

Economic Overview

According to the Bureau of Labor Statistics, the California unemployment rate dropped 0.6 percentage points from 6.7% in July 2016 to 6.1% in July 2017. Unemployment rate for the US was reported at 4.3% down from 4.9% over the same time period. The Los Angeles-Long Beach-Glendale metropolitan statistical area job creation totaled 49,900 over the past year. Industrial using jobs (industries include manufacturing, construction and trade transportation and utilities) remained flat from July 2016 to July 2017.

Market Overview

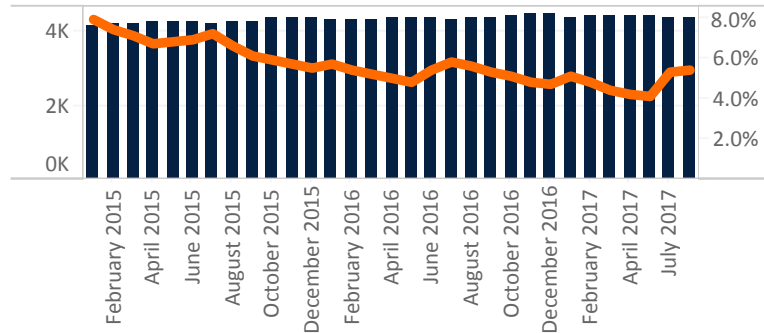
The Los Angeles County industrial tracked set consists of 18,432 buildings, 10,000 square feet (sf) and larger. The market is divided into five submarkets with a total inventory of 764 msf. The county recorded 1,110,549 sf of positive net absorption during 3Q 2017. The total vacancy rate has increased from 1.2% in 2Q 2017 to 1.4% at the close of 3Q 2017. Total availability increased 0.3% from 3.3% to 3.6% during the same time period. Weighted average asking rents increased from \$0.79 NNN to \$0.81 NNN psf, however, the majority of larger availabilities are being advertised without an asking rate. Development activity continues to thrive with 6.7 msf currently underway.

Market Highlights

Despite the slight uptick in the vacancy rate, the Los Angeles county industrial market remains the tightest in the country with historically low vacancy rates in all five submarkets. Leasing activity declined from the previous quarter even with the availability rate increasing 3 percentage points. The LA Central submarket recorded 487,277 sf of positive net absorption, lowering the submarkets vacancy rate to 1.5%, down from 1.7% at the end 2Q 2017. Landlords continue to be the beneficiary of the tight market conditions as tenants are hard pressed to find expansion options in their current markets. The largest move-in during the quarter went to FedEx taking occupancy of their brand new build-to-suit facility in Arcadia.

Los Angeles Employment

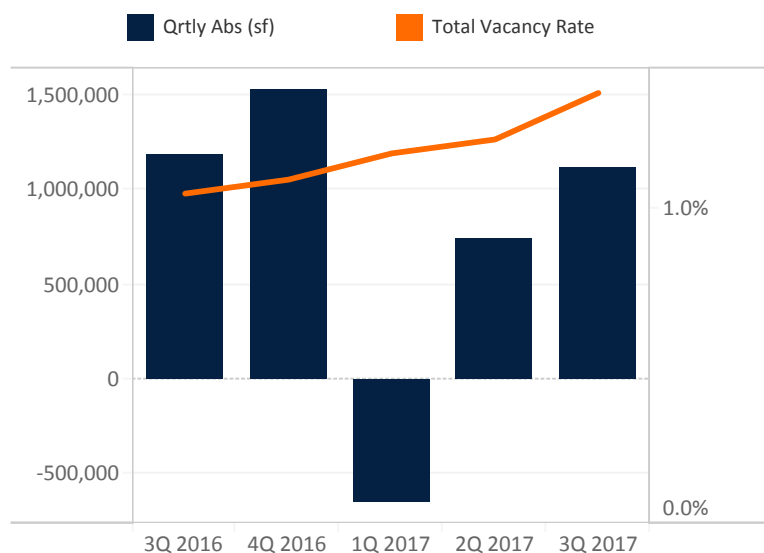
Source: BLS



Market Recap

Inventory (sf)	764,152,966
# of Bldgs	18,432
Qrtly Abs (sf)	1,110,549
Total Avail Rate	3.6%
Total Vacancy Rate	1.4%
U/C Inventory (sf)	6,700,290
Delivered (sf)	2,247,536
Weighted Average Asking Rate (NNN)	\$0.81

Absorption and Vacancy Rate



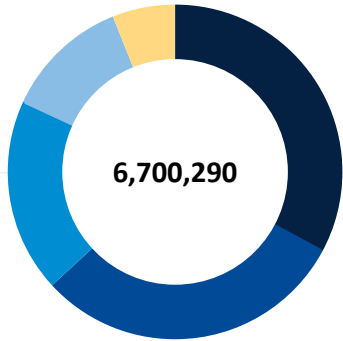
Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Flex	34,398,417	1,479,258	748,044	2.2%	80,977	-41,943
Whse/Dist	729,754,549	25,740,301	9,701,038	1.3%	1,029,572	1,237,186
Overall	764,152,966	27,219,559	10,449,082	1.4%	1,110,549	1,195,243

