LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

LOS ANGELES - LONG BEACH
INDUSTRIAL MARKET REPORT

Q2

MARKET REPORT Q2 2021

LOS ANGELES - LONG BEACH
INDUSTRIAL MARKET REPORT

UNPRECEDENTED GROWTH

Q2 TRENDS AT A GLANCE

Absorption
1,639,715 SF

Average Rent
$1.13 / SF

Sales Transactions
$439.8 Million

Vacancy
1.1%

Under Construction
1,107,072 SF

Average Sales Price
$286.14 / SF

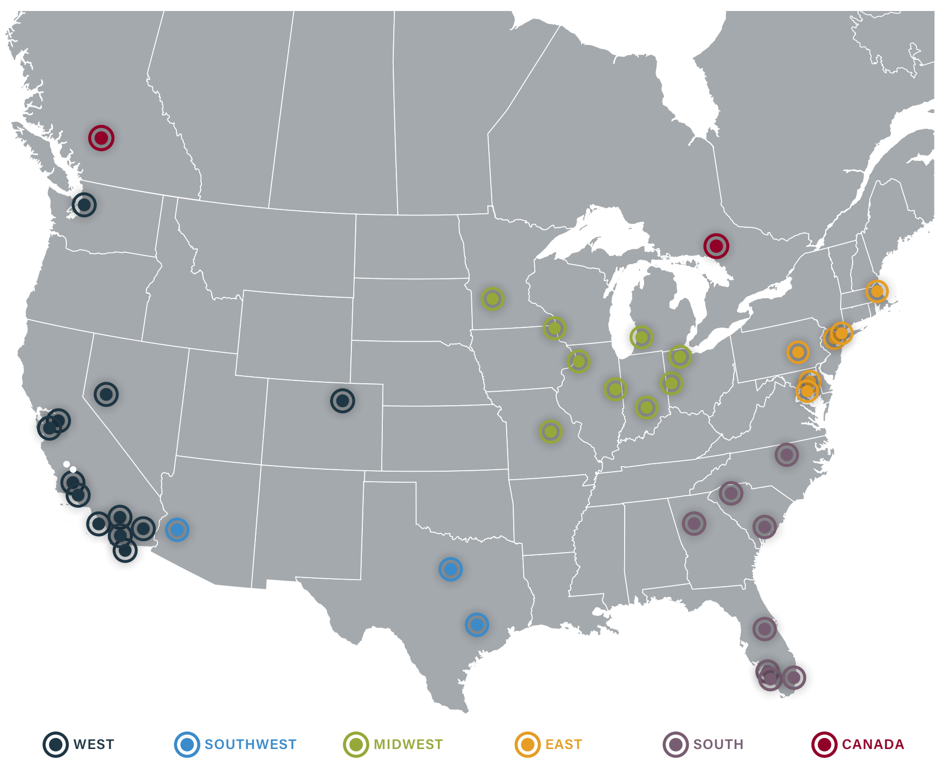
Source: CoStar Realty Information Inc.(As Of July 8, 2021)

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 direct industrial vacancy rate in the Los Angeles / Long Beach marketplace shrunk to 1.1% from 1.7% last quarter. Generally speaking, we have no supply, and demand continues to outpace new construction.

Asking rents are up to $1.13 PSF on average based on this past quarter's transactions but we have seen an unprecedented 20%+ growth in lease rates over just the last few months. In many cases, each new lease transaction is higher than the last and is differentiated by the following: Class A: $1.15 - $1.40 PSF, Class B: $1.00 - $1.25 PSF, Class C: $0.85 - $1.00 PSF (per Month, NNN), with minimal (if any) 'economies of scale.' Industrial real estate owners with an upcoming vacancy have the luxury of being selective regarding the financial strength, use, and terms of any interested tenants and often are able to lease such space several months in advance. The average sale price is up to $286.14 PSF for Q2, a roughly 37% increase from Q1; sales transaction volume was up drastically to $439.8 Million. For every roughly 10 properties for lease there may be one property for sale, so, if you are a buyer in the market be prepared to get competitive. The 2nd Quarter experienced positive absorption of 1,639,715 SF as drastically less space was delivered to the market than was leased/sold. Even though construction and material costs have increased drastically, institutional investors/developers continue to pursue hard-to-find 'infill' industrial product, especially any sites with higher land to building ratios (aka low-coverage) for repurposing and/or redevelopment – often pricing out user/occupiers in the market. The 2nd Quarter had 1,107,072 SF under construction which was not enough to satisfy the South Bay's demand.

