

Los Angeles

Industrial Market Outlook 1Q 2017

MARKET OVERVIEW

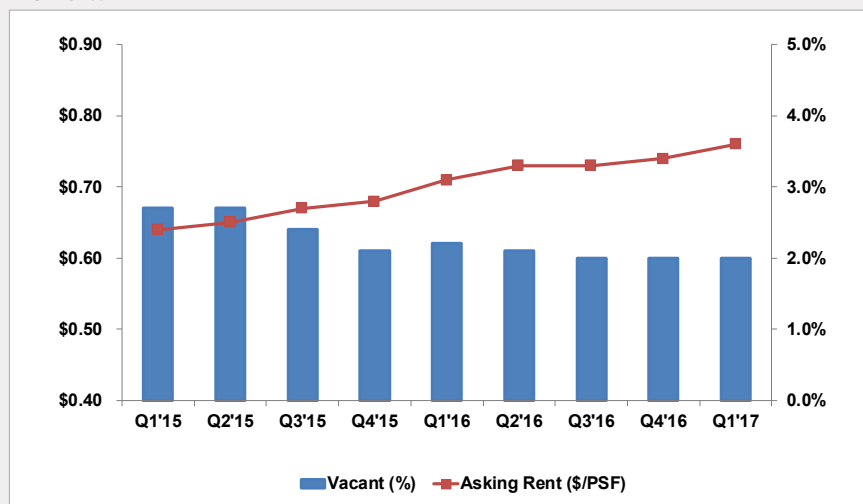
Rents continued to increase while vacancy remained at a historically low level in the first quarter of 2017. The vacancy rate held steady from the prior quarter at 2.0%- 20 basis points below the vacancy a year ago. This is lowest vacancy ever recorded in Los Angeles County, and is the lowest in the nation. At the end of the quarter average asking rents reached \$0.76/SF, up 2.7% from the previous quarter and 7.0% over last year. Average asking rents are 15.2% higher than the peak of the previous cycle reached in 2008. There were nearly 1.7 million square feet of industrial space delivered this quarter, which is more than twice the amount delivered last year at this time. It is the largest amount of square footage delivered on a quarterly basis since 2007. At the end of the first quarter, nearly 5.0 million square feet of industrial space was under construction, of which 17% was preleased. Demand is driven by a strong economy as well as cargo volume from the ports of Los Angeles and Long Beach. In the first two months of 2017, more than 2.5 million TEUs have filtered through the two ports. Year to date volume is up 1.0%, which is significant since volume usually slows down due to the Chinese Lunar New Year. January 2017 set records, making it the Port of Los Angeles' busiest month ever with an increase of 17.4% in total volume over January 2016.

TRENDS TO WATCH

Demand will continue to outpace supply in the Los Angeles industrial market in 2017, as the market is effectively fully built out. Vacancy is expected to remain low, pushing up rents across Los Angeles County. Deliveries of newly completed projects are not expected to offer sufficient relief of pent up demand. Those tenants looking for space to expand could find success looking toward smaller buildings located near existing facilities, such as what Mission Foods did this quarter to secure an additional 51,000 square feet just a block from their current 200,000 square foot processing plant in Van Nuys.

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



NAI Capital Research
www.naicapital.com

Los Angeles

Industrial Market Outlook 1Q 2017



Market Statistics

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	1Q17 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	1Q17 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$/PSF NNN	AVERAGE SALE PRICE \$/PSF
LA North	143,587,262	1,826,666	4.4%	1.7%	952,534	952,534	1,042,548	1,042,548	\$0.74	\$134
Central	243,085,911	216,712	5.0%	2.3%	1,694,723	1,694,723	1,285,431	1,285,431	\$0.76	\$180
San Gabriel Valley	156,738,223	1,556,281	4.8%	2.2%	1,622,048	1,622,048	1,133,450	1,133,450	\$0.75	\$146
Mid-Cities	97,282,347	649,355	3.8%	2.0%	739,910	739,910	277,674	277,674	\$0.65	\$128
South Bay	212,751,804	738,386	4.0%	1.8%	1,495,701	1,495,701	1,158,346	1,158,346	\$0.86	\$137
Total	853,445,547	4,987,400	4.5%	2.0%	6,504,916	6,504,916	4,897,449	4,897,449	\$0.76	\$147

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

Leasing

Leasing volume this quarter totaled more than 6.5 million square feet, down 38.1% from a year ago. With vacancy at a record low and availability at just 4.5%, tenants are met with rising rents in a market that heavily favors landlords. CNR International, Inc. signed one of the largest leases on a 163,499 square foot warehouse/distribution building in Compton. Amazon continued its expansion in Southern California, taking down more warehouse space this quarter. The e-commerce giant leased an entire 164,284 square foot class A warehouse/distribution building at Magellan Gateway, a state of the art industrial business park located in El Monte.

