

QUICK STATS

	Current Quarter
Direct Vacancy	2.5%
Overall Vacancy	2.7%
Lease Rate NNN	\$0.89
Gross Absorption	11,525,980 SF
Under Construction	3,642,598 SF

MARKET TRENDS

Change from Last	Quarter	Year
Overall Vacancy	↓	↑
Rental Rates	↑	↑
Gross Absorption	↑	↓
Under Construction	↑	↓

ECONOMIC STATS

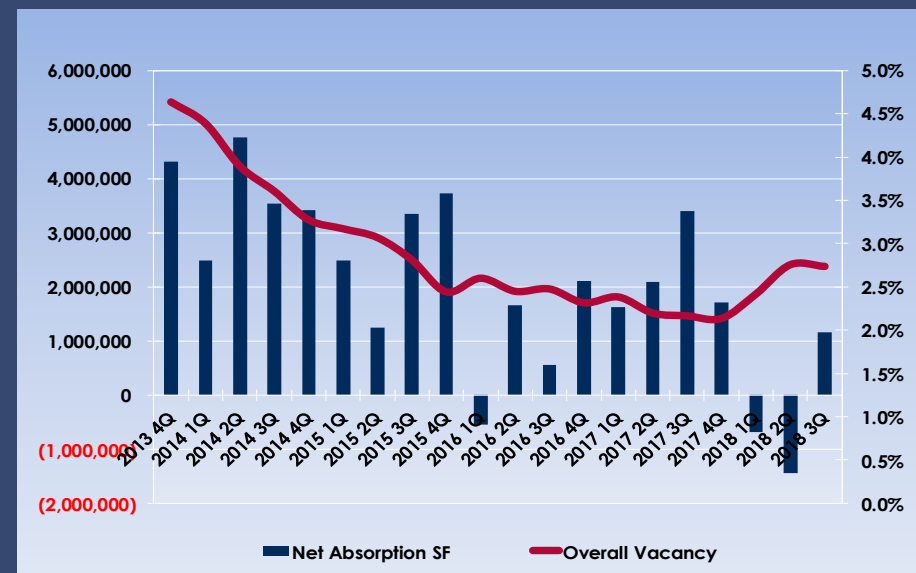
	Current Month	Previous Year
	Sep. '18	Sep. '17
Unemployment Rate (MSA)	4.8%	4.6%
Change in # Of Jobs (MSA)	+21,600	+52,100
% Change for Jobs (MSA)	+0.5%	+1.2%

INDUSTRIAL

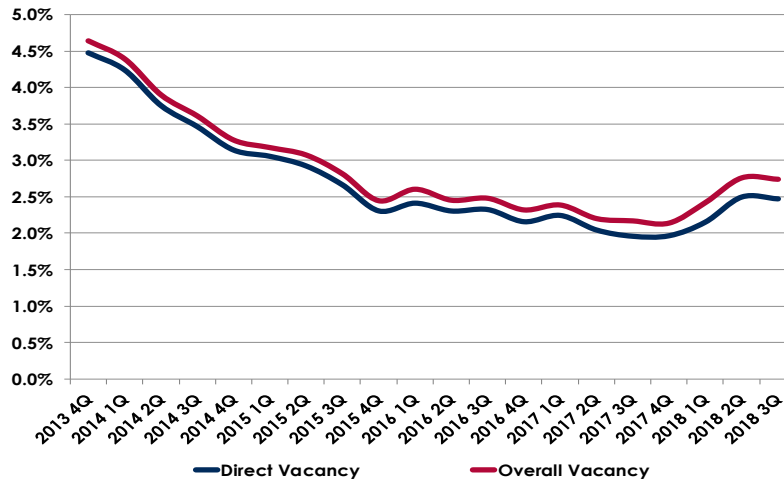
SUMMARY & OUTLOOK

The L.A. County industrial market witnessed vacancy rates decrease during the quarter, moving from 2.8% to 2.7%. Average asking rents increased 9.9%, year over year, moving from \$0.81nnn to \$0.89nnn. During the quarter, gross absorption totaled 11.5 million square feet, while net absorption posted a gain of 1.15 million square feet of occupied space. Under construction activity increased during the quarter with 3.6 million square feet currently underway, as the market has delivered 4.7 million square feet of new space for the year. Unemployment rates in L.A. County edged higher from 4.6% to 4.8%, year over year, and are above California (3.9%) and above the U.S. average of 3.6%. Available space remains scarce and overall demand for high-quality space remains strong, which has forced some tenants to look to other markets to accommodate their industrial space needs. Demand for industrial space will continue to be driven by domestic and global consumption levels. In 2017, the Los Angeles and Long Beach Port container traffic recorded its highest container total ever with 16.89 million TEU's, up 8% from 2016 and 7% higher than its second highest year during 2006. Through the third quarter of 2018, total TEU's totaled 12.8 million, up 2.7% compared to the same period last year, and up 11.5% compared to 2016. The investment and sale market for industrial real estate in Los Angeles County remains extremely strong, as median prices have witnessed double-digit annual price growth from 2014 to 2017, and is up another 9.5% through the third quarter of 2018. 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. The overall industrial market remains landlord controlled. We expect vacancy to remain in the 2% to 3% range, with rents expected to rise another 4% to 6% in the coming year.

