



Industrial

Central Los Angeles

21Q2

## Key Takeaways

- Average asking rents increased to \$0.99 NNN.
- Vacancy dropped 50 basis points to 1.6%.
- Net absorption topped 881,056 SF.
- Total gross activity reached 3.2 MSF.

Vacancy Rate **1.6%**  
YOY ↓  
FORECAST

Net Absorption **881K SF**  
YOY ↑  
FORECAST

Under Construction **275K SF**  
YOY ↓  
FORECAST

Overall Asking Lease Rates (NNN) **\$0.99/SF**  
YOY ↑  
FORECAST

## Full Steam Ahead in Central Los Angeles

The Central Los Angeles industrial market closed out the first quarter with 881,056 SF of positive net absorption. The overall vacancy rate decreased to 1.6% from 2.1% quarter over quarter and 160 basis points below its mark from one year ago. Central Los Angeles's lack of availability in high clear and dock high loading facilities will continue to put upward pressure on rents as tenants struggle to expand in Central Los Angeles. Industrial demand is heavily concentrated in the Vernon and Commerce submarkets, with food production and apparel manufacturing remaining the top industries.

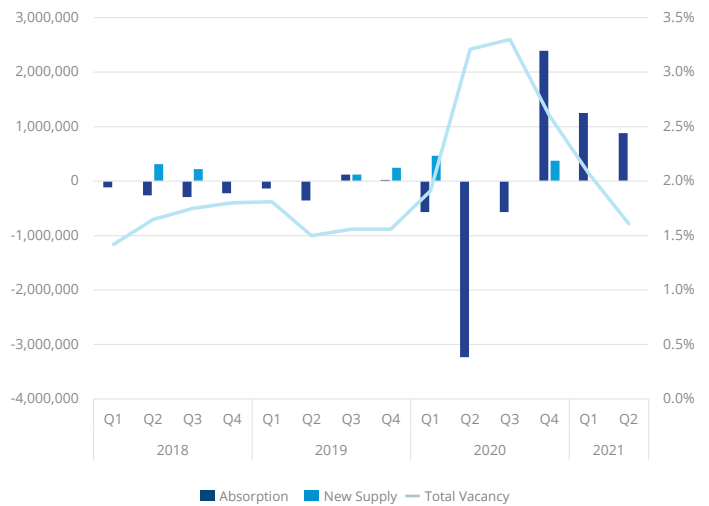
## Market Indicators

**10.1%** Unemployment Rate  
**13.8%** GDP - Quarterly % Change YOY  
**1.47%** U.S. 10-Year Treasury Note

## Historic Comparison

	Q2 2020	Q1 2021	Q2 2021
Total Inventory (SF)	229,814,868	230,189,168	230,189,168
New Supply (SF)	0	0	0
Net Absorption (SF)	-3,233,600	1,250,809	881,056
Overall Vacancy	3.2%	2.1%	1.6%
Under Construction (SF)	374,300	249,653	275,109
Overall Asking Lease Rates (NNN)	\$0.86	\$0.90	\$0.99

## Market Graph



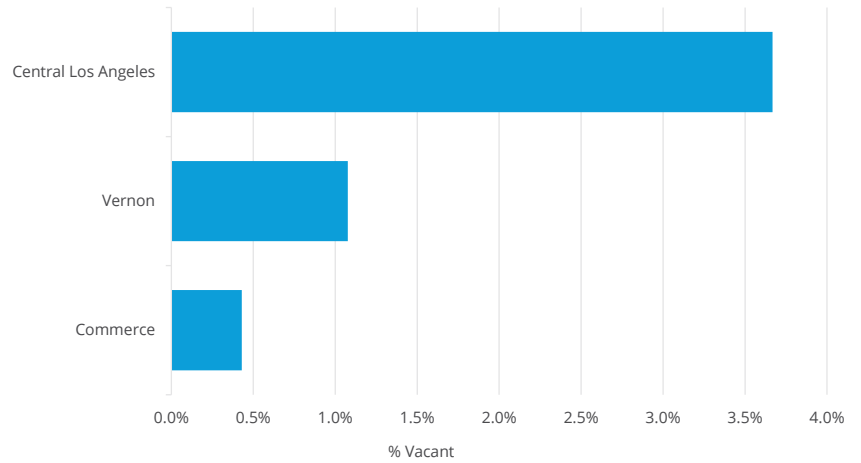
With negative 1,977,500 SF of net absorption in 2020, Central Los Angeles has quickly rebounded with 2,131,865 SF of positive net absorption through the first half of 2021.

