



# FIRST QUARTER 2016 MID COUNTIES INDUSTRIAL

## MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN

Net Absorption

NEGATIVE

Lease Rates

UP

Transactions

DOWN

Deliveries

FLAT

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## HIGHLIGHTS

- **Encouraging Numbers** - The Mid Counties industrial market offer depth of tenant demand combined with slow supply growth. Vacancies have fallen to an all-time low, and this should spur some new industrial development, but a lack of land limits the amount of new projects that can be delivered. The beginning of 2016 is encouraging, with job gains and the Los Angeles Rams' arrival to keep things interesting.
- **Construction** - There was 264,483 square feet of industrial projects under construction in Mid Counties at the end of the first quarter. The shrinking availability of land combined with high land prices, scarce financing and rising construction costs, has led to few projects being developed.
- **Vacancy** - With few developable sites, vacancies in this market are already the lowest in the nation and should remain so for the foreseeable future. Direct/sublease space (unoccupied) finished the quarter at 1.29%. This is down from both the previous quarter and from 2015's first quarter rate of 3.51%, a significant drop of 63.25%.
- **Availability** - Direct/sublease space being marketed finished the quarter at 3.39%, up when compared with the previous quarter and a substantial decrease of 28.78% when compared with the same quarter of 2015, when the rate was 4.76%.
- **Lease Rates** - The average asking lease rate came in at \$0.70 per square foot per month, up two cents from last quarter and up seven cents compared with the \$0.63 seen in the fourth quarter of 2015, a 11.11% annual increase.
- **Absorption** - The Mid Counties industrial market posted 1,075 square feet of negative net absorption in the first quarter, after a total of 2,28 million square feet of positive absorption in 2015.
- **Transaction Activity** - Leasing activity checked in this quarter at 588,594 square feet. The average amount of leasing per quarter over the past nine quarters was 1.67 million square feet. Sales activity showed a significant decrease over the quarter, posting 405,196 square feet of activity compared to the first quarter's 1.11 million square feet, demonstrating lack of supply. Details of the largest transactions can be found on the back page of this report.
- **Employment** - The unemployment rate in Los Angeles County declined to 5.6% in February 2016, down from a revised 5.8% in January 2016 and below the previous year's estimate of 7.5%. This compares with an unadjusted unemployment rate of 5.5% for California and 4.9% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 107,300 payroll jobs from February 2015 to February 2016. Other super sectors that added jobs over the year were trade, transportation, and utilities (up 14,900), professional and business services (up 13,800), information (up 9,400), government (up 8,100), construction (up 6,100), and financial activities (up 4,100).
- **Overall** - High rental rates are not the only positive indicator. In addition, absorption rates are high, which sets the stage for new construction. Industrial demand is continuing from e-commerce, which is a trend we expect to continue into the future. The economy continues to expand—look for distribution center network establishments moving in the market.

## FORECAST

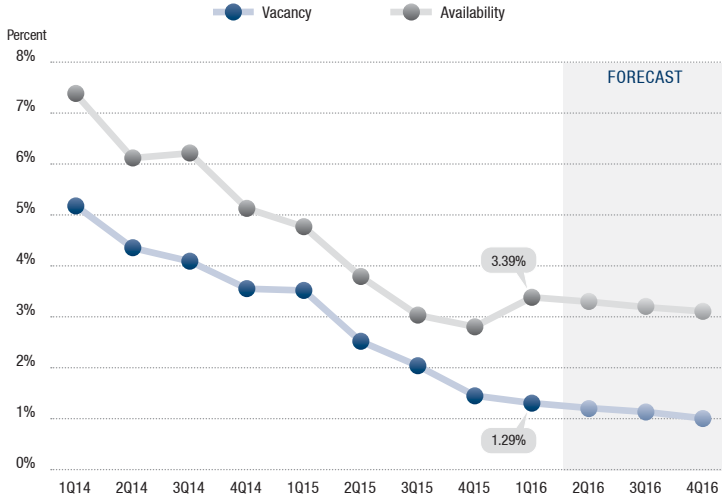
- **Construction** - Expected development will concentrate on large state of the art distribution centers within easy access to LAX, and the World Ports of Los Angeles and Long Beach, resulting in cost-efficient drayage.
- **Employment** - Los Angeles County has seen steady improvement over the past four years, both in terms of job gains and unemployment rate declines. This improvement is expected to continue in 2016 and 2017, although at a slower pace. With the economy back at full employment levels, wage gains are expected over the next year across many occupations.
- **Lease Rates** - Expect average asking lease rates to increase by 3% to 5% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, hovering in the range of 1% to 1.5% for the foreseeable future.

