

Los Angeles  
Orange County  
Ventura  
Inland Empire  
Phoenix

Q4 | 2019  
**Market Report**



Los Angeles Industrial  
Central / Southeast

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## MARKET ACTIVITY

## KEY TAKE AWAYS

## ECONOMIC OUTLOOK

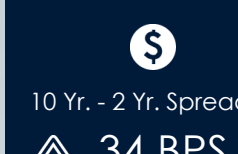
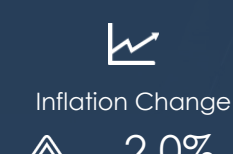
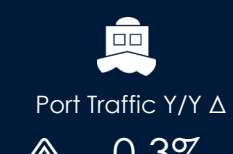
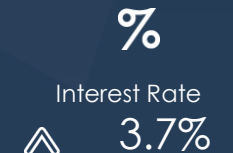
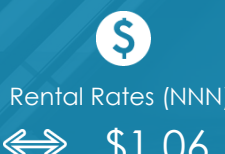
### MARKET

- **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.

### MARKET ACTIVITY



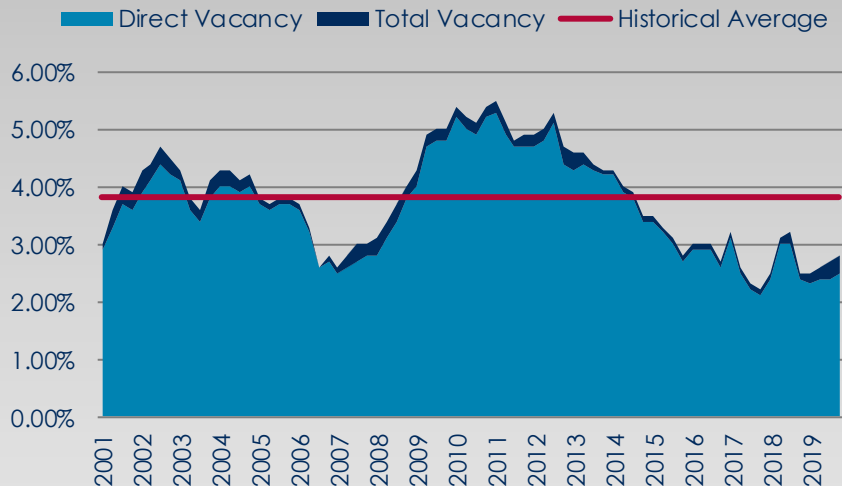
EXPERIENCE IN A CHANGING MARKET

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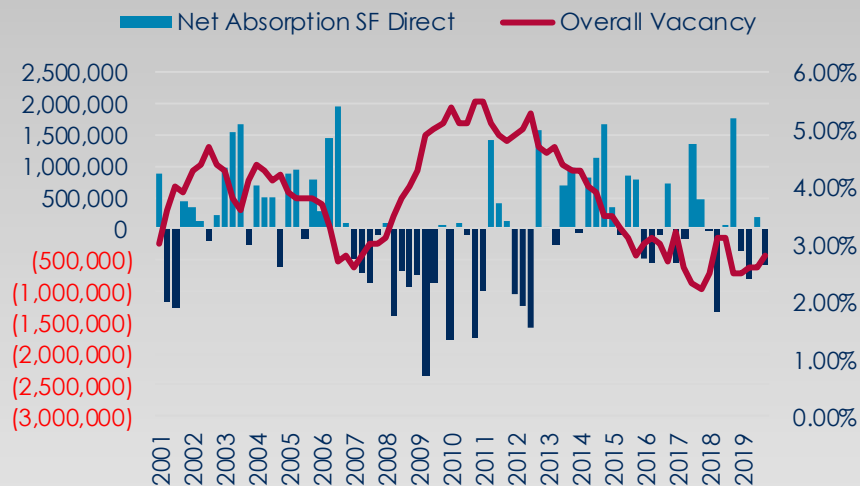


