Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

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COMMERCIAL REAL ESTATE SERVICES

Q4 | 2020 Market Report

Los Angeles Industrial

Central / Southeast

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MARKET REPORT Q4

Industrial 2020
Los Angeles Central/ Southeast

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MARKET ACTIVITY

Direct Vacancy ∧ 3.3%	Net Absorption ∨ -773,009 SF
Overall Vacancy ∧ 3.6%	Gross Absorption ∧ 3,464,603 SF
Under Construction ∨ 377,443 SF	Rental Rates (NNN) ∧ $1.02
Sale Price Change ∧ 3.4%	Deal Volume ∨ 31.5%

KEY TAKE AWAYS

MARKET

- **Vacancy Rate**: Increased by 30 BPS from Q3 to the highest level since 2014.
- **Net Absorption:** Total Net Absorption decreased by over 500K SF in Q4.
- **Asking Rents**: Minimal gain of $0.01 PSF from Q3.
- **Sale Prices**: Prices increased in Q4 to a median of $220.80 PSF. Volume fell to $464M. Total volume in 2020 was 44% lower than in 2019.
- **Industrial Supply**: Three deliveries in Q4 of 423K SF. Under Construction activity fell to over 377K SF.

ECONOMIC OUTLOOK

- **GDP**: After a record low contraction in Q2 of -31.4%, the U.S. economy rebounded in Q3 with a growth rate of 33.4%. With COVID-19 continuing to spread, Q4 GDP is estimated to grow at 5.7%.
- **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 10M jobless.
- **Economic Relief** : In late December, Congress passed a $900B relief package. Included in it is $284B for a 2nd round of PPP funding for businesses. With the election of Joe Biden & Democrats securing the Senate majority, additional economic stimulus is more likely to occur.

ECONOMIC OUTLOOK

U.S. Employment ∨ 6.7%	U6 Rate ∨ 11.7%
Interest Rate ∨ 2.7% (30 year fixed)	Changing GDP ∧ 5.7%
Port Traffic Y/Y Δ ∧ 9.5%	NYSE Performance ∧ 12.4%
Inflation Change ∨ 1.16%	10 Yr. - 2 Yr. Spread ∧ 80 BPS

EXPERIENCE IN A CHANGING MARKET
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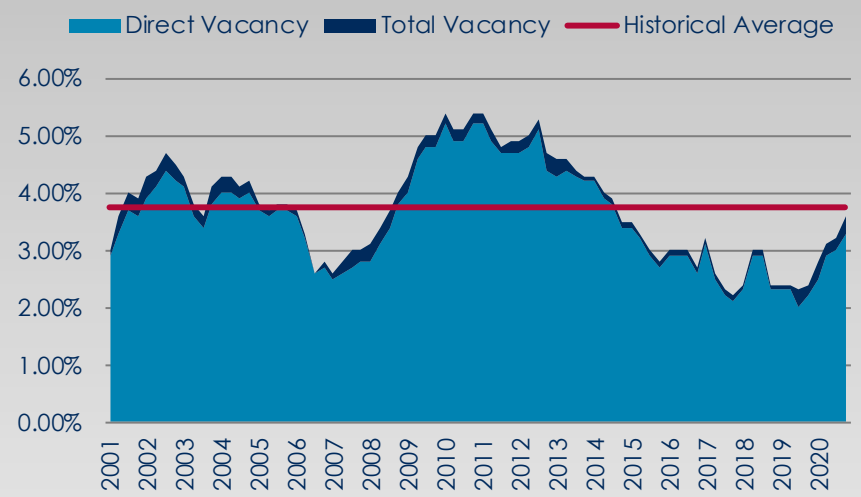
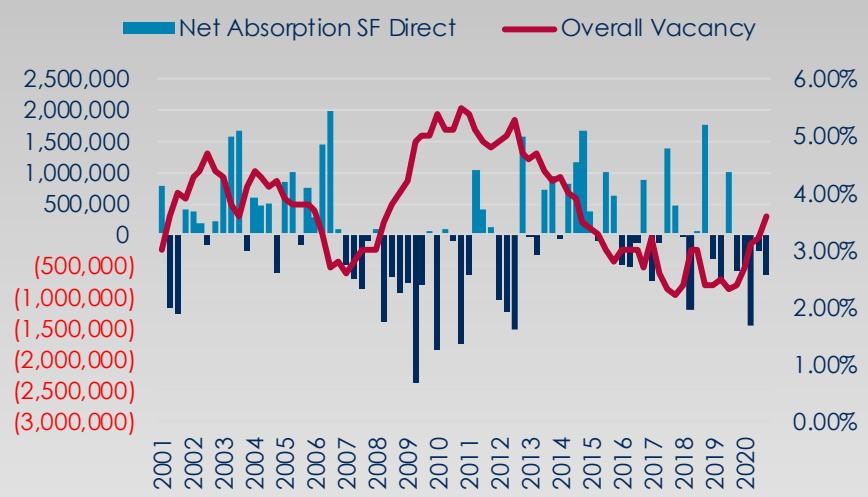
Q4 Market Report

