

# Los Angeles

## Industrial Market Outlook 4Q 2016

### MARKET OVERVIEW

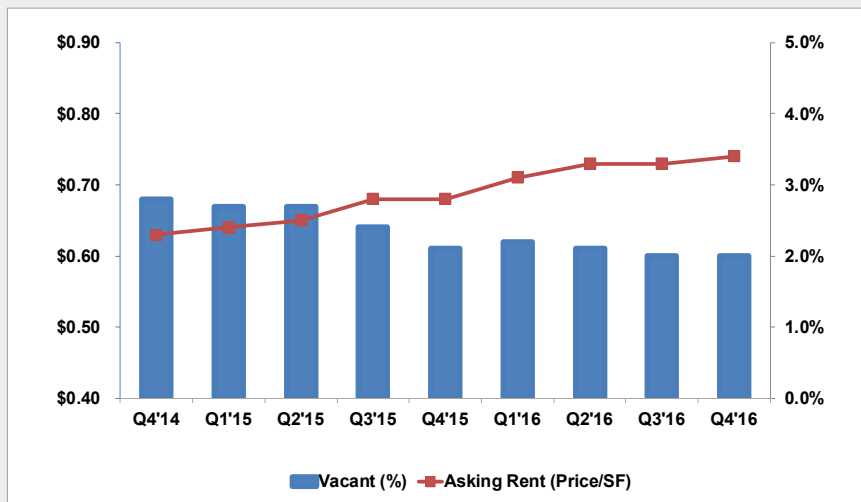
The Los Angeles industrial market continued the trend of upward pricing and low vacancy in the fourth quarter of 2016. The vacancy rate held steady over the past year at 2.0%. This is lowest vacancy recorded in Los Angeles County, which underscores the high demand and tight supply for industrial product. Average asking rents closed the quarter at \$0.74/SF, up 1.4% from the previous quarter and up 8.8% from last year. Demand is driven by a strengthening economy as well as increased cargo volume from the ports of Los Angeles and Long Beach. November figures, the latest available, show inbound loaded cargo volumes were up 6.4% over last year and export volume was up nearly 12%. Year to date, total cargo volume for both ports is up 2.9% over this time last year. There were more than 1.6 million square feet of industrial product delivered this quarter, which is the largest quarterly delivery total since 2007. At the end of the fourth quarter, more than 6.1 million square feet of industrial space was under construction, of which 35% had been released.

### TRENDS TO WATCH

Tight market conditions are expected to continue through the beginning of 2017, as there are minimal opportunities for development and demand remains strong. Vacancy has reached the lowest point on record, but construction could cause a slight uptick in the vacancy rate once delivered. Demand will vastly outweigh future supply. Tight market conditions present an opportunity and challenge for developers to redevelop older buildings to meet demand. The Port of Los Angeles had the busiest year for any port in the Western Hemisphere in 2016, handling 8,856,782 TEUs and breaking the previous record that the Port of LA set in 2006. As consumers demand more products, increased cargo volume at the ports will continue to bolster the Los Angeles industrial market.

#### Average Asking Rent and Vacancy Rate

All Unit Sizes



Source: NAI Capital Research, CoStar

### 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 (%)	4Q16 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	4Q16 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$/PSF NNN	AVERAGE SALE PRICE \$/PSF
LA North	143,322,765	1,257,704	4.4%	1.7%	954,303	5,327,346	996,214	3,456,841	\$0.71	\$147
Central	243,020,392	118,714	4.9%	2.3%	1,401,167	10,433,273	1,189,762	5,663,679	\$0.76	\$174
San Gabriel Valley	150,247,622	1,638,824	4.6%	2.4%	1,229,345	5,606,017	811,569	3,380,449	\$0.71	\$130
Mid-Cities	97,076,256	750,366	2.9%	1.8%	943,234	4,073,747	536,117	2,043,646	\$0.64	\$131
South Bay	210,832,990	2,335,564	3.8%	1.7%	1,586,660	9,156,932	746,639	3,957,837	\$0.82	\$146
<b>Total</b>	<b>844,500,025</b>	<b>6,101,172</b>	<b>4.3%</b>	<b>2.0%</b>	<b>6,114,709</b>	<b>34,597,315</b>	<b>4,280,301</b>	<b>18,502,452</b>	<b>\$0.74</b>	<b>\$146</b>

RBA includes industrial buildings of all sizes. Rents reflect buildings of at least 10,000 square feet.

### Leasing

Leasing volume for 2016 totaled more than 34.5 million square feet, down 32.7% from last year's total. More than 6.1 million square feet were leased in Los Angeles County in the fourth quarter. With vacancy and availability at record low levels, tenants are finding they have fewer and fewer options for space, which is driving rents up. In the fourth quarter, Vantec Hitachi Transport System signed one of the largest leases this quarter, leasing an entire newly-built 197,685 square foot industrial distribution building in Pomona. U.S. Corrugated, a leading packaging producer, leased an entire 167,996 square foot industrial warehouse building in Cerritos at an asking rate of \$0.78/SF MG.

### Sales

Los Angeles County continued to demonstrate a robust demand for industrial building purchases. More than 4.2 million square feet of industrial space was sold in the fourth quarter for a total of 18.5 million in 2016. The average sale price per square foot was \$146, an increase of 14.6% over the prior year. The industrial market suffers from having minimal inventory available for sale. This quarter, Prologis purchased two buildings totaling 215,949 square feet of warehouse/distribution space in Carson for \$112/SF. Also this quarter, Pasadena Tournament of Roses Association- a nonprofit that produces the annual Rose Bowl game and Rose Parade in Pasadena- purchased an 111,560 SF industrial building in Irwindale for \$125/SF.