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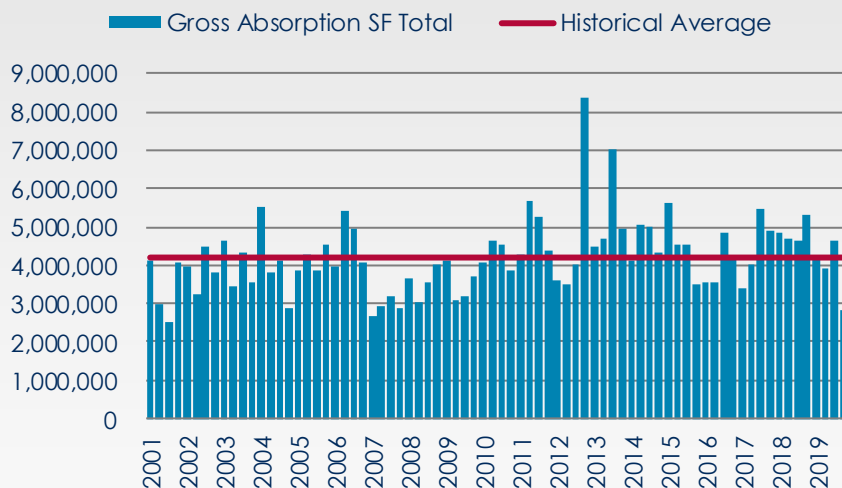
## OVERALL VACANCY INCREASED 20 BPS FROM PERVIOUS QUARTER TO 2.8%



