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

////////////////////

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

////////////////////

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

////////////////////

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

////////////////////

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

////////////////////

Q3 | 2019

Market Report

//////////////////// Los Angeles Industrial

Central / Southeast



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MARKET ACTIVITY

<p>Direct Vacancy ↔ 2.5%</p>	<p>Net Absorption ▲ -792,855 SF</p>
<p>Overall Vacancy ▲ 2.8%</p>	<p>Gross Absorption ▲ 3,951,336 SF</p>
<p>Under Construction ▼ 819,924 SF</p>	<p>Rental Rates (NNN) ▲ \$1.06</p>
<p>Sale Price Change ▼ 3.1%</p>	<p>Deal Volume ▼ -19.0%</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Increased 20 BPS from Q2 overall.
- **Net Absorption:** Improved from Q2 levels, but remains negative. The amount un-absorbed represents only 0.2% of total inventory.
- **Asking Rents:** Continue to push record highs.
- **Sale Prices:** Down slightly in Q3. Median sale price PSF was \$191.37.
- **Industrial Supply:** Less than 1 Million SF is currently under construction.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve remained inverted in Q3. In Q3, the 10-2 Spread inverted as well for the 1st time since 2007. The Fed cut rates twice in Q3, both by 25 BPS. An additional rate cut could transpire in Q4, if economy weakens.
- **Trade:** The trade dispute with China continues with no end in sight. Talks between the two most powerful economies are set to resume in Oct.
- **Stock Market:** The Dow and S&P posted minimal gains of 1.2% in Q3. NASDAQ finished negative.
- **Oil:** Crude Oil was down 6.7% in Q3.

ECONOMIC OUTLOOK

<p>U.S. Employment ▲ 3.7%</p>	<p>U6 Rate ▲ 7.2%</p>
<p>Interest Rate ▼ 3.6% <small>(30 year fixed)</small></p>	<p>Changing GDP ▲ 2.1%</p>
<p>Port Traffic Y/Y Δ ▼ 1.1%</p>	<p>NYSE Performance ▲ 0.9%</p>
<p>Inflation Change ▼ 1.7%</p>	<p>10 Yr. - 2 Yr. Spread ▼ 6 BPS</p>

