

## MARKET CHANGE

*Compared to Previous Quarter:*

**Vacancy**  
**DOWN**

**Net Absorption**  
**POSITIVE**

**Lease Rates**  
**UP**

**Transactions**  
**UP**

**Deliveries**  
**FLAT**

*To view available properties or electronic versions of current or past market reports, please visit:*

[www.voitco.com](http://www.voitco.com)

Prepared by:  
**Jerry J. Holdner, Jr.**  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)  
**Carla Mantecon**  
Market Research Analyst  
e-mail: [cmantecon@voitco.com](mailto:cmantecon@voitco.com)  
VOIT Real Estate Services

## HIGHLIGHTS

- **Encouraging Numbers** - The Inland Empire office market continued improving during the first quarter of 2015. Both vacancy and availability displayed drops compared to the previous year. Net absorption posted over 310,000 square feet of positive absorption during the year. While these are all positive indications, job growth will need to continue in coming quarters for the Inland Empire office market to further improve.
- **Construction** - There was 84,122 square feet under construction in the Inland Empire at the end of the first quarter of 2015, which was located in Banning. Nothing new was delivered during the quarter and only 168,000 square feet of new product was delivered in 2014. The slowdown in construction has and will ease the upward pressure on vacancy and the downward pressure on lease rates.
- **Vacancy** - Direct/sublease space (unoccupied) finished the first quarter of 2015 at 12.54%, a decrease of 78 basis points when compared to the previous quarter, and a 12.80% drop compared to the same quarter last year.
- **Availability** - Direct/sublease space being marketed was 16.42% at the end of the quarter, down from 2014's first quarter rate of 17.71% and a 46 basis point decrease from the 16.88% we saw at the end of the fourth quarter of 2014.
- **Lease Rates** - The average asking full-service gross (FSG) lease rate per month per square foot was \$1.75 in the first quarter of 2015, down one cent from the same quarter last year. We are forecasting that the rate will rise during 2015. The record high rate of \$2.10 was established in the third quarter of 2008. Class A rates for the market averaged \$2.08 FSG. Geographically, the highest rates were found in the East County submarket, where they averaged \$1.75 FSG.
- **Absorption** - The Inland Empire office market posted 311,197 square feet of positive net absorption for the first quarter of

2015. From the second quarter of 2011 to the end of the first quarter of 2015, the office market has posted just over 2.6 million square feet of positive absorption.

- **Transaction Activity** - Leasing activity checked in at just over 540,000 square feet in the first quarter of the year, a decrease from 2014's first quarter total of 593,000 square feet. Sales activity showed an increase in the first quarter of 2015, posting 864,000 square feet of activity compared to 2014's first quarter total of 606,000 square feet. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 6.8% in February 2015, down from a revised 7.3% in January 2015 and below the year-ago estimate of 8.9%. This compares with an unadjusted unemployment rate of 6.8% for California and 5.8% for the nation during the same period. The unemployment rate was 6.9% for Riverside County and 6.7% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA showed a net gain of 56,600 payroll jobs from February 2014 to February 2015. The largest gains were 13,800 jobs in trade, transportation, and utilities and 12,100 jobs in professional and business services.
- **Overall** - We are seeing a decrease in the amount of vacant and available space being added to the market. Absorption is positive, and with few new deliveries to put upward pressure on vacancy, the market should continue to improve. While these are positive indicators, cautious optimism still prevails, as job creation will need to continue in order to drive the demand needed to sustain growth in the Inland Empire office market.

