

MARKET TRENDS

LOS ANGELES

INDUSTRIAL

MARKET DRIVERS

THE PMA ILWU AGREEMENT restores confidence that cargo will again be efficiently processed through the Ports of Long Beach and Los Angeles without the threat of strike or longshoremen disruptions. While the cargo that was rerouted to the East Coast will start to appear on our docks, it will take some time, given the natural lag of goods being imported from Asia. Further, there is no expectation for a resurgence in Chinese imports entering into the County as China's attempts to jumpstart its economy have largely stalled.

THE LEASING MARKET for new transactions reflects the headwinds mentioned above as new requirements in the market to relocate or expand remain sluggish. There is a definite softening in Class A and Class B demand, and vacancy has again clicked upwards this quarter to 3.3%. Asking rental rates have remained steady throughout the year, but primarily due to a lack of new lease comps in the market. The lease renewal market remains solid and steady, and rates generally hold as companies prefer the status quo.

IN THE SECOND QUARTER OF 2023, there was one sale of a 101,175 SF Class B minus building on 187,308 SF lot at 208th Street in Carson. Black Equities sold the building off-market to Everwest Real Estate Investors. The sale price was \$32,000,000, equating to \$316/SF on the building and \$171/SF on the land. Much of the limited sale activity is on the smaller owner-occupier side. Generally speaking, Buyers are repricing their underwriting to mid-6 ,cap range and not providing for much, if any, rent growth in the near term.

NEAR-TERM OUTLOOK

WE SHOULD START TO SEE improvement in the Port numbers later this year as Long Beach and Los Angeles stabilize and attract more cargo. Based on absorption and the amount of inventory on the market, we predict new lease transactions will be at least 10% off peak in Class A and Class B. The sale market continues to be negatively impacted by the debt markets and the lack of leasing demand. Only time will tell where interest rates/cap rates will level off, but at least another of couple of hikes will drive actual cap rates into the high sixes.

Market Summary

| | 2Q23 | 1Q23 | 2Q22 | Annual Change |
|-----------------------|-------------|-------------|-----------|----------------|
| Direct Vacancy Rate | 3.3% | 2.8% | 1.6% | 105.26% |
| Availability Rate | 6.0% | 5.3% | 3.2% | 87.22% |
| Asking Lease Rate | \$1.89 | \$1.85 | \$1.61 | 17.39% |
| Leasing Activity (SF) | 6,435,486 | 8,475,863 | 7,938,133 | -18.93% |
| Sale Volume (SF) | 1,166,054 | 3,661,683 | 5,586,613 | -79.13% |
| Net Absorption (SF) | (3,231,961) | (5,025,326) | (311,683) | N/A |

↓ **6.4M SF**
LEASING ACTIVITY

↓ **-3.2M SF**
NET ABSORPTION

↑ **3.3%**
VACANCY RATE

↑ **\$1.89**
ASKING RENT (AVG)

