

MARKET TRENDS | **LOS ANGELES**

INDUSTRIAL

MARKET DRIVERS

DIRECT NET absorption in 1Q 2022 reported negative with 127,205 SF. Although this marks the first-time absorption has fallen into the red since 4Q 2020, direct vacancies remain at a historically low 1.1%

COMPETITION for industrial space has never been higher. Lack of available options, rapid growth of ecommerce and logistics, and tenants looking to perfect their logistical channels have caused competition for available space to spike. Rental rates concluded the quarter at a new all-time high of \$1.38/SF on a triple net basis, a 6.15% increase quarter-over-quarter.

THE COMPETITION for industrial land has also been on the rise as truck terminals have been in high demand. The surge in demand for any available industrial land has pushed land lease rates north of \$1.00 SF triple net.

OVER 439K SF WAS DELIVERED in 1Q2022 with 3.5MSF currently under construction. Due to the lack of developmental land, developers have remained aggressive for renovation and repositioning projects which have pushed land values over \$120/SF.

ECONOMIC REVIEW

THE LOS ANGELES COUNTY unemployment rate increased by 20 BPS from the month prior to 7.0% in January 2022. Job gains between December and January decreased by 75,100 jobs.

THE PORT PROCESSED 857,764 TEU's in the month of February, a 7.3% increase compared to the same time last year.

NEAR-TERM OUTLOOK

DEMAND FOR INDUSTRIAL SPACE will remain extremely competitive and landlords will look to capitalize on pricing as the market continues to report new all-time highs. Rental rate growth is forecasted to be between 10%-15% in 2022. With limited options across the metro and space commonly leased a year in advance, we can expect the volume of renewals to increase in the following quarters.

SOURCE: EDD, COSTAR, PORT OF LOS ANGELES

Market Summary

	1Q22	4Q21	1Q21	Annual % Change
Direct Vacancy Rate	1.2%	1.2%	2.3%	-45.89%
Total Availability Rate	2.6%	2.4%	4.0%	-35.23%
Direct Asking Lease Rate	\$1.38	\$1.30	\$1.09	26.61%
Total SF Leased	4,421,586	7,333,756	14,208,212	-68.88%
Total SF Sold	4,046,969	5,452,065	2,950,814	37.15%
Direct Net Absorption	(127,205)	2,706,997	3,051,074	N/A

▲ **-127K**
NET ABSORPTION (SF)

▼ **1.1%**
VACANCY RATE

▲ **\$1.38**
AVERAGE ASKING RATE

▼ **439K SF**
CONSTRUCTION DELIVERIES

YEAR-OVER-TREND

Market Highlights

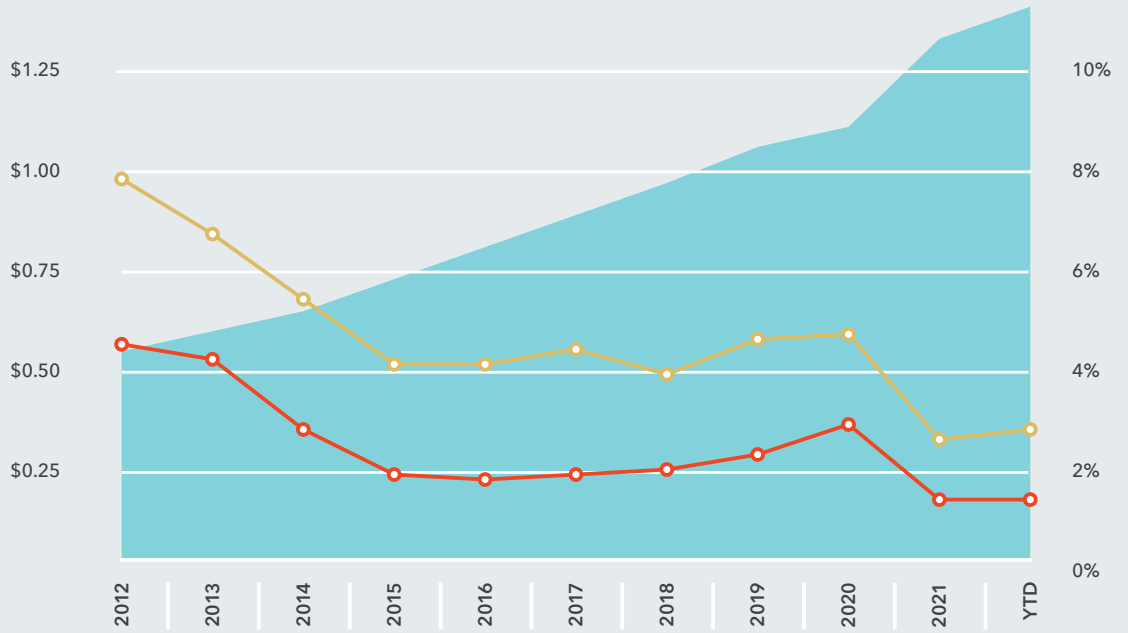
DIRECT VACANCIES remained stable in the first quarter at 1.1%