Sales

Los Angeles County sustained a strong demand for industrial building purchases in the first quarter of the year. Nearly 4.9 million square feet of industrial space were sold, which is an increase of 9.5% from last year. The average sale price per square foot was \$147, an increase of 4.7% over the prior year. This quarter, Eastlake LLC purchased 258,600 square feet of light industrial space in El Monte for \$105/SF. The two-building corporate facility at 700-709 Science Drive in Moorpark also sold this quarter in two separate transactions. The larger 253,478 square foot warehouse at 709 Science Drive was purchased by an owner-user for \$91/SF. The second, smaller 152,786 square foot building located at 700 Science Drive sold to Life Tech Resources for \$90/SF.

Select Lease Transactions:

TENANT	ADDRESS	SUBMARKET	ASKING RENT \$/PSF*	SQUARE FEET
Capitol Logistics	20943 S Maciel Ave	South Bay	\$0.68	176,031
Amazon	4187 Temple City Blvd	San Gabriel Valley	Withheld	164,284
CNR International, Inc.	2626 E Vista Industrial	South Bay	\$0.69	163,499
Fab Fit Fun	2680-2690 S Pellissier Pl	San Gabriel Valley	\$0.68	112,000
AMS Fulfillment	28936 Avenue Williams	LA North	\$0.62	101,255

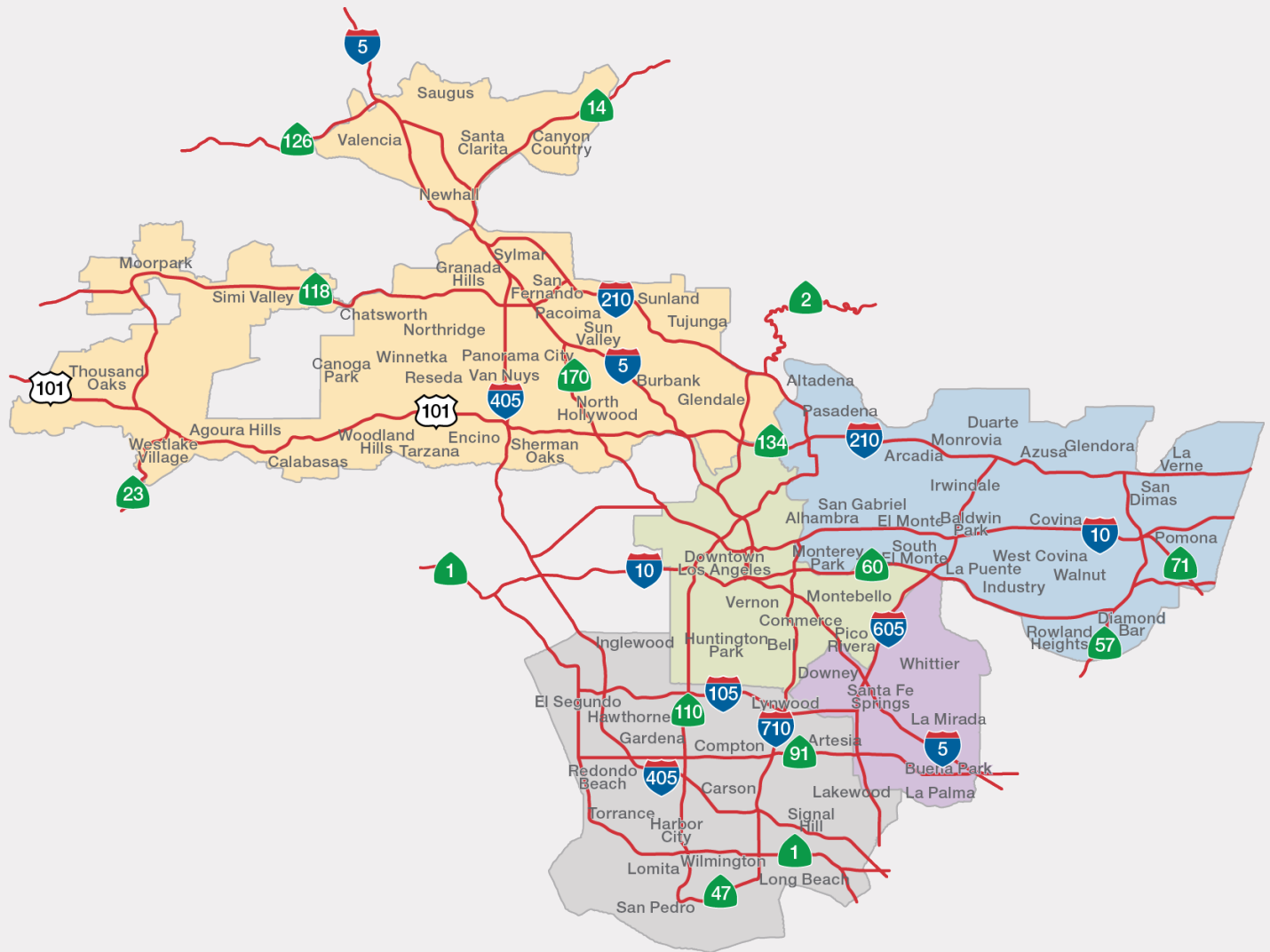
*All rents are NNN unless otherwise noted

