



LOS ANGELES BASIN INDUSTRIAL MARKET

Q4 2016

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Market Summary

Through November, year-to-date container trade volume at the combined Los Angeles/Long Beach ports was up 1.1% from the same period in 2015. For the 4th consecutive month, year-over-year volume was down at the Port of Long Beach and up at the Port of Los Angeles. Year-to-date through 11 months, Port of Long Beach total volume was down 5.6% from 2015. The decline at Long Beach was anticipated following the Hanjin collapse, as Hanjin represented 12.3% of Long Beach's containerized volume in 2015. Meanwhile, Port of Los Angeles had an enormous month, surpassing the all-time monthly volume record it set in October, and volume year-to-date at the Port of Los Angeles was up 7.0% over 2015. Container volume will most certainly exceed 15 million TEUs again in 2016.

The Los Angeles Basin (LA, OC & IE) industrial market continued its strong momentum in 2016. The year ended with occupancy gains of 28.5 msf. With demand outpacing supply of new properties in the region, the overall vacancy rate dropped to 2.3%, down 100 bps from last year. The market is seeing such tight vacancies due to the explosive growth of e-commerce and strong trade volume through the Port of Los Angeles. This is fueling continued demand for warehouse and distribution space and driving strong rent growth at an average of 9.5% over the last five years.

The Greater LA industrial market posted a 1.4% vacancy rate and 7.0 msf of net absorption. The extremely tight market has intensified the competition for the more desirable and functional spaces that become available. At year-end, Los Angeles' average rental rate jumped to \$0.76 psf, for an annual growth rate of 13.4%. Despite the fact that it appears to be built out, the Los Angeles market added 3.5 msf of industrial properties in 2016, the largest amount of new construction since 2006.

In Orange County, supply has not kept pace with demand and vacancy has declined to extremely low levels. With occupancy gains of 2.0 msf at year-end, the vacancy rate stood at 2.0% - 80 bps lower than last year and the lowest vacancy rate on record. With an average overall rent of \$0.93 psf/mo, not only have rents increased by 16.3% in the last year, but rents have now surpassed the level achieved at the peak of the previous cycle, \$0.91 psf/mo in Q4 of 2007.

The Inland Empire ended 2016 with a 4.4% vacancy rate, a third of what it was at the depth of the recession. The region continued to post strong results with overall net absorption of 19.5 msf. Strong demand continues to fuel strong development with 22.7 msf under construction - an all time high and 20.5 msf of completed construction at the end of 2016.

Rents have seen strong growth, and given that vacancies in the market are tight and demand strong, we expect that rental rates should continue to increase at a steady pace, barring any major shifts or trends that will have a negative impact on vacancy or demand in 2017.

For more information, please contact:

