

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q4 | 2019

Market Report

Los Angeles Office

LA North



Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice.

MARKET REPORT Q4

Office 2019 Los Angeles North



MARKET ACTIVITY

<p>Direct Vacancy ↓ 10.4%</p>	<p>Net Absorption ↑ 139,279 SF</p>
<p>Overall Vacancy ↓ 10.8%</p>	<p>Gross Absorption ↓ 944,793 SF</p>
<p>Under Construction ↑ 1,432,155 SF</p>	<p>Rental Rates (FSG) ↑ \$3.03</p>
<p>Sale Price Change ↑ 139.2%</p>	<p>Deal Volume ↑ 174.2%</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Overall down by 20 BPS to 10.8%. The lowest mark since before the recession.
- **Net Absorption:** Q4 was the strongest quarter of 2019.
- **Office Supply:** Construction activity above 1.4M SF.
- **Sales:** The median sale price PSF in Q4 was \$403.23. Total volume in 2019 came in just above \$782M. A 66% decline from 2018.
- **Asking Rents:** Increased slightly in Q4 to \$3.03 PSF

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

<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>

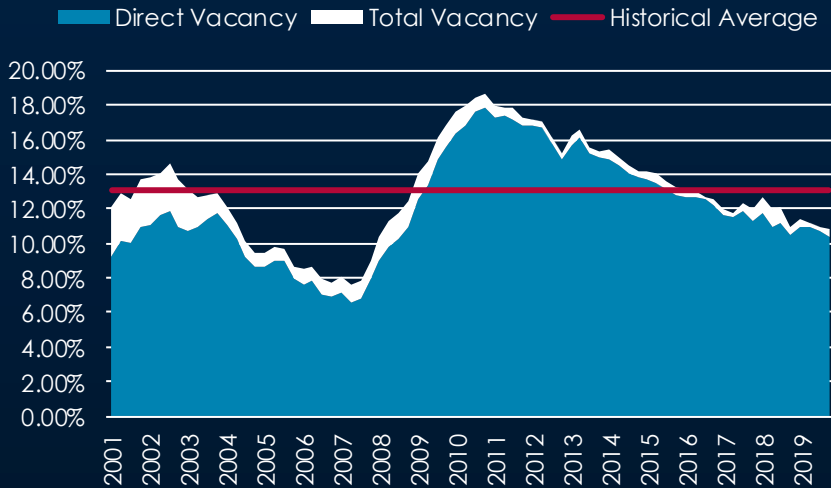
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

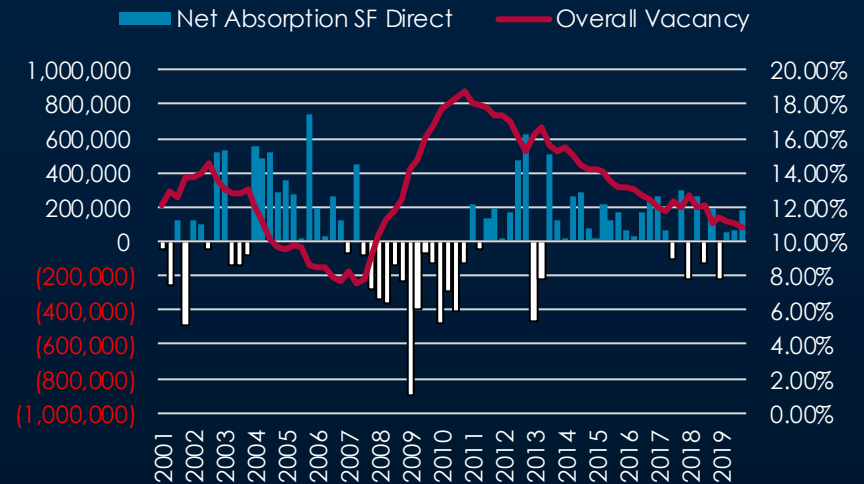


Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice.

