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## Los Angeles Market Update

### February 1, 2018

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## LOS ANGELES INDUSTRIAL MARKET

**Positive:**

**Forecast:**

**Negative:**



# Forecast

- **Lease Rates** – The supply and demand imbalance will continue, causing asking rents to increase by a minimum of 3% to reach a level of \$0.87 IG per square foot by the end of 2018. Even larger increases will be seen by Class A buildings with modern features such as 30' warehouse clearance, ample dock-high loading, fenced yards and immediate freeway access.
- **Vacancy** – While hard to predict a drop in an already low 1.89% vacancy rate, we expect to see this figure dip below 1.80% by the end of 2018.
- **Overall** – The Los Angeles industrial market in 2018 will be characterized by increased capital flows/investor demand, strong tenant/user activity and continued increases in sale prices and lease rates. Many of our larger investor clients are saying the “game is being extended,” but are cautiously managing new acquisitions. With limited new deliveries, expect the supply and demand imbalance to remain, ultimately benefiting landlords. Users and investors will continue to target this area given its proximity to the influential Ports of LA/Long and access to the second largest population base in the US. Industrial occupiers will tend to focus more on location than function in the coming quarters given the lack of product and LA's aging industrial base. Larger tenants with future expansion plans may start looking east to the Inland Empire to find larger blocks of quality space at lower costs. Consumer sentiment in the market is positive, aided by record highs in the stock market and the new tax laws put in place to encourage both investment and job growth.



## Los Angeles Industrial Market Statistics

	2017	2016	2015	% Change vs. 2016
Inventory Added	5,206,459	2,437,782	2,931,887	113.57%
Under Construction	3,952,236	4,610,440	472,576	-14.28%
Vacancy Rate	1.89%	1.86%	1.89%	1.61%
Availability Rate	4.47%	4.03%	4.00%	10.92%
Average Asking Lease Rate	\$0.84	\$0.79	\$0.72	6.33%
Sale & Lease Transactions	49,795,965	59,924,467	71,169,527	-16.90%
Gross Absorption	37,070,901	31,920,778	40,792,732	16.13%
Net Absorption	4,957,148	2,658,199	6,968,489	N/A

