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Q2 • 2020 INDUSTRIAL MARKET INSIGHT

LEE & ASSOCIATES® RESEARCH | COMMERCE | INDUSTRY

INVENTORY
229,783,901^{SF}

VACANCY
3.30%

AVAILABILITY
5.06%

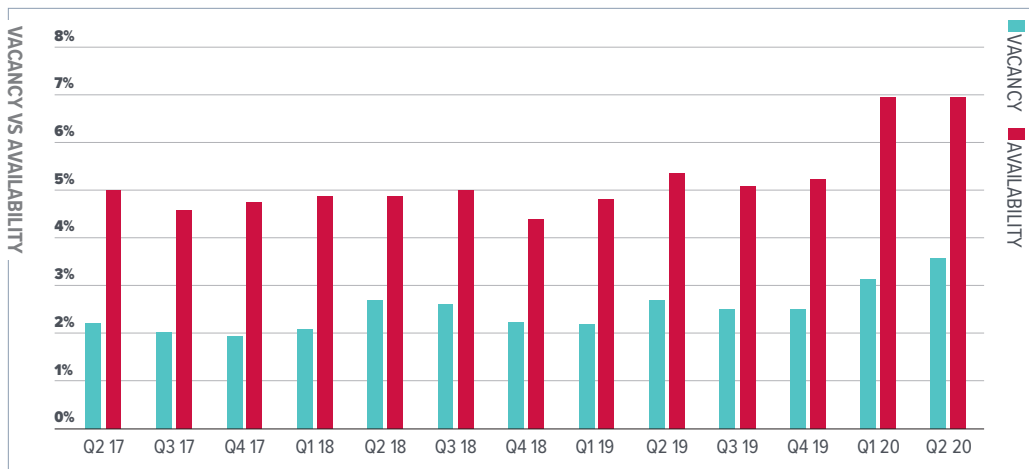
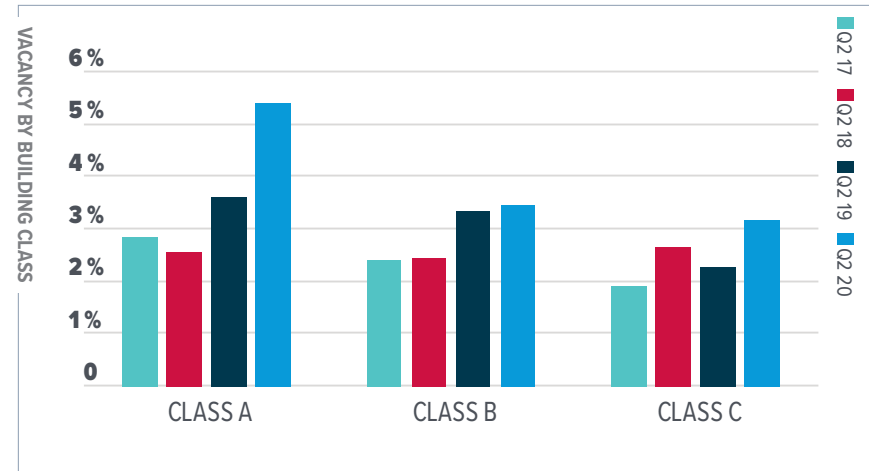
UNDER CONSTRUCTION
491,666^{SF}

NET ABSORPTION (Q2)
-709,902^{SF}

At midyear, net absorption for the Central Los Angeles market was negative 2.4 MSF. The significant loss in occupancy levels brought the overall vacancy rate to 3.30%, 120 bps higher than a year ago. Forever 21, a retailer particularly hit by diminishing mall traffic and the changing consumer preferences toward online shopping, vacated 1.3 MSF of warehouse space earlier this year. Moreover, there has been a sizable increase in the amount of sublease space on the market. Vacant sublease space now accounts for 13.4% of the market's vacancy, compared to 8.2% second-quarter 2019. With occupancy losses of 1.2 MSF SF at mid-year, the Commerce/ Vernon submarket's overall vacancy rate increased to 3.2 %, from 2.6% a year ago. Totalling 1.6 MSF at mid-year, there has been a significant slowdown in leasing velocity with a 39.8% year-over-year decline. Nonetheless, overall rents are holding relatively steady with an average asking rate of \$1.09 PSF/mo.

DEMAND

12 MO NET ABSORPTION % OF INVENTORY	-0.7%
12 MO LEASED SF	7.2 M
MONTHS ON MARKET	4.1
MONTHS TO LEASE	4
MONTHS VACANT	4.6





TOTAL BUILDINGS

6,627



DELIVERIES (YTD)

