

Economic Overview

According to the Bureau of Labor Statistics, the California unemployment rate dropped 0.6 percentage points from 5.7% in January 2016 to 5.1% in January 2017. Unemployment rate for the US was reported at 4.8% down from 4.9%. The Los Angeles-Long Beach-Glendale metropolitan statistical area job creation totaled 68,400 over the past year. Industrial using jobs (industries include manufacturing and trade transportation and utilities) increased 2,100 from January 2016 to January 2017.

Market Overview

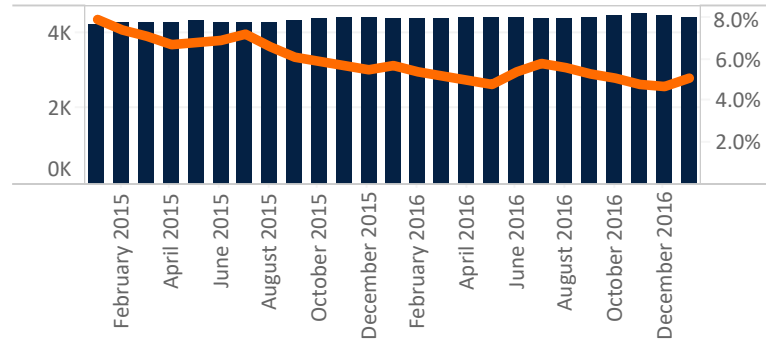
The Los Angeles County industrial market recorded 477,413 square feet of negative net absorption during the first quarter of 2017. Absorption was in the negative for the first time in several years. The total vacancy rate has increased from 1.0% in 4Q 2016 to 1.1% at the close of 1Q 2017. Direct vacancy rates increased 0.1 percentage points from 1.0% to 1.1% during the same time period. Weighted average rent growth continued to climb closing out the quarter at \$0.83 NNN.

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 increased by over 100 new transactions from the previous quarter which brought the availability rate down to 3.3%. Construction activity increased with over 7.4 msf currently under development in which 3.7 msf is expected to deliver 2Q 2017. Capitol Logistics occupied the largest block of space with a 176,031 sf lease in the South Bay market.

Los Angeles Employment

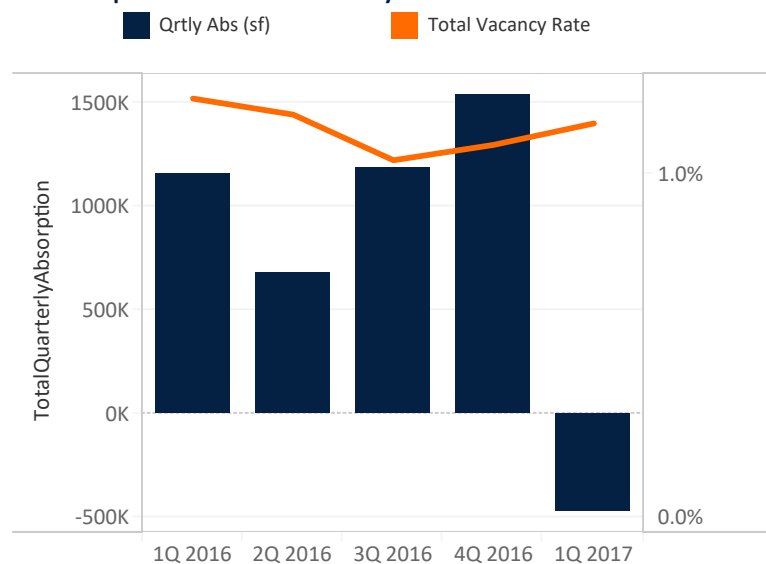
Source: BLS



Market Recap

Inventory (sf)	760,506,950
# of Bldgs	18,362
Qrtly Abs (sf)	-477,413
Total Avail Rate	3.3%
Total Vacancy Rate	1.1%
U/C Inventory (sf)	7,424,161
Delivered (sf)	93,453
Weighted Average Asking Rate (NNN)	\$0.83

