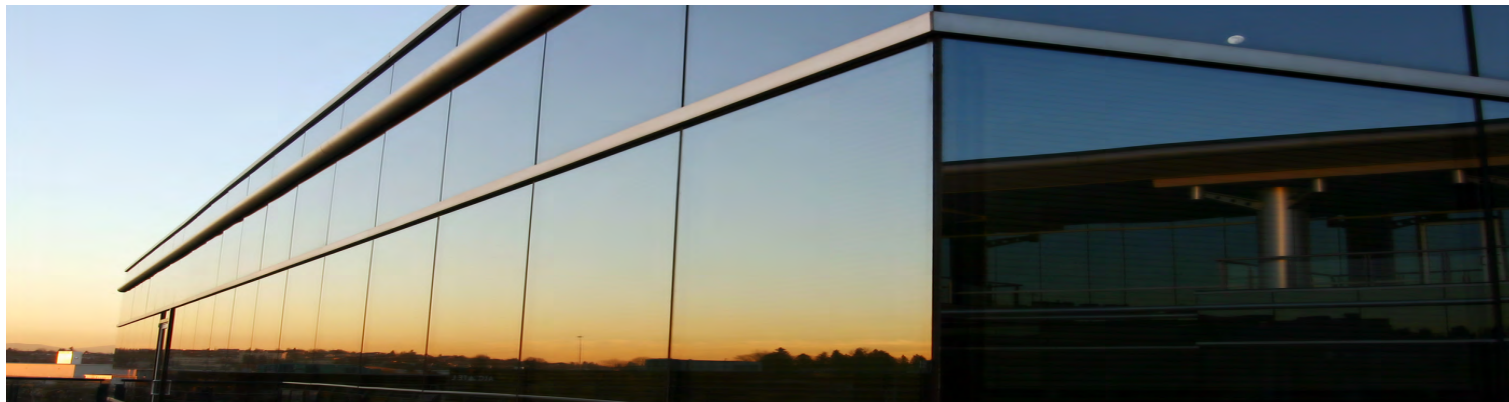


Inland Empire



Market Facts

4.1%

Inland Empire
Unemployment Rate

349,982 SF

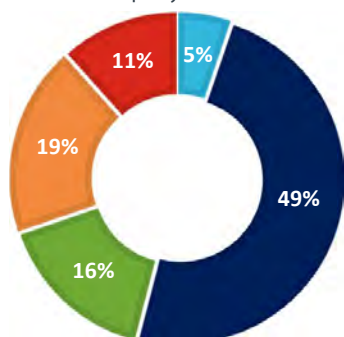
Positive Net Absorption
Current Quarter

9.0%

Total Vacancy Rate
Down From 10.0% In Q2 2018

\$1.90 PSF

Asking Rental Rate
Weighted Average

Q3 2018 Transaction Volume by
Property Sector


- Office
- Industrial
- Retail
- Multi-Family
- Land

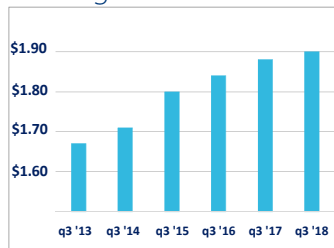
Market Overview

Construction activity in the Inland Empire is starting to increase as developers draw confidence from steadily decreasing vacancy combined with escalating rental rates. The Inland Empire's unemployment rate, as of the third quarter of 2018, was 4.1%, down from 4.7% in the previous quarter, and down from 4.9% one year ago. Within the market, unemployment was 4.4% in Riverside County and 3.8% in San Bernardino County. Transportation and warehousing have been leading the way in employment gains over the past year, along with significant additions in government jobs. Meanwhile, hospitality, healthcare and education are also expanding as a result of population growth.

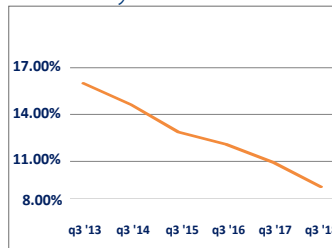
The counties of Riverside and San Bernardino, which make up the Inland Empire market, are responding to the increasing need for healthcare services due to the population boom in the market. The vast majority of newly delivered office inventory, in addition to projects currently under construction, consist of medical office space. Construction activity has gradually increased over the last two years, however deliveries are still well below pre-recession levels, and the market has extensive room to grow. There are currently nine buildings under construction throughout the region, with a total of 645,745 sf of expected new inventory, 70% of which is pre-committed to tenants. The largest project is the 200,000 sf outpatient center that will connect to the Riverside University Health Services medical center campus in Moreno Valley. Beaumont will also add significant medical space inventory with the Sundance Corporate Center.

