

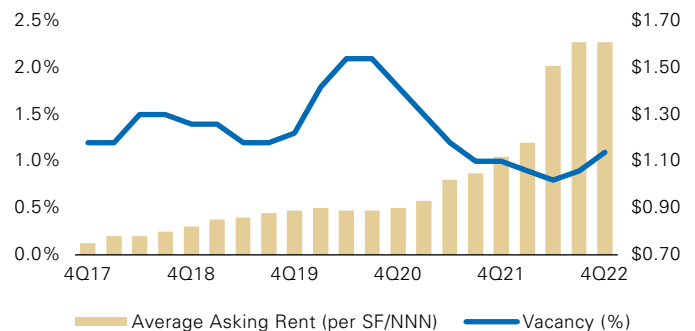
Los Angeles Industrial Market

Market Fundamentals Suggest Return to Pre-Pandemic Norms

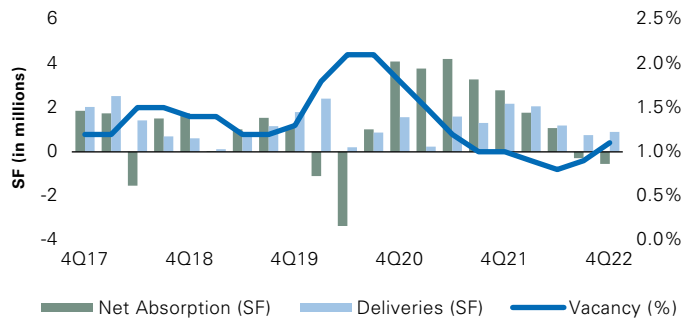
- Total vacancy, the lowest in the nation, moderately increased after new deliveries exceeded net absorption for the second consecutive quarter.
- Net absorption in recent quarters has been constrained by low vacancy, few construction deliveries and a handful of tenant move-outs.
- Sunrider, Tri-Mountain and Airgas Safety shed space this quarter, collectively returning 950,000 square feet of vacant space to the market. This was partly offset by move-ins from Relativity Space, Amazon and Vanitas Manufacturing, each of which settled into spaces in excess of 200,000 square feet.
- Vanitas' occupancy did not create an absorption gain since the prior tenant vacated the same quarter Vanitas moved in.
- The above is a recurring trend that is illustrative of pent-up demand for functional space. Six of this quarter's top 10 move-ins followed the Vanitas scenario.
- The market's largest lease in three years was signed this quarter when Ryder pre-leased 1.0 million square feet at Grand Crossing South in the City of Industry.
- Sublet availability rose but is muted from a historical perspective: this quarter's 2.7 million square feet is below the market's 20-year average of 4.3 million square feet.
- Sharp rent growth in recent years, high capital costs, slowing retail sales and downward revisions to earnings projections are impacting all businesses.
- Further deceleration in the economy will likely lead to more sublease space. The fervent tenant demand of recent years will also moderate – and with it, rent growth.
- November U.S. retail sales fell 0.6% from the prior month for the biggest decline this year.
- Property sale values are cooling from all-time highs on account of rising interest rates. Rexford, TIAA and New Mountain Capital were this quarter's top buyers.

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)	1.054B	1.053B	1.050B	↑
Total Vacancy Rate	1.1%	0.9%	1.0%	↑
Quarterly Net Absorption (SF)	-543K	-285K	2.8M	→
Average Asking Rent/SF/Month	\$1.61 NNN	\$1.61 NNN	\$1.12 NNN	→
Deliveries (SF)	902K	764K	2.2M	↑
Under Construction (SF)	6.2M	4.4M	6.3M	→

Import Volume Slows From Stability Concerns

Many Asian importers began diverting cargo from West Coast points of entry to Gulf and Eastern Seaboard ports, starting in late summer, in order to hedge against potential labor disruptions from the ILWU* (whose contract with the PMA expired on July 1) and the nation’s railroad unions. The second of the two has since been resolved after the Biden Administration intervened in early December.

Most of the diverted imports are discretionary, or goods intended for other U.S. markets. Moreover, West Coast distributors frontloaded their imports in the first half of the year before enacting the rerouting shift. A good portion of this shifted volume will likely return once an agreement is reached with the ILWU and stability becomes less of a concern.

