



MARKET CHANGE

Compared to the Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

DOWN



Deliveries

DOWN



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HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles industrial market continued improving in the first quarter of 2014. Vacancy dropped from both the previous quarter and previous year, and net absorption was positive for the third consecutive quarter. While these are positive indications, we are keeping a close eye on demand, which, being ultimately influenced by employment and overall economic stability, will need to be sustained in coming quarters for the Los Angeles industrial market to continue its pace of recovery.
- **Construction** - There was over 1.8 million square feet of industrial projects under construction in Los Angeles at the close of the first quarter of 2014. In addition, nearly 385,000 square feet of industrial space was delivered during the quarter, bringing the market's total inventory to just over 720 million square feet.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 4.08%, down from both the previous quarter and from 2013's first quarter rate of 4.55%.
- **Availability** - Direct/sublease space being marketed finished the first quarter of the year at 6.55%, nearly flat compared to the previous quarter but a substantial decrease of nearly 12% when compared to the same quarter of 2013.
- **Lease Rates** - The average asking lease rate came in at \$.58 per square foot per month, up one cent from the fourth quarter of 2013 and up two cents compared to the \$.56 seen at the beginning of 2013.
- **Absorption** - The Los Angeles industrial market posted nearly 1.79 million square feet of positive net absorption in the first quarter of the new year, marking the third consecutive quarter of significant positive net absorption and giving the market an average of 1.58 million square feet per quarter over the last four quarters.
- **Transaction Activity** - Leasing activity for the Los Angeles industrial market checked in at almost 5.8 million square feet in the first quarter of 2014. Total square feet sold was 3.1 million square feet in the first quarter, compared to 3.6 million in the fourth quarter of 2013. This statistic can have some lag time in being reported, so look for first quarter figures to end up somewhat higher. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in Los Angeles County was 8.7% in February 2014 — down from a revised 8.9% in January 2014 and below the previous year's estimate of 10.2%. This compares with an unadjusted unemployment rate of 8.3% for California and 6.6% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 86,100 payroll jobs from February 2013 to February 2014. The largest gains were 27,000 in professional and business services and 25,900 in educational and health services; Los Angeles County's largest loss was 8,800 manufacturing jobs during that same period.
- **Overall** - We are seeing stabilization in vacancy and availability coupled with overall increases in net occupancy, which is contributing to the gradual increases in average asking lease rates. With comparatively few new deliveries to apply more upward pressure on vacancy, the market should continue to improve. While these are certainly positive indicators, cautious optimism still prevails, as job creation will need to continue in order to drive the demand needed to sustain growth in the Los Angeles industrial market.

FORECAST

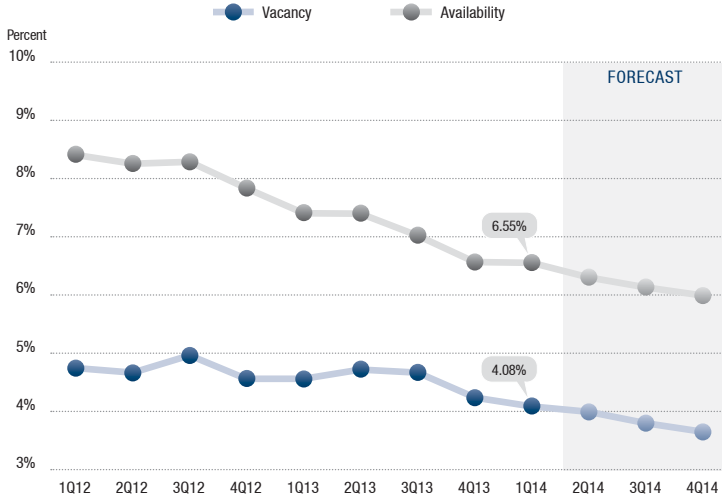
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years, which should help limit downward pressure on vacancy.
- **Employment** - We anticipate a job growth of around 1.3%, or 58,900 jobs, in the Los Angeles area over the year. Look for industries like technology and entertainment to outperform sectors dependent upon population gains in coming years.
- **Lease Rates** - Expect average asking lease rates to increase by another 4%–5% by 2015.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 50 basis points, to around 3.5%, by 2015.

