

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q4 | 2019

# Market Report

Los Angeles Office

San Gabriel Valley



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 San Gabriel Valley



### MARKET ACTIVITY

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

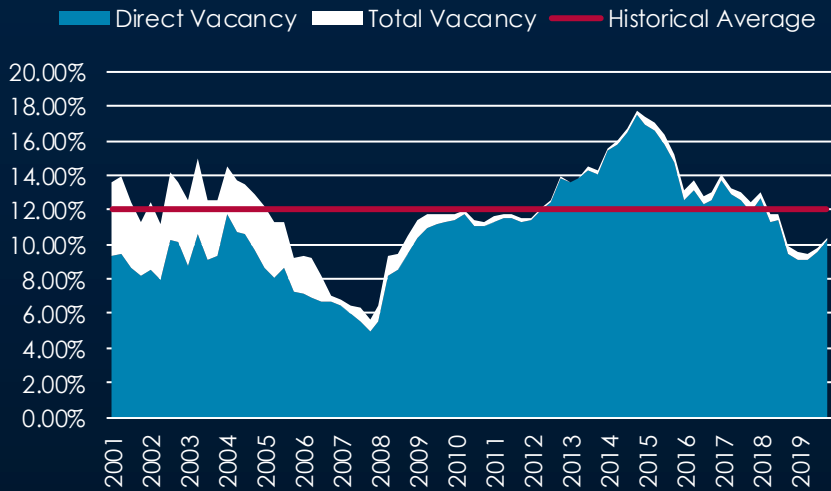
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

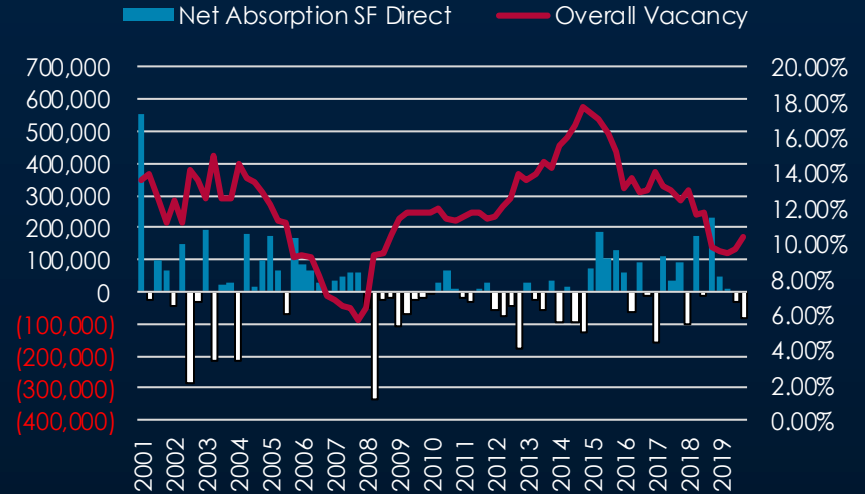


Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of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

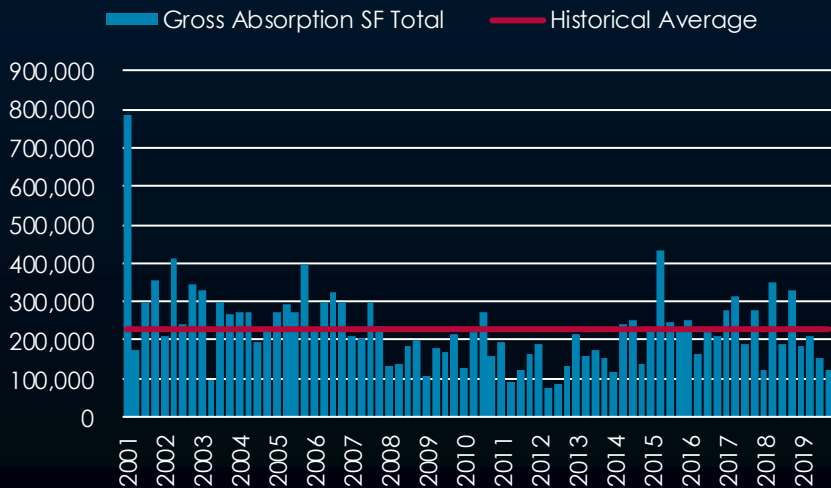
## OVERALL VACANCY INCREASED BY 70 BPS IN Q4



