



### QUICK STATS

	Current Quarter
Direct Vacancy	4.3%
Overall Vacancy	4.5%
Lease Rate NNN	\$0.61
Gross Absorption	12,284,690 SF
Under Construction	18,968,804 SF

### MARKET TRENDS

Change from Last	Quarter	Year
Overall Vacancy	↑	↓
Rental Rates	↑	↑
Gross Absorption	↑	↓
Under Construction	↓	↓

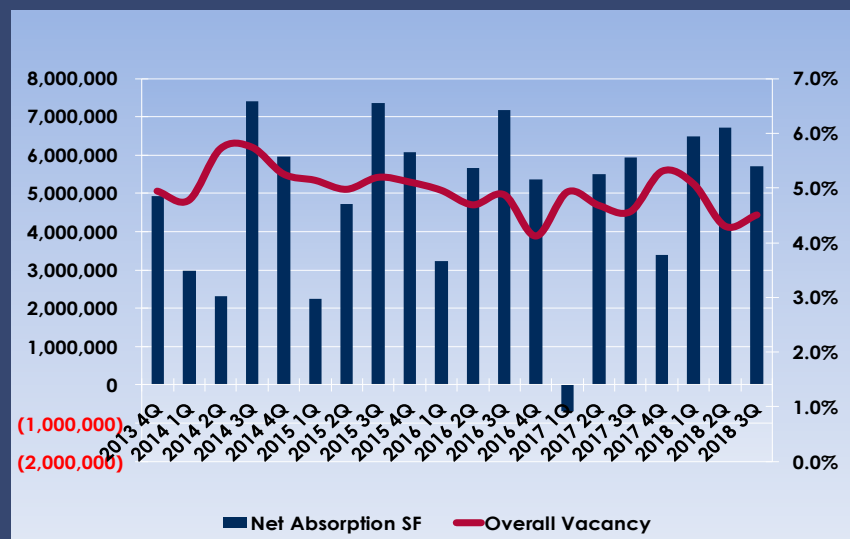
### ECONOMIC STATS

	Current Month	Previous Year
	Sep. '18	Sep. '17
Unemployment Rate (MSA)	4.1%	4.9%
Change in # Of Jobs (MSA)	-700	+41,700
% Change for Jobs (MSA)	-0.0%	+2.9%

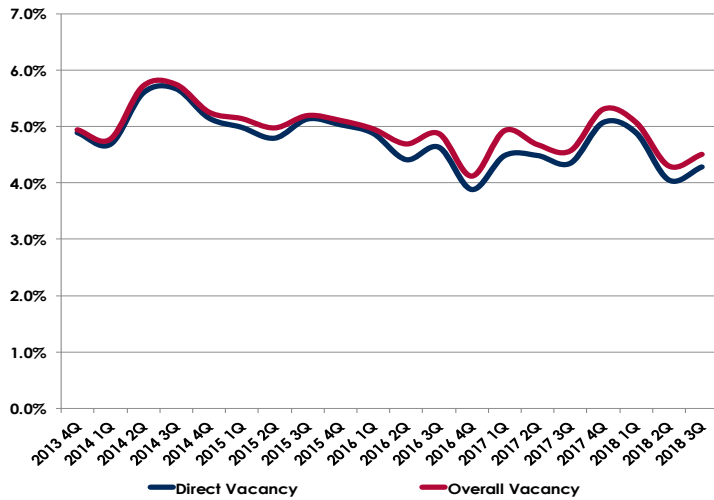
### SUMMARY & OUTLOOK

The Inland Empire industrial market witnessed vacancy rates increase during the quarter, moving from 4.3% to 4.5%. Average asking rents in the market increased 8.9%, year over year, moving from \$0.56nnn to \$0.61nnn. Gross absorption finished the quarter with 12.3 million square feet, while net absorption finished the quarter with a gain of 5.7 million square feet of occupied space. Under construction activity decreased during the quarter with just under 19.0 million square feet currently underway, as the market has delivered 15.6 million square feet of new space for the year. Unemployment rates have declined from 4.9% to 4.1%, year over year, and are still above California (3.9%) and the U.S (3.6%). Big-box industrial continues to lead the way for growth in this market. Since the 1st quarter of 2013, buildings 100,000 sf and larger have seen vacancy decline from 6.5% to 5.2% (absorbing +100.3 million sf), while buildings under 20,000 have witnessed vacancy decrease from 5.6% to 2.3% (absorbing +2.3 million sf) and buildings 20,000 to 99,999 square feet have seen vacancy decline from 5.5% to 3.3% (absorbing +8.3 million sf). Demand for industrial space will continue to be driven by domestic and global consumption levels. In 2017, the Los Angeles and Long Beach Port container traffic recorded its highest container total ever with 16.89 million TEU's, up 8% from 2016 and 7% higher than its second highest year during 2006. Through the third quarter of 2018, total TEU's totaled 12.8 million, up 2.7% compared to the same period last year, and up 11.5% compared to 2016. The investment and sale market for industrial real estate in the Inland Empire remains strong with 2017 recording its highest transaction volume ever at \$2.1 billion, and is on pace to exceed that volume in 2018, while median prices have now reached an all-time high of \$142 PSF (up 13.7%). The capital markets remain solid, but with the Fed continuing to raise interest rates at a measured pace, we do expect overall price growth and demand to cool some in the coming year. We expect to see continued growth in the coming quarters, with vacancy levels remaining in the 4% to 6% range, as the large supply of new construction being delivered will likely exceed or remain near equilibrium with net absorption rates in the coming quarters. The Inland Empire industrial market remains one of the most vibrant growth markets in the United States.

