

» Highest Quarterly Absorption Recorded

Key Takeaways

- > The Greater Los Angeles Basin industrial market absorbed a record 12,086,100 square feet this quarter, the highest on record. A large part of this was due to the completion of 9,989,100 square feet of new industrial space, much of which was leased upon completion.
- > Asking rents have remained stable at \$0.70 per square foot (PSF) triple net (NNN), which remains the highest reported rental rate for the Greater Los Angeles Basin.
- > Vacancy fell 20 basis points to 2.3% as absorption remains high.
- > There remains 23,397,600 square feet under construction as the region remains in the midst of an industrial building boom.

Los Angeles Basin Industrial Market

The Los Angeles Basin industrial market is the largest in the United States, totaling more than 1.59 billion square feet. It also has some of the highest asking rental rates, as well as one of the lowest vacancy rates, of any market in the nation.

Imports at the twin ports of Los Angeles and Long Beach, which handle roughly 40% of all imports into the country, continue to be a major industrial driver for the region. In addition, the region is the largest manufacturing center in the United States, with more manufacturing jobs than the entire state of Illinois.

Market Indicators | Relative to prior period

	Q2 2018	Forecast
Vacancy	↓	→
Net Absorption	↑	↑
Construction	↓	↓
Rental Rate	→	→

Summary Statistics | GLA, Q2 2018

Vacancy Rate	2.3%
Change from Q4 '17 (Basis Points)	-20 BPS
Net Absorption	12,086,100 SF
Construction Completions	9,989,100 SF
Under Construction	23,397,600 SF

Asking Rents | GLA, Q2 2018

	GLA Industrial Market
Average Asking Rent	\$0.70 PSF NNN
Change from Q2 '17	\$0.04 PSF NNN
Y.O.Y. Change (%)	+5.6%

GLA Labor Force | GLA, Q2 2018

	Construction	Manufacturing	Transportation, Trade & Utilities
12-mo Employment Growth (%)	+3.3%	0.1%	+0.5%
12-mo Actual Employment Change	+7,300	+500	+9,400

Central Los Angeles

Net absorption in the Central Los Angeles submarket totaled negative 260,300 square feet for the quarter, the third quarter in a row of negative absorption. Vacancy has increased 20 basis points to 1.6%, among the highest for markets in Los Angeles County. Rents have remained unchanged as well at \$0.67 PSF NNN.

A single fully leased build-to-suit project was completed this quarter, which totaled 310,700 square feet. There remains 230,000 square feet still under construction, which is expected to be completed in the next six months.

South Bay

Vacancy decreased 20 basis points to 1.2% as several larger leases occurred this quarter and market conditions remain tight in the most sought after market in Los Angeles County.

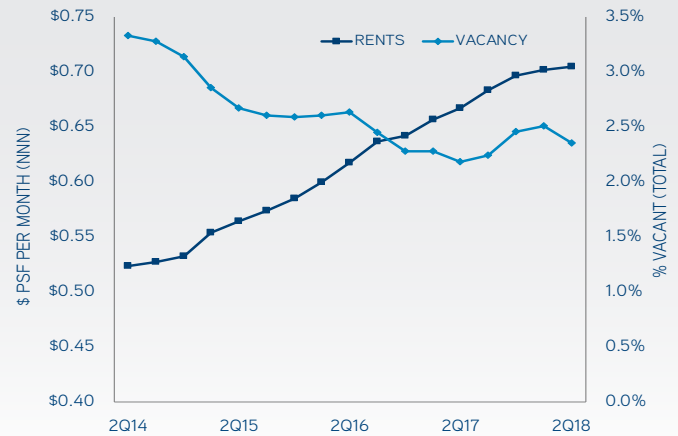
New space totaling 147,100 square feet was brought to market this quarter, and 193,400 square feet is currently under construction and expected to be delivered in the next 12 months.

Industrial rents increased \$0.01 over the quarter to \$0.83 per PSF NNN, their highest point on record. Rents increased 5.1% over the last 12 months, driven in large part by newer modern industrial developments.

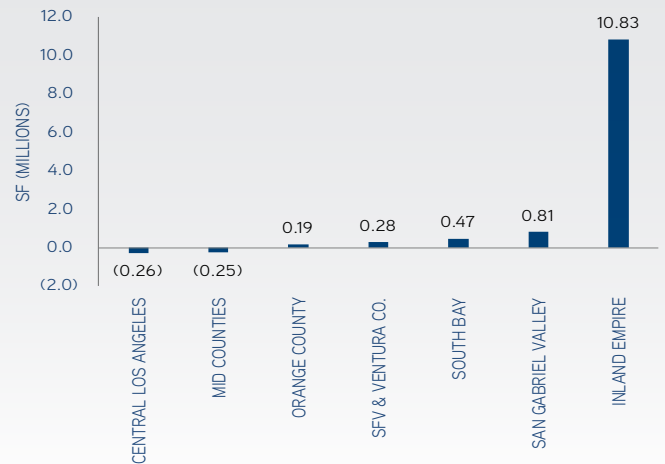
San Fernando Valley & Ventura County

New space totaling 450,800 square feet was completed this quarter, most of which was pre-leased prior to construction completion. These recent fully leased completions led to positive net absorption of 278,000 square feet for the quarter. Investment market conditions continue to favor the San Fernando Valley, which has recently seen an influx of value add investors continuing to purchase properties in the region. There remains 763,000 square feet of space under construction, which is expected to be quickly leased once it is built.

