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//////////////////Los Angeles////////////////

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//////////////////Orange County////////////////

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//////////////////Ventura////////////////

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//////////////////Inland Empire////////////////

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//////////////////Phoenix////////////////

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Q4 | 2018
Market Report
////////////////// Los Angeles Industrial



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MARKET REPORT Q4

Industrial 2018 Los Angeles County



MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** drops for 3rd straight quarter.
- **Net Absorption:** Strongest level of 2018.
- **Asking Rents:** Continue to push all-time highs.
- **Sale Price:** Declines in pricing begin to materialize in Q4 with a drop of 4.4%.
- **Leasing Activity:** Declines for 4th straight quarter.
- **Industrial Supply:** Repurposing of Industrial supply to creative office or multi-family use is a trend that is here to stay as older buildings are no longer serving their highest & best use.

ECONOMIC OUTLOOK

- **Interest Rates:** The Fed is anticipating two (2) hikes in 2019; increasing borrowing costs.
- **Trade:** Tensions remain with China. USMCA still awaiting congressional ratification.
- **Stock Market:** Increased volatility, but corporate fundamentals remain strong.
- **Oil:** Crude Oil dropped 39% in Q4. Prices expected to remain low due to over-supply. Reduced transportation costs should benefit markets further away from ports.



Direct Vacancy
✓ 2.3%



Net Absorption
▲ +1,948,655 SF



Overall Vacancy
✓ 2.5%



Gross Absorption
✓ 9,447,103 SF



Under Construction
▲ 4,837,355 SF



Rental Rates (NNN)
▲ \$0.96



Sale Price Change
✓ -4.4%



Deal Volume
✓ -33.1%



U.S. Employment
▲ 3.9%



U6 Rate
↔ 7.6%



Interest Rate
✓ 4.6%
(30 year fixed)



Changing GDP
✓ 2.8%



Port Traffic Y/Y Δ
▲ 1.5%



NYSE Performance
✓ -14.4%



Inflation Change
✓ +2.2%



10 Yr. - 2 Yr. Spread
✓ 15 BPS

EXPERIENCE IN A CHANGING MARKET

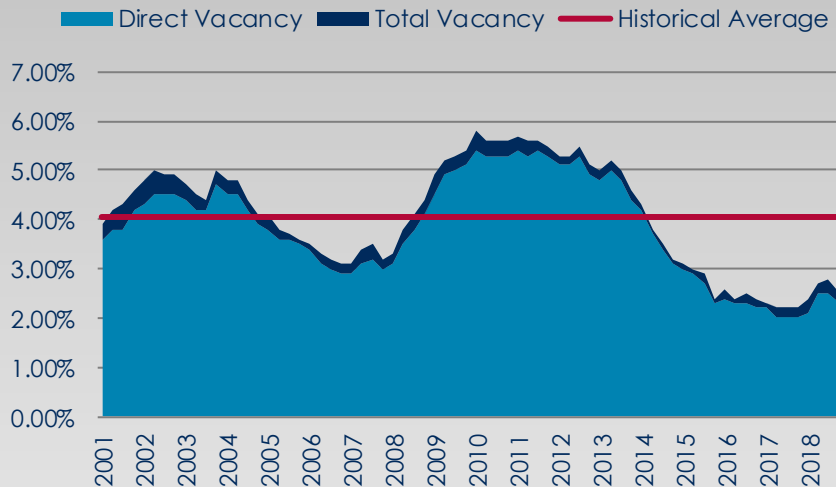
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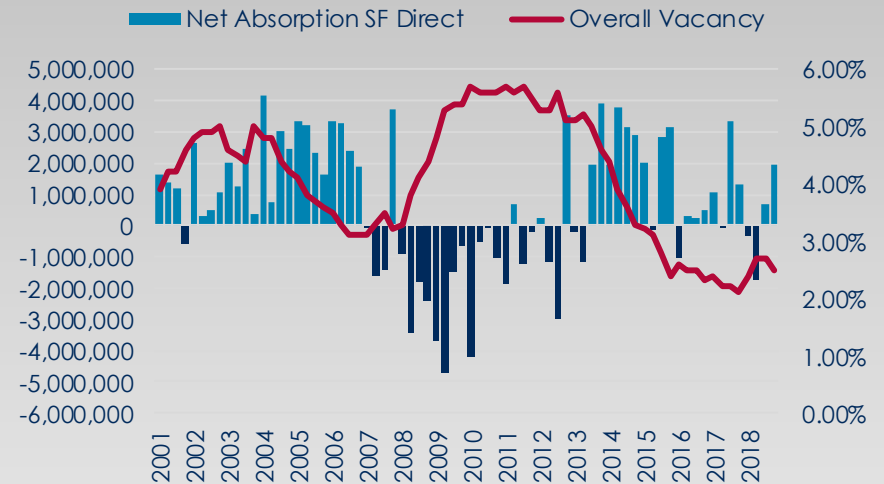
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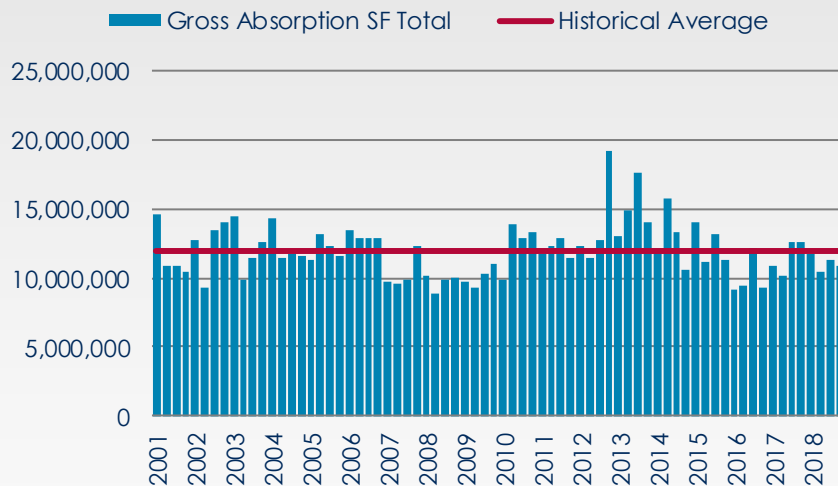
OVERALL VACANCY Overall vacancy falls for 3rd straight quarter



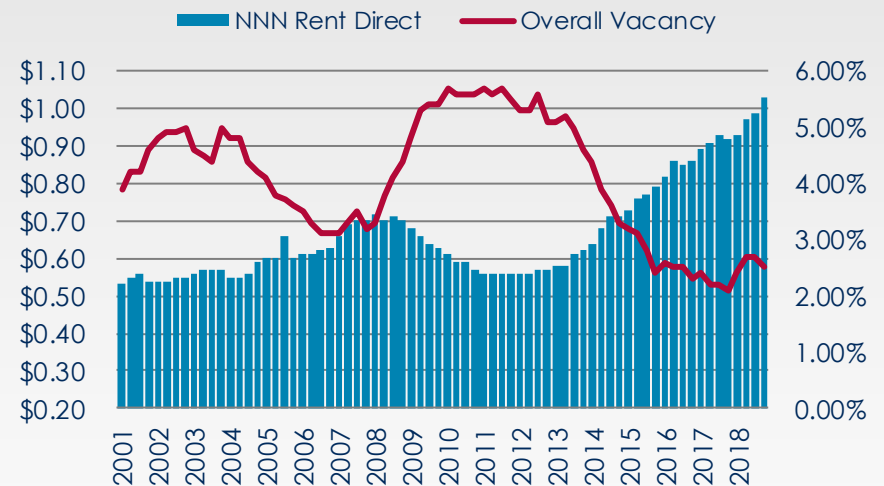
HIGHEST RATE OF POSITIVE NET ABSORPTION IN 5 QUARTERS



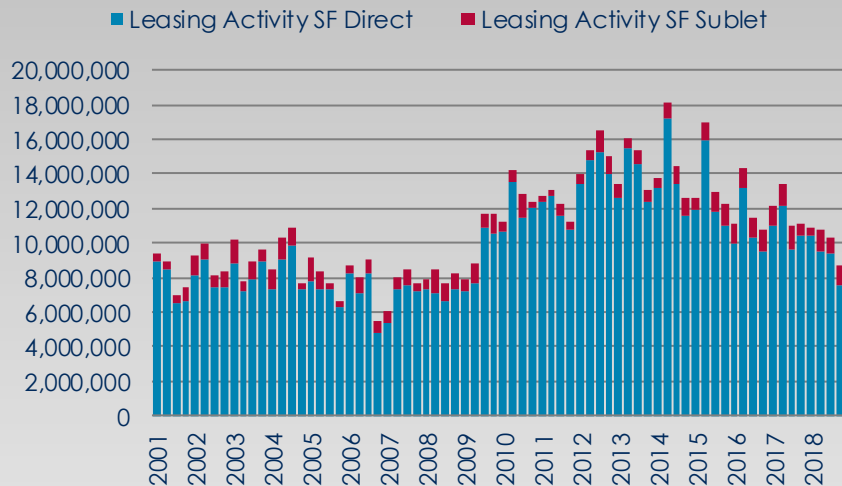
GROSS ABSORPTION BELOW HISTORIC AVG FOR 3RD STRAIGHT Q



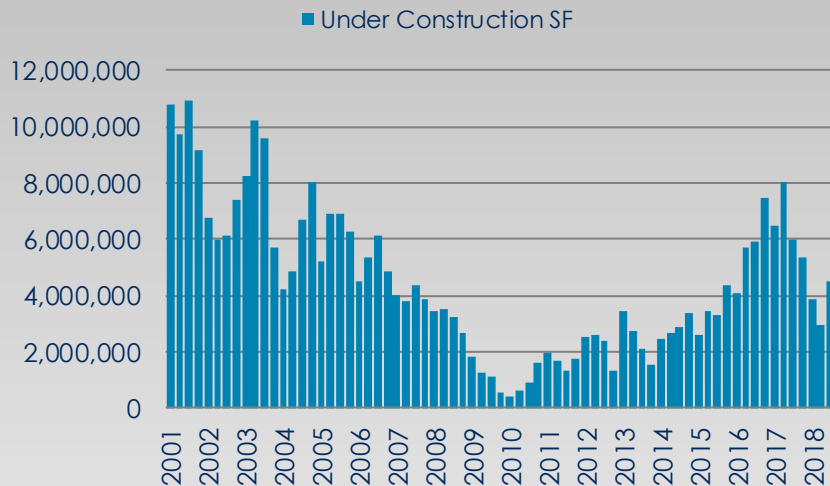
ASKING RENTS RISE TO ALL-TIME HIGHS



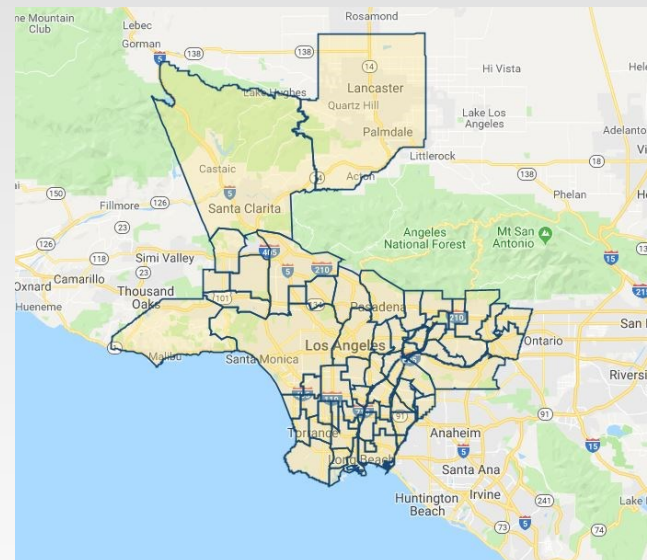
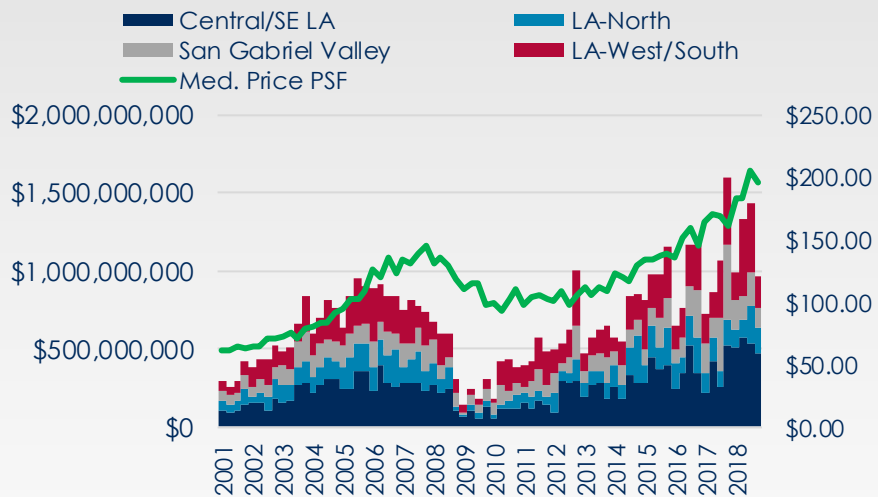
LEASING ACTIVITY DECLINE CONTINUES



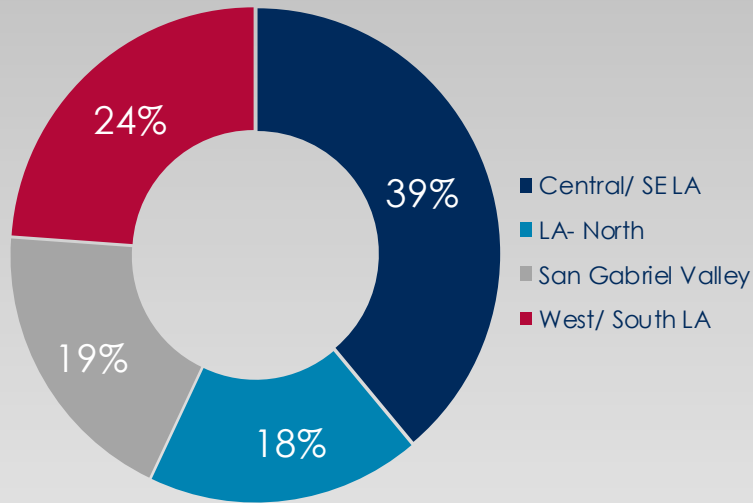
CONSTRUCTION ACTIVITY INCREASES FOR 2ND STRAIGHT QUARTER



SALE PRICES SEE SIGNIFICANT DIP

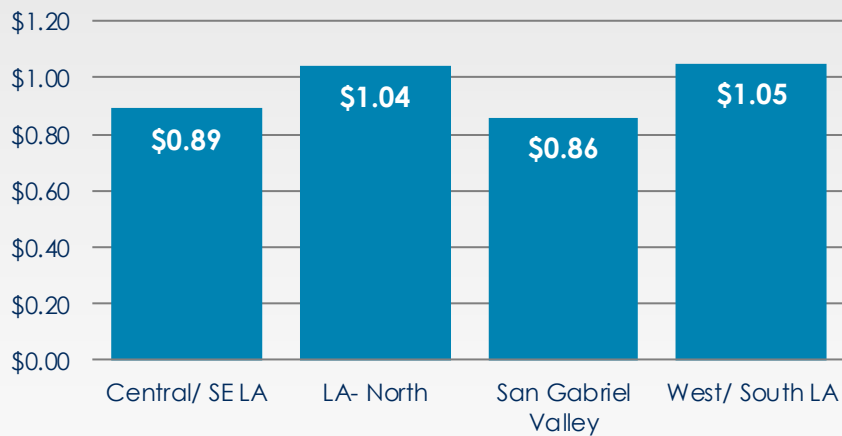


SQUARE FOOT BREAKDOWN- 916,340,462 SF MARKET SIZE



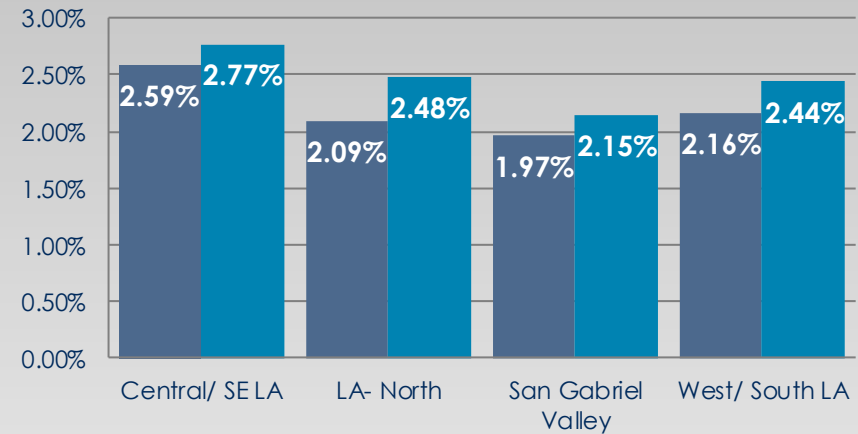
AVERAGE RENT PSF

■ Average Industrial Rent



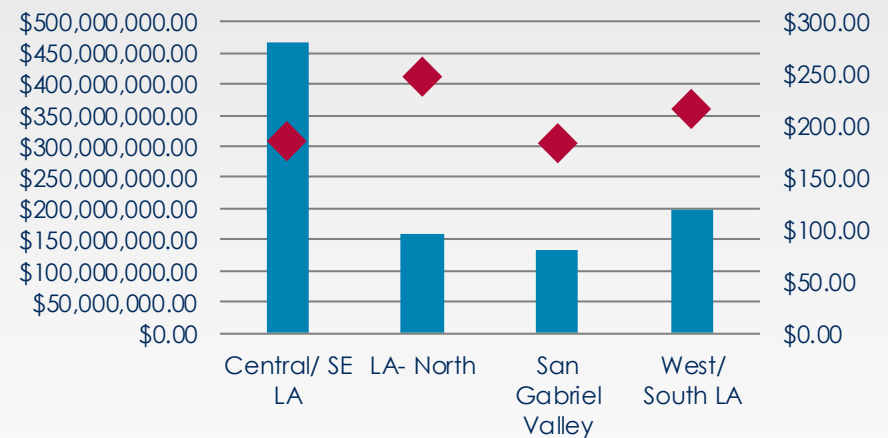
VACANCY BREAKDOWN

■ Direct Vacancy Rate ■ Overall Vacancy Rate



VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF



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

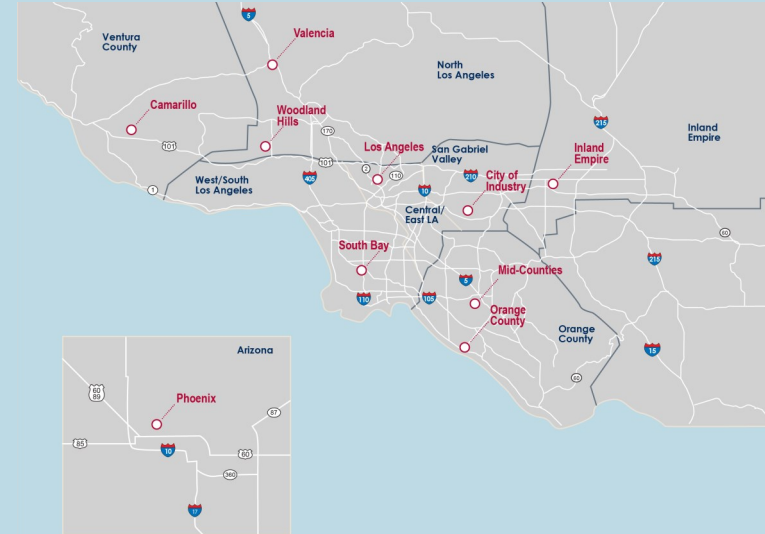
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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.



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Central / Southeast

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MARKET REPORT Q4

Industrial 2018 Los Angeles Central/ Southeast



MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Returns to below 3% in Q4.
- **Net Absorption:** Only positive quarter of Net Absorption in 2018.
- **Asking Rents:** At all-time highs.
- **Sale Prices:** Decline for 2nd straight quarter; showing signs of a softening market.
- **Industrial Supply:** The repurposing of older supply to creative office or multi-family is a trend that is here to stay especially in the Central LA market.

ECONOMIC OUTLOOK

- **Interest Rates:** The Fed is anticipating two (2) hikes in 2019; increasing borrowing costs.
- **Trade:** Tensions remain with China. USMCA still awaiting congressional ratification.
- **Stock Market:** Increased volatility, but corporate fundamentals remain strong.
- **Oil:** Crude Oil dropped 39% in Q4. Prices expected to remain low due to over-supply. Reduced transportation costs should benefit markets further away from ports.



Direct Vacancy
✓ 2.6%



Net Absorption
▲ +1,380,070 SF



Overall Vacancy
✓ 2.8%



Gross Absorption
▲ 4,250,834 SF



Under Construction
✓ 504,675 SF



Rental Rates (NNN)
▲ \$0.96



Sale Price Change
✓ -12.1%



Deal Volume
✓ -12.7%



U.S. Employment
▲ 3.9%



U6 Rate
↔ 7.6%



Interest Rate
✓ 4.6%
(30 year fixed)



Changing GDP
✓ 2.8%



Port Traffic Y/Y Δ
▲ 1.5%



NYSE Performance
✓ -14.4%



Inflation Change
✓ +1.9%



10 Yr. - 2 Yr. Spread
✓ 15 BPS

EXPERIENCE IN A CHANGING MARKET

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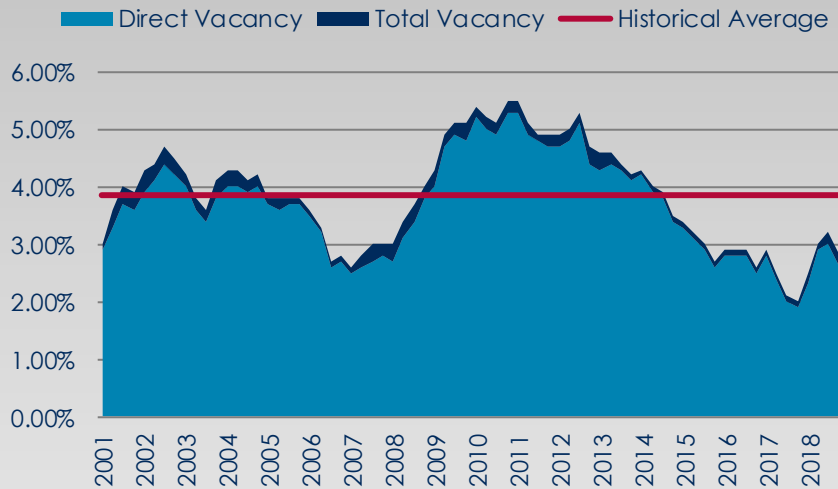


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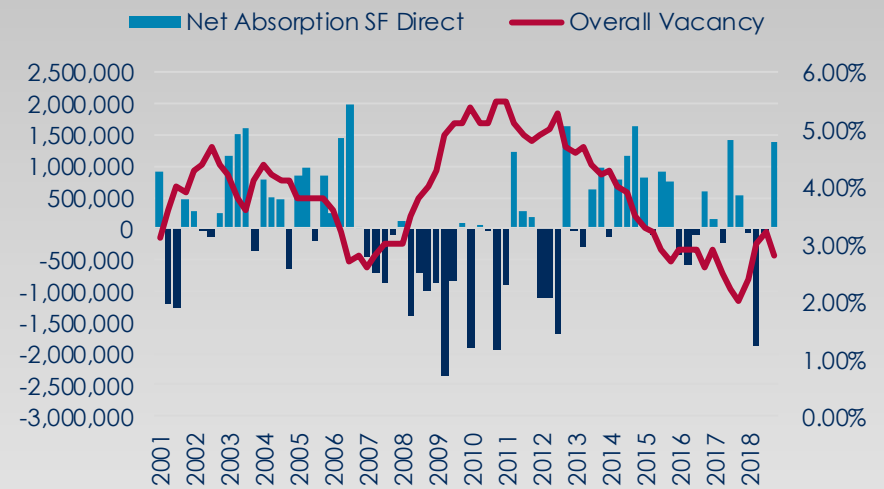
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OVERALL VACANCY

