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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



San Gabriel Valley

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# MARKET REPORT Q4

## Industrial 2018 San Gabriel Valley



### MARKET ACTIVITY



### KEY TAKE AWAYS

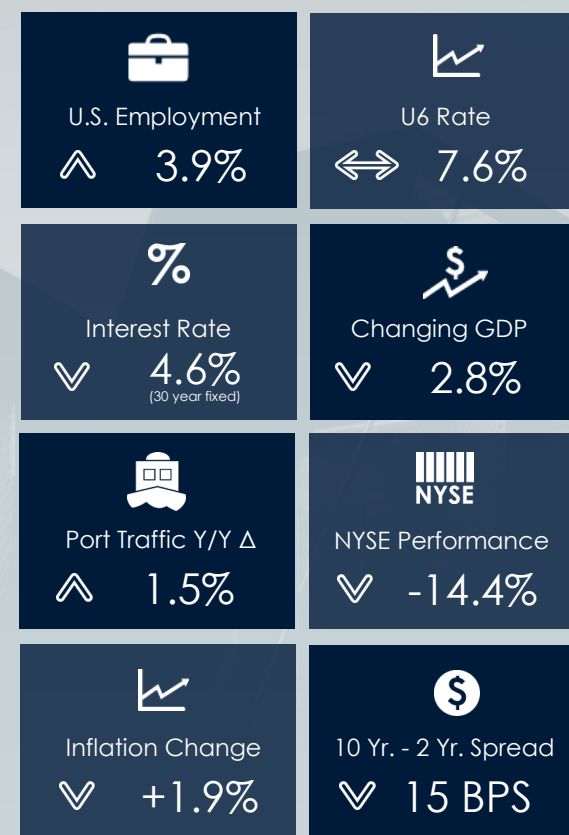
#### MARKET

- **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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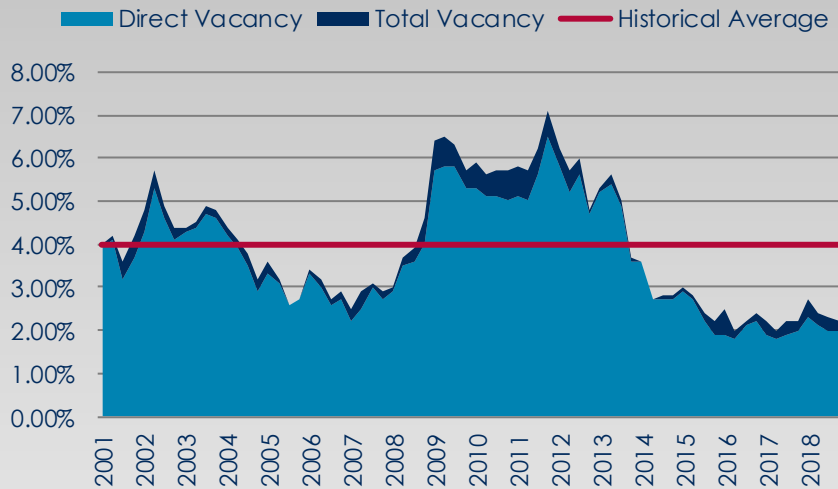


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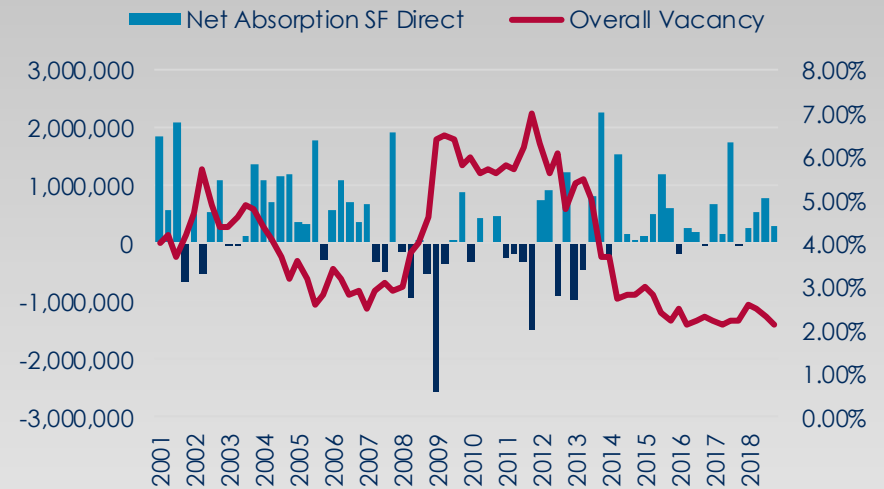
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## OVERALL VACANCY

