

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q3 | 2020

Market Report

Los Angeles Industrial

San Gabriel Valley



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MARKET ACTIVITY

KEY TAKE AWAYS

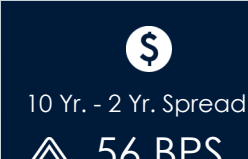
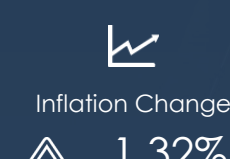
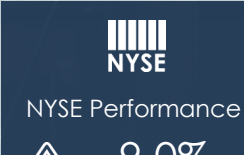
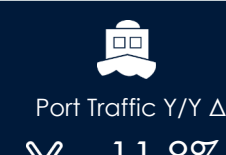
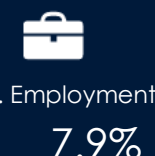
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Fell by 50 BPS in Q3.
- **Asking Rents:** Increased by \$0.02 PSF in Q3 to \$0.90.
- **Industrial Supply:** Over 92K SF was delivered in Q3. Construction activity increased to 1.35M SF.
- **Sale:** Volume fell again this time by 3.1% from Q2. The median price PSF increased 5.2% to \$203.61.

ECONOMIC OUTLOOK

- **GDP:** Q2 finished slightly better than estimates, but still worst on record with a -31.4% contraction. Estimates for Q3 show growth of over 20% as economies continue opening up.
- **Employment:** The unemployment rate continues to decline, but the employment situation is bleak for millions of Americans as thousands of business are permanently closing, leaving more than 20M jobless.
- **Economic Relief:** A new round of much needed economic stimulus is working its way through congress. The HEROES Act is another \$2.2 Trillion stimulus proposal. Included in it is a 2nd round of PPP funding that will be targeted more to small businesses that continue to struggle.



EXPERIENCE IN A CHANGING MARKET

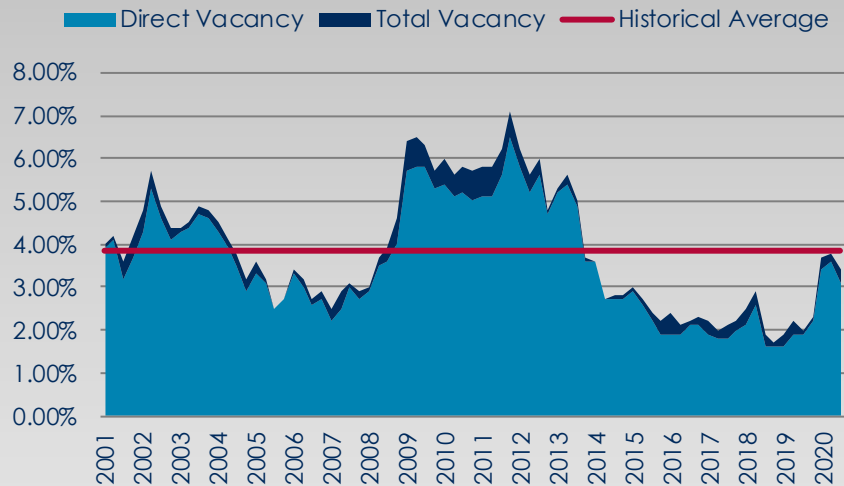
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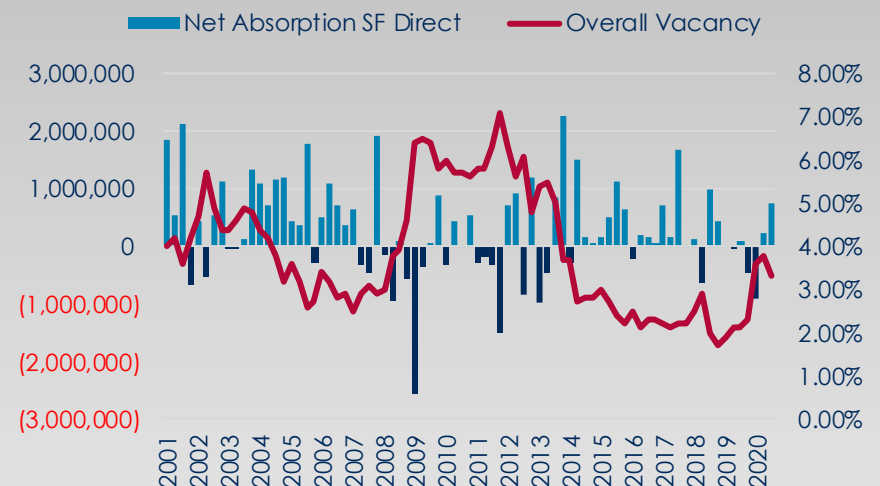
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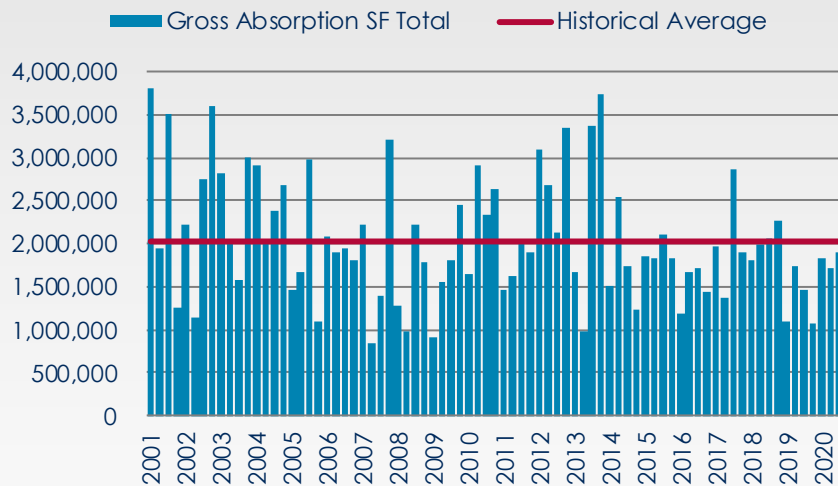
OVERALL VACANCY FELL BY 50 BPS IN Q3 TO 3.3%



