

Southern California



The Southern California industrial real estate market braces for full impact of COVID-19 shutdown as questions over the future of the global supply chain begin to be asked.

Given the evolving nature of the COVID-19 situation, information is changing day by day. All data in this report is as of March 31st 2020, with the majority of information recorded prior to the pandemic onset and resulting disruption. This does not reflect any current or potential impact stemming from recent events.



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As the overall U.S. economy continues to see a sharp slowdown in economic activity due to the COVID-19 global pandemic and subsequent shutdown, the Southern California industrial market is bracing for high availability and vacancy next quarter. As a result, a slowdown in space demand over the next 1-2 quarters is expected as consumers and domestic manufacturers retrench.

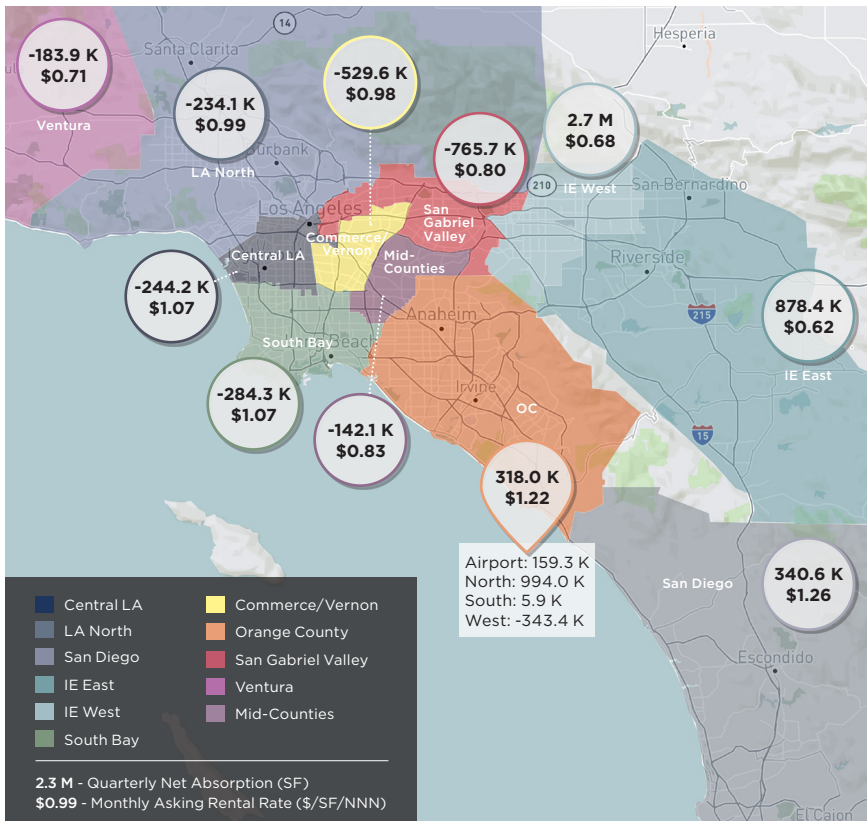
Despite the slowdown reported at the end of the first quarter, the market still saw nearly 2.4 million square feet (msf) of net absorption as space givebacks in Los Angeles were balanced out by strong absorption in the Inland Empire. Total vacancy increased 30 basis points over the previous quarter to 4.3% as newly completed projects, mainly in the Inland Empire, have been delivered to the market vacant. Direct average asking rents (monthly) increased to \$0.99 psf (up 7.6% year over year), which the highest average reported rent on record.