Absorption and Vacancy Rate



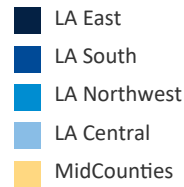
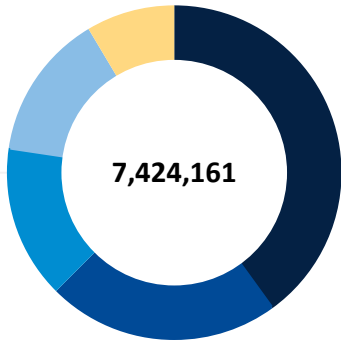
Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs
Flex	35,178,388	1,633,068	882,368	2.5%	-101,155	-101,155
Whse/Dist	725,328,562	23,403,578	7,783,337	1.1%	-376,258	-376,258
Overall	760,506,950	25,036,646	8,665,705	1.1%	-477,413	-477,413

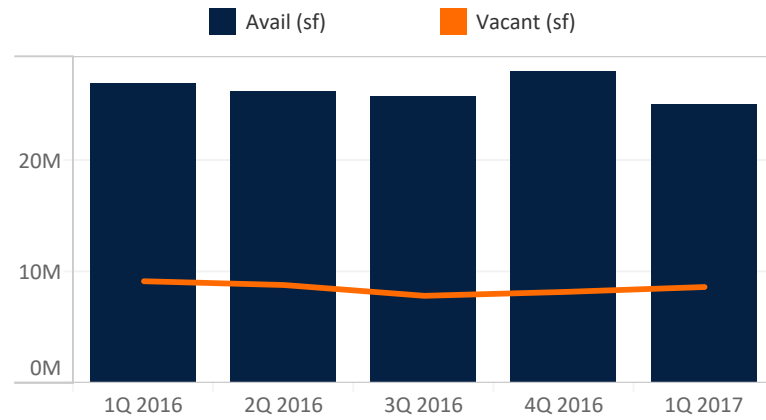
Overview by Market (Total)

Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs
LA Central	Flex	3,732,575	337,798	167,674	4.5%	-28,546	-28,546
	Whse/Dist	192,818,808	8,636,256	2,110,340	1.1%	8,182	8,182
LA East	Flex	7,859,566	361,912	227,279	2.9%	6,694	6,694
	Whse/Dist	144,610,178	3,816,383	1,386,061	1.0%	96,827	96,827
LA Northwest	Flex	11,052,837	700,976	356,945	3.2%	-144,592	-144,592
	Whse/Dist	108,167,475	3,288,190	1,170,170	1.1%	-258,178	-258,178
LA South	Flex	9,351,043	132,512	76,150	0.8%	76,772	76,772
	Whse/Dist	196,742,490	5,340,037	2,234,175	1.1%	105,905	105,905
MidCounties	Flex	3,182,367	99,870	54,320	1.7%	-11,483	-11,483
	Whse/Dist	82,989,611	2,322,712	882,591	1.1%	-328,994	-328,994
Overall		760,506,950	25,036,646	8,665,705	1.1%	-477,413	-477,413

