

Southern California



The largest in the nation, the Southern California industrial market is home to the ports of Los Angeles and Long Beach which handle over 40.0% of all inbound containers for the United States.



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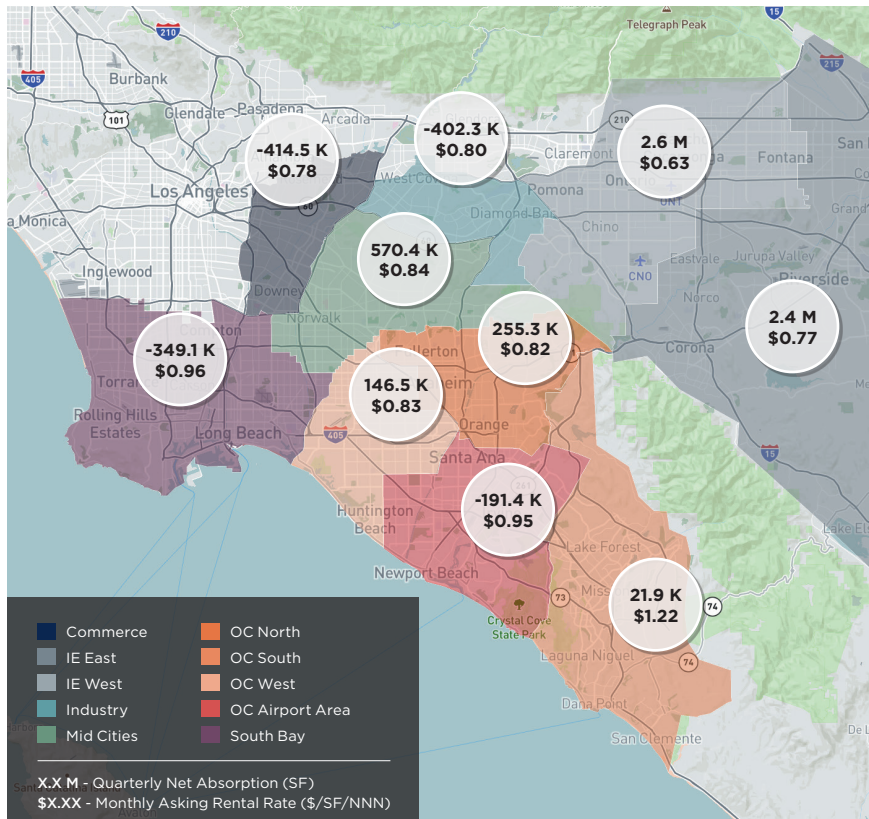
With historically low vacancy and peak asking rental rates across the each of the submarkets, the region's industrial market continues to thrive with eCommerce, logistics and manufacturing tenants driving the demand for space. Of the 30 million square feet (msf) currently under construction, the Inland Empire represents over 90.0% of new development. The Los Angeles & Orange County submarkets continue to lose industrial land and redevelopment opportunities to multi-family developers with land selling at historically high prices. As the demand for high clear buildings and ample truck loading increases; Los Angeles and Orange County will continue to lose out to tenants seeking more state of the art distribution facilities that are being developed in the Inland Empire.

Overall vacancy remained flat, ending Q3 at 4.0% - down 10 basis points from where it was one year ago. Net absorption

KEY STATISTICS

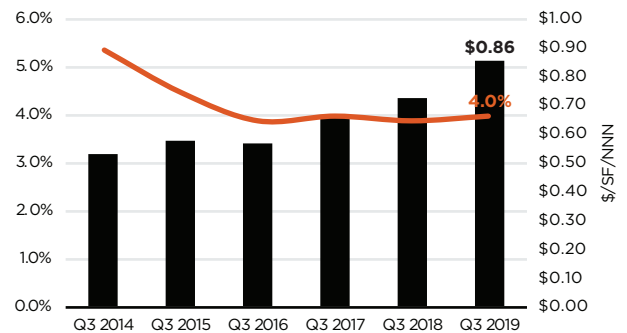
	Q3 2018	Q3 2019	y-o-y Change
Inventory	863.9 MSF	883.3 MSF	▲
Vacancy Rate	3.9%	4.0%	▲
Net Absorption	8.0 MSF	3.6 MSF	▼
Under Construction	30.3 MSF	30.6 MSF	▲
Overall Monthly Asking Rent (NNN)	\$0.72	\$0.86	▲

for the region totaled 3.6 msf, well below the 5 year average of 5.9 msf. The Inland Empire and Orange County were the only markets with positive net absorption, with Los Angeles recording 1.7 msf of negative net absorption. With only a few new developments outside of the Inland Empire, the infill markets will continue to see rising rental rates as the limited supply of Class A products gets leased up at a premium.



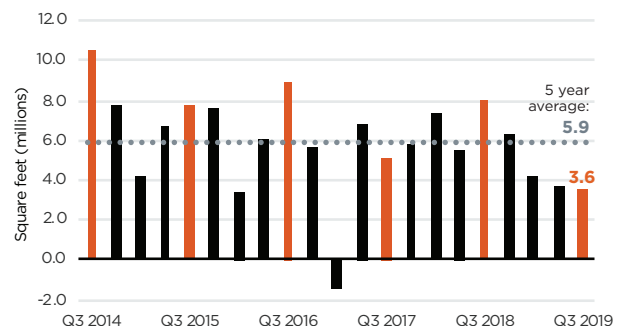
VACANCY AND ASKING RENT TRENDS

Southern California



NET ABSORPTION

Southern California



No other economy is as diverse and dynamic as the Southern California market. Despite its uncertainty, conducting a multi-discipline analysis, and implementing a strategic plan can mitigate risks and uncover opportunities that will fuel business growth.

