



# SECOND QUARTER 2016 MID COUNTIES INDUSTRIAL

**Voit**  
REAL ESTATE SERVICES

## MARKET CHANGE

Compared to Previous Quarter:

Vacancy



UP

Net Absorption

NEGATIVE



Lease Rates



UP

Transactions

DOWN



Deliveries



FLAT

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Prepared by:

**Tony Tran**  
Market Research Analyst  
e-mail: [ttran@voitco.com](mailto:ttran@voitco.com)  
VOIT Real Estate Services

## HIGHLIGHTS

- Encouraging Numbers** - Like most Southern California industrial markets, the Mid Counties submarket continues its trend of low vacancy rates and increasing rental rates. Vacancy rates are now at historically low levels as demand continues to outpace supply. This submarket offers a combination of institutionally owned, Class A distribution buildings coupled with smaller, privately owned buildings occupied by local manufacturers. Both sectors are performing historically well driving both lease rates and sale prices past previous record highs. With tenant and buyer demand strong across all size ranges, inventory remains severely limited. This is not expected to change significantly in the coming quarters given the shortage of available land for new construction. Strong tenant demand is expected to continue in this supply-constrained market, which will likely translate to future rent growth in the coming quarters.
- Construction** - In the second quarter 327,941 square feet of industrial space was under construction in Mid Counties. A majority of the new construction is a single building being developed by Overton Moore at 14445 Alondra Boulevard in La Mirada. The project will bring 199,588 square feet of Class A industrial space in December to the market where quality inventory is limited. Given the high cost of land and an increase in demand in the larger size ranges (above 40,000 square feet), developers are maximizing site coverage and building larger assets, shying away from smaller units.
- Vacancy / Availability** - With a couple of sizeable subleases on the market, the vacancy rate elevated slightly this quarter to 1.43% from 1.29% in the first quarter, but still near a record low. The vacancy rate has continued to compress to low single digit levels since the beginning of 2014.
- Lease Rates** - Lease rates will remain high and certainly have further runway given the limited supply and increased port volume. The average asking lease rate came in at \$0.72 per square foot per month, up two cents from last quarter and up nine cents compared with the \$0.63 per square foot seen in the second quarter of 2015, a 14.29% annual increase.
- Absorption** - As limited inventory continues to take its toll on transaction volume and absorption, Mid Counties has now recorded two consecutive quarters of negative net absorption. The market posted 94,777 square feet of negative net absorption in the second quarter while first quarter showed a negative 426,842 square feet.
- Transaction Activity** - In the second quarter Mid Counties leasing activity totaled 646,012 square feet in 53 separate transactions. The largest lease in the second quarter took place at 11500 Los Nietos Road in Santa Fe Springs, where Priority 1 Warehouse leased 121,344 square feet.
- Employment** - The seasonally adjusted unemployment rate in Los Angeles County declined over the month to 4.9% in May 2016 from a revised 5.2% in April 2016 and was below the rate of 7% one year ago. Civilian employment increased by 12,000 to 4,777,000 in May 2016, while unemployment declined by 15,000 to 244,000 over the month. The civilian labor force decreased by 3,000 over the month to 5,021,000 in May 2016.
- Overall** - The Mid Counties is a highly desirable market for both occupiers and investors given its proximity to the ports and ideal location between Orange County and Los Angeles. As demand stays strong, vacancy rates will remain low and rents will continue to increase. For investors, this market will continue to present significant barriers to entry, but will reward developers delivering modern, Class A buildings. E-commerce, logistics, food/beverage, apparel, and home décor industries are all looking for access to quality labor and proximity to the ports.

