MARKET OVERVIEW

Availability and new deliveries of Los Angeles industrial product cannot keep up with the market’s insatiable demand. Los Angeles’ industrial market began 2018 by continuing the trend of low vacancy and rising rental rates. At the end of 1Q 2018 vacancy was just 2.2% while the average asking rent reached an unprecedented $0.82/SF. A strong economy drove demand for industrial space as demonstrated by increased cargo volume from the ports of Los Angeles and Long Beach, which handle roughly 32% of the nation’s cargo imports. In January and February 2018, more than 2.8 million TEUs filtered through the two ports. The first two months of the year saw no slowdown in port activity, which is significant as cargo volume typically declines due to the Lunar New Year when many Chinese businesses and factories shut down for the extended holiday. Instead, combined cargo volume from both ports jumped 12.7% over the year and imports were up 14.6%. Consumer demand for imported goods is supporting cargo volume increases and will continue driving demand for industrial space in Los Angeles.

TRENDS TO WATCH

Demand will continue to outpace supply in Los Angeles’s tight industrial market. New deliveries, such as the 512,490 SF warehouse in Torrance that had not secured a tenant, contributed to the slight uptick in vacancy this quarter. The strong momentum of the market suggests that this project and other new construction will not struggle with occupancy for long. Lack of available land for construction will continue to limit future development opportunities. Tenants should expect vacancy to remain low, fueling increases in the average asking rent. Despite political uncertainty surrounding trade relations between the United States and China, the Los Angeles industrial market is unlikely to experience any significant reversal in market trends. Anticipated e-commerce growth will drive demand for warehouses and distribution centers.

Average Asking Rent and Vacancy Rate

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Vacant (%)</th>
<th>Asking Rent ($/PSF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1'16</td>
<td>2.2%</td>
<td>$0.60</td>
</tr>
<tr>
<td>Q2'16</td>
<td>2.2%</td>
<td>$0.66</td>
</tr>
<tr>
<td>Q3'16</td>
<td>2.2%</td>
<td>$0.72</td>
</tr>
<tr>
<td>Q4'16</td>
<td>2.2%</td>
<td>$0.78</td>
</tr>
<tr>
<td>Q1'17</td>
<td>2.2%</td>
<td>$0.84</td>
</tr>
<tr>
<td>Q2'17</td>
<td>2.2%</td>
<td>$0.90</td>
</tr>
<tr>
<td>Q3'17</td>
<td>2.2%</td>
<td>$0.90</td>
</tr>
<tr>
<td>Q4'17</td>
<td>2.2%</td>
<td>$0.90</td>
</tr>
<tr>
<td>Q1'18</td>
<td>2.2%</td>
<td>$0.90</td>
</tr>
</tbody>
</table>

Rents reflect buildings of 10,000 SF or greater
Source: NAI Capital Research, Costar
Los Angeles Industrial Market Outlook 1Q 2018

Market Statistics

<table>
<thead>
<tr>
<th>SUBMARKET</th>
<th>EXISTING TOTAL RBA (SF)</th>
<th>UNDER CONSTRUCTION (SF)</th>
<th>TOTAL AVAILABLE (%)</th>
<th>TOTAL VACANCY (%)</th>
<th>1Q18 LEASING VOLUME (SF)</th>
<th>YTD LEASING VOLUME (SF)</th>
<th>1Q18 SALES VOLUME (SF)</th>
<th>YTD SALES VOLUME (SF)</th>
<th>AVERAGE ASKING RENT $/PSF NNN</th>
<th>AVERAGE SALE PRICE $/PSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>242,695,063</td>
<td>237,500</td>
<td>4.7%</td>
<td>2.5%</td>
<td>2,508,497</td>
<td>2,508,497</td>
<td>2,555,059</td>
<td>2,555,059</td>
<td>$0.75</td>
<td>$180</td>
</tr>
<tr>
<td>Mid-Cities</td>
<td>99,607,464</td>
<td>1,081,473</td>
<td>5.0%</td>
<td>2.7%</td>
<td>1,969,863</td>
<td>1,969,863</td>
<td>752,595</td>
<td>752,595</td>
<td>$0.76</td>
<td>$160</td>
</tr>
<tr>
<td>South Bay</td>
<td>213,821,461</td>
<td>771,618</td>
<td>3.6%</td>
<td>1.8%</td>
<td>1,301,125</td>
<td>1,301,125</td>
<td>670,131</td>
<td>670,131</td>
<td>$1.01</td>
<td>$259</td>
</tr>
<tr>
<td>LA North</td>
<td>145,323,802</td>
<td>471,104</td>
<td>3.8%</td>
<td>1.9%</td>
<td>853,019</td>
<td>853,019</td>
<td>587,851</td>
<td>587,851</td>
<td>$0.84</td>
<td>$217</td>
</tr>
<tr>
<td>San Gabriel Valley</td>
<td>169,538,774</td>
<td>604,671</td>
<td>4.6%</td>
<td>2.8%</td>
<td>1,673,461</td>
<td>1,673,461</td>
<td>1,213,704</td>
<td>1,213,704</td>
<td>$0.71</td>
<td>$159</td>
</tr>
<tr>
<td>Total</td>
<td>870,986,564</td>
<td>3,166,366</td>
<td>4.2%</td>
<td>2.2%</td>
<td>8,305,965</td>
<td>8,305,965</td>
<td>5,779,340</td>
<td>5,779,340</td>
<td>$0.82</td>
<td>$189</td>
</tr>
</tbody>
</table>

