

LOCAL EXPERTISE. INTERNATIONAL REACH. WORLD CLASS.



# Q3 • 2020 INDUSTRIAL MARKET INSIGHT

LEE & ASSOCIATES® RESEARCH | COMMERCE | INDUSTRY

INVENTORY  
**245,704,344<sup>SF</sup>**

VACANCY  
**3.20%**

AVAILABILITY  
**6.1%**

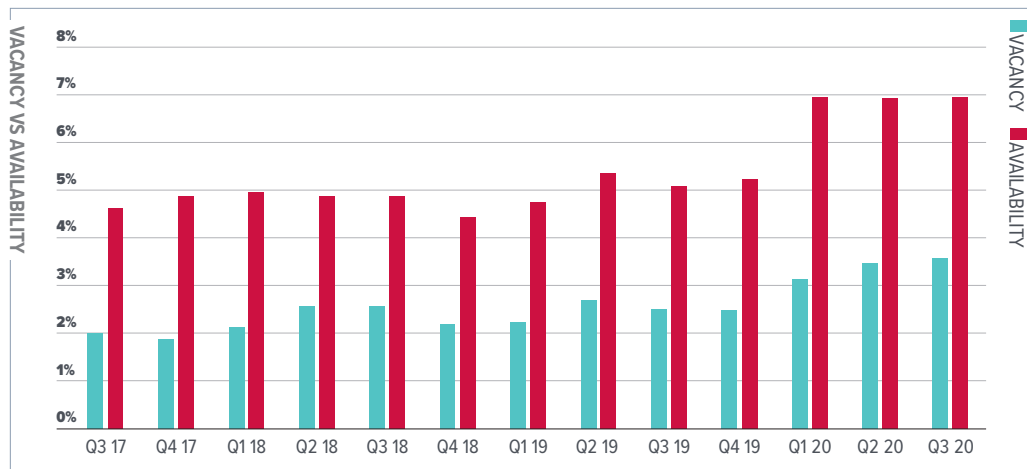
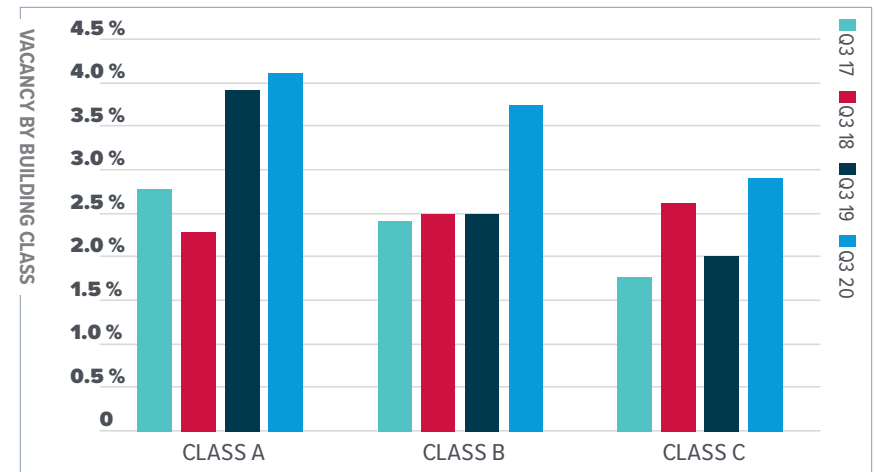
UNDER CONSTRUCTION  
**117,360<sup>F</sup>**

NET ABSORPTION (Q3)  
**-160,541<sup>SF</sup>**

Bolstered by the healthy growth of e-commerce, leasing activity was strong in the third quarter after the anticipated steep declines in Q2. Totalling 3.2 MSF, Q3 2020's leasing volume was 21% higher than Q3 2019's level. However, increased vacancies and high levels of sublease availabilities have affected rents, with the average overall rent decreasing by 3% quarter-over-quarter. After remaining steady for three quarters with an average of \$1.02 psf/mo, rents declined slightly in Q3 with an average of \$0.98 psf/mo. With occupancy losses of 1.5 MSF sf year-to-date, the Commerce/ Vernon submarket's overall vacancy rate increased to 2.95%, from 2.1% a year ago. Even on the rise, the vacancy rate remains one of the lowest in the nation.

## DEMAND

12 MO NET ABSORPTION % OF INVENTORY	-0.80%	▼
12 MO LEASED SF	9.1 M	▼
MONTHS ON MARKET	6.3	▲







TOTAL BUILDINGS

7,034



DELIVERIES (YTD)

726,993<sup>SF</sup>



LEASE ACTIVITY (Q3)

