ORANGE COUNTY INDUSTRIAL | THIRD QUARTER 2018

QUICK STATS

	Current Quarter
Direct Vacancy	2.4%
Overall Vacancy	2.6%
Lease Rate NNN	$0.98
Gross Absorption	3,307,444 SF
Under Construction	1,467,384 SF

MARKET TRENDS

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

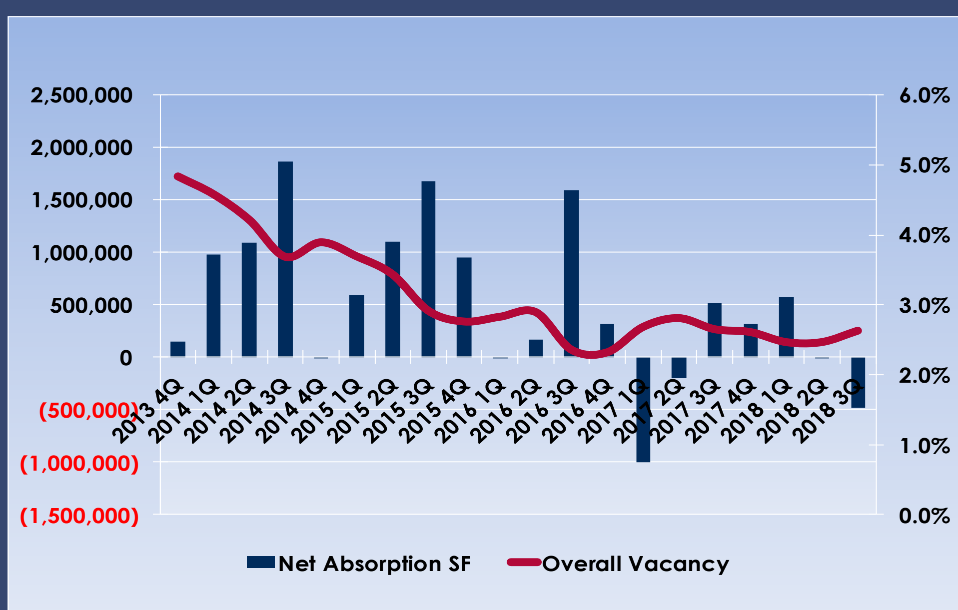
ECONOMIC STATS

	Current Month	Previous Year
	Sep. '18	*Sep. '17*
Unemployment Rate (MSA)	2.8%	3.3%
Change in # Of Jobs (MSA)	+6,700	+9,600
% Change for Jobs (MSA)	+0.4%	+0.6%

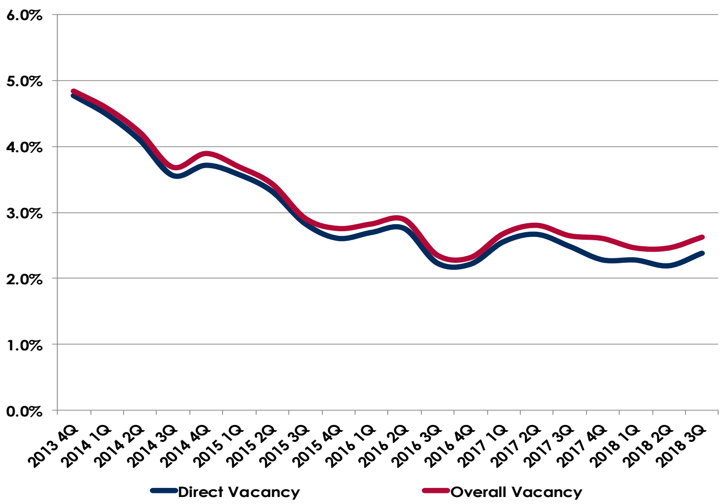
SUMMARY & *OUTLOOK*

The Orange County industrial market witnessed vacancy rates edge higher during the quarter, moving from 2.5% to 2.6%. Average asking rents increased 10.1%, year over year, moving from $0.89nnn to $0.98nnn. Gross absorption finished the quarter with 3.3 million square feet of activity, while net absorption lost 482,000 square feet of occupied space. Under construction activity increased during the quarter with 1.5 million square feet currently underway, as the market has delivered 149,000 square feet of new space for the year. Unemployment rates in Orange County have declined from 3.3% to 2.8%, year over year, and are well below California (3.9%) and the U.S. average of 3.6%. Available space still 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 Orange County remains extremely strong, as total transaction volume reached a record high in 2016 with $1.3 billion, and was followed up by $1.0 billion in 2017 and is already at $937 million to date in 2018. Median sale prices in 2017 increased 14.1%, year over year, and have risen another 8.8% in 2018, sitting at an all-time high of $222.51 PSF. 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, and 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*

