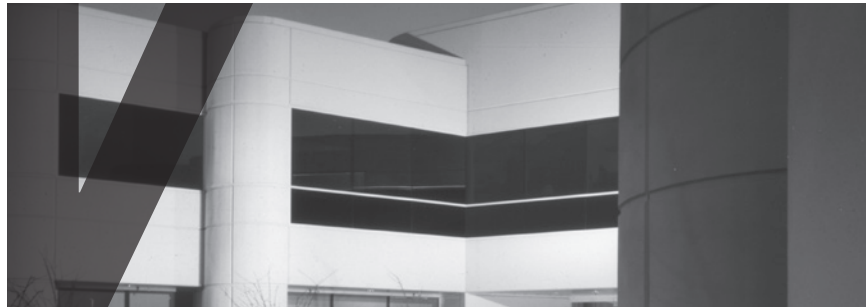




REAL ESTATE SERVICES

Real People. Real Solutions.®



# Office Market Report

Compared to 2012:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

DOWN

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.** — Lic.#01145748  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Carla Mantecon**  
Market Research Assistant  
e-mail: [cmantecon@voitco.com](mailto:cmantecon@voitco.com)  
VOIT Real Estate Services — Lic.#01333376

**CORFAC**  
International

## Market Highlights

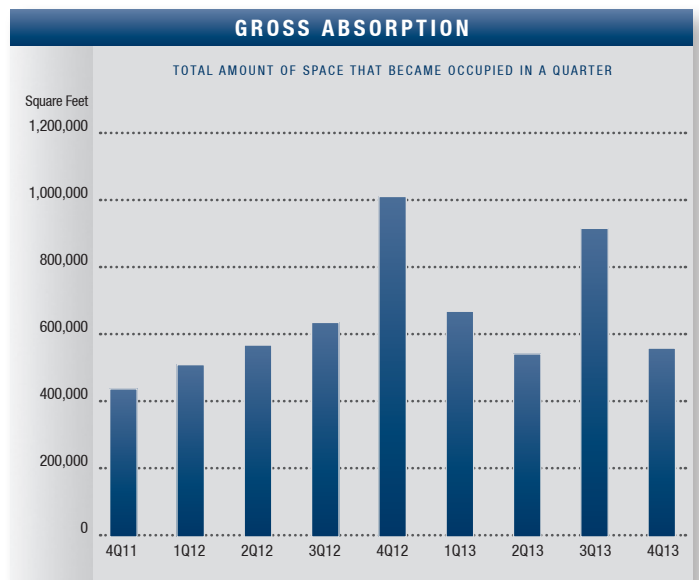
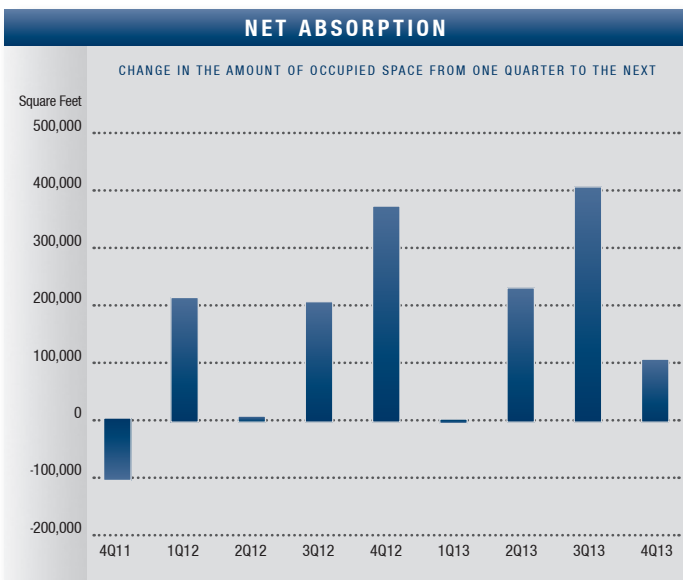
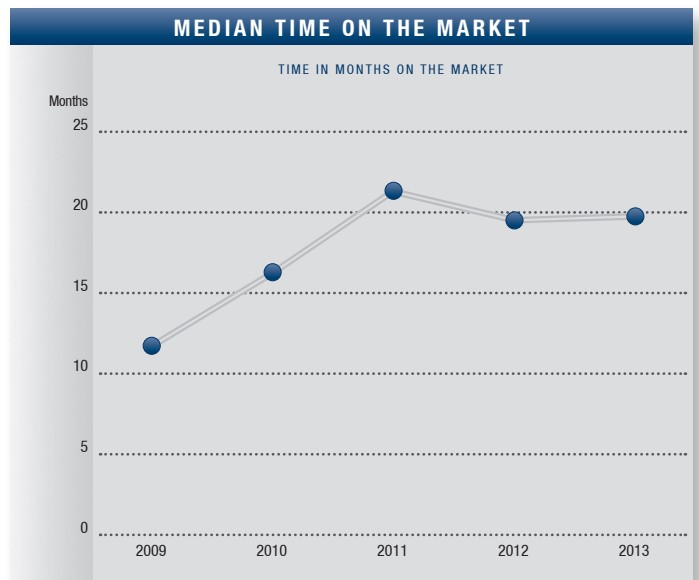
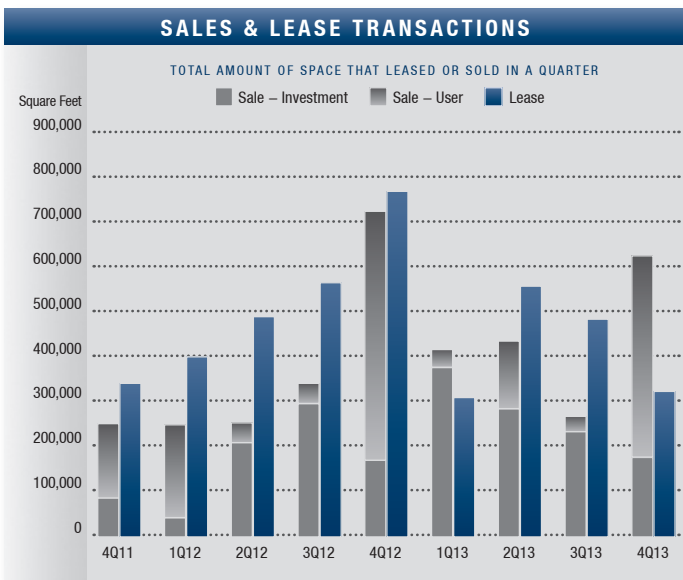
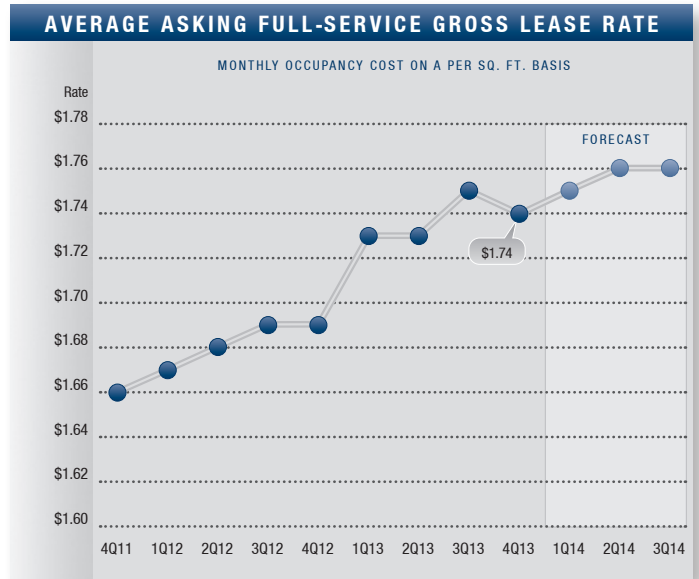
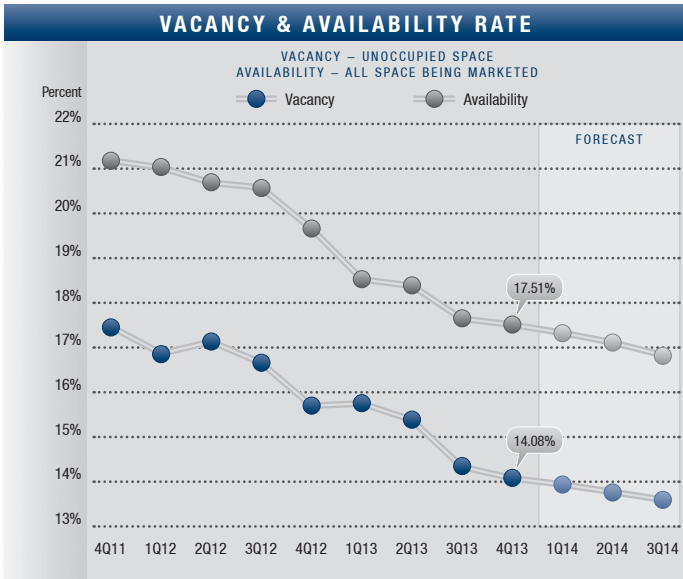
- **Encouraging Numbers** - The Inland Empire office market conveyed more promise of stabilization at the close of 2013. Availability and vacancy continued to decrease. The market posted a positive 730,000 square feet of net absorption for 2013. Asking lease rates increased by a substantial five cents from the fourth quarter of 2012. While these are positive indications, stability and job growth will need to continue in the coming quarters for the Inland Empire office market to sustain a recovery.
- **Construction** - At the end of the quarter, total space under construction checked in at just 28,000 square feet. Only 122,000 square feet of new product was delivered in 2013. The slowdown in construction has eased and will ease the upward pressure on vacancy and the downward pressure on lease rates.
- **Vacancy** - Direct/sublease space (unoccupied) finished the year at 14.08%, a decrease when compared both to the previous quarter's rate of 14.35% and to the prior year's rate of 15.70%.
- **Availability** - Direct/sublease space being marketed was 17.51% in the fourth quarter of 2013, down from 2013's third quarter rate of 17.65% and a 215-basis-point decrease from the 19.66% we saw at the end of 2012.
- **Lease Rates** - The average asking full-service gross (FSG) lease rate per month per square foot in the Inland Empire office market was \$1.74 at the end of 2013, a five-cent increase from 2012's fourth quarter rate and down one cent from the previous quarter. We are forecasting that the rate will continue to rise in 2014 by around 1.5%. The record high rate of \$2.10 was established in the second quarter of 2008. Class A rates for the market averaged \$2.10 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 102,810 square feet of positive net absorption for the fourth quarter of 2013; from the second quarter 2011 to