### Select Lease Transactions:

TENANT	ADDRESS	SUBMARKET	ASKING RENT \$/PSF*	SQUARE FEET
Vantec Hitachi Transport System	1589 E 9th St	San Gabriel Valley	Undisclosed	197,685
Source Logistics	800-812 W Union St	Central	\$0.60	179,696
US Corrugated	13012 Midway Pl	Mid-Cities	\$0.78	167,996
CA Liquidators	4615 Alcoa Ave	Central	\$0.54	165,636
Trademango	2910-2960 Pacific Commerce Dr	South Bay	\$0.63	150,000

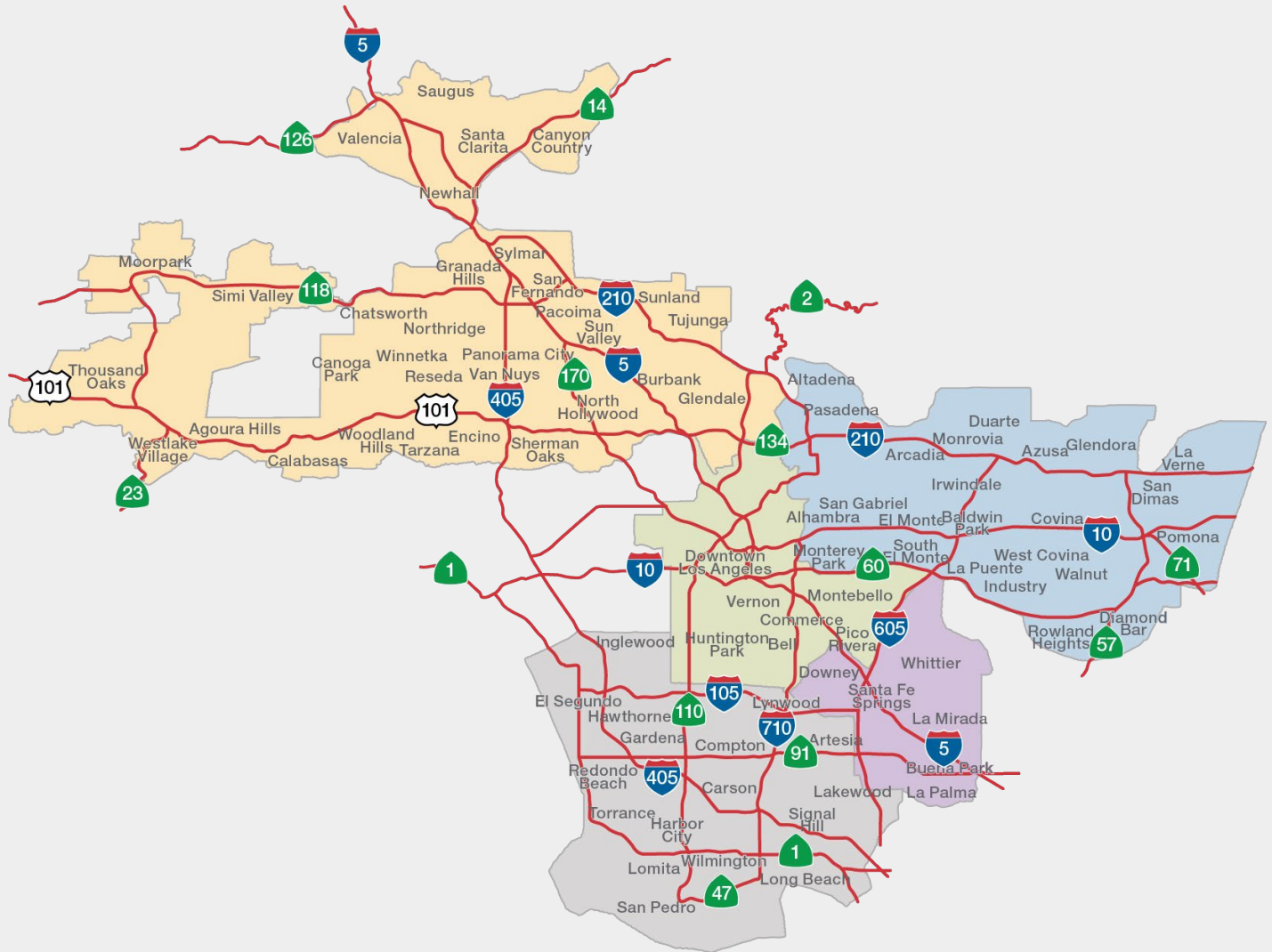
\*All rents are NNN unless otherwise noted

### Select Sales Transactions:

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/PSF	SQUARE FEET
Hackman Capital Partners	202-203 Hornet Way	South Bay	\$176	462,771
BBP Pacific Industrial CA REIT	16633-16639 E Gale Ave	Central	\$158	387,475
Prologis Targeted US Logistics	24724 Wilmington Ave	South Bay	\$112	215,949
BCPF/WCCG Cerritos Industrial, LLC	17900-17918 Crusader Ave	Mid-Cities	\$120	137,500
Rexford Industrial	301-445 N Figueroa St	South Bay	\$97	133,925
Pasadena Tournament of Roses Assoc.	5400 N Irwindale Ave	San Gabriel Valley	\$125	111,560

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- LA North
- Central
- San Gabriel Valley
- Mid-Cities
- South Bay

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#### Coachella Valley

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