



Q4 2019 Southern California Industrial Comparison

An in-depth look at the regional industrial market and how the major submarkets stack up.





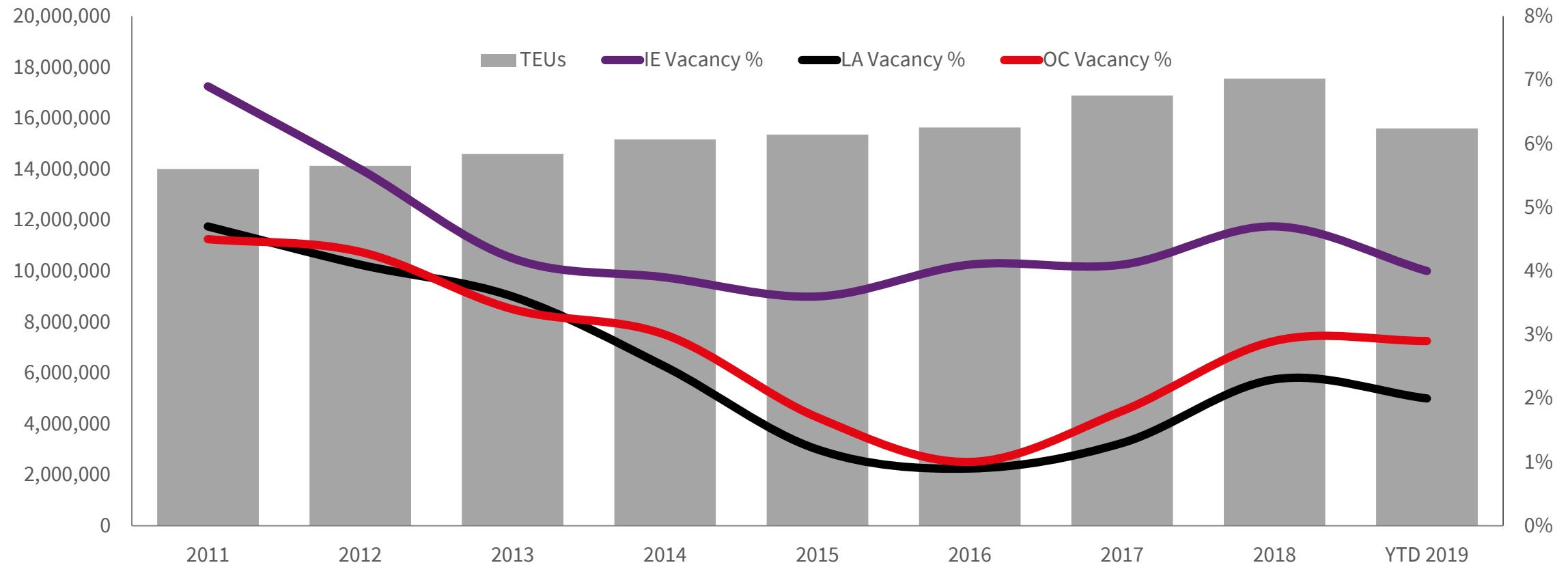
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Trade activity drives demand for warehouse space

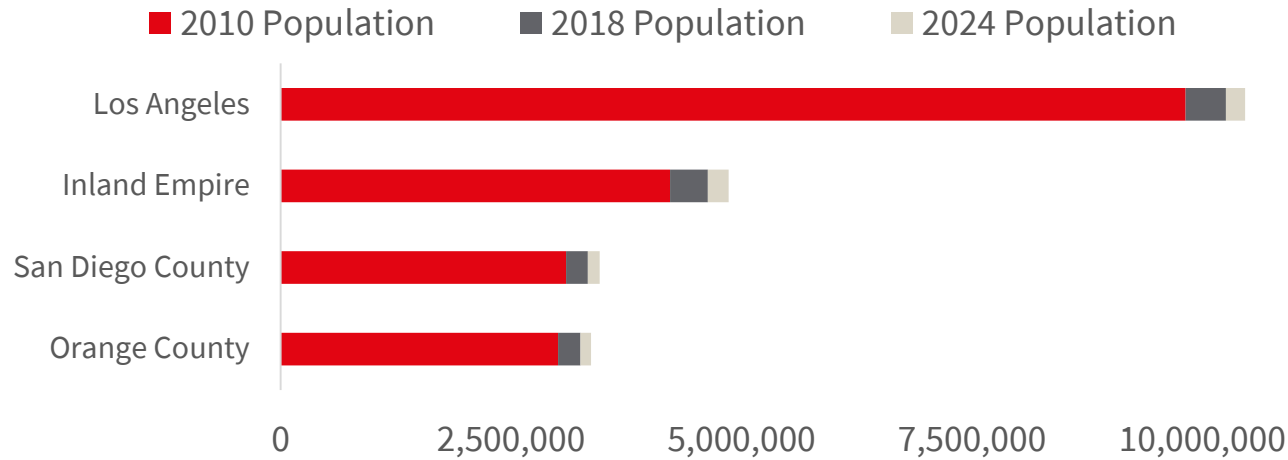


Port of LA and Long Beach Total TEU volume YTD



Similar to other West Coast ports, cargo volumes at the Ports of Long Beach and Los Angeles slumped in November compared to the previous year as the trade war with China continued to play out though 2019. But, year-to-date figures are actually tracking closely with 2018's banner year due to the influx of activity during the first half of the 2019, when importers attempted to get ahead of additional rounds of tariffs. And once December totals are released, it will likely result in the second busiest year on record at the ports. The US and China are scheduled to come to a preliminary trade agreement in early 2020, which should help deescalate existing tariffs and stabilize trans-pacific trade activity.

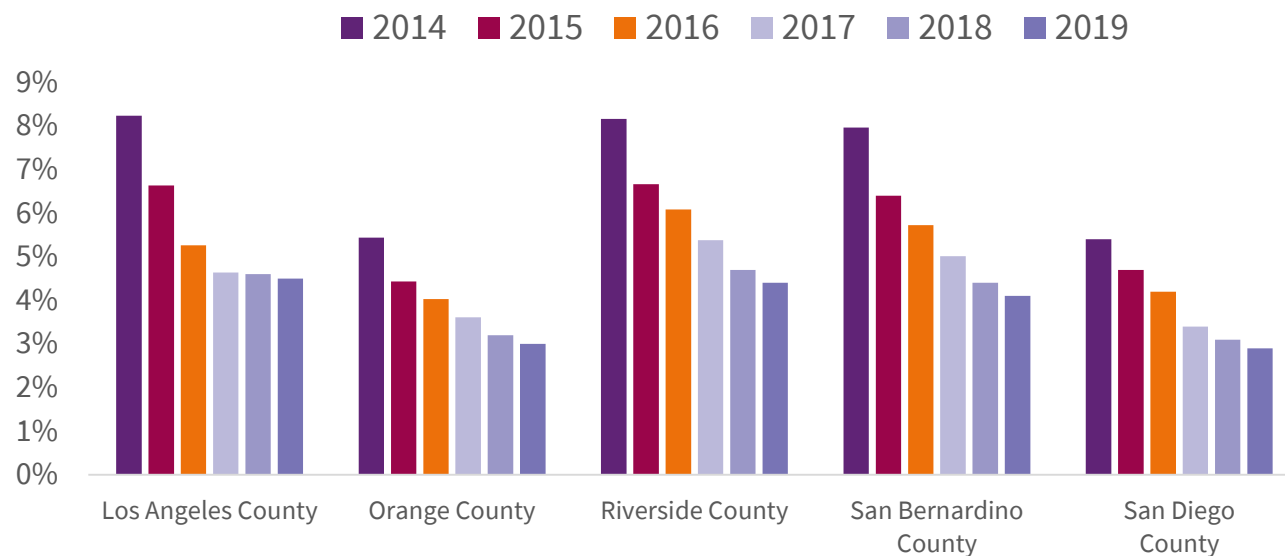
Low unemployment creating labor challenges



1

Southern California’s thriving industrial market shows no sign of slowing down, especially when it comes to attracting parties interested in securing logistics and last mile warehouse properties. Because of the e-commerce boom, retailers, as well as domestic and foreign investors, are competing for space in or near prime markets with dense populations. Los Angeles is the most populated county in the country and Orange County closely follows as the fifth-most populated; this, tied to their proximity to the ports of Los Angeles and Long Beach **makes industrial properties here some of the most sought after in the nation.**

Unemployment Rate by County

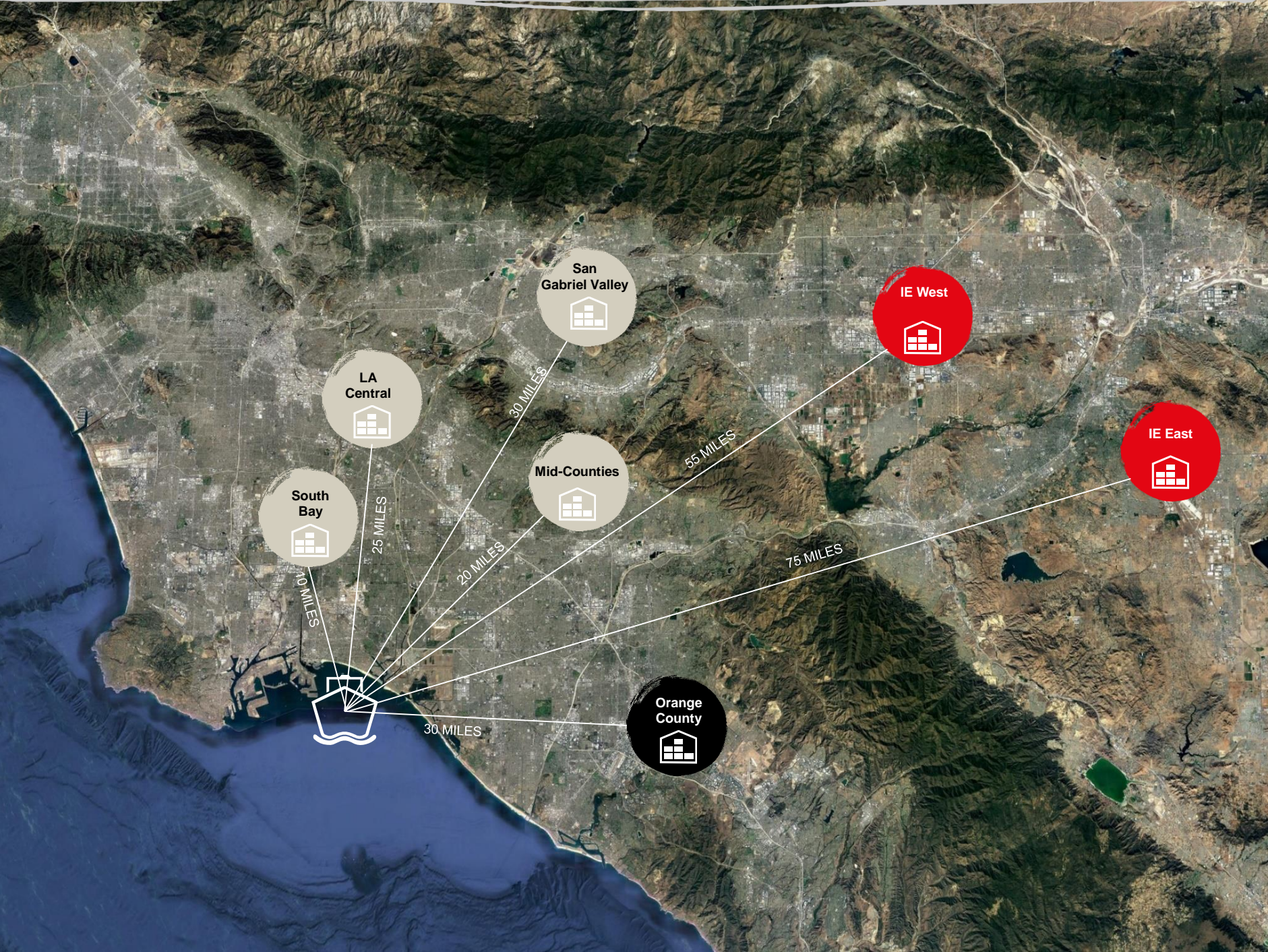


2

The unemployment rate for the region as a whole is 4.3 percent, above the nation and the rest of the state. Still, **over the last 12 months, SoCal bosses added a total of 117,900 jobs, an increase of 1.5 percent.** This was led by health care and social assistance, which added a total of 36,000 jobs throughout the region. This sector was the dominant leader in both Los Angeles and in Riverside and San Bernardino while professional and business services was the sector that added the most jobs in Orange County.

Drayage rates

Increasing freight demand and cargo volume at the ports of Los Angeles and Long Beach along with tightening labor conditions are driving demand for drayage throughout the region. Because 2018 was a record year for port activity, year-over-year drayage rates show an average decrease of 2.8% compared to 2018 but an average increase of 10% compared to 2017. South Bay maintained year-over-year increases in drayage rates while all other areas decreased compared to 2018, with San Gabriel Valley and IE West (Ontario) showing the greatest decreases at 5.7% and 5.8%, respectively.



		Container rate	Average Asking rate
LA Central	• City of Commerce	\$422	\$0.84
San Gabriel Valley	• City of Industry	\$495	\$0.80
Mid-Countries	• Santa Fe Springs	\$437	\$0.82
South Bay	• Compton	\$368	\$1.02
	• Carson	\$366	
Orange County	• Irvine	\$496	\$0.99
IE West	• Ontario	\$568	\$0.62
	• Fontana	\$605	
IE East	• San Bernardino	\$664	\$0.54
	• Moreno Valley	\$705	

Note: Rate information obtained from five drayage companies which average more than 15-years of industry experience. An annual volume assumption was based on 5,000 x 40' containers per year. Asking rates quoted on a monthly basis, as of Q1 2019.

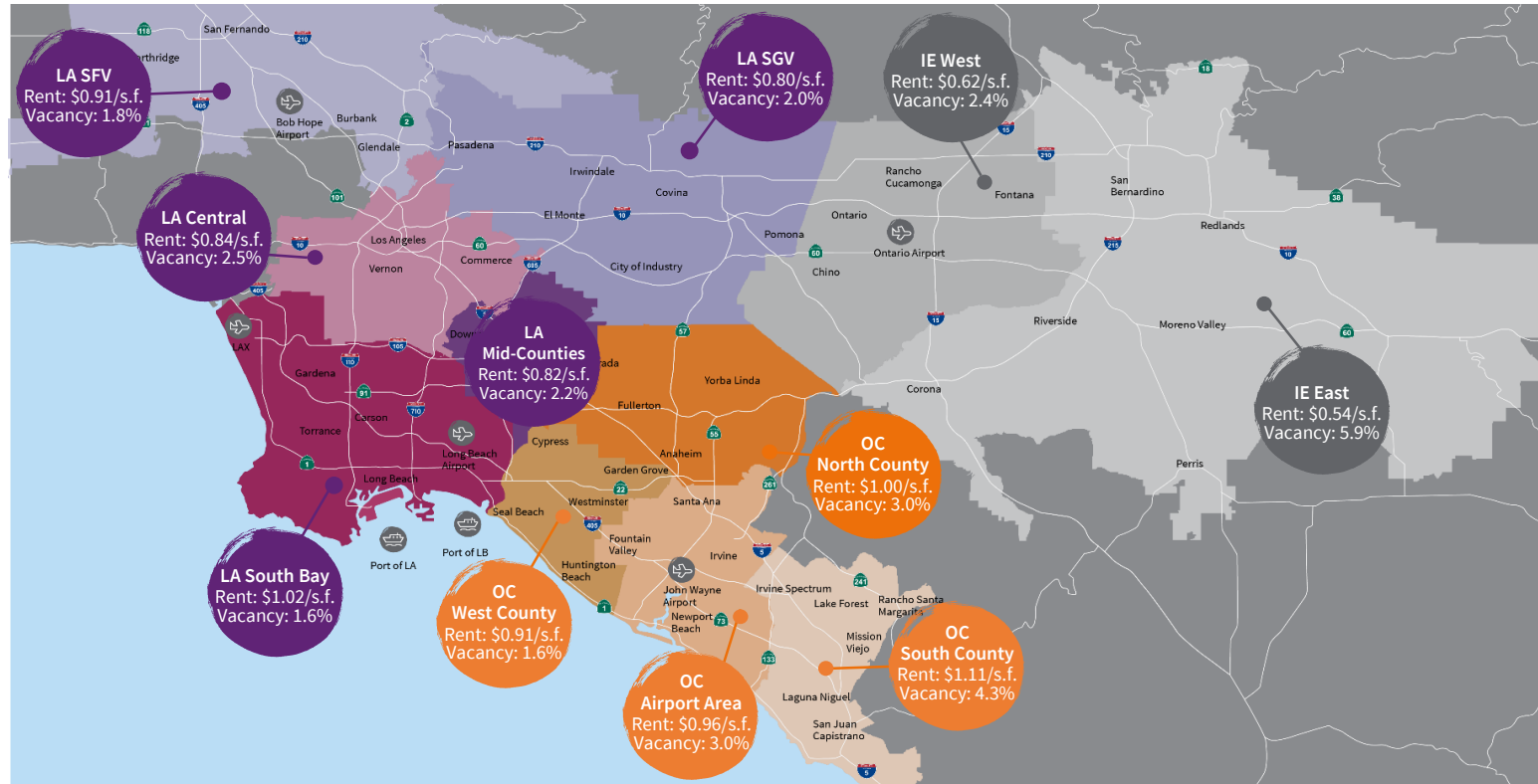


Submarket comparison





Regional industrial market by the numbers Q4'19

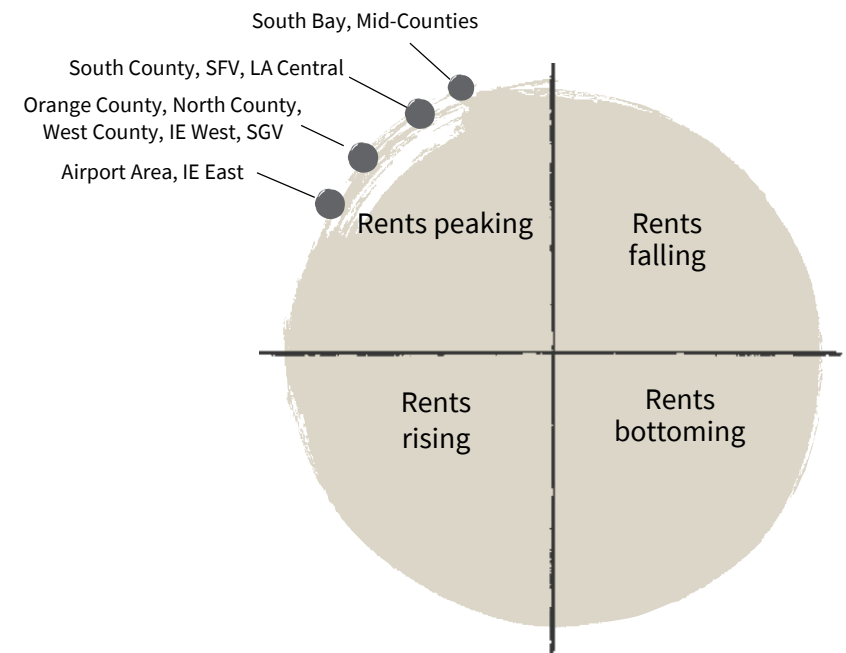


Regional Market



	Inventory (s.f.)	Q4 2019 total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total Vacancy (%)	Total Availability (%)	Avg Asking NNN rents (p.s.f)	Q4 2019 completions (s.f.)	YTD completions (s.f.)	Under construction (s.f.)
Los Angeles	774,077,259	-220,882	3,440,147	0.4%	2.0%	4.9%	\$0.90	1,181,081	2,225,983	5,805,382
Inland Empire	548,213,228	4,565,005	19,305,388	3.5%	4.0%	8.0%	\$0.57	6,555,104	16,253,104	23,275,194
Orange County	207,275,320	-51,388	-316,065	-0.2%	2.9%	5.2%	\$0.99	0	422,630	1,201,526