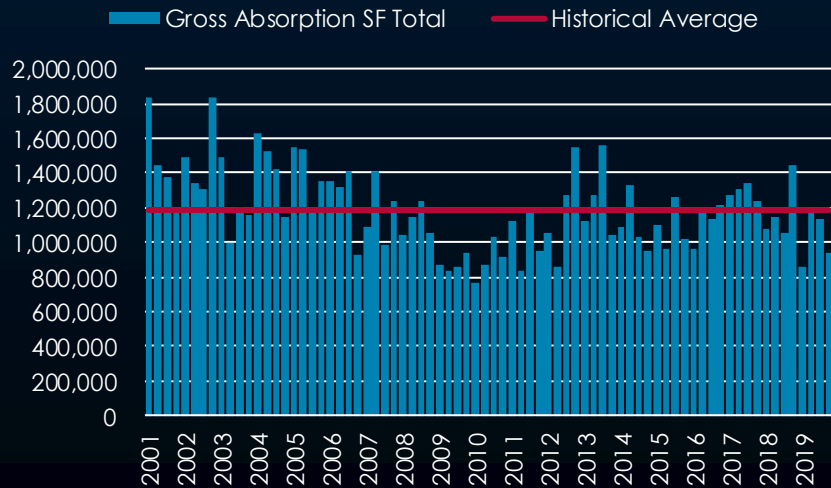
OVERALL VACANCY IMPROVED BY 20 BPS TO 10.8%



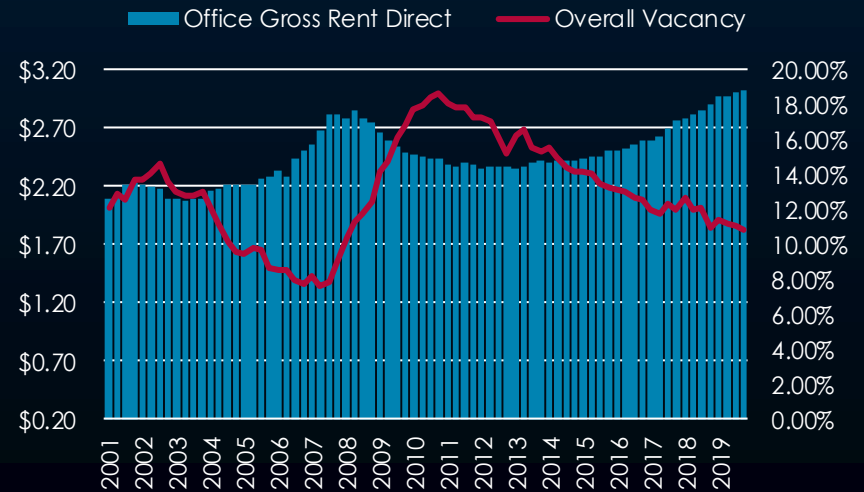
NET ABSORPTION Q4 WAS THE BEST PERFORMING QUARTER OF 2019



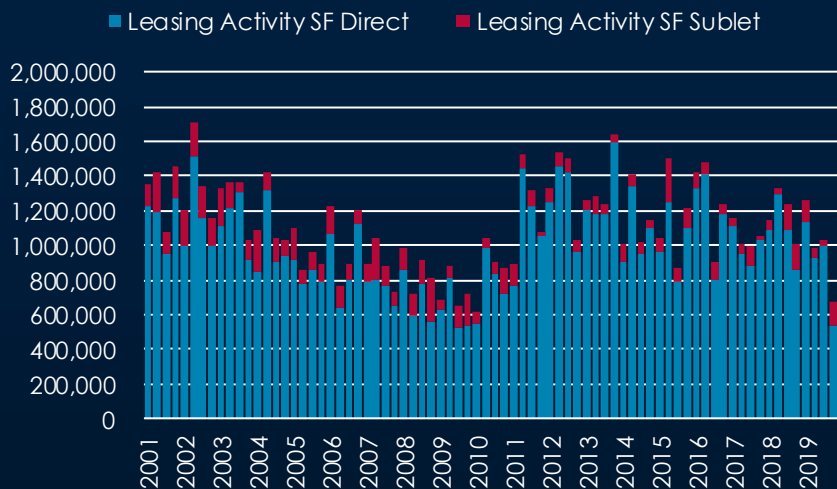
GROSS ABSORPTION SLIPPED BELOW 1M SF IN Q4



