Los Angeles County
Industrial Market Outlook Q2 2022

NAI Capital
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

MARKET OVERVIEW

Los Angeles County's industrial market got a bit of breathing room from the relentless demand for warehouse distribution space as the amount of completed construction (1,849,286 square feet) was basically matched by 1,811,802 square feet of vacant space added to the market in the second quarter of 2022. While land constraints have limited new development, developers have been aggressively attempting to keep pace with the economic growth and unending demand for industrial space across the region from ecommerce. Soaring demand for warehouse distribution space has caused builders to get creative in sourcing projects to develop, scouring the market for obsolete buildings with sufficient land to produce large industrial development projects. Industrial space under construction dropped 11.7 percent from the prior quarter but is up 28.2 percent compared to last year at 6.4 million square feet. With completed construction decreasing 7.3 percent quarter over quarter and 19.7 percent year to date year over year, the increased supply of industrial development has continued to fall short in the effort to keep pace with demand. Los Angeles County, over the past five quarters, averaged approximately 1.2 million square feet of completed construction added to the market while net absorption averaged 3.2 million square feet.

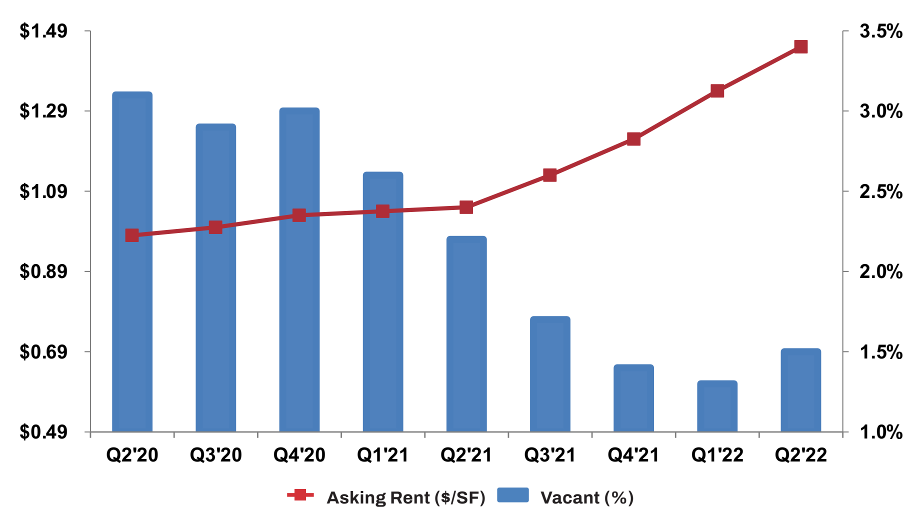
The average asking rent jumped up 9.8 percent from the prior quarter to $1.45 triple net, up 38.1 percent from the second quarter of 2021. The vacancy rate inched up 20 basis points from the previous quarter to a still low of 1.5 percent, 70 basis points below the second quarter of 2021. The first half of 2022 showed a loosening up, but vacancy remained low.

TRENDS TO WATCH

As the supply chain disruptions caused by the COVID-19 shutdown subside, lessened demand from ecommerce to feed distribution networks will persuade developers to moderate building large warehouse distribution facilities. In the San Gabriel Velley the largest warehouse distribution facility under construction in LA County, a 1-million square foot spec facility, remains available. While the building is expected to be completed in the third quarter of 2023, the availability of industrial space in the San Gabriel Valley has gone up 43.1 precent quarter over quarter to 6.9 million square feet. Strong rental rate growth has been a key driver of construction in the region. Rent in the San Gabriel Valley shot up 28.6 percent from last year to $1.53 per square foot triple net. Overall, in LA County, available industrial space increased 20.8 percent quarter over quarter primarily due new construction providing options for users looking for space. Nevertheless, available space remains four percent below last year at this time.

Warehouses distribution centers remain full as businesses are focusing their efforts on moving delayed inventory to make way for the holiday season heading into the second half of the year.

