



Industrial South Bay 21Q4

Key Takeaways

- Average asking rents increased \$0.11 to \$1.39 NNN.
- Vacancy dropped 10 basis points to 0.4%.
- Net absorption closed at 295K SF.
- Construction activity remains strong with 1.6M SF underway.

Vacancy Rate
0.4%



Net Absorption
295K SF



Under Construction
1.6M SF



Overall Asking Lease Rates (NNN)
\$1.39/SF



South Bay Rents Continue to Set New Highs

The South Bay industrial market closed out the fourth quarter with 294,882 SF of positive net absorption. The overall vacancy rate decreased to 0.4% from 0.5% quarter over quarter and 190 basis points below its mark from one year ago. With the region's extremely low vacancy, asking rents have dramatically increased and competition for warehouse space is at an all-time high. The Ports of L.A. and Long Beach continue to work their way through the historic backlog of cargo ships that can be seen from much of the Southern California coastline. Container trade in 20-foot equivalent units (TEUs) is up 18.7% in Los Angeles and up 18.3% in Long Beach compared to 2020.

Market Indicators

7.1%
Unemployment Rate

6.1%
GDP - Quarterly % Change YOY

1.514%
U.S. 10-Year Treasury Note

Historic Comparison

	Q4 2020	Q3 2021	Q4 2021
Total Inventory (SF)	202,475,795	202,787,912	202,592,619
New Supply (SF)	62,700	0	145,840
Net Absorption (SF)	271,500	951,663	294,882
Overall Vacancy	2.3%	0.5%	0.4%
Under Construction (SF)	913,300	1,275,056	1,573,401
Overall Asking Lease Rates (NNN)	\$1.01	\$1.28	\$1.39

Market Graph



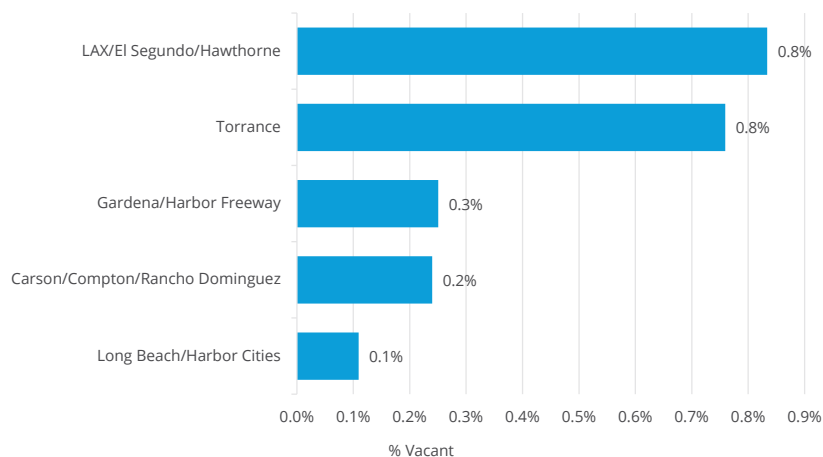
The South Bay has recorded five consecutive quarters of positive net absorption, surpassing new deliveries by 2.4M SF. Overall vacancy has dropped 190 basis points over the same time period. Several projects are set to deliver in the next six months, which will bring much-needed supply for tenants seeking the South Bay's prime proximity to the ports.

Labor Force

	Construction	Manufacturing	Transportation, Trade & Utilities
12-Mo Employment Growth (%)	3.3%	0.6%	3.9%
12-Mo Actual Employment Change	4,800	1,700	32,000

