



QUICK STATS

Current Quarter

Direct Vacancy	14.7%
Overall Vacancy	15.2%
Lease Rate FSG	\$3.16
Gross Absorption	1,368,660 SF
Under Construction	2,049,535 SF

MARKET TRENDS

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

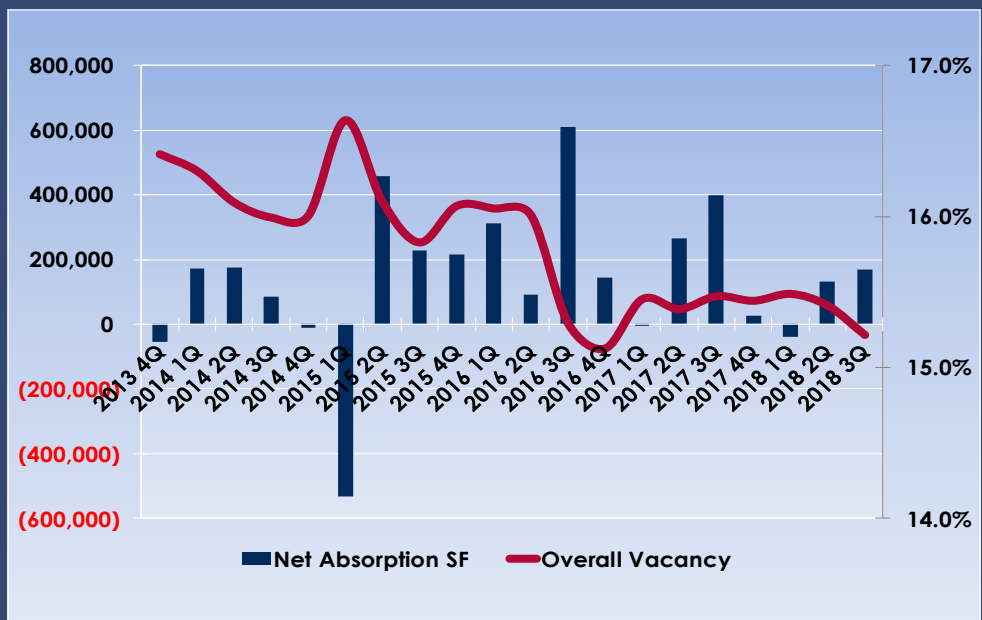
ECONOMIC STATS

	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%

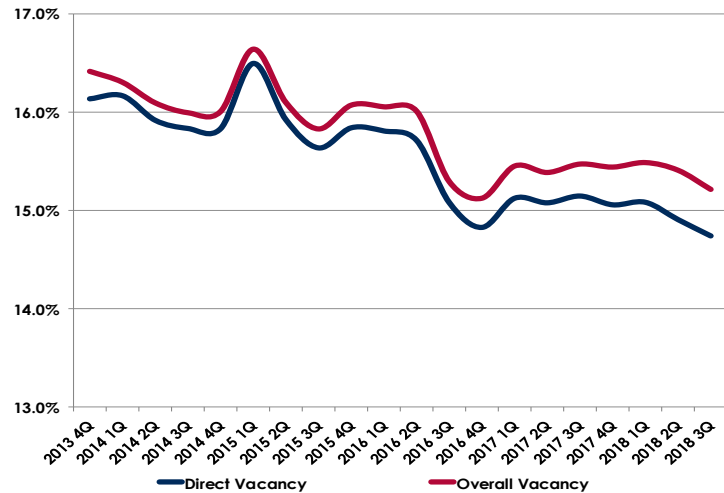
SUMMARY & OUTLOOK

The L.A. Central/SE office market witnessed overall vacancy rates decrease from 15.4% to 15.2%, during the quarter. Average asking rents increased 1.3%, year over year, moving from \$3.12 FSG to \$3.16 FSG. Gross absorption finished the quarter with nearly 1.4 million square feet of activity, while net absorption finished in positive territory, gaining 168,000 square feet of occupied space. Under construction activity was unchanged during the quarter with just over 2.0 million square feet currently underway, as the market has delivered 235,000 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%. The office market fundamentals remain solid, as the market has recorded positive net absorption in fifteen of the past twenty quarters, totaling 2.8 million square feet and is expected to record its fifth consecutive year with positive net absorption. Job creation remains the key to increased office demand. In September, non-farm employment grew by 1.2%, year over year, adding 52,100 new jobs. The investment and sale market for office buildings in Los Angeles County continues to see median prices rising through the third quarter of 2018, up 7.8% for the year. Overall transaction volume peaked in 2016 with a record \$9.6 billion and has declined with \$7.9 billion in 2017 and is expected to finish below that level in 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. We expect vacancy levels to rise some in the coming quarters, as the delivery of new construction will most likely outpace current absorption rates. We expect rents to increase 2% to 4% for most submarkets in the coming year.

