

Industrial Q4 2020

	YoY Chg	12-Mo. Forecast
2.4% Vacancy Rate	▲	▼
-1.3M YTD Net Absorption SF	▼	▲
\$0.98 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent per Month

ECONOMIC INDICATORS Q4 2020

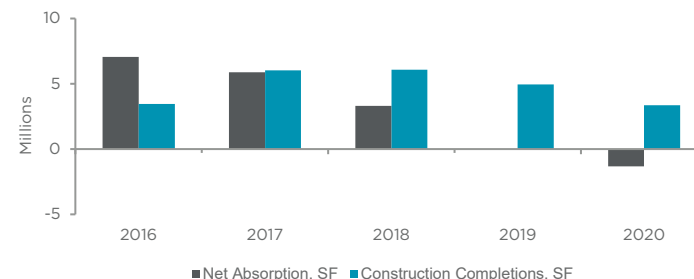
	YoY Chg	12-Mo. Forecast
4.3M Los Angeles County Employment	▼	▲
11.0% Los Angeles County Unemployment Rate	▲	▼
6.7% U.S. Unemployment Rate	▲	▼

Source: BLS/EDD. U.S. November 2020 data

Rebound in the Second Half of the Year: Although the economy has partially rebounded from a deep contraction in the first half of 2020, the U.S. economic recovery began to falter as 2020 came to a close. While the U.S. economy continues to wrestle with the COVID-19 pandemic, U.S. GDP is forecasted to grow by 2.8% (annualized rate) in Q4 20 after third quarter's rapid growth, according to a recent forecast from the Bureau of Economic Analysis (BEA). Total nonfarm employment in Los Angeles County increased by 29,800 in November and has since made up 47.6% of the job deficit sustained in March and April; however, it remained below year-ago levels with every industry sector posting job reductions. With the loss of 386,100 jobs in the last year (-8.3%), Los Angeles County's unemployment rate rose from 4.3% in November 2019 to 11.0% in November 2020. Meanwhile, a combination of increased consumer spending and replenishment of warehouse inventories has resulted in an unprecedented surge of cargo in recent months. After a six-month slowdown, the San Pedro Bay ports had a remarkable turnaround in the second half of the year and import volumes continue to exceed expectations. The Port of Long Beach posted a 4.6% annual increase in import volume through November while Port of LA's imports grew by 0.6%. From January to November, the combined total year-to-date TEU volume for both ports was up 0.5%, with imports up 2.4% for the same period.

E-Commerce is a Game Changer - Highest Annual Leasing Activity in Five Years: E-commerce continues to be a significant contributor to the demand for industrial space. E-commerce related and logistics company occupancies accounted for the majority of the space absorbed in 2020 and the largest e-commerce company in the world was a significant contributor to this feat. After posting negative 5.7 million square feet (msf) of net absorption in the first half of the year, the Greater Los Angeles rebounded with occupancy gains of 4.4 msf in the second half which lowered its overall vacancy rate to 2.4%, down 40 basis points (bps) from mid-year 2020, driven largely by positive growth in San Gabriel Valley and North Los Angeles. With vacancy at under 3% since 2015, Los Angeles has consistently been one of the tightest markets in the nation. However, net absorption remained in negative territory at 1.3 msf due to the massive hit in Q2 2020 when Boeing and Forever 21 vacated a total of 2.6 msf. With the need for last-mile facilities to accommodate increasing e-commerce demand, leasing activity rebounded quickly after a virus-induced pullback and the year proved to be one of Los Angeles' most substantial period of leasing activity. Los Angeles' leasing total of 40.2 msf in 2020 is up 31.4% from 2019 and the highest level in five years. With strong demand, there was a 5.4% quarterly increase in asking rents in Q4 and the year ended with an average asking rent of \$0.98 psf/mo, for an annual growth of 7.7%. Although industrial land remains limited and prices are high, development activity remained healthy. In addition to 3.3 msf new deliveries in 2020, 4.5 msf remained under construction at year-end. The amount of available sublease space on the market has also decreased. Since hitting its peak in July 2020 when 7.7 msf of sublease space was available, the amount of sublease space has declined by 43.7%. Sublease availability now accounts for only 14.2% of the total available space on the market, compared to 17.7% at Q3 2020.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