562,211^{SF}



LEASE ACTIVITY

1,578,311^{SF}

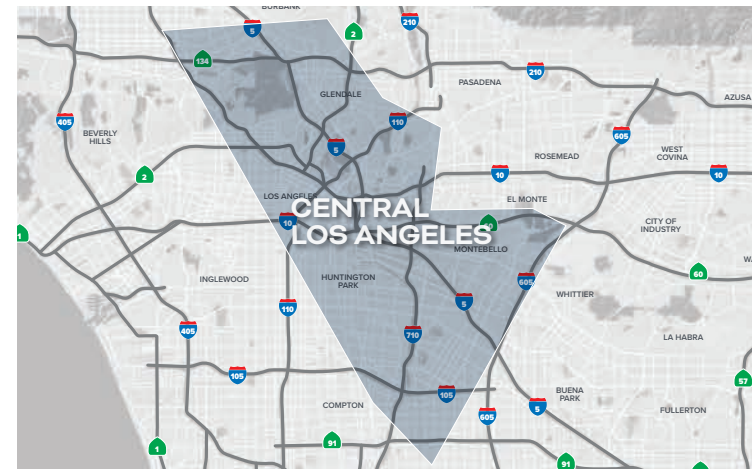
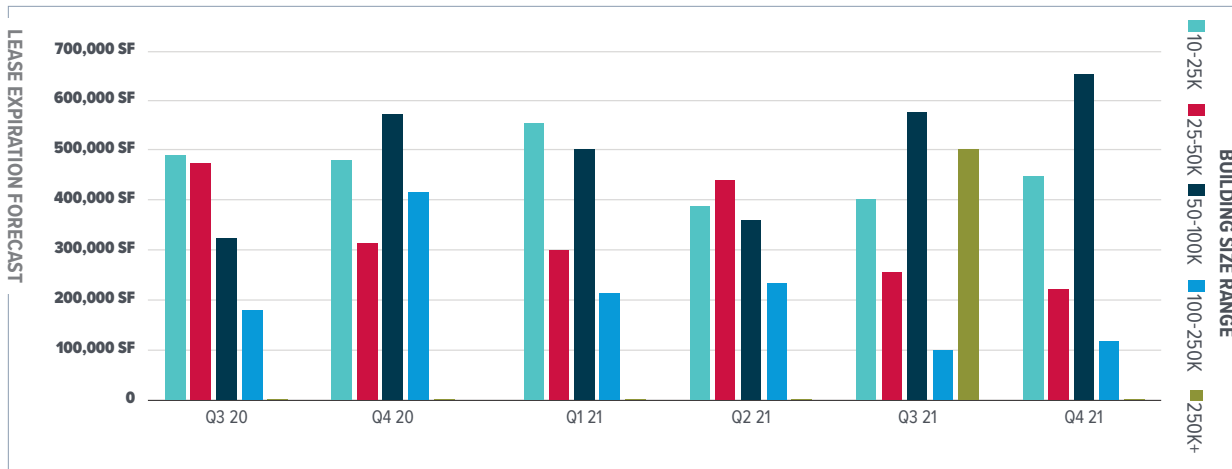


SALE ACTIVITY

342,485^{SF}

CITY STATS

CITY	NO OF BUILDING	INVENTORY	VACANCY	AVAILABILITY	LEASE RATE	NET ABSORPTION	GROSS ABSORPTION	SALE RATE
BELL	48	4,107,485 SF	1.4%	4.5%	\$0.94 PSF	-35,275 SF	8,640 SF	\$189 PSF
BELL GARDENS	98	1,979,933 SF	4.7%	10.5%	\$1.00 PSF	-35,892 SF	-	\$190 PSF
COMMERCE	732	45,072,649 SF	3.2%	5.5%	\$0.90 PSF	-49,312 SF	175,960 SF	\$175 PSF
CUDAHY	32	927,154 SF	0.8%	0.8%	\$0.94 PSF	-	-	\$173 PSF
HUNTINGTON PARK	161	3,805,953 SF	2.7%	2.4%	\$0.92 PSF	-3,130 SF	9,110 SF	\$179 PSF
DTLA	4095	98,702,208 SF	3.9%	7.8%	\$1.20 PSF	-396,414 SF	745,268 SF	\$232 PSF
MAYWOOD	43	789,536 SF	-	-	\$1.04 PSF	15,132 SF	15,132 SF	\$231 PSF
MONTEBELLO	213	9,935,683 SF	1.1%	3.5%	\$0.92 PSF	-2,238 SF	47,654 SF	\$182 PSF
PICO RIVERA	203	10,550,684 SF	5.2%	6.4%	\$0.91 PSF	-38,340 SF	47,381 SF	\$191 PSF
SOUTH GATE	228	10,813,671 SF	1.9%	2.9%	\$0.89 PSF	-17,286 SF	9,024 SF	\$168 PSF
VERNON	774	42,246,133 SF	3.7%	6.3%	\$0.92 PSF	-147,147 SF	403,665V	\$183 PSF