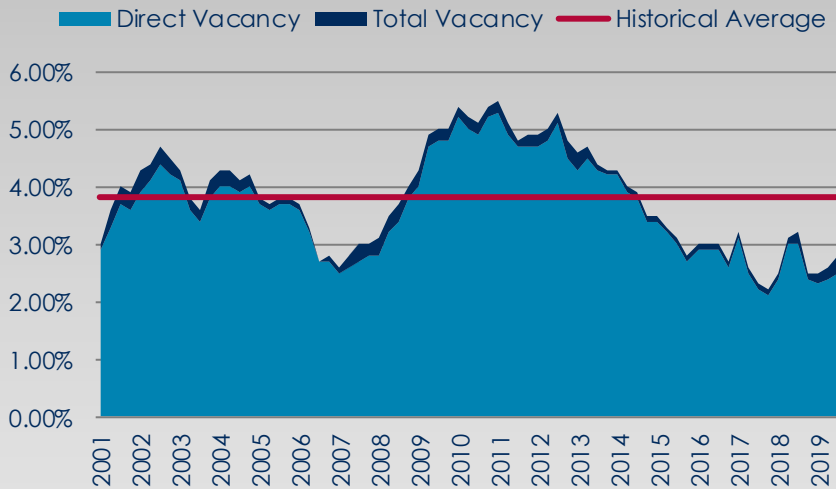
EXPERIENCE IN A CHANGING MARKET

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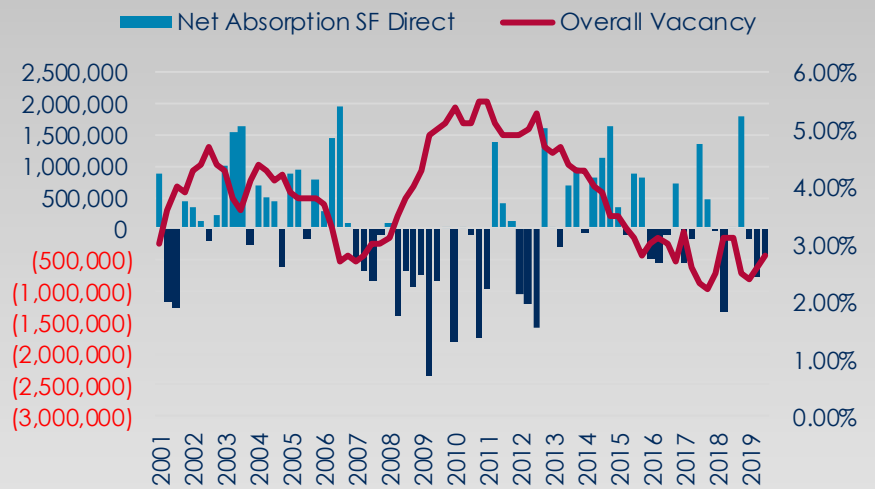


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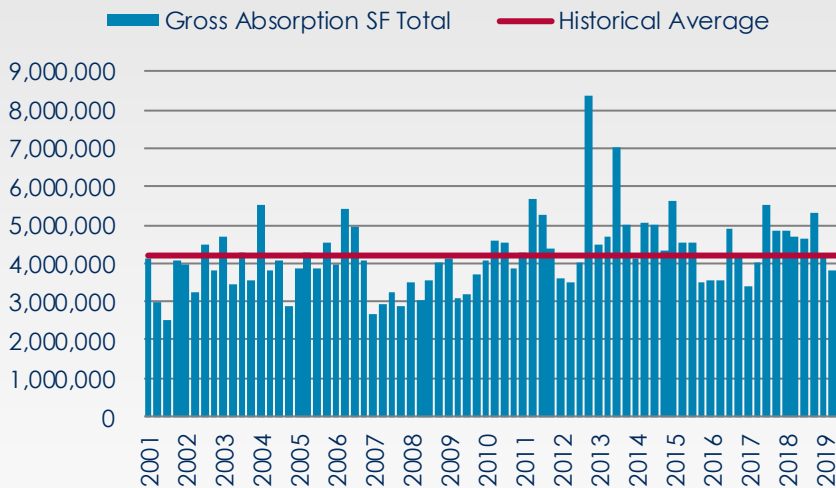
OVERALL VACANCY INCREASED 20 BPS FROM PERVIOUS QUARTER TO 2.8%