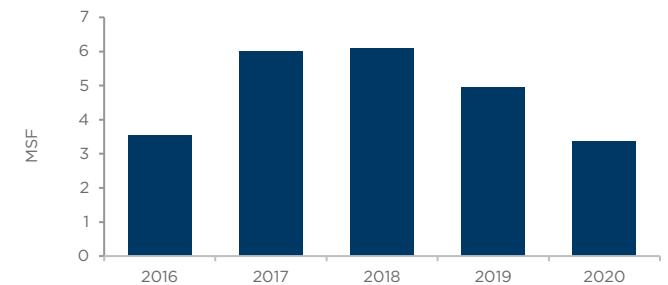
Central Los Angeles: Fueled by the strong growth of e-commerce demand, leasing activity rebounded in the second half of the year after taking a massive hit in Q2. Totalling 5.4 msf, leasing volume in the second half was double first half's activity and fourth quarter's leasing of 2.6 msf was 57.9% higher than 2019's quarterly average of 1.6 msf. At year-end, Central Los Angeles' leasing total of 8.1 msf was 23.0% higher than 2019's level and the highest annual total in four years. However, increased vacancies and high levels of sublease availabilities have impacted rents with the average overall rent decreasing by 6.5% year-over-year. After three quarters of negative absorption, Q4 showed significant improvement with net occupancy gains of 627,329 sf which lowered the vacancy to 2.9% at Q4, down 20 bps from Q3. However, with occupancy losses of 1.9 msf in 2020, the overall vacancy was still 110 bps higher than a year ago. On a positive note, the amount of available sublease space has decreased by 11.9% from mid-year 2020, accounting for 15.4% of the total available space on the market. With 730,506 sf of negative absorption in 2020, the Commerce/ Vernon submarket's overall vacancy rate increased 90 bps year-over-year to end the year at 2.4%. After a slight decrease in Q3, rents showed a slight uptick in Q4 with an average of \$0.79 psf/mo. With a strong showing in the second half of the year with 4.1 msf of leasing activity, the year ended with 5.8 msf of leased space, up 19.2% from 2019.

South Bay: Propelled by the exponential growth of e-commerce demand, leasing activity in the South Bay accelerated in 2020 with a 14.1% year-over-year increase. After a virus-induced pullback in the first half of the year, the South Bay rebounded with leasing volume of 5.2 msf in the second half, which brought its year-end total to 9.4 msf, the highest annual total in five years. In fact, fourth quarter's leasing total of 3.1 msf was 50.8% higher than 2019's quarterly average of 2.1 msf and the highest quarterly total since Q1 2017 when 3.8 msf was leased. Although the South Bay posted positive gains in the second half of the year, net absorption remained in negative territory at 1.4 msf in 2020 resulting in a 100-bp annual increase in vacancy. This was due to the significant occupancy loss in the second quarter when 1.3 msf of space at Boeing's C-17 site in Long Beach became available. On a positive note, increased vacancy and economic conditions appear to have no impact on industrial rents and South Bay overall rents reached a record average high of \$1.04 psf/mo, for an annual increase of 7.2%. Rents in the South Bay have grown an average of 8.6% in the last five years. In addition, the amount of sublease space on the market has been trending down and has decreased by 61.0% since reaching its peak in July 2020. Totalling 1.1 msf at Q4, the amount of sublease space on the market has declined by 50.2% from Q3 and now accounts for only 12.7% of the total available space in the South Bay, compared to 19.7% at year-end 2019.

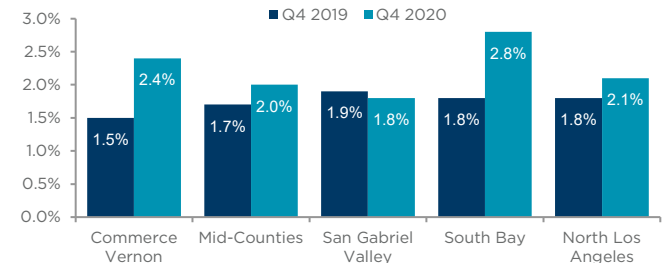
Outlook

- Strong warehouse demand will continue to be fueled by the vast consumer appetite for e-commerce. With customers increasingly demanding speedy delivery, last-mile warehouse locations will remain critical for online retailers and logistics companies and leasing momentum is expected to continue in 2021.
- Transportation costs are substantially higher than rent so there is incremental demand to locate facilities closer to the population center.
- Expect more demand for food and cold storage properties as well as more sale-leasebacks as companies who are asset rich will continue to access some cash value in their assets.
- Real estate fundamentals will remain solid in 2021. Rising land and construction costs and strong demand will continue to fuel rent growth.

