

Real Estate Market Review

# Los Angeles Industrial

The Los Angeles industrial market continued to improve in Q3 2017, as pricing continued to trend upward, and vacancy and availability rates remain persistent at historically low levels. We expect increases in leasing and sales activity in 2017 as the Port of Long Beach continues to receive record levels of consumer goods. Additionally, we anticipate positive absorption to continue as well as occupancy costs continuing its upward trend. With strong demand keeping pace with new construction developments approaching completion, we may see vacancy rates remain at historically low levels. We foresee 2017 being another strong year of growth for the Los Angeles industrial market.

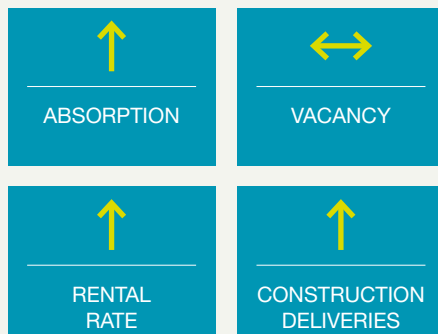
Net absorption, a measure of market strength, was positive in Q3 at 1,874,716 s.f. The San Gabriel Valley recorded the highest positive net absorption for a second straight quarter at 944,505 s.f. followed by the South Bay area with 551,142 s.f. We expect further growth to occur as 4.4 million s.f. of construction will be added in the coming quarters. With strong demand for industrial product continuing to grow, we can anticipate net absorption to continue trending upwards.

Leasing activity continued to stay strong in Q3 with over 5.2 million s.f. coming off the market. This is the third straight quarter of over 5.0 million s.f. in leasing activity. With new construction developments approaching completion dates, we

expect leasing activities to remain robust. Currently the vacancy rate stands at 2.1%, which is a 20 basis point increase from the same time a year prior. With vacancy rates ranging from 1.9% and 2.3% since Q3 of 2015, we can presume this pattern will stay consistent throughout the coming quarters. Expect the Los Angeles industrial market to continue its trend of historically low vacancy rates.

The average asking rental rate at the end of Q3 is \$0.86 per s.f. on a triple net basis per month. The asking rate increased \$0.10 since Q3 of 2016, resulting in a 13.15% increase. The current asking rate is the highest on record and we anticipate this upward trend to continue. With many industrial spaces entering

### Market Forecast Trends



### Notable Lease Transactions

**Amazon**  
6400 Valley View Street, Buena Park, CA  
238,270 s.f. leased

**5370 S Boyle Avenue**  
Vernon, CA  
203,317 s.f. leased

**3030 S Atlantic Boulevard**  
Vernon, CA  
200,000 s.f. leased

### Notable Sale Transactions

**Rexford Industrial**  
Rancho Dominguez – 6 Properties  
1,170,806 s.f.

**Majestic Realty Co.**  
20300-20450 E Business Parkway, Bldg. 10  
500,000 s.f.

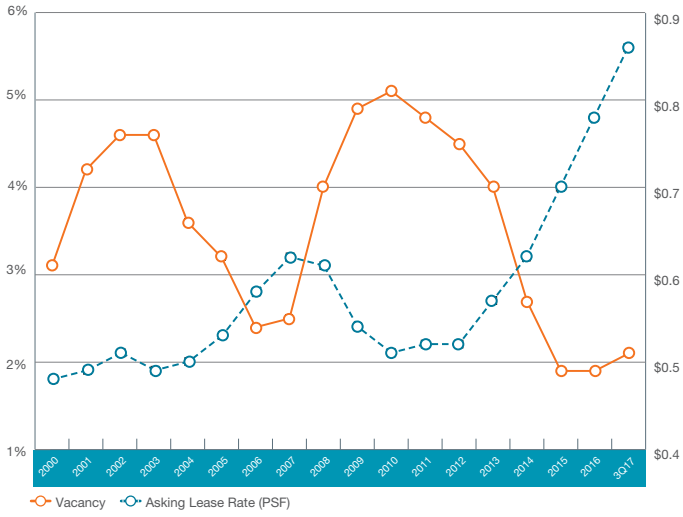
**DRA Advisors LLC**  
440 N Baldwin Park Boulevard  
226,938 s.f.