3,245,095<sup>SF</sup>

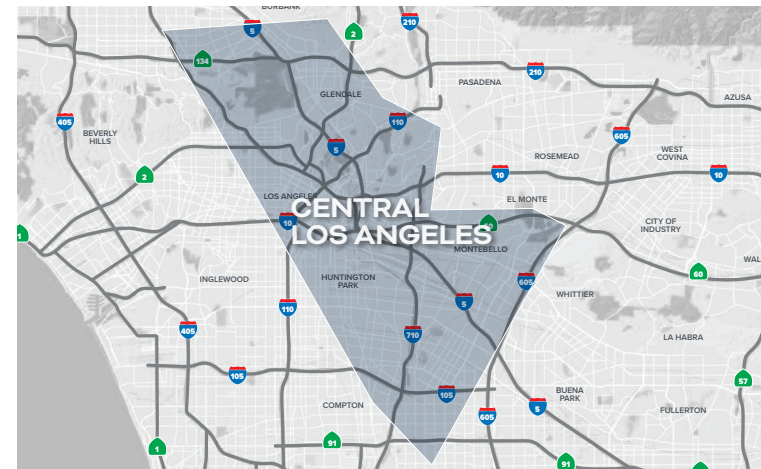
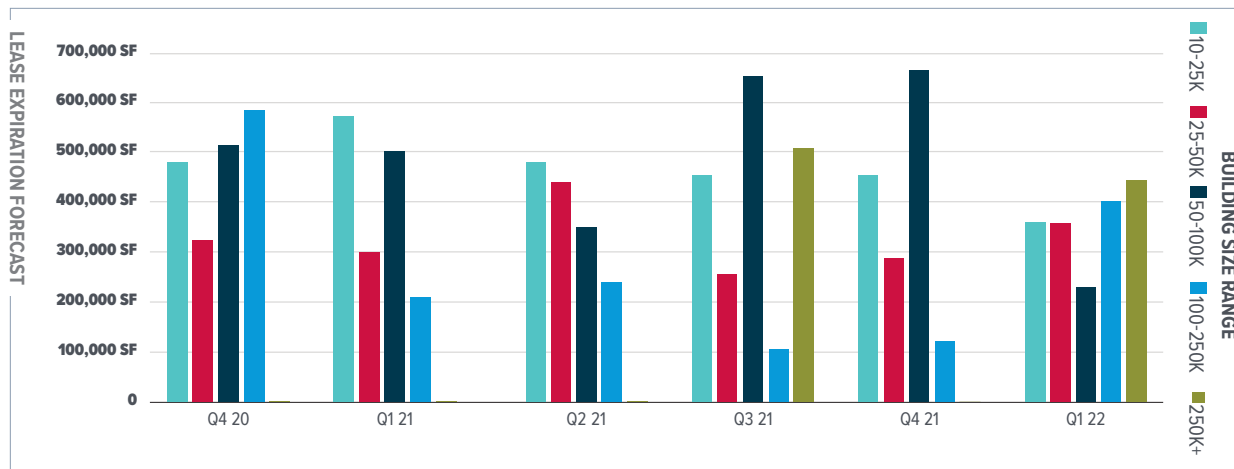


SALE ACTIVITY (Q3)

1,319,761<sup>SF</sup>

## CITY STATS

CITY	# OF BUILDING	INVENTORY	VACANCY		AVAILABILITY		LEASE RATE	NET ABSORPTION	GROSS ABSORPTION	SALE RATE
BELL	48	4,107,485 SF	0.8 %	—	3.7 %	▲	\$1.00 PSF	-17,160 SF	7,800 SF	\$192 PSF
BELL GARDENS	100	2,003,577 SF	4.7 %	▲	7.1 %	▼	\$0.89 PSF	-30,582 SF	5,310 SF	\$192 PSF
COMMERCE	731	44,940,603 SF	2.4 %	▼	4.2 %	▼	\$0.91 PSF	63,356 SF	225,538 SF	\$178 PSF
CUDAHY	33	943,604 SF	0.8 %	—	0.8 %	—	\$0.81 PSF	-	600 SF	\$176 PSF
HUNTINGTON PARK	162	3,814,393 SF	2.2 %	▼	2.9 %	▲	\$0.88 PSF	7,944 SF	27,442	\$178 PSF
DTLA	4,097	98,910,078 SF	3.8 %	—	7.8 %	—	\$1.13 PSF	-131,566 SF	743,338 SF	\$233 PSF
MAYWOOD	43	789,536 SF	0 %	▼	0.6 %	▲	\$1.06 PSF	10,388 SF	10,388	\$233 PSF
MONTEBELLO	214	9,912,951 SF	1.6 %	▲	3.4 %	▼	\$0.90 PSF	-11,095 SF	57,060 SF	\$183 PSF
PICO RIVERA	203	10,550,820 SF	4.9 %	▼	6.4 %	—	\$1.08 PSF	90,375 SF	90,375 SF	\$193 PSF
SOUTH GATE	227	10,808,893 SF	2.4 %	▲	2.9 %	—	\$0.79 PSF	-35,698 SF	37,755 SF	\$178 PSF
VERNON	774	42,420,096 SF	3.5 %	▼	6.8 %	▲	\$0.81 PSF	120,977 SF	502,750 SF	\$183 PSF



