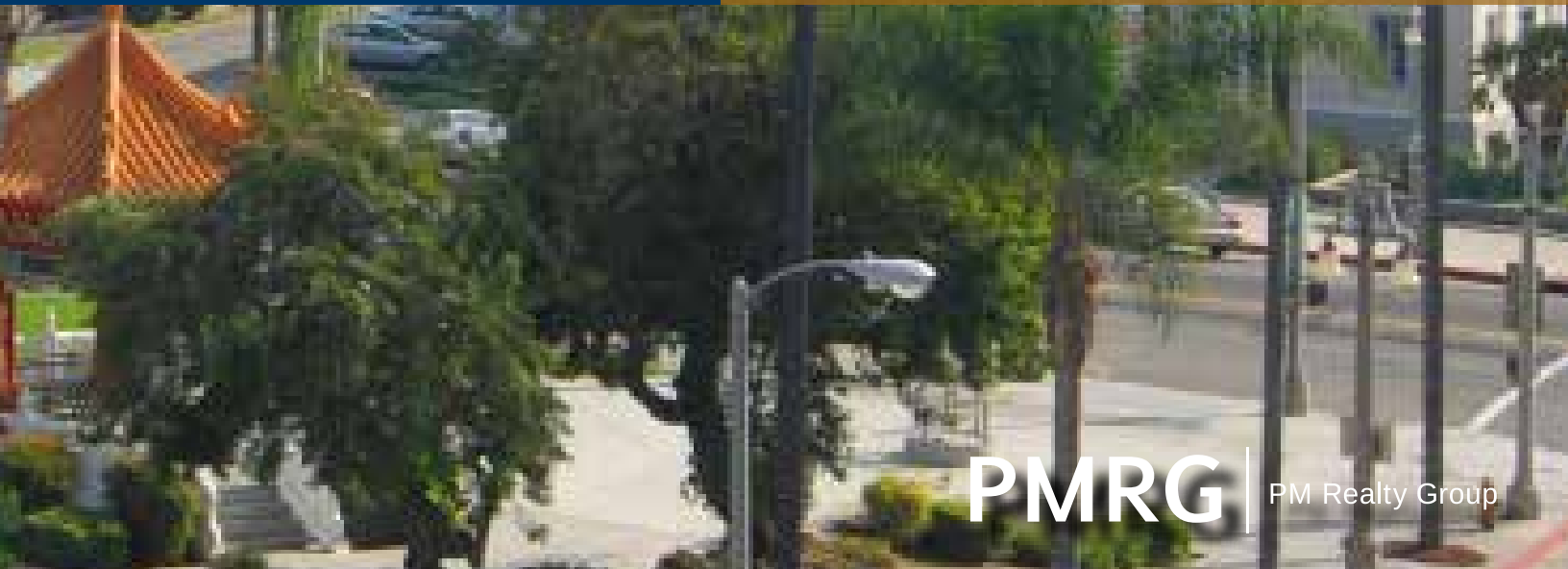




PMRG
Market DATA Glance

INLAND EMPIRE OFFICE
MARKET REPORT
THIRD QUARTER 2015



PMRG | PM Realty Group





ANNUAL JOB GROWTH

The Inland Empire created 44,500 net jobs in the 12 months ending August 2015, led by gains in the Professional & Business Services; Trade, Transportation & Utilities; and Leisure & Hospitality sectors.



12-MO DIRECT NET ABSORPTION

The Airport Area, East San Bernardino and South Riverside remained the top performing submarkets accounting for a combined 85% of the annual absorption gains. The Class B property sector has accounted for the majority of the absorption gains.



DIRECT VACANCY RATE

Overall direct vacancy has fallen 190 basis points over the year to its lowest level since 2007. Class B product has largely contributed to the slide in vacancy rates, accounting for the bulk of the leasing activity.



OVERALL RENTS

Overall asking rents have increased by 2.7% within the past 12 months. The Class B sector has solely accounted for the annual rent growth, and is slowly closing the large gap with Class A properties.



UNDER CONSTRUCTION

Only two office buildings totaling 48,029 sq. ft. have delivered year-to-date, but developers are nearing completion on a few projects that will add an additional 77,850 sq. ft. by year-end.



