



**QUICK STATS**

	Current Quarter
Direct Vacancy	11.3%
Overall Vacancy	12.2%
Lease Rate FSG	\$2.83
Gross Absorption	1,115,104 SF
Under Construction	89,158 SF

**MARKET TRENDS**

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

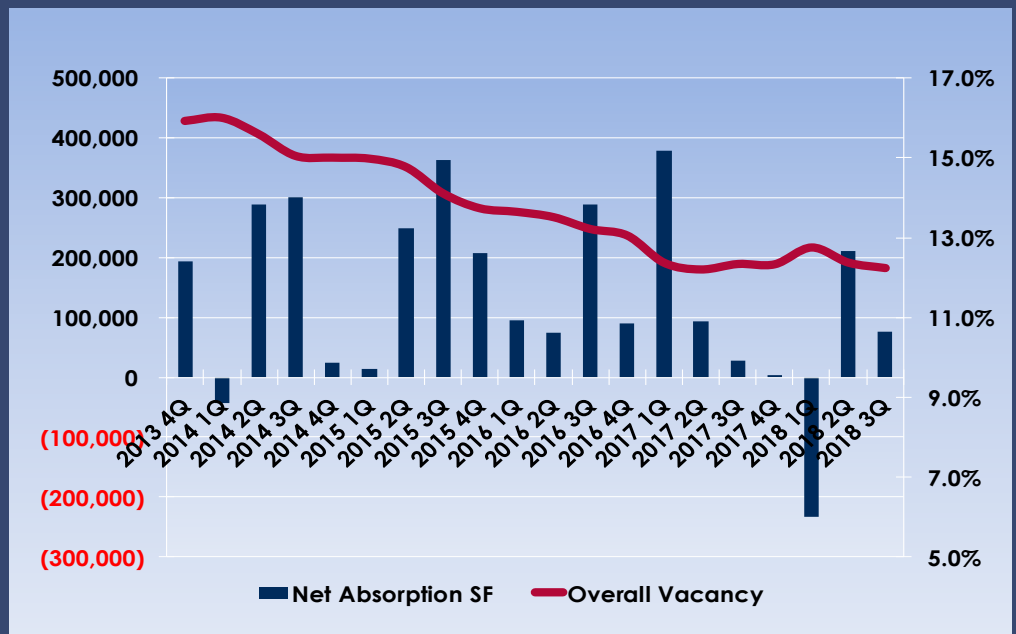
**ECONOMIC STATS**

	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%

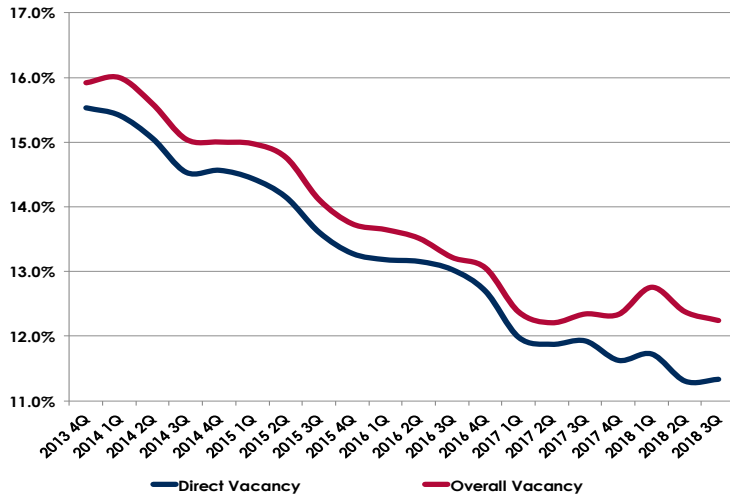
**SUMMARY & OUTLOOK**

The L.A. North office market witnessed vacancy rates decrease during the quarter, moving from 12.4% to 12.2%. Average rents increased 4.0%, year over year, moving from \$2.72 FSG to \$2.83 FSG. Gross absorption totaled 1.1 million square feet of activity for the quarter, while net absorption finished with a gain of 75,000 square feet of occupied space. Under construction activity was unchanged during the quarter, with 89,158 square feet currently underway, as the market has not delivered any new space in 2018. 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 eighteen of the past twenty quarters, totaling 2.7 million square feet. 