



MARKET CHANGE

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

FLAT

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HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles industrial market continued to improve, posting a sub-4% vacancy rate for the second quarter of 2014. Both vacancy and availability displayed significant drops and lease rates continue to increase from the previous quarter and previous year. Net absorption was positive for the fourth consecutive quarter, for a total of 9.7 million square feet.
- **Construction** - There was just under 2.3 million square feet of industrial projects under construction in Los Angeles at the close of the second quarter of 2014. In addition, nearly 300,000 square feet of industrial space was delivered during the quarter, bringing the market's total inventory to nearly 717 million square feet.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 3.70%, down from both the previous quarter and from 2013's second quarter rate of 4.76%, a significant drop of over 22%.
- **Availability** - Direct/sublease space being marketed finished the second quarter of the year at 5.91%, down when compared to the previous quarter and a substantial decrease of over 20% when compared to the same quarter of 2013.
- **Lease Rates** - The average asking lease rate came in at \$.59 per square foot per month, up one cent from the first quarter of 2014 and up two cents compared to the \$.57 seen in the second quarter of 2013.
- **Absorption** - The Los Angeles industrial market posted over 2.8 million square feet of positive net absorption in the second quarter, marking the fourth consecutive quarter of significant positive net absorption and giving the market an average of 2.43 million square feet per quarter over the last four quarters.
- **Transaction Activity** - Leasing activity for the Los Angeles industrial market checked in at just over 8 million square feet in the second quarter of 2014. Total sold was 4 million square feet in the second quarter, compared to 4.2 million in the first quarter of 2014. This statistic can have some lag time in being reported, so look for second 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 8.2% in May 2014, down from a revised 8.3% in April 2014 and below the previous year's estimate of 10.0%. This compares with an unadjusted unemployment rate of 7.1% for California and 6.1% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 89,300 payroll jobs from May 2013 to May 2014. The largest gains were 36,400 in educational and health services and 32,900 in health care and social assistance. Los Angeles County's largest loss was 1,100 wholesale trade jobs during that same period.
- **Overall** - We are seeing significant drops in vacancy and availability coupled with overall increase in net occupancy, which is contributing to the gradual increases in average asking lease rates. A lack of product available for sale in some size ranges is causing an increase in prices and a drop in transaction volume. With comparatively few new deliveries to apply more upward pressure on vacancy, the market should continue to improve.

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.
- **Employment** - We anticipate 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 that are dependent upon population gains in coming years.
- **Lease Rates** - Expect average asking lease rates to increase by 4%–6% by 2015.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 60 basis points, to around 3.1%, by the end of the first quarter of 2015.

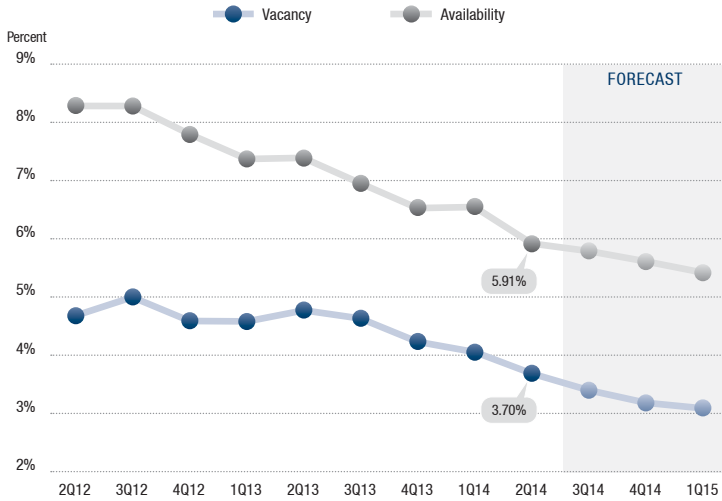
OVERVIEW

	2Q14	1Q14	2Q13	% of Change vs. 2Q13
Vacancy Rate	3.70%	4.06%	4.76%	(22.27%)
Availability Rate	5.91%	6.56%	7.39%	(20.03%)
Average Asking Lease Rate	\$0.59	\$0.58	\$0.57	3.51%
Sale & Lease Transactions	12,032,913	12,717,143	19,362,367	(37.85%)
Gross Absorption	13,596,394	9,243,601	11,445,123	18.80%
Net Absorption	2,836,614	1,666,219	(483,002)	N/A

