

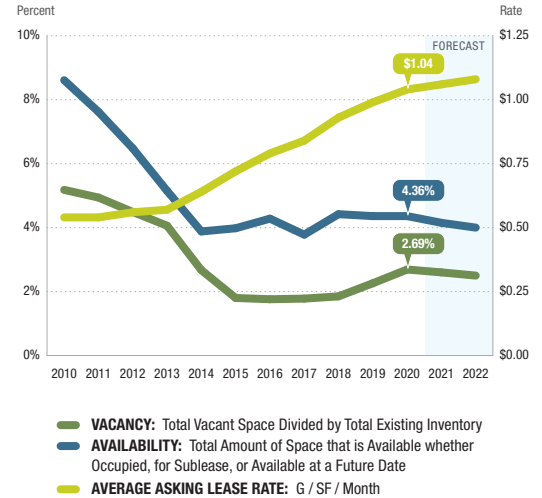
OVERVIEW. Despite a big surge in coronavirus cases and hospitalizations that precipitated another lockdown, Los Angeles industrial activity picked up the pace and conditions tightened even further in the final quarter of a very challenging year. Net and gross absorption were both up, as were lease rates and transaction activity. The only metrics moving lower were vacancy and availability, which further complicated the already difficult search for quality space. Employees are back at work in the industrial sector, in contrast to its office counterpart that has higher employee density, increasing the importance of pandemic safety protocols. The level of new lease and sale requirements is also rising, which bodes well in terms of market momentum heading into the new year. Low mortgage interest rates have kept owner/users in the hunt for space, driven by the desire to secure long-term facilities solutions and fix long-term occupancy cost in a rising lease rate market. Activity at both Los Angeles ports continued its recovery in Q4, as manufacturing activity across the Pacific ramped back up.

VACANCY/AVAILABILITY. The overall vacancy rate in Los Angeles fell by 21 basis points to 2.69% in Q4. All four major submarkets tracked in this report posted vacancy declines. The spike in vacancy that many were expecting never materialized, and it appears that conditions will tighten even further, which will force some expanding businesses out to the Inland Empire where a steady supply of state-of-the-art, first-generation buildings are being built. The availability rate, which includes vacant space and occupied space offered for sale or lease, also fell slightly during the final quarter, making clear that concerns over a flood of new sublease space were exaggerated. While tenants were hoping to see the market loosen up due to the virus-induced recession, they find themselves in a familiar situation—having to choose from a very small pool of available spaces for which they will pay a premium price.

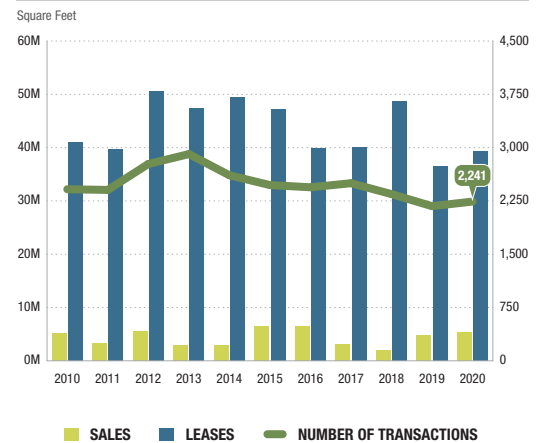
LEASE RATES. With available inventory so thin, lease rates keep moving up. In Q4, the average asking lease rate rose by \$0.01 to \$1.04. On a year-over-year basis, that rate is up by \$0.05. Landlords still hold most of the cards in lease negotiations, but some are offering modest concessions to secure the most creditworthy tenants. The San Gabriel Valley submarket recorded the highest average asking lease rate in Q4 at \$1.10, followed by the South Bay submarket at \$1.05. The Central Los Angeles submarket rose \$0.03 to \$1.02. The average rate will move up or down slightly quarter to quarter depending on how many older, functionally obsolete buildings are in the pool of available inventory. The limited amount of available first-generation, Class A space leases at a premium to the average rate.

