



## MARKET CHANGE

Compared to Previous Year:

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 2% vacancy rate at the end 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 tenth consecutive quarter, for a total of 25 million square feet.
- **Construction** - There was just over 3.1 million square feet of industrial projects under construction in Los Angeles at the close of the fourth quarter of 2015. In addition, over 2.7 million square feet of industrial space was delivered in 2015, bringing the market's total inventory to nearly 720 million square feet.
- **Vacancy** - Direct/sublease space (unoccupied) finished the year at 2.02%. This is down from both the previous quarter and from 2014's fourth quarter rate of 2.83%, a significant drop of 28.62%.
- **Availability** - Direct/sublease space being marketed finished the year at 3.97%, down when compared to the previous quarter and a substantial decrease of 25.66% when compared to the end of 2014.
- **Lease Rates** - The average asking lease rate came in at \$.72 per square foot per month, a one-cent increase from last quarter and up eight cents compared to the \$.64 seen at the end 2014, a 12.50% annual increase. This is a new record high asking lease rate.
- **Absorption** - The Los Angeles industrial market posted 8,693,920 square feet of positive net absorption for 2015, marking the tenth consecutive quarter of significant positive net absorption and giving the market an average of 2.5 million square feet per quarter over the last ten quarters.
- **Transaction Activity** - Leasing activity for the Los Angeles industrial market checked in at almost 35.7 million square feet for 2015, compared to 50.2 million in 2014. Total sold was 21.6 million square feet in 2015, compared to the 18.6 million in 2014. The slowdown in transaction volume can largely 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 declined to 5.9% in November 2015, down from a revised 6.1% in October 2015 and below the previous year's estimate of 8.0%. This compares with an unadjusted unemployment rate of 5.7% for California and 4.8% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 73,200 payroll jobs from November 2014 to November 2015. Most sectors showed gains in employment; the largest gains were 22,400 in educational and health services and 19,700 in leisure and hospitality during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year — down 7,500 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. All in all, it's a great time to be a seller.

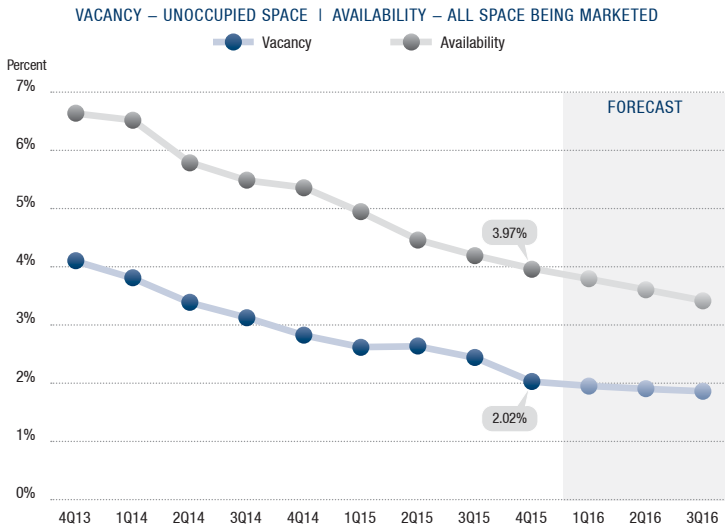
## FORECAST

- **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 20 basis points, to around 1.85%, by the end of the third quarter of 2016.

