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

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

////////////////////Orange County////////////////////

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

////////////////////Ventura////////////////////

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

////////////////////Inland Empire////////////////////

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

////////////////////Phoenix////////////////////

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

Q4 | 2019

# Market Report

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

San Gabriel Valley



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### MARKET ACTIVITY

### KEY TAKE AWAYS

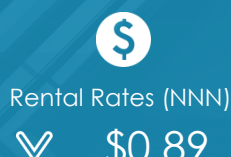
### ECONOMIC OUTLOOK

#### MARKET

- **Vacancy Rate:** Increased slightly to 2.4%.
- **Asking Rents:** Fell by \$0.03 PSF in Q4.
- **Industrial Supply:** Construction activity rose in Q4 to just over 2M SF.
- **Sale:** Volume in Q4 was the highest in 2019 at just shy of \$250M. In 2019, volume was down 11.5% compared to 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.



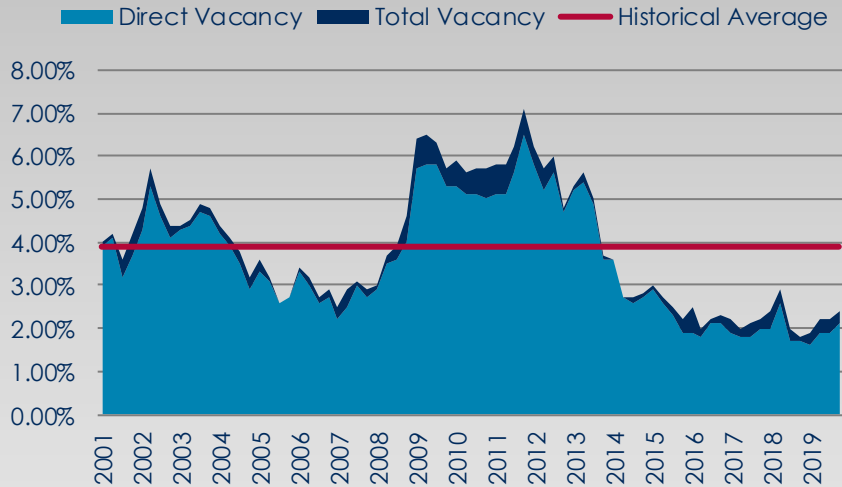
EXPERIENCE IN A CHANGING MARKET

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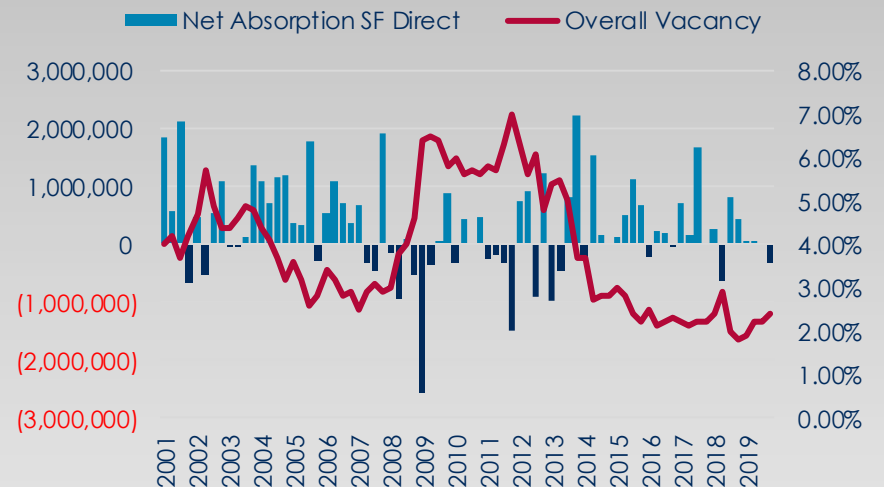