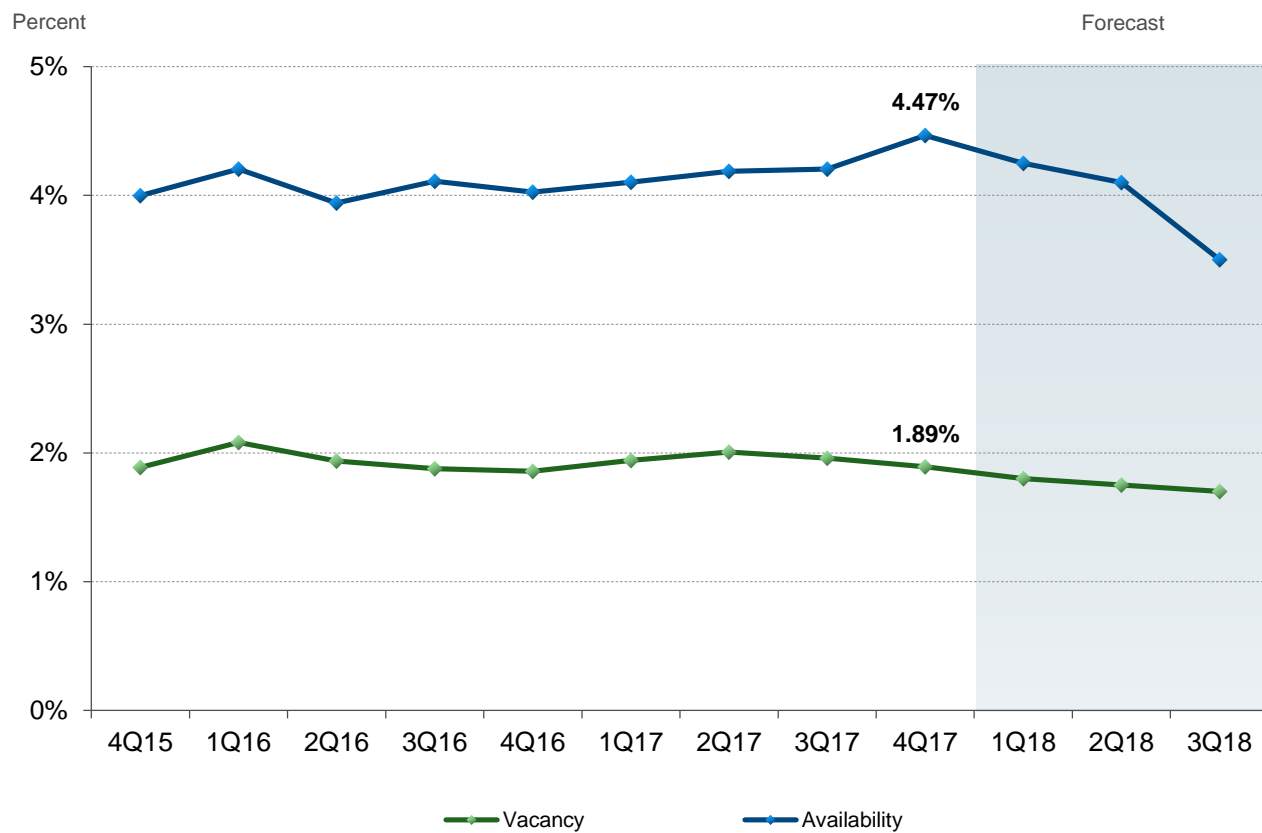




## LOS ANGELES INDUSTRIAL MARKET

### Market Overview

#### Vacancy vs. Availability

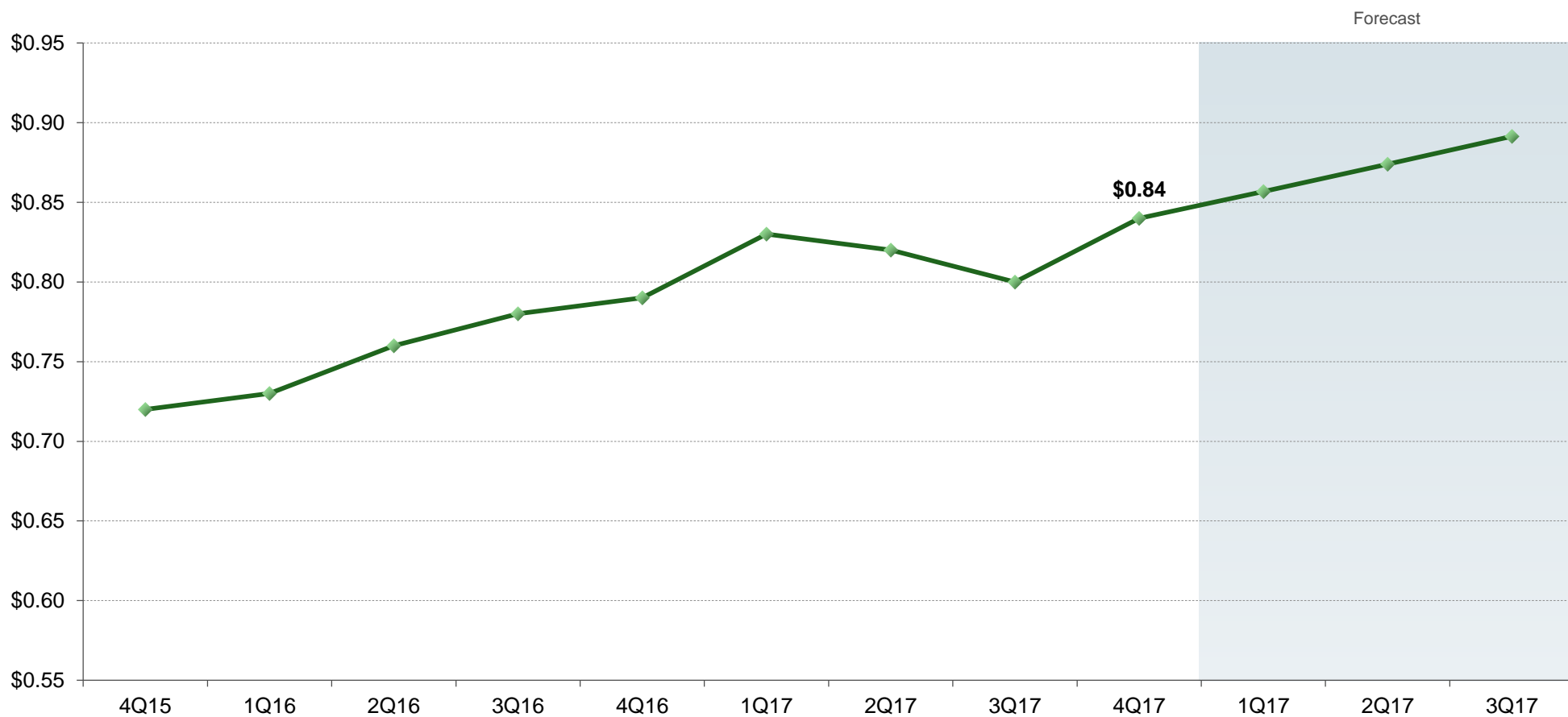




## LOS ANGELES INDUSTRIAL MARKET

### Leasing Market

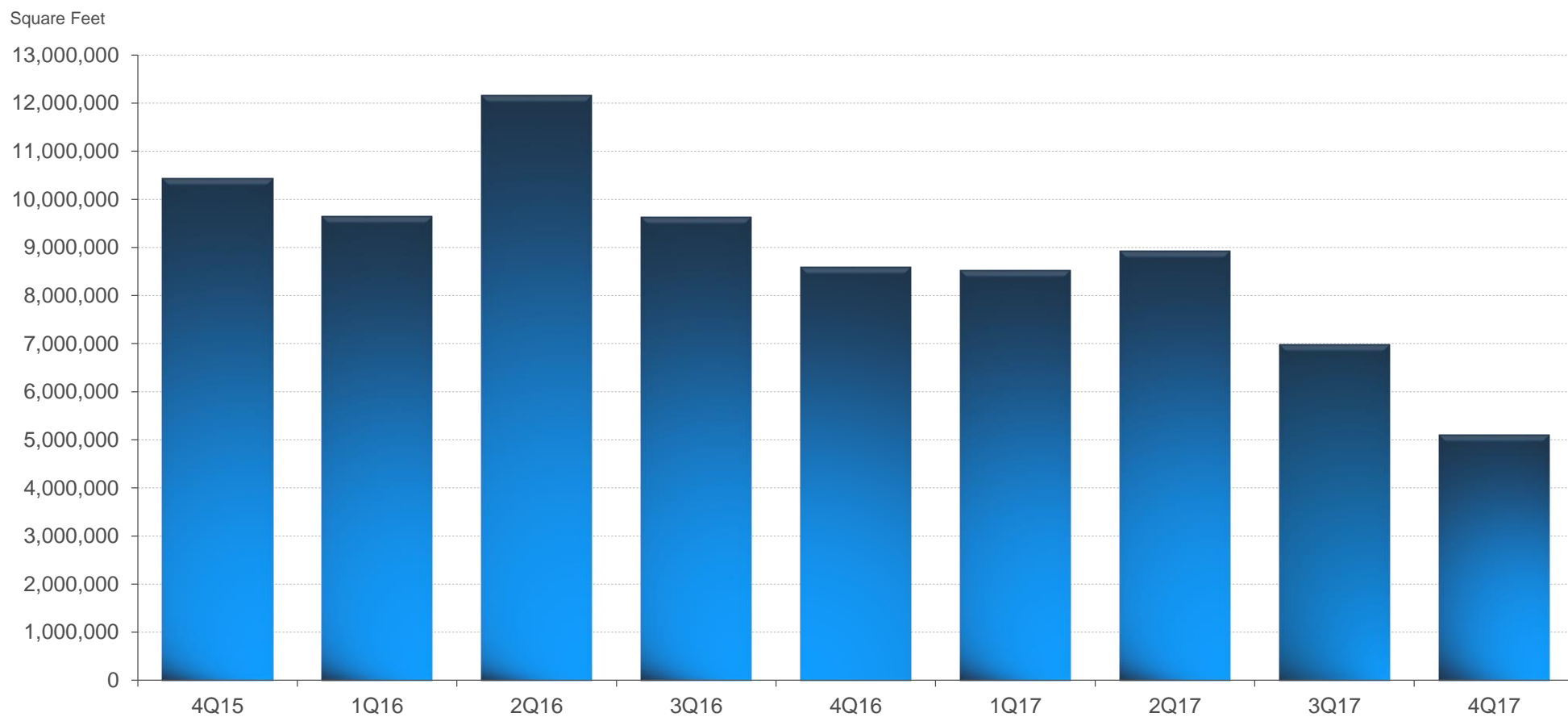
#### Average Asking NNN Lease Rate





## LOS ANGELES INDUSTRIAL MARKET

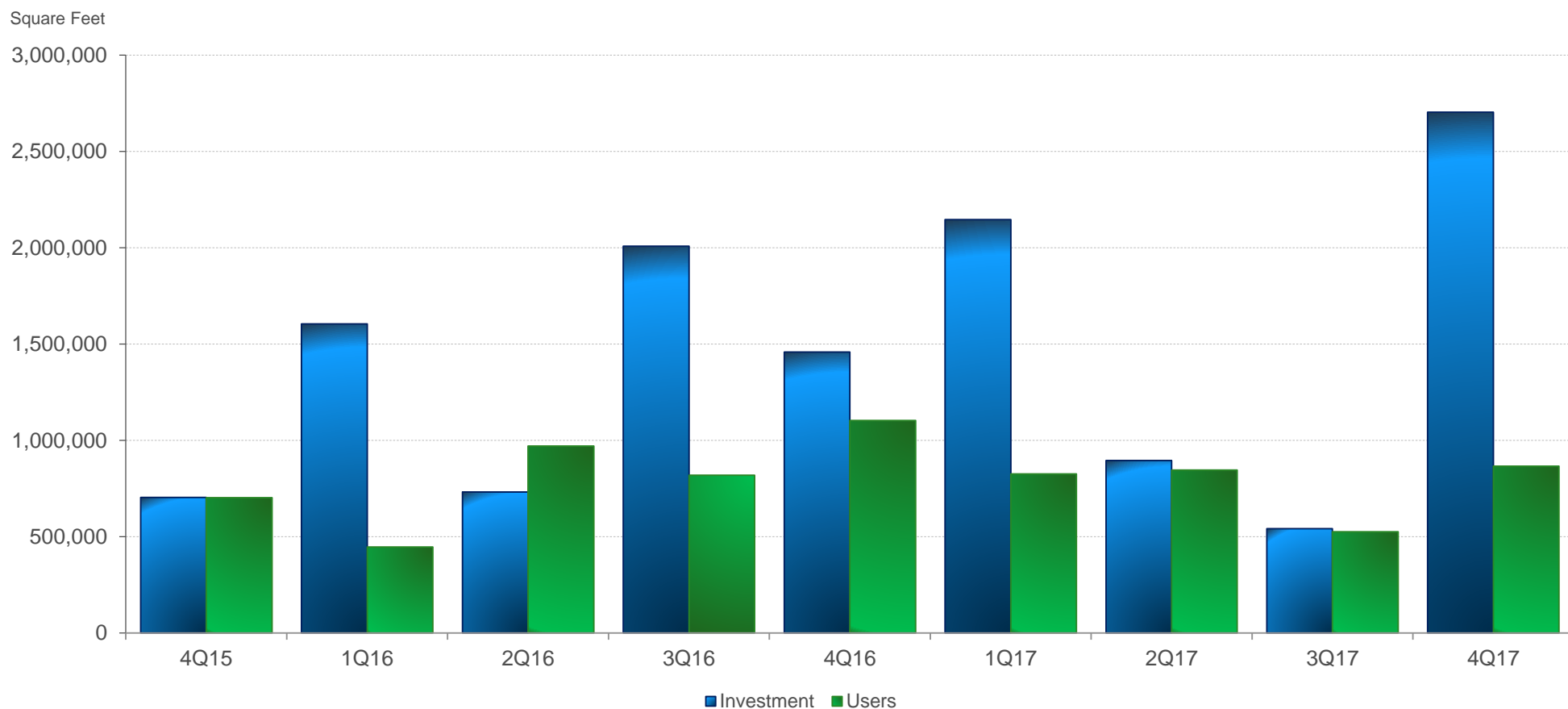