↓ **295K SF**
NEW DELIVERIES

Year-Over-Year Trend

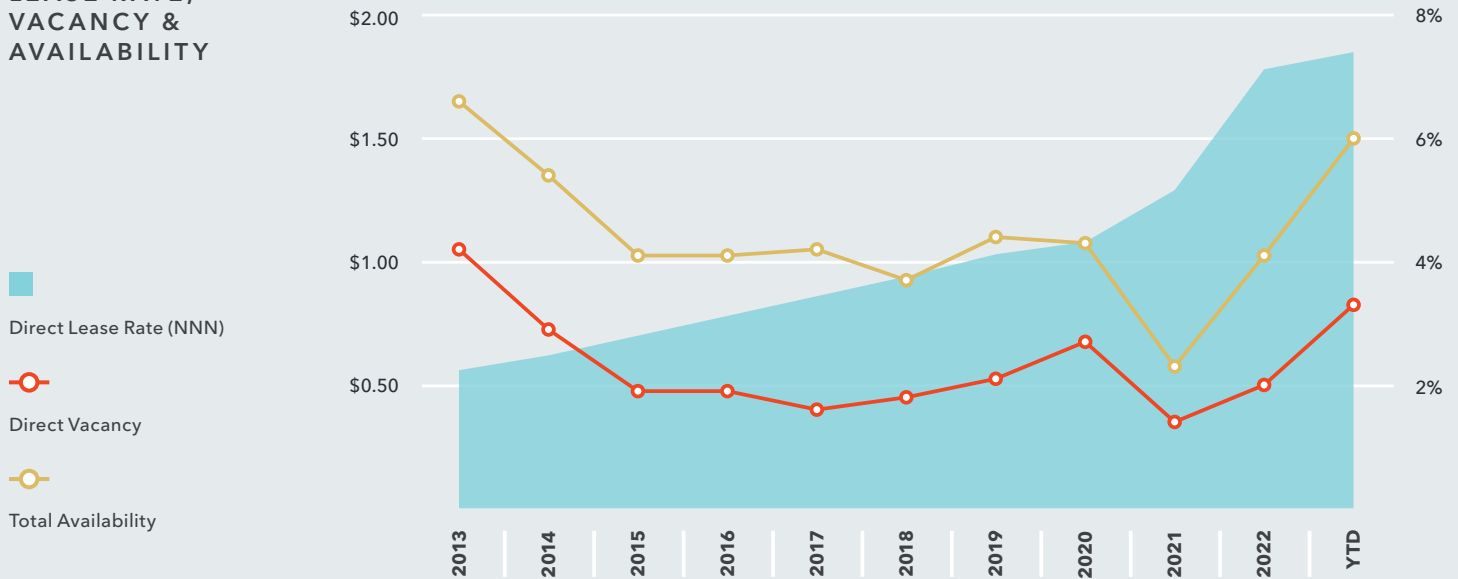
Market Highlights

DIRECT MARKET VACANCY in Los Angeles currently at 3.3%.

THE AVERAGE ASKING RATE rose to \$1.89/SF in the second quarter on a triple net lease (NNN) basis.

IN THE Q2 2023, the cap rate rested at 6.25% with an average sale price of \$368.61/SF.

