

# CoStar Office Statistics

Year-End 2016

## Inland Empire Office Market



**CoStar**<sup>TM</sup>  
The knowledge market

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## Methodology

The CoStar Office Statistics, 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 95.6 billion square feet of coverage in 4.4 million properties. All rental rates reported in CoStar Office Statistics 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 certi-

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 Decreases to 9.5% Net Absorption Positive 99,865 SF in the Quarter

The Inland Empire Office market ended the fourth quarter 2016 with a vacancy rate of 9.5%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 99,865 square feet in the fourth quarter. Vacant sublease space increased in the quarter, ending the quarter at 101,804 square feet. Rental rates ended the fourth quarter at \$20.67, an increase over the previous quarter. A total of two buildings delivered to the market in the quarter totaling 35,638 square feet, with 434,924 square feet still under construction at the end of the quarter.

### Absorption

Net absorption for the overall Inland Empire office market was positive 99,865 square feet in the fourth quarter 2016. That compares to positive 353,948 square feet in the third quarter 2016, positive 181,637 square feet in the second quarter 2016, and positive 14,732 square feet in the first quarter 2016.

Tenants moving out of large blocks of space in 2016 include: CALTROP moving out of 47,720 square feet at 9337 Milliken Ave; Westwood College moving out of 37,247 square feet at 20 W 7th St; and Visterra Credit Union moving out of 23,394 square feet at 23520 Cactus Ave.

Tenants moving into large blocks of space in 2016 include: Loma Linda University Health moving into 150,000 square feet at 250 S G St; State Farm Insurance moving into 29,644 square feet at Empire Lakes Corporate Center; and PrimeCare of Inland Valley moving into 25,000 square feet at Empire Towers V.

The Class-A office market recorded net absorption of positive 46,206 square feet in the fourth quarter 2016, compared

to positive 72,983 square feet in the third quarter 2016, negative (6,563) in the second quarter 2016, and positive 11,246 in the first quarter 2016.

The Class-B office market recorded net absorption of positive 45,251 square feet in the fourth quarter 2016, compared to positive 216,703 square feet in the third quarter 2016, positive 82,265 in the second quarter 2016, and negative (41,617) in the first quarter 2016.

The Class-C office market recorded net absorption of positive 8,408 square feet in the fourth quarter 2016 compared to positive 64,262 square feet in the third quarter 2016, positive 105,935 in the second quarter 2016, and positive 45,103 in the first quarter 2016.

### Vacancy

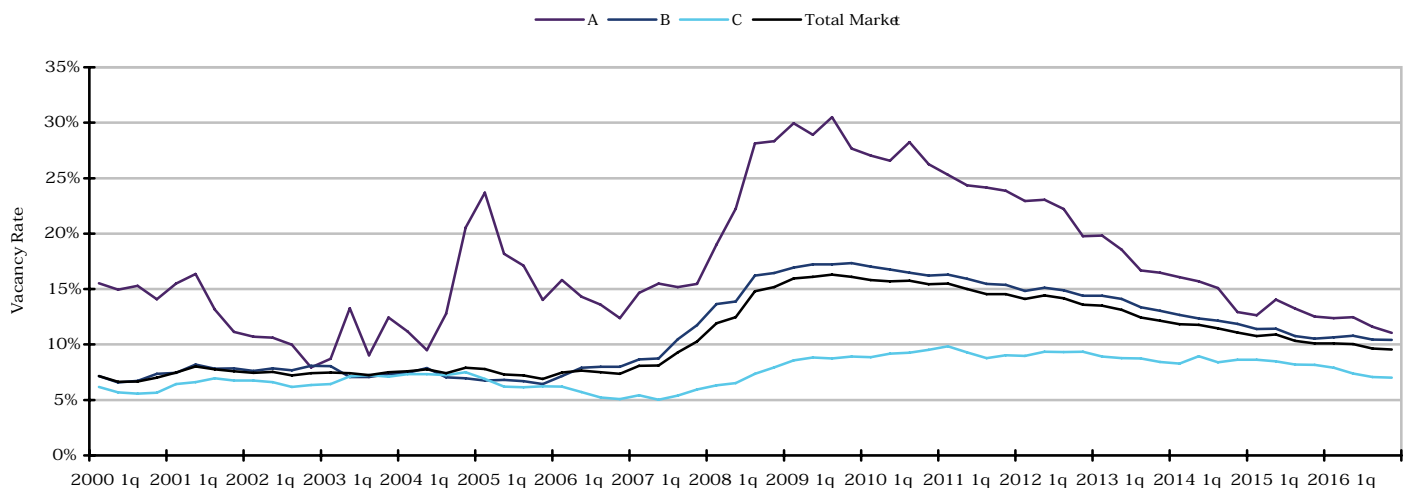
The office vacancy rate in the Inland Empire market area decreased to 9.5% at the end of the fourth quarter 2016. The vacancy rate was 9.6% at the end of the third quarter 2016, 10.1% at the end of the second quarter 2016, and 10.1% at the end of the first quarter 2016.

Class-A projects reported a vacancy rate of 11.1% at the end of the fourth quarter 2016, 11.6% at the end of the third quarter 2016, 12.5% at the end of the second quarter 2016, and 12.4% at the end of the first quarter 2016.

Class-B projects reported a vacancy rate of 10.4% at the end of the fourth quarter 2016, 10.4% at the end of the third quarter 2016, 10.8% at the end of the second quarter 2016, and 10.6% at the end of the first quarter 2016.

Class-C projects reported a vacancy rate of 7.0% at the end of the fourth quarter 2016, 7.1% at the end of third quarter

## Vacancy Rates by Class 2000-2016



Source: CoStar Property®



2016, 7.4% at the end of the second quarter 2016, and 7.9% at the end of the first quarter 2016.

## Largest Lease Signings

The largest lease signings occurring in 2016 included: the 38,000-square-foot lease signed by County of Riverside at Pierson Plaza in the Inland Empire East market; the 25,728-square-foot deal signed by San Bernardino County Children’s at 9630 7th St in the Inland Empire West market; and the 25,000-square-foot lease signed by Radnet Management at 31775 De Portola Rd in the Inland Empire East market.

## Sublease Vacancy

The amount of vacant sublease space in the Inland Empire market increased to 101,804 square feet by the end of the fourth quarter 2016, from 99,988 square feet at the end of the third quarter 2016. There was 104,832 square feet vacant at the end of the second quarter 2016 and 107,784 square feet at the end of the first quarter 2016.

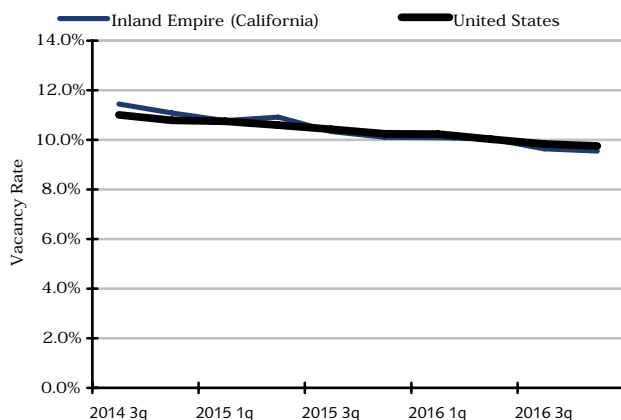
Inland Empire’s Class-A projects reported vacant sublease space of 9,947 square feet at the end of fourth quarter 2016, from the 9,947 square feet reported at the end of the third quarter 2016. There were 29,263 square feet of sublease space vacant at the end of the second quarter 2016, and 36,103 square feet at the end of the first quarter 2016.

Class-B projects reported vacant sublease space of 75,662 square feet at the end of the fourth quarter 2016, up from the 73,846 square feet reported at the end of the third quarter 2016. At the end of the second quarter 2016 there were 57,897 square feet, and at the end of the first quarter 2016 there were 53,204 square feet vacant.

Class-C projects reported no vacant sublease space from the third quarter 2016 to the fourth quarter 2016. Sublease vacancy went from 16,195 square feet to 16,195 square feet during that time. There was 17,672 square feet at the end of the second quarter 2016, and 18,477 square feet at the end of the first quarter 2016.

## U.S. Vacancy Comparison

Past 10 Quarters



Source: CoStar Property®

## Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$20.67 per square foot per year at the end of the fourth quarter 2016 in the Inland Empire market area. This represented a 3.9% increase in quoted rental rates from the end of the third quarter 2016, when rents were reported at \$19.90 per square foot.

The average quoted rate within the Class-A sector was \$25.98 at the end of the fourth quarter 2016, while Class-B rates stood at \$20.73, and Class-C rates at \$15.96. At the end of the third quarter 2016, Class-A rates were \$25.81 per square foot, Class-B rates were \$20.04, and Class-C rates were \$15.42.

## Deliveries and Construction

During the fourth quarter 2016, two buildings totaling 35,638 square feet were completed in the Inland Empire market area. This compares to six buildings totaling 70,047 square feet that were completed in the third quarter 2016, three buildings totaling 163,416 square feet completed in the second quarter 2016, and 11,780 square feet in one building completed in the first quarter 2016.

There were 434,924 square feet of office space under construction at the end of the fourth quarter 2016.