L.A. Central/Southeast | Industrial //// Q4 2020

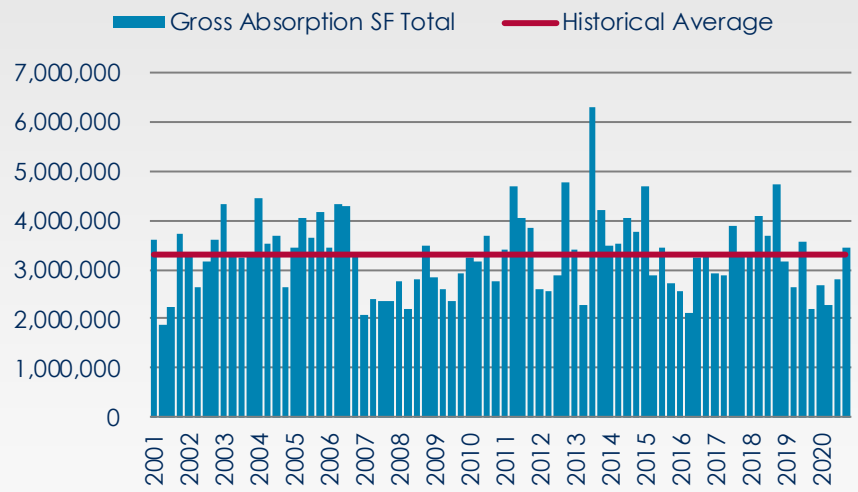
OVERALL VACANCY
INCREASED 30 BPS FROM PERVIOUS QUARTER TO 3.6%



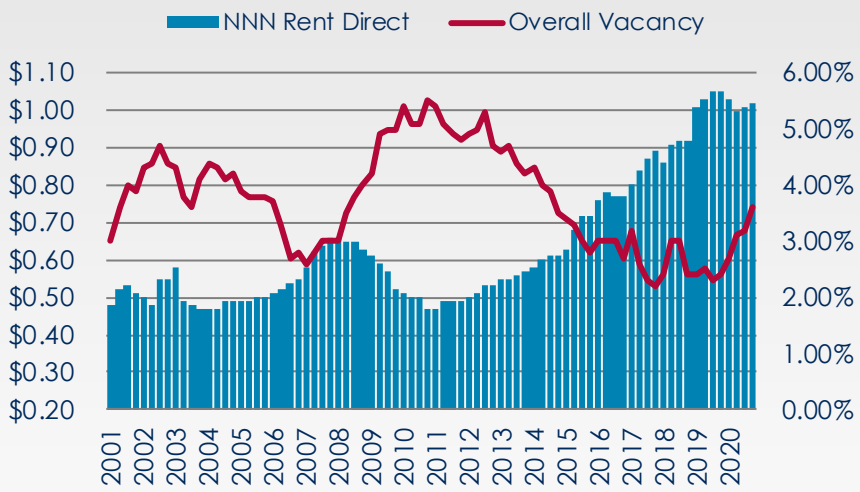
NET ABSORPTION
FELL BY OVER 500K SF TO -773K SF IN Q4



GROSS ABORPTION
INCREASED BY 23% TO OVER 3.4M SF IN Q4. HIGHEST SINCE Q4 18'



