

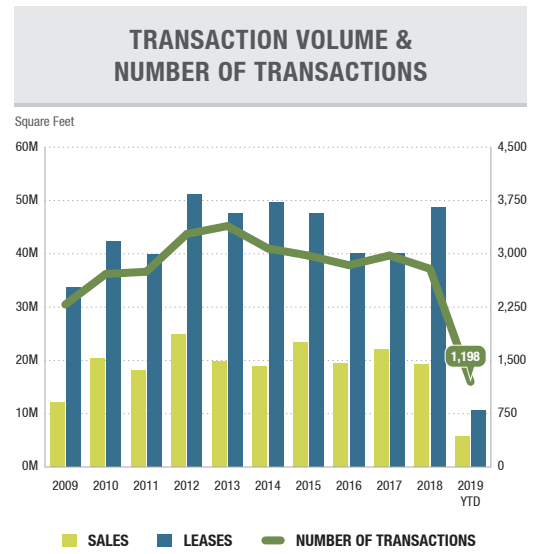
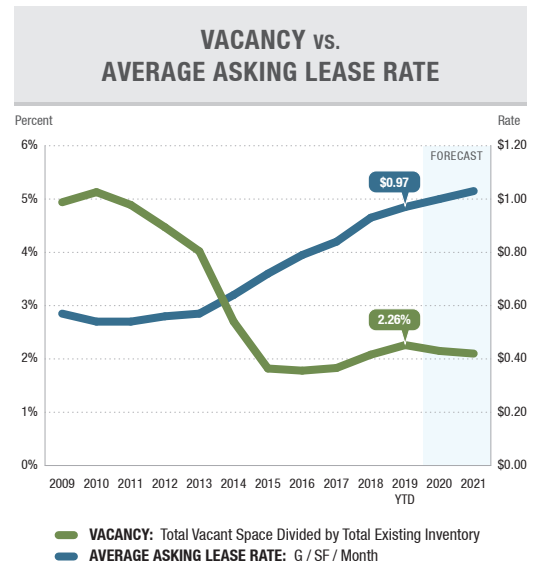
**MARKET OVERVIEW.** The Los Angeles industrial market has reported strong fundamentals and growth metrics, with key market indicators for both the overall economy and the local real estate market trending in a positive direction. Unemployment in the month of April was 4.5%, down from 4.6% one year ago. The Los Angeles industrial market has the strongest logistics, apparel design/manufacturing distribution, and food production/manufacturing market in the country, thanks largely to the Port of Los Angeles and the Port of Long Beach. The market for logistics properties has grown over the last several years, benefiting from the overall growth in e-commerce. The Los Angeles industrial market is rebounding overall during the second quarter of 2019. Vacancy trended downward compared with the previous quarter and the same quarter of 2018, and lease rates have increased in the last six quarters. Several driving economic factors suggest that vacancy rates will continue to drop for the foreseeable future, putting upward pressure on lease rates.

**VACANCY.** The demand for warehousing and distribution space shows no signs of diminishing. In addition to low unemployment, the economy is thriving with corporate tax cuts, low interest rates, and overall good financial health of the market's tenant base. The Los Angeles industrial market is as healthy as it has ever been, despite steep barriers to entry. As tenant demand remains consistent among a diverse pool of tenants, vacancy rates will remain low and rents will stay high. Vacancy in the Los Angeles region was 2.26% at the end of the second quarter of 2019, down 5 basis points compared with the prior quarter, and 5.44% compared with the previous year.

**AVAILABILITY.** Direct/sublease space being marketed in the second quarter came in at 4.30%, up from 3.93% from the second quarter of 2018. Due to the difficulty in developing new, modern buildings, much of the Los Angeles industrial inventory tends to be in properties that are smaller and older than might be considered normal for such a distribution market.

**LEASE RATES.** Rates have been rising overall, even as construction completions are being delivered (4 million square feet remain under construction today). However, the market is certainly a tight-infill landscape with few opportunities remaining to develop additional new space. The average asking lease rate is \$0.97 IG per square foot per month, a \$0.02 per square foot increase from last quarter and an \$0.08 per square foot increase from a year ago (8.99% annual increase). Recently, however, rent growth has slowed year-over-year, an indication that the cost of doing business has increased too much for some tenants. While averages are tough to rely on in L.A. given the disparity between Class A options and older, functionally obsolete properties, expect this trend of rent growth to continue.