*For buildings 10,000 s.f. and larger

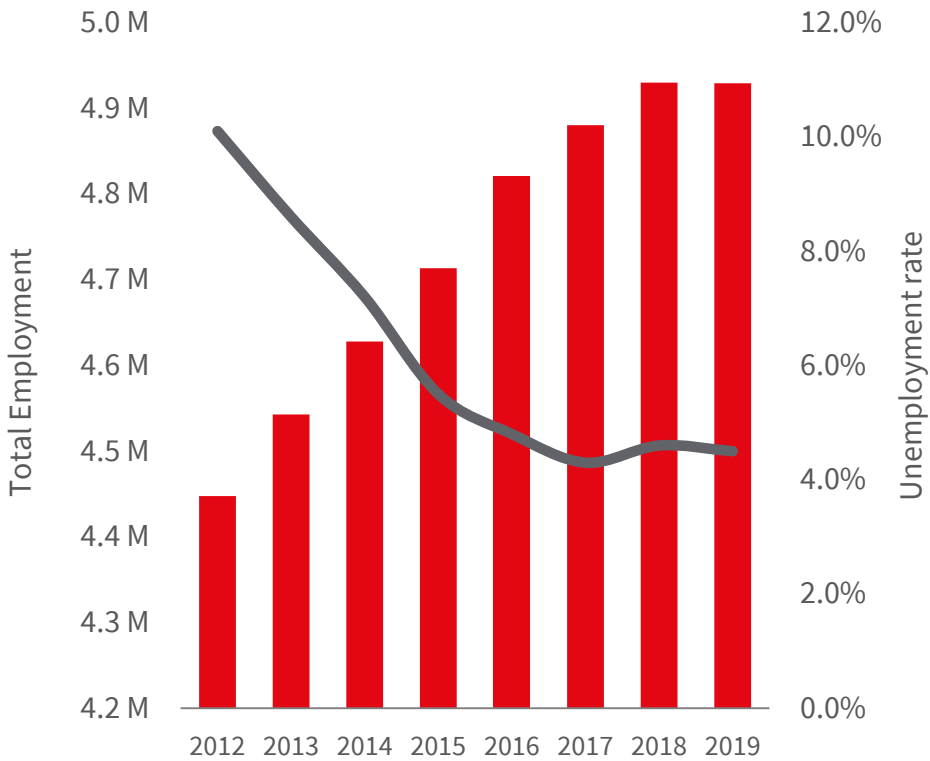




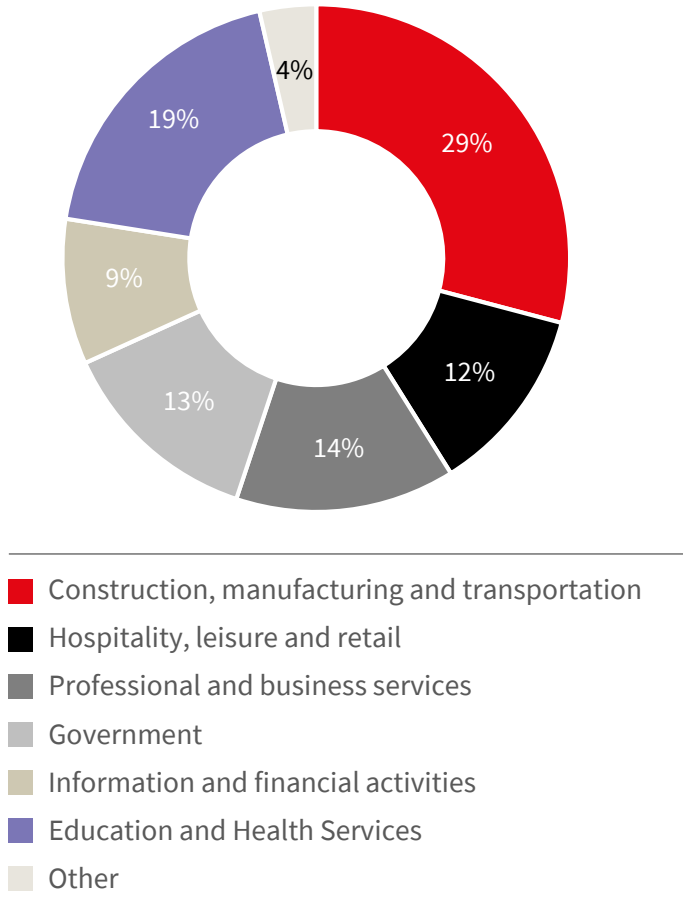
Los Angeles

People & Industries





Employment and labor availability



Employment by industry



Demographics at a glance

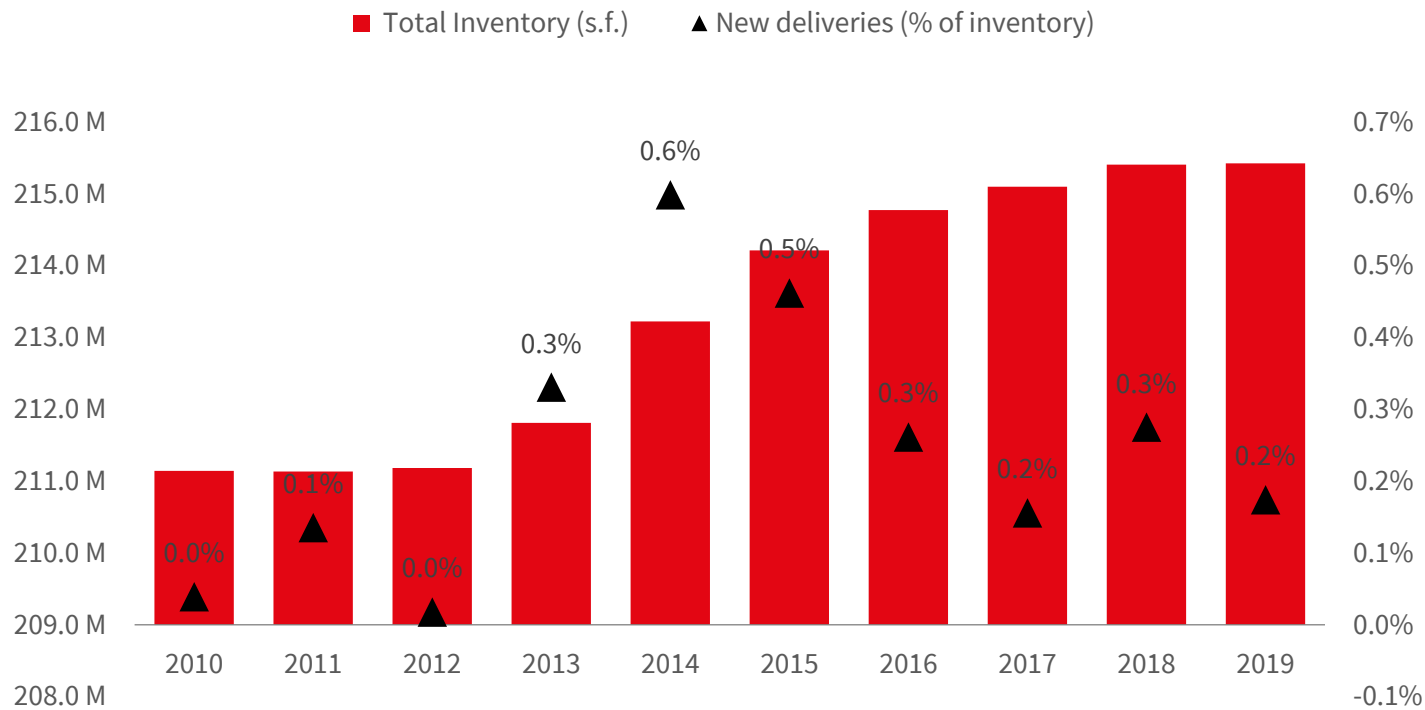
 Population 10.3M	 Median age 36
 Median HH income \$66,297	 Bachelor's or higher 33.1%



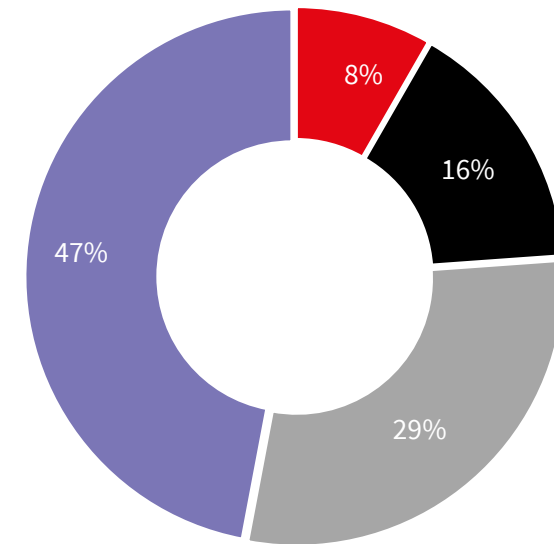
Los Angeles - Central

Industrial Market

The Central submarket continues to be one of the most competitive submarkets in Los Angeles. Vacancy still hovers around 2% and overall sales volume has stayed high at \$1.38 billion. Any property over 200,000 square feet is snatched off the market almost immediately. Demand in this area continues to be extremely strong for new Class A product as developers continue to redevelop old industrial sites. YoY rents grew 6% and will continue to grow because the area is close to the vast Los Angeles consumer base. Additionally, smaller transactions drove the market with an average lease size of 35,103 square feet.



Inventory by age

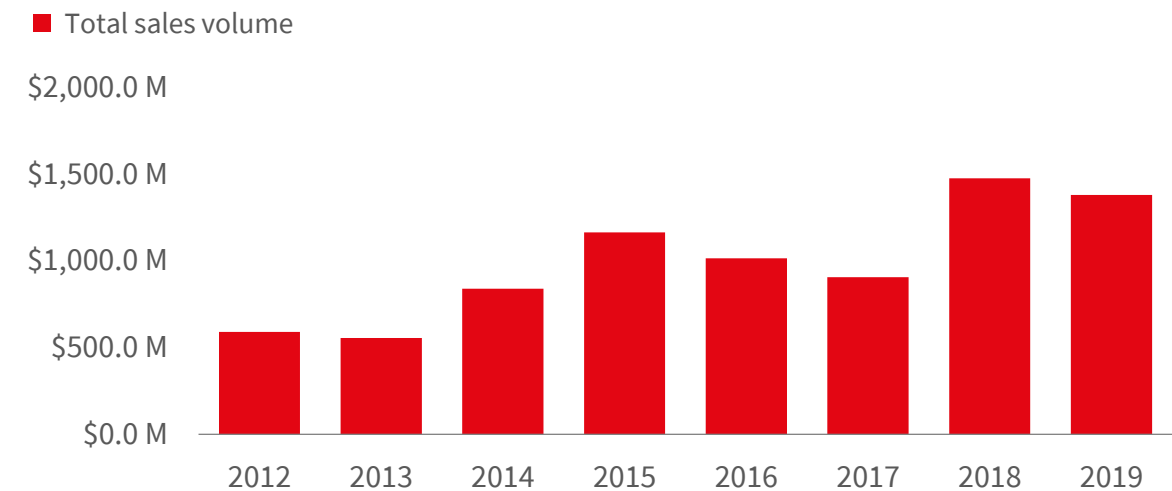
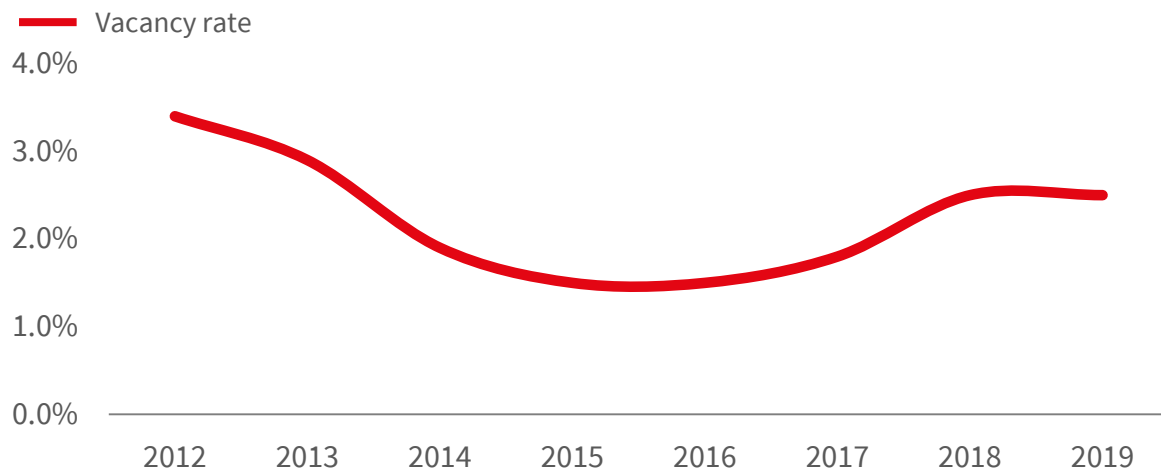
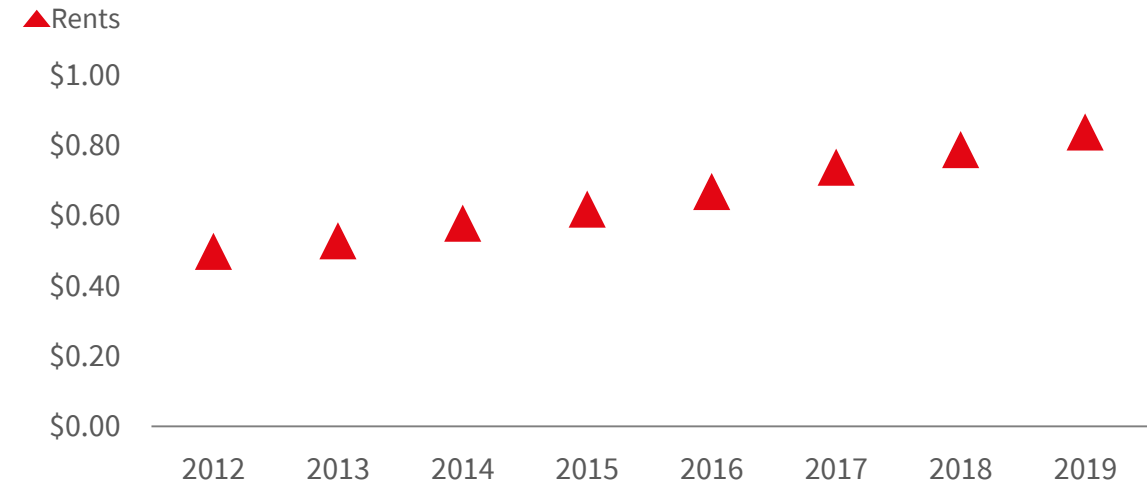
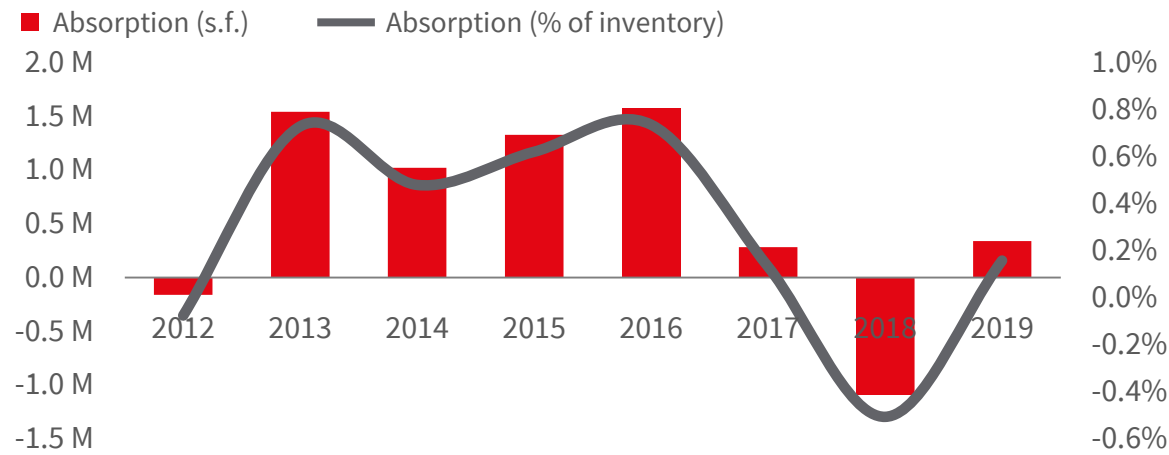


Year built breakdown	Square feet	# of buildings
2000 +	18,056,901	216
1980-1999	33,479,971	644
1960-1979	62,633,952	1299
≤ 1959	101,198,513	2,490



Los Angeles - Central

Market fundamentals



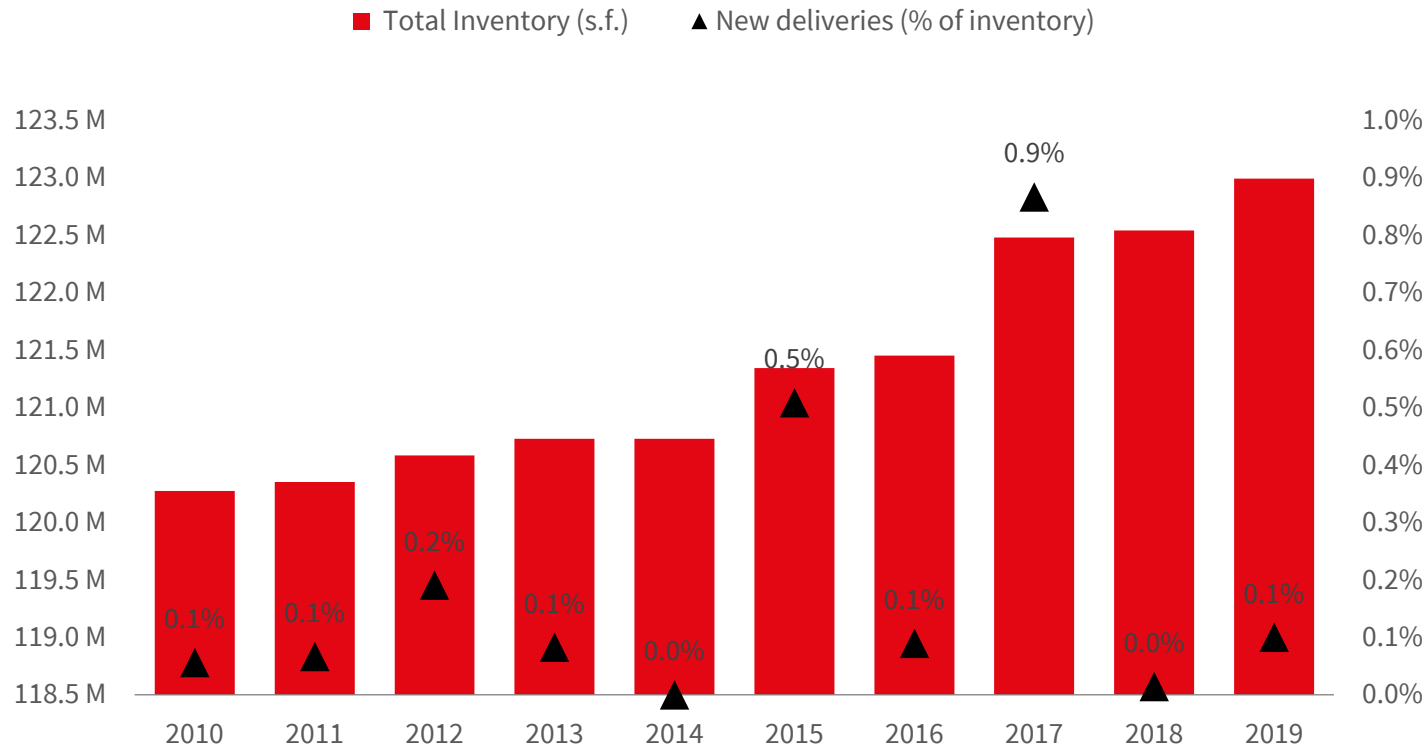
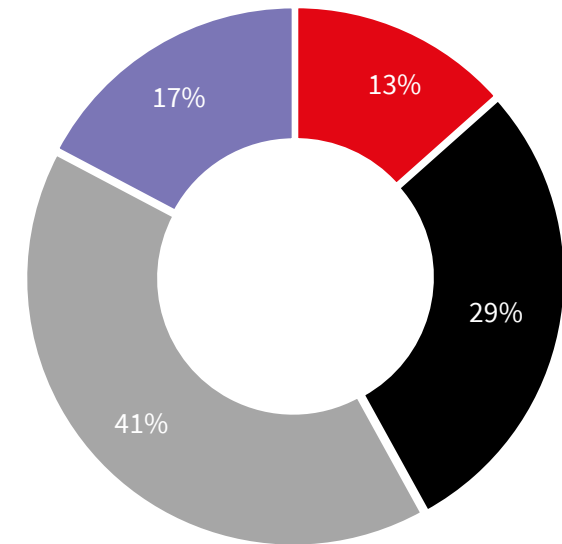


Los Angeles – San Fernando Valley

Industrial Market

The San Fernando Valley capped off its fourth quarter with a record year in investment sales for the region. The low rents, access to labor, and proximity to the Los Angeles consumer base is driving tenants and investors north. Like most of Los Angeles, the San Fernando Valley suffers from a supply shortage of Class A industrial product. The Needham Ranch Project and IAC Commerce Center are set to be completed this year which will help alleviate the supply shortage in the San Fernando Valley. Rents should continue to rise as tenants continue to be pushed into this area.

