

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q4 | 2019

# Market Report

Los Angeles Office



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# MARKET REPORT Q4

## Office 2019 Los Angeles County



### MARKET ACTIVITY

|  |  |
|--|--|
| <p>Direct Vacancy<br/>▲ 12.7%</p>            | <p>Net Absorption<br/>▼ -108,443 SF</p>    |
| <p>Overall Vacancy<br/>▲ 13.4%</p>           | <p>Gross Absorption<br/>▼ 3,739,323 SF</p> |
| <p>Under Construction<br/>▲ 7,338,065 SF</p> | <p>Rental Rates (FSG)<br/>▲ \$3.30</p>     |
| <p>Sale Price Change<br/>▲ 23.2%</p>         | <p>Deal Volume<br/>▲ 35.2%</p>             |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Increased by 10 BPS in Q4 from Q3.
- **Net Absorption:** 2nd weakest quarter of 2019. Large amount of sublet space pushed total Net Absorption into negative levels.
- **Office Supply:** In 2019, LA County added over 2.3M SF of office space.
- **Sales:** Volume in 2019 surpassed \$4.1B. Down 20% from 2018.
- **Trends:** Technology companies leasing large amounts of space outside "Silicon Beach". Co-working companies will lease less space in 2020.

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

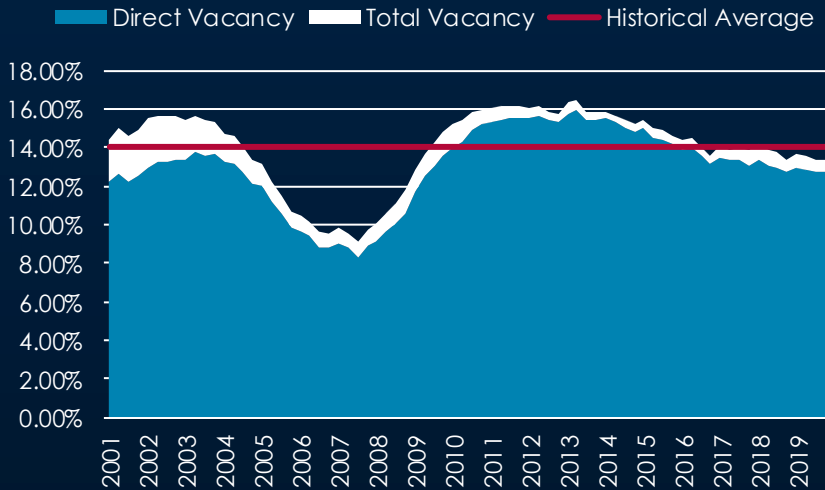
EXPERIENCE IN A CHANGING MARKET

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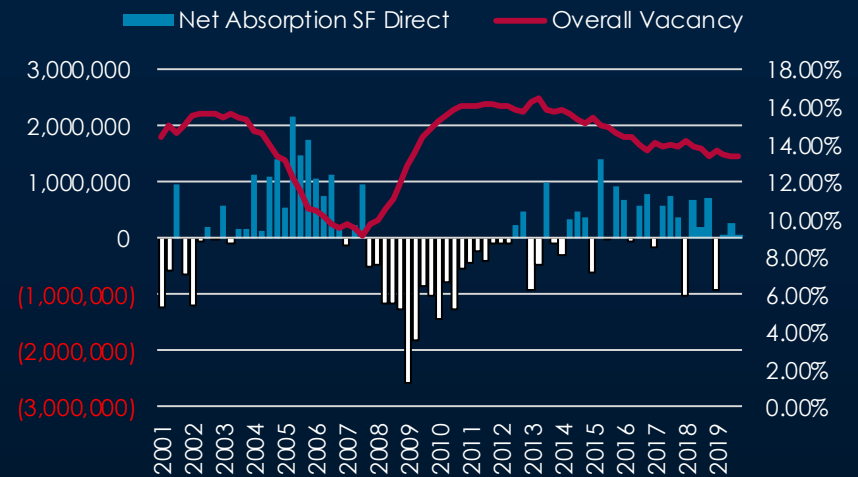


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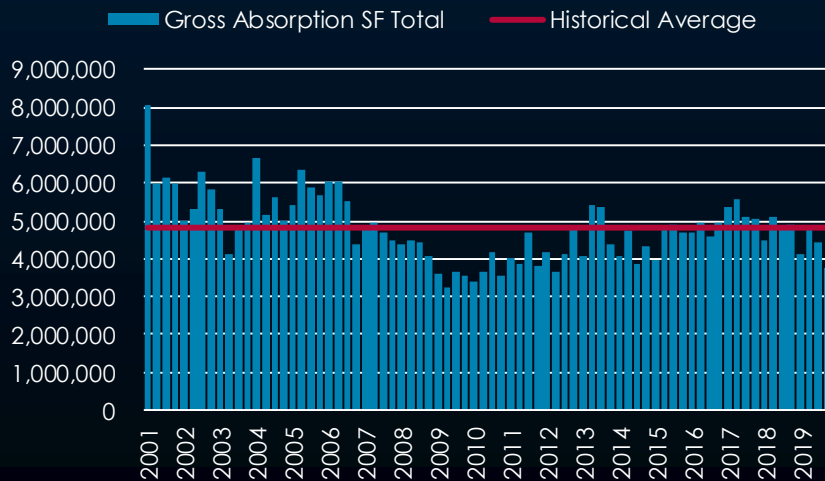
## OVERALL VACANCY HELD ESSENTIALLY CONSTANT FROM Q3 ONLY 10 BPS INCREASE



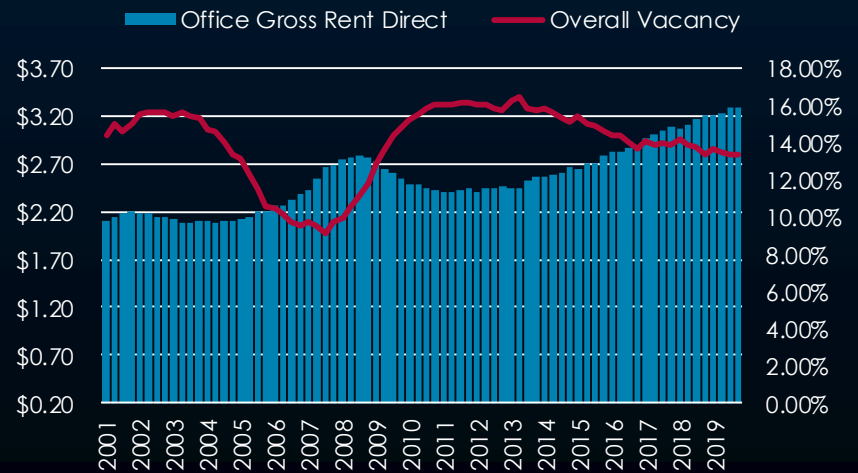
## NET ABSORPTION Q4 WAS 2ND WEAKEST QUARTER OF 2019



## GROSS ABSORPTION FELL BELOW 4M SF FOR 1ST TIME SINCE 2015

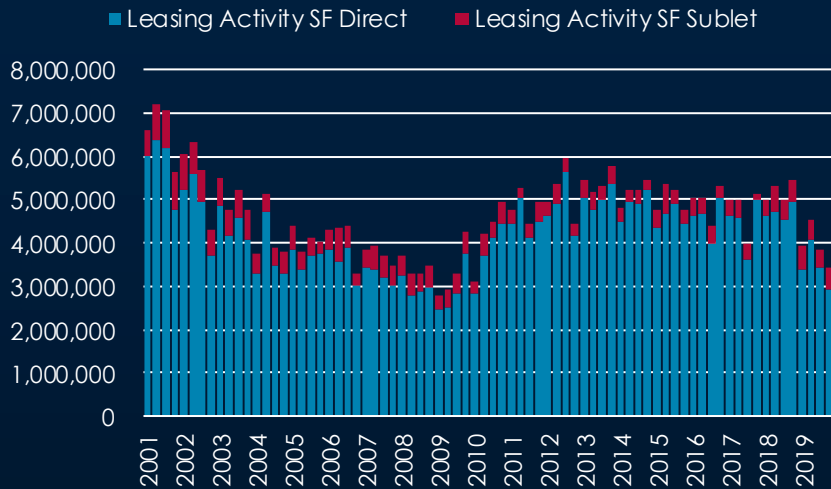


## ASKING RENTS PLATEAUIING BUT SLIGHT INCREASE OF \$0.01 PSF

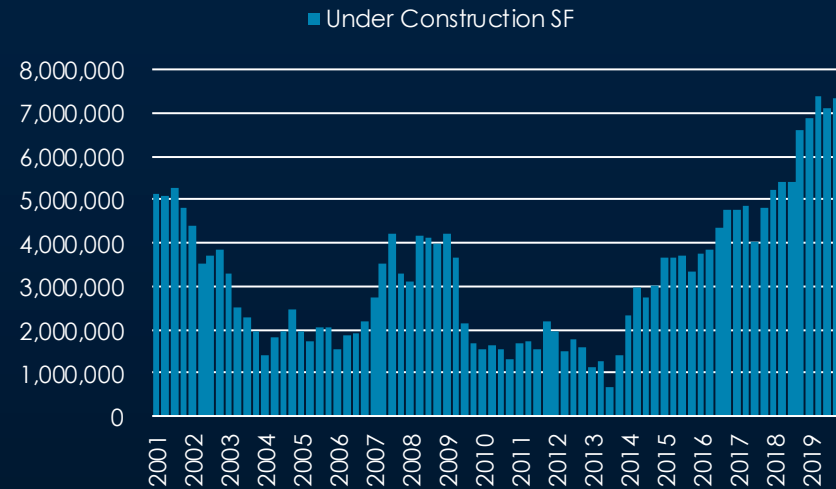




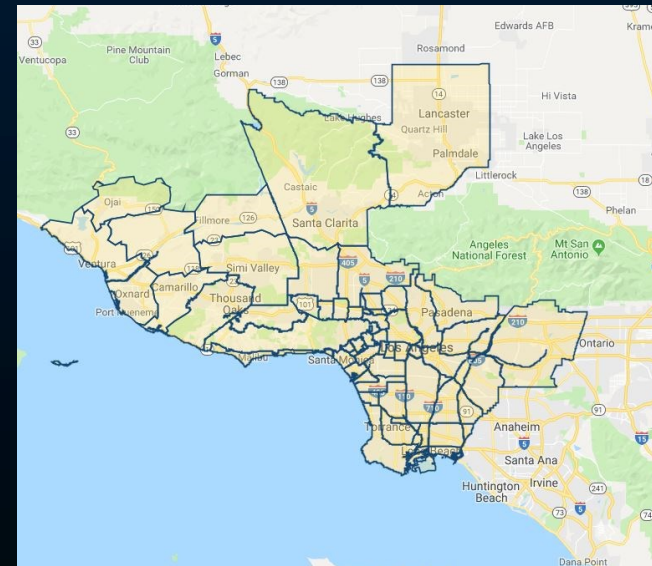
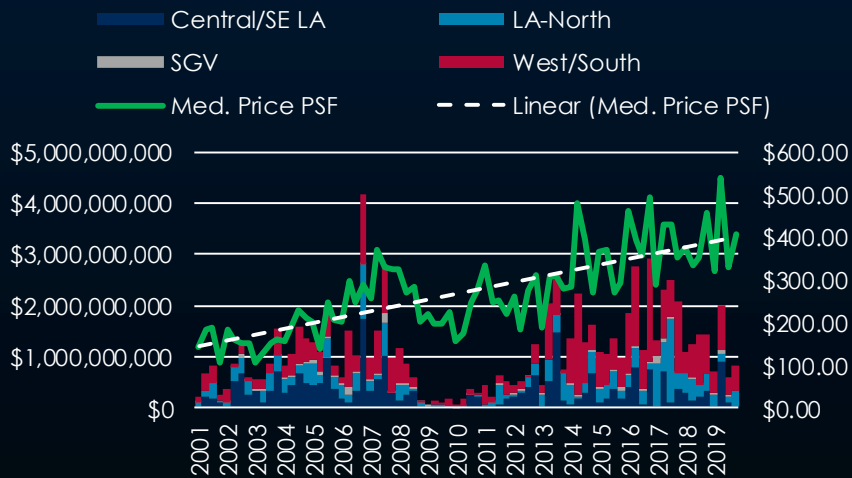
## LEASING ACTIVITY LOWEST LEVEL OF 2019 AT JUST UNDER 3.5M SF



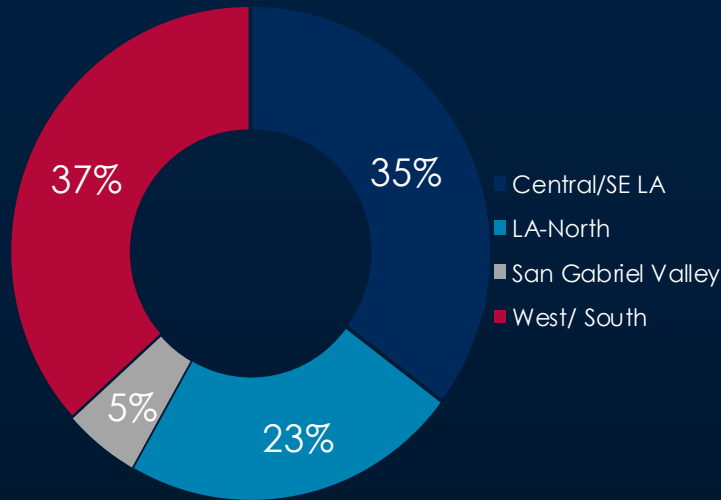
## CONSTRUCTION ACTIVITY EXPANDED IN Q4 TO OVER 7.3M SF



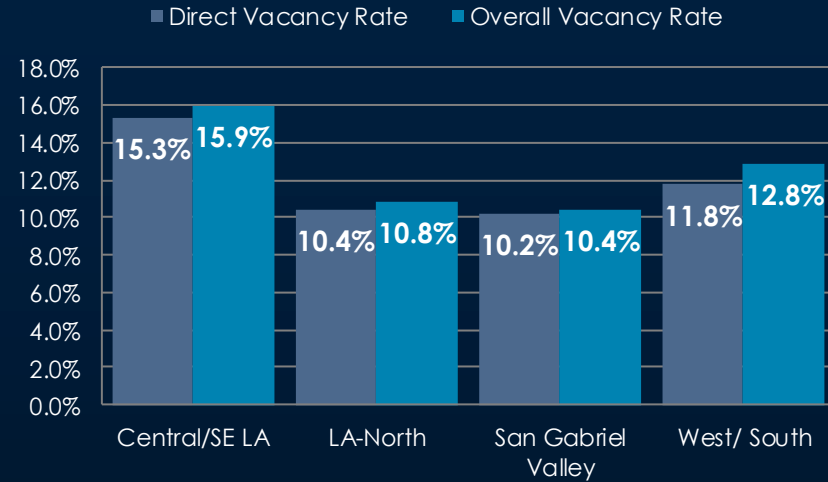
## SALES MEDIAN PRICE PSF WAS \$405.33 IN Q4



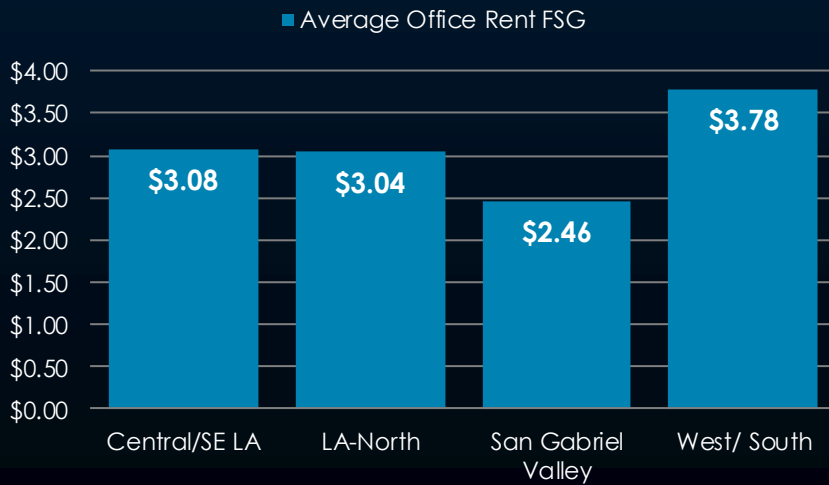
## SQUARE FOOT BREAKDOWN- 242,621,463 SF MARKET SIZE



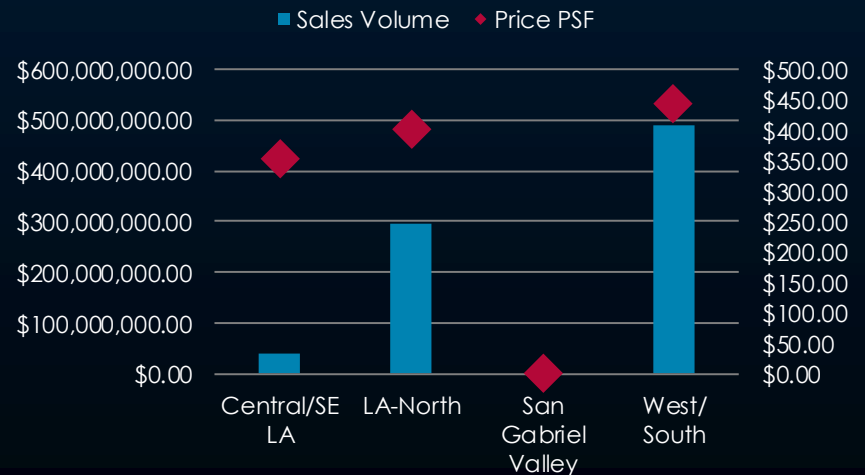
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



## 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  
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# Market Report

Los Angeles Office

Central / Southeast



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# MARKET REPORT Q4

## Office 2019 Los Angeles Central/ Southeast



### MARKET ACTIVITY

|  |  |
|--|--|
| <p>Direct Vacancy<br/>↓ 15.3%</p>            | <p>Net Absorption<br/>↑ 6,350 SF</p>       |
| <p>Overall Vacancy<br/>↓ 15.9%</p>           | <p>Gross Absorption<br/>↑ 1,229,819 SF</p> |
| <p>Under Construction<br/>↓ 2,225,938 SF</p> | <p>Rental Rates (FSG)<br/>↔ \$3.11</p>     |
| <p>Sale Price Q/Q Δ<br/>↓ 26.6%</p>          | <p>Deal Volume Q/Q Δ<br/>↓ 71.6%</p>       |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Down by 10 BPS to a rate of 15.9%
- **Net Absorption:** Only positive quarter of 2019.
- **Office Supply:** Over 1M SF was delivered in 2019. 460K SF of that was in Q4.
- **Sales:** Volume was down again in Q4. Total volume in 2019 was over \$1.1B. A 17% increase from 2018.
- **Asking Rents:** Remained the same as Q3. The rapid expansion of coworking & flexible office plans represent a downward pressure for the typical office space.

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

EXPERIENCE IN A CHANGING MARKET

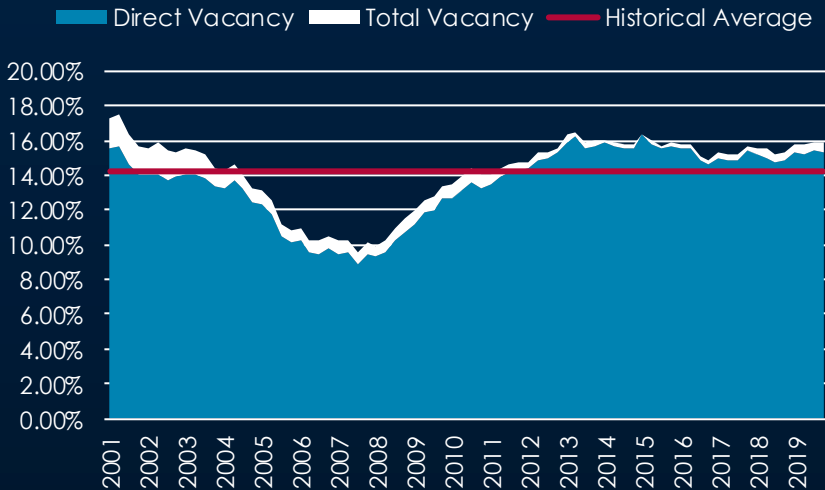
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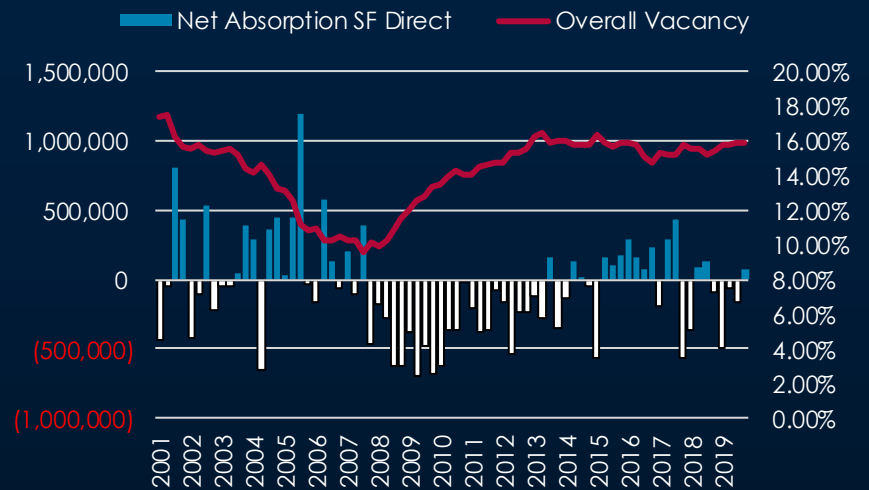
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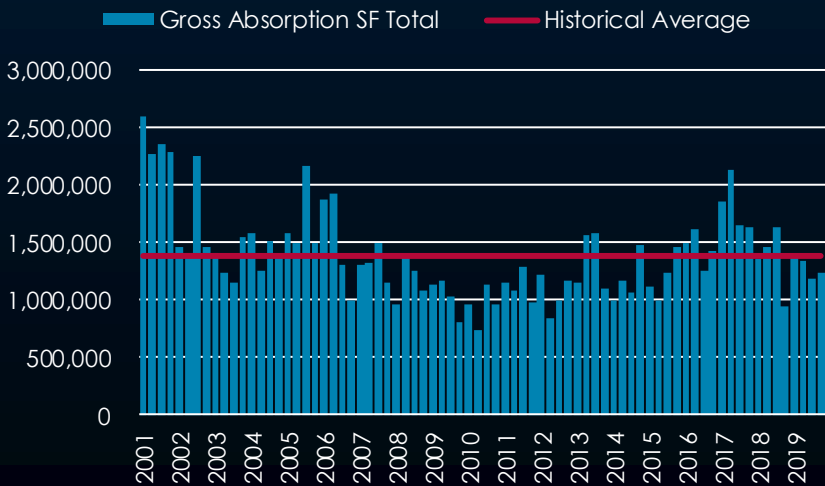
## OVERALL VACANCY DOWN BY 10 BPS FROM Q3 TO 15.9%



