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

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

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

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

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

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

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

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

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

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Q4 | 2019

Market Report

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



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MARKET ACTIVITY

KEY TAKE AWAYS

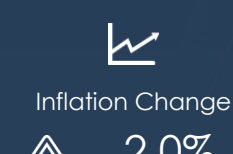
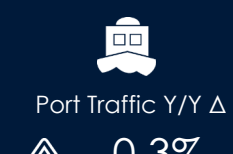
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased slightly by 10 BPS.
- **Net Absorption:** Q4 was the worst performing quarter in 2019 for total Net Absorption. Total Net absorption failed to have a positive quarter in 2019. Marks the first time since 2009 that has happened.
- **Asking Rents:** Remain the same from Q3.
- **Sale Activity:** Prices rose by 0.8% to \$208.33 PSF. Volume in 2019 surpassed \$5B.
- **Leasing Activity:** Fell to lowest level since 2007 in Q4. Activity in 2019 was down 39% compared to 2018.
- **Industrial Supply:** The increase in construction activity shows that older buildings are becoming obsolete.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.



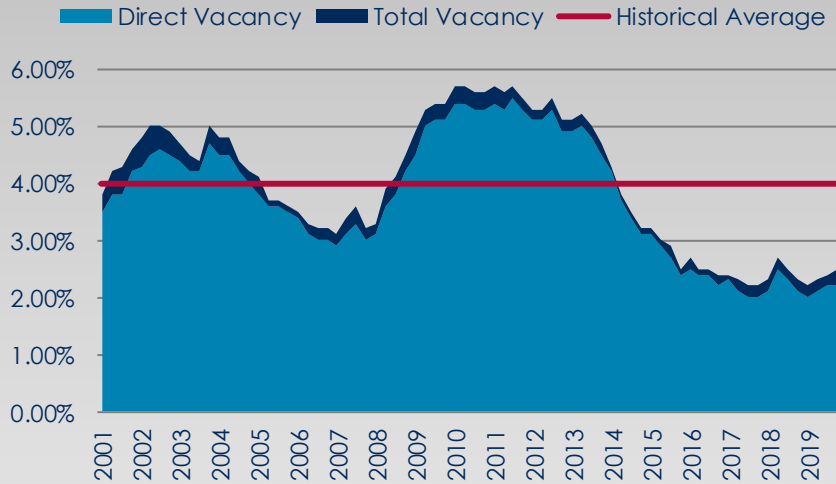
EXPERIENCE IN A CHANGING MARKET

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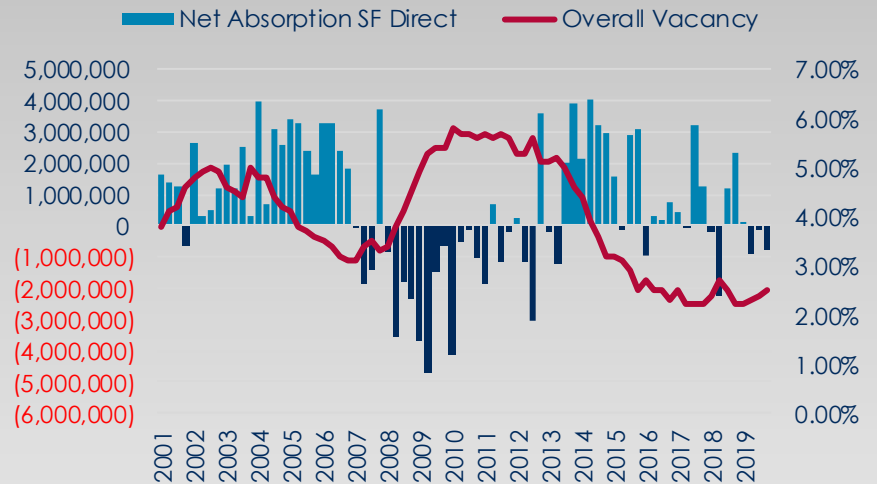


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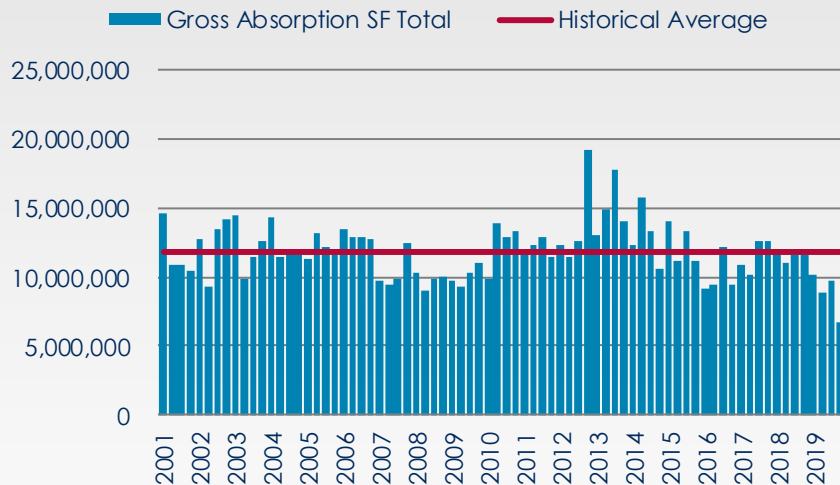
OVERALL VACANCY INCREASED BY 10 BPS TO 2.5%.



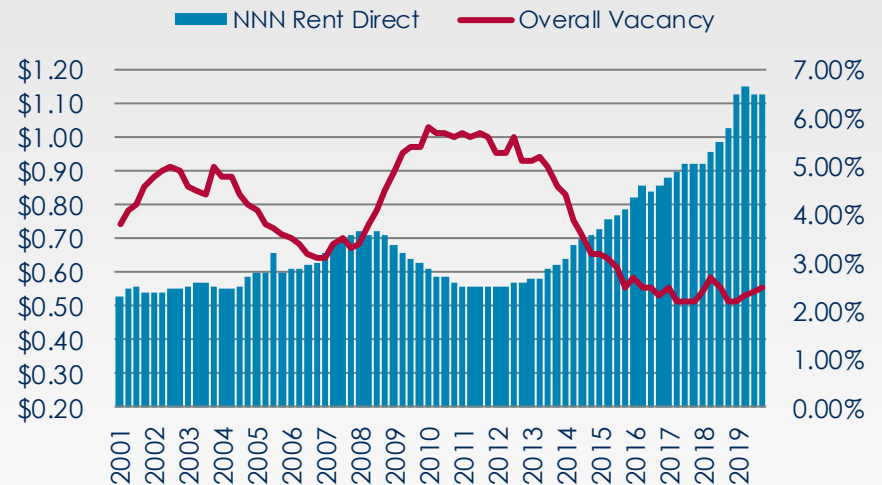
NET ABSORPTION DIRECT FELL TO NEARLY -800K SF. CSE MARKET REPRESENTED ≈ 73% OF IT



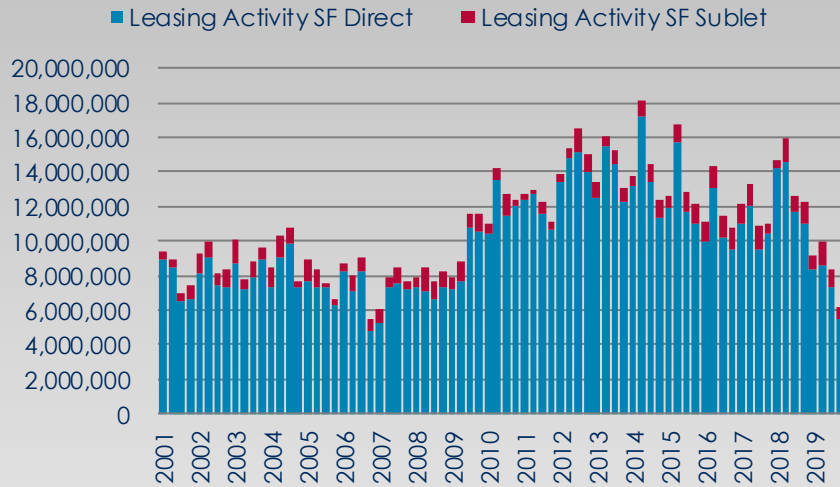
GROSS ABSORPTION PLUMMETED TO LOWEST TRACKED LEVEL



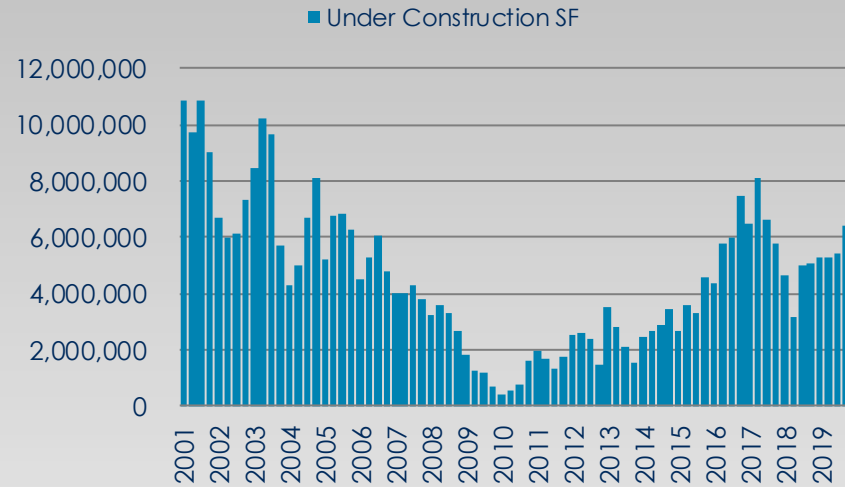
ASKING RENTS BEGINNING TO TAPER AS MARKET SOFTENS



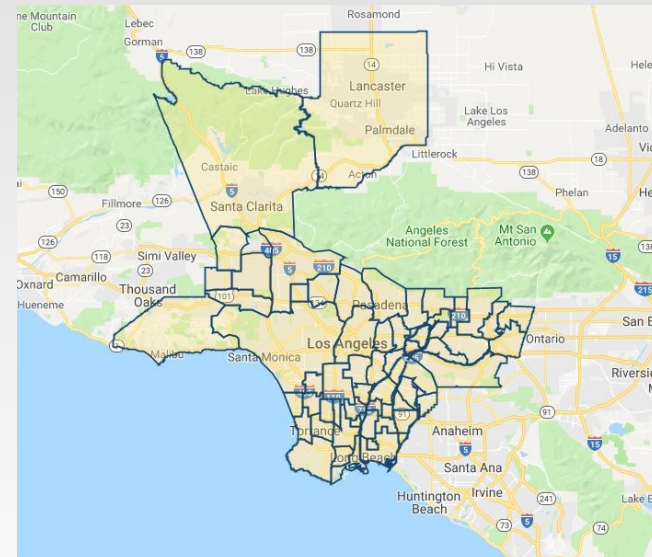
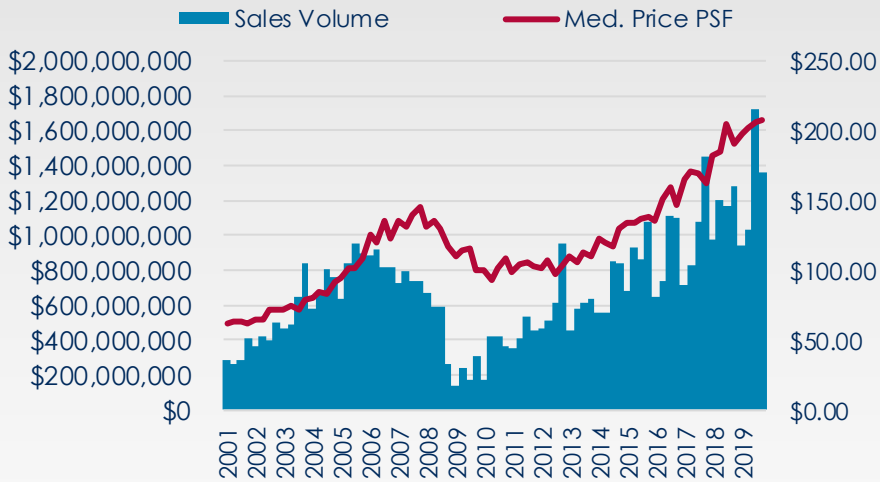
LEASING ACTIVITY VERY WEAK IN Q4 WITH JUST OVER 6.1M SF, LOWEST SINCE 2007



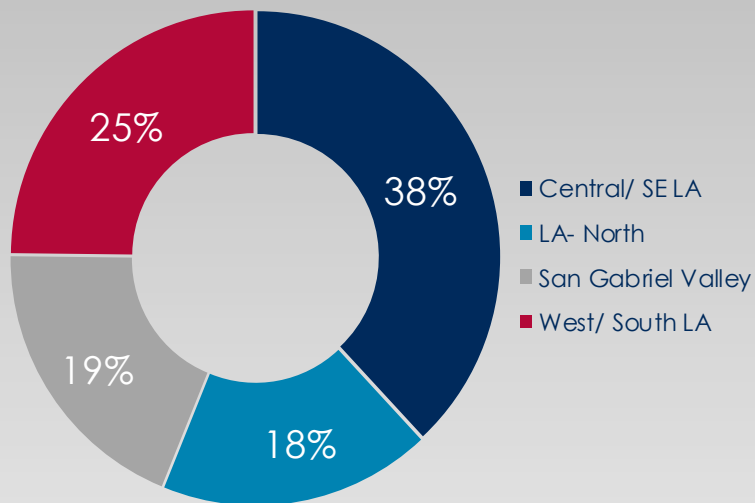
CONSTRUCTION ACTIVITY TICKED UP IN Q4 TO NEARLY 6.5M SF UNDER CONSTRUCTION



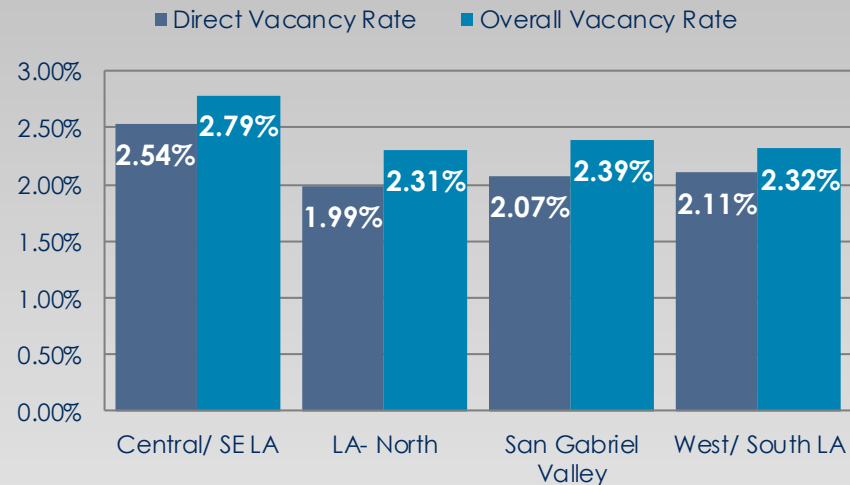
SALES PRICES FLATTENED OUT IN Q4. SALES VOLUME SURPASSED \$5B IN 2019



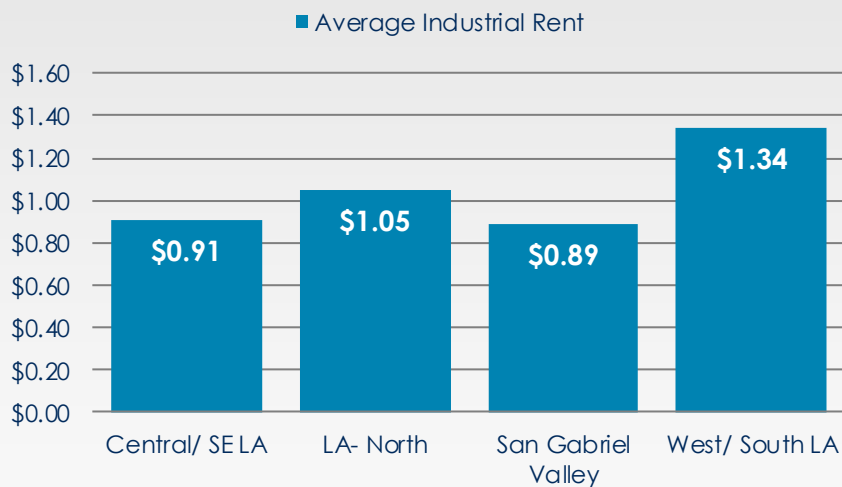
SQUARE FOOT BREAKDOWN- 915,217,316 SF MARKET SIZE



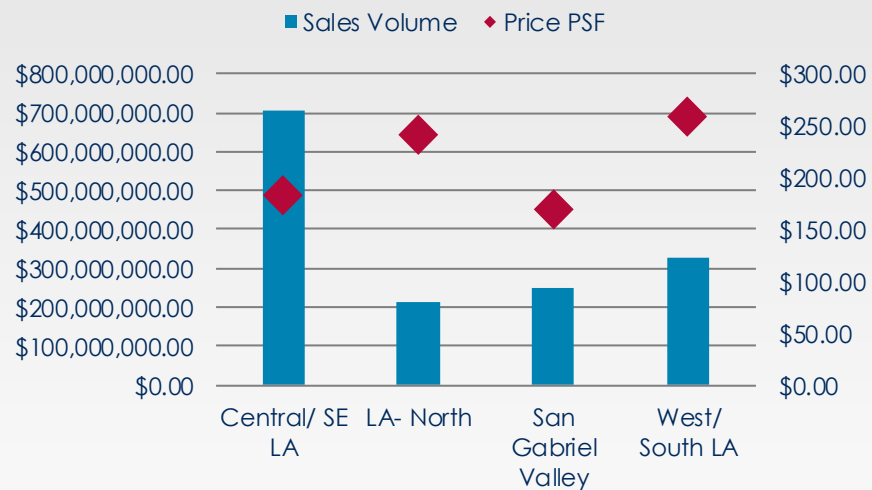
VACANCY BREAKDOWN



AVERAGE RENT PSF



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

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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

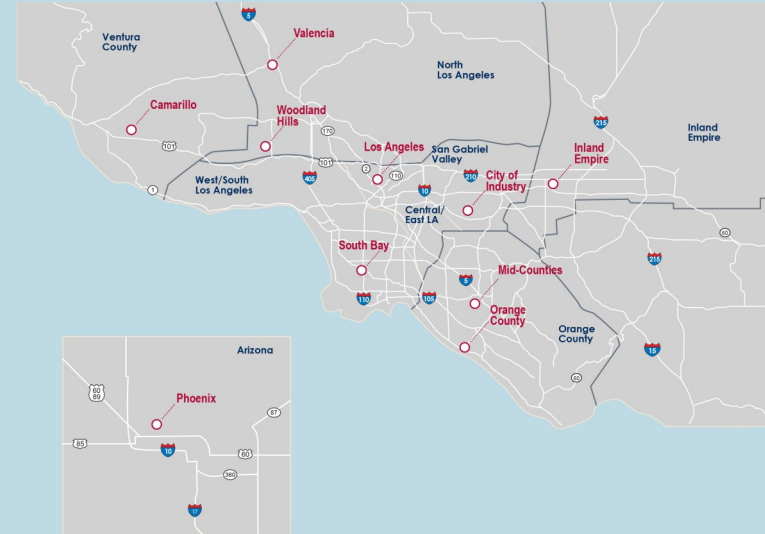
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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Completed in 2019

New buildings with original construction completed in the year 2019 and granted a Certificate of Occupancy. Renovated buildings are not included.



DAUM OFFICES

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Q4 | 2019

Market Report

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Central / Southeast



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MARKET ACTIVITY

KEY TAKE AWAYS

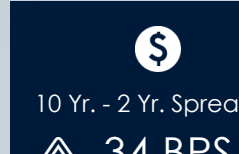
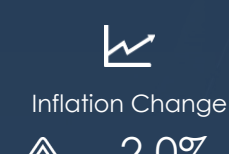
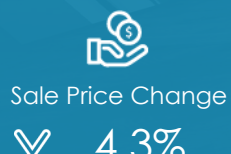
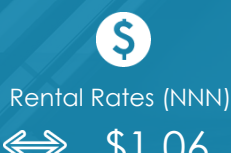
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased 20 BPS from Q3 overall.
- **Net Absorption:** Total Net Absorption fell to just under -500K SF in Q4. The Central/Southeast Market did not have one positive quarter of total net absorption.
- **Asking Rents:** Remained the same as Q3.
- **Sale Prices:** Down slightly in Q4. Median sale price PSF was \$183.19.
- **Industrial Supply:** Less than 1 Million SF is currently under construction.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.



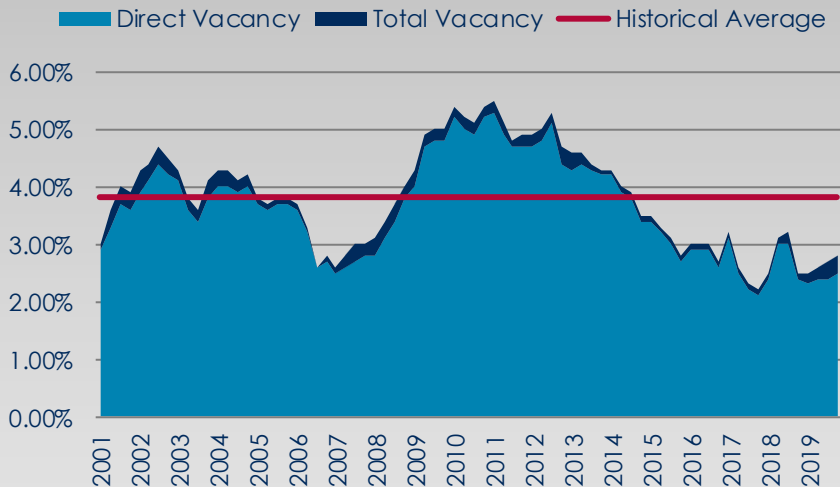
EXPERIENCE IN A CHANGING MARKET

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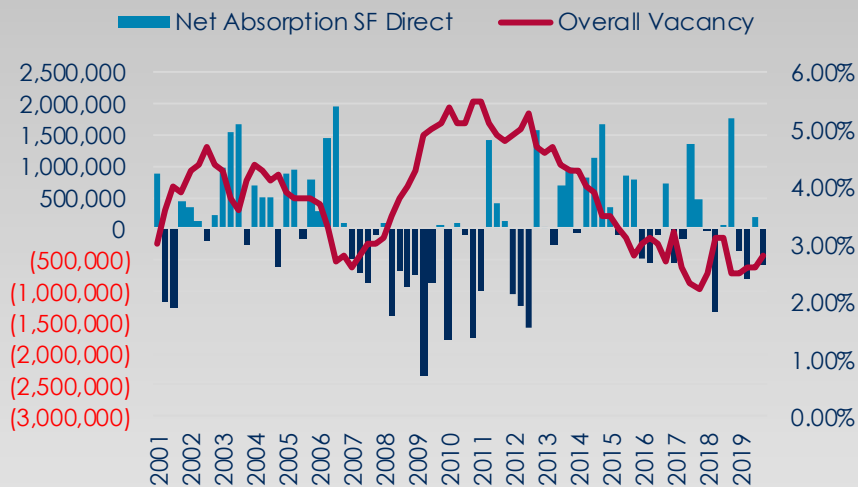


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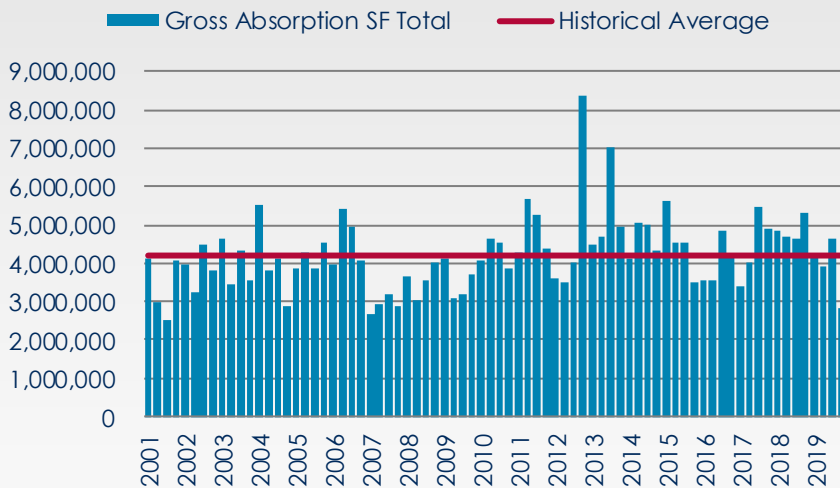
OVERALL VACANCY INCREASED 20 BPS FROM PERVIOUS QUARTER TO 2.8%



