



QUICK STATS

Current Quarter

Direct Vacancy	8.8%
Overall Vacancy	9.0%
Lease Rate FSG	\$1.90
Gross Absorption	820,827 SF
Under Construction	60,000 SF

MARKET TRENDS

Change from Last	Quarter	Year
Overall Vacancy	⬇️	⬇️
Rental Rates	⬆️	⬆️
Gross Absorption	⬆️	⬆️
Under Construction	↔️	⬇️

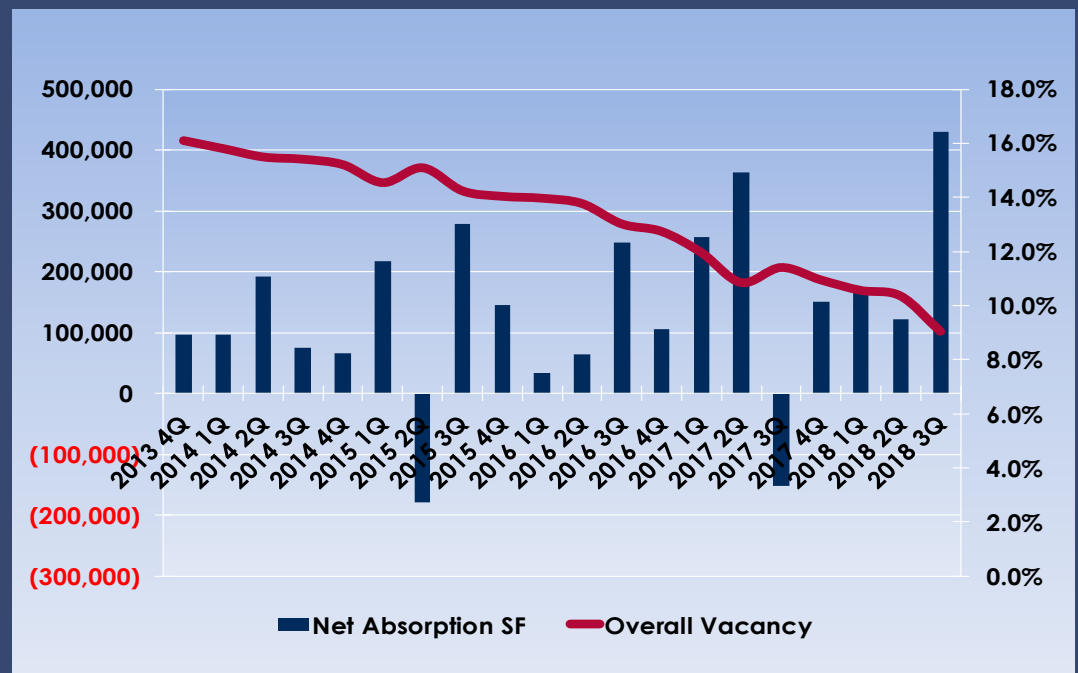
ECONOMIC STATS

	Current Month	Previous Year
	Sep. '18	Sep. '17
Unemployment Rate (MSA)	4.1%	4.9%
Change in # Of Jobs (MSA)	-700	+41,700
% Change for Jobs (MSA)	-0.0%	+2.9%

