



## MARKET CHANGE

Compared to Previous Quarter:

Vacancy



UP

Net Absorption



POSITIVE

Lease Rates



UP

Transactions



DOWN

Deliveries



UP

## HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles industrial market continues its positive momentum and remains one of the tightest industrial markets in the country. As with most major infill markets, LA is seeing a sharp increase in demand with very little quality supply. Vacancies have fallen 2.14%, spurring some new development, but a lack of available land and the high price has limited new construction starts. We are encouraged by the overall fundamentals of the market, with continued job growth, healthy port traffic and the return of the Los Angeles Rams keeping things interesting. The market finished off the quarter with moderate rent gains and positive net absorption.
- **Construction** - Competition for industrial land in LA is extremely fierce, although investors face significant barriers to entry in order to construct modern buildings designed to satisfy port-related users. Just over 3.0 million square feet of industrial projects are under construction at the close of the first quarter of 2016. Residential developers have continued to purchase industrial properties, converting them to high-end housing.
- **Vacancy** - With few developable sites, vacancies in this market are already the lowest in the nation and should remain so for the foreseeable future. With space at a premium, all classes of buildings have performed very well, even if there are some functional deficiencies. If a building offers excess land for trailer storage and provides an occupier with a way to quickly turn inventory, it will continue to be in high demand, even without Class A features such as higher ceiling clearance and an ESFR sprinkler system. Direct/sublease space (unoccupied) finished the year at 2.14%, up from 2015's fourth quarter rate of 1.95%, but down 17.05% from this time last year.
- **Availability** - Direct/sublease space being marketed finished the year at 4.34%, up when compared to the previous quarter and a slight decrease of 12.15% when compared to 2015's first quarter.
- **Lease Rates** - With rents now at peak levels, growth will begin to slow. The average asking lease rate came in at \$0.73 IG per square foot per month, a one cent increase from last quarter and up nine cents per square foot when compared to the \$0.64 seen at the end 2015's first quarter, a 14.06% annual increase. Los Angeles continues to be one of the strongest industrial markets in the country.
- **Absorption** - The Los Angeles industrial market posted 143,926 square feet of positive net absorption in the first quarter, marking the fifth consecutive quarter of significant positive net absorption and giving the market an average of 1.76 million square feet per quarter over the last five quarters.
- **Transaction Activity** - Activity as a whole was a bit off for the first quarter in large part due to the lack of available inventory. Leasing activity for the Los Angeles industrial market checked in with more than 4.3 million square feet, compared to 8.9 million in 2015's fourth quarter. Total sale volume was 3.19 million square feet, down compared to the 6.78 million in the fourth quarter 2015. Sale prices have moved past previous record highs, causing some caution in the lending markets and contributing to less sale activity.
- **Employment** - The unemployment rate in LA County declined to 5.6% in February 2016, down from a revised 5.8% in January 2016 and below the previous year's estimate of 7.5%. This compares with an unadjusted unemployment rate of 5.5% for California and 4.9% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 107,300 payroll jobs from February 2015 to February 2016. Other sectors that added jobs over the year were trade, transportation, and utilities (up 14,900), professional and business services (up 13,800), information (up 9,400), government (up 8,100), construction (up 6,100), and financial activities (up 4,100).
- **Overall** - Strong rent growth continues to be a bright spot in LA brought about by strong demand from a variety of industries including e-commerce, logistics, food and beverage and home furnishings all looking for access to quality labor and proximity to the port.

## FORECAST

- **Construction** - Not surprisingly, a majority of the new construction will be focused on large, state of the art distribution centers within easy access to LAX and the Ports of Los Angeles and Long Beach, keeping drayage costs low and increasing the number of "turns."
- **Employment** - Los Angeles County has seen steady improvement over the past four years, both in terms of job gains and unemployment rate declines. This improvement is expected to continue in 2016 and 2017, although at a slower pace. With the economy back at full employment levels, wage gains are expected over the next year across many sectors.
- **Lease Rates** - Expect average asking lease rates to increase by 3% to 5% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates to continue their drop in coming quarters, dropping by 14 basis points, to around 2.00%, by the end of the fourth quarter of 2016.

