



MARKET CHANGE

Compared to Previous Year:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

DOWN



Deliveries

DOWN



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HIGHLIGHTS

- **Encouraging Numbers** - The Mid Counties industrial market continued to improve, posting a sub-1.3% vacancy rate for the fourth quarter of 2015. Both vacancy and availability displayed significant drops, and lease rates continued to increase from the previous year. Net absorption was positive for the quarter, for a total of 5.2 million square feet over the last ten quarters.
- **Construction** - There was 224,483 square feet of industrial projects under construction in Mid Counties at the close of 2015. The shrinking availability of land combined with high land prices, scarce financing and rising construction costs, has led to few projects being developed.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 1.27%. This is down from both the previous quarter and from 2014's fourth quarter rate of 3.16%, a significant drop of 59.81%.
- **Availability** - Direct/sublease space being marketed finished the year at 2.50%, down when compared to the previous quarter and a substantial decrease of 50.10% when compared to the same quarter of 2014 when the rate was 5.01%.
- **Lease Rates** - The average asking lease rate came in at \$.69 per square foot per month, up three cents from last quarter and up eight cents compared to the \$.61 seen in the fourth quarter of 2014, a 13.11% annual increase.
- **Absorption** - The Mid Counties industrial market posted 716,678 square feet of positive net absorption for the last quarter of 2015, giving the market an average of 525,000 square feet per quarter over the last ten quarters and a total of 5.25 million square feet since the third quarter of 2013.
- **Transaction Activity** - Leasing activity for the Mid Counties industrial market checked in at just over eight million square feet for 2015, compared to 10.8 million in 2014. Total sold was over 3.6 million square feet in 2015, compared to the 2.4 million square feet in 2014. The slowdown in lease transactions volume can be attributed to a lack of supply in the marketplace. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher on the next report.
- **Employment** - The unemployment rate in Los Angeles County declined to 5.9% in November 2015, down from a revised 6.1% in October 2015 and below the previous year's estimate of 8.0%. This compares with an unadjusted unemployment rate of 5.7% for California and 4.8% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 73,200 payroll jobs from November 2014 to November 2015. Most sectors showed gains in employment; the largest gains were 22,400 in educational and health services and 19,700 in leisure and hospitality during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year — down 7,500 jobs.
- **Overall** - We are seeing significant drops in vacancy and availability coupled with overall increases in net occupancy. As we progress into 2016, positive absorption and higher occupancy costs should continue. A lack of product available for lease or sale in some size ranges is causing an increase in prices and a drop in transaction volume. With comparatively few new deliveries to apply more upward pressure on vacancy, the market should continue to improve. It's a great time to be a seller.

FORECAST

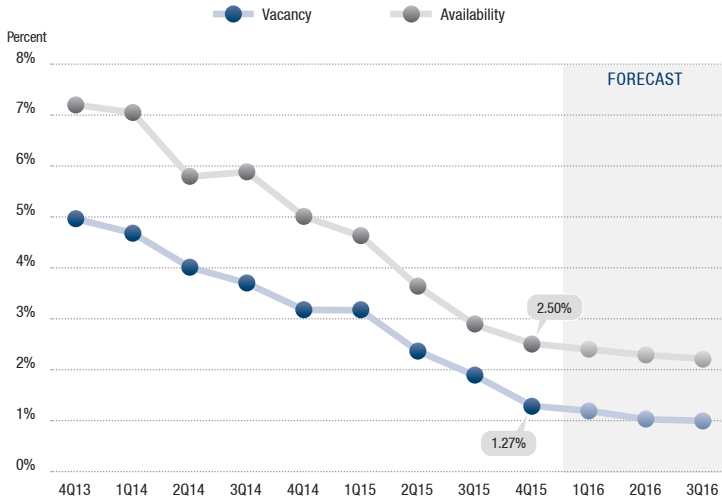
- **Construction** - While we foresee very few development projects materializing in coming quarters, we expect land constraints to keep new supply well below demand growth over the next few years.
- **Employment** - We anticipate job growth of around 1.9%, or 79,500 jobs, in the Los Angeles area over the year. Look for industries like technology and entertainment to outperform sectors that are dependent upon population gains in coming years.
- **Lease Rates** - Expect average asking lease rates to increase by 5% to 8% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in coming quarters, hovering in the range of 1% to 1.2% for the foreseeable future.

