

Los Angeles Industrial Market

Strong Demand and High Development Costs Push Rents

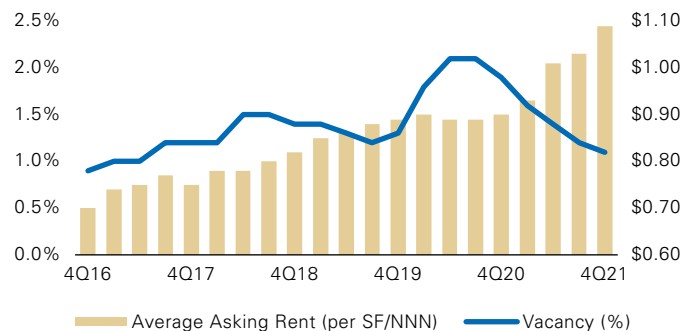
- Vacancy, the second lowest in the nation behind the Inland Empire, has remained below 3.0% for 39 straight quarters.
- 2021 net absorption was the fourth highest year on record.
- LA North accounted for 36.9% of Greater Los Angeles’ annual net absorption activity of 13.7 million square feet.
- This quarter, Amazon took occupancy of its new 1.5-million-square-foot Oxnard facility, in addition to a 290,000-square-foot last-mile delivery center in Simi Valley.
- Annual net absorption exceeded construction deliveries (5.5 million square feet) by 147%. The 10-year average is by 62.3%.
- Amazon, FedEx, Furniture of America, Omni Logistics and Relativity Space all signed new leases greater than 300,000 square feet this year.
- Los Angeles County’s commercial tenant eviction moratorium was extended through January 2022.
- Contract, or “deal,” rent averages are the best gauge to determine pricing since asking rates for desirable spaces being marketed today are generally withheld. For example, current Class A deal rates in South Bay now range from \$1.60-\$1.75/SF NNN and are rising.
- Loaded inbound cargo volume at the ports in the first 11 months of 2021 was up 17.5% from the same period in 2020. Current volume is at a record high.
- Congestion is progressively easing at the ports. Port of Los Angeles dwell times—the time a container stays on the docks—were down 43.0% in December 27 relative to October 24. Congestion was at a record high in late October.

Supply Constraints and New Development

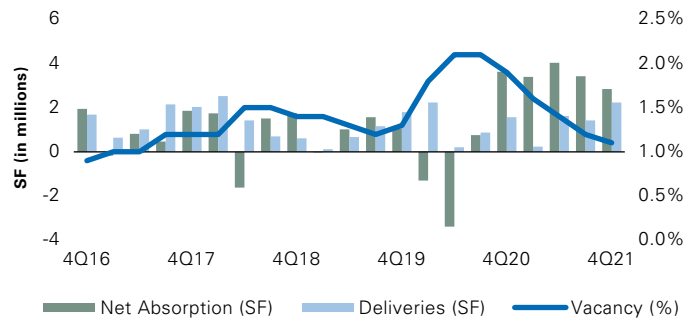
Only 25.3 million square feet in new ground-up construction was built over the past five years, representing 0.2% of existing inventory. While moderate construction is not uncommon for a

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION, CONSTRUCTION DELIVERIES AND VACANCY



Market Summary

	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	1.054B	1.051B	1.047B	↑
Total Vacancy Rate	1.1%	1.2%	1.9%	→
Quarterly Net Absorption (SF)	2.9M	3.4M	3.6M	→
Average Asking Rent/SF/Month	\$1.09 NNN	\$1.03 NNN	\$0.90 NNN	↑
Deliveries (SF)	2.2M	1.4M	1.6M	→
Under Construction (SF)	6.3M	7.0M	6.0M	→

RESEARCH Q4 2021

highly mature and predominantly infill market, demand for modern final-mile facilities remains pronounced. This trend, which was present well before the pandemic, was only super charged by social distancing measures and increasing adoption of e-commerce shopping by young and old consumers alike.

Industrial land costs in the region's infill markets (South Bay, Central and Mid-Cities) have more than tripled since 2015 and currently average \$165/SF. The jump over the last 12 months is even more remarkable, with a 94.1% increase. Higher land prices drive up replacement costs, which are already inflated due to a global shortage of raw materials, such as concrete, steel and copper. Factor in unprecedented demand for modern industrial space, and the perfect storm emerges for accelerated rent growth.

Rents Continue to Ascend

Infill contract rents for direct leases over 50,000 square feet in warehouses with a 30-foot-and-greater clearance height had a weighted average of \$1.42/SF this quarter, up 39.0% from the fourth quarter of 2020. Current rent is 127% higher compared

to the final quarter of 2015.