INVENTORY  
**113,492,104<sup>SF</sup>**

VACANCY  
**3.20%**

AVAILABILITY  
**5.50%**

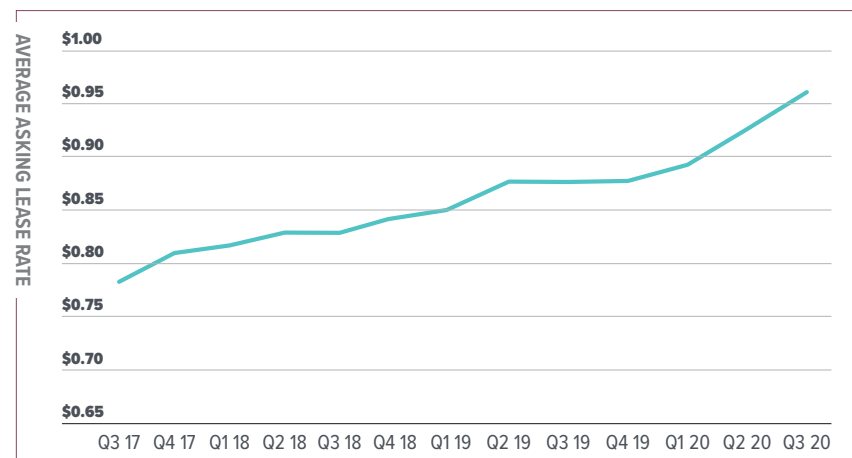
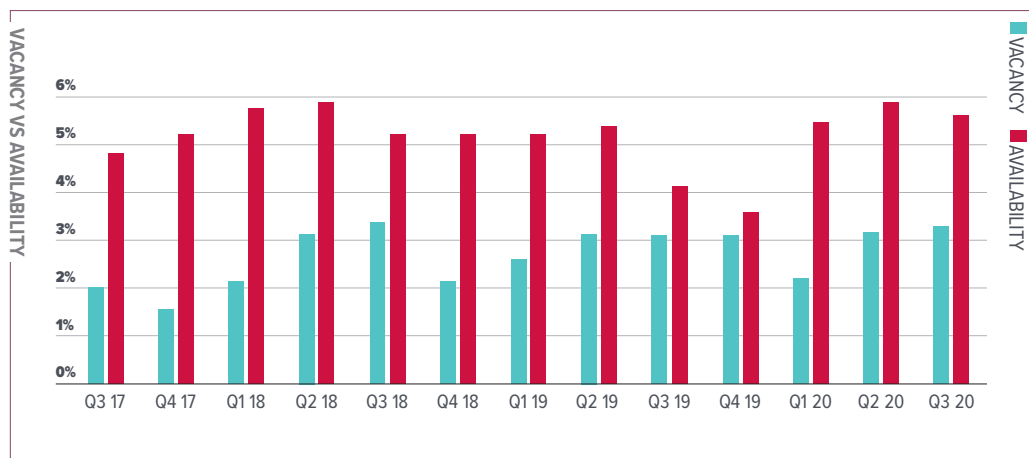
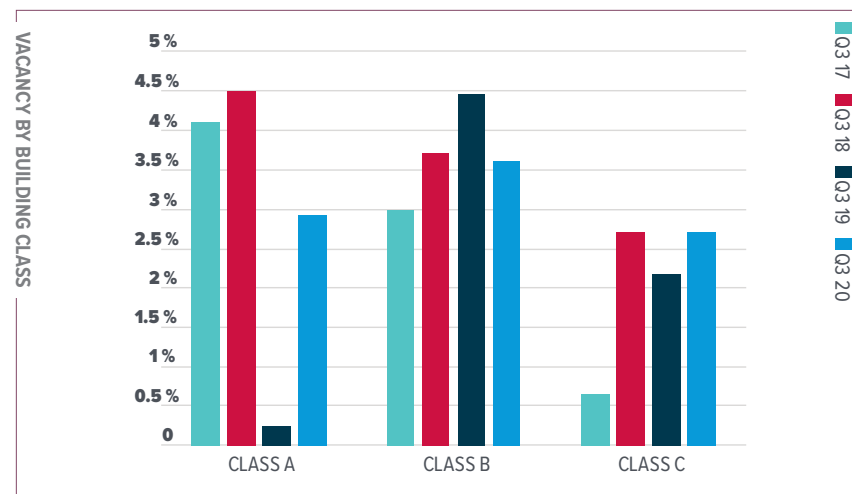
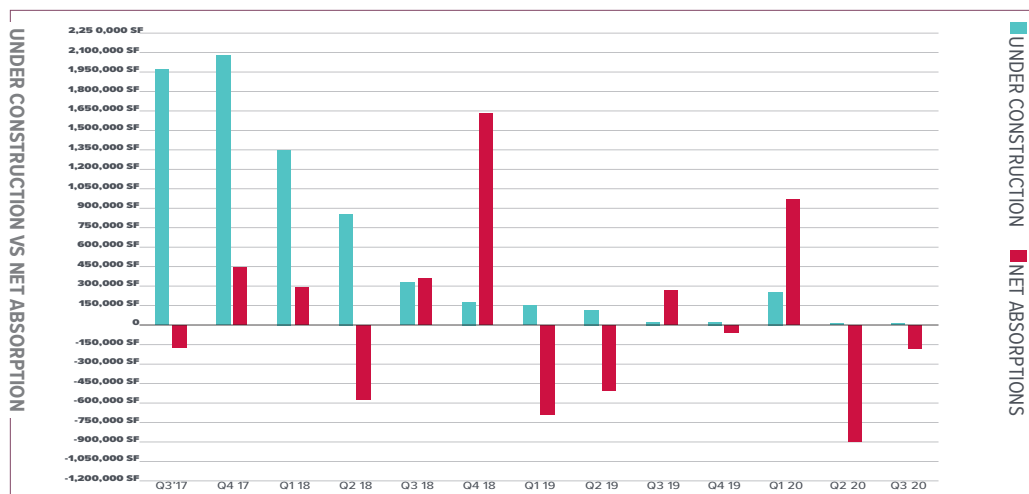
UNDER CONSTRUCTION  
**426,531<sup>SF</sup>**

