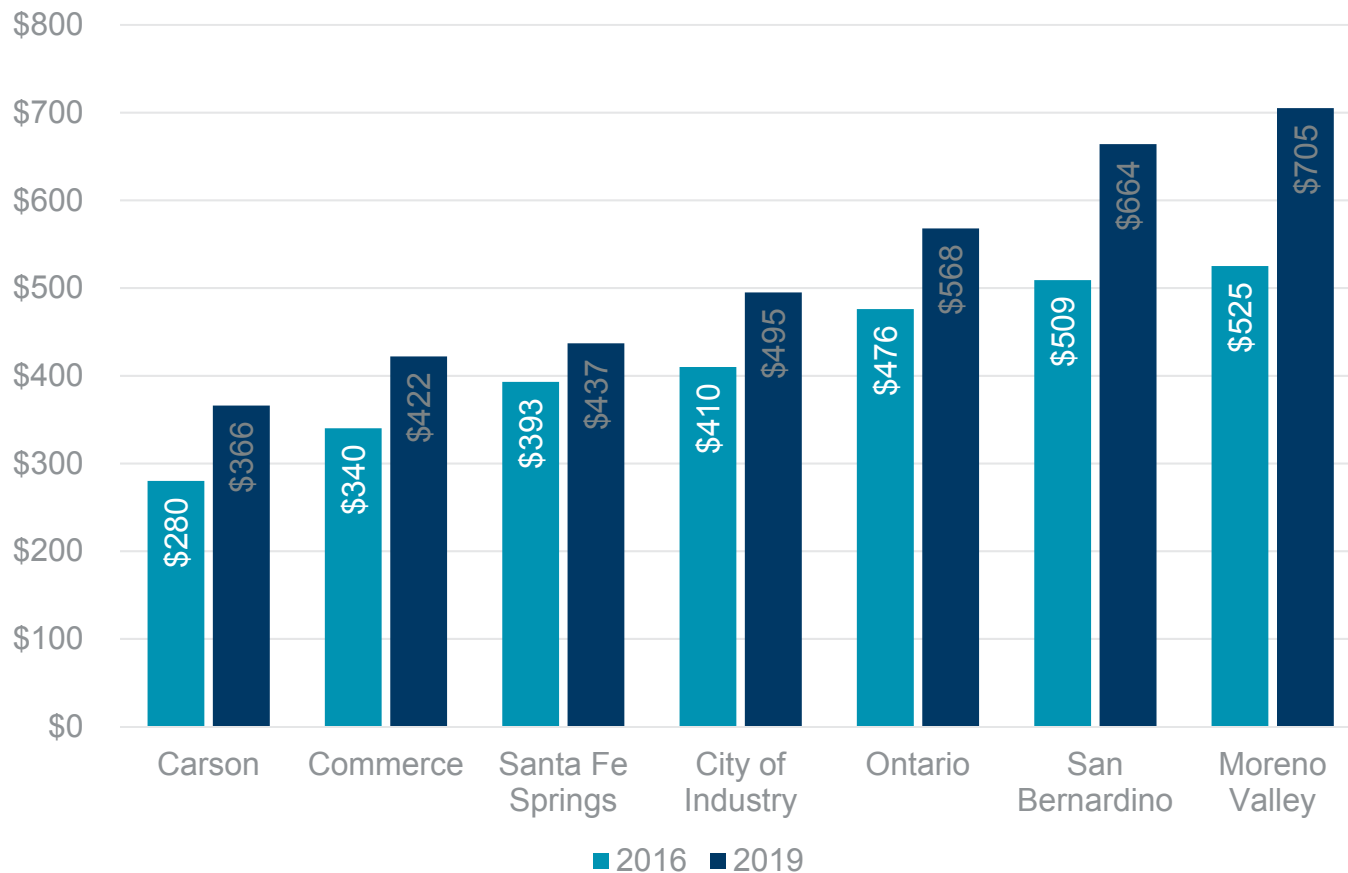


# Los Angeles Basin

## Drayage Rates for Selected Cities



*Container drayage cost is an important element in warehouse site selection. Proximity to the Los Angeles and Long Beach ports is important so that drayage costs are minimized.*

