

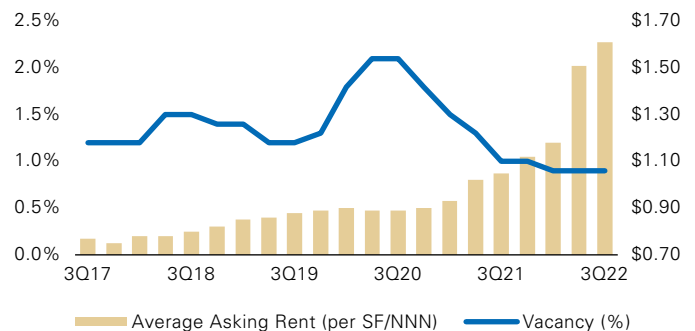
Los Angeles Industrial Market

Tight Market Conditions Limit Net Absorption Activity

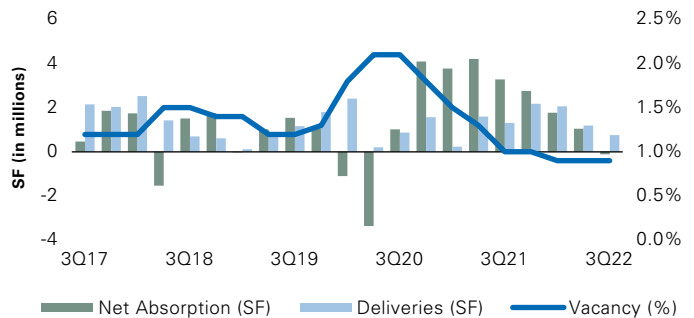
- Vacancy, now on par with the Inland Empire, is the lowest in the nation.
- Few construction deliveries, coupled with a handful of move-outs in the sub-50,000-square-foot segment, caused quarterly net absorption to finish close to zero.
- Larger tenants were also playing musical chairs at the building level, a condition where an existing tenant vacates and a new occupier move-ins in during the same quarter. Quarterly net absorption is not impacted in such occurrences.
- The above is common in a tight market where functional space is in high demand.
- Curtis International (216,407 square feet), JIT Transportation (210,710 square feet) and Ryder Logistics (200,000 square feet) were this quarter's top move-ins.
- Preliminary industrial sales volume totaled nearly \$2.6 billion this quarter, the busiest third-quarter on record. While future volume could moderate as debt becomes more costly amid higher interest rates, many investors view industrial as far more stable than other property segments.
- The most recent ILWU-PMA* contract expired on July 1. While port operations continued without major interruption through the quarter, the ILWU has granted port security permission to strike.
- Ocean container spot rates from China/East Asia to North America's West Coast presently average \$3,441/FEU,** down from last year's record high of \$20,586/FEU.
- Major big-box retailers are overstocked and are cutting back on overseas orders. Consumer spending is also flat.
- Loaded inbound cargo volume at the ports totaled nearly 6.9 million containers in the first eight months of 2022, down 0.5% from the same period in 2021.
- Pomona extended its moratorium on warehouse development by 10.5 months to reevaluate its zoning laws.

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION, CONSTRUCTION DELIVERIES AND VACANCY



Market Summary

	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	1.055B	1.055B	1.050B	↑
Total Vacancy Rate	0.9%	0.9%	1.0%	↑
Quarterly Net Absorption (SF)	-0.1M	1.1M	3.3M	→
Average Asking Rent/SF/Month	\$1.61	\$1.51	\$1.05	→
Deliveries (SF)	0.8M	1.2M	1.3M	↑
Under Construction (SF)	4.4M	4.6M	7.1M	→

* ILWU is an acronym for International Longshore and Warehouse Union - essentially the dockworkers of U.S. West Coast ports. The PMA, or the Pacific Maritime Association, governs the ports.

