



**LOS ANGELES - LONG BEACH
INDUSTRIAL MARKET REPORT**

Q1

MARKET REPORT Q1 2021

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INDUSTRIAL MARKET REPORT

THE ROAD TO RECOVERY

Q1 TRENDS AT A GLANCE

Absorption
(186,697) SF

Average Rent
\$1.11 / SF

Sales Transactions
\$87.3 Million

Vacancy
1.7%

Under Construction
1,029,763 SF

Average Sales Price
\$180.41 / SF

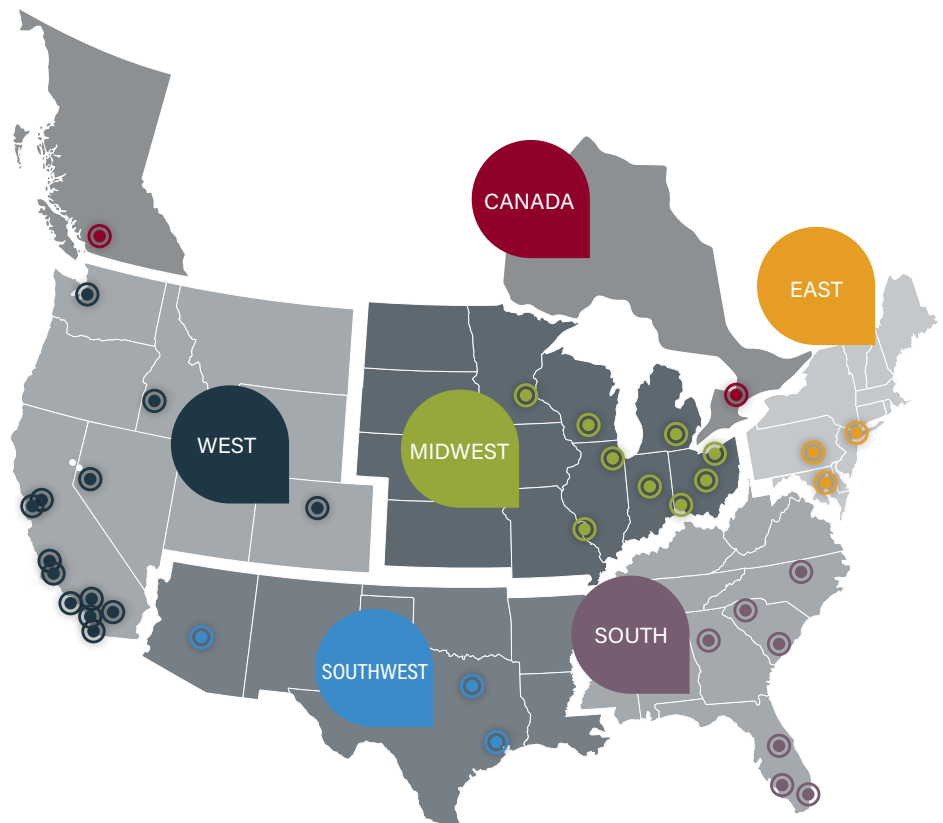
Source: CoStar Realty Information Inc.(As Of April 5, 2021)

ABOUT LEE & ASSOCIATES

At Lee & Associates® our reach is national but our expertise is local market implementation. This translates into seamless, consistent execution and value driven market-to-market services.

Our agents understand real estate and accountability. They provide an integrated approach to leasing, operational efficiencies, capital markets, property management, valuation, disposition, development, research and consulting.

We are creative strategists who provide value and custom solutions, enabling our clients to make profitable decisions.



LOCAL EXPERTISE. INTERNATIONAL REACH. WORLD CLASS.



The disruption in the world from the Covid -19 pandemic has changed our local supply chains and consumer consumption patterns. With most consumers transitioning to online purchases, a strong demand for Industrial Real Estate that warehouse and distribute these goods has been created, which is quite the opposite for the office and retail sectors. The vaccine roll-out has given the world hope and optimism for a speedy recovery, and the office and retail markets which have been languishing behind the industrial market should benefit as the year progresses.