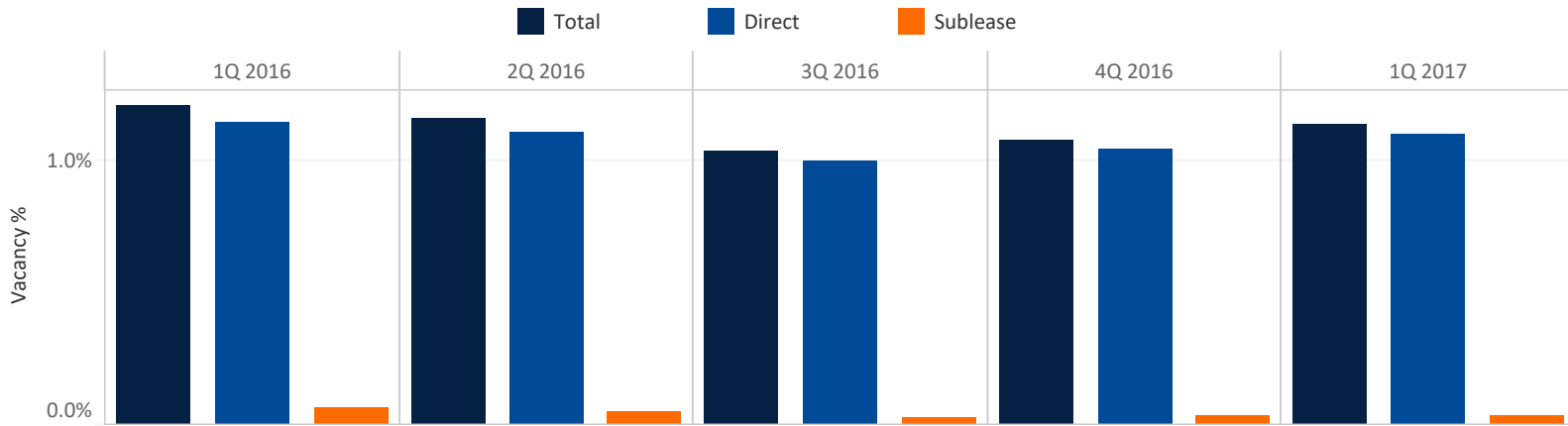
Construction by Market



Total Available and Vacant



Vacancy Rate



Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs	YTD Net Abs
Flex	35,178,388	1,305,904	866,413	2.5%	-111,010	-111,010
Whse/Dist	725,328,562	20,045,069	7,550,048	1.0%	-367,578	-367,578
Overall	760,506,950	21,350,973	8,416,461	1.1%	-478,588	-478,588

Overview by Specific Use (Sublease)

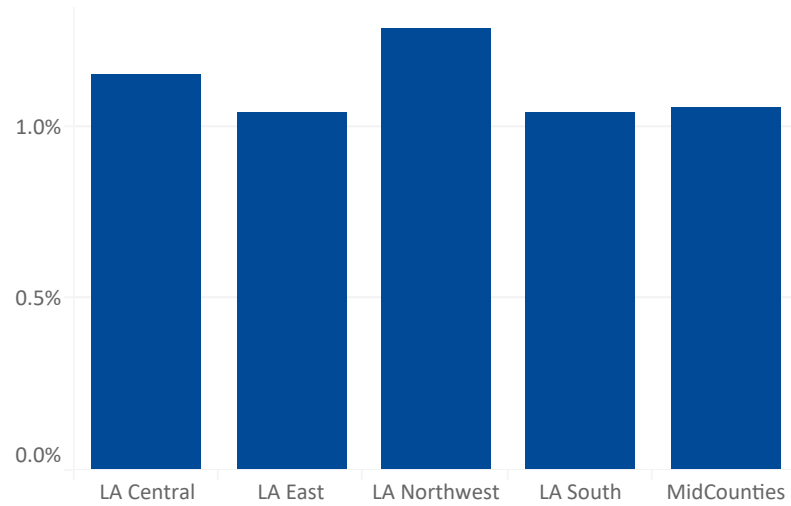
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs	YTD Net Abs
Flex	35,178,388	327,164	15,955	0.0%	9,855	9,855
Whse/Dist	725,328,562	3,358,509	233,289	0.0%	-8,680	-8,680
Overall	760,506,950	3,685,673	249,244	0.0%	1,175	1,175