VACANCY & NET ABSORPTION

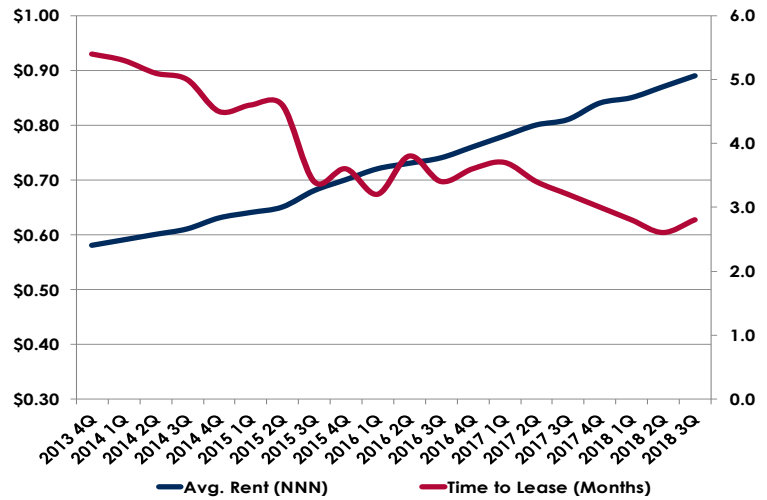


VACANCY



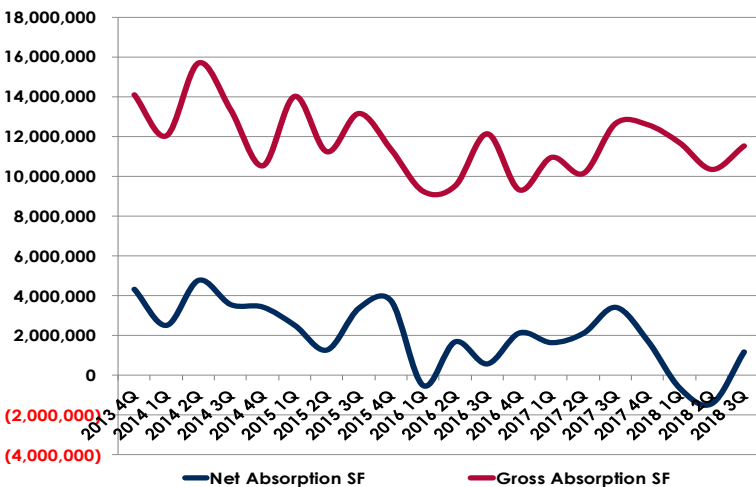
Overall vacancy rates (including sublease space) decreased during the quarter, moving from 2.8% to 2.7%. Of the four major markets within the Los Angeles County market, the LA-West/South market ended the quarter with the lowest total vacancy of 2.3%, followed the San Gabriel Valley at 2.5%, the LA-North market at 2.6%, and the LA-Central/SE market finishing the quarter at 3.2%. Since the third quarter of 2017, overall vacancy rates have increased from 2.2% to 2.7%, but still remains near its lowest level in more than a decade.

RENTAL RATES & TIME ON THE MARKET



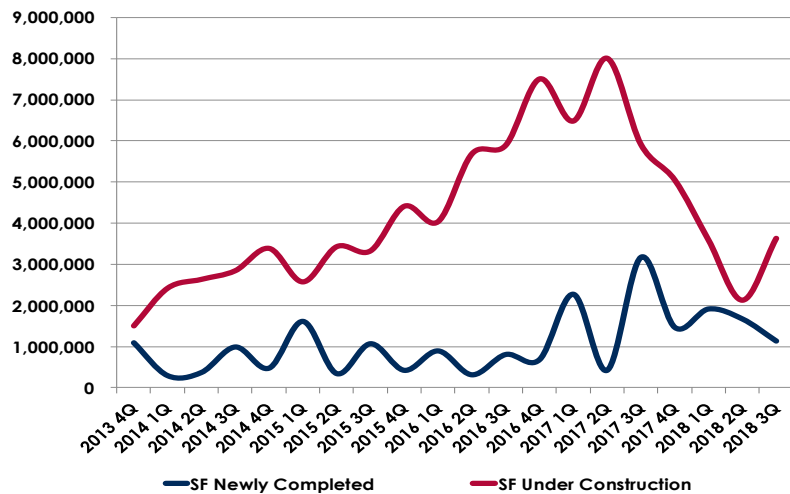
Standard industrial asking rental rates increased 9.9%, year over year, moving from \$0.81nnn to \$0.89nnn. Of the four major markets within Los Angeles County, and the LA-North market ended the quarter with the highest standard industrial rental rate of \$1.01nnn, followed by the LA-West/South market at \$1.00nnn, the LA-Central/SE market at \$0.83, and the San Gabriel Valley market at \$0.79nnn. Average rental rates increased 2.3% from the previous quarter, moving from \$0.87nnn to \$0.89nnn, while the median time to lease edged higher to 2.8 months.