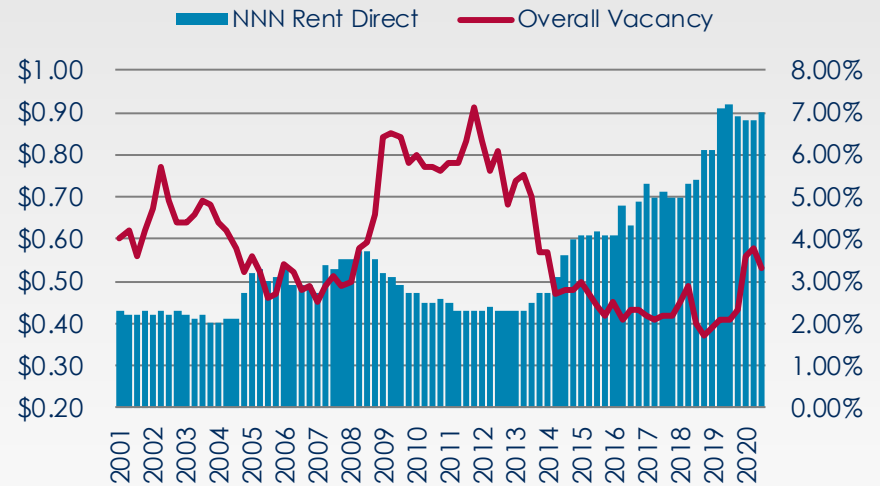
NET ABSORPTION INCREASED BY 400K SF FROM REVISED Q2 TO 670K SF IN Q3



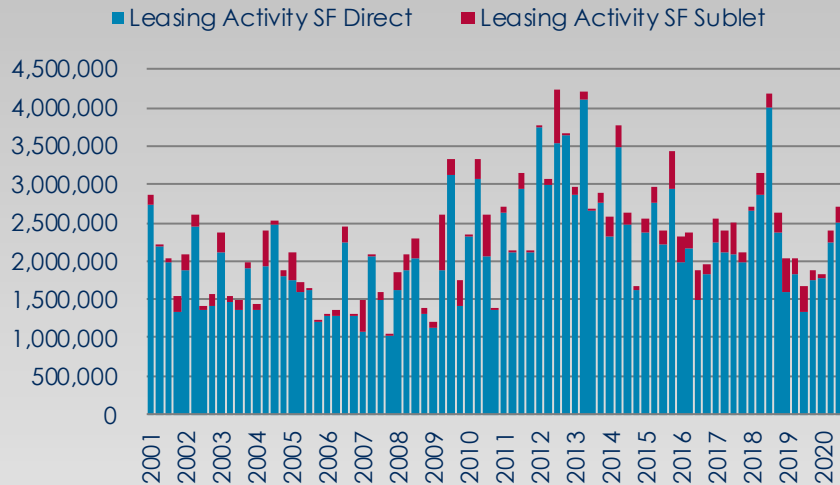
GROSS ABSORPTION INCREASED BY 11% IN Q3 TO 1.9M SF



