



QUICK STATS

Current Quarter

Direct Vacancy	3.0%
Overall Vacancy	3.2%
Lease Rate NNN	\$0.83
Gross Absorption	4,746,510 SF
Under Construction	294,594 SF

MARKET TRENDS

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

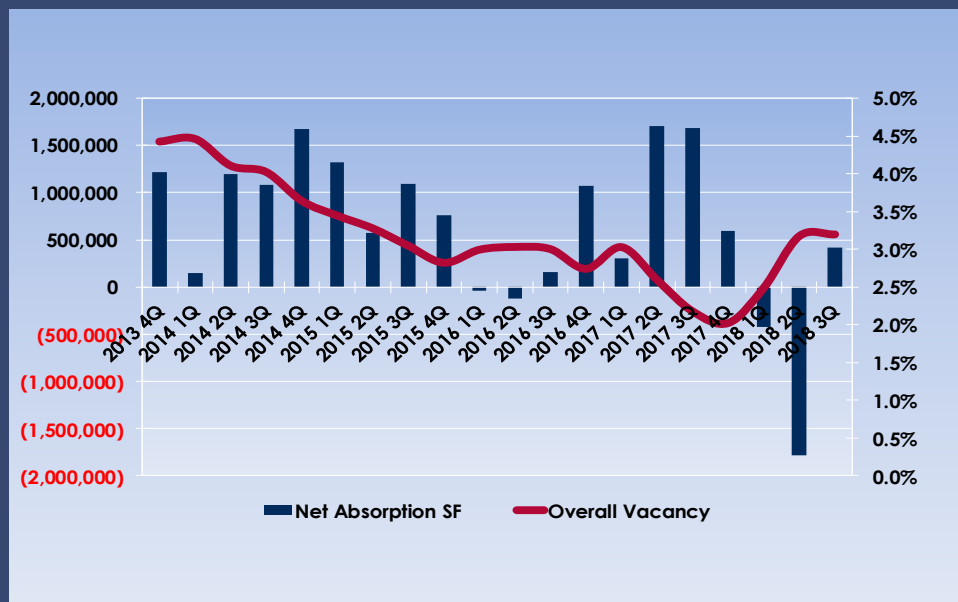
ECONOMIC STATS

	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%

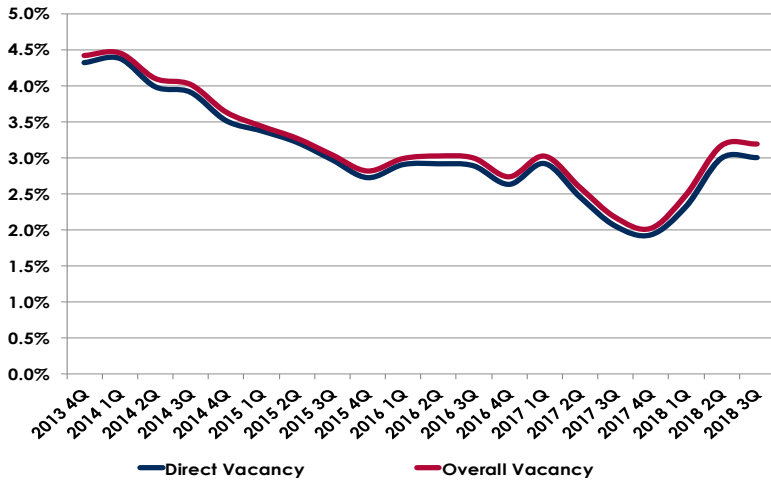
SUMMARY & OUTLOOK

The Central/SE Los Angeles industrial market witnessed vacancy rates remain unchanged at 3.2%, during the quarter. Average asking rents increased 7.8%, year over year, moving from \$0.77nnn to \$0.83nnn. Gross absorption finished with 4.75 million square feet of activity during the quarter, while net absorption gained 414,000 square feet of occupied space. 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

