



Southern California industrial market vacancy ends 2021 at the lowest level ever recorded

At year-end 2021, the Southern California industrial market continued to report unprecedented warehouse demand as the U.S. economy has seen robust consumer spending amid widespread supply chain disruptions. The overall vacancy rate, already one of the lowest in the U.S., decreased even further to just 1.5% region-wide, the lowest ever recorded. Due to Southern California becoming increasingly built-out, market conditions continue to be highly landlord-favorable and as a result, expect supply-constrained fundamentals to continue into 2022.

Warehouse rental rate growth has surged to all-time highs as occupiers struggle to find space

Net absorption of 7.7 million square feet (msf) in the 4th quarter brought 2021 total net absorption in Southern California up to nearly 52.9 msf, up 113% from the 24.8 msf in total net absorption reported in 2020. Led overwhelmingly by the Inland Empire which reported over 31.0 msf of net absorption, industrial space demand accelerated in 2021 as the overall economy has rapidly expanded coming out of COVID-19 lockdowns. This has resulted in surging overall average rental rates increasing to \$1.15 per square foot (psf), up 19% year-over-year.

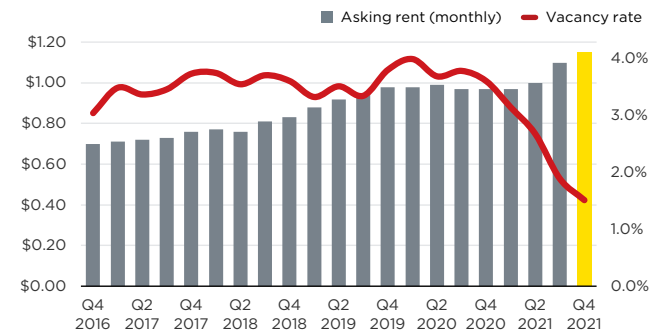
New supply continues to be limited as the region's industrial market is increasingly built-out

Despite over 33 msf of industrial space under construction across the region at year-end, the Southern California industrial market remains severely supply-constrained as this current development activity comprises only 2.5% of the region's massive industrial inventory. With robust pre-leasing activity, expect tight industrial market conditions to remain next year as warehouse demand is projected to continue to be robust while new supply remains limited compared to the size of the market.

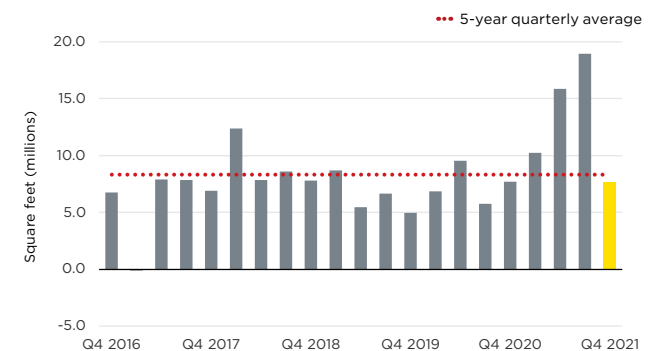
KEY STATISTICS

	Q4 2020	Q4 2021	Y-o-Y Change
Inventory	1.3 BSF	1.3 BSF	◀▶
Vacancy Rate	3.6%	1.5%	▼
Quarterly Net Absorption	7.7 MSF	7.7 MSF	◀▶
Under Construction	23.3 MSF	33.2 MSF	▲
Deliveries	5.6 MSF	3.1 MSF	▼
Asking Rental Rate (Monthly)	\$0.97	\$1.15	▲

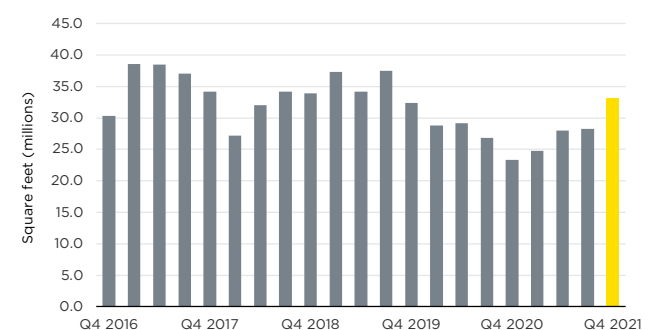
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