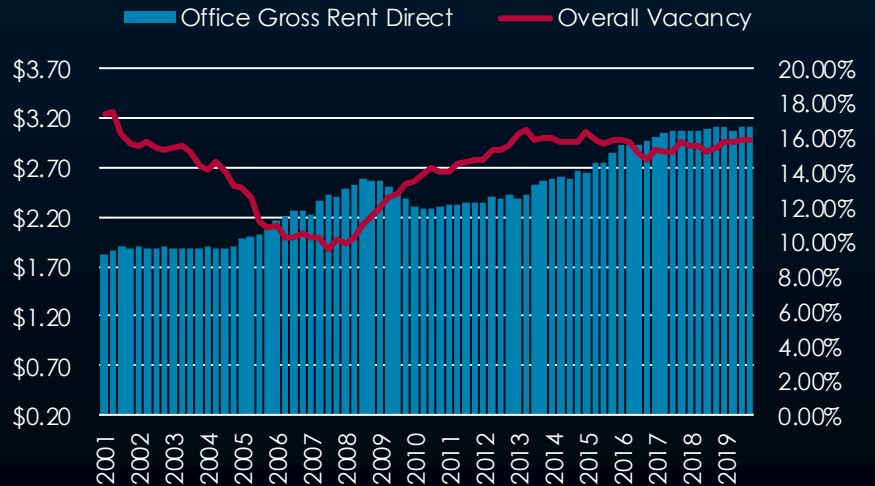
## NET ABSORPTION Q4 WAS THE ONLY POSITIVE QUARTER OF 2019



## GROSS ABSORPTION UP SLIGHTLY IN Q4 BUT REMAINS BELOW HISTORIC AVERAGE

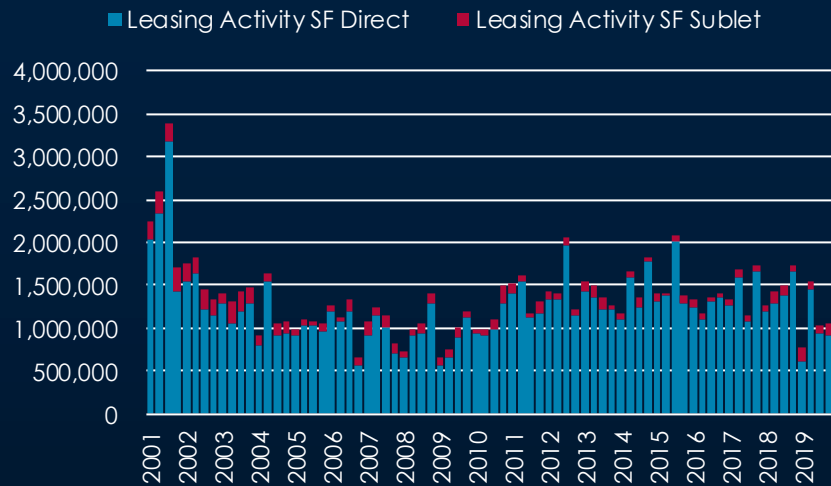


## ASKING RENTS REMAINED THE SAME AS Q3 AT \$3.11 PSF



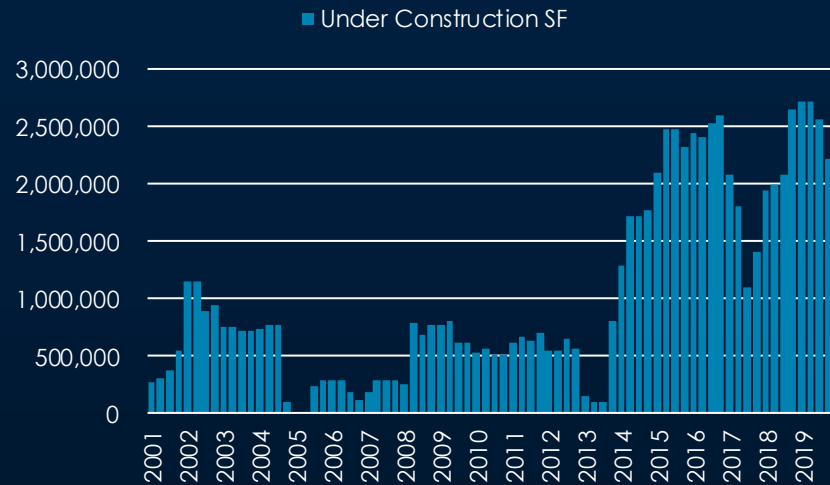
## LEASING ACTIVITY

UP BY ONLY 20K SF IN Q4. 2019 TOTALS DOWN 1.5M FROM 2018



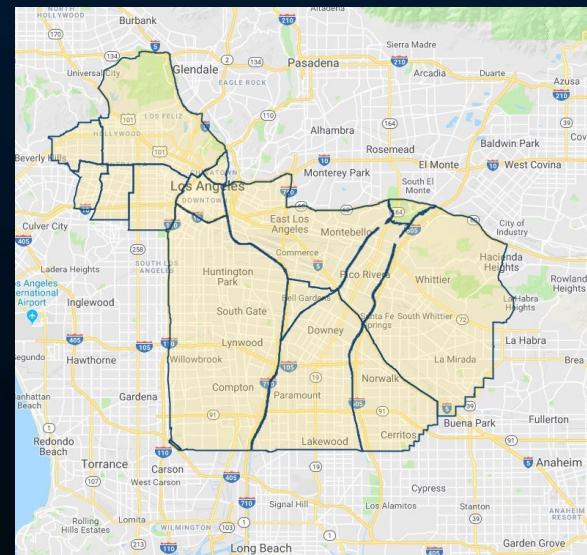
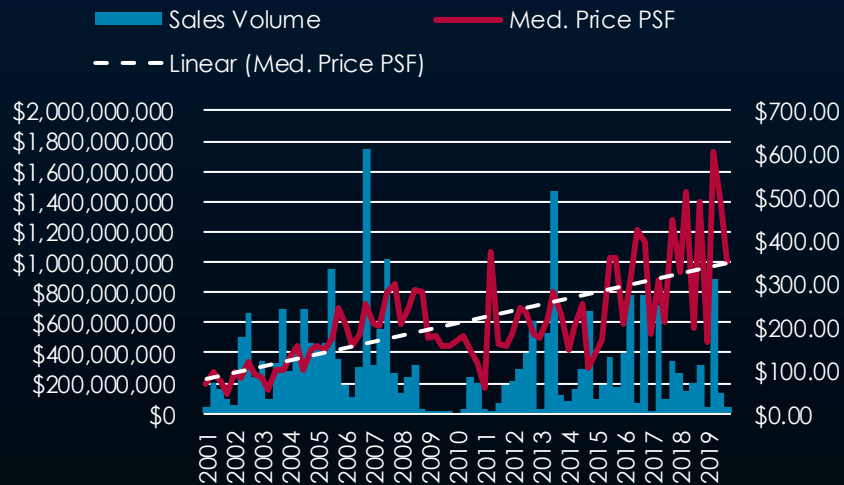
## CONSTRUCTION ACTIVITY

460K SF WAS DELIVERED IN Q4. TOTAL UC SLIGHT ABOVE 2.2M SF

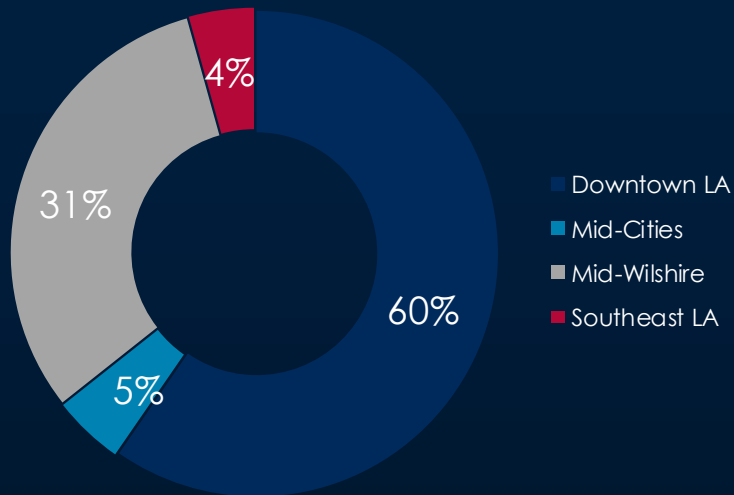


## SALES

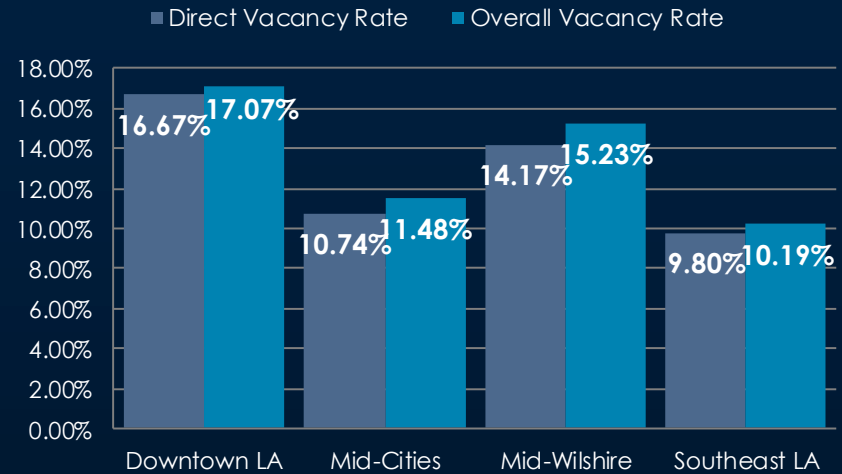
THE LACK OF HIGHLY DESIRABLE SALES IN Q4 LED TO LOWER VOLUME AND PRICES



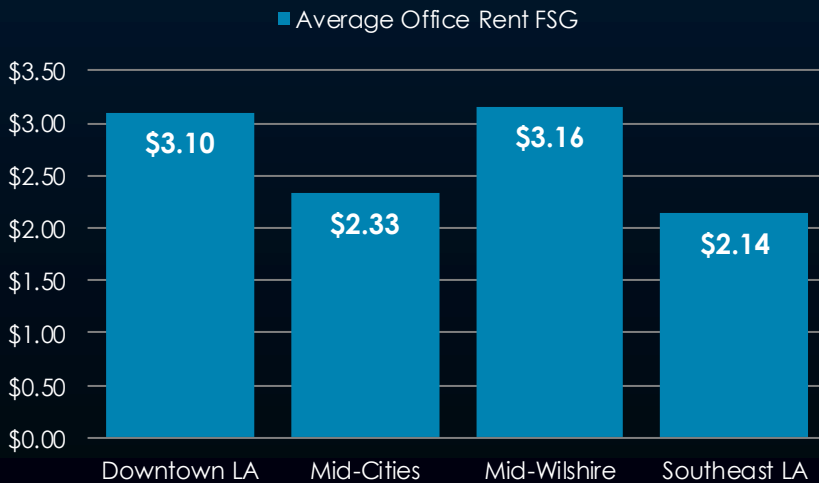
## SQUARE FOOT BREAKDOWN- 85,487,936 SF MARKET SIZE



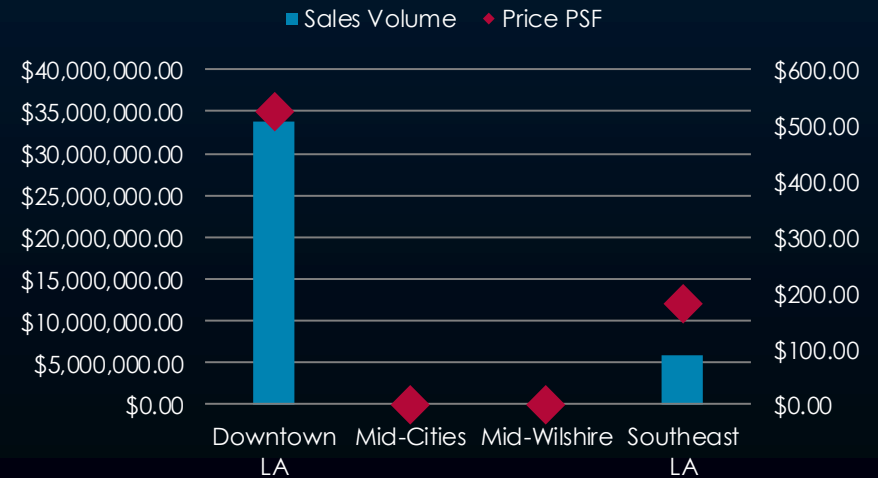
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN





## METHODOLOGY & TERMINOLOGY

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# Market Report

Los Angeles Office

LA North



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# MARKET REPORT Q4

## Office 2019 Los Angeles North



### MARKET ACTIVITY

|  |  |
|--|--|
| <p>Direct Vacancy<br/>↓ 10.4%</p>            | <p>Net Absorption<br/>↑ 139,279 SF</p>   |
| <p>Overall Vacancy<br/>↓ 10.8%</p>           | <p>Gross Absorption<br/>↓ 944,793 SF</p> |
| <p>Under Construction<br/>↑ 1,432,155 SF</p> | <p>Rental Rates (FSG)<br/>↑ \$3.03</p>   |
| <p>Sale Price Change<br/>↑ 139.2%</p>        | <p>Deal Volume<br/>↑ 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<br/>↓ 3.5%</p>                                  | <p>U6 Rate<br/>↓ 6.9%</p>                 |
| <p>Interest Rate<br/>↑ 3.7%<br/><small>(30 year fixed)</small></p> | <p>Changing GDP<br/>↑ 2.3%</p>            |
| <p>Port Traffic Y/Y Δ<br/>↑ 0.3%</p>                               | <p>NYSE Performance<br/>↑ 7.5%</p>        |
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EXPERIENCE IN A CHANGING MARKET

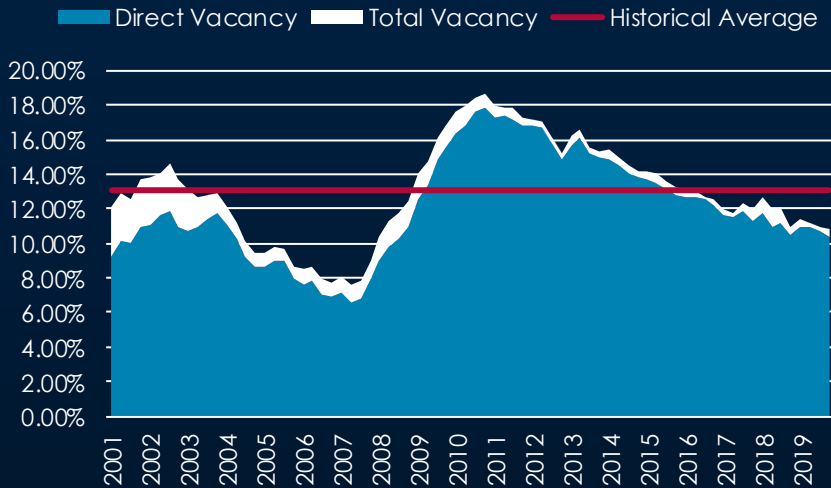
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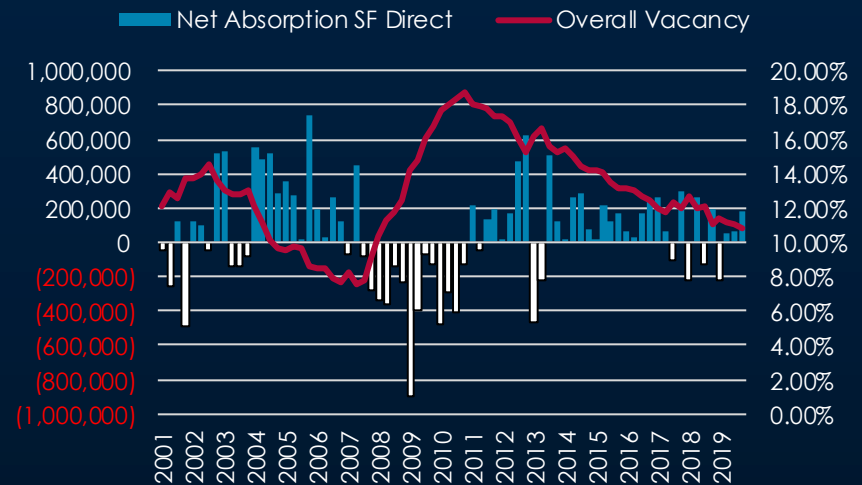
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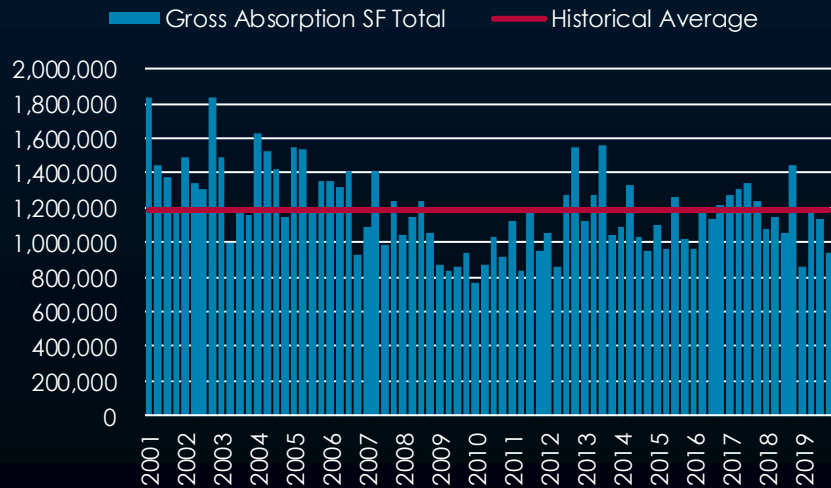
## OVERALL VACANCY IMPROVED BY 20 BPS TO 10.8%



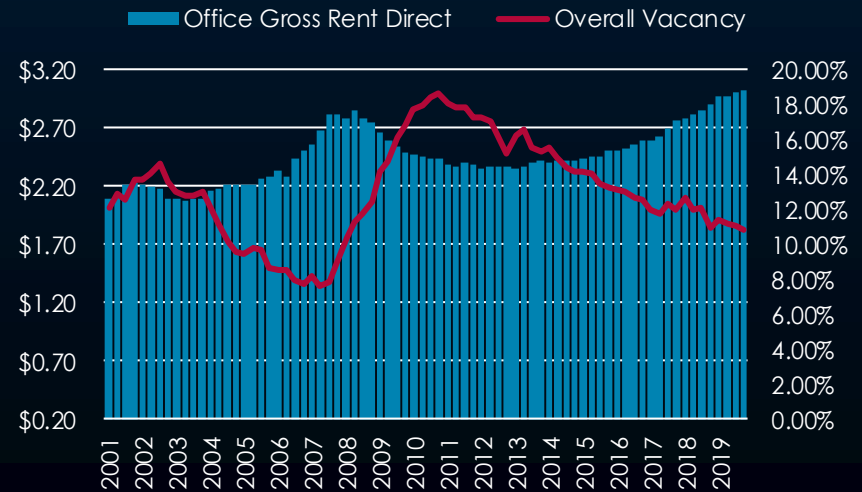
## NET ABSORPTION Q4 WAS THE BEST PERFORMING QUARTER OF 2019



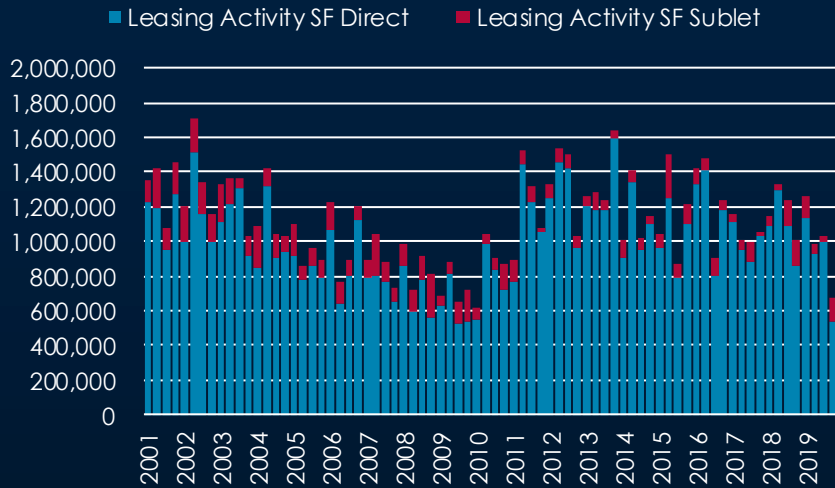
## GROSS ABSORPTION SLIPPED BELOW 1M SF IN Q4



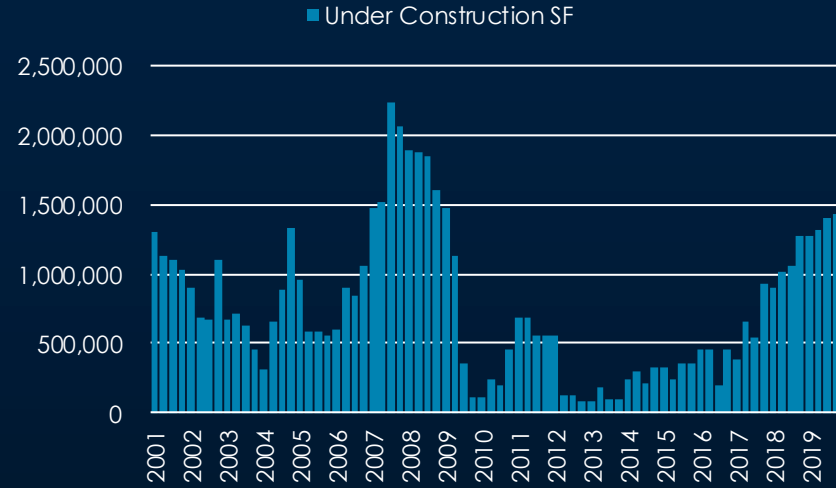
## ASKING RENTS INCREASED MINIMALLY BY \$0.02 PSF



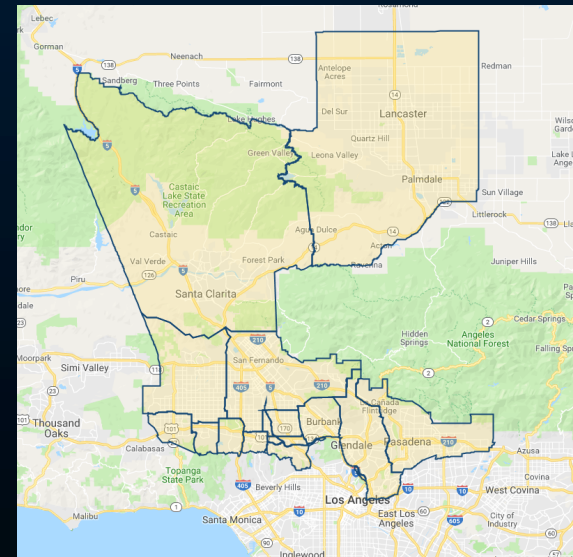
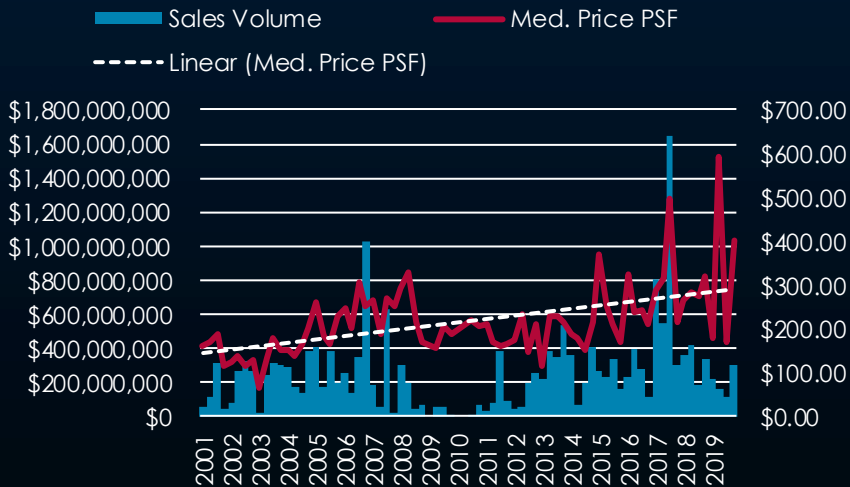
## LEASING ACTIVITY FELL TO LOWEST LEVEL SINCE 2010



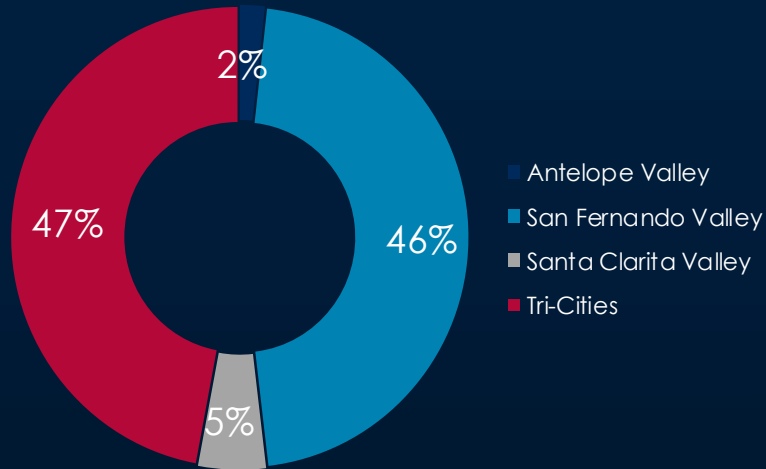
## CONSTRUCTION ACTIVITY CONTINUES TO INCREASE. NOW ABOVE 1.4M SF



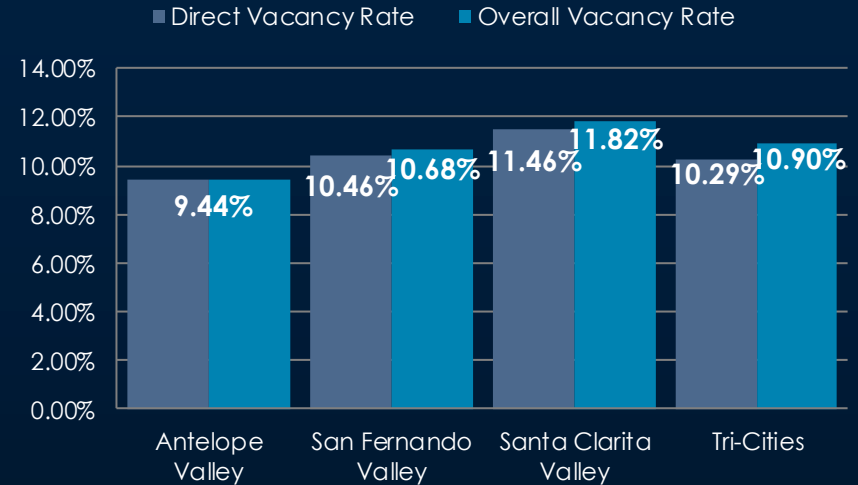
## SALES Q4 SAW THE HIGHEST VOLUME IN 2019 AT JUST BELOW \$300M



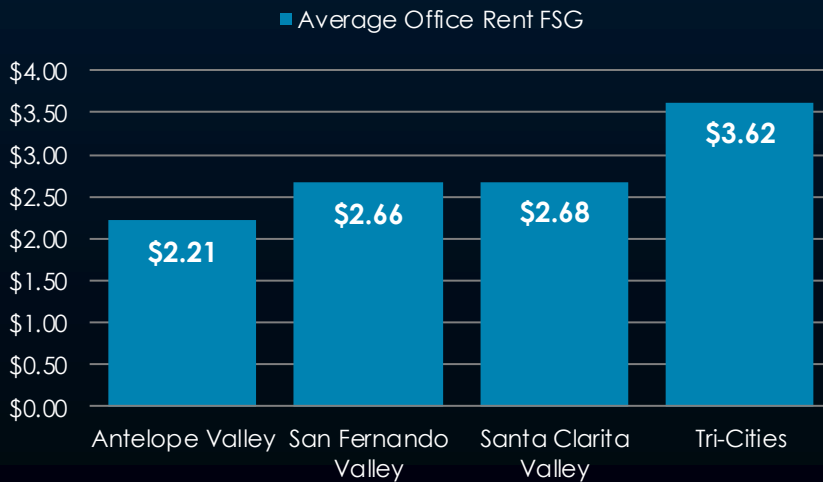
## SQUARE FOOT BREAKDOWN- 55,655,706 SF MARKET SIZE



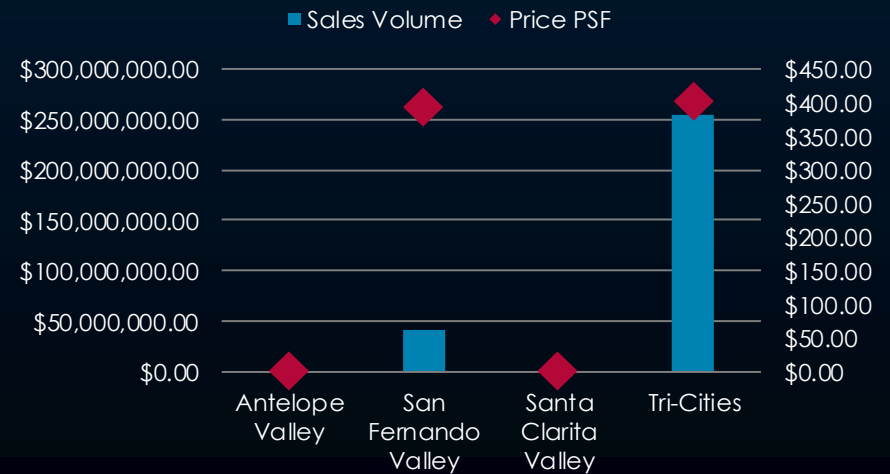
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN





## 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.

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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.

