THIRD QUARTER 2015
MID COUNTIES
INDUSTRIAL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to Previous Quarter:

Vacancy
DOWN

Net Absorption
POSITIVE

Lease Rates
UP

Transactions
DOWN

Deliveries
FLAT

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HIGHLIGHTS

- **Encouraging Numbers -** The Mid Counties industrial market continued to improve, posting a sub-2.0% vacancy rate for the third 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 4.5 million square feet over the last nine quarters.
- **Construction -** There was only 24,895 square feet of industrial projects under construction in Mid Counties at the close of the third quarter 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 1.92%. This is down from both the previous quarter and from 2014's third quarter rate of 3.73%, a significant drop of 48.53%.
- **Availability -** Direct/sublease space being marketed finished the third quarter of the year at 2.94%, down when compared to the previous quarter and a substantial decrease of 50.17% when compared to the same quarter of 2014 when the rate was 5.90%.
- **Lease Rates -** The average asking lease rate came in at $0.66 per square foot per month, up three cents from last quarter and up two cents compared to the $0.64 seen in the third quarter of 2014, a 3.13% annual increase.
- **Absorption -** The Los Angeles industrial market posted 499,318 square feet of positive net absorption this quarter, giving the market an average of 499,981 square feet per quarter over the last nine quarters and a total of 4,499,826 million square feet since the third quarter of 2013.
- **Transaction Activity -** Leasing activity for the Mid Counties industrial market checked in at just over 1.1 million square feet this quarter, compared to 2.7 million in the third quarter of 2014. Total sold was over 1.5 million square feet this quarter, compared to the 872,323 square feet in the third quarter of 2014. The slowdown in transaction 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 decreased over the month to 6.9% in August 2015, from a revised 7.2% in July 2015 and below the previous year's estimate of 8.1%. This compares with an unadjusted unemployment rate of 6.1% for California and 5.1% for the nation during the same period. According to the State of California Employment Development Department, Los Angeles County saw a net increase of 76,300 payroll jobs from August 2014 to August 2015. Most sectors showed gains in employment; the largest gains were 22,500 in educational and health services and 17,100 in trade, transportation, and utilities during that same period. Los Angeles County's manufacturing sector suffered the biggest losses over the year — down 4,700 jobs.
- **Overall -** We are seeing significant drops in vacancy and availability coupled with overall increases in net occupancy. As we progress into the last quarter of 2015, 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.

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 1.5% to 2% for the foreseeable future.

OVERVIEW

	3Q15	2Q15	3Q14	% of Change vs. 3Q14
Total Vacancy Rate	1.92%	2.36%	3.73%	(48.53%)
Availability Rate	2.94%	3.66%	5.90%	(50.17%)
Average Asking Lease Rate	$0.66	$0.63	$0.64	3.13%
Sale & Lease Transactions	2,642,102	3,921,429	3,648,828	(27.59%)
Gross Absorption	2,341,267	2,065,492	1,998,241	17.17%
Net Absorption	499,318	921,780	332,828	N/A

Prepared by:

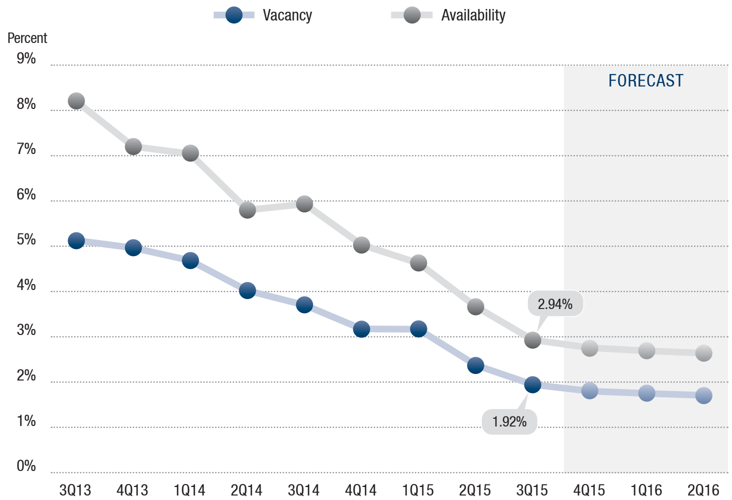
Jerry J. Holdner, Jr.
Vice President of Market Research
e-mail: jholdner@voitco.com