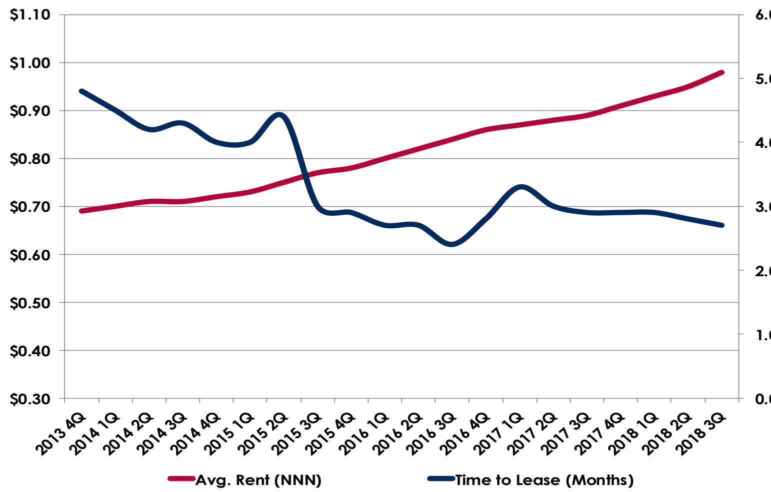


VACANCY



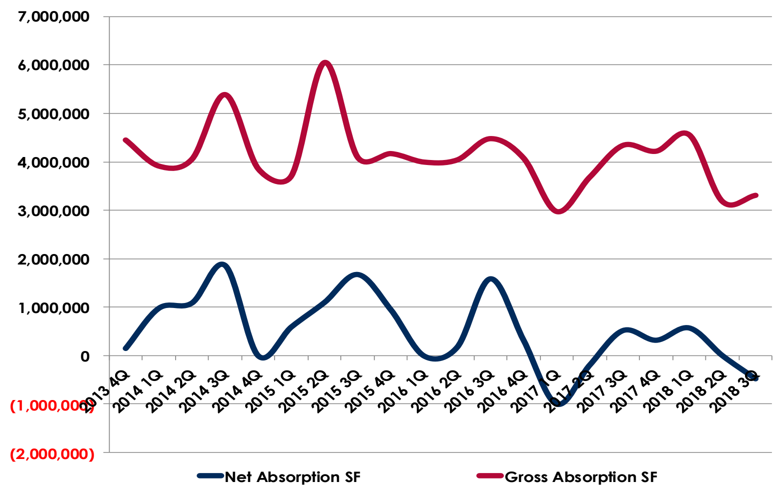
Overall vacancy rates (including sublease space) edged higher from 2.5% to 2.6%, during the quarter. Of the four major submarkets within the Orange County industrial market, the North County submarket ended the quarter with the lowest total vacancy of 1.5%, followed by the West County at 3.1%, the Airport at 3.4%, and the South County submarket finishing the quarter at 3.8%. Since the third quarter of 2017, overall vacancy has decreased from 2.7% to 2.6%, and remains near its lowest level in more than a decade.

