

Economic Overview

According to the Bureau of Labor Statistics, the California unemployment rate dropped 0.7 percentage points from 5.5% in April 2016 to 4.8% in April 2017. Unemployment rate for the US was reported at 4.4% down from 5.0% over the same time period. The Los Angeles-Long Beach-Glendale metropolitan statistical area job creation totaled 47,400 over the past year. Industrial using jobs (industries include manufacturing, construction and trade transportation and utilities) remained flat from April 2016 to April 2017.

Market Overview

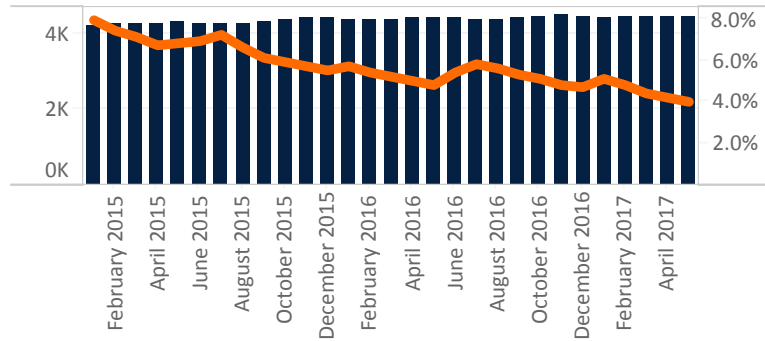
The Los Angeles County industrial market recorded 755,210 square feet of positive net absorption during 2Q 2017. The total vacancy rate has increased from 1.1% in 1Q 2017 to 1.2% at the close of 2Q 2017. Total Availability remained flat at 3.3% during the same time period. Weighted average asking rents decreased from \$0.83 NNN to \$0.79 NNN due to the majority of larger availabilities being advertised without an asking rate. Development activity continues to thrive with 7.9 msf under construction.

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 remaining flat at 3.3%. The LA South (South Bay) submarket recorded 836,339 sf of positive net absorption lowering the submarkets vacancy rate to 0.8%, the lowest in the county. 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 Best Buy taking occupancy of the remaining 479,310 sf at the newly developed Brickyard in Compton.

Los Angeles Employment

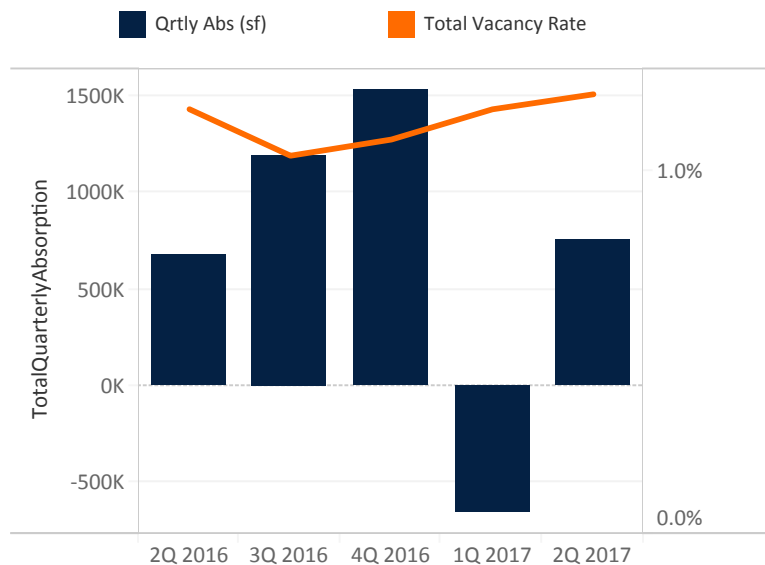
Source: BLS



Market Recap

Inventory (sf)	761,886,350
# of Bldgs	18,400
Qrtly Abs (sf)	755,210
Total Avail Rate	3.3%
Total Vacancy Rate	1.2%
U/C Inventory (sf)	7,983,302
Delivered (sf)	1,341,970
Weighted Average Asking Rate (NNN)	\$0.79