Overview by Market (Total)

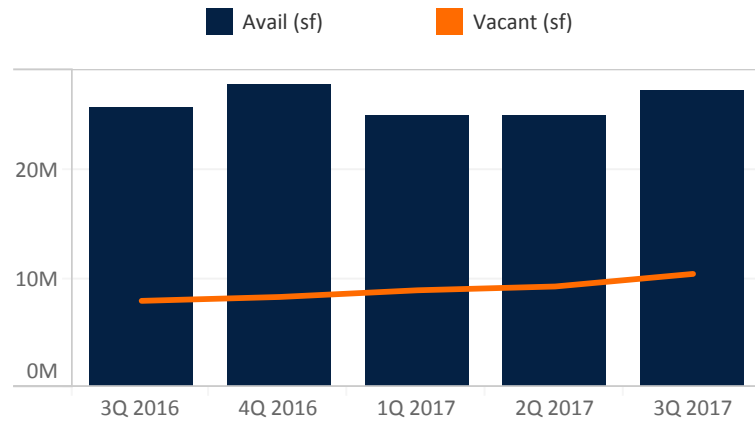
Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
LA Central	Flex	3,872,162	272,823	104,138	2.7%	-8,422	-3,860
	Whse/Dist	192,971,916	8,344,621	2,804,174	1.5%	495,699	114,860
	Subtotal	196,844,078	8,617,444	2,908,312	1.5%	487,277	111,000
LA East	Flex	7,619,930	321,987	225,993	3.0%	-6,219	7,980
	Whse/Dist	146,371,612	5,235,994	2,476,666	1.7%	250,915	707,445
	Subtotal	153,991,542	5,557,981	2,702,659	1.8%	244,696	715,425
LA Northwest	Flex	10,978,214	621,867	288,024	2.6%	93,287	-75,681
	Whse/Dist	108,736,411	3,756,696	1,582,955	1.5%	-15,558	-363,151
	Subtotal	119,714,625	4,378,563	1,870,979	1.6%	77,729	-438,832
LA South	Flex	8,911,872	186,922	92,612	1.0%	-4,066	24,058
	Whse/Dist	198,440,820	5,956,124	2,043,656	1.0%	77,130	981,800
	Subtotal	207,352,692	6,143,046	2,136,268	1.0%	73,064	1,005,858
MidCounties	Flex	3,016,239	75,659	37,277	1.2%	6,397	5,560
	Whse/Dist	83,233,790	2,446,866	793,587	1.0%	221,386	-203,768
	Subtotal	86,250,029	2,522,525	830,864	1.0%	227,783	-198,208
Overall		764,152,966	27,219,559	10,449,082	1.4%	1,110,549	1,195,243

