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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 West/ South



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MARKET ACTIVITY

<p>Direct Vacancy ∨ 2.1%</p>	<p>Net Absorption ∨ -101,132 SF</p>
<p>Overall Vacancy ∧ 2.3%</p>	<p>Gross Absorption ∨ 1,336,428 SF</p>
<p>Under Construction ∧ 1,200,322 SF</p>	<p>Rental Rates (NNN) ∨ \$1.49</p>
<p>Sale Price Change ∧ 20.1%</p>	<p>Deal Volume ∨ 40.0%</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Increased by 10 BPS to 2.3%.
- **Net Absorption:** Q4 was the only positive quarter of Direct Net Absorption in 2019. Large amount of sublet space pushed Total Net Absorption negative.
- **Gross Absorption:** Fell to just above 1.3M SF in Q4. In 2019, Gross Absorption was 23% less than in 2018.
- **Sale Prices:** Flex buildings dominated the sales in Q4. Volume in 2019 finished over \$1.9B. A 38% increase 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 ∨ 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>

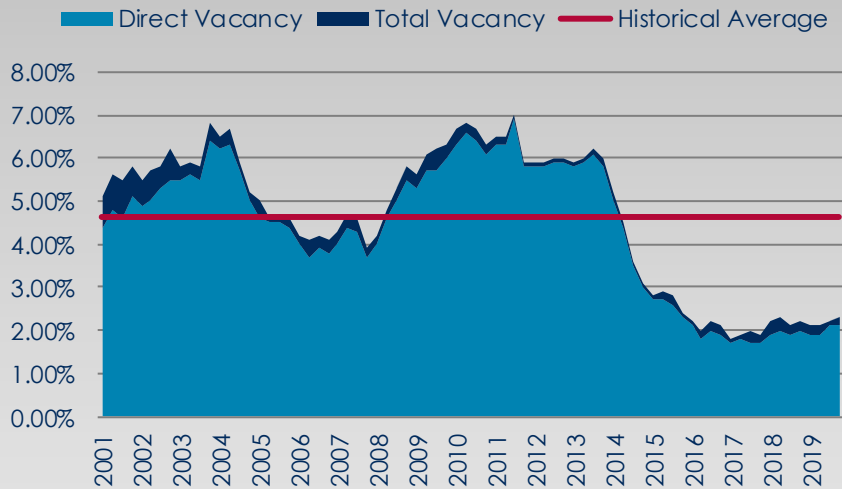
EXPERIENCE IN A CHANGING MARKET

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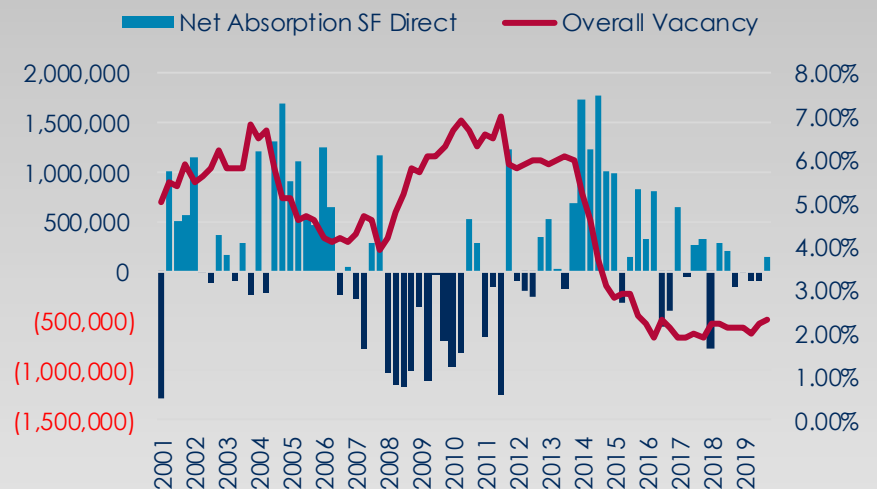


