



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

Q4

MARKET REPORT Q4 2018

LOS ANGELES - LONG BEACH
INDUSTRIAL MARKET REPORT

DEMAND IN ALL SIZES

Q4 TRENDS AT A GLANCE



Absorption
(254,943) SF



Average Rent
\$1.00 / SF



Sales Transactions
\$176.83 Million



Vacancy
1.4%



Under Construction
1,048,875 SF



Average Sales Price
\$186.06 / SF

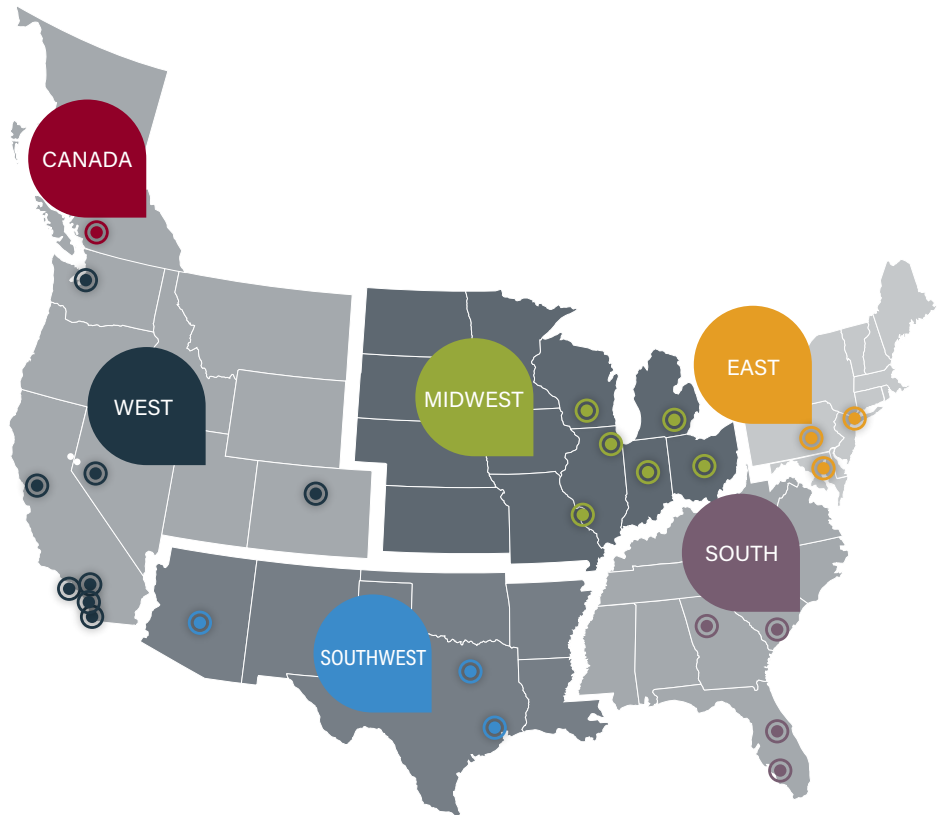
Source: CoStar Realty Information Inc.(As Of January 5, 2019)

ABOUT LEE & ASSOCIATES

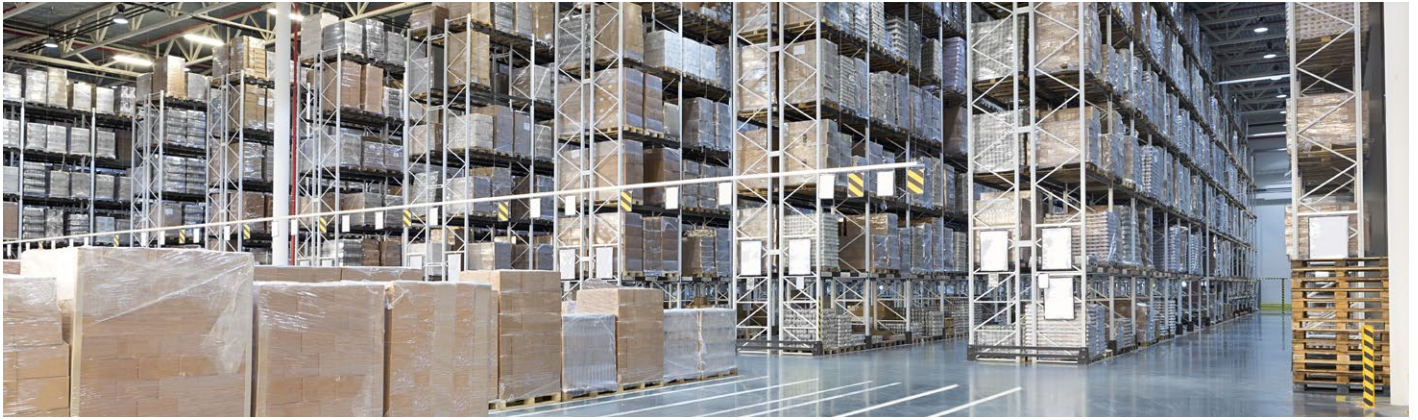
At Lee & Associates® our reach is national but our expertise is local market implementation. This translates into seamless, consistent execution and value driven market-to-market services.

