

MARKET TRENDS | LOS ANGELES

INDUSTRIAL

MARKET DRIVERS

INDUSTRIAL real estate is one of the most sought-after property categories in the Los Angeles market. Rents for warehouse and distribution space are expected to rise 30 percent in some important US industrial supply-chain cities over the next five years, as demand continues to exceed supply in the industry. Rental rates concluded the quarter at a continual all-time high of \$1.59/SF on a triple net basis, a 42.0% increase year-over-year trend.

THE OUTLOOK for 2022 is quite positive, indicating the confluence of multiple drivers that have significantly increased demand for industrial real estate since the outbreak began and will continue to do so in the foreseeable future. Truck terminals are in great demand, therefore competition for industrial land has increased. Due to the high demand for any accessible industrial land, land leasing rates have risen beyond \$1.13 SF triple net.

DIRECT VACANCY remains historically low at 1.5%, illustrating the high demand for quality industrial space throughout the region. Although net absorption was negative during the quarter, this was a product of older antiquated buildings being demolished in favor of new construction projects, rather than a market correction.

OVER 721K SF WAS DELIVERED in 2Q 2022, with 4.3M SF now under development. Due to a scarcity of construction property, developers have remained active in pursuing rehabilitation and repositioning projects, pushing land values to an average of \$252.44/SF.

ECONOMIC REVIEW

THE LOS ANGELES COUNTY unemployment rate increased by 20 BPS from the month prior to 4.5% in May 2022. Job gains increased by 14,000 over the month to 5,058,000 in May 2022.

THE PORT PROCESSED 967,900 TEU's in the month of May, a 4.4% decrease compared to the same time last year.

NEAR-TERM OUTLOOK

DEMAND FOR INDUSTRIAL SPACE will remain extremely competitive, with landlords attempting to profit on price. Because there are few options in the city, space that is typically rented a year in advance may see an increase in renewals. Some properties have been demolished and rebuilt as modern logistics facilities, while others, particularly in West Los Angeles, have been transformed into creative mix-use product. Because of high land costs and limited development sites, most inventory in Los Angeles is older and smaller than in many other industrial markets across the country.

SOURCE: EDD, COSTAR, PORT OF LOS ANGELES

Market Summary

	2Q22	1Q22	2Q21	Annual % Change
Direct Vacancy Rate	1.5%	1.2%	1.8%	-15.76%
Total Availability Rate	3.2%	2.6%	3.2%	1.19%
Direct Asking Lease Rate	\$1.59	\$1.48	\$1.12	41.96%
Total Lease Transactions	4,100,099	5,497,099	12,558,169	-67.35%
Sale Transactions	4,577,481	4,426,448	5,379,491	-14.91%
Direct Net Absorption	(1,298,958)	30,810	4,875,444	N/A

▼ -1.30M
NET ABSORPTION (SF)

▼ 1.5%
VACANCY RATE

▲ \$1.59
AVERAGE ASKING RATE

▼ 1.24M
CONSTRUCTION DELIVERIES (SF)

**YEAR OVER YEAR TREND

Market Highlights

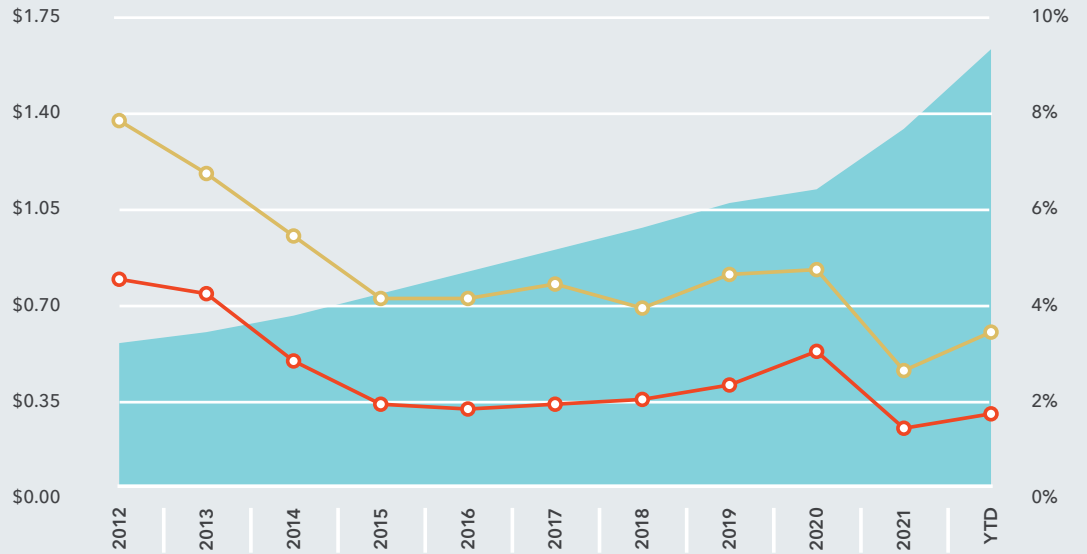
DIRECT VACANCIES remained stable in the second quarter at 1.5%

