

Los Angeles County

Industrial Market Outlook Q1 2022

MARKET OVERVIEW

Los Angeles County's industrial market continued feeling the demand for warehouse distribution space as the amount of completed construction (959,920 square feet) was basically matched by 998,418 square feet of positive net absorption, in the first quarter of 2022. Limited new development, due to land constraints, isn't keeping pace with the economic growth and seemingly unending demand for more industrial space across the region from ecommerce. While developers are active in the market, the soaring demand for warehouse distribution space has caused builders to scour the market for obsolete buildings with sufficient land to produce large industrial development projects. Industrial space under construction dropped 13.0 percent from the prior quarter, down 6.6 percent compared to last year to 5.7 million square feet. With completed construction rising 30.9 percent quarter over quarter and 1,147 percent year over year, the increased supply of industrial development has made an impressive effort to keep pace with demand. Year over year, close to 5.3 million square feet of industrial space was completed while the sum of net absorption over the past five quarters totaled 17.4 million square feet.

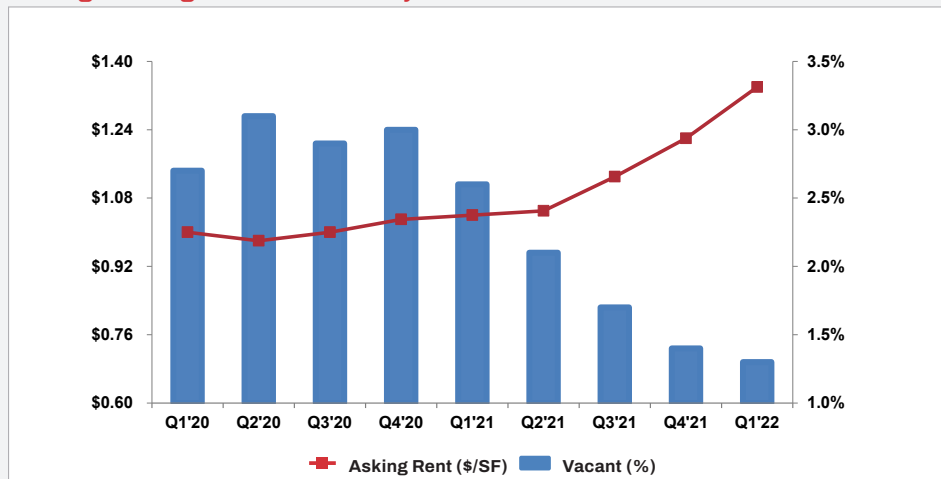
The average asking rent jumped up 9.8 percent from the prior quarter to \$1.34 triple net, up 28.8 percent from the first quarter of 2021. The vacancy rate dropped to a record low of 1.3 percent, 130 basis points below the first quarter of 2021. The market's strength was extraordinary in the first quarter, with virtually all newly completed warehouse distribution space getting leased.

TRENDS TO WATCH

As supply chains were disrupted by the COVID-19 shutdown the demand for ecommerce that followed prompted developers to build mega warehouse distribution facilities to feed distribution networks. In the San Gabriel Valley, a 1-million square foot spec facility is now under construction. It's the largest such facility under construction in Los Angeles County. San Gabriel Valley's industrial market has become ground zero for new construction in LA County due to the availability of land for development – and strong rental rate growth. Vacant industrial space in the San Gabriel Valley fell 22.7 percent from last year to an extremely low of 1.5 percent. Rent in the San Gabriel Valley's shot up 20.4 percent from last year to \$1.30 per square foot triple net.

Overall, in LA County, industrial space under construction decreased year over year primarily due to land constrains. As demand for state of the art warehouse distribution space continues, land, and obsolete buildings, will remain the target of developers.

Average Asking Rent and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



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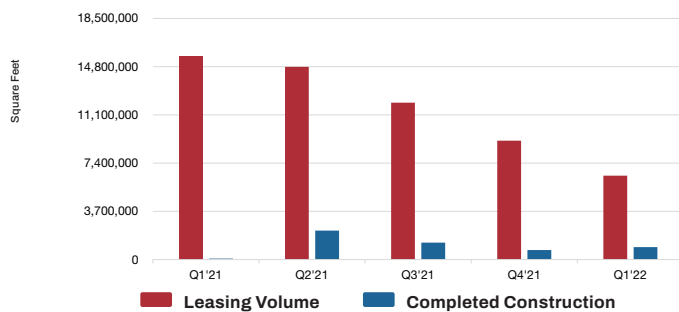
Market Statistics*