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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

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Q4 | 2019

# Market Report

Los Angeles Office

San Gabriel Valley



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# MARKET REPORT Q4

## Office 2019 San Gabriel Valley



### MARKET ACTIVITY

|   |  |
|---|--|
| <p>Direct Vacancy<br/>▲ 10.2%</p>         | <p>Net Absorption<br/>▼ -84,997 SF</p>   |
| <p>Overall Vacancy<br/>▲ 10.4%</p>        | <p>Gross Absorption<br/>▼ 121,050 SF</p> |
| <p>Under Construction<br/>◀ 31,160 SF</p> | <p>Rental Rates (FSG)<br/>▲ \$2.38</p>   |
| <p>Sale Price Change<br/>◀ N/A</p>        | <p>Deal Volume<br/>◀ N/A</p>             |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Increased by 70 BPS in Q3 to 10.4%.
- **Net Absorption:** Worst performing quarter of 2019.
- **Gross Absorption:** Lowest in 2019.
- **Sales:** Zero (0) sales were recorded in Q4.
- **Asking Rents:** The average asking rent PSF increased by \$0.01 in Q4.

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

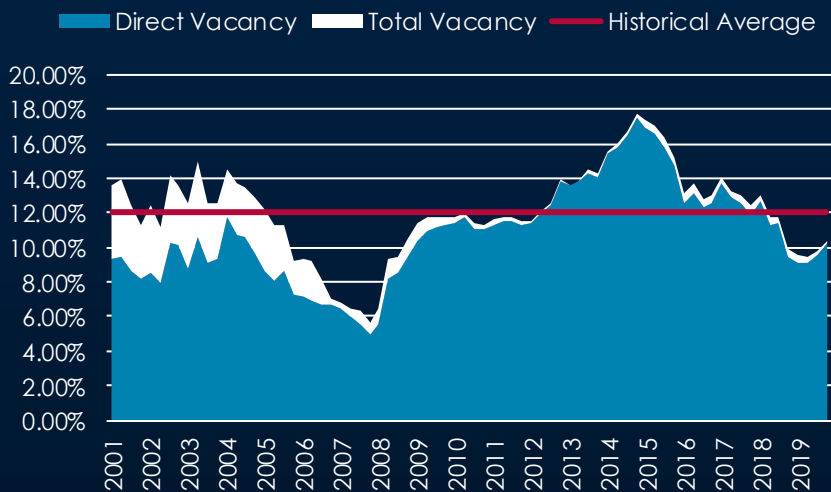
EXPERIENCE IN A CHANGING MARKET

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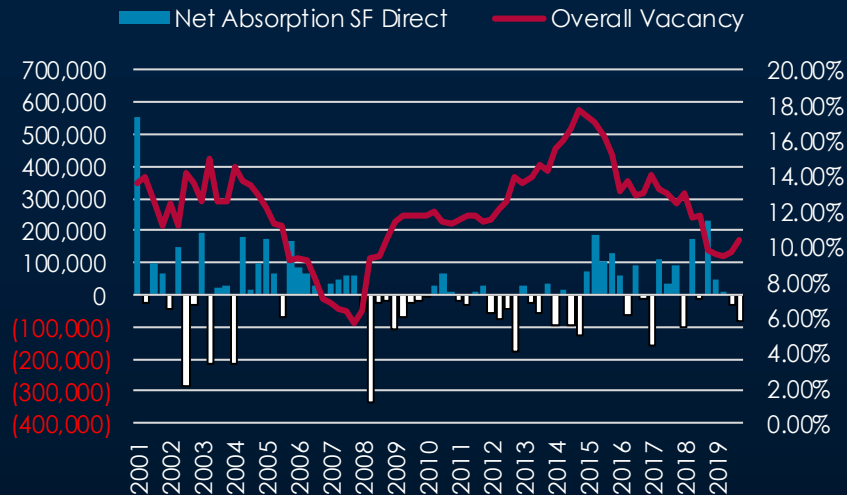


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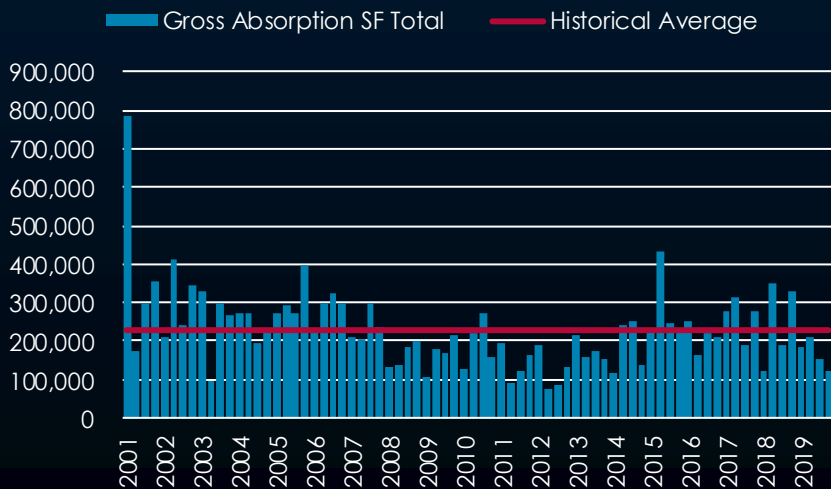
## OVERALL VACANCY INCREASED BY 70 BPS IN Q4



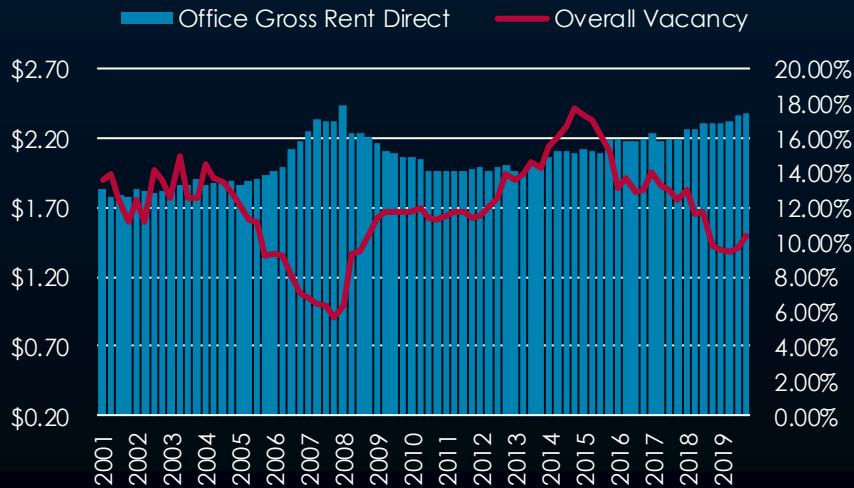
## NET ABSORPTION WORST PERFORMING QUARTER OF 2019



## GROSS ABSORPTION LOWEST QUARTER SINCE Q1 2014

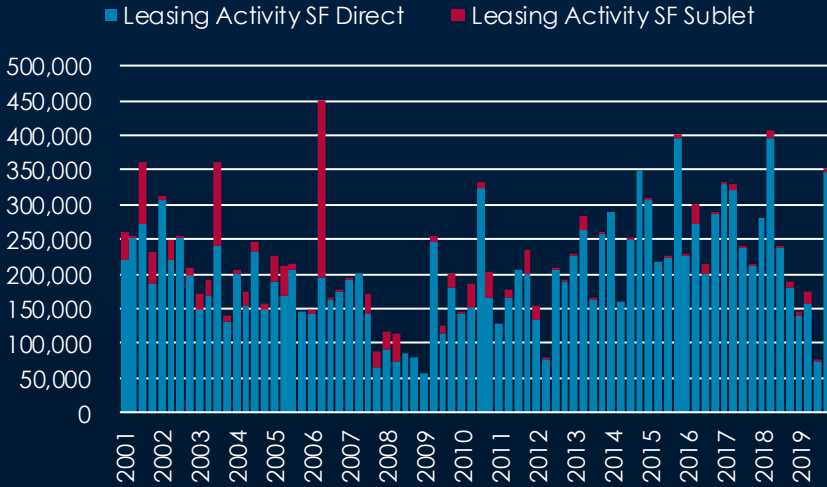


## ASKING RENTS INCREASED BY \$0.01 PSF IN Q4 AS MARKET SOFTENS

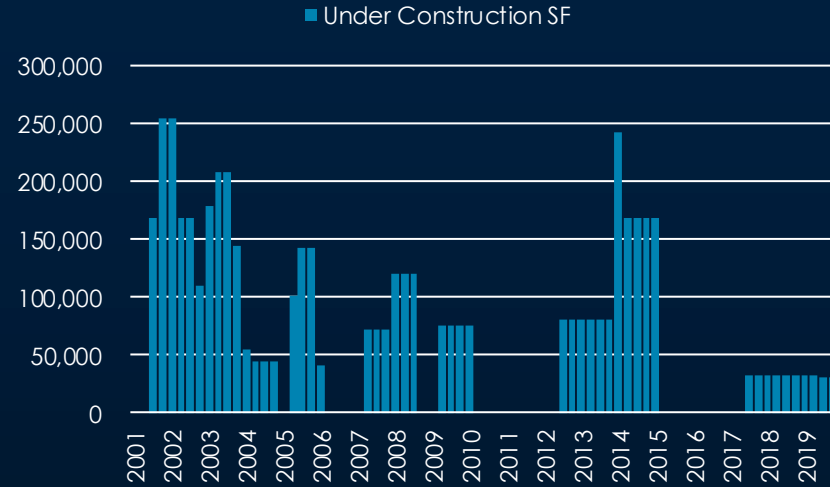




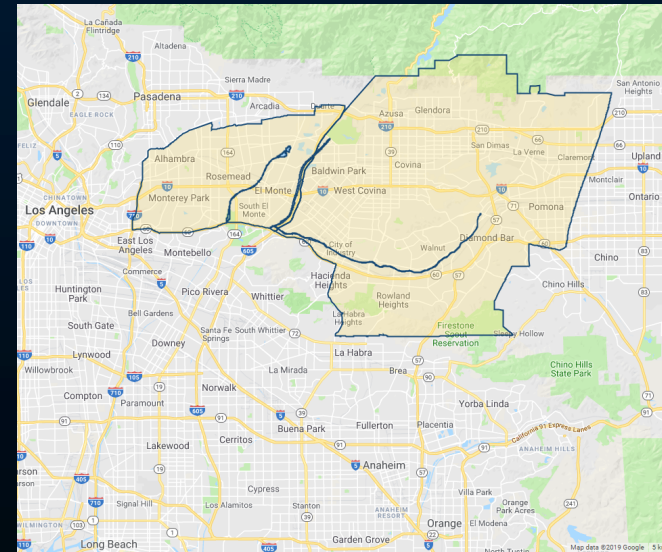
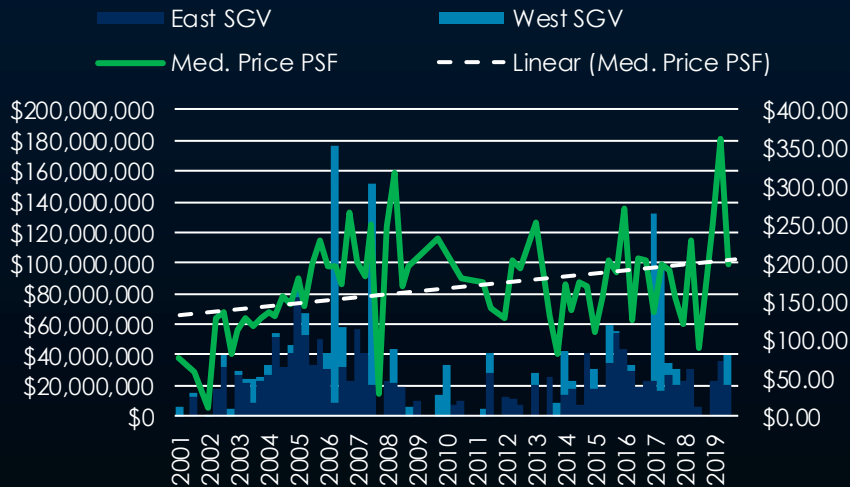
## LEASING ACTIVITY SPIKED IN Q4 LARGELY DUE TO A SINGLE 160K SF LEASE



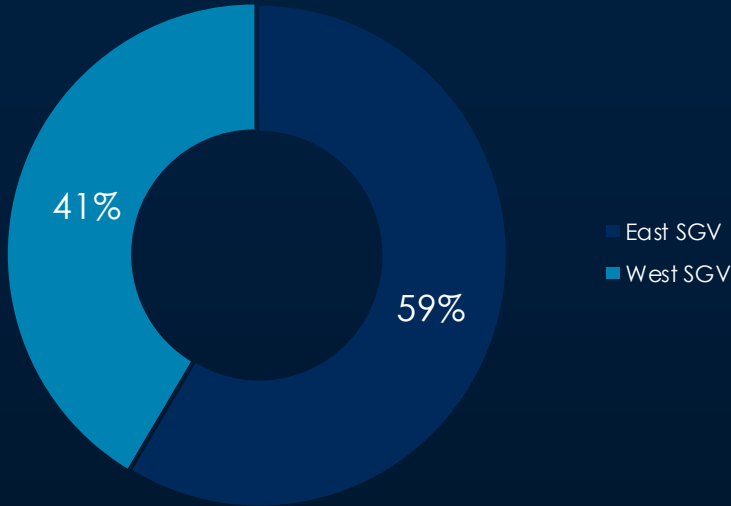
## CONSTRUCTION ACTIVITY NO NEW ACTIVITY



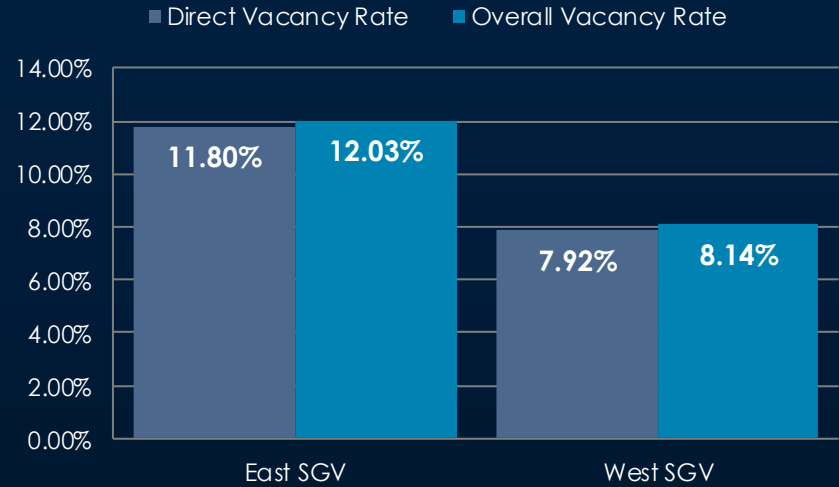
## SALES ZERO SALES WERE RECORDED IN Q4



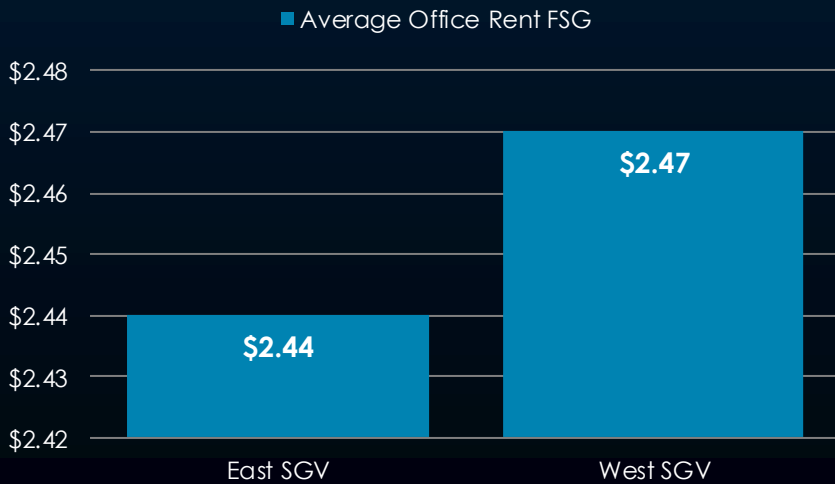
## SQUARE FOOT BREAKDOWN- 12,404,048 SF MARKET SIZE



## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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# Market Report

Los Angeles Office

West/ South



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# MARKET REPORT Q4

## Office 2019 Los Angeles West/ South



### MARKET ACTIVITY

|  |  |
|--|--|
| <p>Direct Vacancy<br/>▲ 11.8%</p>            | <p>Net Absorption<br/>▼ -151,053 SF</p>    |
| <p>Overall Vacancy<br/>▲ 12.8%</p>           | <p>Gross Absorption<br/>▼ 1,465,816 SF</p> |
| <p>Under Construction<br/>▲ 3,586,812 SF</p> | <p>Rental Rates (FSG)<br/>▲ \$3.67</p>     |
| <p>Sale Price Q/Q Δ<br/>▼ 5.9%</p>           | <p>Deal Volume Q/Q Δ<br/>▲ 31.9%</p>       |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Saw a slight increase of 10 BPS in Q4.
- **Net Absorption:** Fell back into negative territory in Q4.
- **Office Supply:** The West/South market remains a hotbed for new construction.
- **Trends:** Technology companies leasing large amounts of space. Co-working & creative office continue to increase footprint, but companies like WeWork may slow their expansions.

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

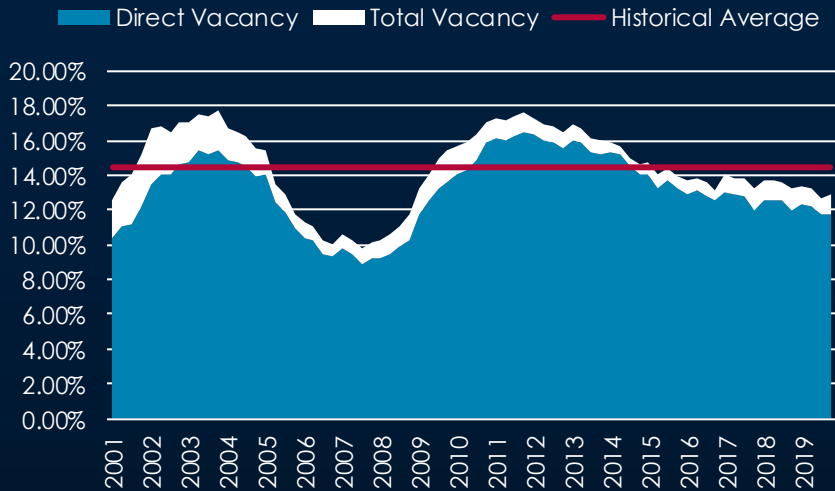
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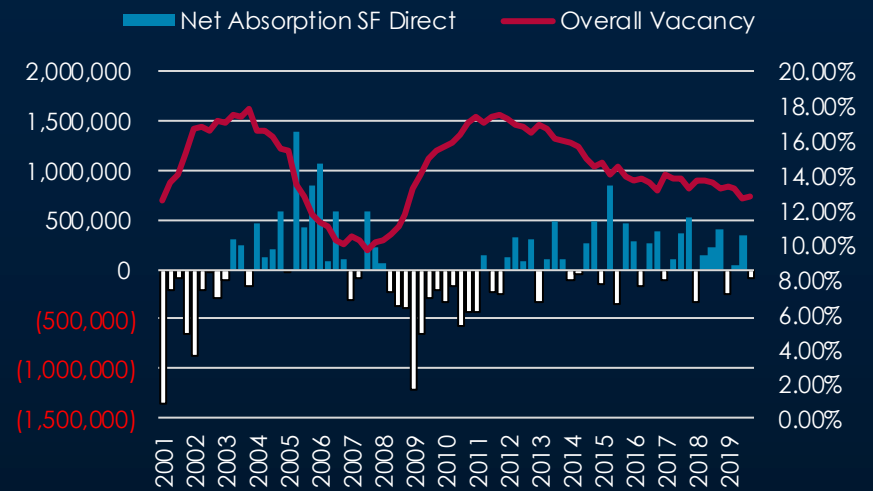


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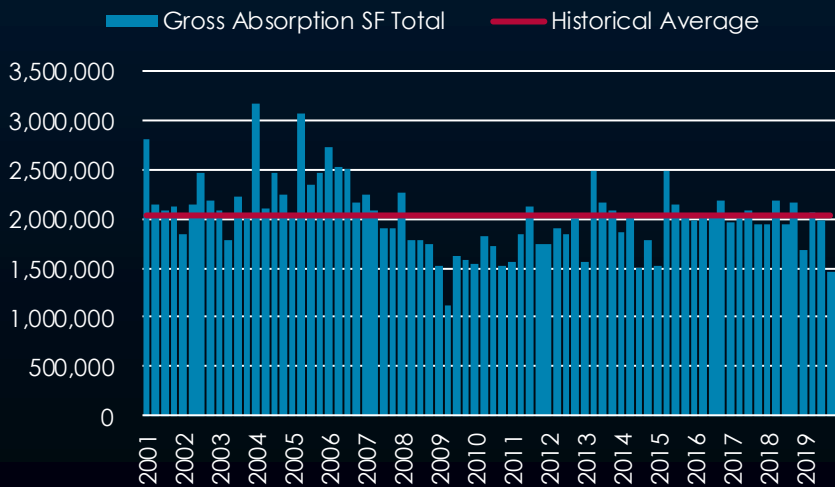
## OVERALL VACANCY INCREASED BY 10 BPS FROM Q3