ASKING RENTS
STAGNANT IN Q4 WITH AN INCREASE OF ONLY $0.01 PSF



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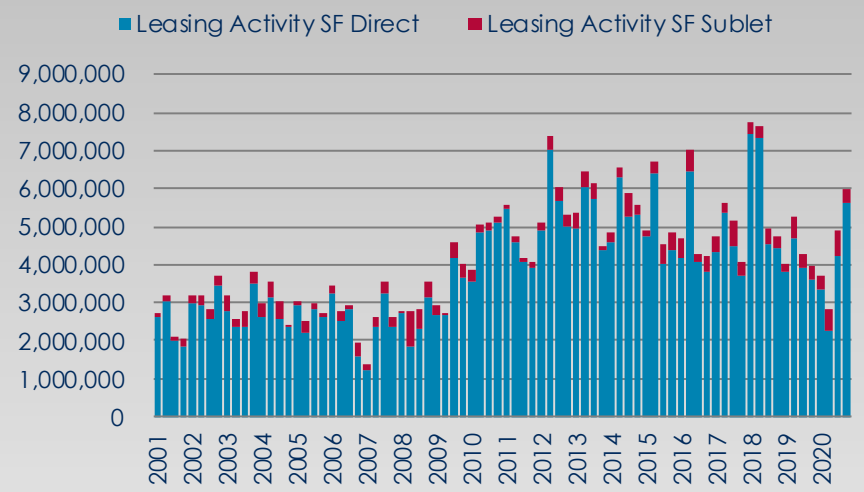
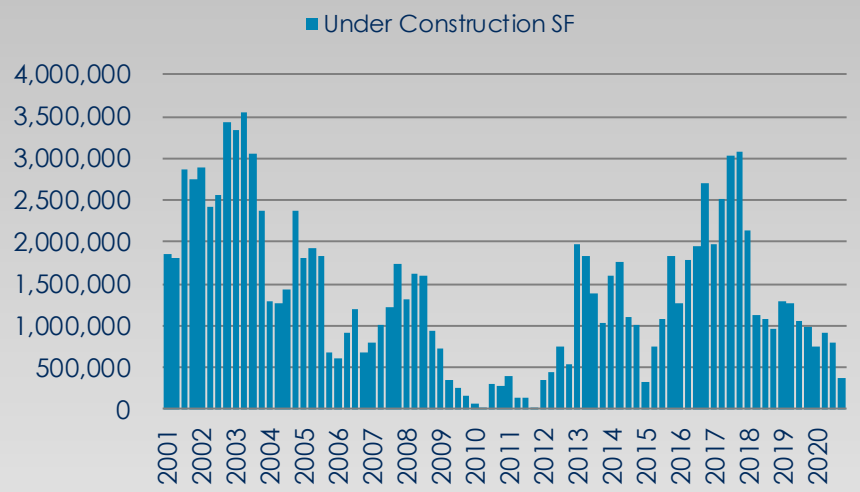
Q4 Market Report

