



# Industrial Mid-Counties 21Q4

## Key Takeaways

- Average asking rents increased \$0.18 to \$1.28 NNN.
- Vacancy dropped 10 basis points to 0.2%.
- Net absorption closed out at 270,331 SF.
- Total gross activity reached 631K SF.

Vacancy Rate  
0.2%

YOY  
FORECAST

Net Absorption  
270K SF

YOY  
FORECAST

Under Construction  
223K SF

YOY  
FORECAST

Overall Asking Lease Rates (NNN)  
\$1.28/SF

YOY  
FORECAST

## Mid-Counties Vacancy Hits Rock Bottom

The Mid-Counties industrial market closed out the fourth quarter with 270,331 SF of positive net absorption. The overall vacancy rate decreased to 0.2% from 0.3% at the end Q3 2021 and 150 basis points below its mark from one year ago. Mid-Counties is located in the geographic heart of Southern California, positioned in one of the most populous regions. The area continues to attract the attention of developers looking for last-mile infill locations with superior freeway access.

## Market Indicators

7.1% Unemployment Rate

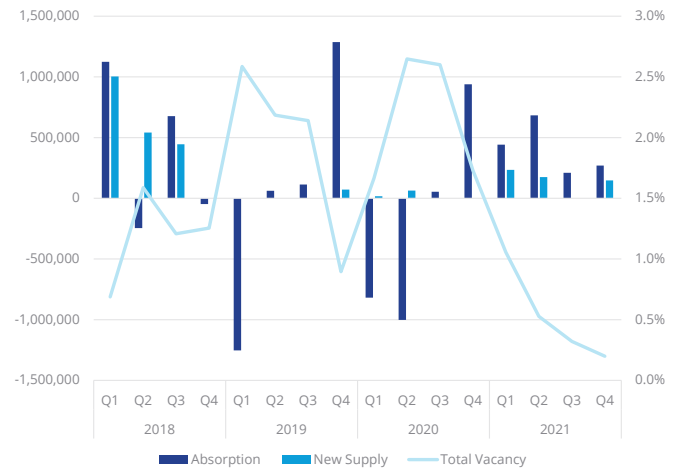
6.1% GDP - Quarterly % Change YOY

1.514% U.S. 10-Year Treasury Note

## Historic Comparison

	Q4 2020	Q3 2021	Q4 2021
Total Inventory (SF)	99,392,660	99,801,853	99,948,470
New Supply (SF)	0	0	146,617
Net Absorption (SF)	938,800	209,914	270,331
Overall Vacancy	1.7%	0.3%	0.2%
Under Construction (SF)	434,800	297,165	223,042
Overall Asking Lease Rates (NNN)	\$0.87	\$1.10	\$1.28

## Market Graph



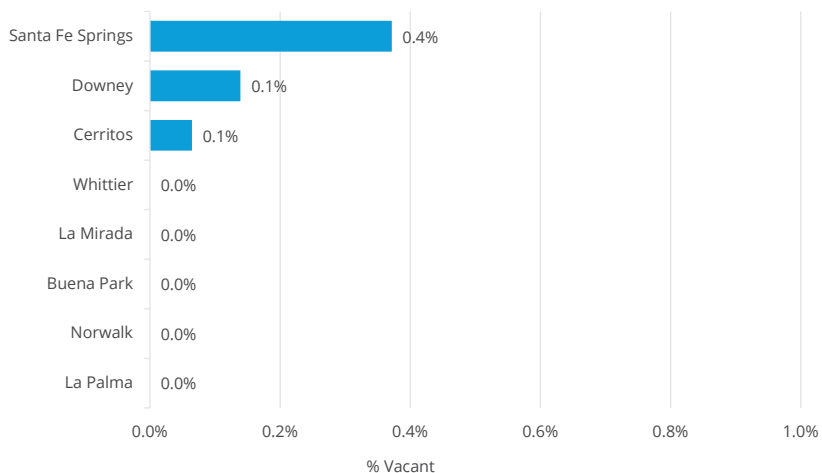
With six consecutive quarters of positive net absorption, demand has surpassed new supply by 2M SF. With very little development activity in the pipeline, Mid-Counties will continue to see tight market conditions as limited availability will put upward pressure on rental rates.

