

THIRD QUARTER 2015 GREATER LOS ANGELES INDUSTRIAL



MARKET CHANGE

Compared to Previous Quarter:



Net Absorption



Lease Rates



Transactions DOWN

Deliveries



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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.

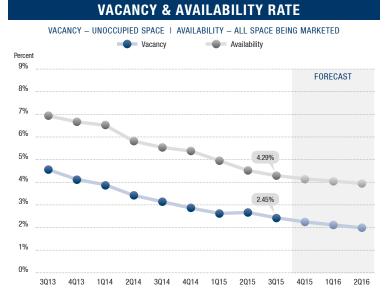
- Transaction Activity Leasing activity for the Los Angeles industrial market checked in at just over 5.1 million square feet this quarter, compared to 12.1 million in the third quarter of 2014. Total sold was over 5.1 million square feet this quarter, compared to the 6.4 million in the third quarter 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.
- 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.

FORFCAST

- **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	2015	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



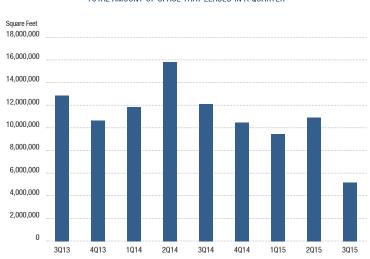
AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



LEASE TRANSACTIONS



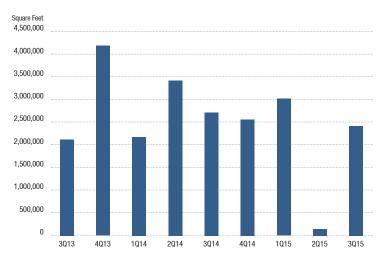


SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER Investment Sale User Sale Square Feet 4.000.000 3.500.000 3,000,000 2,500,000 2.000.000 1.500.000 1,000,000 500,000 0 3Q13 4Q13 1014 2Q14 3Q14 4Q14

