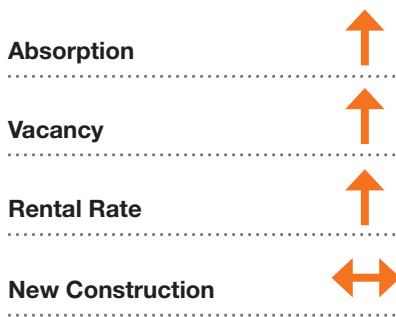


# Los Angeles Industrial

## Market Forecast

Trends



### Notable 2016 Lease Transactions

**Sony Electronics**  
2201 E Carson Street, Carson  
521,856 s.f. Renewal

**UPS**  
1430 S McKinley Avenue, Compton  
521,816 s.f.

**4PX Express**  
5510 Grace Place, Commerce  
361,435 s.f.

### Notable 2016 Sale Transactions

**Goodman Bircher**  
Vons/Albertsons Distribution Centers  
2 Properties – 2,200,000 s.f.

**Harridge Development Group**  
2000 E 8th Street  
658,000 s.f. Redevelopment

**Hackman Capital Partners**  
202 Homet Way, El Segundo  
3 Properties – 540,000 s.f.

The Los Angeles industrial market continued to improve in 2016, as pricing continued to trend upward. Vacancy remains at historically low levels, and the amount of available space has decreased by 4.9% in the past year. The lack of product available for lease and sale in some size ranges (particularly below 100,000 square feet) is driving prices upward and limiting transaction volume. We expect moderate increases in leasing and sales activity in the coming year, as job creation stays strong. Moving into 2017, we anticipate further absorption gains and rising occupancy costs, and with few deliveries in the pipeline to apply upward pressure on vacancy, we foresee 2017 being another year of growth.

Net absorption, a measure of market strength, was positive 676,991 square feet in the fourth quarter of 2016, giving Los Angeles a total of over 1.9 million square feet of positive absorption for the year. 2015 had a total of 8.75 million square feet of positive absorption. This slowdown in absorption can be explained by the lack of available space. The South Bay submarket added 1.5 million square feet of occupied space in 2016, which accounted for the largest amount of positive absorption in the county.

Leasing activity was down in 2016 due to the lack of available space. The nearly 30 million square feet that came off the market in 2016 represents a decrease of 37.8% when compared to 2015. With minimal new construction in the pipeline, and with industrial product disappearing in Los Angeles to make way for residential and creative office developments, vacancies will remain low.

The Los Angeles industrial market vacancy rate ticked up a bit from the rate of 1.9% to 2.1% during 2016, which equates to 15.5 million square feet of vacant industrial space countywide. This is up from the 14 million square feet that was vacant a year ago, an increase of 10.5%. We foresee the vacancy rate remaining at this 2% level for the near future.

The average asking rental rate at the end of 2016 was \$0.79 per square foot on a triple net basis per month. This asking rate is up \$0.08 from the end of 2015, an 11.3%

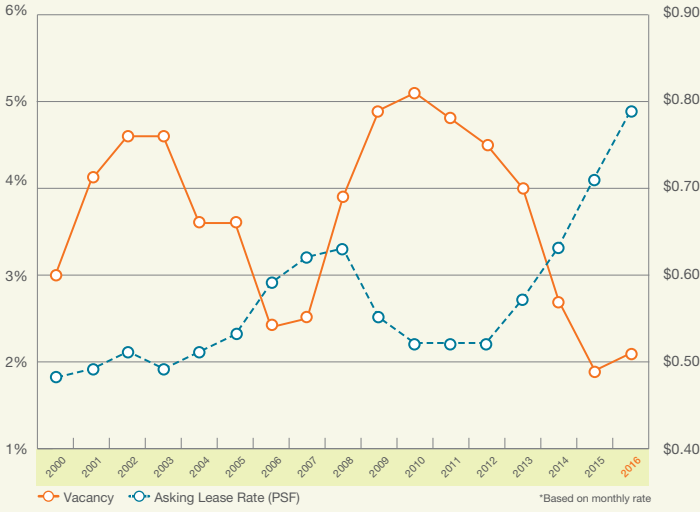
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# Area Review

