

Los Angeles County

Industrial Market Outlook Q4 2020

MARKET OVERVIEW

Los Angeles County's industrial market is overcoming the effects of an economy that spent the last three quarters of the year under a COVID-19 shutdown. In Q4 2020, the average rent edged up three cents from the prior quarter to \$1.03 NNN, up 4.0% from Q4 2019. Vacancy remains extremely low at 3.1% - up only a fraction from the previous quarter. Vacancy registered just 1.2 percentage points higher than its record low of 1.9% reached in Q1 2019. Highlighting the market's strength in this pandemic-induced economic recession, vacancy remains 2.5 percentage points below 2010's all-time high, which hit in the wake of the Great Recession. The exponential growth in demand for ecommerce resulted in the industrial market not missing a beat during the shutdown.

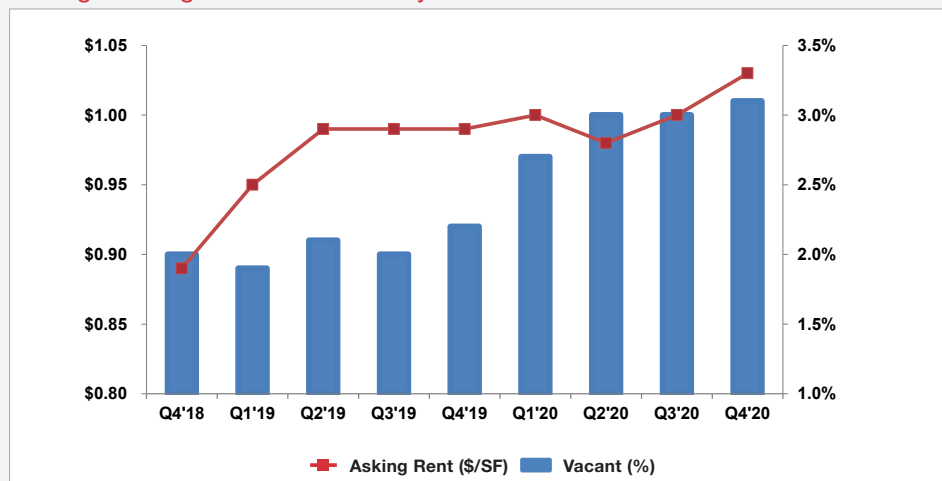
Soaring demand for warehouse/distribution space created opportunity for infill development. Completed construction in Q4 added close to 1M SF to the market. Since Q1 2020, more than 5.4M SF was completed. Leasing volume continued at a steady pace in Q4, up 7.1% from the previous quarter, taking the total for 2020 up 20.1% from 2019. While sales prices per square foot climbed 27.8% year over year, total square footage sold in 2020 declined 22.1% from 2019, symptomatic of the low supply and high demand for industrial investments.

TRENDS TO WATCH

The industrial market will continue to undergo post-pandemic challenges. As developers move forward with space under construction, pent-up demand will continue to bid up pricing on land and redevelopment opportunities, along with existing inventory. Space under construction, as of Q4 2020, declined 30% from Q4 2019 to 4.6M SF in a market that leased and sold more than 68.7M SF in 2020 – during a pandemic shutdown. A shortage of industrial space will persist due to land constraints and limited infill opportunities.

The uncertain economy shut down many, caused others to downsize, and produced an expansion of the warehouse/distribution sector. Strong demand is expected to continue due to the explosive growth of ecommerce. Tenants will need to compete for a limited supply of well-located, state-of-the-art facilities and look to sign longer-term leases to secure space. Landlords will be much less flexible with lease terms, taking this time to position less functional buildings for warehouse/distribution to attract tenants and maximize property value.

