



**QUICK STATS**

Current Quarter

Direct Vacancy	2.3%
Overall Vacancy	2.6%
Lease Rate NNN	\$1.01
Gross Absorption	1,632,564 SF
Under Construction	595,199 SF

**MARKET TRENDS**

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

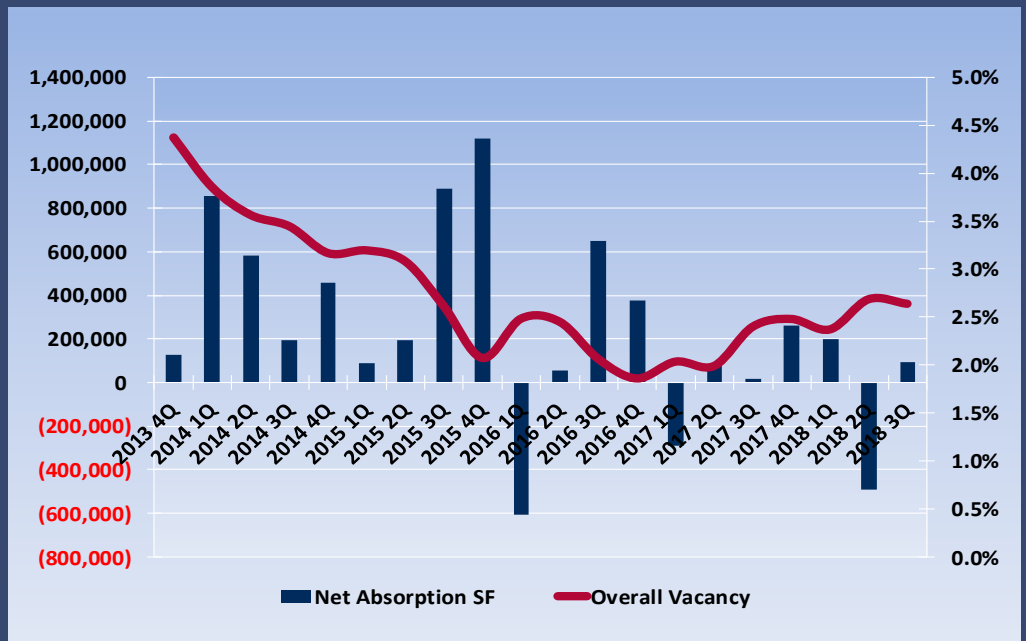
**ECONOMIC STATS**

	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%

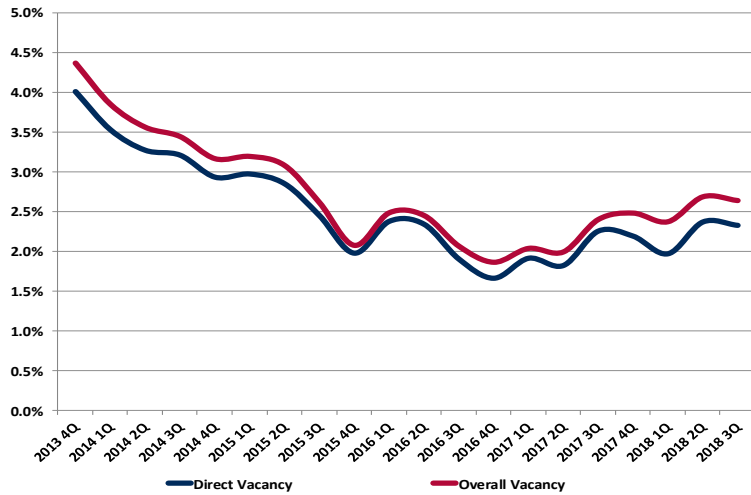
**SUMMARY & OUTLOOK**

The L.A. North industrial market witnessed vacancy rates edge lower from 2.7% to 2.6%, during the quarter. Average asking rents increased 9.8%, year over year, moving from \$0.92nnn to \$1.01nnn. Gross absorption finished the quarter with 1.6 million square feet of activity, while net absorption finished in positive territory, gaining 95,000 square feet of occupied space. Under construction activity moved higher during the quarter, with 595,000 square feet of new space currently underway, as the market has delivered 64,000 square feet 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**

