



# LOS ANGELES - LONG BEACH INDUSTRIAL MARKET REPORT

Q1

**MARKET REPORT Q1 2020**

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LOS ANGELES - LONG BEACH  
INDUSTRIAL MARKET REPORT

# HOW TO NAVIGATE THROUGH COVID-19

## Q1 TRENDS AT A GLANCE



**Absorption**  
(859,424) SF



**Average Rent**  
\$1.09 / SF



**Sales Transactions**  
\$147.21 Million



**Vacancy**  
1.8%



**Under Construction**  
369,363 SF



**Average Sales Price**  
\$196.93 / SF

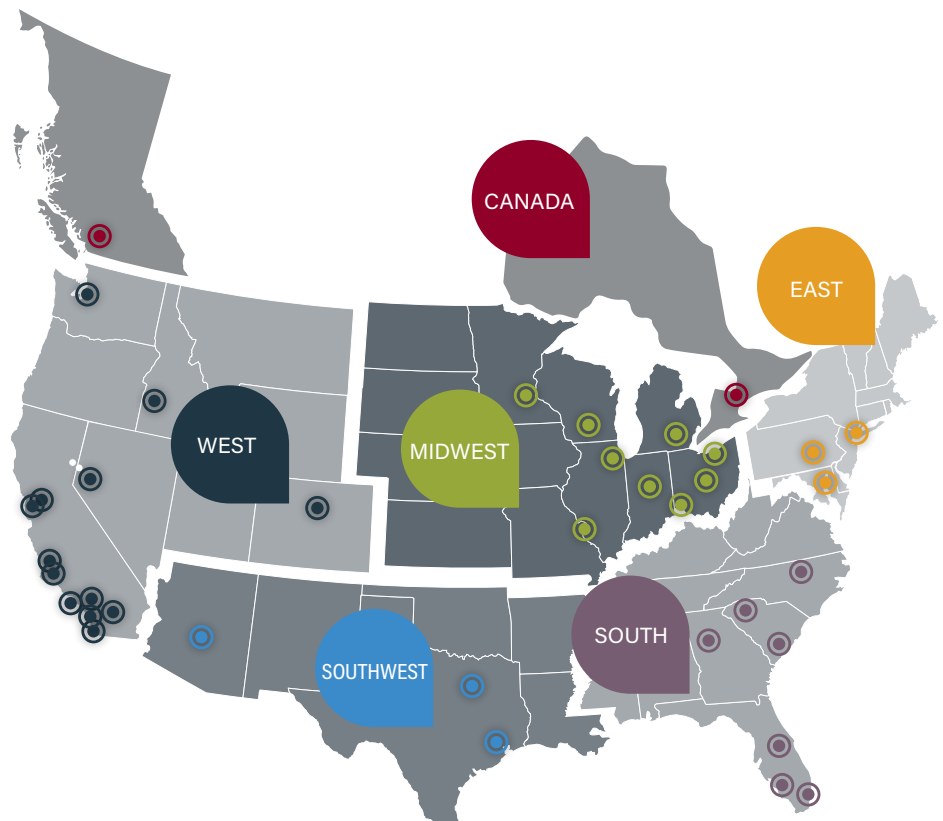
Source: CoStar Realty Information Inc.(As Of April 6, 2020)

## 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.



**LOCAL EXPERTISE. INTERNATIONAL REACH. WORLD CLASS.**



The Los Angeles/Long Beach industrial market was coming off another record-breaking year and carried its momentum well into February, until these conditions ended abruptly with the arrival of the Coronavirus (COVID-19); leaving uncertainty, speculation and probable challenges for the quarter ahead.

The summary for the First Quarter Stats before addressing the COVID-19 affect – direct industrial vacancy rate in the Los Angeles / Long Beach Industrial Marketplace increased from 1.5% in the 4th Quarter to 1.8% in the 1st Quarter 2020. However, asking lease rates rose back up to \$1.09 PSF from \$1.07 PSF from the previous quarter. Lee & Associates believes this could be attributed to the new product that was delivered with higher price expectations. There was over 1 Million square feet (SF) under construction last quarter with approximately 700,000 SF being delivered and quickly leased this quarter. This leaves approximately 369,363 SF under construction in the South Bay. Looking ahead, it will take time for a trickle-down effect to truly show the impact on property values and vacancy as what occurred during the ‘Credit Crisis’ over a decade ago, where full impact on commercial real estate wasn’t realized for about 6 months.