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.



What a year 2018 was for the Los Angeles/Long Beach industrial market, with rent growth increasing yet again and record-low vacancy rates going on 15 straight quarters hovering just above 1%. Overall, average rents had a year over year increase of 17.6% and over the last two years, average rents have grown by 23.5%. The majority of the rental increases can be attributed to the record-high lease rates demanded from Class A & B facilities as a result of increased land prices and limited availabilities. Further, due to the competition for space among users, even landlords of less functional buildings by today's standards are able to push rents higher and lock-in longer lease terms. According to the UCLA forecast, the economy is downshifting from a 3% growth in real GDP to 2% in 2019, an estimated 1% in 2020. As land in the Los Angeles/Long Beach industrial market continues to be exceedingly scarce, we expect lease rates to trend upwardly for well into 2019.

The direct industrial vacancy rate in the South Bay increased slightly from 1.3% in the 3rd quarter of 2018 to 1.4% in the 4th quarter of 2018, primarily attributed to an increase in modern development. The demand from logistic users remains robust, therefore, as the 1,000,000+ square feet of under construction buildings become available, we are expecting them to be taken down by those companies needing the last mile Class A fulfillment centers. The average lease rates for the South Bay increased from \$0.95PSF in 3Q18 to \$1.00PSF in 4Q18. The increase in lease rates was primarily due to the absorption of Class A facilities. Below are a few of the larger leases for the 4th quarter of 2018:

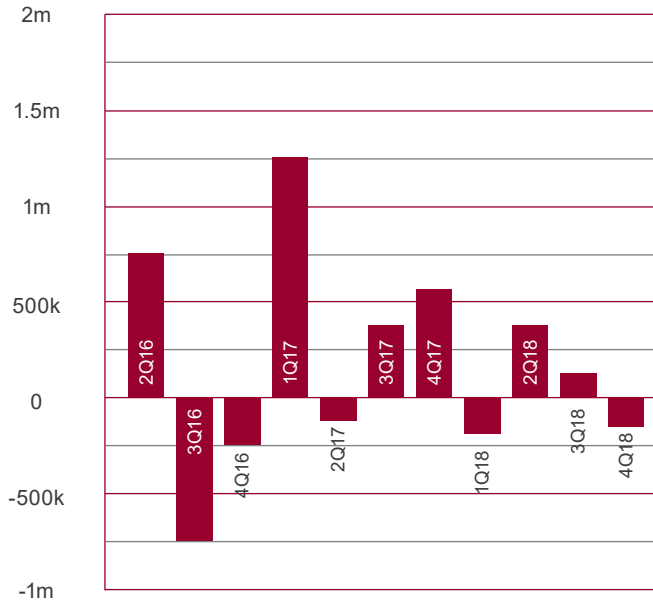
- 19400 Harborgate Way, Torrance
JR286 Inc. leased 127,608 square feet
- 18120 Bishop Avenue, Carson
Trademango Inc. leased 290,034 square feet
- 2000 E. Carson Street, Carson
Toll Global Inc. renewed 293,800 square feet

As 2018 was coming to a close, we saw a final push of investors closing on large properties to end the year on a high note. The average sales price has increased by over 30% from 4Q2016 to 4Q2018. In Q42018 the volume of Sales Transaction more than doubled from Q3, ending up tipping over \$175 million in total to finish another great year of sales for the South Bay Industrial Market. Being that a good majority of the transactions that closed were of significant size, the average sales price decreased from the previous quarter by falling from \$259 in Q3 down to \$189 in Q4. Even with this decrease, asking rates have remained steady with sellers still trying to achieve record highs for both building and land sales. Among the top transactions we saw some familiar faces, with Prologis, Terreno, and Duke Realty leading the charge in Q4 all closing on large industrial assets to add to their ever-growing portfolios.

