

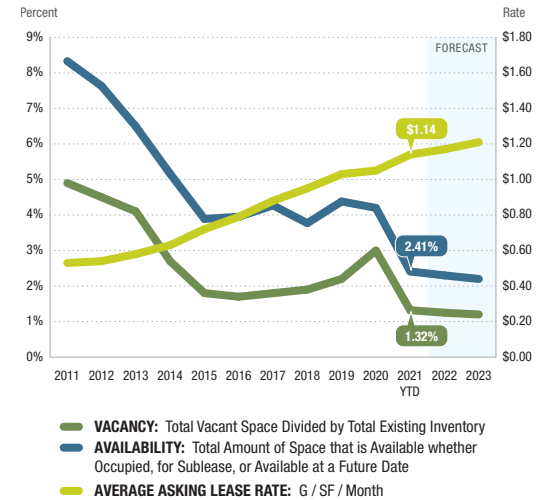
OVERVIEW. The Los Angeles industrial market stayed on course in 3Q. Tenants and buyers struggled to find new homes for their businesses, vacancy fell to another record low, lease rates and sales prices rose, and net absorption posted another strong gain. Transaction activity fell slightly but was still strong despite a lack of available inventory. The COVID-19 virus made a bit of a resurgence, but the industrial sector plowed through it without a major setback. “Help Wanted” signs are ubiquitous as employers struggle to fill vacant positions. Demand for both sale and lease product is off the charts, while construction activity runs at a snail’s pace. An increase in port activity again in 3Q bodes well for the region’s economy, and there are dozens of full container ships waiting in the queue at all times, as the entire supply chain, foreign and domestic, struggles to catch up and keep up with a faster-than-expected economic recovery.

VACANCY/AVAILABILITY. The overall vacancy rate in Los Angeles fell another 43 basis points in 3Q after falling 83 basis points in 2Q. Vacancy stood at just 1.32% as the third period ended, a new record low. All four major Los Angeles area submarkets posted further declines. The availability rate for the entire LA region, which includes vacant space and occupied space offered for sale or lease, also fell 22 basis points in 3Q. That narrow gap between vacancy and availability is further evidence of how quickly and aggressively tenants and buyers are willing to act. In most instances, multiple offers are generated immediately and space is leased or sold in a matter of days.

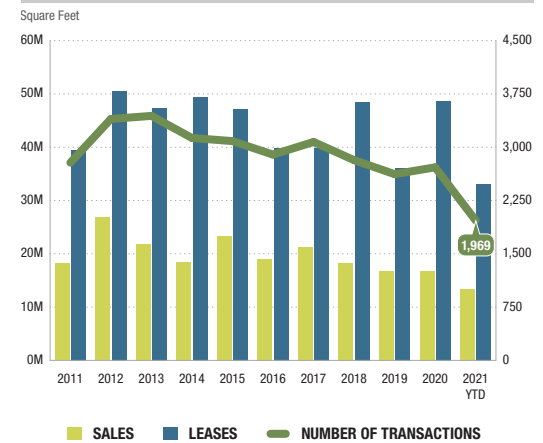
LEASE RATES. Rising lease rates go hand-in-hand with tight supply. That rule held true in 3Q throughout the LA Region. The average asking lease rate moved up another \$0.05 in 3Q to another all-time high of \$1.14 on an industrial gross basis. The real asking rate is probably higher than we can quantify in this report because an increasing number of buildings are offered to the market without an asking rate. Landlords maintain the upper hand in lease negotiations by creating a competitive bidding process between several interested tenants. They are in position to offer little in the way of concessions and to demand strong credit, especially institutional investors who are well capitalized and tend to be long-term players.

TRANSACTION ACTIVITY. Transaction activity measures the number of deals inked in a given period without regard to occupancy, as is the case with absorption. In 3Q, transaction activity fell to 13.3 MSF from 15.2 MSF in 2Q. The drop was driven by the lack of supply, as evidenced by the fact that virtually every property that comes on the market for sale or lease receives multiple offers. Year-over-year transaction volume was about the same spread as quarter-to-quarter, which is testimonial to the strength the industrial sector showed through the worst of the pandemic in mid-2020. In 3Q, 410 leases were signed for a total of 7.9 MSF, and another 193 properties were sold totaling 5.4 MSF. The biggest lease was a 415,000 SF space taken by Matheson Trucking in Long Beach, and the biggest sale was a \$117,000,000 investment sale in City of Industry to Scout Capital Partners by Sweda.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



