

MARKET TRENDS | **LOS ANGELES**

INDUSTRIAL

MARKET DRIVERS

THE LOS ANGELES industrial market displayed no signs of slowing down as user activity continued to increase throughout the metro. E-commerce and logistics remain a strong driver in user demand as FedEx, Furniture of America, and Polar Air were some of the top leases in the second quarter.

DEMAND FOR QUALITY industrial space has never been higher with properties continuing to receive multiple offers. Buoyed by limited vacancies across the metro, rental rates have pushed past historical highs, concluding the quarter at \$1.11/SF NNN.

CAPITALIZING ON THE ROBUST DEMAND, some landlords have begun to adjust their lease terms. Tenants are beginning to witness lower concessions being offered and annual increases within 3.5%-4%.

NEW DEVELOPMENTS entering the market have picked up since the pandemic shutdown with over 780K SF completed in 2Q21. Currently, 2.9M SF remains under construction with over 1M SF approaching delivery in the third quarter. Developers have remained aggressive for new developmental sites as current land values are well above \$100/SF.

ECONOMIC OVERVIEW

THE LOS ANGELES COUNTY unemployment rate remained unchanged between April and May, holding steady at 11.1%. Job gains between April and May reported an increase of 41,000 jobs.

THE PORT OF LOS ANGELES reported the busiest month in May in the Port's 114-year history, processing 1,012,048 TEUs, an increase of 74% from the year prior. This marks the first time a Western Hemisphere port has processed over 1M TEU's in a month.

NEAR-TERM OUTLOOK

THE LOS ANGELES industrial market will remain on firm footing moving forward as it continues its V-shape recovery. Overall, market demand has outpaced supply, and any new construction quickly becomes absorbed, keeping vacancies low. Tenants with real estate requirements will need to act quickly as the demand for quality industrial space will remain extremely competitive.

SOURCE: EDD, COSTAR, PORT OF LOS ANGELES

Market Summary

	2Q21	1Q21	2Q20	Annual % Change
Direct Vacancy Rate	1.7%	2.3%	2.7%	(36.71%)
Total Availability Rate	3.2%	4.0%	5.7%	(43.96%)
Direct Asking Lease Rate	\$1.11	\$1.09	\$1.02	8.82%
Total Lease Transactions	9,109,964	12,351,417	8,476,728	7.47%
Sale Transactions	5,224,296	3,073,399	1,942,690	168.92%
Direct Net Absorption	5,053,522	3,153,437	(1,397,954)	N/A

▲ **5.1K**
NET ABSORPTION (SF)