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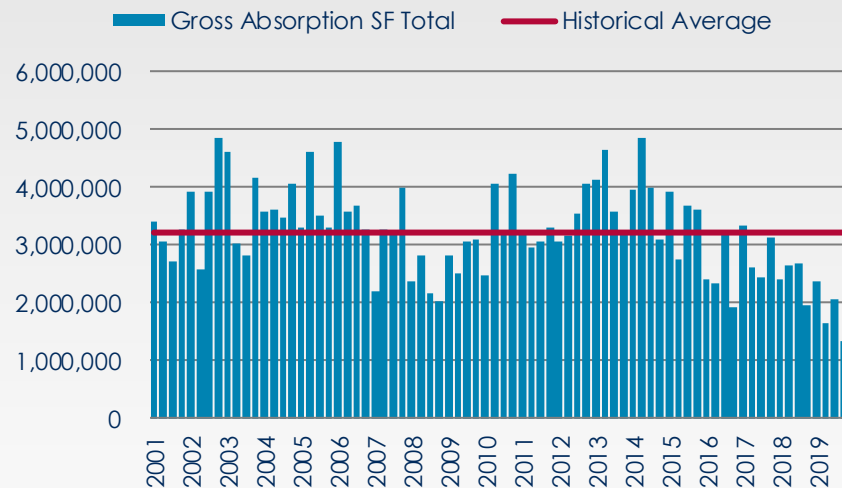
OVERALL VACANCY INCREASED BY 10 BPS IN Q4



