



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

Q2


MARKET REPORT Q2 2020


LOS ANGELES - LONG BEACH
INDUSTRIAL MARKET REPORT


MIXED SIGNALS

Q2 TRENDS AT A GLANCE

 **Absorption**
(1,588,457) SF

 **Average Rent**
\$1.09 / SF

 **Sales Transactions**
\$150.8 Million

 **Vacancy**
2.4%

 **Under Construction**
1,185,722 SF

 **Average Sales Price**
\$244.57 / SF

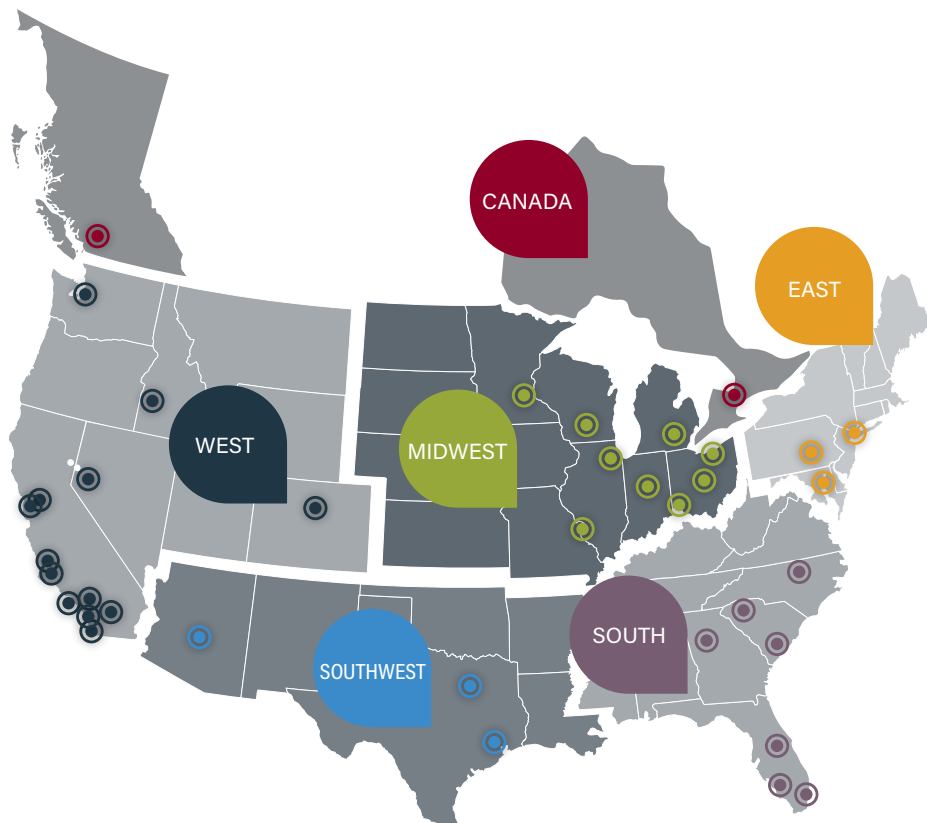
Source: CoStar Realty Information Inc.(As Of July 1, 2020)

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.



Signals from various sectors of the economy have been mixed. While Covid-19 continues to create complications in the local economy and employment levels are in flux, manufacturing, e-commerce, and cold storage segments are gaining strength. The Los Angeles/Long Beach industrial real estate market has consistently been resilient and has had strong demand, but our economy has new hurdles to overcome with reestablished restrictions for retail, restaurants, gyms and school closures. Demand for sale and sublease product has picked up slightly whereas, direct leases have leveled off.