## OVERVIEW

	1Q16	4Q15	1Q15	% of Change vs. 1Q15
Total Vacancy Rate	2.14%	1.95%	2.58%	(17.05%)
Availability Rate	4.34%	3.97%	4.94%	(12.15%)
Average Asking Lease Rate	\$0.73	\$0.72	\$0.64	14.06%
Sale & Lease Transactions	7,546,423	15,695,151	15,561,270	(51.51%)
Gross Absorption	6,689,958	8,648,196	11,575,359	(42.21%)
Net Absorption	143,926	3,150,878	2,858,953	N/A

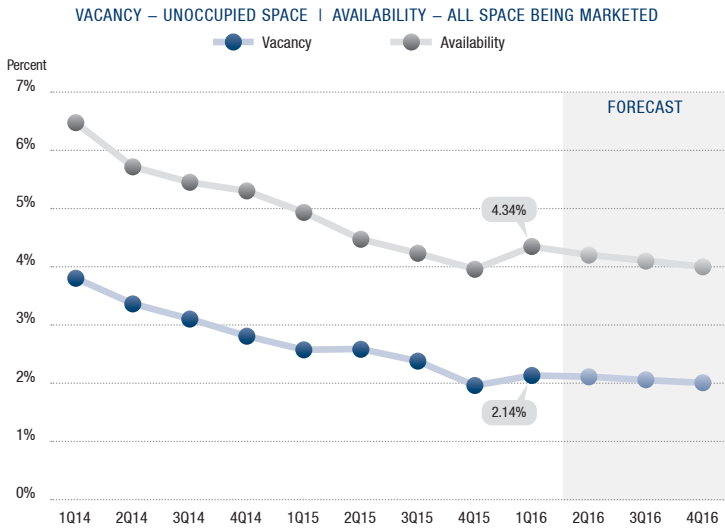
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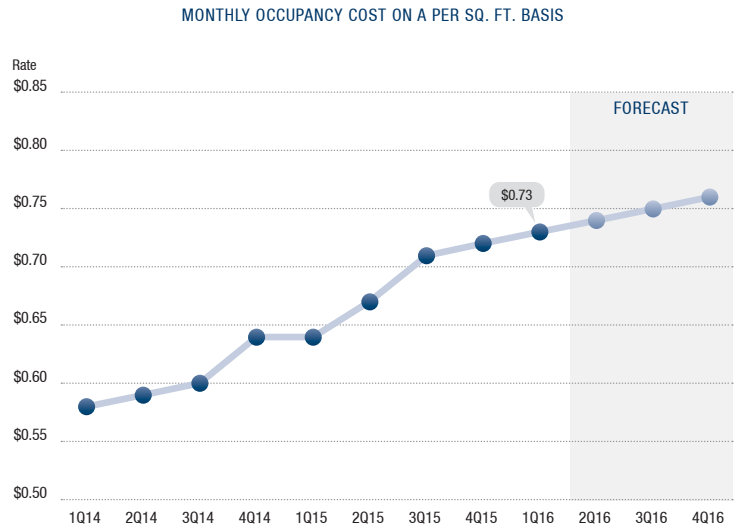
Prepared by:

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## VACANCY & AVAILABILITY RATE