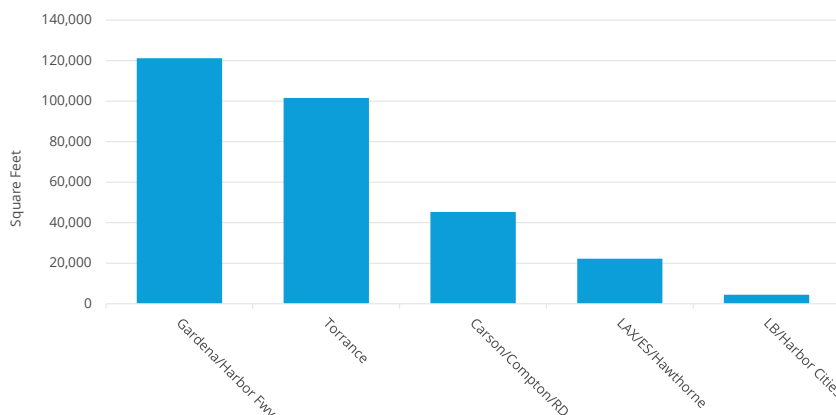
Vacancy

The vacancy rate decreased 10 basis points to 0.4% quarter over quarter and 190 basis points from one year ago. The Long Beach/Harbor Cities submarket vacancy currently sits at 0.1%, the lowest in the South Bay. Torrance recorded the largest dip in vacancy, dropping down from 1.2% to 0.8% quarter over quarter. As high clearance buildings with dock high loading become more scarce, it may drive tenants to neighboring markets. The South Bay's proximity to the ports will always be a reason why the market is the lowest in vacancy and highest in rent throughout greater Los Angeles.



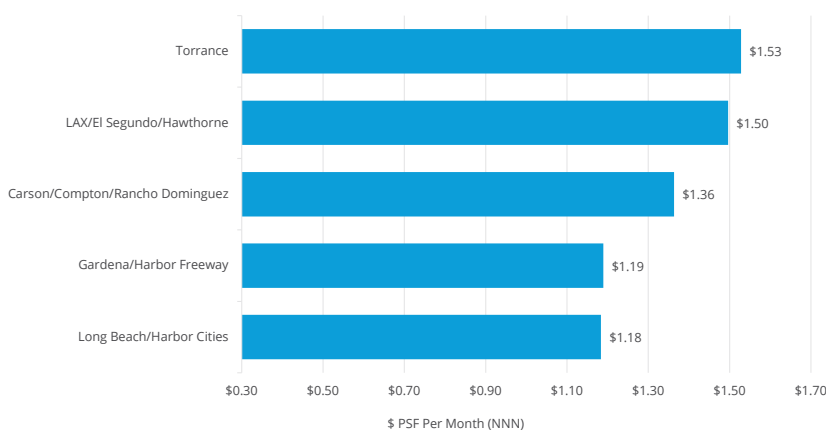
Absorption & Leasing Activity

Net absorption for the third quarter of 2021 topped out at 294,882 SF. Leasing activity totaled 1.5 MSF in 76 lease transactions. The Gardena/Harbor Freeway submarket recorded the highest total in net absorption at 495,220 SF and the most leasing activity with 745,779 SF in 25 lease transactions. Seven leases over 50,000 SF were signed in Q4 for a total of 651,187 SF. With very few options for modern warehouse facilities, positive net absorption will solely rely on new developments in the coming quarters.



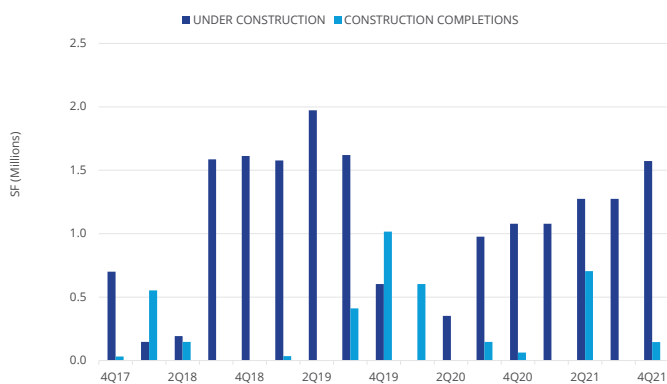
Rental Rates

Average asking rents jumped \$0.11 PSF NNN over the quarter to close out at \$1.39 NNN, the region's highest levels ever. Average asking rents have increased \$0.38 over the last 12 months and \$0.64 over the last five years, a 38% and 85% increase. Proximity to the ports is crucial for logistics and e-commerce tenants and are the ones most aggressively seeking out Class A buildings in the South Bay. As newer buildings are brought to market and availability diminishes, asking rates will continue to increase.