VACANCY & NET ABSORPTION

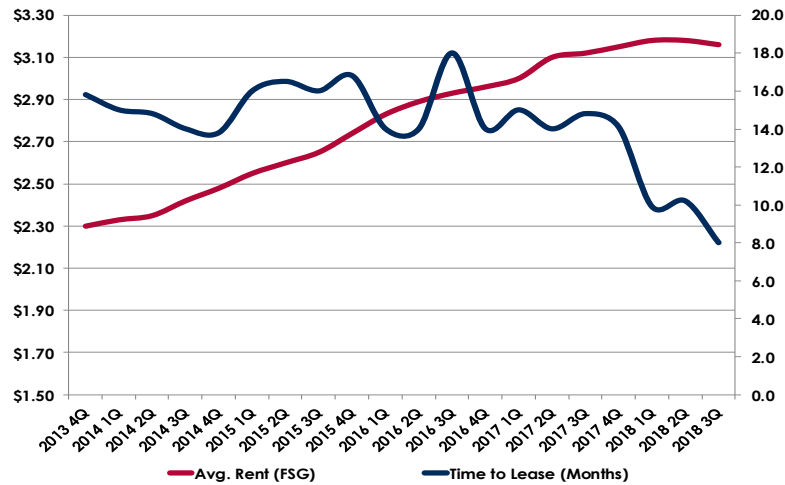


VACANCY



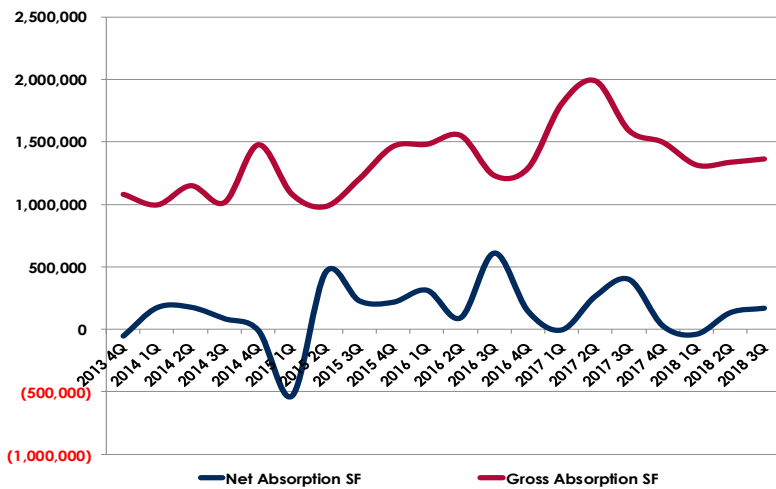
Overall vacancy rates (including sublease space) decreased from 15.4% to 15.2%, during the quarter. Of the four submarkets within the LA-Central/Southeast market, the Southeast L.A. submarket ended the quarter with the lowest overall vacancy of 9.7%, followed by the Mid-Cities submarket at 13.4%, with the Downtown L.A. and the Mid-Wilshire submarkets both finishing the quarter at 15.5%. Since the third quarter of 2017, overall vacancy rates have decreased from 15.5% to 15.2%, and remains near its lowest level in more than a decade.

