

LOCAL EXPERTISE. INTERNATIONAL REACH. WORLD CLASS.

Q2 · 2021 INDUSTRIAL MARKET INSIGHT

LEE & ASSOCIATES® RESEARCH | COMMERCE | INDUSTRY

CENTRAL LOS ANGELES

SUBMARKET

INVENTORY
245,621,531^{SF}

VACANCY
2.1% ▼

AVAILABILITY
3.5% ▼

UNDER CONSTRUCTION (Q2)
527,561^{SF}

NET ABSORPTION (Q2)
1,515,329^{SF}

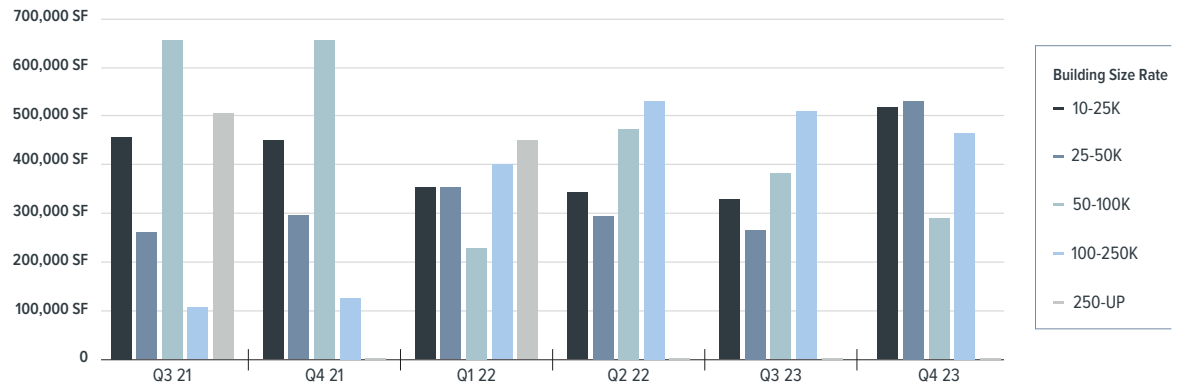


DEMAND

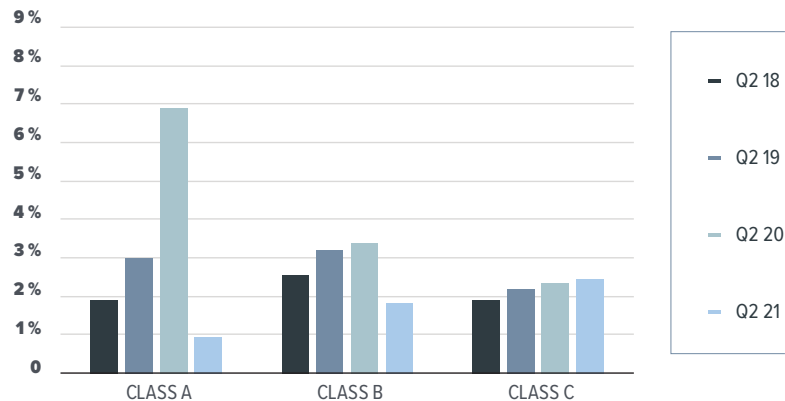
12 MO NET ABSORPTION % OF INVENTORY	110%	▲
12 MO LEASED SF	15 M	▲
MONTHS ON MARKET	5.9	▼
MONTHS VACANT	5.3	▼

In Q2 the Central LA market posted its third consecutive quarter of positive gains with nearly 1.5 million square feet (sf) of net absorption. This brought the occupancy gains to 1.6 msf in the first half of the year and lowered the market's overall vacancy rate to 2.1%, 90 bps lower than Q2 2020. Leasing total of 4.6 msf at mid-year 2021 was up 71.6% over the same period a year ago. Another positive data point this year is the declining amount of available sublease space on the market. It has declined by 58.2% since Q2 2020. Central Los Angeles should close the year with positive gains for the first time since 2017. After a dismal showing in 2020 when the market suffered occupancy losses of 730,506 sf, the Commerce/ Vernon submarket continued to show strength with net absorption of 534,930 sf in Q2 which lowered its overall vacancy rate to 1.3%, down 40 bps from Q1 2021 and 130 bps lower than Q2 2020. Leasing activity remained strong with 3.7 msf leased through June, more than double mid-year 2020's total of 1.6 msf. Rents also showed improvement this quarter and posted a 3.7% year-over-year growth.

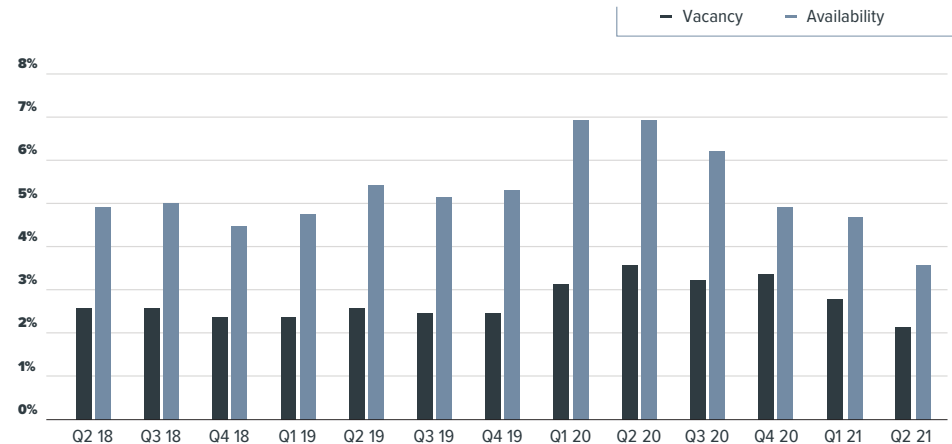
LEASE EXPIRATION FORECAST



VACANCY BY BUILDING CLASS



VACANCY VS AVAILABILITY



CENTRAL LOS ANGELES

SUBMARKET

TOTAL BUILDINGS

7,025

DELIVERIES (Q2)

202,580^{SF}

LEASE ACTIVITY (Q2)