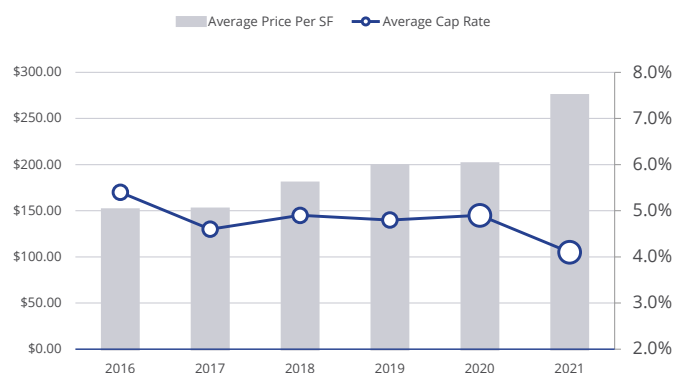
Construction

Construction activity throughout the South Bay sits at 1.6M SF with one new delivery in the fourth quarter. With the majority of construction scheduled to be completed in the first half of 2022, several other projects are close to breaking ground and will bring much-needed relief to the market with the lowest vacancy rate in the greater Los Angeles region. E-commerce and logistics companies will continue to compete and aggressively go after these modern Class A buildings well before the project is completed.



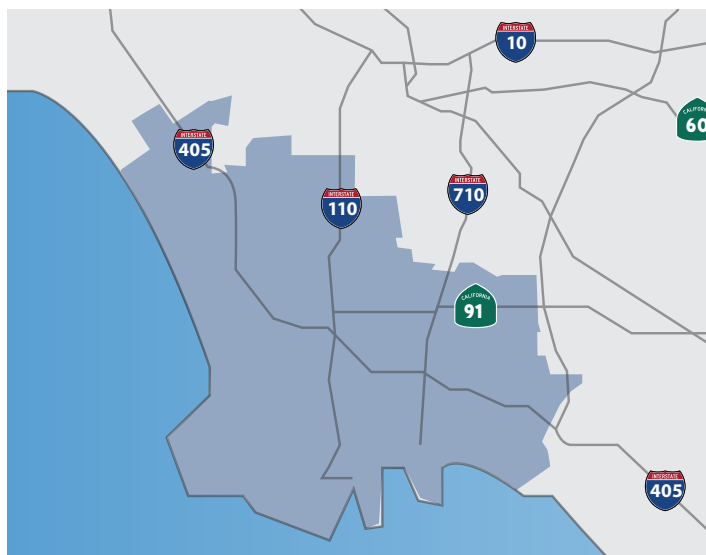
Investment Trends

The industrial sector's massive boom sparked by the COVID-19 pandemic has propelled industrial investment to the top of the most desired list for investors. E-commerce has grown exponentially since the start of the pandemic and will continue to attract institutional investment. With an all-time low vacancy and record-high lease rates, pricing is forecasted to increase with further cap rate compression.



Market Description

The South Bay industrial market includes 202.6M SF, representing 24% of the total space in Los Angeles County for buildings 10,000 SF and greater. The market has a high concentration of international trade at the Ports of Los Angeles and Long Beach, as well as at Los Angeles International airport. The South Bay is a relatively mature market, with 63% of its space built prior to 1980. There is a good mix of product types, with nearly half of the space (45%) in big-box buildings (100,000 SF) and the balance (55%) in small and medium-sized buildings.



Sales Activity

Address	Size SF	Sale Price	Price PSF	Buyer	Seller
268 Gardena Blvd, Carson	298,785 SF	143.1 Million	\$478.9 PSF	CenterPoint Properties	Ducommun Incorporated
19899 Pacific Gateway Dr, Torrance	66,566 SF	51.3 Million	\$774.0 PSF	CenterPoint Properties	Reyes Holdings
2835 Columbia St, Torrance	52,334 SF	11.6 Million	\$221.7 PSF	CenterPoint Properties	2835 Columbia LLC
169 Victoria St, Long Beach	44,640 SF	18.5 Million	\$414.4 PSF	Duke Realty	Ace Relocation Systems
1970 Gladwick St, Rancho Dominguez	18,144 SF	4.3 Million	\$238.1 PSF	AMD Holding Co	A. Lowy Enterprises