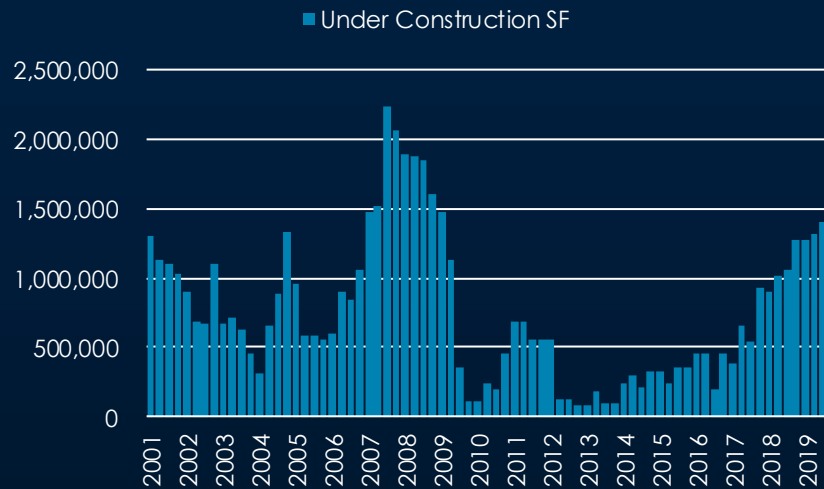
ASKING RENTS INCREASED MINIMALLY BY \$0.02 PSF



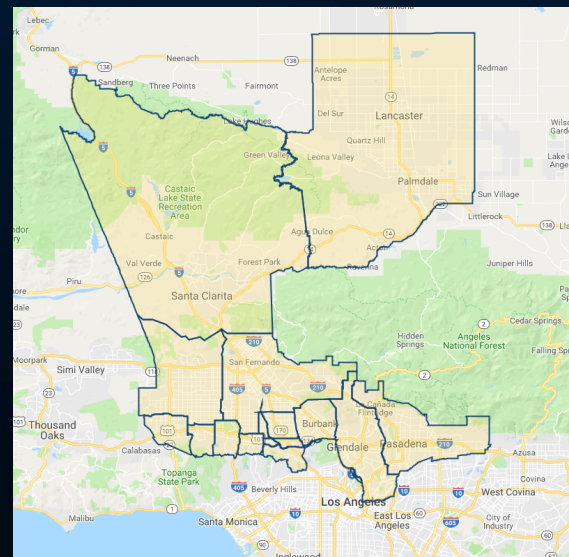
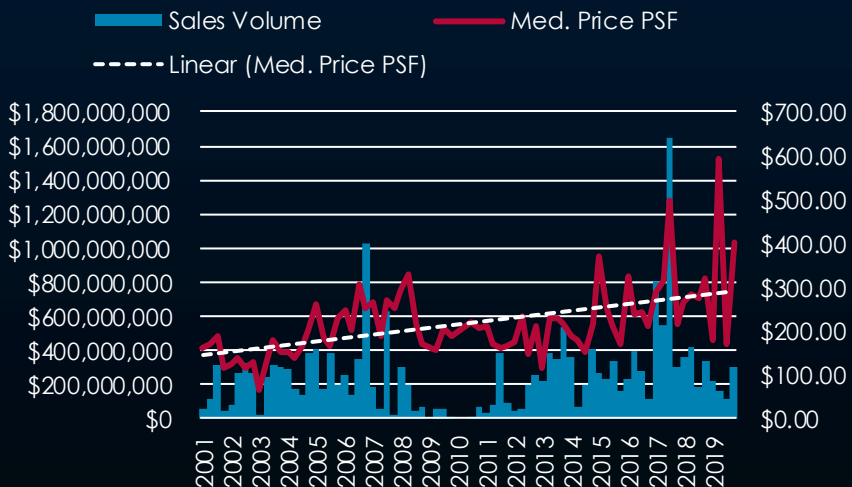
LEASING ACTIVITY FELL TO LOWEST LEVEL SINCE 2010