Inventory by age

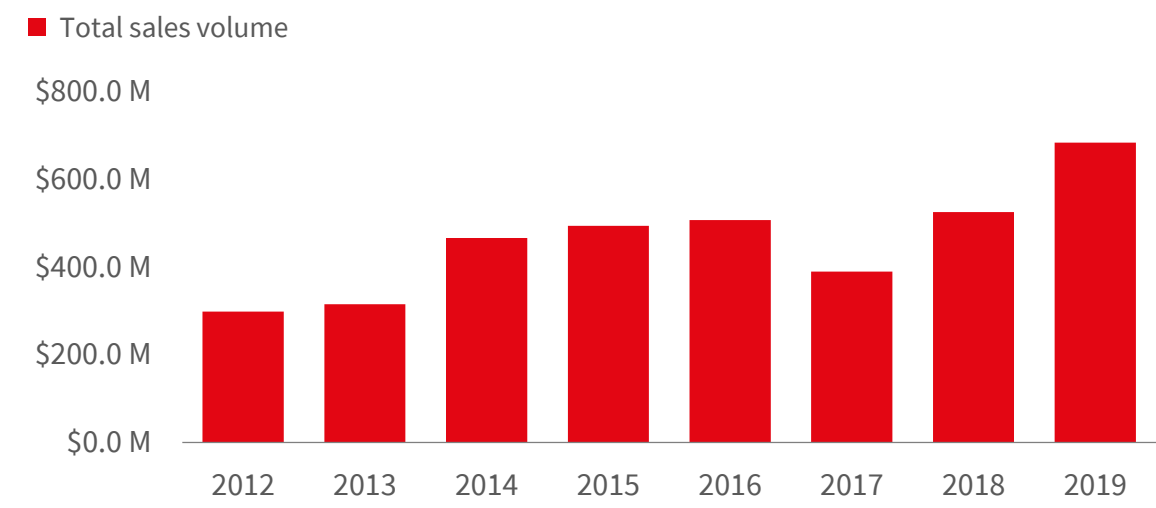
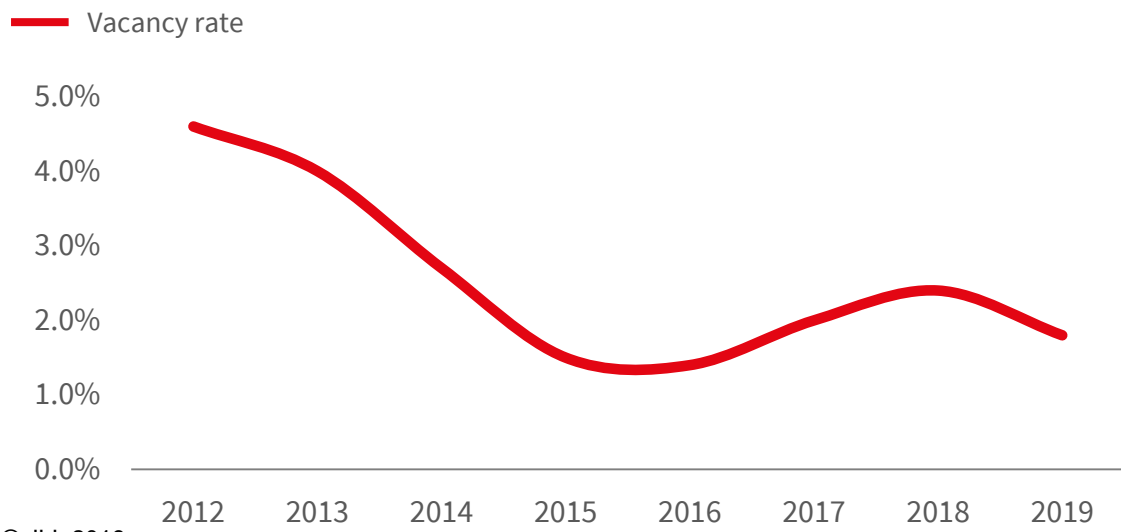
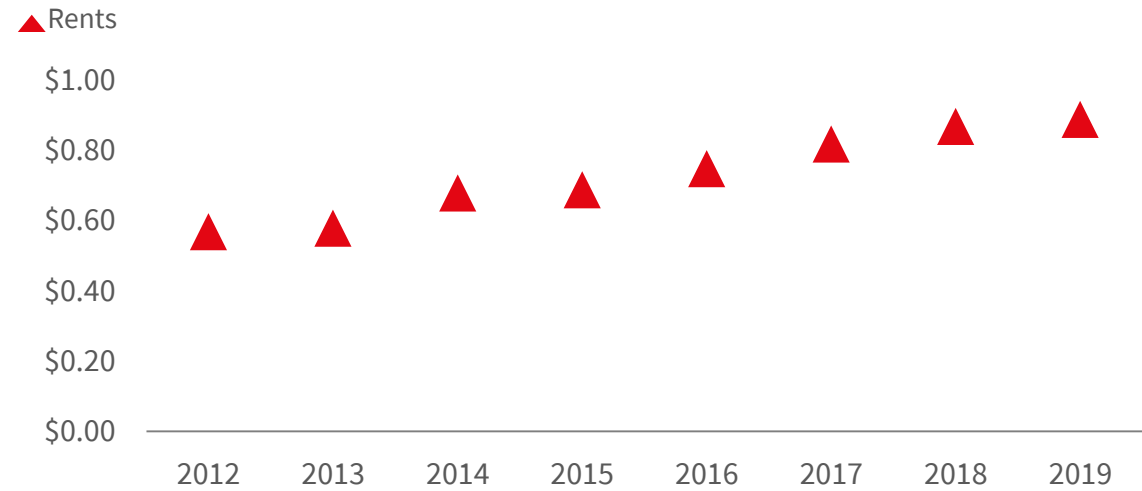
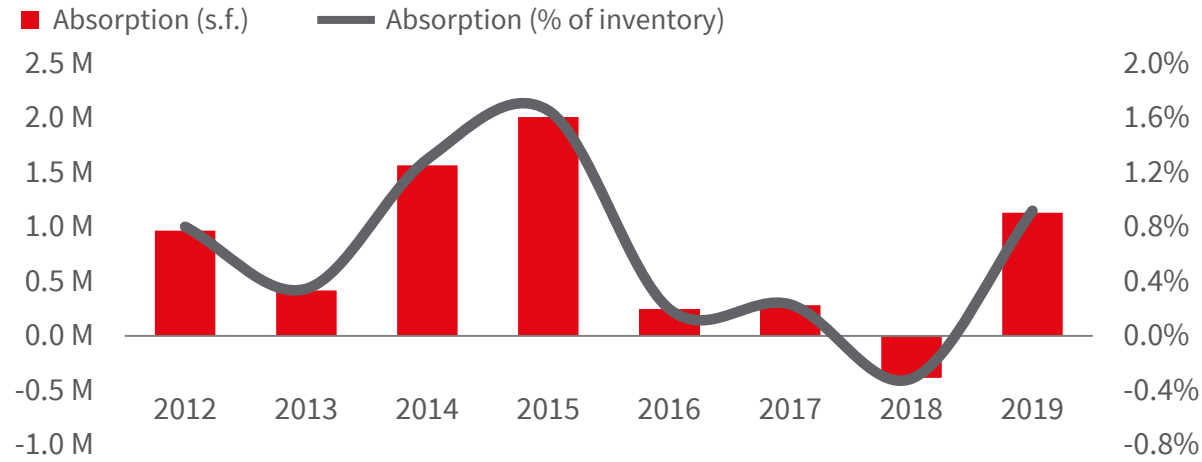


Year built breakdown	Square feet	# of buildings
2000 +	16,502,573	362
1980-1999	35,105,064	908
1960-1979	50,109,256	1645
≤ 1959	21,273,162	667



Los Angeles – San Fernando Valley

Market fundamentals

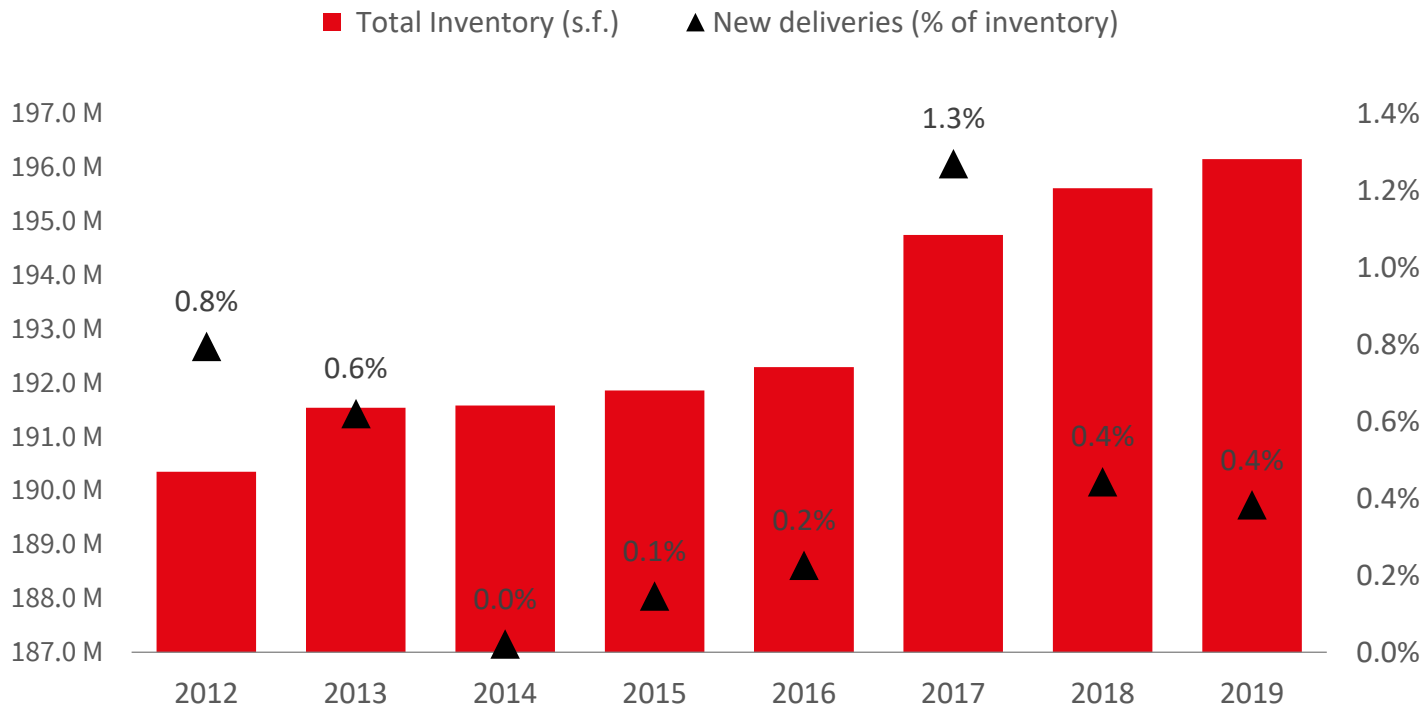




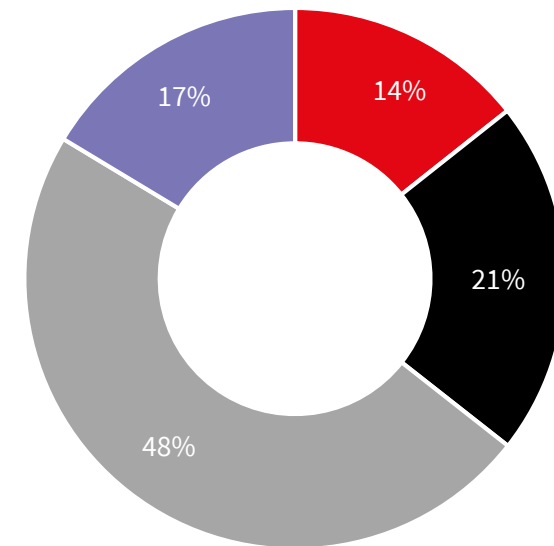
Los Angeles – South Bay

Industrial Market

The South Bay continues to lead asking rates in Los Angeles at \$1.02/sf NNN. Vacancy drops to a record low as there is no shortage of demand for prime infill warehousing located near the ports. Investment interest in the South Bay sees continued growth as annual sales volume in 2019 reached a record high at just over \$1.3 billion, up nearly 50% from 2018. With more than 1.5 million square feet under construction and 8 projects over 100k square feet set to complete in the first half of 2020, there will be a significant amount of large block Class A space coming online in the South Bay. However, it is likely this space will not sit for very long as almost half of it has been pre-leased. The remaining space will provide some relief to tenants as absorption shows no signs of slowing down despite minimal vacant space.



Inventory by age

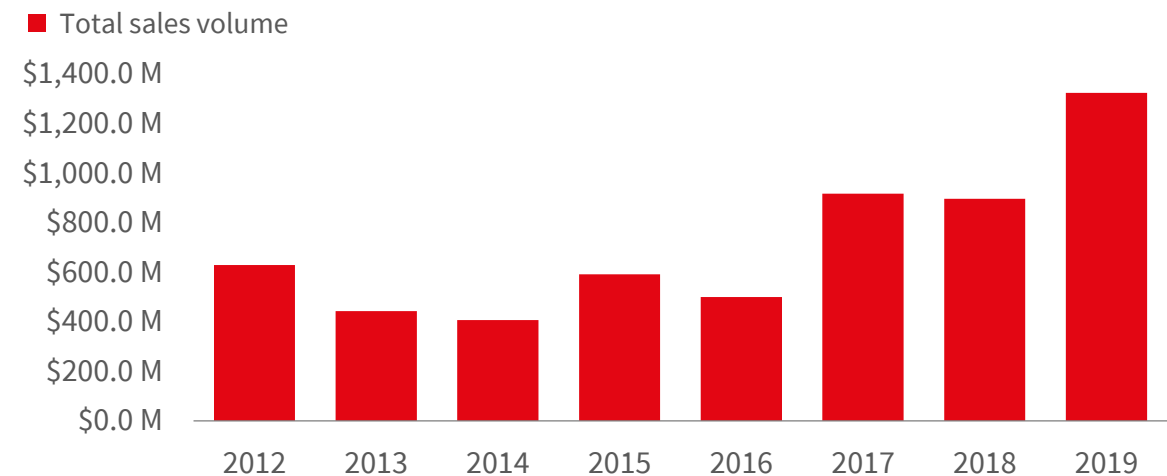
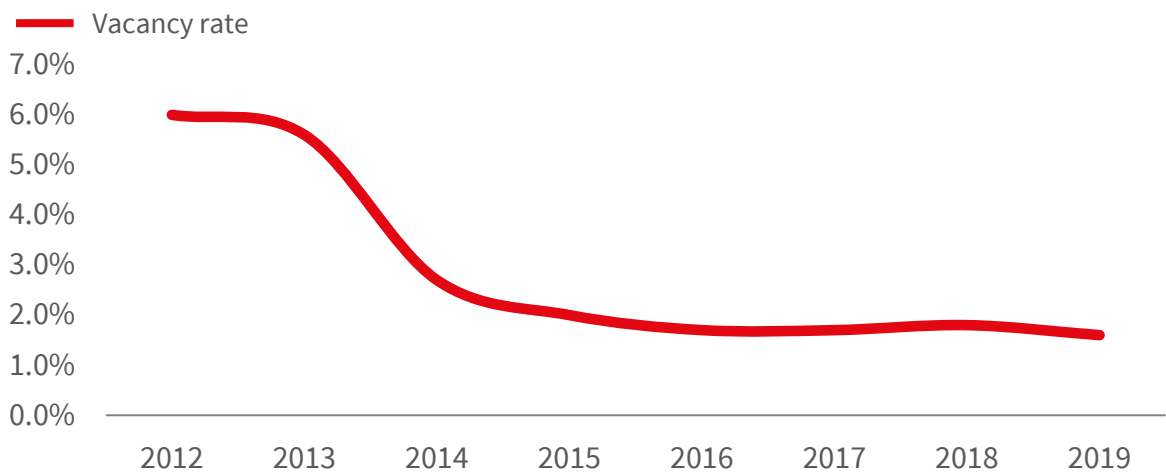
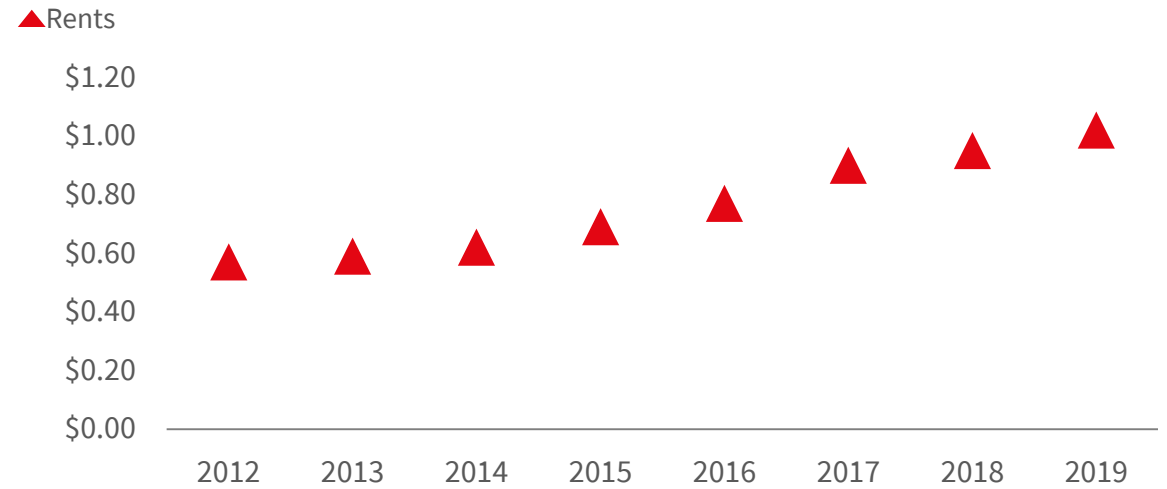
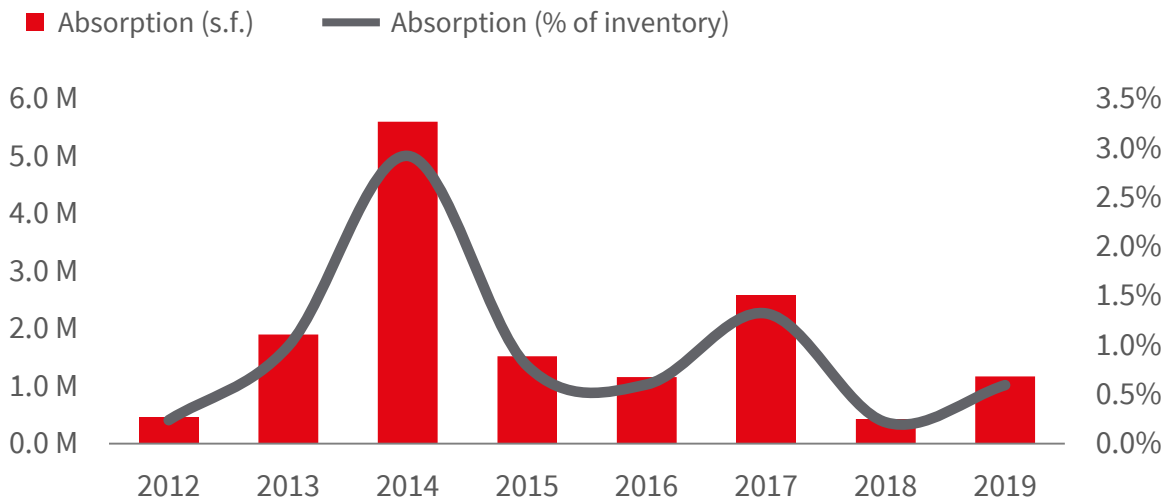