Leasing Activity

Address	Size SF	Lease Type	Submarket	Lessee	Lessor
2910 Pacific Commerce Dr, RD	150,000 SF	New	Carston/Compton/RD	KCC Transport System	Link Logistics
909 Colon St, Wilmington	111,500 SF	Sublease	Long Beach/Harbor Cities	Mano Delivery Corp	Potential Industries Inc.
24100 Broad St, Carson	58,599 SF	New	Carston/Compton/RD	DG Fulfillment	Farwest Insulation Contracting
8900 Bellanca Ave, Los Angeles	52,000 SF	New	LAX/EI Seg/Hawthorne	Mercury Air Cargo	San Dimas Partners
13707 Figueroa St, Los Angeles	45,007 SF	New	Gardena/Harbor Fwy	I Color Printing & Mailing	Staton Moore VB LLC

Major Developments

Address	Developer	Size SF	Submarket	Status	Estimated Completion
Torrance Gateway	Sares Regis	615,000 SF	Torrance	Under Construction	Q1 2022
Gateway Logistics Center	Black Creek Group	227,000 SF	Torrance	Under Construction	Q1 2022
Orange Avenue Industrial Park	Duke Realty	162,863 SF	LB/Harbor Cities	Under Construction	Q1 2022
Bridge Point South Bay V	Bridge Development	100,528 SF	Gardena/Harbor Freeway	Under Construction	Q1 2022