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT (\$/SF NNN)	AVERAGE SALE PRICE (\$/SF)
Central	241,805,093	382,471	2.6%	1.4%	1,098,002	1,098,002	1,139,743	1,139,743	\$1.45	\$287
Mid-Cities	102,771,775	219,780	2.1%	0.9%	1,228,145	1,228,145	888,760	888,760	\$1.21	\$328
South Bay	221,151,774	1,711,603	2.5%	1.2%	1,961,669	1,961,669	1,048,628	1,048,628	\$1.42	\$262
North	148,411,564	1,155,481	2.5%	1.4%	1,251,253	1,251,253	1,695,023	1,695,023	\$1.26	\$251
San Gabriel Valley	171,141,058	2,211,741	2.9%	1.5%	897,936	897,936	1,213,147	1,213,147	\$1.30	\$257
Los Angeles County	885,281,264	5,681,076	2.6%	1.3%	6,437,005	6,437,005	5,985,301	5,985,301	\$1.34	\$272

Leasing

Solid leasing volume trending downward over the last five quarters underscores the need for speculative development in the marketplace. Well-located state of the art warehouse distribution space remains in strong demand, while completed construction lags due to land constraints.

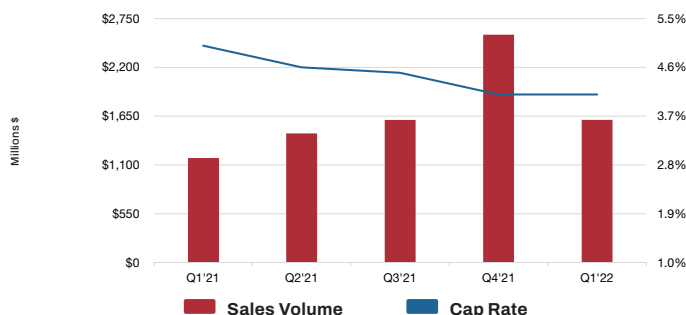
Leasing Volume vs. Completed Construction



Sales

Sales volume retreated in the first quarter of 2022 after growing to an all-time high in the fourth quarter of 2021. First quarter 2022 sales volume totaled more than \$1.6 billion with the average cap rate holding steady from the prior quarter, down 90 basis points from the fourth quarter of 2021 to 4.1 percent.