The direct industrial vacancy rate in the Los Angeles/ Long Beach marketplace remained steady at 1.7% for the 1st Quarter 2021. The vacancy rate this time last year was 1.5%, which illustrates the continuing lack of space in the area. Asking rents remained flat again in the 1st Quarter 2021 at \$1.11 PSF. Property owners continue to put upward pressure on lease rates because tenants are willing to pay a premium to secure their space. The expectation gap between Tenants/Buyers and Landlord/Sellers has grown to a point that is unsustainable in the long term and likely contributes to the decline of deal volume, year over year. The average sale price jumped in the 1st Quarter 2021 to \$180 PSF, up 12% from the previous quarter. Lee & Associates believes this is due to the lack of Class A property available for purchase, as well as the difficulty in completing deals due to lack of access to governmental assistance. In regard to necessary approvals for occupancy and tenant improvements, municipality/governmental cooperation has been increasingly difficult and delayed due to office closures as a direct result from the pandemic. Net Absorption was negative with 122,652 SF added to the market, down from 254,943 SF last quarter. Developers continue their struggle in finding suitable repositioning projects as only 1,029,763 SF was under construction this past quarter. Total sales volume was down \$87.3 Million, compared to 4Q 2020 which was at \$165.02 Million.

Amazon seems to be an unstoppable force as they have tripled their 'last mile' hubs in in Southern California, forcing other e-commerce competitors to keep up but also encouraging

growth of supporting fulfillment businesses. Amazon started 2020 with 9 local distribution hubs, now they are up to 32. A few you may recognize:

- 9300 Rayo Ave, South Gate (213,000 SF)
- 2751 Skypark Dr, Torrance (148,000 SF – Former Costco)
- 950 Francisco St, Torrance (147,200 SF)
- 6400 – 6450 Katella Ave, Cypress (146,000 SF – Former Mitsubishi HQ)
- 14600 S Broadway Ave, Gardena (60,000 SF)
- 2400 Marine Ave, Redondo Beach (20,000)

Amazon is close to their goal of having a warehouse within 20 miles of every major US consumer, and its purchase of Whole Foods was a monumental step in furthering that execution.

Economists surveyed by The Wall Street Journal project U.S. gross domestic product—the value of all goods and services produced—will grow 6.4% this year, measured from the fourth quarter of last year to the same period of this year. That would lift output to nearly 4% above its pre-pandemic level measured in the fourth quarter of 2019. Meanwhile, the economists expect employers to add 7.1 million jobs in the 12 months ending in December 2021, a gain of 5%. That would leave employment 1.6% lower than in the fourth quarter of 2019. “Leo Feler, a UCLA senior economist says, “...the combination of increased vaccinations and the Biden administration’s \$1.9 Trillion Covid-19 relief package are the driving optimistic forces behind the forecast for 2021...According to the national forecast, there will be 6.3% growth in 2021, 4.6% growth in 2022 and 2.7% growth in 2023...” The forecast predicts higher interest rates, a cooling residential market, a correction in the stock market and less hiring. It will take time for these factors to play out and trickle down to our local economy. In the meantime, 2nd Quarter 2021 will be a great opportunity for owners to put their properties up for sale to capture historic sale values while interest rates remain extremely low for buyers. As seen last quarter, existing industrial properties for lease or sale will be difficult to find, while newer facilities will continue to be needed

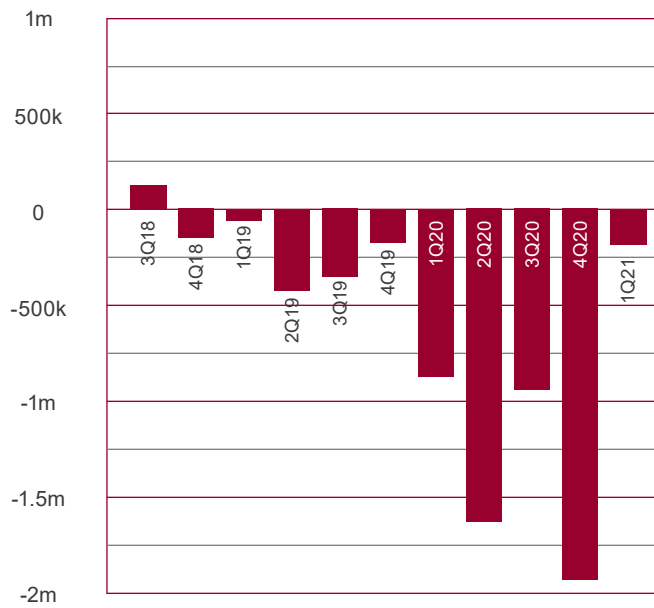
to support fulfillment centers and the move towards electronic retailing. Despite the background noise globally, market signals locally remain positive heading into 2Q 2021. Contact your Local Lee & Associates specialist for more information regarding your submarket and guidance in how to navigate through these ever-changing times.

