

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q2 | 2019

Market Report

Los Angeles Industrial

LA North



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MARKET REPORT Q2

Industrial 2019 Los Angeles North



MARKET ACTIVITY

KEY TAKE AWAYS

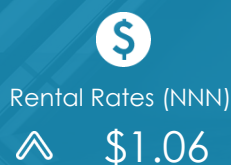
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Holds steady at 2.2%.
- **Net Absorption:** Was flat in Q2. Totaling a little under 23K SF of positive absorption.
- **Industrial Supply:** The new supply under construction in the Santa Clarita Valley is long overdue for the LA North market.
- **Asking Rents:** Pushed to all-time highs.
- **Sale Prices:** The LA North market saw the median price PSF increase by 6% to \$214.46. Volume increased by a factor of 124.7% due to the sale of large portfolios.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve inverted in Q2. A sign that a potential recession could happen in the future. The Fed is not expected to cut rates this year. Remains cautious about the economy.
- **Trade:** U.S. talks with China stalled in Q2. After a meeting between the 2 countries at the G20, they agreed to pause additional tariffs & resume trade talks.
- **Stock Market:** Indexes were volatile in Q2, but posted positive returns.
- **Oil:** Crude Oil was down 5% in Q2.



U.S. Employment
▼ 3.6%



U6 Rate
▼ 7.1%



Interest Rate
▼ 3.7%
(30 year fixed)



Changing GDP
▼ 1.5%



Port Traffic Y/Y Δ
▲ 32.5%



NYSE Performance
▲ 3.3%



Inflation Change
▲ +1.8%



10 Yr. - 2 Yr. Spread
▲ 25 BPS

EXPERIENCE IN A CHANGING MARKET

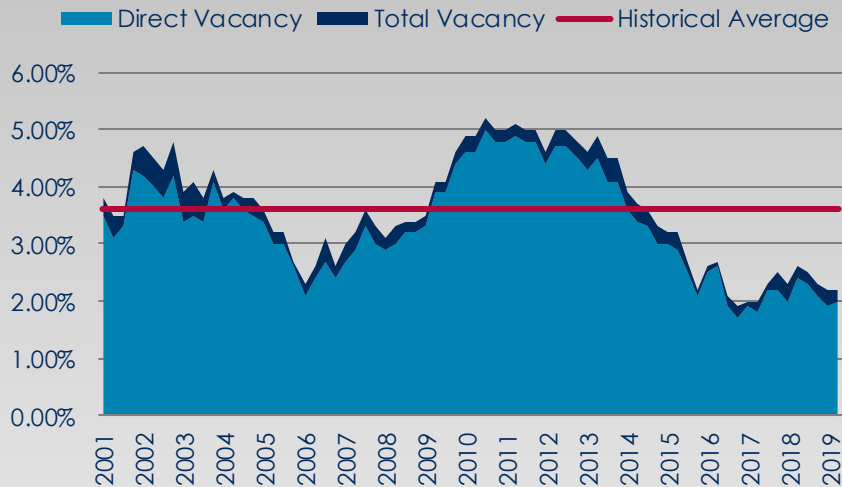
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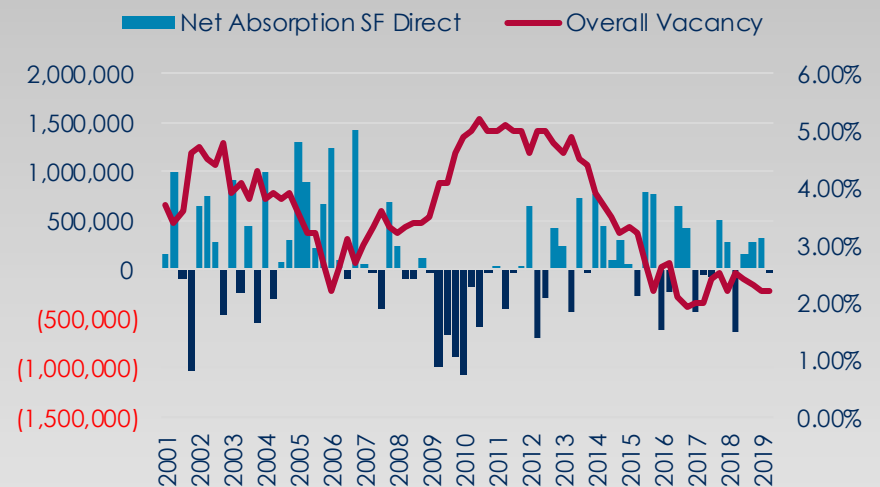
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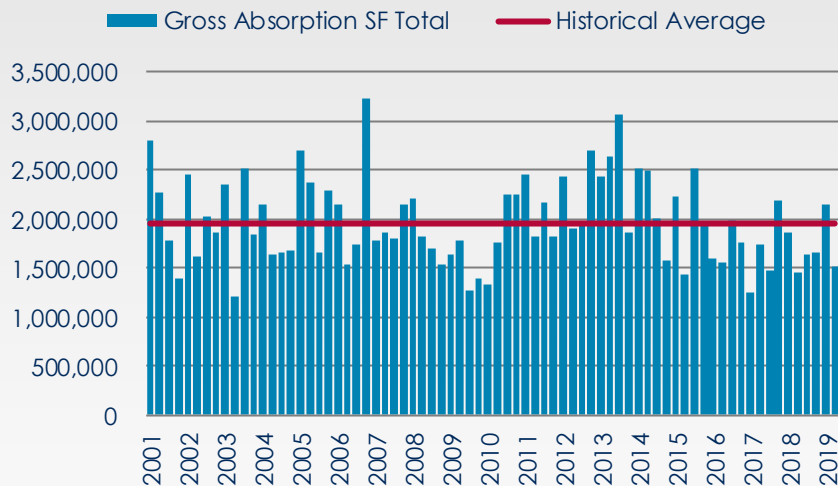
OVERALL VACANCY HOLDS STEADY AT 2.2%