Construction by Market

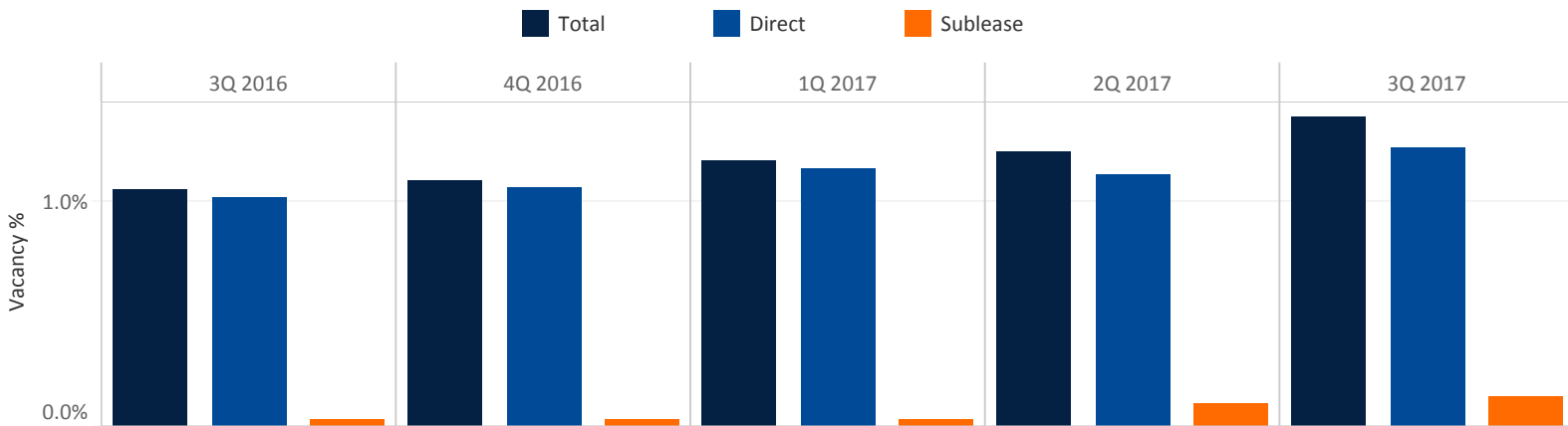


- LA East
- MidCounties
- LA South
- LA Northwest
- LA Central

Total Available and Vacant



Vacancy Rate



Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	34,398,417	1,098,786	713,878	2.1%	96,572	-33,587
Whse/Dist	729,754,549	22,302,223	8,698,117	1.2%	1,281,575	2,020,528
Overall	764,152,966	23,401,009	9,411,995	1.2%	1,378,147	1,986,941

Overview by Specific Use (Sublease)

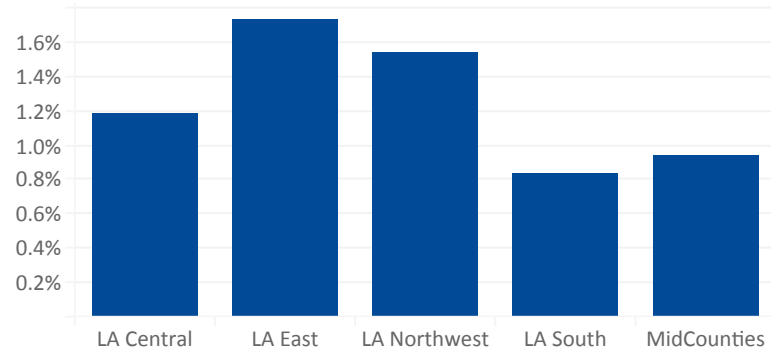
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	34,398,417	380,472	34,166	0.1%	-15,595	-8,356
Whse/Dist	729,754,549	3,438,078	1,002,921	0.1%	-252,003	-783,342
Overall	764,152,966	3,818,550	1,037,087	0.1%	-267,598	-791,698

Direct Vacancy Rates

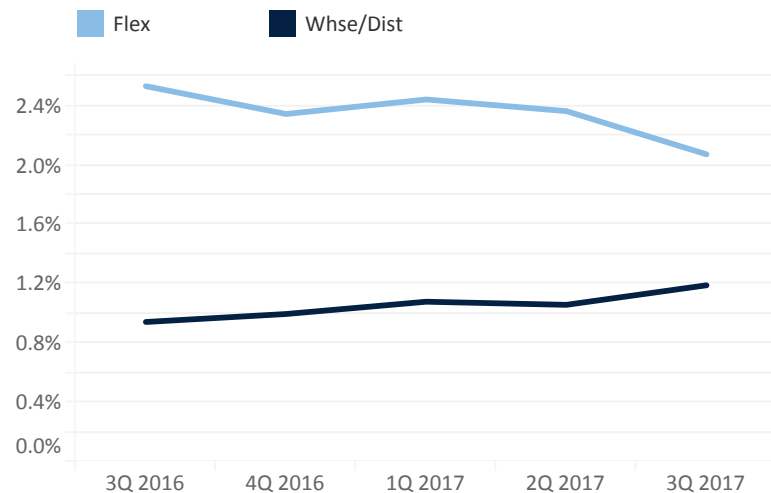
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
LA Central	Flex	3.3%	3.0%	3.5%	2.6%	2.7%
	Whse/Dist	1.3%	1.1%	1.2%	1.4%	1.2%
	Subtotal	1.3%	1.2%	1.2%	1.4%	1.2%
LA East	Flex	3.9%	3.1%	3.0%	2.9%	3.0%
	Whse/Dist	0.8%	0.9%	0.9%	0.9%	1.7%
	Subtotal	0.9%	1.0%	1.0%	1.0%	1.7%
LA Northwest	Flex	2.5%	2.7%	3.2%	3.5%	2.6%
	Whse/Dist	0.9%	0.8%	1.1%	1.2%	1.4%
	Subtotal	1.1%	1.0%	1.3%	1.4%	1.5%
LA South	Flex	1.5%	1.4%	0.8%	0.8%	0.8%
	Whse/Dist	0.9%	1.1%	1.1%	0.7%	0.8%
	Subtotal	0.9%	1.1%	1.1%	0.7%	0.8%
MidCounties	Flex	1.3%	1.4%	1.8%	1.5%	0.9%
	Whse/Dist	0.6%	0.7%	1.1%	1.2%	0.9%
	Subtotal	0.6%	0.7%	1.1%	1.2%	0.9%
Overall		1.0%	1.1%	1.1%	1.1%	1.2%

