



MARKET CHANGE

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

UP

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HIGHLIGHTS

- **Encouraging Numbers** - The Los Angeles industrial market continued to improve, posting a sub-3.5% vacancy rate for the third quarter of 2014. Both vacancy and availability displayed significant drops, and lease rates continued to increase from the previous quarter and previous year. Net absorption was positive for the fifth consecutive quarter, for a total of 12.7 million square feet.
- **Construction** - There was just over 1.7 million square feet of industrial projects under construction in Los Angeles at the close of the third quarter of 2014. In addition, nearly one million square feet of industrial space was delivered during the quarter, bringing the market's total inventory to 717.7 million square feet.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 3.39%. This is down from both the previous quarter and from 2013's third quarter rate of 4.57%, a significant drop of almost 26%.
- **Availability** - Direct/sublease space being marketed finished the third quarter of the year at 5.45%, down when compared to the previous quarter and a substantial decrease of almost 21% when compared to the same quarter of 2013.
- **Lease Rates** - The average asking lease rate came in at \$.60 per square foot per month, up one cent from the second quarter of 2014 and up three cents compared to the \$.57 seen in the third quarter of 2013.
- **Absorption** - The Los Angeles industrial market posted over 1.5 million square feet of positive net absorption in the third quarter, marking the fifth consecutive quarter of significant positive net absorption and giving the market an average of 2.54 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 6.8 million square feet in the third quarter of 2014. Total sold was 5.3 million square feet in the third quarter, compared to 4.6 million in the second quarter of 2014. This statistic can have some lag time in being reported, so look for third 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 8.1% in August 2014, unchanged from a revised 8.1% in July 2014 and below the previous year's estimate of 9.9%. This compares with an unadjusted unemployment rate of 7.4% for California and 6.3% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 69,100 payroll jobs from August 2013 to August 2014. The largest gains were 31,800 in professional and business services and 20,700 in educational and health services. Los Angeles County's only loss was 15,500 manufacturing jobs during that same period.
- **Overall** - We are seeing significant drops in vacancy and availability coupled with overall increases in net occupancy, even with new product being delivered. As we progress into the last quarter of 2014, positive absorption and higher occupancy costs should continue. 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.

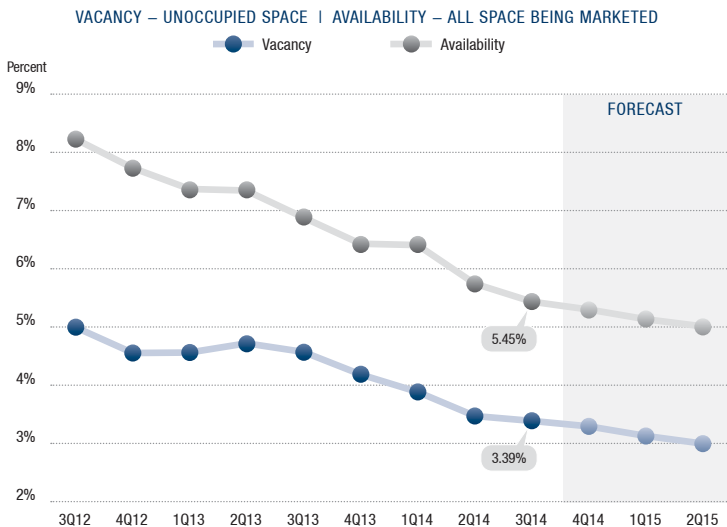
FORECAST

- **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% to 5% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 40 basis points, to around 3.0%, by the end of the second quarter of 2015.