### VACANCY & NET ABSORPTION

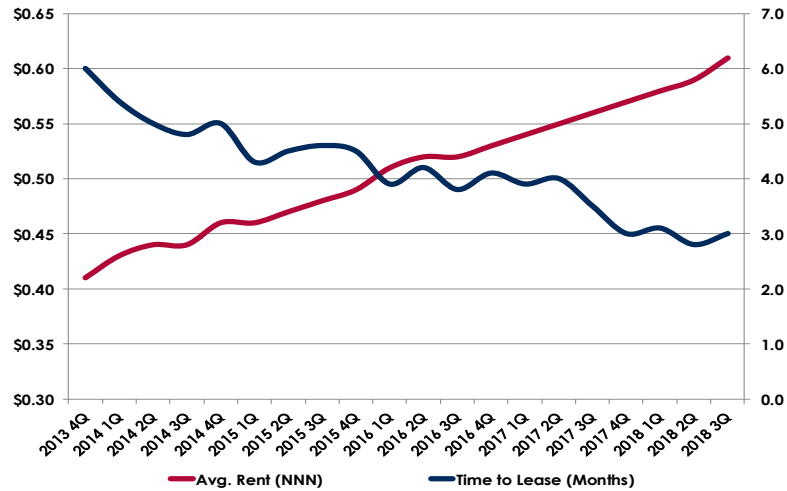


VACANCY



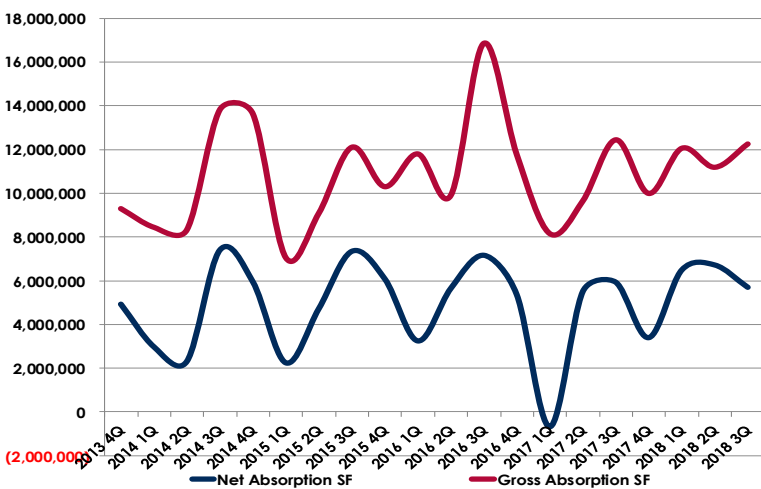
Overall vacancy rates (including sublease space) increased during the quarter, moving from 4.3% to 4.5%. The West Inland Empire submarket finished the quarter with an overall vacancy rate of 3.0%, followed by the East Inland Empire submarket which finished at 6.8%. Since the third quarter of 2017, overall vacancy rates have decreased from 4.6% to 4.5%, and remain near a 10-year low. With new construction still being delivered in large quantities, we expect vacancy levels to remain in the 4% to 6% range in the coming quarters.

RENTAL RATES & TIME ON THE MARKET



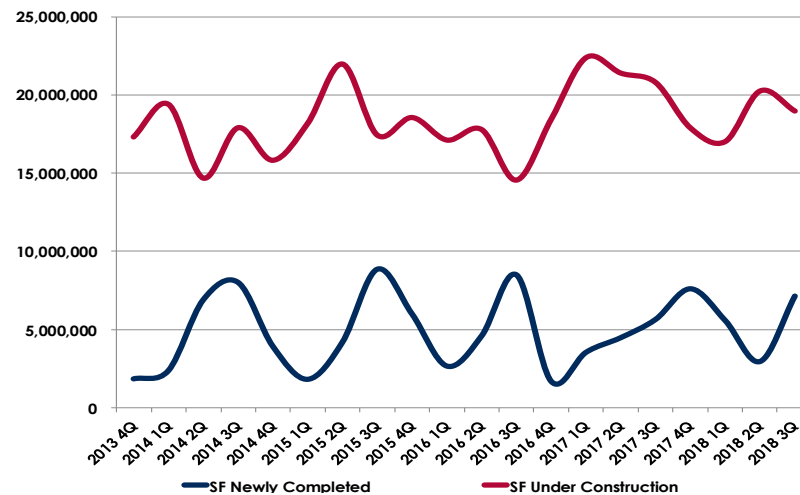
Standard industrial asking rents increased 8.9%, year over year, moving from \$0.56nnn to \$0.61nnn. The West Inland Empire submarket finished the quarter with an average asking rate of \$0.65nnn, followed by the East Inland Empire submarket at \$0.58nnn. During the quarter overall average asking rents increased 3.4%, moving from \$0.59nnn to \$0.61nnn. The median time to lease edged higher from 2.8 months to 3.0 months during the quarter. We expect rents to continue to trend higher in the coming quarters, as demand still remains red hot.

