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Q2 2022 INDUSTRIAL MARKET INSIGHT

LEE & ASSOCIATES® RESEARCH | LOS ANGELES CENTRAL | INDUSTRY

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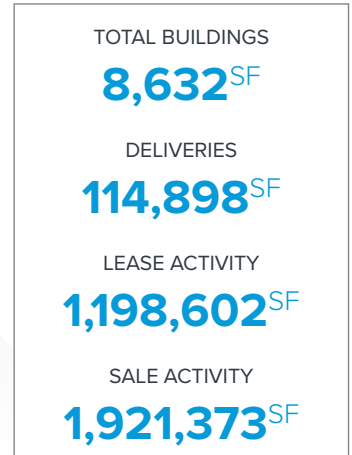
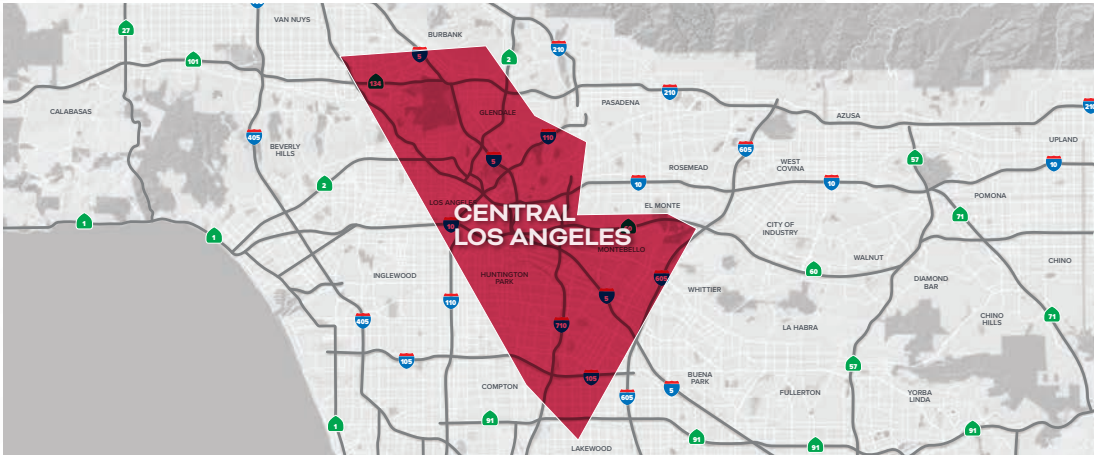
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Q2 2022 INDUSTRIAL MARKET INSIGHT

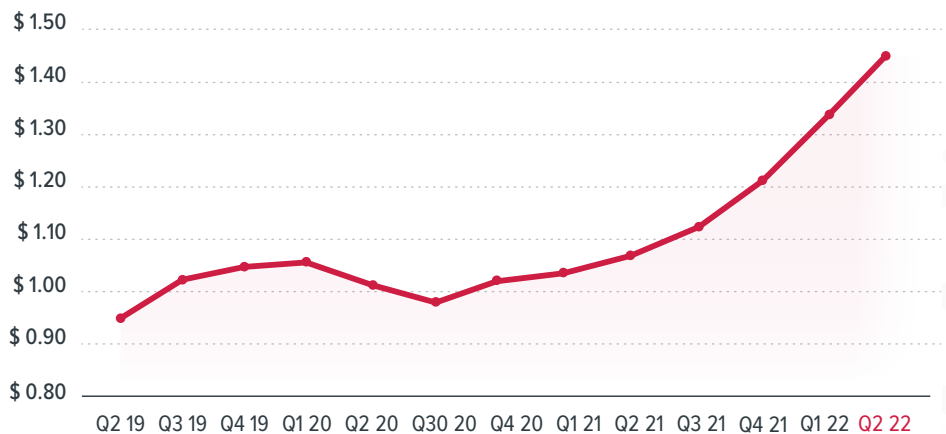
CENTRAL LOS ANGELES



■ Compared to Q2 of last year, average asking rental rates increased by 35%. They now stand at \$1.45 NNN PSF. This quarter a new peak in rents was reached in the Central market when a newly constructed facility in the City of Commerce transacted at \$2.16 NNN PSF. As this transaction indicates, demand for modern warehouse space in Central Los Angeles is nearly insatiable. Unfortunately, available functional space to meet modern logistics needs are few and far between within the submarket. Although over 630,782 square feet of industrial space is under construction, and over 114,000 delivered this quarter, the amount of space added to the base over the years has not been enough to meet the demand. One indication of this is that vacancy hasn't been above 3% in the Central LA for over 10 years. Currently, vacancy stands at 1.8%. While it is true that compared to the other submarkets of the LA Basin, Central has the highest vacancy rate, that doesn't gainsay the extremely tight conditions experienced within the submarket. Net absorption was negative for the quarter and the total amount leased was 1.6 million square feet, one of the lowest on record. You have to go back to Q3 of 2004 to find a lower amount leased within a quarter. Transactional volume is low, not because of a lack of demand, but because of an insufficient supply of industrial space to transact. Until this is addressed, expect market conditions to remain tight for the foreseeable future.



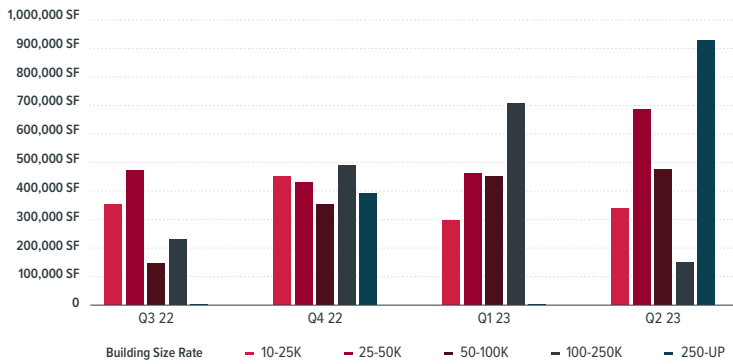
LEASE RATE TRENDS (NNN)