# Area Review

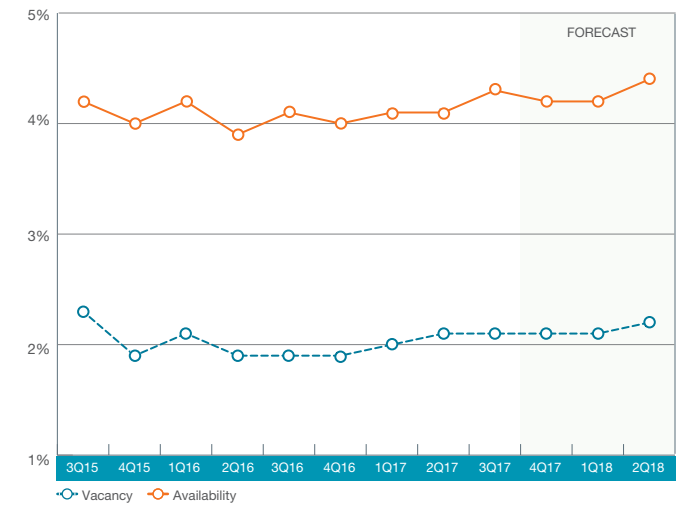
## Submarket Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	Q3 Net Absorption	YTD Net Absorption	Quarterly Leasing Activity	YTD Leasing Activity	Rental Rate
Bell/Bell Gardens/Maywood	7,103,467	1.3%	1.3%	5.7%	17,102	63,372	19,284	281,478	\$1.85
Commerce	45,563,864	1.3%	1.4%	2.6%	(118,433)	(81,146)	224,603	1,039,706	\$0.68
Huntington Park/Cudahy	4,781,980	2.0%	2.0%	7.1%	88	13,036	11,423	104,053	\$0.00
Downtown LA	138,154,740	2.1%	2.2%	4.9%	222,235	489,861	1,065,148	3,709,055	\$1.25
Montebello/Monterey Park	11,690,575	0.8%	0.8%	2.9%	6,325	40,958	27,059	194,925	\$1.01
Pico Rivera	10,210,292	0.7%	0.7%	2.7%	(26,825)	33,168	55,320	438,398	\$0.83
South Gate	10,464,993	1.6%	1.6%	2.9%	(62,663)	(79,596)	0	50,000	\$0.43
Vernon	40,570,114	4.1%	4.2%	7.7%	211,772	(714,135)	701,651	1,837,339	\$0.68
<b>Central</b>	<b>268,540,025</b>	<b>2.1%</b>	<b>2.2%</b>	<b>4.8%</b>	<b>249,601</b>	<b>(234,482)</b>	<b>2,104,488</b>	<b>7,654,954</b>	<b>\$0.96</b>
Artesia/Cerritos	13,230,040	1.4%	1.6%	4.4%	78,498	29,469	322,214	595,906	\$0.80
Bellflower/Downey	5,746,247	1.2%	1.2%	2.1%	(21,390)	(12,799)	21,744	118,312	\$0.81
Buena Park/La Palma	15,200,594	2.0%	2.9%	8.9%	(138,251)	(368,551)	369,270	793,517	\$0.72
La Mirada	12,557,146	3.6%	3.6%	2.6%	194,470	9,783	309,624	1,212,068	\$0.72
Norwalk	2,970,466	0.5%	0.5%	1.3%	(4,028)	52,515	4,028	46,937	\$0.91
Paramount	8,949,043	1.3%	1.3%	3.0%	(17,848)	(32,745)	38,128	141,114	\$0.70
Santa Fe Springs	51,440,953	1.7%	1.8%	3.2%	46,647	(98,726)	283,543	1,408,064	\$0.70