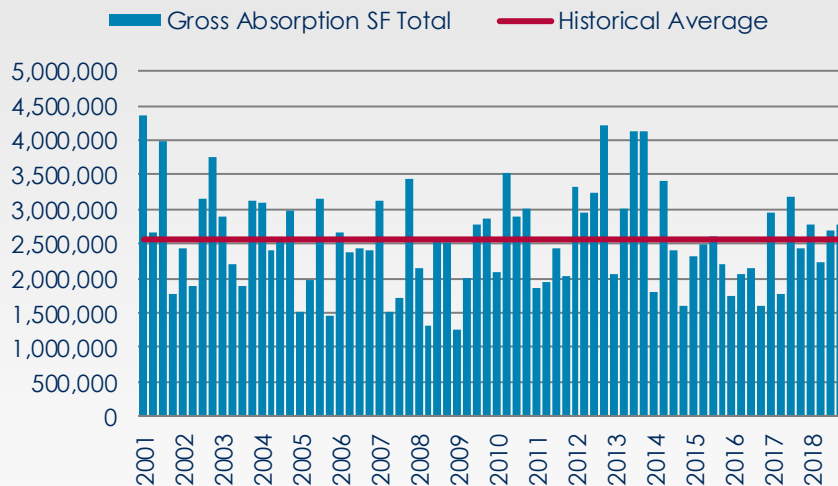
Overall vacancy remains stable



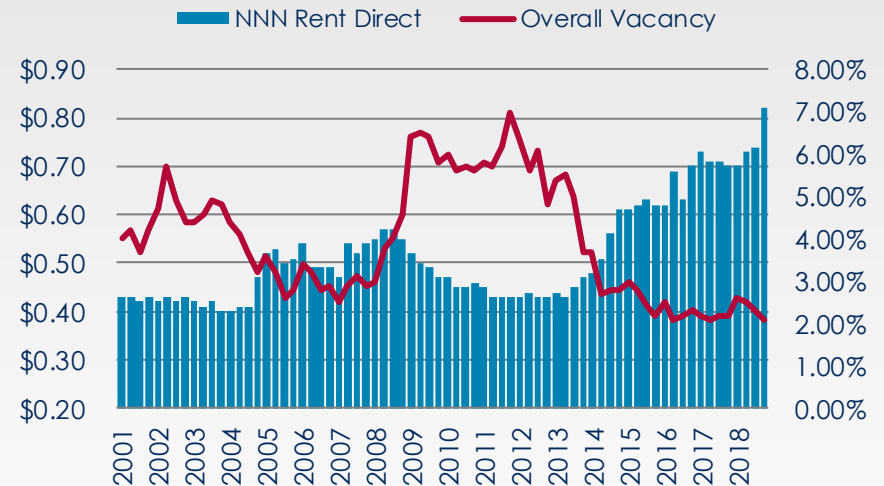
## POSITIVE NET ABSORPTION FOR 4TH STRAIGHT QUARTER



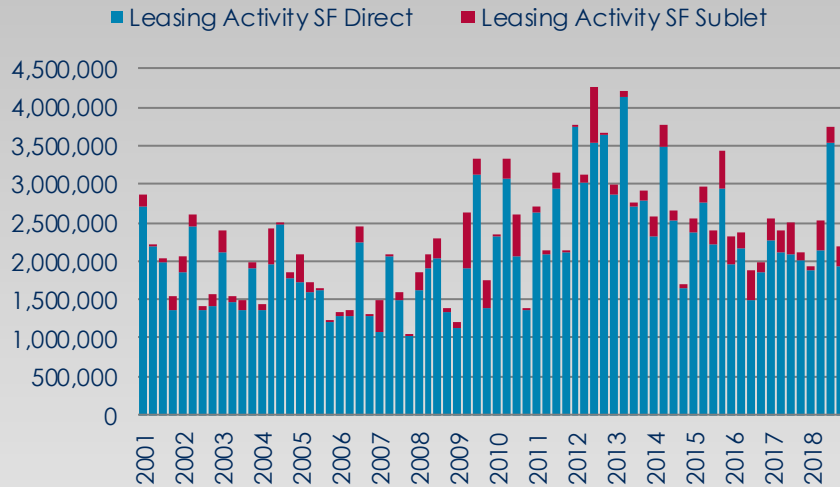
