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

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

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

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

LA North



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MARKET ACTIVITY

<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>

KEY TAKE AWAYS

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.

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>

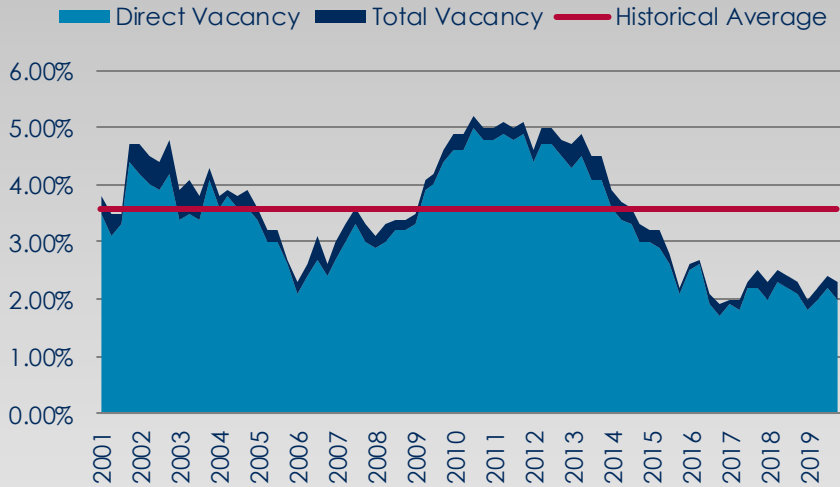
EXPERIENCE IN A CHANGING MARKET

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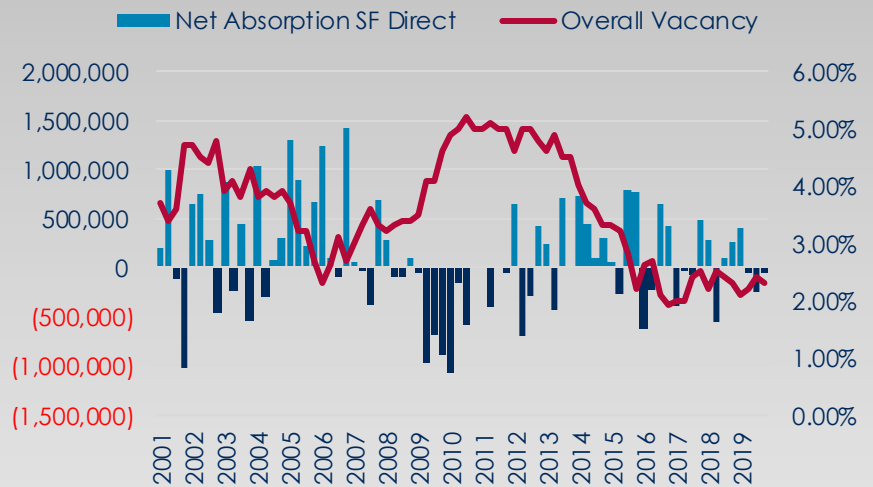


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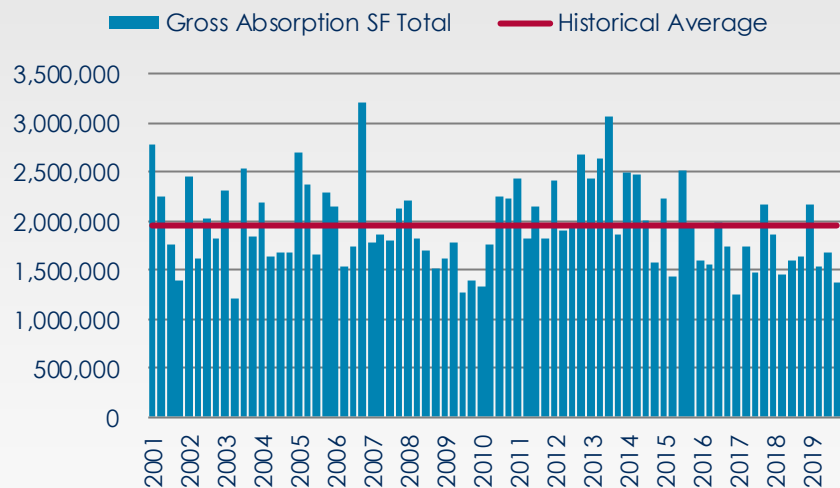
**OVERALL VACANCY
DOWN 10 BPS FROM Q3**



