



Industrial Market Report

Compared to 2012:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

UP

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Market Highlights

- Encouraging Numbers** - The Los Angeles industrial market continued to show signs of improvement in the last quarter of 2013. Vacancy and availability trended down from both the prior quarter and prior year, and lease rates remained flat for the third consecutive quarter, an indication of stability. Net absorption was positive for the quarter, posting over 3.3 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 over 1.24 million square feet of industrial projects under construction in Los Angeles at the end of 2013. The overall slowdown in construction is a result of a lack of demand, scarce financing, and rising construction costs and should ease upward pressure on vacancy and downward pressure on lease rates.
- Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 4.47%, down from both the previous quarter and from 2012's fourth quarter rate of 4.66%. We are forecasting that vacancy will continue descending in 2014.
- Availability** - Direct/sublease space being marketed was 6.69% in the last quarter of 2013, 44 basis points lower than the previous quarter's rate of 7.13% and a 15.53% decrease from the end 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, unchanged from the previous two quarters but up one cent over the last quarter of 2012. We forecast that lease rates will continue to gradually increase in 2014.
- Absorption** - The Los Angeles industrial market posted nearly 2.4 million square feet of positive net absorption

in the fourth quarter of the year, giving the market a total of 3.3 million square feet of positive absorption for 2013.

- Transaction Activity** - Leasing activity checked in at almost 6.7 million square feet for the fourth quarter, producing a total of 36.9 million square feet leased in 2013. Total square feet sold was 4.9 million square feet in the last quarter of the year, giving 2013 a total of 20.1 million square feet of sales activity compared to 2012's 27.8 million square feet. Details of the largest transactions can be found on the back page of this report.
- Employment** - The unemployment rate in Los Angeles County was 9.5% in November 2013 — down from a revised 9.7% in October 2013 and below the previous year's estimate of 10.4%. This compares with an unadjusted unemployment rate of 8.3% for California and 6.6% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 23,000 payroll jobs from November 2012 to November 2013. The largest gains were 6,100 in educational and health services and 5,700 in trade, transportation, and utilities; Los Angeles County's largest loss was 2,000 manufacturing 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 gradual 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.

Prepared by:

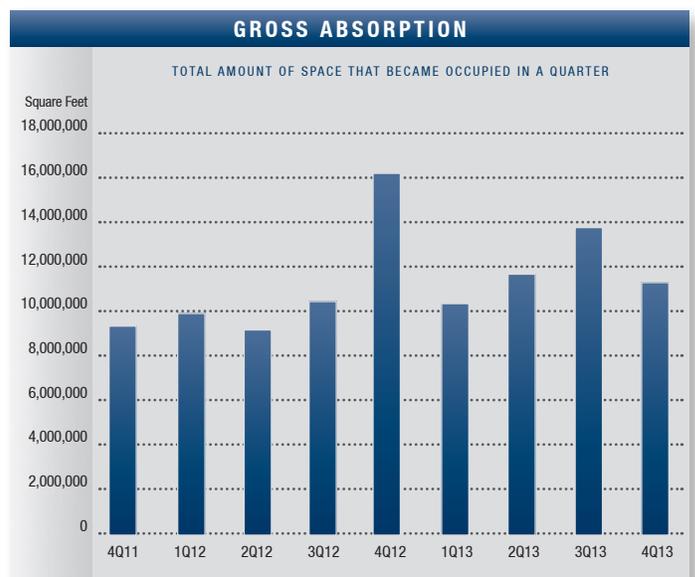
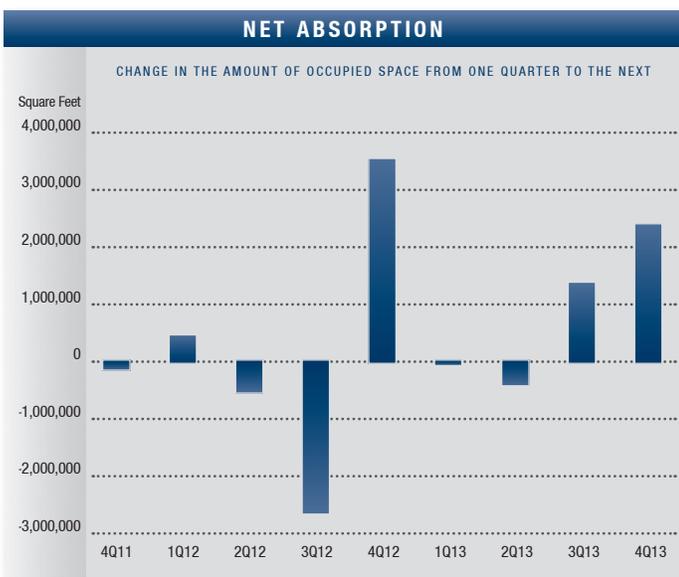
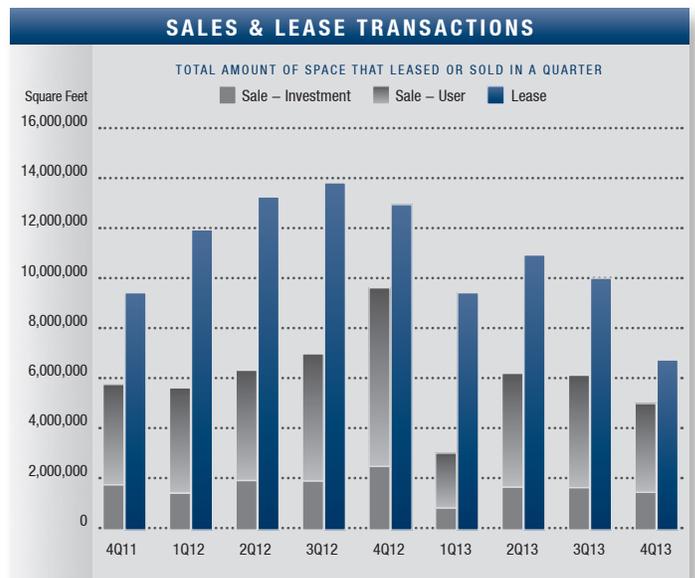
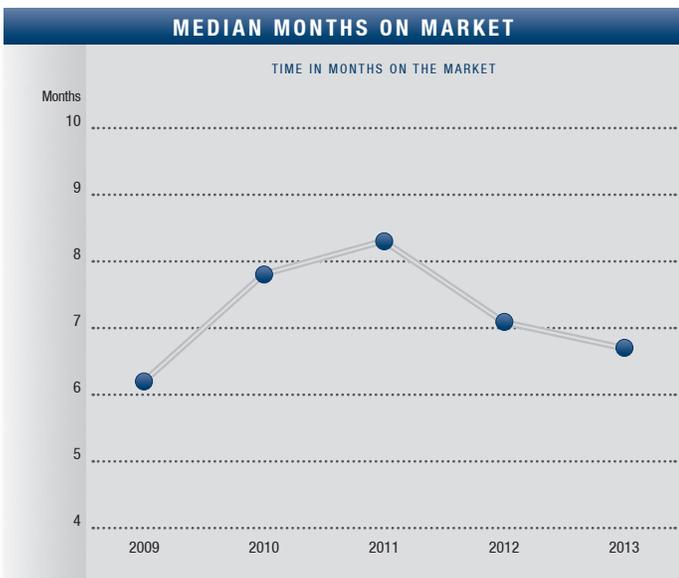