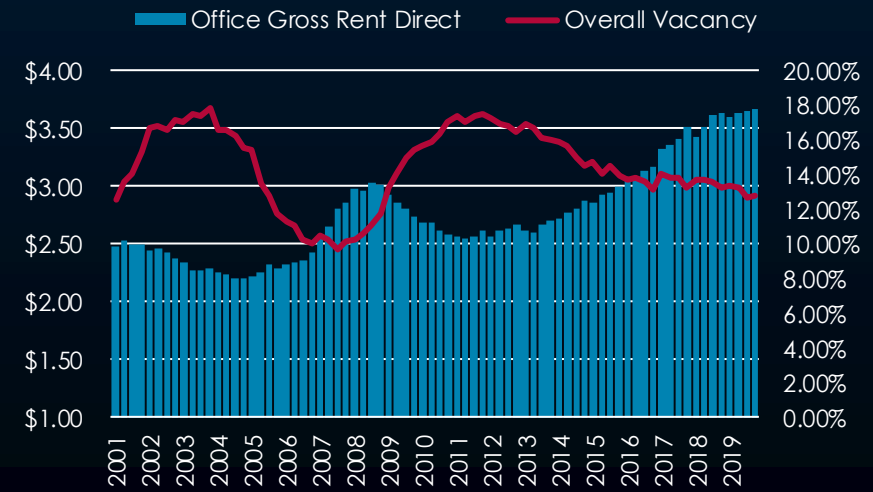
## NET ABSORPTION TURNED NEGATIVE IN Q4



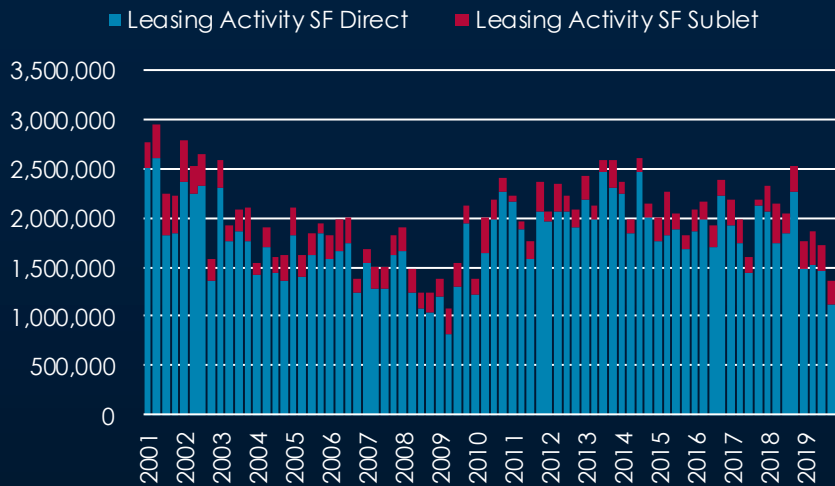
## GROSS ABSORPTION DOWN AGAIN IN Q4 TO UNDER 1.5M SF



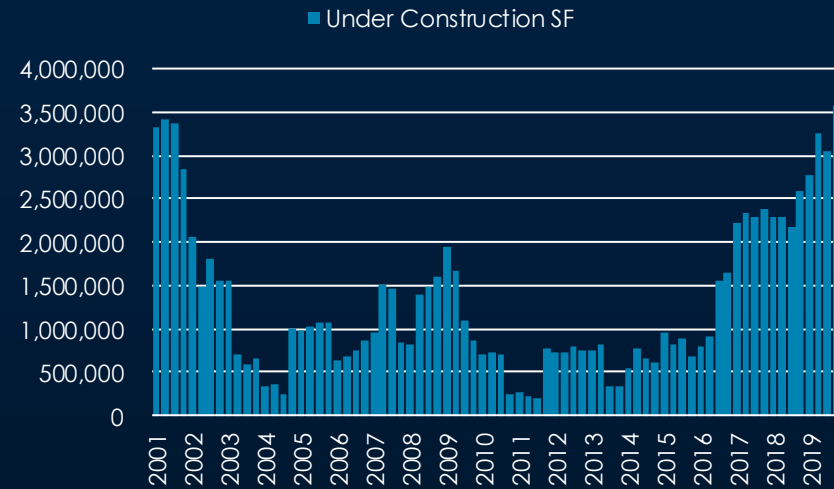
## ASKING RENTS CONTINUE TO FLATTEN



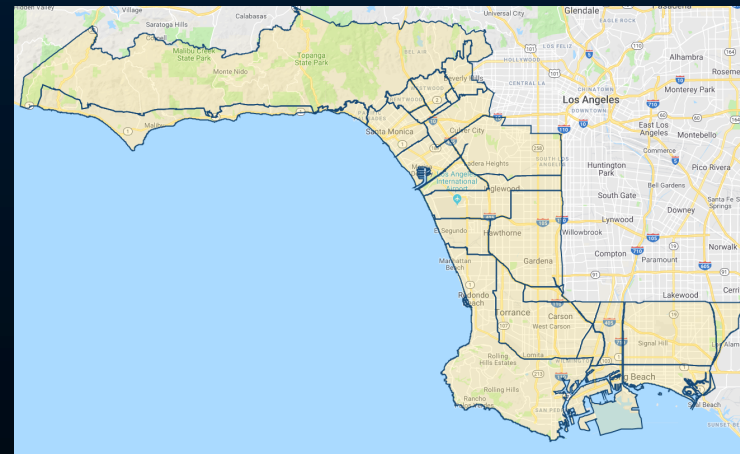
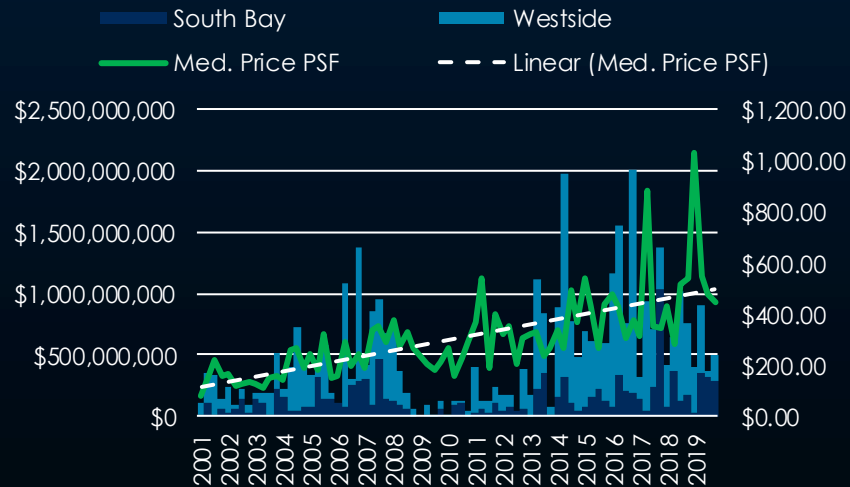
## LEASING ACTIVITY WORST QUARTER OF 2019 FALLING BELOW 1.4M SF



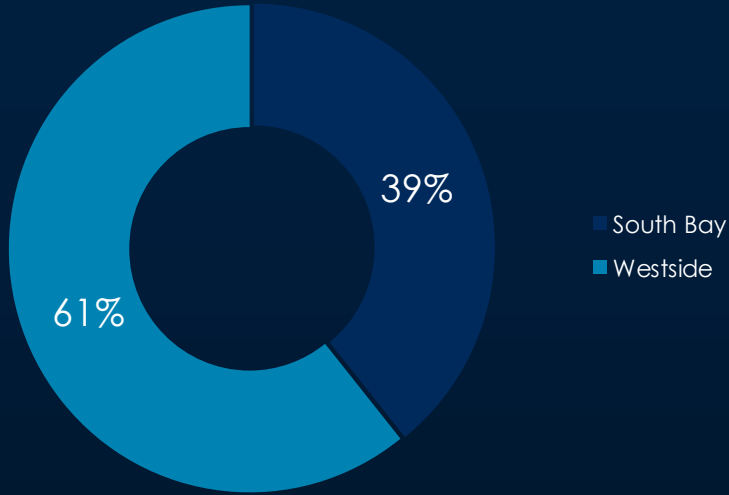
## CONSTRUCTION ACTIVITY GREW TO OVER 3.5M SF IN Q4



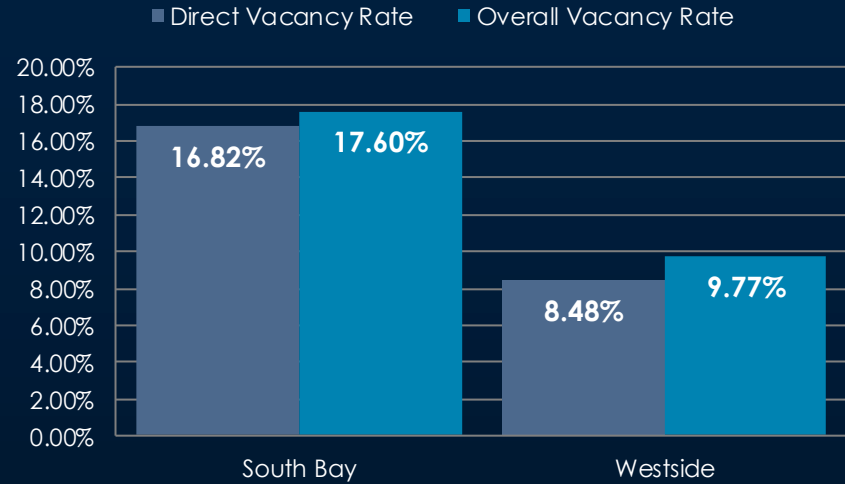
## SALES MEDIAN PRICE PSF IN Q3 WAS \$445.64. VOLUME DOWN IN Q4



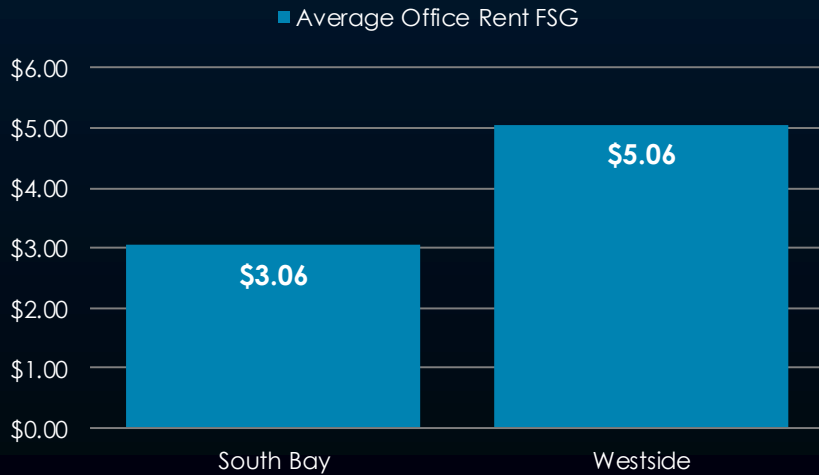
## SQUARE FOOT BREAKDOWN- 88,954,270 SF MARKET SIZE



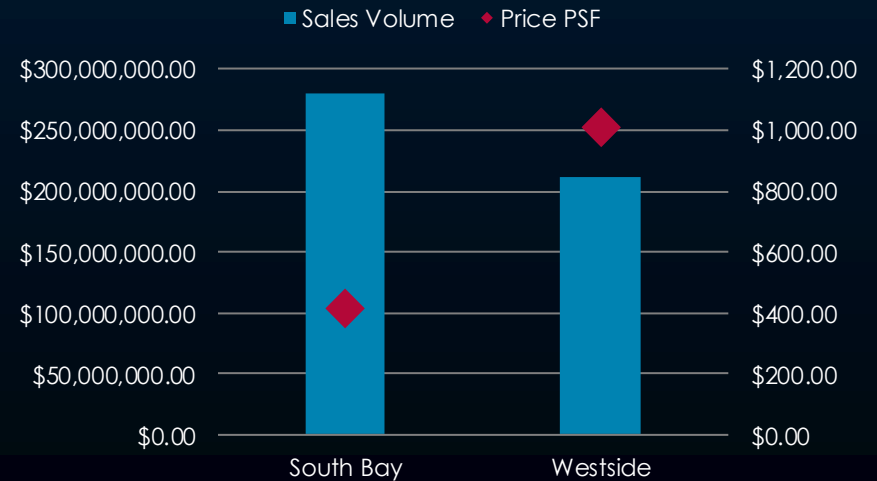
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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# Market Report

Los Angeles Office

South Bay



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# MARKET REPORT Q4

## Office 2019 Los Angeles South Bay



### MARKET ACTIVITY

|  |  |
|--|--|
| <p>Direct Vacancy<br/>▲ 16.8%</p>            | <p>Net Absorption<br/>▼ -232,970 SF</p>  |
| <p>Overall Vacancy<br/>▲ 17.6%</p>           | <p>Gross Absorption<br/>▼ 535,732 SF</p> |
| <p>Under Construction<br/>▲ 1,420,723 SF</p> | <p>Rental Rates (FSG)<br/>▲ \$2.97</p>   |
| <p>Sale Price Change<br/>▼ 6.4%</p>          | <p>Deal Volume<br/>▼ 17.3%</p>           |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Decreased by 70 BPS from Q3.
- **Net Absorption:** Returned to negative levels after positive Q3.
- **Office Supply:** The South Bay market is experiencing a boom with a few major developments beginning construction.
- **Sales:** Volume and pricing were slightly down in Q4. In 2019, total volume was nearly \$1B, A 34% increase from 2018.
- **Asking Rents:** Appear to be leveling out.

#### 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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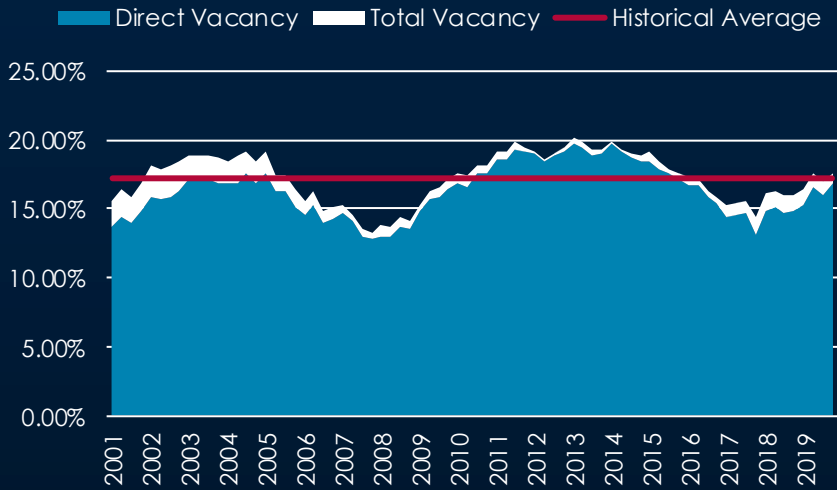
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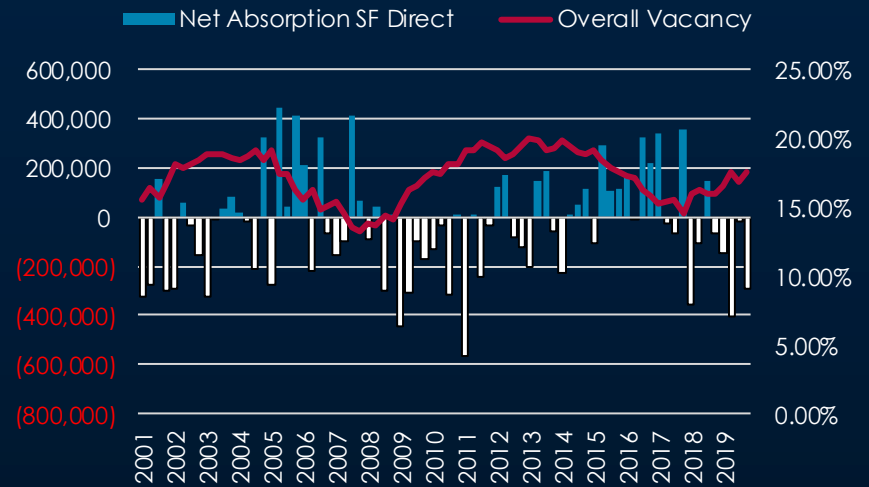


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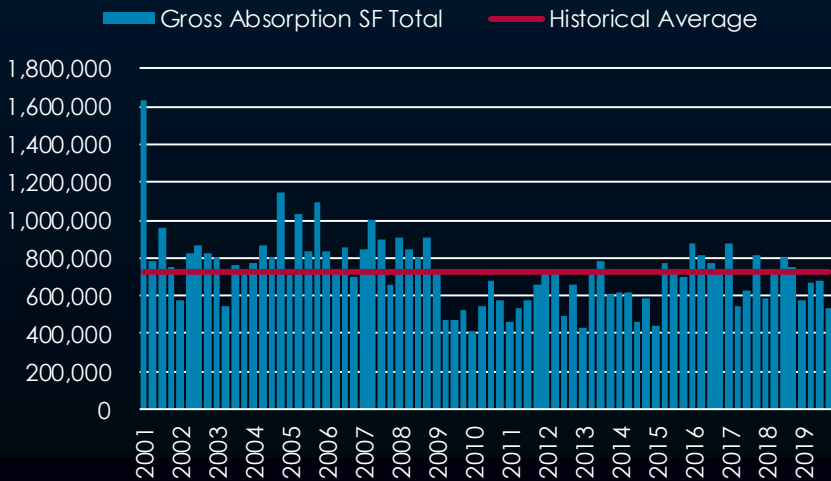
## OVERALL VACANCY INCREASED BY 70 BPS IN Q4



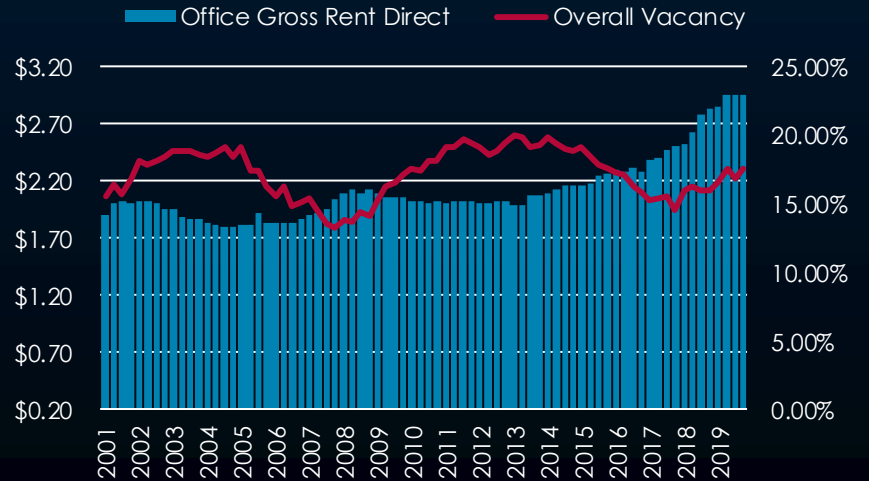
## NET ABSORPTION REVERTED BACK TO NEGATIVE LEVELS IN Q4



## GROSS ABSORPTION WEAKEST QUARTER IN 2019

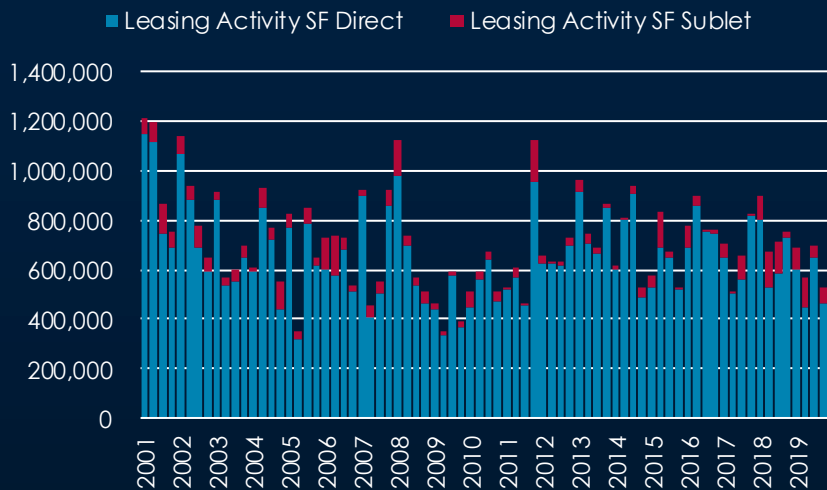


## ASKING RENTS APPEAR TO BE CLOSE TO TOPPING OUT

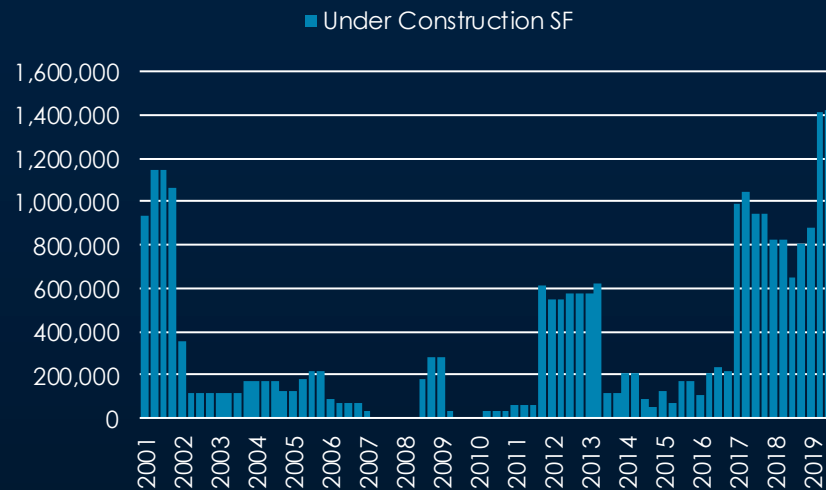




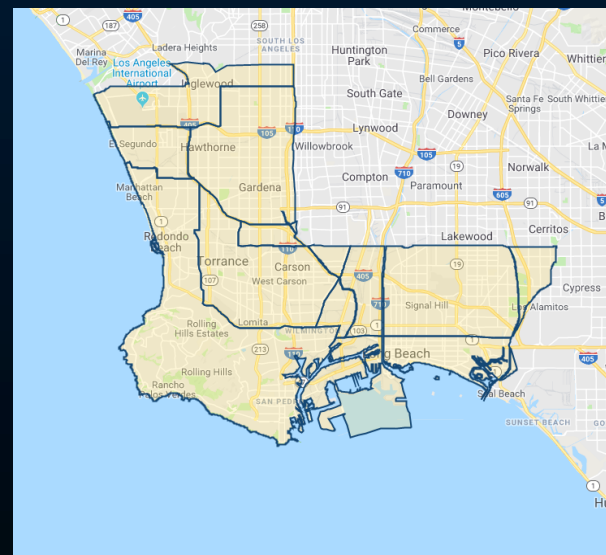
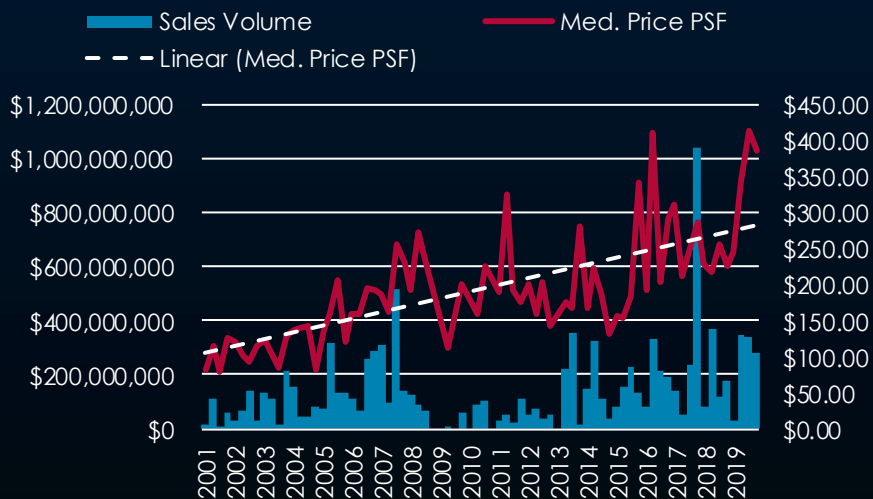
## LEASING ACTIVITY LOWEST QUARTER OF 2019



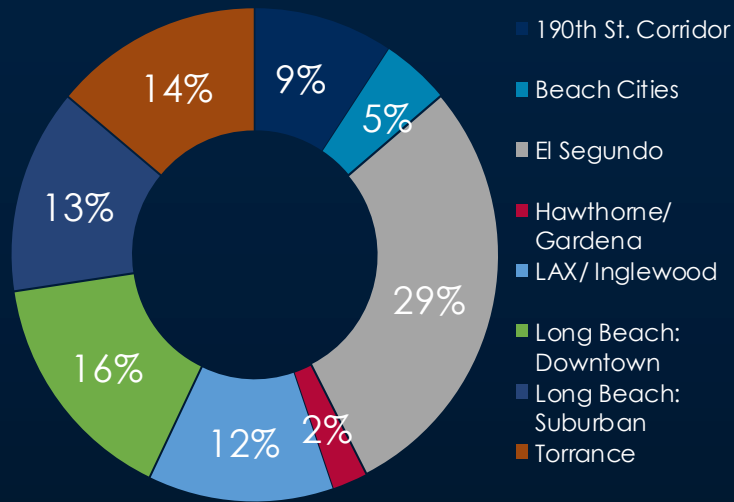
## CONSTRUCTION ACTIVITY ABOVE 1.4M SF



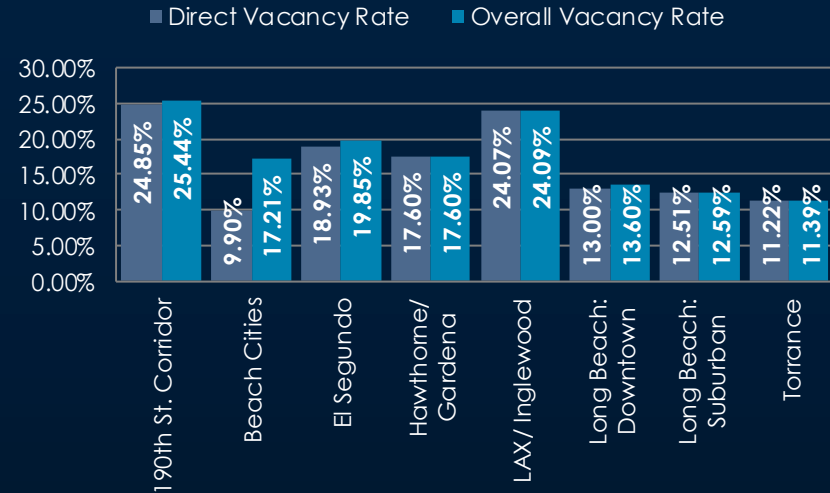
## SALES THE MEDIAN PRICE PSF IN Q3 WAS \$386.48



