

# Los Angeles Industrial

## Market Forecast

	Q2 2017	FORECAST
Absorption	↓	↑
Vacancy	↑	↓
Rental Rate	↑	↑
New Construction	↔	↑

## Notable Lease Transactions

**Best Buy**  
1701 South Central Avenue, Compton  
479,310 s.f.

**McMaster-Carr**  
12318 Florence Avenue, Santa Fe Springs  
295,490 s.f.

**Daiso**  
16400 Trojan Way, La Mirada  
220,000 s.f.

## Notable Sale Transactions

**Atlas Capital Group LLC**  
1396 East 7th Street, Los Angeles  
6 Properties – 1,343,629 s.f.

**LBA Realty**  
4440 East 26th Street, Los Angeles  
219,877 s.f.

**Goldman Sachs Group, Inc.**  
12252 Whittier Boulevard, Whittier  
161,610 s.f.

The Los Angeles industrial market continued to improve in Q2 2017, as pricing continued to trend upward, and both vacancy and availability rates remain at historically low levels. We expect increases in leasing and sales activity in 2017, as job creation maintains its strong growth. Furthermore, we anticipate gains in absorption to continue even as occupancy costs are on a constant rise. New developments are approaching completion dates, which may force upward pressure on vacancy. We foresee 2017 being another strong year of growth for the sector.

Net absorption, a measure of market strength, was negative in Q2 at 128,433 square feet<sup>1</sup>. This is the first quarter of negative absorption since 1Q16. The San Gabriel Valley recorded the most net absorption with 226,780 square feet of occupied space added to the market. We expect this to grow further with over 2.4 million of square feet of construction looking to be added in the upcoming quarters. South Bay recorded the largest negative absorption at over 300,000 square feet, which could be correlated to the lack of available inventory.

Leasing activity stayed strong in Q2 increasing over 500,000 square feet from the prior quarter reaching over 5.8 million square feet. We believe that activity shall continue its growth in the upcoming quarters with the addition of 4.9 million square feet of new construction coming to market. Currently the vacancy stands at 2.1%, which is a 10 basis point increase from last quarter and 20 basis point increase from the year prior. The vacancy rate has been ranging between 1.9% and 2.1% since Q4 of 2015. With this consistent pattern we expect it to continue throughout the upcoming quarters.

The average asking rental rate at the end of Q2 is \$0.84 per square foot on a triple net basis per month. Year-over-year, the asking rate is up \$0.06 from Q2 2016, a 7.6% increase. The current asking rate is the highest on record and seems to continue. In a trend that first emerged in 2014, many industrial spaces are entering the market unpriced, with landlords

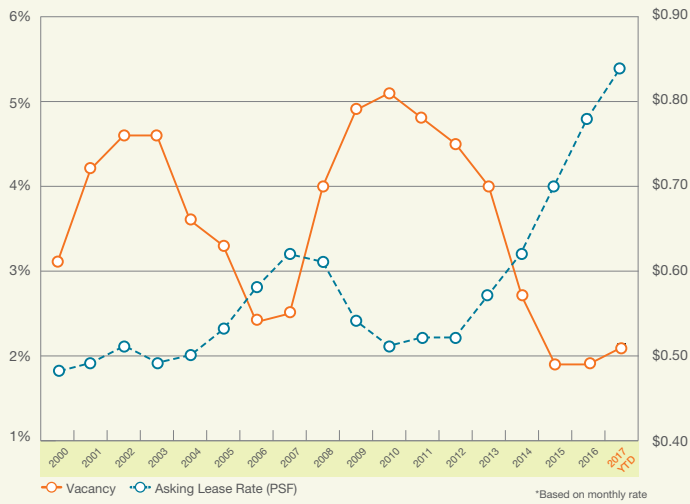
<sup>1</sup> All net absorption references pertain to net direct absorption.