– Jeff Cannon, Executive Managing Director

SUBMARKET OVERVIEW

50,000 SF and up (owner occupied included)

Submarket	Existing Inventory		Vacancy			YTD Net Absorption (SF)	YTD Deliveries (SF)	Under Construction (SF)	Overall Monthly Asking Rent (NNN)
	# Bldgs	Total (SF)	Direct (SF)	Total (SF)	Vac %				
Commerce	468	60,648,792	1,362,622	1,674,731	2.8%	(322,693)	260,536	1,297,649	\$0.78
IE East	950	236,816,341	14,590,662	15,356,475	6.5%	10,385,893	8,545,279	18,364,468	\$0.77
IE West	1,202	242,755,739	5,928,105	7,081,041	2.9%	4,599,376	4,436,196	8,993,247	\$0.63
Industry	460	65,723,739	782,477	1,305,963	2.0%	(283,056)	0	0	\$0.80
Mid Cities	419	52,473,072	1,885,784	2,083,654	4.0%	(1,115,977)	71,743	0	\$0.84
OC North	493	62,132,818	2,578,852	2,729,319	4.4%	(1,049,147)	184,541	299,033	\$0.82
OC South	167	18,616,227	655,534	666,334	3.6%	113,630	90,000	0	\$1.22
OC West	183	20,618,057	679,137	734,739	3.6%	(200,711)	0	0	\$0.83
OC Airport Area	292	28,738,041	1,828,973	1,941,249	6.8%	(581,908)	0	657,358	\$0.95
South Bay	828	110,247,047	2,009,439	2,189,824	2.0%	(301,355)	411,840	1,064,419	\$0.96

MAJOR TRANSACTIONS

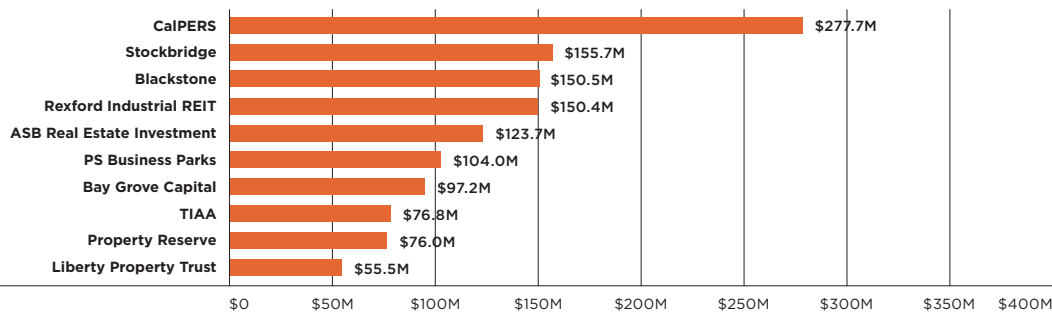
Sales

Owner/Buyer	Seller	Date	Address	Square Feet	Built	Land Area (acres)	Price	Submarket
CenterPoint Properties	Albertsons Companies	Jul '19	9300 Toledo Way	945,788	1981	60	\$196,700,000	OC South
ASB Real Estate Investments	Washington Capital Management	Aug '19	490 Columbia Avenue	1,009,092	2018	49	\$123,750,000	IE East
The Carlyle Group	Hillwood	Jul '19	6275 Lance Drive	1,012,995	2019	52	\$94,200,000	IE East
Property Reserve, Inc.	Cohen Asset Management, Inc.	Jul '19	5300 S Boyle Avenue	305,350	2018	15	\$76,000,000	Commerce
Nuveen Real Estate	Rockefeller Group	Jul '19	1445 S Tippecanoe Avenue	344,249	2018	15	\$43,100,000	IE East

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
VF Corporation	1,206,967	5051 S Carpenter Avenue	New Lease	IE West	Prologis
Cardinal Health	1,012,995	6275 Lance Drive	New Lease	IE East	Dedeaux Properties
Newgistics	677,383	11260 Cedar Avenue	New Lease	IE West	Crow Holdings
Amazon	213,232	9350 Rayo Avenue	New Lease	Commerce	GK Management Company
County of Los Angeles	200,068	13415 Carmenita Road	New Lease	Mid Cities	Golden Springs Development

TOP BUYERS



Source Savills Research

Market Trends



High-tech Industry Focus

3rd most diverse high-tech sector in North America



Vacancy holds Steady

2017: **4.0%** | Today: **4.0%**



Cost of Development

Cost of Construction

Result of Union Intervention

Land costs: **\$50.00/SF**
(20% increase over 1 year)

Savills industrial specialists integrate advanced analytics, strategic planning, corporate finance, supply chain and operations strategy with real estate to ensure decisions are aligned with business goals. We provide a full range of services including comprehensive financial, logistics, brokerage and occupancy solutions to industrial space users across all industries.

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Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills research.