LA1Q22

FIRST QUARTER 2022 MARKET REPORT

GREATER LOS ANGELES INDUSTRIAL

Voit REAL ESTATE SERVICES

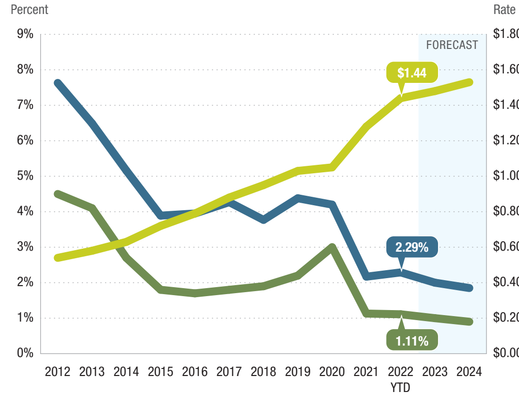
OVERVIEW. The Los Angeles industrial market remained extremely tight in the first quarter of 2022. Vacancy fell slightly to another record low and lease rates soared to a new high. Leasing activity fell again due to a lack of available space, as demand for space outstripped supply by a wide margin. Demand for both sale and lease product remained intense, while construction activity continued to fall well short of badly needed new supply. Port activity rebounded, but the supply chain bottleneck at both ports is still a macroeconomic problem, and new pandemic lockdowns in China could further complicate the situation. Port capacity is only part of the problem — the entire supply chain has been affected by a shortage of trucks and drivers along with a massive increase in fuel prices. All major submarkets in the Los Angeles region have been impacted.

VACANCY/AVAILABILITY. The overall vacancy rate in Los Angeles fell just 2 basis points in Q1 to 1.11%, but that still set another record. Much of the space that does come available is leased on an off-market basis, attracting offers from tenants who are willing to complete aggressively to be the winning bidder. The availability rate for the entire LA region, which includes vacant space and occupied space offered for sale or lease, moved up by 12 basis points in Q1 to 2.29%, but that reflects the fact that most space is marketed and leased before existing tenants vacate.

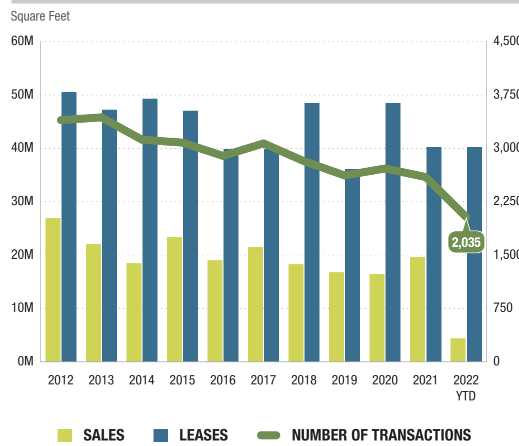
LEASE RATES. Average asking lease rates spiked again in Q1, up $0.22 per square foot to end the quarter at $1.44 after posting a $0.13 increase in the final period of 2021. Year-over-year, asking rents have increased by almost 35%. The San Gabriel Valley posted the highest asking rate in the LA region in Q1 at $1.55, up from $1.34 in Q4 of 2021. As we have previously reported, that is mostly due to the fact that almost half of the county's new construction is in that submarket. South Bay ran slightly behind at $1.48, while Mid-Counties and Central LA followed at $1.30 and $1.35, respectively. It is important to note that actual lease rates are higher than reported due to the fact that many properties are offered for lease by landlords without an asking rate.

TRANSACTION ACTIVITY. Transaction activity measures the number of deals inked in a given period without regard to occupancy. In Q1, transaction activity fell to 8.7 MSF from 12 MSF in Q4 of last year. These declines are driven by the lack of supply rather than a decrease in demand. There are just too many tenants and buyers chasing not enough space, and many businesses are forced to remain in existing locations even if their space no longer supports efficient operations. In Q1, 344 leases were signed for a total of 4.34 MSF, and another 152 properties were sold totaling 4.32 MSF. The biggest lease transaction of the quarter was a renewal by Structural Composites Industries, LLC at 300 Enterprise Place in Pomona. The biggest sale of the quarter was a 178,000 SF building at 16017-16057 E. Valley Boulevard in the City of Industry. LBA Realty acquired the property from the Laskey Family Trust.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