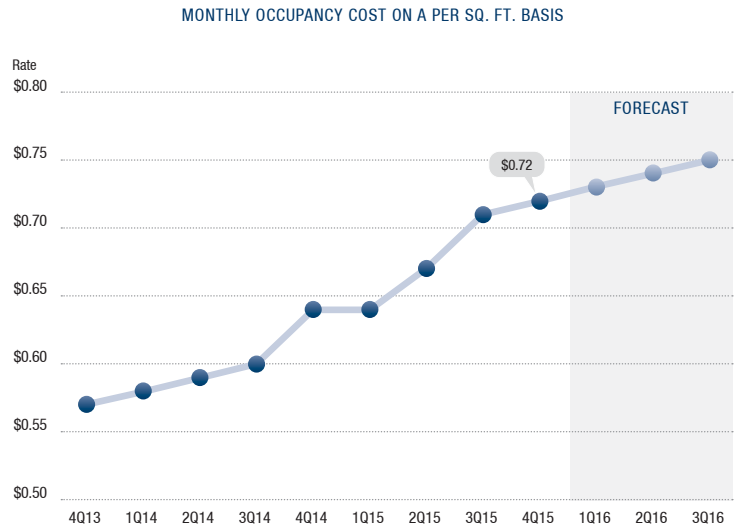
## OVERVIEW

	2015	2014	2013	% of Change vs. 2014
Inventory Added	2,714,731	1,912,683	2,871,573	41.93%
Under Construction	3,136,442	2,718,413	1,240,419	15.38%
Vacancy Rate	2.02%	2.83%	4.10%	(28.62%)
Availability Rate	3.97%	5.34%	6.63%	(25.66%)
Average Asking Lease Rate	\$.72	\$.64	\$.57	12.50%
Sale & Lease Transactions	57,233,473	68,737,546	67,279,511	(16.74%)
Gross Absorption	40,524,004	41,689,770	47,455,161	(2.80%)
Net Absorption	8,693,920	10,930,217	5,980,636	N/A

## VACANCY & AVAILABILITY RATE

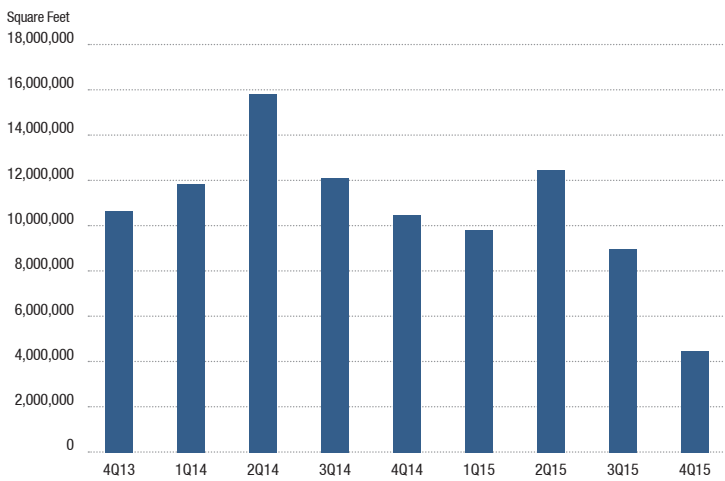


## AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE



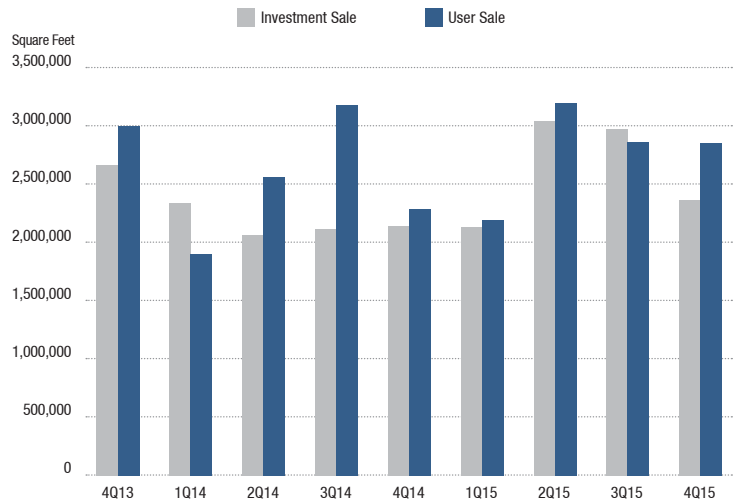
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



