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Q3 2022 INDUSTRIAL MARKET INSIGHT

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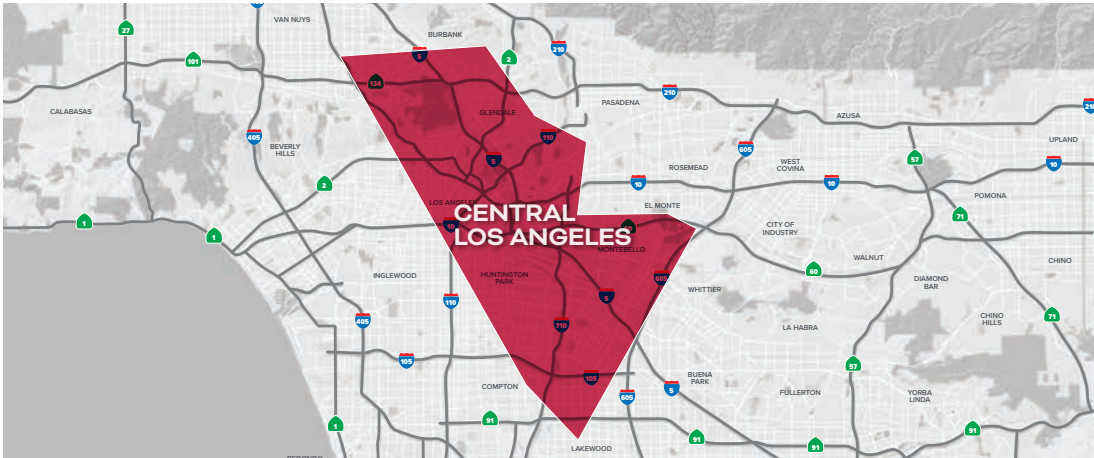
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Q3 2022 INDUSTRIAL MARKET INSIGHT

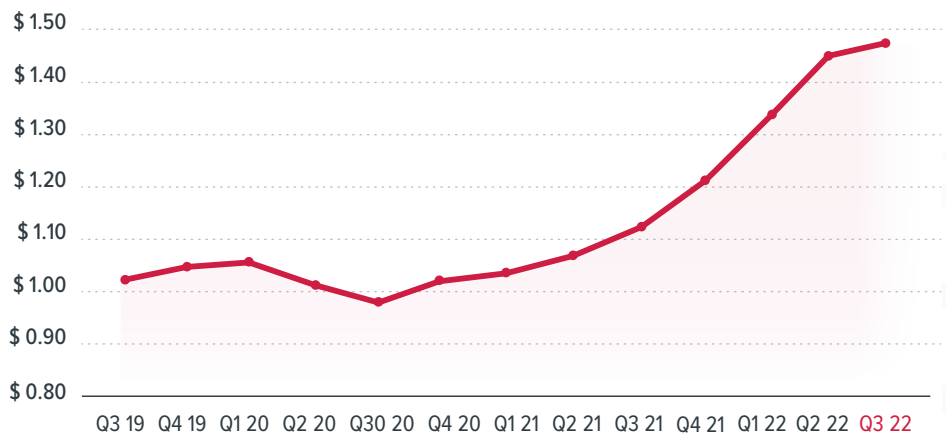
CENTRAL LOS ANGELES



■ Vacancy for in Central LA ended the quarter at 2.4%. Even with that extremely low rate, compared to the other submarkets within LA's industrial base, Central LA had the highest vacancy rate. Bear in mind that Central LA has had a vacancy rate below 3% for over 10 years now. With so little industrial space to transact, it is surprising that the total amount leased was over 2.6 million square feet this quarter. Historically, the average square feet leased is 2.2 million per quarter. Although net absorption for the quarter was negative, as the transaction volume indicates, demand for modern warehouse space in Los Angeles is nearly insatiable. Unfortunately, available functional space to meet modern logistics needs are few and far between within the submarket. Although over 460,000 square feet of industrial space is under construction, and over 208,000 delivered this quarter, the amount of space added to the submarket over the years has not been enough to meet the demand. Industrial demand is heavily concentrated in the Vernon and Commerce micromarkets, where food production and apparel manufacturing are the top industries.



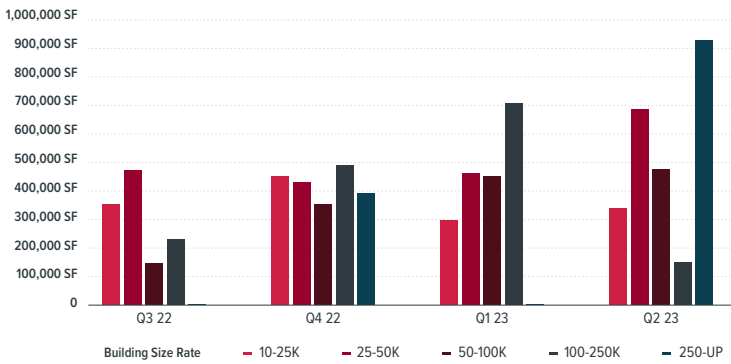
LEASE RATE TRENDS (NNN)



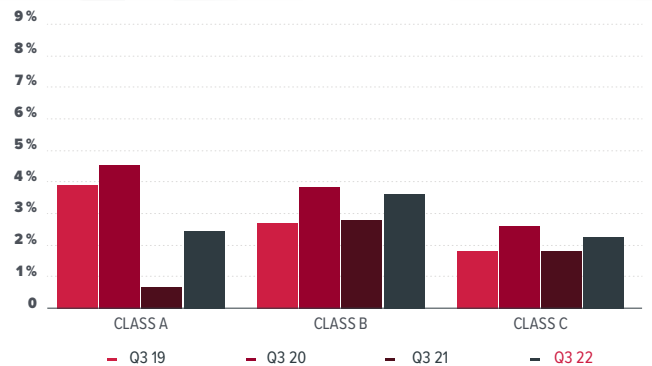
CENTRAL LOS ANGELES CITY STATS

CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE PRICE/SF
BELL	45	3,934,527	1.3 ▼	1.5 ▲	\$1.89	45,406	45,406	\$280
BELL GARDENS	103	2,014,711	0 —	0 —	\$1.15	0	0	\$292
COMMERCE	737	45,528,957	0.8 —	3.1 ▲	\$1.80	-23,878	241,406	\$269
CUDAHY	36	990,567	0.7 ▼	4.3 ▼	-	6,946	6,946	\$260
HUNTINGTON PARK	161	3,773,029	2.9 ▲	6.8 ▲	\$1.38	-51,973	37,250	\$257
DOWNTOWN LOS ANGELES	4754	145,761,099	3.6 ▲	4.9 ▲	\$1.52	-905,411	723,253	\$319
MAYWOOD	43	796,355	1.6 ▲	2.6 ▲	\$1.17	-12,500	0	\$362
MONTEBELLO	216	9,960,753	0.8 ▼	4.6 ▲	\$1.63	6,695	48,468	\$275
PICO RIVERA	197	10,279,134	0.7 ▼	1.3 ▲	\$1.61	8,230	43,024	\$291
SOUTH GATE	226	9,914,858	0.5 ▲	0.5 ▲	-	-46,857	0	\$266
VERNON	781	43,216,134	1.6 ▲	0.8 ▼	\$1.41	-45,083	73,825	\$274