RENTAL RATES & TIME ON THE MARKET



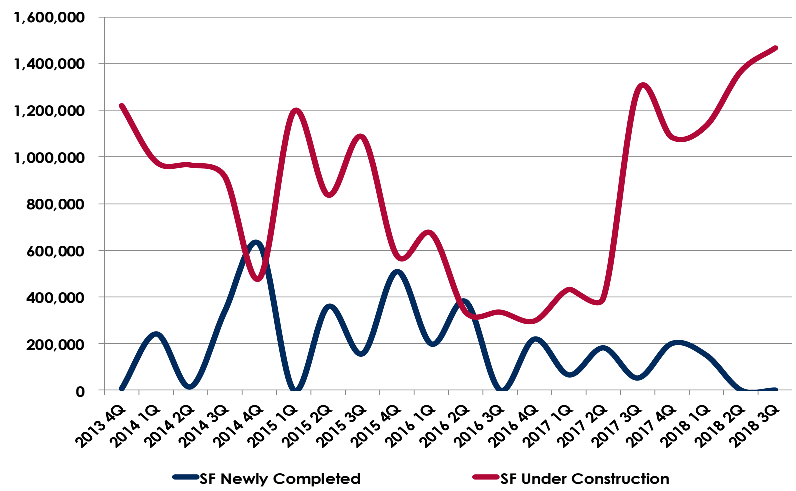
Standard industrial asking rents increased 10.1%, year over year, moving from $0.89nnn to $0.98nnn. Of the four major submarkets within the Orange County market, the South County submarket ended the quarter with the highest standard industrial rental rate of $1.12nnn, followed by the Airport at $0.99nnn, the West County at $0.93nnn, and the North County submarket finishing the quarter at $0.89nnn. Average industrial asking rents increased 3.2% during the quarter, moving from $0.95nnn to $0.98nnn, while the median time to lease edged lower to 2.7 months.

ABSORPTION



Gross absorption finished with 3.3 million square feet of activity during the quarter, up 4% from the previous quarter, but lower by 24% compared to a year ago. Net absorption finished the quarter with a loss of 482,000 square feet of occupied space, but has gained 86,000 square feet for the year. During 2017, the market lost 369,000 square feet, after gaining 2.1 million square feet during 2016, +4.3 million square feet in 2015, and +3.9 million square feet during 2014. Overall demand still remains strong and we expect demand to remain near current levels in the coming quarters, as the market will remain reliant on the delivery of new product to help spur further absorption gains and growth.

CONSTRUCTION ACTIVITY

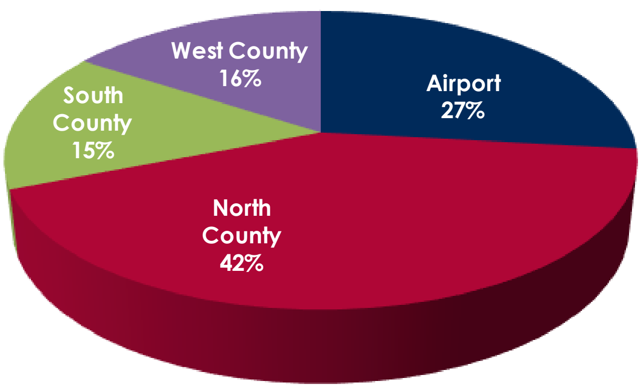


Under construction activity moved higher during the quarter, with nearly 1.5 million square feet currently underway, as the market has delivered 149,000 square feet of new space for the year. In 2017, the market added 498,000 square feet, after delivering 796,000 square feet during 2016, 1.0 million square feet in 2015, and 1.2 million square feet in 2014. During the past five years, the market has averaged 740,000 square feet of new deliveries, annually. Among the space currently under construction, 25% of the space has been pre-leased or is committed. New construction continues to be welcomed, as available space still remains very tight in most sizes and submarkets.

