

Los Angeles Industrial

Market Summary

	Q1 2017	FORECAST
Absorption	↑	↑
Vacancy	↓	↓
Rental Rate	↑	↑
New Construction	↔	↑

Notable 2017 Lease Transactions

rPlanet Earth

3200 Fruitland Ave., Vernon
310, 662 s.f.

Yusen Logistics

2211-2241 E. Carson St., Carson
270,764 s.f.

Capitol Logistics

20943 S. Maciel Ave., Carson
176,031 s.f.

Notable 2017 Sale Transactions

Victory Unlimited Construction

3820 Union Pacific Ave., Loas Angeles
650,000 s.f.

The Trinh Properties, LLC

15,000 Nelson Ave., City of Industry
125,494 s.f.

LBA Realty

400 W. Compton Blvd & 15100 S. Figueroa St, Gardena
2 Properties – 115,078 s.f.

The Los Angeles industrial market continued to improve in Q1 2017, as pricing continued to trend upward, and both vacancy and availability rates remain at historically low levels. 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 2017, as job creation stays strong. Furthermore, we anticipate gains in absorption to continue even as occupancy costs rise, and with few deliveries in the pipeline to apply upward pressure on vacancy, we foresee 2017 being another strong year of growth for the sector.

Net absorption, a measure of market strength, was positive 1.22 million square feet in the first quarter of 2017, giving Los Angeles a total of over 23.4 million square feet of positive absorption since the first quarter of 2014. Q1 was a very strong quarter for LA's industrial sector; for the net absorption achieved in the quarter already approximates what was absorbed in all of last year, 1.93 million square feet. Accounting for the largest amount of positive absorption in the county, the South Bay submarket alone added 1.03 million square feet of occupied space in Q1.

Due to the lack of available space, leasing activity was down in Q1, compared to the amount of activity from this time last year, coming in at 5.30 million square feet as opposed to the 9.77 million square feet of Q1 2016. With only minimal new construction in the pipeline—4.03 million square feet in a market over 736.18 million square feet, or in other words, half of one percent of the base, 0.54%—and with industrial product disappearing in Los Angeles to make way for residential and creative office developments, vacancies will remain low. Currently the vacancy stands at 2.0%, a 10 basis point decline from this time last year. In fact, the vacancy rate has been ranging between 1.9% and 2.1% since Q4 of 2015. We foresee the vacancy rate continuing this pattern for the near future.

The average asking rental rate at the end of Q1 is \$0.81 per square foot on a triple net basis per month. Year-over-year, the asking rate is up \$0.07 from Q1 2016, a 9.4%

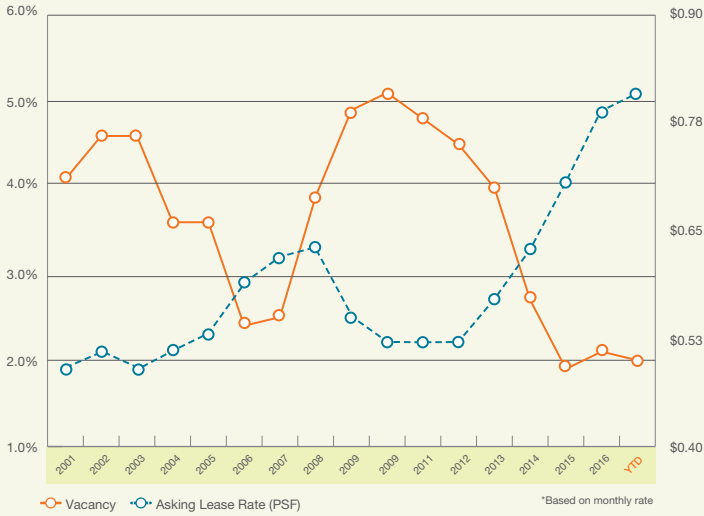
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Area Review