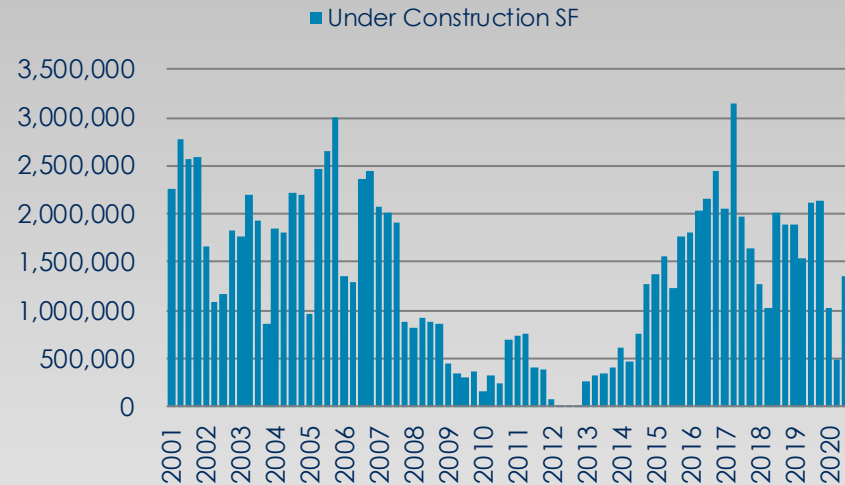
ASKING RENTS ROSE BY \$0.02 PSF FROM Q2 TO \$0.90 PSF



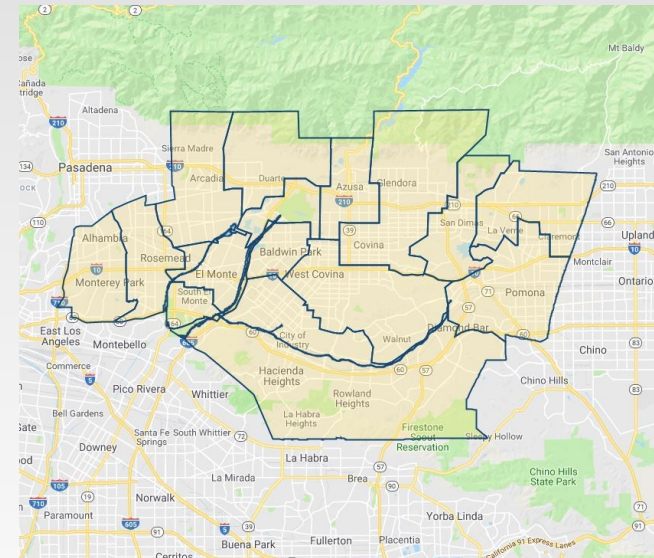
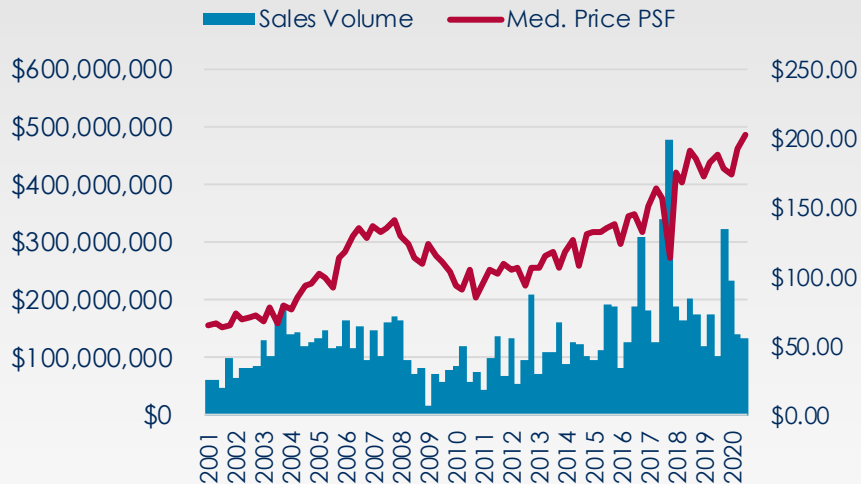
LEASING ACTIVITY INCREASED BY 13% FROM Q2 TO JUST OVER 2.7M SF