LEASE RATE, VACANCY & AVAILABILITY

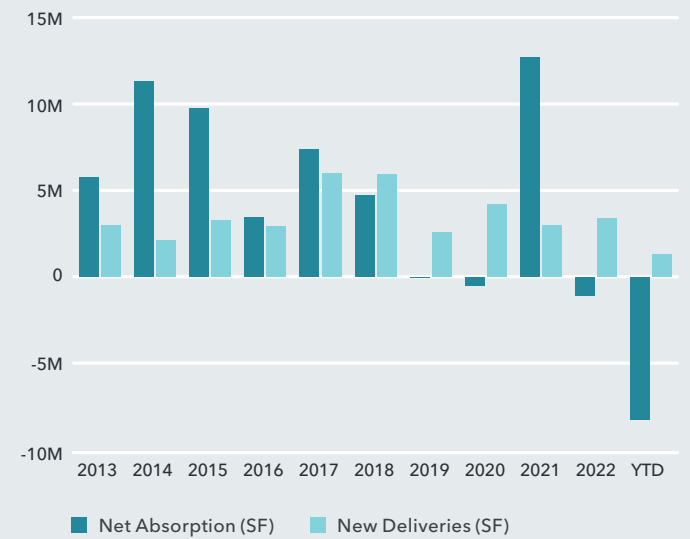


BIGGEST SALE OF THE QUARTER

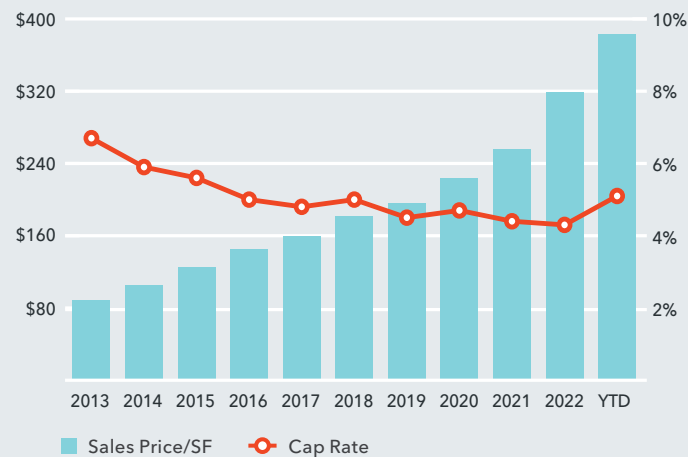
Cudahy Industrial Center Portfolio



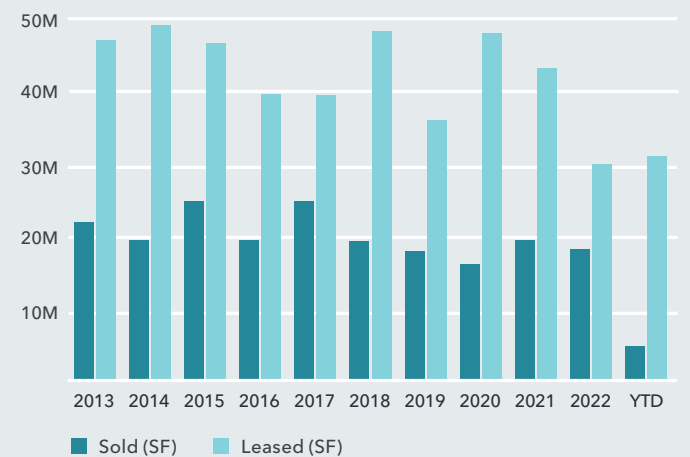
NET ABSORPTION & NEW DELIVERIES



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 Available Rate | 2Q Direct Net Absorption | YTD Direct Net Absorption | 2Q Total Leasing Activity | YTD Leasing Activity | Average Rental Rate (NNN) |
|------------------------------|-----------------|---------------------|---------------------|--------------------|----------------------|--------------------------|---------------------------|---------------------------|----------------------|---------------------------|
| Bell/Bell Gardens/Maywood | 7,517,963 | 3.1% | 0.0% | 3.1% | 3.7% | (121,912) | (203,218) | 5,228 | 140,092 | \$1.87 |
| Commerce | 45,449,413 | 3.6% | 0.3% | 3.9% | 4.1% | (23,442) | (1,103,452) | 458,727 | 1,162,696 | \$1.74 |
| Huntington Park/Cudahy | 4,771,805 | 1.5% | 1.2% | 2.6% | 6.7% | (9,000) | (8,955) | 8,500 | 160,059 | \$1.57 |
| Downtown LA | 126,413,850 | 5.5% | 0.5% | 6.0% | 8.5% | (440,363) | (1,392,971) | 1,368,921 | 3,635,842 | \$1.93 |
| Montebello/Monterey Park | 11,820,450 | 5.2% | 0.6% | 5.8% | 8.4% | (319,157) | (363,492) | 60,332 | 437,188 | \$1.58 |
| Pico Rivera | 10,306,021 | 1.3% | 0.0% | 1.3% | 2.8% | (55,406) | (70,068) | 40,604 | 0 | \$1.88 |
| South Gate | 9,644,654 | 0.9% | 0.0% | 0.9% | 3.9% | (20,340) | (19,185) | 26,300 | 26,300 | \$1.25 |
| Vernon | 44,480,656 | 3.6% | 2.1% | 5.7% | 6.9% | (668,969) | (764,587) | 657,082 | 1,824,842 | \$1.62 |
| Central | 260,404,812 | 4.3% | 0.7% | 5.1% | 6.9% | (1,658,589) | (3,925,928) | 2,625,694 | 7,387,019 | \$1.83 |
| Artesia/Cerritos | 13,032,681 | 3.1% | 0.2% | 3.3% | 4.2% | (136,604) | (190,627) | 194,129 | 910,484 | \$1.65 |
| Bellflower/Downey | 5,525,650 | 2.7% | 0.0% | 2.7% | 3.0% | 47,903 | (15,668) | 32,350 | 151,987 | \$1.80 |
| Buena Park/La Palma | 15,277,008 | 1.1% | 0.5% | 1.5% | 5.1% | 35,530 | (13,824) | 15,604 | 496,166 | \$1.95 |
| La Mirada | 13,410,900 | 2.2% | 2.3% | 4.6% | 8.6% | (150,608) | (216,062) | 28,921 | 300,059 | \$1.67 |