Some of the notable 2016 deliveries include: Loma Linda University Health - San Bernardino, a 150,000-square-foot facility that delivered in second quarter 2016 and is now 100% occupied, and 44605 Avenida de Misiones, a 29,602-square-foot building that delivered in third quarter 2016 and is now 45% occupied.

The largest projects underway at the end of fourth quarter 2016 were Dos Lagos Regional Center, a 213,900-square-foot building with 100% of its space pre-leased, and Kaiser - 21877 Keller Rd, an 80,000-square-foot facility that is 100% pre-leased.

## Inventory

Total office inventory in the Inland Empire market area amounted to 73,285,184 square feet in 6,192 buildings as of the end of the fourth quarter 2016. The Class-A office sector consisted of 8,481,997 square feet in 97 projects. There were 3,045 Class-B buildings totaling 44,620,885 square feet, and the Class-C sector consisted of 20,182,302 square feet in 3,050 buildings.

## Sales Activity

Tallying office building sales of 15,000 square feet or larger, Inland Empire (California) office sales figures rose during the third quarter 2016 in terms of dollar volume compared to the second quarter of 2016.

In the third quarter, 20 office transactions closed with a total volume of \$162,122,009. The 20 buildings totaled 1,072,947 square feet and the average price per square foot equated to

# Inland Empire Office Market



Overview

\$151.10 per square foot. That compares to 11 transactions totaling \$56,755,000 in the second quarter 2016. The total square footage in the second quarter was 366,038 square feet for an average price per square foot of \$155.05.

Total office building sales activity in 2016 was down compared to 2015. In the first nine months of 2016, the market saw 38 office sales transactions with a total volume of \$255,252,009. The price per square foot averaged \$151.73. In the same first nine months of 2015, the market posted 44 transactions with a total volume of \$277,765,500. The price per square foot averaged \$146.42.

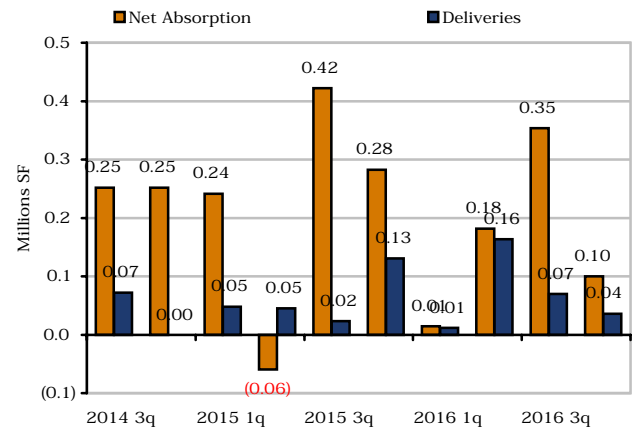
Cap rates have been lower in 2016, averaging 6.78% compared to the same period in 2015 when they averaged 7.92%.

One of the largest transactions that occurred within the last four quarters in the Inland Empire (California) market is the sale of 9500 Cleveland Ave in Rancho Cucamonga. This 241,292-square-foot office building sold for \$44,300,000, or \$183.59 per square foot. The property sold on 8/12/2016.

Reports compiled by: Paula Bonner, Emily Chiu, and Pharoeth Mendoza, CoStar Research Managers

## Absorption & Deliveries

Past 10 Quarters



Source: CoStar Property®





## 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 South Riverside
Inland Empire West	Airport Area North San Bernardino West San Bernardino

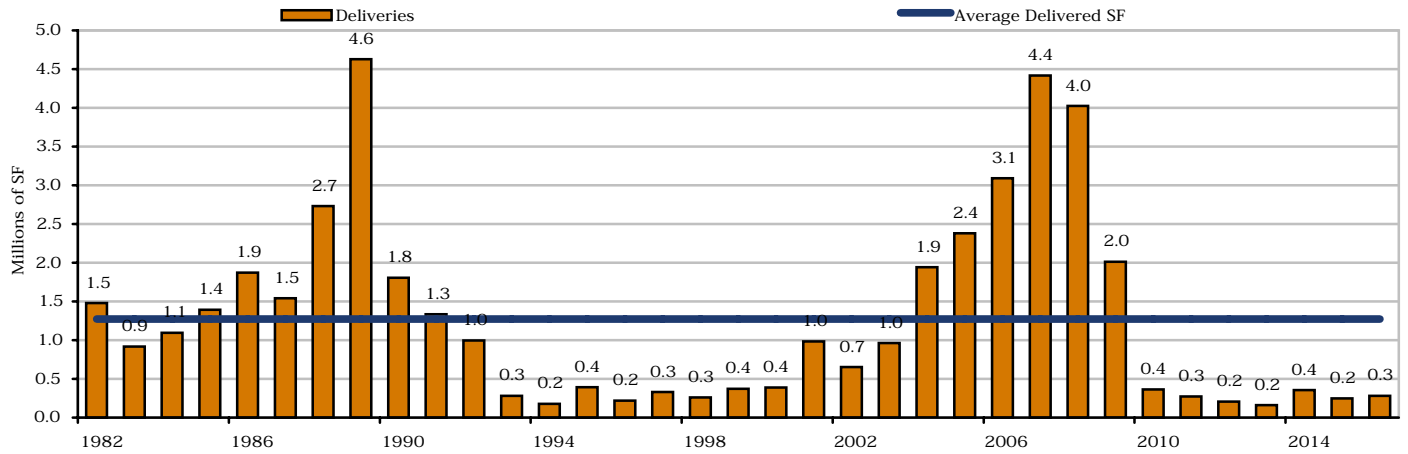
# Inland Empire Office Market



Inventory & development

## Historical Deliveries

1982 - 2016



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

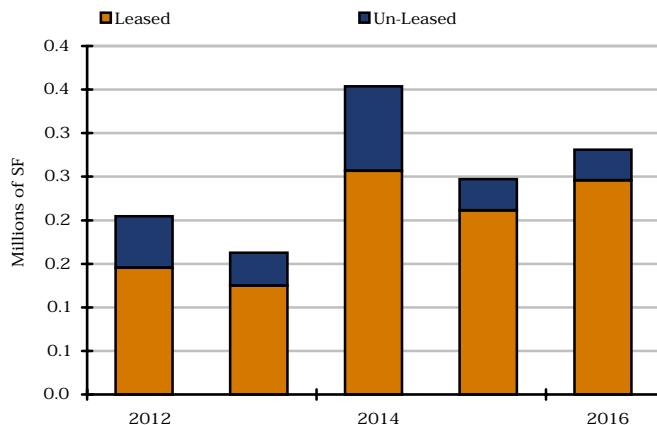
## CONSTRUCTION ACTIVITY Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Inland Empire East	8	434,924	408,903	94.0%	12,179	54,365
Inland Empire West	0	0	0	0.0%	11,152	0
<b>Totals</b>	<b>8</b>	<b>434,924</b>	<b>408,903</b>	<b>94.0%</b>	<b>11,835</b>	<b>54,365</b>

Source: CoStar Property®

## Recent Deliveries

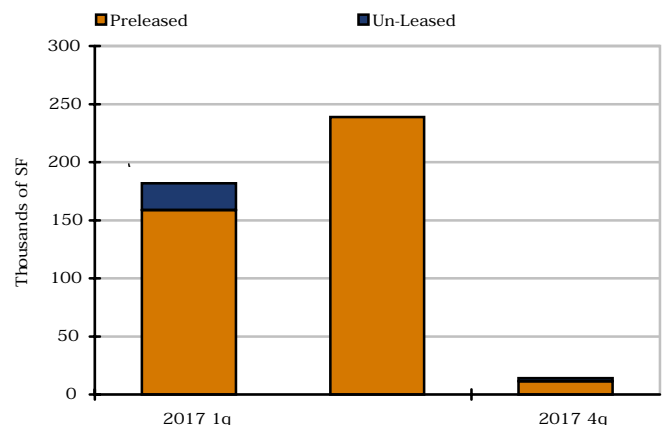
Leased & Un-Leased SF in Deliveries Since 2012



Source: CoStar Property®

## Future Deliveries

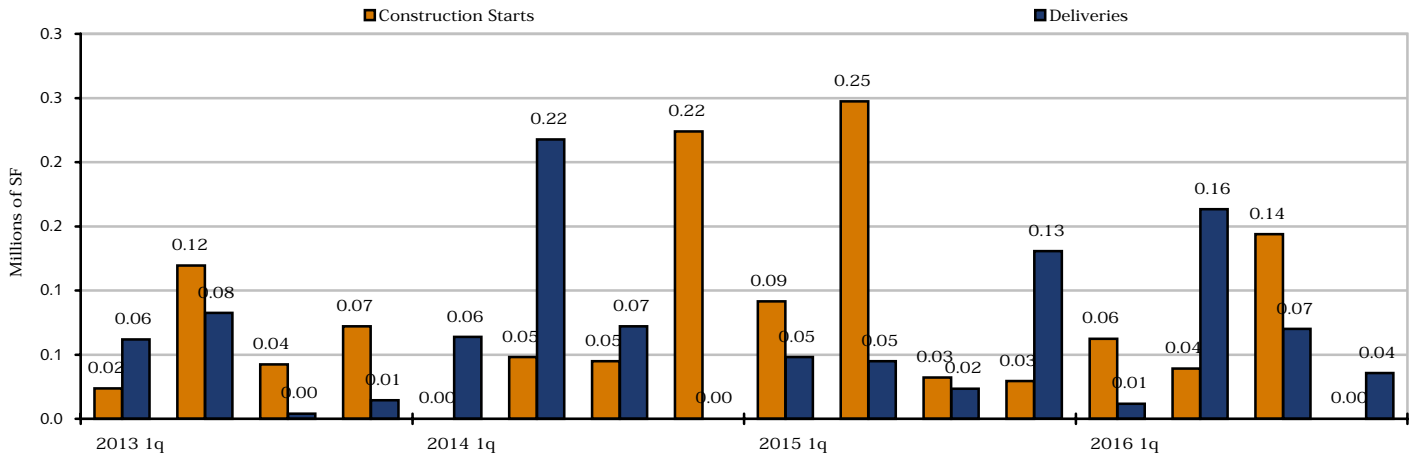
Preleased & Un-Leased SF in Properties Scheduled to Deliver