RENTAL RATES & TIME ON THE MARKET



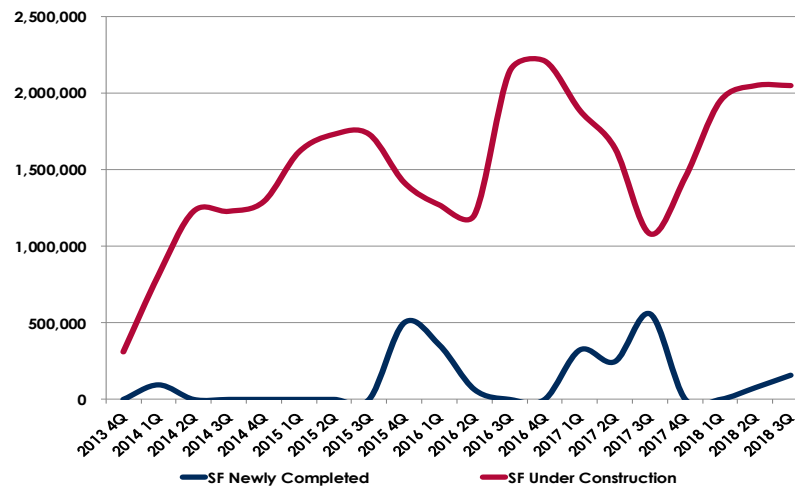
Average asking rates increased 1.3%, year over year, moving from \$3.12 FSG to \$3.16 FSG. Of the four submarkets within the LA-Central/SE market, the Downtown L.A. submarket ended the quarter with the highest average asking rate of \$3.25 FSG, followed by Mid-Wilshire at \$3.14 FSG, the Mid-Cities at \$2.28 FSG and the Southeast LA submarket at \$2.16 FSG. Average asking rents edged lower during the quarter, moving from \$3.18 FSG to \$3.16 FSG, while the median time to lease has reached its lowest level in more than 5-years at 8.0-months.

ABSORPTION



During the quarter, gross absorption finished with 1.4 million square feet of activity, up 2% from the previous quarter, but lower by 14% compared to a year ago. Net absorption posted a gain of 168,000 square feet during the quarter and has gained 261,000 square feet for the year. During 2017, the market gained 685,000 square feet, after gaining 1.1 million square feet during 2016. In 2015, the market gained 365,000 square feet, after gaining 425,000 square feet during 2014. Overall demand and activity remain at healthy levels and we expect to see further growth in the coming quarters, driven by continued employment growth in the market.

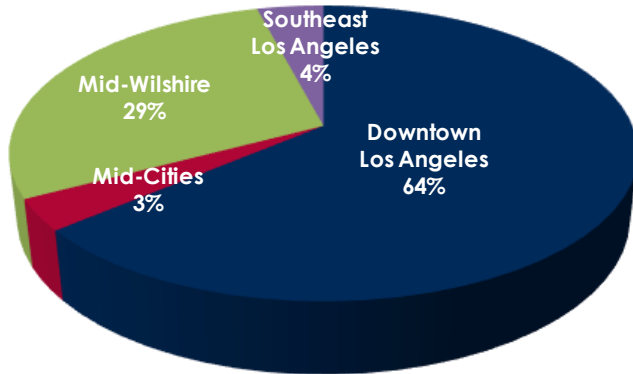
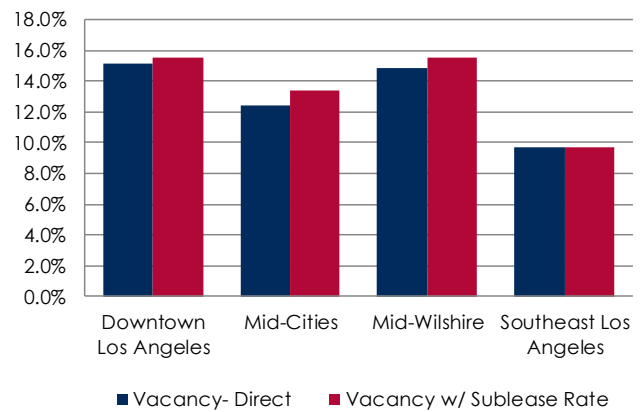
CONSTRUCTION ACTIVITY