Import volume at Southern California’s ports will make for the second busiest year on record once December’s numbers are in. Water- and land-side congestion is no more, while China has abandoned its zero-COVID strategy, which will lead to fewer factory closures and supply chain bottlenecks over the long-

term. The ports also continue to focus on infrastructure investments to ensure national dominance, with Long Beach’s Pier B On-Dock Rail Support Facility project as one highlight.

Discretionary cargo flows could also very well shift back to Southern California’s ports in the next 24 months as the ILA and USMX – the East and Gulf counterparts of the ILWU and PMA – begin to discuss terms before their contract expires on September 30, 2024.

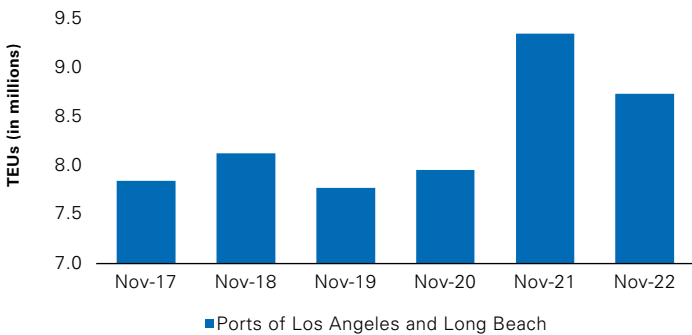
Outlook

The pandemic-induced period of high industrial demand and explosive rent growth is waning; asking rents have begun to moderate, while declines in quarterly industrial sale volume and sale price per square foot in the fourth quarter of 2022 reflect investor retrenchments.

While a deep recession seems unlikely, the Fed has stated its intention to pursue continued, albeit more modest, interest rate hikes. Higher rates increase the cost of consumer debt, which will limit retail sales and temper warehouse demand.

YTD Import Volume

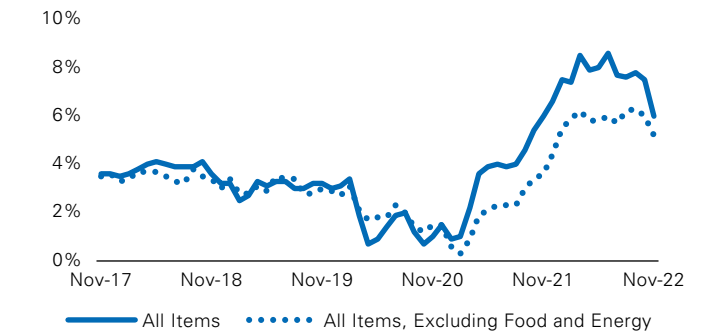
LOADED INBOUND CARGO



Source: Port of Los Angeles, Port of Long Beach

Consumer Price Index (CPI-U)

LOS ANGELES-LONG BEACH-ANAHEIM | 12-MONTH % CHANGE



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

Lease Transactions

Buyer	Building(s)	City	Lease Type	Square Feet
Ryder System, Inc.	21921-21931 Industry Way	City of Industry	Pre-lease	1,000,720
GXO Logistics Supply Chain, Inc.	9400-9500 Santa Fe Springs Road	Santa Fe Springs	Renewal	411,034
Poly & Bark	709 Science Drive	Moorpark	Renewal	255,306

Sale Transactions

Buyer	Building(s)	City	Sale Price (PSF)	Square Feet
New Mountain Capital	3700 E Olympic Boulevard	Los Angeles	\$51,300,000 (\$235/SF)	218,000
Rexford Industrial Realty, Inc.	20355-20455 Reeves Avenue	Carson	\$48,950,000 (\$444/SF)	110,190
Rexford Industrial Realty, Inc.	14400 S Figueroa Street	Gardena	\$42,640,000 (\$476/SF)	89,491

* 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.

