

# Southern California



## COVID-19 shutdown hits the Southern California industrial real estate market hard but rents and sales prices remain high for now.



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As expected, the COVID-19 global pandemic and subsequent shutdown has resulted in an unprecedented contraction in economic activity with the Southern California industrial market, resulting in a decrease in overall leasing and sales activity. Despite lower levels of deal volume, certain submarkets have been affected much more severely than others. However, with continued uncertainty over the path of the virus, expect the full negative impact to unwind itself over the second half of the year as consumer spending continues to be restrained.

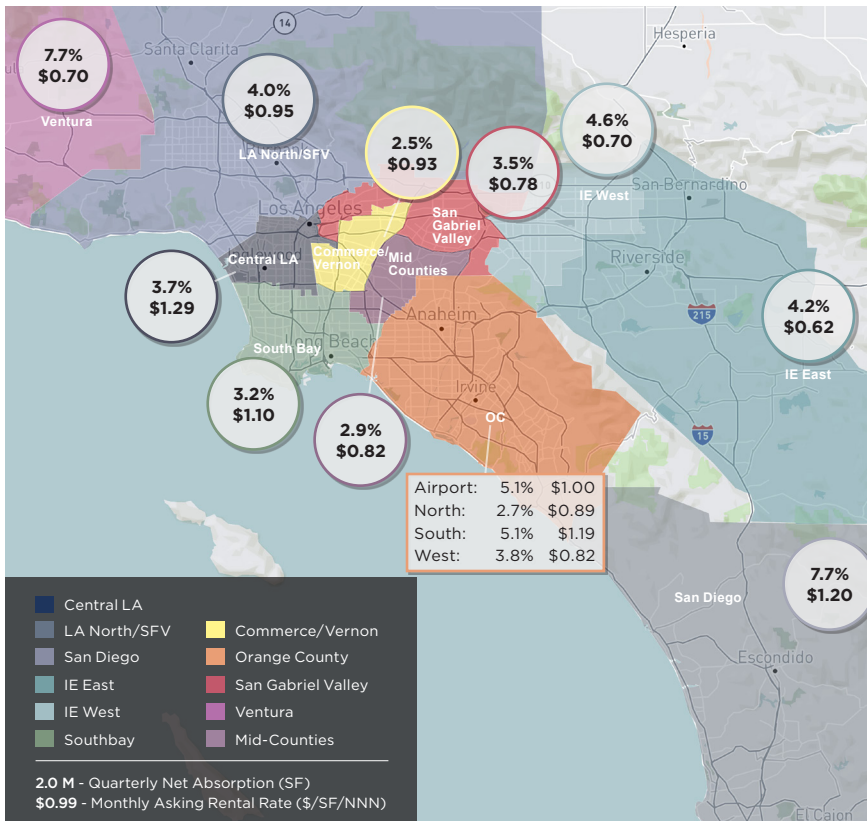
Overall, the market still reported nearly 2.0 msf of positive net absorption as space givebacks in the infill markets of Los Angeles and Orange County were balanced out by continued positive net absorption in the Inland Empire. The total vacancy rate region-wide decreased 10 basis points (bps) over the previous quarter to 4.2% which continues to be near historic lows. Direct average asking rents remained flat at \$0.99 psf (still up 5.3% year-over-year) as most landlords have been taking a

### KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	1216.1 MSF	<b>1240.9 MSF</b>	▲
Vacancy Rate	3.73%	<b>4.18%</b>	▲
Net Absorption	5.9 MSF	<b>2.0 MSF</b>	▼
Under Construction	24.1 MSF	<b>27.3 MSF</b>	▲
Overall Monthly Asking Rate (NNN)	\$0.94	<b>\$0.99</b>	▲

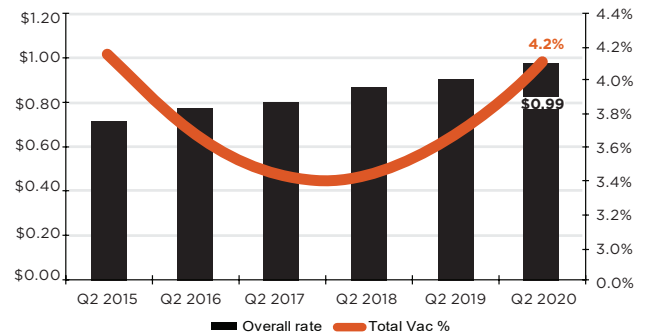
wait-and-see approach regards to overall space demand.

As mentioned in previous reports, large corporate occupiers, especially those involved in e-commerce fulfillment and cold storage/food facilities have been as busy as ever and have increased market share, especially as consumers have sheltered in place and increased their online shopping and home delivery. On the other hand, hundreds of small- to mid-sized warehouse occupiers and distributors throughout the region remain challenged and many have already gone out of business. With over 27.3 million square feet (msf) of industrial development now underway and expected to be completed over the next year, expect vacancy levels to rise with downward pressure on rents in the months ahead.



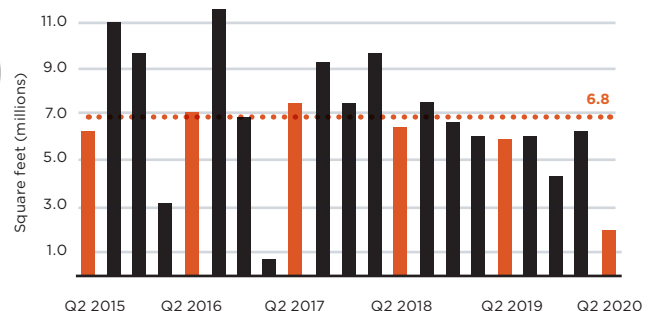
### VACANCY AND ASKING RENT TRENDS

Southern California



### NET ABSORPTION

Southern California



## Southern California Spotlight



While recorded net absorption in the Inland Empire was positive this past quarter, all eyes are on that market moving forward as deteriorating market fundamentals portends a longer economic downturn for the overall U.S. economy.