▼ **1.7%**
VACANCY RATE

▲ **\$1.11**
AVERAGE ASKING RATE

▲ **291K**
CONSTRUCTION DELIVERIES

YEAR-OVER-TREND

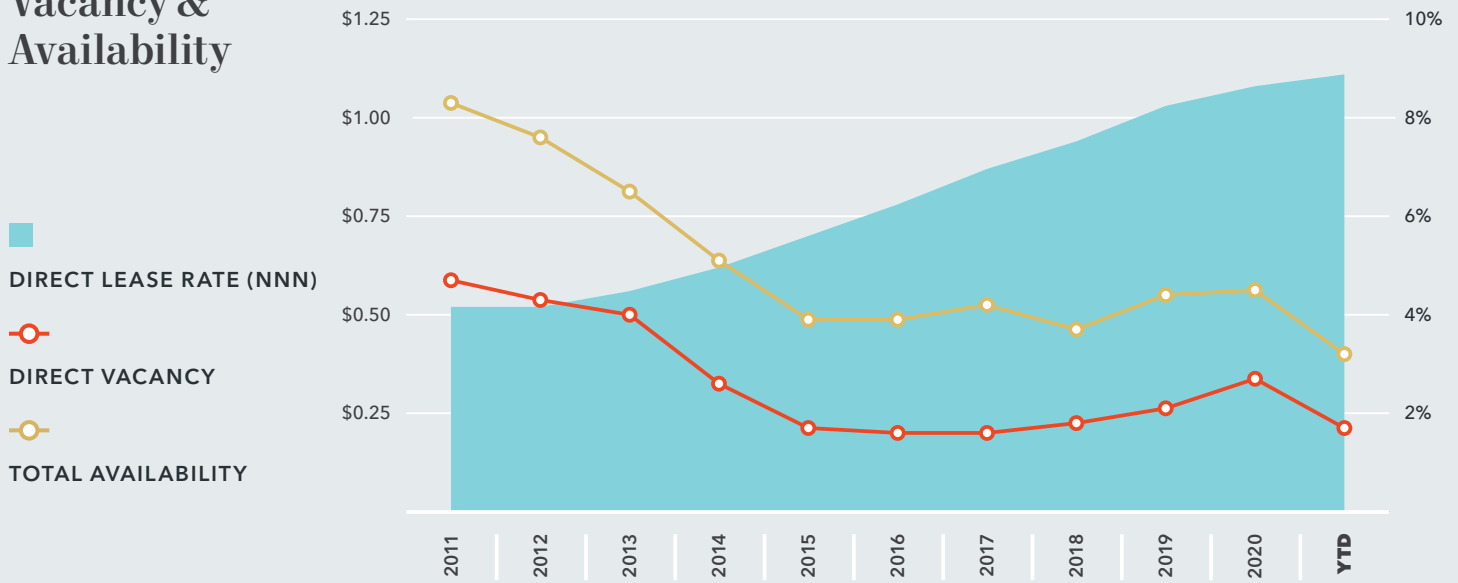
Market Highlights

DIRECT VACANCIES decreased in the second quarter to conclude at 1.7%

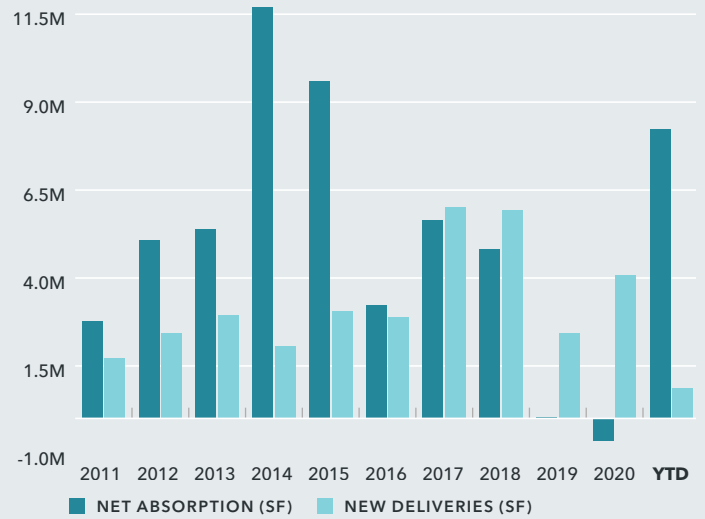
AVERAGE ASKING LEASE RATES grew by 8.82% from the year prior to \$1.11/SF on a triple net basis

AVERAGE SALE PRICE in 2Q21 was \$226/SF with cap rates stabilizing between 3.7%-4.3%