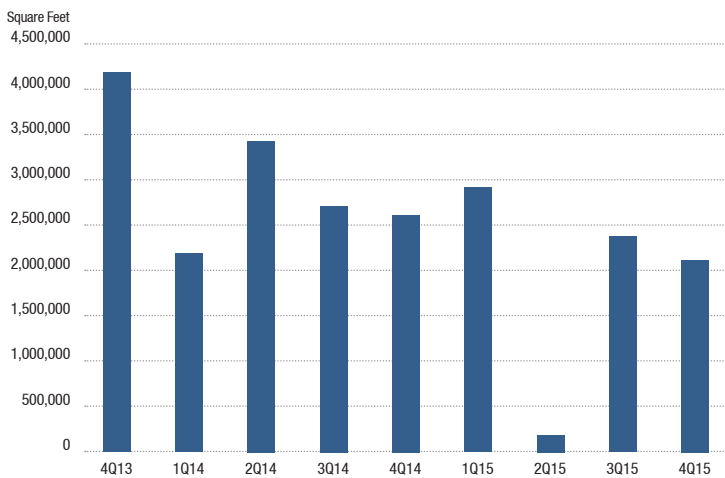
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



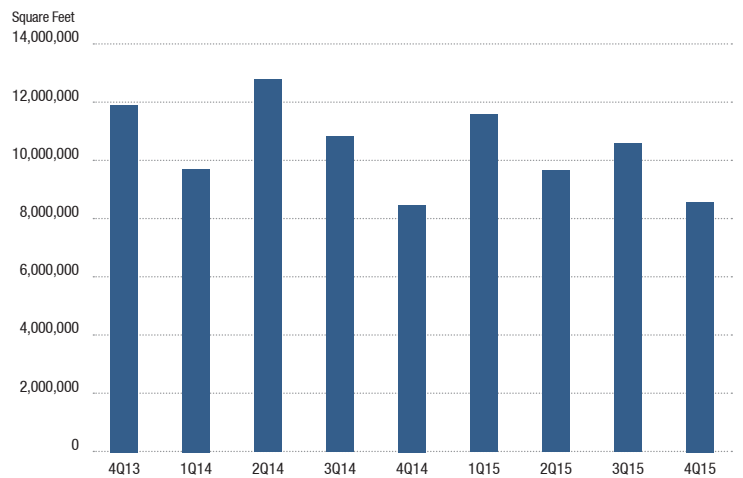
## NET ABSORPTION

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



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2015	Square Feet Available	Availability Rate 4Q2015	Average Asking Lease Rate	Net Absorption 4Q2015	Net Absorption 2015	Gross Absorption 4Q2015	Gross Absorption 2015
<b>Central</b>													
Bell/Bell Gardens/Maywood	192	6,896,153	0	0	249,561	3.62%	368,891	5.35%	\$0.66	(79,545)	246,677	9,818	491,899
City of Commerce	732	45,026,793	0	369,354	1,237,690	2.75%	1,988,107	4.42%	\$0.63	(74,521)	764,510	541,570	3,120,753
Huntington Park/Cudahy	195	4,621,133	0	0	82,728	1.79%	218,938	4.74%	\$0.53	2,512	(6,094)	36,673	100,540
Downtown	5,127	133,331,027	1,007,000	218,300	3,918,795	2.94%	7,329,736	5.50%	\$0.79	38,238	(100,176)	1,069,695	5,251,351
Montebello/Monterey Park	303	11,596,862	0	113,634	152,752	1.32%	227,192	1.96%	\$0.77	4,256	(27,530)	56,932	247,622
Pico Rivera	197	9,969,482	0	0	86,571	0.87%	233,015	2.34%	\$0.85	(33,671)	335,998	51,700	525,657
South Gate	225	10,164,892	0	0	57,475	0.57%	162,590	1.60%	\$0.52	9,600	3,000	9,600	204,372
Vernon	731	39,448,056	340,816	333,513	1,003,471	2.54%	2,639,138	6.69%	\$0.62	(91,593)	43,719	224,547	1,842,490
<b>Total</b>	<b>7,702</b>	<b>261,054,398</b>	<b>1,347,816</b>	<b>1,034,801</b>	<b>6,789,043</b>	<b>2.60%</b>	<b>13,167,607</b>	<b>5.04%</b>	<b>\$0.71</b>	<b>(224,724)</b>	<b>1,260,104</b>	<b>2,000,535</b>	<b>11,784,684</b>
<b>Mid Counties</b>													
Artesia/Cerritos	276	13,086,126	0	0	518,129	3.96%	447,345	3.42%	\$0.66	(73,488)	(98,499)	222,143	892,191
Bellflower/Downey	196	5,548,905	0	0	38,995	0.70%	78,591	1.42%	\$0.59	8,425	101,187	16,543	322,727
Buena Park/La Palma	231	15,248,790	0	0	263,115	1.73%	507,929	3.33%	\$0.62	40,192	361,899	72,165	1,093,216
La Mirada	191	13,179,726	199,588	0	136,160	1.03%	568,059	4.31%	\$0.77	172,870	750,452	316,270	1,750,938
Norwalk	83	2,921,539	24,895	0	24,815	0.85%	30,325	1.04%	\$0.69	(1,506)	11,017	80,529	146,289
Paramount	370	8,690,089	0	0	83,536	0.96%	271,040	3.12%	\$0.76	(6,124)	102,215	52,589	305,234
Santa Fe Springs	1,323	51,003,454	63,458	1,330,744	347,455	0.68%	830,635	1.63%	\$0.85	556,265	1,081,004	847,719	3,574,146
Whittier	167	3,900,182	0	0	35,873	0.92%	321,653	8.25%	\$0.61	10,044	34,228	36,086	199,186
<b>Total</b>	<b>2,837</b>	<b>113,578,811</b>	<b>287,941</b>	<b>1,330,744</b>	<b>1,448,078</b>	<b>1.27%</b>	<b>3,055,577</b>	<b>2.69%</b>	<b>\$0.69</b>	<b>706,678</b>	<b>2,343,503</b>	<b>1,644,044</b>	<b>8,283,927</b>