Year built breakdown	Square feet	# of buildings
2000 +	28,153,933	255
1980-1999	41,717,336	893
1960-1979	94,289,147	2103
≤ 1959	31,994,681	832



Los Angeles – South Bay

Market fundamentals



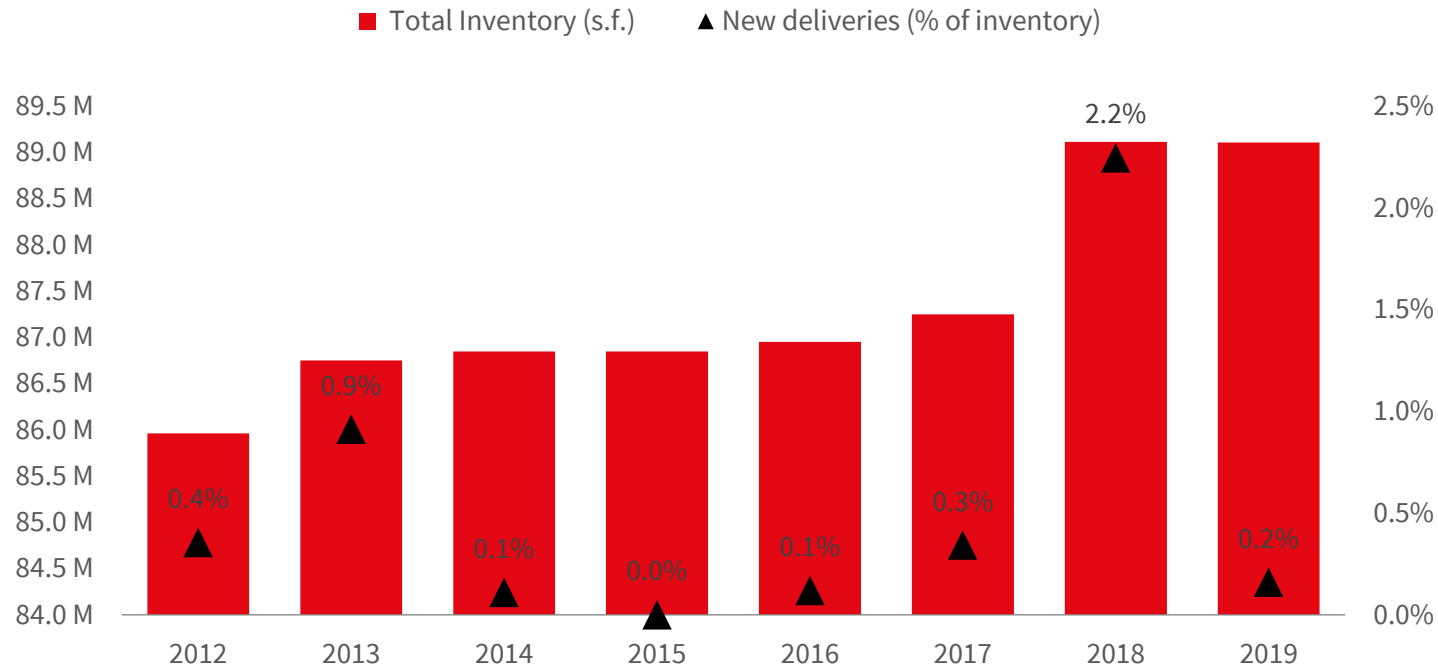
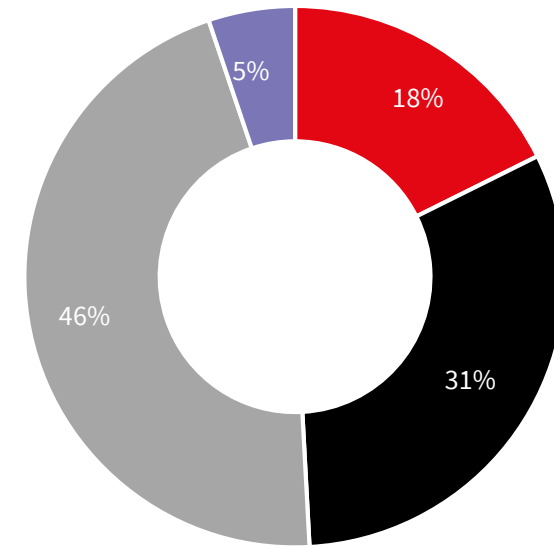


Los Angeles – Mid-Counties

Industrial Market

With impressive growth in market fundamentals like leasing activity, demand and investment, this past decade was nothing short of a trophy decade for the Mid-Counties region. Compared to 2009, new lease activity is 109.5 percent higher this year and in total, new leases have accounted for 29.5 million square feet of activity in the market for the last ten years. Logistic companies, especially those with an appetite for last mile space, have transformed the market. In the past three years, logistics companies have accounted for 47.5 percent of leasing activity. In the three years prior, they accounted for 27.2 percent. There is no denying that e-commerce and logistics have changed the game in the Mid-Counties market.

Inventory by age

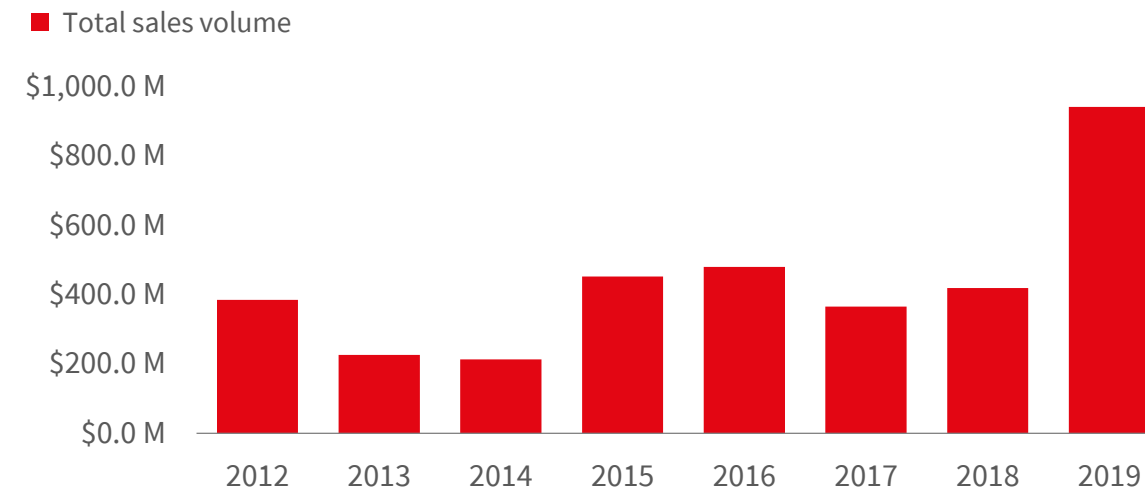
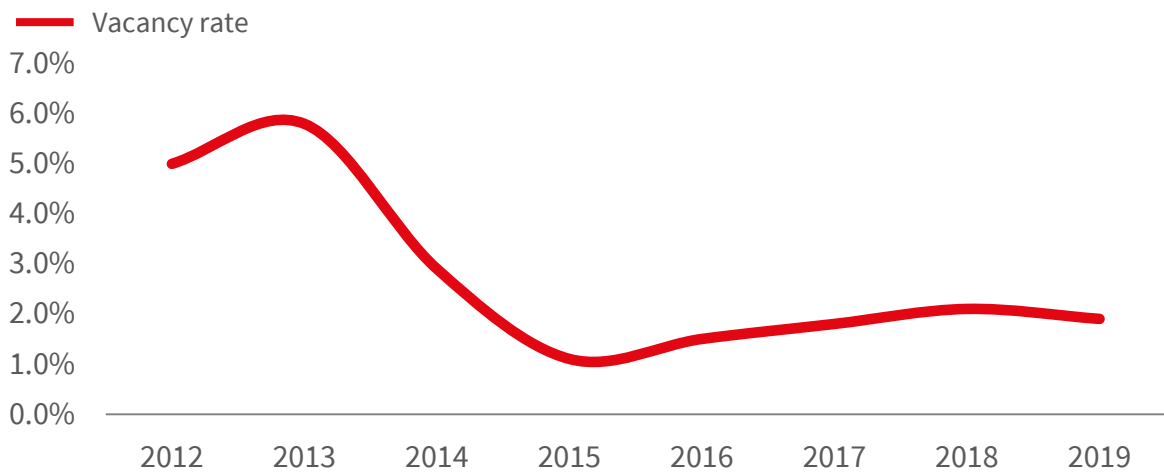
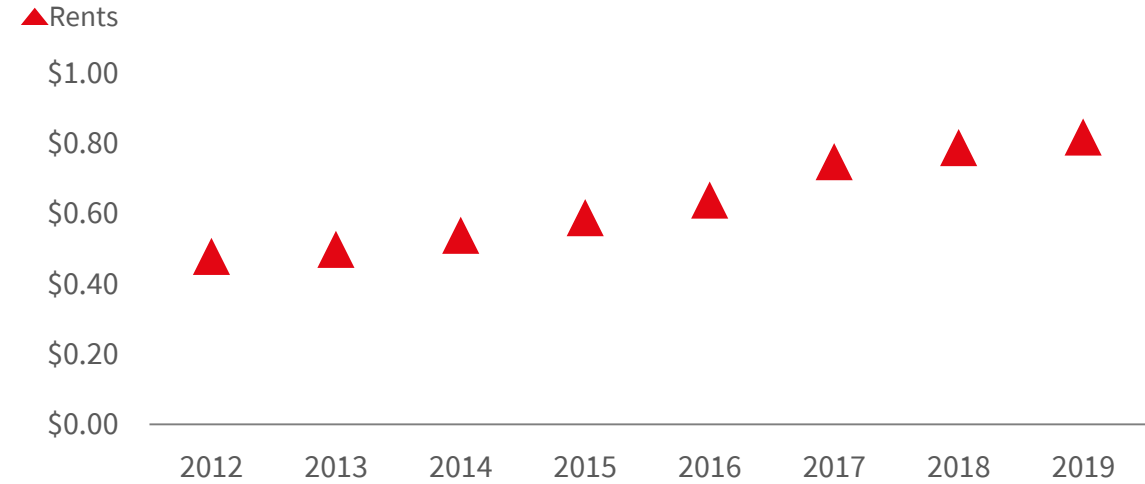
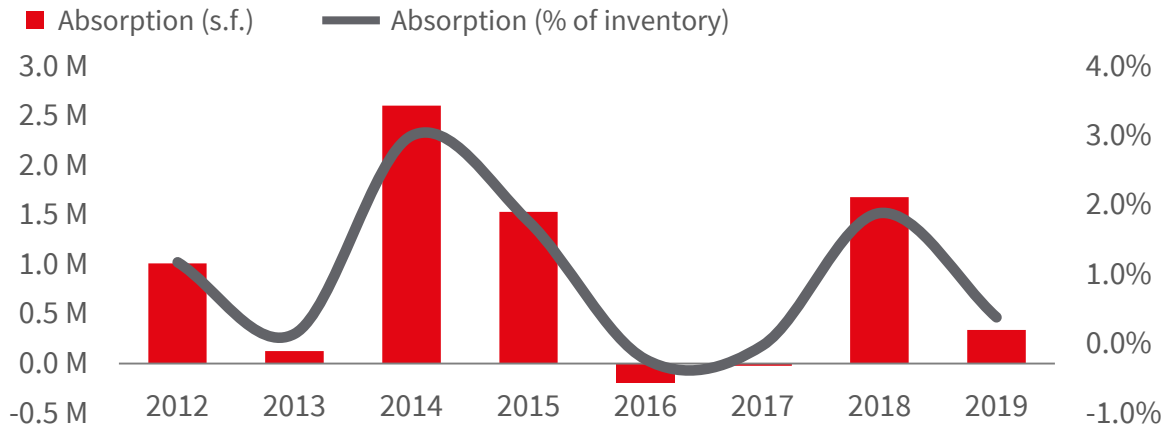


Year built breakdown	Square feet	# of buildings
2000 +	15,736,374	153
1980-1999	28,059,540	517
1960-1979	40,698,334	960
≤ 1959	4,613,819	143



Los Angeles – Mid-Counties

Market fundamentals





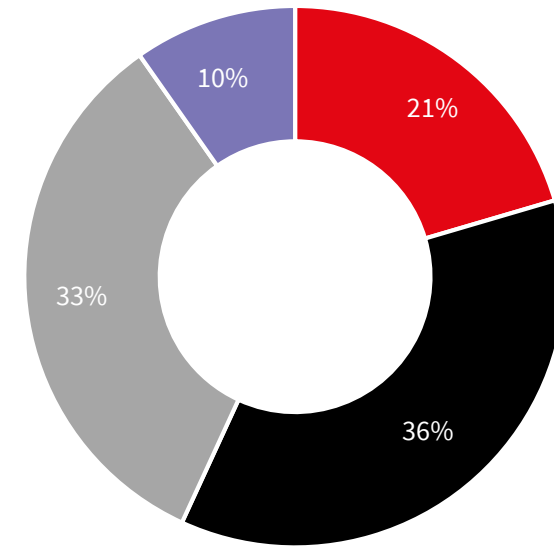
Los Angeles – San Gabriel Valley

Industrial Market

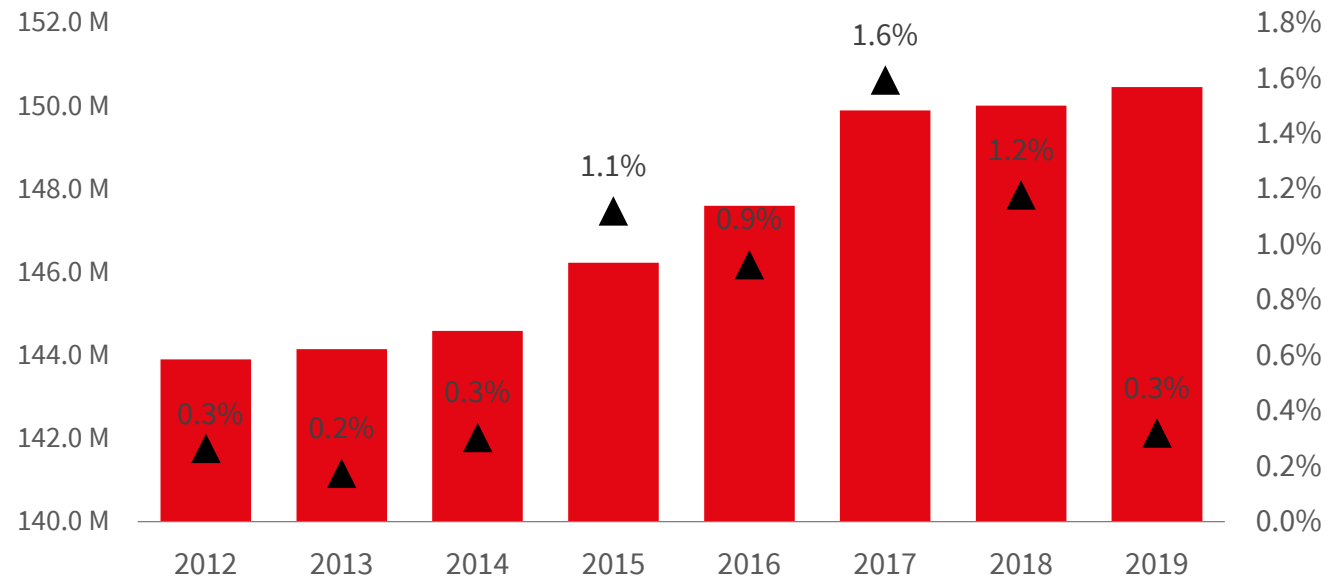
The San Gabriel Valley posted nearly 360,000 square feet of negative net absorption to close out 2019. Heading into the fourth quarter, China instituted capital controls of foreign investment in attempts to prop up the yuan, leading to a 50 percent decline in Chinese investment in Southern California. This liquidity crisis, coupled with the ongoing trade war, likely disproportionately impacted smaller import/export businesses lacking the scale or financial flexibility to weather the storm.

Despite the negative net absorption posted during the fourth quarter, market conditions remain extremely tight, with the vacancy rate sitting at 2 percent. Supply and demand remain in equilibrium and the 1.9 million square feet of new product under construction will provide a handful of options for tenants in need of modern, Class A blocks of space in LA.