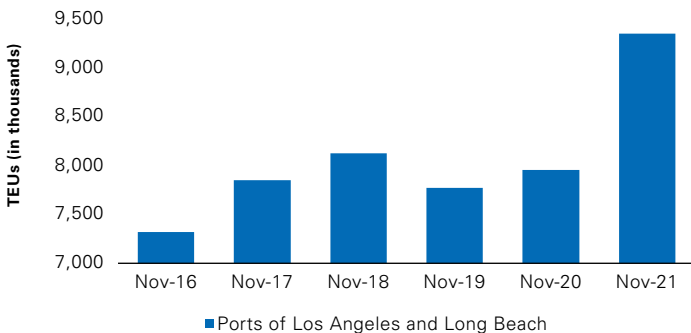
Outlook

Global supply chain issues will persist until COVID-19 is less of a global health threat and a disruptor to businesses. This will take time since not all countries are on equal footing when it comes to vaccine efficacies and the availability of therapeutic drugs. While the U.S. has an advantage here, most of its goods are sourced from other countries; factory shutdowns in China to mitigate against an outbreak will have a ripple effect on global supply chains, and prompt domestic distributors to stockpile goods to avoid future supply shortages. This elevates demand for local space and will push rents even higher. New construction rents may cross the \$2.00/SF threshold by this time next year.

Covered land plays will remain a hot trend in 2022 and beyond as developers identify sites, whether they are office or retail, for industrial uses. One of the core tenets of commercial real estate is to identify the highest and best use of a site, and industrial remains one of the most desirable asset classes.

YTD Import Volume

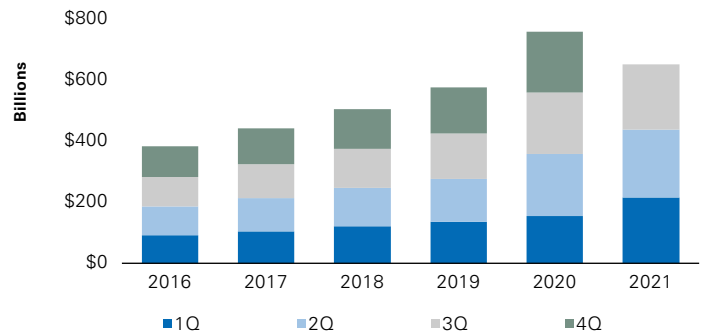
LOADED INBOUND CARGO



Source: Port of Los Angeles, Port of Long Beach

U.S. Consumer E-Commerce Sales Volume

BY YEAR AND QUARTER



Source: US Census Bureau (consumer adjusted retail sales); based on the most current data available

Lease Transactions

Tenant	Building(s)	City	Lease Type	Square Feet
Amazon	The Center at Needham Ranch	Santa Clarita	Pre-lease	319,479
DSV-Panalpina	19901 Western Avenue	Torrance	Pre-lease	295,000
JD Logistics	13400 E. Nelson Avenue	Industry	New	216,260

Sale Transactions

Buyer	Building(s)	City	Sale Price (PSF)	Square Feet
Cancilla Properties II LLC	400 National Way	Simi Valley	\$128,000,000 (\$441/SF)	290,220
Covington Group, Inc.	25655 Springbrook Avenue (2 bldgs.)	Santa Clarita	\$109,700,000 (\$110/SF)	1,000,000
Black Creek Group	5102 Industry Avenue	Pico Rivera	\$63,100,000 (\$366/SF)	172,344