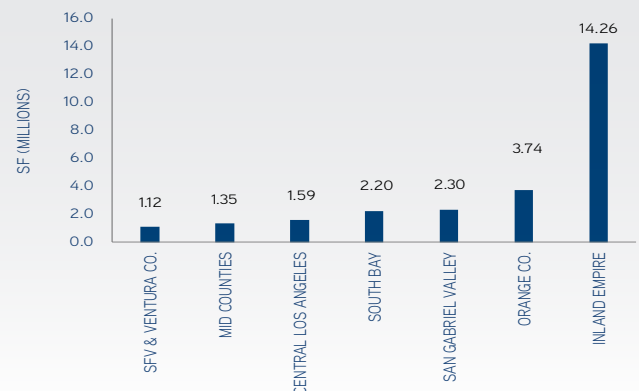
Historical Vacancy v. Rents | GLA Industrial Market Q2 '14-'18



Net Absorption by Submarket | GLA Industrial Market, Q2 2018



Historical Sales & Leasing Activity by Submarket | GLA Industrial Market Q2 2018



San Gabriel Valley

Construction completions this quarter totaled 379,700 square feet in two buildings, which were sold upon completion. There remains 995,900 square feet of space under construction.

Tight market conditions, limited development and rising industrial rents are expected to persist in the San Gabriel Valley industrial market. The surge in rents is prompting many users to consider buying their properties, however available inventory is insufficient to meet demand.

Mid-Counties

This quarter, 542,000 square feet of industrial space finished construction, all of which was preleased. Despite these additions, industrial absorption was negative 245,300 square feet, the first quarter of space givebacks since 2010.

Average asking rents increased \$0.01 over the prior quarter to \$0.75 PSF NNN.

Orange County

The Orange County industrial market closed the second quarter with net absorption recording 176,100 square feet. Much of this positive movement stemmed from tenant move-in's in the Airport Area submarket. There is strong demand for new industrial buildings as developers are challenged with finding available development opportunities. Industrial product is expected to continue deplete as many properties are being sold as multifamily redevelopment land or creative office space conversion.

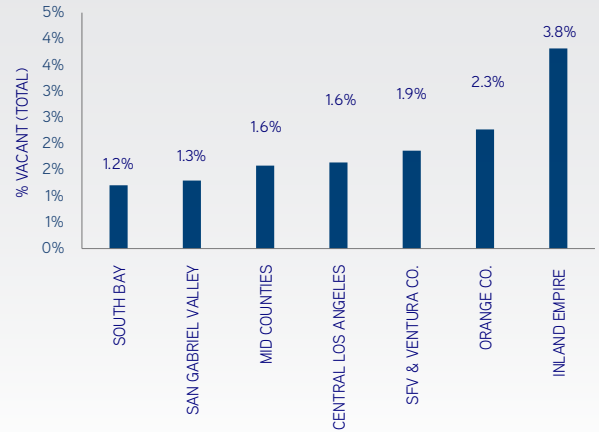
Inland Empire

Net absorption was 10.8 million square feet for the second quarter of 2018, the greatest amount of net absorption to occur in the Inland Empire market in a single quarter. This was due to a number of pre-leased buildings finishing construction this quarter.

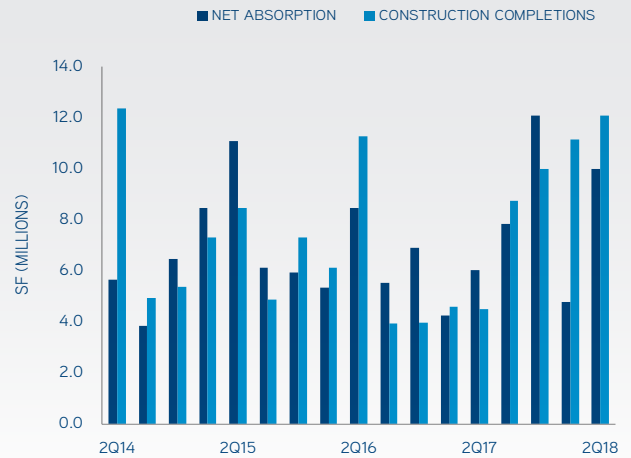
Construction completions totaled 8,469,500 square feet for the quarter, with 60% of new construction being in large buildings greater than 500,000 square feet.