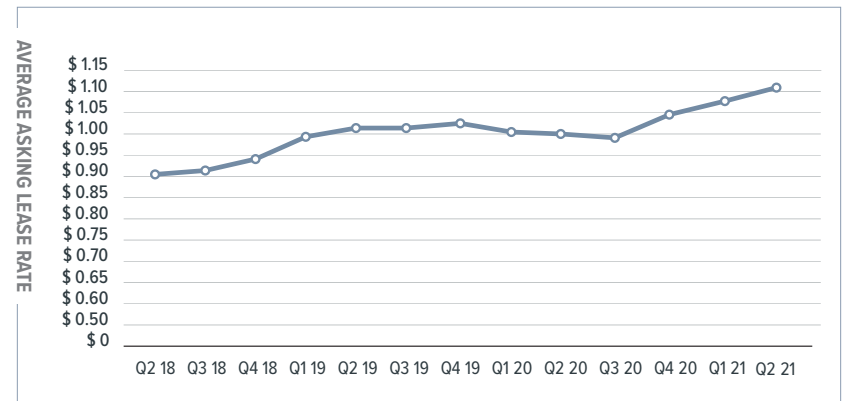
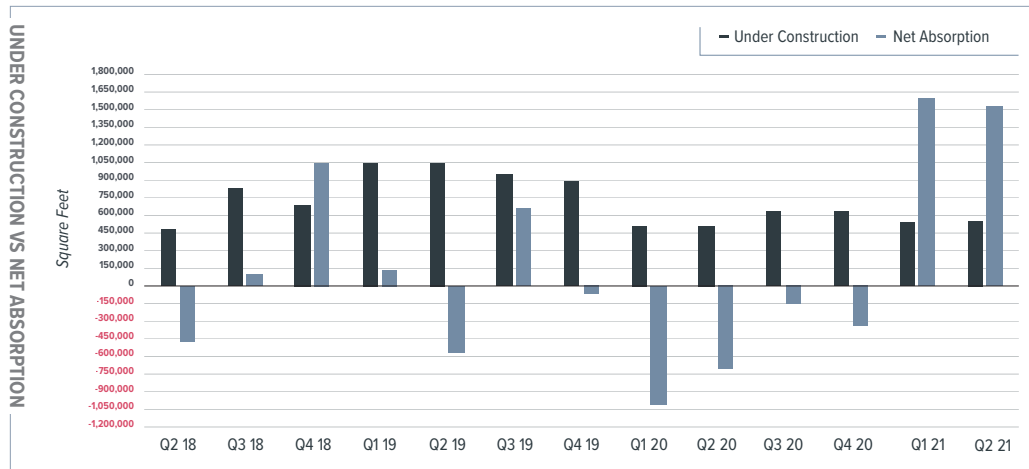
3,764,549^{SF}

SALE ACTIVITY (Q2)

1,541,876^{SF}

CITY STATS

CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE RATE (PSF)
BELL	47	4,088,070	1.3	0.6	\$1.05	43,915	43,915	\$215
BELL GARDENS	102	2,028,451	1.8	3.4	\$0.70	16,700	16,700	\$219
COMMERCE	735	45,264,334	1.3	2	\$0.95	583,658	782,054	\$200
CUDAHY	35	989,804	0	0	\$2.25	18,212	18,212	\$205
HUNTINGTON PARK	160	3,800,437	1.2	1.6	\$0.75	10,700	10,700	\$201
DTLA	4085	98,454,614	3	6.4	\$1.30	800,815	1,270,180	\$266
MAYWOOD	43	794,355	1.6	1.6	\$0.89	-	-	\$267
MONTEBELLO	215	9,991,158	0.3	0.3	\$0.91	-4,535	34,765	\$205
PICO RIVERA	197	10,457,031	0.4	0.4	\$2.20	24,179	59,379	\$214
SOUTH GATE	229	11,015,731	1.1	0.7	\$0.80	21,023	66,704	\$196
VERNON	771	42,257,764	2.1	2.9	\$1.01	252,176	680,831	\$211