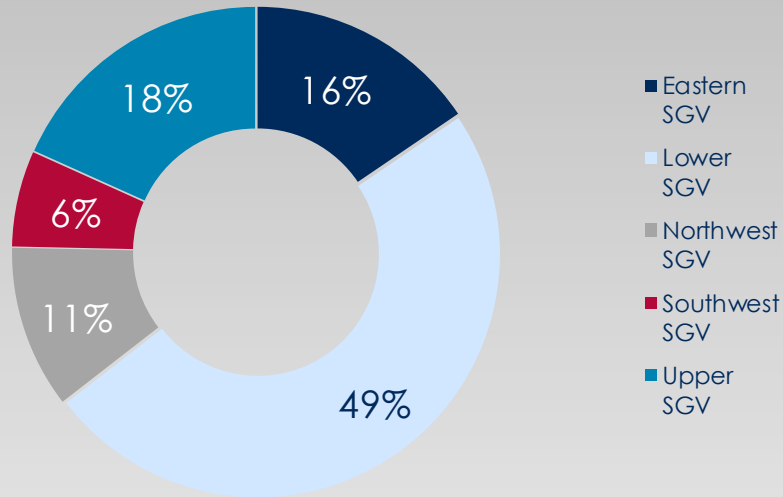
CONSTRUCTION ACTIVITY 92K SF WAS DELIVERED IN Q3. UC NOW 1.35M SF



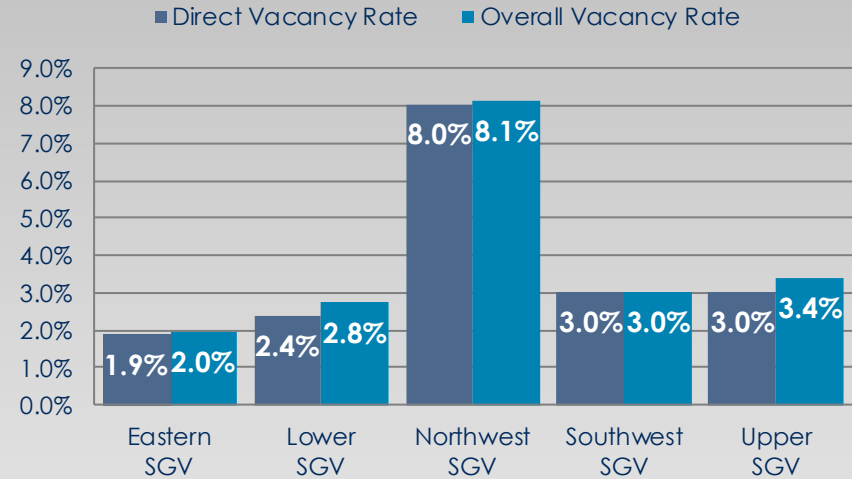
SALES VOLUME DOWN 3.1% FROM Q2. MEDIAN PRICE WAS \$203.61 PSF



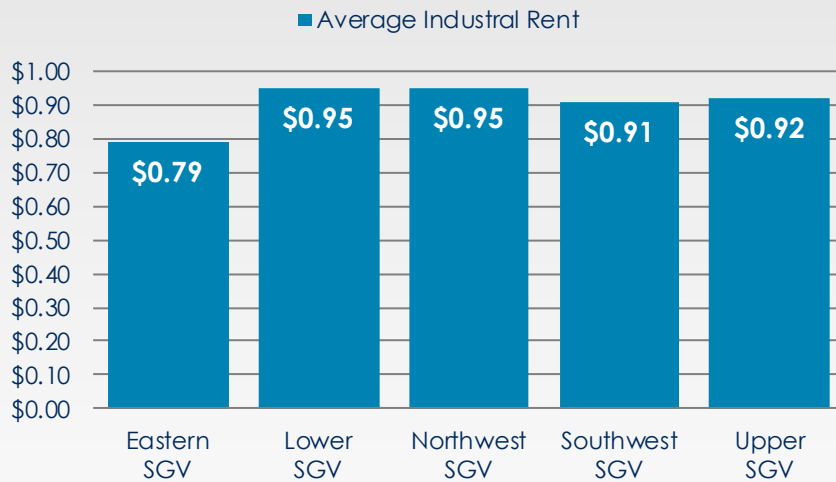
SQUARE FOOT BREAKDOWN- 176,255,259 SF MARKET SIZE