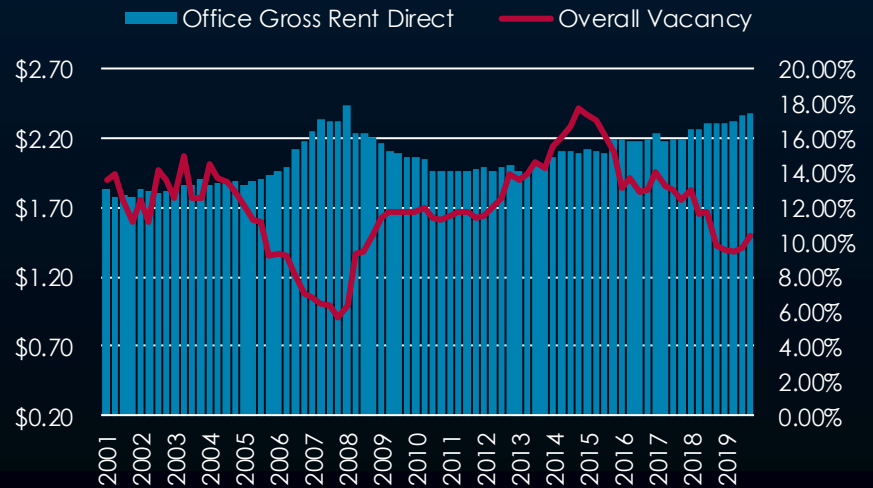
## NET ABSORPTION WORST PERFORMING QUARTER OF 2019



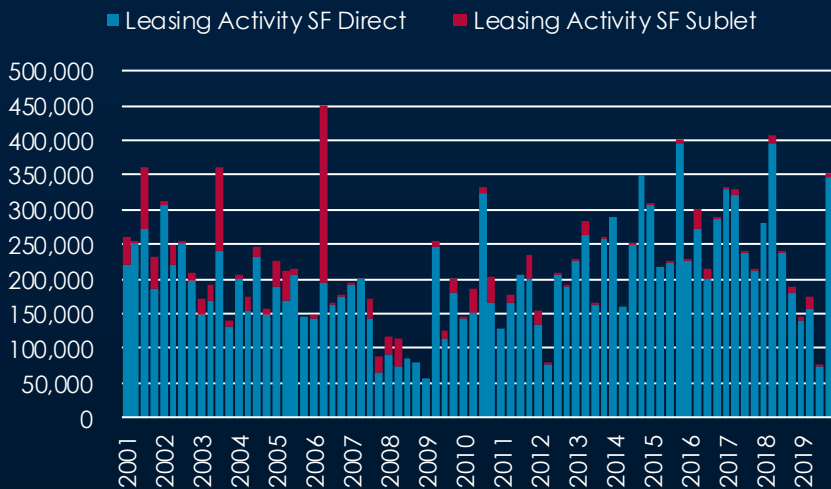
## GROSS ABSORPTION LOWEST QUARTER SINCE Q1 2014