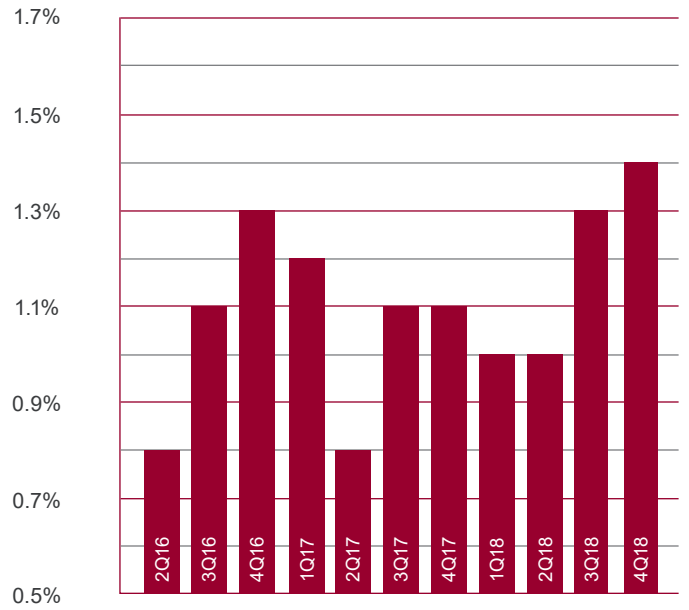
The rent growth and demand elicited in 2018 is likely to continue throughout 2019. With just about 200 million square feet of industrial space in the South Bay submarket and approximately 2.6 million of vacant space (mostly obsolete in terms of functionality), we expect lease rates to trend upwards as 1.05 million square feet of newer construction leases. "A sure sign of Los Angeles County's strengthening economy is the amount of new construction seen across the county, as businesses invest in new buildings and public infrastructure projects begin development. The construction industry is forecast to grow at 6.4% in 2019, adding 14,600 jobs through 2019." Further, in a supply-stricken market, land prices will continue to rise as developers and investors compete for product. With all that competition, many of our clients still expect us to be able to find that needle in a haystack when needed most, and by using our relationships with not only landlords, but tenants as well as other brokers, we are able to do so. As your local market experts in industrial real estate, contact us for more information regarding your submarket and guidance in how to achieve your goals moving into 2019.