Rinku Mathew
Market Research Analyst
e-mail: rmathew@voitco.com

VOIT Real Estate Services

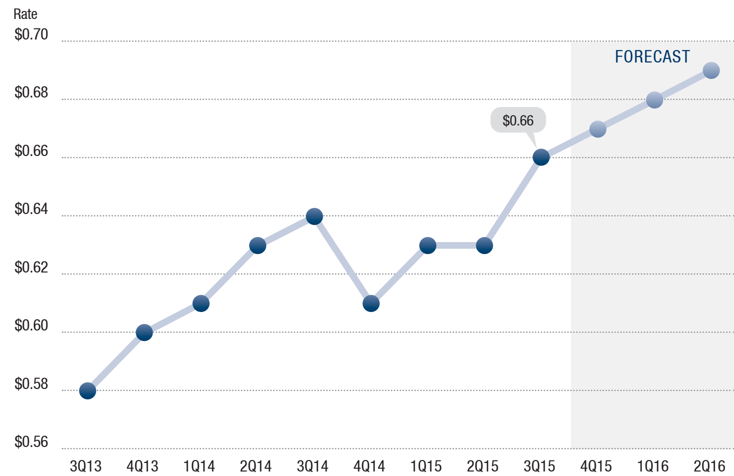
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



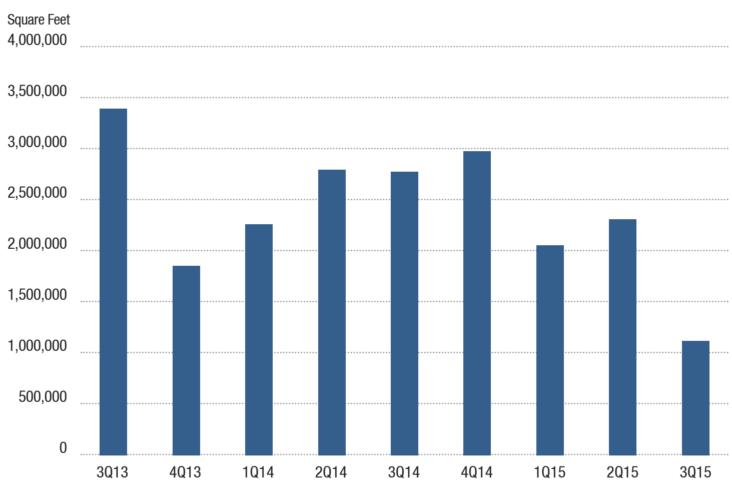
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



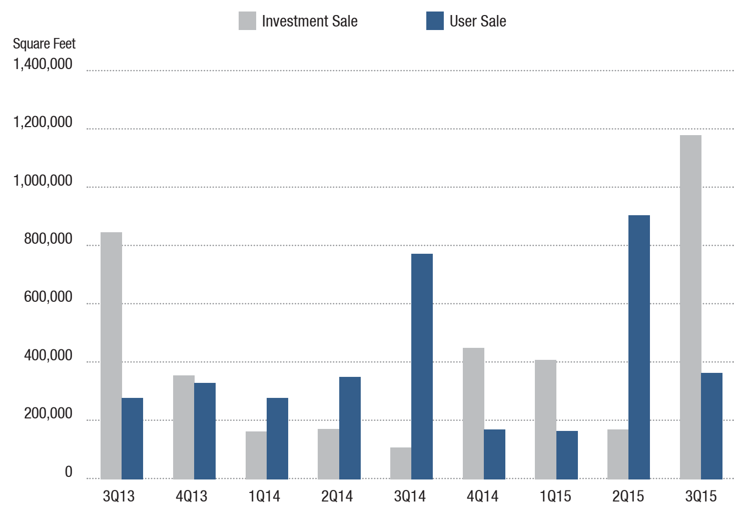
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