MID COUNTIES

SUBMARKET

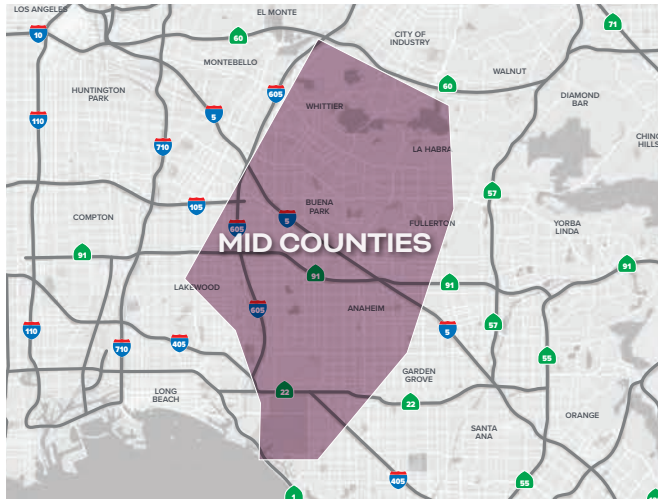
INVENTORY
106,457,082^{SF}

VACANCY
2.1% ▼

AVAILABILITY
1.8%

UNDER CONSTRUCTION
174,863^{SF}

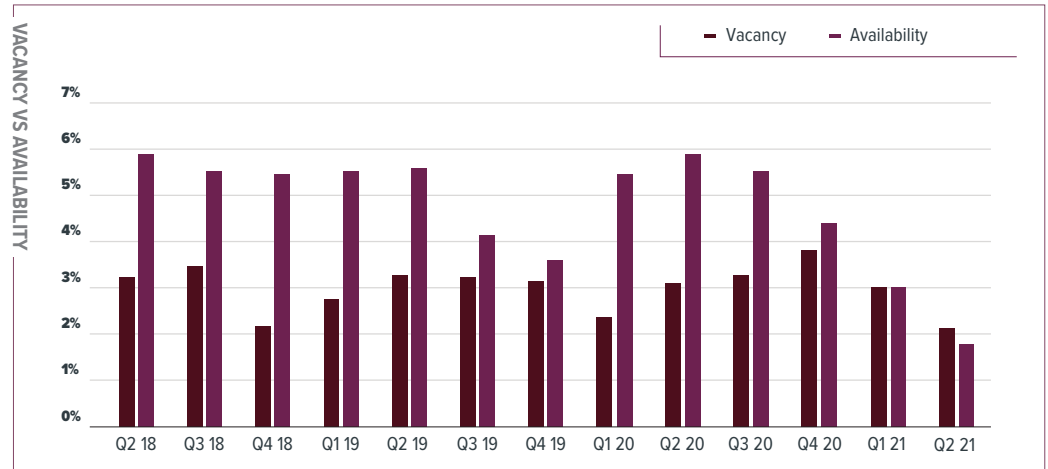
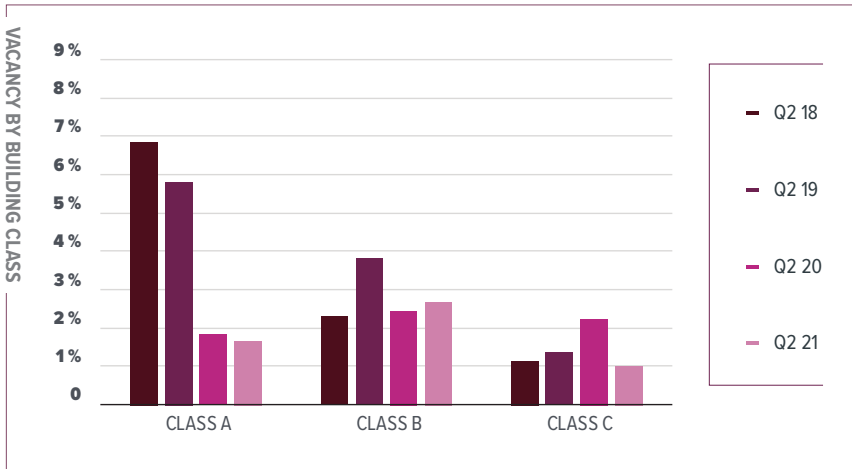
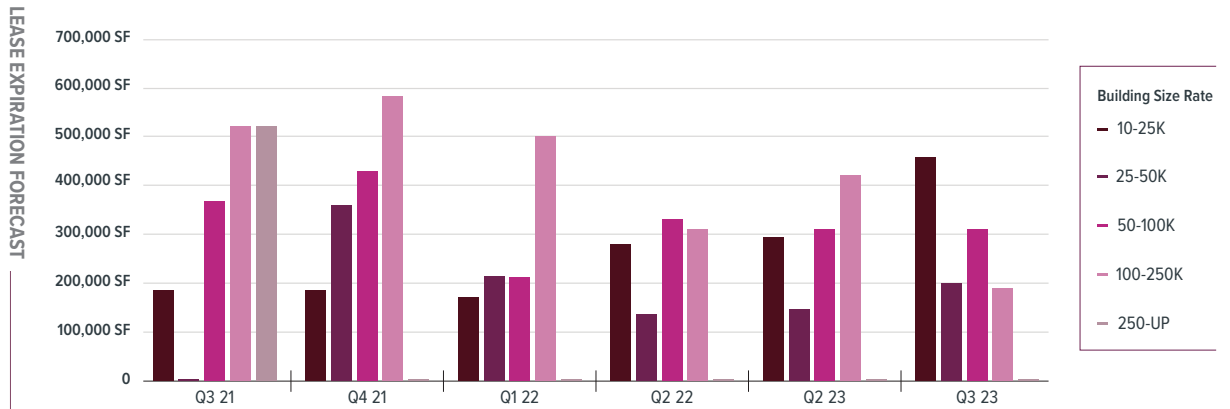
NET ABSORPTION (Q2)
-165,781^{SF}



The Mid-Counties market is performing unexpectedly well with new leasing activity of 4.0 msf during the first half of the year. It is on track to surpass the 7.3 msf recorded in 2018, the market's record high. The Santa Fe Springs and La Mirada submarkets combined for a total of 2.9 msf and accounted for 72.4% of the market's total. These two submarkets were also responsible for 86.7% of the market's occupancy gains of 1.5 msf at mid-year 2021. The overall vacancy rate dropped to 0.9%, down 40 bps quarter-over-quarter (QOQ) and 150 bps lower than Q2 2020's rate of 2.4%. Renewals dominated the large transactions during Q2. Competition for warehouse space is driving up industrial rents. Some users are engaging in bidding wars for the most coveted sites with OIA renewing their 220,000-sf space in Cerritos with a starting net rent of \$1.32 psf/mo for a Class B building. High demand and limited supply drove the asking rents to record highs. Averaging \$0.97 psf/mo, rents grew by 16.9% year over year.

DEMAND

12 MO NET ABSORPTION % OF INVENTORY	1.30%	▲
12 MO LEASED SF	9.9 M	▲
MONTHS ON MARKET	2.9	▼
MONTHS VACANT	3.9	▼



MID COUNTIES

SUBMARKET

TOTAL BUILDINGS

2,471

DELIVERIES (2020)

251,668 SF

LEASE ACTIVITY (Q2)