the end of the fourth quarter of 2013, the office market averaged just under 170,000 square feet of positive absorption per quarter.

- **Transaction Activity** - Leasing activity checked in at just under 320,000 square feet in the final quarter of the year, a decrease from 2013's third quarter total of 480,000 square feet. Sales activity showed a decrease in the fourth quarter of 2013, posting just over 620,000 square feet of activity compared to 2012's fourth quarter total of 720,000 square feet. 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 9.4% in November 2013, down from a revised 9.8% in October 2013 and below the year-ago estimate of 11.2%. This compares with an unadjusted unemployment rate of 8.3% for California and 6.6% for the nation during the same period. The unemployment rate was 9.6% for Riverside County and 9.1% in San Bernardino County. According to the State of California Employment Development Department, the Riverside-San Bernardino-Ontario MSA showed a net gain of 10,500 payroll jobs from November 2012 to November 2013. The largest gains were 8,200 jobs in trade, transportation & utilities and 8,100 jobs in leisure & hospitality. The most significant job losses were in professional and business services, down 4,900 jobs.
- **Overall** - We are seeing a decrease in the amount of available space being added to the market. Absorption is positive, and with few new deliveries to put more upward pressure on vacancy, the market should continue to stabilize. Lease rates are expected to increase in coming quarters. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation continues. If unemployment continues to drop and consumer confidence stabilizes, the office market will regain equilibrium.

