



MARKET CHANGE

Compared to 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% vacancy rate for the third quarter of 2015. Both vacancy and availability displayed significant drops, and lease rates continued to increase from the previous year. Net absorption was positive for the ninth consecutive quarter, for a total of 22.7 million square feet.
- **Construction** - There was just over two million square feet of industrial projects under construction in Los Angeles at the close of the third quarter of 2015. In addition, over 2.6 million square feet of industrial space was delivered during the first three quarters of 2015, bringing the market's total inventory to above 720 million square feet.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 2.45%. This is down from both the previous quarter and from 2014's second quarter rate of 3.15%, a significant drop of 22.22%.
- **Availability** - Direct/sublease space being marketed finished the third quarter of the year at 4.29%, down when compared to the previous quarter and a substantial decrease of just over 22% when compared to the same quarter of 2014.
- **Lease Rates** - The average asking lease rate came in at \$.71 per square foot per month, a four-cent increase from last quarter and up eleven cents compared to the \$.60 seen in the third quarter of 2014, an 18.33% annual increase. This is a new record high asking lease rate.
- **Absorption** - The Los Angeles industrial market posted over 2.4 million square feet of positive net absorption this quarter, marking the ninth consecutive quarter of significant positive net absorption and giving the market an average of 2.52 million square feet per quarter over the last nine quarters.
- **Transaction Activity** - Leasing activity for the Los Angeles industrial market checked in at just over 5.1 million square feet this quarter, compared to 12.1 million in the third quarter of 2014. Total sold was over 5.1 million square feet this quarter, compared to the 6.4 million in the third quarter of 2014. The slowdown in transaction volume can be attributed to a lack of supply in the marketplace. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher on the next report.
- **Employment** - The unemployment rate in Los Angeles County remained unchanged at 6.9% in August 2015, down from a revised 7.2% in July 2015 and below the previous year's estimate of 8.1%. This compares with an unadjusted unemployment rate of 6.1% for California and 5.1% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 76,300 payroll jobs from August 2014 to August 2015. Most sectors showed gains in employment; the largest gains were 22,500 in educational and health services and 17,100 in trade, transportation, and utilities during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year— down 4,700 jobs.
- **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 2015, positive absorption and higher occupancy costs should continue. A lack of product available for lease or 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

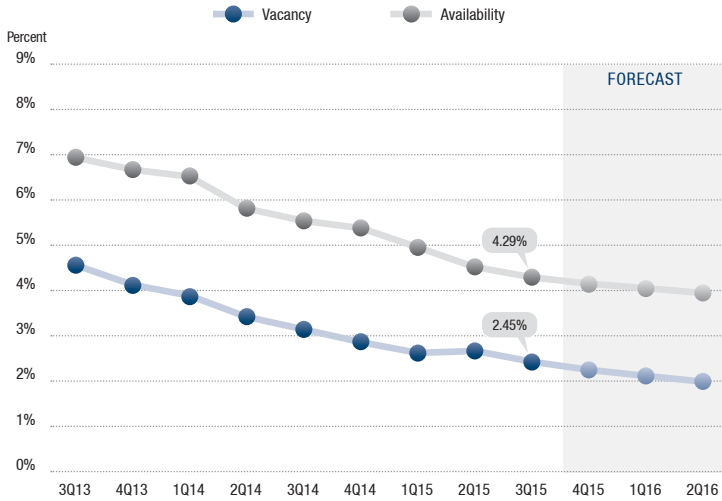
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** - We anticipate job growth of around 1.9%, or 79,500 jobs, in the Los Angeles area over the 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 7% to 10% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 45 basis points, to around 2.00%, by the end of the second quarter of 2016.

OVERVIEW

	3Q15	2Q15	3Q14	% of Change vs. 3Q14
Total Vacancy Rate	2.45%	2.66%	3.15%	(22.22%)
Availability Rate	4.29%	4.53%	5.53%	(22.42%)
Average Asking Lease Rate	\$0.71	\$0.67	\$0.60	18.33%
Sale & Lease Transactions	10,264,740	17,321,276	18,457,005	(44.39%)
Gross Absorption	10,699,978	9,607,968	10,807,044	(0.99%)
Net Absorption	2,409,274	135,940	2,703,149	N/A

