

Southern California



Southern California industrial market ends 2020 strong despite economy slowing again.



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At year end 2020, the Southern California industrial market has remained strong as retailers and their logistics partners have increased market share amidst a major shift in consumption to e-commerce. Despite a second COVID-19 infection surge and stricter lockdowns at year end, leasing and sales activity continued to be elevated as the industrial supply chain has stayed resilient.

In Q4, the market reported nearly 4.2 million square feet (msf) of net absorption which brought 2020 total net absorption up to 24.8 msf (up 8.9% from 2019). Led overwhelmingly by the Inland Empire which saw 22.0 msf of net absorption in 2020, industrial demand has not slowed down during the pandemic. In terms of vacancy levels, the total vacancy rate decreased to 3.8% while the direct average asking rental rate ticked up to \$1.00 per square foot (psf).

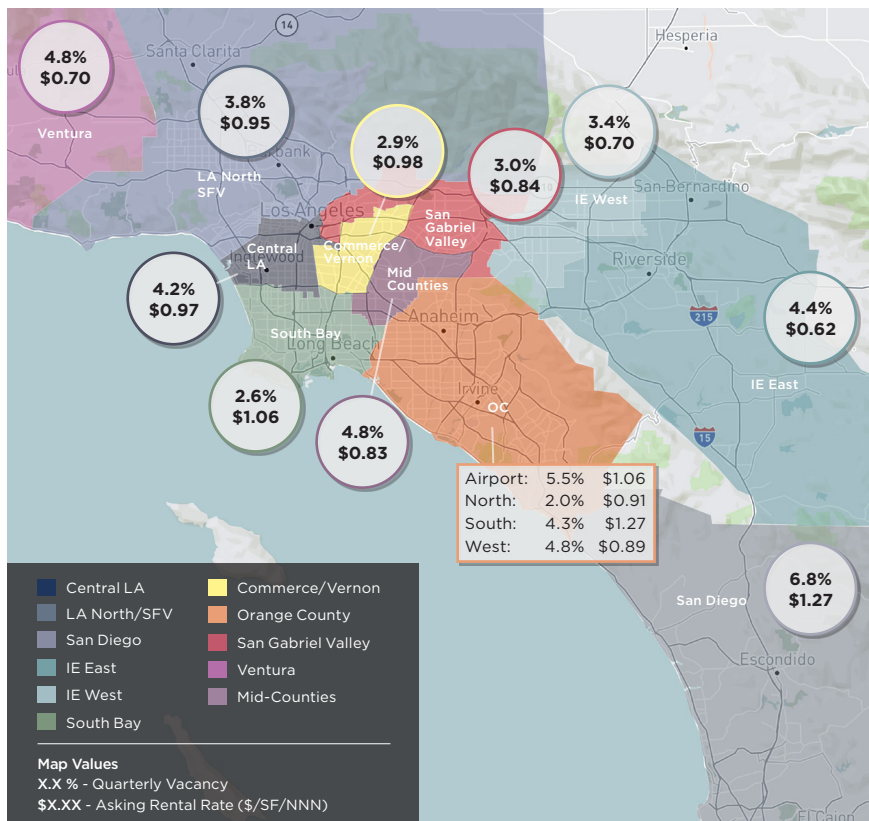
As consumers have sheltered in place and increased their online shopping and home delivery throughout the pandemic,

KEY STATISTICS

50,000 SF and up (owner occupied included)

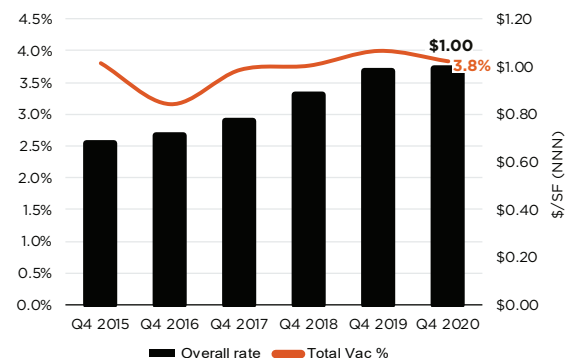
	Q4 2019	Q4 2020	y-o-y Change
Inventory	1.23 BSF	1.25 BSF	▲
Vacancy Rate	4.00%	3.84%	▼
Net Absorption	4.3 MSF	4.2 MSF	▼
Under Construction	28.6 MSF	27.6 MSF	▼
Overall Monthly Asking Rate (NNN)	\$0.98	\$1.00	▲

retailers and manufacturers have also adjusted with fears of goods shortages now a distant memory. Although the overall economy is slowing again due to a second COVID-19 wave, the availability of a vaccine and mass immunizations now underway means bullish forecasts for economic growth in the second half of the year. As a result, and unless there is another unforeseen macroeconomic shock, expect no slowdown in the Southern California industrial market in 2021.



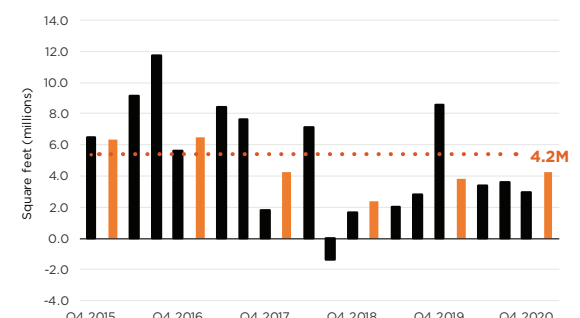
VACANCY AND ASKING RENT TRENDS

Southern California



NET ABSORPTION

Southern California



“Industrial space demand surged in the second half of 2020 as corporate users used their strong balance sheets to retain and expand market share. We see underlying fundamentals getting even stronger in 2021 as the economy re-opens again.”