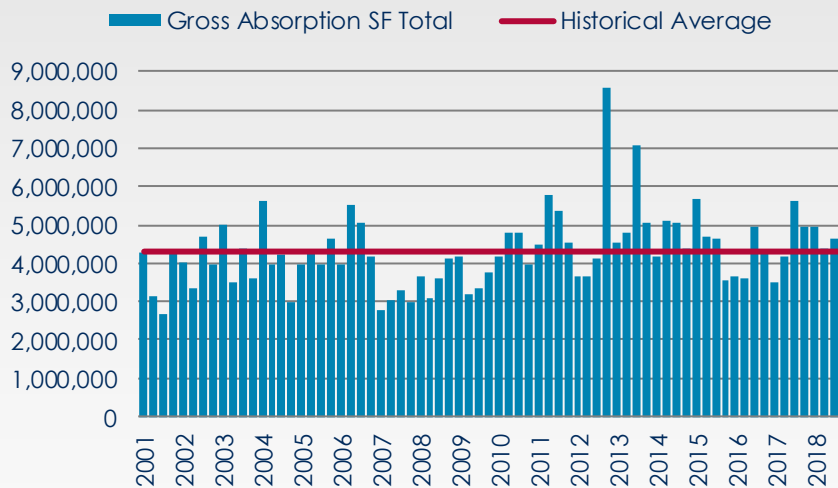
Overall vacancy sees slight decline



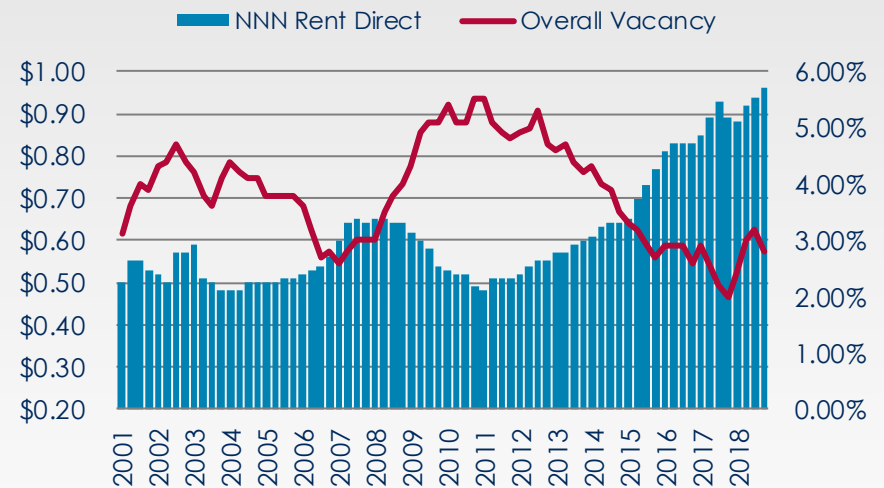
STRONG POSITIVE NET ABSORPTION



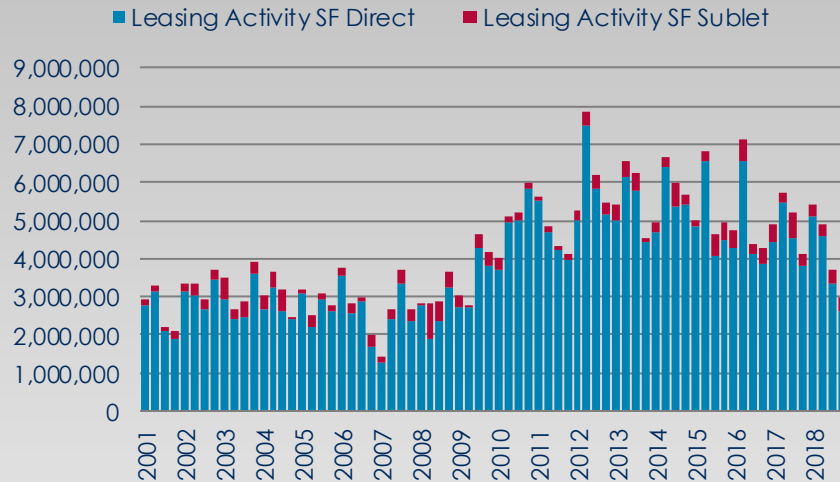
GROSS ABSORPTION ABOVE HISTORIC AVG FOR 2ND STRAIGHT Q



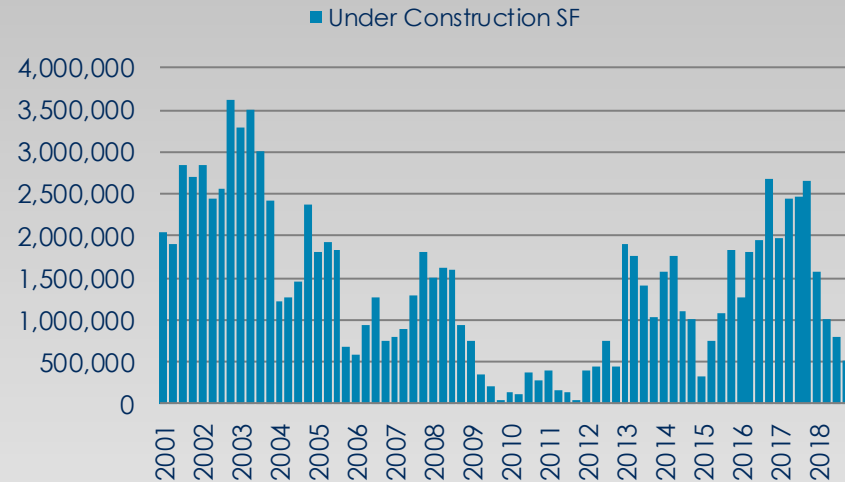
ASKING RENTS RISE TO ALL-TIME HIGHS



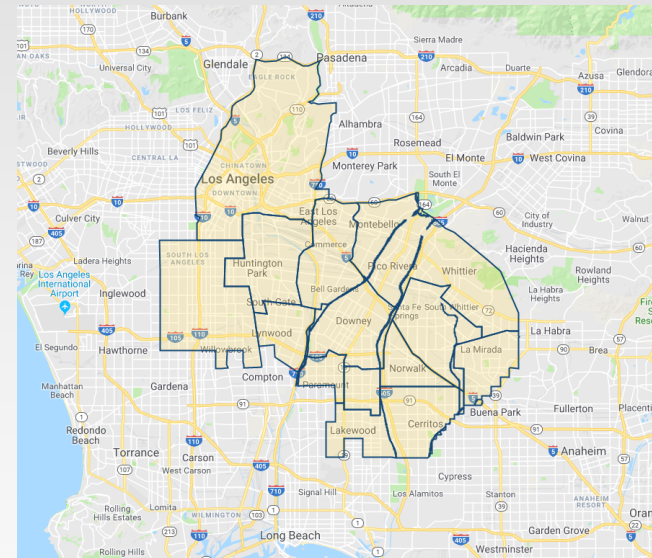
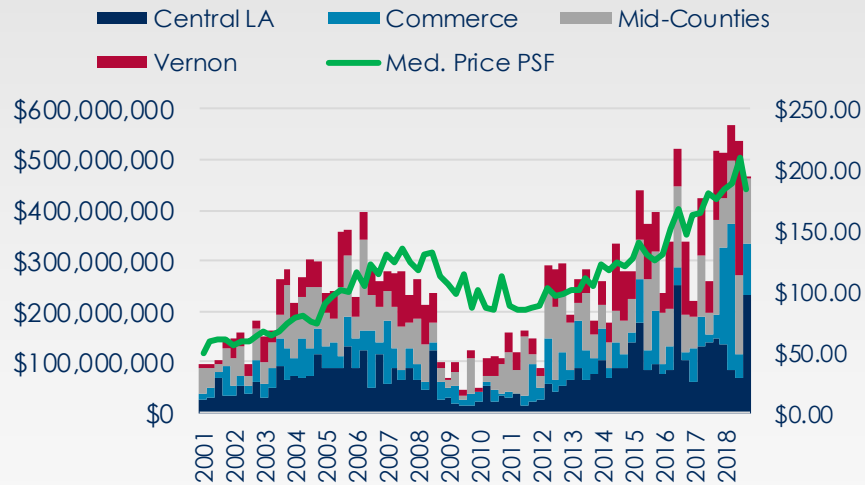
LEASING ACTIVITY DECLINES FOR 4TH STRAIGHT QUARTER



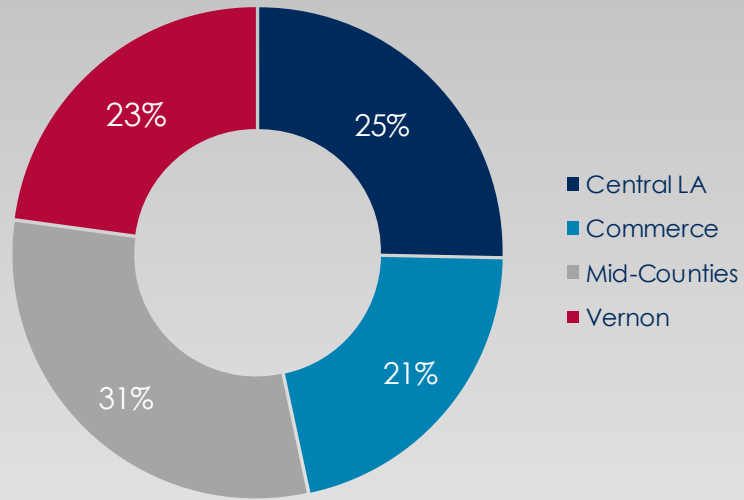
CONSTRUCTION ACTIVITY CONTINUES TO SLOW



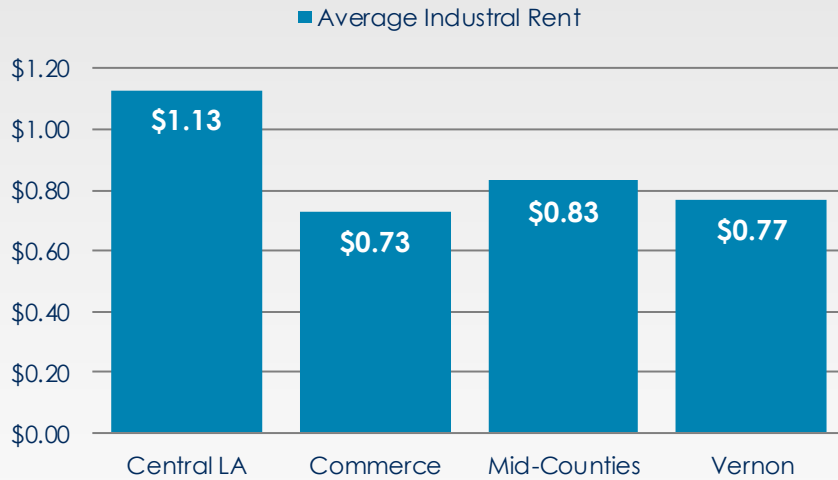
SALE PRICES DECLINE FOR 2ND STRAIGHT QUARTER



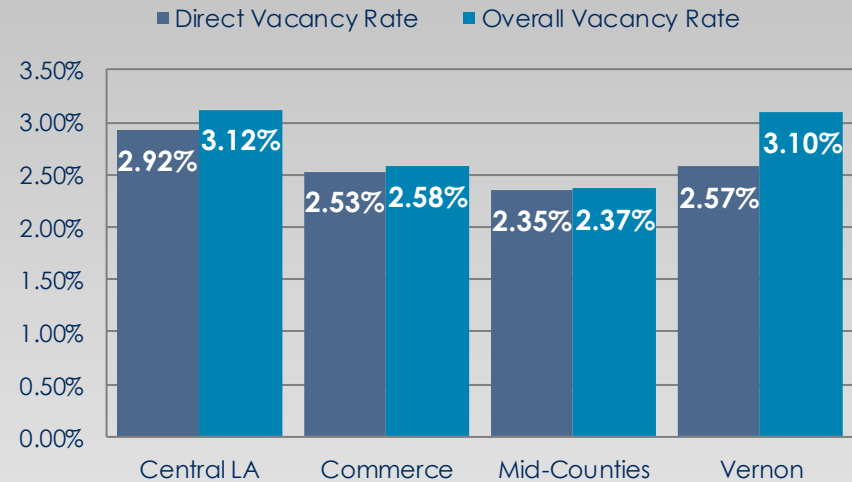
SQUARE FOOT BREAKDOWN- 356,329,297 SF MARKET SIZE



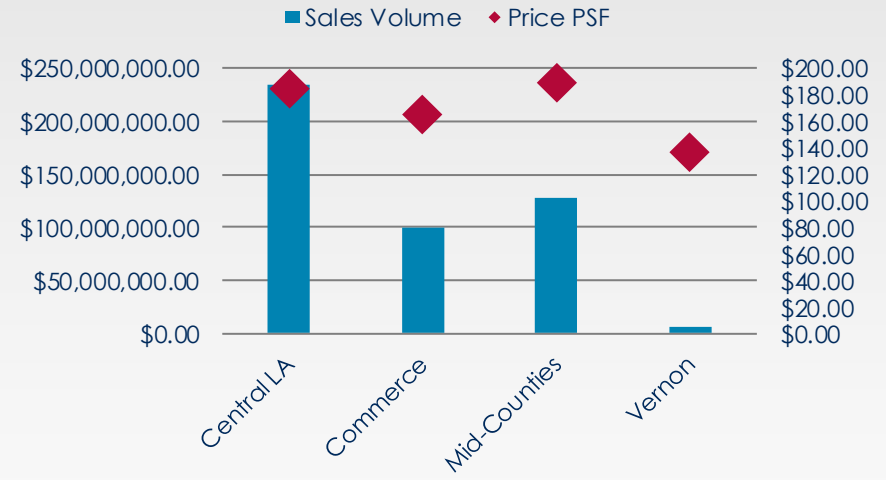
AVERAGE RENT PSF



VACANCY BREAKDOWN



VOLUME BREAKDOWN



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

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Direct Vacancy Rate

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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

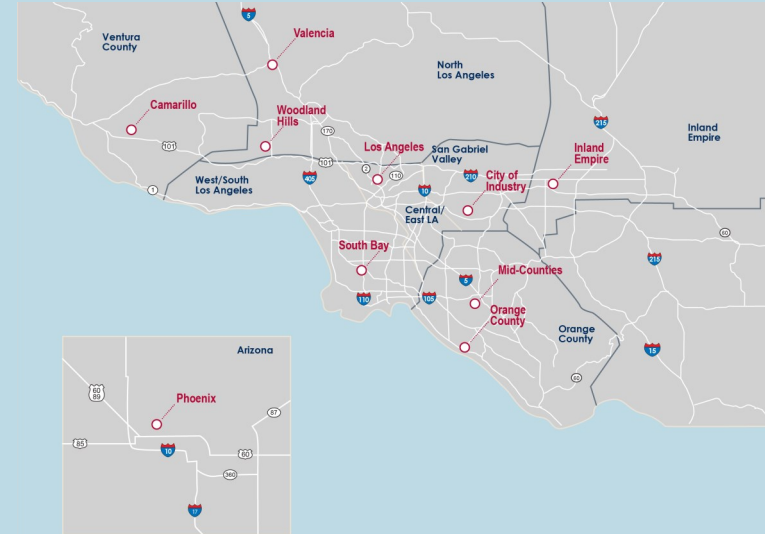
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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.



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Q4 | 2018

Market Report

Los Angeles Industrial



LA North

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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Continues to decline in Q4.
- **Net Absorption:** Highest level of 2018.
- **Industrial Supply:** The new supply under construction in the Santa Clarita Valley is long overdue.
- **Asking Rents:** Remain near all-time highs.
- **Sale Prices:** Decline slightly in Q4 of 5.8%.

ECONOMIC OUTLOOK

- **Interest Rates:** The Fed is anticipating two (2) hikes in 2019; increasing borrowing costs.
- **Trade:** Tensions remain with China. USMCA still awaiting congressional ratification.
- **Stock Market:** Increased volatility, but corporate fundamentals remain strong.
- **Oil:** Crude Oil dropped 39% in Q4. Prices expected to remain low due to over-supply. Reduced transportation costs should benefit markets further away from ports.



Direct Vacancy
✓ 2.1%



Net Absorption
▲ +203,205 SF



Overall Vacancy
✓ 2.5%



Gross Absorption
▲ 1,693,850 SF



Under Construction
▲ 910,615 SF



Rental Rates (NNN)
✓ \$1.00



Sale Price Change
✓ -5.8%



Deal Volume
✓ -31.1%



U.S. Employment
▲ 3.9%



U6 Rate
↔ 7.6%



Interest Rate
✓ 4.6%
(30 year fixed)



Changing GDP
✓ 2.8%



Port Traffic Y/Y Δ
▲ 1.5%



NYSE Performance
✓ -14.4%



Inflation Change
✓ +1.9%



10 Yr. - 2 Yr. Spread
✓ 15 BPS

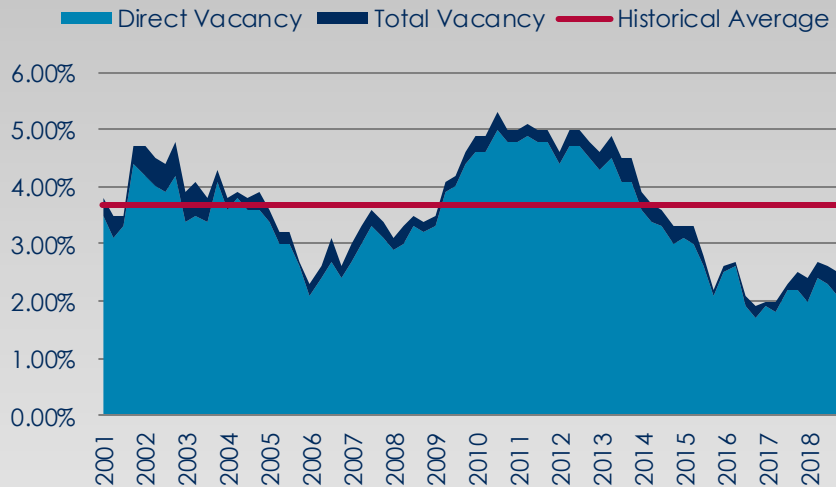
EXPERIENCE IN A CHANGING MARKET

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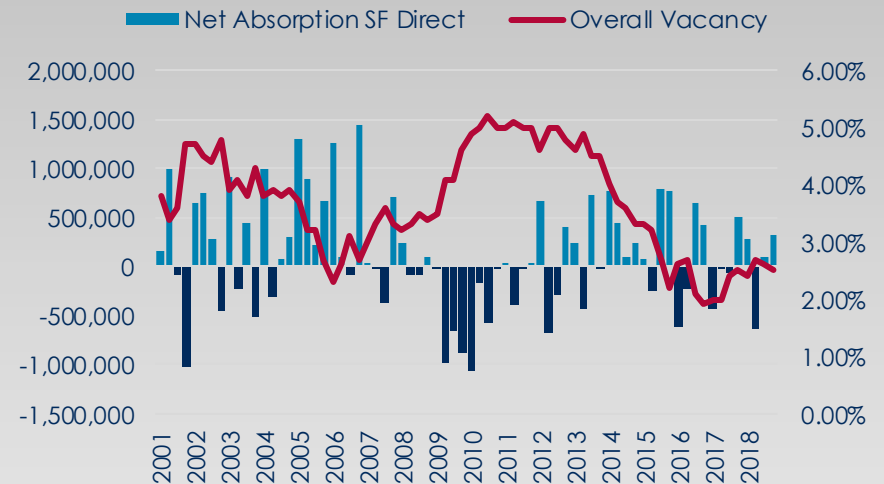


OVERALL VACANCY

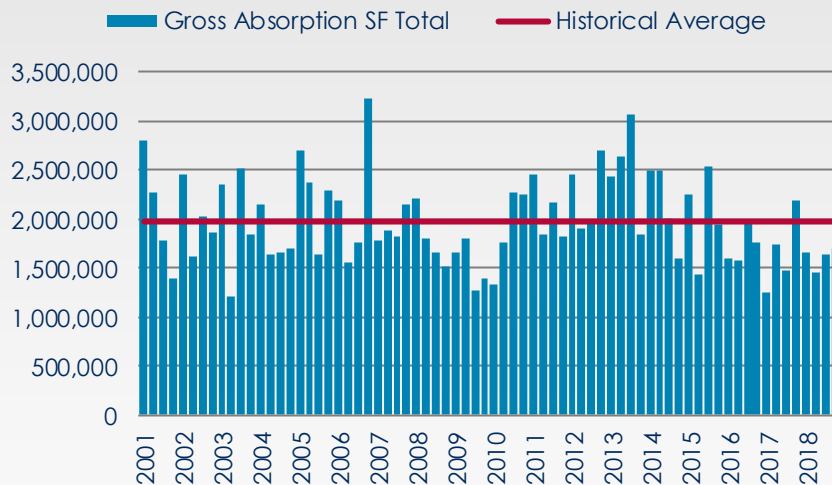
Overall vacancy falls again for 3rd straight quarter



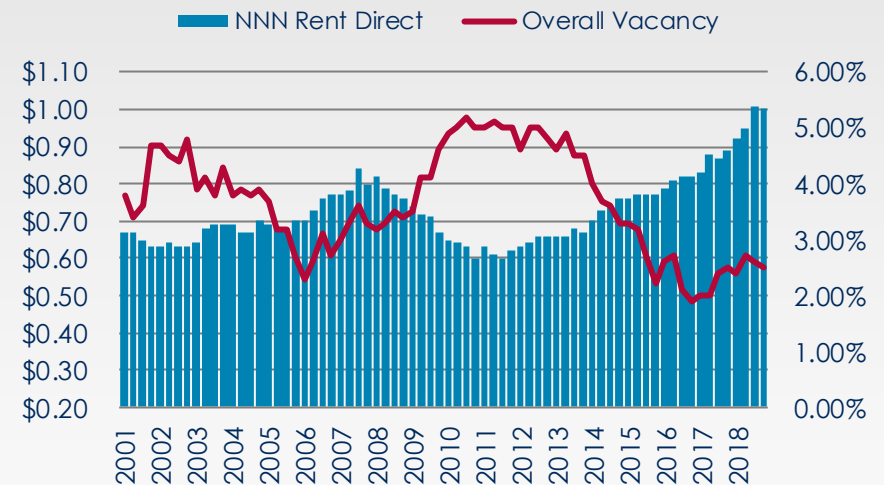
POSITIVE NET ABSORPTION FOR 2ND STRAIGHT QUARTER



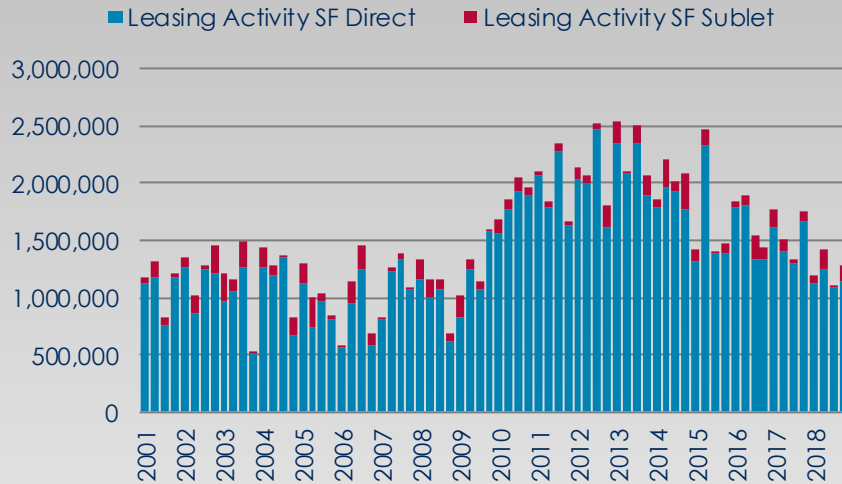
GROSS ABSORPTION REMAINS BELOW HISTORIC AVERAGE



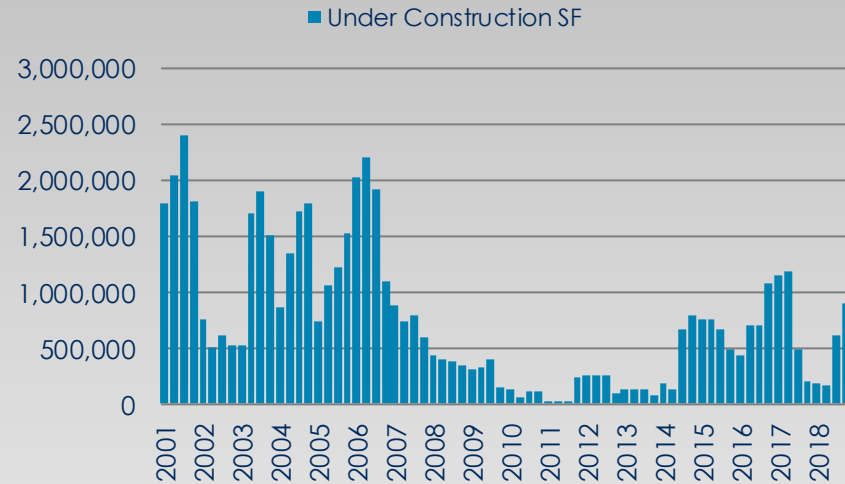
ASKING RENTS REMAIN AT ALL-TIME HIGHS



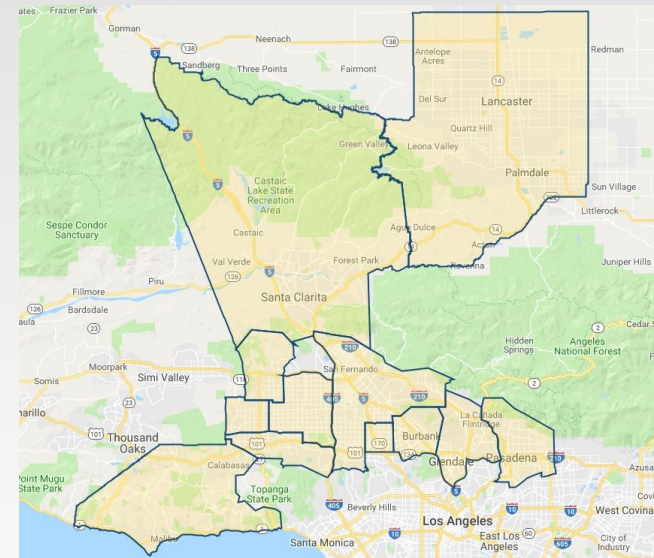
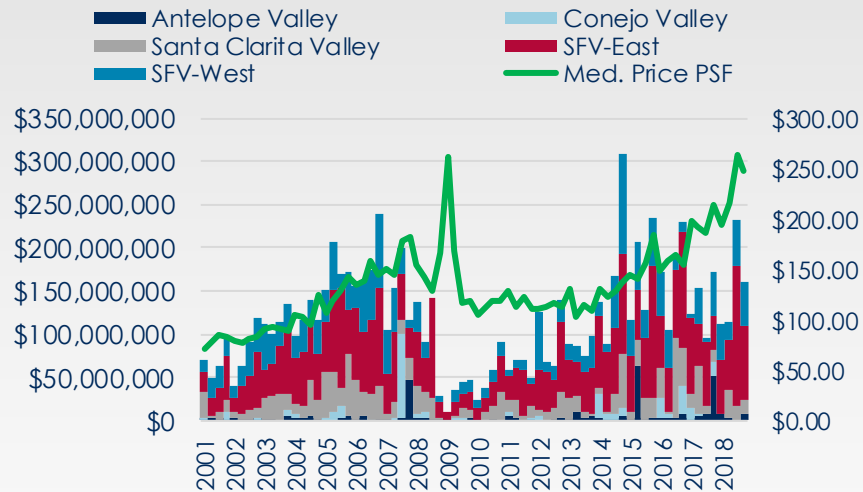
TOTAL NUMBER OF LEASES STABILIZES



