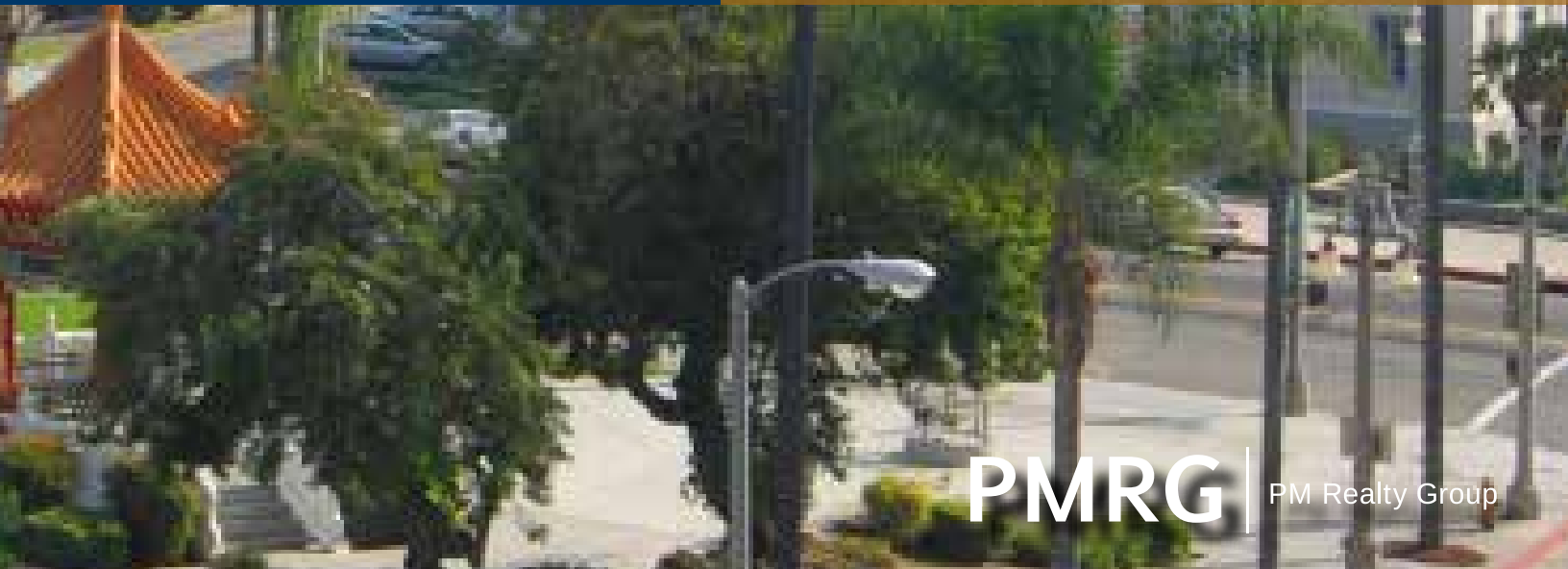




PMRG
Market DATA Glance

INLAND EMPIRE OFFICE
MARKET REPORT
FIRST QUARTER 2015



PMRG | PM Realty Group



ANNUAL JOB GROWTH

The Inland Empire created 56,600 net jobs in the 12 months ending February 2015, led by gains in the Trade, Transportation & Utilities; Professional & Business Services and Leisure & Hospitality sectors.

56.6k
jobs

12-MO DIRECT NET ABSORPTION

The Airport Area and South Riverside were the top performing submarkets accounting for a combined 69.8% of the annual absorption gains. Over the last 12 months, the Class B property sector accounted for the majority of overall absorption growth.

1.0M
square feet

DIRECT VACANCY RATE

Falling 260 basis points since last year, overall vacancy rates are at the lowest level in over 7 years. The Class A sector being the main contributor driving vacancy down, has remarkably fallen from its 2009 peak of 31.5% to 14.2%.

14.0
percent

OVERALL RENTS

Overall asking rents have increased by 2.6% within the past 12 months. The Class B sector has accounted for the majority of the annual rent growth, and is slowly closing the large gap between the two classes.

\$1.75
per square foot

UNDER CONSTRUCTION

The limited amount of new supply has helped accelerate the office market's recovery. With modest levels of construction on the horizon, future demand growth will continue to outpace new supply.