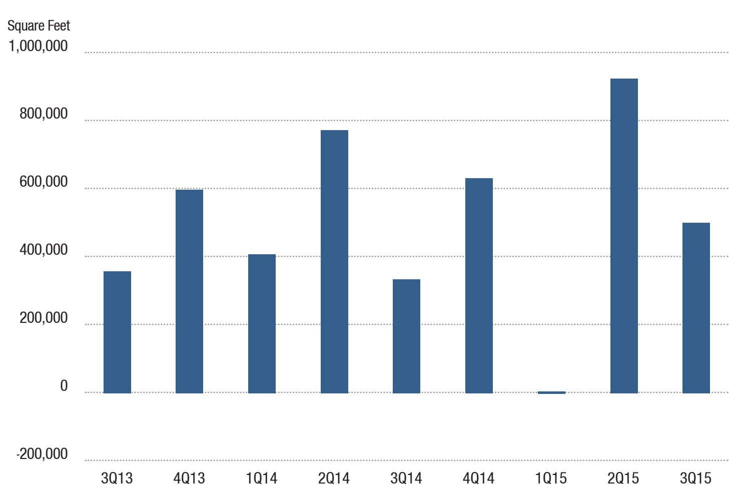
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



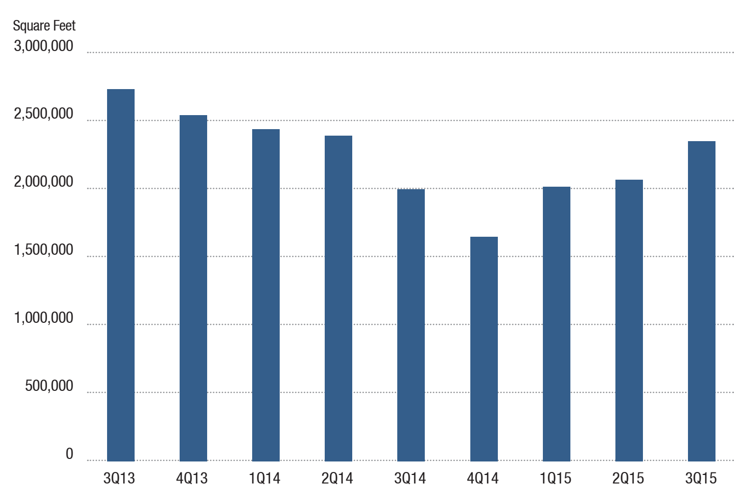
NET ABSORPTION

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 3Q2015	Square Feet Available	Availability Rate 3Q2015	Average Asking Lease Rate	Net Absorption 3Q2015	Net Absorption 2015	Gross Absorption 3Q2015	Gross Absorption 2015
Mid Counties													
Artesia / Cerritos	276	13,040,206	0	0	444,641	3.41%	712,361	5.46%	$0.60	(83,536)	(25,011)	206,711	670,048
Bellflower / Downey	196	5,548,905	0	0	47,420	0.85%	53,032	0.96%	$0.64	69,100	92,762	97,359	306,184
Buena Park / La Palma	230	15,236,990	0	0	314,347	2.06%	682,616	4.48%	$0.48	256,099	352,986	460,525	1,021,051
La Mirada	190	12,938,637	0	199,578	309,030	2.39%	228,576	1.77%	$0.75	(72,350)	340,493	522,180	1,197,579
Norwalk	82	2,916,289	24,895	0	23,069	0.79%	95,069	3.26%	$0.93	18,985	12,263	42,220	67,670
Paramount	368	8,675,261	0	0	80,212	0.92%	183,858	2.12%	$0.81	97,625	105,039	137,039	252,645
Santa Fe Springs	1,321	51,015,251	0	1,394,244	912,400	1.79%	1,187,654	2.33%	$0.74	215,955	514,709	867,155	2,731,227
Whittier	168	3,916,831	0	0	47,267	1.21%	183,415	4.68%	$0.63	(2,560)	24,184	8,078	163,100
Total	2,831	113,288,370	24,895	1,593,822	2,178,386	1.92%	3,326,581	2.94%	$0.66	499,318	1,417,425	2,341,267	6,409,504
Mid Counties Total	**2,831**	**113,288,370**	**24,895**	**1,593,822**	**2,178,386**	**1.92%**	**3,326,581**	**2.94%**	**$0.66**	**499,318**	**1,417,425**	**2,341,267**	**6,409,504**
5,000-24,999	1,772	23,576,657	24,895	14,000	468,894	1.99%	665,325	2.82%	$0.85	70,207	(16,879)	429,391	923,658
25,000-49,999	491	17,443,027	0	105,944	301,609	1.73%	458,575	2.63%	$0.69	8,070	136,212	183,455	834,776
50,000-99,999	301	20,632,912	0	63,500	425,078	2.06%	903,319	4.38%	$0.67	287,243	357,473	574,776	1,226,485
100,000-249,999	212	31,206,691	0	199,578	581,831	1.86%	943,923	3.02%	$0.60	(383,036)	108,371	236,811	1,062,527
250,000-499,999	49	15,977,946	0	704,335	400,974	2.51%	161,040	1.01%	$0.35	516,834	832,248	916,834	2,362,058
500,000 plus	6	4,451,137	0	506,465	0	0.00%	194,399	4.37%	$0.00	0	0	0	0
Mid Counties Total	**2,831**	**113,288,370**	**24,895**	**1,593,822**	**2,178,386**	**1.92%**	**3,326,581**	**2.94%**	**$0.66**	**499,318**	**1,417,425**	**2,341,267**	**6,409,504**