ABSORPTION



Gross absorption totaled 12.3 million square feet for the quarter, up 10% from the previous quarter, but lower by 1% compared to a year ago. Net absorption finished the quarter with a gain of 5.7 million square feet, and has gained 18.9 million square feet for the year. In 2017, the market gained 14.1 million square feet, after gaining 21.4 million square feet during 2016, +20.4 million square feet during 2015, and +18.6 million square feet in 2014. Overall activity and demand levels remain the highest in Southern California and the nation, as the market has recorded positive net absorption in 19 of the past 20 quarters, absorbing +98.5 million square feet during that period.

CONSTRUCTION ACTIVITY



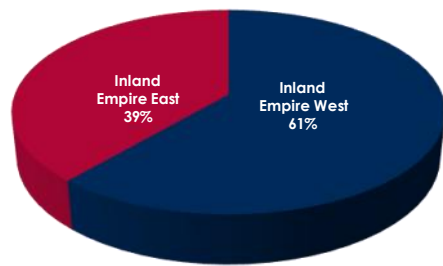
Under construction activity moved lower during the quarter with just under 19.0 million square feet currently underway, as the market has delivered 15.6 million square feet of new space for the year. In 2017, the market delivered 21.2 million square feet of new space, after adding 17.4 million square feet in 2016, 20.8 million square feet in 2015, and 21.1 million square feet during 2014. During the past five years, new deliveries have averaged 19.6 million square feet, annually. We expect new construction levels to remain near current levels as we move into the final quarter of 2018. Among the space currently under construction, only 12% of the new space has been pre-leased or is committed.



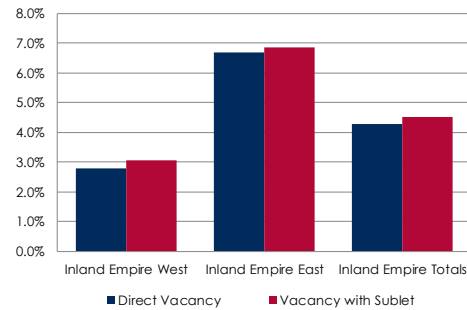
## MARKET SNAPSHOT

SUBMARKETS	Total Inventory Square Footage	Direct Vacant Square Footage	Direct Vacancy Rate	Total Vacant w/ Sublet Square Footage	Vacancy with Sublet Rate
Chino	50,677,706	1,002,488	2.0%	1,223,305	2.4%
Fontana	62,588,052	2,208,594	3.5%	2,228,594	3.6%
Mira Loma/Jurupa Valley	31,228,419	1,095,738	3.5%	1,095,738	3.5%
Montclair / Upland	8,528,080	226,614	2.7%	226,614	2.7%
Ontario	109,476,406	2,017,014	1.8%	2,395,796	2.2%
Rancho Cucamonga	40,710,125	1,029,463	2.5%	1,294,057	3.2%
Rialto	26,246,421	1,579,524	6.0%	1,579,524	6.0%
<b>Inland Empire West</b>	<b>329,455,209</b>	<b>9,159,435</b>	<b>2.8%</b>	<b>10,043,628</b>	<b>3.0%</b>
Colton	9,887,010	704,015	7.1%	728,499	7.4%
Corona / Norco	32,135,832	809,142	2.5%	817,272	2.5%
Moreno Valley	24,894,567	2,984,088	12.0%	2,984,088	12.0%
Perris	24,137,289	1,351,737	5.6%	1,351,737	5.6%
Redlands	28,346,683	1,468,764	5.2%	1,495,637	5.3%
Riverside	49,205,121	3,634,470	7.4%	3,907,425	7.9%
San Bernardino	39,026,001	2,912,830	7.5%	2,912,830	7.5%
<b>Inland Empire East</b>	<b>207,632,503</b>	<b>13,865,046</b>	<b>6.7%</b>	<b>14,197,488</b>	<b>6.8%</b>
<b>Inland Empire Totals</b>	<b>537,087,712</b>	<b>23,024,481</b>	<b>4.3%</b>	<b>24,241,116</b>	<b>4.5%</b>