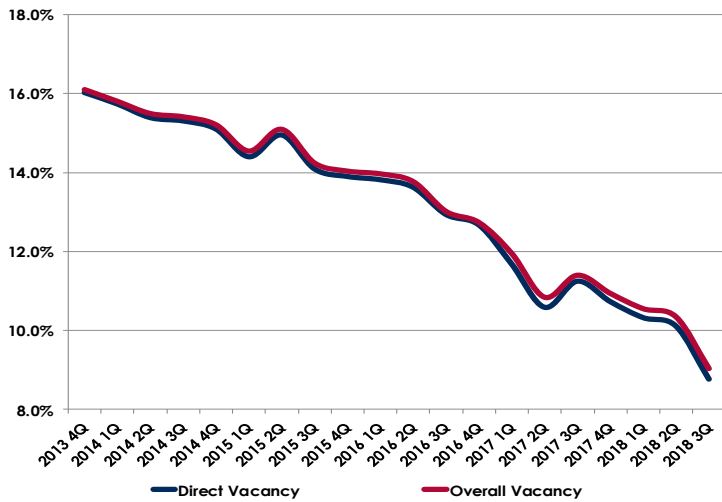
SUMMARY & OUTLOOK

The Inland Empire office market witnessed vacancy rates decrease from 10.3% to 9.0%, during the quarter. Average asking rents increased 3.8%, year over year, moving from \$1.83 FSG to \$1.90 FSG. Gross absorption finished the quarter with 821,000 square feet of activity, while net absorption posted a gain of 431,000 square feet of occupied space. Under construction activity was unchanged during the quarter with 60,000 square feet currently underway. Unemployment rates have declined from 4.9% to 4.1%, year over year, and are above California (3.9%) and the U.S (3.6%). The market remains pretty balanced with vacancy trending lower and rents rising at a normalized rate. Job creation will remain the key to increased office demand. In September, non-farm employment grew by 2.9%, year over year, adding 41,700 new jobs, which should keep vacancy trending lower with only a small amount of new construction underway. The investment and sale market for office buildings in the Inland Empire continues to strengthen, as median prices have increased 40% since bottoming in 2012, and currently stand at \$167 PSF. The capital markets remain solid, but with the Fed continuing to raise interest rates at a measured pace, we do expect overall price growth and demand to cool in the coming year. We expect vacancy levels to continue to trend lower in the coming quarters, and expect rents to increase another 3% to 5% for most sub-markets in the coming year.

VACANCY & NET ABSORPTION

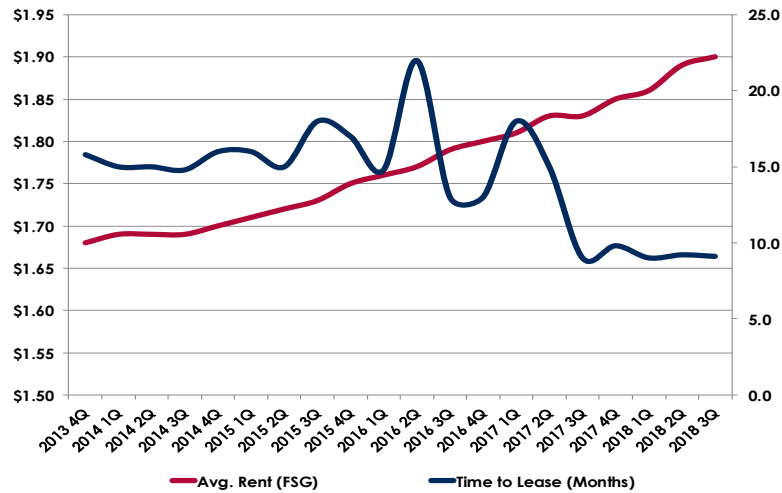


VACANCY



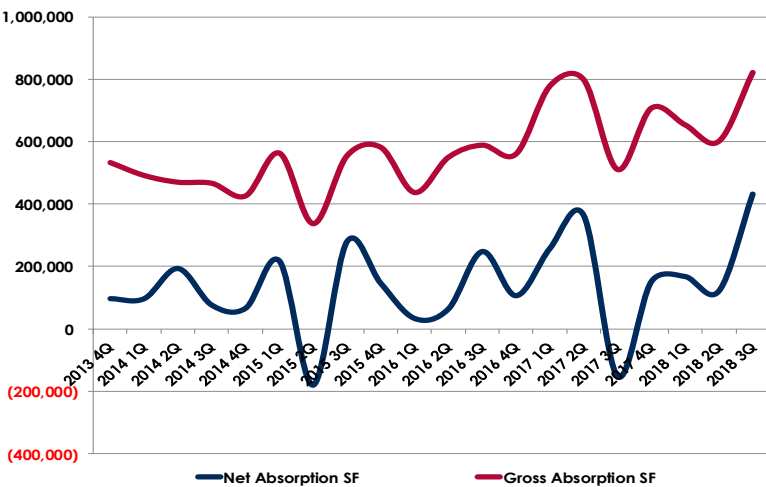
Overall vacancy rates (including sublease space) decreased during the quarter, moving from 10.3% to 9.0%. Of the three major submarkets within the Inland Empire market, the Riverside submarket ended the quarter with the lowest total vacancy of 7.4%, followed by the Greater Ontario Airport submarket at 8.3%, and the San Bernardino submarket finishing at 11.4%. Since the third quarter of 2017, overall vacancy has decreased from 11.4% to 9.0%, and remains at its lowest level in more than a decade.

