1	1,558	11	296,485	\$20.40
2017 2q	3,096	45,516,421	4,108,438	4,178,486	9.2%	241,523	3	52,164	9	248,133	\$20.49
2017 1q	3,092	45,434,257	4,273,283	4,337,845	9.5%	350,834	2	7,632	10	241,366	\$20.43
2016	3,090	45,426,625	4,617,168	4,681,047	10.3%	444,111	12	273,044	11	203,794	\$20.57
2015	3,079	45,155,352	4,792,846	4,853,885	10.7%	772,706	11	218,906	10	283,587	\$20.14
2014	3,069	44,981,513	5,420,064	5,452,752	12.1%	643,079	6	188,010	5	137,889	\$19.24
2013	3,064	44,795,296	5,880,555	5,909,614	13.2%	716,771	9	81,649	6	188,010	\$18.56
2012	3,051	44,675,818	6,366,626	6,506,907	14.6%	480,106	5	55,228	12	150,173	\$18.21
2011	3,046	44,620,290	6,780,627	6,931,485	15.5%	499,409	11	121,866	6	57,328	\$19.29
2010	3,035	44,498,424	7,215,183	7,309,028	16.4%	694,751	12	209,111	7	59,323	\$20.05
2009	3,019	44,232,489	7,530,766	7,737,844	17.5%	571,358	48	985,987	15	232,516	\$20.67
2008	2,965	43,061,847	6,779,568	7,138,560	16.6%	357,851	174	2,413,377	51	1,140,413	\$22.69
2007	2,767	40,306,131	4,488,519	4,740,695	11.8%	1,313,075	171	2,494,359	174	2,442,484	\$24.18

Source: CoStar Property®

## Total Office Market Statistics

Mid-Year 2018

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2018 2q	6,391	75,001,810	5,706,914	5,829,760	7.8%	143,677	5	105,391	12	589,750	\$20.97
2018 1q	6,386	74,896,419	5,739,310	5,868,046	7.8%	373,095	4	110,635	15	469,822	\$20.64
2017 4q	6,383	74,787,084	5,998,911	6,131,806	8.2%	312,132	2	94,080	14	400,957	\$21.26
2017 3q	6,381	74,693,004	6,248,051	6,349,858	8.5%	(231,654)	1	1,558	12	376,485	\$20.51
2017 2q	6,380	74,658,187	5,942,954	6,083,387	8.1%	557,613	4	90,164	10	328,133	\$20.62
2017 1q	6,375	74,538,023	6,398,830	6,520,836	8.7%	433,680	2	7,632	12	359,366	\$20.48
2016	6,373	74,530,391	6,869,063	6,946,884	9.3%	828,410	12	273,044	13	321,794	\$20.64
2015	6,367	74,277,839	7,421,686	7,522,742	10.1%	887,217	13	258,946	10	283,587	\$20.21
2014	6,356	74,103,960	8,158,178	8,236,080	11.1%	912,075	8	311,317	5	137,889	\$19.48
2013	6,353	73,868,916	8,865,640	8,913,111	12.1%	1,193,731	9	81,649	8	311,317	\$18.95
2012	6,342	73,753,001	9,839,447	9,990,927	13.5%	1,058,548	6	192,350	13	215,480	\$18.46
2011	6,335	73,550,151	10,456,822	10,846,625	14.7%	890,340	11	121,866	7	194,450	\$19.38
2010	6,323	73,275,488	11,127,754	11,462,302	15.6%	774,522	15	308,933	9	349,242	\$21.01
2009	6,303	72,908,331	11,421,634	11,869,667	16.3%	1,062,116	58	1,868,559	19	333,738	\$21.72
2008	6,239	70,847,664	10,219,653	10,871,116	15.3%	153,881	185	3,638,498	60	2,013,485	\$23.90
2007	6,027	66,639,869	6,473,546	6,817,202	10.2%	2,167,870	194	3,573,375	191	4,320,373	\$25.16