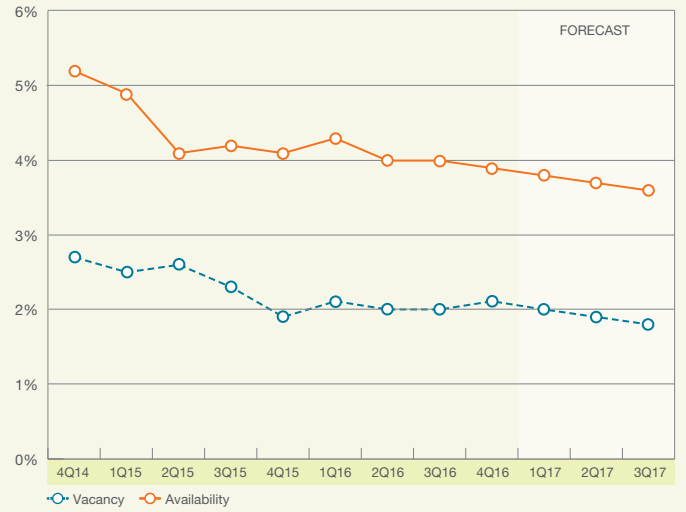
## Submarket Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	QTR Direct Net Absorption	YTD Direct Net Absorption	QTR Total Leasing Activity	YTD Total Leasing Activity	Average NNN Rental Rate
Bell/Bell Gardens/Maywood	7,044,789	2.8%	0.3%	3.1%	66,039	101,039	27,125	390,668	\$0.56
Commerce	45,338,335	1.1%	0.0%	1.1%	377,726	626,597	263,561	2,672,390	\$0.59
Huntington Park/Cudahy	4,767,813	2.5%	0.0%	2.5%	20,883	3,855	3,300	139,540	\$0.93
Downtown	138,387,271	2.9%	0.1%	3.0%	11,605	(503,279)	830,117	4,977,546	\$1.21
Montebello/Monterey Park	11,772,265	2.5%	0.0%	2.5%	16,336	(37,243)	32,348	426,696	\$0.75
Pico Rivera	10,222,788	1.1%	0.0%	1.1%	(57)	(18,586)	63,779	360,623	\$0.53
South Gate	10,390,415	1.1%	0.0%	1.1%	38,992	(53,764)	9,036	120,319	\$0.43
Vernon	39,820,688	2.1%	0.2%	2.3%	287,027	437,532	265,723	2,125,644	\$0.68
<b>Central</b>	<b>267,744,364</b>	<b>2.3%</b>	<b>0.1%</b>	<b>2.4%</b>	<b>818,551</b>	<b>556,151</b>	<b>1,494,989</b>	<b>11,213,426</b>	<b>\$0.87</b>
Artesia/Cerritos	13,165,924	2.5%	0.0%	2.5%	(8,292)	117,747	250,718	1,035,726	\$0.70
Bellflower/Downey	5,748,306	1.0%	0.0%	1.0%	17,610	(22,377)	38,917	164,653	\$0.68
Buena Park/La Palma	15,207,137	0.1%	0.1%	0.2%	113,495	236,689	18,907	200,564	\$0.71
La Mirada	12,358,965	1.1%	0.0%	1.1%	(59,851)	(36,500)	42,275	522,268	\$0.64
Norwalk	3,003,001	1.5%	0.0%	1.5%	(8,759)	(20,542)	2,115	49,096	\$0.74
Paramount	8,924,807	1.0%	0.0%	1.0%	(43,653)	(8,797)	67,520	216,201	\$0.82
Santa Fe Springs	51,404,432	1.6%	0.2%	1.8%	(212,740)	(477,852)	423,579	1,760,124	\$0.62
Whittier	4,206,578	2.3%	0.0%	2.3%	40,592	(17,634)	15,950	265,201	\$0.00
<b>Mid-Cities</b>	<b>114,019,150</b>	<b>1.4%</b>	<b>0.1%</b>	<b>1.5%</b>	<b>(161,598)</b>	<b>(229,266)</b>	<b>859,981</b>	<b>4,213,833</b>	<b>\$0.65</b>
Alhambra	2,384,561	0.0%	0.0%	0.0%	0	31,355	0	69,676	\$0.00
Arcadia/Temple City	2,102,120	1.7%	0.0%	1.7%	25,311	27,319	12,550	48,191	\$0.70
Azusa	5,448,440	1.1%	0.0%	1.1%	73,777	6,776	30,700	152,963	\$0.55
Baldwin Park	4,634,868	1.4%	0.0%	1.4%	(45,679)	(22,201)	37,637	85,758	\$0.00
City of Industry/DB/HH/RH	70,558,223	2.3%	0.1%	2.4%	(189,058)	(554,386)	388,099	3,110,279	\$0.66
Covina/West Covina	3,155,741	1.8%	2.4%	4.2%	(77,937)	(39,905)	5,500	97,738	\$0.75
Duarte	1,777,004	0.1%	0.0%	0.1%	3,157	3,807	8,511	46,350	\$0.00
El Monte	8,798,695	8.4%	0.0%	8.4%	81,764	319,970	30,310	221,281	\$0.65