Inventory by age



■ Total Inventory (s.f.) ▲ New deliveries (% of inventory)

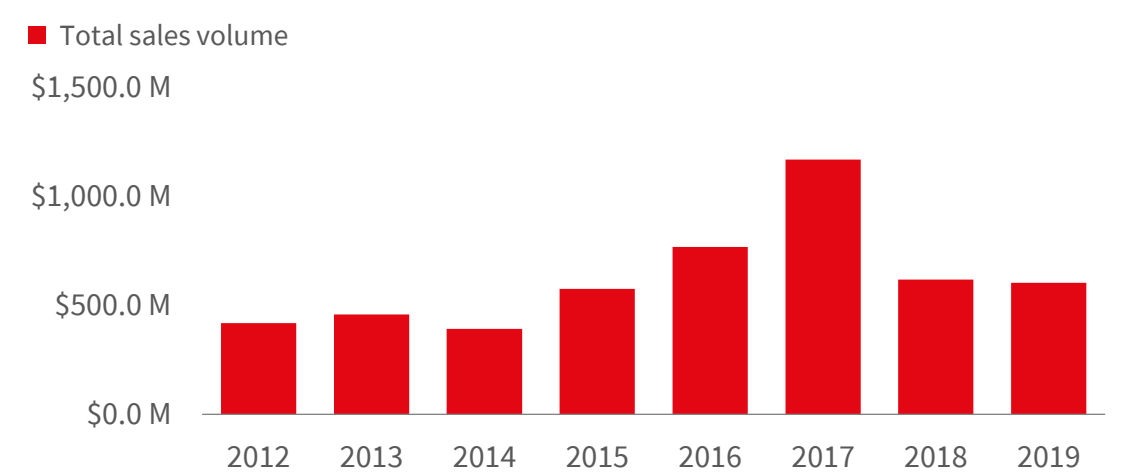
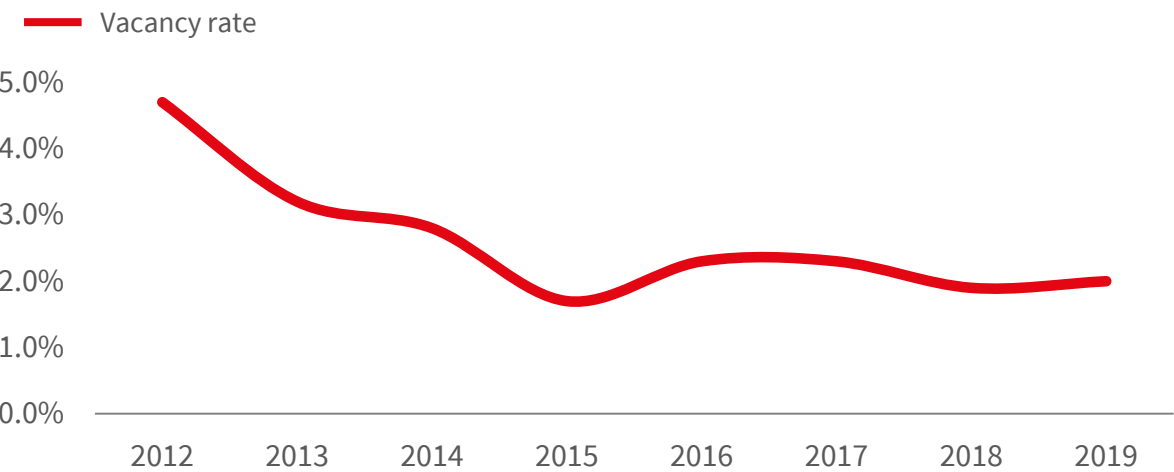
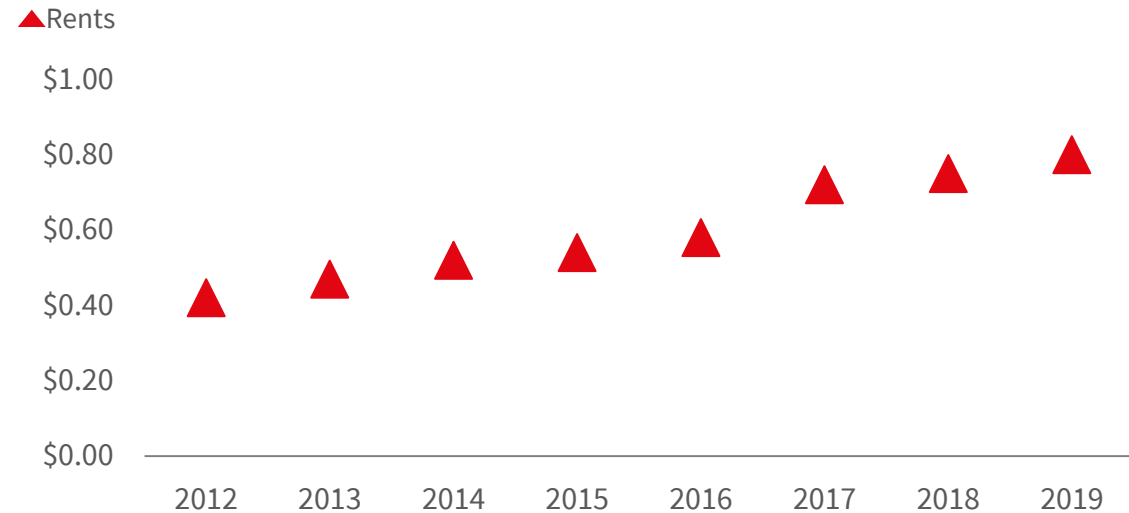
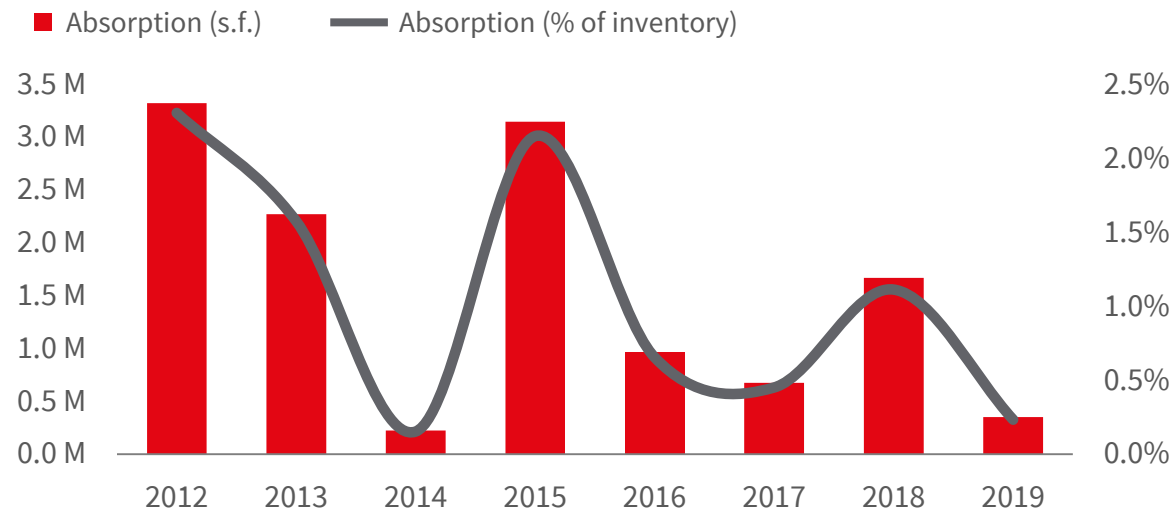


Year built breakdown	Square feet	# of buildings
2000 +	30,838,198	484
1980-1999	54,770,297	1,277
1960-1979	50,221,310	1221
≤ 1959	14,624,898	423



Los Angeles – San Gabriel Valley

Market fundamentals

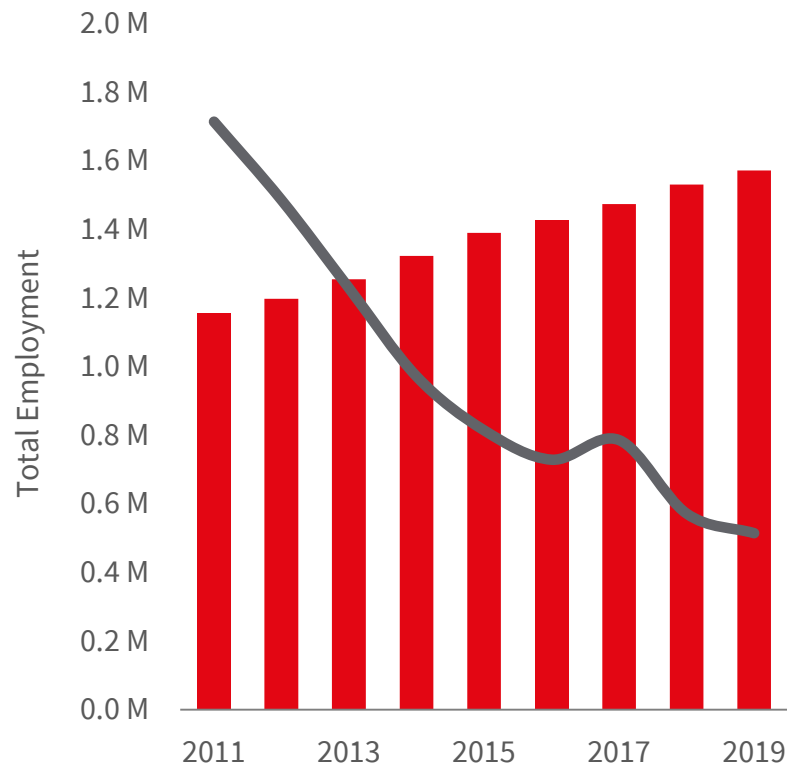




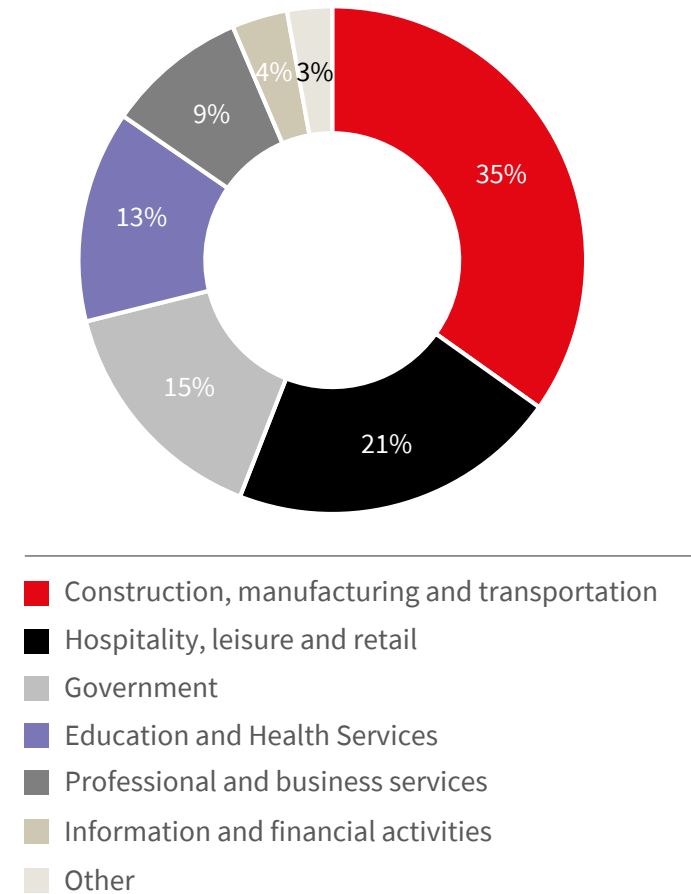
Inland Empire

People & Industries

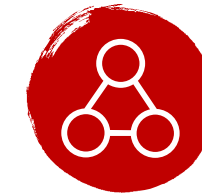
Employment and labor availability



Employment by industry



Demographics at a glance



Population
4.5M



Median age
33.7



Median
HH income
\$61,700



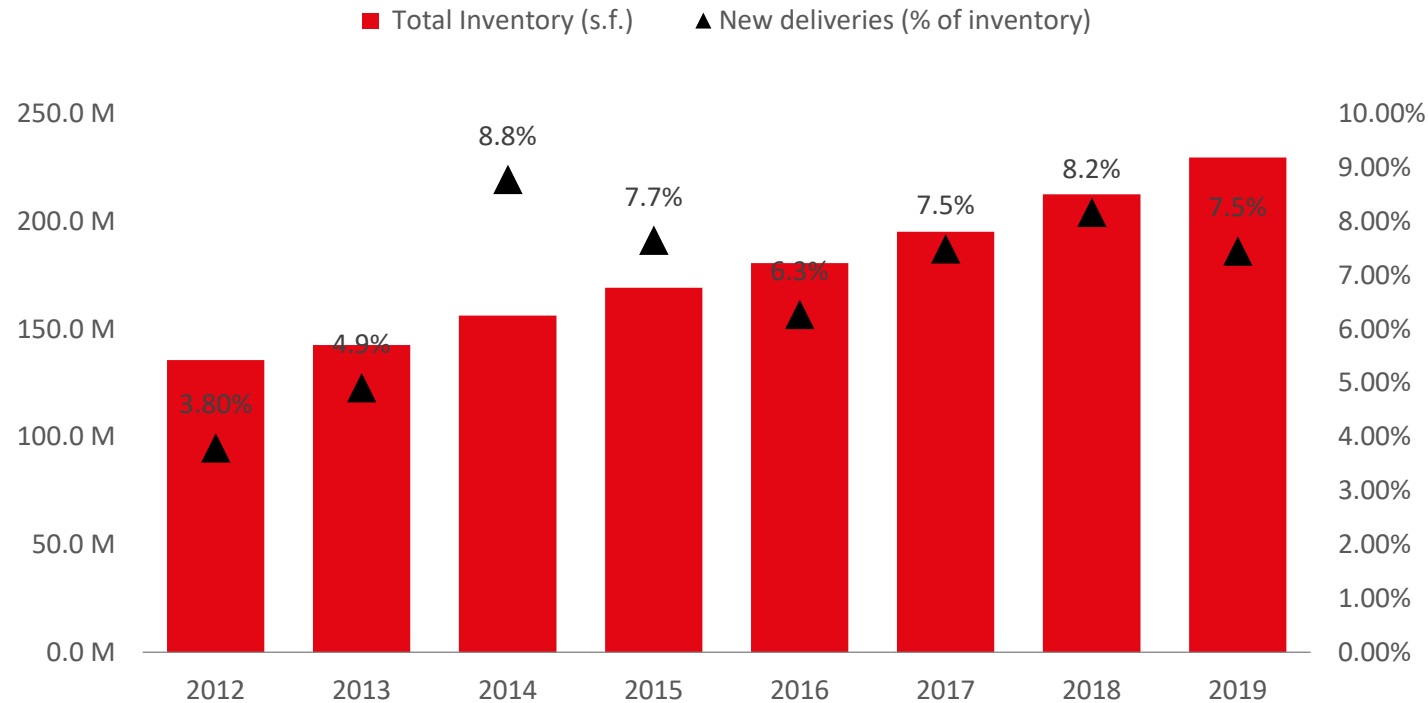
Bachelor's or higher
20.9%



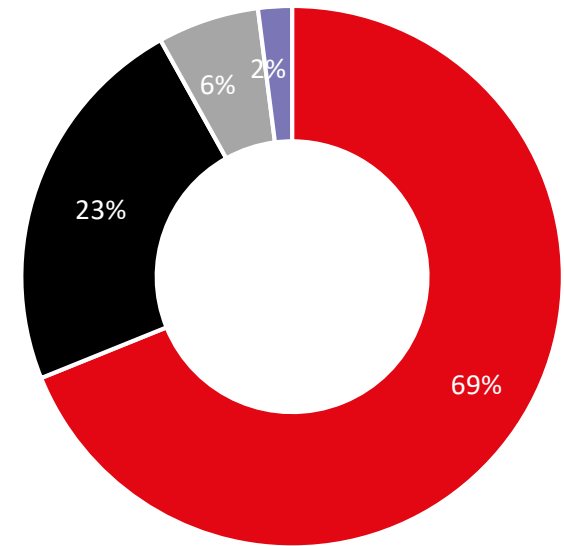
Inland Empire - East

Industrial Market

The potential headwinds of geopolitical uncertainty, the ongoing trade war with China and a softening manufacturing sector have had little discernable impact on the overall Inland Empire industrial market. The big box market is still very strong and the East Inland Empire continues to capture the majority of absorption, as available land in the West IE is dwindling and development is now being pushed to the periphery of the East IE. Expect more balance in 2020. Buildings will continue to deliver at a healthy pace, as available land in cities such as Beaumont proceeds through the entitlement process and developers gauge the market.



Inventory by age

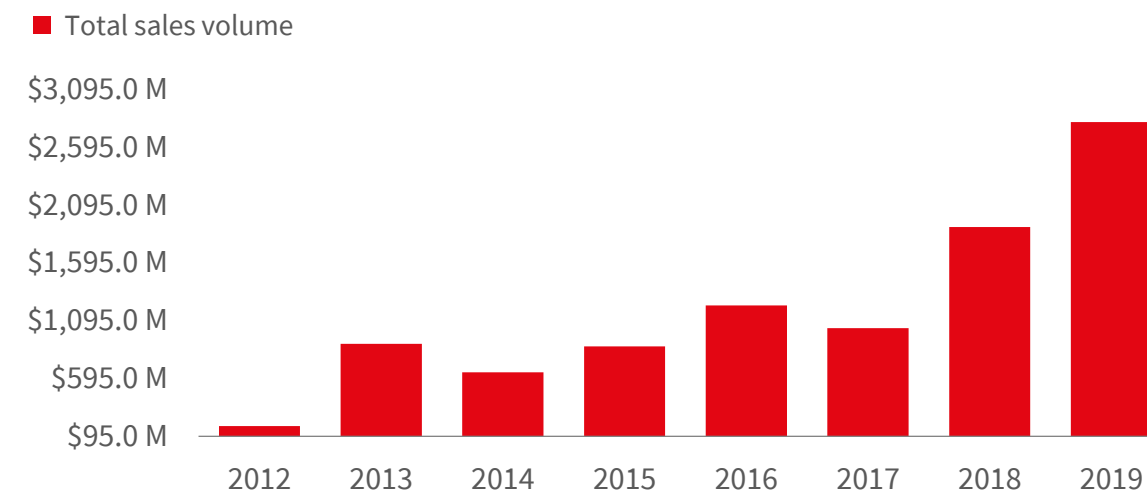
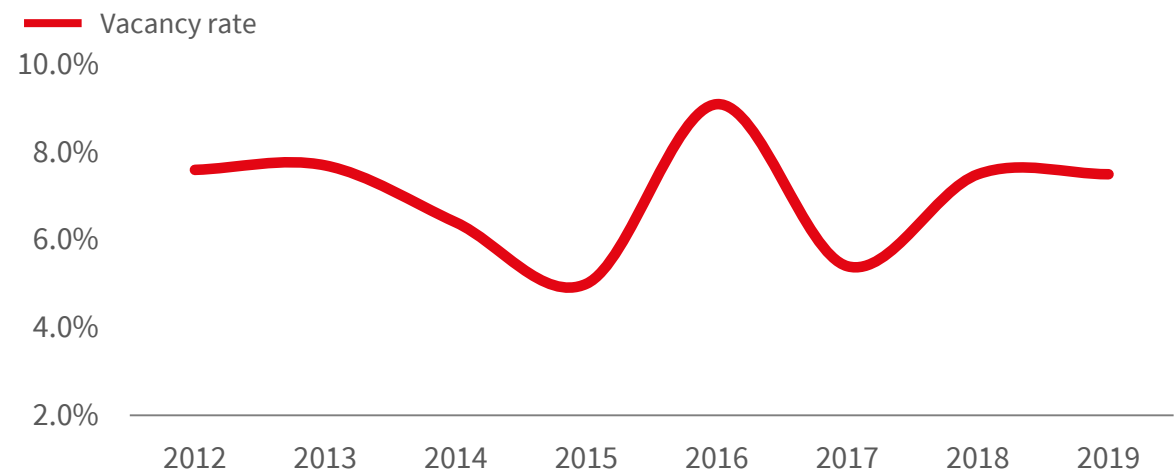
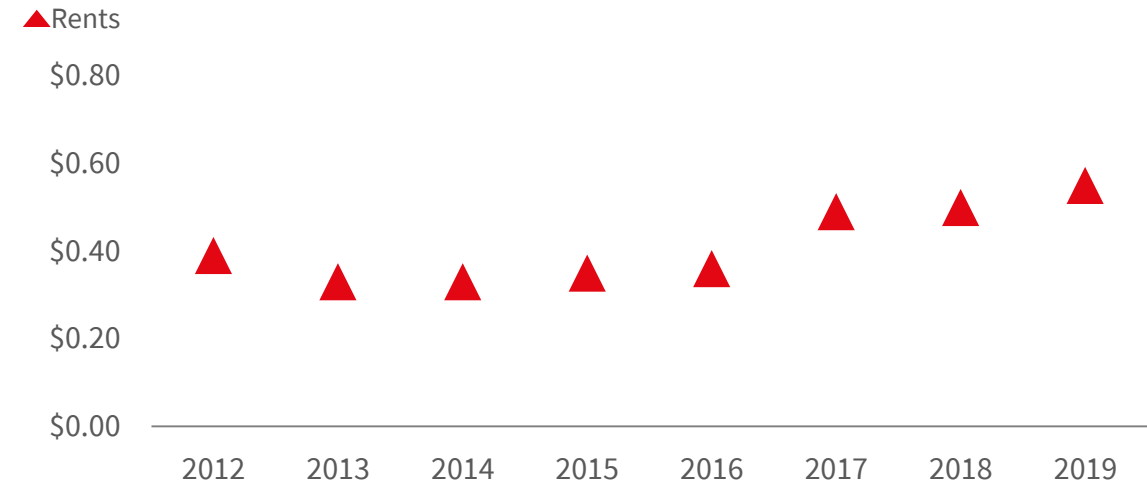
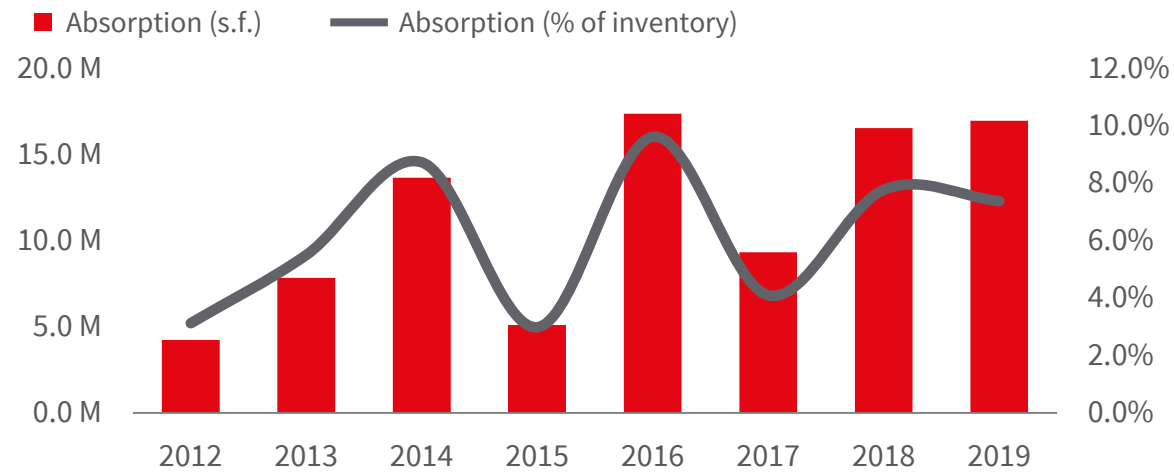


