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

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

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

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

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

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

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

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

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

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Q3 | 2019

Market Report

//////////////////// Orange County Industrial



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MARKET ACTIVITY

KEY TAKE AWAYS

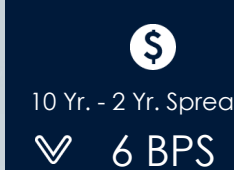
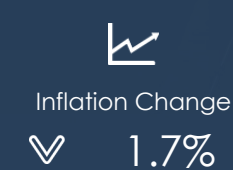
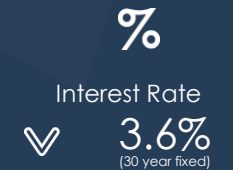
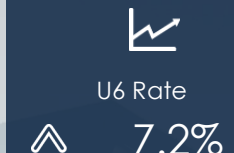
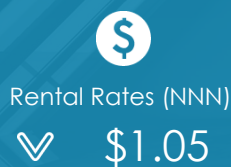
ECONOMIC OUTLOOK

MARKET

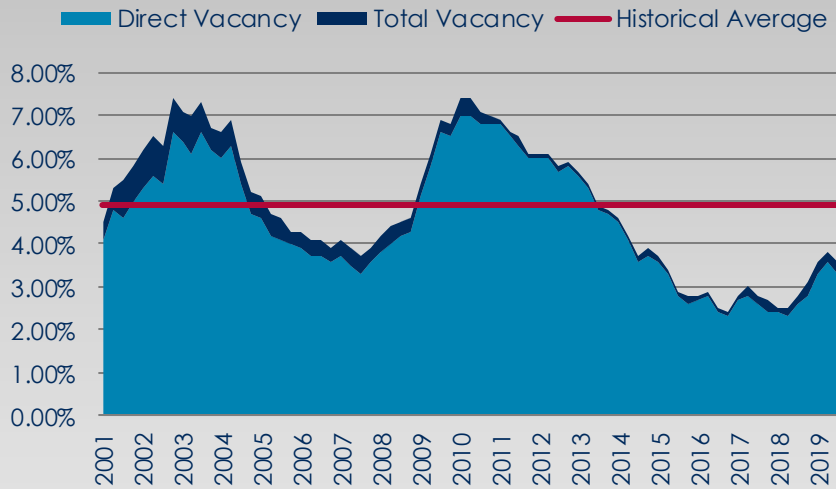
- **Vacancy Rate:** Dropped by 20 BPS to 3.6% overall.
- **Net Absorption:** Direct Net Absorption returned to positive levels in Q3 after consecutive negative 1M+ quarters. Overall Net Absorption was still slightly negative with roughly 22K SF un-absorbed.
- **Asking Rents:** Declined by \$0.01 PSF in Q3 for the 2nd straight quarter.
- **Sales:** Median Price PSF rose 7.8% in Q3 to \$239.35. Volume more than doubled largely due to the \$277M Sale-Leaseback of Albertsons distribution center in Irvine.
- **Industrial Supply:** The OC market currently has over 1M SF under construction. An increase from Q2.

ECONOMIC OUTLOOK

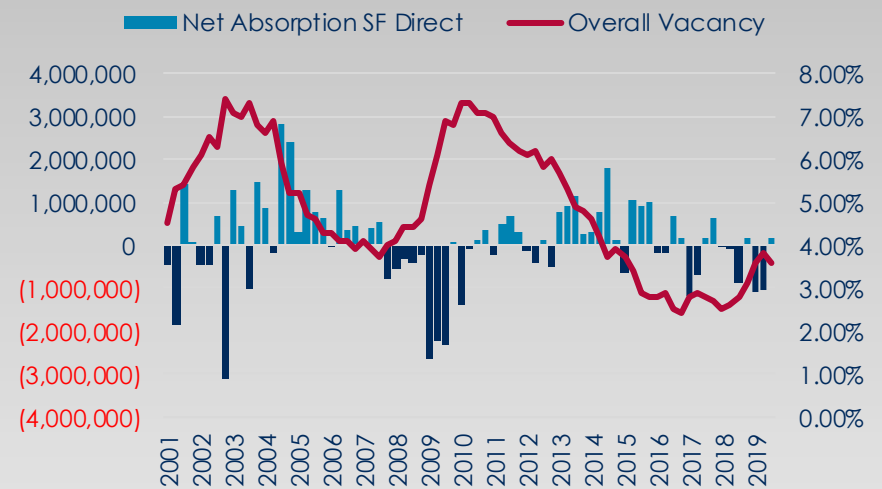
- **Interest Rates:** The yield curve remained inverted in Q3. In Q3, the 10-2 Spread inverted as well for the 1st time since 2007. The Fed cut rates twice in Q3, both by 25 BPS. An additional rate cut could transpire in Q4, if economy weakens.
- **Trade:** The trade dispute with China continues with 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.