Source: CoStar Property®

## 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	11	130,881	95,860	73.2%	\$29.16	17,396	113,485
50,000 SF - 99,999 SF	0	0	0	0.0%	\$0.00	0	0
100,000 SF - 249,999 SF	1	150,000	150,000	100.0%	\$0.00	150,000	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

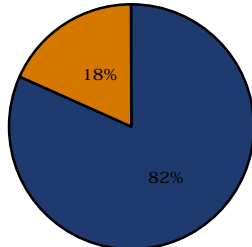
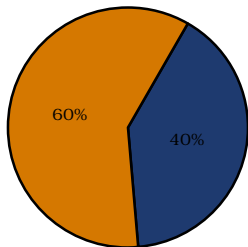
Source: CoStar Property®

## Recent Development by Tenancy

Based on RBA Developed for Single & Multi Tenant Use

2016 Deliveries

Currently Under Construction



■ Multi ■ Single

■ Multi ■ Single

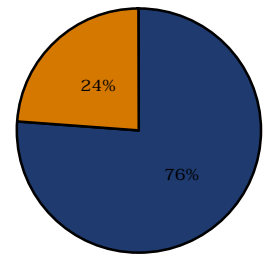
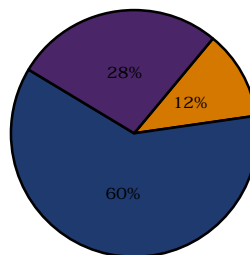
Source: CoStar Property®

## 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. Loma Linda University Health - San Bernardino</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>150,000</b>            # Floors: <b>3</b>            Class: <b>B</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Second Quarter 2015</b>            Deliv Date: <b>Second Quarter 2016</b>            Leasing Co: <b>Loma Linda University</b>            Developer: <b>Layton Construction Co, Inc.</b>            Architect: <b>Boulder Associates</b></p>	<p><b>2. 44605 Avenida de Misiones</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>29,602</b>            # Floors: <b>2</b>            Class: <b>B</b>            Occupied: <b>45%</b>            Quoted Rate: <b>\$33.91</b>            Grnd Brk Date: <b>Second Quarter 2015</b>            Deliv Date: <b>Third Quarter 2016</b>            Leasing Co: <b>Avison Young</b>            Developer: <b>Henry-Ann Company, Inc.</b>            Architect: <b>Henry-Ann Company, Inc.</b></p>	<p><b>3. 29775 Haun Rd</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>20,259</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 2015</b>            Deliv Date: <b>Fourth Quarter 2016</b>            Leasing Co: <b>Menifee Union School District</b>            Developer: <b>Neff Construction, Inc.</b>            Architect: <b>WLC Architects, Inc.</b></p>
<p><b>4. 1890 W Main St</b></p> <p>Submarket: <b>Inland Empire West</b>            RBA: <b>16,618</b>            # Floors: <b>1</b>            Class: <b>B</b>            Occupied: <b>81%</b>            Quoted Rate: <b>\$18.00</b>            Grnd Brk Date: <b>First Quarter 2016</b>            Deliv Date: <b>Third Quarter 2016</b>            Leasing Co: <b>R.E.M. Builders, Inc.</b>            Developer: <b>R.E.M. Builders, Inc.</b>            Architect: <b>N/A</b></p>	<p><b>5. 801 S Main St</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>15,379</b>            # Floors: <b>2</b>            Class: <b>B</b>            Occupied: <b>85%</b>            Quoted Rate: <b>\$40.11</b>            Grnd Brk Date: <b>Second Quarter 2015</b>            Deliv Date: <b>Fourth Quarter 2016</b>            Leasing Co: <b>DAUM Commercial Real Estate Service</b>            Developer: <b>Houman Family Trust</b>            Architect: <b>Shakil Patel &amp; Associate</b></p>	<p><b>6. Muni/Wika Professional Bldg</b></p> <p>Submarket: <b>Inland Empire West</b>            RBA: <b>12,000</b>            # Floors: <b>2</b>            Class: <b>B</b>            Occupied: <b>25%</b>            Quoted Rate: <b>\$28.11</b>            Grnd Brk Date: <b>Third Quarter 2015</b>            Deliv Date: <b>Second Quarter 2016</b>            Leasing Co: <b>Coldwell Banker Commercial Real Est</b>            Developer: <b>Conco Construction Partnership</b>            Architect: <b>Pontious Architects</b></p>
<p><b>7. 31573 Rancho Pueblo Rd</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>11,928</b>            # Floors: <b>2</b>            Class: <b>B</b>            Occupied: <b>39%</b>            Quoted Rate: <b>Negotiable</b>            Grnd Brk Date: <b>Fourth Quarter 2015</b>            Deliv Date: <b>Third Quarter 2016</b>            Leasing Co: <b>Equity Management</b>            Developer: <b>Henry-Ann Company, Inc.</b>            Architect: <b>Henry-Ann Company, Inc.</b></p>	<p><b>8. DaVita Dialysis - Amargosa Rd</b></p> <p>Submarket: <b>Inland Empire West</b>            RBA: <b>11,780</b>            # Floors: <b>1</b>            Class: <b>B</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Fourth Quarter 2015</b>            Deliv Date: <b>First Quarter 2016</b>            Leasing Co: <b>N/A</b>            Developer: <b>N/A</b>            Architect: <b>N/A</b></p>	<p><b>9. 12984 Hesperia Rd</b></p> <p>Submarket: <b>Inland Empire West</b>            RBA: <b>4,282</b>            # Floors: <b>1</b>            Class: <b>B</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>First Quarter 2016</b>            Deliv Date: <b>Third Quarter 2016</b>            Leasing Co: <b>Lesanemariam Banko</b>            Developer: <b>Conco Construction Partnership</b>            Architect: <b>Robert A Martinez Architect &amp; Assoc</b></p>
<p><b>10. 16169 Siskiyou Ct</b></p> <p>Submarket: <b>Inland Empire West</b>            RBA: <b>4,200</b>            # Floors: <b>1</b>            Class: <b>B</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Fourth Quarter 2015</b>            Deliv Date: <b>Third Quarter 2016</b>            Leasing Co: <b>N/A</b>            Developer: <b>Albert Carlucci Construction</b>            Architect: <b>N/A</b></p>	<p><b>11. 16179 Siskiyou Ct</b></p> <p>Submarket: <b>Inland Empire West</b>            RBA: <b>3,417</b>            # Floors: <b>1</b>            Class: <b>B</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>First Quarter 2016</b>            Deliv Date: <b>Third Quarter 2016</b>            Leasing Co: <b>Albert Carlucci</b>            Developer: <b>Agio Commercial Real Estate</b>            Architect: <b>N/A</b></p>	<p><b>12. 24541 Fir Ave</b></p> <p>Submarket: <b>Inland Empire East</b>            RBA: <b>1,416</b>            # Floors: <b>1</b>            Class: <b>B</b>            Occupied: <b>100%</b>            Quoted Rate: <b>N/A</b>            Grnd Brk Date: <b>Fourth Quarter 2015</b>            Deliv Date: <b>Second Quarter 2016</b>            Leasing Co: <b>N/A</b>            Developer: <b>N/A</b>            Architect: <b>N/A</b></p>

## Select Top Under Construction Properties

Based on Project Square Footage

### 1. Dos Lagos Regional Center

Submarket: **Inland Empire East**  
 RBA: **213,900**  
 # Floors: **3**  
 Class: **B**  
 Preleased: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **Fourth Quarter 2014**  
 Deliv Date: **Second Quarter 2017**  
 Leasing Co: **Joshua Hua**  
 Developer: **Fu Bang Group Corp USA**  
 Architect: **Robert Kutner**

### 2. Kaiser - 21877 Keller Rd

Submarket: **Inland Empire East**  
 RBA: **80,000**  
 # Floors: **1**  
 Class: **A**  
 Preleased: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **Third Quarter 2016**  
 Deliv Date: **First Quarter 2017**  
 Leasing Co: **Kaiser Permanente**  
 Developer: **N/A**  
 Architect: **N/A**

### 3. Pierson Plaza

Submarket: **Inland Empire East**  
 RBA: **38,000**  
 # Floors: **1**  
 Class: **A**  
 Preleased: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **First Quarter 2016**  
 Deliv Date: **First Quarter 2017**  
 Leasing Co: **Tahiti Partners**  
 Developer: **Tahiti Partners**  
 Architect: **Studio One Architects**