After nearly a decade of strong occupancy gains and a

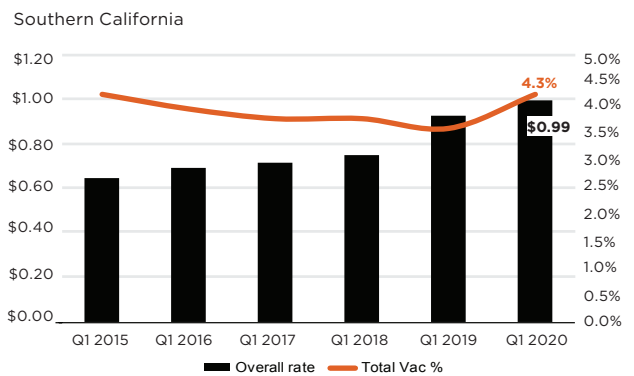
KEY STATISTICS

	Q1 2019	Q1 2020	y-o-y Change
Inventory	1,199,774,149	1,229,581,229	▲
Vacancy Rate	3.6%	4.3%	▲
Net Absorption	6,503,003	2,389,439	▼
Under Construction	29,782,809	25,293,119	▼
Overall Monthly Asking Rate (NNN)	\$0.92	\$0.99	▲

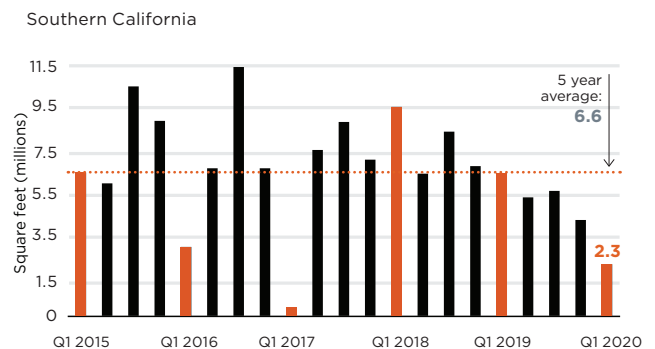
consistent increase rental rates and sales prices, an event as unexpected and unprecedented as the current pandemic situation might have been the only thing that could slow Southern California's industrial market growth. While large corporate occupiers, especially those involved in E-commerce fulfillment and cold storage, are as busy as ever and growing, hundreds of small- to mid-sized warehouse and distributors throughout the region are challenged and may not survive the economic slowdown. Finally, questions over the future of the global supply chain are already being asked as both companies and policymakers speculate about the future of just-in-time delivery, possible re-shoring, and inevitably the rise in inventories once this pandemic is over.



VACANCY AND ASKING RENT TRENDS



NET ABSORPTION



Southern California Spotlight

“With regards to the corporate logistics occupier market, it is currently “wait-and-see” as owners have held firm on rental rates and the leasing market has yet to re-price. The general sense right now is that E-commerce was already a major driver of demand, and that as we slowly re-open our economy, it will emerge as an even stronger driver. Combined with rising inventories, expect a tailwind in corporate occupier demand in the Southern California industrial real estate market post-COVID-19.

– Jeff Cannon, Executive Managing Director

SUBMARKET OVERVIEW

50,000 SF and up (owner occupied included)

Submarket	Existing Inventory		Vacancy			Q1 Absorption (SF)	Q1 Deliveries (SF)	Under Construction (SF)	Overall Monthly Asking Rent (NNN)
	# Bldgs	Total (SF)	Direct (SF)	Total (SF)	Vac %				
Central Los Angeles	320	34,727,590	1,394,110	1,411,082	4.1%	-244,200	94,875	202,580	\$1.07
Los Angeles-North	586	60,393,395	1,769,426	1,994,509	3.3%	-234,136	586,609	998,050	\$0.99
San Diego	844	87,835,373	6,204,113	6,579,739	7.5%	340,562	137,000	1,032,066	\$1.26
Inland Empire-East	1,000	259,439,917	16,155,719	17,055,198	6.6%	878,402	2,998,642	10,992,944	\$0.62
Inland Empire-West	1,063	223,191,616	5,303,583	6,336,256	2.8%	2,738,593	3,213,123	10,029,083	\$0.68
South Bay	992	124,955,021	2,348,856	2,987,692	2.4%	-284,277	421,816	463,666	\$1.07
Commerce/Vernon	857	108,224,320	2,618,759	2,963,901	2.7%	-529,614	346,181	289,086	\$0.98
Orange County-Airport	121	11,104,201	174,971	411,074	3.7%	159,336	0	318,082	\$1.22
Orange County-North	651	79,197,651	2,787,662	3,242,932	4.1%	994,020	0	0	\$0.91
Orange County-South	168	19,108,104	831,411	831,411	4.4%	5,936	0	0	\$1.21
Orange County-West	189	20,318,335	540,660	602,245	3.0%	-343,392	0	0	\$0.83
San Gabriel Valley	781	101,674,836	3,933,676	4,296,158	4.2%	-765,730	1,235,443	521,262	\$0.80
Ventura County	296	33,416,387	2,262,829	2,362,145	7.1%	-183,954	0	211,715	\$0.71
Mid-Counties	492	59,706,006	1,030,777	1,461,512	2.4%	-142,107	0	234,330	\$0.83