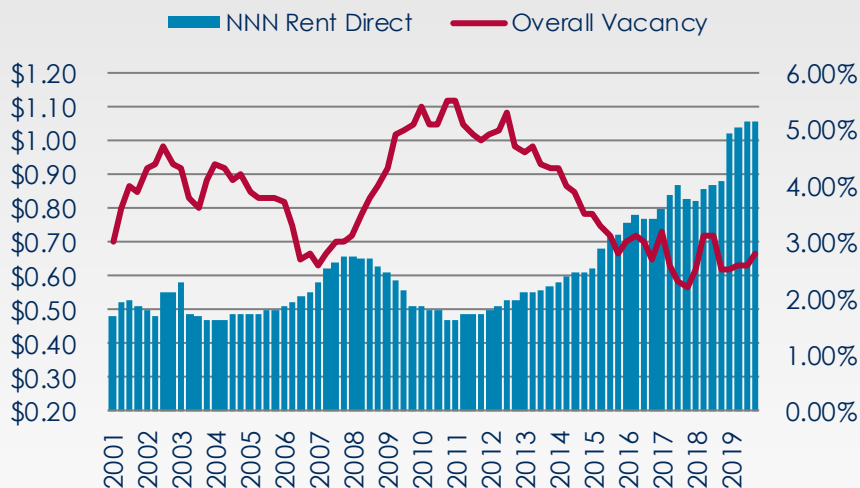
## NET ABSORPTION TOTAL NET ABSORPTION FELL TO NEARLY 500K SF IN Q4



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

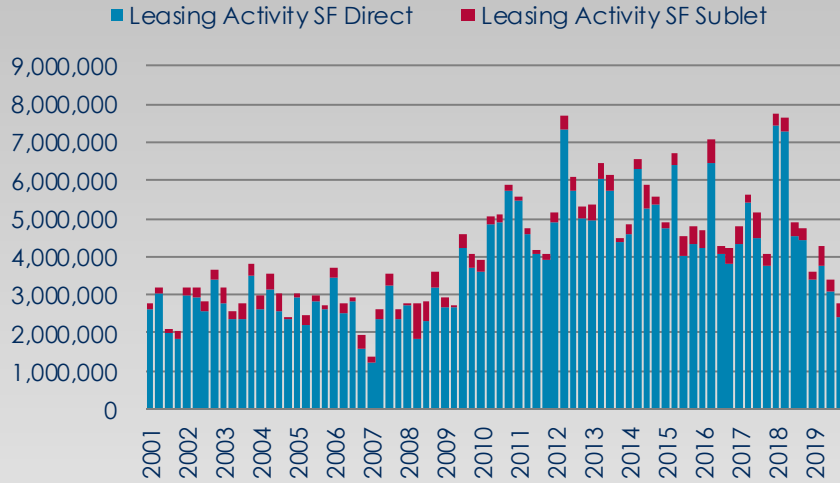


## ASKING RENTS REMAINED THE SAME IN Q4

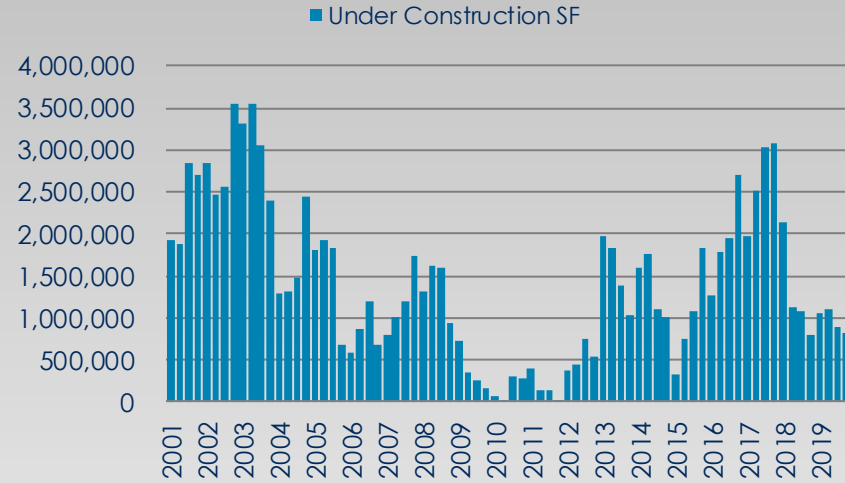




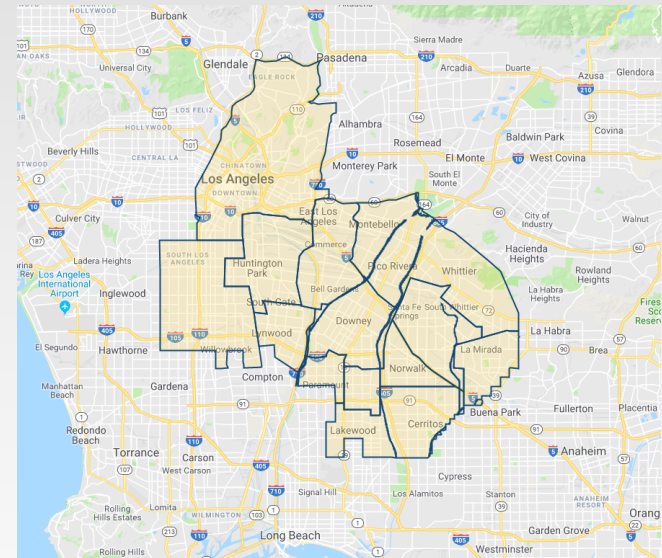
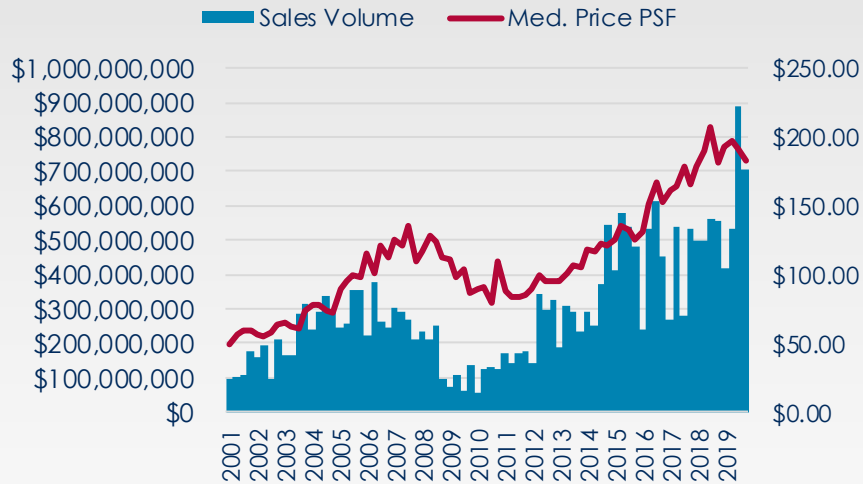
## LEASING ACTIVITY FELL BELOW 3M SF FOR 1ST TIME SINCE 2009