## OVERVIEW

	1Q16	4Q15	1Q15	% of Change vs. 1Q15
Total Vacancy Rate	1.29%	1.47%	3.51%	(63.25%)
Availability Rate	3.39%	2.82%	4.76%	(28.78%)
Average Asking Lease Rate	\$0.70	\$0.69	\$0.63	11.11%
Sale & Lease Transactions	993,790	2,762,558	3,207,262	(69.01%)
Gross Absorption	984,254	1,644,544	2,002,745	(50.85%)
Net Absorption	(1,075)	639,989	(373)	N/A

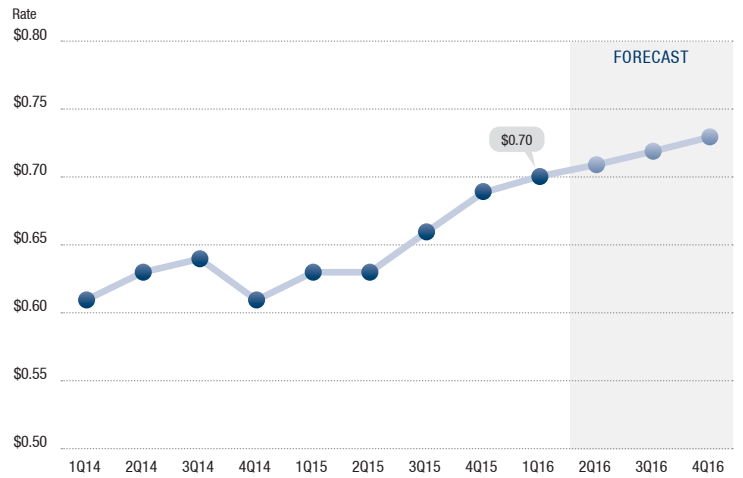
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



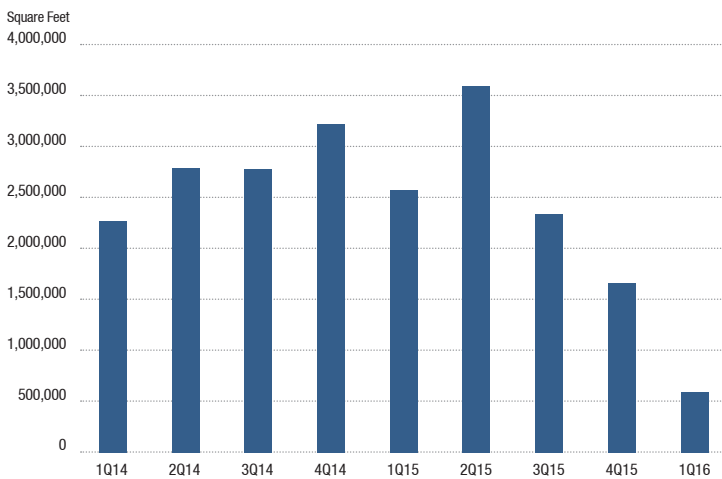
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



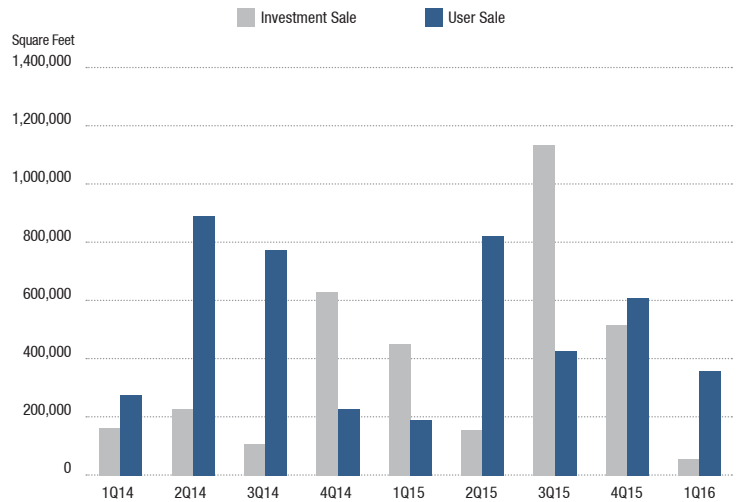
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