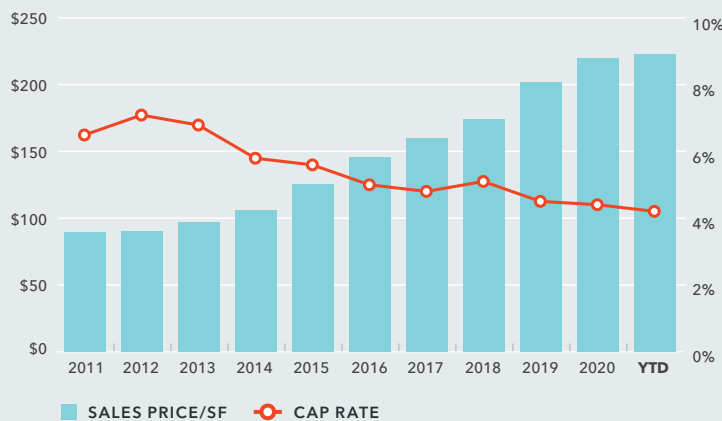
Lease Rate, Vacancy & Availability



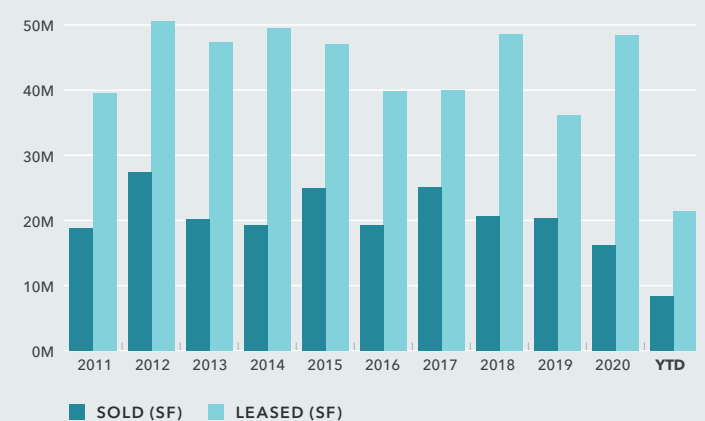
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Availability Rate	QTR Direct Absorption	QTR Net Absorption	YTD Direct Absorption	YTD Net Absorption	QTR Total Leasing Activity	YTD Total Leasing Activity	Average Rental Rate (NNN)
Bell/Bell Gardens/Maywood	7,618,310	1.3%	0.0%	1.3%	1.4%	60,615	82,955	52,827	111,123	\$1.00		
Commerce	45,292,394	1.3%	0.0%	1.3%	2.3%	537,640	828,862	723,856	1,361,966	\$0.96		
Huntington Park/Cudahy	4,785,214	1.2%	0.0%	1.2%	1.6%	17,892	53,672	7,192	21,462	\$0.75		
Downtown LA	127,077,937	2.9%	0.2%	3.1%	6.1%	286,860	810,497	1,213,839	2,503,709	\$1.34		
Montebello/Monterey Park	11,724,585	0.2%	0.2%	0.4%	0.4%	30,141	212,756	17,749	340,958	\$0.79		
Pico Rivera	10,457,031	0.1%	0.3%	0.4%	1.9%	58,179	321,622	126,030	474,954	\$1.06		
South Gate	11,015,731	0.9%	0.0%	0.9%	0.7%	21,023	(11,952)	69,221	336,021	\$0.82		
Vernon	42,580,939	1.9%	0.2%	2.1%	2.8%	172,428	448,135	864,742	1,502,931	\$0.99		
Central	260,552,141	2.1%	0.2%	2.2%	4.0%	1,184,778	2,746,547	3,075,456	6,653,124	\$1.17		
Artesia/Cerritos	13,156,074	2.6%	0.6%	3.3%	2.5%	211,300	22,716	172,605	530,191	\$0.86		
Bellflower/Downey	5,597,512	0.8%	0.3%	1.1%	1.1%	56,633	68,232	63,324	112,324	\$0.91		
Buena Park/La Palma	15,058,712	1.7%	0.0%	1.7%	2.9%	102,331	107,946	98,529	404,749	\$0.82		
La Mirada	13,110,165	4.6%	0.9%	5.5%	3.1%	(140,516)	81,415	382,824	973,974	\$0.83		
Norwalk	2,874,315	0.9%	1.2%	2.1%	1.6%	36,898	230,104	24,000	254,037	\$0.97		
Paramount	8,995,812	2.7%	0.0%	2.7%	2.5%	(78,672)	58,443	96,549	170,730	\$0.81		
Santa Fe Springs	53,702,901	1.1%	0.1%	1.2%	1.1%	638,796	948,216	424,302	1,399,156	\$0.95		
Whittier	4,121,940	0.2%	0.0%	0.2%	0.3%	183,809	193,769	8,332	29,299	\$0.77		
Mid-Cities	116,617,431	1.8%	0.3%	2.1%	1.8%	1,010,579	1,710,841	1,270,465	3,874,460	\$0.88		
Alhambra	2,216,751	0.9%	0.7%	1.6%	2.3%	74,443	54,788	48,811	69,809	\$1.10		
Arcadia/Temple City	3,129,634	1.4%	0.0%	1.4%	3.3%	22,927	19,178	5,982	66,021	\$1.25		
Azusa	6,585,300	1.4%	0.0%	1.4%	2.6%	318,987	493,626	129,487	318,402	\$0.81		
Baldwin Park	4,667,204	1.6%	0.0%	1.6%	1.3%	(8,578)	34,716	6,875	59,572	\$1.11		
City of Industry/DB/HH/RH	73,587,218	1.2%	0.1%	1.3%	2.4%	788,546	1,139,529	580,659	2,598,350	\$0.85		
Covina/West Covina	3,391,642	3.4%	0.0%	3.4%	5.2%	706	(2,240)	17,160	18,360	\$0.00		