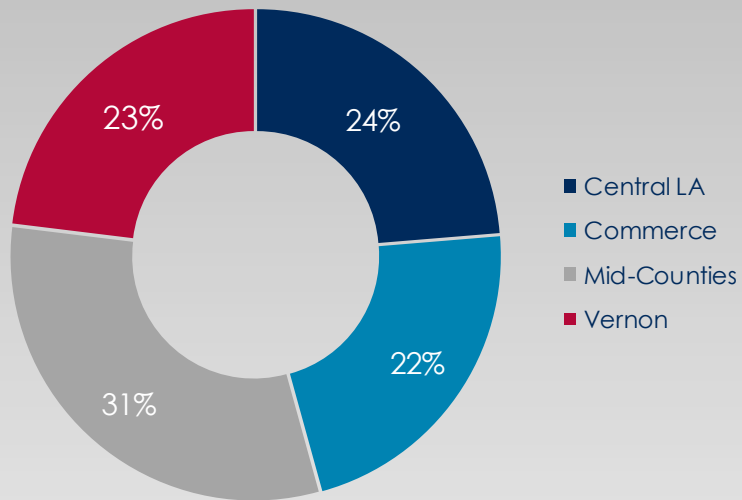
## CONSTRUCTION ACTIVITY DOWN SLIGHTLY FROM Q3 TO JUST ABOVE 800K SF



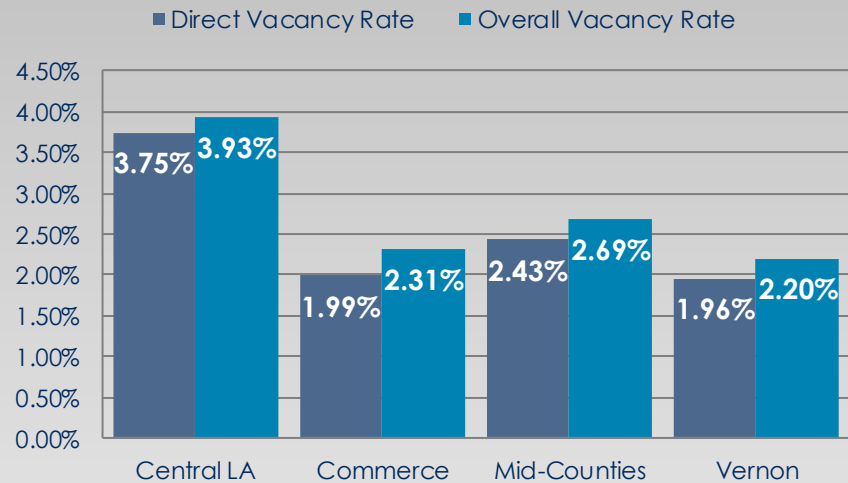
## SALES PRICES DROPPED SLIGHTLY TO A MEDIAN OF \$183.19 PSF



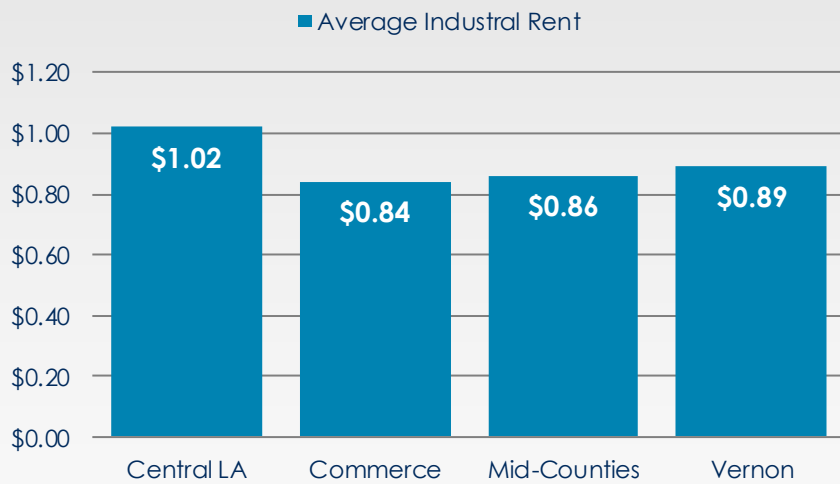