## Labor Force

	Construction	Manufacturing	Transportation, Trade & Utilities
12-Mo Employment Growth (%)	4.0%	1.3%	9.5%
12-Mo Actual Employment Change	5,700	3,800	1,860

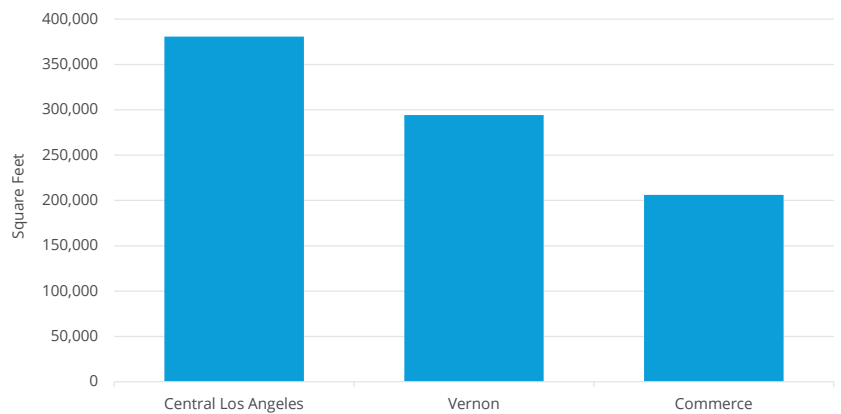
## Vacancy

Overall vacancy dropped 50 basis points to 1.6% to close out the second quarter of 2021. With a pandemic peak of 3.3%, the Central Los Angeles market has impressively recovered over the last 12 months. The Commerce and Central Los Angeles submarket had the largest drop in vacancy with 60 basis point decreases quarter over quarter. Commerce and Vernon have the largest concentration of Class A buildings in the Central Los Angeles market, and demand for these facilities will continue to keep options limited for tenants looking to expand.



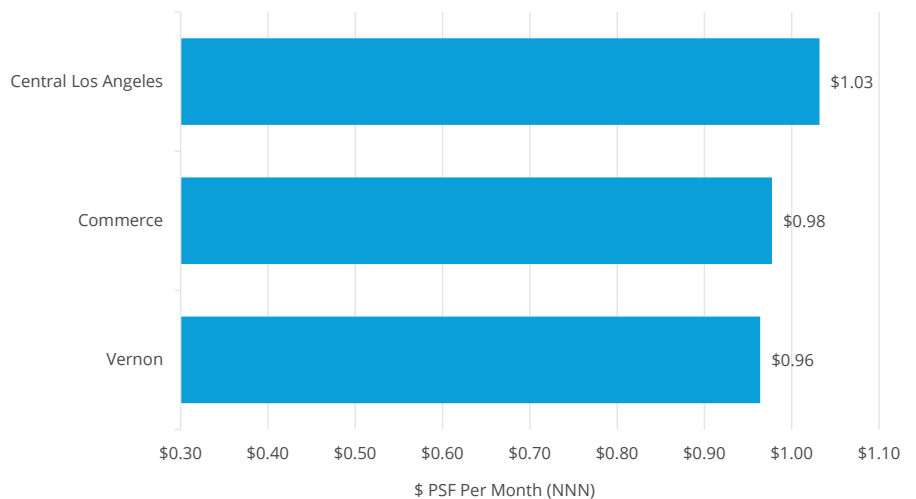
## Absorption & Leasing Activity

Net absorption for the second quarter of 2021 topped out at 881,056 SF. Leasing activity totaled 2.6 MSF in 95 lease transactions. Vernon led the way with 31 deals totaling 1.07 MSF. With a sub 2% vacancy and little new construction in the pipeline, net absorption will remain relatively low until new supply becomes available.