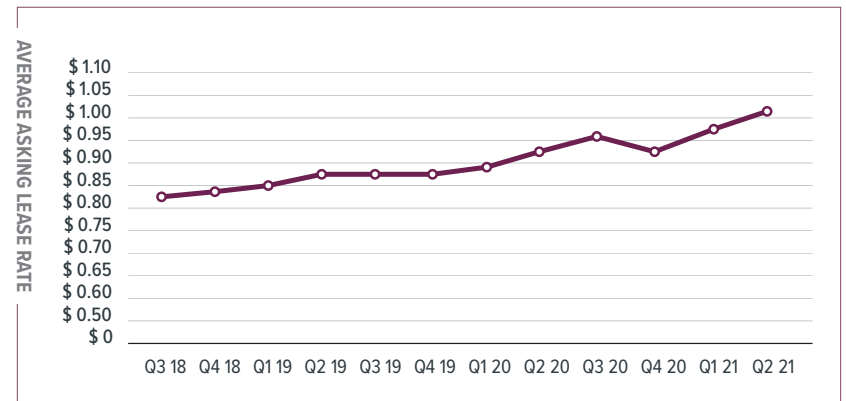
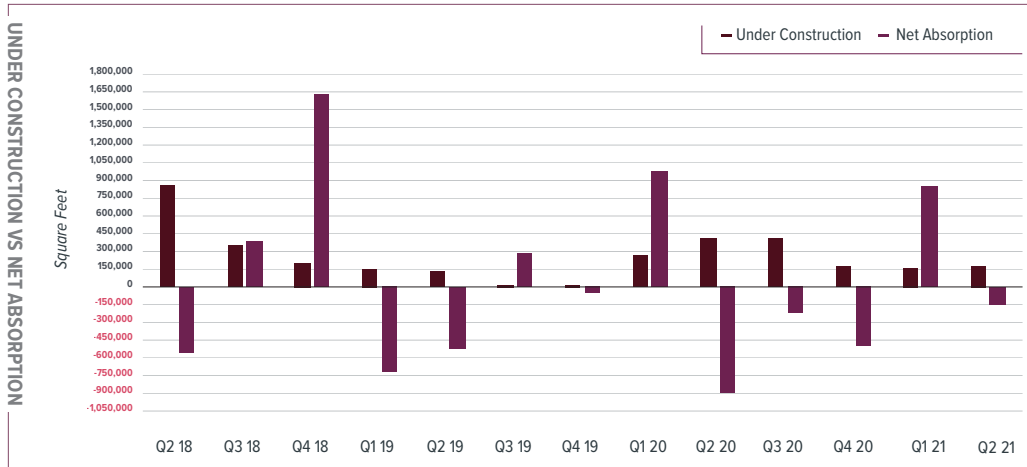
2,021,149 SF

SALE ACTIVITY (Q2)

1,067,765 SF

CITY STATS

CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE RATE (PSF)
ARTESIA	26	323,131	0	0	\$0.80	15,208	15,208	\$269
BELLFLOWER	64	923,359	1.7	1.7	\$0.85	15,314	15,314	\$249
BUENA PARK	216	13,249,163	1.3	3.2	\$0.66	108,337	282,748	\$208
CERRITOS	254	12,832,943	3.3	2.5	\$0.91	174,258	359,688	\$215
CYPRESS	89	4,832,026	2.7	9.2	\$0.92	151,162	151,162	\$234
LA MIRADA	178	13,046,711	5.5	3.1	\$0.87	-253,442	212,828	\$213
LA PALMA	16	1,778,258	4.7	0	\$0.99	-	-	\$182
LOS ALAMITOS	90	2,204,183	1.4	2.3	\$1.22	-7,563	15,737	\$255
NORWALK	88	28,874,315	2.9	1.6	\$0.97	190,231	193,206	\$187
SANTA FE SPRINGS	1354	53,726,567	1.2	1.2	\$0.92	608,765	1,065,517	\$228
WHITTIER	163	4,109,620	4.6	0.6	\$0.90	17,960	38,238	\$228
DOWNEY	134	4,674,153	1.1	0.9	\$0.86	30,855	68,913	\$223



SAN GABRIEL VALLEY

SUBMARKET

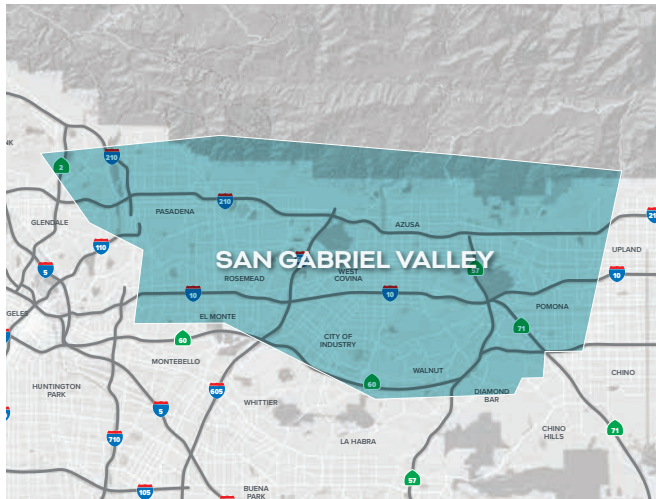
INVENTORY
169,121,806^{SF}

VACANCY
1.50% ▼

AVAILABILITY
2.3% ▼

UNDER CONSTRUCTION (Q2)
1,268,959^{SF} ▲

NET ABSORPTION
1,264,767^{SF} —

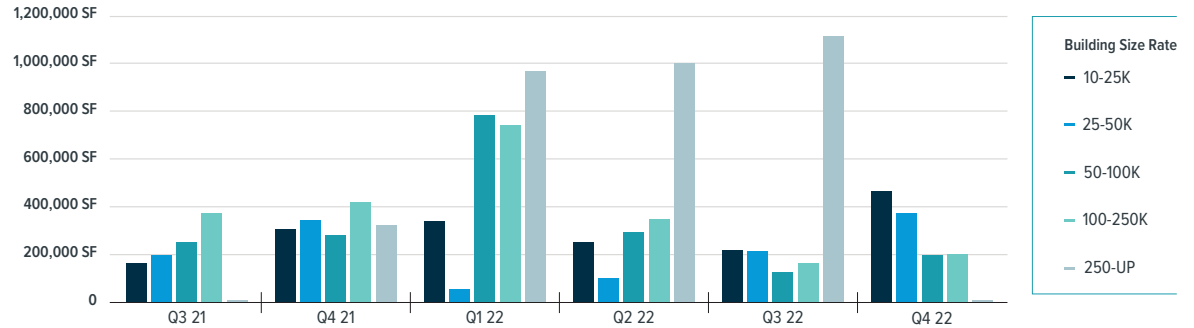


San Gabriel Valley continues to dominate the Los Angeles region in net demand with 2.6 msf of occupancy gains during the first half of the year. This is a significant improvement from midyear 2020's net loss of 338,929 sf and has already surpassed 2020's year-end total 1.5 msf. It is also on track to beat 2006's net absorption record of 3.2 msf. The Industry submarket accounted for more than half of the net gains with 1.5 msf. Strong net occupancy gains drove the overall vacancy rate down to a historic low of 0.8%, 200 bps lower than Q2 2020 and makes San Gabriel Valley the tightest market in Greater LA. At midyear, leasing activity totaled 3.8 msf, 41.5% higher than the same period a year ago with the Industry submarket accounting for the bulk of the leasing total with 2.6 msf of leased space. With strong demand, rent growth continues to accelerate. The market posted a 14.5% YOY rent growth in Q2 2021 with an average overall asking rent of \$0.95 psf/mo. Rising land and construction costs and strong demand will continue to fuel strong rent growth.