SUBMARKET

INVENTORY
113,492,104^{SF}

VACANCY
3.10%

AVAILABILITY
5.50%

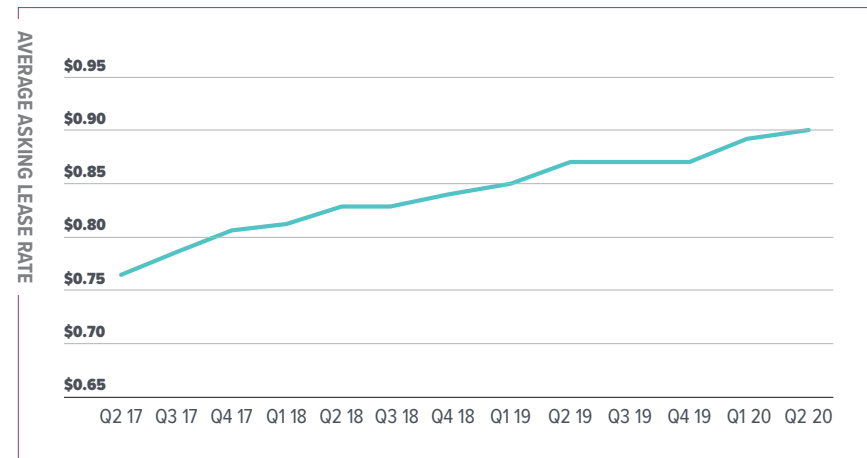
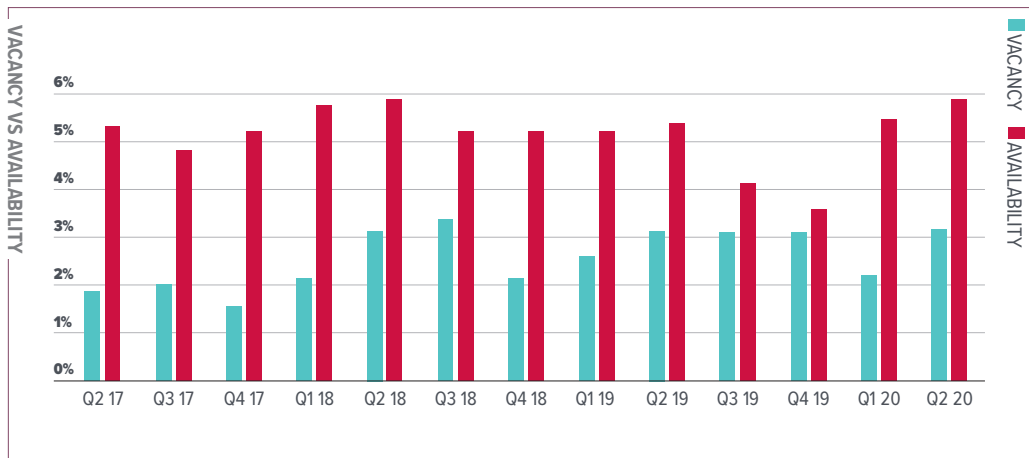
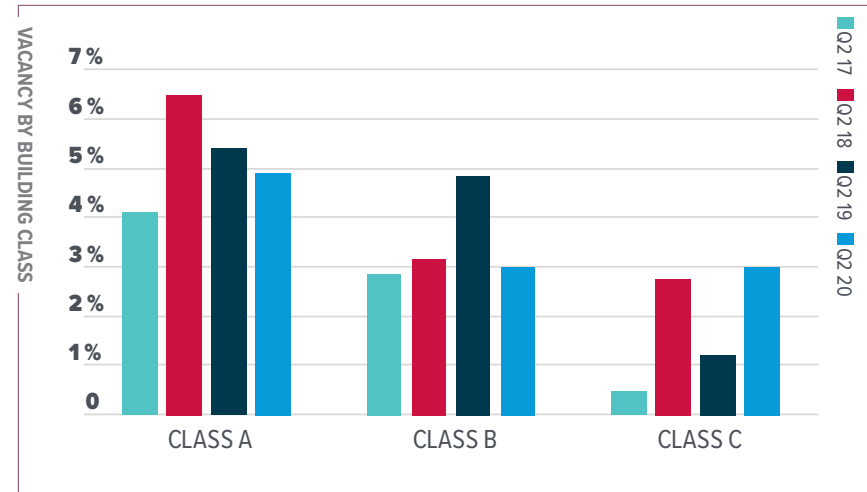
UNDER CONSTRUCTION
426,531^{SF}

NET ABSORPTION (Q2)
-906,748^{SF}

The vacancy rate moved up by 80 basis points in the second quarter, giving back its sharp decrease in the opening quarter. Most of the increase came from Buena Park and Santa Fe Springs due to a handful of large move-outs. Some landlords are showing a willingness to use concessions like free rent, tenant improvements, and shorter lease terms after years of holding the line on such items. The most functional product continues to move first, but it's still hard to find in a market that has a disproportionate share of older inventory. Construction activity has been light due to a shortage of buildable sites, so the area is avoiding the overbuilding problem experienced in previous down-cycles. Though leasing activity and absorption numbers were off substantially in the second quarter, the market is generally in good health. It is likely to resume its previous course as soon as the bulk of businesses return to normal business activities.

DEMAND

12 MO NET ABSORPTION % OF INVENTORY	-0.1%
12 MO LEASED SF	6.9 M
MONTHS ON MARKET	3.7
MONTHS TO LEASE	2.5
MONTHS VACANT	3.2



SUBMARKET



TOTAL BUILDINGS

2,664



DELIVERIES (12 MO)

78,000^{SF}



LEASE ACTIVITY

822,746^{SF}

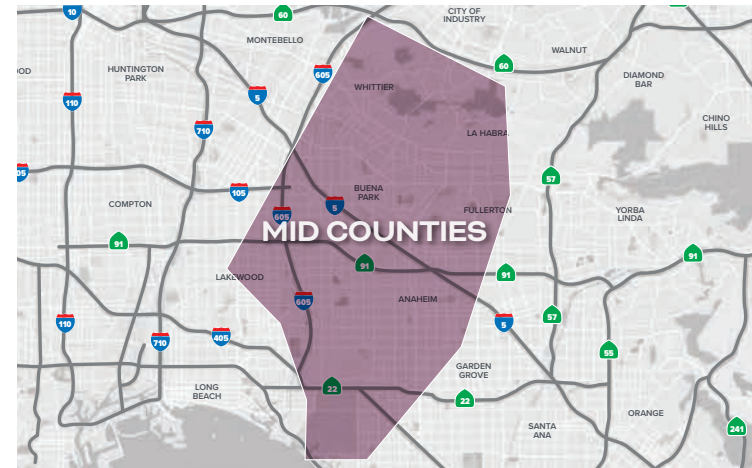
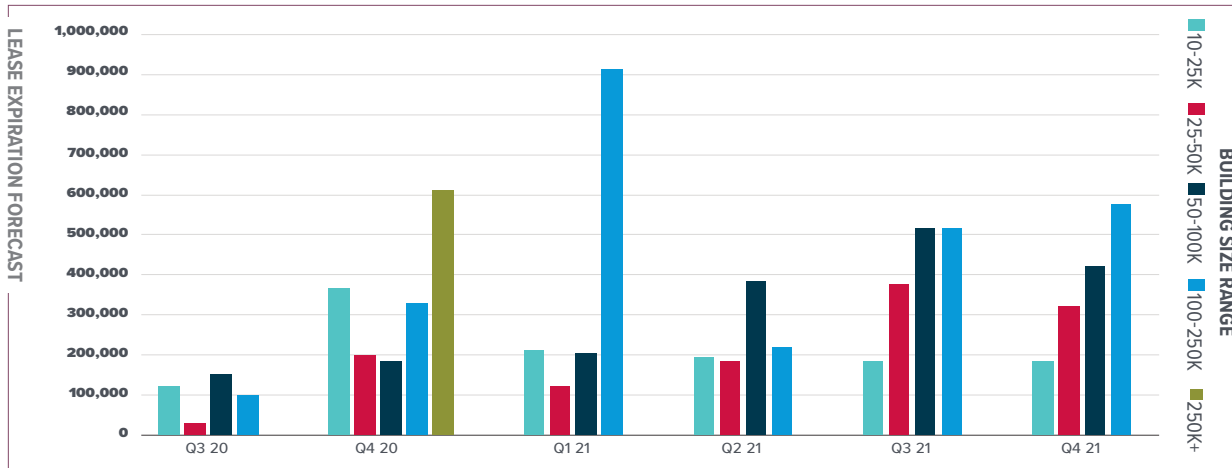