<b>San Gabriel Valley</b>													
Alhambra	113	2,227,946	0	0	31,355	1.41%	46,509	2.09%	\$1.08	13,345	9,045	24,117	38,427
Arcadia/Temple City	135	2,016,322	0	1,609,000	56,219	2.79%	37,650	1.87%	\$0.86	(20,506)	(10,851)	3,575	77,571
Azusa	225	5,304,232	343,237	185,273	82,360	1.55%	241,922	4.56%	\$0.51	24,523	4,642	28,523	135,684
Baldwin Park	236	4,427,974	0	0	21,975	0.50%	73,734	1.67%	\$0.92	67,090	69,283	84,546	262,469
City of Industry/DB/HH/RH	1,073	69,925,950	167,941	1,527,749	794,341	1.14%	2,386,649	3.41%	\$0.75	259,929	1,744,237	705,465	4,449,714
Covina/West Covina	171	3,085,617	0	0	121,182	3.93%	149,382	4.84%	\$0.82	(2,318)	(96,982)	50,364	71,314
Duarte	72	1,798,143	0	0	6,082	0.34%	13,096	0.73%	\$0.82	13,996	44,034	18,242	136,636
El Monte	300	8,263,334	501,270	0	700,181	8.47%	842,018	10.19%	\$0.75	154,555	169,379	199,885	377,850
Irwindale	248	10,574,131	172,000	301,000	121,057	1.14%	231,089	2.19%	\$0.86	67,079	5,402	84,646	371,351
La Puente	97	2,227,388	0	12,650	263,044	11.81%	280,744	12.60%	\$0.77	49,725	(31,057)	90,715	156,478
La Verne/San Dimas/Glendora	314	6,652,671	0	0	159,224	2.39%	162,234	2.44%	\$0.69	102,865	175,134	157,674	372,152
Monrovia	202	3,318,891	0	0	126,639	3.82%	189,935	5.72%	\$0.82	29,451	(32,823)	54,056	127,025
Pomona/Claremont	648	19,223,640	0	431,943	342,300	1.78%	538,657	2.80%	\$0.55	(5,462)	548,236	334,403	1,197,852
Rosemead/San Gabriel	114	2,228,205	0	0	14,489	0.65%	63,154	2.83%	\$1.17	21,036	(9,296)	27,650	50,388
South El Monte	753	10,273,586	0	0	138,582	1.35%	181,421	1.77%	\$0.82	44,816	(5,136)	91,906	416,873
Walnut	198	6,806,215	17,396	0	81,111	1.19%	87,952	1.29%	\$1.05	17,430	248,881	30,576	945,573
<b>Total</b>	<b>4,899</b>	<b>158,354,245</b>	<b>1,201,844</b>	<b>4,067,615</b>	<b>3,060,141</b>	<b>1.93%</b>	<b>5,526,146</b>	<b>3.49%</b>	<b>\$0.75</b>	<b>837,554</b>	<b>2,832,128</b>	<b>1,986,343</b>	<b>9,187,357</b>
<b>South Bay</b>													
Carson	500	34,120,236	0	175,000	604,027	1.77%	1,108,257	3.25%	\$0.84	801,380	877,996	959,831	3,637,883
Compton	448	23,240,078	164,800	63,000	194,607	0.84%	1,004,679	4.32%	\$0.77	113,799	257,164	360,505	1,564,064
El Segundo	185	10,246,067	0	0	117,348	1.15%	123,848	1.21%	\$1.25	179,317	111,688	179,317	244,684
Gardena	1,162	27,570,701	134,041	210,000	332,896	1.21%	872,292	3.16%	\$0.79	195,126	239,807	310,276	1,363,039
Harbor City	81	1,662,637	0	0	107,841	6.49%	80,241	4.83%	\$0.81	(42,981)	(4,025)	19,669	123,485