0k
square feet

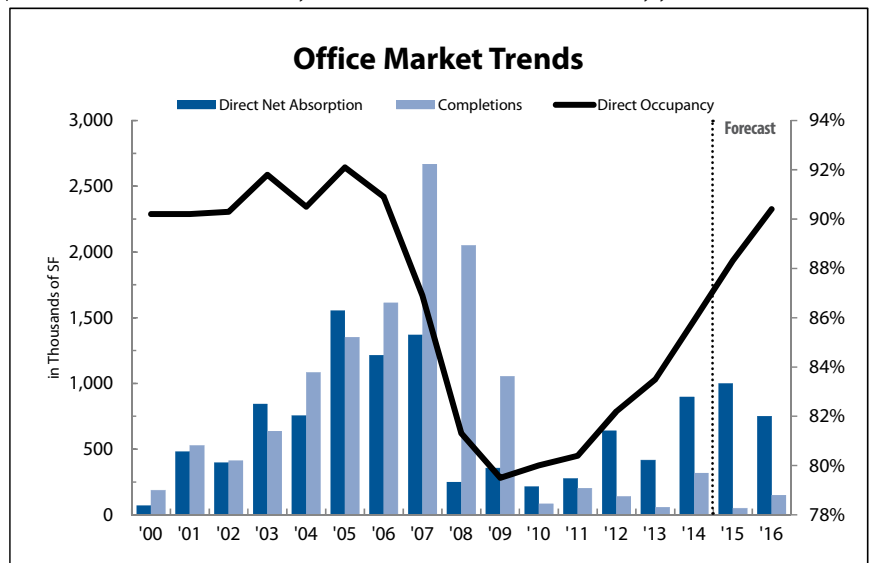
**Arrows represent change from previous 12 months*

