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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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Q2 | 2020
Market Report

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

Central / Southeast



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MARKET REPORT Q2

Industrial 2020 Los Angeles Central/ Southeast



MARKET ACTIVITY

KEY TAKE AWAYS

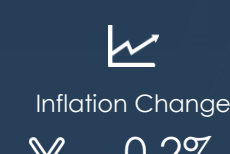
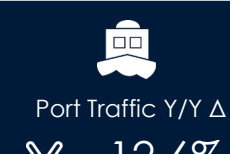
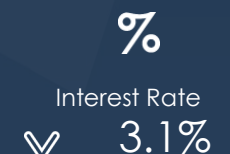
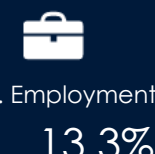
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased 50 BPS from Q1.
- **Net Absorption:** Total Net Absorption fell to over negative 1.5M SF in Q2.
- **Asking Rents:** Fell by \$0.03 PSF from Q1.
- **Sale Prices:** Prices decreased slightly in Q2 to a median of \$185.61 PSF. Volume dropped to lowest level on record at just below \$53M.
- **Industrial Supply:** No new deliveries were recorded in Q2. Under Construction activity increased to over 918K SF.

ECONOMIC OUTLOOK

- **GDP:** Q2 is expected to be the worst quarter in history with an estimated decline of over 35% from Q1 due to the unprecedented economic shutdowns from COVID-19. The NBER has declared the U.S. is in a recession that started in February.
- **Employment:** Over 47M Americans have filed for unemployment since economic shutdowns began 14 weeks ago in order to combat COVID-19.
- **Economic Relief:** As part of the larger \$2.2 Trillion CARES, Congress appropriated \$659B for the Paycheck Protection Program (PPP) to provide forgivable loans to small businesses. As of 6/29, over 4.8M loans have been approved. The efficacy of this program is paramount for the U.S. & CRE.