## SQUARE FOOT BREAKDOWN- 348,528,531SF MARKET SIZE



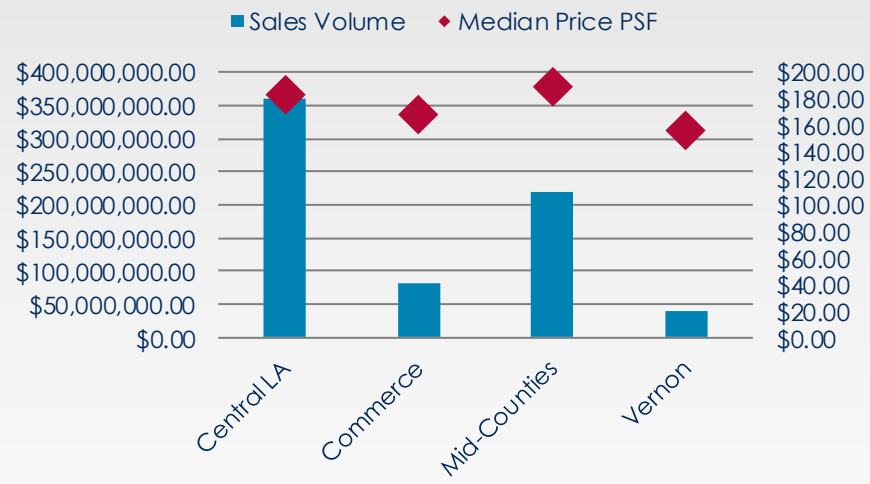
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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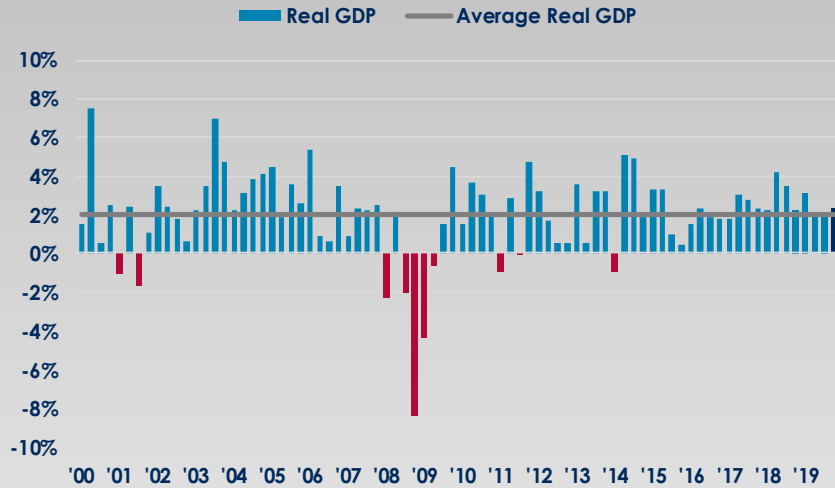
# Economic Overview