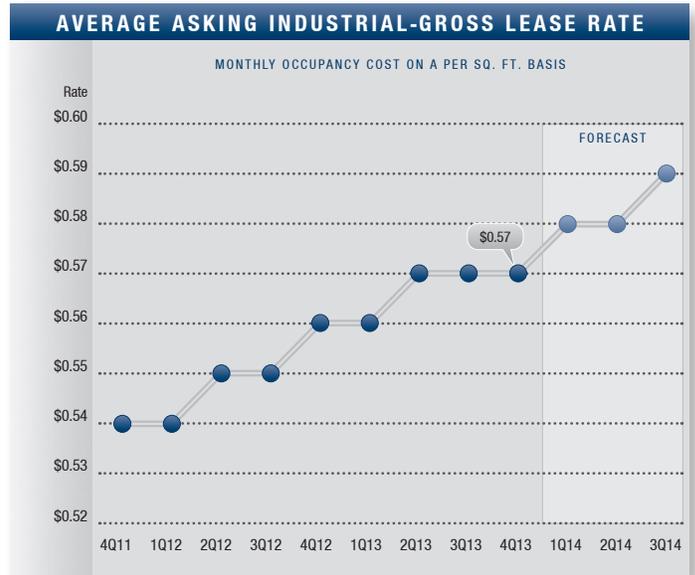
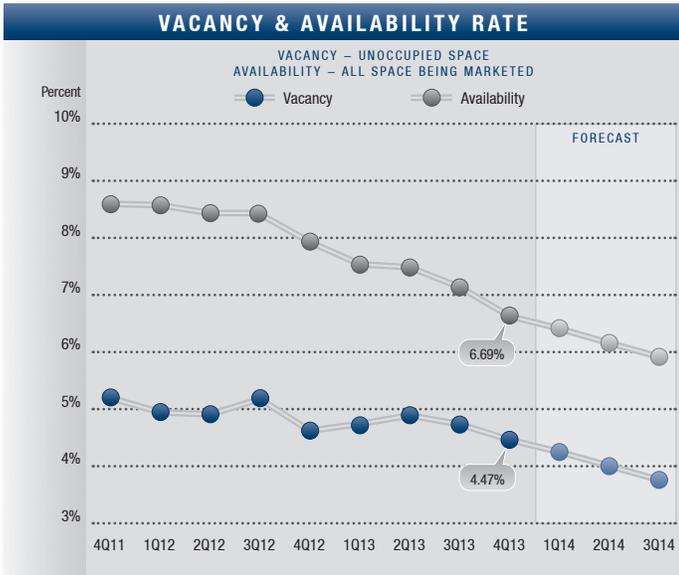
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GREATER LOS ANGELES MARKET OVERVIEW