EXPERIENCE IN A CHANGING MARKET

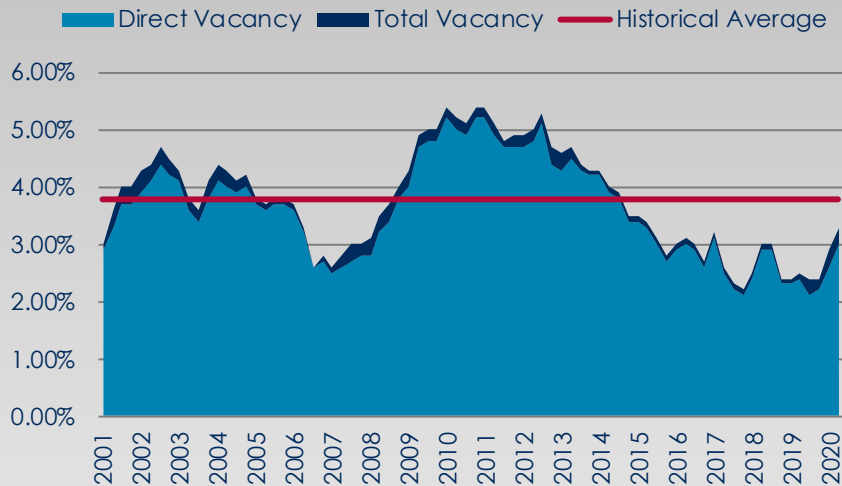
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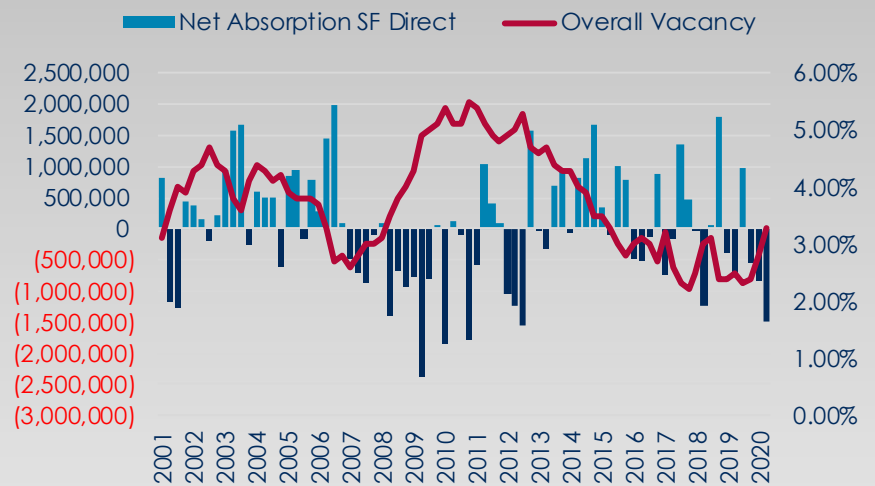
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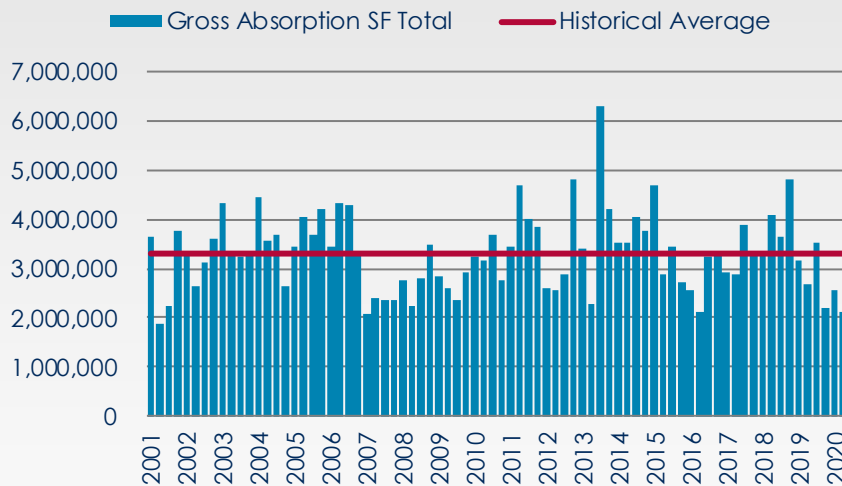
OVERALL VACANCY INCREASED 50 BPS FROM PERVERIOUS QUARTER TO 3.3%