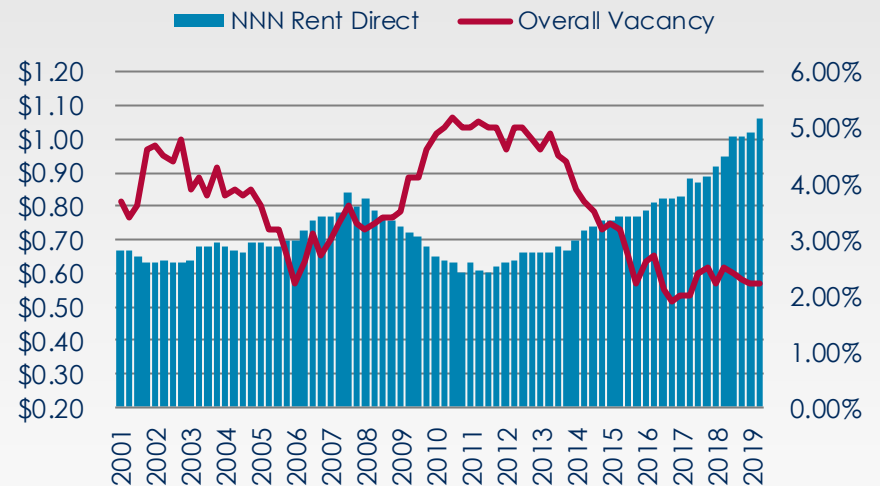
NET ABSORPTION DIRECT FIGURES DIPPED INTO THE NEGATIVE, BUT MARGINALLY



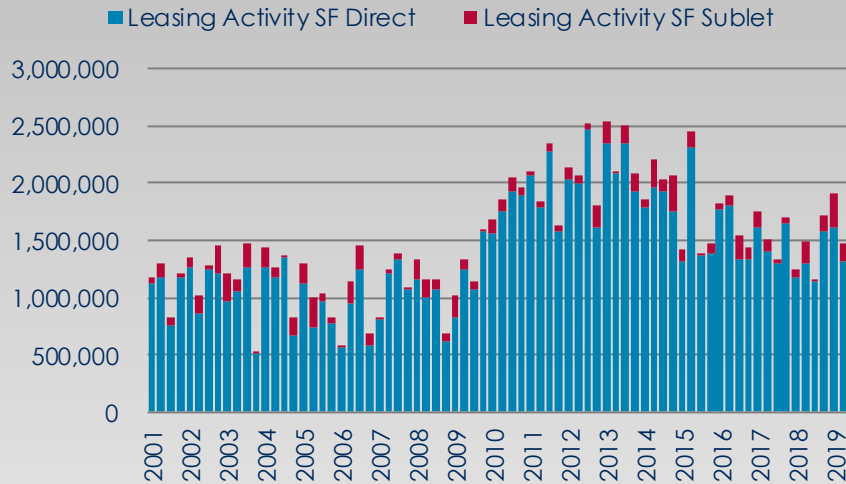
GROSS ABSORPTION FALLS SIGNIFICANTLY TO BELOW HISTORIC AVERAGE