INDUSTRIAL

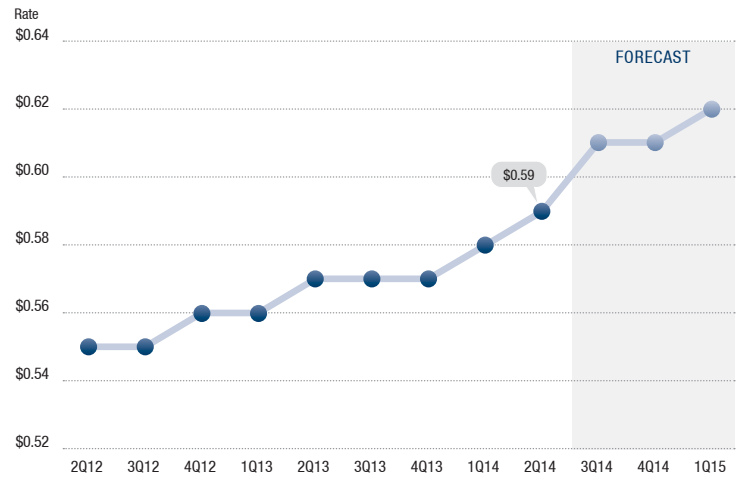
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



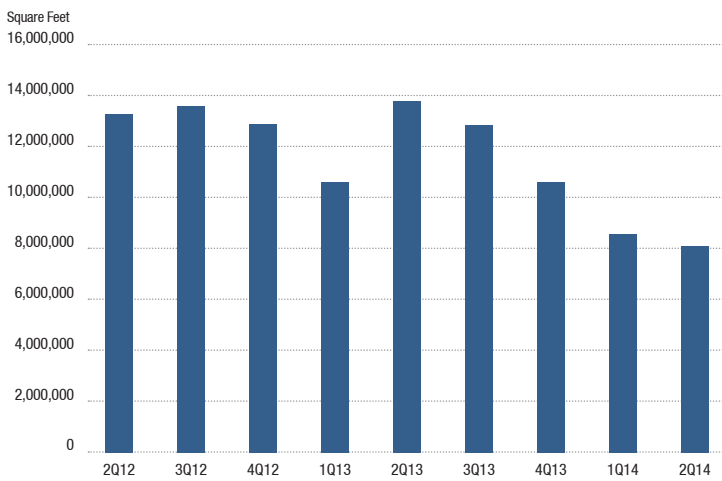
AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



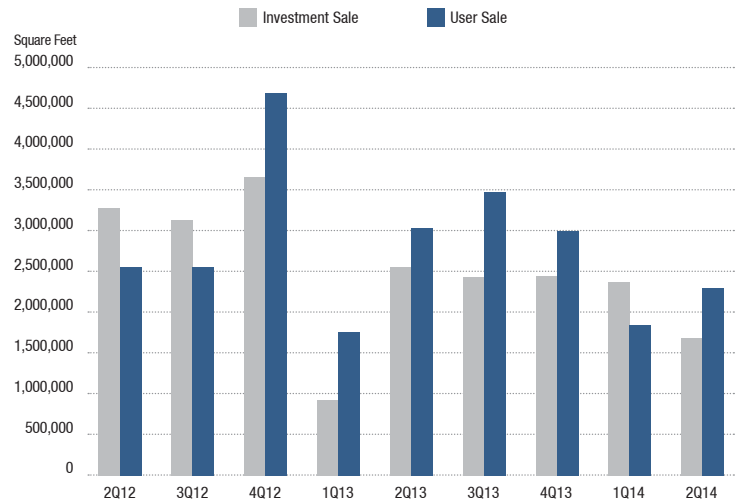
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