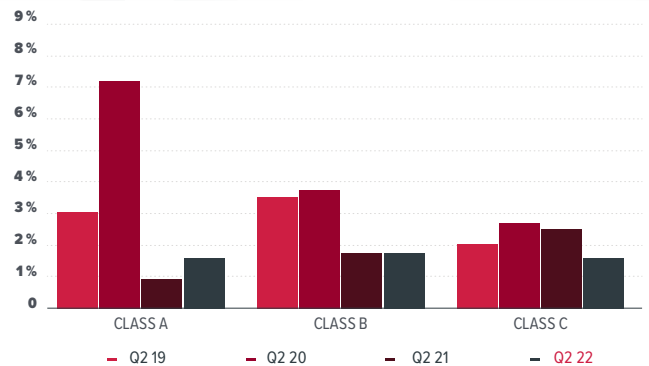
CENTRAL LOS ANGELES CITY STATS

CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE RATE (PSF)
BELL	45	3,934,527	2.4 ▲	0 ▼	\$1.59	-88,595	6,811	\$276
BELL GARDENS	102	2,007,025	0 —	0 —	\$1.19	0	0	\$282
COMMERCE	733	45,224,939	0.6 —	1.9 ▲	\$1.43	110,513	247,366	\$263
CUDAHY	36	990,567	0.7 ▼	5 ▲	\$1.88	26,445	7,192	\$251
HUNTINGTON PARK	160	3,752,549	1.5 ▲	6.3 ▲	\$1.34	15,818	15,818	\$247
DOWNTOWN LOS ANGELES	4,070	98,385,276	2.3 ▼	5.3 ▼	\$1.51	133,133	811,190	\$293
MAYWOOD	43	794,355	0 ▼	1 ▼	\$1.15	0	0	\$344
MONTEBELLO	215	9,866,486	0.9 ▲	1.3 —	\$1.38	-41,841	47,373	\$269
PICO RIVERA	197	10,277,150	0.8 ▲	0.8 ▼	\$1.28	-36,904	4,900	\$281
SOUTH GATE	226	9,894,887	0 —	0.3 ▼	\$1.98	22,061	0	\$258
VERNON	781	42,685,067	1.5 ▲	1.6 ▲	\$1.19	-315,571	148,228	\$266

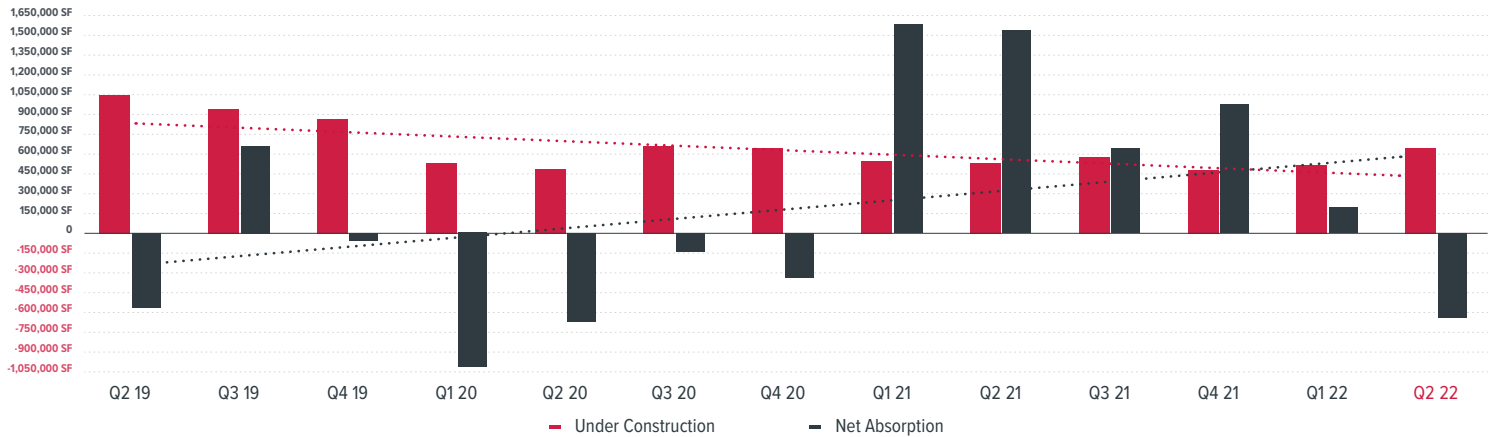
LEASE EXPIRATION FORECAST



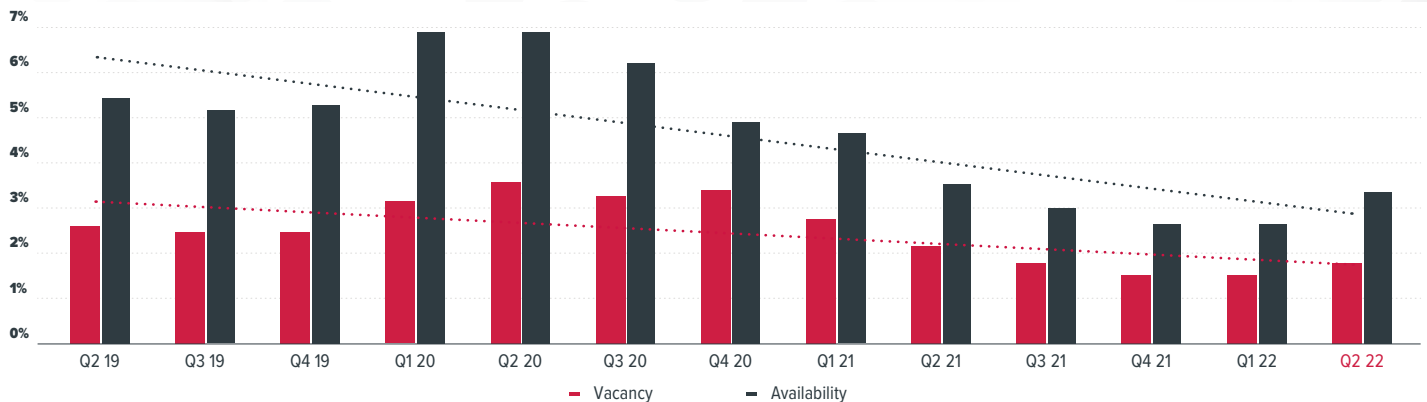
VACANCY BY BUILDING CLASS



UNDER CONSTRUCTION VS. NET ABSORPTION

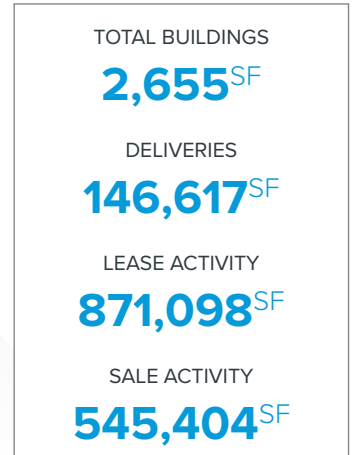
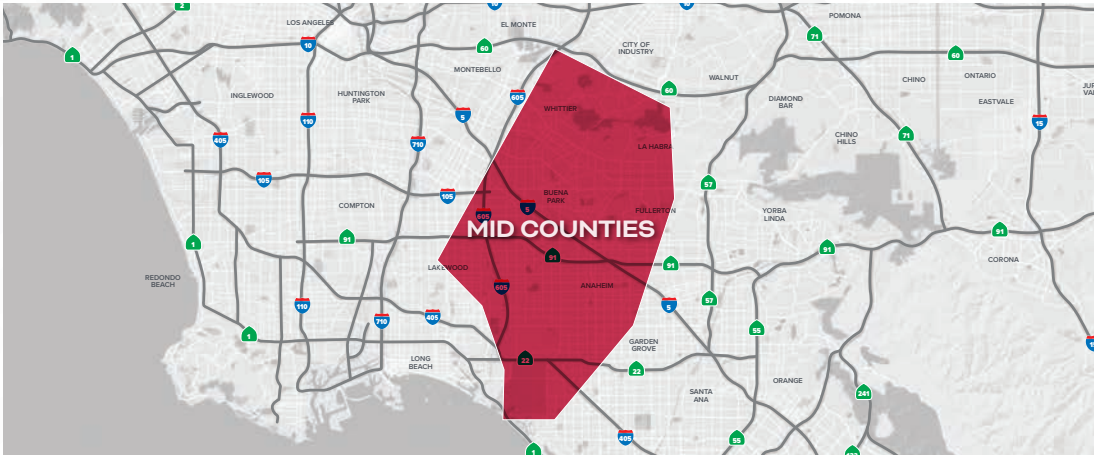