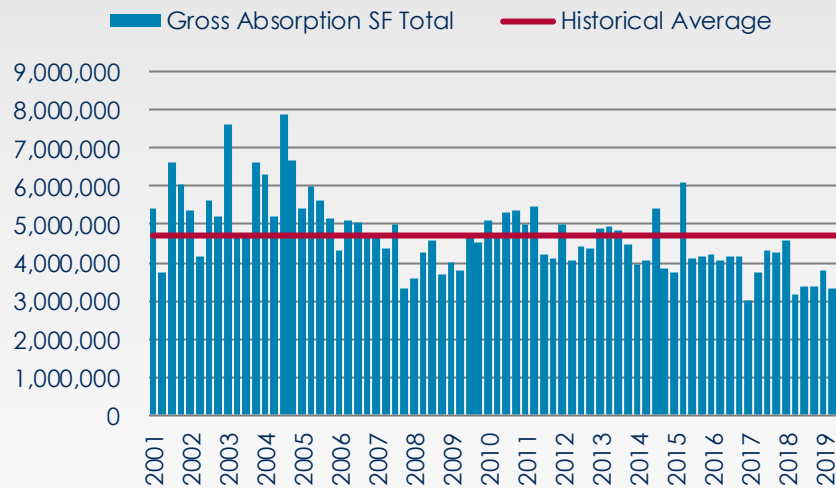
OVERALL VACANCY DECREASED BY 20 BPS TO 3.6%



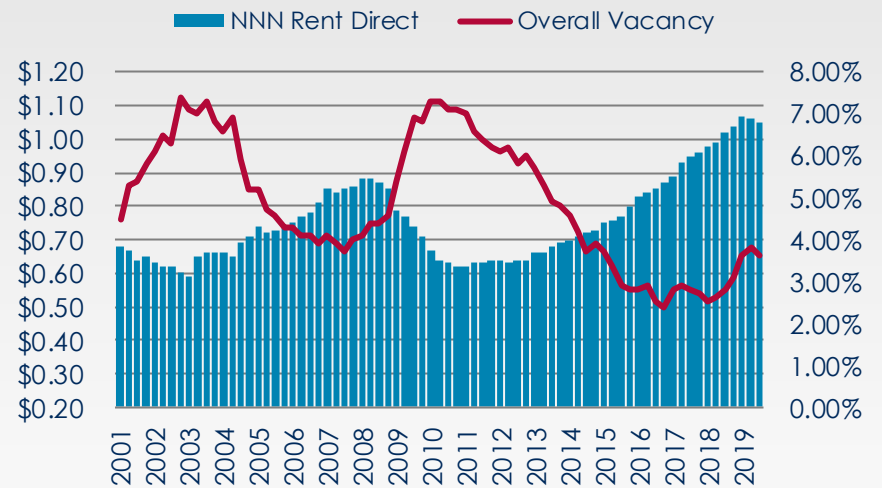
NET ABSORPTION DIRECT TURNED POSITIVE AFTER TWO -1M SF READINGS



GROSS ABSORPTION INCREASED SLIGHTLY IN Q3, REMAINS WELL BELOW HISTORIC AVG.



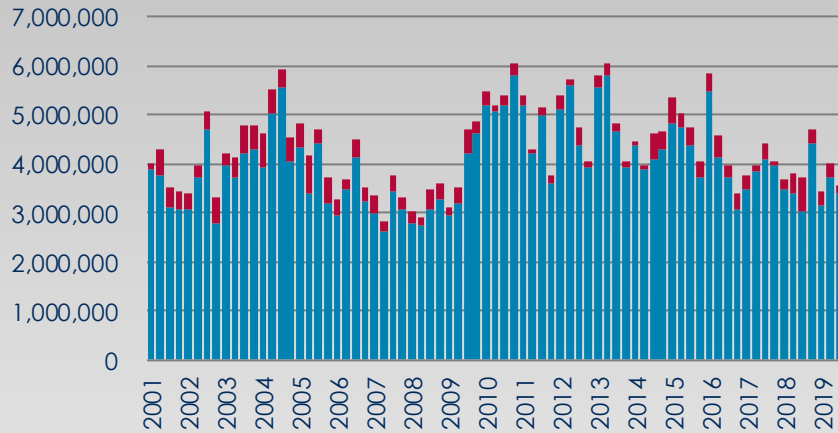
ASKING RENTS DECLINED BY \$0.01 PSF IN Q3