| Norwalk | 2,889,795 | 6.2% | 0.0% | 6.2% | 6.2% | (171,381) | (174,313) | 2,592 | 68,733 | \$1.85 |
| Paramount | 9,034,416 | 1.9% | 0.4% | 2.4% | 2.2% | (16,815) | (99,085) | 47,640 | 212,094 | \$1.45 |
| Santa Fe Springs | 53,726,583 | 1.3% | 0.3% | 1.6% | 4.3% | 114,825 | (137,769) | 558,881 | 2,201,625 | \$1.72 |
| Whittier | 4,153,161 | 5.4% | 1.0% | 6.4% | 3.9% | (179,118) | (173,836) | 81,747 | 124,605 | \$1.25 |
| Mid-Cities | 117,050,194 | 2.0% | 0.5% | 2.5% | 4.7% | (456,268) | (1,021,184) | 961,864 | 4,465,753 | \$1.73 |
| Alhambra | 2,149,145 | 2.2% | 0.0% | 2.2% | 2.2% | (38,967) | (12,902) | 14,480 | 91,704 | \$2.00 |
| Arcadia/Temple City | 3,092,552 | 1.9% | 0.8% | 2.7% | 3.4% | (28,590) | (22,353) | 15,870 | 78,452 | \$2.40 |
| Azusa | 6,820,631 | 0.6% | 0.0% | 0.6% | 2.0% | 87,380 | 74,111 | 3,150 | 118,114 | \$1.95 |
| Baldwin Park | 5,114,490 | 2.8% | 0.1% | 2.8% | 3.6% | (20,058) | (31,798) | 76,781 | 253,779 | \$1.85 |
| City of Industry/DB/HH/RH | 75,644,267 | 2.1% | 1.2% | 3.3% | 8.1% | 322,122 | 111,004 | 1,112,381 | 10,953,482 | \$1.80 |
| Covina/West Covina | 3,619,442 | 1.4% | 0.0% | 1.4% | 8.7% | 40,038 | 6,032 | 36,714 | 74,937 | \$1.38 |
| Duarte | 1,798,317 | 7.2% | 0.0% | 7.2% | 4.1% | (30,904) | (65,985) | 0 | 56,134 | \$1.05 |
| El Monte | 8,622,562 | 1.3% | 0.2% | 1.5% | 5.7% | (27,235) | (50,526) | 36,930 | 253,873 | \$2.74 |
| Irwindale | 12,035,325 | 3.7% | 0.0% | 3.7% | 7.1% | 278,997 | 386,640 | 374,791 | 518,772 | \$1.50 |
| La Puente | 1,947,176 | 3.9% | 0.0% | 3.9% | 3.9% | (42,739) | (42,739) | 24,840 | 30,052 | \$1.28 |
| Glendora/La Verne/ San Dimas | 6,746,786 | 1.5% | 0.0% | 1.5% | 2.3% | 107,601 | 32,335 | 132,157 | 249,512 | \$1.20 |
| Monrovia | 3,326,956 | 1.8% | 0.0% | 1.8% | 2.7% | 4,148 | (2,485) | 2,340 | 24,027 | \$1.90 |
| Pomona/Claremont | 20,507,104 | 0.4% | 0.0% | 0.5% | 1.8% | 166,165 | 55,538 | 98,726 | 378,226 | \$1.20 |
| Rosemead/San Gabriel | 2,294,146 | 2.9% | 0.0% | 2.9% | 3.5% | (21,160) | (26,079) | 4,878 | 25,777 | \$1.25 |
| South El Monte | 11,166,315 | 2.5% | 0.3% | 2.8% | 1.7% | 13,856 | (7,842) | 81,035 | (21,113) | \$1.55 |