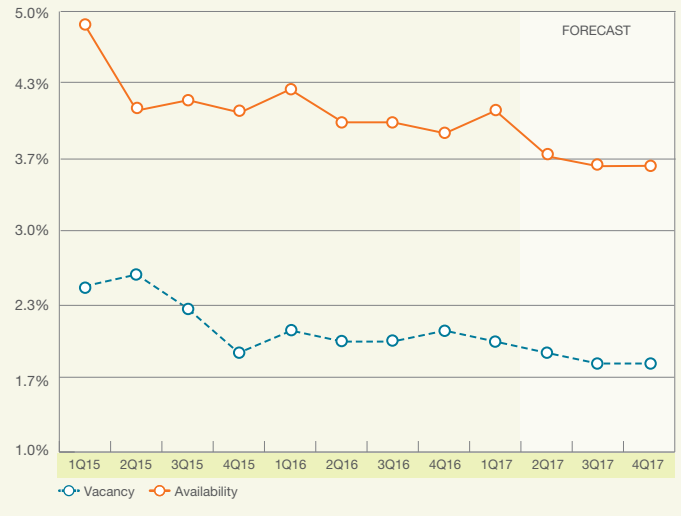
Submarket Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability 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	7,078,447	1.1%	1.4%	3.4%	58,447	58,447	118,026	118,026	\$0.62
Commerce	45,542,252	1.5%	1.6%	3.4%	(167,580)	(167,580)	415,616	415,616	\$0.59
Huntington Park/Cudahy	4,771,121	2.7%	2.7%	8.0%	4,189	4,189	5,752	5,752	\$0.93
Downtown	137,754,588	2.6%	2.7%	4.7%	216,181	216,181	944,951	944,951	\$1.23
Montebello/Monterey Park	11,725,625	1.5%	1.5%	2.4%	(6,534)	(6,534)	118,624	118,624	\$0.80
Pico Rivera	10,214,245	0.9%	1.2%	2.6%	11,443	11,443	122,944	122,944	\$0.53
South Gate	10,296,735	0.8%	0.8%	0.9%	2,716	2,716	0	0	\$0.43
Vernon	40,414,774	2.7%	2.7%	8.4%	(247,253)	(247,253)	199,077	199,077	\$0.68
Central	267,897,787	2.2%	2.3%	4.7%	128,391	128,391	1,924,990	1,924,990	\$0.88
Artesia/Cerritos	13,230,332	2.4%	2.4%	2.8%	8,058	8,058	48,964	48,964	\$0.69
Bellflower/Downey	5,720,904	1.5%	1.7%	2.1%	(25,906)	(25,906)	35,883	35,883	\$0.67
Buena Park/La Palma	15,158,649	0.6%	0.8%	5.7%	(65,441)	(65,441)	24,658	24,658	\$0.70
La Mirada	12,546,955	5.0%	5.3%	8.5%	(162,328)	(162,328)	220,813	220,813	\$0.65
Norwalk	3,001,039	1.4%	1.4%	0.4%	2,064	2,064	40,909	40,909	\$0.74
Paramount	8,934,381	0.3%	0.3%	1.9%	57,512	57,512	41,434	41,434	\$0.83
Santa Fe Springs	51,421,887	1.2%	1.3%	2.3%	172,313	172,313	234,996	234,996	\$0.66
Whittier	4,208,208	0.8%	0.8%	1.9%	59,682	59,682	21,835	21,835	\$0.00
Mid-Cities	114,222,355	1.6%	1.7%	3.3%	45,954	45,954	669,492	669,492	\$0.67
Alhambra	2,350,716	0.1%	0.1%	1.9%	(2,784)	(2,784)	3,750	69,676	\$0.00
Arcadia/Temple City	2,109,320	2.1%	2.1%	3.0%	(24,141)	(24,141)	22,148	48,191	\$0.70
Azusa	5,700,883	1.3%	1.3%	4.5%	(16,297)	(16,297)	8,758	152,963	\$0.55
Baldwin Park	4,653,522	2.5%	2.5%	4.3%	(50,411)	(50,411)	67,707	85,758	\$0.00
City of Industry/DB/HH/RH	70,975,565	1.8%	3.7%	4.4%	182,057	182,057	856,967	3,110,279	\$0.66
Covina/West Covina	3,259,520	1.8%	4.2%	7.5%	(72,271)	(72,271)	16,750	97,738	\$0.75
Duarte	1,777,004	2.7%	3.4%	6.7%	(46,592)	(46,592)	1,606	46,350	\$0.00