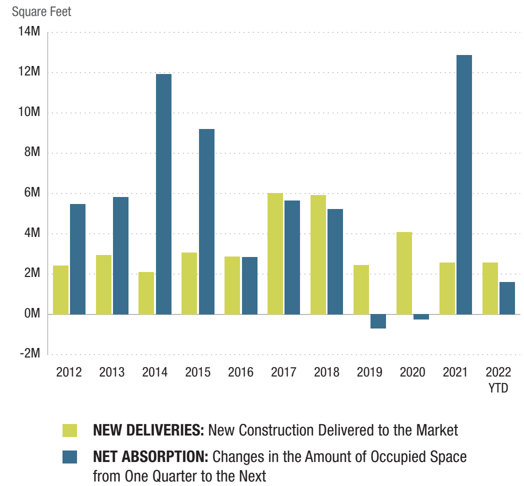
	Change Over Last Quarter		1Q 2022	4Q 2021	1Q 2021	% Change Over Last Year
Vacancy Rate	▼	DOWN	1.11%	1.13%	2.59%	(57.25%)
Availability Rate	▲	UP	2.29%	2.17%	2.17%	5.63%
Average Asking Lease Rate	▲	UP	$1.44	$1.22	$1.07	34.58%
Sale & Lease Transactions	▼	DOWN	8,676,951	12,031,242	17,275,085	(49.77%)
Gross Absorption	▼	DOWN	5,654,867	9,047,246	9,872,561	(42.72%)
Net Absorption	▲	POSITIVE	1,587,197	1,537,110	3,514,526	N/A

ABSORPTION. Net absorption, the net difference in occupied space from one period to another, ticked slightly higher in Q1 to 1,587,197, a 50,000 SF gain. However, there were substantial differences by submarket. Central LA suffered a net loss of 68,272 SF, while all other submarket posted gains. South Bay was highest with a net gain of 1,207,1 00 SF, followed by the Mid Counties at 382,850 SF and San Gabriel Valley at 65,519 SF. Gross absorption, which measures total move-ins, also fell to 5,654,000 from 9,047,000, again due to short supply.

CONSTRUCTION. Lack of new inventory remains a problem throughout the Los Angeles region. Tenants, owner/user buyers and third-party investors are looking for the same thing — first generation space that can accommodate the quickly expanding logistics sector. Land sites are in increasingly short supply, as the entire Los Angeles area is essentially an infill market, which means few large buildable sites even exist. Only 3.8 MSF is in the construction queue in a 740 MSF market, and only 4.25 MSF of new space is in the planning stages. With demand running so far ahead of supply and so few developable sites available, the shortage of first generation space will persist, which is likely to drive up lease rates and sales prices even higher.

EMPLOYMENT. The seasonally adjusted unemployment rate in Los Angeles County decreased over the month to 6.4% in February 2022, from a revised 6.9% in January 2022, and was below the rate of 10.7% one year ago. Industry sectors with monthly gains included construction (up 4,400), manufacturing (up 4,400), and trade, transportation, and utilities (up 3,300).

NEW DELIVERIES & NET ABSORPTION



Forecast

As we have been consistently reporting, the Los Angeles industrial market is tight and getting tighter. Lease rates and sales prices will spike further given the existing trend lines in both demand and vacancy. Constraints on construction activity will further exacerbate that imbalance. Look for institutional investors to keep up the demand pressure, as they scramble to control more inventory and put billions of their clients' dollars in play in anticipation of ongoing tight supply that will lead to even further rent increases.

The new wild card is the return of inflation, which is at levels we have not seen since the early 1980's. Finally, the Fed admits inflation is not transitory and has pledged to take significant action to get it under control. Mr. Powell and his Federal Open Market Committee recently suspended its bond-buying program, raised the Fed Funds Rate in March and has signaled additional interest rates hikes for the balance of the year. That will impact the cost of capital across the board, including interest rates on commercial property mortgages, which will impact occupancy costs for owner/user buyers who typically use high leverage to acquire property for their own use.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
16017–16057E Valley Blvd.	City of Industry	178,522	$35,426,314	LBA Realty	Laskey Family Trust 6/14/71
12065 Pike St.	Santa Fe Springs	159,964	$35,000,000	Staley Point Capital	Santa Fe Properties LTD
16290–16310 Shoemaker Ave.	Cerritos	150,379	$46,700,000	Pacific Industrial LLC	Laskey Family Trust 6/14/71
3255 Pomona Blvd.	Pomona	150,000	$35,575,500	Duke Realty Corporation	Hargan Investments, Inc.
3151–3161 E. Washington Blvd.	Los Angeles	98,441	$20,900,000	Tixtillary Inc.	Sunrise Brands

