MC1Q17

FIRST QUARTER 2017 MARKET REPORT

MID COUNTIES INDUSTRIAL

Voit REAL ESTATE SERVICES

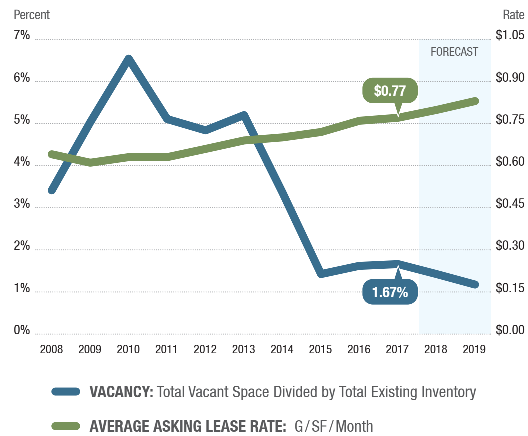
DEMAND ACROSS ALL SIZE RANGES. The Mid Counties industrial market remains tight (sub 2% vacancy) with demand continuing to outpace supply in the first quarter. Lease rates continue to climb, up 10% on average as compared with this time last year. This submarket saw more leasing volume with spaces smaller than 50,000 square feet this quarter, compared with the tendency for transactions above 100,000 square feet in the fourth quarter of 2016. With an overall shortage of larger buildings, local companies are being forced to look at smaller buildings in the immediate area to accommodate their expansion requirements. Approximately 150,000 square feet of new product was delivered in the first quarter of 2017 by Bridge Development (offering buildings for sale), with nearly 1.1 million more under construction (Duke Realty & Goodman) on a leased basis coming later this year.

VACANCY. Mid Counties industrial market posted a slight uptick in vacancy this quarter due to the addition of 303,046 square feet of new construction coming on line over the past three quarters. The current vacancy rate is 1.67%, up slightly from the 1.60% in the fourth quarter of 2016. Demand to purchase and lease industrial space continues to be high due to strong volume at the nearby Ports of LA / Long Beach, combined with job increases in both the manufacturing and transportation fields, with 2,100 jobs added from the first quarter of 2016 to present.

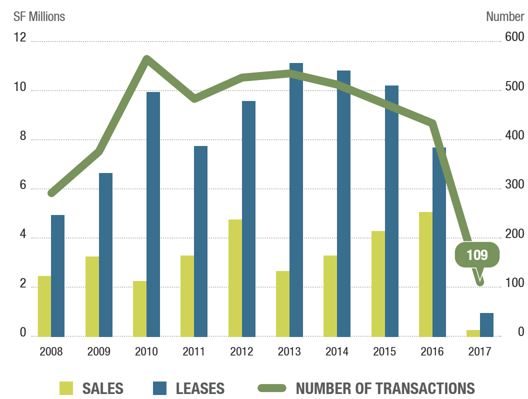
LEASE RATES. The average asking lease rate came in at $0.77 IG per square foot per month, a one cent per square foot increase from last quarter and a seven cent per square foot increase when compared with the $0.70 from a year ago (a 10% annual increase). Demand from a diverse tenant base in the logistics, apparel, e-commerce and food / beverage sectors will continue to apply upward pressure on lease rates. Lease rates for quality buildings in Mid Counties now mirror North Orange County as these two submarkets experience significant crossover from active tenants given the overall shortage of inventory.

TRANSACTION ACTIVITY. Even though tenant activity remains strong and the market is showing no signs of cooling off, the shortage of quality supply is continuing to negatively impact transaction volume. Overall transaction activity (sales and leasing) was down for the first quarter, as 1.17 million square feet of total transactions were recorded, down from 3.39 million in the fourth quarter of 2016. Noteworthy leases for the first quarter included a 76,500 square foot lease with Prompt Apparel at 15912 Valley View in La Mirada, Captek Softgel International leasing 53,500 square feet in La Mirada and Del Valle Kahman & Co. leasing 34,292 square feet in Buena Park. The largest sale this quarter was CenterPoint Properties purchasing the former J.C. Penny distribution facility (1,084,963 square feet) in Buena Park for $131 million ($121 per square foot).

VACANCY vs. AVERAGE ASKING LEASE RATE



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

	Change Over Last Quarter	1Q 2017	4Q 2016	1Q 2016	% Change Over Last Year
Vacancy Rate	▲ UP	1.67%	1.60%	1.55%	7.74%
Availability Rate	▲ UP	3.82%	3.11%	3.27%	16.82%
Average Asking Lease Rate	▲ UP	$0.77	$0.76	$0.70	10.00%
Sale & Lease Transactions	▼ DOWN	1,173,424	3,395,301	3,273,095	–64.15%
Gross Absorption	▼ DOWN	933,144	1,007,300	987,120	–5.47%
Net Absorption	▲ POSITIVE	112,646	(282,367)	(393,285)	N/A

Forecast

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 1.67% vacancy rate, we expect to see this figure dip below 1.50% by the end of 2017.