**Arrows represent change from previous 12 months*

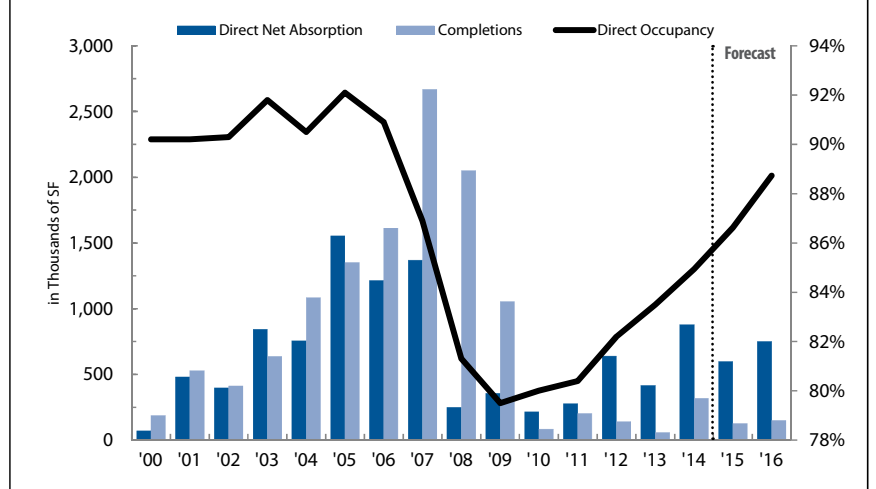
CLASS B SECTOR CONTINUES TO LEAD IN RECOVERY

The Inland Empire's economic expansion continues with solid job growth exceeding the 3.5% mark for three consecutive years, which currently has the 10th fastest growing economy in the nation. As a result, the metro area has created nearly 200,000 jobs since its trough in 2010, pushing employment levels to a record high. Office-using industry sectors, which include professional and business services, have significantly accounted for roughly one third of the annual employment gains. Demonstrating another sign of economic growth, the Riverside-San Bernardino-Ontario region's unemployment rate has dropped by 180 basis points to 6.8% within the past year. Looking ahead, employment levels are projected to increase by 50,384 jobs in 2015, followed by a strong addition of 34,031 jobs in 2016, according to Moody's Analytics.