VACANCY VS. AVAILABILITY



Q2 2022 INDUSTRIAL MARKET INSIGHT

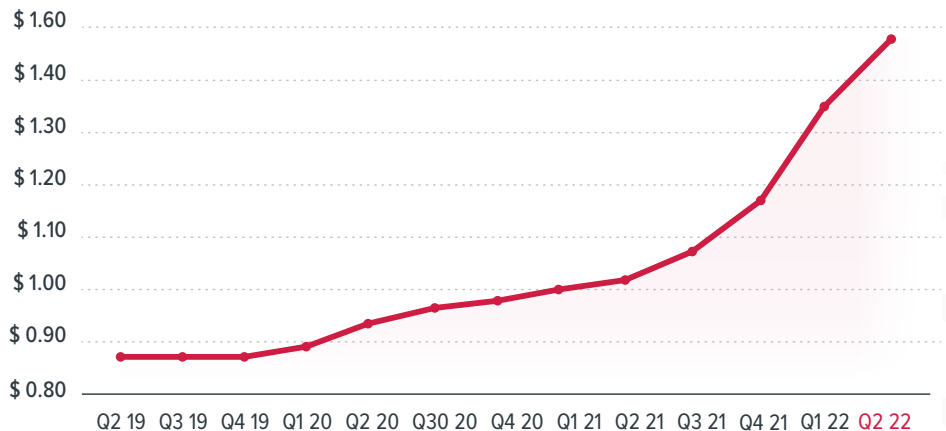
MID COUNTIES



■ At the end of Q2'22, the Mid-COUNTIES continued to have the lowest vacancy rate of any major industrial submarket at 1.3%. Just over 165,000 SF was under construction at quarter's end. Santa Fe Springs has approximately 92,000 SF under construction, followed by Whittier with 28,000 SF. These numbers are inadequate to alleviate the supply problem throughout the region. With very little development activity in the pipeline, Mid-COUNTIES will continue to see tight market conditions, as limited availability will put upward pressure on rental rates. Average asking rents increased to \$1.60 NNN PSF, up nearly 43% from 2Q 2021's \$1.12 NNN PSF. Prepare renewing-tenants for sticker shock as rents have more than tripled over the past 10 years. For reference, in Q2 2012, rents were \$0.48 NNN PSF. To secure the best deal possible, occupiers should plan to engage in discussions with landlords well ahead of any lease expirations or new requirements. Landlords, nonetheless, will likely push rents upward without feeling the need to provide much in the way of tenant concessions.



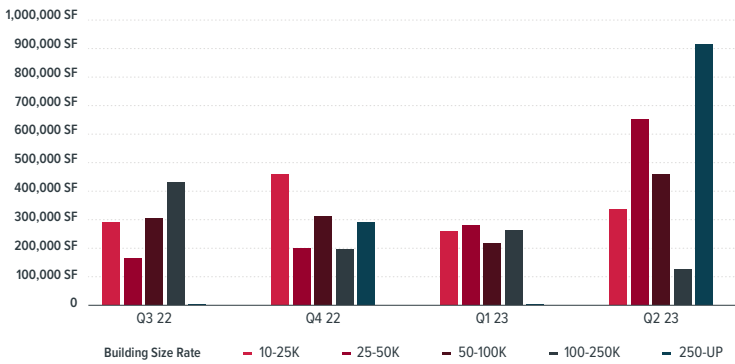
LEASE RATE TRENDS (NNN)



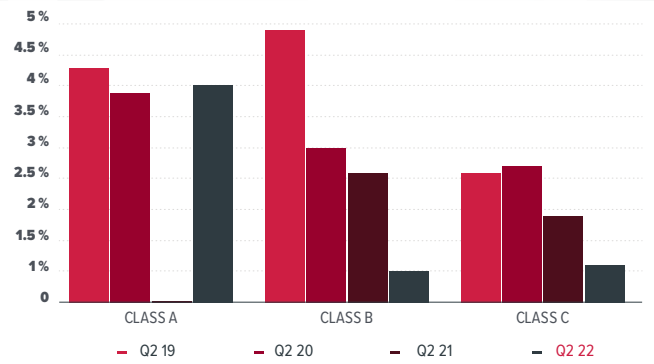
MID COUNTIES CITY STATS

CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE RATE (PSF)
ARTESIA	28	332,967	5.8 ▲	6.9 ▼	\$1.32	30,062	30,062	\$349
BELLFLOWER	65	921,289	1.4 ▲	2 ▲	\$1.39	-13,460	7,100	\$340
BUENA PARK	217	13,263,349	0.8 ▲	3.2 ▲	\$1.53	-34,139	3,612	\$254
CERRITOS	249	12,696,780	2.1 ▲	3.9 ▲	\$1.58	-180,484	33,785	\$292
CYPRESS	249	12,692,613	2.1 ▲	3.9 ▲	\$1.53	-180,484	33,785	\$292
LA MIRADA	176	13,363,739	1.7 ▲	1.9 ▲	\$1.38	-8,573	75,920	\$291
LA PALMA	16	1,778,216	4.1 ▼	0 -	\$1.75	11,421	84,321	\$226
LOS ALAMITOS	89	2,193,057	0 ▲	1.8 ▲	\$1.46	-17,736	0	\$314
NORWALK	88	2,874,315	0.1 ▼	0.5 -	\$1.50	-1,344	0	\$277
SANTA FE SPRINGS	1,343	53,653,465	0.9 ▼	2.1 ▲	\$1.35	38,168	160,586	\$311
WHITTIER	161	4,117,574	0.6 ▲	1.6 ▲	\$1.48	13,225	900	\$286
DOWNEY	134	4,570,998	1.2 ▲	2.4 ▲	\$1.48	-10,960	16,128	\$304