VACANCY DROPS TO LOWEST LEVEL SINCE 2007

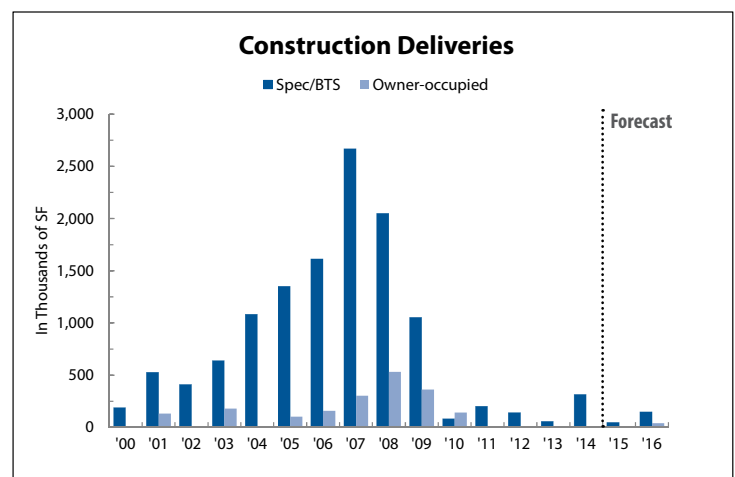
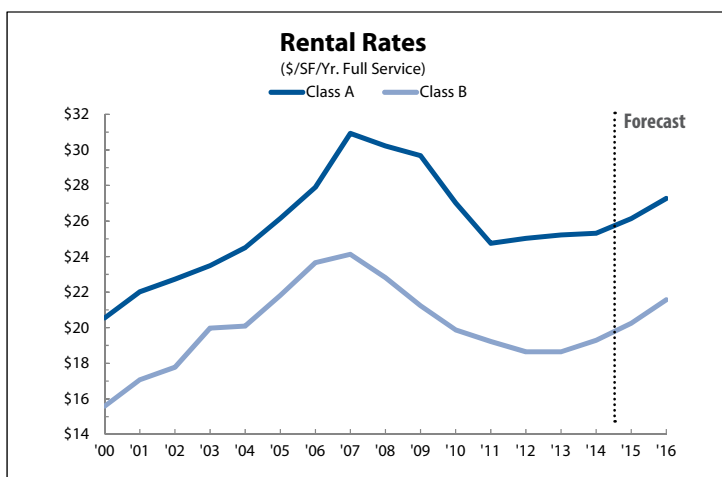
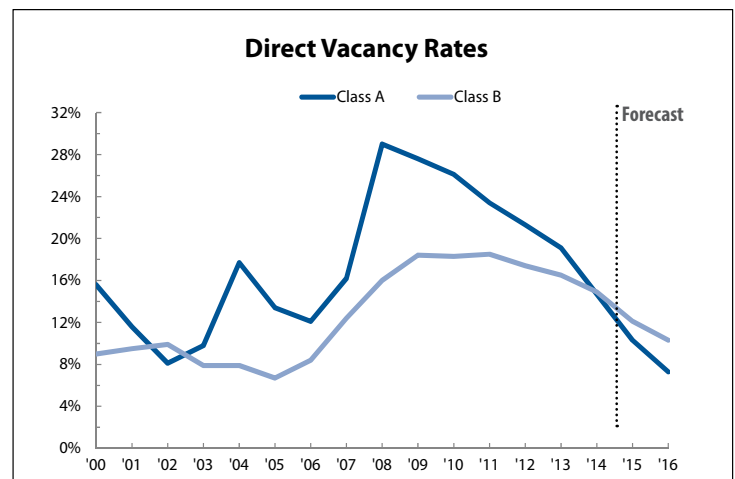
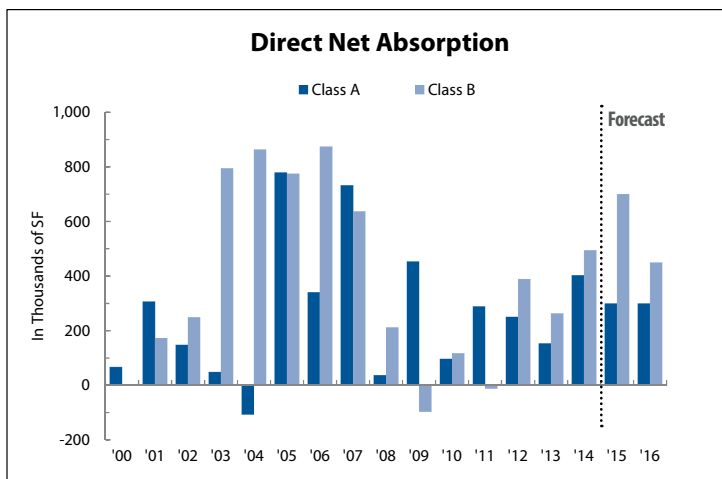
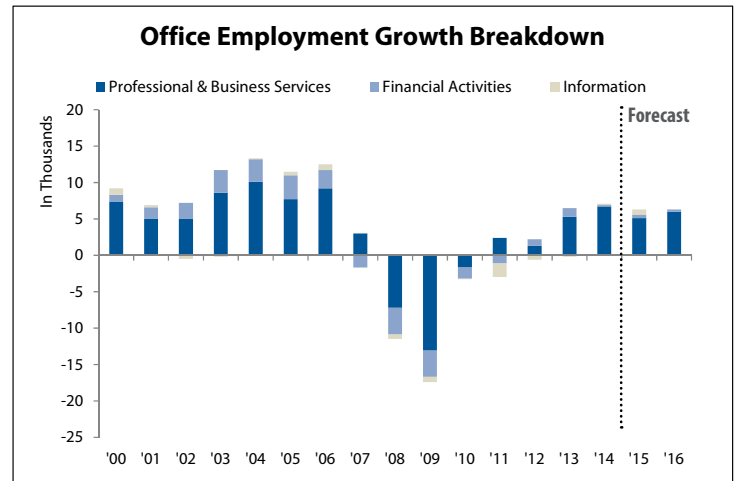
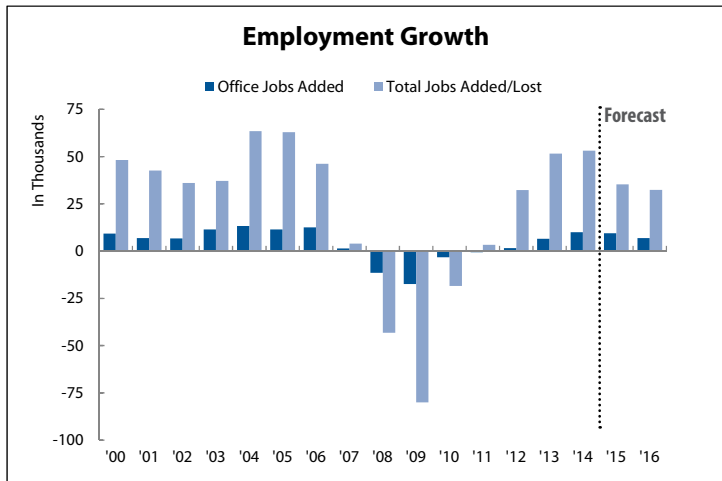
The Inland Empire's economy has outpaced the state and the rest of Southern California for three consecutive years, with steady job growth and falling unemployment rates after suffering a severe blow during the Great Recession. Office-using job sectors, which include professional and business services, have significantly accounted for nearly 24.7% of the annual employment gains. As a result of the steady job growth, the Riverside-San Bernardino-Ontario region's unemployment rate has dropped by 250 basis points to 6.8% within the past year. Although the Inland Empire has created 196,300 jobs since its post-recessionary trough in mid-year 2010, the current employment levels still remain 23,300 jobs below their peak recorded at year-end 2006. Looking ahead, employment levels are projected to increase by 35,300 jobs in 2015, according to the Los Angeles County Economic Development Corporation.