### 4. 31775 De Portola Rd

Submarket: **Inland Empire East**  
 RBA: **25,000**  
 # Floors: **2**  
 Class: **B**  
 Preleased: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **Second Quarter 2016**  
 Deliv Date: **Second Quarter 2017**  
 Leasing Co: **Pacific Media Properties LLC**  
 Developer: **Pacific Media Properties LLC**  
 Architect: **Pacific Media Properties LLC**

### 5. Corona Regional Medical Center

Submarket: **Inland Empire East**  
 RBA: **20,000**  
 # Floors: **3**  
 Class: **B**  
 Preleased: **100%**  
 Quoted Rate: **N/A**  
 Grnd Brk Date: **Third Quarter 2016**  
 Deliv Date: **First Quarter 2017**  
 Leasing Co: **Universal Health Services, Inc.**  
 Developer: **N/A**  
 Architect: **N/A**

### 6. University Village Office Park - Bldg 6

Submarket: **Inland Empire East**  
 RBA: **16,398**  
 # Floors: **1**  
 Class: **B**  
 Preleased: **12%**  
 Quoted Rate: **\$18.99**  
 Grnd Brk Date: **Third Quarter 2016**  
 Deliv Date: **First Quarter 2017**  
 Leasing Co: **Wilson Johnson**  
 Developer: **N/A**  
 Architect: **N/A**

### 7. 540 W 4th St

Submarket: **Inland Empire East**  
 RBA: **14,080**  
 # Floors: **2**  
 Class: **B**  
 Preleased: **80%**  
 Quoted Rate: **Negotiable**  
 Grnd Brk Date: **Second Quarter 2016**  
 Deliv Date: **Fourth Quarter 2017**  
 Leasing Co: **Perris Hills Pharmacy**  
 Developer: **N/A**  
 Architect: **N/A**

### 8. University Village Office Park - Bldg 5

Submarket: **Inland Empire East**  
 RBA: **8,775**  
 # Floors: **1**  
 Class: **B**  
 Preleased: **0%**  
 Quoted Rate: **Negotiable**  
 Grnd Brk Date: **Third Quarter 2016**  
 Deliv Date: **First Quarter 2017**  
 Leasing Co: **Wilson Johnson**  
 Developer: **N/A**  
 Architect: **N/A**

# Inland Empire Office Market



Figures at a Glance

## Class A Market Statistics

Year-End 2016

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	66	5,993,932	549,706	559,653	9.3%	94,125	0	118,000	\$26.31
Inland Empire West	31	2,488,065	378,206	378,206	15.2%	29,747	0	0	\$25.41
<b>Totals</b>	<b>97</b>	<b>8,481,997</b>	<b>927,912</b>	<b>937,859</b>	<b>11.1%</b>	<b>123,872</b>	<b>0</b>	<b>118,000</b>	<b>\$25.98</b>

Source: CoStar Property®

## Class B Market Statistics

Year-End 2016

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	1,983	29,600,623	3,382,795	3,448,225	11.6%	77,101	228,584	316,924	\$20.79
Inland Empire West	1,062	15,020,262	1,183,637	1,193,869	7.9%	225,501	52,297	0	\$20.61
<b>Totals</b>	<b>3,045</b>	<b>44,620,885</b>	<b>4,566,432</b>	<b>4,642,094</b>	<b>10.4%</b>	<b>302,602</b>	<b>280,881</b>	<b>316,924</b>	<b>\$20.73</b>

Source: CoStar Property®

## Class C Market Statistics

Year-End 2016

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	2,073	14,606,162	1,138,788	1,154,983	7.9%	113,953	0	0	\$16.11
Inland Empire West	977	5,576,140	261,438	261,438	4.7%	109,755	0	0	\$15.50
<b>Totals</b>	<b>3,050</b>	<b>20,182,302</b>	<b>1,400,226</b>	<b>1,416,421</b>	<b>7.0%</b>	<b>223,708</b>	<b>0</b>	<b>0</b>	<b>\$15.96</b>

Source: CoStar Property®

## Total Office Market Statistics

Year-End 2016

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	4,122	50,200,717	5,071,289	5,162,861	10.3%	285,179	228,584	434,924	\$20.64
Inland Empire West	2,070	23,084,467	1,823,281	1,833,513	7.9%	365,003	52,297	0	\$20.74
<b>Totals</b>	<b>6,192</b>	<b>73,285,184</b>	<b>6,894,570</b>	<b>6,996,374</b>	<b>9.5%</b>	<b>650,182</b>	<b>280,881</b>	<b>434,924</b>	<b>\$20.67</b>

Source: CoStar Property®



# Inland Empire Office Market

Figures at a Glance

## Class A Submarket Statistics

Year-End 2016

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	2,255,598	339,534	339,534	15.1%	48,217	0	0	\$25.14
Coachella Valley	8	326,615	31,438	31,438	9.6%	(454)	0	38,000	\$28.02
Corona	11	794,142	36,763	36,763	4.6%	51,467	0	0	\$25.03
East San Bernardino	15	1,954,158	166,536	176,483	9.0%	(7,059)	0	0	\$24.35
North San Bernardino	2	93,875	2,102	2,102	2.2%	2,332	0	0	\$0.00
Riverside	15	1,676,502	227,959	227,959	13.6%	6,458	0	0	\$27.60
South Riverside	17	1,242,515	87,010	87,010	7.0%	43,713	0	80,000	\$27.41
West San Bernardino	4	138,592	36,570	36,570	26.4%	(20,802)	0	0	\$28.02
<b>Totals</b>	<b>97</b>	<b>8,481,997</b>	<b>927,912</b>	<b>937,859</b>	<b>11.1%</b>	<b>123,872</b>	<b>0</b>	<b>118,000</b>	<b>\$25.98</b>

Source: CoStar Property®

## Class B Submarket Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	426	8,730,614	713,241	720,473	8.3%	128,480	0	0	\$21.11
Coachella Valley	391	5,222,078	616,338	654,161	12.5%	(78,187)	0	25,173	\$20.22
Corona	114	1,980,781	238,904	238,904	12.1%	(4,479)	15,379	38,771	\$23.11
East San Bernardino	556	7,969,743	1,147,941	1,150,679	14.4%	134,568	150,000	0	\$18.33
North San Bernardino	402	3,399,119	212,803	215,803	6.3%	64,654	52,297	0	\$17.15
Riverside	446	8,345,578	855,480	862,550	10.3%	(53,271)	1,416	0	\$22.10
South Riverside	476	6,082,443	524,132	541,931	8.9%	78,470	61,789	252,980	\$22.70
West San Bernardino	234	2,890,529	257,593	257,593	8.9%	32,367	0	0	\$22.08
<b>Totals</b>	<b>3,045</b>	<b>44,620,885</b>	<b>4,566,432</b>	<b>4,642,094</b>	<b>10.4%</b>	<b>302,602</b>	<b>280,881</b>	<b>316,924</b>	<b>\$20.73</b>

Source: CoStar Property®

## Class C Submarket Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	319	2,135,700	125,723	125,723	5.9%	69,768	0	0	\$15.53
Coachella Valley	392	2,725,376	227,551	227,551	8.3%	(16,173)	0	0	\$18.01
Corona	94	802,902	48,431	48,431	6.0%	32,460	0	0	\$17.77
East San Bernardino	758	5,667,611	506,899	506,899	8.9%	91,963	0	0	\$14.61
North San Bernardino	482	2,305,324	71,371	71,371	3.1%	31,212	0	0	\$14.53
Riverside	618	3,988,617	265,292	277,492	7.0%	16,969	0	0	\$16.36
South Riverside	211	1,421,656	90,615	94,610	6.7%	(11,266)	0	0	\$18.97
West San Bernardino	176	1,135,116	64,344	64,344	5.7%	8,775	0	0	\$16.69
<b>Totals</b>	<b>3,050</b>	<b>20,182,302</b>	<b>1,400,226</b>	<b>1,416,421</b>	<b>7.0%</b>	<b>223,708</b>	<b>0</b>	<b>0</b>	<b>\$15.96</b>

Source: CoStar Property®

## Total Office Submarket Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	770	13,121,912	1,178,498	1,185,730	9.0%	246,465	0	0	\$21.47
Coachella Valley	791	8,274,069	875,327	913,150	11.0%	(94,814)	0	63,173	\$19.90
Corona	219	3,577,825	324,098	324,098	9.1%	79,448	15,379	38,771	\$22.87
East San Bernardino	1,329	15,591,512	1,821,376	1,834,061	11.8%	219,472	150,000	0	\$18.07
North San Bernardino	886	5,798,318	286,276	289,276	5.0%	98,198	52,297	0	\$16.45
Riverside	1,079	14,010,697	1,348,731	1,368,001	9.8%	(29,844)	1,416	0	\$22.49
South Riverside	704	8,746,614	701,757	723,551	8.3%	110,917	61,789	332,980	\$23.00
West San Bernardino	414	4,164,237	358,507	358,507	8.6%	20,340	0	0	\$21.77
<b>Totals</b>	<b>6,192</b>	<b>73,285,184</b>	<b>6,894,570</b>	<b>6,996,374</b>	<b>9.5%</b>	<b>650,182</b>	<b>280,881</b>	<b>434,924</b>	<b>\$20.67</b>