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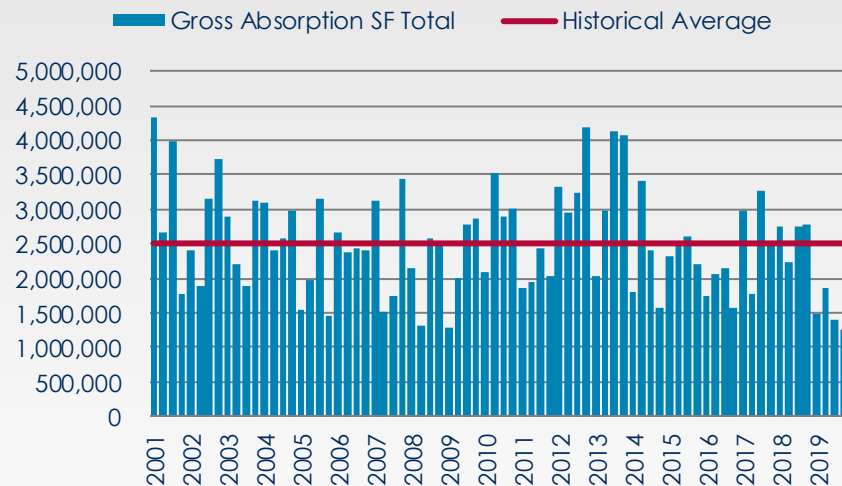
## OVERALL VACANCY INCREASED BY 20 BPS IN Q4