ABSORPTION



During the quarter, gross absorption finished with 11.5 million square feet of activity, up 11% compared to the previous quarter, but lower by 9% compared to a year ago. Net absorption posted a gain of 1.15 million square feet of occupied space during the quarter, but has lost 1.0 million square feet for the year. The market gained 8.8 million square feet during 2017, after gaining 3.8 million square feet in 2016, +10.8 million square feet in 2015, and +14.2 million square feet in 2014. The negative net absorption in 2018 can be partially attributed to the lack of available modern and high quality industrial space throughout much of the L.A. market. Overall demand is still strong and we do expect to see further growth in occupancy during the fourth quarter.

CONSTRUCTION ACTIVITY



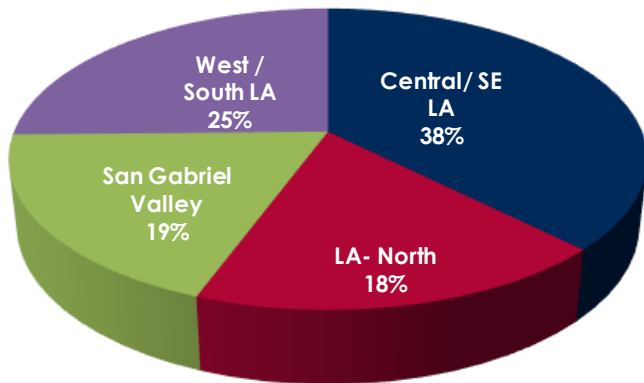
Under construction activity moved higher during the quarter, with 3.6 million square feet currently underway, as the market has delivered 4.7 million square feet of new space for the year. New construction deliveries for 2017 totaled 7.4 million square feet, after adding 2.7 million square feet in 2016, 3.5 million square feet in 2015, and 2.1 million square feet during 2014. During the past five years, the market has averaged 4.3 million square feet of new deliveries, annually. We expect new construction activity to remain at similar levels in the coming quarters, as available industrial development sites still remain in very short supply in this mostly dense infill market.



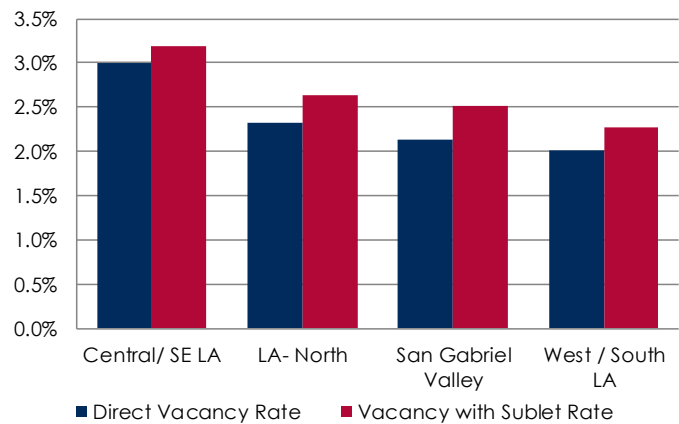
MARKET SNAPSHOT

SUBMARKETS	Total Inventory Square Footage	Direct Vacant Square Footage	Direct Vacancy Rate	Total Vacant w/ Sublet Square Footage	Vacancy with Sublet Rate
Central/ SE LA	343,356,868	10,322,357	3.0%	10,969,345	3.2%
LA- North	166,289,796	3,869,792	2.3%	4,390,285	2.6%
San Gabriel Valley	174,615,247	3,733,022	2.1%	4,381,863	2.5%
West / South LA	231,730,025	4,675,173	2.0%	5,273,392	2.3%
L.A. County Totals	915,991,936	22,600,344	2.5%	25,014,885	2.7%