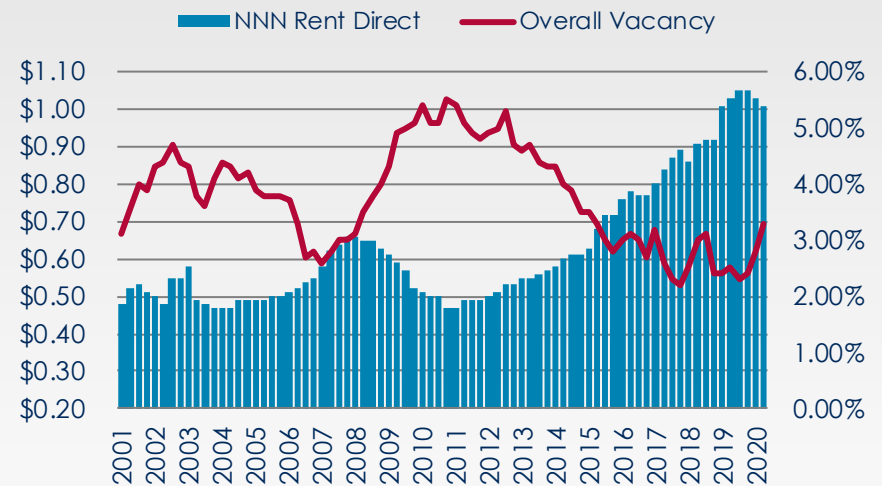
NET ABSORPTION WORST QUARTER SINCE Q3 2012. FELL TO -1.5M SF



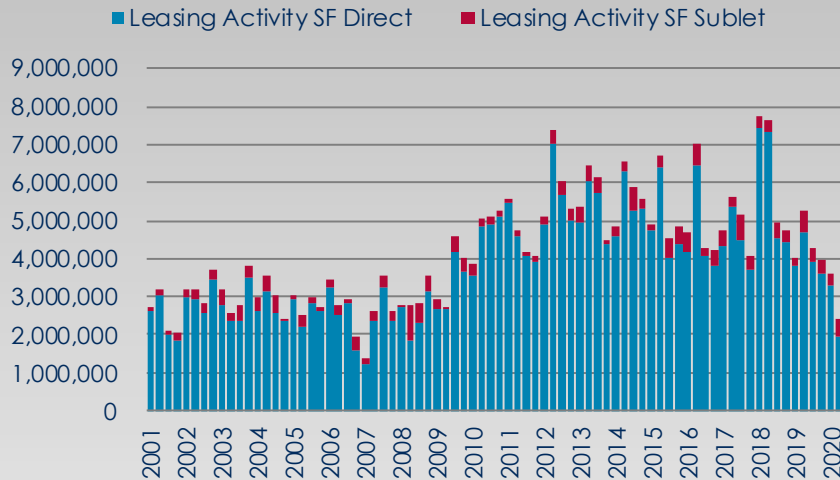
GROSS ABSORPTION FELL BY 18% TO JUST OVER 2.1M SF IN Q2



