

Los Angeles Industrial Market

Extremely Tight Market Conditions Persist, Gridlock at the Ports

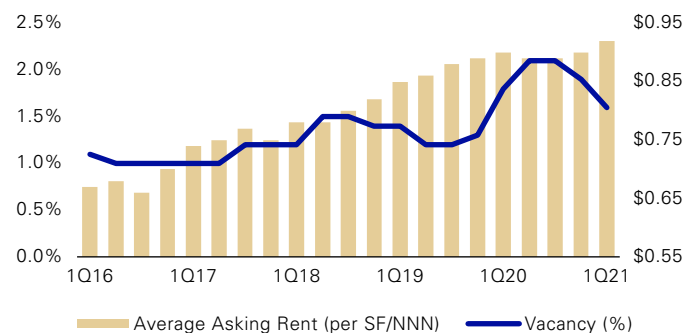
- Vacancy, the lowest in the nation, has remained below 3.0% for 36 consecutive quarters.
- Vacancy is 1.3% if two former Boeing facilities in the South Bay, and Forever 21's old Central building are excluded; the three facilities were touched on in prior reports.
- Developers continue to scour the market for infill land sites and older facilities for renovation and repositioning plays.
- U.S. consumer e-commerce sales in 2020 were up 32.3% from 2019. Demand for final-mile space remains high to serve the region's population of 11.0 million.
- Amazon broke ground on a multi-story warehouse in Oxnard, with a usable area of 2.3 million square feet. Last year, Amazon settled into 3.3 million square feet across multiple facilities in Los Angeles and Ventura Counties.
- Quarterly net absorption was substantially higher than the 20-year average of 1.7 million square feet.
- Sublet availability is 0.5%, on par with pre-COVID levels.
- U.S. e-grocery sales will more than double its market share by 2025. South Bay and Central, with the region's greatest concentration of cold storage space, will benefit.
- Loaded inbound volume at the ports in the first two months of 2021 was up 27.8% from the same period in 2020. Many U.S. distributors frontloaded imports before the start of Lunar New Year, a time when factories in China close.

The Flow of Goods

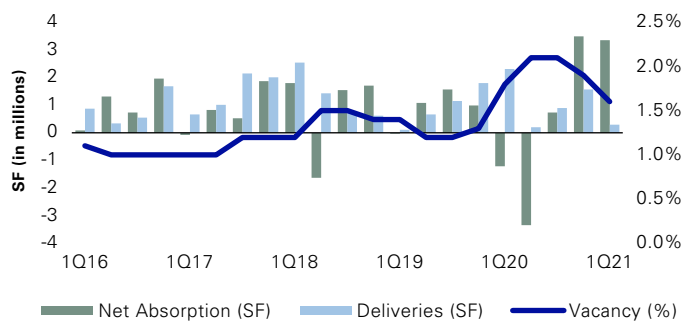
The pandemic severely impacted global supply chains this time last year as China, dealing with its outbreak, was unable to satisfy factory orders. This began to change in May as China's economy progressively reopened and a backlog of imports began to flood the United States. To compound matters,

Market Analysis

VACANCY AND ASKING RENT



NET ABSORPTION, CONSTRUCTION DELIVERIES AND VACANCY



Market Summary

	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	1.049B	1.048B	1.045B	↑
Total Vacancy Rate	1.6%	1.9%	1.8%	→
Quarterly Net Absorption (SF)	3.4M	3.5M	-1.2M	→
Average Asking Rent/SF/Month	\$0.92	\$0.90	\$0.90	↑
Deliveries (SF)	290,850	1.6M	2.3M	↑
Under Construction (SF)	8.2M	5.4M	3.9M	→

RESEARCH Q1 2021

domestic buying habits have changed as many Americans telework; clothing is out, while electronics, fitness equipment and home improvement products are in demand.

Replenishing existing inventories while bringing in hot items has created substantial bottleneck at the nation's seaports. Maersk cited average vessel wait times of seven to 15 days to dock at Los Angeles-Long Beach by mid-March, and drayage rates are increasing throughout the region. These trends have big implications for the local market.