Source: CoStar Property®

## Inland Empire Office Market



Figures at a Glance

## Class A Market Statistics

Year-End 2016

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	
2016 4q	97	8,481,997	927,912	937,859	11.1%	46,206	0	0	2	118,000	\$25.98
2016 3q	97	8,481,997	974,118	984,065	11.6%	72,983	0	0	2	118,000	\$25.81
2016 2q	97	8,481,997	1,027,785	1,057,048	12.5%	(6,563)	0	0	1	38,000	\$25.72
2016 1q	97	8,481,997	1,014,382	1,050,485	12.4%	11,246	0	0	1	38,000	\$25.40
2015 4q	97	8,481,997	1,038,653	1,061,731	12.5%	97,129	2	40,040	0	0	\$25.32
2015 3q	95	8,441,957	1,095,742	1,118,820	13.3%	67,968	0	0	2	40,040	\$25.10
2015 2q	95	8,441,957	1,172,519	1,186,788	14.1%	(118,833)	0	0	2	40,040	\$25.11
2015 1q	95	8,441,957	1,060,925	1,067,955	12.7%	22,772	0	0	2	40,040	\$25.01
2014	95	8,441,957	1,083,697	1,090,727	12.9%	402,865	2	123,307	0	0	\$24.98
2013	93	8,318,650	1,363,255	1,370,285	16.5%	275,098	0	0	2	123,307	\$24.97
2012	93	8,318,650	1,645,383	1,645,383	19.8%	442,865	1	137,122	1	65,307	\$24.55
2011	92	8,181,528	1,896,133	1,951,126	23.8%	309,577	1	152,797	1	137,122	\$24.52
2010	91	8,028,731	2,051,140	2,107,906	26.3%	184,114	1	96,000	2	289,919	\$27.09
2009	90	7,932,731	2,136,410	2,196,020	27.7%	663,903	7	853,458	1	96,000	\$29.46
2008	83	7,079,273	1,908,906	2,006,465	28.3%	166,475	12	1,274,897	7	853,458	\$30.03
2007	71	5,804,376	839,228	898,043	15.5%	947,959	17	1,287,541	14	1,691,822	\$30.47

Source: CoStar Property®

## Class B Market Statistics

Year-End 2016

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	
2016 4q	3,045	44,620,885	4,566,432	4,642,094	10.4%	45,251	2	35,638	6	316,924	\$20.73
2016 3q	3,043	44,585,247	4,577,861	4,651,707	10.4%	216,703	6	70,047	8	352,562	\$20.04
2016 2q	3,037	44,515,200	4,740,466	4,798,363	10.8%	82,265	3	163,416	11	358,665	\$19.98
2016 1q	3,034	44,351,784	4,664,008	4,717,212	10.6%	(41,617)	1	11,780	12	483,001	\$19.98
2015 4q	3,034	44,341,775	4,595,764	4,665,586	10.5%	181,767	4	90,526	10	470,464	\$20.38
2015 3q	3,030	44,251,249	4,681,274	4,756,827	10.7%	296,302	4	23,539	10	531,666	\$19.91
2015 2q	3,027	44,254,680	4,978,762	5,056,560	11.4%	31,011	1	45,000	12	522,946	\$19.69
2015 1q	3,026	44,209,680	4,973,002	5,042,571	11.4%	219,047	2	48,029	9	320,465	\$19.30
2014	3,025	44,191,730	5,210,574	5,243,668	11.9%	721,365	7	230,309	5	316,929	\$19.30
2013	3,019	43,963,214	5,707,458	5,736,517	13.0%	730,387	13	162,774	7	230,309	\$18.59
2012	3,006	43,800,440	6,163,849	6,304,130	14.4%	476,432	6	57,328	12	193,469	\$18.30
2011	3,001	43,744,912	6,574,176	6,725,034	15.4%	462,367	11	117,961	8	109,232	\$19.43
2010	2,990	43,626,951	6,975,595	7,069,440	16.2%	707,334	16	265,860	9	107,322	\$20.16
2009	2,975	43,374,519	7,317,264	7,524,342	17.3%	569,143	53	1,143,963	16	270,917	\$20.68
2008	2,922	42,230,556	6,592,750	6,949,522	16.5%	430,531	200	2,743,484	50	1,113,734	\$22.81
2007	2,722	39,487,072	4,385,513	4,636,569	11.7%	1,290,220	206	3,039,299	175	2,424,492	\$24.33

Source: CoStar Property®

## Total Office Market Statistics

Year-End 2016

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	
2016 4q	6,192	73,285,184	6,894,570	6,996,374	9.5%	99,865	2	35,638	8	434,924	\$20.67
2016 3q	6,191	73,250,528	6,961,595	7,061,583	9.6%	353,948	6	70,047	10	470,562	\$19.90
2016 2q	6,186	73,182,127	7,242,298	7,347,130	10.0%	181,637	3	163,416	12	396,665	\$19.91
2016 1q	6,183	73,018,711	7,257,567	7,365,351	10.1%	14,732	1	11,780	13	521,001	\$19.78
2015 4q	6,184	73,015,918	7,267,451	7,377,290	10.1%	282,202	6	130,566	10	470,464	\$20.30
2015 3q	6,178	72,885,352	7,413,656	7,528,926	10.3%	422,255	4	23,539	12	571,706	\$19.74
2015 2q	6,175	72,888,783	7,836,049	7,954,612	10.9%	(59,420)	1	45,000	14	562,986	\$19.76
2015 1q	6,174	72,843,783	7,734,147	7,850,192	10.8%	241,403	2	48,029	11	360,505	\$19.47
2014	6,173	72,825,833	7,995,337	8,073,645	11.1%	1,015,869	9	353,616	5	316,929	\$19.53
2013	6,169	72,548,490	8,765,083	8,812,171	12.1%	1,192,199	13	162,774	9	353,616	\$18.93
2012	6,158	72,389,279	9,693,679	9,845,159	13.6%	863,508	8	204,650	13	258,776	\$18.43
2011	6,151	72,186,429	10,277,872	10,505,817	14.6%	873,423	12	270,758	9	246,354	\$19.44
2010	6,139	71,915,671	10,935,792	11,108,482	15.4%	772,226	19	365,682	11	397,241	\$21.10
2009	6,121	71,563,417	11,242,279	11,528,454	16.1%	1,041,055	63	2,013,675	19	370,739	\$21.72
2008	6,060	69,554,390	10,074,297	10,560,482	15.2%	200,353	213	4,026,167	58	1,968,981	\$23.95
2007	5,848	65,531,336	6,395,245	6,737,781	10.3%	2,088,617	236	4,416,481	190	4,124,100	\$25.20

Source: CoStar Property®



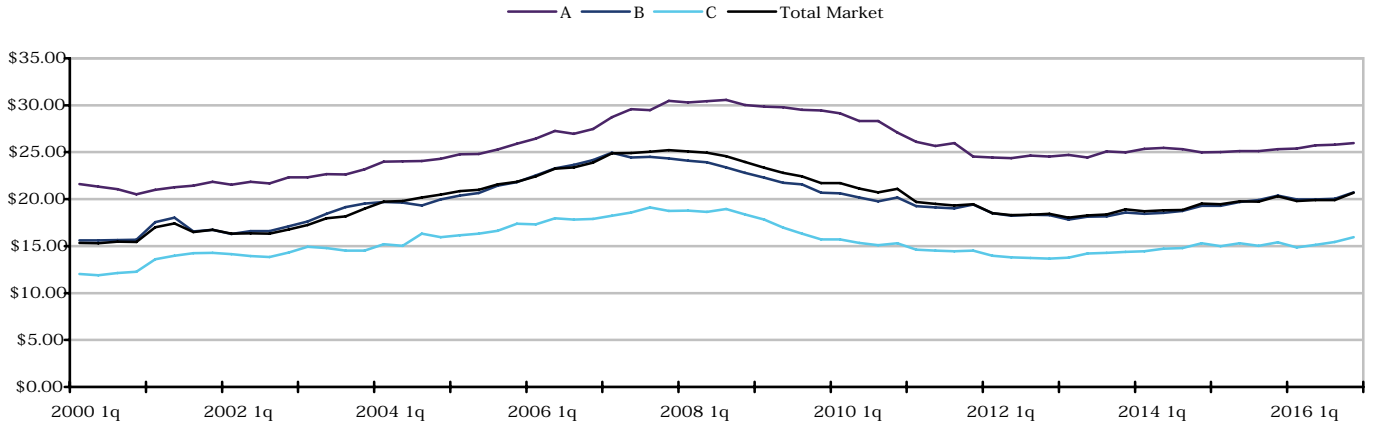


# Inland Empire Office Market

Leasing Activity

## Historical Rental Rates

Based on Full-Service Equivalent Rental Rates



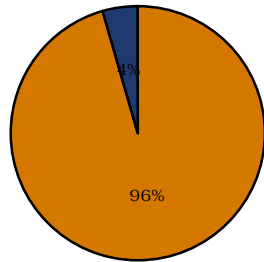
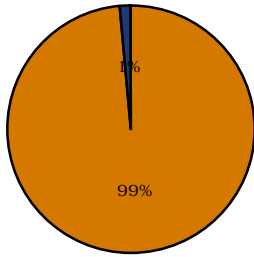
Source: CoStar Property®

## Vacancy by Available Space Type

Percent of All Vacant Space in Direct vs. Sublet

Inland Empire (California)

