



MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

UP

HIGHLIGHTS

- Positive Momentum Continues** - With immediate access to the ports of LA/Long Beach, the Los Angeles industrial market continues to be one of the tightest and most desirable markets in the country. With vacancy rates at historically low levels, demand continues to outpace supply. Faced with an aging industrial market with a lack of modern space in most submarkets, investors continue to try to meet the needs of a more sophisticated tenant base by either modifying older properties or building newer, more functional assets. The major hurdles involve the shortage of available land, and as the limited number of infill parcels are trading at historically high prices, the barrier to entry for new development remains extraordinarily high. Despite the sharp demand by tenants, overall supply will be limited, resulting in further rent growth (among the highest asking rates in the country for Class A) and the market will remain a prime target for both domestic and foreign investment.
- Construction** - With the supply and demand curve out of balance, construction activity during the second quarter increased to 2.7 million square feet. The growth was led by Brickyard in Compton breaking ground on a 1.1 million square foot Industrial Park, Magellan Gateway is a 5 building project ranging in size from 10,905 square feet to 164,284 square feet located at 4127 Temple City Boulevard in El Monte, and Pacific Industrial is a 260,000 square foot building which started construction at 4415 Beandin Boulevard in Vernon. Given the high cost of land and an increase in demand in the larger size ranges (above 100,000 square feet), developers are maximizing site coverage and building larger buildings, while shying away from smaller, light industrial projects.
- Vacancy** - Los Angeles finished the quarter with one of the lowest vacancy rates in the nation at 2.12%, down 2.75% from the previous quarter and down 17.19% from a year ago. Landlords with continue to have leverage in the competitive market resulting in higher lease rates and fewer concessions. As a tenant, limited choices will result in longer time frames for expansions or relocations and "off market" transactions will become more common.
- Availability** - Direct/sublease space being marketed finished the quarter at 3.96%, down 16 basis points from the previous quarter and 47 basis points from a year ago.
- Lease Rates** - Lease rates will stay high and certainly have further runway given the limited supply and increased port volume. While

tenants may resist higher rents, the only rent relief available involves a move East with substantially higher drayage costs. The average asking lease rate came in at \$0.76 IG per square foot per month, a three cent per square foot increase from last quarter and a nine cent per square foot increase when compared to the \$0.67 from a year ago (a 13.43% annual increase).

- Absorption** - The Los Angeles industrial market posted 1.33 million square feet of positive net absorption in the second quarter, bouncing back from 960,377 square feet of negative absorption in the first quarter of 2016 and giving the market an average of 1.19 million square feet per quarter over the last five quarters. The market has averaged 2.0 million square feet per quarter since the first quarter of 2014.
- Transaction Activity** - Overall demand driven primarily by e-commerce, third party logistics firms and food & beverage related industries, resulted in 8.59 million square feet of total transactions (Sale and Lease), down 2.32% from a year ago. Notable activity this quarter includes TJ Max leasing 457,960 in Carson, and three leases signed by notable third party logistics companies totaling 909,041 square feet.
- Employment** - The seasonally adjusted unemployment rate in Los Angeles County declined over the month to 4.9% in May 2016 from a revised 5.2% in April 2016 and was below the rate of 7.0% one year ago. Civilian employment increased by 12,000 to 4,777,000 in May 2016, while unemployment declined by 15,000 to 244,000 over the month. The civilian labor force decreased by 3,000 over the month to 5,021,000 in May 2016.
- Overall** - Overall the LA industrial market is as healthy as it has ever been, despite the 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. For investors, this area looks to deliver consistent but modest returns given the increasing flow of investment capital targeting Southern California. Strong rent growth continues to be a bright spot in Los Angeles brought about by increasing demand from a variety of industries including e-commerce, logistics, food & beverage and home furnishings all looking for immediate access to this major population center and its ports.

FORECAST

- Construction** - A majority of the new construction will be focused on large, state of the art distribution centers (400,000 square feet and above) 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 is starting the year with strong gains in Professional and Business Services, with 605,700 employed in this sector, a gain of 12,700 new jobs (2.1%) on a quarterly basis. Education and Health Services, which employs 772,300, gained a remarkable 36,200 new jobs (4.9%) pointing to a healthy overall employment picture for greater LA. It will also be interesting to see how the increase in minimum wage impacts greater LA as we enter the second half of 2016, although the impact will probably be slow to develop.
- Lease Rates** - Lease rates continue to grow, with the largest gains in newer, Class A product sending asking lease rates past their previous peak, last seen in fourth quarter 2008. Expect average asking lease rates to increase by 5% to 10% over the next four quarters.
- Vacancy** - We anticipate vacancy rates to continue their drop in coming quarters, dropping by 12 basis points, to around 2%, by the end of the first quarter of 2017.