Source: CoStar Property®

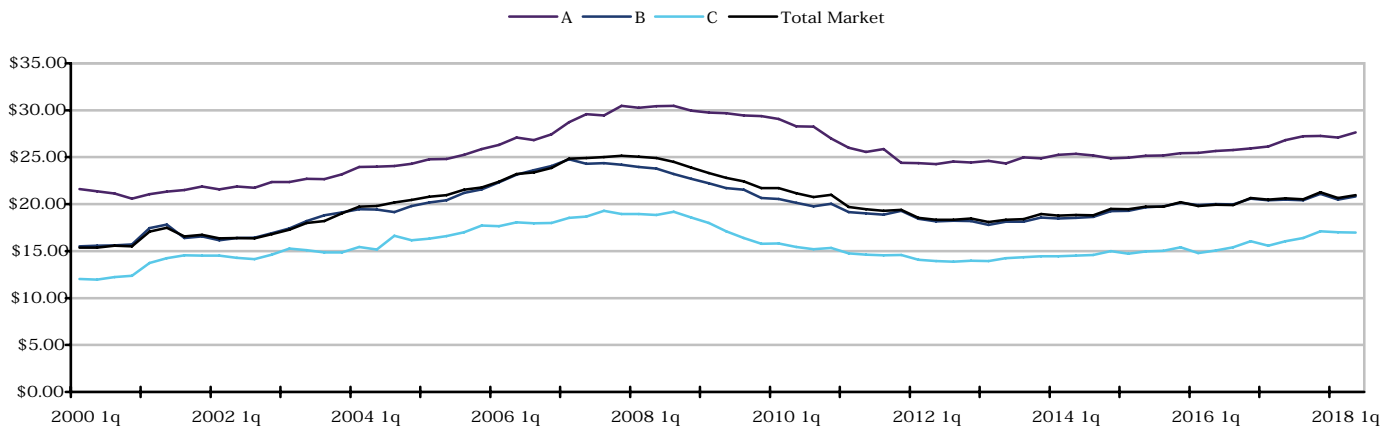
# Inland Empire Office Market



Leasing Activity

## Historical Rental Rates

Based on Full-Service Equivalent Rental Rates



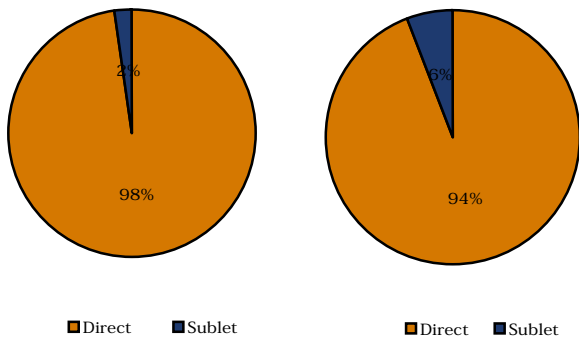
Source: CoStar Property®

## Vacancy by Available Space Type

Percent of All Vacant Space in Direct vs. Sublet

Inland Empire (California)

United States



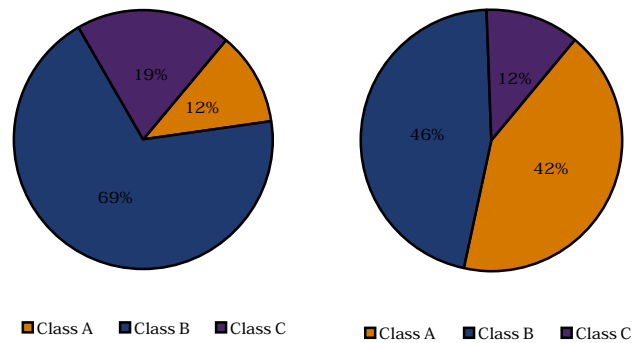
Source: CoStar Property®

## Vacancy by Class

Percent of All Vacant Space by Class

Inland Empire (California)

