



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

Q4

MARKET REPORT Q4 2021

LOS ANGELES - LONG BEACH
INDUSTRIAL MARKET REPORT

2022: THE NEWER NORMAL

Q4 TRENDS AT A GLANCE

 **Absorption**
73,209 SF

 **Average Rent**
\$1.23 / SF

 **Sales Transactions**
\$686.8 Million

 **Vacancy**
0.9%

 **Under Construction**
1,616,203 SF

 **Average Sales Price**
\$346.59 / SF

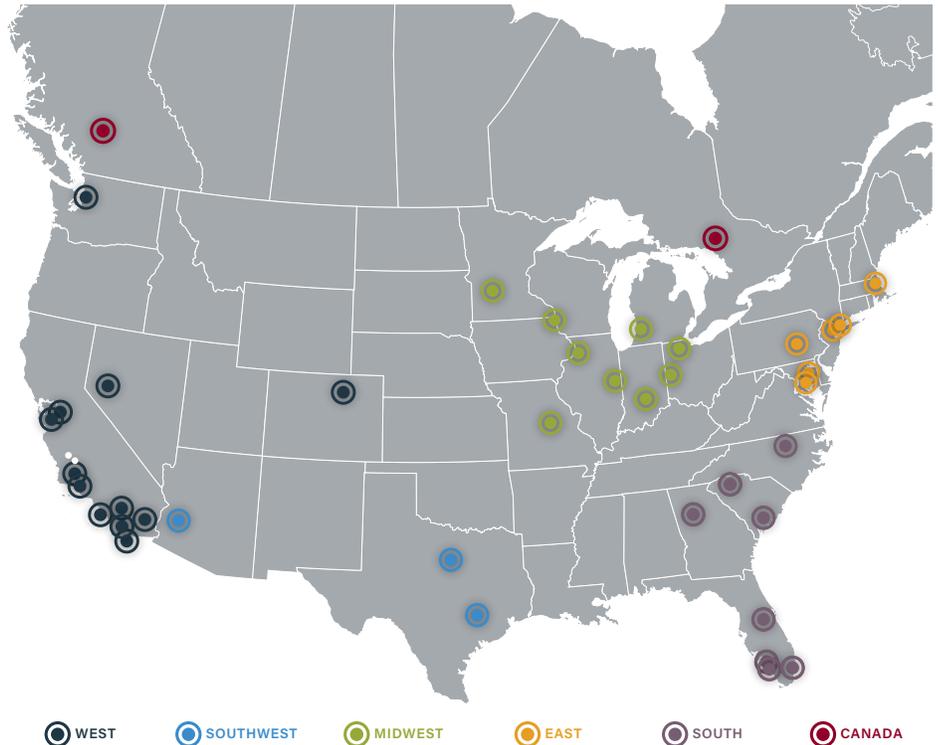
Source: CoStar Realty Information Inc.(As Of January 6, 2022)

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 South Bay Industrial real estate market finished 2021 in seemingly typical fashion, with high demand and low supply. The tremendous change in how consumers tend to buy merchandise continues to overwhelm the supply chain. Our Los Angeles / Long Beach industrial real estate market is purely caught in the middle.

These trends are not unique to this region but have been a National circumstance. The demand for warehousing and distribution space upturned throughout the U.S. last year, and businesses have had to adjust to the industrial climate. As cited in the Lee and Associates' 2021 U.S. Market Report, "...Fueled by an unprecedented boom in household spending during the pandemic, demand for warehouse-and-distribution space soared...developers have been breaking ground at a record pace in most markets and are racing to keep up with demand...", which is "...greater than what many major markets can accommodate regardless of the region."

The direct industrial vacancy rate in the Los Angeles / Long Beach marketplace rose from 0.7% to 0.9% in the 4th Quarter, driven by a small number of availabilities delivered to the market during the quarter. Average asking rents increased from \$1.19 to \$1.23 per SF per CoStar, but internal numbers suggest South Bay rental growth was closer to 10%+ for the quarter. High throughput distribution spaces continue to garner the most attention from interested parties. Average asking rates are now pushing towards \$2.00 PSF for Class A product (new construction), Class B product is now in the \$1.30 - \$1.65 PSF range, while Class C ranges from \$1.10 - \$1.30 per SF (per Month, NNN for 50,000 SF+), with high dock door ratios and excess yards driving a premium. The average sale price is up from \$217.60 to \$346.59 per SF for Q4; total sales transaction volume was up from \$197.15 to \$686.80 Million. Land values

are being pushed north of \$0.90 per SF NNN and over \$7,000,000 per Acre for container/chassis parking as available land remains difficult to find. The 4th Quarter experienced negative absorption of 73,209 SF with a couple larger projects being delivered to the market prior to year-end. The 4th Quarter continued to see roughly 1,616,203 SF under construction out of roughly 240 Million SF of inventory.