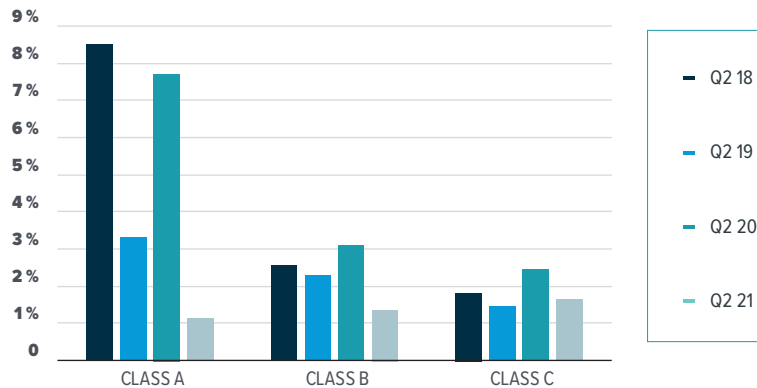
DEMAND

12 MO NET ABSORPTION % OF INVENTORY	1.00%	▲
12 MO LEASED SF	4.2 M	▲
MONTHS ON MARKET	5.5	▲
MONTHS VACANT	2.3	▼

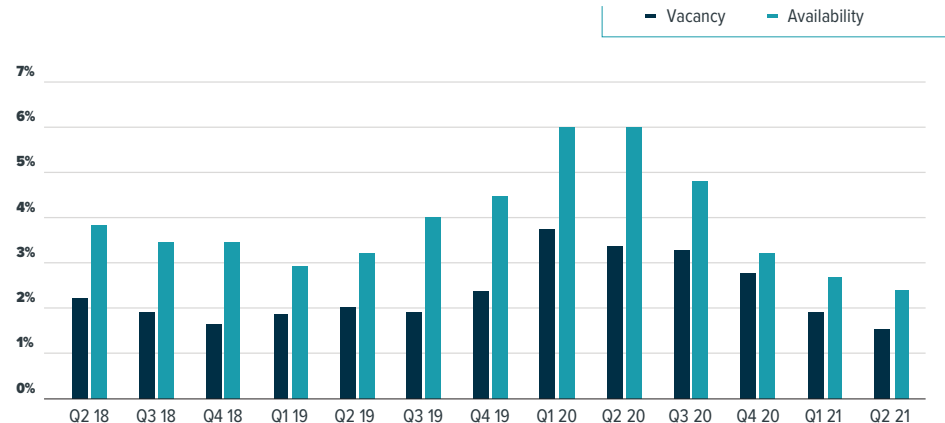
LEASE EXPIRATION FORECAST



VACANCY BY BUILDING CLASS



VACANCY VS AVAILABILITY



SAN GABRIEL VALLEY

SUBMARKET

TOTAL BUILDINGS

5,249

DELIVERIES (2020)

94,120^{SF}

LEASE ACTIVITY (Q2)

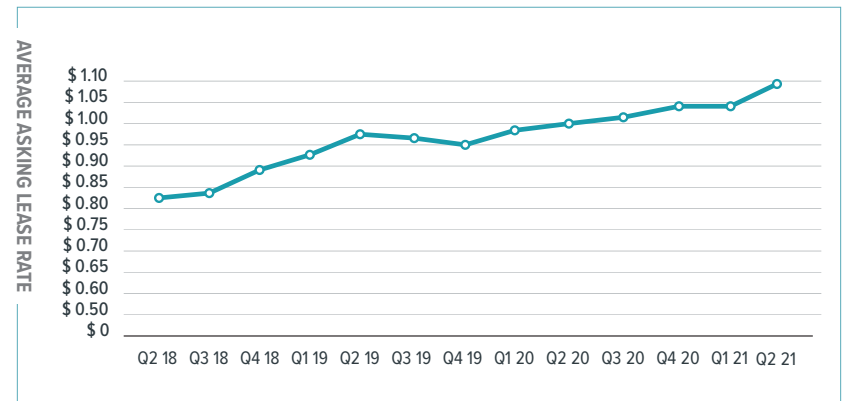
2,652,022^{SF}

SALE ACTIVITY (Q2)

1,414,805^{SF}

CITY STATS

CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE RATE (PSF)
ALHAMBRA	116	2,212,251	1.6	2.3	\$0.96	64,450	101,265	\$272
ARCADIA	106	2,496,172	1.7	1.9	\$1.06	11,818	21,800	\$290
AZUSA	239	6,504,260	1.4	2.4	\$0.80	332,487	354,983	\$240
BALDWIN PARK	244	4,689,880	1.6	1.3	\$2.55	-8,578	18,526	\$263
CLAREMONT	20	600,639	0.5	0.5	\$0.81	-	-	\$203
COVINA	167	2,812,404	1	3.8	\$0.96	-11,629	5,964	\$233
DIAMOND BAR	20	470,374	0.6	0.6	\$0.90	-1,409	1,549	\$246
DUARTE	69	1,756,428	4.6	4	\$0.90	-20,432	11,935	\$228
EL MONTE	315	8,438,303	1.3	3	\$1.31	46,556	52,756	\$249
GLENORA	52	745,777	6.5	5.5	\$0.99	-	-	\$262
INDUSTRY	1,043	71,543,366	1.3	1.9	\$0.88	766,471	1,039,880	\$198
IRVINDALE	263	11,208,858	1	5.5	\$1.12	115,312	117,194	\$194
LA PUENTE	89	1,788,302	0.8	0.8	\$1.06	200	2,900	\$286
LA VERNE	138	2,909,151	0.9	1.4	\$1.00	26,267	27,041	\$266
MONROVIA	205	3,309,913	0	2	\$1.06	16,652	32,376	\$269
MONTEREY PARK	98	1,715,177	0.7	0.7	\$0.98	6,816	6,816	\$285
PASADENA	97	1,463,345	0.5	5.5	\$1.23	15,900	15,900	\$337
POMONA	641	19,622,541	1.1	1.2	\$0.70	18,725	61,223	\$200
ROSEMEAD	51	1,225,439	0.4	0.4	\$1.25	-	-	\$242
SAN DIMAS	125	3,100,853	2.7	0.8	\$0.98	-55,609	22,627	\$205
SAN GABRIEL	68	1,142,598	1.2	2.8	\$0.99	7,680	7,680	\$232
SOUTH EL MONTE	829	10,924,402	1.4	1	\$1.02	-49,153	47,008	\$270
TEMPLE CITY	36	633,386	0.3	0.3	\$1.00	-	-	\$242
WALNUT	194	6,787,019	5	6.6	\$0.73	-29,987	19,604	\$214
WEST COVINA	14	579,238	16.7	17.6	\$1.24	-	-	\$200