The direct industrial vacancy rate in the Los Angeles/Long Beach Industrial Marketplace increased from 1.8% in the 1st Quarter to 2.4% in the 2nd Quarter 2020. Asking lease rates remained at \$1.09 PSF in the 2nd Quarter with Tenants preferring to do short term leases. This likely new trend could be attributed to tenants securing short term contracts and many businesses being cautiously optimistic as they see how things play out in the worldwide economy. New product was delivered to the marketplace with absorption dropping by -1,588,457 SF. There was over a million square feet under construction during the 2nd Quarter, and in time we shall see the trickle-down effect showing the impact upon real estate values and vacancy. During the credit crisis it took about 6 months to see the full impact on commercial real estate market.

Consumers are purchasing goods online at a record pace. Supply chains are adjusting. E-commerce supports millions of jobs worldwide and helps keep industrial real estate in strong demand. Developers and investors continue to be attracted to the Los Angeles/Long Beach industrial real estate markets. The most notable projects are the Goodman Acquisition of 93 acres of a former Boeing C17 facility, and Bridge's development of a former Paramount Petroleum site.

Federal programs that were put in place like the Payroll Protection Program, SBA Cares Act and Disaster Relief Loans were key components to help the US economy. Many small businesses have been taking advantage of the 504 loans where the SBA is willing to pay for the first 6 months of payments funded prior to September 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.

Despite the challenging economic landscape, the California Legislative Committee is still pushing for Proposition 15 (Split Roll Tax) and SB 939 that are unfairly burdensome and must be stopped to prevent the California Economy into a complete free fall. Proposition 15 is aimed at destroying Proposition 13 protection for commercial real estate. California Senate Bill 939 looks to put a moratorium on all evictions and unlawful detainer actions against any qualifying commercial tenants defined as eligible Covid-19 impacted commercial tenants. Lee & Associates recommends contacting your local representative about voting no on SB939, and Proposition 15 November 2020.

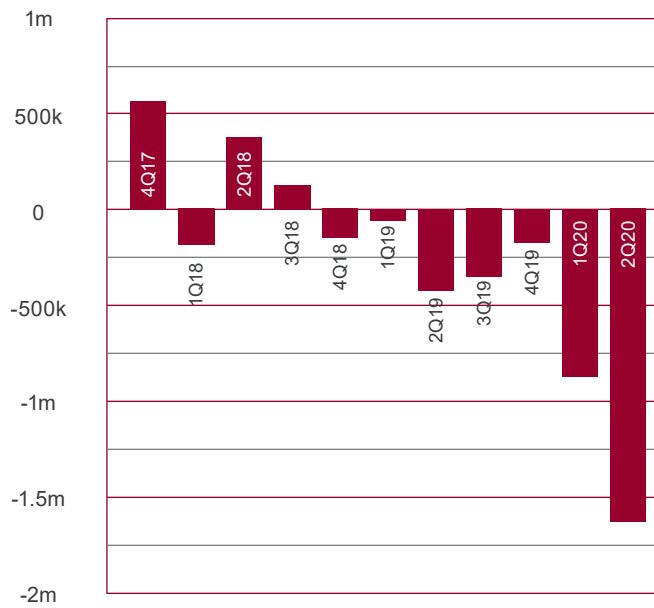
The Los Angeles/Long Beach Industrial real estate market is home to the country's largest port complex (Ports of Los Angeles and Long Beach) and Los Angeles International Airport, which distributes much of the import-export cargo to and from ASIA to the US. The central bank and Government are willing to do whatever it takes to limit further damage to the US economy, which should bolster small businesses and consumers once the quarantine is lifted. Lee & Associates is committed to our clients during these challenging times and will continue to work safely to serve the real estate needs of our clients during the Coronavirus pandemic. Our professionals will remain available with online meetings, phone and email. Contact your local

Lee & Associates real estate agent for the best strategy for your situation in navigating through the Corona Virus (Covid-19). Lee & Associates cares about everyone's safety by investing in a new state of the art virtual tour system. This allows prospective buyers and tenants the ability to do a 3-D tour of properties we have listed without having to take the risk of whether or not a space has been clean to the satisfaction of the CDC guidelines.