Until consumer demand changes drastically, one can expect turmoil in the shipping markets and global port congestion to remain. "The supply chain backup will smooth out when consumer demand slows down... we're in an inflationary cycle right now and rising prices will cause people to spend less. I expect the logistics backup to smooth out in mid-year 2022," according to John Husing, Inland Empire economist. The national unemployment rate has now fallen below 4%. With Chinese New Year around the corner, COVID restrictions that could force closings of overseas manufacturing plants, mandatory vaccinations of truck drivers, an inevitable ILWU / PMA contract renegotiation prior to expiration on July 1st, and ever-increasing ocean, air, and intermodal transportation costs, we are in for another whirlwind of a year in logistics. According to information provider IHS Markit, ships at the Los Angeles / Long Beach Port Complex were at berth for almost 60% longer in 4th Quarter 2021 than in the 4th Quarter 2019 (pre-pandemic). With all this said, California still boasts the 5th largest gross domestic product (GDP) in the world. Southern California's GDP – or the total value of its goods and services – hit \$1.6 Trillion in 2021, equivalent to the 13th largest economy in the world between Brazil and Australia, according to UCLA's Anderson Forecast report.

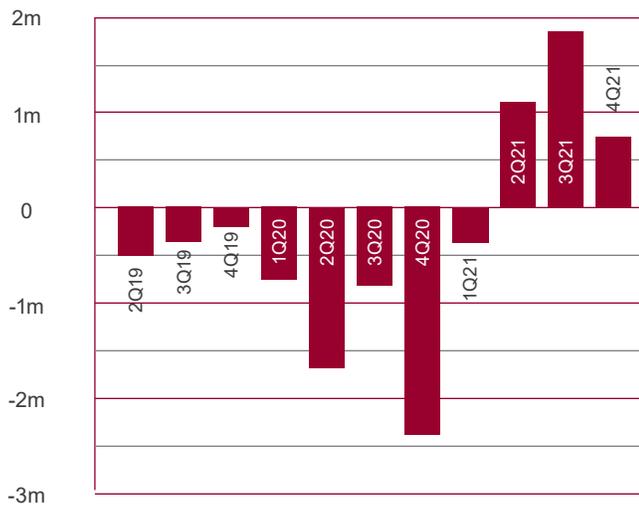
Despite the macro factors, local market conditions point to a continued increase in lease rates, purchase prices, and limited

availability foreseeable well through 2022. The historically low interest rate environment and SBA loan incentives are still advantageous for owner-occupiers. There is no better time than now to plan for your upcoming lease expiration, future relocation, expansion, downsize, and/or consolidation efforts for industrial space as it may take time to meet your goals. Contact your local Lee & Associates market expert for more information about what is happening in your submarket and guidance in navigating your specific situation. We are here to help and stress long-term relationships over a quick, potentially

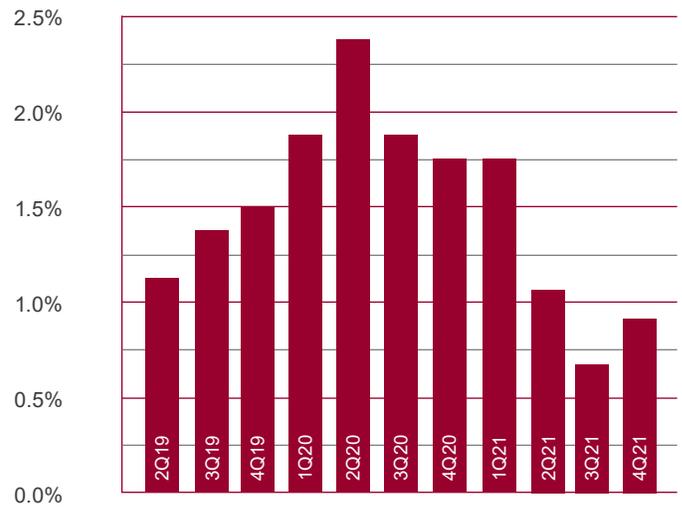
detrimental move today and can provide perspective that could make or break decisions for your operation.