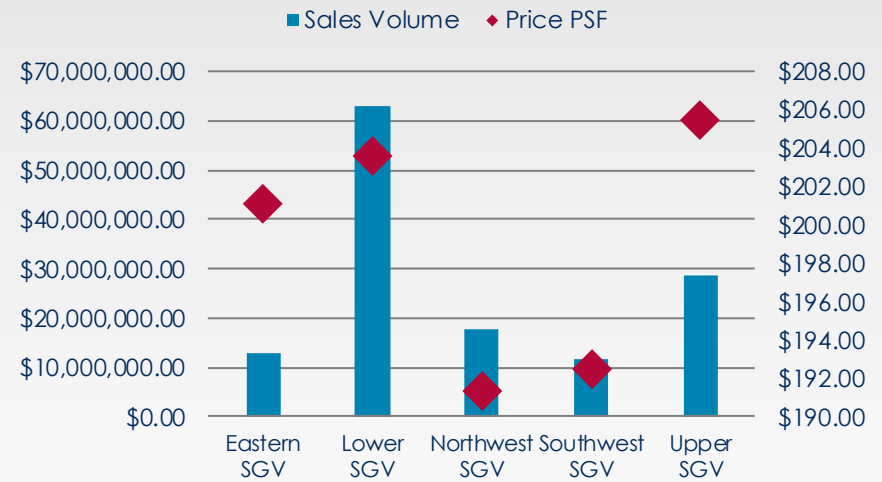
VACANCY BREAKDOWN



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

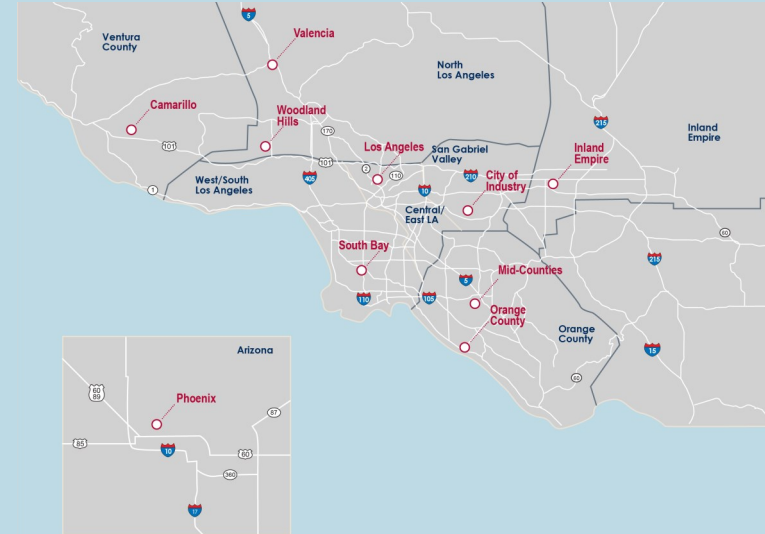
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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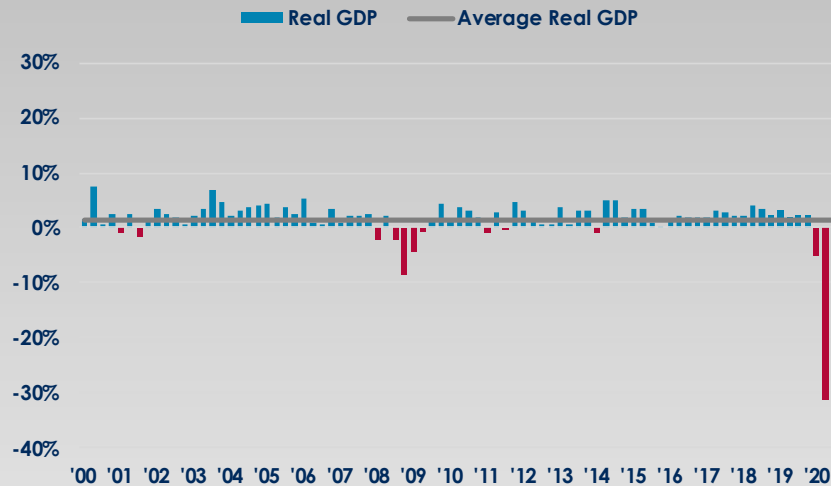
Economic Overview