RENTAL RATES & TIME ON THE MARKET



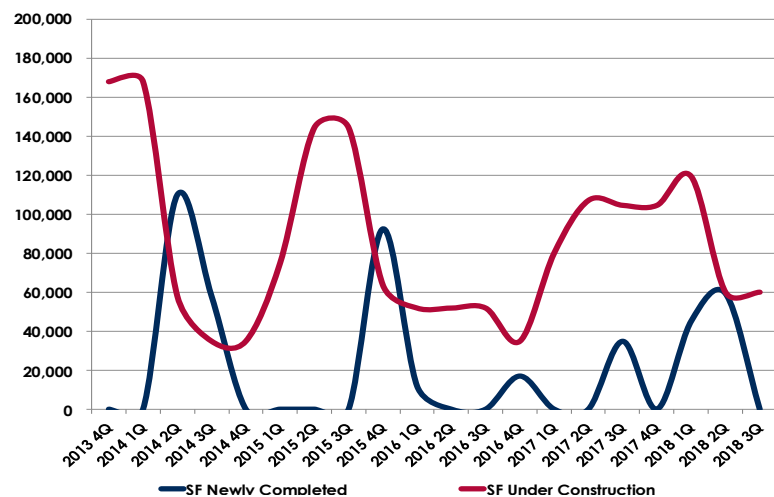
Average asking rates increased 3.8%, year over year, moving from \$1.83 FSG to \$1.90 FSG. Of the three submarkets within the Inland Empire market, the Greater Ontario Airport submarket ended the quarter with the highest average asking rate of \$2.07 FSG, followed by the Riverside submarket at \$2.04 FSG, and the San Bernardino submarket at \$1.70 FSG. Average asking rates increased 0.5% during the quarter, moving from \$1.89 FSG to \$1.90 FSG. The median time to lease edged lower to 9.1 months during the quarter.

ABSORPTION



Gross absorption for the quarter totaled 821,000 square feet of activity, up 37% compared to the previous quarter, and higher by 61% compared to a year ago. Net absorption finished the quarter with a gain of 431,000 square feet of occupied space, and has gained 719,000 square feet for the year. In 2017, the market gained 620,000 square feet, after gaining 451,000 square feet during 2016, +462,000 square feet in 2015, and +432,000 square feet in 2014. Overall demand remains very strong, as the market has recorded positive net absorption in eighteen of the past twenty quarters, totaling 2.8 million square feet. We expect demand to remain near current levels in the coming quarter.

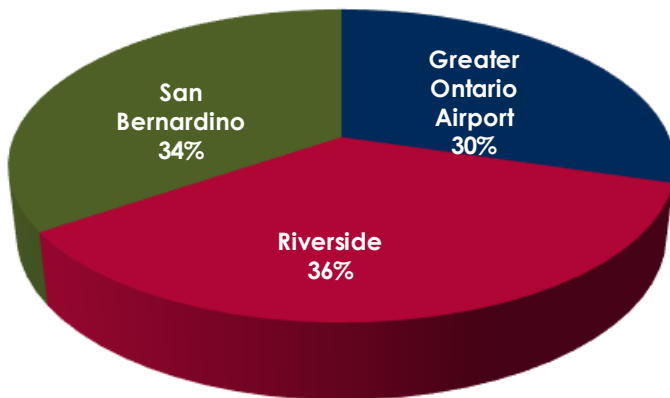
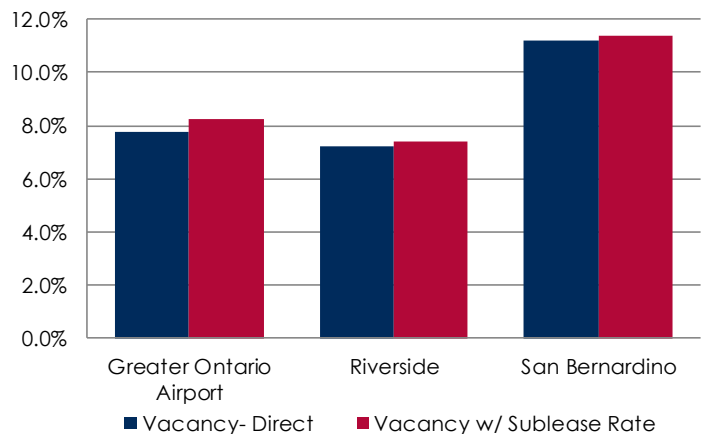
CONSTRUCTION ACTIVITY