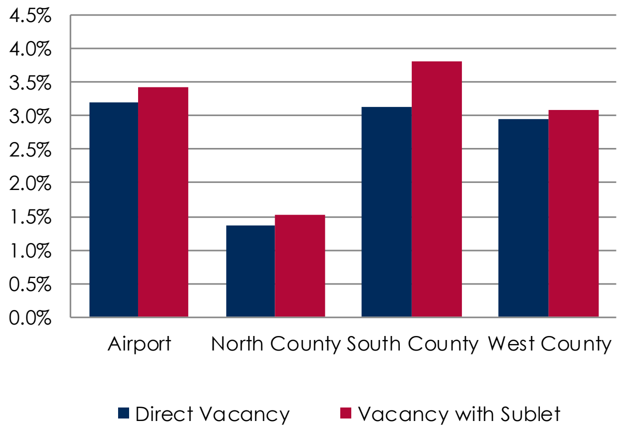
MARKET SNAPSHOT

SUBMARKETS	Total Inventory Square Footage	Direct Vacant Square Footage	Direct Vacancy Rate	Total Vacant w/ Sublet Square Footage	Vacancy with Sublet Rate
Airport	78,901,598	2,528,601	3.2%	2,709,285	3.4%
North County	124,793,330	1,715,742	1.4%	1,906,091	1.5%
South County	44,724,024	1,404,690	3.1%	1,707,192	3.8%
West County	46,718,532	1,380,688	3.0%	1,438,233	3.1%
Orange County Totals	**295,137,484**	**7,029,721**	**2.4%**	**7,760,801**	**2.6%**

Industrial Market Inventory

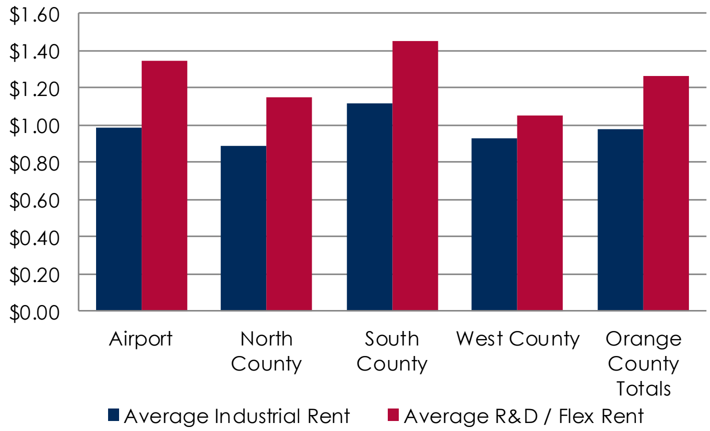


Industrial Vacancy Rates

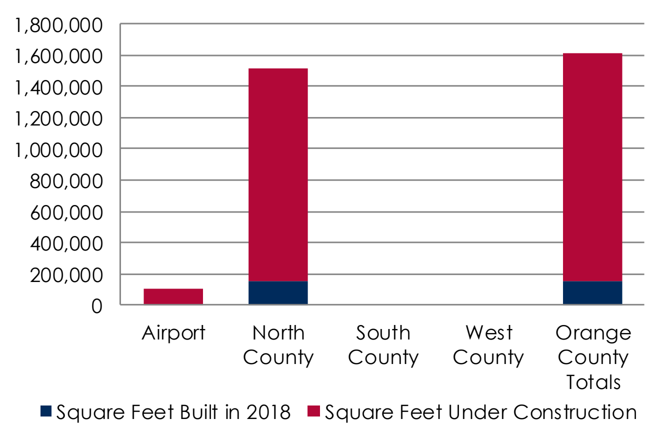


SUBMARKETS	Average Industrial Rent	Average R&D / Flex Rent	Square Feet Built in 2018	Square Feet Under Construction	Gross Absorption Square Feet Current Quarter
Airport	$0.99	$1.35	0	100,276	778,631
North County	$0.89	$1.15	148,930	1,367,108	1,332,213
South County	$1.12	$1.45	0	0	552,978
West County	$0.93	$1.05	0	0	643,622
Orange County Totals	**$0.98**	**$1.26**	**148,930**	**1,467,384**	**3,307,444**

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%**

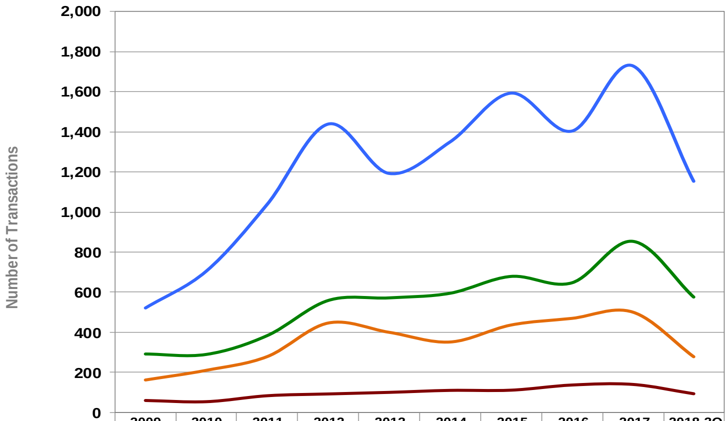
The following information has been obtained from sources deemed reliable. While we do not doubt its accuracy, we make no warranty or representation about it. This report contains verified arms-length transactions, but excludes all portfolio sales.