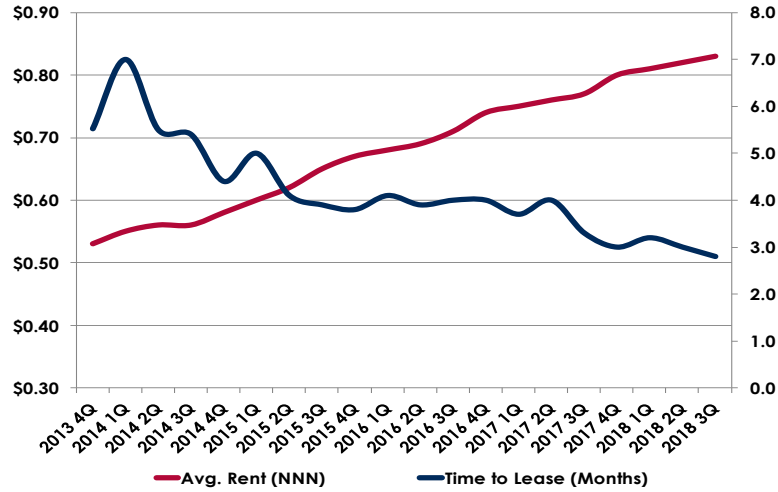


VACANCY



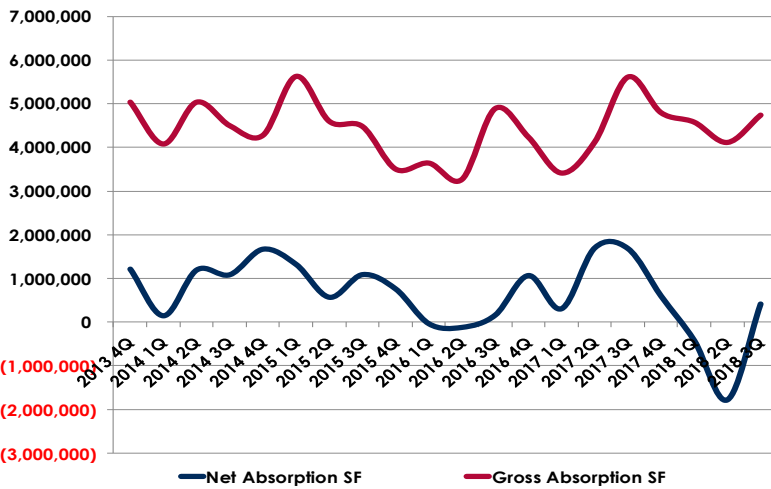
Overall vacancy rates (including sublease space) were unchanged during the quarter, remaining at 3.2%. Of the four submarkets within the LA-Central/Southeast market, the Commerce submarket ended the quarter with the lowest overall vacancy of 2.5%, followed by the Vernon submarket at 3.1%, the Central-Los Angeles submarket at 3.2%, and the Mid-Counties submarket finishing at 3.9%. Since the third quarter of 2017, overall vacancy has increased from 2.2% to 3.2%, equal to its 5-year average.

RENTAL RATES & TIME ON THE MARKET



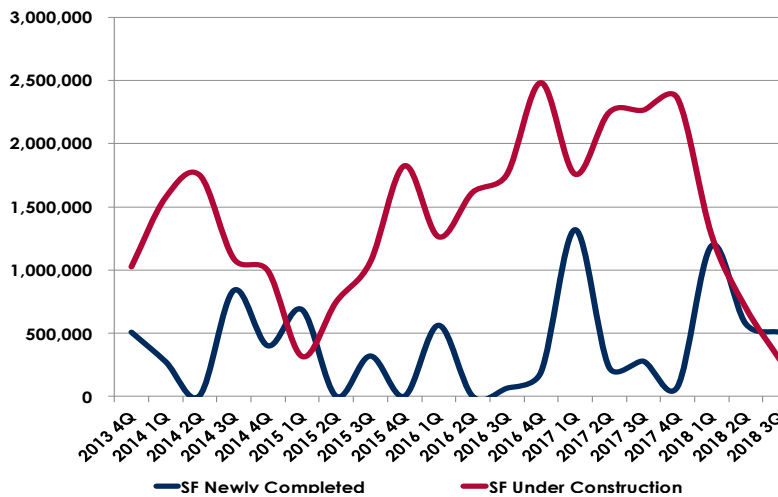
Standard industrial average asking rents increased 7.8%, year over year, moving from \$0.77nnn to \$0.83nnn. Of the four major submarkets within the LA-Central/SE market, the Central-Los Angeles submarket ended the quarter with the highest standard industrial rental rate of \$1.10nnn, followed by the Mid-Counties at \$0.79nnn, Commerce at \$0.68nnn, with Vernon at \$0.67nnn. Average asking rents increased 1.2% from the previous quarter, moving from \$0.82nnn to \$0.83nnn, while the median time to lease remains at its lowest level in more than 5-years at 2.8-months.