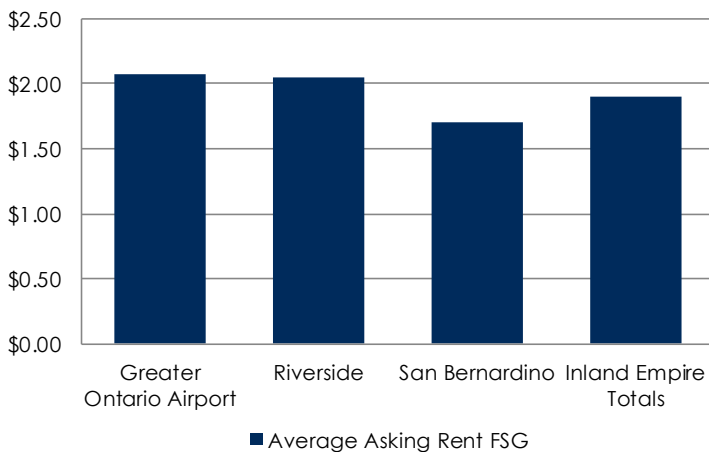
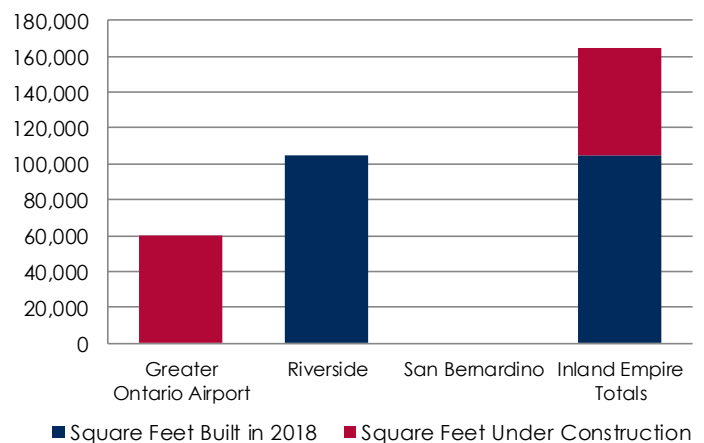
Under construction activity was unchanged during the quarter, with 60,000 square feet currently underway, as the market has delivered 105,000 square feet of new space for the year. In 2017, the market delivered 35,000 square feet of new space, after adding 29,000 square feet in 2016. During 2015, the market added 92,500 square feet, after delivering 168,000 square feet in 2014. During the past five years, the market has averaged 85,000 square feet of new deliveries, annually. We expect new construction levels to remain near current levels in the coming quarter, but could begin to rise if overall occupancy and rent growth continue to its upward trend.

MARKET SNAPSHOT

SUBMARKETS	Total Inventory Square Footage	Direct Vacant Square Footage	Direct Vacancy Rate	Total Vacant w/ Sublet Square Footage	Total Vacant w/ Sublet Rate
Greater Ontario Airport	9,730,260	757,090	7.8%	803,305	8.3%
Riverside	11,754,813	847,314	7.2%	872,451	7.4%
San Bernardino	11,335,003	1,271,239	11.2%	1,289,461	11.4%
Inland Empire Totals	32,820,076	2,875,643	8.8%	2,965,217	9.0%

Office Market Inventory

Office Vacancy Rates


SUBMARKETS	Average Asking Rent FSG	Low-High Asking Rent Range FSG	Square Feet Built in 2018	Square Feet Under Construction	Gross Absorption Square Feet Current Quarter
Greater Ontario Airport	\$2.07	\$0.80-\$3.50	0	60,000	252,330
Riverside	\$2.04	\$0.75-\$3.40	104,558	0	264,011
San Bernardino	\$1.70	\$0.80-\$2.50	0	0	304,486
Inland Empire Totals	\$1.90	\$0.75-\$3.75	104,558	60,000	820,827