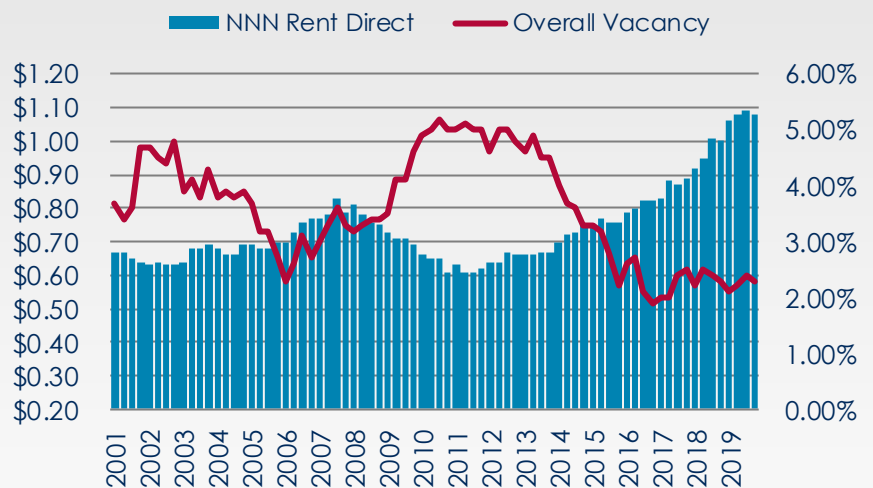
**NET ABSORPTION
DIRECT NET ABSORPTION WAS SLIGHTLY NEGATIVE IN Q4**



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

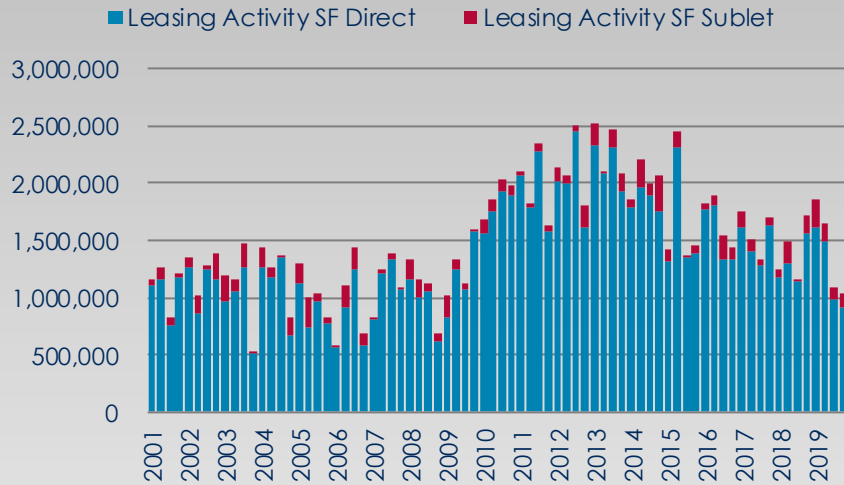


**ASKING RENTS
FELL IN Q4, BUT REMAIN NEAR ALL-TIME HIGHS**