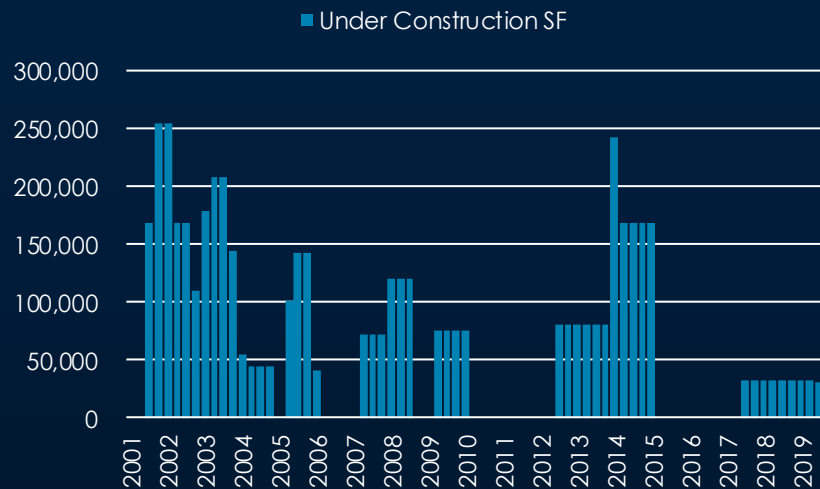
## ASKING RENTS INCREASED BY \$0.01 PSF IN Q4 AS MARKET SOFTENS



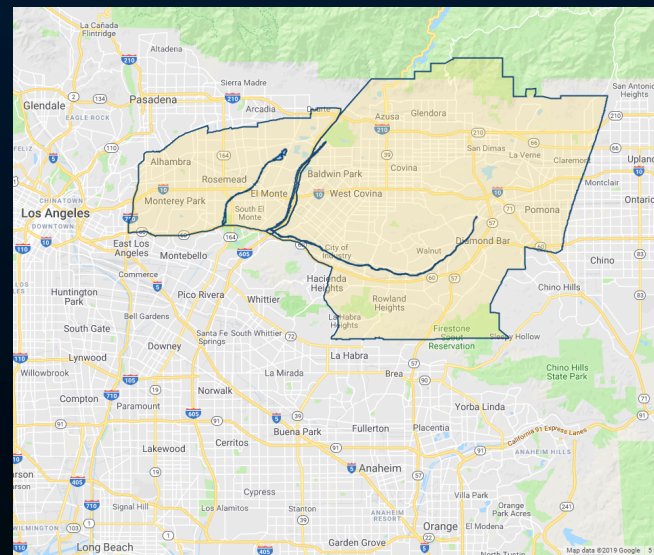
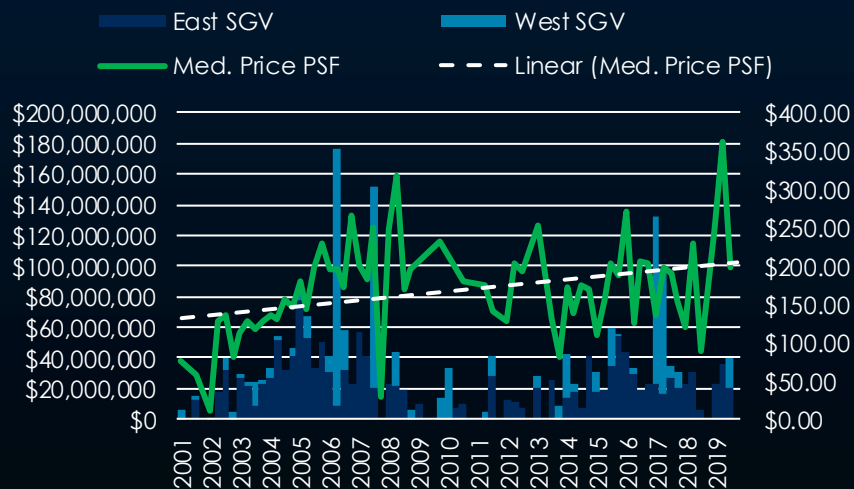
## LEASING ACTIVITY SPIKED IN Q4 LARGELY DUE TO A SINGLE 160K SF LEASE