ABSORPTION



During the quarter, gross absorption finished with 4.75 million square feet of activity, up 15% from the previous quarter, but lower by 16% compared to a year ago. Net absorption posted a gain of 414,000 square feet of occupied space for the quarter, but has lost 1.8 million square feet for the year. In 2017, the market gained 4.3 million square feet, after gaining 1.1 million square feet in 2016. During 2015, the market gained 3.7 million square feet, after gaining 4.1 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 market. Overall demand is still very strong and we do expect to see further growth in occupancy in the coming quarters.

CONSTRUCTION ACTIVITY



Under construction activity decreased during the quarter with 295,000 square feet currently underway, as the market has delivered 2.3 million square feet of new space. The market added 1.9 million square feet of new space in 2017, after delivering 816,000 square feet during 2016, 1.0 million square feet during 2015 and 1.5 million square feet in 2014. During the past five years, the market has averaged 1.6 million square feet of new deliveries, annually. New construction activity is expected to remain at lower levels in the coming quarters, as available industrial land still remains very scarce, coupled with very high land values and rising construction costs, making it a challenge for new development within this highly dense infill market.

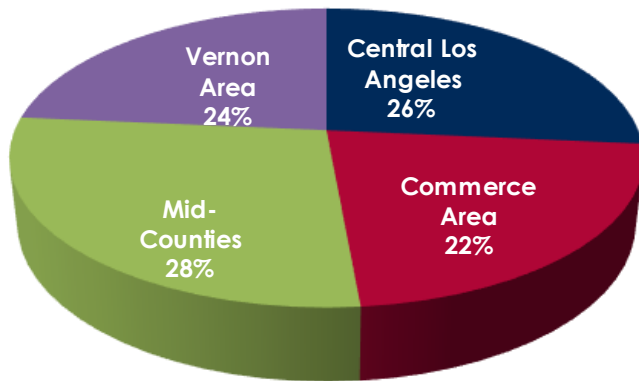


MARKET SNAPSHOT

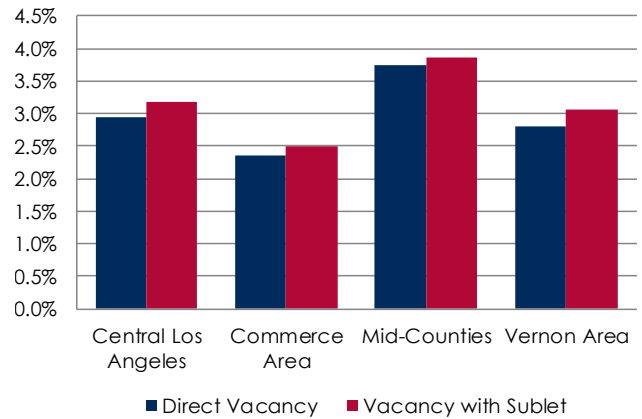
SUBMARKETS	Total Inventory Square Footage	Direct Vacant Square Footage	Direct Vacancy Rate	Total Vacant w/ Sublet Square Footage	Vacancy with Sublet Rate
Central Los Angeles	90,853,543	2,679,706	2.9%	2,887,145	3.2%
Commerce Area	75,918,850	1,790,810	2.4%	1,903,935	2.5%
Mid-Counties	95,648,925	3,585,653	3.7%	3,695,584	3.9%
Vernon Area	80,935,550	2,266,188	2.8%	2,482,681	3.1%