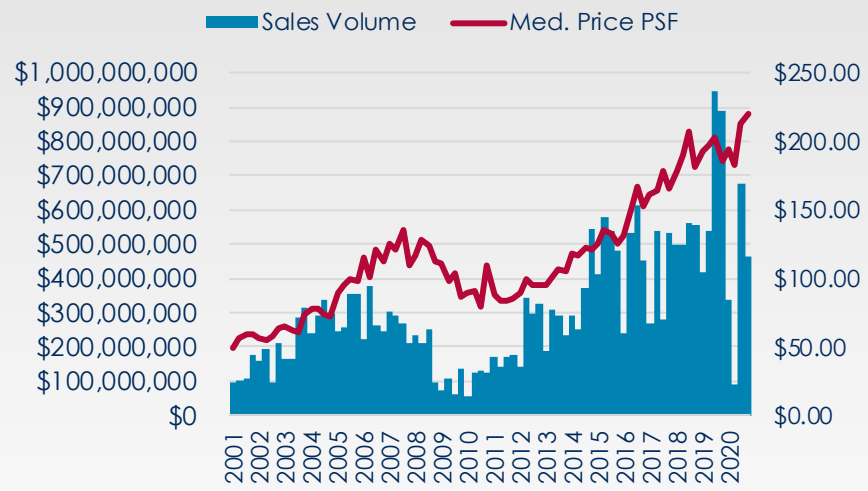
LEASING ACTIVITY
DIRECT ACTIVITY INCREASED OVER 23% IN Q4 TO JUST OVER 6M SF

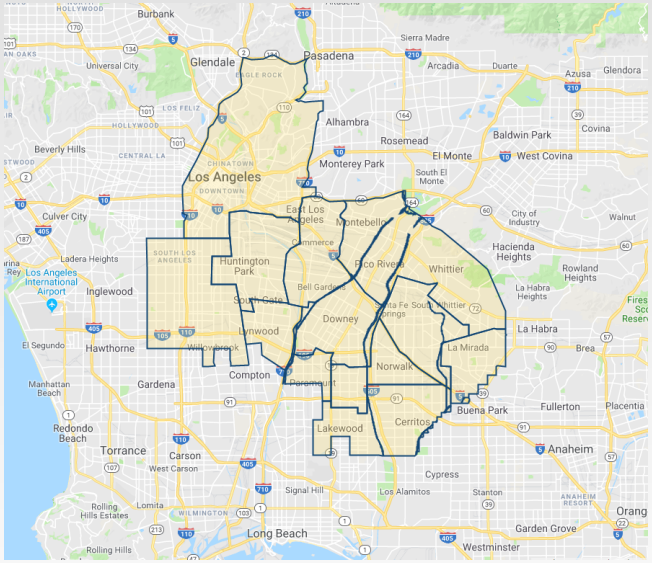


CONSTRUCTION ACTIVITY
3 DELIVERIES IN Q4. UC FALLS TO 377K SF



SALES
Q4 HAD MEDIAN PRICE OF $220.80 PSF. VOLUME DOWN 31% FROM Q3





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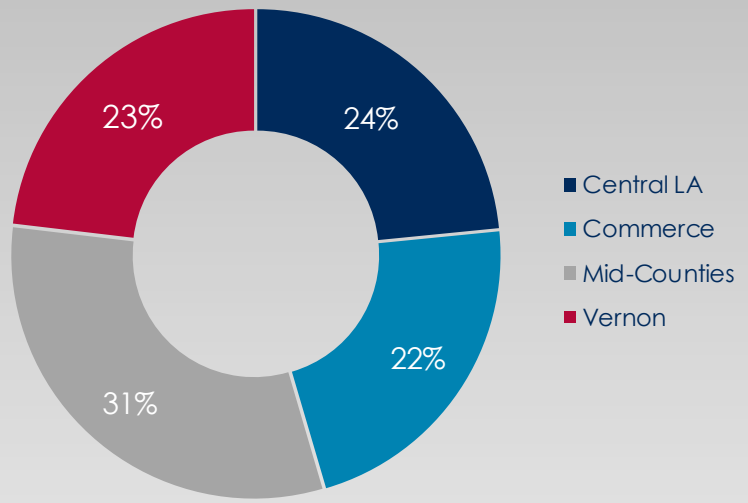
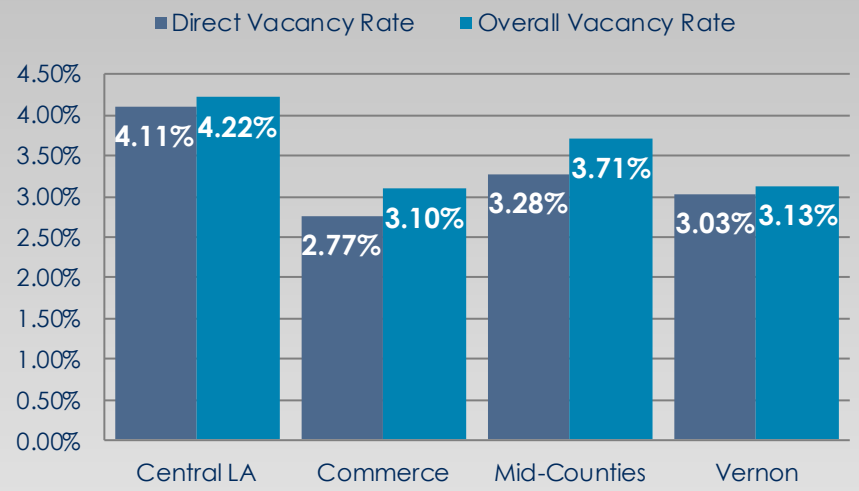
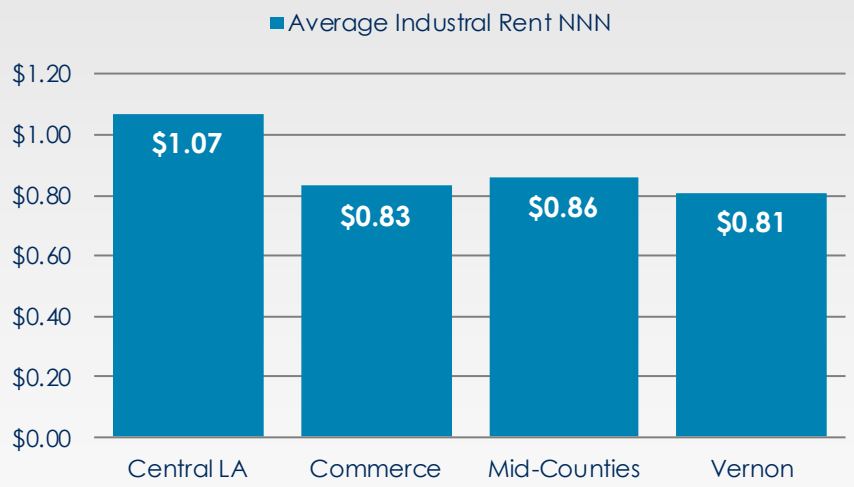
SQUARE FOOT BREAKDOWN– 349,475,120 SF MARKET SIZE