Direct Vacancy Rates

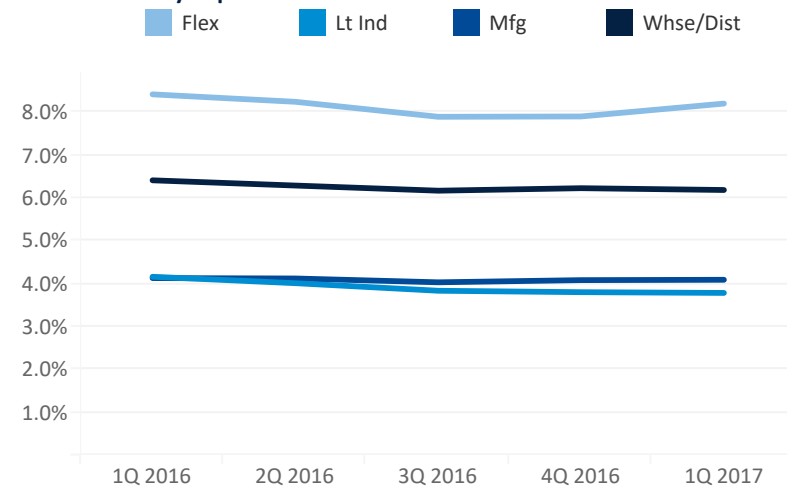
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
LA Central	Flex	4.0%	4.0%	4.2%	3.9%	4.5%
	Whse/Dist	1.6%	1.5%	1.3%	1.1%	1.1%
LA East	Flex	3.4%	3.1%	3.8%	3.0%	2.9%
	Whse/Dist	0.6%	0.8%	0.8%	0.9%	0.9%
LA Northwest	Flex	3.9%	4.2%	2.5%	2.7%	3.2%
	Whse/Dist	1.5%	1.3%	0.9%	0.8%	1.1%
LA South	Flex	1.6%	1.4%	1.5%	1.4%	0.7%
	Whse/Dist	0.8%	0.7%	0.9%	1.1%	1.1%
MidCounties	Flex	1.0%	1.0%	1.2%	1.3%	1.7%
	Whse/Dist	0.6%	0.7%	0.5%	0.7%	1.0%
Overall		1.1%	1.1%	1.0%	1.0%	1.1%

