



## Industrial Market Report

Compared to the Previous Quarter:

Vacancy



UP

Net Absorption

NEGATIVE



Lease Rates



UP

Transactions

DOWN



Deliveries



UP

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Prepared by:

**Jerry J. Holdner, Jr.** — Lic.#01145748  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Tony Tran**  
Market Research Analyst  
e-mail: [ttran@voitco.com](mailto:ttran@voitco.com)

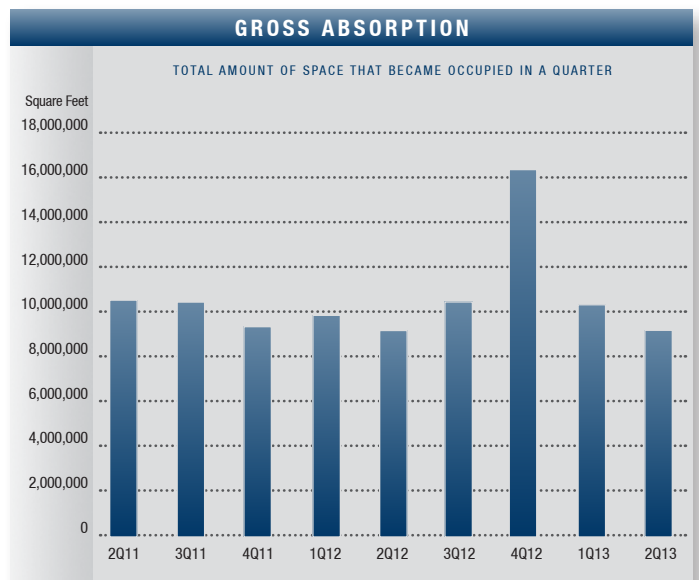
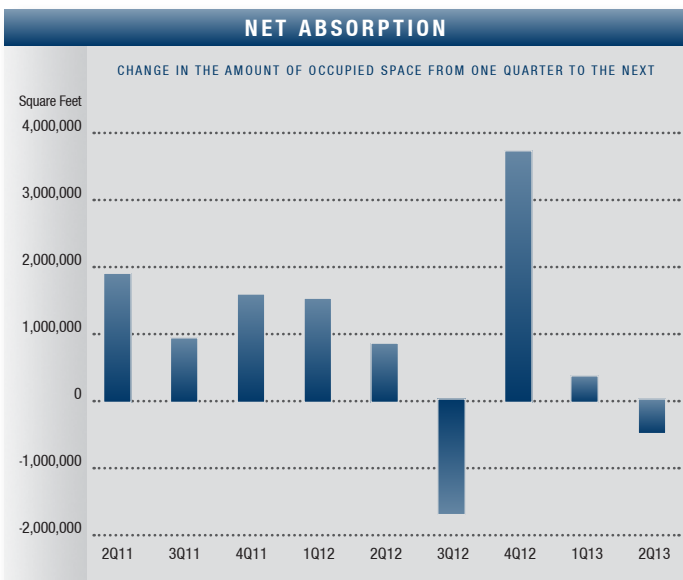
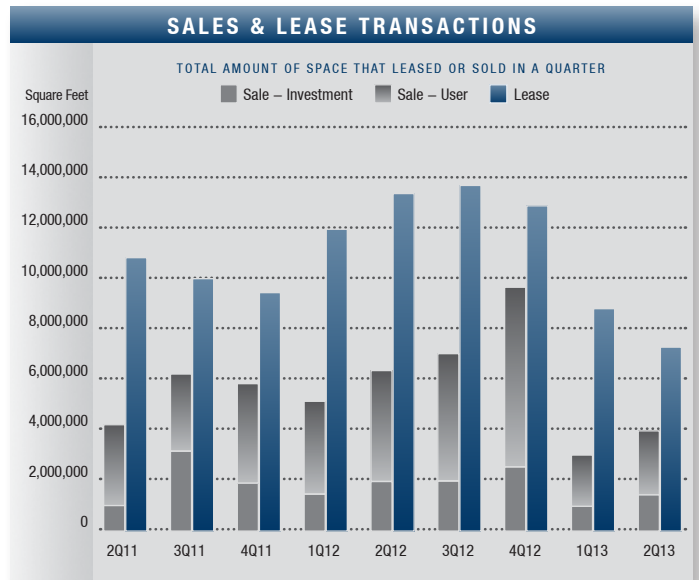
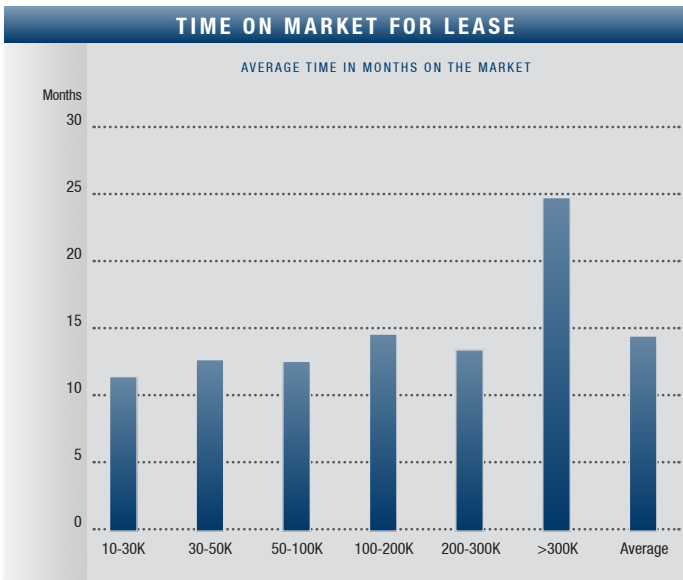
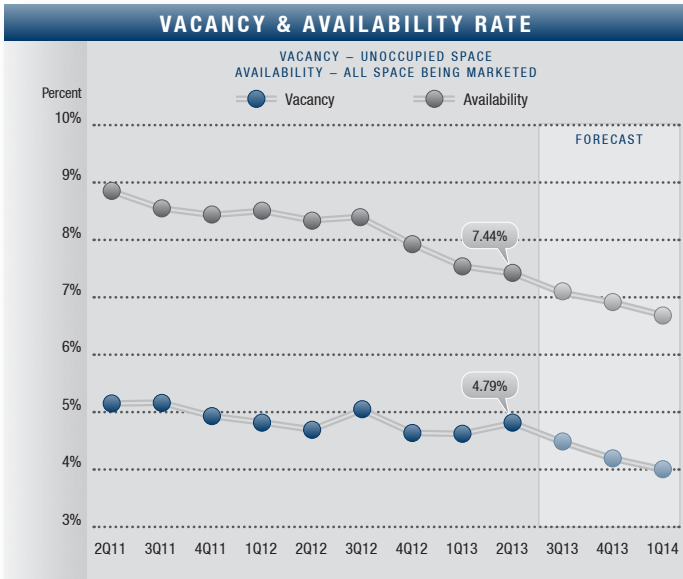
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### Market Highlights