El Monte	8,794,985	8.3%	1.9%	6.2%	11,301	11,301	245,378	221,281	\$0.65
Irwindale	10,968,735	1.3%	1.7%	2.3%	1,697	1,697	56,637	680,009	\$0.87
La Puente	2,121,300	0.8%	0.8%	0.8%	1,940	1,940	4,572	268,172	\$1.51
La Verne/San Dimas/Glendora	6,703,494	2.3%	2.3%	3.5%	(10,779)	(10,779)	28,936	137,083	\$1.00
Monrovia	3,484,597	0.9%	0.9%	2.5%	20,267	20,267	6,967	149,728	\$0.89
Pomona/Claremont	19,931,274	1.1%	1.1%	3.6%	233,129	233,129	44,365	818,744	\$0.66
Rosemead/San Gabriel	2,324,084	1.1%	1.1%	5.1%	504	504	0	29,581	\$0.95
South El Monte	11,130,593	0.9%	0.9%	1.5%	(6,627)	(6,627)	88,112	338,679	\$1.01
Walnut	6,544,318	1.5%	1.5%	4.1%	44,617	44,617	142,985	189,627	\$1.23
San Gabriel Valley	162,829,910	1.9%	2.2%	3.8%	265,610	265,610	1,595,638	6,443,859	\$0.76
Carson	34,496,095	1.1%	1.1%	4.4%	(50,586)	(50,586)	165,152	165,152	\$0.69
Compton	24,706,780	3.5%	3.6%	4.8%	516,106	516,106	129,230	129,230	\$0.65
El Segundo	9,965,371	1.7%	1.7%	9.4%	(19,260)	(19,260)	7,400	7,400	\$1.42
Gardena	28,578,226	2.1%	2.1%	2.4%	218,632	218,632	260,335	260,335	\$0.96
Harbor City	1,727,894	4.5%	4.5%	2.0%	26,329	26,329	0	0	\$0.75
Hawthorne	8,205,333	0.4%	0.4%	1.6%	(14,776)	(14,776)	6,820	6,820	\$0.80
Inglewood	4,983,219	1.6%	2.4%	4.0%	(4,046)	(4,046)	33,847	33,847	\$1.13
Lakewood/Hawaiian Gardens	552,494	3.0%	3.0%	0.0%	0	0	1,596	1,596	\$1.00
Lawndale	283,305	0.0%	0.0%	3.9%	0	0	0	0	\$1.10
Long Beach/Terminal Island	21,088,538	1.2%	1.3%	3.3%	2538,034	2538,034	57,037	57,037	\$0.87
Lynwood	4,227,578	1.8%	1.8%	2.5%	10,872	10,872	30,945	30,945	\$0.00
Rancho Dominguez	14,963,186	1.4%	1.4%	1.1%	(13,058)	(13,058)	163,499	163,499	\$0.67
Redondo/Hermosa Beach	1,901,856	3.0%	3.0%	2.6%	69,003	69,003	73,364	73,364	\$1.11
San Pedro	2,804,275	0.4%	0.4%	1.0%	100	100	0	0	\$0.89
Signal Hill	3,619,135	1.1%	1.5%	4.6%	(1,500)	(1,500)	16,990	16,990	\$0.76
Torrance	25,890,749	2.0%	2.1%	5.8%	41,396	41,396	166,731	166,731	\$0.85
Wilmington	3,245,412	0.0%	0.0%	0.0%	0	0	0	0	\$0.00
South Bay County	191,239,446	1.7%	1.8%	3.9%	1,037,246	1,037,246	1,112,946	1,112,946	\$0.85
Los Angeles Total	736,189,498	1.9%	2.0%	4.1%	1,220,419	1,220,419	5,303,066	5,303,066	\$0.81