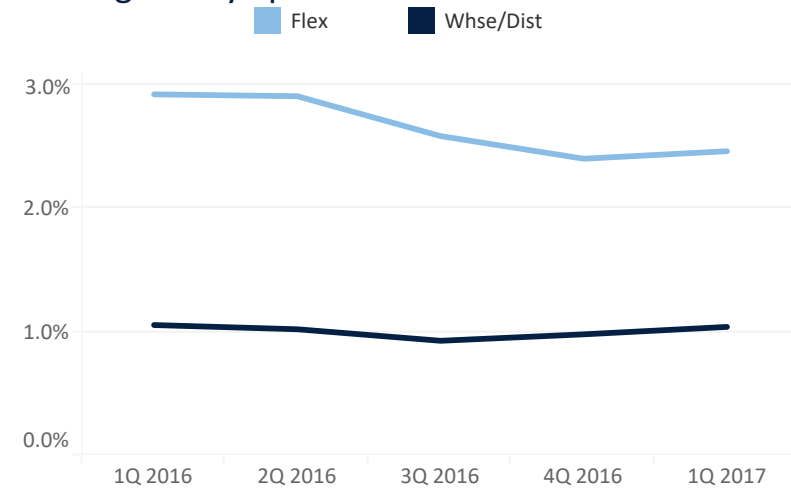
By Market



National by Specific Use



Los Angeles By Specific Use

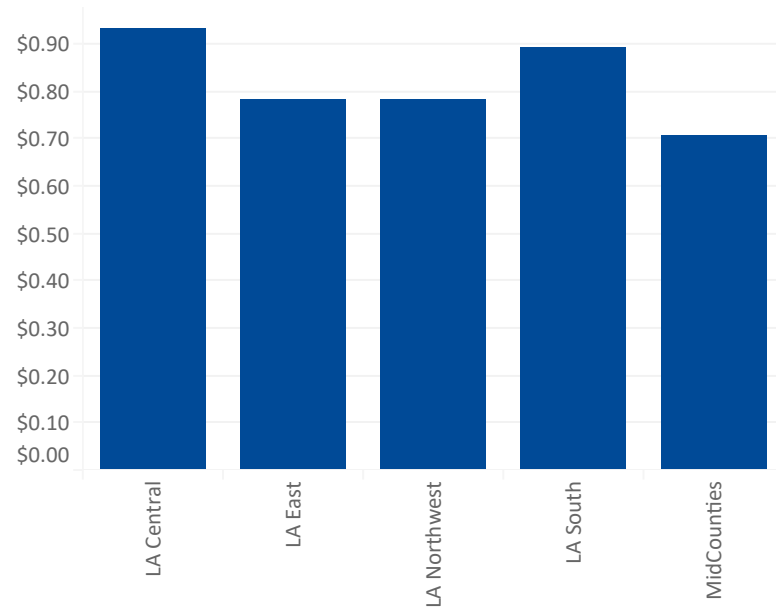


Direct Weighted Average Asking Rates (NNN)

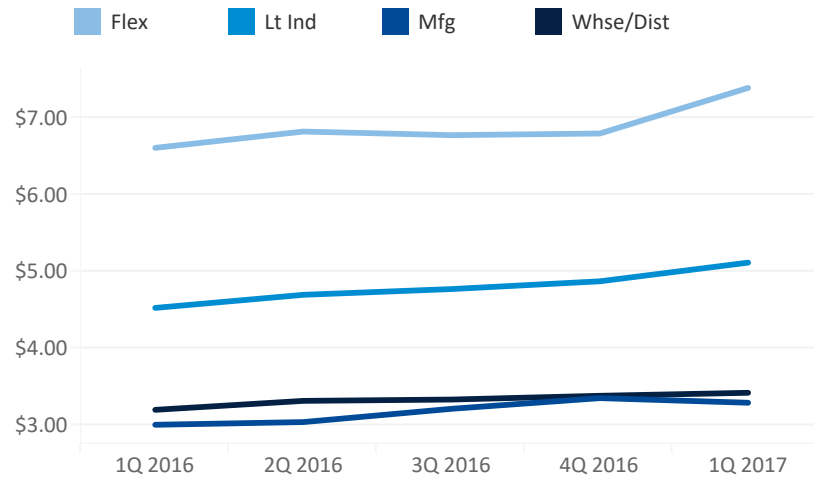
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
LA Central	Flex	\$1.23	\$1.22	\$1.23	\$1.25	\$1.97
	Whse/Dist	\$0.74	\$0.77	\$0.67	\$0.76	\$0.86
LA East	Flex	-	-	\$1.34	\$1.33	\$1.93
	Whse/Dist	\$0.73	\$0.80	\$0.71	\$0.72	\$0.67
LA Northwest	Flex	\$0.91	\$1.24	\$1.21	\$1.09	\$1.09
	Whse/Dist	\$0.72	\$0.74	\$0.74	\$0.74	\$0.75
LA South	Flex	\$1.16	\$0.94	\$0.96	\$0.95	\$1.14
	Whse/Dist	\$0.75	\$0.78	\$0.80	\$0.81	\$0.88
MidCounties	Flex	\$0.98	\$1.04	\$0.92	\$0.91	\$0.93
	Whse/Dist	\$0.61	\$0.63	\$0.66	\$0.65	\$0.68
Overall		\$0.73	\$0.77	\$0.76	\$0.78	\$0.83

