



MARKET CHANGE

Compared to 2013:

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 fourth 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 sixth consecutive quarter, for a total of 16 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 fourth quarter of 2014. In addition, nearly 1.9 million square feet of industrial space was delivered during 2014, bringing the market's total inventory to 717 million square feet.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 2.98%. This is down from both the previous quarter and from 2013's fourth quarter rate of 4.11%, a significant drop of 27.5%.
- **Availability** - Direct/sublease space being marketed finished the fourth quarter of the year at 5.1%, down when compared to the previous quarter and a substantial decrease of just over 20% when compared to the same quarter of 2013.
- **Lease Rates** - The average asking lease rate came in at \$0.64 per square foot per month, up four cents from the third quarter of 2014 and up seven cents compared to the \$0.57 seen in the fourth quarter of 2013, a 12.28% annual increase.
- **Absorption** - The Los Angeles industrial market posted almost 10 million square feet of positive net absorption in 2014, marking the sixth consecutive quarter of significant positive net absorption and giving the market an average of 2.7 million square feet per quarter over the last six quarters.
- **Transaction Activity** - Leasing activity for the Los Angeles industrial market checked in at just over 36.9 million square feet in 2014, compared to 47.7 million in 2013. Total sold was 18.6 million square feet in 2014, compared to 19.5 million in 2013. 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 fourth quarter figures to end up somewhat higher in future reports. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in Los Angeles County was 8.0% in November 2014, unchanged from a revised 8.0% in October 2014 and below the previous year's estimate of 9.4%. This compares with an unadjusted unemployment rate of 7.1% for California and 5.5% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 60,000 payroll jobs from November 2013 to November 2014. Most sectors showed gains in employment; the largest gains were 22,900 in educational and health services and 21,800 in professional and business services during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year — down 10,500 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

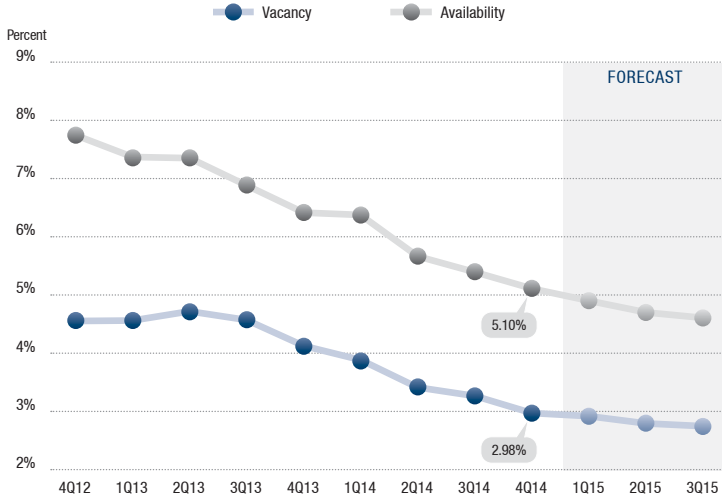
- **Construction** - While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** - We anticipate job growth of around 1.3%, or 58,900 jobs, in the Los Angeles area over the 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 5% to 8% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 20 basis points, to around 2.75%, by the end of the third quarter of 2015.

OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	2.98%	4.11%	4.53%	(27.49%)
Availability Rate	5.10%	6.40%	7.75%	(20.31%)
Average Asking Lease Rate	\$0.64	\$0.57	\$0.56	12.28%
Sale & Lease Transactions	55,498,430	67,248,194	76,510,557	(17.47%)
Gross Absorption	41,179,967	47,478,725	45,340,739	(13.27%)
Net Absorption	9,910,336	5,738,904	4,893,605	N/A

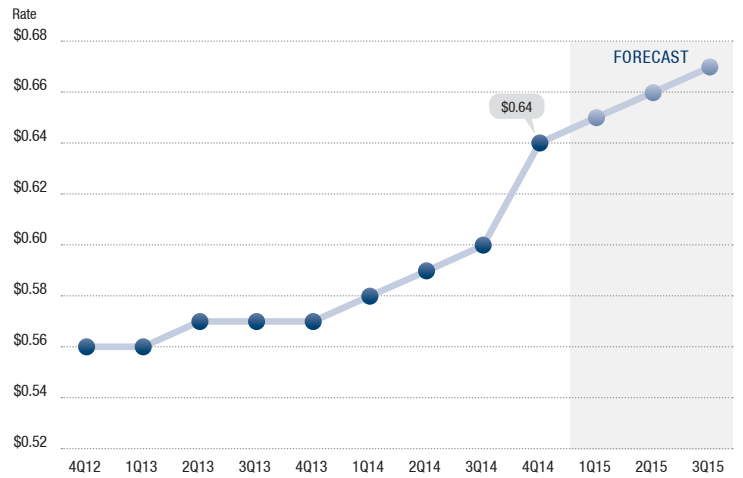
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