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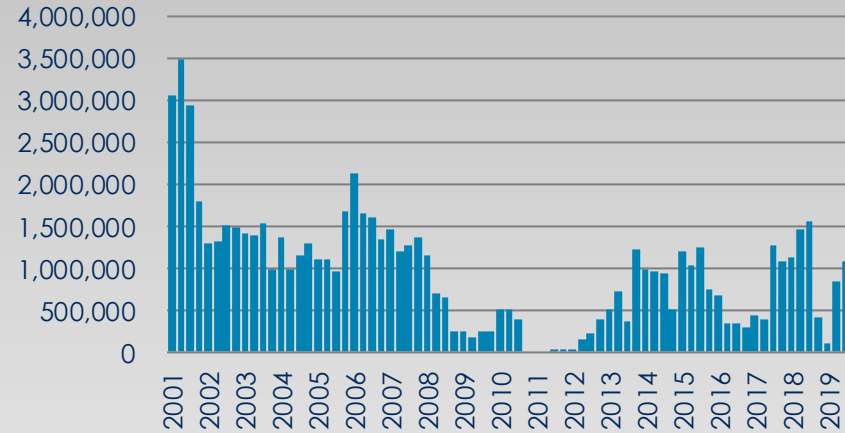
LEASING ACTIVITY FELL FROM Q2 TO SLIGHTLY ABOVE 3.5M SF

