



Industrial South Bay 21Q2

Key Takeaways

- Average asking rents increased to \$1.07 NNN.
- Vacancy dropped 10 basis points to 1.0%.
- Net absorption topped 1.3 MSF.
- Total gross activity reached 4.8 MSF.

Vacancy Rate
1.0%
YOY ↓
FORECAST

Net Absorption
740K SF
YOY ↑
FORECAST

Under Construction
1.3M SF
YOY ↑
FORECAST

Overall Asking Lease Rates (NNN)
\$1.07/SF
YOY ↑
FORECAST

South Bay Continues Historic Run

The South Bay industrial market closed out the first quarter with 740,390 SF of positive net absorption. The overall vacancy rate decreased to 1.0% from 1.1% quarter over quarter and 130 basis points below its mark from one year ago. The Ports of L.A. and Long Beach continue to work their way through the congestion of cargo ships that can be seen from much of the Southern California coastline. Container trade in 20-foot equivalent units (TEUs) is up 48% in Los Angeles and up 42% in Long Beach compared to the first five months of 2020. In May 2021, the Port of Los Angeles surpassed 1 million TEUs in a single month, which set a new all-time record for a Western Hemisphere port.

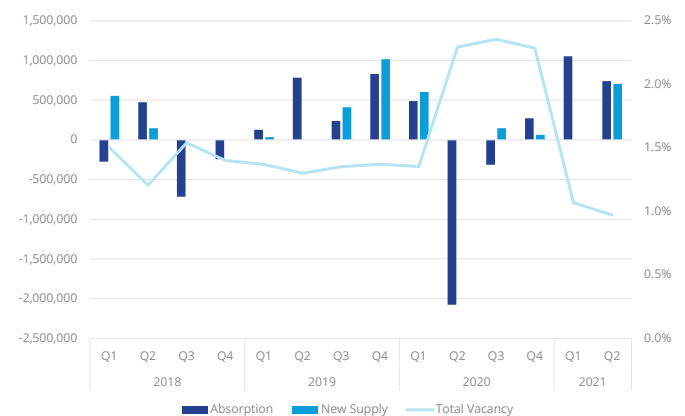
Market Indicators



Historic Comparison

	Q2 2020	Q1 2021	Q2 2021
Total Inventory (SF)	210,313,207	210,523,607	203,181,258
New Supply (SF)	0	0	705,463
Net Absorption (SF)	-2,078,100	1,053,786	740,390
Overall Vacancy	2.3%	1.1%	1.0%
Under Construction (SF)	352,800	1,078,303	1,275,056
Overall Asking Lease Rates (NNN)	\$0.97	\$1.02	\$1.07

Market Graph



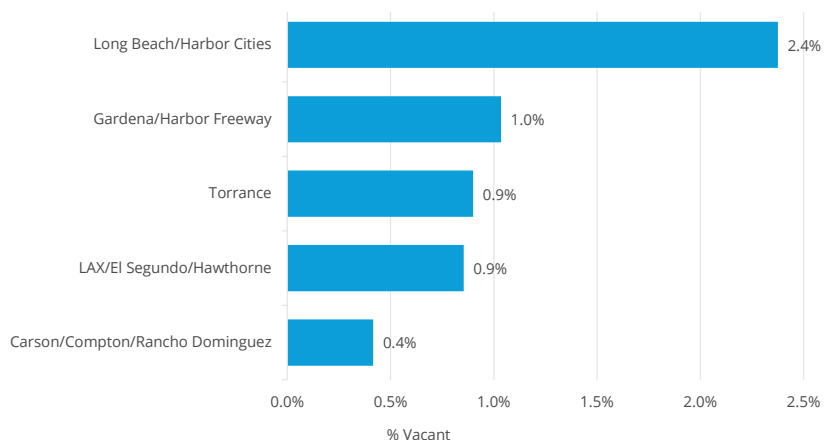
Net absorption surpassed new deliveries by 35,000 SF, which brought down the vacancy to 1.0%. Several projects are set to deliver in the next six months, which will bring much needed supply for tenants seeking the South Bay's prime proximity to the ports.

