



Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

DOWN

Deliveries

DOWN

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Market Highlights

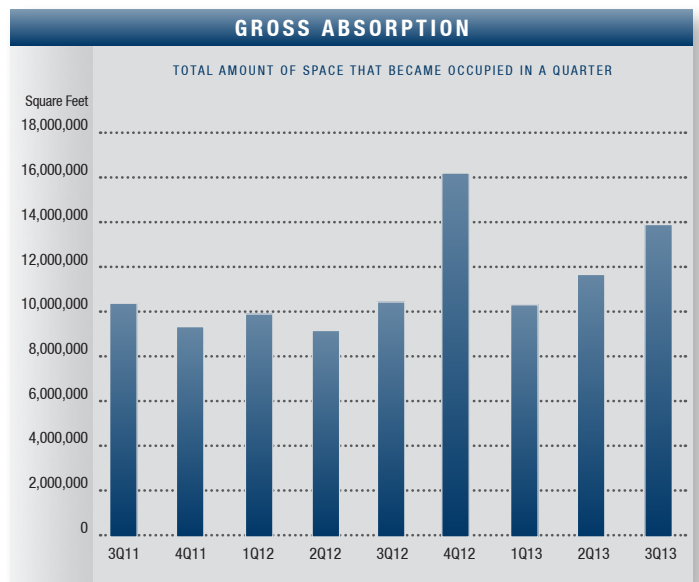
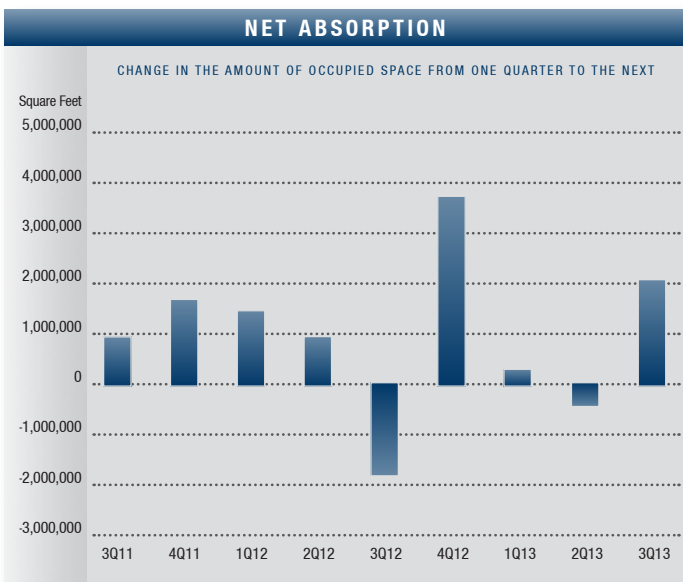
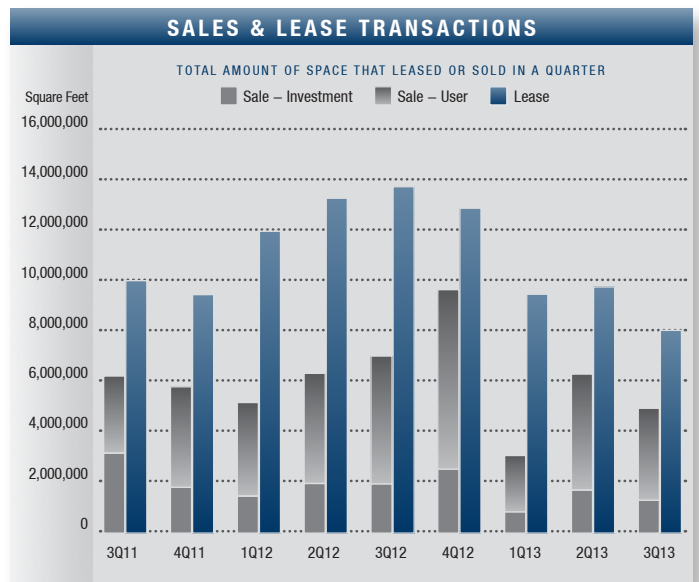
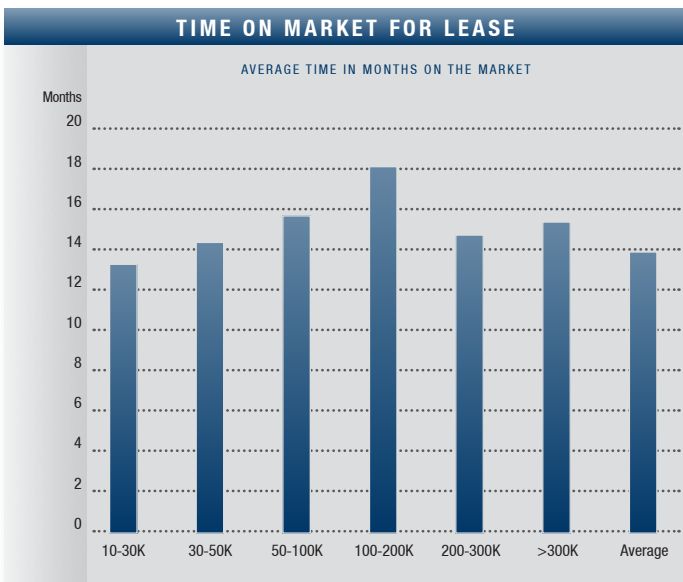
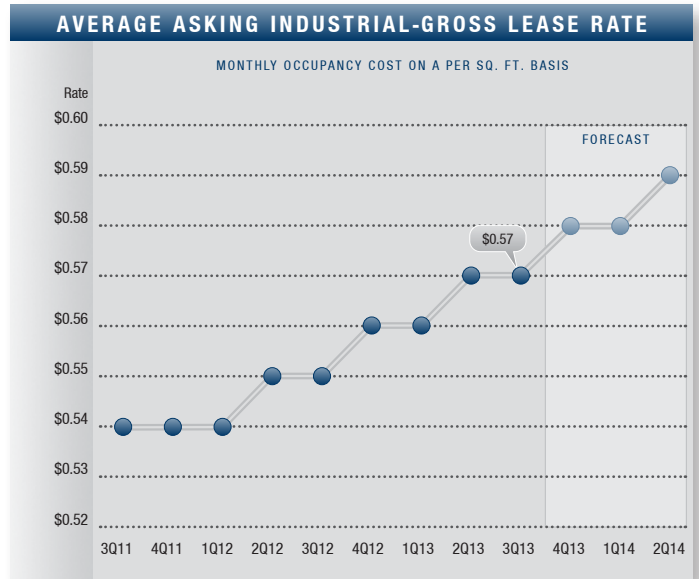
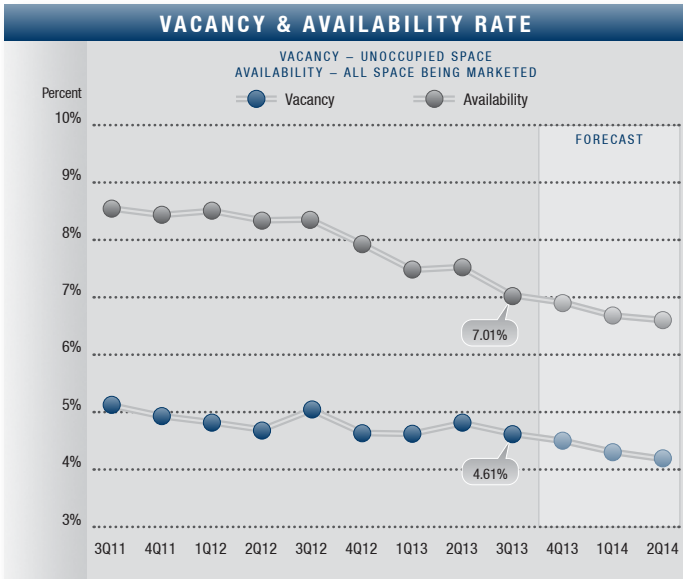
- Encouraging Numbers** - The Los Angeles industrial market continued on the path to recovery during the third quarter of 2013. Vacancy and availability trended downward compared to the previous quarter and the third quarter of 2012, and lease rates remained flat compared to the previous quarter but have increased three times in the last seven quarters, showing a trend of growth. Net absorption was positive, posting over two million square feet of increased occupied space. While these are 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 nearly 670,000 square feet of industrial projects under construction in Los Angeles in the third quarter of 2013. The overall 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 4.61%, down from the previous quarter and from 2012's third quarter rate of 5.03%. We are forecasting that vacancy will continue descending, ending 2013 at around 4.5%.
- Availability** - Direct/sublease space being marketed was 7.01% in the third quarter of 2013, 50 basis points lower than the previous quarter's rate of 7.51% and a 16.05% decrease from the 8.35% we saw in the third 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, the same as the previous quarter's rate and up two cents from 2012's third quarter rate of \$.55.
- Absorption** - The Los Angeles industrial market posted over 2 million square feet of positive net absorption in the