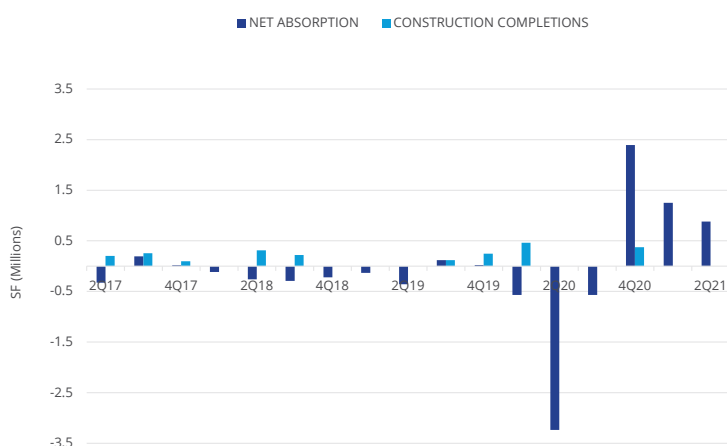
## Rental Rates

Average asking rents increased 9.5% quarter over quarter, closing out the first quarter at \$0.99 NNN PSF per month. The Vernon submarket saw the biggest jump, increasing 9.9% over the same time period. Commerce consists of a large population of food manufacturing tenants, so these spaces come at a premium and will continue to drive up asking rents as deals that were signed over five years ago will be much higher in today's marketplace.



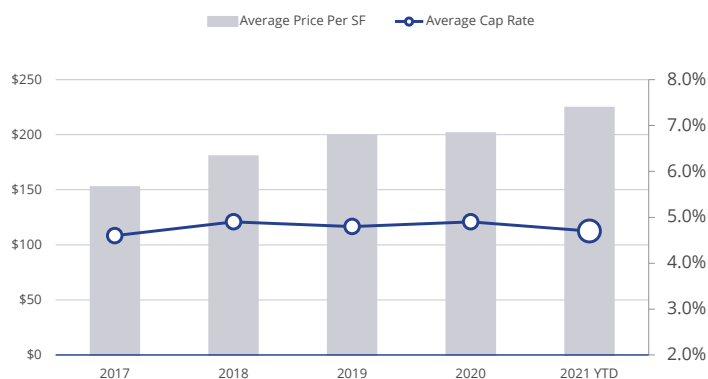
## Construction

Construction activity throughout the region currently sits at 275,109 SF. As the region's oldest market, Central Los Angeles has little to no room for new industrial development. Near Downtown, a large portion of the existing industrial inventory is lower clearance and functionally obsolete for today's industrial users. Much of this space has been converted to residential, retail or creative office but has seen renewed interest by e-commerce tenants seeking last-mile industrial infill sites.



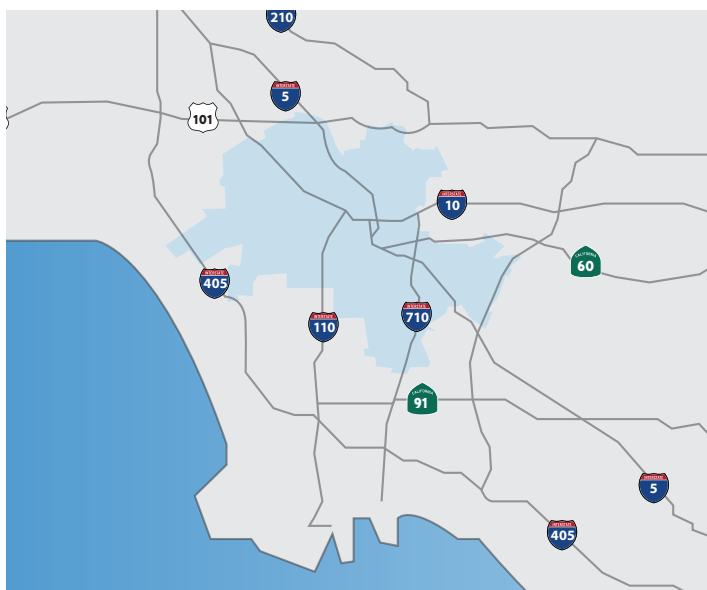
## Investment Trends

The industrial sector's resiliency during the COVID-19 pandemic has propelled industrial investment to the top of the most desired list of investors. E-commerce has grown exponentially over the last 12 months 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

Central Los Angeles is the largest industrial market in Los Angeles County. Comprised of 232.6 million square feet of space, it represents 27% of the total industrial space in Los Angeles County for buildings 10,000 SF and greater. It is the oldest market, with 74% of its space built before 1980. It has a mix of property types, with 40% in big-box space (100,000+ SF) and the balance in small and medium-sized buildings. Firms in this market include a large number of manufacturing companies and machine shops, as well as will-call centers and operations that need a central location.