There remains 19,792,500 square feet of industrial product under construction, of which approximately 20% has been either pre-leased or pre-sold.

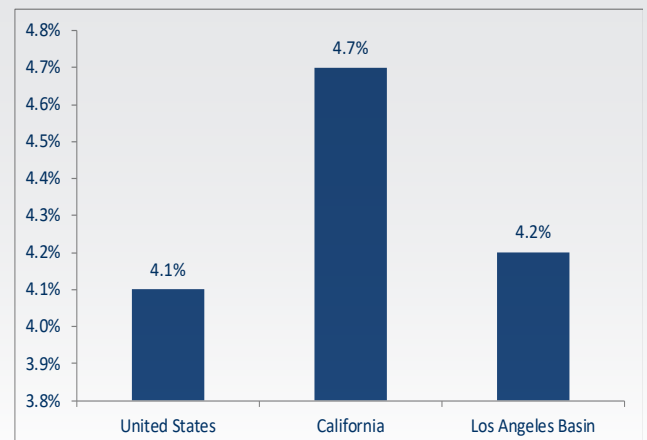
Vacancy by Submarket | GLA Industrial Market, Q2 2018



Historical Net Absorption & Construction Completions
GLA Industrial Market Q2 '14-'18



Unemployment Rate | Los Angeles Basin | May 2018



Market Description

The Los Angeles Basin boasts the largest industrial base in the nation, comprising 1.59 billion square feet in buildings 10,000 square feet and greater. It is a relatively decentralized market, with only 20 percent of the space located in Central Los Angeles and 80 percent dispersed throughout the region. Los Angeles and Orange counties are fairly built out and mostly infill markets, while the Inland Empire remains the last expansion area for industrial space in the region. The industrial market is beginning to mature, particularly in Los Angeles and Orange counties, as 60 percent of the buildings in the L.A. Basin are greater than 20 years old.

Submarket Map



RECENT TRANSACTIONS & MAJOR DEVELOPMENTS

GLA Industrial Market
Q2 2018

SALES ACTIVITY

PROPERTY ADDRESS	SIZE SF	SALE PRICE	PRICE PSF	BUYER	SELLER
5300 Sheila, Commerce	695,100 SF	\$121 Million	\$174 PSF	Rexford Industrial	Certified Grocers
250 S Kraemer Blvd, Brea	576,200 SF	\$115.3 Million	\$200 PSF	Oaktree Capital Management LP/Hines	NPDC-EY Brea Trust
20333 Normandie, Torrance	512,500 SF	\$103 Million	\$201 PSF	Morgan Stanley	Bridge Development
1543 Alder, Rialto	426,300 SF	\$52 Million	\$122 PSF	Liberty Property Trust	Walnut Opportunity LLC
12154 Montague, Pacoima	122,900 SF	\$22.5 Million	\$183 PSF	Rexford Industrial	Mole-Richardson Co.
17300 Chestnut, BLDG C, City of Industry	115,200 SF	\$20.5 Million	\$178 PSF	Curl Court LLC	CTPR Chestnut LLC

LEASING ACTIVITY

PROPERTY ADDRESS	LEASED SF	LEASE TYPE	BLDG CLASS	LESSEE	LESSOR
11281 Citrus, Fontana	1,003,600 SF	Direct - New	Distribution	UPS	Alere Property Group
20333 Normandie, Torrance	512,500 SF	Direct - New	Distribution	Nordstrom E Commerce	Morgan Stanley
12418 Florence, Santa Fe Springs	506,500 SF	Direct	Distribution	Funai	Goodman North America
5301 Rivergrade, Irwindale	486,500 SF	Direct - New	Distribution	Hand-Air Express	LBA Realty
7400-7300 Hazard Ave, Westminster	187,700 SF	Direct - New	Distribution	Lexor, Inc.	Clarion Partners
2800 Sierra Pine, Vernon	129,100 SF	Direct - New	Manufacturing	VIG Furniture	Forever 21 Real Estate Holding
14501 Princeton, Moorpark	94,300 SF	Direct - New	Light	Aerovironment	Nearon

MAJOR DEVELOPMENTS

PROJECT	DEVELOPER	SIZE SF	SUBMARKET	STATUS	ESTIMATED COMPLETION
17350 Perris, Moreno Valley	Alere Property Group	1,109,400 SF	Moreno Valley	Completed	Q2 2018
Beckman Business Center (7 Bldgs)	Cardinal Development Co.	934,754 SF	North County	Under Construction	3Q 2018
20333 Normandie, Torrance	Bridge Development	512,500 SF	Torrance	Completed	Q1 2018
12418 Florence, Santa Fe Springs	Goodman North America	506,500 SF	Mid-Counties	Completed	Q2 2018
Conejo Spectrum, Thousand Oaks	Sares Regis Group	414,800 SF	Conejo Valley	Completed	Q2 2018
3200 Fruitland, Vernon	Cohen Asset Management	310,700 SF	Vernon	Completed	Q2 2018