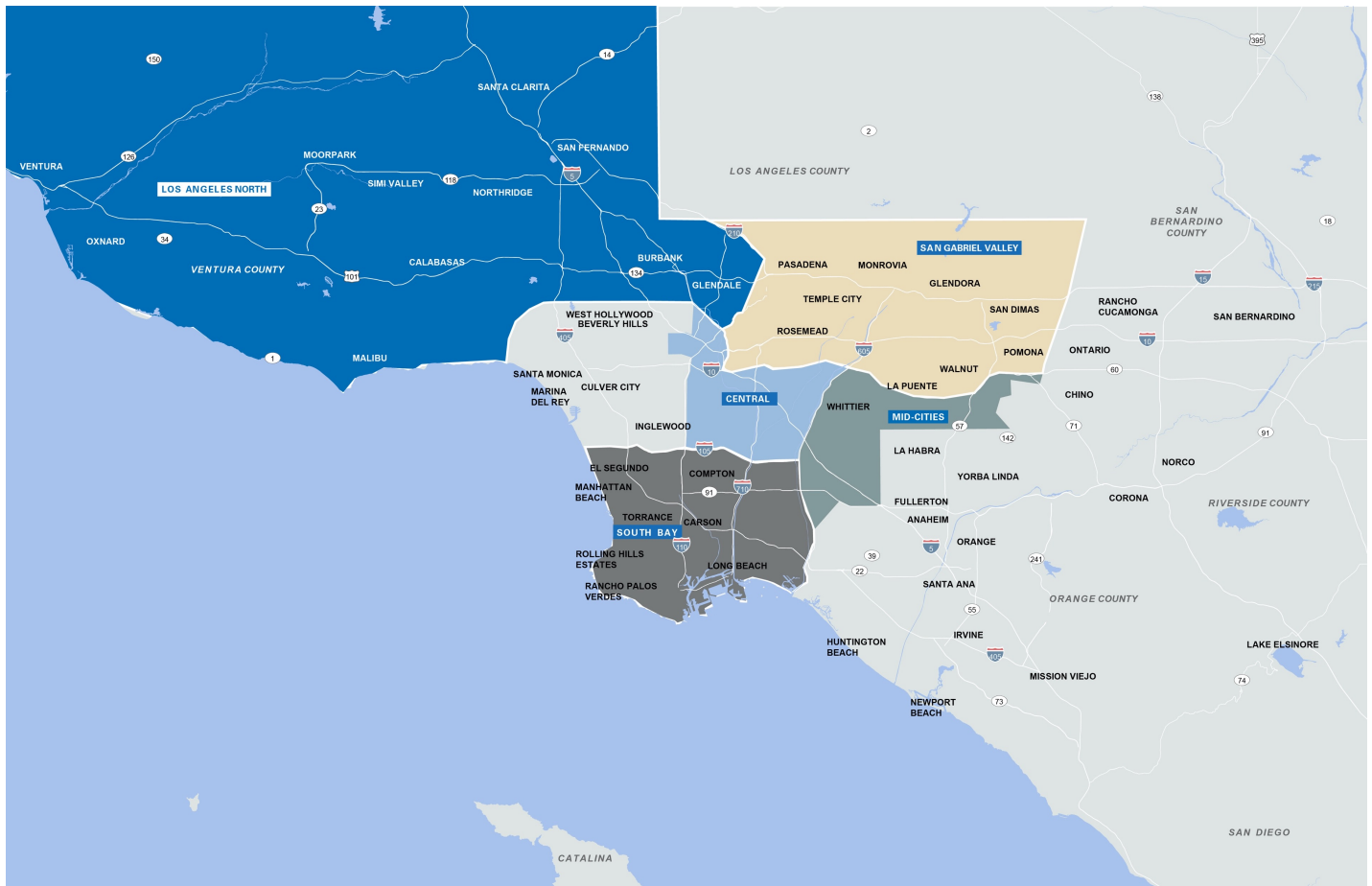
Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central	298,257,323	675,537	1.2%	191,974	1,991,247	\$1.03	\$0.99	\$1.03
Bell	3,755,475	0	0.3%	-3,840	40,827	-	-	-
Bell Gardens	2,366,464	0	1.4%	10,108	15,381	\$1.15	-	\$1.15
Commerce	52,639,875	169,898	0.5%	90,272	473,457	\$1.09	\$0.85	\$1.04
Cudahy	828,184	0	0.0%	0	0	-	-	-
Downtown Los Angeles	131,203,771	0	2.1%	86,094	518,509	\$1.07	\$1.00	\$1.06
Huntington Park	4,860,207	0	0.0%	0	49,196	\$0.88	-	\$0.88
Lynwood	3,822,994	0	0.0%	0	0	-	-	-
Maywood	764,938	0	0.0%	0	0	-	-	-
Montebello	13,449,824	25,500	0.0%	1,440	0	\$1.39	-	\$1.39
Pico Rivera	11,058,272	40,900	0.4%	-25	56,577	\$1.17	-	\$1.17
South Gate	11,490,691	0	0.3%	0	-40,390	\$0.70	-	\$0.70
Vernon	62,016,628	439,239	0.5%	7,925	877,690	\$1.03	\$1.00	\$1.03
Mid-Cities	114,389,200	271,651	0.7%	116,206	1,591,149	\$0.90	\$1.05	\$0.98
Artesia	323,401	0	0.0%	0	0	-	-	-
Buena Park	14,577,304	0	0.1%	0	232,470	\$0.85	\$0.88	\$0.87
Cerritos	14,879,610	0	0.8%	67,505	34,081	\$1.17	\$1.40	\$1.24
Downey	4,294,733	0	0.4%	8,118	37,242	-	\$1.10	\$1.10
La Mirada	14,377,085	0	1.3%	-15,507	462,781	\$0.78	\$1.05	\$0.90
La Palma	2,101,336	0	3.2%	0	84,321	-	-	-
Norwalk	3,578,005	0	1.7%	0	215,519	-	-	-
Santa Fe Springs	56,170,257	243,319	0.7%	56,090	533,055	\$1.40	\$1.06	\$1.17
Whittier	4,087,469	28,332	0.0%	0	-8,320	-	\$0.92	\$0.92

