



SECOND QUARTER 2015 MID COUNTIES INDUSTRIAL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

UP



Deliveries

FLAT



To view available properties or electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr.
Vice President of Market Research
e-mail: jholdner@voitco.com

Rinku Mathew
Market Research Analyst
e-mail: rmathew@voitco.com
VOIT Real Estate Services

HIGHLIGHTS

- **Encouraging Numbers** - The Mid Counties industrial market continued to improve, posting a sub-2.4% vacancy rate for the second quarter 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 quarter, for a total of 3.8 million square feet over the last eight quarters.
- **Construction** - There was only 24,895 square feet of industrial projects under construction in Mid Counties at the close of the second quarter of 2015. The shrinking availability of land, combined with high land prices, scarce financing and rising construction costs, has led to few projects being developed.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 2.38%. This is down from both the previous quarter and from 2014's second quarter rate of 4.22%, a significant drop of 43.60%.
- **Availability** - Direct/sublease space being marketed finished the second quarter of the year at 3.91%, down when compared to the previous quarter and a substantial decrease of 34.72% when compared to the same quarter of 2014.
- **Lease Rates** - The average asking lease rate came in at \$.65 per square foot per month, a two cent increase from last quarter and up one cent compared to the \$.64 seen in the second quarter of 2014, a 1.56% annual increase.
- **Absorption** - The Mid Counties industrial market posted over 1.36 million square feet of positive net absorption this quarter, giving the market an average of 475,000 square feet per quarter over the last eight quarters and a total of 3.8 million square feet since the third quarter of 2013.
- **Transaction Activity** - Leasing activity for the Mid Counties industrial market checked in at just over 1.9 million square feet this quarter, compared to 2.8 million in the second quarter of 2014. Total sold was over 1.1 million square feet this quarter, compared to the 826,500 square feet in the second quarter of 2014. The slowdown in transaction volume can be attributed to a lack of supply in the marketplace.
- **Employment** - The unemployment rate in Los Angeles County remained unchanged over the month at 7.6% in May 2015, from a revised 7.6% in April 2015 and below the previous year's estimate of 8.3%. This compares with an unadjusted unemployment rate of 6.4% 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 100,500 payroll jobs from May 2014 to May 2015. Most sectors showed gains in employment; the largest gains were 30,100 in educational and health services and 20,800 in trade, transportation, and utilities during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year—down 2,100 jobs.
- **Overall** - We are seeing significant drops in vacancy and availability coupled with overall increases in net occupancy. As we progress into the second half of 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

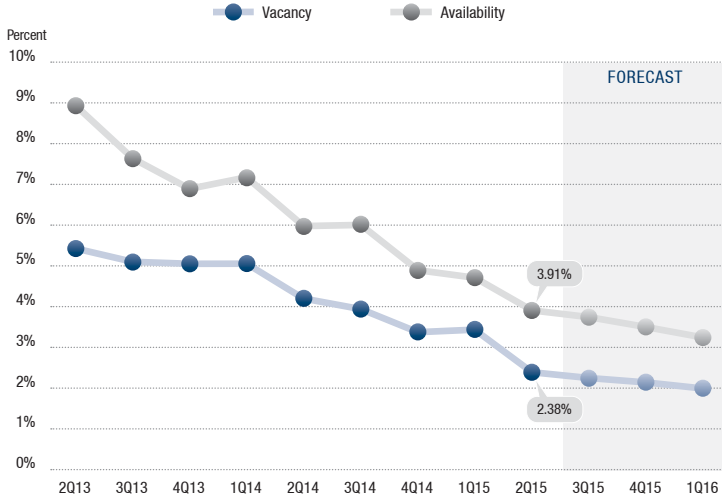
- **Construction** - While we foresee very few development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** - We anticipate job growth of around 1.9%, or 79,500 jobs, in the Los Angeles area over 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 5% to 8% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, dropping by 40 basis points, to around 2.00%, by the end of the first quarter of 2016.