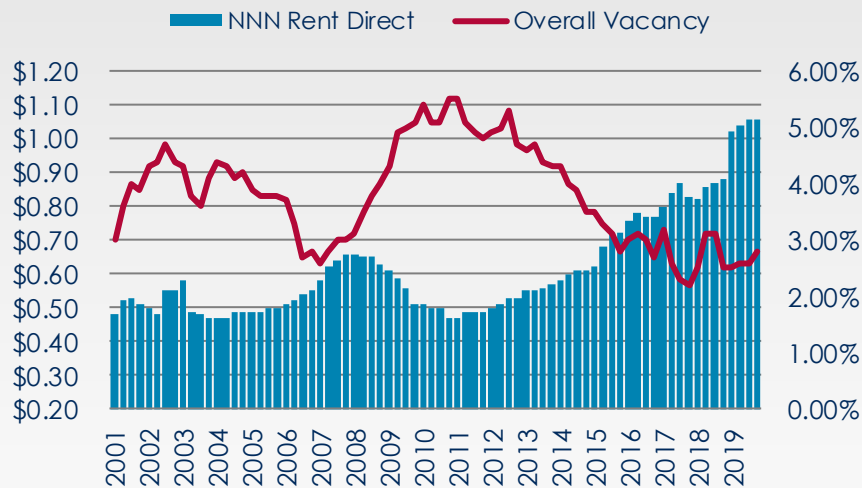
NET ABSORPTION TOTAL NET ABSORPTION FELL TO NEARLY 500K SF IN Q4



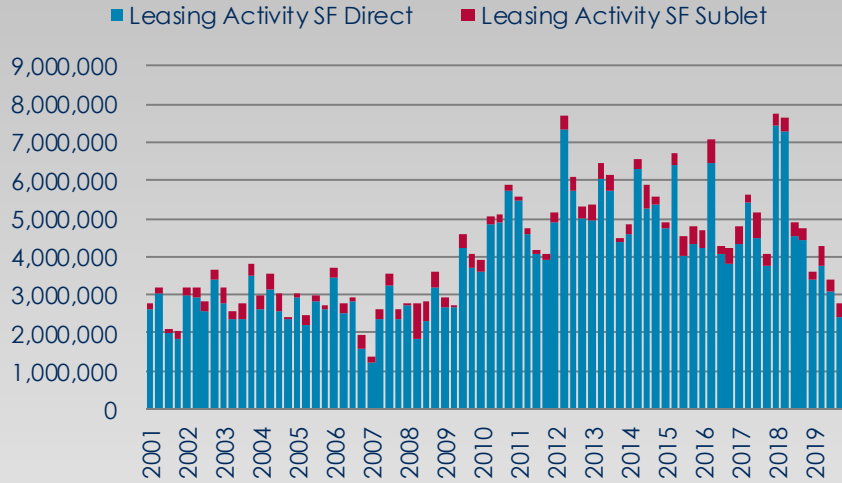
GROSS ABSORPTION DROPPED TO BELOW 3M SF IN Q4. LOWEST SINCE 2007



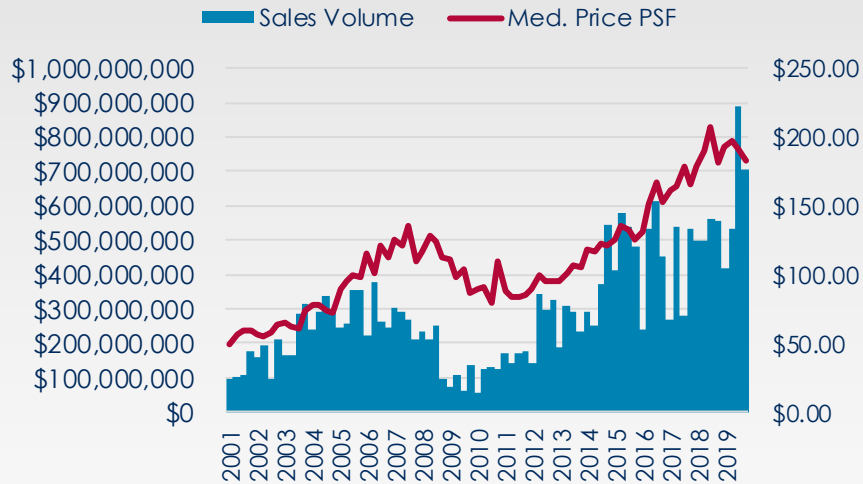
ASKING RENTS REMAINED THE SAME IN Q4



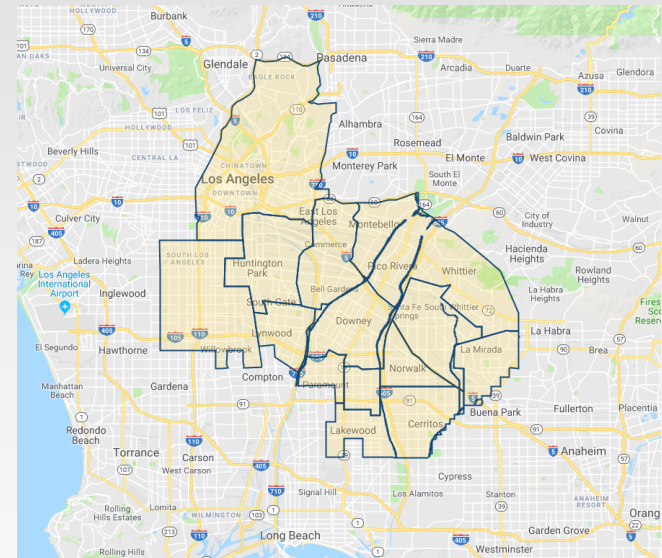
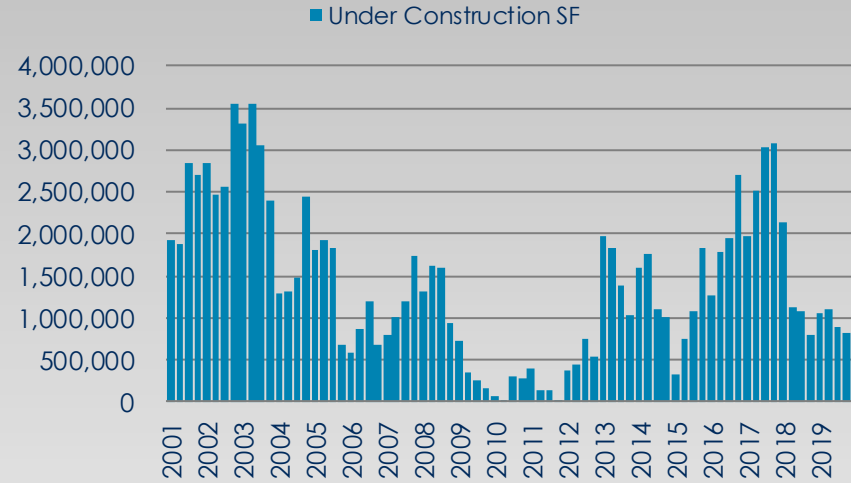
LEASING ACTIVITY
FELL BELOW 3M SF FOR 1ST TIME SINCE 2009



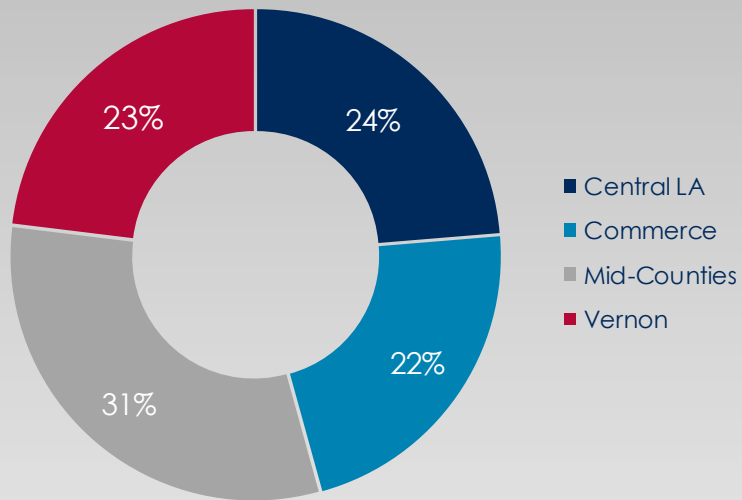
SALES
PRICES DROPPED SLIGHTLY TO A MEDIAN OF \$183.19 PSF



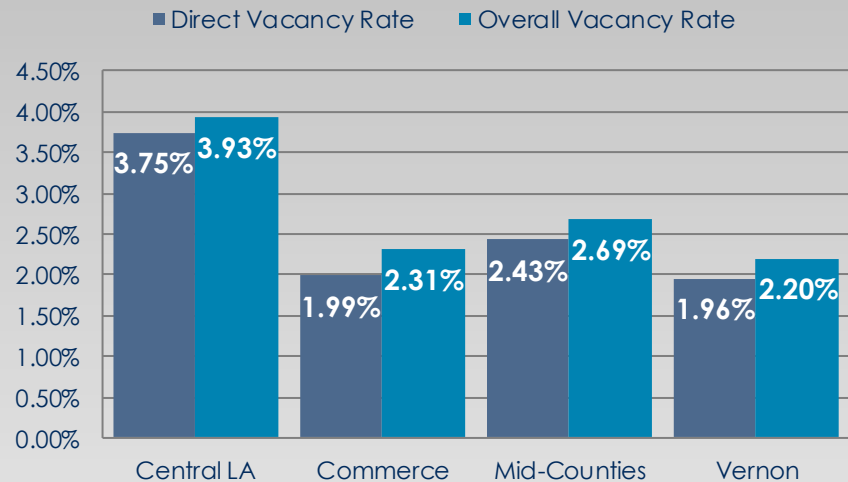
CONSTRUCTION ACTIVITY
DOWN SLIGHTLY FROM Q3 TO JUST ABOVE 800K SF



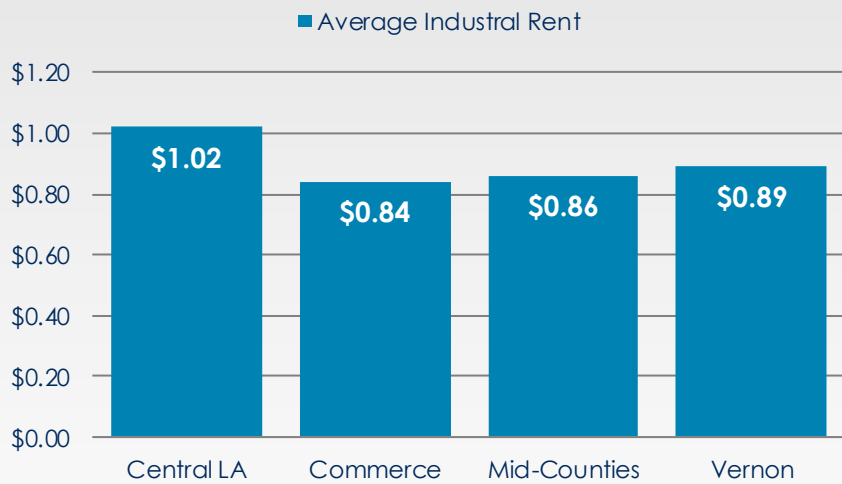
SQUARE FOOT BREAKDOWN- 348,528,531SF MARKET SIZE



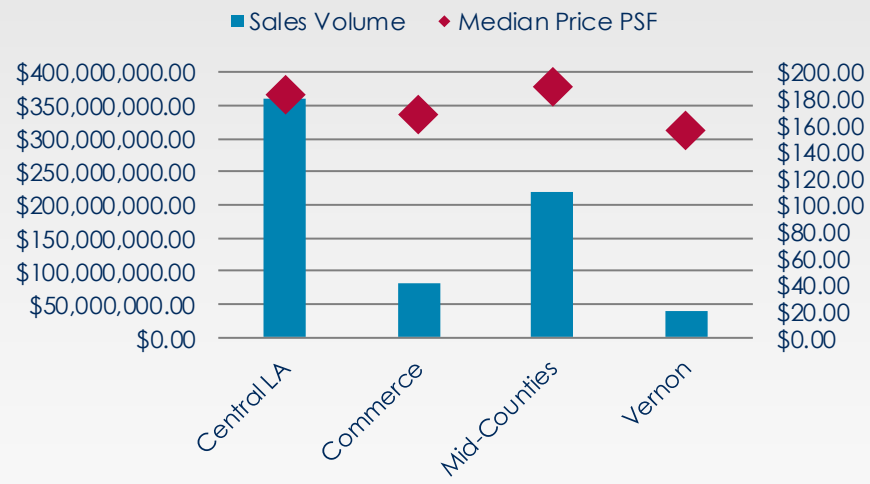
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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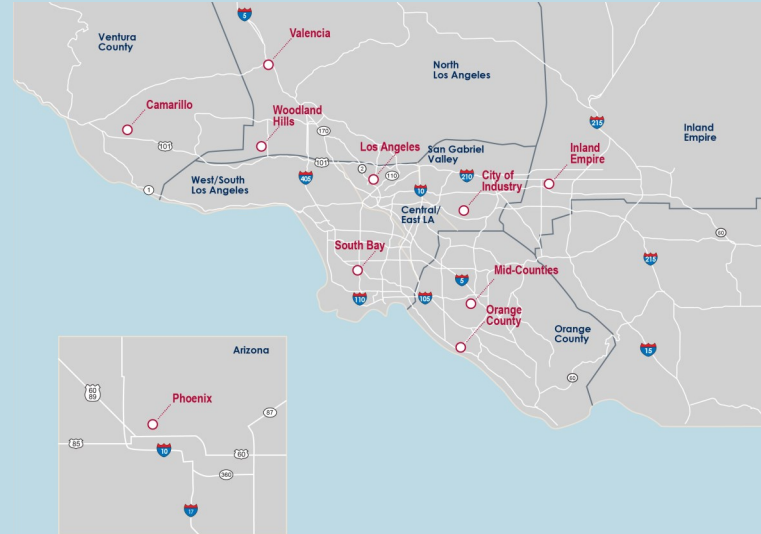
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Q4 | 2019

Market Report

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

LA North



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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

<p>Direct Vacancy ↓ 2.0%</p>	<p>Net Absorption ↓ -162,422 SF</p>
<p>Overall Vacancy ↓ 2.3%</p>	<p>Gross Absorption ↓ 1,373,566 SF</p>
<p>Under Construction ↑ 2,284,632 SF</p>	<p>Rental Rates (NNN) ↓ \$1.08</p>
<p>Sale Price Change ↑ 4.9%</p>	<p>Deal Volume ↑ 26.8%</p>

MARKET

- **Vacancy Rate:** Down 10 BPS in Q4.
- **Net Absorption:** Q4 improved from revised down Q3. Large amount of un-absorbed sublet space pushed levels lower
- **Industrial Supply:** A new development broke ground in Burbank adding much needed supply to the SFV.
- **Asking Rents:** Slipped slightly in Q4 from Q3.
- **Sales:** Pricing & Volume both experienced increases in Q4. In 2019, sales volume was 26% greater than in 2018. Total volume for the year was over \$900M.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.

<p>U.S. Employment ↓ 3.5%</p>	<p>U6 Rate ↓ 6.9%</p>
<p>Interest Rate ↑ 3.7% <small>(30 year fixed)</small></p>	<p>Changing GDP ↑ 2.3%</p>
<p>Port Traffic Y/Y Δ ↑ 0.3%</p>	<p>NYSE Performance ↑ 7.5%</p>
<p>Inflation Change ↑ 2.0%</p>	<p>10 Yr. - 2 Yr. Spread ↑ 34 BPS</p>

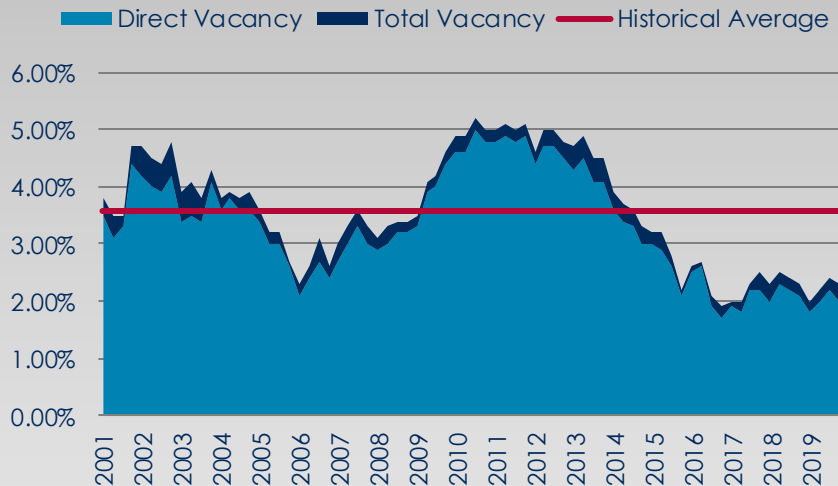
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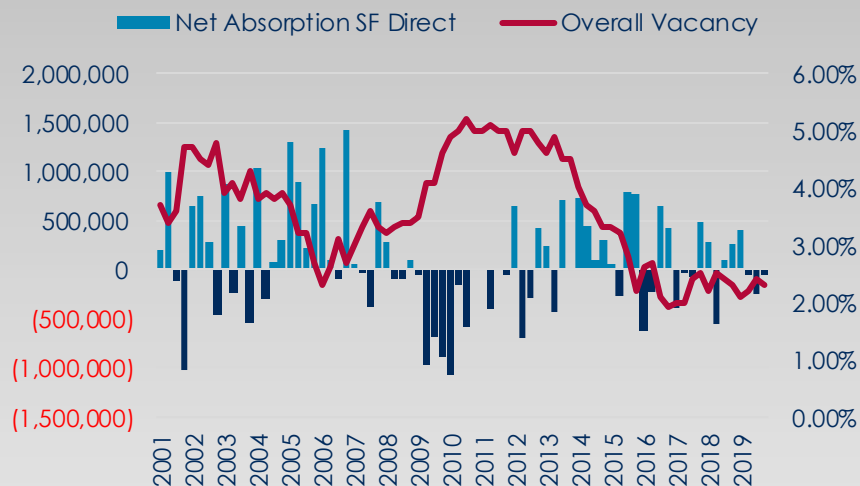


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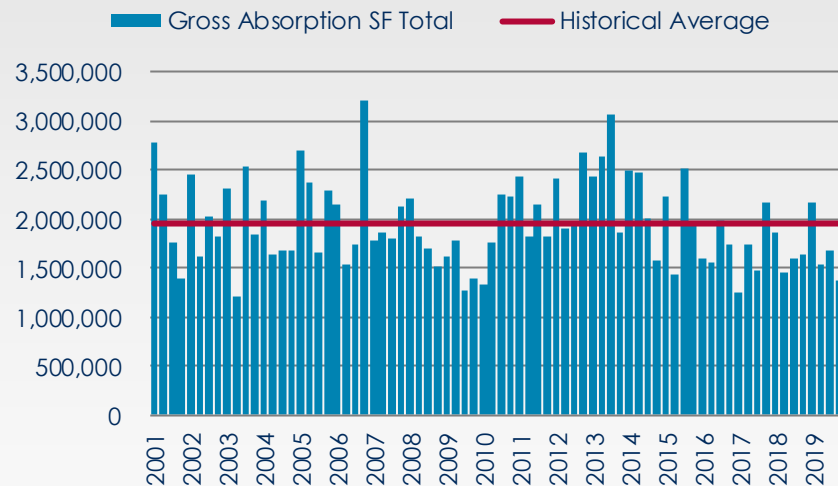
OVERALL VACANCY DOWN 10 BPS FROM Q3



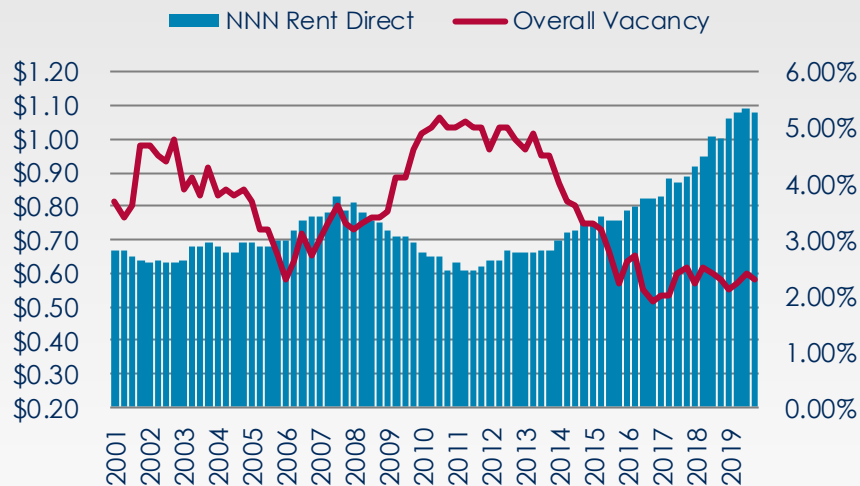
NET ABSORPTION DIRECT NET ABSORPTION WAS SLIGHTLY NEGATIVE IN Q4



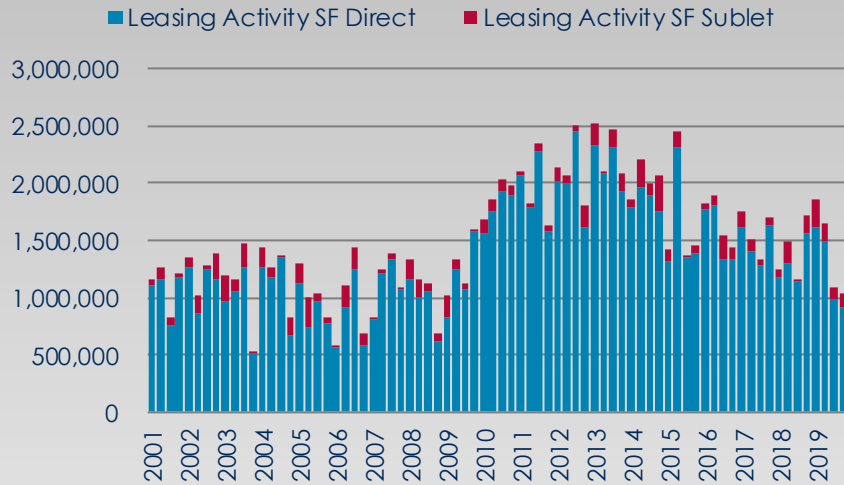
GROSS ABSORPTION Q4 WAS LOWEST QUARTER IN 2019 WITH JUST UNDER 1.4M SF



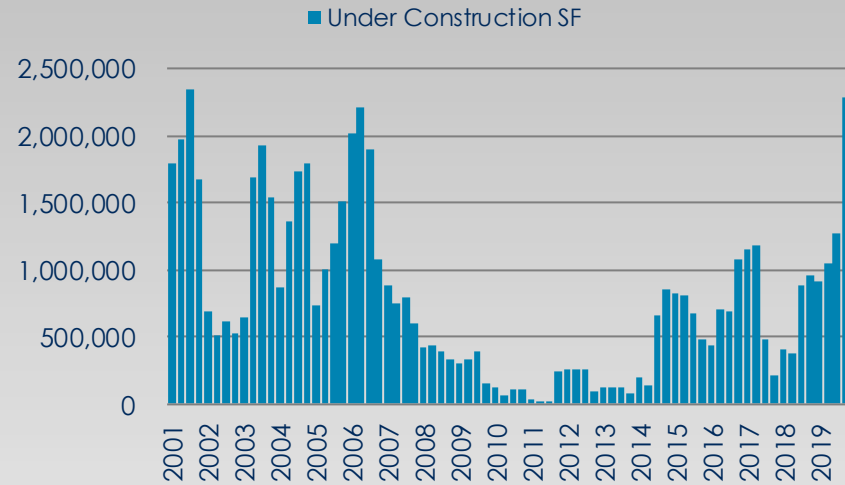
ASKING RENTS FELL IN Q4, BUT REMAIN NEAR ALL-TIME HIGHS



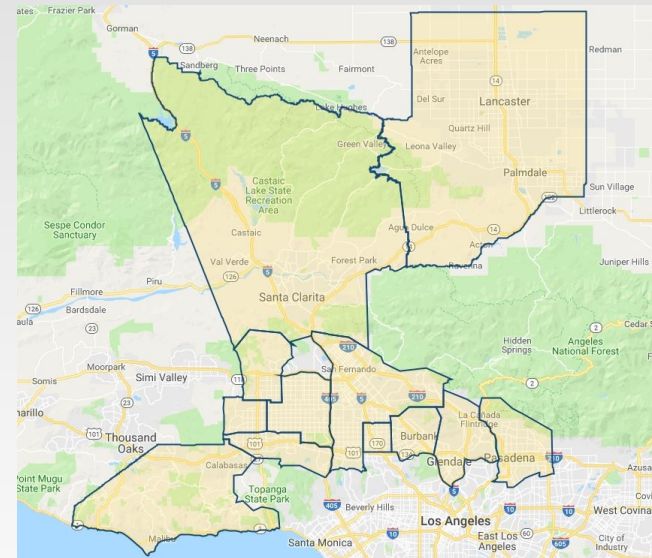
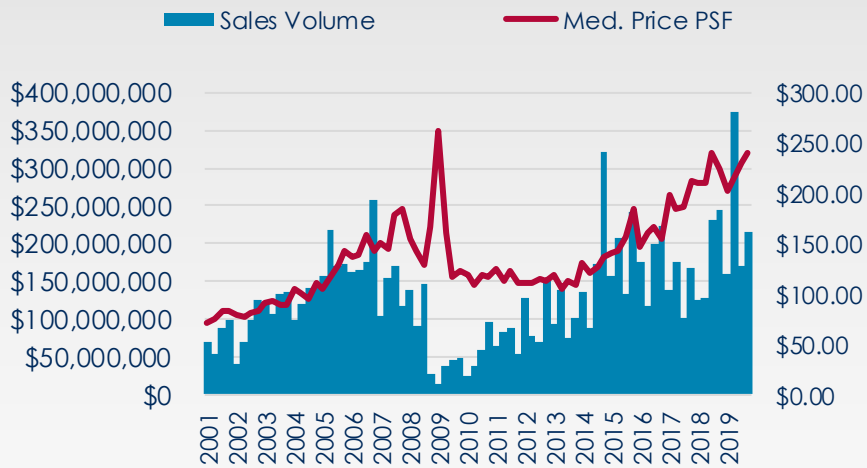
LEASING ACTIVITY
DROPPED FOR THE 2ND STRAIGHT QUARTER