# Area Review

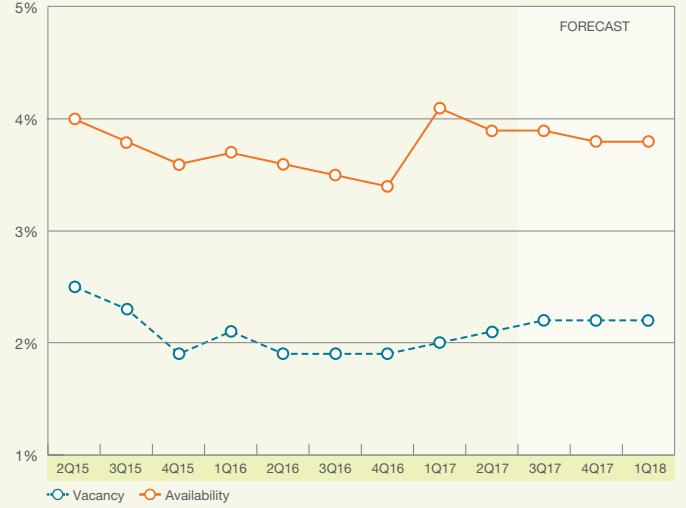
## Submarket Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	2Q Direct Net Absorption	YTD Direct Net Absorption	2Q Total Leasing Activity	YTD Total Leasing Activity	Average NNN Rental Rate
Bell/Bell Gardens/Maywood	7,120,571	1.4%	1.5%	4.8%	(8,697)	46,270	95,471	261,374	\$0.47
Commerce	45,547,975	1.0%	1.1%	2.3%	204,367	36,787	186,738	664,290	\$0.63
Huntington Park/Cudahy	4,770,908	1.8%	1.8%	6.1%	6,140	20,829	17,000	73,291	\$0.93
Downtown	137,851,256	2.3%	2.4%	4.8%	205,184	356,852	913,369	2,127,016	\$1.26
Montebello/Monterey Park	11,679,988	0.8%	0.8%	2.6%	41,067	34,533	26,930	148,554	\$0.97
Pico Rivera	10,208,842	0.9%	0.9%	4.2%	31,293	14,321	80,385	253,355	\$0.80
South Gate	10,460,561	1.0%	1.0%	1.8%	(19,649)	(16,933)	0	0	\$0.43
Vernon	40,528,352	4.2%	4.7%	9.3%	(502,040)	(722,407)	475,248	755,035	\$0.65
<b>Central</b>	<b>268,168,453</b>	<b>2.2%</b>	<b>2.3%</b>	<b>4.9%</b>	<b>(42,335)</b>	<b>(229,748)</b>	<b>1,795,141</b>	<b>4,282,915</b>	<b>\$0.92</b>
Artesia/Cerritos	13,229,932	2.0%	2.2%	3.6%	23,559	(49,029)	102,950	238,326	\$0.78
Bellflower/Downey	5,733,818	0.9%	0.9%	1.6%	46,017	8,591	55,332	94,828	\$0.79
Buena Park/La Palma	15,197,761	2.1%	2.1%	5.6%	(221,758)	(245,305)	24,751	180,631	\$0.71
La Mirada	12,555,025	3.1%	3.4%	4.6%	231,941	35,313	461,631	902,444	\$0.68
Norwalk	3,028,766	0.0%	0.4%	0.5%	54,489	56,543	2,000	42,909	\$0.82
Paramount	8,941,515	1.1%	1.1%	2.6%	(72,409)	(14,897)	54,992	98,086	\$0.69
Santa Fe Springs	51,439,301	1.3%	1.4%	2.6%	(50,234)	167,305	280,805	565,612	\$0.70
Whittier	4,208,208	0.8%	0.8%	1.8%	401	60,093	16,113	37,948	\$0.00
<b>Mid-Cities</b>	<b>114,334,326</b>	<b>1.6%</b>	<b>1.7%</b>	<b>3.2%</b>	<b>12,006</b>	<b>18,614</b>	<b>998,574</b>	<b>2,160,784</b>	<b>\$0.71</b>
Alhambra	2,340,931	0.1%	0.1%	3.2%	617	(2,167)	3,900	7,650	\$0.00
Arcadia/Temple City	2,109,320	1.2%	1.3%	2.8%	22,252	(1,889)	25,307	54,555	\$0.90
Azusa	5,662,018	2.1%	3.6%	6.7%	(40,540)	(56,937)	112,594	121,352	\$0.55
Baldwin Park	4,679,069	1.2%	1.3%	3.2%	55,592	5,681	44,607	122,346	\$0.00
City of Industry/DB/HH/RH	71,523,737	4.3%	4.7%	6.0%	59,255	(62,217)	571,141	1,697,659	\$1.11
Covina/West Covina	3,186,093	4.6%	4.6%	6.2%	82,419	21,666	44,370	71,105	\$0.75
Duarte	1,777,004	6.0%	6.0%	6.8%	(46,985)	(105,152)	0	1,606	\$0.00