Year built breakdown	Square feet	# of buildings
2000 +	139,701,554	362
1980-1999	23,144,344	114
1960-1979	5,357,935	30
≤ 1959	3,398,778	10



Inland Empire - East

Market fundamentals

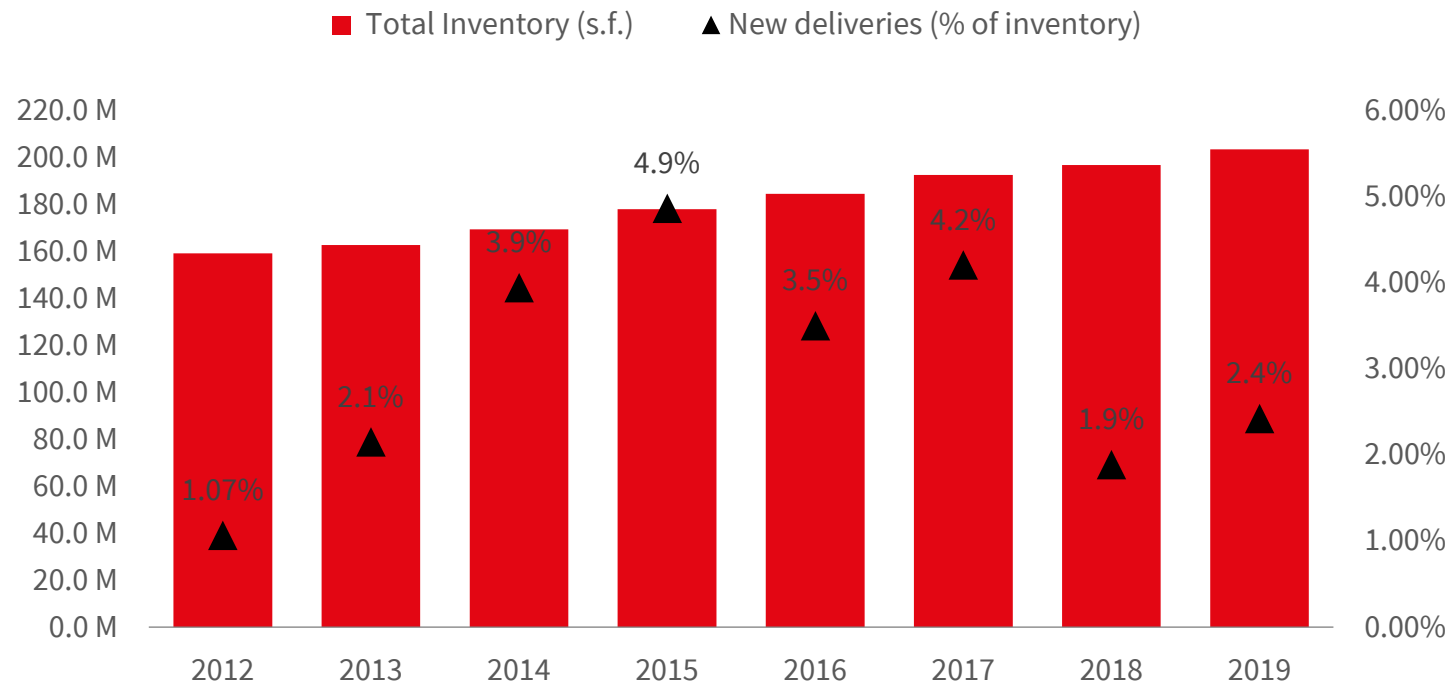




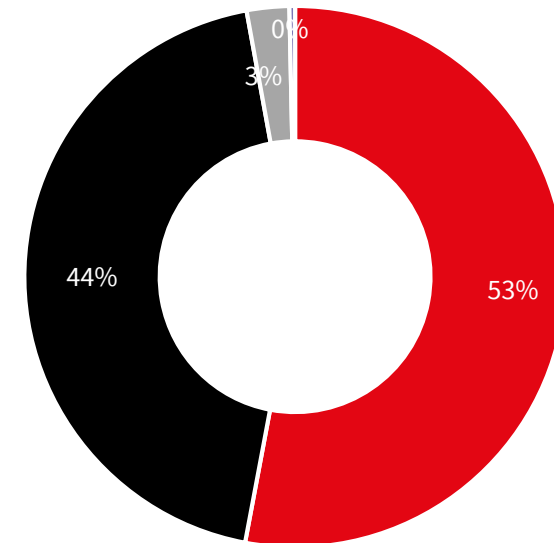
Inland Empire - West

Industrial Market

Overall West IE industrial market metrics point to a pace of growth that remained balanced and consistent throughout the course of the year: rents rose incrementally, demand outpaced new supply and construction activity tapered off a mid-year high. However, the 10,000 – 100,000 square foot market segment posted nearly 360,000 square feet of negative absorption in the fourth quarter, much of it concentrated in the West IE, suggesting the tariff war and Chinese liquidity crisis has disproportionately impacted smaller business without the scale and financial flexibility to endure supply chain disruptions. This trend was amplified in the neighboring San Gabriel Valley, which houses many Chinese import/export businesses especially vulnerable to escalating tariffs.



Inventory by age

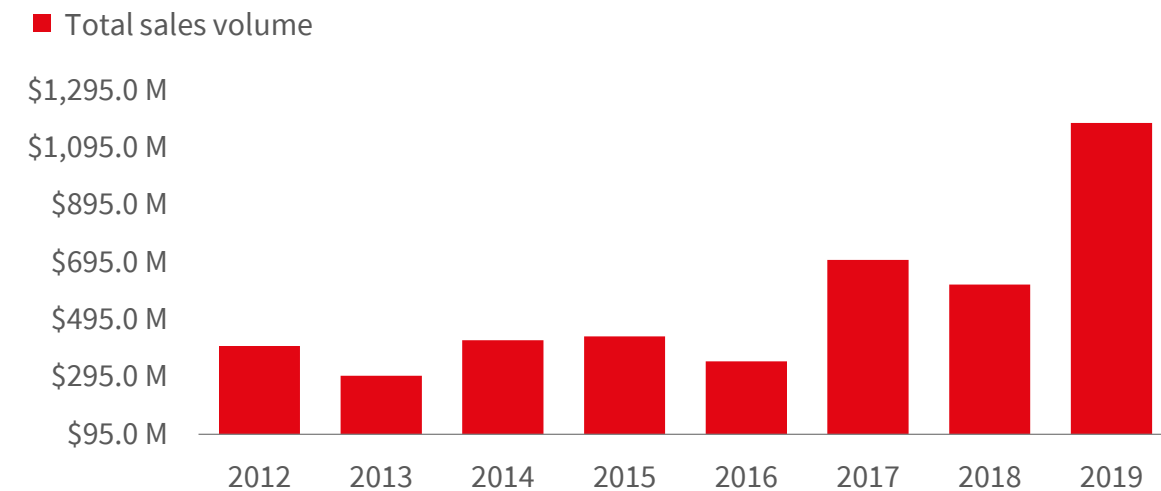
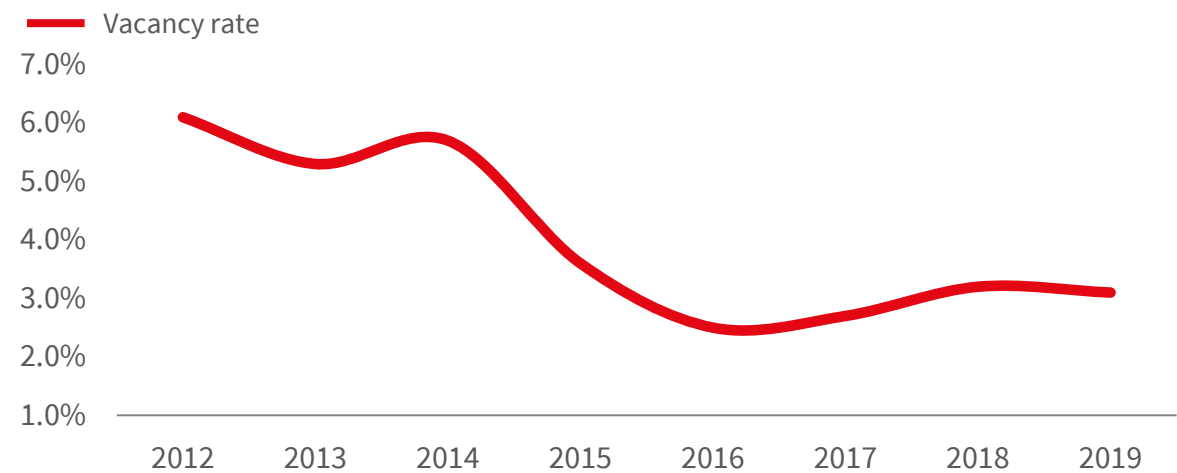
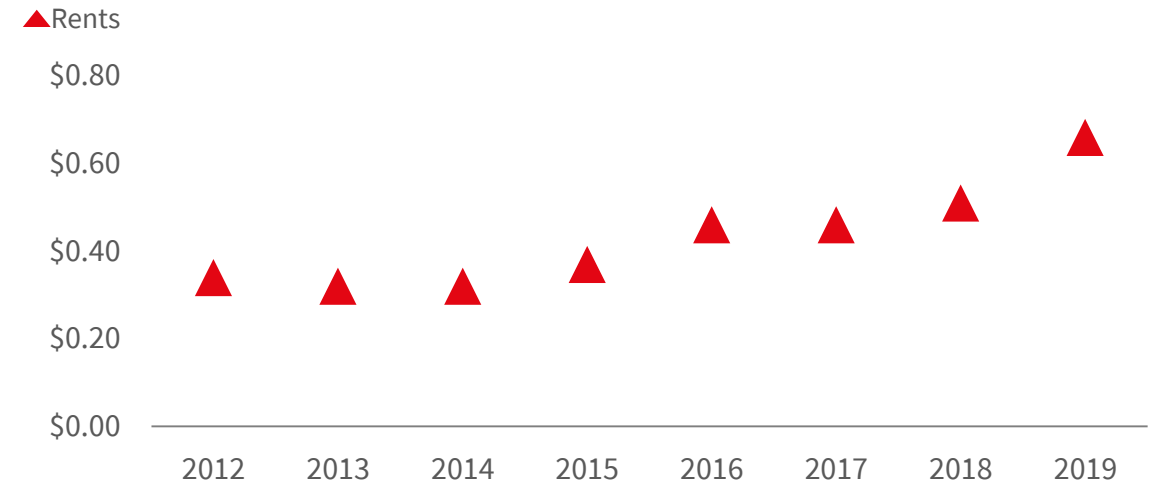
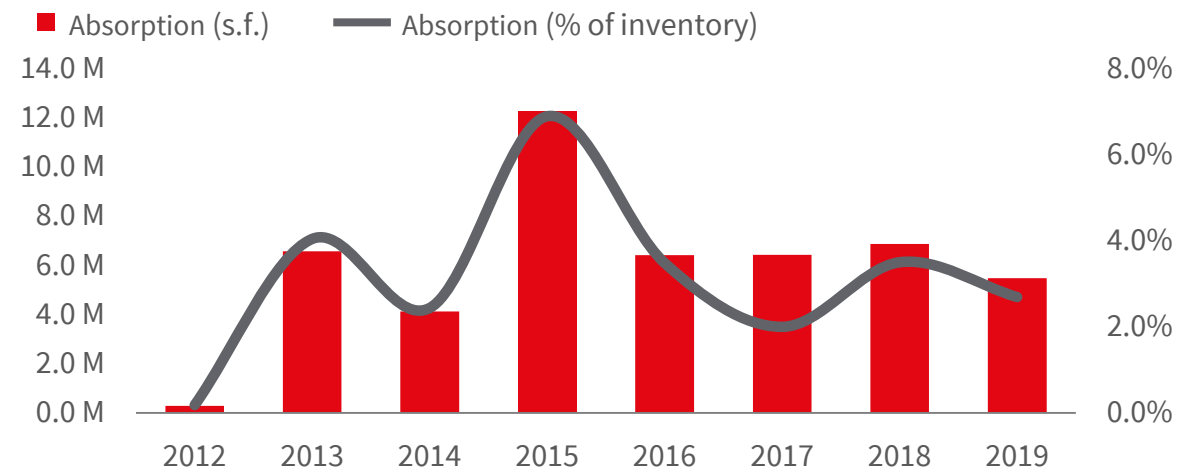


Year built breakdown	Square feet	# of buildings
2000 +	104,814,576	316
1980-1999	62,629,359	261
1960-1979	2,554,422	15
≤ 1959	208,000	2