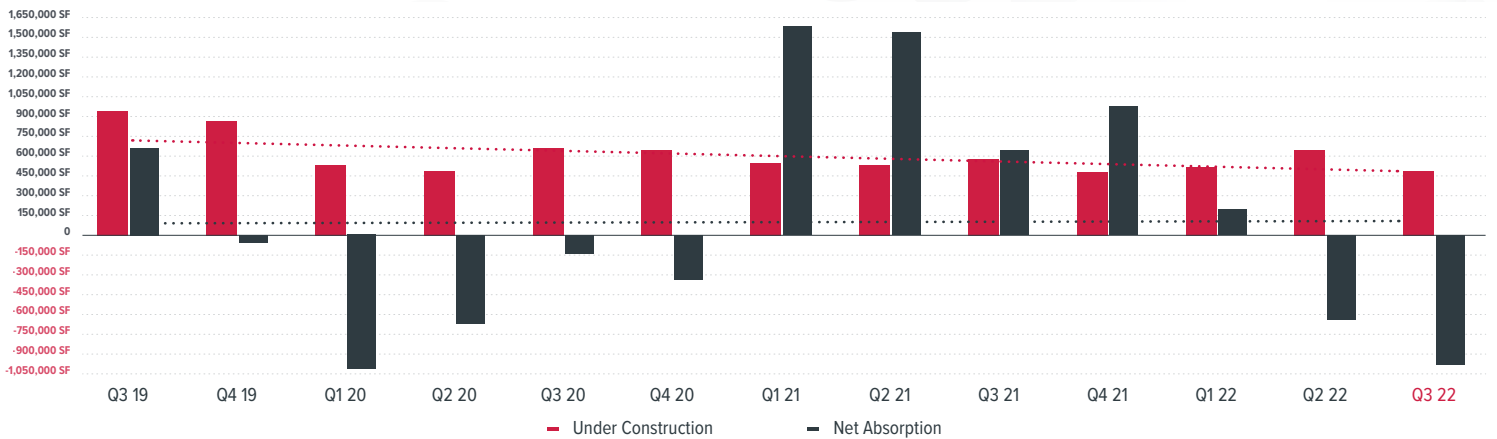
LEASE EXPIRATION FORECAST



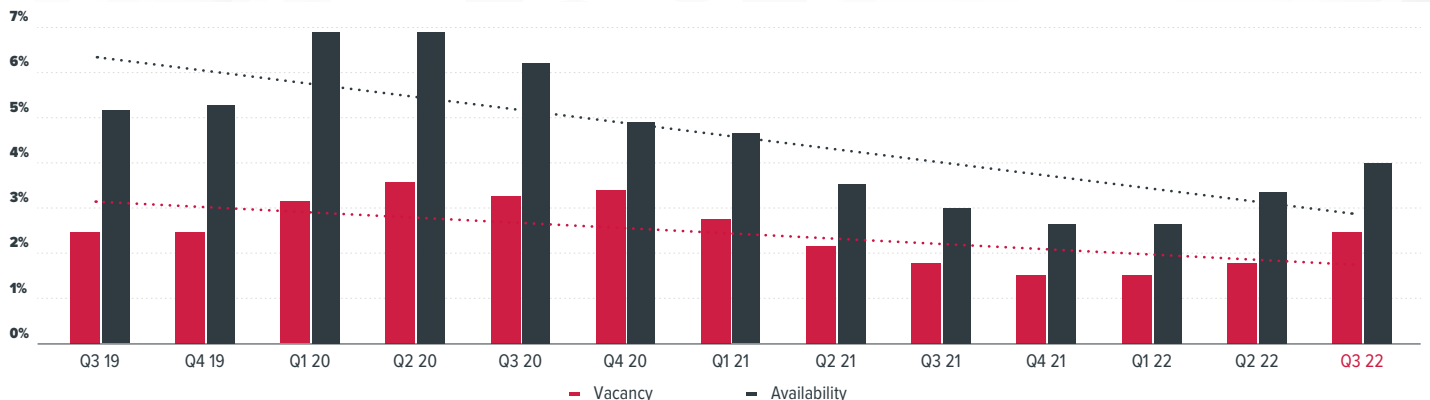
VACANCY BY BUILDING CLASS



UNDER CONSTRUCTION VS. NET ABSORPTION

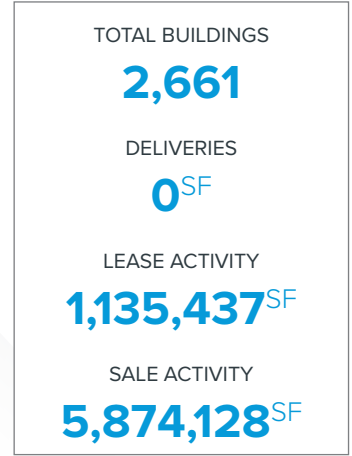
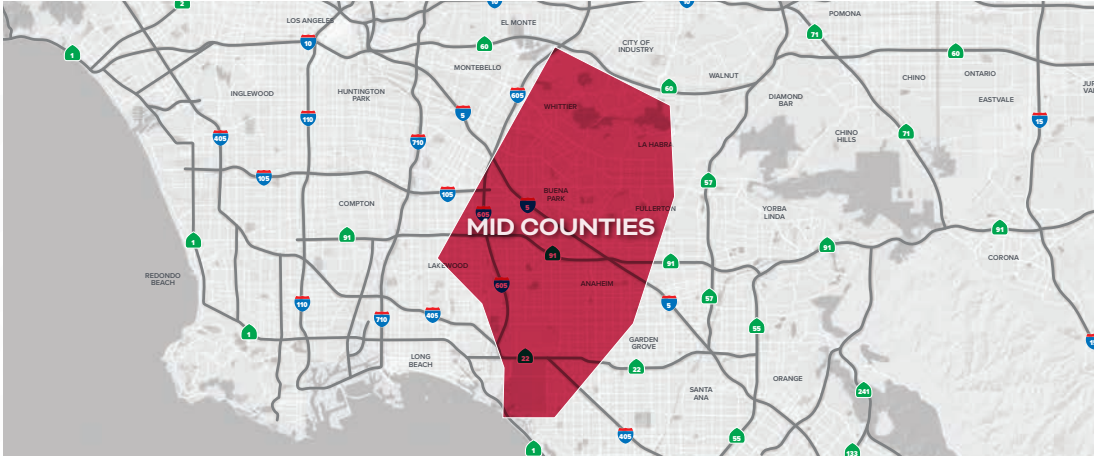