### Lease Transaction Activity





## LOS ANGELES INDUSTRIAL MARKET

### Sale Transaction Activity



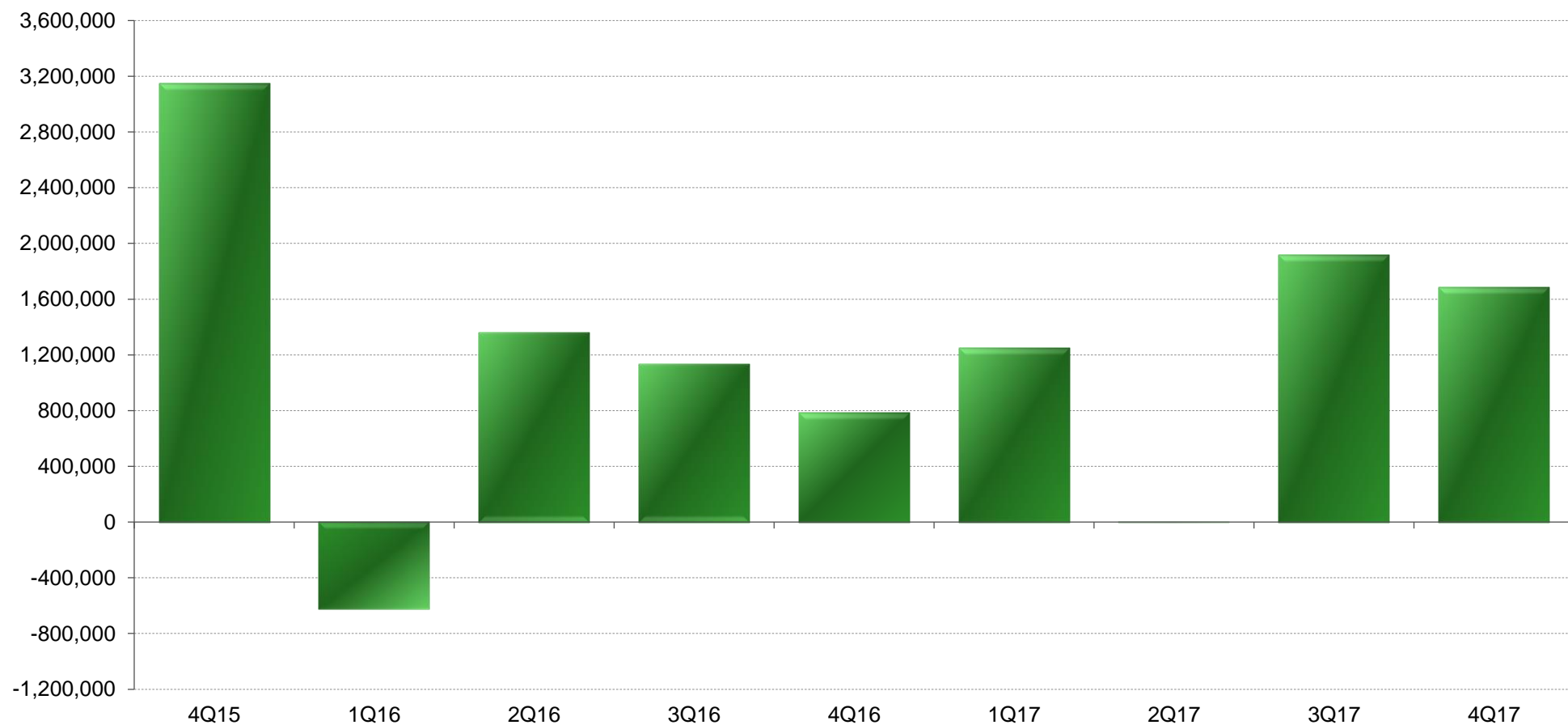




## LOS ANGELES INDUSTRIAL MARKET

### Net Absorption

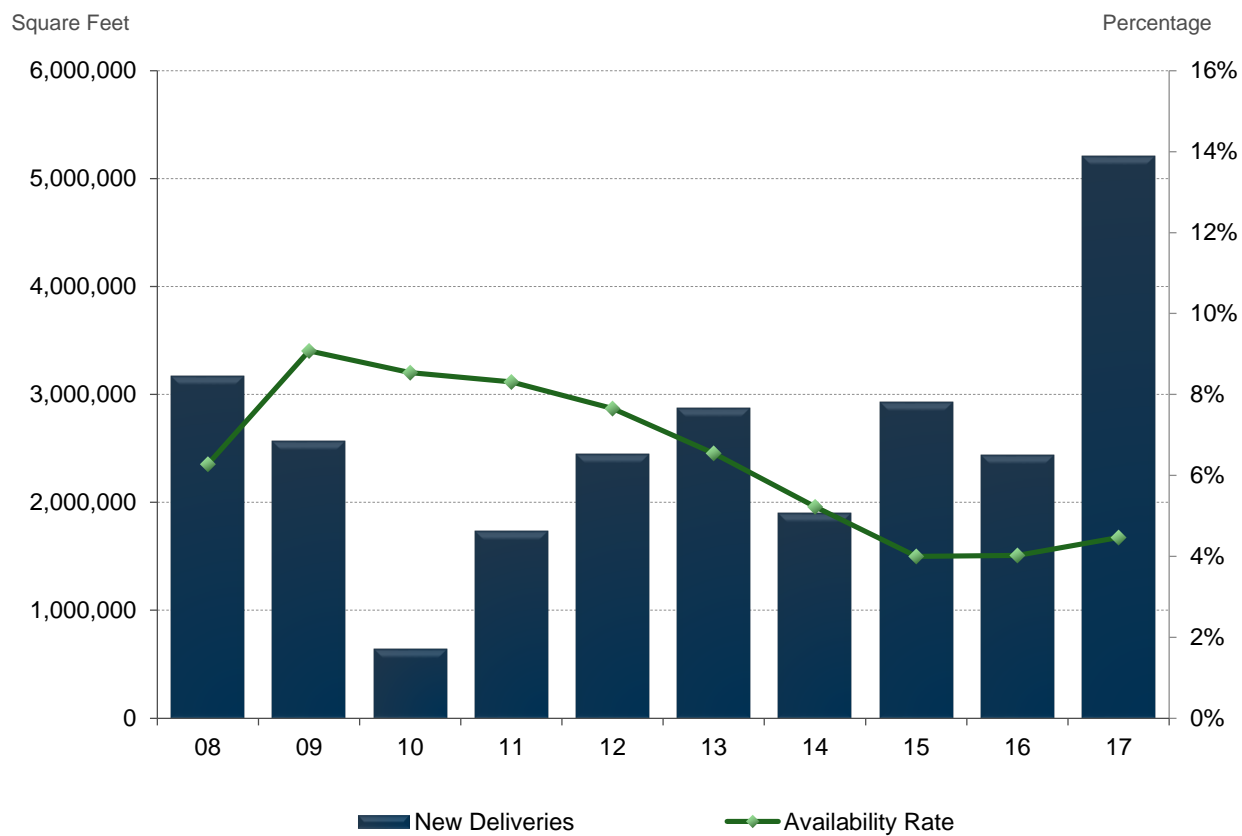
Square Feet





## LOS ANGELES INDUSTRIAL MARKET

### Annual New Deliveries vs. Availability





## LOS ANGELES INDUSTRIAL MARKET

### Major Transactions for 2017

#### Sales