

FOURTH QUARTER 2014

GREATER LOS ANGELES INDUSTRIAL



MARKET CHANGE

Compared to 2013:



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 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.
- Pemployment 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

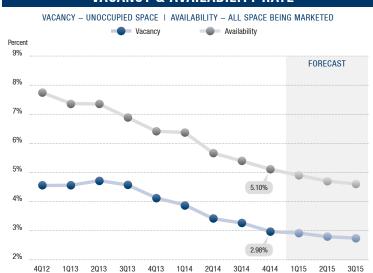
- **Construction** While we foresee more development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** We anticipate job growth of around 1.3%, or 58,900 jobs, in the Los Angeles area over the year. 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

INDUSTRIAL

VACANCY & AVAILABILITY RATE



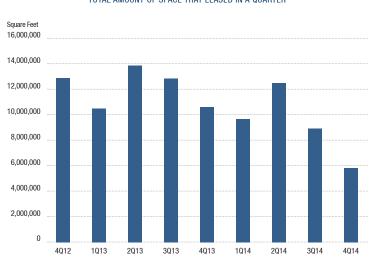
AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



LEASE TRANSACTIONS



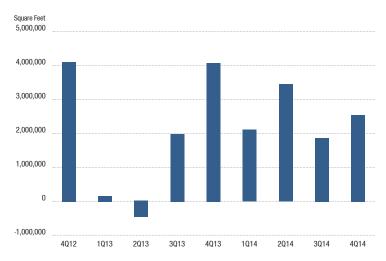


SALES TRANSACTIONS



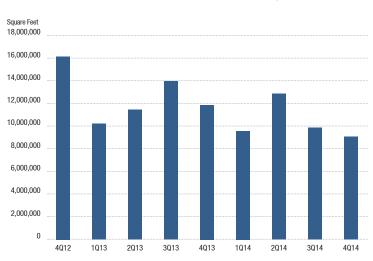
NET ABSORPTION

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	402014	Available	402014	Lease Rate	4Q2014	2014	4Q2014	2014
Central													
Bell/Bell Gardens/Maywood	190	6,809,294	0	0	500,871	7.36%	563,700	8.28%	\$0.51	587,486	508,488	637,579	1,041,295
City of Commerce	730	45,028,915	0	499,605	1,110,131	2.47%	2,346,102	5.21%	\$0.54	577,205	980,978	1,121,866	3,172,710
Huntington Park/Cudahy	198	4,670,506	0	111,000	76,634	1.64%	146,114	3.13%	\$0.56	(20,918)	33,697	4,549	87,114
Downtown	5,109	134,017,947	482,236	81,924	3,354,845	2.50%	6,843,933	5.11%	\$0.71	168,153	364,337	1,054,237	4,604,268
Montebello/Monterey Park	303	11,517,190	0	0	111,650	0.97%	260,094	2.26%	\$0.63	57,391	215,763	134,411	559,54 ⁻
Pico Rivera	196	9,687,830	0	30,706	316,747	3.27%	394,864	4.08%	\$0.53	174,146	(28,837)	174,646	490,464
South Gate	226	10,192,891	0	0	270,676	2.66%	133,312	1.31%	\$0.49	38,313	(17,581)	77,315	252,31
Vernon	732	39,671,096	0	129,444	1,012,358	2.55%	2,226,584	5.61%	\$0.61	44,226	205,757	328,535	1,482,45
Total	7,684	261,595,669	482,236	852,679	6,753,912	2.58%	12,914,703	4.94%	\$0.65	1,626,002	2,262,602	3,533,138	11,690,15
Mid Counties													
Artesia/Cerritos	276	13,067,971	0	0	505,899	3.87%	722,227	5.53%	\$0.62	282,317	479,447	388,863	1,496,72
Bellflower/Downey	196	5,547,717	0	0	140,182	2.53%	285,570	5.15%	\$0.64	(10,991)	(25,815)	19,750	287,55
Buena Park/La Palma	231	15,211,709	0	0	667,333	4.39%	1,072,233	7.05%	\$0.58	(135,371)	(99,276)	96,295	960,68
La Mirada	190	12,957,128	0	0	949,483	7.33%	635,178	4.90%	\$0.63	45,482	(48,785)	480,476	1,599,20
Norwalk	83	2,938,718	24,895	0	35,332	1.20%	83,163	2.83%	\$0.60	100,606	289,498	127,851	361,04
Paramount	366	8,614,246	0	0	202,027	2.35%	265,633	3.08%	\$0.70	(8,306)	(17,544)	47,199	250,94