SALE ACTIVITY

92,548^{SF}

CITY STATS

CITY	NO OF BUILDING	INVENTORY	VACANCY	AVAILABILITY	LEASE RATE	NET ABSORPTION	GROSS ABSORPTION	SALE RATE
ARTESIA	26	323,131 SF	-	2.5%	\$0.91 PSF	-	-	\$224 PSF
BELLFLOWER	63	911,493 SF	2%	2%	\$1.11 PSF	-12,141 SF	1,778 SF	\$240 PSF
BUENA PARK	216	13,315,090 SF	3%	7.2%	\$0.93 PSF	-70,911 SF	105,529 SF	\$182 PSF
CERRITOS	254	12,863,640 SF	2.4%	8.3%	\$0.89 PSF	-48,182 SF	44,690 SF	\$187 PSF
CYPRESS	87	4,708,373 SF	5.5%	7.7%	\$1.14 PSF	-70,701 SF	4,500 SF	\$212 PSF
LA MIRADA	178	12,894,441 SF	5.7%	8.5%	\$0.87 PSF	40,837 SF	152,000 SF	\$189 PSF
LA PALMA	16	1,780,056 SF	4.1%	13.7%	\$0.88 PSF	-	-	\$159 PSF
LOS ALAMITOS	90	2,205,017 SF	0.2%	0.9%	\$1.21 PSF	2,074 SF	11,148 SF	\$232 PSF
NORWALK	88	2,887,282 SF	9.9%	10.2%	\$0.99 PSF	9,111 SF	13,655 SF	\$185 PSF
SANTA FE SPRINGS	1352	52,795,368 SF	2.9%	4.2%	\$0.97 PSF	-724,026 SF	257,515 SF	\$203 PSF
WHITTIER	164	4,108,715 SF	1.9%	7.6%	\$0.96 PSF	-7,787 SF	13,310 SF	\$197 PSF
DOWNEY	133	4,668,196 SF	3.8%	3.4%	\$0.95 PSF	-25,022 SF	64,956 SF	\$195 PSF