-Joseph Stanko, Principal & Andy Gage, Associate

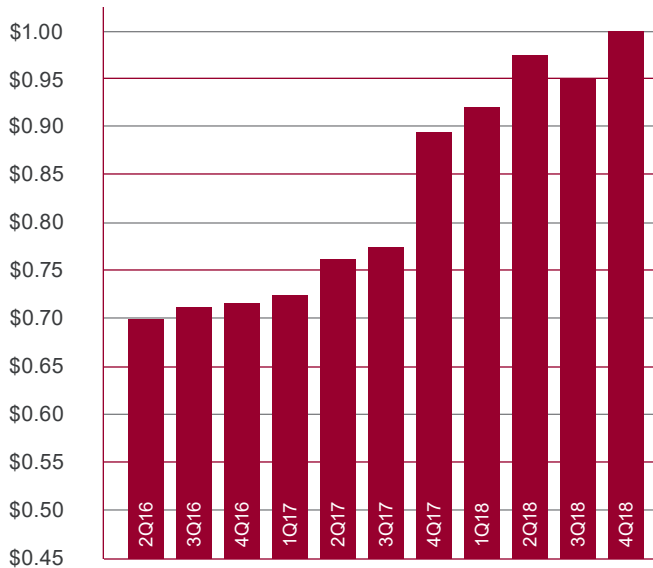
NET ABSORPTION



VACANCY



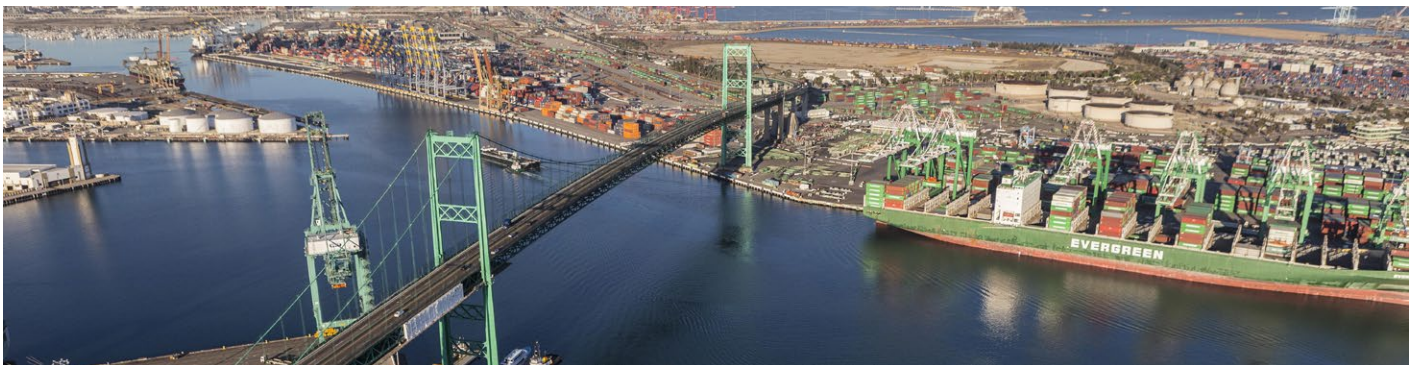
AVERAGE ASKING RENT BY QUARTER



ASKING PRICE PER SQ FT



Source: CoStar Realty Information Inc





Source: CoStar Property®

Q4 2018 TOP LEASES

PROPERTY ADDRESS	CITY	TYPE	LEASE RATE	SQUARE FEET	LEASE TYPE
21126-21212 S AVALON BLVD	CARSON	LAND	\$0.17 / SF GRS	614,196 SF	DIRECT
6130-6170 PARAMOUNT BLVD	LONG BEACH	LAND	\$0.39 / SF NNN	493,099 SF	RENEWAL
2000 E CARSON ST	CARSON	WAREHOUSE	\$0.77 / SF NNN	293,800 SF	RENEWAL
18120 BISHOP AVE	CARSON	WAREHOUSE	\$0.88 / SF NNN	290,034 SF	DIRECT
4350 CONANT ST	LONG BEACH	WAREHOUSE	\$0.92 / SF NNN	140,430 SF	DIRECT

Q4 2018 TOP SALES

PROPERTY ADDRESS	CITY	TYPE	SALES PRICE	SQUARE FEET	REGION
13344 S MAIN ST	LOS ANGELES	WAREHOUSE	\$139.59 / SF	256,000 SF	SOUTH
333-339 E GARDENA BLVD	GARDENA	LAND	\$48.49 / SF	101,059 SF	SOUTH
12128 BURKE ST	SANTA FE SPRINGS	WAREHOUSE	\$214.34 / SF	95,685 SF	SOUTHEAST
605-607 N NASH ST	EL SEGUNDO	WAREHOUSE	\$419.23 / SF	65,000 SF	SOUTH
1100 W WALNUT ST	COMPTON	DISTRIBUTION	\$184.88 / SF	60,040 SF	SOUTH



LOS ANGELES & LONG BEACH PORT ACTIVITY

2018 ended just like 2017 – a new record for the combined port complex AND a new North American record for the Port of Los Angeles. For the year, the combined container volume at our Southern California Port Complex finished 3.92% higher from last year’s total volume.

For six consecutive months, the Port of Los Angeles moved more than 800,000 TEUs. October was the busiest month in Los Angeles history (952,554 TEUs) with imports, exports and empties each increasing more than 20%. November 2017 was the previous single month record holder until October 2018. After such a huge month, ironically November 2018 decreased by almost 10% (832,331 TEUs) with imports and empties down approximately 9% and exports falling 14.3%. December finished extremely strong surging with 15.92% higher than last year with 903,258 TEUs and propelled 2018 into the record books with a year over year total increase of 1.01%. “2018 was marked by a robust economy coupled with tariff-induced surges of cargo headed to U.S. retail and manufacturing sectors,” said Port of Los Angeles Executive Director Gene Seroka. “These extraordinary volumes highlight the need for continued stakeholder collaboration on methods to maximize supply chain efficiency. Through a number of initiatives, we are focused on both physical and digital infrastructure enhancements that continue to ensure the reliable, safe and efficient conveyance of cargo through our gateway.”