By the end of the quarter, several lease negotiations that were in progress quickly evaporated leaving only a few deals to transact in the final weeks of March. Several Landlords agreed to additional free rent concessions at execution in order to credit delays of improvements and get a deal completed. For existing leases, Landlords realize that the Pandemic is unprecedented. For those Tenants that demonstrated a sincere need for assistance, some Landlords have been willing to work with Tenants on concessions to help their Tenants’ cash flow. Lee & Associates has been directly involved with many

of these conversations, please reach out to us for guidance or assistance.

The unemployment rate in California was at a record low of 3.9% in February 2020 according to the UCLA Anderson School, but quickly rose to 5.3% by the end of March. So far Nationally, there have been over 22 Million new unemployment filings in the month since President Trump declared a National Emergency in mid-March. The New York Times estimated the National Unemployment Rate at approximately 13% as of mid-April. This number includes furlough workers who are expected to return to work soon after the shelter-in-place order is lifted. As a reference, at the height of the ‘Credit Crisis’ the unemployment rate had jumped to 12.3%. One major difference compared to the U.S. Government’s response in 2008/2009, has been their quick economic support with the passing of various stimulus programs.

Federal programs put in place like the Payroll Protection Program (PPP), SBA Cares Act and Disaster Relief Loans (EIDL, etc.) are a key component to help the U.S. economy. Many small businesses have been taking advantage of the 504 loans where the SBA is willing to pay the first 6 months of payments funded prior to September 27, 2020. These are great incentives for small business owners to close escrow as fast as possible. Give your SBA Lender a call to learn more about these government incentives.

Another action the government has done has been revising tax codes for Investors on 1031 Exchanges. According to First American Exchange Company, Notice 2020-23 released on April 9, 2020, provides taxpayers who currently engaged in a 1031 exchange some relief from the 45 day identification and

180 day exchange period deadlines. Consult your tax or legal advisor regarding your specific circumstances.

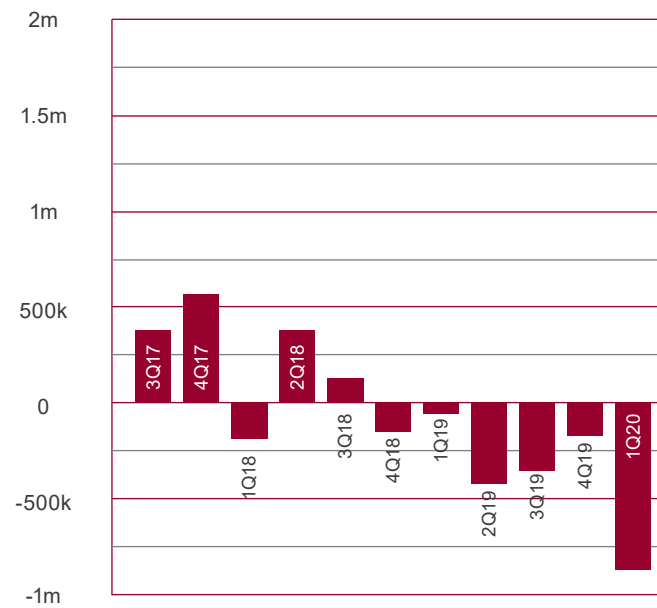
Presently, PIMCO revised their previous annual forecasts for real U.S. GDP contracting over 5% over the full year, with the biggest economic slowdown being experienced in the 2nd Quarter. As California is under a shelter-in-place order, Lee & Associates continues to be committed to serving the needs of our clients during the Coronavirus pandemic and beyond. Our professionals have and will remain available with

online meetings, phones and email. Contact your local Lee & Associates real estate agent for the best strategy to navigate through COVID-19 for your situation.

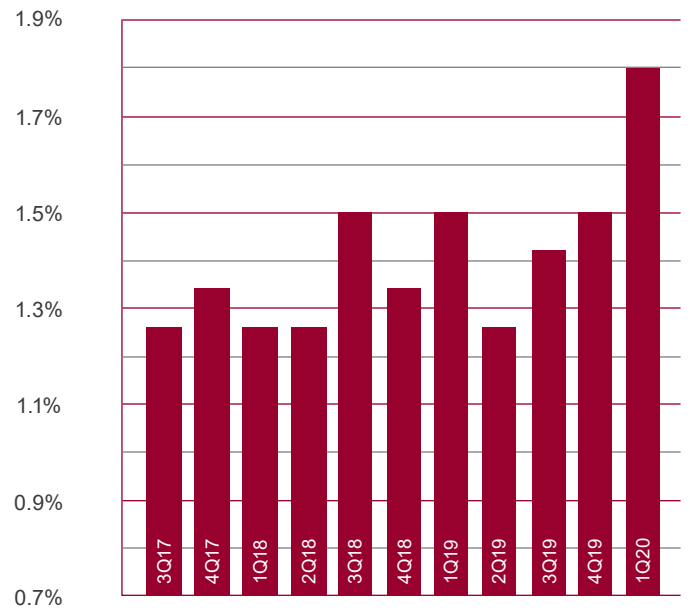
Stay healthy, safe and positive – we are all in this together.

