

Los Angeles Industrial Market

Global Supply Chain Issues Accelerate Leasing Fundamentals

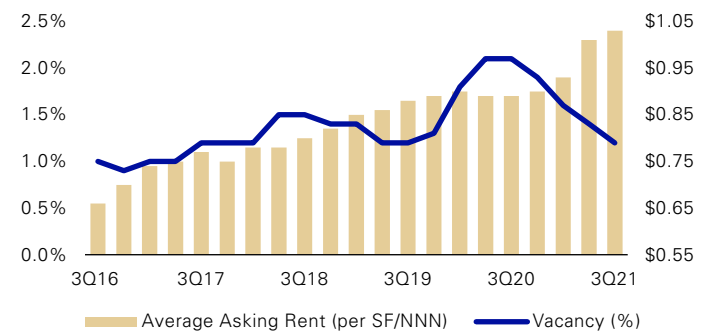
- Vacancy, the second lowest in the nation behind the Inland Empire, has remained below 3.0% for 38 straight quarters.
- Quarterly net absorption exceeded new construction deliveries by 131%.
- LA North accounted for 42.7% of Greater Los Angeles' quarterly net absorption activity of 3.4 million square feet.
- Furniture of America, Matheson Trucking, Best Warehousing & Transportation, CC Wellness and DrinkPAK all occupied 200,000-square-foot and greater spaces.
- Occupiers have taken 87.2% of the 8.2 million square feet of new supply delivered since 2020.
- Aggressive rent growth persists, while Los Angeles County's commercial tenant eviction moratorium is slated to end in October. Smaller tenants are vulnerable.
- Loaded inbound port volume in the first eight months of 2021 was up 29.1% from the same period in 2020. Congestion remains severe at the ports, and drayage costs are high. On September 26, a total of 73 container ships were anchored awaiting entry into Los Angeles-Long Beach.

Global Supply Chain Issues Persist

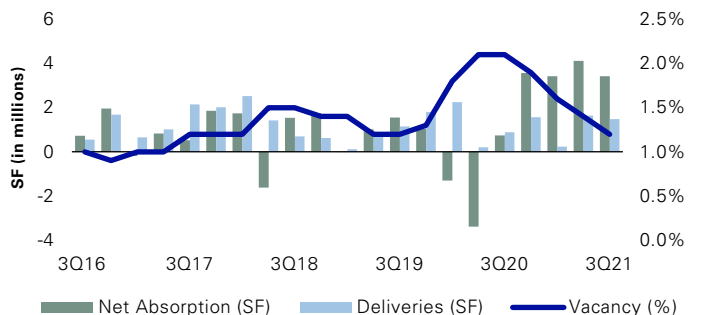
In August, a portion of Ningbo-Zhoushan Port, the third-busiest container port in the world, temporarily shut down after a dock worker tested positive for COVID-19. This had a ripple effect on other ports in China, stretching supply chains that were already suffering from recent problems at Yantian port, ongoing container shortages, virus-related factory shutdowns in Vietnam and the lingering effects of the Suez Canal blockage in March. Ocean shipping times from Asia to the U.S. have increased from 43.0% since last year, and many domestic distributors are having a hard time to replenish their inventories.

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)	1.051B	1.050B	1.046B	↑
Total Vacancy Rate	1.2%	1.4%	2.1%	→
Quarterly Net Absorption (SF)	3.4M	4.1M	749,335	→
Average Asking Rent/SF/Month	\$1.03 NNN	\$1.01 NNN	\$0.89 NNN	↑
Deliveries (SF)	1.5M	1.6M	889,270	↑
Under Construction (SF)	7.0M	6.8M	5.5M	→

RESEARCH Q3 2021

A global disruption in the flow of goods has implications for industrial leasing fundamentals throughout Southern California. For Los Angeles, specifically, transport-related companies remain active to help distributors get product to their facilities, stores and end consumers. Additionally, vacancy in the Inland Empire is now 1.0% after many occupiers expanded footprints in recent months to adopt a just-in-case inventory model—to have more goods on hand in the event of future global supply chain issues. Fewer space options to the East will limit migration activity out of Los Angeles, which gives local property owners even more leverage to push rents.