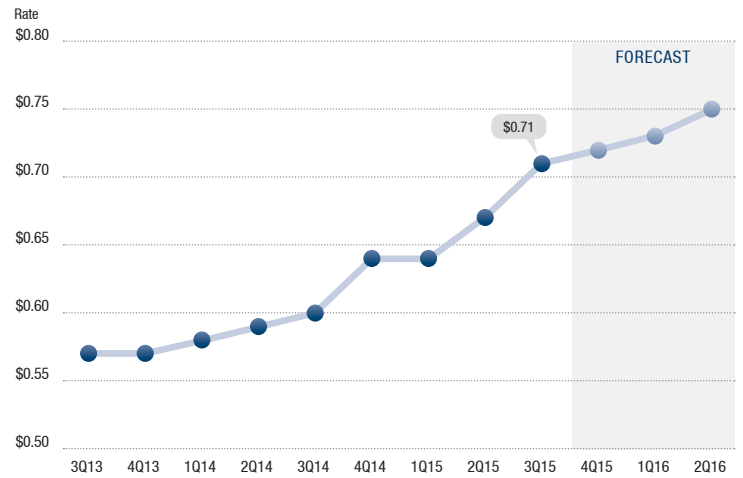
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



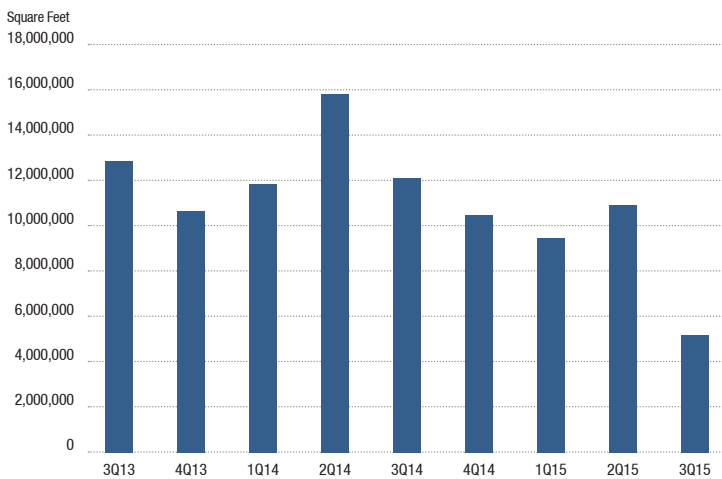
AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



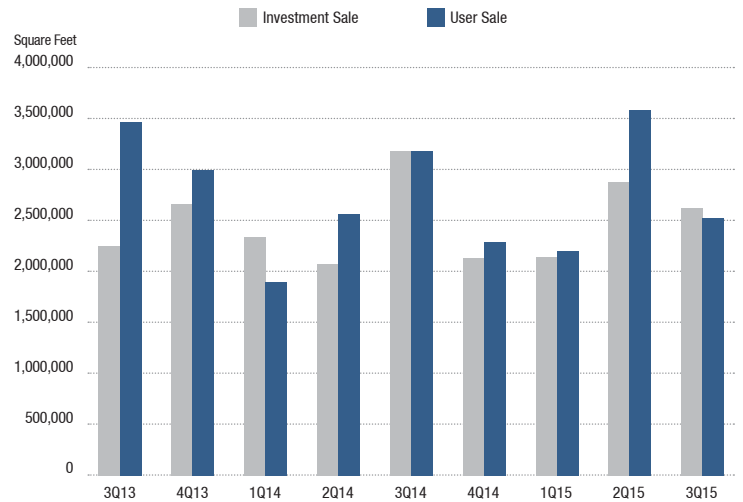
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



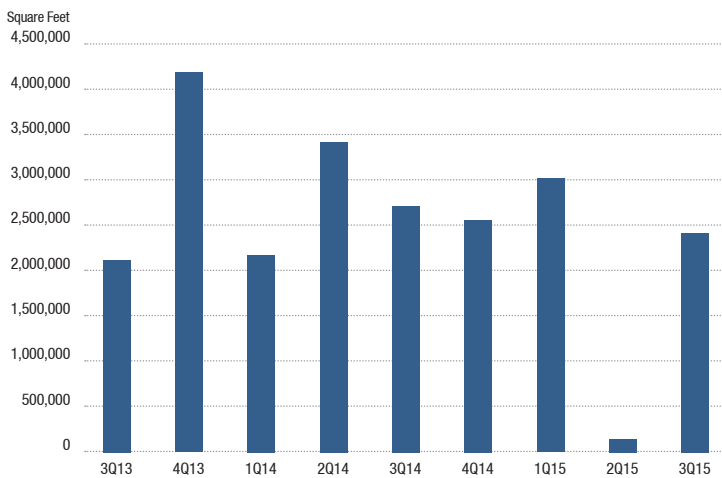
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