As of the third quarter of 2018, vacancy in the Inland Empire's office market has decreased to 9.0%, from the previous quarter at 10.0%, and down from 10.6% at the same time one year ago. On a year-over-year basis, vacancy has decreased tremendously since recession highs of 20% when construction activity had reached record levels. Constricted inventory has helped keep rental rates at their highest level in eight years. As of the third quarter rents averaged \$1.90 psf FSG, flat from the previous quarter, and up from the same time in the previous year at \$1.86 psf FSG. Office rents are expected to continue to climb, as they have not yet reached pre-recession levels, which had surged above \$2.20. Total net absorption registered positive 349,982 sf for the quarter, and positive 838,485 sf for the most recent 12 month time period.

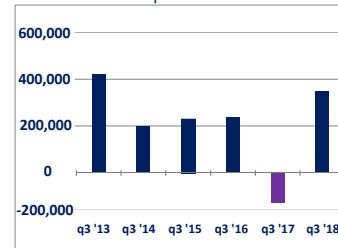
Asking Rent



Vacancy Rates

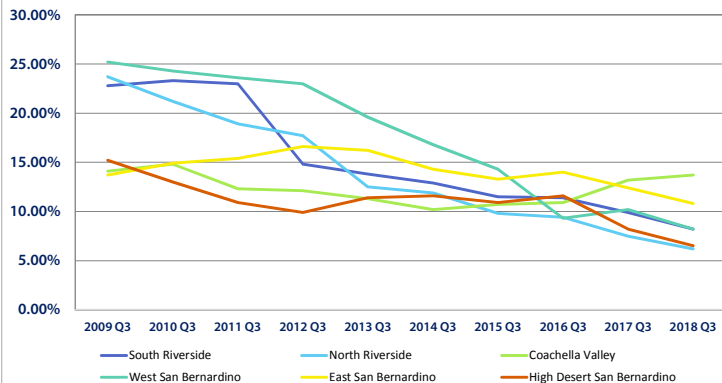


Net Absorption

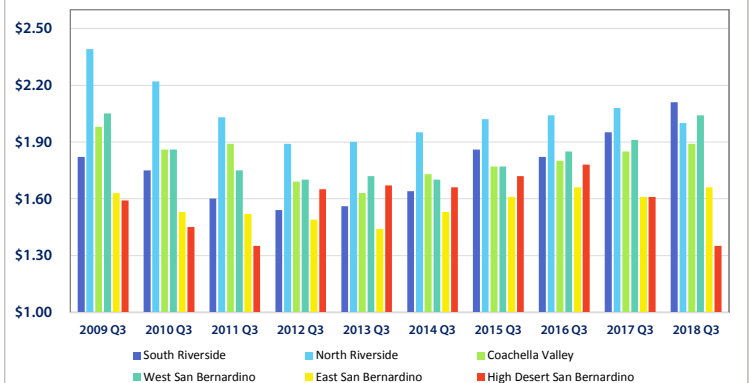


| | Vacancy | | | | Net Absorption | | Avg. Advertised Rates (FSG) | | | Construction Pipeline | |
|-------------------------------------|------------------------|----------------------|---------------------|---------------------|----------------------------|-------------------------|-----------------------------|----------------------|--------------------|---------------------------------|-----------------------------------|
| | Q3 2018 Inventory (SF) | Q3 2018 Vacancy (SF) | Q3 2018 Vacancy (%) | Q2 2018 Vacancy (%) | Current Quarter Absorption | Year-To-Date Absorption | Q3 2018 Rental Rates | Q2 2018 Rental Rates | Qtr/Qtr Change (%) | Current Quarter Deliveries (SF) | Under Construction Currently (SF) |
| South Riverside | | | | | | | | | | | |
| Temecula / Murrieta / Lake Elsinore | 4,071,490 | 348,584 | 8.60% | 9.10% | 77,847 | 146,295 | \$2.15 | \$2.13 | 0.94% | 60,000 | 0 |
| Perris / Menifee | 348,998 | 11,320 | 3.20% | 4.50% | 4,450 | -4,657 | \$2.40 | \$2.27 | 5.73% | 0 | 24,000 |
| Hemet | 312,101 | 69,004 | 22.10% | 20.80% | -4,001 | -139 | \$1.80 | \$1.80 | 0.00% | 0 | 0 |
| South Riverside TOTAL | 4,732,589 | 428,908 | 9.10% | 9.60% | 78,296 | 141,499 | \$2.11 | \$2.09 | 0.96% | 60,000 | 24,000 |
| North Riverside | | | | | | | | | | | |
| Corona | 2,766,022 | 147,228 | 5.30% | 6.20% | 19,130 | 124,946 | \$1.92 | \$1.92 | 0.00% | 0 | 0 |
| Riverside City | 5,320,835 | 418,937 | 7.90% | 9.30% | 73,023 | 77,587 | \$2.05 | \$2.00 | 2.50% | 0 | 57,317 |