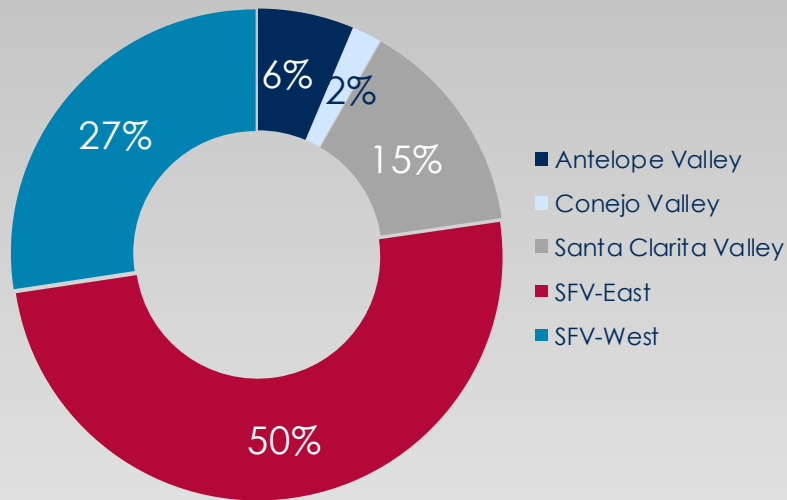
CONSTRUCTION ACTIVITY
NEW DEVELOPMENT IN BURBANK BROKE GROUND IN Q4



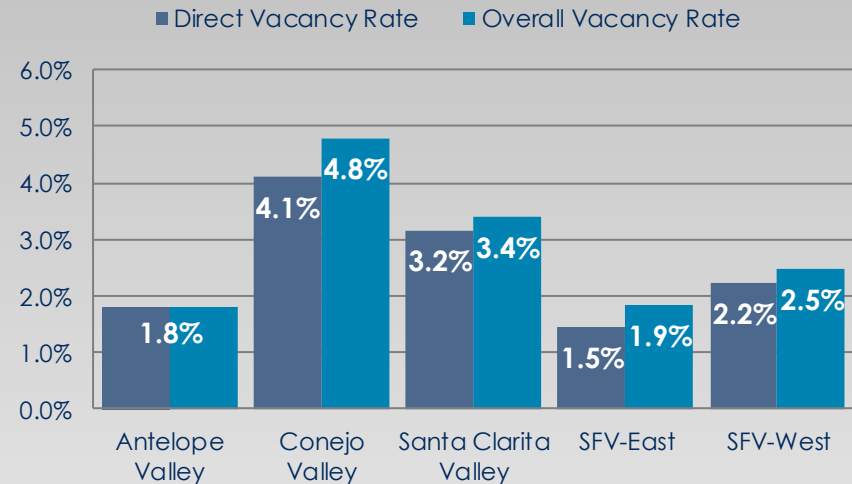
SALES
PRICES INCREASED TO A MEDIAN OF \$240.48 PSF IN Q4



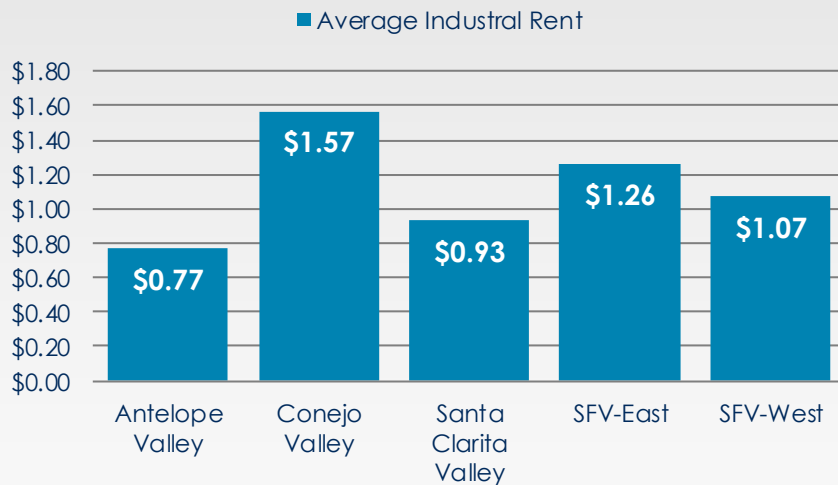
SQUARE FOOT BREAKDOWN- 1 65,704,384 SF MARKET SIZE



VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

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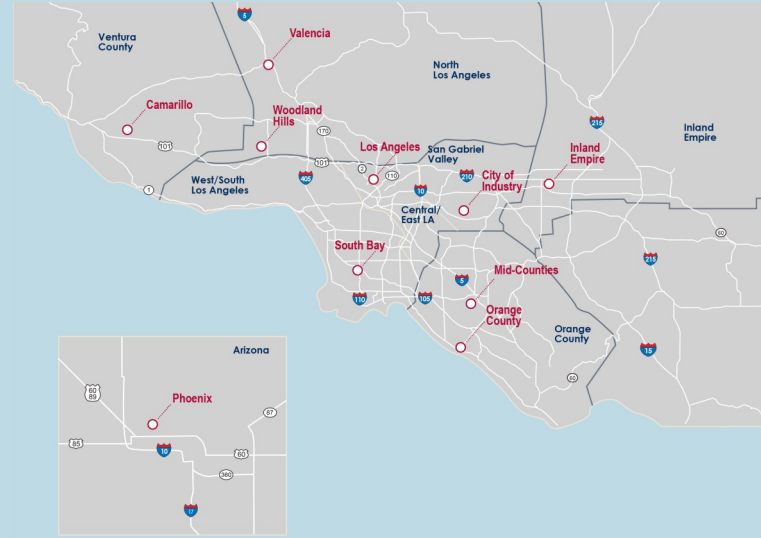
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Q4 | 2019

Market Report



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

San Gabriel Valley

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MARKET ACTIVITY

KEY TAKE AWAYS

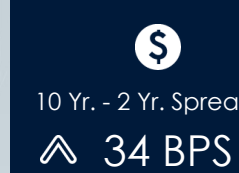
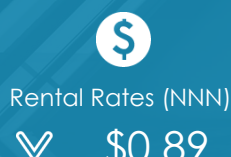
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased slightly to 2.4%.
- **Asking Rents:** Fell by \$0.03 PSF in Q4.
- **Industrial Supply:** Construction activity rose in Q4 to just over 2M SF.
- **Sale:** Volume in Q4 was the highest in 2019 at just shy of \$250M. In 2019, volume was down 11.5% compared to 2018.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.



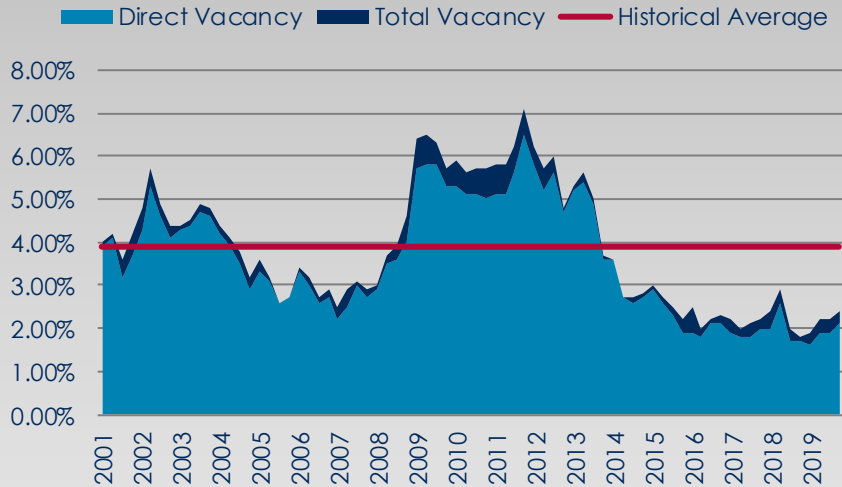
EXPERIENCE IN A CHANGING MARKET

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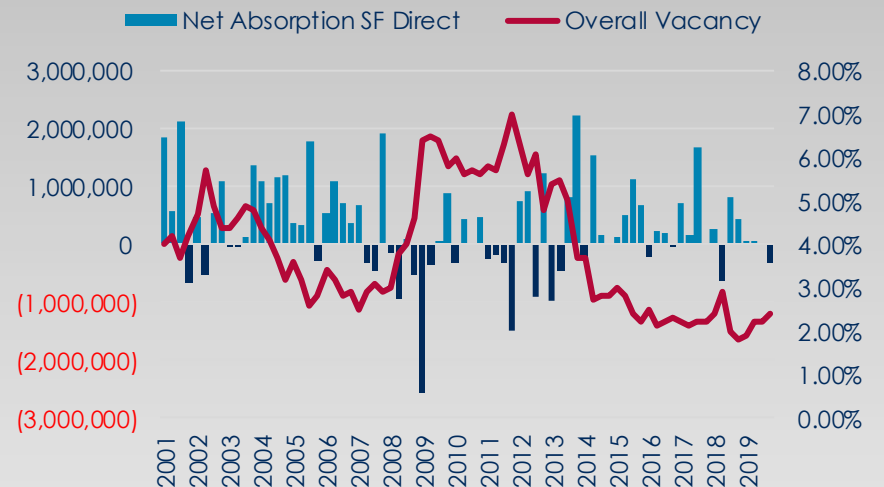


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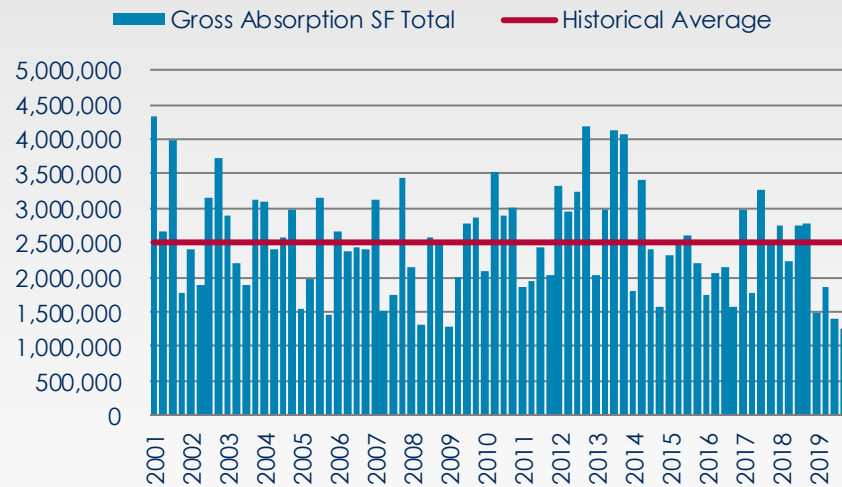
OVERALL VACANCY INCREASED BY 20 BPS IN Q4



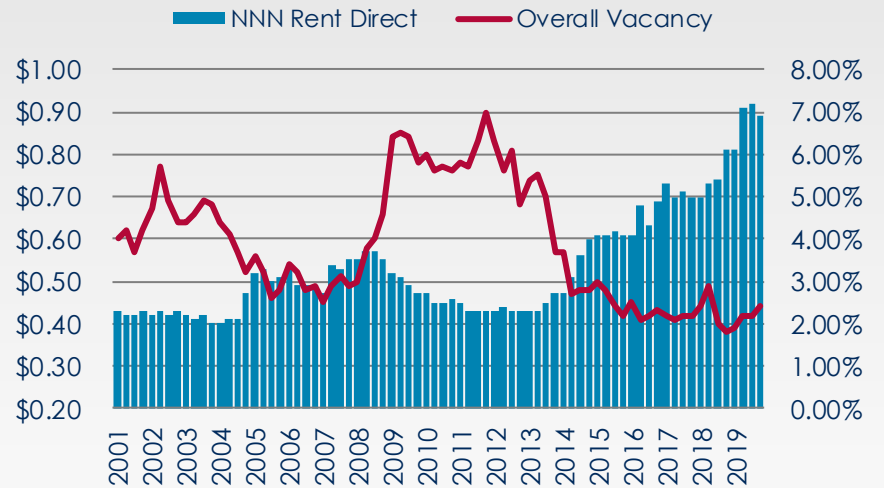
NET ABSORPTION Q4 WAS THE WORST PERFORMING QUARTER IN 2019



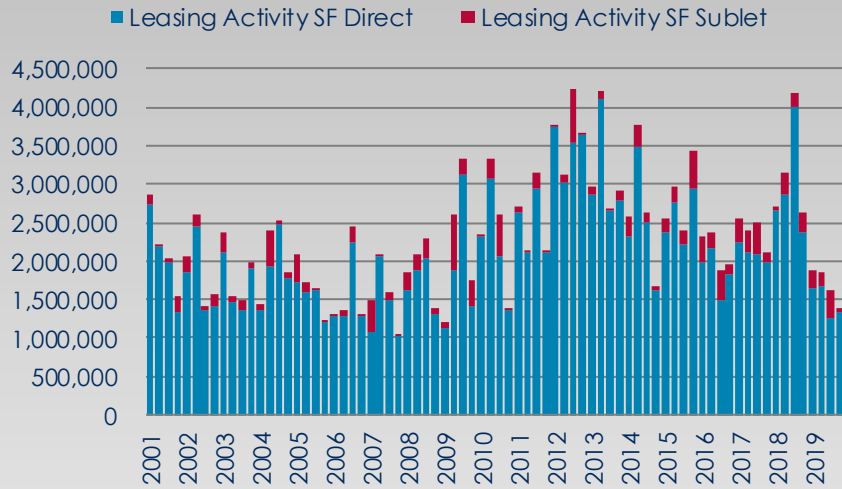
GROSS ABSORPTION FELL AGAIN IN Q4. DOWN 43% IN 2019 COMPARED TO 2018



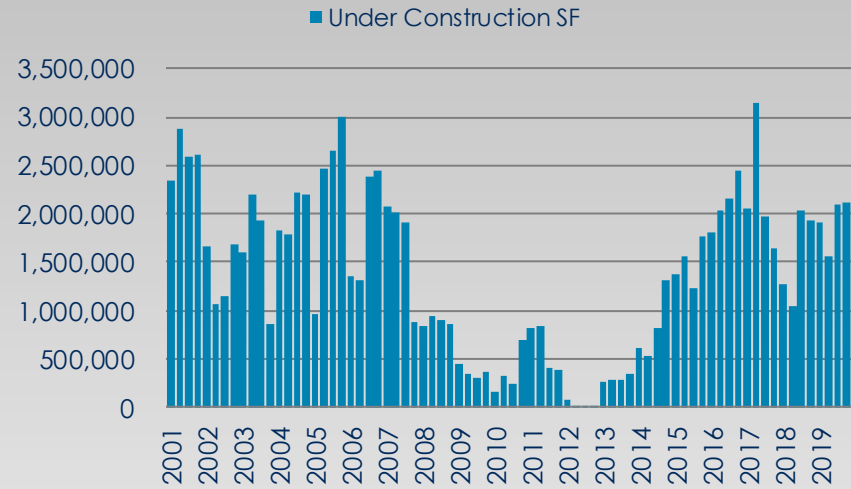
ASKING RENTS DECREASED BY \$0.03 PSF IN Q4



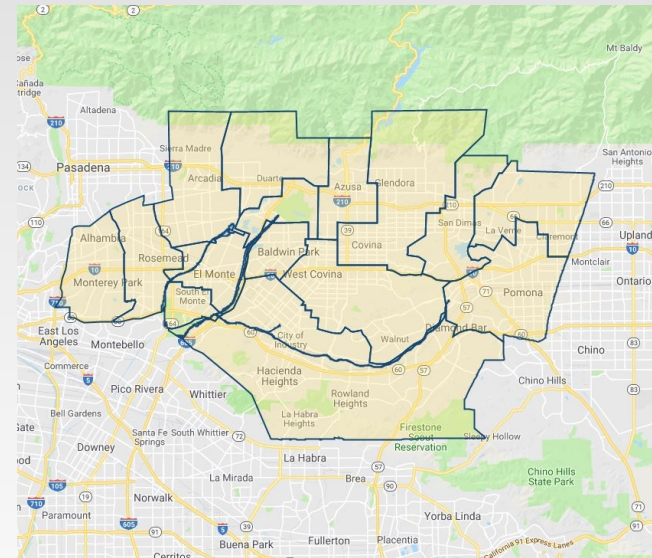
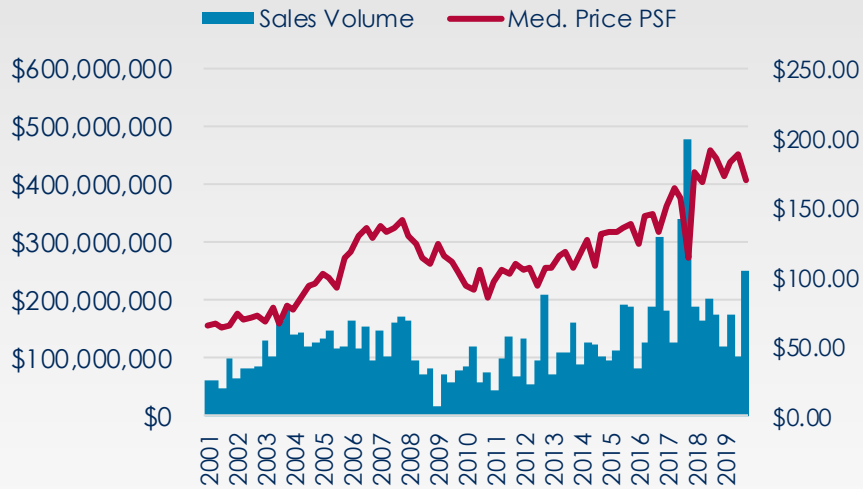
LEASING ACTIVITY FELL BELOW 1.4M IN Q4. 2019 DOWN BY 47% FROM 2018



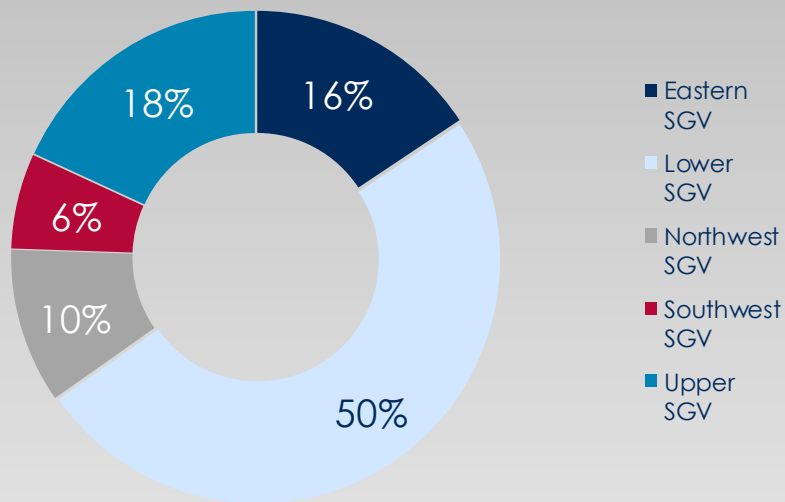
CONSTRUCTION ACTIVITY UC SLIGHTLY BELOW 2M SF



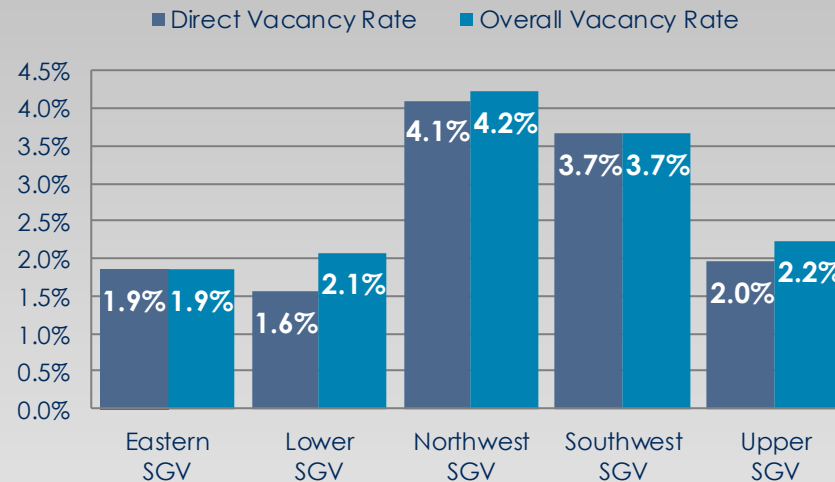
SALES HIGHEST VOLUME OF 2019. MEDIAN PRICE WAS \$169.23 PSF



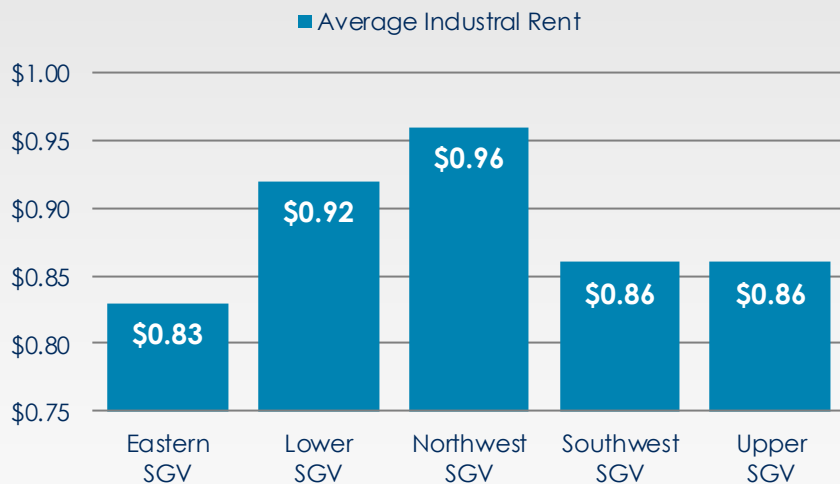
SQUARE FOOT BREAKDOWN- 174,244,811 SF MARKET SIZE



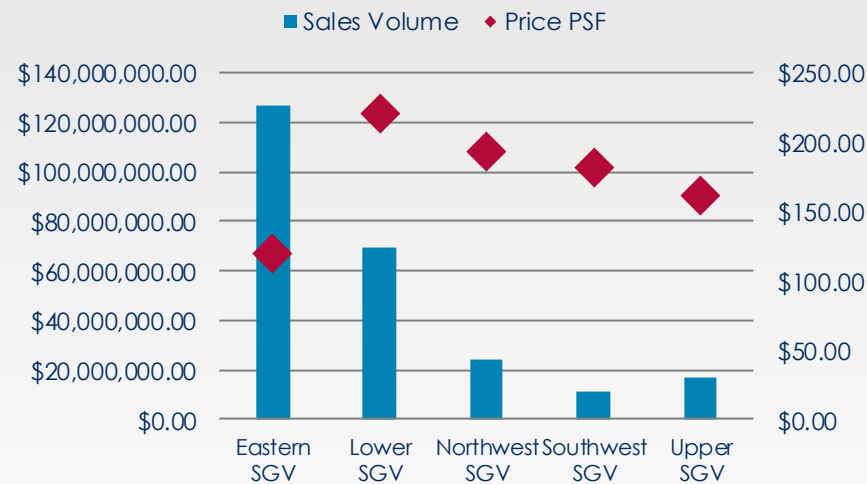
VACANCY BREAKDOWN



AVERAGE RENT PSF



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.