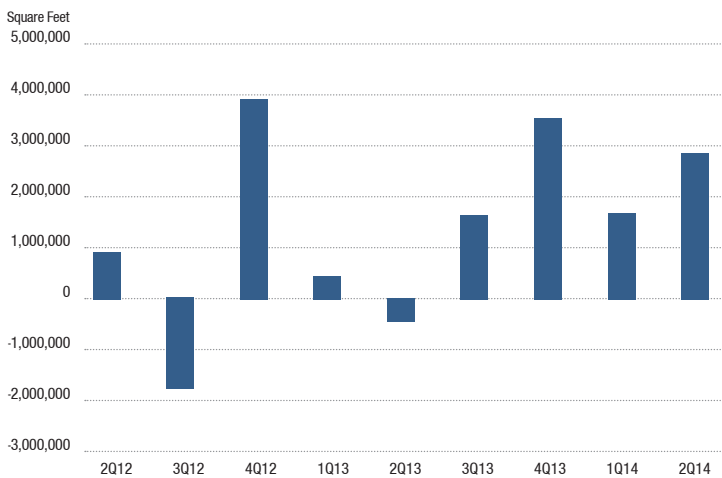
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



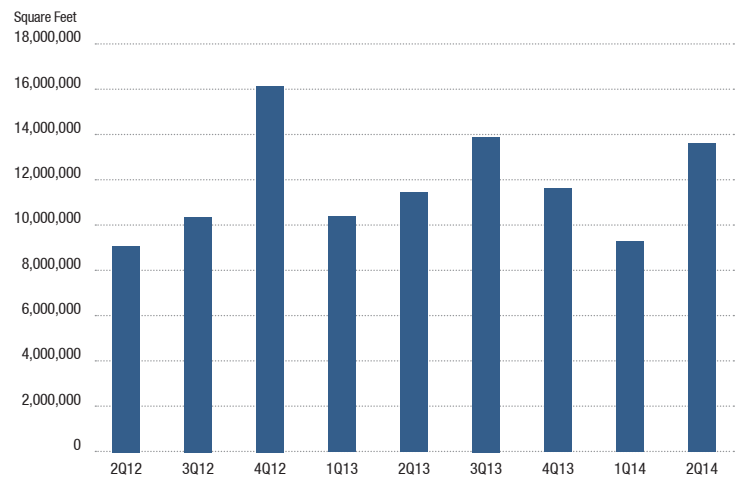
NET ABSORPTION

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 2Q2014	Square Feet Available	Availability Rate 2Q2014	Average Asking Lease Rate	Net Absorption 2Q2014	Net Absorption 2014	Gross Absorption 2Q2014	Gross Absorption 2014
Central													
Bell/Bell Gardens/Maywood	189	6,606,975	453,050	0	791,450	11.98%	889,826	13.47%	\$0.53	44,911	(42,650)	126,653	217,903
City of Commerce	734	44,370,864	70,000	332,470	1,731,133	3.90%	2,389,941	5.39%	\$0.53	92,228	(143,874)	889,510	1,248,049
Huntington Park/Cudahy	200	4,763,401	0	0	59,220	1.24%	127,031	2.67%	\$0.53	35,611	51,111	51,321	66,821
Downtown	5,134	134,710,492	0	774,360	3,881,102	2.88%	7,913,683	5.87%	\$0.62	(116,429)	54,826	1,573,697	2,560,426
Montebello/Monterey Park	303	11,515,285	0	0	231,200	2.01%	294,296	2.56%	\$0.70	85,890	99,213	197,740	306,542
Pico Rivera	195	9,682,655	0	0	484,219	5.00%	991,582	10.24%	\$0.52	(139,309)	(19,309)	194,636	229,648
South Gate	225	10,171,800	0	0	463,601	4.56%	333,081	3.27%	\$0.49	(77,864)	(210,506)	4,785	4,785
Vernon	734	39,276,849	7,500	39,360	860,326	2.19%	2,103,027	5.35%	\$0.52	5,539	173,347	387,838	947,847
Total	7,714	261,098,321	530,550	1,146,190	8,502,251	3.26%	15,042,467	5.76%	\$0.59	(69,423)	(157,842)	3,426,180	5,582,021
Mid Counties													
Artesia/Cerritos	277	13,096,899	0	0	810,793	6.19%	906,494	6.92%	\$0.66	98,748	174,553	259,323	864,325
Bellflower/Downey	198	5,570,460	0	0	250,989	4.51%	451,379	8.10%	\$0.57	13,804	(108,822)	116,764	146,978
Buena Park/La Palma	231	15,214,391	0	0	658,051	4.33%	812,975	5.34%	\$0.62	(241,837)	60,006	118,035	605,817
La Mirada	191	13,218,908	0	39,985	646,840	4.89%	1,951,524	14.76%	\$0.59	223,644	253,858	723,476	971,541
Norwalk	83	2,943,139	0	25,335	337,691	11.47%	95,898	3.26%	\$0.68	(12,861)	(12,861)	864	864
Paramount	367	8,651,191	0	0	173,616	2.01%	350,862	4.06%	\$0.67	(4,936)	25,437	86,222	132,647
Santa Fe Springs	1,320	50,916,355	0	142,500	1,631,331	3.20%	2,445,146	4.80%	\$0.72	482,167	972,900	978,682	2,180,254
Whittier	171	3,984,132	0	0	270,213	6.78%	276,576	6.94%	\$0.59	256,662	90,330	279,654	309,684
Total	2,838	113,595,475	0	207,820	4,779,524	4.21%	7,290,854	6.42%	\$0.64	815,391	1,455,401	2,563,020	5,212,110