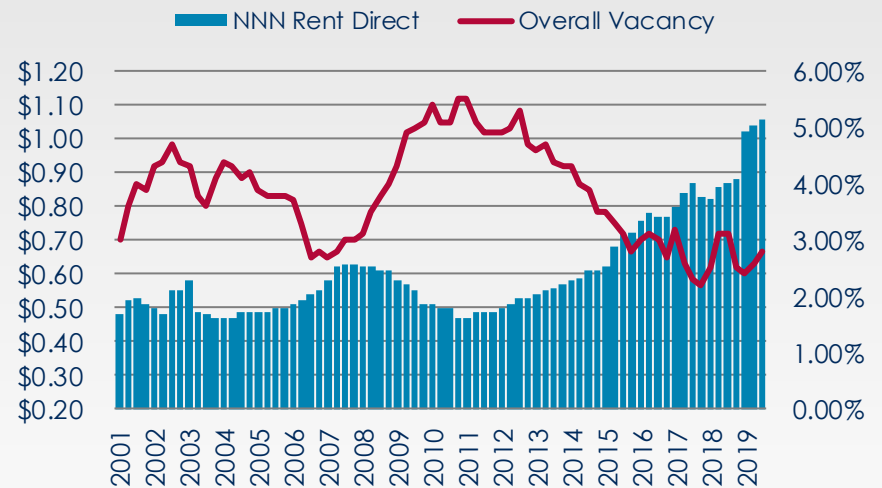
NET ABSORPTION IMPROVED FROM Q2, BUT REMAINS NEGATIVE



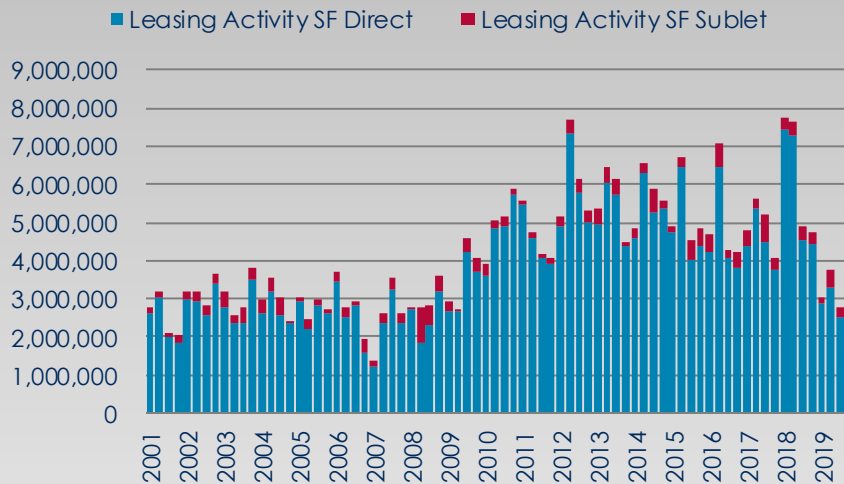
GROSS ABSORPTION UP FROM PREVIOUS QUARTER. REMAINS BELOW HISTORIC AVG.