Industrial Market Inventory

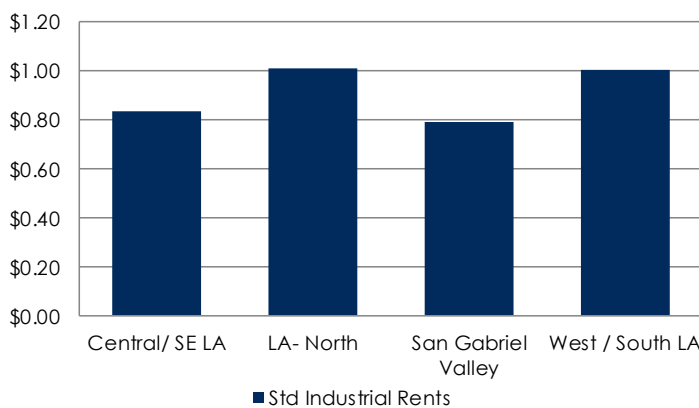


Industrial Vacancy Rates

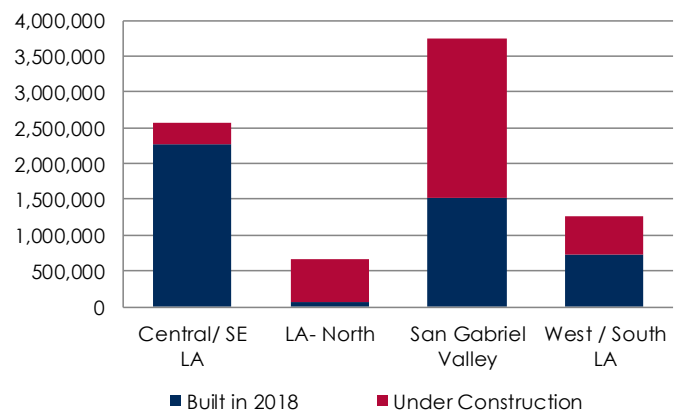


SUBMARKETS	Average Industrial Rent	Average R&D / Flex Rent	Square Feet Built in 2018	Square Feet Under Construction	Gross Absorption Square Feet Current Quarter
Central/ SE LA	\$0.83	\$1.23	2,273,771	294,594	4,746,510
LA- North	\$1.01	\$1.29	63,843	595,199	1,632,564
San Gabriel Valley	\$0.79	\$1.01	1,527,098	2,219,113	2,695,593
West / South LA	\$1.00	\$1.47	730,762	533,692	2,451,313
L.A. County Totals	\$0.89	\$1.25	4,595,474	3,642,598	11,525,980

Industrial Rents



New Construction Activity



SOUTHERN CALIFORNIA INDUSTRIAL SALES TREND ANALYSIS

TOTAL SALES TRANSACTIONS										
Market	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	523	707	1,040	1,439	1,193	1,350	1,593	1,404	1,729	1,154
Orange County	163	211	279	445	399	351	435	468	499	278
Inland Empire	293	291	385	560	573	596	680	648	855	577
Ventura County	59	53	83	92	100	110	111	137	140	93
Totals	1,038	1,262	1,787	2,536	2,265	2,407	2,819	2,657	3,223	2,102

TOTAL TRANSACTION DOLLAR VALUE (MILLIONS)										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$855.3	\$1,235.9	\$1,559.9	\$2,169.9	\$2,028.7	\$2,318.1	\$3,298.6	\$2,968.9	\$3,367.8	\$2,764.0
Orange County	\$268.7	\$445.7	\$623.2	\$645.3	\$863.3	\$990.0	\$932.7	\$1,267.7	\$1,042.5	\$937.3
Inland Empire	\$610.1	\$879.4	\$1,003.7	\$908.8	\$1,291.8	\$1,491.4	\$1,571.8	\$1,379.3	\$2,093.6	\$1,727.6
Ventura County	\$41.7	\$103.4	\$106.0	\$191.3	\$117.5	\$221.5	\$152.9	\$198.4	\$284.1	\$153.1
Totals	\$1,775.8	\$2,664.4	\$3,292.9	\$3,915.3	\$4,301.4	\$5,020.9	\$5,956.0	\$5,814.3	\$6,788.0	\$5,582.0

TOTAL SQUARE FEET SOLD										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	12,693,610	22,070,016	21,424,248	32,281,191	23,489,849	23,828,023	32,277,688	24,086,666	29,104,208	19,199,800
Orange County	3,220,715	4,748,362	6,875,738	9,108,256	9,514,003	9,677,040	8,932,855	8,761,043	7,979,144	5,804,158
Inland Empire	12,146,126	19,982,237	18,270,896	18,750,653	23,328,570	23,020,742	21,654,003	15,649,591	21,562,300	17,933,855
Ventura County	446,275	1,217,138	1,401,721	3,495,113	1,669,355	3,161,254	1,861,266	2,708,692	3,078,185	1,786,705
Totals	28,506,726	48,017,753	47,972,603	63,635,213	58,001,777	59,687,059	64,725,812	51,205,992	61,723,837	44,724,518