## FORECAST

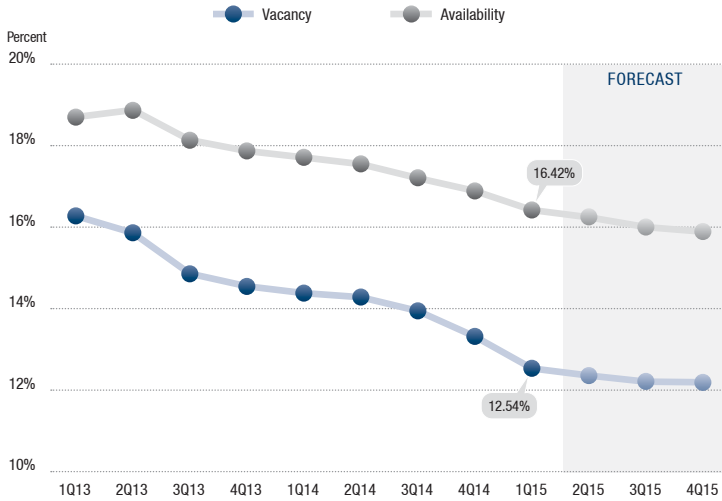
- **Employment** - We anticipate job growth of around 2.4%, or 30,200 jobs, in the Inland Empire area over the year. Look for leisure, hospitality, transportation, logistics, distribution and construction to lead the way for employment gains in the coming years.
- **Lease Rates** - Expect average asking lease rates to increase by another 1% to 2% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 35 basis points, to around 12.2%, by the end of the fourth quarter of 2015.

## OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	12.54%	13.32%	14.38%	(12.80%)
Availability Rate	16.42%	16.88%	17.71%	(7.28%)
Average Asking Lease Rate	\$1.75	\$1.74	\$1.76	(0.57%)
Sale & Lease Transactions	1,403,869	1,187,900	1,198,967	17.09%
Gross Absorption	648,915	604,113	489,533	32.56%
Net Absorption	311,197	242,349	69,902	N/A

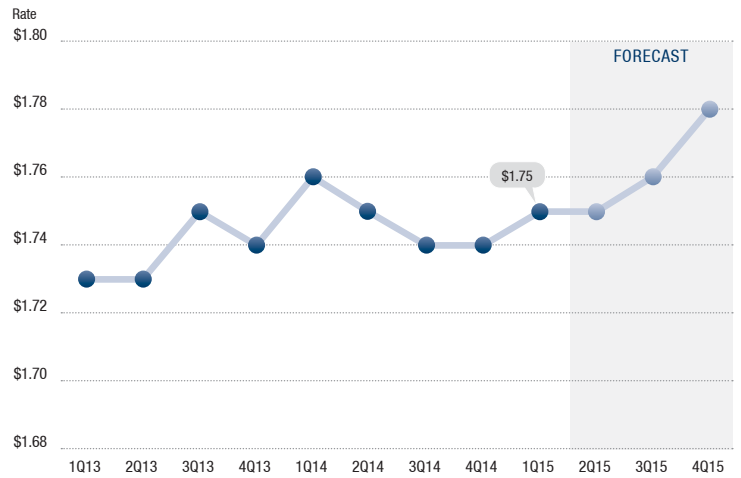
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



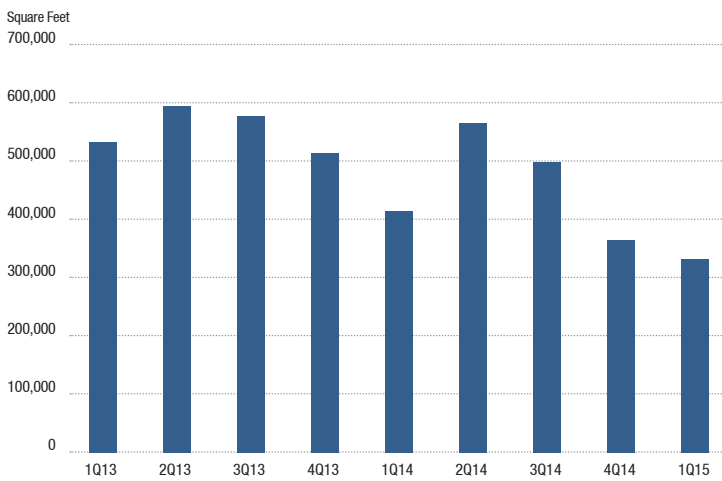
AVERAGE ASKING FULL-SERVICE LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