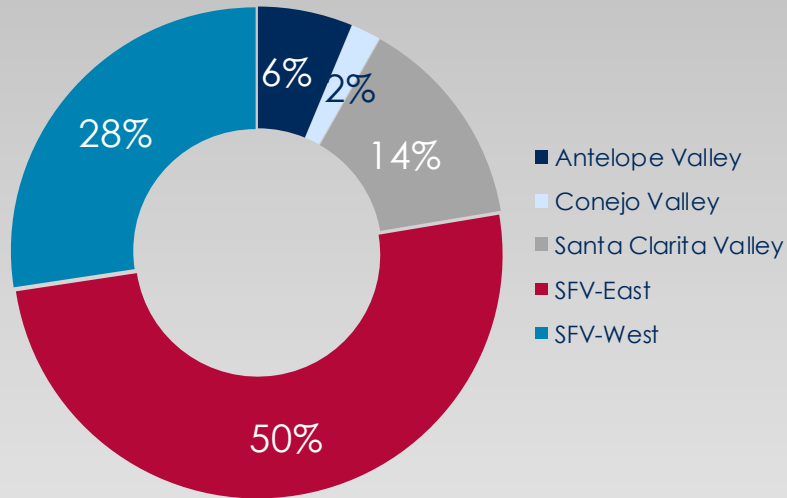
UPTICK IN CONSTRUCTION ACTIVITY



SALE PRICES SEE DIP FROM PREVIOUS QUARTER

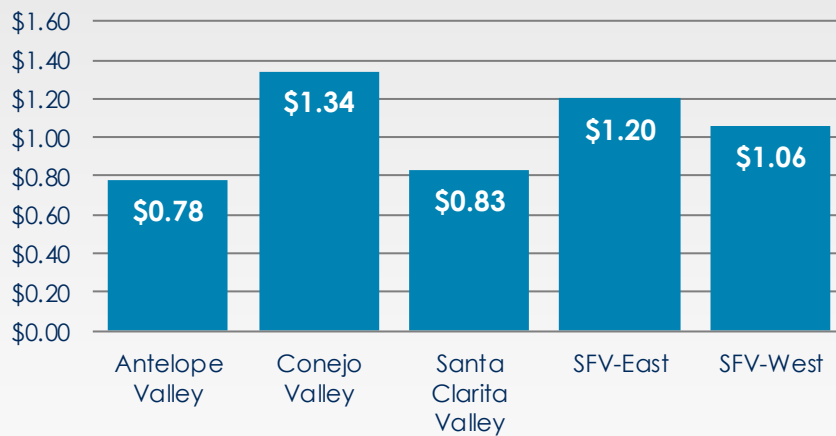


SQUARE FOOT BREAKDOWN- 166,321,997 SF MARKET SIZE



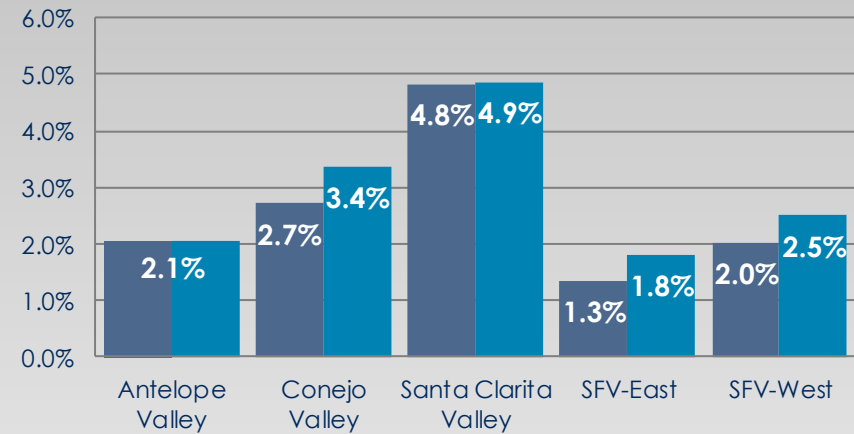
AVERAGE RENT PSF

■ Average Industrial Rent



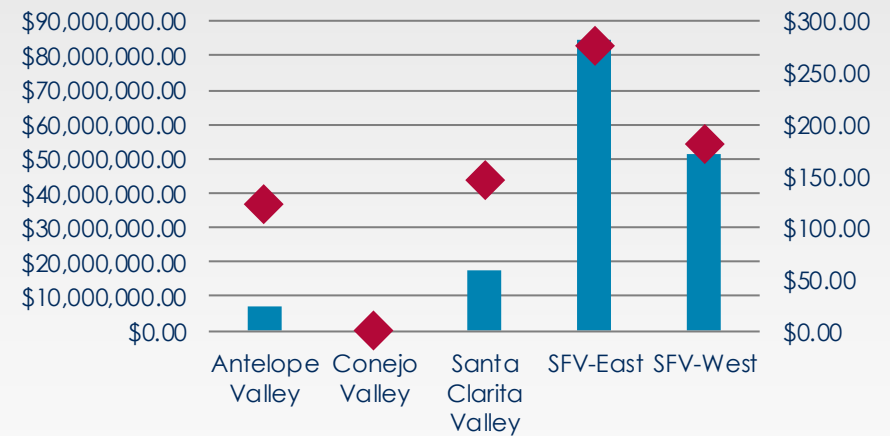
VACANCY BREAKDOWN

■ Direct Vacancy Rate ■ Overall Vacancy Rate



VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF



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.

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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

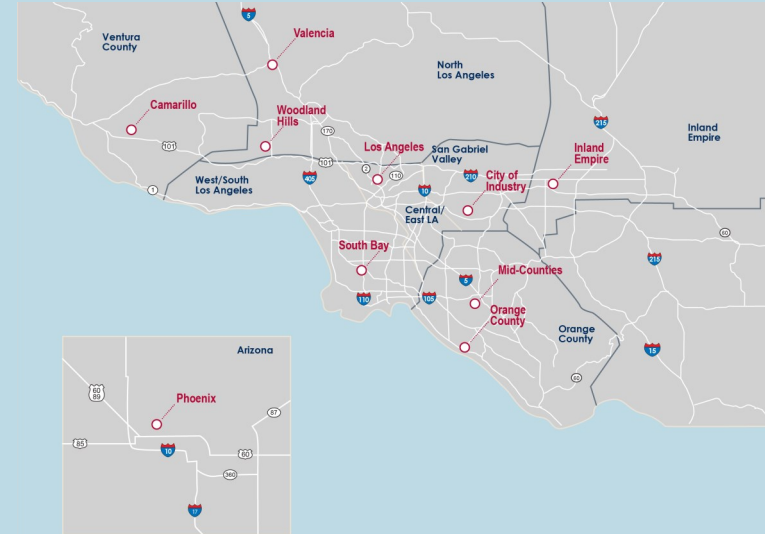
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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Q4 | 2018
Market Report
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San Gabriel Valley

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MARKET ACTIVITY



KEY TAKE AWAYS

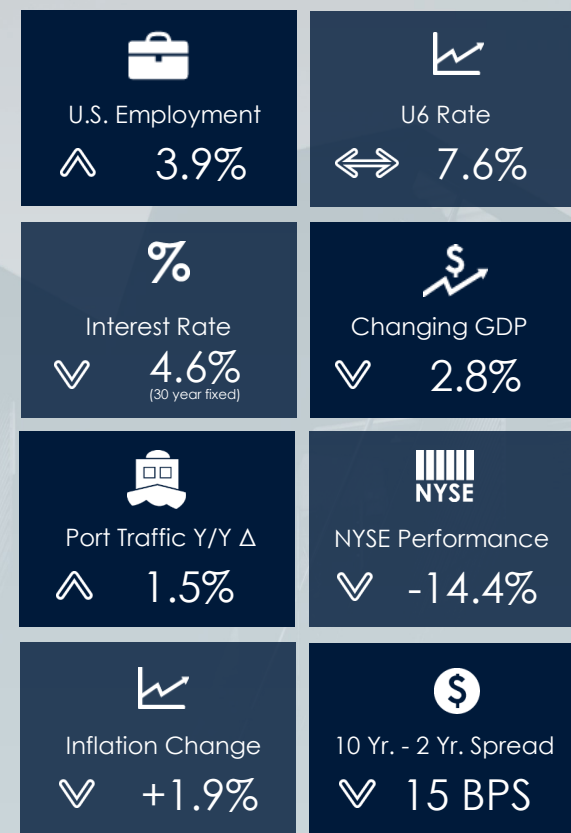
MARKET

- **Vacancy Rate:** Overall vacancy rate drops for 3rd consecutive quarter, while direct vacancy holds steady at 2%.
- **Asking Rents:** Increase significantly in Q4.
- **Industrial Supply:** In 2018 the San Gabriel Valley Market had nearly two million square feet delivered, with another two million plus square feet currently under construction.
- **Sale Prices:** Possible plateauing after dipping only 0.6%.

ECONOMIC OUTLOOK

- **Interest Rates:** The Fed is anticipating two (2) hikes in 2019; increasing borrowing costs.
- **Trade:** Tensions remain with China. USMCA still awaiting congressional ratification.
- **Stock Market:** Increased volatility, but corporate fundamentals remain strong.
- **Oil:** Crude Oil dropped 39% in Q4. Prices expected to remain low due to over-supply. Reduced transportation costs should benefit markets further away from ports.

ECONOMIC OUTLOOK



EXPERIENCE IN A CHANGING MARKET

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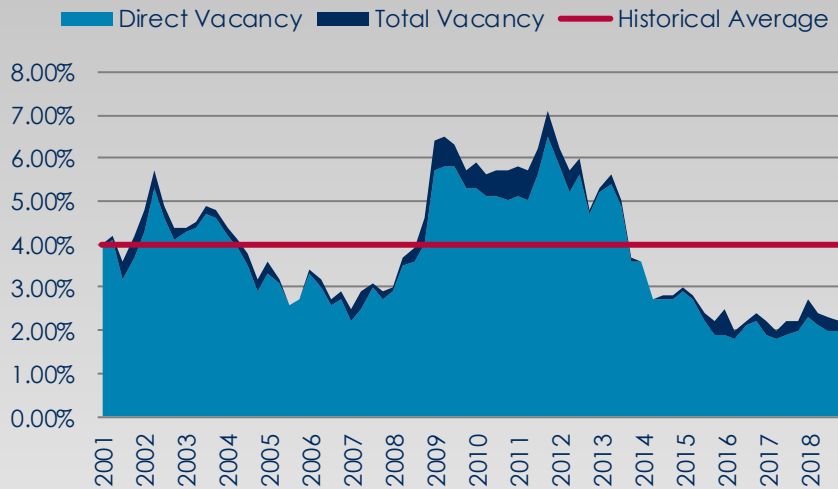


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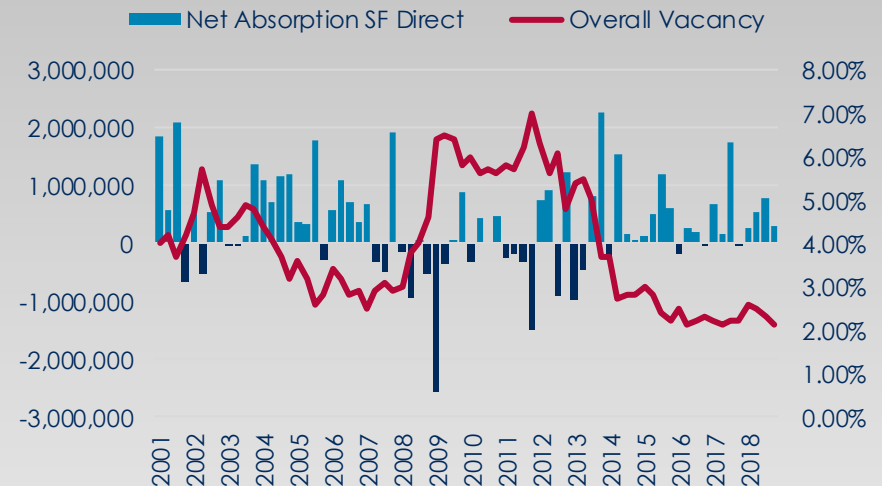
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OVERALL VACANCY

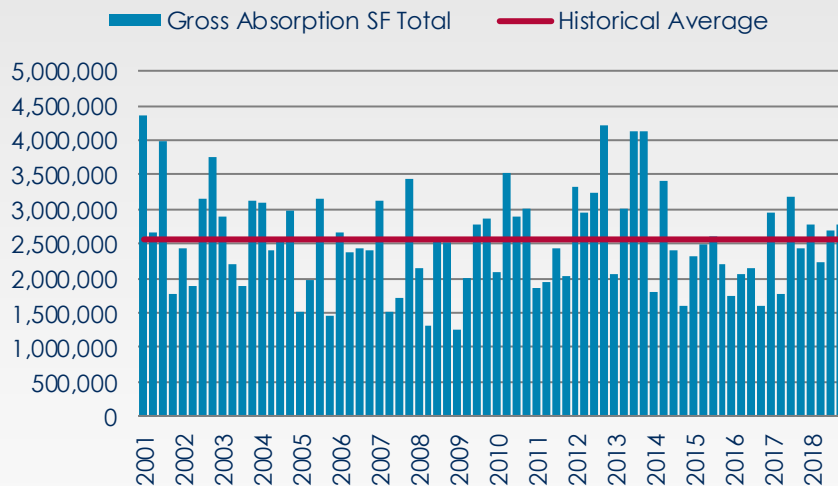
Overall vacancy remains stable



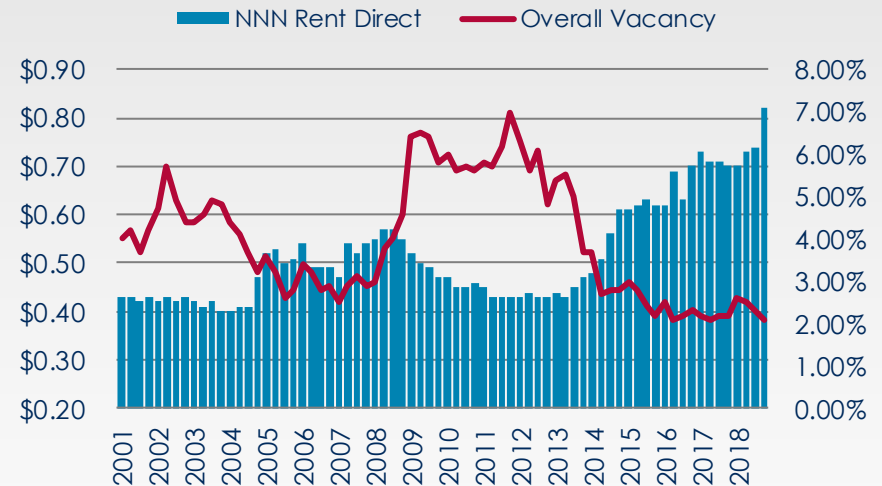
POSITIVE NET ABSORPTION FOR 4TH STRAIGHT QUARTER



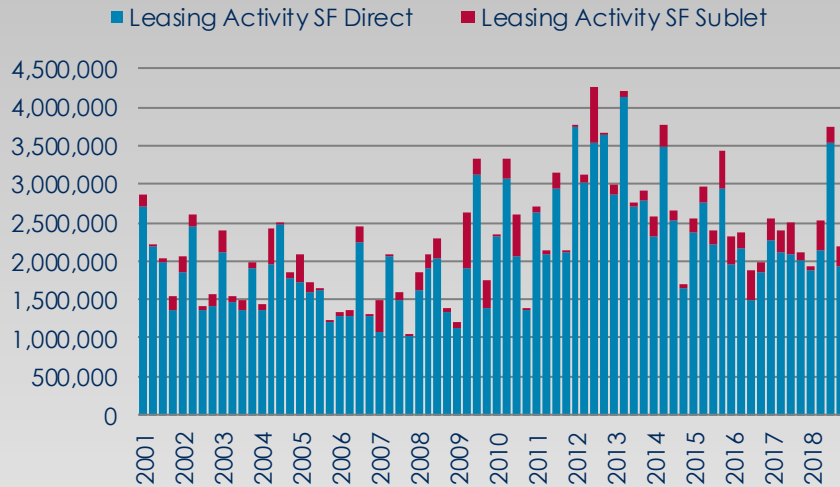
GROSS ABSORPTION REMAINS ABOVE HISTORIC AVERAGE



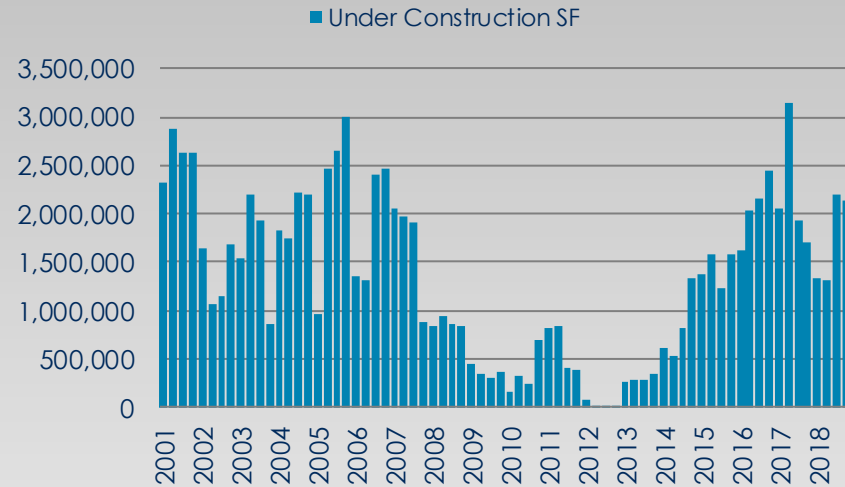
ASKING RENTS RISE TO ALL-TIME HIGHS



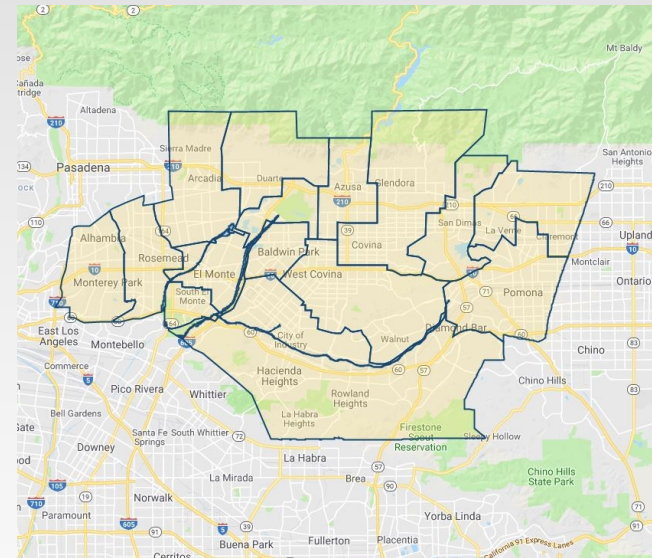
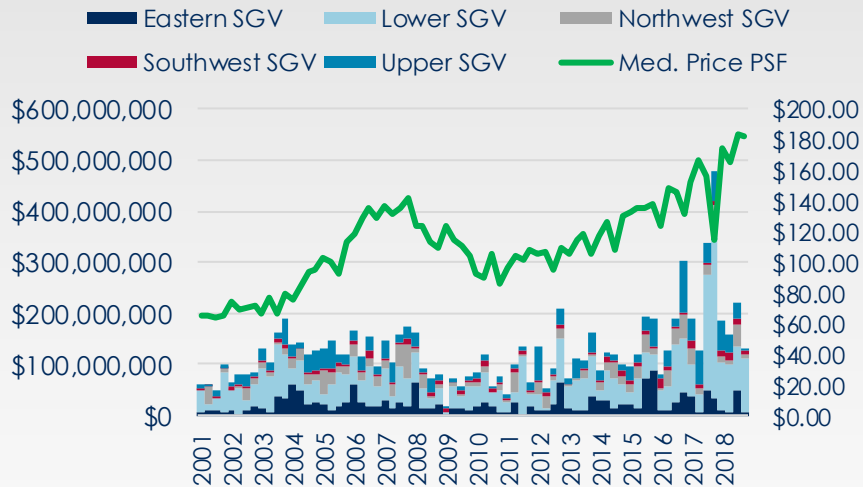
LEASING ACTIVITY DECLINES FROM 3RD QUARTER



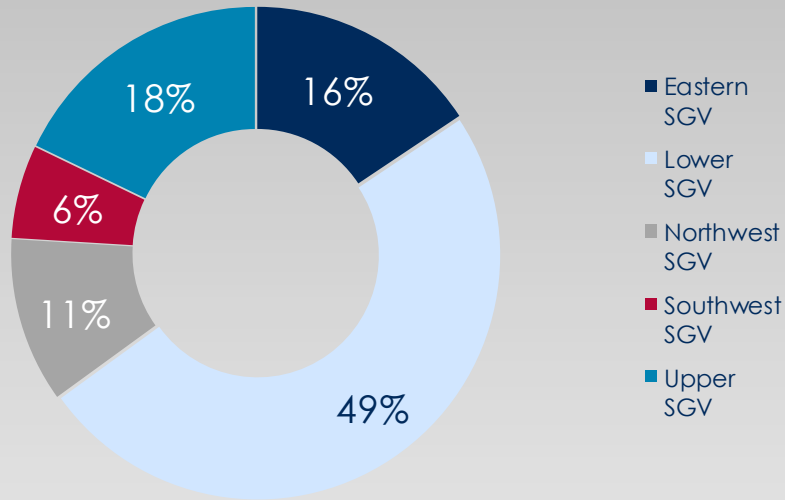
CONSTRUCTION ACTIVITY REMAINS STABLE



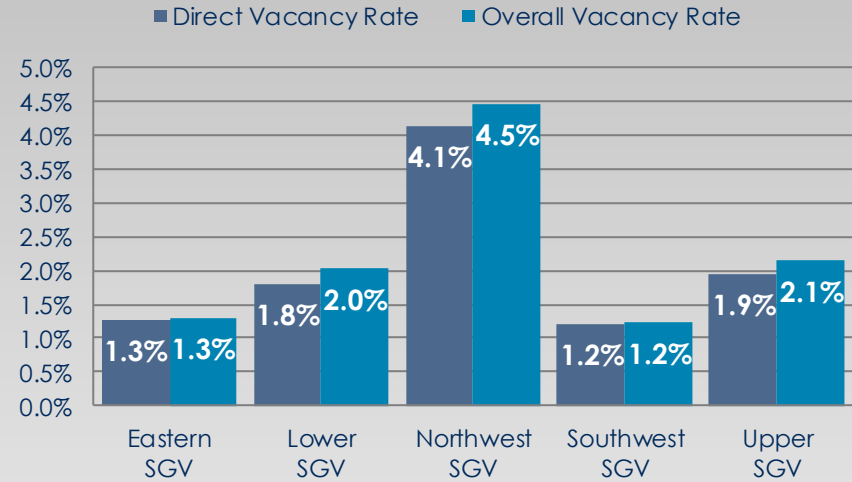
SALE PRICES NEAR ALL-TIME HIGHS



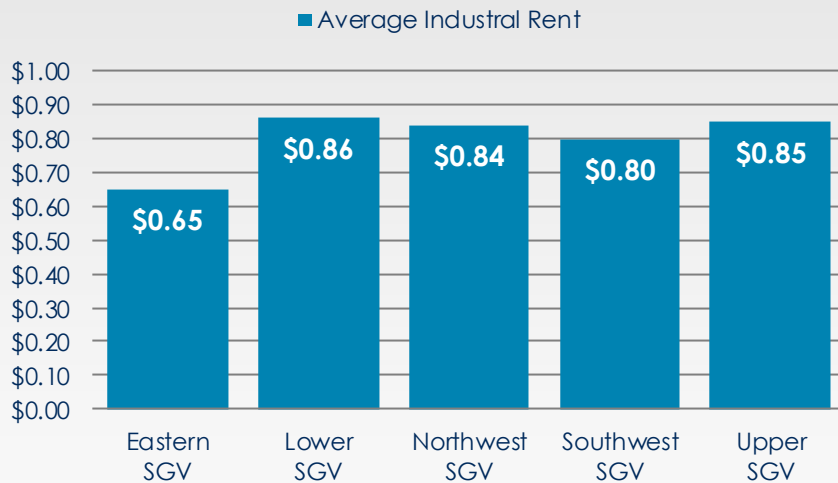
SQUARE FOOT BREAKDOWN- 174,904,792 SF MARKET SIZE



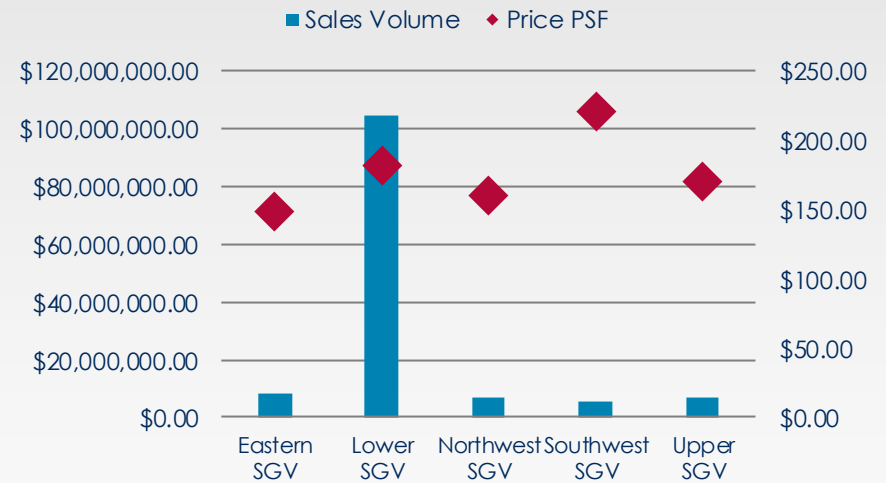
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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.