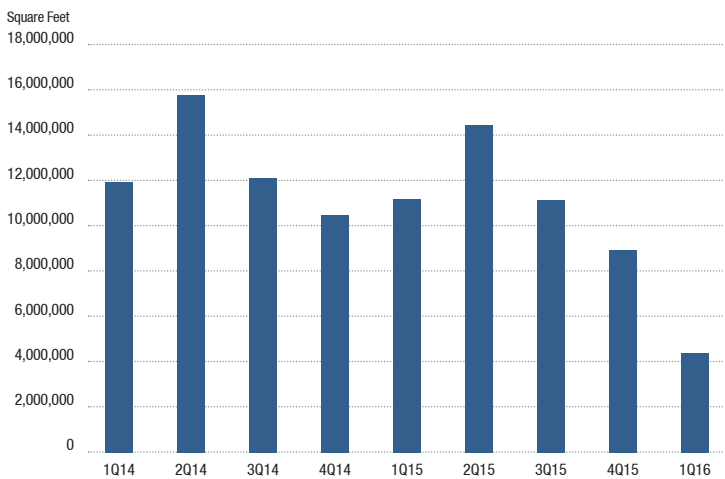


## AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE



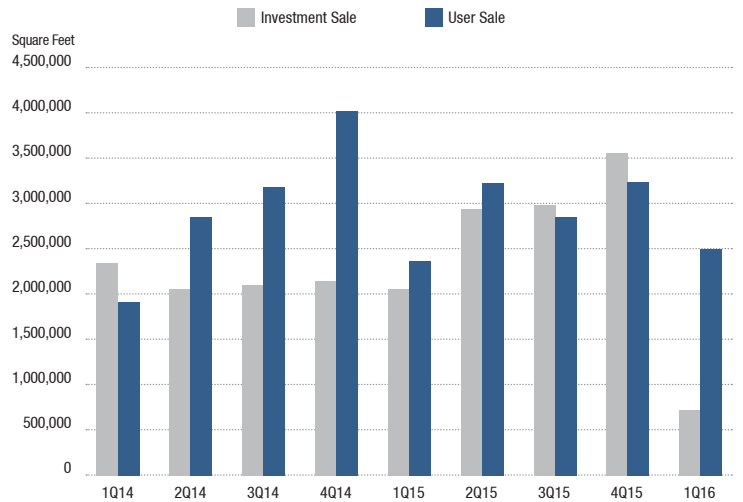
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



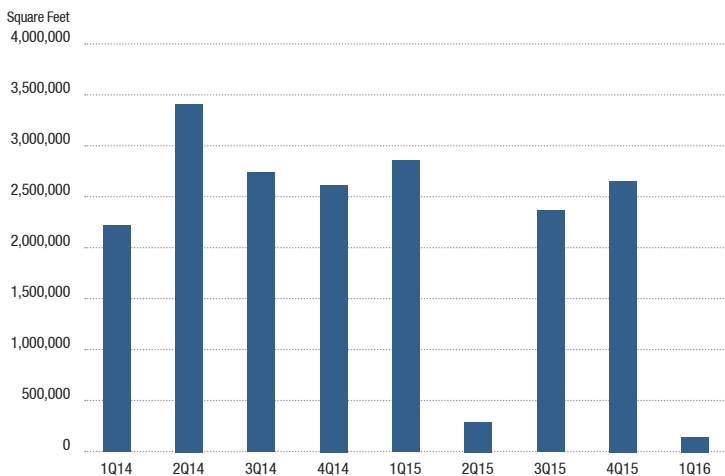
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