INLAND EMPIRE WEST

SUBMARKET

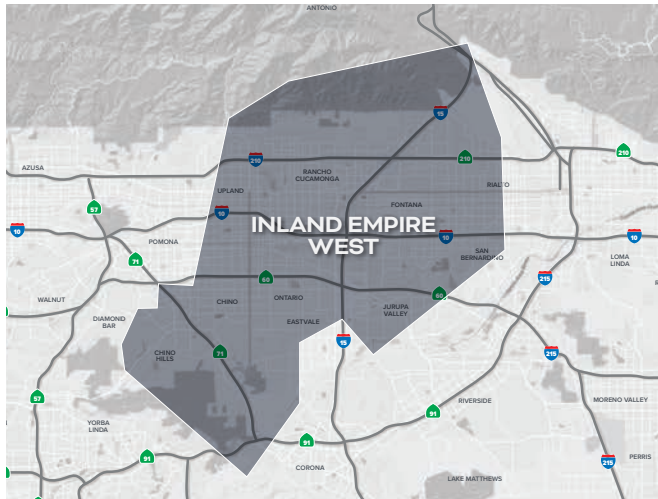
INVENTORY
330,678,734^{SF}

VACANCY
2.4% ▼

AVAILABILITY
2.5% ▼

UNDER CONSTRUCTION (Q2)
11,721,548^{SF}

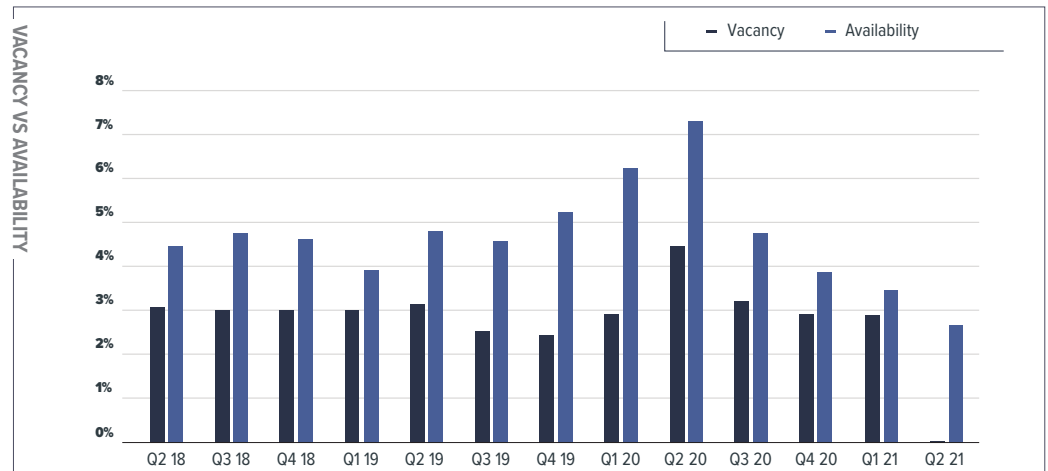
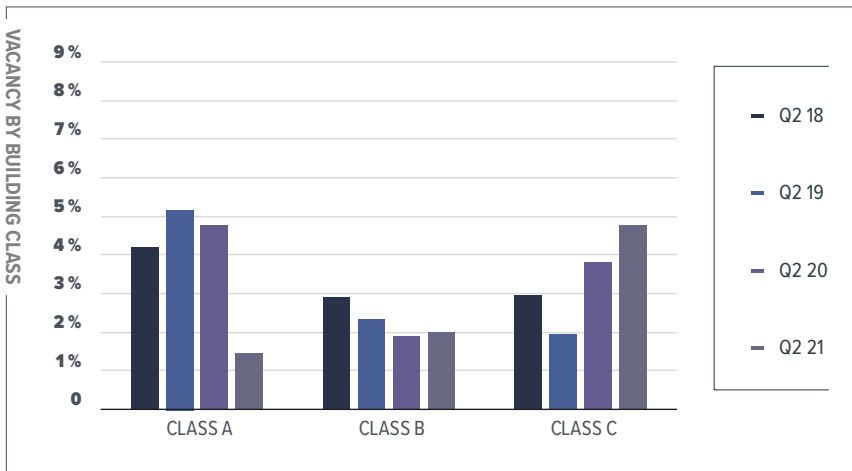
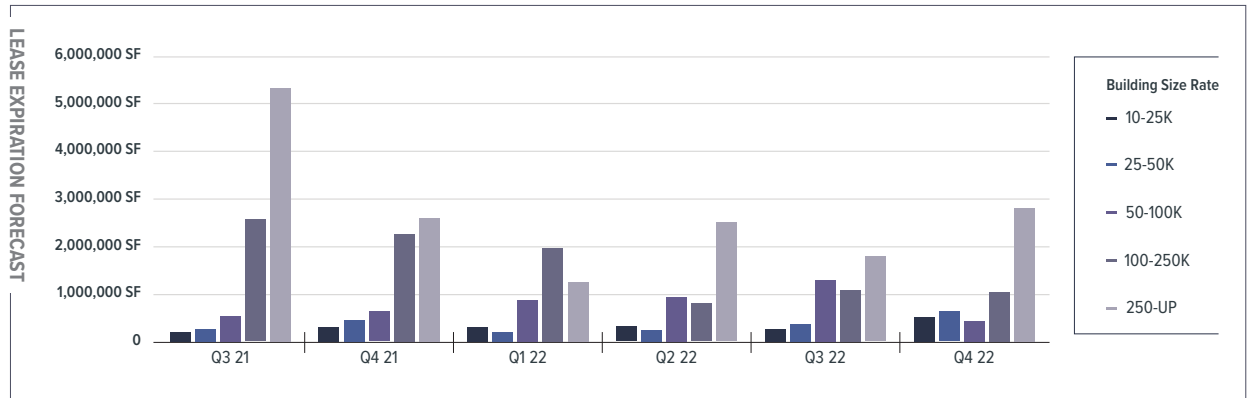
NET ABSORPTION (Q2)
4,102,353^{SF}