- Encouraging Numbers** - The Los Angeles industrial market continued on the path to recovery overall during the second quarter of 2013. Availability trended downward compared to the previous quarter and the same quarter of 2012, and lease rates increased for the third time in the last six quarters. However, net absorption posted a small negative figure, and vacancy rose during the second quarter, an indication that the market is still fluctuating as it finds its footing. While these are generally positive signs, 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 just over 1.4 million square feet of industrial projects under construction in Los Angeles in the second quarter of 2013. The slowdown in construction is a result of a lack of demand, scarce financing, and rising construction costs.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 4.79%, up from the previous quarter and from 2012's second quarter rate of 4.70%. We are forecasting that vacancy will continue descending again, ending 2013 at around 4.0%.
- Availability** - Direct/sublease space being marketed was 7.44% in the second quarter of 2013, 8 basis points lower than the previous quarter's rate of 7.52% and a 10.79% decrease from the 8.34% we saw in the second quarter of 2012. The overall decrease in space being marketed is a positive sign, as more space is coming off the market than is going onto the market.
- Lease Rates** - The average asking lease rate came in at \$.57 per square foot per month, one cent higher than the previous quarter's rate and up two cents from 2012's second quarter rate of \$.55.
- Absorption** - The Los Angeles industrial market posted 496,000 square feet of negative net absorption in the second quarter of 2013, giving the market a total of over 15.4 million square feet of positive absorption over the last ten quarters.
- Transaction Activity** - Leasing activity checked in at just almost 7.2 million square feet for the second quarter of 2013 — a decrease from the 13.2 million square feet seen in the second quarter of 2012. Sales activity showed an annual decrease as well, posting a total of 3.9 million square feet of activity for the second quarter of 2013 compared to the 6.3 million square feet transacted in the second quarter of 2012, but was up over the previous quarter's 2.9 million square feet of sales. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Los Angeles County was 9.6% in May 2013 — down from a revised 9.9% in April 2013 and below the previous year's estimate of 11.1%. This compares with an unadjusted unemployment rate of 8.6% for California and 7.5% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 44,100 payroll jobs from May 2012 to May 2013. The largest gains were 21,800 in professional & business services and 16,000 in educational & health services; Los Angeles County's only loss was 7,500 government 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 increases in average asking lease rates. With few new deliveries to apply more upward pressure on vacancy, the market should continue to improve. We expect to see an increase in investment activity in the coming quarters. We should also see an increase in leasing activity as many short-term deals come up for renewal. 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.