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Net Absorption

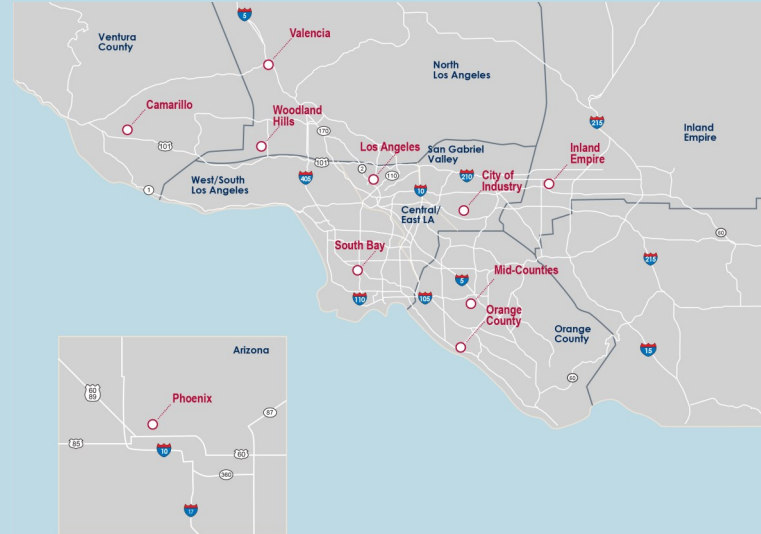
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Q4 | 2019

Market Report

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

LA West/ South



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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

<p>Direct Vacancy ↓ 2.1%</p>	<p>Net Absorption ↓ -101,132 SF</p>
<p>Overall Vacancy ↑ 2.3%</p>	<p>Gross Absorption ↓ 1,336,428 SF</p>
<p>Under Construction ↑ 1,200,322 SF</p>	<p>Rental Rates (NNN) ↓ \$1.49</p>
<p>Sale Price Change ↑ 20.1%</p>	<p>Deal Volume ↓ 40.0%</p>

MARKET

- **Vacancy Rate:** Increased by 10 BPS to 2.3%.
- **Net Absorption:** Q4 was the only positive quarter of Direct Net Absorption in 2019. Large amount of sublet space pushed Total Net Absorption negative.
- **Gross Absorption:** Fell to just above 1.3M SF in Q4. In 2019, Gross Absorption was 23% less than in 2018.
- **Sale Prices:** Flex buildings dominated the sales in Q4. Volume in 2019 finished over \$1.9B. A 38% increase from 2018.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.

<p>U.S. Employment ↓ 3.5%</p>	<p>U6 Rate ↓ 6.9%</p>
<p>Interest Rate ↑ 3.7% <small>(30 year fixed)</small></p>	<p>Changing GDP ↑ 2.3%</p>
<p>Port Traffic Y/Y Δ ↑ 0.3%</p>	<p>NYSE Performance ↑ 7.5%</p>
<p>Inflation Change ↑ 2.0%</p>	<p>10 Yr. - 2 Yr. Spread ↑ 34 BPS</p>

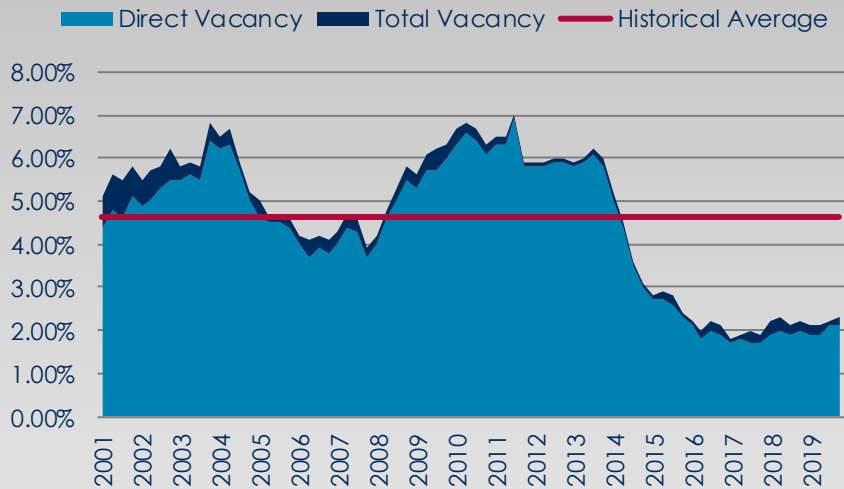
EXPERIENCE IN A CHANGING MARKET

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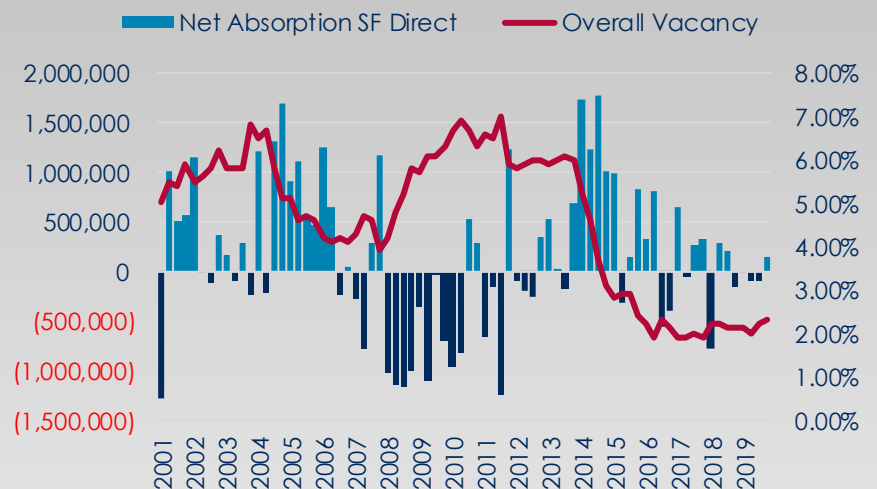


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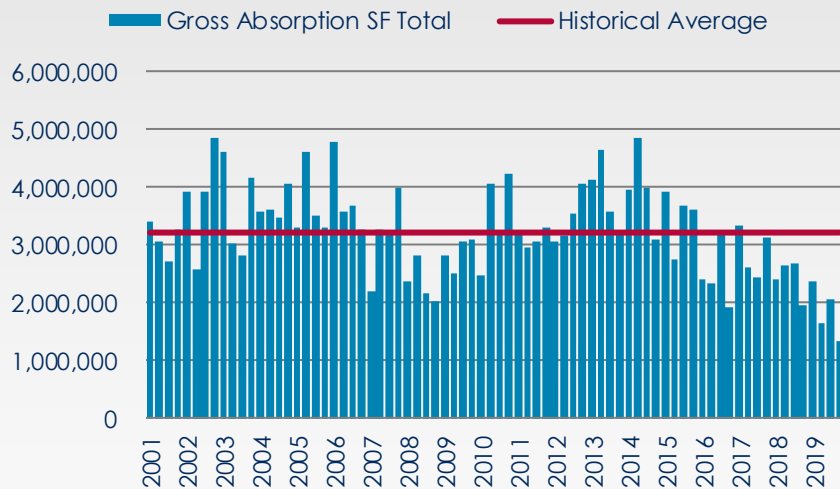
OVERALL VACANCY INCREASED BY 10 BPS IN Q4



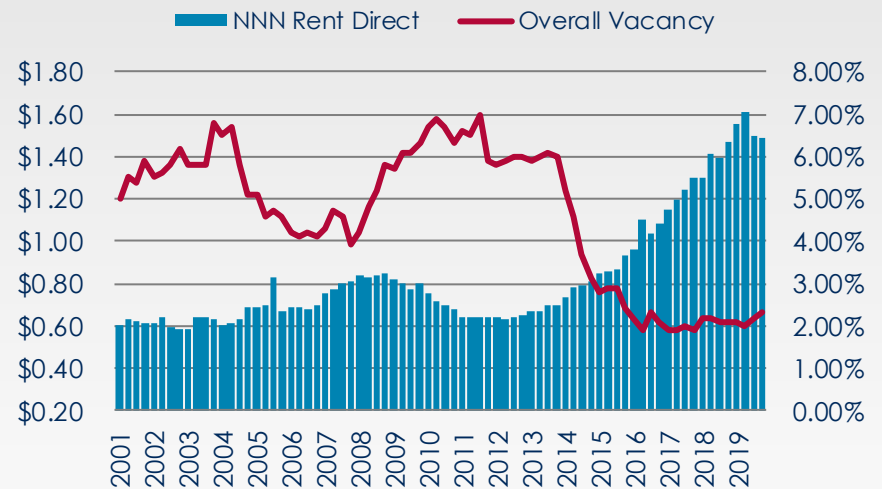
NET ABSORPTION POSITIVE DIRECT NET ABSORPTION IN Q4. TOTAL WAS NEGATIVE



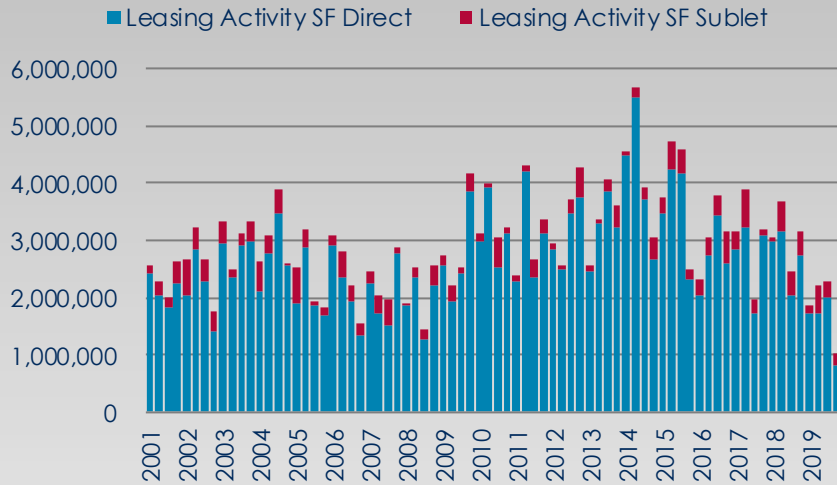
GROSS ABSORPTION DROPPED IN Q4 TO JUST OVER 1.3M SF



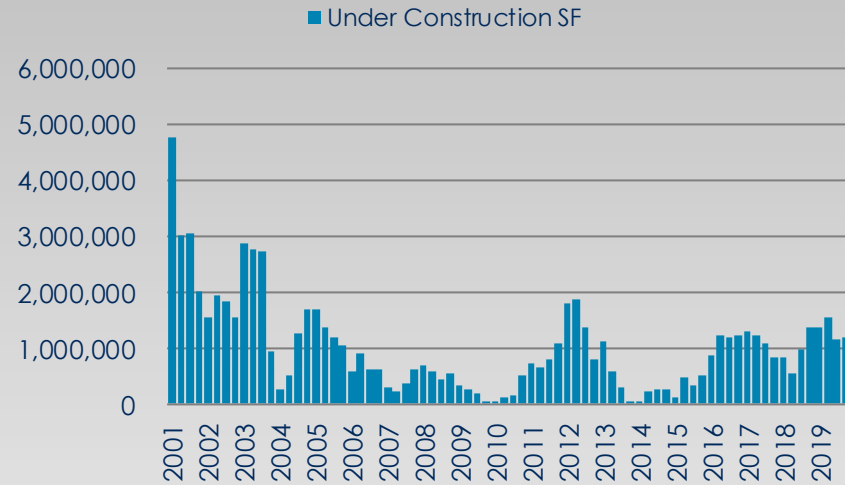
ASKING RENTS DECREASED AGAIN IN Q4



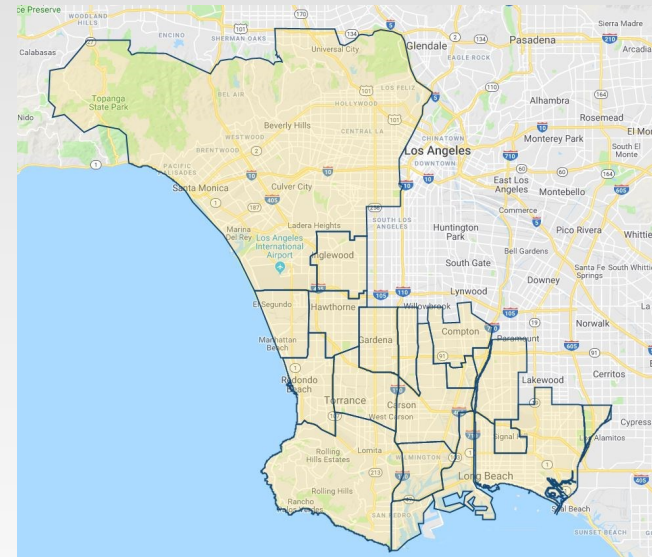
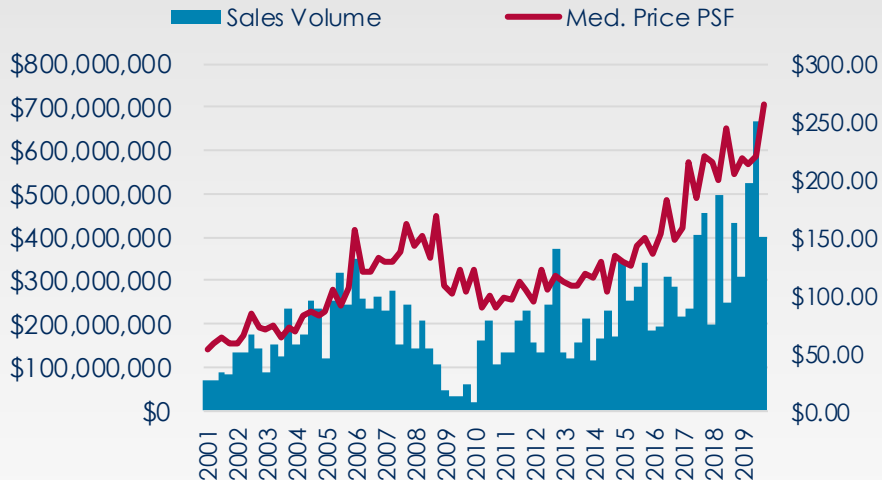
LEASING ACTIVITY PLUMMETED TO LOWEST TRACKED LEVEL. DOWN 40% FROM 2018



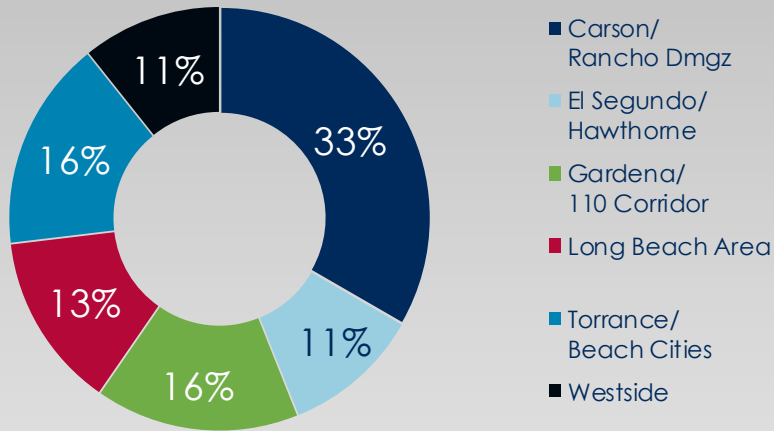
CONSTRUCTION ACTIVITY 1.2M SF CURRENTLY UNDER CONSTRUCTION



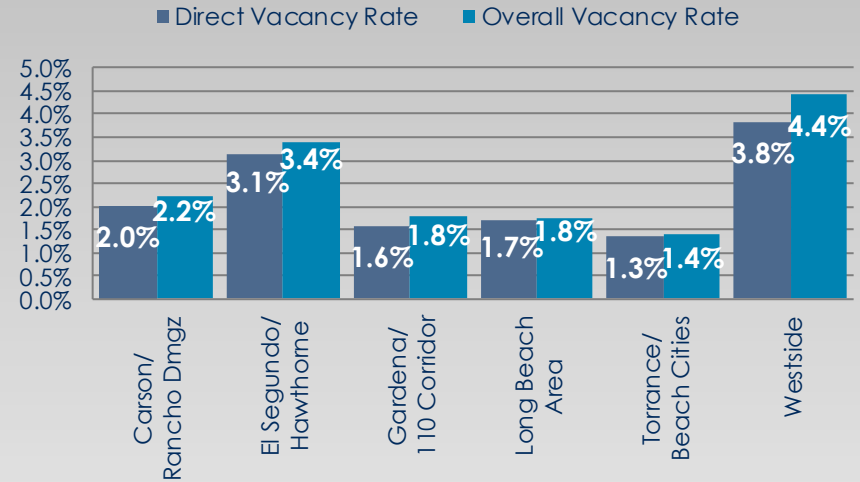
SALES FLEX BUILDINGS LED IN Q4. MEDIAN PRICE AT \$264.45 PSF



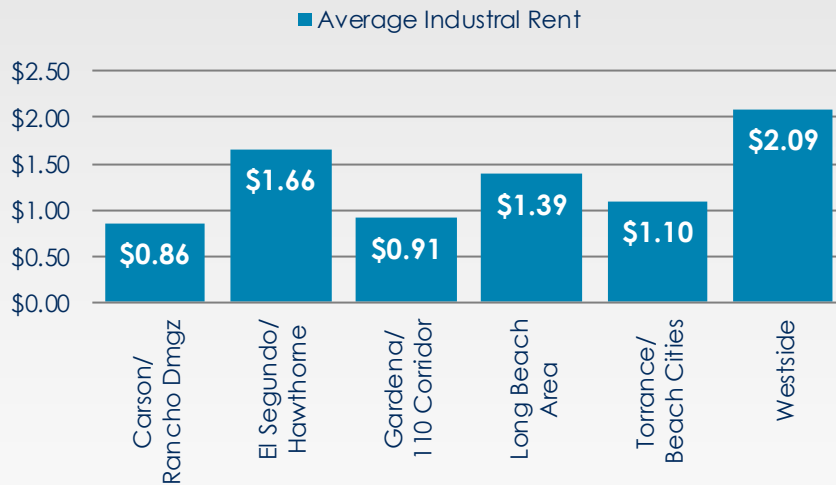
SQUARE FOOT BREAKDOWN- 227,295,359 SF MARKET SIZE



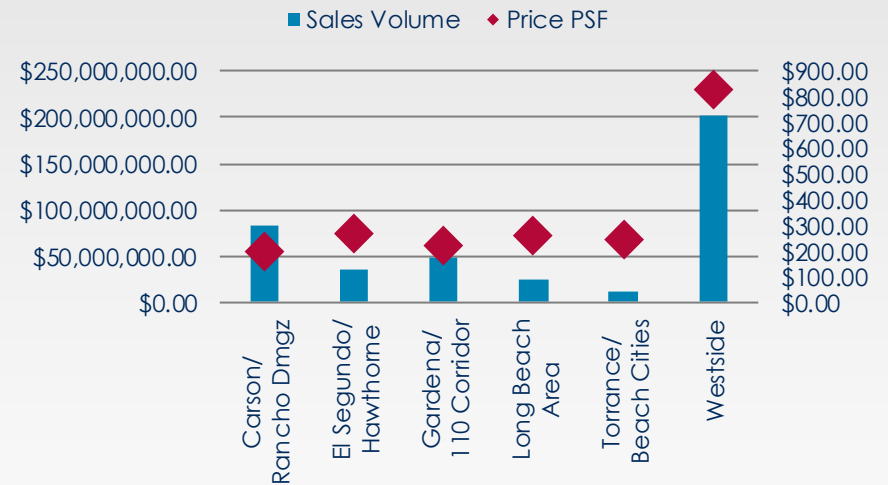
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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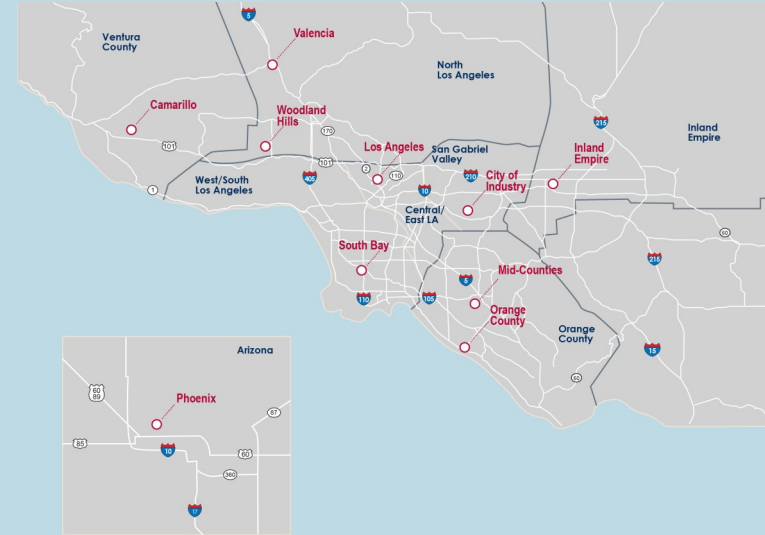
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Q4 | 2019

Market Report

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



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MARKET ACTIVITY

KEY TAKE AWAYS

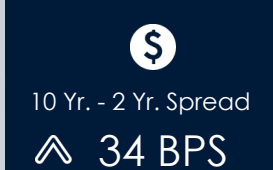
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Dropped by 40 BPS to 3.2% overall.
- **Net Absorption:** Q4 experienced the best Net Absorption since Q3 2014.
- **Asking Rents:** Saw an increase of \$0.04 PSF in Q4
- **Sales:** The Blackstone Group's acquisition of GLP assets in late Q3 significantly altered the Q/Q changes. Volume in Q4 was over \$457M.
- **Industrial Supply:** The OC market currently has over 1M SF under construction.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.