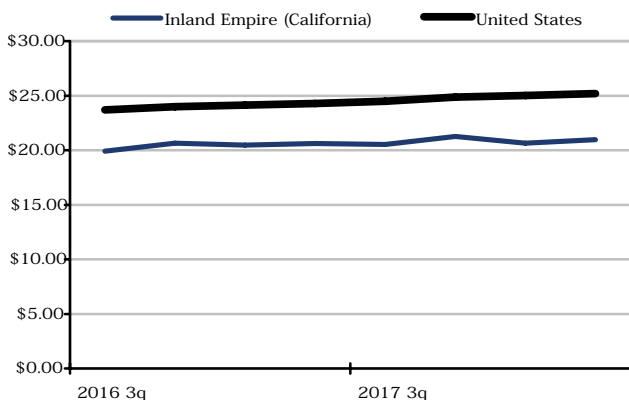
United States



Source: CoStar Property®

## U.S. Rental Rate Comparison

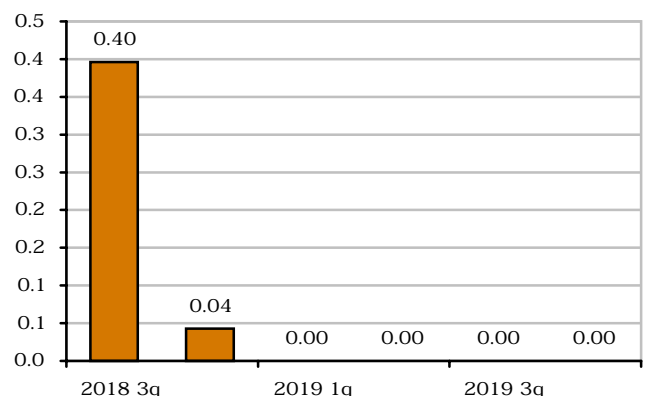
Based on Full-Service Equivalent Rental Rates



Source: CoStar Property®

## Future Space Available

Space Scheduled to be Available for Occupancy\*



\* Includes Under Construction Spaces

Source: CoStar Property®



# Inland Empire Office Market

Leasing Activity

## Select Top Office Leases Based on Leased Square Footage For Deals Signed in 2018

Building	Submarket	SF	Qtr	Tenant Name	Tenant Rep Company	Landlord Rep Company	
1	RUHS Medical Center Campus	Riverside	200,000	2nd	Riverside U Medical Center	N/A	N/A
2	Brier Corporate Centre	East San Bernardino	26,929	2nd	N/A	N/A	CBRE
3	3100 Chicago Ave	Riverside	24,000	1st	N/A	Lee & Associates	Lee & Associates
4	Transpark Office Center	Airport Area	18,743	2nd	N/A	N/A	The Abbey Company
5	36963 Cook St	Coachella Valley	17,401	1st	Desert Oasis Healthcare	N/A	Wilson Meade Commercial RE
6	Transpark Office Center	Airport Area	15,463	2nd	N/A	N/A	The Abbey Company
7	Monterey 10 Business Park	Coachella Valley	14,560	1st	Clear Gold, Inc.	Delmar Commercial R.E. Services	Delmar Commercial R.E. Services
8	Jurupa Business Center Phase II Bldg 3	Airport Area	14,233	2nd	N/A	N/A	Lee & Associates
9	3270 Inland Empire Blvd	Airport Area	11,809	2nd	Acrisure Insurance	Lee & Associates	MGR Real Estate, Inc.
10	1449 W Redlands Blvd	East San Bernardino	10,835	2nd	N/A	N/A	Net Properties
11	Corona Corporate Center III	Corona	9,611	1st	N/A	N/A	CBRE
12	525 Technology Ct	Riverside	9,000	2nd	N/A	N/A	CBRE
13	525 Technology Ct	Riverside	8,985	2nd	N/A	N/A	CBRE
14	19314 Jesse Ln	Riverside	8,672	2nd	N/A	N/A	Lee & Associates
15	Redlands Spectrum - Bldg 6	East San Bernardino	8,536	1st	N/A	N/A	CBRE
16	Hospitality Executive Center	East San Bernardino	7,913	2nd	N/A	N/A	Sunny Hills Management Co.
17	4354 Latham St	Riverside	7,140	2nd	N/A	N/A	IPA Commercial Real Estate, Inc.
18	Exchange Place	East San Bernardino	7,084	1st	N/A	N/A	Lee & Associates
19	Willow View Office Building (2)	Coachella Valley	7,055	2nd	N/A	N/A	Lee & Associates
20	1605 Spruce St	Riverside	7,000	1st	N/A	N/A	Lee & Associates
21	1770 Iowa Ave	Riverside	6,969	2nd	N/A	N/A	CBRE
22	1260 Corona Pointe Ct	Corona	6,778	1st	Energy Inspectors	N/A	Rexco Development
23	34100 Gateway Dr	Coachella Valley	6,622	2nd	N/A	N/A	JLL
24	Three Carnegie Plaza	East San Bernardino	6,612	1st	Quadramed Affinity Corp.	JLL	CBRE
25	Havengate Business Center	Airport Area	6,564	1st	Mental Health Systems, Inc.	Delmar Commercial R.E. Services	Delmar Commercial R.E. Services
26	3550 Vine St	Riverside	6,509	1st	N/A	N/A	Lee & Associates
27	10350 Commerce Center Dr	Airport Area	6,024	1st	Ferreira Construction	JLL	MGR Real Estate, Inc.
28	Riverbrock Medical Plaza	Riverside	6,022	1st	N/A	N/A	CBRE
29	73993 Highway 111	Coachella Valley	6,000	2nd	N/A	N/A	Wilson Meade Commercial RE
30	29776 Haun Rd	South Riverside	6,000	2nd	N/A	N/A	Amber Management, Inc.
31	802 N E St	East San Bernardino	5,800	1st	N/A	N/A	Highmark Realty
32	25190 Hancock Ave	South Riverside	5,800	2nd	Westcoast	N/A	Lee & Associates
33	44045 Margarita Rd	South Riverside	5,717	2nd	N/A	N/A	Lee & Associates
34	36310 Inland Valley Dr	South Riverside	5,510	1st	N/A	Cushman & Wakefield	Lee & Associates
35	111 N Main St - Bldg A	East San Bernardino	5,467	2nd	N/A	Hamilton Pacific Real Estate	Lee & Associates
36	Centennial Plaza	East San Bernardino	5,428	2nd	N/A	N/A	Sunny Hills Management Co.
37	Empire Towers I	Airport Area	5,405	2nd	N/A	Lee & Associates	MGR Real Estate, Inc.
38	Bear Valley Business Park - Bldg E	North San Bernardino	5,124	2nd	Keller Williams Realty	N/A	Lee & Associates
39	The Truax Building	South Riverside	4,719	1st	Axene Health Partners	N/A	The Truax Group, Inc.
40	Waterman Medical Plaza	East San Bernardino	4,682	2nd	Vascular Associates	THE TENANT GROUP	Carter Commercial Group, Inc.