| Walnut | 6,978,632 | 4.5% | 0.0% | 4.6% | 6.5% | (25,131) | (82,107) | 45,773 | 136,964 | \$1.62 |
| San Gabriel Valley | 171,863,846 | 2.1% | 0.6% | 2.7% | 5.7% | 785,523 | 320,844 | 2,060,846 | 13,222,692 | \$1.67 |
| Carson | 35,509,595 | 3.8% | 0.2% | 4.0% | 5.5% | (620,688) | (889,052) | 324,250 | 805,605 | \$1.93 |
| Compton | 25,052,542 | 3.7% | 1.3% | 5.0% | 7.4% | (403,804) | (657,056) | 118,978 | 1,326,120 | \$1.62 |
| El Segundo | 8,655,679 | 2.0% | 0.6% | 2.7% | 2.9% | (42,460) | (80,580) | 0 | 9,000 | \$2.20 |
| Gardena | 29,320,851 | 3.4% | 0.5% | 3.9% | 6.1% | (204,808) | (700,453) | 114,299 | 705,437 | \$1.70 |
| Harbor City | 1,760,255 | 12.4% | 0.0% | 12.4% | 12.4% | (20,275) | (211,197) | 0 | 14,470 | \$1.65 |
| Hawthorne | 8,205,822 | 1.2% | 0.0% | 1.2% | 1.7% | 16,408 | 31,984 | 10,278 | 321,020 | \$1.68 |
| Inglewood | 4,930,679 | 1.0% | 0.1% | 1.1% | 2.1% | (17,562) | 3,744 | 46,081 | 214,477 | \$1.85 |
| Lakewood/Hawaiian Gardens | 545,940 | 0.0% | 0.0% | 0.0% | 0.0% | 2,450 | 0 | 2,450 | 18,144 | \$1.27 |
| Lawndale | 255,756 | 0.0% | 0.0% | 0.0% | 0.0% | 2,500 | 5,000 | 0 | 2,500 | - |
| Long Beach/Terminal Island | 24,158,091 | 3.7% | 0.1% | 3.8% | 5.3% | 70,827 | (118,631) | 34,922 | 679,637 | \$1.92 |
| Lynwood | 4,641,650 | 0.1% | 0.0% | 0.1% | 2.4% | (2,374) | (2,374) | 0 | 89,619 | - |
| Rancho Dominguez | 14,052,544 | 1.7% | 0.1% | 1.9% | 7.3% | (146,901) | (235,203) | 0 | 588,432 | \$1.93 |
| Redondo/Hermosa Beach | 1,751,599 | 0.3% | 0.0% | 0.3% | 0.3% | 0 | 0 | 0 | 65,249 | \$2.11 |
| San Pedro | 2,768,303 | 0.5% | 0.0% | 0.5% | 1.2% | (4,000) | (8,157) | 0 | 1,282 | \$2.00 |
| Signal Hill | 3,261,376 | 2.9% | 0.1% | 2.9% | 5.6% | 23,697 | 20,482 | 25,062 | 80,046 | \$2.37 |
| Torrance | 28,262,273 | 6.8% | 0.3% | 7.1% | 8.3% | (531,087) | (511,612) | 103,032 | 893,006 | \$2.22 |
| Wilmington | 4,057,997 | 7.2% | 0.0% | 7.2% | 8.3% | (24,550) | (275,314) | 7,730 | 82,186 | \$2.16 |
| South Bay | 197,190,952 | 3.7% | 0.4% | 4.1% | 5.9% | (1,902,627) | (3,628,419) | 787,082 | 5,896,230 | \$2.00 |
| Los Angeles Total | 746,509,804 | 3.3% | 0.6% | 3.8% | 6.0% | (3,231,961) | (8,254,687) | 6,435,486 | 30,971,694 | \$1.89 |