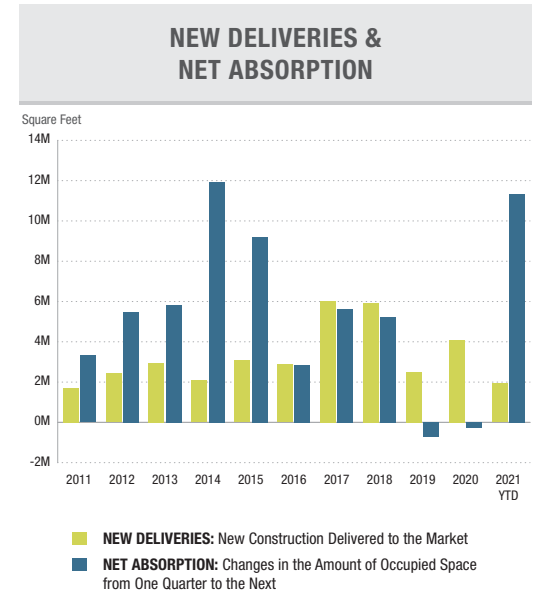
Market Statistics

	Change Over Last Quarter	3Q 2021	2Q 2021	3Q 2020	% Change Over Last Year
Vacancy Rate	▼ DOWN	1.32%	1.76%	2.87%	(53.97%)
Availability Rate	▼ DOWN	2.41%	2.94%	2.94%	(17.92%)
Average Asking Lease Rate	▲ UP	\$1.14	\$1.09	\$1.09	4.59%
Sale & Lease Transactions	▼ DOWN	13,388,088	15,258,676	15,292,737	(12.45%)
Gross Absorption	▼ DOWN	10,364,140	12,849,446	6,534,713	58.60%
Net Absorption	▲ POSITIVE	3,680,774	3,680,774	417,903	N/A

ABSORPTION. Net absorption, the net difference in occupied space from one period to another, was relatively flat for the third consecutive period, but remained firmly in positive territory at just over 3.7 MSF in 3Q. All four major regions have experienced strong net absorption throughout the year despite such low vacancy. Gross absorption, which measures total move-ins, fell in the third period across all submarkets. Again, this is almost entirely due to tight supply that dampens lease and sale transaction activity and results in fewer move-ins. Also, the market is seeing more in-place renewals, which are reflected in Transaction Activity statistics, but not in Absorption.

CONSTRUCTION. Construction activity, or the lack thereof, is a big problem for the entire Los Angeles region. Tenants, buyers, and third-party investors are competing aggressively for control of first-generation space. Unfortunately, there is just not enough land to build upon, and what little remains is prohibitively expensive. Only 3.74 MSF is in the construction queue in a 739.6 MSF market. Central Los Angeles, with its 260.4 MSF base, has just three buildings totaling 614,000 SF under construction. Only 5.1 MSF is reported in the planning stages in all of LA, which means the shortage of first-generation space will get a lot worse before it gets better. Based on current market metrics, the region could easily absorb many times the square footage in the current construction queue.

EMPLOYMENT. The seasonally adjusted unemployment rate in Los Angeles County decreased over the month to 10.1% in August 2021 from a revised 10.4% in July 2021 and was below the rate of 17.2% a year ago. The industries that added employment over the month include educational and health services (up 3,000), construction (up 2,500), and manufacturing (up 1,800).



Forecast

The Los Angeles industrial market will become even more difficult for buyers and tenants well into 2022. The entire Southern California economy has made a remarkable recovery and the industrial market has fared far better than was expected as we head out of the pandemic lockdowns. Upward pressure on lease rates and sales prices will continue and vacancy should be under 1% for the next several quarters. Without additional ground-up development, companies in growth mode may be forced to move out of the area to meet their needs. Based on current projections, we cannot expect construction to ramp up soon, if ever. Scarcity will embolden institutional investors who will continue their aggressive pursuit of industrial product that suits the needs of the e-commerce and port-related sectors. Expect cap rates to remain near record lows as a result.

Investors and users are wise to follow the progress of the Build Back Better Plan currently making its way through the legislative process in Washington. The massive spending bill may contain several tax hikes that would directly impact the commercial real estate sector. As of this writing, it is too soon to predict an outcome, but if it passes even in watered-down form, ordinary and corporate income tax rates will rise, as will capital gains tax rates. A lowering of the threshold for the estate tax exemption is also being debated.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
17411 Valley Blvd.	City of Industry	350,256	\$117,000,000	Scout Capital Partners	Sweda
15005 Northam St.	La Mirada	240,000	\$95,500,000	LBA Realty	International Paper
14555 Alondra Blvd.	La Mirada	237,089	\$55,000,000	Brookfield Properties	Interstate 5 Firestone, LLC
7255 Rosemead Blvd.	Pico Rivera	202,629	\$56,500,000	Cohen Asset Management, Inc.	Studio Designs, Inc.
159 San Antonio Ave.	Pomona	182,275	\$22,275,000	Stos Properties	Walter A & Verna R Richter Trust