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, which should keep vacancy rates trending lower with manageable amounts of new construction. 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 trend lower in the coming quarters, as net absorption rates should outpace the small amount of new construction being delivered. We expect rents to increase 3% to 5% for most submarkets in the coming year.

**VACANCY & NET ABSORPTION**

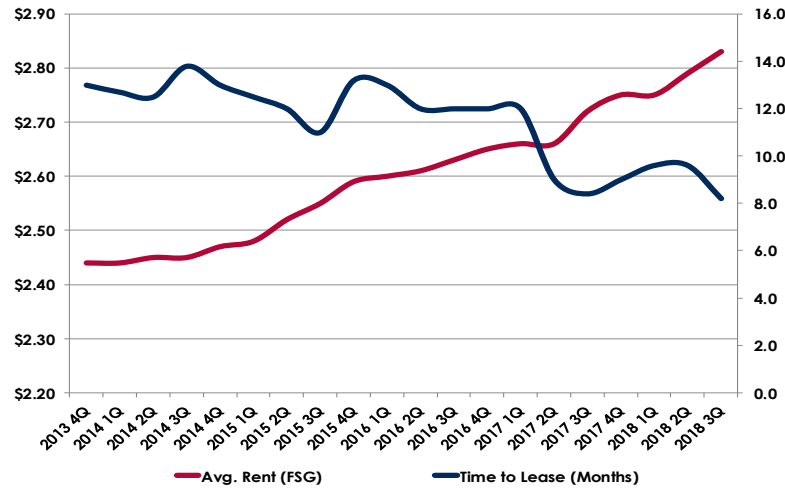


**VACANCY**



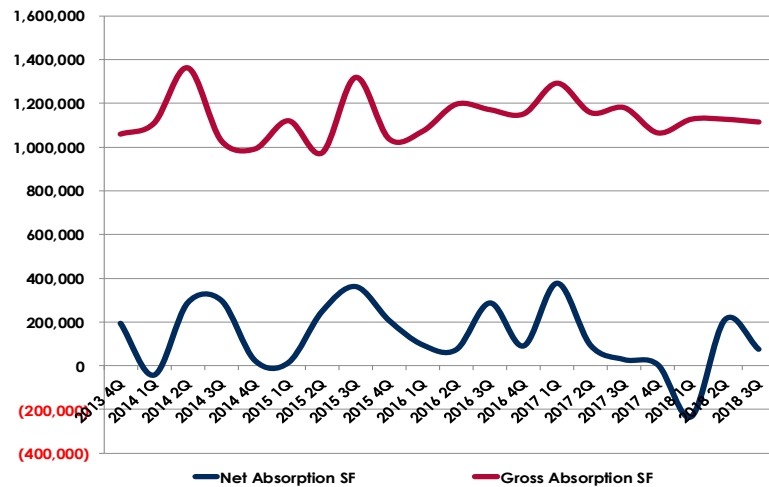
Overall vacancy rates (including sublease space) decreased from 12.4% to 12.2%, during the quarter. Of the four submarkets within the LA-North market, the San Fernando Valley submarket ended the quarter with the lowest total vacancy of 10.7%, followed by the Tri-Cities at 13.0%, the Santa Clarita Valley at 15.9%, and the Antelope Valley submarket finishing the quarter at 16.0%. Since the third quarter of 2017, overall vacancy rates have decreased from 12.3% to 12.2%, and remains at its lowest level in more than 5-years.