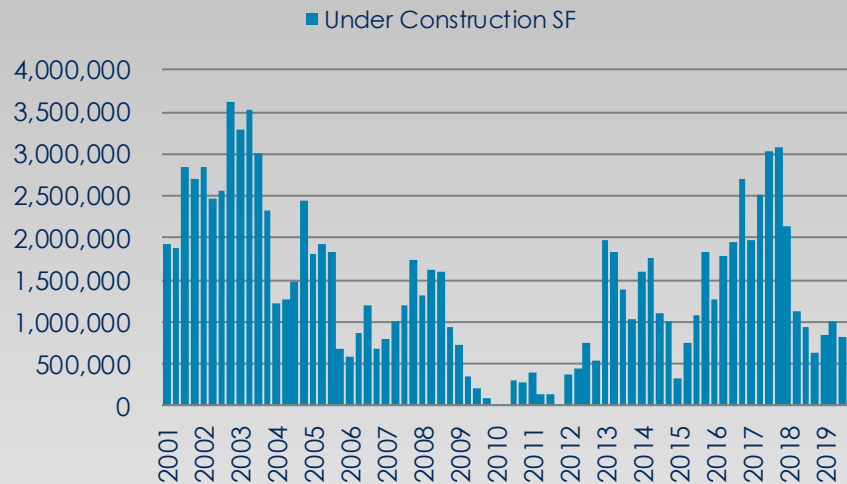
ASKING RENTS CONTINUE TO PUSH RECORD HIGHS



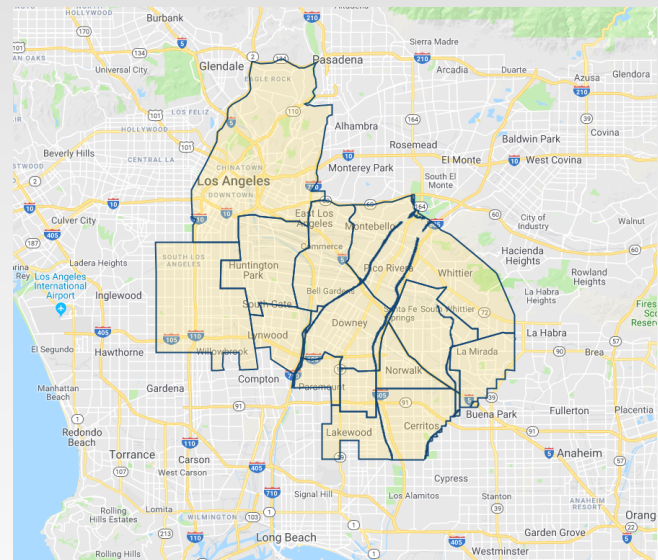
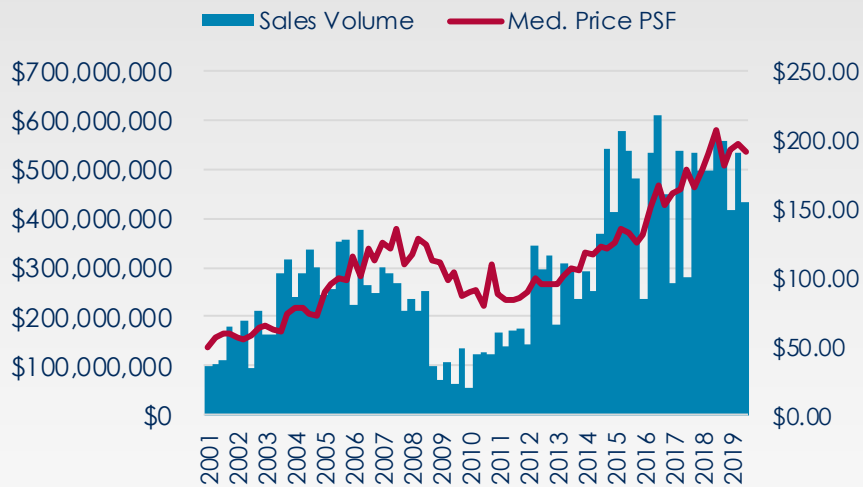
LEASING ACTIVITY FELL BELOW 3M SF FOR 1ST TIME SINCE 2009