INVENTORY
168,858,641^{SF}

VACANCY
3.40%

AVAILABILITY
5.70%

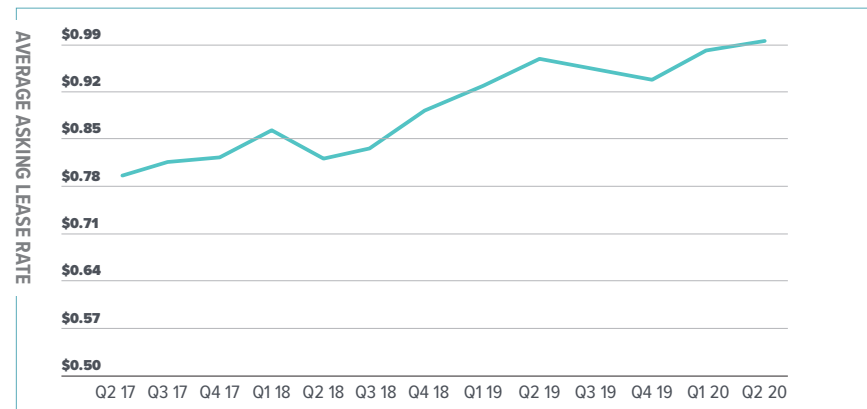
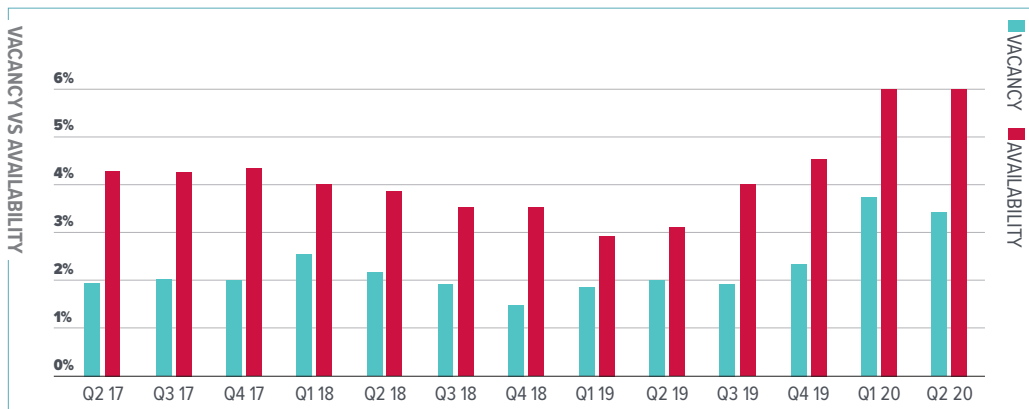
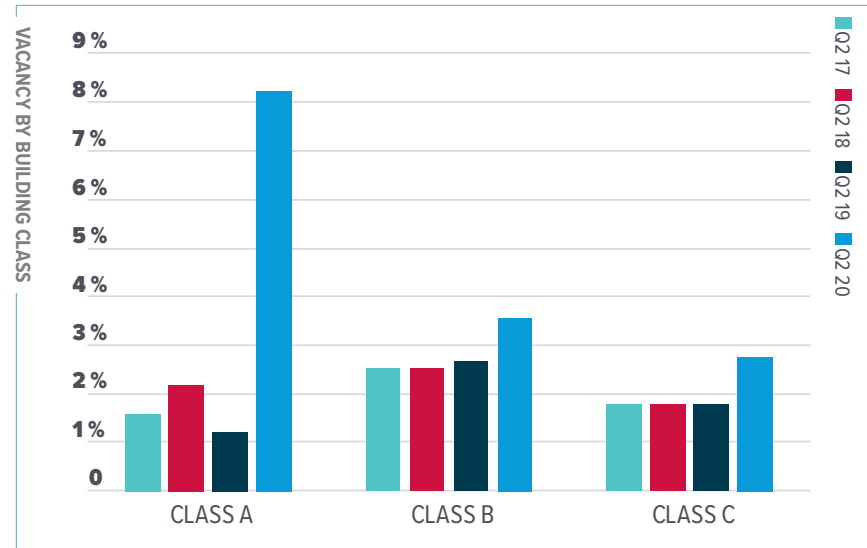
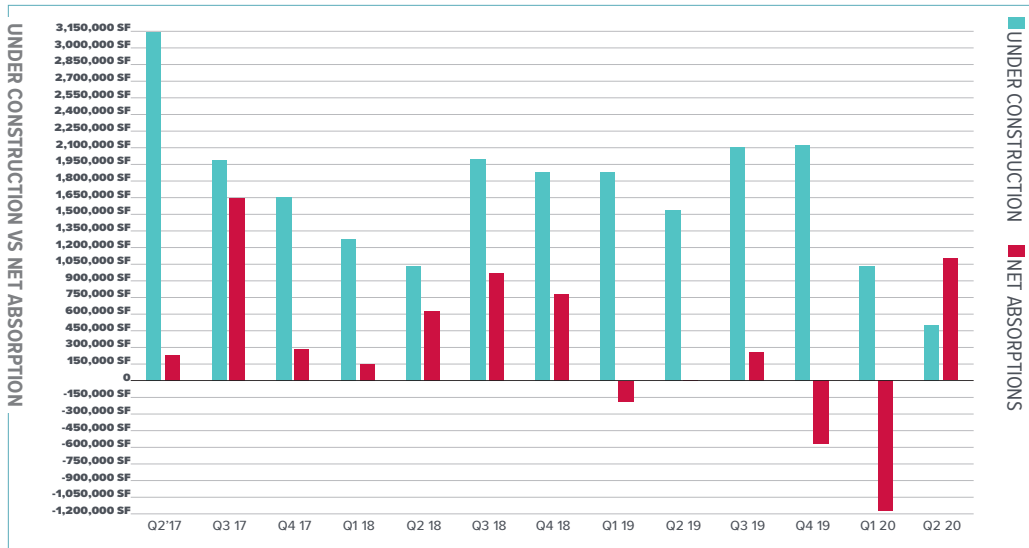
UNDER CONSTRUCTION
495,846^{SF}

NET ABSORPTION (Q2)
1,101,865^{SF}

After ten years of growth, the San Gabriel Valley ended the first half of 2020 with net absorption equaling negative 489,785 SF. The overall vacancy was up 150 bps from a year ago due to the loss of occupancy and the addition of 629,293 SF of new product. With an average size of 28,769 SF, available sublease space has increased by 39.0% since year-end 2019 and now accounts for 12.6% of the total available space on the market. Renewal activity for large tenants has been strong. Renewals accounted for three out of the five top leases for the quarter. The largest one was Kellwood's ten-year renewal for a three-building complex totaling 471,341 SF in Industry

DEMAND

12 MO NET ABSORPTION % OF INVENTORY	-0.5%
12 MO LEASED SF	7.4 M
MONTHS ON MARKET	4.4
MONTHS TO LEASE	3.4
MONTHS VACANT	3.5





TOTAL BUILDINGS

5,235



DELIVERIES (YTD)