DIRECT ASKING LEASE RATES grew by 6.15% quarter-over-quarter to \$1.38/SF on a triple net basis

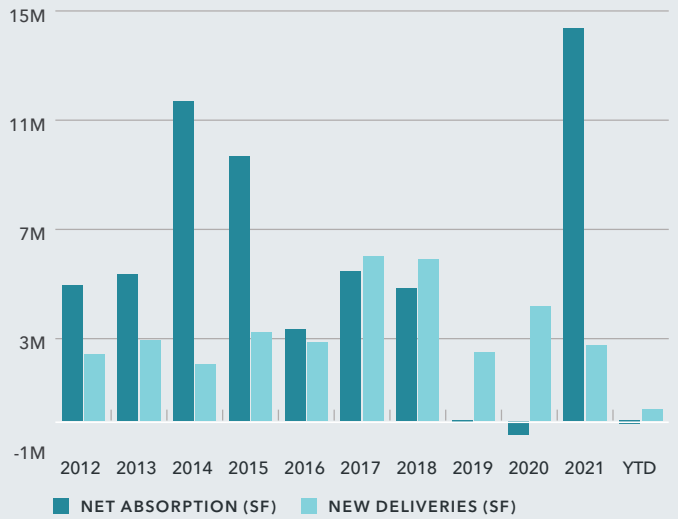
THE AVERAGE SALE PRICE in 1Q 2022 was \$289.52/SF with cap rates settling at 4.1%

Lease Rate, Vacancy & Availability

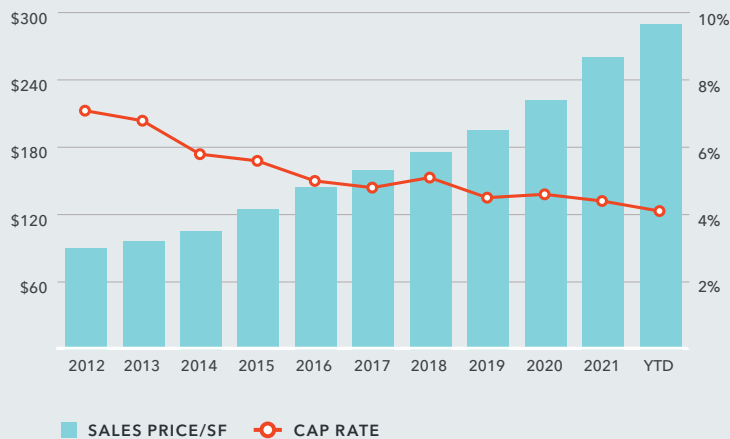
■ DIRECT LEASE RATE (NNN)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