Office Rental Rates

New Construction Activity


SOUTHERN CALIFORNIA OFFICE BUILDING SALE TREND ANALYSIS

TOTAL SALES TRANSACTIONS										
Market	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	351	357	550	752	779	895	1,059	987	1,158	734
Orange County	102	150	205	294	348	334	421	390	410	336
Inland Empire	168	156	249	266	328	370	430	401	507	332
Ventura County	24	29	54	59	58	107	86	110	109	99
Totals	645	692	1,058	1,371	1,513	1,706	1,996	1,888	2,184	1,501

TOTAL TRANSACTION DOLLAR VALUE (MILLIONS)										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$755.3	\$1,163.2	\$2,050.9	\$3,251.5	\$5,974.4	\$7,343.7	\$4,808.9	\$9,596.4	\$7,868.2	\$4,881.2
Orange County	\$362.4	\$501.6	\$629.2	\$783.3	\$1,386.4	\$1,596.8	\$2,762.5	\$2,503.9	\$2,291.3	\$1,697.3
Inland Empire	\$85.6	\$98.8	\$130.6	\$166.8	\$236.1	\$331.5	\$637.5	\$463.1	\$472.8	\$427.2
Ventura County	\$29.6	\$81.3	\$56.4	\$43.2	\$57.1	\$246.9	\$164.5	\$169.8	\$150.1	\$217.2
Totals	\$1,232.9	\$1,844.9	\$2,867.1	\$4,244.7	\$7,653.9	\$9,519.0	\$8,373.5	\$12,733.1	\$10,782.3	\$7,223.0

TOTAL SQUARE FEET SOLD										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	5,586,548	6,264,038	9,680,756	15,191,009	23,822,433	23,625,749	17,446,723	25,101,191	26,196,580	15,872,832
Orange County	2,006,822	3,404,048	3,896,963	6,081,582	7,190,681	8,132,668	12,114,535	11,818,719	9,101,010	7,488,049
Inland Empire	958,664	1,103,908	1,731,566	2,323,023	2,422,231	2,867,846	5,264,416	3,458,114	5,066,634	3,936,833
Ventura County	141,646	307,079	397,973	517,872	679,367	1,551,821	1,066,791	1,187,820	1,038,975	1,612,890
Totals	8,693,680	11,079,073	15,707,258	24,113,486	34,114,712	36,178,084	35,892,465	41,565,844	41,403,199	28,910,604

AVERAGE PRICE / SF										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$227.26	\$234.56	\$255.72	\$264.93	\$280.24	\$343.93	\$305.40	\$428.33	\$356.50	\$355.75
Orange County	\$195.73	\$181.97	\$191.81	\$211.44	\$212.11	\$208.88	\$259.38	\$263.93	\$273.67	\$258.79
Inland Empire	\$181.23	\$128.47	\$122.12	\$135.31	\$132.79	\$144.35	\$140.64	\$170.34	\$157.73	\$173.07
Ventura County	\$248.34	\$328.13	\$182.62	\$130.87	\$104.53	\$208.57	\$189.67	\$179.75	\$190.44	\$166.63
Averages	\$215.25	\$210.43	\$223.28	\$236.07	\$251.91	\$291.94	\$262.26	\$353.02	\$309.80	\$295.21

MEDIAN PRICE / SQUARE FOOT										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$259.65	\$211.87	\$204.57	\$245.12	\$233.03	\$265.09	\$284.48	\$297.75	\$302.50	\$326.06
Orange County	\$226.25	\$195.05	\$216.15	\$190.00	\$204.61	\$224.24	\$246.57	\$279.36	\$289.58	\$312.40
Inland Empire	\$187.29	\$165.00	\$135.00	\$119.49	\$126.81	\$135.05	\$133.10	\$159.99	\$166.99	\$167.35
Ventura County	\$297.09	\$202.17	\$215.19	\$183.47	\$175.15	\$180.41	\$213.19	\$187.17	\$202.82	\$247.24
Median Average	\$244.57	\$201.76	\$200.04	\$217.79	\$218.35	\$241.97	\$247.36	\$277.90	\$280.58	\$296.51