San Gabriel Valley													
Alhambra	114	2,259,658	0	0	45,909	2.03%	59,909	2.65%	\$0.82	20,915	20,915	26,019	26,019
Arcadia/Temple City	130	1,970,076	24,895	164,300	47,026	2.39%	106,253	5.39%	\$0.72	9,328	6,028	24,118	28,718
Azusa	228	5,442,552	0	270,000	80,723	1.48%	209,247	3.84%	\$0.53	(10,202)	9,116	9,450	41,150
Baldwin Park	241	4,494,071	0	0	74,907	1.67%	126,548	2.82%	\$0.68	46,325	116,534	90,954	219,819
City of Industry/DB/HH/RH	1,076	69,644,015	595,456	854,612	1,991,369	2.86%	4,002,734	5.75%	\$0.61	920,606	660,336	2,301,987	2,906,422
Covina/West Covina	176	3,119,961	0	0	52,430	1.68%	225,798	7.24%	\$0.65	18,156	76,802	23,856	99,606
Duarte	81	1,853,195	0	0	37,258	2.01%	157,495	8.50%	\$0.68	20,052	20,481	25,317	33,396
El Monte	291	8,095,804	0	50,255	876,094	10.82%	1,025,031	12.66%	\$0.38	103,643	120,950	182,674	252,144
Irwindale	234	10,257,157	56,496	796,036	58,376	0.57%	218,941	2.13%	\$0.58	12,406	(9,025)	59,744	78,115
La Puente	93	1,999,990	0	58,412	13,860	0.69%	13,860	0.69%	\$0.67	4,211	52,551	11,446	70,918
La Verne/San Dimas/Glendora	317	6,593,991	620,000	640,509	323,807	4.91%	397,512	6.03%	\$0.49	7,662	61,229	44,941	138,051
Monrovia	200	3,295,577	0	0	77,169	2.34%	137,539	4.17%	\$0.66	(20,900)	(31,924)	1,600	9,767
Pomona/Claremont	650	18,436,695	229,800	372,226	234,608	1.27%	561,233	3.04%	\$0.60	126,684	346,075	323,885	684,400
Rosemead/San Gabriel	115	2,377,393	0	0	13,963	0.59%	260,580	10.96%	\$0.31	(2,819)	16,951	4,855	24,625
South El Monte	737	10,060,834	0	25,335	235,524	2.34%	253,288	2.52%	\$0.70	9,680	(5,388)	222,867	293,501
Walnut	199	6,606,732	0	0	275,962	4.18%	591,737	8.96%	\$0.88	(78,085)	(84,081)	92,307	145,815
Total	4,882	156,507,701	1,526,647	3,231,685	4,438,985	2.84%	8,347,705	5.33%	\$0.57	1,187,662	1,377,550	3,446,020	5,052,546
South Bay													
Carson	504	34,377,842	0	135,600	1,909,577	5.55%	2,561,119	7.45%	\$0.65	78,905	(192,698)	1,506,225	1,960,627
Compton	455	23,462,926	0	53,000	852,201	3.63%	1,431,603	6.10%	\$0.59	365,072	525,504	487,823	788,199
El Segundo	188	10,367,794	0	0	330,887	3.19%	331,073	3.19%	\$0.87	(69,579)	(59,565)	28,272	79,216
Gardena	1,170	27,604,906	0	0	884,409	3.20%	1,315,933	4.77%	\$0.62	79,285	29,297	469,151	670,130
Harbor City	84	1,736,955	0	0	110,972	6.39%	213,572	12.30%	\$0.76	(95,276)	(97,972)	10,000	13,000