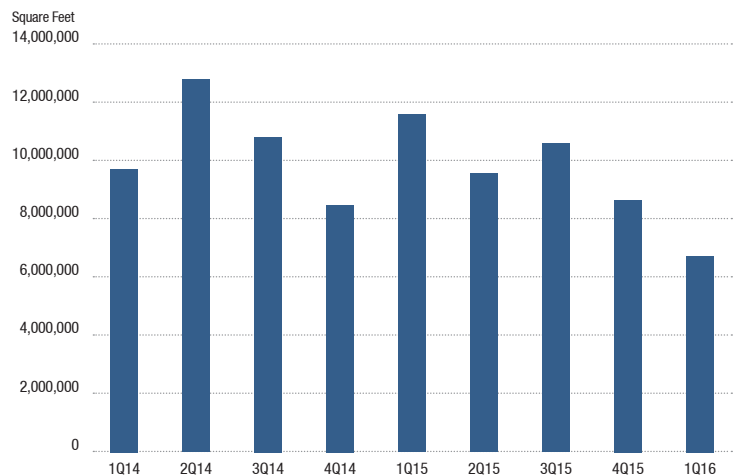
## NET ABSORPTION

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 1Q2016	Square Feet Available	Availability Rate 1Q2016	Average Asking Lease Rate	Net Absorption 1Q2016	Net Absorption 2015	Gross Absorption 1Q2016	Gross Absorption 2015
<b>Central</b>													
Bell/Bell Gardens/Maywood	192	6,882,643	0	0	277,256	4.03%	219,325	3.19%	\$0.76	(27,695)	246,677	16,570	491,899
City of Commerce	731	45,089,414	0	369,354	1,364,280	3.03%	1,902,850	4.22%	\$0.67	(161,965)	764,510	690,845	3,120,753
Huntington Park/Cudahy	195	4,621,133	0	0	112,824	2.44%	320,497	6.94%	\$0.54	(39,048)	(6,094)	14,174	100,540
Downtown	5,168	133,794,292	1,007,000	218,300	3,932,927	2.94%	7,296,933	5.45%	\$0.82	(191,203)	(100,176)	1,195,065	5,251,351
Montebello/Monterey Park	305	11,620,857	0	113,634	126,421	1.09%	352,443	3.03%	\$0.70	26,331	(27,530)	124,408	247,622
Pico Rivera	197	10,054,736	0	0	127,285	1.27%	351,842	3.50%	\$0.61	(40,714)	335,998	82,091	525,657
South Gate	225	10,187,066	0	0	70,875	0.70%	239,958	2.36%	\$0.50	(13,400)	3,000	0	204,372
Vernon	737	39,672,345	0	333,513	1,289,325	3.25%	2,713,826	6.84%	\$0.60	49,050	43,719	405,001	1,842,490
<b>Total</b>	<b>7,750</b>	<b>261,922,486</b>	<b>1,007,000</b>	<b>1,034,801</b>	<b>7,301,193</b>	<b>2.79%</b>	<b>13,397,674</b>	<b>5.12%</b>	<b>\$0.72</b>	<b>(398,644)</b>	<b>1,260,104</b>	<b>2,528,154</b>	<b>11,784,684</b>
<b>Mid Counties</b>													
Artesia/Cerritos	276	13,086,126	0	0	349,422	2.67%	728,183	5.56%	\$0.65	136,316	(98,499)	193,482	892,191
Bellflower/Downey	192	5,492,287	0	0	62,695	1.14%	115,963	2.11%	\$0.70	(23,700)	101,187	15,978	322,727
Buena Park/La Palma	231	15,250,133	0	0	339,872	2.23%	411,540	2.70%	\$0.66	(76,757)	361,899	128,285	1,093,216
La Mirada	186	12,868,056	199,588	0	150,101	1.17%	536,542	4.17%	\$0.72	(20,946)	750,452	134,316	1,750,938
Norwalk	85	2,940,339	24,895	231,731	16,416	0.56%	5,910	0.20%	\$0.00	9,399	11,017	11,415	146,289
Paramount	371	8,697,634	0	0	74,744	0.86%	224,937	2.59%	\$0.74	2,292	102,215	15,472	305,234
Santa Fe Springs	1,322	51,012,317	0	1,476,382	444,335	0.87%	1,446,760	2.84%	\$0.79	(37,290)	1,081,004	465,922	3,574,146
Whittier	166	3,890,482	40,000	0	26,263	0.68%	366,477	9.42%	\$0.62	9,610	34,228	19,384	199,186
<b>Total</b>	<b>2,829</b>	<b>113,237,374</b>	<b>264,483</b>	<b>1,708,113</b>	<b>1,463,848</b>	<b>1.29%</b>	<b>3,836,312</b>	<b>3.39%</b>	<b>\$0.70</b>	<b>(1,076)</b>	<b>2,343,503</b>	<b>984,254</b>	<b>8,283,927</b>
<b>San Gabriel Valley</b>													
Alhambra	113	2,240,245	0	0	22,000	0.98%	22,000	0.98%	\$1.20	9,355	9,045	19,582	38,427
Arcadia/Temple City	135	2,016,588	0	1,609,000	50,628	2.51%	112,874	5.60%	\$0.80	5,591	(10,851)	24,569	77,571
Azusa	224	5,269,557	343,237	185,273	39,696	0.75%	237,158	4.50%	\$0.84	18,324	4,642	75,994	135,684
Baldwin Park	234	4,393,577	0	97,945	34,553	0.79%	79,562	1.81%	\$0.79	(518)	69,283	17,280	262,469
City of Industry/DB/HH/RH	1,077	70,260,218	125,344	1,402,340	1,224,628	1.74%	2,869,683	4.08%	\$0.75	(146,355)	1,744,237	583,985	4,449,714
Covina/West Covina	169	2,982,914	0	0	122,932	4.12%	232,940	7.81%	\$0.77	(1,750)	(96,982)	4,100	71,314
Duarte	71	1,766,002	0	0	3,232	0.18%	14,958	0.85%	\$0.90	2,850	44,034	14,932	136,636
El Monte	298	7,986,360	501,270	0	511,980	6.41%	613,096	7.68%	\$0.75	18,741	169,379	95,673	377,850
Irwindale	247	10,492,719	172,000	301,000	175,274	1.67%	323,014	3.08%	\$0.73	(48,777)	5,402	39,311	371,351
La Puente	96	2,218,638	0	12,650	222,956	10.05%	218,956	9.87%	\$0.67	31,338	(31,057)	71,300	156,478
La Verne/San Dimas/Glendora	314	6,632,630	0	0	139,188	2.10%	203,465	3.07%	\$0.81	20,036	175,134	90,747	372,152
Monrovia	202	3,318,966	0	0	103,936	3.13%	122,926	3.70%	\$0.81	4,703	(32,823)	41,941	127,025
