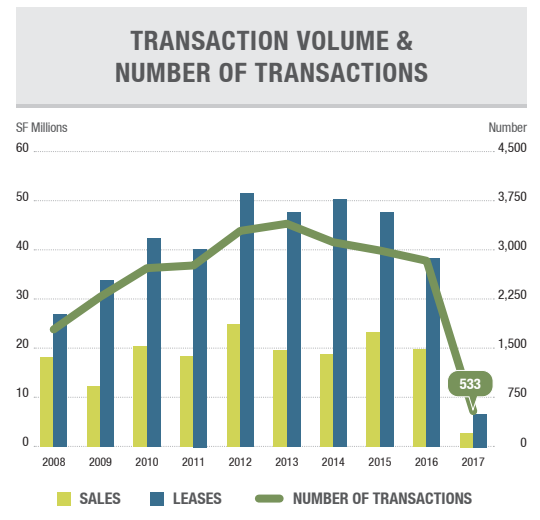
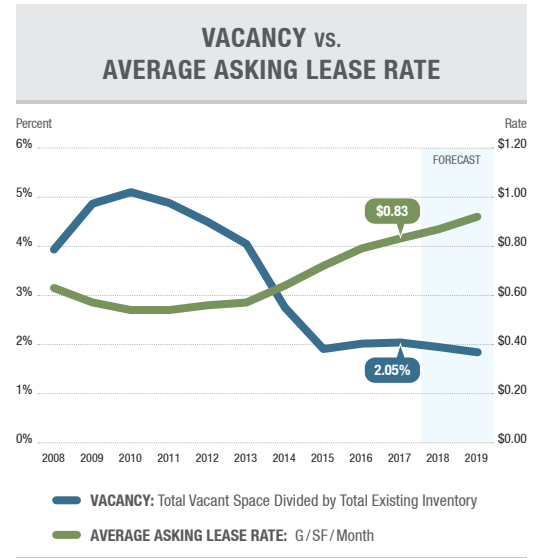


HEALTHY DEMAND. The greater Los Angeles industrial market remains one of the tightest and most highly sought after markets in the country given its proximity to the Ports of LA/Long Beach and direct access to nearly 10 million consumers within a 45-minute drive. With e-commerce emerging as the primary demand driver, companies like Best Buy, Amazon, Simplehuman and several supporting logistics/transportation firms made significant investments in their warehouse network in the greater Los Angeles market in the first quarter. Both gross and net absorption increased significantly as compared to the fourth quarter of 2016, up more than 31% (9.1 million square feet gross & approximately 1.3 million square feet net) sending lease rates up 5% over the previous quarter and nearly 14% over this time last year. Average asking lease rates are now at \$0.83 per square feet with newer, Class A buildings leasing in the high \$0.70's NNN, surpassing previous market highs.

VACANCY. Los Angeles' industrial market posted a slight uptick in vacancy this quarter due to the completion and delivery of more than 1.6 million square feet of new product. Currently the overall vacancy rate is at 2.05%, up slightly from 2.01% in the fourth quarter of 2016. Demand continues to outpace supply, while employment in the wholesale trade and transportation sectors added new jobs to the local economy.

LEASE RATES. The average asking lease rate came in at \$0.83 IG per square foot per month, a four cent per square foot increase from last quarter and a ten cent per square foot increase when compared with the \$0.73 from a year ago (a 13.7% annual increase). While averages are tough to rely on in LA given the disparity between Class A options and older, functionally obsolete properties, expect this trend of strong rent growth to continue. Class A rents for the South Bay on new projects (100,000 square feet plus) are now approaching the rarefied air of \$1.00 per square foot on a gross basis.

TRANSACTION ACTIVITY. Overall transaction activity (sales and leasing) was down for the first quarter as the lack of supply severely restricted transaction volume. In the first quarter 9.4 million square feet of total transactions (sale and lease) were recorded, down from just over 12.3 million in the fourth quarter of 2016. Following the 164,284 square foot lease with Amazon at the Magellan Gateway project in El Monte, other notable activity this quarter includes Best Buy's 479,310 square foot lease at Clarion's Brickyard project in Compton and Lincoln Transportation Services, Inc. leasing 158,357 square feet in Rancho Dominguez.