The Inland Empire's office leasing market fundamentals continued to improve with 1,005,129 sq. ft. of direct net absorption during the prior 12 months, which was its highest yearly absorption total since 2007. The Class A office market experienced 28,448 sq. ft. of direct net absorption growth during the first quarter, bringing the annual total to 396,886 sq. ft. Class A direct vacancy rates remarkably dropped 430 basis points to 14.2% within the last 12 months, reaching their lowest level since year-end 2006. The Class B property sector posted 205,938 sq. ft. of direct absorption during the quarter, pushing the yearly total to 608,243 sq. ft. Direct vacancy rates for Class B space fell 200 basis points since this time last year to 14.1%. As quality space options have diminished, Class A full-service gross asking rents have declined slightly by 0.4% to \$2.12 per sq. ft., while Class B asking rents have jumped 3.5% to \$1.63 per sq. ft. since 12 months ago.

Leasing demand has remained steady as tenants are becoming more confident in making longer term decisions and weighing the possibilities of relocation or renewal in order to capitalize on favorable lease terms. The bulk of the leasing activity has been primarily driven by small and medium-sized tenants, but there have been a few sizeable deals in recent months. The largest recent transactions involved The Way World Outreach International Ministries inking a deal for 120,486 sq. ft. of Class B space at State College Business Park, County of Riverside Department of Public Health securing a 40,363 sq. ft. lease at 4210 Riverwalk Parkway, while AirMethods signed a 29,150 sq. ft. lease at 625 E. Carnegie Drive. In the year ahead, Inland Empire's office market fundamentals will continue to strengthen with steady absorption growth outpacing modest construction deliveries, which will help push the overall direct vacancy rate down below the 12% mark by year-end 2015.