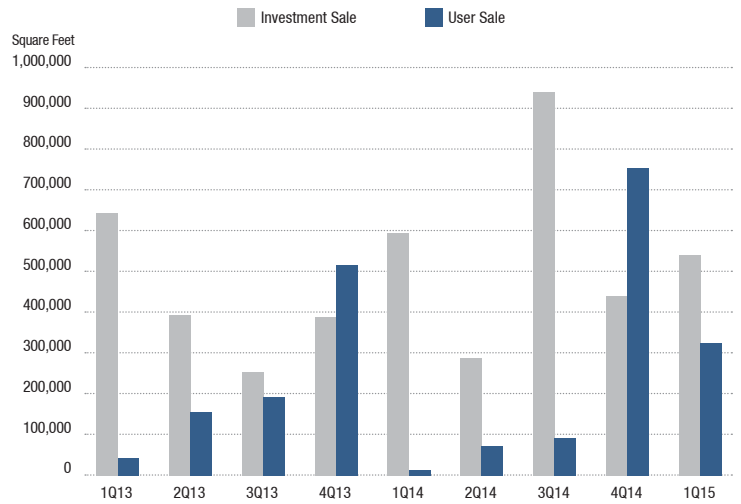
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



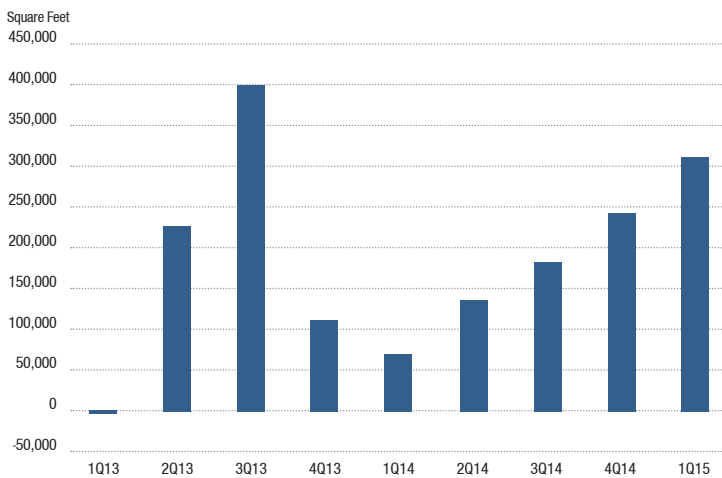
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



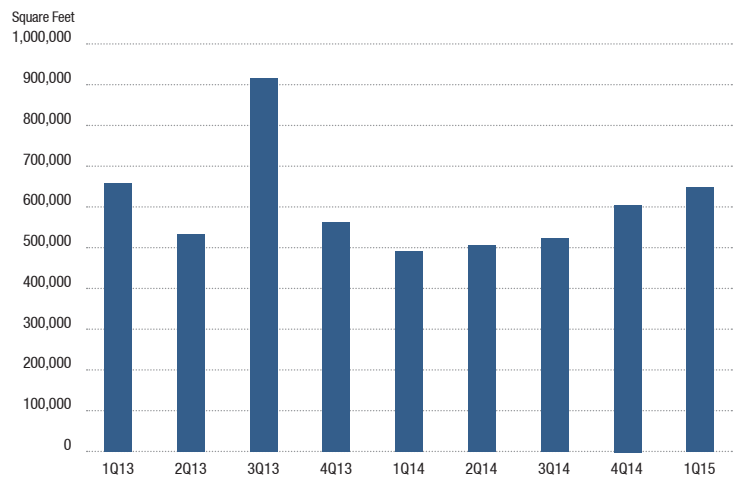
NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