Whittier	4,200,265	0.9%	1.0%	2.1%	(8,630)	51,463	27,605	66,753	\$0.00
<b>Mid-Cities</b>	<b>114,294,754</b>	<b>1.8%</b>	<b>2.0%</b>	<b>3.9%</b>	<b>129,468</b>	<b>(369,591)</b>	<b>1,376,156</b>	<b>4,382,671</b>	<b>\$0.73</b>
Alhambra	2,333,034	1.3%	1.3%	2.7%	(28,887)	(31,054)	8,690	17,773	\$1.00
Arcadia/Temple City	2,104,441	1.4%	1.4%	2.4%	(3,392)	(5,281)	28,596	89,390	\$1.10
Azusa	6,032,215	1.3%	2.7%	8.4%	427,408	343,927	56,874	178,226	\$0.66
Baldwin Park	4,772,940	0.8%	0.8%	2.8%	3,451	32,564	15,104	156,731	\$0.90
City of Industry/DB/HH/RH	71,983,560	2.0%	2.3%	4.2%	343,728	422,573	598,492	2,470,856	\$1.10
Covina/West Covina	3,186,669	2.6%	2.6%	2.6%	69,509	83,861	43,732	126,069	\$0.87
Duarte	1,763,004	6.7%	6.7%	6.1%	(10,944)	(116,096)	14,144	15,750	\$0.00
El Monte	8,778,993	5.3%	5.3%	7.6%	228,642	276,612	42,905	351,527	\$0.00
Irwindale	11,152,846	2.8%	3.6%	10.5%	(71,305)	(21,462)	44,576	128,315	\$0.89
La Puente	2,122,518	1.1%	1.1%	0.5%	6,832	(6,313)	4,039	34,070	\$0.00
Glendora/La Verne/ San Dimas	6,709,782	1.0%	1.1%	2.7%	(7,765)	23,697	29,741	126,991	\$0.92
Monrovia	3,511,114	0.5%	1.3%	2.2%	(13,995)	7,828	17,935	104,374	\$1.00
Pomona/Claremont	20,341,902	1.9%	2.7%	3.1%	103,996	311,422	138,917	380,399	\$0.70
Rosemead/San Gabriel	2,415,522	1.1%	1.9%	2.4%	(34,527)	(29,992)	15,642	28,707	\$0.95
South El Monte	11,150,575	0.9%	0.9%	2.1%	26,704	(8,190)	49,315	271,418	\$1.00
Walnut	6,660,350	1.9%	2.0%	0.3%	(94,950)	(33,109)	36,489	348,290	\$0.72
<b>San Gabriel Valley</b>	<b>165,019,465</b>	<b>2.0%</b>	<b>2.4%</b>	<b>4.3%</b>	<b>944,505</b>	<b>1,250,987</b>	<b>1,145,191</b>	<b>4,828,886</b>	<b>\$0.72</b>
