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

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

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

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

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

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

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

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

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

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Q3 | 2019

# Market Report

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

LA West/ South



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### MARKET ACTIVITY

### KEY TAKE AWAYS

### ECONOMIC OUTLOOK

<p>Direct Vacancy ▲ 2.4%</p>	<p>Net Absorption ▲ -243,344 SF</p>
<p>Overall Vacancy ▲ 2.5%</p>	<p>Gross Absorption ▲ 1,910,321 SF</p>
<p>Under Construction ▼ 1,176,419 SF</p>	<p>Rental Rates (NNN) ▼ \$1.16</p>
<p>Sale Price Change ▼ 0.4%</p>	<p>Deal Volume ▼ 38.3%</p>

#### MARKET

- **Vacancy Rate:** Increased by 30 BPS to 2.5%.
- **Net Absorption:** Overall Net Absorption increased slightly in Q3. 4th straight quarter of negative levels.
- **Gross Absorption:** Increased from down Q2 to just under 2M SF.
- **Sale Prices:** Essentially flat from Q2 with a median price PSF of \$212.94. YTD volume has surpassed \$1.1 Billion.

#### 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.

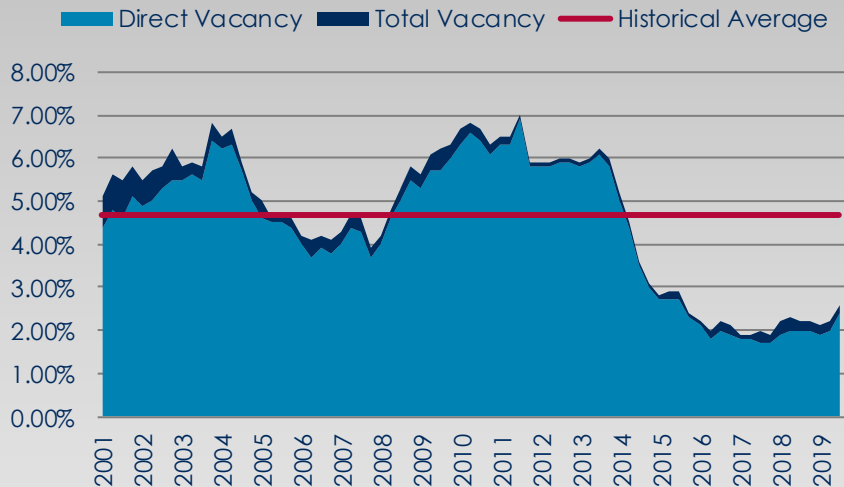
<p>U.S. Employment ▲ 3.7%</p>	<p>U6 Rate ▲ 7.2%</p>
<p>Interest Rate ▼ 3.6% <small>(30 year fixed)</small></p>	<p>Changing GDP ▲ 2.1%</p>
<p>Port Traffic Y/Y Δ ▼ 1.1%</p>	<p>NYSE Performance ▲ 0.9%</p>
<p>Inflation Change ▼ 1.7%</p>	<p>10 Yr. - 2 Yr. Spread ▼ 6 BPS</p>