**RENTAL RATES & TIME ON THE MARKET**



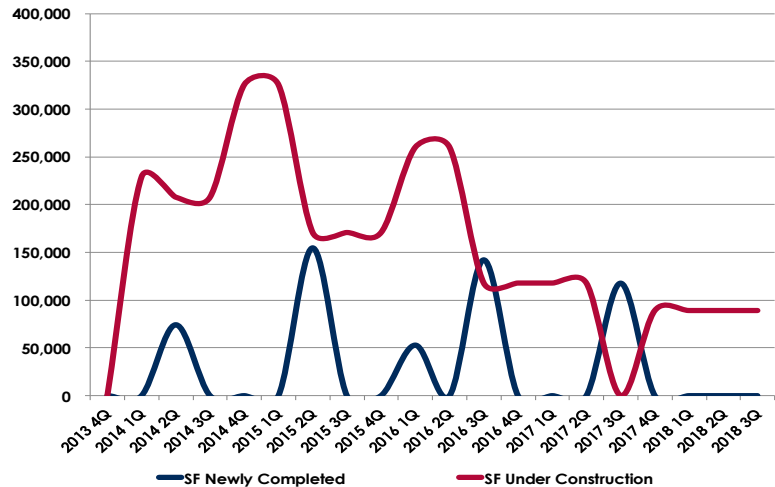
Average asking rates increased 4.0%, year over year, moving from \$2.72 FSG to \$2.83 FSG. Of the four submarkets within the LA-North market, the Tri-Cities submarket ended the quarter with the highest average asking rate of \$3.13 FSG, followed by the Santa Clarita Valley submarket at \$2.54 FSG, the San Fernando Valley at \$2.52 FSG, and the Antelope Valley finishing the quarter at \$1.65 FSG. Average asking rents increased 1.4% during the quarter, moving from \$2.79 FSG to \$2.83 FSG. The median time to lease fell to 8.2-months, also a new 5-year low.

**ABSORPTION**



During the quarter, gross absorption finished with 1.1 million square feet of activity, down 1% from the previous quarter, and lower by 6% compared to a year ago. Net absorption finished the quarter with a gain of 75,000 square feet of occupied space, and has gained 52,500 square feet for the year. In 2017, the market gained 503,000 square feet, after gaining 547,000 square feet in 2016, +834,000 square feet during 2015, and +569,000 square feet in 2014. Overall activity and demand levels have remained pretty steady despite a weak first quarter. We expect demand levels to remain at similar levels as we close out the final quarter of 2018.

**CONSTRUCTION ACTIVITY**

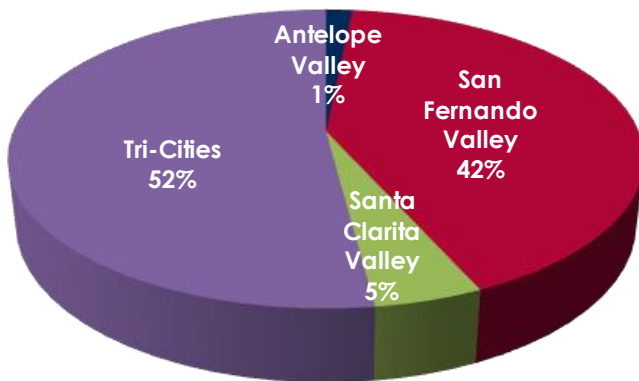
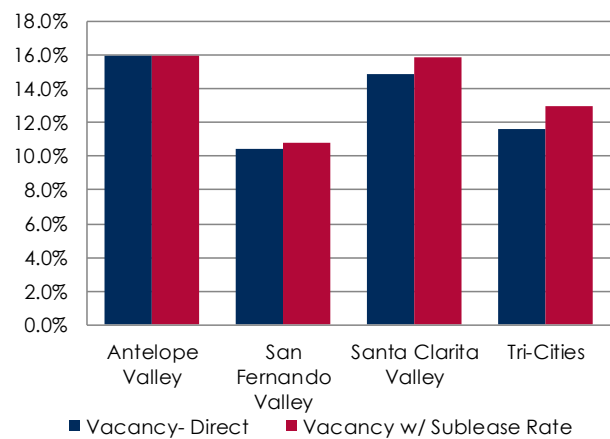