United States



Direct Sublet

Direct Sublet

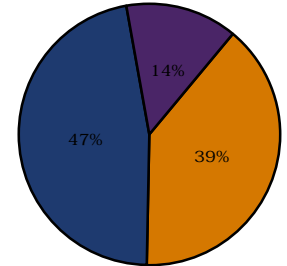
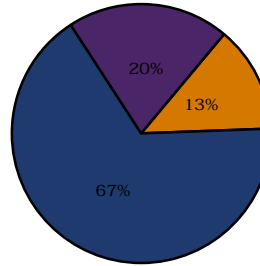
Source: CoStar Property®

## Vacancy by Class

Percent of All Vacant Space by Class

Inland Empire (California)

United States



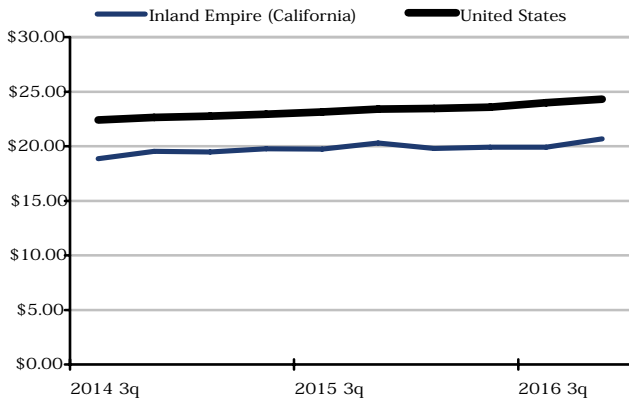
Class A Class B Class C

Class A Class B Class C

Source: CoStar Property®

## U.S. Rental Rate Comparison

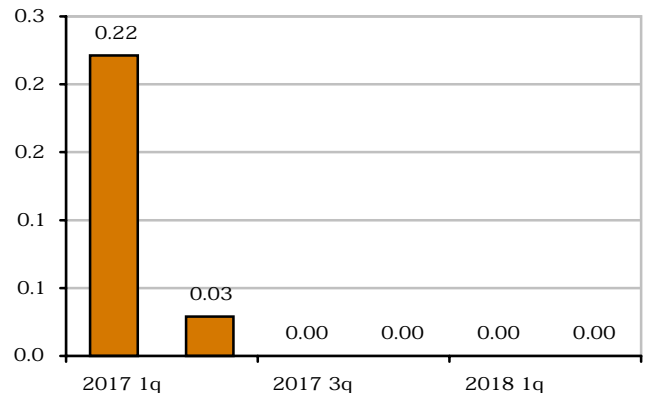
Based on Full-Service Equivalent Rental Rates



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 2016

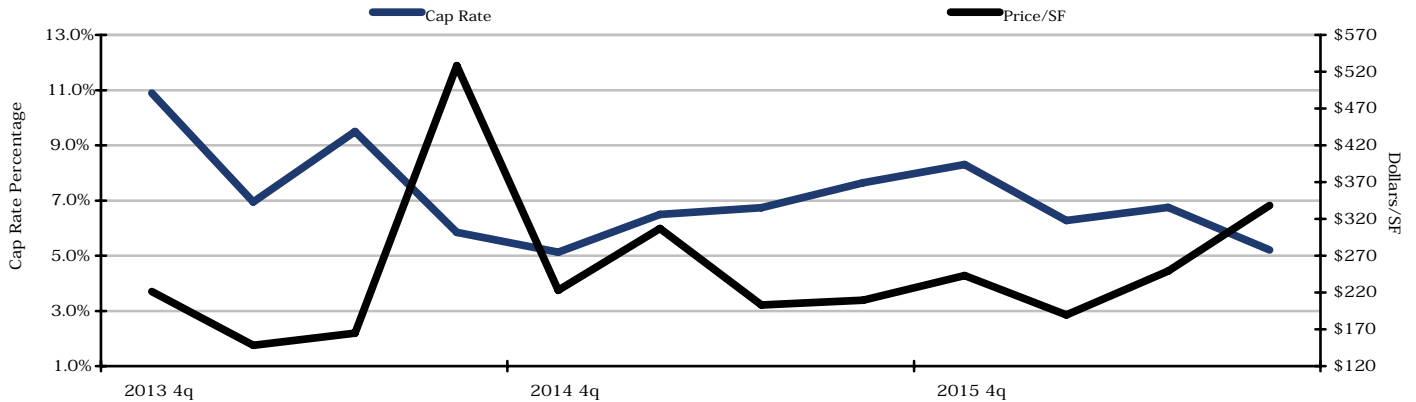
Building	Submarket	SF	Qtr	Tenant Name	Tenant Rep Company	Landlord Rep Company	
1	Pierson Plaza	Coachella Valley	38,000	2nd	County of Riverside	N/A	Tahiti Partners
2	9630 7th St	Airport Area	25,728	1st	San Bernardino County Children's	Lee & Associates	Lee & Associates
3	Jurupa Business Center - Phase III Bldg 6	Airport Area	25,368	3rd	N/A	Hughes Marino	Lee & Associates
4	31775 De Portola Rd	South Riverside	25,000	3rd	Radnet Management	N/A	N/A
5	9859 7th St	Airport Area	23,400	1st	Dooney & Bourke	Voit Real Estate Services	CBRE
6	Empire Corporate Plaza - Bldg 1	Airport Area	21,798	3rd	N/A	N/A	Omninet Capital; CBRE
7	Ontario Corporate Center	Airport Area	20,057	3rd	N/A	N/A	Lee & Associates
8	17053 Foothill Blvd	Airport Area	20,020	4th	County of San Bernardino	N/A	NAI Capital
9	1500 Iowa Ave*	Riverside	18,258	2nd	Inland Regional Center	Newmark Grubb Knight Frank	N/A
10	350 W Valley Blvd	East San Bernardino	17,000	1st	BELCO Transport, Inc.	N/A	N/A
11	45140 Club Dr	Coachella Valley	16,958	1st	Robert Miller	Coldwell Banker Lyle & Associates	Coldwell Banker Lyle & Associates
12	Haven Commerce Center - Bldg 1	Airport Area	16,402	1st	N/A	N/A	N/A
13	Trade Center II - Bldg C	East San Bernardino	15,827	4th	DaVita Dialysis	N/A	Coldwell Banker Commercial - SC
14	940 E Williams St	Riverside	15,000	2nd	Morongo Band of Mission Indians	Direct Deal	Gary L Carlton
15	590 ND St	East San Bernardino	14,894	2nd	Borrego Community Health Foundation	N/A	Sperry Van Ness Valley Comm'l RE
16	Lakeshore Plaza	South Riverside	14,240	3rd	N/A	N/A	Lee & Associates
17	Tierra Alta Office Building	South Riverside	13,400	3rd	N/A	N/A	Lee & Associates
18	ProMed Ontario Office Bldg 2	Airport Area	12,277	4th	N/A	N/A	Lee & Associates
19	44605 Avenida de Misiones	South Riverside	12,082	3rd	DaVita Dialysis	N/A	N/A
20	DaVita Dialysis - Amargosa Rd	North San Bernardino	11,780	1st	DaVita Dialysis	N/A	N/A
21	Citrus Tower	Riverside	11,477	2nd	N/A	Lee & Associates	Lee & Associates
22	2930 E Inland Empire Blvd	Airport Area	11,444	2nd	N/A	N/A	The Abbey Company
23	Vista Office Centre	South Riverside	11,075	2nd	Charter School Management Company	N/A	Lee & Associates
24	Jurupa Business Center - Phase II Bldg 4	Airport Area	10,862	2nd	N/A	N/A	Lee & Associates
25	Temecula Corporate Center - Bldg G	South Riverside	10,844	2nd	Nexus	N/A	Coldwell Banker Commercial Sudweeks
26	Empire Towers II	Airport Area	10,211	2nd	N/A	N/A	CBRE
27	Lakeshore Plaza	South Riverside	9,904	1st	N/A	N/A	Lee & Associates
28	One Parkside	East San Bernardino	9,625	4th	N/A	N/A	CBRE
29	8711 Monroe Ct	Airport Area	9,528	2nd	N/A	N/A	Walker Perry Real Estate Brokerage
30	1930 W Park Ave	East San Bernardino	8,961	1st	American Medical Response, Inc.	JLL	SD Stanson Commercial Real Estate
31	2930 E Inland Empire Blvd	Airport Area	8,946	4th	N/A	N/A	The Abbey Company
32	1260 Corona Pointe Ct	Corona	8,689	1st	Advanced Retail Solutions	N/A	Rexco Development
33	Redlands Ford Center - Bldg 3	East San Bernardino	8,587	1st	N/A	N/A	Cushman & Wakefield
34	43576 Washington St	Coachella Valley	8,500	1st	BBSI	N/A	Point Home Realty Group
35	15419 Cholame Rd	North San Bernardino	8,312	2nd	CalState University of San Bernardino	N/A	N/A
36	Lakeshore Plaza	South Riverside	8,237	3rd	N/A	N/A	Lee & Associates
37	2280 Market St	Riverside	8,102	2nd	N/A	N/A	Lee & Associates
38	9608 I Ave	North San Bernardino	8,000	2nd	Jubilee Church	N/A	Ying P & Ming C Hsieh
39	Lakeshore Plaza	South Riverside	7,803	4th	N/A	N/A	Lee & Associates
40	Crystal View	South Riverside	7,349	3rd	N/A	N/A	CBRE

