



**LOS ANGELES - LONG BEACH
INDUSTRIAL MARKET REPORT**

Q4

MARKET REPORT Q4 2020

LOS ANGELES - LONG BEACH
INDUSTRIAL MARKET REPORT

THE ROLLER COASTER OF A YEAR!

Q4 TRENDS AT A GLANCE



Absorption
(1,187,199) SF



Average Rent
\$1.11 / SF



Sales Transactions
\$425.7 Million



Vacancy
1.7%



Under Construction
883,923 SF



Average Sales Price
\$166.31 / SF

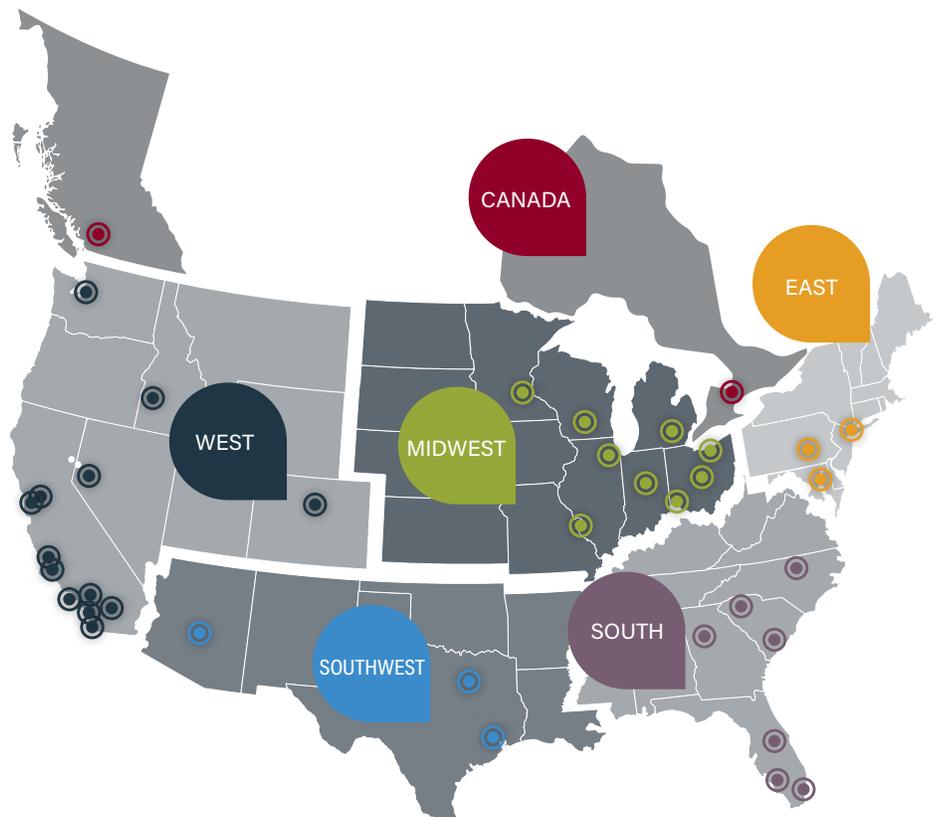
Source: CoStar Realty Information Inc.(As Of January 2, 2021)

ABOUT LEE & ASSOCIATES

At Lee & Associates® our reach is national but our expertise is local market implementation. This translates into seamless, consistent execution and value driven market-to-market services.

Our agents understand real estate and accountability. They provide an integrated approach to leasing, operational efficiencies, capital markets, property management, valuation, disposition, development, research and consulting.

We are creative strategists who provide value and custom solutions, enabling our clients to make profitable decisions.



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2020 will always be associated with COVID-19 and its affects on everyday life from masks, lock downs and rationing of toilet paper to name a few. Economically, while the 4th quarter GDP grew at an annual rate of 4% the Annual rate fell by -3.5% as it could not completely erase the damages from the 2nd quarter lockdown. The forecast going forward is positive from the nonpartisan Congressional Budget Office (CBO) that the US GDP is likely to grow at an average 2.6% through 2025.