Under construction activity was unchanged during the quarter, with 89,158 square feet currently underway, as the market has not delivered any new space for the year. In 2017, the market added 118,000 square feet of new space, after delivering 195,000 square feet in 2016, 155,000 square feet during 2015, and 74,000 square feet in 2014. New construction completions have averaged approximately 108,000 square feet per year, during the past five years. New construction activity is expected to remain at lower levels in the near-term, and we do not expect to see a lot of new office development in the coming year.

**MARKET SNAPSHOT**

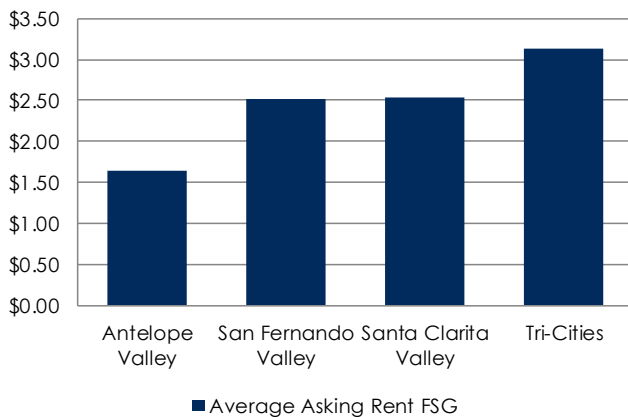
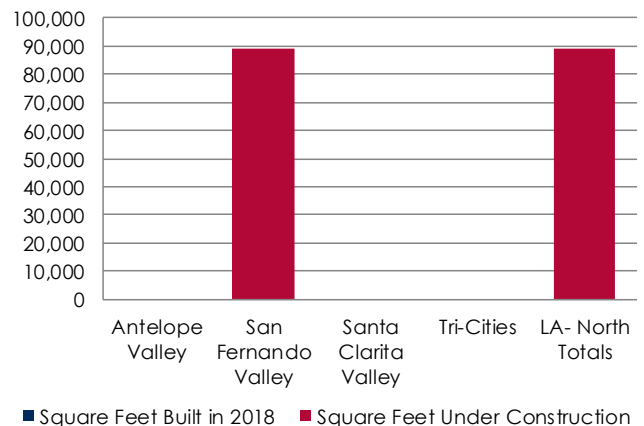
SUBMARKETS	Total Inventory Square Footage	Direct Vacant Square Footage	Direct Vacancy Rate	Total Vacant w/ Sublet Square Footage	Total Vacant w/ Sublet Rate
Antelope Valley	886,274	141,418	16.0%	141,418	16.0%
San Fernando Valley	23,220,470	2,427,651	10.5%	2,495,789	10.7%
Santa Clarita Valley	2,597,256	386,299	14.9%	412,270	15.9%
Tri-Cities	28,987,182	3,354,930	11.6%	3,765,032	13.0%

<b>LA- North Totals</b>	<b>55,691,182</b>	<b>6,310,298</b>	<b>11.3%</b>	<b>6,814,509</b>	<b>12.2%</b>
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**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
Antelope Valley	\$1.65	\$1.00-\$1.95	0	0	30,513
San Fernando Valley	\$2.52	\$1.40-\$4.00	0	89,158	590,955
Santa Clarita Valley	\$2.54	\$1.75-\$3.35	0	0	79,639
Tri-Cities	\$3.13	\$1.25-\$4.50	0	0	413,997