TRANSACTION ACTIVITY. Leasing activity, the measure of deals inked in a given period, continues to increase despite the challenges posed by the pandemic. In Q4, 479 leases were signed for a total of 11,738,000 SF. Another 148 properties, totaling 5,303,000 SF, were sold in the period, a significant increase over Q3's total. While the number of lease transactions was down compared to Q3, total square footage leased was 1 MSF higher, an indication that larger companies, who were reluctant to make moves earlier in the year, have more clarity on the strength of their revenue base going forward. This quarter last year there were 453 leases signed for a total of 8.9 MSF. The improvement over that result this quarter demonstrates the underlying strength of the industrial sector in Los Angeles, in large part due to its port access and rapidly growing logistics and e-commerce industries.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



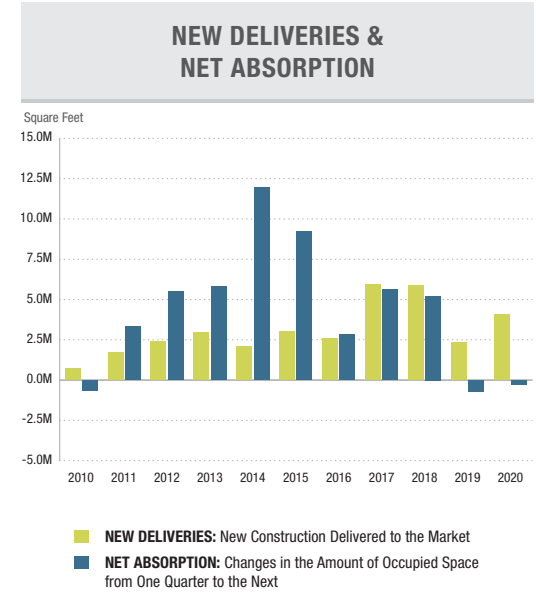
Market Statistics

	Change Over Last Quarter	4Q 2020	3Q 2020	4Q 2019	% Change Over Last Year
Vacancy Rate	▼ DOWN	2.69%	2.90%	2.20%	22.32%
Availability Rate	▼ DOWN	4.36%	5.30%	4.40%	(0.83%)
Average Asking Lease Rate	▲ UP	\$1.04	\$1.03	\$0.99	5.05%
Sale & Lease Transactions	▲ UP	17,041,262	15,546,191	15,451,609	10.29%
Gross Absorption	▲ UP	8,886,692	6,013,266	3,503,849	153.63%
Net Absorption	▲ POSITIVE	3,083,858	417,903	(617,845)	N/A

ABSORPTION. Net absorption, the net difference in occupied space in a period, was well into positive territory after a modest rise in Q3. The region posted a rise of 3,083,000 SF in Q4, up from just 418,000 SF in Q3. The Mid-Counties submarket led the way with a gain of 906,000 SF, followed closely by the South Bay at 821,000 SF. San Gabriel Valley had another solid gain of 802,000 SF and Central Los Angeles bounced back after a loss in Q3 to record a gain of 553,000 SF. Central Los Angeles still saw the highest level of gross absorption (move-ins) at nearly 2.4 MSF, further indication that business owners are busy looking to right-size their operations for greater efficiency. Year-over-year, gross absorption for the entire Los Angeles market was up by 153% to almost 9 MSF, a remarkable metric given the serious threat posed by the sudden and severe economic shock that began in the second quarter.

CONSTRUCTION. The low level of construction activity is maintaining the shortage in supply. Los Angeles is an infill market with few land sites available for ground-up development. Land that is available is prohibitively expensive and potential redevelopment sites are prime for repurposing to higher uses. Just less than 3 MSF is under construction and will soon be added to a total existing inventory of 737 MSF. By comparison, the Inland Empire has more than 19 MSF of new construction. The San Gabriel Valley continues to lead Los Angeles submarkets, primarily in Irwindale and City of Industry, at 1,627,000 SF, followed by the South Bay Area at 625,000 SF and the Mid Counties at a scant 175,000 SF. A little more than 6 MSF of new space is in the planning stages.