Market Statistics

	Change Over Last Quarter	1Q 2017	4Q 2016	1Q 2016	% Change Over Last Year
Vacancy Rate	▲ UP	2.05%	2.01%	2.10%	-2.38%
Availability Rate	▲ UP	4.08%	3.86%	4.22%	-3.32%
Average Asking Lease Rate	▲ UP	\$0.83	\$0.79	\$0.73	13.70%
Sale & Lease Transactions	▼ DOWN	9,447,245	12,346,969	13,182,402	-28.33%
Gross Absorption	▲ UP	9,145,378	7,112,811	6,962,510	31.35%
Net Absorption	▲ POSITIVE	1,282,539	352,233	(735,788)	N/A

LEASE RATES. Expect lease rates to continue to climb, with the largest gains in newer, Class A product. Asking rates are already past their previous 2007–2008 peak and we expect 3–5% annualized growth in the coming year.

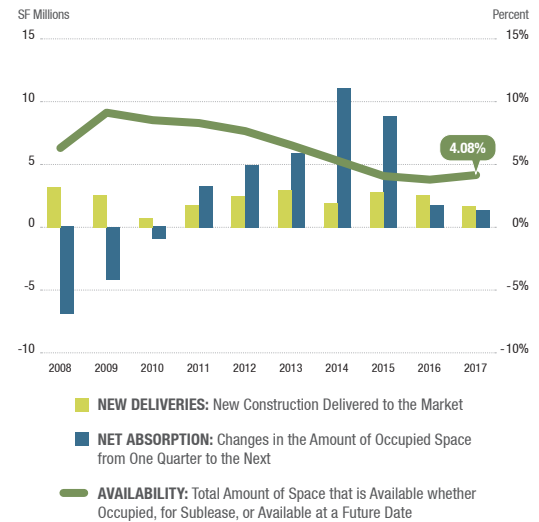
VACANCY. While hard to predict a drop in an already low 2.05% vacancy rate, we expect to see this figure dip below 2% by the end of 2017.

OVERALL. Demand drivers for industrial real estate are as strong as ever given the change in consumer buying patterns. As fundamentals stay healthy, expect absorption to stay positive for the foreseeable future. Rent growth and LA’s access to key population centers will continue to drive capital flows to the region as investors, both foreign and domestic, compete for value-add and ground-up development opportunities. The critical “last mile” for same-day delivery will be a competitive advantage for this market for the foreseeable future. Expect continued tenant demand across a diverse pool of occupiers as well as robust rent growth in the coming quarters.

CONSTRUCTION. Despite several barriers to entry for developers including increasing regulations, rising construction costs and record high land prices, the sharp increase in tenant demand has prompted more than 4.1 million square feet of new construction in the South Bay (Bridge Point South Bay; 512,490 square feet) and San Gabriel Valley (Arcadia Logistics Center; 680,000 square feet). Both projects feature modern features like 32’–36’ warehouse clearance, expanded truck courts (185’) and above standard office features.

ABSORPTION. The Los Angeles market saw positive net absorption for the fourth consecutive quarter after registering its first negative net absorption in the first quarter of 2016. Los Angeles added 1.3 million square feet of positive absorption during the first quarter for a total 3.68 million square feet of positive absorption over the past year.

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
9933 Beverly Blvd.	Pico Rivera	69,354	\$30,750,000	Realterm US, Inc.	ICO Development, LLC
15000 Nelson Ave.	City of Industry	125,494	\$18,880,000	Melko Logistics	The Carlyle Group
18554 S. Susana Rd.	Rancho Dominguez	104,339	\$12,000,000	Industrial Property Trust	M. T. Ahmadinia Oroumi Family
601 Vincent Ave.	Azusa	92,379	\$9,150,000	Crow Holdings	Terra Enterprises, Inc.
4000 Medford St.	Los Angeles	62,700	\$9,000,000	4000 Medford, LLC	Melanie Machine Company

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
2211–2241 E. Carson St.	Carson	270,764	Feb-2017	Yusen Logistics	Prologis
20943 S. Marciel Ave.	Carson	176,031	Feb-2017	Capitol Logistics	Robert A. Curry
4187 Temple City Blvd.	El Monte	164,284	Jan-2017	Amazon	Jans Investment & Management, LLC
2626 E. Vista Industrial	Compton	163,499	Jan-2017	CNR International, Inc.	Prologis
19600 S. Alameda St.	Rancho Dominguez	158,357	Jan-2017	Lincoln Transportation Services, Inc.	Black Equities Group, Ltd.