Absorption and Vacancy Rate



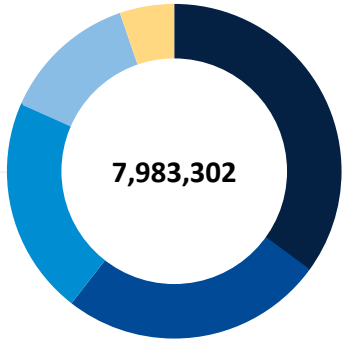
Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Flex	34,594,253	1,683,949	867,871	2.5%	14,497	-122,920
Whse/Dist	727,292,097	23,365,841	8,364,447	1.2%	740,713	223,307
Overall	761,886,350	25,049,790	9,232,318	1.2%	755,210	100,387

Overview by Market (Total)

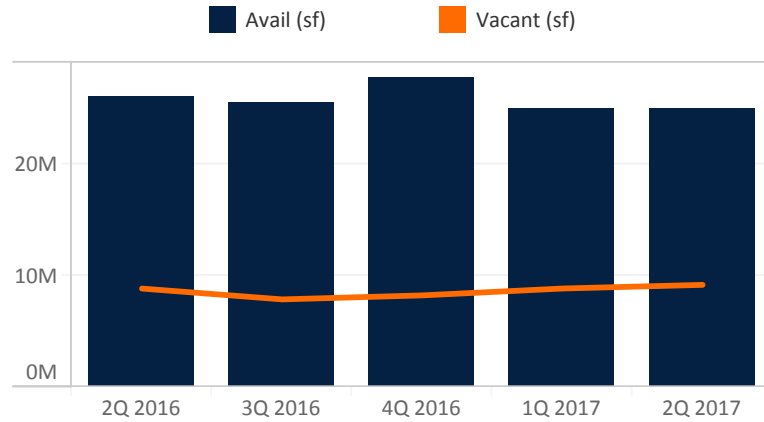
Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
LA Central	Flex	3,805,440	305,964	134,566	3.5%	33,108	4,562
	Whse/Dist	193,422,220	8,850,708	3,144,018	1.6%	-347,678	-393,496
	<i>Subtotal</i>	197,227,660	9,156,672	3,278,584	1.7%	-314,570	-388,934
LA East	Flex	7,818,290	490,337	219,774	2.8%	7,505	14,199
	Whse/Dist	144,798,526	4,393,502	1,425,358	1.0%	359,703	456,530
	<i>Subtotal</i>	152,616,816	4,883,839	1,645,132	1.1%	367,208	470,729
LA Northwest	Flex	10,984,987	616,864	381,311	3.5%	-24,366	-168,968
	Whse/Dist	108,188,631	3,188,640	1,314,454	1.2%	-23,887	-342,133
	<i>Subtotal</i>	119,173,618	3,805,504	1,695,765	1.4%	-48,253	-511,101
LA South	Flex	8,864,468	151,950	88,546	1.0%	-12,396	28,124
	Whse/Dist	197,620,185	4,719,987	1,463,823	0.7%	848,735	927,560
	<i>Subtotal</i>	206,484,653	4,871,937	1,552,369	0.8%	836,339	955,684
MidCounties	Flex	3,121,068	118,834	43,674	1.4%	10,646	-837
	Whse/Dist	83,262,535	2,213,004	1,016,794	1.2%	-96,160	-425,154
	<i>Subtotal</i>	86,383,603	2,331,838	1,060,468	1.2%	-85,514	-425,991
Overall		761,886,350	25,049,790	9,232,318	1.2%	755,210	100,387