For Real Estate, while office and retail sectors struggled, it turned out to be a thriving year for our local Los Angeles – Long Beach Industrial Real Estate market. Even with all the uncertainty that hit during the lock down, the industrial vacancy rate in our immediate South Bay / Port Area market remained steady throughout the year. The region experienced a slight decrease from 1.8% in the 3rd Quarter to 1.7% in the 4th Quarter, experienced a negative absorption of approximately 1.18 Million SF as a few subleases and two new developments were included in 4th Quarter data. Even with negative absorption the record lease rate we saw in Q3 held steady, matching the \$1.11 PSF per Month high watermark reported by CoStar for the South Bay. Warehouses are still at full capacity and supply chains have and will continue to be stressed. Higher lease rates in 2021 are expected due to continued demand for industrial as pandemic-fueled E-Commerce sales continue to outpace expectations. Land lease rates for container storage in port adjacent cities are quickly accelerating from around \$0.50 PSF Gross for most of the year to \$0.60 PSF Gross during the 4th quarter due to limited yard capacity as Port volumes hit all-time monthly highs. While land for new construction is scarce, there is roughly 883,923 SF of Class A product under construction in the South Bay. A few notable lease transactions from last quarter:

- Freight Horse Express leasing 370,641 SF in Torrance
- Next Level Apparel leasing 265,418 SF in Torrance
- Tricap International leasing 278,348 Land SF (with a crossdock) in Compton

Sale transactions in the 4th Quarter dropped substantially from \$425.7 Million in the 3rd Quarter to \$165.02 Million as the total

transactions remained relatively the same from 20 in Q3 to 17 in Q4. This disparity caused the average per square foot price to shrink from \$312.57 in Q3 to \$166.31 in Q4. This decrease is primarily due to one \$81M Amazon sale at \$550/ Sq. Ft in Torrance that skewed the 3rd Quarter data points. Currently we are now experiencing all-time high asking prices for Class A product though, and a few transactions are fetching well above \$300 PSF in the immediate South Bay / Port Area with the rise in Third Party Logistics (3PL) users and E-Commerce demand. Land prices for potential development or container and trailer storage has also shown a steady increase, pushing closer to the \$100 PSF range with every developer/REIT competing for limited availability. Lastly, SBA owner/occupier loans continue to be highly desirable if/when you are able to locate a suitable building/yard for your business and low interest rates continue to drive demand on the purchase side. A few notable sale transactions from last quarter:

- 15100 San Pedro Street, Gardena: 112,075 SF selling for \$333 PSF
- 1528 134th Street, Gardena: 62,690 SF selling for \$310 PSF
- 14732 Maple Avenue, Gardena: 108,900 land SF selling for \$90 PSF

At the Federal level, there are many questions regarding the new Biden Administration's approach to potential tariff reduction that could affect the switch back to producing more domestically. With regards to manufacturing in California there is no question more businesses and people are fleeing the state seeking lower taxes, limited regulations, lower energy costs and a different quality of life. With this said, California alone boasts the 5th largest GDP in the world supported predominantly by the manufacturing of computer/electronic products, chemicals, food/beverage products, aerospace, entertainment, and supply chain industries.

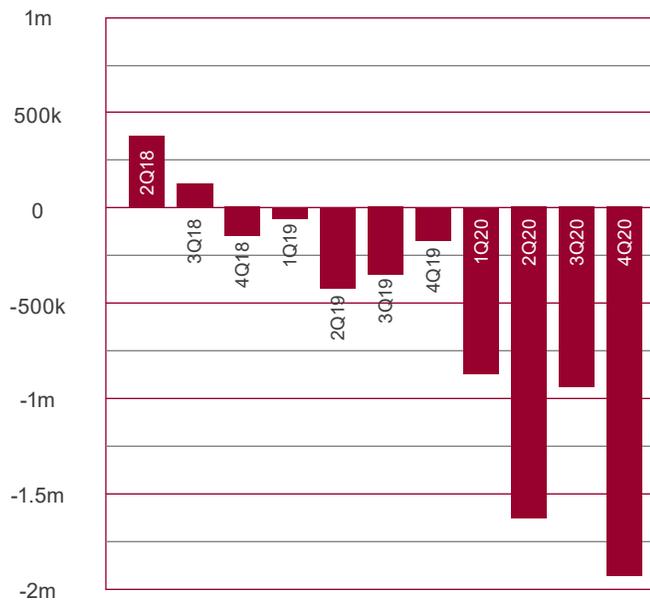
E-Commerce is here to stay as it grew by almost 50% in 2020 with more and more people ordering from their homes instead of going to the stores. Looking into 2021, demand for additional modern Industrial buildings will continue – both on the smaller and larger scale. Shippers, ports, and the general warehousing industry