The Inland Empire market outperformed all major Southern California industrial markets in Q2. For the first time ever, the vacancy rate in the IE fell below 2%, falling 95 basis points in to just 1.78%. This number is even lower than Orange County, which has been suffering with tight supply for the past several years. The IE-West submarket, which boasts a current inventory of over 329 MSF, saw its vacancy rate decline to a miniscule 1.47%, down from 2.33% in just three months. Three of the IE West's seven cities now have a vacancy rate less than 1%. The shortage of space runs across all size ranges in both submarkets but is especially low in spaces over 250,000 SF, a range in high demand from the e-commerce sector. The average asking lease rate in held steady at \$0.83 NNN, but that number does not tell the full story about lease rates in the IE. A substantial portion of the available inventory is being offered for lease without an asking rate, and those buildings tend to be newer and of higher quality and functionality. The IE currently has just over 19 MSF of industrial space under construction, almost all of which is state-of-the-art distribution space designed for the logistics sector.

DEMAND

12 MO NET ABSORPTION % OF INVENTORY	3.50%
12 MO LEASED SF	28.9 M
MONTHS ON MARKET	3.2
MONTHS VACANT	2.4



INLAND EMPIRE WEST

SUBMARKET

TOTAL BUILDINGS

4,718

DELIVERIES (Q1)

1,837,366^{SF}

LEASE ACTIVITY

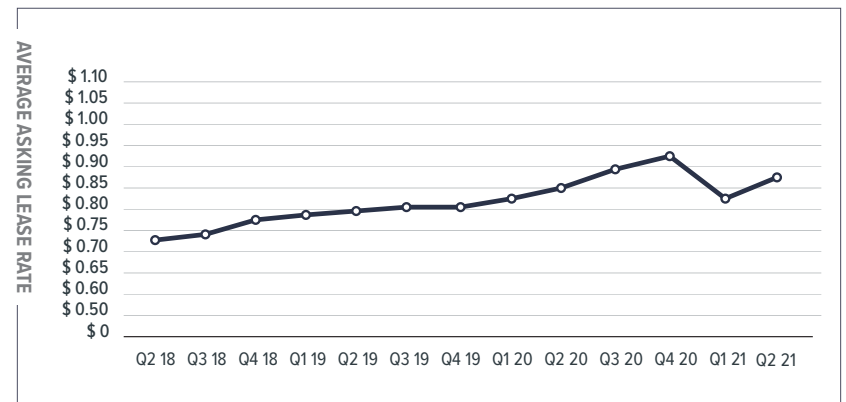
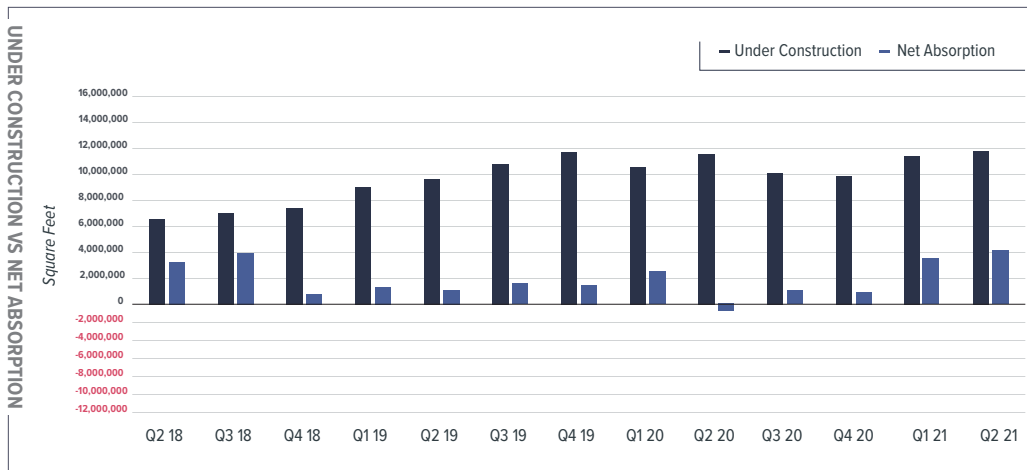
10,382,502^{SF}

SALE ACTIVITY

2,446,143^{SF}

CITY STATS

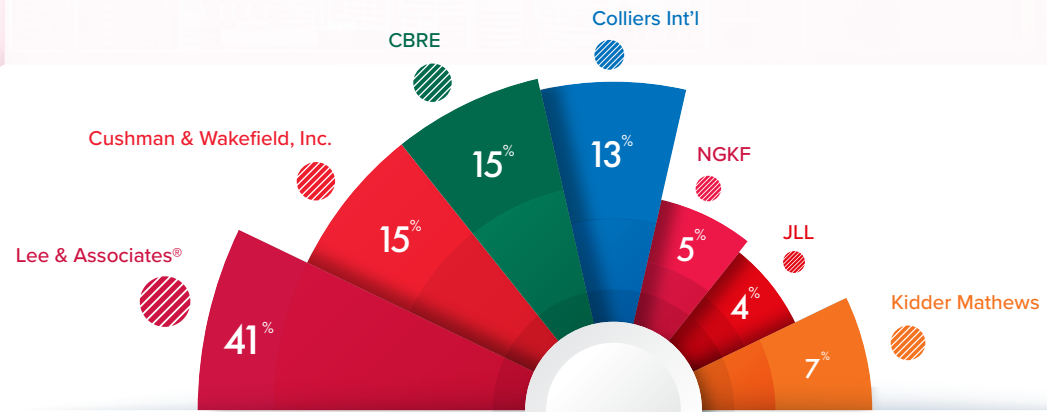
CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE RATE (PSF)
CHINO	899	53,505,250	1.9 ▲	2.1 ▲	0.72	28,600	364,212	\$189
CHINO HILLS	8	426,477	-	-	\$1.06	-	-	\$256
EASTVALE	47	10,390,597	2.3 ▼	12 ▲	\$1.75	92,280	92,280	\$190
FONTANA	744	67,046,659	2.4 ▼	4.2 ▲	\$1.18	786,369	989,989	\$186
JURUPA VALLEY	308	31,130,657	0.8 ▲	11.4 ▼	\$1.03	466,410	648,196	\$164
MIRA LOMA	22	1,677,454	0.5 ▼	4.6 ▼	\$0.92	4,179	28,179	\$164
MONTCLAIR	201	39,054,404	5.3 ▼	3.7 ▼	\$0.69	32,143	32,143	\$185
ONTARIO	1499	114,620,420	2.2 ▲	3.1 ▲	\$0.82	2,016,678	3,086,142	\$177
RANCHO CUCAMONGA	741	41,506,371	4.9 ▼	4.9 ▼	\$0.93	555,039	723,053	\$161
UPLAND	254	3,885,977	2.2 ▼	5.3 ▼	\$0.88	-1,342	24,027	\$226