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2017	Square Feet Available	Availability Rate 1Q2017	Average Asking Lease Rate	Net Absorption 1Q2017	Net Absorption 2017	Gross Absorption 1Q2017	Gross Absorption 2017
Central													
Bell/Bell Gardens/Maywood	193	6,907,476	0	0	96,655	1.40%	237,374	3.44%	\$0.69	54,967	54,967	93,045	93,045
City of Commerce	728	45,248,339	0	172,119	741,729	1.64%	1,564,890	3.46%	\$0.70	(204,841)	(204,841)	423,194	423,194
Huntington Park/Cudahy	194	4,590,367	0	0	99,650	2.17%	303,666	6.62%	\$0.62	3,020	3,020	43,020	43,020
Downtown	5,159	132,768,313	0	0	3,536,534	2.66%	6,278,135	4.73%	\$0.90	220,278	220,278	1,398,254	1,398,254
Montebello/Monterey Park	305	11,623,606	0	0	178,310	1.53%	272,106	2.34%	\$0.71	(7,906)	(7,906)	88,828	88,828
Pico Rivera	200	10,195,625	0	62,211	122,129	1.20%	263,842	2.59%	\$0.69	(16,972)	(16,972)	95,507	95,507
South Gate	227	10,281,005	0	116,425	78,008	0.76%	86,133	0.84%	\$1.20	9,036	9,036	12,636	12,636
Vernon	743	40,340,005	416,993	0	1,095,270	2.72%	3,348,422	8.30%	\$0.58	(185,082)	(185,082)	245,228	245,228
Total	7,749	261,954,736	416,993	350,755	5,948,285	2.27%	12,354,568	4.72%	\$0.75	(127,500)	(127,500)	2,399,712	2,399,712
Mid Counties													
Artesia/Cerritos	277	13,158,315	0	0	293,747	2.23%	381,604	2.90%	\$0.70	24,044	24,044	177,571	177,571
Bellflower/Downey	190	5,499,147	0	0	71,758	1.30%	87,792	1.60%	\$0.00	(14,386)	(14,386)	28,539	28,539
Buena Park/La Palma	230	15,104,997	0	0	94,000	0.62%	764,155	5.06%	\$0.84	(68,743)	(68,743)	21,767	21,767
La Mirada	182	12,543,977	0	0	657,076	5.24%	1,064,376	8.49%	\$0.69	(196,628)	(196,628)	71,487	71,487
Norwalk	86	2,941,687	0	0	41,581	1.41%	157,270	5.35%	\$0.00	0	0	0	0
Paramount	372	8,712,252	0	0	28,821	0.33%	159,437	1.83%	\$0.77	57,512	57,512	88,133	88,133
Santa Fe Springs	1,323	50,947,554	635,366	887,025	664,153	1.30%	1,625,393	3.19%	\$0.81	251,445	251,445	457,788	457,788
Whittier	166	3,929,395	0	0	30,089	0.77%	74,264	1.89%	\$0.67	59,402	59,402	87,859	87,859
Total	2,826	112,837,324	635,366	887,025	1,881,225	1.67%	4,314,291	3.82%	\$0.77	112,646	112,646	933,144	933,144
San Gabriel Valley													
Alhambra	113	2,242,833	0	0	2,784	0.12%	35,339	1.58%	\$0.00	(2,784)	(2,784)	3,750	3,750
Arcadia/Temple City	135	1,998,151	679,851	0	48,941	2.45%	38,043	1.90%	\$0.90	(26,641)	(26,641)	23,000	23,000
Azusa	226	5,296,986	0	0	72,041	1.36%	162,138	3.06%	\$0.82	(11,995)	(11,995)	33,758	33,758
Baldwin Park	235	4,429,936	0	0	110,390	2.49%	195,314	4.41%	\$0.98	(44,336)	(44,336)	52,429	52,429
City of Industry/DB/HH/RH	1,080	70,728,297	464,550	331,210	1,642,174	2.32%	2,811,271	3.97%	\$0.87	(71,630)	(71,630)	1,398,369	1,398,369
Covina/West Covina	169	3,028,756	0	0	189,842	6.27%	275,442	9.09%	\$0.87	(62,271)	(62,271)	15,000	15,000
Duarte	71	1,766,002	0	0	60,442	3.42%	119,002	6.74%	\$0.70	(58,167)	(58,167)	8,365	8,365
El Monte	301	8,548,023	0	0	730,584	8.55%	543,467	6.36%	\$0.82	2,851	2,851	71,699	71,699
Irwindale	253	10,911,688	195,130	287,830	187,634	1.72%	185,355	1.70%	\$0.94	1,697	1,697	18,714	18,714
La Puente	96	2,225,022	0	0	56,104	2.52%	56,104	2.52%	\$0.88	21,940	21,940	26,240	26,240
La Verne/San Dimas/Glendora	310	6,599,224	0	0	108,581	1.65%	154,644	2.34%	\$0.85	(11,323)	(11,323)	19,083	19,083
Monrovia	200	3,269,304	0	0	30,221	0.92%	83,155	2.54%	\$0.81	16,000	16,000	20,367	20,367