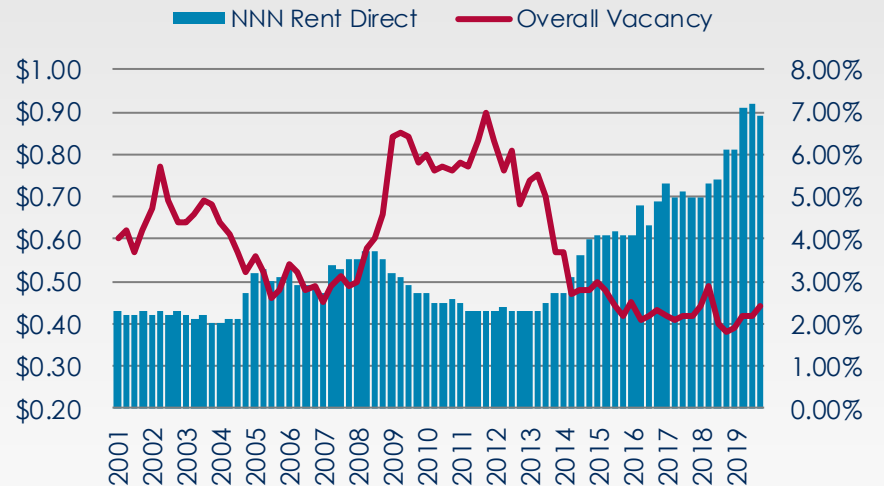
## NET ABSORPTION Q4 WAS THE WORST PERFORMING QUARTER IN 2019



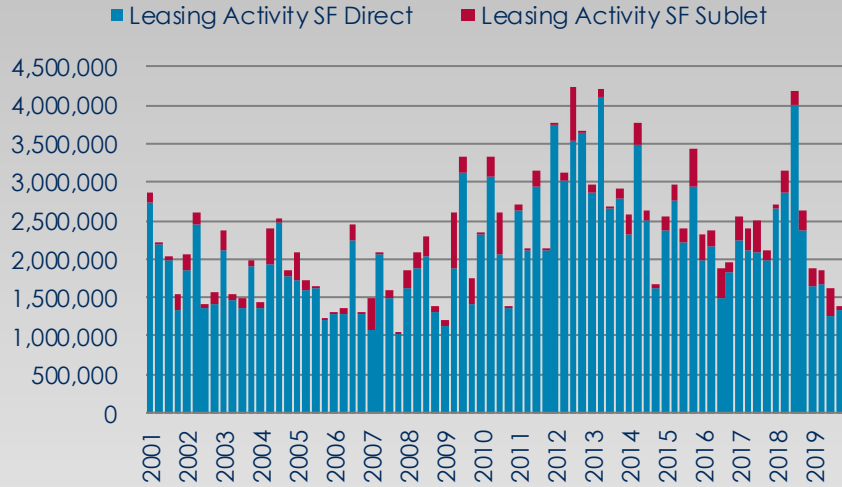
## GROSS ABSORPTION FELL AGAIN IN Q4. DOWN 43% IN 2019 COMPARED TO 2018



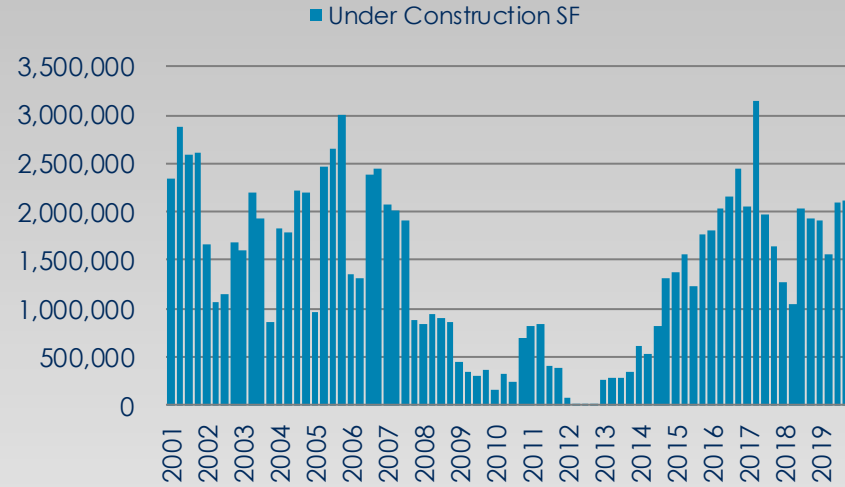