Santa Fe Springs	1,318	50,928,095	0	183,444	1,431,814	2.81%	2,075,032	4.07%	\$0.50	18,524	851,239	426,087	2,541,66
Whittier	167	3,908,790	0	0	71,451	1.83%	354,355	9.07%	\$0.55	(18,990)	289,092	16,050	572,44
Total	2,827	113,174,374	24,895	183,444	4,003,521	3.54%	5,493,391	4.85%	\$0.63	273,271	1,717,856	1,602,571	8,070,266
San Gabriel Valley													
Alhambra	112	2,218,320	0	0	37,000	1.67%	41,765	1.88%	\$1.00	8,040	26,090	8,040	37,959
Arcadia/Temple City	133	1,991,806	0	517,070	45,368	2.28%	104,862	5.26%	\$0.83	19,006	18,213	21,506	68,89
Azusa	223	5,279,038	0	342,629	105,062	1.99%	175,896	3.33%	\$0.72	(14,650)	(1,023)	36,610	116,96
Baldwin Park	239	4,476,132	0	0	88,958	1.99%	174,736	3.90%	\$0.78	(31,522)	102,483	58,829	281,81
City of Industry/DB/HH/RH	1,076	69,649,871	456,496	510,354	2,389,449	3.43%	3,050,586	4.38%	\$0.70	(162,761)	273,918	760,793	4,887,69
Covina/West Covina	172	3,088,386	0	0	24,200	0.78%	154,352	5.00%	\$0.71	5,852	69,756	45,118	153,57
Duarte	72	1,792,484	0	0	50,116	2.80%	121,234	6.76%	\$0.73	13,017	(12,404)	34,005	72,89
El Monte	296	8,186,703	14,987	500,000	856,318	10.46%	936,166	11.44%	\$0.32	54,726	64,426	95,590	308,63
Irwindale	246	10,408,290	0	760,860	125,159	1.20%	189,526	1.82%	\$0.75	(85,092)	(69,856)	18,717	178,54
La Puente	94	2,009,939	0	37,500	38,687	1.92%	164,529	8.19%	\$0.79	8,912	32,724	10,640	97,273
La Verne/San Dimas/Glendora	315	6,567,721	72,639	50,000	333,822	5.08%	493,674	7.52%	\$0.49	(57,028)	46,696	39,510	301,30
Monrovia	200	3,300,454	0	0	82,622	2.50%	154,842	4.69%	\$0.65	9,442	(37,377)	12,342	26,79
Pomona/Claremont	650	18,517,866	774,274	0	166,726	0.90%	776,155	4.19%	\$0.52	350,202	527,856	377,895	1,178,12
Rosemead/San Gabriel	115	2,380,393	0	0	5,193	0.22%	133,340	5.60%	\$0.90	0	25,721	5,510	38,90
South El Monte	741	10,129,423	7,500	0	126,807	1.25%	166,247	1.64%	\$0.80	5,761	104,829	73,118	517,96
Walnut Total	199 4,883	6,813,602 156,810,428	0 1,325,896	0 2,718,413	70,192 4,545,679	1.03% 2.90%	751,446 7,589,356	11.03% 4.84%	\$0.63 \$0.61	5,831 129,736	46,689 1,218,741	62,411 1,660,634	263,429 8,530,782
	4,003	130,010,420	1,323,090	2,110,413	4,545,679	2.90%	7,569,556	4.0470	φυ.σι	129,730	1,210,741	1,000,034	0,000,70
South Bay													
Carson	495	33,968,030	221,050	80,000	1,232,355	3.63%	2,898,377	8.53%	\$0.72	(189,405)	484,524	472,582	3,451,70
Compton	449	23,272,758	0	62,630	418,684	1.80%	965,151	4.15%	\$0.54	191,970	823,816	243,457	1,295,08
El Segundo	186	10,360,897	0	0	225,036	2.17%	376,342	3.63%	\$0.56	11,620	47,386	11,620	164,51
Gardena	1,164	27,505,815	0	0	748,251	2.72%	1,520,780	5.53%	\$0.59	67,650	163,957	316,721	1,349,16