OVERVIEW

	2Q16	1Q16	2Q15	% of Change vs. 2Q15
Total Vacancy Rate	2.12%	2.18%	2.56%	(17.19%)
Availability Rate	3.96%	4.20%	4.43%	(10.61%)
Average Asking Lease Rate	\$0.76	\$0.73	\$0.67	13.43%
Sale & Lease Transactions	8,595,303	9,804,178	20,756,145	(58.59%)
Gross Absorption	7,567,921	6,851,666	9,513,246	(20.45%)
Net Absorption	1,330,864	(960,337)	315,860	N/A

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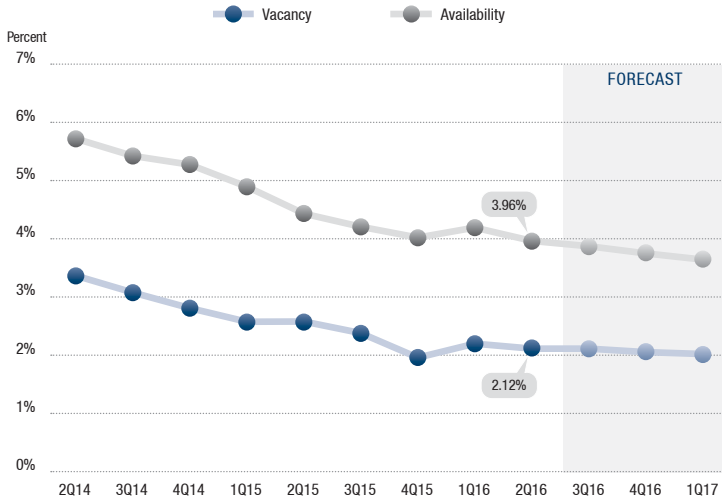
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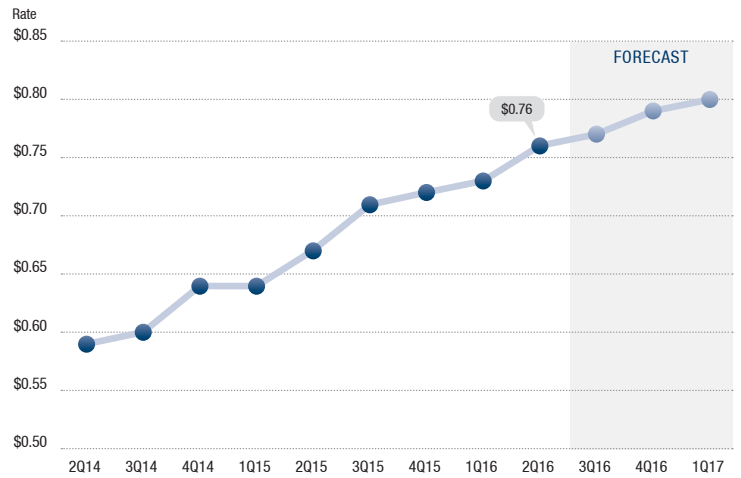
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



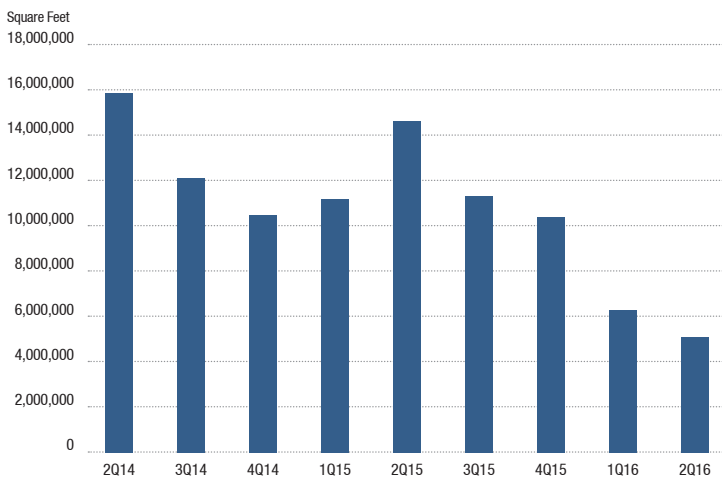
AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE

MONTHLY BASE RENT ON A PER SQ. FT. BASIS



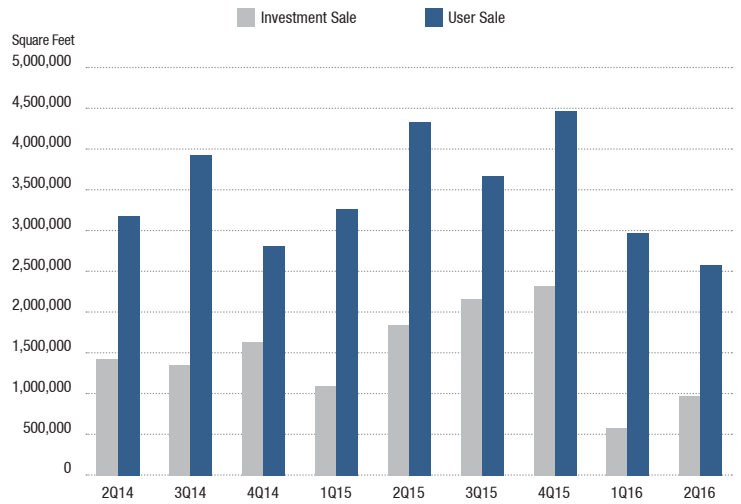
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



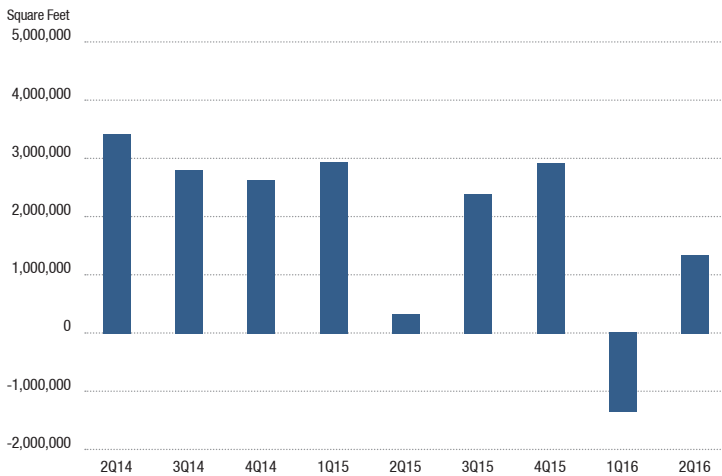
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