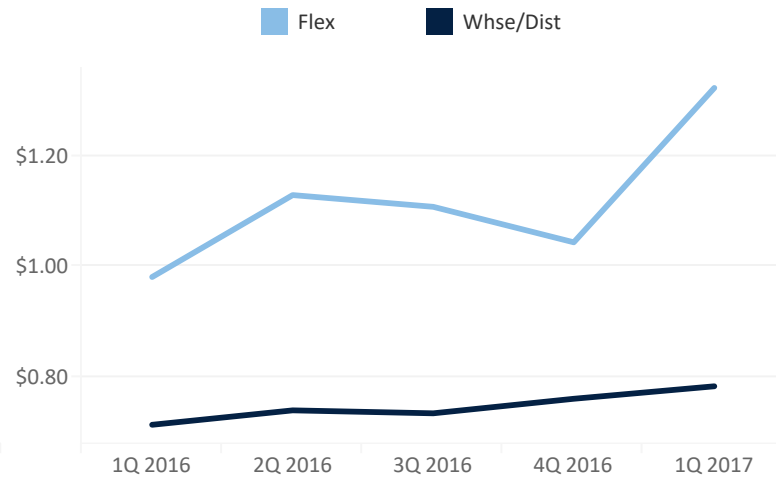
By Market



National by Specific Use

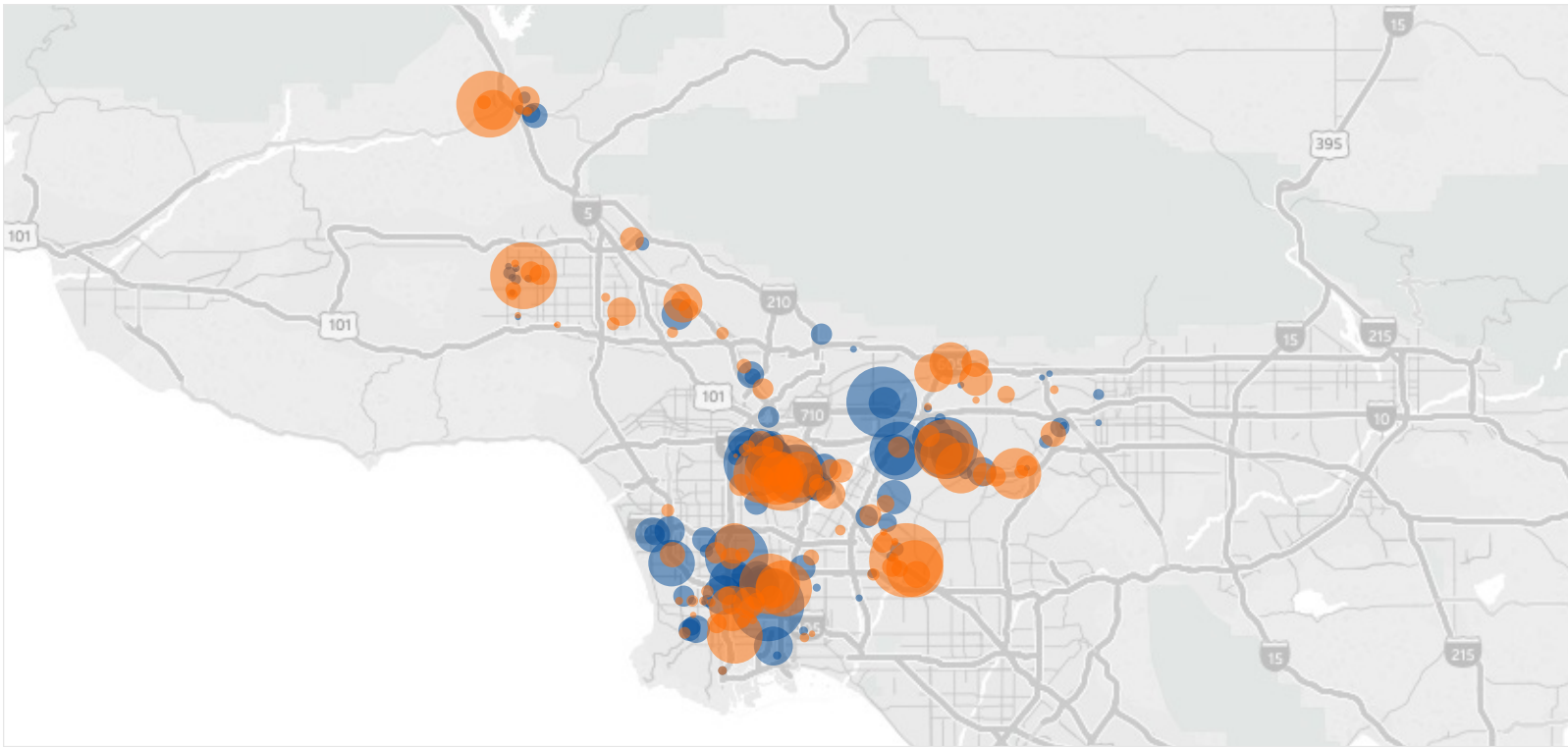


Los Angeles by Specific Use



Absorption Map

■ Negative
 ■ Positive



Largest Positives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
20943 S Maciel Ave	Capitol Logistics	LA South	Whse/Dist	176,031
Magellan Gateway Bldg D	Amazon	LA East	Whse/Dist	164,284
2652 Long Beach Ave	Worldwide Produce	LA Central	Whse/Dist	149,738
14702 S Maple Ave	FNS, Inc.	LA South	Whse/Dist	131,880
4380 Ayers Ave	Romeo Power	LA Central	Whse/Dist	113,240