## ASKING RENTS DECREASED BY \$0.03 PSF IN Q4



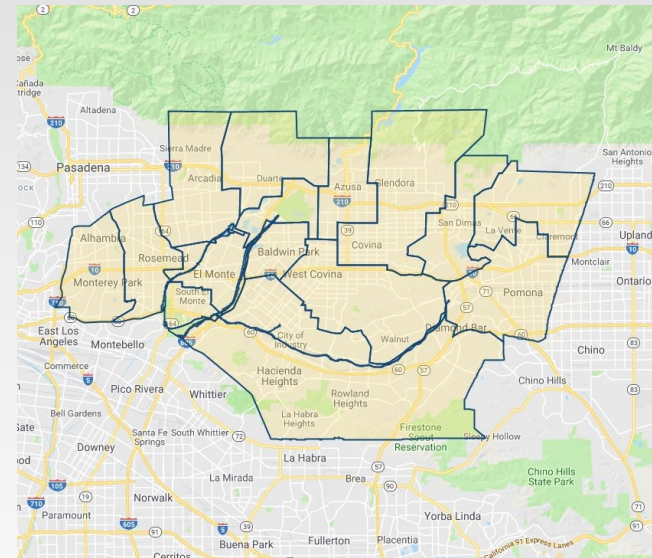
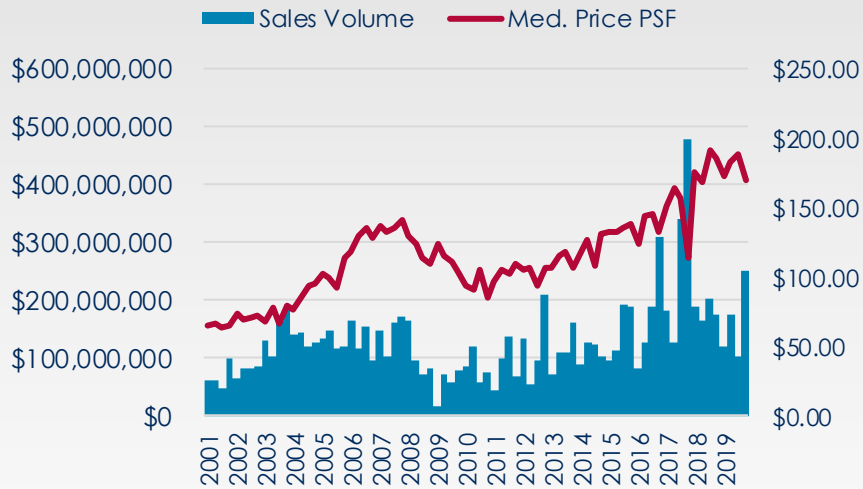
## LEASING ACTIVITY FELL BELOW 1.4M IN Q4. 2019 DOWN BY 47% FROM 2018