MAJOR TRANSACTIONS

Sales

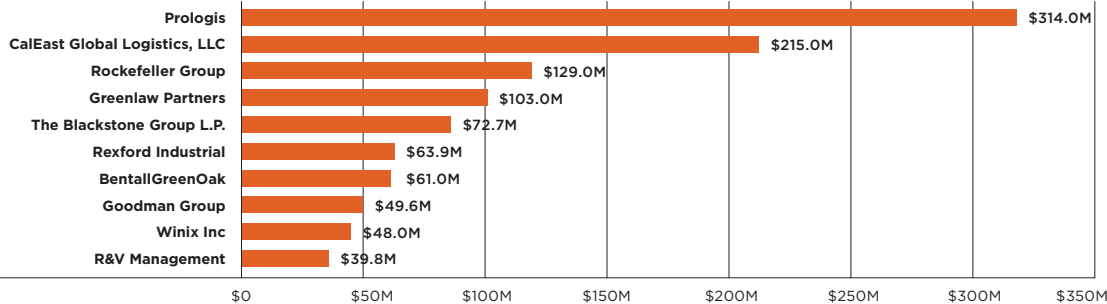
Owner/Buyer	Seller	Date	Address	Square Feet	Built	Land Area (acres)	Price	Submarket
CenterPoint Properties	Winthrop Financial Associates	Mar-20	5600 E Airport Drive	1,613,290	1986	94.2	\$215,000,000	Ontario
TA Realty	Dedeaux Properties	Feb-20	6275 Lance Drive	1,012,995	2019	52.0	\$129,061,278	Riverside
Greenlaw Partners	STAG Industrial	Jan-20	3001 & 3175 Mission Oaks Boulevard	733,819	2000	38.9	\$88,000,000	Camarillo
The Blackstone Group	Realty Bancorp Equities	Mar-20	16200 Roscoe Boulevard & 8201-8221 Woodley Avenue	294,138	1965	18.9	\$83,000,000	Van Nuys
BentallGreenOak	Jacmar	Jan-20	300 N Baldwin Park Boulevard	230,247	2015	10.4	\$61,035,224	City Of Industry

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
U-Line	1,245,049	4810 S Hellman Avenue	Pre-Lease	Ontario	REDA & Clarion Partners
All-Ways Logistics	1,106,124	1110 W Merrill Avenue	New Lease	Rialto	Saadia Group
XPO Logistics	912,338	4413 Patterson Avenue	New Lease	Perris	Western Realco & AEW Capital
Samsung	800,526	5750 Francis Street	Renewal	Ontario	Alere Property Group
Sam's Club/Walmart	753,230	22722 Harley Knox Boulevard	New Lease	Perris	Trammell Crow Company

TOP BUYERS

Past 3 Years



Source Savills Research

Market Trends



Loaded Container Volume Down

Loaded container volume at the Port of Los Angeles and Port of Long Beach of 2.48 million TEUs in Q1 2020 is down 9.7% year over year



Vacancy Increases

Southern California industrial vacancy rate of 4.3% is up 70 basis points year over year



Average Asking Rental Rate

The current average asking rental rate of \$0.99 psf, up 7.6% year over year, is now the highest reported on record

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