DAUM COMMERCIAL REAL ESTATE SERVICES

ONCOR INTERNATIONAL

SOUTHERN CALIFORNIA INDUSTRIAL SALES TREND ANALYSIS

Number of Transactions



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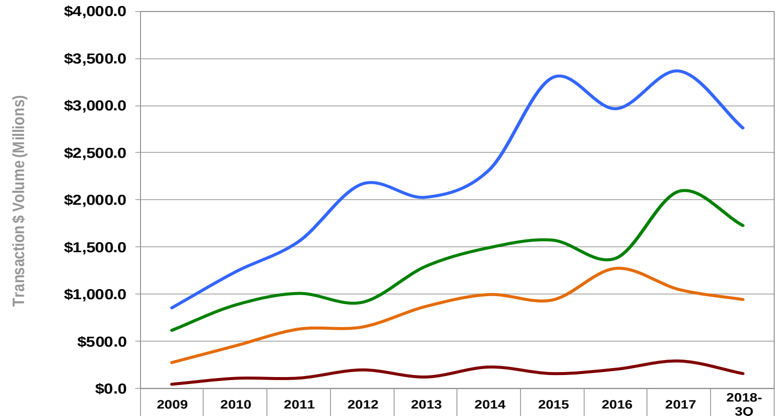
Transaction Volume $



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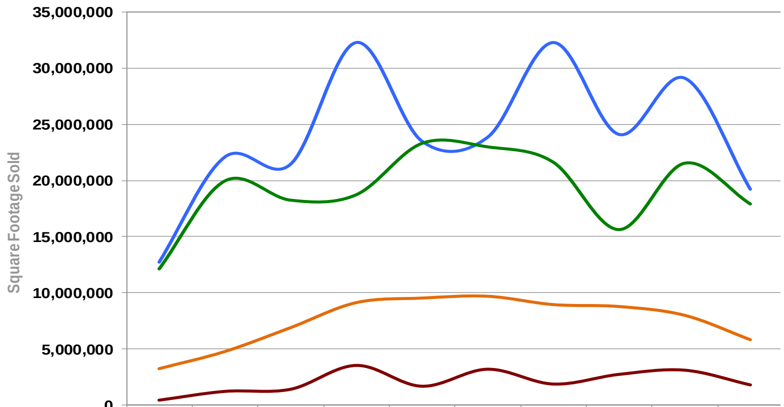
Ventura County	$41.7	$103.4	$106.0	$191.3	$117.5	$221.5	$152.9	$198.4	$284.1	$153.1

Square Footage Sold



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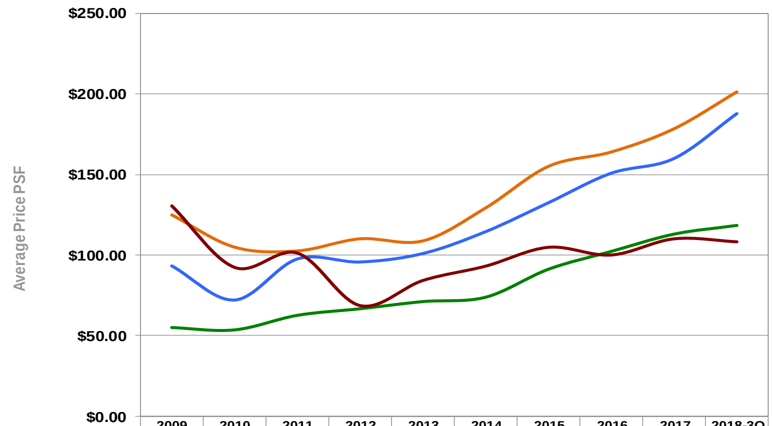
Average Price PSF