Hawthorne	235	7,738,630	0	0	370,246	4.78%	191,558	2.48%	\$0.57	(89,477)	(88,102)	92,679	134,499
Inglewood	227	4,609,820	0	0	278,314	6.04%	434,338	9.42%	\$0.95	(16,899)	(58,914)	114,686	159,376
Lakewood/Hawaiian Gardens	24	615,614	0	0	6,100	0.99%	11,299	1.84%	\$0.79	0	(5,600)	0	0
Lawndale	26	233,757	0	0	0	0.00%	0	0.00%	\$0.00	2,500	2,500	2,500	2,500
Long Beach/Terminal Island	721	20,094,881	235,000	27,856	563,777	2.81%	883,712	4.40%	\$0.61	188,535	1,369,206	319,684	1,700,502
Lynwood	81	4,075,921	0	0	68,736	1.69%	443,055	10.87%	\$0.45	(30,500)	(30,000)	10,400	14,380
Rancho Dominguez	240	14,836,111	0	0	1,093,221	7.37%	892,881	6.02%	\$0.47	22,812	521	372,613	520,256
Redondo & Hermosa Beach	38	1,838,305	0	0	8,120	0.44%	4,620	0.25%	\$2.00	70,599	69,879	74,099	75,299
San Pedro	39	2,677,877	0	0	65,265	2.44%	51,765	1.93%	\$0.00	337,199	337,199	355,163	355,163
Signal Hill	183	3,204,282	0	0	57,646	1.80%	77,541	2.42%	\$0.93	35,438	35,803	87,727	98,462
Torrance	605	25,078,444	0	26,456	2,072,145	8.26%	2,713,243	10.82%	\$0.71	31,339	1,927	212,573	404,130
Wilmington	133	3,098,262	0	0	148,507	4.79%	106,003	3.42%	\$0.74	(6,969)	(11,261)	17,579	17,579
Total	4,953	185,652,327	235,000	242,912	8,820,123	4.75%	11,663,315	6.28%	\$0.62	902,984	1,827,724	4,161,174	6,993,318
Los Angeles Total	20,387	716,853,824	2,292,197	4,828,607	26,540,883	3.70%	42,344,341	5.91%	\$0.59	2,836,614	4,502,833	13,596,394	22,839,995
5,000-24,999	13,375	164,600,328	39,422	178,270	4,344,206	2.64%	7,286,819	4.43%	\$0.74	230,150	570,569	2,444,873	4,279,763
25,000-49,999	3,548	122,825,196	0	696,081	3,897,719	3.17%	6,021,657	4.90%	\$0.64	210,956	403,402	2,063,615	3,398,689
50,000-99,999	1,991	134,969,236	216,903	1,012,334	5,027,683	3.73%	8,560,979	6.34%	\$0.55	1,217,827	1,273,168	2,860,680	4,633,552
100,000-249,999	1,178	173,330,862	1,136,448	1,509,852	7,277,830	4.20%	11,224,880	6.48%	\$0.53	1,072,379	1,166,637	4,446,066	6,762,228
250,000-499,999	242	78,318,535	279,424	932,070	5,122,297	6.54%	7,731,496	9.87%	\$0.45	(270,524)	(378,518)	883,478	1,776,332
500,000 plus	53	42,809,667	620,000	500,000	871,148	2.03%	1,518,510	3.55%	\$0.56	375,826	1,467,575	897,682	1,989,431
Los Angeles Total	20,387	716,853,824	2,292,197	4,828,607	26,540,883	3.70%	42,344,341	5.91%	\$0.59	2,836,614	4,502,833	13,596,394	22,839,995