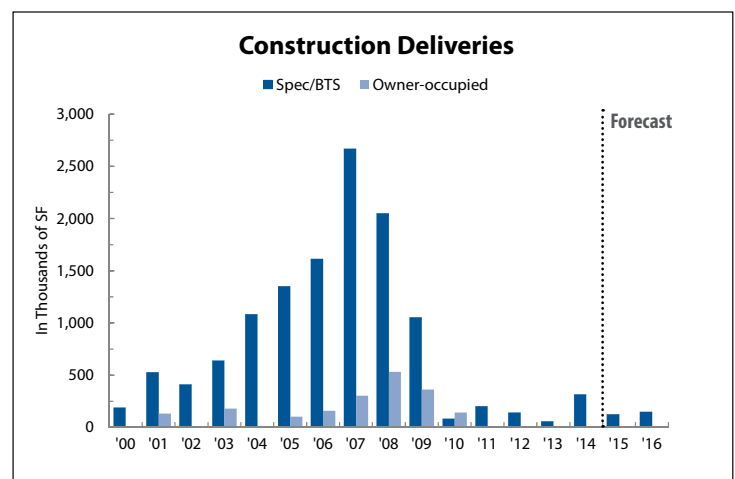
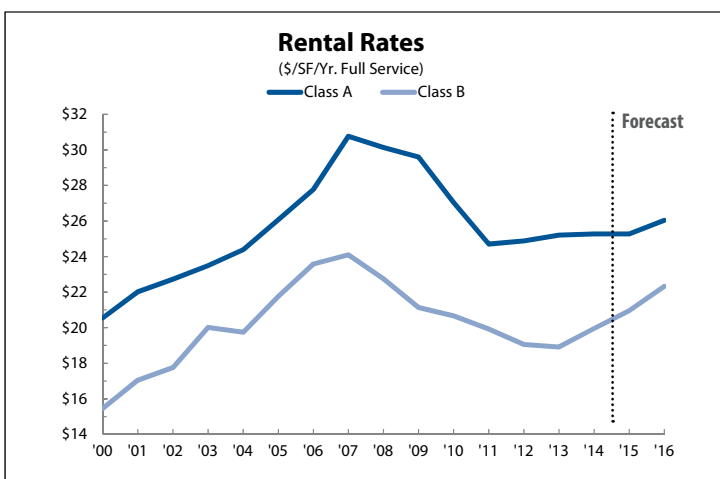
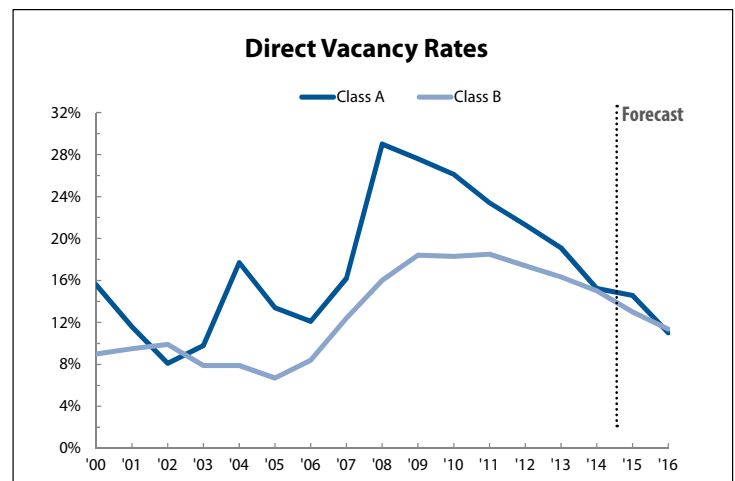
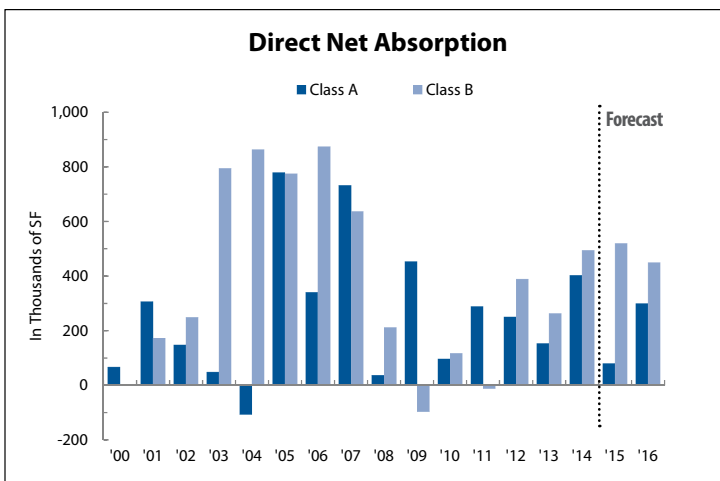
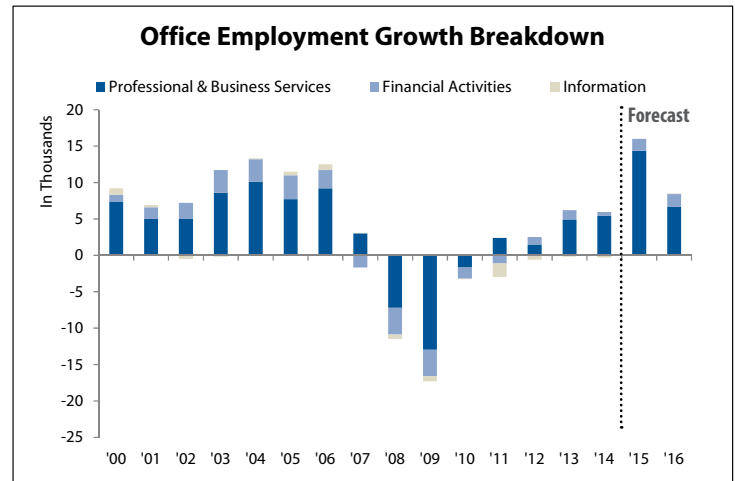
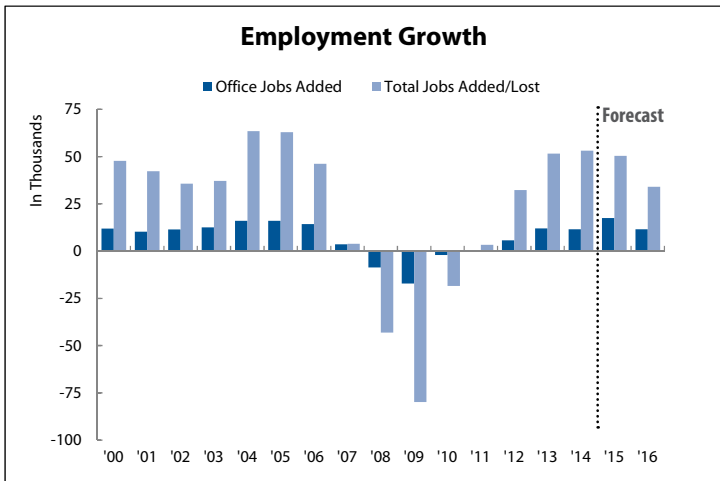
The Inland Empire's office leasing market rebounded with 215,595 sq. ft. of direct net absorption during the third quarter, after posting occupancy losses for the first time in over two years in the prior quarter. The Class B property office sector continued to show significant strength with 147,038 sq. ft. of direct space absorbed during the third quarter, bringing the trailing 12-month total up to 424,968 sq. ft. As a result, Class B direct vacancy rates declined by 60 basis points to 13.8% during the quarter, and have dropped 170 basis points within the last 12 months. The Class A sector also contributed to the gains with 68,557 sq. ft. of direct space absorbed during the quarter, pushing the trailing 12-month total to 168,913 sq. ft. Despite the significant losses in the prior quarter, direct vacancy rates for Class A space have managed to fall 240 basis points to 15.4% since this time last year. As quality space options have diminished, Class A full-service gross asking rents have declined by 1.3% to \$2.11 per sq. ft., while Class B asking rents have jumped 3.9% to \$1.69 per sq. ft. within the past 12 months.