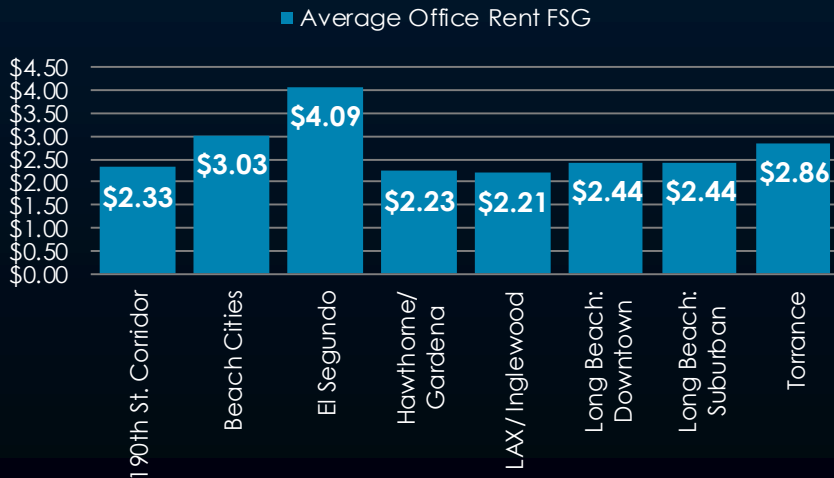
## SQUARE FOOT BREAKDOWN- 34,894,481 SF MARKET SIZE



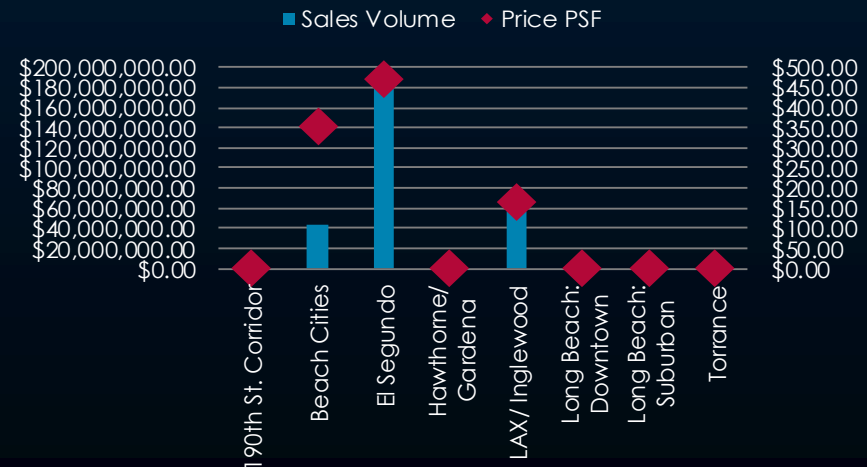
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



## METHODOLOGY & TERMINOLOGY

### Methodology

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

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Q4 | 2019

# Market Report

Los Angeles Office

**Westside**



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# MARKET REPORT Q4

## Office 2019 Los Angeles Westside



### MARKET ACTIVITY

|  |  |
|--|--|
| <p>Direct Vacancy<br/>∨ 8.5%</p>             | <p>Net Absorption<br/>∨ 81,917 SF</p>    |
| <p>Overall Vacancy<br/>∨ 9.8%</p>            | <p>Gross Absorption<br/>∨ 930,084 SF</p> |
| <p>Under Construction<br/>∧ 2,166,089 SF</p> | <p>Rental Rates (FSG)<br/>∧ \$5.06</p>   |
| <p>Sale Price Change<br/>∧ 0.1%</p>          | <p>Deal Volume<br/>∧ 307.5%</p>          |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Continue downward trend.
- **Net Absorption:** Down again, but still positive.
- **Office Supply:** Construction activity increased to above 2.1M SF.
- **Sales:** The only recorded sales that occurred in Q4 were in the Santa Monica Market. Total volume in 2019 was over \$1.2B, but that represents a 40% decrease from 2018.
- **Trends:** Technology companies leasing large amounts of space & repurposing of buildings to creative office atmospheres.

#### 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<br/>∨ 3.5%</p>                                  | <p>U6 Rate<br/>∨ 6.9%</p>                 |
| <p>Interest Rate<br/>∧ 3.7%<br/><small>(30 year fixed)</small></p> | <p>Changing GDP<br/>∧ 2.3%</p>            |
| <p>Port Traffic Y/Y Δ<br/>∧ 0.3%</p>                               | <p>NYSE Performance<br/>∧ 7.5%</p>        |
| <p>Inflation Change<br/>∧ 2.0%</p>                                 | <p>10 Yr. - 2 Yr. Spread<br/>∧ 34 BPS</p> |

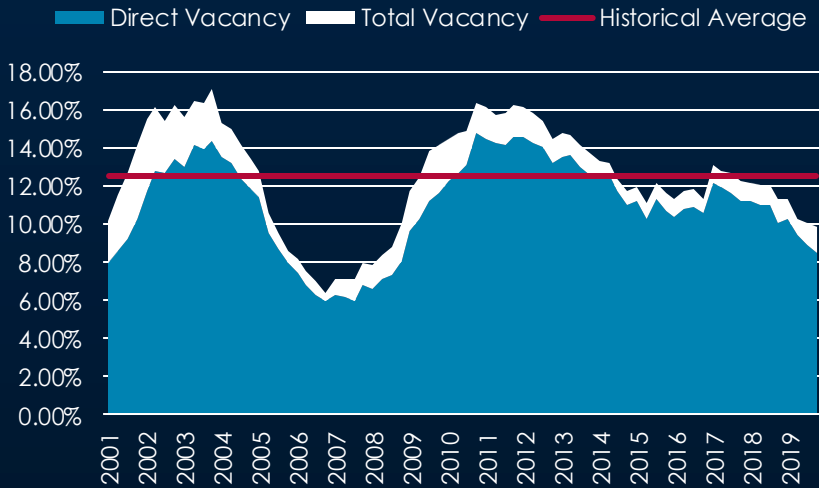
EXPERIENCE IN A CHANGING MARKET

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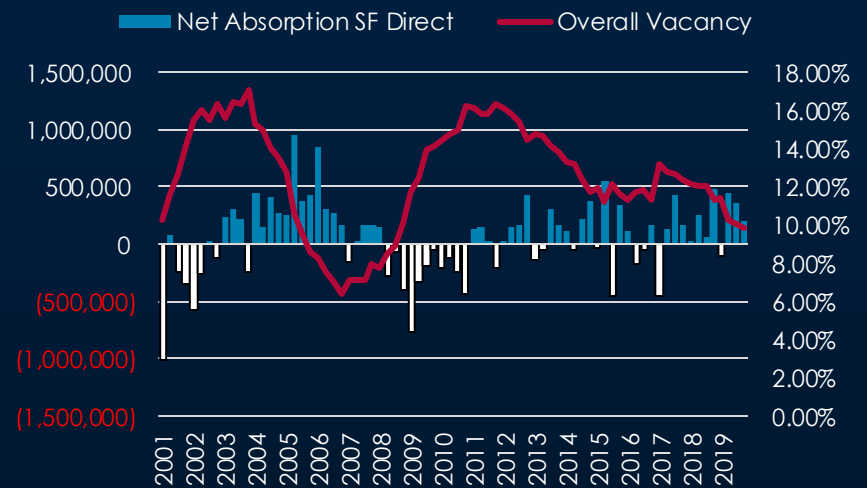


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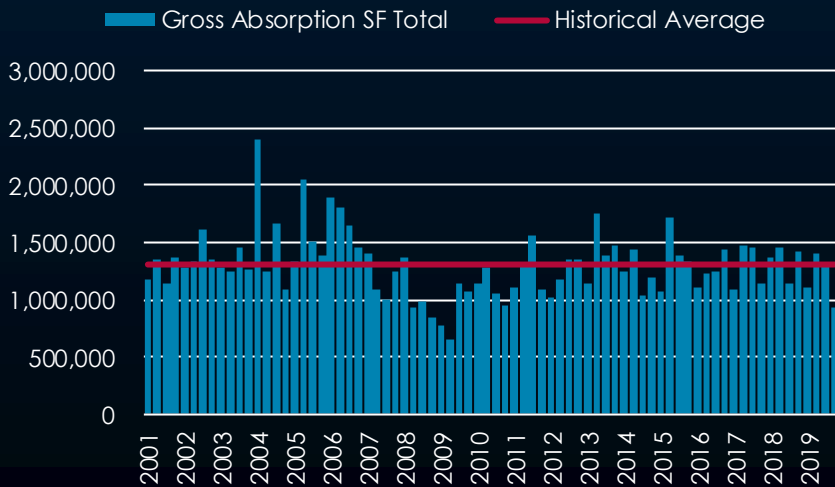
## OVERALL VACANCY DOWN BY 20 BPS FROM Q3 TO 9.8%



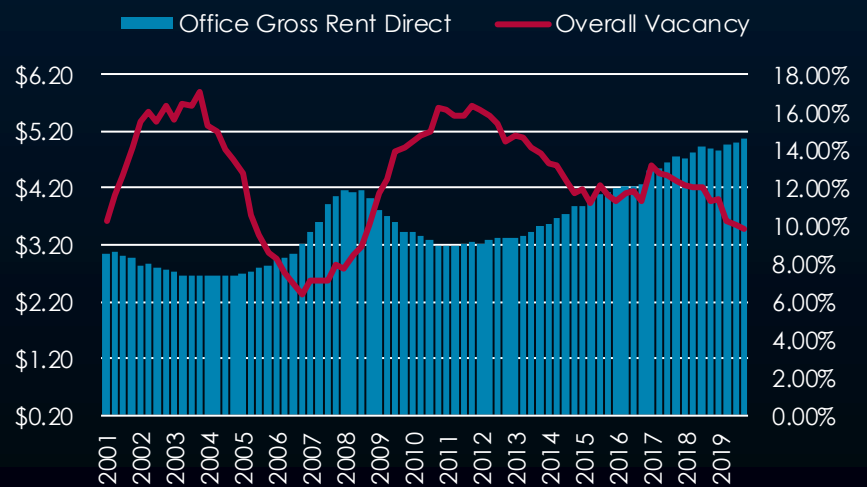
## NET ABSORPTION DOWN AGAIN IN Q4, BUT REMAINS POSITIVE



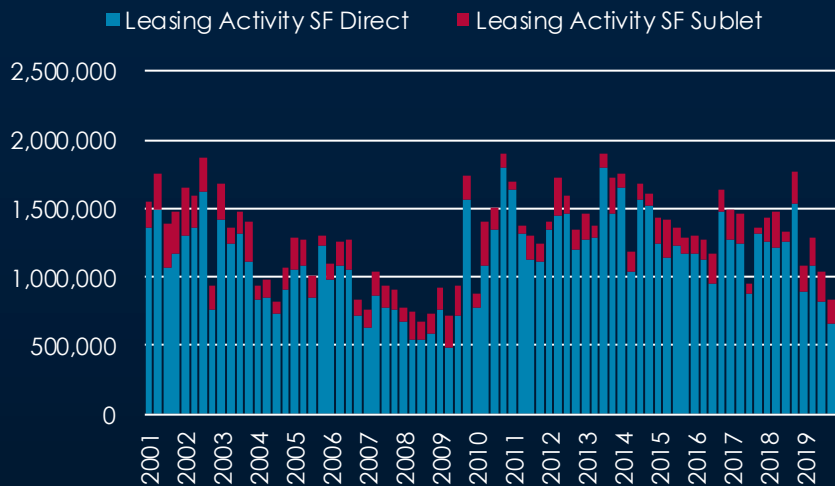
## GROSS ABSORPTION FELL BELOW 1M SF FOR 1ST TIME SINCE 2010



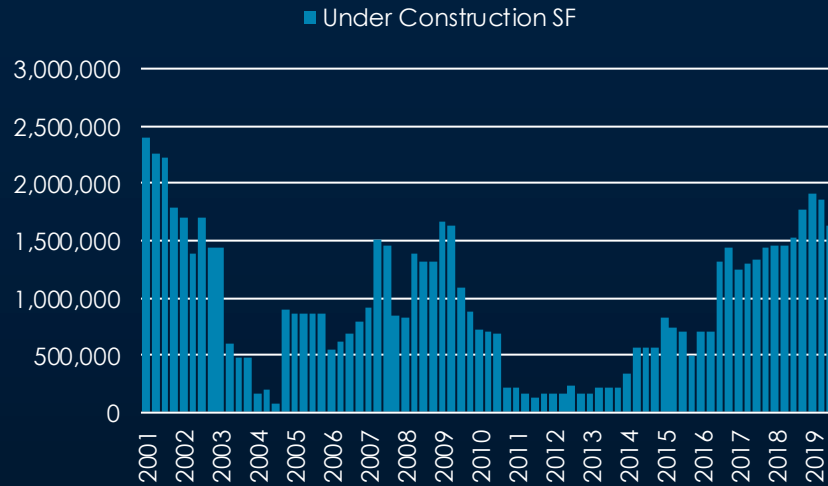
## ASKING RENTS INCREASED BY \$0.07 PSF IN Q4



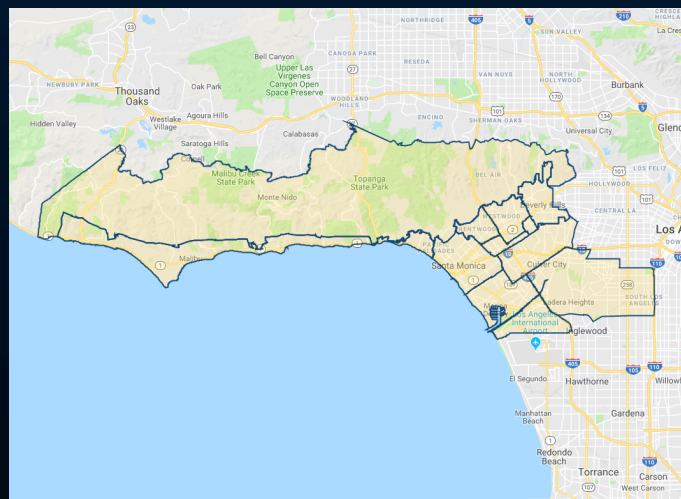
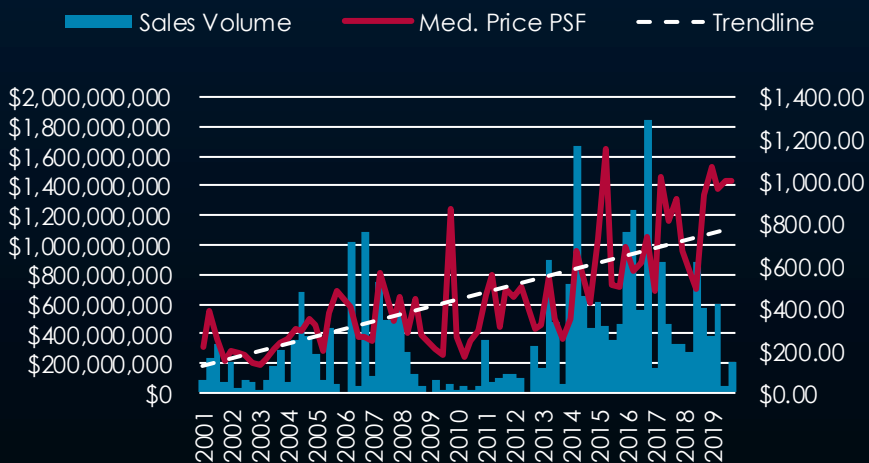
## LEASING ACTIVITY FALLS AGAIN IN Q4 TO LOWEST SINCE 2010



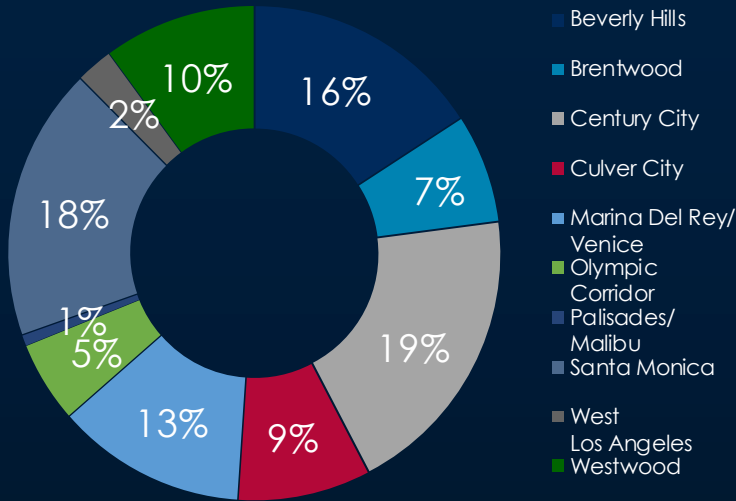
## CONSTRUCTION ACTIVITY REMAINS STRONG



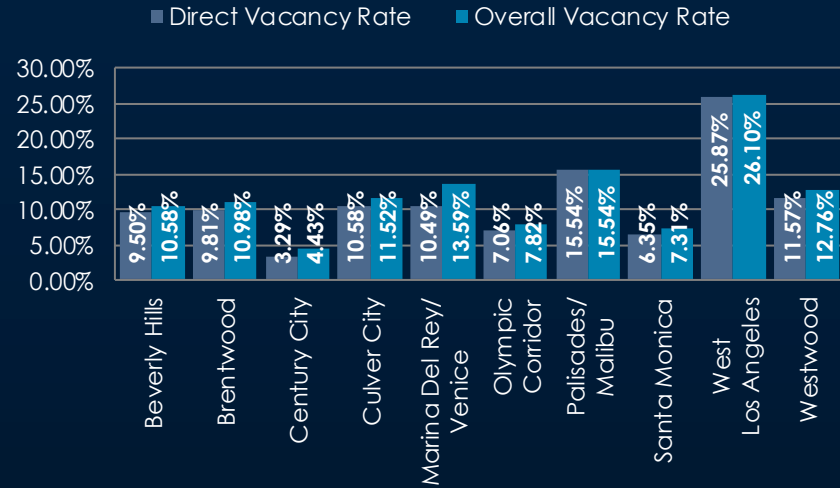
## SALES MEDIAN PRICE PSF WAS \$1,006.21. VOLUME ABOVE \$200M



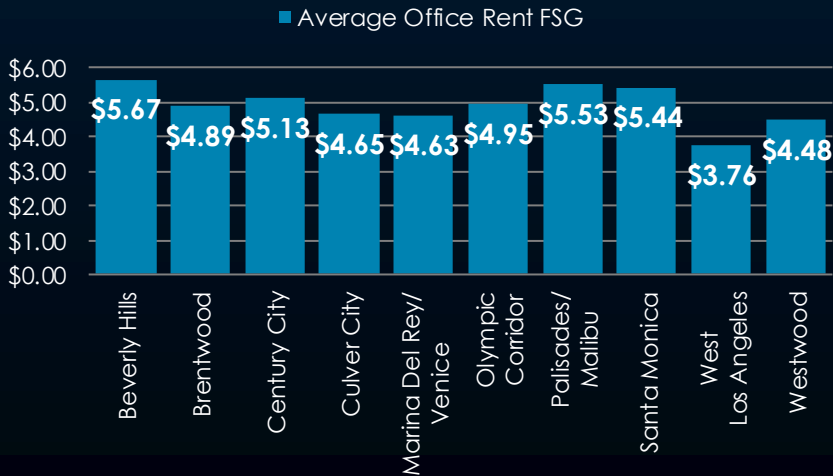
## SQUARE FOOT BREAKDOWN- 54,059,789 SF MARKET SIZE



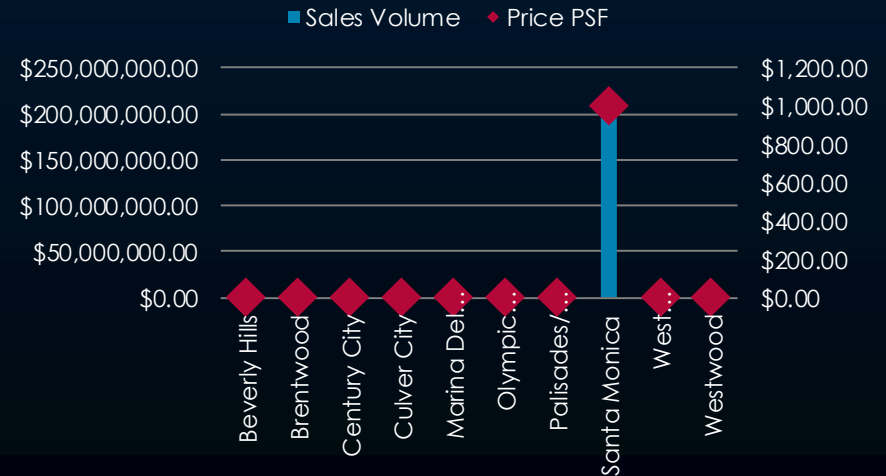
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN





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# Market Report

Orange County Office



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# MARKET REPORT Q4

## Office 2019 Orange County



### MARKET ACTIVITY

|  |  |
|--|--|
| <p>Direct Vacancy<br/>▲ 12.7%</p>          | <p>Net Absorption<br/>▼ -331,307 SF</p>    |
| <p>Overall Vacancy<br/>▲ 13.6%</p>         | <p>Gross Absorption<br/>▼ 1,702,911 SF</p> |
| <p>Under Construction<br/>▼ 450,824 SF</p> | <p>Rental Rates (FSG)<br/>▼ \$2.70</p>     |
| <p>Sale Price Change<br/>▲ 18.3%</p>       | <p>Deal Volume<br/>▲ 0.7%</p>              |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Experienced an increase of 30 BPS in Q4 to a rate of 13.6%.
- **Net Absorption:** Declined sharply in Q4 resulting in the worst quarter of 2019.
- **Office Supply:** In 2019 over 1.3M SF was delivered. Over 450K SF remains under construction.
- **Sales:** Pricing saw gains in Q4 with the median price PSF of \$287.80. In 2019 volume was over \$1.66B, but off 25% from 2018.
- **Asking Rents:** Down for second straight quarter.