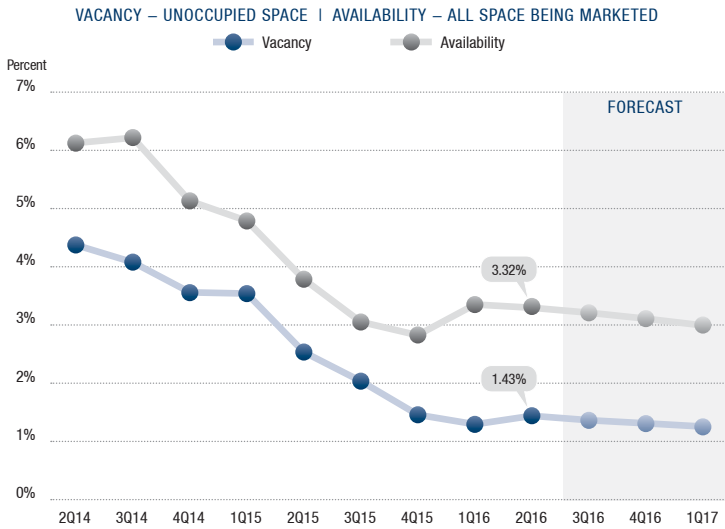
## FORECAST

- Construction** - New development will focus on large state-of-the-art distribution centers with easy access to LAX, and the World Ports of Los Angeles and Long Beach, resulting in cost-efficient drayage. Goodman Logistics Center is a three-building logistics distribution center totaling 1,220,040 square feet located in Santa Fe Springs, to begin construction in the third quarter 2016.
- Employment** - Los Angeles is starting the year with strong gains in Professional and Business Services, with 605,700 employed, and gained 12,700 new jobs (2.1%). Education and Health Services, which employs 772,300, gained a remarkable 36,200 new jobs (4.9%). Increases in these types of industries is what Los Angeles needs as it heads into the mid-point of 2016.
- 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.

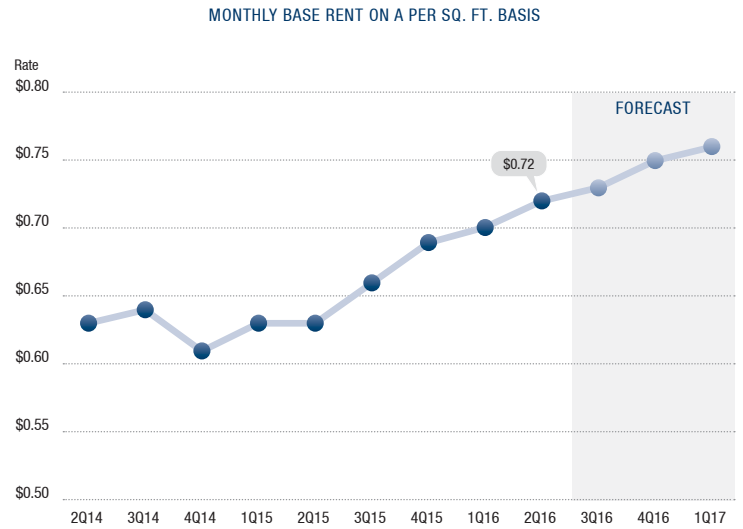
## OVERVIEW

	2Q16	1Q16	2Q15	% of Change vs. 2Q15
Total Vacancy Rate	1.43%	1.29%	2.52%	(43.25%)
Availability Rate	3.32%	3.35%	3.78%	(12.17%)
Average Asking Lease Rate	\$0.72	\$0.70	\$0.63	14.29%
Sale & Lease Transactions	1,441,989	1,535,424	4,539,452	(68.23%)
Gross Absorption	1,200,243	987,120	2,302,581	(47.87%)
Net Absorption	(94,777)	(426,842)	1,138,330	N/A