<b>LA- North Totals</b>	<b>\$2.83</b>	<b>\$1.00-\$4.50</b>	<b>0</b>	<b>89,158</b>	<b>1,115,104</b>
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**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
<b>Totals</b>	<b>645</b>	<b>692</b>	<b>1,058</b>	<b>1,371</b>	<b>1,513</b>	<b>1,706</b>	<b>1,996</b>	<b>1,888</b>	<b>2,184</b>	<b>1,501</b>

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
<b>Totals</b>	<b>\$1,232.9</b>	<b>\$1,844.9</b>	<b>\$2,867.1</b>	<b>\$4,244.7</b>	<b>\$7,653.9</b>	<b>\$9,519.0</b>	<b>\$8,373.5</b>	<b>\$12,733.1</b>	<b>\$10,782.3</b>	<b>\$7,223.0</b>

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
<b>Totals</b>	<b>8,693,680</b>	<b>11,079,073</b>	<b>15,707,258</b>	<b>24,113,486</b>	<b>34,114,712</b>	<b>36,178,084</b>	<b>35,892,465</b>	<b>41,565,844</b>	<b>41,403,199</b>	<b>28,910,604</b>

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
<b>Averages</b>	<b>\$215.25</b>	<b>\$210.43</b>	<b>\$223.28</b>	<b>\$236.07</b>	<b>\$251.91</b>	<b>\$291.94</b>	<b>\$262.26</b>	<b>\$353.02</b>	<b>\$309.80</b>	<b>\$295.21</b>

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
<b>Median Average</b>	<b>\$244.57</b>	<b>\$201.76</b>	<b>\$200.04</b>	<b>\$217.79</b>	<b>\$218.35</b>	<b>\$241.97</b>	<b>\$247.36</b>	<b>\$277.90</b>	<b>\$280.58</b>	<b>\$296.51</b>

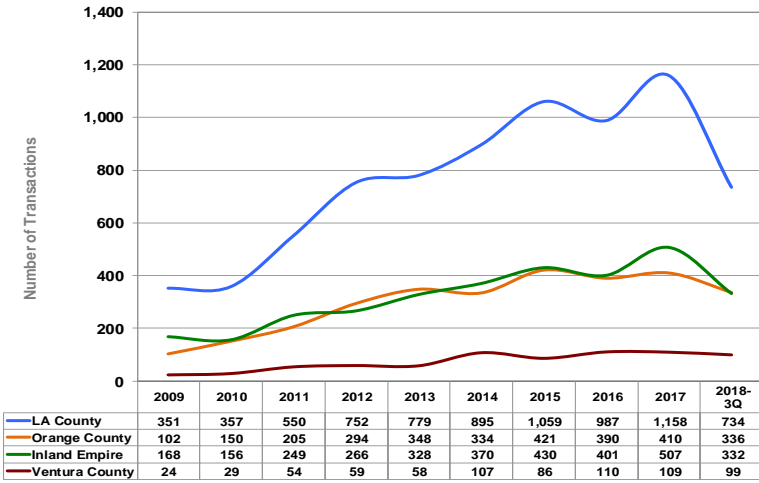
MEDIAN \$ PSF INCREASE										
Bldg. SF	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q	
LA County	-18.4%	-3.4%	19.8%	-4.9%	13.8%	7.3%	4.7%	1.6%	7.8%	
Orange County	-13.8%	10.8%	-12.1%	7.7%	9.6%	10.0%	13.3%	3.7%	7.9%	
Inland Empire	-11.9%	-18.2%	-11.5%	6.1%	6.5%	-1.4%	20.2%	4.4%	0.2%	
Ventura County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