Labor Force

	Construction	Manufacturing	Transportation, Trade & Utilities
12-Mo Employment Growth (%)	4.0%	1.3%	9.5%
12-Mo Actual Employment Change	5,700	3,800	18,600

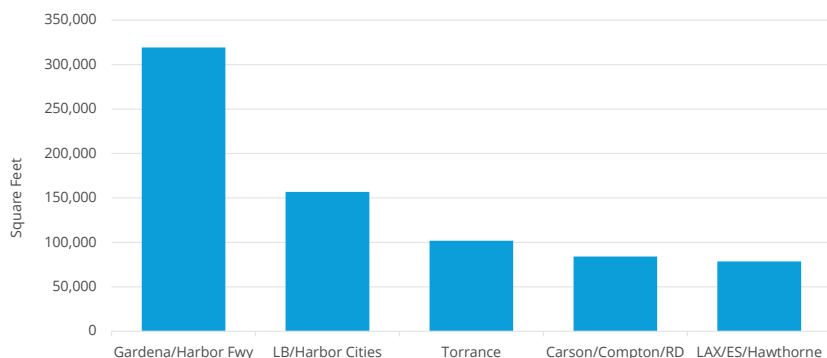
Vacancy

The vacancy rate decreased 10 basis points to 1.0% and availability rate decreased 10 basis points to end the quarter at 2.4%. The Torrance vacancy dipped below the 1% threshold down to 0.9%. Long Beach was the only submarket to record an increase in vacancy due to a new building being delivered as vacant. 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 be a reason why the market is always the lowest in vacancy and highest in rent throughout Greater Los Angeles.



Absorption & Leasing Activity

Net Absorption for the first quarter of 2021 topped out at 740,390 SF. Leasing activity totaled 3.8 MSF in 180 lease transactions. The Gardena/Harbor Freeway submarket recorded the highest total in net absorption, while the Carson/Compton/Rancho Dominguez submarket had the most leasing activity with 1.5 MSF in 53 lease transactions. Seven leases over 100,000 SF were signed in Q2 for a total of 1.7 MSF.



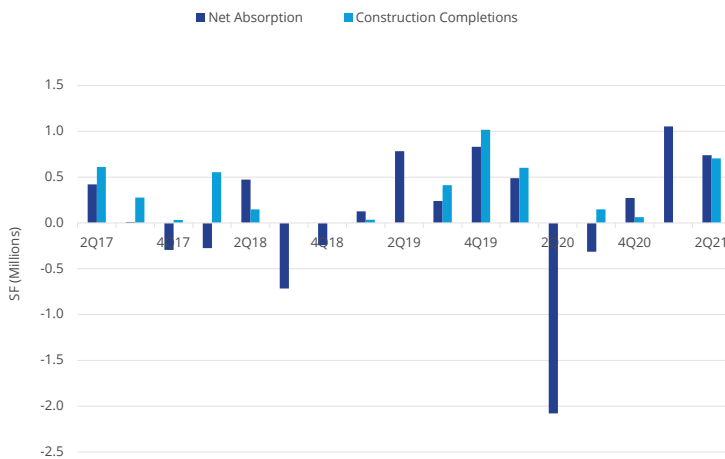
Rental Rates

Average asking rents increased \$0.05 PSF NNN over the quarter to end at \$1.07, the region's highest levels ever recorded. Average asking rents have increased \$0.12 over the last 12 months and \$0.38 over the last five years, a 13% and 55% 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.