OVERVIEW

	2Q15	1Q15	2Q14	% of Change vs. 2Q14
Total Vacancy Rate	2.38%	3.46%	4.22%	(43.60%)
Availability Rate	3.91%	4.72%	5.99%	(34.72%)
Average Asking Lease Rate	\$0.65	\$0.63	\$0.64	1.56%
Sale & Lease Transactions	3,061,015	2,594,593	3,617,478	(15.38%)
Gross Absorption	2,380,281	2,002,745	2,394,232	(0.58%)
Net Absorption	1,362,280	(138,942)	769,380	N/A

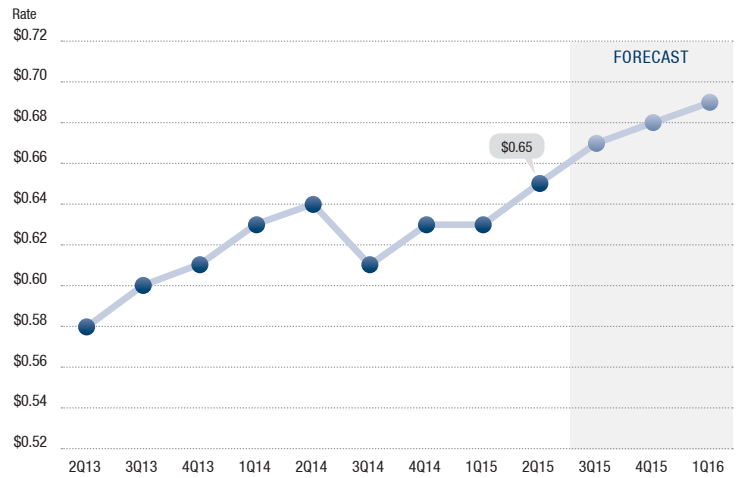
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



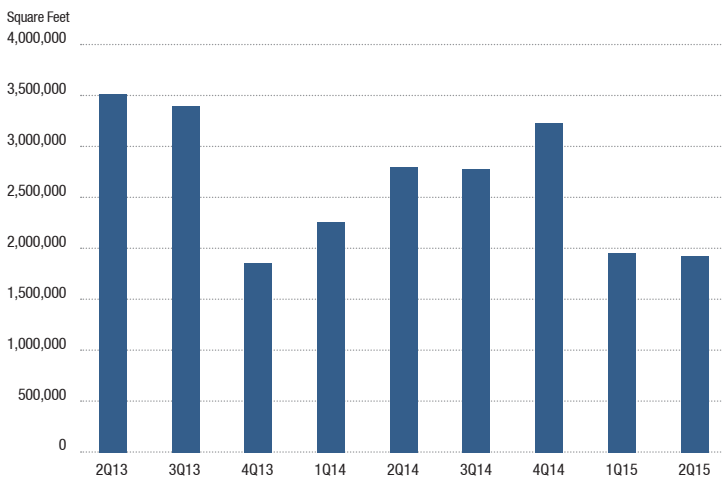
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



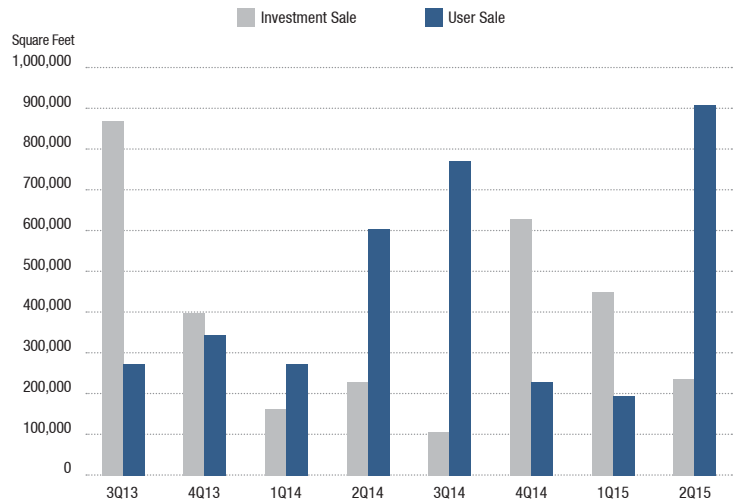
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