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
300 Enterprise Pl. – Renewal	Pomona	172,800	Feb-2022	Structural Composites Industries, LLC	Pomona II, LLC
4507 Maywood Ave. – Renewal	Vernon	137,307	Jan-2022	United Pacific Distributors	Prologis, Inc.
12500 E. Slauson Ave.	Santa Fe Springs	127,585	Jan-2022	Jet International Logistics	Prologis, Inc.
16290–16300 Shoemaker Ave.	Cerritos	120,450	Feb-2022	Z Global Logistics	Pacific Industrial
540–550 N. Oak St.	Ingelwood	114,357	Mar-2022	Showtime Networks, Inc.	Goodman

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2022	Square Feet Available	Availability Rate 1Q2022	Average Asking Lease Rate	Net Absorption 1Q2022	Net Absorption 2022	Gross Absorption 1Q2022	Gross Absorption 2022
Central													
Bell/Bell Gardens/Maywood	197	7,443,341	0	0	6,811	0.09%	15,811	0.21%	$0.00	29,669	29,669	36,480	36,480
City of Commerce	733	45,136,325	169,898	0	312,800	0.69%	559,385	1.24%	$1.27	87,228	87,228	432,989	432,989
Huntington Park/Cudahy	194	4,727,962	0	0	39,947	0.84%	104,368	2.21%	$1.50	7,192	7,192	7,192	7,192
Downtown	5,067	126,436,365	264,308	211,033	2,915,302	2.31%	5,494,755	4.35%	$1.40	(220,235)	(220,235)	1,422,896	1,422,896
Montebello/Monterey Park	315	11,737,054	0	25,500	59,343	0.51%	154,884	1.32%	$1.29	(33,773)	(33,773)	15,600	15,600
Pico Rivera	197	10,277,670	40,900	0	45,138	0.44%	43,238	0.42%	$0.00	65,728	65,728	68,503	68,503
South Gate	230	11,165,599	0	550,000	24,861	0.22%	59,936	0.54%	$1.50	0	0	0	0
Vernon	785	42,770,027	75,843	60,000	218,767	0.51%	433,639	1.01%	$1.26	(4,081)	(4,081)	326,084	326,084
Total	7,718	259,694,343	550,949	846,533	3,622,969	1.40%	6,866,016	2.64%	$1.35	(68,272)	(68,272)	2,309,744	2,309,744
Mid Counties													
Artesia/Cerritos	277	13,021,133	0	0	95,597	0.73%	318,125	2.44%	$1.22	75,614	75,614	88,715	88,715
Bellflower/Downey	199	5,492,287	0	44,162	18,855	0.34%	60,333	1.10%	$1.05	19,993	19,993	31,488	31,488
Buena Park/La Palma	234	15,120,109	0	30,650	71,685	0.47%	402,200	2.66%	$0.93	(27,404)	(27,404)	4,969	4,969
La Mirada	176	13,363,739	0	0	68,054	0.51%	348,646	2.61%	$1.00	158,432	158,432	123,646	123,646
Norwalk	88	2,874,315	0	0	5,144	0.18%	13,060	0.45%	$1.07	(1,344)	(1,344)	0	0
Paramount	410	9,010,170	0	0	13,165	0.15%	94,862	1.05%	$0.96	19,390	19,390	57,641	57,641
Santa Fe Springs	1,346	53,605,106	243,319	163,518	166,346	0.31%	884,323	1.65%	$1.08	147,823	147,823	394,466	394,466
Whittier	164	4,134,093	28,332	5,465	22,998	0.56%	46,572	1.13%	$1.43	(9,654)	(9,654)	4,280	4,280
Total	2,894	116,620,952	271,651	243,795	461,844	0.40%	2,168,121	1.86%	$1.30	382,850	382,850	705,205	705,205
San Gabriel Valley													
Alhambra	116	2,199,166	0	0	68,804	3.13%	82,174	3.74%	$1.36	(55,390)	(55,390)	0	0
Arcadia/Temple City	138	3,067,261	0	0	0	0.00%	3,438	0.11%	$1.55	(1,421)	(1,421)	1,421	1,421
Azusa	242	6,697,089	94,321	0	34,763	0.52%	318,652	4.76%	$1.65	12,840	12,840	16,500	16,500
Baldwin Park	246	4,705,708	0	0	77,749	1.65%	117,090	2.49%	$1.36	5,474	5,474	85,679	85,679
City of Industry/DB/HH/RH	1,103	74,133,881	475,151	210,950	644,723	0.87%	1,728,041	2.33%	$1.82	(65,412)	(65,412)	198,003	198,003
Covina/West Covina	183	3,400,179	0	0	11,411	0.34%	64,885	1.91%	$0.90	(4,000)	(4,000)	22,390	22,390
Duarte	70	1,800,654	0	0	16,435	0.91%	42,038	2.33%	$1.42	(13,191)	(13,191)	3,244	3,244
El Monte	312	8,378,226	0	0	32,994	0.39%	53,182	0.63%	$1.70	26,484	26,484	84,898	84,898
Irwindale	262	11,671,523	663,252	1,896,000	589,416	5.05%	685,514	5.87%	$1.65	(272,782)	(272,782)	110,414	110,414