## 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

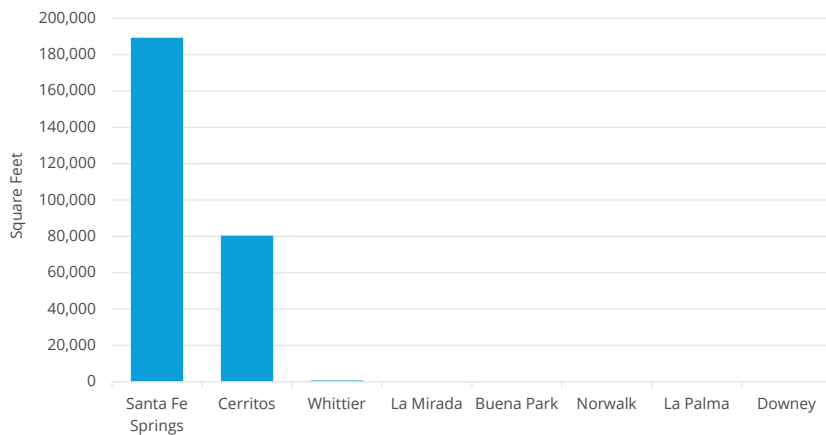
## Vacancy

Overall vacancy dropped 10 basis points to 0.2% to close out the fourth quarter of 2021. With a pandemic peak of 2.6%, the Mid-Counties market has impressively recovered over the last 18 months. Big-box availability remains extremely tight, with only two options in the market greater than 100,000 square feet. With all cities in the Mid-Counties region sitting below 1% vacancy, any potential offering of a high clearance building with dock high loading will likely bring in multiple competing offers before the building hits the market.



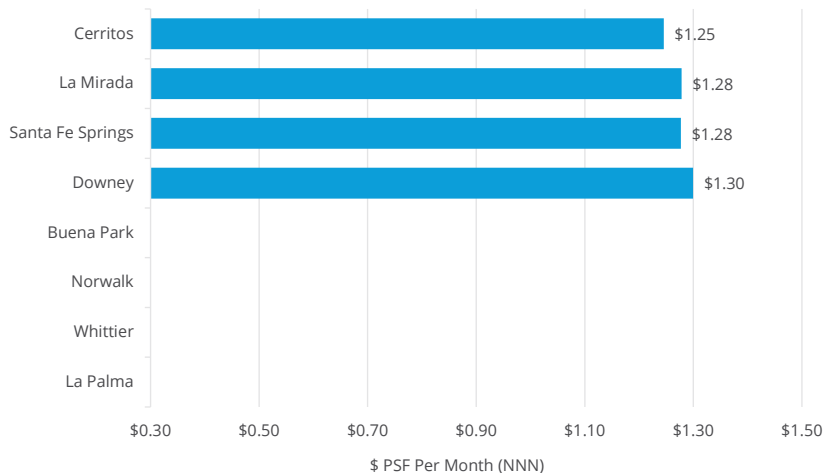
## Absorption & Leasing Activity

As expected, net absorption remained relatively low in the fourth quarter, posting 270,331 SF of positive demand. Leasing activity totaled 581,227 SF in 34 lease transactions. Santa Fe Springs represented the majority of leasing activity with 352,775 SF in 16 leases. Absorption will see a steep drop off in the coming quarters due to very limited vacant space and will rely on new developments to record any substantial gains in occupancy.



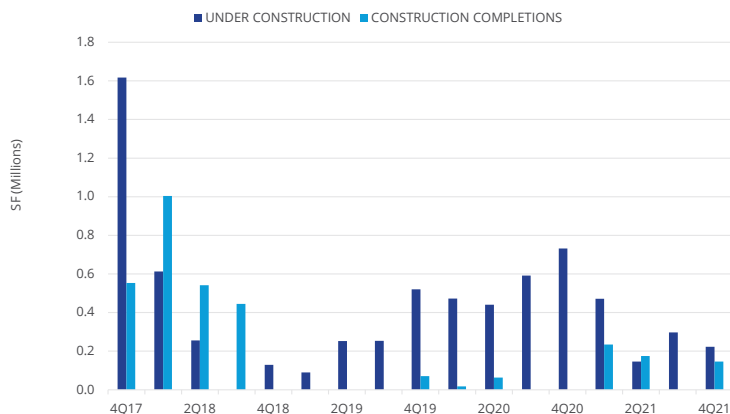
## Rental Rates

Average asking rents increased \$0.18 (15.6%) quarter over quarter, closing out the second quarter at \$1.28 NNN PSF per month. Asking rents have tripled over the previous 10 years, steadily rising from \$0.43 in Q4 2011. Tenants up for renewal coming off of a five-year lease will be in for a big surprise as asking lease rates have doubled since Q4 2016.