Industrial Market Inventory

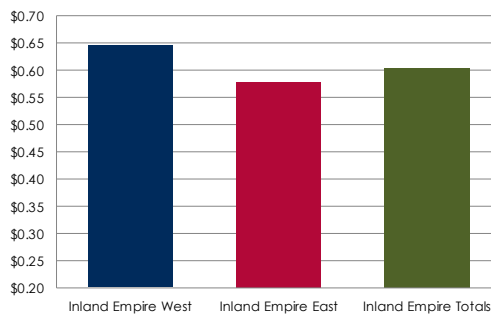


Industrial Vacancy Rates

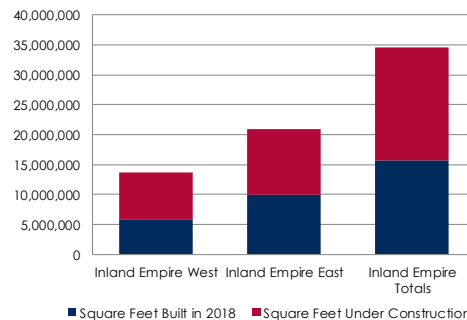


SUBMARKETS	Average Industrial Rent	Square Feet Built in 2018	Square Feet Under Construction	Gross Absorption Square Feet Current Quarter
Chino	\$0.70	2,226,752	1,910,143	2,213,117
Fontana	\$0.63	735,368	1,197,557	1,673,547
Mira Loma/Jurupa Valley	\$0.61	415,307	499,845	301,738
Montclair / Upland	\$0.66	0	53,942	113,433
Ontario	\$0.67	793,609	1,299,750	1,368,483
Rancho Cucamonga	\$0.66	215,748	1,735,292	366,003
Rialto	\$0.62	1,337,862	1,231,259	792,727
<b>Inland Empire West</b>	<b>\$0.65</b>	<b>5,724,646</b>	<b>7,927,788</b>	<b>6,829,048</b>
Colton	\$0.54	0	808,500	173,240
Corona / Norco	\$0.72	222,669	297,668	380,634
Moreno Valley	\$0.54	2,285,631	2,423,418	173,837
Perris	\$0.52	2,249,780	4,213,706	1,046,716
Redlands	\$0.57	156,323	0	1,679,806
Riverside	\$0.61	3,056,077	2,560,492	1,451,651
San Bernardino	\$0.58	1,925,139	737,232	549,758
<b>Inland Empire East</b>	<b>\$0.58</b>	<b>9,895,619</b>	<b>11,041,016</b>	<b>5,455,642</b>
<b>Inland Empire Totals</b>	<b>\$0.61</b>	<b>15,620,265</b>	<b>18,968,804</b>	<b>12,284,690</b>

Industrial Rental Rates



New Construction Activity



**SOUTHERN CALIFORNIA INDUSTRIAL SALES TREND ANALYSIS**

TOTAL SALES TRANSACTIONS										
Market	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	523	707	1,040	1,439	1,193	1,350	1,593	1,404	1,729	1,154
Orange County	163	211	279	445	399	351	435	468	499	278
Inland Empire	293	291	385	560	573	596	680	648	855	577
Ventura County	59	53	83	92	100	110	111	137	140	93
<b>Totals</b>	<b>1,038</b>	<b>1,262</b>	<b>1,787</b>	<b>2,536</b>	<b>2,265</b>	<b>2,407</b>	<b>2,819</b>	<b>2,657</b>	<b>3,223</b>	<b>2,102</b>

TOTAL TRANSACTION DOLLAR VALUE (MILLIONS)										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$855.3	\$1,235.9	\$1,559.9	\$2,169.9	\$2,028.7	\$2,318.1	\$3,298.6	\$2,968.9	\$3,367.8	\$2,764.0
Orange County	\$268.7	\$445.7	\$623.2	\$645.3	\$863.3	\$990.0	\$932.7	\$1,267.7	\$1,042.5	\$937.3
Inland Empire	\$610.1	\$879.4	\$1,003.7	\$908.8	\$1,291.8	\$1,491.4	\$1,571.8	\$1,379.3	\$2,093.6	\$1,727.6
Ventura County	\$41.7	\$103.4	\$106.0	\$191.3	\$117.5	\$221.5	\$152.9	\$198.4	\$284.1	\$153.1
<b>Totals</b>	<b>\$1,775.8</b>	<b>\$2,664.4</b>	<b>\$3,292.9</b>	<b>\$3,915.3</b>	<b>\$4,301.4</b>	<b>\$5,020.9</b>	<b>\$5,956.0</b>	<b>\$5,814.3</b>	<b>\$6,788.0</b>	<b>\$5,582.0</b>

TOTAL SQUARE FEET SOLD										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	12,693,610	22,070,016	21,424,248	32,281,191	23,489,849	23,828,023	32,277,688	24,086,666	29,104,208	19,199,800
Orange County	3,220,715	4,748,362	6,875,738	9,108,256	9,514,003	9,677,040	8,932,855	8,761,043	7,979,144	5,804,158
Inland Empire	12,146,126	19,982,237	18,270,896	18,750,653	23,328,570	23,020,742	21,654,003	15,649,591	21,562,300	17,933,855
Ventura County	446,275	1,217,138	1,401,721	3,495,113	1,669,355	3,161,254	1,861,266	2,708,692	3,078,185	1,786,705
<b>Totals</b>	<b>28,506,726</b>	<b>48,017,753</b>	<b>47,972,603</b>	<b>63,635,213</b>	<b>58,001,777</b>	<b>59,687,059</b>	<b>64,725,812</b>	<b>51,205,992</b>	<b>61,723,837</b>	<b>44,724,518</b>