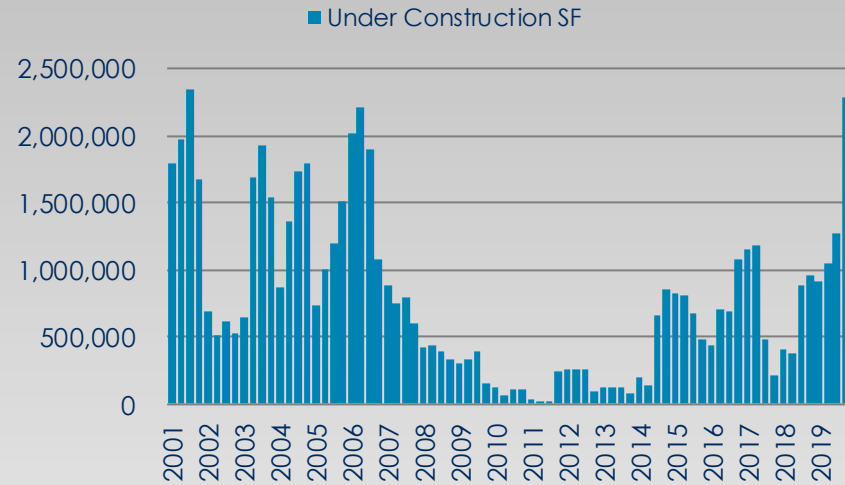


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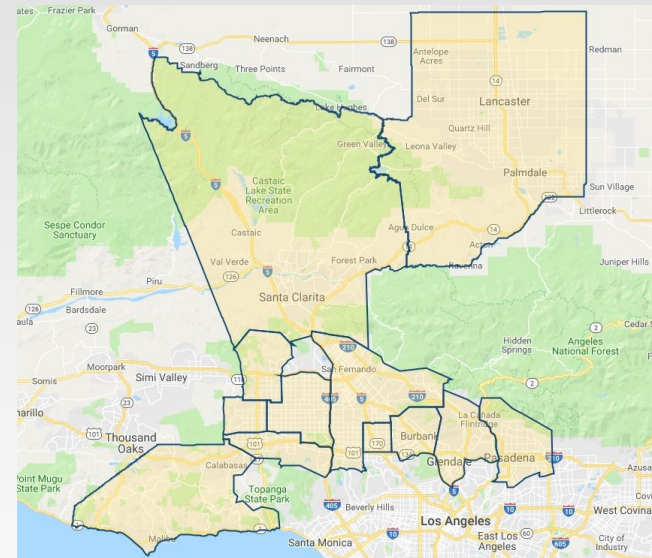
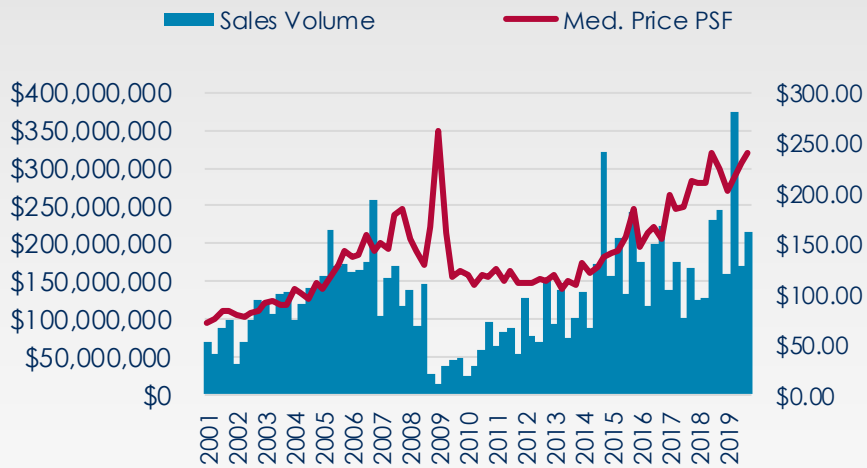
LEASING ACTIVITY
DROPPED FOR THE 2ND STRAIGHT QUARTER