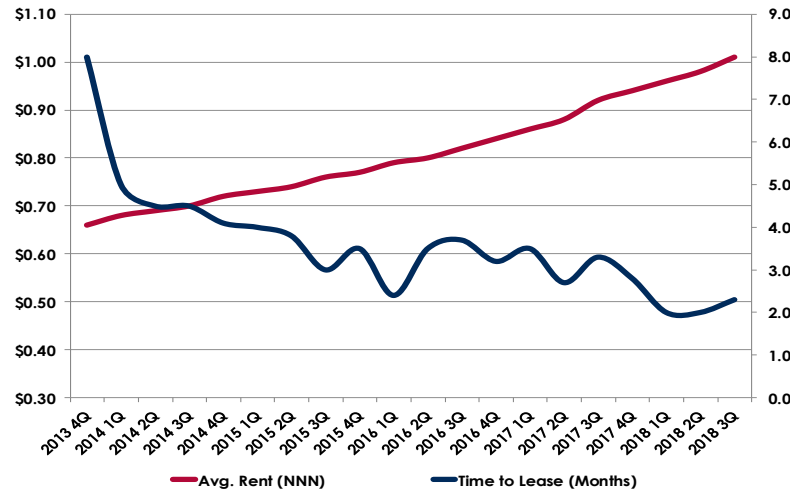


### VACANCY



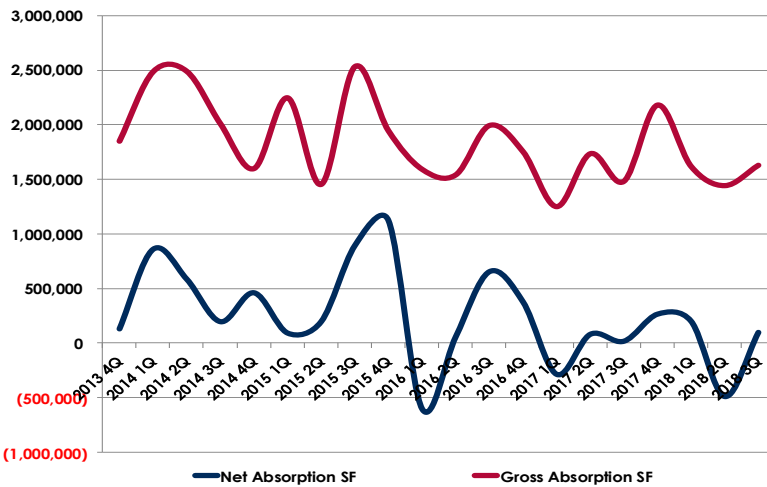
Overall vacancy rates (including sublease space) decreased from 2.7% to 2.6%, during the quarter. Of the five submarkets within the Los Angeles North market, the SFV-East submarket ended the quarter with the lowest overall vacancy of 1.7%, followed by the Antelope Valley at 1.9%, the SFV-West at 2.3%, the Conejo Valley at 2.9%, and the Santa Clarita Valley finishing the quarter at 6.8%. Since the third quarter of 2017, vacancy rates have increased from 2.4% to 2.6%, but still remains below its 5-year average of 2.7%.

### RENTAL RATES & TIME ON THE MARKET



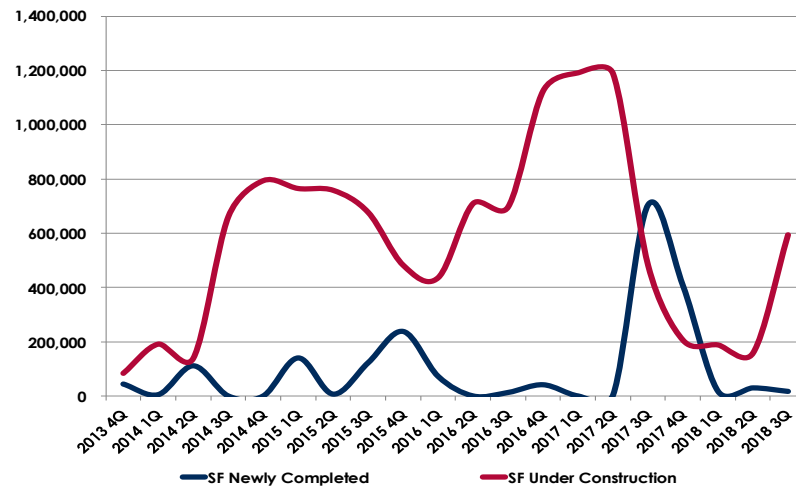
Standard industrial rental rates increased 9.8%, year over year, moving from \$0.92nnn to \$1.01nnn. Of the five submarkets within the LA-North market, the Conejo Valley submarket ended the quarter with the highest standard industrial rental rate of \$1.35nnn, followed by the SFV-East at \$1.10nnn, the SFV-West at \$0.99nnn, the Santa Clarita Valley at \$0.81nnn, and the Antelope Valley finishing the quarter at \$0.74nnn. Average asking rents increased 3.1% from the previous quarter, moving from \$0.96nnn to \$1.01 nnn, while the median time lease edged up to 2.3 months.