Ryan Endres, Principal | Bret Osterberg, Principal

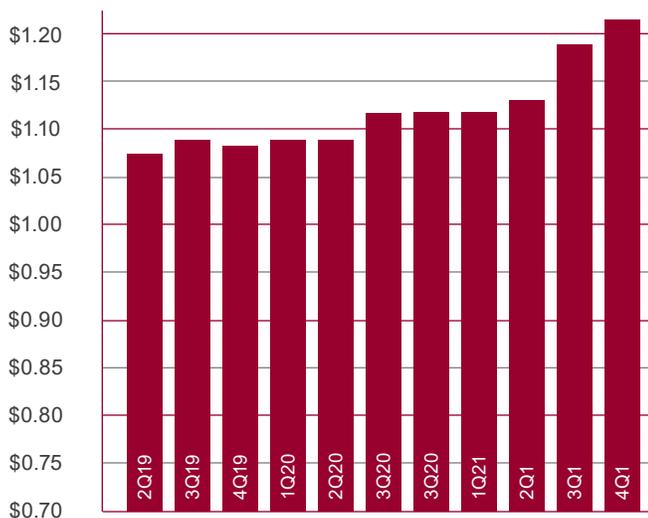
NET ABSORPTION



VACANCY



AVERAGE ASKING RENT BY QUARTER



ASKING PRICE PER SQ FT



Source: CoStar Realty Information Inc



Source: CoStar Realty Information Inc & AIR

Q4 2021 TOP LEASES BY SF

PROPERTY ADDRESS	CITY	TYPE	LEASE RATE	SQUARE FEET	LEASE TYPE
20100 S. ALAMEDA ST	RANCHO DOMINGUEZ	WAREHOUSE	\$0.80 / SF GRS	222,000 SF	DIRECT
2626 E. VISTA INDUSTRIA	RANCHO DOMINGUEZ	MANUFACTURING	\$1.18 / SF NNN	163,499 SF	RENEWAL
2910 E. PACIFIC COMMERCE DR.	RANCHO DOMINGUEZ	WAREHOUSE	\$1.35 / SF NNN	150,000 SF	DIRECT
909 E. COLON ST.	WILMINGTON	WAREHOUSE	\$1.01 / SF GRS	111,500 SF	SUBLEASE
15914 S. AVALON BLVD.	COMPTON	LAND	\$0.68 / SF GRS	227,819 SF	DIRECT

Q4 2021 TOP SALES BY SF

PROPERTY ADDRESS	CITY	TYPE	SALES PRICE	SQUARE FEET	REGION
1452 W KNOX ST.	TORRANCE	DISTRIBUTION	\$349.93 / SF	422,856 SF	SOUTH
268 GARDENA BLVD.	CARSON	MANUFACTURING	\$465.79 / SF	307,222 SF	SOUTH
4240 W 190TH ST.	TORRANCE	DISTRIBUTION	\$245.41 / SF	306,836 SF	SOUTH
3815 SCHAUFLELE AVE.	LONG BEACH	MANUFACTURING	\$581.50 / SF	103,128 SF	SOUTH
3025 VICTORIA ST.	RANCHO DOMINGUEZ	WAREHOUSE	\$356.67 / SF	120,000 SF	SOUTH

20100 S. ALAMEDA ST

LEASED



2626 E. VISTA INDUSTRIA

LEASED



2910 E. PACIFIC COMMERCE DR.

LEASED



1452 W KNOX ST.

SOLD



268 GARDENA BLVD.

SOLD



4240 W 190TH ST.

SOLD



LOS ANGELES & LONG BEACH PORT ACTIVITY

The Great news is the Southern California Ports set a new volume record in 2021 and continue to be an economic engine for California. As one might imagine, overall volumes set a historic record with a total of 20,050,893 TEUs moved during 2021, a 15.7% increase over 2020 and an 18.7% increase since 2017, for perspective. The Port of Long Beach (POLB) moved 9.3 Million TEUs while the Port of Los Angeles (POLA) moved 10.6 Million TEUs, respectively. Even as every major container port in the U.S. experienced an increase (New Jersey, Savannah, Charleston, Tacoma, and Houston), the LA / LB Ports increased their overall domestic market share, thus further demonstrating the importance in the U.S. supply chain and goods movement.

Over 7.3 Million TEUs (36.6% of total moves) were Empty shipments. Imports accounted for 50% of total cargo moves while Exports accounted for 13%, roughly a 4:1 ratio of imports to exports, not counting empties. Since 2017, Imports are up 17.7% while Exports are down 22.9%, empties aside – the reliance on overseas manufacturing is more apparent than ever. “Inventory to sales ratios are more than 10% below pre-pandemic levels,” per Tom Olinger, CFO of Prologis – the world’s largest REIT focused solely on industrial properties – on the company’s 4th Quarter earnings call. He goes on to mention, “Our customers not only need to restock at this 10% shortfall, but build additional safety stock of 10% or greater. This combination has the potential to produce 800 million square feet or more of future [industrial real estate] demand in the U.S. alone.” Due in large part to this replenishment of inventory, all larger industrial REITs are very bullish on the industrial real estate market and will continue to push lease rates and create new high sale values throughout 2022.