Location, New Construction and Rents

The supply chain idiom of "the greater the distance, the greater the cost penalty" holds true, and Los Angeles benefits with its adjacency to the ports. Its challenge is one of supply; namely, the limited availability of efficient buildings. Both factors are pushing rents.

In the quarter's largest lease, FedEx beat out Amazon and Furniture of America for a 627,480-square-foot facility set to deliver in the City of Industry next quarter. The start rent was

reportedly around \$0.80/SF on a triple-net basis; compare this to \$0.40/SF, when HD Supply signed a renewal in 2015 for a 650,000-square-foot Industry facility built in 2005.

Tenants have already taken 97.2% of the 8.9 million square feet of new supply delivered over the last 24 months. New construction continues to fetch a premium of roughly 30% above asking rent averages for comparably sized product.

The Most Active Industry Segment

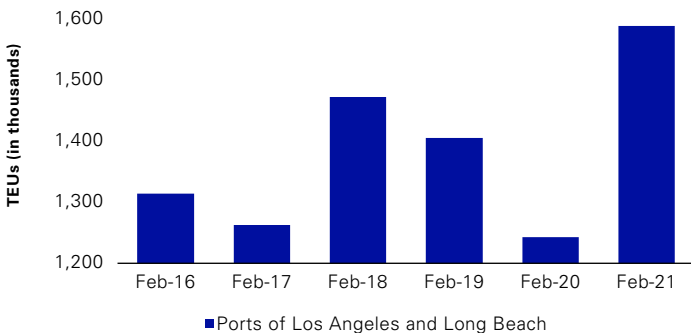
When surveying new leases signed this quarter for spaces over 100,000 square feet, logistics and distribution (trucking, freight forwarders, parcel carriers) comprised 48.9% of activity on a square footage basis. This is in line with a heightened focus on goods movement.

Outlook

Based on present conditions and historical comparable data, warehouse start rents are expected to post an annual increase of 8.0% in 2021, a conservative forecast.

YTD Import Volume

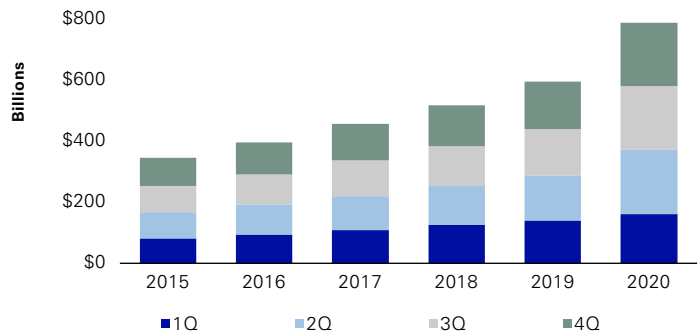
LOADED INBOUND CARGO



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
FedEx	21971 Industry Way	City of Industry	Pre-lease	627,480
Pilot Automotive	13000 E. Temple Avenue	City of Industry	Renewal	407,638
Starship Logistics	2711 E. Dominguez Street	Carson	New	261,557

Sale Transactions

Buyer	Building(s)	City	Sale Price/SF	Square Feet
Oaktree Capital Management	3001 & 3175 Mission Oaks Boulevard	Camarillo	\$205	749,725
Even Moor Science LLC	609 Science Drive	Moorpark	\$102	162,556
Rexford Industry Realty	15010 Don Julian Road	City of Industry	\$206	107,662