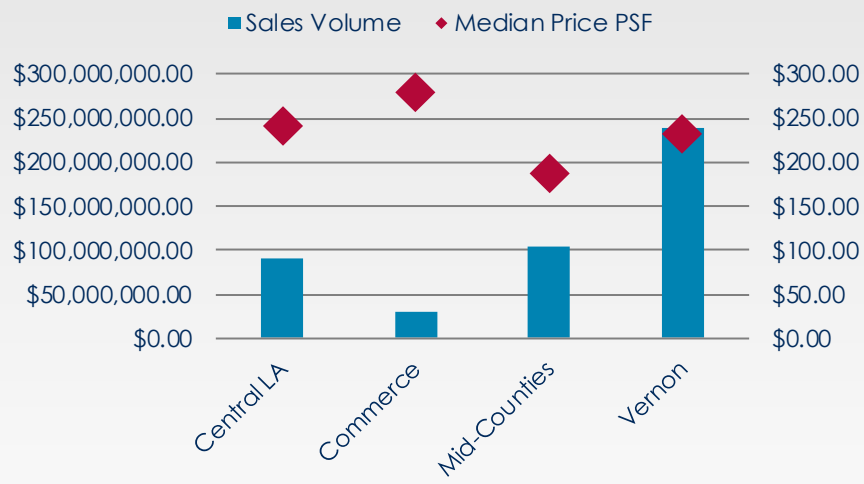
VACANCY BREAKDOWN



AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



VOLUME BREAKDOWN



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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.

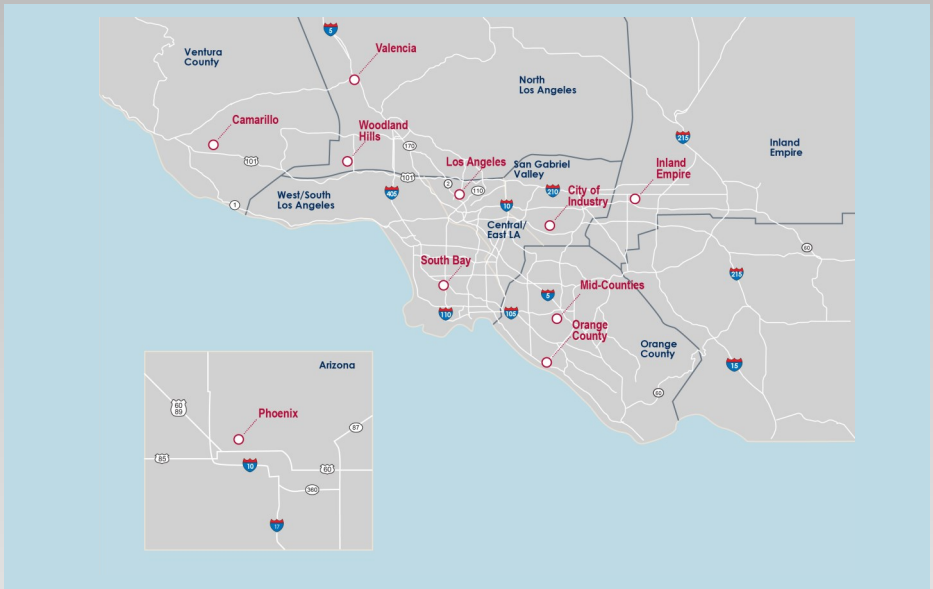
Vacancy W/ Sublet Rate
Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