AVERAGE PRICE / SF										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$93.28	\$72.09	\$97.62	\$95.75	\$101.02	\$114.62	\$132.61	\$150.97	\$160.13	\$188.00
Orange County	\$124.94	\$104.97	\$102.68	\$110.16	\$108.88	\$129.30	\$155.05	\$163.93	\$178.30	\$201.14
Inland Empire	\$54.79	\$53.34	\$62.40	\$66.50	\$70.95	\$73.69	\$91.10	\$102.20	\$112.94	\$118.37
Ventura County	\$130.65	\$92.43	\$101.31	\$68.67	\$84.30	\$93.22	\$104.92	\$100.14	\$110.19	\$108.34
<b>Averages</b>	<b>\$81.04</b>	<b>\$68.05</b>	<b>\$85.04</b>	<b>\$87.71</b>	<b>\$89.73</b>	<b>\$100.08</b>	<b>\$121.02</b>	<b>\$135.59</b>	<b>\$143.50</b>	<b>\$158.60</b>

MEDIAN PRICE / SQUARE FOOT										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
LA County	\$115.70	\$104.13	\$107.96	\$108.04	\$113.64	\$127.14	\$141.92	\$158.36	\$178.05	\$195.00
Orange County	\$150.00	\$126.29	\$125.38	\$126.00	\$136.89	\$144.07	\$169.00	\$179.32	\$204.54	\$222.51
Inland Empire	\$86.50	\$75.29	\$70.06	\$72.60	\$76.39	\$88.21	\$100.00	\$118.01	\$125.00	\$142.13
Ventura County	\$159.57	\$114.43	\$104.09	\$99.77	\$97.10	\$113.76	\$124.70	\$122.33	\$135.99	\$148.00
<b>Median Average</b>	<b>\$107.82</b>	<b>\$94.58</b>	<b>\$95.91</b>	<b>\$99.71</b>	<b>\$102.00</b>	<b>\$114.16</b>	<b>\$131.14</b>	<b>\$147.71</b>	<b>\$160.84</b>	<b>\$175.49</b>

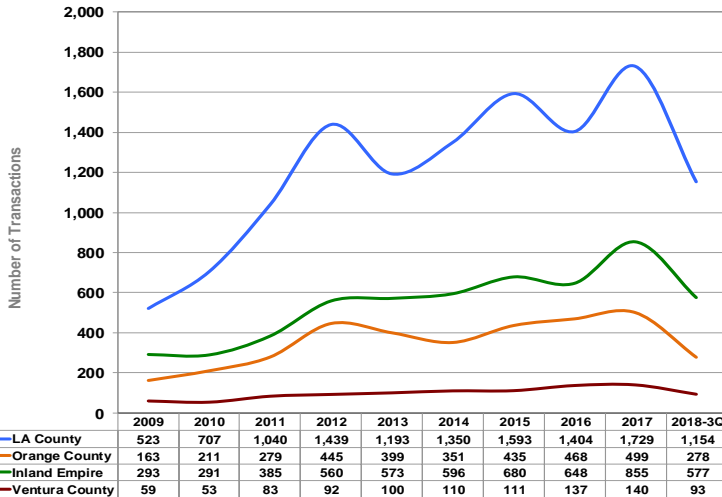
MEDIAN \$ PSF INCREASE										
Bldg. SF	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q	
LA County	-10.0%	3.7%	0.1%	5.2%	11.9%	11.6%	11.6%	12.4%	9.5%	
Orange County	-15.8%	-0.7%	0.5%	8.6%	5.2%	17.3%	6.1%	14.1%	8.8%	
Inland Empire	-13.0%	-6.9%	3.6%	5.2%	15.5%	13.4%	18.0%	5.9%	13.7%	
Ventura County	-28.3%	-9.0%	-4.2%	-2.7%	17.2%	9.6%	-1.9%	11.2%	8.8%	
<b>Totals</b>	<b>-12.3%</b>	<b>1.4%</b>	<b>4.0%</b>	<b>2.3%</b>	<b>11.9%</b>	<b>14.9%</b>	<b>12.6%</b>	<b>8.9%</b>	<b>9.1%</b>	

The following information has been obtained from sources deemed reliable. While we do not doubt its accuracy, we make no warranty or representation about it. This report contains verified arms-length transactions, but excludes all portfolio sales.