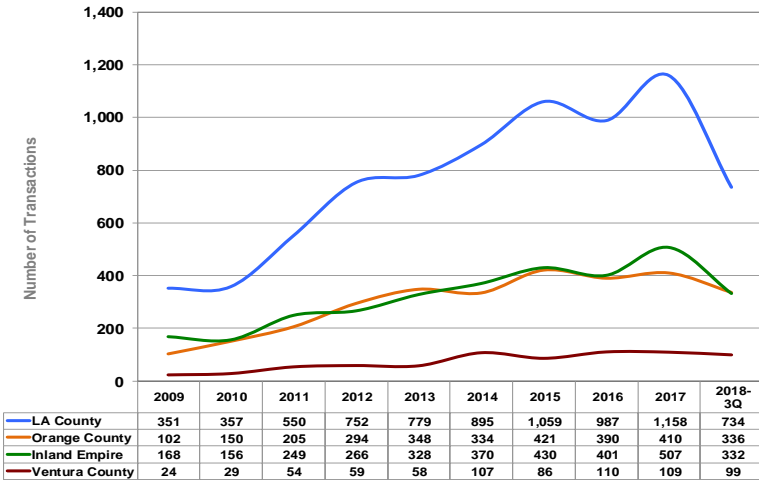
MEDIAN \$ PSF INCREASE										
Bldg. SF	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q	
LA County	-18.4%	-3.4%	19.8%	-4.9%	13.8%	7.3%	4.7%	1.6%	7.8%	
Orange County	-13.8%	10.8%	-12.1%	7.7%	9.6%	10.0%	13.3%	3.7%	7.9%	
Inland Empire	-11.9%	-18.2%	-11.5%	6.1%	6.5%	-1.4%	20.2%	4.4%	0.2%	
Ventura County	-31.9%	6.4%	-14.7%	-4.5%	3.0%	18.2%	-12.2%	8.4%	21.9%	
Totals	-17.5%	-0.9%	8.9%	0.3%	10.8%	2.2%	12.3%	1.0%	5.7%	

The following information has been obtained from sources deemed reliable. While we do not doubt its accuracy, we make no warranty or representation about it. This report contains verified arms-length transactions, but excludes all portfolio sales.