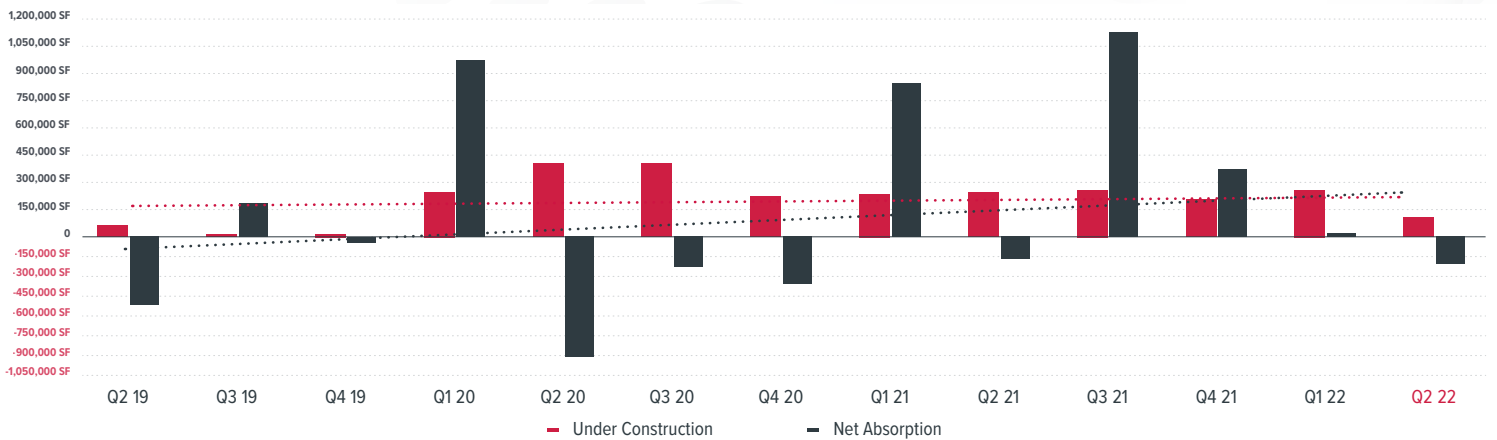
LEASE EXPIRATION FORECAST



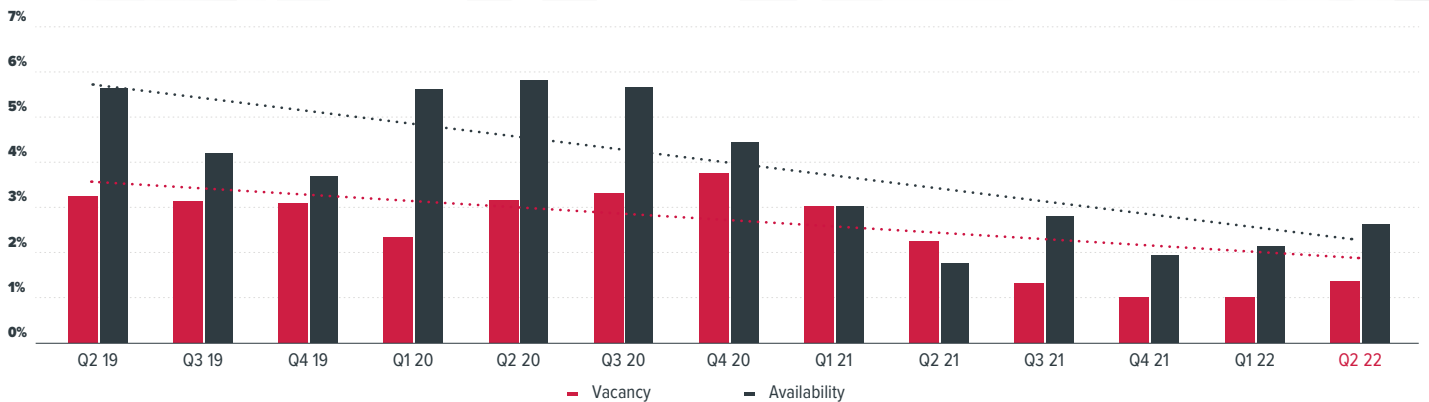
VACANCY BY BUILDING CLASS



UNDER CONSTRUCTION VS. NET ABSORPTION

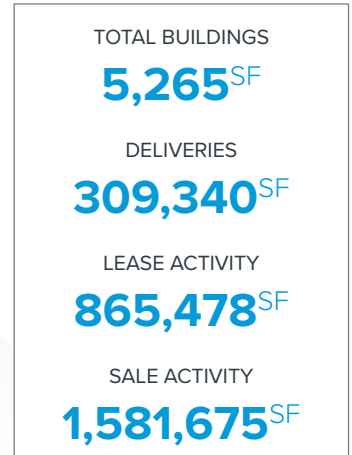
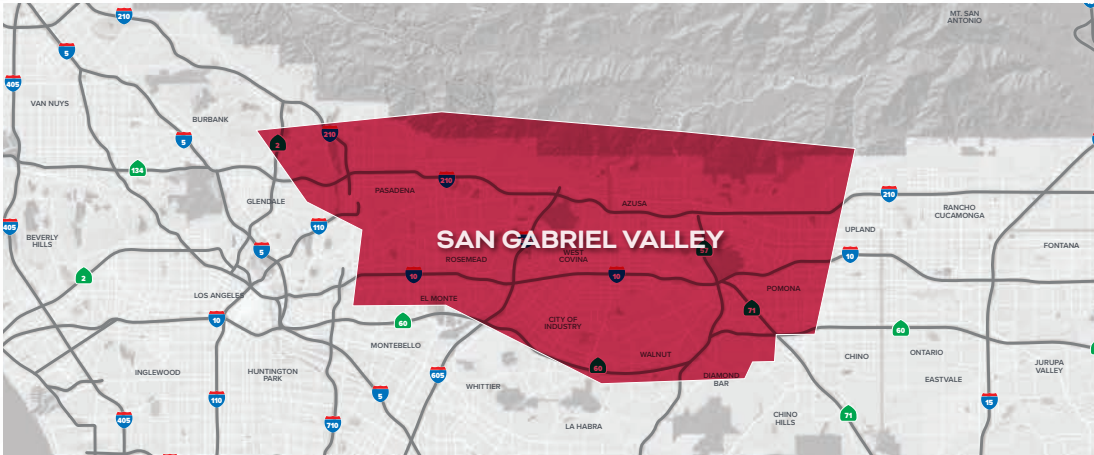


VACANCY VS. AVAILABILITY



Q2 2022 INDUSTRIAL MARKET INSIGHT

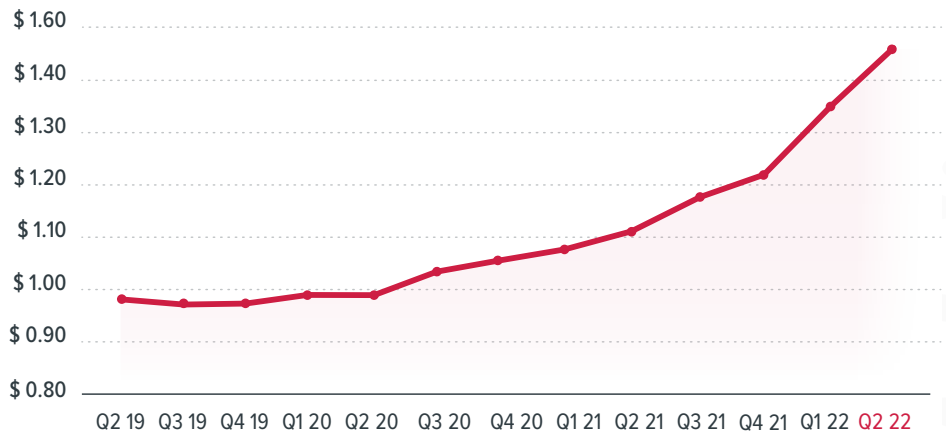
SAN GABRIEL VALLEY



■ The San Gabriel Valley industrial market closed out the second quarter with a vacancy rate at 1.5%. Average asking rents increased to a historic high of \$1.64 NNN PSF per month. Construction activity remains strong with 2.2 million square feet currently underway. No other submarket within Los Angeles has a higher square feet under construction. Majestic Realty broke ground on a one million square feet warehouse in San Gabriel Valley. This development marks the largest project in the market in over thirty years. With an availability rate of 4.1%, the SGV submarket will likely see an uptick in pre-leasing activity since compared to other markets within Southern California there is more available space. The largest new lease this quarter was JD Logistics's lease of 216,716 square feet in the City of Industry. Competition for well-located buildings with high clearance and dock high loading is fierce. Such facilities attract expanding e-commerce tenants who are willing to pay top dollar for strategic locations.