■ Leasing Activity SF Direct ■ Leasing Activity SF Sublet



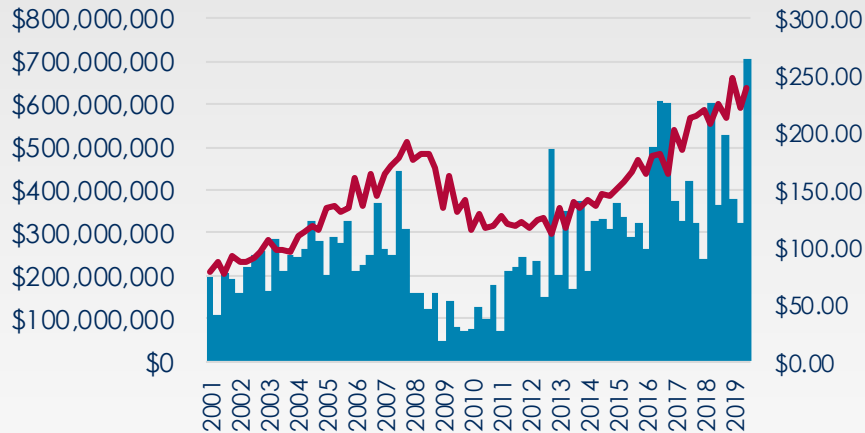
CONSTRUCTION ACTIVITY INCREASED TO OVER 1M SF IN Q3

■ Under Construction SF

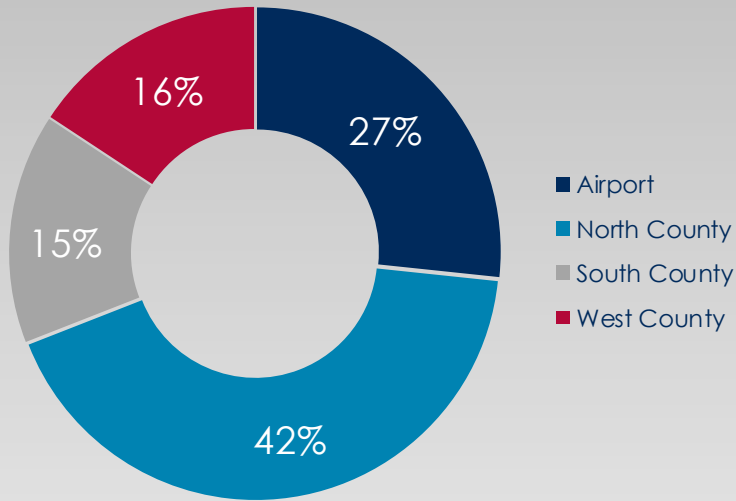


SALES PRICES INCREASED BY 7.8% TO A MEDIAN OF \$239.35 PSF

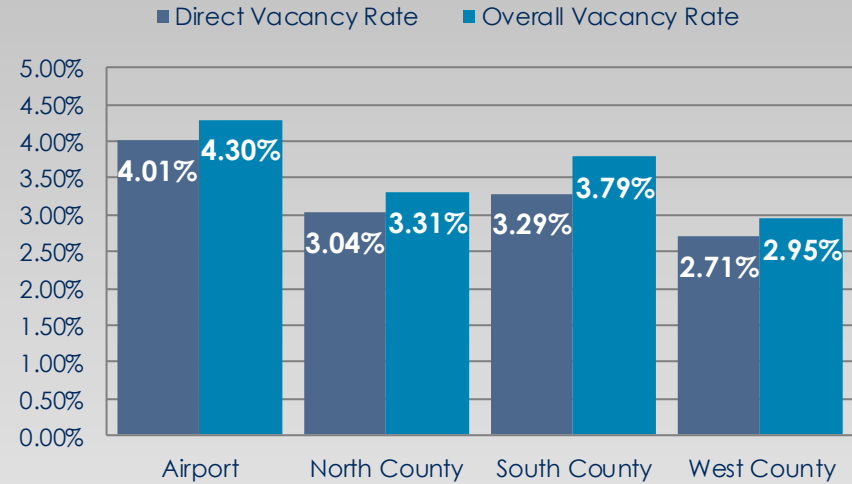
■ Sales Volume ■ Med. Price PSF



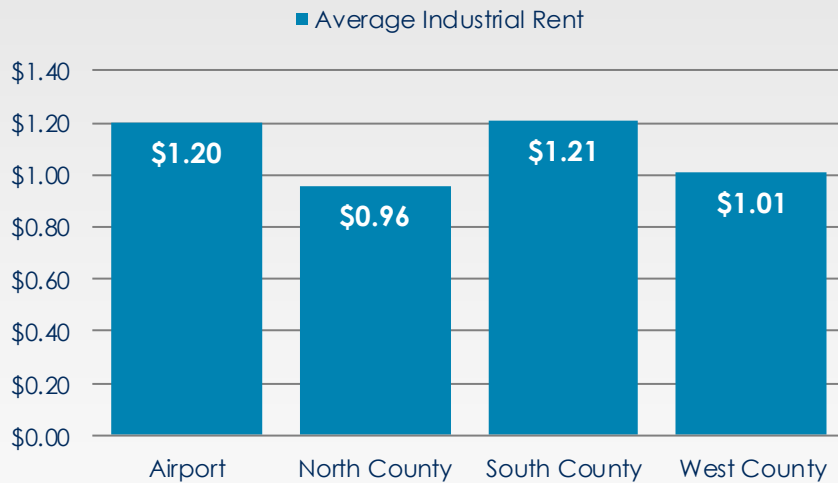
SQUARE FOOT BREAKDOWN- 295,552,271 SF MARKET SIZE



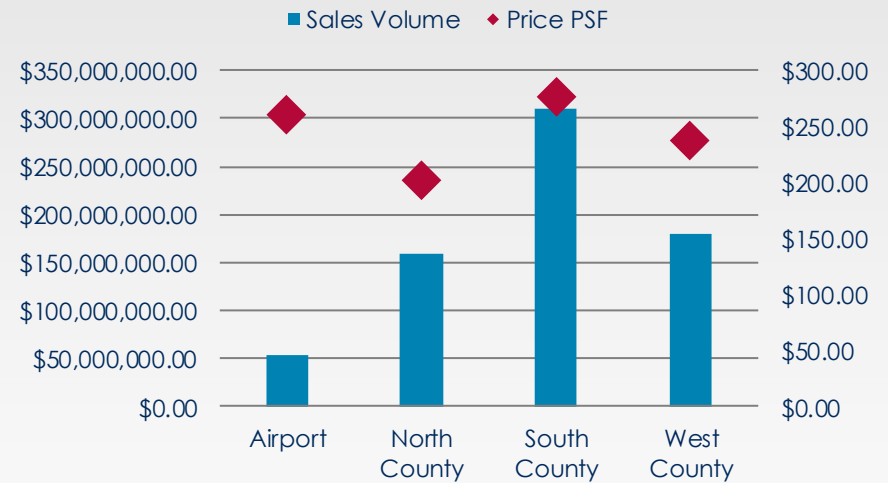
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