VACANCY VS. AVAILABILITY



Q3 2022 INDUSTRIAL MARKET INSIGHT

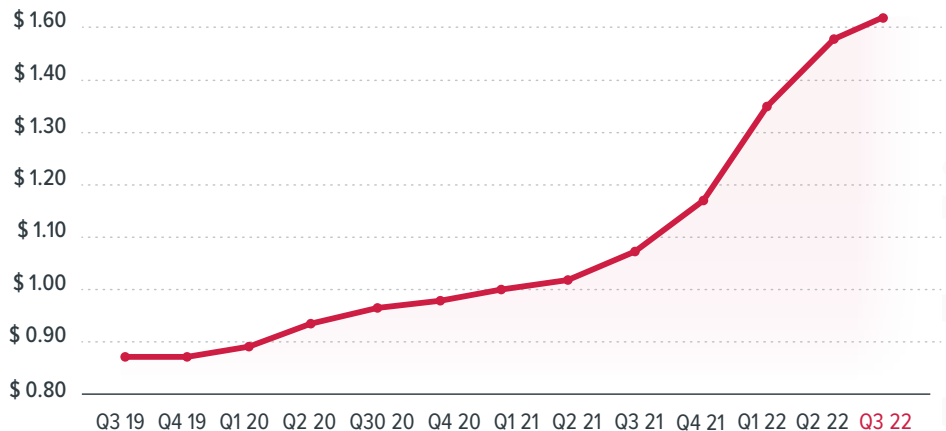
MID COUNTIES



■ Mid-Countries continued to have the lowest vacancy rate of any major industrial submarket within Los Angeles at 1%. No new buildings delivered in Q3, and a mere 165,000 SF was under construction. Santa Fe Springs has approximately 92,000 SF under construction, followed by Whittier with 28,000 SF. These numbers are inadequate to alleviate the lack of supply afflicting the submarket. Unsurprisingly, only 840,000 SF was directly leased this quarter, the seventh lowest amount leased in the history of the submarket. With very little development activity in the pipeline, Mid-Countries will continue to see tight market conditions, as limited availability will put upward pressure on rental rates. Average asking rents increased to \$1.53 NNN PSF, a year over year increase of about 72% from Q3'21's rate of \$0.89 PSF. Actual comp rates are even higher at around \$1.76 PSF. New or renewing tenants must be prepared for sticker shock as rents have nearly tripled over the past 10 years. In Q3 2012, for instance, average asking rents were only \$0.48 NNN PSF. Building owners, however, can now command a high price for their properties. The average price per building square foot was \$308.04 for the quarter, the third highest in the history of the submarket.



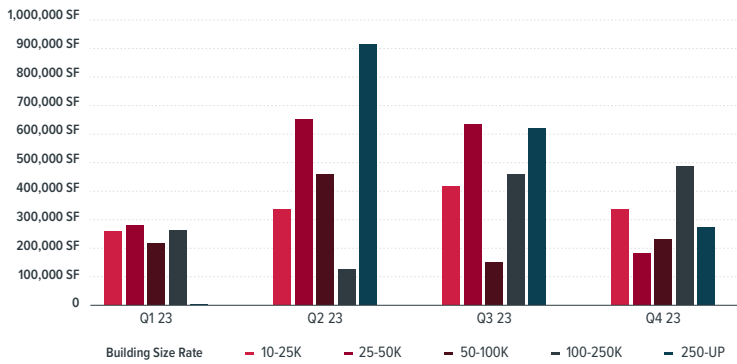
LEASE RATE TRENDS (NNN)



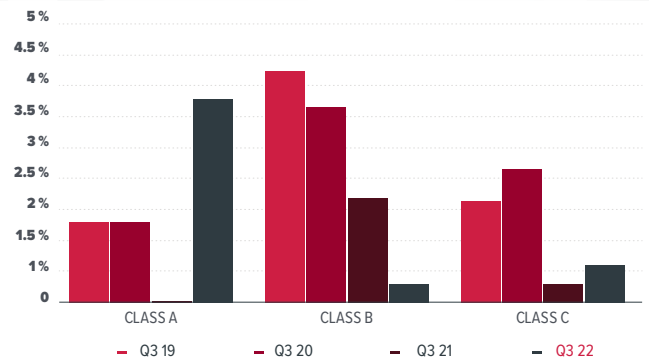
MID COUNTIES CITY STATS

CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE PRICE/SF
ARTESIA	28	3,332,967	4.9 ▼	4.9 ▼	\$1.34	3,183	19,420	\$364
BELLFLOWER	66	934,537	8.3 ▲	5.3 ▲	\$1.56	-44,552	0	\$365
BUENA PARK	217	13,268,843	0.6 ▼	3 ▼	\$1.33	24,939	24,939	\$257
CERRITOS	250	12,732,474	2.2 ▲	2.8 ▼	\$1.55	-9,164	61,439	\$302
CYPRESS	86	4,622,357	0.9 ▼	7.5 ▲	\$1.36	98,637	98,637	\$297
LA MIRADA	177	13,411,678	0.4 ▼	3.2 ▲	\$1.61	169,340	177,340	\$291
LA PALMA	16	1,778,216	4.1 —	0 —	\$1.75	0	0	\$230
LOS ALAMITOS	89	2,182,349	0.1 ▲	1.7 ▲	\$1.34	-1,620	1,620	\$317
NORWALK	89	2,889,795	2 ▲	0.3 —	\$1.50	-53,381	2,592	\$286
SANTA FE SPRINGS	1343	53,710,032	0.7 ▼	2.9 ▲	\$1.54	110,982	282,840	\$318
WHITTIER	161	4,114,303	0.9 ▲	0.8 ▲	\$1.25	-11,183	14,125	\$294
DOWNEY	137	4,602,507	0.5 ▼	2.6 ▲	\$1.68	30,568	30,568	\$315