INDUSTRIAL OVERVIEW

GLA Industrial Market
Q1 2018

EXISTING PROPERTIES			CONSTRUCTION		VACANCY		AVAILABILITY	ACTIVITY					ABSORPTION		RENTS	
Market	Bldgs	Total Inventory SF	Completions Current Qtr SF	Under Construction SF	Vacancy	Vacancy Prior Qtr	Availability	Sales Activity SF	Number of Sales	Lease Activity SF	Number of Leases	Total Gross Activity Current Qtr SF	Total Gross Activity YTD SF	Net Absorption Current Qtr SF	Net Absorption YTD SF	Weighted Avg Asking Lease Rates
CENTRAL LOS ANGELES																
SUBTOTAL	5,391	248,004,500	0	230,000	1.6%	1.4%	4.7%	476,700	7	1,113,100	32	1,589,800	4,681,700	(260,300)	(375,000)	\$0.67
SOUTH BAY																
SUBTOTAL	4,740	214,623,400	147,100	193,400	1.2%	1.4%	3.3%	123,000	5	2,074,800	38	2,197,800	3,928,600	473,700	199,500	\$0.83
SAN FERNANDO VALLEY & VENTURA COUNTY																
SUBTOTAL	4,959	170,745,100	450,800	763,000	1.9%	1.9%	3.8%	204,600	6	913,600	29	1,118,200	2,447,000	278,000	(72,500)	\$0.71
SAN GABRIEL VALLEY																
SUBTOTAL	3,616	159,049,900	379,700	995,900	1.3%	1.5%	3.5%	447,100	6	1,848,400	29	2,295,500	4,451,200	814,100	1,182,300	\$0.72
MID COUNTIES																
SUBTOTAL	1,973	103,987,000	542,000	255,700	1.6%	0.8%	5.7%	47,000	3	1,303,700	28	1,350,700	4,024,000	(245,300)	984,400	\$0.75
LOS ANGELES SUBTOTAL																
SUBTOTAL	20,679	896,409,900	1,519,600	2,438,000	1.5%	1.5%	4.1%	1,298,400	27	7,253,600	156	8,552,000	19,532,500	1,060,200	1,918,700	\$0.73
INLAND EMPIRE																
SUBTOTAL	5,677	513,735,100	8,469,500	19,792,500	3.8%	4.4%	5.5%	2,449,100	27	11,809,300	76	14,258,400	23,456,900	10,834,800	14,308,400	\$0.59
ORANGE COUNTY																
SUBTOTAL	1,414	181,934,600	0	1,167,100	2.3%	2.4%	3.5%	1,740,400	42	2,145,900	65	3,743,300	4,997,300	191,100	789,500	\$0.89
GREATER LOS ANGELES BASIN MARKET TOTAL																
TOTAL	27,770	1,592,079,600	9,989,100	23,397,600	2.3%	2.5%	4.5%	5,487,900	96	21,208,800	297	26,553,700	47,986,700	12,086,100	17,016,600	\$0.70

Definitions of key terms in this report

Total Rentable Square Feet:

Industrial space in buildings with 10,000 square feet or more of industrial space. Includes speculative as well as owner-occupied buildings. Excludes Research & Development (R&D) buildings (industrial buildings with at least 30% office build-out, 3/1000 parking ratio and a high level of finish). Excludes space that is under-construction or renovation.

Vacancy:

Space in existing buildings that is vacant and immediately available during the quarter for direct lease, for sublease or for sale, plus space that is vacant but not available for direct lease or sublease.

Availability:

All space that is currently being marketed for occupancy, including space which may currently be occupied or which may be under construction or renovation.

Net Absorption:

Net change in occupied square feet from one period to the next (includes the impact of change in vacant space available for sublease).

Gross Activity:

Square feet sold and leased for all known transactions completed during the quarter, excluding lease renewals and investment sale transactions.

Weighted Average Asking Rental Rates:

Weighted by square feet available for direct lease. Data is based on triple net rents, and excludes expenses such as taxes, insurance, maintenance, janitorial services and utilities. Reported on a monthly per-square-foot basis.

Construction Completions:

Total square feet added during the quarter via construction completions, including renovated space returned to market, less total square feet taken off-market due to demolitions or conversions.

Under Construction:

Includes buildings that are in some phase of construction, beginning with foundation work and ending with the issuance of a Certificate of Occupancy.

Technical Note

Colliers International is continuously refining its database. The data shown in the historical tables and graphics in this report have been adjusted to take into account these changes in the database.

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