Higher drayage costs amid severe port congestion will further elevate demand and rents for modern buildings within reasonable proximity of Los Angeles-Long Beach; today's rough average of \$1.30/SF/month for new construction has the potential to cross the \$2.00/SF threshold by this time next year, if current dynamics persist. Developers will be more creative and, in some cases, less adverse to risk. More office-to-industrial conversions are anticipated, while a few sites with

environmental issues to work through will find buyers.

Los Angeles North

DrinkPAK, CC Wellness, Amazon, ANU: Advanced Nutrients, Daddy's Vapor and The Crème Brands all occupied spaces above 100,000 square feet this quarter. Most of these companies serve the San Fernando's population base of nearly 1.8 million, which exceeds the populations of all but New York, Los Angeles, Chicago and Houston among U.S. cities.

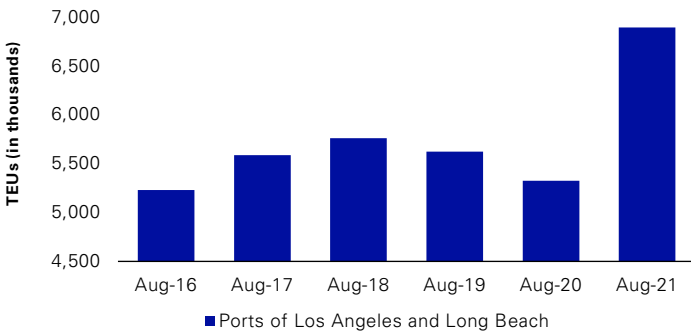
North is poised to lead next quarter's absorption gains when Amazon completes tenant improvement work on its new 1.5-million-square-foot Oxnard facility.

Outlook

Consumer spending remains healthy amid government stimulus, labor markets are improving, global supply chain issues will not abate anytime soon and e-commerce sales growth is pronounced. All favor industrial leasing fundamentals, especially in a region with a consumer population of 10.2 million and the nation's busiest port system. Rent growth will persist.

YTD Import Volume

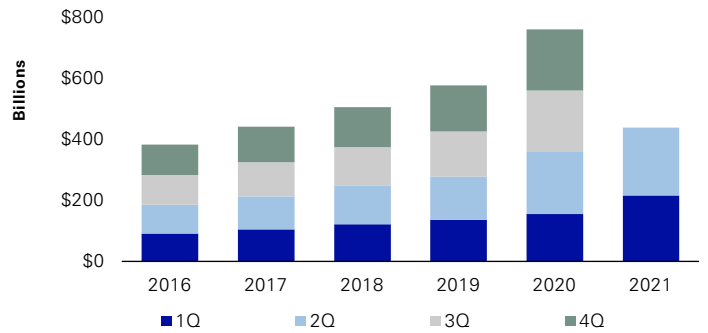
LOADED INBOUND CARGO



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
Matheson Trucking	2400 E. Artesia Boulevard	Long Beach	New	415,150
DNA Motor, Inc.	20301 E. Walnut Drive North	Industry	New	350,000
Omni Logistics	19681 Pacific Gateway Drive	Torrance	New	251,606

Sale Transactions

Buyer	Building(s)	City	Sale Price (PSF)	Square Feet
Scout Capital Partners	17411 Valley Boulevard	Industry	\$117,000,000 (\$334/SF)	350,256
Investcorp	1461-1475 Lawrence Drive	Newbury Park	\$63,100,000 (\$182/SF)	347,119
CenterPoint Properties	8500 Mercury Lane	Pico Rivera	\$63,000,000 (\$370/SF)	170,371

