



## Industrial market vacancy remains at historic low amidst unprecedented supply chain issues

In the first three months of 2022, the Southern California industrial market remains historically tight as global supply chain issues and increased consumer demand have seen very little change from 2021. 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 150 bps from a total vacancy rate of 3.1% reported a year ago. Despite continued tight market conditions, the Southern California industrial market enters 2022 with a degree of uncertainty amid geopolitical concerns and a 40-year high in inflation that is a headwind for consumers and ultimately industrial demand.

### Warehouse rental rate growth has continued to surge as the market remains extremely landlord-favorable

Net absorption of 5.9 million square feet (msf) in the 1st quarter is down 43% from 10.4 msf in total net absorption reported a year ago. The Inland Empire continues to lead the overall market with 4.3 msf of net absorption. Although there has been a slowdown net absorption to begin 2022, this has not stopped landlords from increasing asking rental rates with the overall average rental rate regionwide now increasing to \$1.20 per square foot (psf), up 19% year-over-year.

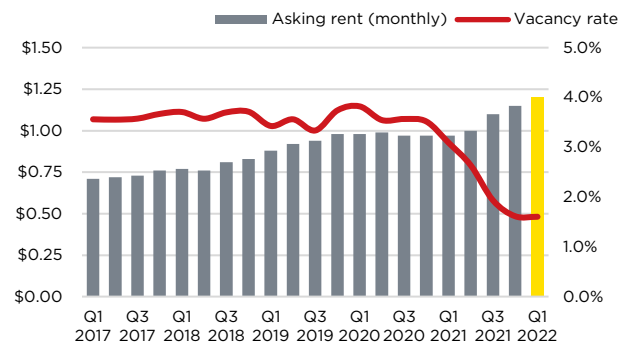
### New supply continues to be limited as the region's industrial market is increasingly built-out

While over 42 msf of industrial space is now under construction at the beginning of 2022, the Southern California industrial market continues to be severely supply-constrained as this current development activity comprises only 3.2% of the region's massive industrial real estate base. As mentioned above, the Southern California industrial market continues to see high favorable market conditions for landlords with record-low vacancy levels. However, there are growing macroeconomic concerns surrounding inflation, energy prices and consumer spending that may negatively impact industrial demand going forward.

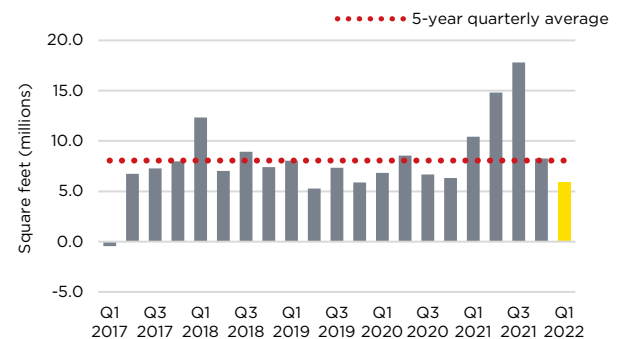
#### KEY STATISTICS

	Q1 2021	Q1 2022	y-o-y Change
Inventory	1.3 BSF	1.3 BSF	↔
Vacancy Rate	3.1%	1.6%	▼
Quarterly Net Absorption	10.4 MSF	5.9 MSF	▼
Under Construction	38.1 MSF	42.5 MSF	▲
Deliveries	5.1 MSF	5.4 MSF	▲
Asking Rental Rate (Monthly)	\$1.01	\$1.20	▲

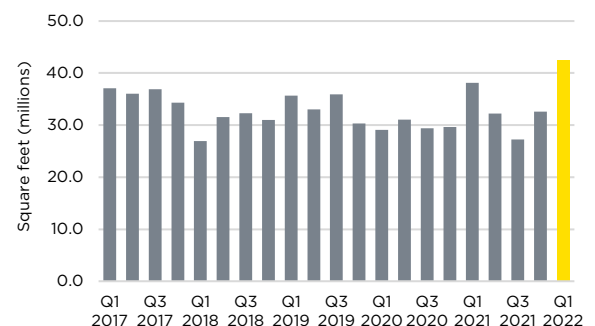
#### ASKING RENT AND VACANCY



#### NET ABSORPTION



#### UNDER CONSTRUCTION



#### Outlook

- Expect market conditions to remain extremely tight, however, concerns about a drop off in demand due to high inflation will continue to persist throughout the year
- Despite the lack of available land, developers remain bullish on the region and are increasingly looking for infill redevelopment sites which might include existing office and retail buildings to be torn down
- Supply chain issues have continued into 2022 as backed up cargo at the San Pedro Ports have eased but only slightly