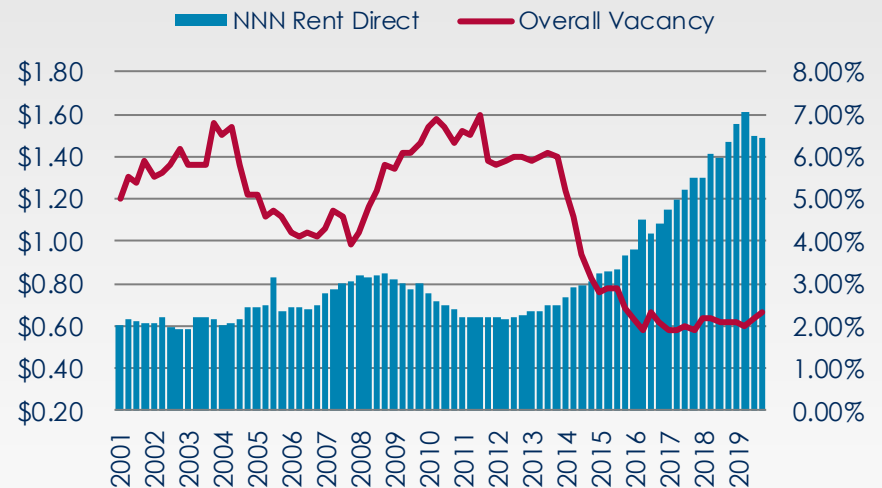
NET ABSORPTION POSITIVE DIRECT NET ABSORPTION IN Q4. TOTAL WAS NEGATIVE



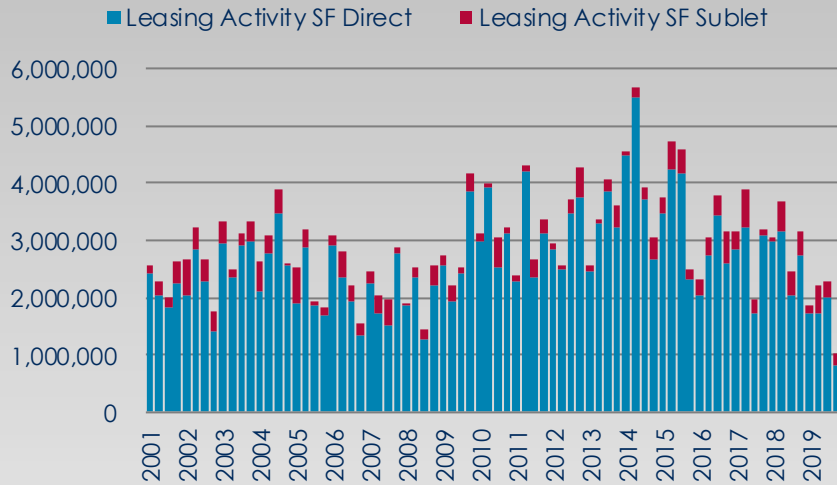
GROSS ABSORPTION DROPPED IN Q4 TO JUST OVER 1.3M SF



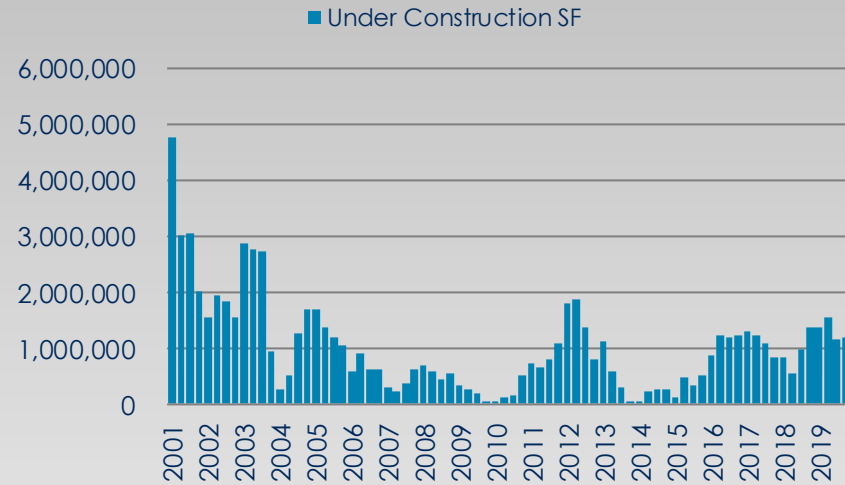
ASKING RENTS DECREASED AGAIN IN Q4



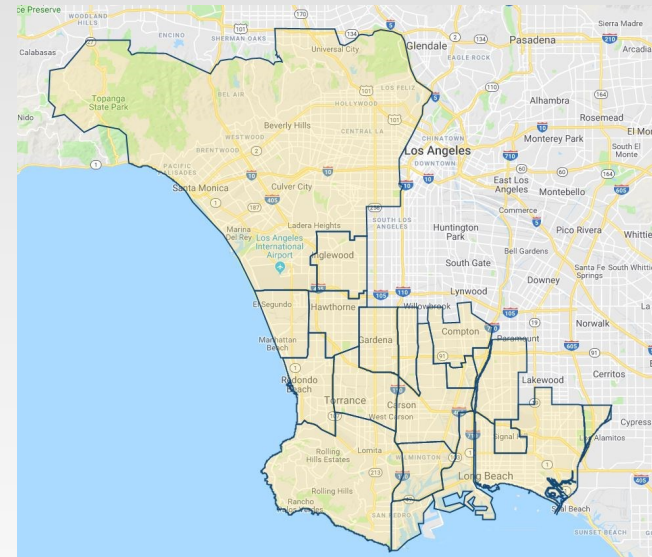
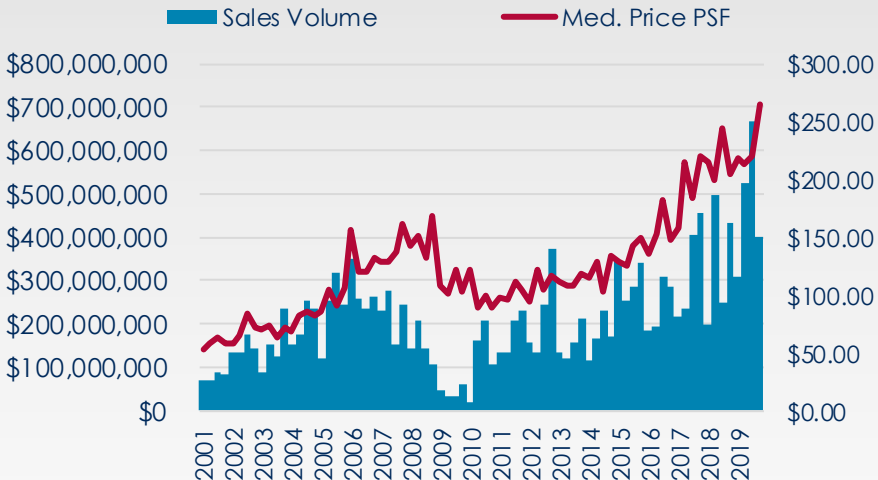
LEASING ACTIVITY PLUMMETED TO LOWEST TRACKED LEVEL. DOWN 40% FROM 2018