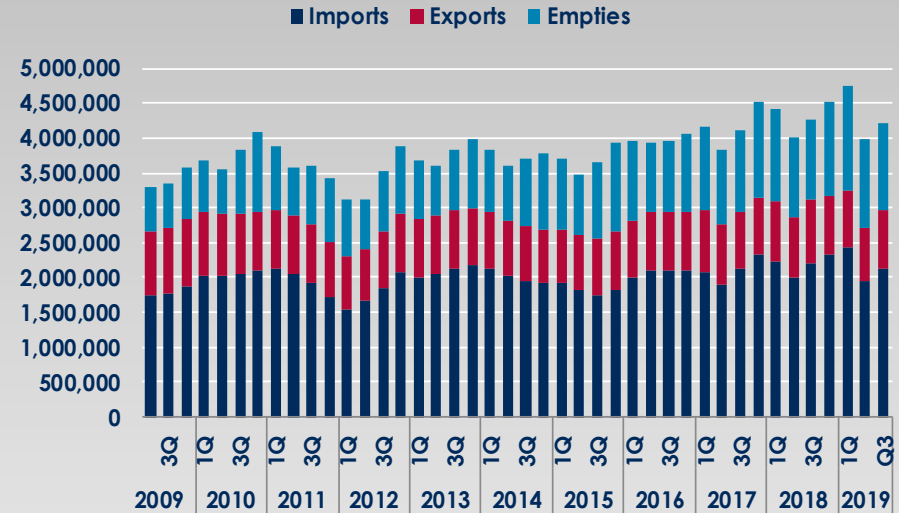
Q4 2019

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

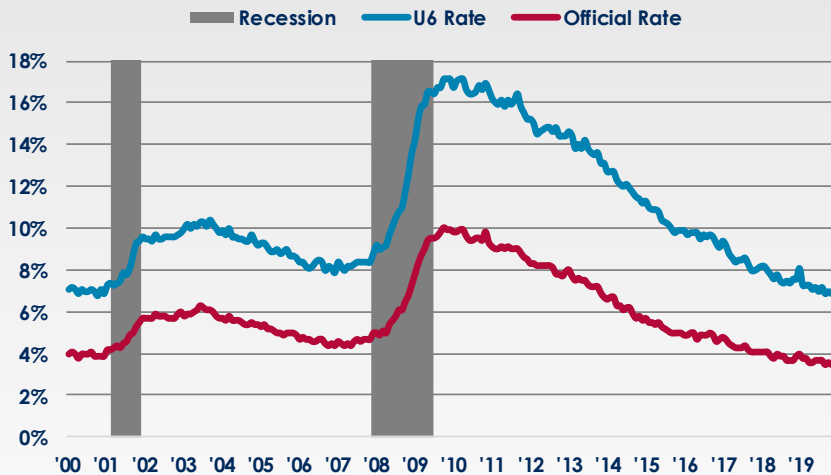


PORT ACTIVITY INCREASED IN Q3 BY 8.0% FROM Q2



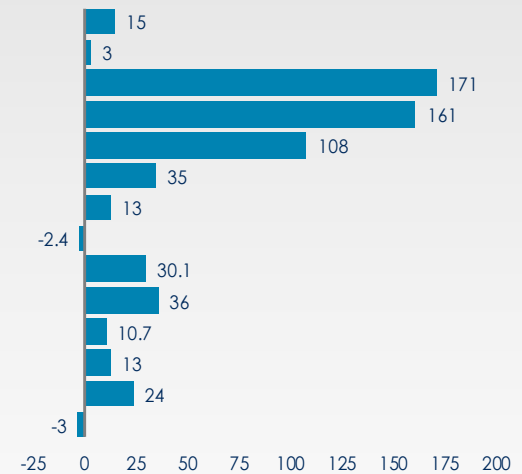
\*2.3% for 4Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