** An acronym for a forty-foot equivalent unit of cargo, which is equal to 25 metric tons or 72 cubic meters

Current Leasing Conditions and the Economy

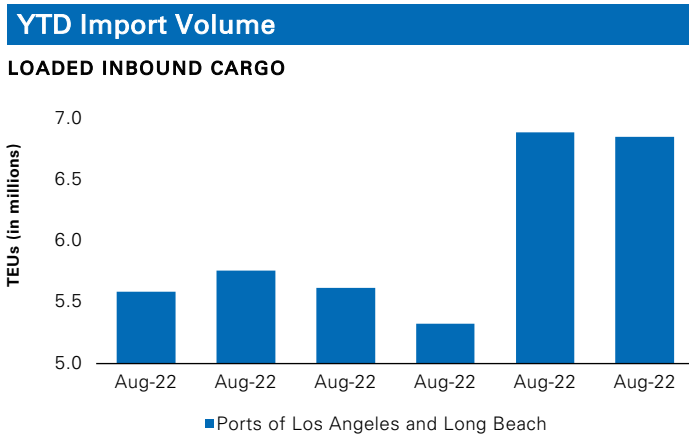
Landlords continue to have the upper hand in lease negotiations, as evidenced by the sustainedly high starting rents. Starting rent for warehouse leases over 50,000 square feet with a minimum clearance height of 30' in the region's infill submarkets currently average \$1.80/SF to \$2.20/SF, compared with \$1.15/SF to \$1.40/SF from 12 months ago.

Current and pending economic developments complicate projections of consumer demand for warehoused products. Consumer spending remains stable, while consumer sentiment experienced a slight uptick in the third quarter after reaching an all-time low in June. Despite the cause for cautious optimism that these metrics suggest, stock market losses, high inflation and successive interest rate increases stand to collectively curtail discretionary spending in the coming months. The 2022 holiday season will be revealing in this regard. Many economists believe the U.S. will enter a recession by year-end 2022 to early 2023, assuming we are not in one already.

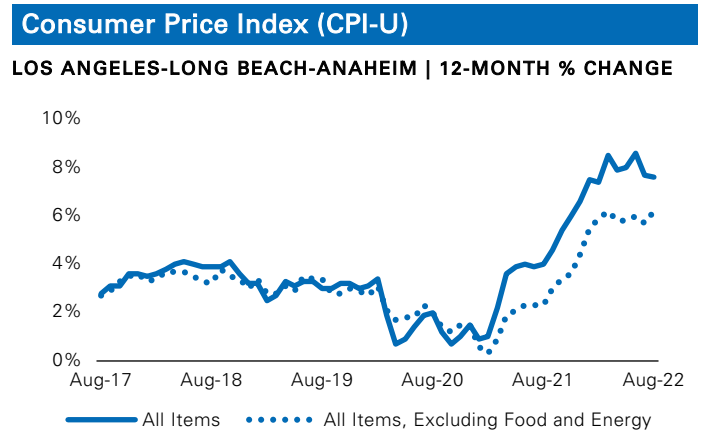
Outlook

While cutbacks in consumer spending will likely result in slower leasing activity, Los Angeles' foundational selling points, including access to the nation's busiest cargo seaport system, a robust consumer population, an inventory base that exceeds a billion square feet and limited construction activity, help insulate the market.

A drastic slowdown is not expected, but rather a moderation of the unprecedented rent growth seen over the last two years as red-hot leasing conditions soften; to phrase it differently, a return to pre-pandemic norms. With that said, some occupiers have more exposure than others; namely, smaller, private distributors, which are generally more susceptible to fluctuations in the economy than larger institutional players with more extensive capital reserves. Smaller distributors generally occupy spaces below 50,000 square feet, and the impact on this segment is partly contingent on how deep and protracted the upcoming recession is.



Source: Port of Los Angeles, Port of Long Beach



Source: U.S. Bureau of Labor Statistics (data not adjusted for seasonality)

Lease Transactions

Buyer	Building(s)	City	Lease Type	Square Feet
JIT Transportation	16325 S Avalon Boulevard	Carson	New	210,710
Pacific Logistics LLC	7255 Rosemead Boulevard	Pico Rivera	Renewal	202,629
DrinkPAK, LLC	21700 Needham Ranch Parkway	Santa Clarita	Pre-lease	198,451

Sale Transactions

Buyer	Building(s)	City	Sale Price (PSF)	Square Feet
Majestic Asset Management, Inc.	9320-9328 Telstar Avenue	El Monte	\$73,000,000 (\$293/SF)	248,961
Rexford Industrial Realty, Inc.	13301 S Main Street	Rancho Dominguez	\$51,150,000 (\$480/SF)	106,491
Flux Investments	17707 S Santa Fe Avenue	Compton	\$50,900,000 (\$389/SF)	130,977