### GREATER LOS ANGELES MARKET OVERVIEW

	2Q13	1Q13	2Q12	% of Change vs. 2Q12
Total Vacancy Rate	4.79%	4.62%	4.70%	1.91%
Availability Rate	7.44%	7.52%	8.34%	(10.79%)
Average Asking Lease Rate	\$0.57	\$0.56	\$0.55	3.64%
Sale & Lease Transactions	11,092,068	11,651,731	19,536,487	(43.22%)
Gross Absorption	9,106,719	10,132,574	9,083,567	0.25%
Net Absorption	(496,000)	354,699	841,231	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2013	Square Feet Available	Availability Rate 2Q2013	Average Asking Lease Rate	Net Absorption 2Q2013	Net Absorption 2013	Gross Absorption 2Q2013	Gross Absorption 2013
<b>Central</b>													
Bell/Bell Gardens/Maywood	184	6,175,192	489,400	96,000	389,959	6.31%	544,407	8.82%	\$0.62	42,905	(17,824)	109,733	204,000
City of Commerce	638	36,624,822	0	823,144	1,575,710	4.30%	2,377,095	6.49%	\$0.47	(116,927)	(246,038)	152,059	478,204
Huntington Park/Cudahy	195	4,700,980	0	5,782	194,302	4.13%	242,567	5.16%	\$0.48	98,494	30,447	101,646	195,786
Downtown	5,248	145,064,250	0	622,564	4,874,167	3.36%	9,887,986	6.82%	\$0.62	(244,927)	210,657	1,407,659	3,117,276
Montebello/Monterey Park	304	11,672,948	0	0	463,088	3.97%	732,663	6.28%	\$0.53	(178,583)	(121,071)	90,473	252,162
Pico Rivera	192	9,567,861	0	25,670	486,041	5.08%	838,518	8.76%	\$0.49	76,776	65,557	97,896	139,382
South Gate	227	10,292,511	0	0	239,503	2.33%	284,389	2.76%	\$0.41	(32,448)	142,316	13,000	193,739
Vernon	731	39,013,052	0	170,231	1,068,252	2.74%	2,355,296	6.04%	\$0.41	76,472	198,722	444,885	1,107,324
<b>Total</b>	<b>7,719</b>	<b>263,111,616</b>	<b>489,400</b>	<b>1,743,391</b>	<b>9,291,022</b>	<b>3.53%</b>	<b>17,262,921</b>	<b>6.56%</b>	<b>\$0.56</b>	<b>(278,238)</b>	<b>262,766</b>	<b>2,417,351</b>	<b>5,687,873</b>
<b>Mid Counties</b>													
Artesia/Cerritos	279	13,120,398	0	0	862,503	6.57%	1,502,862	11.45%	\$0.56	95,415	(135,441)	310,496	436,050
Bellflower/Downey	204	5,865,345	0	0	267,578	4.56%	322,355	5.50%	\$0.58	7,106	(7,244)	66,551	110,325
Buena Park/La Palma	231	15,214,391	0	0	742,956	4.88%	1,319,029	8.67%	\$0.60	(286,904)	(137,251)	12,604	199,937
La Mirada	189	12,931,334	0	270,000	1,288,595	9.96%	1,893,355	14.64%	\$0.52	(116,315)	(286,026)	57,341	435,314
Norwalk	82	2,890,493	0	0	296,630	10.26%	295,149	10.21%	\$0.61	53,527	(67,953)	53,527	60,627
Paramount	364	8,761,888	0	0	315,110	3.60%	387,477	4.42%	\$0.67	100,760	38,777	143,115	209,872
Santa Fe Springs	1,310	50,616,489	448,060	132,083	2,363,557	4.67%	3,783,564	7.47%	\$0.48	(149,194)	214,719	944,254	1,753,607
Whittier	178	4,187,073	0	0	106,886	2.55%	720,162	17.20%	\$0.54	(59,301)	(57,560)	16,165	37,958