Q3 2020



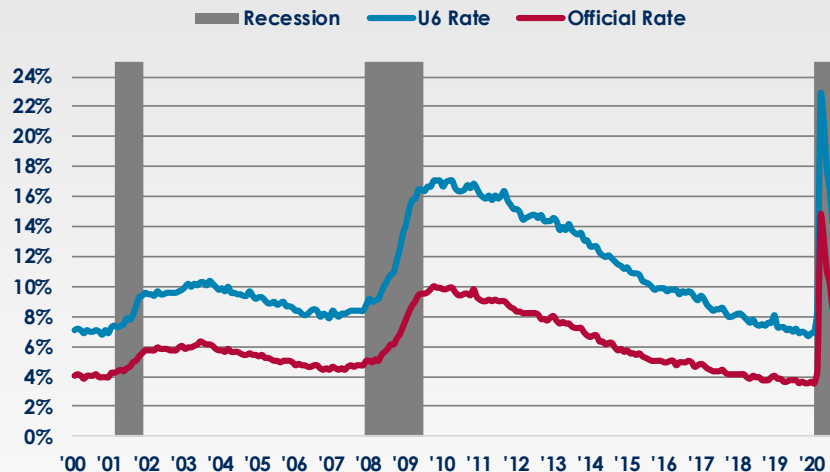
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GDP IN Q2 FINISHED AT -34.4%. Q3 EST. TO GROW AT 24.3%