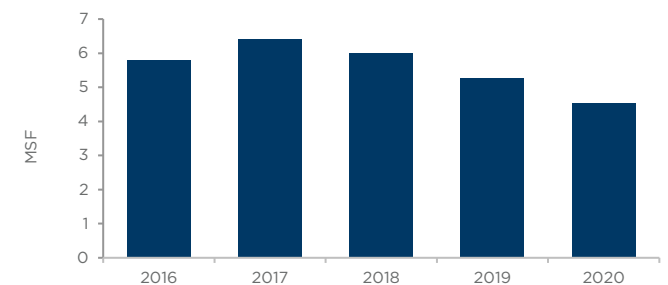
NEW SUPPLY



OVERALL VACANCY BY MARKET



UNDER CONSTRUCTION



GREATER LOS ANGELES

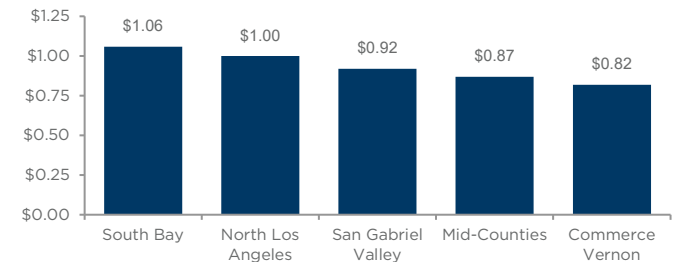
Industrial Q4 2020

Mid-Counties: During the final quarter of the year, the Mid-Counties market posted occupancy gains of 730,994 sf and lowered its overall vacancy rate 60 bps from Q3 to 2.0%, only 30 bps higher than a year ago. Fourth quarter's leasing total of 2.6 msf was 64.2% higher than 2019's quarterly average of 1.6 msf, an impressive showing after the market took a massive hit at the start of the year with a 43.8% quarterly decline in leasing from Q4 2019 to Q1 2020. Driven by the significant bounce back in demand with 4.4 msf of leasing activity in the second half of the year, the year ended with leasing total of 6.7 msf, an increase of 4.3% from 2019's level. Throughout the year, there has been a surge in large renewals and the top deal of the quarter was Saddle Creek's five-year renewal for 626,604 sf in Buena Park. However, there were a total of seven new transactions of over 100,000 sf in Q4, compared to only three in Q3. Another data point that showed considerable improvement is the amount of sublease space on the market. Declining by 57.3% from Q3 2020, sublease availability of 439,374 sf at year-end is a striking difference from when sublease availability hit its peak of 1.6 msf back in April 2020. Rents also continue to trend up. Averaging a record high of \$0.87 psf/mo at year-end, there was a 4.8% annual increase in rents in 2020, which is just slightly below 2019's annual growth of 5.1%.

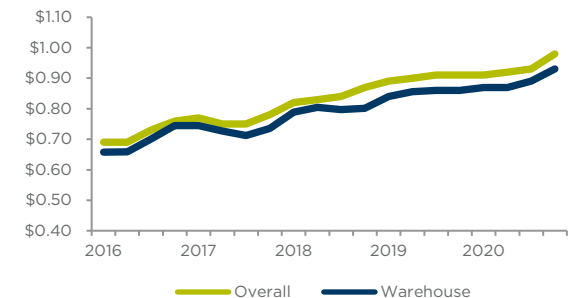
San Gabriel Valley: Fueled by demand from 3PLs, retailers, food-related companies and the automotive industry, leasing in the San Gabriel Valley rebounded from a 29.3%-annual decline in leasing activity in 2019. Leasing in 2020 reached a record high of 8.1 msf, 75.1% higher than 2019's level. The Industry submarket accounted for 56.2% of the market's activity with 4.6 msf at year-end. The largest new lease of the quarter in San Gabriel Valley as well as in the Los Angeles region was Noble House Home Furnishings' ten-year lease for 572,240 sf at Goodman Logistics Center in El Monte. With the significant increase in leasing velocity, the San Gabriel Valley dominated the Los Angeles region in net demand with 1.5 msf of occupancy gains in 2020, 58.6% higher than 2019's net absorption. This is the eleventh year of occupancy gains resulting in a 290-bp drop in vacancy since year-end 2019. Overall vacancy declined by 50 bps from Q3 2020 and 10 bps from a year ago to 1.8%. Due to strong demand, rent growth accelerated towards the end of the year and 2020 ended with an average rate of \$0.92 psf/mo which equates to a 9.5% annual growth, a much higher rent appreciation than 2019's annual rent growth of 7.7%. Another data point that showed considerable improvement is the amount of sublease space on the market. After peaking at 1.0 msf back in April 2020, available sublease space totaled just 316,074 sf at year-end, down 59.3% from mid-year 2020's sublease numbers.