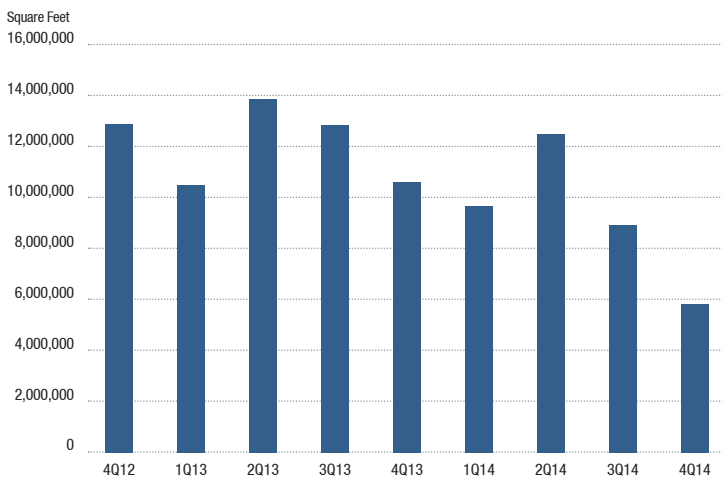
AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



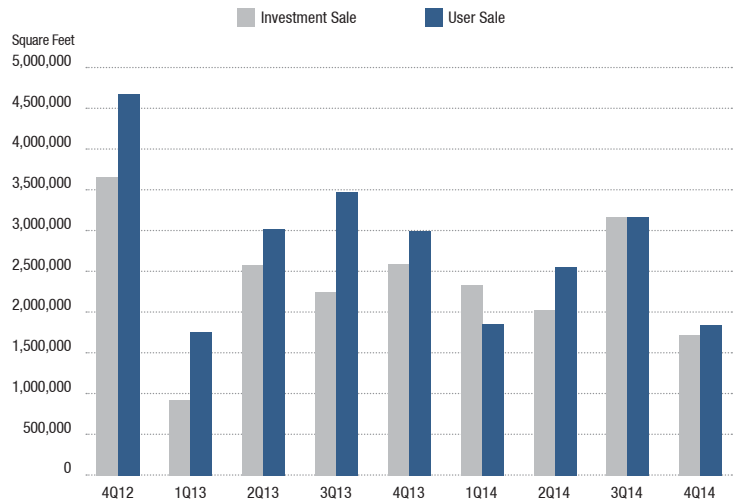
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



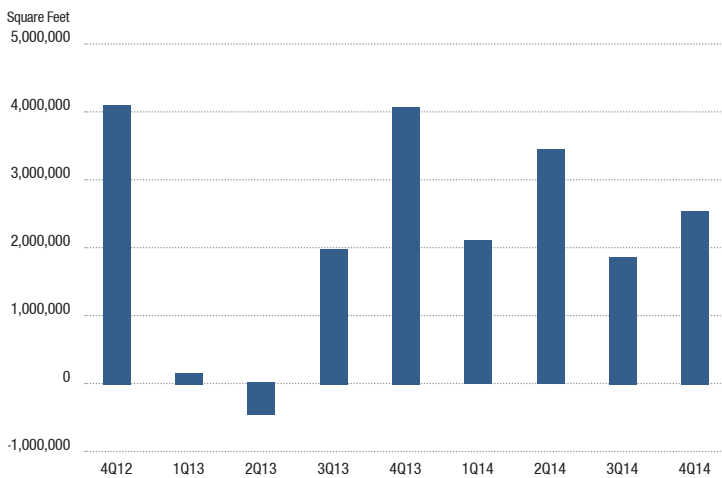
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