GROSS ABSORPTION

TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY			VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2015	Square Feet Available	Availability Rate 1Q2015	Average Asking Lease Rate	Net Absorption 1Q2015	Net Absorption 2014	Gross Absorption 1Q2015	Gross Absorption 2014
<b>West</b>													
Chino/Chino Hills	38	1,178,105	0	142,181	99,056	8.41%	123,744	10.50%	\$2.18	(1,019)	45,103	3,526	71,311
Fontana	35	2,365,370	0	58,500	110,755	4.68%	117,405	4.96%	\$0.97	2,275	(26,689)	5,124	2,073
Montclair	13	240,697	0	0	25,076	10.42%	30,399	12.63%	\$0.98	(9,355)	5,823	2,566	12,317
Ontario	110	4,328,872	0	1,436,740	647,433	14.96%	799,814	18.48%	\$1.79	28,034	319,518	76,161	520,937
Rancho Cucamonga	142	4,387,551	0	127,930	423,348	9.65%	701,531	15.99%	\$1.78	68,671	45,977	137,634	314,287
Upland	70	1,536,458	0	0	219,622	14.29%	270,001	17.57%	\$1.43	(2,554)	(15,492)	14,805	82,464
Class A	27	2,358,218	0	1,255,451	269,899	11.45%	427,998	18.15%	\$1.94	19,854	231,566	32,980	358,823
Class B	282	9,727,019	0	509,900	1,002,137	10.30%	1,312,280	13.49%	\$1.66	72,592	228,577	200,031	596,566
Class C	99	1,951,816	0	0	253,254	12.98%	302,616	15.50%	\$1.12	(6,394)	(85,903)	6,805	48,000
<b>West Total</b>	<b>408</b>	<b>14,037,053</b>	<b>0</b>	<b>1,765,351</b>	<b>1,525,290</b>	<b>10.87%</b>	<b>2,042,894</b>	<b>14.55%</b>	<b>\$1.74</b>	<b>86,052</b>	<b>374,240</b>	<b>239,816</b>	<b>1,003,389</b>
<b>East</b>													
Banning	5	90,461	84,122	85,283	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Beaumont	4	168,918	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Corona/Norco	95	3,159,755	0	280,325	501,046	15.86%	599,046	18.96%	\$1.80	(17,162)	32,155	39,198	258,731
Colton/Grand Terrace	48	1,048,104	0	20,000	216,097	20.62%	317,869	30.33%	\$0.99	7,005	(20,802)	23,375	73,974
Moreno Valley	37	943,603	0	115,219	27,241	2.89%	47,443	5.03%	\$0.00	0	(5,900)	0	10,817
Perris	9	215,508	0	15,000	0	0.00%	3,462	1.61%	\$0.00	1,609	51,162	1,609	51,162
Redlands/Loma Linda	89	2,310,844	0	0	341,191	14.76%	362,370	15.68%	\$1.59	17,052	(19,566)	31,959	107,534
Rialto	10	284,332	0	0	46,623	16.40%	46,623	16.40%	\$1.40	0	(5,900)	0	1,810
Riverside	307	9,354,480	0	709,081	1,096,886	11.73%	1,523,564	16.29%	\$2.07	93,256	111,952	170,195	397,441
San Bernardino/Highland	206	7,810,604	0	0	1,190,639	15.24%	1,530,389	19.59%	\$1.57	123,385	59,116	142,763	212,485
Class A	39	4,153,244	66,510	321,403	529,606	12.75%	641,348	15.44%	\$2.16	19,184	100,182	62,985	188,439
Class B	508	15,075,735	17,612	903,505	2,189,183	14.52%	2,865,554	19.01%	\$1.61	175,801	158,980	277,547	715,731