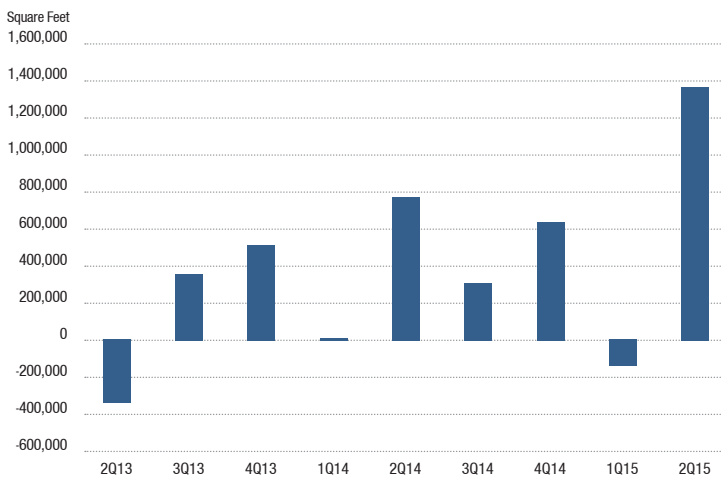
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



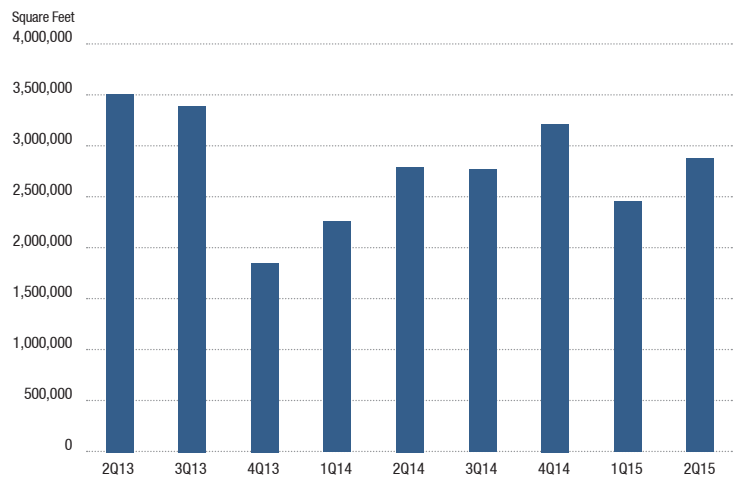
NET ABSORPTION

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 2Q2015	Square Feet Available	Availability Rate 2Q2015	Average Asking Lease Rate	Net Absorption 2Q2015	Net Absorption 2015	Gross Absorption 2Q2015	Gross Absorption 2015
Mid Counties													
Artesia / Cerritos	276	13,040,206	0	0	361,105	2.77%	776,347	5.95%	\$0.58	24,885	58,525	242,904	463,337
Bellflower / Downey	196	5,548,905	0	0	116,520	2.10%	133,789	2.41%	\$0.61	9,460	23,662	128,091	208,825
Buena Park / La Palma	233	15,268,269	0	0	498,044	3.26%	945,961	6.20%	\$0.60	271,232	169,289	338,055	560,526
La Mirada	191	13,175,726	0	199,578	331,949	2.52%	885,158	6.72%	\$0.64	361,545	592,363	426,038	990,188
Norwalk	82	2,916,009	24,895	0	42,054	1.44%	83,334	2.86%	\$0.70	11,938	(6,722)	17,550	25,450
Paramount	368	8,630,993	0	0	181,837	2.11%	315,303	3.65%	\$0.77	23,877	3,414	64,160	115,606
Santa Fe Springs	1,320	50,992,052	0	1,403,484	1,119,487	2.20%	1,050,581	2.06%	\$0.72	617,374	306,622	1,032,879	1,864,072
Whittier	168	3,916,831	0	0	44,707	1.14%	246,181	6.29%	\$0.60	41,969	26,744	130,604	155,022
Total	2,834	113,488,991	24,895	1,603,062	2,695,703	2.38%	4,436,654	3.91%	\$0.65	1,362,280	1,173,897	2,380,281	4,383,026
Mid Counties Total	2,834	113,488,991	24,895	1,603,062	2,695,703	2.38%	4,436,654	3.91%	\$0.65	1,362,280	1,173,897	2,380,281	4,383,026
5,000-24,999	1,775	23,604,910	0	23,240	542,980	2.30%	869,248	3.68%	\$0.80	(9,107)	(91,086)	300,902	494,267
25,000-49,999	491	17,430,753	24,895	105,944	308,736	1.77%	591,438	3.39%	\$0.67	(60,107)	128,142	298,708	651,321
50,000-99,999	300	20,578,160	0	63,500	731,134	3.55%	1,202,047	5.84%	\$0.62	194,717	70,230	438,070	651,709
100,000-249,999	213	31,444,230	0	199,578	537,574	1.71%	1,208,764	3.84%	\$0.59	198,214	593,227	435,233	1,140,505
250,000-499,999	49	15,977,946	0	704,335	575,279	3.60%	565,157	3.54%	\$0.00	1,038,563	473,384	907,368	1,445,224
500,000 plus	6	4,452,992	0	506,465	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Mid Counties Total	2,834	113,488,991	24,895	1,603,062	2,695,703	2.38%	4,436,654	3.91%	\$0.65	1,362,280	1,173,897	2,380,281	4,383,026