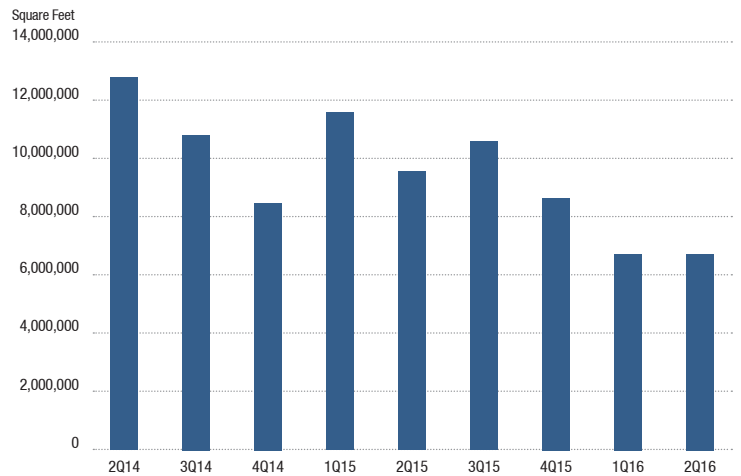
NET ABSORPTION

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 2Q2016	Square Feet Available	Availability Rate 2Q2016	Average Asking Lease Rate	Net Absorption 2Q2016	Net Absorption 2016	Gross Absorption 2Q2016	Gross Absorption 2016
Central													
Bell/Bell Gardens/Maywood	192	6,878,942	0	0	263,057	3.82%	206,110	3.00%	\$0.65	14,199	(13,496)	51,599	68,169
City of Commerce	731	45,083,418	0	378,354	1,259,614	2.79%	1,395,669	3.10%	\$0.67	6,879	(160,409)	276,025	966,870
Huntington Park/Cudahy	195	4,586,527	0	0	119,454	2.60%	380,304	8.29%	\$0.93	0	(39,048)	0	14,174
Downtown	5,167	133,563,681	0	218,300	3,739,115	2.80%	6,941,592	5.20%	\$0.83	146,661	(55,150)	1,351,914	2,564,363
Montebello/Monterey Park	304	11,534,375	113,634	0	207,982	1.80%	288,367	2.50%	\$0.81	(83,001)	(77,105)	106,496	209,029
Pico Rivera	199	10,164,168	0	0	133,117	1.31%	308,709	3.04%	\$0.62	(5,832)	(46,546)	16,050	98,141
South Gate	225	10,185,613	0	0	60,883	0.60%	180,263	1.77%	\$0.00	(15,983)	(10,658)	19,017	37,742
Vernon	741	39,732,221	0	598,107	1,250,623	3.15%	2,395,719	6.03%	\$0.59	(32,605)	83,997	373,328	845,881
Total	7,754	261,728,945	113,634	1,194,761	7,033,845	2.69%	12,096,733	4.62%	\$0.72	30,318	(318,415)	2,194,429	4,804,369
Mid Counties													
Artesia/Cerritos	276	13,086,126	0	0	294,985	2.25%	747,584	5.71%	\$0.64	54,437	190,753	170,260	363,742
Bellflower/Downey	192	5,575,145	0	0	89,676	1.61%	137,565	2.47%	\$1.01	(35,481)	(58,681)	37,545	54,023
Buena Park/La Palma	231	15,252,131	0	0	298,067	1.95%	350,211	2.30%	\$0.67	41,805	(34,952)	97,398	225,683
La Mirada	182	12,553,076	199,588	0	147,026	1.17%	535,074	4.26%	\$0.69	3,075	(274,851)	160,048	294,364
Norwalk	85	2,940,339	24,895	231,731	4,228	0.14%	11,457	0.39%	\$0.85	12,188	21,587	15,744	27,159
Paramount	370	8,692,403	0	0	49,831	0.57%	232,890	2.68%	\$0.75	24,913	27,205	69,433	84,905
Santa Fe Springs	1,322	50,928,786	63,458	1,412,924	632,201	1.24%	1,485,064	2.92%	\$0.76	(124,309)	(330,885)	634,338	1,102,626
Whittier	166	3,890,603	40,000	0	97,668	2.51%	245,538	6.31%	\$0.63	(71,405)	(61,795)	15,477	34,861
Total	2,824	112,918,609	327,941	1,644,655	1,613,682	1.43%	3,745,383	3.32%	\$0.72	(94,777)	(521,619)	1,200,243	2,187,363
San Gabriel Valley													
Alhambra	113	2,240,778	0	0	23,000	1.03%	9,600	0.43%	\$1.00	(1,000)	8,355	27,399	46,981
Arcadia/Temple City	134	1,984,918	0	679,851	47,678	2.40%	123,838	6.24%	\$0.70	(2,750)	2,841	14,977	39,546
Azusa	225	5,276,057	343,237	185,273	100,751	1.91%	130,470	2.47%	\$1.18	(61,055)	(42,731)	19,840	95,834
Baldwin Park	234	4,398,743	0	98,545	33,044	0.75%	70,630	1.61%	\$0.85	1,509	991	8,052	25,332
City of Industry/DB/HH/RH	1,076	70,248,666	125,494	1,402,340	1,145,022	1.63%	2,729,575	3.89%	\$0.76	180,944	(303,152)	674,295	1,230,446
Covina/West Covina	169	2,995,411	0	0	142,382	4.75%	224,778	7.50%	\$0.84	(19,450)	(21,200)	1,750	5,850
Duarte	71	1,766,002	0	0	23,306	1.32%	25,178	1.43%	\$0.00	(20,074)	(17,224)	3,755	18,687
El Monte	300	8,528,724	0	0	1,012,899	11.88%	1,050,398	12.32%	\$0.73	351	19,092	33,483	121,156
Irwindale	251	10,765,083	0	496,130	102,451	0.95%	310,918	2.89%	\$1.06	245,903	197,126	346,836	386,147
La Puente	95	2,207,248	0	12,650	217,177	9.84%	41,833	1.90%	\$0.86	(5,611)	25,727	21,666	92,966
La Verne/San Dimas/Glendora	314	6,632,630	0	0	114,237	1.72%	197,112	2.97%	\$0.85	24,951	44,987	58,428	149,175