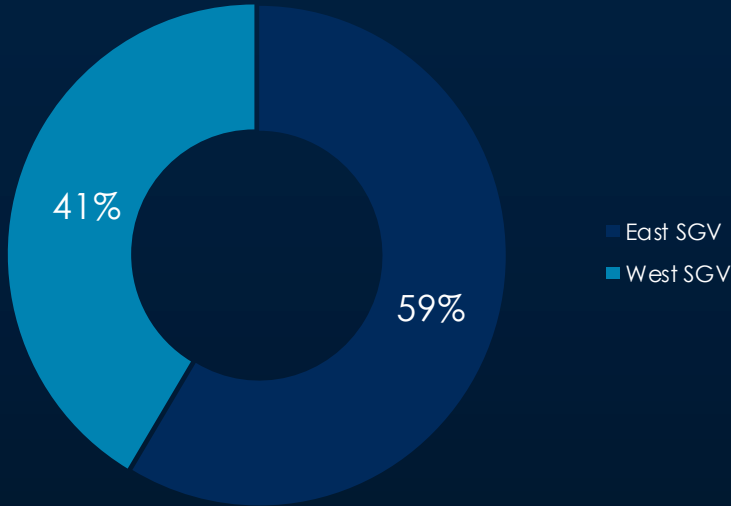
## CONSTRUCTION ACTIVITY NO NEW ACTIVITY



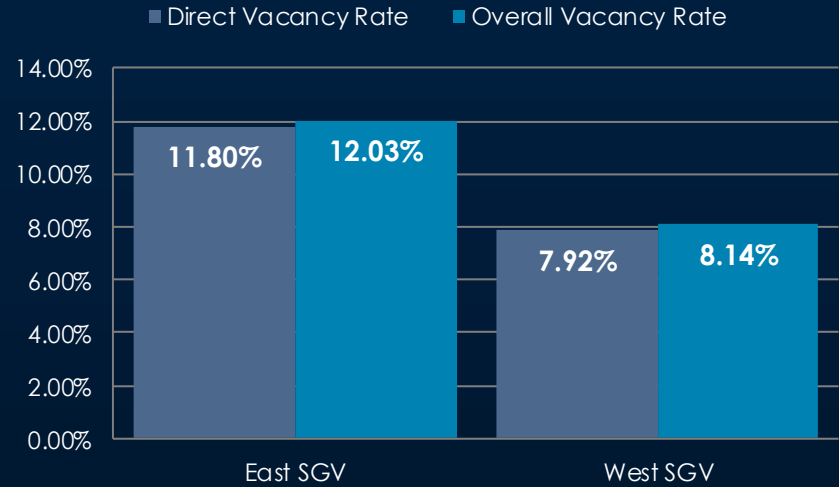
## SALES ZERO SALES WERE RECORDED IN Q4



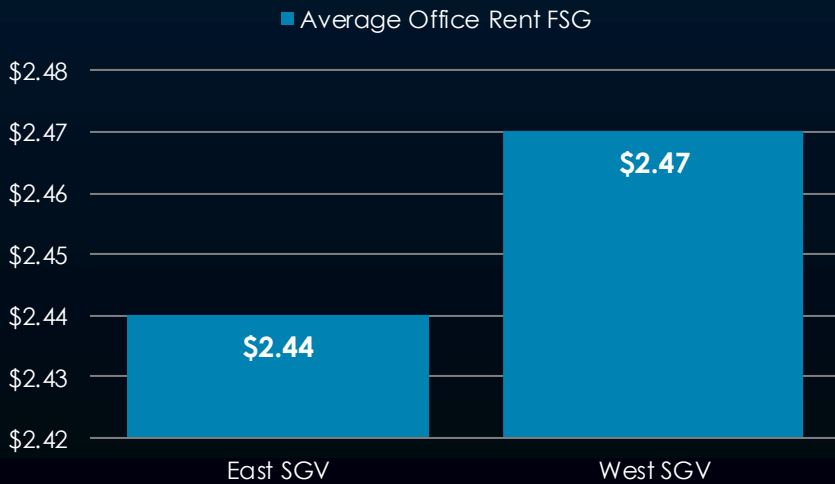
## SQUARE FOOT BREAKDOWN- 12,404,048 SF MARKET SIZE



## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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.