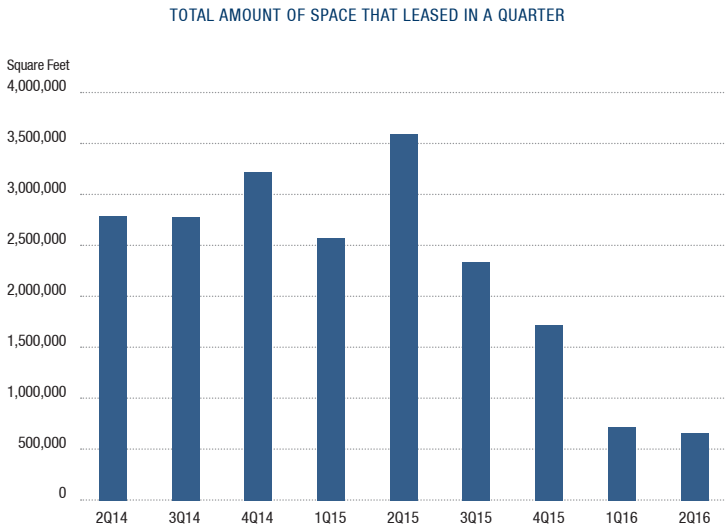
## VACANCY & AVAILABILITY RATE



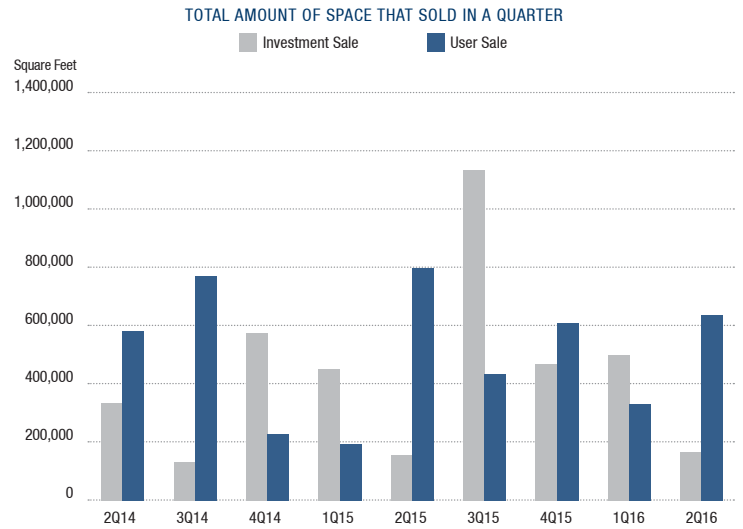
## AVERAGE ASKING INDUSTRIAL-GROSS LEASE RATE