Construction by Market

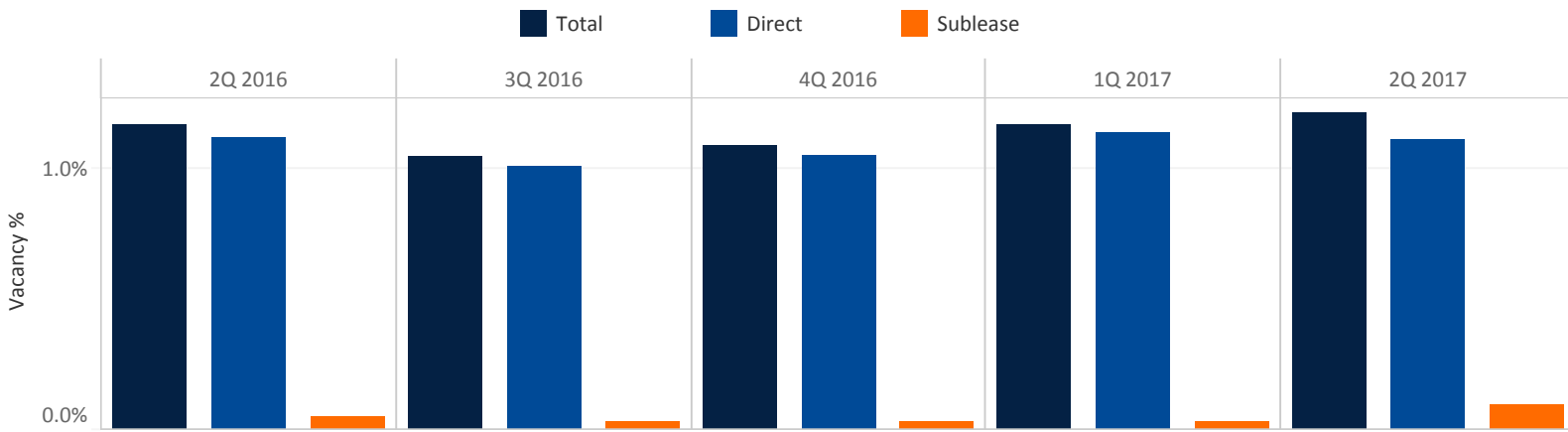


- LA East
- MidCounties
- LA South
- LA Northwest
- LA Central

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	34,594,253	1,236,811	849,300	2.5%	17,113	-130,159
Whse/Dist	727,292,097	20,183,696	7,641,529	1.1%	1,230,342	726,646
Overall	761,886,350	21,420,507	8,490,829	1.1%	1,247,455	596,487

Overview by Specific Use (Sublease)

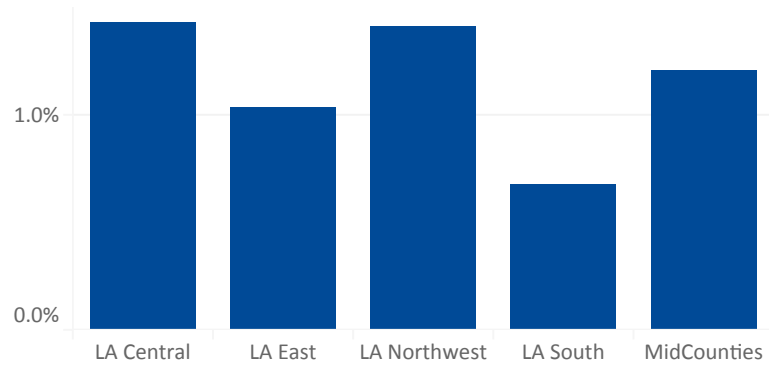
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	34,594,253	447,138	18,571	0.1%	-2,616	7,239
Whse/Dist	727,292,097	3,182,145	722,918	0.1%	-489,629	-503,339
Overall	761,886,350	3,629,283	741,489	0.1%	-492,245	-496,100

Direct Vacancy Rates

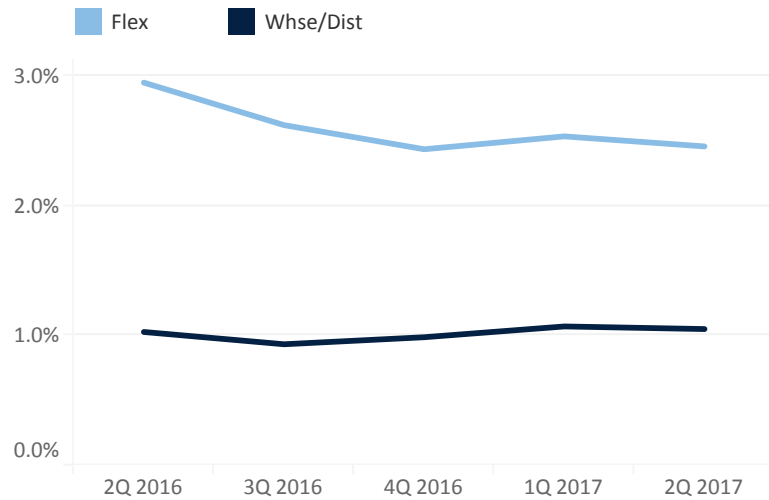
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
LA Central	Flex	4.1%	4.3%	4.0%	4.4%	3.5%
	Whse/Dist	1.5%	1.3%	1.1%	1.1%	1.4%
LA East	Flex	3.1%	3.8%	3.0%	2.9%	2.8%
	Whse/Dist	0.8%	0.8%	0.9%	0.9%	0.9%
LA Northwest	Flex	4.2%	2.5%	2.7%	3.2%	3.5%
	Whse/Dist	1.3%	0.9%	0.8%	1.1%	1.2%
LA South	Flex	1.4%	1.5%	1.4%	0.8%	0.8%
	Whse/Dist	0.7%	0.9%	1.1%	1.1%	0.7%
MidCounties	Flex	1.0%	1.3%	1.4%	1.7%	1.4%
	Whse/Dist	0.8%	0.6%	0.7%	1.1%	1.2%
Overall		1.1%	1.0%	1.1%	1.1%	1.1%