<b>Total</b>	<b>2,837</b>	<b>113,587,411</b>	<b>448,060</b>	<b>402,083</b>	<b>6,243,815</b>	<b>5.50%</b>	<b>10,223,953</b>	<b>9.00%</b>	<b>\$0.58</b>	<b>(354,906)</b>	<b>(437,979)</b>	<b>1,604,053</b>	<b>3,243,690</b>
<b>San Gabriel Valley</b>													
Alhambra	113	2,247,330	0	0	47,313	2.11%	56,013	2.49%	\$0.77	13,650	4,246	30,283	34,198
Arcadia/Temple City	130	1,969,792	0	0	68,315	3.47%	152,956	7.77%	\$0.63	31,753	47,883	40,953	81,304
Azusa	227	5,475,273	0	0	289,151	5.28%	525,182	9.59%	\$0.56	(116,621)	(233,296)	47,054	91,964
Baldwin Park	239	4,519,064	0	0	121,505	2.69%	178,989	3.96%	\$0.65	28,569	54,898	48,002	98,516
City of Industry/DB/HH/RH	1,085	68,965,495	0	737,659	4,326,200	6.27%	5,514,440	8.00%	\$0.60	(23,572)	(692,012)	1,273,546	2,023,619
Covina/West Covina	178	3,049,569	0	0	197,349	6.47%	344,130	11.28%	\$0.61	(70,683)	(63,076)	43,591	62,313
Duarte	81	1,844,964	0	0	90,474	4.90%	59,766	3.24%	\$0.65	23,059	30,660	41,810	58,395
El Monte	285	7,910,631	28,000	47,873	677,583	8.57%	765,283	9.67%	\$0.55	(8,866)	45,809	52,906	121,431
Irwindale	232	10,225,590	0	427,500	311,480	3.05%	206,905	2.02%	\$0.64	78,865	(98,060)	83,103	172,416
La Puente	84	1,945,959	0	37,500	87,811	4.51%	140,278	7.21%	\$0.64	4,714	13,649	18,625	63,568
La Verne/San Dimas/Glendora	320	6,628,908	0	421,540	300,856	4.54%	428,682	6.47%	\$0.62	89,424	189,681	158,683	337,676
Monrovia	205	3,359,643	0	0	72,292	2.15%	106,088	3.16%	\$0.85	(6,580)	(181)	27,032	52,435
Pomona/Ciarament	651	18,145,468	0	751,164	1,004,475	5.54%	1,701,624	9.38%	\$0.49	(47,152)	(54,178)	196,086	582,358
Rosemead/San Gabriel	113	2,337,549	0	0	85,361	3.65%	383,463	16.40%	\$0.43	(24,554)	(51,807)	5,900	22,210
South El Monte	726	9,958,459	0	0	248,299	2.49%	390,053	3.92%	\$0.58	(6,180)	(30,060)	201,116	334,020
Walnut	197	6,239,151	0	0	335,367	5.38%	256,102	4.10%	\$0.92	(219,373)	(206,986)	69,520	125,726
<b>Total</b>	<b>4,866</b>	<b>154,822,845</b>	<b>28,000</b>	<b>2,423,236</b>	<b>8,263,831</b>	<b>5.34%</b>	<b>11,209,954</b>	<b>7.24%</b>	<b>\$0.57</b>	<b>(253,547)</b>	<b>(1,042,830)</b>	<b>2,338,210</b>	<b>4,262,149</b>
<b>South Bay</b>													
Carson	524	35,181,454	0	50,000	2,000,501	5.69%	2,700,051	7.67%	\$0.63	(248,285)	(716,295)	409,235	813,942
Compton	454	23,054,692	0	61,000	974,901	4.23%	1,805,754	7.83%	\$0.49	138,481	406,216	351,332	956,332
El Segundo	190	10,431,826	29,260	0	273,138	2.62%	419,411	4.02%	\$0.56	(28,072)	(7,034)	7,400	39,049
Gardena	1,158	27,452,339	0	0	1,033,595	3.77%	1,398,995	5.10%	\$0.59	83,501	181,683	572,935	931,219
Harbor City	84	1,750,275	0	0	27,590	1.58%	86,563	4.95%	\$0.56	(13,311)	83,082	11,779	114,780