OVERVIEW

	2015	2014	2013	% of Change vs. 2014
Added Inventory	0	95,464	791,087	N/A
Under Construction	224,483	24,895	120,359	N/A
Total Vacancy Rate	1.27%	3.16%	4.98%	(59.81%)
Availability Rate	2.50%	5.01%	7.20%	(50.10%)
Average Asking Lease Rate	\$0.69	\$0.61	\$0.60	13.11%
Sale & Lease Transactions	11,625,888	13,237,003	13,645,123	(12.17%)
Gross Absorption	8,046,838	8,486,028	8,790,449	(5.18%)
Net Absorption	2,147,693	2,145,793	488,313	N/A

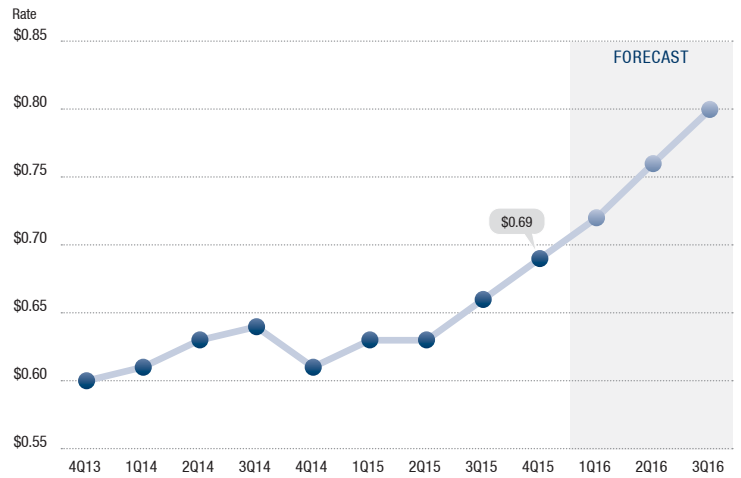
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



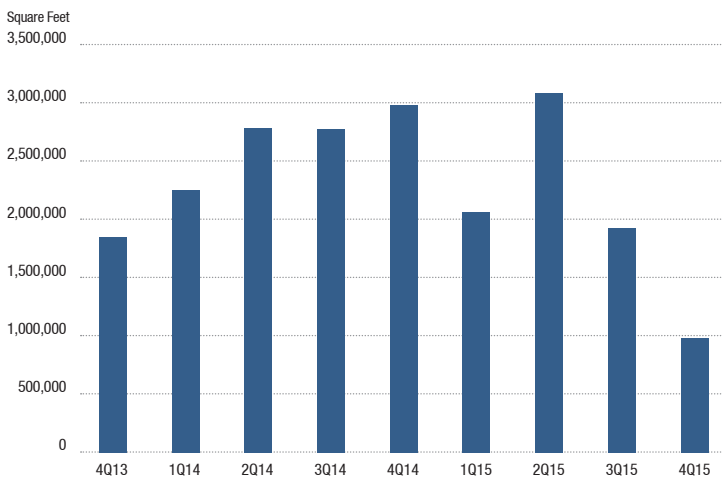
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



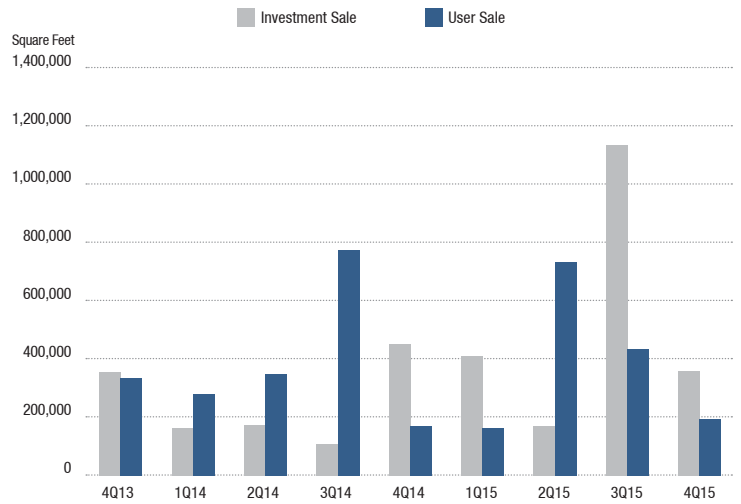
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