third quarter of 2013, giving the market a total of nearly 10.7 million square feet of positive absorption over the last ten quarters.

- Transaction Activity** - Leasing activity checked in at almost 8 million square feet for the third quarter of 2013 — a decrease from the 13.7 million square feet seen in the third quarter of 2012. Sales activity showed an annual decrease as well, posting a total of 4.9 million square feet of activity for the third quarter of 2013 compared to the 6.9 million square feet transacted in the third quarter of 2012. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Los Angeles County was 10.1% in August 2013 — up from a revised 9.9% in July 2013 and below the previous year's estimate of 10.9%. This compares with an unadjusted unemployment rate of 8.8% for California and 7.3% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 52,000 payroll jobs from August 2012 to August 2013. The largest gains were 21,000 in leisure and hospitality and 16,500 in professional & business services; Los Angeles County's largest loss was 6,300 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

	3Q13	2Q13	3Q12	% of Change vs. 3Q12
Total Vacancy Rate	4.61%	4.80%	5.03%	(8.35%)
Availability Rate	7.01%	7.51%	8.35%	(16.05%)
Average Asking Lease Rate	\$0.57	\$0.57	\$0.55	3.64%
Sale & Lease Transactions	12,837,044	15,835,081	20,527,535	(37.46%)
Gross Absorption	13,850,824	11,561,952	10,338,301	33.98%
Net Absorption	2,044,517	(428,536)	(1,803,368)	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 3Q2013	Square Feet Available	Availability Rate 3Q2013	Average Asking Lease Rate	Net Absorption 3Q2013	Net Absorption 2013	Gross Absorption 3Q2013	Gross Absorption 2013
Central													
Bell/Bell Gardens/Maywood	190	6,707,631	0		1,009,326	15.05%	1,084,493	16.17%	\$0.53	(103,977)	(147,291)	126,086	342,732
City of Commerce	640	37,037,268	0	433,784	1,305,467	3.52%	1,898,332	5.13%	\$0.52	224,577	98,105	610,305	1,274,444
Huntington Park/Cudahy	199	4,748,583	0	5,782	246,168	5.18%	196,526	4.14%	\$0.52	(30,530)	(21,419)	68,679	261,113
Downtown	5,249	144,024,559	18,000	1,497,807	4,360,424	3.03%	10,368,608	7.20%	\$0.60	280,060	453,718	2,185,306	5,473,550
Montebello/Monterey Park	304	11,603,256	0	0	396,912	3.42%	555,010	4.78%	\$0.52	100,086	(54,195)	414,694	757,016
Pico Rivera	193	9,573,280	0	25,000	484,922	5.07%	803,594	8.39%	\$0.55	60,095	66,676	342,973	426,045
South Gate	227	10,287,292	0	0	250,257	2.43%	444,467	4.32%	\$0.41	1,246	130,202	163,492	362,935
Vernon	732	39,051,213	0	76,995	918,237	2.35%	2,205,934	5.65%	\$0.49	123,544	376,737	631,999	1,824,405
Total	7,734	263,033,082	18,000	2,039,368	8,971,713	3.41%	17,556,964	6.67%	\$0.57	655,101	902,533	4,543,534	10,722,240
Mid Counties													