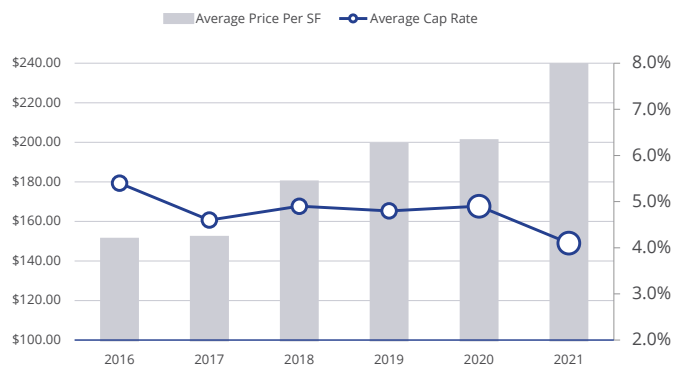
## Construction

Construction activity throughout the region currently sits at 223,042 SF. With hardly any remaining land for development, Mid-Countries tenants will have a hard time expanding within their current market. The submarket's prime location to freeways and the Ports of Los Angeles and Long Beach will continue to be a target for last-mile e-commerce locations.



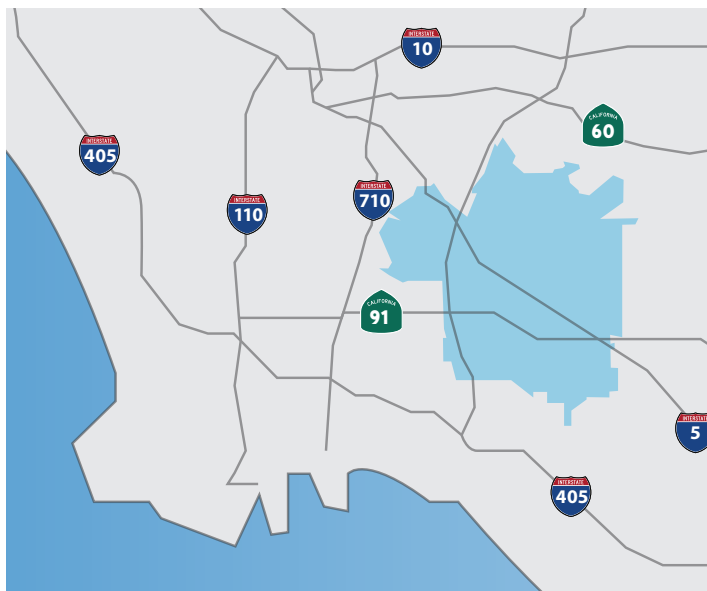
## Investment Trends

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 Mid-Countries industrial market represents 99.9M SF of industrial space located in cities that border Los Angeles and Orange Counties. It is at the geographic heart of Southern California, a strategic location in the middle of the largest industrial market in the nation. It has a mix of industrial property types, with 50% big-box space (100,000+ SF) and a balance of small and medium-sized buildings. Businesses are attracted to the Mid-Countries due to its central location and proximity to the Ports of Long Beach and Los Angeles.



## Sales Activity

Address	Size SF	Sale Price	Price PSF	Buyer	Seller
14100 Vine Pl, Cerritos	118,906 SF	48.5 Million	\$407.9 PSF	Rexford Industrial	Fairmont Designs
12851 Midway Pl, Cerritos	102,680 SF	34.5 Million	\$336.0 PSF	Black Creek Group	Polycell International
14821 Artesia Blvd, La Mirada	88,937 SF	16.9 Million	\$190.3 PSF	TA Realty	JDH Pacific
13536-13560 Imperial Hwy, Santa Fe Springs	63,100 SF	12.0 Million	\$190.9 PSF	Dunbar Real Estate	Hind Site, Inc.