NET ABSORPTION (Q3)  
**-220,802<sup>SF</sup>**

The submarket ended 2019 in the red and posted negative net absorption of 220,802 SF this quarter; nonetheless, the Mid-Countries's overall vacancy rate remained at the same level as it was a year ago, at 3.2%. While the amount of leased space this quarter was 8% lower than this time last year, there was a significant increase in demand with a 100% quarterly increase in leasing activity. Most of the leasing this quarter was dominated by renewals, a trend which was reflected in the top leases for the quarter with three of the top five lease transactions being renewals. The amount of available sublease space on the market has been declining and totaled just 883,959 sf at the end of Q3. This is a significant decrease from the 1.6 MSF of available for sublease Q2. Rents rose in Q3 with the average rent increasing by 2.4% year-over-year. Even with the pandemic's uncertainty, the industrial market in the Mid-Countries has not seen investor demand deteriorate.

## DEMAND

12 MO NET ABSORPTION % OF INVENTORY	-0.1%	▲
12 MO LEASED SF	7.1 M	▼
MONTHS ON MARKET	3.8	▲

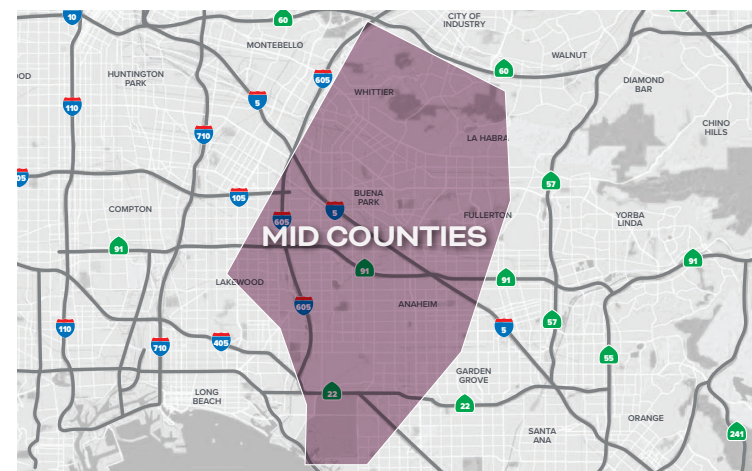
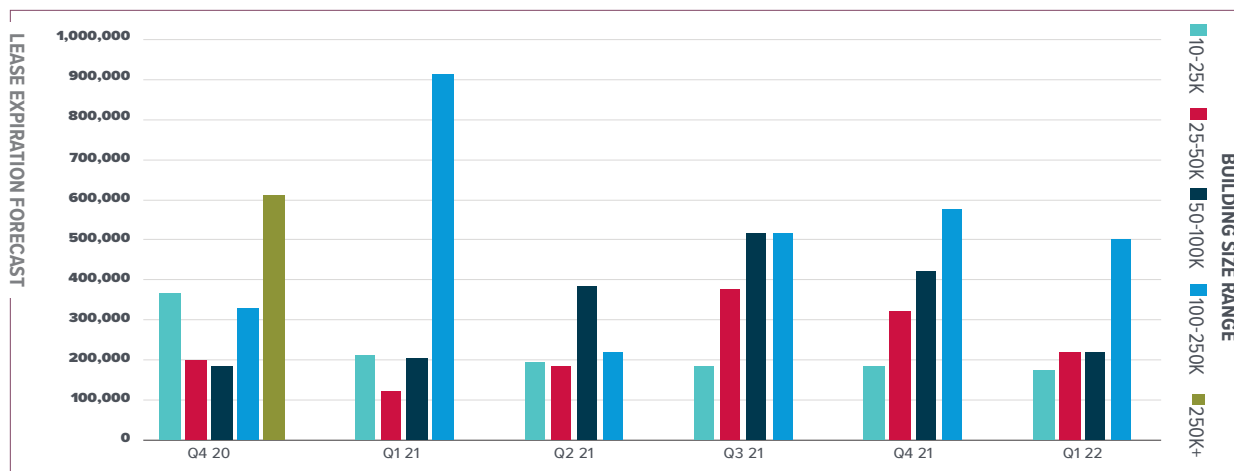






