MARKETBEAT

GREATER LOS ANGELES

Industrial Q2 2021

	YoY Chg	12-Mo. Forecast
1.7% Vacancy Rate	▼	▼
8.6M YTD Net Absorption SF	▲	▼
$1.03 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent per Month

ECONOMIC INDICATORS Q2 2021

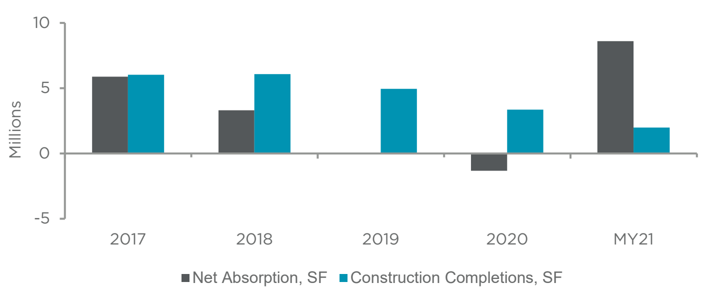
	YoY Chg	12-Mo. Forecast
4.2M Los Angeles County Employment	▲	▲
11.1% Los Angeles County Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Sources: CA EDD and BLS. LA data for May. US data is the average of April and May

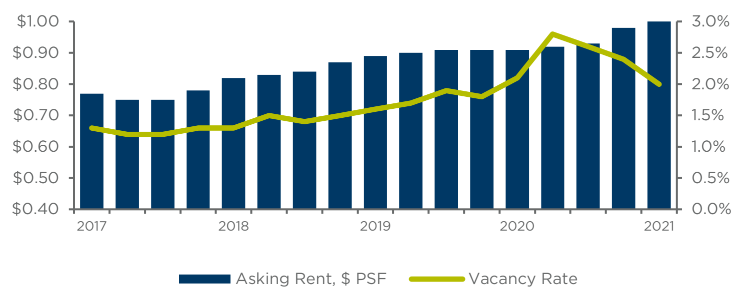
Historic Port Volume & E-commerce Intensify Demand for Warehouse Space: In Los Angeles, international trade is a key driver of the economy and is one of the significant positive factors contributing to its growth. Over the last year, the Southern California ports have had record cargo volumes. A huge driver of industrial demand, U.S. import volume is forecast to remain healthy in the coming months as the consumer-driven demand for merchandise from Asia is accelerating. Global Port Tracker, published monthly by the National Retail Federation (NRF) and Hackett Associates, increased its U.S. import projections for every month through September. The San Pedro Bay Ports continued their respective volume surges, establishing new records once again in the month of May. The Port of Los Angeles processed more than 1.0 million TEUs in its busiest month ever, while the Port of Long Beach moved more than 900,000 TEUs for the first time in its history. Combined year-to-date import volume at both ports through May was 47.1% higher than the same period a year ago. Although the ports are still vital to the health of the market, e-commerce has intensified the demand for logistics space and is behind the historic growth in the industrial sector. U.S. e-commerce sales are expected to grow 17.9% in 2021 (higher than the 13.7% predicted in January 2021) to reach $933.3 billion. That pushes e-commerce's share of total U.S. retail sales to 15.3%, up from 14.0% last year. E-commerce is now on track to surpass 20% of total retail sales by 2024. Record demand for e-commerce and increased consumer spending will continue to drive the historic volume at both ports.

Demand and Rents Hitting Record Highs: Increased demand for logistics space continues to fuel strong leasing velocity. Industrial leasing activity of 22.8 million square feet (msf) at mid-year is on track to surpass the record high set in 2015. Los Angeles posted net absorption of 3.5 msf in Q2 2021 driving its overall vacancy rate to 1.7%, down 30 basis points (bps) from Q1 2021 and 110 bps lower than Q2 2020's rate. With strong demand for space, the amount of available sublease space on the market has also decreased. Greater LA posted a 29.4% quarterly decline in the amount of sublease space and a 67.0% year-over-year (YOY) decrease. Since hitting its peak in July 2020 when 7.7 msf of sublease space was available, the amount of sublease space has declined by 70.2%. Sublease availability now accounts for only 10.2% of the total available space on the market, compared to 18.0% at Q2 2020. Competition for warehouse space is driving up industrial rents as retailers and logistics providers race to move goods closer to population centers. Rents continue to trend up, increasing by 12.0% YOY and averaged $1.03 per square foot per month (psf/mo) in Q2 2021. As one of the top markets in the U.S., Los Angeles has the largest warehouse inventory in the nation and has consistently been one of the strongest markets. The U.S. economic activity continues to expand and most indicators point toward an energetic expansion through the remainder of the year and strong demand is expected to continue.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT

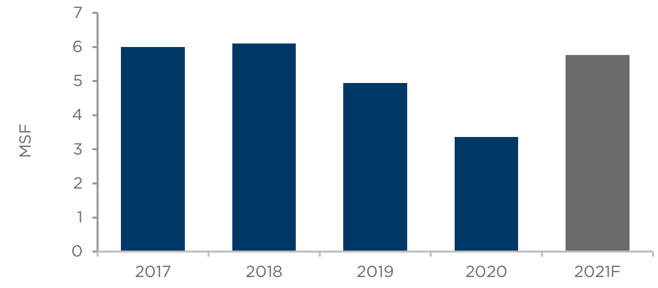


Central Los Angeles: At mid-year 2021, the Central LA market posted its third consecutive quarter of positive gains with 567,158 square feet (sf) of net absorption in Q2. This brought the occupancy gains to 1.6 msf in the first half of the year and lowered the market's overall vacancy rate to 2.2%, 90 bps lower than Q2 2020. Central Los Angeles continued its strong leasing momentum after a 23.0% annual increase in 2020. Leasing total of 4.6 msf at mid-year 2021 was up a whopping 71.6% over the same period a year ago. However, to keep it in perspective, mid-year 2020 was the height of the pandemic and Q2 2020 posted the lowest quarterly total from 2019-2020 and was 45.1% lower than the two-year quarterly average. Another positive data point this year is the amount of available sublease space on the market, which has declined by 58.2% since Q2 2020 and accounted for just 9.2% of the total available space on the market. Central Los Angeles should close the year with positive gains for the first time since 2017. After a dismal showing in 2020 when the market suffered occupancy losses of 730,506 sf, the Commerce/ Vernon submarket continued to show strength with net absorption of 534,930 sf in Q2 which lowered its overall vacancy rate to 1.3%, down 40 bps from Q1 2021 and 130 bps lower than Q2 2020. Leasing activity remained strong with 3.7 msf leased through June, more than double mid-year 2020's total of 1.6 msf. Rents also showed improvement this quarter and posted a 3.7% year-over-year growth.

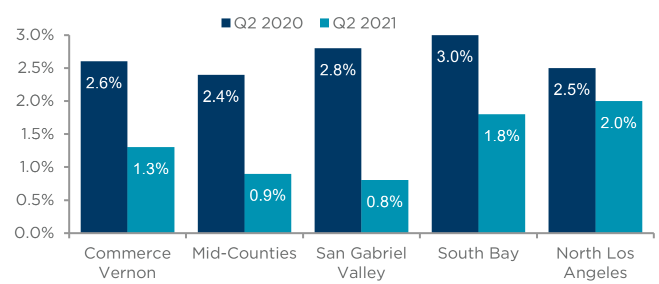
South Bay: The South Bay market has now recorded four consecutive quarters of occupancy gains, driving its overall vacancy rate down to 1.8%, 120 bps lower than a year ago. The amount of available sublease space has also decreased substantially, declining by 72.6% YOY and accounts for just 11.9% of total available space on the market, compared to 26.4% during Q2 2020 when the local economy felt the full effects of the pandemic. Leasing activity for Q2 totaled 3.9 msf, 76.1% higher than the two-year quarterly average from 2019-2020 and the highest quarterly total since Q2 2015. Leasing activity for the first half of the year totaled 6.6 msf, up 57.7% from the same period a year ago. The South Bay accounted for 29.2% of Greater Los Angeles' leasing total so far this year. High demand and limited supply drove rents higher. Averaging $1.08 psf/mo, rents are 12.5% higher than a year ago after a 7.2% annual growth in 2020. Class A effective rents for spaces 50,000+ sf are now averaging $1.16 psf/mo, increasing by 7.4% just in the last six months and Class B rents posting a corresponding 7.5% rent growth.