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

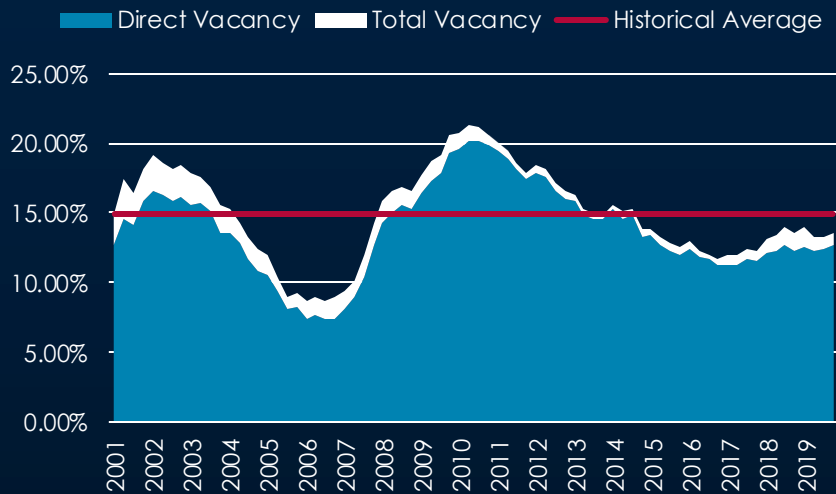
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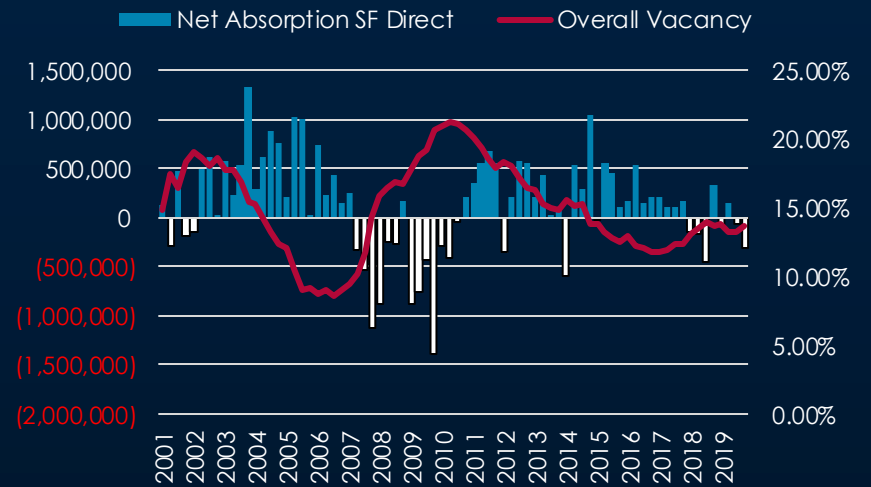


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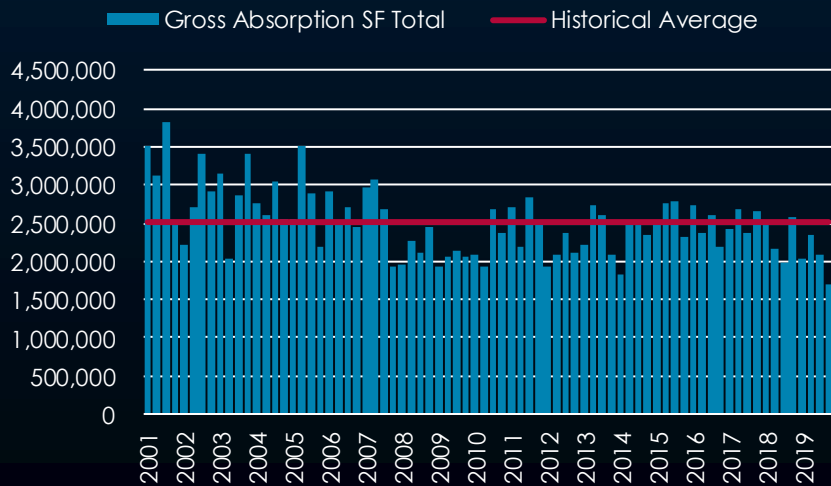
## OVERALL VACANCY INCREASED BY 30 BPS IN Q4



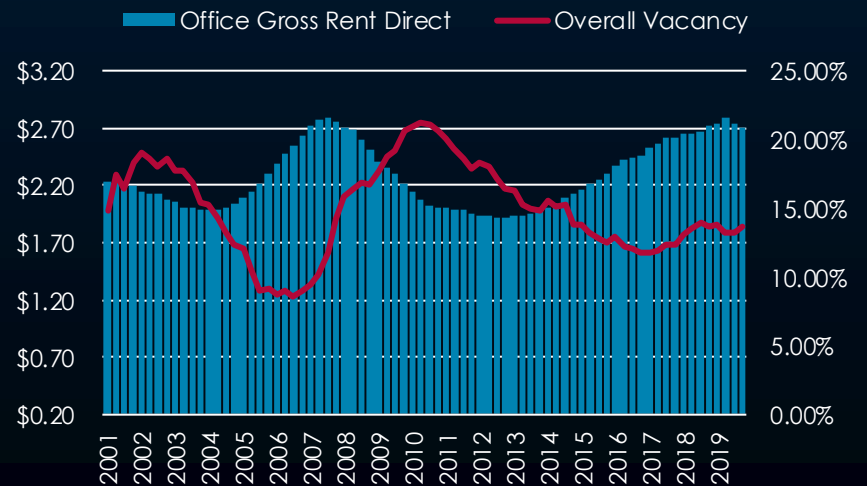
## NET ABSORPTION WORST PERFORMING QUARTER OF 2019



## GROSS ABSORPTION FELL BELOW 2M SF. LOWEST TRACKED LEVEL

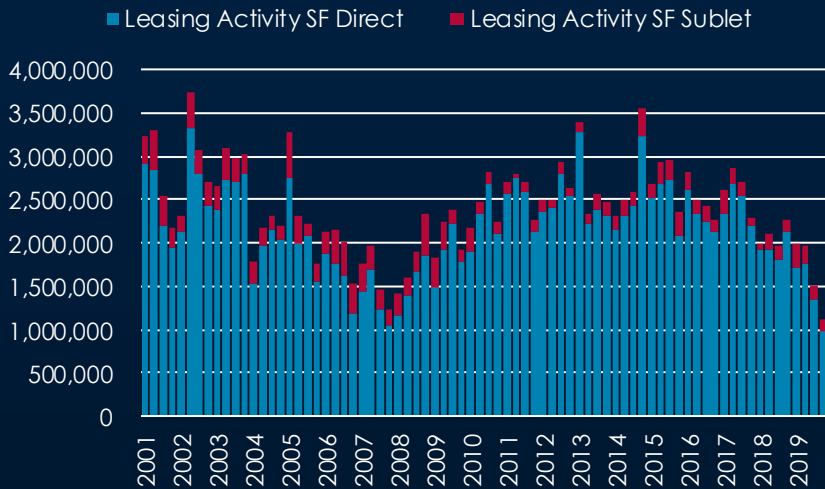


## ASKING RENTS DROPPED AGAIN IN Q4 BUT BY ONLY \$0.01 PSF

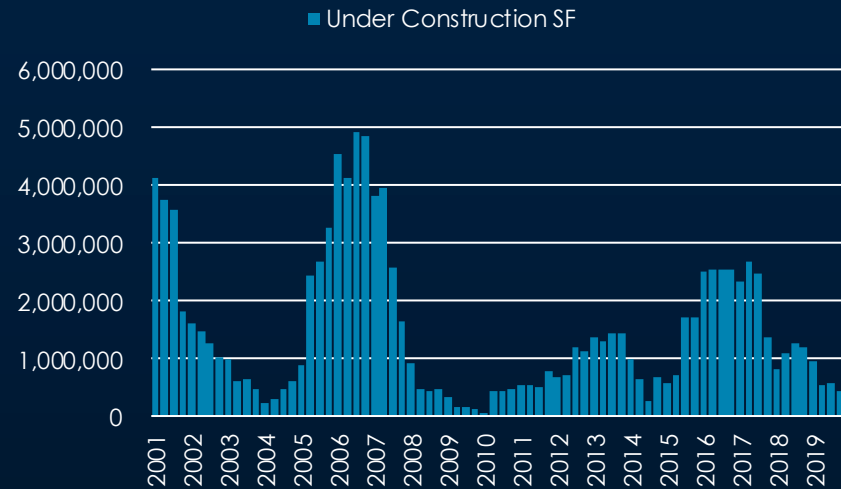




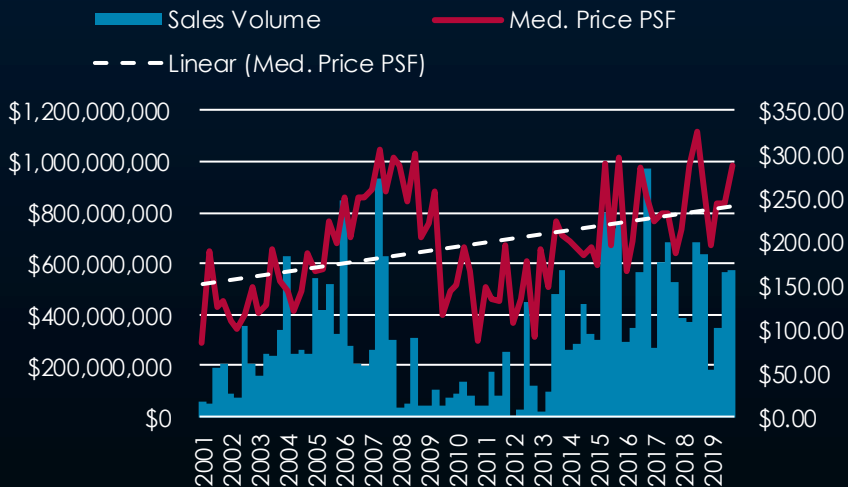
## LEASING ACTIVITY CONTINUES TO DECLINE. Q4 WAS LOWEST TRACKED QUARTER



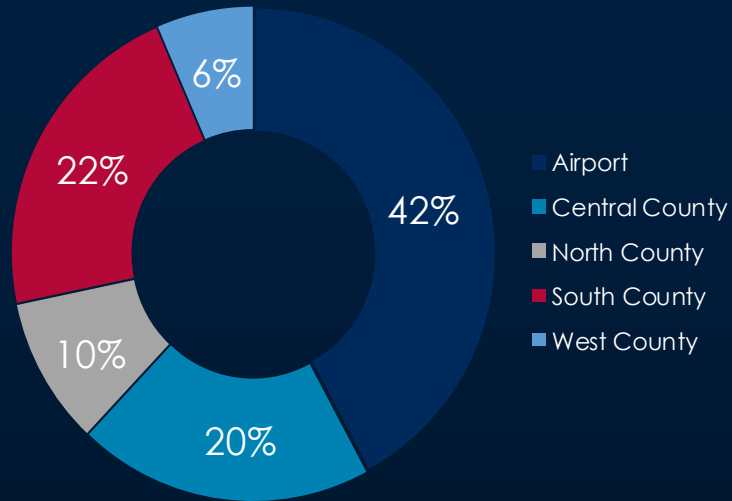
## CONSTRUCTION ACTIVITY IN 2019 OVER 1.3M SF DELIVERED. OVER 450K SF REMAINS UC



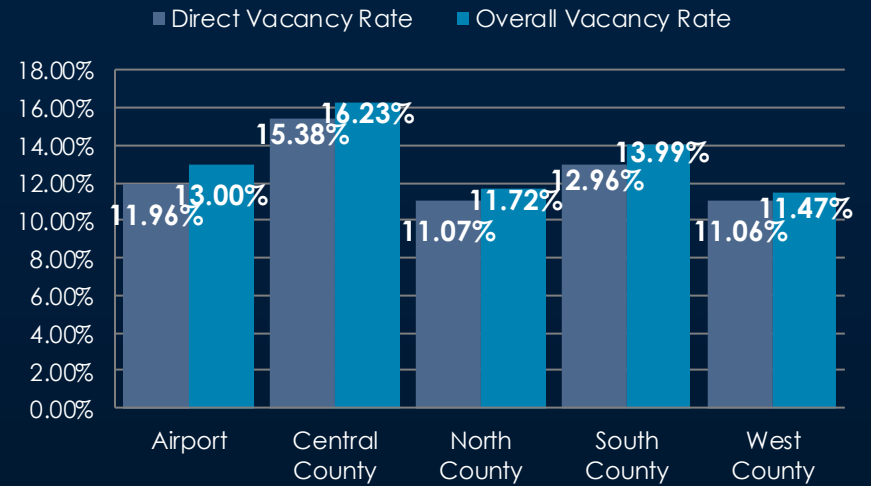
## SALES MEDIAN PRICE PSF FOR Q4 WAS \$287.80



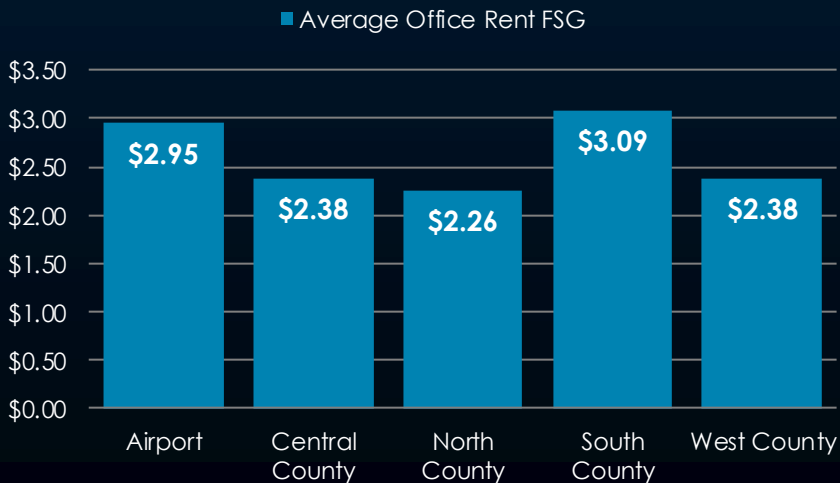
## SQUARE FOOT BREAKDOWN- 87,221,410 SF MARKET SIZE



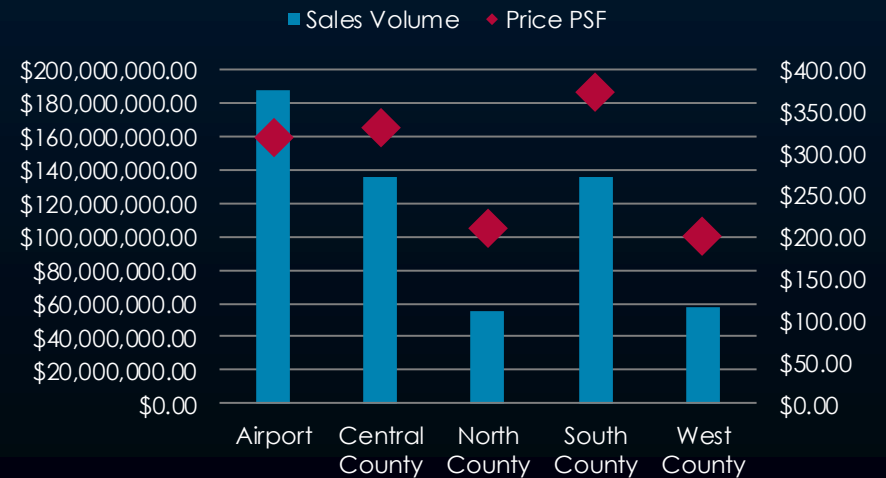
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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Ventura County Office



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# MARKET REPORT Q4

## Office 2019 Ventura County



### MARKET ACTIVITY

|   |  |
|---|--|
| <p>Direct Vacancy<br/>↓ 11.2%</p>         | <p>Net Absorption<br/>↑ 322,575 SF</p>   |
| <p>Overall Vacancy<br/>↓ 11.6%</p>        | <p>Gross Absorption<br/>↑ 588,486 SF</p> |
| <p>Under Construction<br/>↔ 38,250 SF</p> | <p>Rental Rates (FSG)<br/>↑ \$2.33</p>   |
| <p>Sale Price Change<br/>↓ 11.7%</p>      | <p>Deal Volume<br/>↓ 45.4%</p>           |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Fell by a significant 150 BPS in Q4.
- **Net Absorption:** Best quarter since Q1 2008.
- **Office Supply:** Minimal new supply in market.
- **Sales:** The median price PSF was \$182.47. Volume in 2019 was nearly \$175M, but down 61% from 2018.
- **Asking Rents:** Up slightly from Q3.

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

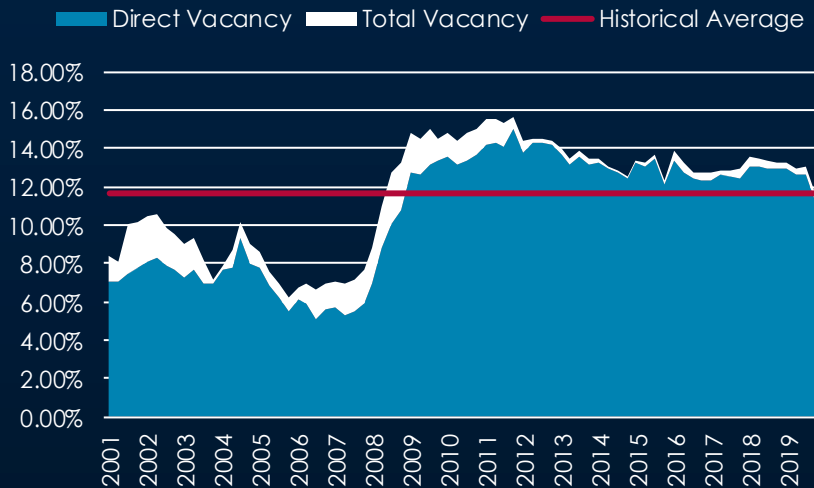
EXPERIENCE IN A CHANGING MARKET

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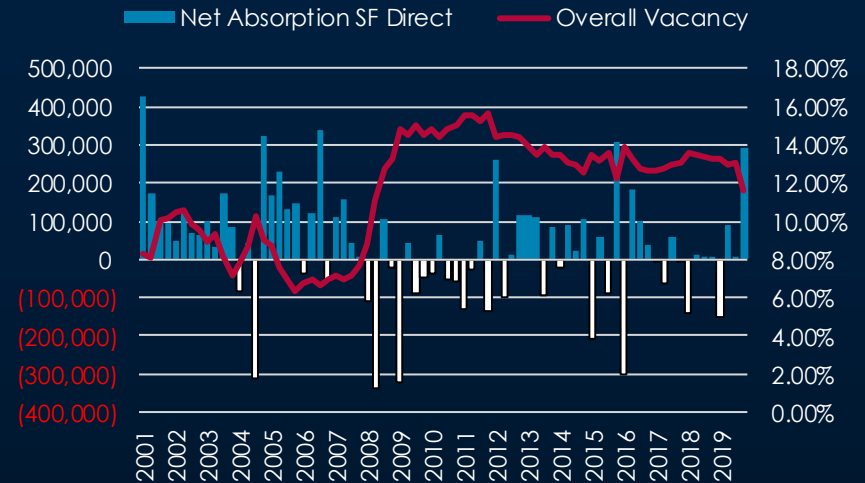


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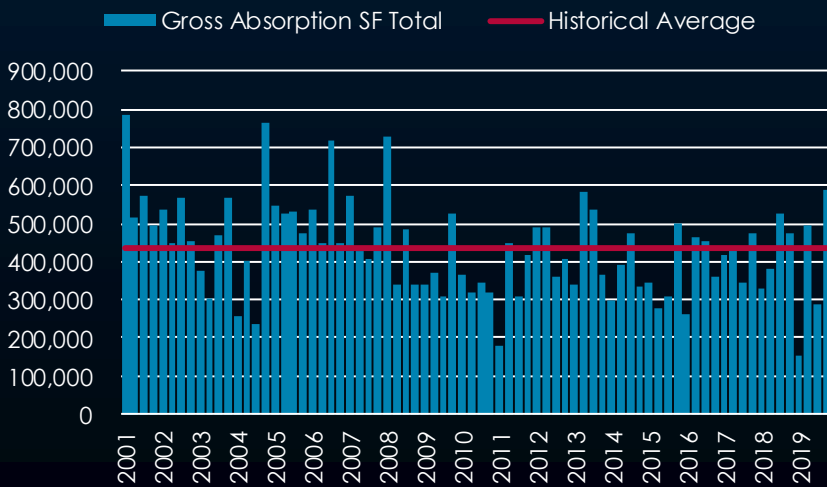
## OVERALL VACANCY FELL 150 BPS IN Q4 FROM Q3



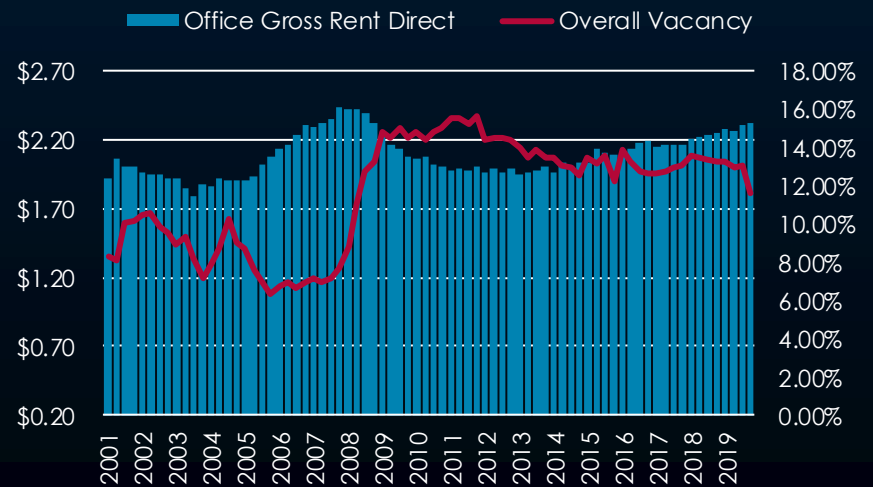
## NET ABSORPTION Q4 WAS THE BEST PERFORMING QUARTER SINCE 2008



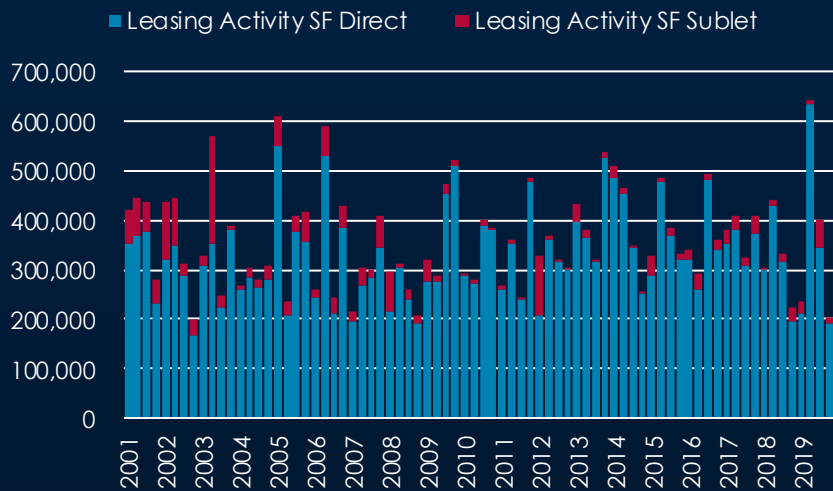
## GROSS ABSORPTION JUMPED TO NEARLY 600K SF



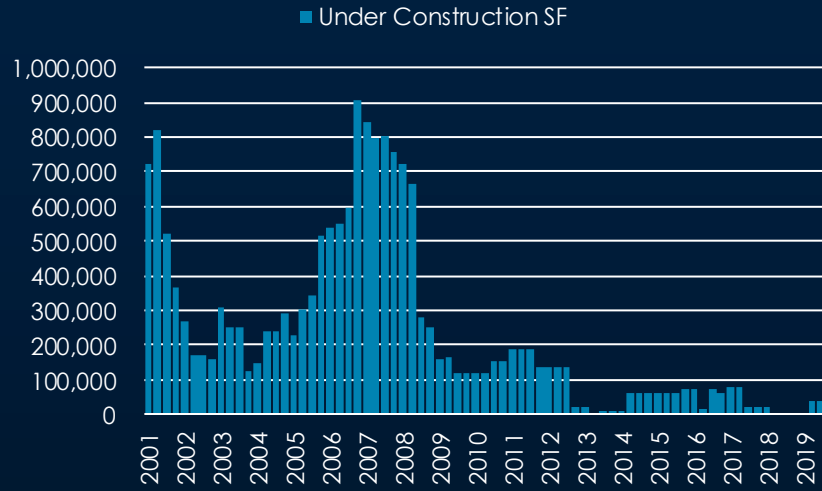
## ASKING RENTS UP SLIGHTLY FROM Q3 TO \$2.33 PSF



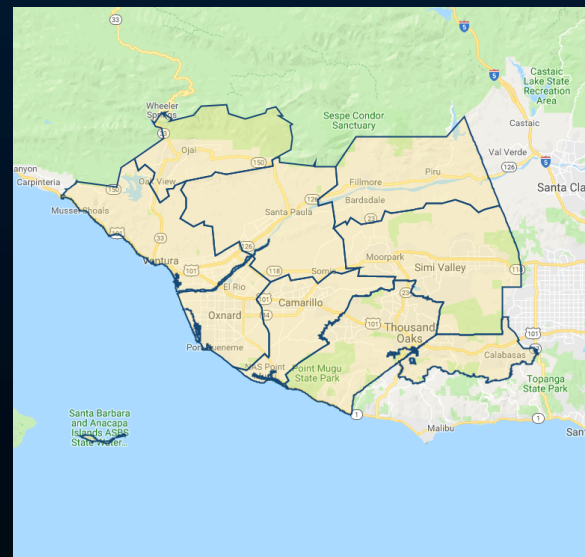
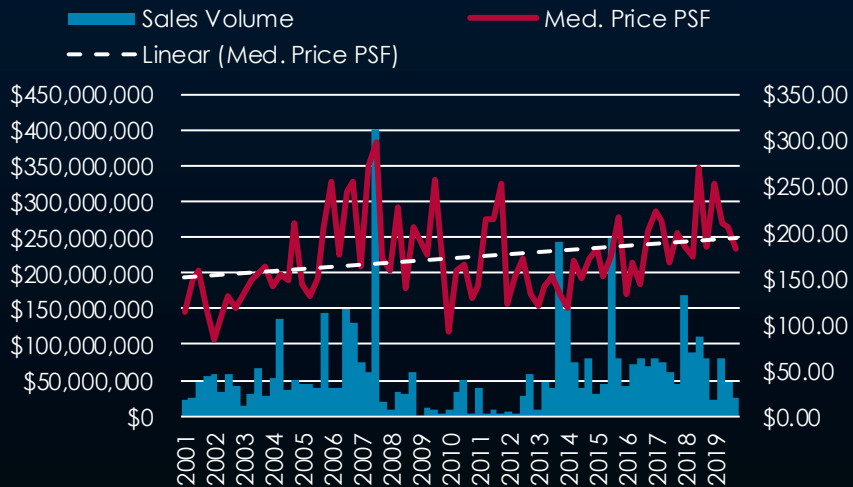
## LEASING ACTIVITY DROPPED TO JUST OVER 200K SF