**TRANSACTION ACTIVITY.** With the increase in the popularity of e-shops and delivery companies, the logistics e-commerce business continues to grow. It faces more and more challenges, however, as consumers expect faster shipments, increasing the need for logistics companies to be more efficient and perform more seamlessly than ever before. Demand has been especially strong in logistics, apparel, and manufacturing sectors. The arrival of new types of tenants, such as legalized cannabis distributors, has also contributed to the already massive industrial demand. Los Angeles is one of the largest industrial markets in the nation, but even with more than 728 million square feet of occupied space, available industrial space remains scarce, particularly buildings suitable for the logistics sector. Demand for quality space in Los Angeles has improved, with 9.2 million square feet in total transactions (sale and lease), up from just over 8.9 million square feet last quarter.



### Market Statistics

	Change Over Last Quarter	2Q 2019	1Q 2019	2Q 2018	% Change Over Last Year
Vacancy Rate	▼ DOWN	2.26%	2.31%	2.39%	(5.44%)
Availability Rate	▲ UP	4.30%	3.93%	4.27%	0.70%
Average Asking Lease Rate	▲ UP	\$0.97	\$0.95	\$0.89	8.99%
Sale & Lease Transactions	▲ UP	9,218,265	8,978,843	14,607,812	(36.89%)
Gross Absorption	▼ DOWN	6,491,294	7,563,399	8,523,572	(23.84%)
Net Absorption	▲ POSITIVE	635,937	(1,184,242)	(738,853)	N/A

**OVERALL.** Los Angeles has a remarkably diverse economy, fueled by entertainment, technology, manufacturing, logistics, and, more recently, the cannabis industry. The area's high concentration of consumers and businesses drives strong demand for logistics and related services. Simultaneously, supply is constrained due to a scarcity of developable land. Despite a tight market for space and relatively high rents, companies choose to locate their distribution facilities in the Los Angeles area to facilitate last-mile deliveries to the region's consumer population. If trade wars escalate causing a slowing at the ports, this could have a profound effect on the industrial market. If the macro picture remains somewhat steady, then the industrial market will continue with low vacancy rates and put upward pressure on prices. Industrial sale prices are therefore expected to continue to rise over the next six months.

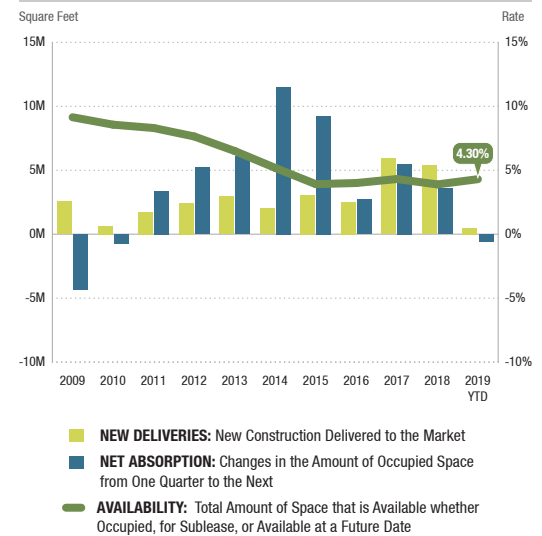
**LEASE RATES.** Expect lease rates to continue to climb, with the largest gains in newer, Class A product. We expect 3–4% annualized growth in the coming year.

**VACANCY.** Industrial real estate demand continues to soar to new heights, and we expect more of the same throughout 2019, with anticipated vacancy rates in the 2–3% range over the next three quarters.

**CONSTRUCTION.** Despite rising construction costs, the strong demand for warehouses and distribution centers in Los Angeles is justifying the additional development of industrial properties in the market. Industrial construction has been growing in Los Angeles, but not to the levels seen in the nearby Inland Empire market. At the end of the second quarter of 2019, there were 28 buildings under construction totaling nearly 3.92 million square feet. In the pipeline, the largest project is a speculative two-building industrial center being developed by Goodman. The buildings, located in El Monte, will bring a combined 1.2 million square feet to the market replacing a similar sized, but aged, distribution center formerly owned and occupied by Vons. In Vernon, Prologis is developing a two-building industrial park at 5215 South Boyle Avenue with a projected delivery date in late 2019. The two buildings will bring 346,000 square feet to market. In Carson, Millie and Severson's building, a 412,000 square foot industrial building at 21900 S. Wilmington Avenue, has a projected July 2019 delivery date.