Source: CoStar Property®

\* Renewal

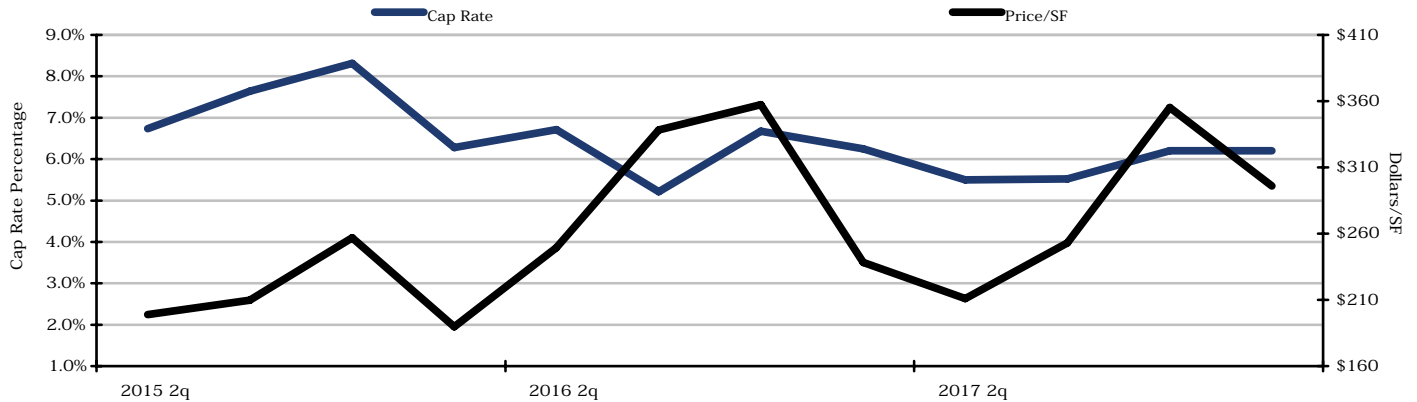
# Inland Empire Office Market



Sales Activity

## The Optimist Sales Index

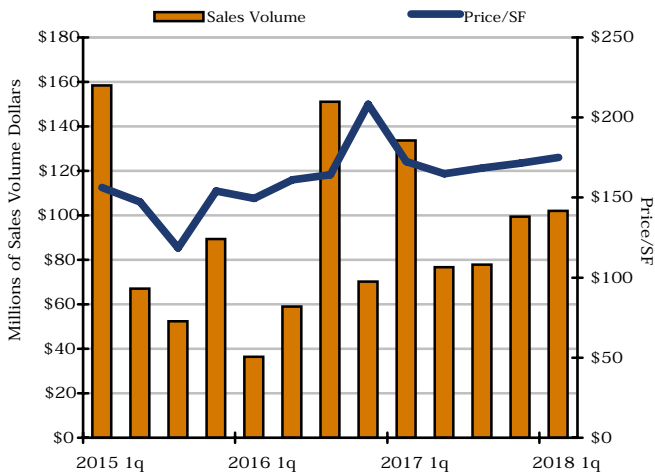
Average of Two Highest Price/SF's and Two Lowest Cap Rates Per Quarter