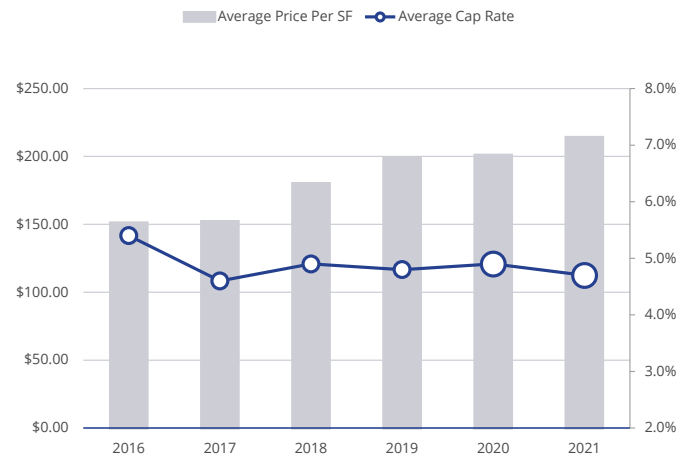
Construction

Construction activity throughout the South Bay sits at 1.28 MSF with two new deliveries totaling 705,463 SF for Q2 2021. With the majority of construction scheduled to be completed at the end of the year, several other projects are close to breaking ground and will bring much needed relief to the market with one of the lowest vacancy rates 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.



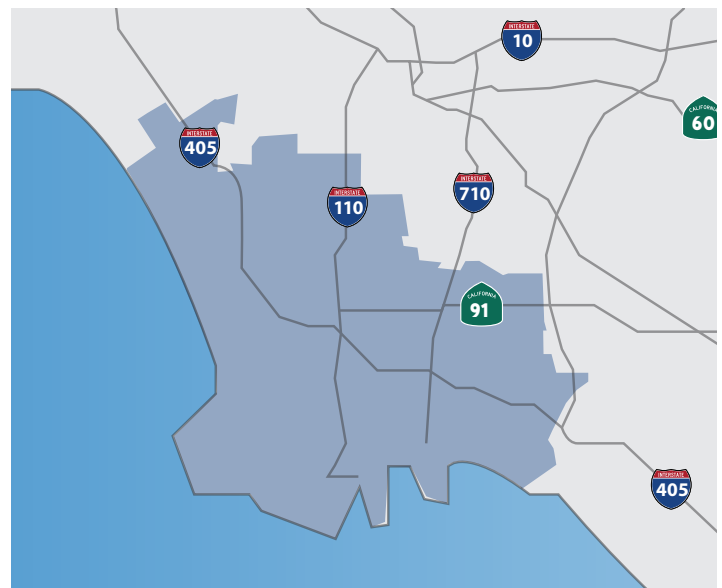
Investment Trends

The industrial sector's 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

The South Bay industrial market includes 210.5 MSF, 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
2850 Del Amo Blvd, Carson	264,450 SF	125.8 Million	\$475.5 PSF	CenterPoint Properties	Universal Warehouse Co.
2575 El Presidio St, Carson	196,300 SF	30.0 Million	\$152.8 PSF	Thor Equities	Texolini Inc
2700 California St, Torrance	134,816 SF	34.5 Million	\$255.9 PSF	Staley Point Capital	Edelbrock LLC
19007 Reyes Ave, Rancho Dominguez	90,454 SF	16.4 Million	\$181.3 PSF	Rexford Industrial	Cragar Properties LLC
19560 Rancho Way, Rancho Dominguez	53,295 SF	9.9 Million	\$184.8 PSF	Saeed Dagan	Fred Seibert

Leasing Activity

Address	Size SF	Lease Type	Submarket	Lessee	Lessor
2400 E Wardlow Rd, Long Beach	883,971 SF	New	Long Beach/ Harbor Cities	Relativity Space	Goodman
4000 Redondo Beach Ave, Redondo Beach	236,134 SF	New	LAX/EI Seg/ Hawthorne	Polar Air	AEW
1331 W Torrance Blvd, Los Angeles	203,000 SF	New	LAX/EI Seg/ Hawthorne	Performance Team	Prologis
21950 Arnold Center Rd, Carson	185,629 SF	New	Carson/ Compton/RD	SEKO Logistics	Watson Land Company
2301 E Pacifica Pl, Rancho Dominguez	144,920 SF	New	Carson/ Compton/RD	Madden Corporation	Rexford Industrial

