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MID-CITIES: Sale and Lease Activity Slows but Vacancies Remain Stable

Industrial activity in the Mid-Cities area slowed significantly during the fourth quarter of 2007, but the market remained relatively tight with little change in vacancies.

Sale and lease activity fell 54 percent to about 811,000 square feet, according to Grubb & Ellis Co. But at the same time, vacancies rose just one-tenth of a point to 1.7 percent.

Howard Schwimmer, co-founder and managing partner at Rexford Industrial, said a lack of supply has been the overriding factor amid the growing popularity of the market.

"The vacancy rate has remained relatively low over the past few quarters. There are just not enough buildings to go around," he said. "The Mid-Cities area has become much more sought after, especially some cities like Santa Fe Springs."

Industrial Market At a Glance

Inventory: 117 million square feet

Under Construction: 291,000 square feet

Asking Rents: 57 cents

A year ago, the vacancy rate was 2.3

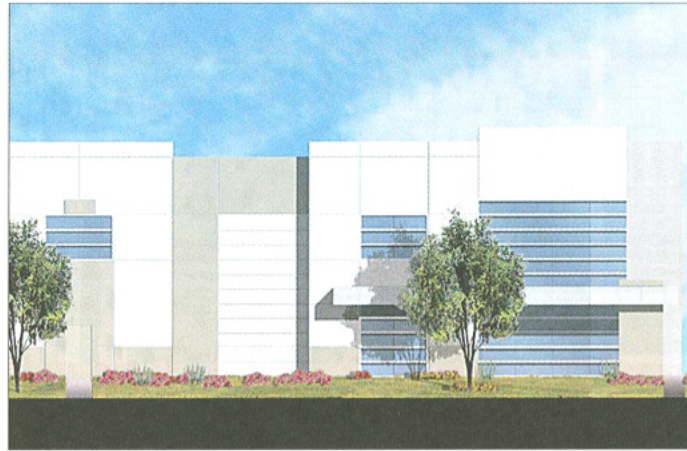
percent in the market, which is home to corporate headquarters of small and large companies, but is most popular for its industrial space.

Traditionally, the area has had an abundance of inexpensive, older industrial space, but a lack of modern amenities. That has stoked strong demand for what better space – in excess of 50,000 square feet – is available.

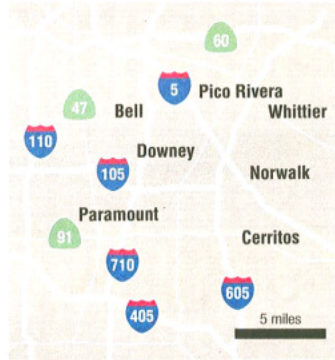
"The smaller space doesn't have the same growth velocity," Schwimmer said. "The market is putting a premium on newer space with state-of-the-art features with taller buildings, where you can put plastics and highly flammable material."

In response, Rexford Industrial is building two distribution centers totaling 87,000 square feet in Santa Fe Springs. The demand has pushed up rents to 55 cents from 53 cents per square foot in the fourth quarter of 2006.

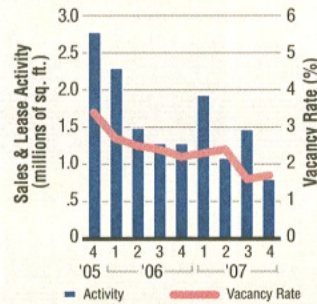
– Drew Combs



Santa Fe Springs: Rexford is adding space at 9643-9653 Santa Fe Springs Road.



Mid-Cities Industrial Market



MAIN EVENTS

► Kroger Co. signed a 30-year lease for a 552,000-square-foot industrial building in Paramount that has yet to be built. Construction on the Birtcher Distribution Center is expected to start this year. When completed, the center, located at a former Brownfields site, will serve as a logistics hub for Kroger subsidiaries Ralphs and Food 4 Less grocery markets. The lease deal is valued at \$207 million.

► Rexford Industrial obtained approval to develop an 87,000-square-foot distribution complex at 9643-9653 Santa Fe Springs Road in Santa Fe Springs, an existing industrial site with 8,000 square feet of space.

► Pacer International Inc. sold two industrial complexes, with a combined 170 dock high positions, in Compton. The deal with First Industrial was completed in December and comprises a 58,000-square-foot complex at 550 S. Alameda St. and a 176,000-square-foot complex at 220 W. Manville St.

► Oakmont Industrial Group sold an 83,000-square-foot building in Compton to Aloha Freight Forwarders. Oakmont purchased the site in 2004 and conducted extensive renovations that added 32,000 square feet and 17 dock high positions. Oakmont leased the facility to Aloha in 2005.

► Eagle Global Logistics signed a lease deal for 60,000 square feet of industrial space in the Dominguez Technology Center, in Rancho Dominguez and Carson. The deal comprises two buildings at 19520 S. Wilmington Ave. in the master-planned business center.