– Jeff Cannon, Executive Managing Director

### SUBMARKET OVERVIEW

50,000 SF and up (owner occupied included)

Submarket	Existing Inventory		Vacancy			Q2 Absorption (SF)	Q2 Deliveries (SF)	Under Construction (SF)	Overall Monthly Asking Rent (NNN)
	# Bldgs	Total (SF)	Direct (SF)	Total (SF)	Vac %				
Central Los Angeles	319	34,681,164	1,242,735	1,268,082	3.7%	(132,711)	94,875	491,666	\$1.29
Los Angeles-North/SFV	587	60,707,431	2,235,813	2,450,137	4.0%	(237,565)	586,609	998,305	\$0.95
San Diego	851	88,383,181	6,389,295	6,787,377	7.7%	190,456	285,432	3,582,407	\$1.20
Inland Empire-East	773	225,566,643	8,146,447	9,394,287	4.2%	9,139,934	3,201,457	10,592,235	\$0.62
Inland Empire-West	1,365	266,407,293	11,370,733	12,301,929	4.6%	453,867	3,907,527	9,787,658	\$0.70
South Bay	1,034	131,460,700	3,880,981	4,162,681	3.2%	(1,457,853)	509,219	945,920	\$1.10
Commerce/Vernon	858	108,234,276	2,458,169	2,741,294	2.5%	(483,100)	516,621	0	\$0.93
Orange County-Airport	293	28,790,448	1,246,671	1,464,376	5.1%	907,535	318,082	0	\$1.00
Orange County-North	492	61,949,375	1,268,286	1,654,426	2.7%	957,776	0	0	\$0.89
Orange County-South	166	19,069,212	836,242	979,016	5.1%	(141,669)	0	0	\$1.19
Orange County-West	182	20,490,223	756,016	783,313	3.8%	(445,480)	0	0	\$0.82
San Gabriel Valley	784	102,055,849	3,283,576	3,577,184	3.5%	247,140	1,539,989	216,716	\$0.78
Ventura County	296	33,490,433	2,459,177	2,576,082	7.7%	(451,236)	0	320,235	\$0.70
Mid-Counties	491	59,619,933	1,612,135	1,723,373	2.9%	(415,360)	0	365,288	\$0.82

### MAJOR TRANSACTIONS

Sales

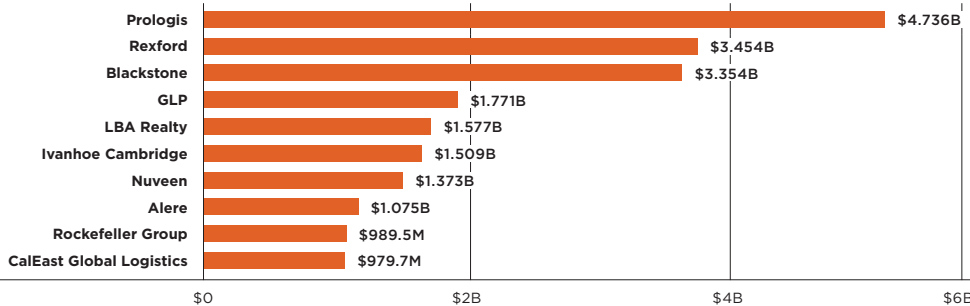
Owner/Buyer	Seller	Date	Address	Square Feet	Built	Land Area (acres)	Price	Submarket
Brookfield Asset Management	Kohl's Corporation	May-20	825 E Central Ave & 890 E Mill Street	1,545,075	2008	60.81	\$195,000,000	San Bernardino
Brookfield Asset Management	Western Tube & Conduit Corporation	May-20	2001 E Dominguez Street, 20740-50 S Wilmington	407,928	1974	19.46	\$62,620,000	Long Beach
Black Creek Group	Tansavatdi Family Trust	Apr-20	538 Crenshaw Boulevard	174,361	2013	8.40	\$49,500,000	Torrance
Lee Family Trust	RAF Pacifica Group	Jun-20	2882 Whiptail Loop E	169,825	2019	11.30	\$44,000,000	Carlsbad
EverWest Real Estate Investors	Amrapur Overseas	Jun-20	1560 E 6th Street	210,345	2014	8.79	\$37,017,500	Corona

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Home Depot	1,126,530	11260 Venture Drive	Renewal	Jurupa Valley	Blackstone
Amazon	800,218	4501 Patterson Avenue	Pre-Lease	Perris	Duke Realty
American Worldmark	675,000	400 E Orangethorpe Avenue	Renewal	Anaheim	Prologis
Allied West Paper	611,968	11101 Etiwanda Avenue	New Lease	Fontana	LaSalle Investment Management
Amazon	533,950	14500 Kirkham Way	Pre-Lease	Poway	Ryan Companies

### TOP BUYERS

Past 3 Years



Source Savills Research

### Market Trends



#### Loaded Container Volume Down

Combined loaded container volume at the Ports of Los Angeles and Long Beach in the first half of 2020 volume of 5.1 million Twenty-Foot Equivalent Units (TEUs) is down 10.9% year-over-year.



#### Vacancy Increases

The current Southern California industrial vacancy rate of 4.2% is up 45 basis points year-over-year.



#### Average Asking Rental Rate

Average asking rental rate of \$0.99 psf remained flat but is still up 5.3% year-over-year.

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