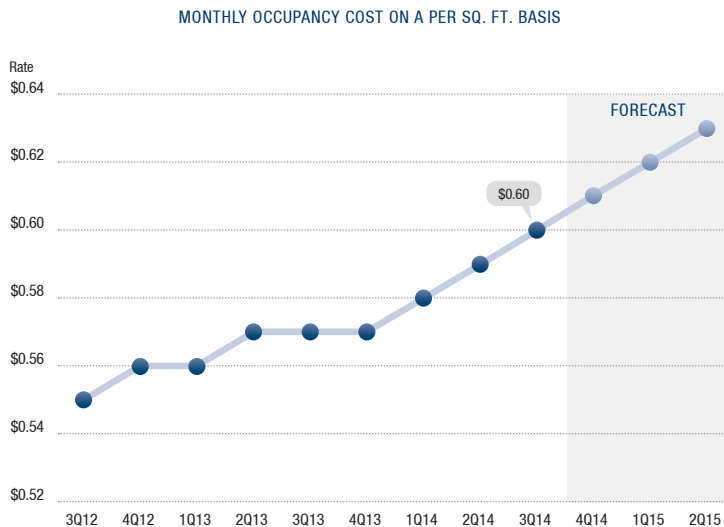
OVERVIEW

	3Q14	2Q14	3Q13	% of Change vs. 3Q13
Vacancy Rate	3.39%	3.49%	4.57%	(25.82%)
Availability Rate	5.45%	5.75%	6.89%	(20.90%)
Average Asking Lease Rate	\$0.60	\$0.59	\$0.57	5.26%
Sale & Lease Transactions	12,155,562	16,079,143	18,696,230	(34.98%)
Gross Absorption	9,563,884	12,461,552	13,979,705	(31.59%)
Net Absorption	1,522,284	3,080,358	1,895,906	N/A

VACANCY & AVAILABILITY RATE

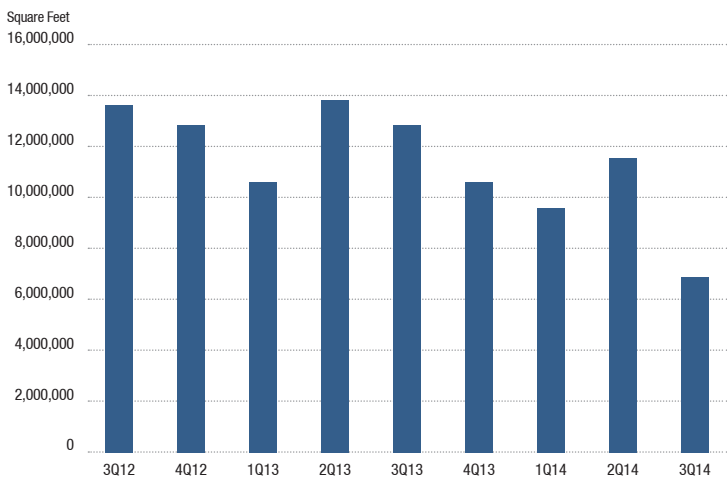


AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE



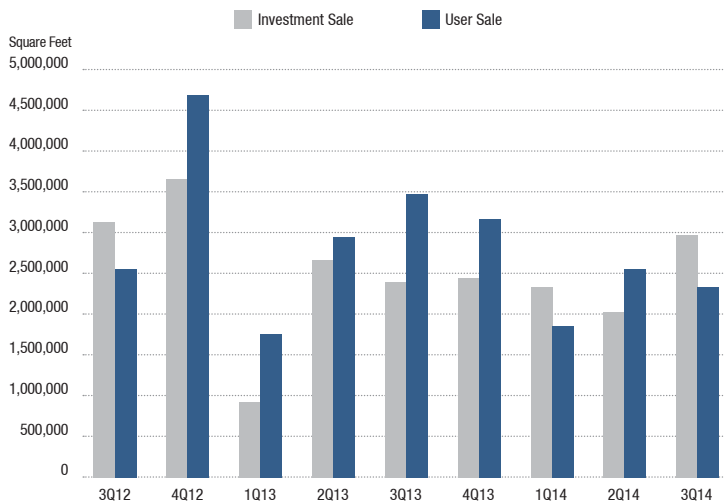
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



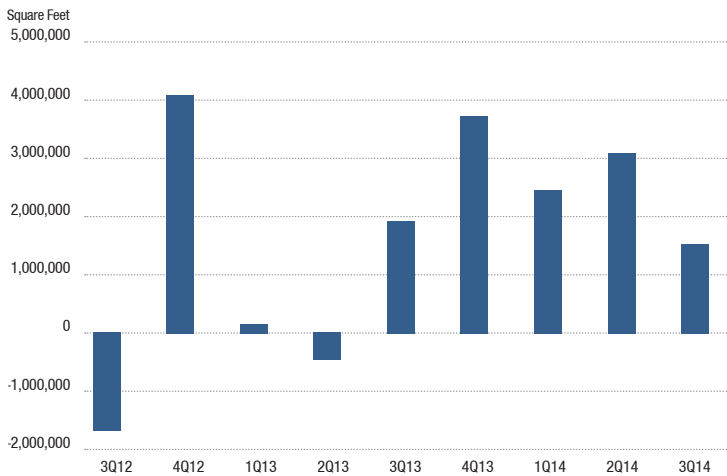
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