Irwindale	10,965,463	1.3%	0.4%	1.7%	35,913	108,326	335,449	680,009	\$0.87
La Puente	2,295,492	0.8%	2.6%	3.4%	(51,343)	165,744	19,379	268,172	\$1.51
La Verne/San Dimas/Glendora	6,718,822	2.0%	0.1%	2.1%	(29,896)	47,988	22,020	137,083	\$1.00
Monrovia	3,486,239	1.5%	0.0%	1.5%	8,347	62,438	4,800	149,728	\$0.89
Pomona/Clairemont	19,874,603	2.2%	0.8%	3.0%	(117,818)	(22,548)	225,720	818,744	\$0.53
Rosemead/San Gabriel	2,324,084	0.6%	0.0%	0.6%	(2,690)	2,674	0	29,581	\$0.99
South El Monte	11,172,531	0.8%	0.0%	0.8%	(17,732)	30,916	110,675	338,679	\$1.01
Walnut	6,860,996	1.5%	0.0%	1.5%	2,344	(39,163)	41,718	189,627	\$1.19
<b>San Gabriel Valley</b>	<b>162,557,882</b>	<b>2.1%</b>	<b>0.3%</b>	<b>2.4%</b>	<b>(301,540)</b>	<b>129,110</b>	<b>1,273,068</b>	<b>6,443,859</b>	<b>\$0.72</b>
Carson	34,481,409	1.0%	0.3%	1.3%	(26,962)	77,038	141,099	1,989,392	\$0.69
Compton	24,707,560	3.5%	0.1%	3.6%	465,152	1,092,722	5,000	1,489,083	\$0.65
El Segundo	9,974,003	1.7%	0.0%	1.7%	(52,162)	(92,882)	149,500	209,078	\$1.42
Gardena	28,394,419	2.1%	0.0%	2.1%	4,831	21,957	113,945	946,903	\$0.96
Harbor City	1,725,532	4.5%	0.0%	4.5%	(5,910)	25,130	32,250	148,657	\$0.75
Hawthorne	8,208,946	0.4%	0.0%	0.4%	1,160	235,732	0	581,159	\$0.80
Inglewood	4,949,028	1.6%	0.8%	2.4%	1,381	(54,856)	18,688	146,039	\$1.13
Lakewood/Hawaiian Gardens	552,494	3.0%	0.0%	3.0%	0	6,282	0	14,355	\$1.00
Lawndale	271,805	0.0%	0.0%	0.0%	0	7,436	0	17,722	\$1.10
Long Beach/Terminal Island	20,854,772	1.2%	0.1%	1.3%	(74,738)	(19,944)	128,757	281,516	\$0.87
Lynwood	4,227,531	1.8%	0.0%	1.8%	(3,324)	(72,603)	0	48,231	\$0.00
Rancho Dominguez	14,964,416	1.4%	0.0%	1.4%	103,711	54,956	295,585	716,333	\$0.67
Redondo/Hermosa Beach	1,901,856	3.0%	0.0%	3.0%	(1,050)	(74,864)	3,804	7,252	\$1.11
San Pedro	2,807,485	0.4%	0.0%	0.4%	(10,000)	5,380	4,850	558,917	\$0.89
Signal Hill	3,591,019	1.1%	0.4%	1.5%	(15,067)	38,478	7,372	88,321	\$0.76
Torrance	25,562,806	2.0%	0.1%	2.1%	(65,444)	227,594	83,357	702,781	\$0.85
Wilmington	3,225,412	0.0%	0.0%	0.0%	0	4,500	9,092	52,784	\$0.00
<b>South Bay County</b>	<b>190,400,493</b>	<b>1.7%</b>	<b>0.1%</b>	<b>1.8%</b>	<b>321,578</b>	<b>1,482,056</b>	<b>993,299</b>	<b>7,998,523</b>	<b>\$0.79</b>
<b>Los Angeles Total</b>	<b>734,721,889</b>	<b>2.0%</b>	<b>0.1%</b>	<b>2.1%</b>	<b>676,991</b>	<b>1,938,051</b>	<b>4,621,337</b>	<b>29,869,641</b>	<b>\$0.79</b>