L.A. Central / SE Totals	343,356,868	10,322,357	3.0%	10,969,345	3.2%
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Industrial Market Inventory



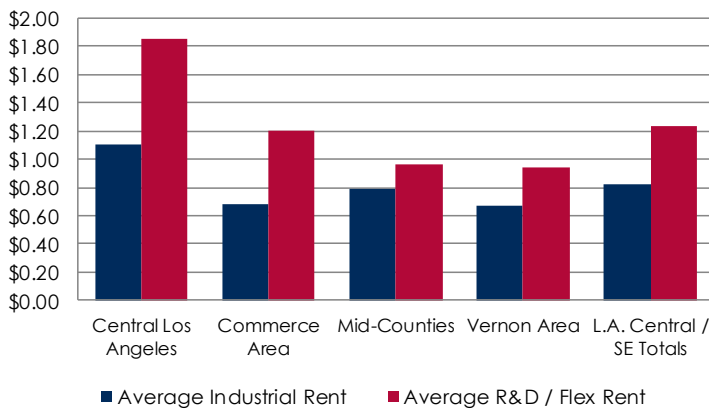
Industrial Vacancy Rates



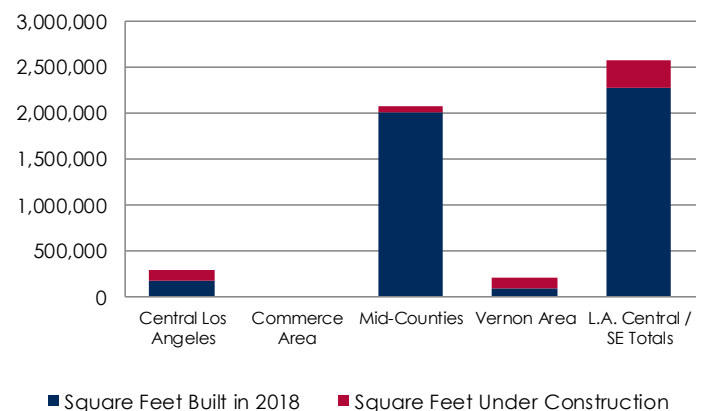
SUBMARKETS	Average Industrial Rent	Average R&D / Flex Rent	Square Feet Built in 2018	Square Feet Under Construction	Gross Absorption Square Feet Current Quarter
Central Los Angeles	\$1.10	\$1.85	176,707	112,735	1,512,486
Commerce Area	\$0.68	\$1.20	0	0	473,224
Mid-Counties	\$0.79	\$0.96	2,002,295	70,696	1,408,175
Vernon Area	\$0.67	\$0.94	94,769	111,163	1,352,625

L.A. Central / SE Totals	\$0.83	\$1.23	2,273,771	294,594	4,746,510
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Industrial Rental Rates



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

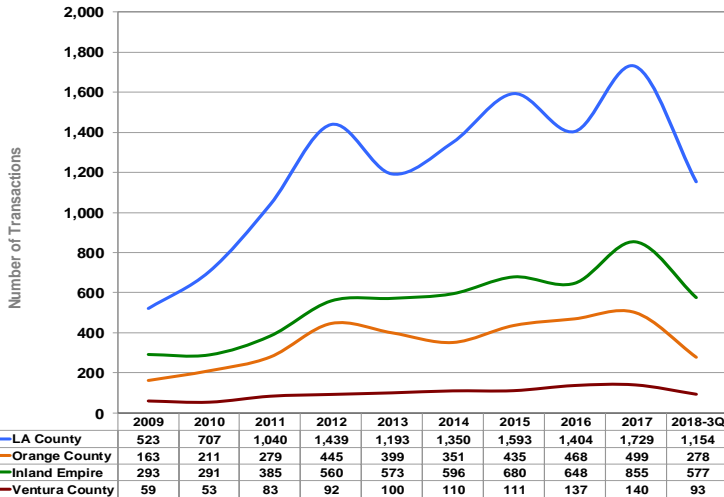
MEDIAN \$ PSF INCREASE										
Bldg. SF	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q	
LA County	-10.0%	3.7%	0.1%	5.2%	11.9%	11.6%	11.6%	12.4%	9.5%	
Orange County	-15.8%	-0.7%	0.5%	8.6%	5.2%	17.3%	6.1%	14.1%	8.8%	
Inland Empire	-13.0%	-6.9%	3.6%	5.2%	15.5%	13.4%	18.0%	5.9%	13.7%	
Ventura County	-28.3%	-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.