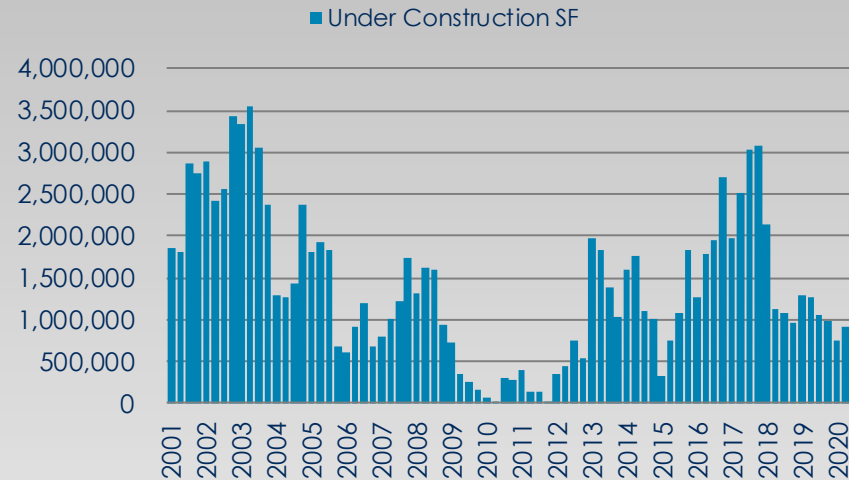
ASKING RENTS CONTINUING DOWNWARD TREND BY FALLING \$0.03 PSF IN Q2



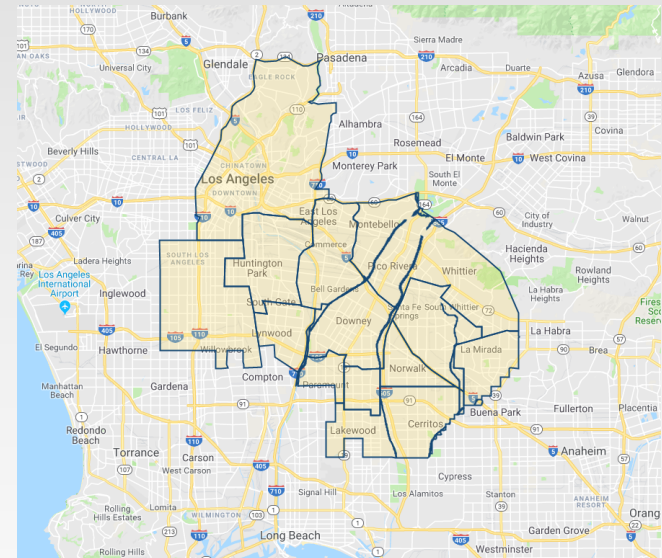
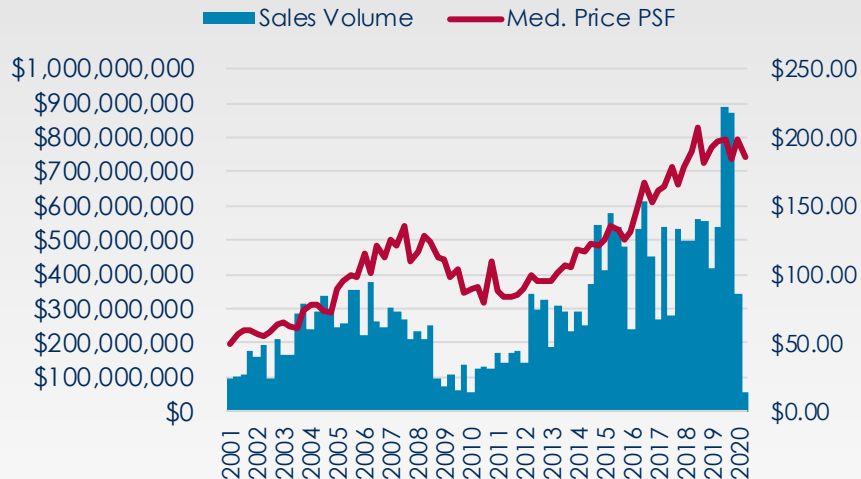
LEASING ACTIVITY DIRECT ACTIVITY FELL OVER 40% IN Q2 TO JUST UNDER 2M