Hawthorne	237	7,349,476	0	0	399,232	5.43%	667,656	9.08%	\$0.78	166,075	75,569	264,106	607,581
Inglewood	226	4,621,734	0	0	152,345	3.30%	268,746	5.81%	\$1.05	(24,561)	41,762	69,681	187,477
Lakewood/Hawaiian Gardens	24	613,498	0	0	5,699	0.93%	8,149	1.33%	\$0.00	(4,699)	36,385	500	41,584
Lawndale	25	229,421	0	0	0	0.00%	10,000	4.36%	\$0.00	4,000	5,855	4,000	10,655
Long Beach/Terminal Island	735	20,212,615	409,010	41,984	1,910,688	9.45%	2,098,646	10.38%	\$0.55	72,572	380,037	286,463	660,117
Lynwood	81	4,072,495	0	0	49,236	1.21%	136,862	3.36%	\$0.34	0	15,504	0	20,740
Rancho Dominguez	244	15,344,589	0	0	1,002,279	6.53%	1,606,261	10.47%	\$0.51	1,453	132,656	145,108	427,581
Redondo & Hermosa Beach	39	1,880,222	0	0	95,000	5.05%	87,239	4.64%	\$0.95	(15,170)	(16,290)	1,120	35,770
San Pedro	41	2,214,366	0	0	478,366	21.60%	492,866	22.26%	\$0.83	6,380	(51,200)	60,625	62,115
Signal Hill	185	3,245,000	0	0	100,901	3.11%	145,967	4.50%	\$0.82	(8,947)	(17,349)	16,583	101,502
Torrance	613	25,324,870	0	142,053	1,915,353	7.56%	2,611,751	10.31%	\$0.64	338,612	385,034	505,497	770,529
Wilmingon	136	3,238,579	0	0	131,808	4.07%	153,793	4.75%	\$0.46	(77,338)	141,127	40,741	264,606
<b>Total</b>	<b>4,996</b>	<b>186,217,451</b>	<b>438,270</b>	<b>295,037</b>	<b>10,550,632</b>	<b>5.67%</b>	<b>14,698,710</b>	<b>7.89%</b>	<b>\$0.57</b>	<b>390,691</b>	<b>1,076,742</b>	<b>2,747,105</b>	<b>6,045,579</b>
<b>Los Angeles Total</b>	<b>20,418</b>	<b>717,739,323</b>	<b>1,403,730</b>	<b>4,863,747</b>	<b>34,349,300</b>	<b>4.79%</b>	<b>53,395,538</b>	<b>7.44%</b>	<b>\$0.57</b>	<b>(496,000)</b>	<b>(141,301)</b>	<b>9,106,719</b>	<b>19,239,291</b>
5,000-24,999	13,313	164,341,245	29,260	102,219	5,980,968	3.64%	9,354,827	5.69%	\$0.67	229,443	451,500	2,514,044	4,846,279
25,000-49,999	3,621	125,372,677	28,000	932,712	4,222,825	3.37%	7,691,728	6.14%	\$0.60	326,109	398,394	1,917,446	3,711,747
50,000-99,999	2,019	136,622,482	0	871,767	6,261,979	4.58%	9,304,874	6.81%	\$0.54	(168,849)	(59,624)	1,803,119	3,751,996
100,000-249,999	1,176	173,055,317	409,010	1,787,625	9,733,798	5.62%	16,020,015	9.26%	\$0.52	(531,019)	(412,887)	1,800,709	5,029,240
250,000-499,999	237	76,290,100	937,460	549,424	4,393,383	5.76%	7,475,561	9.80%	\$0.45	(353,928)	(327,424)	1,069,157	1,897,785
500,000 plus	52	42,057,502	0	620,000	3,756,347	8.93%	3,548,533	8.44%	\$0.48	2,244	(191,260)	2,244	2,244
<b>Los Angeles Total</b>	<b>20,418</b>	<b>717,739,323</b>	<b>1,403,730</b>	<b>4,863,747</b>	<b>34,349,300</b>	<b>4.79%</b>	<b>53,395,538</b>	<b>7.44%</b>	<b>\$0.57</b>	<b>(496,000)</b>	<b>(141,301)</b>	<b>9,106,719</b>	<b>19,239,291</b>