AVERAGE PRICE / SF										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$93.28	\$72.09	\$97.62	\$95.75	\$101.02	\$114.62	\$132.61	\$150.97	\$160.13	\$188.00
Orange County	\$124.94	\$104.97	\$102.68	\$110.16	\$108.88	\$129.30	\$155.05	\$163.93	\$178.30	\$201.14
Inland Empire	\$54.79	\$53.34	\$62.40	\$66.50	\$70.95	\$73.69	\$91.10	\$102.20	\$112.94	\$118.37
Ventura County	\$130.65	\$92.43	\$101.31	\$68.67	\$84.30	\$93.22	\$104.92	\$100.14	\$110.19	\$108.34
Averages	\$81.04	\$68.05	\$85.04	\$87.71	\$89.73	\$100.08	\$121.02	\$135.59	\$143.50	\$158.60

MEDIAN PRICE / SQUARE FOOT										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$115.70	\$104.13	\$107.96	\$108.04	\$113.64	\$127.14	\$141.92	\$158.36	\$178.05	\$195.00
Orange County	\$150.00	\$126.29	\$125.38	\$126.00	\$136.89	\$144.07	\$169.00	\$179.32	\$204.54	\$222.51
Inland Empire	\$86.50	\$75.29	\$70.06	\$72.60	\$76.39	\$88.21	\$100.00	\$118.01	\$125.00	\$142.13
Ventura County	\$159.57	\$114.43	\$104.09	\$99.77	\$97.10	\$113.76	\$124.70	\$122.33	\$135.99	\$148.00
Median Average	\$107.82	\$94.58	\$95.91	\$99.71	\$102.00	\$114.16	\$131.14	\$147.71	\$160.84	\$175.49

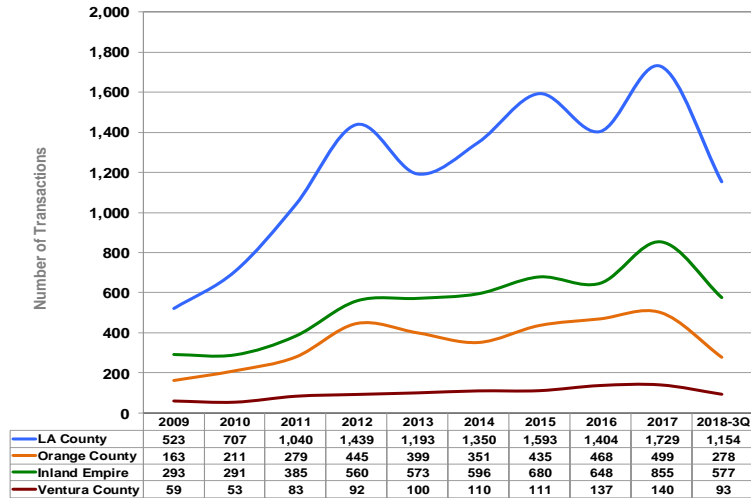
MEDIAN \$ PSF INCREASE										
Bldg. SF	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q	
LA County	-10.0%	3.7%	0.1%	5.2%	11.9%	11.6%	11.6%	12.4%	9.5%	
Orange County	-15.8%	-0.7%	0.5%	8.6%	5.2%	17.3%	6.1%	14.1%	8.8%	
Inland Empire	-13.0%	-6.9%	3.6%	5.2%	15.5%	13.4%	18.0%	5.9%	13.7%	
Ventura County	-28.3%	-9.0%	-4.2%	-2.7%	17.2%	9.6%	-1.9%	11.2%	8.8%	
Totals	-12.3%	1.4%	4.0%	2.3%	11.9%	14.9%	12.6%	8.9%	9.1%	

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.