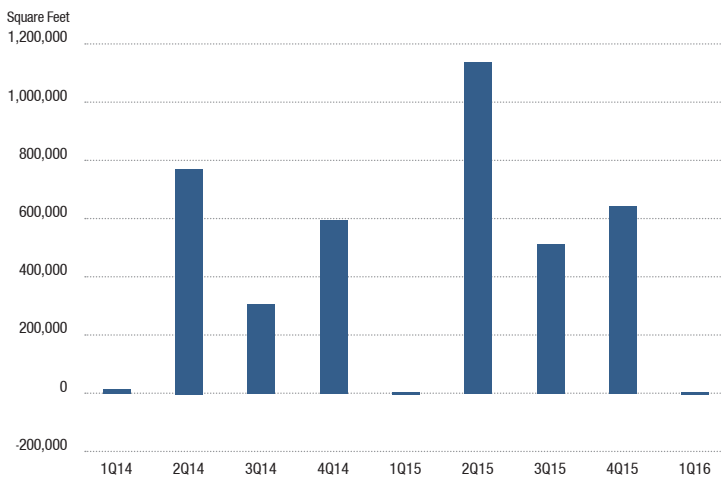
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



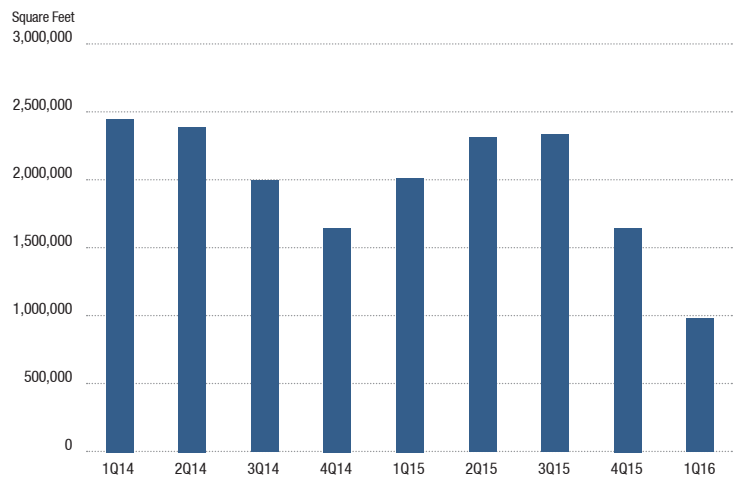
## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