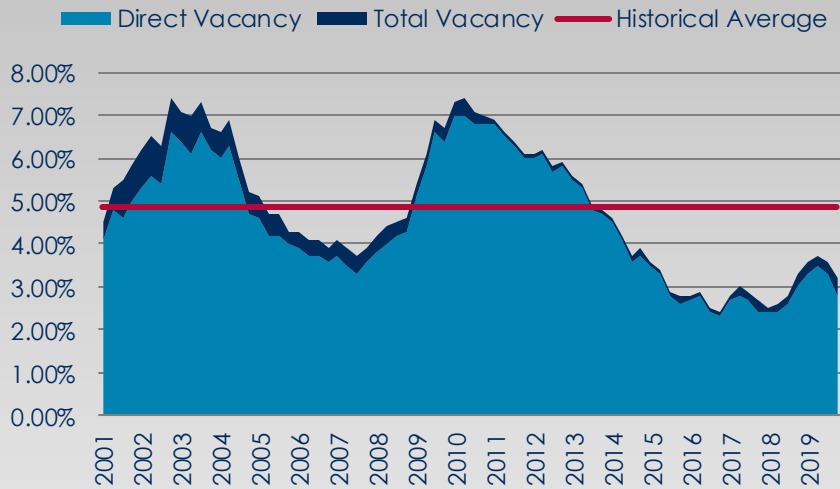
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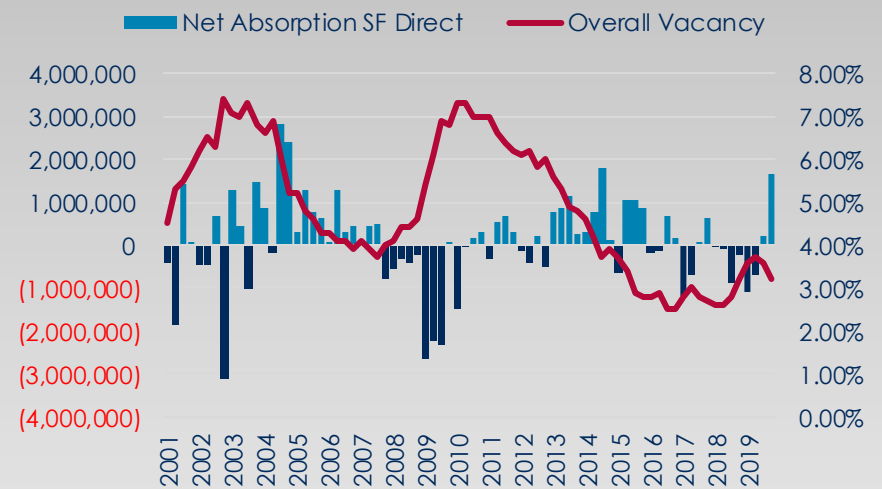


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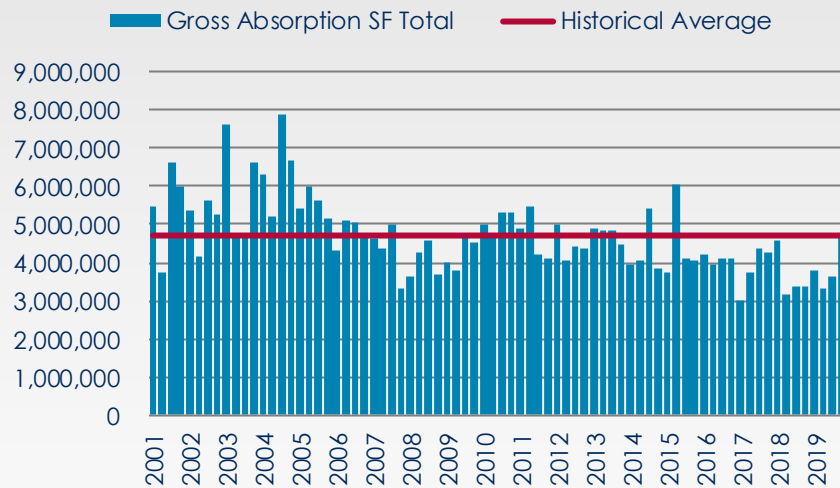
OVERALL VACANCY DECREASED BY 40 BPS TO 3.2%



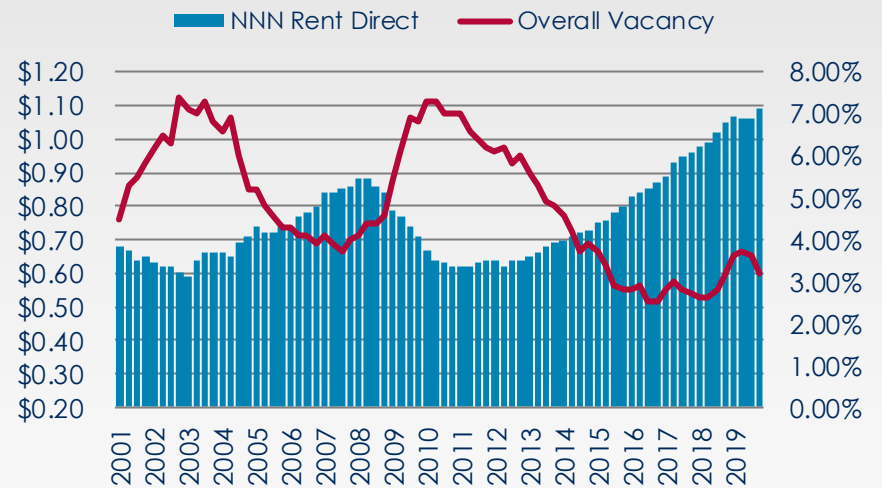
NET ABSORPTION Q4 WAS THE BEST READING SINCE Q3 2014



GROSS ABSORPTION INCREASED BY OVER 1M SF IN Q4 FROM Q3

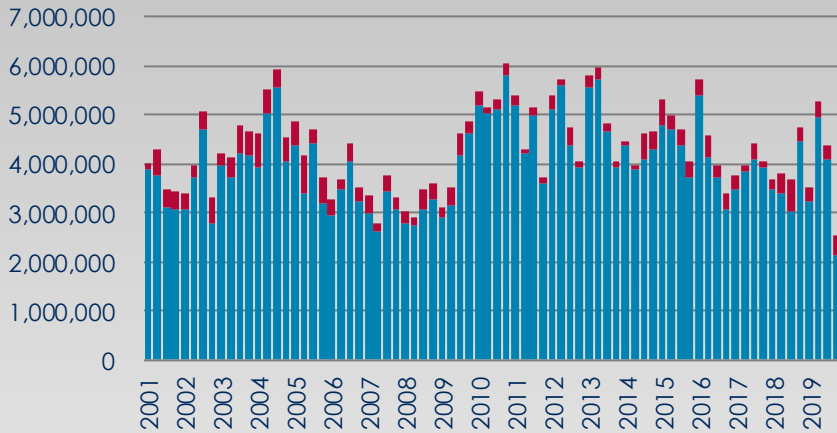


ASKING RENTS ROSE BY \$0.04 PSF IN Q4



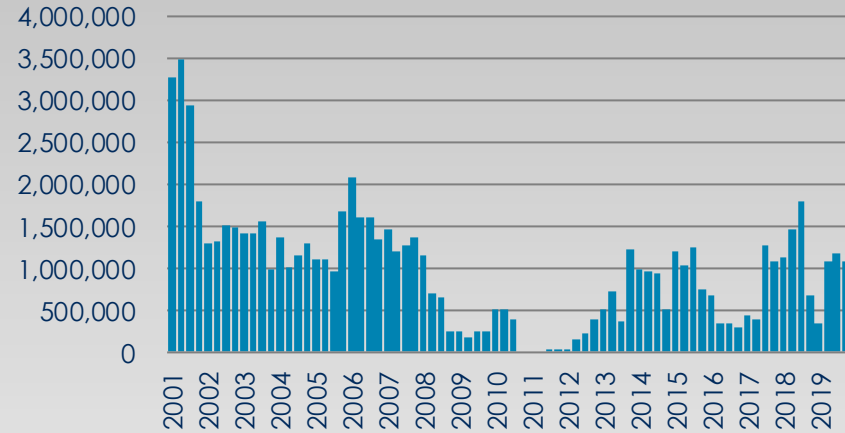
LEASING ACTIVITY
DOWN FROM Q3 TO SLIGHTLY ABOVE 2.5M SF

■ Leasing Activity SF Direct ■ Leasing Activity SF Sublet



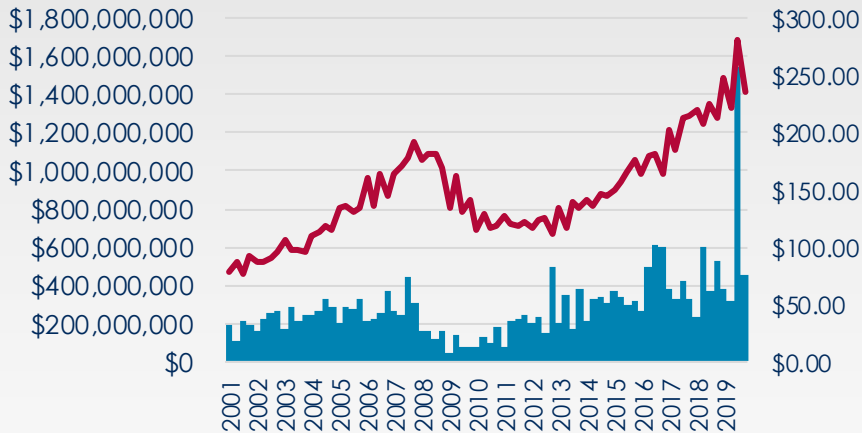
CONSTRUCTION ACTIVITY
REMAINS ABOVE 1M SF

■ Under Construction SF



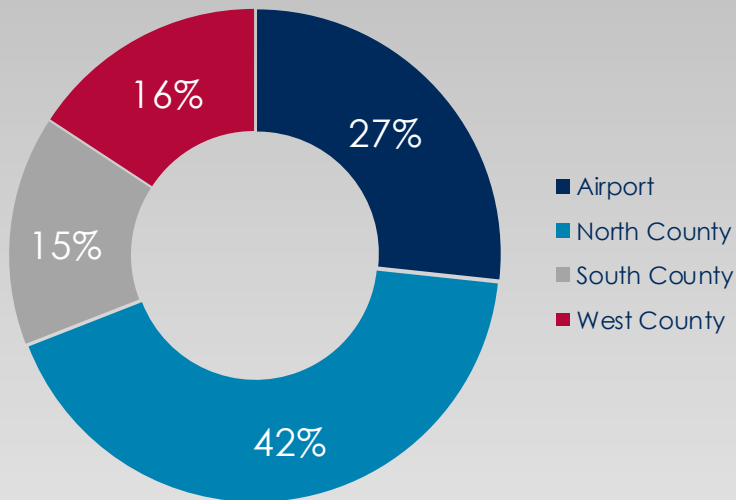
SALES
MEDIAN PRICE IN Q4 WAS \$235.00 PSF

■ Sales Volume ■ Med. Price PSF

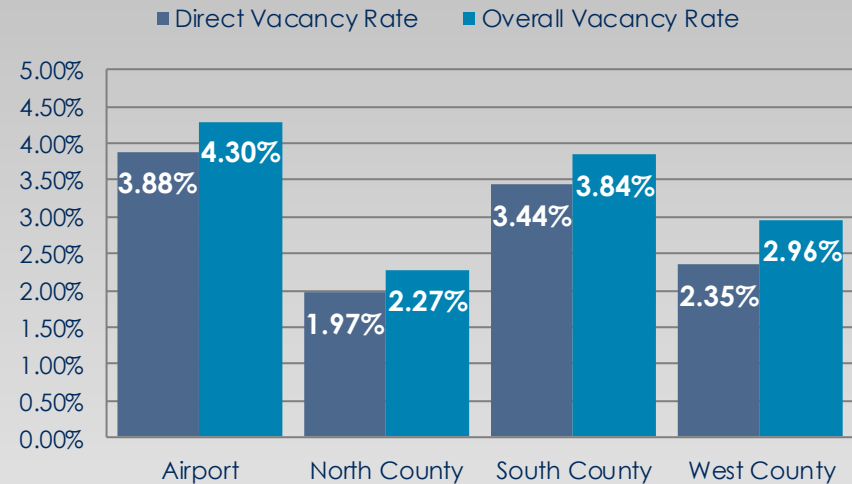


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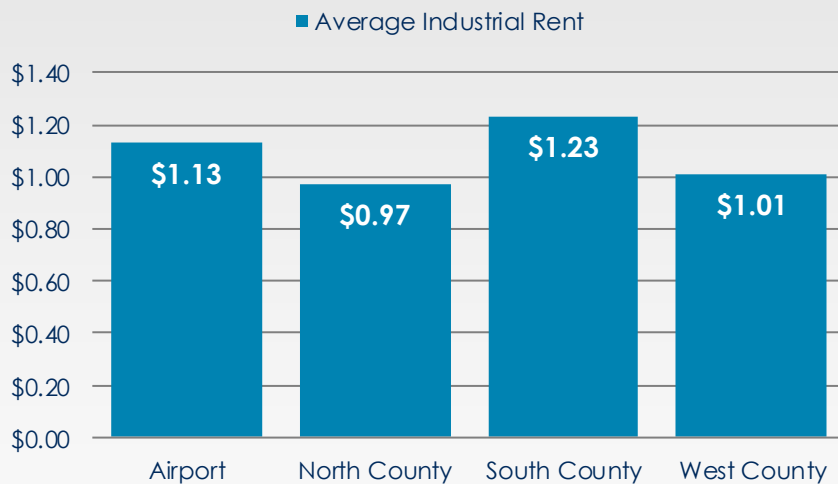
SQUARE FOOT BREAKDOWN- 295,117,096 SF MARKET SIZE



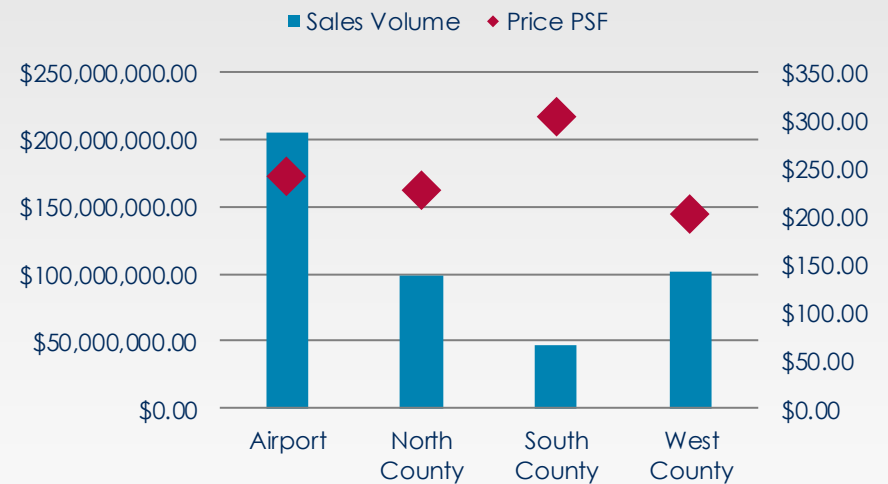
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

Methodology

Industrial and flex (R & D) buildings that are 5,000 square feet and greater.

Direct Vacant SF

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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

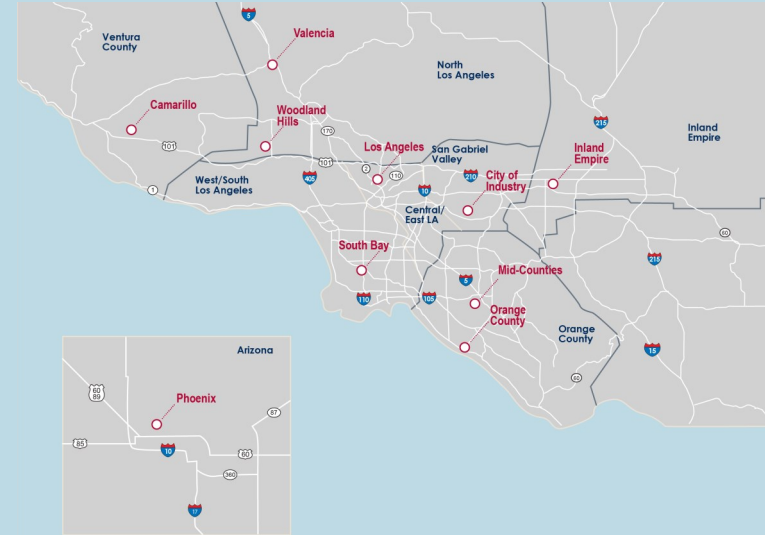
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

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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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Q4 | 2019

Market Report



//////////////////// Ventura County Industrial

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MARKET ACTIVITY

KEY TAKE AWAYS

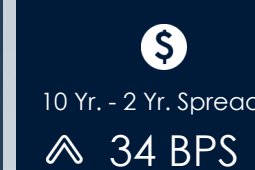
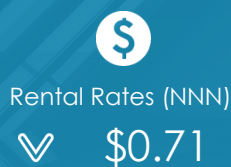
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Overall vacancy increased by 10 BPS marking the 6th consecutive quarter increase.
- **Net Absorption:** Q4 was the only positive quarter in 2019.
- **Gross Absorption:** Down from Q3. In 2019, Gross Absorption was down 32% compared to 2018.
- **Sales:** Volume and prices were both down in Q4. The median price PSF in Q4 was \$154.91. 2019 saw an increase in volume of 28% compared to 2018.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.



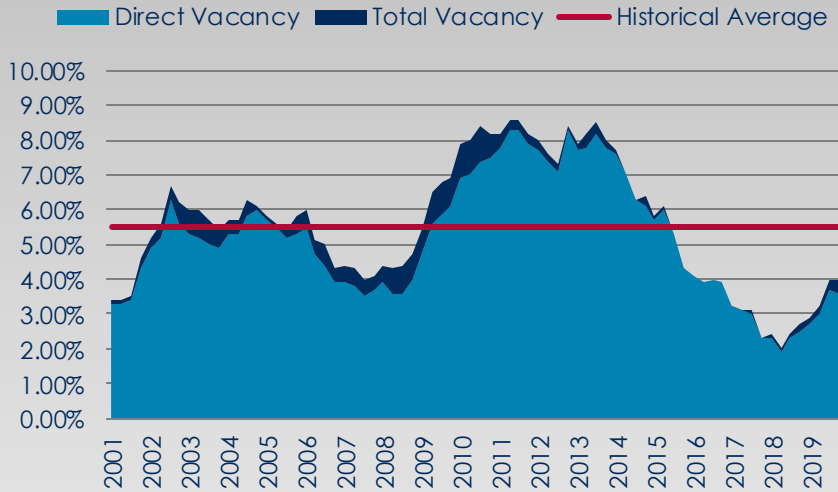
EXPERIENCE IN A CHANGING MARKET

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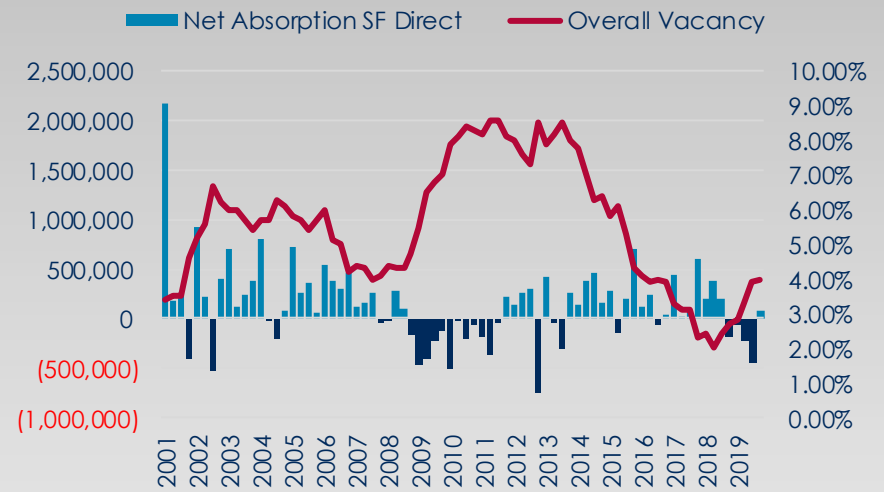


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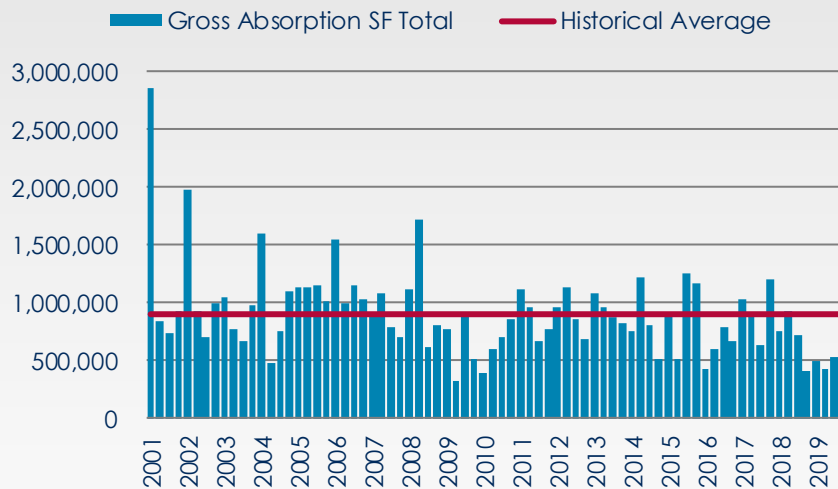
OVERALL VACANCY INCREASED FOR 6TH CONSECUTIVE QUARTER



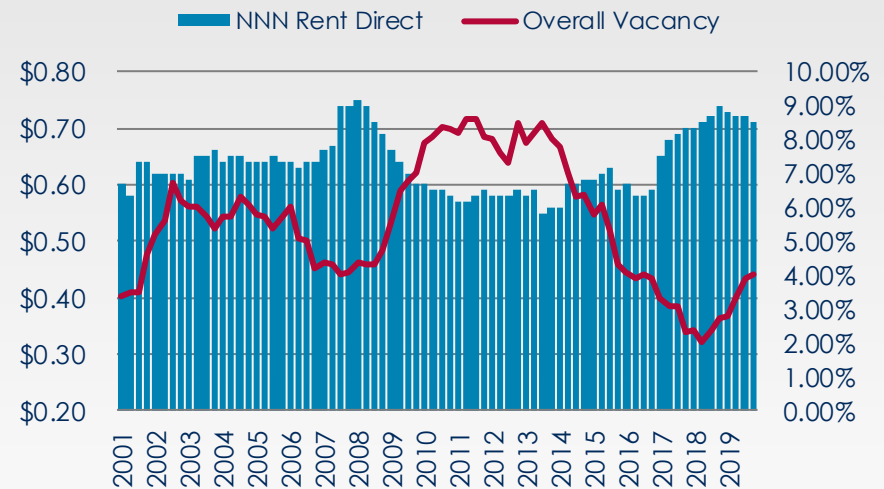
NET ABSORPTION Q4 WAS THE ONLY POSITIVE QUARTER IN 2019



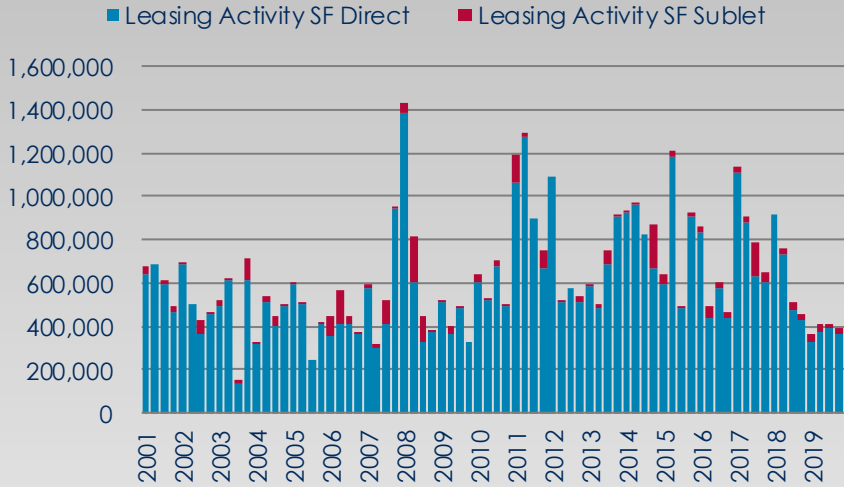
GROSS ABSORPTION FELL SLIGHTLY IN Q4. DOWN 32% IN 2019 FROM 2018



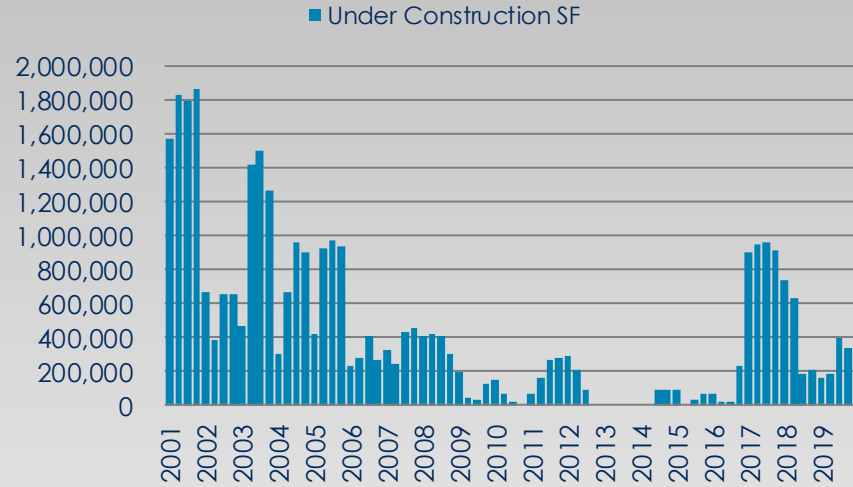
ASKING RENTS DECREASED BY \$0.01 PSF IN Q4 FROM Q3



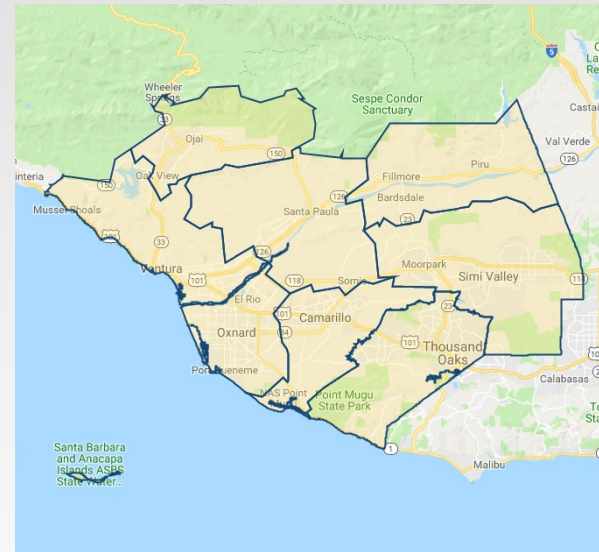
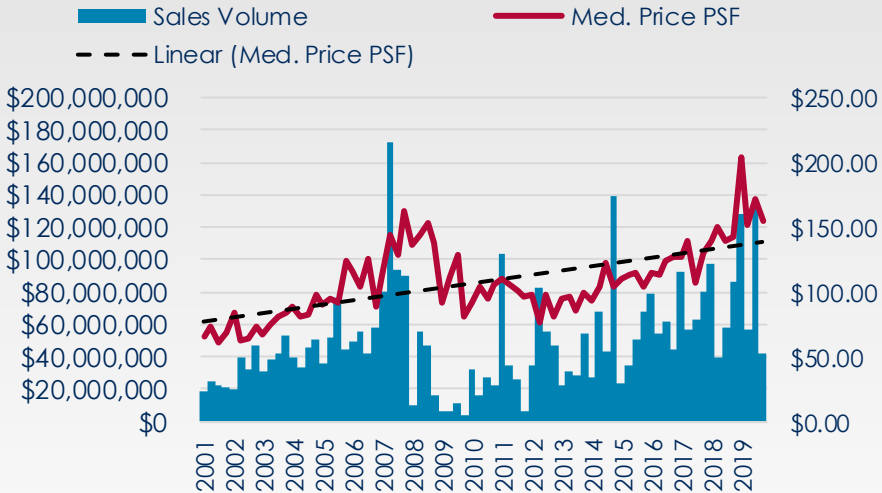
LEASING ACTIVITY MARGINAL REDUCTION FROM Q3 TO JUST UNDER 400K SF