DIRECT ASKING LEASE RATES grew by 15.2% quarter-over-quarter to \$1.59/SF on a triple net basis

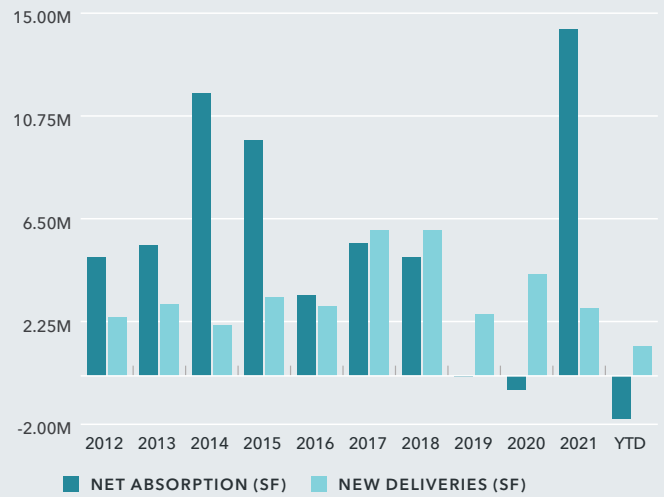
THE AVERAGE SALE PRICE in 2Q 2022 was \$340.43/SF with cap rates settling at 4.1%

Lease Rate, Vacancy & Availability

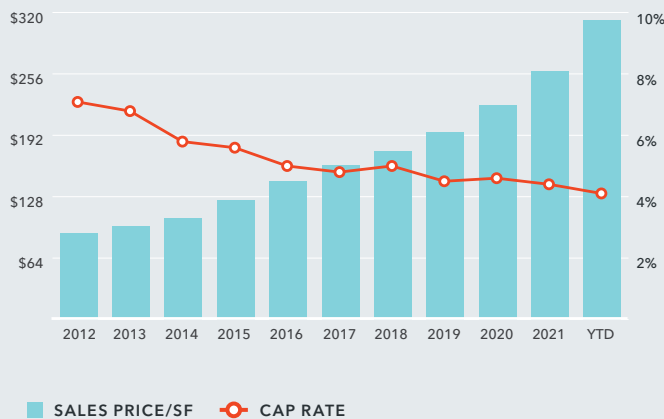
■ DIRECT LEASE RATE (NNN)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