Pomona/Claremont	654	19,591,636	433,493	0	196,433	1.00%	674,601	3.44%	\$0.67	380,641	380,641	659,059	659,059
Rosemead/San Gabriel	113	2,175,430	0	0	7,196	0.33%	46,545	2.14%	\$0.00	504	504	7,700	7,700
South El Monte	763	10,278,725	0	0	105,929	1.03%	155,653	1.51%	\$0.81	(21,771)	(21,771)	125,520	125,520
Walnut	198	6,525,810	0	37,648	110,290	1.69%	124,444	1.91%	\$0.98	35,158	35,158	186,945	186,945
Total	4,917	159,615,823	1,773,024	656,688	3,659,586	2.29%	5,660,517	3.55%	\$0.84	147,873	147,873	2,669,998	2,669,998
South Bay													
Carson	503	34,386,342	0	268,059	390,566	1.14%	1,385,251	4.03%	\$0.88	39,466	39,466	508,976	508,976
Compton	453	24,531,612	136,685	0	919,249	3.75%	1,193,565	4.87%	\$0.74	495,306	495,306	790,782	790,782
El Segundo	187	9,699,486	0	101,874	184,627	1.90%	937,958	9.67%	\$0.00	(19,260)	(19,260)	22,500	22,500
Gardena	1,160	27,791,960	141,722	0	539,905	1.94%	635,910	2.29%	\$0.85	257,382	257,382	419,693	419,693
Harbor City	82	1,660,177	0	0	51,112	3.08%	30,712	1.85%	\$0.00	26,329	26,329	49,841	49,841
Hawthorne	233	8,049,946	0	0	44,696	0.56%	102,725	1.28%	\$0.97	(13,276)	(13,276)	77,697	77,697
Inglewood	233	4,723,876	0	0	117,535	2.49%	200,966	4.25%	\$1.25	(1,846)	(1,846)	37,534	37,534
Lakewood/Hawaiian Gardens	23	539,614	0	0	0	0.00%	0	0.00%	\$0.00	0	0	1,596	1,596
Lawndale	27	237,799	0	0	0	0.00%	7,320	3.08%	\$0.00	0	0	0	0
Long Beach/Terminal Island	717	20,201,965	470,650	990,727	228,694	1.13%	639,704	3.17%	\$0.78	265,534	265,534	463,347	463,347
Lynwood	88	4,118,052	201,027	0	59,089	1.43%	83,433	2.03%	\$0.83	15,102	15,102	51,367	51,367
Rancho Dominguez	241	14,963,186	15,194	110,500	264,031	1.76%	164,526	1.10%	\$0.00	(29,121)	(29,121)	369,113	369,113
Redondo & Hermosa Beach	39	1,873,457	0	0	7,261	0.39%	49,782	2.66%	\$0.00	67,603	67,603	74,164	74,164
San Pedro	40	2,726,905	0	0	8,942	0.33%	28,654	1.05%	\$1.00	100	100	2,400	2,400
Signal Hill	191	3,408,157	0	0	54,157	1.59%	166,431	4.88%	\$1.08	2,550	2,550	23,820	23,820
Torrance	595	25,709,288	512,490	0	456,436	1.78%	1,517,331	5.90%	\$0.77	43,651	43,651	249,694	249,694
Wilmington	135	3,081,374	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Total	4,947	187,703,196	1,477,768	1,471,160	3,326,300	1.77%	7,144,268	3.81%	\$0.87	1,149,520	1,149,520	3,142,524	3,142,524
Los Angeles Total	20,439	722,111,079	4,303,151	3,365,628	14,815,396	2.05%	29,473,644	4.08%	\$0.83	1,282,539	1,282,539	9,145,378	9,145,378
5,000-24,999	13,411	163,941,626	15,194	19,126	3,134,543	1.91%	6,222,297	3.80%	\$1.01	(29,199)	(29,199)	1,757,547	1,757,547
25,000-49,999	3,535	122,464,607	397,637	223,119	2,423,946	1.98%	4,347,156	3.55%	\$0.79	214,596	214,596	1,535,348	1,535,348
50,000-99,999	1,983	134,477,095	486,532	610,381	2,919,069	2.17%	5,589,182	4.16%	\$0.70	(496,273)	(496,273)	1,186,890	1,186,890
100,000-249,999	1,214	179,015,388	1,729,031	1,186,047	4,708,803	2.63%	8,023,670	4.48%	\$0.73	599,364	599,364	3,599,975	3,599,975
250,000-499,999	241	77,647,701	1,162,267	295,490	1,542,510	1.99%	3,563,528	4.59%	\$0.62	324,723	324,723	396,290	396,290
500,000 plus	55	44,564,662	512,490	1,031,465	86,525	0.19%	1,727,811	3.88%	\$0.53	669,328	669,328	669,328	669,328
Los Angeles Total	20,439	722,111,079	4,303,151	3,365,628	14,815,396	2.05%	29,473,644	4.08%	\$0.83	1,282,539	1,282,539	9,145,378	9,145,378