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
2400 E. Artesia Blvd.	Long Beach	415,160	Aug-2021	Matheson Trucking	Bridge Industrial
20301 E. Walnut N.	City of Industry	350,000	Sept-2021	DNA Motor, Inc.	Swanson Dennis K & Manja L
601 W. Carob St.	Compton	234,600	Aug-2021	Puma North America, Inc.	Prologis
1241-1245 Watson Center Rd. - Renewal	Carson	203,280	Sept-2021	PCC Logistics	Prologis
14528-14550 Bonelli Ave. - Renewal	City of Industry	200,002	Aug-2021	CWD, LLC	BPP Shiraz Park A LP

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2021	Square Feet Available	Availability Rate 3Q2021	Average Asking Lease Rate	Net Absorption 3Q2021	Net Absorption 2021	Gross Absorption 3Q2021	Gross Absorption 2021
Central													
Bell/Bell Gardens/Maywood	198	7,534,895	0	0	47,085	0.62%	94,477	1.25%	\$1.05	18,242	73,982	117,454	191,398
City of Commerce	735	45,262,818	0	114,898	585,614	1.29%	532,683	1.18%	\$1.15	41,380	533,045	601,141	2,296,072
Huntington Park/Cudahy	196	4,804,312	45,400	0	38,720	0.81%	78,242	1.63%	\$0.94	6,940	50,170	6,940	80,722
Downtown	5,106	127,009,465	527,561	270,142	3,181,700	2.51%	6,568,843	5.17%	\$1.62	428,356	668,147	1,615,170	4,661,101
Montebello/Monterey Park	313	11,721,859	0	25,500	30,820	0.26%	36,380	0.31%	\$0.80	15,450	82,969	42,049	290,563
Pico Rivera	197	10,446,621	40,900	0	70,413	0.67%	138,528	1.33%	\$0.00	(126,987)	(15,765)	24,026	593,173
South Gate	229	11,015,731	0	550,000	51,061	0.46%	81,461	0.74%	\$0.00	45,681	137,091	19,200	296,617
Vernon	781	42,660,089	0	165,448	406,587	0.95%	510,624	1.20%	\$0.96	618,717	974,922	708,131	2,250,627
Total	7,755	260,455,790	613,861	1,125,988	4,412,000	1.69%	8,041,238	3.09%	\$1.11	1,047,779	2,504,561	3,134,111	10,660,273
Mid Counties													
Artesia/Cerritos	280	13,086,674	0	0	181,410	1.39%	344,603	2.63%	\$2.44	79,712	384,717	412,767	1,203,067
Bellflower/Downey	198	5,585,507	0	0	20,182	0.36%	30,155	0.54%	\$1.16	16,924	82,930	39,584	197,631
Buena Park/La Palma	233	15,058,712	0	30,650	52,461	0.35%	374,731	2.49%	\$0.93	37,975	337,384	182,340	800,458
La Mirada	178	13,045,877	0	0	137,122	1.05%	413,699	3.17%	\$1.00	142,425	615,556	391,503	932,967
Norwalk	88	2,874,315	0	0	13,678	0.48%	3,800	0.13%	\$1.07	35,319	294,223	94,397	360,805
Paramount	408	8,995,812	0	0	91,247	1.01%	108,589	1.21%	\$0.96	72,800	268,337	111,245	362,543
Santa Fe Springs	1,352	53,820,820	234,468	406,837	273,455	0.51%	679,961	1.26%	\$1.08	413,835	1,066,554	778,834	2,603,940
Whittier	163	4,105,841	28,332	0	5,130	0.12%	2,802	0.07%	\$1.35	1,517	97,107	6,167	238,374
Total	2,900	116,573,558	262,800	437,487	774,685	0.66%	1,958,340	1.68%	\$1.21	800,507	3,146,808	2,016,837	6,699,785
San Gabriel Valley													
Alhambra	116	2,212,251	0	0	24,141	1.09%	30,947	1.40%	\$1.50	11,674	57,469	27,565	167,586
Arcadia/Temple City	142	3,153,534	0	0	48,345	1.53%	105,189	3.34%	\$1.50	(4,820)	34,090	27,082	102,590
Azusa	240	6,511,860	0	94,321	31,103	0.48%	61,271	0.94%	\$1.30	62,208	866,549	107,765	739,872
Baldwin Park	246	4,682,425	0	0	41,334	0.88%	35,502	0.76%	\$0.00	4,051	(21,580)	87,237	213,416
City of Industry/DB/HH/RH	1,112	73,463,388	327,195	483,546	664,647	0.90%	1,508,892	2.05%	\$1.36	213,324	1,095,413	1,154,933	3,588,814
Covina/West Covina	181	3,379,779	0	0	24,677	0.73%	104,445	3.09%	\$1.08	99,582	97,342	110,445	123,191
Duarte	70	1,800,654	0	0	60,900	3.38%	16,435	0.91%	\$1.20	7,579	0	7,579	65,177
El Monte	316	8,473,595	60,579	0	171,392	2.02%	221,435	2.61%	\$1.40	(58,540)	533,401	27,380	822,642
Irwindale	261	11,215,411	897,236	1,896,000	189,695	1.69%	501,314	4.47%	\$1.29	(15,069)	100,126	158,113	428,054