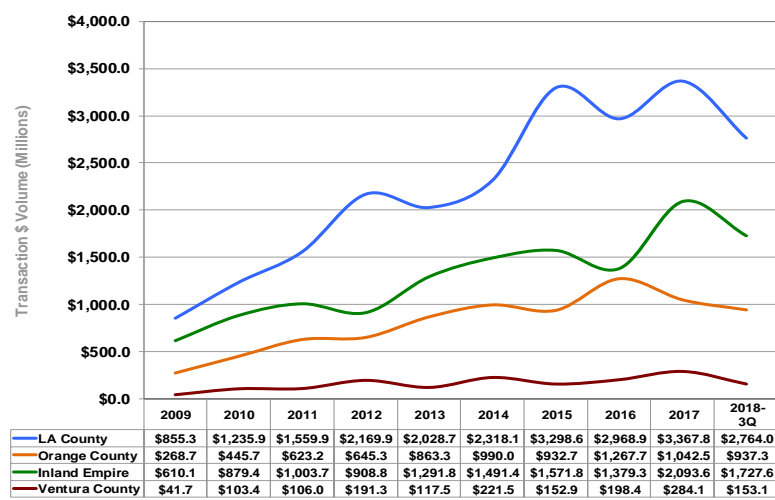


SOUTHERN CALIFORNIA INDUSTRIAL SALES TREND ANALYSIS

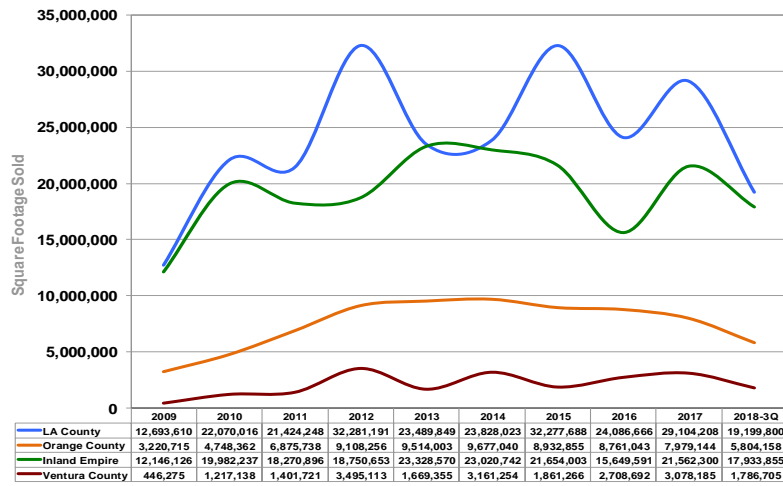
Number of Transactions



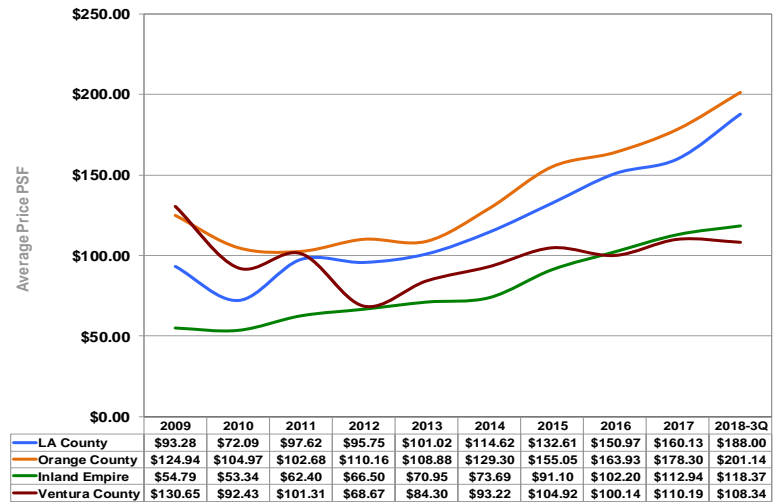
Transaction Volume \$



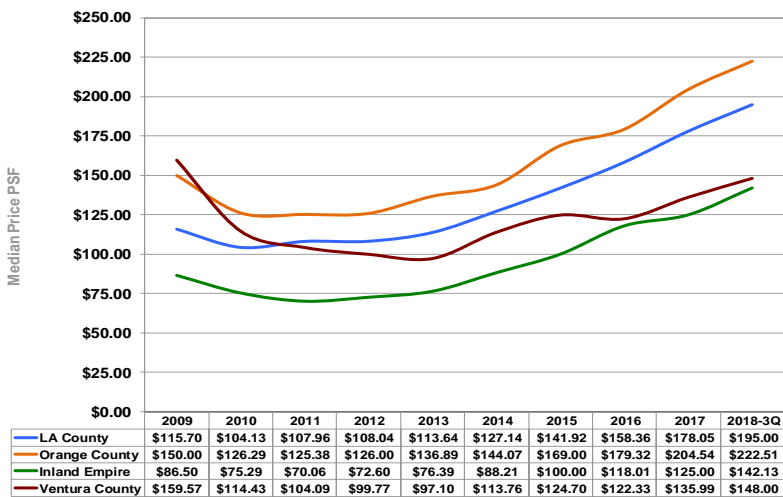
Square Footage Sold



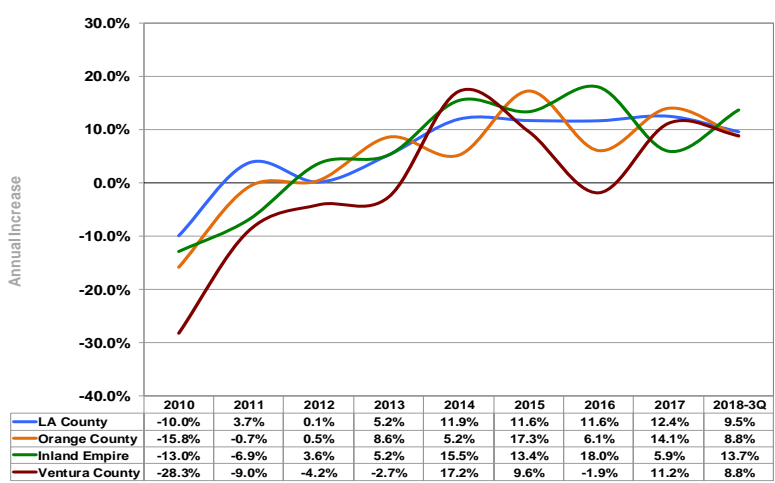
Average Price PSF



Median Price PSF



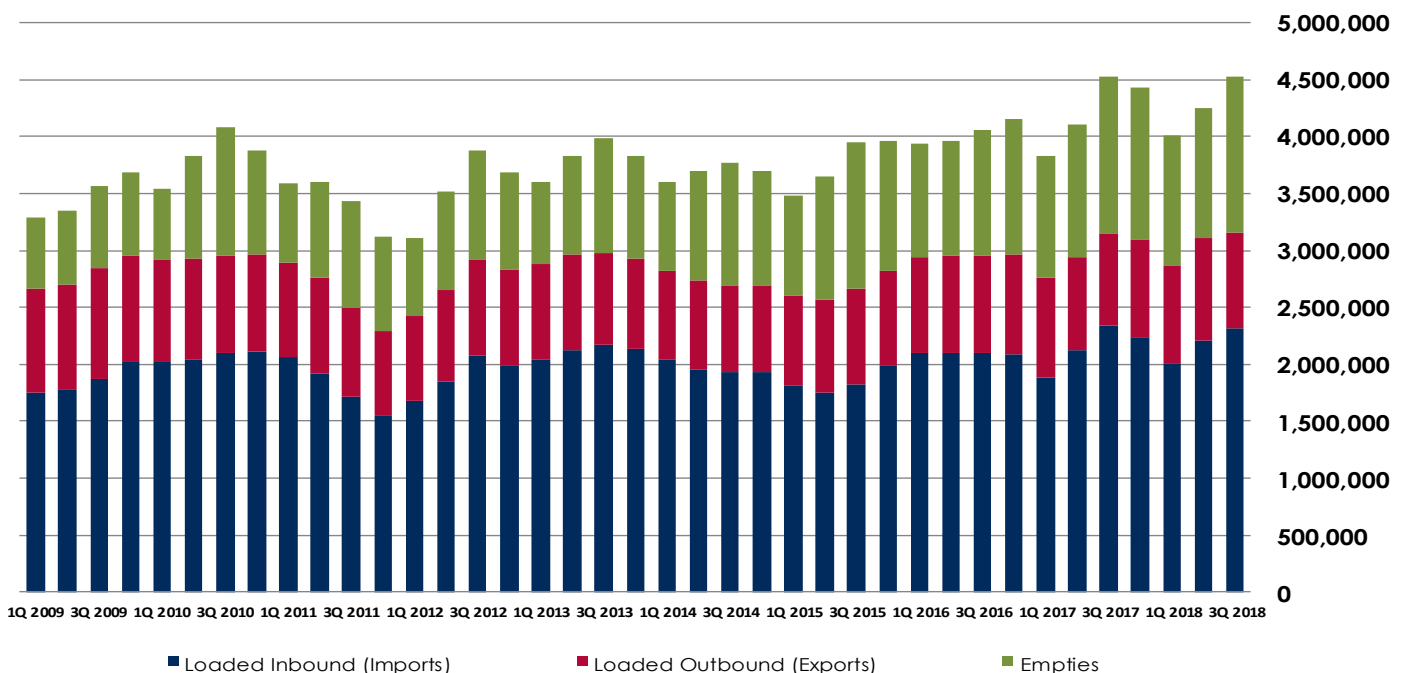
% Change Median Price PSF



PORTS OF LONG BEACH & LOS ANGELES HISTORICAL CONTAINER STATS & TRENDS

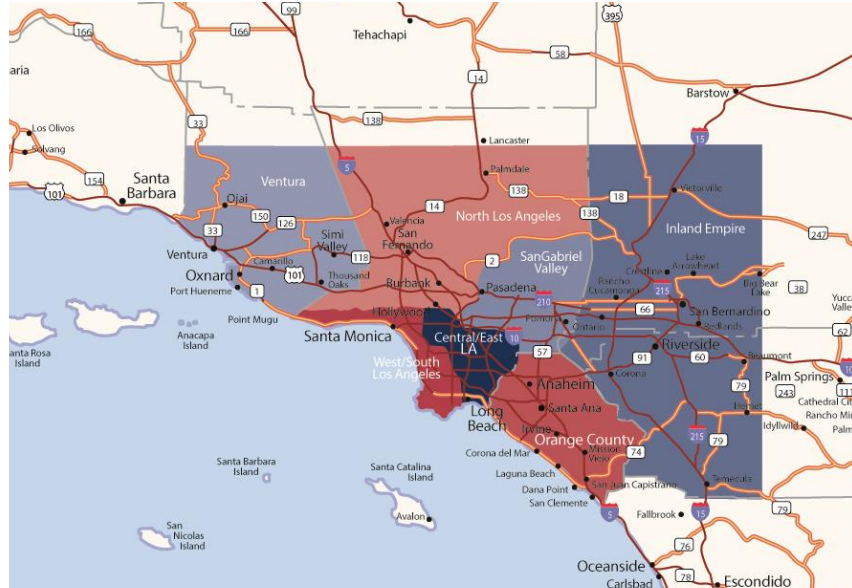
Quarter & Year	Loaded Inbound (Imports)	Loaded Outbound (Exports)	Total Loaded	Empties	Total Containers	% Change (Prior Qtr.)	% Change (Prior Yr.)	% Change (Prior 2 Yrs.)
3Q 2018	2,321,085	838,311	3,159,396	1,371,280	4,530,676	6.5%	0.2%	11.6%
2Q 2018	2,207,186	900,327	3,107,513	1,148,024	4,255,536	6.2%	3.6%	11.2%
1Q 2018	2,005,109	865,171	2,870,280	1,136,253	4,006,533	-9.6%	4.7%	11.5%
4Q 2017	2,236,512	864,951	3,101,463	1,329,531	4,430,994	-2.0%	6.7%	14.3%
3Q 2017	2,339,073	811,292	3,150,365	1,372,386	4,522,752	10.1%	11.4%	6.0%
2Q 2017	2,117,463	826,178	2,943,641	1,163,392	4,107,033	7.3%	7.4%	5.0%