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
13827 Carmenita Rd.	Santa Fe Springs	208,432	\$92.64	Polycoat	EverWest Real Estate Partners, LLC
8956 Sorensen Ave.	Santa Fe Springs	60,000	\$130.50	Broadway-32nd Street Realty	ABAS
9615 Norwalk Blvd. – 2 Properties	Santa Fe Springs	26,362	\$250.17	Rexford Industrial	Clau Ettensberger Corporation
16221 Arthur St.	Cerritos	61,379	\$94.09	Rexford Industrial	American Label Company Corp.
9051 Sorensen Ave.	Santa Fe Springs	28,132	\$159.96	Northstar Chemical, Inc.	Healdan Group Inc.

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
13408-13210 Orden Dr.	Santa Fe Springs	454,826	Apr-2015	St. George Distribution	Golden Springs Development
16400 Knott Ave.	La Mirada	278,000	Jun-2015	Priority 1 Packaging	Knott Avenue Owner, Inc.
6101 S. Knott Ave.	Buena Park	272,548	Jun-2015	Wheel Pros	ComRef So. CA Industrial Sub F
14000-14030 E. 183rd St.	La Palma	163,000	Apr-2015	Prompt Apparel LA	183rd La Palma Investors Services
6545-6549 Caballero Blvd.	Buena Park	83,938	Jun-2015	Tawa Supermarket, Inc.	Prologis

PRODUCT TYPE

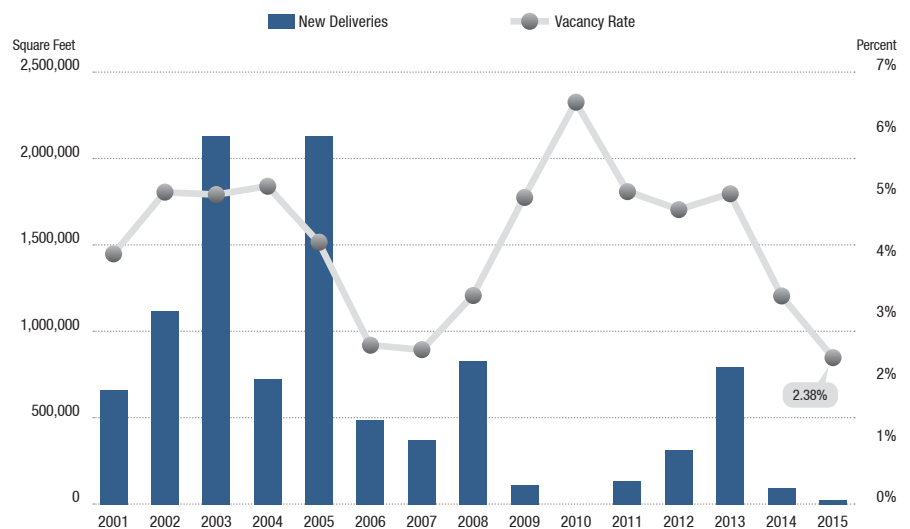
MFG./DIST.

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

To view available properties, please visit:

www.voitco.com

ANNUAL NEW DELIVERIES VS. VACANCY RATE



Please Contact Us for Further Information

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com



Anaheim, CA
714.978.7880

Inland Empire, CA
909.545.8000

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Los Angeles, CA
424.329.7500

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

Reno, NV
775.771.9955

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505

San Jose, CA
408.885.9110

Real People.
Real Solutions.®

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

©2015 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.