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

RECENT TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price	Buyer	Seller
3424 N. San Fernando Rd.	Central LA	473,345	\$118.00	Rexford Industrial	Dexus Property Group
3000-3090 E. Washington Blvd.	Central LA	290,620	\$120.43	TA Associates Realty	Bank of America Corporation
16200-16220 Carmenita Rd.	Mid-Counties	199,937	\$82.53	Prime Wire	TDA Investment Group
1919 Vinebum Ave.	Central LA	122,348	\$51.90	High Point Capital	Meruelo Maddux Props-1919 Vine
1661 W. 240th St.	South Bay	100,851	\$52.26	Rexford Industrial	Shachihata, Inc.

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
218 Machlin Ct.	San Gabriel Valley	297,310	Apr-13	South Bay Freight Systems	Shan Shen & Ge Lin
1040 E. Watson Center Rd.	South Bay	148,808	May-13	Floor & Décor	Watson Land Company
17817 Valley View Ave.	Mid-Counties	146,640	Jun-13	Eurostar	Karney Management
2101 Flotilla St.	Central LA	136,725	Jun-13	Color Image	RREEF America
15800 Main St./150 157th St.	South Bay	116,175	Jun-13	Jonathan Louis	Fontana Sierra Corporation
16180 Omelas St.	San Gabriel Valley	115,756	May-13	Four Season Apparel	CHP Properties

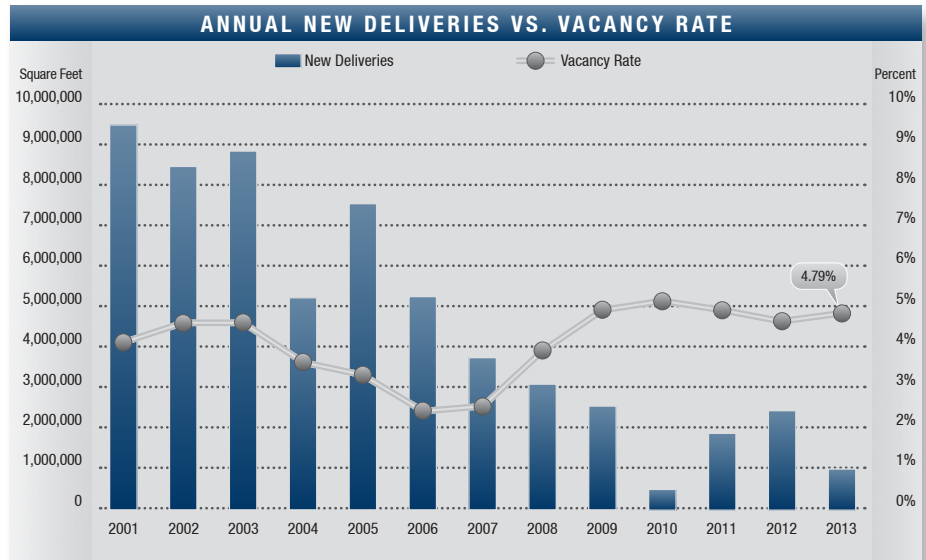
Product Type

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