Class C	263	6,157,630	0	0	700,934	11.38%	923,864	15.00%	\$1.21	30,160	(56,945)	68,567	209,784
<b>East Total</b>	<b>810</b>	<b>25,386,609</b>	<b>84,122</b>	<b>1,224,908</b>	<b>3,419,723</b>	<b>13.47%</b>	<b>4,430,766</b>	<b>17.45%</b>	<b>\$1.75</b>	<b>225,145</b>	<b>202,217</b>	<b>409,099</b>	<b>1,113,954</b>
<b>Inland Empire Total</b>	<b>1,218</b>	<b>39,423,662</b>	<b>84,122</b>	<b>2,990,259</b>	<b>4,945,013</b>	<b>12.54%</b>	<b>6,473,660</b>	<b>16.42%</b>	<b>\$1.75</b>	<b>311,197</b>	<b>576,457</b>	<b>648,915</b>	<b>2,117,343</b>
<b>Inland Empire</b>													
Class A	66	6,511,462	66,510	1,576,854	799,505	12.28%	1,069,346	16.42%	\$2.08	39,038	331,748	95,965	547,262
Class B	790	24,802,754	17,612	1,413,405	3,191,320	12.87%	4,177,834	16.84%	\$1.62	248,393	387,557	477,578	1,312,297
Class C	362	8,109,446	0	0	954,188	11.77%	1,226,480	15.12%	\$1.12	23,766	(142,848)	75,372	257,784
<b>Inland Empire Total</b>	<b>1,218</b>	<b>39,423,662</b>	<b>84,122</b>	<b>2,990,259</b>	<b>4,945,013</b>	<b>12.54%</b>	<b>6,473,660</b>	<b>16.42%</b>	<b>\$1.75</b>	<b>311,197</b>	<b>576,457</b>	<b>648,915</b>	<b>2,117,343</b>
<b>High Desert</b>													
Adelanto	3	65,531	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Apple Valley	31	595,824	0	42,060	26,501	4.45%	31,593	5.30%	\$0.00	0	(1,958)	0	15,276
Barstow	13	210,048	0	0	35,384	16.85%	41,884	19.94%	\$0.00	15	0	1,010	521
Hesperia	23	520,793	0	76,516	5,886	1.13%	5,886	1.13%	\$0.00	(1,521)	4,291	1,879	13,671
Victorville	85	1,672,366	0	68,000	156,234	9.34%	184,091	11.01%	\$2.04	(17,766)	(12,130)	14,051	46,299
<b>High Desert Total</b>	<b>155</b>	<b>3,064,562</b>	<b>0</b>	<b>186,576</b>	<b>224,005</b>	<b>7.31%</b>	<b>263,454</b>	<b>8.60%</b>	<b>\$2.04</b>	<b>(19,272)</b>	<b>(9,797)</b>	<b>16,940</b>	<b>75,767</b>
<b>Temecula Valley</b>													
Hemet	44	847,066	0	12,000	96,531	11.40%	116,503	13.75%	\$0.00	7,066	(4,356)	9,631	11,205
Lake Elsinore	13	287,246	0	0	60,103	20.92%	79,326	27.62%	\$0.95	0	(9,418)	0	9,428
Menifee	9	317,837	0	133,000	2,994	0.94%	2,994	0.94%	\$0.00	1,650	6,518	1,650	12,162
Murrieta	52	1,532,993	0	370,074	185,333	12.09%	211,359	13.79%	\$2.95	(4,072)	66,844	14,581	144,349
San Jacinto	4	94,954	0	0	2,827	2.98%	2,827	2.98%	\$0.00	0	38,701	0	38,701
Temecula	112	2,887,963	48,029	108,625	396,593	13.73%	419,144	14.51%	\$1.10	11,112	114,827	38,973	339,483
Wildomar	7	272,783	0	102,000	33,041	12.11%	38,279	14.03%	\$0.00	2,202	2,547	7,624	11,828
<b>Temecula Valley Total</b>	<b>241</b>	<b>6,240,842</b>	<b>48,029</b>	<b>725,699</b>	<b>777,422</b>	<b>12.46%</b>	<b>870,432</b>	<b>13.95%</b>	<b>\$1.42</b>	<b>17,958</b>	<b>215,663</b>	<b>72,459</b>	<b>567,156</b>