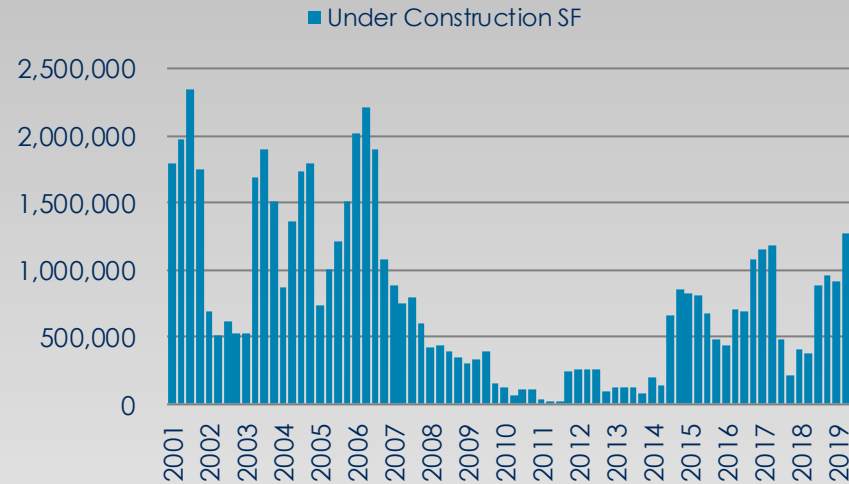
ASKING RENTS REMAIN AT ALL-TIME HIGHS



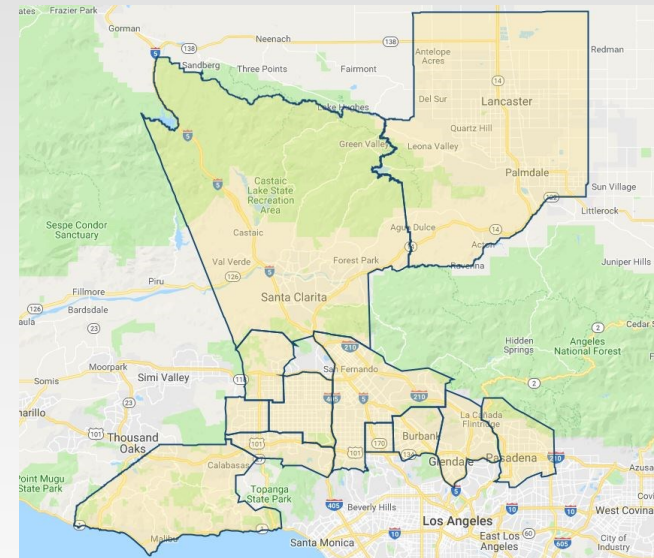
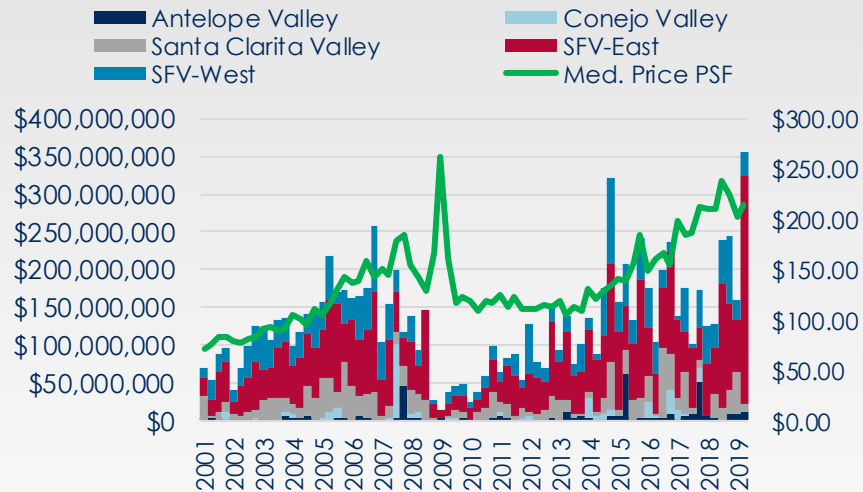
LEASING ACTIVITY DECLINED IN Q2 FROM STRONG Q1