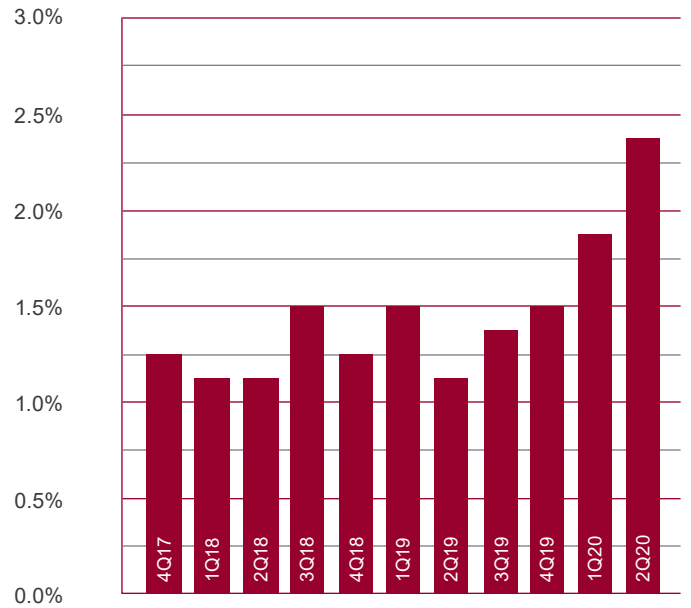
Stay healthy, safe and positive – we are all in this together.

-Brandon Carrillo, Principal & Bret Osterberg, Principal

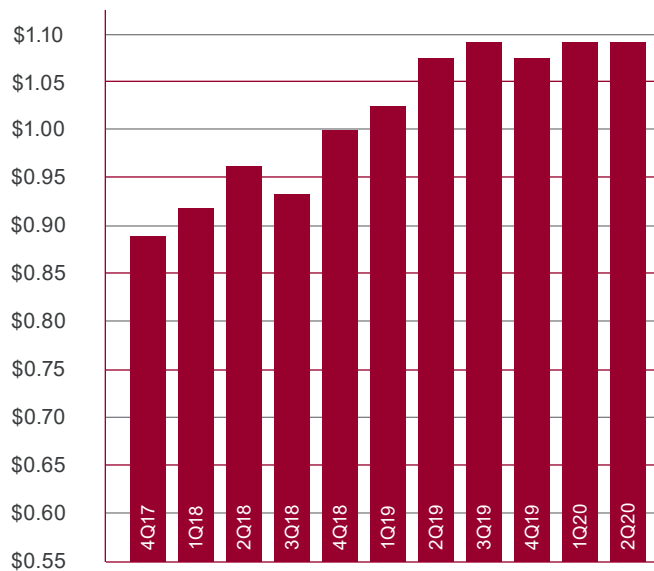
NET ABSORPTION



VACANCY



AVERAGE ASKING RENT BY QUARTER



ASKING PRICE PER SQ FT



Source: CoStar Realty Information Inc



Source: CoStar Realty Information Inc & AIR

Q2 2020 TOP LEASES

PROPERTY ADDRESS	CITY	TYPE	LEASE RATE	SQUARE FEET	LEASE TYPE
19600 WESTERN AVE	LOS ANGELES	WAREHOUSE	\$0.96 /SF NNN	314,559 SF	DIRECT
601 W WALNUT ST	RANCHO DOMINGUEZ	WAREHOUSE	\$0.93 / SF MG	200,000 SF	SUBLEASE
2012 ABALONE AVE	TORRANCE	WAREHOUSE	N/A	107,154 SF	DIRECT
21126-21140 AVALON BLVD	CARSON	LAND	\$0.18 /SF GRS	614,196 SF	DIRECT
1621 E OPP ST	WILMINGTON	LAND	\$0.45 / SF NNN	256,132 SF	DIRECT