Artesia/Cerritos	278	13,104,323	0	0	891,611	6.80%	1,397,091	10.66%	\$0.60	73,956	(169,961)	377,046	850,322
Bellflower/Downey	203	5,844,449	0	0	142,006	2.43%	425,925	7.29%	\$0.63	125,691	133,466	183,838	304,099
Buena Park/La Palma	231	15,214,391	0	0	735,615	4.83%	947,903	6.23%	\$0.64	7,341	(129,910)	177,999	377,936
La Mirada	191	13,175,251	0	39,985	1,105,672	8.39%	1,973,686	14.98%	\$0.59	122,934	(103,103)	382,404	1,104,009
Norwalk	83	2,932,731	24,895	0	266,959	9.10%	516,771	17.62%	\$0.51	29,671	(38,282)	91,580	157,207
Paramount	365	8,788,422	0	0	192,644	2.19%	263,588	3.00%	\$0.68	123,866	146,105	168,305	355,572
Santa Fe Springs	1,309	50,324,188	448,060	183,570	2,147,900	4.27%	2,722,360	5.41%	\$0.59	202,713	433,976	1,211,797	2,948,743
Whittier	178	4,195,090	0	0	294,263	7.01%	598,443	14.27%	\$0.57	(178,436)	(244,937)	144,680	189,588
Total	2,838	113,578,845	472,955	223,555	5,776,670	5.09%	8,845,767	7.79%	\$0.60	507,736	27,354	2,737,649	6,287,476
San Gabriel Valley													
Alhambra	113	2,251,247	0	0	57,872	2.57%	108,287	4.81%	\$0.80	(6,857)	(6,313)	9,028	44,466
Arcadia/Temple City	130	1,971,325	0	0	66,296	3.36%	146,282	7.42%	\$0.64	(1,981)	49,902	38,319	131,823
Azusa	227	5,475,833	0	29,524	249,756	4.56%	371,640	6.79%	\$0.56	64,049	(119,901)	97,370	195,614
Baldwin Park	244	4,581,027	0	0	141,847	3.10%	259,794	5.67%	\$0.68	4,969	38,156	70,708	193,201
City of Industry/DB/HH/RH	1,085	69,010,399	0	1,013,337	3,298,820	4.78%	5,466,196	7.92%	\$0.59	1,383,719	338,608	2,649,239	4,788,998
Covina/West Covina	177	3,049,660	0	0	155,590	5.10%	165,816	5.44%	\$0.69	(53,937)	(21,317)	49,521	124,056
Duarte	81	1,844,543	0	0	77,937	4.23%	66,737	3.62%	\$0.68	22,776	43,697	45,565	104,305
El Monte	287	7,949,306	28,000	12,500	921,899	11.60%	989,778	12.45%	\$0.37	(272,635)	(197,907)	31,329	148,900
Irwindale	233	10,269,940	0	415,621	287,171	2.80%	136,314	1.33%	\$0.65	38,274	(62,231)	76,775	325,792
La Puente	85	1,965,214	0	53,324	108,149	5.50%	90,154	4.59%	\$0.74	(18,465)	(6,689)	23,250	98,160
La Verne/San Dimas/Glendora	322	6,701,980	0	514,924	292,260	4.36%	465,871	6.95%	\$0.54	61,914	251,077	106,470	539,868
Monrovia	204	3,312,573	0	0	58,791	1.77%	104,110	3.14%	\$0.75	6,171	13,320	43,964	99,319
Pomona/Ciaramont	649	18,097,894	0	416,111	928,475	5.13%	801,094	4.43%	\$0.47	63,588	21,822	386,230	1,149,019
Rosemead/San Gabriel	114	2,344,173	0	0	63,941	2.73%	363,706	15.52%	\$0.40	(3,254)	(30,387)	17,640	57,420
South El Monte	730	9,961,728	0	0	231,810	2.33%	283,785	2.85%	\$0.62	(4,324)	(13,571)	169,432	519,913
Walnut	196	6,297,781	0	0	333,088	5.35%	234,151	3.76%	\$0.92	(77,795)	(204,707)	115,467	233,216
Total	4,877	155,016,623	28,000	2,455,341	7,273,702	4.69%	10,053,715	6.49%	\$0.56	1,206,212	93,559	3,930,307	8,754,070
South Bay													