La Puente	91	1,975,727	0	0	32,681	1.65%	32,681	1.65%	\$1.15	(18,309)	(18,249)	2,700	7,400
La Verne/San Dimas/Glendora	315	6,755,780	0	0	81,955	1.21%	122,048	1.81%	\$1.27	42,803	42,521	95,241	214,514
Monrovia	205	3,309,913	0	12,725	0	0.00%	65,869	1.99%	\$0.00	1,186	670	1,186	52,993
Pomona/Claremont	660	20,243,180	12,500	0	92,214	0.46%	232,700	1.15%	\$0.88	120,523	119,759	158,933	628,653
Rosemead/San Gabriel	119	2,368,037	0	0	22,903	0.97%	24,302	1.03%	\$1.10	(17,403)	(10,123)	1,246	14,026
South El Monte	831	10,945,382	159,780	0	119,525	1.09%	74,332	0.68%	\$1.25	28,159	296	116,801	258,432
Walnut	199	6,931,018	0	0	473,962	6.84%	247,938	3.58%	\$1.45	9,772	(66,487)	36,424	114,474
Total	5,104	167,421,934	1,457,290	2,486,592	2,079,474	1.24%	3,385,300	2.02%	\$1.30	486,720	2,831,197	2,120,630	7,541,834
South Bay													
Carson	497	35,666,780	279,207	126,013	180,973	0.51%	682,175	1.91%	\$1.07	74,928	732,948	296,283	2,031,119
Compton	470	24,731,645	98,259	0	331,787	1.34%	690,217	2.79%	\$1.25	271,211	234,006	461,296	1,339,524
El Segundo	159	8,609,607	0	0	111,165	1.29%	110,235	1.28%	\$2.50	1,704	27,374	1,704	91,563
Gardena	1,176	28,825,237	0	91,465	295,071	1.02%	547,262	1.90%	\$1.23	242,788	211,882	368,963	1,127,765
Harbor City	93	1,756,313	0	0	37,180	2.12%	33,480	1.91%	\$2.21	(20,344)	(16,380)	16,836	51,436
Hawthorne	219	7,794,176	0	48,080	181,784	2.33%	167,669	2.15%	\$1.60	59,240	6,342	49,280	191,355
Inglewood	240	4,888,714	0	0	88,777	1.82%	333,646	6.82%	\$1.65	185,768	119,988	263,203	335,434
Lakewood/Hawaiian Gardens	25	563,155	0	0	0	0.00%	25,262	4.49%	\$0.00	0	0	0	0
Lawndale	29	253,076	0	0	8,745	3.46%	8,745	3.46%	\$0.00	0	(8,745)	0	0
Long Beach/Terminal Island	739	24,092,704	162,863	100,585	398,436	1.65%	558,156	2.32%	\$1.13	389,123	774,238	519,323	1,683,752
Lynwood	99	4,694,093	0	0	0	0.00%	0	0.00%	\$0.00	0	5,700	0	10,700
Rancho Dominguez	236	14,613,487	0	27,842	157,584	1.08%	553,406	3.79%	\$1.14	80,330	166,364	438,158	867,927
Redondo & Hermosa Beach	38	1,822,794	0	0	5,300	0.29%	10,410	0.57%	\$0.00	(2,800)	2,800	0	241,734
San Pedro	43	2,751,799	0	0	2,442	0.09%	2,442	0.09%	\$1.00	0	0	0	0
Signal Hill	204	3,401,289	0	49,900	60,643	1.78%	141,722	4.17%	\$1.41	18,392	(24,181)	40,128	84,028
Torrance	617	26,908,113	865,825	642,956	628,748	2.34%	573,841	2.13%	\$1.49	83,069	602,032	613,660	1,612,487
Wilmington	147	3,821,925	0	0	5,184	0.14%	21,914	0.57%	\$1.16	18,544	17,816	23,728	30,500
Total	5,031	195,194,907	1,406,154	1,086,841	2,493,819	1.28%	4,460,582	2.29%	\$1.23	1,401,953	2,852,184	3,092,562	9,699,324
Los Angeles Total	20,790	739,646,189	3,740,105	5,136,908	9,759,978	1.32%	17,845,460	2.41%	\$1.14	3,736,959	11,334,750	10,364,140	34,601,216
5,000-24,999	13,667	166,301,266	22,638	94,147	2,742,563	1.65%	4,037,000	2.43%	\$1.32	339,860	681,028	2,040,187	6,359,103
25,000-49,999	3,559	123,548,530	422,705	446,545	2,445,102	1.98%	3,417,265	2.77%	\$1.19	626,183	1,954,988	2,054,333	6,546,576
50,000-99,999	1,985	135,003,004	519,300	588,102	2,072,619	1.54%	2,876,430	2.13%	\$1.09	1,155,832	2,743,636	2,544,033	7,177,906
100,000-249,999	1,263	187,558,503	1,426,008	1,573,204	2,197,393	1.17%	4,450,487	2.37%	\$1.11	1,035,001	3,162,617	2,609,769	9,899,968
250,000-499,999	258	83,714,466	820,744	578,910	231,776	0.28%	1,112,725	1.33%	\$0.00	582,333	1,893,372	1,115,818	3,253,363
500,000 plus	58	43,520,420	528,710	1,856,000	70,525	0.16%	1,951,553	4.48%	\$0.00	(2,250)	899,109	0	1,364,300
Los Angeles Total	20,790	739,646,189	3,740,105	5,136,908	9,759,978	1.32%	17,845,460	2.41%	\$1.14	3,736,959	11,334,750	10,364,140	34,601,216

