



ANNUAL JOB GROWTH

The Inland Empire created 27,500 net jobs in the 12 months ending November 2014, led by gains in the Professional & Business Services; Trade, Transportation & Utilities; and Education & Health Services sectors.



12-MO DIRECT NET ABSORPTION

The Airport Area and South Riverside were the top performing submarkets accounting for a combined 72.3% of the annual absorption gains over the prior 12 months. Over the last 12 months, the overall absorption growth was nearly evenly split between the Class A and B property sectors.



DIRECT VACANCY RATE

Falling 210 basis points since last year, overall vacancy rates have dropped to a six-year low. The Class A sector being the main component driving the rate down, has fallen 440 basis points since last year to 14.7%.



OVERALL RENTS

Overall asking rents have increased by 3.1% 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.



UNDER CONSTRUCTION

The office construction pipeline has remained well below its 10-year historical average of 822,488 sq. ft. The limited amount of new supply has helped accelerate the office market's recovery. With nearly 88% of the new construction already pre-leased, this is a strong indicator of a recovering market.

**Arrows represent change from previous 12 months*



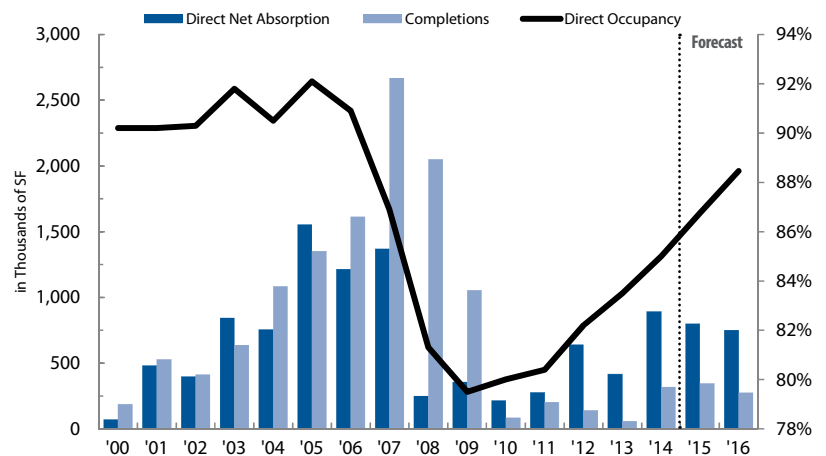
VACANCY RATES DROP TO 6-YEAR LOW

The Inland Empire's economy is in absolute recovery mode with steady job growth and falling unemployment rates, after languishing for several years. Office-using job sectors, which include professional and business services, have significantly accounted for nearly 36% 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 130 basis points to 8.0% within the past year. Although the Inland Empire has created 161,300 jobs since its post-recessionary trough in mid-year 2010, the current employment levels still remain 11,700 jobs below their peak recorded at year-end 2006. Looking ahead, employment levels are projected to increase by 30,200 jobs in 2015, according to the Los Angeles County Economic Development Corporation.