**ABSORPTION.** The Los Angeles industrial market has seen benefits from a number of economic shifts that have led to an increase in demand for warehouse space, including the rise of e-commerce, apparel manufacturing, and the legalization of cannabis. The Los Angeles industrial market posted 635,937 square feet of positive net absorption in the second quarter, bouncing back from 1,184,242 square feet of negative net absorption in the previous quarter and giving the market an average of 800,000 square feet per quarter over the last nine quarters.

## NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



## Significant Transactions

### Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
15300 Desman Rd.	La Mirada	254,718	\$52,886,500	Robertson Property Group	AEW Capital Management
11520–11680 Bloomfield Ave.	Santa Fe Springs	62,612	\$43,000,000	Kelly Pipe Co., LLC	Shapco, Inc.
3318 La Cienega Pl.	Los Angeles	35,000	\$29,000,000	Redcar Properties, Ltd	Camel Partners
601 S. Vincent Ave.	Azusa	148,000	\$28,490,000	The Heico Companies, LLC	Ancra International, LLC
1515 E. 15th St.	Los Angeles	238,000	\$28,100,000	Rexford Industrial Realty, Inc.	Graff Californiawear

### Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
4300 Shirley Ave.	El Monte	299,786	May-2019	Mutual Trading Co. Inc.	Goodman North America
455–510 Brea Canyon Rd.	City of Industry	230,992	Jun-2019	Chef's Warehouse	Prologis
909 E. Colon St.	Wilmington	223,865	Apr-2019	Potential Industries	PPF Industrial 909 E Colon Street
12910 Mulberry Dr.	Whittier	153,080	May-2019	Shift Technologies Inc.	Nuveen Real Estate
200 E. Alondra Blvd.	Carson	145,103	Jun-2019	D.G. Group America Ltd.	Alere Property Group