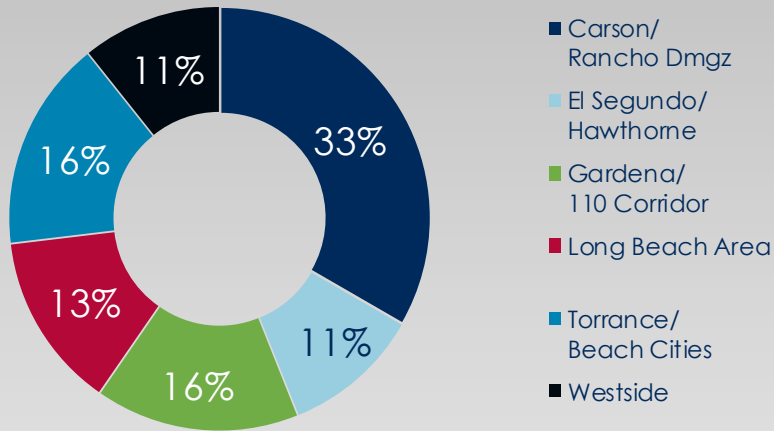
CONSTRUCTION ACTIVITY 1.2M SF CURRENTLY UNDER CONSTRUCTION



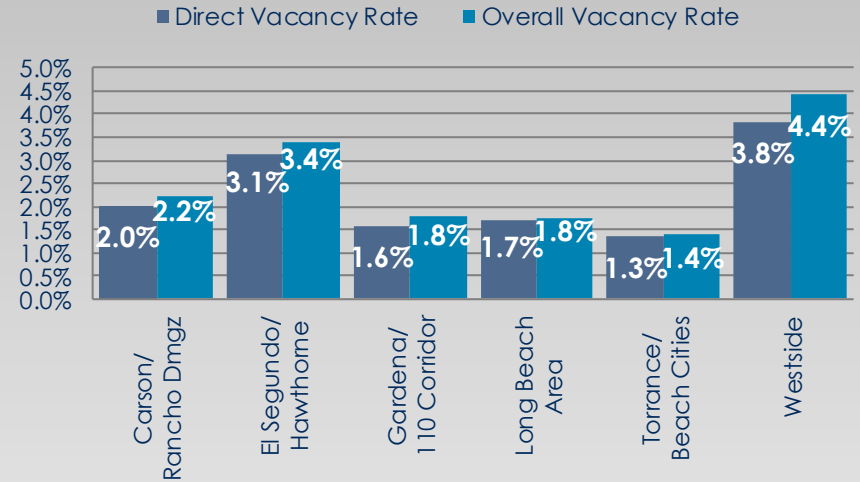
SALES FLEX BUILDINGS LED IN Q4. MEDIAN PRICE AT \$264.45 PSF



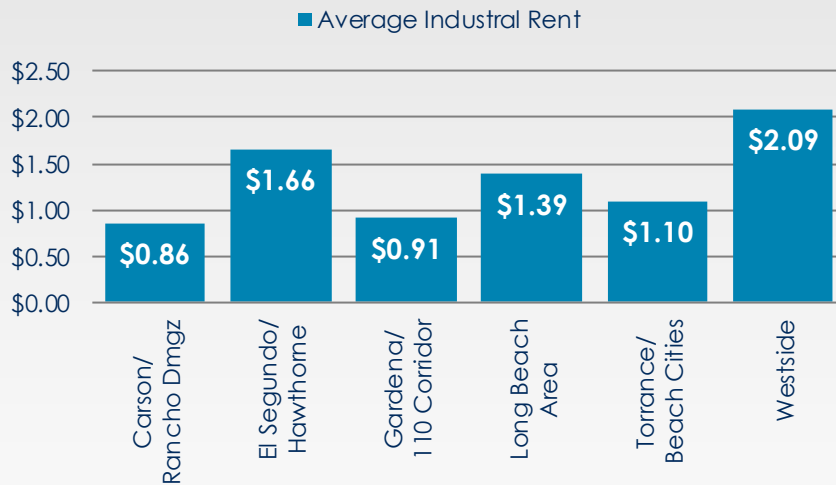
SQUARE FOOT BREAKDOWN- 227,295,359 SF MARKET SIZE