RBA includes industrial buildings of all sizes. Rents reflect buildings of at least 10,000 square feet.

Leasing

Tenants in Los Angeles paid record high rental rates in 1Q 2018, provided they found suitable space at all. Rents reached a record-breaking $0.82/SF, an increase of $0.01/SF over the quarter and $0.06/SF from this time in 2017. The average asking rent is now 26.2% higher than the prior peak reached in 2008. Just over 8.3 million SF were leased in the first quarter, a decline of 19.2% over the last quarter and down 29.8% from 4Q 2017 due to low availability. Fashion Nova leased a 403,635 SF distribution building in Santa Fe Springs in one of the largest lease transactions from 1Q 2018. Another fashion brand, Style Melody, leased a 102,400 SF warehouse in Vernon at an asking rate of $0.69/SF.

Sales

Los Angeles County sale volume tapered down in 1Q 2018 following the significant uptick seen last year. Nearly 5.8 million SF of industrial space sold, 30.8% less than the prior quarter and 3.6% less than the previous year. Sold properties averaged 19,998 SF in size, which is 22.1% larger than a year ago. Investment activity remained solid as cap rates declined 42 basis points over the same time to 5.15%. The average sale price per square foot was $189, up 18.5% from last quarter and up 30.5% from last year. Liberty Property Trust purchased the 406,169 SF Randolph Business Center for $232/SF in one of the quarter’s largest investment transactions. The building, located at 5959 Randolph Street in Commerce, was leased to OnTrac at the time of sale. In another transaction, The Blackstone Group purchased the 3-building, 291,413 SF Commerce Business Center from The Magellan Group for $144/SF at a 5.00% cap rate.

Select Lease Transactions:

<table>
<thead>
<tr>
<th>TENANT</th>
<th>ADDRESS</th>
<th>SUBMARKET</th>
<th>ASKING RENT $/PSF</th>
<th>SQUARE FEET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withheld</td>
<td>5525 S Soto St.</td>
<td>Central</td>
<td>$0.53 IG</td>
<td>506,580</td>
</tr>
<tr>
<td>Fashion Nova</td>
<td>12588 Florence Ave.</td>
<td>Mid-Cities</td>
<td>Withheld</td>
<td>403,635</td>
</tr>
<tr>
<td>Columbia Distribution</td>
<td>13220-13338 Orden Dr.</td>
<td>Mid-Cities</td>
<td>$0.65</td>
<td>123,120</td>
</tr>
<tr>
<td>Style Melody</td>
<td>5500 S Boyle Ave.</td>
<td>Central</td>
<td>$0.69</td>
<td>102,400</td>
</tr>
<tr>
<td>Valvoline</td>
<td>9211 Sorensen Ave.</td>
<td>Mid-Cities</td>
<td>$0.98</td>
<td>98,000</td>
</tr>
</tbody>
</table>

*All rents are NNN unless otherwise noted

Select Sales Transactions:

<table>
<thead>
<tr>
<th>BUYER</th>
<th>ADDRESS</th>
<th>SUBMARKET</th>
<th>SALE PRICE $/PSF</th>
<th>SQUARE FEET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberty Property Trust</td>
<td>5959 Randolph St.</td>
<td>Central</td>
<td>$232</td>
<td>400,169</td>
</tr>
<tr>
<td>The Blackstone Group LP</td>
<td>Commerce Business Center</td>
<td>Central</td>
<td>$144</td>
<td>291,413</td>
</tr>
<tr>
<td>Rexford Industrial</td>
<td>16010 Shoemaker Ave.</td>
<td>Mid-Cities</td>
<td>$149</td>
<td>115,600</td>
</tr>
<tr>
<td>NantHealth, LLC</td>
<td>202 N Nash St.</td>
<td>South Bay</td>
<td>$387</td>
<td>111,238</td>
</tr>
<tr>
<td>Ottogi America, Inc.</td>
<td>16200 Trojan Way</td>
<td>Mid-Cities</td>
<td>$164</td>
<td>106,926</td>
</tr>
</tbody>
</table>
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