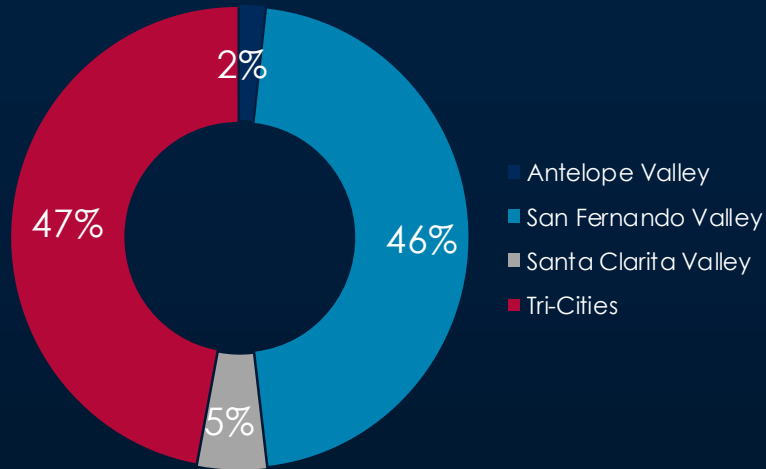
CONSTRUCTION ACTIVITY CONTINUES TO INCREASE. NOW ABOVE 1.4M SF



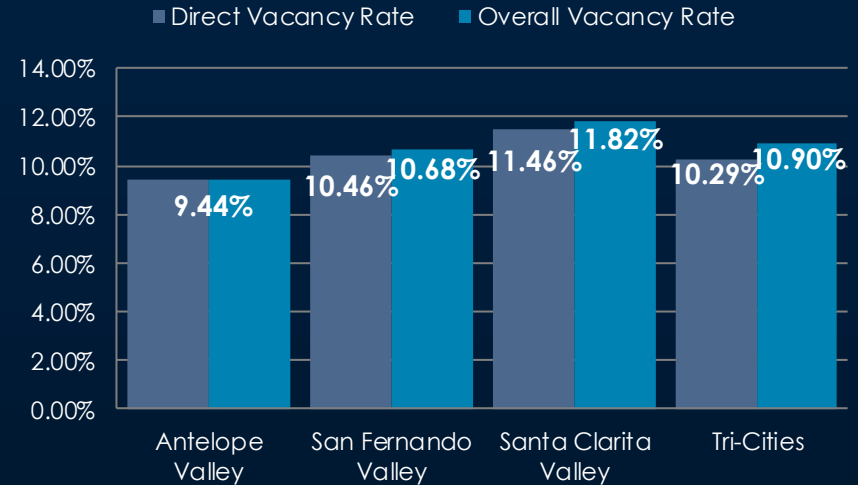
SALES Q4 SAW THE HIGHEST VOLUME IN 2019 AT JUST BELOW \$300M