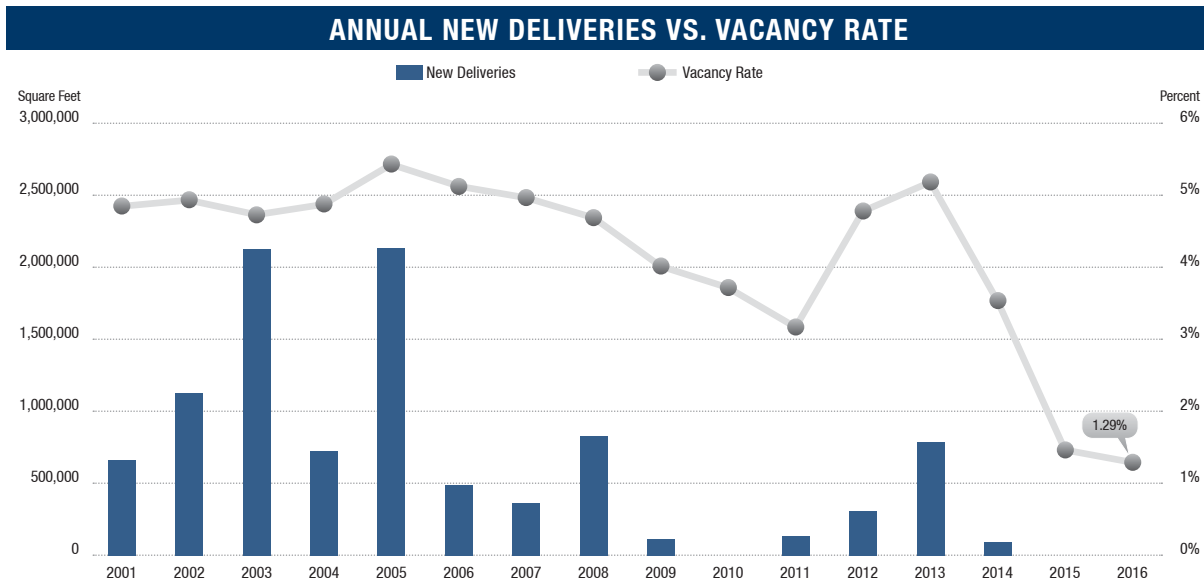
## GROSS ABSORPTION

TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2016	Square Feet Available	Availability Rate 1Q2016	Average Asking Lease Rate	Net Absorption 1Q2016	Net Absorption 2015	Gross Absorption 1Q2016	Gross Absorption 2015
<b>Mid Counties</b>													
Artesia / Cerritos	276	13,086,126	0	0	349,422	2.67%	728,183	5.56%	\$0.65	136,316	(98,499)	193,482	892,191
Bellflower / Downey	192	5,492,287	0	0	62,695	1.14%	115,963	2.11%	\$0.70	(23,700)	101,187	15,978	322,727
Buena Park / La Palma	231	15,250,133	0	0	339,872	2.23%	411,540	2.70%	\$0.66	(76,757)	393,178	128,285	1,093,216
La Mirada	186	12,868,056	199,588	0	150,101	1.17%	536,542	4.17%	\$0.72	(20,946)	513,363	134,316	1,513,849
Norwalk	85	2,940,339	24,895	231,731	16,416	0.56%	5,910	0.20%	\$0.00	9,399	11,017	11,415	146,289
Paramount	371	8,697,634	0	0	74,744	0.86%	224,937	2.59%	\$0.74	2,292	112,215	15,472	305,234
Santa Fe Springs	1,322	51,012,317	0	1,476,382	444,335	0.87%	1,446,760	2.84%	\$0.79	(37,290)	1,081,004	465,922	3,574,146
Whittier	166	3,890,482	40,000	0	26,263	0.68%	366,477	9.42%	\$0.62	9,610	34,228	19,384	199,186
<b>Total</b>	<b>2,829</b>	<b>113,237,374</b>	<b>264,483</b>	<b>1,708,113</b>	<b>1,463,848</b>	<b>1.29%</b>	<b>3,836,312</b>	<b>3.39%</b>	<b>\$0.70</b>	<b>(1,076)</b>	<b>2,147,693</b>	<b>984,254</b>	<b>8,046,838</b>
<b>Mid Counties Total</b>	<b>2,829</b>	<b>113,237,374</b>	<b>264,483</b>	<b>1,708,113</b>	<b>1,463,848</b>	<b>1.29%</b>	<b>3,836,312</b>	<b>3.39%</b>	<b>\$0.70</b>	<b>(1,076)</b>	<b>2,147,693</b>	<b>984,254</b>	<b>8,046,838</b>
5,000-24,999	1,776	23,614,688	24,895	13,500	438,571	1.86%	819,978	3.47%	\$0.78	73,506	(1,977)	379,050	1,214,220
25,000-49,999	485	17,225,588	40,000	188,624	188,119	1.09%	441,074	2.56%	\$0.66	(43,309)	293,011	203,348	1,155,136
50,000-99,999	301	20,612,178	0	295,189	187,147	0.91%	530,641	2.57%	\$0.75	52,557	419,684	247,977	1,439,604
100,000-249,999	212	31,389,661	199,588	0	650,011	2.07%	1,435,829	4.57%	\$0.64	(145,830)	276,793	91,879	1,547,886
250,000-499,999	49	15,944,122	0	704,335	0	0.00%	608,790	3.82%	\$0.00	62,000	1,160,182	62,000	2,689,992
500,000 plus	6	4,451,137	0	506,465	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>Mid Counties Total</b>	<b>2,829</b>	<b>113,237,374</b>	<b>264,483</b>	<b>1,708,113</b>	<b>1,463,848</b>	<b>1.29%</b>	<b>3,836,312</b>	<b>3.39%</b>	<b>\$0.70</b>	<b>(1,076)</b>	<b>2,147,693</b>	<b>984,254</b>	<b>8,046,838</b>