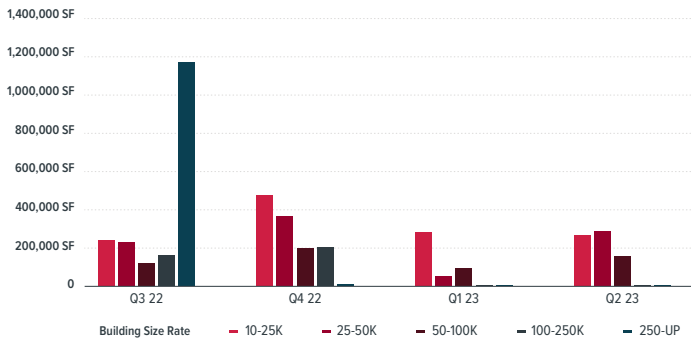
LEASE RATE TRENDS (NNN)



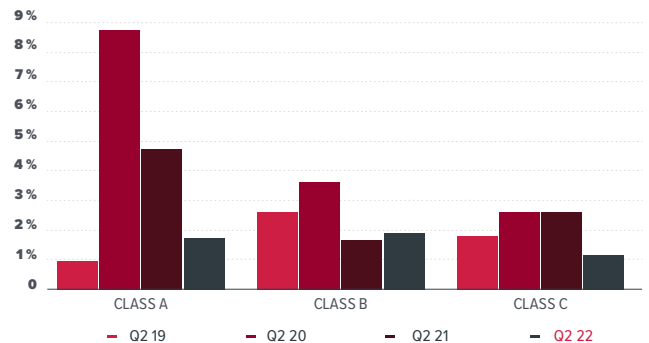
SAN GABRIEL VALLEY CITY STATS

CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE RATE (PSF)
ALHAMBRA	112	2,148,286	2.5	1.5	\$1.31	14,228	15,508	\$347
ARCADIA	103	2,463,172	1.5	0.3	\$1.11	-9,726	4,944	\$381
AZUSA	241	6,681,087	0.5	5.9	\$0.98	12,840	16,500	\$287
BALDWIN PARK	246	4,713,355	2.2	2.7	\$1.55	-20,471	42,180	\$338
CLAREMONT	20	600,639	0.5	1.5	\$1.01	2,800	2,800	\$251
COVINA	170	2,853,526	0.9	1.4	\$1.30	-18,393	0	\$297
DIAMOND BAR	20	470,374	0	0	\$1.33	-1,927	3,111	\$309
DUARTE	69	1,773,754	4.7	2.4	\$1.42	-13,191	3,244	\$329
EL MONTE	312	8,434,974	1.2	2.1	\$1.42	-40,042	4,904	\$314
GLENORA	52	749,458	5.5	6.5	\$1.15	4,800	4,800	\$304
INDUSTRY	1,040	72,597,441	1.1	2.8	\$1.55	8,517	494,542	\$261
IRWINDALE	260	11,628,944	3.3	6.7	\$1.42	-272,782	328,595	\$278
LA PUENTE	90	1,799,348	0.6	0.6	\$1.26	0	0	\$378
LA VERNE	134	2,831,434	1.1	0.7	\$1.00	1,408	33,867	\$352
MONROVIA	205	3,312,337	0.6	1.8	\$1.15	-12,900	0	\$337
MONTEREY PARK	98	1,718,801	1.3	1.6	\$1.26	-7,258	0	\$371
PASADENA	98	1,718,801	1.3	1.6	\$1.23	-9,800	10,800	\$371
POMONA	646	19,778,279	0.8	1.6	\$1.29	39,522	45,101	\$258
ROSEMEAD	52	1,223,639	0	0	\$1.72	0	0	\$305
SAN DIMAS	126	3,124,113	0.6	1.7	\$1.39	23,066	36,271	\$282
SAN GABRIEL	69	1,140,289	1	1	\$1.56	-2,450	6,143	\$293
SOUTH EL MONTE	829	11,085,226	2.3	1.3	\$1.50	-48,033	22,272	\$343
TEMPLE CITY	34	589,089	0	0	\$1.70	0	0	\$343
WALNUT	199	6,947,821	3.7	1.5	\$1.60	13,777	26,765	\$273
WEST COVINA	14	568,253	1.2	2	\$1.26	2,547	4,587	\$262