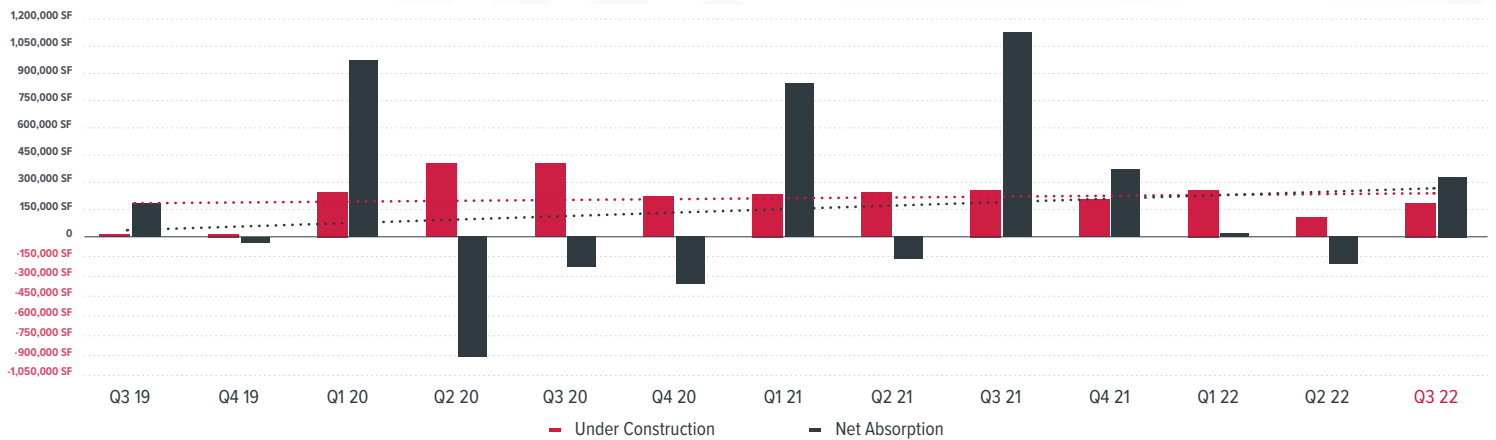
LEASE EXPIRATION FORECAST



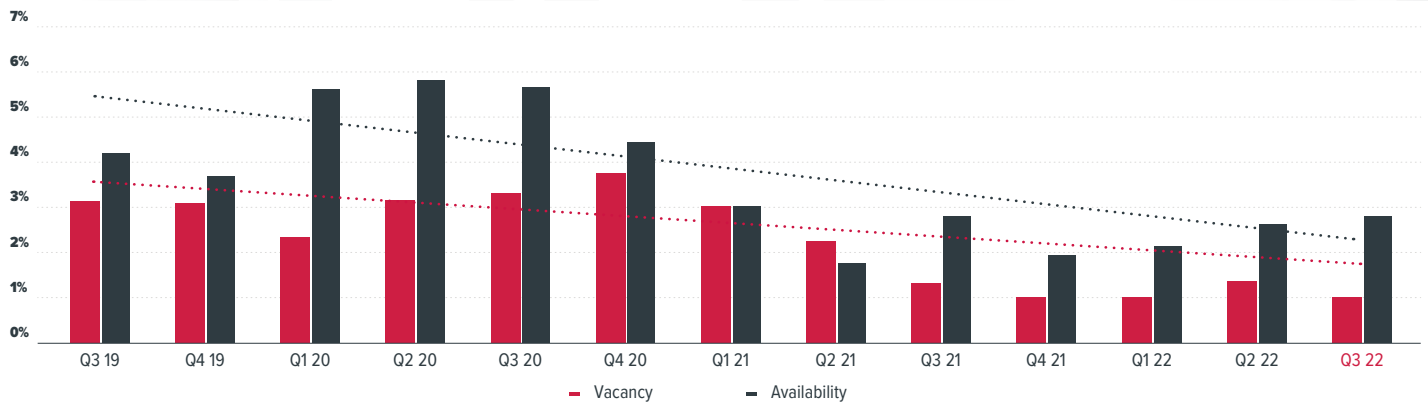
VACANCY BY BUILDING CLASS



UNDER CONSTRUCTION VS. NET ABSORPTION

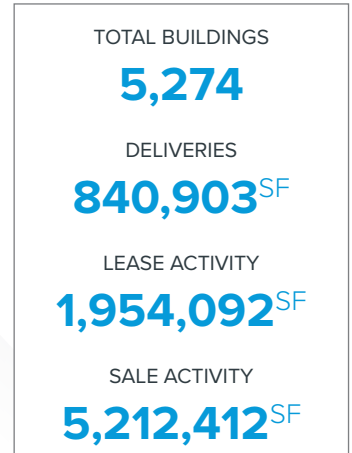
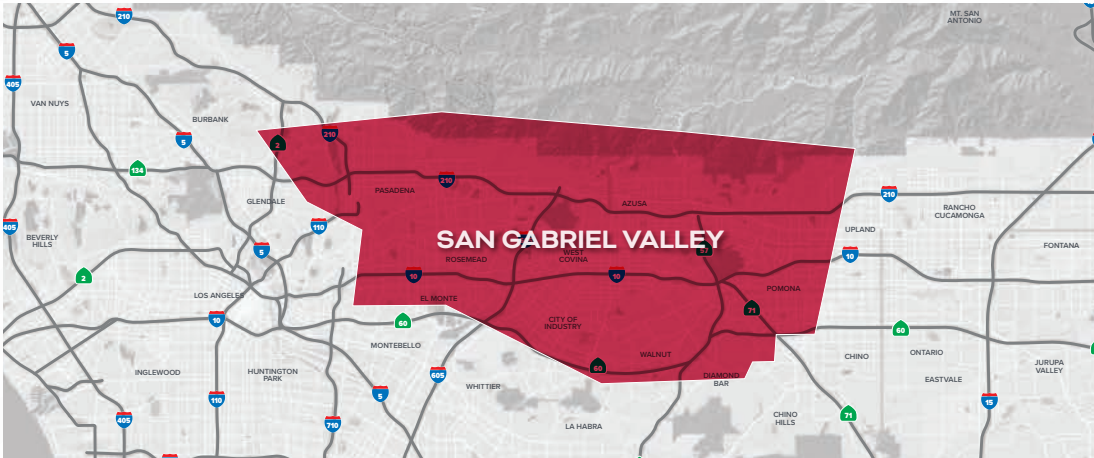


VACANCY VS. AVAILABILITY



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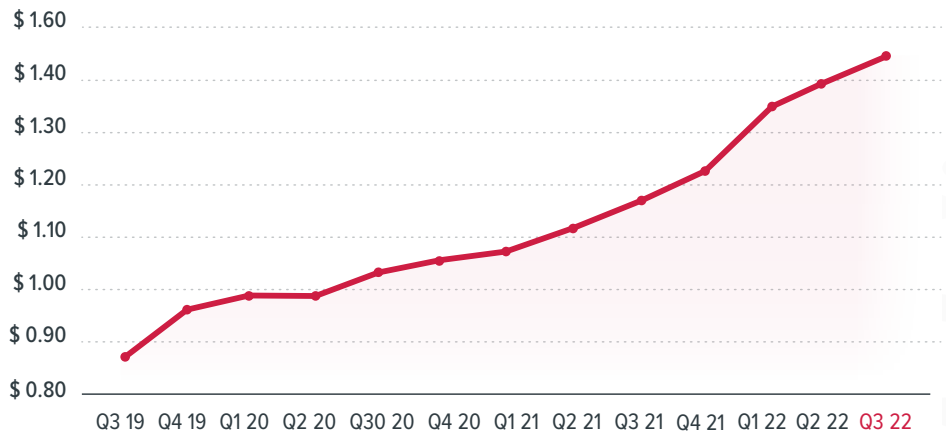
SAN GABRIEL VALLEY