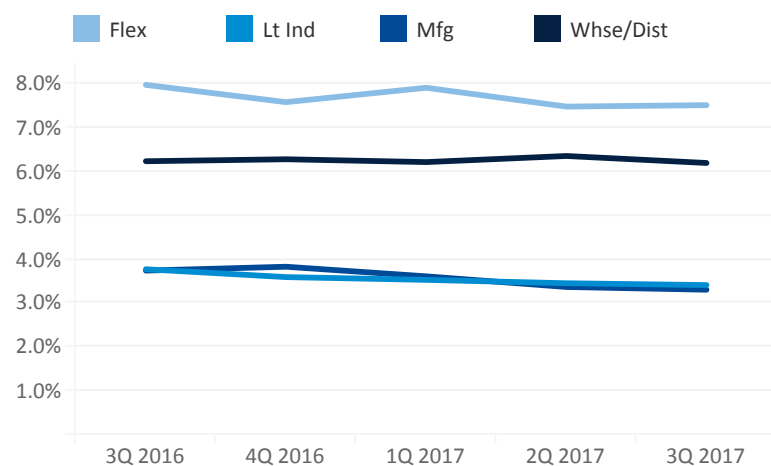
By Market



Los Angeles By Specific Use



National by Specific Use

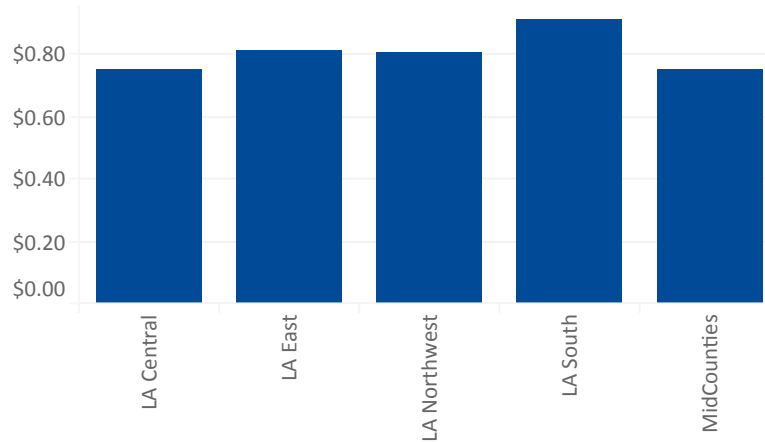


Direct Weighted Average Asking Rates (NNN)

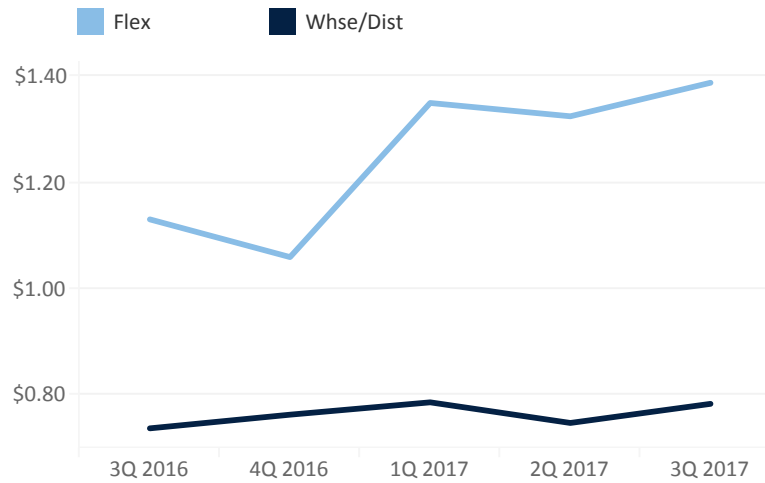
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
LA Central	Flex	\$1.23	\$1.25	\$1.97	\$1.67	\$1.97
	Whse/Dist	\$0.67	\$0.76	\$0.86	\$0.69	\$0.73
	Subtotal	\$0.69	\$0.77	\$0.93	\$0.72	\$0.76
LA East	Flex	\$1.34	\$1.33	\$1.93	\$1.93	\$1.93
	Whse/Dist	\$0.71	\$0.72	\$0.67	\$0.70	\$0.71
	Subtotal	\$0.75	\$0.74	\$0.78	\$0.78	\$0.82
LA Northwest	Flex	\$1.21	\$1.09	\$1.09	\$1.05	\$1.11
	Whse/Dist	\$0.74	\$0.74	\$0.75	\$0.78	\$0.78
	Subtotal	\$0.79	\$0.79	\$0.78	\$0.80	\$0.81
LA South	Flex	\$0.96	\$0.95	\$1.14	\$1.35	\$1.37
	Whse/Dist	\$0.81	\$0.82	\$0.89	\$0.86	\$0.90
	Subtotal	\$0.82	\$0.82	\$0.90	\$0.89	\$0.91
MidCounties	Flex	\$1.01	\$0.99	\$0.99	\$1.03	\$1.00
	Whse/Dist	\$0.66	\$0.65	\$0.68	\$0.72	\$0.74
	Subtotal	\$0.68	\$0.69	\$0.70	\$0.74	\$0.75
Overall		\$0.76	\$0.78	\$0.83	\$0.78	\$0.81