EXPERIENCE IN A CHANGING MARKET

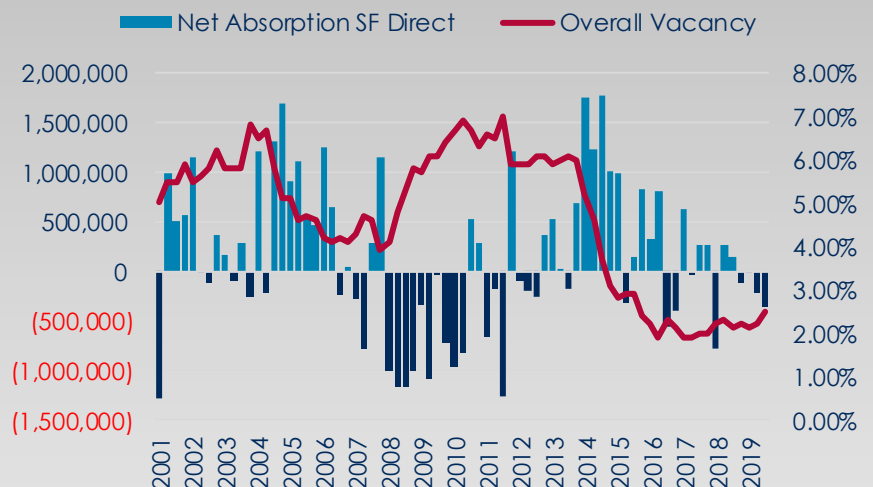
@DAUMCOMMERCIAL



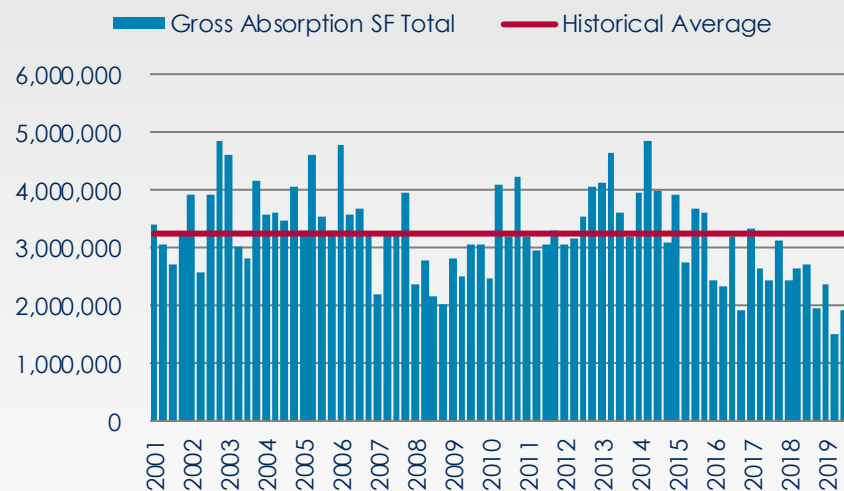
## OVERALL VACANCY INCREASED BY 30 BPS IN Q2 TO 2.5%. WELL BELOW HISTORIC AVERAGE