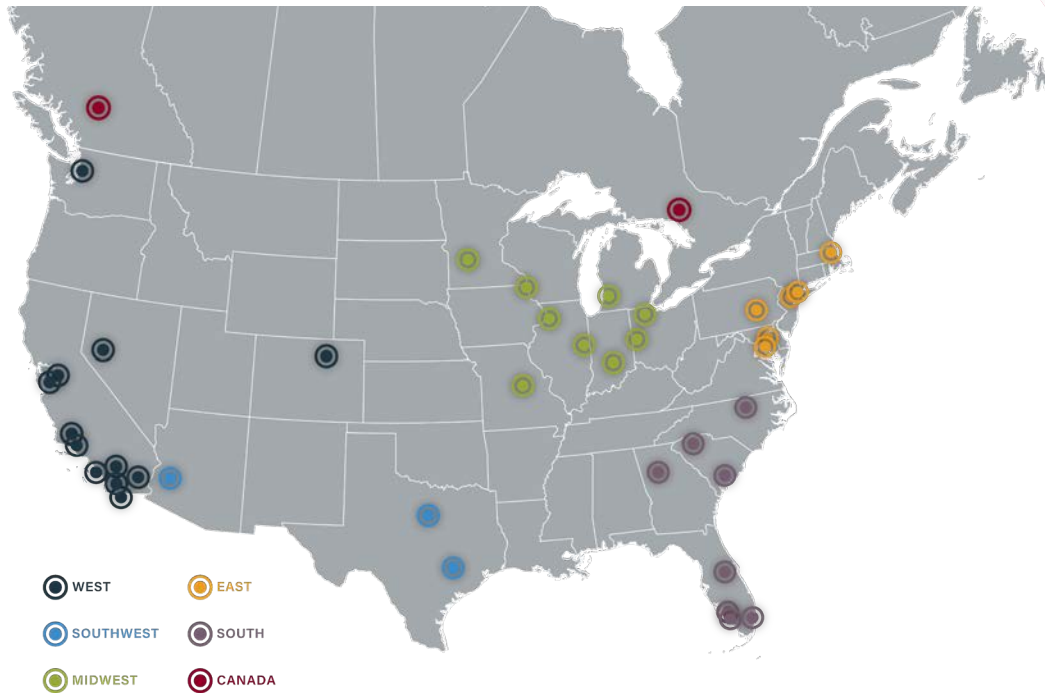
A LOOK AHEAD

Strong demand is expected to continue throughout the year and asking rents will continue to post double-digit gains through the end of 2021. U.S. import volume is forecast to remain healthy in the coming months as the consumer-driven demand for merchandise from Asia continues to accelerate. The shift in consumers moving to online shopping has massively accelerated the growth of ecommerce and will continue to drive the historic demand for warehouse space, especially for new product in infill locations. There is no end in sight for the success of the industrial sector.

Lee & Associates Market Share (Available Listings) - Central / SGV



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



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- 2020 - Washington, DC
- 2020 - Naples, FL
- 2020 - Boston, MA
- 2019 - Toronto, ON Canada
- 2018 - Cincinnati, OH
- 2018 - Raleigh, NC
- 2018 - Miami, FL
- 2016 - Seattle, WA
- 2016 - Walnut Creek, CA
- 2016 - Vancouver, BC Canada
- 2016 - Twin Cities, MN
- 2016 - Pasadena, CA
- 2015 - Eastern Pennsylvania

- 2015 - Columbus, OH
- 2015 - Houston, TX
- 2014 - Denver, CO
- 2014 - Cleveland, OH
- 2013 - Long Island-Queens, NY
- 2013 - Chesapeake Region, MD
- 2012 - Edison, NJ
- 2012 - Orlando, FL
- 2012 - Charleston, SC
- 2011 - Fort Myers, FL
- 2011 - Manhattan, NY
- 2011 - Greenville, SC
- 2010 - Atlanta, GA

- 2010 - Greenwood, IN
- 2010 - Indianapolis, IN
- 2009 - Long Beach, CA
- 2009 - Elmwood Park, NJ
- 2008 - Boise, ID
- 2008 - ISG, LA, CA
- 2008 - Palm Desert, CA
- 2008 - Santa Barbara, CA
- 2006 - Antelope Valley, CA
- 2006 - Dallas, TX
- 2006 - Madison, WI
- 2006 - Oakland, CA
- 2006 - Reno, NV

- 2006 - San Diego - UTC, CA
- 2006 - Ventura, CA
- 2006 - San Luis Obispo, CA
- 2005 - Southfield, MI
- 2005 - Los Olivos, CA
- 2004 - Calabasas, CA
- 2004 - St. Louis, MO
- 2002 - Chicago, IL
- 2001 - Victorville, CA
- 1999 - Temecula Valley, CA
- 1996 - Central LA, CA
- 1994 - Sherman Oaks, CA
- 1994 - West LA, CA

- 1993 - Pleasanton, CA
- 1993 - Stockton, CA
- 1991 - Phoenix, AZ
- 1990 - Carlsbad, CA
- 1990 - Industry, CA
- 1989 - LA - Long Beach, CA
- 1989 - Riverside, CA
- 1987 - Ontario, CA
- 1984 - Newport Beach, CA
- 1983 - Orange, CA
- 1979 - Irvine, CA

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