1,819,438^{SF}



LEASE ACTIVITY

2,473,481^{SF}

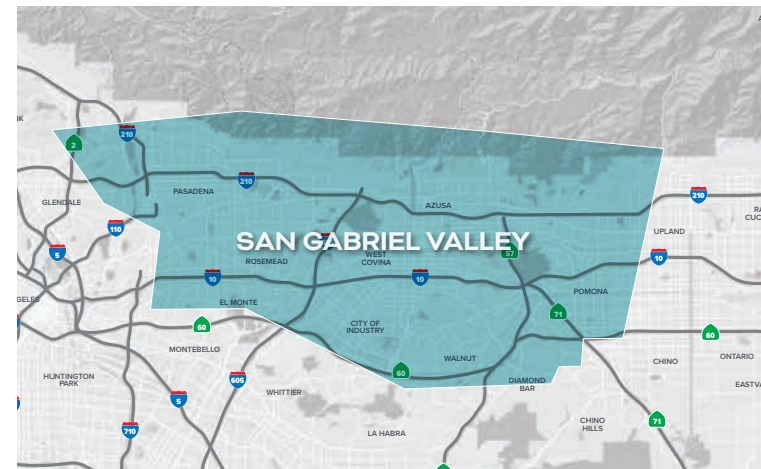
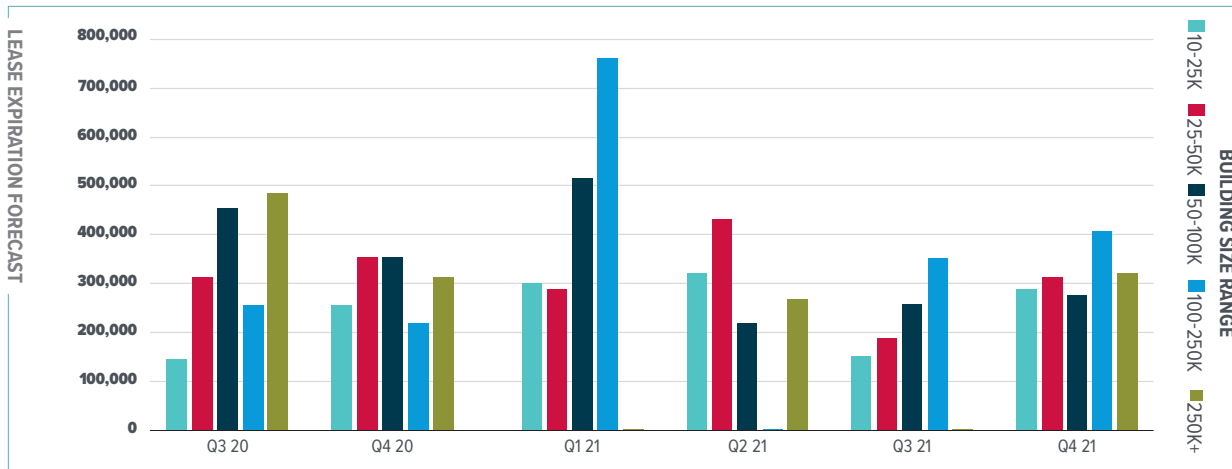


SALE ACTIVITY

1,248,234^{SF}

CITY STATS

CITY	NO OF BUILDING	INVENTORY	VACANCY	AVAILABILITY	LEASE RATE	NET ABSORPTION	GROSS ABSORPTION	SALE RATE
ALHAMBRA	116	2,355,061 SF	3.2%	3.8%	\$1.18 PSF	44,585 SF	47,755 SF	\$237 PSF
ARCADIA	105	-	2.7%	3.4%	\$1.05 PSF	-3,190 SF	3,448 SF	\$265 PSF
AZUSA	238	6,449,812 SF	10.6%	10.7%	\$0.98 PSF	-40,932 SF	12,429 SF	\$231 PSF
BALDWIN PARK	249	4,663,830 SF	1.2%	2.4%	\$1.15 PSF	37,261 SF	57,816 SF	\$228 PSF
CLAREMONT	20	601,819 SF	2.1%	2.1%	\$0.81 PSF	-	-	\$196 PSF
COVINA	166	2,804,064 SF	2.6%	3.1%	\$0.96 PSF	12,245 SF	31,518 SF	\$207 PSF
DIAMOND BAR	19	452,369 SF	-	-	\$1.28 PSF	-	-	\$216 PSF
DUARTE	70	1,871,030 SF	0.1%	0.1%	\$1.06 PSF	14,786 SF	16,538 SF	\$221 PSF
EL MONTE	310	8,274,120 SF	13.6%	13.69%	\$1.13 PSF	929 SF	70,224	\$225 PSF
GLENORA	52	745,773 SF	0.4%	2.1%	\$0.99 PSF	-2,750 SF	-	\$229 PSF
INDUSTRY	1,041	71,427,720 SF	2.4%	6%	\$0.95 PSF	794,162 SF	1,249,536 SF	\$177 PSF
IRVINDALE	87	11,250,041 SF	1.5%	1.3%	\$0.96 PSF	18,113 SF	40,875 SF	\$189 PSF
LA PUENTE	90	1,852,241 SF	1.7%	1%	\$1.01 PSF	37,133 SF	48,149 SF	\$250 PSF
LA VERNE	138	2,923,133 SF	1.6%	3.5%	\$1.04 PSF	-20,108 SF	9,625 SF	\$238 PSF
MONROVIA	203	3,247,379 SF	1.8%	1.5%	\$1.18 PSF	-32,287 SF	14,965 SF	\$240 PSF
MONTEREY PARK	98	1,709,558 SF	3.4%	12%	\$1.06 PSF	-14,614 SF	10,190 SF	\$250 PSF
PASADENA	98	1,508,822 SF	4.6%	15.7%	\$1.71 PSF	21,281 SF	15,444 SF	\$340 PSF
POMONA	642	19,558,105 SF	1.9%	4.7%	\$0.85 PSF	202,870 SF	348,591 SF	\$178 PSF
ROSEMEAD	52	1,274,131 SF	0.4%	0.7%	\$1.07 PSF	-	-	\$217 PSF
SAN DIMAS	125	3,102,280 SF	1%	2%	\$1.05 PSF	15,923 SF	34,476 SF	\$207 PSF
SAN GABRIEL	68	1,142,598 SF	3.8%	3.2%	\$1.05 PSF	3,967 SF	7,567 SF	\$212 PSF
SOUTH EL MONTE	820	10,947,104 SF	3.7%	3.8%	\$1.05 PSF	11,052 SF	87,121 SF	\$236 PSF
TEMPLE CITY	36	627,087 SF	0.1%	0.1%	\$1.16 PSF	8,990 SF	8,990 SF	\$238 PSF
WALNUT	193	6,735,651 SF	5.2%	8.9%	\$1.03 PSF	35,011 SF	58,869 SF	\$195 PSF
WEST COVINA	14	579,238 SF	17.4%	18.3%	\$1.12 PSF	-	-	\$183 PSF