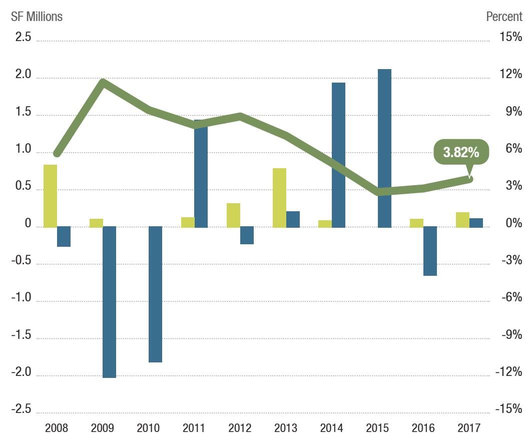
OVERALL. This market's sound fundamentals and "gateway location" between Los Angeles and Orange County combine to make it a primary target for investment capital, both foreign and domestic. Demand from today's sophisticated and evolving tenant base seeking functional, modern industrial space will absorb the pending projects as they are delivered, placing upward pressure on rates for the balance of 2017.

CONSTRUCTION. While there are significant barriers to entry for developers of new product in this market, the Mid Counties region now has more than 1.1 million square feet of industrial space under construction, most of it in the City of Santa Fe Springs. Goodman Logistics Center is a phased project totaling 1.2 million square feet and Duke Realty has a 400,000 square foot spec project on Trojan Way. Both projects are experiencing a high level of interest from tenants, largely Fortune 500 companies, seeking modern features like 36' minimum warehouse clearance and 185' truck courts.

AVAILABILITY. The availability rate inched up from 3.11% in the fourth quarter of 2016 to 3.82% this quarter as a few larger tenants proactively placed their properties on the market for sublease as they target larger, expansion opportunities.

ABSORPTION. The Mid Counties market saw positive net absorption for the quarter after registering its first quarter of negative net absorption, in the fourth quarter of 2016, in more than two years. Net absorption for the Mid Counties industrial market was positive 112,646 square feet in the first quarter of 2017 compared to a negative 282,367 square feet in the fourth quarter of 2016. The Santa Fe Springs submarket was the big gainer in the first quarter, with 251,445 square feet of positive absorption.

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



NEW DELIVERIES: New Construction Delivered to the Market

NET ABSORPTION: Changes in the Amount of Occupied Space from One Quarter to the Next

AVAILABILITY: Total Amount of Space that is Available whether Occupied, for Sublease, or Available at a Future Date

	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
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
Mid Counties 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**
5,000-24,999	1,774	23,600,910	0	19,126	385,254	1.63%	590,533	2.50%	$0.80	89,623	89,623	367,072	367,072
25,000-49,999	483	17,171,111	0	65,944	323,605	1.88%	332,430	1.94%	$0.89	(17,095)	(17,095)	251,041	251,041
50,000-99,999	303	20,709,707	231,731	0	118,718	0.57%	657,577	3.18%	$0.75	31,822	31,822	102,153	102,153
100,000-249,999	211	31,070,512	0	0	997,488	3.21%	1,809,213	5.82%	$0.75	8,296	8,296	212,878	212,878
250,000-499,999	49	15,833,947	403,635	295,490	56,160	0.35%	924,538	5.84%	$0.00	0	0	0	0
500,000 plus	6	4,451,137	0	506,465	0	0.00%	0	0.00%	$0.00	0	0	0	0
Mid Counties 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**

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

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
6800 Valley View St.	Buena Park	1,084,963	$131,300,000	CenterPoint	J.C. Penny Properties, Inc.
12450 Whittier Blvd.	Whittier	38,400	$4,032,000	Fred R. Rippy	Rivera Primo Investments, LLC
12111 Park St.	Cerritos	17,922	$2,850,000	CY Flooring	Hyonyung Choi
9041 Imperial Hwy.	Downey	13,405	$2,000,000	Downey Partners, LLC	G & R Property, LLC
12449 Putnam St.	Whittier	16,800	$1,920,000	1515 West, LLC	Putnam Associates

Leases

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
15910–15912 Valley View Ave.	La Mirada	76,500	Jan-2017	Prompt Apparel	TA Realty
14535 Industry Cir.	La Mirada	53,500	Feb-2017	Captek Softgel International	14535 Industry Circle, LLC
17301–17311 Edwards Rd.	Cerritos	50,423	Jan-2017	DJI Services	Rettan Corp.
10810–10904 Painter Ave.	Santa Fe Springs	39,000	Feb-2017	Fresemins USA	DCT
14381 Industry Cir. – Renewal	La Mirada	17,034	Mar-2017	AM WAX, Inc.	Voit VIC Partners *

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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.

Product Type

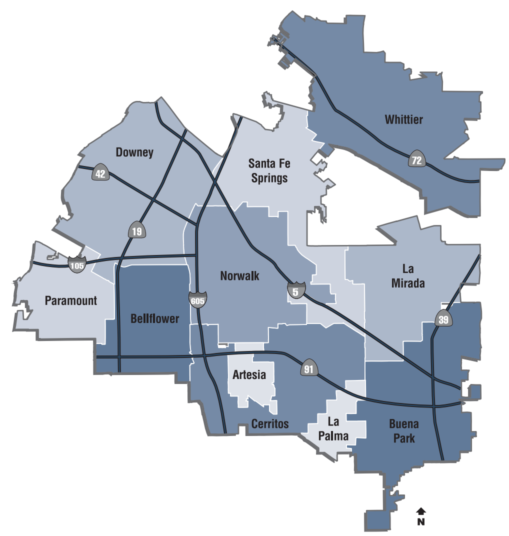
MFG./DIST.

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

Submarkets

MID COUNTIES

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



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