Existing Properties		Construction		Vacancy		Availability	Activity				Absorption		Rents
Submarket/ Subtype	Total Inventory SF	Completions Current Qtr SF	Under Construction SF	Vacancy Rate	Vacancy Prior Qtr	Availability Rate	Sales Activity SF	Lease Activity SF	Total Gross Activity Current	Total Gross Activity YTD	Net Absorption Current	Net Absorption YTD	Avg Direct Asking Rate (NNN)
Carson/Compton/Rancho Dominguez													
10,000 - 19,999	3,578,860	0	0	0.2%	0.8%	1.4%	0	48,893	48,893	288,602	21,568	-7,670	\$1.20
20,000 - 39,999	9,279,167	0	0	0.1%	0.4%	0.8%	55,786	192,521	248,307	858,370	26,142	139,230	\$1.07
40,000 - 69,999	12,032,195	0	0	0.7%	0.5%	0.8%	52,206	96,929	149,135	1,185,543	-17,553	205,124	\$1.40
70,000 - 99,999	10,648,790	0	0	0.9%	0.9%	2.6%	0	0	0	862,901	0	18,200	n/a
100 - 249k	33,834,439	0	0	0.0%	0.0%	2.2%	0	407,436	407,436	2,641,419	15,168	69,647	\$1.36
250 - 499k	10,700,202	0	0	0.0%	0.0%	2.6%	0	0	0	498,240	0	242,373	\$1.45
500,000 +	1,047,256	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
Subtotal	81,120,909	0	0	0.2%	0.3%	1.9%	107,992	745,779	853,771	6,335,075	45,325	666,904	\$1.36
Gardena/Harbor Freeway													
10,000 - 19,999	6,958,652	0	0	0.7%	0.4%	1.0%	0	37,000	37,000	192,948	-23,565	-5,670	\$1.15
20,000 - 39,999	8,073,150	0	0	0.3%	0.3%	0.8%	0	0	0	171,847	-1,049	78,036	\$1.19
40,000 - 69,999	7,556,446	0	0	0.0%	0.0%	0.5%	0	45,007	45,007	187,372	0	100,020	\$1.28
70,000 - 99,999	3,622,861	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	18,900	n/a
100 - 249k	4,847,657	145,840	100,528	0.0%	0.0%	0.0%	0	0	0	0	145,840	145,840	n/a
250 - 499k	290,303	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	290,303	n/a
500,000 +	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
Subtotal	31,349,069	145,840	100,528	0.3%	0.2%	0.6%	0	82,007	82,007	552,167	121,226	627,429	\$1.19
LAX/El Segundo/Hawthorne													
10,000 - 19,999	5,105,068	0	0	0.1%	0.1%	0.5%	10,284	46,057	56,341	346,332	0	106,955	\$1.39
20,000 - 39,999	7,484,915	0	0	2.0%	2.3%	3.0%	22,910	122,508	145,418	464,788	22,717	35,026	\$1.49
40,000 - 69,999	4,261,726	0	0	0.3%	0.3%	1.0%	0	113,104	113,104	391,634	-487	87,443	\$1.55
70,000 - 99,999	2,628,568	0	0	2.7%	2.7%	8.3%	0	0	0	0	0	0	n/a
100 - 249k	4,389,244	0	0	0.0%	0.0%	3.2%	0	0	0	137,263	0	94,641	n/a
250 - 499k	1,203,178	0	0	0.0%	0.0%	0.0%	0	0	0	236,134	0	0	n/a
500,000 +	3,949,511	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
Subtotal	29,022,210	0	0	0.8%	0.9%	2.3%	33,194	281,669	314,863	1,576,151	22,230	324,065	\$1.50
Long Beach/Harbor Cities													
10,000 - 19,999	7,707,800	0	0	0.1%	0.3%	0.2%	11,529	39,237	50,766	280,399	20,260	45,744	\$1.32
20,000 - 39,999	8,164,767	0	0	0.2%	0.1%	0.9%	0	47,210	47,210	256,950	-3,927	35,976	\$1.13
40,000 - 69,999	4,584,947	0	90,337	0.0%	1.3%	0.0%	0	52,608	52,608	346,050	960	59,855	n/a
70,000 - 99,999	2,206,041	0	72,526	0.8%	0.2%	0.8%	0	0	0	369,783	-12,817	232,191	\$1.35
100 - 249k	5,960,341	0	0	0.0%	0.0%	0.2%	0	111,500	111,500	249,677	0	138,177	n/a
250 - 499k	1,848,439	0	0	0.0%	0.0%	0.0%	0	0	0	415,160	0	415,160	n/a
500,000 +	3,658,848	0	0	0.0%	0.0%	0.0%	0	0	0	883,971	0	0	n/a
Subtotal	34,131,183	0	162,863	0.1%	0.3%	0.3%	11,529	250,555	262,084	2,801,990	4,476	927,103	\$1.18
Torrance													
10,000 - 19,999	2,711,084	0	0	0.0%	0.7%	0.4%	12,600	30,710	43,310	233,629	19,080	11,989	\$1.50
20,000 - 39,999	4,817,555	0	0	0.2%	0.2%	1.1%	0	45,503	45,503	418,263	3,328	28,970	\$1.51
40,000 - 69,999	3,666,680	0	0	0.6%	0.0%	0.6%	0	0	0	142,204	-23,062	92,916	\$1.10
70,000 - 99,999	2,607,623	0	0	1.5%	1.5%	0.0%	0	38,760	38,760	71,781	0	0	n/a
100 - 249k	6,557,522	0	442,494	2.1%	3.9%	6.8%	0	2,200	2,200	662,275	102,279	16,524	\$1.55
250 - 499k	4,182,089	0	867,516	0.0%	0.0%	0.0%	0	0	0	251,606	0	-25,820	n/a
500,000 +	2,426,695	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	370,641	n/a
Subtotal	26,969,248	0	1,310,010	0.8%	1.2%	2.0%	12,600	117,173	129,773	1,779,758	101,625	495,220	\$1.53
South Bay													
10,000 - 19,999	26,061,464	0	0	0.3%	0.4%	0.7%	34,413	201,897	236,310	1,073,386	37,343	151,348	\$1.22
20,000 - 39,999	37,819,554	0	0	0.6%	0.7%	1.3%	78,696	407,742	486,438	1,724,956	47,211	317,238	\$1.29
40,000 - 69,999	32,101,994	0	90,337	0.4%	0.4%	0.6%	52,206	307,648	359,854	1,669,544	-40,142	545,358	\$1.35
70,000 - 99,999	21,713,883	0	72,526	1.0%	1.0%	2.4%	0	38,760	38,760	932,053	-12,817	269,291	\$1.35
100 - 249k	55,589,203	145,840	543,022	0.2%	0.5%	2.4%	0	521,136	521,136	2,513,567	263,287	464,829	\$1.44
250 - 499k	18,224,211	0	867,516	0.0%	0.0%	1.5%	0	0	0	589,454	0	922,016	\$1.45
500,000 +	11,082,310	0	0	0.0%	0.0%	0.0%	0	0	0	883,971	0	370,641	n/a
Total	202,592,619	145,840	1,573,401	0.4%	0.5%	1.5%	165,315	1,477,183	1,642,498	9,386,931	294,882	3,040,721	\$1.39

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