EMPLOYMENT. The seasonally adjusted unemployment rate in Los Angeles County decreased over the month to 11.0% in November 2020, from a revised 12.0% in October 2020, and was above the rate of 4.3% one year ago. Construction reported a larger than normal month-over reduction totaling 3,300 jobs. This was the first time the industry had experienced job cuts since April, when public health concerns led to business closures. The reductions were evident across every industry group, specifically construction of buildings (down 1,700) and specialty trade contractors (down 1,400).



Forecast

The Los Angeles industrial market has significant momentum heading into 2021. Demand from tenants and prospective buyers is still on the rise and there appears to be a broad-based business recovery despite another surge in virus cases and hospitalizations. Two vaccines are in the distribution phase with at least another two likely to be approved in the next few months. That should help reduce current pandemic protocols and give the services industries some welcome relief, which will give suppliers and distributors another boost. The election is behind us and turmoil over the result should subside after the new president takes office. However, President-Elect Biden ran on a platform of tax hikes that loom as a major threat to the entire commercial real estate sector. If he follows through on his campaign promises, capital gains would be taxed at ordinary rates, 1031 exchanges rules would be eliminated, the estate tax threshold would be lowered and the step-up rule, which is fundamental to the estate planning strategy for most investors, would also disappear. If one or any combination of these proposals became law, it could severely impact commercial real estate values. Real estate investors and occupiers are wise to keep a close eye on these important potential changes.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
3629 - 3931 Workman Mill Rd.	City of Industry	989,195	\$296,600,000	Rexford Industrial Realty, Inc.	Washington Capital Management, Inc.
440 N. Baldwin Blvd.	City of Industry	226,938	\$36,500,000	Exeter Property Group	DRA Advisors LLC
14500-14508 Nelson Ave.	City of Industry	200,000	\$51,325,000	Duke Realty Corporation	Troy CSL Lighting, Inc.
18620 S. Broadway St.	Carson	129,499	\$15,624,000	City of Carson	Prologis
15100 S. San Pedro St.	Gardena	112,075	\$37,320,000	Cohen Asset Management, Inc.	Panattoni Development Company, Inc.

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
4250-4300 Shirley Ave.	El Monte	572,240	Dec-2020	Noble House Home Furnishings*	GLC El Monte, LLC
19200-19270 S. Western Ave.	Torrance	370,641	Dec-2020	Freight Horse Express	DWS
11811-11831 E. Florence Ave.	Santa Fe Springs	288,000	Oct-2020	Amazon	PS Business Park
588 Crenshaw Blvd.	Torrance	265,418	Nov-2020	Next Level Apparel	The Blackstone Group
20275 Business Pkwy.	City of Industry	250,000	Nov-2020	Advanced Tuning	Majestic Realty Co.