Source: CoStar COMPS®

## Sales Volume & Price

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## Sales Analysis by Building Size

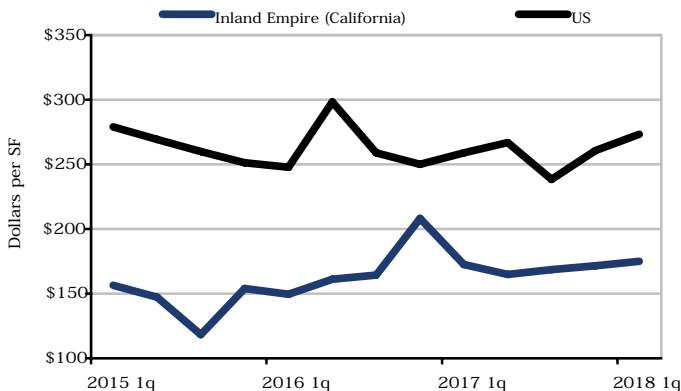
Based on Office Building Sales From April 2017 - March 2018

Bldg Size	#	RBA	\$ Volume	Price/SF	Cap Rate
< 50,000 SF	109	1,466,452	\$259,196,762	\$ 176.75	6.85%
50K-249K SF	9	885,870	\$157,657,500	\$ 177.97	6.73%
250K-499K SF	1	341,315	\$56,500,000	\$ 165.54	-
>500K SF	-	-	-	\$ -	-

Source: CoStar COMPS®

## U.S. Price/SF Comparison

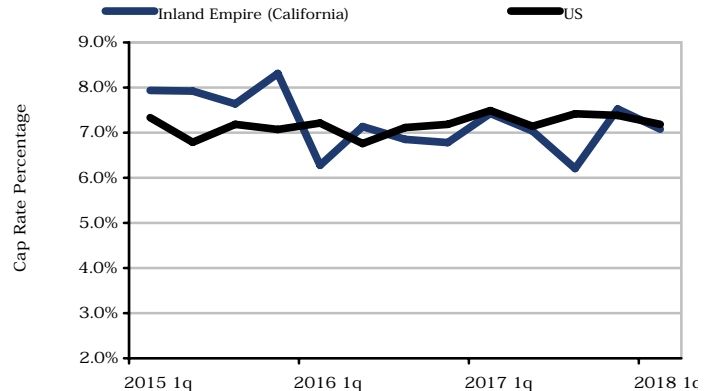
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## U.S. Cap Rate Comparison

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## Select Top Sales

Based on Sales from April 2017 Through June 2018

### 1. Abbott Vascular Campus



**Temecula**

Price: **\$56,500,000**  
 Price/SF: **\$165.54**  
 Cap Rate: **N/A**  
 RBA: **341,315**  
 Date: **3/20/2018**  
 Year Built: **2008**  
 Buyer: **Mt. San Jacinto Community College**  
 Seller: **Abbott Laboratories**

### 2. Towers at Riverwalk



**Riverside**

Price: **\$38,225,000**  
 Price/SF: **\$197.30**  
 Cap Rate: **7.6%**  
 RBA: **193,738**  
 Date: **5/12/2017**  
 Year Built: **2008**  
 Buyer: **CrossHarbor Capital Partners LLC**  
 Seller: **Davenport Partners, Inc.**

### 3. One Lakeshore Centre



**Ontario**

Price: **\$36,850,000**  
 Price/SF: **\$208.41**  
 Cap Rate: **7.25%**  
 RBA: **176,813**  
 Date: **11/17/2017**  
 Year Built: **1990**  
 Buyer: **MGR Real Estate, Inc.**  
 Seller: **RREEF Management LLC**

### 4. 4204 Riverwalk Pky



**Riverside**

Price: **\$25,388,500**  
 Price/SF: **\$261.97**  
 Cap Rate: **N/A**  
 RBA: **96,914**  
 Date: **5/15/2018**  
 Year Built: **2008**  
 Buyer: **SchoolsFirst Federal Credit Union**  
 Seller: **Greenlaw Partners**

### 5. Corona Professional Park



**Corona**

Price: **\$18,500,000**  
 Price/SF: **\$255.29**  
 Cap Rate: **6.13%**  
 RBA: **72,467**  
 Date: **8/16/2017**  
 Year Built: **1986**  
 Buyer: **Guochang International, Inc.**  
 Seller: **Zion Enterprises, Inc.**