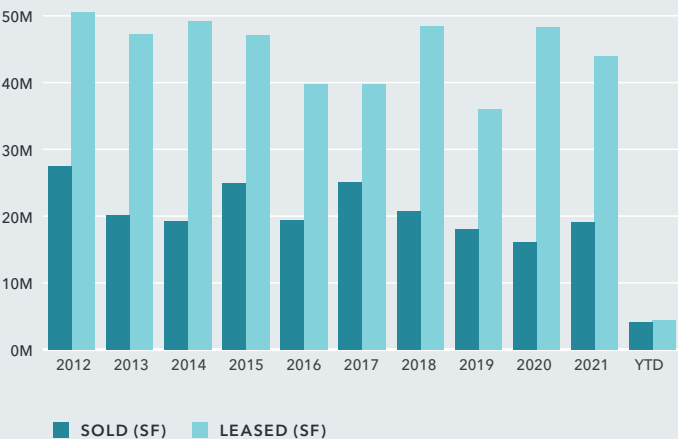
Net Absorption & New Deliveries



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	1Q Direct Net Absorption	2021 Direct Net Absorption	1Q Total Leasing Activity	2021 Total Leasing Activity	Average Rental Rate (NNN)
Bell/Bell Gardens/Maywood	7,443,341	0.1%	0.0%	0.1%	0.2%	8,114	169,249	21,555	175,271	\$1.31
Commerce	45,109,025	0.5%	0.1%	0.6%	1.4%	188,978	970,295	273,961	2,550,934	\$1.27
Huntington Park/Cudahy	4,733,705	1.0%	0.0%	1.0%	2.5%	246	63,213	7,192	29,632	\$1.01
Downtown LA	126,504,140	2.3%	0.2%	2.5%	4.5%	71,145	2,172,662	800,063	4,525,341	\$1.75
Montebello/Monterey Park	11,737,054	0.5%	0.0%	0.5%	1.5%	(33,773)	205,596	14,525	390,691	\$1.05
Pico Rivera	10,277,150	0.4%	0.0%	0.4%	0.8%	65,208	222,111	11,499	906,108	\$1.32
South Gate	11,165,599	0.2%	0.0%	0.2%	0.5%	0	59,929	0	365,221	\$1.11
Vernon	42,770,027	0.8%	0.0%	0.8%	1.2%	11,642	818,047	92,083	2,888,107	\$1.33
Central	259,740,041	1.4%	0.1%	1.5%	2.8%	311,560	4,681,102	1,220,878	11,831,305	\$1.50
Artesia/Cerritos	13,021,133	1.1%	0.0%	1.1%	2.8%	(40,547)	229,030	179,359	1,212,895	\$1.30
Bellflower/Downey	5,492,287	0.8%	0.0%	0.8%	1.6%	(34,183)	94,389	51,743	139,712	\$1.19
Buena Park/La Palma	15,120,109	0.9%	0.1%	1.0%	2.8%	(11,800)	238,082	4,969	863,277	\$1.27
La Mirada	13,363,739	1.6%	0.0%	1.6%	2.6%	7,928	464,882	120,969	1,552,986	\$1.07
Norwalk	2,874,315	0.2%	0.0%	0.2%	0.5%	(1,344)	251,301	0	289,234	\$1.33
Paramount	9,010,170	0.3%	0.0%	0.3%	1.0%	(15,970)	291,004	48,331	253,780	\$1.22
Santa Fe Springs	53,564,510	0.6%	0.0%	0.6%	2.1%	27,202	1,475,197	264,921	2,117,071	\$1.39
Whittier	4,134,093	0.5%	0.0%	0.5%	1.8%	(8,454)	187,072	2,700	51,122	\$1.32
Mid-Cities	116,580,356	0.8%	0.0%	0.8%	2.2%	(77,168)	3,230,957	672,992	6,480,077	\$1.36
Alhambra	2,199,166	0.7%	2.4%	3.1%	3.7%	(15,367)	75,538	0	89,640	\$1.32
Arcadia/Temple City	3,067,261	0.9%	0.0%	0.9%	0.2%	(3,120)	32,560	1,421	123,482	\$1.53
Azusa	6,697,089	0.5%	0.0%	0.5%	6.0%	12,840	539,834	1,500	380,199	\$1.00
Baldwin Park	4,705,708	1.5%	0.3%	1.8%	2.5%	(16,475)	67,589	58,834	147,069	\$1.37
City of Industry/DB/HH/RH	74,106,196	0.8%	0.2%	1.0%	2.8%	(33,853)	1,447,851	303,935	4,565,659	\$1.06
Covina/West Covina	3,400,179	0.3%	0.0%	0.3%	1.3%	(4,000)	104,355	42,390	43,185	\$0.00
Duarte	1,800,654	4.2%	0.0%	4.2%	2.3%	(13,191)	(810)	0	119,346	\$1.05