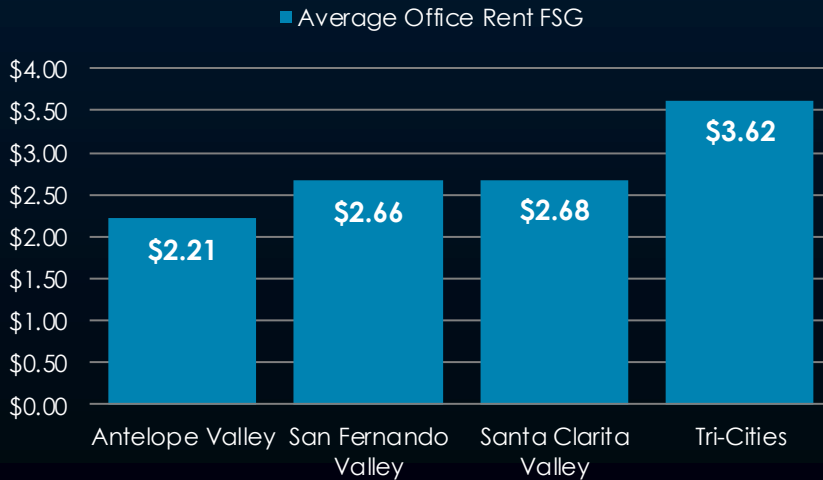
SQUARE FOOT BREAKDOWN- 55,655,706 SF MARKET SIZE



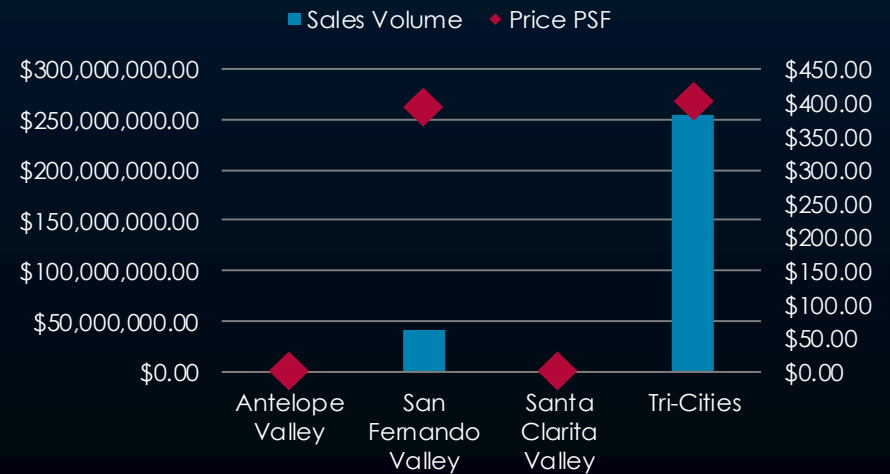
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