1Q 2017	1,886,230	868,029	2,754,259	1,072,668	3,826,927	-7.9%	6.5%	10.1%
4Q 2016	2,087,498	879,267	2,966,765	1,186,955	4,153,720	2.3%	7.1%	12.4%
3Q 2016	2,099,200	853,033	2,952,233	1,107,223	4,059,456	6.1%	-4.8%	7.6%
2Q 2016	2,096,446	856,215	2,818,094	1,007,246	3,825,340	6.5%	-2.2%	3.4%
1Q 2016	2,094,859	845,044	2,598,231	995,207	3,593,438	-7.3%	3.4%	-0.1%
4Q 2015	1,991,444	826,650	2,736,450	1,140,516	3,876,965	-9.1%	4.9%	1.4%
3Q 2015	1,817,161	844,562	2,661,724	1,284,213	4,265,623	9.0%	13.0%	7.1%
2Q 2015	1,754,371	812,980	2,567,351	1,082,394	3,913,298	12.6%	5.8%	2.1%
1Q 2015	1,809,180	789,051	2,598,231	878,445	3,476,676	-5.9%	-3.4%	-3.3%
4Q 2014	1,931,724	759,835	2,691,559	1,004,845	3,696,404	-2.0%	-3.4%	0.3%
3Q 2014	1,928,187	757,074	2,685,261	1,088,280	3,773,541	2.0%	-5.2%	-2.8%
2Q 2014	1,949,084	787,366	2,736,450	963,609	3,700,059	2.8%	-3.4%	5.1%
1Q 2014	2,037,574	779,934	2,817,508	780,456	3,597,965	-5.9%	0.1%	15.5%
4Q 2013	2,138,563	795,898	2,934,461	890,168	3,824,629	-3.9%	3.8%	22.6%
3Q 2013	2,168,507	812,903	2,981,410	1,000,308	3,981,718	3.9%	2.6%	16.0%
2Q 2013	2,128,504	834,750	2,963,254	868,882	3,832,136	6.6%	8.9%	6.5%
1Q 2013	2,038,181	840,821	2,879,003	716,573	3,595,576	-2.4%	15.5%	0.2%

**Ports of Long Beach & Los Angeles Historical Container Stats
Container Trade in TEUs***



MARKET REPORT OVERVIEW

SOUTHERN CALIFORNIA MARKET MAP



DAUM OFFICES

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28494 Westinghouse Place, Suite 312
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661-705-2299

SAN GABRIEL VALLEY, CALIFORNIA

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City of Industry, CA 91746
562-695-7244

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ORANGE COUNTY, CALIFORNIA

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Newport Beach, CA 92660
949-724-1900

VENTURA & SANTA BARBARA, CALIFORNIA

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Camarillo, CA 93010
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INLAND EMPIRE, CALIFORNIA

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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

Industrial and flex (R & D) buildings that are 5,000 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.