CONSTRUCTION ACTIVITY
NEW DEVELOPMENT IN BURBANK BROKE GROUND IN Q4

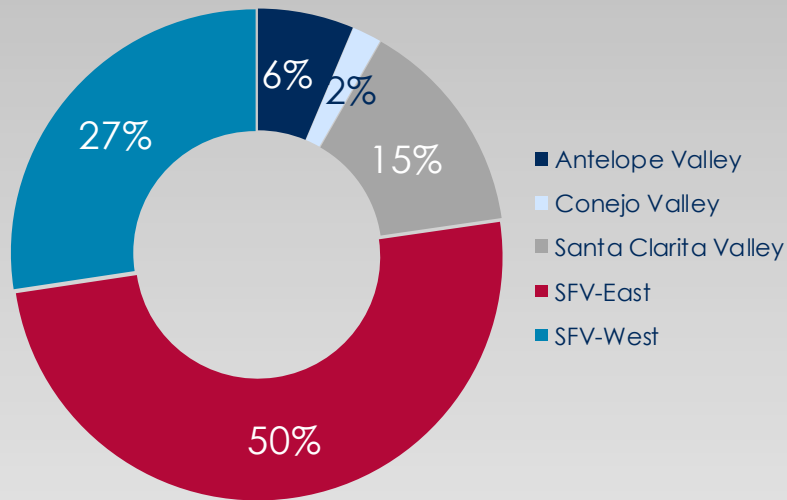


SALES
PRICES INCREASED TO A MEDIAN OF \$240.48 PSF IN Q4

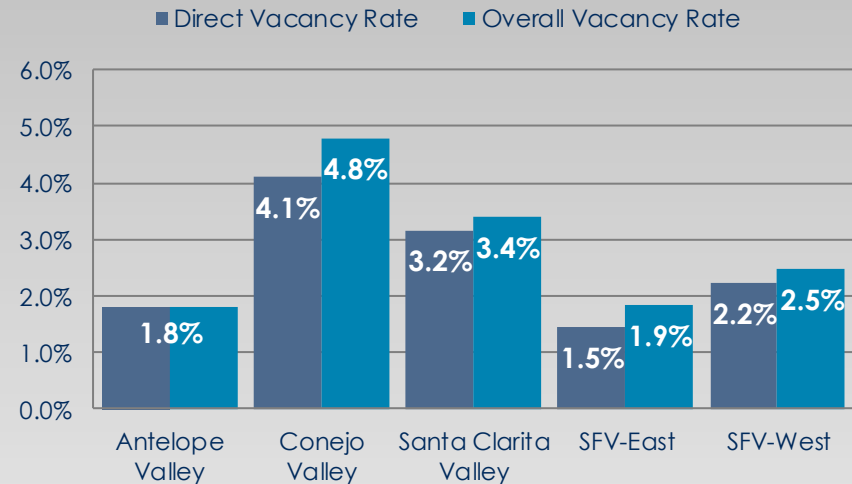


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SQUARE FOOT BREAKDOWN- 1 65,704,384 SF MARKET SIZE