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

MAJOR TRANSACTIONS

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
11688 Greenstone Ave.	Santa Fe Springs	327,934	$221.08	TIAA-CREF	Panattoni Development Company
14930 Alondra Blvd.	La Mirada	135,269	$110.85	Leftbank Art Company	LBA Realty
13034 Excelsior Dr.	Norwalk	53,527	$190.56	Undisclosed	Metropolis Norwalk Investors, LLC
8750 Pioneer Blvd.	Santa Fe Springs	44,668	$159.96	Harry Wong	Sang Woo & Elizabeth Lee

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
15500 Phoebe	La Mirada	203,510	Sept-2015	Giant Bicycle	Macaw-Phoebe Investors
11333 Greenstone	Santa Fe Springs	105,270	Sept-2015	TwindMed, LLC	Copley West Coast Industrial
15220 Canary Ave.	Buena Park	93,280	Aug-2015	Capital Logistics & Warehouse Group	Poliquin Trust
12910 Mulberry	Whittier	73,998	July-2015	Sohnen Enterprises	Rosalinde & Arthur Gilbert & Associates
15500 Blackburn	Norwalk	72,000	Sept-2015	Lewis-Goetz & Co.	Norwalk Industrial, LLC

PRODUCT TYPE

MFG./DIST.
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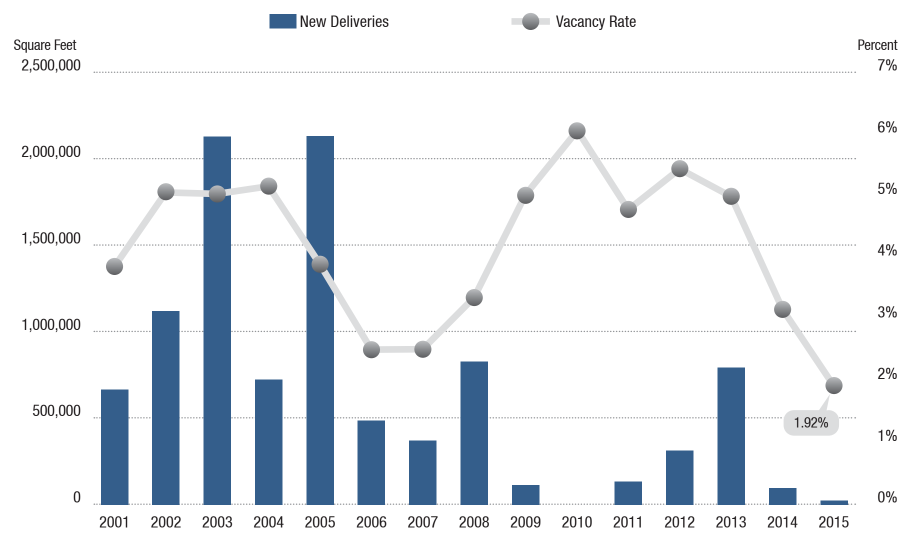
ANNUAL NEW DELIVERIES VS. VACANCY RATE



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949.851.5100

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424.329.7500

San Diego, CA
858.453.0505

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