OVERVIEW

	1Q14	4Q13	1Q13	% of Change vs. 1Q13
Vacancy Rate	4.08%	4.25%	4.55%	(10.33%)
Availability Rate	6.55%	6.56%	7.44%	(11.96%)
Average Asking Lease Rate	\$0.58	\$0.57	\$0.56	3.57%
Sale & Lease Transactions	8,891,331	15,815,807	13,563,178	(34.45%)
Gross Absorption	10,695,742	11,600,641	10,206,053	4.80%
Net Absorption	1,786,164	3,703,867	294,913	N/A

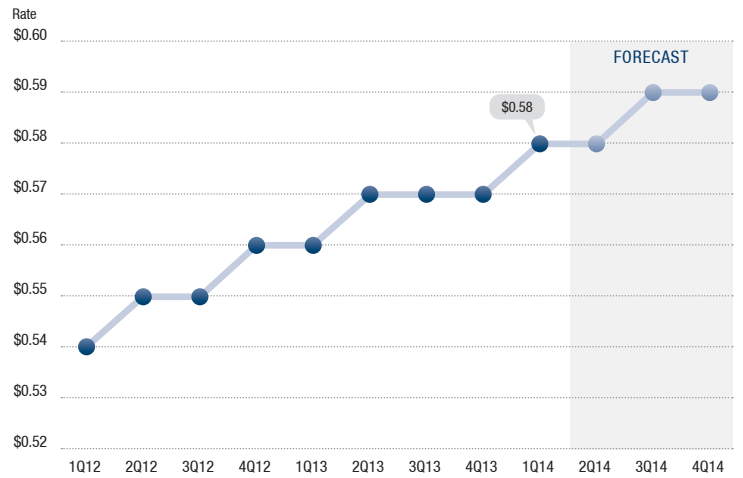
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



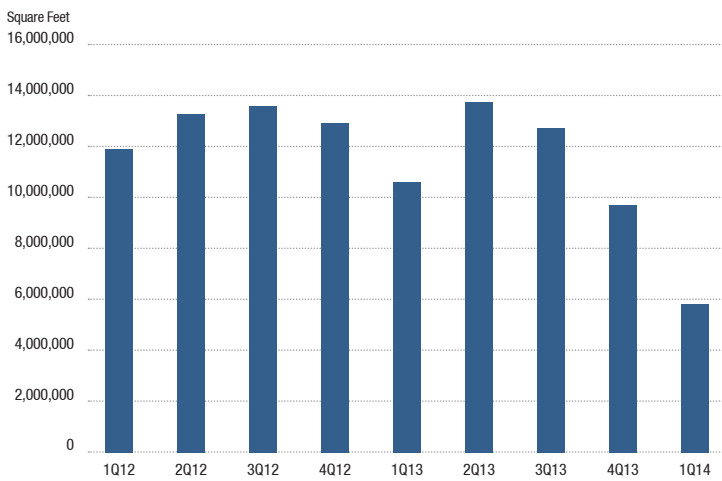
AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



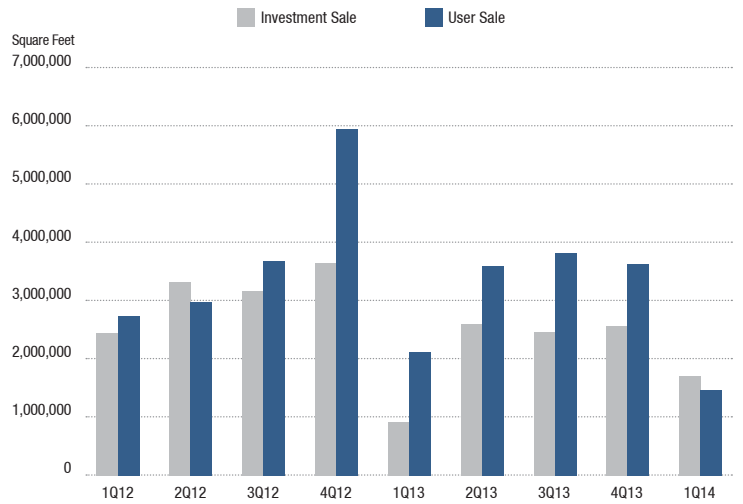
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