2680-2690 Pellissier Pl	Fun Fit Fab	LA East	Whse/Dist	112,000

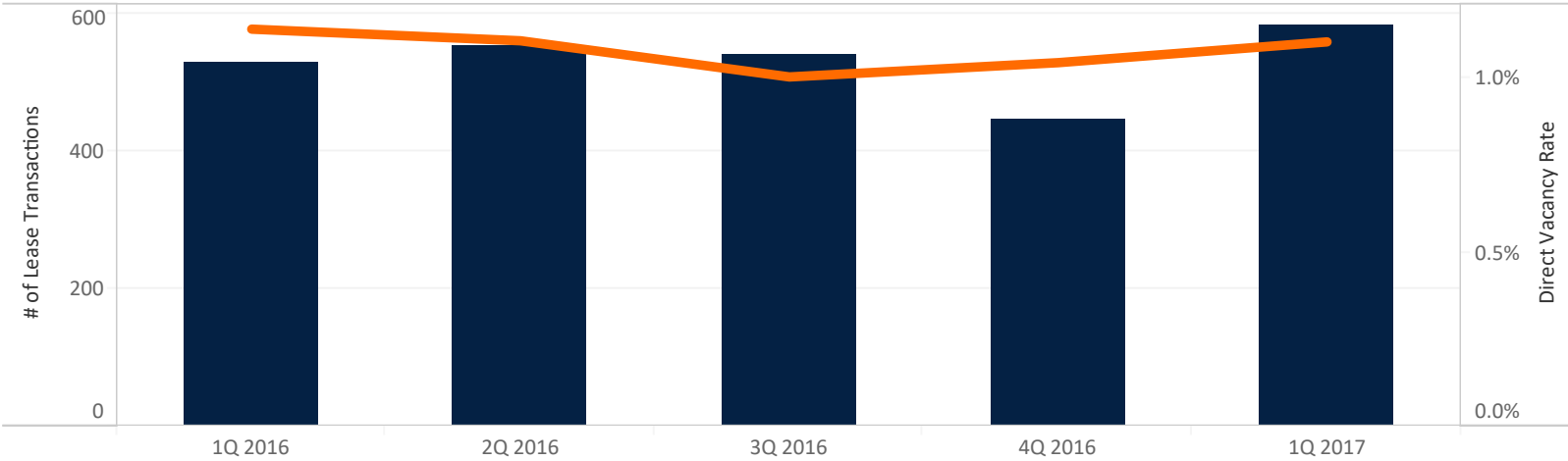
Largest Negatives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
Prologis Vista Distribution Center	Integrity Retail Distribution	MidCounties	Whse/Dist	-180,848
9140 Lurline Ave	H.J. Heinz Company	LA Northwest	Whse/Dist	-146,516
2500 S Edison Way	Topson Downs	LA South	Whse/Dist	-120,259
14923 Proctor Ave	Cacique	LA East	Whse/Dist	-115,659
16200 Trojan Way	Diversified Printers, Inc.	MidCounties	Whse/Dist	-106,926
18554 S Susana Rd	Benetti's Italia Furniture	LA South	Whse/Dist	-104,339