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
13711 Freeway Dr.	Santa Fe Springs	82,092	\$10,050,000	Martinez Trucking, Inc.	The Rosalinda & Arthur Gilbert Foundation
16200 Commerce Way	Cerritos	71,048	\$8,354,712	Mouse Pad Designs, Inc.	The Carson Companies
9911 Norwalk Blvd.	Santa Fe Springs	31,023	\$3,300,000	Karl E. Kuhn	Craig Phillips
13065-13081 Rosecrans Ave.	Santa Fe Springs	19,536	\$2,540,500	Anthony A. Ferrero	Steele Platt Trust
14325 Iseli Rd.	Santa Fe Springs	11,902	\$1,576,000	Liberty Vegetable Oil Company	James Laurie Twaddell

### Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
16290-16300 Shoemaker Ave.	Cerritos	115,560	Mar-2016	Toolots	Weil & Company, LLP
11600 Los Nietos Rd.	Santa Fe Springs	107,740	Jan-2016	Packaging Corporation of America	Plaza De Las Brisas
6635 Caballero Blvd.	Buena Park	92,395	Jan-2016	Apollo Apparel Group	Appell Trust - Sheldon Appel
12500 E. Slauson Ave. (Renewal)	Santa Fe Springs	83,800	Jan-2016	Custom Freight System	Prologis
15910-15912 Valley View Ave.	La Mirada	76,500	Feb-2016	Dynamic Worldwide	TA Realty

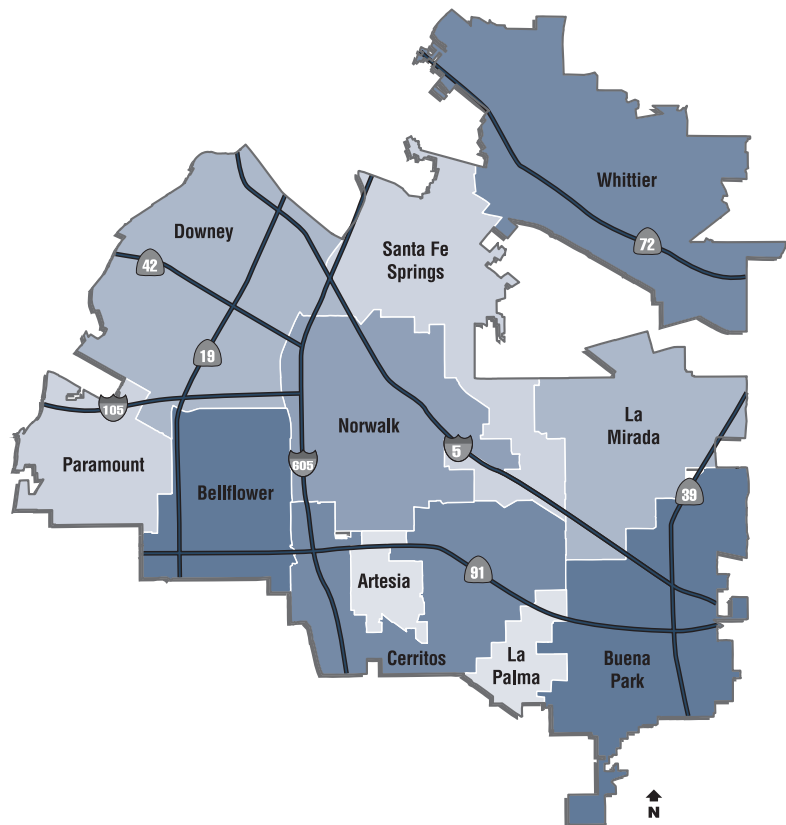
## PRODUCT TYPE

### MFG./DIST.

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

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