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Net Absorption

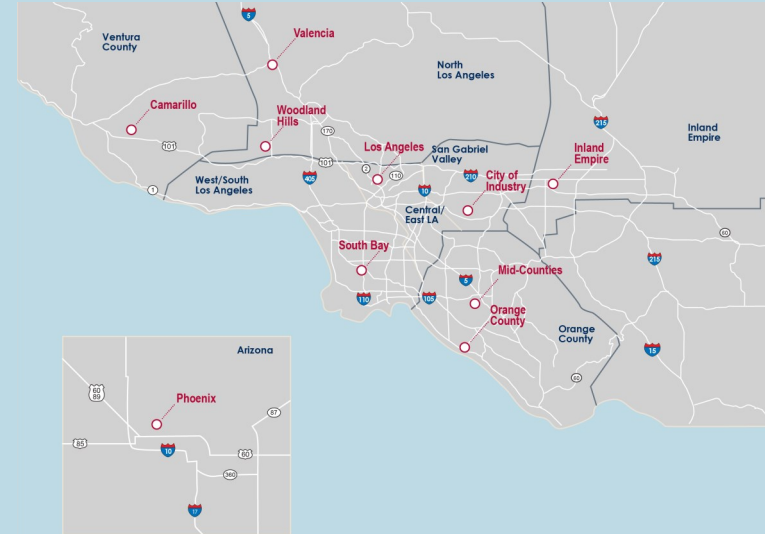
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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Market Report

Los Angeles Industrial



LA West/ South

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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Direct vacancy increased for the 5th consecutive quarter.
- **Net Absorption:** Three quarters in 2018 experienced negative net absorption, including Q4.
- **Gross Absorption:** Tumbles in Q4 & every quarter in 2018 was well below the historic average.
- **Sale Prices:** Decline on low volume figures especially in the Westside market.

ECONOMIC OUTLOOK

- **Interest Rates:** The Fed is anticipating two (2) hikes in 2019; increasing borrowing costs.
- **Trade:** Tensions remain with China. USMCA still awaiting congressional ratification.
- **Stock Market:** Increased volatility, but corporate fundamentals remain strong.
- **Oil:** Crude Oil dropped 39% in Q4. Prices expected to remain low due to over-supply. Reduced transportation costs should benefit markets further away from ports.



Direct Vacancy
⬆ 2.2%



Net Absorption
⬇ -134,021 SF



Overall Vacancy
⬆ 2.4%



Gross Absorption
⬇ 1,779,233 SF



Under Construction
⬆ 1,375,692 SF



Rental Rates (NNN)
⬆ \$1.08



Sale Price Change
⬇ -14.3%



Deal Volume
⬇ -55.3%



U.S. Employment
⬆ 3.9%



U6 Rate
↔ 7.6%



Interest Rate
⬇ 4.6%
(30 year fixed)



Changing GDP
⬇ 2.8%



Port Traffic Y/Y Δ
⬆ 1.5%



NYSE Performance
⬇ -14.4%



Inflation Change
⬆ +1.9%



10 Yr. - 2 Yr. Spread
⬆ 15 BPS

EXPERIENCE IN A CHANGING MARKET

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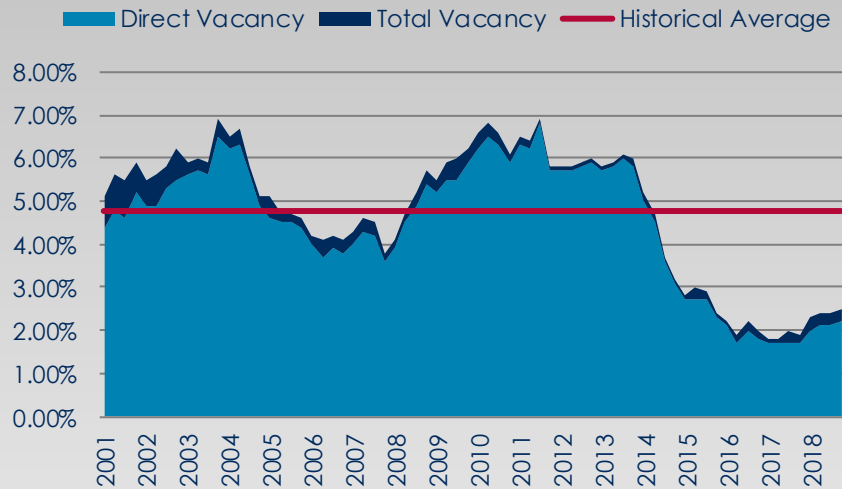


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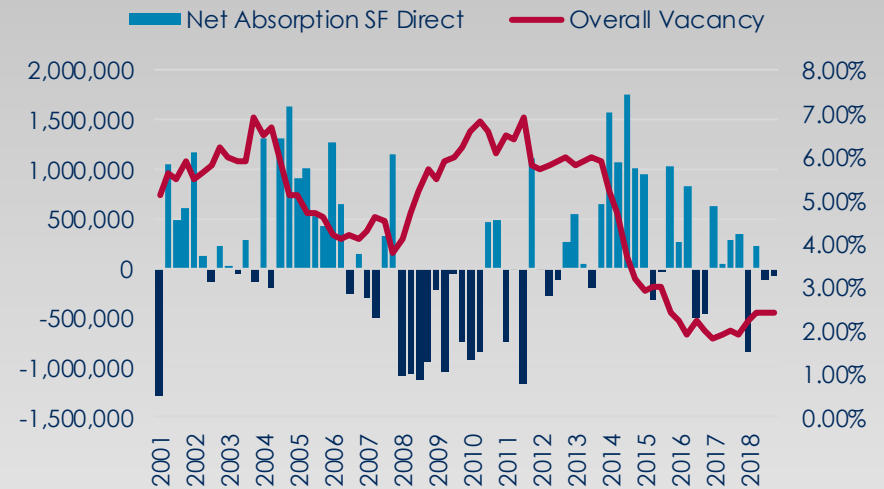
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OVERALL VACANCY

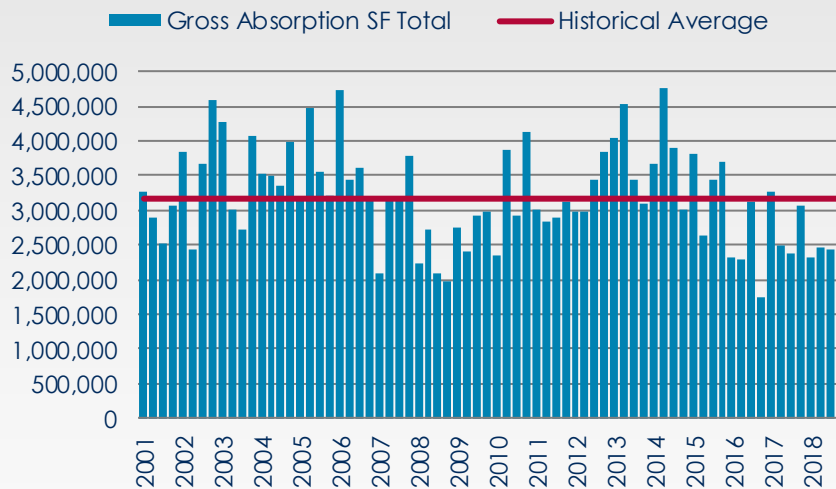
Overall vacancy see slight increase



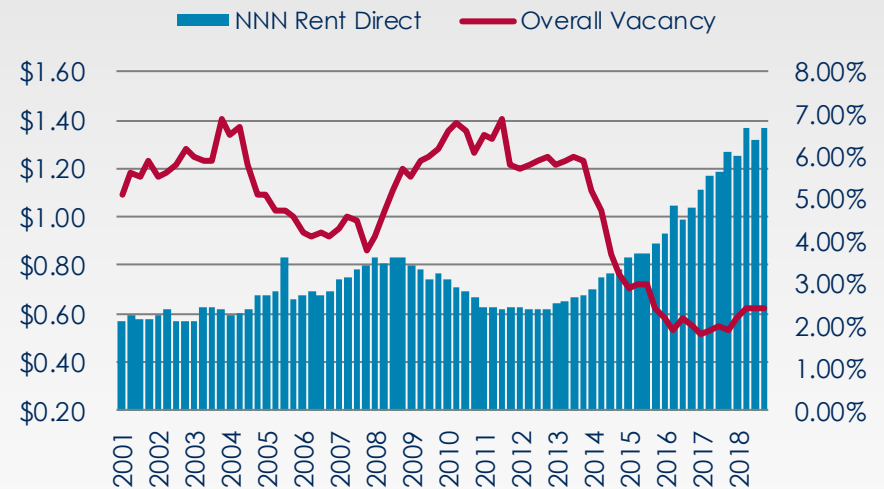
NET ABSORPTION REMAINS FLAT



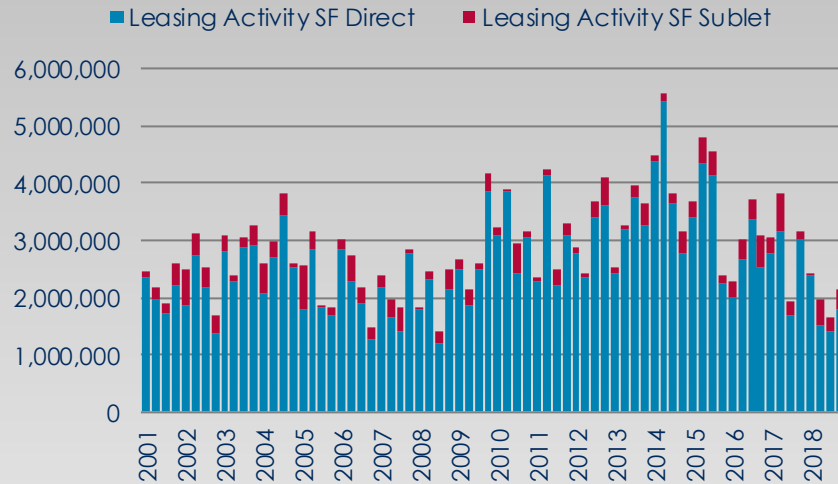
GROSS ABSORPTION DIPS SIGNIFICANTLY BELOW HISTORIC AVERAGE



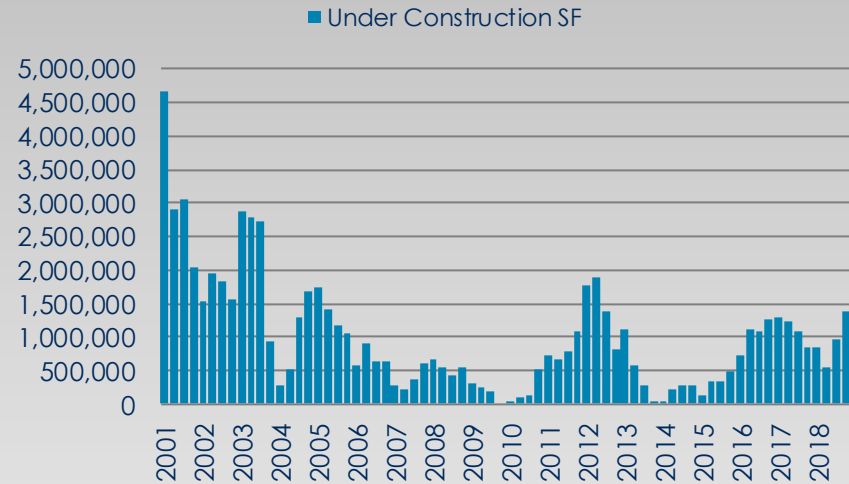
ASKING RENTS REMAIN AT ALL-TIME HIGHS



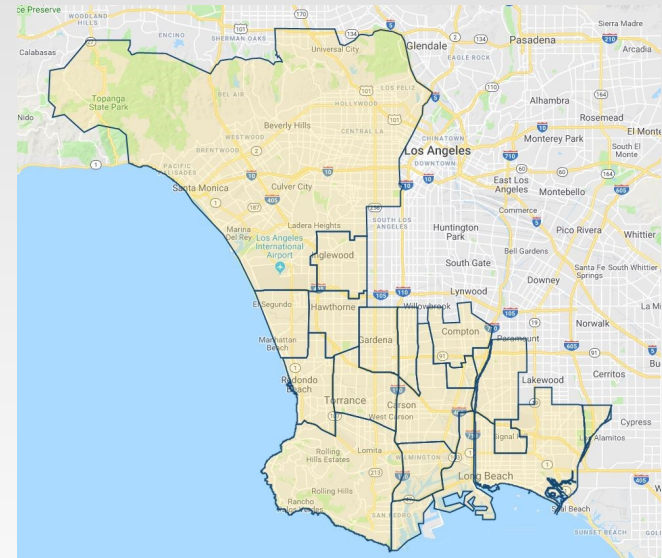
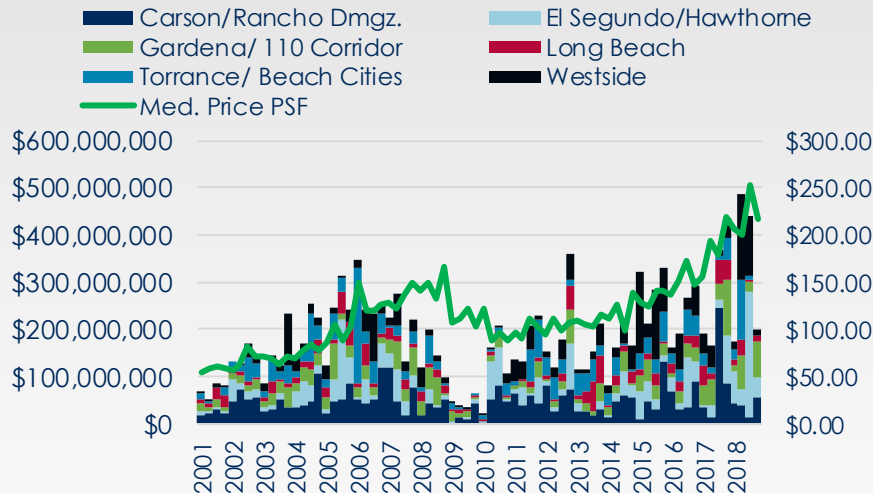
LEASING ACTIVITY SEES SLIGHT INCREASE



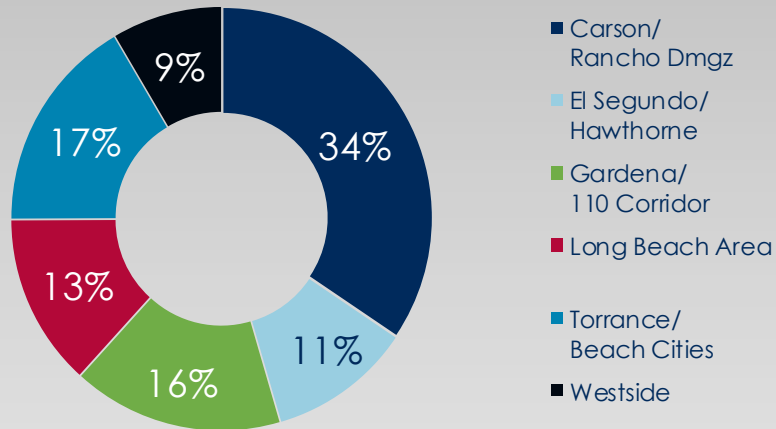
GROWTH IN CONSTRUCTION ACTIVITY FOR 3RD STRAIGHT QUARTER



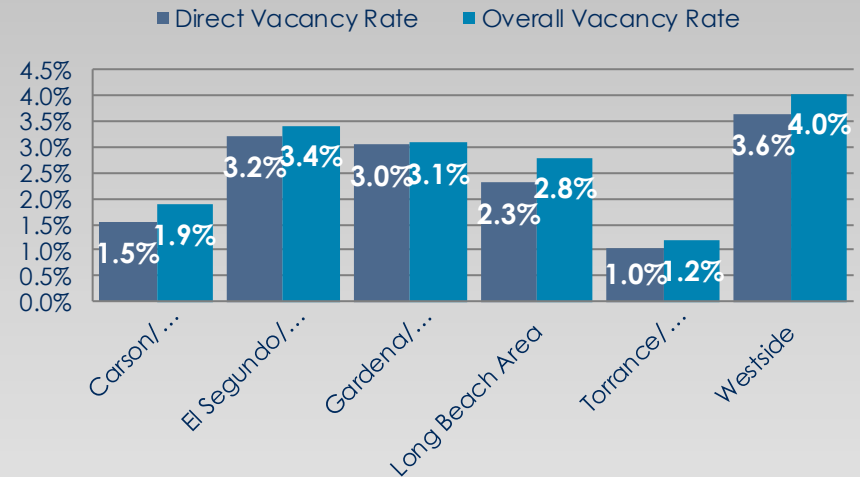
SALE PRICES SEE SIGNIFICANT DROP



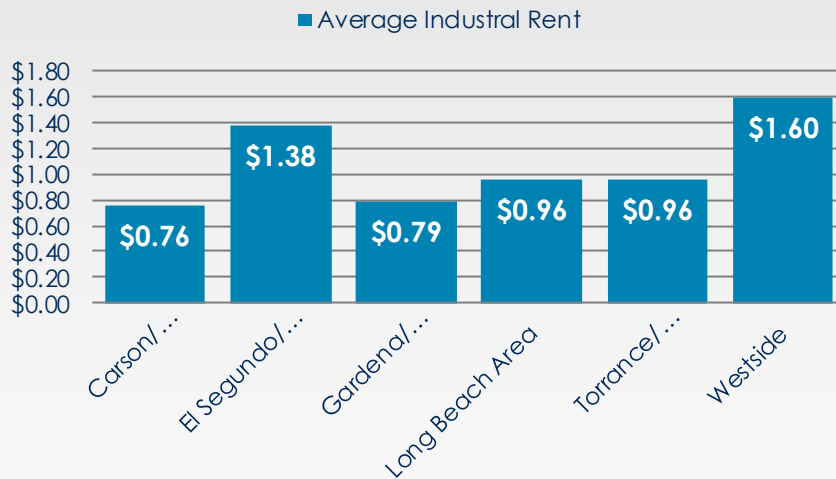
SQUARE FOOT BREAKDOWN- 218,732,231 SF MARKET SIZE



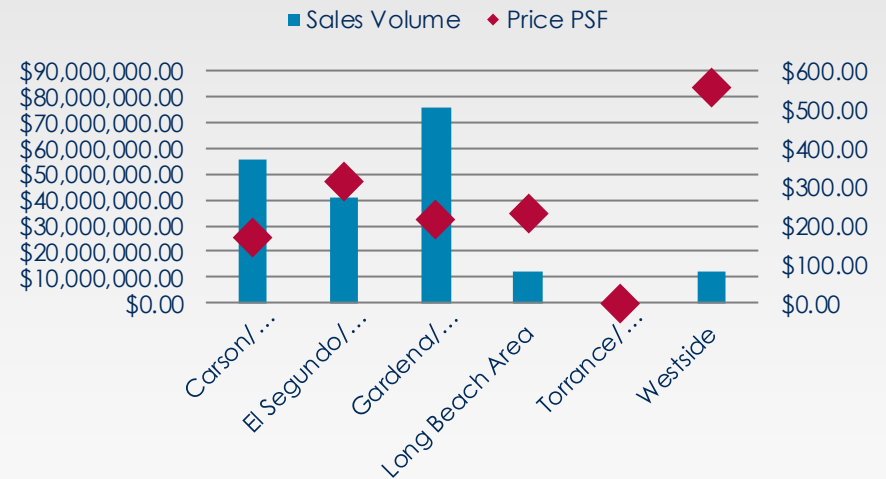
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

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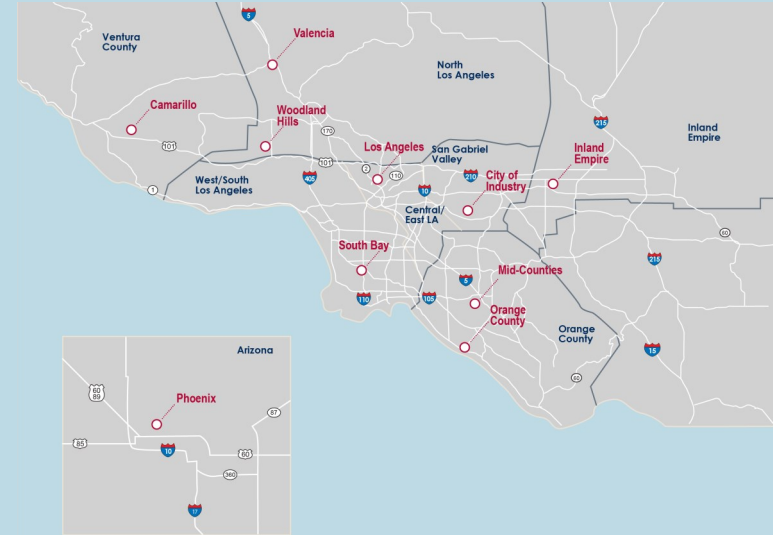
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MARKET REPORT Q4

Industrial 2018 Orange County



MARKET ACTIVITY

KEY TAKE AWAYS

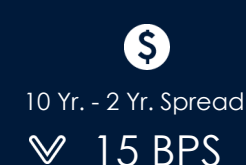
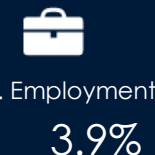
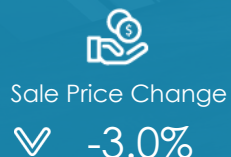
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increases for the 2nd consecutive quarter.
- **Net Absorption:** Relatively flat in Q4, but a significant increase from Q3.
- **Asking Rents:** Continue to reach historic highs.
- **Industrial Supply:** Increased by nearly 1.2 million square feet in Q4. As a result, under construction activity dropped to the lowest level in two years.

ECONOMIC OUTLOOK

- **Interest Rates:** The Fed is anticipating two (2) hikes in 2019; increasing borrowing costs.
- **Trade:** Tensions remain with China. USMCA still awaiting congressional ratification.
- **Stock Market:** Increased volatility, but corporate fundamentals remain strong.
- **Oil:** Crude Oil dropped 39% in Q4. Prices expected to remain low due to over-supply. Reduced transportation costs should benefit markets further away from ports.