Mid-Counties: The Mid-Counties market is firing on all cylinders with new leasing activity of 4.0 msf during the first half of the year. This is on track to surpass the 7.3 msf recorded in 2018, the market's record high. The Santa Fe Springs and La Mirada submarkets combined for a total of 2.9 msf and accounted for 72.4% of the market's total. These two submarkets were also responsible for 86.7% of the market's occupancy gains of 1.5 msf at mid-year 2021. This is in sharp contrast to mid-year 2020's negative net demand of 701,668 sf when the economy felt the full impact of the pandemic. Consequently, the overall vacancy rate dropped to 0.9%, down 40 bps quarter-over-quarter (QOQ) and 150 bps lower than Q2 2020's rate of 2.4%. With limited supply, renewals dominated the large transactions during Q2. Competition for warehouse space is driving up industrial rents. Some users are engaging in bidding wars for the most coveted sites with OIA renewing their 220,000-sf space in Cerritos with a starting net rent of $1.32 psf/mo for a Class B building. High demand and limited supply drove the asking rents to record highs. Averaging $0.97 psf/mo, rents grew by 16.9% YOY after only a 4.8% annual growth in 2020.

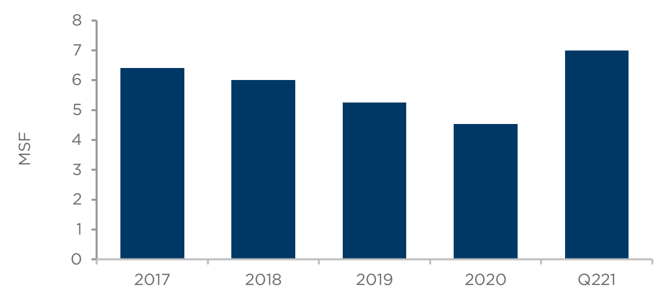
NEW SUPPLY



OVERALL VACANCY BY MARKET



UNDER CONSTRUCTION



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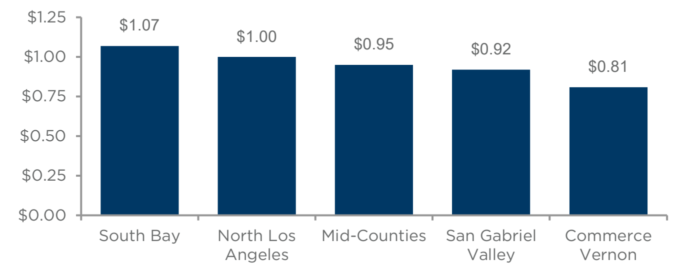
San Gabriel Valley: San Gabriel Valley continues to dominate the Los Angeles region in net demand with 2.6 msf of occupancy gains during the first half of the year. This is a significant improvement from mid-year 2020's net loss of 338,929 sf and has already surpassed 2020's year-end total 1.5 msf. It is also on track to beat 2006's net absorption record of 3.2 msf. The Industry submarket accounted for more than half of the net gains with 1.5 msf. Strong net occupancy gains drove the overall vacancy rate down to a historic low of 0.8%, 200 bps lower than Q2 2020 and makes San Gabriel Valley the tightest market in Greater LA. At mid-year, leasing activity totaled 3.8 msf, 41.5% higher than the same period a year ago with the Industry submarket accounting for the bulk of the leasing total with 2.6 msf of leased space. With strong demand, rent growth continues to accelerate. After a 9.5% annual rent growth in 2020, the market posted a 14.5% YOY rent growth in Q2 2021 with an average overall asking rent of $0.95 psf/mo. Meanwhile, Class A effective rents for spaces 50,000+ sf are now averaging $0.88 psf/mo, increasing by a 17.3% since 2019 with Class B rents posting a corresponding 15.3% rent growth. Rising land and construction costs and strong demand will continue to fuel strong rent growth.

North Los Angeles: In sharp contrast to mid-year 2020's negative net demand of 625,870 sf, North Los Angeles posted 1.5 msf of occupancy gains in the first half of 2021. This resulted in a 50-bp YOY drop in its vacancy rate to 2.0% at Q2 2021. East SFV accounted for the bulk of the gains with 942,511 sf with Ventura County taking second place with 396,203 sf. Although leasing activity increased 38.8% QOQ, mid-year's total of 3.6 msf was down 20.1% from the same period a year ago when fulfillment facilities experienced a surge in demand during the height of the pandemic. After an 11.5% annual rent growth in 2020, the market experienced a 7.6% YOY rent growth with an average rent of $0.99 psf/mo. North Los Angeles leads the Greater LA region in development activity with 3.0 msf under development. San Fernando Valley posted occupancy gains of 1.0 msf at the mid-year point and its overall vacancy remained stable at 1.3%. The quarter ended with its average rent increasing to $1.19 psf/mo, up 4.4% QOQ and 16.7% higher than a year ago.