-Brandon Carrillo, Principal  
Garrett Massaro, Principal  
Bret Osterberg, Principal

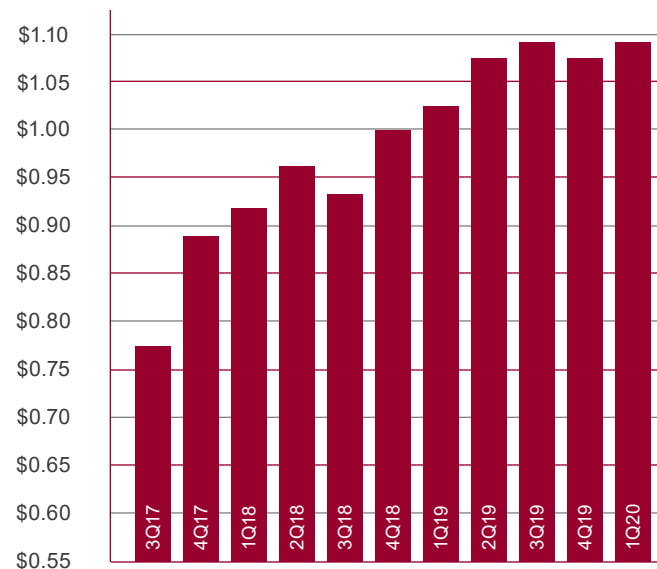
## NET ABSORPTION



## VACANCY



## AVERAGE ASKING RENT BY QUARTER



## ASKING PRICE PER SQ FT



Source: CoStar Realty Information Inc





Source: CoStar Realty Information Inc

## Q1 2020 TOP LEASES

| PROPERTY ADDRESS        | CITY       | TYPE      | LEASE RATE      | SQUARE FEET | LEASE TYPE |
|-------------------------|------------|-----------|-----------------|-------------|------------|
| 21900 S WILMINGTON AVE  | CARSON     | WAREHOUSE | \$1.14 / SF GRS | 411,840 SF  | DIRECT     |
| 741-745 W. ARTESIA BLVD | COMPTON    | WAREHOUSE | \$0.94 / SF NNN | 381,811 SF  | DIRECT     |
| 20333 NORMANDIE AVE     | TORRANCE   | WAREHOUSE | \$1.00 / SF GRS | 200,278 SF  | SUBLEASE   |
| 1001 E DOMINGUEZ ST     | LONG BEACH | LAND      | \$0.44 / SF NNN | 784,080 SF  | DIRECT     |
| 439 E CARLIN AVE        | COMPTON    | LAND      | \$0.38 / SF NNN | 151,153 SF  | DIRECT     |

## Q1 2020 TOP SALES

| PROPERTY ADDRESS       | CITY             | TYPE      | SALES PRICE   | SQUARE FEET | REGION |
|------------------------|------------------|-----------|---------------|-------------|--------|
| 19145 GRAMERCY PL      | TORRANCE         | WAREHOUSE | \$198.73 / SF | 108,186 SF  | SOUTH  |
| 1805 S WILMINGTON AVE  | COMPTON          | WAREHOUSE | \$200.01 / SF | 71,150 SF   | SOUTH  |
| 17813 S MAIN ST        | GARDENA          | WAREHOUSE | \$162.08 / SF | 65,400 SF   | SOUTH  |
| 19400 S LAUREL PARK RD | RANCHO DOMINGUEZ | WAREHOUSE | \$167.97 / SF | 61,462 SF   | SOUTH  |
| 21010 S FIGUEROA ST    | CARSON           | WAREHOUSE | \$229.06 / SF | 36,846 SF   | SOUTH  |



## LOS ANGELES & LONG BEACH PORT ACTIVITY

For the Ports of Los Angeles and Long Beach, their combined 1st quarter volumes were down over 13% with the Port of LA dropping over 30% in March alone. Executive Director of the Port of Los Angeles and recent appointee by the California Governor to the role of Chief Logistics Officer in Action, Gene Seroka stated, "We've had two serious shocks to our supply chain system. First the trade war between the U.S. and China and now the COVID-19 pandemic. With U.S. retailers and cargo owners scaling back orders, volumes are soft even though factories in China are beginning to produce more. Amidst this public health crisis, there will be uncertain months ahead in the global supply chain."