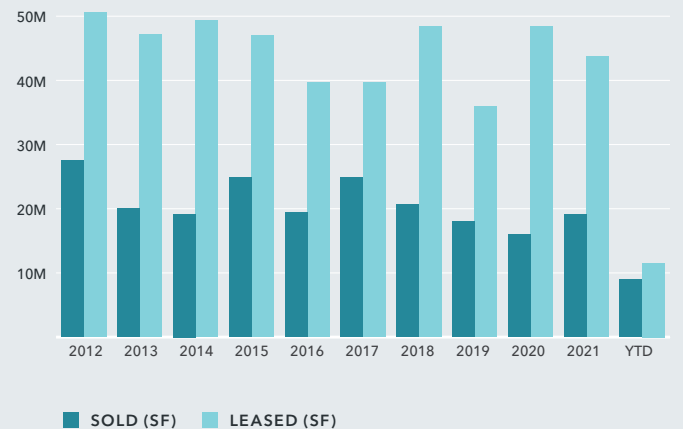
Net Absorption & New Deliveries



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	QTR Net Direct Absorption	2022 YTD Net Direct Absorption	QTR Total Leasing Activity	2022 YTD Total Leasing Activity	Average Rental Rate (NNN)
Bell/Bell Gardens/Maywood	7,443,341	1.1%	0.3%	1.4%	0.1%	(73,098)	(64,984)	102,217	123,772	\$1.43
Commerce	45,108,993	0.6%	0.0%	0.6%	1.8%	94,057	272,415	183,390	486,101	\$1.65
Huntington Park/Cudahy	4,744,353	1.3%	0.0%	1.3%	5.3%	(15,811)	(15,565)	10,265	17,457	\$1.21
Downtown LA	126,240,365	2.5%	0.2%	2.8%	5.1%	(293,805)	(357,610)	711,056	1,574,785	\$1.77
Montebello/Monterey Park	11,603,537	1.0%	0.0%	1.0%	1.8%	(61,641)	(95,414)	126,945	141,470	\$1.21
Pico Rivera	10,289,870	0.8%	0.0%	0.8%	1.2%	(36,904)	(36,904)	4,920	4,920	\$1.67
South Gate	9,894,887	0.0%	0.0%	0.0%	0.3%	22,061	22,061	22,061	22,061	\$1.25
Vernon	42,959,954	1.4%	0.2%	1.6%	2.0%	(284,372)	(272,730)	327,284	505,160	\$1.52
Central	258,285,300	1.7%	0.2%	1.9%	3.4%	(649,513)	(548,731)	1,488,138	2,875,726	\$1.65
Artesia/Cerritos	13,025,570	1.8%	0.7%	2.5%	4.7%	(88,324)	(119,505)	104,126	287,615	\$1.58
Bellflower/Downey	5,484,173	1.6%	0.0%	1.6%	3.2%	(33,030)	(67,213)	10,479	62,222	\$1.60
Buena Park/La Palma	15,079,982	1.0%	0.1%	1.2%	2.9%	(17,576)	(29,376)	79,812	434,739	\$1.33
La Mirada	13,363,147	1.8%	0.0%	1.8%	2.4%	(22,040)	(14,112)	42,154	163,123	\$1.42
Norwalk	2,880,377	0.1%	0.0%	0.1%	0.5%	1,344	0	58,094	58,094	\$1.50
Paramount	9,010,216	1.0%	0.2%	1.2%	1.7%	(76,492)	(80,542)	59,528	112,859	\$1.38
Santa Fe Springs	53,662,796	1.0%	0.0%	1.0%	2.1%	(16,068)	29,542	264,531	924,182	\$1.41
Whittier	4,132,576	0.4%	0.2%	0.6%	2.1%	(4,625)	(13,079)	13,100	16,700	\$1.25
Mid-Cities	116,638,837	1.2%	0.1%	1.3%	2.5%	(256,811)	(294,285)	631,824	2,059,534	\$1.48
Alhambra	2,148,286	0.7%	2.5%	3.2%	1.5%	887	(14,480)	55,604	55,604	\$1.38
Arcadia/Temple City	3,052,261	1.1%	0.3%	1.4%	2.0%	(6,388)	(9,508)	11,744	13,165	\$1.66
Azusa	6,689,361	0.6%	0.0%	0.6%	6.9%	(2,340)	10,500	6,703	10,500	\$1.25
Baldwin Park	4,722,329	2.1%	0.3%	2.4%	2.7%	(28,434)	(44,909)	48,989	107,823	\$1.80
City of Industry/DB/HH/RH	74,169,480	1.0%	0.2%	1.2%	6.0%	(145,780)	(410,227)	760,256	3,171,039	\$1.55
Covina/West Covina	3,468,889	1.9%	0.0%	1.9%	1.5%	(50,499)	(56,099)	4,764	52,716	\$1.38
Duarte	1,800,654	4.7%	0.0%	4.7%	0.9%	(8,941)	(22,132)	8,941	27,003	\$1.05
El Monte	8,453,916	0.9%	0.3%	1.2%	2.1%	(12,137)	5,157	13,028	87,321	\$1.42
Irwindale	11,628,707	3.7%	0.1%	3.7%	7.0%	269,626	(7,065)	16,334	100,980	\$1.50
La Puente	1,986,773	0.3%	0.0%	0.3%	0.4%	0	5,136	0	5,136	\$1.28
Glendora/La Verne/ San Dimas	6,704,888	1.2%	0.1%	1.3%	1.5%	34,740	20,444	41,849	152,013	\$1.20
Monrovia	3,312,337	0.6%	0.0%	0.6%	2.5%	(12,900)	(20,158)	12,900	17,123	\$1.10
Pomona/Claremont	20,390,427	0.7%	0.1%	0.8%	1.3%	(27,133)	(21,113)	44,456	108,011	\$1.12
Rosemead/San Gabriel	2,363,928	0.8%	0.0%	0.8%	0.8%	(2,450)	2,930	0	7,903	\$1.25
South El Monte	11,099,098	2.1%	0.0%	2.1%	1.3%	(25,183)	(21,113)	47,353	(21,113)	\$1.70
Walnut	6,947,821	3.7%	0.0%	3.7%	1.5%	12,771	(15,034)	52,216	77,303	\$1.60
San Gabriel Valley	168,939,155	1.4%	0.2%	1.6%	4.1%	(4,161)	(597,671)	1,125,137	3,972,527	\$1.37
Carson	35,411,975	0.5%	0.0%	0.6%	1.2%	(56,885)	(10,008)	93,016	194,374	\$1.43
Compton	24,720,669	1.5%	0.2%	1.7%	2.0%	(229,467)	(330,822)	101,302	460,307	\$1.72
El Segundo	8,581,045	1.0%	0.0%	1.0%	1.2%	(16,800)	(16,800)	0	0	\$2.38
Gardena	29,171,367	1.0%	0.0%	1.0%	2.4%	(77,070)	(27,289)	203,367	483,069	\$1.41
Harbor City	1,756,313	0.0%	0.0%	0.0%	0.4%	0	0	3,600	3,600	\$1.25
Hawthorne	7,868,654	2.3%	0.0%	2.3%	1.3%	(20,564)	68,516	87,925	177,745	\$1.93
Inglewood	4,863,638	0.6%	0.0%	0.6%	5.6%	117,448	154,096	15,975	154,096	\$2.10
Lakewood/Hawaiian Gardens	563,732	3.2%	0.0%	3.2%	3.2%	0	25,262	0	25,262	\$1.27
Lawndale	253,076	0.0%	0.0%	0.0%	0.0%	0	8,745	0	8,745	-
Long Beach/Terminal Island	24,069,276	3.6%	0.2%	3.8%	3.6%	(88,571)	(40,356)	61,202	417,740	\$1.59
Lynwood	4,690,411	0.0%	0.0%	0.0%	0.4%	0	0	0	8,619	-
Rancho Dominguez/E Rancho Dominguez	14,190,935	1.3%	0.0%	1.3%	4.0%	30,347	(113,518)	15,075	41,632	\$1.58
Redondo/Hermosa Beach	1,805,138	3.3%	0.0%	3.3%	0.0%	0	(59,549)	59,549	62,749	\$2.11
San Pedro	2,801,192	1.0%	0.0%	1.0%	1.0%	0	1,282	0	1,282	\$1.84
Signal Hill	3,259,450	1.7%	0.0%	1.8%	1.9%	507	(23,154)	22,896	49,132	\$1.38
Torrance	27,654,627	2.3%	0.0%	2.3%	5.6%	576	86,443	176,813	528,545	\$1.64
Wilmington	3,820,787	1.6%	0.0%	1.6%	2.3%	(47,994)	(56,657)	14,280	14,280	\$1.65
South Bay	195,482,285	1.6%	0.1%	1.6%	2.7%	(388,473)	(333,809)	855,000	2,631,177	\$1.57
Los Angeles Total	739,331,177	1.5%	0.1%	1.6%	3.2%	(1,298,958)	(1,774,496)	4,100,099	11,538,964	\$1.59