EXPERIENCE IN A CHANGING MARKET

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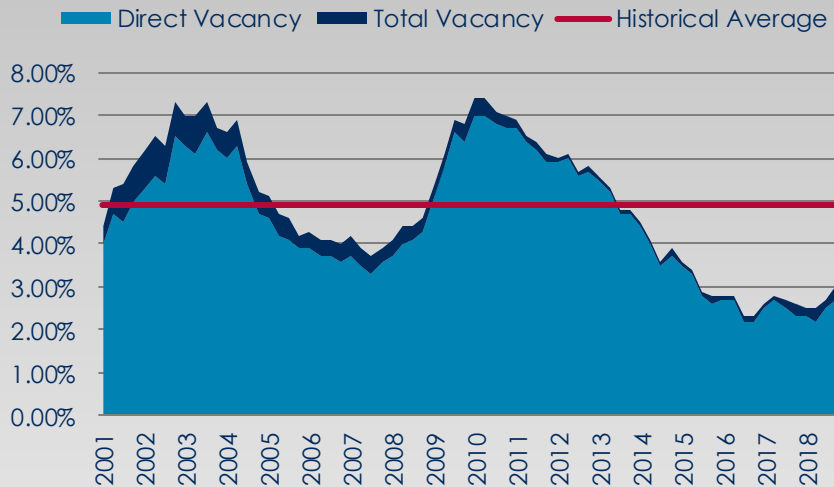


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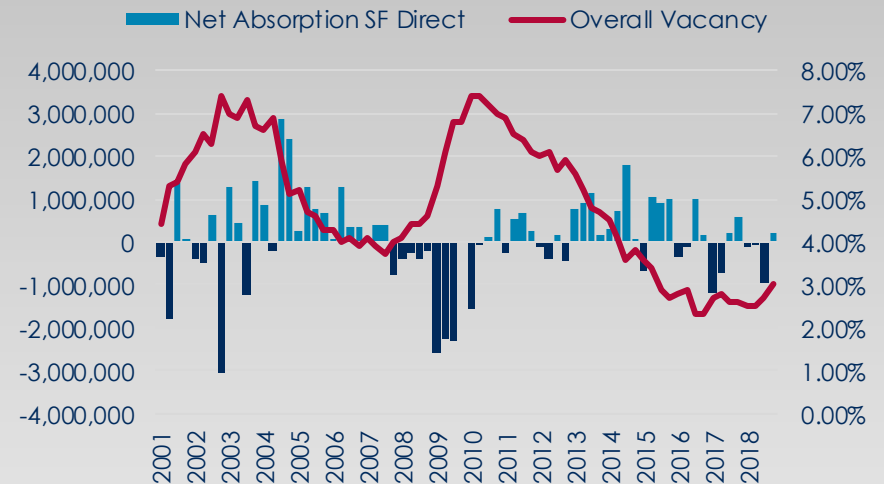
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OVERALL VACANCY

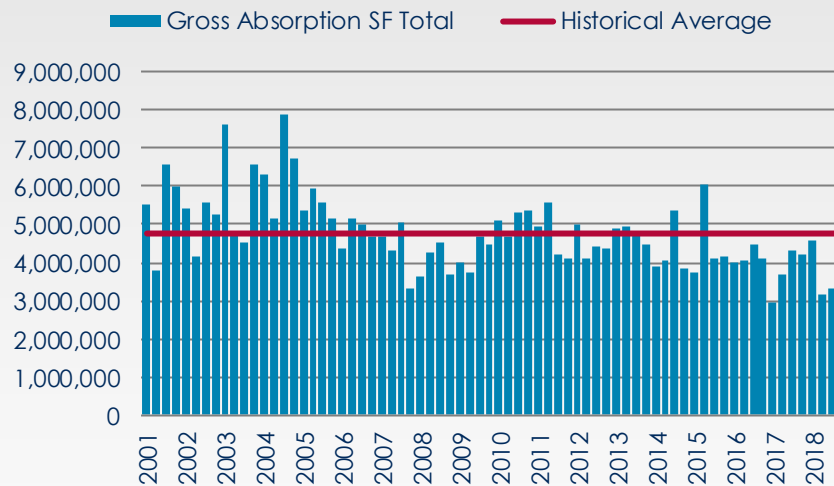
Overall vacancy increases for 2nd straight quarter



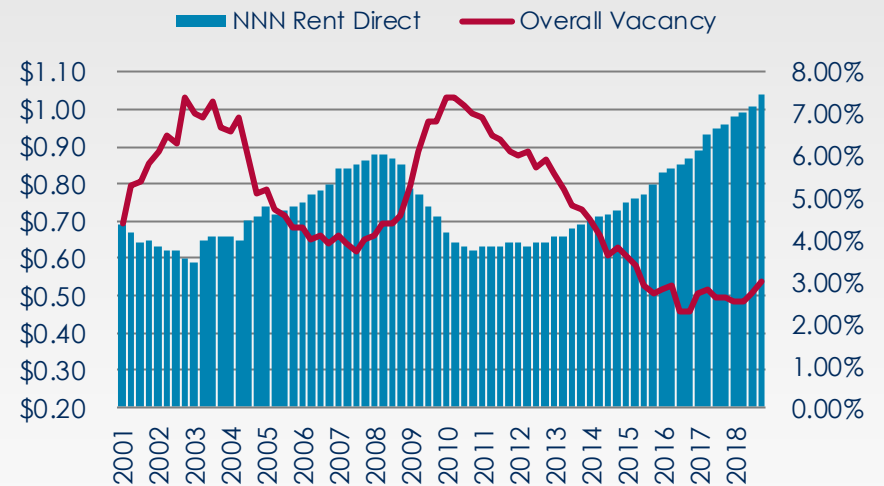
ONLY POSITIVE QUARTER OF NET ABSORPTION IN 2018



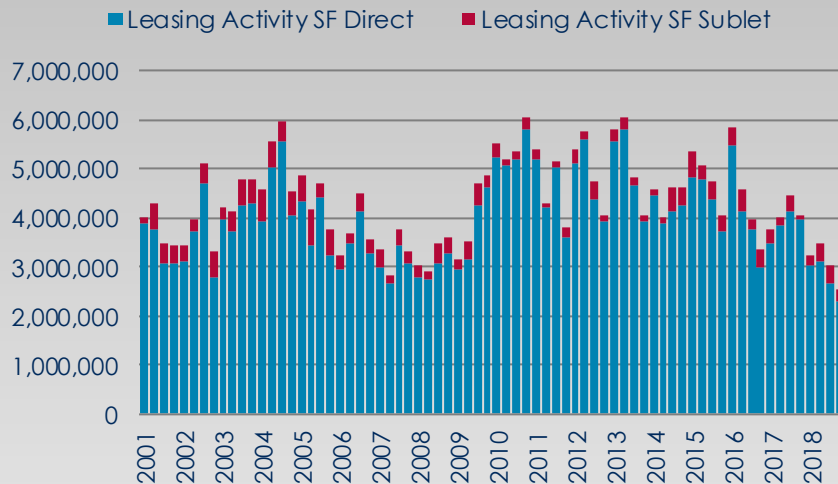
GROSS ABSORPTION WELL BELOW HISTORIC AVERAGE



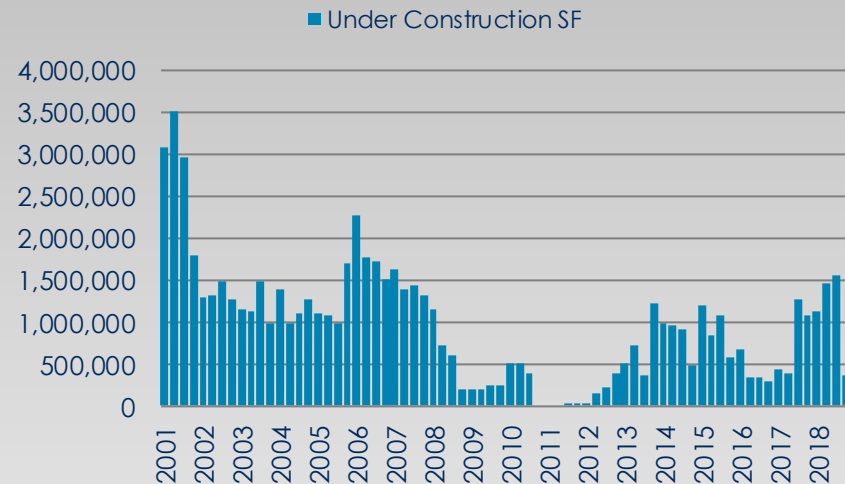
ASKING RENTS KEEP PUSHING RECORD HIGHS



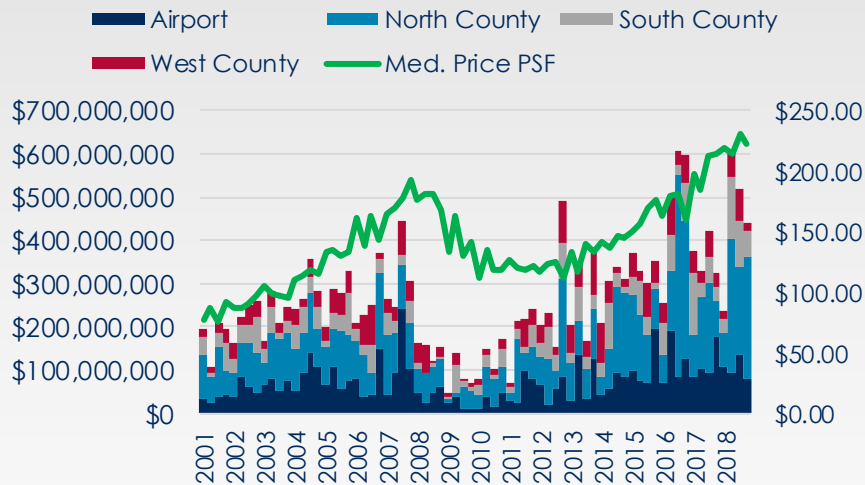
LEASING ACTIVITY DECLINES FOR 2ND STRAIGHT QUARTER



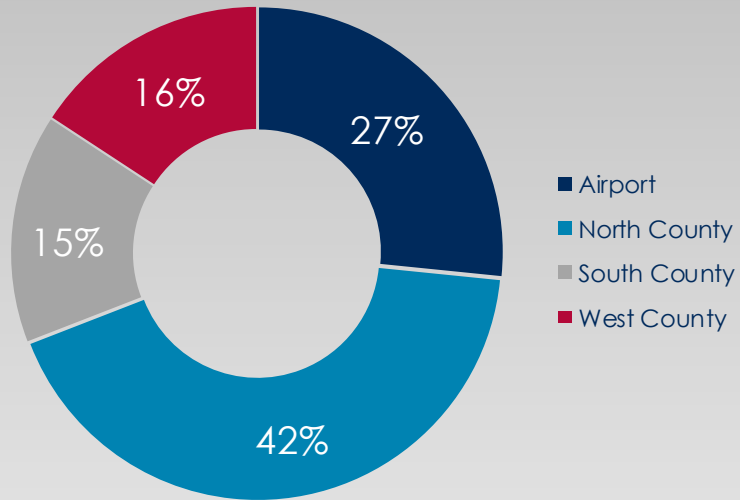
SLOWDOWN IN CONSTRUCTION ACTIVITY



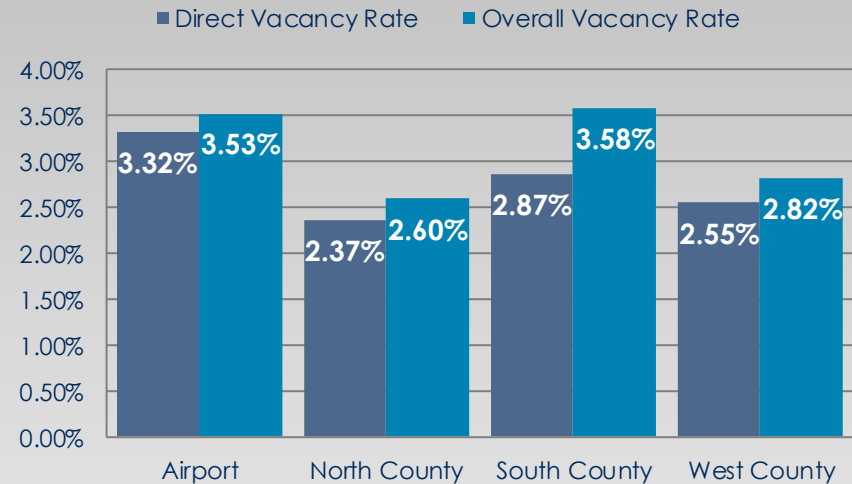
SALE PRICES CONTINUE TO PUSH HISTORIC LEVELS



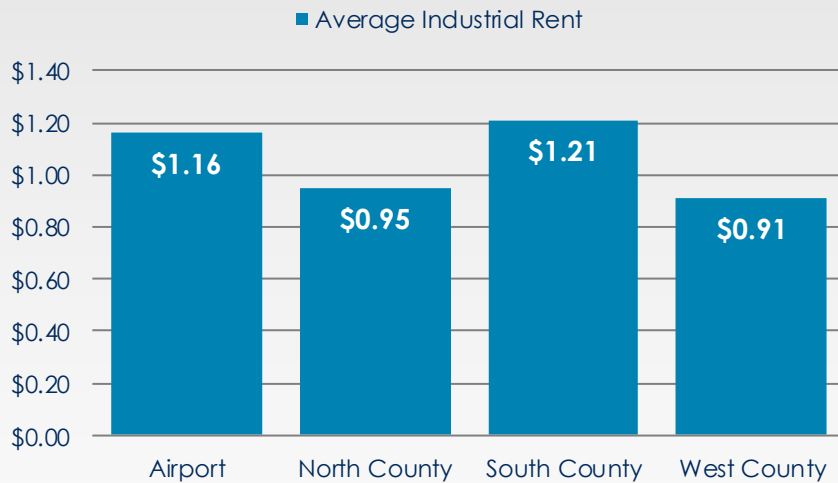
SQUARE FOOT BREAKDOWN- 295,772,917 SF MARKET SIZE



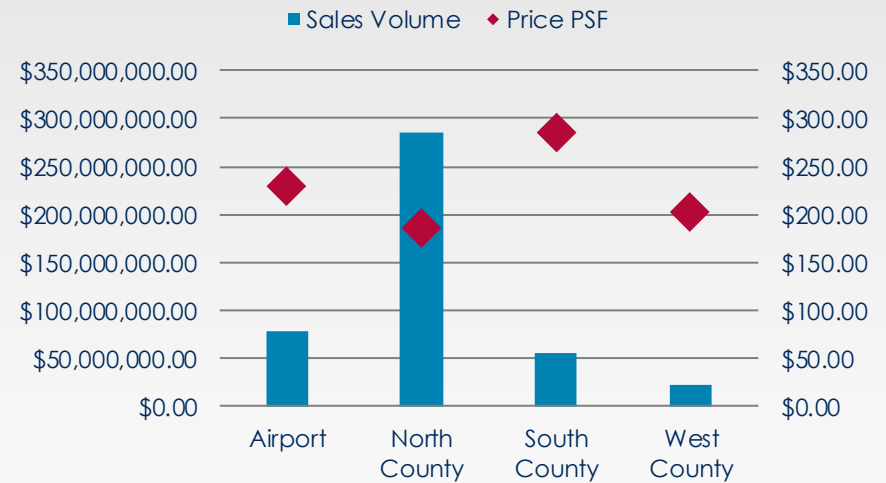
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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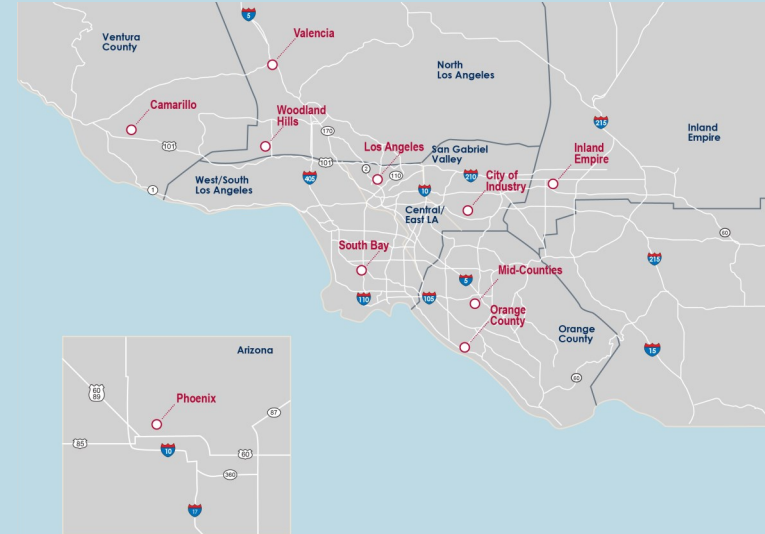
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Market Report

////////////////// Ventura County Industrial



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MARKET ACTIVITY

KEY TAKE AWAYS

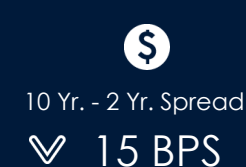
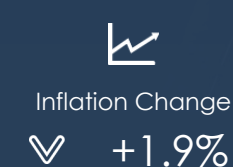
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increases for 2nd consecutive quarter from historic low in Q2.
- **Net Absorption:** Turns negative for first time in eight quarters.
- **Gross Absorption:** Falls dramatically to lowest level since Q1 2010.
- **Sales:** Pricing increased 15.4% quarter over quarter in Q4 & volume saw an increase of 34.7%.

ECONOMIC OUTLOOK

- **Interest Rates:** The Fed is anticipating two (2) hikes in 2019; increasing borrowing costs.
- **Trade:** Tensions remain with China. USMCA still awaiting congressional ratification.
- **Stock Market:** Increased volatility, but corporate fundamentals remain strong.
- **Oil:** Crude Oil dropped 39% in Q4. Prices expected to remain low due to over-supply. Reduced transportation costs should benefit markets further away from ports.



EXPERIENCE IN A CHANGING MARKET

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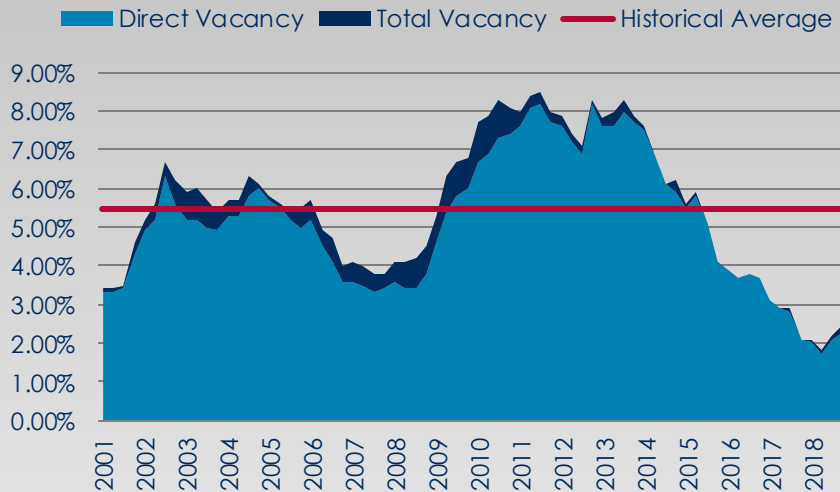


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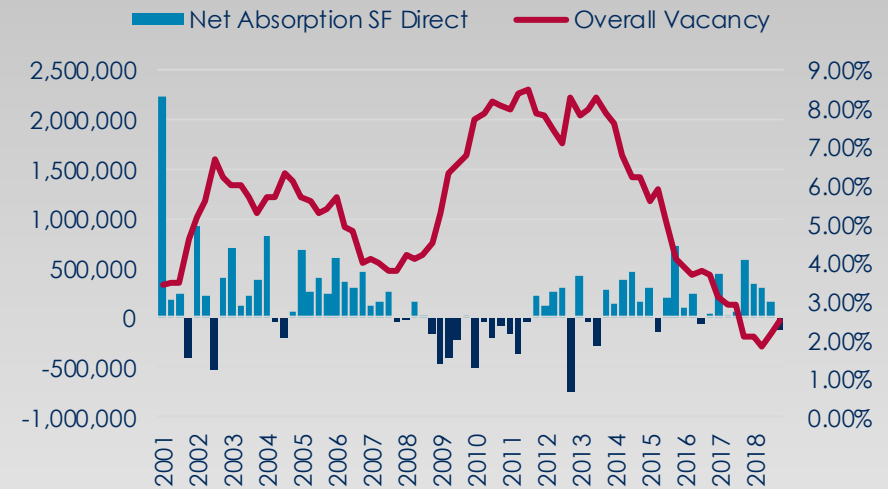
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OVERALL VACANCY

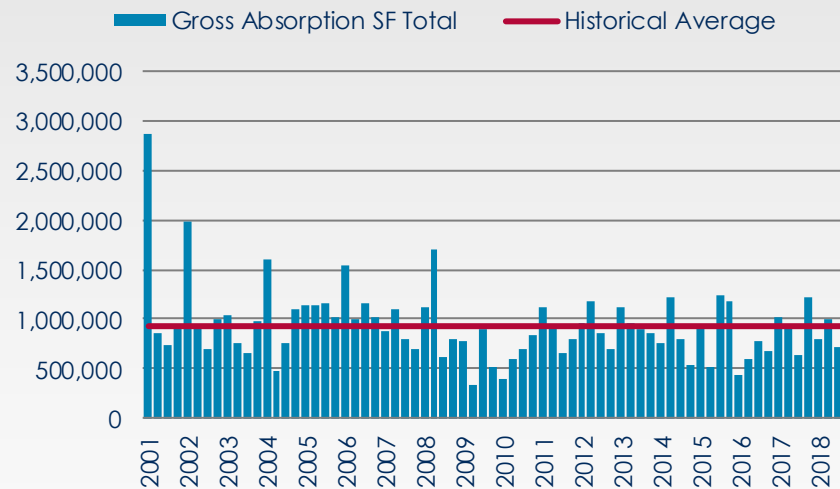
Overall vacancy increases for 2nd straight quarter



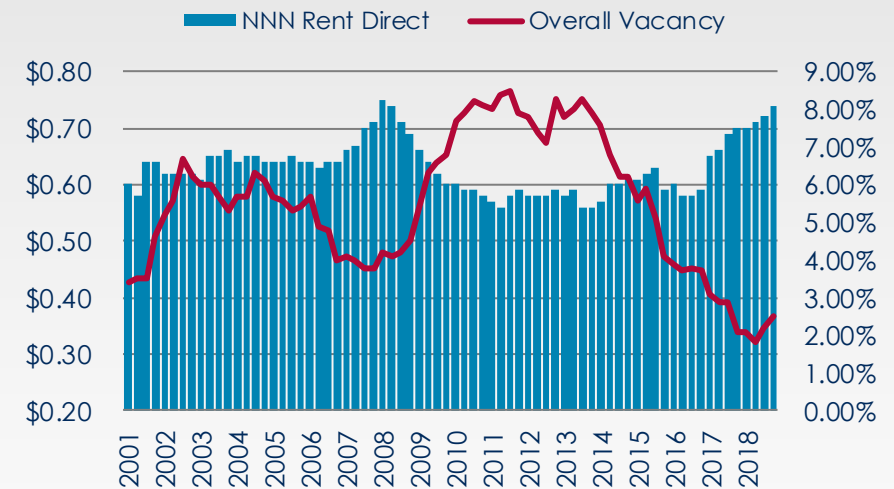
NET ABSORPTION TURNS NEGATIVE IN Q4



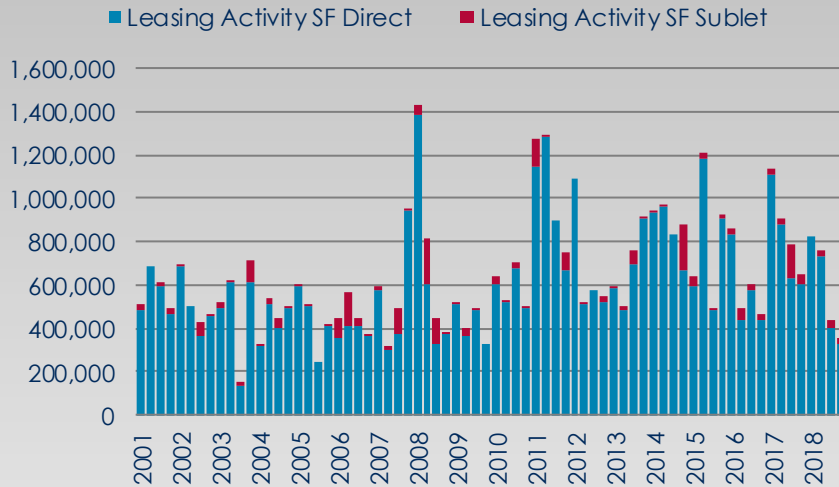
GROSS ABSORPTION DROPS SIGNIFICANTLY



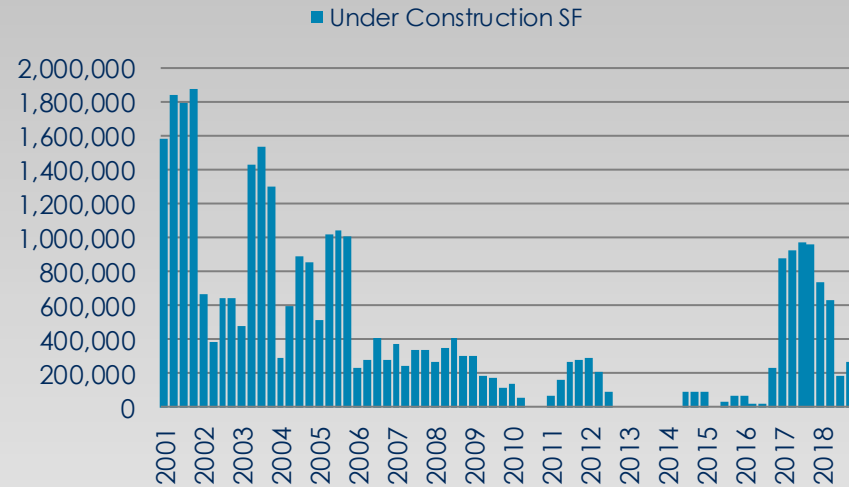
ASKING RENTS REMAIN NEAR ALL TIME HIGHS



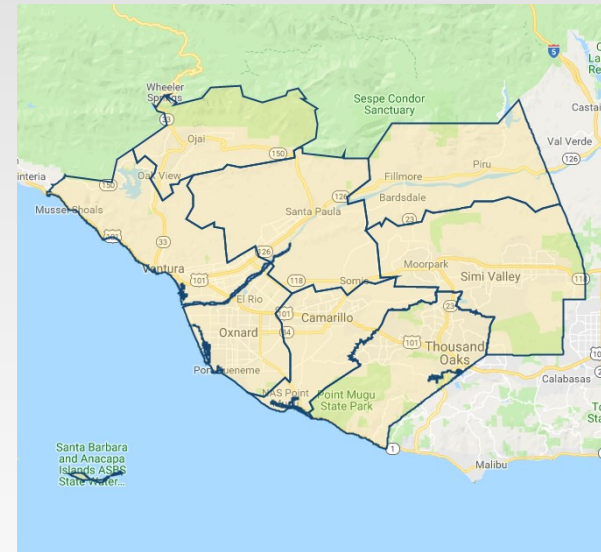
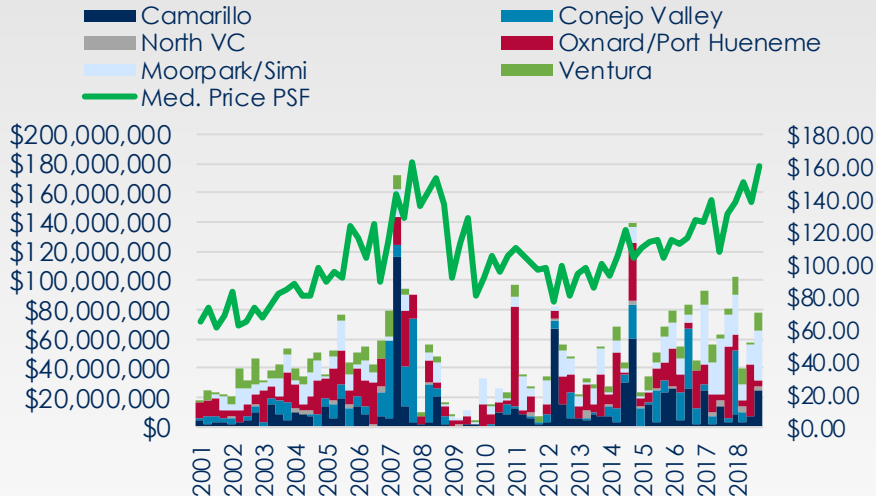
LEASING ACTIVITY DECLINES