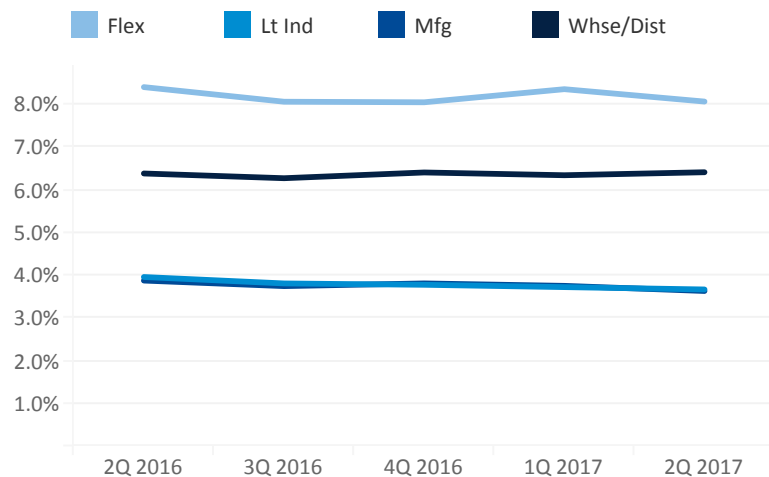
By Market



Los Angeles By Specific Use



National by Specific Use

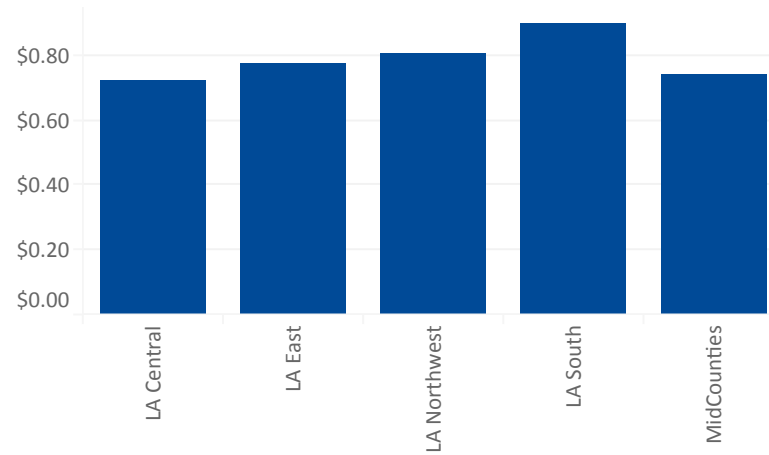


Direct Weighted Average Asking Rates (NNN)

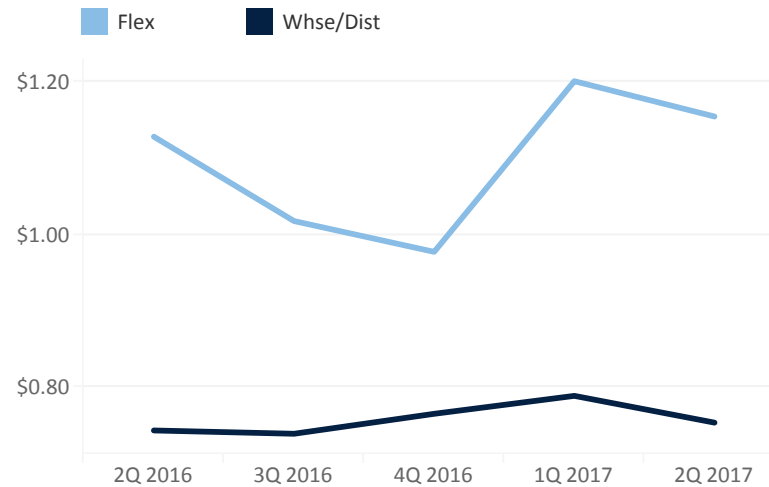
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
LA Central	Flex	\$1.22	\$1.23	\$1.25	\$1.97	\$1.67
	Whse/Dist	\$0.77	\$0.67	\$0.76	\$0.86	\$0.69
LA East	Flex	-	\$0.83	\$0.76	\$1.12	\$1.12
	Whse/Dist	\$0.80	\$0.73	\$0.73	\$0.67	\$0.70
LA Northwest	Flex	\$1.24	\$1.21	\$1.09	\$1.09	\$1.05
	Whse/Dist	\$0.74	\$0.74	\$0.74	\$0.75	\$0.78
LA South	Flex	\$0.94	\$0.96	\$0.95	\$1.14	\$1.35
	Whse/Dist	\$0.79	\$0.81	\$0.82	\$0.89	\$0.88
MidCounties	Flex	\$1.04	\$0.92	\$0.91	\$0.93	\$0.94
	Whse/Dist	\$0.63	\$0.66	\$0.65	\$0.68	\$0.72
Overall		\$0.77	\$0.76	\$0.78	\$0.83	\$0.79