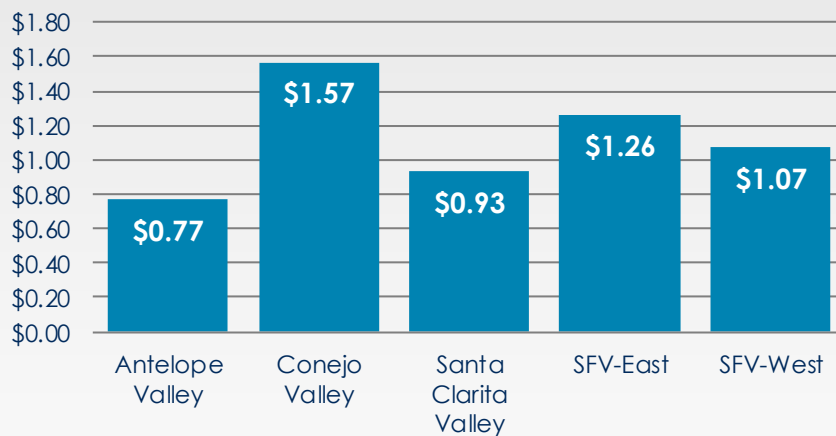


VACANCY BREAKDOWN



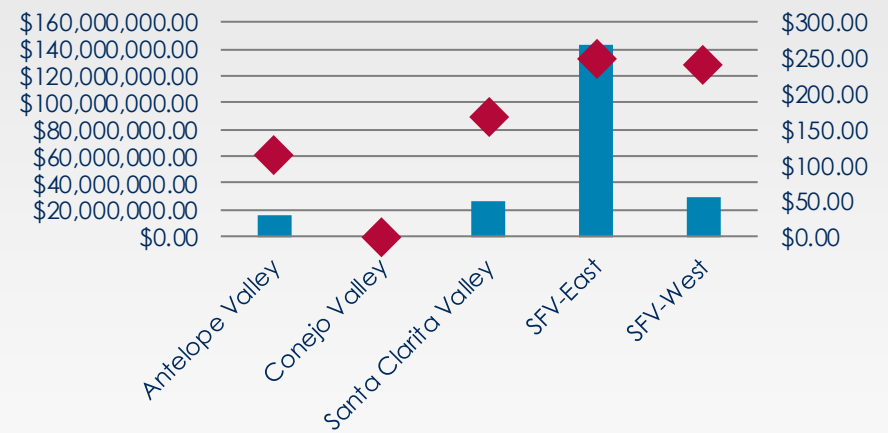
AVERAGE RENT PSF

■ Average Industrial Rent



VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF



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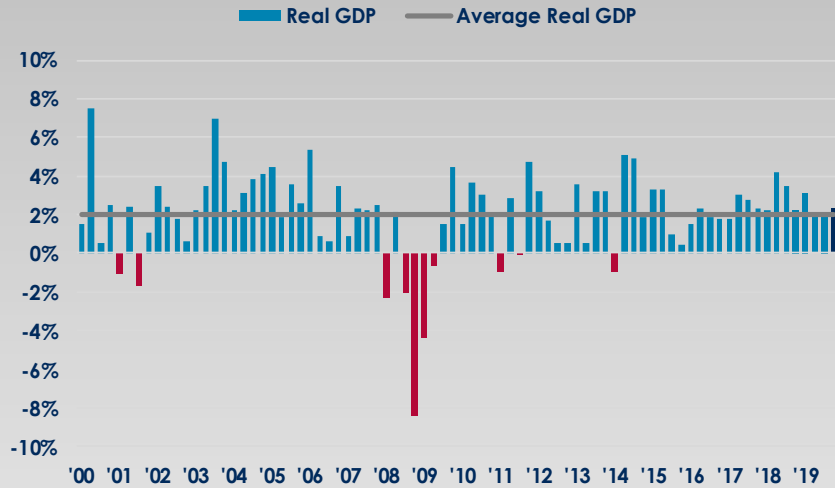
Economic Overview