RESEARCH Q4 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	295,354,437	309,885	1.0%	-110,414	-363,091	\$1.48	\$1.59	\$1.50
Bell	3,925,915	0	0.0%	0	12,000	\$1.85	-	\$1.85
Bell Gardens	2,367,979	0	0.0%	0	33,219	-	-	-
Commerce	52,639,685	0	0.6%	-110,420	-127,907	\$1.70	\$1.21	\$1.62
Cudahy	828,184	0	0.0%	0	0	-	-	-
Downtown Los Angeles	127,667,571	0	1.3%	-28,713	-301,317	\$1.33	\$1.68	\$1.45
Huntington Park	4,872,421	0	0.7%	-29,227	-34,924	-	-	-
Lynwood	3,822,994	0	0.0%	0	0	-	-	-
Maywood	764,938	0	0.0%	0	0	-	-	-
Montebello	13,383,008	0	0.3%	17,250	-527	-	\$1.85	\$1.85
Pico Rivera	11,054,898	40,900	0.4%	2,420	3,700	-	-	-
South Gate	11,490,691	0	0.7%	0	-43,805	-	-	-
Vernon	62,536,153	268,985	1.2%	38,276	96,470	\$1.48	\$1.37	\$1.47
Mid-Counties	114,533,233	115,907	0.6%	-73,037	252,375	\$1.67	\$1.53	\$1.60
Artesia	310,867	0	0.0%	0	23,298	-	-	-
Buena Park	14,577,518	0	0.1%	6,342	-21,011	-	\$0.68	\$0.68
Cerritos	14,884,719	23,136	0.8%	221	-54,306	\$1.54	\$1.85	\$1.57
Downey	4,178,903	0	1.3%	-6,265	4,328	-	\$1.20	\$1.20
La Mirada	14,071,297	0	0.5%	-41,906	23,601	\$1.79	\$1.54	\$1.57
La Palma	2,101,336	0	0.0%	0	68,000	-	-	-
Norwalk	3,599,819	0	0.0%	4,067	0	-	-	-
Santa Fe Springs	56,683,161	92,771	0.7%	-58,083	185,878	\$1.77	\$1.74	\$1.75
Whittier	4,125,613	0	0.1%	22,587	22,587	-	\$0.92	\$0.92