Major Developments

Address	Developer	Size SF	Submarket	Status	Estimated Completion
Torrance Gateway	Sares Regis	615,000 SF	Torrance	Under Construction	Q4 2021
Gateway Logistics Center	Black Creek Group	227,000 SF	Torrance	Under Construction	Q4 2021
333 W Gardena Blvd, Carson	CT/Clarion Partners	145,840 SF	Gardena/ Harbor Freeway	Under Construction	Q4 2021
Bridge Point South Bay V	Bridge Development	100,528 SF	Gardena/ Harbor Freeway	Under Construction	Q4 2021

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	3,608,126	0	0	0.6%	0.6%	1.1%	61,005	38,322	99,327	144,160	0	-20,570	\$1.20
20,000 - 39,999	9,279,167	0	0	1.0%	1.6%	2.7%	221,931	73,203	295,134	404,278	25,231	51,746	\$0.95
40,000 - 69,999	12,132,195	0	0	0.9%	0.6%	0.9%	83,336	339,100	422,436	628,225	-32,844	179,949	\$1.02
70,000 - 99,999	10,649,090	0	0	0.9%	0.9%	2.7%	0	425,114	425,114	618,544	0	18,200	\$1.15
100 - 249k	33,834,439	0	0	0.1%	0.1%	2.1%	293,046	638,718	931,764	1,568,216	0	51,825	\$1.01
250 - 499k	10,700,202	0	0	0.0%	0.9%	2.6%	0	0	0	353,320	91,763	242,373	\$1.10
500,000 +	1,047,256	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
Subtotal	81,250,475	0	0	0.4%	0.5%	2.1%	659,318	1,514,457	2,173,775	3,716,743	84,150	523,523	\$1.04
Gardena/Harbor Freeway													
10,000 - 19,999	6,989,152	0	0	0.5%	0.5%	1.4%	40,688	24,304	64,992	119,480	800	9,477	\$1.04
20,000 - 39,999	8,092,166	0	0	1.2%	1.2%	2.0%	0	33,037	33,037	141,679	-3,620	7,976	\$1.04
40,000 - 69,999	7,711,392	0	0	2.4%	3.0%	4.3%	47,880	43,485	91,365	142,365	17,869	23,200	\$1.04
70,000 - 99,999	3,622,861	0	0	0.0%	0.5%	2.7%	0	0	0	0	18,900	18,900	\$0.95
100 - 249k	4,701,817	0	246,368	0.1%	0.0%	2.5%	0	0	0	0	-4,953	-4,953	\$1.30
250 - 499k	290,303	290,303	0	22.0%	0.0%	0.0%	0	0	0	0	290,303	290,303	n/a
500,000 +	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
Subtotal	31,407,691	290,303	246,368	1.0%	1.2%	2.6%	88,568	100,826	189,394	403,524	319,299	344,903	\$1.02
LAX/El Segundo/Hawthorne													
10,000 - 19,999	5,105,531	0	0	0.8%	1.3%	1.2%	75,128	83,690	158,818	255,913	26,423	71,604	n/a
20,000 - 39,999	7,551,606	0	0	2.7%	4.3%	4.1%	0	129,967	129,967	252,517	38,876	-20,259	\$1.42
40,000 - 69,999	4,306,516	0	0	0.0%	0.3%	1.9%	0	86,192	86,192	257,805	13,170	101,772	\$1.40
70,000 - 99,999	2,547,855	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
100 - 249k	4,276,450	0	0	0.0%	0.4%	5.8%	0	27,986	27,986	27,986	0	94,641	n/a