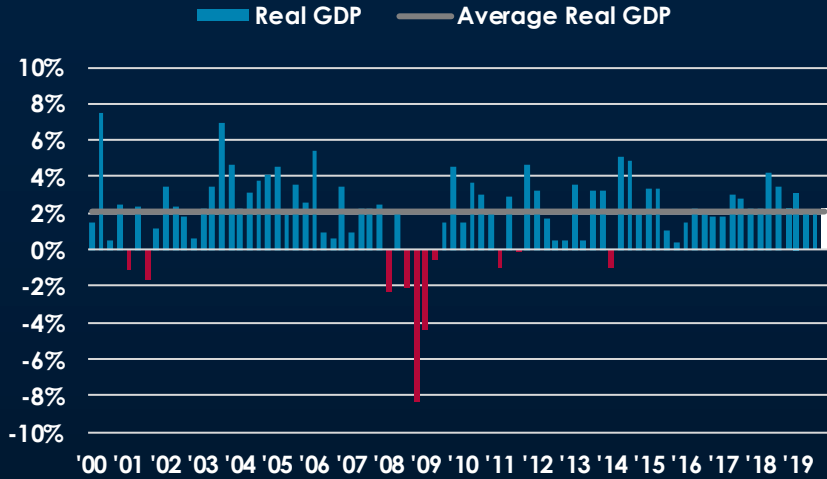
Economic Overview



Q4 2019

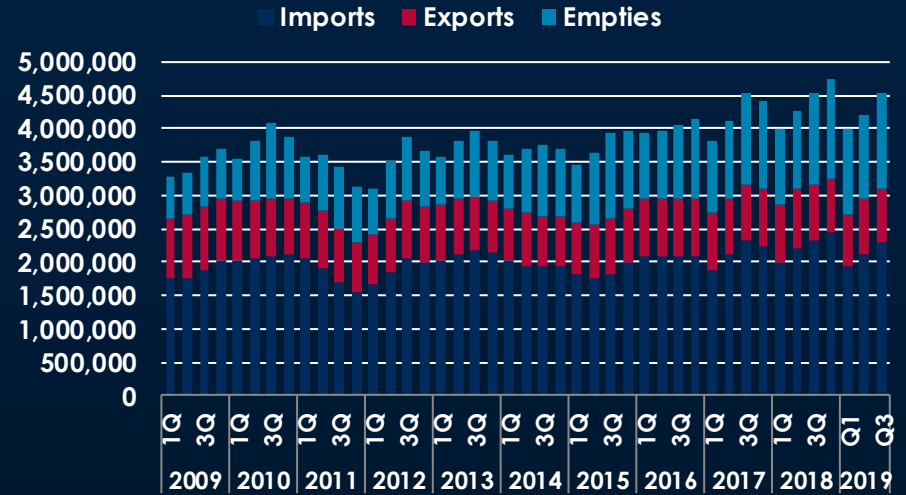
Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice.

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

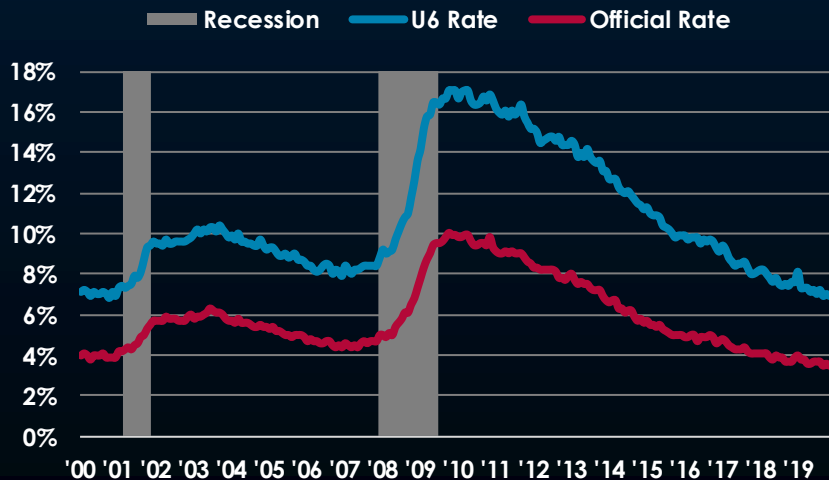


*2.3% for 4Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

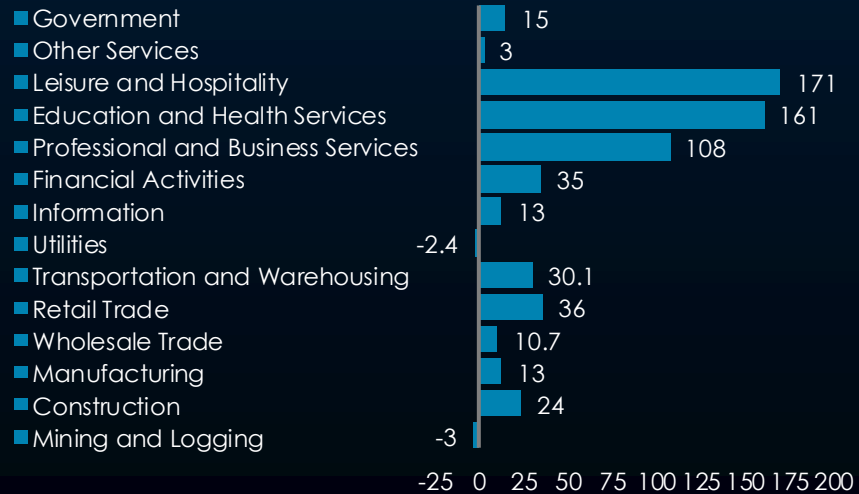
PORT ACTIVITY INCREASED IN Q3 BY 8.0% FROM Q2