■ Net absorption was negative for the quarter at 179,716 SF and new leasing activity totaled 1.9MSF. City of Industry led the way with 46 leases totaling 1,224,849 SF, representing 82% of all leasing in the San Gabriel Valley. Like the rest Los Angeles's industrial market, the San Gabriel Valley has a historically low vacancy rate, causing exponential growth in rental rates. Currently, overall vacancy is at 2.1% and asking rental rate is at an all time high. City of Industry represents about 72% of SGV's industrial base and is the micro-market of most of the new development of Class A warehouse and distribution space. All major occupiers fiercely compete for these spaces and as such these spaces command premium rates. Construction activity throughout the submarket is at 1.2 M SF. Three buildings over 100,000 SF are underway, which makes up for 93% of the total square footage under development. The average size of the remaining three buildings is 36,000 SF. Home Depot took occupancy of their new 529,000 SF facility in Irwindale.



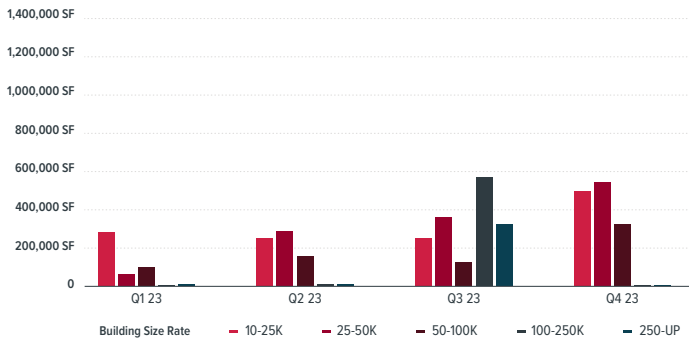
LEASE RATE TRENDS (NNN)



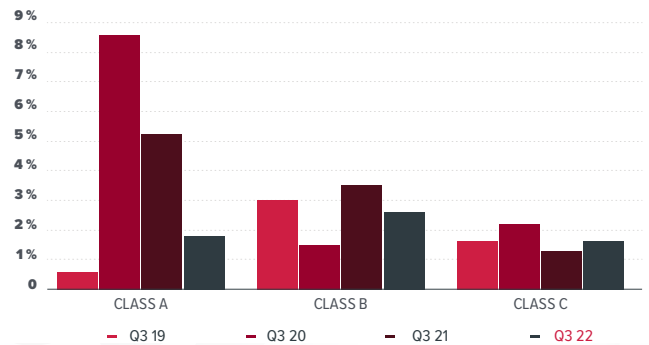
SAN GABRIEL VALLEY CITY STATS

CITY	# OF BUILDING	INVENTORY (SF)	VACANCY (%)	AVAILABILITY (%)	LEASE RATE (PSF - NNN)	NET ABSORPTION (SF)	GROSS ABSORPTION (SF)	SALE PRICE/SF
ALHAMBRA	112	2,148,286	2.2	2.7	\$1.23	6,386	41,376	\$358
ARCADIA	104	2,478,972	1	1.2	\$1.11	10,970	11,920	\$403
AZUSA	244	6,814,155	4.2	6.2	\$1.63	-154,212	8,543	\$328
BALDWIN PARK	246	4,723,159	2.9	2.7	\$1.80	-33,120	19,906	\$351
CLAREMONT	20	600,639	0.5	1.5	\$1.05	0	0	\$281
COVINA	169	2,848,214	0.9	3	\$1.25	396	3,000	\$307
DIAMOND BAR	20	470,374	-	-	\$1.30	0	0	\$312
DUARTE	69	1,773,754	3.9	0.7	\$1.42	13,032	23,976	\$344
EL MONTE	311	8,430,909	1.6	3.9	\$1.42	0	34,654	\$325
GLENORA	52	749,458	6	7.2	\$1.15	2,400	2,400	\$312
INDUSTRY	1,044	72,964,169	1.4	5.3	\$1.51	28,639	552,356	\$276
IRWINDALE	264	12,335,171	6.8	6.7	\$1.50	169,349	609,011	\$292
LA PUENTE	90	1,753,849	0.4	3.4	\$1.37	0	0	\$398
LA VERNE	134	2,831,434	2.1	1.3	\$1.15	2,142	28,520	\$356
MONROVIA	206	3,317,483	0.4	2.8	\$1.10	8,000	12,900	\$350
MONTEREY PARK	98	1,718,801	1.4	1.8	\$1.26	-	-	\$375
PASADENA	97	1,472,143	0.8	4.7	\$1.95	7,508	7,508	\$432
POMONA	649	19,803,914	1.6	2.5	\$1.12	-155,746	91,478	\$280
ROSEMEAD	52	1,223,639	0	0	\$1.72	-	-	\$310
SAN DIMAS	126	3,124,113	0.9	1.3	\$1.25	-11,906	3,884	\$299
SAN GABRIEL	69	1,140,289	1	1	\$1.56	4,550	8,150	\$296
SOUTH EL MONTE	831	11,080,027	2.1	1.2	\$1.65	11,495	89,493	\$356
TEMPLE CITY	34	589,089	0	0	\$1.70	-	-	\$346
WALNUT	199	6,947,821	3.1	1.3	\$1.33	40,063	64,971	\$289
WEST COVINA	14	568,253	1.3	2	\$1.32	3,900	4,200	\$278