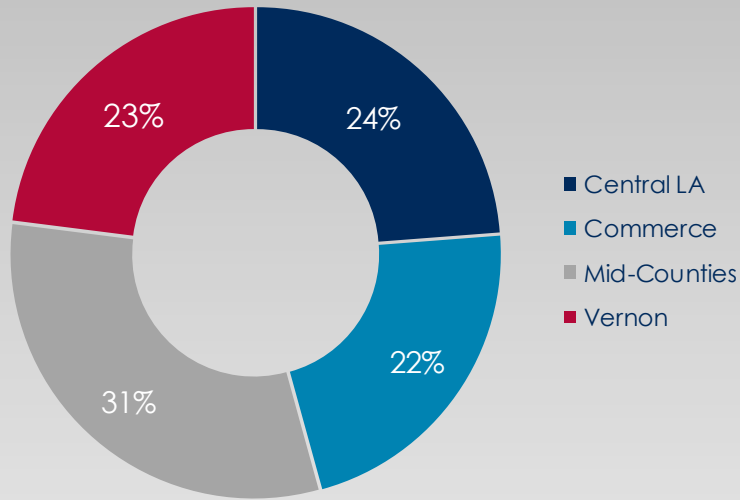
CONSTRUCTION ACTIVITY DOWN FROM PREVIOUS Q. 190K SF WAS DELIVERED IN Q3



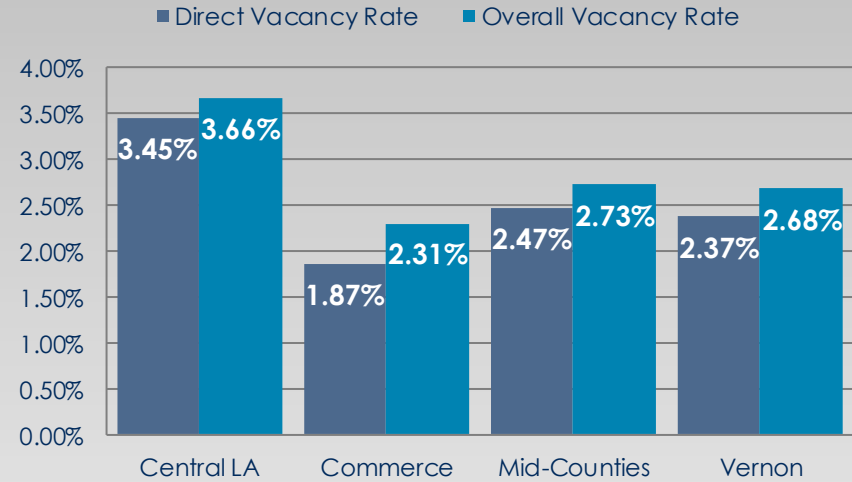
SALES PRICES DROPPED SLIGHTLY TO A MEDIAN OF \$191.37 PSF



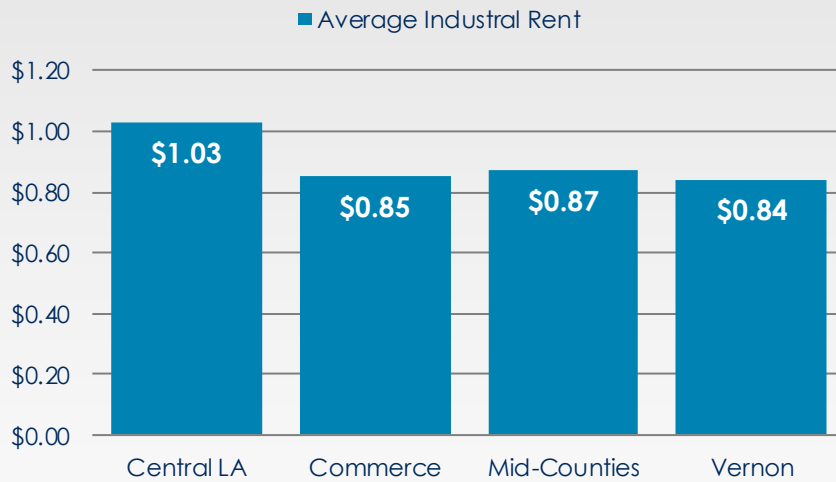
SQUARE FOOT BREAKDOWN- 348,030,356 SF MARKET SIZE



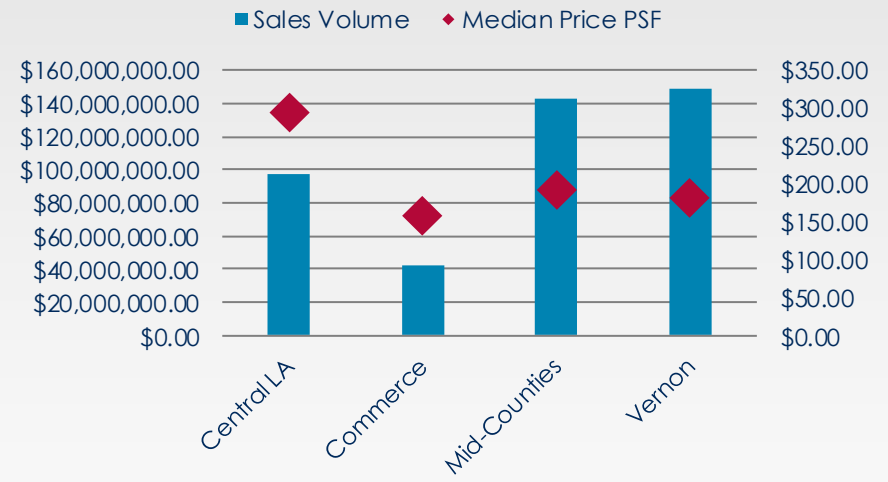
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