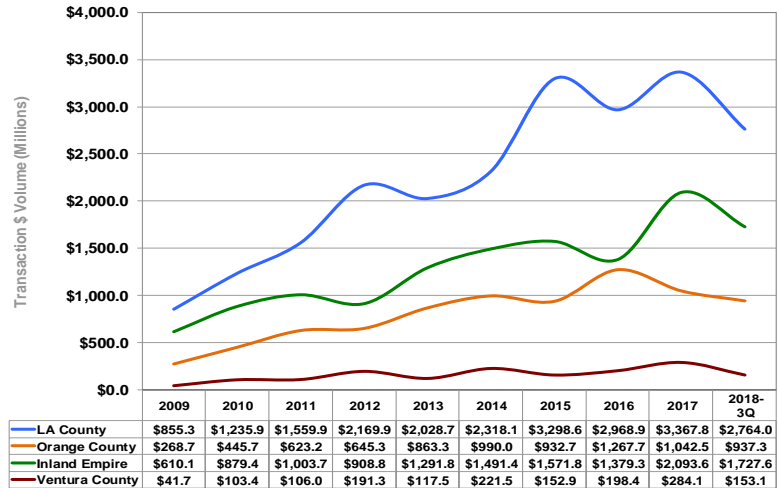


SOUTHERN CALIFORNIA INDUSTRIAL SALES TREND ANALYSIS

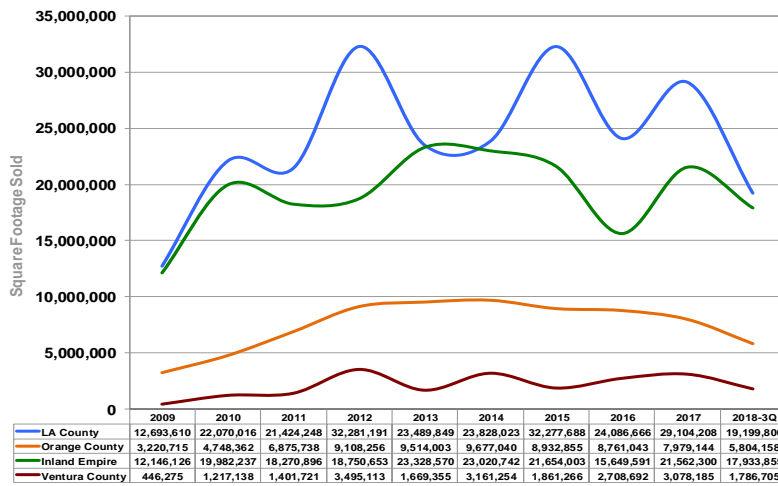
Number of Transactions



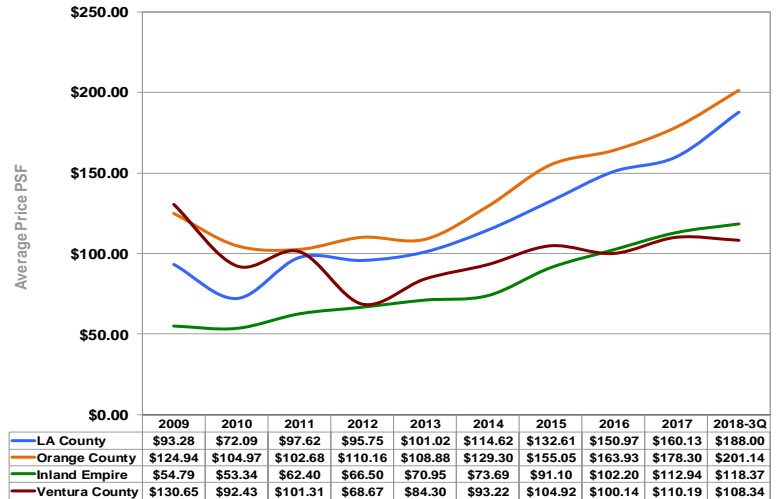
Transaction Volume \$



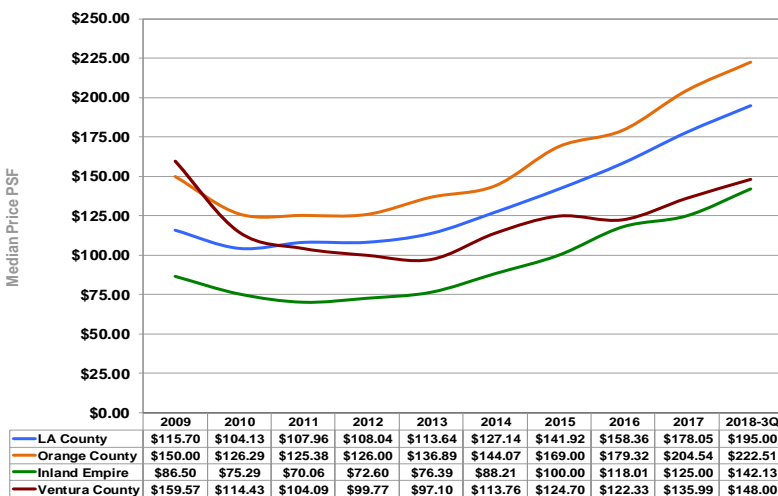
Square Footage Sold



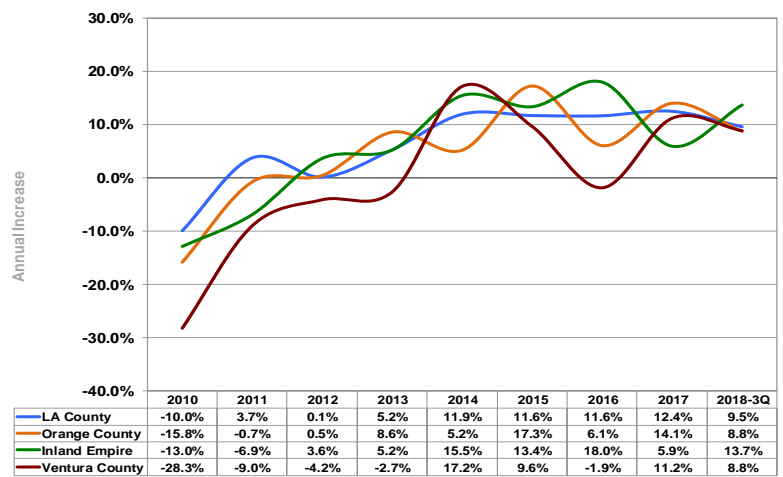
Average Price PSF



