

## Vacancy remains low as newly delivered buildings at an all-time high

Strong demand for industrial space across the Los Angeles market continues as vacancy remains at an all-time low. In the second quarter, new construction deliveries struck an all-time high of 3.6 million square feet (msf) resulting in the vacancy rate recording a slight increase. The largest delivery in the second quarter was an Amazon Fulfillment Center at 3100 Sakioka Drive in Oxnard totaling 1.5 msf. The overall vacancy rate, already one of the lowest in the U.S., ticked up 10 basis points (bps) over last quarter to just 1.6% regionwide. However, this is still down 130 bps from a total vacancy rate of 3.5% reported a year ago.

### Warehouse rental rate growth has continued to surge as new space delivers to the market

The asking rental rate recorded an astounding 50% year-over-year increase closing the second quarter at \$1.46 per square foot (psf) due to record low vacancy and new construction deliveries. Net absorption increased to 3.1 msf in the second quarter, up 17% from 2.7 msf reported last quarter. As mentioned above, overall net absorption was led by Ventura County recording 2.3 msf due to the delivery of the Amazon Fulfillment Center in Oxnard. Top lease transactions included WestRock renewing 309,934 sf in Cerritos, Curacao renewing 219,555 sf in Vernon and JD.com leasing 216,700 sf in City of Industry. Given the extremely tight market conditions, landlords will continue to increase asking rental rates across the Los Angeles region.

### Although deliveries strike an all-time high, available space remains limited

Although there was 3.6 msf of industrial deliveries added to the Los Angeles inventory in the second quarter, 80% of this space is pre-leased adding minimal new available space onto the market. Looking forward, it is expected that market conditions will remain landlord-favorable as vacancy rates remain low not only in the Los Angeles market but also in the neighboring markets of the Inland Empire and Orange County. Looking into the second half of 2022, economic headwinds are expected to become more pronounced and could lead to a moderation in leasing activity as some occupiers become more cautious as it relates to spending.

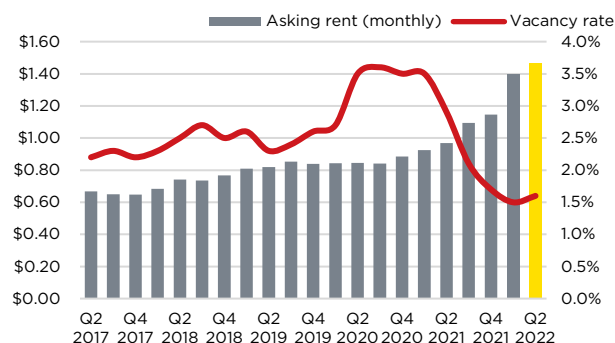
### Outlook

- Expect market conditions to remain extremely tight, however, concerns about high inflation and slowing economic growth will continue to persist for the remainder of the year
- Supply chain problems have continued into mid-year 2022 as backed up cargo at the Ports has eased only slightly and will remain an issue moving forward
- Average rental rates are forecasted to increase in even more due to near-zero vacancy levels

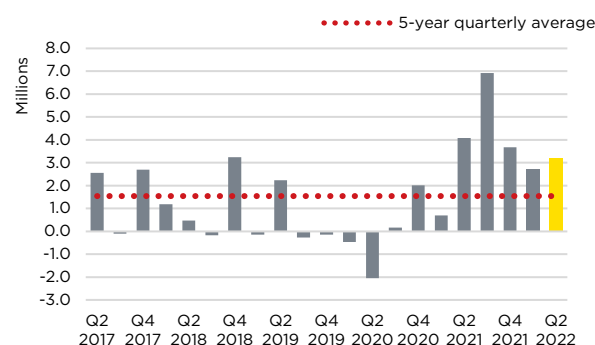
### KEY STATISTICS

	Q2 2021	Q2 2022	y-o-y Change
Inventory	644.3 MSF	655.5 MSF	▲
Vacancy Rate	2.9%	1.6%	▼
Quarterly Net Absorption	4.8 MSF	3.1 MSF	▼
Under Construction	4.8 MSF	5.5 MSF	▲
Deliveries	42,600 SF	3.6 MSF	▲
Asking Rental Rate (Monthly)	\$0.97	\$1.46	▲