### 6. Empire Corporate Center



**Ontario**

Price: **\$16,500,000**  
 Price/SF: **\$206.08**  
 Cap Rate: **N/A**  
 RBA: **80,066**  
 Date: **9/29/2017**  
 Year Built: **1985**  
 Buyer: **MGR Real Estate, Inc.**  
 Seller: **TA Realty**

### 7. 72780 Country Club Dr



**Rancho Mirage**

Price: **\$16,285,000**  
 Price/SF: **\$406.85**  
 Cap Rate: **N/A**  
 RBA: **40,027**  
 Date: **12/29/2017**  
 Year Built: **2008**  
 Buyer: **Hammes Company**  
 Seller: **William M Kelly Trust**

### 8. City Center



**Rancho Cucamonga**

Price: **\$15,150,000**  
 Price/SF: **\$197.57**  
 Cap Rate: **5.75%**  
 RBA: **76,680**  
 Date: **3/21/2018**  
 Year Built: **1987**  
 Buyer: **Aphessetche Family Trust**  
 Seller: **Black Sky Capital LLC**

### 9. 655 W 2nd St



**San Bernardino**

Price: **\$14,500,000**  
 Price/SF: **\$167.42**  
 Cap Rate: **6.92%**  
 RBA: **86,606**  
 Date: **4/5/2017**  
 Year Built: **1982**  
 Buyer: **AEP Charter Fortune LLC**  
 Seller: **CA Community Collaborative, Inc.**

# Inland Empire Office Market

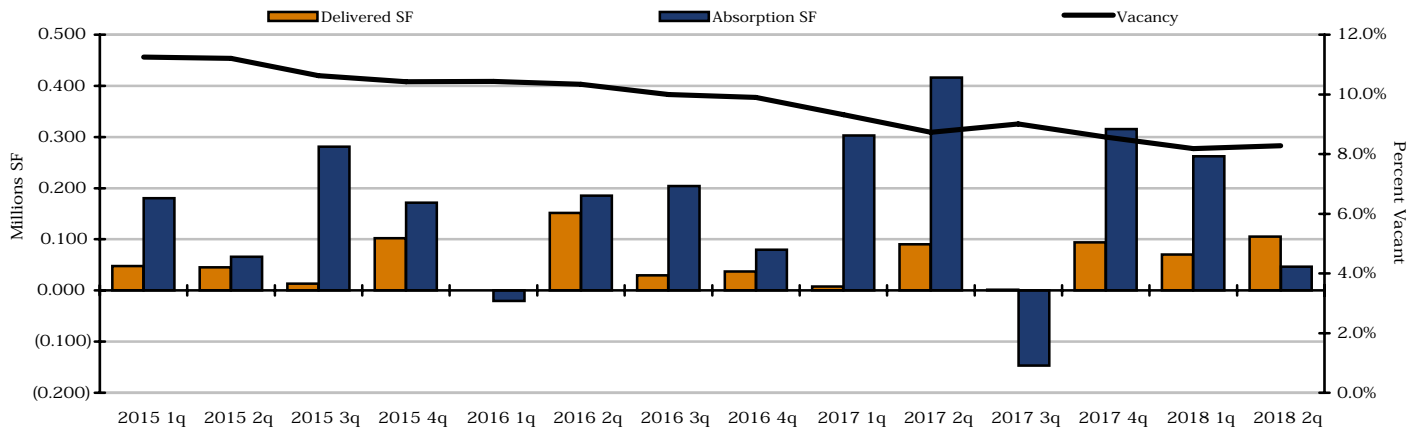


## Inland Empire East Market

Market Highlights – Class “A, B & C”