The Port of Long Beach finished the year up 15.53% YoY but moved less containers during 4th Quarter 2021 than in 2020. In October 789,716 TEUs were moved, or roughly 2% decrease YoY. November realized 734,399 TEUs moved, a 6.2% decrease while December moved 754,314 TEUs, a 7.5% decrease. POLB Executive Director, Mario Cordero said, the record was set while the Port Complex worked to “seek solutions to improve efficiency, attract business and build for the future... I look forward to

enhancing productivity in 2022 by advancing our move toward 24/7 terminal operations, deploying data-sharing technologies for our industry partners and continuing our infrastructure improvements.”

The Port of Los Angeles finished the year up 15.89% YoY but similar to POLB moved less containers during 4th Quarter 2021 than in 2020. In October 902,644 TEUs were moved, amounting to a roughly 7.9% decrease YoY. November realized 811,460 TEUs moved, an 8.8% decrease while December moved 786,589 TEUs, a 10.5% decrease. Regarding the continued piling up of empty containers, POLA Executive Director, Gene Seroka said there are “71,000 empties (that) exist and we are imploring shipping companies to bring in more and larger sweeper vessels” to remove them. “We’ve created several near-dock depots on Terminal Island so empties can be returned to mid-point locations to better triangulate the flow of the trucks and move cargo out faster,” he states.

The Southern California port complex and general vessel congestion continues to be a fixture among national news outlets and has caused major retailers to adjust their supply chains. Presently, POLA / POLB are working through over 90 ships waiting to berth. With the upcoming International Longshore and Warehouse Union’s contract expiration July 1, 2022, and ever-lurking COVID challenges many stakeholders expect 2022 to be a similar slog. POLA / POLB will be receiving a portion of \$17 Billion from the federal government via the recently passed national Infrastructure Investment and Jobs Act, as well as a proposed \$2.3 Billion from the State of California to fund key port initiatives revolving around supply chain efficiency, workforce development and job creation, cybersecurity, and the reduction of environmental impacts.

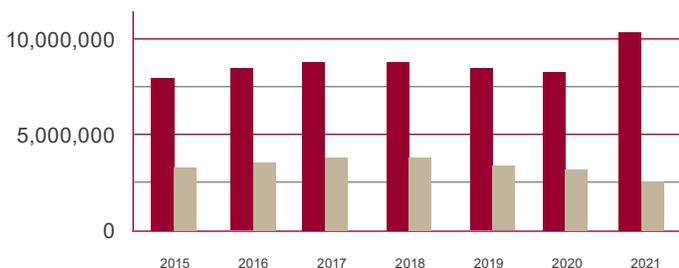
“We expect the West Coast to continue to experience varying levels of congestion throughout 2022,” Alan Murphy, CEO of Sea-Intelligence Maritime Analysis, in conversation with JOC.com.

David Bales, Principal | Ryan Endres, Principal

TEUs YTD DECEMBER 2021

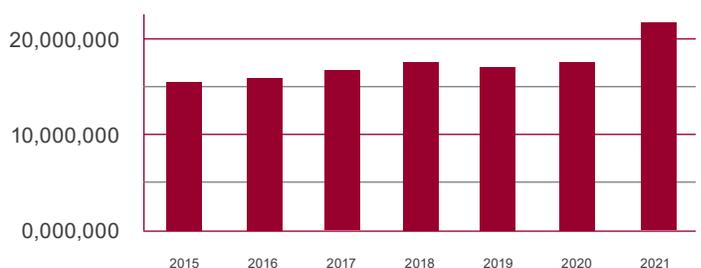
Source: www.polb.com www.portoflosangeles.org