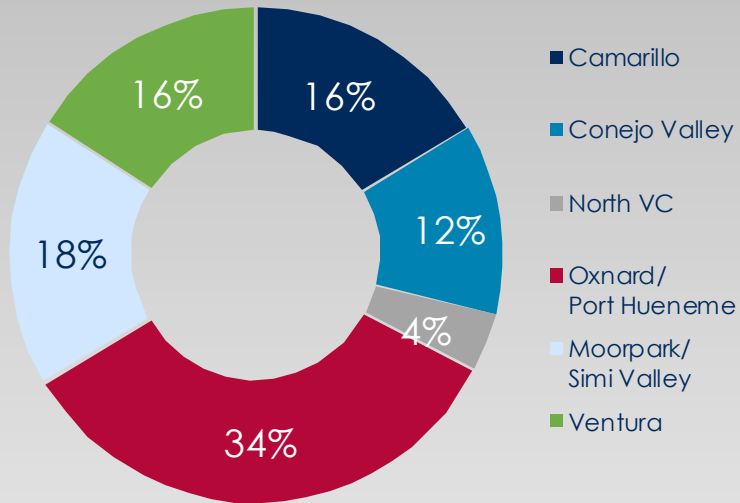
CONSTRUCTION ACTIVITY SLIGHTLY INCREASES IN Q4



SALE PRICES CONTINUE TO PUSH HISTORIC LEVELS

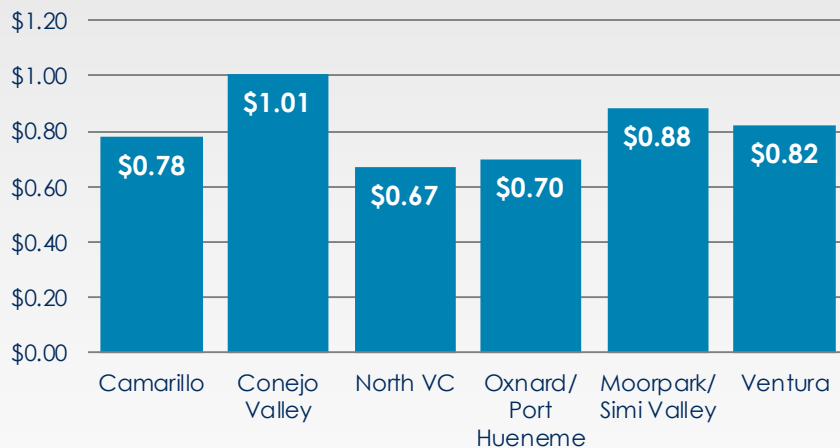


SQUARE FOOT BREAKDOWN- 69,562,007 SF MARKET SIZE



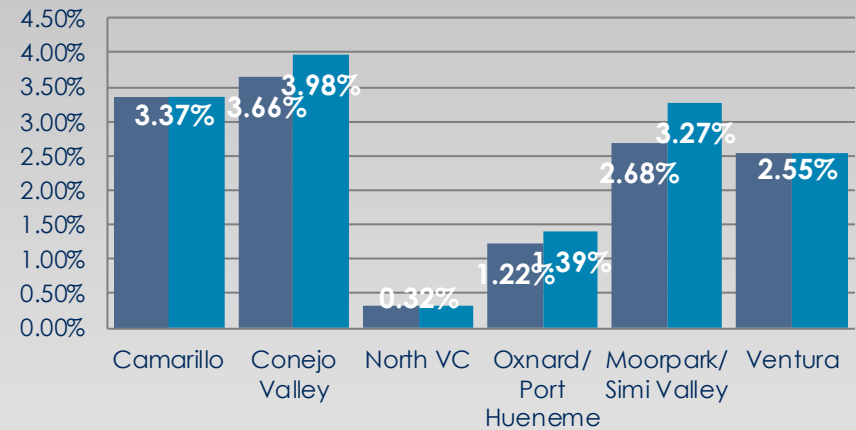
AVERAGE RENT PSF

■ Average Industrial Rent



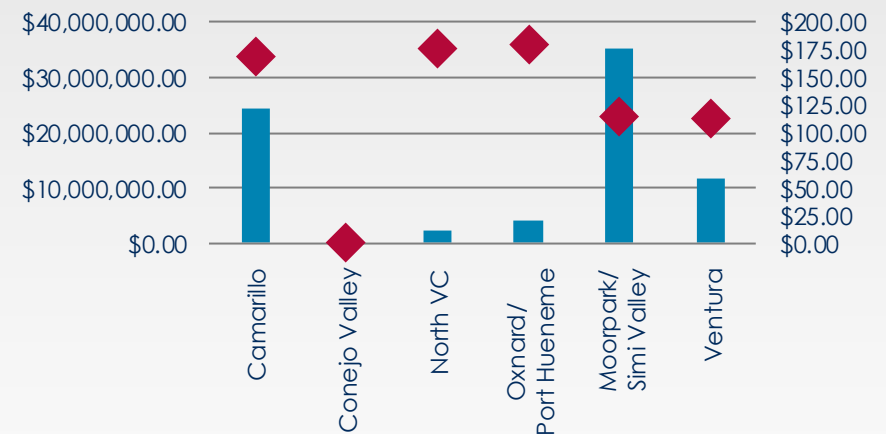
VACANCY BREAKDOWN

■ Direct Vacancy Rate ■ Overall Vacancy Rate



VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF



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.

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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

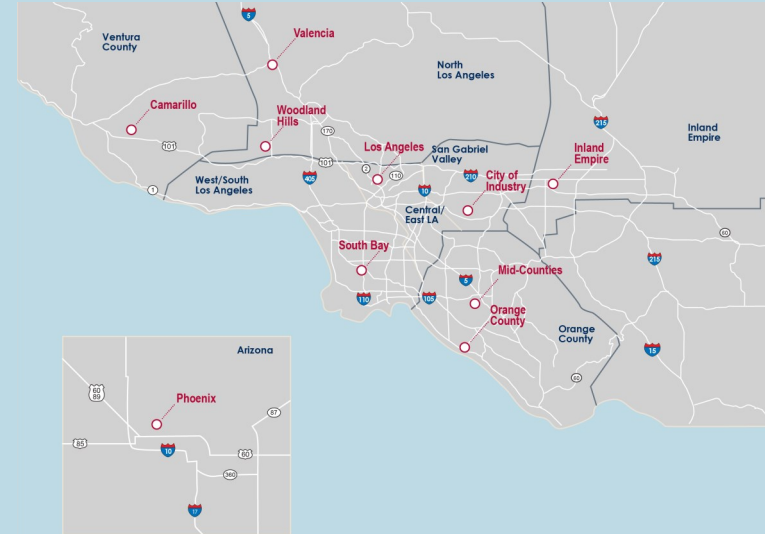
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

Under Construction

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Completed in 2018

New buildings with original construction completed in the year 2018 and granted a Certificate of Occupancy. Renovated buildings are not included.



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Market Report

Inland Empire Industrial



West

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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Marginally increased in Q4.
- **Net Absorption:** Ended negative for first time in seven quarters.
- **Gross Absorption:** Fall nearly 50% in Q4 from Q3.
- **Industrial Supply:** Over 6.1 million square feet were delivered in 2018. Under construction activity jumps to 9.8 million square feet, proving this market continues to grow & fulfil the large demand.

ECONOMIC OUTLOOK

- **Interest Rates:** The Fed is anticipating two (2) hikes in 2019; increasing borrowing costs.
- **Trade:** Tensions remain with China. USMCA still awaiting congressional ratification.
- **Stock Market:** Increased volatility, but corporate fundamentals remain strong.
- **Oil:** Crude Oil dropped 39% in Q4. Prices expected to remain low due to over-supply. Reduced transportation costs should benefit markets further away from ports.



Direct Vacancy
▲ 2.9%



Net Absorption
▼ -295,876 SF



Overall Vacancy
▲ 3.1%



Gross Absorption
▼ 3,109,230 SF



Under Construction
▲ 9,854,619 SF



Rental Rates (NNN)
▲ \$0.68



Sale Price Change
▼ -9.2%



Deal Volume
▼ -71.1%



U.S. Employment
▲ 3.9%



U6 Rate
↔ 7.6%



Interest Rate
▼ 4.6%
(30 year fixed)



Changing GDP
▼ 2.8%



Port Traffic Y/Y Δ
▲ 1.5%



NYSE Performance
▼ -14.4%



Inflation Change
▼ +1.9%



10 Yr. - 2 Yr. Spread
▼ 15 BPS

EXPERIENCE IN A CHANGING MARKET

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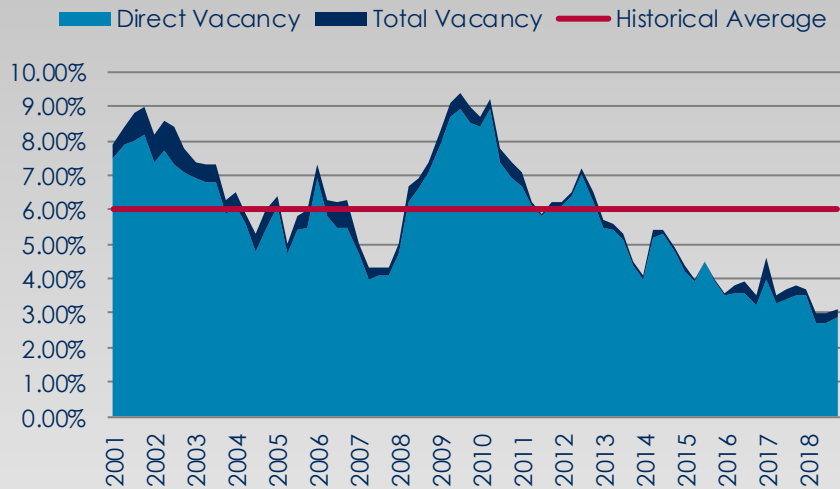


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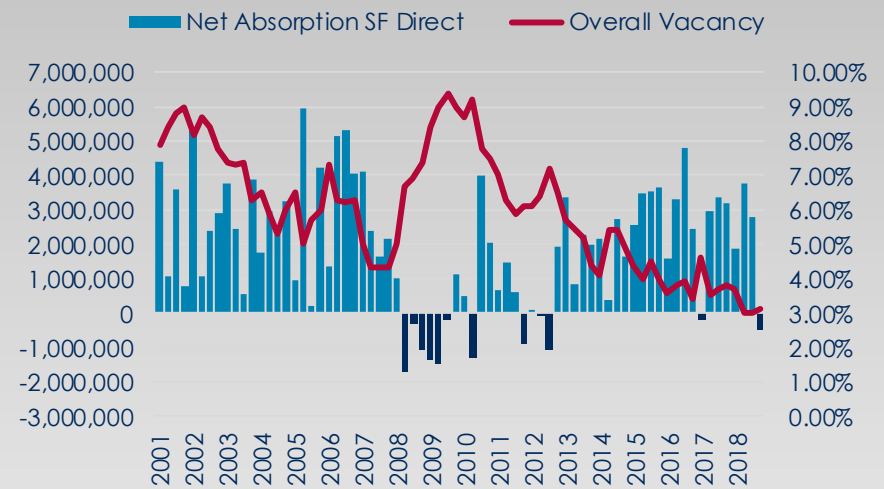
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OVERALL VACANCY

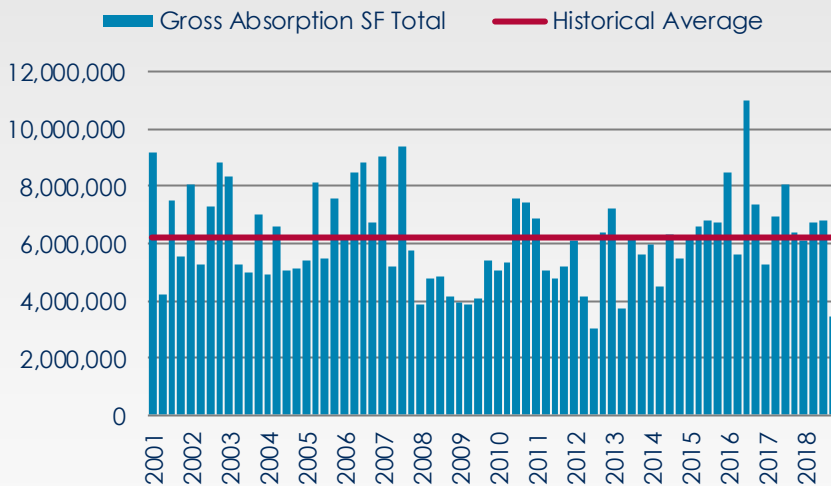
Overall vacancy slightly increases in Q4



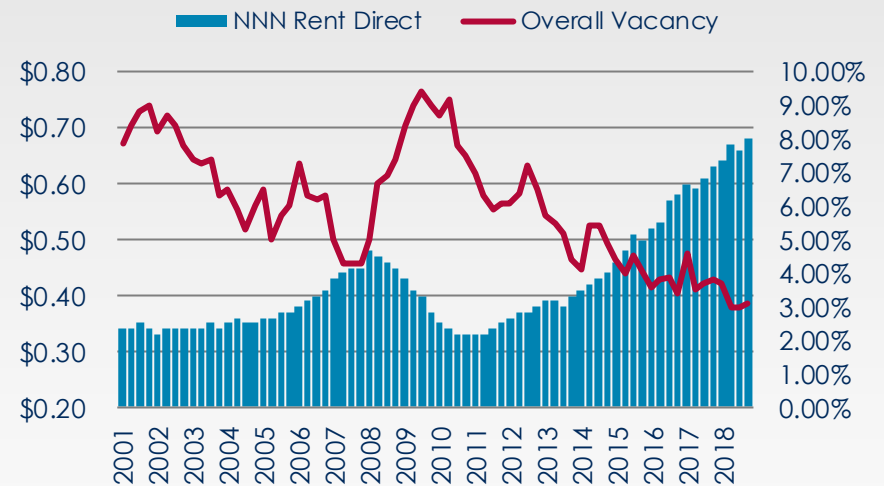
NET ABSORPTION TURNS NEGATIVE FOR 1ST TIME IN 7 QUARTERS



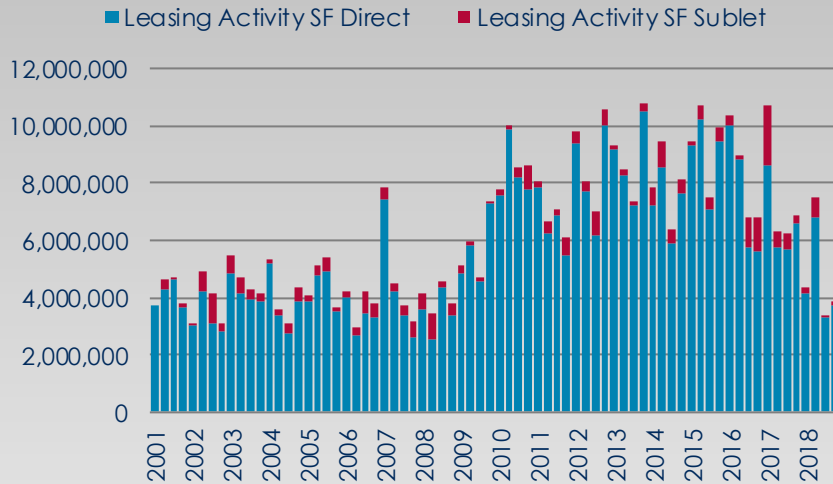
GROSS ABSORPTION DROPS SIGNIFICANTLY BELOW HIST. AVERAGE



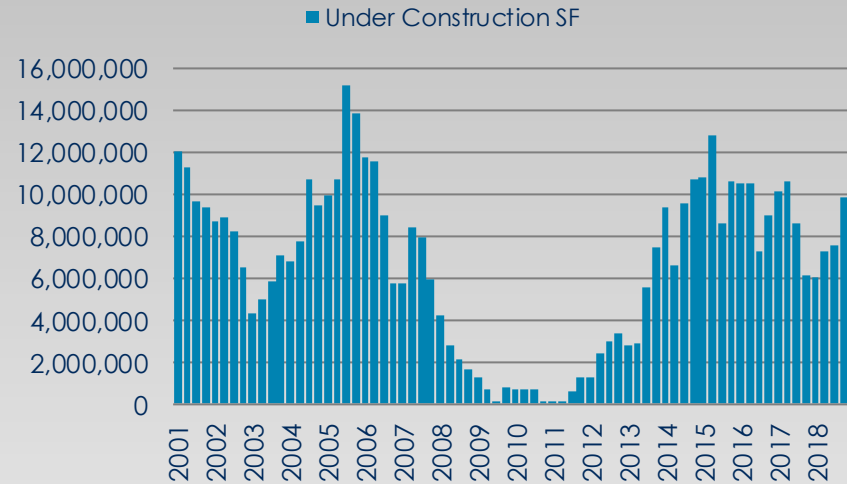
ASKING RENTS AT ALL TIME HIGHS



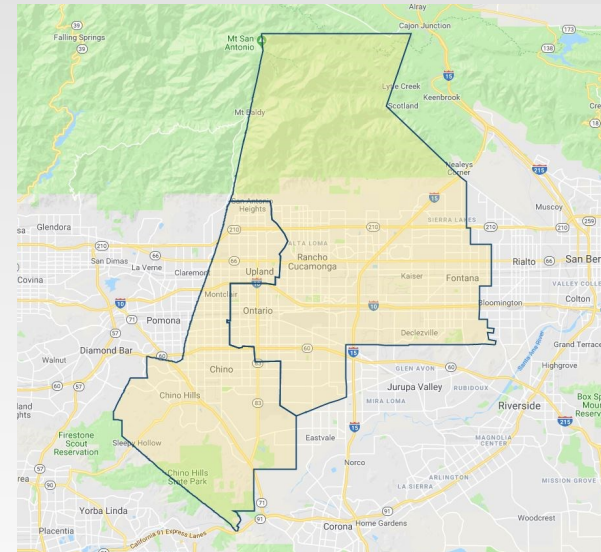
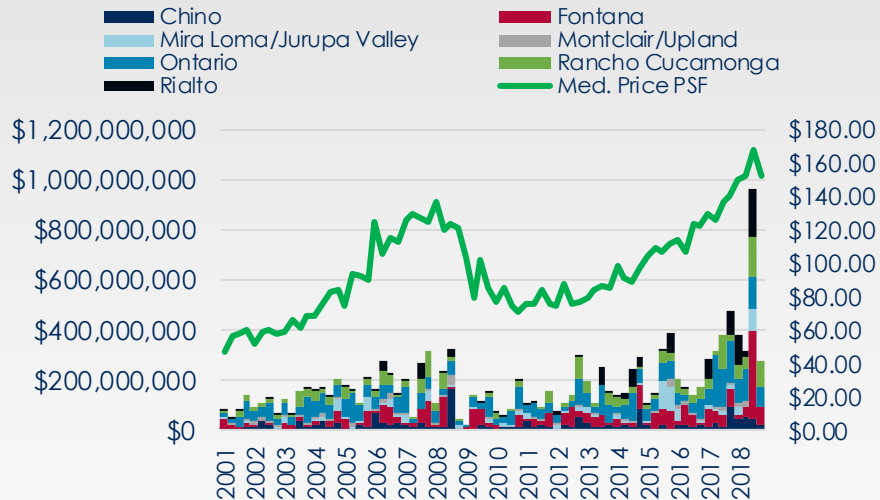
LEASING ACTIVITY MARGINALLY INCREASES IN Q4



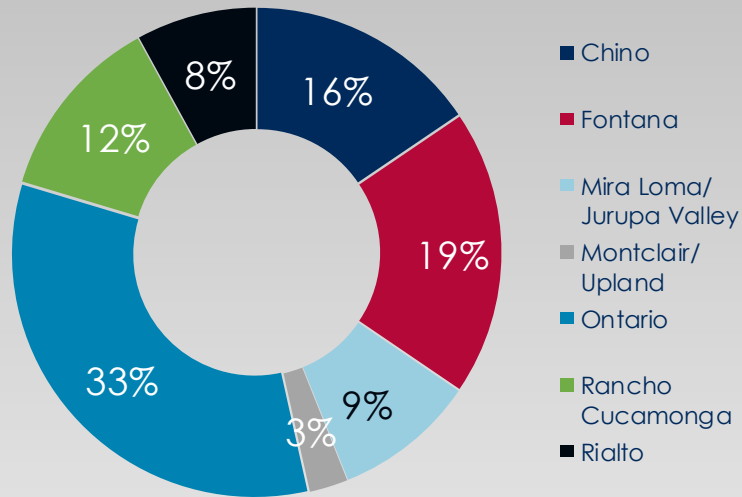
CONSTRUCTION ACTIVITY REMAINS STRONG WITH UPTICK IN Q4



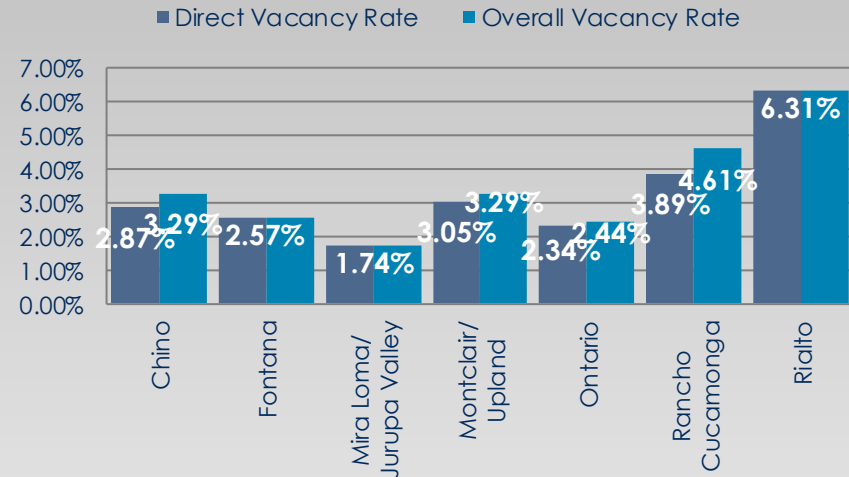
SALE PRICES DIP ON LOW SALES VOLUME



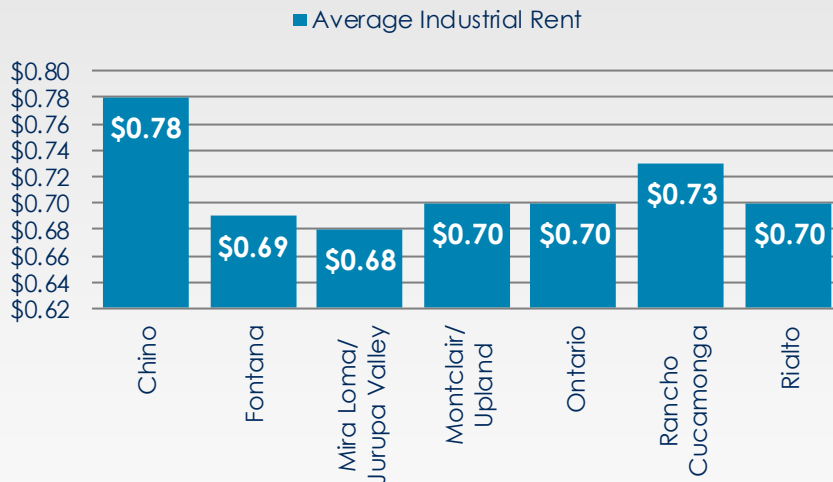
SQUARE FOOT BREAKDOWN- 329,970,964 SF MARKET SIZE