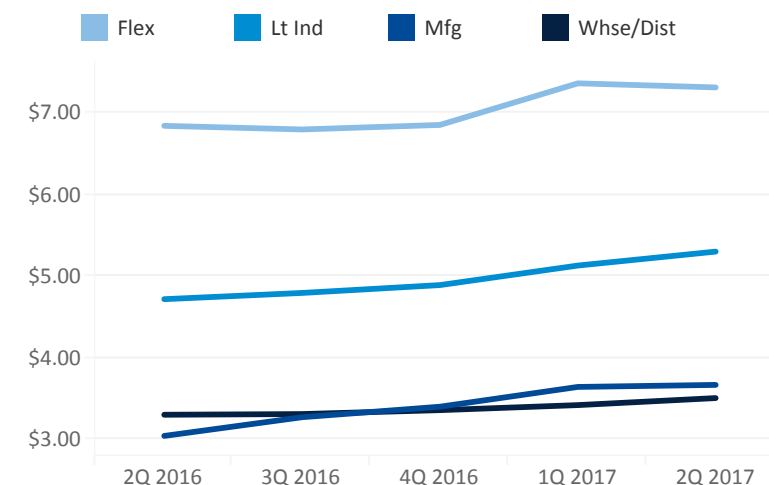
By Market



Los Angeles by Specific Use

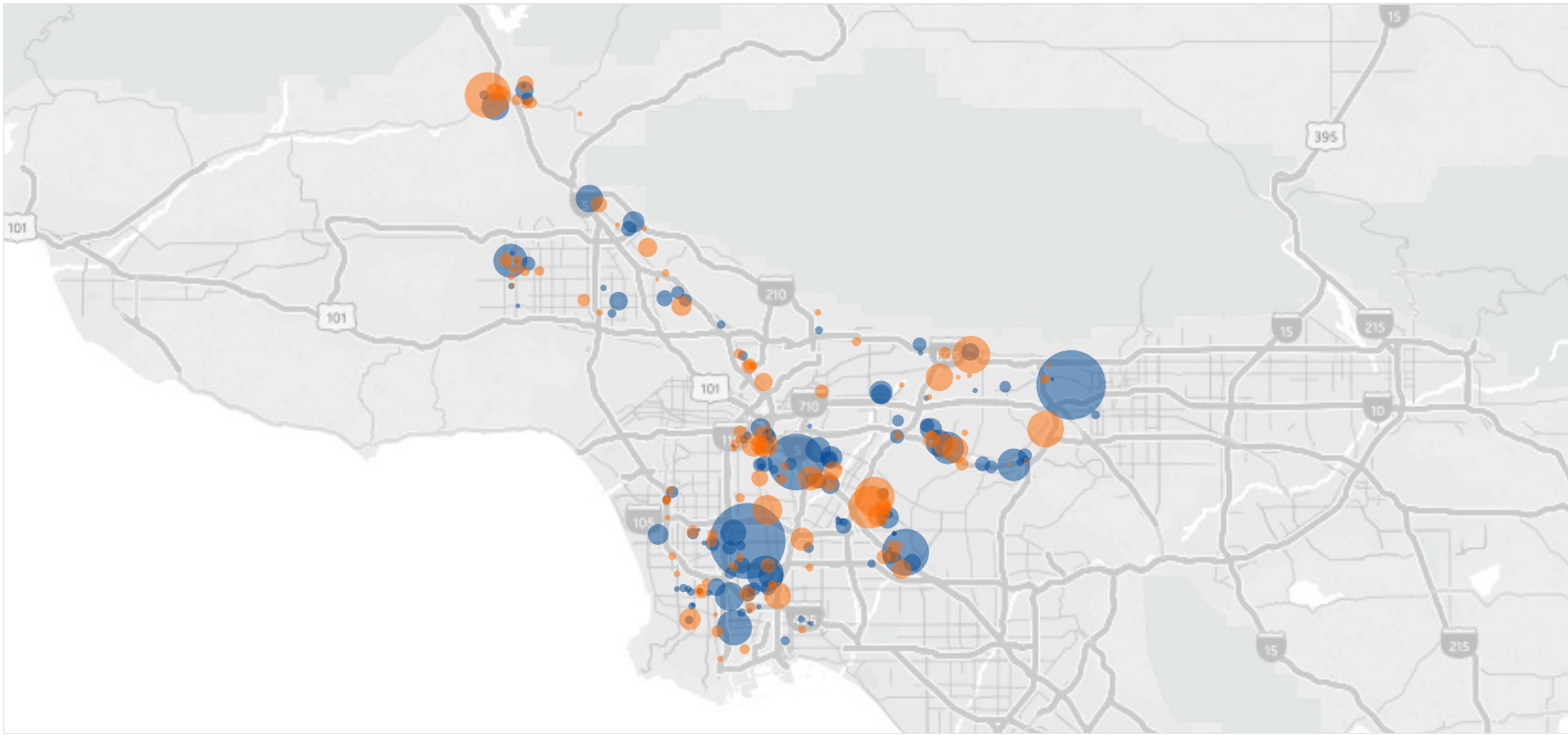


National by Specific Use



Absorption Map

■ Negative
 ■ Positive



Largest Positives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
The Brickyard, Bldg 2	Best Buy	LA South	Whse/Dist	479,310
Gilead Sciences Campus	Gilead Sciences	LA East	Whse/Dist	400,000
4415 Bandini Blvd	Millennium Products	LA Central	Whse/Dist	264,594
Prologis Vista Distribution Center	WestRock	MidCounties	Whse/Dist	180,848
2511 S Edison Way	Exclusive Global Logistics	LA South	Whse/Dist	109,084
24600-24620 S Main St	Tramo USA	LA South	Whse/Dist	102,240
9640 Owensmouth Ave	Crimson Production	LA Northwest	Whse/Dist	94,000