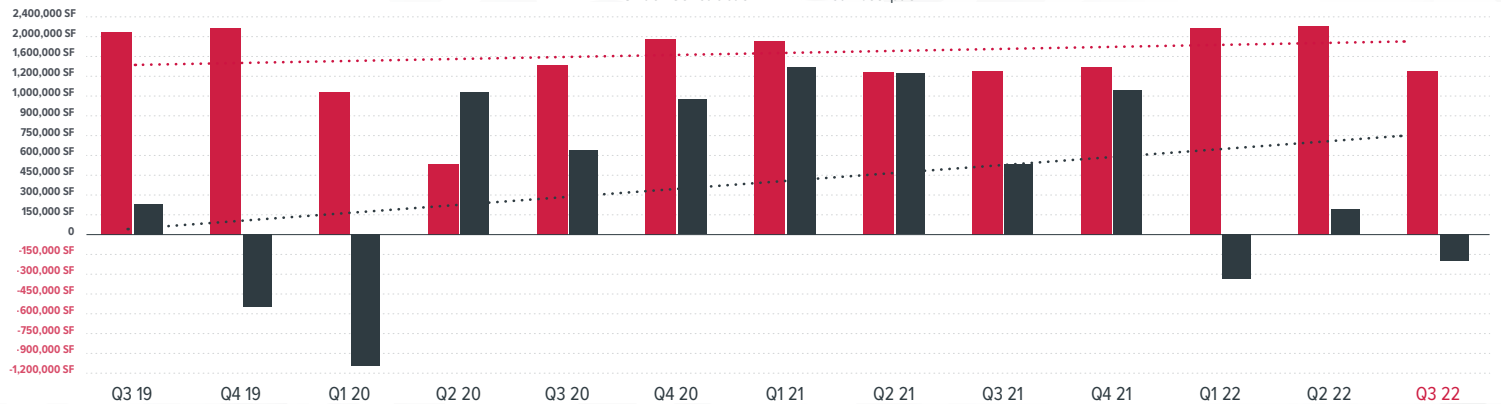
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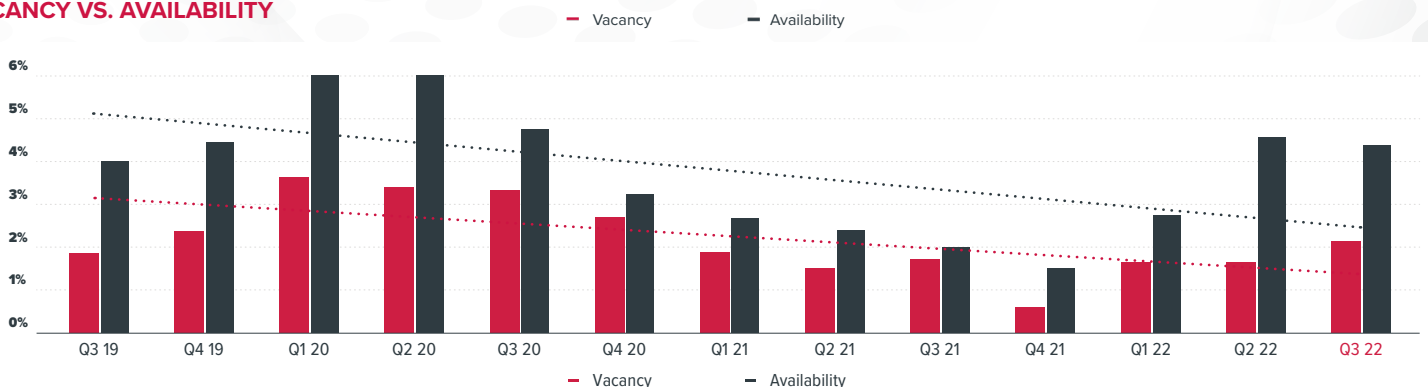
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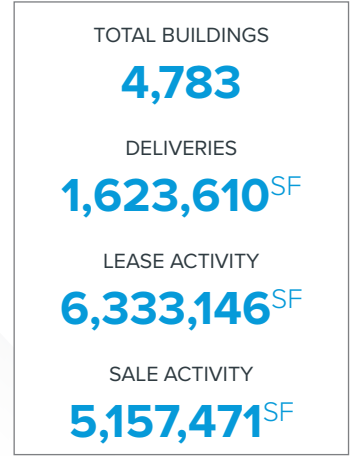
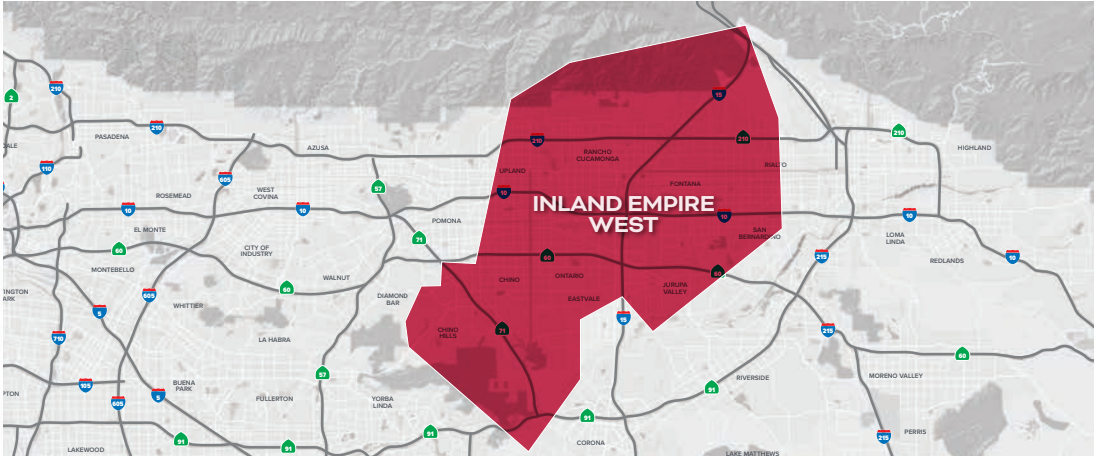


VACANCY VS. AVAILABILITY



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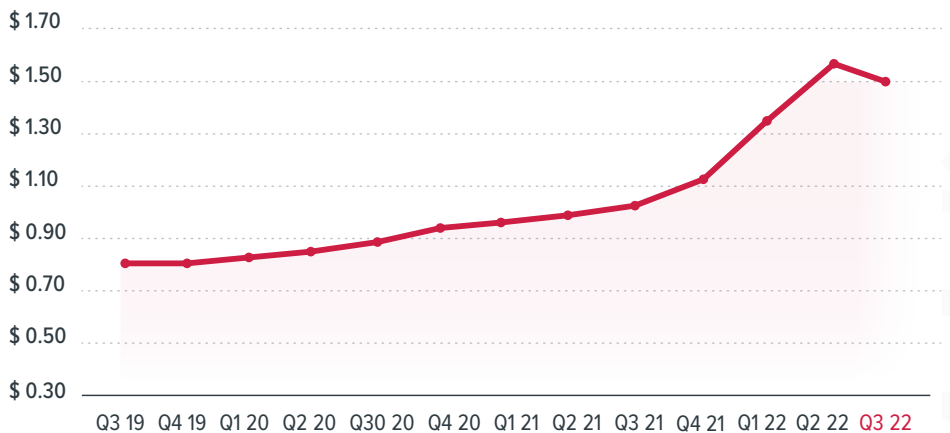
INLAND EMPIRE WEST



■ The Inland Empire West continued its explosive growth in Q3. By any measure—whether it is a 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 57% year over year. Vacancy is currently up this quarter to 1.8%. Net absorption for the quarter totaled over 1.1 million square feet. The sector has grown exponentially since the start of the pandemic and will continue to attract institutional investment. The IE is still the only Southern California market with significant construction activity. As Q3 ended, more than 18 MSF of new space was under construction. For comparison, Los Angeles as a whole has just over 4.4 MSF in its development pipeline.