BY THE NUMBERS

**42.5M**

square feet under construction, which is the highest ever

**18.8%**

asking rent growth over the past 12 months

**0.6%**

Commerce/Vernon with the lowest submarket vacancy

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Home Depot	1,099,629	SEC Eucalyptus Avenue and Euclid Avenue	New	Inland Empire-West	Clarion Partners
Syncreon Technology	692,645	22305 Oleander Avenue	New	Inland Empire-East	Clarion Partners
FKA Distributing Company	750,579	12215 Holly Avenue	New	Inland Empire-East	Alere Property Group
NFI Industries	682,700	2355 Placentia Avenue	New	Inland Empire-East	Black Creek Group
Best Buy	501,649	6251 Archibald Avenue	New	Inland Empire-West	Dermody Properties

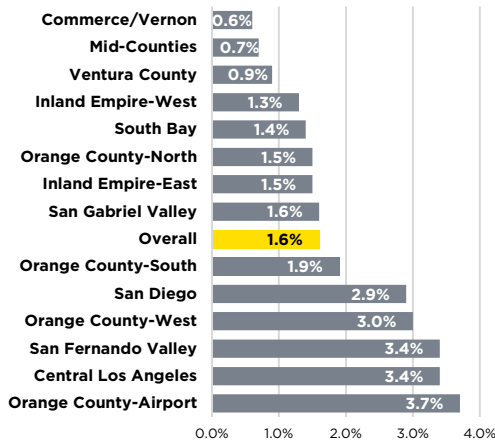
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
IDS Real Estate Group	682,800	14950 Meridian Parkway	\$225,000,000	Inland Empire-East	Prologis
Dermody Properties & AXA Investment Managers	951,945	LogistiCenter at Rialto (5 buildings)	\$117,639,500	Inland Empire-East	Dermody Properties
Walton Street Capital	183,972	21200 Victory Boulevard	\$60,000,000	San Fernando Valley	F & J Butler Enterprises LP
Rexford Industrial Realty	214,436	24903 Avenue Kearny	\$58,500,000	San Fernando Valley	Dedeaux Properties & Stockbridge Capital Group
CenterPoint Properties	108,616	2777 E Cedar Street	\$52,000,000	Inland Empire-West	KGP Logistics

Source: Savills Research

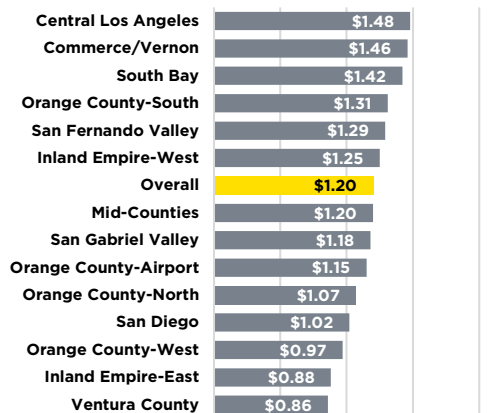
VACANCY RATE COMPARISON

Southern California Industrial Submarkets



RENTAL RATE COMPARISON (\$/SF)

Southern California 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.

Copyright © 2022 Savills

For more information, please contact us:

**Savills**  
777 South Figueroa Street  
30th Floor  
Los Angeles, CA 90017  
+1 213 553 3800

**Michael Soto**  
Director, Head of Office Research  
msoto@savills.us

**Mark Russo**  
Director, Head of Industrial Research  
mvrusso@savills.us

**Gregg Healy**  
Executive Vice President, Head of Industrial Services  
ghealy@savills.us

**About Savills Inc.**  
Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