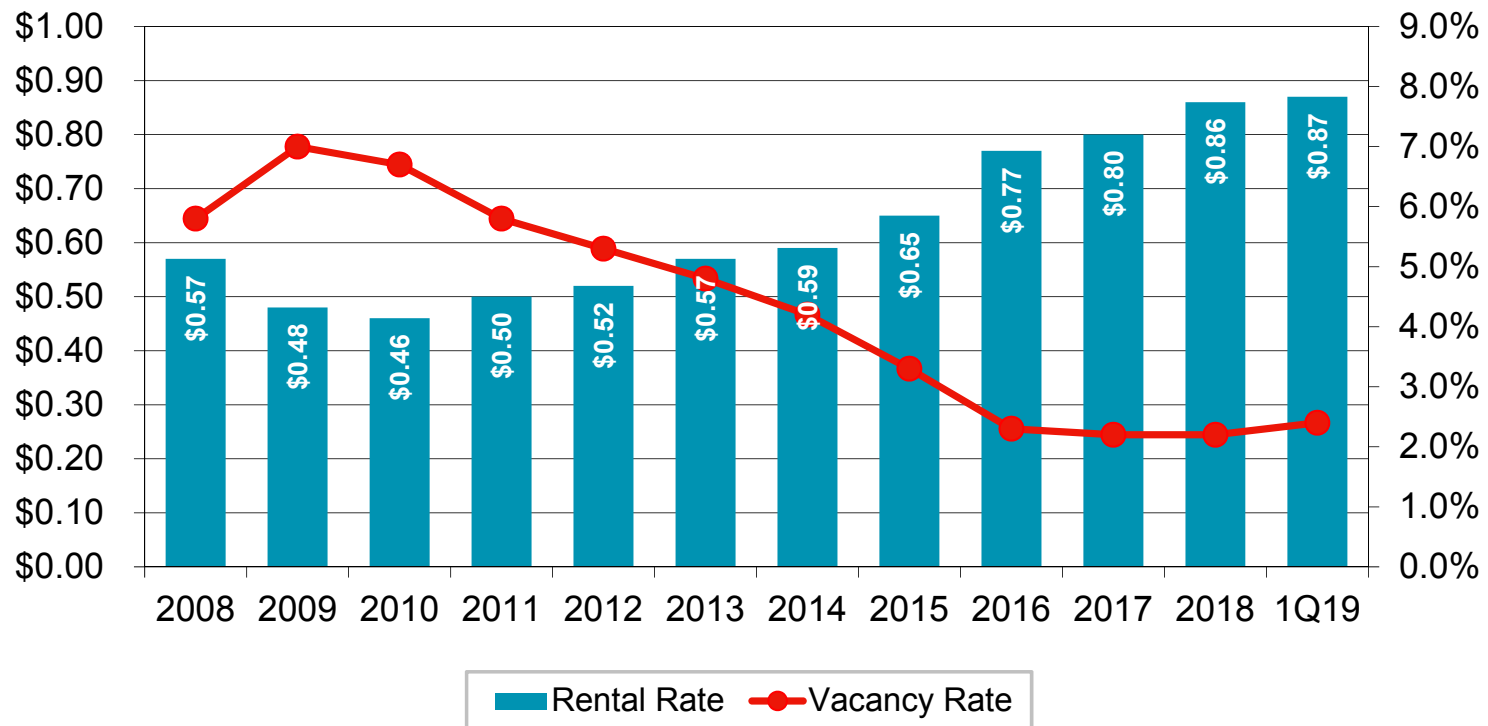


# Los Angeles Basin Industrial Market

## Historical Overall Rental vs. Vacancy Rates

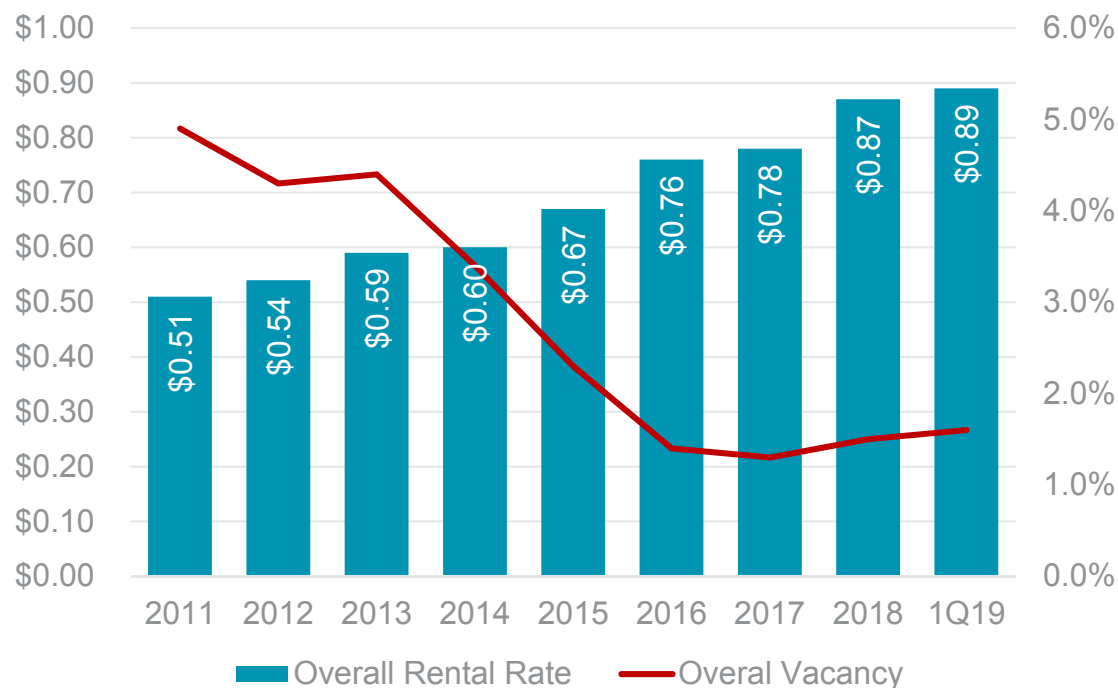


- *Historic low vacancy is occurring in an increasingly land-constrained environment in infill markets with few opportunities for new logistics stock, which means users have relatively few alternatives.*
- *After a 7.5% annual increase in 2018, Los Angeles Basin's rent growth decelerated at the start of the year, increasing by 4.8% year-over-year. Over the past five years, rents have grown an average annual rate of 8.7%.*



# Greater Los Angeles Industrial Market

Market Indicators	Q1 2018	Q1 2019	Y-O-Y Change
Overall Vacancy	1.3%	1.6%	+30 bps