Sales Volume vs. Cap Rate



Select Lease Transactions

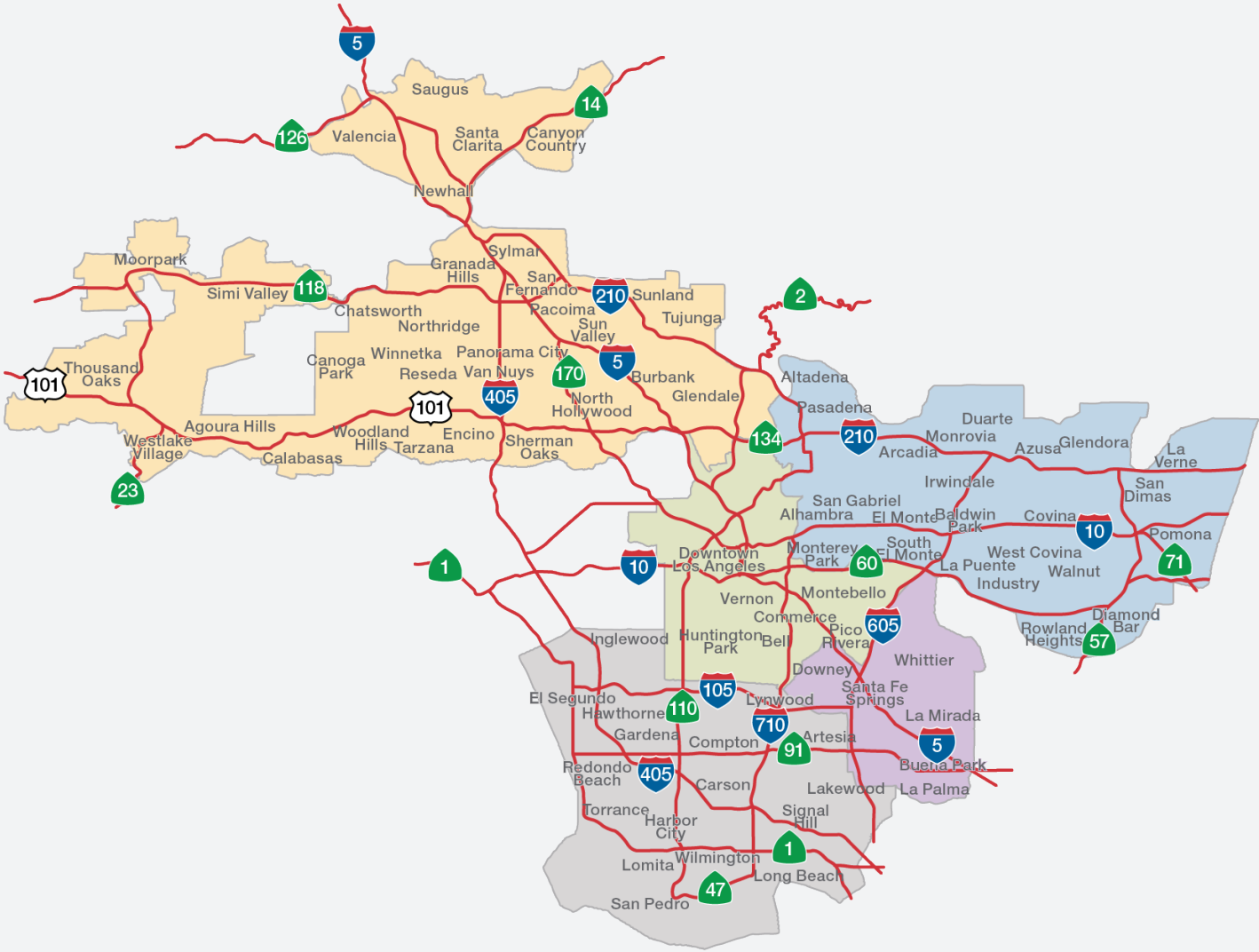
ADDRESS	CITY	SUBMARKET	SIZE SF
12802-12806 Leffingwell Rd	Santa Fe Springs	Mid-Cities	153,724
18111 S Santa Fe Ave	Compton	South Bay	136,980
2700 California St	Torrance	South Bay	134,816
12500 E Slauson Ave	Santa Fe Springs	Mid-Cities	127,585
2650 Commerce Way	Commerce	Central LA	124,980

Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
400 S Stimson Ave (Part of a Portfolio)	City Of Industry	San Gabriel Valley	239,922
21200 Victory Blvd	Woodland Hills	North LA	183,972
24903 Avenue Kearny	Santa Clarita	North LA	214,436
29011 Commerce Center Dr	Valencia	North LA	165,141
12065 Pike St	Santa Fe Springs	Mid-Cities	159,964

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- LA North
- Central
- San Gabriel Valley
- Mid-Cities
- South Bay

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Industrial Market Outlook Q1 2022



NAI Capital Commercial Southern California Office Locations

Headquarters

15821 Ventura Blvd., Ste. 320
Los Angeles, CA 91436
818.905.2400

Los Angeles County

Downtown LA

707 Wilshire Blvd., Ste. 5125
Los Angeles, CA 90017
213.632.7700

West Los Angeles

11835 Olympic Blvd., Ste. 700E
Los Angeles, CA 90064
310.440.8500

Torrance

970 W. 190th St., Ste. 100
Torrance, CA 90502
310.532.9080

Pasadena

225 S. Lake Ave., Ste. 1170
Pasadena, CA 91101
626.564.4800

Valencia

25060 Avenue Stanford., Ste. 165
Valencia, CA 91355
661.705.3550

Diamond Bar

21660 E. Copley Dr., Ste. 320
Diamond Bar, CA 91765
909.348.0600

Ventura County

Oxnard

300 Esplanade Dr., Ste. 470
Oxnard, CA 93036
805.278.1400

Westlake Village

2555 Townsgate Rd., Ste. 320
Westlake Village, CA 91361
805.446.2400

Inland Empire

Ontario

800 N. Haven Dr., Ste. 400
Ontario, CA 91764
909.945.2339

Victorville

13911 Park Ave., Ste. 206
Victorville, CA 92392
760.780.4200

Orange County

Irvine

1920 Main St., Ste. 100
Irvine, CA 92614
949.854.6600

Coachella Valley

Palm Desert

75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
760.346.1566