Harbor City	81	1,665,958	0	0	103,816	6.23%	90,914	5.46%	\$0.00	2,159	(90,816)	2,159	29,51
Hawthorne	236	7,743,660	0	0	198,413	2.56%	443,773	5.73%	\$0.45	(31,502)	215,409	76,966	425,45
Inglewood	227	4,665,901	0	0	199,281	4.27%	324,735	6.96%	\$1.10	44,913	20,119	94,646	317,53
Lakewood/Hawaiian Gardens	23	585,614	0	0	6,282	1.07%	9,817	1.68%	\$0.00	5,199	(5,782)	5,199	5,19
Lawndale	25	221,709	0	0	0	0.00%	0 000 000	0.00%	\$0.00	0	2,500	0	2,50
Long Beach/Terminal Island	715	20,020,952	0	94,984	640,837	3.20%	882,228	4.41%	\$0.63	5,116	1,286,476	115,137	1,813,29
Lynwood	82	4,070,178	0	0	39,500	0.97%	78,202	1.92%	\$0.00	24,500	(5,500)	24,500	362,25
Rancho Dominguez	240	14,941,204	0	0	677,735	4.54%	985,564	6.60%	\$0.58	237,128	532,125	286,923	1,312,45
Redondo & Hermosa Beach	38	1,837,489	0	0	4,595	0.25%	18,800	1.02%	\$0.00	0	73,404	0	80,92
San Pedro	38	2,665,877	0	0	51,765	1.94%	51,765	1.94%	\$0.00	19.610	350,699	0 E0 497	368,66
Signal Hill	182	3,256,315	0	0	98,585	3.03%	104,238	3.20%	\$0.83	18,610	(16,636)	50,487	158,83
Torrance	597	25,548,418	0	0	1,351,661	5.29%	1,722,645	6.74%	\$0.73	114,656	722,911	490,575	1,591,19
Wilmington Total	131 4,909	2,997,899 185,328,674	0 221,050	0 237,614	30,701 6,027,497	1.02% 3.25%	86,624 10,559,955	2.89% 5.70%	\$0.89 \$0.65	2,231 504,845	106,545 4,711,137	27,322 2,218,294	160,47 12,888,76
Los Angeles Total	20,303	716,909,145	2,054,077	3,992,150	21,330,609	2.98%	36,557,405	5.10%	\$0.64	2,533,854	9,910,336	9,014,637	41,179,96
5,000-24,999	13,307	163,283,326	47,382	172,770	3,434,460	2.10%	6,709,203	4.11%	\$0.77	281,299	1,321,991	1,681,755	7,858,45
25,000-49,999	3,529	122,299,679	72,639	681,775	3,038,048	2.48%	5,340,894	4.37%	\$0.66	521,595	1,201,418	1,707,014	6,450,65
50,000-99,999	1,989	134,962,608	123,246	1,264,217	4,246,463	3.15%	7,692,173	5.70%	\$0.61	668,555	2,134,084	1,986,255	8,391,90
100,000-249,999	1,182	174,104,496	1,531,386	1,061,318	5,902,355	3.39%	9,444,049	5.42%	\$0.58	334,905	2,715,866	2,033,456	11,449,97
250,000-499,999	241	77,982,550	279,424	312,070	4,049,089	5.19%	6,121,617	7.85%	\$0.50	317,480	238,448	986,157	3,748,622
500,000 plus	55	44,276,486	0	500,000	660,194	1.49%	1,249,469	2.82%	\$0.60	410,020	2,298,529	620,000	3,280,36
Los Angeles Total	20,303	716,909,145	2,054,077	3,992,150	21,330,609	2.98%	36,557,405	5.10%	\$0.64	2,533,854	9,910,336	9,014,637	41,179,96

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

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 Ii, 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

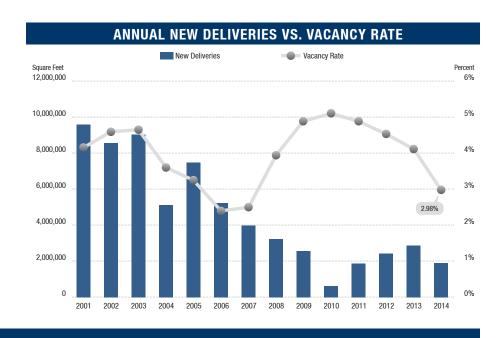
PRODUCT TYPE

MFG./DIST.

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