Hawthorne	237	8,111,463	0	0	275,677	3.40%	408,474	5.04%	\$0.85	27,147	(98,949)	46,287	226,558
Inglewood	227	4,659,984	0	149,040	59,333	1.27%	162,059	3.48%	\$1.14	(25,906)	44,473	10,692	184,221
Lakewood/Hawaiian Gardens	24	615,614	0	0	6,282	1.02%	9,817	1.59%	\$1.75	0	0	0	0
Lawndale	25	220,175	0	0	3,075	1.40%	9,211	4.18%	\$1.25	(350)	(3,075)	1,450	5,050
Long Beach/Terminal Island	716	20,069,981	0	453,858	264,570	1.32%	495,494	2.47%	\$0.71	41,539	328,306	94,038	681,264
Lynwood	84	4,139,106	0	0	33,000	0.80%	363,246	8.78%	\$0.00	500	7,000	500	15,619
Rancho Dominguez	240	14,943,532	0	26,740	289,866	1.94%	1,157,980	7.75%	\$0.56	223,175	246,269	355,341	832,751
Redondo & Hermosa Beach	39	1,873,457	0	0	0	0.00%	0	0.00%	\$0.00	11,714	5,095	11,714	269,779
San Pedro	39	2,672,377	0	0	12,422	0.46%	2,422	0.09%	\$1.00	7,773	(6,527)	7,773	14,273
Signal Hill	186	3,361,060	0	0	92,185	2.74%	88,079	2.62%	\$0.90	4,253	7,400	21,358	88,015
Torrance	599	25,533,996	0	31,178	799,847	3.13%	878,275	3.44%	\$0.80	34,092	226,093	507,889	1,951,002
Wilmington	131	2,993,290	0	0	4,262	0.14%	4,262	0.14%	\$0.72	14,000	19,470	14,000	66,349
<b>Total</b>	<b>4,923</b>	<b>186,033,754</b>	<b>298,841</b>	<b>1,108,816</b>	<b>3,197,238</b>	<b>1.72%</b>	<b>6,768,636</b>	<b>3.64%</b>	<b>\$0.76</b>	<b>783,198</b>	<b>2,258,185</b>	<b>2,900,640</b>	<b>11,268,036</b>
<b>Los Angeles Total</b>	<b>20,361</b>	<b>719,021,208</b>	<b>3,136,442</b>	<b>7,541,976</b>	<b>14,494,500</b>	<b>2.02%</b>	<b>28,517,966</b>	<b>3.97%</b>	<b>\$0.72</b>	<b>2,102,706</b>	<b>8,693,920</b>	<b>8,531,562</b>	<b>40,524,004</b>
5,000-24,999	13,355	164,847,466	62,271	26,650	3,276,912	1.99%	6,303,661	3.82%	\$0.87	227,197	(55,912)	1,920,544	7,687,398
25,000-49,999	3,532	122,302,622	107,078	602,365	2,216,770	1.81%	4,569,524	3.74%	\$0.74	324,384	706,181	1,251,823	5,920,710
50,000-99,999	1,985	134,661,533	660,003	1,045,959	3,047,239	2.26%	6,343,818	4.71%	\$0.66	(57,606)	823,626	1,417,301	6,868,789
100,000-249,999	1,191	175,172,437	1,300,090	3,175,362	3,782,064	2.16%	8,694,829	4.96%	\$0.65	1,150,524	4,631,609	2,446,665	12,556,920
250,000-499,999	244	78,788,669	481,600	2,185,175	1,188,448	1.51%	1,958,095	2.49%	\$0.57	929,534	2,501,269	1,374,355	6,304,835
500,000 plus	54	43,248,481	525,400	506,465	983,067	2.27%	648,039	1.50%	\$0.00	(471,327)	87,147	120,874	1,185,352
<b>Los Angeles Total</b>	<b>20,361</b>	<b>719,021,208</b>	<b>3,136,442</b>	<b>7,541,976</b>	<b>14,494,500</b>	<b>2.02%</b>	<b>28,517,966</b>	<b>3.97%</b>	<b>\$0.72</b>	<b>2,102,706</b>	<b>8,693,920</b>	<b>8,531,562</b>	<b>40,524,004</b>

