

MARKET INDICATORS Q3 2018



MARKET OVERVIEW

The San Gabriel Valley office market recorded 152,000 square feet of leasing activity, marking at least 100,000 square feet of velocity for nine out of the past ten quarters. Vacancy dropped by 20 basis points to 14.3% due to positive demand of 19,300 square feet. The overall average asking rent rose by \$0.04 to \$2.30 per square foot (PSF) full service gross (FSG).

> In the most notable sale of the quarter, LNR Partners LLC sold 3201 Temple Avenue in Pomona to Pomona Corporate Plaza LLC for \$6.5 million (\$148 PSF). After the sale, Acclamation Insurance signed a 8,800 square foot lease at the property, pushing occupancy from 69% at time of sale to 89%.

> Demand moderated down to 19,300 square feet after posting positive 51,600 square feet last quarter. Positive demand should continue into the final quarter of 2018, with the likes of QTC Management, Inc. (98,500 square feet), UTC Aerospace Systems (79,000 square feet) and L.A. County Department of Health Services (68,000 square feet) absorbing space by the end of the year.

UNEMPLOYMENT

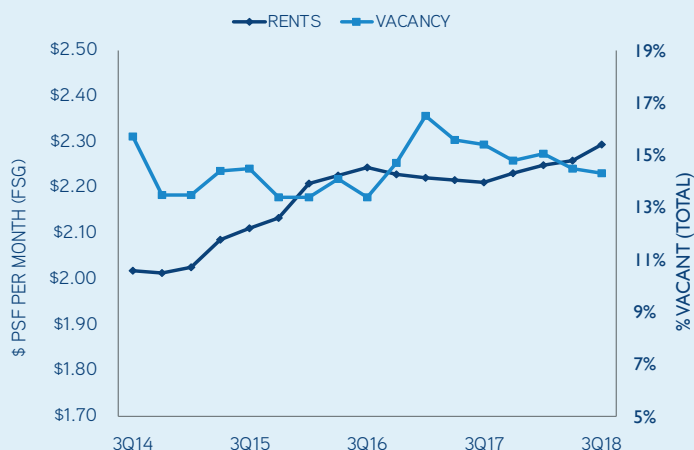
L.A. County non-farm unemployment in August 2018 rose to 4.5%, up 10 basis points from 4.4% last quarter. Despite the increase, this is still 10 basis points lower than the same time last year. Over the past 12 months, Los Angeles County gained 62,000 jobs for an increase of 1.4%. Leisure and hospitality (+21,800), educational and health services (+15,300) and professional and business services (+14,300) posted the highest gains.

MARKET DESCRIPTION

The San Gabriel Valley office market is comprised of 10.2 million square feet and represents 3% of the total office space in buildings 25,000 square feet and greater within the Los Angeles basin. Most office tenants located in the San Gabriel Valley are in the information, finance and professional services sectors. A large percentage of the space is in low-rise buildings (80%), with the remaining being in mid-rise buildings (20%).

HISTORICAL VACANCY VS RENTS

SAN GABRIEL VALLEY OFFICE MARKET Q3 '14 - '18



HISTORICAL NET ABSORPTION & CONSTRUCTION COMPLETIONS

SAN GABRIEL VALLEY OFFICE MARKET • Q3 '14 - '18



OFFICE OVERVIEW

SAN GABRIEL VALLEY OFFICE MARKET • Q3 2018

EXISTING PROPERTIES			VACANCY			ACTIVITY			ABSORPTION		CONSTRUCTION		RENTS
Submarket/ Class	Bldgs	Total Inventory SF	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Vacancy Prior Qtr	Leasing Activity Current Qtr SF	Leasing Activity YTD SF	Net Absorption Current Qtr SF	Net Absorption YTD SF	Completions Current Qtr SF	Under Construction SF	Weighted Avg Asking Lease Rate
EAST SAN GABRIEL VALLEY													
A	39	3,038,700	13.6%	0.1%	13.6%	14.9%	29,000	132,700	37,300	(33,000)	0	0	\$2.43
B	53	3,193,100	24.5%	0.0%	24.5%	24.0%	18,700	266,200	(14,700)	66,700	0	0	\$2.20
C	9	340,900	2.4%	0.9%	3.4%	3.2%	1,100	2,400	(700)	5,700	0	0	\$1.70
SUBTOTAL	101	6,572,700	18.3%	0.1%	18.4%	18.7%	48,800	401,300	21,900	39,400	0	0	\$2.28
WEST SAN GABRIEL VALLEY													
A	14	1,670,100	7.2%	0.0%	7.2%	5.7%	39,300	45,900	(25,400)	(56,800)	0	0	\$2.63
B	38	1,797,800	6.4%	0.0%	6.4%	7.7%	29,200	183,200	22,800	77,900	0	0	\$2.21
C	6	207,800	10.6%	0.6%	11.2%	11.2%	900	2,000	0	(13,000)	0	0	\$2.00
SUBTOTAL	58	3,675,700	7.0%	0.0%	7.0%	7.0%	69,400	231,100	(2,600)	8,100	0	0	\$2.39
MARKET TOTAL													
A	53	4,708,800	11.3%	0.0%	11.4%	11.6%	68,300	178,600	11,900	(89,800)	0	0	\$2.48
B	91	4,990,900	18.0%	0.0%	18.0%	18.1%	47,900	449,400	8,100	144,600	0	0	\$2.20
C	15	548,700	5.5%	0.8%	6.4%	6.2%	2,000	4,400	(700)	(7,300)	0	0	\$1.92
TOTAL	159	10,248,400	14.2%	0.1%	14.3%	14.5%	118,200	632,400	19,300	47,500	0	0	\$2.30



RECENT TRANSACTIONS & MAJOR DEVELOPMENTS

SAN GABRIEL VALLEY OFFICE MARKET • Q3 2018

SALES ACTIVITY					
PROPERTY ADDRESS	SIZE SF	SALE PRICE	PRICE PSF	BUYER	SELLER
3201 Temple Ave., Pomona	44,200 SF	\$6,525,000	\$148 PSF	Pomona Corporate Plaza	LNR Partners LLC
101 W Mission Blvd., Pomona	44,900 SF	\$5,750,000	\$128 PSF	Mission Oak Group Llc	City of Pomona
LEASING ACTIVITY					
PROPERTY ADDRESS	LEASED SF	LEASE TYPE	BLDG CLASS	LESSEE	LESSOR
1000 S. Fremont Ave., Alhambra	12,100 SF	Direct	B	California State University	Ratkovich/ELITE International
3201 Temple Ave., Pomona	8,800 SF	Direct	B	Acclamation Insurance	Pomona Corporate Plaza LLC
MAJOR DEVELOPMENTS					
PROJECT	DEVELOPER	SIZE SF	SUBMARKET	STATUS	ESTIMATED COMPLETION
2120-2140 S. Azusa Ave., West Covina	Charles Company	390,900 SF	East SGV	Proposed	TBD
Innovation Village, Pomona (4 Bldgs.)	CalPoly Pomona Foundation	430,000 SF	East SGV	Proposed	TBD

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