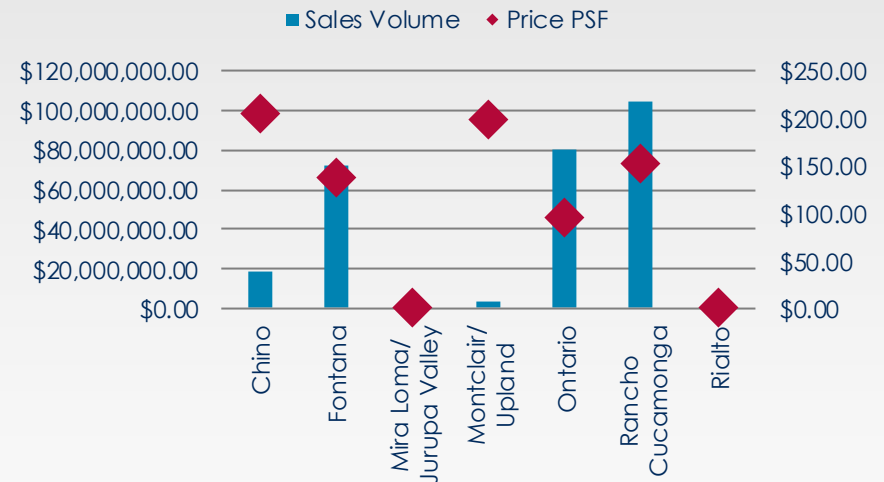
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

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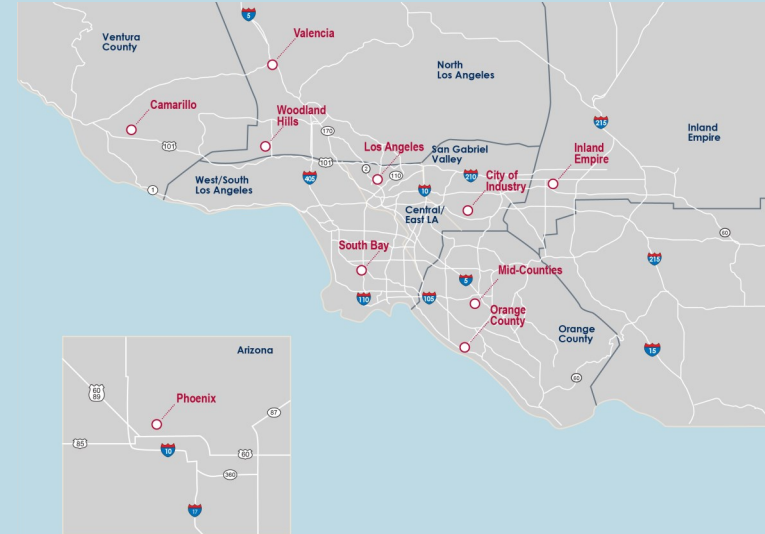
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East

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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increases for 2nd consecutive quarter.
- **Net Absorption:** Dropped in Q4 from Q3, but still remains strong.
- **Gross Absorption:** Decreased slightly in Q4. All quarters in 2018 had levels above historic average.
- **Asking Rents:** Pushed to record highs again in Q4.
- **Industrial Supply:** The East market continues historic expansion. Over 13.1 million square feet were delivered in 2018, with 11.2 million UC.

ECONOMIC OUTLOOK

- **Interest Rates:** The Fed is anticipating two (2) hikes in 2019; increasing borrowing costs.
- **Trade:** Tensions remain with China. USMCA still awaiting congressional ratification.
- **Stock Market:** Increased volatility, but corporate fundamentals remain strong.
- **Oil:** Crude Oil dropped 39% in Q4. Prices expected to remain low due to over-supply. Reduced transportation costs should benefit markets further away from ports.



Direct Vacancy
▲ 6.7%



Net Absorption
▼ 2,539,583 SF



Overall Vacancy
▲ 7.0%



Gross Absorption
▼ 5,041,179 SF



Under Construction
▲ 11,262,293 SF



Rental Rates (NNN)
▲ \$0.64



Sale Price Change
▼ -10.2%



Deal Volume
▼ -39.6%



U.S. Employment
▲ 3.9%



U6 Rate
↔ 7.6%



Interest Rate
▼ 4.6%
(30 year fixed)



Changing GDP
▼ 2.8%



Port Traffic Y/Y Δ
▲ 1.5%



NYSE Performance
▼ -14.4%



Inflation Change
▼ +1.9%



10 Yr. - 2 Yr. Spread
▼ 15 BPS

EXPERIENCE IN A CHANGING MARKET

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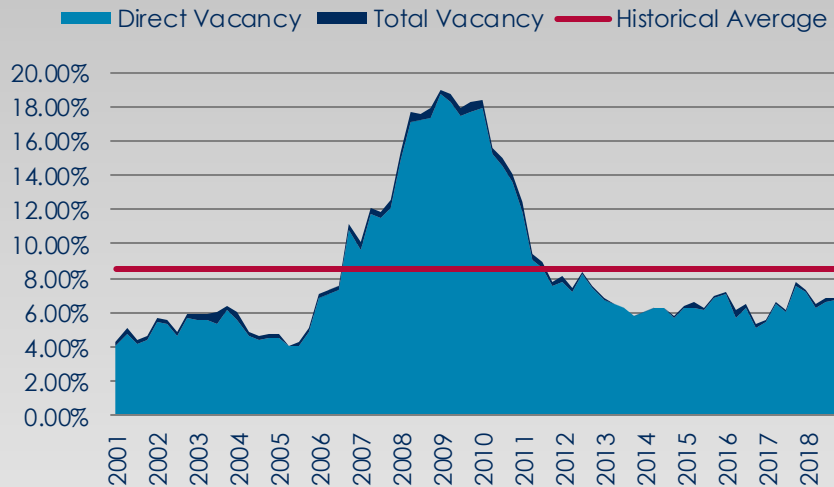


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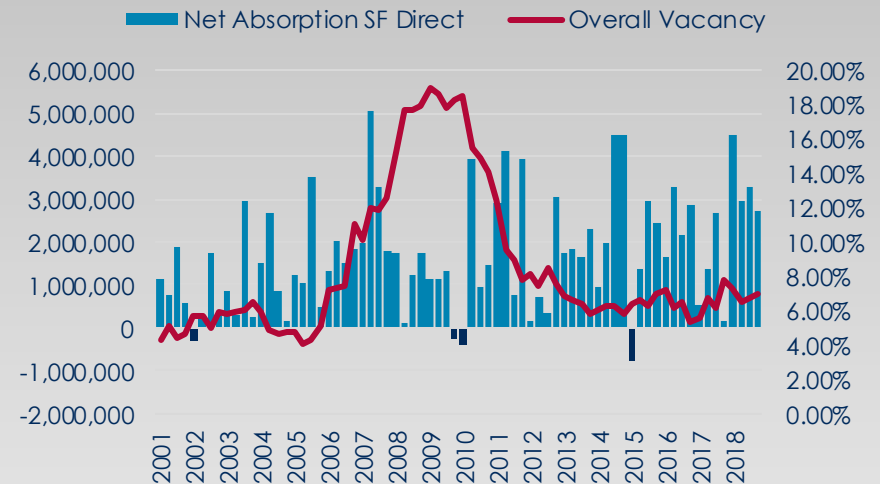
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OVERALL VACANCY

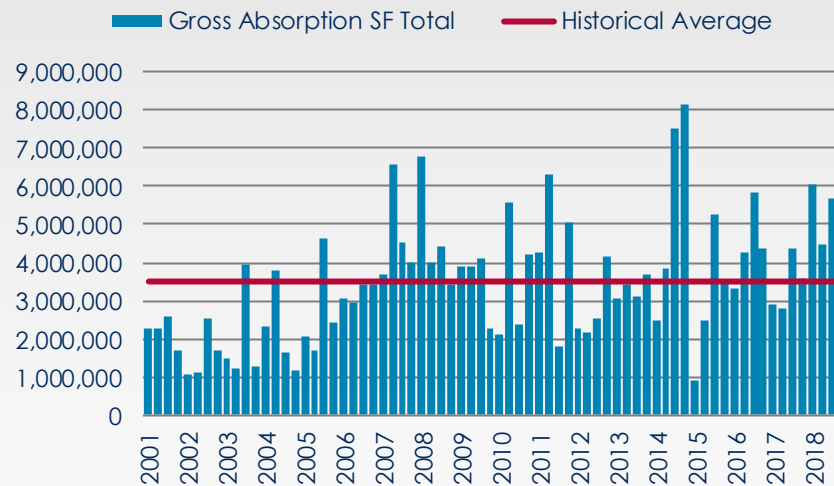
Overall vacancy increases, but remains below average



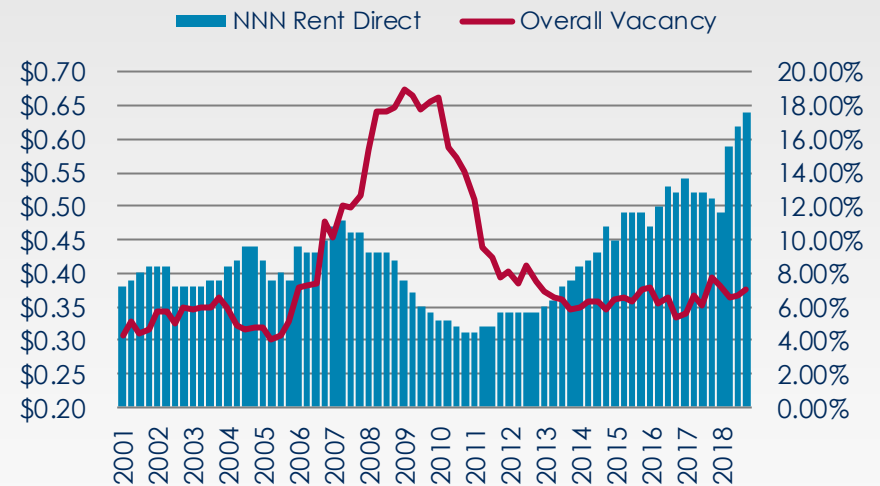
NET ABSORPTION LOWEST OF 2018 BUT STILL STRONG



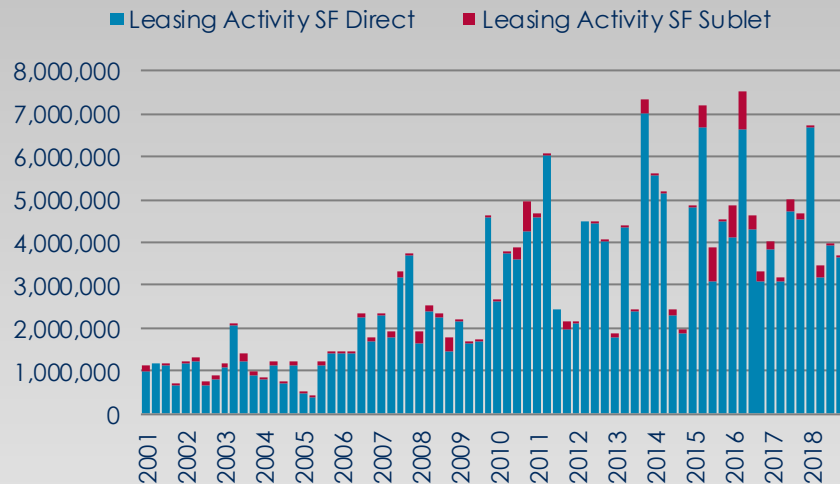
GROSS ABSORPTION DROPS IN Q4



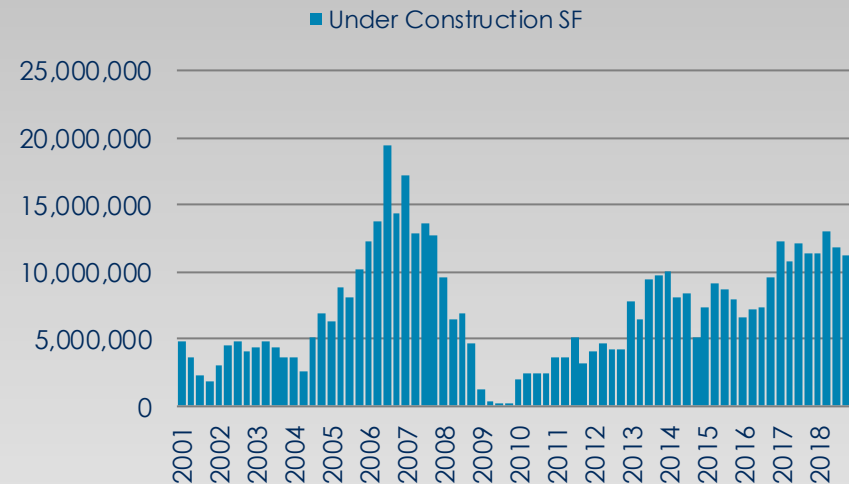
ASKING RENTS PUSH RECORD HIGHS



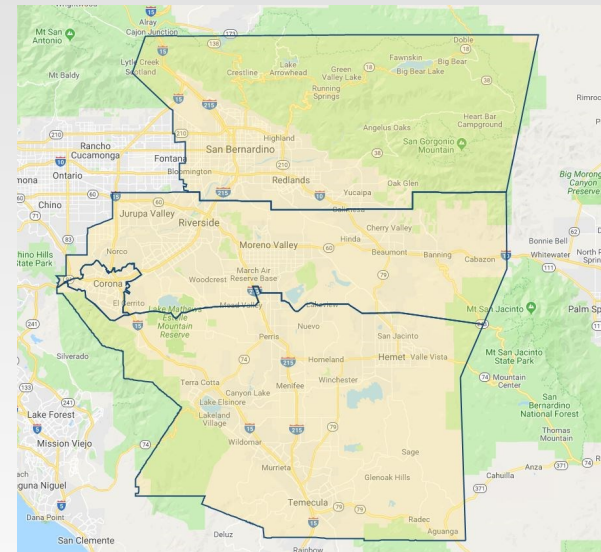
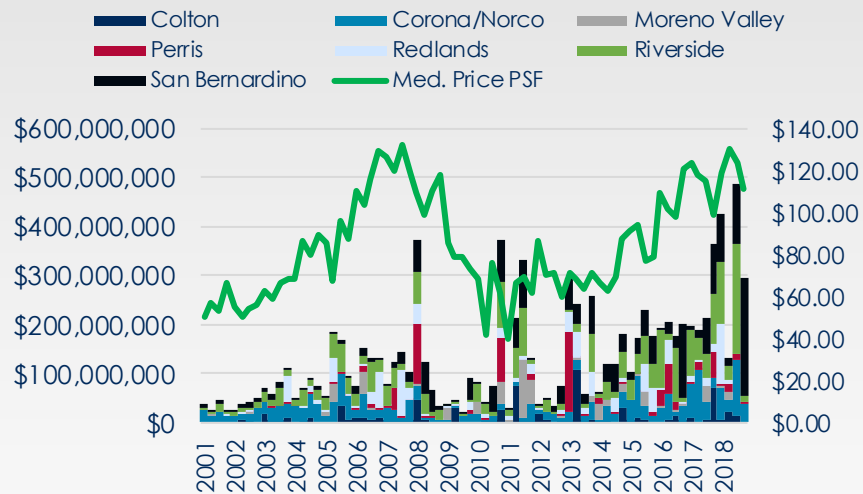
LEASING ACTIVITY DECLINES



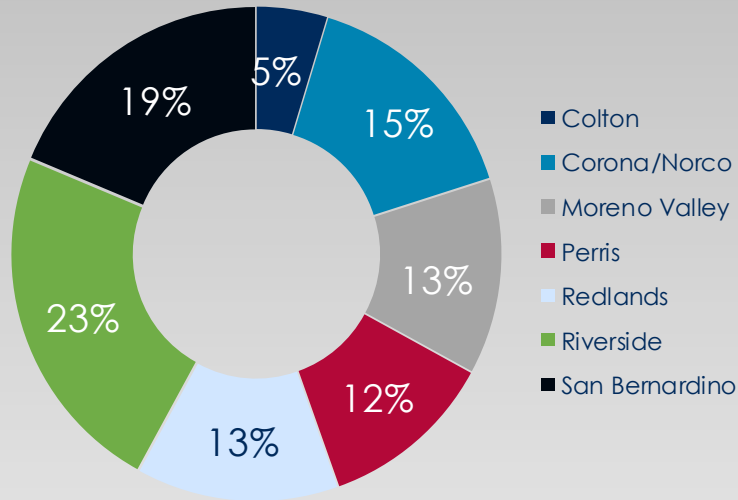
CONSTRUCTION ACTIVITY ABOVE 11M SF



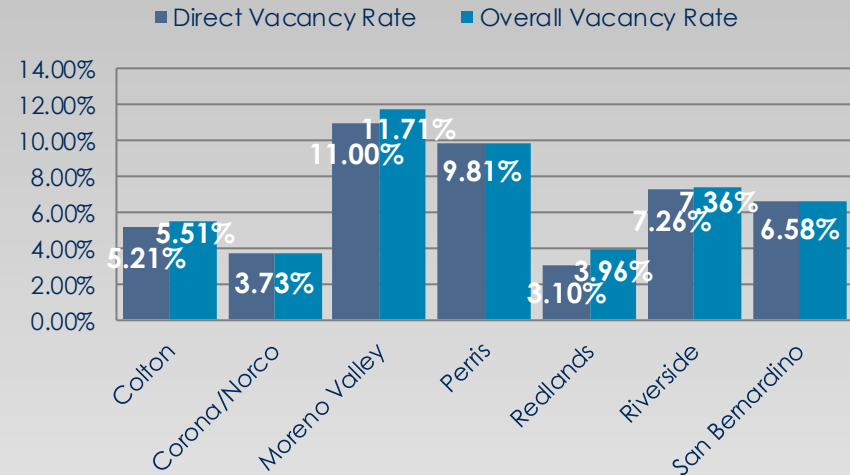
SALE PRICES CONTINUE TO PUSH HISTORIC LEVELS



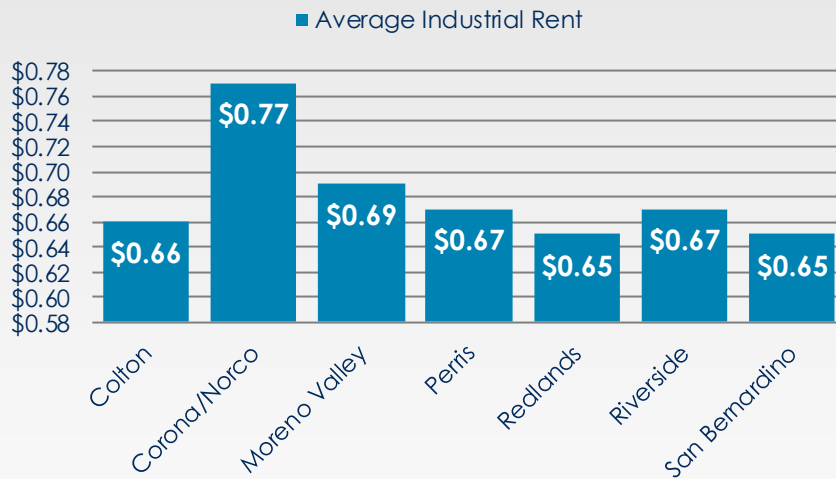
SQUARE FOOT BREAKDOWN- 211,254,346 SF MARKET SIZE



VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

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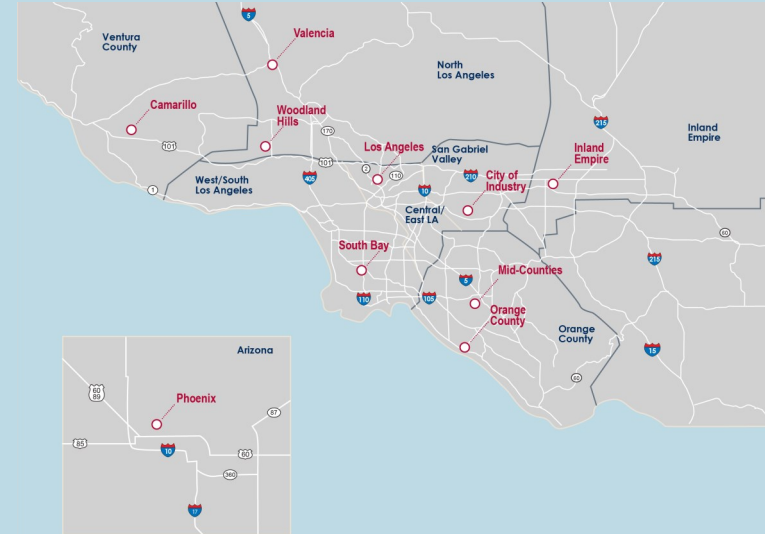
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Q4 | 2018
Market Report
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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased for 2nd straight quarter.
- **Net Absorption:** Increased in Q4. Second highest level in 2018.
- **Gross Absorption:** Spiked in Q4. Only quarter above historic average in 2018.
- **Industrial Supply:** Eight million square feet were delivered in 2018. 3.5 million of that was delivered in Q4. At the end of Q4, over 5.5 million square feet are under construction.

ECONOMIC OUTLOOK

- **Interest Rates:** The Fed is anticipating two (2) hikes in 2019; increasing borrowing costs.
- **Trade:** Tensions remain with China. USMCA still awaiting congressional ratification.
- **Stock Market:** Increased volatility, but corporate fundamentals remain strong
- **Oil:** Crude Oil dropped 39% in Q4. Prices expected to remain low due to over-supply. Reduced transportation costs should benefit markets further away from ports.