20035 E Walnut Dr N	Goodman Distribution	LA East	Whse/Dist	85,871

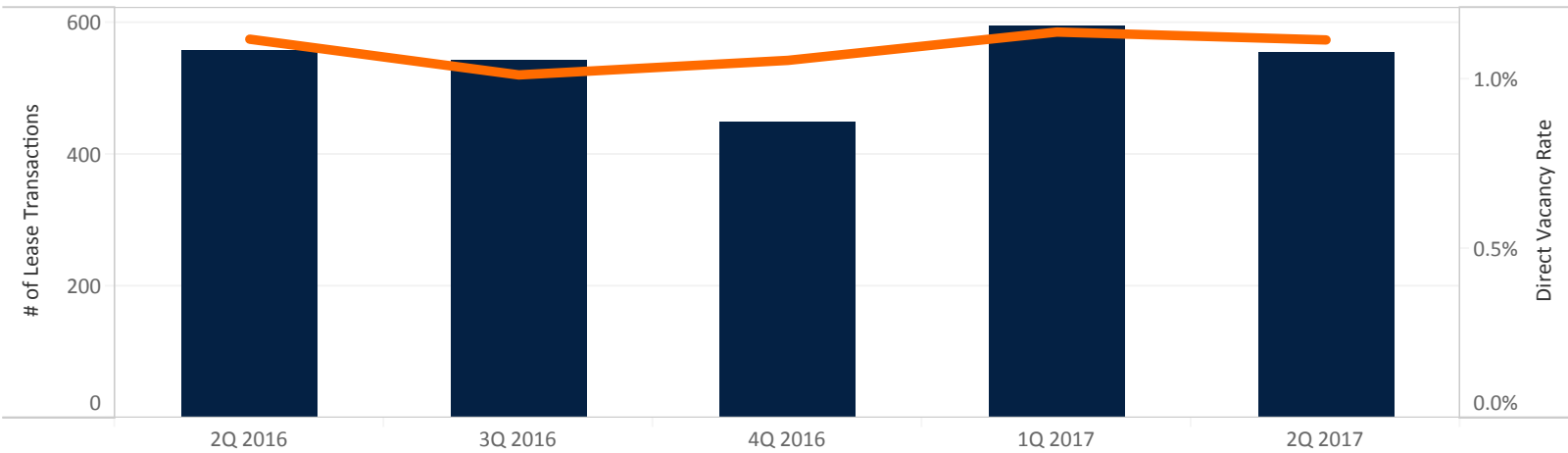
Largest Negatives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
28545 Livingston Ave	Balboa Water Group	LA Northwest	Whse/Dist	-173,056
10035 Geary Ave	Robert Michael Furniture USA	MidCounties	Whse/Dist	-149,683
8945 Dice Rd	Sohnen Enterprises, Inc.	MidCounties	Whse/Dist	-131,642
1344-1388 W Foothill Blvd	Homegrocer.com	LA East	Whse/Dist	-115,526
3880 Valley Blvd	Tree Island Wire	LA East	Whse/Dist	-108,550
2654 Sequoia Dr	American Apparel	LA Central	Whse/Dist	-72,663
5151-5161 Commerce Dr	Viking Range	LA East	Whse/Dist	-61,094
2820 E El Presidio St	Lane-Aire Manufacturing Corporation	LA South	Whse/Dist	-57,189