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

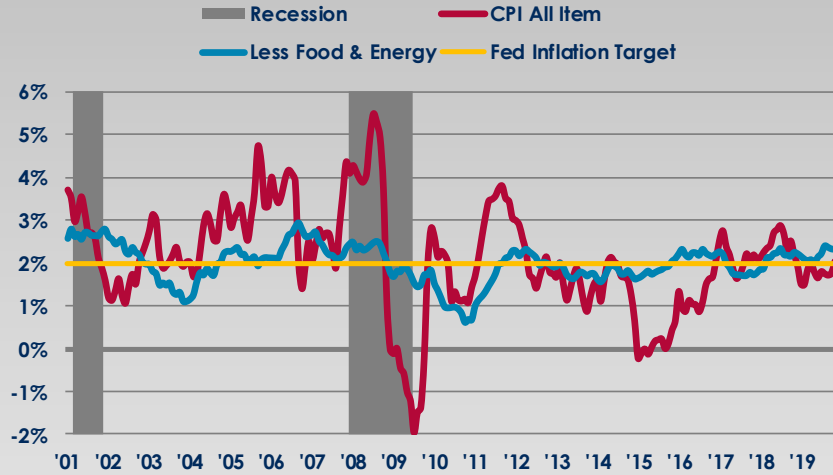


MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH

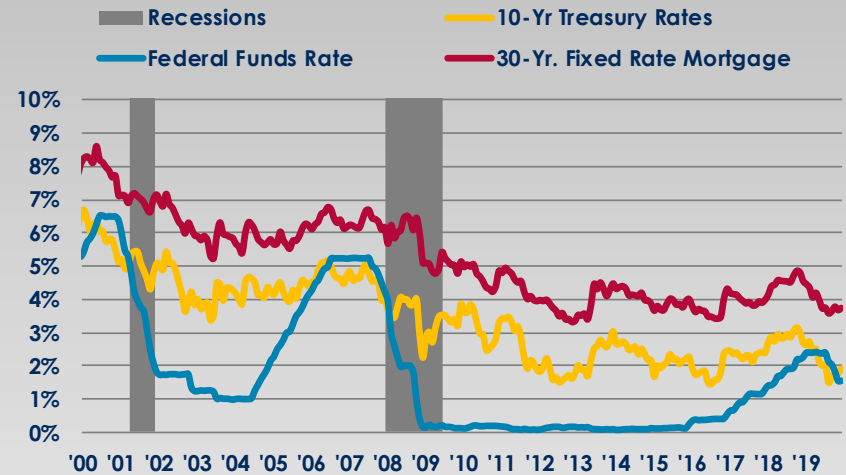
- Government
- Other Services
- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Information
- Utilities
- Transportation and Warehousing
- Retail Trade
- Wholesale Trade
- Manufacturing
- Construction
- Mining and Logging