El Monte	8,791,192	7.7%	7.9%	6.0%	47,992	46,643	34,827	292,185	\$0.00
Irwindale	10,973,343	1.6%	1.6%	5.9%	7,211	8,908	25,160	83,739	\$0.89
La Puente	2,122,518	1.4%	1.4%	0.2%	(12,617)	(10,677)	25,459	30,031	\$1.51
La Verne/San Dimas/Glendora	6,723,396	0.9%	1.0%	2.2%	41,089	31,462	15,514	97,250	\$0.86
Monrovia	3,504,276	0.9%	0.9%	1.5%	(1,400)	18,863	58,055	65,022	\$1.00
Pomona/Clairemont	19,909,355	1.1%	1.1%	2.8%	11,976	213,191	72,404	160,146	\$0.66
Rosemead/San Gabriel	2,412,883	0.5%	0.5%	3.9%	7,631	4,535	0	0	\$0.95
South El Monte	11,150,762	1.1%	1.1%	2.2%	(26,260)	(32,887)	51,553	147,665	\$1.01
Walnut	6,662,510	0.6%	0.6%	2.4%	18,548	61,841	47,771	190,756	\$0.72
<b>San Gabriel Valley</b>	<b>163,528,407</b>	<b>2.0%</b>	<b>2.2%</b>	<b>3.7%</b>	<b>226,780</b>	<b>140,864</b>	<b>1,132,662</b>	<b>3,143,067</b>	<b>\$0.74</b>
Carson	34,987,901	1.5%	2.0%	3.4%	(296,388)	(153,782)	216,472	571,286	\$0.74
Compton	24,719,815	3.8%	4.1%	3.5%	(81,885)	409,221	736,873	866,103	\$0.67
El Segundo	9,977,863	2.3%	2.3%	8.9%	(42,347)	(61,607)	115,216	153,816	\$1.30
Gardena	28,613,645	1.4%	1.4%	2.1%	174,859	393,491	199,871	522,985	\$0.95
Harbor City	1,734,106	2.0%	2.0%	2.0%	15,626	41,955	0	0	\$0.68
Hawthorne	8,200,008	0.7%	0.7%	0.9%	(10,481)	(23,757)	65,675	72,495	\$0.94
Inglewood	4,987,630	1.6%	1.6%	2.9%	32	(1,314)	53,556	107,103	\$1.40
Lakewood/Hawaiian Gardens	552,494	0.0%	0.0%	0.0%	0	0	0	1,596	\$1.10
Lawndale	288,823	0.0%	0.0%	4.5%	0	0	0	0	\$1.50
Long Beach/Terminal Island	20,784,740	1.9%	2.0%	4.4%	(25,855)	244,628	69,395	127,712	\$1.32
Lynwood	4,252,808	0.3%	0.3%	3.6%	53,724	65,096	10,000	63,036	\$1.50
Rancho Dominguez	14,968,586	0.3%	0.5%	2.6%	20,467	(8,654)	30,000	369,136	\$0.71
Redondo/Hermosa Beach	1,901,856	0.3%	0.3%	2.4%	0	69,003	4,161	77,525	\$1.13
San Pedro	2,804,275	0.8%	0.8%	1.0%	(14,464)	(14,364)	0	7,782	\$0.89
Signal Hill	3,613,719	3.9%	3.9%	1.8%	(82,934)	(84,434)	118,435	135,425	\$0.41
Torrance	25,342,392	2.1%	2.2%	2.5%	(86,670)	(43,019)	258,610	464,541	\$0.81
Wilmington	3,836,210	0.0%	0.0%	0.3%	55,500	3,300	0	0	\$0.00
<b>South Bay County</b>	<b>191,566,871</b>	<b>1.9%</b>	<b>2.0%</b>	<b>3.1%</b>	<b>(320,816)</b>	<b>835,763</b>	<b>1,878,264</b>	<b>3,540,541</b>	<b>\$0.90</b>
<b>Los Angeles Total</b>	<b>737,729,392</b>	<b>1.9%</b>	<b>2.1%</b>	<b>3.9%</b>	<b>(128,433)</b>	<b>761,425</b>	<b>5,808,709</b>	<b>13,131,375</b>	<b>\$0.84</b>