## GROSS ABSORPTION REMAINS ABOVE HISTORIC AVERAGE



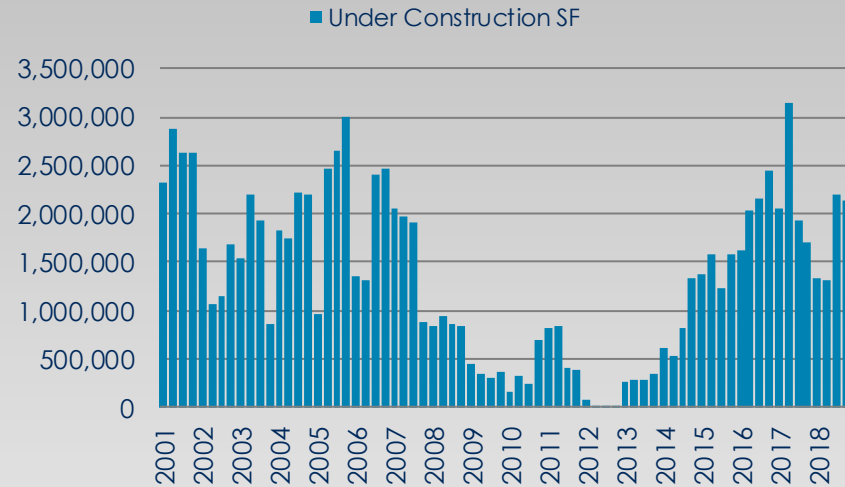
## ASKING RENTS RISE TO ALL-TIME HIGHS



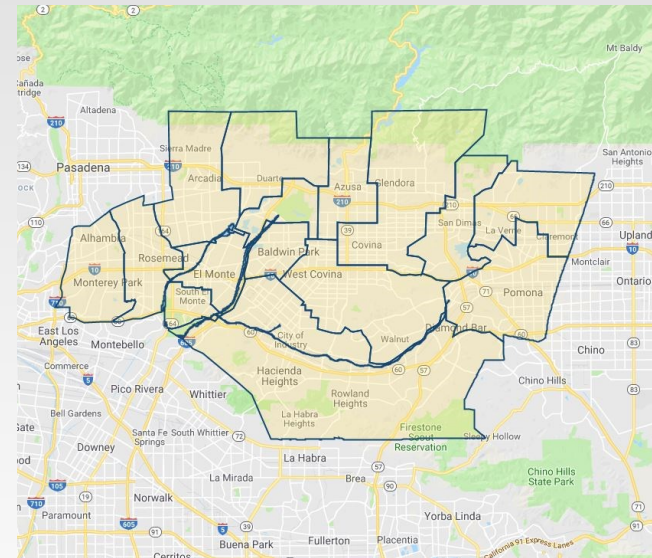
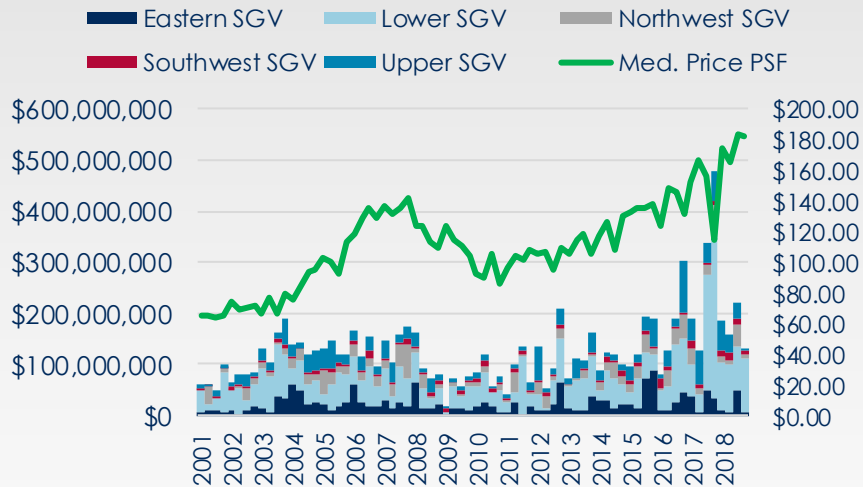
## LEASING ACTIVITY DECLINES FROM 3RD QUARTER