| Moreno Valley | 1,495,300 | 55,182 | 3.70% | 3.60% | -19,821 | -16,953 | \$1.78 | \$1.82 | -2.20% | 0 | 225,319 |
| Beaumont / Banning | 137,332 | 0 | 0.00% | 0.00% | 0 | 0 | \$0.00 | \$0.00 | 0.00% | 0 | 22,183 |
| West Riverside TOTAL | 9,719,489 | 621,347 | 6.40% | 7.40% | 72,332 | 185,580 | \$2.00 | \$1.97 | 1.52% | 0 | 304,819 |
| Coachella Valley | | | | | | | | | | | |
| Indio / Coachella | 283,094 | 20,254 | 7.20% | 7.20% | 0 | 5,200 | \$1.70 | \$1.66 | 2.41% | 0 | 0 |
| Palm Desert / Palm Springs | 2,608,205 | 377,564 | 14.50% | 13.40% | -52,456 | -42,291 | \$1.90 | \$2.02 | -5.94% | 0 | 0 |
| Coachella Valley TOTAL | 2,891,299 | 397,818 | 13.80% | 12.80% | -52,456 | -37,091 | \$1.89 | \$1.99 | -5.03% | 0 | 0 |
| West San Bernardino | | | | | | | | | | | |
| Chino | 620,416 | 19,631 | 3.20% | 6.10% | 17,913 | 17,913 | \$2.32 | \$2.29 | 1.31% | 0 | 91,500 |
| Airport Area | 7,676,921 | 707,809 | 9.20% | 10.10% | 70,345 | 144,284 | \$2.03 | \$2.05 | -0.98% | 0 | 135,200 |
| West San Bernardino TOTAL | 8,297,337 | 727,440 | 8.80% | 9.80% | 88,258 | 220,132 | \$2.04 | \$2.06 | -0.97% | 0 | 226,700 |
| East San Bernardino | | | | | | | | | | | |
| San Bernardino City / Redlands | 7,573,555 | 840,849 | 11.10% | 11.70% | 58,807 | 58,807 | \$1.67 | \$1.64 | 1.83% | 0 | 0 |
| Fontana / Rialto | 854,898 | 79,253 | 9.30% | 20.90% | 89,065 | 97,712 | \$1.64 | \$1.66 | -1.20% | 0 | 0 |
| East San Bernardino TOTAL | 8,428,453 | 920,102 | 10.90% | 12.50% | 147,872 | 102,806 | \$1.66 | \$1.64 | 1.22% | 0 | 0 |
| High Desert San Bernardino | | | | | | | | | | | |
| Victorville/Hesperia/Adelanto | 933,304 | 56,224 | 6.00% | 7.60% | 14,950 | 23,297 | \$1.38 | \$1.43 | -3.50% | 0 | 0 |
| Barstow | 55,217 | 8,411 | 15.20% | 16.60% | 730 | 730 | \$0.94 | \$0.78 | 20.51% | 0 | 0 |
| North San Bernardino TOTAL | 988,521 | 64,635 | 6.50% | 8.10% | 15,680 | 24,027 | \$1.35 | \$1.27 | 6.30% | 0 | 0 |
| INLAND EMPIRE | | | | | | | | | | | |
| Class A | 8,988,621 | 537,264 | 6.00% | 7.70% | 155,794 | 243,349 | \$2.29 | \$2.31 | -0.87% | 0 Bldgs | 2 Bldgs |
| Class B | 21,905,928 | 2,322,084 | 10.60% | 11.40% | 194,401 | 417,673 | \$1.85 | \$1.80 | 2.78% | 1 Bldgs | 7 Bldgs |
| Class C | 4,055,889 | 300,902 | 7.40% | 6.70% | -39,875 | -63,731 | \$1.54 | \$1.60 | -3.75% | 0 Bldgs | 0 Bldgs |
| TOTAL OFFICE | 35,057,688 | 3,160,250 | 9.00% | 10.00% | 349,982 | 636,953 | \$1.90 | \$1.90 | 0.00% | 60,000 (SF) | 555,519 (SF) |