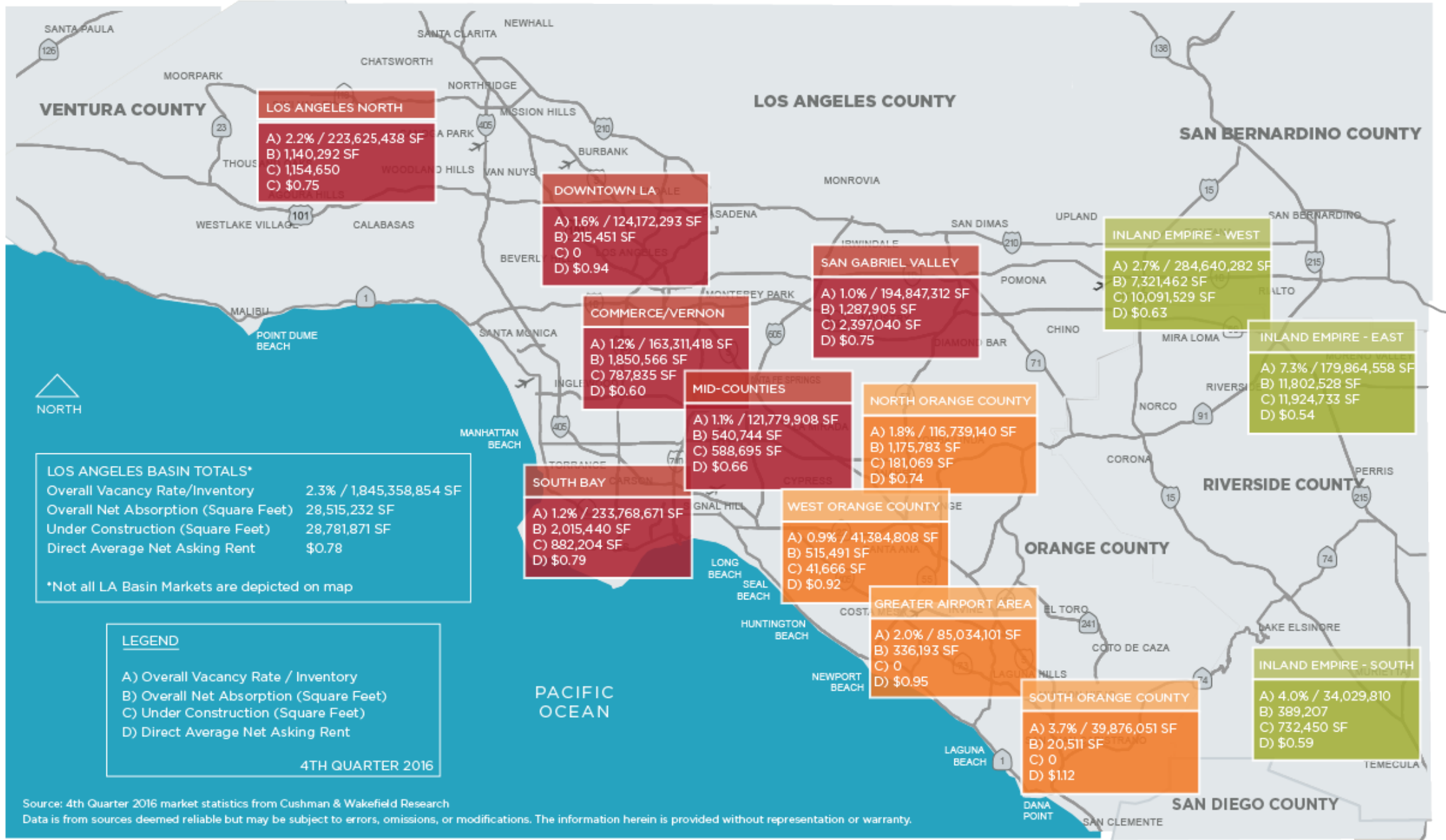
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	GREATER LOS ANGELES			INLAND EMPIRE			ORANGE COUNTY		
	Q4 2016	Q4 2015	Q3 2016	Q4 2016	Q4 2015	Q3 2016	Q4 2016	Q4 2015	Q3 2016
DIRECT VACANCY	1.3%	2.2%	1.3%	4.3%	5.6%	4.6%	1.9%	2.7%	2.1%
OVERALL VACANCY RATE	1.4%	2.3%	1.3%	4.4%	5.7%	4.7%	2.0%	2.8%	2.2%
OVERALL AVAILABILITY RATE	2.3%	3.3%	1.8%	5.6%	6.1%	5.2%	2.7%	4.3%	3.0%
DIRECT ASKING RATE	\$0.76	\$0.68	\$0.73	\$0.60	\$0.48	\$0.56	\$0.94	\$0.80	\$0.91
OVERALL ASKING NET RENTAL RATE	\$0.76	\$0.67	\$0.73	\$0.57	\$0.48	\$0.55	\$0.93	\$0.80	\$0.91
YTD LEASING ACTIVITY	36,032,536	42,109,036	29,134,009	38,704,350	43,728,170	30,619,368	13,031,642	12,459,638	10,921,219
YTD USER SALES ACTIVITY	6,007,018	9,957,254	4,804,203	4,648,487	3,139,076	4,158,885	2,412,716	3,130,861	2,243,367
YTD GROSS ACTIVITY (LEASING + USER SALES)	42,039,554	52,066,290	33,938,212	43,352,837	46,867,246	34,778,253	15,444,358	15,590,499	13,164,586
YTD INVESTMENT SALES ACTIVITY	20,722,998	27,365,649	15,230,328	13,592,036	25,484,837	9,156,519	7,490,998	7,465,898	4,248,046
YTD NET OVERALL ABSORPTION	7,049,045	11,432,728	6,798,843	19,513,197	22,401,989	15,876,544	2,047,978	2,416,941	1,630,646
UNDER CONSTRUCTION	5,810,424	3,060,797	6,195,466	22,748,712	16,710,488	18,395,253	222,735	624,875	222,735
YTD COMPLETED CONSTRUCTION	3,454,220	3,341,661	1,553,944	20,530,668	20,779,271	17,742,804	624,875	1,145,085	624,875