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

Q4 2020

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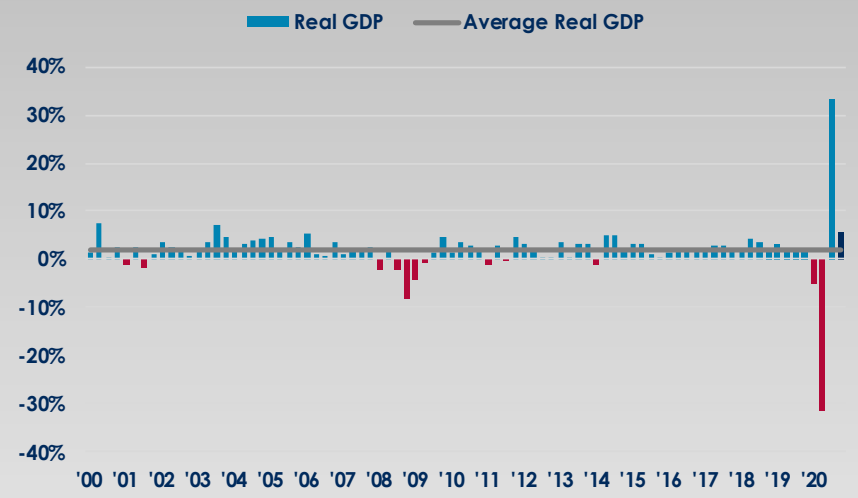
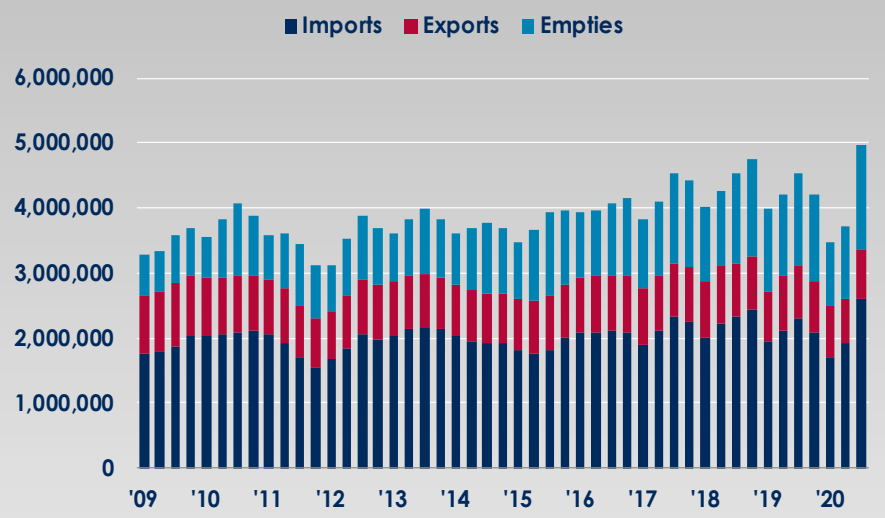
Q4