Leasing demand continues to steadily improve as companies are becoming more confident in making longer term decisions. The bulk of the leasing activity has been driven by insurance, healthcare and government-related tenants. The largest recent transactions involved The County of San Bernardino committing to two leases for a total of 30,400 sq. ft. at 1040 and 1060 East Cooley Drive in East San Bernardino. York Risk Services Group also signed its second large lease of the year, taking 17,776 sq. ft. at 588 Technology Court in Riverside. Looking ahead, office market fundamentals are expected to gradually strengthen as strong office job growth spurs leasing demand. In terms of new supply, modest construction levels will help accelerate the office market's recovery and further push the overall direct occupancy rate upwards to its highest level since 2007.

Office Market Trends



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	6,246,597	1,185,923	49,498	15.5%	-3.3%	38,420	210,574	\$21.75	\$1.81	5.22%
Class A	2,158,328	384,174	0	16.6%	-1.4%	15,476	29,199	\$23.89	\$1.99	-0.75%
Class B	4,088,269	801,749	49,498	14.8%	-4.5%	22,944	181,375	\$20.68	\$1.72	7.09%
Riverside	6,154,354	983,985	62,601	12.8%	-1.3%	22,458	81,692	\$23.47	\$1.96	-0.47%
Class A	1,321,624	260,418	41,502	18.7%	-2.1%	5,119	27,701	\$28.77	\$2.40	-3.81%
Class B	4,832,730	723,567	21,099	11.2%	-1.1%	17,339	53,991	\$21.23	\$1.77	1.29%
South Riverside	3,861,226	581,895	1,187	13.4%	-1.9%	47,369	114,796	\$21.49	\$1.79	5.24%
Class A	967,697	160,162	0	16.5%	-2.9%	922	28,040	\$27.03	\$2.25	1.05%
Class B	2,893,529	421,733	1,187	12.4%	-1.5%	46,447	86,756	\$19.62	\$1.64	5.37%
Coachella Valley	2,685,067	418,648	28,978	10.9%	-1.9%	19,388	(14,596)	\$21.38	\$1.78	0.19%
Class A	298,444	44,026	6,291	11.4%	-6.9%	-	15,875	\$25.75	\$2.15	-7.97%
Class B	2,386,623	374,622	22,687	10.9%	1.7%	19,388	(30,471)	\$20.52	\$1.71	0.74%
Corona	1,597,659	317,987	33,728	17.5%	-1.9%	29,603	29,787	\$23.71	\$1.98	7.87%
Class A	657,782	94,963	20,243	13.9%	-6.9%	38,172	45,701	\$23.97	\$2.00	-1.52%
Class B	939,877	223,024	13,485	20.1%	1.7%	(8,569)	(15,914)	\$23.57	\$1.96	16.51%
North San Bernardino	1,140,557	90,508	0	6.8%	-3.0%	(3,149)	(1,373)	\$21.41	\$1.78	3.88%
Class A	93,878	4,434	0	4.7%	-1.6%	-	2,220	\$18.40	\$1.53	-0.81%
Class B	1,046,679	86,074	0	7.0%	-3.5%	(3,149)	(3,593)	\$21.64	\$1.80	3.94%
East San Bernardino	5,948,331	1,199,194	50,495	16.7%	-3.0%	51,045	178,432	\$19.83	\$1.65	2.96%
Class A	1,482,729	197,659	19,506	12.3%	-1.6%	12,708	23,396	\$23.21	\$1.93	0.61%
Class B	4,465,602	1,001,535	30,989	18.1%	-3.5%	38,337	155,036	\$18.98	\$1.58	2.76%
West San Bernardino	1,551,149	268,533	0	14.5%	0.4%	10,461	(5,431)	\$19.63	\$1.64	-3.21%
Class A	138,592	19,657	0	14.2%	2.3%	(3,840)	(3,219)	\$27.00	\$2.25	0.00%
Class B	1,412,557	248,876	0	14.5%	0.1%	14,301	(2,212)	\$18.80	\$1.57	-4.76%

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	7,119,074	1,165,493	87,542	15.4%	-2.4%	68,557	168,913	\$25.34	\$2.11	-1.29%
Class B	22,065,866	3,881,180	138,945	13.8%	-1.7%	147,038	424,968	\$20.23	\$1.69	3.85%
Overall	29,184,940	5,046,673	226,487	14.2%	-1.9%	215,595	593,881	\$21.54	\$1.80	2.72%

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.