Activity

Property Address	Submarket	Square Feet	Sale Price / Yeild	Buyer	Seller
1312-1396 E. 7 <sup>th</sup> St – 6 Properties	Los Angeles	1,343,629	\$244 M/U	Healthcare of Ontario Pension Plan	USAA Real Estate Company
812-1040 Flower St. – 7 Properties	Glendale	676,818	\$428.00 /4.7%	Hana ( S. Korea)	Griffin Capital REI T
2301-2398 E. Pacifica Pl – 6 Properties	Rancho Dominguez	1,170,806	\$179.00/ 3.56%	Rexford Industrial	CBRE Global Investors Ltd.
2809-3261 E 44 <sup>th</sup> St	Vernon	766,900	\$77.00	Lineage Logistics	U.S. Growers Cold Storage, Inc.
687 N. Eucalyptus Ave.	Ingelwood	143,436	\$375.00 / 4.08%	Rexford Industrial	Panattoni Dvelopment Co.

#### Leasing Activity

Property Address	Submarket	Square Feet	Effective Rate	Tenant	Owner
16301 Trojan Way	La Mirada	492,639	\$0.81	UPS	Duke Realty
1701 N. Central Ave.	Compton	479,310	\$0.86	Best Buy	Clarion
9400 Santa Fe Springs Rd. – Renewal	Santa Fe Springs	411,340	\$0.67	XPO Logistics	SDCO-SFS Logistics Center
12318 Florence Ave.	Santa Fe Springs	295,490	\$0.79	McMaster Car Supply	Goodman Birtcher
2211-2241 E. Carson St.	Carson	270,674	\$0.76	Yusen Logistics	Prologis



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