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2019	Square Feet Available	Availability Rate 2Q2019	Average Asking Lease Rate	Net Absorption 2Q2019	Net Absorption 2019	Gross Absorption 2Q2019	Gross Absorption 2019
<b>Central</b>													
Bell/Bell Gardens/Maywood	193	7,509,357	0	0	38,215	0.51%	120,649	1.61%	\$0.00	(16,499)	(29,575)	59,787	68,427
City of Commerce	730	44,956,942	0	41,590	897,212	2.00%	1,937,183	4.31%	\$0.83	(253,863)	306,590	375,762	1,215,633
Huntington Park/Cudahy	195	4,793,018	0	0	131,497	2.74%	305,673	6.38%	\$0.75	25,149	98,755	78,754	132,601
Downtown	5,143	129,859,195	202,580	103,300	3,842,926	2.96%	7,349,582	5.66%	\$1.04	161,997	(176,593)	1,468,333	2,569,515
Montebello/Monterey Park	306	11,689,679	0	0	228,876	1.96%	368,174	3.15%	\$0.95	(72,611)	95,628	96,678	263,730
Pico Rivera	202	10,108,252	118,664	0	191,675	1.90%	264,370	2.62%	\$1.17	60,633	74,021	22,659	216,700
South Gate	226	10,298,085	0	0	164,211	1.59%	582,580	5.66%	\$0.98	(93,298)	(17,184)	55,219	150,633
Vernon	775	42,196,698	463,541	82,412	1,127,269	2.67%	2,083,155	4.94%	\$0.83	(12,019)	(68,792)	535,611	844,210
<b>Total</b>	<b>7,770</b>	<b>261,411,226</b>	<b>784,785</b>	<b>227,302</b>	<b>6,621,881</b>	<b>2.53%</b>	<b>13,011,366</b>	<b>4.98%</b>	<b>\$0.94</b>	<b>(200,511)</b>	<b>282,850</b>	<b>2,692,803</b>	<b>5,461,449</b>
<b>Mid Counties</b>													
Artesia/Cerritos	278	13,178,913	0	0	415,561	3.15%	937,284	7.11%	\$0.86	11,680	291,836	205,044	676,898
Bellflower/Downey	192	5,496,646	0	0	65,755	1.20%	84,441	1.54%	\$0.95	(9,381)	21,207	35,064	74,982
Buena Park/La Palma	232	15,076,386	0	0	1,160,874	7.70%	1,926,142	12.78%	\$0.95	619,075	(955,418)	199,701	593,104
La Mirada	183	12,980,164	0	0	187,450	1.44%	598,238	4.61%	\$0.89	(36,582)	133,053	31,826	337,505
Norwalk	86	2,900,838	0	0	19,959	0.69%	81,712	2.82%	\$0.00	7,124	78,932	27,083	49,419
Paramount	377	8,782,399	0	0	150,280	1.71%	267,346	3.04%	\$0.80	(57,351)	(107,897)	65,102	89,679
Santa Fe Springs	1,348	52,713,634	89,081	801,894	986,709	1.87%	1,912,080	3.63%	\$0.99	43,282	106,751	371,563	929,385
Whittier	161	3,878,884	0	0	84,334	2.17%	448,181	11.55%	\$0.97	174,244	(64,172)	26,396	42,078
<b>Total</b>	<b>2,857</b>	<b>115,007,864</b>	<b>89,081</b>	<b>801,894</b>	<b>3,070,922</b>	<b>2.67%</b>	<b>6,255,424</b>	<b>5.44%</b>	<b>\$0.94</b>	<b>752,091</b>	<b>(495,708)</b>	<b>961,779</b>	<b>2,793,050</b>
<b>San Gabriel Valley</b>													
Alhambra	114	2,354,201	0	0	145,686	6.19%	168,686	7.17%	\$1.30	11,635	14,798	37,049	67,534
Arcadia/Temple City	141	3,063,655	0	0	78,479	2.56%	79,626	2.60%	\$1.23	4,697	(2,409)	60,278	80,902
Azusa	230	5,940,355	0	8,000	104,442	1.76%	274,122	4.61%	\$0.82	126,417	95,017	281,531	362,524
Baldwin Park	250	4,697,062	0	0	50,912	1.08%	70,484	1.50%	\$0.93	49,040	34,747	68,752	128,647
City of Industry/DB/HH/RH	1,103	73,226,757	0	380,716	1,728,082	2.36%	2,278,764	3.11%	\$1.10	(112,198)	(412,716)	732,123	1,241,461
Covina/West Covina	175	3,248,624	30,173	0	81,339	2.50%	95,725	2.95%	\$1.08	46,294	69,607	79,489	111,384
Duarte	70	1,807,063	0	0	28,448	1.57%	26,981	1.49%	\$0.96	(8,826)	(17,171)	18,016	50,289
El Monte	307	6,990,193	1,327,909	61,163	219,820	3.14%	268,215	3.84%	\$0.98	(37,010)	(71,104)	93,663	147,612
Irwindale	260	11,081,169	155,498	2,263,694	230,622	2.08%	411,646	3.71%	\$0.83	(94,801)	(87,736)	45,762	131,598
La Puente	90	1,966,065	0	12,650	50,336	2.56%	86,916	4.42%	\$0.98	(12,890)	(13,299)	6,070	10,589
La Verne/San Dimas/Glendora	311	6,686,364	0	0	124,033	1.86%	148,157	2.22%	\$0.94	(61,712)	(74,024)	24,098	65,166
Monrovia	201	3,210,736	0	0	17,026	0.53%	39,526	1.23%	\$0.00	(2,725)	1,529	26,983	42,183