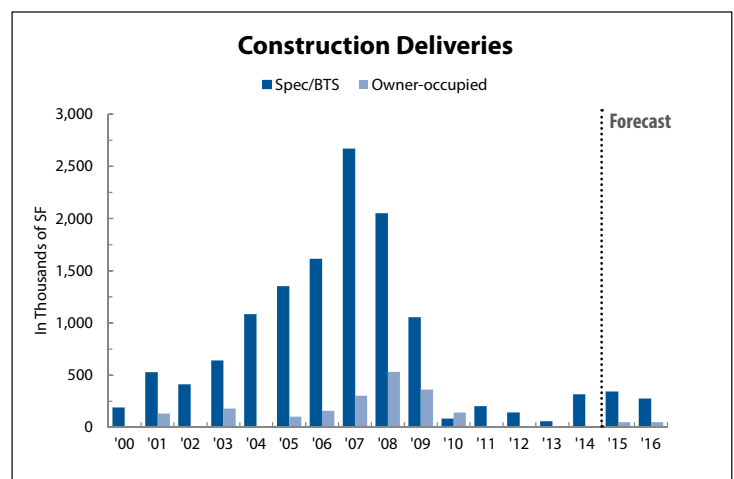
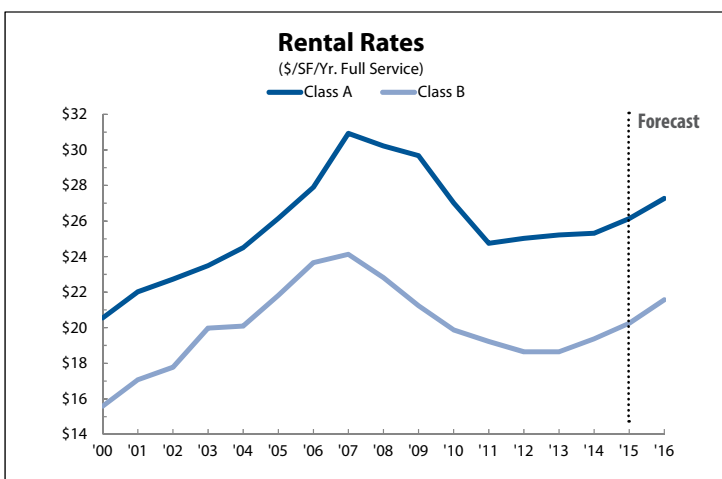
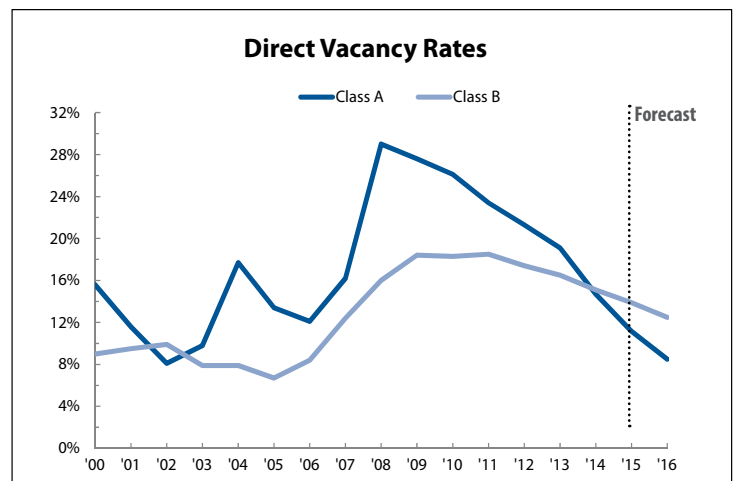
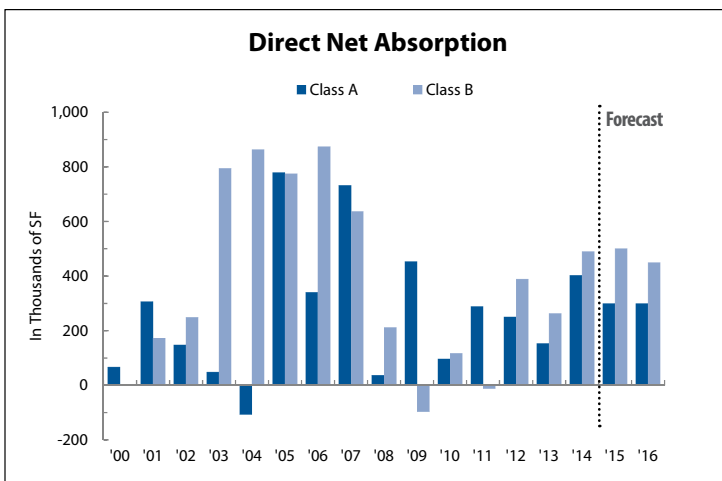
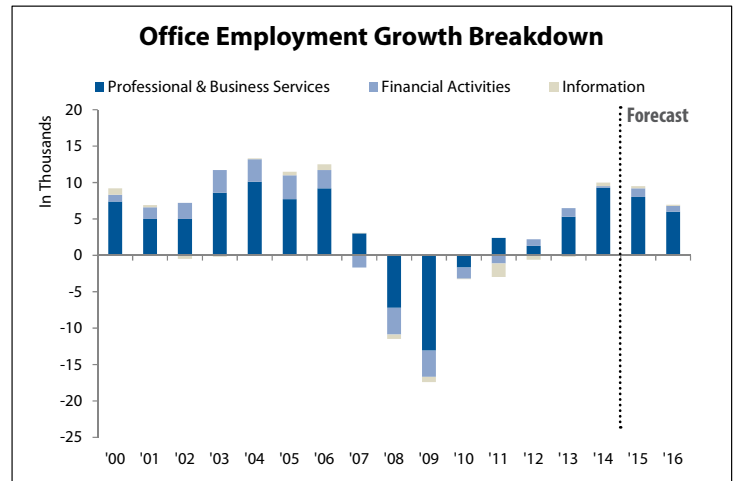
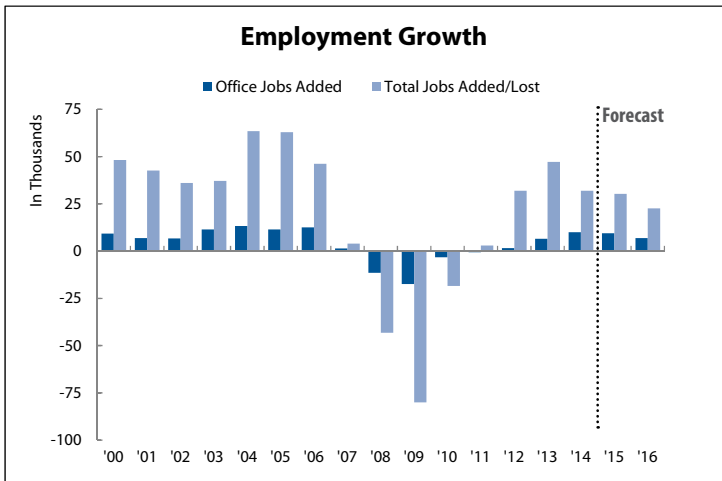
The Inland Empire's office leasing market fundamentals continued to improve with 893,028 sq. ft. of direct net absorption in 2014, which was its highest yearly absorption total since 2007. The Class A office market experienced 182,338 sq. ft. of direct net absorption growth during the fourth quarter, bringing the annual total to 402,864 sq. ft. Class A direct vacancy rates remarkably dropped 440 basis points to 14.7% within the last 12 months, reaching their lowest level since year-end 2006. The Class B property sector posted 121,958 sq. ft. of direct absorption during the quarter, pushing the yearly total to 490,164 sq. ft. Direct vacancy rates for Class B space fell 140 basis points since this time last year to 15.1%. As demand continues to steadily increase, Class A full-service gross asking rents rose slightly by 0.4% to \$2.11 per sq. ft., while Class B rates jumped 3.9% to \$1.61 per sq. ft. since year-end 2013.