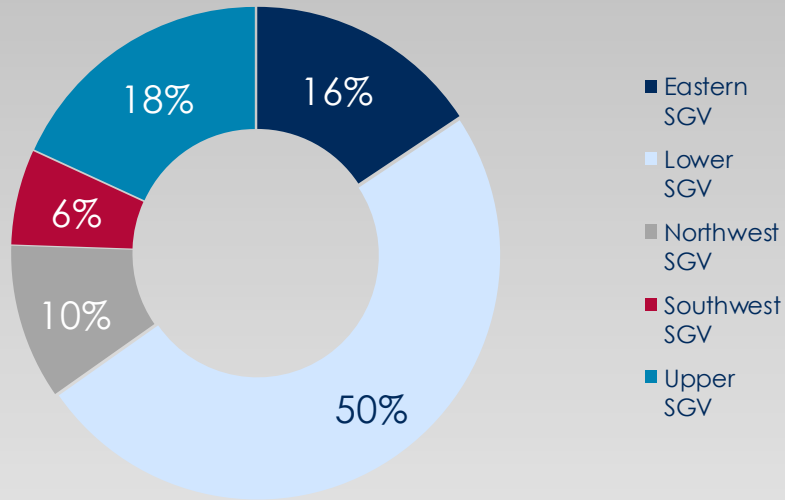
## CONSTRUCTION ACTIVITY UC SLIGHTLY BELOW 2M SF



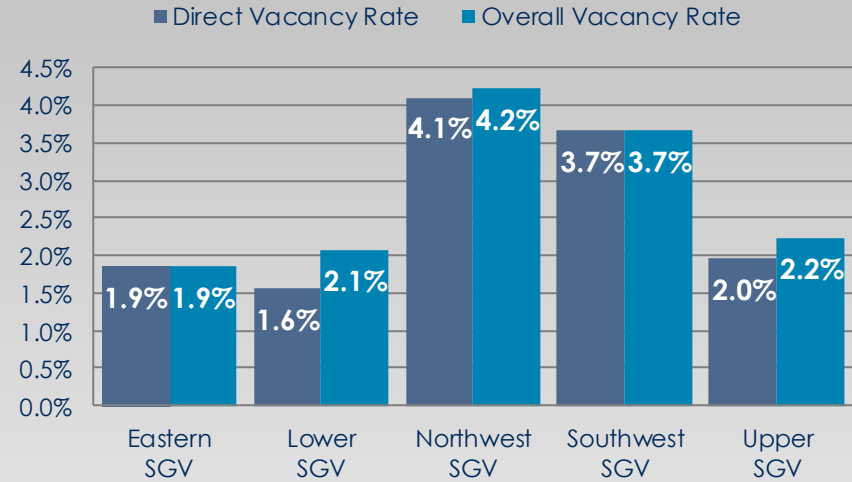
## SALES HIGHEST VOLUME OF 2019. MEDIAN PRICE WAS \$169.23 PSF