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

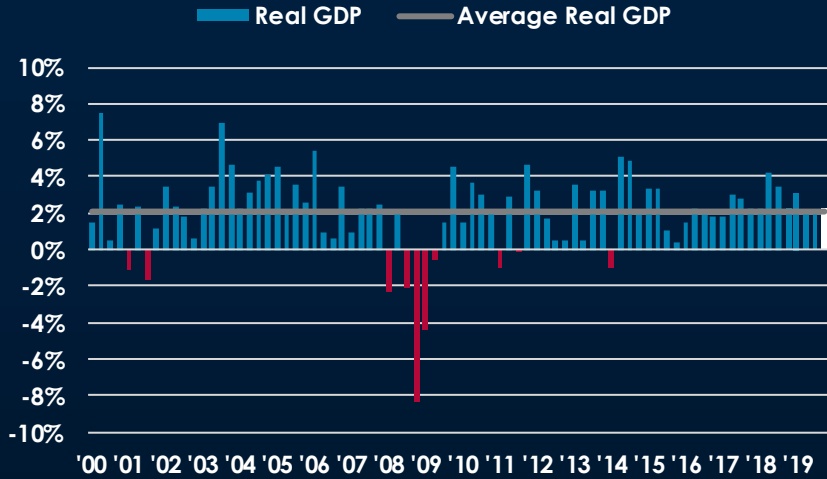
# Economic Overview



Q4 2019

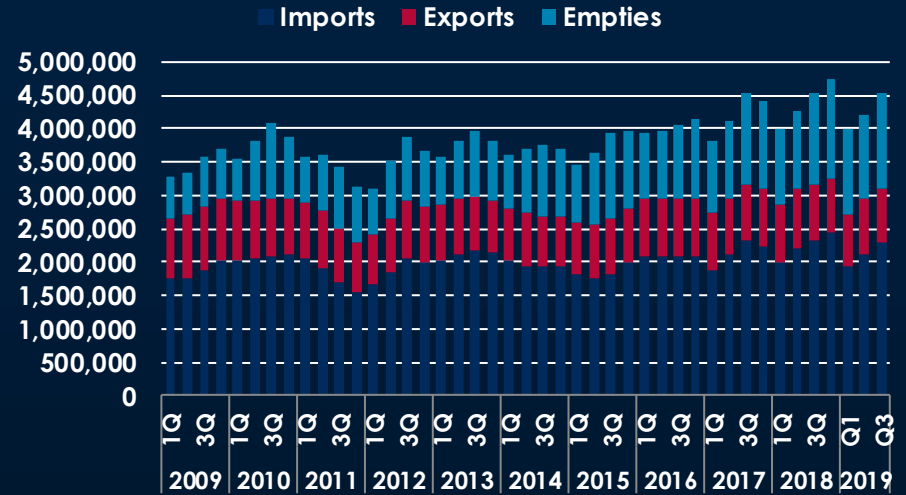
Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of 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%