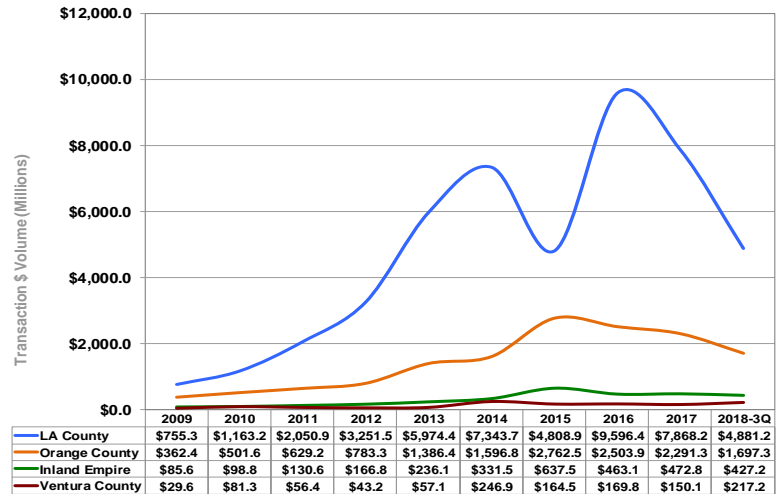


SOUTHERN CALIFORNIA OFFICE BUILDING SALE TREND ANALYSIS

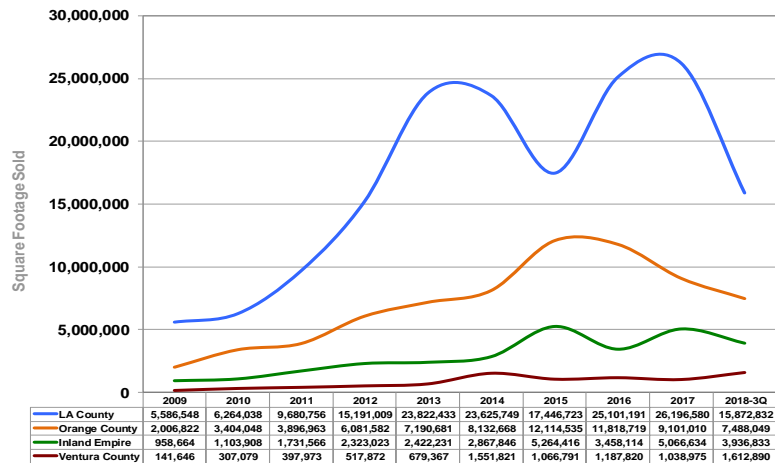
Number of Transactions



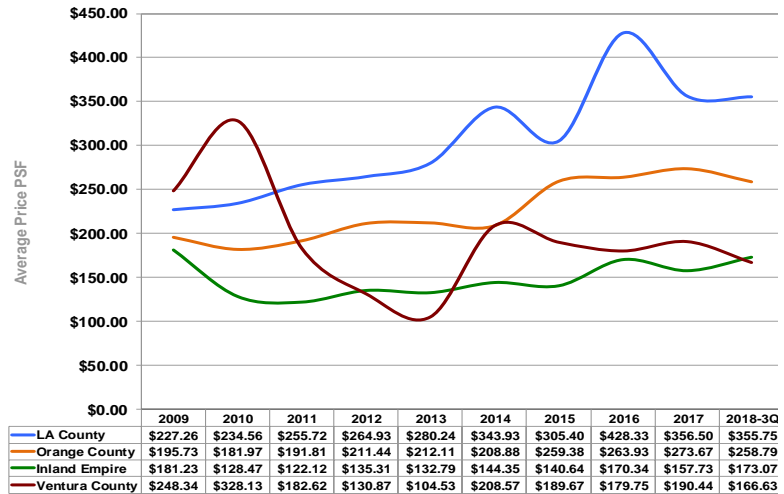
Transaction Volume \$



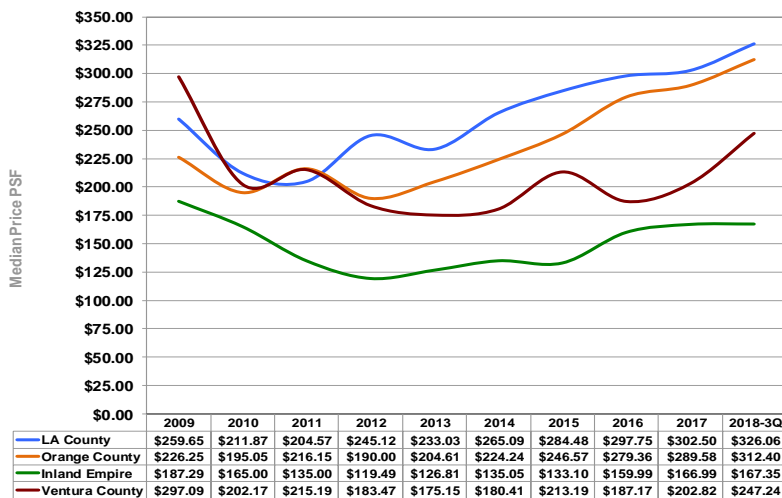
Square Footage Sold



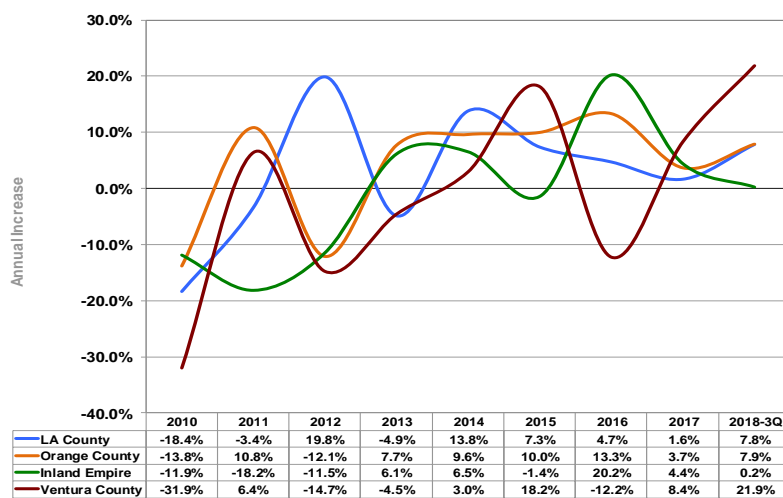
Average Price PSF



Median Price PSF

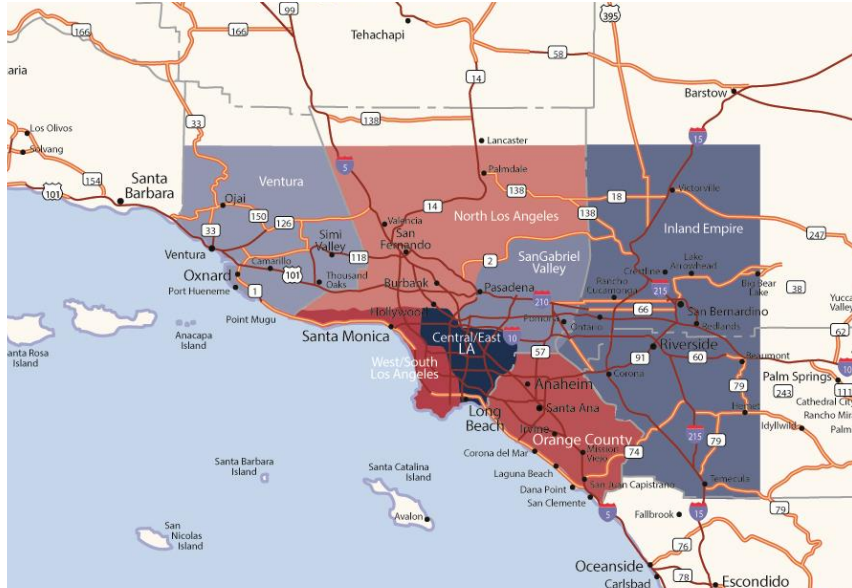


% Change Median Price PSF



MARKET REPORT OVERVIEW

SOUTHERN CALIFORNIA MARKET MAP



DAUM OFFICES

LOS ANGELES, CALIFORNIA

801 S. Figueroa Street, Suite 600
Los Angeles, CA 90017
213-626-9101

LOS ANGELES NORTH, CALIFORNIA

21820 Burbank Boulevard, Suite 201
Woodland Hills, CA 91367
818-887-3600

SANTA CLARITA VALLEY, CALIFORNIA

28494 Westinghouse Place, Suite 312
Valencia, CA 91355
661-705-2299

SAN GABRIEL VALLEY, CALIFORNIA

13181 Crossroads Pkwy. N, Suite 100
City of Industry, CA 91746
562-695-7244

SOUTH BAY, CALIFORNIA

1025 W. 190th Street, Suite 420
Gardena, CA 90248
310-538-6700

MID-COUNTIES, CALIFORNIA

13810 Cerritos Corporate Drive, Suite C
Cerritos, CA 90703
562-207-3300

ORANGE COUNTY, CALIFORNIA

4400 MacArthur Boulevard, Suite 950
Newport Beach, CA 92660
949-724-1900

VENTURA & SANTA BARBARA, CALIFORNIA

751 Daily Drive, Suite 105
Camarillo, CA 93010
805-987-8866

INLAND EMPIRE, CALIFORNIA

3595 E. Inland Empire Boulevard, Bldg. 5
Ontario, CA 91764
909-980-1234

PHOENIX ARIZONA

1702 E. Highland Avenue, Suite 120
Phoenix, AZ 85016
602-957-7300

The information contained in this report has been obtained from sources deemed reliable and has incorporated fourth-party data which has not been independently verified by DAUM. While we do not doubt its accuracy, DAUM makes no guarantee or warranty as to its completeness or accuracy. Due to the dynamic (constantly changing) database which DAUM uses to compile and analyze markets contained in this report, previously published statistics may vary from the data published in this report. Statistics and data have been revised to reflect changes in the following categories: existing buildings being verified and added to the database, new or revised occupancy information gathered, new construction being added to the inventory, building demolitions and renovations, as well as other factors that would necessitate revisions to the data and the properties surveyed. This methodology allows us to present the most current and up-to-date information, trend analysis and comparative statistics for this report.

METHODOLOGY & TERMINOLOGY

Methodology

Non-owner occupied, office buildings that are 10,000 square feet and greater.

Direct Vacant SF

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale directly from the landlord.

Total Vacant W/ Sublet SF

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale by the landlord or for sublease by the current tenant.

Direct Vacancy Rate

Total vacant direct space (vacant space for lease or sale from the landlord or owner) divided by the total rentable square footage for existing buildings only.

Vacancy W/ Sublet Rate

Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

Gross Absorption

The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time.

Net Absorption

The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

Under Construction

Planned buildings for which construction has started but have not yet been granted a Certificate of Occupancy. Planned buildings are not included.

Completed in 2018

New buildings with original construction completed in the year 2018 and granted a Certificate of Occupancy. Renovated buildings are not included.