## OFFICE MARKET OVERVIEW

	2013	2012	2011	% of Change vs. 2012
Vacancy Rate	14.08%	15.70%	17.40%	(10.32%)
Availability Rate	17.51%	19.66%	21.16%	(10.94%)
Average Asking Lease Rate	\$1.74	\$1.69	\$1.66	2.96%
Sale & Lease Transactions	3,381,925	3,756,568	2,423,545	(9.97%)
Gross Absorption	2,664,911	2,707,331	2,328,640	(1.57%)
Net Absorption	732,828	790,386	290,259	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2013	Square Feet Available	Availability Rate 4Q2013	Average Asking Lease Rate	Net Absorption 4Q2013	Net Absorption 2013	Gross Absorption 4Q2013	Gross Absorption 2013
<b>West</b>													
Chino/Chino Hills	38	1,179,652	0	155,909	139,908	11.86%	153,429	13.01%	\$2.04	13,049	4,106	17,800	53,977
Fontana	36	2,375,413	0	55,867	89,909	3.78%	94,391	3.97%	\$0.97	8,405	27,530	11,973	50,242
Montclair	13	267,042	0	0	21,544	8.07%	37,529	14.05%	\$0.82	2,436	(403)	2,436	4,591
Ontario	113	4,351,887	0	1,503,918	962,335	22.11%	1,075,611	24.72%	\$1.79	52,940	96,247	130,626	406,373
Rancho Cucamonga	139	4,253,164	0	127,930	551,751	12.97%	674,070	15.85%	\$1.67	13,706	164,927	44,007	485,214
Upland	68	1,500,206	0	0	200,747	13.38%	258,323	17.22%	\$1.44	7,579	2,291	26,600	137,155
Class A	25	2,273,899	0	1,313,451	469,888	20.66%	495,830	21.81%	\$1.98	18,656	106,199	52,822	206,399
Class B	281	9,682,150	0	530,173	1,325,276	13.69%	1,559,903	16.11%	\$1.63	78,612	144,287	163,609	830,276
Class C	101	1,971,315	0	0	171,030	8.68%	237,620	12.05%	\$1.02	847	44,212	17,011	100,877
<b>West Total</b>	<b>407</b>	<b>13,927,364</b>	<b>0</b>	<b>1,843,624</b>	<b>1,966,194</b>	<b>14.12%</b>	<b>2,293,353</b>	<b>16.47%</b>	<b>\$1.72</b>	<b>98,115</b>	<b>294,698</b>	<b>233,442</b>	<b>1,137,552</b>
<b>East</b>													
Banning	5	90,461	25,000	145,318	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Beaumont	4	168,918	0	8,938	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Corona/Norco	91	3,093,397	3,000	341,992	491,315	15.88%	624,562	20.19%	\$1.79	44,360	260,677	107,335	526,966
Colton/Grand Terrace	49	1,070,157	0	20,000	200,287	18.72%	230,854	21.57%	\$1.03	88	(1,936)	5,320	116,713
Moreno Valley	37	946,011	0	174,607	22,360	2.36%	37,202	3.93%	\$0.00	9,442	7,361	13,024	26,064
Perris	8	166,701	0	0	2,771	1.66%	7,071	4.24%	\$0.00	946	946	946	946
Redlands/Loma Linda	88	2,287,119	0	8,800	319,315	13.96%	380,461	16.63%	\$1.65	(2,135)	24,073	26,430	126,526
Rialto	10	284,708	0	0	39,603	13.91%	47,103	16.54%	\$1.40	0	(2,242)	0	1,068
Riverside	306	9,362,624	0	638,910	1,233,081	13.17%	1,660,598	17.74%	\$2.04	(2,075)	139,500	70,613	421,809
San Bernardino/Highland	201	7,613,497	0	9,000	1,219,094	16.01%	1,549,448	20.35%	\$1.56	(45,931)	9,751	93,992	307,267
Class A	39	4,153,430	0	254,002	644,898	15.53%	670,281	16.14%	\$2.17	(3,355)	138,636	42,342	371,501
Class B	501	14,839,171	28,000	1,093,563	2,232,306	15.04%	3,005,299	20.25%	\$1.61	(10,868)	234,354	211,600	896,054
Class C	259	6,090,992	0	0	650,622	10.68%	861,719	14.15%	\$1.20	18,918	65,140	63,718	259,804
<b>East Total</b>	<b>799</b>	<b>25,083,593</b>	<b>28,000</b>	<b>1,347,565</b>	<b>3,527,826</b>	<b>14.06%</b>	<b>4,537,299</b>	<b>18.09%</b>	<b>\$1.75</b>	<b>4,695</b>	<b>438,130</b>	<b>317,660</b>	<b>1,527,359</b>
<b>Inland Empire Total</b>	<b>1,206</b>	<b>39,010,957</b>	<b>28,000</b>	<b>3,191,189</b>	<b>5,494,020</b>	<b>14.08%</b>	<b>6,830,652</b>	<b>17.51%</b>	<b>\$1.74</b>	<b>102,810</b>	<b>732,828</b>	<b>551,102</b>	<b>2,664,911</b>
<b>Inland Empire</b>													
Class A	64	6,427,329	0	1,567,453	1,114,786	17.34%	1,166,111	18.14%	\$2.10	15,301	244,835	95,164	577,900
Class B	782	24,521,321	28,000	1,623,736	3,557,582	14.51%	4,565,202	18.62%	\$1.62	67,744	378,641	375,209	1,726,330
Class C	360	8,062,307	0	0	821,652	10.19%	1,099,339	13.64%	\$1.14	19,765	109,352	80,729	360,681
<b>Inland Empire Total</b>	<b>1,206</b>	<b>39,010,957</b>	<b>28,000</b>	<b>3,191,189</b>	<b>5,494,020</b>	<b>14.08%</b>	<b>6,830,652</b>	<b>17.51%</b>	<b>\$1.74</b>	<b>102,810</b>	<b>732,828</b>	<b>551,102</b>	<b>2,664,911</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	33	605,014	0	42,060	25,163	4.16%	43,767	7.23%	\$0.00	(7,487)	6,233	3,558	28,157
Barstow	13	208,404	0	0	35,399	16.99%	38,399	18.43%	\$0.00	951	(17,548)	2,250	3,136
Hesperia	24	496,210	0	76,516	12,980	2.62%	26,140	5.27%	\$0.00	1,080	1,290	1,320	7,017
Victorville	84	1,626,601	0	83,000	121,535	7.47%	162,510	9.99%	\$1.81	5,419	16,370	14,332	63,118
<b>High Desert Total</b>	<b>157</b>	<b>3,001,760</b>	<b>0</b>	<b>201,576</b>	<b>195,077</b>	<b>6.50%</b>	<b>270,816</b>	<b>9.02%</b>	<b>\$1.81</b>	<b>(37)</b>	<b>6,345</b>	<b>21,460</b>	<b>101,428</b>
<b>Temecula Valley</b>													
Hemet	43	827,593	12,511	12,000	74,643	9.02%	120,240	14.53%	\$0.00	(2,876)	1,436	0	9,675
Lake Elsinore	12	272,399	0	0	50,685	18.61%	51,975	19.08%	\$0.00	2,065	15,546	2,065	26,278
Murrieta	52	1,531,610	0	616,981	238,978	15.60%	257,678	16.82%	\$2.34	(13,418)	44,861	14,227	123,056
San Jacinto	4	96,241	0	0	41,528	43.15%	41,528	43.15%	\$0.00	0	0	0	0
Temecula	111	2,796,637	64,891	107,602	423,954	15.16%	485,309	17.35%	\$1.43	(10,825)	(5,536)	35,615	179,899
Wildomar	7	270,830	0	44,000	36,511	13.48%	37,920	14.00%	\$0.00	4,173	5,291	5,317	6,435
<b>Temecula Valley Total</b>	<b>229</b>	<b>5,795,310</b>	<b>77,402</b>	<b>780,583</b>	<b>866,299</b>	<b>14.95%</b>	<b>994,650</b>	<b>17.16%</b>	<b>\$1.66</b>	<b>(20,881)</b>	<b>61,598</b>	<b>57,224</b>	<b>345,343</b>