For the Port of Long Beach's 1st quarter, overseas health concerns from the Coronavirus caused 19 canceled sailings. These 'blank sailings' contributed to a -6.9% decline in overall cargo shipments compared to the first three months of 2019. In assessing Long Beach's performance to 2019, January was lower by -4.63% (626,829 TEUs), February fell by -9.75% (538,428 TEUs), and March declined by -6.36% (517,664 TEUs). As this virus has entered Southern California, Long Beach Harbor Commission President Bonnie Lowenthal has stated that, "The health and well-being of our entire workforce, our stakeholders and our community remain a top priority as we balance our duty to keep goods moving through this vital link in the national supply chain. In the face of new challenges, the Port of Long Beach continues to adapt to the needs of our customers and consumers."

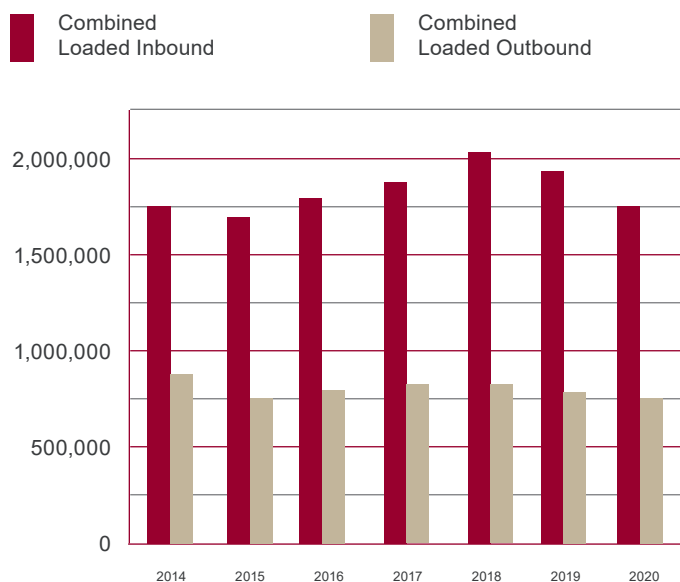
The Port of Los Angeles had over 30 container vessels cancel berths at their docks for the 1st quarter which resulted in an overall decrease of -18.5%. In comparing Los Angeles' quarter to 2019, January decreased by -5.43% (806,142 TEUs), while February declined even further with a decrease of -22.87% (544,037 TEUs), and March decreased significantly by -30.94% (449,568 TEUs). LA's March container count was the lowest monthly cargo moving through the Port since February 2009. Looking forward, the Port of LA expects less ship cancellations in April, however, between May to early July, 1 in every 6 container ships (+/- 18%) is expected to cancel.

Both the Port of Los Angeles and Long Beach understand their role in the economy and both are working tirelessly to remain open and keep their partners safe. As we move into the 2nd quarter, there is a cloud of uncertainty that will clear in time. While there is speculation on exactly how long it will take the economy to return to 'normalcy,' it is probable that record container volumes will be difficult to attain as in previous years. With the recent passage of the CARES Act, qualifying U.S. businesses are hopeful the Small Business Administration's financial relief can provide enough working capital to help us all retain jobs and recover from this crisis quickly. Both the Ports of Los Angeles and Long Beach will be ready for goods movement to get back on track.

- David Bales, Principal  
Ryan Endres, Principal

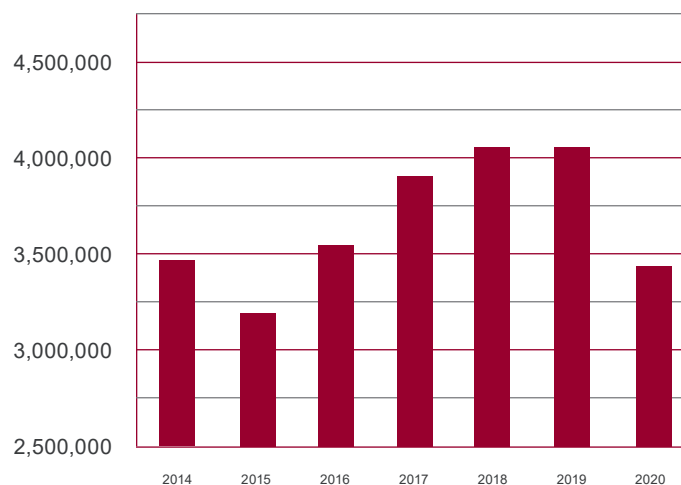
### TEUs YTD MARCH 2020

Source: [www.polb.com](http://www.polb.com) [www.portoflosangeles.org](http://www.portoflosangeles.org)