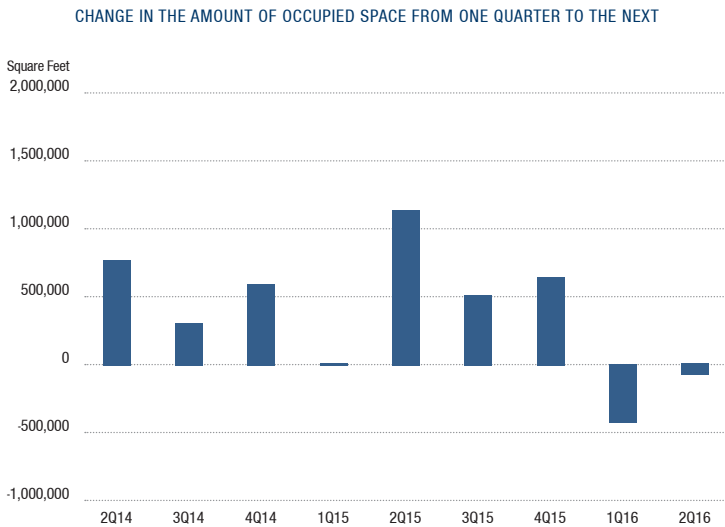
## LEASE TRANSACTIONS



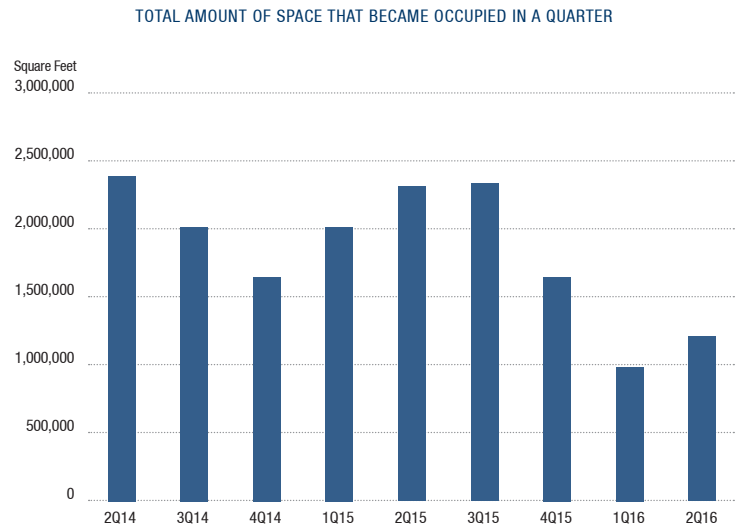
## SALES TRANSACTIONS



## NET ABSORPTION



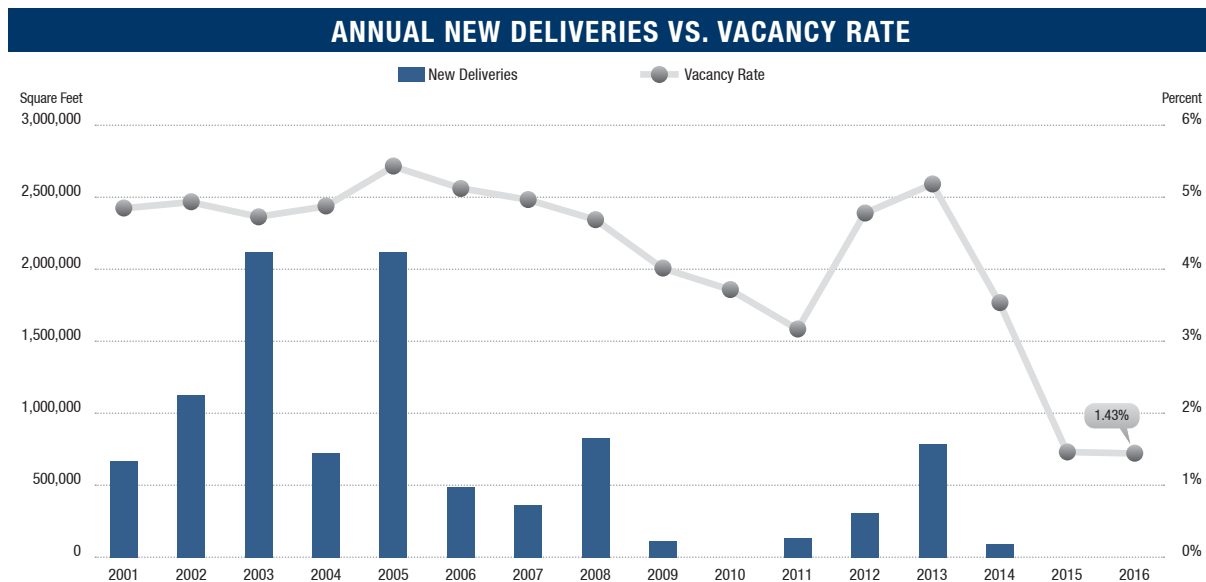
## GROSS ABSORPTION



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2016	Square Feet Available	Availability Rate 2Q2016	Average Asking Lease Rate	Net Absorption 2Q2016	Net Absorption 2016	Gross Absorption 2Q2016	Gross Absorption 2016
<b>Mid Counties</b>													
Artesia/Cerritos	276	13,086,126	0	0	294,985	2.25%	747,584	5.71%	\$0.64	54,437	190,753	170,260	363,742
Bellflower/Downey	192	5,575,145	0	0	89,676	1.61%	137,565	2.47%	\$1.01	(35,481)	(58,681)	37,545	54,023
Buena Park/La Palma	231	15,252,131	0	0	298,067	1.95%	350,211	2.30%	\$0.67	41,805	(34,952)	97,398	225,683
La Mirada	182	12,553,076	199,588	0	147,026	1.17%	535,074	4.26%	\$0.69	3,075	(274,851)	160,048	294,364
Norwalk	85	2,940,339	24,895	231,731	4,228	0.14%	11,457	0.39%	\$0.85	12,188	21,587	15,744	27,159
Paramount	370	8,692,403	0	0	49,831	0.57%	232,890	2.68%	\$0.75	24,913	27,205	69,433	84,905
Santa Fe Springs	1,322	50,928,786	63,458	1,412,924	632,201	1.24%	1,485,064	2.92%	\$0.76	(124,309)	(330,885)	634,338	1,102,626
Whittier	166	3,890,603	40,000	0	97,668	2.51%	245,538	6.31%	\$0.63	(71,405)	(61,795)	15,477	34,861
<b>Total</b>	<b>2,824</b>	<b>112,918,609</b>	<b>327,941</b>	<b>1,644,655</b>	<b>1,613,682</b>	<b>1.43%</b>	<b>3,745,383</b>	<b>3.32%</b>	<b>\$0.72</b>	<b>(94,777)</b>	<b>(521,619)</b>	<b>1,200,243</b>	<b>2,187,363</b>
<b>Mid Counties Total</b>	<b>2,824</b>	<b>112,918,609</b>	<b>327,941</b>	<b>1,644,655</b>	<b>1,613,682</b>	<b>1.43%</b>	<b>3,745,383</b>	<b>3.32%</b>	<b>\$0.72</b>	<b>(94,777)</b>	<b>(521,619)</b>	<b>1,200,243</b>	<b>2,187,363</b>