Leasing Activity Trends

Direct Vacancy Rate Lease Transactions

Quarter Year

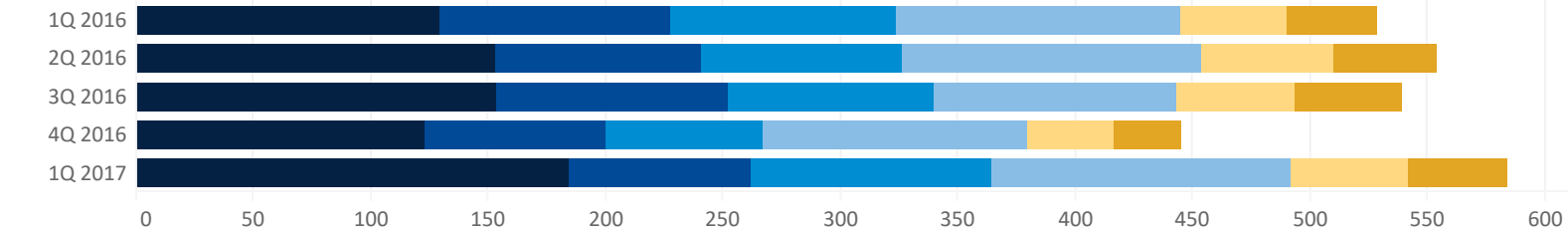


Leasing Activity (# of New Deals)

Size Range (sf)

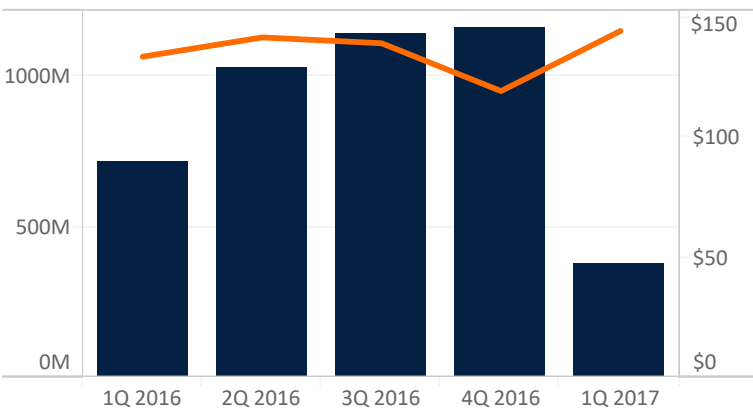
<2.5K 2.5K - 5K 5K - 10K 10K - 25K 25K - 50K >50K SF

Quarter Year



Sales Volume vs. Price/SF

Aggregate Sales Volume Avg Price/sf



Top Sales

Property	Sale Date	Buyer	Sale Price
9933 E Beverly Blvd	02/22/2017	Rif I-Pico Spe LLC	\$30,750,000
9320-9328 Telstar Ave	01/12/2017	Charles Company	\$26,000,000
Valencia Commerce Center	02/13/2017	Rexford Industrial Realty Inc	\$17,060,000
12624 Rosecrans Ave	03/06/2017	Rosecrans SFS LLC	\$15,500,000
611 Reyes Dr	02/21/2017	LBA Realty Inc	\$15,483,000

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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