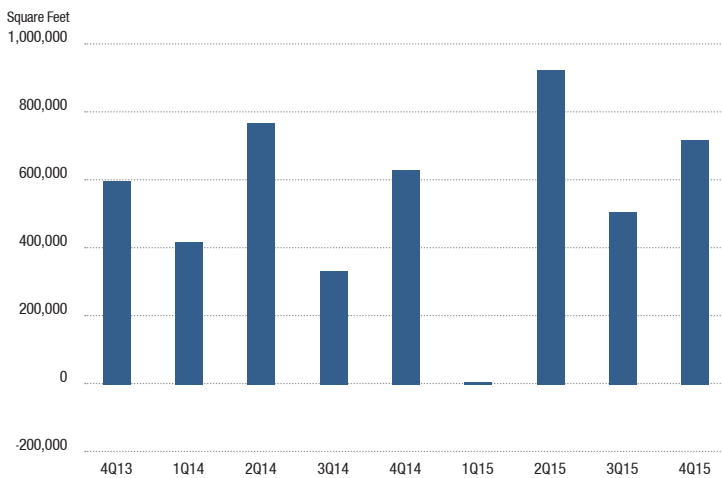
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



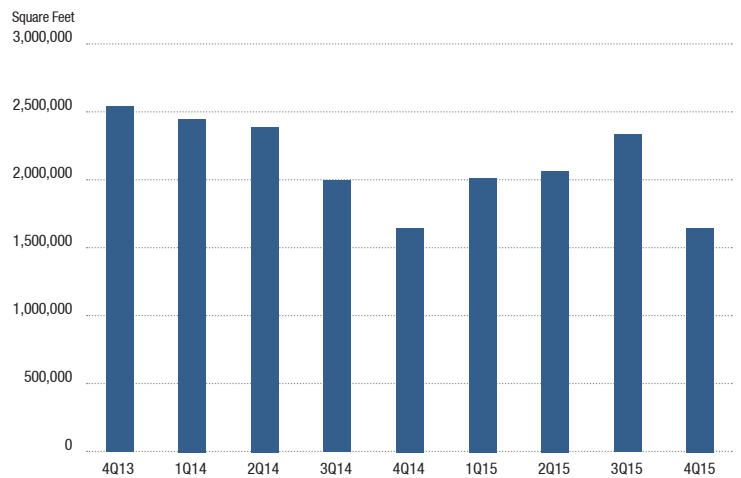
NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



GROSS ABSORPTION

TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2015	Square Feet Available	Availability Rate 4Q2015	Average Asking Lease Rate	Net Absorption 4Q2015	Net Absorption 2015	Gross Absorption 4Q2015	Gross Absorption 2015
Mid Counties													
Artesia / Cerritos	276	13,086,126	0	0	518,129	3.96%	447,345	3.42%	\$0.66	(73,488)	(98,499)	222,143	892,191
Bellflower / Downey	196	5,548,905	0	0	38,995	0.70%	78,591	1.42%	\$0.59	8,425	101,187	16,543	322,727
Buena Park / La Palma	231	15,248,790	0	0	263,115	1.73%	507,929	3.33%	\$0.62	40,192	393,178	72,165	1,093,216
La Mirada	190	12,942,637	199,588		136,160	1.05%	368,471	2.85%	\$0.77	172,870	513,363	316,270	1,513,849
Norwalk	83	2,921,539	24,895	0	24,815	0.85%	30,325	1.04%	\$0.69	(1,506)	11,017	80,529	146,289
Paramount	369	8,680,089	0	0	73,536	0.85%	261,040	3.01%	\$0.76	3,876	112,215	52,589	305,234
Santa Fe Springs	1,323	51,003,454	0	1,394,202	347,455	0.68%	823,035	1.61%	\$0.84	556,265	1,081,004	847,719	3,574,146
Whittier	167	3,900,182	0	0	35,873	0.92%	321,653	8.25%	\$0.61	10,044	34,228	36,086	199,186
Total	2,835	113,331,722	224,483	1,394,202	1,438,078	1.27%	2,838,389	2.50%	\$0.69	716,678	2,147,693	1,644,044	8,046,838
Mid Counties Total	2,835	113,331,722	224,483	1,394,202	1,438,078	1.27%	2,838,389	2.50%	\$0.69	716,678	2,147,693	1,644,044	8,046,838
5,000-24,999	1,777	23,615,541	24,895	14,000	454,992	1.93%	574,906	2.43%	\$0.85	1,312	(1,977)	297,272	1,214,220
25,000-49,999	489	17,380,883	0	105,944	144,810	0.83%	251,885	1.45%	\$0.71	156,799	293,011	320,360	1,155,136
50,000-99,999	301	20,600,584	0	63,458	272,095	1.32%	601,596	2.92%	\$0.69	62,211	419,684	213,119	1,439,604
100,000-249,999	213	31,305,631	199,588	0	504,181	1.61%	1,260,002	4.02%	\$0.62	168,422	276,793	485,359	1,547,886
250,000-499,999	49	15,977,946	0	704,335	62,000	0.39%	150,000	0.94%	\$0.00	327,934	1,160,182	327,934	2,689,992
500,000 plus	6	4,451,137	0	506,465	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Mid Counties Total	2,835	113,331,722	224,483	1,394,202	1,438,078	1.27%	2,838,389	2.50%	\$0.69	716,678	2,147,693	1,644,044	8,046,838