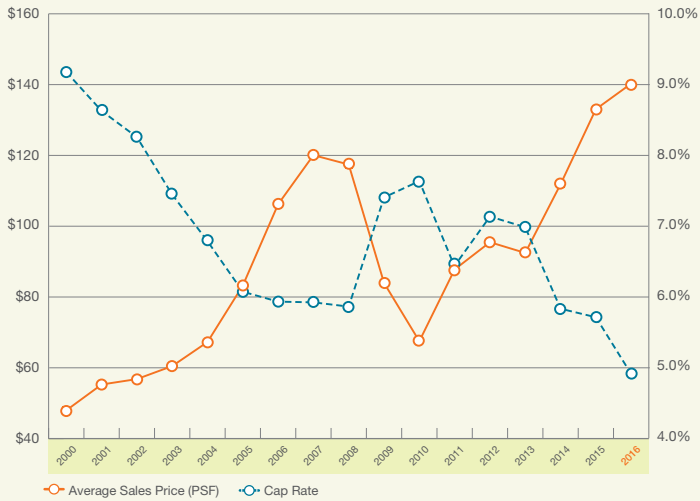
### VACANCY VS ASKING LEASE RATE\*



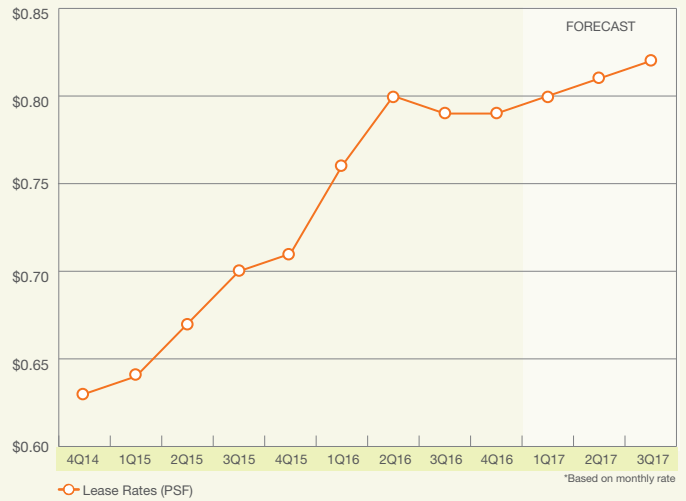
### VACANCY VS AVAILABILITY



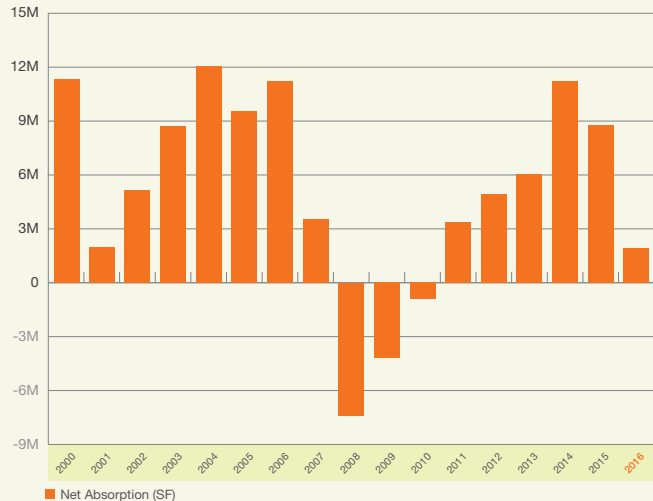
### AVERAGE SALES PRICE & CAPITALIZATION RATES



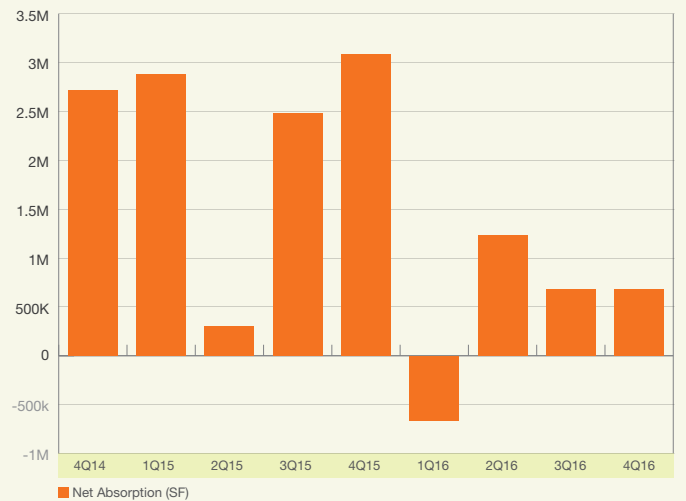
### ASKING LEASE RATE\*



### NET ABSORPTION - HISTORICAL



### NET ABSORPTION - QUARTERLY



**Offices**

- Seattle  
206.296.9600
- Bellevue  
425.454.7040
- South Seattle  
206.248.7300
- Tacoma  
253.722.1400
- Olympia  
360.705.2800
- Portland  
503.221.9900

- San Francisco  
415.229.8888
- Redwood Shores  
650.769.3600
- Silicon Valley  
408.970.9400
- Sacramento  
916.970.9700

- Roseville  
916.751.3600
- Commerce  
323.727.1144
- Long Beach  
562.472.0071

- Orange County  
949.557.5000
- Inland Empire  
909.764.6500

- San Diego  
858.509.1200
- Carlsbad  
760.430.1000

- Reno  
775.301.1300
- Phoenix  
602.513.5200

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Designated Broker  
Mark Read | LIC #00572743

increase year-over-year. This rate matches last quarter's record setting mark for the Los Angeles market. In a trend that first emerged in 2014, many industrial spaces are entering the market unpriced, with landlords letting the market set the going rate. The numbers above can thus be swayed drastically by a few low or high price tags. Nonetheless, the asking rate for high quality industrial space in Los Angeles should continue to increase.