Leasing Activity Trends

Direct Vacancy Rate Lease Transactions

Quarter Year

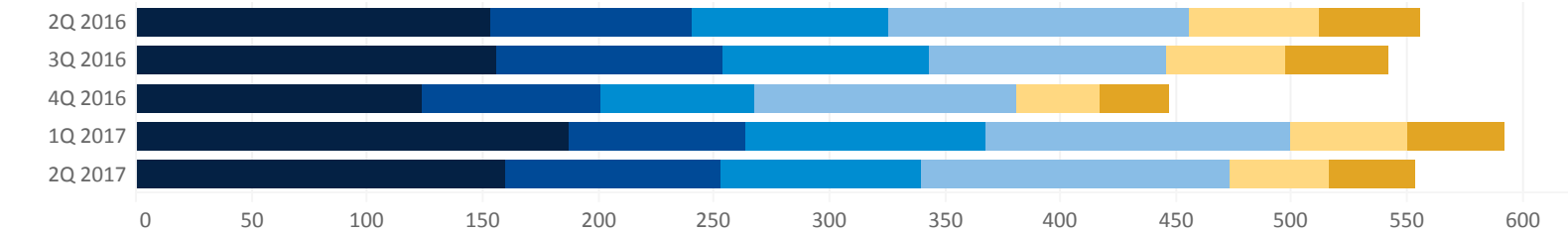


Leasing Activity (# of New Deals)

Size Range (sf)

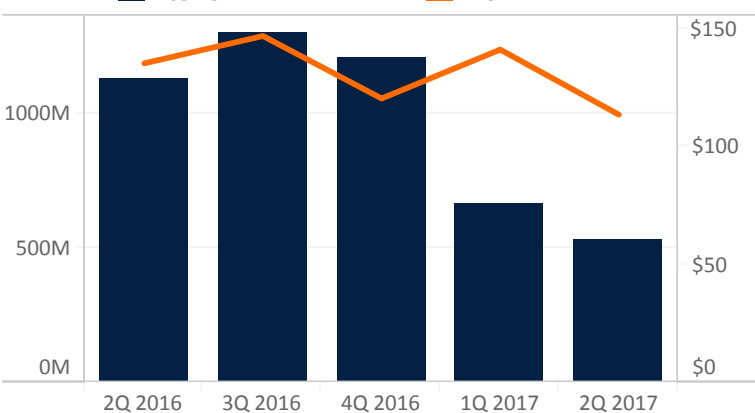
<2.5K 2.5K - 5K 5K - 10K 10K - 25K 25K - 50K >50K SF