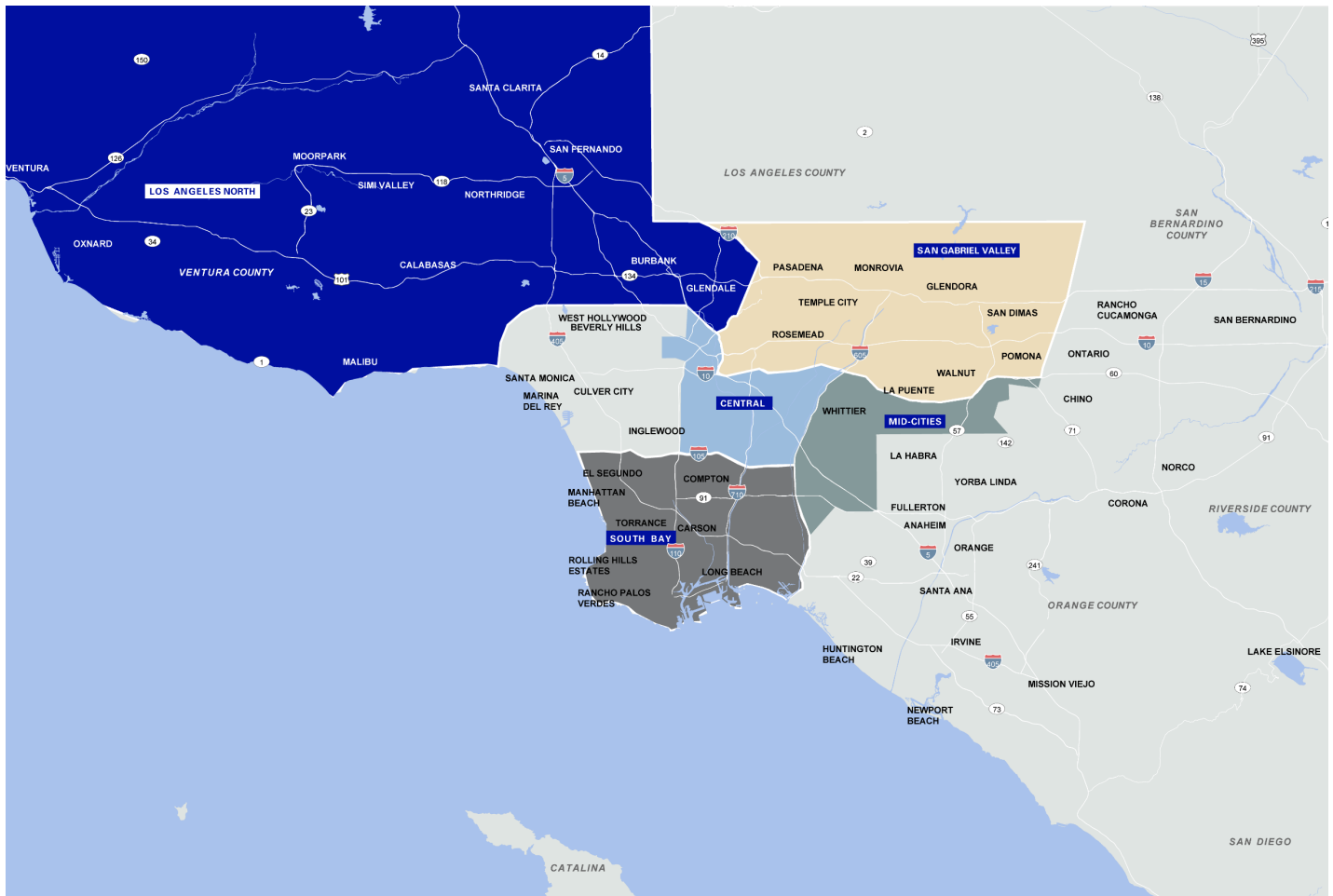
Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central	298,183,859	0	1.5%	825,078	825,078	\$0.89	\$0.92	\$0.90
Bell	3,755,475	0	1.4%	0	0	-	-	-
Bell Gardens	2,366,464	0	0.0%	48,600	48,600	-	-	-
Commerce	52,514,208	0	0.8%	250,287	250,287	\$0.83	\$0.91	\$0.85
Cudahy	828,184	0	0.0%	0	0	-	-	-
Downtown Los Angeles	131,176,282	0	2.4%	167,743	167,743	\$0.97	\$0.98	\$0.98
Huntington Park	4,880,847	0	0.2%	39,116	39,116	\$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	0	0.0%	0	0	\$0.89	-	\$0.89
Pico Rivera	11,058,272	0	0.0%	95,640	95,640	\$0.90	-	\$0.90
South Gate	11,490,691	0	0.0%	-9,190	-9,190	\$0.70	-	\$0.70
Vernon	62,075,680	0	1.3%	232,882	232,882	\$0.90	\$0.83	\$0.87
Mid-Cities	114,190,491	472,028	1.4%	713,916	713,916	\$0.86	\$0.89	\$0.87
Artesia	323,401	0	0.0%	0	0	-	-	-
Buena Park	14,577,304	0	0.3%	201,216	201,216	\$0.85	\$0.86	\$0.86
Cerritos	14,879,610	0	1.6%	-51,901	-51,901	\$0.92	\$0.84	\$0.86
Downey	4,294,733	0	1.0%	9,015	9,015	-	\$0.90	\$0.90
La Mirada	14,056,656	0	4.7%	-14,702	-14,702	\$0.81	\$0.94	\$0.86
La Palma	2,101,336	0	4.0%	0	0	-	-	-
Norwalk	3,578,005	0	2.7%	180,319	180,319	-	-	-
Santa Fe Springs	56,275,878	472,028	0.7%	398,289	398,289	\$0.91	\$0.88	\$0.90
Whittier	4,103,568	0	0.0%	-8,320	-8,320	-	\$0.89	\$0.89