■ Combined Loaded Inbound
 ■ Combined Loaded Outbound

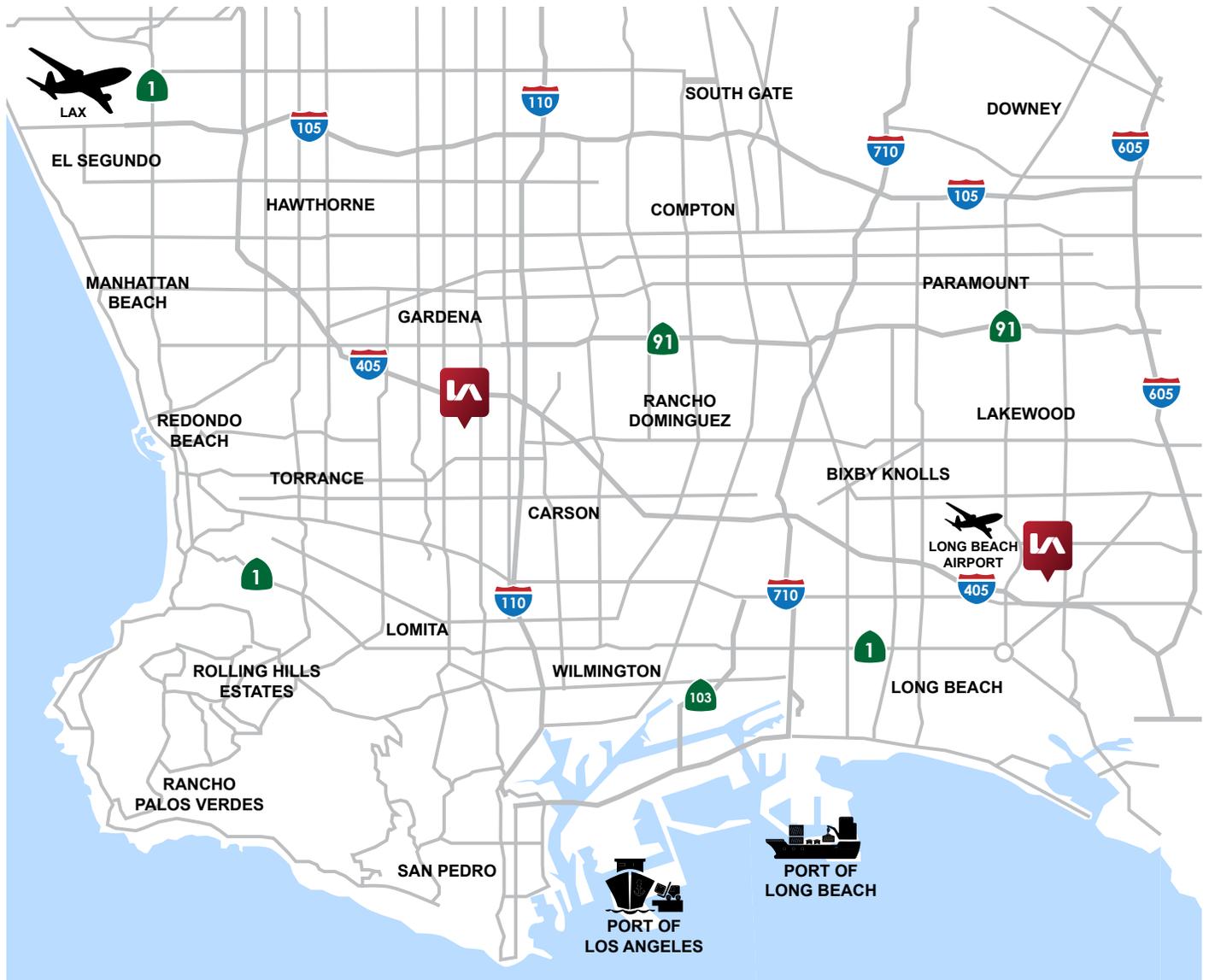


Total Containers San Pedro Port Complex

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

The information and details contained herein have been obtained from third-party sources believed to be reliable; however, Lee & Associates Los Angeles - Long Beach, Inc. has not independently verified its accuracy. Lee & Associates Los Angeles - Long Beach, Inc. makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to the implied warranty of suitability and fitness for a particular purpose.*

© Copyright 2021 Lee & Associates Los Angeles - Long Beach, Inc. All rights reserved.

Contributed By:

David Bales | DRE# 01388502
 Ryan Endres | DRE# 01901652
 Bret Osterberg | DRE# 01364530

*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

**LOCAL EXPERTISE.
INTERNATIONAL REACH. WORLD CLASS.**



COMMERCIAL REAL ESTATE SERVICES

Los Angeles Office

1411 W. 190th Street, Suite 450, Gardena, CA 90248
Office: 310.768.8800 | Fax: 310.768.8978

Long Beach Office

5000 E. Spring Street, Suite 600, Long Beach, CA 90815
Office: 562.354.2500 | Fax: 562.354.2501

DRE#01069854

www.lee-associates.com