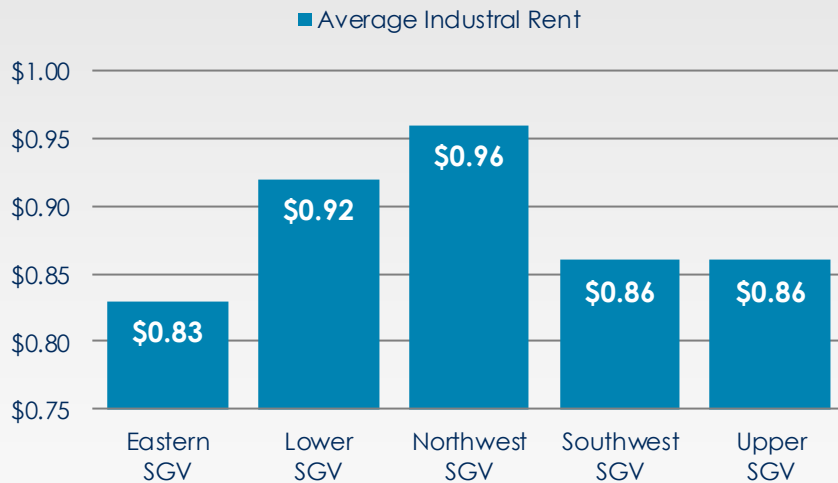
## SQUARE FOOT BREAKDOWN- 174,244,811 SF MARKET SIZE



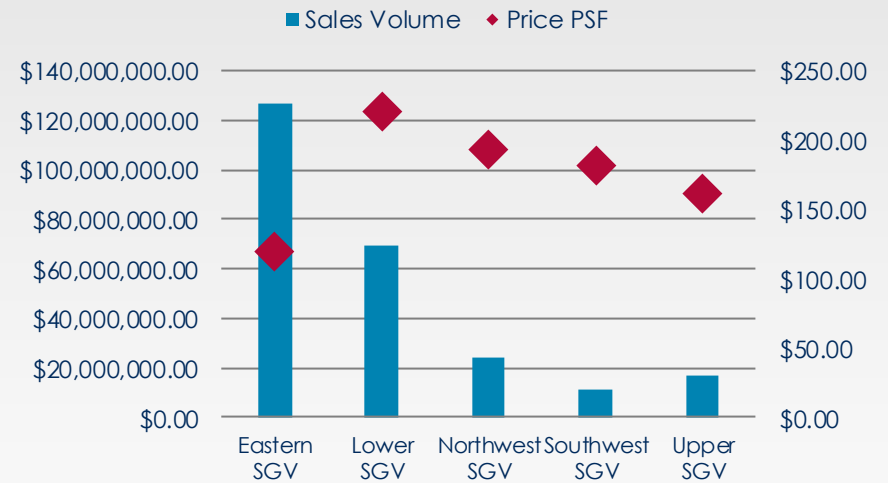
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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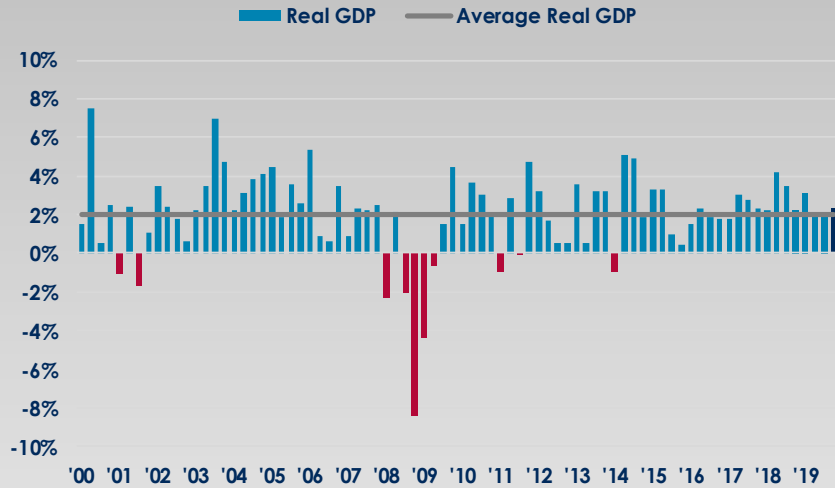
# Economic Overview