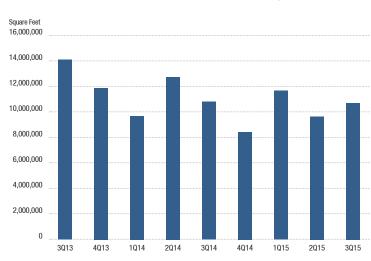
NET ABSORPTION

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	Net Rentable	Square Feet	Square Feet	Square Feet	Vacancy Rate	Square Feet	Availability Rate	Average Asking	Net Absorption	Net Absorption	Gross Absorption	Gross Absorption
	Bldgs.	Square Feet	U / C	Planned	Vacant	3Q2015	Available	3Q2015	Lease Rate	3Q2015	2015	3Q2015	2015
Central													
Bell/Bell Gardens/Maywood	192	6,896,553	0	0	170,016	2.47%	371,199	5.38%	\$0.65	20,642	326,222	116,651	482,08
City of Commerce	734	45,265,165	0	369,354	1,440,205	3.18%	2,319,500	5.12%	\$0.61	195,118	561,995	362,092	2,488,45
Huntington Park/Cudahy	196	4,629,113	0	0	85,240	1.84%	279,298	6.03%	\$0.63	4,853	(8,606)	18,753	71,84
Downtown	5,119	134,102,468	1,007,000	218,300	3,999,903	2.98%	7,134,975	5.32%	\$0.81	452,232	(208,361)	1,732,304	4,129,98
Montebello/Monterey Park	303	11,595,360	0	0	157,008	1.35%	280,037	2.42%	\$0.74	(67,399)	(31,786)	21,742	190,69
Pico Rivera	197	9,969,404	0	0	52,900	0.53%	252,702	2.53%	\$0.49	(49,225)	369,669	2,475	473,97
South Gate	225	10,179,131	0	0	67,075	0.66%	148,469	1.46%	\$0.52	2,400	(6,600)	6,000	194,77
Vernon Total	731 7,697	39,693,334 262,330,528	188,816	282,213 869,867	938,423 6,910,770	2.36%	2,191,117 12,977,297	5.52% 4.95%	\$0.71 \$0.72	(61,985) 496,636	121,893	479,913 2,739,930	1,620,88 9,652,69
	7,097	202,330,320	1,195,816	009,007	0,910,770	2.03%	12,977,297	4.9376	Φ0.72	490,030	1,124,426	2,739,930	9,002,08
Mid Counties	070	12.040.000	0	0	444.041	0.410/	710.001	F 4C0/	ቀስ ርዕ	(00 F00)	(05.011)	000 711	670.04
Artesia/Cerritos	276	13,040,206	0	0	444,641	3.41%	712,361	5.46%	\$0.60	(83,536)	(25,011)	206,711	670,04
Bellflower/Downey Buena Park/La Palma	196 230	5,548,905	0	0	47,420 314,347	0.85% 2.06%	53,032	0.96% 4.54%	\$0.62 \$0.60	69,100 256,099	92,762	97,359	306,18
La Mirada	191	15,236,990 13,175,726	0	199,578	309,030	2.35%	691,531 228,576	1.73%	\$0.75	(72,350)	321,707 577,582	460,525 522,180	1,021,05 1,434,66
Norwalk	82	2,916,289	24,895	199,570	23,069	0.79%	95,069	3.26%	\$0.93	18,985	12,263	42,220	67,67
Paramount	368	8,675,261	24,093	0	81,335	0.73%	186,633	2.15%	\$0.81	96,502	103,916	134,264	249,87
Santa Fe Springs	1,321	51,015,251	0	1,394,244	916,558	1.80%	1,174,840	2.30%	\$0.76	211,797	510,551	867,155	2,731,22
Whittier	168	3,916,831	0	.,,,,,,,,,,,	47,267	1.21%	183,415	4.68%	\$0.63	(2,560)	24,184	8,078	163,10
Total	2,832	113,525,459	24,895	1,593,822	2,183,667	1.92%	3,325,457	2.93%	\$0.70	494,037	1,617,954	2,338,492	6,643,81
San Gabriel Valley													
Alhambra	113	2,227,946	0	0	44,700	2.01%	35,055	1.57%	\$1.10	4,165	(4,300)	12,130	14,31
Arcadia/Temple City	133	1,982,066	0	1,609,000	35,713	1.80%	57,594	2.91%	\$0.85	34,471	9,655	42,621	73,99
Azusa	225	5,303,923	342,629	184,300	106,883	2.02%	184,404	3.48%	\$0.63	32,032	(19,881)	49,650	107,16
Baldwin Park	235	4,379,959	0	0	88,365	2.02%	114,055	2.60%	\$0.82	(11,498)	593	65,171	176,12
City of Industry/DB/HH/RH	1,075	70,024,426	128,581	1,427,749	1,107,516	1.58%	2,451,547	3.50%	\$0.66	285,457	1,459,462	1,139,778	3,744,24
Covina/West Covina	172	3,092,017	0	0	118,864	3.84%	167,964	5.43%	\$0.62	2,900	(94,664)	17,150	20,95
Duarte	72	1,798,143	0	0	20,078	1.12%	168,578	9.38%	\$0.00	44,127	30,038	50,627	118,39
El Monte	301	8,310,457	0	501,270	839,809	10.11%	978,518	11.77%	\$0.78	14,329	29,751	60,299	180,00
Irwindale	248	10,528,811	172,000	301,000	189,816	1.80%	252,240	2.40%	\$0.91	37,187	(63,357)	51,030	286,70
La Puente	96	2,203,996	0	12,650	312,769	14.19%	261,304	11.86%	\$0.82	17,184	(80,782)	31,296	65,76
La Verne/San Dimas/Glendora	316	6,823,614	0	0	284,016	4.16%	379,292	5.56%	\$0.49	21,710	170,215	60,547	265,94
Monrovia	202	3,315,982	0	0	156,090	4.71%	187,043	5.64%	\$0.89	(61,419)	(72,968)	45,152	72,96