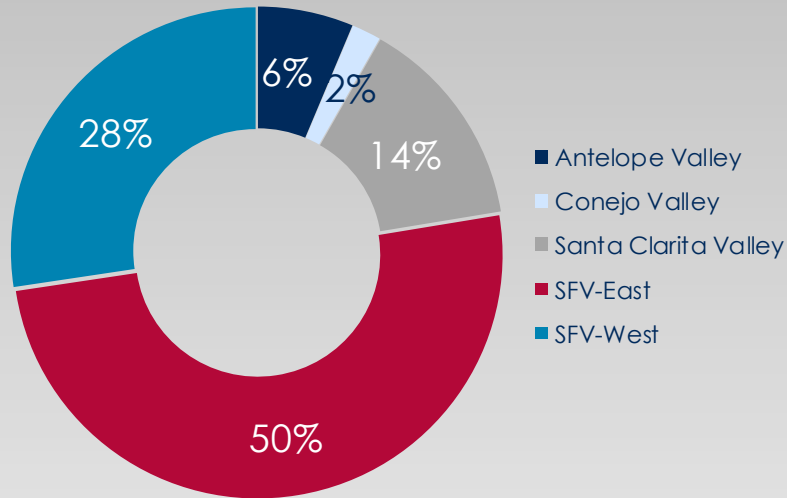
CONSTRUCTION ACTIVITY INCREASED IN Q2 WITH NEW DEVELOPMENTS IN THE SCV



SALES PRICES INCREASED 6% FROM Q1 TO \$214.46 PSF VOLUME SKYROCKETED TO HISTORIC HIGH IN Q2

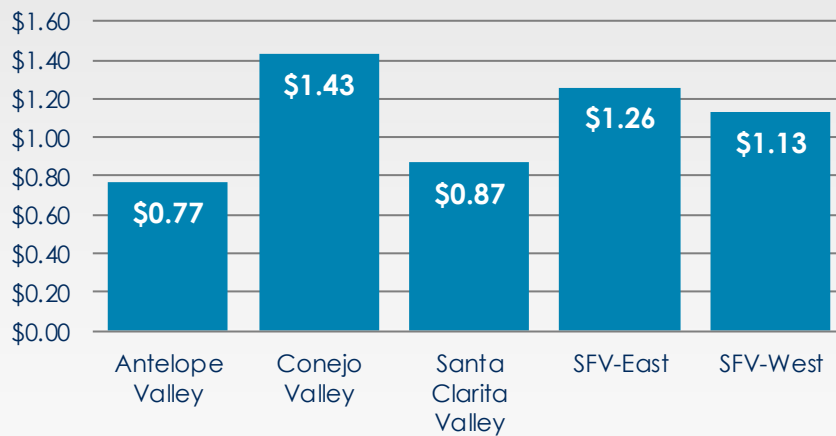


SQUARE FOOT BREAKDOWN- 166,486,073 SF MARKET SIZE



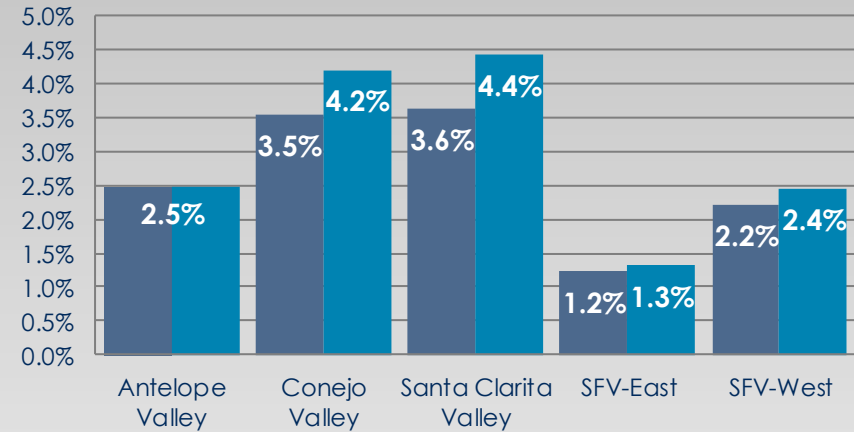
AVERAGE RENT PSF