will continue to deal with 3 main challenges for the foreseeable future: 1) Reduction in transportation costs, 2) Reduction in turn-times and increased need for dual transactions/gained digital efficiencies at the Ports, and 3) Lack of functional, available industrial product for lease or purchase with close port proximity.

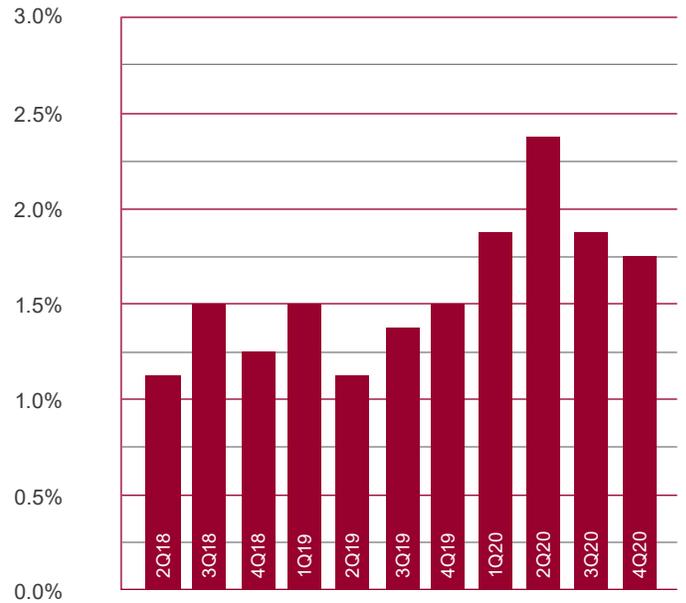
There is no better time to utilize your local market expert at Lee & Associates for more information about your property's value or any future plan changes you may have regarding your Industrial Real Estate. We are now seeing lease renewal conversations and potential relocation decisions taking place much further in advance of lease expiration dates than a couple of years ago. We are here to help and look forward to speaking with you.