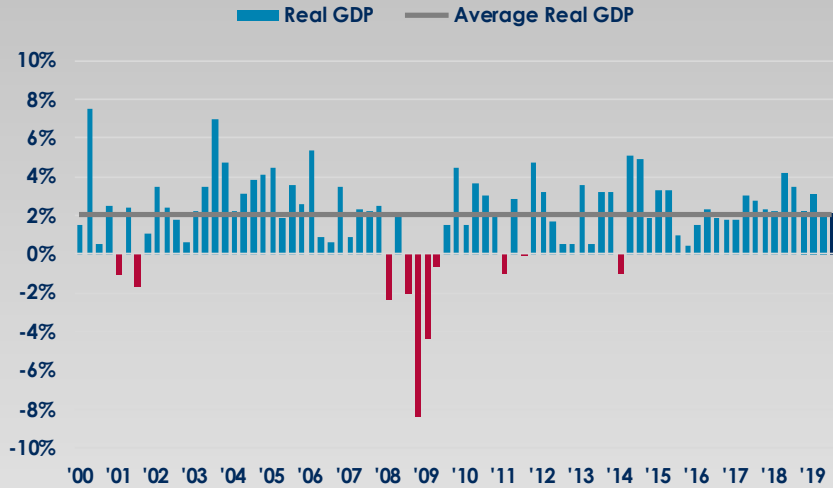
Economic Overview



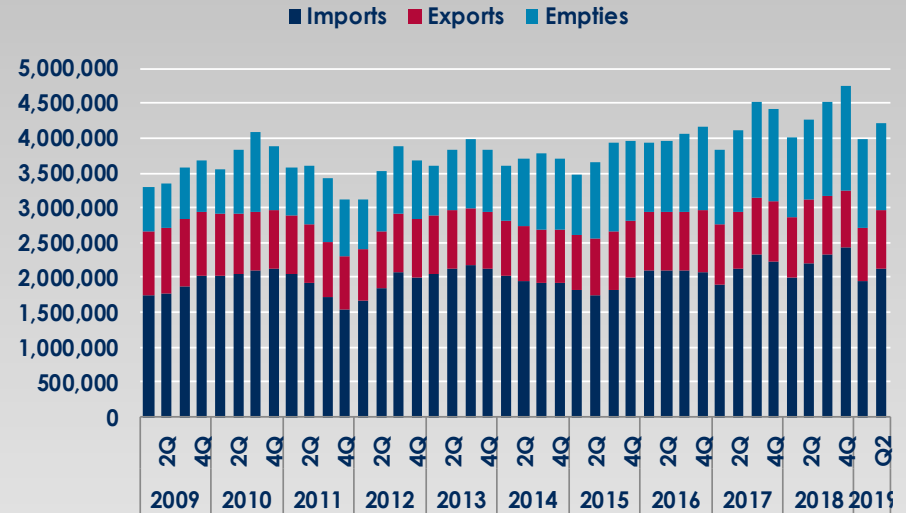
Q3 2019

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

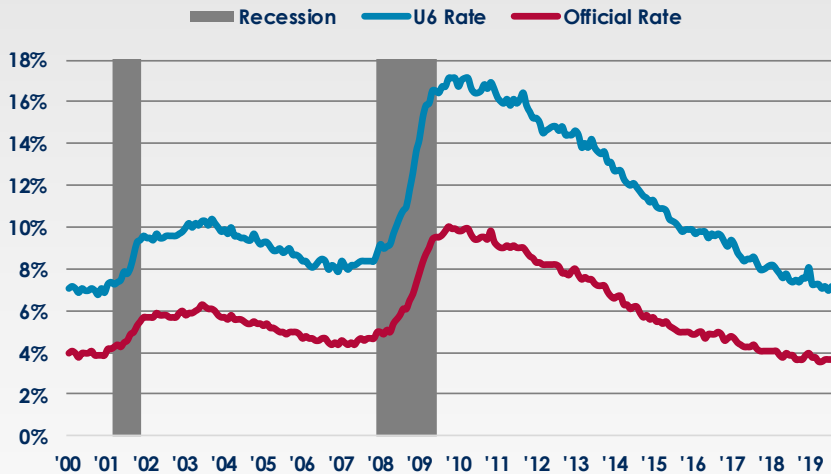


PORT ACTIVITY INCREASED IN Q2 BY 5.6% FROM Q1

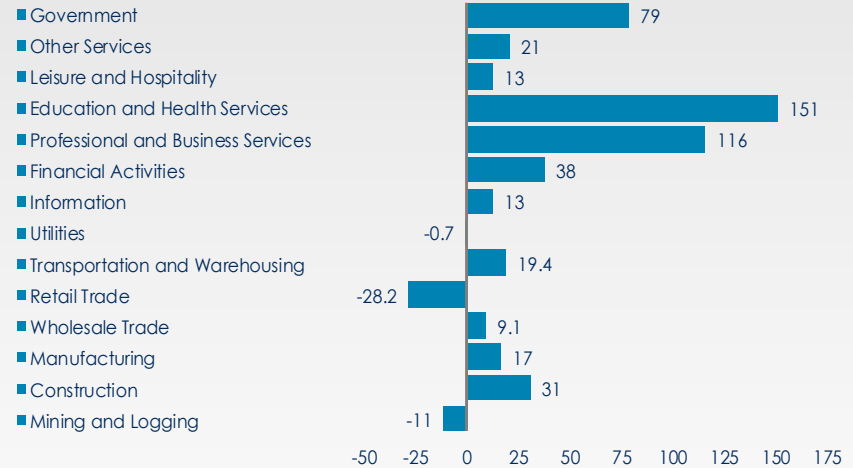