Source: CoStar Property®

\* Renewal

## The Optimist Sales Index

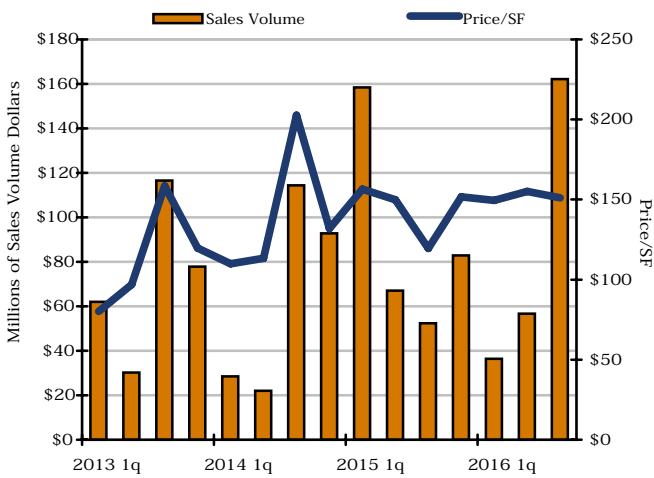
Average of Two Highest Price/SF's and Two Lowest Cap Rates Per Quarter



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

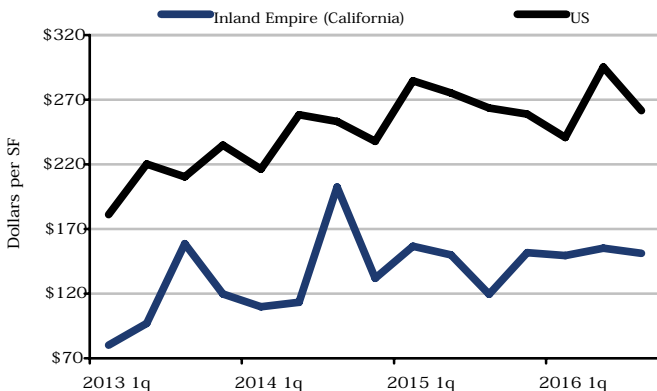
Based on Office Building Sales From Oct. 2015 - Sept. 2016

Bldg Size	#	RBA	\$ Volume	Price/SF	Cap Rate
< 50,000 SF	153	1,835,605	\$292,876,062	\$ 159.55	6.69%
50K-249K SF	12	1,157,122	\$188,481,000	\$ 162.89	7.76%
250K-499K SF	-	-	-	\$ -	-
>500K SF	-	-	-	\$ -	-

Source: CoStar COMPS®

## U.S. Price/SF Comparison

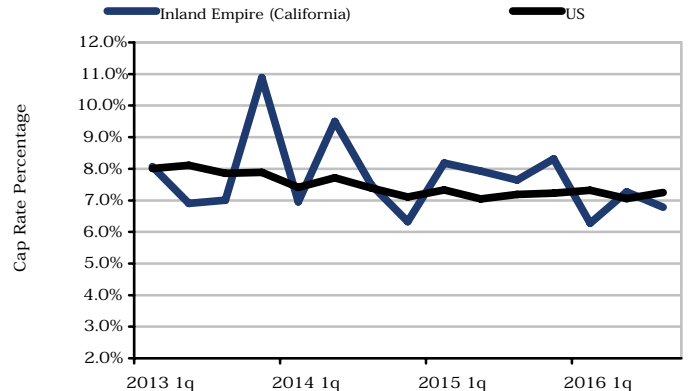
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## U.S. Cap Rate Comparison

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



Source: CoStar COMPS®

# Inland Empire Office Market



Sales Activity

## Select Top Sales

Based on Sales from October 2015 Through December 2016

### 1. 9500 Cleveland Ave



#### Rancho Cucamonga

Price: **\$44,300,000**  
 Price/SF: **\$183.59**  
 Cap Rate: **N/A**  
 RBA: **241,292**  
 Date: **8/12/2016**  
 Year Built: **1982**  
 Buyer: **Inland Empire Health Plan**  
 Seller: **Utah Retirement Systems**

### 2. 34280 Gateway Dr



#### Palm Desert

Price: **\$18,125,000**  
 Price/SF: **\$198.98**  
 Cap Rate: **N/A**  
 RBA: **91,089**  
 Date: **1/14/2016**  
 Year Built: **2007**  
 Buyer: **AAFMAA Property**  
 Seller: **Fullmer Construction**

### 3. 9680 Haven Ave



#### Rancho Cucamonga

Price: **\$16,456,000**  
 Price/SF: **\$219.00**  
 Cap Rate: **N/A**  
 RBA: **75,141**  
 Date: **8/8/2016**  
 Year Built: **2007**  
 Buyer: **NOVAtime**  
 Seller: **Buchanan Street Partners**

### 4. 12625 Heacock St



#### Moreno Valley

Price: **\$14,500,000**  
 Price/SF: **\$276.19**  
 Cap Rate: **N/A**  
 RBA: **52,500**  
 Date: **7/21/2016**  
 Year Built: **2015**  
 Buyer: **Isaac Alchalel**  
 Seller: **Capital Partners Development Company LLC**

### 5. 430 N Vineyard Ave



#### Ontario

Price: **\$14,000,000**  
 Price/SF: **\$143.50**  
 Cap Rate: **N/A**  
 RBA: **97,562**  
 Date: **5/27/2016**  
 Year Built: **1989**  
 Buyer: **Providence Capital Group, Inc.**  
 Seller: **RREEF Management LLC**

### 6. 2455 Anselmo Dr



#### Corona

Price: **\$12,560,000**  
 Price/SF: **\$173.29**  
 Cap Rate: **N/A**  
 RBA: **72,480**  
 Date: **11/8/2016**  
 Year Built: **2009**  
 Buyer: **Monster Beverage Corp.**  
 Seller: **Bixby Land Company**

### 7. 23123 Cajalco Rd



#### Perris

Price: **\$12,000,000**  
 Price/SF: **\$65.50**  
 Cap Rate: **7.2%**  
 RBA: **183,194**  
 Date: **8/12/2016**  
 Year Built: **2004**  
 Buyer: **Boyd Watterson Asset Management**  
 Seller: **Aardex LLC**

### 8. 22690 Cactus Ave



#### Moreno Valley

Price: **\$11,350,000**  
 Price/SF: **\$185.69**  
 Cap Rate: **8.31%**  
 RBA: **61,124**  
 Date: **4/1/2016**  
 Year Built: **1989**  
 Buyer: **Elisabeth E. Stewart Trust**  
 Seller: **Asset Management Consultants, Inc.**

### 9. 9337 Milliken Ave



#### Rancho Cucamonga

Price: **\$9,800,000**  
 Price/SF: **\$205.36**  
 Cap Rate: **N/A**  
 RBA: **47,720**  
 Date: **11/2/2016**  
 Year Built: **1990**  
 Buyer: **Citizens Business Bank**  
 Seller: **Ellen Capital Group LLC**



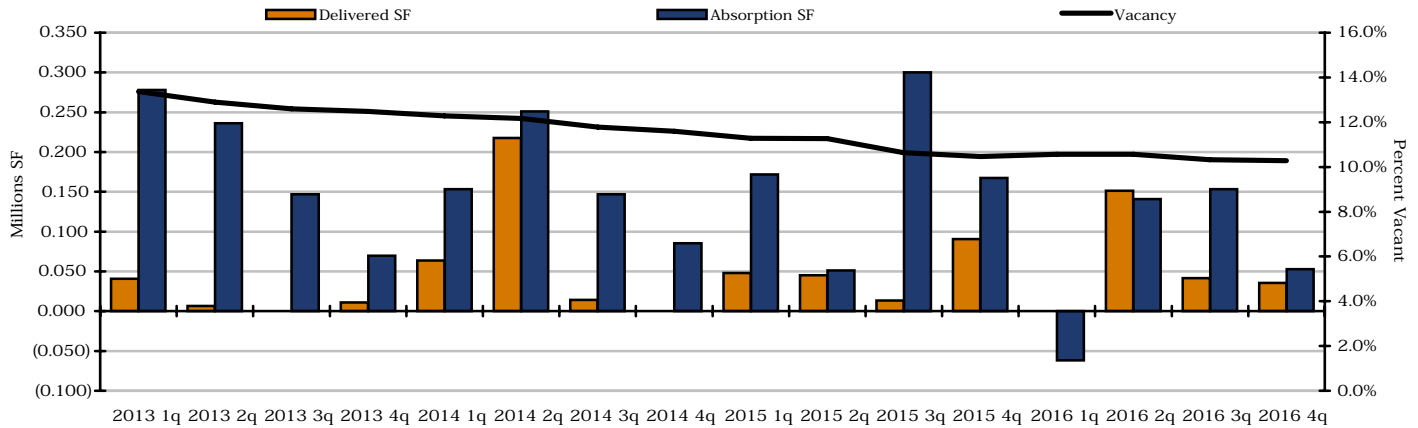
# Inland Empire Office Market

Inland Empire East Market

Market Highlights – Class “A, B & C”