E-Commerce, fulfillment, and 3rd Party Logistics related businesses have continued to drive much of the demand for warehouse space locally. Retailers and manufacturers continue to have a difficult time keeping store shelves filled and fulfilling orders due to swings in consumer spending patterns since the beginning of COVID along with shortages of imported components. There has also been a growing shift from 'just-in-time' to 'just-in-case' inventory which has led companies to increase their safety stock and take on additional warehouse space. Employee recruitment and retention continue to be a challenge for multiple reasons and are forcing businesses to get creative with hiring while furthering pursuit of automated alternatives where possible to increase productivity.

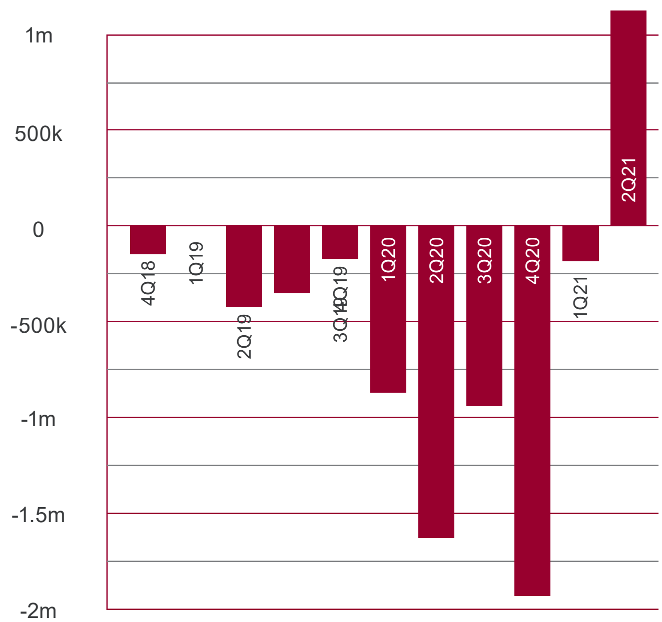
Although the pandemic encouraged limited appetite, merger and acquisition activity seems to now be healthier than ever with Kuehne + Nagel, SF Express, Maersk, and most recently DSV Panalpina with its acquisition of Agility's Global Integrated Logistics operations. With all-time stock market highs and surge in residential values, consumer spending is on the rise. According to economists surveyed by The Wall Street Journal, "In the U.S., widespread business reopenings, rising vaccination rates and a big infusion of government pandemic aid helped fuel the spring burst of economic growth, and will likely support a solid expansion through this year and into next year." Per the International Monetary Fund (IMF), it expects the global economy to expand 6% this year, a "dramatic bounce-back from the 3.2% contraction in the pandemic year of 2020," but it does expect a widening gap in growth with wealthier countries that are more vaccinated versus poorer countries that are lacking immunization. The IMF does express concern that any major resurgence of inflation would pressure the world's central banks into raising interest rates and thereby threatening the global recovery. Economists estimated U.S. gross domestic product rose at an 8.5% seasonally adjusted annual rate in the second quarter; if true, this eclipses the $19.2 T level reached in the final quarter of 2019 before the spread of Covid-19 forced shutdowns.

Despite the macro factors, local market conditions point to a continued increase in lease rates, purchase prices, and limited availability foreseeable into the 3rd and 4th Quarters. The continued 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.

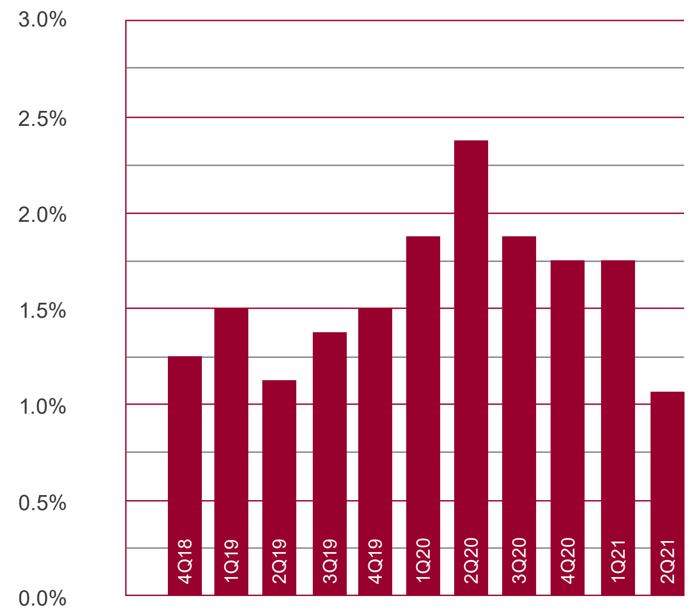
Contact your local Lee & Associates market expert for more information about what is happening in your submarket and guidance in navigating your specific situation. We are here to help and stress long-term relationships over a quick, potentially detrimental move today and can often provide perspective that could make or break decisions for your operation.

