

# Los Angeles County

## Industrial Market Outlook Q1 2021

### MARKET OVERVIEW

LA County's industrial market tightened up more, a year into the pandemic. Available industrial space decreased 22% in Q1 2021 from Q1 2020, while the average asking rent increased 4% to \$1.04/SF triple net. The vacancy rate dropped 10 bps from Q1 2020 to 2.6%, as more than 5.6M SF of completed construction was added to the market. As the economy began to reopen from the Covid-19 shutdown, soaring demand and rising rents for warehouses motivated developers to bring new projects online in solid warehouse/distribution markets. Compared to last year, industrial space under construction in the South Bay, home of the ports of LA and Long Beach, jumped up 82%, and 32% in the San Gabriel Valley.

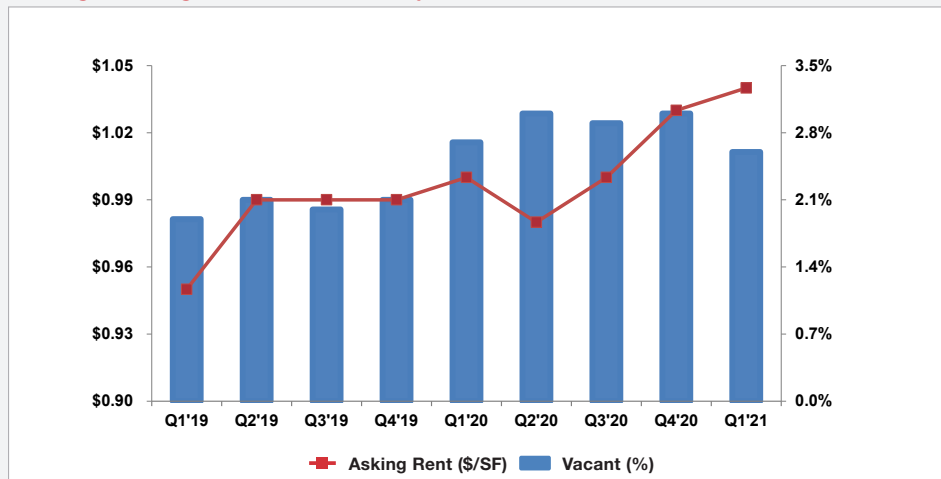
The market saw a strong first quarter, with over 3.7M SF absorbed and little supply added. The pandemic's acceleration of ecommerce boosted demand for large distribution centers, but the supply remained scarce. Over the past year only two warehouses larger than 500K SF were completed, and both leased. The one project over 500K SF that's under construction already preleased. Currently, users looking for larger space go to the Inland Empire.

### TRENDS TO WATCH

The depletion of scarce pockets of infill land will continue to drive up redevelopment, rent, and sales prices in LA County. Developers in the San Gabriel Valley stepped up construction as demand for large distribution centers persisted, driving Q1 vacancy down to 1.9%, the lowest in LA County. Asking rent in the San Gabriel Valley rose 14.3% from Q1 2020. South Bay retained its title with the most expensive rent in the region at \$1.12/SF triple net. South Bay captured 25% of the total quarterly leasing volume, the largest share, indicating that tenants needing to be near the ports will pay the price. However, the South Bay's average rent dropped five cents from the previous quarter, showing signs of rent fatigue.

Rent in every industrial market in LA County, except for Mid-Cities, rose above \$1/SF. Mid-Cities Q1 leasing volume shot up 112% from Q1 2020, indicating rent there will likely follow the rest of the market. Average rent in Mid-Cities Q1 already increased 4.7% from Q1 2020 to \$0.89/SF. Every market in LA County had space under construction in Q1, which will drive the average rent higher as space comes online.