RESEARCH Q3 2022

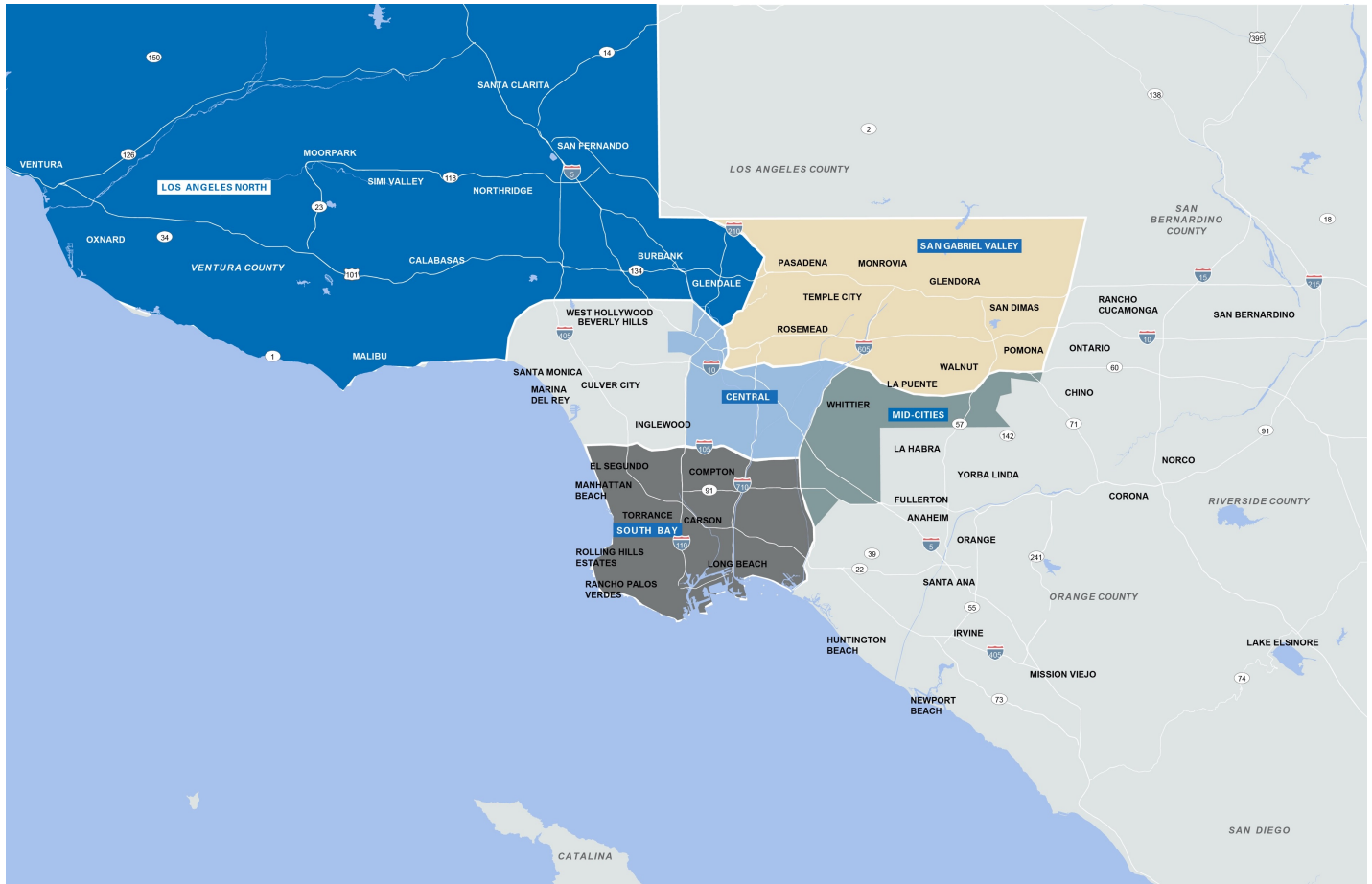
Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central	296,521,803	725,859	0.7%	-123,562	-195,922	\$1.44	\$1.55	\$1.46
Bell	3,925,915	0	0.0%	0	12,000	\$1.89	-	\$1.89
Bell Gardens	2,367,979	0	0.0%	0	33,219	-	-	-
Commerce	52,514,245	0	0.2%	-84,450	-28,232	\$1.68	\$1.21	\$1.59
Cudahy	828,184	0	0.0%	0	0	-	-	-
Downtown Los Angeles	129,331,971	0	1.2%	-44,750	-286,604	\$1.34	\$1.58	\$1.42
Huntington Park	4,872,421	0	0.1%	-5,697	-5,697	-	-	-
Lynwood	3,822,994	0	0.0%	0	0	-	-	-
Maywood	764,938	0	0.0%	0	0	-	-	-
Montebello	13,383,008	25,500	0.4%	-28,958	-17,777	-	\$1.85	\$1.85
Pico Rivera	11,054,898	40,900	0.4%	2,480	1,280	-	-	-
South Gate	11,490,691	0	0.7%	-43,805	-43,805	-	-	-
Vernon	62,164,559	659,459	0.4%	81,618	139,694	\$1.34	-	\$1.34
Mid-Counties	114,754,556	165,265	0.5%	154,020	325,412	\$1.65	\$1.49	\$1.55
Artesia	310,867	0	0.0%	0	23,298	-	-	-
Buena Park	14,577,518	0	0.2%	0	-27,353	-	\$0.68	\$0.68
Cerritos	14,884,739	0	0.8%	-65,010	-54,527	\$1.41	\$1.86	\$1.65
Downey	4,134,741	44,162	0.1%	16,128	10,593	-	\$1.41	\$1.41
La Mirada	14,364,094	0	0.2%	77,202	65,507	-	\$1.65	\$1.65
La Palma	2,101,336	0	0.0%	0	68,000	-	-	-
Norwalk	3,599,819	0	0.1%	0	-4,067	-	-	-
Santa Fe Springs	56,683,161	92,771	0.6%	125,700	243,961	\$1.73	\$1.59	\$1.72
Whittier	4,098,281	28,332	0.0%	0	0	-	\$0.92	\$0.92