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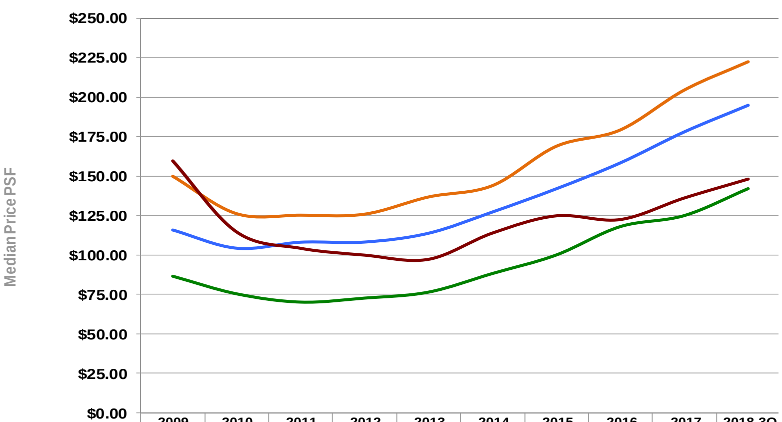
Inland Empire	$54.79	$53.34	$62.40	$66.50	$70.95	$73.69	$91.10	$102.20	$112.94	$118.37
Ventura County	$130.65	$92.43	$101.31	$68.67	$84.30	$93.22	$104.92	$100.14	$110.19	$108.34

Median Price PSF



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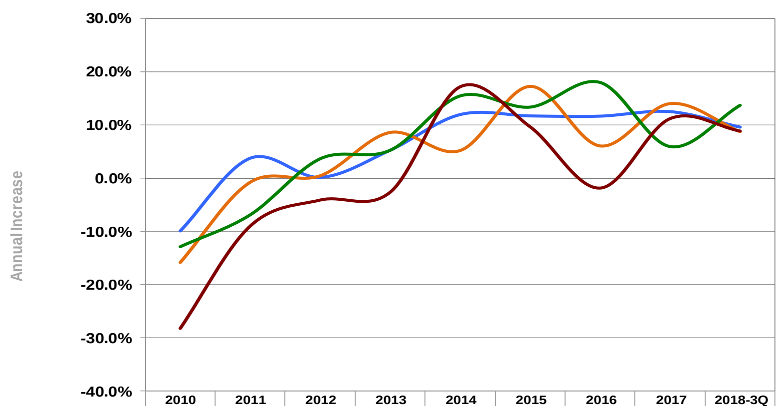
Orange County	$150.00	$126.29	$125.38	$126.00	$136.89	$144.07	$169.00	$179.32	$204.54	$222.51
Inland Empire	$86.50	$75.29	$70.06	$72.60	$76.39	$88.21	$100.00	$118.01	$125.00	$142.13
Ventura County	$159.57	$114.43	$104.09	$99.77	$97.10	$113.76	$124.70	$122.33	$135.99	$148.00