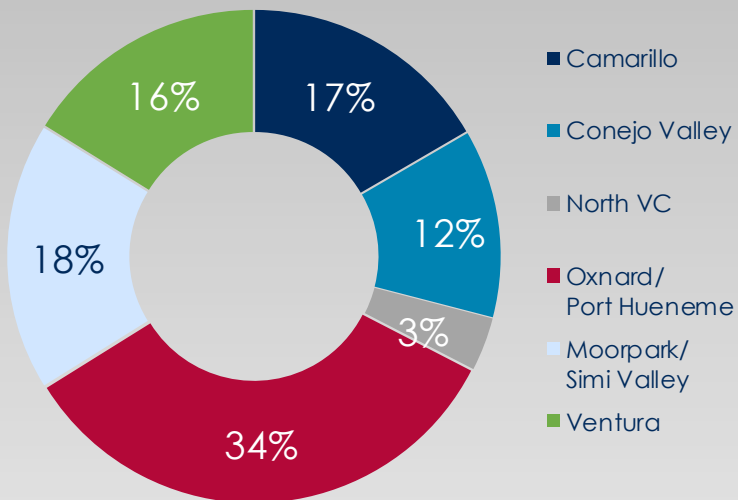
CONSTRUCTION ACTIVITY NEARLY 350K SF IS CURRENTLY UNDER CONSTRUCTION



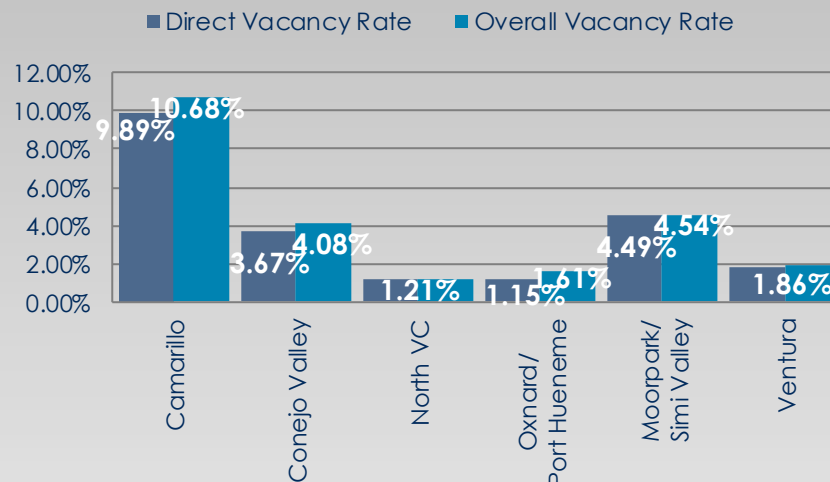
SALES MEDIAN PRICE PSF IN Q3 WAS \$154.91. VOLUME PLUMMETED



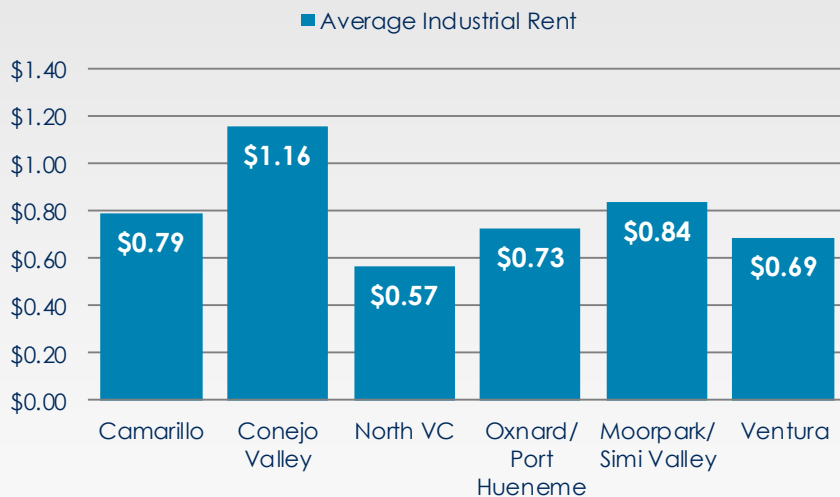
SQUARE FOOT BREAKDOWN- 69,838,980 SF MARKET SIZE



VACANCY BREAKDOWN



AVERAGE RENT PSF



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.

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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

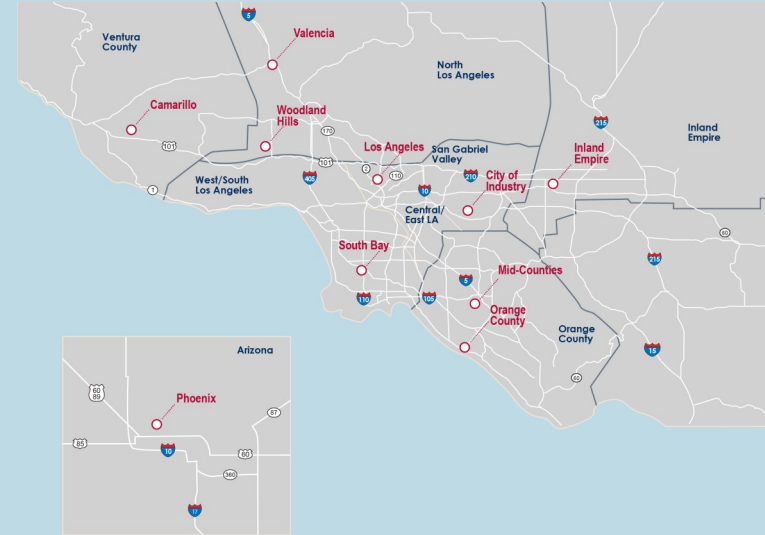
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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Market Report

Inland Empire Industrial



West

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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

<p>Direct Vacancy ↔ 2.7%</p>	<p>Net Absorption ✓ 1,421,917 SF</p>
<p>Overall Vacancy ✓ 3.0%</p>	<p>Gross Absorption ▲ 6,035,143 SF</p>
<p>Under Construction ▲ 13,140,892 SF</p>	<p>Rental Rates (NNN) ▲ \$0.75</p>
<p>Sale Price Change ✓ 13.9%</p>	<p>Deal Volume ✓ 16.1%</p>

MARKET

- **Vacancy Rate:** Decreased by 10 BPS from Q2.
- **Net Absorption:** Weakest quarter of 2019.
- **Gross Absorption:** Increased from Q3 to above 6M.
- **Industrial Supply:** In 2019, over 6.5M SF has been delivered to the IE West market. Construction activity increased in Q4 to over 13M SF, representing 3.9% of inventory. This market continues to grow & fulfil the large demand.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.

<p>U.S. Employment ✓ 3.5%</p>	<p>U6 Rate ✓ 6.9%</p>
<p>Interest Rate ▲ 3.7% <small>(30 year fixed)</small></p>	<p>Changing GDP ▲ 2.3%</p>
<p>Port Traffic Y/Y Δ ▲ 0.3%</p>	<p>NYSE Performance ▲ 7.5%</p>
<p>Inflation Change ▲ 2.0%</p>	<p>10 Yr. - 2 Yr. Spread ▲ 34 BPS</p>

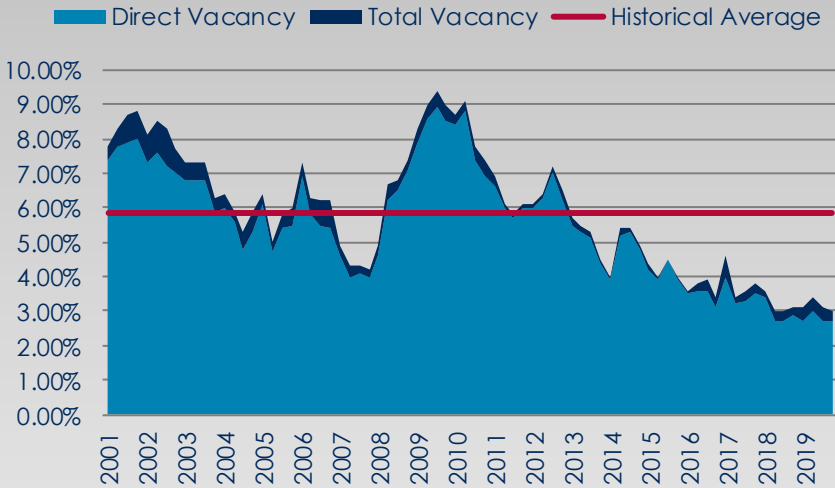
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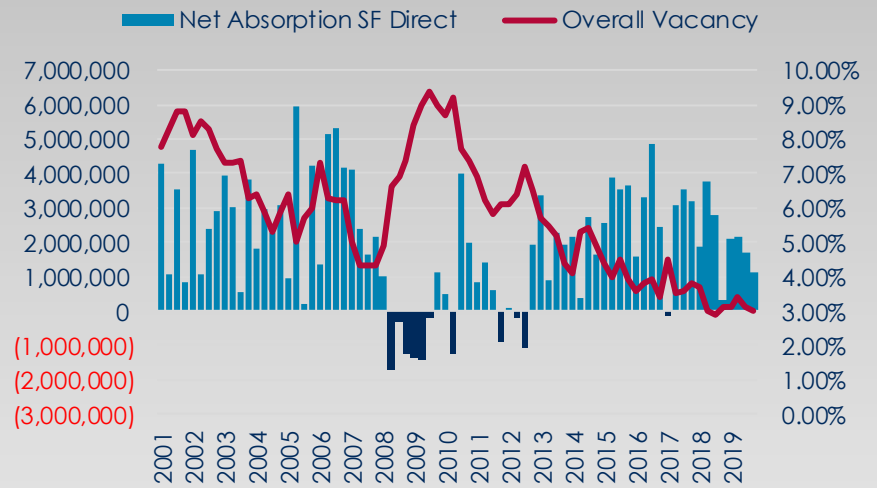


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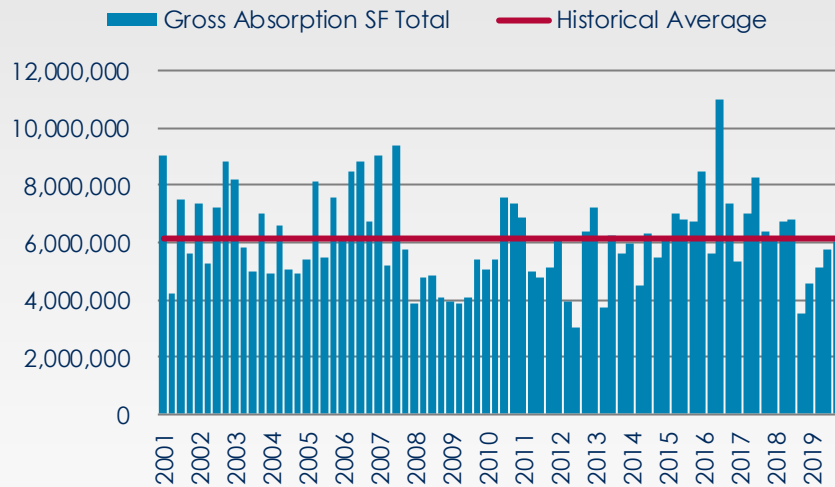
**OVERALL VACANCY
FELL BY 10 BPS TO 3.0%**



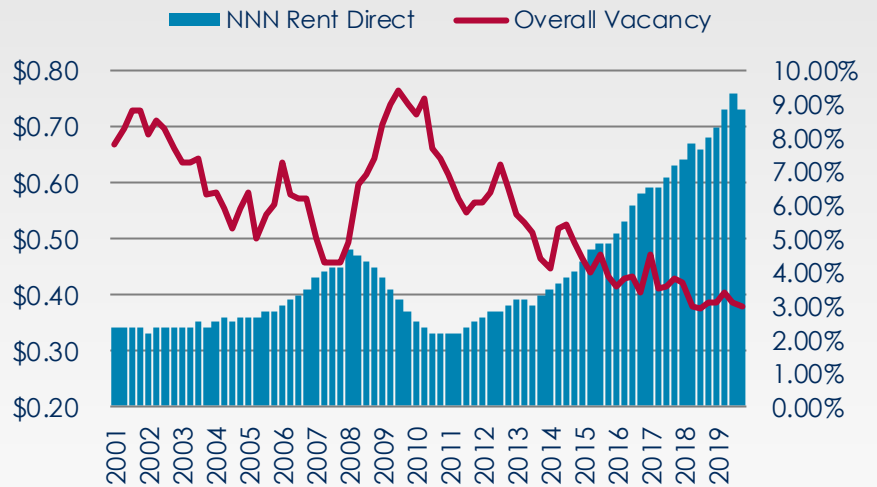
**NET ABSORPTION
LOWEST QUARTER IN 2019 BUT STILL STRONG AT OVER 1M SF**



**GROSS ABSORPTION
INCREASED FOR THE 4TH STRAIGHT QUARTER TO OVER 6M SF**

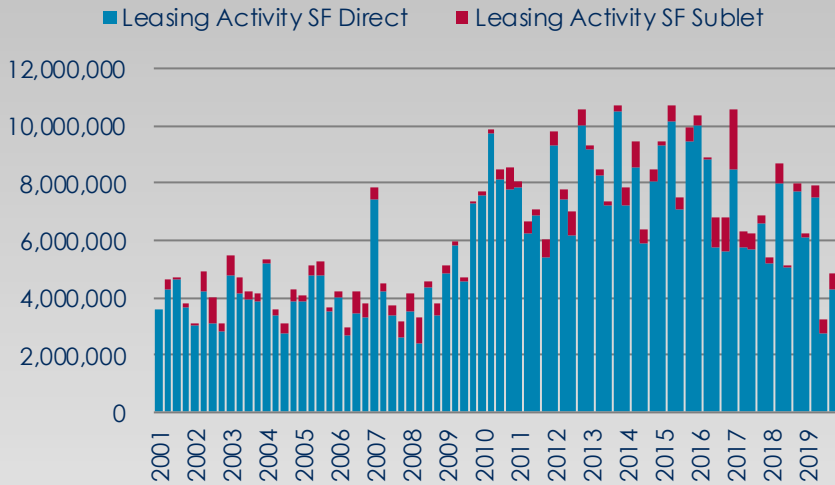


**ASKING RENTS
FELL BY \$0.02 PSF FROM Q3**

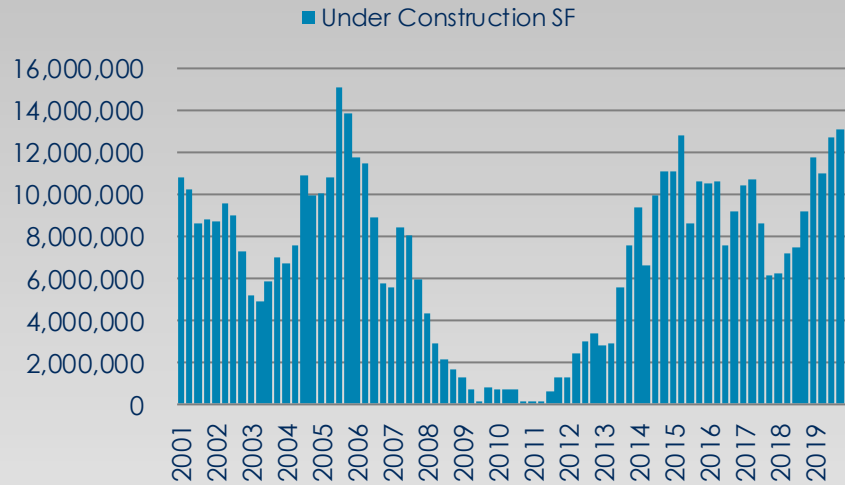


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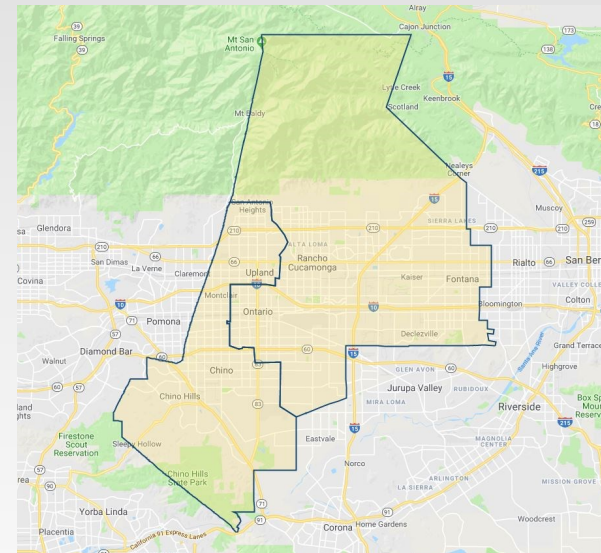
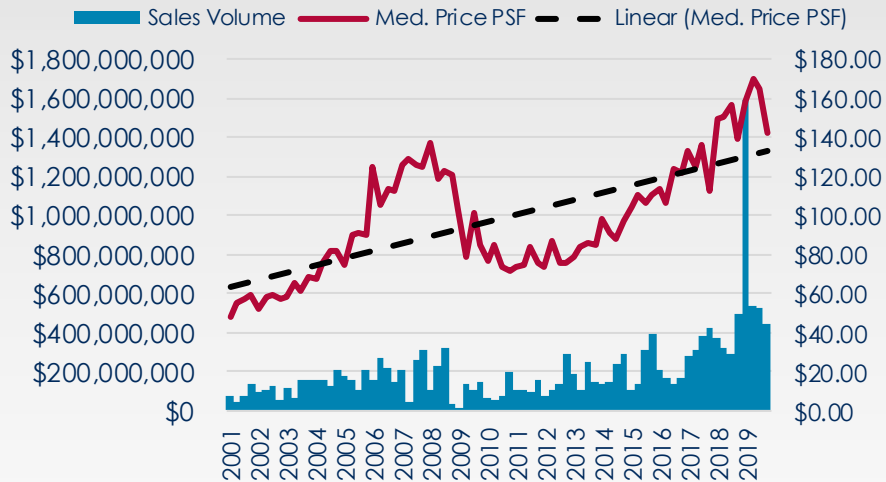
LEASING ACTIVITY
INCREASED FROM DOWN Q3 TO OVER 4.8M SF



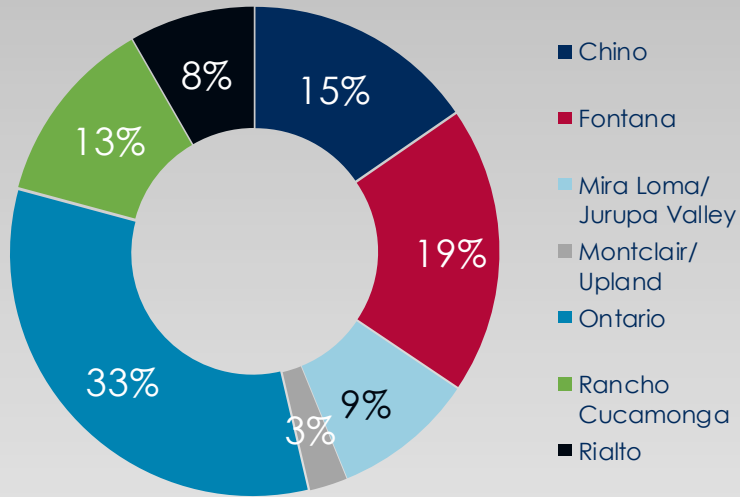
CONSTRUCTION ACTIVITY
OVER 13M SF CURRENTLY UNDER CONSTRUCTION



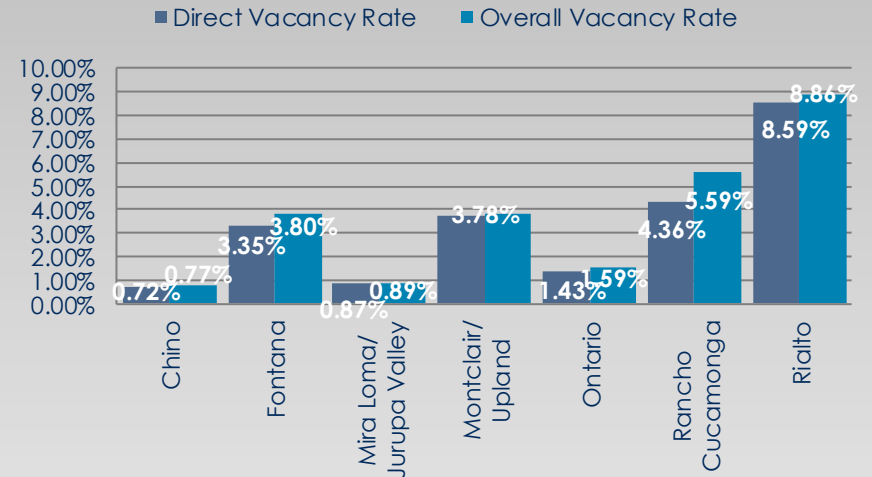
SALES
PRICES DOWN FROM Q3 WITH A MEDIAN PSF OF \$142.00



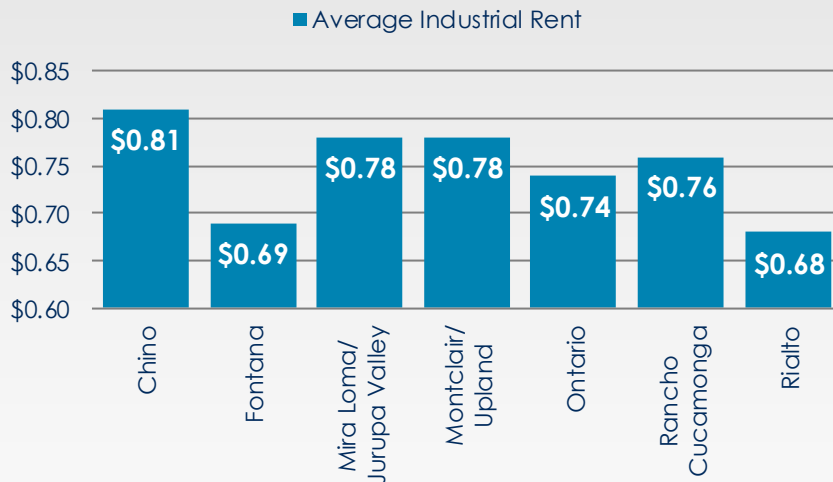
SQUARE FOOT BREAKDOWN- 338,904,395 SF MARKET SIZE



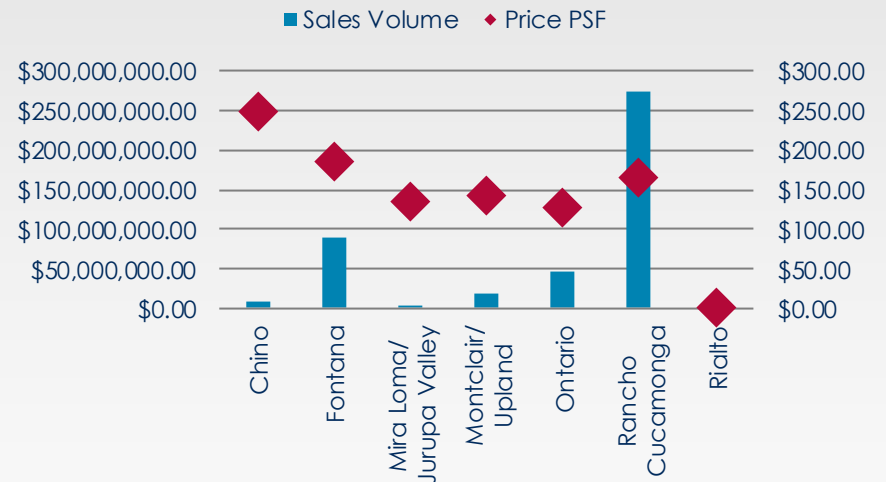
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

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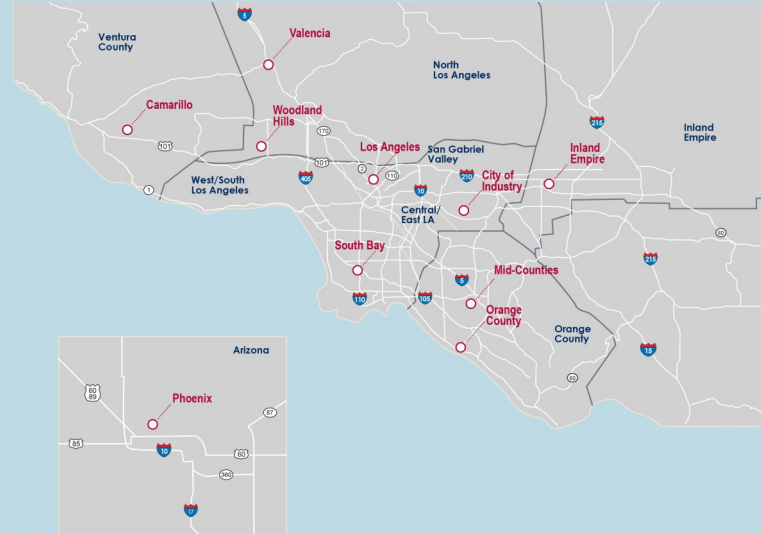
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Market Report

Inland Empire Industrial

East



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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased 40 BPS from Q3 to 5.6%.
- **Net Absorption:** Q4 was the worst performing quarter in 2019. Represents 1.26% of inventory.
- **Gross Absorption:** Fell in Q4 to just over 4M SF.
- **Asking Rents:** Pushed to record highs again in Q4.
- **Industrial Supply:** The IE East market continues historic expansion. In Q4, roughly 4.1M SF was delivered. Bringing the YTD total to over 11.4 million square feet. Nearly 8 million square feet is under construction, equating to 3.6% of the total inventory.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.