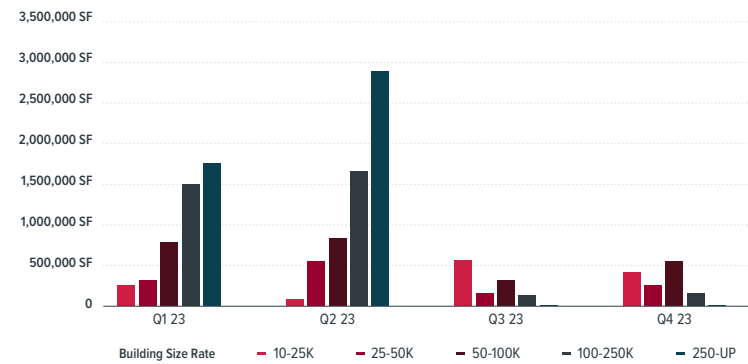
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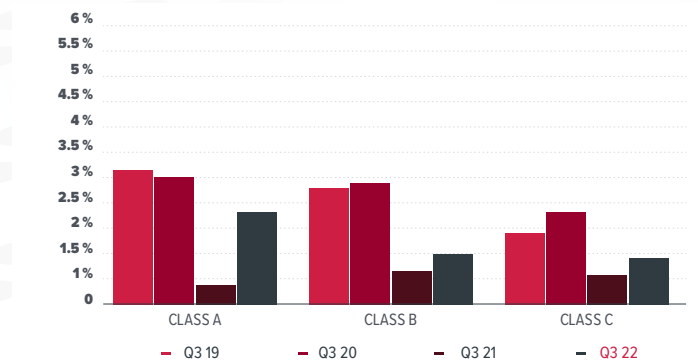
INLAND EMPIRE WEST CITY STATS

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CHINO	918	54,168,537	0.8 ▼	3.9 ▲	\$1.46 ▲	-544,850	16,158	\$293
EASTVALE	55	11,780,822	2.6 ▲	5.1 —	\$1.46	0	0	\$305
FONTANA	763	69,677,018	0.8 ▲	6.7 ▲	\$1.57 ▲	1,005,070	1,062,215	\$294
JURUPA VALLEY	302	32,707,950	7 ▼	10.1 ▲	\$1.67 ▲	285,777	334,005	\$269
MIRA LOMA	21	1,646,642	0.4 ▲	1.4 ▼	\$1.79 ▼	0	0	\$253
MONTCLAIR	201	3,999,565	4.6 ▼	10.2 ▼	\$0.69 ▼	-136,939	27,378	\$345
ONTARIO	1512	116,970,809	1.2 ▲	3.1 ▲	\$1.51 ▲	130,029	1,288,973	\$280
RANCHO CUCAMONGA	749	40,776,533	1.8 ▲	9.3 ▲	\$1.46 ▲	-288,283	240,431	\$286
UPLAND	255	3,952,669	0.8 ▲	6.1 ▲	\$1.11 ▲	76,818	105,127	\$301