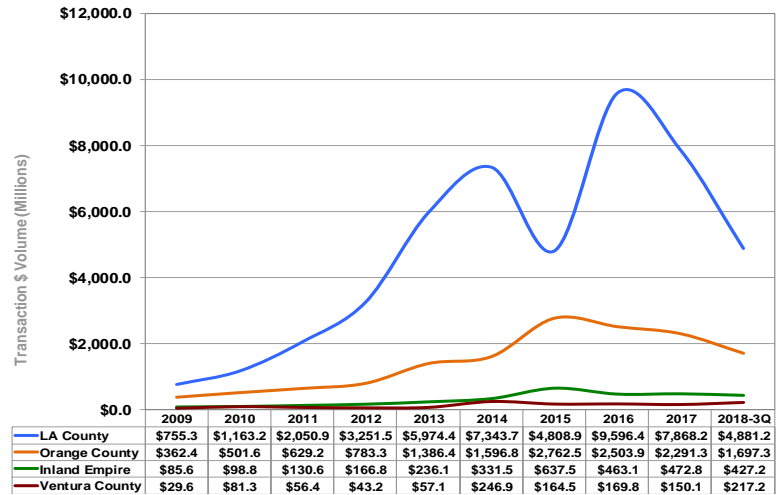


## SOUTHERN CALIFORNIA OFFICE BUILDING SALE TREND ANALYSIS

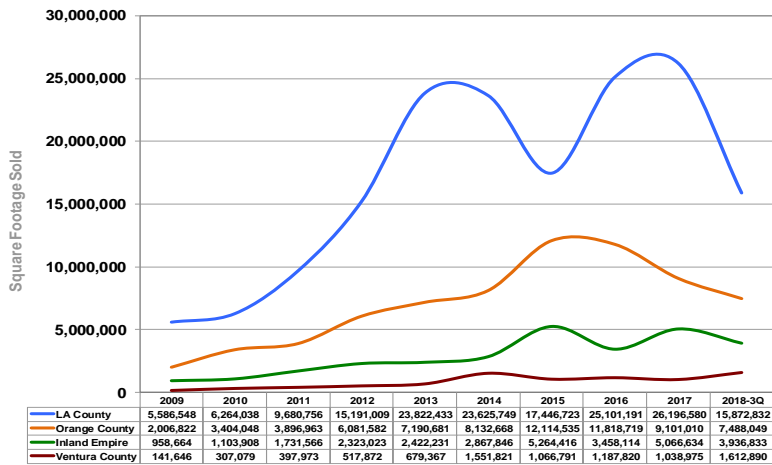
### Number of Transactions



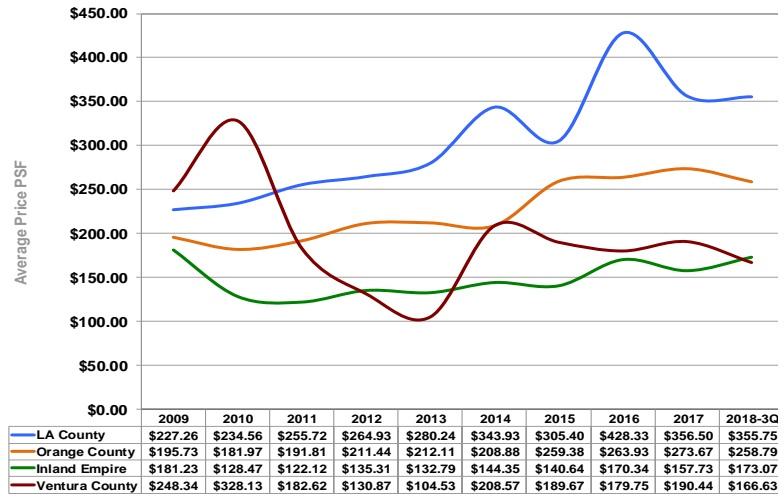
### Transaction Volume \$



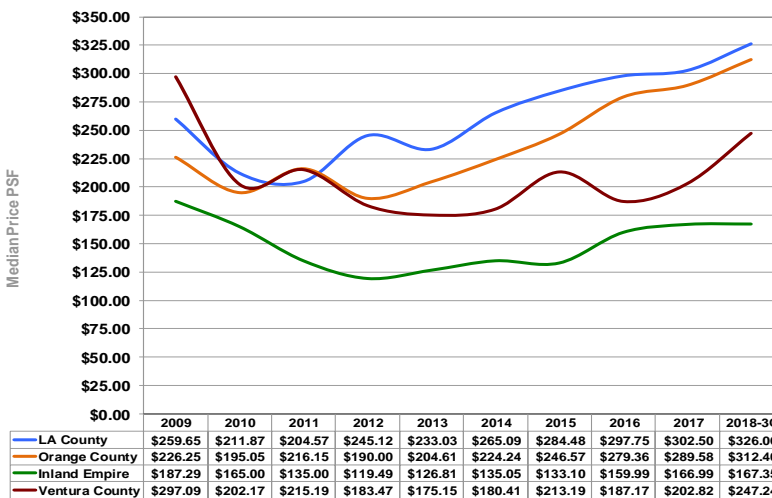