Carson	513	34,741,838	0	142,053	1,637,965	4.71%	2,580,526	7.43%	\$0.63	185,003	(364,207)	605,119	1,612,091
Compton	454	23,206,658	0	65,761	1,387,020	5.98%	1,912,232	8.24%	\$0.55	(309,755)	(5,903)	279,935	1,672,247
El Segundo	189	10,418,426	0	0	271,962	2.61%	407,971	3.92%	\$0.98	(6,824)	(9,258)	31,786	85,284
Gardena	1,165	27,694,915	0	0	1,054,250	3.81%	1,514,011	5.47%	\$0.58	(26,655)	224,107	425,777	1,344,070
Harbor City	83	1,734,179	0	0	30,091	1.74%	174,058	10.04%	\$0.57	(7,483)	80,581	11,198	145,121
Hawthorne	236	7,338,398	0	0	349,673	4.76%	558,522	7.61%	\$0.68	32,774	125,128	153,906	809,111
Inglewood	228	4,650,756	0	0	200,626	4.31%	378,374	8.14%	\$0.96	(46,924)	(519)	82,856	285,804
Lakewood/Hawaiian Gardens	24	613,498	0	0	6,100	0.99%	15,799	2.58%	\$0.86	(401)	35,984	11,859	76,416
Lawndale	26	235,570	0	0	1,970	0.84%	11,970	5.08%	\$0.85	(470)	4,385	1,000	14,310
Long Beach/Terminal Island	734	20,412,203	150,701	270,000	1,924,966	9.43%	929,597	4.55%	\$0.57	258,614	641,984	361,839	1,075,784
Lynwood	80	4,055,921	0	0	38,236	0.94%	136,862	3.37%	\$0.34	11,000	26,504	11,019	31,759
Rancho Dominguez	242	15,200,133	0	0	1,203,427	7.92%	1,864,404	12.27%	\$0.52	(117,166)	(68,492)	225,698	809,093
Redondo & Hermosa Beach	39	1,880,222	0	0	78,905	4.20%	77,105	4.10%	\$0.00	9,250	(195)	15,191	50,961
San Pedro	39	2,677,877	0	0	478,939	17.89%	493,403	18.43%	\$0.68	(573)	(51,773)	700	64,305
Signal Hill	184	3,236,801	0	0	94,644	2.92%	117,695	3.64%	\$0.76	2,020	(10,592)	53,228	157,760
Torrance	611	25,415,061	0	168,000	2,207,249	8.68%	2,545,163	10.01%	\$0.68	(289,582)	95,370	349,818	1,171,284
Wilmingon	138	3,250,686	0	0	144,046	4.43%	187,151	5.76%	\$0.50	(17,360)	128,889	18,405	492,876
Total	4,985	186,763,142	150,701	645,814	11,110,069	5.95%	13,904,843	7.45%	\$0.60	(324,532)	185,993	2,639,334	9,898,276
Los Angeles Total	20,434	718,391,692	669,656	5,364,078	33,132,154	4.61%	50,361,289	7.01%	\$0.57	2,044,517	1,875,439	13,850,824	35,662,062
5,000-24,999	13,327	164,338,263	42,895	84,209	5,460,119	3.32%	8,939,197	5.44%	\$0.69	475,015	988,355	3,199,463	8,531,088
25,000-49,999	3,619	125,303,366	28,000	982,110	4,061,619	3.24%	7,563,778	6.04%	\$0.60	225,460	487,425	2,252,955	6,187,034
50,000-99,999	2,022	136,897,907	0	704,755	6,990,246	5.11%	10,343,592	7.56%	\$0.55	(580,581)	(764,378)	1,967,529	6,121,748
100,000-249,999	1,176	173,023,004	150,701	2,073,580	9,448,877	5.46%	15,046,135	8.70%	\$0.52	539,810	289,470	3,819,414	10,290,374
250,000-499,999	238	76,777,600	448,060	899,424	4,100,708	5.34%	6,763,788	8.81%	\$0.44	696,807	380,065	1,608,250	3,528,605
500,000 plus	52	42,051,552	0	620,000	3,070,585	7.30%	1,704,799	4.05%	\$0.28	688,006	494,502	1,003,213	1,003,213
Los Angeles Total	20,434	718,391,692	669,656	5,364,078	33,132,154	4.61%	50,361,289	7.01%	\$0.57	2,044,517	1,875,439	13,850,824	35,662,062