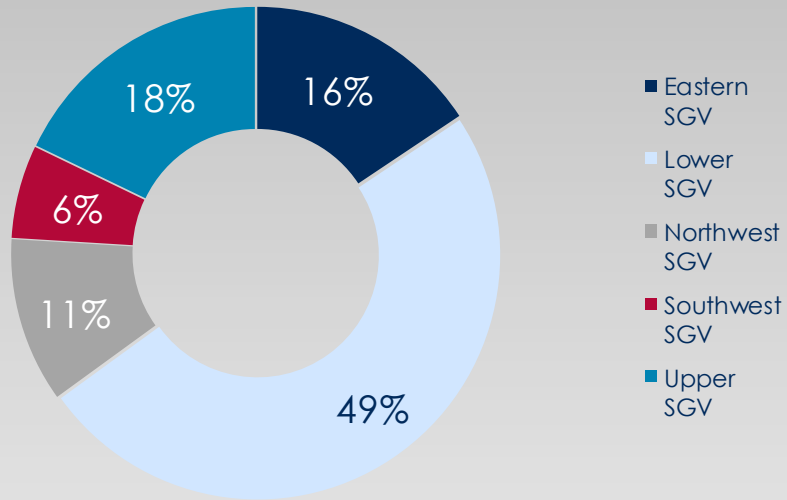
## CONSTRUCTION ACTIVITY REMAINS STABLE



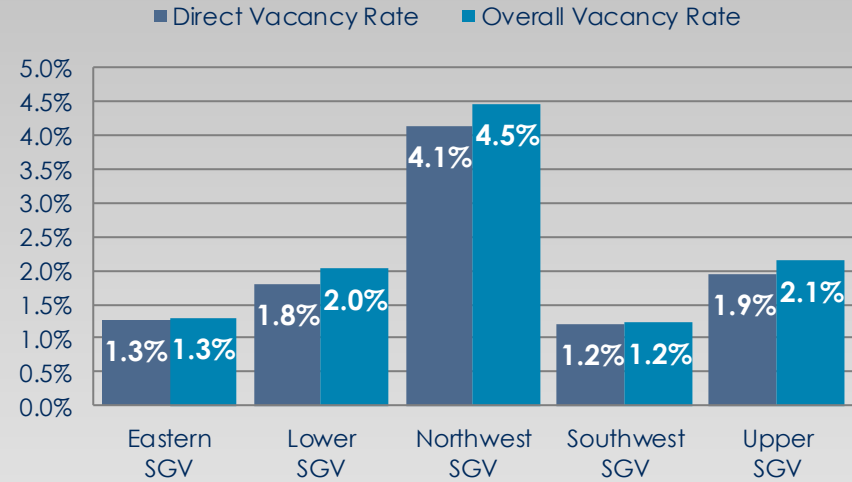
## SALE PRICES NEAR ALL-TIME HIGHS



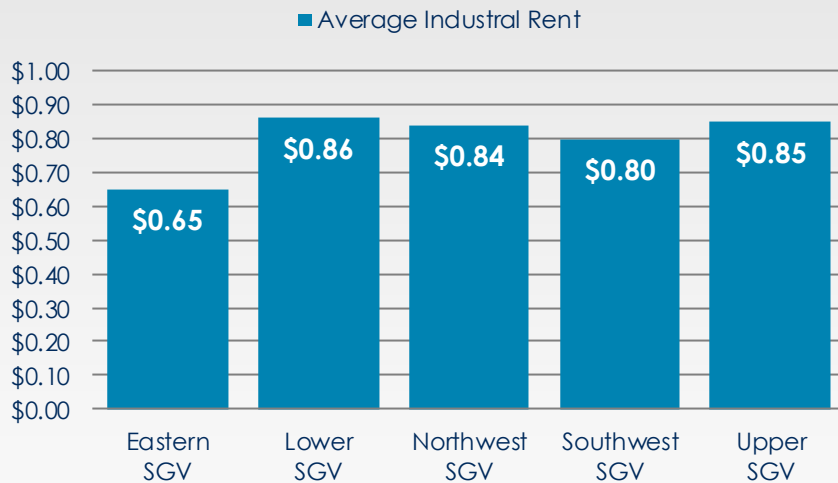
## SQUARE FOOT BREAKDOWN- 174,904,792 SF MARKET SIZE