Q2 2020 TOP SALES

PROPERTY ADDRESS	CITY	TYPE	SALES PRICE	SQUARE FEET	REGION
2001 E DOMINGUEZ ST	CARSON	WAREHOUSE	\$158.08 / SF	306,313 SF	SOUTH
24600-24640 S MAIN ST	CARSON	WAREHOUSE	\$145.36 / SF	237,504 SF	SOUTH
538 CRENSHAW BLVD	TORRANCE	WAREHOUSE	\$283.89 / SF	174,361 SF	SOUTH
15650-15700 S AVALON BLVD	COMPTON	MANUFACTURING	\$169.06 /SF	166,088 SF	SOUTH
1055 SANDHILL AVE	CARSON	FOOD PROCES.	\$91.43 / SF	158,595 SF	SOUTH

19600 WESTERN AVE | LOS ANGELES

LEASED



601 W WALNUT ST | RANCHO DOMINGUEZ

LEASED



2012 ABALONE AVE | TORRANCE

LEASED



2001 E DOMINGUEZ ST | CARSON

SOLD



24600-24640 S MAIN ST | CARSON

SOLD



538 CRENSHAW BLVD | TORRANCE

SOLD



LOS ANGELES & LONG BEACH PORT ACTIVITY

The local ports' volumes have steadily decreased since September 2019 as a result of the trade war with China and are now suffering from the results of the Covid-19 Pandemic. Through 2020's midpoint, combined TEUs in the San Pedro Bay port complex are down over 14%. Cancelled vessels are up over 250% from this time last year with 104 withdrawn ships compared to only 41 this time last year. "Canceled sailings continued to rise at a rapid rate in the second quarter as ocean carriers adjusted their voyages to a decline in demand for imports during the national Covid-19 outbreak and may persist for some time" said Mario Cordero, Executive Director of the Port of Long Beach.

Long Beach's 2nd quarter had about the same number of cancelled vessels (37 YTD) and total volumes so far are down by -7.35%: April fell by -17.26% (519,730 TEUs); May experienced an increase of +9.52% (628,206 TEUs); June had a double digit decline at -11.07% (602,168 TEUs). There was a bright spot for Long Beach when three separate terminals set historic records of ship-to-shore moves in June highlighting POLB's continued focus on efficiency and investment in infrastructure to meet customer needs. "Our overall cargo numbers may be down, but records continue to be broken thanks to the hard work and collaboration of terminal operators and dockworkers," said Long Beach Harbor Commission's President, Bonnie Lowenthal. "The economic recovery is going to take some time, but we are optimistic for the future of the Port and our partnerships with labor and the entire goods movement industry."

The Ports of Los Angeles witnessed almost twice as many cancelled voyages (67 YTD) compared to Long Beach which resulted in an overall decrease of almost -17% for the year. April's container volume dropped by -6.45% (688,999 TEUs); May declined -29.81% (581,665 TEUs); followed by June's

decrease of -9.58% (691,473 TEUs). Port of Los Angeles Executive Director Gene Seroka stated the POLA will help get Americans back to work, drive economic recovery, and focus on what they can control by enhancing its competitiveness with infrastructure, technology and operational efficiencies.