Los Angeles

Orange County

Ventura

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Phoenix

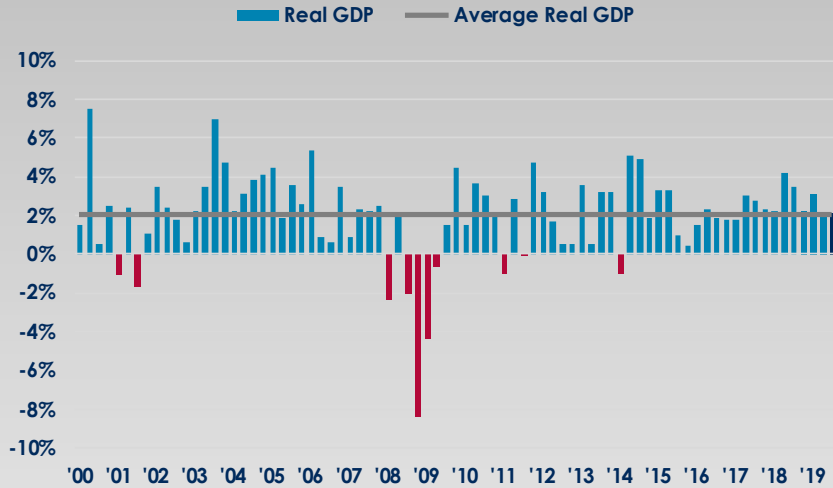
Economic Overview



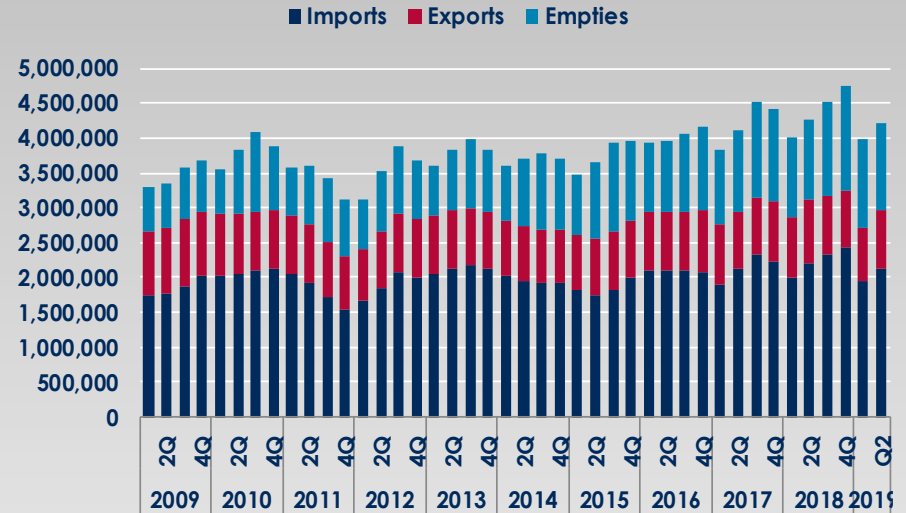
Q3 2019

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GDP IN Q2 FINISHED AT 2.0%. Q3 ESTIMATE IS 2.1%