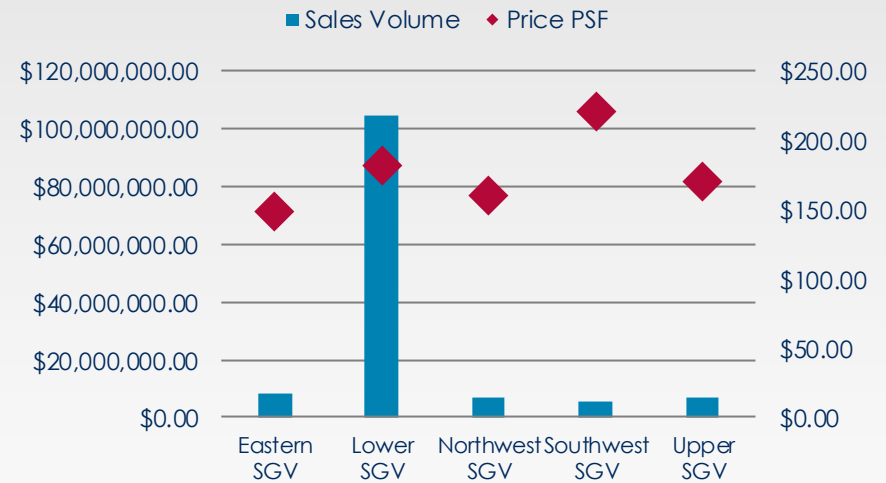
## VACANCY BREAKDOWN



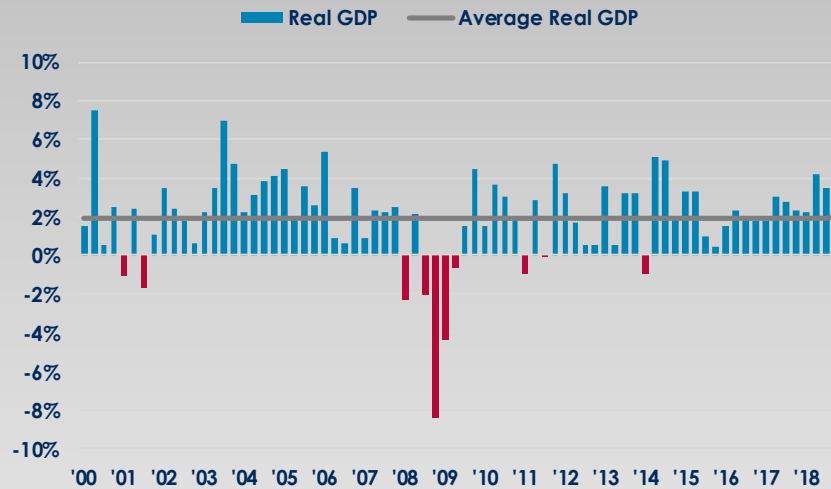
## AVERAGE RENT PSF



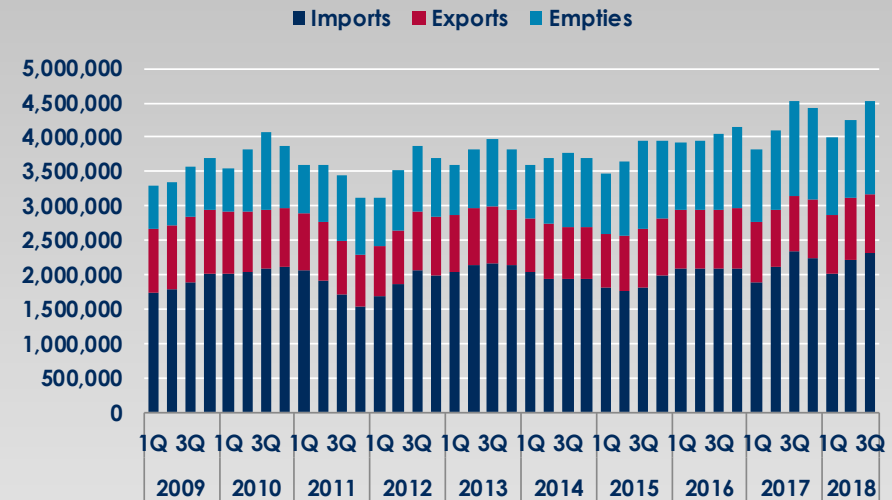
## VOLUME BREAKDOWN



## GDP GROWS 