### ABSORPTION



During the quarter, gross absorption finished with 1.6 million square feet of activity, up 13% compared to the previous quarter, and higher by 10% compared to a year ago. Net absorption finished the quarter with a gain of 95,000 square feet of occupied space, but has lost 200,000 square feet for the year. In 2017, the market gained 65,000 square feet, after gaining 475,000 square feet in 2016, +2.3 million square feet during 2015 and +2.1 million square feet in 2014. Overall demand for industrial space remains extremely strong, but the lack of available high quality space continues to keep overall activity at lower levels and some tenants are being forced to look outside the market to meet their space needs. We expect to see similar conditions in the coming quarters.

### CONSTRUCTION ACTIVITY



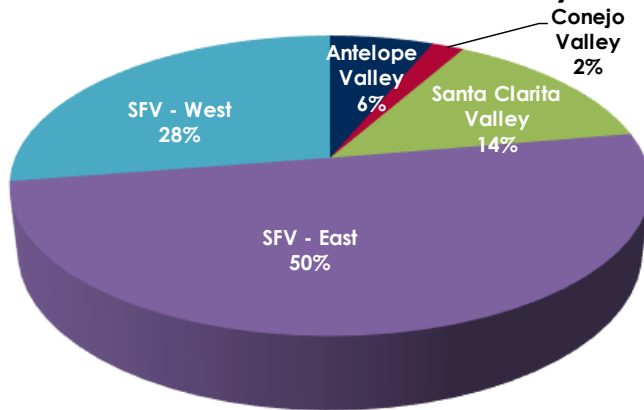
Under construction activity increased during the quarter, with 595,000 square feet currently underway, as the market has delivered 64,000 square feet of new space for the year. The market delivered 1.1 million square feet during 2017, after adding 127,000 square feet during 2016, 508,000 square feet in 2015, and 116,000 square feet during 2014. During the past 5-years, the market has averaged approximately 395,000 square feet of newly delivered space, annually. We expect to see more new construction activity for the Santa Clarita and Antelope Valleys' in the coming quarters.



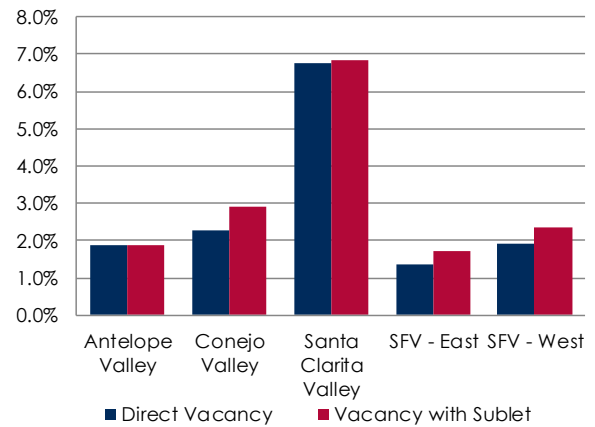
MARKET SNAPSHOT

SUBMARKETS	Total Inventory Square Footage	Direct Vacant Square Footage	Direct Vacancy Rate	Total Vacant w/ Sublet Square Footage	Vacancy with Sublet Rate
Antelope Valley	10,376,398	193,748	1.9%	193,748	1.9%
Conejo Valley	3,225,535	72,842	2.3%	94,205	2.9%
Santa Clarita Valley	23,444,628	1,587,174	6.8%	1,601,655	6.8%
SFV - East	83,523,234	1,147,332	1.4%	1,433,418	1.7%
SFV - West	45,720,001	868,696	1.9%	1,067,259	2.3%
<b>L.A. North Totals</b>	<b>166,289,796</b>	<b>3,869,792</b>	<b>2.3%</b>	<b>4,390,285</b>	<b>2.6%</b>