- Andy Gage, Principal,
David Bales, Principal,
& Bret Osterberg, Principal

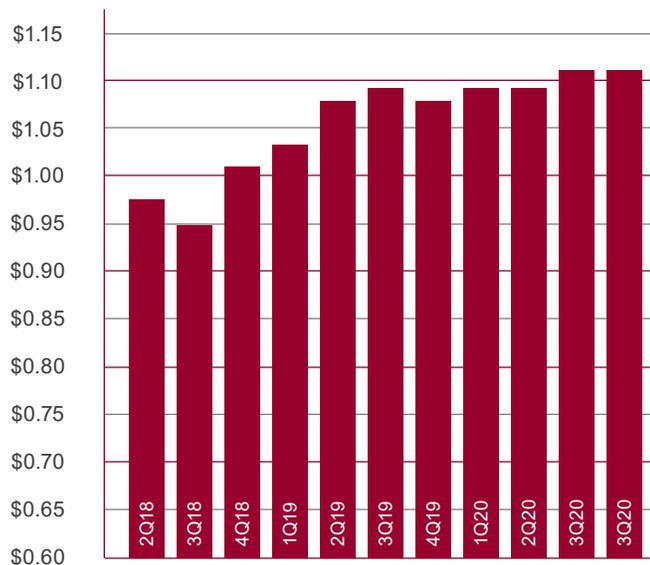
NET ABSORPTION



VACANCY



AVERAGE ASKING RENT BY QUARTER



ASKING PRICE PER SQ FT



Source: CoStar Realty Information Inc



Source: CoStar Realty Information Inc & AIR

Q4 2020 TOP LEASES BY SF

PROPERTY ADDRESS	CITY	TYPE	LEASE RATE	SQUARE FEET	LEASE TYPE
19270 S WESTERN AVE	LOS ANGELES	INDUSTRIAL	\$0.98 / SF NNN	370,641 SF	DIRECT
13344 S MAIN ST	LOS ANGELES	INDUSTRIAL	\$1.07 / SF NNN	290,303 SF	DIRECT
588 CRENSHAW BLVD	TORRANCE	INDUSTRIAL	\$1.07 / SF NNN	265,418 SF	DIRECT
2201-2211 E CARSON ST #2201	CARSON	INDUSTRIAL	\$0.89 / SF NNN	195,150 SF	SUBLEASE
19021 S REYES AVE	COMPTON	LAND	\$0.48 / SF NNN	278,348 SF	DIRECT

Q4 2020 TOP SALES BY SF

PROPERTY ADDRESS	CITY	TYPE	SALES PRICE	SQUARE FEET	REGION
312 & 332 ROSECRANS AVE, 14401 & 14421 S SAN PEDRO ST, 14702 S MAPLE AVE	UNINCORPORATED LA	INDUSTRIAL	\$206.22 / SF	329,326 SF	SOUTH
15100 SAN PEDRO ST	GARDENA	INDUSTRIAL	\$333.03 / SF	112,075 SF	SOUTH
1528 W 134TH ST	GARDENA	INDUSTRIAL	\$310.00 / SF	62,690 SF	SOUTH
15505-15601 S AVALON BLVD	LOS ANGELES	INDUSTRIAL	\$249.69 / SF	62,077 SF	SOUTH
2318 E DEL AMO BLVD	COMPTON	INDUSTRIAL	\$233.61 / SF	59,286 SF	SOUTH



LOS ANGELES & LONG BEACH PORT ACTIVITY

During the first five months of the year, the pandemic wreaked havoc on the Southern California Ports as over 100 ship callings were cancelled resulting in a combined decrease of over -12%. Since then, the Ports have experienced a surge in containers to restock depleted inventories and replenish in-demand home furnishings, fitness equipment, electronics, and various consumer goods. These shipments included a continued supply of desperately needed medical supplies and PPE (personal protective equipment) and helped the ports finish with back-to-back record-breaking quarters. Even with the initial slow down, Long Beach established a new annual record (8,113,315 TEUs) as Los Angeles broke their monthly record twice, finishing just down -1.1% from 2019 (9,213,393 TEUs); combined SoCal Ports finished with its 2nd highest combined total of 17,326,715 TEUs.

The Port of Long Beach's 4th Quarter eclipsed its 3rd Quarter record to finish 2020 with an annual growth of +6.3%, roughly 22,000 TEUs higher than the previous 2018 record. To highlight how frenetic Long Beach performed the 2nd half of the year, their previous record prior to 2020 was December of 2018 with 741,000 TEUs; POLB bested this mark 5 out of the last 6 months and averaged over 800,000 TEUs per month for the 4th quarter alone. October first set a record with 806,604 TEUs; and was the first time surpassing the 800,000 TEU milestone, a 17.2% increase from last year. November was another high watermark with a 30.6% increase or 783,523 TEUs. Long Beach finished the quarter and the year besting its previous monthly record with 815,886 TEUs representing almost a 23% increase from 2019. A major highlight occurred on October 5th when after 7 years and a cost of \$1.46 Billion, the newly constructed Gerald Desmond Bridge opened for business. This is the U.S.'s 2nd tallest cable-stayed 6-lane bridge handling approximately 15% of the Nation's waterborne cargo with a 205' vertical clearance, which allows the largest container vessels access to the Middle Harbor Terminal

that will continue to fuel the Port of Long Beach's growth.

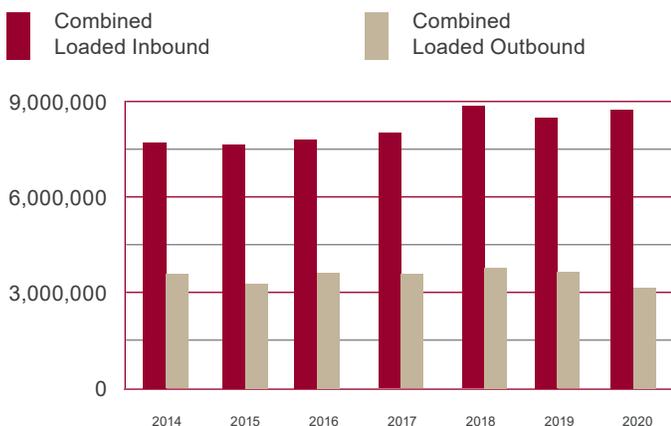
The Port of Los Angeles also dominated the 4th Quarter setting new monthly and quarterly records, averaging over 900,000 TEUs each month. October saw the most containers ever received in a month with 980,624 TEUs representing a 27.34% increase over 2019. November continued to spike with a 22.06% increase over 2019 with 889,747 TEUs. December did not disappoint with elevated traffic of 17.74% with 879,186 TEUs. With this surge in volume, Executive Director, Gene Seroka urged that, "If we want America to improve as a leader in global trade, we need nationwide port data connectivity with agreed-upon data standards and open architecture system that provides interconnectivity between major U.S. ports, service providers and the freight they move."

2020 marked the first increase in container market share for the Ports of LA and Long Beach in almost 2 decades. Years of capital investments in technology and infrastructure were a major factor for these two record breaking quarters. There were some growing pains with so many ships calling on POLA and POLB that the ports simply could not redirect ships quickly enough. A virtual parking lot of vessels began steadily growing since the middle of the 3rd Quarter. 2021 started with more idle vessels anchored offshore than during the Longshoremen strike in 2012 with over 40 cargo ships waiting to dock. How our SoCal Ports can improve their traffic management will continue to be a 'hot topic' for cargo owners as they choose their supply chain routes. Looking forward, industry experts believe these current volume spikes will continue through Chinese New Year (February 12, 2021) and perhaps not slow slightly until June – just in time to pause for a moment before 2021's peak commences.

- David Bales, Principal & Ryan Endres, Principal

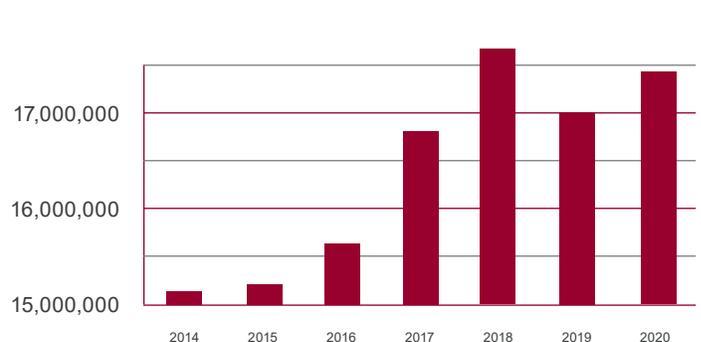
TEUs YTD DECEMBER 2020

Source: www.polb.com www.portoflosangeles.org



Total Containers San Pedro Port Complex

Loaded Totals and Empties Combined



LOS ANGELES & LONG BEACH INDUSTRIAL MARKET MAP



LOOK TO LEE & ASSOCIATES FOR SOLUTIONS

Contact a Lee & Associates Broker who can provide you with the most comprehensive market knowledge and expertise in the business. We specialize in:

Build-to-Suit

- For Lease
- For Sale
- Facility Specification
- Bidding & Design Build Construction
- Expansion Planning

Fair Market Value Analysis

- Valuation of Land
- Valuation of Buildings and Other Improvements

Financial Analysis of Alternatives

- Comparing Alternative Proposals
- Purchase vs. Lease Analysis
- Existing Building Search

Site Search

- Site Selection Criteria
- Development & Analysis

Sale-Leaseback

- Institutional Investors
- Private Investors

Disposition of Existing Buildings

- Locally & Nationally
- REO & Distressed-Asset Valuation & Sales

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*Third-Party Data Sources: CoStar Group, Inc., AIR CRE, Port of Long Beach, Port of Los Angeles, Lee & Associates National Market Report, GlobeSt.com, NAIOP.Org, The Wall Street Journal, PIERS, a JOC.com sister company within IHS Markit

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