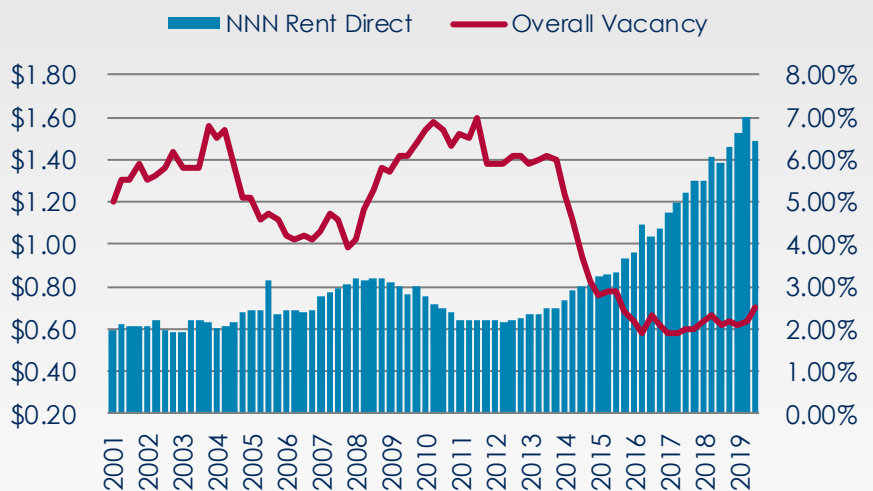
## NET ABSORPTION 4TH CONSECUTIVE QUARTER OF NEGATIVE NET ABSORPTION



## GROSS ABSORPTION TICKED UP IN Q3, BUT REMAINS WELL OFF HISTORIC AVG.

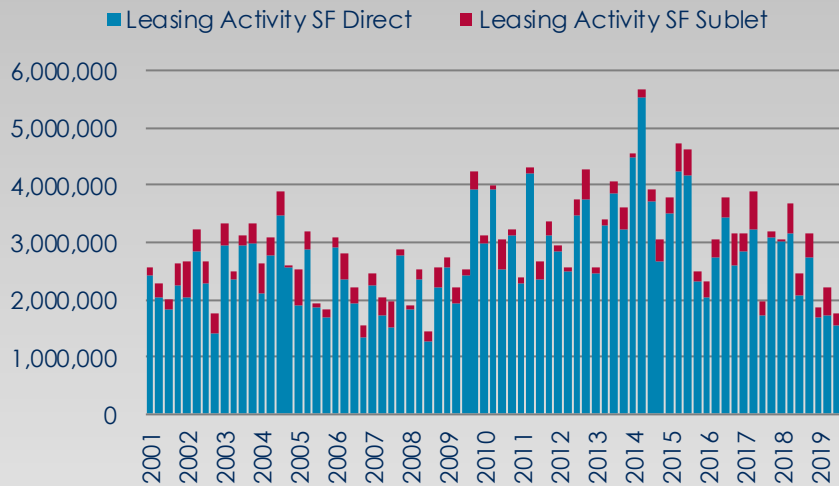


## ASKING RENTS SAW A DECREASE FROM Q2'S ALL TIME HIGH

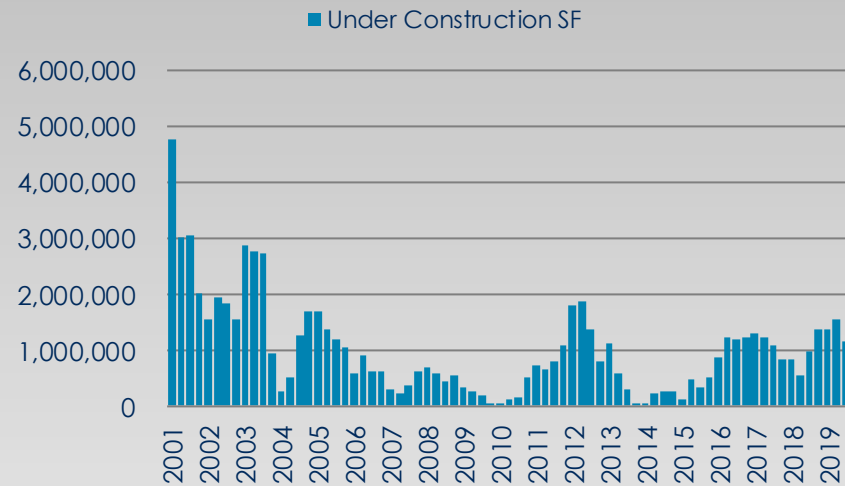


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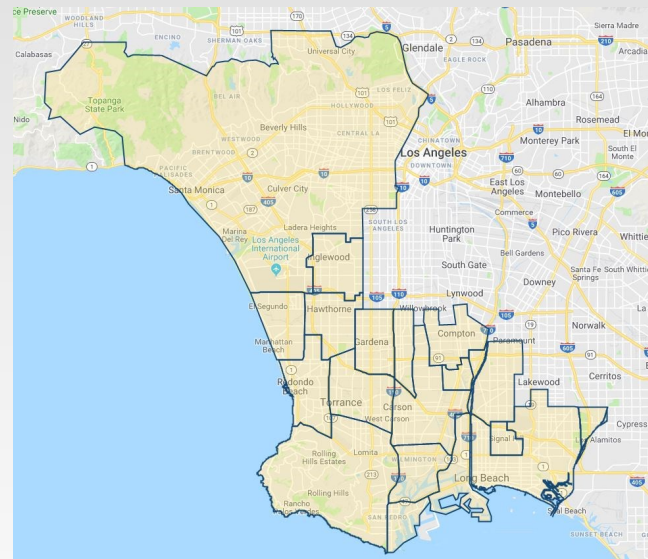
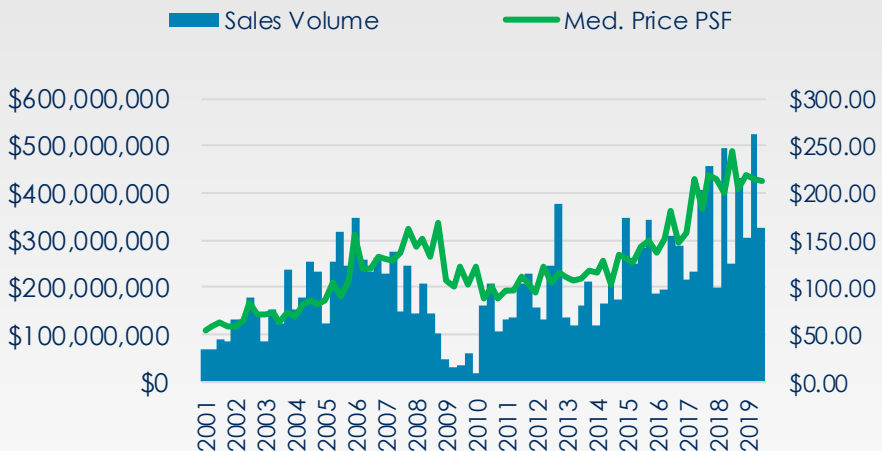
## LEASING ACTIVITY DROPPED BELOW 2M SF. YTD DOWN 37% FROM SAME PERIOD IN 2018