Duarte	1,800,654	3.8%	0.0%	3.8%	1.0%	5,406	(7,485)	70,989	113,762	\$0.87		
El Monte	8,490,535	1.3%	0.1%	1.3%	3.7%	46,556	633,050	25,550	113,509	\$1.11		
Irwindale	11,208,846	0.9%	0.1%	1.0%	13.2%	85,994	59,580	114,846	182,309	\$0.87		
La Puente	1,975,727	0.7%	0.0%	0.7%	1.1%	(2,700)	(2,840)	2,700	4,500	\$1.06		
Glendora/La Verne/ San Dimas	6,755,780	1.8%	0.0%	1.8%	1.7%	(29,342)	(12,372)	73,993	163,570	\$0.97		
Monrovia	3,309,913	0.0%	0.0%	0.0%	2.0%	16,652	10,854	3,167	44,687	\$0.87		
Pomona/Claremont	20,176,002	1.0%	0.1%	1.1%	1.2%	(10,805)	75,470	60,696	163,280	\$0.78		
Rosemead/San Gabriel	2,368,037	0.2%	0.0%	0.2%	0.3%	7,680	11,333	7,680	11,733	\$0.89		
South El Monte	10,921,708	1.3%	0.0%	1.3%	0.9%	(61,793)	803	73,262	118,217	\$0.95		
Walnut	6,787,019	4.9%	0.1%	5.0%	8.7%	(31,187)	(70,742)	111,688	636,245	\$0.73		
San Gabriel Valley	167,371,970	1.4%	0.1%	1.5%	3.1%	1,223,492	2,437,248	1,333,545	4,682,326	\$0.85		
Carson	35,437,656	0.9%	0.2%	1.1%	2.1%	410,137	(4,071)	875,463	1,710,094	\$1.07		
Compton	24,973,776	1.1%	1.7%	2.8%	2.4%	80,966	183,498	474,495	809,674	\$0.96		
El Segundo	8,618,107	1.3%	0.1%	1.3%	1.3%	2,586	6,545	0	40,375	\$1.50		
Gardena	28,647,865	1.6%	0.3%	1.9%	3.1%	118,913	194,276	423,640	734,830	\$1.13		
Harbor City	1,756,313	1.0%	0.0%	1.0%	2.0%	4,464	14,764	6,200	17,000	\$0.96		
Hawthorne	7,789,559	1.7%	0.0%	1.7%	2.9%	22,750	11,629	83,083	166,432	\$1.20		
Inglewood	4,923,019	5.4%	0.2%	5.6%	9.3%	(53,232)	(38,380)	134,477	175,278	\$1.64		
Lakewood/Hawaiian Gardens	563,155	0.0%	0.0%	0.0%	0.0%	0	0	0	0	\$1.10		
Lawndale	253,076	3.5%	0.0%	3.5%	3.5%	(8,745)	(8,745)	0	0	\$1.25		
Long Beach/Terminal Island	23,687,859	1.5%	0.1%	1.6%	4.6%	378,792	527,415	308,715	643,895	\$1.35		
Lynwood	4,696,893	0.0%	0.0%	0.0%	0.2%	5,700	10,700	0	25,700	\$0.99		
Rancho Dominguez/East Rancho Dominguez	14,614,621	1.2%	0.5%	1.6%	5.0%	198,502	231,990	288,280	482,088	\$0.93		
Redondo/Hermosa Beach	1,817,684	0.1%	0.0%	0.1%	0.1%	236,134	3,100	236,134	236,134	\$1.25		
San Pedro	2,751,799	0.1%	0.0%	0.1%	0.1%	0	0	0	0	\$1.49		
Signal Hill	3,372,622	1.7%	0.6%	2.3%	3.9%	(8,898)	(21,449)	26,827	53,248	\$1.12		
Torrance	26,753,856	2.5%	0.2%	2.7%	2.7%	254,104	217,668	565,684	1,136,673	\$1.13		
Wilmington	3,821,925	0.6%	0.0%	0.6%	1.5%	(7,500)	6,772	7,500	16,550	\$1.02		
South Bay	194,479,785	1.5%	0.4%	1.9%	3.0%	1,634,673	1,335,712	3,430,498	6,247,971	\$1.15		
Los Angeles Total	739,037,526	1.7%	0.2%	1.9%	3.2%	5,053,522	8,230,348	9,109,964	21,457,881	\$1.11		

TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	Square Feet	Sale Price	Sale Price / SF	Buyer	Seller
Universal Warehouse	Carson	264,450	\$125,750,000	\$475.52 (\$150/sf for land)	CenterPoint Properties	Universal Warehouse Co.
The Box Yard	Vernon	261,528	\$93,600,000	\$357.90	Rexford Industrial	Bridge Industrial
4525-4545 E Ardine St	Vernon	142,000	\$42,000,000	\$295.77	Pacific Industrial LLC	Hwa Chan Trading Corp.
12352 Whittier Blvd	Santa Fe Springs	224,628	\$31,500,000	\$140.23	Western Realco	Leggett & Platt Canada Co.
2575 El Presidio St	Carson	196,300	\$30,000,000	\$152.83	Thor Equities	Texolini Inc.

TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
Grand Crossing South	City of Industry	627,480	April 2021	Majestic Realty	FedEx
Fairway Business Park	City of Industry	500,000	June 2021	Majestic Realty	Furniture of America
13012 Molette St	Santa Fe Springs	306,286	May 2021	Oltman's Construction Co.	The Custom Companies
Harbor Gateway	Torrance	259,327	May 2021	DWS	Breville
4000 Redondo Beach Ave	Redondo Beach	236,134	April 2021	AEW Capital Management	Polar Air

TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
13131 Los Angeles St	13131 Los Angeles St	Irwindale	528,710	Duke Realty Corp.	October 2021
Bridge Point Long Beach	2400 E Artesia Blvd	Long Beach	415,160	Bridge Development Partners	July 2021
13344 S. Main St	13344 S Main St	West Rancho Dominguez	290,303	Duke Realty Corp.	July 2021
13400 Nelson Ave	13400 Nelson Ave	City of Industry	216,250	Orange County Container Group	August 2021
5010 Azusa Canyon Rd	5010 Azusa Canyon Rd	San Gabriel Valley	184,879	Overton Moore Properties	July 2021

DATA SOURCE: EDD, COSTAR, PORT OF LOS ANGELES

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

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**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

40/19
TOTAL NO.
APPRAISERS/MAI'S

Asset Services

70M
MANAGEMENT
PORTFOLIO SF

\$12B
IN ASSETS UNDER
MANAGEMENT

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