Carson	35,172,971	1.6%	1.9%	4.5%	(254,767)	(115,231)	149,571	959,074	\$0.73
Compton	24,649,634	0.9%	1.1%	4.0%	662,729	1,150,959	87,560	1,025,434	\$0.71
El Segundo	9,924,997	3.0%	3.0%	10.0%	(73,100)	(134,707)	23,355	201,171	\$1.32
Gardena	28,767,972	1.4%	1.5%	2.6%	53,794	459,285	162,538	739,004	\$1.16
Harbor City	1,737,346	0.7%	0.7%	0.5%	23,946	65,901	14,114	14,114	\$0.00
Hawthorne	8,196,148	0.8%	0.8%	1.1%	(6,558)	(30,315)	15,631	106,548	\$1.00
Inglewood	5,016,177	1.7%	1.8%	3.4%	(11,268)	(10,282)	29,950	150,619	\$1.34
Lakewood/Hawaiian Gardens	552,494	0.0%	0.0%	0.0%	0	0	0	1,596	\$0.00
Lawndale	296,658	1.3%	1.3%	3.8%	(3,860)	(3,860)	0	1,800	\$1.50
Long Beach/Terminal Island	20,942,503	2.2%	2.3%	4.2%	70,909	314,868	49,998	318,449	\$1.35
Lynwood	4,310,198	0.8%	0.8%	3.7%	(23,760)	42,395	0	63,036	\$1.50
Rancho Dominguez	14,966,086	0.1%	1.8%	2.1%	(18,383)	(27,037)	7,065	648,819	\$0.71
Redondo/Hermosa Beach	1,903,686	0.2%	0.2%	0.3%	1,509	70,512	2,650	121,446	\$2.06
San Pedro	2,812,168	0.9%	0.9%	1.8%	(1,490)	(15,354)	9,480	18,662	\$0.90
Signal Hill	3,625,747	1.5%	1.5%	3.0%	86,407	773	3,568	145,374	\$0.77
Torrance	25,341,408	1.8%	1.9%	4.7%	52,142	19,557	101,521	574,462	\$0.83
Wilmington	3,838,279	0.2%	0.2%	0.8%	(7,108)	(3,808)	6,538	6,538	\$0.75
<b>South Bay</b>	<b>192,054,472</b>	<b>1.4%</b>	<b>1.7%</b>	<b>3.8%</b>	<b>551,142</b>	<b>1,783,656</b>	<b>663,539</b>	<b>5,096,146</b>	<b>\$0.94</b>
<b>Total</b>	<b>740,040,051</b>	<b>1.9%</b>	<b>2.1%</b>	<b>4.3%</b>	<b>1,874,716</b>	<b>2,430,570</b>	<b>5,289,374</b>	<b>21,966,725</b>	<b>\$0.86</b>