-David Bales, Principal
Ryan Endres, Principal
& Bret Osterberg, Principal

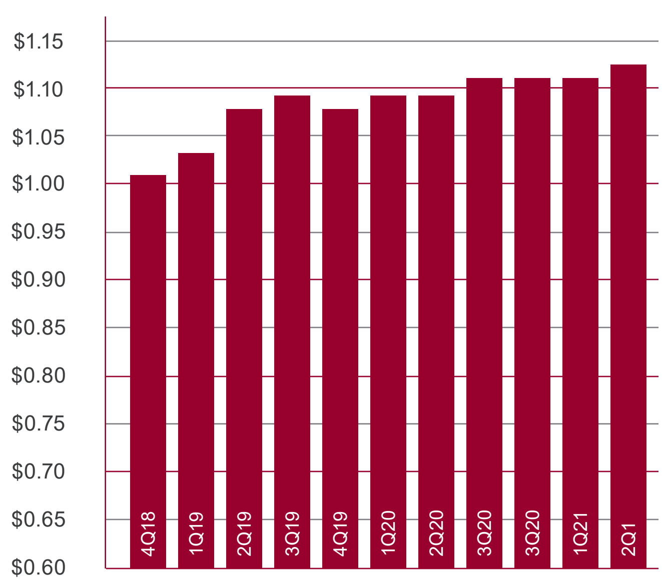
NET ABSORPTION



VACANCY



AVERAGE ASKING RENT BY QUARTER



ASKING PRICE PER SQ FT

Source: CoStar Realty Information Inc

Q2 2021 TOP LEASES BY SF

PROPERTY ADDRESS	CITY	TYPE	LEASE RATE	SQUARE FEET	LEASE TYPE
21950 ARNOLD CENTER RD.	CARSON	DIST WAREHOUSE	$1.05 / SF NNN	185,629 SF	DIRECT
921 W. ARTESIA BLVD	COMPTON	WAREHOUSE	$0.95 / SF NNN	143,937 SF	SUBLEASE
2301-2329 E. PACIFICA PL, STE 2323	RANCHO DOMINGUEZ	MANUFACTURING	$1.02 / SF NNN	141,600 SF	DIRECT
675 W. MANVILLE ST.	COMPTON	WAREHOUSE	$1.00 / SF NNN	123,456 SF	DIRECT
14611 S. BROADWAY	LOS ANGELES	LAND	$0.55 / SF NNN	196,216 SF	DIRECT

Q2 2021 TOP SALES BY SF

PROPERTY ADDRESS	CITY	TYPE	SALES PRICE	SQUARE FEET	REGION
16407 S MAIN ST	GARDENA	DISTRIBUTION	$175.04 / SF	154,820 SF	SOUTH
2700 CALIFORNIA ST	TORRANCE	MANUFACTURING	$255.00 / SF	134,816 SF	SOUTH
1005 E. ARTESIA BLVD.	CARSON	DISTRIBUTION	$177.87 / SF	74,768 SF	SOUTH
19007 S. REYES AVE.	RANCHO DOMINGUEZ	LAND	$82.68 / SF	197,762 SF	SOUTH
19431 S. SANTA FE AVE.	COMPTON	LAND	$61.30 / SF	128,502 SF	SOUTH

21950 ARNOLD CENTER RD LEASED

921 W. ARTESIA BLVD LEASED

2301-2329 E. PACIFICA PL, STE 2323 LEASED

16407 S MAIN ST SOLD

2700 CALIFORNIA ST SOLD

1005 E. ARTESIA BLVD SOLD

LOS ANGELES & LONG BEACH PORT ACTIVITY

Through the first half of 2021, dockworkers and terminal operators at our Southern California Port complex combined to move a historic amount of cargo with approximately 10,181,706 twenty-foot equivalent units (TEUs). Not only is this a milestone but it represents a 41.5% increase since the COVID induced slow-down in 2020 and is almost 24% ahead of 2019.