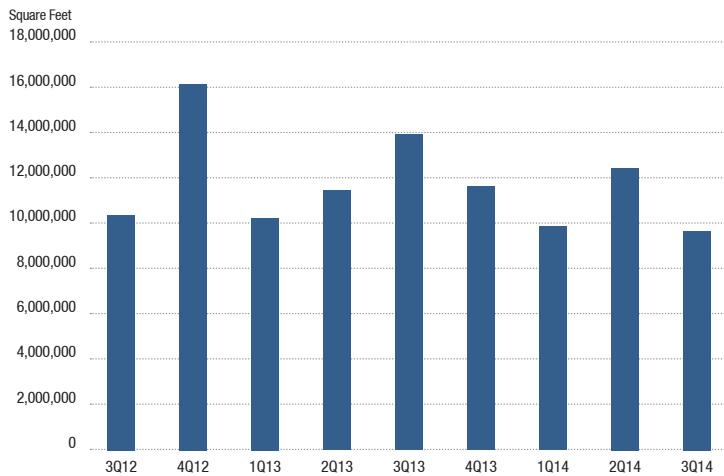
NET ABSORPTION

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



MAJOR TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
1 Rocket Rd. – 2 Properties	Hawthorne	461,755	\$96.10	Chambers Street Properties	Westport Properties, Inc.
14555 Alondra Blvd.	La Mirada	237,089	\$92.16	Dunkel Bros.	Heitman
5045 Earle Ave.	Rosemead	167,000	\$104.79	The Olson Company	Huy Fong Foods, Inc.
9601-9603 John St.	Santa Fe Springs	174,403	\$90.59	9601 John Street, LN, LLC	Greenlaw Partners
1768 W. 2nd St.	Pomona	119,856	\$110.43	Unipac Shipping	Seventh Street Development, Inc.

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
19200-19270 S. Western Ave.	Torrance	369,710	Jul-14	Ceva Logistics	Sunshine Distribution, LP
2700 E. Imperial Hwy. – Sublease	Lynwood	323,000	Aug-14	Forever 21	Pacer Global Logistics
15300 Desman Rd.	La Mirada	254,718	Aug-14	All-Ways Pacific, LLC	TA Associates Realty
5553 Bandini Blvd.	Bell	243,881	Jul-14	FAM, LLC	First Industrial
1450 Glenn Curtiss St.	Carson	182,554	Aug-14	Mainfreight, Inc.	Watson Land Company

PRODUCT TYPE

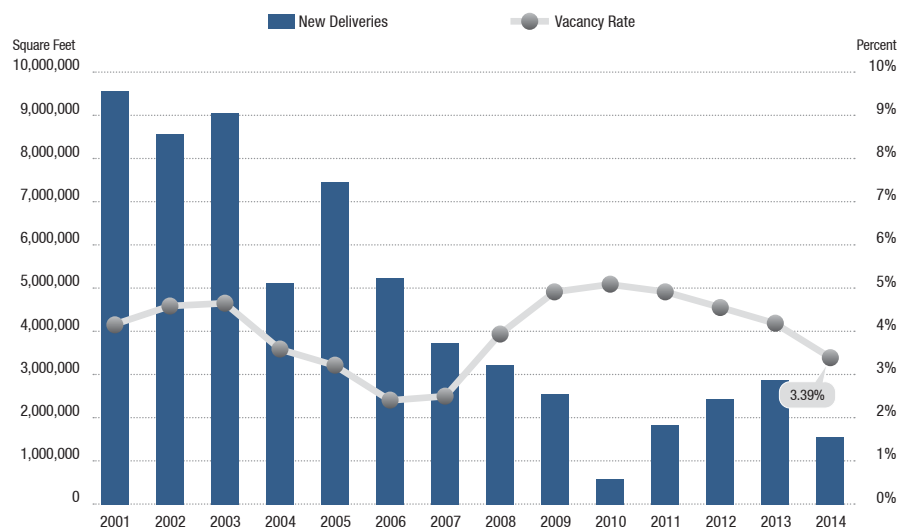
MFG./DIST.

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

To view available properties, please visit:

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ANNUAL NEW DELIVERIES VS. VACANCY RATE



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