North Los Angeles: Although there was a 30.9% decrease in leasing in the second half of the year, the North Los Angeles industrial market ended the year strong with 7.7 msf of leasing activity, 66.8% higher than 2019's leasing total of 4.6 msf. After occupancy losses of 625,870 sf in the first half of the year, North LA rebounded in the second half with 1.3 msf of positive gains which brought its year-end net absorption total to 685,840 sf, a considerable improvement from 2019's total of 218,742 sf. However, supply outpaced demand and the year ended with a 30-bp year-over-year increase in vacancy. Ventura County and Santa Clarita Valley with combined net gains of 1.3 msf were able to offset the occupancy losses in San Fernando Valley. Ventura County also took the top spot in leasing with 2.3 msf of leased space. With healthy demand, the market saw an 11.5% annual rent growth and ended the year with an average of \$0.97 psf/mo. Although still low at 1.4%, San Fernando Valley's vacancy rate increased 60 bps from Q4 2019 due to the loss of 604,319 sf in occupancy.

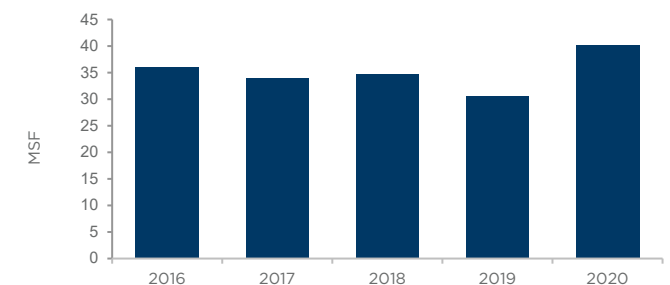
AVERAGE DIRECT RENT BY MARKET (\$PSF/MO, NNN)



WAREHOUSE vs OVERALL MARKET RENT



ANNUAL LEASING ACTIVITY



Industrial Q4 2020

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Downtown Los Angeles	92,175,882	3.9%	-1,198,041	2,300,956	240,057	0	202,580	\$1.03	\$1.00	\$1.05
Commerce/Vernon	165,078,424	2.4%	-730,506	5,766,171	685,657	0	681,689	\$0.76	\$1.46	\$0.78
Mid-Counties	119,316,520	2.0%	-14,760	6,688,301	514,831	325,411	296,771	\$0.81	\$1.17	\$0.88
San Gabriel Valley	185,971,024	1.8%	1,463,136	8,106,060	1,645,755	1,398,740	629,293	\$0.81	\$0.94	\$0.95
South Bay	219,599,729	2.8%	-1,424,944	9,386,373	802,159	1,319,682	584,264	\$0.93	\$1.70	\$1.00
Westside	13,981,131	1.8%	-108,996	186,724	29,911	0	0	\$2.05	\$2.63	\$2.54
North Los Angeles	207,896,887	2.1%	685,840	7,728,235	1,193,915	1,492,790	952,841	\$0.97	\$1.15	\$0.91
GREATER LOS ANGELES TOTAL	1,004,019,597	2.4%	-1,328,271	40,162,820	5,112,285	4,536,623	3,347,438	\$0.89	\$1.37	\$0.93

*Rental rates reflect weighted net asking \$psf/month

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6565 Knott Avenue, Buena Park	Mid-Counties	Saddle Creek	626,604	Renewal*
4300 Shirley Avenue, El Monte	San Gabriel Valley	Nobel House Home Furnishings	572,240	Direct
19200-19270 Western Avenue, Torrance	South Bay	Freight Horse Express	370,641	Direct
13344 S Main Street, Los Angeles	South Bay	Reyes Distribution	290,303	Direct
11811-31 E Florence Avenue, Santa Fe Springs	Mid-Counties	Amazon	288,000	Direct