UNEMPLOYMENT CONTINUES DOWNWARD TREND

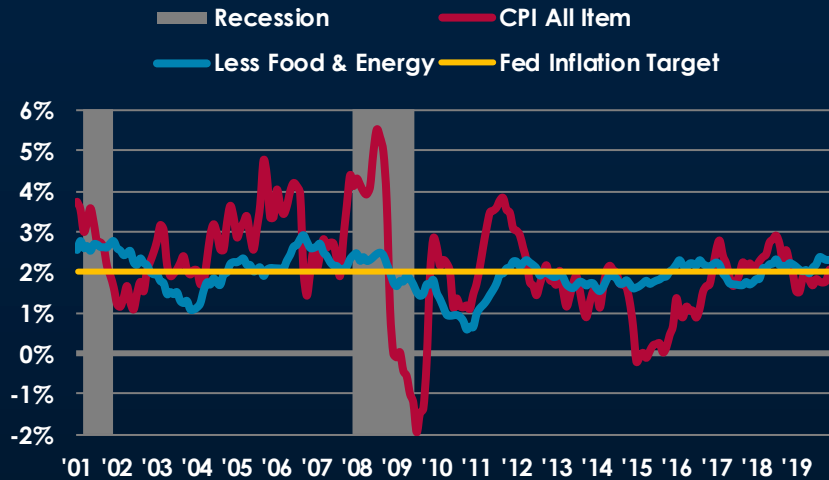


MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH

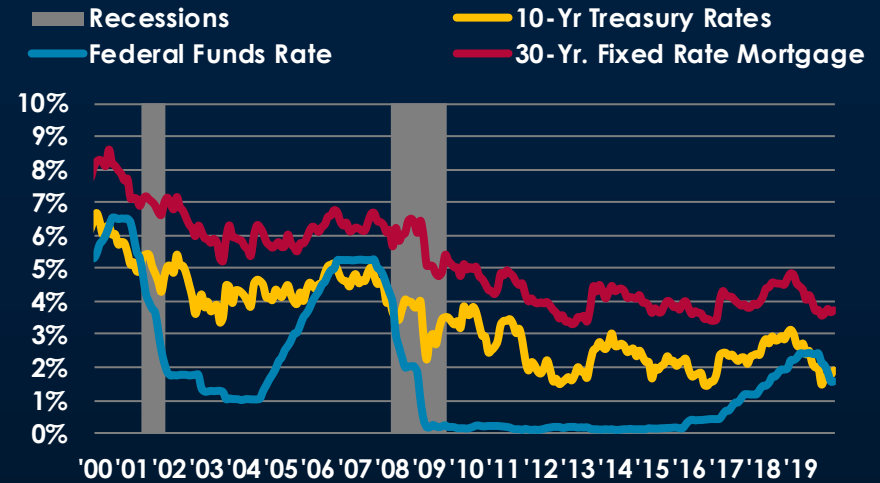


Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice.