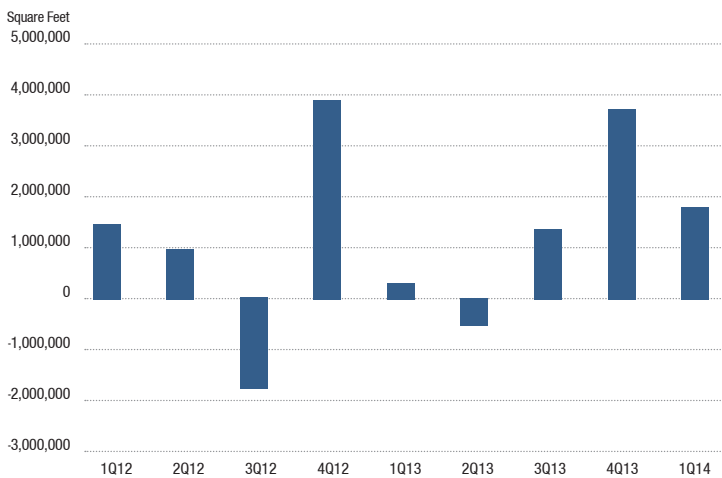
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



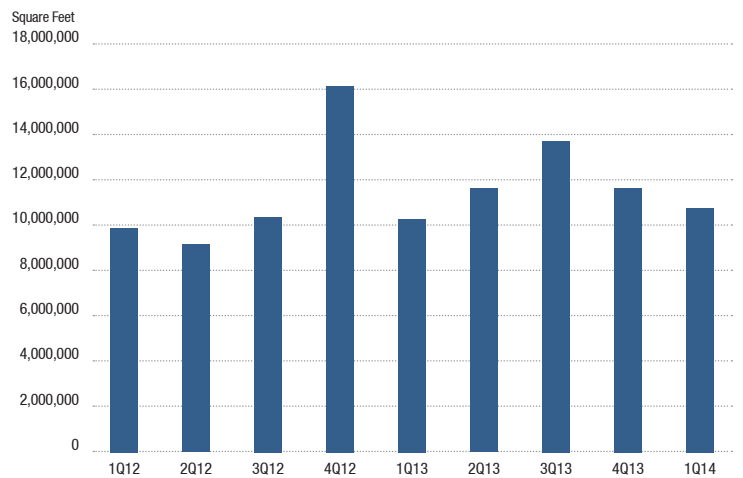
NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