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
LA North	233,777,844	1,900,209	1.1%	2,053,043	5,056,589	\$0.96	\$1.14	\$1.04
Central Valley	32,143,446	45,786	0.5%	-29,661	153,797	\$1.13	\$1.41	\$1.26
Conejo Valley	14,831,774	172,502	1.7%	-27,587	87,665	\$0.99	\$1.01	\$1.03
East Valley	57,771,502	0	0.6%	133,943	581,051	\$1.40	\$1.16	\$1.17
Santa Clarita	26,594,794	544,139	1.2%	77,761	1,204,386	\$1.10	\$1.05	\$1.09
Simi/Moorpark	14,331,154	431,107	3.1%	462,723	539,310	\$0.81	\$0.90	\$0.84
West Valley	41,593,043	10,000	1.0%	-145,996	56,410	\$1.06	\$1.25	\$1.13
West Ventura County	46,512,131	696,675	1.3%	1,581,860	2,433,970	\$0.85	\$0.72	\$0.83
LA East (San Gabriel)	183,746,012	1,522,588	1.0%	93,221	2,335,579	\$1.00	\$1.05	\$1.01
Central SGV	27,041,099	991,557	0.4%	19,288	478,831	\$1.00	-	\$1.00
Eastern SGV	33,635,302	0	0.7%	-21,885	-20,243	\$0.90	\$0.99	\$0.96
El Monte Area	19,675,536	0	1.5%	3,693	659,994	-	\$1.15	\$1.15
Industry Area	91,420,639	531,031	1.0%	88,136	1,152,564	\$1.00	\$1.35	\$1.02
Western SGV	11,973,436	0	1.7%	3,989	64,433	\$1.05	-	\$1.05
South Bay	223,459,175	1,949,267	1.4%	404,880	2,728,249	\$1.40	\$1.11	\$1.27
Carson	41,196,457	0	0.8%	116,552	710,356	\$1.45	\$1.05	\$1.43
Compton/Rancho Dominguez	40,970,060	107,733	0.6%	217,506	414,372	\$1.43	\$1.21	\$1.34
El Segundo	9,569,126	0	1.3%	0	22,551	-	-	-
Gardena/110 Corridor	34,536,611	100,528	1.8%	130,247	336,147	-	\$1.01	\$1.01
Hawthorne	10,197,900	0	0.3%	5,450	11,898	\$1.40	-	\$1.40
LAX/Inglewood	11,290,424	0	2.5%	-17,738	-126,129	\$1.71	\$1.48	\$1.58
Long Beach/Signal Hill	20,980,880	257,201	5.0%	-7,062	1,329,014	\$1.06	\$0.92	\$0.96
Paramount	9,493,698	0	0.8%	-12,817	34,723	-	\$0.96	\$0.96

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Port District	6,541,495	0	0.0 %	0	11,904	-	\$1.10	\$1.10
Redondo Beach	3,540,201	0	0.1 %	0	0	-	-	-
Torrance Area	35,142,323	1,483,805	0.8 %	-27,258	-16,587	\$1.34	\$1.27	\$1.31
Los Angeles	1,053,629,554	6,319,252	1.1%	2,859,324	13,702,813	\$1.09	\$1.09	\$1.09

Net absorption is the change in physically occupied space. A hypothetical vacant and available space could lease this quarter with the tenant set to take occupancy six months later; positive absorption is not recorded until this physical move-in occurs. The space will remain vacant, but not available, until occupancy.

The total asking rent is the weighted average across warehouse, manufacturing, flex, incubator and general industrial properties.



Dain Fedora
 Director of Research
 dain.fedora@nmrk.com

Norma Llamas
 Senior Database Coordinator
 norma.llamas@nmrk.com

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.