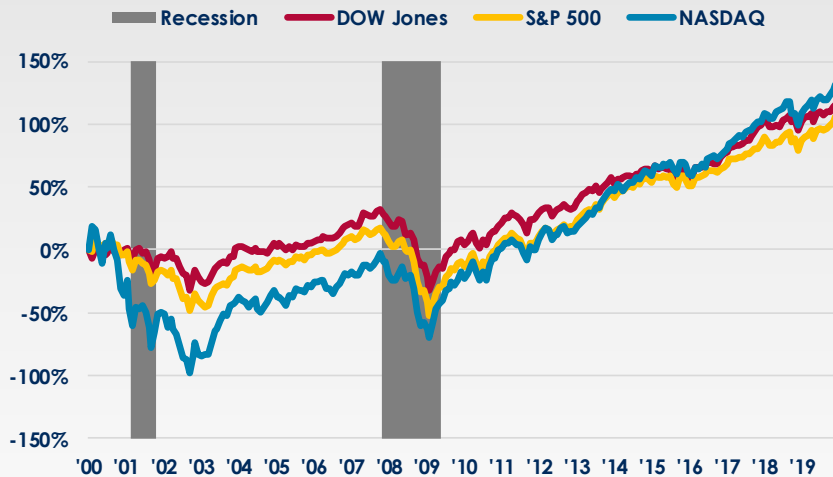
## CPI JUST ABOVE 2% TARGET AT 2.05%



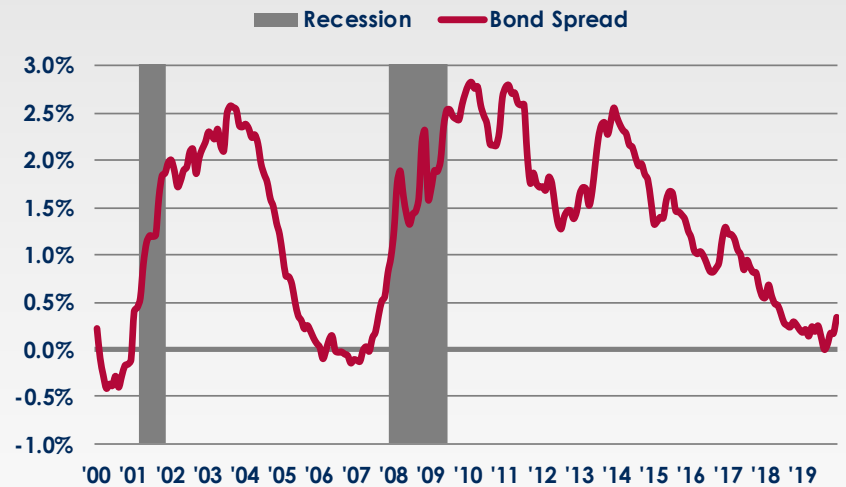
## THE YIELD CURVE NORMALIZED IN Q4



## ALL INDEXES SAW POSITIVE RETURNS IN Q4 AND FOR 2019



## 10-2 YEAR BOND SPREAD TURNED POSITIVE IN Q4





## 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

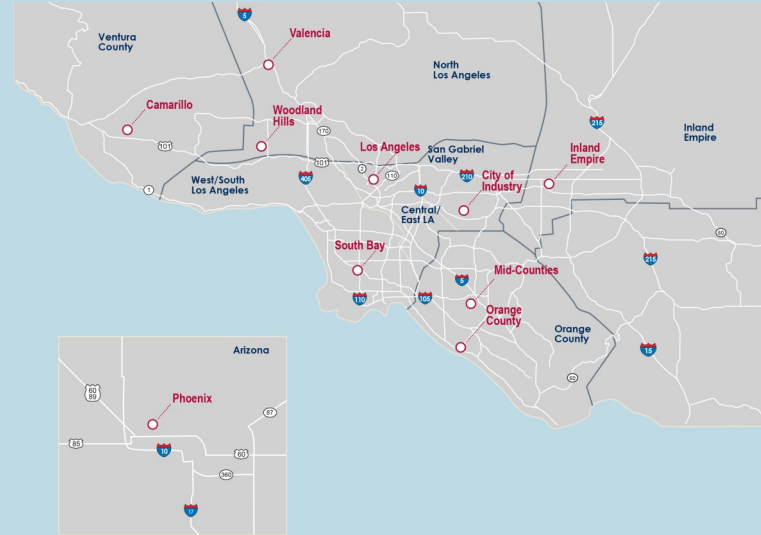
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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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