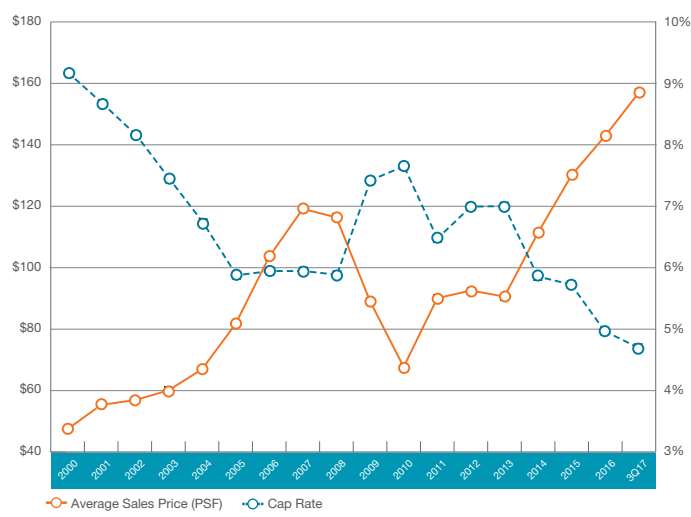
### VACANCY VS ASKING LEASE RATE



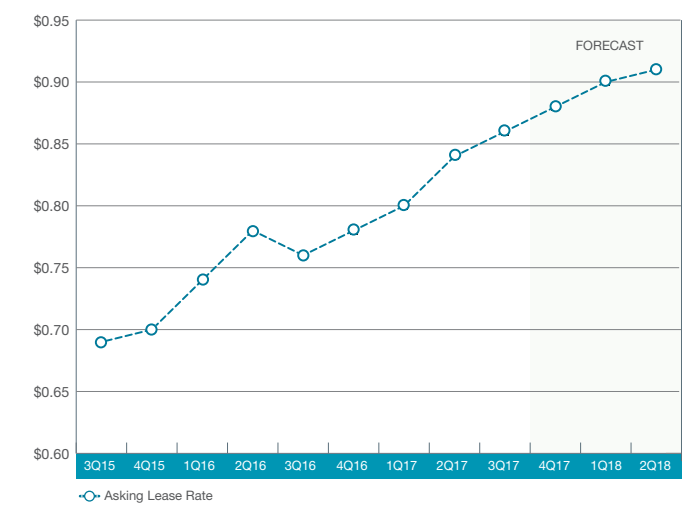
### VACANCY VS AVAILABILITY



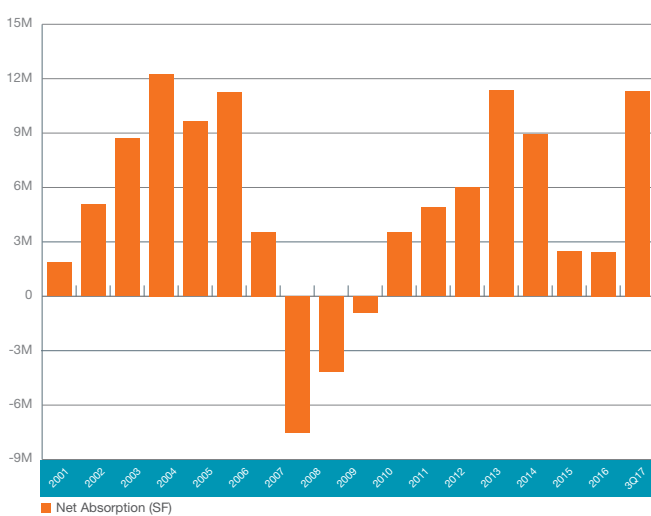
### AVERAGE SALES PRICE & CAPITALIZATION RATES



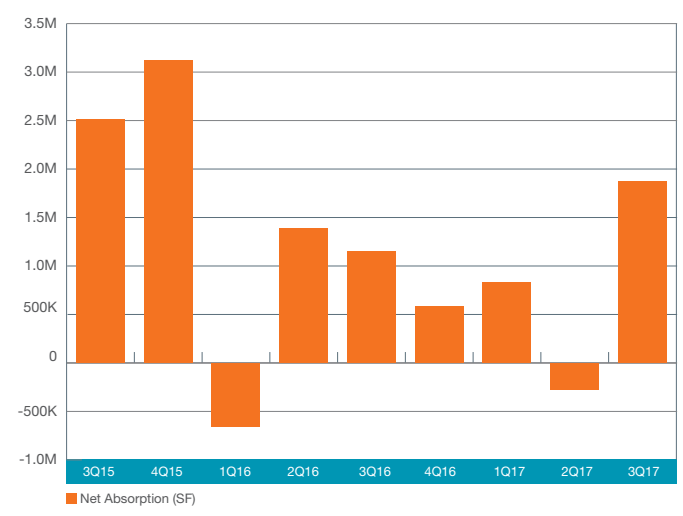
### ASKING LEASE RATE



### 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

Los Angeles  
213.880.5250

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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the market unpriced, landlords and sellers are letting the market set the going rate. The asking rates can thus be swayed drastically by a few low or high price tags. Nonetheless, with the low amount of space available in the Los Angeles industrial market, we can expect prices to continue its upward trend.