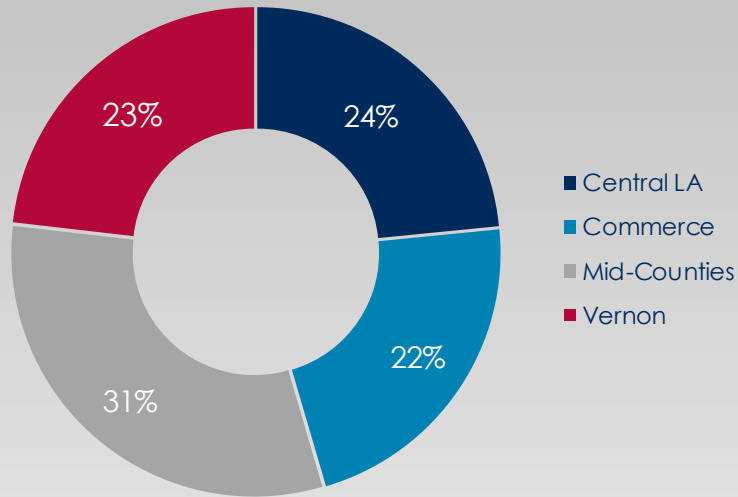
CONSTRUCTION ACTIVITY NO NEW DELIVERIES IN Q2. UC INCREASED TO OVER 918K SF



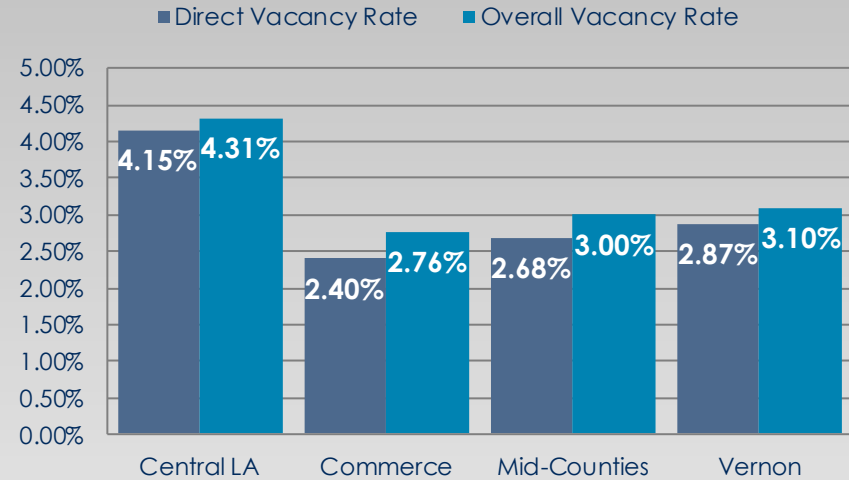
SALES Q2 HAD MEDIAN PRICE OF \$185.61 PSF. VOLUME LOWEST RECORDED



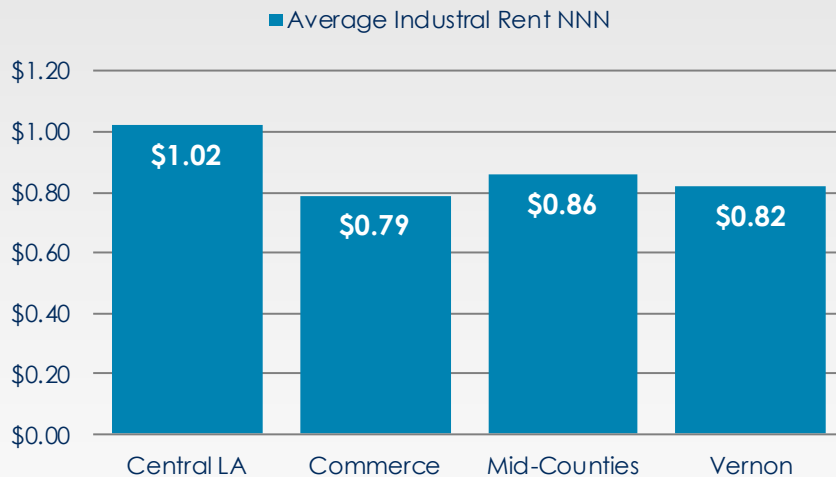
SQUARE FOOT BREAKDOWN- 348,901,559 SF MARKET SIZE