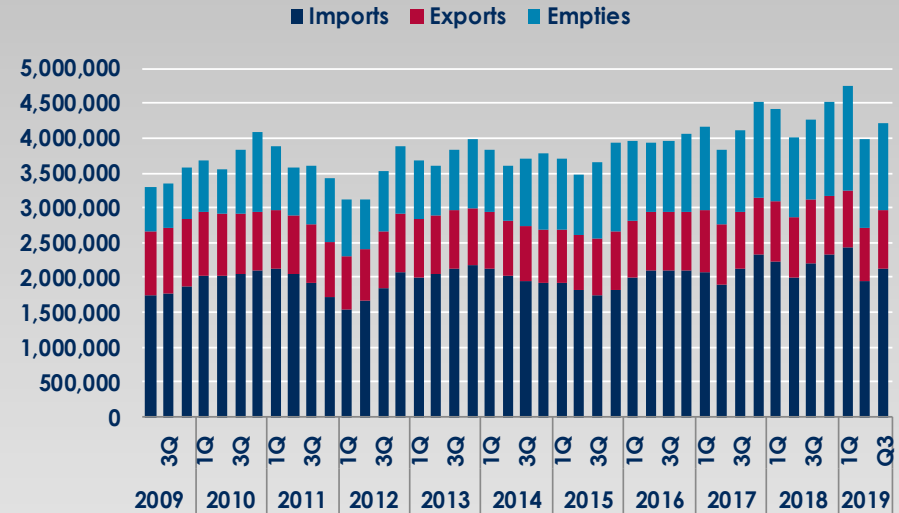
Q4 2019

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

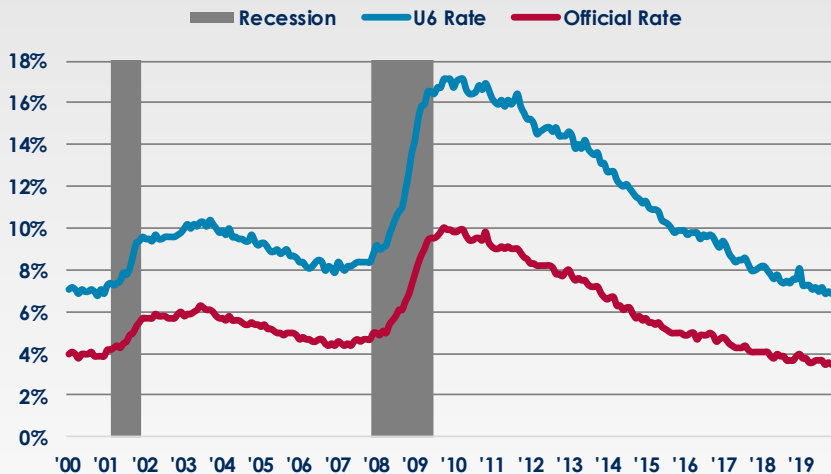


PORT ACTIVITY INCREASED IN Q3 BY 8.0% FROM Q2

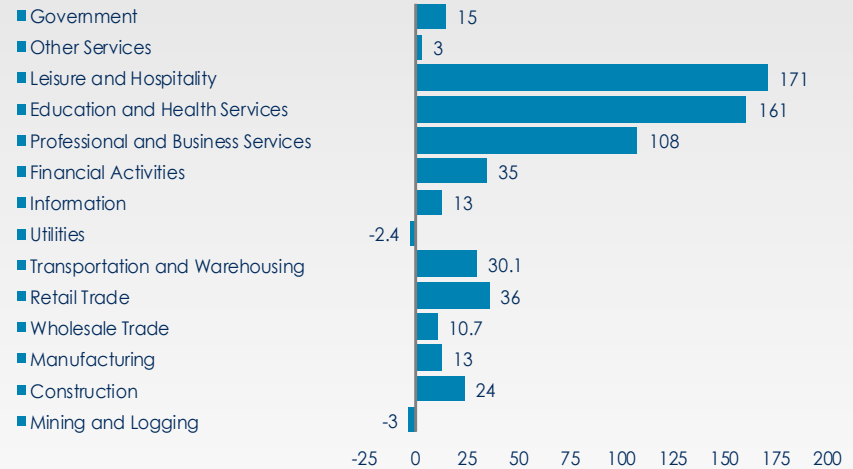


\*2.3% for 4Q19 based on Fed Reserve Bank of Atlanta "GDP Now" Forecast

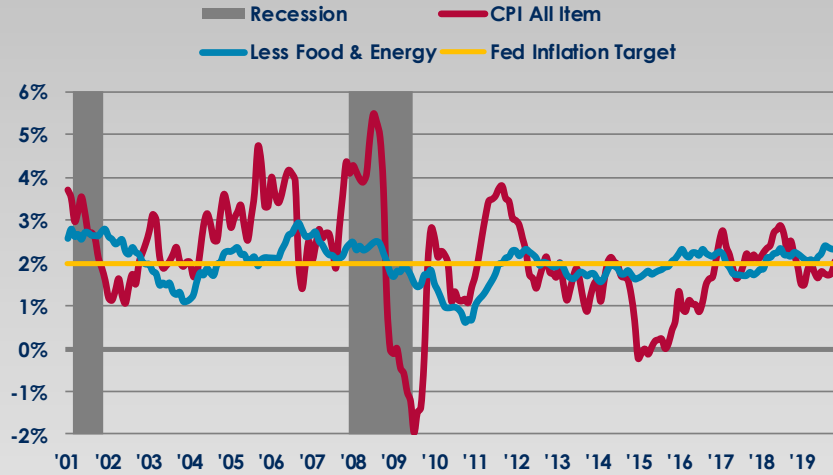
20 BPS INCREASE IN U6 RATE SHOWS PEOPLE ARE COMING BACK TO WORK



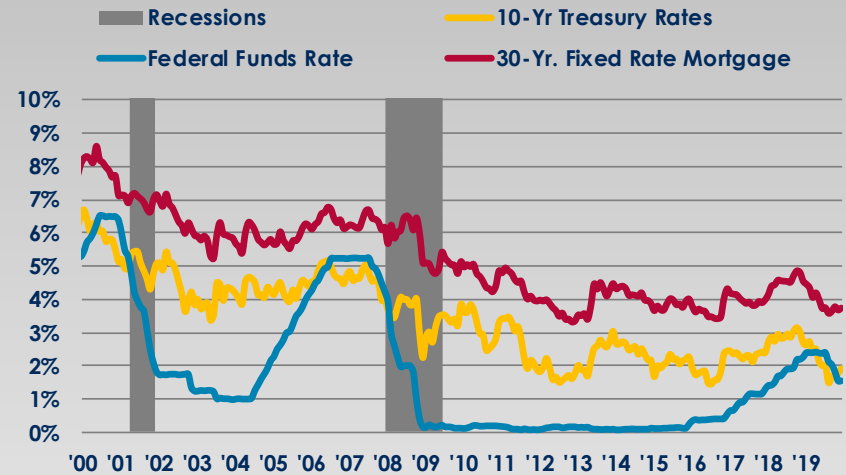
MOST INDUSTRY SECTORS CONTINUE TO SEE GROWTH