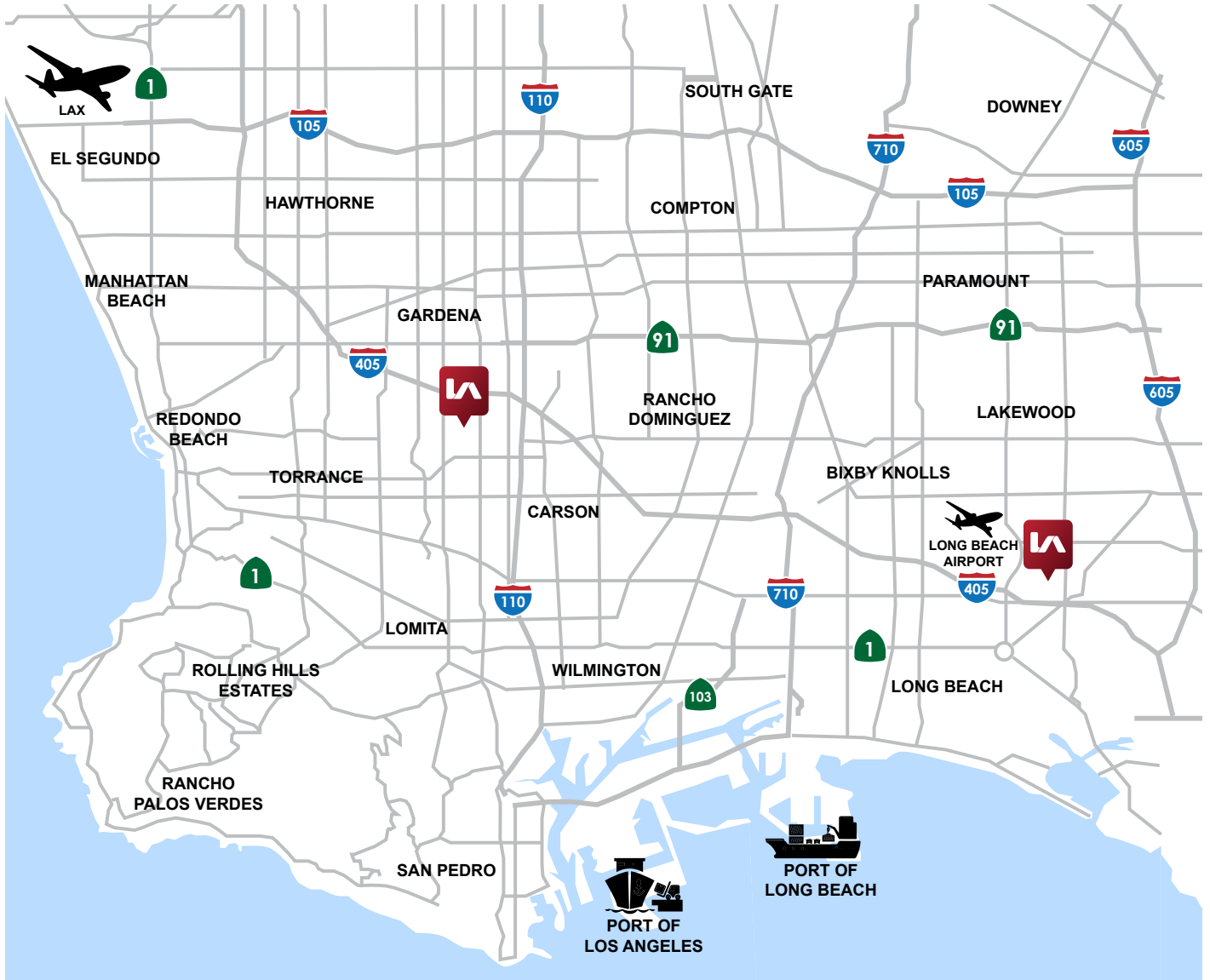


### Total Containers San Pedro Port Complex

*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, and The Wall Street Journal



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