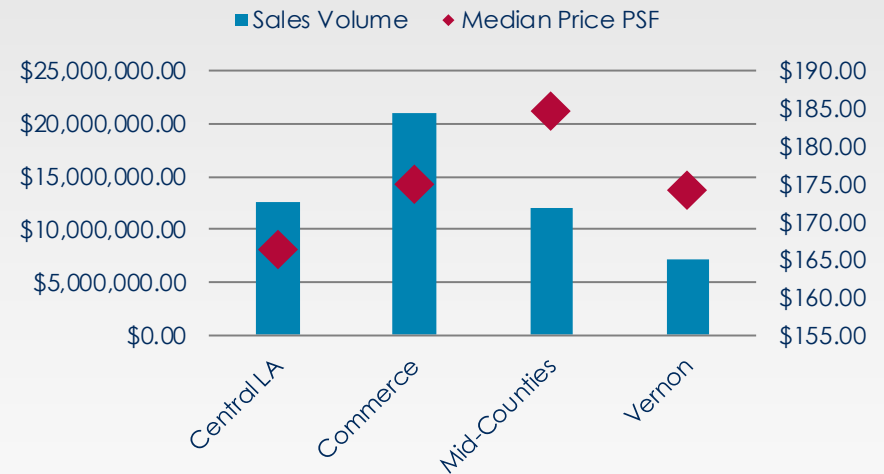
VACANCY BREAKDOWN



AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



VOLUME BREAKDOWN



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

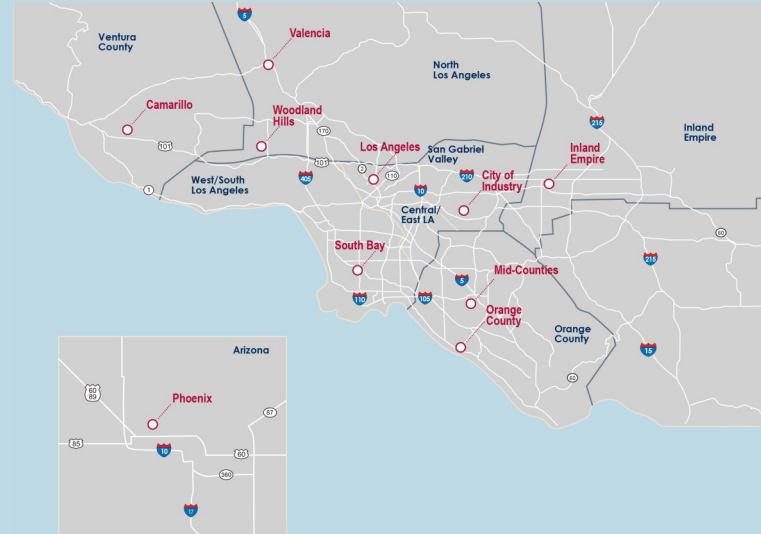
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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 2020

New buildings with original construction completed in the year 2020 and granted a Certificate of Occupancy. Renovated buildings are not included.



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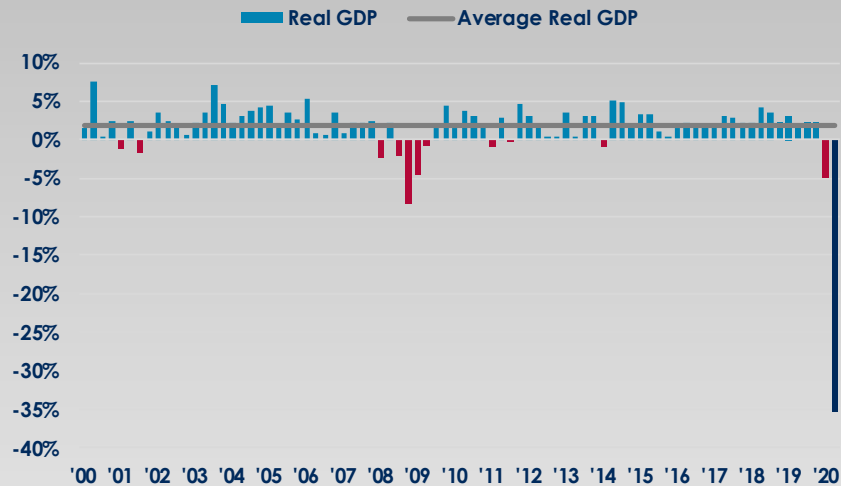
Economic Overview



////////// Q2 2020

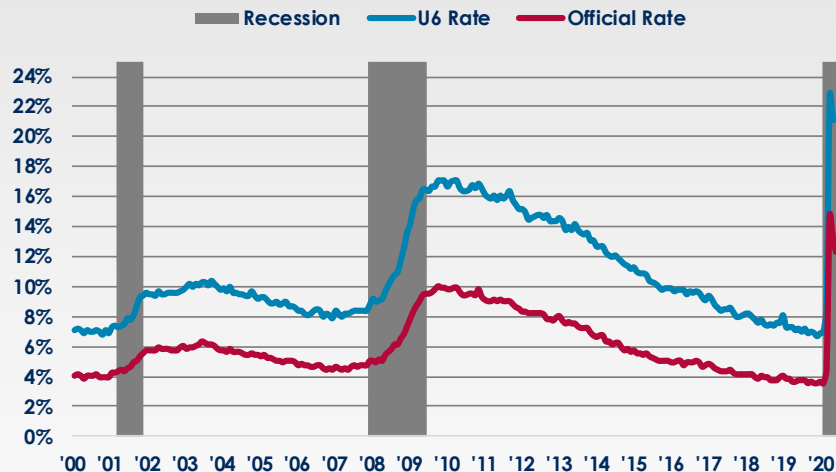
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GDP IN Q1 FINISHED AT -5.0%. Q2 EST. TO BE WORST IN HISTORY