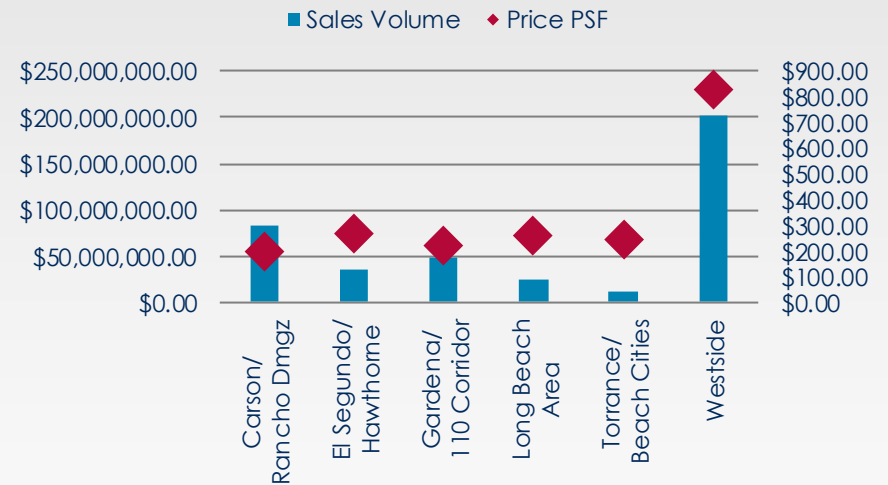
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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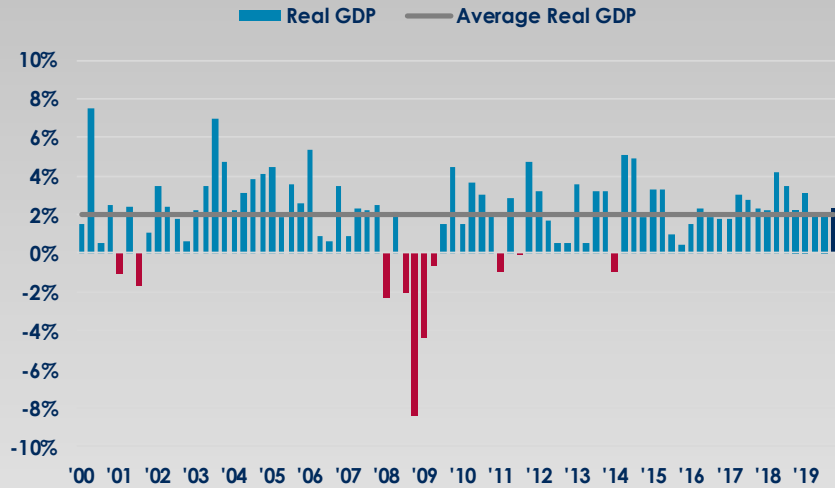
Economic Overview