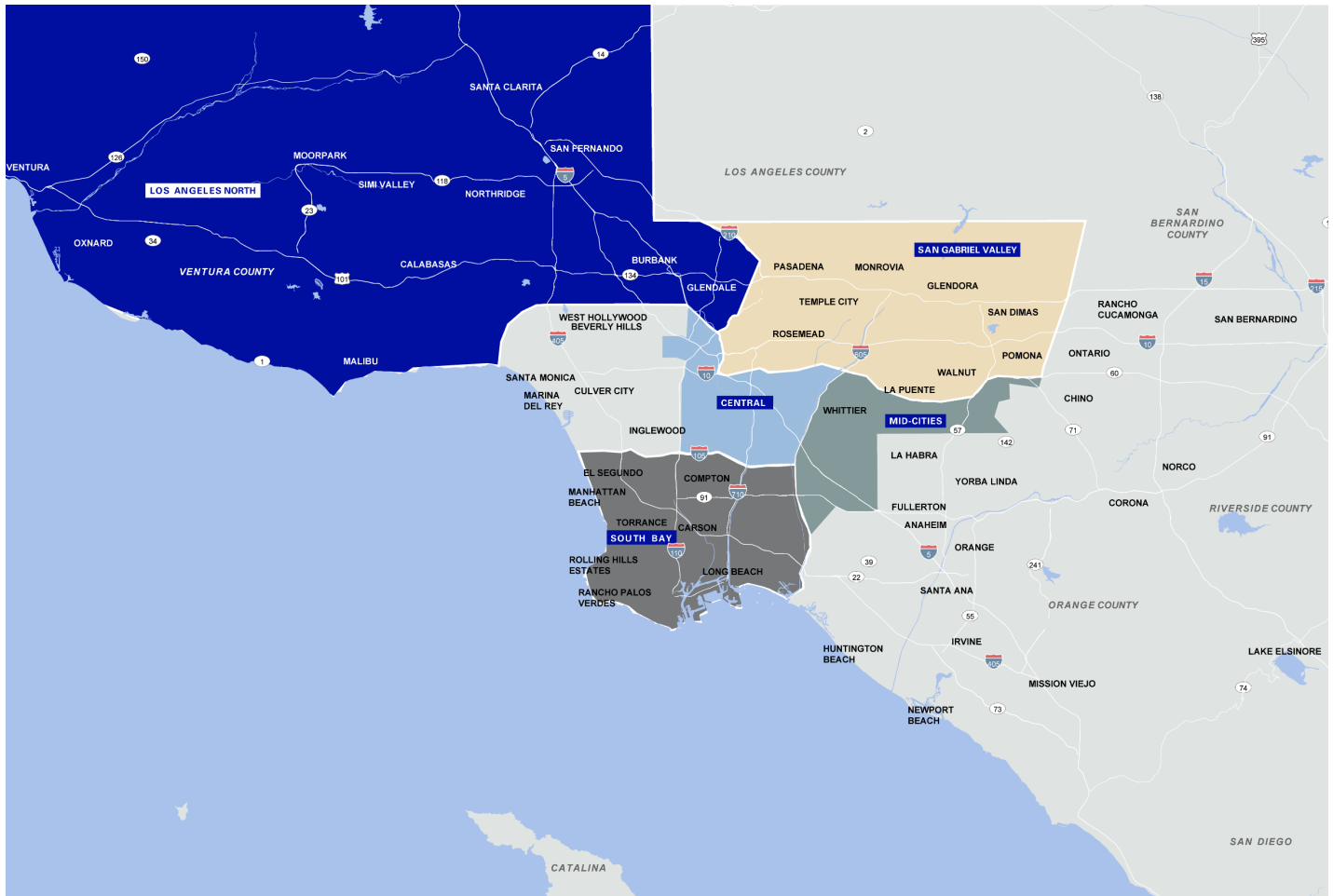
Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central	298,192,473	214,278	1.2%	508,620	1,829,273	\$0.97	\$1.02	\$0.98
Bell	3,755,475	0	0.2%	44,667	44,667	\$1.10	-	\$1.10
Bell Gardens	2,366,464	0	1.8%	-43,327	5,273	\$1.15	-	\$1.15
Commerce	52,638,514	114,898	0.7%	-46,377	383,185	\$0.96	\$0.85	\$0.95
Cudahy	828,184	0	0.0%	0	0	-	-	-
Downtown Los Angeles	131,176,282	0	2.2%	98,785	462,415	\$1.04	\$1.04	\$1.04
Huntington Park	4,860,207	0	0.0%	0	49,196	\$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%	-1,440	-1,440	-	-	-
Pico Rivera	11,058,272	40,900	0.4%	-37,663	56,602	-	-	-
South Gate	11,490,691	0	0.3%	0	-40,390	\$0.70	-	\$0.70
Vernon	61,980,628	58,480	0.5%	493,975	869,765	\$0.94	\$0.83	\$0.92
Mid-Cities	114,318,361	418,268	0.8%	327,986	1,474,943	\$0.88	\$0.96	\$0.93
Artesia	323,401	0	0.0%	0	0	-	\$1.02	\$1.02
Buena Park	14,577,304	0	0.1%	18,179	232,470	\$0.85	\$0.88	\$0.87
Cerritos	14,879,610	0	1.3%	-19,472	-33,424	\$1.13	\$0.92	\$0.96
Downey	4,294,733	0	0.6%	-8,118	29,124	-	\$0.97	\$0.97
La Mirada	14,056,656	0	1.2%	147,424	478,288	\$0.78	\$1.02	\$0.89
La Palma	2,101,336	0	3.2%	0	84,321	-	-	-
Norwalk	3,578,005	0	1.7%	0	215,519	-	-	-
Santa Fe Springs	56,419,847	389,936	0.7%	189,973	476,965	\$1.15	\$0.87	\$1.01
Whittier	4,087,469	28,332	0.0%	0	-8,320	-	\$0.92	\$0.92