### Deliveries, Absorption & Vacancy

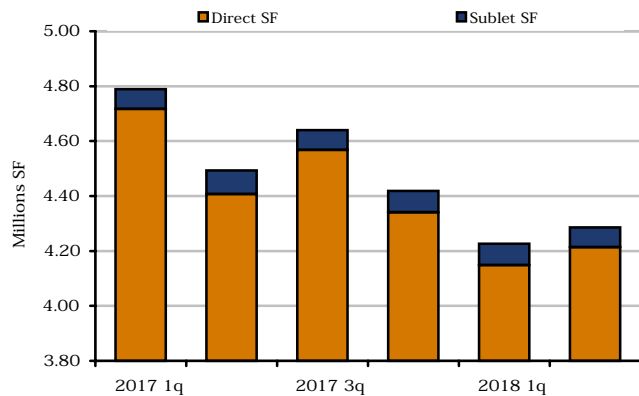
### Historical Analysis, All Classes



Source: CoStar Property®

### Vacant Space

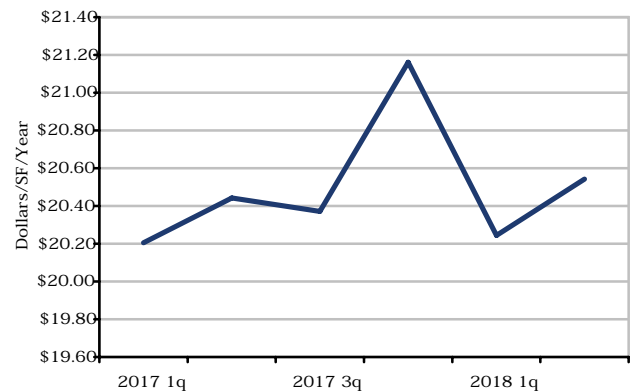
### Historical Analysis, All Classes



Source: CoStar Property®

### Quoted Rental Rates

### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2018 2q	4,320	51,760,890	4,285,664	8.3%	46,173	5	105,391	8	363,050	\$20.54
2018 1q	4,315	51,655,499	4,226,446	8.2%	262,265	2	70,204	11	243,122	\$20.24
2017 4q	4,313	51,585,295	4,418,507	8.6%	315,317	2	94,080	10	249,826	\$21.16
2017 3q	4,311	51,491,215	4,639,744	9.0%	(146,865)	1	1,558	9	304,554	\$20.37
2017 2q	4,311	51,491,258	4,492,922	8.7%	415,932	4	90,164	7	252,842	\$20.44
2017 1q	4,306	51,371,094	4,788,690	9.3%	303,113	2	7,632	10	286,006	\$20.21
2016 4q	4,304	51,363,462	5,084,171	9.9%	79,593	2	37,259	11	248,434	\$20.61
2016 3q	4,303	51,327,185	5,127,487	10.0%	204,288	1	29,819	12	284,135	\$19.74
2016 2q	4,303	51,299,012	5,303,602	10.3%	185,497	2	151,416	9	171,790	\$19.68
2016 1q	4,301	51,147,596	5,337,683	10.4%	(20,505)	0	0	7	260,526	\$19.55
2015 4q	4,304	51,162,617	5,332,199	10.4%	171,855	4	102,338	5	218,494	\$20.14
2015 3q	4,300	51,088,297	5,429,734	10.6%	281,316	2	13,539	9	331,398	\$19.73
2015 2q	4,299	51,101,728	5,724,481	11.2%	65,681	1	45,000	9	312,696	\$19.55
2015 1q	4,298	51,056,728	5,745,162	11.3%	180,230	2	48,029	6	108,377	\$19.27
2014 4q	4,297	51,038,778	5,907,442	11.6%	49,850	0	0	4	103,029	\$19.38
2014 3q	4,298	51,045,896	5,964,410	11.7%	120,549	1	14,184	3	93,029	\$18.76

Source: CoStar Property®



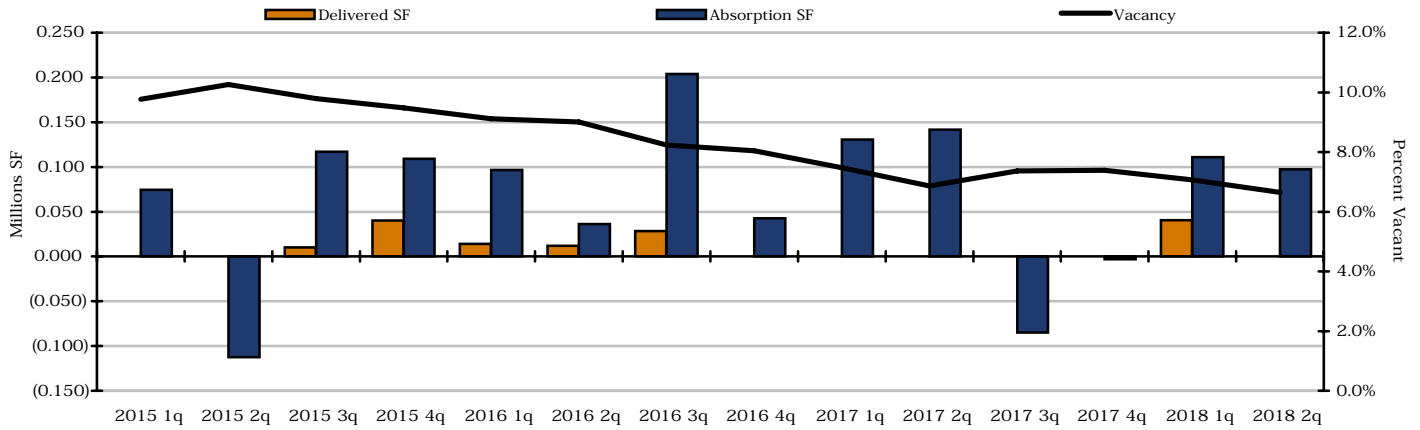
# Inland Empire Office Market

Inland Empire West Market

Market Highlights – Class “A, B & C”