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LA North	231,381,020	3,218,889	1.9%	474,525	474,525	\$0.93	\$0.93	\$0.93
Central Valley	32,054,336	70,086	0.3%	56,497	56,497	\$1.07	\$1.09	\$1.07
Conejo Valley	14,741,360	263,275	2.4%	-96,136	-96,136	-	\$1.07	\$1.07
East Valley	57,351,008	247,969	0.5%	160,417	160,417	\$1.18	\$1.06	\$1.10
Santa Clarita	26,579,675	178,156	4.2%	180,292	180,292	\$0.86	\$0.79	\$0.81
Simi/Moorpark	13,968,654	72,989	4.3%	28,901	28,901	\$0.80	\$0.85	\$0.83
West Valley	41,589,653	10,000	0.8%	127,046	127,046	\$0.92	\$1.18	\$1.06
West Ventura County	45,096,334	2,376,414	3.4%	17,508	17,508	\$0.70	\$0.72	\$0.71
LA East (San Gabriel)	182,348,443	2,168,139	1.1%	803,670	803,670	\$0.88	\$0.85	\$0.87
Central SGV	26,989,086	939,901	1.7%	89,077	89,077	\$0.83	\$0.92	\$0.85
Eastern SGV	33,594,298	0	0.6%	29,034	29,034	\$0.82	\$0.86	\$0.84
El Monte Area	19,455,177	60,579	1.4%	453,596	453,596	-	\$0.88	\$0.88
Industry Area	90,326,022	1,167,659	0.9%	117,287	117,287	\$0.90	\$0.76	\$0.87
Western SGV	11,983,860	0	1.8%	114,676	114,676	-	\$0.95	\$0.95
South Bay	222,863,915	2,353,409	2.1%	545,854	545,854	\$1.00	\$0.92	\$0.98
Carson	41,142,063	0	0.8%	550,133	550,133	\$1.02	\$0.89	\$0.99
Compton/Rancho Dominguez	41,115,650	107,733	1.9%	86,141	86,141	\$1.00	\$0.86	\$0.97
El Segundo	9,641,063	0	0.9%	57,561	57,561	-	\$1.50	\$1.50
Gardena/110 Corridor	34,100,614	536,671	2.0%	-8,958	-8,958	\$0.89	\$0.83	\$0.85
Hawthorne	10,244,655	0	0.2%	16,098	16,098	\$1.10	\$0.90	\$0.99
LAX/Inglewood	11,290,101	0	2.8%	-160,244	-160,244	\$1.44	-	\$1.44
Long Beach/Signal Hill	20,574,752	415,160	8.8%	158,110	158,110	\$0.98	\$0.93	\$0.95
Paramount	9,493,698	0	1.3%	41,063	41,063	\$0.86	-	\$0.86

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Port District	6,541,495	0	0.0%	11,904	11,904	-	-	-
Redondo Beach	3,577,501	0	6.7%	-236,134	-236,134	-	-	-
Torrance Area	35,142,323	1,293,845	0.7%	30,180	30,180	\$1.00	\$1.07	\$1.03
Los Angeles	1,048,967,728	8,212,465	1.6%	3,363,043	3,363,043	\$0.93	\$0.91	\$0.92

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.



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