Industrial Market Inventory

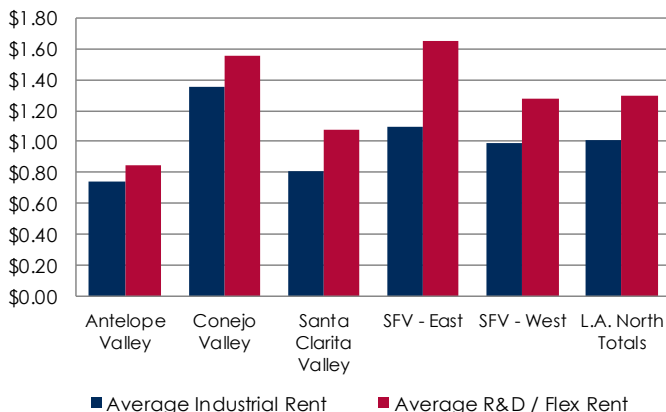


Industrial Vacancy Rates

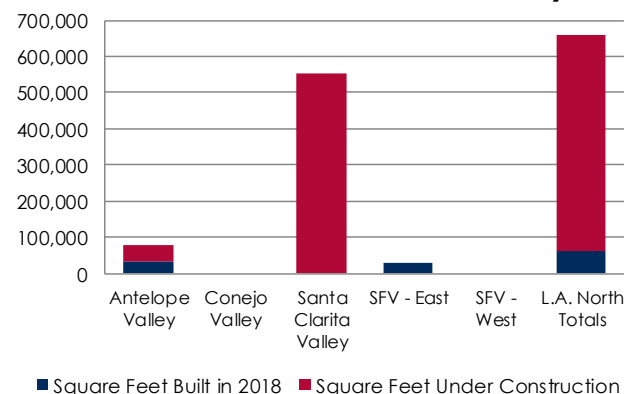


SUBMARKETS	Average Industrial Rent	Average R&D / Flex Rent	Square Feet Built in 2018	Square Feet Under Construction	Gross Absorption Square Feet Current Quarter
Antelope Valley	\$0.74	\$0.85	34,043	43,000	34,966
Conejo Valley	\$1.35	\$1.55	0	0	33,580
Santa Clarita Valley	\$0.81	\$1.08	0	552,199	316,156
SFV - East	\$1.10	\$1.65	29,800	0	588,974
SFV - West	\$0.99	\$1.28	0	0	658,888
<b>L.A. North Totals</b>	<b>\$1.01</b>	<b>\$1.29</b>	<b>63,843</b>	<b>595,199</b>	<b>1,632,564</b>

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
<b>Totals</b>	<b>1,038</b>	<b>1,262</b>	<b>1,787</b>	<b>2,536</b>	<b>2,265</b>	<b>2,407</b>	<b>2,819</b>	<b>2,657</b>	<b>3,223</b>	<b>2,102</b>

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
<b>Totals</b>	<b>\$1,775.8</b>	<b>\$2,664.4</b>	<b>\$3,292.9</b>	<b>\$3,915.3</b>	<b>\$4,301.4</b>	<b>\$5,020.9</b>	<b>\$5,956.0</b>	<b>\$5,814.3</b>	<b>\$6,788.0</b>	<b>\$5,582.0</b>

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
<b>Totals</b>	<b>28,506,726</b>	<b>48,017,753</b>	<b>47,972,603</b>	<b>63,635,213</b>	<b>58,001,777</b>	<b>59,687,059</b>	<b>64,725,812</b>	<b>51,205,992</b>	<b>61,723,837</b>	<b>44,724,518</b>

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
<b>Averages</b>	<b>\$81.04</b>	<b>\$68.05</b>	<b>\$85.04</b>	<b>\$87.71</b>	<b>\$89.73</b>	<b>\$100.08</b>	<b>\$121.02</b>	<b>\$135.59</b>	<b>\$143.50</b>	<b>\$158.60</b>

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
<b>Median Average</b>	<b>\$107.82</b>	<b>\$94.58</b>	<b>\$95.91</b>	<b>\$99.71</b>	<b>\$102.00</b>	<b>\$114.16</b>	<b>\$131.14</b>	<b>\$147.71</b>	<b>\$160.84</b>	<b>\$175.49</b>