La Puente	92	1,986,773	0	0	6,536	0.33%	8,552	0.43%	$1.29	5,136	5,136	5,136	5,136
La Verne/San Dimas/Glendora	309	6,646,887	0	0	108,154	1.63%	113,876	1.71%	$1.36	(17,557)	(17,557)	59,173	59,173
Monrovia	204	3,295,684	0	12,725	7,258	0.22%	64,381	1.95%	$1.55	(7,258)	(7,258)	0	0
Pomona/Claremont	665	20,324,177	37,690	0	101,144	0.50%	284,309	1.40%	$0.95	69,185	69,185	90,666	90,666
Rosemead/San Gabriel	120	2,365,728	0	0	11,643	0.49%	29,302	1.24%	$1.20	11,260	11,260	19,163	19,163
South El Monte	834	11,117,191	0	0	73,013	0.66%	115,749	1.04%	$1.45	48,436	48,436	86,335	86,335
Walnut	198	6,925,528	0	0	103,272	1.49%	131,541	1.90%	$1.65	323,715	323,715	27,996	27,996
Total	5,094	168,715,655	1,270,414	2,119,675	1,887,315	1.12%	3,842,724	2.28%	$1.55	65,519	65,519	811,018	811,018
South Bay													
Carson	495	35,756,583	0	126,013	115,989	0.32%	683,378	1.91%	$1.40	89,816	89,816	121,698	121,698
Compton	468	24,671,810	0	0	191,612	0.78%	245,291	0.99%	$1.32	(212,185)	(212,185)	435,829	435,829
El Segundo	158	8,586,734	0	0	42,100	0.49%	89,170	1.04%	$2.50	0	0	0	0
Gardena	1,177	29,017,061	0	414,748	220,813	0.76%	749,869	2.58%	$1.50	235,166	235,166	275,411	275,411
Harbor City	93	1,756,313	0	0	0	0.00%	0	0.00%	$0.00	0	0	6,800	6,800
Hawthorne	220	7,870,886	0	48,080	132,930	1.69%	165,470	2.10%	$1.85	6,656	6,656	165,650	165,650
Inglewood	240	4,882,796	0	0	168,194	3.44%	241,625	4.95%	$0.00	14,399	14,399	60,176	60,176
Lakewood/Hawaiian Gardens	25	563,732	0	0	17,792	3.16%	17,792	3.16%	$0.00	0	0	25,262	25,262
Lawndale	29	253,076	0	0	0	0.00%	0	0.00%	$0.00	8,745	8,745	8,745	8,745
Long Beach/Terminal Island	738	23,862,884	162,863	110,585	640,735	2.69%	742,801	3.11%	$1.16	1,023,260	1,023,260	150,260	150,260
Lynwood	100	4,690,233	0	0	0	0.00%	13,936	0.30%	$1.20	0	0	8,619	8,619
Rancho Dominguez	236	14,605,190	27,842	0	69,873	0.48%	430,898	2.95%	$1.60	(73,225)	(73,225)	80,485	80,485
Redondo & Hermosa Beach	37	1,810,738	0	0	59,549	3.29%	59,549	3.29%	$0.00	(59,549)	(59,549)	3,200	3,200
San Pedro	44	2,820,192	0	0	41,767	1.48%	41,767	1.48%	$1.00	(918)	(918)	1,282	1,282
Signal Hill	204	3,266,695	0	49,900	58,385	1.79%	91,710	2.81%	$1.43	(14,527)	(14,527)	42,641	42,641
Torrance	617	26,738,201	1,497,306	300,456	432,634	1.62%	449,937	1.68%	$1.48	86,625	86,625	331,342	331,342
Wilmington	146	3,802,758	0	0	13,098	0.34%	54,748	1.44%	$1.22	102,837	102,837	111,500	111,500
Total	5,027	194,955,882	1,688,011	1,049,782	2,205,471	1.13%	4,077,941	2.09%	$1.48	1,207,100	1,207,100	1,828,900	1,828,900
Los Angeles Total	**20,733**	**739,986,832**	**3,781,025**	**4,259,785**	**8,177,599**	**1.11%**	**16,954,802**	**2.29%**	**$1.44**	**1,587,197**	**1,587,197**	**5,654,867**	**5,654,867**
5,000-24,999	13,615	165,560,348	17,363	89,612	2,531,172	1.53%	3,689,379	2.23%	$1.56	(157,552)	(157,552)	1,606,321	1,606,321
25,000-49,999	3,559	123,621,013	420,782	376,788	1,400,568	1.13%	2,929,979	2.37%	$1.33	324,444	324,444	1,413,228	1,413,228
50,000-99,999	1,980	134,762,848	449,954	372,170	1,570,312	1.17%	3,564,160	2.64%	$1.40	45,122	45,122	1,205,274	1,205,274
100,000-249,999	1,259	187,236,759	1,513,004	983,932	1,724,796	0.92%	3,743,852	2.00%	$1.40	76,541	76,541	1,247,214	1,247,214
250,000-499,999	261	84,632,001	851,212	581,283	575,206	0.68%	1,296,887	1.53%	$0.00	739,191	739,191	182,830	182,830
500,000 plus	59	44,173,863	528,710	1,856,000	375,545	0.85%	1,730,545	3.92%	$0.00	559,451	559,451	0	0
Los Angeles Total	**20,733**	**739,986,832**	**3,781,025**	**4,259,785**	**8,177,599**	**1.11%**	**16,954,802**	**2.29%**	**$1.44**	**1,587,197**	**1,587,197**	**5,654,867**	**5,654,867**