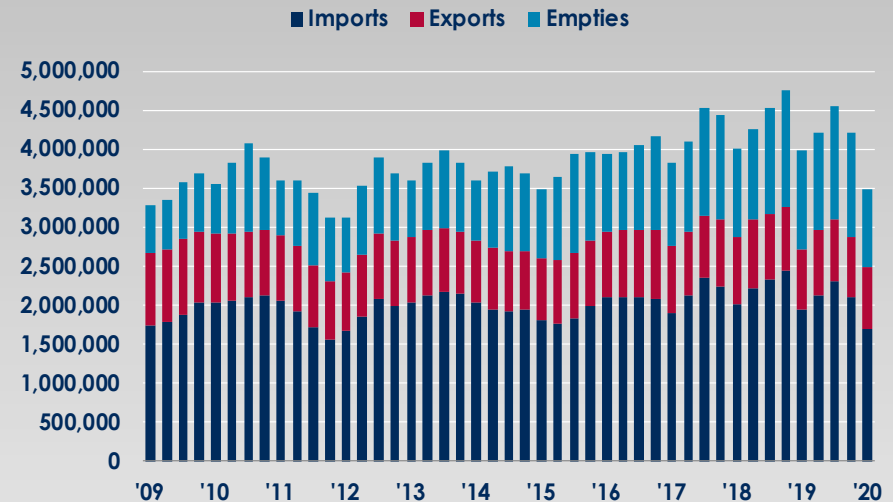


*-35.3% for 2Q20 based on CNBC/Moody's Analytics Rapid Update Survey

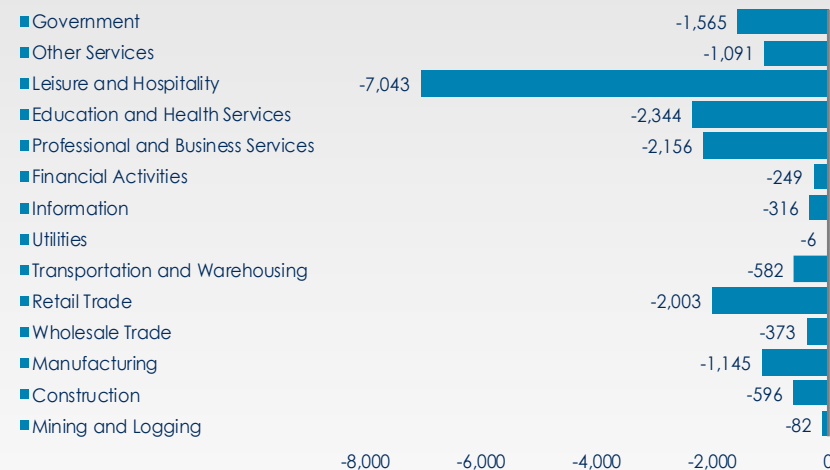
THE IMPACT FROM COVID-19 BEGINS TO SHOW



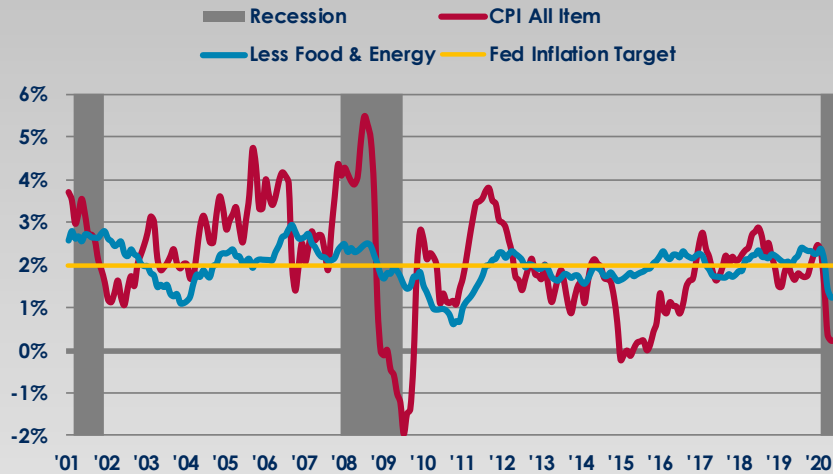
PORT ACTIVITY FELL BY 17.1% FROM Q3. DECLINE EXPECTED IN Q2-20



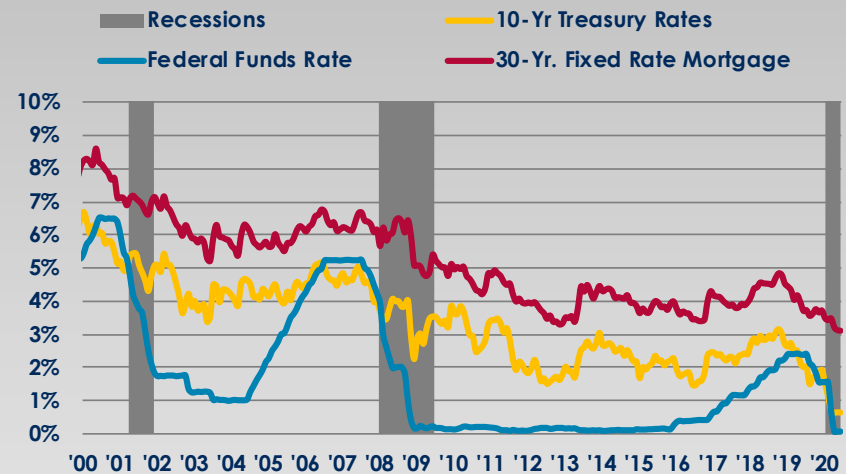