■ Average Industrial Rent



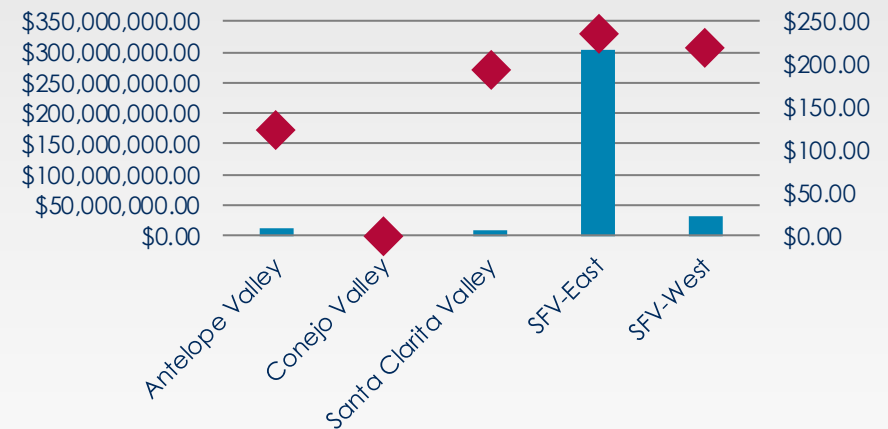
VACANCY BREAKDOWN

■ Direct Vacancy Rate ■ Overall Vacancy Rate



VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF



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

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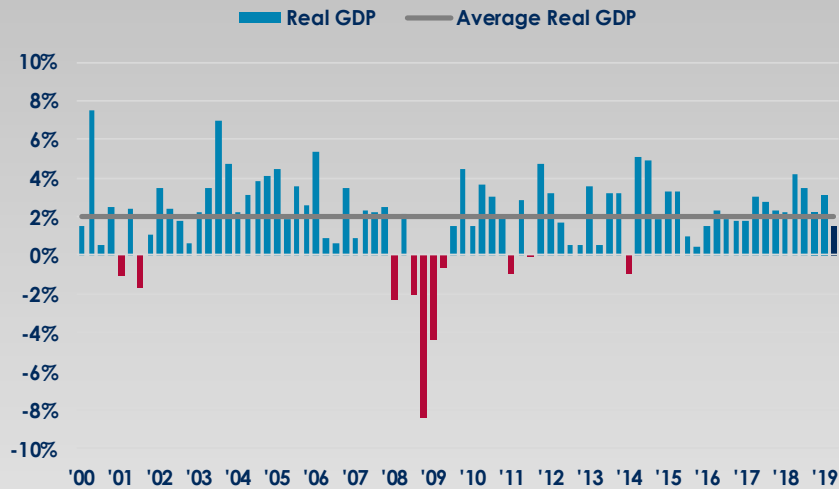
Economic Overview