Pomona/Claremont	649	19,274,525	0	629,628	370,745	1.92%	597,361	3.10%	\$0.66	53,965	548,236	76,466	1,197,852
Rosemead/San Gabriel	111	2,081,342	0	0	13,301	0.64%	62,334	2.99%	\$1.09	1,188	(9,296)	2,878	50,388
South El Monte	754	10,283,453	0	0	125,313	1.22%	199,726	1.94%	\$0.92	13,269	(5,136)	111,822	416,873
Walnut	199	6,826,084	17,396	0	69,557	1.02%	454,243	6.65%	\$0.87	341,554	248,881	39,250	945,573
<b>Total</b>	<b>4,893</b>	<b>158,043,818</b>	<b>1,159,247</b>	<b>4,237,836</b>	<b>3,229,919</b>	<b>2.04%</b>	<b>6,364,296</b>	<b>4.03%</b>	<b>\$0.76</b>	<b>323,514</b>	<b>2,832,128</b>	<b>1,309,830</b>	<b>9,187,357</b>
<b>South Bay</b>													
Carson	500	34,105,083	0	175,000	703,708	2.06%	1,454,423	4.26%	\$0.86	31,547	877,996	476,071	3,637,883
Compton	451	23,522,395	63,450	0	407,252	1.73%	1,133,607	4.82%	\$0.68	55,821	257,164	159,955	1,564,064
El Segundo	185	10,246,253	0	0	118,185	1.15%	194,413	1.90%	\$1.25	(27,902)	111,688	6,000	244,684
Gardena	1,160	27,579,480	344,041	128,630	501,980	1.82%	1,305,562	4.73%	\$0.75	(23,604)	239,807	146,646	1,363,039
Harbor City	81	1,662,637	0	0	100,141	6.02%	59,841	3.60%	\$0.79	0	(4,025)	1,336	123,485
Hawthorne	235	8,060,019	0	0	276,426	3.43%	336,463	4.17%	\$0.87	(749)	(98,949)	34,718	226,558
Inglewood	227	4,678,060	0	149,040	39,502	0.84%	98,217	2.10%	\$1.25	19,831	44,473	52,089	184,221
Lakewood/Hawaiian Gardens	23	539,614	0	0	8,785	1.63%	9,371	1.74%	\$1.75	(2,503)	0	0	0
Lawndale	25	220,175	0	0	7,936	3.60%	7,936	3.60%	\$1.25	(4,861)	(3,075)	1,275	5,050
Long Beach/Terminal Island	716	20,057,732	244,000	453,858	188,854	0.94%	407,760	2.03%	\$0.70	28,457	328,306	53,094	681,264
Lynwood	84	4,138,517	0	0	68,986	1.67%	729,254	17.62%	\$0.20	(68,986)	7,000	0	15,619
Rancho Dominguez	240	14,943,532	0	0	310,261	2.08%	938,739	6.28%	\$0.62	(20,395)	246,269	356,841	832,751
Redondo & Hermosa Beach	39	1,873,457	0	0	4,553	0.24%	81,912	4.37%	\$0.00	(4,553)	5,095	0	269,779
San Pedro	39	2,672,377	0	0	8,942	0.33%	13,442	0.50%	\$0.83	(20)	(6,527)	0	14,273
Signal Hill	189	3,384,047	0	0	57,185	1.69%	81,997	2.42%	\$0.89	36,000	7,400	63,769	88,015
Torrance	598	25,560,080	0	31,178	584,777	2.29%	760,433	2.98%	\$0.79	202,049	226,093	480,496	1,951,002
Wilmington	131	3,033,497	0	0	0	0.00%	4,262	0.14%	\$0.78	0	19,470	35,430	66,349
<b>Total</b>	<b>4,923</b>	<b>186,276,955</b>	<b>651,491</b>	<b>937,706</b>	<b>3,387,473</b>	<b>1.82%</b>	<b>7,617,632</b>	<b>4.09%</b>	<b>\$0.75</b>	<b>220,132</b>	<b>2,258,185</b>	<b>1,867,720</b>	<b>11,268,036</b>
<b>Los Angeles Total</b>	<b>20,395</b>	<b>719,480,633</b>	<b>3,082,221</b>	<b>7,918,456</b>	<b>15,382,433</b>	<b>2.14%</b>	<b>31,215,914</b>	<b>4.34%</b>	<b>\$0.73</b>	<b>143,926</b>	<b>8,693,920</b>	<b>6,689,958</b>	<b>40,524,004</b>
5,000-24,999	13,381	163,877,018	62,271	26,150	3,345,707	2.04%	6,547,159	4.00%	\$0.86	(148,533)	(55,912)	1,770,365	7,687,398
25,000-49,999	3,532	122,304,081	40,000	723,347	2,057,581	1.68%	5,239,455	4.28%	\$0.73	264,728	706,181	1,340,699	5,920,710
50,000-99,999	1,981	134,340,954	597,365	1,337,726	3,377,782	2.51%	6,438,439	4.79%	\$0.67	1,065	823,626	1,354,119	6,868,789
100,000-249,999	1,202	177,004,805	1,375,585	3,139,593	5,068,271	2.86%	9,209,278	5.20%	\$0.67	(809,034)	4,631,609	1,107,256	12,556,920
250,000-499,999	246	79,305,294	481,600	2,185,175	1,083,910	1.37%	3,329,708	4.20%	\$0.63	454,538	2,501,269	552,958	6,304,835
500,000 plus	53	42,648,481	525,400	506,465	449,182	1.05%	451,875	1.06%	\$0.00	381,162	87,147	564,561	1,185,352
<b>Los Angeles Total</b>	<b>20,395</b>	<b>719,480,633</b>	<b>3,082,221</b>	<b>7,918,456</b>	<b>15,382,433</b>	<b>2.14%</b>	<b>31,215,914</b>	<b>4.34%</b>	<b>\$0.73</b>	<b>143,926</b>	<b>8,693,920</b>	<b>6,689,958</b>	<b>40,524,004</b>