## Leasing Activity

Address	Size SF	Lease Type	Submarket	Lessee	Lessor
9206 Santa Fe Springs Rd, Santa Fe Springs	155,238 SF	Expansion	Santa Fe Springs	Bay Cities	Oltmans Construction
12434 Lakeland Rd, Santa Fe Springs	146,326 SF	Renewal	Santa Fe Springs	7-Eleven	Carson Companies
12330 Lakeland Rd, Santa Fe Springs	142,290 SF	Renewal	Santa Fe Springs	Crate & Barrel	Carson Companies
12320 Bloomfield Ave, Santa Fe Springs	90,828 SF	Renewal	Santa Fe Springs	Empire Carpets	Prudential
14233-14263 Gannet St, La Mirada	71,632 SF	New	La Mirada	ABC Logistics	SDI Real Property Investors

## Major Developments

Address	Developer	Size SF	Submarket	Status	Estimated Completion
Bridge Point Santa Fe Springs IV	Bridge Development	150,548 SF	Santa Fe Springs	Under Construction	2Q 2022
Prologis Mid Counties Transport Center	Prologis	44,162 SF	Downey	Under Construction	3Q 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)
Mid-Counties													
Buena Park	13,046,040	0	0	0.0%	0.0%	0.0%	0	8,260	8,260	417,222	0	247,989	n/a
Cerritos	12,755,794	0	0	0.1%	0.7%	0.4%	0	119,127	119,127	778,141	80,396	68,856	\$1.25
Downey	4,502,250	0	44,162	0.1%	0.1%	1.2%	0	11,731	11,731	73,231	0	6,537	\$1.30
La Mirada	12,535,901	0	0	0.0%	0.0%	1.4%	11,203	76,296	87,499	1,614,598	0	442,991	\$1.28
La Palma	1,782,473	0	0	0.0%	0.0%	0.0%	0	0	0	199,142	0	0	n/a
Norwalk	2,630,934	0	0	0.0%	0.0%	0.0%	0	8,150	8,150	254,743	0	191,532	n/a
Santa Fe Springs	49,656,477	146,617	150,548	0.4%	0.5%	0.8%	38,880	352,775	391,655	2,678,311	189,215	646,381	\$1.28
Whittier	3,038,601	0	28,332	0.0%	0.0%	0.0%	0	4,888	4,888	42,801	720	960	n/a
<b>Total</b>	<b>99,948,470</b>	<b>146,617</b>	<b>223,042</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.7%</b>	<b>50,083</b>	<b>581,227</b>	<b>631,310</b>	<b>6,091,863</b>	<b>270,331</b>	<b>1,605,246</b>	<b>\$1.28</b>

Mid-Counties													
10,000 - 19,999	10,107,112	0	0	0.0%	0.1%	0.9%	50,083	26,076	76,159	600,257	3,320	89,078	\$1.18
20,000 - 39,999	13,532,125	0	28,332	0.0%	0.3%	0.4%	0	104,218	104,218	790,980	31,100	60,370	\$1.47
40,000 - 69,999	15,364,049	0	44,162	0.0%	0.1%	1.1%	0	156,843	156,843	1,453,530	15,778	203,240	\$1.24
70,000 - 99,999	10,247,189	0	0	0.8%	1.5%	0.8%	0	90,179	90,179	930,741	73,516	194,481	n/a
100 - 249k	30,067,203	146,617	150,548	0.4%	0.4%	0.5%	0	203,911	203,911	2,004,760	146,617	1,058,077	\$1.30
250 - 499k	16,223,232	0	0	0.0%	0.0%	0.8%	0	0	0	127,325	0	0	\$1.25
500,000 +	4,407,560	0	0	0.0%	0.0%	0.0%	0	0	0	184,270	0	0	n/a
<b>Subtotal</b>	<b>99,948,470</b>	<b>146,617</b>	<b>223,042</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.7%</b>	<b>50,083</b>	<b>581,227</b>	<b>631,310</b>	<b>6,091,863</b>	<b>270,331</b>	<b>1,605,246</b>	<b>\$1.28</b>

FOR MORE INFORMATION  
**Matt Nelson**  
 Senior Research Director  
 Greater Los Angeles  
 +1 949 724 5519  
 matt.nelson@colliers.com

**Jodie Poirier**  
 Executive Managing Director  
 Greater Los Angeles  
 +1 213 532 3205  
 jodie.poirier@colliers.com

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