## CONSTRUCTION ACTIVITY NEARLY 450K SF WAS DELIVERED IN Q3

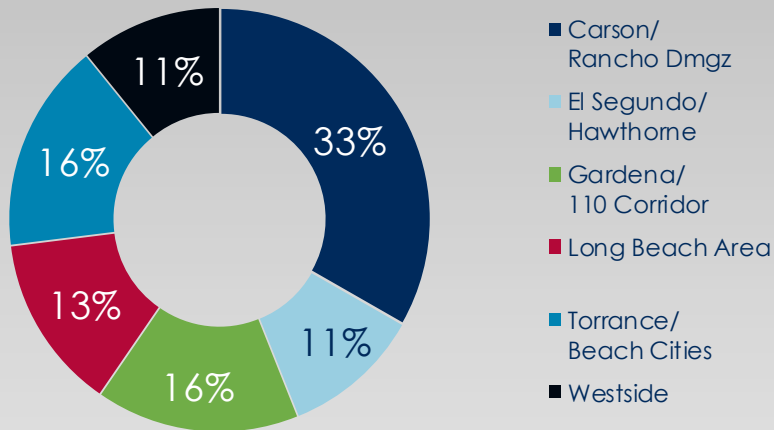


## SALES PRICES PLATEAUED IN Q3. VOLUME DOWN 38% FROM Q2

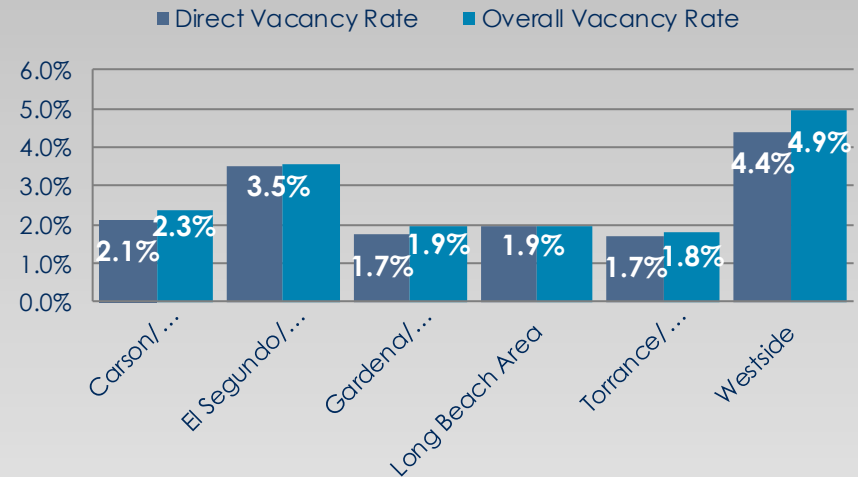


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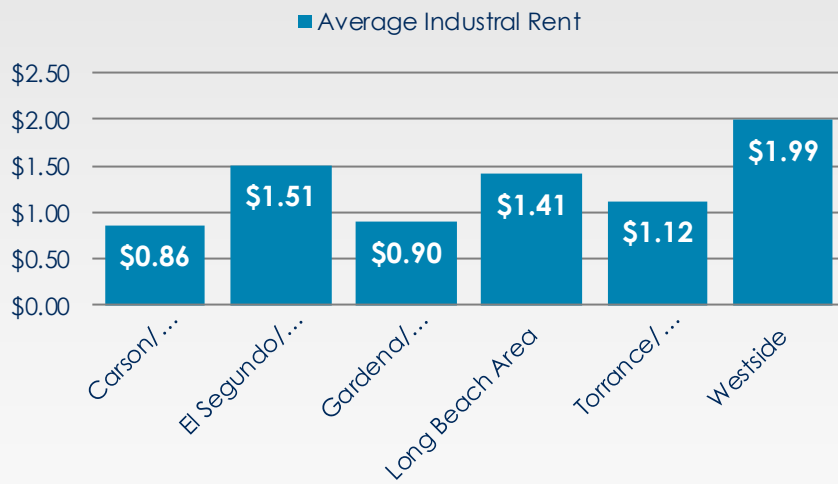
## SQUARE FOOT BREAKDOWN- 227,168,355 SF MARKET SIZE



## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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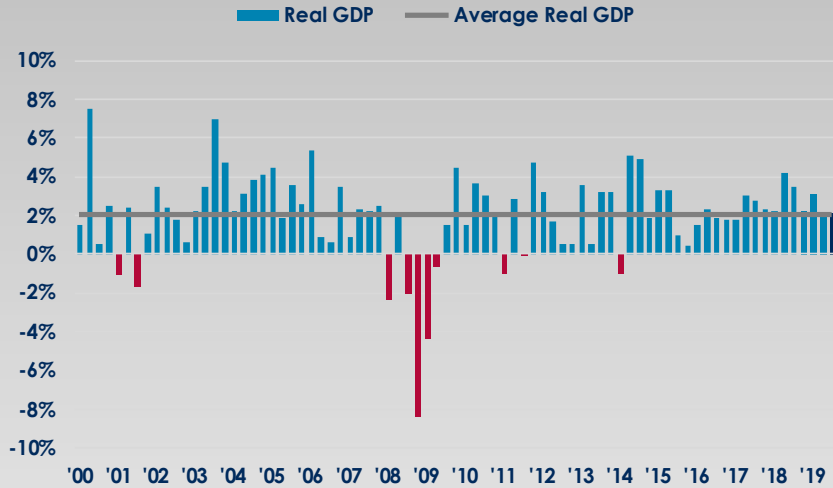
# Economic Overview