	2013	2012	2011	% of Change vs. 2012
Total Vacancy Rate	4.47%	4.66%	5.23%	(4.08%)
Availability Rate	6.69%	7.92%	8.62%	(15.53%)
Average Asking Lease Rate	\$0.57	\$0.56	\$0.54	1.79%
Sale & Lease Transactions	57,032,627	79,557,122	58,968,802	(28.31%)
Gross Absorption	46,745,647	45,401,537	38,527,907	2.96%
Net Absorption	3,319,708	751,393	(1,040,787)	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 4Q2013	Square Feet Available	Availability Rate 4Q2013	Average Asking Lease Rate	Net Absorption 4Q2013	Net Absorption 2013	Gross Absorption 4Q2013	Gross Absorption 2013
Central													
Bell/Bell Gardens/Maywood	191	6,666,713	0	0	767,360	11.51%	1,110,361	16.66%	\$0.49	241,944	95,175	291,848	635,080
City of Commerce	116	10,624,218	620,000	366,144	504,581	4.75%	769,212	7.24%	\$0.49	40,482	92,125	218,987	706,952
Huntington Park/Cudahy	199	4,762,718	0	5,782	109,831	2.31%	170,951	3.59%	\$0.59	136,277	114,918	169,525	430,638
Downtown	5,766	169,973,174	156,964	520,647	5,406,209	3.18%	11,105,550	6.53%	\$0.58	(322,650)	(158,963)	1,649,453	7,863,227
Montebello/Monterey Park	304	11,605,182	0	0	330,413	2.85%	355,175	3.06%	\$0.55	88,499	12,304	183,702	940,718
Pico Rivera	193	9,648,398	0	25,670	344,910	3.57%	799,954	8.29%	\$0.53	172,221	206,688	257,151	683,139
South Gate	226	10,266,109	0	0	267,655	2.61%	895,315	8.72%	\$0.28	6,600	112,804	6,600	369,491
Vernon	728	39,002,095	166,594	125,851	866,786	2.22%	2,304,964	5.91%	\$0.50	34,467	411,062	393,038	2,217,351
Total	7,723	262,548,607	943,558	1,044,094	8,597,745	3.27%	17,511,482	6.67%	\$0.55	397,840	886,113	3,170,304	13,846,596
Mid Counties													
Artesia/Cerritos	278	13,105,323	0	0	998,262	7.62%	1,123,441	8.57%	\$0.66	(106,651)	(276,612)	181,623	1,031,945
Bellflower/Downey	200	5,611,909	0	0	171,567	3.06%	473,027	8.43%	\$0.63	(30,761)	108,705	56,088	360,187
Buena Park/La Palma	231	15,214,391	0	0	688,255	4.52%	940,219	6.18%	\$0.62	46,145	(82,550)	227,051	604,987
La Mirada	191	13,216,353	0	270,000	900,698	6.82%	1,668,003	12.62%	\$0.61	143,575	101,871	334,165	1,451,556
Norwalk	84	2,950,779	24,895	0	324,830	11.01%	450,267	15.26%	\$0.48	(57,886)	(96,153)	130,157	287,364
Paramount	367	8,807,531	0	0	199,053	2.26%	301,529	3.42%	\$0.60	(6,409)	139,696	73,471	429,013
Santa Fe Springs	1,308	50,603,468	0	132,083	2,668,769	5.27%	2,593,882	5.13%	\$0.59	148,329	361,167	1,201,912	4,134,542
Whittier	177	4,186,346	0	0	359,943	8.60%	645,677	15.42%	\$0.56	(53,980)	(310,617)	9,799	199,387
Total	2,836	113,696,100	24,895	402,083	6,311,377	5.55%	8,196,045	7.21%	\$0.61	82,362	(54,493)	2,214,266	8,498,981
San Gabriel Valley													
Alhambra	114	2,268,133	0	350,000	64,738	2.85%	99,670	4.39%	\$0.80	(6,866)	(13,179)	27,049	71,515
Arcadia/Temple City	130	1,967,218	0	0	53,054	2.70%	147,684	7.51%	\$0.68	6,441	63,144	16,198	148,027
Azusa	227	5,469,397	0	0	89,339	1.63%	184,363	3.37%	\$0.47	148,717	41,016	190,947	386,556
Baldwin Park	243	4,574,947	0	0	189,095	4.13%	251,510	5.50%	\$0.71	(47,248)	(9,092)	45,950	239,140
City of Industry/DB/HH/RH	1,083	69,069,274	40,548	860,253	2,460,132	3.56%	4,692,891	6.79%	\$0.60	1,201,639	1,177,296	1,890,457	6,679,229
Covina/West Covina	176	3,042,039	0	0	129,232	4.25%	140,732	4.63%	\$0.74	26,358	5,041	46,674	170,730
Duarte	81	1,844,543	0	0	57,739	3.13%	51,787	2.81%	\$0.68	20,198	63,895	31,526	135,831
El Monte	288	7,932,238	28,000	47,873	972,108	12.26%	1,064,475	13.42%	\$0.37	(48,409)	(247,891)	62,936	211,852
Irwindale	233	10,276,792	0	427,500	49,351	0.48%	257,328	2.50%	\$0.63	237,820	175,589	262,933	588,725
La Puente	82	1,833,007	0	37,500	69,311	3.78%	60,755	3.31%	\$0.65	17,092	32,149	28,488	126,648