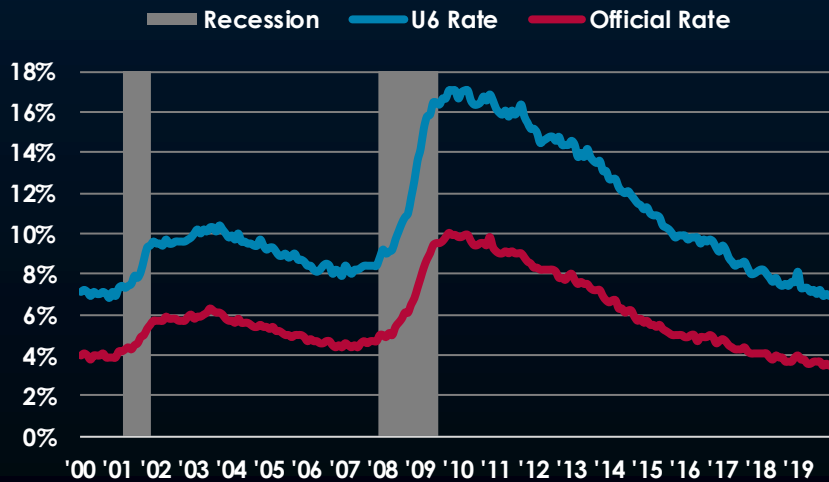


\*2.3% for 4Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

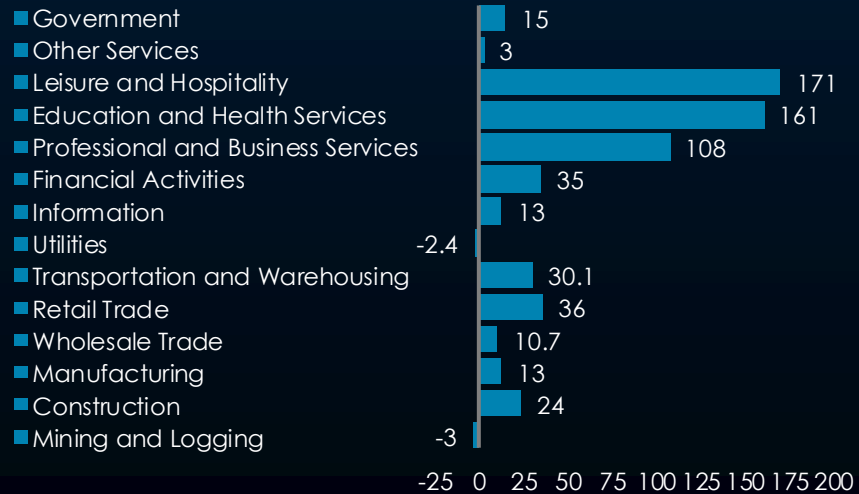
PORT ACTIVITY INCREASED IN Q3 BY 8.0% FROM Q2