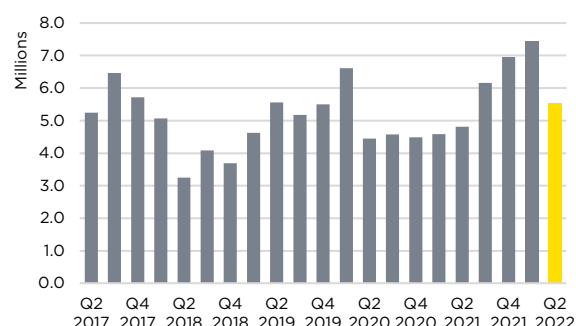
### ASKING RENT AND VACANCY



### NET ABSORPTION



### UNDER CONSTRUCTION



## BY THE NUMBERS

3.6M

square feet delivered, which is the highest ever

50%

asking rent growth over the past 12 months

1.0%

Mid-Counties with the lowest submarket vacancy

## TOP TRANSACTIONS

## Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
WestRock	309,934	18021 Valley View Avenue	Renewal	Mid-Counties	JC California Properties LLC
Curacao	219,555	4444 Ayers Avenue	Renewal	Commerce/Vernon	IDS Real Estate Group
JD.com	216,716	333 Hacienda Boulevard	New Lease	San Gabriel Valley	LW Investments, Inc.
Silver Hawk Freight LLC	120,862	13545-13565 Larwin Circle	New Lease	Mid-Counties	Cliffwood Development
FDH Aerospace	114,898	5200 Sheila Street	New Lease	Commerce/Vernon	Link Logistics Real Estate

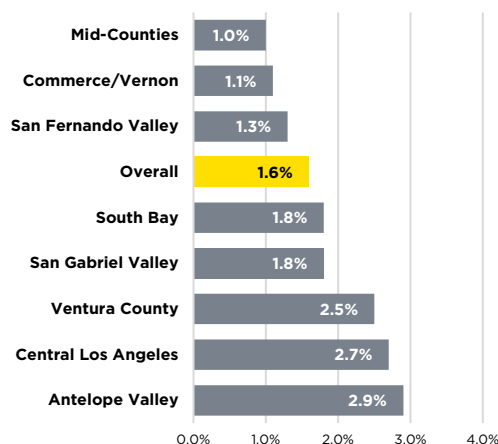
## Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
East End Capital	316,632	1206-1338 E 6 <sup>th</sup> Street (2 Bldgs)	\$240,000,000	Central Los Angeles	MSD Capital L.P.
Rexford Industrial Realty, Inc.	200,004	14200-14220 Armita Street	\$90,160,000	San Fernando Valley	Apex Equity Inc.
Penwood Real Estate	230,000	5729-5743 Smithway Street	\$69,840,000	Commerce/Vernon	Smithway Associates, Inc.
Monster Energy Company	72,380	12844 Excelsior Drive	\$62,500,000	Mid-Counties	Albertsons
Duke Realty Corporation	229,200	14724 Proctor Avenue	\$54,100,000	San Gabriel Valley	Jess Morgan & Company

Source: Savills Research

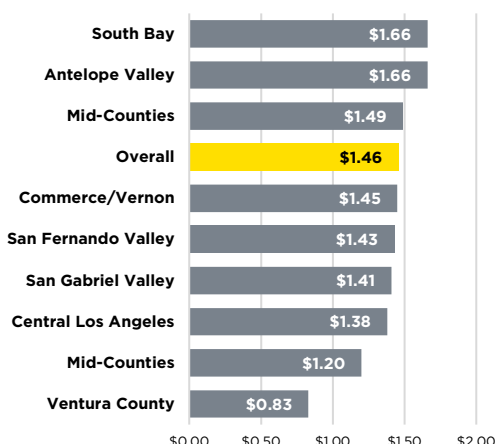
## VACANCY RATE COMPARISON

Los Angeles Industrial Submarkets



## RENTAL RATE COMPARISON (\$/SF)

Los Angeles Industrial Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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