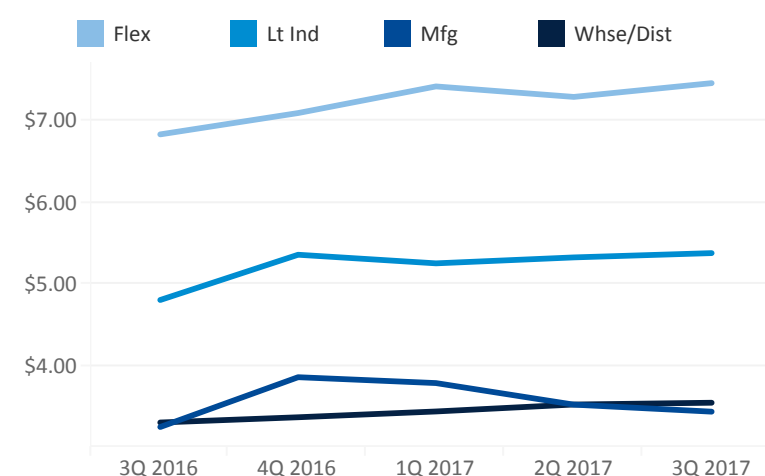
By Market



Los Angeles by Specific Use

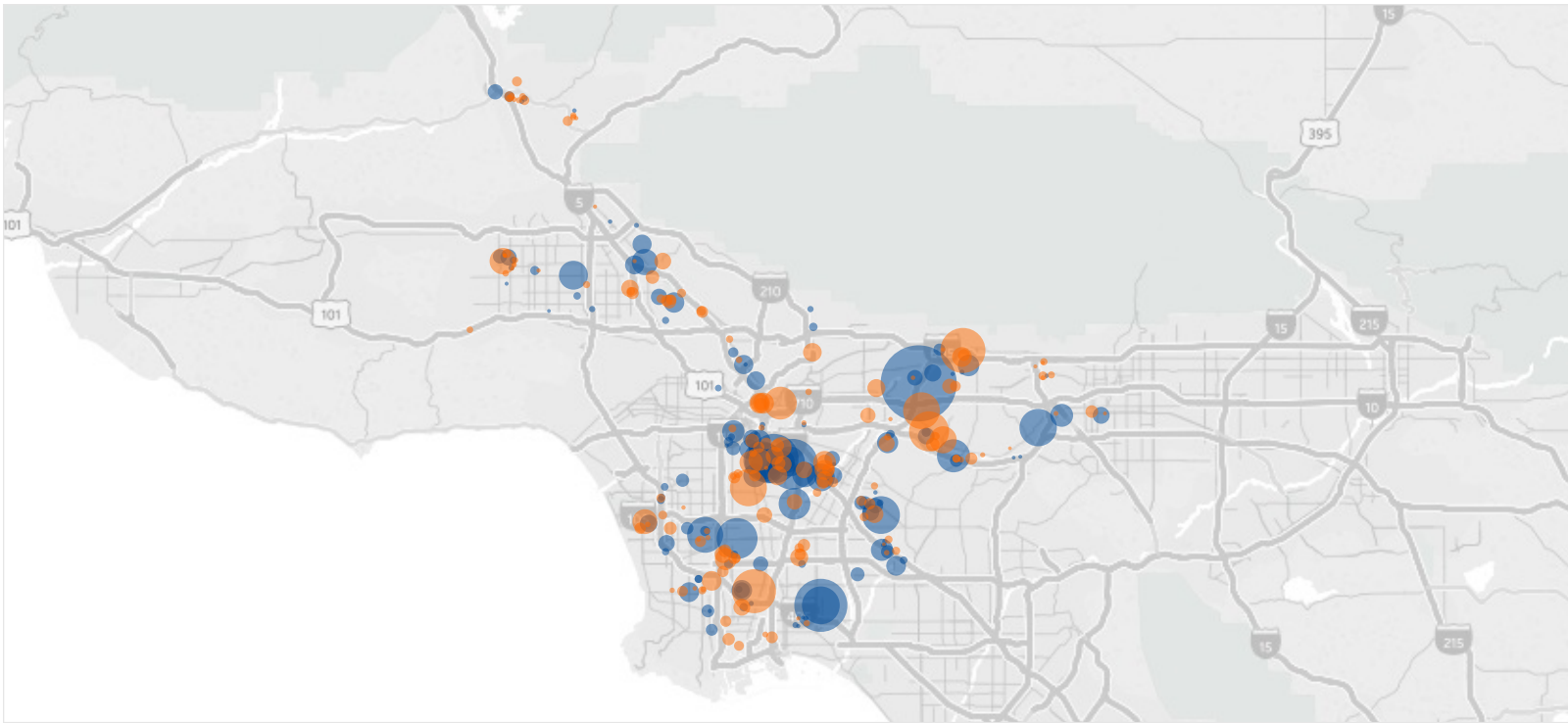


National by Specific Use



Absorption Map

■ Negative
 ■ Positive



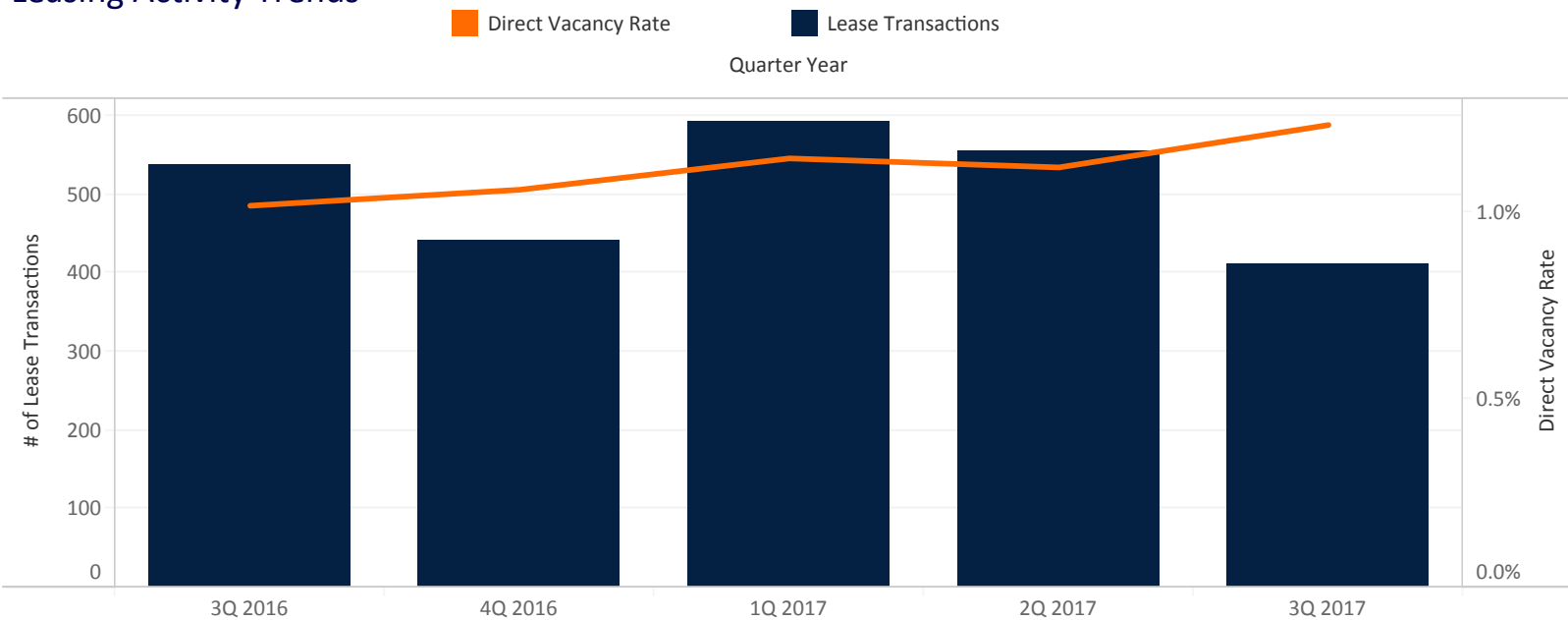
Largest Positives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	Value
FedEx Arcadia	FedEx	LA East	Whse/Dist	450,000
Pacific Pointe East @ Douglas Park, Bldg 11	simplehuman	LA South	Whse/Dist	219,280
3030 S Atlantic Blvd	Home Furniture International, LLC	LA Central	Whse/Dist	200,000
4633 S Downey Rd	99 Cents Only Stores	LA Central	Whse/Dist	190,359
2501 W Rosecrans Ave	Crane Worldwide	LA South	Whse/Dist	130,000
5001 S Soto St	Snail Games	LA Central	Whse/Dist	118,714
2665 Leonis Blvd	Arcadia Inc.	LA Central	Whse/Dist	113,576
Pacific Pointe East @ Douglas Park Bldg 10	Human Touch	LA South	Whse/Dist	110,940