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LA North	234,620,745	745,072	0.9%	-210,370	1,017,170	\$1.41	\$1.59	\$1.60
Central Valley	31,904,072	45,786	0.3%	-16,820	-25,140	-	\$1.91	\$1.91
Conejo Valley	14,946,794	0	1.7%	-2,845	121,440	\$1.40	\$1.56	\$1.63
East Valley	57,969,683	0	0.7%	-74,230	-40,671	-	\$1.75	\$1.75
Santa Clarita	26,833,374	319,479	0.3%	-9,535	458,153	\$1.25	\$1.45	\$1.38
Simi/Moorpark	14,428,325	369,807	0.5%	-84,477	36,575	\$1.40	\$1.39	\$1.39
West Valley	41,391,615	10,000	0.7%	111,457	116,427	\$1.55	\$1.54	\$1.55
West Ventura County	47,146,882	0	1.8%	-133,920	350,386	\$0.91	\$0.82	\$0.84
LA East (San Gabriel)	185,149,352	1,194,014	1.2%	8,946	665,412	\$2.00	\$1.45	\$1.63
Central SGV	28,020,014	1,012,435	3.4%	-57,407	134,812	\$2.00	-	\$2.00
Eastern SGV	33,628,709	0	1.3%	-215,399	-201,594	-	\$1.55	\$1.55
El Monte Area	19,678,504	0	1.0%	160,600	188,495	-	-	-
Industry Area	91,848,689	181,579	0.6%	34,627	443,450	-	\$1.65	\$1.66
Western SGV	11,973,436	0	0.9%	86,525	100,249	-	\$1.61	\$1.61
South Bay	224,159,199	1,613,748	1.2%	63,992	901,129	\$1.96	\$1.70	\$1.83
Carson	41,181,797	419,106	0.6%	-98,835	-135,501	\$1.95	\$1.92	\$1.93
Compton/Rancho Dominguez	40,976,117	107,733	0.8%	109,140	22,328	\$2.05	-	\$2.05
El Segundo	9,567,526	0	1.2%	0	5,977	-	\$2.25	\$2.25
Gardena/110 Corridor	34,670,972	86,879	1.7%	-43,499	39,120	\$1.80	\$1.77	\$1.78
Hawthorne	10,194,087	0	0.9%	-4,850	-37,595	\$1.50	\$2.02	\$1.73
LAX/Inglewood	11,260,322	0	1.7%	3,033	83,087	-	\$2.19	\$2.19
Long Beach/Signal Hill	20,616,714	194,338	3.6%	-18,312	9,382	-	\$1.17	\$1.17
Paramount	9,479,050	0	0.5%	-40,381	30,238	\$1.30	\$1.69	\$1.44

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Port District	6,538,735	0	0.6%	-7,730	-39,033	-	\$1.75	\$1.75
Redondo Beach	3,539,750	0	0.0%	0	3,480	-	-	-
Torrance Area	36,134,129	805,692	0.8%	165,426	919,646	-	\$1.92	\$1.92
Los Angeles	1,055,205,655	4,443,958	0.9%	-106,974	2,713,201	\$1.59	\$1.61	\$1.61

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. Older, available buildings often cite asking rents, while newer facilities often withhold rent values. Based on this, today's asking rent averages are materially understated.



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