

Los Angeles

Industrial Market Outlook 1Q 2016

MARKET OVERVIEW

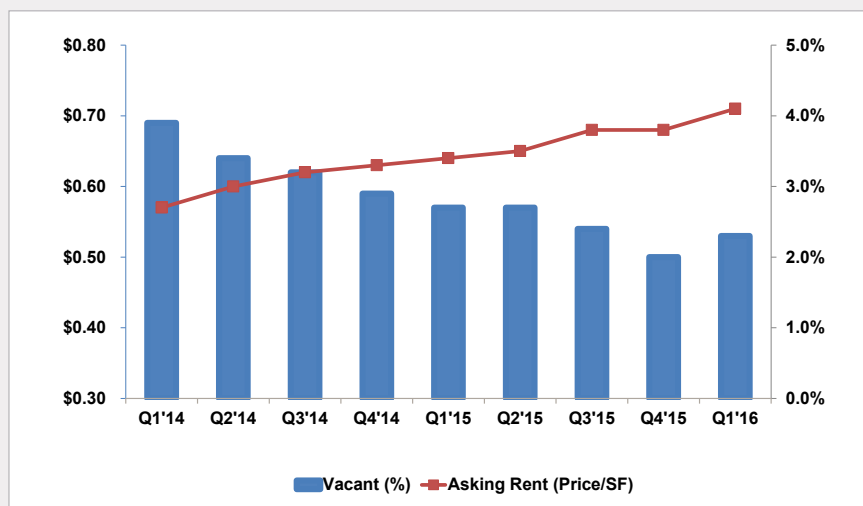
The Los Angeles County industrial market has continued to experience strong and sustained growth heading into 2016. The vacancy rate in the first quarter declined from 2.7% in the first quarter of 2015 to 2.3% in the first quarter of 2016. This is the lowest vacancy on record for a first quarter of the year. The total sales and leasing volume for Los Angeles County was approximately 11.0 million square feet. Due to a lack of product overall, sales and leasing activity have declined by 32.7% from last year at this time. Of the 3.2 million square feet of space under construction, approximately 3 million square feet is warehouse and distribution space. Average asking rents have increased 10.9% from \$0.64/SF in 2015 to \$0.71/SF this year, while average sale prices rose steadily. While total employment in manufacturing has declined by 2.0% since last year, trade & transportation employment compensated with a 3.8% growth. Over the next few years, the Harbor Commission projects a growth rate of 3.9% annually in combined cargo volume for the San Pedro Bay ports. This indicates a strong market shift from manufacturing to warehousing, which will drive demand for industrial space much higher.

TRENDS TO WATCH

While the Los Angeles industrial market has experienced significant changes in its labor market composition, overall growth continues to remain strong and robust. Although manufacturing jobs have continued to decline, these losses are compensated with gains in warehousing and transportation jobs. Port activity in Los Angeles is critical for industrial space throughout the Southland, and Los Angeles continues to remain one of the world's busiest ports. The ports of Los Angeles and Long Beach saw the highest February cargo volumes ever, indicating strong and increasing demand for warehouse space. Average sale prices and rents will continue to increase. As vacancies reach historic lows, the Los Angeles County industrial market exhibits a continuing trend of robust growth.

Average Asking Rent and Vacancy Rate

All Unit Sizes



Rents reflect buildings of 10,000+ SF

MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



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Market Statistics

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	1Q16 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	1Q16 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$/PSF NNN	AVERAGE SALE PRICE \$/PSF
Central	243,009,682	0	5.1%	2.8%	1,783,624	1,783,624	1,605,695	1,605,695	\$0.77	\$131
Mid-Cities	97,618,022	264,483	3.5%	1.3%	563,946	563,946	396,350	396,350	\$0.64	\$124
South Bay	211,121,326	1,870,781	4.4%	1.8%	1,351,138	1,351,138	1,084,237	1,084,237	\$0.72	\$124
LA North	143,708,063	0	3.7%	2.3%	1,090,820	1,090,820	1,235,677	1,235,677	\$0.68	\$140
San Gabriel Valley	148,686,491	1,159,247	4.2%	2.5%	795,666	795,666	1,117,387	1,117,387	\$0.61	\$110
Los Angeles Total	844,143,584	3,294,511	4.2%	2.3%	5,585,194	5,585,194	5,439,346	5,439,346	\$0.71	\$131

Rents reflect buildings of 10,000+ SF

Leasing

Employment in the transportation & warehousing sector has seen a steady increase over the past year in Los Angeles County. Total employment in that sector was at 157,100 as of March 2016, which represents a 1.7% increase from the prior year. Due to a lack of available space for lease, year to date leasing activity has totaled 5,585,194 square feet, which represented a 52.6% decline year over year. In one of the largest transactions of the year, HD Buttercup leased 136,473 square feet in the Downtown Los Angeles for \$0.30/SF. Santa Fe Warehouse leased 115,954 square feet in Downtown for \$0.52/SF.

Sales

Product for sale remains in short supply. Sales volume totaled 5,439,346 square feet, which was a decrease of 9.9% from the prior quarter. The LA County average sales price per square foot for industrial space registered at \$131.03/SF, which was approximately the same as last year. In the largest transaction this quarter, ETO Doors Corporation purchased 260,000 square feet in the Central submarket for \$84.04/SF. Rexford Industrial purchased 134,287 square feet in Northern Los Angeles County for \$119.15/SF.

Select Lease Transactions:

TENANT	BUILDING ADDRESS	SUBMARKET	ASKING RATE/ SF	SQUARE FEET
HD Buttercup	5804-5884 E Slauson Ave	Central	\$0.30	136,473
Santa Fe Warehouse	3416-3422 Garfield Ave	Central	\$0.52	115,954
Tenant Not Listed	1395 E Lexington Ave	San Gabriel Valley	\$0.44	81,210
Associated Landscape Group, Inc. Patriot	2420 S Eastern Ave	Central	\$0.56	51,000
Environmental Services	508 E E St	South Bay	\$1.21	35,430

Select Sales Transactions:

BUYER	BUILDING ADDRESS	SUB-MARKET	PRICE/SF	SQUARE FEET
ETO Doors Corporation	4851 S Alameda St	Central	\$84.04	260,000
Rexford Industrial	28454 Livingston Ave	LA North	\$119.15	134,287
Soho Apparel Group Inc	15025 Proctor Ave	San Gabriel Valley	\$145.50	128,581
Fashion Nova Holdings, Inc.	2801 E 46th St	Central	\$116.15	120,960
Martinez Trucking, Inc.	13711 Freeway Dr	Mid-Cities	\$122.42	82,092

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