Outlook

- Expect combined loaded container volume at the Port of Los Angeles and Port of Long Beach to continue to be elevated in 2022 as the global supply chain struggles to meet demand
- Industrial developers will become even more aggressive at securing infill redevelopment sites for last-mile fulfillment as land costs surge throughout the region
- While e-commerce occupiers have fueled intense demand for industrial space, tech startups in aerospace/defense, robotics, electric vehicles, and advanced manufacturing are adding to this demand

BY THE NUMBERS

33.2M

SF under construction, which is the highest since 2019

18.6%

asking rent growth over the past 12 months

0.8%

Commerce/Vernon with the lowest submarket vacancy

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Lecangs	1,203,449	728 W Rider Street	New	Inland Empire-East	Duke Realty
Ryder Logistics	1,025,132	6120 Clinker Drive	New	Inland Empire-East	CT Realty Investors
Target	1,014,822	Van Buren Boulevard	New	Inland Empire-East	Stockbridge Capital
Amazon	1,000,170	36900 W Fourth Street	New	Inland Empire-East	McDonald Property Group
Weber Logistics	685,000	22765 Cactus Avenue	New	Inland Empire-East	Waypoint Property Group

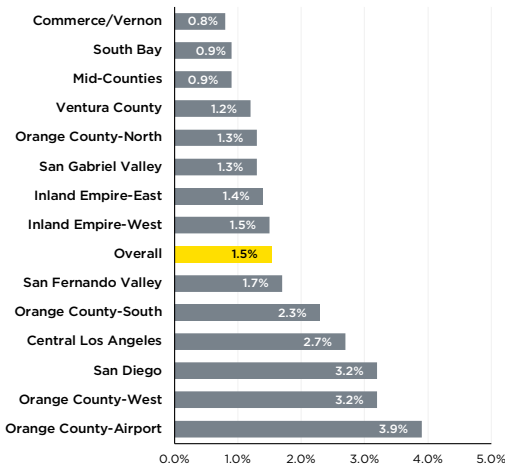
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
LaSalle Investment Management	665,229	2001, 2055 and 2065 Sanyo Avenue	\$158,500,000	San Diego	Murphy Development
CenterPoint Properties	298,785	268 Gardena Boulevard	\$143,000,000	South Bay	Ducommun Inc.
EastGroup Properties	544,724	2660 Sarnen Street, 8690 Kerns Street, 8863 and 9043 Siempre Viva Road	\$134,525,000	San Diego	IDS Real Estate
Cancilla Properties II LLC	290,220	400 National Way	\$128,000,000	Ventura County	Greenlaw Partners and Westbrook Partners
Covington Group	1,000,000	25655 Springbrook Avenue	\$113,500,000	San Fernando Valley	TMC Properties

Source: Savills Research

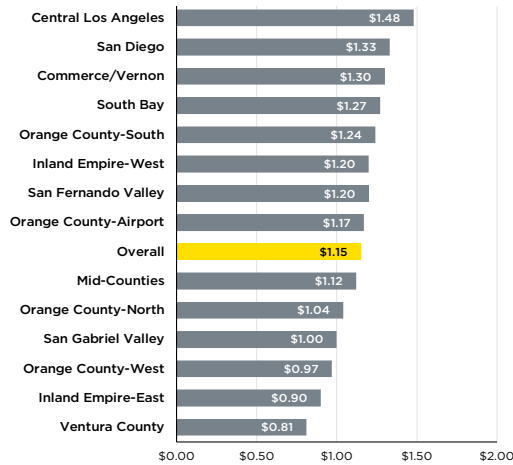
VACANCY RATE COMPARISON

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.

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