For the Port of Long Beach (POLB), April continued their monthly winning streak with 746,188 TEUs moved, a 43.6% increase compared to April 2020. May's results were historically astronomical, surpassing 900,000 Cargo units for the first time in its 110-year history. May posted 907,216 TEUs representing a 50.7% increase breaking their previous "best month" record set only this past March, with 840,387 TEUs. June slowed down slightly with fewer cargo ships calling at the Port of Long Beach compared to May but still represented a very healthy increase of 20.3% with 724,297 TEUs. June's decrease in ships was due to a shifting service as well as a COVID outbreak at China's Yantian Port in the Shenzhen region, causing a backlog of goods and ships waiting to be exported from Asia's largest port. June marked the 12th consecutive month that POLB has broken cargo movement records for a particular month amid a historic cargo surge that started in July 2020. Mario Cordero, Executive Director of POLB added, "The rise in online consumer spending continued to squeeze the national supply chain with loaded vessels, increased dwell times and shrinking capacity. We anticipate e-commerce to drive much of our cargo movement through the rest of 2021 as retailers plan for a busy summer season."

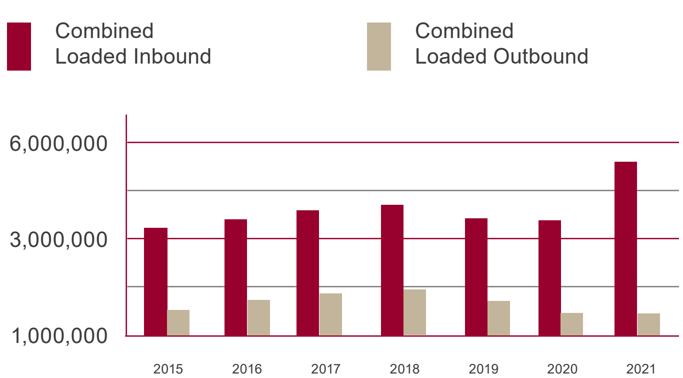
The Port of Los Angeles (POLA) April volumes experienced an increase of 37% and handled 946,966 TEUs. May was also a historic month for POLA as it was the first time a Western Hemisphere port handled over 1 Million TEUs in a single month (1,012,048 TEUs), representing a 74% increase YoY. Imports alone reached 535,714 TEUs, the most imports ever in a single month for the San Pedro Bay Ports. June closed the quarter with 876,430 TEUs, representing a 27% monthly increase. POLA has had 11 consecutive monthly increases with 8 of those months creating new 'high-watermarks.' "The historic level of cargo that we're managing reflects our commitment to reach new heights by working with our partners to further enhance our productivity, throughput and velocity. Much credit goes to our longshore workforce, truckers, terminal operators, ocean carriers, railroads and other stakeholders for scaling up to meet this extraordinary demand." POLA Executive Director, Gene Seroka stated.

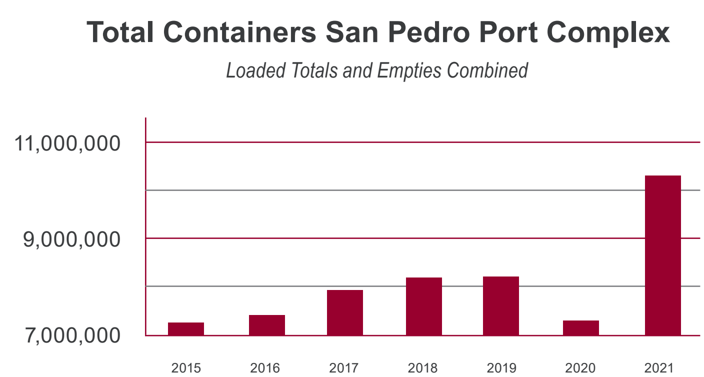
Cargo volumes are predicted to remain strong as key economic indicators all suggest US consumer spending will continue for the rest of the year even as Americans return to airline travel, vacations and in-person events. For most of the year, congestion has caused 20+ ships to have to wait offshore. In June, this number was finally reduced to single digits, but has since spiked back to 20+ in July. Congestion is prevalent at several points in the supply chain and at other goods transfer facilities throughout the US; Chicago's intermodal rail yard is halting its receipt of imports for a week in July to clear out its own bottleneck. China's busiest port is back to full strength and working to quickly process 50+ ships now backed up. With all these factors, some industry experts believe the awaiting ships in Southern California could increase to 30 - 40, possibly more during August and September. Importers are likely to continue shifting more of their sourcing to companies located west or south of China sending an increasing number of goods through the Suez Canal to the US East Coast, however, there is a new COVID outbreak in Vietnam now creating a backlog. An interesting footnote, approximately only 2% of all vessel workers are vaccinated, making it increasingly difficult in some areas for them to work or to be welcomed on shore. Both the Ports of Los Angeles and Long Beach spent the past decade preparing for the challenges of cargo growth through an aggressive capital improvement program. For Long Beach, their Long Beach Container Terminal at Middle Harbor will be one of the most technologically advanced and greenest container terminals in the world and fully opened to increase their volumes moving forward. With this said, West Coast US Ports, specifically Southern California, will need to continue their efforts in productivity to weather disruptions and increased demands for consumption patterns likely to remain for the foreseeable future.