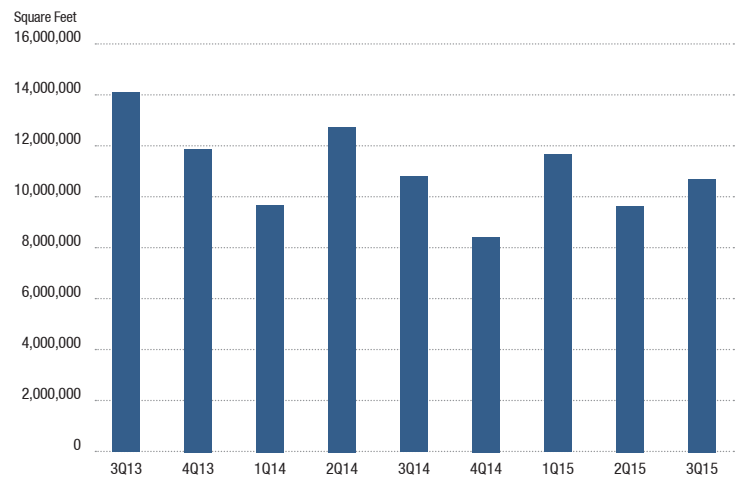
NET ABSORPTION

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



MAJOR TRANSACTIONS

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
9400 Santa Fe Springs Rd.	Santa Fe Springs	607,833	\$102.41	Deutsche Asset & Wealth Management	Cornerstone Real Estate Advisers, LLC
11688 Greenstone Ave.	Santa Fe Springs	327,934	\$221.08	TIAA-CREF Global Investments, LLC	Panattoni Development Company
1340 E. 6th St.	Downtown	287,680	\$55.96	ETO Doors Corporation	Feldstein Enterprises, LP
1889-1937 W. Mission Blvd. (2 Properties)	Pomona	227,000	\$116.89	Sybron Dental / KaVo Kerr Group	Seventh Street Development, Inc.
5563 Alcoa Ave.	Vernon	106,631	\$257.90	Gramercy Property Trust, Inc.	Mikaway

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
2100 Yates Ave.	Montebello	374,370	Sep-2015	West Rock Packaging	Prologis
15500 Phoebe Ave.	La Mirada	203,510	Sep-2015	Giant Bike	Macaw-Phoebe Investors
19201 S. Reyes Ave.	Compton	147,950	Aug-2015	South Bay Freight Systems	Hellman
20500 S. Alameda St.	Carson	147,390	Aug-2015	The Triangle Group	Centerpointe Properties Trust
4380 Ayers Ave.	Vernon	113,240	Aug-2015	Ace World Class	Centerpointe Properties Trust

PRODUCT TYPE

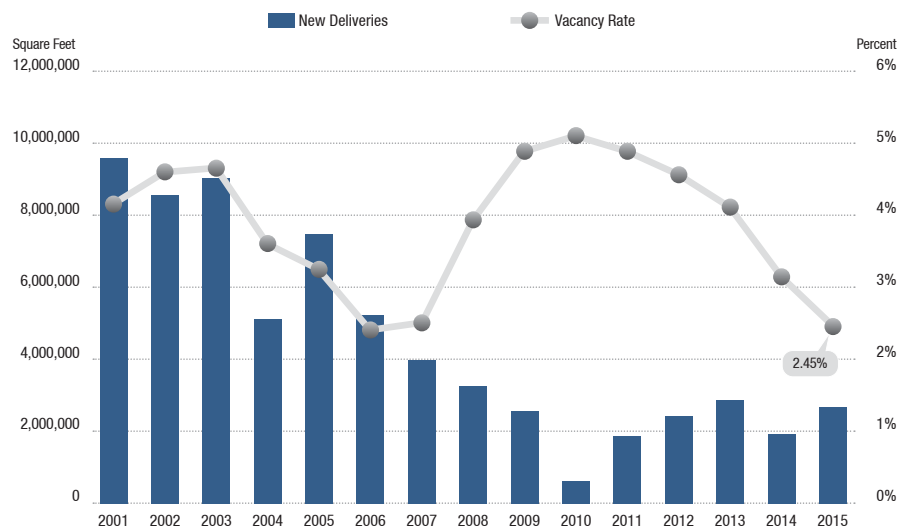
MFG./DIST.

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

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ANNUAL NEW DELIVERIES VS. VACANCY RATE



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