Select Sales Transactions:

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/PSF	SQUARE FEET
Eastlake LLC	9320-9328 Telstar Ave	San Gabriel Valley	\$105	258,600
Elie Laskar	709 Science Dr	LA North	\$91	253,478
Life Tech Resources	700 Science Dr	LA North	\$90	152,786
The Trinh Properties LLC	15000 Nelson Ave	Central	\$150	125,494
Industrial Property Trust, Inc	18554 S Susana Rd	South Bay	\$115	104,339

Los Angeles

Industrial Market Outlook 1Q 2017



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

Los Angeles

Industrial Market Outlook 1Q 2017



NAI Capital Research

J.C. Casillas

Vice President

Research, Marketing and Communications

jasillas@naicapital.com

Jillian Olivas

Research and Communications Assistant

jolivas@naicapital.com

Kevin de Bree

Research Analyst

kdebree@naicapital.com

NAI Capital Southern California Office Locations

Headquarters

Encino

16001 Ventura Blvd., Ste. 200
Encino, CA 91436
(818) 905-2400

Los Angeles County

Commerce

500 Citadel Dr., Ste. 100
Los Angeles, CA 90040
(323) 201-3600

Diamond Bar

21660 E. Copley Dr., Ste. 320
Diamond Bar, CA 91765
(909) 348-0600

Pasadena

225 S. Lake Ave., Ste. 1170
Pasadena, CA 91101
(626) 564-4800

Torrance

970 W. 190th St. Dr., Ste. 100
Torrance, CA 90502
(310) 532-9080

Valencia

27451 Tournay Rd., Ste. 200
Valencia, CA 91355
(661) 705-3550

West Los Angeles

11835 Olympic Blvd., Ste. 700E
Los Angeles, CA 90064
(310) 440-8500

Ventura County

Oxnard

300 Esplanade Dr., Ste. 1660
Oxnard, CA 93036
(805) 278-1400

Westlake Village

2555 Townsgate Rd., Ste. 320
Westlake Village, CA 91361
(805) 446-2400

Simi Valley

2655 First St., Ste. 250
Simi Valley, CA 93065
(805) 522-7132

Orange County

Irvine

1920 Main St., Ste. 100
Irvine, CA 92614
(949) 854-6600

San Clemente

120 1/2 South El Camino Real,
Ste. 210
San Clemente, CA 92674
(949) 874-0415

Inland Empire

Ontario

800 N. Haven Dr., Ste. 400
Ontario, CA 91764
(909) 945-2339

Temecula

27720 Jefferson Ave., Ste. 330
Temecula, CA 92590
(951) 491-7590

Victorville

13911 Park Avenue, Ste. 206
Victorville, CA 92392
(760) 780-4200

Coachella Valley

Palm Desert

75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
(760) 346-1566