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



A Quickly Evolving Supply Chain

by **Kevin Fults**

ASSOCIATE

424.329.7508 . kfults@voitco.com . Lic. #01242123

As we enter the final quarter of 2021, the familiar narrative persists in the LA Industrial Market. Record absorption, record customer demand, and record rent increases have been consistent across the majority of submarkets. The boom of the e-commerce industry coupled with increased port activity has boosted demand across all submarkets and the supply of industrial inventory has been unable to keep pace. There may be no better illustration of the supply chain buildup than the hundreds of cargo ships stalled offshore of Los Angeles and Long Beach over recent months. The congestion at the ports, in combination with a lack of warehouse availability, has saddled distributors and drayage businesses with increased transportation costs as they have been forced to expand into new submarkets. The lack of availability for high-clear and dock-high warehouses has put pressure on distributors to expand into new markets that weren't previously desired. This has allowed smaller submarkets to thrive in response to the pent-up demand.

The increase in demand has made landlords the beneficiaries. Lease rates increased again this past quarter, driving average asking lease rates in Los Angeles to \$1.14 PSF in 3Q. Vacancy rates fell once again below what many had predicted when we began the year and found ourselves in a pandemic that froze major sectors of the economy. This combination of increased lease rates and low vacancy has put pressure on tenants with real estate requirements. Tenants looking for industrial space have been forced to move quickly when signing a lease as acquiring space remains exceptionally competitive.

Investor activity remains high in the current market, and it is clear that no price is out of reach for some institutional buyers. We have seen record-setting sale prices across the majority of submarkets, and this will certainly continue through the rest of the year. The top institutional players have demonstrated they are willing to bite the bullet on pricing, knowing the annual rent forecasts are so strong in the greater LA market.

Although it appears to be full steam ahead for all sectors of the US economy, inflationary concerns have intensified recently, and it remains to be seen whether investors will begin adopting a defensive posture as we wrap up the current economic cycle. CPI data from August has the inflation rate at approximately 5.3%, with other data suggesting even higher numbers. The money that has been injected into the system has kept the economy stable and allowed businesses in the free market to flourish. However, some economists warn this infusion of capital will have consequences. How will companies react when profits recede, and government stops flooding the money supply? All this remains to be seen. Inflationary pressures will be a focal point over the next few months, and this will be something to pay attention to as we wrap up 2021.

Please Contact Us for Further Information

Tony Tran
Regional Director of Research
ttran@voitco.com

Anaheim, CA
714.978.7880

Carlsbad, CA
760.472.5620

Inland Empire, CA
909.545.8000

Irvine, CA
949.851.5100

Los Angeles, CA
424.329.7500

San Diego, CA
858.453.0505

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