## Sales Activity

Address	Size SF	Sale Price	Price PSF	Buyer	Seller
3040 E 12th St, Los Angeles	199,839 SF	28.9 Million	\$144.6 PSF	Creative Properties LLC	Ryan Jacob LLC
5251 Santa Fe Ave, Los Angeles	71,600 SF	11.3 Million	\$157.1 PSF	Labeltex	Santa Fe Building 5251 LLC
320 W 31st St, Los Angeles	55,759 SF	17.4 Million	\$312.1 PSF	CREF3 DTLA Owner LLC	Rimokh Family Trust
3317 E 50th St, Vernon	42,000 SF	6.7 Million	\$159.5 PSF	Autopartsman	INI Investment Corp
4433 Pacific Blvd, Los Angeles	33,338 SF	9.1 Million	\$273.0 PSF	Alere Property Group	4433 Pacific, LLC

## Leasing Activity

Address	Size SF	Lease Type	Submarket	Lessee	Lessor
5525 S Soto St, Vernon	250,000 SF	New	Vernon	Best Warehousing	Soto Logistics Leasing LLC
5361 Alexander St, Commerce	210,952 SF	New	Commerce	Unix Packaging	Prologis
2825 E 54th St, Vernon	144,000 SF	Renewal	Vernon	World Variety Produce	Sid Special, LLC
7261 E Slauson Ave, Commerce	107,528 SF	Sublease	Commerce	Popcornopolis	Unix
5555 E Slauson Ave, Commerce	91,010 SF	Sublease	Commerce	Xchange Logistics	Samsung C&T America