Average Asking Rent and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates ▲

Sale Prices ▲

Availability/Vacancy Rates ▲

Landlord Concessions ◀▶

Sales/Leasing Volume ▲

New Construction ▲

J.C. Casillas
Managing Director, Research
jcasillas@naicapital.com
Direct: 818.933.2433

NAI Capital Commercial Research
www.naicapital.com

Los Angeles County

Industrial Market Outlook Q2 2022

NAI Capital
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

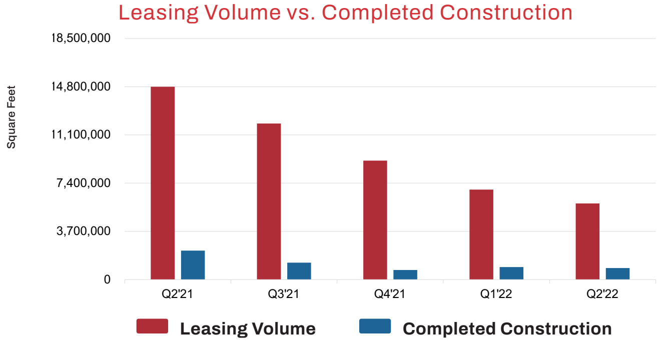
Market Statistics*

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	240,462,246	523,049	3.3%	1.7%	1,397,792	2,658,603	2,056,251	3,292,054	$1.44	$240
Mid-Cities	102,685,927	113,394	2.4%	1.3%	822,887	2,259,463	205,788	1,098,079	$1.50	$353
South Bay	221,859,338	2,359,882	2.8%	1.6%	1,231,993	3,193,662	1,269,525	2,319,584	$1.57	$340
North	148,487,576	1,136,041	2.5%	1.5%	1,158,450	2,432,411	1,756,393	3,386,477	$1.35	$345
San Gabriel Valley	171,408,927	2,237,232	4.1%	1.4%	1,240,200	2,214,347	1,129,998	2,332,853	$1.53	$273
Los Angeles County	**884,904,014**	**6,369,598**	**3.1%**	**1.5%**	**5,851,322**	**12,758,486**	**6,417,955**	**12,429,047**	**$1.45**	**$298**

Leasing

The last five quarters underscore leasing volume trending downward as much needed construction was completed and added to the marketplace. Completed construction trailed due to land constrains while well-located state of the art warehouse distribution space remains in short supply.

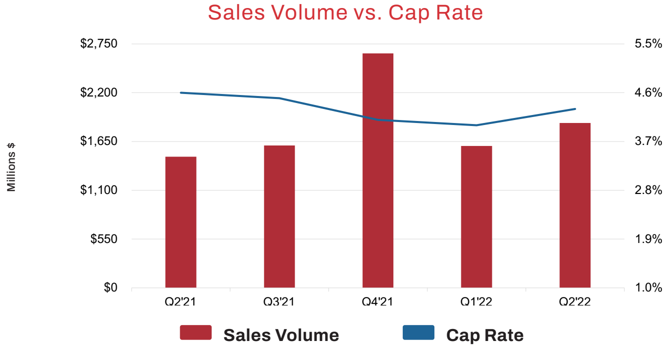
Leasing Volume vs. Completed Construction



Sales

Sales volume retreated in the first half of 2022 grew by 12.1 percent from the first half of 2021. Second quarter 2022 sales volume totaled close to $1.9 billion with the average cap rate up 30 basis points from the prior quarter, down 30 basis points from the second quarter of 2021 to 4.3 percent.

Sales Volume vs. Cap Rate



Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
408-488 Brea Canyon Rd	City of Industry	San Gabriel Valley	400,332
4444-4446 Ayers Ave	Los Angeles	Central LA	219,555
333 S Hacienda Blvd	City Of Industry	San Gabriel Valley	216,716
5200 Sheila St	Commerce	Central LA	114,898
20212 S Rancho Way	Rancho Dominguez	South Bay	103,262