GROSS ABSORPTION

TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



INVENTORY

VACANCY & LEASE RATES

ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2014	Square Feet Available	Availability Rate 1Q2014	Average Asking Lease Rate	Net Absorption 1Q2014	Net Absorption 2013	Gross Absorption 1Q2014	Gross Absorption 2013
Central													
Bell/Bell Gardens/Maywood	189	6,599,061	288,598	0	948,242	14.37%	1,041,278	15.78%	\$0.49	(222,053)	95,175	71,159	635,080
City of Commerce	117	10,684,689	620,000	366,144	586,913	5.49%	910,361	8.52%	\$0.51	(11,809)	92,125	44,922	706,952
Huntington Park/Cudahy	199	4,757,786	5,782	0	94,831	1.99%	172,053	3.62%	\$0.59	15,500	114,918	15,500	430,638
Downtown	5,779	170,099,382	191,632	597,321	5,224,811	3.07%	10,316,575	6.07%	\$0.59	(227,730)	(158,963)	1,606,025	7,863,227
Montebello/Monterey Park	303	11,535,441	0	0	362,260	3.14%	274,036	2.38%	\$0.75	(31,847)	12,304	108,802	940,718
Pico Rivera	193	9,659,757	0	25,670	490,290	5.08%	962,824	9.97%	\$0.53	(155,380)	206,688	43,116	683,139
South Gate	228	10,288,956	0	0	471,498	4.58%	767,354	7.46%	\$0.41	(203,843)	112,804	0	369,491
Vernon	734	39,314,599	90,407	35,444	955,735	2.43%	2,521,363	6.41%	\$0.50	77,938	411,062	552,272	2,217,351
Total	7,742	262,939,671	1,196,419	1,024,579	9,134,580	3.47%	16,965,844	6.45%	\$0.57	(759,224)	886,113	2,441,796	13,846,596
Mid Counties													
Artesia/Cerritos	277	13,096,899	0	0	870,378	6.65%	1,124,709	8.59%	\$0.66	114,968	(276,612)	629,749	1,031,945
Bellflower/Downey	199	5,599,900	0	0	302,324	5.40%	595,193	10.63%	\$0.57	(160,157)	108,705	30,214	360,187
Buena Park/La Palma	231	15,214,391	0	0	416,214	2.74%	633,775	4.17%	\$0.48	272,041	(82,550)	525,270	604,987
La Mirada	191	13,217,037	0	270,000	1,009,805	7.64%	2,110,707	15.97%	\$0.61	(109,107)	101,871	248,065	1,451,556
Norwalk	83	2,942,019	24,895	0	324,830	11.04%	462,548	15.72%	\$0.48	0	(96,153)	2,083	287,364
Paramount	368	8,821,049	0	0	205,869	2.33%	337,184	3.82%	\$0.69	(6,816)	139,696	64,254	429,013
Santa Fe Springs	1,315	50,892,627	0	30,444	2,065,518	4.06%	2,937,917	5.77%	\$0.72	538,213	361,167	1,213,610	4,134,542
Whittier	171	4,014,357	0	0	532,749	13.27%	310,489	7.73%	\$0.54	(172,206)	(310,617)	30,030	199,387
Total	2,835	113,798,279	24,895	300,444	5,727,687	5.03%	8,512,522	7.48%	\$0.63	476,936	(54,493)	2,743,275	8,498,981
San Gabriel Valley													
Alhambra	114	2,259,658	0	0	58,724	2.60%	90,356	4.00%	\$0.80	8,100	(13,179)	8,100	71,515
Arcadia/Temple City	130	1,970,795	0	0	46,957	2.38%	163,253	8.28%	\$0.72	6,097	63,144	15,747	148,027
Azusa	229	5,487,211	0	350,000	70,521	1.29%	199,045	3.63%	\$0.49	19,318	41,016	31,700	386,556
Baldwin Park	243	4,574,947	0	0	100,037	2.19%	182,870	4.00%	\$0.68	91,404	(9,092)	135,860	239,140
City of Industry/DB/HH/RH	1,077	70,091,737	311,543	589,258	2,792,330	3.98%	4,721,302	6.74%	\$0.59	(188,323)	1,177,296	763,525	6,679,229
Covina/West Covina	176	3,055,519	0	0	69,386	2.27%	161,426	5.28%	\$0.70	59,846	5,041	79,350	170,730
Duarte	81	1,853,195	0	0	57,310	3.09%	141,202	7.62%	\$0.68	429	63,895	8,079	135,831
El Monte	290	8,083,359	28,000	47,873	905,918	11.21%	1,006,611	12.45%	\$0.34	63,126	(247,891)	146,270	211,852
Irwindale	233	10,281,152	0	453,500	79,321	0.77%	357,597	3.48%	\$0.68	(29,970)	175,589	23,771	588,725
La Puente	94	2,063,089	0	37,500	14,039	0.68%	12,039	0.58%	\$0.64	52,372	32,149	59,472	126,648
La Verne/San Dimas/Glendora	322	6,744,375	33,428	438,112	291,723	4.33%	435,242	6.45%	\$0.51	63,121	278,225	95,312	597,400