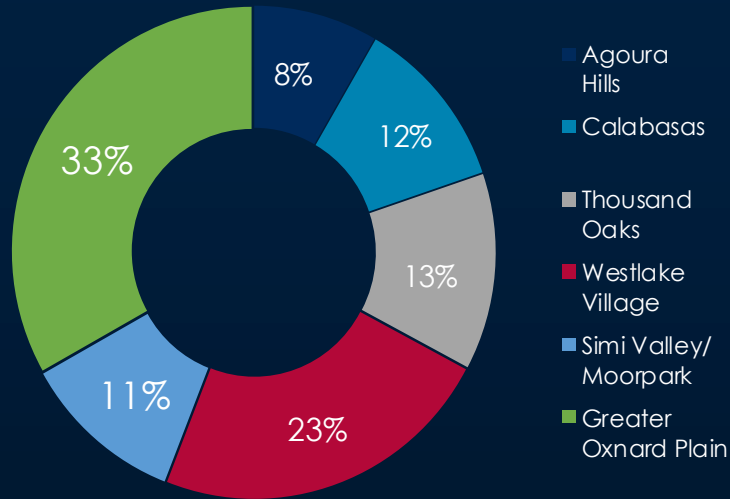
## CONSTRUCTION ACTIVITY LACK OF NEW SUPPLY HINDERING MARKET GROWTH



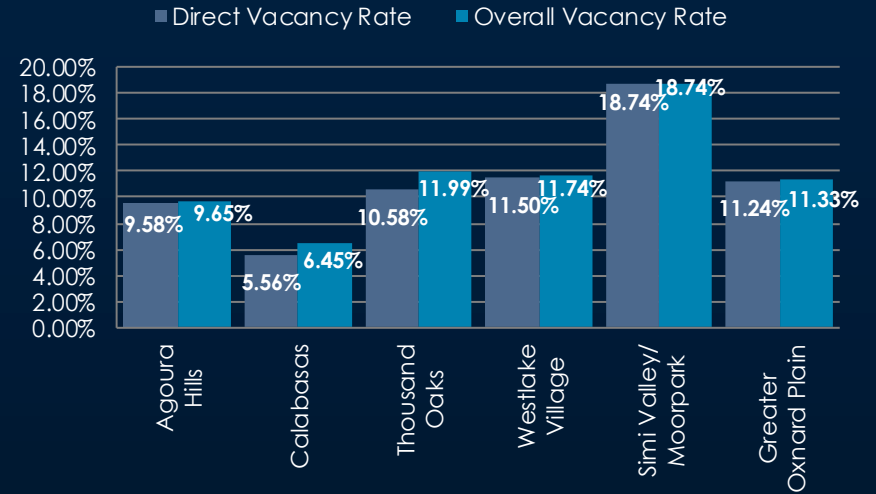
## SALES THE MEDIAN PRICE PSF IN Q4 WAS \$182.47



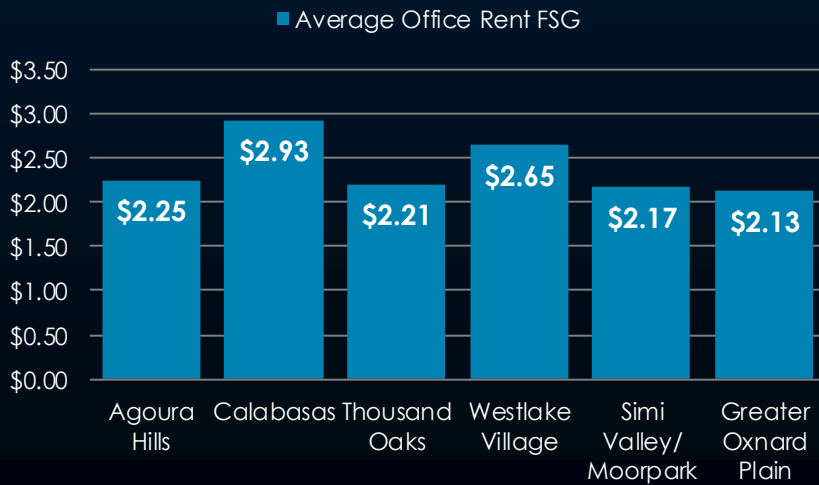
## SQUARE FOOT BREAKDOWN- 21,722,619 SF MARKET SIZE



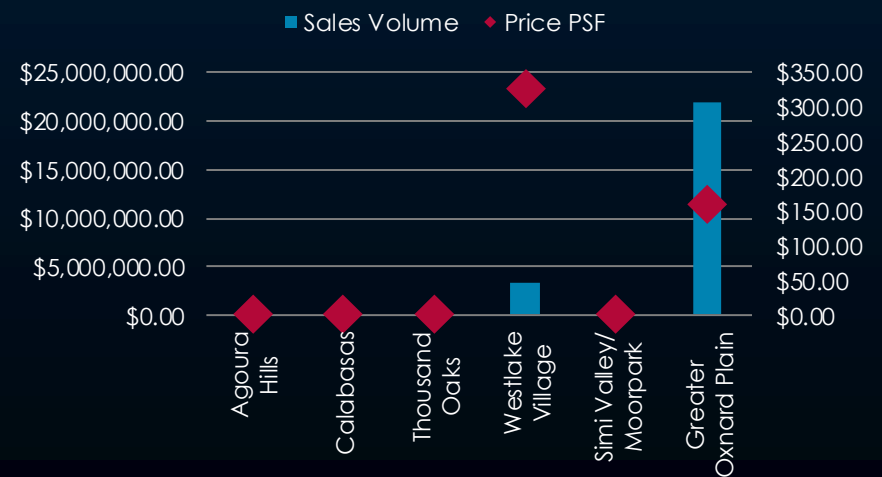
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN





## 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.

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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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# Market Report

Inland Empire Office



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# MARKET REPORT Q4

## Office 2019 Inland Empire



### MARKET ACTIVITY

|  |  |
|--|--|
| <p>Direct Vacancy<br/>8.8%</p>           | <p>Net Absorption<br/>100,454 SF</p>   |
| <p>Overall Vacancy<br/>9.3%</p>          | <p>Gross Absorption<br/>564,233 SF</p> |
| <p>Under Construction<br/>353,004 SF</p> | <p>Rental Rates (FSG)<br/>\$1.87</p>   |
| <p>Sale Price Change<br/>8.7%</p>        | <p>Deal Volume<br/>571.3%</p>          |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Fell by 20 BPS in Q4.
- **Net Absorption:** Best performing quarter of 2019.
- **Leasing Activity:** Down again to just over 350K SF.
- **Sales:** The median price PSF in Q4 was \$195.71. Q4 volume was highest since 2015. Volume in 2019 was over \$387M, but down 14.5% from 2018.
- **Asking Rents:** Plateauing. Minimal increase of \$0.01 PSF in Q4.

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

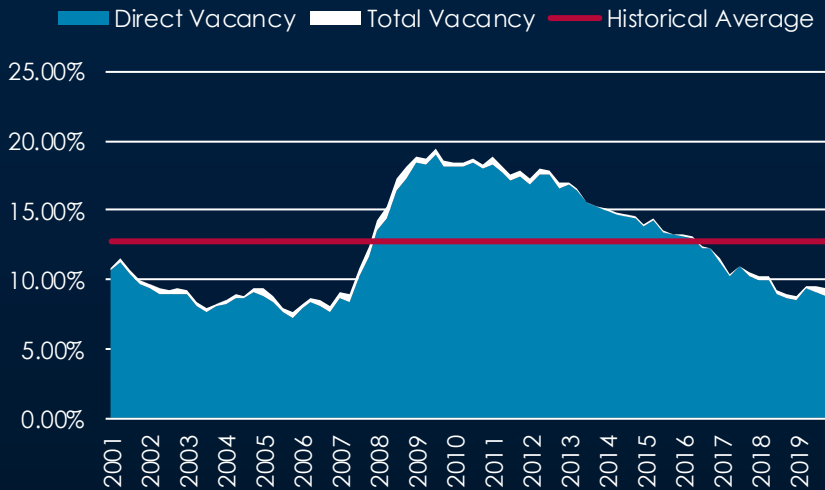
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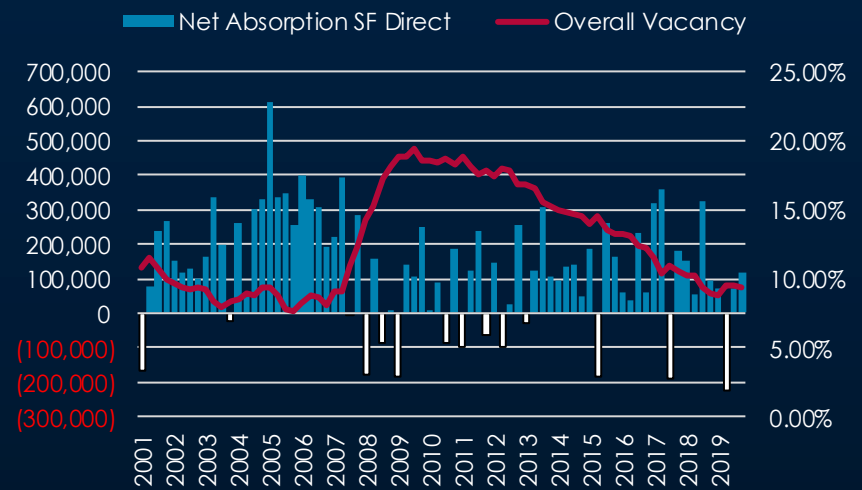


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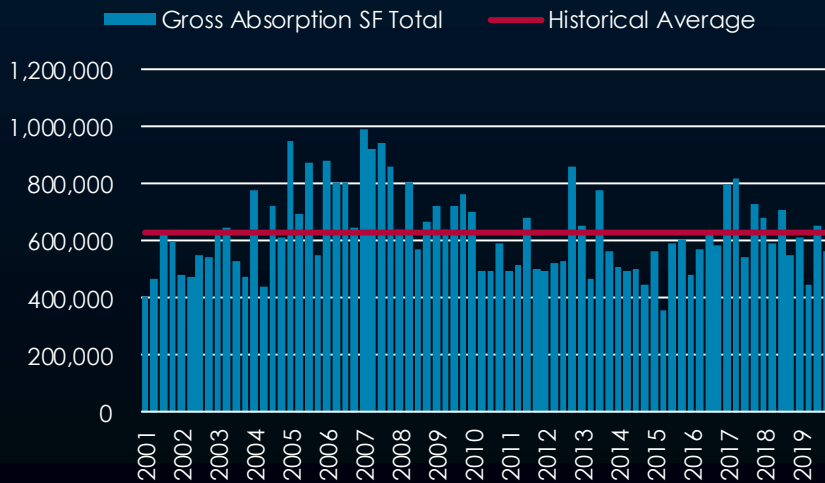
## OVERALL VACANCY DROPPED 20 BPS IN Q4



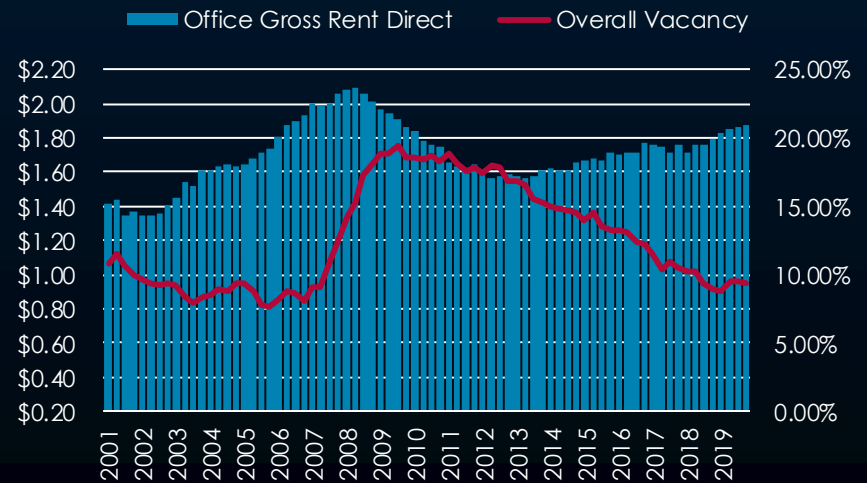
## NET ABSORPTION Q4 WAS BEST PERFORMING QUARTER IN 2019



## GROSS ABSORPTION FELL BACK BELOW THE HISTORIC AVERAGE

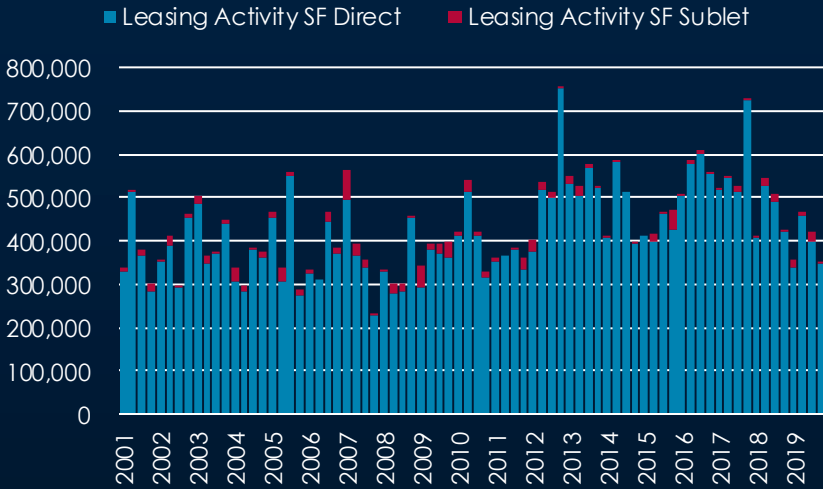


## ASKING RENTS INCREASED BY \$0.01 PSF IN Q4

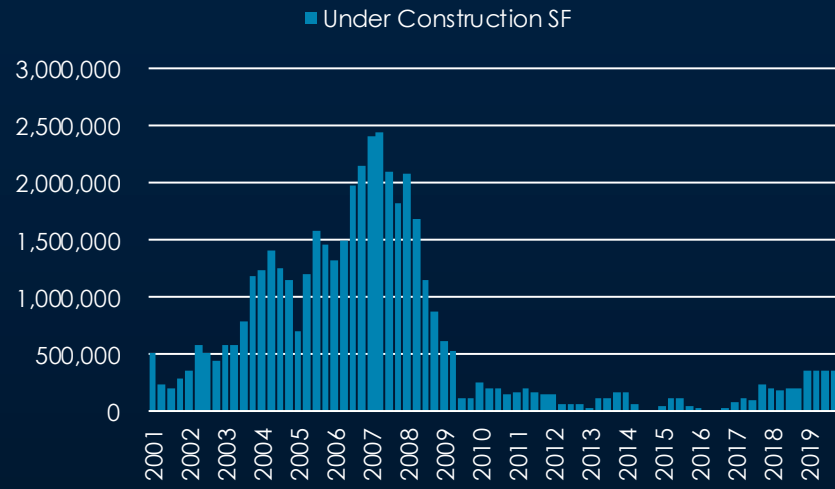




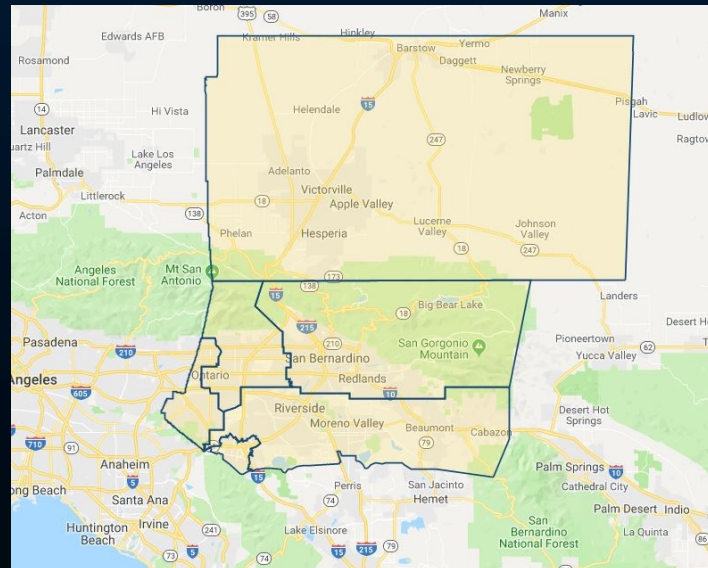
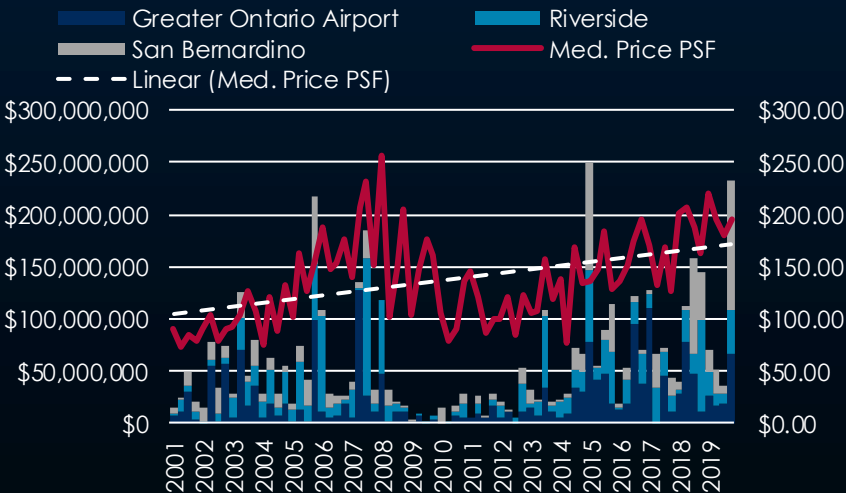
## LEASING ACTIVITY FELL FOR 2ND STRAIGHT QUARTER



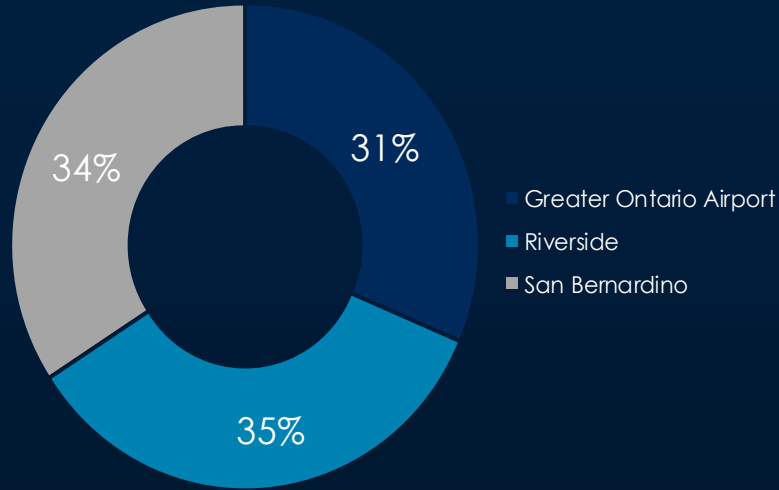
## CONSTRUCTION ACTIVITY MINIMAL WITH JUST OVER 350K SF UNDER CONSTRUCTION



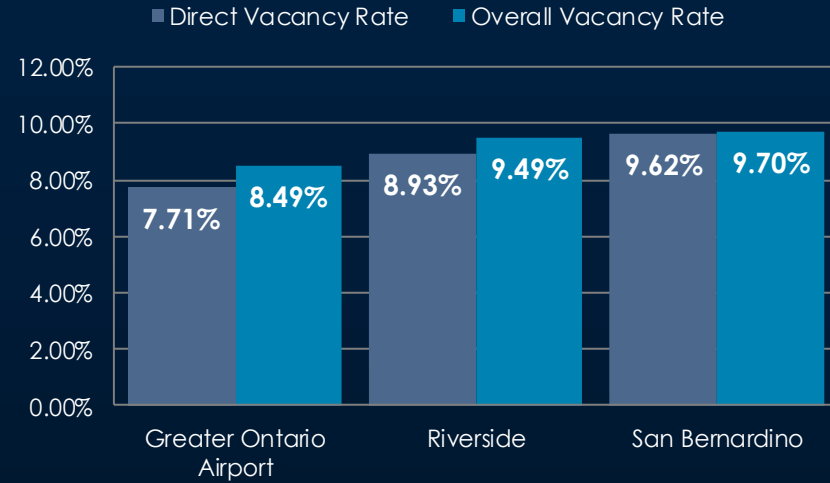
## SALES THE MEDIAN PRICE PSF IN Q4 WAS \$195.71



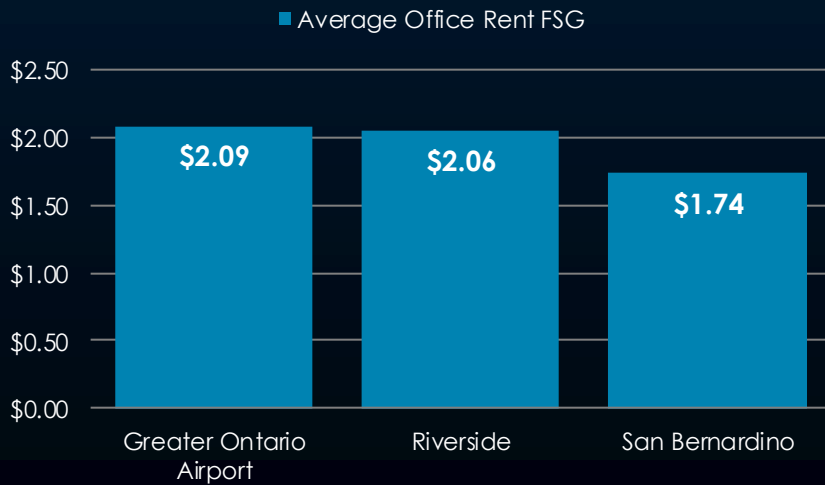
## SQUARE FOOT BREAKDOWN- 34,968,239 SF MARKET SIZE



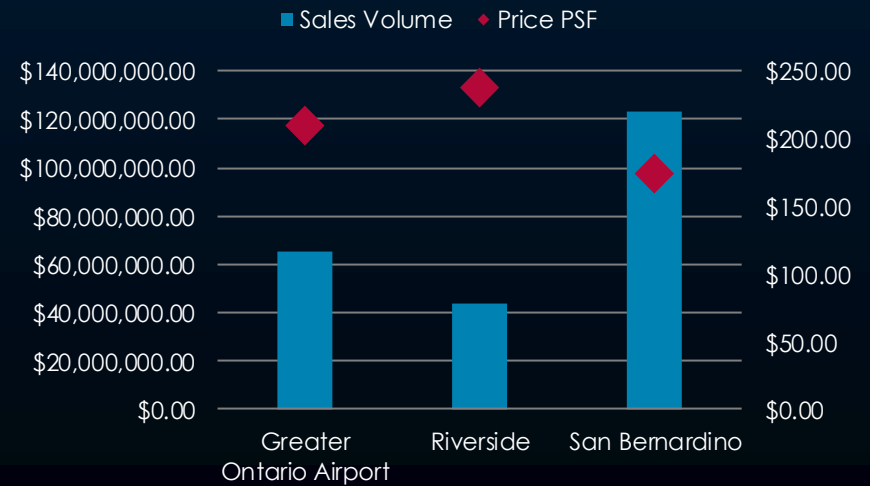
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



## METHODOLOGY & TERMINOLOGY

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# Market Report

Phoenix Office



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# MARKET REPORT Q4

## Office 2019 Phoenix



### MARKET ACTIVITY

|  |  |
|--|--|
| <p>Direct Vacancy<br/> <span>∨</span> 14.3%</p>            | <p>Net Absorption<br/> <span>∨</span> 650,641 SF</p>     |
| <p>Overall Vacancy<br/> <span>∨</span> 14.8%</p>           | <p>Gross Absorption<br/> <span>∨</span> 2,628,821 SF</p> |
| <p>Under Construction<br/> <span>∨</span> 1,050,548 SF</p> | <p>Rental Rates (FSG)<br/> <span>∧</span> \$2.21</p>     |
| <p>Sale Price Change<br/> <span>∧</span> 5.2%</p>          | <p>Deal Volume<br/> <span>∧</span> 16.9%</p>             |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Overall vacancy fell 20 BPS to 14.8%.
- **Net Absorption:** Down slightly from Q3, but above 650K SF.
- **Office Supply:** In 2019, nearly 2.3M SF was delivered. Under construction just above 1M SF.
- **Leasing Activity:** Increased in Q4 to north of 2.1M SF.
- **Sales:** In Q4, the median price PSF was \$172.00. Total volume in 2019 was nearly \$2.37B. A small decline of 5% 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.