TOP SALE TRANSACTIONS FOR 2Q22

Property	Submarket	Square Feet	Sale Price	Price / SF	Buyer	Seller
5729-5743 Smithway St	Central Los Angeles	230,000	\$69,836,125	\$303.64	Penwood Real Estate Investment Mgmt	Smithway Associates, Inc.
14724 Proctor Ave	San Gabriel Valley	229,200	\$54,100,000	\$236.04	Duke Realty Corp	Jess S. Morgan & Company
4701 S Santa Fe Ave	Central Los Angeles	224,640	\$35,400,000	\$157.59	Prime Data Centers	INI Investment Corp
1205-1321 Wholesale St (Part of Portfolio)	Central Los Angeles	199,016	\$154,777,782	\$777.72	East End Capital	MSD Capital L.P.

TOP LEASE TRANSACTIONS FOR 2Q22

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
408 Brea Canyon Rd - Grand Crossing	SGV	400,322	April 2022	City of Industry	APL Logistics
18021 Valley View Ave	Mid-Cities	309,934	April 2022	James Campbell Company LLC	WestRock Company
15015 Valley View Ave	Mid-Cities	302,850	April 2022	Brookfield Strategic RE Partners	UNFI
4444-4446 Ayers Avenue	Central Los Angeles	219,555	April 2022	IDS Real Estate Group	Curacao
Dominguez Technology Center	South Bay	180,549	May 2022	Carson Companies	Home Depot

TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
Grand Crossing South	21921-2193 Industry Way	SGV	1,000,720	Industry Urban-Development Agency	July 2023
The Home Depot, Inc.	13131 Los Angeles St	SGV	528,710	Duke Realty	July 2022
Torrance Industrial Exchange	19501 Prairie ave	Torrance	320,771	Kearny Real Estate	December 2022
Torrance Commerce Center	19901 Western Ave	Torrance	295,539	Sares Regis Group	July 2022
333 S Hacienda Blvd	333 S Hacienda Blvd	SGV	216,716	LW Investments, Inc.	August 2022



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

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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.

COMMERCIAL BROKERAGE

49.7M ANNUAL SALES SF

470 NO. OF BROKERS

\$10.9B ANNUAL TRANSACTION VOLUME

43.7M ANNUAL LEASING SF

VALUATION ADVISORY

2,600+ APPRAISALS ANNUALLY

50/25 TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

62M MANAGEMENT PORTFOLIO SF

\$11B IN ASSETS UNDER MANAGEMENT