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 the California Preparatory College signed a 26,785 sq. ft. lease at 1060 E. Washington Street. 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 to 13.2% by year-end 2015.

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	6,200,343	1,126,956	9,660	15.1%	-6.0%	205,578	415,276	\$21.14	\$1.76	3.22%
Class A	2,158,328	423,883	0	12.6%	-7.9%	116,955	216,745	\$23.58	\$1.96	-0.88%
Class B	4,042,015	703,073	9,660	16.5%	-4.9%	88,623	198,531	\$19.64	\$1.64	3.48%
Riverside	6,367,575	1,139,138	48,926	13.6%	-1.0%	45,499	115,690	\$22.68	\$1.89	3.80%
Class A	1,321,624	261,019	16,153	19.2%	-4.1%	13,181	54,401	\$29.73	\$2.48	2.59%
Class B	5,045,951	878,119	32,773	12.2%	-0.2%	32,318	61,289	\$20.41	\$1.70	4.51%
South Riverside	3,813,136	602,576	7,606	14.8%	-2.6%	18,614	230,796	\$19.24	\$1.60	3.16%
Class A	967,697	178,021	5,892	17.4%	-4.8%	19,318	97,309	\$26.19	\$2.18	2.50%
Class B	2,845,439	424,555	1,714	14.0%	-2.0%	(704)	133,487	\$17.39	\$1.45	8.21%
Coachella Valley	2,819,769	438,908	19,810	10.2%	-1.5%	(1,068)	46,208	\$20.41	\$1.70	-0.15%
Class A	298,444	43,973	3,872	13.2%	-4.0%	10,520	(824)	\$26.22	\$2.18	-4.17%
Class B	2,521,325	394,935	15,938	9.9%	0.2%	(11,588)	47,032	\$19.51	\$1.63	0.98%
Corona	1,596,799	341,915	23,980	17.9%	-1.5%	19,259	24,333	\$21.23	\$1.77	-2.26%
Class A	656,922	125,515	4,816	18.4%	-4.0%	16,277	26,321	\$24.59	\$2.05	2.97%
Class B	939,877	216,400	19,164	17.5%	0.2%	2,982	(1,988)	\$18.98	\$1.58	-7.14%
North San Bernardino	1,017,003	101,027	0	6.8%	-0.2%	(6,490)	(3,328)	\$20.75	\$1.73	5.87%
Class A	93,878	6,654	0	7.1%	0.5%	0	0	\$18.40	\$1.53	-0.81%
Class B	923,125	94,373	0	6.8%	-0.3%	(6,490)	(3,328)	\$20.92	\$1.74	6.14%
East San Bernardino	5,906,664	1,279,501	49,705	19.6%	-0.2%	8,463	9,962	\$19.35	\$1.61	6.55%
Class A	1,255,361	134,749	9,559	10.5%	0.5%	7,948	(5,909)	\$22.87	\$1.91	3.39%
Class B	4,651,303	1,144,752	40,146	22.1%	-0.3%	515	15,871	\$18.92	\$1.58	6.71%
West San Bernardino	1,543,214	262,532	2,250	13.3%	-3.5%	14,441	54,091	\$20.48	\$1.71	-1.96%
Class A	138,592	18,299	0	13.2%	-10.7%	(1,861)	14,821	\$27.00	\$2.25	2.27%
Class B	1,404,622	244,233	2,250	13.3%	-2.8%	16,302	39,270	\$19.89	\$1.66	-0.15%

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	6,890,846	1,192,113	40,292	14.7%	-4.4%	182,338	402,864	\$25.31	\$2.11	0.36%
Class B	22,373,657	4,100,440	121,645	15.1%	-1.4%	121,958	490,164	\$19.37	\$1.61	3.92%
Overall	29,264,503	5,292,553	161,937	15.0%	-2.1%	304,296	893,028	\$20.77	\$1.73	3.08%

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

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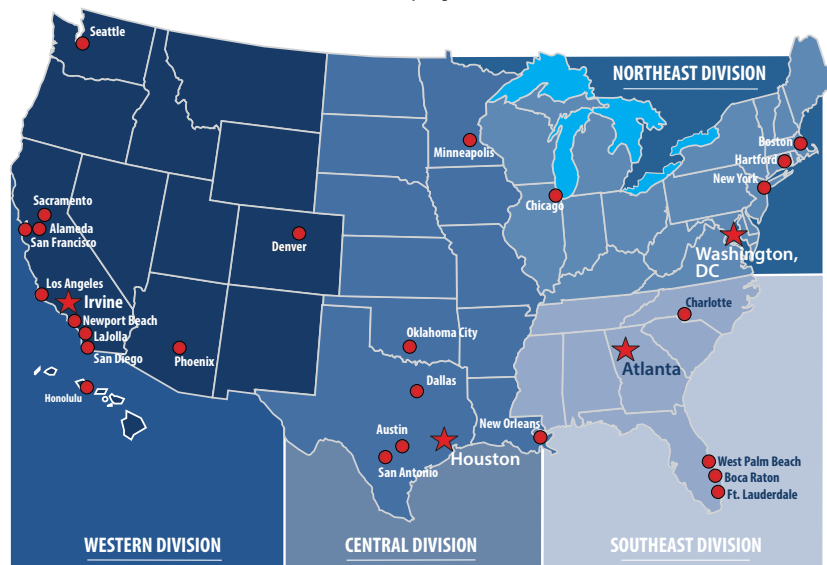
PMRG's portfolio, including projects managed for third parties, includes commercial office buildings, mixed-use centers, corporate headquarters, industrial buildings, medical facilities, high-rise multifamily buildings and re-appropriated military facilities.

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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