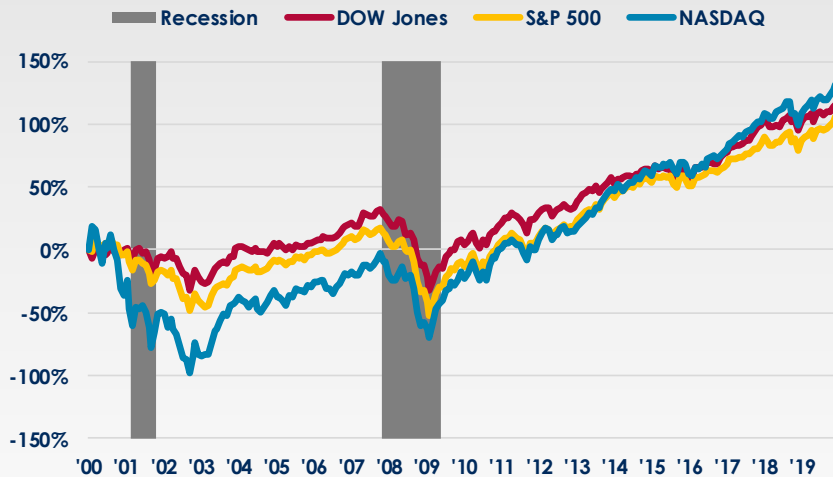
## CPI JUST ABOVE 2% TARGET AT 2.05%



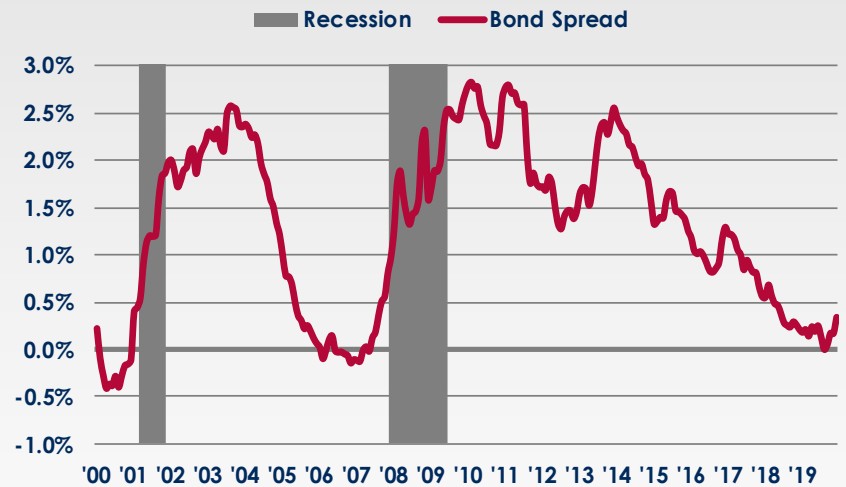
## THE YIELD CURVE NORMALIZED IN Q4



## 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

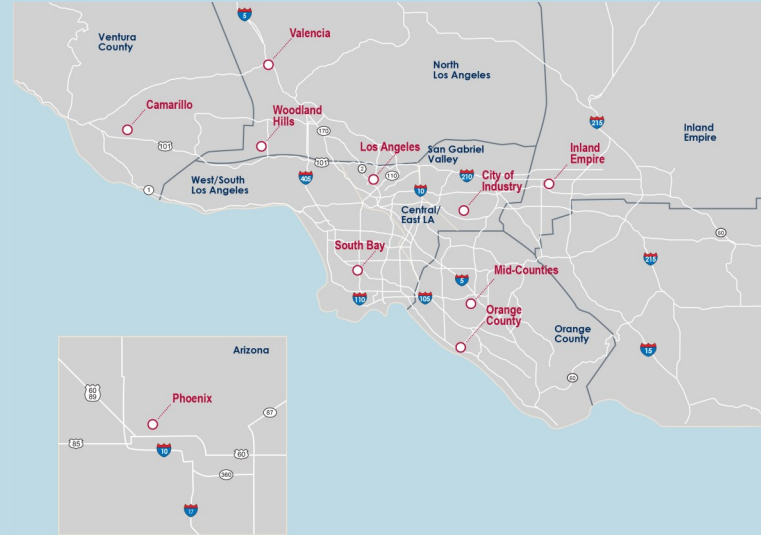
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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.



## 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