2.7% IN 4TH QUARTER

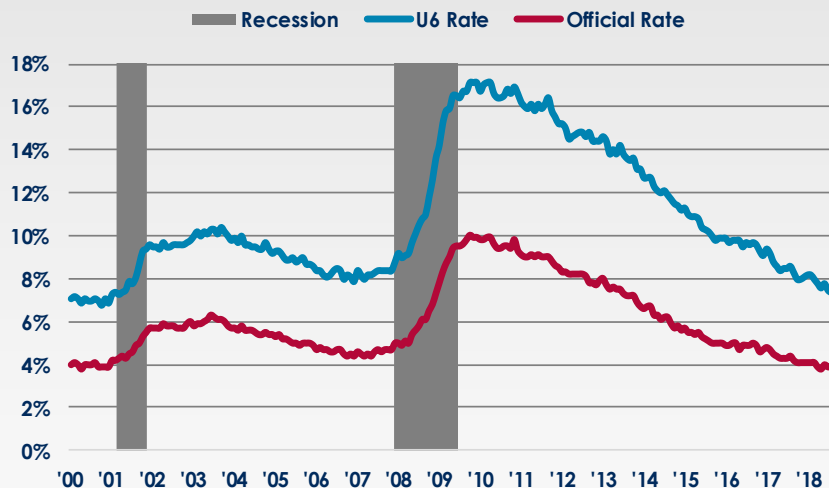


## PORT ACTIVITY IS AT AN ALL-TIME HIGH

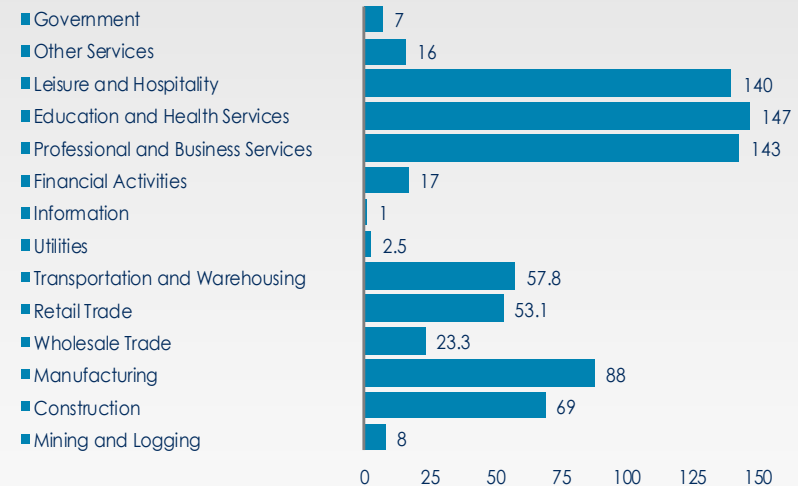


\*2.8% for 4Q18 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