## CITY STATS

CITY	# OF BUILDING	INVENTORY	VACANCY		AVAILABILITY		LEASE RATE	NET ABSORPTION	GROSS ABSORPTION	SALE RATE
ARTESIA	26	323,131 SF	3.4 %	▲	-	—	\$0.79 PSF	-11,108 SF	-	\$224 PSF
BELLFLOWER	63	911,493 SF	2 %	—	2 %	—	\$0.91 PSF	-12,141 SF	1,778 SF	\$239 PSF
BUENA PARK	216	13,243,283 SF	2.6 %	▼	7.3 %	▼	\$0.95 PSF	67,486 SF	78,492 SF	\$182 PSF
CERRITOS	254	12,792,370 SF	3.6 %	▲	7.6 %	▲	\$0.85 PSF	-46,984 SF	45,602 SF	\$188 PSF
CYPRESS	87	4,707,882 SF	5.4 %	▼	7.1 %	▼	\$0.95 PSF	-70,701 SF	-	\$212 PSF
LA MIRADA	178	12,963 SF	3.8 %	▲	9.4 %	▲	\$0.82 PSF	40,837 SF	152,000 SF	\$189 PSF
LA PALMA	16	1,780,056 SF	13.7 %	—	13.7 %	—	\$0.90 PSF	-24,359 SF	-	\$160 PSF
LOS ALAMITOS	90	2,204,183 SF	0.1 %	▼	0.7 %	▼	\$1.12 PSF	2,060 SF	4,940 SF	\$233 PSF
NORWALK	88	2,887,282 SF	10.9 %	▲	11.6 %	▲	\$0.98 PSF	-129,213 SF	2,840 SF	\$185 PSF
SANTA FE SPRINGS	1349	52,871,494 SF	2.4 %	▼	3.9 %	▼	\$0.91 PSF	-615,030 SF	279,147 SF	\$205 PSF
WHITTIER	164	4,109,527 SF	2.3 %	▼	4.2 %	▼	\$0.87 PSF	-19,899 SF	32,128 SF	\$200 PSF
DOWNEY	133	4,668,153 SF	2.5 %	▼	2.3 %	▼	\$0.86 PSF	-24,979 SF	37,509 SF	\$197 PSF



INVENTORY  
**168,686,275<sup>SF</sup>**

VACANCY  
**3.3%** ▼

AVAILABILITY  
**4.8%** ▼

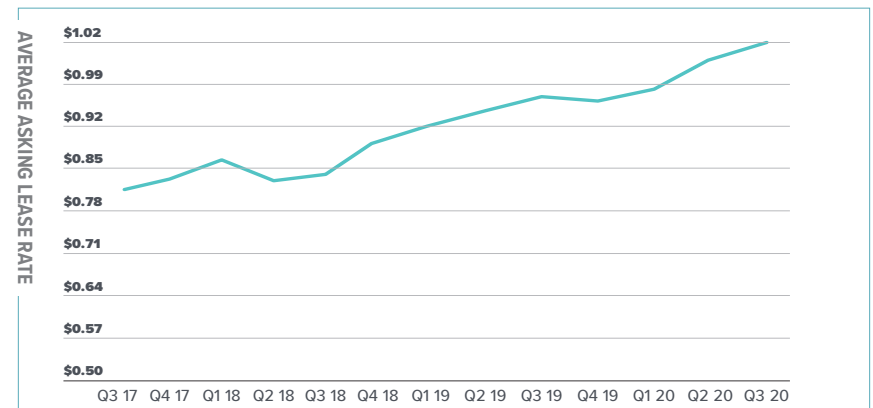
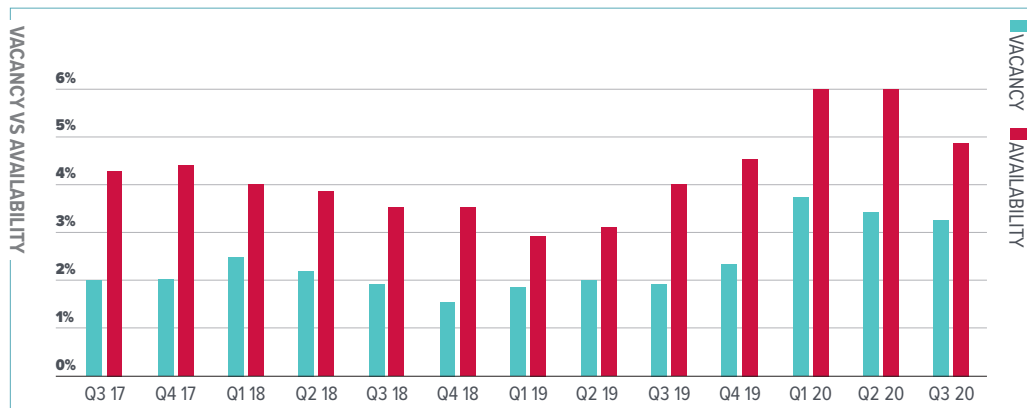
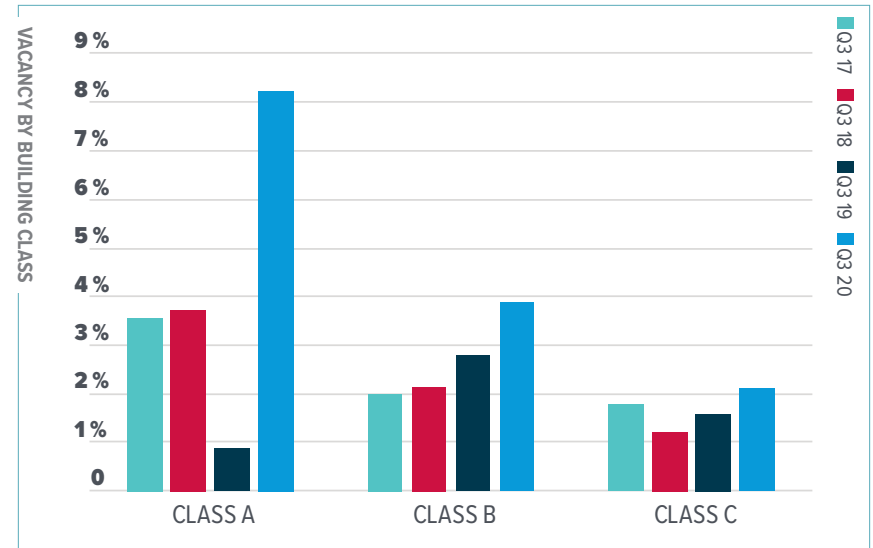
UNDER CONSTRUCTION (YTD)  
**1,533,022<sup>SF</sup>**