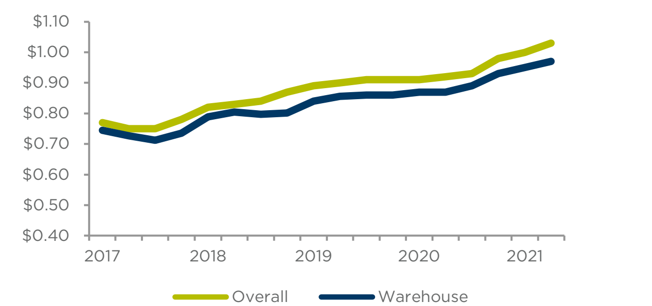
Outlook

- Strong demand is expected to continue throughout the year and asking rents will continue to post double-digit gains through the end of 2021. However, rent growth is expected to decelerate in 2022 due to lack of available supply.
- U.S. import volume is forecast to remain healthy in the coming months as the consumer-driven demand for merchandise from Asia continues to accelerate.
- The shift in consumers moving to online shopping has massively accelerated the growth of e-commerce and will continue to drive the historic demand for warehouse space, especially for new product in infill locations.

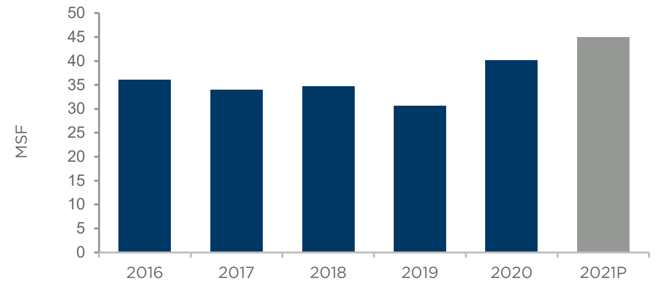
AVERAGE DIRECT RENT BY MARKET ($PSF/MO, NNN)



WAREHOUSE vs OVERALL MARKET RENT



ANNUAL LEASING ACTVITY



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Industrial Q2 2021

CUSHMAN & WAKEFIELD

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	92,067,752	3.9%	-3,165	900,435	255,142	0	0	$1.05	$1.02	$0.99
Commerce/Vernon	165,757,903	1.3%	1,588,452	3,661,154	654,910	155,798	0	$0.79	$1.40	$0.85
Mid-Counties	119,284,721	0.9%	1,452,765	4,041,452	217,450	297,165	174,863	$0.89	$1.18	$0.98
San Gabriel Valley	186,357,362	0.8%	2,579,231	3,812,352	278,069	1,549,675	719,250	$0.78	$0.96	$0.98
South Bay	219,806,346	1.8%	1,588,482	6,642,502	1,102,728	1,975,498	0	$0.89	$1.77	$1.05
Westside	13,970,445	2.6%	-134,276	32,824	0	0	0	$3.43	$3.05	$2.81
North Los Angeles	209,798,687	2.0%	1,537,146	3,649,998	536,120	3,019,600	1,084,055	$1.06	$1.26	$0.92
GREATER LOS ANGELES TOTAL	**1,007,043,216**	**1.7%**	**8,608,635**	**22,750,717**	**3,044,419**	**6,997,736**	**1,978,168**	**$0.95**	**$1.43**	**$0.97**

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

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

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2400 East Wardlow Road, Long Beach	South Bay	Relativity Space	868,406	Direct
21971 Industry Way, Industry	San Gabriel Valley	FedEx	627,480	Direct
5500 Sheila Street, Commerce	Commerce/Vernon	Smart & Final	445,767	Renewal*
The Center at Needham Ranch, Santa Clarita	North Los Angeles	DrinkPak	400,095	Direct
13012 Molette Street, Santa Fe Springs	Mid-Counties	Custom Companies	306,286	Renewal*
16012-16030 Arthur Street, Cerritos	Mid-Counties	Berger Shippers Corp.	290,000	Renewal*

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
2761 Fruitland Avenue, Vernon	Commerce/Vernon	Marquee Brands / Iris Basic USA	268,049	$24.5M / $91
2850 East Del Amo Boulevard, Uninc.LA	South Bay	Universal Warehouse Co. / CenterPoint	264,450	$125.8M / $475
The Box Yard, Los Angeles	DT Los Angeles	Bridge Industrial / Rexford Industrial	261,528	$93.6M / $358
12352 Whittier Boulevard, Whittier	Mid-Counties	Leggett & Platt / Western Realco	224,628	$31.5M / $140