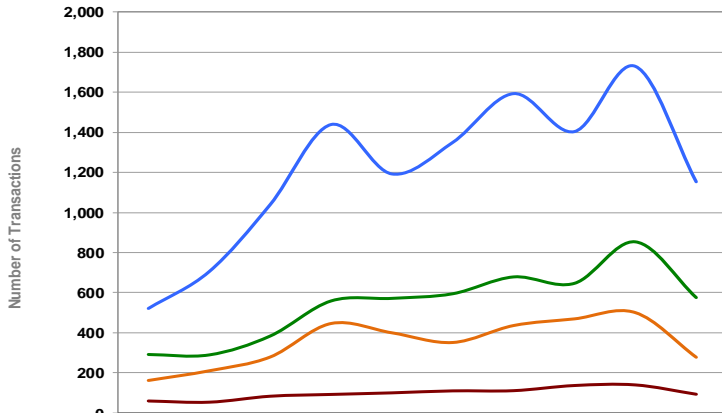
MEDIAN \$ PSF INCREASE										
Bldg. SF	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q	
LA County	-10.0%	3.7%	0.1%	5.2%	11.9%	11.6%	11.6%	12.4%	9.5%	
Orange County	-15.8%	-0.7%	0.5%	8.6%	5.2%	17.3%	6.1%	14.1%	8.8%	
Inland Empire	-13.0%	-6.9%	3.6%	5.2%	15.5%	13.4%	18.0%	5.9%	13.7%	
Ventura County	-28.3%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

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.