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
2060 E. 7th St.	Los Angeles	300,542	\$123.11	Shorenstein Properties, LLC	821 Santa Fe, LLC
561 S. Mateo St. – 4 Properties	Los Angeles	151,051	\$215.16	ASB Capital Management, LLC	Palmetto Mateo Holdings, LLC
16425 E. Gale Ave.	City of Industry	325,800	\$63.77	CT Realty	W.P. Carey & Co., LLC
100 W. Victoria St.	Long Beach	187,986	\$87.77	CenterPoint Properties	Xebec Realty Partners
250 W. Apra St.	Compton	149,654	\$100.00	Prime Wheel Corporation	PR I Dominquez Hills Industrial CA

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
6100 Garfield Ave.	Commerce	615,000	May-14	99 Cent Only Store	KTR Capital Partners
2201 E. Carson St. – Renewal	Carson	521,856	May-14	Sony Corporation of America	Morgan Stanley & Co., LLC
2132 E. Dominguez St.	Carson	254,411	May-14	Inland Star Distribution Centers	Prologis
14585 Industry Cir. – Renewal	La Mirada	203,850	May-14	Warehouse Specialists, Inc.	Prologis
218 Turnbull Canyon Rd.	City of Industry	190,900	Apr-14	IDC Logistics	Clpf Turnbull Canyon

PRODUCT TYPE

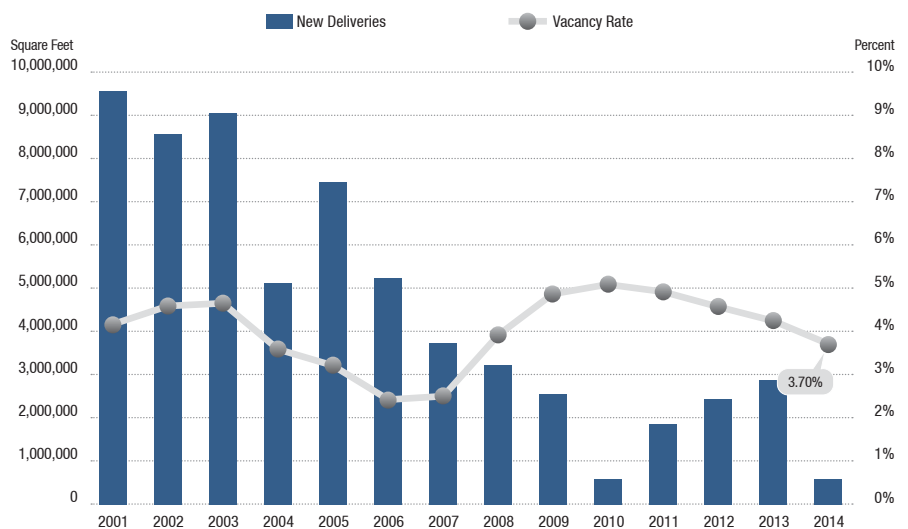
MFG./DIST.

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