Select Sales Transactions

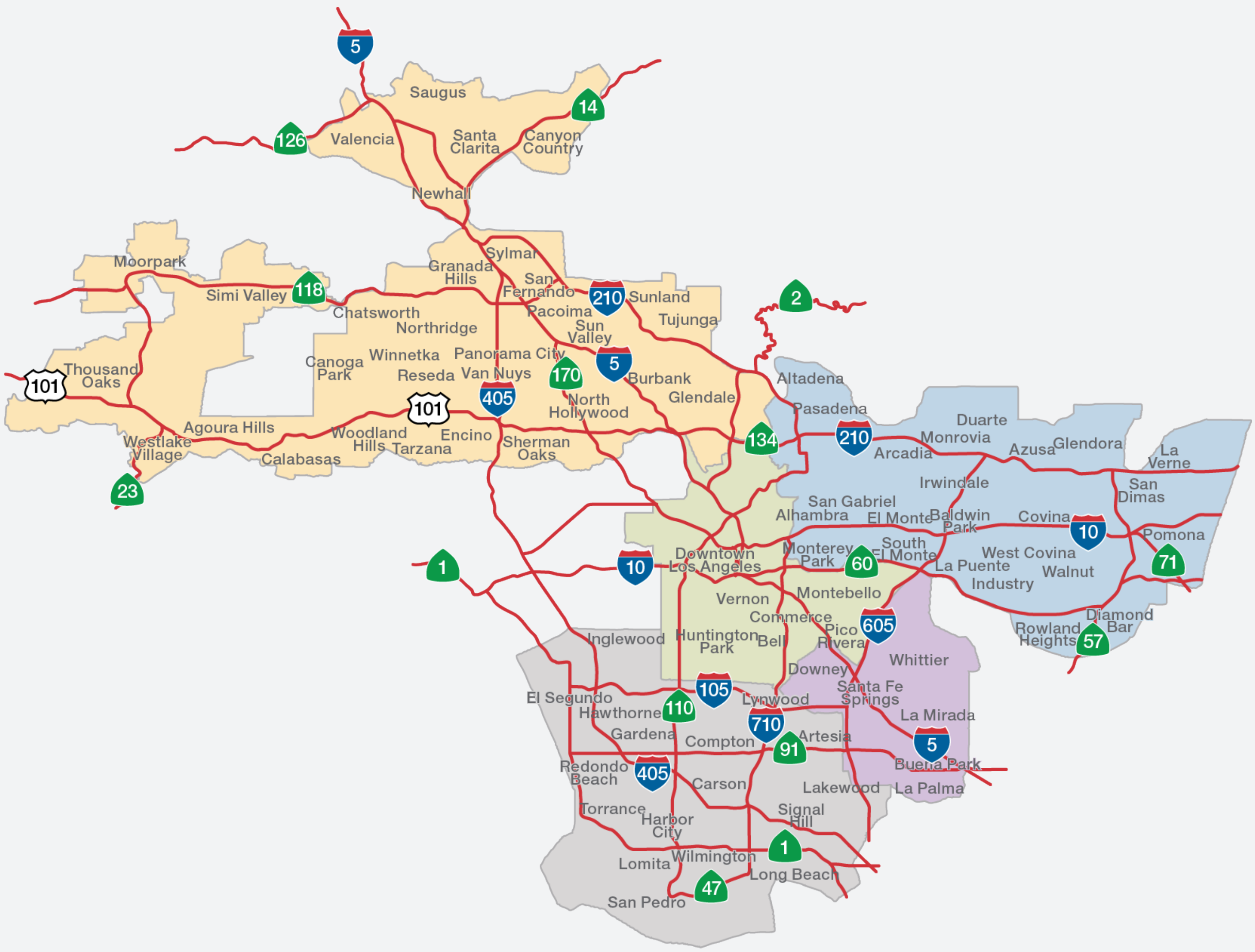
ADDRESS	CITY	SUBMARKET	SIZE SF
Industrial Portfolio (2 Properties) 405/709 Science Dr	Moorpark	North LA	360,562
2761 Fruitland Ave	Vernon	Central LA	268,049
120 Puente Ave*	City Of Industry	San Gabriel Valley	253,670
5729-5743 Smithway St	Commerce	Central LA	230,000
14724 Proctor Ave	City Of Industry	San Gabriel Valley	229,200

*Sale Leaseback

Los Angeles County

Industrial Market Outlook Q2 2022

NAI Capital
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



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

Los Angeles County
Industrial Market Outlook Q2 2022

COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

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

Realizing Potential.
Delivering Results.