250 - 499k	1,203,178	0	0	0.0%	0.0%	0.0%	0	236,134	236,134	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	28,940,647	0	0	0.9%	1.3%	2.4%	75,128	563,969	639,097	1,030,355	78,469	247,758	\$1.42
Long Beach/Harbor Cities													
10,000 - 19,999	7,711,355	0	0	0.4%	0.2%	1.3%	0	40,854	40,854	149,850	-19,281	18,194	\$1.05
20,000 - 39,999	8,228,981	0	0	1.0%	0.5%	2.2%	0	37,767	37,767	115,886	-40,453	-27,415	\$0.95
40,000 - 69,999	4,588,511	0	90,337	1.4%	2.5%	1.6%	53,273	55,008	108,281	163,040	53,273	53,273	\$1.08
70,000 - 99,999	2,294,925	0	72,526	3.9%	10.3%	4.5%	0	171,552	171,552	267,099	163,202	158,796	\$1.18
100 - 249k	6,160,341	0	0	2.2%	2.2%	2.2%	0	0	0	0	0	0	n/a
250 - 499k	1,848,439	415,160	0	22.5%	0.0%	22.5%	0	0	0	0	0	0	n/a
500,000 +	3,658,848	0	0	0.0%	0.0%	0.0%	0	883,971	883,971	883,971	0	0	n/a
Subtotal	34,491,400	415,160	162,863	2.4%	1.6%	2.9%	53,273	1,189,152	1,242,425	1,579,846	156,741	202,848	\$1.04
Torrance													
10,000 - 19,999	2,719,084	0	0	0.2%	1.3%	0.2%	27,313	128,623	155,936	167,673	27,795	5,589	n/a
20,000 - 39,999	4,889,531	0	0	0.1%	0.5%	0.6%	142,082	62,954	205,036	324,158	19,816	32,941	\$1.25
40,000 - 69,999	3,666,680	0	0	0.4%	1.9%	0.4%	0	118,255	118,255	118,255	54,120	100,240	\$1.02
70,000 - 99,999	2,607,623	0	0	3.4%	3.1%	4.4%	0	7,650	7,650	7,650	0	-51,023	\$1.25
100 - 249k	6,599,343	0	335,384	1.9%	2.7%	6.6%	0	127,462	127,462	396,229	0	42,576	\$1.21
250 - 499k	4,182,089	0	530,441	0.0%	0.6%	0.0%	0	0	0	0	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	27,091,045	0	865,825	0.9%	1.6%	2.2%	169,395	444,944	614,339	1,013,965	101,731	475,144	\$1.21
South Bay													
10,000 - 19,999	26,133,248	0	0	0.5%	0.7%	1.2%	204,134	315,793	519,927	837,076	35,737	84,294	\$1.07
20,000 - 39,999	38,041,451	0	0	1.3%	1.7%	2.5%	364,013	336,928	700,941	1,238,518	39,850	44,989	\$1.03
40,000 - 69,999	32,405,294	0	90,337	1.1%	1.5%	1.9%	184,489	642,040	826,529	1,309,690	105,588	458,434	\$1.06
70,000 - 99,999	21,722,354	0	72,526	1.3%	2.0%	2.8%	0	604,316	604,316	893,293	182,102	144,873	\$1.12
100 - 249k	55,572,390	0	581,752	0.5%	0.6%	3.0%	293,046	794,166	1,087,212	1,992,431	-4,953	184,089	\$1.08
250 - 499k	18,224,211	705,463	530,441	2.3%	0.6%	3.8%	0	236,134	236,134	589,454	382,066	506,856	\$1.10
500,000 +	11,082,310	0	0	0.0%	0.0%	0.0%	0	883,971	883,971	883,971	0	370,641	n/a
Total	203,181,258	705,463	1,275,056	1.0%	1.1%	2.4%	1,045,682	3,813,348	4,859,030	7,744,433	740,390	1,794,176	\$1.07

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