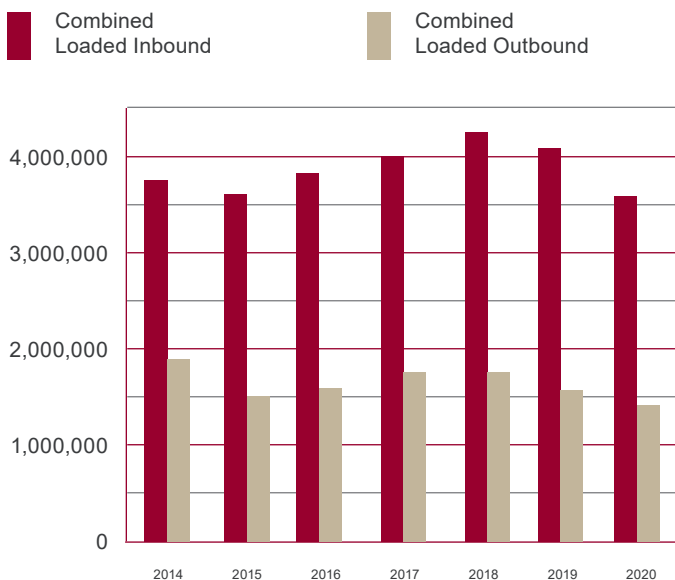
While overall volumes have increased at Southern California's ports, the West Coast's share of US imports from Asia has declined by -16.9% in the past 15 years – from 77.5% in 2005 to 60.6% in 2019. During the same period, the East Coast's market share increased from 21.4% to 34%, and the Gulf Coast's share increased from 0.68% to 3.8%. Seroka said, "It costs more to do business in California. Period"; therefore they joined shipping lines and terminal operators in asking State and regional regulators to reexamine business and environmental regulations that they claimed are costing West Coast ports container volume. Seroka stated that in order to prevent further loss of market share, the Port of Los Angeles is concentrating on measures that will reduce the costs incurred by beneficial cargo owners through operational improvements such as container dray-offs. Moving the storage of chassis from marine terminals to near-dock sites is the plan, and increased investments in digitizing the exchange of shipment documents is the new path being chosen.

The current report card has Import TEU counts reflecting the amount from 2013's inbound boxes - while one would have to go back to 2009 to see similar export counts. Empties have softened the fall of overall combined numbers. There will be much to watch in the months ahead as the uncertainty of schools re-opening and potential peak season surges will certainly influence how the final numbers will stack up.

- David Bales, Principal & Ryan Endres, Principal

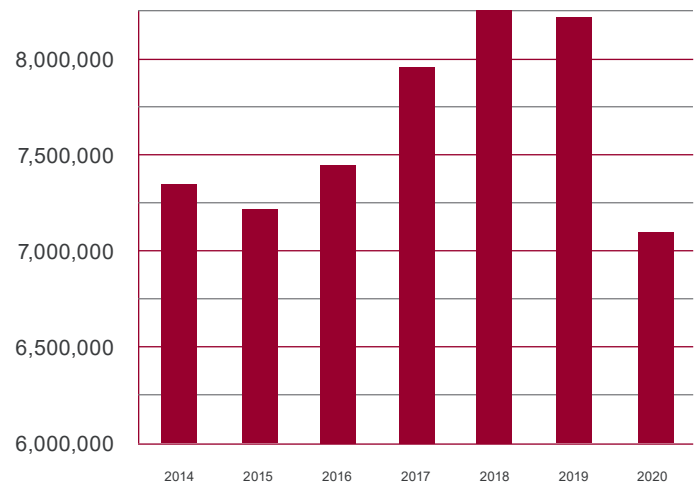
TEUs YTD JUNE 2020

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

The information and details contained herein have been obtained from third-party sources believed to be reliable; however, Lee & Associates Los Angeles - Long Beach, Inc. has not independently verified its accuracy. Lee & Associates Los Angeles - Long Beach, Inc. makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to the implied warranty of suitability and fitness for a particular purpose.*

© Copyright 2020 Lee & Associates Los Angeles - Long Beach, Inc. All rights reserved.

Contributed By:

Brandon Carrillo | CalDRE Lic# 01745362
Bret Osterberg | CalDRE Lic# 01364530
David Bales | CalDRE Lic# 01388502
Ryan Endres | CalDRE Lic# 01901652

*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

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



Los Angeles Office

1411 W. 190th Street, Suite 450, Gardena, CA 90248
Office: 310.768.8800 | Fax: 310.768.8978

Long Beach Office

5000 E. Spring Street, Suite 600, Long Beach, CA 90815
Office: 562.354.2500 | Fax: 562.354.2501

CalDRE Lic#01069854

www.lee-associates.com