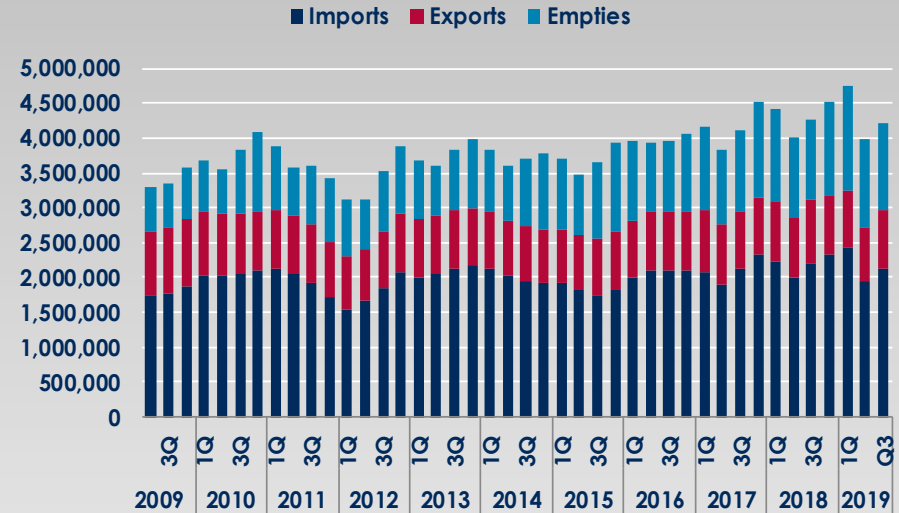
//////////////////// Q4 2019

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

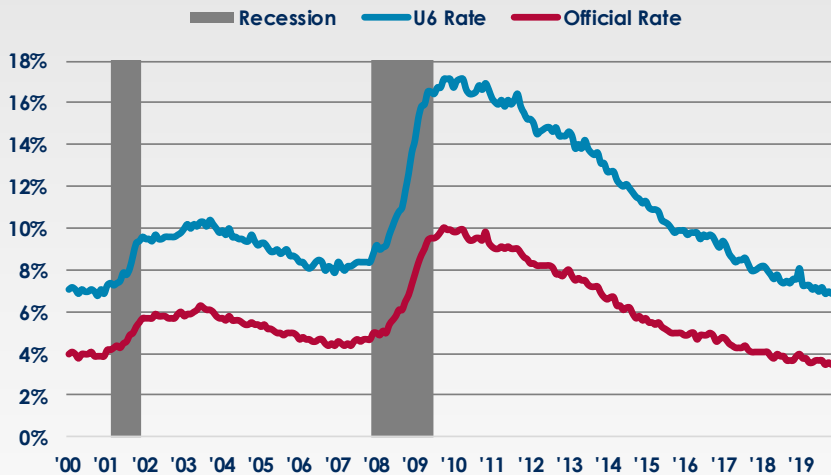


PORT ACTIVITY INCREASED IN Q3 BY 8.0% FROM Q2



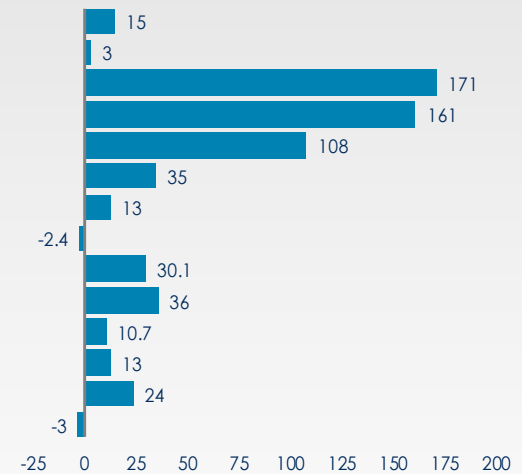
*2.3% for 4Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

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

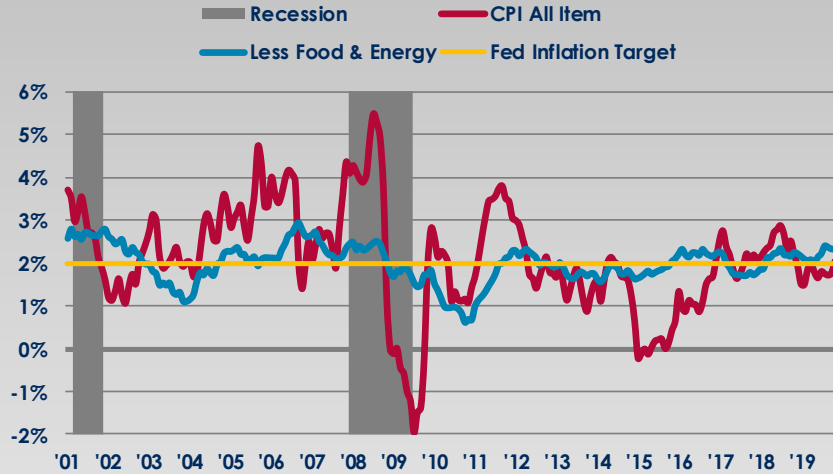


MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH

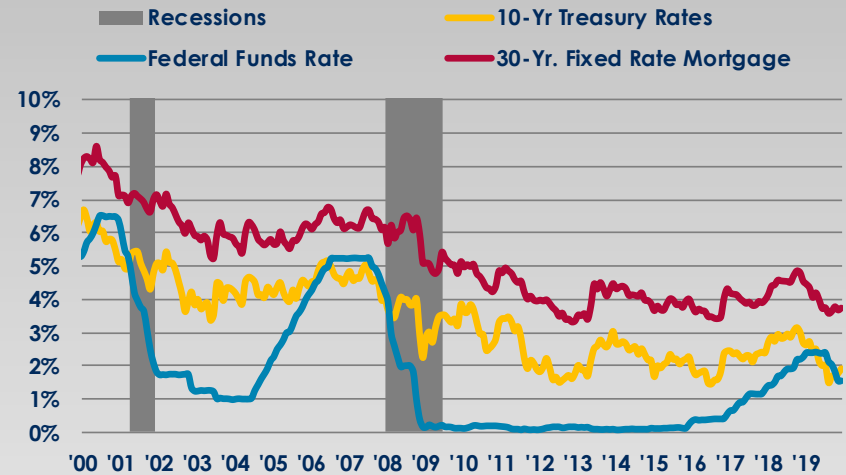
- Government
- Other Services
- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Information
- Utilities
- Transportation and Warehousing
- Retail Trade
- Wholesale Trade
- Manufacturing
- Construction
- Mining and Logging