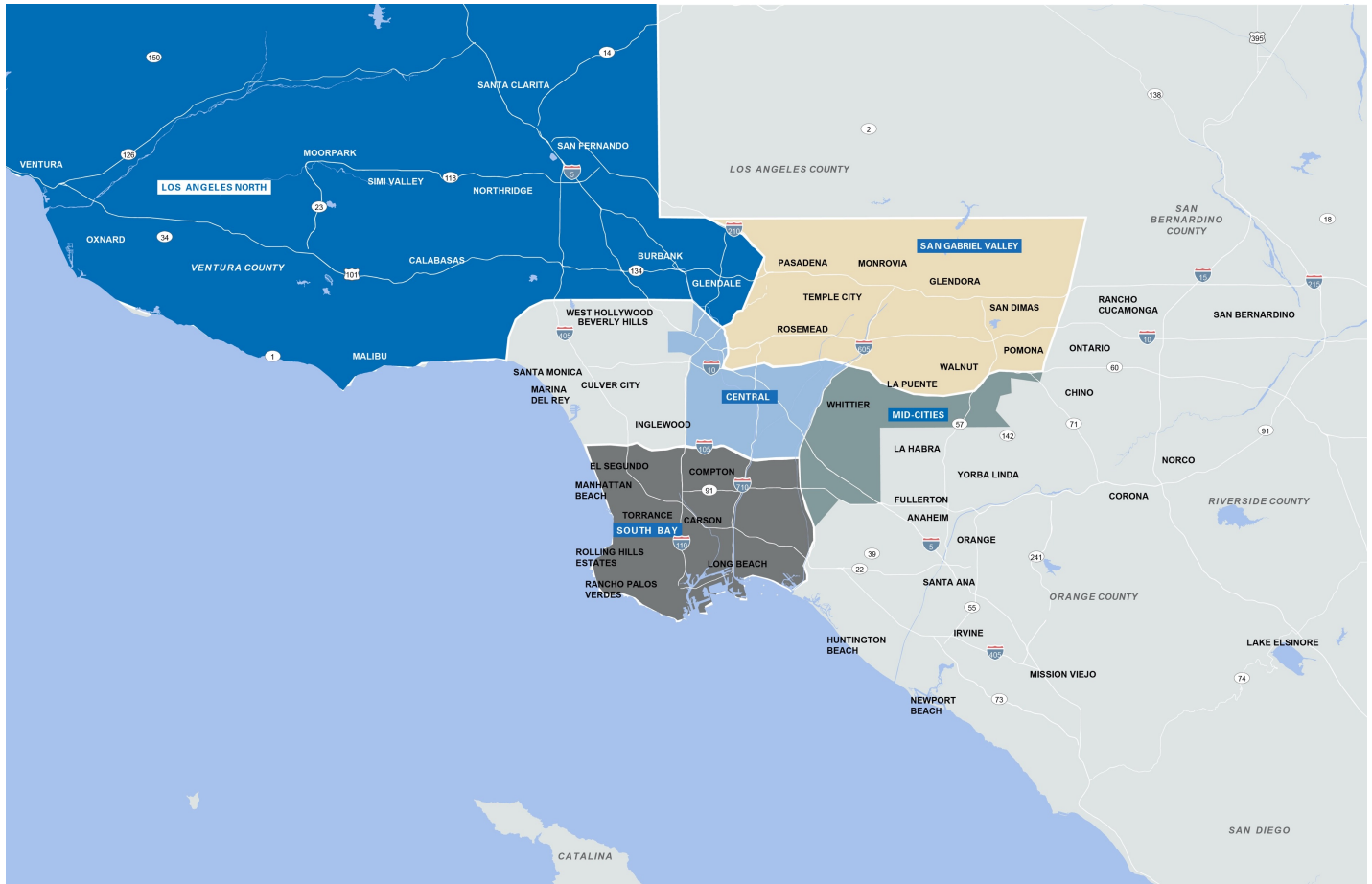
RESEARCH Q4 2022

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)
LA North	234,963,629	939,083	1.0%	-34,585	958,686	\$1.41	\$1.55	\$1.54
Central Valley	31,904,072	45,786	0.6%	-32,450	-121,364	\$1.34	\$1.48	\$1.44
Conejo Valley	15,015,480	0	3.3%	-164,083	-42,643	\$1.40	\$1.54	\$1.59
East Valley	57,969,683	0	0.8%	-74,837	-115,508	\$1.89	\$1.73	\$1.73
Santa Clarita	27,112,044	193,490	0.2%	288,588	772,431	\$1.30	\$1.45	\$1.37
Simi/Moorpark	14,427,601	689,807	0.7%	-21,369	15,206	-	\$1.33	\$1.32
West Valley	41,391,615	10,000	0.6%	20,602	137,029	\$1.55	\$1.69	\$1.61
West Ventura County	47,143,134	0	1.9%	-51,036	313,535	\$0.94	\$0.89	\$0.90
LA East (San Gabriel)	185,149,352	3,287,956	1.4%	-383,471	324,097	\$1.78	\$1.26	\$1.62
Central SGV	28,020,014	1,564,997	4.1%	-181,796	-46,984	\$2.00	\$1.65	\$1.81
Eastern SGV	33,628,709	0	1.0%	91,997	-109,597	\$1.65	\$1.55	\$1.63
El Monte Area	19,678,504	0	1.0%	-5,640	182,855	\$1.39	-	\$1.39
Industry Area	91,848,689	1,722,959	0.9%	-266,734	207,695	\$1.78	\$1.02	\$1.65
Western SGV	11,973,436	0	1.0%	-21,298	90,128	-	\$1.39	\$1.50
South Bay	224,057,594	1,537,239	1.2%	58,860	862,044	\$2.10	\$1.72	\$1.88
Carson	41,181,797	419,106	0.2%	186,479	50,978	-	\$1.95	\$1.95
Compton/Rancho Dominguez	40,874,512	205,435	1.2%	-26,180	-122,652	\$2.09	-	\$2.09
El Segundo	9,567,526	0	1.5%	-30,000	-24,023	-	\$2.39	\$2.39
Gardena/110 Corridor	34,670,972	86,879	1.7%	3,833	42,953	-	\$1.75	\$1.76
Hawthorne	10,194,087	0	1.0%	-32,099	-48,839	\$1.50	\$2.18	\$1.82
LAX/Inglewood	11,260,322	0	1.5%	26,415	109,502	\$2.45	\$2.10	\$2.16
Long Beach/Signal Hill	20,616,714	194,338	1.4%	462,640	472,022	-	\$1.14	\$1.19
Paramount	9,479,050	0	0.7%	-19,323	10,915	\$1.30	\$1.69	\$1.44

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Port District	6,538,735	0	0.7%	-2,347	-41,380	-	-	-
Redondo Beach	3,539,750	0	0.0%	0	3,480	-	-	-
Torrance Area	36,134,129	631,481	2.2%	-510,558	409,088	\$2.50	\$1.70	\$2.00
Los Angeles	1,054,058,245	6,190,070	1.1%	-542,647	2,034,111	\$1.61	\$1.59	\$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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