Monrovia	202	3,325,669	0	0	57,206	1.72%	98,790	2.97%	\$0.89	46,730	51,433	109,263	151,204
Pomona/Claremont	650	19,323,615	197,685	431,943	390,408	2.02%	662,047	3.43%	\$0.71	63,547	(45,308)	186,296	262,762
Rosemead/San Gabriel	112	2,089,030	0	0	16,301	0.78%	28,981	1.39%	\$0.00	(2,500)	(1,312)	0	2,878
South El Monte	755	10,228,409	0	0	82,879	0.81%	130,140	1.27%	\$0.78	23,394	44,663	130,238	250,060
Walnut	200	6,844,268	17,396	0	115,104	1.68%	145,533	2.13%	\$0.85	304,453	(53,993)	380,083	419,333
Total	4,901	158,855,251	683,812	3,306,732	3,623,845	2.28%	5,979,821	3.76%	\$0.85	779,342	(89,705)	2,016,361	3,298,357
South Bay													
Carson	500	34,110,257	0	120,542	139,951	0.41%	1,040,870	3.05%	\$0.75	301,717	464,076	517,181	1,026,052
Compton	452	23,570,576	1,070,450	136,685	766,179	3.25%	1,387,720	5.89%	\$0.74	98,885	154,706	186,405	403,397
El Segundo	187	10,525,439	0	0	104,835	1.00%	273,330	2.60%	\$1.38	(500)	(28,402)	0	6,000
Gardena	1,161	27,639,636	271,829	274,256	342,709	1.24%	1,086,223	3.93%	\$0.77	213,192	202,708	427,447	583,013
Harbor City	82	1,659,065	0	0	65,841	3.97%	78,951	4.76%	\$0.82	34,800	34,800	58,050	59,386
Hawthorne	235	8,060,199	0	0	302,741	3.76%	528,966	6.56%	\$0.92	(33,135)	(27,064)	53,535	88,253
Inglewood	230	4,694,195	0	149,040	46,897	1.00%	104,996	2.24%	\$1.35	(10,795)	12,936	61,736	119,958
Lakewood/Hawaiian Gardens	23	539,614	0	0	3,003	0.56%	14,400	2.67%	\$0.96	5,782	3,279	7,250	7,250
Lawndale	26	228,559	0	0	6,136	2.68%	6,600	2.89%	\$0.00	2,300	(2,561)	2,300	3,575
Long Beach/Terminal Island	716	20,154,055	244,000	453,858	173,693	0.86%	548,580	2.72%	\$0.79	28,736	43,618	73,306	126,400
Lynwood	86	4,159,240	0	201,027	68,955	1.66%	142,878	3.44%	\$0.00	(9,583)	(68,955)	323,974	323,974
Rancho Dominguez	238	14,663,915	0	0	207,819	1.42%	582,382	3.97%	\$0.72	102,442	82,047	180,131	536,972
Redondo & Hermosa Beach	39	1,873,457	0	0	78,367	4.18%	84,562	4.51%	\$0.00	(73,814)	(78,367)	0	0
San Pedro	39	2,672,377	0	0	8,942	0.33%	11,242	0.42%	\$0.75	78,000	77,980	78,000	78,000
Signal Hill	191	3,394,390	0	0	43,329	1.28%	90,340	2.66%	\$0.89	13,856	49,856	36,534	100,303
Torrance	599	25,595,330	0	30,492	629,867	2.46%	711,001	2.78%	\$0.89	(136,402)	63,647	150,539	631,035
Wilmington	132	3,046,429	0	0	0	0.00%	4,262	0.14%	\$0.78	500	500	500	35,930
Total	4,936	186,586,733	1,586,279	1,365,900	2,989,264	1.60%	6,697,303	3.59%	\$0.79	615,981	984,804	2,156,888	4,129,498
Los Angeles Total	20,415	720,089,538	2,711,666	7,512,048	15,260,636	2.12%	28,519,240	3.96%	\$0.76	1,330,864	55,065	7,567,921	14,419,587
5,000-24,999	13,396	164,012,507	42,291	26,150	3,122,933	1.90%	6,273,793	3.83%	\$0.91	213,840	108,574	1,942,080	3,795,568
25,000-49,999	3,534	122,387,053	101,829	961,399	2,525,242	2.06%	5,779,276	4.72%	\$0.80	(226,336)	(304,278)	960,807	2,266,403
50,000-99,999	1,983	134,537,050	291,045	1,301,802	3,416,449	2.54%	5,804,324	4.31%	\$0.71	200,771	(536,954)	1,688,649	3,059,612
100,000-249,999	1,205	177,344,084	1,269,501	2,988,671	4,811,039	2.71%	8,427,292	4.75%	\$0.67	644,470	153,904	1,826,834	3,030,934
250,000-499,999	244	78,760,363	481,600	1,727,561	1,035,791	1.32%	2,012,008	2.55%	\$0.60	398,119	152,657	1,049,551	1,602,509
500,000 plus	53	43,048,481	525,400	506,465	349,182	0.81%	222,547	0.52%	\$0.00	100,000	481,162	100,000	664,561
Los Angeles Total	20,415	720,089,538	2,711,666	7,512,048	15,260,636	2.12%	28,519,240	3.96%	\$0.76	1,330,864	55,065	7,567,921	14,419,587