There is no better time to utilize your local market expert at Lee & Associates for more information about your property's value or any future plan changes you may have regarding your Industrial Real Estate. We are now seeing lease renewal conversations and potential relocation decisions taking place

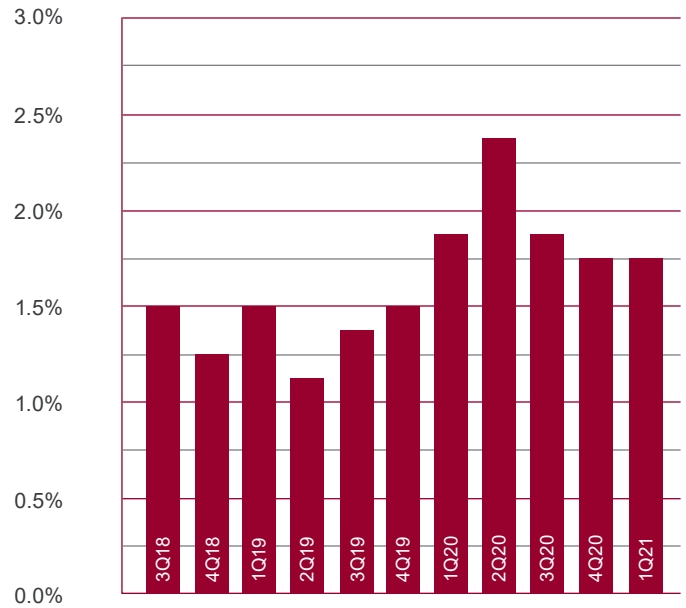
much further in advance of lease expiration dates than a couple of years ago. We are here to help and look forward to speaking with you.