////////// Q2 2019

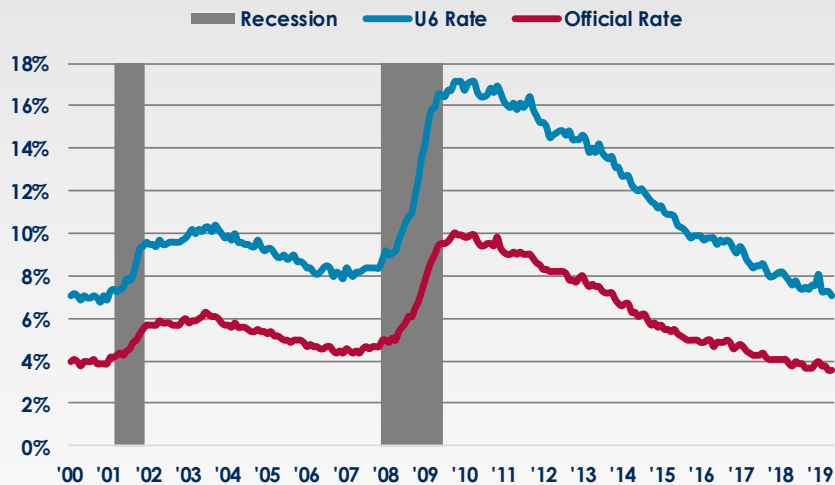
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GDP IN Q1 UPDATED TO 3.1%. Q2 ESTIMATE IS 1.5%

