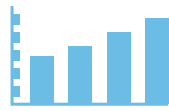


MARKET INDICATORS Q3 2018



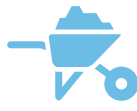
VACANCY RATE

11.0% ▼



NET ABSORPTION

203K^{SF} ▲



CONSTRUCTION

57K^{SF} ▲



RENTAL RATE FSG

\$1.80^{PSF} ▲



UNEMPLOYMENT

4.6% ▼

MARKET OVERVIEW

In the third quarter of 2018, the total vacancy rate for the Inland Empire office market decreased 120 basis points from 12.2% last quarter to 11.0%. The decrease in vacancy stems from the Riverside (down 180 basis points) and San Bernardino (down 160 basis points) submarkets. The third quarter closed with positive movement with absorption recording 203,000 square feet. Leasing activity recorded 298,400 square feet, which is above the three-year average.

The weighted average asking rental rate increased during third quarter to \$1.80 per square foot (PSF) full service gross (FSG). As a historical perspective, one year ago the asking rental rate recorded at \$1.76 PSF FSG.

Seven of eight submarkets witnessed positive net absorption, with Riverside recording the highest at 86,200 square feet and the Rancho Cucamonga submarket recording the lowest at negative 20,100 square feet. Among building classes, Class A office led net absorption at 96,900 square feet for the quarter, while Class C had the lowest quarterly absorption at 33,600 square feet.

UNEMPLOYMENT

The unemployment rate for the Inland Empire was 4.6% as of July 2018, adding 48,300 nonfarm jobs to the region over the past year.

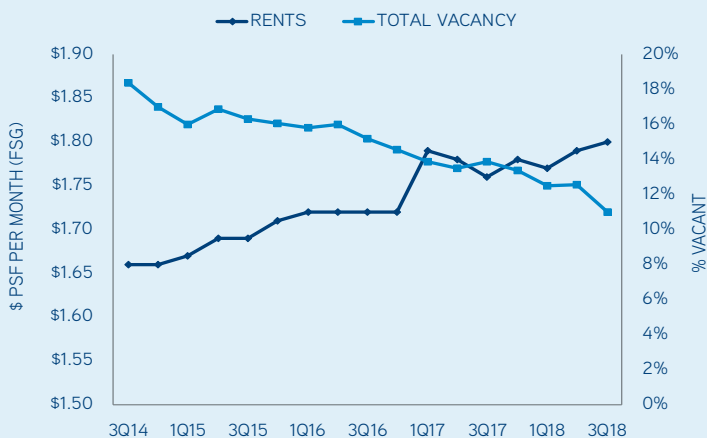
Trade, transportation and utilities registered the largest year-over-year gain, adding 13,600 jobs over the past year. Information and manufacturing recorded a loss of 400 jobs.

MARKET DESCRIPTION

The Inland Empire office market comprises 20.4 million square feet, representing 7% of the total inventory of office buildings 25,000 square feet and greater in the Los Angeles basin. Office tenants located in the Inland Empire are predominantly firms in 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.