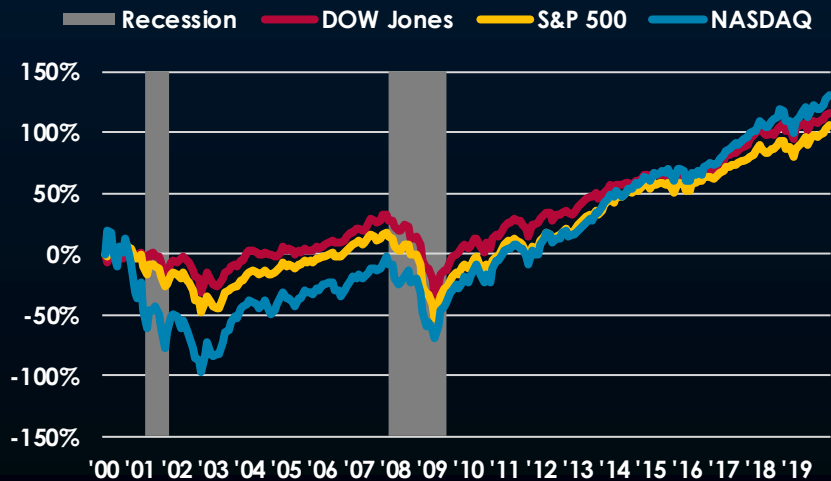
CPI JUST ABOVE 2% TARGET AT 2.05%



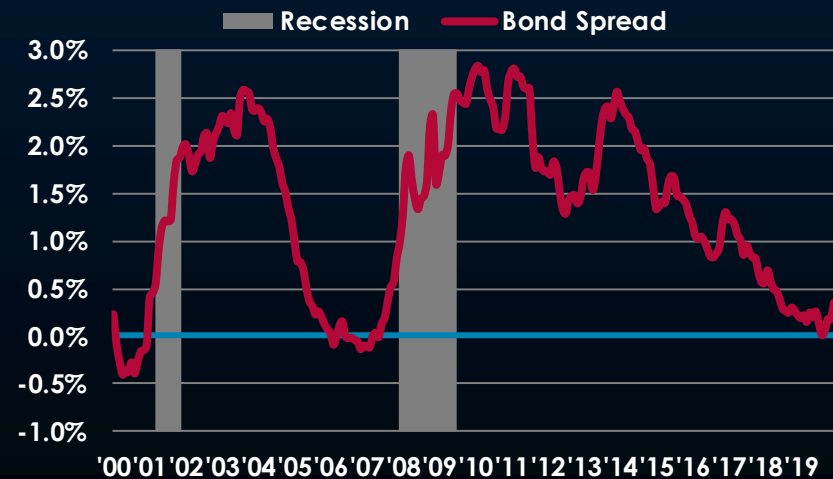
THE YIELD CURVE NORMALIZED IN Q4



ALL INDEXES SAW POSITIVE RETURNS IN Q4 AND FOR 2019



10-2 YEAR BOND SPREAD TURNED POSITIVE IN Q4



METHODOLOGY & TERMINOLOGY

Methodology

Non-Owner occupied, multi-tenant office buildings that are 30,000 square feet & 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.



DAUM OFFICES

LOS ANGELES, CALIFORNIA
801 S. Figueroa Street, Suite 600
Los Angeles, CA 90017 213-626-9101

LOS ANGELES NORTH, CALIFORNIA
21820 Burbank Boulevard, Suite 201
Woodland Hills, CA 91367
818-887-3600

SANTA CLARITA VALLEY, CALIFORNIA
28494 Westinghouse Place, Suite 312
Valencia, CA 91355
661-705-2299

SAN GABRIEL VALLEY, CALIFORNIA
13181 Crossroads Pkwy. N, Suite 100
City of Industry, CA 91746 562-695-7244

SOUTH BAY, CALIFORNIA
1025 W. 190th Street, Suite 420
Gardena, CA 90248
310-538-6700

MID-COUNTIES, CALIFORNIA
13810 Cerritos Corporate Drive, Suite C
Cerritos, CA 90703
562-207-3300

ORANGE COUNTY, CALIFORNIA
4400 MacArthur
Boulevard, Suite 950 Newport Beach, CA 92660
949-724-1900

VENTURA & SANTA BARBARA, CALIFORNIA
751 Daily Drive, Suite 105 Camarillo, CA 93010
805-987-8866

INLAND EMPIRE, CALIFORNIA
3595 E. Inland Empire Boulevard, Bldg. 5
Ontario, CA 91764
909-980-1234

PHOENIX ARIZONA
1702 E. Highland Avenue, Suite 120
Phoenix, AZ 85016
602-957-7300