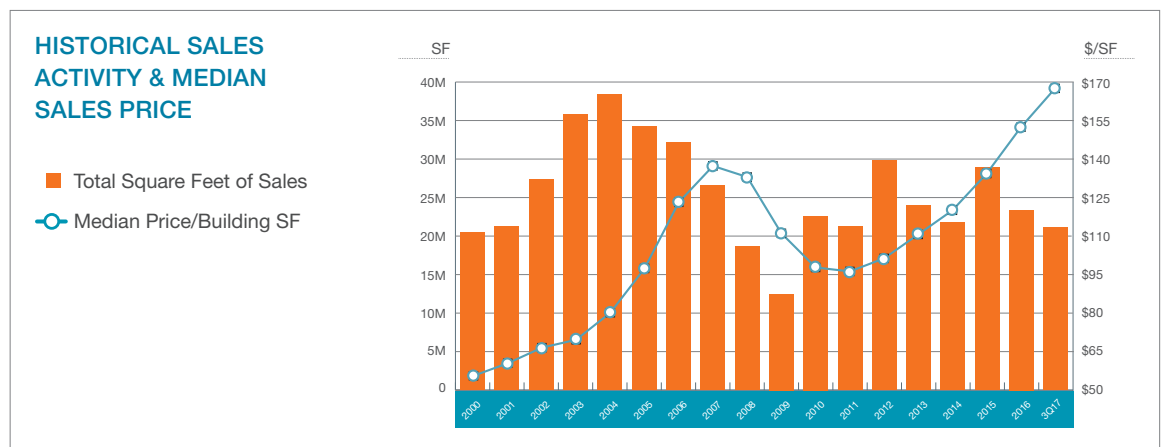
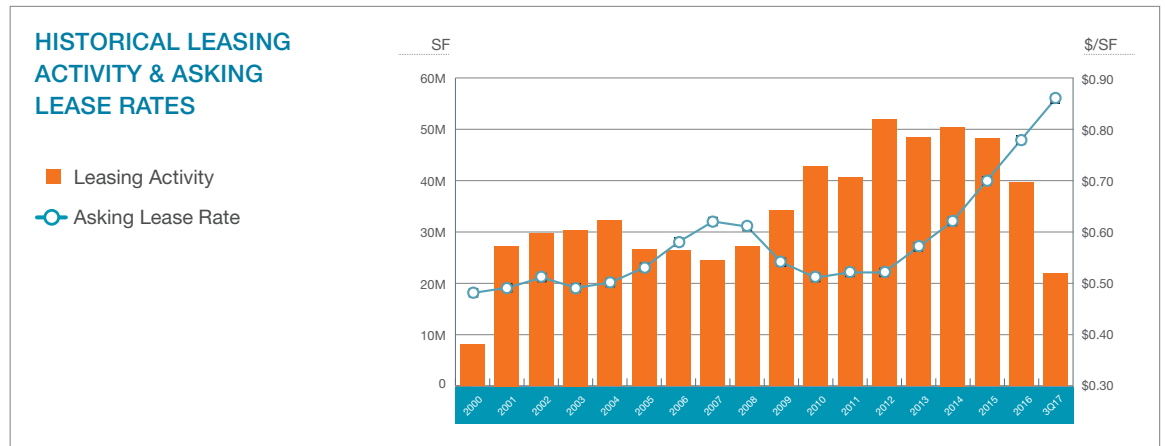
The Los Angeles industrial investment market has continued to increase resulting in 8,553,900 s.f. in transactions. This was an increase of

11.76% from the year prior. The increase in sold transactions could be due to the \$137.60 per s.f. average and over 4.5% cap rate in Q3. This indicates the strong demand in high quality industrial product buyers are looking for. It is a great time to be a landlord or a seller, as the Los Angeles industrial market continues to improve, pricing continues to increase, and vacancy and availability remains at historically low levels.

*Data Source: CoStar*

**Market Breakdown**

	Q3 2017	Q2 2017	Q3 2016	Annual % Change
Vacancy Rate	2.10%	2.10%	1.90%	10.52%
Availability Rate	4.30%	4.10%	4.10%	4.87%
Asking Lease Rate	\$0.86	\$0.84	\$0.76	13.15%
Leased SF	5,289,374	5,254,788	9,493,549	-44.28
Sold SF	8,553,900	6,586,909	7,653,802	11.76%
Net Absorption	1,874,716	-275,644	1,150,373	N/A



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