– Dillon Dummit, Senior Managing Director

SUBMARKET OVERVIEW

50,000 SF and up (owner occupied included)

Submarket	Existing Inventory		Vacancy			Q4 Absorption (SF)	YTD Absorption (SF)	Under Construction (SF)	Overall Monthly Asking Rent (NNN)
	# Bldgs	Total (SF)	Direct (SF)	Total (SF)	Vac %				
Central Los Angeles	324	34,989,740	1,458,113	1,480,460	4.2%	(151,439)	(314,289)	374,306	\$0.97
Commerce/Vernon	859	108,425,964	2,995,620	3,181,475	2.9%	(326,491)	(608,244)	0	\$0.98
Mid-Counties	491	59,857,191	2,504,959	2,893,462	4.8%	(993,260)	(1,351,119)	365,288	\$0.83
South Bay	1,003	128,323,405	2,490,529	3,372,837	2.6%	(857,132)	(421,181)	852,382	\$1.06
San Gabriel Valley	753	98,548,686	2,662,771	2,927,461	3.0%	744,549	680,207	1,258,554	\$0.84
San Fernando Valley	593	61,425,863	2,031,696	2,345,488	3.8%	402,383	529,036	1,004,305	\$0.95
Orange County-Airport	295	28,901,520	1,443,021	1,576,039	5.5%	(86,079)	862,793	0	\$1.06
Orange County-North	494	62,050,772	990,332	1,216,473	2.0%	115,553	1,562,152	54,774	\$0.91
Orange County-South	169	19,665,388	684,773	846,058	4.3%	136,313	(8,711)	0	\$1.27
Orange County-West	180	20,390,121	674,514	986,075	4.8%	78,901	(648,242)	0	\$0.89
Inland Empire-West	1,379	268,859,449	8,195,449	9,062,193	3.4%	1,273,445	7,468,889	7,882,868	\$0.70
Inland Empire-East	796	232,636,271	9,168,304	10,319,456	4.4%	2,307,999	14,612,901	10,978,414	\$0.62
Ventura County	296	33,625,608	1,483,480	1,622,862	4.8%	866,116	707,699	199,293	\$0.70
San Diego	861	89,837,104	5,715,752	6,064,123	6.8%	708,339	1,679,860	4,581,197	\$1.27

MAJOR TRANSACTIONS

Sales

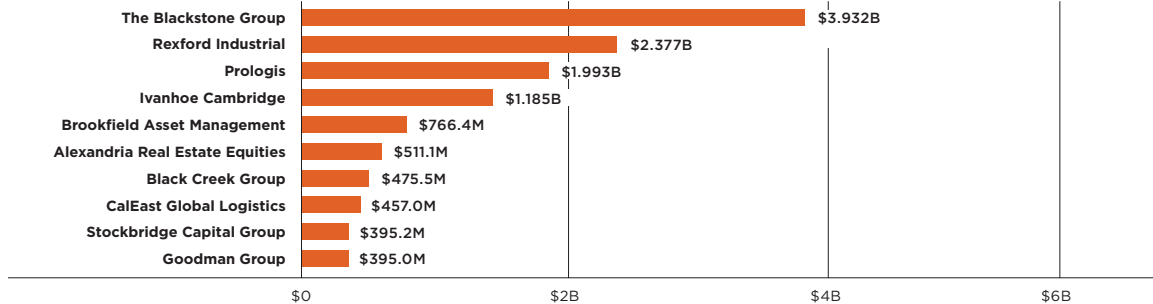
Owner/Buyer	Seller	Date	Address	Square Feet	Built	Land Area (acres)	Price	Submarket
Rexford Industrial	Washington Capital Management	17-Nov-20	3629-3931 Workman Mill Road (4 bldgs)	989,195	2005	45.85	\$296,600,000	City of Industry
Pabst Brewing Company	Molson Coors	6-Nov-20	15801 E First Street	649,243	1980	224.61	\$150,000,000	Irwindale
Realty Income Corp.	Hines	24-Dec-20	515 E Dyer Road	414,000	2008	17.70	\$113,575,000	Santa Ana
Harbortgate Owner LLC	Sunrider International	30-Dec-20	19400 Harbortgate Way	419,695	2004	36.76	\$110,000,000	Torrance
Black Creek Group	Morgan Stanley	23-Nov-20	2020 Piper Ranch Road	601,417	2003	31.01	\$109,000,000	Otay Mesa

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Restoration Hardware	1,000,930	5170 S Archibald Avenue	New Lease	Ontario	CapRock Partners
Custom Goods	886,055	11640 Harrell Street	New Lease	Jurupa Valley	Nuveen
Geodis Logistics	809,338	1950 Palmetto Avenue	New Lease	Redlands	Prologis
US Elogistics	700,280	2221 E Remington Avenue	New Lease	Ontario	CapRock Partners
Saddle Creek Logistics	626,604	6565 Knott Avenue	Renewal	Buena Park	PGIM Real Estate

TOP BUYERS

Past 3 Years



Source Savills Research

Market Trends



Loaded Container Volume Up

Combined loaded container volume at the Port of Los Angeles and Port of Long Beach in 2020 of 11.8 million Twenty Foot Equivalent Units (TEUs) is up 1.1% year-over-year.



Vacancy Decreases Slightly

Southern California industrial vacancy rate of 3.8% is down 16 basis points year-over-year.



Average Asking Rental Rate

Large corporate occupiers, especially those involved in ecommerce fulfillment and cold storage/food facilities have been as busy as ever and have increased market share.

Savills industrial specialists integrate advanced analytics, strategic planning, corporate finance, supply chain and operations strategy with real estate to ensure decisions are aligned with business goals. We provide a full range of services including comprehensive financial, logistics, brokerage and occupancy solutions to industrial space users across all industries.

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.

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