La Verne/San Dimas/Glendora	321	6,685,552	0	494,540	267,812	4.01%	413,584	6.19%	\$0.53	24,448	278,225	54,832	597,400
Monrovia	203	3,306,513	0	0	45,245	1.37%	100,088	3.03%	\$0.70	7,919	26,866	20,896	120,209
Pomona/Ciarament	649	18,381,698	203,418	777,174	1,238,752	6.74%	824,989	4.49%	\$0.51	(68,034)	(46,610)	112,239	1,260,820
Rosemead/San Gabriel	114	2,344,173	0	0	28,314	1.21%	298,128	12.72%	\$0.28	43,307	5,240	43,307	93,047
South El Monte	731	10,001,811	0	0	198,172	1.98%	225,906	2.26%	\$0.70	36,460	20,567	161,606	681,207
Walnut	196	6,230,473	0	0	191,881	3.08%	290,632	4.66%	\$0.65	130,520	(63,500)	168,752	401,968
Total	4,871	155,227,808	271,966	2,994,840	6,104,275	3.93%	9,104,522	5.87%	\$0.56	1,730,362	1,508,756	3,164,790	11,912,904
South Bay													
Carson	510	34,667,469	0	50,000	2,019,255	5.82%	2,967,539	8.56%	\$0.66	(381,318)	(745,497)	384,935	1,996,965
Compton	453	23,182,828	0	61,000	1,508,394	6.51%	1,710,432	7.38%	\$0.55	(121,422)	(127,277)	435,504	2,107,682
El Segundo	188	10,334,156	0	0	266,722	2.58%	336,223	3.25%	\$0.98	5,240	(4,018)	24,950	110,229
Gardena	1,166	27,658,497	0	0	918,706	3.32%	1,343,094	4.86%	\$0.56	134,128	360,851	458,179	1,803,449
Harbor City	84	1,741,155	0	0	13,000	0.75%	159,320	9.15%	\$0.67	15,200	97,672	15,200	160,321
Hawthorne	235	7,768,912	0	0	282,144	3.63%	494,927	6.37%	\$0.57	67,481	192,657	145,884	906,415
Inglewood	228	4,660,094	0	0	224,900	4.83%	424,349	9.11%	\$0.97	(24,301)	(36,745)	64,123	325,795
Lakewood/Hawaiian Gardens	24	613,498	0	0	500	0.08%	5,699	0.93%	\$0.95	5,600	41,584	5,600	82,016
Lawndale	26	233,757	0	0	2,500	1.07%	12,500	5.35%	\$1.15	(530)	3,855	1,970	16,280
Long Beach/Terminal Island	728	20,387,758	0	41,984	1,841,655	9.03%	936,260	4.59%	\$0.59	237,193	877,341	363,728	1,438,157
Lynwood	80	4,055,921	0	0	38,236	0.94%	44,636	1.10%	\$0.00	0	26,504	0	31,759
Rancho Dominguez	242	15,040,170	0	0	1,307,335	8.69%	1,637,541	10.89%	\$0.47	(102,923)	(172,400)	270,813	1,079,859
Redondo & Hermosa Beach	39	1,880,222	0	0	82,480	4.39%	15,471	0.82%	\$2.00	(3,575)	(3,770)	1,800	52,761
San Pedro	39	2,677,877	0	0	402,464	15.03%	416,928	15.57%	\$0.55	76,475	24,702	76,975	141,280
Signal Hill	184	3,236,801	0	0	93,449	2.89%	123,050	3.80%	\$0.77	1,195	(9,397)	20,636	178,298
Torrance	610	25,323,694	0	142,053	1,985,038	7.84%	2,430,589	9.60%	\$0.72	257,006	317,581	385,013	1,556,224
Wilmingon	137	3,239,825	0	0	137,246	4.24%	173,864	5.37%	\$0.51	6,800	135,689	6,800	499,676
Total	4,973	186,702,634	0	295,037	11,124,024	5.96%	13,232,422	7.09%	\$0.62	172,249	979,332	2,662,110	12,487,166
Los Angeles Total	20,403	718,175,149	1,240,419	4,736,054	32,137,421	4.47%	48,044,471	6.69%	\$0.57	2,382,813	3,319,708	11,211,470	46,745,647
5,000-24,999	13,316	164,133,622	56,450	84,209	4,908,840	2.99%	7,959,649	4.85%	\$0.71	518,031	1,529,532	2,252,886	10,706,863
25,000-49,999	3,608	124,982,737	236,148	882,310	4,174,528	3.34%	7,219,657	5.78%	\$0.60	(14,250)	380,894	1,781,769	8,001,522
50,000-99,999	2,010	136,040,709	217,834	715,441	6,245,585	4.59%	9,540,633	7.01%	\$0.55	595,428	(121,875)	2,337,427	8,380,828
100,000-249,999	1,177	173,225,880	109,987	2,154,670	9,215,811	5.32%	14,290,208	8.25%	\$0.51	806,582	914,332	3,206,772	13,495,575
250,000-499,999	240	77,740,649	0	899,424	4,501,934	5.79%	7,352,661	9.46%	\$0.42	300,360	142,461	1,158,566	4,683,645
500,000 plus	52	42,051,552	620,000	0	3,090,723	7.35%	1,681,663	4.00%	\$0.56	176,662	474,364	474,050	1,477,214
Los Angeles Total	20,403	718,175,149	1,240,419	4,736,054	32,137,421	4.47%	48,044,471	6.69%	\$0.57	2,382,813	3,319,708	11,211,470	46,745,647