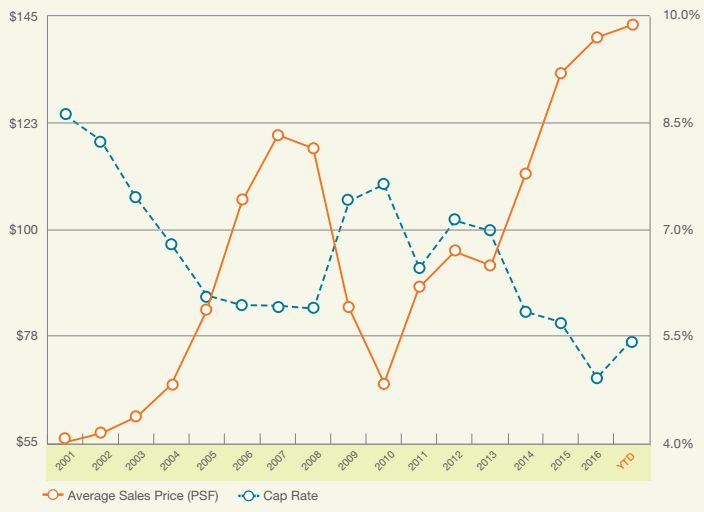
VACANCY VS ASKING LEASE RATE*



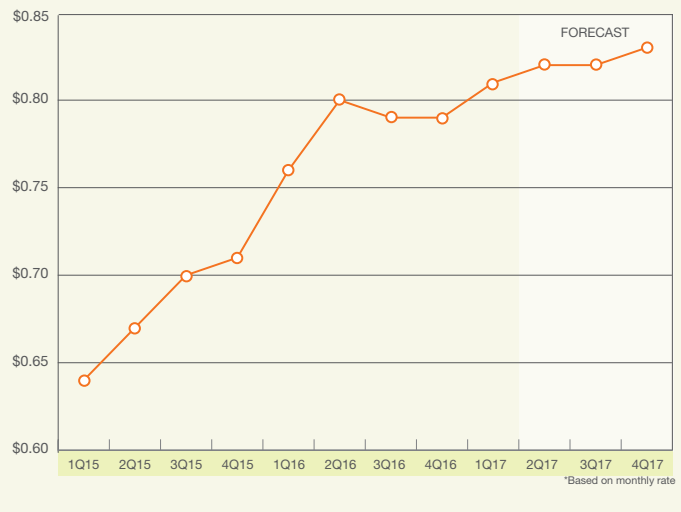
VACANCY VS AVAILABILITY



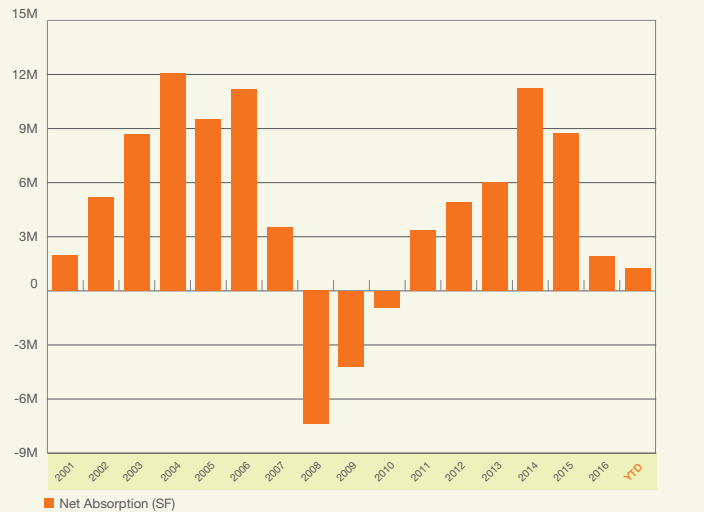
AVERAGE SALES PRICE & CAPITALIZATION RATES



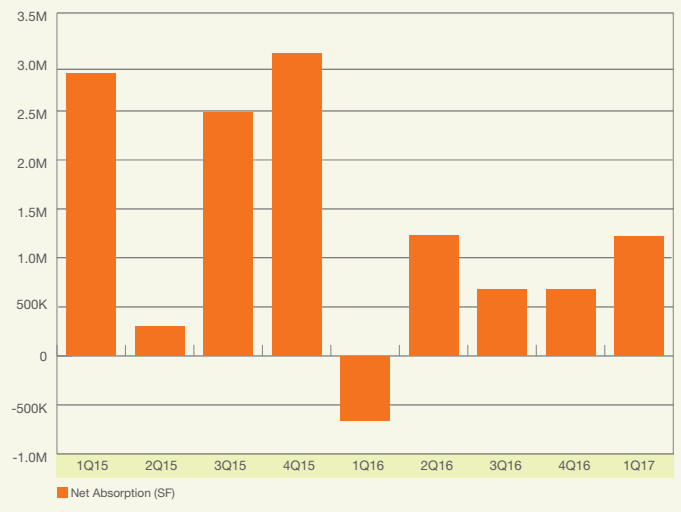
ASKING LEASE RATE*



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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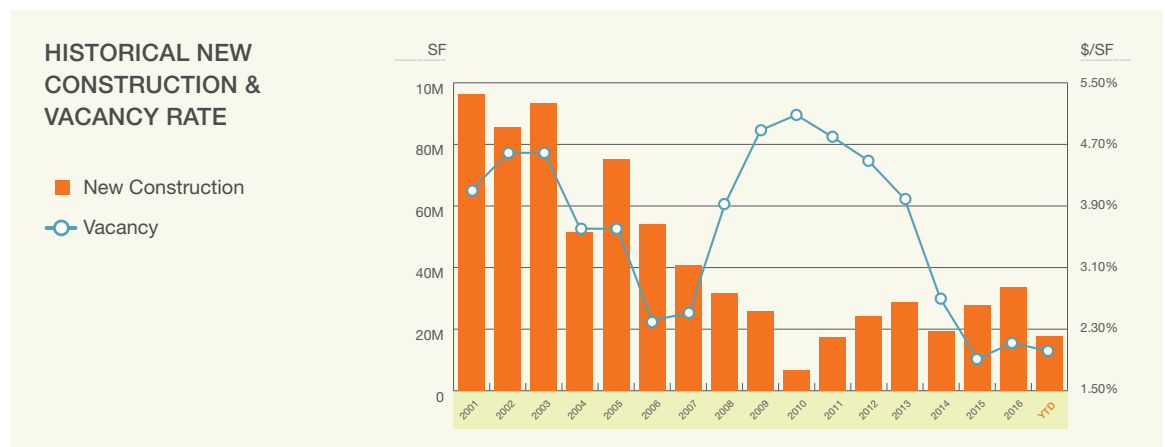
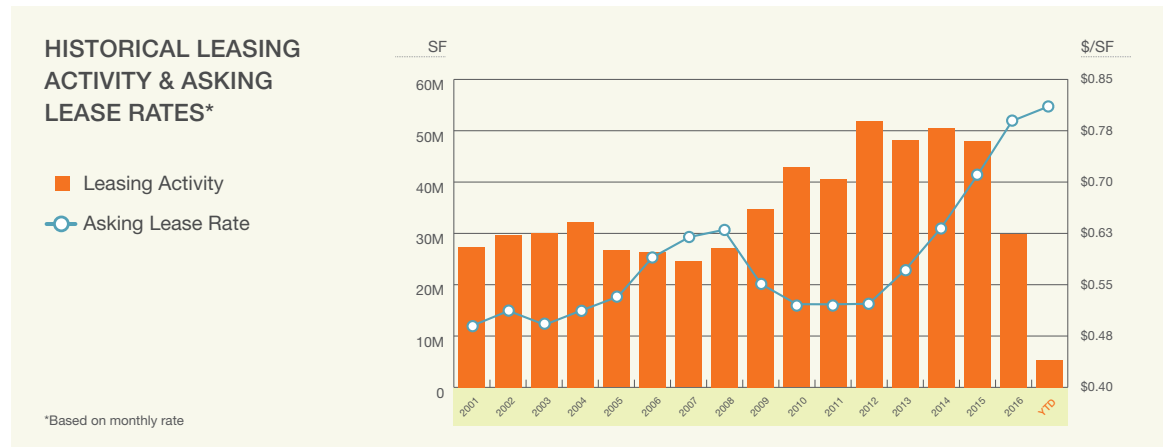
increase. The current asking rate is the highest on record. In a trend that first emerged in 2014, many industrial spaces are entering the market unpriced, with landlords letting the market set the going rate. The numbers above can thus be swayed drastically by a few low or high price tags. Nonetheless, 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.

Market Breakdown

	1Q 2017	4Q 2016	1Q 2016	Annual % Change
Vacancy Rate	2.0%	2.1%	2.1%	-4.76%
Availability Rate	4.1%	3.9%	4.2%	-2.38%
Asking Lease Rate	\$0.81	\$0.79	\$0.74	9.46%
Leased SF	5,303,066	4,621,337	9,779,219	-45.77%
Sold SF	6,389,175	7,605,067	6,225,439	-2.63%
Net Absorption	1,220,419	676,991	-272,273	N/A



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