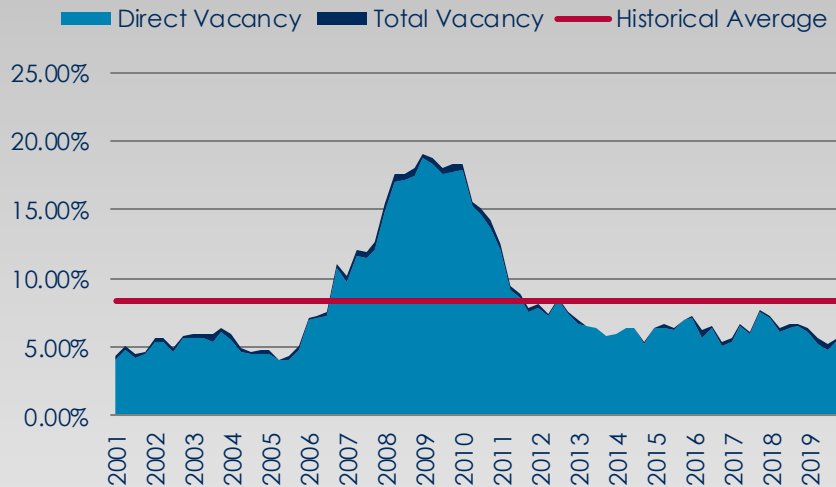
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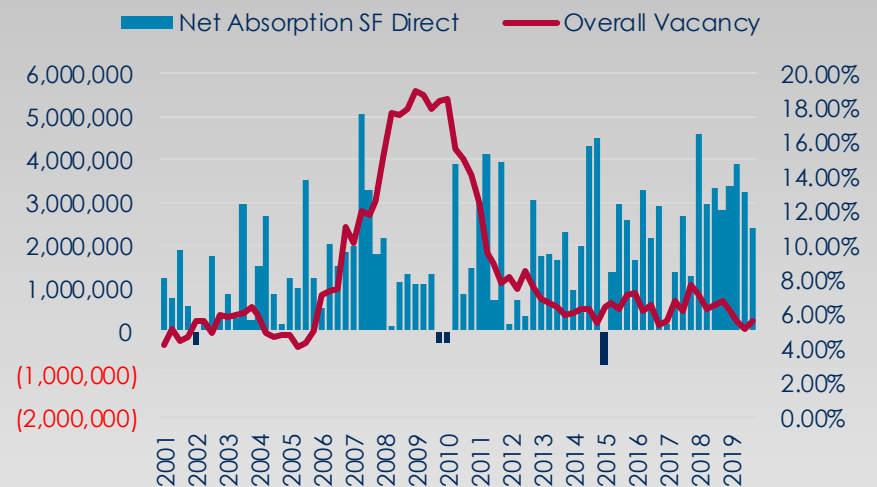


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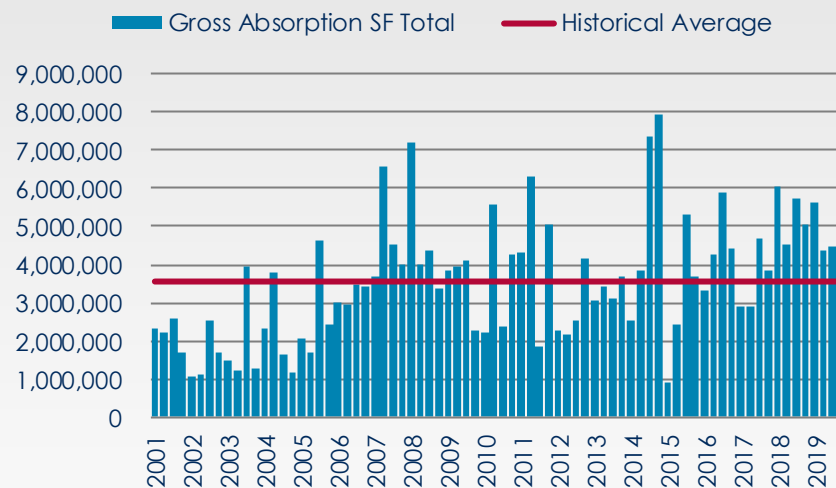
OVERALL VACANCY
INCREASED BY 50 BPS FROM Q2 TO 5.6%



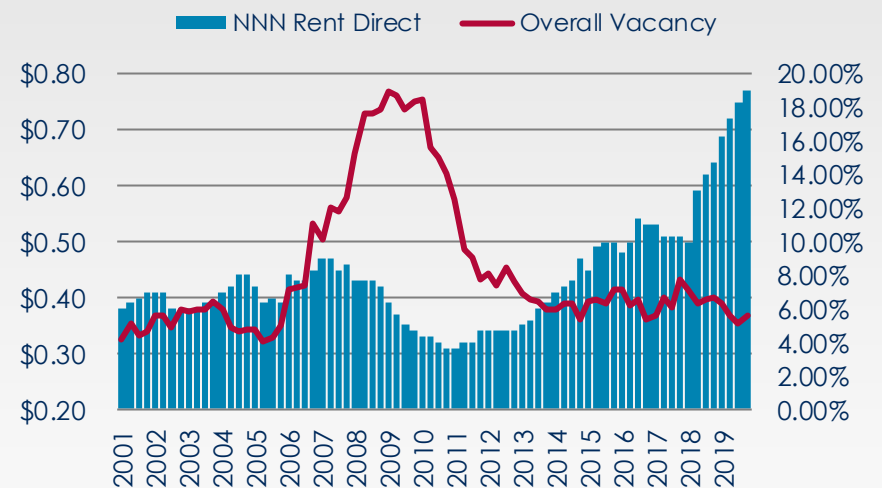
NET ABSORPTION
ONLY QUARTER BELOW 3M SF IN 2019



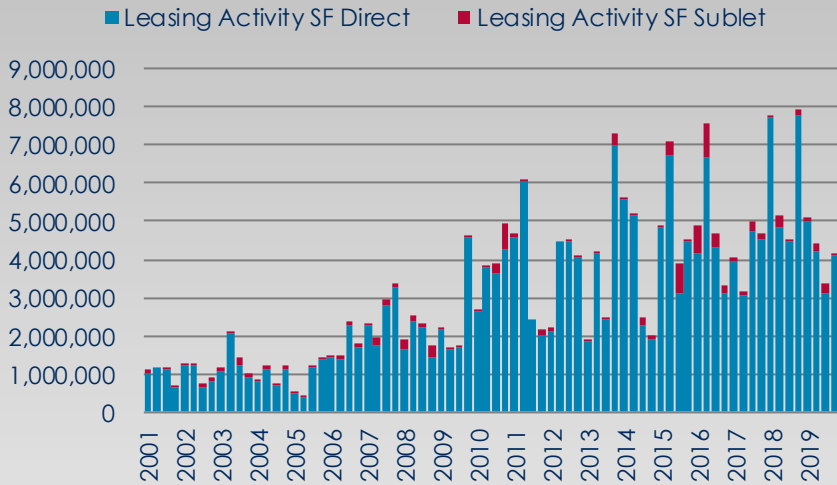
GROSS ABSORPTION
DOWN IN Q4 TO JUST OVER 4M SF



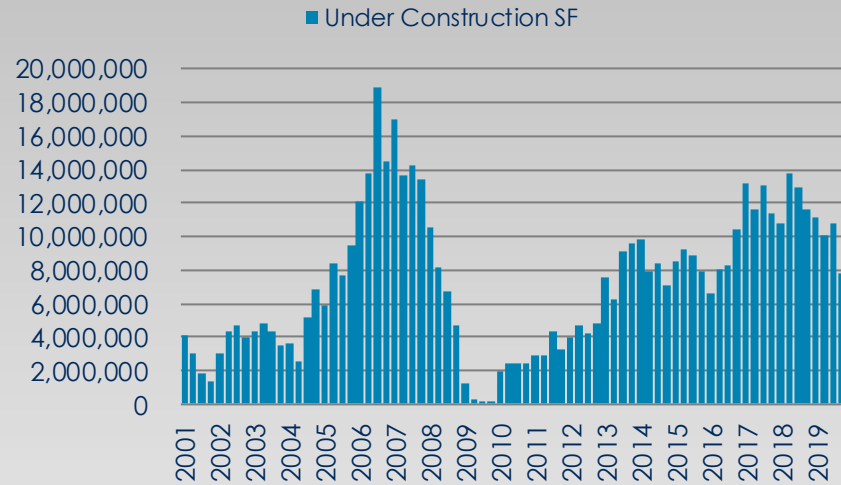
ASKING RENTS
PUSH RECORD HIGHS EVEN HIGHER



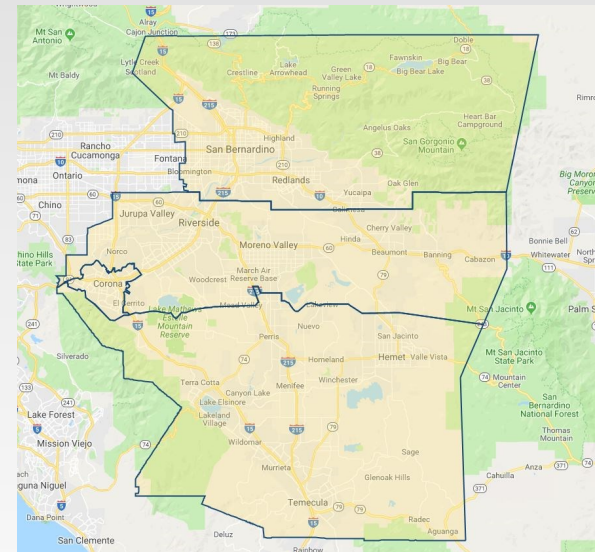
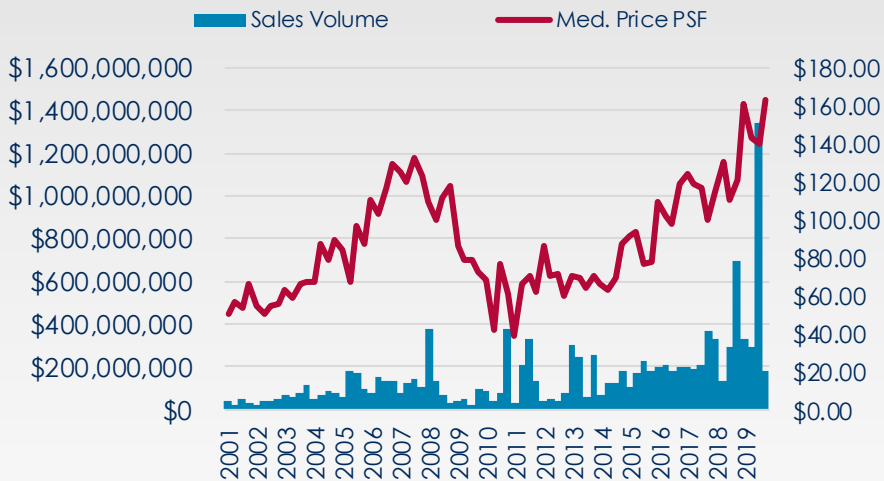
LEASING ACTIVITY
PICKED UP IN Q4 TO OVER 4.1M SF



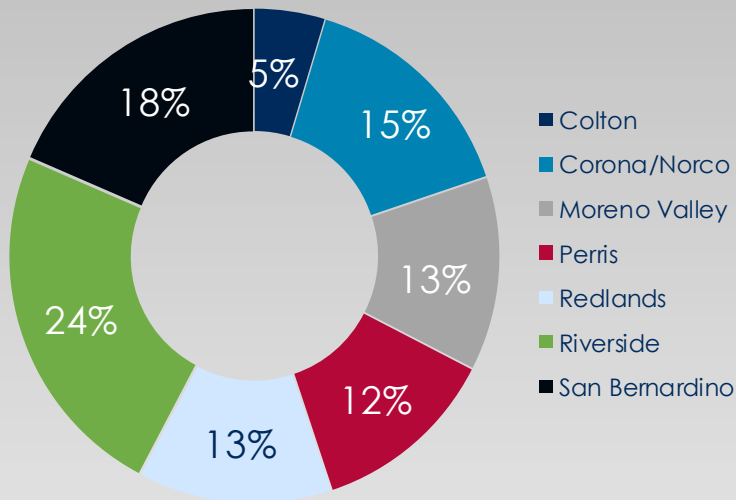
CONSTRUCTION ACTIVITY
OVER 4M SF DELIVERED IN Q4. UC ABOVE 7.8M



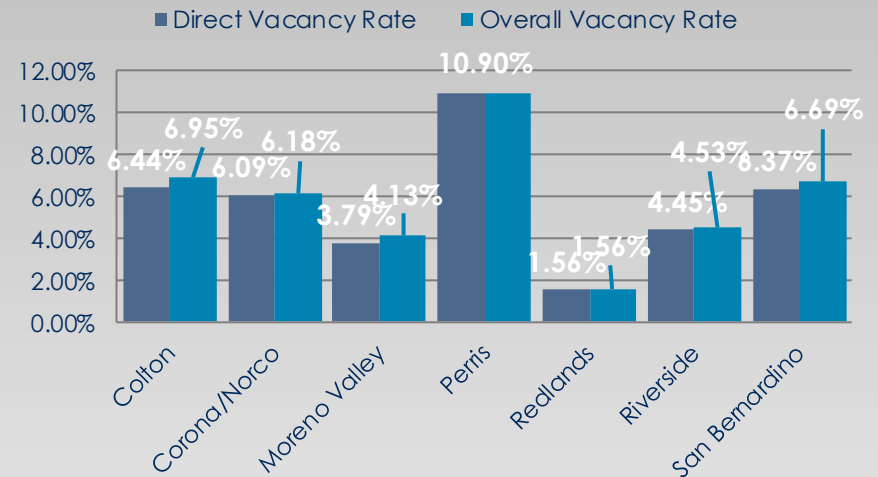
SALES
MEDIAN PRICING INCREASED TO \$162.75 PSF



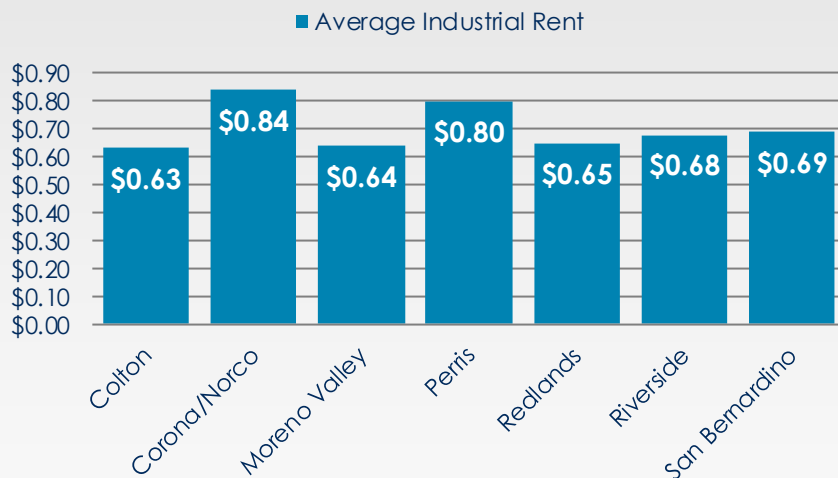
SQUARE FOOT BREAKDOWN- 223,176,865 SF MARKET SIZE



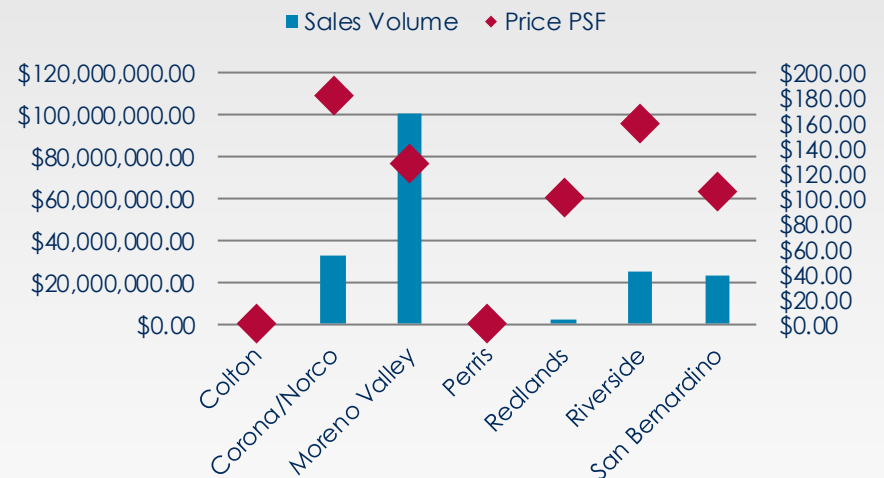
VACANCY BREAKDOWN



AVERAGE RENT PSF



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.

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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

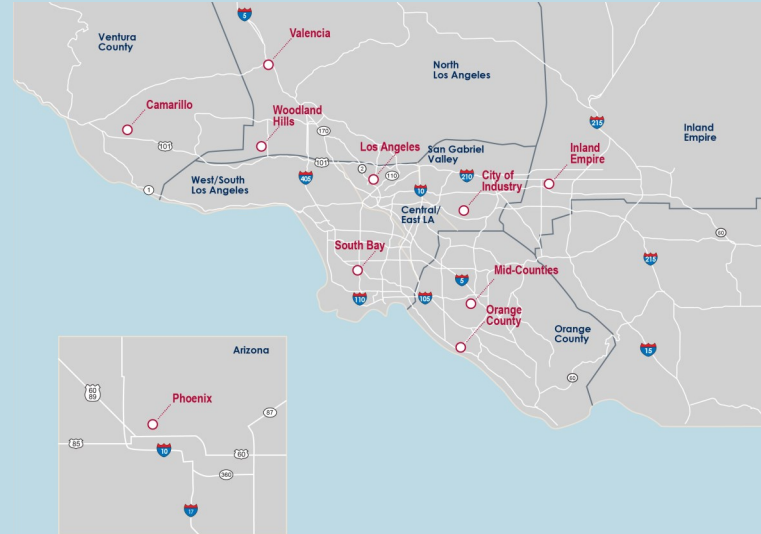
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

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

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

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

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

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

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Q4 | 2019

Market Report

//////////////////// Phoenix Industrial



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MARKET ACTIVITY

Direct Vacancy
↔ 6.5%

Net Absorption
✓ 1,864,567 SF

Overall Vacancy
↔ 7.0%

Gross Absorption
✓ 5,690,573 SF

Under Construction
▲ 12,570,956 SF

Rental Rates (NNN)
↔ \$0.61

Sale Price Change
▲ 3.9%

Deal Volume
✓ 34.8%

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Remained the same from Q3
- **Net Absorption:** Down from impressive Q3 to over 1.8M SF, representing 0.56% of inventory.
- **Sales:** The sales volume in Q4 was the second highest tracked quarter coming in just shy of \$800M. Median price PSF increased by 3.9% to \$112.71 PSF.
- **Industrial Supply:** Nearly 1.7M SF was delivered in Q4. Bringing the YTD total to over 7.3M SF. Under construction activity continues to increase with greater than 12.5 million SF, emphasizing the future growth of this market.

ECONOMIC OUTLOOK

- **Interest Rates:** The yield curve normalized in Q4. The Fed signaled no change in rates are coming in 2020.
- **Trade:** Congress is expected to pass the USMCA trade deal in early 2020. The trade war with China looks to be coming to an end as Phase 1 of the deal is to be signed in mid-January.
- **Stock Market:** The DOW, S&P 500, & NASDAQ had significant returns in 2019. The DOW saw gains of 22.3%, S&P 500 gained 28.9%, NASDAQ finished at 35.2%. The market is expected to continue its rise in 2020.