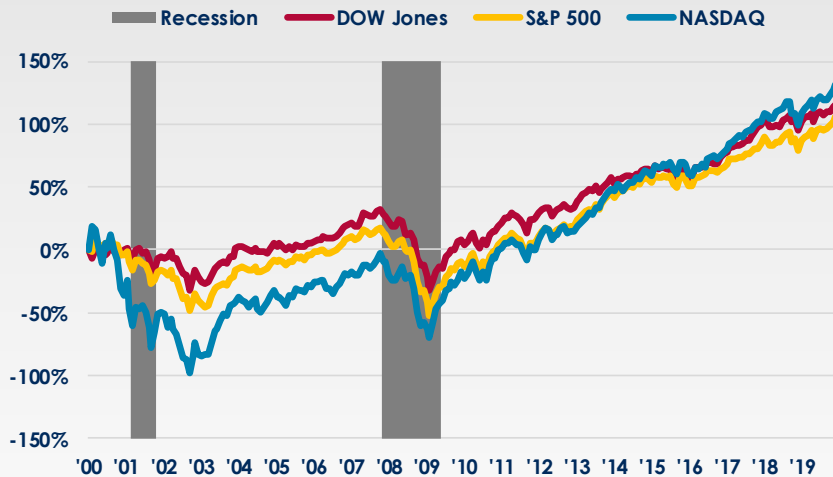
CPI JUST ABOVE 2% TARGET AT 2.05%



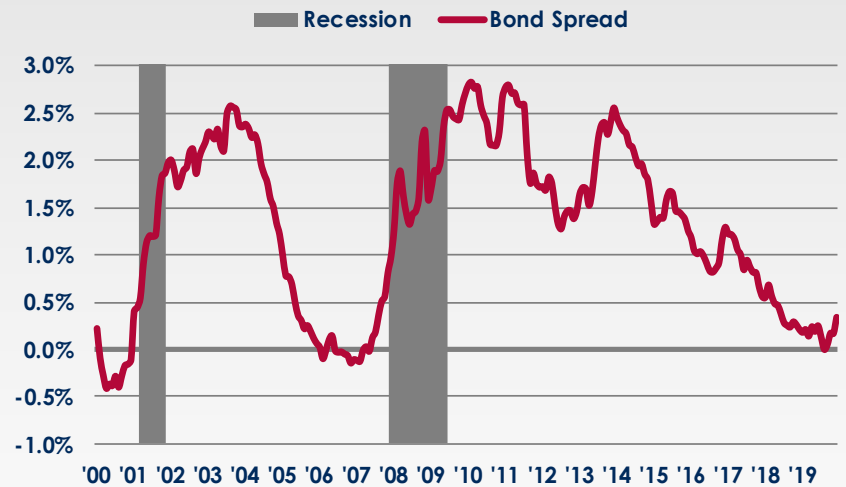
THE YIELD CURVE NORMALIZED IN Q4



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

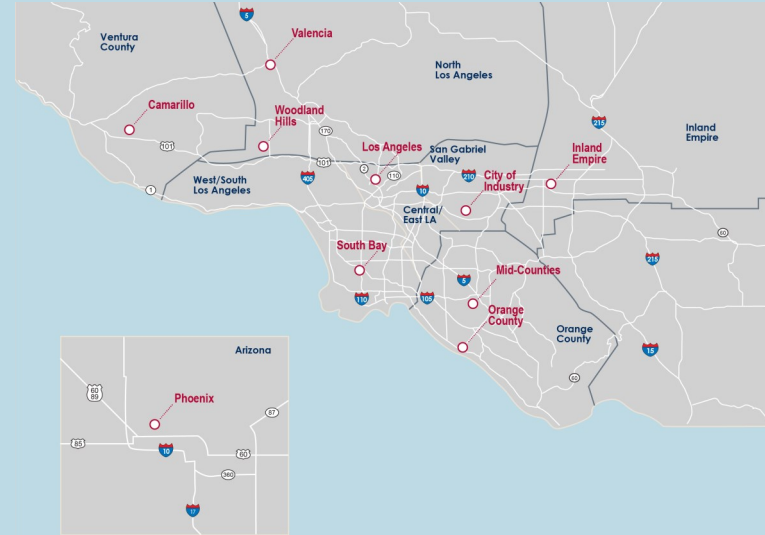
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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