NET ABSORPTION (Q3)  
**619,111<sup>SF</sup>**

Leasing activity made an impressive comeback in Q3. Demand from 3PLs, retailers, food-related-firms, and the automotive industry propelled industrial leasing activity. It totaled 2.9 MSF in Q3. That is more than double 2019's quarterly average of 1.6 MSF and the highest quarterly total since first quarter 2012. The City of Industry submarket accounted for the bulk of the market's activity with 4.6 MSF year-to-date. Net absorption also turned positive with net gains of 619,000 sf in Q3, bringing the overall vacancy rate down 30 bps from Q2. The amount of available sublease space on the market has also declined after peaking at 1.0 MSF back in Q2. Rents are holding relatively steady amid this crisis and the average rent of \$1.02 psf/mo is still 6% higher year-over-year.

## DEMAND

12 MO NET ABSORPTION % OF INVENTORY	-0.3%	▼
12 MO LEASED SF	8.8 M	▲
MONTHS ON MARKET	5	▲







INVENTORY  
**321,306,646<sup>SF</sup>**

VACANCY  
**3.30%** ▲

AVAILABILITY  
**4.8%** ▲

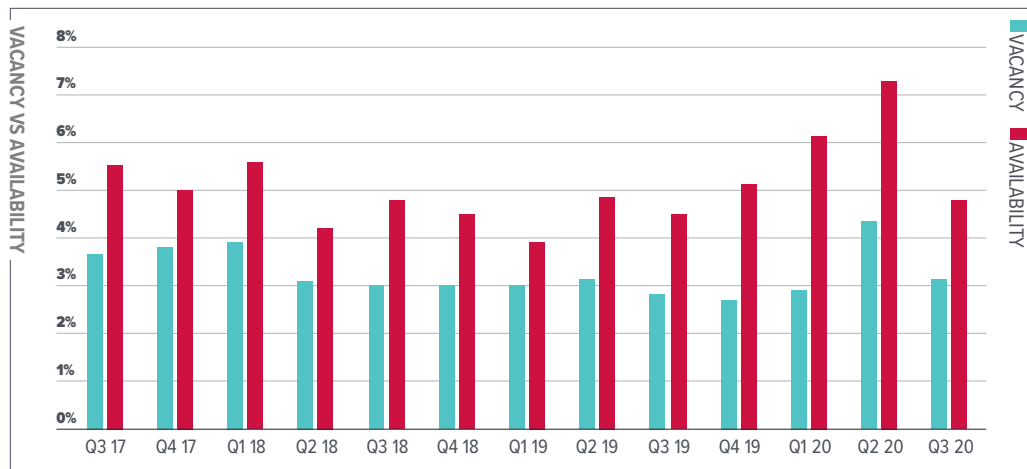
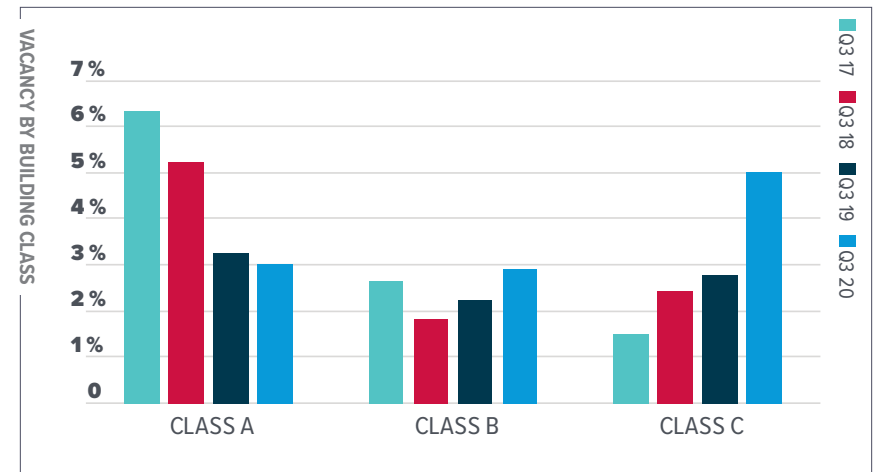
UNDER CONSTRUCTION (Q3)  
**59,400<sup>SF</sup>**