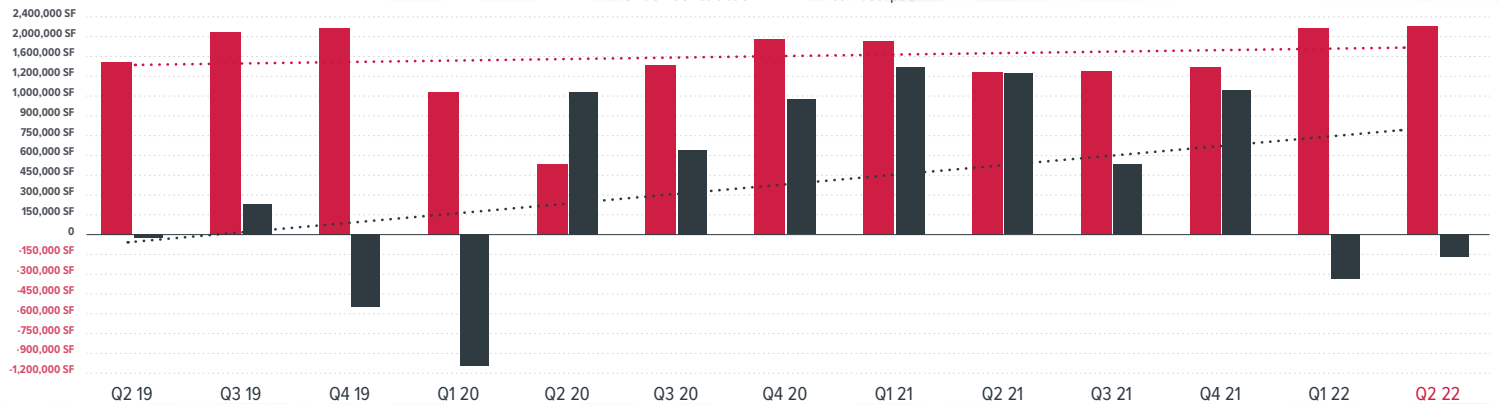
LEASE EXPIRATION FORECAST



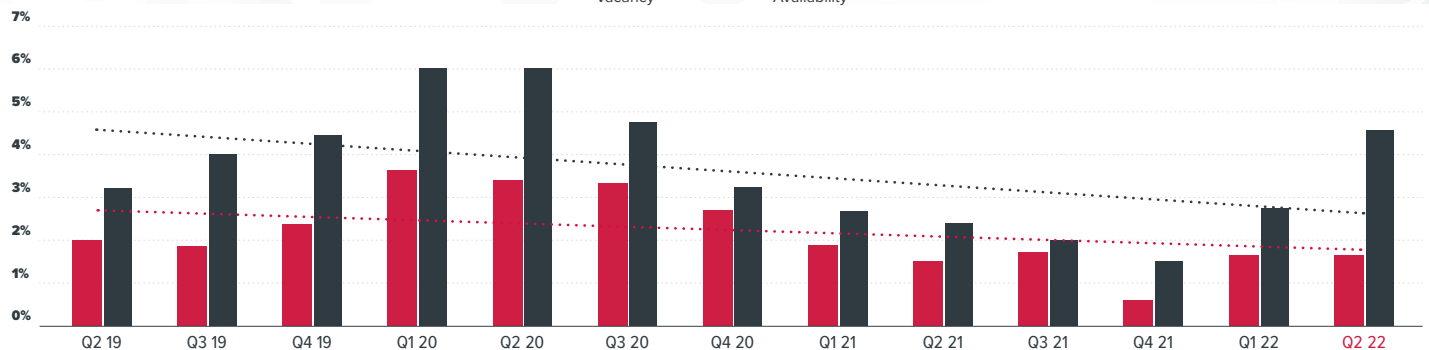
VACANCY BY BUILDING CLASS



UNDER CONSTRUCTION VS. NET ABSORPTION

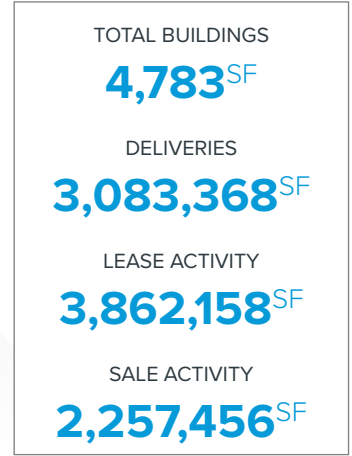
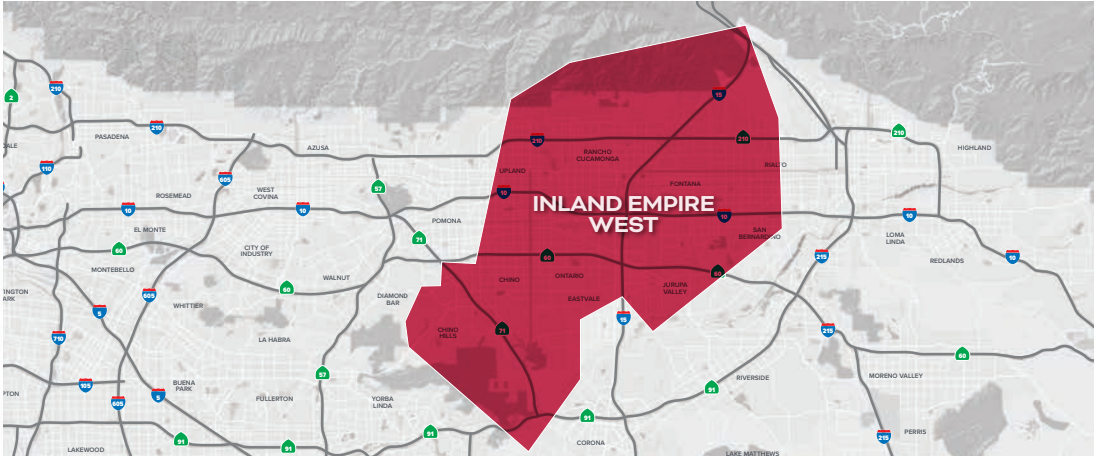


VACANCY VS. AVAILABILITY

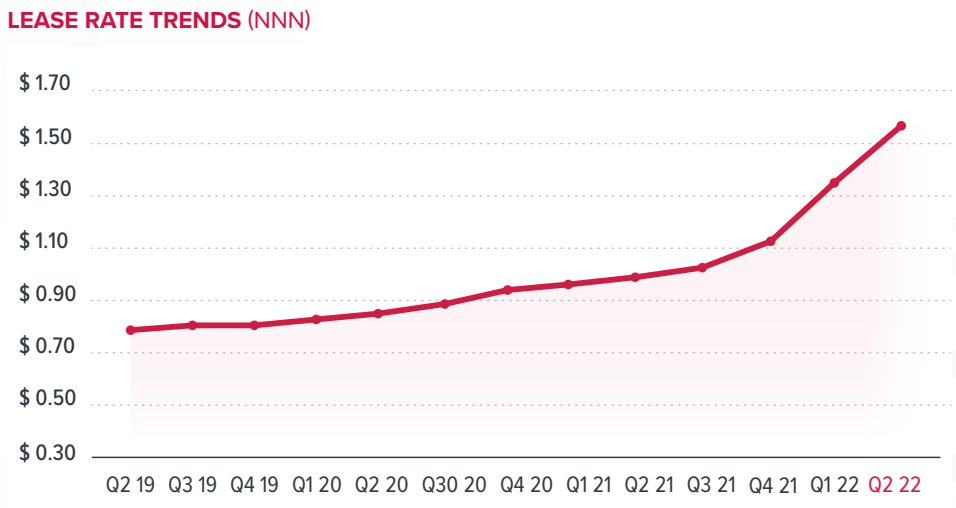
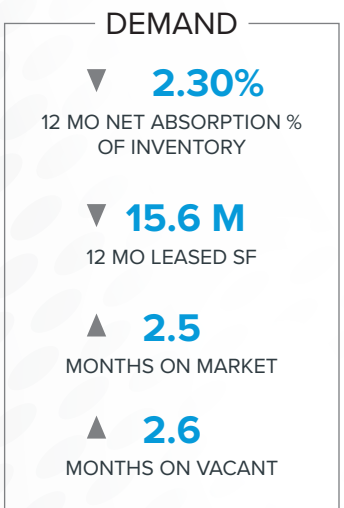