El Monte	8,405,861	1.0%	0.0%	1.0%	0.7%	(5,706)	717,178	74,293	367,855	\$1.40
Irwindale	11,671,523	5.6%	0.1%	5.7%	6.6%	(276,691)	13,217	84,646	1,125,259	\$1.07
La Puente	1,986,773	0.3%	0.0%	0.3%	0.4%	5,136	(140)	3,196	18,196	\$1.28
Glendora/La Verne/ San Dimas	6,671,500	1.6%	0.0%	1.6%	1.7%	(17,557)	21,789	102,943	271,136	\$1.21
Monrovia	3,295,684	0.2%	0.0%	0.2%	1.8%	(7,258)	12,040	4,223	78,397	\$1.06
Pomona/Claremont	20,324,177	0.6%	0.0%	0.6%	1.4%	3,070	149,171	63,555	295,067	\$0.98
Rosemead/San Gabriel	2,371,608	0.7%	0.0%	0.7%	0.7%	5,380	(6,070)	7,903	30,382	\$1.11
South El Monte	11,117,329	1.9%	0.0%	1.9%	1.5%	9,129	77,624	65,029	336,677	\$1.18
Walnut	6,925,528	3.9%	0.0%	3.9%	1.9%	(27,805)	153,968	19,718	1,185,531	\$0.99
San Gabriel Valley	168,746,236	1.4%	0.1%	1.5%	2.6%	(385,468)	3,405,694	833,586	9,177,080	\$1.19
Carson	35,756,583	0.4%	0.0%	0.4%	1.7%	43,966	301,668	101,358	3,408,002	\$1.42
Compton	24,583,544	0.6%	0.2%	0.8%	1.1%	(103,095)	431,131	222,025	1,369,928	\$1.39
El Segundo	8,586,734	0.8%	0.1%	0.8%	1.0%	0	47,314	0	137,963	\$1.80
Gardena	29,032,061	0.7%	0.0%	0.8%	2.5%	51,163	346,900	262,034	1,341,018	\$1.41
Harbor City	1,756,313	0.0%	0.0%	0.0%	0.0%	0	31,600	0	78,912	\$1.09
Hawthorne	7,870,886	2.0%	0.0%	2.0%	2.1%	93,050	(100,931)	64,180	342,247	\$1.46
Inglewood	4,882,796	3.4%	0.0%	3.4%	5.0%	18,499	45,462	133,389	241,475	\$1.96
Lakewood/Hawaiian Gardens	563,732	3.2%	0.0%	3.2%	3.2%	25,262	(43,054)	0	25,262	\$1.27
Lawndale	253,076	0.0%	0.0%	0.0%	0.0%	8,745	(8,745)	0	0	\$1.35
Long Beach/Terminal Island	23,862,884	2.6%	0.2%	2.8%	3.7%	48,215	541,619	356,538	2,268,774	\$1.63
Lynwood	4,690,233	0.0%	0.0%	0.0%	0.3%	0	10,700	8,619	25,700	\$1.22
Rancho Dominguez/E Rancho Dominguez	14,605,190	1.5%	0.0%	1.5%	3.0%	(143,865)	333,630	163,537	1,022,250	\$1.37
Redondo/Hermosa Beach	1,810,738	3.3%	0.0%	3.3%	3.3%	(59,549)	5,600	3,200	238,934	\$1.61
San Pedro	2,820,192	1.5%	0.0%	1.5%	1.5%	(918)	(38,407)	1,282	0	\$1.84
Signal Hill	3,266,695	1.8%	0.0%	1.8%	2.8%	(23,661)	3,686	26,236	129,779	\$1.27
Torrance	26,842,745	1.5%	0.0%	1.5%	4.7%	74,722	481,478	351,732	2,052,401	\$1.50
Wilmington	3,802,758	0.3%	0.0%	0.3%	1.6%	(8,663)	30,500	0	164,895	\$1.25
South Bay	194,987,160	1.2%	0.1%	1.2%	2.5%	23,871	2,420,151	1,694,130	12,847,540	\$1.43
Los Angeles Total	740,053,793	1.1%	0.1%	1.2%	2.6%	(127,205)	13,737,904	4,421,586	40,336,002	\$1.38