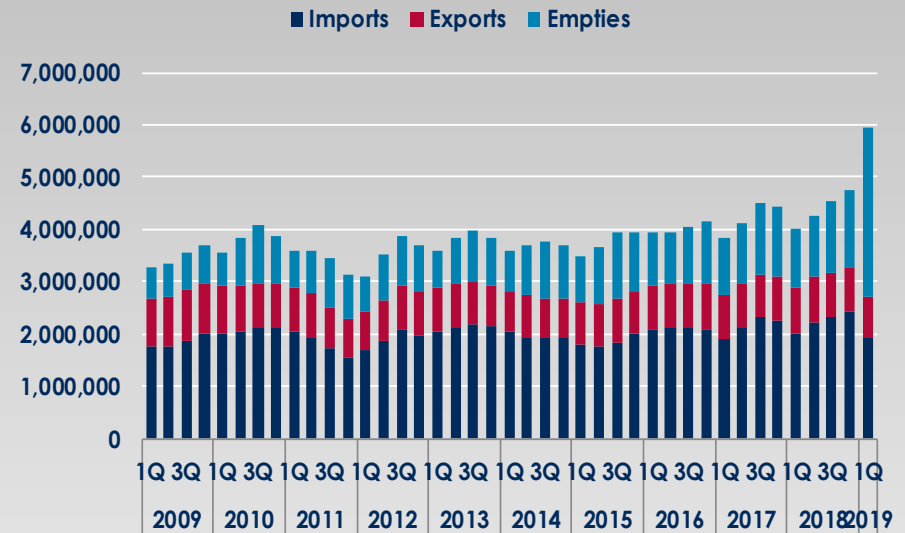


*1.5% for 2Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

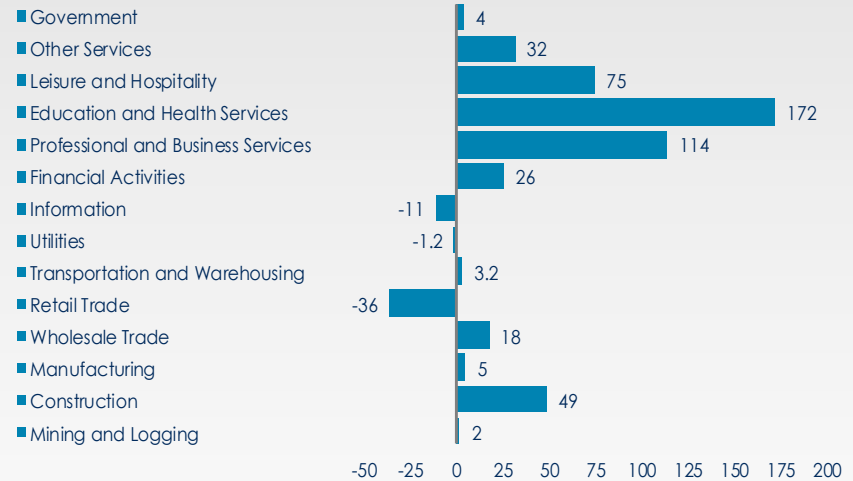
UNEMPLOYMENT CONTINUES DOWNWARD TREND



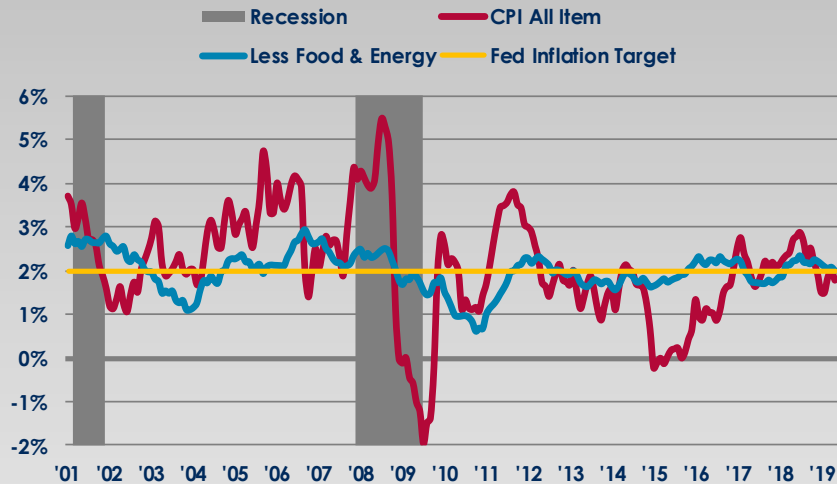
PORT ACTIVITY INCREASED IN Q1, GREATER AMOUNT OF EMPTIES



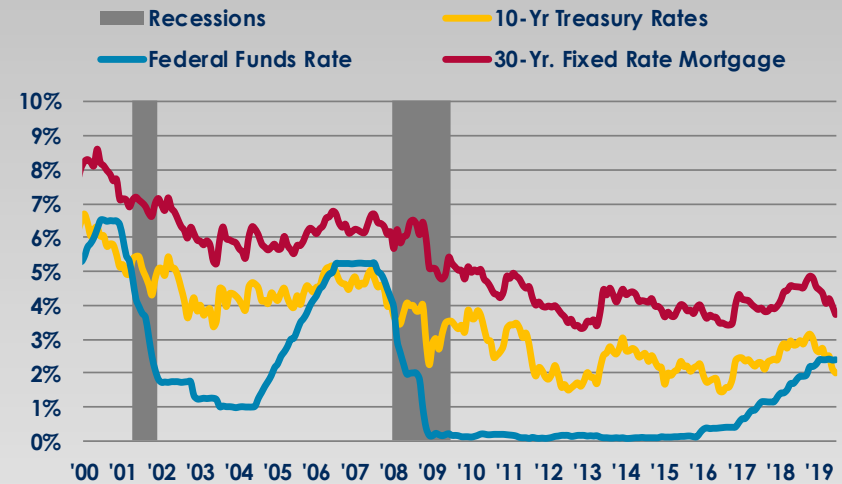
MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