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	Buyer	Seller
755 N. Nash St.	El Segundo	74,500	\$22,633,100	Cohen Asset Management, Inc.	Prologis
4851 S. Alameda St.	Los Angeles	260,000	\$21,850,400	ETO Doors Corporation	Mark Slotkin
15025 Proctor Ave.	City of Industry	128,581	\$18,708,536	Soho Apparel	Proctor Industrial Investors, LLC
2801 E. 46th St.	Vernon	120,960	\$14,049,504	Fashion Nova Holdings, LLC	Karney Management Company
705 E. D St.	Wilmington	60,000	\$10,849,800	Prime Wheel Corporation	Metropolitan Stevedore Company

### Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
2849 Ficus St. – Renewal	Pomona	322,817	Jan-2016	G.P.R. Logistics, LLC	LBA Realty Fund III
2815 W. El Segundo Blvd.	Hawthorne	215,411	Mar-2016	Golden State FC, LLC	DCT Industrial Trust
1451 W. Knox St.	Torrance	152,790	Mar-2016	MAS Logistics	The Boeing Company
5804–5884 E. Slauson Ave.	City of Commerce	136,473	Jan-2016	H D Buttercup, LP	Clarion Partners
5119 District Blvd.	Vernon	121,098	Mar-2016	Amazon	Pacific Industrial

## PRODUCT TYPE

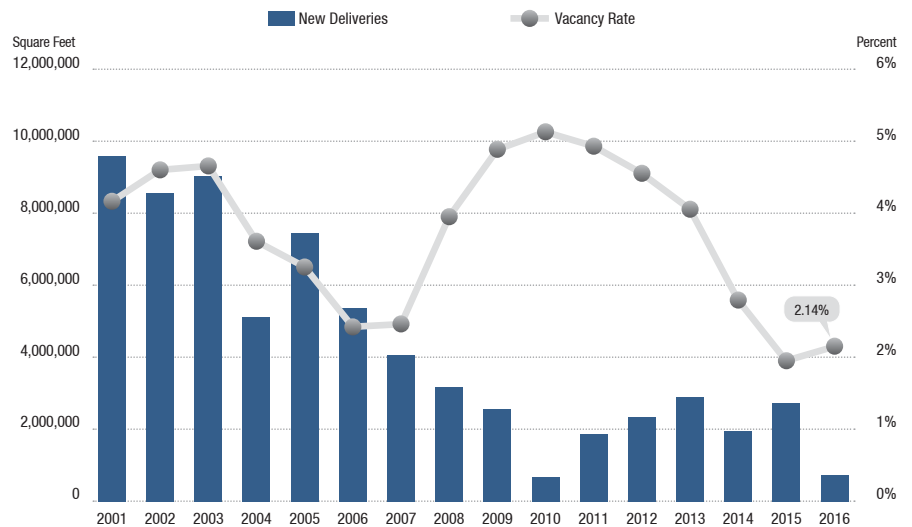
### MFG./DIST.

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### ANNUAL NEW DELIVERIES VS. VACANCY RATE



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