## Major Developments

Address	Developer	Size SF	Submarket	Status	Estimated Completion
4051 S Alameda St (2 Bldgs), Los Angeles	Active USA Inc	249,653 SF	Vernon	Under Construction	Q3 2021
5200 Sheila St, Commerce	Link Industrial	114,898 SF	Commerce	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)
<b>Central Los Angeles</b>													
10,000 - 19,999	15,740,491	0	0	0.7%	1.2%	1.8%	10,279	174,822	185,101	332,077	89,575	123,279	\$1.16
20,000 - 39,999	17,290,375	0	0	2.1%	2.8%	2.5%	158,179	261,813	419,992	600,665	128,838	374,362	\$1.05
40,000 - 69,999	14,935,722	0	0	2.0%	2.9%	2.4%	62,888	127,157	190,045	400,412	131,697	251,337	\$0.95
70,000 - 99,999	5,857,297	0	0	1.3%	27.3%	2.7%	0	75,660	75,660	171,585	25,267	55,807	\$0.97
100 - 249k	8,316,723	0	0	0.5%	0.6%	3.0%	0	112,451	112,451	128,279	5,274	15,690	\$0.95
250 - 499k	3,122,180	0	0	1.3%	1.2%	1.3%	0	0	0	0	0	0	\$1.20
500,000 +	1,520,758	0	0	100.0%	0.0%	100.0%	0	0	0	0	0	0	n/a
<b>Subtotal</b>	<b>66,783,546</b>	<b>0</b>	<b>0</b>	<b>3.7%</b>	<b>4.3%</b>	<b>4.5%</b>	<b>231,346</b>	<b>751,903</b>	<b>983,249</b>	<b>1,633,018</b>	<b>380,651</b>	<b>820,475</b>	<b>\$1.03</b>
<b>Commerce</b>													
10,000 - 19,999	5,599,828	0	0	0.1%	0.2%	0.5%	11,129	30,605	41,734	167,477	6,000	19,200	\$0.85
20,000 - 39,999	11,384,692	0	25,456	0.6%	0.4%	1.5%	101,787	158,818	260,605	547,125	-22,621	52,487	\$1.01
40,000 - 69,999	12,214,322	0	0	1.8%	1.5%	2.7%	143,577	28,208	171,785	417,352	-30,431	95,651	\$1.02
70,000 - 99,999	7,004,831	0	0	0.0%	0.3%	1.4%	0	153,837	153,837	172,519	17,984	50,210	\$0.92
100 - 249k	24,307,032	0	0	0.2%	1.1%	1.1%	0	234,877	234,877	659,008	24,299	486,913	\$0.89
250 - 499k	12,072,432	0	0	0.0%	1.7%	0.0%	0	210,952	210,952	210,952	210,952	210,952	n/a
500,000 +	5,440,621	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
<b>Subtotal</b>	<b>78,023,758</b>	<b>0</b>	<b>25,456</b>	<b>0.4%</b>	<b>1.0%</b>	<b>1.2%</b>	<b>256,493</b>	<b>817,297</b>	<b>1,073,790</b>	<b>2,174,433</b>	<b>206,183</b>	<b>915,413</b>	<b>\$0.98</b>
<b>Vernon</b>													
10,000 - 19,999	7,249,871	0	0	1.3%	1.2%	1.8%	10,046	50,735	60,781	115,230	-13,200	47,639	\$1.12
20,000 - 39,999	13,879,952	0	0	0.8%	0.9%	1.5%	0	89,675	89,675	228,657	26,357	-53,682	\$1.14
40,000 - 69,999	16,813,531	0	0	1.4%	2.2%	3.1%	42,000	419,220	461,220	627,524	149,484	167,921	\$0.99
70,000 - 99,999	11,082,669	0	0	0.9%	1.7%	1.5%	71,600	54,749	126,349	290,936	86,100	91,159	\$0.83
100 - 249k	22,452,378	0	249,653	0.4%	0.7%	2.9%	0	79,297	79,297	328,975	84,581	89,640	\$0.92
250 - 499k	10,236,580	0	0	0.0%	0.0%	0.0%	0	75,180	75,180	174,851	3,000	3,000	n/a
500,000 +	3,666,883	0	0	8.3%	7.1%	0.0%	0	303,800	303,800	396,200	-42,100	50,300	n/a
<b>Subtotal</b>	<b>85,381,864</b>	<b>0</b>	<b>249,653</b>	<b>1.1%</b>	<b>1.4%</b>	<b>2.0%</b>	<b>123,646</b>	<b>1,072,656</b>	<b>1,196,302</b>	<b>2,162,373</b>	<b>294,222</b>	<b>395,977</b>	<b>\$0.96</b>
<b>Central Los Angeles Overall</b>													
10,000 - 19,999	28,590,190	0	0	0.7%	1.0%	1.5%	31,454	256,162	287,616	287,616	82,375	190,118	\$1.14
20,000 - 39,999	42,555,019	0	25,456	1.3%	1.5%	1.9%	259,966	510,306	770,272	770,272	132,574	373,167	\$1.05
40,000 - 69,999	43,963,575	0	0	1.7%	2.3%	2.8%	248,465	574,585	823,050	823,050	250,750	514,909	\$0.99
70,000 - 99,999	23,944,797	0	0	0.7%	7.6%	1.8%	71,600	284,246	355,846	355,846	129,351	197,176	\$0.88
100 - 249k	55,076,133	0	249,653	0.3%	0.9%	2.1%	0	426,625	426,625	426,625	114,154	592,243	\$0.91
250 - 499k	25,431,192	0	0	0.2%	1.0%	0.2%	0	286,132	286,132	286,132	213,952	213,952	\$1.20
500,000 +	10,628,262	0	0	17.2%	2.9%	14.3%	0	303,800	303,800	303,800	-42,100	50,300	n/a
<b>Subtotal</b>	<b>230,189,168</b>	<b>0</b>	<b>275,109</b>	<b>1.6%</b>	<b>2.1%</b>	<b>2.4%</b>	<b>611,485</b>	<b>2,641,856</b>	<b>3,253,341</b>	<b>5,969,824</b>	<b>881,056</b>	<b>2,131,865</b>	<b>\$0.99</b>

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