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
680 S. Lemon Ave.	City of Industry	472,876	\$56.57	Unical Aviation, Inc.	Cardinal Capital Partners, Inc.
13950 Cerritos Corporate Dr. – 7 Properties	Cerritos	447,445	\$94.98	Angelo, Gordon & Company	The Abbey Company
588 Crenshaw Blvd.	Torrance	265,418	\$139.00	Industrial Income Trust, Inc.	Cornerstone Real Estate Advisers, LLC
13827 Carmenita Rd.	Santa Fe Springs	206,030	\$72.93	Alliance Commercial Partners, LLC	Kearny Real Estate Company
3100 E. 44th St.	Vernon	164,797	\$60.07	SAS Textiles	Kohan Ghadosh Yosef & Mehri

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
4501-3860 Conant St.	Long Beach	1,091,754	Jul-13	Mercedes-Benz USA	Sares-Regis Group
9306 Sorensen Ave.	Santa Fe Springs	305,422	Aug-13	Phoenix Warehouse of CA	IIT Sorensen Industrial
24760 S. Main St.	Carson	231,008	Aug-13	All-Ways Forwarding International	KTR
2601 S. Malt Ave.	Commerce	180,473	Aug-13	99 Cents Only	KTR
2101 W. Flotilla St. – Renewal	Montebello	136,725	Jul-13	Color Image Apparel	RREEF America

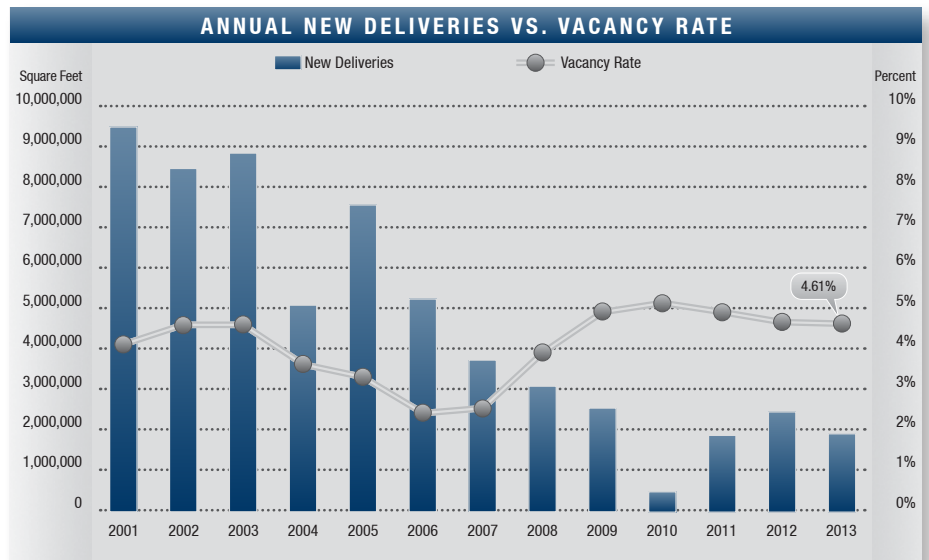
Product Type

MFG./DIST.

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

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