YTD Leasing Activity (SF)	10,790,404	6,949,159	-35.6%
Under Construction (SF)	4,153,169	6,342,733	+52.7%

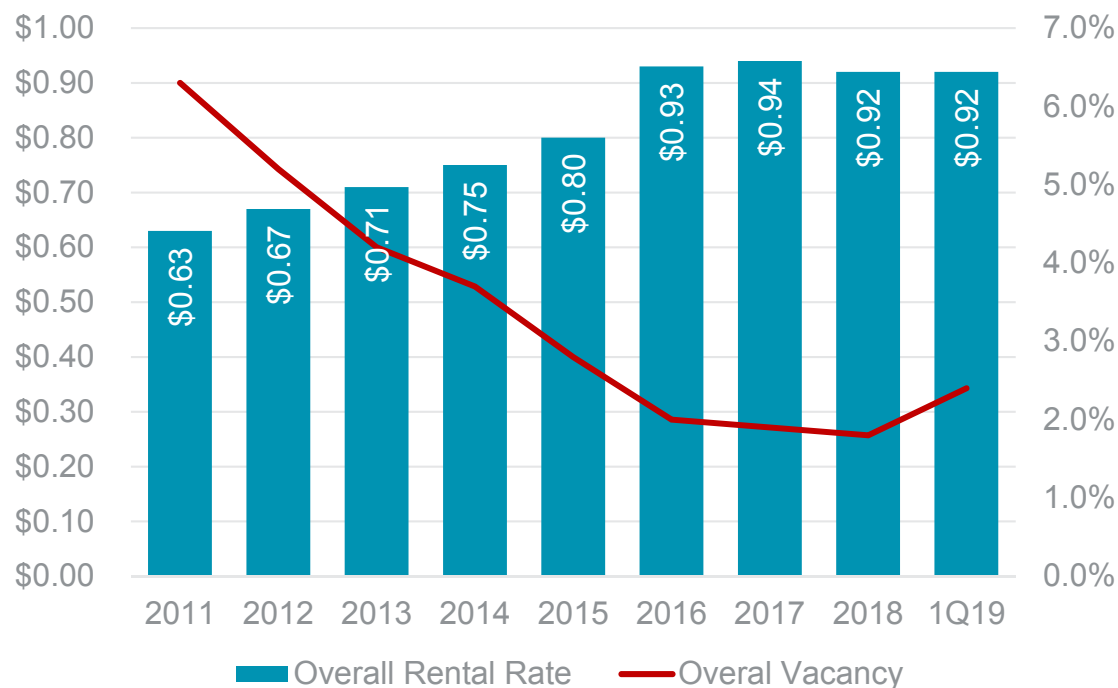


## Key Takeaways

- Greater Los Angeles started the year in the **red with 1.2 msf** of negative absorption in the first quarter, resulting in a 30-bp increase in vacancy from last year.
- Strong demand and the tight market continue to drive upward movement in rents and the average overall rental rate jumped to a new historic high.
- Nearing ten years of growth, San Gabriel Valley continues to perform at peak levels with solid occupancy gains and record-high rents. The market continues to dominate the Los Angeles region in terms of development activity **with 2.7 msf** under construction.