Monrovia	203	3,332,306	0	0	56,269	1.69%	122,184	3.67%	\$0.71	(11,024)	26,866	10,034	120,209
Pomona/Claremont	647	18,274,897	203,418	774,274	266,952	1.46%	796,650	4.36%	\$0.54	219,800	(46,610)	360,115	1,260,820
Rosemead/San Gabriel	113	2,304,303	0	0	10,644	0.46%	308,123	13.37%	\$0.28	17,670	5,240	17,670	93,047
South El Monte	736	10,053,338	0	0	201,800	2.01%	208,102	2.07%	\$0.68	28,336	20,567	135,461	681,207
Walnut	197	6,234,111	0	0	196,206	3.15%	306,967	4.92%	\$0.67	(4,325)	(63,500)	74,384	401,968
Total	4,885	156,663,992	576,389	2,690,517	5,218,137	3.33%	9,212,969	5.88%	\$0.56	395,977	1,508,756	1,964,850	11,912,904
South Bay													
Carson	509	34,640,325	0	271,050	2,063,140	5.96%	3,156,383	9.11%	\$0.65	134,902	(745,497)	847,725	1,996,965
Compton	454	23,443,517	0	61,904	1,042,251	4.45%	1,514,383	6.46%	\$0.55	335,454	(127,277)	448,393	2,107,682
El Segundo	188	10,371,056	0	0	308,331	2.97%	344,754	3.32%	\$0.97	(37,009)	(4,018)	51,744	110,229
Gardena	1,169	27,648,624	0	0	941,778	3.41%	1,466,837	5.31%	\$0.58	(24,672)	360,851	210,079	1,803,449
Harbor City	84	1,736,955	0	0	21,696	1.25%	224,449	12.92%	\$0.69	(8,696)	97,672	3,000	160,321
Hawthorne	236	7,775,712	0	0	288,399	3.71%	502,317	6.46%	\$0.62	(6,255)	192,657	47,620	906,415
Inglewood	228	4,655,736	0	0	245,535	5.27%	374,545	8.04%	\$0.92	(32,325)	(36,745)	74,225	325,795
Lakewood/Hawaiian Gardens	24	613,498	0	0	6,100	0.99%	11,299	1.84%	\$0.79	(5,600)	41,584	0	82,016
Lawndale	26	233,757	0	0	2,500	1.07%	0	0.00%	\$0.00	0	3,855	0	16,280
Long Beach/Terminal Island	724	20,318,448	0	41,984	608,617	3.00%	900,009	4.43%	\$0.63	1,324,366	877,341	1,454,614	1,438,157
Lynwood	81	4,075,921	0	0	42,236	1.04%	93,181	2.29%	\$0.44	(3,500)	26,504	3,980	31,759
Rancho Dominguez	241	14,891,571	0	0	1,124,564	7.55%	1,253,314	8.42%	\$0.57	(30,822)	(172,400)	177,570	1,079,859
Redondo & Hermosa Beach	39	1,878,072	0	0	78,719	4.19%	8,120	0.43%	\$2.00	(720)	(3,770)	1,200	52,761
San Pedro	39	2,677,877	0	0	402,464	15.03%	78,029	2.91%	\$0.55	0	24,702	0	141,280
Signal Hill	183	3,230,551	0	0	94,418	2.92%	98,327	3.04%	\$0.81	(969)	(9,397)	20,239	178,298
Torrance	610	25,288,777	0	142,053	1,892,437	7.48%	2,360,861	9.34%	\$0.70	39,582	317,581	205,432	1,556,224
Wilmington	137	3,245,989	0	0	148,507	4.58%	121,789	3.75%	\$0.58	(11,261)	135,689	0	499,676
Total	4,972	186,726,386	0	516,991	9,311,692	4.99%	12,508,597	6.70%	\$0.62	1,672,475	979,332	3,545,821	12,487,166
Los Angeles Total	20,434	720,128,328	1,797,703	4,532,531	29,392,096	4.08%	47,199,932	6.55%	\$0.58	1,786,164	3,319,708	10,695,742	46,745,647
5,000-24,999	13,345	164,291,943	30,677	73,177	4,499,618	2.74%	7,897,766	4.81%	\$0.72	368,980	1,529,532	2,166,663	10,706,863
25,000-49,999	3,600	124,671,277	226,647	767,841	4,048,827	3.25%	6,774,681	5.43%	\$0.60	148,303	380,894	1,503,178	8,001,522
50,000-99,999	2,011	136,200,620	211,647	811,269	6,112,498	4.49%	10,037,751	7.37%	\$0.55	79,778	(121,875)	2,031,556	8,380,828
100,000-249,999	1,183	173,879,764	708,732	1,980,820	8,492,324	4.88%	13,621,751	7.83%	\$0.53	134,720	914,332	2,740,196	13,495,575
250,000-499,999	242	78,293,057	0	899,424	5,028,782	6.42%	6,946,078	8.87%	\$0.43	(285,003)	142,461	914,763	4,683,645
500,000 plus	53	42,791,667	620,000	0	1,210,047	2.83%	1,921,905	4.49%	\$0.56	1,339,386	474,364	1,339,386	1,477,214
Los Angeles Total	20,434	720,128,328	1,797,703	4,532,531	29,392,096	4.08%	47,199,932	6.55%	\$0.58	1,786,164	3,319,708	10,695,742	46,745,647