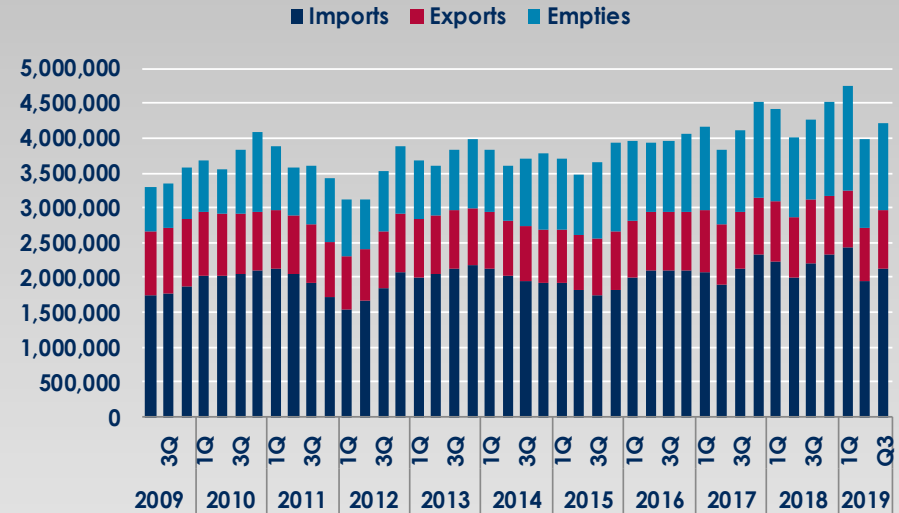
Q4 2019

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

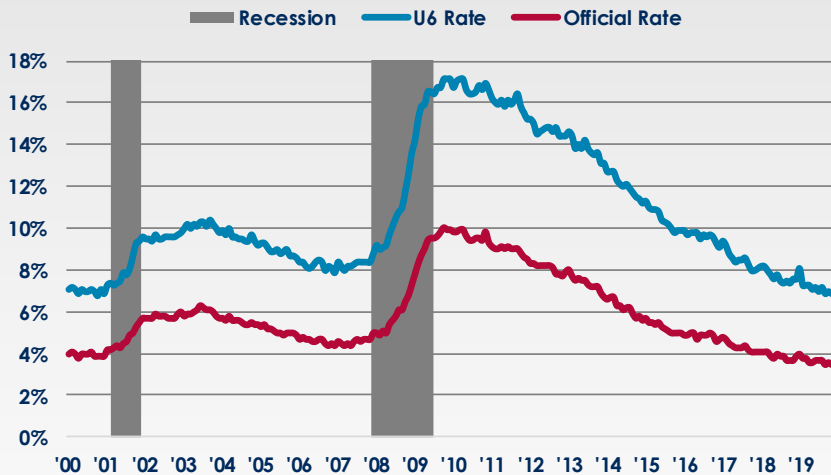


PORT ACTIVITY INCREASED IN Q3 BY 8.0% FROM Q2

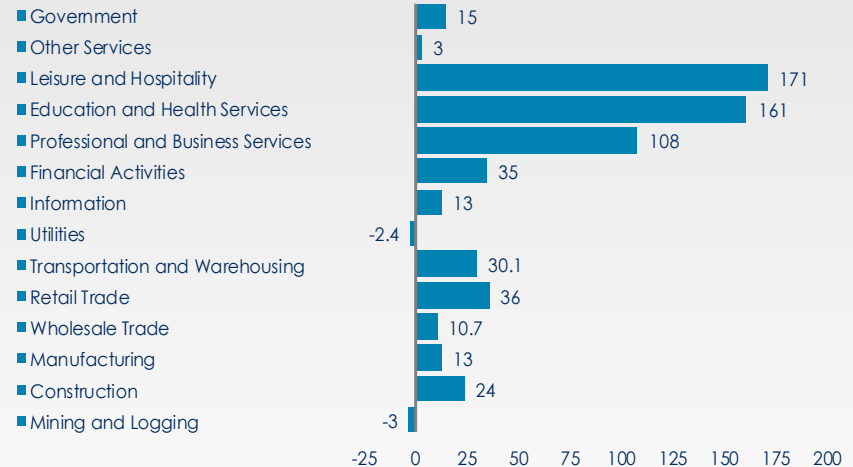


*2.3% for 4Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

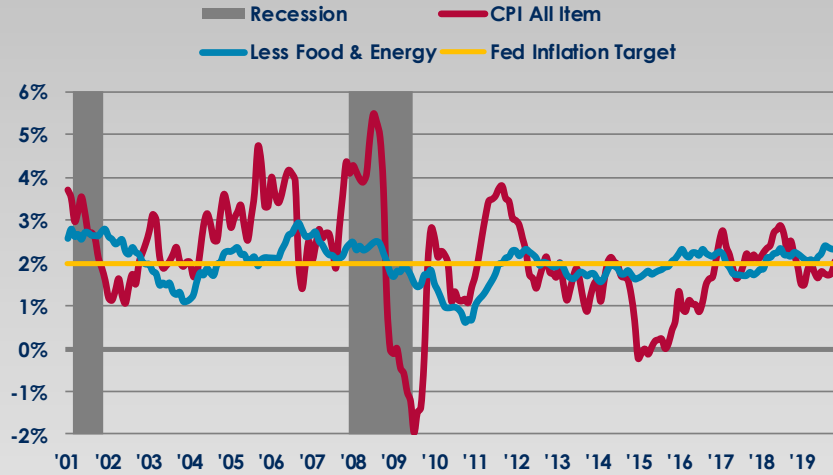
20 BPS INCREASE IN U6 RATE SHOWS PEOPLE ARE COMING BACK TO WORK



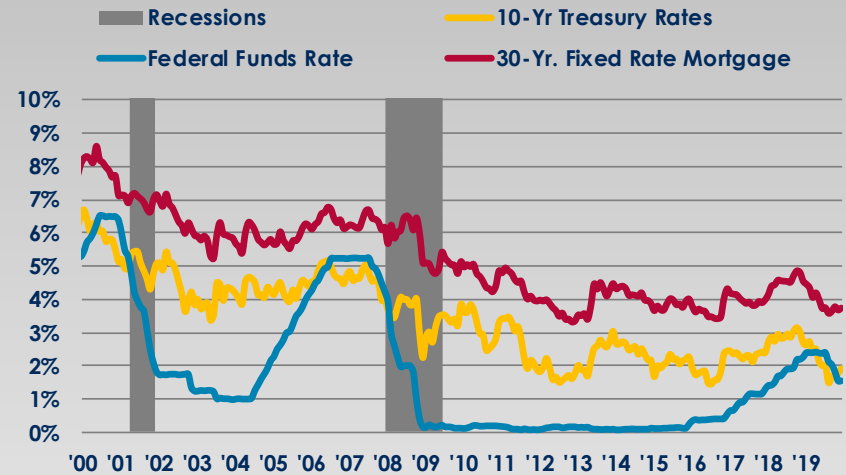
MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