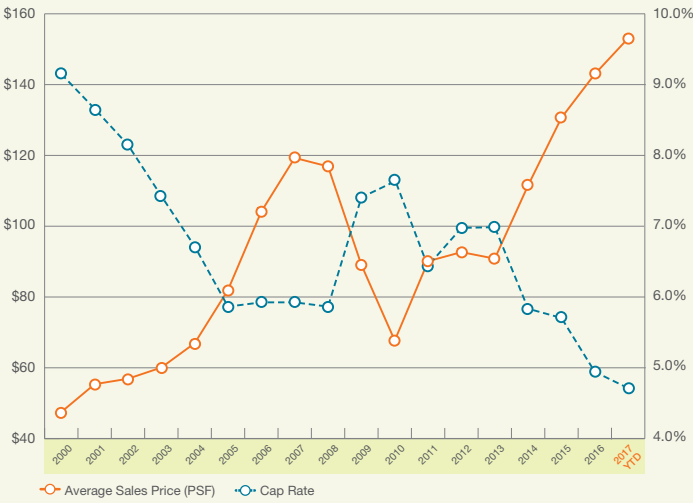
### VACANCY VS ASKING LEASE RATE\*



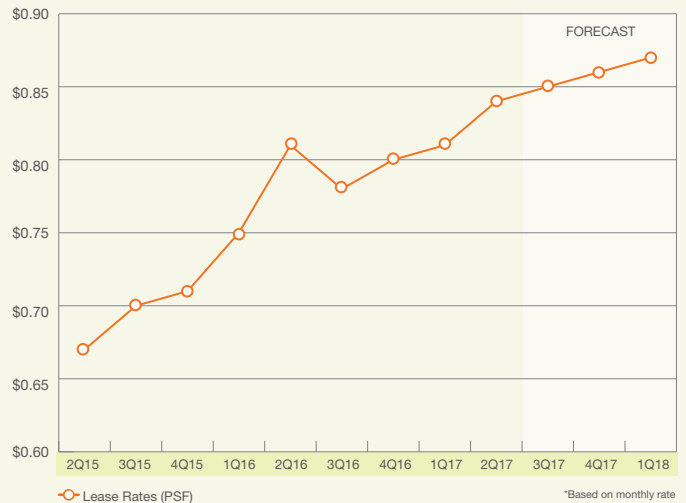
### VACANCY VS AVAILABILITY



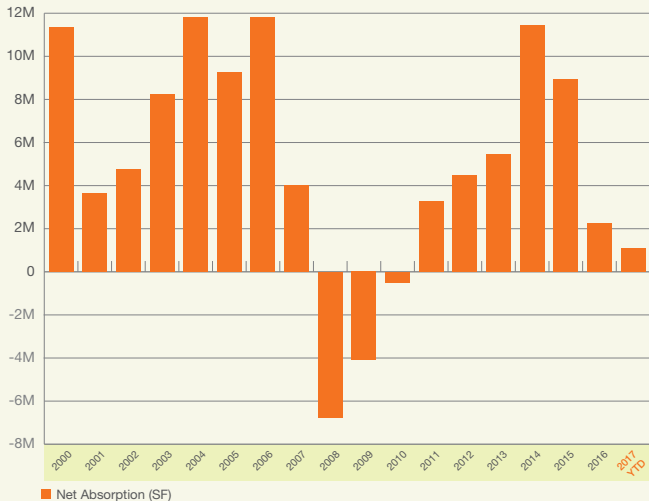
### AVERAGE SALE PRICE & CAPITALIZATION RATES



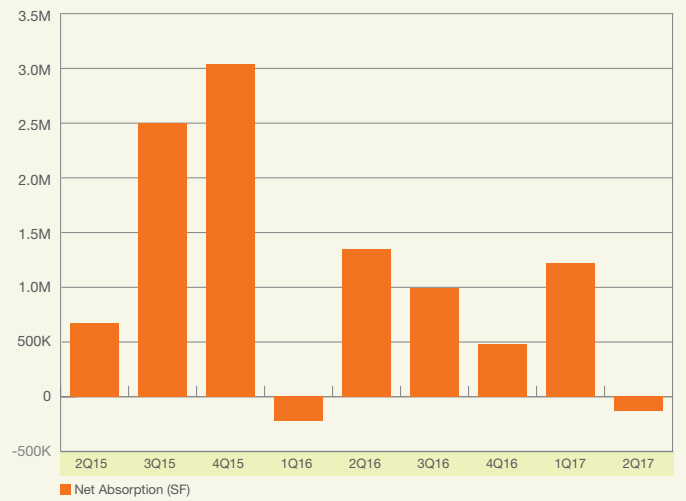
### ASKING LEASE RATE\*



### 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

Los Angeles  
213.880.5250

Long Beach  
562.472.0071

Commerce  
323.727.1144

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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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 with the low amount space available.