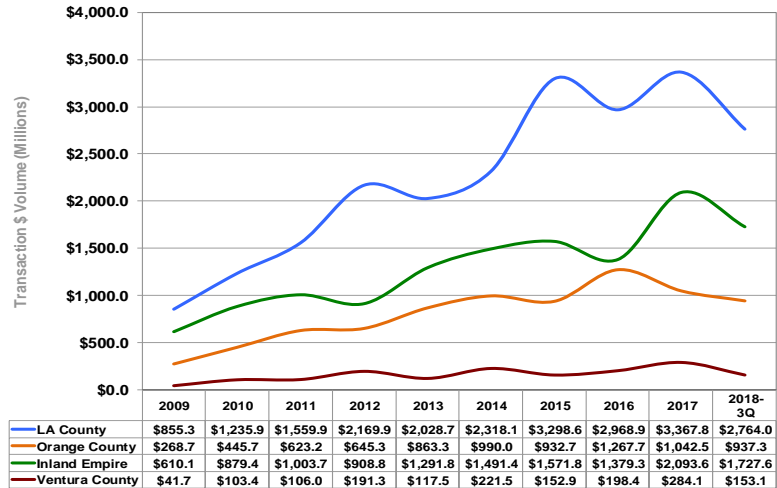


## SOUTHERN CALIFORNIA INDUSTRIAL SALES TREND ANALYSIS

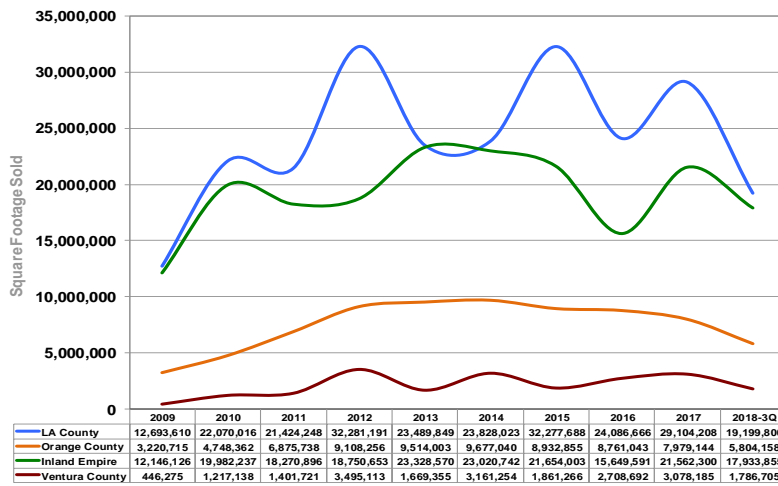
### Number of Transactions



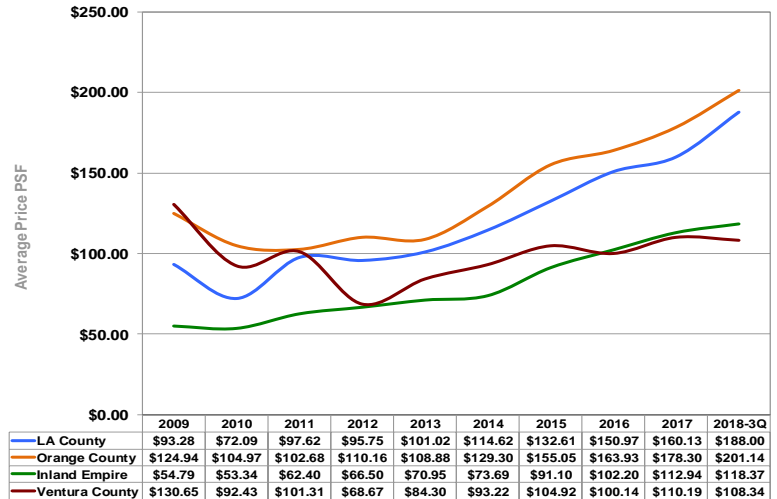
### Transaction Volume \$



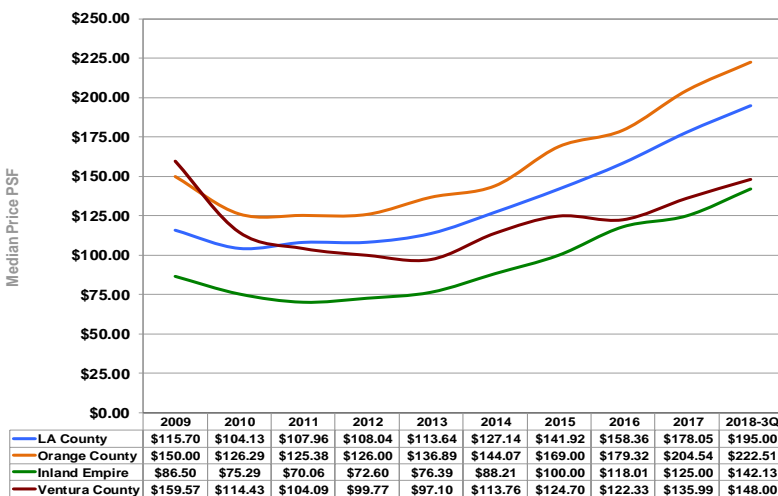
### Square Footage Sold



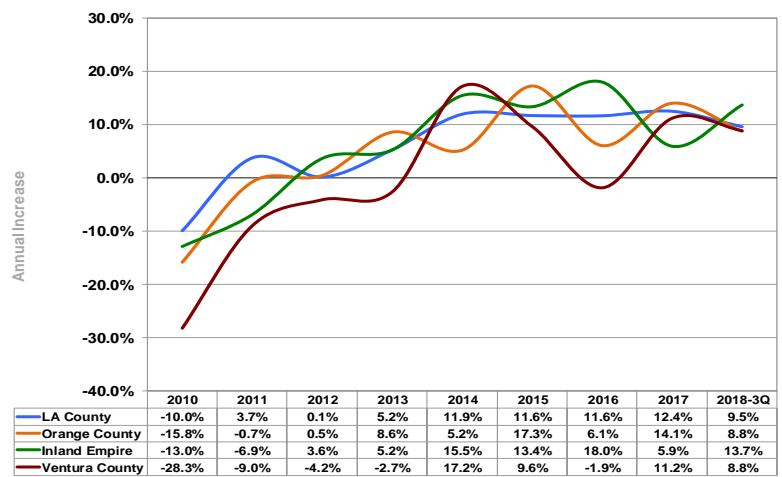
### Average Price PSF



### Median Price PSF

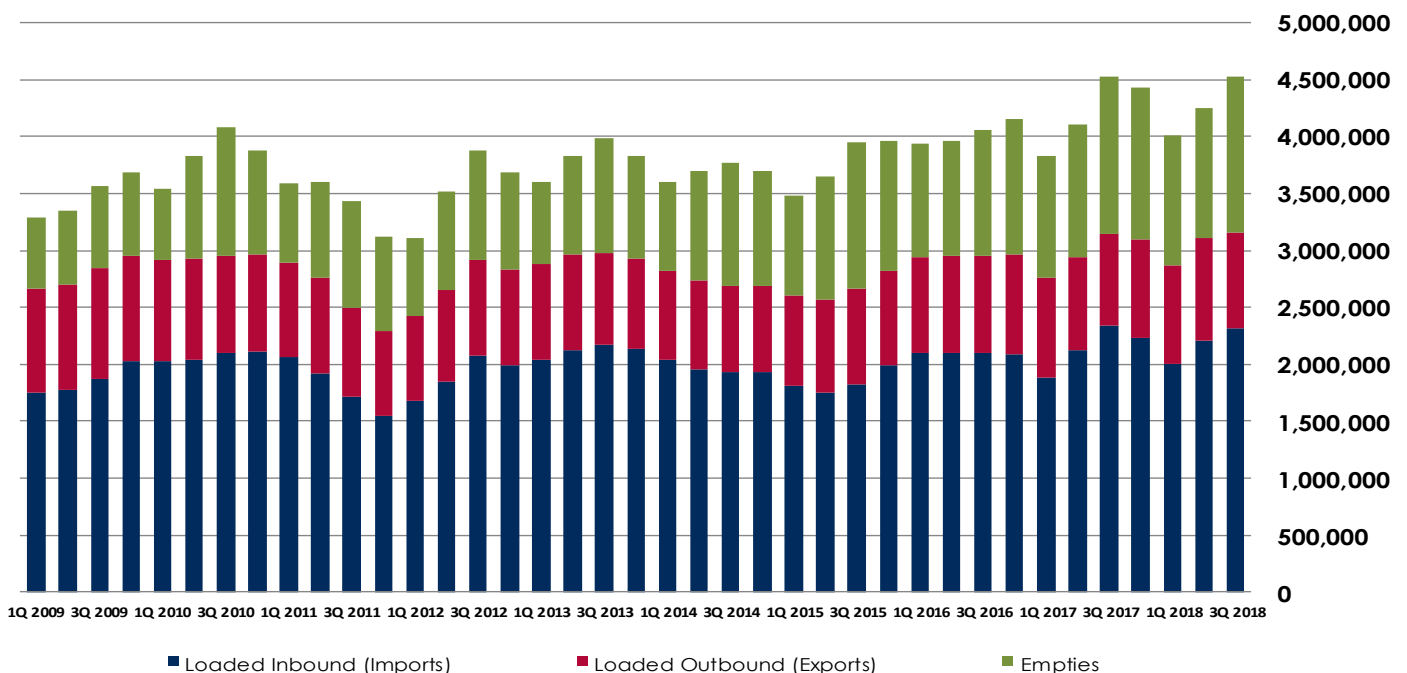


### % Change Median Price PSF



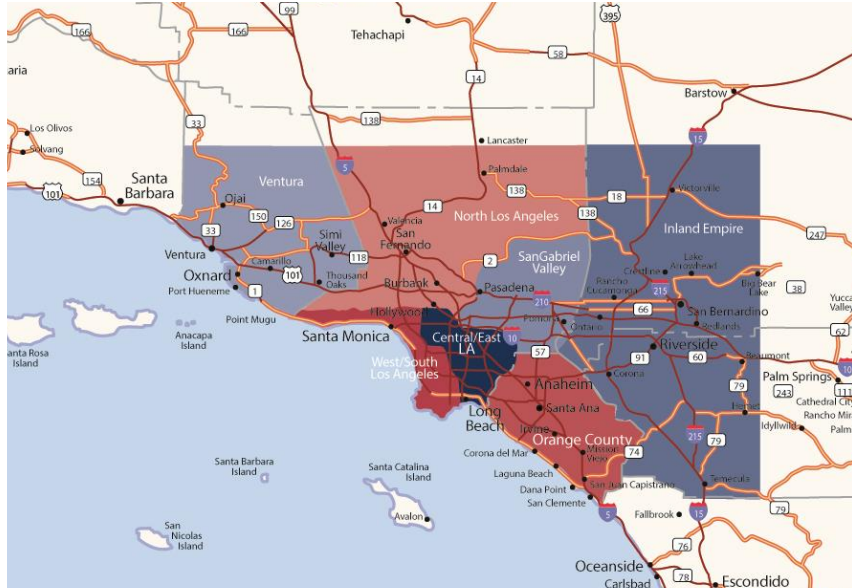
**PORTS OF LONG BEACH & LOS ANGELES HISTORICAL CONTAINER STATS & TRENDS**

Quarter & Year	Loaded Inbound (Imports)	Loaded Outbound (Exports)	Total Loaded	Empties	Total Containers	% Change (Prior Qtr.)	% Change (Prior Yr.)	% Change (Prior 2 Yrs.)
3Q 2018	2,321,085	838,311	3,159,396	1,371,280	4,530,676	6.5%	0.2%	11.6%
2Q 2018	2,207,186	900,327	3,107,513	1,148,024	4,255,536	6.2%	3.6%	11.2%
1Q 2018	2,005,109	865,171	2,870,280	1,136,253	4,006,533	-9.6%	4.7%	11.5%
4Q 2017	2,236,512	864,951	3,101,463	1,329,531	4,430,994	-2.0%	6.7%	14.3%
3Q 2017	2,339,073	811,292	3,150,365	1,372,386	4,522,752	10.1%	11.4%	6.0%
2Q 2017	2,117,463	826,178	2,943,641	1,163,392	4,107,033	7.3%	7.4%	5.0%
1Q 2017	1,886,230	868,029	2,754,259	1,072,668	3,826,927	-7.9%	6.5%	10.1%