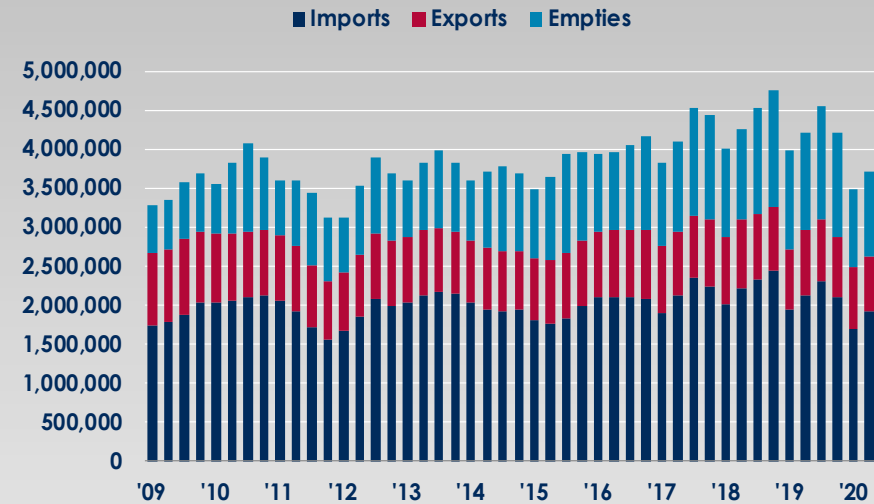


*24.3% for 3Q20 based on CNBC/Moody's Analytics Rapid Update Survey

THE IMPACT FROM COVID-19 SHOWING SLOW SIGNS OF JOB RECOVERY

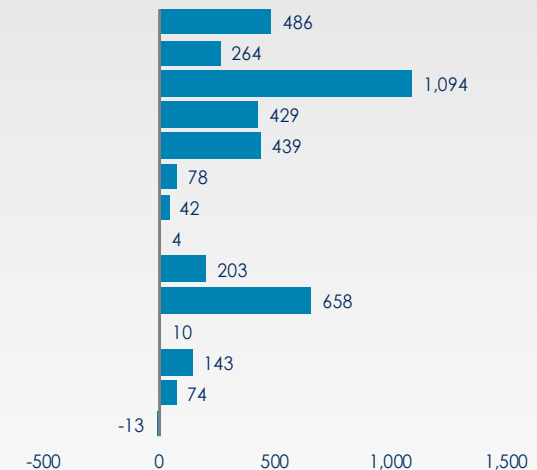


PORT ACTIVITY INCREASED 6.6% IN Q2 FROM Q1

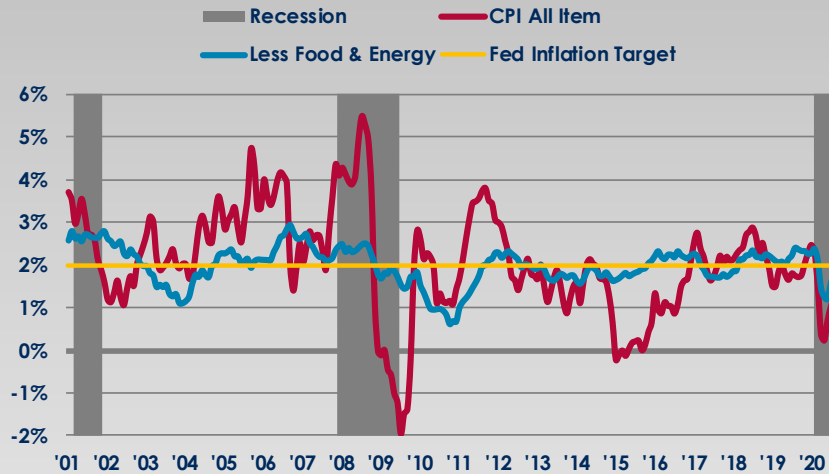


LEISURE & HOSPITALITY SHOWS GROWTH AS RESTRICTIONS BEGIN TO EASE

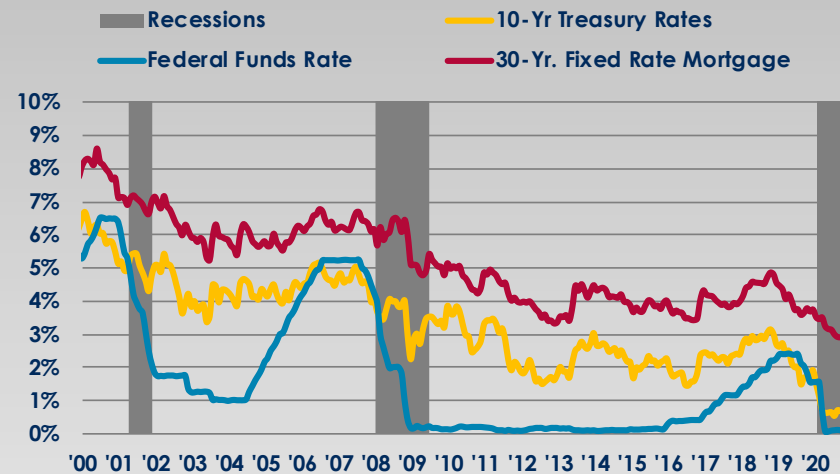
- Government
- Other Services
- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Information
- Utilities
- Transportation and Warehousing
- Retail Trade
- Wholesale Trade
- Manufacturing
- Construction
- Mining and Logging



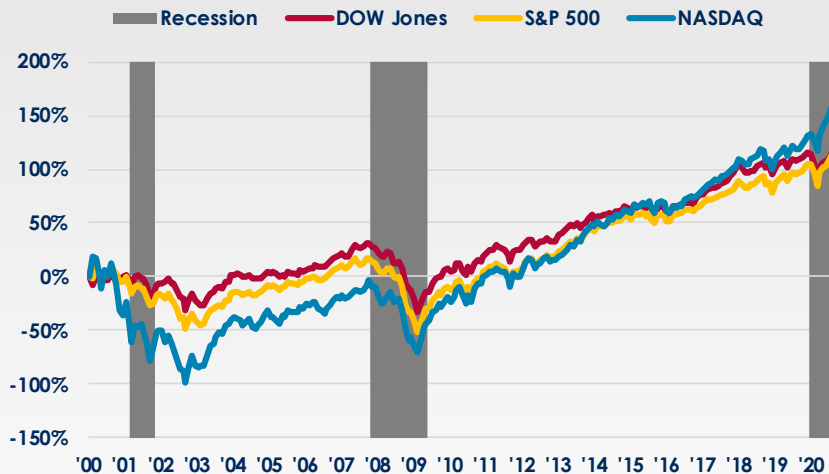
CPI REMAINS BELOW TARGET BUT PICKING UP



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



THE STOCK MARKET CONTINUES TO RISE



10-2 YEAR BOND SPREAD INCREASED AGAIN IN Q3