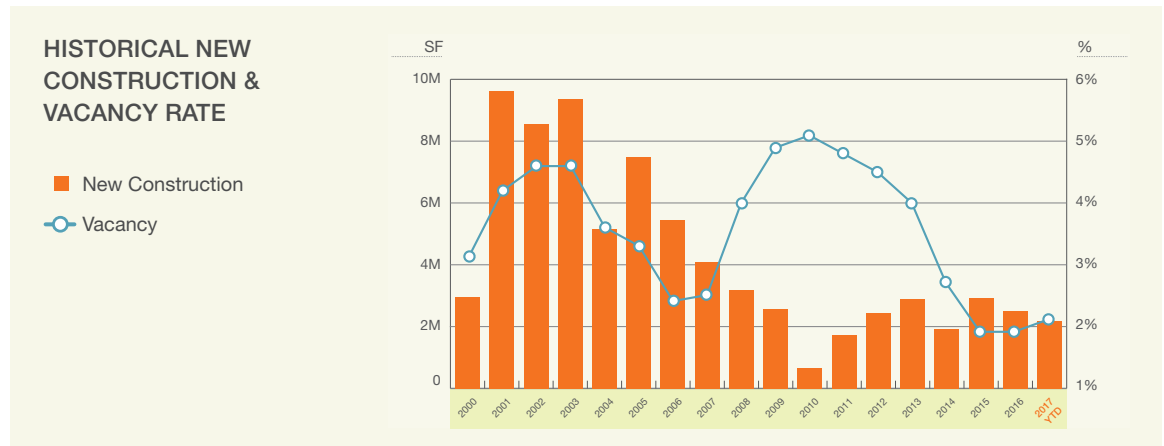
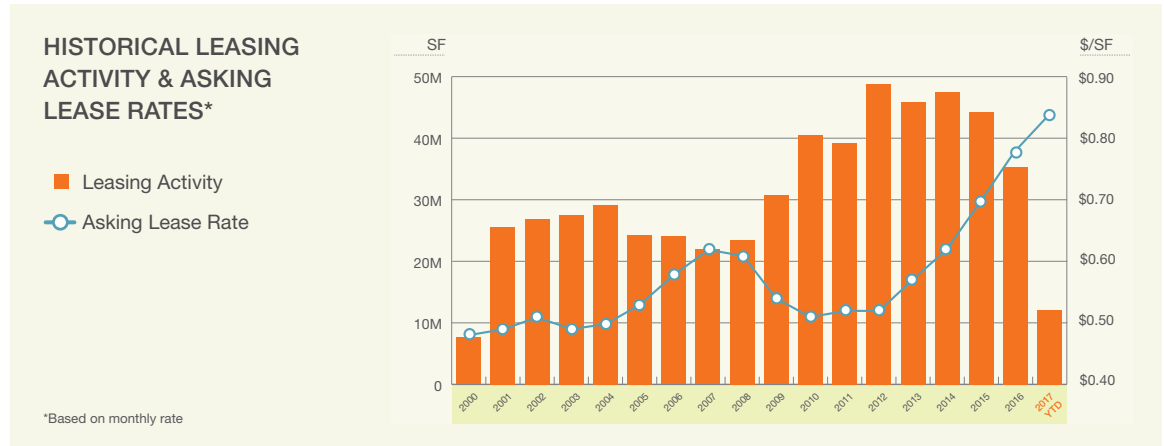
The Los Angeles industrial investment market remains relatively stable, mostly because much of the high quality industrial product that sellers were looking to move has sold, and there isn't much

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**

	2Q17	1Q17	2Q16	Annual % Change
Vacancy Rate	2.1%	2.0%	1.9%	10.53%
Availability Rate	3.9%	4.1%	3.9%	0.00%
Asking Lease Rate	\$0.84	\$0.81	\$0.78	7.69%
Leased SF	5,808,709	5,303,066	12,051,849	-51.80%
Sold SF	5,052,820	6,389,175	5,572,004	-9.32%
Net Absorption	-128,433	1,220,419	1,346,057	N/A



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