INVENTORY
320,120,940^{SF}

VACANCY
4.3%

AVAILABILITY
5.5%

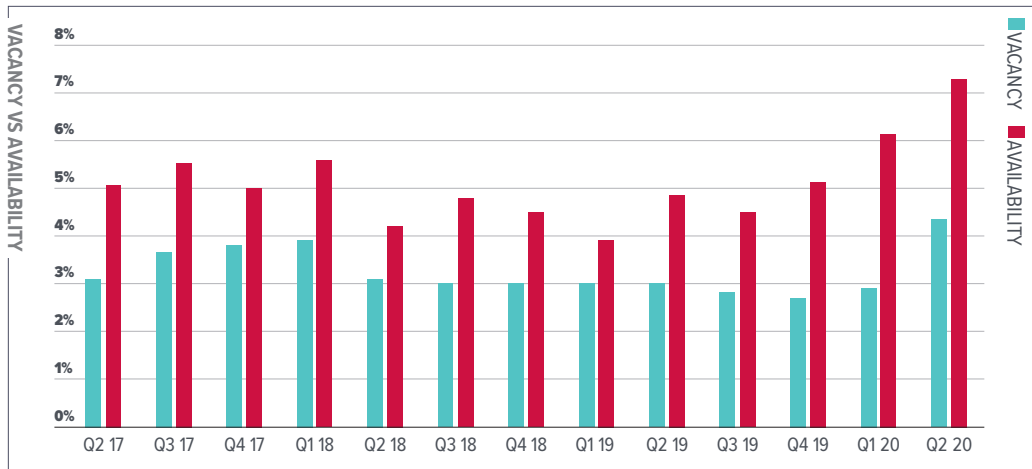
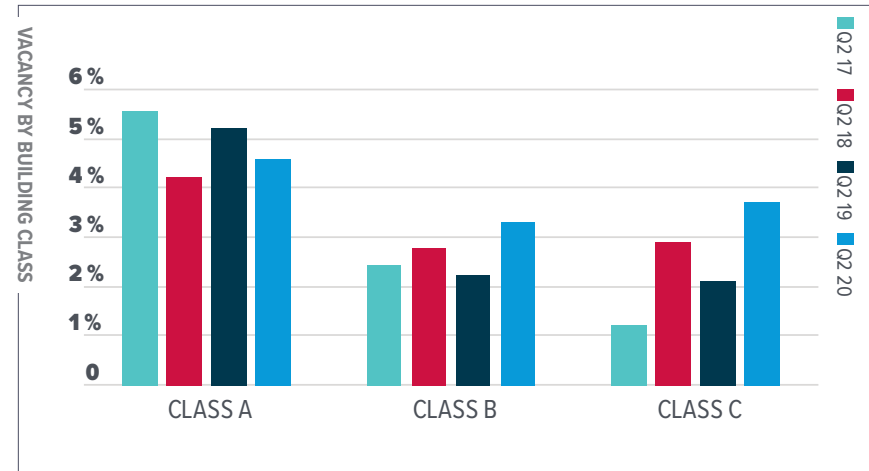
UNDER CONSTRUCTION
4,769,750^{SF}

NET ABSORPTION (Q2)
-3,592,666^{SF}

The Inland Empire market outperformed all major Southern California industrial markets in the second quarter. Despite the economic shutdown, the region's vacancy rate, average asking lease rate, and gross absorption level all held steady. IE has grown into one of the biggest distribution hubs in the country. The IE's standing as an industrial hub has only been enhanced during the pandemic as consumers have been forced to buy more of their goods online, which in turn has caused a higher demand for industrial warehouses. The average asking lease rate was unchanged at \$0.73, and the overall vacancy rate rose 140 basis points in the second quarter to end the period at 4.3%

DEMAND

12 MO NET ABSORPTION % OF INVENTORY	-0.9%
12 MO LEASED SF	22.7 M
MONTHS ON MARKET	4.1
MONTHS TO LEASE	4.5
MONTHS VACANT	4.4