LOS ANGELES BASIN INDUSTRIAL MARKET

Q4 2016 Statistics



MARKET/SUBMARKET	TOTAL INVENTORY	DIRECT VACANCY RATE	OVERALL VACANCY RATE	OVERALL AVAILABILITY RATE	2016 YTD LEASING ACTIVITY	UNDER CONSTRUCTION	2016 YTD CONSTRUCTION COMPLETIONS	2016 YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*		
									MFG	FLEX	W/D
LOS ANGELES	124,172,293	1.6%	1.6%	1.7%	2,308,415	0	0	215,451	\$0.67	\$2.10	\$1.12
VERNON /NAYWOOD/HUNTINGTON PARK	64,771,614	2.0%	2.1%	4.2%	3,511,002	586,808	219,706	786,965	\$0.56	\$0.00	\$0.60
SOUTH GATE/LYNWOOD/CUDAHY	17,508,738	0.3%	0.4%	0.4%	426,154	201,027	0	(16,040)	\$0.00	\$0.00	\$0.41
COMMERCE/BELL/BELL GARDENS	58,470,225	0.5%	0.6%	2.6%	2,658,695	0	15,826	961,607	\$0.71	\$1.22	\$0.61
MONTEBELLO/PICO RIVERA	22,560,841	0.5%	0.6%	0.9%	798,682	0	113,634	118,034	\$0.00	\$0.00	\$0.56
CENTRAL LOS ANGELES	287,483,711	1.3%	1.4%	2.3%	9,702,948	787,835	349,166	2,066,017	\$0.63	\$1.37	\$0.78
DOWNEY	6,495,569	0.3%	0.3%	0.3%	136,872	0	0	28,014	\$0.67	\$0.95	\$0.00
SANTA FE SPRINGS	58,943,368	0.7%	0.7%	1.0%	2,298,709	588,695	123,619	227,272	\$0.62	\$1.11	\$0.69
LA MIRADA/NORWALK	17,840,724	2.9%	3.1%	4.5%	760,984	0	199,588	(4,832)	\$0.00	\$0.00	\$0.61
CERRITOS/ARTESIA	16,693,484	1.1%	1.2%	1.1%	963,363	0	0	156,507	\$0.00	\$0.92	\$0.62
WHITTIER	7,255,288	0.8%	0.8%	1.0%	233,758	0	0	38,795	\$0.00	\$0.00	\$0.50
LA PALMA	1,979,029	1.0%	1.0%	7.7%	221,038	0	0	72,545	\$0.00	\$0.00	\$0.00
BUENA PARK	12,572,446	0.4%	0.5%	2.4%	199,117	0	0	22,443	\$0.00	\$0.74	\$0.74
MID-COUNTIES	121,779,908	1.0%	1.1%	1.7%	4,813,841	588,695	323,207	540,744	\$0.64	\$0.99	\$0.65
EL MONTE/S. EL MONTE	18,943,840	1.1%	1.1%	1.1%	317,462	0	501,270	508,087	\$0.00	\$0.00	\$0.80
INDUSTRY/DIAMOND BAR/WALNUT	86,379,088	1.0%	1.1%	2.7%	3,838,994	523,293	255,540	321,550	\$0.86	\$0.81	\$0.61
EAST SAN GABRIEL VALLEY	32,129,129	0.4%	0.5%	0.9%	1,119,553	813,493	197,685	431,938	\$0.53	\$0.00	\$0.77
NORTHWESTERN SAN GABRIEL VALLEY	27,463,000	1.2%	1.2%	1.2%	320,996	679,851	0	42,512	\$0.77	\$0.75	\$0.77
CENTRAL SAN GABRIEL VALLEY	29,932,255	0.8%	1.0%	1.4%	603,225	380,403	172,463	(16,182)	\$0.57	\$0.79	\$0.69
SAN GABRIEL VALLEY	194,847,312	0.9%	1.0%	1.9%	6,200,230	2,397,040	1,126,958	1,287,905	\$0.83	\$0.89	\$0.71
LAX/INGLEWOOD	25,194,472	0.9%	0.9%	1.3%	701,989	149,040	0	11,768	\$1.11	\$2.39	\$1.15
GARDENA/HAWTHORNE	35,244,366	0.8%	0.8%	1.2%	1,120,154	100,580	175,890	379,585	\$0.76	\$0.00	\$0.73
TORRANCE AREA	39,834,772	0.9%	1.1%	2.0%	1,096,151	30,492	0	122,762	\$0.84	\$1.10	\$0.72