Median Price PSF



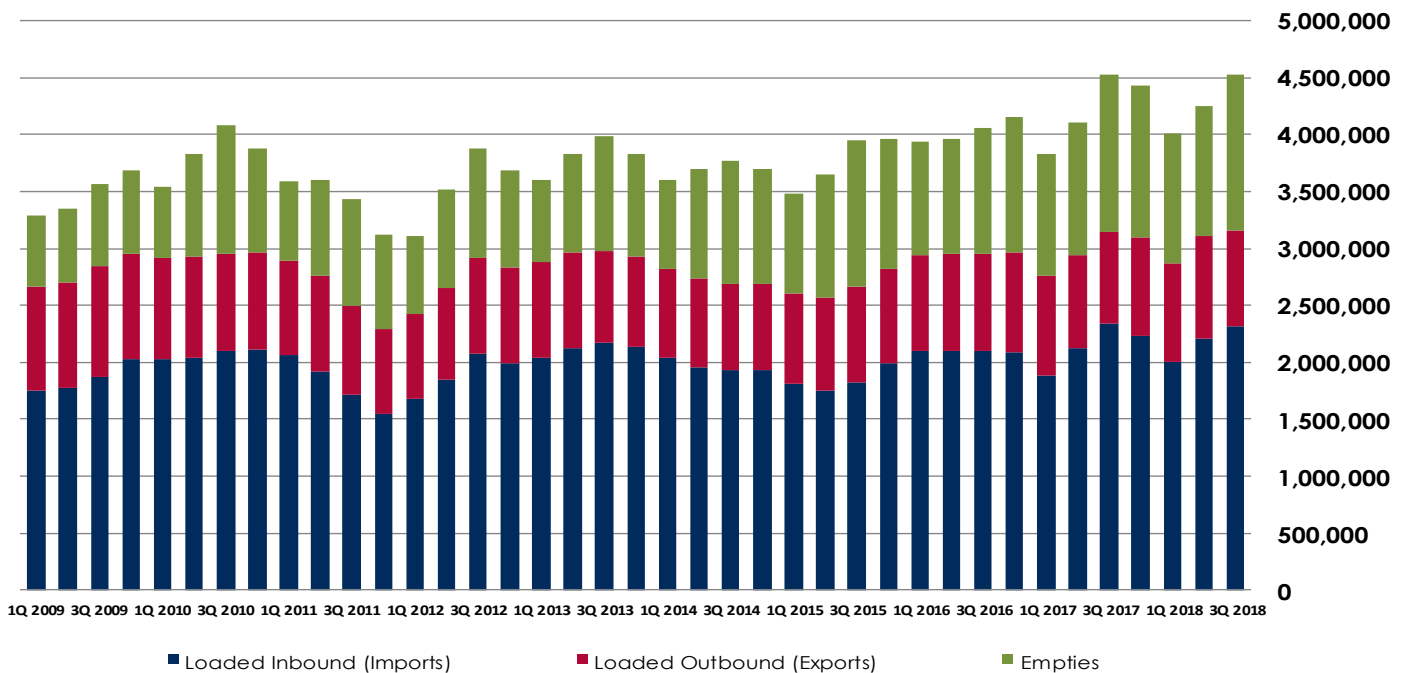
% Change Median Price PSF



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

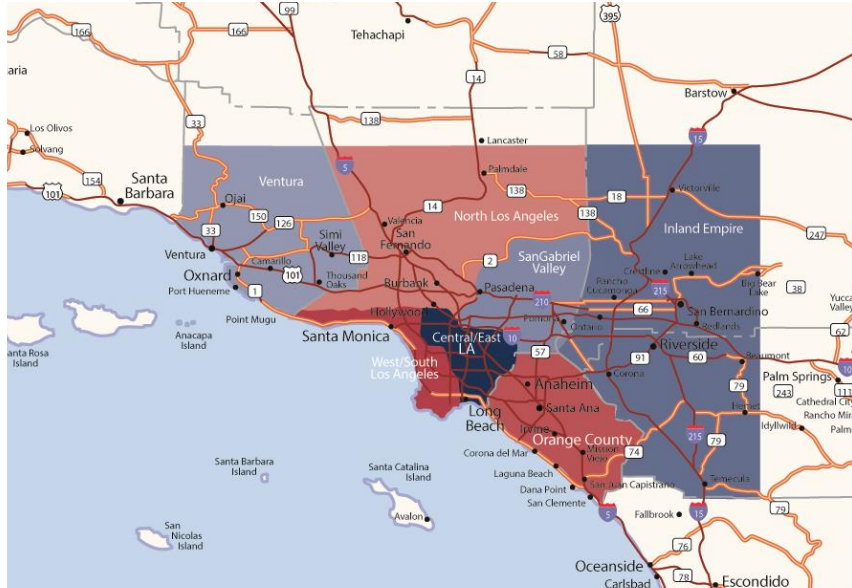
Quarter & Year	Loaded Inbound (Imports)	Loaded Outbound (Exports)	Total Loaded	Empties	Total Containers	% Change (Prior Qtr.)	% Change (Prior Yr.)	% Change (Prior 2 Yrs.)
3Q 2018	2,321,085	838,311	3,159,396	1,371,280	4,530,676	6.5%	0.2%	11.6%
2Q 2018	2,207,186	900,327	3,107,513	1,148,024	4,255,536	6.2%	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

LOS ANGELES, CALIFORNIA

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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

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.