- David Bales, Principal & Ryan Endres, Principal

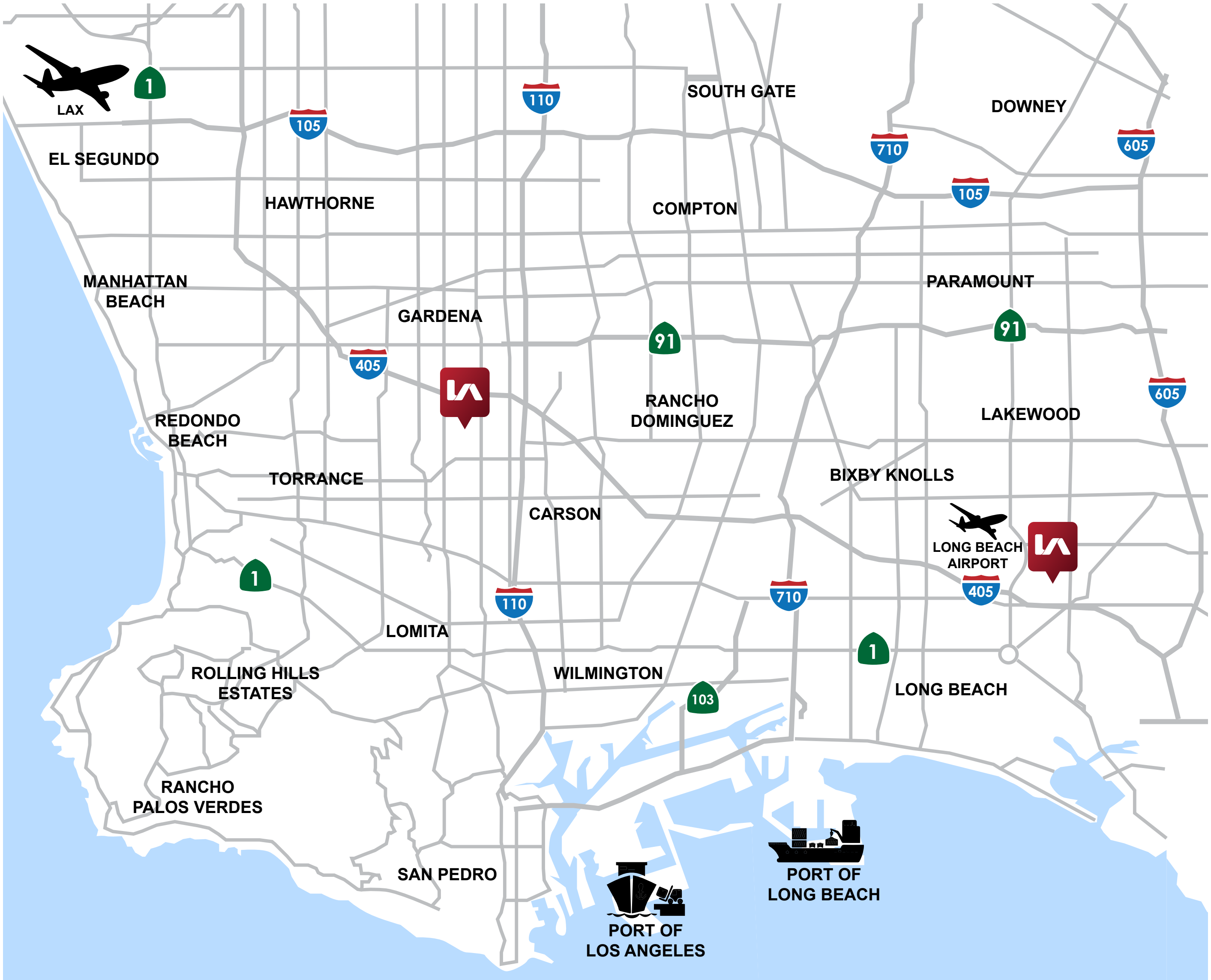
TEUs YTD JUNE 2021

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





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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