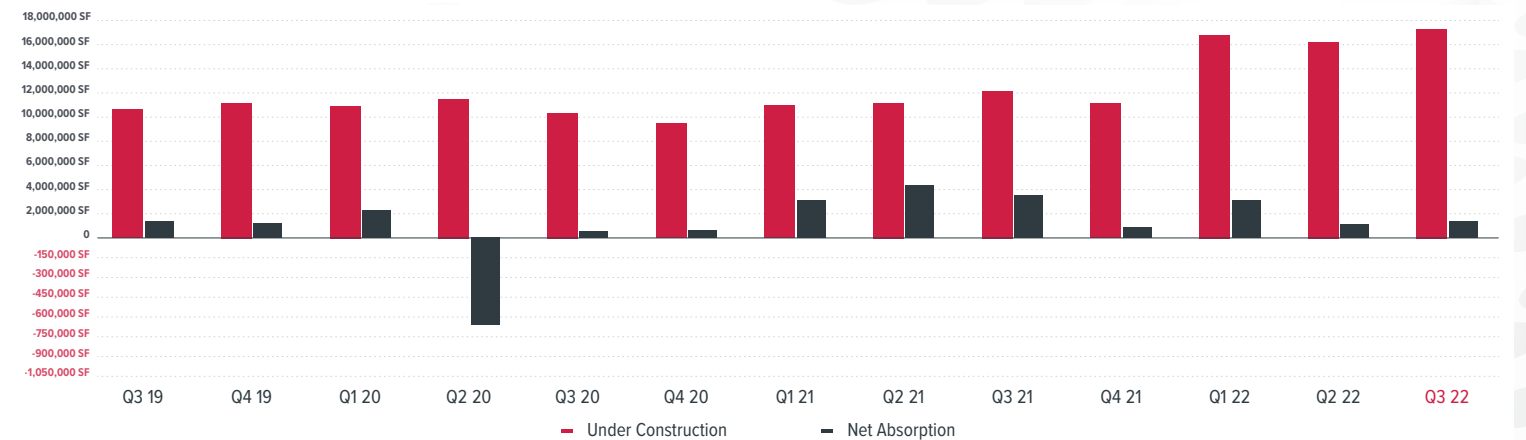
LEASE EXPIRATION FORECAST



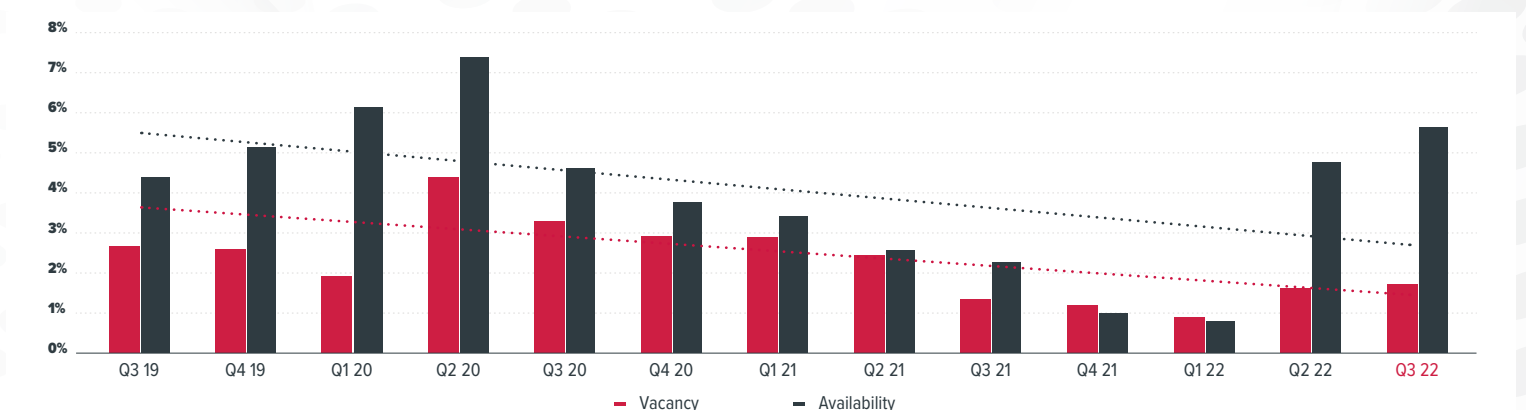
VACANCY BY BUILDING CLASS



UNDER CONSTRUCTION VS. NET ABSORPTION



VACANCY VS. AVAILABILITY



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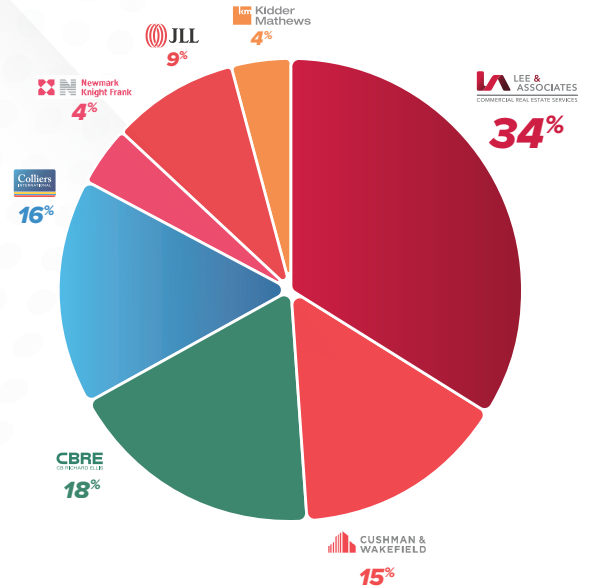
A LOOK AHEAD

■ With extremely low vacancy levels across the LA Basin, average rental rates are forecast to increase even more. Expect market conditions to remain extremely tight and remain in the favor of landlords and owners. Concerns about high inflation will persist throughout the year. 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. Credit for loans will, accordingly, become more expensive as interest rates rise.

Most forecasters expect the US to face a mild recession in 2023. That said, among all asset classes, whether in real estate or not, the industrial sector is well situated to weather any forthcoming economic headwinds. Demand for the product type remains strong and stable and will remain so for the foreseeable future.

LEE & ASSOCIATES MARKET SHARE

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



TOP 5 TRANSACTIONS BY SF (Q3 2022)



LEASED

13050 Marlay Avenue
Fontana, CA 92335

268,808 SF

Lessee: UPS
Agents: Jeff Huberman



LEASED

5125 Schaefer Avenue Suite 101
Chino, CA 91710

123,912 SF

Lessee: Best Logistics Technology Co., LTD
Agents: Pat Bogan & Steve Coulter



LEASED

5600 Knott Avenue
Buena Park, CA 90620

110,696 SF

Lessee: RCUSA Holdings
Agents: Tim Cronin & Brad Gilmer



LEASED

3000 East 12th Street
Los Angeles, CA 90023

103,739 SF

Lessee: Classic Concepts, Inc.
Agents: Jim Halferty & Mike D. Smith



SOLD - INVESTMENT

1719-1749 Chapin Road
Montebello, CA 90640

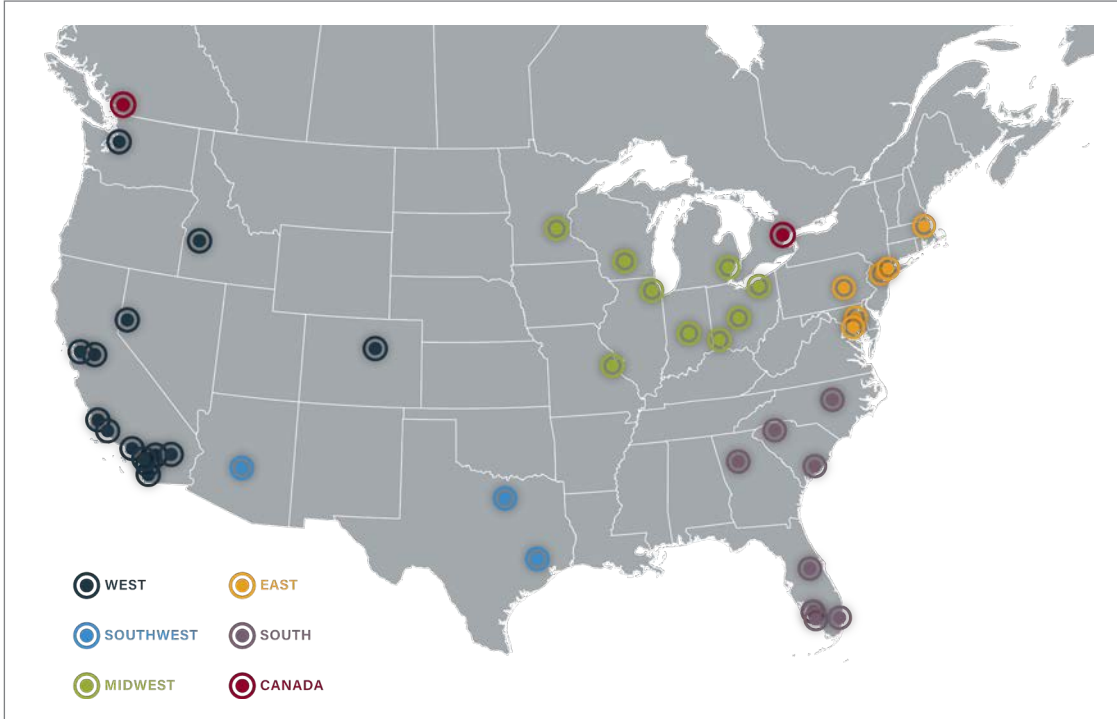
82,199 SF

Buyer: B9 Chapin Owner, LLC.
Agents: Jeff Hubbard & Phillip Norton

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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

71+ Offices Nationwide

- | | | |
|----------------|------------------|----------------|
| Austria | India | Poland |
| Belgium | Ireland | Portugal |
| Czech Republic | Luxembourg | Slovakia |
| Denmark | Netherlands | Spain |
| France | Northern Ireland | Turkey |
| Germany | Norway | United Kingdom |

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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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