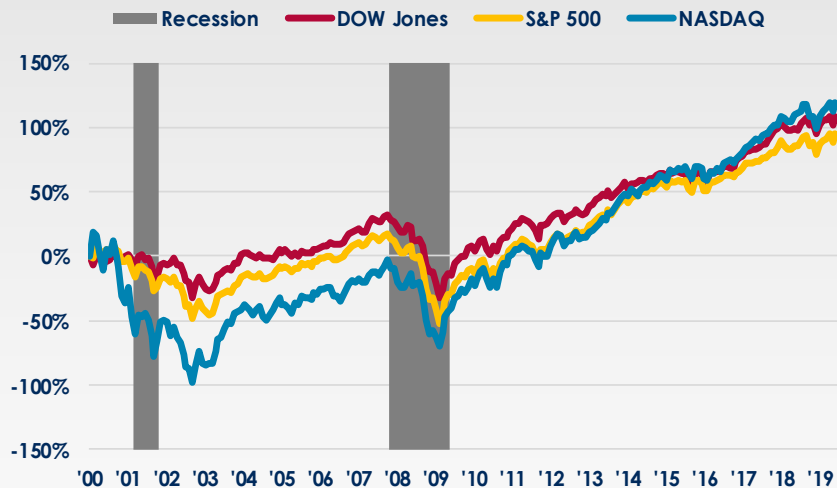
CPI JUST BELOW 2% TARGET



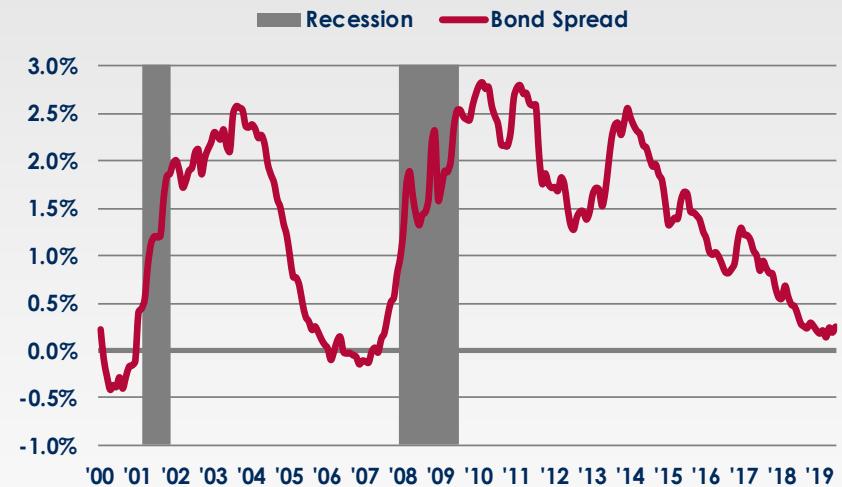
THE YIELD CURVE HAS INVERTED



NYSE INDEXES HAD POSITIVE RETURN IN VOLATILE Q2



BOND SPREAD INCREASED FROM END OF Q1 TO 25 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

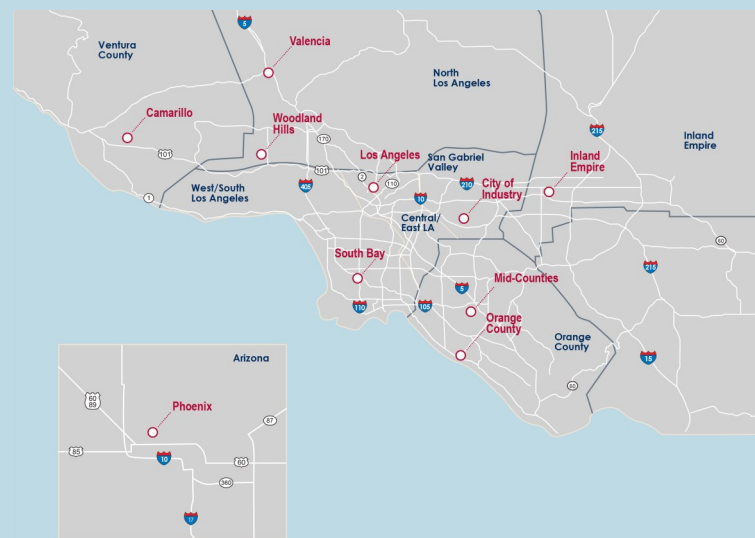
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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