- Brandon Carrillo, Principal & Bret Osterberg, Principal

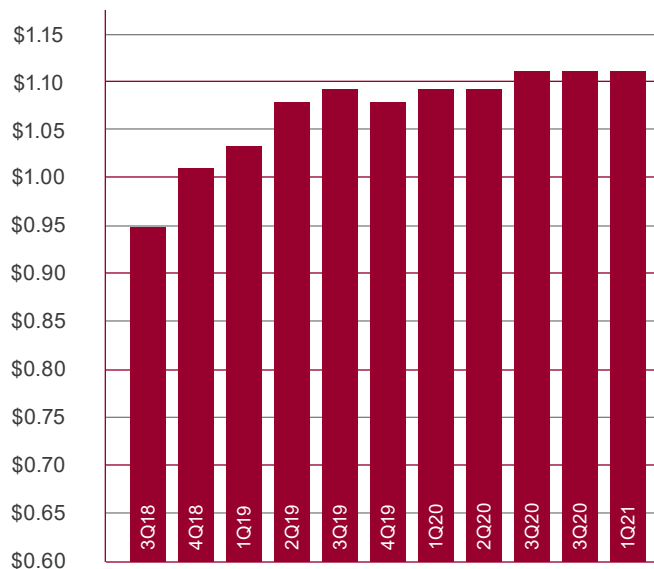
NET ABSORPTION



VACANCY



AVERAGE ASKING RENT BY QUARTER



ASKING PRICE PER SQ FT



Source: CoStar Realty Information Inc



Source: CoStar Realty Information Inc & AIR

Q1 2021 TOP LEASES BY SF

PROPERTY ADDRESS	CITY	TYPE	LEASE RATE	SQUARE FEET	LEASE TYPE
2711 E DOMINGUEZ ST	CARSON	WAREHOUSE	\$1.00 / SF NNN	261,557 SF	DIRECT
525 W MANVILLE ST	COMPTON	WAREHOUSE	\$0.95 / SF NNN	183,000 SF	RENEWAL
538 CRENSHAW BLVD	TORRANCE	WAREHOUSE	\$1.25 / SF NNN	174,361 SF	DIRECT
22600 S. BONITA AVE., BLDG 112	CARSON	WAREHOUSE	\$0.78 / SF NNN	147,500 SF	DIRECT
18020 S ANTA FE AVE	COMPTON	LAND	\$0.48 / SF NNN	317,116 SF	RENEWAL

Q1 2021 TOP SALES BY SF

PROPERTY ADDRESS	CITY	TYPE	SALES PRICE	SQUARE FEET	REGION
2911 E HARCOURT ST	RANCHO DOMINGUEZ	WAREHOUSE	\$180.01 / SF	49,859 SF	SOUTH
2335 208TH ST	TORRANCE	WAREHOUSE	\$279.09 / SF	38,160 SF	SOUTH
15700 S FIGUEROA ST	GARDENA	WAREHOUSE	\$163.34 / SF	33,602 SF	SOUTH
400 W. ROSECRANS AVE.	WEST RANCHO DOMINGUEZ	WAREHOUSE	\$236.86 / SF	24,698 SF	SOUTH
17907-18001 S FIGUEROA ST	GARDENA	LAND	\$82.81 / SF	243,936 SF	SOUTH



2711 E DOMINGUEZ ST

LEASED



525 W MANVILLE ST

LEASED



538 CRENSHAW BLVD

LEASED



2911 E HARCOURT ST

SOLD



2335 208TH ST

SOLD



15700 S FIGUEROA ST

SOLD

LOS ANGELES & LONG BEACH PORT ACTIVITY

The unrelenting demand for imported goods rang in the New Year. Throughout 2021's 1st quarter, volumes spiked 43% from this time last year as consumers continued to use their computers as virtual shopping malls. This was quite the contrast to March 2020 when containers' ship volumes dramatically dipped as the world started to face the impact of a global pandemic. March marked the ninth consecutive month that Los Angeles / Long Beach handled about 800,000 TEUs of Asian imports; by comparison, the gateway never handled 800,000 TEUs of Asian imports in a single month in 2019. Presently, there are still over 20 vessels waiting to offload their goods in Southern California, foreshadowing what could be the largest volume year ever by far.

The Port of Long Beach's year started strong with almost a 22% increase (784,007 TEUs) from last January followed by February's gain of approximately 43% (771,735 TEUs). Although March is traditionally one of the slowest months on the shipping calendar, Long Beach finished the quarter with a jarring 62.3% increase to set a new all-time monthly volume record with 840,387 TEUs. For Long Beach, March's numbers mark the 9th consecutive month they have broken cargo movement records for a particular month. To put 2021's Q1 in perspective, Long Beach surpassed 2020 by 41%, 2019 by 31% and 2018 by 25%. Executive Director of the Port of Long Beach, Mario Cordero, said "Although the pandemic is receding, consumers are spending less on travel this year and turning toward online retail in unprecedented numbers to purchase exercise equipment, office furniture and home improvement items. The demand for e-commerce is happening more quickly than we anticipated, but we will continue to collaborate with our industry stakeholders to catch up with the unprecedented cargo volume at our gateway."

For the Port of Los Angeles, January experienced only a small uptick of 3.64% (835,516 TEUs) while February increased almost 47% (799,315 TEUs). To end the quarter, Los Angeles experienced its best March in its history (3rd biggest overall) and processed an incredible 957,599 TEUs. When compared to 2020,

March's traffic for LA over doubled with an incredible 113% YOY increase. Year to date, overall cargo volume at LA has increased 44% compared to 2020, 17% ahead of 2019, and approximately 23% greater than 2018. Port of Los Angeles Executive Director, Gene Seroka, stated "I applaud our longshore labor force, truckers, terminal operators and supply chain partners who are working day and night to process the additional cargo. As more Americans get vaccinated, businesses reopen and the economy strengthens, consumers continue to purchase goods at a dizzying pace. Collectively, we have been able to significantly reduce the amount of container vessels awaiting off shore."