Inland Empire - West

Market fundamentals

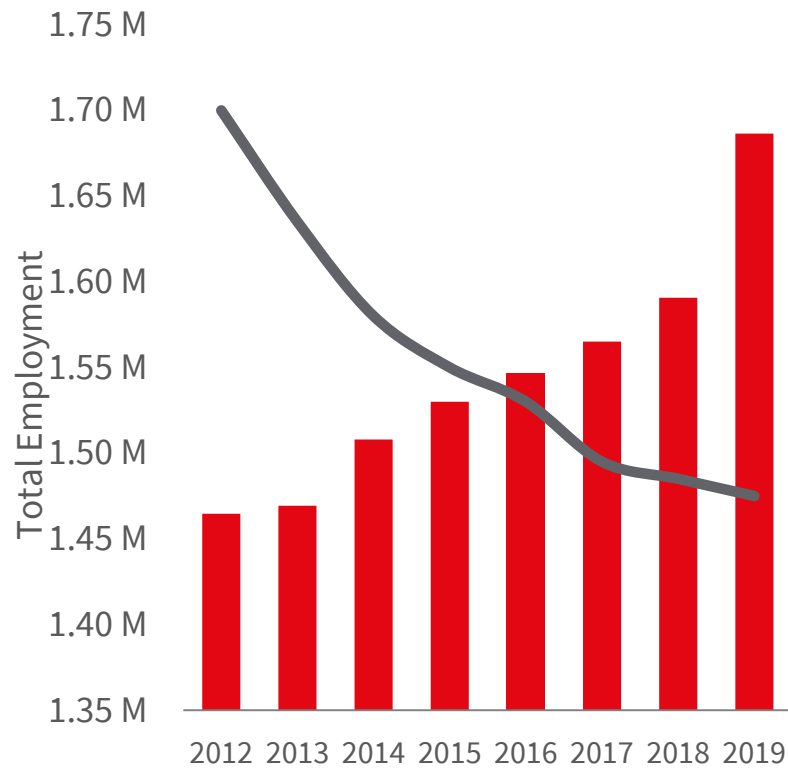




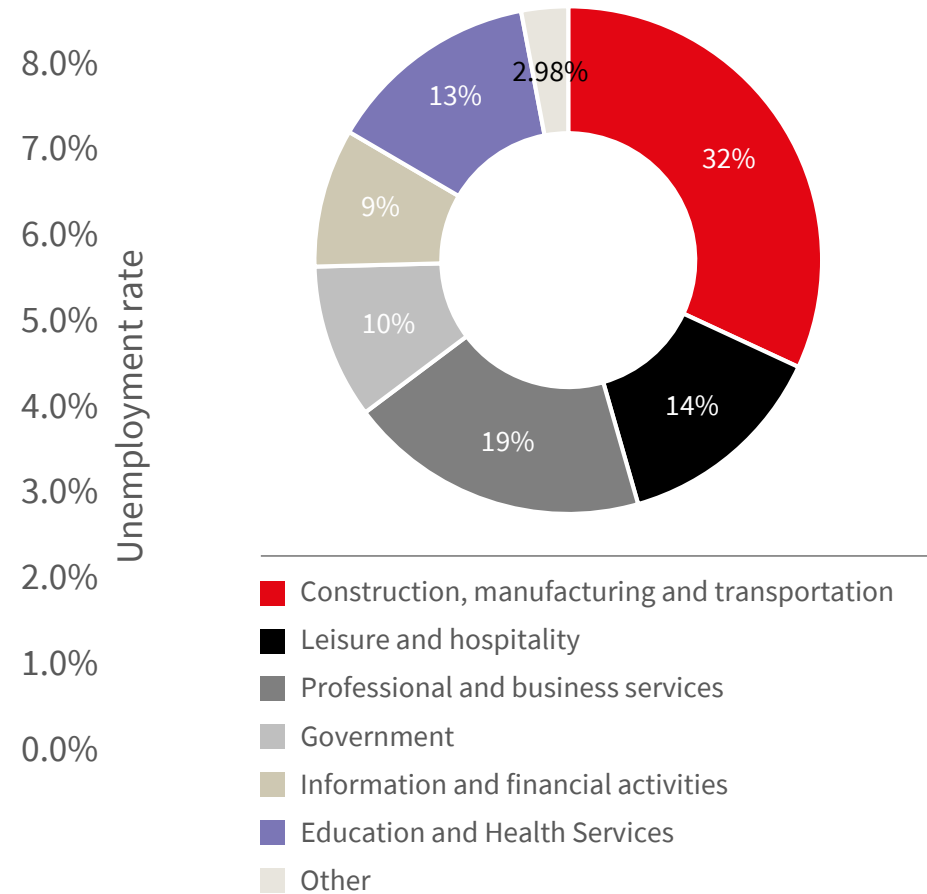
Orange County

People & Industries

Employment and labor availability



Employment by industry



Demographics at a glance



Population
3.2M



Median age
37.4



Median HH
income
\$88,453



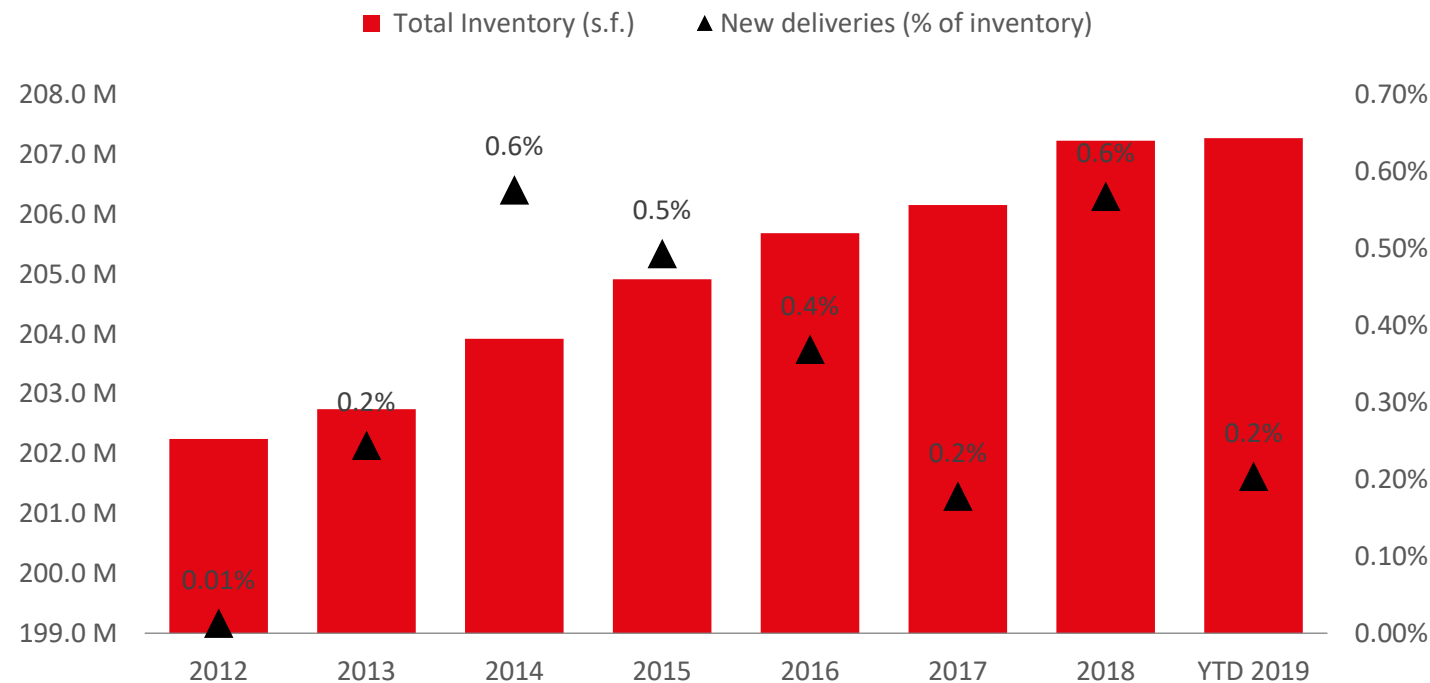
Bachelor's or higher
41.1%



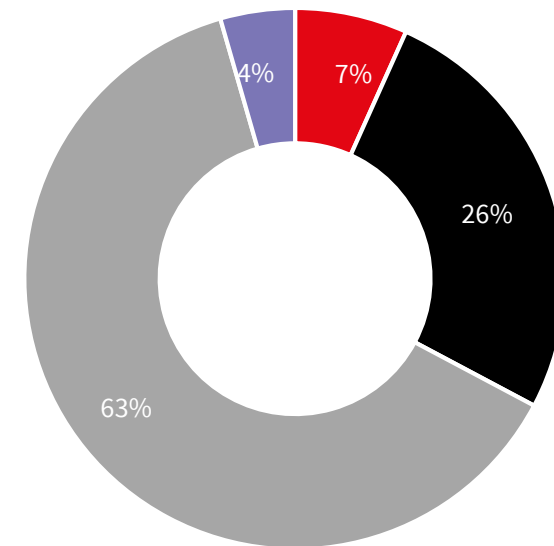
Orange County

Industrial Market

There is no denying that tight industrial market conditions in Orange County that began in 2015 are still fully present as we wrap up 2019. Lease rates increased by 11.2 percent from the past year to \$0.99 per square foot, and rates are expected to continue increasing in the next 12 months. Vacancy remained at a low 2.9 percent, the same level as last year. Other consequences of the insatiable demand for industrial space in the market are record high sale prices. This has caused sale-leaseback activity to significantly increase this year. Owner-users and many longtime owners have already taken advantage of this trend and sold their properties only to directly lease them back, granted access to the profits of the sale to reinvest into their business elsewhere.



Inventory by age

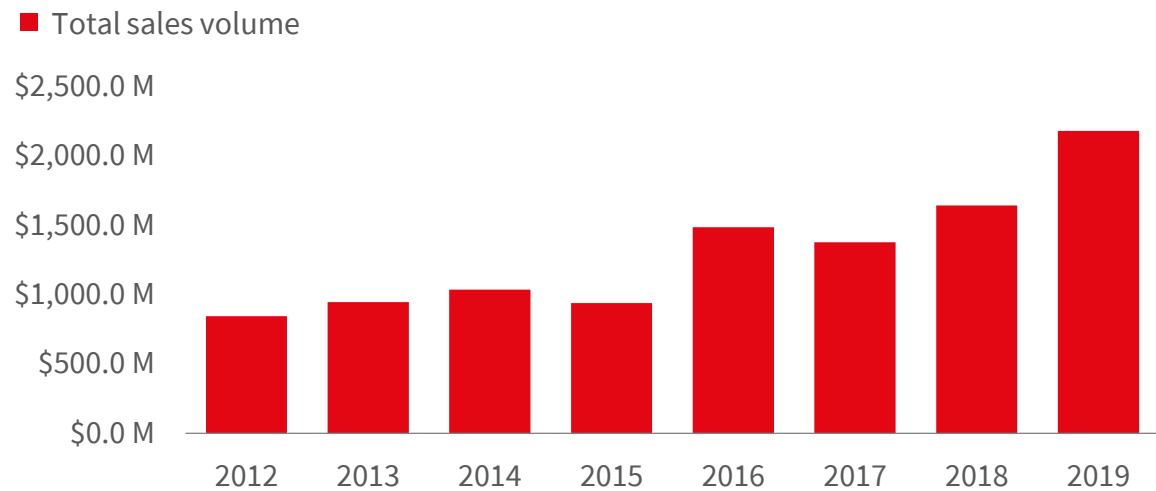
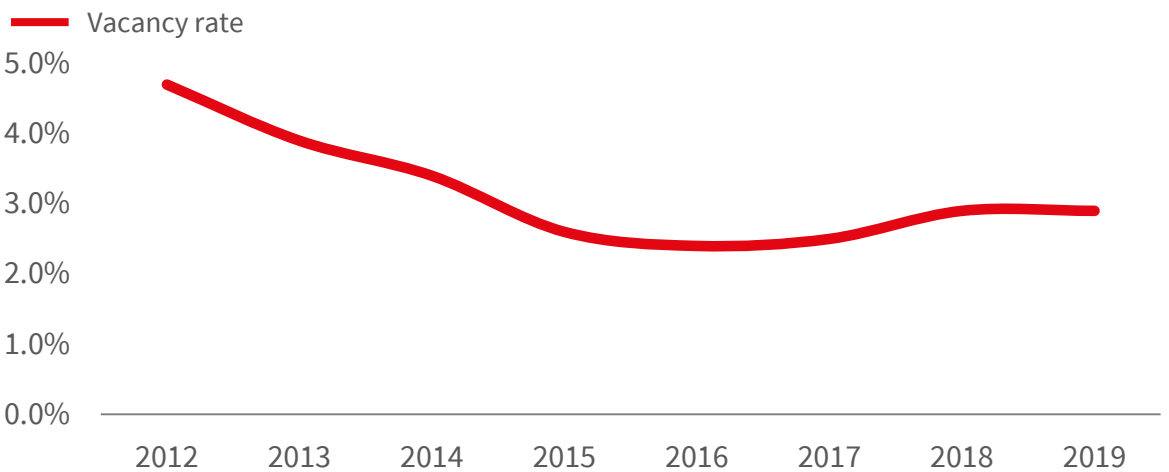
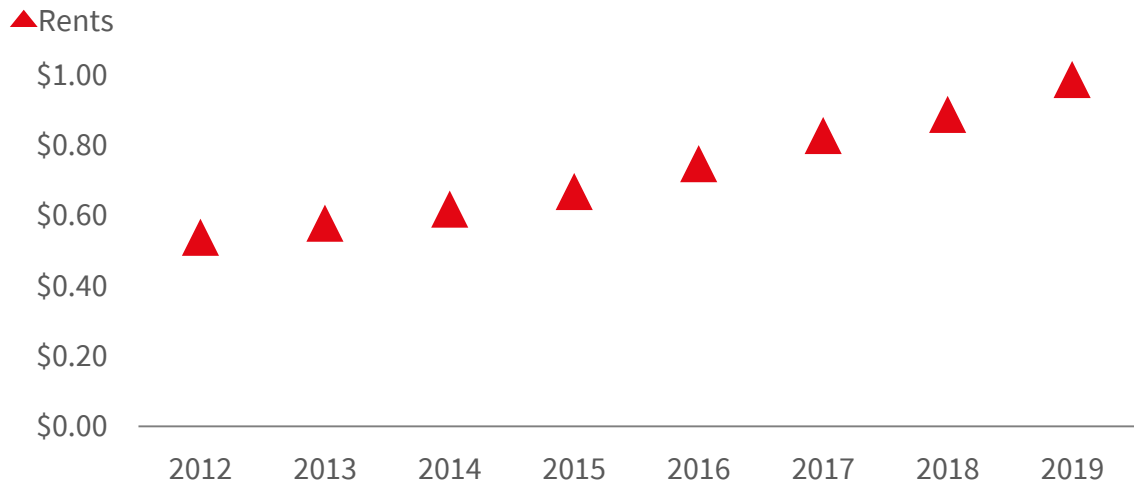
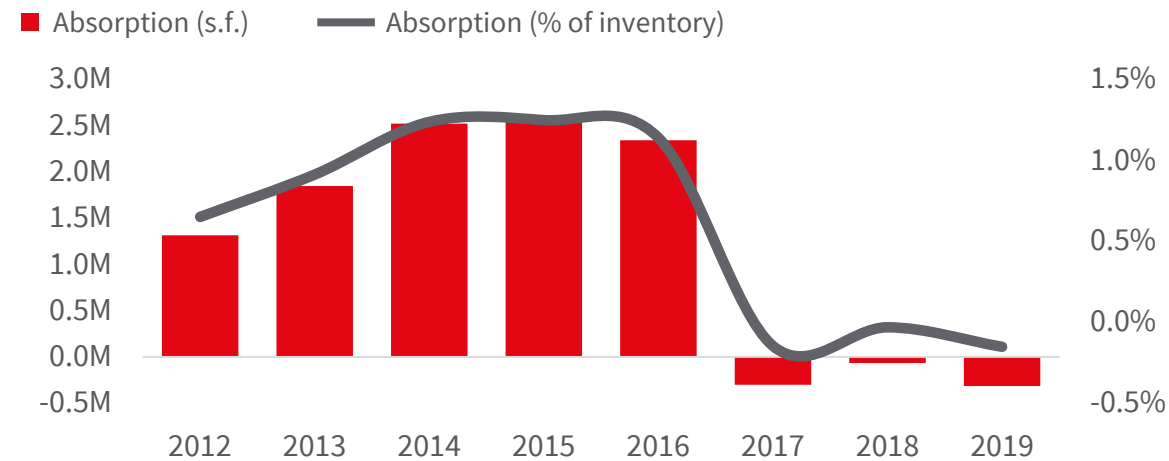


2000 +	18,553,789	368
1980-1999	58,799,409	1,426
1960-1979	100,999,036	3,436
≤ 1959	7,569,406	244



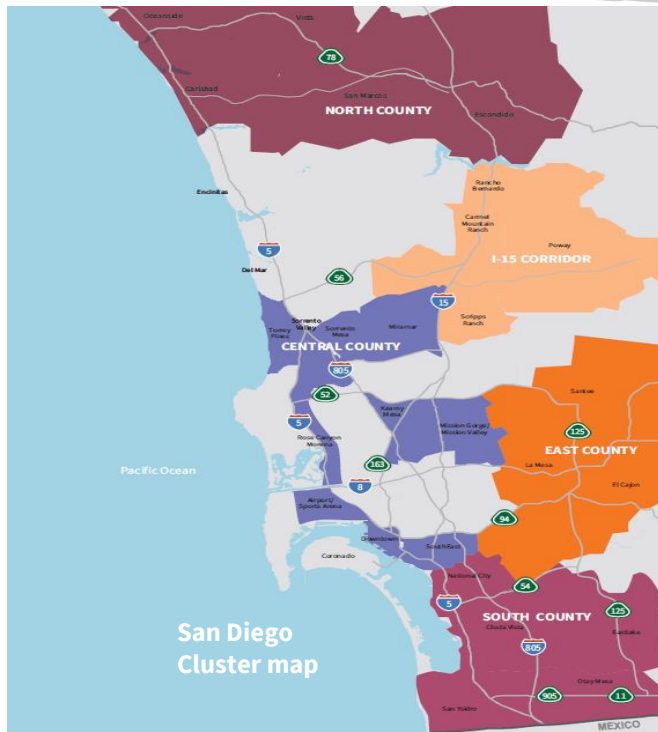
Orange County

Market fundamentals





San Diego industrial market by the numbers Q4'19

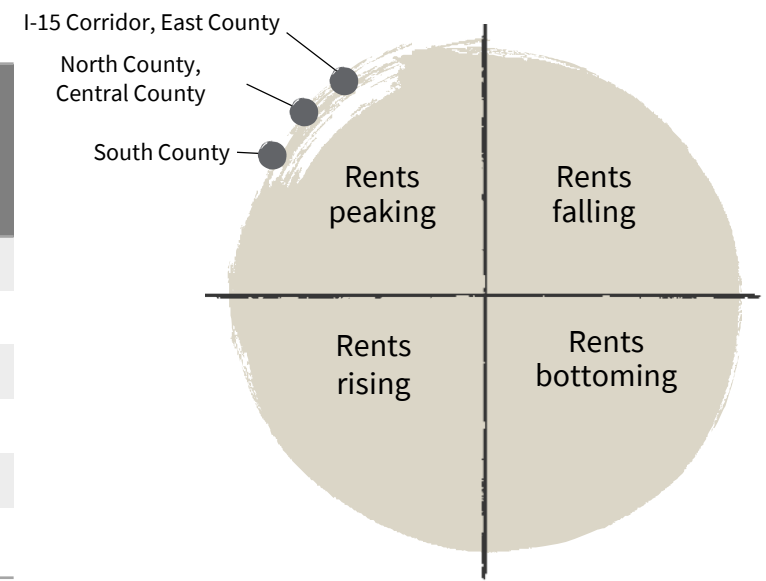


San Diego Market



- Tenant favorable market
- Neutral market
- Landlord favorable market

(Mfg./Whs.)	Inventory (s.f.)	Q4 2019 total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total Vacancy (%)	Total Availability (%)	Average Asking NNN rents (p.s.f)	Q4 2019 completions (s.f.)	YTD completions (s.f.)	Under construction (s.f.)
Central County	34,645,506	-24,127	132,219	0.4%	2.8%	4.9%	\$1.27	0	130,188	0
East County	12,195,552	25,392	28,915	0.2%	3.1%	5.2%	\$0.90	0	74,533	43,600
I-15 Corridor	11,375,287	42,300	173,313	1.5%	3.4%	9.6%	\$1.23	0	54,588	674,979
North County	38,935,712	8,020	112,145	0.3%	8.3%	11.1%	\$0.98	0	392,957	68,774
South County	27,222,832	114,891	752,956	2.8%	2.6%	6.5%	\$0.80	29,022	282,272	464,212
San Diego Total	124,374,889	166,476	1,199,548	1.0%	4.6%	7.7%	\$1.04	29,022	934,508	1,251,565