HISTORICAL TRENDS & FORECAST



SUBMARKET STATISTICS

Submarket	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT VACANCY RATES		DIRECT NET ABSORPTION		OVERALL RENTAL RATES		
		Direct Available	Sublease Available	Direct Vacancy	Y-O-Y Change	Current Qtr.	Trailing 12- Months	Avg Rents PSF/Yr	Avg Rents PSF/Mo.	Y-O-Y % Change
Airport Area	6,201,352	1,081,178	58,381	13.2%	-7.0%	118,096	477,986	\$21.31	\$1.78	3.60%
Class A	2,158,328	403,069	12,331	11.7%	-7.0%	17,993	197,970	\$23.78	\$1.98	-1.65%
Class B	4,043,024	678,109	46,050	14.0%	-6.9%	100,103	280,016	\$19.75	\$1.65	3.67%
Riverside	6,092,041	1,017,165	59,076	13.1%	-1.1%	15,918	116,514	\$22.83	\$1.90	3.63%
Class A	1,321,624	261,654	29,783	16.5%	-7.4%	35,681	97,783	\$29.67	\$2.47	2.74%
Class B	4,770,417	755,511	29,293	12.2%	0.7%	(19,763)	18,731	\$20.10	\$1.68	5.79%
South Riverside	3,833,102	602,301	8,661	14.6%	-1.9%	28,169	223,537	\$19.55	\$1.63	3.77%
Class A	967,697	177,568	6,947	17.5%	-2.7%	(1,326)	78,442	\$26.42	\$2.20	3.61%
Class B	2,865,405	424,733	1,714	13.6%	-1.7%	29,495	145,095	\$17.85	\$1.49	7.92%
Coachella Valley	2,836,091	473,733	19,810	10.9%	-1.3%	(25,147)	(23,335)	\$20.57	\$1.71	2.14%
Class A	298,444	50,202	3,872	15.3%	-0.8%	(6,229)	1,719	\$26.41	\$2.20	-5.61%
Class B	2,537,647	423,531	15,938	10.4%	-1.6%	(18,918)	(25,054)	\$19.61	\$1.63	1.92%
Corona	1,597,659	296,975	43,198	19.2%	-1.3%	(21,317)	20,032	\$23.73	\$1.98	8.21%
Class A	657,782	90,446	15,773	22.5%	-0.8%	(27,131)	5,304	\$24.69	\$2.06	1.23%
Class B	939,877	206,529	27,425	16.9%	-1.6%	5,814	14,728	\$22.87	\$1.91	13.67%
North San Bernardino	1,101,096	86,098	0	7.3%	-2.9%	(10,983)	(14,311)	\$21.04	\$1.75	6.37%
Class A	93,878	4,434	0	4.7%	0.0%	2,220	2,220	\$18.40	\$1.53	-0.81%
Class B	1,007,218	81,664	0	7.5%	-3.7%	(13,203)	(16,531)	\$21.20	\$1.77	6.53%
East San Bernardino	5,928,175	1,253,462	49,705	17.3%	-2.9%	131,559	173,723	\$19.46	\$1.62	0.31%
Class A	1,255,361	133,549	9,559	10.0%	0.0%	5,379	(530)	\$22.93	\$1.91	0.00%
Class B	4,672,814	1,119,913	40,146	19.3%	-3.7%	126,180	174,253	\$19.03	\$1.59	0.26%
West San Bernardino	1,547,596	270,413	2,250	13.4%	-2.0%	(1,909)	30,983	\$19.36	\$1.61	-6.20%
Class A	138,592	12,598	0	11.9%	-10.1%	1,861	13,978	\$27.00	\$2.25	2.27%
Class B	1,409,004	257,815	2,250	13.5%	-1.2%	(3,770)	17,005	\$18.70	\$1.56	-4.15%

Inland Empire Totals	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT VACANCY RATES		DIRECT NET ABSORPTION		OVERALL RENTAL RATES		
		Direct Available	Sublease Available	Direct Vacancy	Y-O-Y Change	Current Qtr.	Trailing 12- Months	Avg Rents PSF/Yr	Avg Rents PSF/Mo.	Y-O-Y % Change
Class A	6,891,706	1,133,520	78,265	14.2%	-4.3%	28,448	396,886	\$25.44	\$2.12	-0.43%
Class B	22,245,406	3,947,805	162,816	14.1%	-2.0%	205,938	608,243	\$19.51	\$1.63	3.45%
Overall	29,137,112	5,081,325	241,081	14.1%	-2.6%	234,386	1,005,129	\$20.99	\$1.75	2.59%

METHODOLOGY

Total Inventory: The total inventory includes all single and multi-tenant leased office buildings with at least 25,000 square feet of gross rentable square footage.

Total Space Available: Available space currently being marketed which is either physically vacant or occupied.

Direct Space Available: Space that is being offered for lease directly from the landlord or owner of a building. Under construction space is not included in space available figures.

Sublease Space Available: 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.

Direct Vacancy Rate: Direct space physically vacant divided by the total rentable inventory.

Direct Net Absorption: The net change in occupied direct space over a given period of time.

Under Construction: Office buildings which have commenced construction as evidenced by site excavation or foundation work.

Direct Asking Rents: The quoted full-service asking rent for available space expressed in dollars per sq. ft.