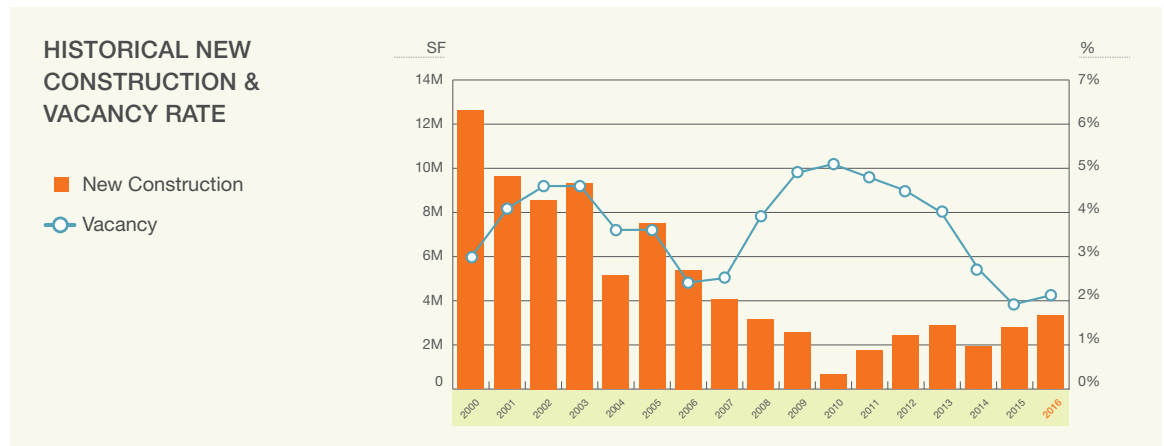
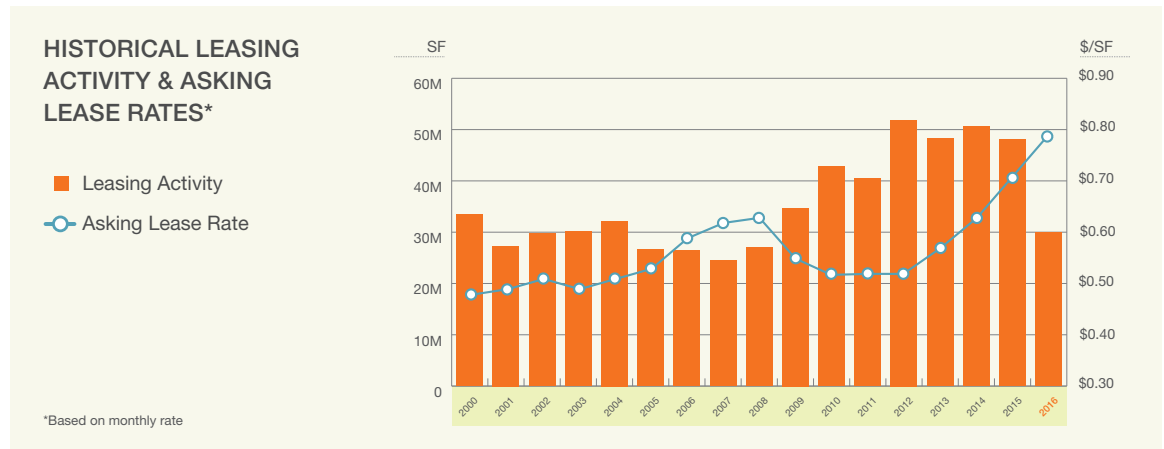
The Los Angeles industrial investment market remains relatively stable, mostly because much of the high quality industrial product that sellers were

looking to move has sold, and there isn't much high quality industrial product available for sale. Another driving factor is simply that some of the industrial properties that are purchased are viewed as redevelopment opportunities, slated for demolition or refurbishment into residential and/or creative office space. It's a great time to be a landlord or a seller, as the Los Angeles industrial market improves, pricing continues to increase, and vacancy and availabilities remain at historically low levels.

*Data Source: CoStar*

**Market Breakdown**

	2016	2015	2014	Annual % Change
Vacancy Rate	2.1%	1.9%	2.7%	10.5%
Availability Rate	3.9%	4.1%	5.2%	-4.9%
Asking Lease Rate	\$0.79	\$0.71	\$0.63	11.3%
Leased SF	29,869,641	47,989,596	50,568,240	-37.8%
Sold SF	44,247,930	52,741,921	36,082,969	-16.1%
Net Absorption	1,938,051	8,747,410	11,221,106	N/A



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