Quarter Year



Sales Volume vs. Price/SF

Aggregate Sales Volume Avg Price/sf



Top Sales

Property	Sale Date	Buyer	Sale Price
Lincoln Industrial Center II	05/04/2017	LBA Realty	\$45,650,000
17930-17940 E Ajax Cir	05/31/2017	Deutsche Asset Management	\$36,562,000
11852-11854 S Alameda St	05/01/2017	Terreno Realty Corp	\$31,400,000
4440 E 26Th St	05/19/2017	LBA Realty	\$29,000,000
12252 Whittier Blvd	04/26/2017	Goldman Sachs & Co	\$25,340,000

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

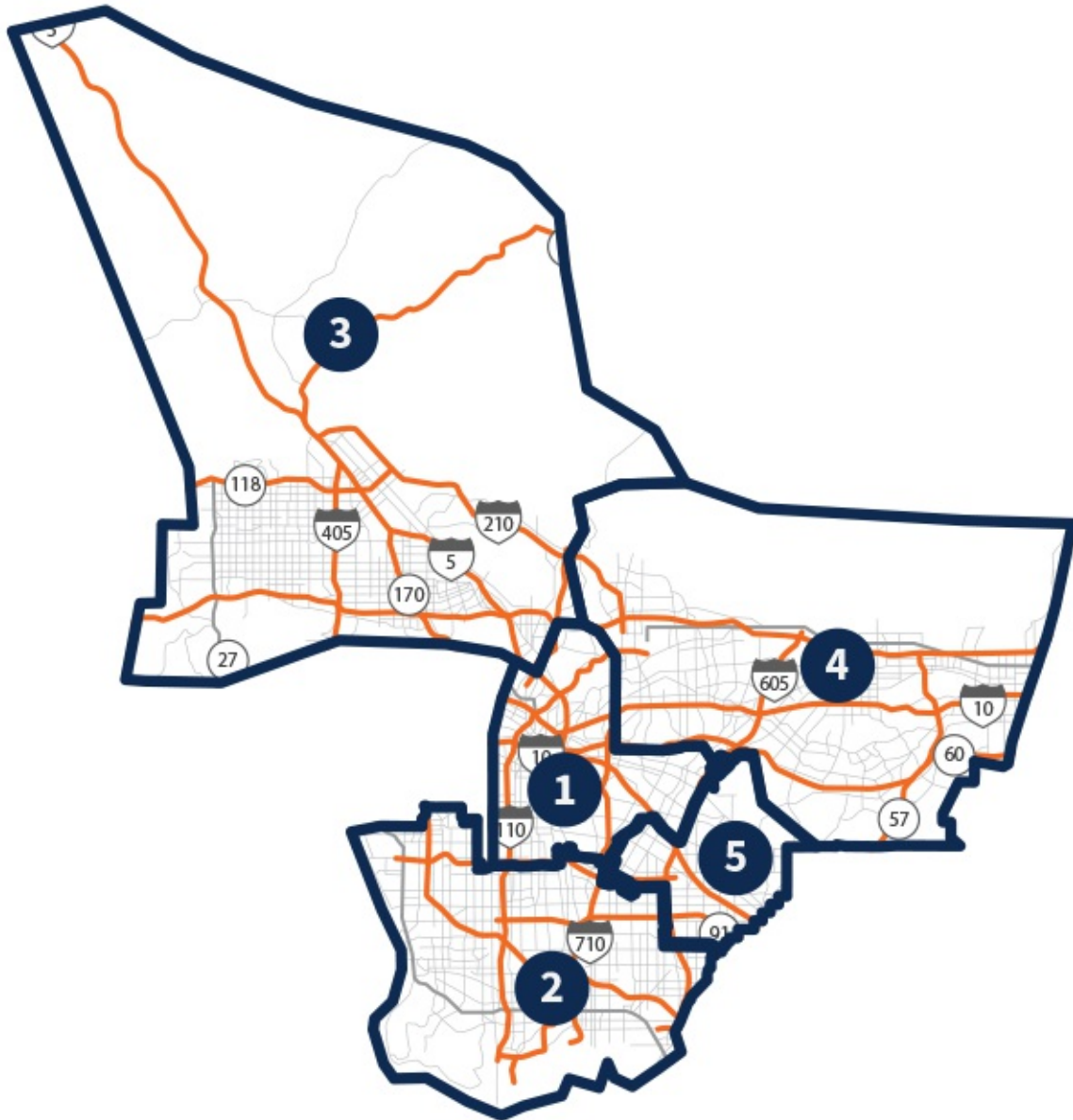
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1 LA Central

4 LA East

2 LA South

5 MidCounties

3 LA Northwest