GDP IN Q3 FINISHED AT 33.4%. Q4 EST. TO GROW AT 5.7%

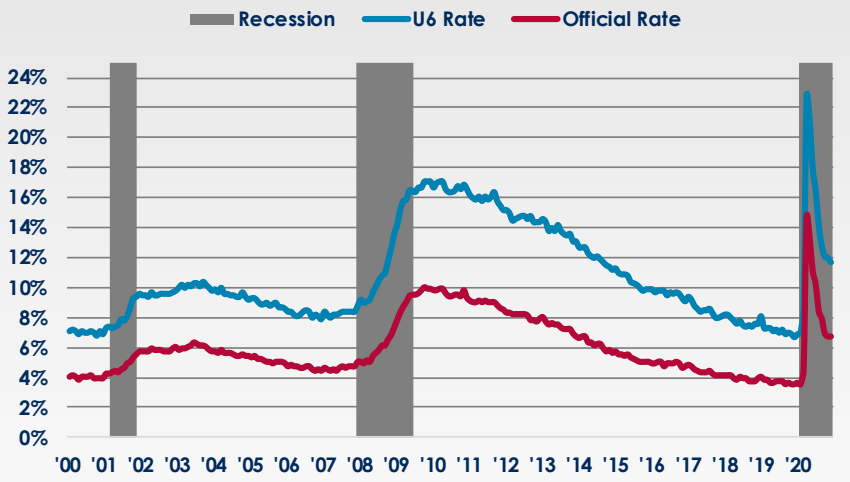


*5.7% for 4Q20 based on CNBC/Moody's Analytics Rapid Update Survey

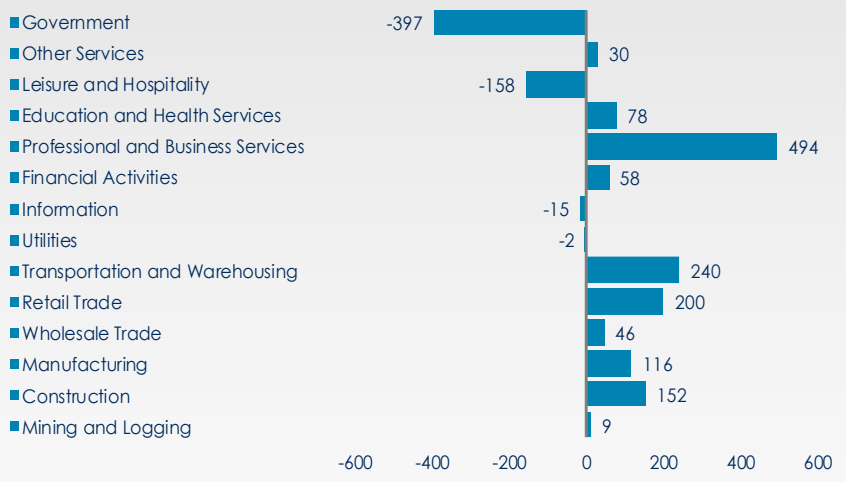
PORT ACTIVITY INCREASED 34% IN Q3 FROM Q2



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



TRANSPORTATION AND WAREHOUSING SHOWED STRONG GAINS IN Q4



National Economic Overview //// Q4 2020

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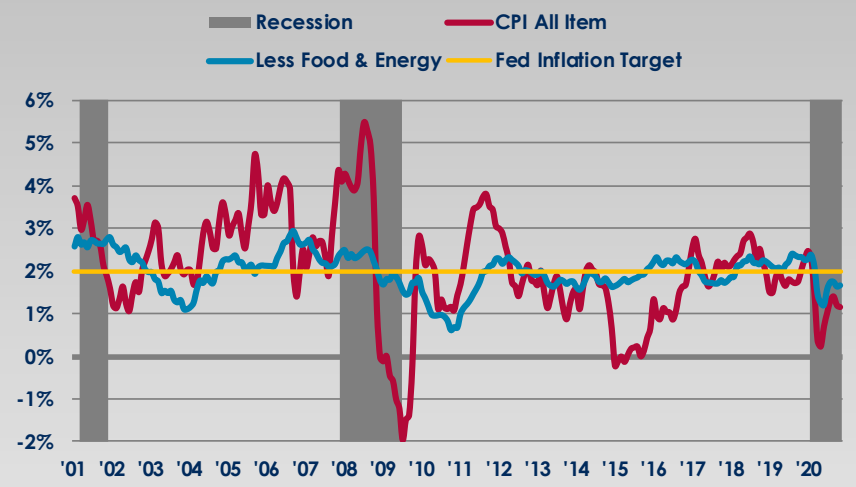
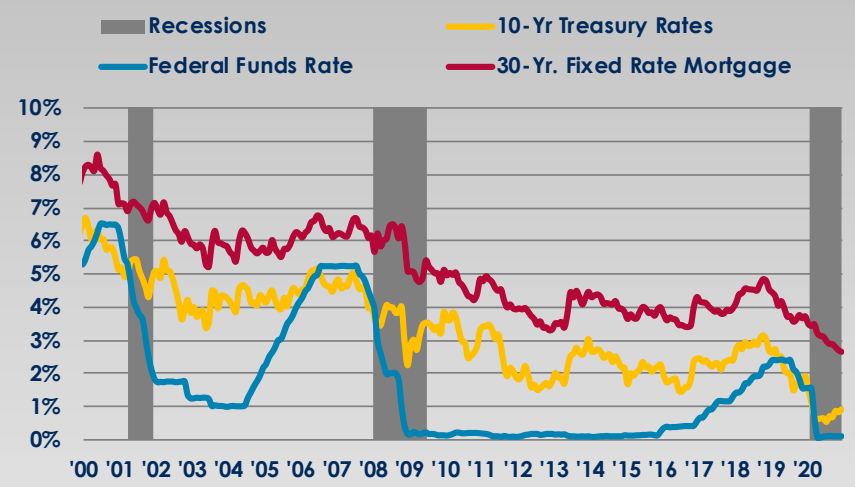
Q4