Direct Vacancy
▲ 7.2%



Net Absorption
▲ 2,529,796 SF



Overall Vacancy
▲ 7.4%



Gross Absorption
▼ 6,901,422 SF



Under Construction
▼ 5,564,771 SF



Rental Rates (NNN)
▲ \$0.59



Sale Price Change
▼ -9.8%



Deal Volume
▼ -44.1%



U.S. Employment
▲ 3.9%



U6 Rate
↔ 7.6%



Interest Rate
▼ 4.6%
(30 year fixed)



Changing GDP
▼ 2.8%



Port Traffic Y/Y Δ
▲ 1.5%



NYSE Performance
▼ -14.4%



Inflation Change
▼ +1.9%



10 Yr. - 2 Yr. Spread
▼ 15 BPS

EXPERIENCE IN A CHANGING MARKET

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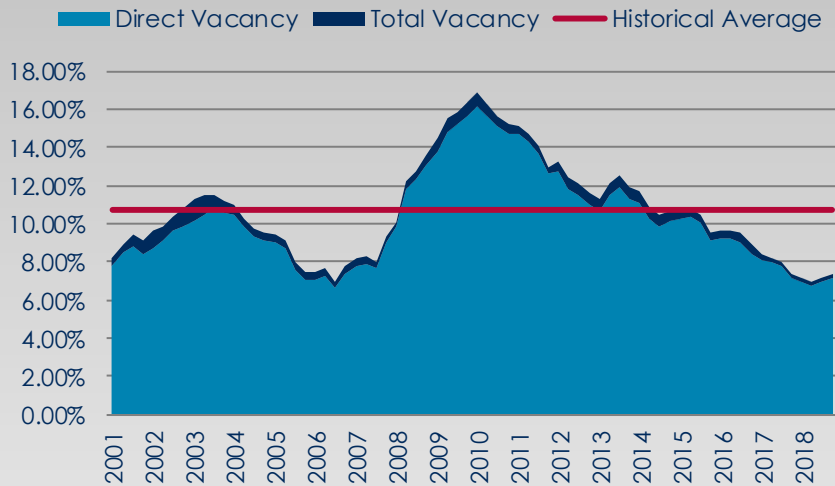


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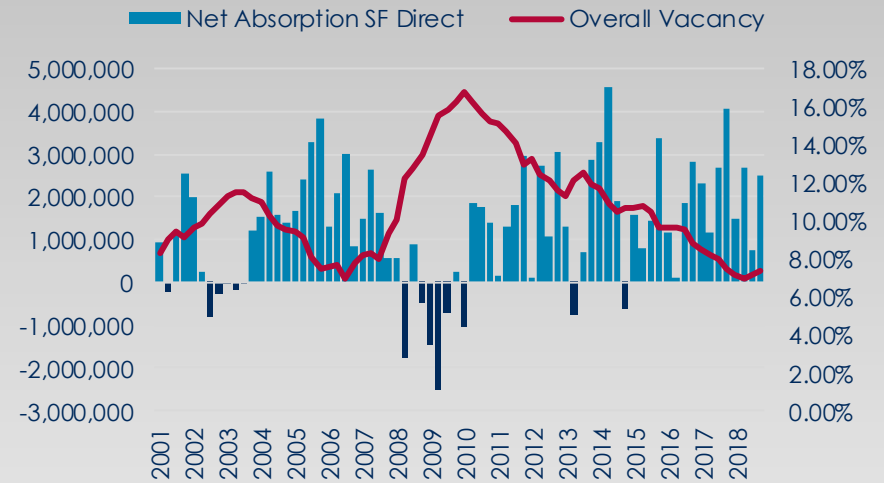
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OVERALL VACANCY

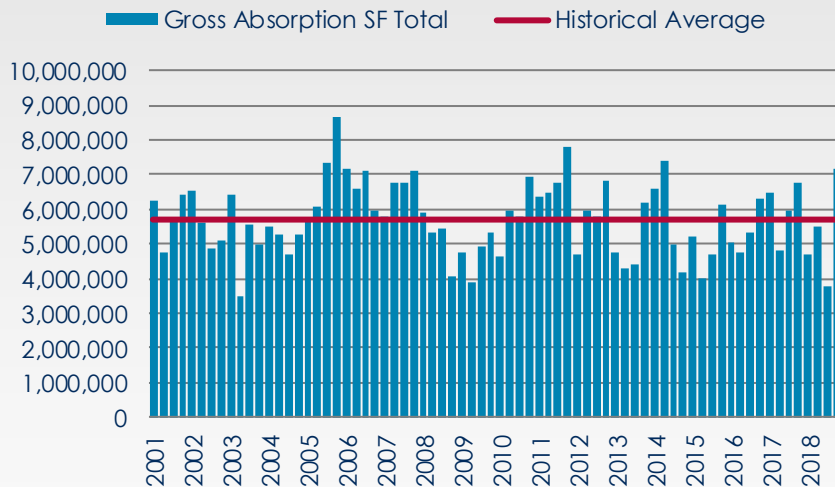
Overall vacancy increases for 2nd straight quarter



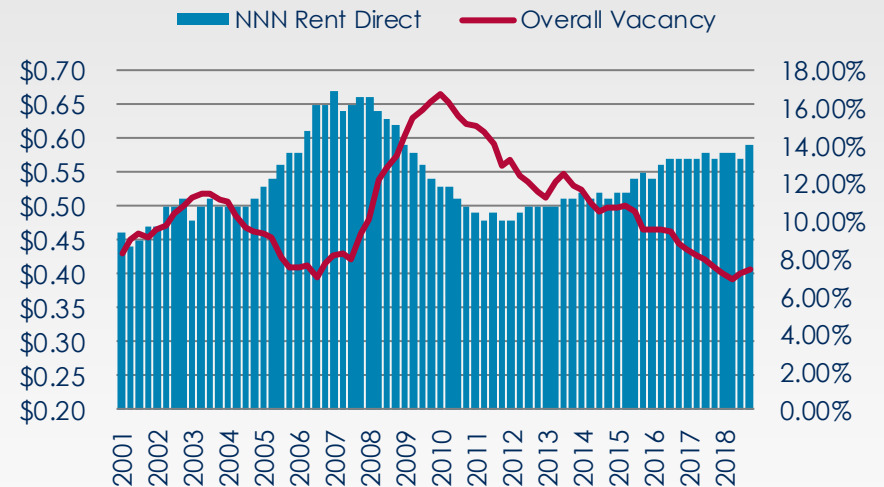
NET ABSORPTION INCREASES TO 2ND HIGHEST READING IN 2018



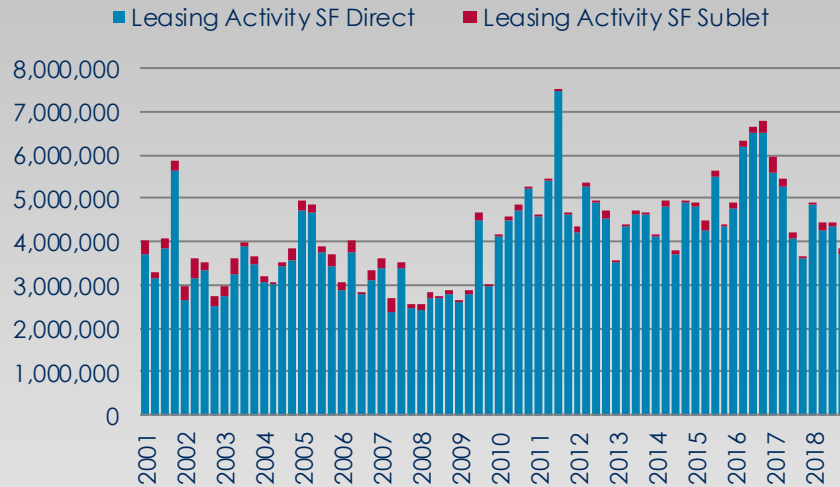
GROSS ABSORPTION SPIKES TO ABOVE HISTORIC AVERAGE



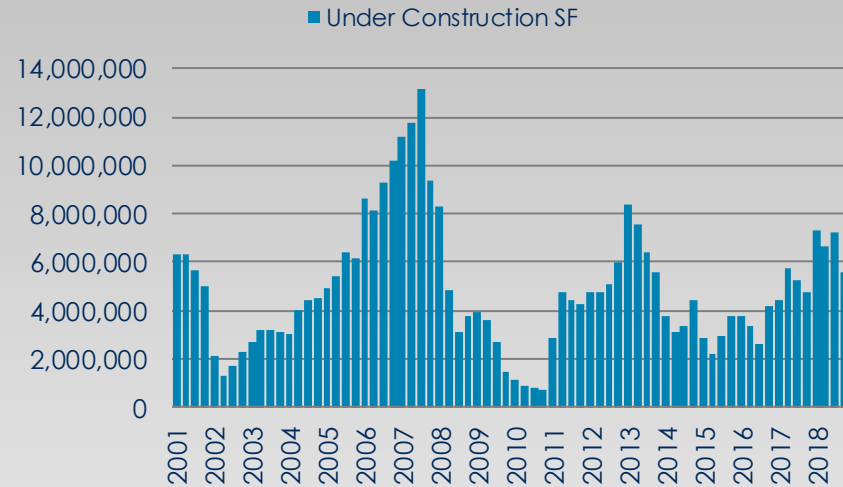
ASKING RENTS



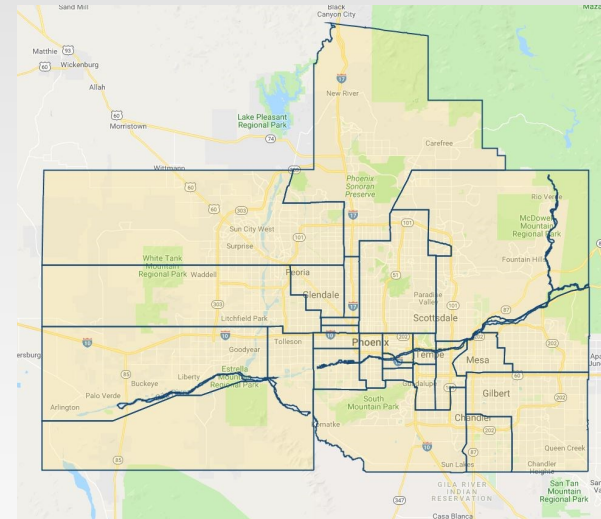
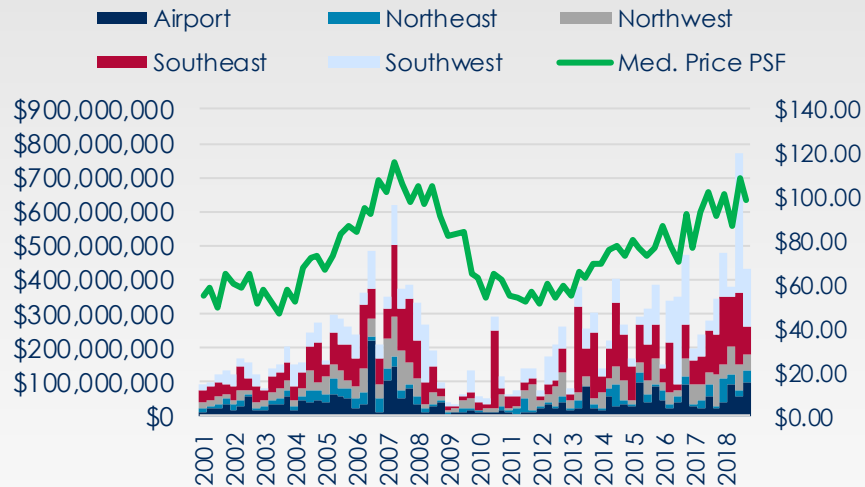
LEASING ACTIVITY DECLINES TO LOWEST LEVEL OF 2018



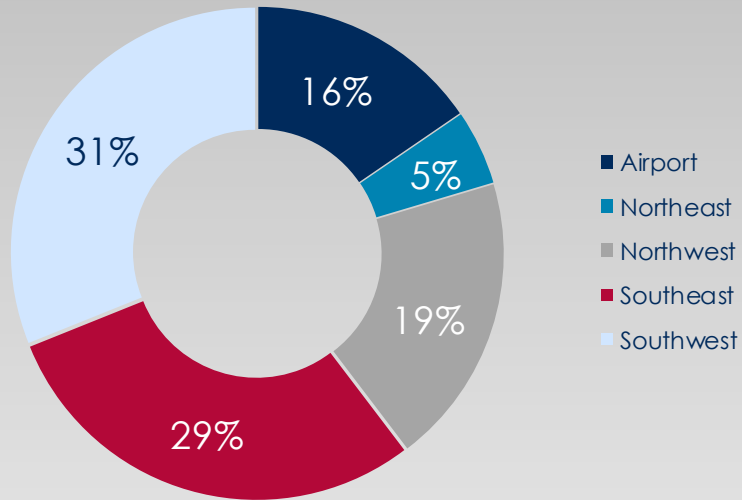
CONSTRUCTION ACTIVITY DROPS IN Q4 ,BUT STILL 5.5M UC



SALE PRICES & VOLUME DIP IN Q4

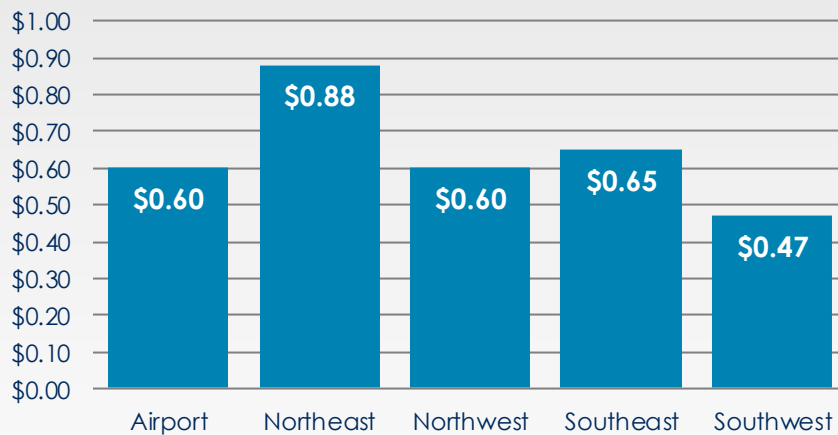


SQUARE FOOT BREAKDOWN- 328,665,930 SF MARKET SIZE



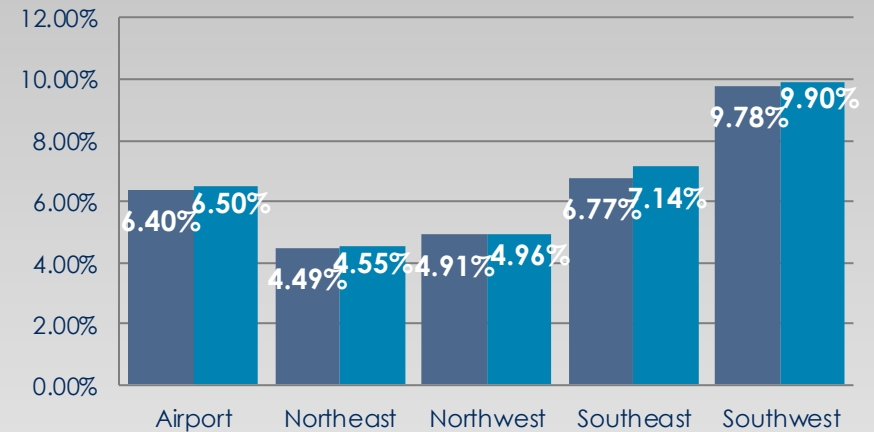
AVERAGE RENT PSF

■ Average Industrial Rent



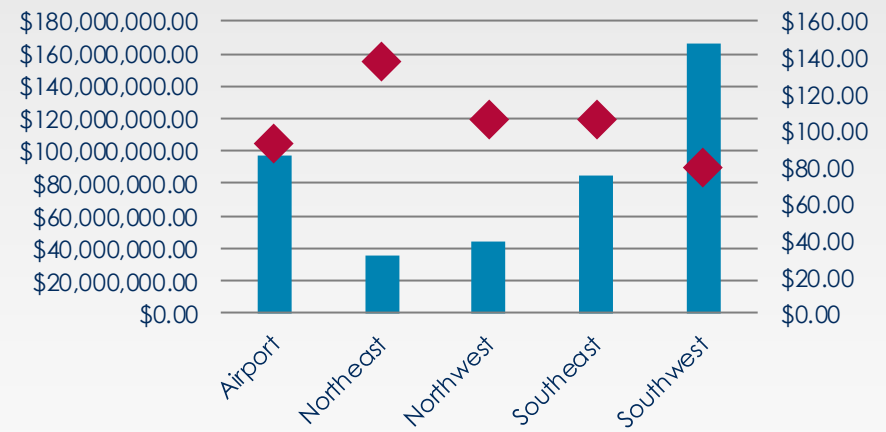
VACANCY BREAKDOWN

■ Direct Vacancy Rate ■ Overall Vacancy Rate



VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF



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

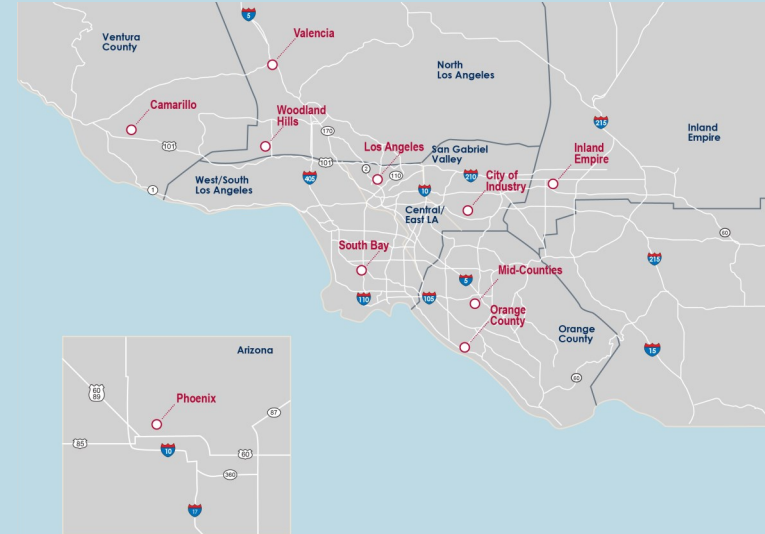
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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.



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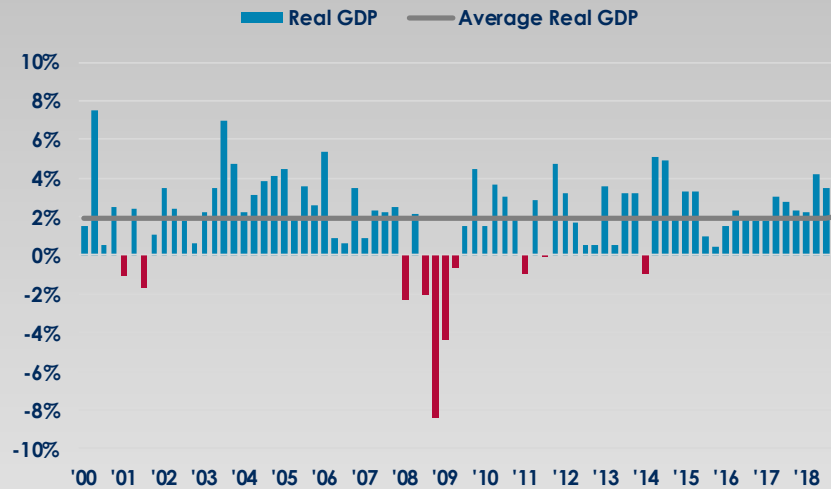
Economic Overview



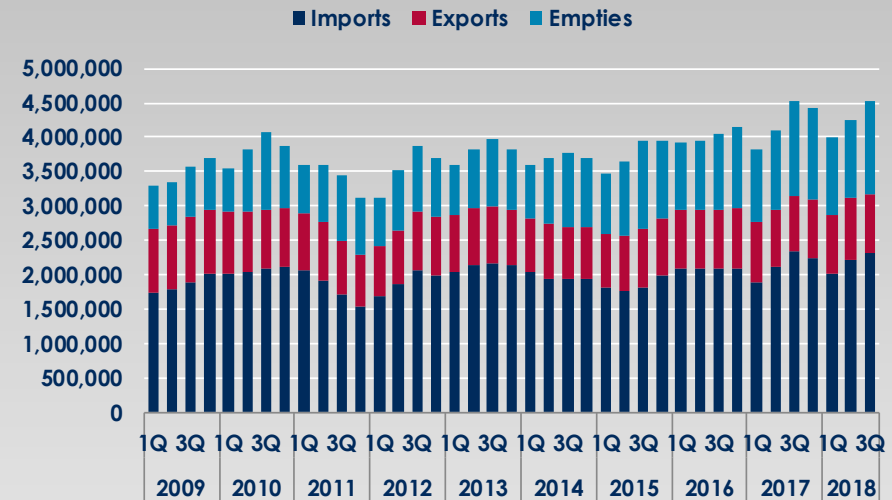
////////// Q4 2018

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GDP GROWS 2.7% IN 4TH QUARTER

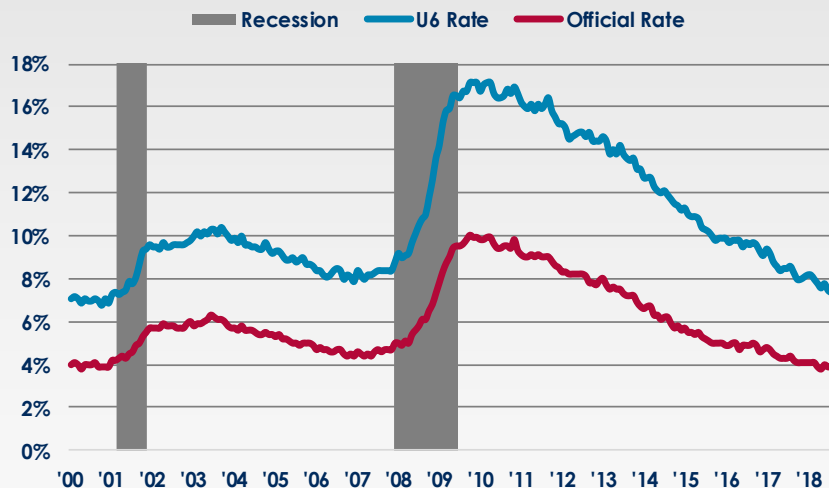


PORT ACTIVITY IS AT AN ALL-TIME HIGH

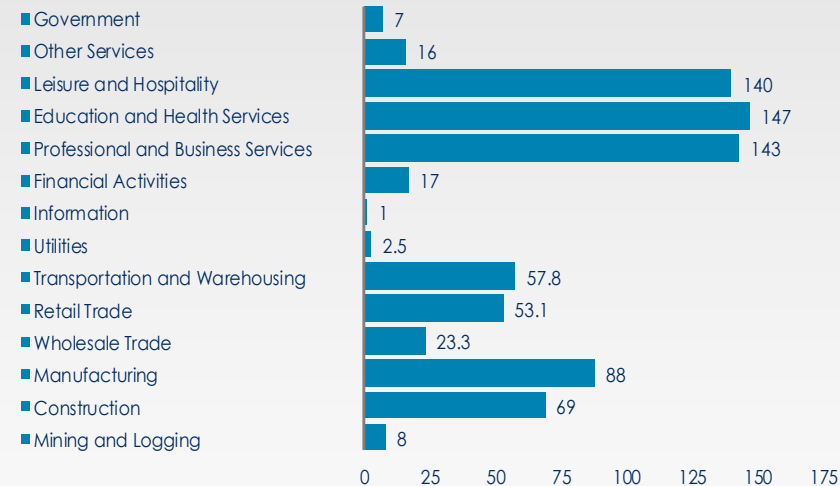


*2.8% for 4Q18 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

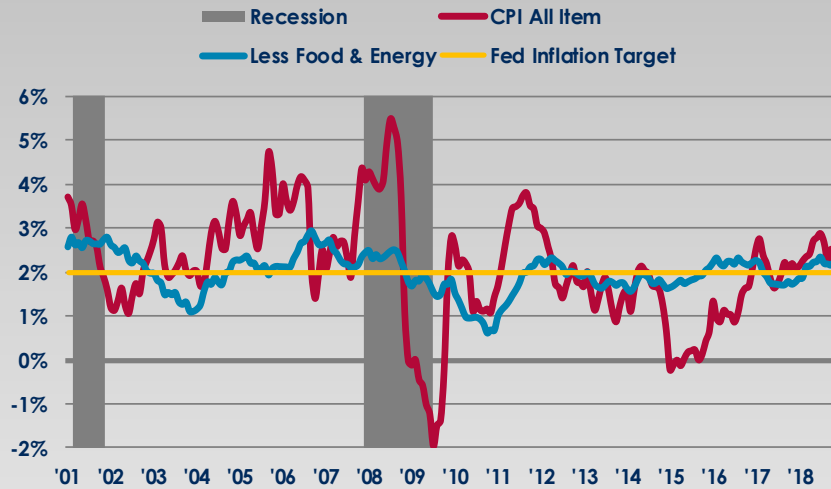
UNEMPLOYMENT CONTINUES DOWNWARD TREND



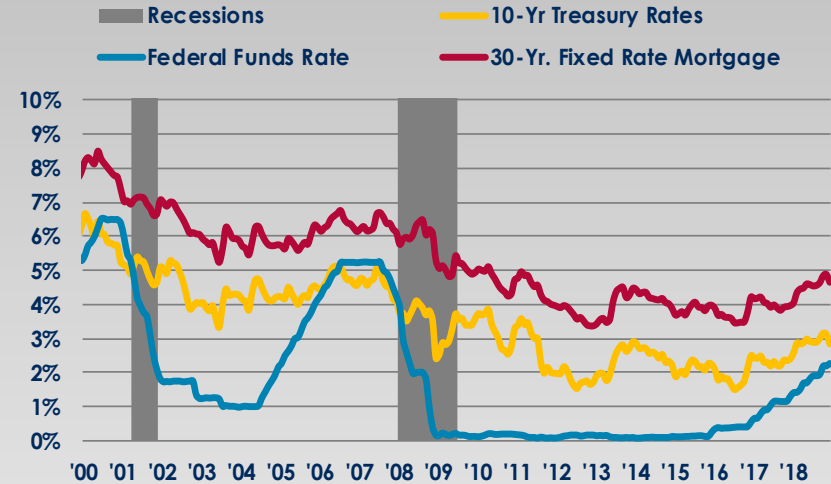
MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



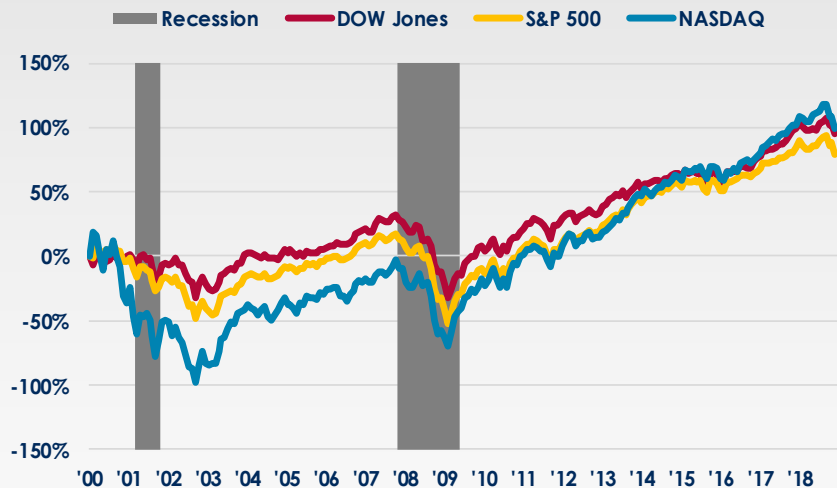
INFLATION REMAINS IN CHECK



INTEREST RATES



NYSE SEES 14.45% DIP IN 4TH QUARTER



BOND SPREAD CONTINUES TO NARROW 15 BASIS POINTS