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

MAJOR TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
5959 Randolph St.	Central LA	400,169	\$135.00	Bentall Kennedy	Western Realco
100 W. Victoria St.	South Bay	187,986	\$87.77	CenterPoint Properties	Xebec Realty Partners
5764 Alcoa Ave.	Downtown LA	129,720	\$113.71	Gramercy Property Trust, Inc.	Douglas Steel Supply, Inc.
201-207 Pine Ave. – 6 Properties	San Gabriel Valley	73,952	\$96.35	San Gabriel Valley Council of Government	Vogel Engineers, Inc.
12011 Smith Ave.	Mid-Cities	52,032	\$131.75	Rockman Company (U.S.A), Inc.	Penwood Real Estate Investment

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
350 Westmont Dr.	South Bay	338,899	Feb-14	Carrier	Port of LA Dist. Center, LP
6400 Valley View St.	Mid-Cities	238,270	Mar-14	Dynamic Worldwide West	Prologis
12252 Whittier Blvd.	Mid-Cities	161,610	Feb-14	ACE World Class, Inc.	Terreno Whittier, LLC
22600 S. Bonita Ave.	South Bay	147,500	Jan-14	Premier Transportation & Warehousing	Watson Land Company
16325 S. Avalon Blvd.	South Bay	115,138	Feb-14	Jupiter Warehousing & Distribution	TIAA-CREF

PRODUCT TYPE

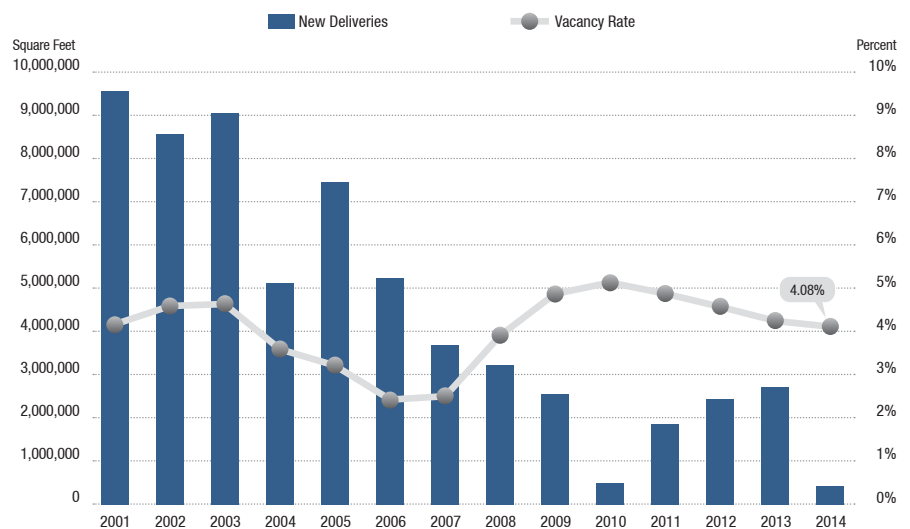
MFG./DIST.

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

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