TOP SALE TRANSACTIONS 2Q 2023

| Property | Submarket | SF | Sale Price | \$/SF | Buyer | Seller |
|---------------------------------------|------------|---------|---------------|------------|---------------------------------|---------------------------|
| Cudahy Industrial Center Portfolio | Central LA | 87,170 | \$110,909,090 | \$1,272.33 | Stream Realty Partners, LP | Smith, Smith, & Smith, |
| Buena Vista Business Center Portfolio | SGV | 133,875 | \$41,202,800 | \$307.77 | Rexford Industrial Realty, Inc. | Ouyang Family Trust |
| Harbor Distributing Building | South Bay | 101,175 | \$32,000,000 | \$316.28 | EverWest Real Estate Investors | Black Equities Group, LLC |
| Pomona Industrial Center Portfolio | SGV | 103,228 | \$30,200,000 | \$292.56 | GID Investment Advisors LLC | Birtcher Anderson & Davis |
| Laurel Park Commerce Center Portfolio | South Bay | 53,351 | \$25,500,000 | \$477.97 | Turnbridge Equities | T & S Properties |
| 3333 S Grand Ave | Central LA | 102,150 | \$21,000,000 | \$205.58 | Blue Planet International, Inc. | Kobb Realty LLC |

TOP LEASE TRANSACTIONS 2Q 2023

| Property | Submarket | SF | Transaction Date | Landlord | Tenant |
|-----------------------------|-----------|---------|------------------|------------------------------------|---------------------------------|
| LA Industrial Center | South Bay | 253,584 | May 2023 | Transamerican Auto Parts | Speedup Logistic Inc (Sublease) |
| 909-915 Colon St | South Bay | 223,865 | May 2023 | Metro International Trade Services | West Logistics |
| 2225 Workman Mill Rd | SGV | 312,212 | April 2023 | The Prudential Insurance Co | Undisclosed |
| 2661-2665 E Del Amo Blvd | South Bay | 201,357 | March 2023 | Prologis, LP. | Vanguard (Renewal) |
| Goodman Logistics Center | SGV | 194,807 | April 2023 | Goodman North America | Undisclosed |
| Irwindale Industrial Center | SGV | 184,879 | April 2023 | Overton Moore Properties | Irwindale Brew Yard |

TOP UNDER CONSTRUCTION

| Property | Address | Submarket | SF | Owner | Delivery |
|-------------------------|--------------------------|------------|-----------|-----------------------------------------|--------------------------------|
| Grand Crossing South II | 131-151-171 Marcellin Dr | SGV | 1,541,380 | City of Industrial Dev. Authority (IDA) | December 2023 |
| The Park @ Live Oak I | 1270 Arrow Hwy - A B | SGV | 1,023,000 | JH Properties, Inc. | May 2024 |
| Grand Crossing South I | 21921-2193 Industry Way | SGV | 1,000,720 | City of Industrial Dev. Authority (IDA) | July 2023 |
| The Park @ Live Oak II | 901-905 Live Oak | SGV | 552,562 | JH Properties, Inc. | November 2023 / September 2023 |
| 3900 Arden Dr | 3900 Arden Dr | SGV | 360,992 | El Monte Logistics Center LP | December 2023 |
| Bridge Point Vernon II | 4885 E 52nd Pl | Central LA | 209,078 | Bridge Industrial | January 2024 |

Data Source: EDD, CoStar



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 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.

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COMMERCIAL
BROKERAGE

\$12B

TRANSACTION
VOLUME ANNUALLY

32.1M

ANNUAL
SALES SF

41.2M

ANNUAL
LEASING SFASSET
SERVICES

53M

MANAGEMENT
PORTFOLIO SF

771+

ASSETS UNDER
MANAGEMENT

250+

ASSET SERVICES
CLIENTSVALUATION
ADVISORY

2,600+

ASSIGNMENTS
ANNUALLY

46

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS