



Industrial

Central Los Angeles

21Q3

Key Takeaways

- Averaging asking rents increased to \$1.10 NNN.
- Vacancy dropped 30 basis points to 1.3%.
- Net absorption topped 656,136 SF.
- Total gross activity reached 2.6M SF.

Vacancy Rate **1.3%**
YOY **↓**
FORECAST **—**

Net Absorption **656K SF**
YOY **↑**
FORECAST **—**

Under Construction **630K SF**
YOY **↑**
FORECAST **—**

Overall Asking Lease Rates (NNN) **\$1.10/SF**
YOY **↑**
FORECAST **↑**

Central Los Angeles Market Conditions Continue To Tighten

The Central Los Angeles industrial market closed out the third quarter with 656,136 SF of positive net absorption. The overall vacancy rate decreased to 1.3% from 1.6% quarter over quarter and 200 basis points below its mark from one year ago. Central Los Angeles' 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 the area. Industrial demand is heavily concentrated in the Vernon and Commerce submarkets, with food production and apparel manufacturing remaining the top industries.

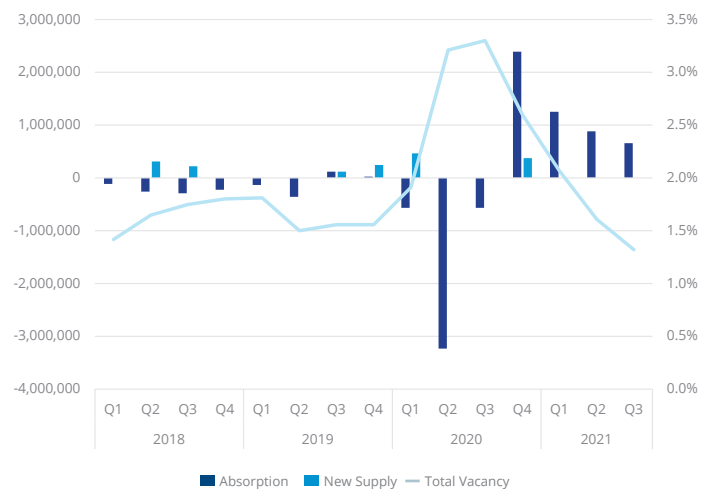
Market Indicators

10.1% Unemployment Rate
10.17% GDP - Quarterly % Change YOY
1.483% U.S. 10-Year Treasury Note

Historic Comparison

| | Q3 2020 | Q2 2021 | Q3 2021 |
|----------------------------------|-------------|-------------|-------------|
| Total Inventory (SF) | 229,705,810 | 230,080,110 | 230,080,110 |
| New Supply (SF) | 0 | 0 | 0 |
| Net Absorption (SF) | -568,100 | 881,056 | 656,136 |
| Overall Vacancy | 3.3% | 1.6% | 1.3% |
| Under Construction (SF) | 374,300 | 275,109 | 629,953 |
| Overall Asking Lease Rates (NNN) | \$0.86 | \$0.99 | \$1.10 |

Market Graph



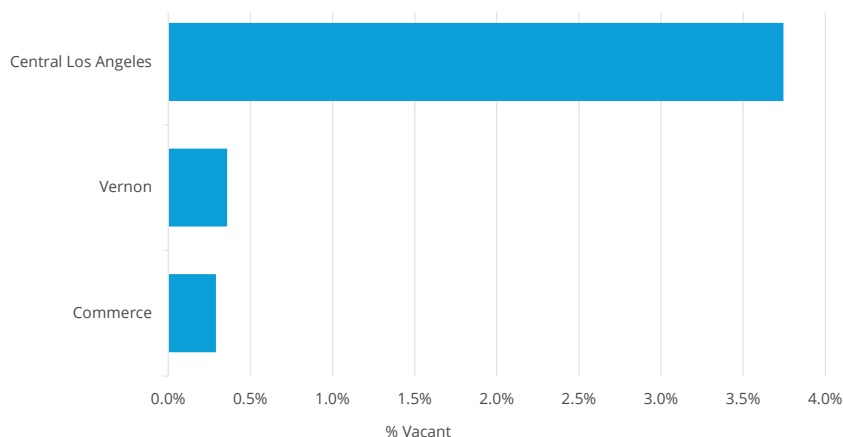
With negative 1,977,500 SF of net absorption in 2020, Central Los Angeles has quickly rebounded with 2,788,001 SF of positive net absorption through the first three quarters of 2021.

Labor Force

| | Construction | Manufacturing | Transportation, Trade & Utilities |
|--------------------------------|--------------|---------------|-----------------------------------|
| 12-Mo Employment Growth (%) | 0.9% | -0.4% | 4.5% |
| 12-Mo Actual Employment Change | 1,300 | -1,100 | 35,100 |

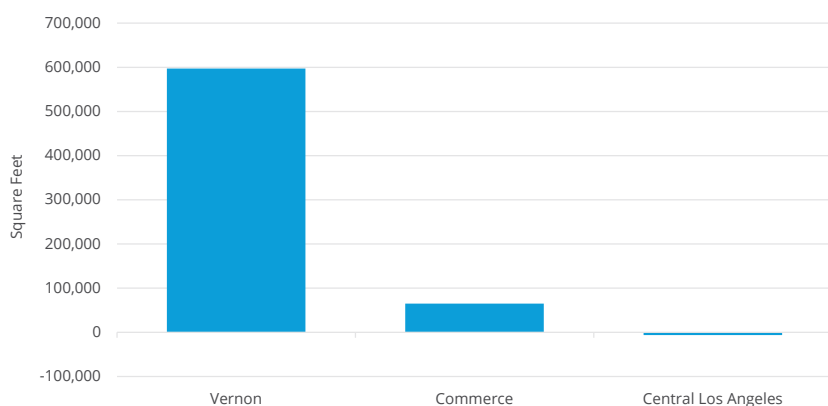
Vacancy

Overall vacancy dropped 30 basis points to 1.3% to close out the third quarter of 2021. With a pandemic peak of 3.3%, the Central Los Angeles market has impressively recovered over the last 15 months. The Vernon submarket had the largest drop in vacancy with a 70 basis point decrease 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 within the submarket.



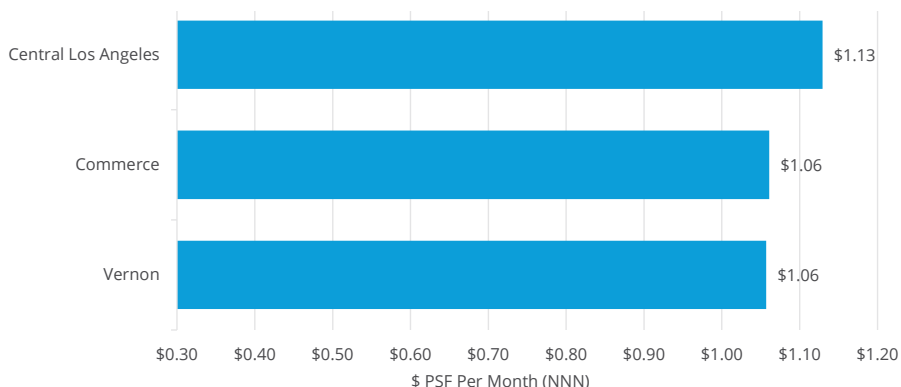
Absorption & Leasing Activity

Net absorption for the third quarter of 2021 topped out at 656,136 SF. Total leasing activity was 2.2M SF in 89 lease transactions. Vernon led the way with 36 deals totaling 1.2M SF. With a sub 2% vacancy and little new construction in the pipeline, net absorption will remain relatively low until new supply comes online.



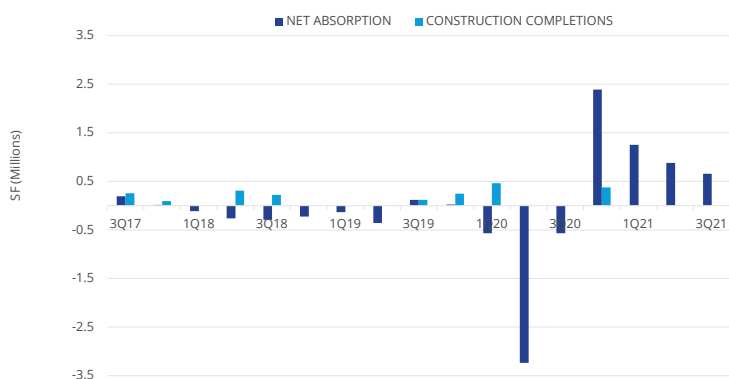
Rental Rates

Average asking rents increased 11.2% quarter over quarter, closing out the third quarter at \$1.10 NNN PSF per month. The Vernon submarket saw the biggest jump, increasing 9.7% over the same time period. Commerce consists of a large population of food manufacturing tenants. 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.



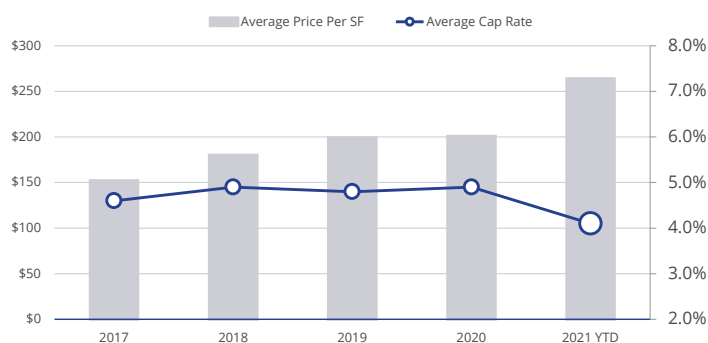
Construction

Construction activity throughout the region currently sits at 629,953 SF. The Central Los Angeles market, the region’s oldest, 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.



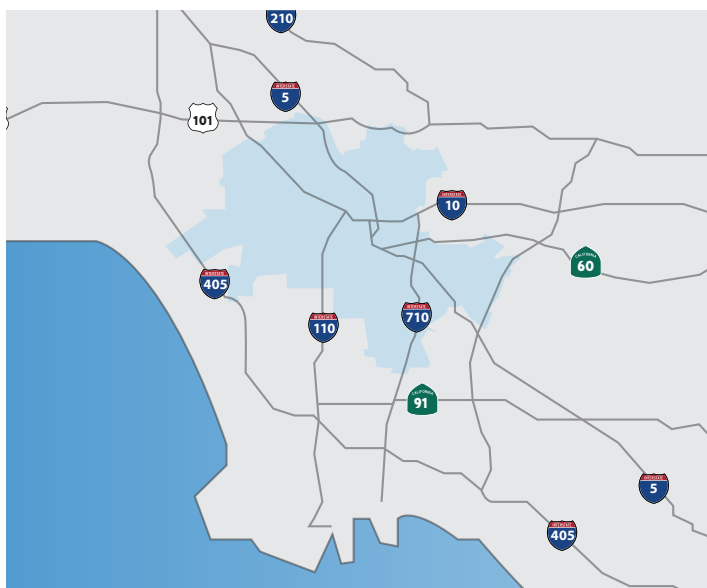
Investment Trends

The industrial sector’s massive boom sparked by the COVID-19 pandemic has propelled industrial investment to the top of the most desired list of 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

Central Los Angeles is the largest industrial market in Los Angeles County. Comprised of 230M SF 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+ square feet) 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 |
|---------------------------------|------------|--------------|-------------|------------------------|----------------------------------|
| 7255 Rosemead Blvd, Pico Rivera | 202,629 SF | 56.5 Million | \$278.8 PSF | Cohen Asset Management | Studio Designs, Inc. |
| 8500 Mercury Ln, Pico Rivera | 173,134 SF | 63.0 Million | \$363.9 PSF | CenterPoint Properties | GRM Information Management |
| 2187 Garfield Ave, Commerce | 132,000 SF | 38.5 Million | \$291.7 PSF | Staley Point Capital | Alperson Property Management LLC |
| 2425 30th St, Vernon | 74,252 SF | 16.0 Million | \$215.5 PSF | Iris Basic USA | New Star Fashion, Inc. |
| 1505 Perrino Pl, Los Angeles | 63,571 SF | 14.5 Million | \$228.1 PSF | Se Jong Yoon | Nally & Millie |

Leasing Activity

| Address | Size SF | Lease Type | Submarket | Lessee | Lessor |
|-------------------------------|------------|------------|-----------|-----------------------|-----------------------|
| 5383 Alcoa Ave, Vernon | 155,646 SF | New | Vernon | Tolead Logistics | 5383 Alcoa Avenue, LP |
| 5008 Boyle Ave, Vernon | 129,269 SF | New | Vernon | Ace Logistics | Y&N Apparel |
| 2651 45th St, Vernon | 82,559 SF | Sublease | Vernon | HS Blockercorp | Brookfield |
| 5353 Slauson Ave, Commerce | 75,500 SF | New | Commerce | Global Parcel Service | Waylee International |
| 4270-4310 Maywood Ave, Vernon | 73,985 SF | New | Vernon | Sagebrook Home | Dedaux Properties |

Major Developments

| Address | Developer | Size SF | Submarket | Status | Estimated Completion |
|-------------------------------------|-------------------|------------|-----------|--------------------|----------------------|
| 4051 S Alameda St (4 Bldgs), Vernon | Active USA Inc | 425,000 SF | Vernon | Under Construction | Q4 2021 |
| 5200 Sheila, Commerce | Link Industrial | 114,898 SF | Commerce | Under Construction | Q1 2022 |
| 6300 Telegraph Rd, Commerce | Justman Packaging | 63,222 SF | Commerce | Under Construction | Q2 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) |
| Central Los Angeles | | | | | | | | | | | | | |
| 10,000 - 19,999 | 15,713,660 | 0 | 0 | 0.6% | 0.7% | 1.6% | 36,002 | 103,561 | 139,563 | 471,640 | 9,191 | 132,470 | \$1.39 |
| 20,000 - 39,999 | 17,297,045 | 0 | 0 | 1.4% | 2.1% | 2.0% | 38,165 | 83,503 | 121,668 | 722,333 | 70,023 | 444,385 | \$0.98 |
| 40,000 - 69,999 | 14,831,054 | 0 | 0 | 1.4% | 2.0% | 1.0% | 103,571 | 74,646 | 178,217 | 578,629 | -6,000 | 245,337 | \$1.14 |
| 70,000 - 99,999 | 6,023,687 | 0 | 0 | 4.4% | 1.3% | 5.6% | 85,293 | 3,922 | 89,215 | 260,800 | -94,076 | -38,269 | \$1.12 |
| 100 - 249k | 8,418,171 | 0 | 0 | 1.6% | 0.5% | 4.0% | 0 | 14,500 | 14,500 | 142,779 | 14,500 | 30,190 | \$0.90 |
| 250 - 499k | 3,122,180 | 0 | 0 | 1.3% | 1.3% | 1.3% | 0 | 0 | 0 | 0 | 0 | 0 | \$1.30 |
| 500,000 + | 1,520,758 | 0 | 0 | 100.0% | 100.0% | 100.0% | 0 | 0 | 0 | 0 | 0 | 0 | n/a |
| Subtotal | 66,926,555 | 0 | 0 | 3.7% | 3.7% | 4.4% | 263,031 | 280,132 | 543,163 | 2,176,181 | -6,362 | 814,113 | \$1.13 |

| | | | | | | | | | | | | | |
|-----------------|-------------------|----------|----------------|-------------|-------------|-------------|---------------|----------------|----------------|------------------|---------------|----------------|---------------|
| Commerce | | | | | | | | | | | | | |
| 10,000 - 19,999 | 5,599,828 | 0 | 0 | 0.0% | 0.1% | 0.0% | 0 | 52,074 | 52,074 | 219,551 | 4,000 | 23,200 | n/a |
| 20,000 - 39,999 | 11,384,692 | 0 | 25,456 | 0.7% | 0.6% | 1.0% | 56,759 | 131,818 | 188,577 | 735,702 | -5,073 | 47,414 | \$1.02 |
| 40,000 - 69,999 | 12,196,587 | 0 | 63,222 | 1.2% | 1.8% | 2.0% | 0 | 207,339 | 207,339 | 624,691 | 24,252 | 119,903 | \$1.00 |
| 70,000 - 99,999 | 7,004,831 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0 | 75,500 | 75,500 | 248,019 | 0 | 50,210 | n/a |
| 100 - 249k | 24,307,032 | 0 | 114,898 | 0.0% | 0.2% | 0.3% | 0 | 137,216 | 137,216 | 796,224 | 42,070 | 528,983 | \$1.24 |
| 250 - 499k | 11,800,300 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0 | 126,482 | 126,482 | 337,434 | 0 | 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 |
| Subtotal | 77,733,891 | 0 | 140,354 | 0.3% | 0.4% | 0.6% | 56,759 | 730,429 | 787,188 | 2,961,621 | 65,249 | 980,662 | \$1.06 |

| | | | | | | | | | | | | | |
|-----------------|-------------------|----------|----------------|-------------|-------------|-------------|----------------|------------------|------------------|------------------|----------------|----------------|---------------|
| Vernon | | | | | | | | | | | | | |
| 10,000 - 19,999 | 7,249,871 | 0 | 0 | 0.6% | 1.3% | 0.8% | 13,268 | 108,676 | 121,944 | 237,174 | 54,748 | 102,387 | \$1.08 |
| 20,000 - 39,999 | 13,917,752 | 0 | 0 | 0.6% | 0.8% | 1.3% | 65,210 | 154,619 | 219,829 | 448,486 | 62,875 | 9,193 | \$1.15 |
| 40,000 - 69,999 | 16,813,531 | 0 | 60,000 | 0.7% | 1.4% | 0.6% | 0 | 357,360 | 357,360 | 984,884 | 118,308 | 286,229 | \$1.15 |
| 70,000 - 99,999 | 11,082,669 | 0 | 0 | 0.4% | 0.9% | 0.5% | 74,252 | 156,544 | 230,796 | 521,732 | 52,827 | 143,986 | \$0.91 |
| 100 - 249k | 22,452,378 | 0 | 366,377 | 0.1% | 0.4% | 0.6% | 0 | 378,260 | 378,260 | 707,235 | 58,491 | 148,131 | \$0.92 |
| 250 - 499k | 10,236,580 | 0 | 0 | 0.0% | 0.0% | 0.3% | 0 | 0 | 0 | 174,851 | 0 | 3,000 | \$0.70 |
| 500,000 + | 3,666,883 | 0 | 0 | 0.0% | 8.3% | 0.0% | 0 | 0 | 0 | 396,200 | 250,000 | 300,300 | n/a |
| Subtotal | 85,419,664 | 0 | 426,377 | 0.4% | 1.1% | 0.6% | 152,730 | 1,155,459 | 1,308,189 | 3,470,562 | 597,249 | 993,226 | \$1.06 |

| | | | | | | | | | | | | | |
|------------------------------------|--------------------|----------|----------------|-------------|-------------|-------------|----------------|------------------|------------------|------------------|----------------|------------------|---------------|
| Central Los Angeles Overall | | | | | | | | | | | | | |
| 10,000 - 19,999 | 28,563,359 | 0 | 0 | 0.5% | 0.7% | 1.1% | 49,270 | 264,311 | 313,581 | 313,581 | 67,939 | 258,057 | \$1.32 |
| 20,000 - 39,999 | 42,599,489 | 0 | 25,456 | 0.9% | 1.3% | 1.5% | 160,134 | 369,940 | 530,074 | 530,074 | 127,825 | 500,992 | \$1.04 |
| 40,000 - 69,999 | 43,841,172 | 0 | 123,222 | 1.1% | 1.7% | 1.1% | 103,571 | 639,345 | 742,916 | 742,916 | 136,560 | 651,469 | \$1.13 |
| 70,000 - 99,999 | 24,111,187 | 0 | 0 | 1.3% | 0.7% | 1.6% | 159,545 | 235,966 | 395,511 | 395,511 | -41,249 | 155,927 | \$1.08 |
| 100 - 249k | 55,177,581 | 0 | 481,275 | 0.3% | 0.3% | 1.0% | 0 | 529,976 | 529,976 | 529,976 | 115,061 | 707,304 | \$1.01 |
| 250 - 499k | 25,159,060 | 0 | 0 | 0.2% | 0.2% | 0.3% | 0 | 126,482 | 126,482 | 126,482 | 0 | 213,952 | \$1.05 |
| 500,000 + | 10,628,262 | 0 | 0 | 14.3% | 17.2% | 14.3% | 0 | 0 | 0 | 0 | 250,000 | 300,300 | n/a |
| Subtotal | 230,080,110 | 0 | 629,953 | 1.3% | 1.6% | 1.7% | 472,520 | 2,166,020 | 2,638,540 | 8,608,364 | 656,136 | 2,788,001 | \$1.10 |

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