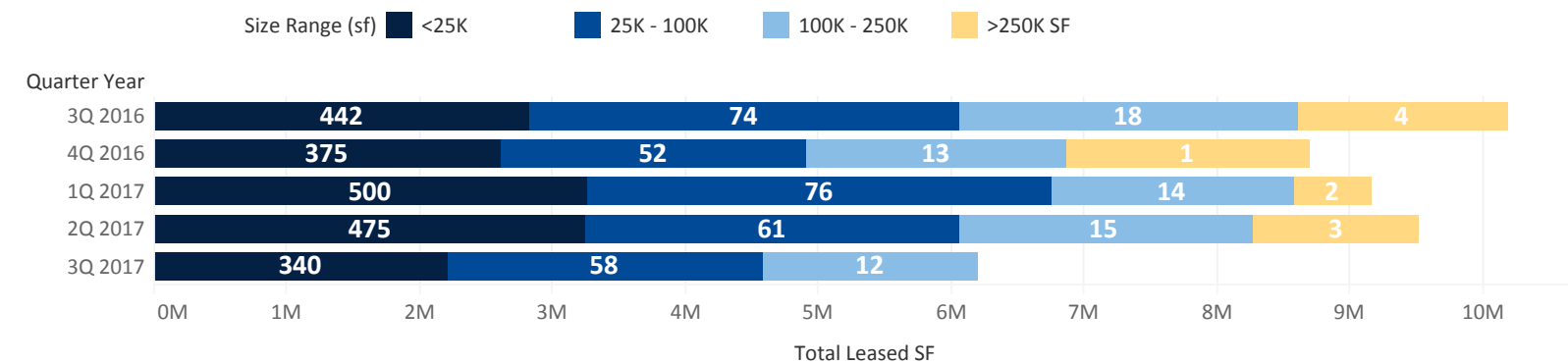
Largest Negatives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	Value
La Cantera Business Park	ConAgra Foods	LA East	Whse/Dist	-157,755
1925 E Dominguez St	Pioneer Electronics	LA South	Whse/Dist	-150,000
220-240 S 6th Ave	Loretta Lima Transportation	LA East	Whse/Dist	-124,435
8122 Maie Ave	MJ Textile	LA Central	Whse/Dist	-106,344
665 Baldwin Park Blvd	Curtiss-WrightCorp.	LA East	Whse/Dist	-105,034
2011 N Soto St	Los Angeles County	LA Central	Whse/Dist	-83,665
15351 Stafford St	SEREC Of California	LA East	Whse/Dist	-57,072
9453 Owensmouth Ave	Natrol, LLC	LA Northwest	Whse/Dist	-54,600

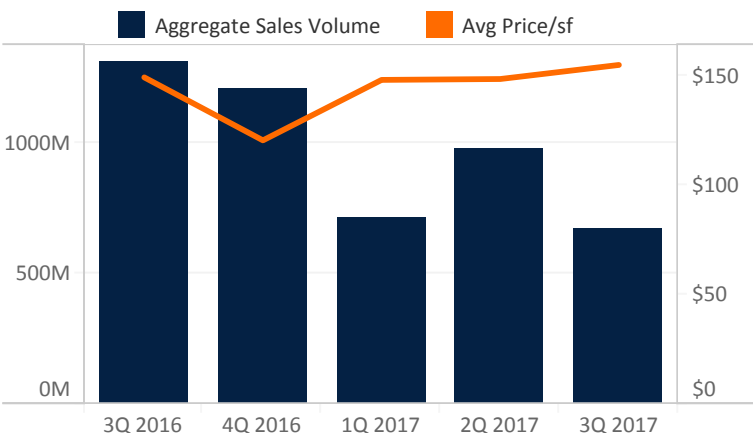
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
Rancho Pacifica Industrial Park	07/18/2017	Rexford Industrial Realty Inc	\$210,500,000
Towers Industrial Park	07/31/2017	AEW Capital Management	\$75,000,000
440 Baldwin Park Blvd	08/30/2017	DRA Advisors	\$21,050,000
345 Baldwin Park Blvd	07/07/2017	EverWest Real Estate Partners	\$20,876,000
7210-7314 Alondra Blvd	07/13/2017	Jayone Foods Inc	\$19,134,500

Terminology

Term	Definition
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Inventory	The total square feet (sf) of all existing single and multi tenant industrial properties greater than 10,000 sf.
Net Absorption	The net change in physically occupied space from quarter to quarter, expressed in square feet.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space.
Total Vacant (sf)	The total of all of the vacant square footage within a building, including both direct and sublease space.
Xceligent Partner	AIR CRE