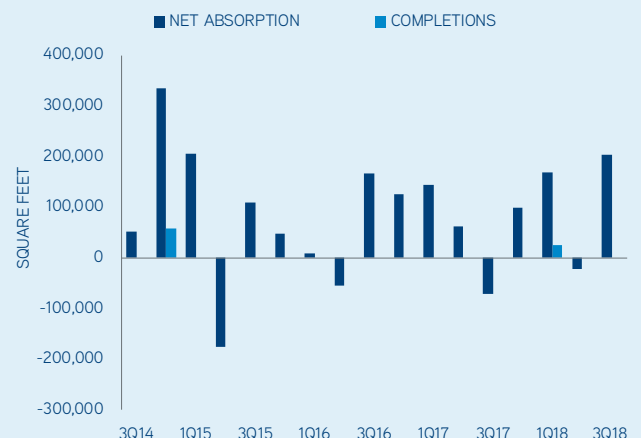
HISTORICAL VACANCY VS RENTS

INLAND EMPIRE OFFICE MARKET Q3 '14 - Q2 '18



HISTORICAL NET ABSORPTION & CONSTRUCTION COMPLETIONS

INLAND EMPIRE OFFICE MARKET • Q3 '14 - Q2 '18



OFFICE OVERVIEW

INLAND EMPIRE OFFICE MARKET • Q3 2018

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	5,000,600	7.4%	0.9%	8.3%	10.2%	27,700	100,100	96,900	150,400	0	0	\$2.31
B	302	13,399,300	11.7%	0.3%	12.0%	12.5%	241,700	655,300	72,600	134,300	0	57,300	\$1.76
C	67	2,040,200	11.4%	0.1%	11.5%	13.1%	29,000	88,300	33,600	65,800	0	0	\$2.31
CHINO/CHINO HILLS													
SUBTOTAL	8	291,300	4.3%	0.0%	4.3%	10.3%	6,400	11,800	17,400	32,700	0	0	\$2.47
COACHELLA VALLEY													
SUBTOTAL	36	995,300	11.1%	0.1%	11.3%	11.9%	13,200	38,700	6,500	36,300	0	0	\$1.70
CORONA													
SUBTOTAL	31	1,691,600	4.6%	0.1%	4.7%	5.1%	32,200	118,100	6,200	59,300	0	0	\$1.75
MURRIETA/TEMECULA													
SUBTOTAL	35	1,376,500	8.8%	0.4%	9.1%	10.7%	23,500	77,100	22,000	24,500	0	0	\$1.68
ONTARIO													
SUBTOTAL	65	3,708,400	9.7%	1.0%	10.7%	10.9%	68,200	178,300	9,700	57,200	0	0	\$2.01
RANCHO CUCAMONGA													
SUBTOTAL	55	2,880,200	8.8%	0.1%	8.9%	8.2%	76,500	115,200	(20,100)	36,500	0	0	\$1.94
RIVERSIDE													
SUBTOTAL	100	4,680,900	9.9%	0.5%	10.4%	12.2%	38,100	150,000	86,200	106,300	0	57,300	\$1.86
SAN BERNARDINO													
SUBTOTAL	94	4,815,900	16.0%	0.2%	16.2%	17.8%	40,300	154,500	75,100	(2,400)	0	0	\$1.61
MARKET TOTAL													
TOTAL	424	20,440,100	10.6%	0.4%	11.0%	12.2%	298,400	843,700	203,000	350,400	0	57,300	\$1.80

Note: Revisions to the inventory base were made effective Q3 2018, historical data reported here reflect these revisions and may not match data reported in previous quarters.



RECENT TRANSACTIONS & MAJOR DEVELOPMENTS

INLAND EMPIRE OFFICE MARKET • Q3 2018

SALES ACTIVITY					
PROPERTY ADDRESS	SIZE SF	SALE PRICE	PRICE PSF	BUYER	SELLER
2280 Wardlow Cir, Corona	62,070 SF	\$10.3 Million	\$166 PSF	The Koll Company	UBS Realty Investors LLC
10459 Mountain View Ave., Loma Linda	39,000 SF	\$5.6 Million	\$143 PSF	JF Davidson Investments LLC	Range Capital Partners
15400 Civic Dr, Victorville	33,500 SF	\$5.2 Million	\$153 PSF	Yi Feng Investment LLC	Civic Center Properties
LEASING ACTIVITY					
PROPERTY ADDRESS	LEASED SF	LEASE TYPE	BLDG CLASS	LESSEE	LESSOR
901 Via Piemonte, Ontario	24,600 SF	Direct	A	Merrill Lynch	PRII Piemonte Ontario CA LLC
3270 Inland Empire Blvd, Ontario	11,800 SF	Direct	B	Acrisure Insurance	Haixiao Lin
650 E Hospitality Ln, San Bernardino	9,500 SF	Direct	A	Health Net of California	Tri-City South Owner LLC
401 Highland Ave, San Bernardino	7,800 SF	Renewal	A	Vantage Oncology	NHP East Highland LLC
MAJOR DEVELOPMENTS					
PROJECT	DEVELOPER	SIZE SF	SUBMARKET	STATUS	ESTIMATED COMPLETION
3512 14th St, Riverside		57,317	Riverside	Under Construction	Q1 2019

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