### Average Asking Rent\* and Vacancy Rate



### MARKET OUTLOOK

#### Asking Rental Rates



#### Sale Prices



#### Availability/Vacancy Rates



#### Landlord Concessions



#### Sales/Leasing Volume



#### New Construction



# Los Angeles County

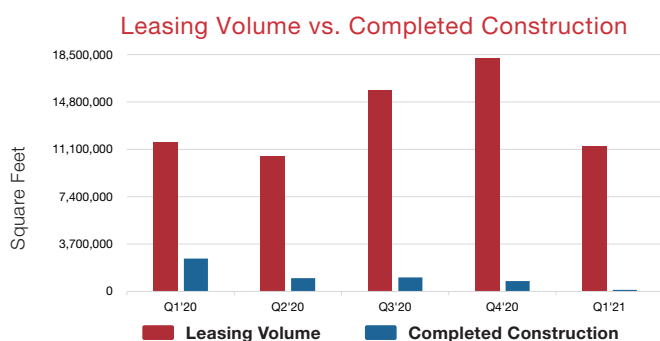
## Industrial Market Outlook Q1 2021

### 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	242,387,060	202,580	4.7%	2.6%	2,576,601	2,576,601	883,354	883,354	\$1.11	\$226
Mid-Cities	102,058,290	215,763	3.2%	2.9%	2,453,210	2,453,210	541,737	541,737	\$0.89	\$249
South Bay	220,210,144	1,029,763	4.2%	2.7%	2,809,935	2,809,935	1,487,832	1,487,832	\$1.12	\$245
North	146,897,454	1,788,739	4.5%	3.0%	1,487,685	1,487,685	1,398,780	1,398,780	\$1.01	\$235
San Gabriel Valley	168,689,787	1,431,729	3.2%	1.9%	1,993,071	1,993,071	852,892	852,892	\$1.04	\$182
<b>Los Angeles County</b>	<b>880,242,735</b>	<b>4,668,574</b>	<b>4.1%</b>	<b>2.6%</b>	<b>11,320,502</b>	<b>11,320,502</b>	<b>5,164,595</b>	<b>5,164,595</b>	<b>\$1.04</b>	<b>\$229</b>

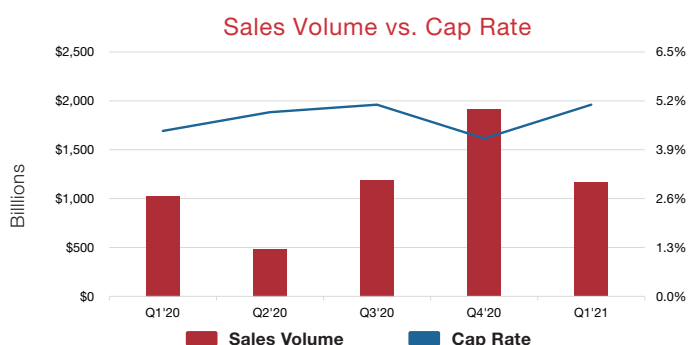
### Leasing

Leasing volume totaled 11,320,502 SF in the first quarter of 2021, while over the last four quarters completed construction added to the market totaled 3,072,359 SF. The supply of completed construction remained well below demand, encouraging more development in the region.



### Sales

Sales volume continued at a brisk pace in the first quarter of 2021, rising 13.4% from the first quarter of 2020 to more than \$1.1 billion. The average cap rate on investment sales inched up 90 bps from the previous quarter and 70 bps from the first quarter of 2020 to 5.1%



### Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SQUARE FEET
21535-21651 Baker Pky	City Of Industry	San Gabriel Valley	650,021
20300-20450 E. Business Pky	Walnut	San Gabriel Valley	500,000
13000 Temple Ave.	City Of Industry	San Gabriel Valley	407,638
1501-1537 S. Greenwood Ave.	Montebello	San Gabriel Valley	318,141
18420-18620 Harmon Ave.	Carson	South Bay	247,788