Vacancy by Region



Rental Rate by Region



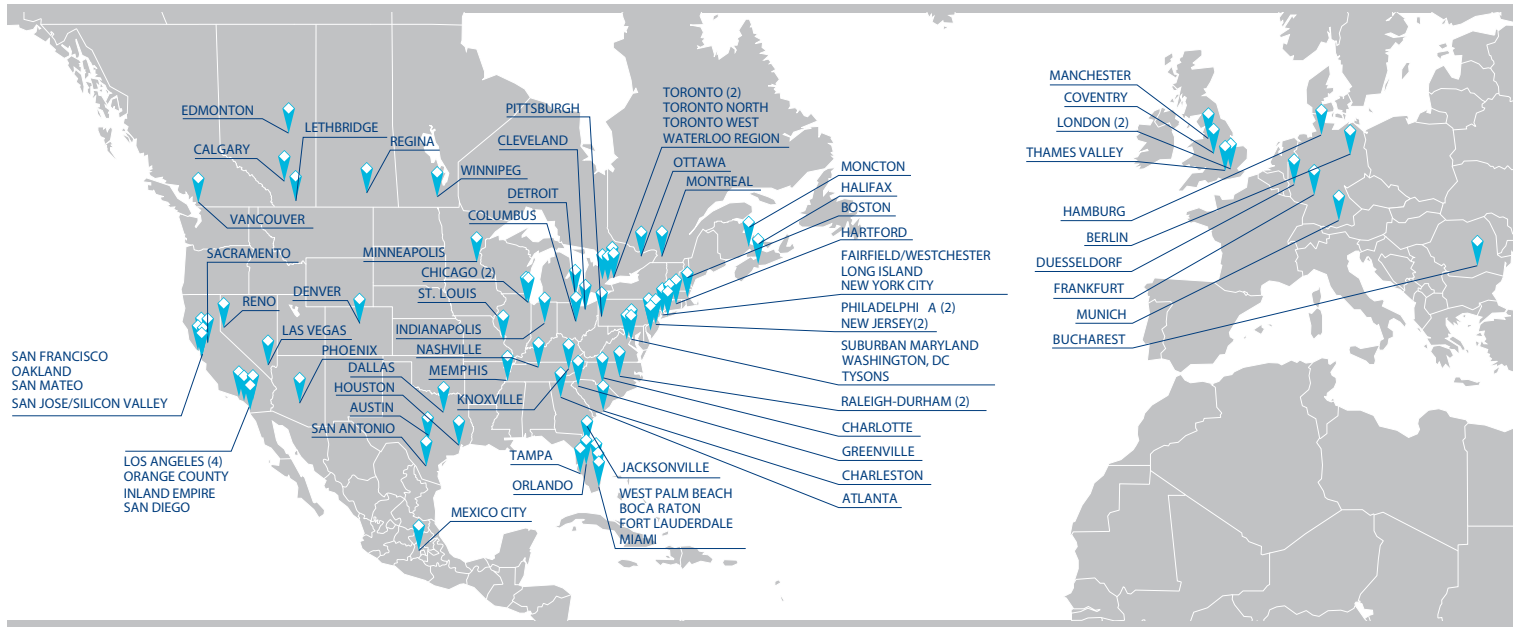
| SUBMARKET | SUBMARKET DIVISIONS | CITIES WITHIN SUBMARKET |
|-----------------------------------|-------------------------------------|--|
| South Riverside | Temecula / Murrieta / Lake Elsinore | Temecula, Murrieta, Lake Elsinore, Wildomar |
| | Perris / Menifee | Perris, Menifee, Nuevo, Romoland, Sun City |
| | Hemet | Hemet, San Jacinto |
| | Corona | Corona, Norco |
| | Riverside City | Eastvale, Jurupa Valley, Mira Loma, Riverside City-North |
| North Riverside | Moreno Valley | Moreno Valley, Riverside City-South |
| | Beaumont / Banning | Beaumont, Banning, Cabazon, Callimesa |
| | Coachella / Indio | Coachella, Indio, Mecca, Thermal |
| Coachella Valley | Palm Desert / Palm Springs | Palm Desert, Palm Springs, North Palm Springs, Desert Hot Springs, Bermuda Dunes, Cathedral City, Thousand Palms, Rancho Mirage, Indian Wells, La Quinta |
| West San Bernardino | Chino | Chino, Chino Hills |
| | Airport Area | Ontario, Rancho Cucamonga, Upland, Etiwanda, Montclair |
| East San Bernardino | San Bernardino City / Redlands | San Bernardino City, Redlands, Highland, Montone, Yucaipa |
| | Fontana / Rialto | Fontana, Rialto, Colton, Grand Terrace, Loma Linda, Bloomington |
| High Desert San Bernardino | Victorville / Hesperia / Adelanto | Victorville, Hesperia, Adelanto, Apple Valley, Oak Hills, Silver Lakes |
| | Barstow | Barstow |

A Growing, Multinational Presence

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Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 84 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



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