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LA North	231,726,562	3,206,552	1.1%	1,460,114	2,969,339	\$0.92	\$1.08	\$1.00
Central Valley	32,143,677	25,786	0.4%	36,941	183,458	\$1.06	\$1.30	\$1.13
Conejo Valley	14,832,133	172,502	1.5%	83,814	115,252	-	\$1.02	\$1.01
East Valley	57,763,115	0	0.8%	157,209	447,108	\$1.22	\$1.11	\$1.14
Santa Clarita	26,520,698	394,514	0.7%	921,033	1,171,625	-	\$0.94	\$0.94
Simi/Moorpark	14,041,322	379,570	3.5%	69,672	212,622	\$0.79	\$0.89	\$0.82
West Valley	41,591,369	10,000	0.7%	-15,798	202,406	\$1.02	\$1.20	\$1.11
West Ventura County	44,834,248	2,224,180	1.9%	207,243	636,868	\$0.84	\$0.70	\$0.80
LA East (San Gabriel)	183,429,127	1,375,098	0.9%	92,912	2,271,606	\$1.02	\$0.88	\$0.93
Central SGV	26,991,994	991,557	0.5%	6,858	459,543	\$0.96	\$1.10	\$1.03
Eastern SGV	33,635,302	0	0.5%	-22,060	42,646	\$0.93	\$0.99	\$0.97
El Monte Area	19,515,756	0	1.2%	102,823	648,201	\$1.15	-	\$1.15
Industry Area	91,312,639	383,541	1.0%	19,589	1,060,772	\$1.09	\$0.77	\$0.84
Western SGV	11,973,436	0	2.2%	-14,298	60,444	\$0.98	-	\$0.98
South Bay	223,466,945	1,759,307	1.5%	1,032,283	2,416,603	\$1.26	\$1.07	\$1.18
Carson	41,137,858	0	0.8%	-77,692	643,038	\$1.25	\$1.10	\$1.22
Compton/Rancho Dominguez	40,970,060	107,733	1.1%	250,180	226,866	\$1.27	\$1.10	\$1.25
El Segundo	9,589,063	0	1.3%	15,650	22,551	-	-	-
Gardena/110 Corridor	34,536,611	100,528	2.2%	-40,102	205,900	\$1.07	\$0.95	\$0.96
Hawthorne	10,244,655	0	0.3%	-3,650	6,448	\$1.36	-	\$1.36
LAX/Inglewood	11,290,101	0	2.3%	34,769	-108,391	\$1.71	\$1.53	\$1.59
Long Beach/Signal Hill	20,980,880	257,201	4.9%	728,456	1,350,076	\$1.00	\$0.96	\$0.96
Paramount	9,493,698	0	0.6%	-3,647	47,540	-	\$0.96	\$0.96

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Port District	6,541,495	0	0.0%	0	11,904	-	\$1.10	\$1.10
Redondo Beach	3,540,201	0	0.1%	0	0	-	-	-
Torrance Area	35,142,323	1,293,845	0.7%	128,319	10,671	\$1.23	\$1.20	\$1.21
Los Angeles	1,051,133,468	6,973,503	1.2%	3,421,915	10,961,764	\$1.04	\$1.03	\$1.03

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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