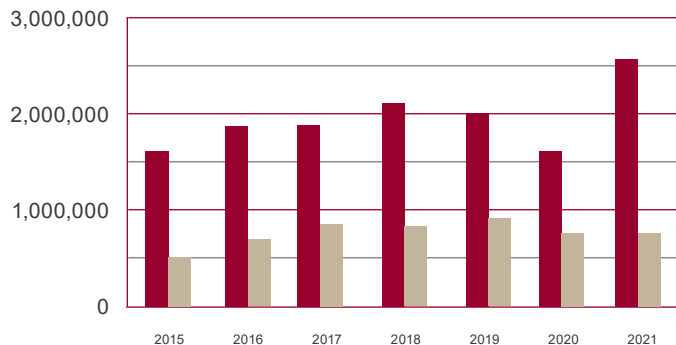
With this surge of demand due to the continuous spike in consumer spending, Los Angeles and Long Beach has come closer to handling almost half of US imports from Asia. Vessel bunching, chassis shortages, increased offloading time due to Mega Container vessels, and slower processing times due to health and safety restrictions have caused the most intense congestion and longest dwelling times in Southern California compared to other US gateways. "The normal number of container ships at anchor is between zero and one," according to Kip Louttit, an executive director of Marine Exchange of Southern California. While the stakeholders continue to try and solve the congestion dilemma, some shippers are routing goods away from Southern California. However, these alternatives are also becoming congested. How much longer will cargo owners continue to see an additional 7 to 14 day delay in transit time with all-time high shipping rates? Will the backlog of ships be cleared before peak-season? As the footprint of industrial real estate continues to grow in Southern California, owners and occupiers of warehouse/distribution space that Lee & Associates deals with on a daily basis hope that the POLA and POLB continue their diligent efforts to retain and grow market share in an ever-competitive marketplace.

- David Bales, Principal & Ryan Endres, Principal

TEUs YTD MARCH 2021

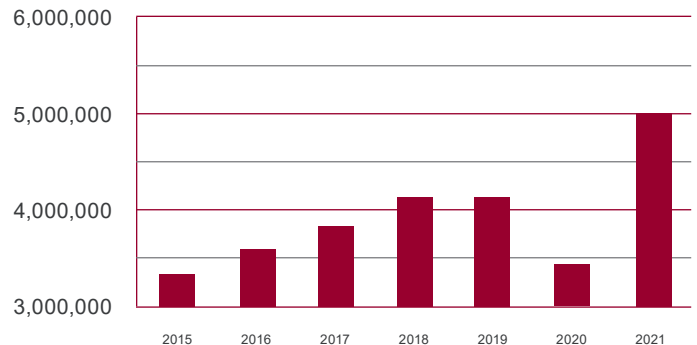
Source: www.polb.com www.portoflosangeles.org