Average Asking Rent* and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



NAI Capital Commercial Research
www.naicapital.com

Los Angeles County

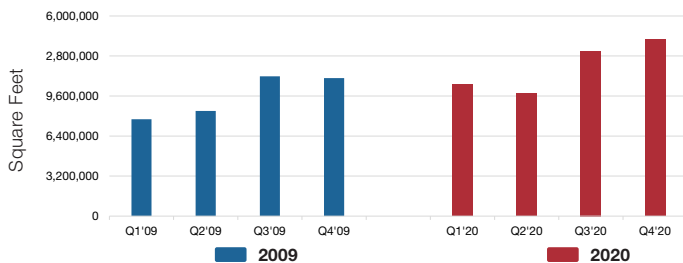
Industrial Market Outlook Q4 2020

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	242,296,697	202,580	5.0%	3.3%	3,521,916	10,899,030	1,254,826	3,876,381	\$1.11	\$290
Mid-Cities	102,039,693	215,763	4.3%	3.7%	2,562,248	6,722,697	1,425,371	3,658,823	\$0.86	\$272
South Bay	219,781,328	883,923	4.6%	2.8%	2,825,602	11,257,882	1,160,703	5,469,060	\$1.17	\$259
LA North	146,728,741	1,639,569	4.8%	3.1%	2,144,216	8,592,484	1,500,818	3,972,313	\$1.00	\$222
San Gabriel Valley	168,908,767	1,678,789	4.0%	2.8%	3,088,074	10,244,043	1,480,614	4,106,610	\$0.85	\$206
Los Angeles County	879,755,226	4,620,624	4.6%	3.1%	14,142,056	47,716,136	6,822,332	21,083,187	\$1.03	\$248

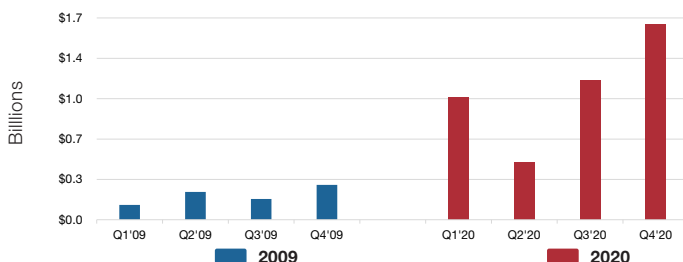
Leasing

Leasing volume in the second half of the year underscores the bounce back in momentum that occurred from Q2 2020, when the shutdown began. Total leasing for 2020 soared 24.4% above 2009 during the Great Recession – demonstrating the effect on the warehouse/distribution market from ecommerce in the wake of the pandemic shutdown.



Sales

Q4 sales increased 40% from Q3 2020 to more than \$1.6B. With plenty of liquidity in the market, investors and users acquired an impressive amount of industrial real estate at low interest rates. Sales during the COVID-19 pandemic shutdown outperformed the Great Recession by 423%, in part because of the tremendous price appreciation that occurred over the past decade, which did not go unnoticed by investors.



Select Lease Transactions

TENANT	ADDRESS	SUBMARKET	ASKING RENT \$/SF*	SQUARE FEET
Rite Aid	2801 W. Avenue H.	North	\$0.55	927,000
Noble House Home Furnishings	4300 Shirley Ave.	San Gabriel Valley	\$0.90	572,240
Freight Horse Express	19200-19270 S. Western Ave.	South Bay	\$0.85	370,641
Leopard Transnational, Inc.	4250 Shirley Ave.	San Gabriel Valley	\$0.90	363,417
Ralphs	4841 W. San Fernando Rd.	North	\$1.00	62,680