Q2 2022 INDUSTRIAL MARKET INSIGHT

INLAND EMPIRE WEST



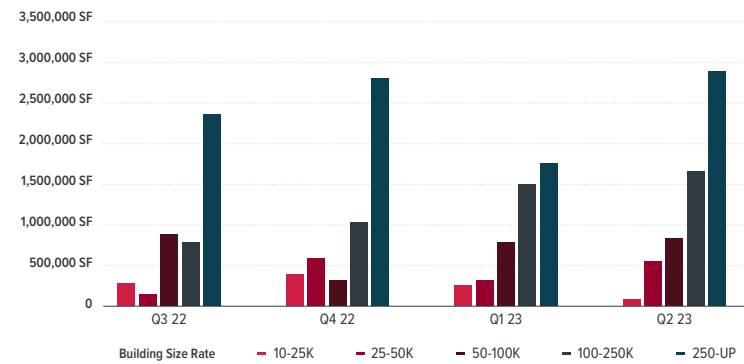
■ The Inland Empire continued its explosive growth in Q2. By any measure—whether it is vacancy, average asking rents, net absorption, square feet leased, or square feet under development – the Inland Empire is performing at the highest levels. Average asking rents continue their meteoric rise, jumping 77% year over year, from \$0.84 NNN PSF in Q2’21 to \$1.49 NNN PSF in Q2’22. In the IE West, it is even higher at \$1.65 NNN PSF. Vacancy currently stands at 0.71%, a year over year decline of 219 basis points from Q2’21’s 2.90%. Net absorption for the quarter totaled over 4.7 million square feet. The sector has grown exponentially since the start of the pandemic and continues to attract institutional investment. Roughly 34 million square feet (MSF) of new construction is ongoing. Expect cap rates to compress further, vacancy to remain low, and rental rates to only increase. Due to all this growth, a handful of Inland Empire cities have enacted development moratoriums on future industrial product. Similarly, California Assembly Bill 2840, which, if passed, will require new warehouses with footprints of 100,000 square feet or larger in Riverside and San Bernardino Counties to be built at least 1,000 feet away from residential properties and schools. This will push new warehouse construction to more peripheral markets of the Inland Empire, such as the High Desert. These restrictions notwithstanding, the Inland Empire is now the prime logistics market in the nation.



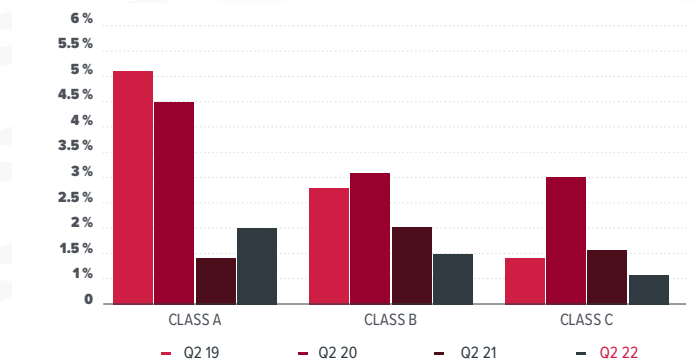
INLAND EMPIRE WEST CITY STATS

CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE RATE (PSF)
CHINO	906	53,637,606	0.3 ▼	2.5 ▲	\$1.50	-125,940	113,771	\$270
EASTVALE	55	11,785,225	3.1 ▲	2.3 ▲	\$1.68	1,093,502	1,093,502	\$273
FONTANA	755	68,952,741	1.3 ▲	2.5 ▲	\$1.65	644,508	949,971	\$269
JURUPA VALLEY	306	31,585,496	1 ▼	2.3 ▲	-	142,673	142,673	\$240
MIRA LOMA	22	1,677,454	1 ▲	0.4 ▼	-	13,799	30,684	\$253
MONTCLAIR	201	3,952,053	0.3 ▼	0.9 ▼	\$1.33	25,438	36,337	\$322
ONTARIO	1,508	116,304,005	0.8 ▲	3.2 ▲	\$1.55	-594,137	271,059	\$257
RANCHO CUCAMONGA	749	40,776,533	1 ▲	2.3 ▲	\$1.60	6,573	250,274	\$265
UPLAND	258	3,961,659	2.2 ▲	4.7 ▲	\$1.11	-63,083	41,099	\$289