Pomona/C Claremont	662	20,068,543	66,982	0	209,898	1.05%	610,430	3.04%	\$0.73	(28,281)	(56,500)	174,686	232,971
Rosemead/San Gabriel	120	2,428,226	0	0	34,308	1.41%	52,749	2.17%	\$0.00	(4,129)	9,618	9,786	45,286
South El Monte	783	10,585,447	0	0	318,378	3.01%	362,945	3.43%	\$0.93	(14,168)	(8,932)	135,866	233,339
Walnut	197	6,631,716	0	0	131,316	1.98%	152,390	2.30%	\$1.16	(23,418)	(27,710)	27,495	69,999
<b>Total</b>	<b>5,014</b>	<b>163,986,176</b>	<b>1,580,562</b>	<b>2,726,223</b>	<b>3,553,125</b>	<b>2.17%</b>	<b>5,127,362</b>	<b>3.13%</b>	<b>\$0.98</b>	<b>(162,075)</b>	<b>(546,285)</b>	<b>1,821,647</b>	<b>3,021,484</b>
<b>South Bay</b>													
Carson	494	34,643,864	412,000	70,300	245,676	0.71%	550,267	1.59%	\$1.07	197,593	214,716	116,379	293,672
Compton	456	24,477,112	94,875	0	461,139	1.88%	1,321,326	5.40%	\$0.76	(98,423)	66,096	87,910	430,013
El Segundo	173	8,917,417	0	0	134,615	1.51%	223,264	2.50%	\$1.69	24,305	3,467	35,182	105,992
Gardena	1,169	28,199,609	112,000	0	822,906	2.92%	1,175,982	4.17%	\$1.06	(39,148)	(3,408)	304,667	772,458
Harbor City	86	1,700,617	0	0	16,400	0.96%	75,785	4.46%	\$1.05	(15,500)	(16,400)	0	0
Hawthorne	222	7,943,389	0	0	61,150	0.77%	109,993	1.38%	\$1.09	21,651	(16,105)	57,681	69,551
Inglewood	234	4,846,521	0	0	97,453	2.01%	307,741	6.35%	\$1.45	50,261	46,561	88,806	127,308
Lakewood/Hawaiian Gardens	24	555,659	0	0	1,200	0.22%	1,200	0.22%	\$0.00	0	0	0	0
Lawndale	29	251,651	0	0	9,386	3.73%	9,386	3.73%	\$1.55	(6,486)	(6,706)	1,450	4,130
Long Beach/Terminal Island	723	20,670,089	816,958	710,399	557,377	2.70%	1,168,814	5.65%	\$1.49	(53,766)	(87,274)	122,652	333,514
Lynwood	96	4,425,559	0	0	9,400	0.21%	268,608	6.07%	\$0.90	0	17,956	0	21,356
Rancho Dominguez	237	14,714,793	0	0	327,277	2.22%	739,978	5.03%	\$0.90	21,572	(20,428)	113,509	131,584
Redondo & Hermosa Beach	40	2,022,636	0	0	0	0.00%	2,500	0.12%	\$0.00	1,800	1,030	1,800	2,830
San Pedro	42	2,754,278	0	0	19,867	0.72%	23,367	0.85%	\$0.90	(6,084)	(16,084)	1,341	2,689
Signal Hill	197	3,417,648	0	0	40,976	1.20%	124,085	3.63%	\$1.33	(25,878)	(20,439)	2,372	14,861
Torrance	602	25,489,860	34,734	342,877	453,891	1.78%	756,287	2.97%	\$1.24	(57,090)	(203,984)	73,556	406,886
Wilmington	144	3,749,292	0	0	2,931	0.08%	130,429	3.48%	\$1.26	231,625	251,840	7,760	61,866
<b>Total</b>	<b>4,968</b>	<b>188,779,994</b>	<b>1,470,567</b>	<b>1,123,576</b>	<b>3,261,644</b>	<b>1.73%</b>	<b>6,989,012</b>	<b>3.70%</b>	<b>\$1.02</b>	<b>246,432</b>	<b>210,838</b>	<b>1,015,065</b>	<b>2,778,710</b>
<b>Los Angeles Total</b>	<b>20,609</b>	<b>729,185,260</b>	<b>3,924,995</b>	<b>4,878,995</b>	<b>16,507,572</b>	<b>2.26%</b>	<b>31,383,164</b>	<b>4.30%</b>	<b>\$0.97</b>	<b>635,937</b>	<b>(548,305)</b>	<b>6,491,294</b>	<b>14,054,693</b>
5,000-24,999	13,519	165,250,444	67,294	70,522	3,889,130	2.35%	6,609,610	4.00%	\$1.13	50,508	(489,756)	2,025,962	3,649,981
25,000-49,999	3,558	123,338,098	174,399	462,075	3,175,941	2.57%	6,512,224	5.28%	\$0.97	(70,324)	(116,306)	1,250,017	2,574,709
50,000-99,999	1,986	134,784,415	578,969	250,463	3,101,706	2.30%	6,339,103	4.70%	\$0.91	113,870	351,042	1,675,942	2,921,038
100,000-249,999	1,242	183,402,118	1,456,890	2,126,775	4,393,443	2.40%	8,635,821	4.71%	\$0.85	(18,989)	(450,426)	1,140,843	3,168,298
250,000-499,999	249	80,357,472	412,000	663,160	743,095	0.92%	1,963,719	2.44%	\$0.72	565,116	604,828	303,182	974,097
500,000 plus	55	42,052,713	1,235,443	1,306,000	1,204,257	2.86%	1,322,687	3.15%	\$0.00	(4,244)	(447,687)	95,348	766,570
<b>Los Angeles Total</b>	<b>20,609</b>	<b>729,185,260</b>	<b>3,924,995</b>	<b>4,878,995</b>	<b>16,507,572</b>	<b>2.26%</b>	<b>31,383,164</b>	<b>4.30%</b>	<b>\$0.97</b>	<b>635,937</b>	<b>(548,305)</b>	<b>6,491,294</b>	<b>14,054,693</b>