## Deliveries, Absorption & Vacancy

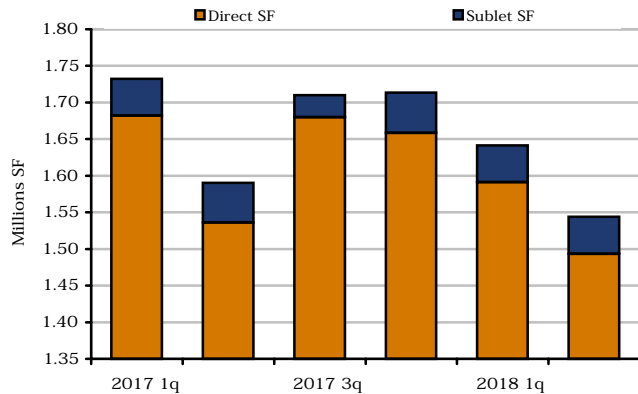
### Historical Analysis, All Classes



Source: CoStar Property®

## Vacant Space

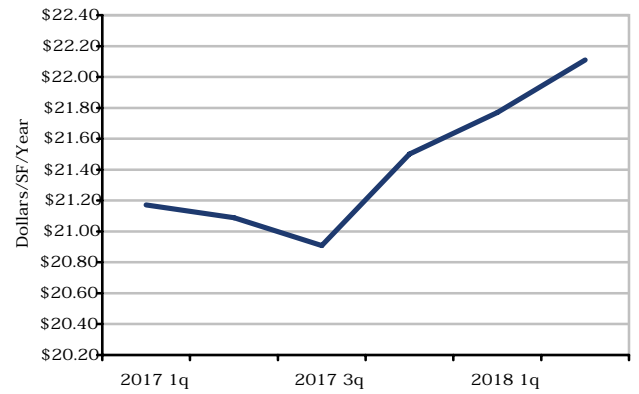
### Historical Analysis, All Classes



Source: CoStar Property®

## Quoted Rental Rates

### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2018 2q	2,071	23,240,920	1,544,096	6.6%	97,504	0	0	4	226,700	\$22.11
2018 1q	2,071	23,240,920	1,641,600	7.1%	110,830	2	40,431	4	226,700	\$21.77
2017 4q	2,070	23,201,789	1,713,299	7.4%	(3,185)	0	0	4	151,131	\$21.50
2017 3q	2,070	23,201,789	1,710,114	7.4%	(84,789)	0	0	3	71,931	\$20.91
2017 2q	2,069	23,166,929	1,590,465	6.9%	141,681	0	0	3	75,291	\$21.09
2017 1q	2,069	23,166,929	1,732,146	7.5%	130,567	0	0	2	73,360	\$21.17
2016 4q	2,069	23,166,929	1,862,713	8.0%	42,749	0	0	2	73,360	\$20.70
2016 3q	2,070	23,169,772	1,908,305	8.2%	203,715	4	28,517	1	34,860	\$20.28
2016 2q	2,066	23,141,255	2,083,503	9.0%	36,282	1	12,000	5	63,377	\$20.56
2016 1q	2,065	23,129,255	2,107,785	9.1%	96,791	2	14,033	6	75,377	\$20.40
2015 4q	2,063	23,115,222	2,190,543	9.5%	109,304	2	40,040	5	65,093	\$20.39
2015 3q	2,061	23,075,182	2,259,807	9.8%	116,999	2	10,000	5	89,153	\$19.69
2015 2q	2,059	23,065,182	2,366,806	10.3%	(112,521)	0	0	6	87,153	\$20.14
2015 1q	2,059	23,065,182	2,254,285	9.8%	74,353	0	0	5	84,900	\$19.89
2014 4q	2,059	23,065,182	2,328,638	10.1%	168,114	0	0	1	34,860	\$19.71
2014 3q	2,060	23,066,975	2,498,545	10.8%	112,044	1	58,000	1	34,860	\$18.96

Source: CoStar Property®