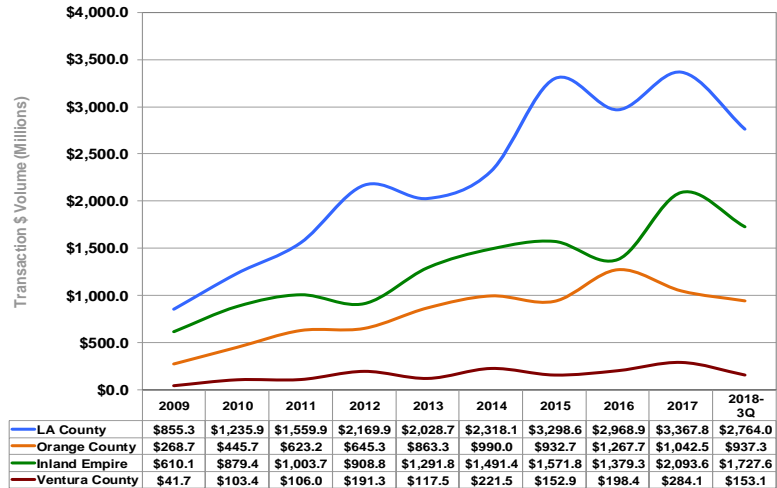


## SOUTHERN CALIFORNIA INDUSTRIAL SALES TREND ANALYSIS

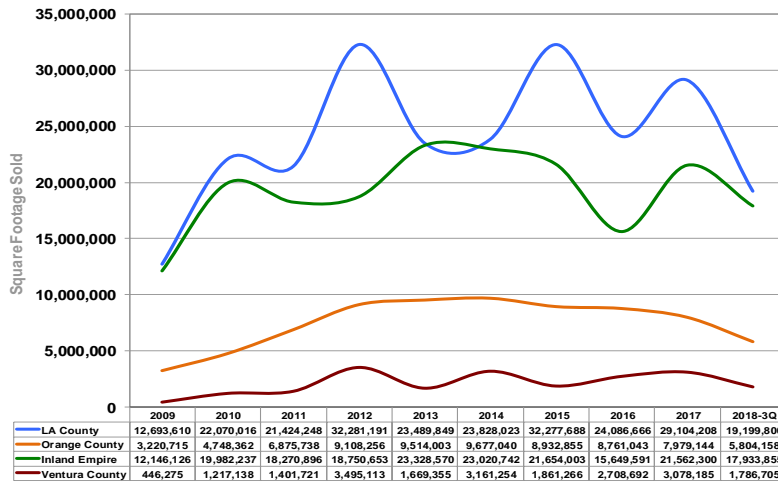
### Number of Transactions



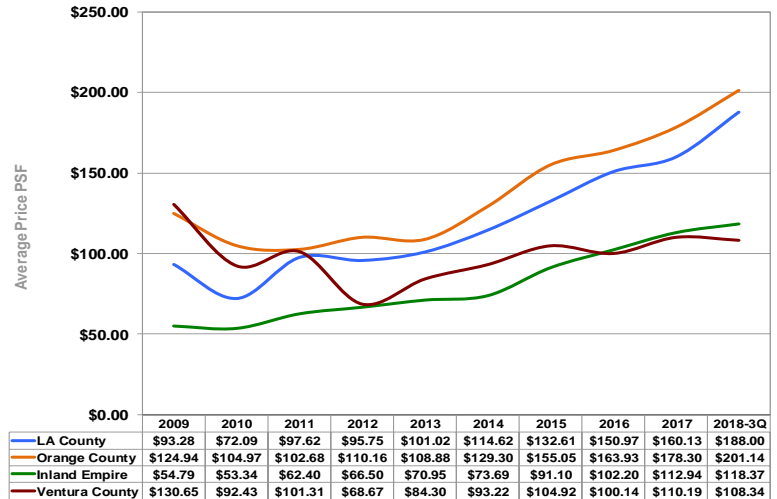
### Transaction Volume \$



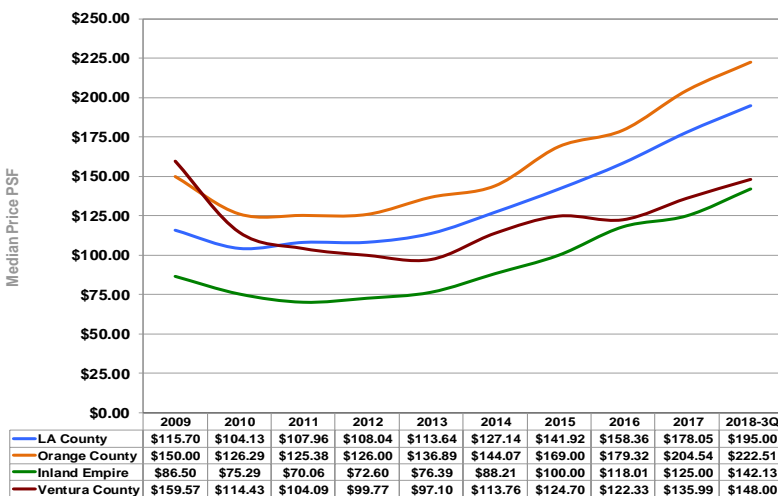
### Square Footage Sold



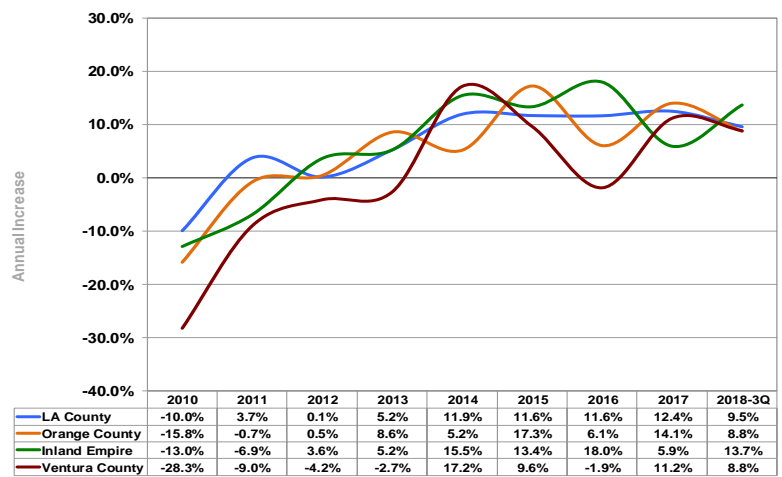
### Average Price PSF



### Median Price PSF



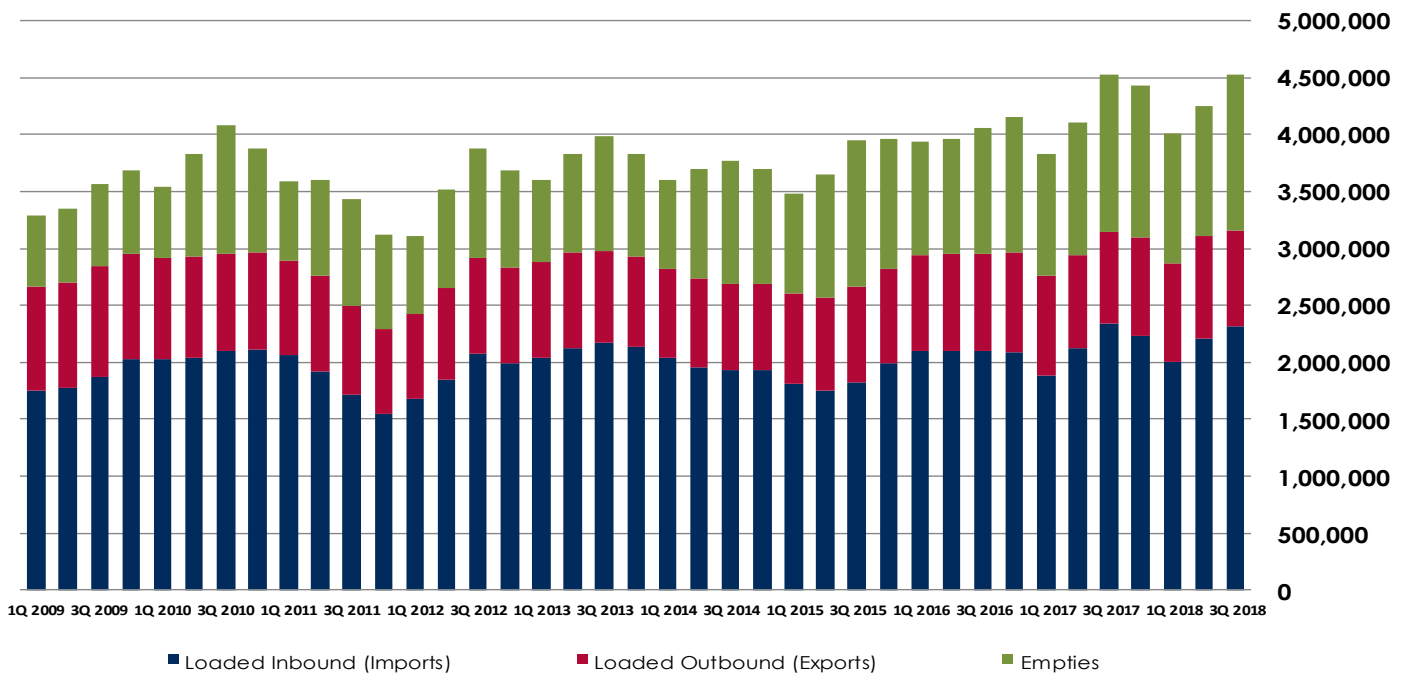
### % Change Median Price PSF



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