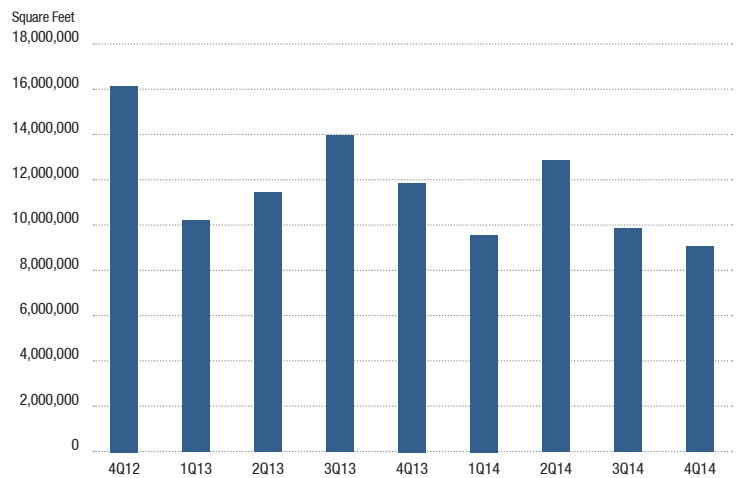
NET ABSORPTION

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 OF 2014

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
25155 Rye Canyon Loop – 19 Properties	Valencia	786,381	\$142.94	Valencia Biomedical Park, LLC	Mann Biomedical Park, LLC
801-831 S. Broadway	Los Angeles	1,080,000	\$115.74	Broadbridge LA, LLC	CBTC A LP/Olive Tower Properties, LP
5959 Randolph St.	Commerce	400,169	\$134.44	Randolph Business Center ILP, LLC	CG-Lina Paper Box, LLC
1 Rocket Rd. – 2 Properties	Hawthorne	461,755	\$101.03	RT Rocket Road, LLC	Westport LAX, LLC
2030 E. 7th St. – 3 Properties	Los Angeles	300,542	\$123.11	SRI Ten Santa Fe, LLC	2053 Violet, LLC

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
6100 Garfield Ave.	Commerce	620,000	Jun-14	99 Cents Only	Ktr Cla li, LLC
2201 E. Carson St.	Carson	521,856	May-14	Sony Corporation of America	Ppf Industrial 2201 E. Carson
1650 S. Central Ave.	Compton	418,344	Apr-14	St. George Warehouse, Inc.	Alfred E. & Katherine Heller
19200-19270 S. Western Ave.	Torrance	369,750	Jun-14	Ceva Logistics	Sunshine Distribution
300-350 Westmont Ave.	San Pedro	338,899	Feb-14	Huffy Bicycle Company	Port La Distribution Center

PRODUCT TYPE

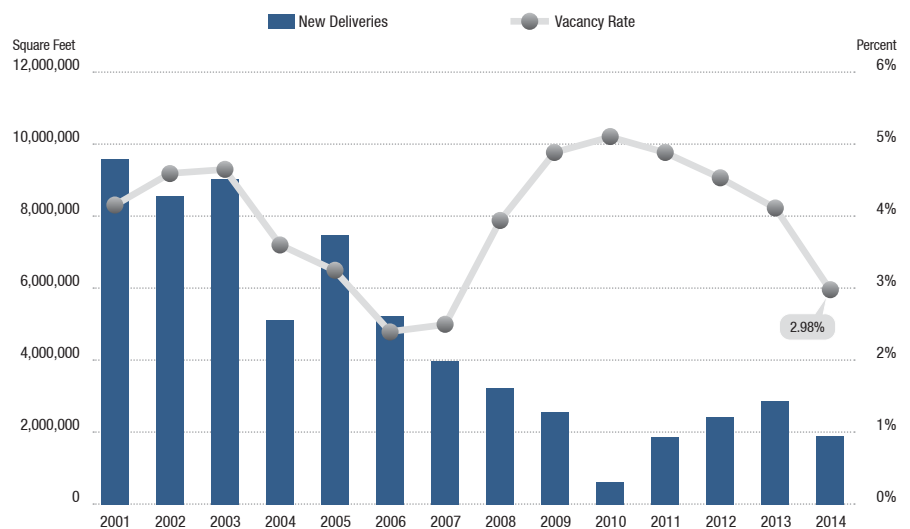
MFG./DIST.

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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