*2.1% for 3Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

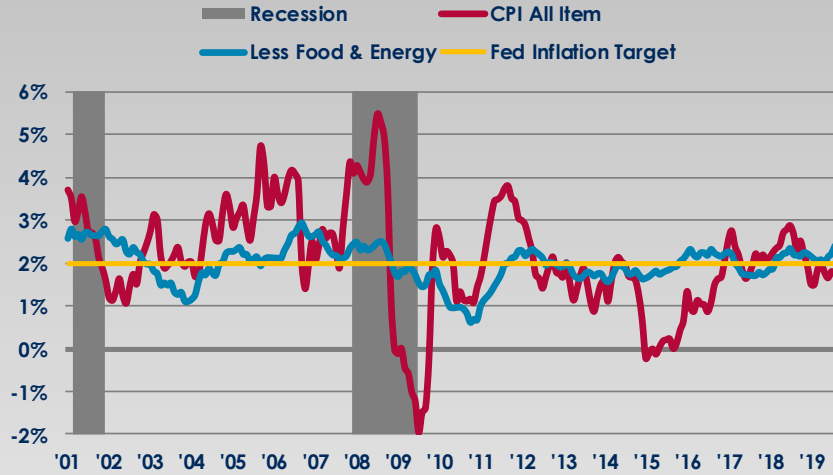
20 BPS INCREASE IN U6 RATE SHOWS PEOPLE ARE COMING BACK TO WORK



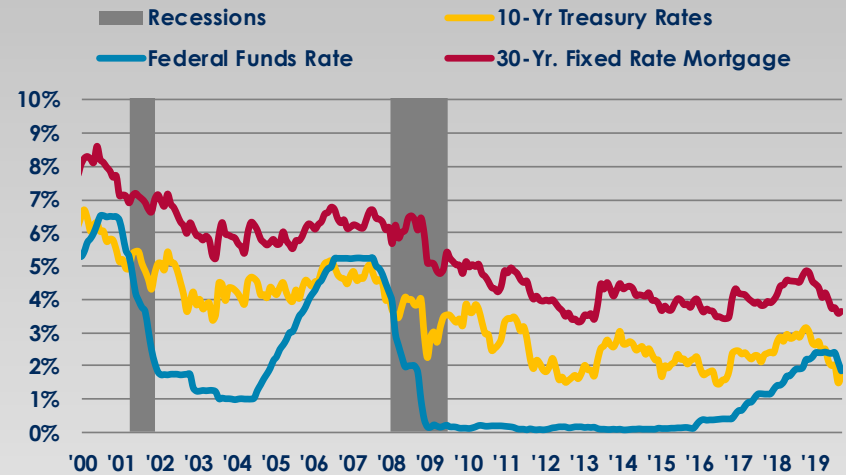
MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