### Select Sales Transactions

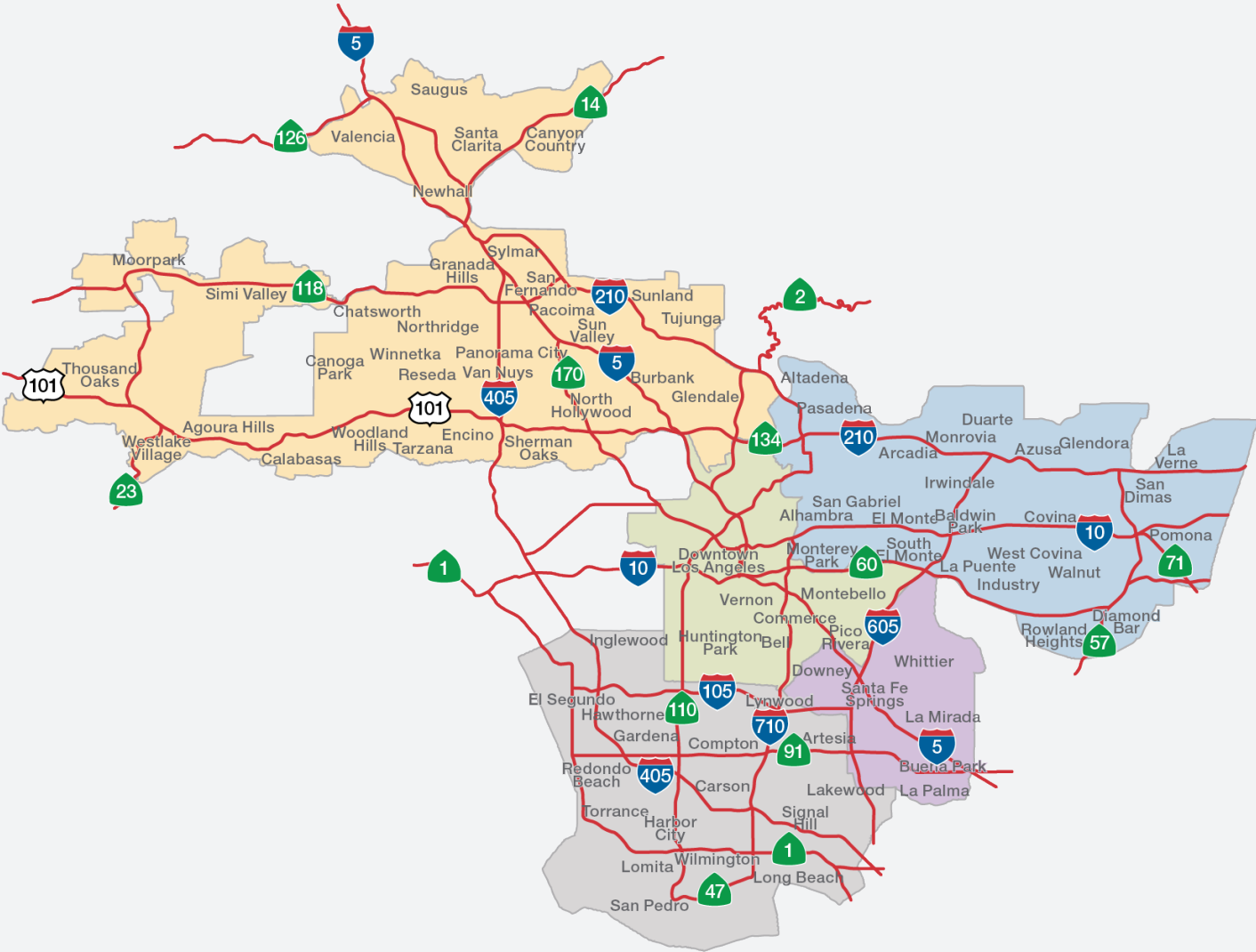
ADDRESS	CITY	SUBMARKET	SQUARE FEET
2801 W. Avenue H (Part of a Portfolio) Sale Leaseback	Lancaster	North	926,860
20730 Prairie St.	Chatsworth	North	221,842
1925 E. Dominguez St.	Carson	South Bay	150,000
3201 Walnut Ave.	Signal Hill	South Bay	130,559
444 N. Nash St.	El Segundo	South Bay	116,737

# Los Angeles County

## Industrial Market Outlook Q1 2021



COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



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

# Los Angeles County

## Industrial Market Outlook Q1 2021



### NAI Capital Commercial 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<sup>1/2</sup> 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