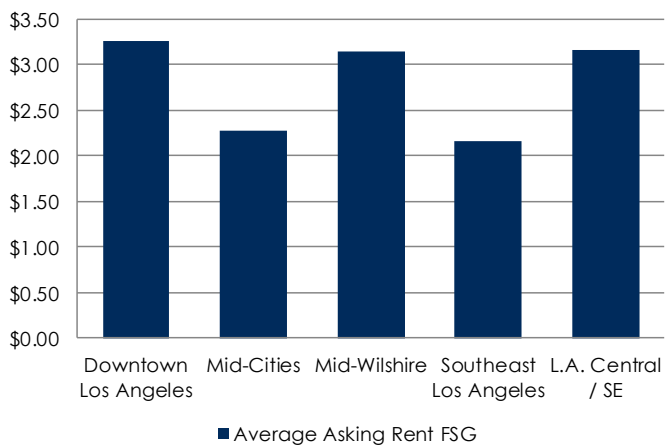
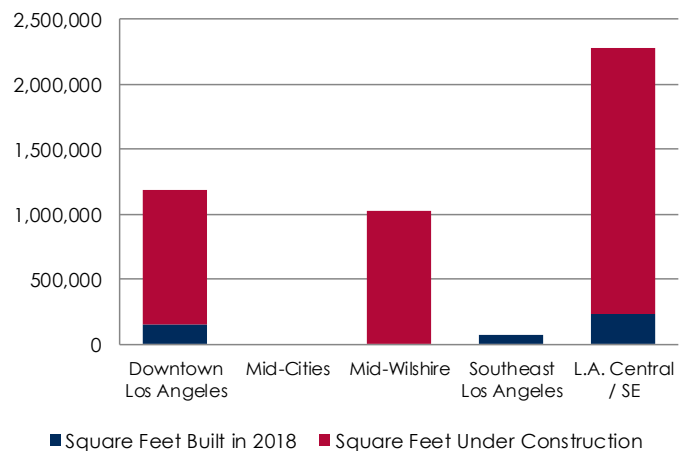
Under construction activity was unchanged during the quarter with just over 2.0 million square feet currently underway, as the market has delivered 235,000 square feet of new space for the year. In 2017, the market added 1.1 million square feet of new space after delivering 419,000 square feet during 2016, 501,000 square feet in 2015, and 95,000 square feet in 2014. New construction activity during the past five years has averaged 475,000 square feet, annually. We expect new construction activity to begin to decline as we move into the coming quarters. Among the projects currently under construction, only 3% of the space has been pre-leased or is committed.

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
Downtown Los Angeles	55,118,390	8,336,513	15.1%	8,562,218	15.5%
Mid-Cities	2,950,046	367,327	12.5%	396,258	13.4%
Mid-Wilshire	24,760,104	3,686,140	14.9%	3,836,442	15.5%
Southeast Los Angeles	3,529,862	342,781	9.7%	342,781	9.7%
L.A. Central / SE	86,358,402	12,732,761	14.7%	13,137,699	15.2%

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
Downtown Los Angeles	\$3.25	\$1.00-\$5.75	157,916	1,025,646	719,412
Mid-Cities	\$2.28	\$1.20-\$2.95	0	0	14,310
Mid-Wilshire	\$3.14	\$1.65-\$5.75	0	1,023,889	562,022
Southeast Los Angeles	\$2.16	\$1.65-\$3.10	77,250	0	72,916
L.A. Central / SE	\$3.16	\$1.00-\$5.75	235,166	2,049,535	1,368,660

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

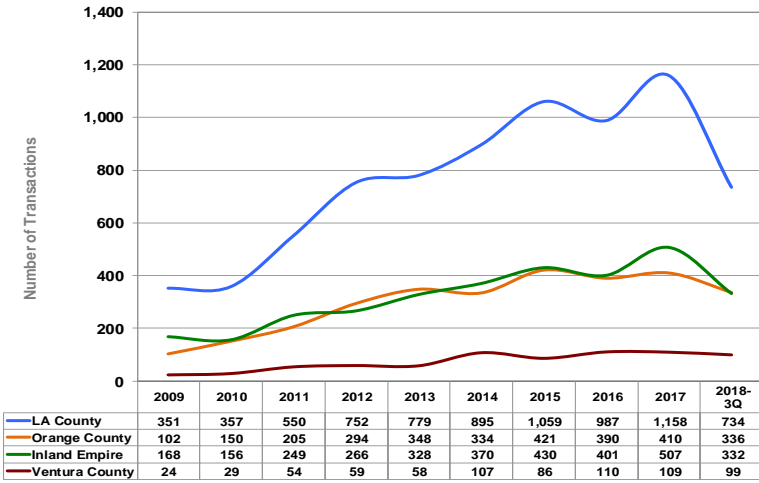
MEDIAN PRICE / SQUARE FOOT										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$259.65	\$211.87	\$204.57	\$245.12	\$233.03	\$265.09	\$284.48	\$297.75	\$302.50	\$326.06
Orange County	\$226.25	\$195.05	\$216.15	\$190.00	\$204.61	\$224.24	\$246.57	\$279.36	\$289.58	\$312.40
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%	