# Orange County Industrial Market

Market Indicators	Q1 2018	Q1 2019	Y-O-Y Change
Overall Vacancy	1.9%	2.4%	+50 bps
YTD Leasing Activity (SF)	1,761,495	1,561,603	-11.3%
Under Construction (SF)	1,520,658	572,900	-62.3%

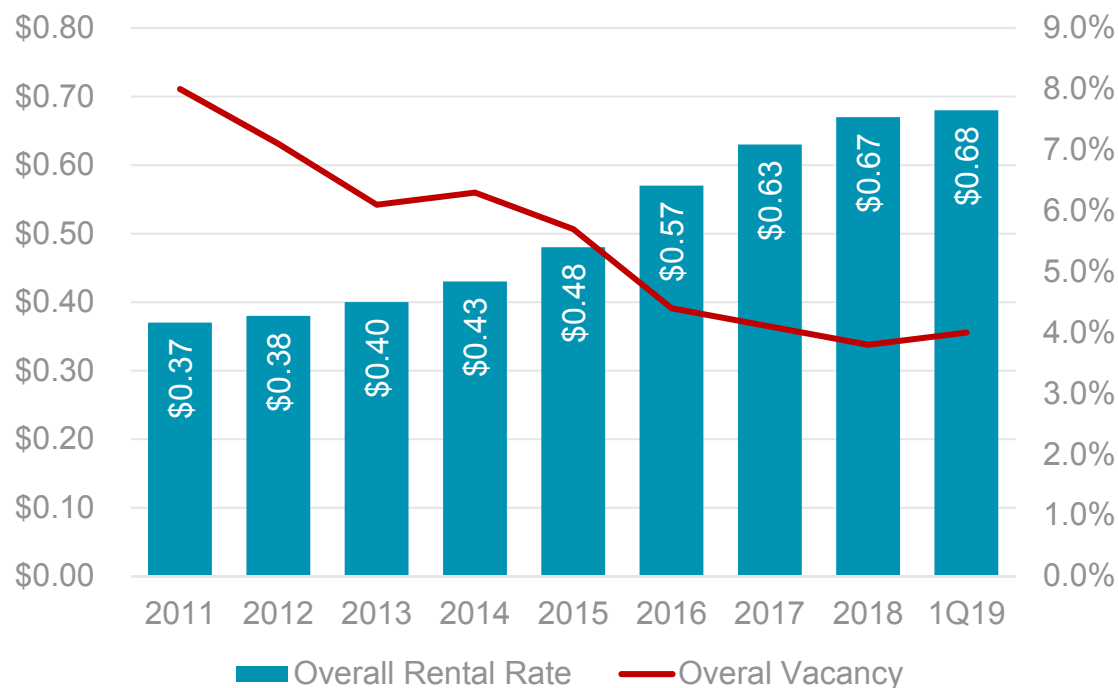


## Key Takeaways

- Due to a handful of large move-outs throughout the first quarter of 2019, overall vacancy increased **50 bps** from a year ago.
- This snaps the two-year streak of sub 2% vacancy in the county.
- With the number of deals declining by **35.5%** from the same period a year ago, leasing activity saw an **11.3% decline**, totaling just 1.6 msf in the first quarter. This is way below 2018's quarterly leasing average of 2.2 msf .
- Warehouse rents have been rising steadily with an average annual increase of **7.5%** over the last five years.

# Inland Empire Industrial Market

Market Indicators	Q1 2018	Q1 2019	Y-O-Y Change
Overall Vacancy	3.9%	4.0%	+10 bps
YTD Leasing Activity (SF)	9,154,302	8,936,886	-2.4%
Under Construction (SF)	25,649,881	29,911,729	+16.6%



## Key Takeaways

- Occupancy gains of 1.7 msf kept absorption positive for the 39th consecutive quarter, with IE East absorbing 2.1 msf of space.
- Although the vacancy rate in the IE West increased 50 bps to 2.5% in 1Q2019, much of that has been considered frictional movement from the record low of 2.0% at year-end 2018.
- Since 2014, the Inland Empire has averaged **22.0 msf** of positive absorption annually.
- Asking rental rates continue to rise, now averaging **\$0.68 psf/mo**, more than twice the post-recession low posted in second quarter of 2010 when it was \$0.33 psf/mo.