### Square Footage Sold



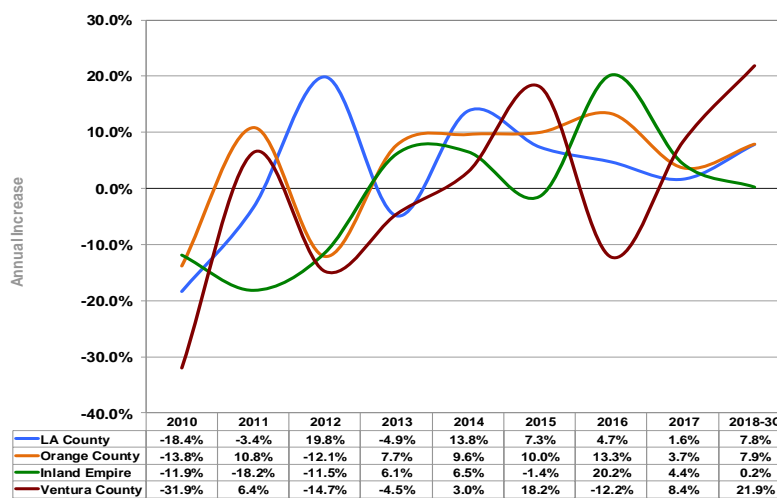
### Average Price PSF



### Median Price PSF

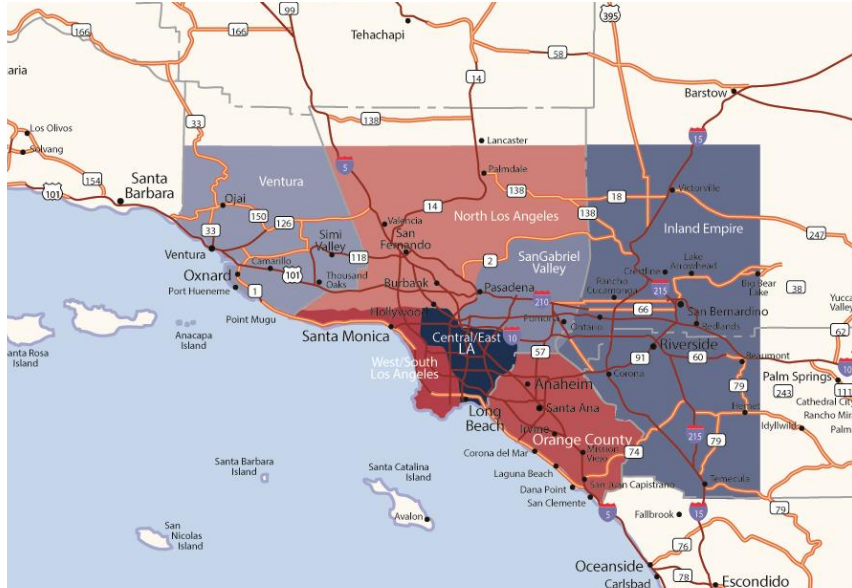


### % Change Median Price PSF



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, 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.