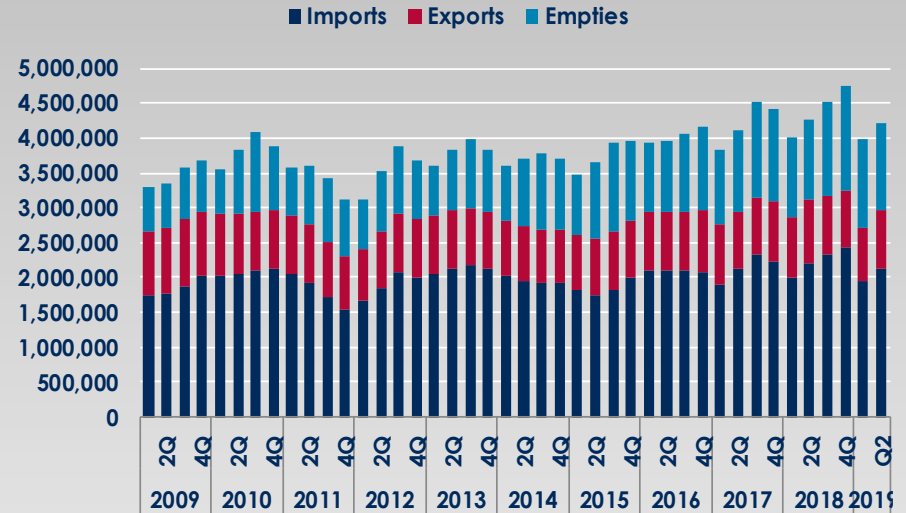
Q3 2019

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

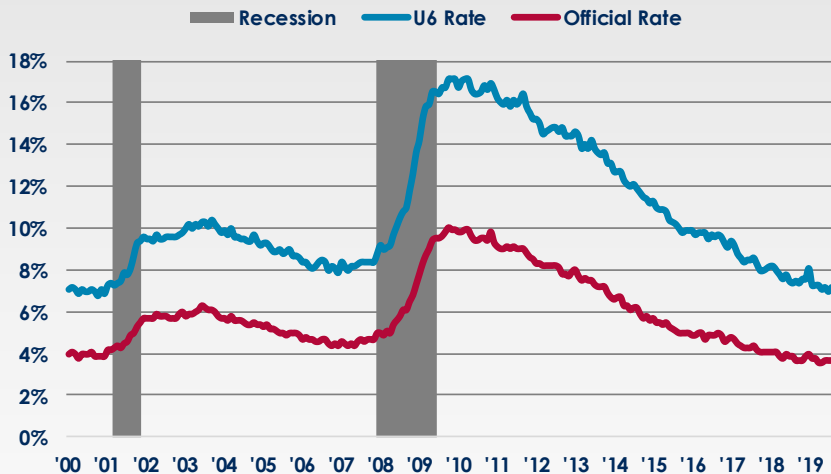


PORT ACTIVITY INCREASED IN Q2 BY 5.6% FROM Q1

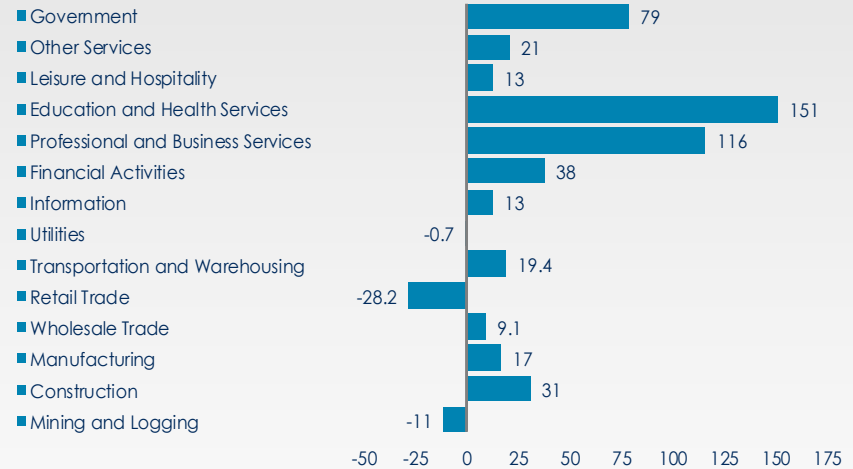


\*2.1% for 3Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

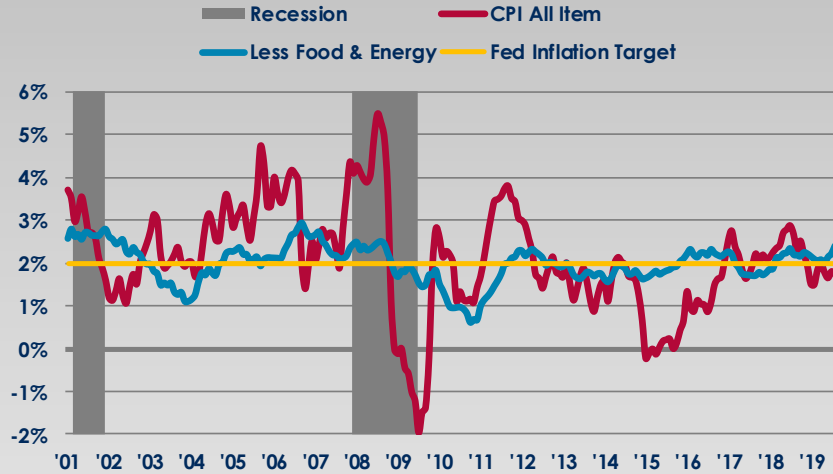
20 BPS INCREASE IN U6 RATE SHOWS PEOPLE ARE COMING BACK TO WORK



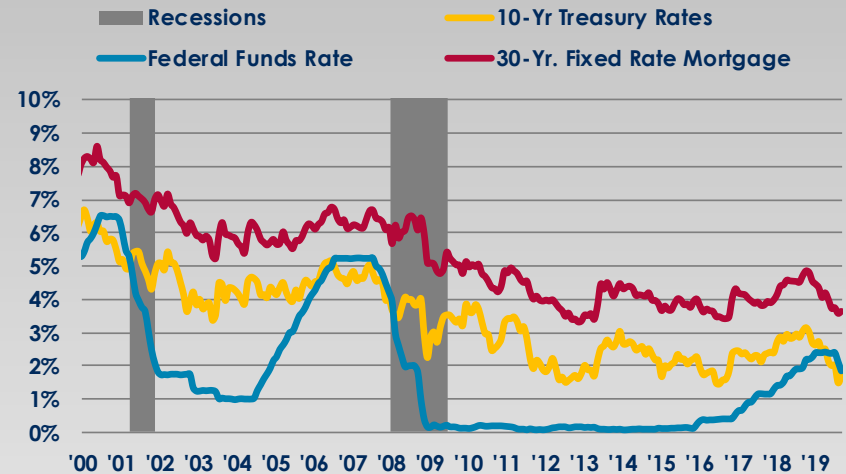
MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