INVENTORY

VACANCY & LEASE RATES

ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2020	Square Feet Available	Availability Rate 4Q2020	Average Asking Lease Rate	Net Absorption 4Q2020	Net Absorption 2020	Gross Absorption 4Q2020	Gross Absorption 2020
Central													
Bell/Bell Gardens/Maywood	197	7,591,332	0	0	146,419	1.93%	207,988	2.74%	\$0.95	16,048	(41,724)	125,675	269,569
City of Commerce	731	44,941,729	0	0	1,276,200	2.84%	1,867,829	4.16%	\$0.86	69,627	(102,508)	314,986	1,236,952
Huntington Park/Cudahy	194	4,741,547	0	45,400	116,602	2.46%	120,403	2.54%	\$0.98	(24,120)	(20,193)	24,200	99,608
Downtown	5,116	127,573,986	492,883	507,400	4,485,068	3.52%	8,092,860	6.34%	\$1.14	(103,382)	(2,811,899)	1,163,259	4,489,790
Montebello/Monterey Park	312	11,663,491	0	0	130,125	1.12%	122,720	1.05%	\$0.00	209,958	185,860	273,466	562,284
Pico Rivera	203	10,550,530	40,900	0	331,777	3.14%	363,225	3.44%	\$0.95	172,066	28,678	271,736	454,554
South Gate	227	10,809,966	0	0	233,307	2.16%	249,253	2.31%	\$0.80	(6,286)	80,783	6,914	48,493
Vernon	783	42,755,989	0	140,892	1,247,769	2.92%	2,344,456	5.48%	\$0.82	219,627	292,887	706,108	2,240,604
Total	7,763	260,628,570	533,783	693,692	7,967,267	3.06%	13,368,734	5.13%	\$1.02	553,538	(2,388,116)	2,886,344	9,401,854
Mid Counties													
Artesia/Cerritos	280	13,145,089	0	0	304,076	2.31%	717,427	5.46%	\$1.09	376,449	346,818	337,276	558,525
Bellflower/Downey	196	5,579,646	0	0	124,659	2.23%	86,757	1.55%	\$1.19	11,481	155,904	73,224	430,071
Buena Park/La Palma	233	15,119,041	0	0	381,150	2.52%	629,092	4.16%	\$0.93	346,194	1,074,140	574,965	1,954,180
La Mirada	178	12,963,624	0	0	537,662	4.15%	1,218,469	9.40%	\$1.00	(21,906)	(75,210)	203,569	953,145
Norwalk	88	2,867,282	0	0	350,301	12.13%	315,794	10.94%	\$1.07	(36,544)	(30,638)	24,040	62,050
Paramount	406	8,975,563	0	0	300,342	3.35%	319,420	3.56%	\$0.96	(21,911)	(131,194)	75,351	278,023
Santa Fe Springs	1,352	53,187,225	174,863	327,491	1,002,753	1.89%	1,198,032	2.25%	\$1.08	408,567	302,308	505,164	1,924,822
Whittier	164	4,109,527	0	0	210,496	5.12%	23,448	0.57%	\$1.07	(155,935)	(270,289)	26,083	342,076
Total	2,897	115,966,997	174,863	327,491	3,211,439	2.77%	4,508,439	3.89%	\$1.02	906,395	1,371,839	1,819,672	6,502,892
San Gabriel Valley													
Alhambra	115	2,206,751	0	0	81,610	3.70%	69,780	3.16%	\$1.33	(23,827)	17,840	4,253	126,696
Arcadia/Temple City	141	3,104,184	0	0	67,703	2.18%	93,972	3.03%	\$1.10	750	14,659	10,938	89,063
Azusa	238	6,472,454	0	96,950	617,717	9.54%	404,991	6.26%	\$1.26	32,633	(55,369)	62,984	147,483
Baldwin Park	245	4,676,219	0	0	119,031	2.55%	94,118	2.01%	\$1.16	(46,943)	(62,631)	33,761	203,177
City of Industry/DB/HH/RH	1,110	73,271,022	1,060,086	507,686	1,656,222	2.26%	2,408,833	3.29%	\$1.10	240,112	708,709	864,599	3,575,173
Covina/West Covina	180	3,383,302	0	0	111,766	3.30%	178,418	5.27%	\$0.00	3,622	61,138	7,690	112,641
Duarte	70	1,783,328	0	0	60,994	3.42%	99,019	5.55%	\$1.12	8,041	15,776	11,935	50,087
El Monte	312	8,375,776	61,163	0	701,947	8.38%	167,240	2.00%	\$1.08	505,329	812,966	566,027	1,166,668
Irwindale	262	11,188,177	362,086	2,473,815	163,031	1.46%	93,358	0.83%	\$0.90	13,191	112,676	48,390	449,355
La Puente	92	2,039,766	0	12,650	14,432	0.71%	14,432	0.71%	\$1.66	5,326	60,250	11,126	153,964
La Verne/San Dimas/Glendora	315	6,769,763	0	0	112,386	1.66%	137,746	2.03%	\$1.05	(37,058)	(62,242)	63,017	244,487