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
1700 S. Santa Fe Ave. – 2 Properties	Los Angeles	175,000	\$27,125,000	Dayan Investments	Jeanne Sudduth
4633 Downey Rd. & 3385 Leonis Blvd.	Vernon	241,337	\$24,000,000	Reich Brothers	Highridge Provender
16420-16424 Valley View Ave.	La Mirada	136,508	\$18,000,000	Capital Food Company	ProLogis
155 Mission Rd. & 150 N. Meyers St.	Los Angeles	75,660	\$18,500,000	Vera Campbell	Madison Graham & Bell Partnership
4302-4310 W. 190th St.	Torrance	108,239	\$17,500,000	Weiss Family Properties	The Magellan Group, Inc.

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
660-700 W. Artesia Blvd.	Compton	457,960	Jun-2016	TJ Maxx	Sares-Regis Group
5510 Grace Pl.	Commerce	361,435	Jun-2016	4PX	Centerpoint Properties
2700 E. Imperial Hwy.	Lynwood	323,374	Apr-2016	IDC Logistics	Duke Realty
6281-6285 E. Slauson Ave.	Commerce	224,232	May-2016	Plastic Express	DCT Industrial
2231 E. Carson St.	Carson	198,292	May-2016	Idean Nuova, Inc.	Watson Land Company

PRODUCT TYPE

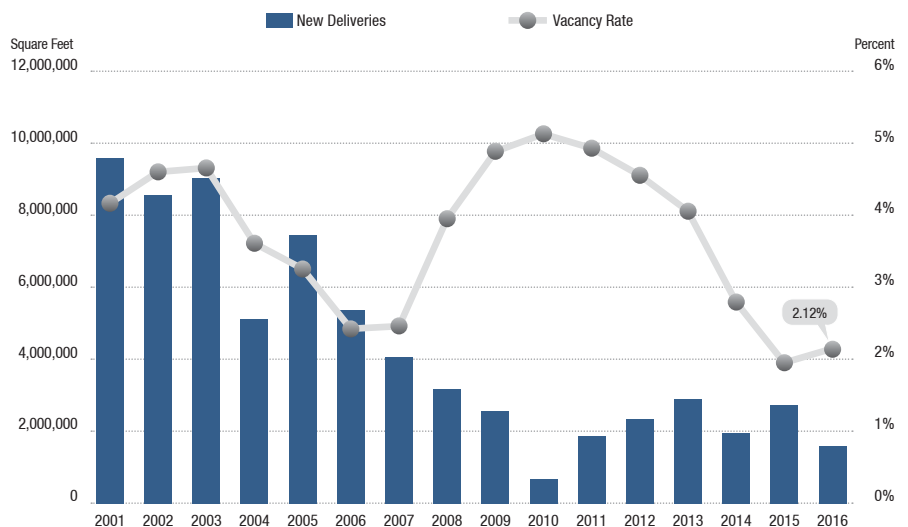
MFG./DIST.

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

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