TOP SALE TRANSACTIONS FOR 1Q22

Property	Submarket	Square Feet	Sale Price	Sale Price / SF	Buyer	Seller
16930 Valley View Ave	Santa Fe Springs	125,000	\$51,773,636	\$414.19	Pacific Industrial LLC	Laskey Family Trust
16290-16310 Shoemaker Ave	Cerritos/Norwalk	150,379	\$46,700,000	\$310.55	Pacific Industrial LLC	Laskey Family Trust
3255 Pomona Blvd	East San Gabriel Valley	150,000	\$35,575,500	\$237.17	Duke Realty Corp	Hargan Investments, Inc
16017-16057 E Valley Blvd	City of Industry	178,522	\$35,426,314	\$198.44	LBA Realty	Laskey Family Trust

TOP LEASE TRANSACTIONS FOR 1Q22

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
19901 Western Ave	Torrance	295,539	January 2022	Sares-Regis Group	DSV
336 Enterprise Pl	East San Gabriel Valley	172,800	February 2022	Invesco Ltd	Structural Composites Industries, LLC
Vernon Distribution Center	Vernon	137,307	January 2022	Prologis	UPD, Inc
18111 S Santa Fe Ave	Rancho Dominguez	136,980	March 2022	William Harmsen	Undisclosed
16290-16310 Shoemaker Ave	Cerritos/Norwalk	120,450	February 2022	Pacific Industrial LLC	Z Global Logistics

TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
13131 Los Angeles St	13131 Los Angeles St	SGV	528,710	Duke Realty	July 2022
Torrance Industrial Exchange	19501 Prairie ave	Torrance	320,771	Kearny Real Estate	September 2022
Torrance Commerce Center	19901 Western Ave	Torrance	278,835	Sares Regis Group	April 2022
Gateway Logistics Center	19681 Pacific Gateway Dr	Torrance	251,606	Black Creek Group	May 2022



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, asset services, 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.

GARY BARAGONA

Director of Research
415.229.8925
gary.baragona@kidder.com

JIM KRUSE

Regional President, Brokerage
Greater Los Angeles
213.225.7249
jim.kruse@kidder.com

LIC N° 00678735

COMMERCIAL BROKERAGE

49.7M ANNUAL SALES SF

460+ NO. OF BROKERS

\$10.9B ANNUAL TRANSACTION VOLUME

43.7M ANNUAL LEASING SF

VALUATION ADVISORY

2,600+ APPRAISALS ANNUALLY

51/24 TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

62M MANAGEMENT PORTFOLIO SF

\$11B IN ASSETS UNDER MANAGEMENT