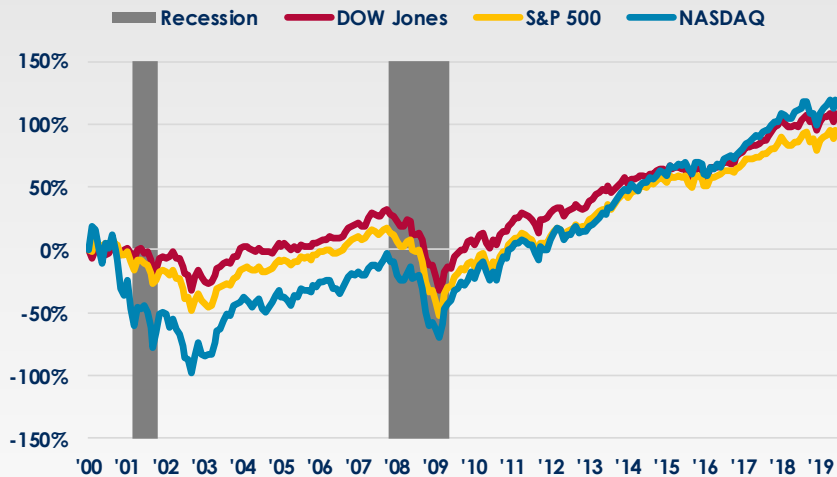
## CPI JUST BELOW 2% TARGET



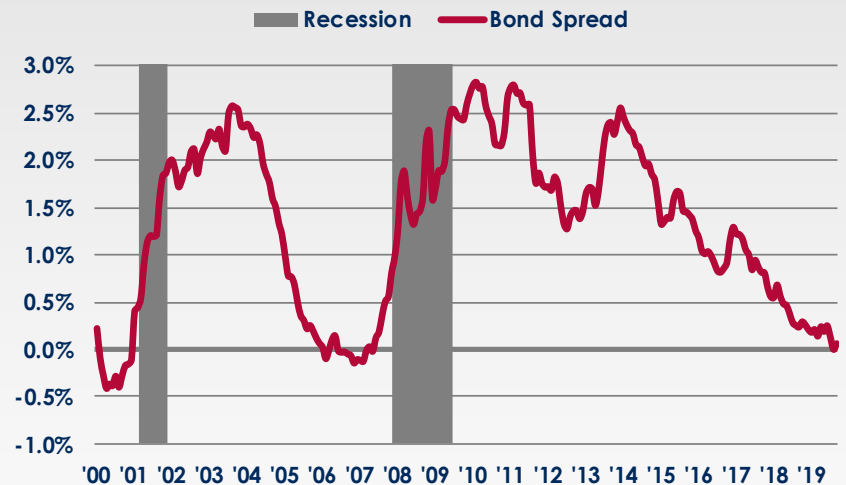
## THE YIELD CURVE REMAINS INVERTED



## 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

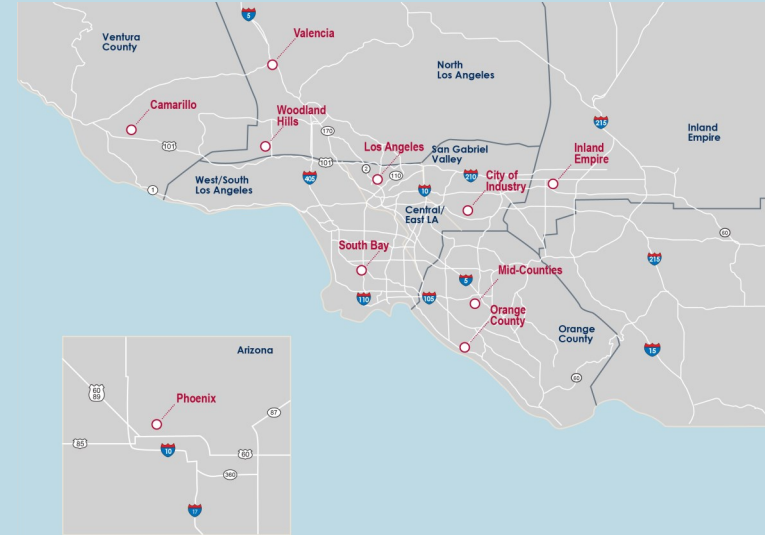
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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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