NET ABSORPTION (Q3)  
**1,201,780<sup>SF</sup>**

The Inland Empire West market outperformed all major Southern California industrial markets in Q3. Despite the economic slowdown caused by the Covid-19 lockdowns, the region's vacancy rate, average asking lease rate and gross absorption level all held steady. Net absorption was firmly in positive territory thanks to a strong showing from the IE-East submarket. The IE has grown into one of the biggest distribution hubs in the country. The IE's standing as an industrial hub has only been enhanced during the pandemic as consumers have been forced to buy more of their goods online, which has caused greater demand for industrial warehouses. The average asking lease rate increased to 0.89 and the overall vacancy rate decreased to end the period at 3.30%.

## DEMAND

12 MO NET ABSORPTION % OF INVENTORY	-0.3%	▼
12 MO LEASED SF	8.8 M	▼
MONTHS ON MARKET	5	▼





TOTAL BUILDINGS

4,726



DELIVERIES (YTD)

738,400<sup>SF</sup>



LEASE ACTIVITY (Q3)

7,845,853<sup>SF</sup>

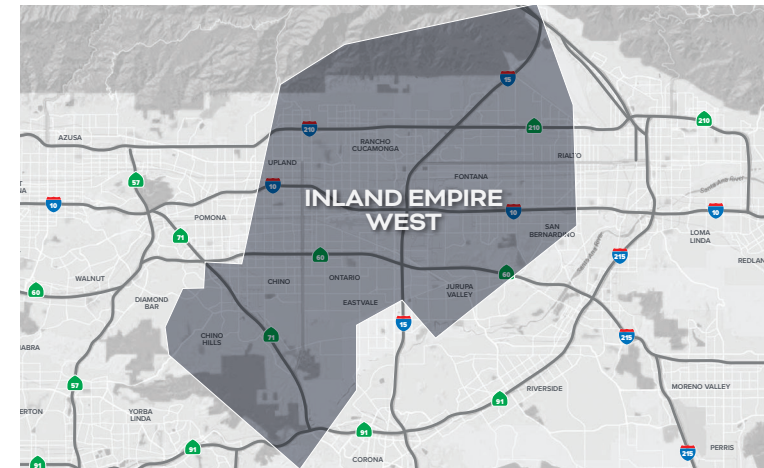
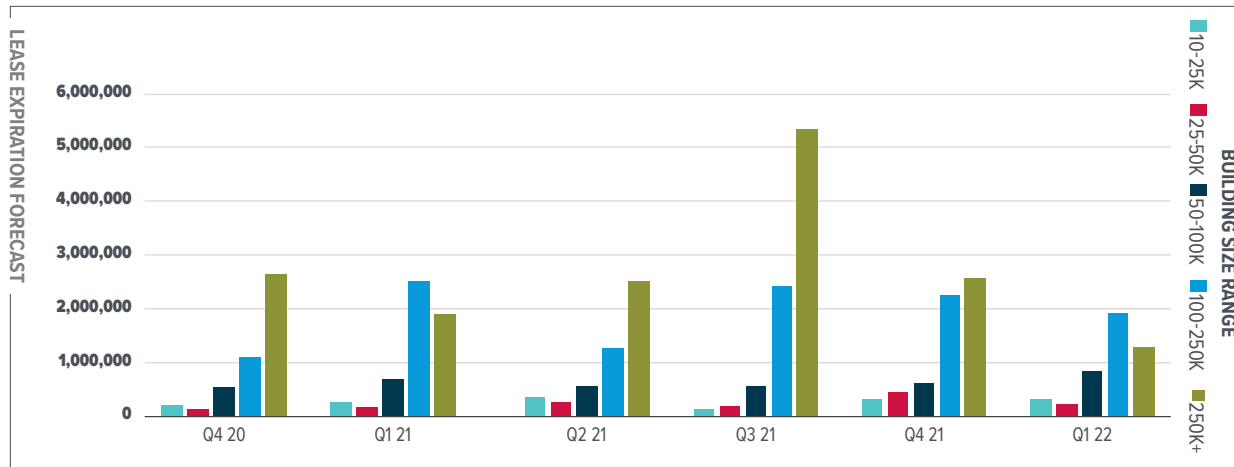