The Port of Long Beach also had its biggest year ever in its history with 8,091,023 TEUs representing growth of 7.2%. For the year, Long Beach increased imports by 6.1%; Exports by 3.6% and Empties eclipsed last year by 11.8%. October was up

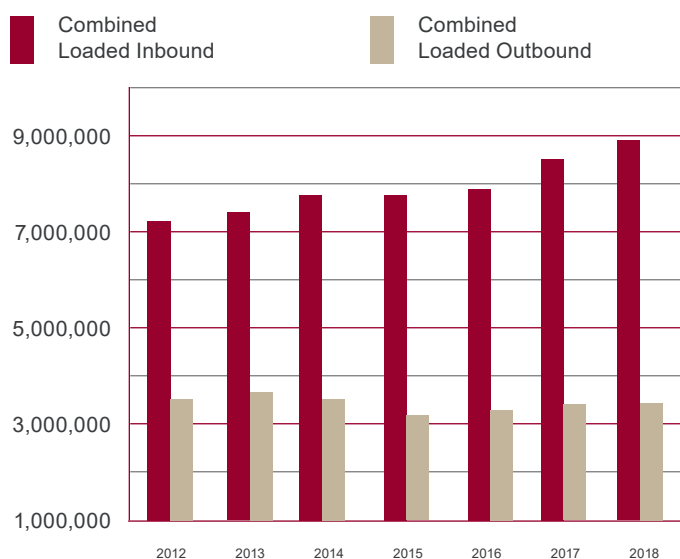
by 5.41% (705,408 TEUs), with imports and empties up 7.3 and 8.5 respectively, but imports were down by 5%. November was again up, but only slightly by 1.5% (621,834 TEUs). December posted 741,647 TEUs representing an increase of 6.4% and was the second-busiest month ever for the Port of Long Beach behind June 2018. The Port of Long Beach highlights that these cargo gains are likely due to the infusing of \$4 billion into infrastructure and zero-emissions initiatives adding to its operational excellence. Key projects in the years ahead include \$1 billion in rail improvements that will help boost the Port’s on-dock rail cargo capacity. The goal is to create efficiencies and additional growth opportunities with the goal of moving 35 – 50% of freight directly by on dock rail. Executive Director Mario Cordero stated, “Rail allows us to move goods to and from all the major U.S. markets much faster than cargo routed through Gulf and East coast ports. This is true for imports and exports. And for the American exporter, my message to you is this: our rail will move your cargo faster and more efficiently.”

Port officials expect trade overall to continue to post gains in 2019, but at a more conservative pace than last year. Economists have voiced more concerns regarding the U.S. – China trade war and what will happen prior to the March 1 deadline as well as potential slowing of economies in western Europe and China potentially diminishing U.S. exports. Long Beach’s Mario Cordero expresses optimism about the direction of commerce between the two countries: “With so much at stake on both sides of the Pacific, we believe the United States and China can resolve their differences and keep our economies growing.”

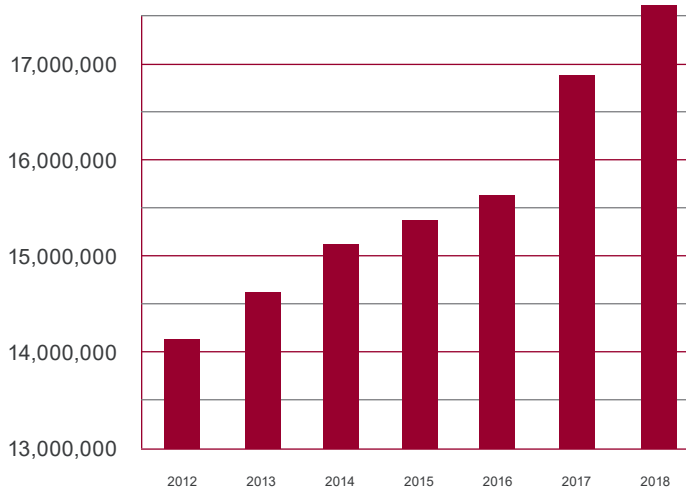
- David Bales, Principal & Ryan Endres, Principal

TEUs YTD DECEMBER 2018

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



Total Containers San Pedro Port Complex



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 2018 Lee & Associates Los Angeles - Long Beach, Inc. All rights reserved.

Contributed By:

Andy Gage | CalDRE Lic# 02015991
Joseph Stanko | CalDRE Lic# 01986776
Bret Osterberg | CalDRE Lic# 01364530
David Bales | CalDRE Lic# 01388502
Ryan Endres | CalDRE Lic# 01901652

*Third-Party Data Sources: CoStar Group, Inc., Port of Long Beach, Port of Los Angeles, Lee & Associates National Market Report, GlobeSt.com, NAIOP.Org, and The Wall Street Journal

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



COMMERCIAL REAL ESTATE SERVICES

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