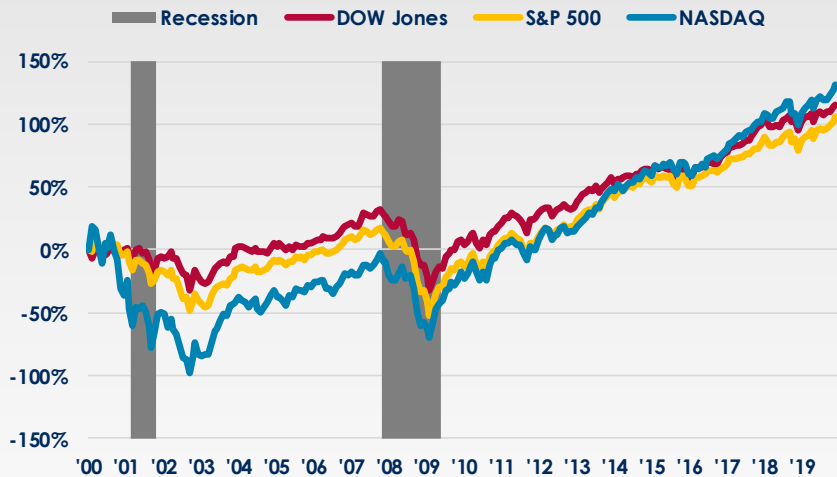
CPI JUST ABOVE 2% TARGET AT 2.05%



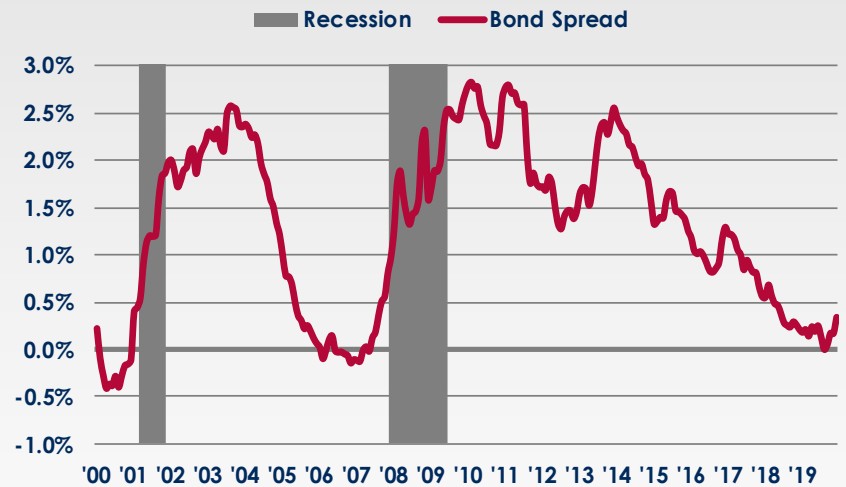
THE YIELD CURVE NORMALIZED IN Q4



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

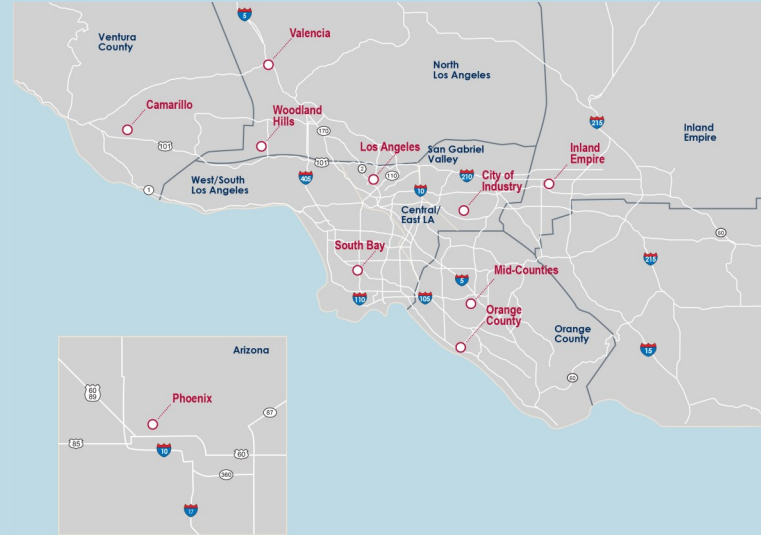
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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