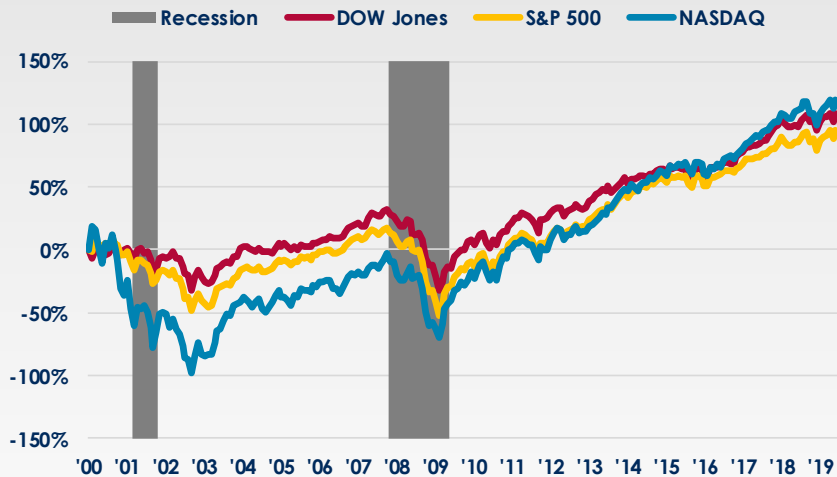
CPI JUST BELOW 2% TARGET



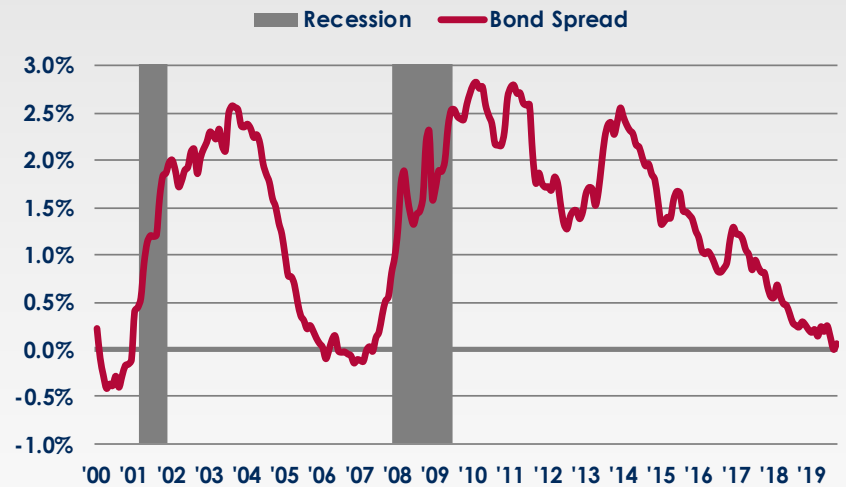
THE YIELD CURVE REMAINS INVERTED



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

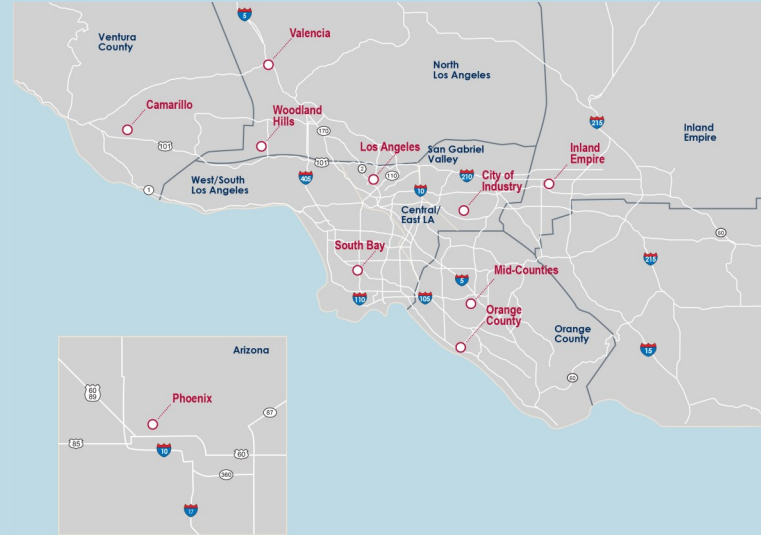
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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