ABOUT PMRG

Headquartered in Houston, Texas, PM Realty Group (PMRG) is one of the nation's leading real estate companies focusing on comprehensive property services, development and acquisitions. With a strategic presence in 30 markets, PMRG provides the highest quality services to its clients and investors. PMRG's clients and investors include large financial institutions, advisors and high net worth individuals. By capitalizing on the team's experience and expertise, PMRG has the ability to undertake large and challenging management, leasing, development and acquisition projects.

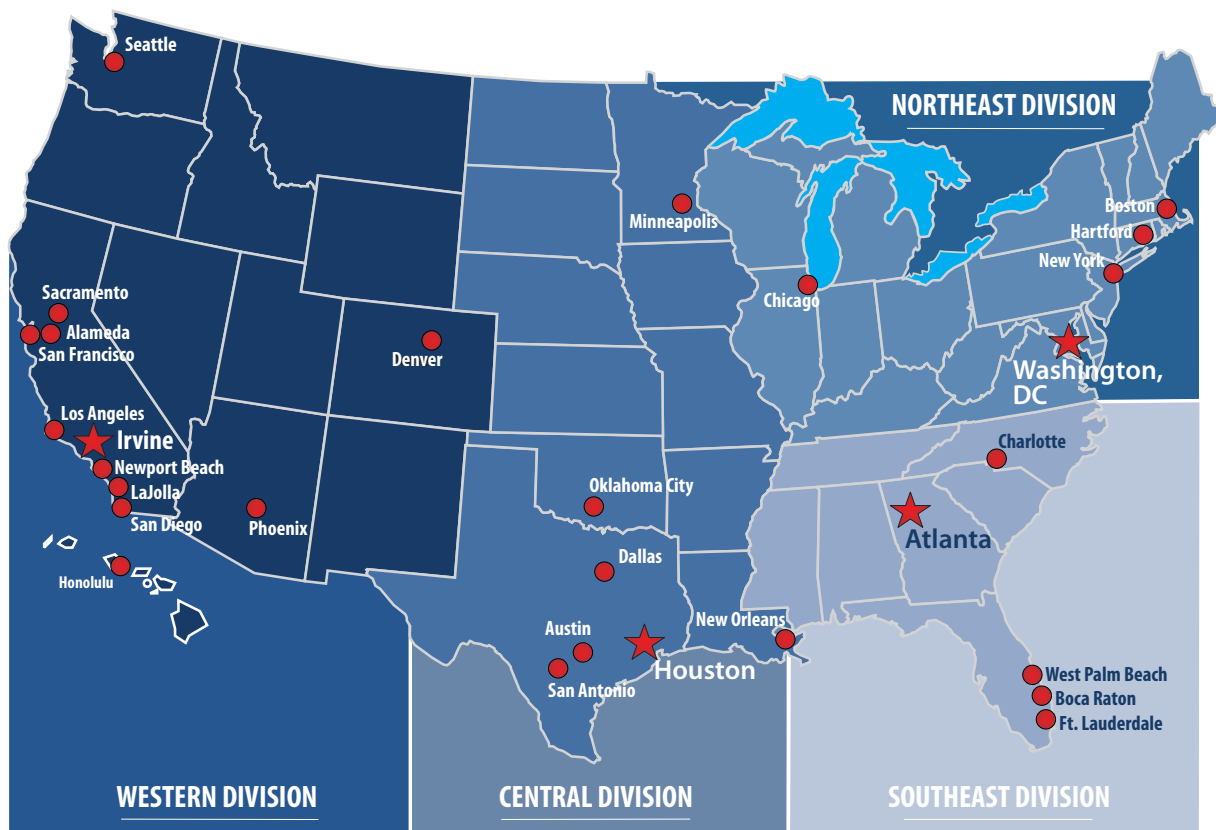
PMRG's portfolio, including projects managed for third parties, includes commercial office buildings, mixed-use centers, corporate headquarters, industrial buildings, medical facilities, high-rise multifamily buildings and re-appropriated military facilities.

Our goal is to generate exceptional returns for our clients and investors by focusing on real estate fundamentals. For additional information, visit www.pmr.com.

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PMRG focuses on creating value for its clients and offers a full spectrum of real estate services, including:

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- Golf Course and Land Sales
- Management Services
- Property Management
- Construction Management
- Development Services
- National Market Research



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