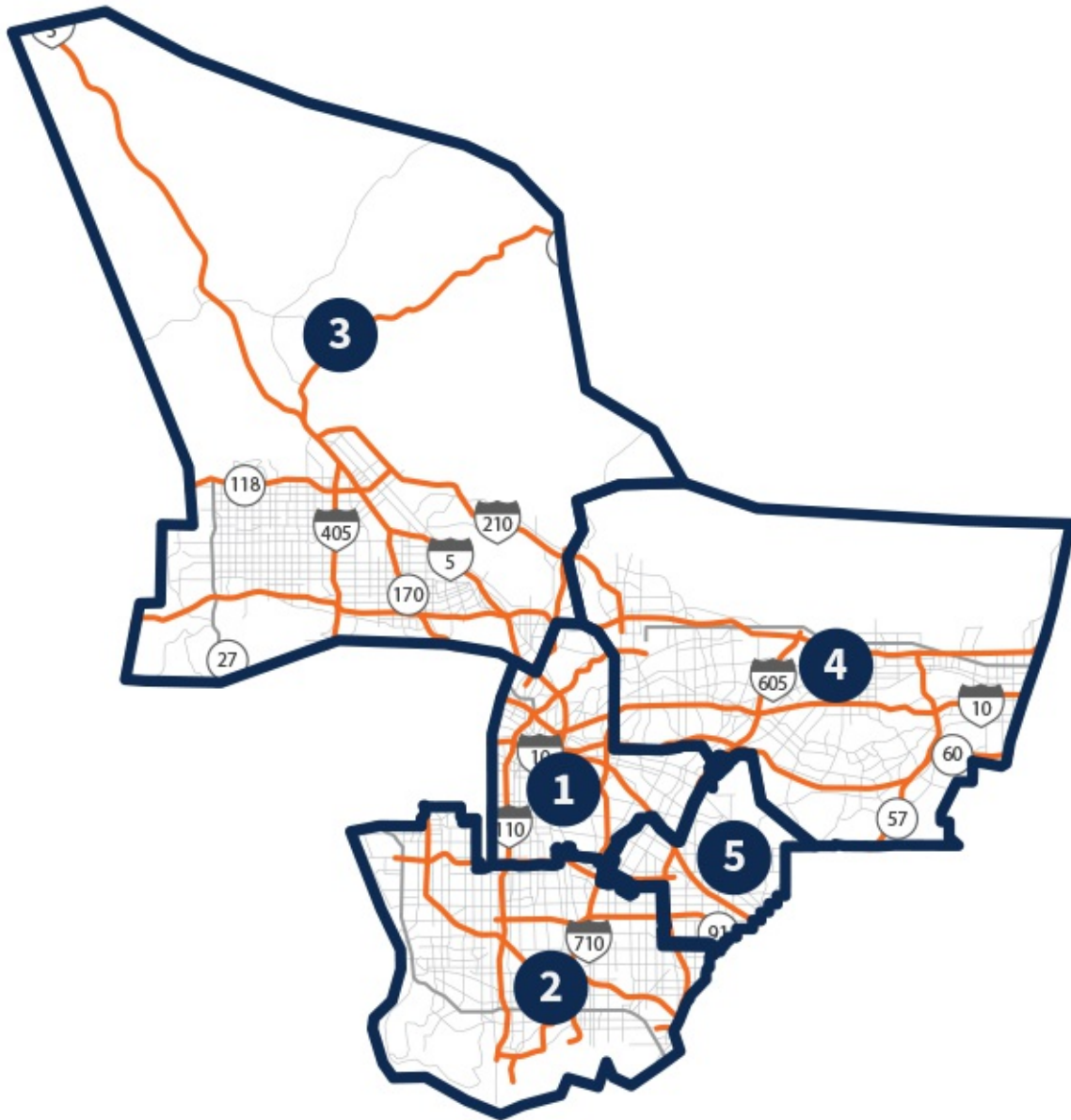
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	Jerry Sackler	The Quantum Associates	Iqbal Hassan
	Kevin Tamura	Voit	Dave Fults
			Peter Castleton

Xceligent Team

Brad Hauser	Regional VP of Analytics	bhauser@xceligent.com	(281) 782-3944
Brandon Koepnick	Sales Executive	bkoepnick@xceligent.com	(714) 267-9171
Danny Teng	Sales Executive	dteng@xceligent.com	(626) 319-3640
Matt Nelson	Director of Analytics	mnelson@xceligent.com	(714) 509-1404
Monique Ebel	Director of Research	mebel@xceligent.com	(714) 538-8432
Rebecca Johnson	Sales Executive	rjohnson@xceligent.com	(310) 663-0184
Sean Pullin	Sales Executive	spullin@xceligent.com	(714) 855-5801
Sean Vandygriff	Sales Executive	Sean.Vandygriff@xceligent.com	(310) 990-0793
Tim Hayes	Executive Director - AIR CRE	thayes@aircre.com	(213) 687-8777



1 LA Central

2 LA South

3 LA Northwest

4 LA East

5 MidCounties