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
3081 - 3770 Tulare Avenue, Burbank	North Los Angeles	Amazon	751,313	OMP

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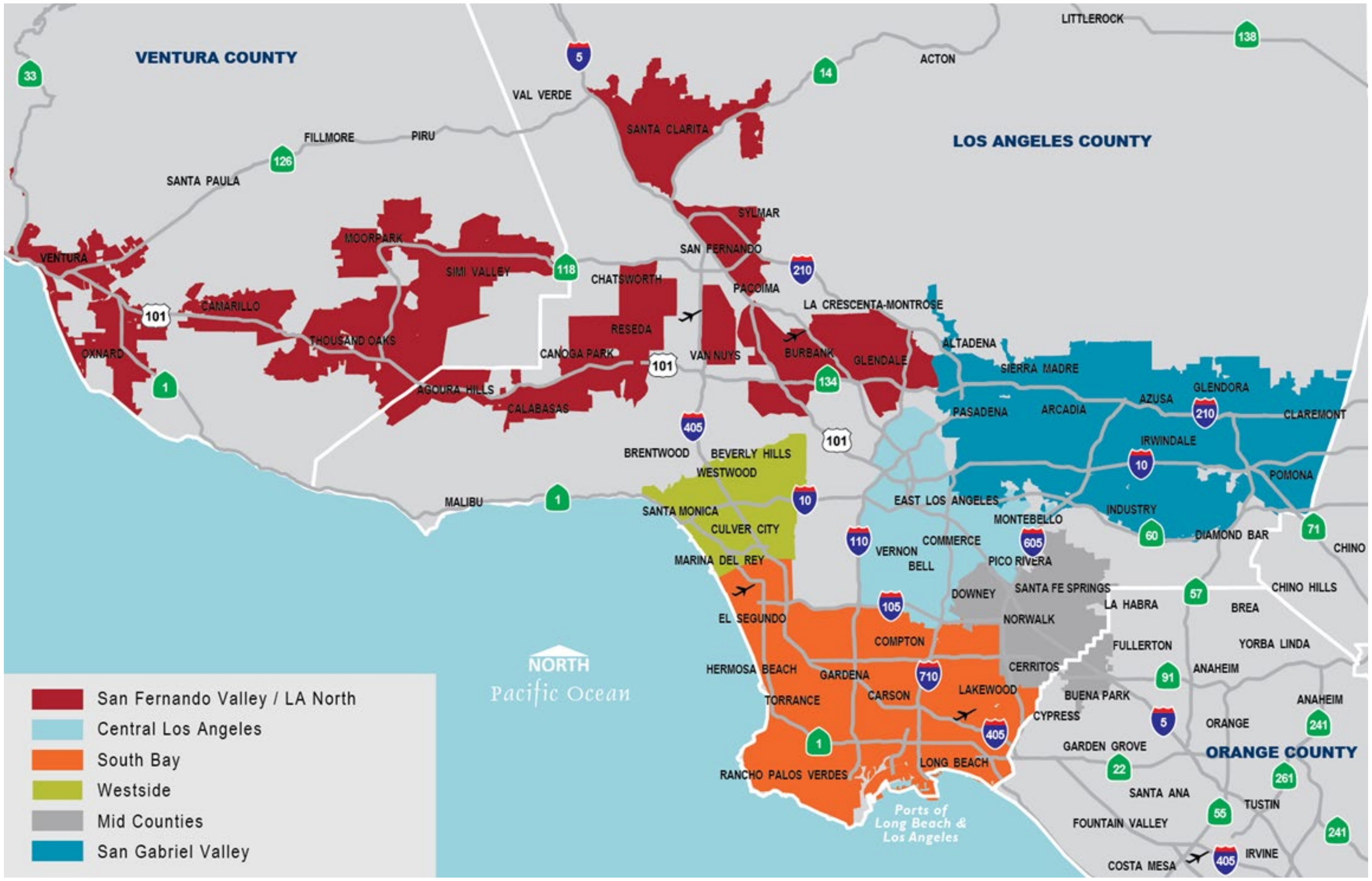
GREATER LOS ANGELES INDUSTRIAL SUBMARKETS



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