### ECONOMIC OUTLOOK

|   |   |
|---|---|
| <p>U.S. Employment<br/> <span>∨</span> 3.5%</p>                                   | <p>U6 Rate<br/> <span>∨</span> 6.9%</p>                 |
| <p>Interest Rate<br/> <span>∧</span> 3.7%<br/> <small>(30 year fixed)</small></p> | <p>Changing GDP<br/> <span>∧</span> 2.3%</p>            |
| <p>Port Traffic Y/Y Δ<br/> <span>∧</span> 0.3%</p>                                | <p>NYSE Performance<br/> <span>∧</span> 7.5%</p>        |
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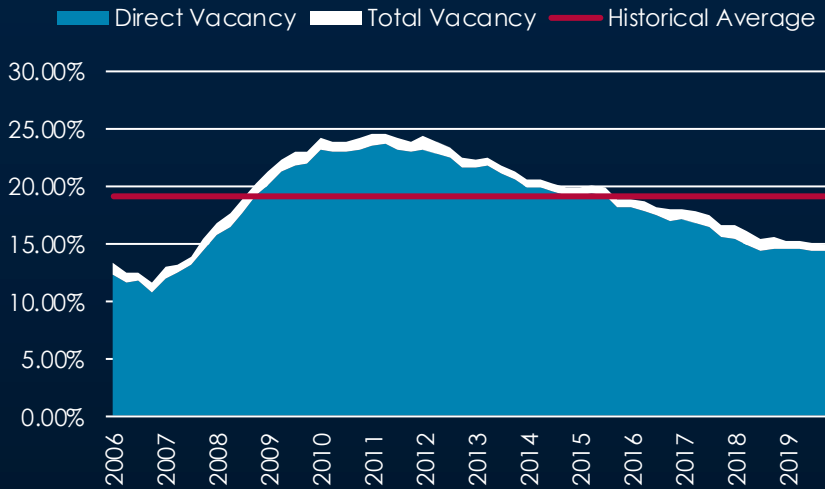
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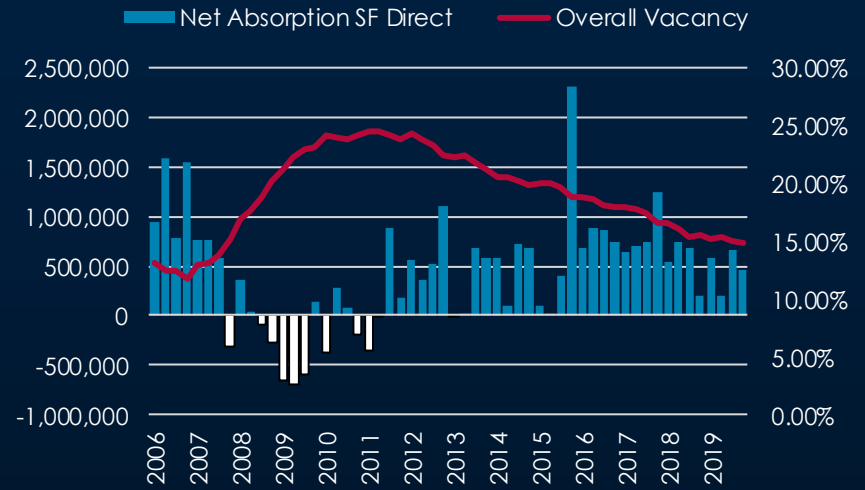


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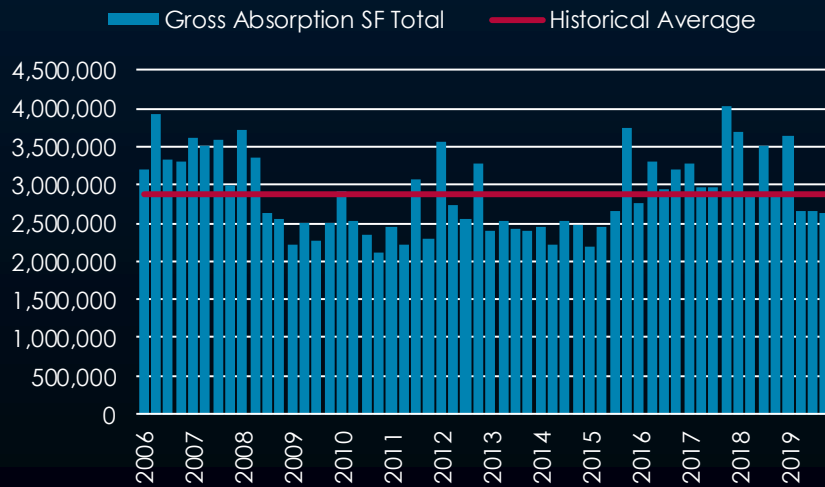
## OVERALL VACANCY FELL 20 BPS TO BELOW 15%



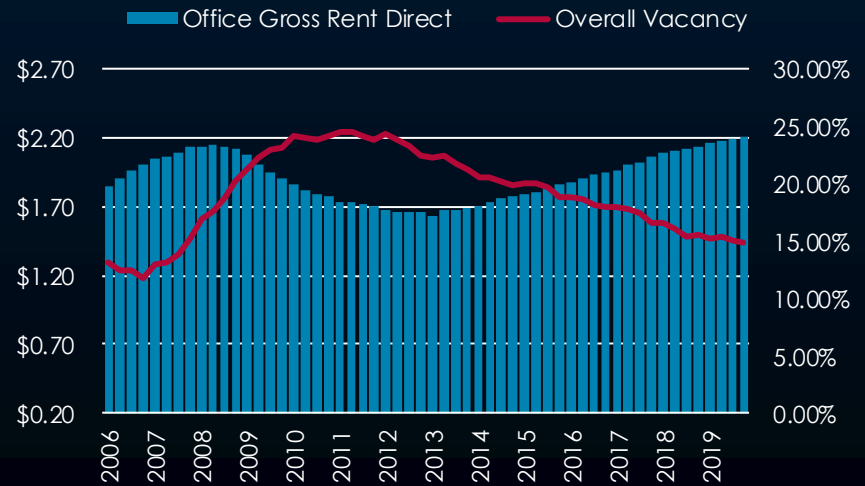
## NET ABSORPTION DOWN SLIGHTLY IN Q4 TO JUST ABOVE 650K SF



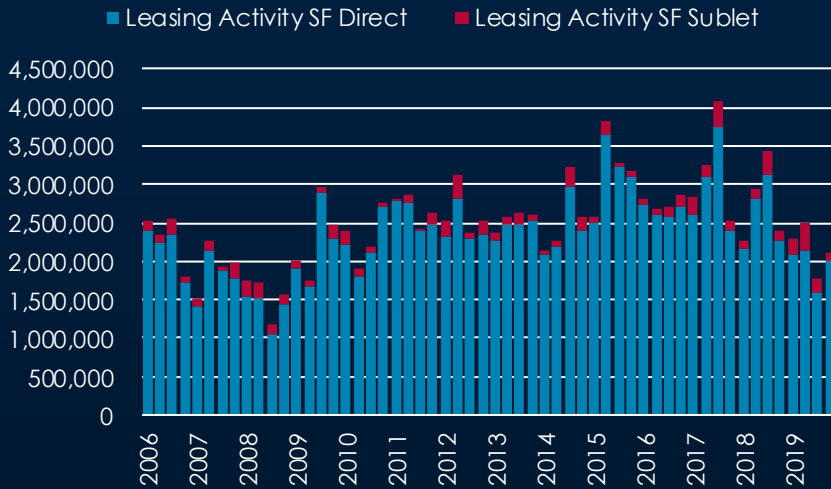
## GROSS ABSORPTION DECLINED MINIMALLY IN Q4



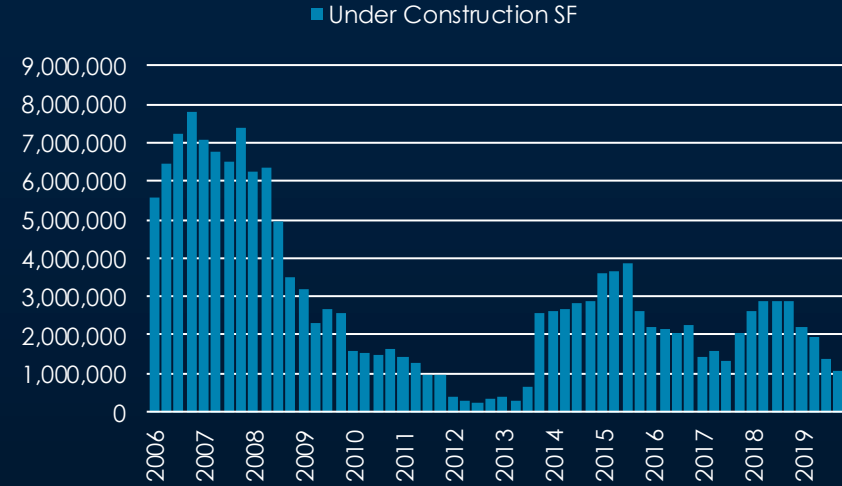
## ASKING RENTS CONTINUE TO INCREASE BUT MINIMAL GAIN



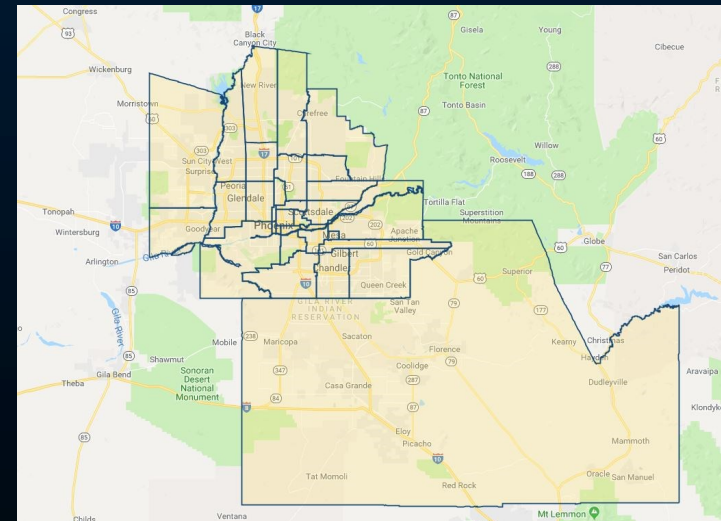
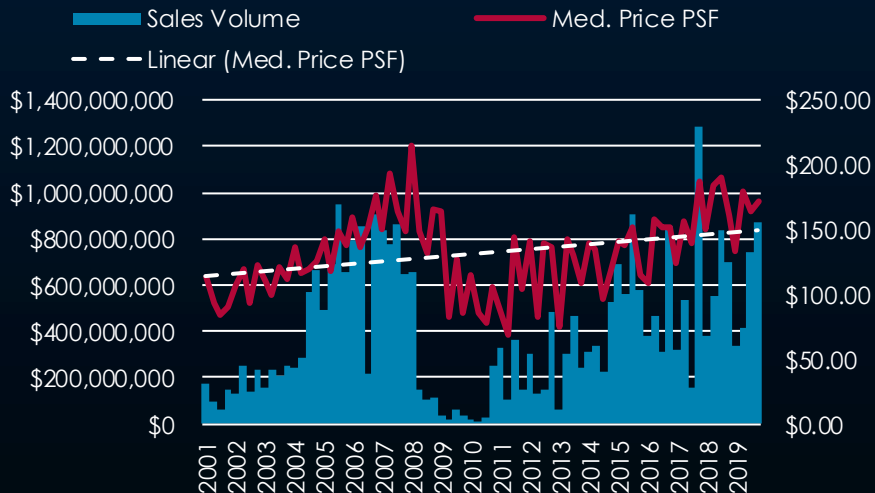
## LEASING ACTIVITY BOUNCED UP TO ABOVE 2.1M SF



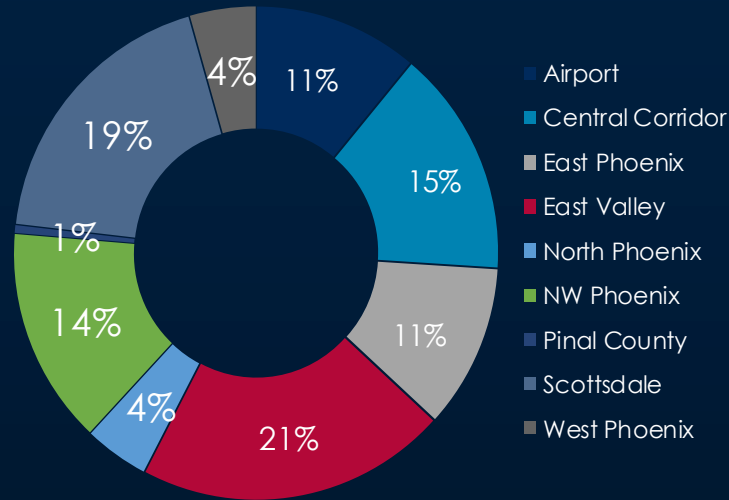
## CONSTRUCTION ACTIVITY UNDER CONSTRUCTION CURRENTLY ABOVE 1M SF



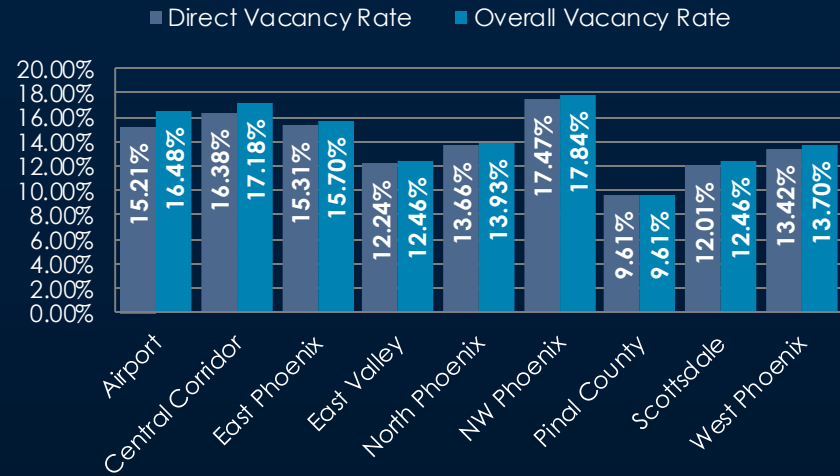
## SALES PRICES INCREASE TO A MEDIAN OF \$172.00 PSF. VOLUME UP



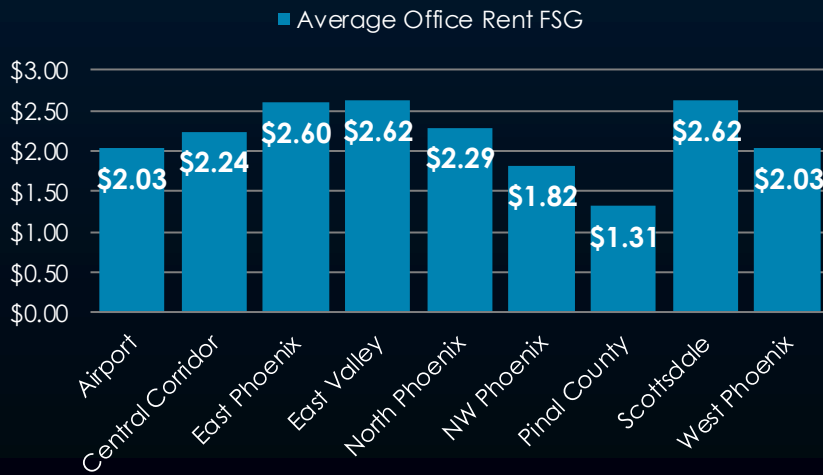
## SQUARE FOOT BREAKDOWN- 130,376,703 SF MARKET SIZE



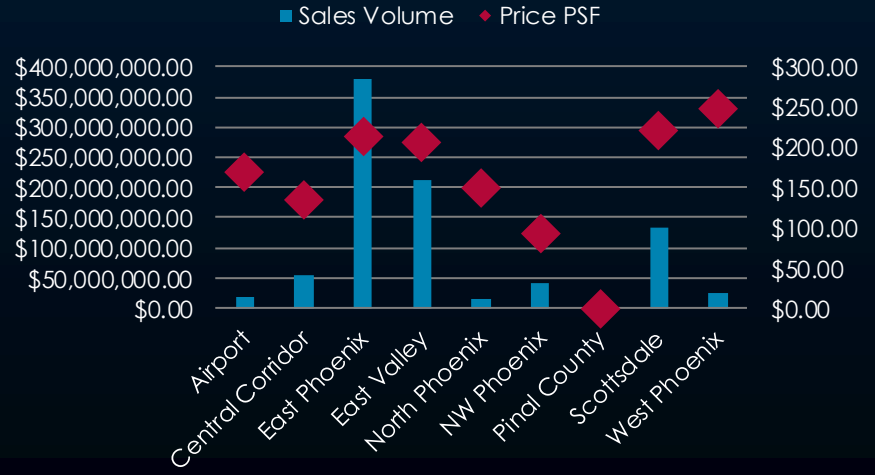
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN





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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

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

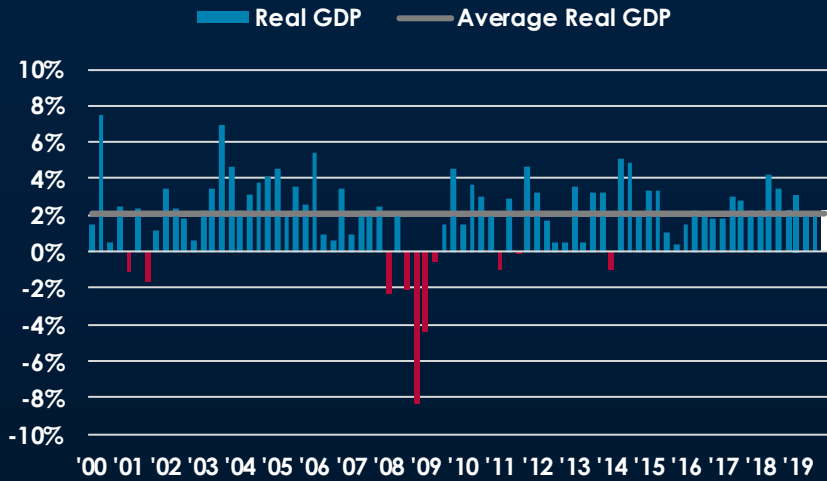
# Economic Overview



Q4 2019

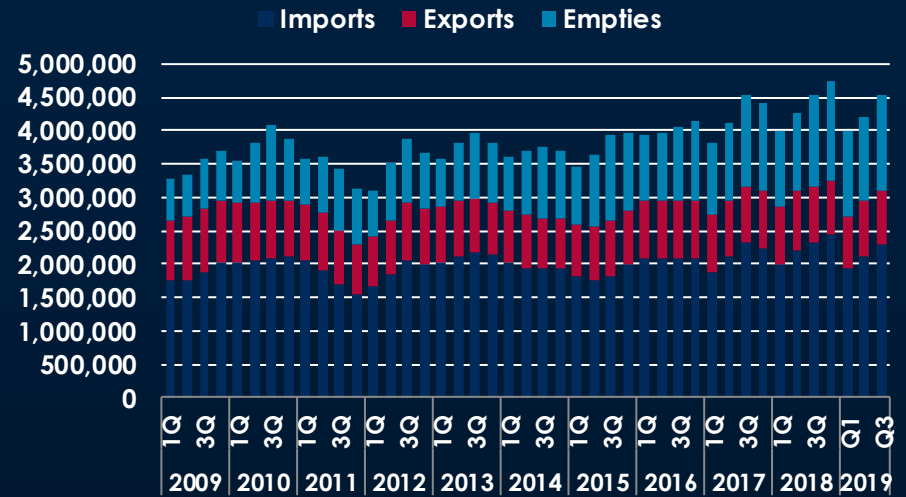
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GDP IN Q3 FINISHED AT 2.1%. Q4 ESTIMATE IS 2.3%

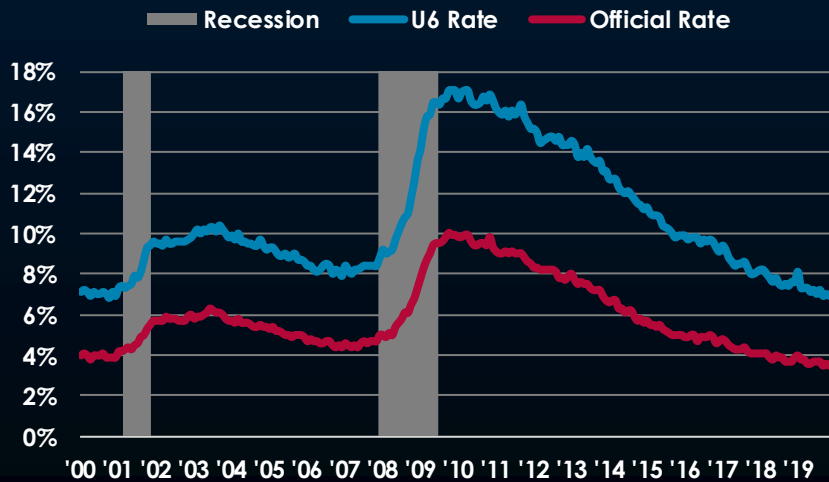


\*2.3% for 4Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

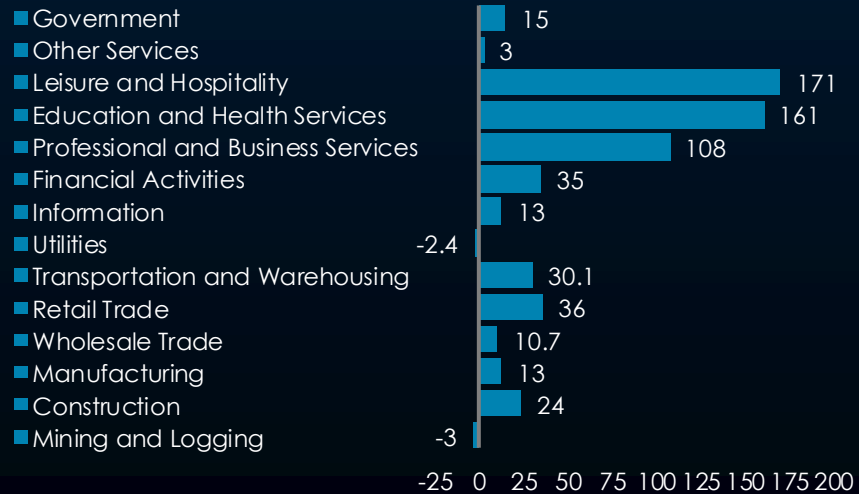
PORT ACTIVITY INCREASED IN Q3 BY 8.0% FROM Q2



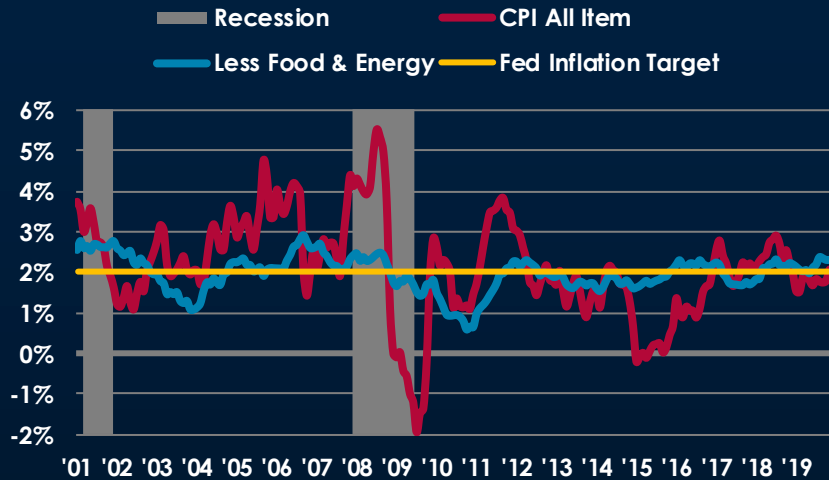
UNEMPLOYMENT CONTINUES DOWNWARD TREND



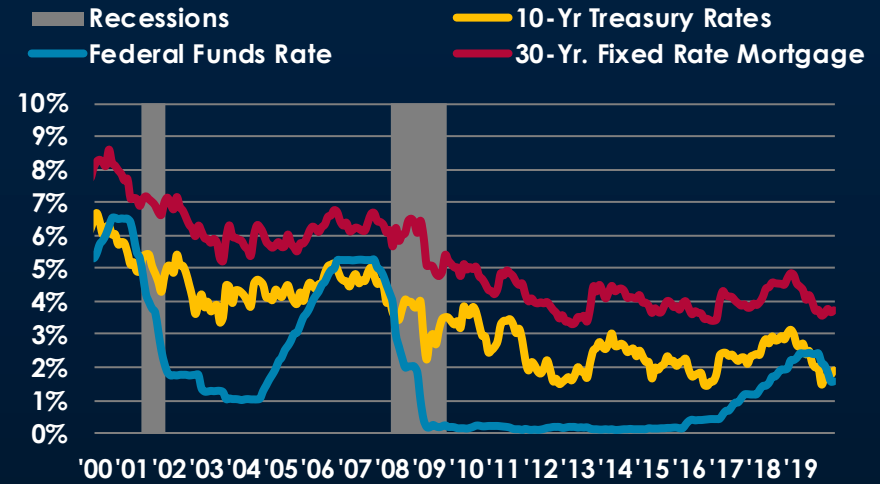
MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



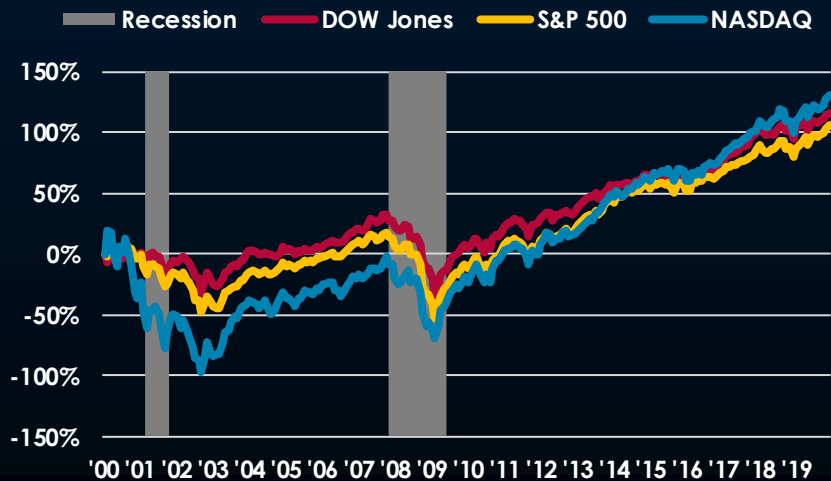
## CPI JUST ABOVE 2% TARGET AT 2.05%



## 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