This survey consists of buildings greater than 5,000 square feet. Lease rates are on an industrial-gross basis.

MAJOR TRANSACTIONS OF 2015

Sales Transactions

Property Address	City	Square Feet	Sale Price Per SF	Buyer	Seller
9400 Santa Fe Springs Rd.	Santa Fe Springs	607,833	\$102.41	Deutsche Asset & Wealth Management	Cornerstone Real Estate Advisors
16301–16341 Carmenita Rd. (7 Properties)	Cerritos	395,177	\$111.01	Alere Property Group, LLC	CBRE Global Investors
11688 Greenstone Ave.	Santa Fe Springs	327,934	\$221.08	TIAA-CREF	Panattoni Development
13827 Carmenita Rd.	Santa Fe Springs	208,432	\$92.64	Polycoat	EverWest Real Estate Partners, LLC
14930 Alondra Blvd.	La Mirada	135,269	\$110.85	Leftbank	LBA Realty

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
913300–13408 Orden Dr.	Santa Fe Springs	454,826	Jun-2015	St. George Logistics	Golden Springs Development
13012 Molette St.	Santa Fe Springs	306,286	Jun-2015	Gerber Plumbing	Fremont Properties
11811–11831 E. Florence	Santa Fe Springs	288,000	Feb-2015	O'Neill Logistics	Hathaway Industrial Properties
16400 Knott Ave.	La Mirada	278,000	May-2015	Priority 1 Warehousing, Inc.	Invesco Advisors, Inc.
6101–6131 S. Knott Ave.	Buena Park	272,548	Jun-2015	Wheel Pros	COMREF So CA Industrial SUB G, LLC

PRODUCT TYPE

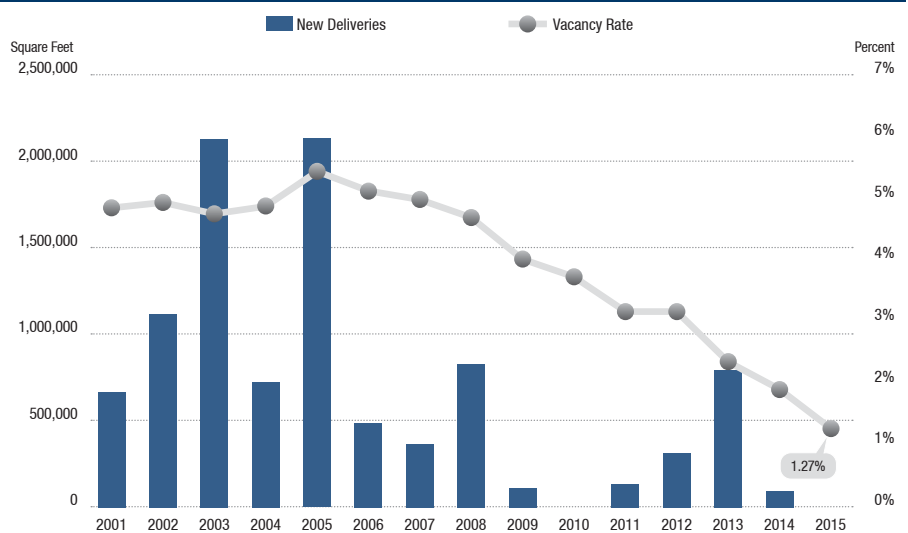
MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.

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