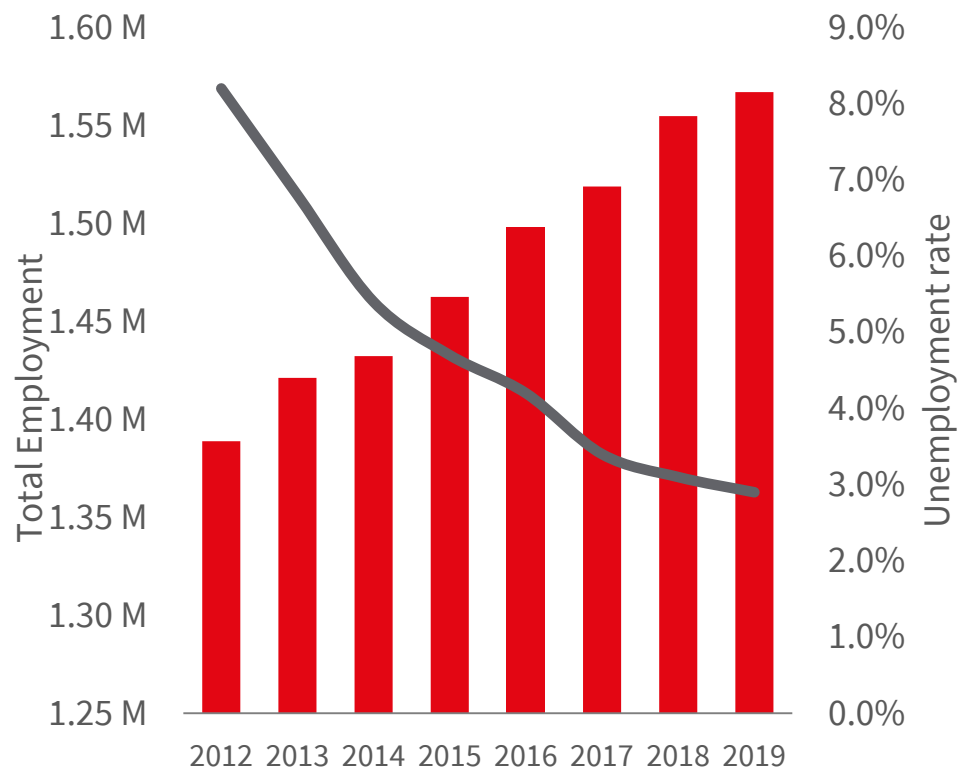




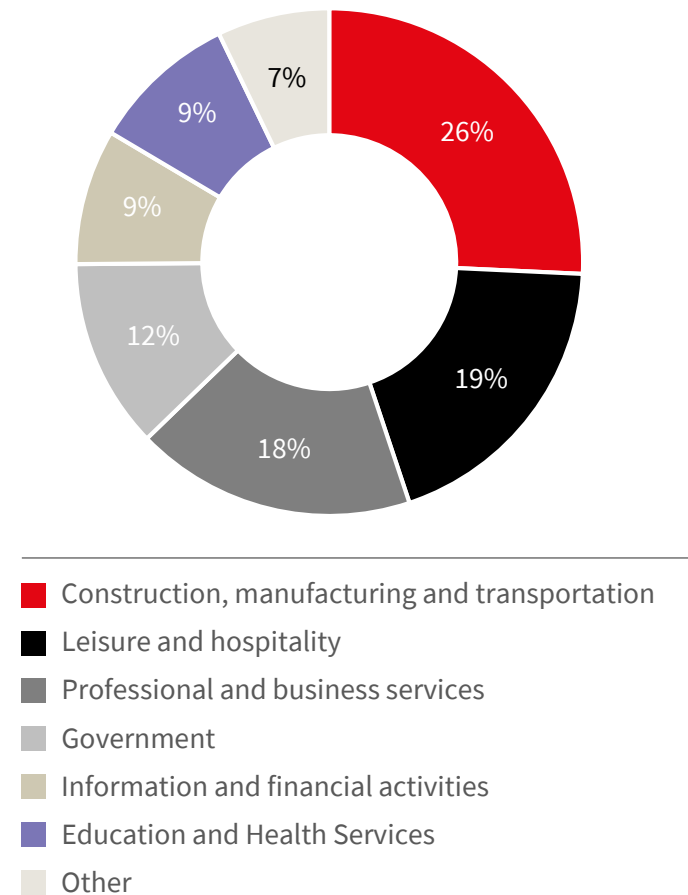
San Diego

People & Industries

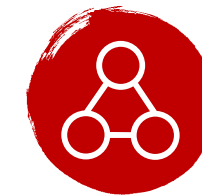
Employment and labor availability



Employment by industry



Demographics at a glance



Population
3.3M



Median age
35.9



Median HH
income
\$78,492



Bachelor's or higher
39.3%

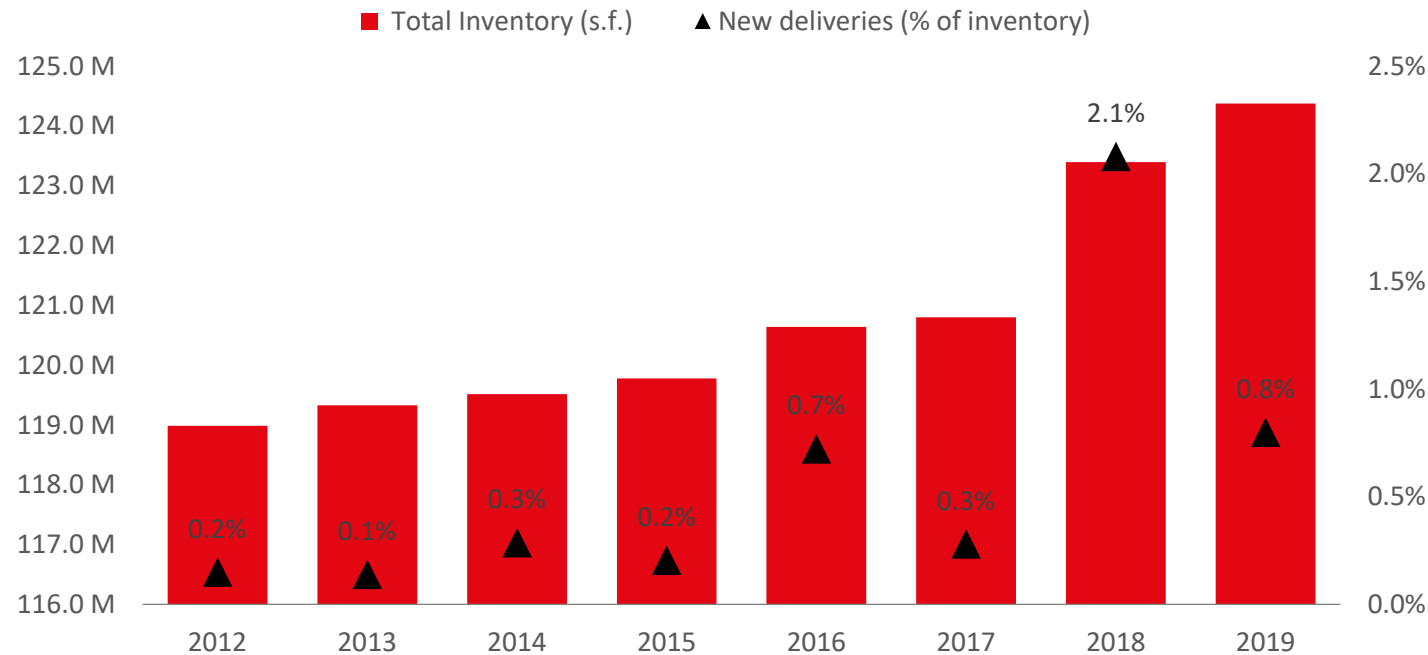
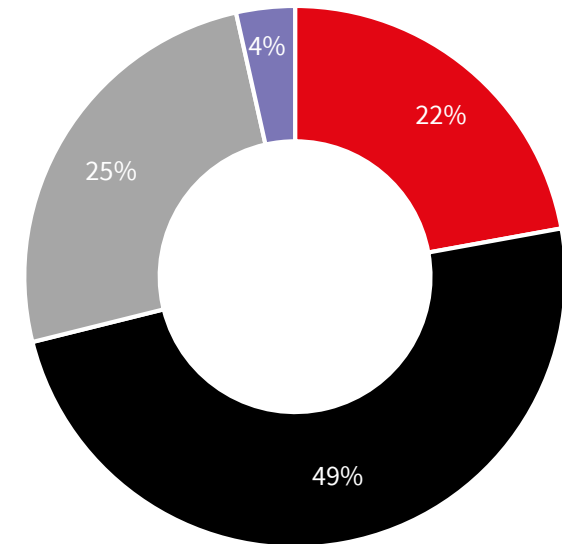


San Diego

Industrial Market

San Diego industrial fundamentals remain healthy for investor yields. The occupancy rate for the market has stabilized in the 95 percent range over the last five years, causing average asking rents to increase by 33 percent since 2015. During that time period, leasing activity has been fueled by medical devices, construction materials, consumer durables, defense, and logistics industries for 75 percent of the total leasing. Investors continue to take advantage of steady tailwinds with upward pressure on rents, keeping pace with rising construction costs and sale pricing with an average of \$168 per s.f. Although 2019 new deliveries saw a total decrease by 1.6 million s.f. from 2018, development is expected to rise. Scarcity of land in Central County coupled with vacancy at 2.8 percent will cause developers to build on strategic infill sites to satisfy demand.

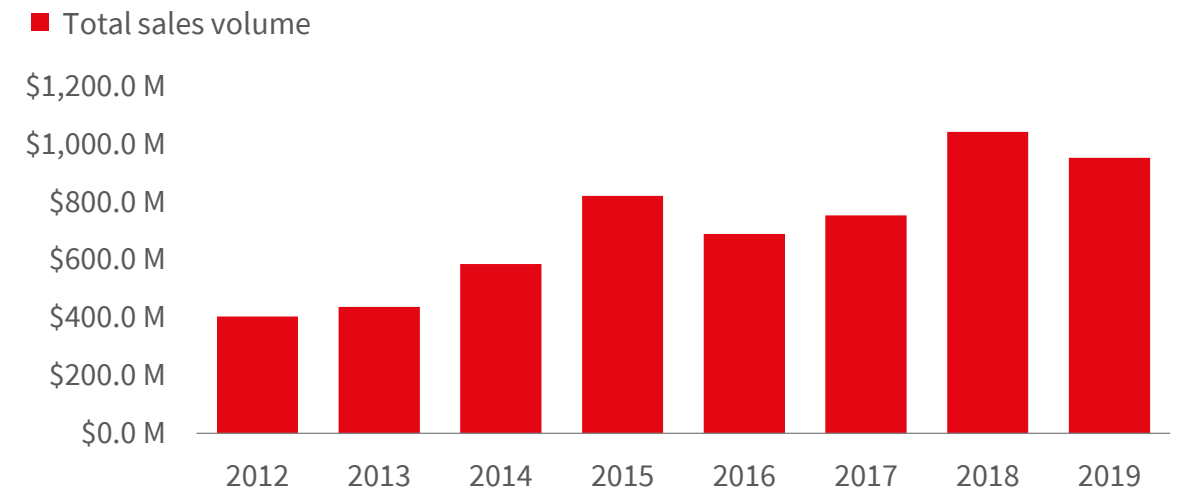
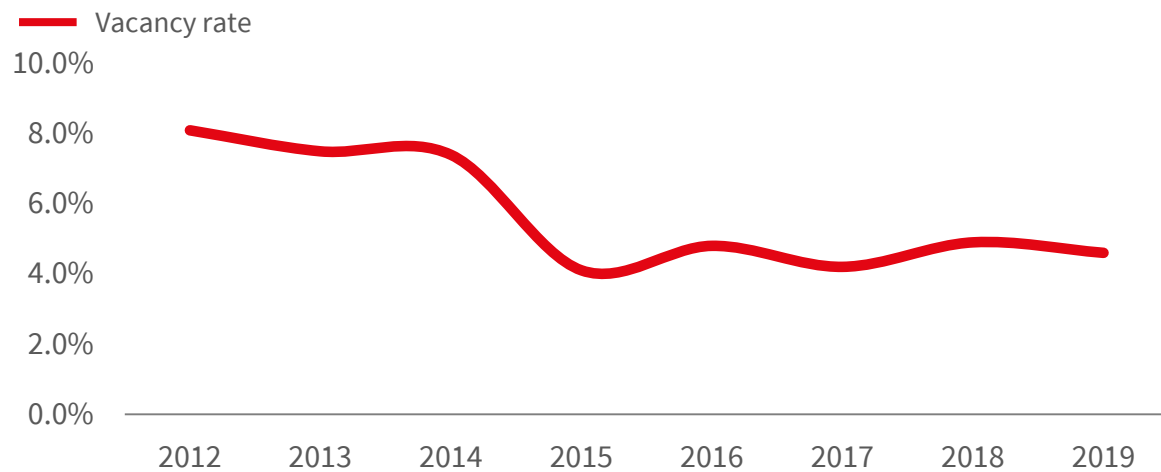
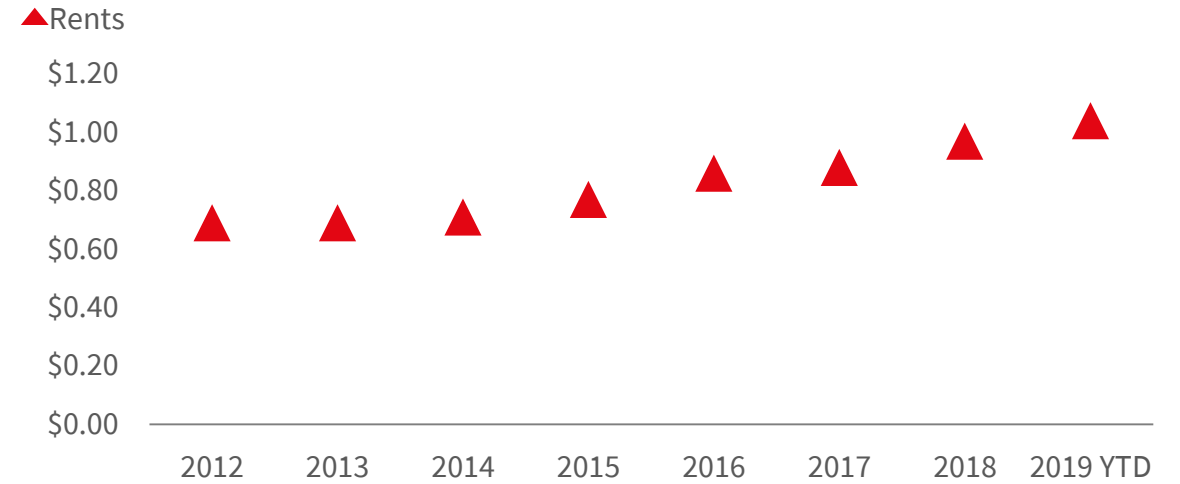
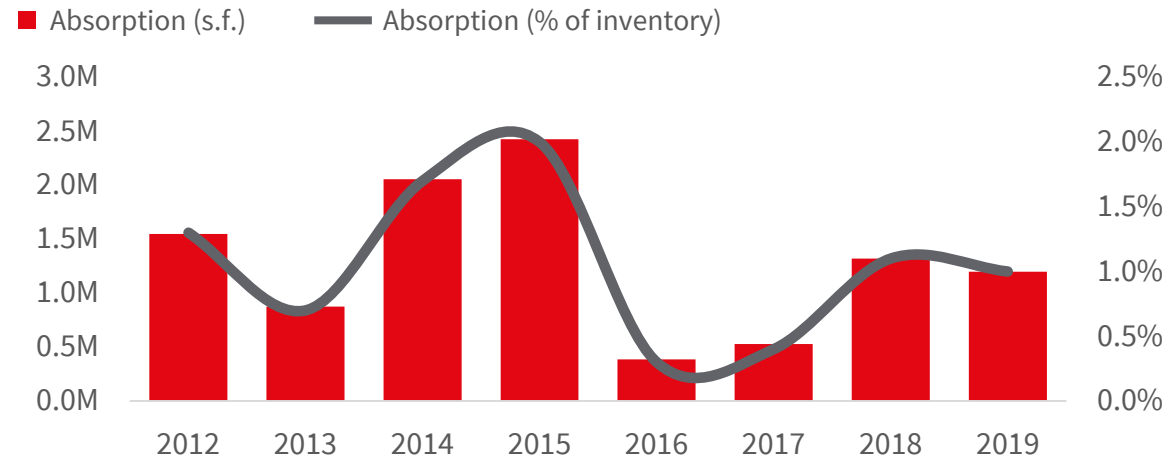
Inventory by age (by s.f.)



Age Group	Total Inventory (s.f.)	New Deliveries (s.f.)
2000 +	25,676,496	501
1980-1999	56,724,634	1,587
1960-1979	29,388,676	1,002
≤ 1959	4,060,612	80



Market fundamentals





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DECLARATION OF THOMAS OWINGS

I, Thomas Owings, declare the following:

1. I am the former Mayor of the City of Moreno Valley, from January 2013 to June 2014 and I make this declaration in support of Golden State Environmental Justice Alliance's comments on the Draft Recirculated Revised Sections of the Final Environmental Impact Report for the World Logistics Center Project. I make this declaration of my own personal knowledge, and, if called as a witness I could and would testify truthfully hereto.
2. During my time as Mayor of Moreno Valley, my policy was to visit as many of the city's largest employers as possible. I instructed Denise Begley, the Management Analyst for the City's Community & Economic Development Department to schedule a least one on site visit per week. Additionally, I tried to meet with as many of these employers during city sponsored events such as round tables and economic development meetings. Ms. Begley or another city staff member accompanied me on these visits in order to determine how the city could best assist the employers with their employment goals.
3. I made on site visits or interviewed senior management at most of the larger logistics distribution centers in the City to learn what the City could do to assist them. These visits and discussions included facilities operated by:

COMPANY	FACILITY SIZE SF
Amazon	1,000,000
Skechers USA	1,800,000
Harbor Freight	2,000,000
Ross Dress for Less	1,600,000
Aldi Foods	800,000
Walgreens	685,000
Iherb.com	365,000

4. The management for these logistics centers consistently reported to me that the City of Moreno Valley had a very shallow labor pool, meaning that it was not possible to obtain work ready employees from within the City. They also reported that their workers traveled up to 60 or more miles one way to get to work.
5. When I toured Sketches USA, I was told by the General Manager that of the over 600 new jobs as a result of Sketchers moving to Moreno Valley only 35 were filled by Moreno Valley residents. Most were filled by commuters from as far away as Pomona.
6. When negotiating to bring Aldi Foods to Moreno Valley, I had to make major economic concessions and promise ongoing support in employment recruiting

efforts by the City in order to overcome the company's concerns over the lack of qualified workers within a 10 mile radius of the proposed distribution center. Similarly, I made the same promises to assist in workforce recruitment to the developers of the Amazon facility.

7. The City's own economic development website (www.morenovalleybusiness.com) states that companies can recruit from a workforce of 103,000 in Moreno Valley proper and workforce of 1,094,000 within a 20-mile radius of Moreno Valley with an average commute of 37 minutes. The City website also states that 50% of this workforce is made up of white-collar workers not the blue-collar workers needed for a logistic center workforce.
8. The management for these logistics centers consistently reported that they were forced to rely on labor from temporary employment agencies to fill their workforce requirements. In fact, many were below 50% permanent employees and relied on 50% or more of their employees from temporary employment agencies. This reliance on temporary employment agencies caused human resource problems.
9. Most of the senior managers I spoke with stated, if they made the decision about the location of their companies' facility, they would not have located in Moreno Valley due to the shallow labor pool and the associated problems with temporary employees.
10. The management for these logistics centers consistently reported that they were not hampered by employee's lack of logistics experience, which they were more than capable of training those skills, but by job readiness skills. These employers needed help recruiting potential employees with self-confidence, basic skills in reading, math, communication skills, basic computer software skills and some idea of what it takes to keep a job once they were hired. These are skills that many unemployed and under employed did not receive while they were students in area schools.
11. The majority of these managers felt that their efforts to employ workers from the City proper would be more successful if the City would facilitate the following:
 - a. basic skill classes that build verbal and math skills necessary for employment, including basic math, reading comprehension, grammar, computer science relevant to holding a full-time job.
 - b. English as a Second Language classes supported by a qualified ESL instructor that would stress vocabulary and grammar skills.
 - c. basic computer skills and computer classes would give prospective employees an introduction to Microsoft Windows, word processing and data management applications. Participants would learn how to

type letters and resumes, use spreadsheets, and gain an introductory understanding of the Internet.

- d. Job preparation classes which would focus on employer expectations, appropriate work attire, resume preparation, and job search skills. Potential employers will make presentations to participants about their companies, job opportunities, and performance expectations.

12. While I no longer live in Moreno Valley, I am aware of the status of its schools. Although the City's major School District claims to have increased the graduation rate by 22 percent in recent years, many of its past graduates cannot read at grade level and lack the necessary job readiness skills to be employed in the logistics industry.
13. While serving as Moreno Valley Mayor and as CEO of a major domestic auto dealership on the border of Moreno Valley and Riverside, I have observed that most Moreno Valley residents who commute a long distance do so for higher paying white-collar jobs. The jobs provided by the WLC for the most part do not fit the economic needs of these commuters.
14. Moreno Valley is a very diversified City. Ethnic composition: (2010 U.S. Census): Hispanic 54.4%; White 18.9%; African American 17.2%; Pacific Islander/Asian-American 6.4%; Two or more races 2.6%; other .2%.
15. Moreno Valley is a very young city with high unemployment below 30 years old and the youngest residents of the City have the highest unemployment according to figures from the US Census 2018. The following table illustrates this point:

AGE	UNEMPLOYMENT RATE
16-19	34.0%
20-24	18.5%
25-29	10.3%
30-34	8.7%
35-44	7.0%
45-54	6.0%
55-74	24.0%
75+	15.2%

16. There are 35,068 students enrolled in Moreno Valley Unified District. Student ethnicity is as follows:


- Hispanic: 22,802 66%
- African American: 5,873 17%
- Caucasian: 3,455 10%
- Asian: 1,382 4%
- All Other: 1,037 3%

17. I am therefore surprised the Revised 2018 Traffic Impact Analysis (TIA) for the World Logistics Center Project concludes that in 2025 there would be a net

reduction in passenger car vehicle miles traveled ("VMT") relative to the No Project scenario. This conclusion is not credible because if the existing distribution centers cannot draw from Moreno Valley's labor pool, and must get workers from 40 or more miles away, then the World Logistics Center will not be able to get workers from Moreno Valley or nearby either. I realize the Revised Traffic Impact Analysis utilizes models based on the average logistic center located in an average city. However, Moreno Valley is not the average city and the WLC is not average logistic center. I predict there will be a significant net increase in Freeway VMT attributable to far away workers needing to get to the 20,000 jobs the World Logistics Center is projected to create.

18. For the benefit of all residents, mitigation in the form of job readiness training as discussed above should be required. By reducing the need to import workers from neighboring communities, this training has the potential to mitigate the social economic impacts to the City and improve the City's air quality. The City's 2018-2023 Consolidated Plan recognizes the importance of job readiness training. The City states, "Job Readiness Training is a critical component for economic self-sufficiency." Economic self-sufficiency and improved air quality are laudable goals.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 20th day of January 2020, at Pinetop Arizona.



Thomas A. Owings