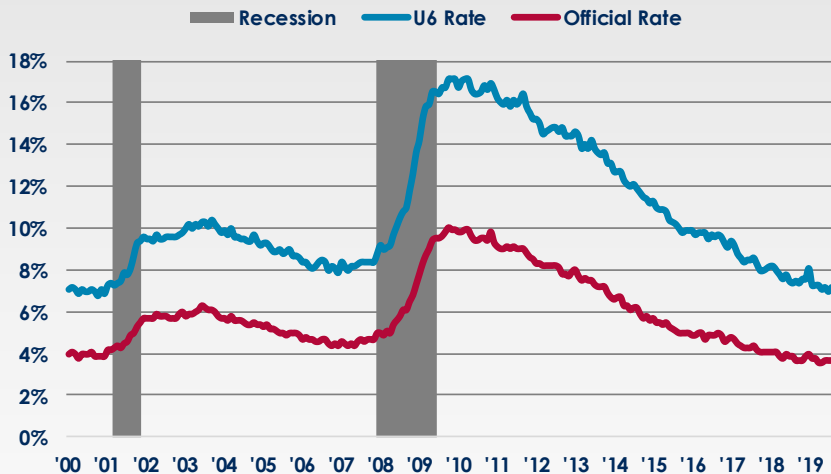


PORT ACTIVITY INCREASED IN Q2 BY 5.6% FROM Q1

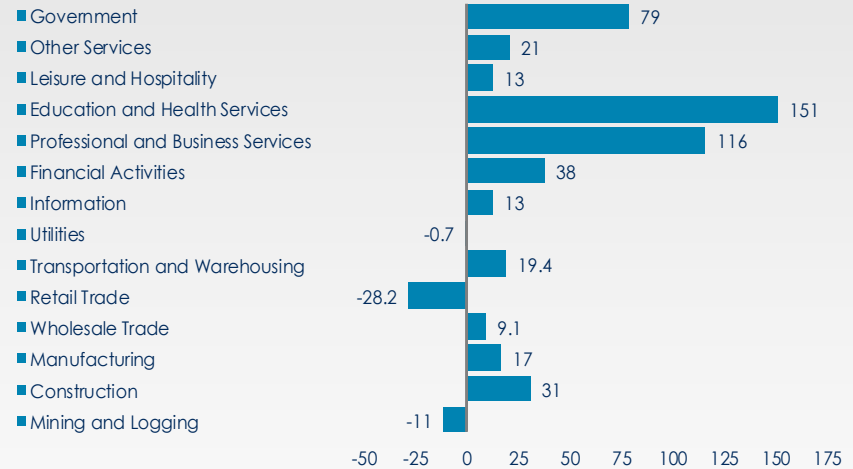


*2.1% for 3Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

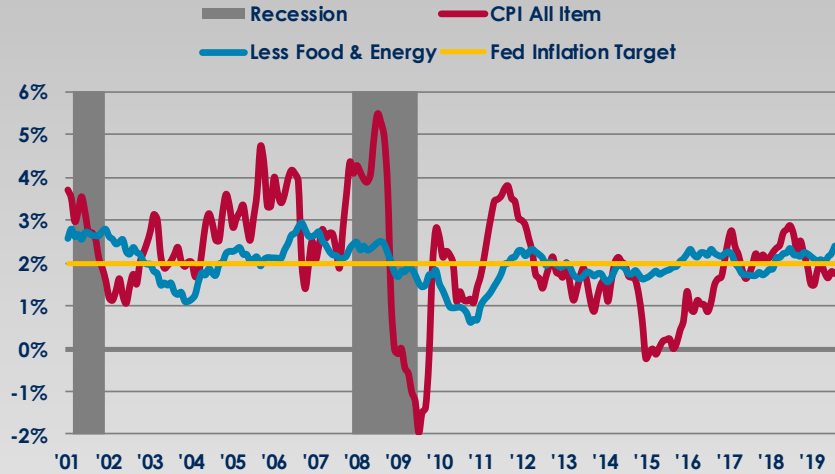
20 BPS INCREASE IN U6 RATE SHOWS PEOPLE ARE COMING BACK TO WORK



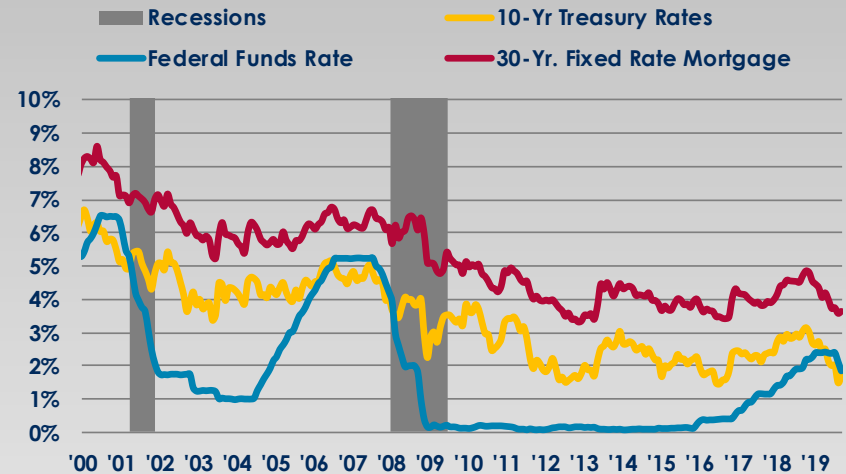
MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