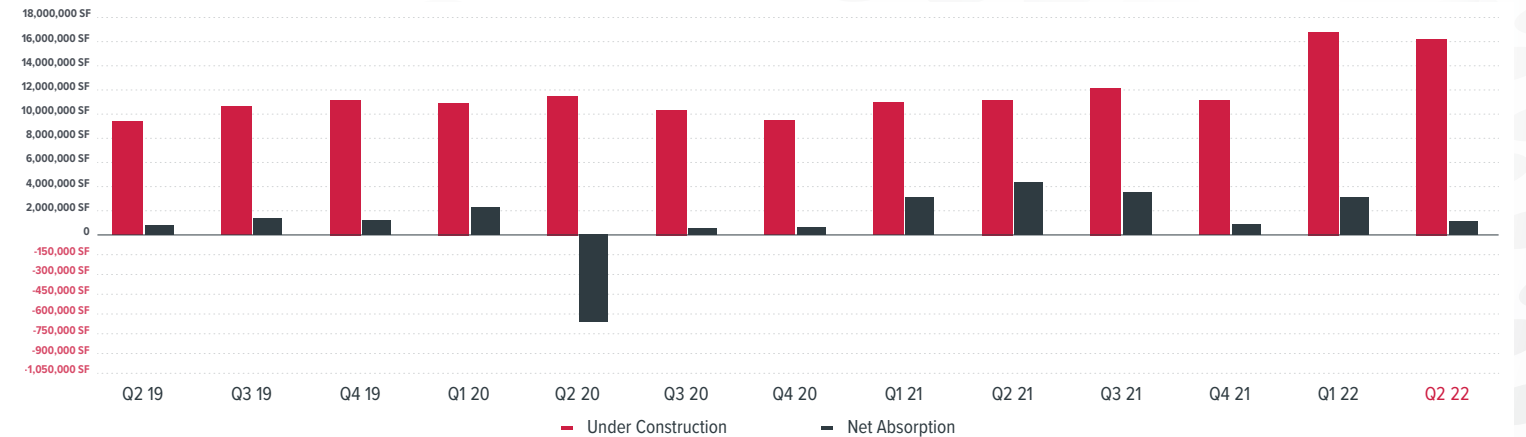
LEASE EXPIRATION FORECAST



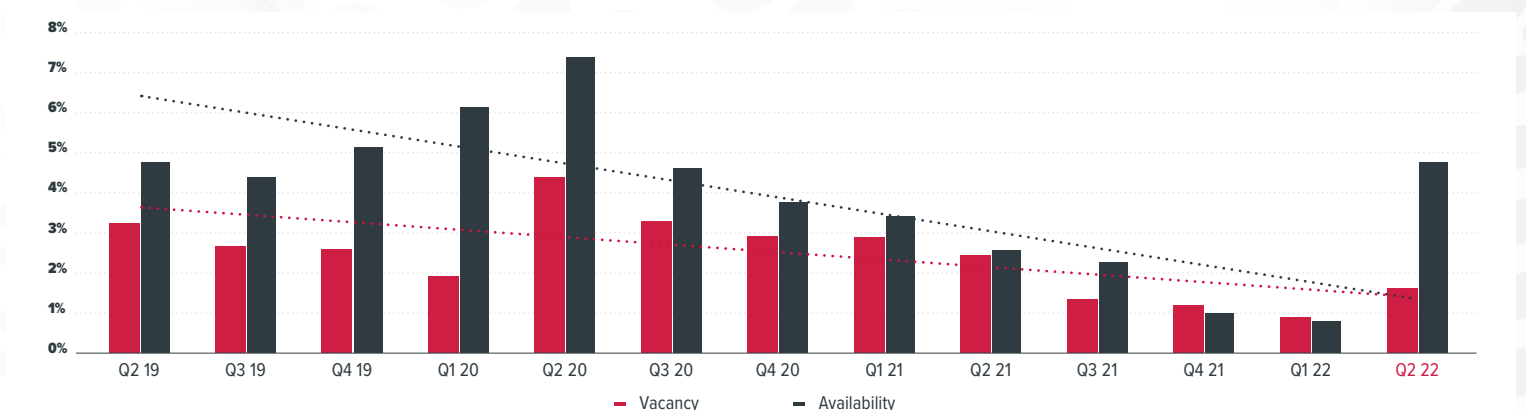
VACANCY BY BUILDING CLASS



UNDER CONSTRUCTION VS. NET ABSORPTION



VACANCY VS. AVAILABILITY



Q2 2022 INDUSTRIAL MARKET INSIGHT

A LOOK AHEAD

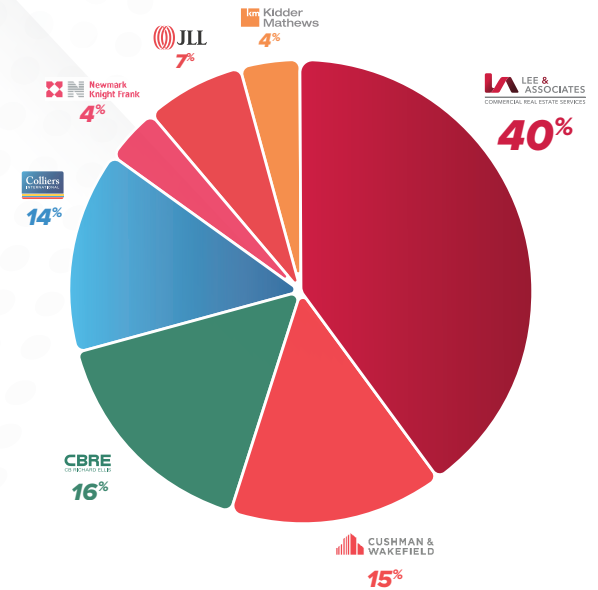
■ With near-zero vacancy levels across the LA Basin, average rental rates are forecast to increase even more.

Expect market conditions to remain extremely tight and concerns about high inflation and slowing economic growth to persist throughout the rest of year and into 2023. At the upcoming FOMC meeting the Fed is expected to raise the fed funds rate by at least 75 basis points, and Fed has stated that it will raise interest rates at each meeting until it sees clear signs of declining inflation.

Regarding the demand for warehouse space, expect it to endure for the foreseeable future. Recently concerns have been raised about potential oversupply of industrial space. These concerns do not portend declining demand for warehouse space, in our judgment. Even if all the speculative product were to hit the market immediately as vacant, the national vacancy rate would rise to 6.3% -- mere basis points away from the historical average of 6%.

LEE & ASSOCIATES MARKET SHARE

Available Listings - Central / Mid-Counties / SGV / IE West



TOP 5 TRANSACTIONS BY SF (Q2 2022)



LEASED

333 S. Hacienda Boulevard
City of Industry, CA 91745

216,716 SF

Lessee: JD Logistics
Agents: Michael Lee



SOLD-INVESTMENT

12801 Ann Street
Santa Fe Springs, CA 90670

106,230 SF

Buyer: TA Realty
Agents: Tim Cronin & Jake Arellano



LEASED

2726 Fruitland Avenue
Vernon, CA 90058

104,110 SF

Lessee: F. Gavina & Sons, Inc.
Agents: Jim Halferty & Hovik Mirzoyan



LEASED

5620 Knott Avenue
Buena Park, CA 90621

183,958 SF

Lessee: RCUSA Holdings
Agents: Tim Cronin & Brad Gilmer



LEASED

3847 Capitol Avenue
City of Industry, CA 90601

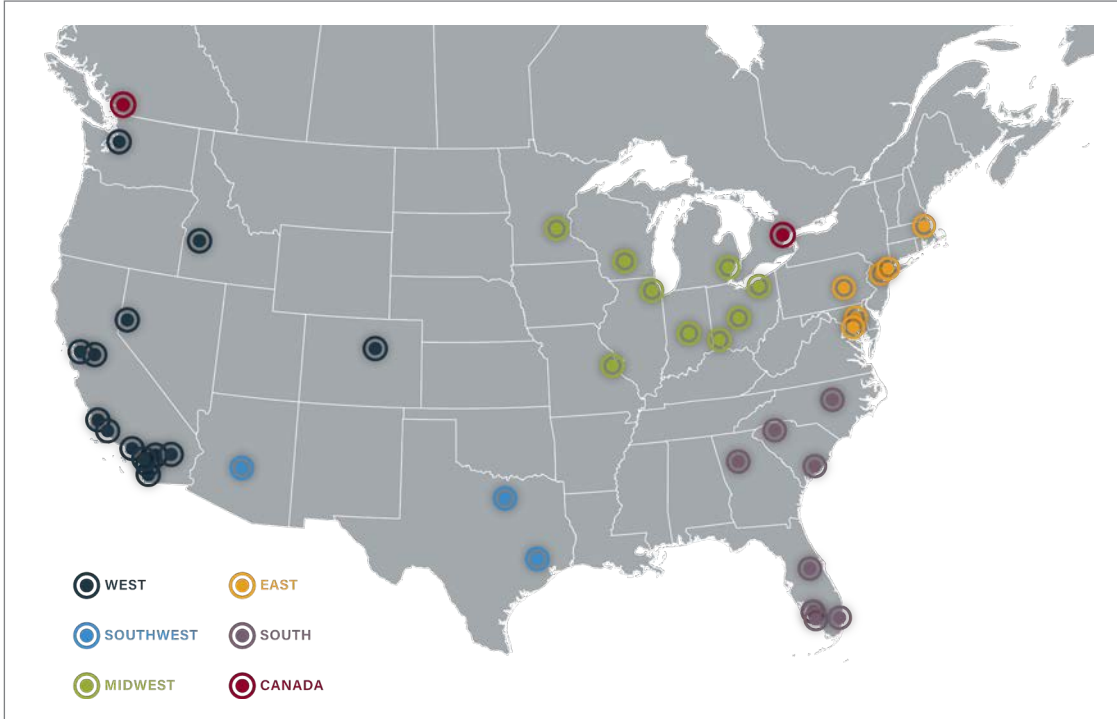
59,999 SF

Lessee: Y & I Associates, LLC.
Agents: Jeff Bethel & Jack Cline

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54% Increase in Brokered Sale & Lease SF Over 5 Years

\$14+ Billion Transaction Volume (2020)

1.3K+ Professionals and Growing Internationally

65+ Offices Nationwide

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| Czech Republic | Luxembourg | Slovakia |
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These reports are based on industrial single and multi-tenant buildings that are greater than 5,000.

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