UNEMPLOYMENT CONTINUES DOWNWARD TREND

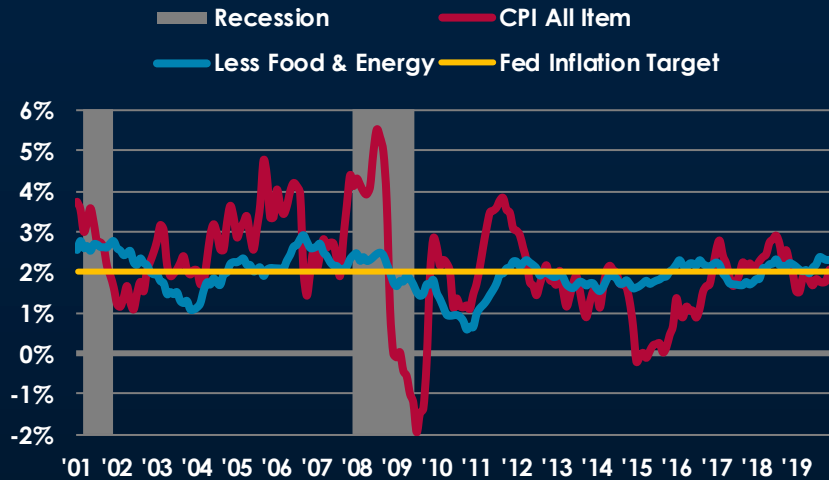


MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH

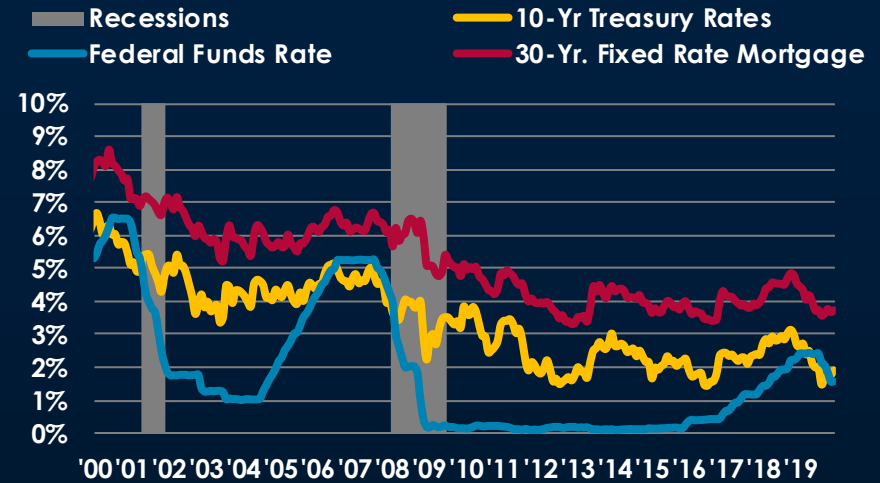


Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of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

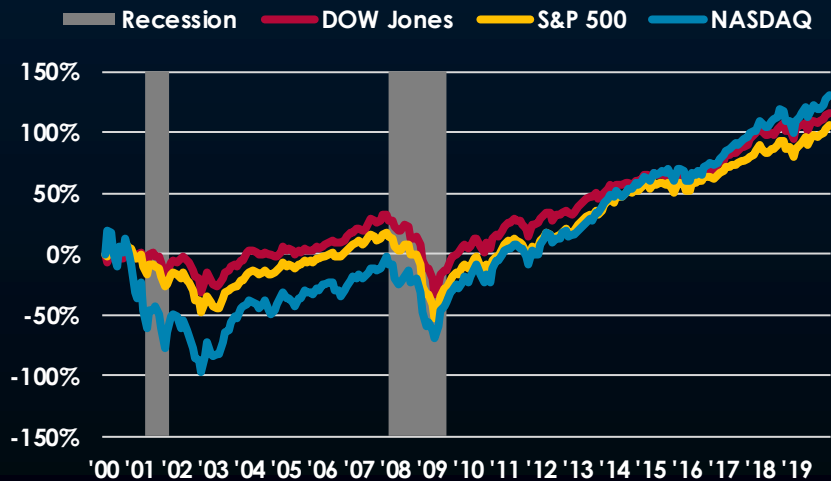
## CPI JUST ABOVE 2% TARGET AT 2.05%



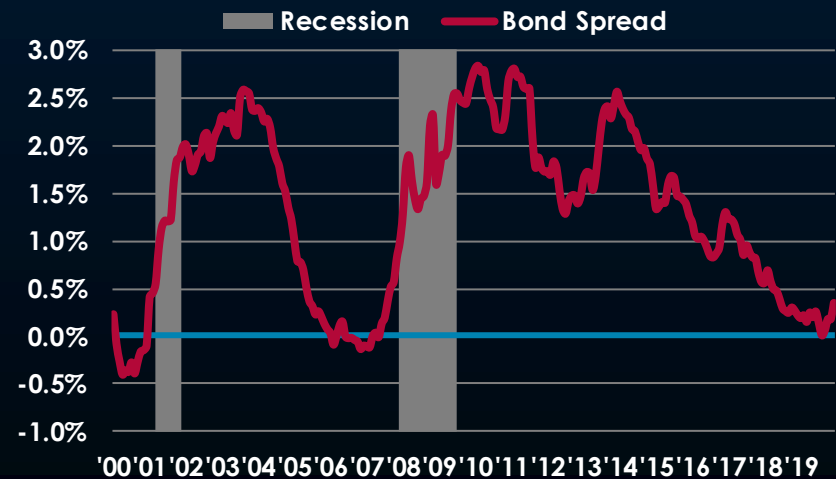
## THE YIELD CURVE NORMALIZED IN Q4



## 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