This survey consists of 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.

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Class	Square Feet	Sale Price	Buyer	Seller
10801 6th St.	Rancho Cucamonga	B	392,702	\$129.36	Inland Empire Health Plan	ARI Atrium, LLC
2300 Market St. – 5 Properties	Riverside	B	223,711	\$185.51	Riverside Gateway Associates, LLC	Pacific Coast Capital Partners, LLC
870 N. Mountain Ave. – 4 Properties	Upland	B	149,251	\$80.40	Mountain Grove Office Park, LLC	Midland Loan Services, LLC
2085 Rustin Ave.	Riverside	B	147,194	\$64.54	BH Rustin, LLC	Rustin Avenue Investors, LLC
3450 14th St. – 2 Properties	Riverside	A	146,389	\$204.93	The Real Estate Division for the EDA	A.H. Belo Corporation

Lease Transactions

Property Address	City	Class	Square Feet	Transaction Date	Tenant	Owner
7894 Mission Grove Pkwy.	Riverside	B	39,775	Aug-13	Undisclosed	Regional Properties
10740 4th St.	Rancho Cucamonga	B	39,721	Apr-13	Undisclosed	Omninet Capital
1175 W. Foothill	Rialto	B	36,121	Jan-13	County of San Bernardino	ICO Development, LLC
9400 Cherry Ave.	Fontana	B	25,970	Apr-13	Undisclosed	California Steel Industries, Inc.
804 E. Brier St. – Renewal	San Bernardino	C	25,514	Sep-13	National University	Nmsbpcslidhb
9500 Haven Ave.	La Quinta	B	17,963	Jun-13	South Coast Community Services	MGR Real Estate
2250 S. Riverside Ave.	Colton	C	17,921	Apr-13	CR England	Dexus Property Group

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

Anaheim, CA  
714.978.7880

Commerce, CA  
323.558.5400

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

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



REAL ESTATE SERVICES

101 Shipyard Way  
Newport Beach, CA 92663

949.644.8648  
www.voitco.com  
Lic.#01333376

Represented in 150 Markets  
Nationally & Internationally.



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.