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

GREATER LOS ANGELES INDUSTRIAL

Voit
REAL ESTATE SERVICES

Further Supply Chain Disruption

by David Fults
SENIOR VICE PRESIDENT / PARTNER
424.329.7504 . dfults@voitco.com . Lic. #01242123

The invasion of Ukraine by Russia and the sanctions imposed in response, and new pandemic-related shutdowns in China, are the latest events to rock global supply chains. Added to the China-U.S. trade war and other pandemic-related disruptions, this is certain to accelerate the movement by Western companies to reduce their dependency on China for components and finished goods and on Russia for transportation and raw materials. This will lead to more localized, or regional, sourcing strategies.

Already, over the last four years, the China-U.S. trade war and the supply chain disruptions generated by the pandemic have caused the pace of supply-chain localization to rise significantly. In fact, a January 2020 survey of 3,000 firms, motivated by the China-U.S. trade war, found that companies in a variety of industries, including semiconductors, autos, and medical equipment, had shifted, or planned to shift, at least part of their supply chains from current locations. Companies in about half of all global sectors in North America declared an intent to "reshore."

Costs are rising. With oil and gas prices soaring due to the war, transportation costs will continue to rise. What is less obvious but equally important is that the war has imposed constraints on the ability to use Russian transportation infrastructure and raw materials to support manufacturing in Asia.

Industry alone will not be able to address many of today's supply-chain challenges. Governments will have to be involved. In the United States, federal and state governments are increasing investments in ports, airports, and other infrastructure. The U.S. CHIPS Act (which Congress has yet to fund) and the European Chips Act are examples of government efforts to reduce dependence on Taiwan and South Korea for semiconductors.

Until infrastructure investments in local regions are realized, companies should stress test their supply chains and pursue strategies to make them more resilient to risks. For the foreseeable future, the challenges to global supply chains are going to become greater and more complex.

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

Please Contact Us for Further Information

Tony Tran
Regional Director of Research
ttran@voitco.com

Anaheim, CA	Carlsbad, CA	Inland Empire, CA	Irvine, CA	Los Angeles, CA	San Diego, CA
714.978.7880	760.472.5620	909.545.8000	949.851.5100	424.329.7500	858.453.0505