■ Combined Loaded Inbound
 ■ Combined Loaded Outbound

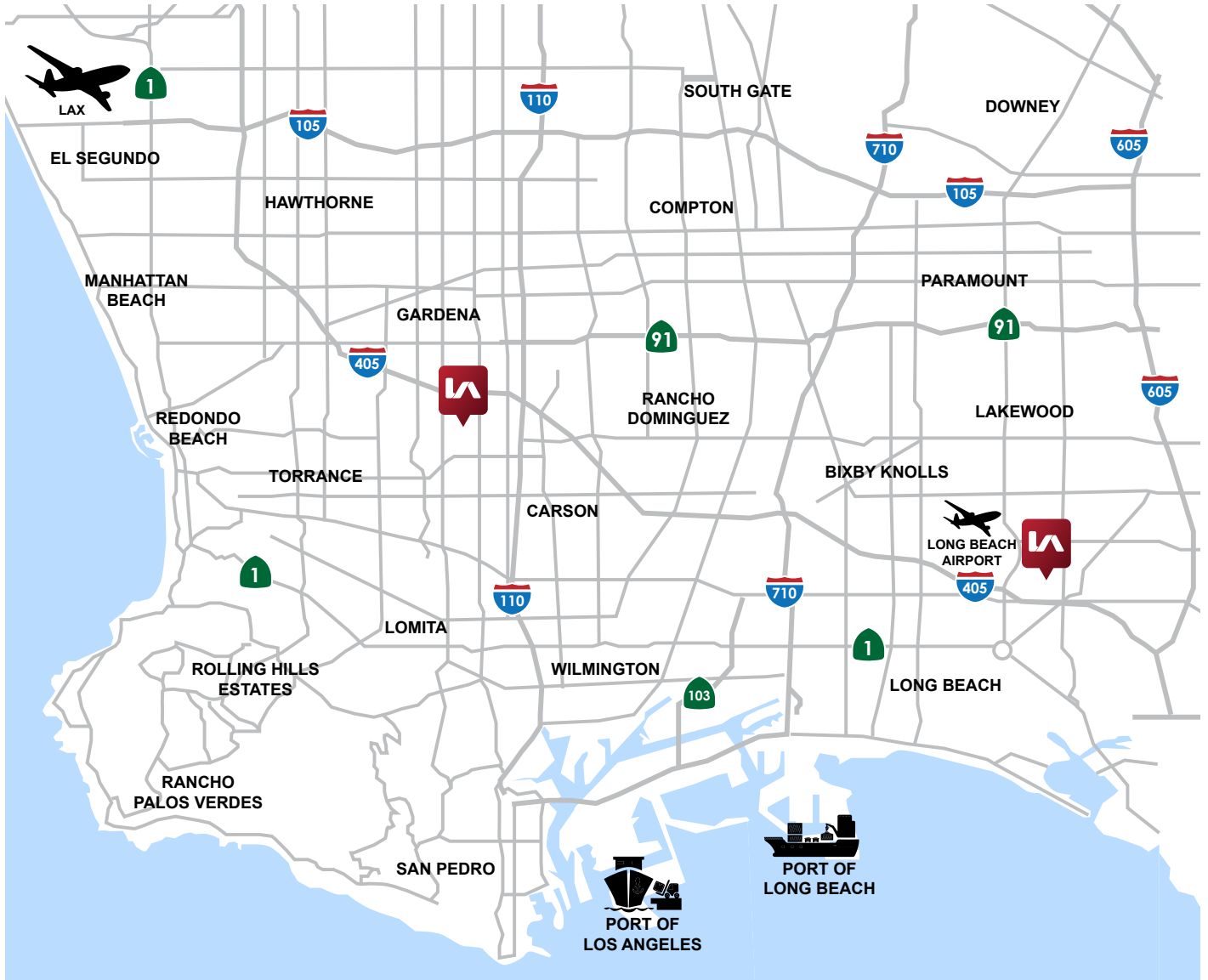


Total Containers San Pedro Port Complex

Loaded Totals and Empties Combined



LOS ANGELES & LONG BEACH INDUSTRIAL MARKET MAP



LOOK TO LEE & ASSOCIATES FOR SOLUTIONS

Contact a Lee & Associates Broker who can provide you with the most comprehensive market knowledge and expertise in the business. We specialize in:

Build-to-Suit

- For Lease
- For Sale
- Facility Specification
- Bidding & Design Build Construction
- Expansion Planning

Fair Market Value Analysis

- Valuation of Land
- Valuation of Buildings and Other Improvements

Financial Analysis of Alternatives

- Comparing Alternative Proposals
- Purchase vs. Lease Analysis
- Existing Building Search

Site Search

- Site Selection Criteria
- Development & Analysis

Sale-Leaseback

- Institutional Investors
- Private Investors

Disposition of Existing Buildings

- Locally & Nationally
- REO & Distressed-Asset Valuation & Sales

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*Third-Party Data Sources: CoStar Group, Inc., AIR CRE, Port of Long Beach, Port of Los Angeles, Lee & Associates National Market Report, GlobeSt.com, NAIOP.Org, The Wall Street Journal, PIERS, a JOC.com sister company within IHS Markit

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