CARSON/COMPTON/RANCHO DOMINGUEZ	98,549,918	1.6%	1.7%	3.6%	5,325,371	136,685	1,478,999	1,409,750	\$0.49	\$0.86	\$0.76
LONG BEACH/PARAMOUNT	34,945,143	0.4%	0.6%	1.4%	602,651	465,407	0	91,575	\$0.61	\$0.79	\$0.82
SOUTH BAY	233,768,671	1.1%	1.2%	2.4%	8,846,316	882,204	1,654,889	2,015,440	\$0.69	\$1.07	\$0.80
EAST SAN FERNANDO VALLEY	77,121,679	1.0%	1.2%	1.4%	1,942,344	360,858	0	(265,964)	\$0.75	\$0.74	\$0.89
CENTRAL SAN FERNANDO VALLEY	26,379,694	0.7%	0.7%	0.8%	520,111	0	0	181,011	\$0.00	\$0.90	\$0.91
WEST SAN FERNANDO VALLEY	35,161,473	2.3%	2.5%	3.0%	1,364,711	0	0	99,513	\$0.00	\$1.04	\$0.75
SANTA CLARITA VALLEY	21,727,553	1.2%	1.5%	3.9%	824,311	652,762	0	106,331	\$0.75	\$0.00	\$0.67
VENTURA COUNTY	63,235,039	4.0%	4.0%	4.8%	1,651,871	141,030	0	1,019,401	\$0.61	\$0.98	\$0.56
LOS ANGELES NORTH	223,625,438	2.1%	2.2%	2.8%	6,303,348	1,154,650	0	1,140,292	\$0.67	\$0.93	\$0.70
WESTSIDE INDUSTRIAL	16,836,539	0.7%	0.7%	0.9%	165,853	0	0	(1,353)	\$0.00	\$0.00	\$1.98
GREATER LOS ANGELES	1,078,341,579	1.3%	1.4%	2.3%	36,032,536	5,810,424	3,454,220	7,049,045	\$0.67	\$0.96	\$0.75
NORTH ORANGE COUNTY	116,739,140	1.8%	1.8%	1.9%	4,392,825	181,069	586,162	1,175,783	\$0.81	\$0.92	\$0.66
GREATER AIRPORT AREA	85,034,101	1.9%	2.0%	2.7%	3,721,357	0	38,713	336,193	\$1.10	\$1.25	\$0.73
WEST ORANGE COUNTY	41,384,808	0.9%	0.9%	3.5%	2,539,366	41,666	0	515,491	\$0.83	\$1.00	\$0.90
SOUTH ORANGE COUNTY	39,876,051	3.4%	3.7%	4.4%	2,378,094	0	0	20,511	\$1.07	\$1.25	\$0.90
ORANGE COUNTY	283,034,100	1.9%	2.0%	2.7%	13,031,642	222,735	624,875	2,047,978	\$0.98	\$1.17	\$0.74
INLAND EMPIRE WEST	284,640,282	2.5%	2.7%	4.1%	21,526,663	10,091,529	9,226,209	7,321,462	\$0.68	\$0.78	\$0.58
INLAND EMPIRE EAST	179,864,558	7.3%	7.3%	8.1%	15,861,912	11,924,733	11,107,831	11,802,528	\$0.58	\$0.60	\$0.48
INLAND EMPIRE SOUTH	34,029,810	4.0%	4.0%	4.4%	1,315,775	732,450	196,628	389,207	\$0.58	\$0.70	\$0.57
INLAND EMPIRE	498,534,650	4.3%	4.4%	5.6%	38,704,350	22,748,712	20,530,668	19,513,197	\$0.63	\$0.67	\$0.56
LOS ANGELES BASIN MARKET TOTAL	1,845,358,854	2.2%	2.3%	3.2%	87,348,373	28,781,871	24,609,763	28,515,232	\$0.73	\$0.98	\$0.73

*Rental rates reflect \$/SF/month

Buena Park is included in both Mid-Counties and North OC & La Palma is in Mid-Counties and West OC. The LA Basin total reflects adjusted figure.

C&W is continuously refining its database. Due to adjustments made to the inventory, vacancy & leasing activity, which affects absorption, current figures may not match what was published previously.

Historical data has been adjusted to take into account the changes in the database.