Monrovia	203	3,252,913	0	0	12,040	0.37%	85,727	2.64%	\$0.95	1,440	(11,705)	5,980	117,249
Pomona/Claremont	661	20,096,789	0	0	332,328	1.65%	484,142	2.41%	\$0.84	57,910	226,033	351,550	965,538
Rosemead/San Gabriel	120	2,416,729	0	0	12,780	0.53%	40,661	1.68%	\$1.26	29,368	6,918	29,368	49,207
South El Monte	826	11,005,185	0	0	285,182	2.59%	307,248	2.79%	\$1.20	16,571	(13,689)	119,486	492,671
Walnut	194	6,786,994	143,999	0	360,528	5.31%	661,203	9.74%	\$1.10	(3,931)	(247,692)	305,859	456,581
Total	5,084	166,829,352	1,627,334	3,091,101	4,709,697	2.82%	5,340,888	3.20%	\$1.10	802,534	1,583,637	2,496,963	8,400,040
South Bay													
Carson	498	35,420,330	0	342,153	321,337	0.91%	1,384,424	3.91%	\$1.03	204,633	300,422	57,722	935,273
Compton	463	24,821,382	0	0	655,886	2.64%	1,147,461	4.62%	\$0.97	250,542	(509,320)	398,368	1,607,903
El Segundo	160	8,612,926	0	0	138,539	1.61%	101,224	1.18%	\$1.75	1,600	(25,571)	1,600	48,263
Gardena	1,172	28,433,999	62,690	91,465	664,922	2.34%	1,435,864	5.05%	\$1.17	18,274	(146,036)	213,653	1,067,927
Harbor City	92	1,745,153	0	0	31,600	1.81%	92,533	5.30%	\$2.31	35,098	(23,075)	50,598	109,416
Hawthorne	217	7,784,091	0	48,080	145,404	1.87%	228,692	2.94%	\$1.04	(16,540)	(63,459)	7,460	138,306
Inglewood	237	4,839,093	0	0	249,349	5.15%	339,423	7.01%	\$1.56	(24,434)	(128,471)	44,510	179,664
Lakewood/Hawaiian Gardens	25	563,155	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Lawndale	29	253,076	0	0	0	0.00%	8,745	3.46%	\$0.00	2,500	(7,320)	2,500	8,636
Long Beach/Terminal Island	738	23,716,176	415,160	92,245	737,722	3.11%	1,097,917	4.63%	\$0.92	12,367	(611,808)	164,491	1,177,344
Lynwood	101	4,746,799	0	0	10,700	0.23%	34,932	0.74%	\$1.00	6,183	757	11,883	35,940
Rancho Dominguez	235	14,410,811	0	27,842	341,228	2.37%	1,173,274	8.14%	\$0.98	(117)	(156,297)	192,243	515,200
Redondo & Hermosa Beach	37	1,808,684	0	0	5,600	0.31%	253,934	14.04%	\$0.75	0	(5,600)	3,787	3,787
San Pedro	43	2,751,799	0	0	2,442	0.09%	2,442	0.09%	\$1.00	1,282	1,282	1,282	1,282
Signal Hill	201	3,362,208	0	49,900	37,410	1.11%	116,463	3.46%	\$1.30	(12,265)	(33,916)	9,476	57,835
Torrance	611	26,384,366	146,919	1,257,175	569,225	2.16%	1,439,484	5.46%	\$1.14	330,729	547,332	503,329	1,595,078
Wilmington	147	3,833,260	0	0	30,500	0.80%	78,556	2.05%	\$1.18	11,539	37,124	20,811	114,181
Total	5,006	193,487,308	624,769	1,908,860	3,941,864	2.04%	8,935,368	4.62%	\$1.05	821,391	(823,956)	1,683,713	7,596,035
Los Angeles Total	20,750	736,912,227	2,960,749	6,021,144	19,830,267	2.69%	32,153,429	4.36%	\$1.04	3,083,858	(256,596)	8,886,692	31,900,821
5,000-24,999	13,628	165,972,482	21,484	94,072	4,126,544	2.49%	6,192,976	3.73%	\$1.21	217,222	(512,153)	2,257,982	8,074,531
25,000-49,999	3,568	123,879,272	384,527	523,311	4,502,936	3.63%	6,327,928	5.11%	\$1.02	461,803	(550,996)	1,787,047	5,441,662
50,000-99,999	1,984	134,855,440	123,853	709,116	4,295,728	3.19%	6,371,359	4.72%	\$0.92	75,365	(602,260)	1,376,171	5,220,118
100,000-249,999	1,257	186,585,751	1,097,942	2,002,190	5,513,981	2.96%	8,469,114	4.54%	\$0.98	1,171,294	1,700,254	1,931,376	7,089,888
250,000-499,999	256	82,774,728	705,463	857,745	814,594	0.98%	1,754,199	2.12%	\$0.95	794,757	(440,035)	800,058	3,145,953
500,000 plus	57	42,844,554	627,480	1,834,710	576,484	1.35%	3,037,853	7.09%	\$0.00	363,417	148,594	734,058	2,928,669
Los Angeles Total	20,750	736,912,227	2,960,749	6,021,144	19,830,267	2.69%	32,153,429	4.36%	\$1.04	3,083,858	(256,596)	8,886,692	31,900,821