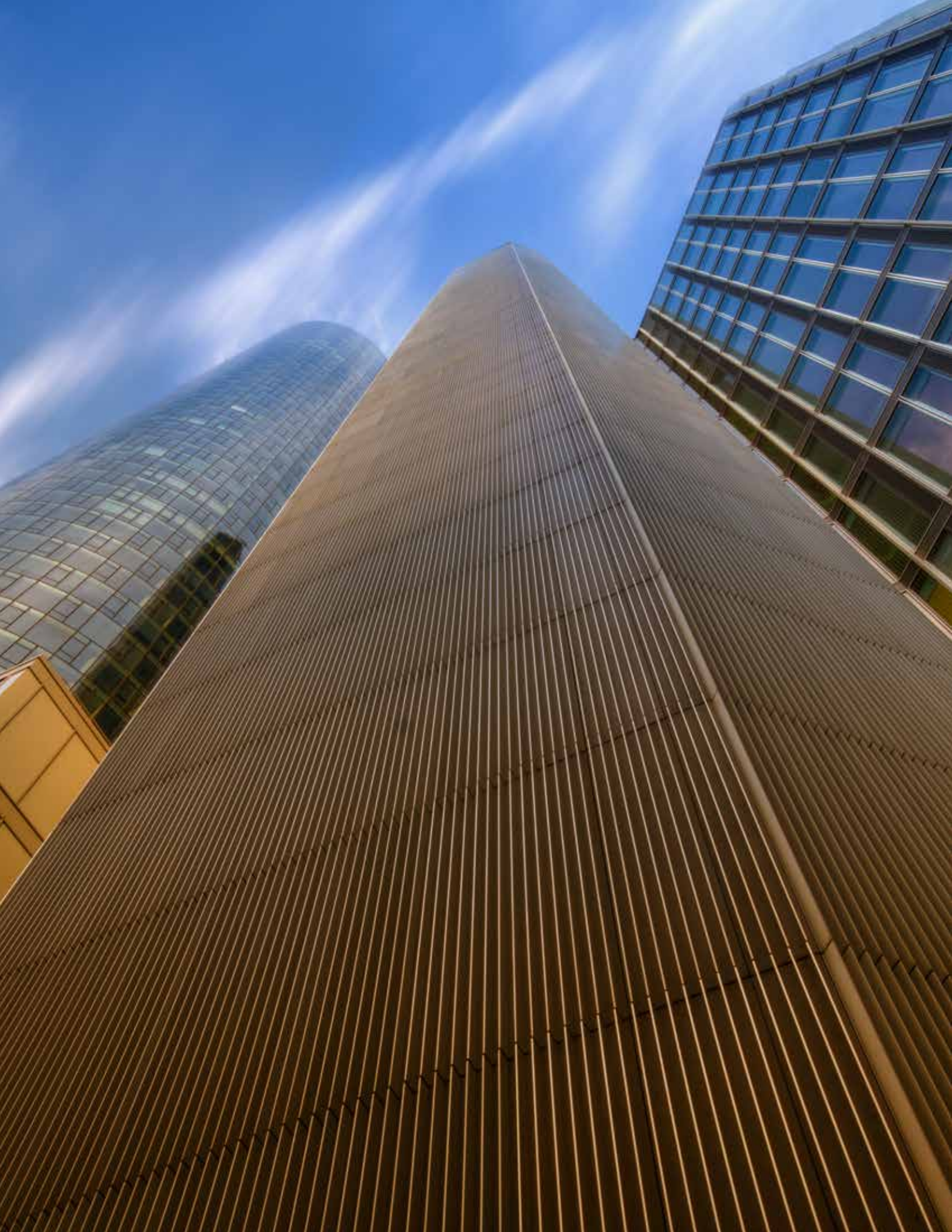
Our goal is to generate exceptional returns for our clients and investors by focusing on real estate fundamentals. For additional information, visit www.pmr.com.

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- Management Services
- Property Management
- Construction Management
- Development Services
- National Market Research







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