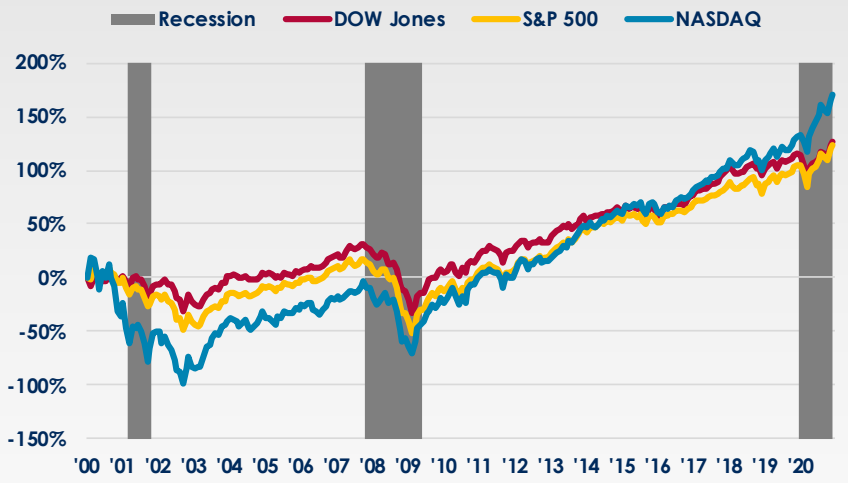
CPI REMAINS BELOW TARGET BUT PICKING UP



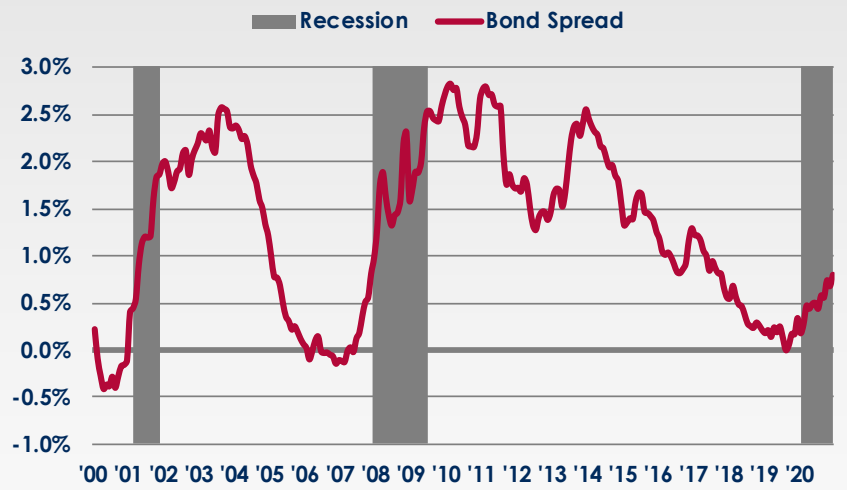
THE FEDERAL RESERVE CUT THE FED FUNDS RATE TO 0.0-0.25%



THE STOCK MARKET CONTINUES TO RISE



10-2 YEAR BOND SPREAD INCREASED AGAIN IN Q4



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