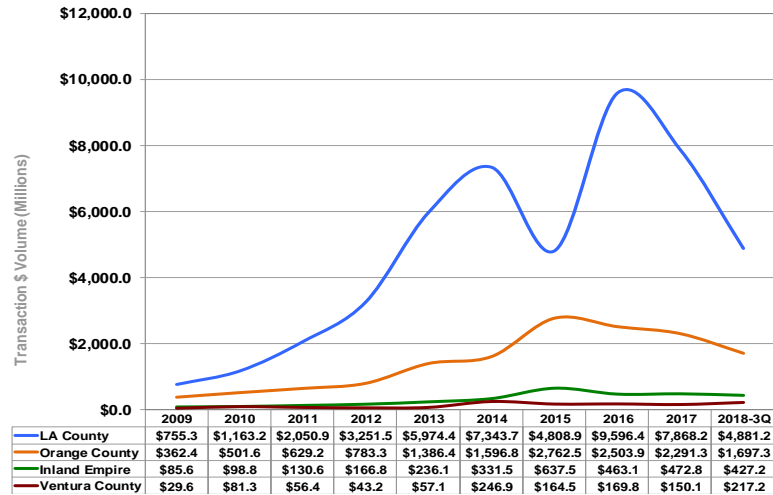


SOUTHERN CALIFORNIA OFFICE BUILDING SALE TREND ANALYSIS

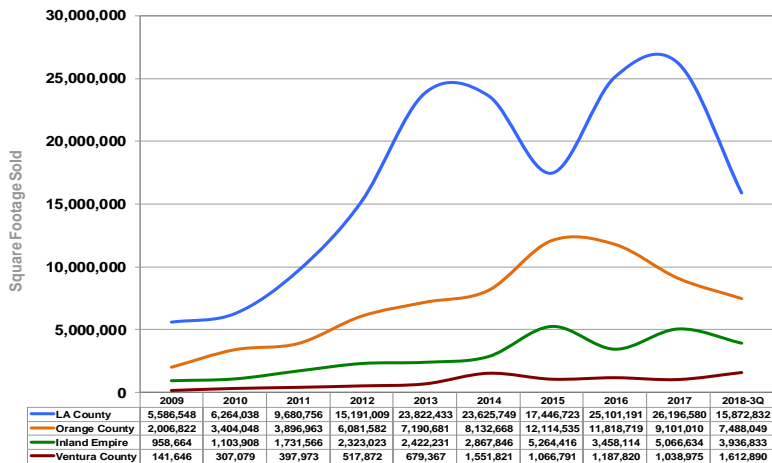
Number of Transactions



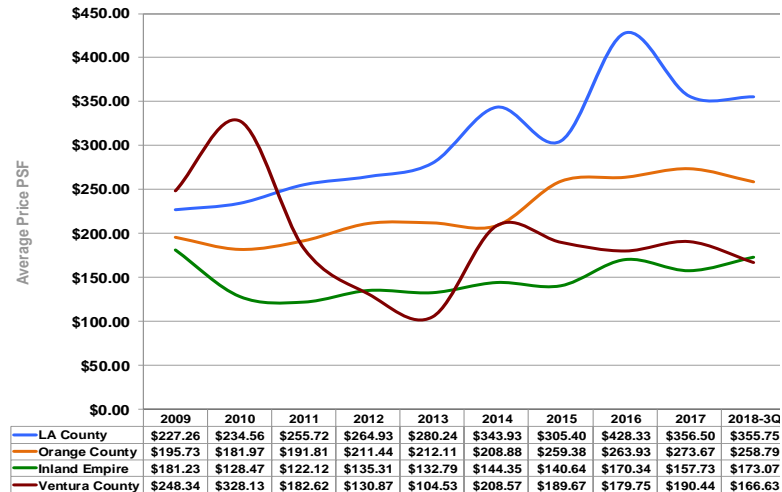
Transaction Volume \$



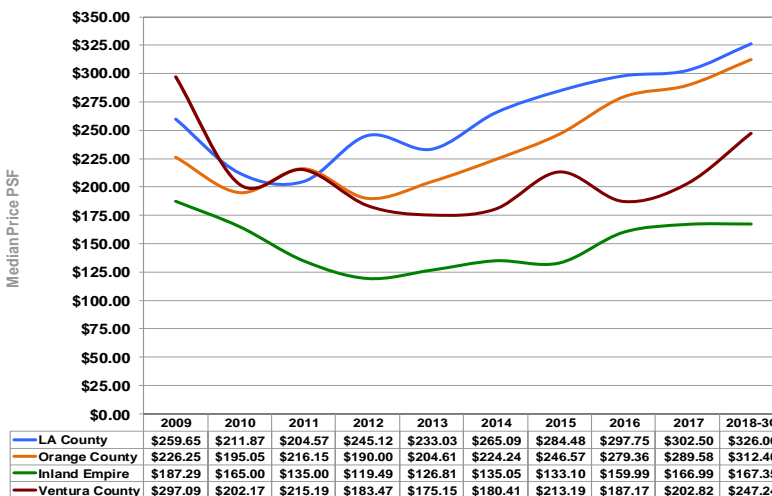
Square Footage Sold



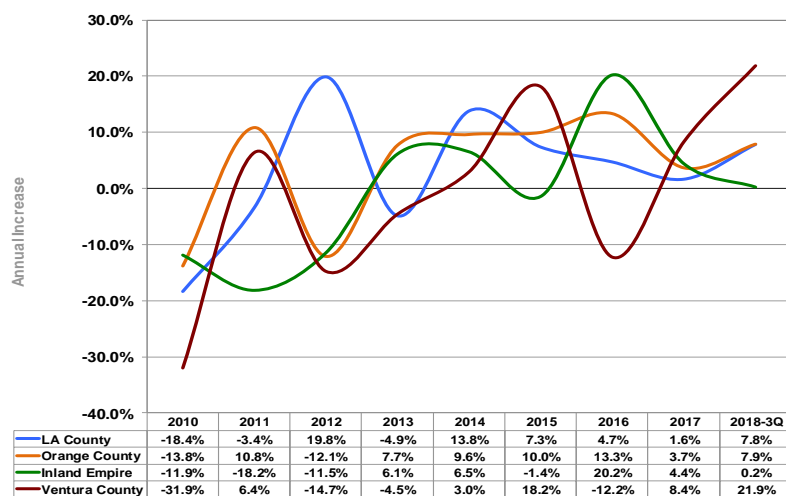
Average Price PSF