% Change Median Price PSF

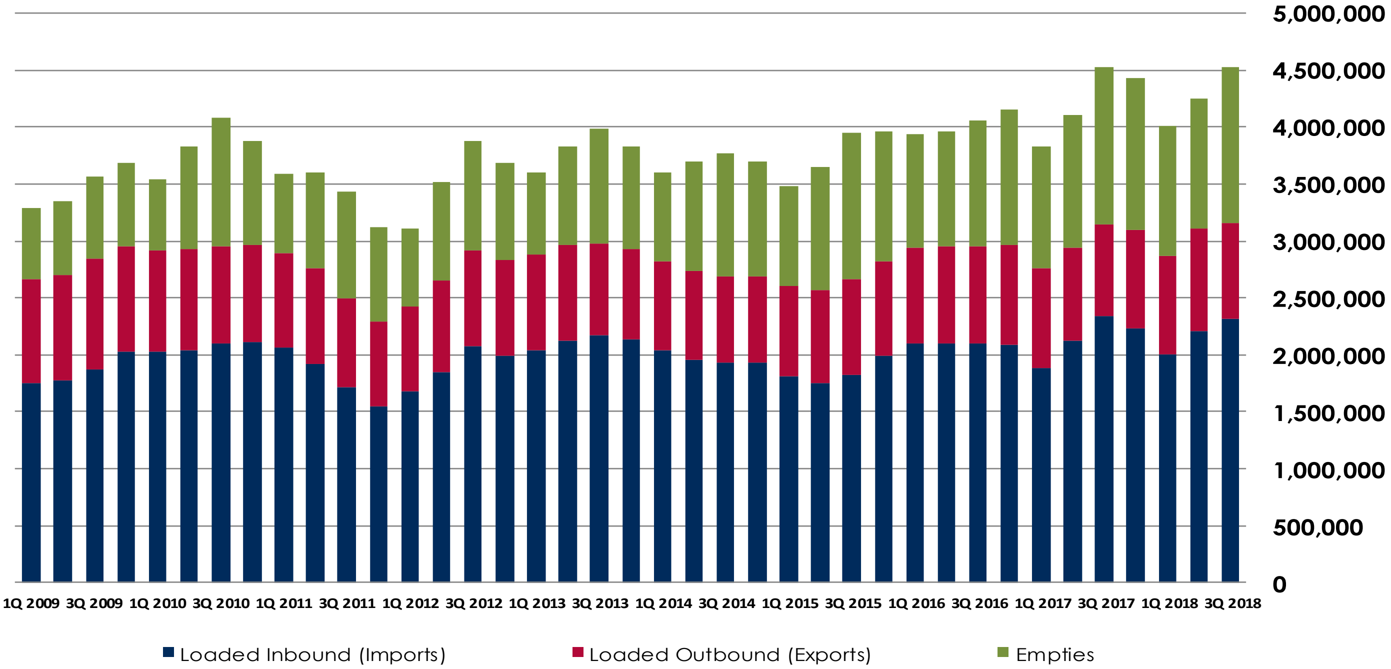


	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	-10.0%	3.7%	0.1%	5.2%	11.9%	11.6%	11.6%	12.4%	9.5%
Orange County	-15.8%	-0.7%	0.5%	8.6%	5.2%	17.3%	6.1%	14.1%	8.8%
Inland Empire	-13.0%	-6.9%	3.6%	5.2%	15.5%	13.4%	18.0%	5.9%	13.7%
Ventura County	-28.3%	-9.0%	-4.2%	-2.7%	17.2%	9.6%	-1.9%	11.2%	8.8%

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*



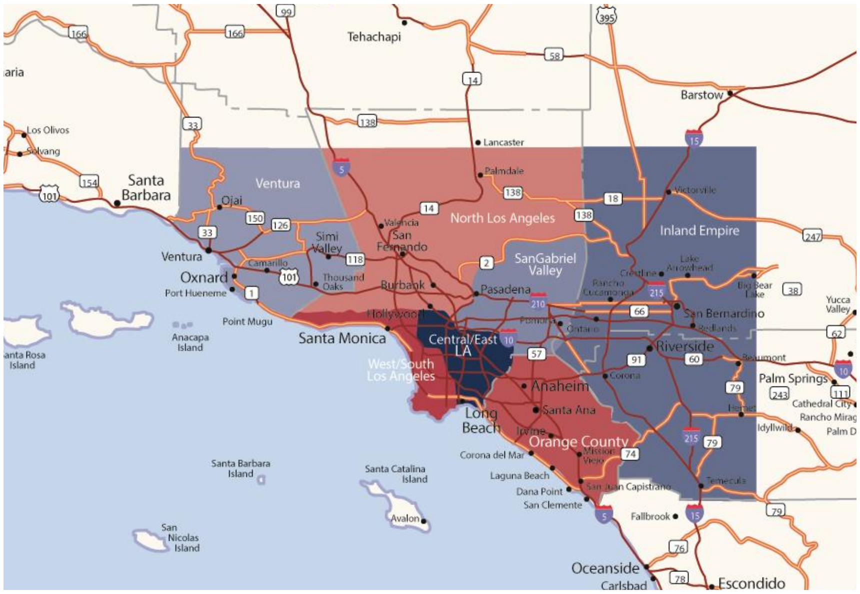
ORANGE COUNTY INDUSTRIAL | **THIRD QUARTER 2018**

DAUM COMMERCIAL REAL ESTATE SERVICES

ONCOR INTERNATIONAL

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.