## Deliveries, Absorption & Vacancy

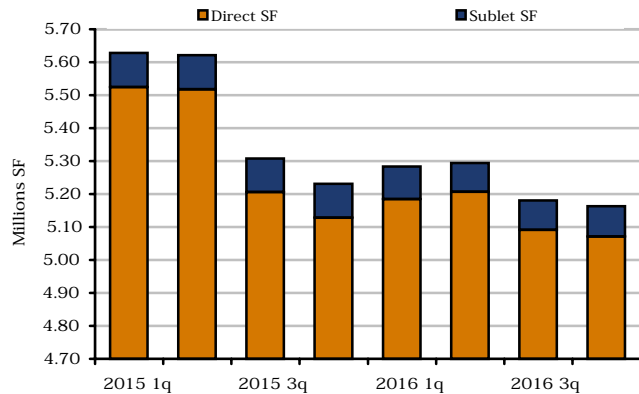
Historical Analysis, All Classes



Source: CoStar Property®

## Vacant Space

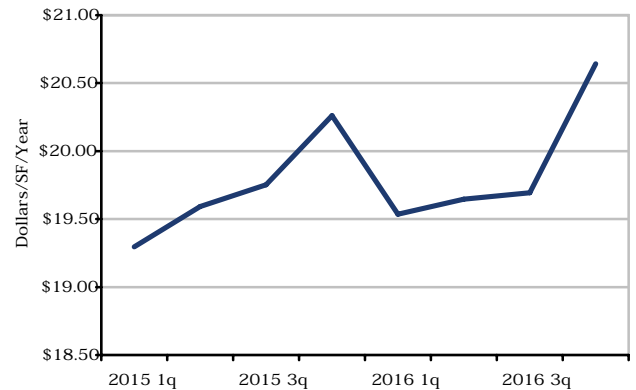
Historical Analysis, All Classes



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	
2016 4q	4,122	50,200,717	5,162,861	10.3%	52,859	2	35,638	8	434,924	\$20.64
2016 3q	4,121	50,166,061	5,181,064	10.3%	153,221	2	41,530	10	470,562	\$19.69
2016 2q	4,120	50,126,177	5,294,401	10.6%	140,970	2	151,416	8	368,148	\$19.65
2016 1q	4,118	49,974,761	5,283,955	10.6%	(61,871)	0	0	8	480,484	\$19.54
2015 4q	4,120	49,983,748	5,231,071	10.5%	167,564	4	90,526	7	442,484	\$20.26
2015 3q	4,116	49,893,222	5,308,109	10.6%	300,298	2	13,539	9	519,666	\$19.75
2015 2q	4,115	49,906,653	5,621,838	11.3%	51,401	1	45,000	10	512,946	\$19.59
2015 1q	4,114	49,861,653	5,628,239	11.3%	171,750	2	48,029	7	310,465	\$19.30
2014 4q	4,113	49,843,703	5,782,039	11.6%	85,231	0	0	5	316,929	\$19.45
2014 3q	4,114	49,850,821	5,874,388	11.8%	146,997	1	14,184	3	93,029	\$18.81
2014 2q	4,114	49,899,251	6,069,815	12.2%	251,037	4	217,606	3	62,213	\$18.68
2014 1q	4,110	49,681,645	6,103,246	12.3%	153,549	3	63,826	5	231,790	\$18.49
2013 4q	4,108	49,618,971	6,194,121	12.5%	69,603	2	11,120	8	295,616	\$18.72
2013 3q	4,106	49,607,851	6,252,604	12.6%	146,937	0	0	9	292,552	\$18.12
2013 2q	4,106	49,607,851	6,399,541	12.9%	236,113	1	6,550	8	250,253	\$17.94
2013 1q	4,106	49,602,847	6,630,650	13.4%	278,045	4	40,631	6	137,303	\$17.62

Source: CoStar Property®

# Inland Empire Office Market

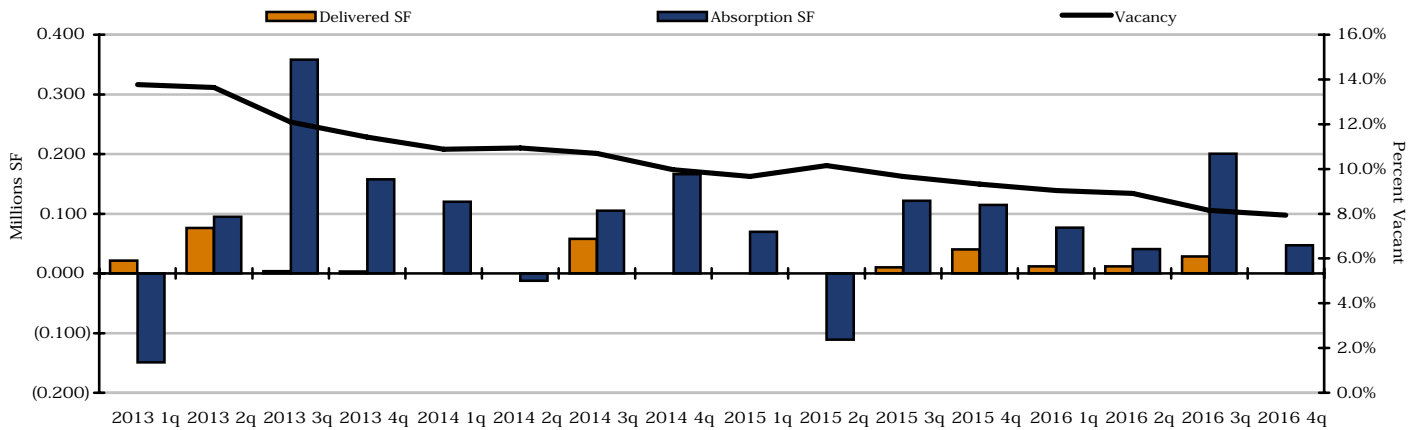


Inland Empire West Market

Market Highlights – Class “A, B & C”

## Deliveries, Absorption & Vacancy

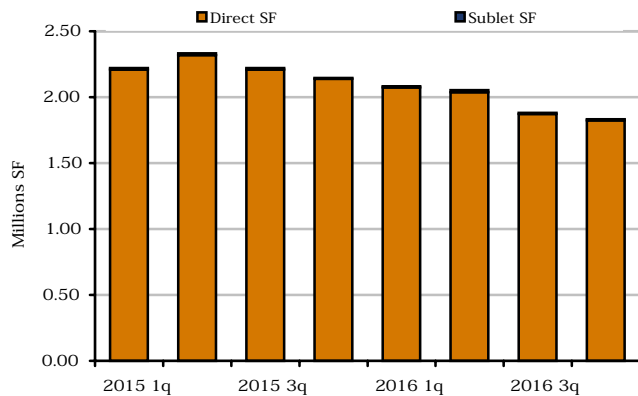
### Historical Analysis, All Classes



Source: CoStar Property®

## Vacant Space

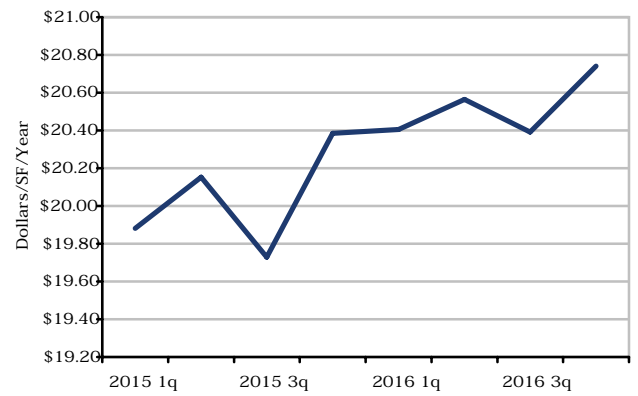
### Historical Analysis, All Classes



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	
2016 4q	2,070	23,084,467	1,833,513	7.9%	47,006	0	0	0	0	\$20.74
2016 3q	2,070	23,084,467	1,880,519	8.1%	200,727	4	28,517	0	0	\$20.39
2016 2q	2,066	23,055,950	2,052,729	8.9%	40,667	1	12,000	4	28,517	\$20.56
2016 1q	2,065	23,043,950	2,081,396	9.0%	76,603	1	11,780	5	40,517	\$20.41
2015 4q	2,064	23,032,170	2,146,219	9.3%	114,638	2	40,040	3	27,980	\$20.38
2015 3q	2,062	22,992,130	2,220,817	9.7%	121,957	2	10,000	3	52,040	\$19.73
2015 2q	2,060	22,982,130	2,332,774	10.2%	(110,821)	0	0	4	50,040	\$20.15
2015 1q	2,060	22,982,130	2,221,953	9.7%	69,653	0	0	4	50,040	\$19.88
2014 4q	2,060	22,982,130	2,291,606	10.0%	166,422	0	0	0	0	\$19.72
2014 3q	2,061	22,983,923	2,459,821	10.7%	104,924	1	58,000	0	0	\$18.98
2014 2q	2,060	22,925,923	2,506,745	10.9%	(12,307)	0	0	1	58,000	\$19.13
2014 1q	2,060	22,925,923	2,494,438	10.9%	120,016	0	0	1	58,000	\$19.25
2013 4q	2,061	22,929,519	2,618,050	11.4%	157,746	1	3,328	1	58,000	\$19.40
2013 3q	2,060	22,926,191	2,772,468	12.1%	358,109	1	3,892	1	3,328	\$18.95
2013 2q	2,059	22,922,299	3,126,685	13.6%	94,835	3	75,939	2	7,220	\$19.04
2013 1q	2,056	22,846,360	3,145,581	13.8%	(149,189)	1	21,314	5	83,159	\$18.98

Source: CoStar Property®