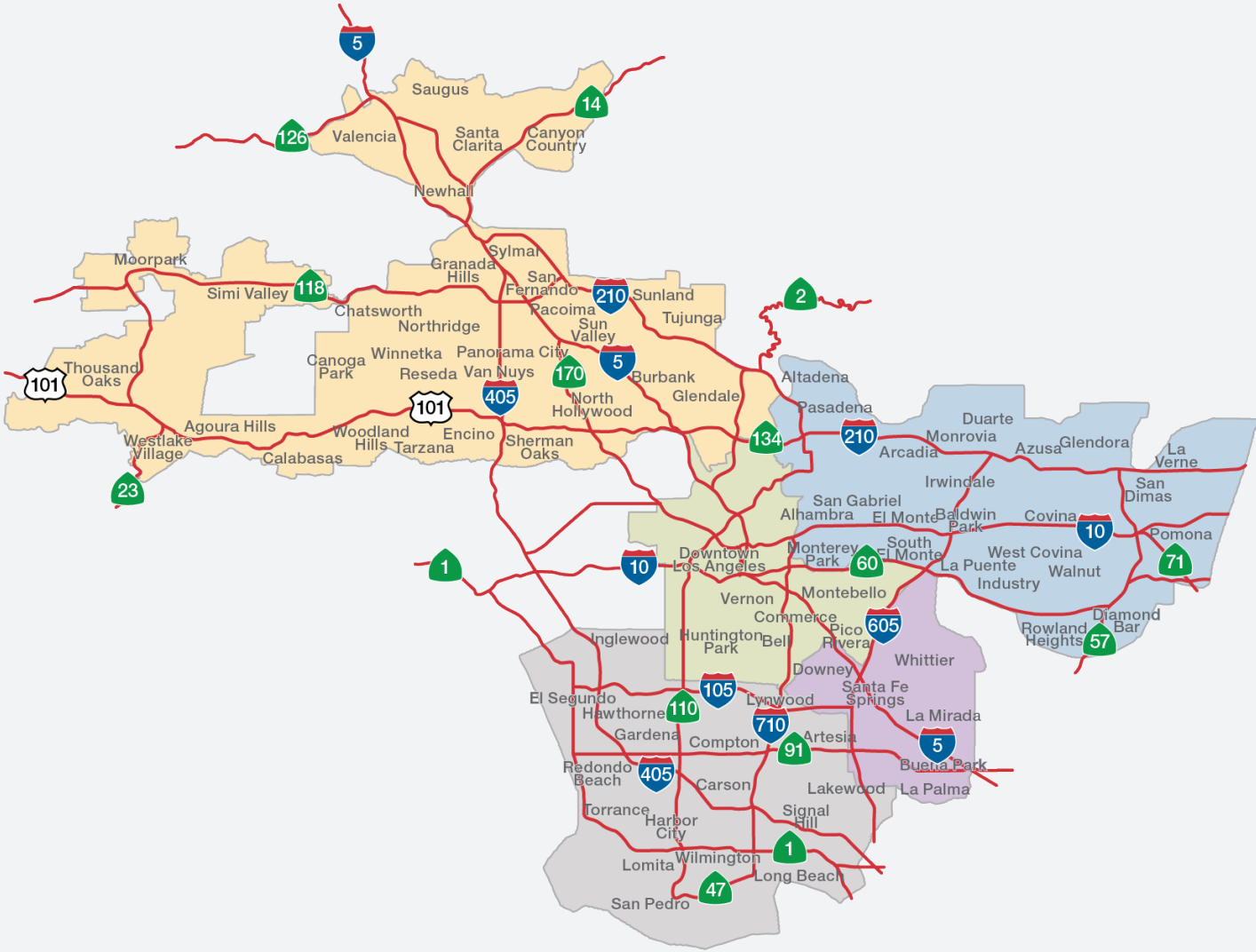
*Estimated; all rents are NNN unless otherwise stated

Select Sales Transactions

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/SF	SQUARE FEET
Rexford Industrial Realty, Inc.	3629, 3735, 3931 & 3963 Workman Mill Rd.	San Gabriel Valley	\$300	989,195
The Pabst Brewing Company	15801 E. First St.	San Gabriel Valley	\$231	649,243
JR286, Inc.	19400 Harbortgate Way	South Bay	\$262	419,695
Rexford Industrial Realty, Inc.	13943-13955 Balboa Blvd.	North	\$212	200,738
Duke Realty Corporation	14500-14508 Nelson Ave.	San Gabriel Valley	\$257	200,000

Los Angeles County

Industrial Market Outlook Q4 2020



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

Los Angeles County

Industrial Market Outlook Q4 2020



NAI Capital Research

J.C. Casillas

Managing Director, Research
jcasillas@naicapital.com

Katherine Tattersfield

Associate Director of Marketing Services
ktattersfield@naicapital.com

NAI Capital Commercial Southern California Office Locations

Headquarters

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

Property Management

120^{1/2} South El Camino Real, Ste. 210
San Clemente, CA 92674
949.874.0415

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