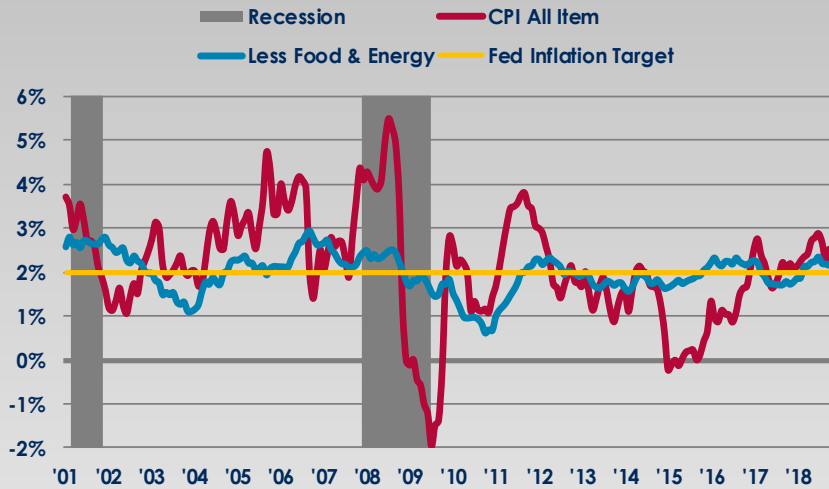
## UNEMPLOYMENT CONTINUES DOWNWARD TREND



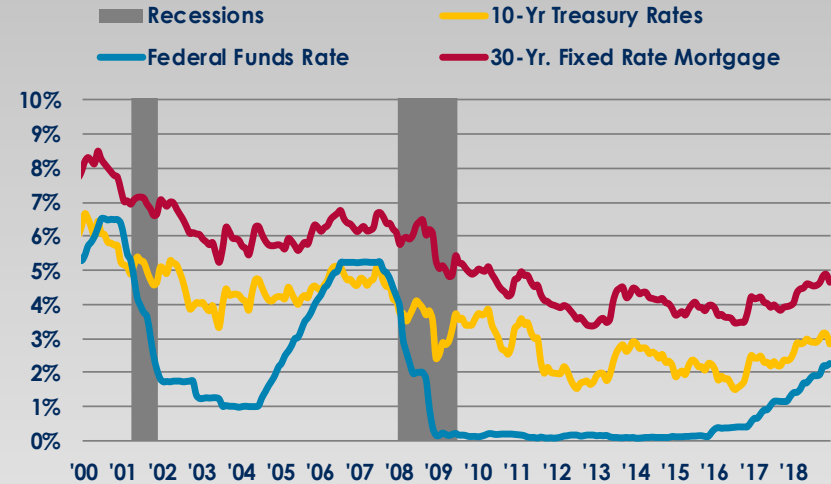
## MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