4Q 2016	2,087,498	879,267	2,966,765	1,186,955	4,153,720	2.3%	7.1%	12.4%
3Q 2016	2,099,200	853,033	2,952,233	1,107,223	4,059,456	6.1%	-4.8%	7.6%
2Q 2016	2,096,446	856,215	2,818,094	1,007,246	3,825,340	6.5%	-2.2%	3.4%
1Q 2016	2,094,859	845,044	2,598,231	995,207	3,593,438	-7.3%	3.4%	-0.1%
4Q 2015	1,991,444	826,650	2,736,450	1,140,516	3,876,965	-9.1%	4.9%	1.4%
3Q 2015	1,817,161	844,562	2,661,724	1,284,213	4,265,623	9.0%	13.0%	7.1%
2Q 2015	1,754,371	812,980	2,567,351	1,082,394	3,913,298	12.6%	5.8%	2.1%
1Q 2015	1,809,180	789,051	2,598,231	878,445	3,476,676	-5.9%	-3.4%	-3.3%
4Q 2014	1,931,724	759,835	2,691,559	1,004,845	3,696,404	-2.0%	-3.4%	0.3%
3Q 2014	1,928,187	757,074	2,685,261	1,088,280	3,773,541	2.0%	-5.2%	-2.8%
2Q 2014	1,949,084	787,366	2,736,450	963,609	3,700,059	2.8%	-3.4%	5.1%
1Q 2014	2,037,574	779,934	2,817,508	780,456	3,597,965	-5.9%	0.1%	15.5%
4Q 2013	2,138,563	795,898	2,934,461	890,168	3,824,629	-3.9%	3.8%	22.6%
3Q 2013	2,168,507	812,903	2,981,410	1,000,308	3,981,718	3.9%	2.6%	16.0%
2Q 2013	2,128,504	834,750	2,963,254	868,882	3,832,136	6.6%	8.9%	6.5%
1Q 2013	2,038,181	840,821	2,879,003	716,573	3,595,576	-2.4%	15.5%	0.2%

**Ports of Long Beach & Los Angeles Historical Container Stats  
Container Trade in TEUs\***


MARKET REPORT OVERVIEW

SOUTHERN CALIFORNIA MARKET MAP



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  
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The information contained in this report has been obtained from sources deemed reliable and has incorporated fourth-party data which has not been independently verified by DAUM. While we do not doubt its accuracy, DAUM makes no guarantee or warranty as to its completeness or accuracy. Due to the dynamic (constantly changing) database which DAUM uses to compile and analyze markets contained in this report, previously published statistics may vary from the data published in this report. Statistics and data have been revised to reflect changes in the following categories: existing buildings being verified and added to the database, new or revised occupancy information gathered, new construction being added to the inventory, building demolitions and renovations, as well as other factors that would necessitate revisions to the data and the properties surveyed. This methodology allows us to present the most current and up-to-date information, trend analysis and comparative statistics for this report.

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 2018

New buildings with original construction completed in the year 2018 and granted a Certificate of Occupancy. Renovated buildings are not included.