This survey consists of buildings greater than 5,000 square feet. Lease rates are on an industrial-gross basis.

MAJOR TRANSACTIONS OF 2013

Sales Transactions

Property Address	City	Square Feet	Sale Price	Buyer	Seller
3424 N. San Fernando Rd.	Central LA	473,345	\$118.00	Rexford Industrial	Dexus Property Group
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	460,400	\$92.31	Angelo, Gordon & Company	The Abbey Company
1807 E. Olympic Blvd.	Los Angeles	420,000	\$72.93	1911 Olym, LLC	Overland Terminal Building, LLC
2743 Thompson Creek Rd. – 2 Properties	Pomona	365,859	\$60.07	Rexford Industrial	TA Associates Realty

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
108-288 S. Mayo Ave.	City of Industry	775,049	Mar-13	Port Logistics Group, Inc.	Successor Agency to the Industry Urban Dev.
2027 Harpers Way – Renewal	Torrance	559,000	Dec-13	Virco Mfg. Corporation	Starboard Distribution Center, LLC
14641 E. Don Julian Rd. – Renewal	City of Industry	308,596	Jun-13	Bentley Prince Street, Inc.	FDR Industries, LLC
9307 Sorensen Ave.	Santa Fe Springs	305,423	Aug-13	Phoenix Warehouse of CA	IIT Sorensen Industrial

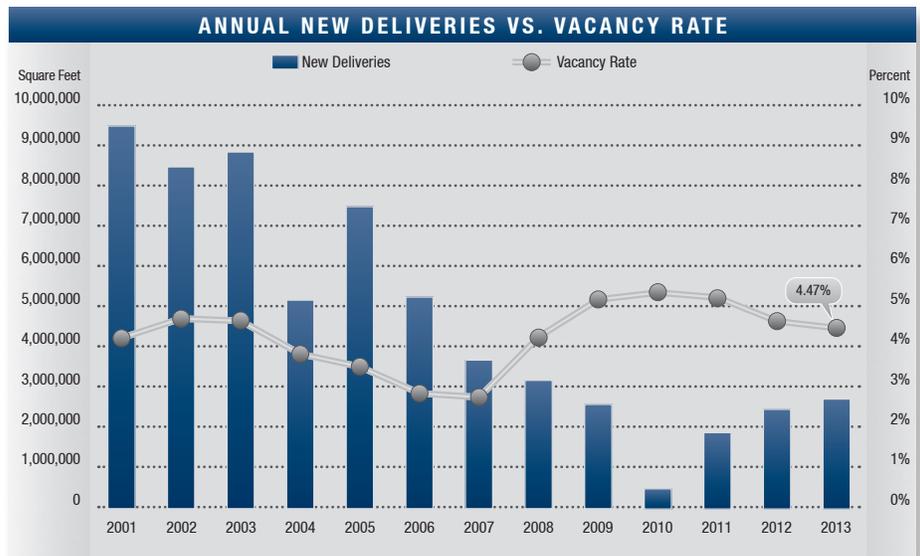
Product Type

MFG./DIST.

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

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