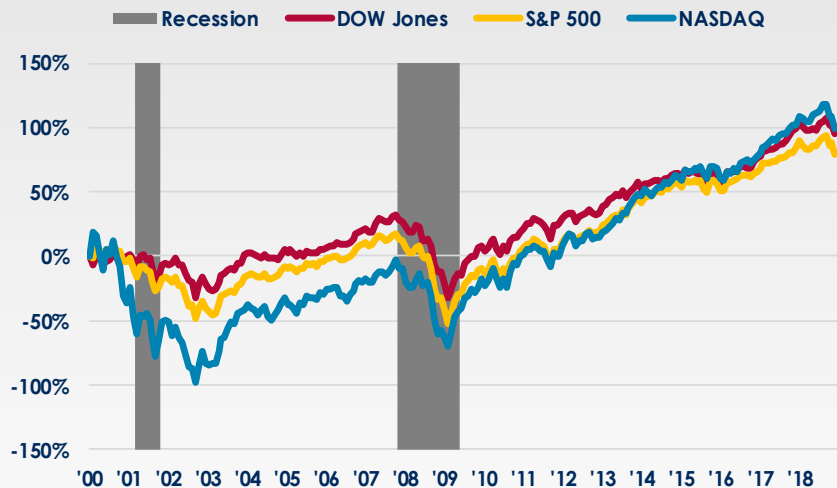
## INFLATION REMAINS IN CHECK



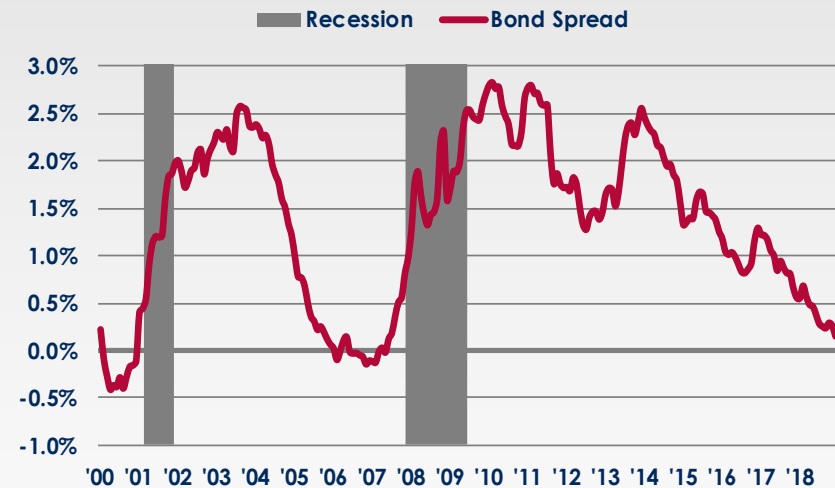
## INTEREST RATES



## NYSE SEES 14.45% DIP IN 4TH QUARTER



## BOND SPREAD CONTINUES TO NARROW 15 BASIS POINTS



## 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

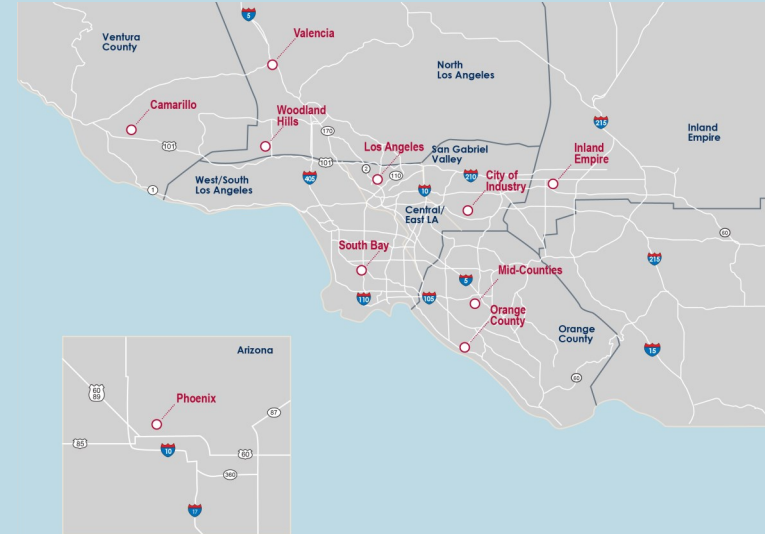
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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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