ECONOMIC OUTLOOK



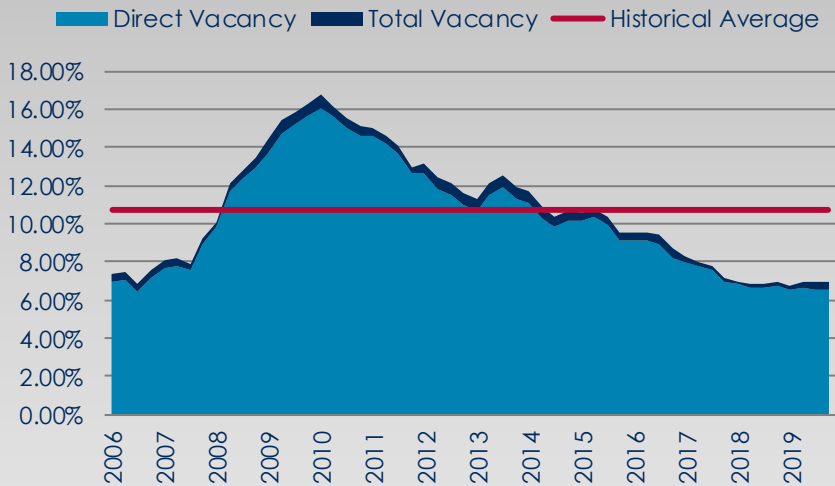
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

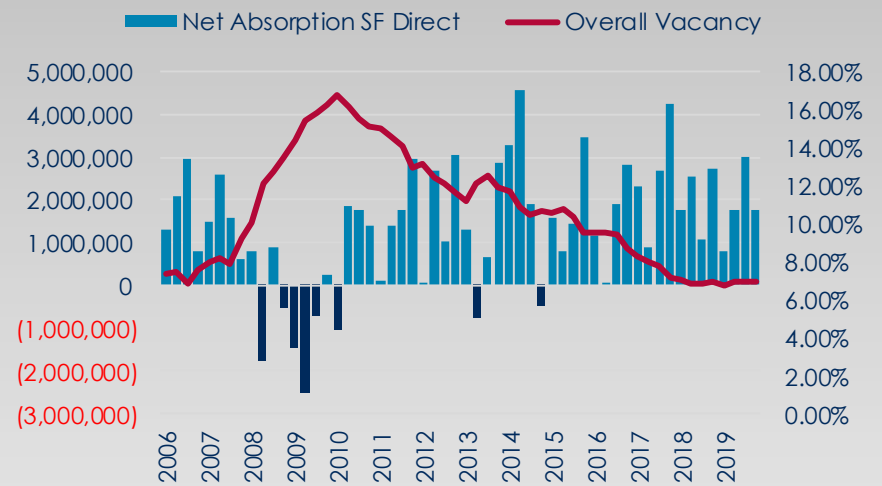


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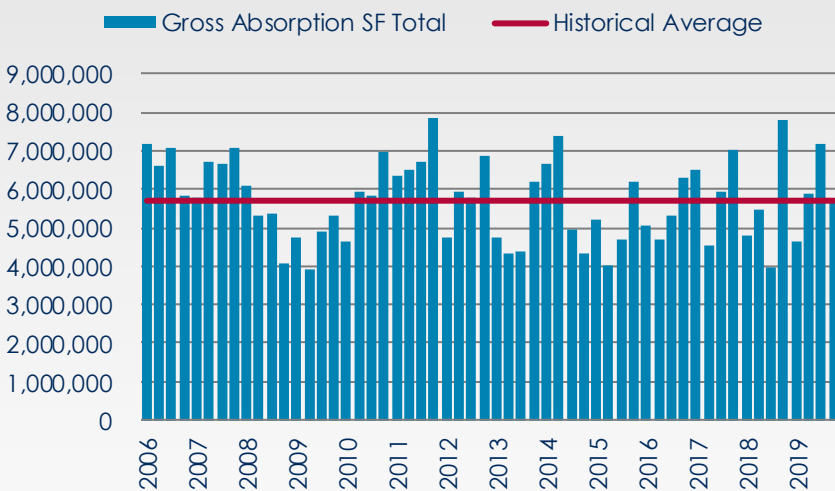
OVERALL VACANCY HELD CONSTANT FROM Q3



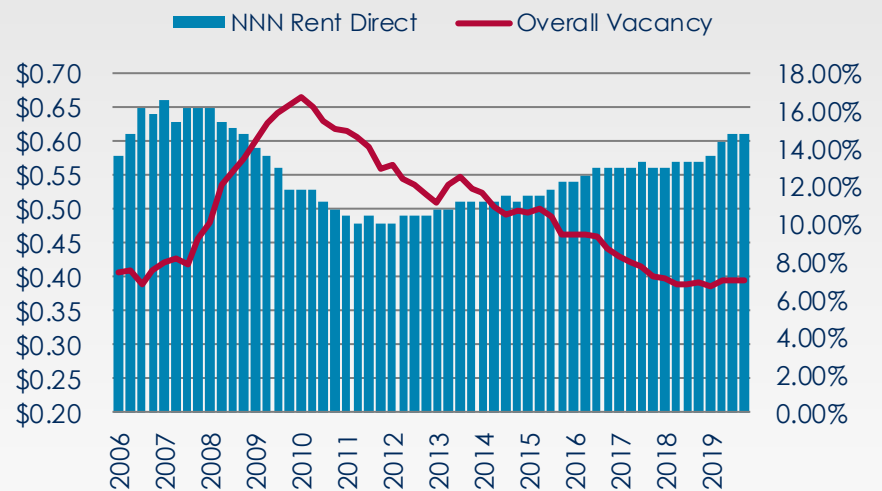
NET ABSORPTION DOWN FROM STRONG Q3 TO OVER 1.8M SF



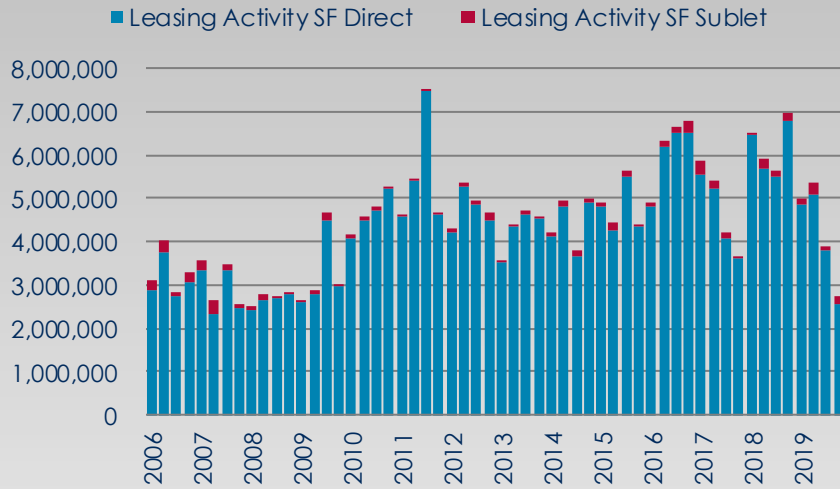
GROSS ABSORPTION FELL IN Q4 TO ROUGHLY 5.7M SF



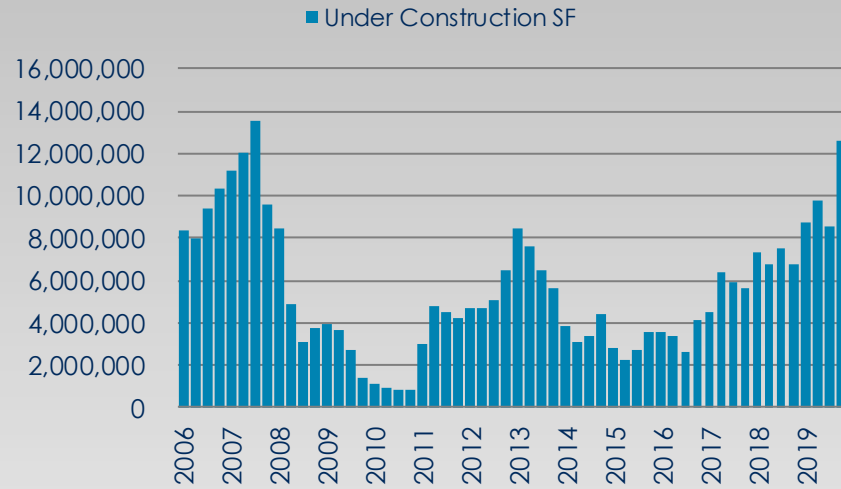
ASKING RENTS REMAIN THE SAME FROM Q3 AT \$0.61 PSF



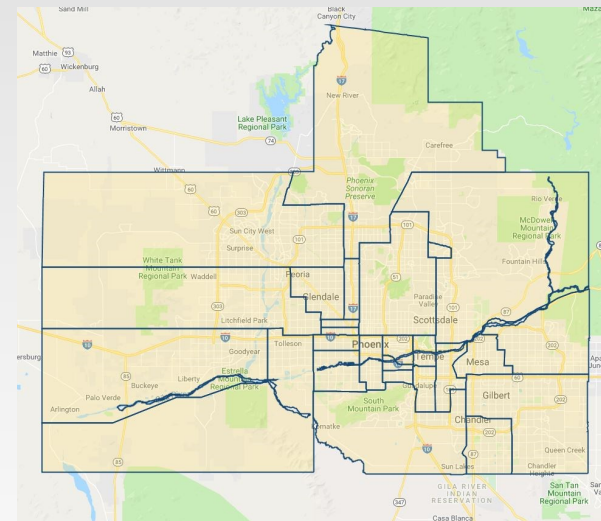
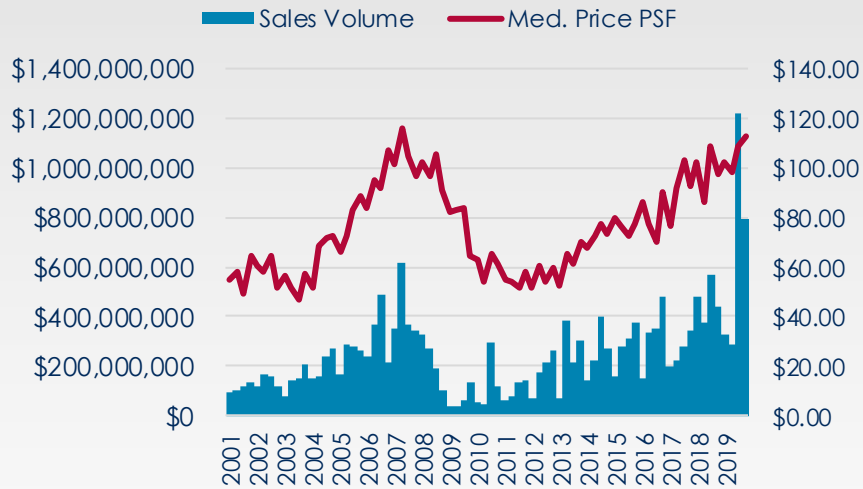
LEASING ACTIVITY FELL BELOW 3M SF FOR FIRST TIME SINCE 2009



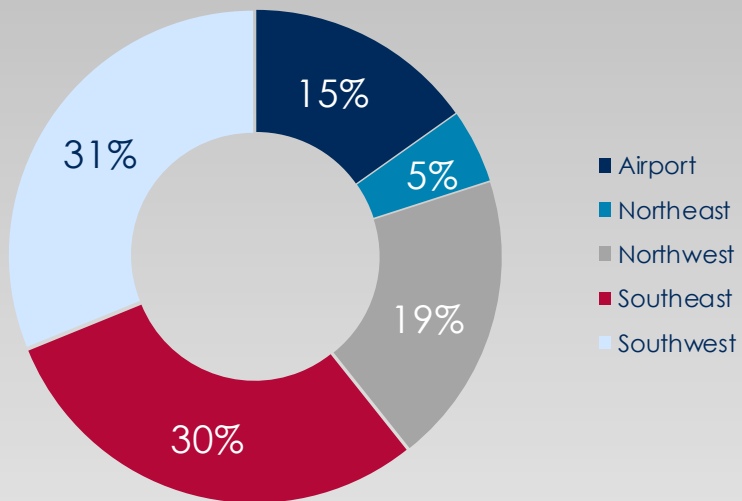
CONSTRUCTION ACTIVITY NEARLY 1.7M SF WAS DELIVERED IN Q4. 12.5M+ SF UC



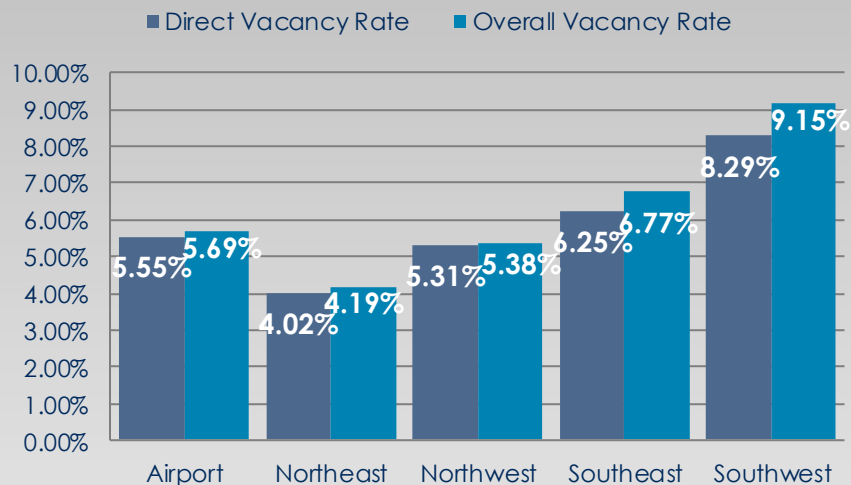
SALES PRICES ROSE TO A MEDIAN OF \$112.71 PSF. VOLUME 2ND HIGHEST Q



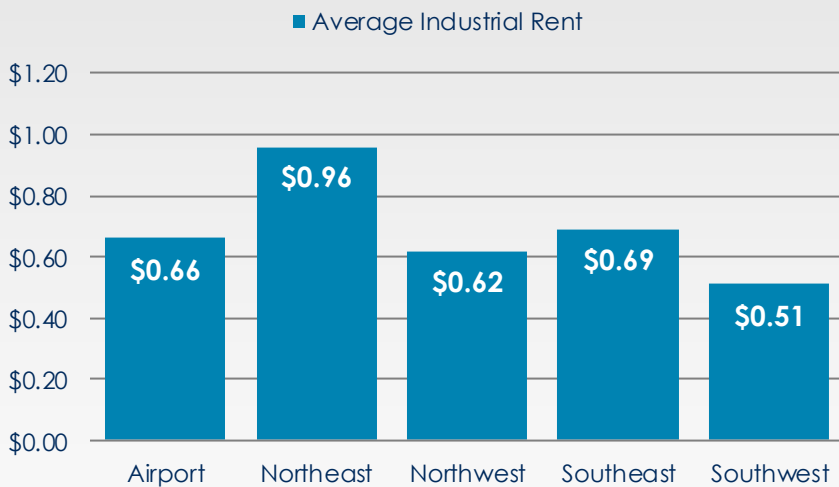
SQUARE FOOT BREAKDOWN- 335,848,017 SF MARKET SIZE



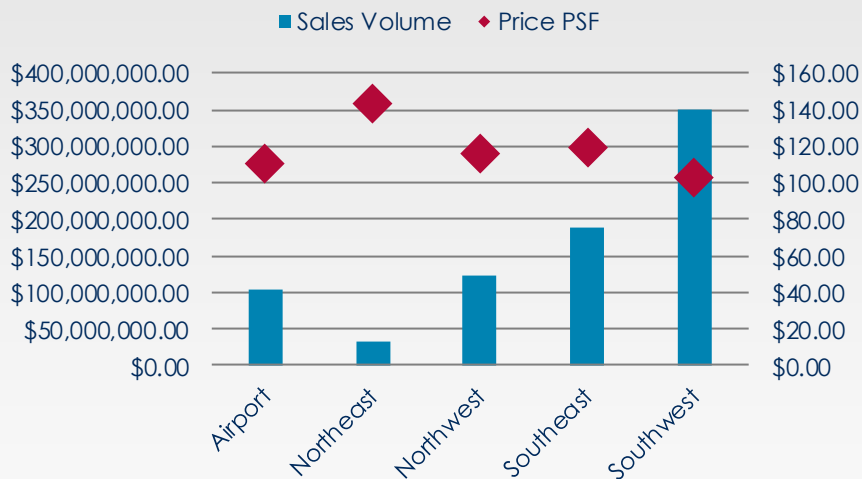
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VOLUME BREAKDOWN



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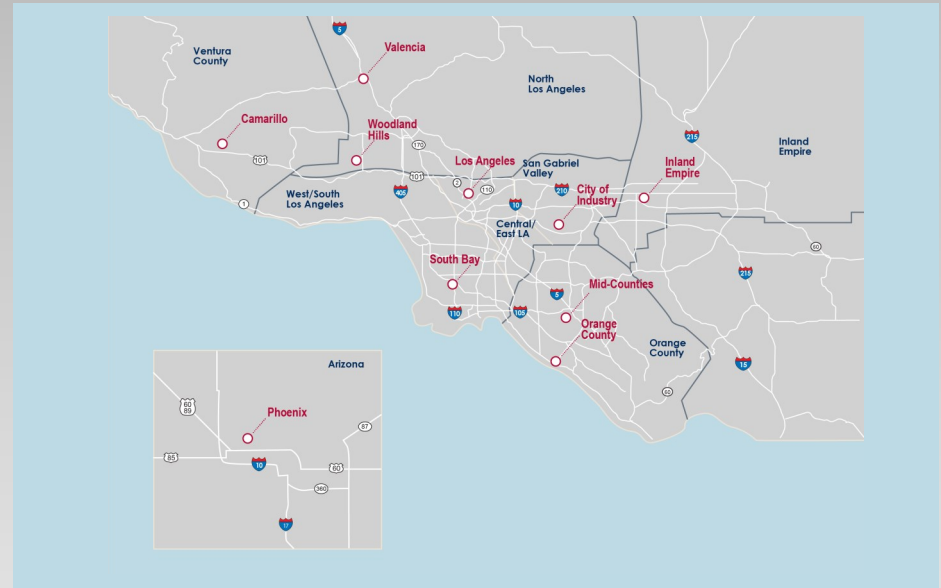
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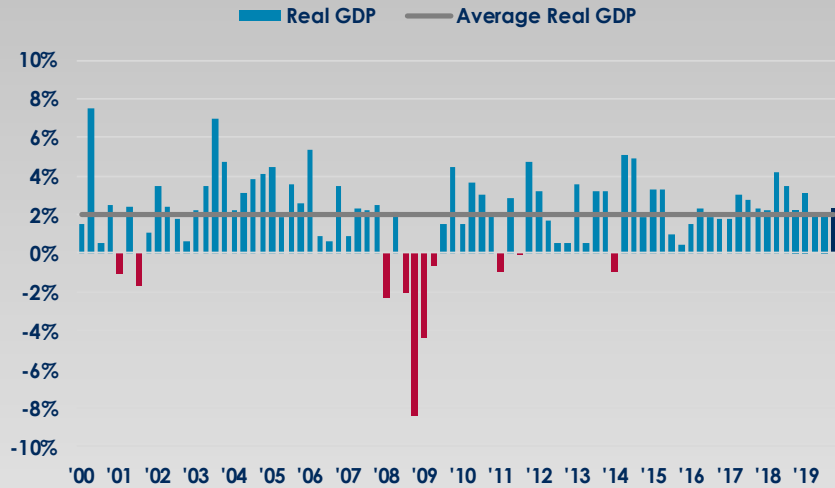
Economic Overview



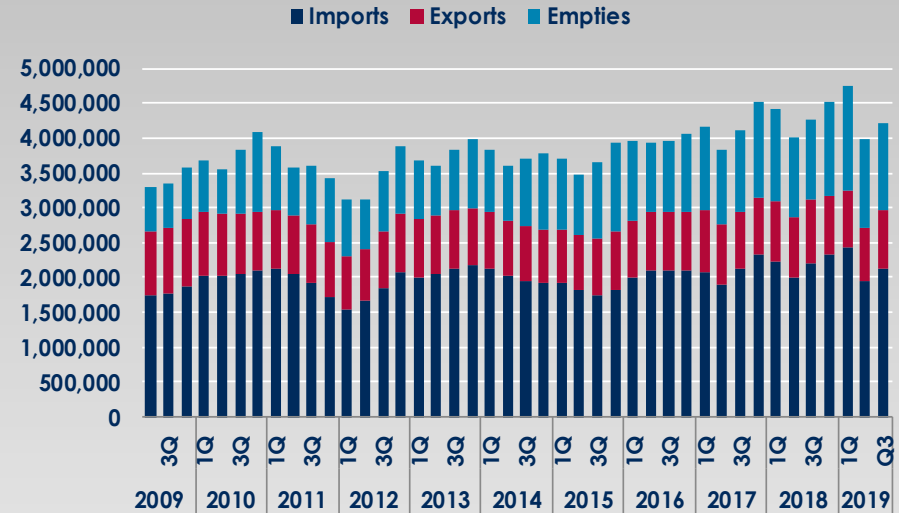
Q4 2019

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GDP IN Q3 FINISHED AT 2.1%. Q4 ESTIMATE IS 2.3%

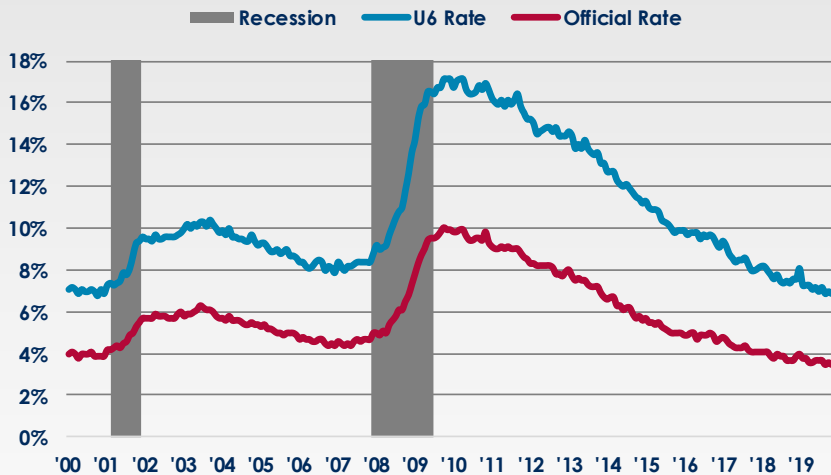


PORT ACTIVITY INCREASED IN Q3 BY 8.0% FROM Q2



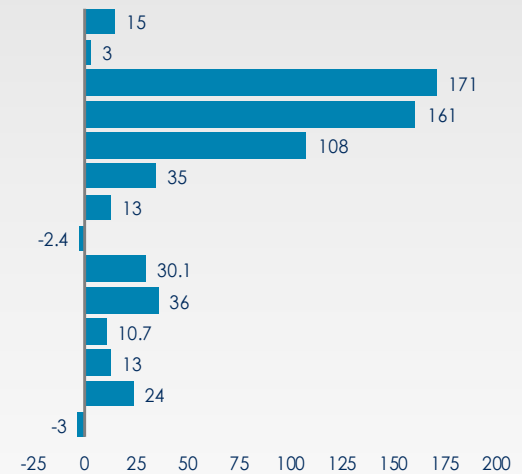
*2.3% for 4Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

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

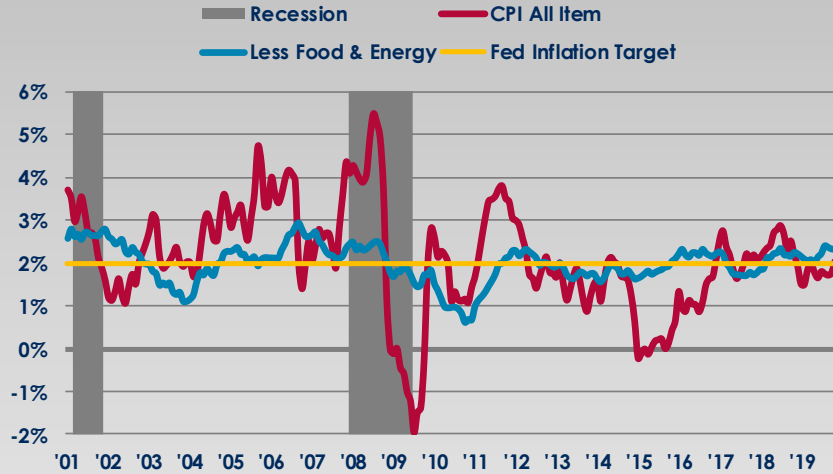


MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH

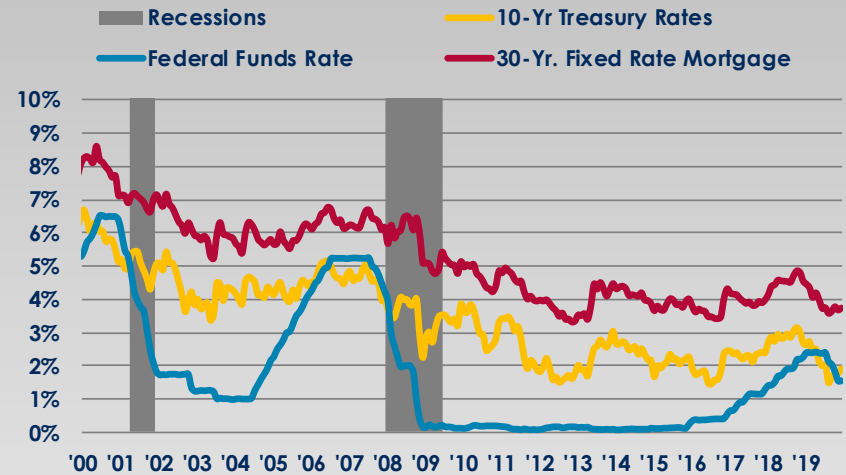
- Government
- Other Services
- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Information
- Utilities
- Transportation and Warehousing
- Retail Trade
- Wholesale Trade
- Manufacturing
- Construction
- Mining and Logging



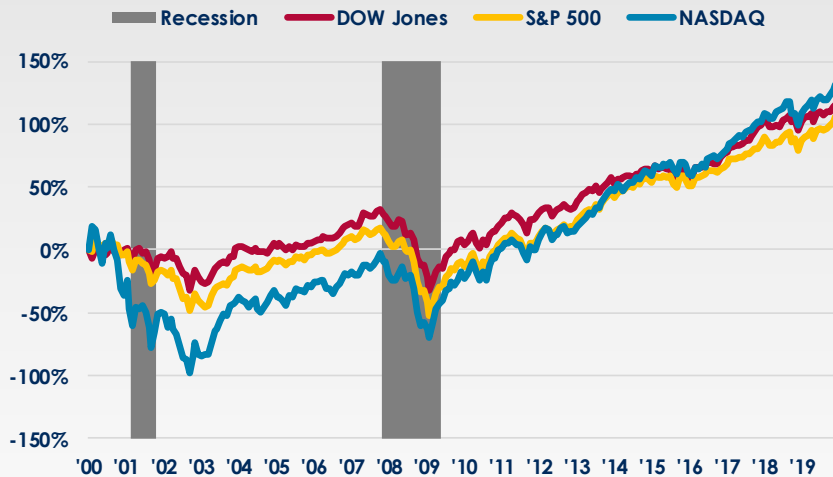
CPI JUST ABOVE 2% TARGET AT 2.05%



THE YIELD CURVE NORMALIZED IN Q4



ALL INDEXES SAW POSITIVE RETURNS IN Q4 AND FOR 2019



10-2 YEAR BOND SPREAD TURNED POSITIVE IN Q4