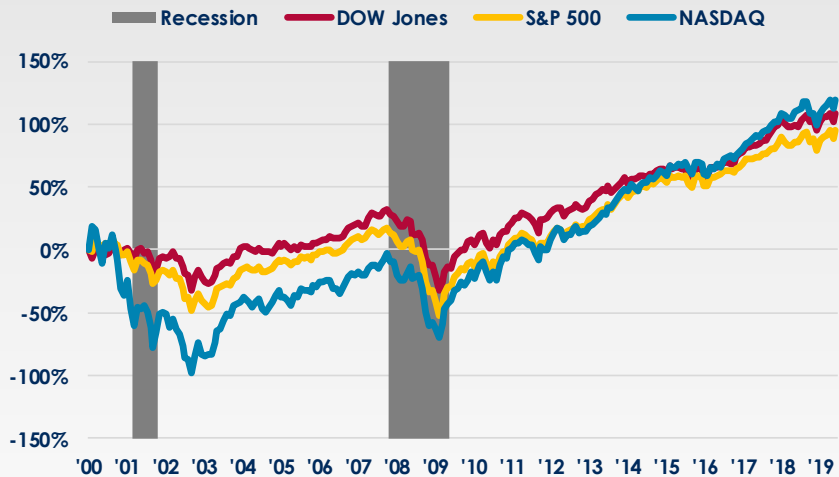
CPI JUST BELOW 2% TARGET



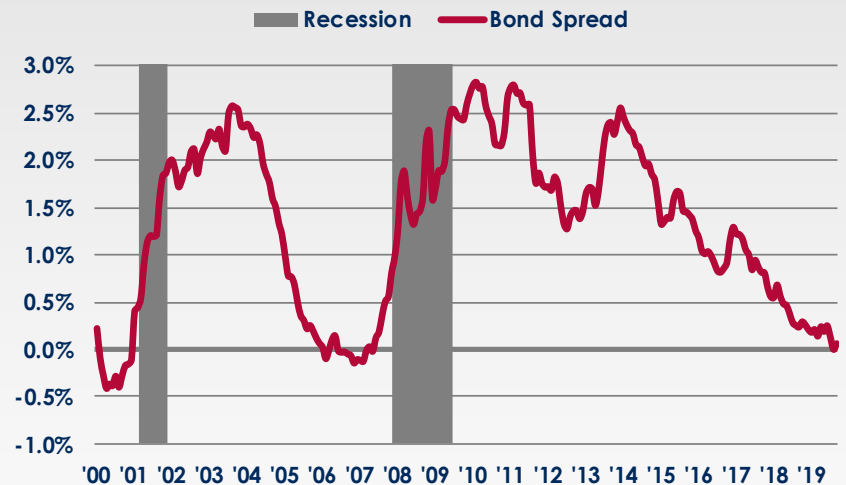
THE YIELD CURVE REMAINS INVERTED



VOLATILE Q3 FOR INDEXES. DOW & S&P UP 1.2%. NASDAQ DOWN



10-2 YEAR BOND SPREAD INVERTED IN Q3



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

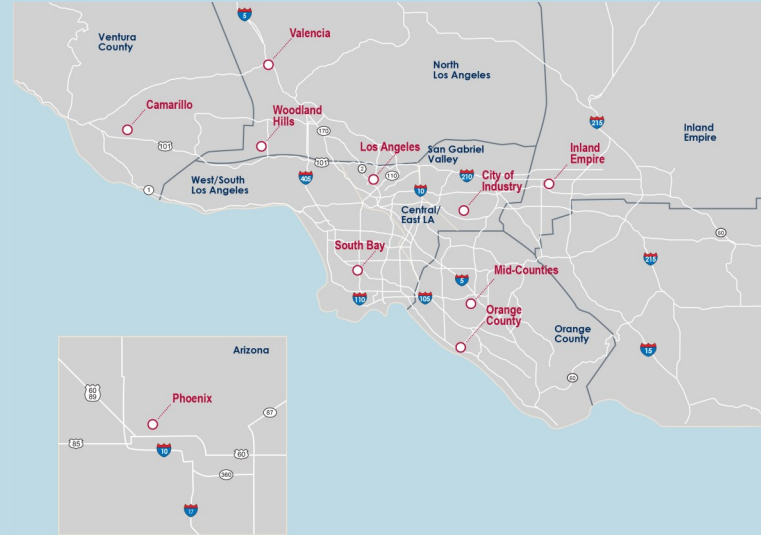
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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 2019

New buildings with original construction completed in the year 2019 and granted a Certificate of Occupancy. Renovated buildings are not included.



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