Median Price PSF

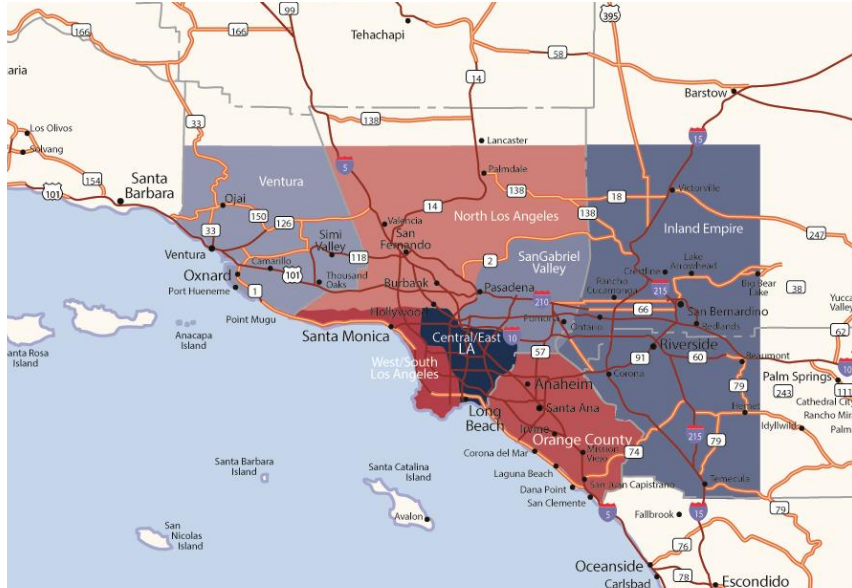


% Change Median Price PSF



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
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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, multi-tenant, office buildings that are 30,000 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.