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

## MAJOR TRANSACTIONS OF 2015

### Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
1205–1321 Wholesale St. (2 Properties)	Los Angeles	300,316	\$432.88	SunCal Companies	Lowe Enterprises Investors
11688 Greensone Ave.	Santa Fe Springs	327,934	\$221.08	TIAA-CREF Investment Management	Panattoni Development Company
9400 Santa Fe Springs Rd.	Santa Fe Springs	607,833	\$102.41	Deutsche Asset & Wealth Management	Cornerstone Real Estate Advisers, LLC
4000 Redondo Beach Ave.	Redondo Beach	303,744	\$170.21	AEW Capital Management	TPG Capital, LP
5510–5650 Grace Pl.	Commerce	531,435	\$95.97	CenterPoint Properties	The Magellan Group, Inc.

### Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
21535 Baker Pky. – Renewal	City of Industry	650,000	Jun-2015	HD Supply	Industry East Land, LLC
13408–13210 Orden Dr.	Santa Fe Springs	454,826	Apr-2015	St. George Distribution	Golden Springs Development
2100 Yates Ave.	Montebello	374,370	Sep-2015	West Rock Packaging	Prologis
20301 E. Walnut Dr. N.	City of Industry	350,000	Dec-2015	Furniture of Amercia	Swason Dennis K. & Manja L.
1650 E. Glenn Curtiss St.	Carson	338,274	Apr-2015	Epson	Carson Dominquez Properties

## PRODUCT TYPE

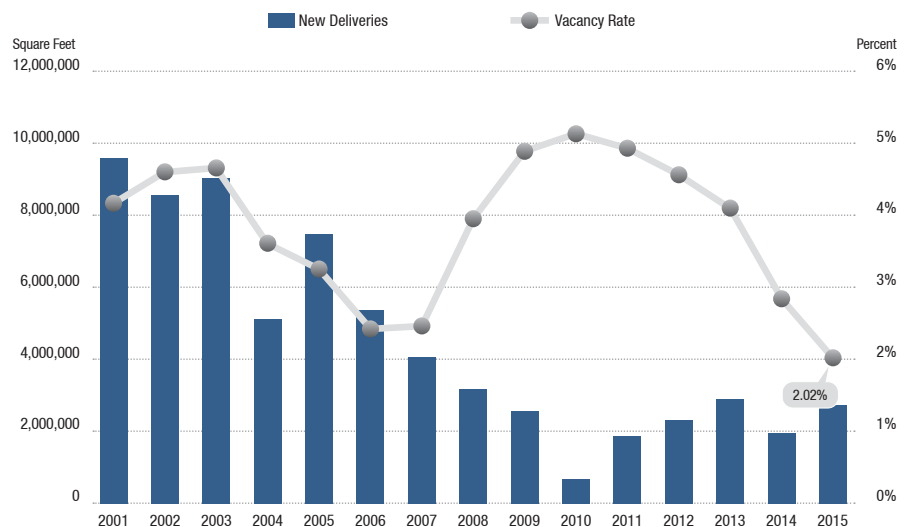
### MFG./DIST.

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### ANNUAL NEW DELIVERIES VS. VACANCY RATE



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