*Renewals not included in leasing statistics

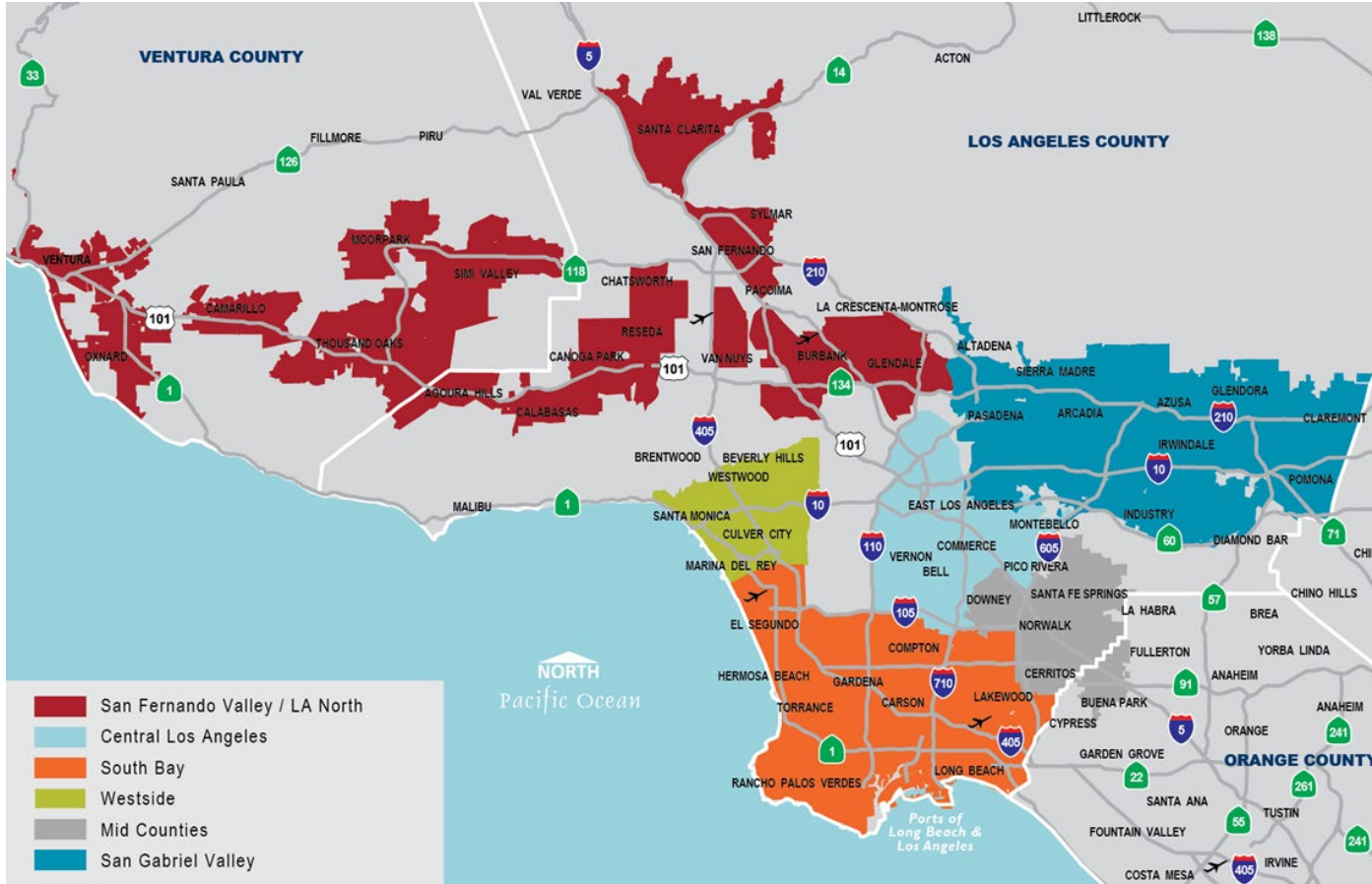
KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3629/3735/3931 & 3963 Workman Mill Road, Whittier	Mid-Counties	Carpenters Pension Trust / Rexford Industrial	989,195	\$296.6M / \$300
1921- 2099 E 27th Street, 2750 & 2800-40 Alameda Street, Vernon	Central Los Angeles	Gautier Land Company / Rexford Industrial	464,415	\$93.8M / \$202
Van Nuys Airport Industrial Center, Van Nuys	North Lo Angeles	Dean C. Daily III / Rexford Industrial	430,082	\$154.6M / \$359
3425 & 3501 E Vernon Avauue & 4000 Noakes Street, Vernon	Central Los Angeles	Dedeaux Properties LLC / Brookfield Properties	290,368	\$87.0M / \$300
440 Baldwin Park Blvd., Industry	San Gabriel Valley	DRA Advisors LLC / Exeter Property Group	226,938	\$36.5M / \$160

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Canyon Commerce Park, Azusa	San Gabriel Valley	Apex Logistics/Yongfei, Inc.	458,581	Alere Property
The Center at Needham Ranch - Phase 1B, Santa Clarita	North Los Angeles	Amazon	411,709	Clarion Partners/TCC

GREATER LOS ANGELES INDUSTRIAL SUBMARKETS



TINA ARAMBULO
Industrial Research Director
 Tel: +1 310 5251918
tina.arambulo@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.