TOTAL BUILDINGS
4,726

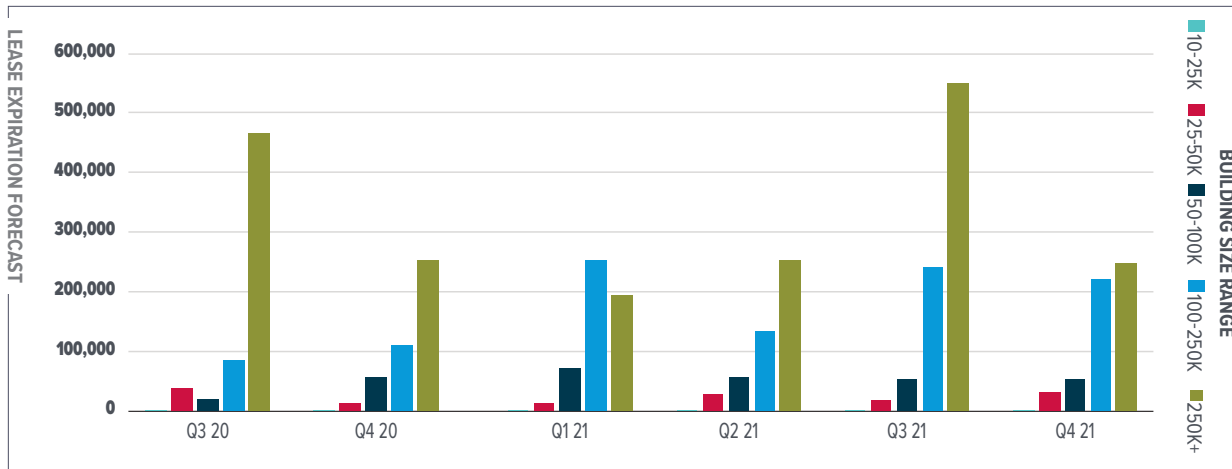
DELIVERIES (YTD)
4,090,108^{SF}

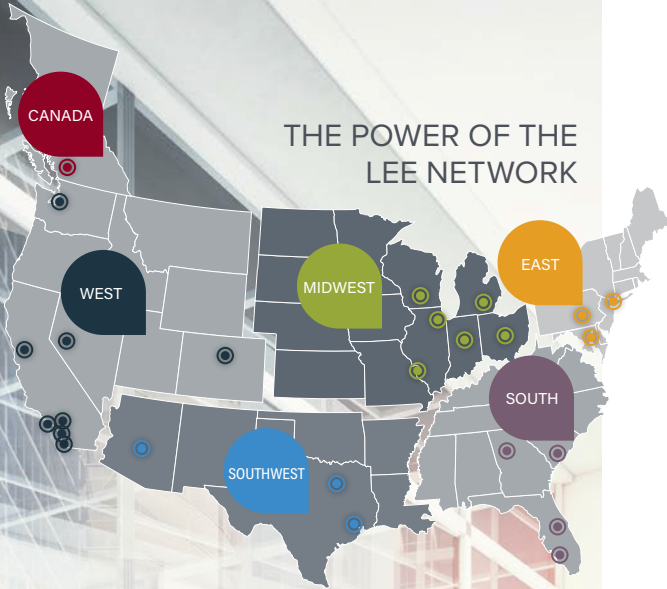
LEASE ACTIVITY
4,769,177^{SF}

SALE ACTIVITY
548,870^{SF}

CITY STATS

CITY	NO OF BUILDING	INVENTORY	VACANCY	AVAILABILITY	LEASE RATE	NET ABSORPTION	GROSS ABSORPTION	SALE RATE
CHINO	893	52,027,904 SF	1.9%	2.6%	\$0.80 PSF	-345,236 SF	141,094 SF	\$157 PSF
CHINO HILLS	8	426,477 SF	-	-	\$1.03 PSF	-	-	\$223 PSF
EASTVALE	46	10,057,021 SF	1.7%	2.6%	\$0.65 PSF	88,500 SF	88,500 SF	\$150 PSF
FONTANA	733	64,402,027 SF	3.2%	3.2%	\$0.75 PSF	164,158 SF	423,285 SF	\$150 PSF
JURUPA VALLEY	300	30,302,246 SF	6.5%	6.8%	\$0.74 PSF	-501,955 SF	109,050 SF	\$134 PSF
MIRA LOMA	21	1,625,636 SF	5.6%	3.5%	\$0.72 PSF	21,517 SF	21,517 SF	\$153 PSF
MONTCLAIR	200	3,752,077 SF	9.3%	11.3%	\$0.91 PSF	707 SF	23,579 SF	\$204 PSF
ONTARIO	1471	110,834,474 SF	4%	7.9%	\$0.78 PSF	-3,049,207 SF	703,959 SF	\$144 PSF
RANCHO CUCAMONGA	732	40,697,451 SF	4.1%	4.6%	\$0.77 PSF	-67,970 SF	660,408 SF	\$151 PSF
UPLAND	252	3,956,268 SF	3.3%	6.2%	\$0.99 PSF	-26,376 SF	48,260 SF	\$195 PSF





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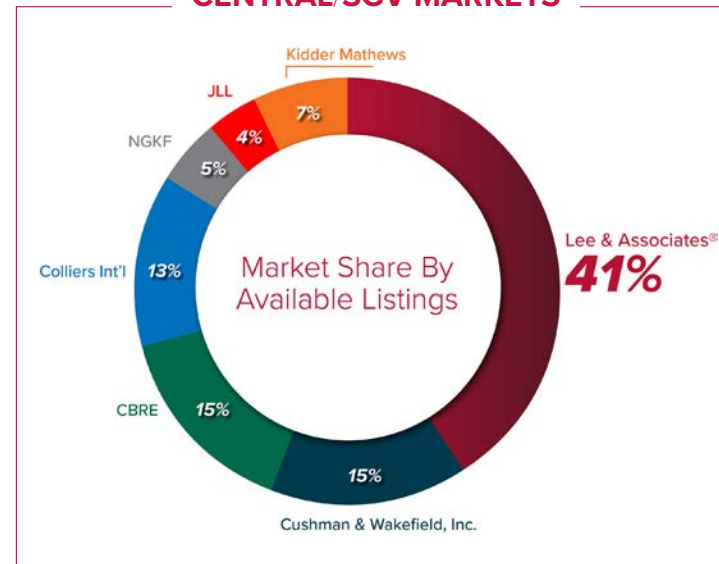
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A LOOK AHEAD

Of all the sectors, industrial real estate is performing the best during the pandemic. It continues to be the “darling” of the investor class because it is expected to bounce back stronger than previously forecasted. Annual rent growth will be higher than it was pre-COVID-19 and this increased demand will generate more development going forward. This is so because U.S. e-commerce sales will make up about 14.5% of total retail sales, or \$709.78 billion, this year. By the end of 2024 that percentage will grow to 18.1% of all retail sales, with online sales surpassing \$1 trillion for the first time, according to the firm eMarketer. Consequently, demand for industrial real estate could reach an additional 1 billion square feet by 2025. To put into perspective how much extra warehouse space is needed, Prologis estimates that ecommerce companies require 1.2 million square feet of distribution space for each \$1 billion in sales.

CENTRAL/SGV MARKETS



This reports is based on industrial single and multi-tenant buildings that are greater than 5,000. Lease rates are on industrial-gross basis.

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