LEISURE & HOSPITALITY HIT HARD DUE TO SHUTDOWNS FROM COVID-19



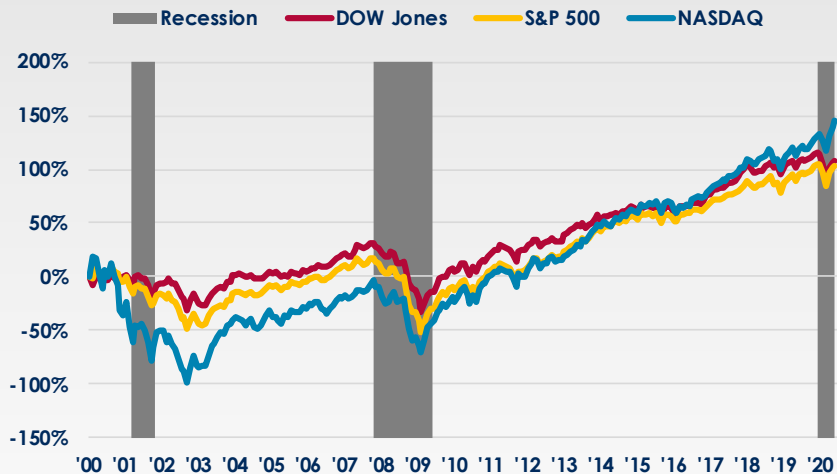
CPI FELL DRASTICALLY IN Q2



THE FEDERAL RESERVE CUT THE FED FUNDS RATE TO 0.0-0.25%



THE STOCK MARKET HAD ITS BEST QUARTER IN OVER 20 YEARS



10-2 YEAR BOND SPREAD INCREASED AS NEAR-TERM PROSPERITY DECLINES