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



Legislative Measures in Carson to Further Impact Logistics & Transportation Firms

by **Ian Britton**

MANAGING DIRECTOR, ANAHEIM / ONTARIO / LOS ANGELES

Just when we thought it couldn't be any more difficult for distribution and logistics firms in the South Bay to locate expansion space in a 2% vacant market near the Ports of LA/Long Beach, a new legislative hurdle has now been put in place to slow activity.

On March 21st the City of Carson, with an industrial base of roughly 34 million square feet, unanimously approved a 45-day moratorium on the development, expansion or modification of warehouses and other logistics facilities which would include any "warehouse for storage and transportation of goods, distribution facilities, logistics services such as material handling, production, packaging, inventory, transportation, storage, freight forwarding, truck terminals, truck yards, cargo container yards, etc." For additional insight and detail on the moratorium, we would invite you to log onto the City of Carson website at <http://ci.carson.ca.us/CommunityDevelopment/Planning.aspx>.

To make matters even more challenging, the moratorium limits a new tenant to a three-year lease term, with no renewal. Terms beyond three years would require City Council approval, which could take 90 days. While there are some exceptions and exemptions, most are tied to the developer or tenant agreeing to participate in a "Community Financing District" or similar development agreement set up to pay for infrastructure improvements like road maintenance, lighting, public safety and storm water management.

The City of Carson is claiming that this window of time gives them the opportunity to reevaluate a rather outdated General Plan and provides them the time to "address the impacts of truck yards, logistics facilities, hazardous facilities, and container storage moving forward." Many owners of industrial properties (Watson Land, Carson Co., etc.) are understandably opposing this measure fearing that it could substantially deter new businesses from entering the region while driving out existing tenants. Hurdles like these accompanied by excessive fees could make this highly sought after region much less desirable.

The messaging associated with this moratorium seems mixed at best. Some are saying it is being put in place to better protect residents and limit future truck traffic, pollution, vibration and noise, while others seem more motivated to make sure the logistics sector is "paying their fair share of taxes and fees." There is already an uprising of legal opposition to this moratorium claiming that it is not legally justified and even unconstitutional, but we fear that this may become a reality in neighboring cities as well. With cities like Carson already facing a budget deficit in 2017-18, they are doing all they can to generate needed revenue to improve a dated infrastructure. Many cities also fear that the e-commerce and logistics sectors are becoming more automated and will ultimately create fewer jobs in the coming years. As a tenant, this is all the more reason to plan ahead and align yourself with a knowledgeable real estate partner who can expand your search criteria and help you make an informed decision.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a industrial-gross 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.

Product Type

MFG./DIST.

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

Submarkets

CENTRAL

Bell / Bell Gardens / Maywood, City of Commerce, Huntington Park / Cudahy, Downtown, Montebello / Monterey Park, Pico Rivera, South Gate, Vernon

MID COUNTIES

Artesia / Cerritos, Bellflower / Downey, Buena Park / La Palma, La Mirada, Norwalk, Paramount, Santa Fe Springs, Whittier

SAN GABRIEL VALLEY

Alhambra, Arcadia / Temple City, Azusa, Baldwin Park, City of Industry / DB / HH / RH, Covina / West Covina, Duarte, El Monte, Irwindale, La Puente, La Verne / San Dimas / Glendora, Monrovia, Pomona / Claremont, Rosemead / San Gabriel, South El Monte, Walnut

SOUTH BAY

Carson, Compton, El Segundo, Gardena, Harbor City, Hawthorne, Inglewood, Lakewood / Hawaiian Gardens, Lawndale, Long Beach / Terminal Island, Lynwood, Rancho Dominguez, Redondo & Hermosa Beach, San Pedro, Signal Hill, Torrance, Wilmington