This survey consists of buildings greater than 5,000 square feet. Lease rates are on an industrial-gross basis.



Plenty of Tenants. Supply: Not so much.

**by Matt Smith**

SENIOR ASSOCIATE, LOS ANGELES  
424.329.7502 · msmith@voitco.com · Lic. #01999283

As we enter the third quarter of 2019, one thing is certain about the industrial market: the demand is still sky high.

According to CoStar, the Los Angeles industrial market has a vacancy rate of 2.5% and landlords are benefiting from an overwhelming demand that continues to grow due to the need for warehouse spaces. But on the flipside, how are the tenants doing in such a market?

When I speak with tenants whom I represent and ask them what type of terms they're looking for in a lease agreement, they reveal their preferences are typically very different from what landlords are expecting. For example, most industrial landlords within the Greater Los Angeles area are asking for a minimum 3 to 5-year commitment, while many tenants I speak with want to start a new lease for a shorter term. The other part of the equation is rental rate. If a landlord with a 15,000 square foot warehouse space is asking a \$1.10 per square foot and the tenant can manage \$0.90 per square foot, you would think that there would be some negotiation and compromise by both parties to reach an agreement, right? Not always the case.

Warehouse owners know that they have one of the most sought-after asset classes in the current commercial real estate market and are holding out for better offers. Additionally, many of the newly constructed CTU (Concrete Tilt-Up) buildings are getting multiple offers right when they hit the market, if not before!

Whenever I've got a startup company looking for a warehouse space, I always meet with them over coffee to discuss expectations before submitting offers. Understandably, most are hoping to find space in an attractive business park with good parking, plenty of power, high ceilings and roll-up doors. However, the reality is that most of these highly desirable business parks are owned by publicly traded companies that typically have strict criteria when considering startup companies as possible tenants. One of the biggest hurdles that is very typical is a minimum of two years of being in business. Since the publicly traded companies have an obligation to their shareholders to produce a certain return, startup companies with less than two years of experience are often considered too risky.

With such low vacancy rates and quality industrial space in high demand, it is advantageous for tenants to have a broker who is active in their market, who knows when upcoming vacancies may be occurring before anyone else, and who is able to negotiate the best possible terms on the tenant's behalf.

**Please Contact Us  
for Further Information**

**Tony Tran**  
Regional Director of Research  
ttran@voitco.com

Anaheim, CA  
714.978.7880

Carlsbad, CA  
760.517.4000

Inland Empire, CA  
909.545.8000

Irvine, CA  
949.851.5100

Los Angeles, CA  
424.329.7500

San Diego, CA  
858.453.0505

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a industrial-gross basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

Product Type

**MFG./DIST.**

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

Submarkets

**CENTRAL**

Bell / Bell Gardens / Maywood, City of Commerce, Huntington Park / Cudahy, Downtown, Montebello / Monterey Park, Pico Rivera, South Gate, Vernon

**MID COUNTIES**

Artesia / Cerritos, Bellflower / Downey, Buena Park / La Palma, La Mirada, Norwalk, Paramount, Santa Fe Springs, Whittier

**SAN GABRIEL VALLEY**

Alhambra, Arcadia / Temple City, Azusa, Baldwin Park, City of Industry / DB / HH / RH, Covina / West Covina, Duarte, El Monte, Irwindale, La Puente, La Verne / San Dimas / Glendora, Monrovia, Pomona / Claremont, Rosemead / San Gabriel, South El Monte, Walnut

**SOUTH BAY**

Carson, Compton, El Segundo, Gardena, Harbor City, Hawthorne, Inglewood, Lakewood / Hawaiian Gardens, Lawndale, Long Beach / Terminal Island, Lynwood, Rancho Dominguez, Redondo & Hermosa Beach, San Pedro, Signal Hill, Torrance, Wilmington