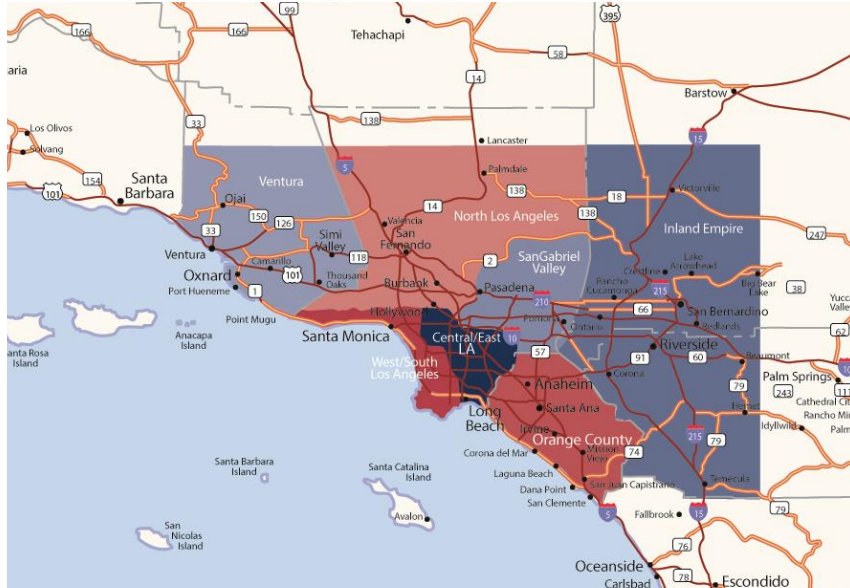
Quarter & Year	Loaded Inbound (Imports)	Loaded Outbound (Exports)	Total Loaded	Empties	Total Containers	% Change (Prior Qtr.)	% Change (Prior Yr.)	% Change (Prior 2 Yrs.)
3Q 2018	2,321,085	838,311	3,159,396	1,371,280	4,530,676	6.5%	0.2%	11.6%
2Q 2018	2,207,186	900,327	3,107,513	1,148,024	4,255,536	6.2%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

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**

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.