This survey consists of buildings greater than 5,000 square feet. Lease rates are on an industrial-gross basis.



Post-Election Analysis - Commercial Real Estate in Southern California

by **Zac Kolander**

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It's on everyone's mind—how does a change in presidential administration affect the bottom line of a business or commercial property owner in the Los Angeles and Mid-Counties markets? A Biden victory does not necessarily equate to automatic changes in the local commercial real estate market. The fears among commercial property owners we hear most are:

- Does this mean property values are going to fall?
- Will the President-Elect eliminate 1031 Exchanges and the 'step-up' rule?
- Is it no longer a good time to purchase or hold commercial real estate?

Legislation is much more difficult to pass through a divided Congress. This was the outlook heading into January before the results of the Georgia runoff elections. Though the surprise wins in Georgia break the Republican majority in the Senate, not every Democratic senator sees eye-to-eye with the President-Elect's stated goals.

Proposition 15 – In California, changes to state and property taxes were a concern with the persistent efforts to push through a split-roll property tax plan, most recently known as Prop 15. Many property owners were delighted to hear that Prop 15 was defeated. For the foreseeable future, commercial property will remain under the protection of the old Prop 13, limiting the annual increase of property taxes to 2% each year.

Revisiting our questions above:

Do the election results mean property values are going to fall? The election should not spark an immediate correction to property values in California. However, property owners who had planned to sell in the next 3-5 years are considering moving up their timetables. Many will choose not to gamble with the unknowns surrounding the elimination of the 1031 Exchange and the 'step-up' rule.

Will the President-Elect eliminate 1031 Exchanges and raise taxes? Many of Biden's stated goals give property owners reason to be concerned about whether their current hold strategy would be wise if tax laws change. As advisors, it is our hope that there will be a level of protection from seemingly one-sided legislation from the more moderate democrats in the US Senate. A single democratic senator defecting on a legislative bill provides opportunity for bipartisanship.

Is it no longer a good time to purchase (or hold) commercial real estate? This is solely dependent upon the property owner's situation. Many businesses that have already outgrown their facilities are purchasing at record prices, because the opportunity to grow revenue is more dominant and mortgage rates remain at historic lows. Property owners nearing retirement and/or the end of their hold strategy are considering an early exit. Investor acquisition criteria have tightened since the pandemic began, but there is still a steady flow of capital moving into commercial real estate.

In short summary, there is a level of uncertainty looming. Your strategy moving forward should be specific to your individual goals.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a industrial-gross basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

Product Type

MFG./DIST.

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

Submarkets

CENTRAL

Bell / Bell Gardens / Maywood, City of Commerce, Huntington Park / Cudahy, Downtown, Montebello / Monterey Park, Pico Rivera, South Gate, Vernon

MID COUNTIES

Artesia / Cerritos, Bellflower / Downey, Buena Park / La Palma, La Mirada, Norwalk, Paramount, Santa Fe Springs, Whittier

SAN GABRIEL VALLEY

Alhambra, Arcadia / Temple City, Azusa, Baldwin Park, City of Industry / DB / HH / RH, Covina / West Covina, Duarte, El Monte, Irwindale, La Puente, La Verne / San Dimas / Glendora, Monrovia, Pomona / Claremont, Rosemead / San Gabriel, South El Monte, Walnut

SOUTH BAY

Carson, Compton, El Segundo, Gardena, Harbor City, Hawthorne, Inglewood, Lakewood / Hawaiian Gardens, Lawndale, Long Beach / Terminal Island, Lynwood, Rancho Dominguez, Redondo & Hermosa Beach, San Pedro, Signal Hill, Torrance, Wilmington