This survey consists of office properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. Lease rates are on a full-service gross basis.

**MAJOR TRANSACTIONS**

**Sales Transactions**

Property Address	City	Class	Square Feet	Sale Price	Buyer	Seller
2855 E. Gausti Rd.	Ontario	B	147,728	\$275.51	Silver Way Real Estate Partners	True North Management Group
2085 Rustin Ave.	Riverside	A	163,000	\$104.29	County of Riverside	BH Properties
30135 Technology Dr. – 3 Properties	Murrieta	B	63,989	\$121.90	Undisclosed	Silver Point Capital, LP
2143 E. Convention Center Way	Ontario	B	51,523	\$126.16	Prime Healthcare Services, Inc.	MengXi Jiang & Bin Hao
201 Redlands Ave.	Perris	B	50,000	\$242.00	Isaac Alchalel	Capital Partners Development Company

**Lease Transactions**

Property Address	City	Class	Square Feet	Transaction Date	Tenant	Owner
625 E. Carnegie Dr.	San Bernardino	B	29,150	Feb-2015	AirMethods	Rancon Realty Fund V Subsidiary
1137 Bryn Mawr Dr.	Redlands	B	19,257	Mar-2015	Undisclosed	Stockbridge Redlands Corporate
1650 Iowa Ave.	Riverside	B	8,822	Mar-2015	Undisclosed	Citrus Lewis Partnership
1023-1027 S. Mt. Vernon Ave.	Colton	B	8,600	Mar-2015	Undisclosed	Page Victor W.
3801 University Ave.	Riverside	B	7,808	Feb-2015	Undisclosed	Chippewa Enterprises, Inc.

**PRODUCT TYPE**

**CLASS A**

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

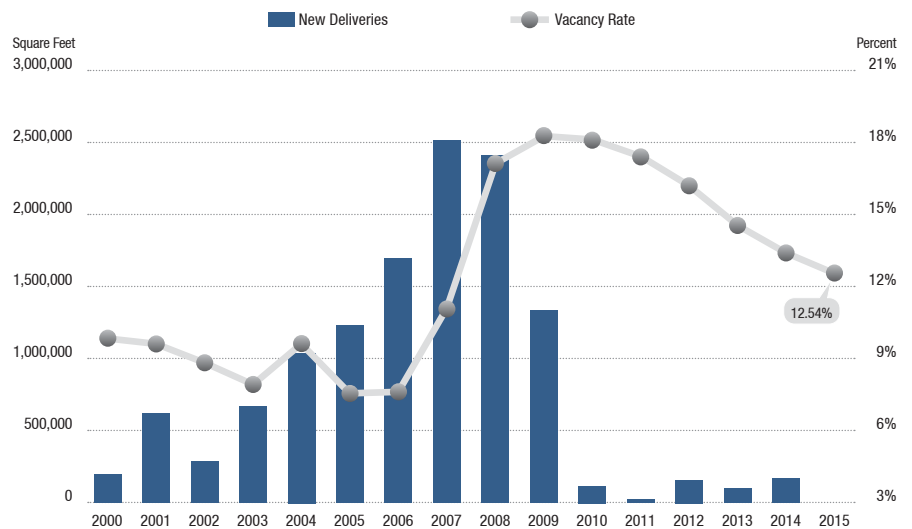
**CLASS B**

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. However, Class B buildings cannot compete with Class A buildings of the same price.

**CLASS C**

Buildings competing for tenants requiring functional space at rents below the area average.

**ANNUAL NEW DELIVERIES VS. VACANCY RATE**



**Please Contact Us for Further Information**

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com



Anaheim, CA  
714.978.7880

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

Los Angeles, CA  
424.329.7500

Newport Beach, CA  
949.644.8648

Phoenix, AZ  
602.952.8648

Reno, NV  
775.771.9955

Sacramento, CA  
916.772.8648

San Diego, CA  
858.453.0505

San Jose, CA  
408.885.9110

**Real People.  
Real Solutions.®**

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

©2015 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.