5,000-24,999	1,775	23,596,905	24,895	13,500	444,407	1.88%	839,343	3.56%	\$0.77	41,244	(57,767)	332,900	529,051
25,000-49,999	483	17,149,503	40,000	188,624	259,182	1.51%	561,397	3.27%	\$0.72	(63,086)	(137,084)	153,389	353,184
50,000-99,999	299	20,464,883	63,458	231,731	222,733	1.09%	642,777	3.14%	\$0.74	(54,081)	(1,524)	77,422	331,318
100,000-249,999	212	31,312,059	199,588	0	687,360	2.20%	1,448,666	4.63%	\$0.66	(18,854)	(387,244)	436,532	528,411
250,000-499,999	49	15,944,122	0	704,335	0	0.00%	253,200	1.59%	\$0.00	0	62,000	200,000	262,000
500,000 plus	6	4,451,137	0	506,465	0	0.00%	0	0.00%	\$0.00	0	0	0	183,399
<b>Mid Counties Total</b>	<b>2,824</b>	<b>112,918,609</b>	<b>327,941</b>	<b>1,644,655</b>	<b>1,613,682</b>	<b>1.43%</b>	<b>3,745,383</b>	<b>3.32%</b>	<b>\$0.72</b>	<b>(94,777)</b>	<b>(521,619)</b>	<b>1,200,243</b>	<b>2,187,363</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	Buyer	Seller
16420-16424 Valley View Ave.	La Mirada	136,508	\$18,000,000	Capital Food Company	ProLogis
12910 Mulberry Dr.	Whittier	153,080	\$14,900,000	Indio Products	Rexford Industrial
6530 Altura Blvd.	Buena Park	67,350	\$9,000,000	99 Ranch Market	Heitman
6655 Knott Ave.	Buena Park	39,348	\$6,500,000	Trio Pines U.S.A., Inc.	PLH Products, Inc.
6400 Regio Ave.	Buena Park	42,188	\$6,300,000	Dmp Regio, LLC	Dena Cerified Dairy, LLC

### Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
11500 Los Nietos Rd.	Santa Fe Springs	121,344	Jun-2016	Priority 1 Warehouse	Oltmans
15160 Spring Ave. – Expansion	Santa Fe Springs	78,128	Apr-2016	Perk-Up	Heitman
8350 Rex Rd. – Sublease	Pico Rivera	60,000	Jun-2016	Lola Shoetique	Unisources Solutions
15204 Spring Ave. – Renewal	Santa Fe Springs	52,000	May-2016	Kari-Out	Heitman
14043 Stage Rd.	Santa Fe Springs	34,985	May-2016	DH Global Logistics, LLC	IAC

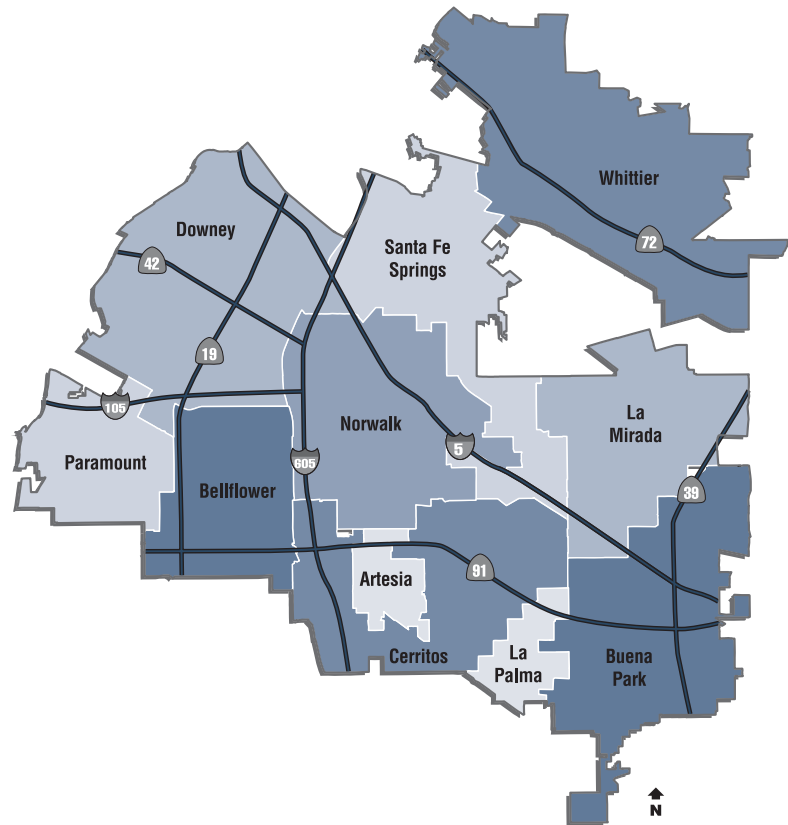
## PRODUCT TYPE

### MFG./DIST.

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