Pomona/Claremont	652	19,275,687	0	427,580	382,171	1.98%	849,778	4.41%	\$0.55	414,050	517,553	526,417	845,92
Rosemead/San Gabriel	114	2,228,105	17.500	0	35,525	1.59%	94,824	4.26%	\$0.88	(625)	(30,332)	17,545	22,73
South El Monte Walnut	749 200	10,220,917 6,838,903	17,500 0	0	176,998 65,181	1.73% 0.95%	268,768 425,019	2.63% 6.21%	\$0.79 \$0.95	27,994 132,629	(51,352) 244,811	138,447 172,682	323,26 914,99
Total	4,903	158,554,952	660,710	4.463.549	3.964.494	2.50%	6,875,983	4.34%	\$0.68	994,693	2,044,442	2,480,542	7,233,49
South Bay	.,	,	,	.,	-, ,,		-,,		4 -1-1-	,	_, ,	_, ,	.,,
•	498	34.096.695	0	175,000	1,258,730	3.69%	1.550.520	4.55%	\$0.82	95.714	240.293	1,245,926	2,841,72
Carson Compton	449	23,274,207	164,800	175,000	348,606	1.50%	1,250,073	5.37%	\$0.64	219,972	103,165	444,711	1,163,35
El Segundo	185	10,338,118	104,600	0	250,232	2.42%	306,165	2.96%	\$1.25	(20,265)	(21,196)	40,448	65,36
Gardena	1,162	27,622,751	0	324,061	565,272	2.05%	962,409	3.48%	\$0.79	142,940	7,431	473,490	1,039,51
Harbor City	81	1,661,913	0	0	64,860	3.90%	49,860	3.00%	\$0.00	(1,957)	38,956	0	103,81
Hawthorne	237	8,111,463	0	0	301,855	3.72%	446,280	5.50%	\$0.80	(37,696)	(113,442)	8,303	180,27
Inglewood	227	4,658,855	0	149,040	45,669	0.98%	140,765	3.02%	\$1.05	(4,975)	70,137	30,511	173,28
Lakewood/Hawaiian Gardens	24	615,614	0	0	6,282	1.02%	9,817	1.59%	\$0.00	0	0	0	-,
Lawndale	25	220,175	0	0	2,725	1.24%	2,725	1.24%	\$1.25	3,600	(2,725)	3,600	3,60
Long Beach/Terminal Island	717	20,073,021	0	453,858	321,135	1.60%	588,532	2.93%	\$0.72	119,230	271,241	195,969	586,72
Lynwood	82	4,070,903	0	0	33,000	0.81%	93,388	2.29%	\$0.00	0	6,500	0	15,11
Rancho Dominguez	240	14,941,204	0	26,740	341,404	2.28%	938,491	6.28%	\$0.52	212,873	194,731	323,332	649,04
Redondo & Hermosa Beach	38	1,863,033	0	0	11,214	0.60%	8,210	0.44%	\$1.15	5,486	(6,619)	16,700	258,06
San Pedro	39	2,672,377	0	0	68,265	2.55%	66,992	2.51%	\$0.00	(10,000)	(14,300)	0	6,50
Signal Hill	183	3,282,648	0	0	99,975	3.05%	119,071	3.63%	\$0.93	(7,025)	(890)	23,771	62,5
Torrance	600	25,543,627	0	0	833,439	3.26%	1,179,395	4.62%	\$0.75	(322,344)	192,001	300,898	1,444,0
Wilmington	131	2,993,290	0	0	18,262	0.61%	37,644	1.26%	\$0.63	28,355	5,470	33,355	52,34
Total .os Angeles Total	4,918 20,350	186,039,894 720,450,833	164,800 2,046,221	1,128,699 8,055,937	4,570,925	2.46% 2.45 %	7,750,337 30,929,074	4.17% 4.29%	\$0.74 \$0.71	423,908 2,409,274	970,753 5,757,575	3,141,014	8,645,28
os Angeles Total	20,330	120,430,033	2,040,221	0,000,001	17,629,856	2.43/0	- 30,923, 014	4.23%	Ψ0.11	2,409,214	- - 0,101,010	10,699,978	32,175,2
5,000-24,999	13,331	163,642,828	42,395	26,650	3,666,756	2.24%	6,689,454	4.09%	\$0.85	249,162	(167,871)	2,254,077	5,949,8
25,000-49,999	3,534	122,393,715	67,718	569,773	2,630,496	2.15%	5,178,403	4.23%	\$0.72	484,892	363,460	1,578,945	4,655,12
50,000-99,999	1,992	135,064,755	398,257	1,140,217	3,334,124	2.47%	6,810,186	5.04%	\$0.63	184,737	773,664	1,976,101	5,198,02
	1,195	176,477,671	530,851	3,627,657	5,098,081	2.89%	8,771,942	4.97%	\$0.64	1,028,435	2,917,750	3,453,182	10,227,09
100,000-249,999					0.000.050	0.040/	0.004.005	0.050/	ΦO 30	400 040	1 010 000	4 407 070	F 000 ==
100,000-249,999 250,000-499,999 500,000 plus	243 55	78,543,383 44,328,481	481,600 525,400	2,185,175 506,465	2,388,659 511,740	3.04% 1.15%	2,391,962 1,087,127	3.05% 2.45%	\$0.70 \$0.68	462,048 0	1,312,098 558,474	1,437,673 0	5,080,75 1,064,47

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
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.	Mikawaya

Lease Transactions					
Property Address	City	Square Feet	Transaction Date	Tenant	0wner
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

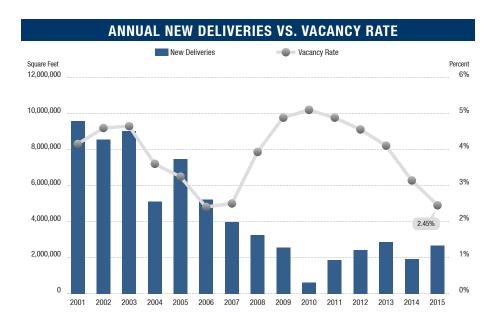
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