SALE ACTIVITY (Q3)

983,967<sup>SF</sup>

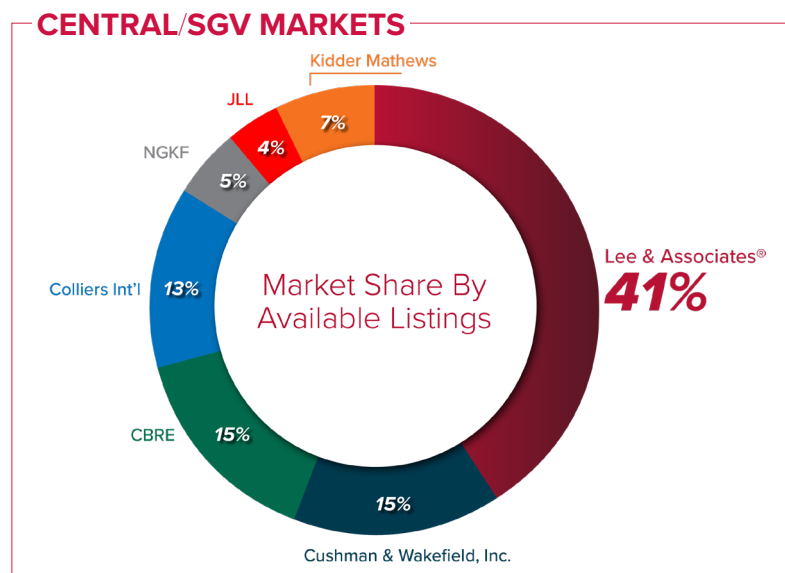
## CITY STATS

CITY	# OF BUILDING	INVENTORY	VACANCY		AVAILABILITY		LEASE RATE	NET ABSORPTION	GROSS ABSORPTION	SALE RATE
CHINO	896	52,922,608 SF	2.3 %	▲	3.5%	▲	\$0.93 PSF	-266,809 SF	498,044 SF	\$159 PSF
CHINO HILLS	8	426,477 SF	-	—	-	—	\$1.06 PSF	-	-	\$223 PSF
EASTVALE	42	10,105,482 SF	2.2 %	▲	2.4 %	▼	\$0.72 PSF	86,794 SF	88,500 SF	\$151 PSF
FONTANA	733	64,406,514 SF	2.9 %	▲	2.9 %	▼	\$0.96 PSF	616,519 SF	998,002 SF	\$153 PSF
JURUPA VALLEY	301	30,294,760 SF	4.1 %	▲	5.1 %	▲	\$0.73 PSF	-738,685 SF	109,050 SF	\$135 PSF
MIRA LOMA	21	1,625,636 SF	1.8 %	▼	1.8 %	▼	\$0.97 PSF	60,780 SF	60,780 SF	\$153 PSF
MONTCLAIR	200	3,800,517 SF	5.1 %	▼	7.4 %	▼	\$0.84 PSF	232,823 SF	271,214 SF	\$206 PSF
ONTARIO	1,469	110,810,613 SF	4.8 %	▲	1.6 %	▲	\$0.92 PSF	1,709,824 SF	2,768,856 SF	\$145 PSF
RANCHO CUCAMONGA	733	40,783,538 SF	5.8 %	▲	7.9 %	▲	\$0.79 PSF	-637,325 SF	1,214,759 SF	\$152 PSF
UPLAND	254	4,015,687 SF	3.9 %	▲	4.9 %	▼	\$1.01 PSF	-47,670 SF	28,058 SF	\$196 PSF



## A LOOK AHEAD

Expect the industrial sector to finish 2020 with strength and vitality. Of all the sectors, industrial real estate is performing the best during the pandemic. It continues to be the preferred asset class of real estate investors because of the continued dominance of e-commerce. Annual rent growth will be higher than it was pre-COVID-19 and this increased demand will generate more development in the future. The Greater Los Angeles area remains one of the great industrial hubs of the nation. Across the LA basin, vacancy remains low, and both demand and rents are either remaining steady or increasing. These trends are neither temporary nor short-lived because of the fundamental shift in consumer behavior occurring in the United States. This year, U.S. e-commerce sales will make up about 14.5% of total retail sales, or \$709.78 billion. By the end of 2024 that percentage will grow to 18.1% of all retail sales, with online sales surpassing \$1 trillion for the first time, according to the firm eMarketer. Consequently, the demand for industrial real estate could reach an additional 1 billion square feet by 2025. To put into perspective how much extra warehouse space is needed, Prologis estimates that e-commerce companies require 1.2 million square feet of distribution space for each \$1 billion in sales. As of this writing, over 18 million square feet was under construction in the IE alone.



This reports is based on industrial single and multi-tenant buildings that are greater than 5,000.



## THE LEE ADVANTAGE

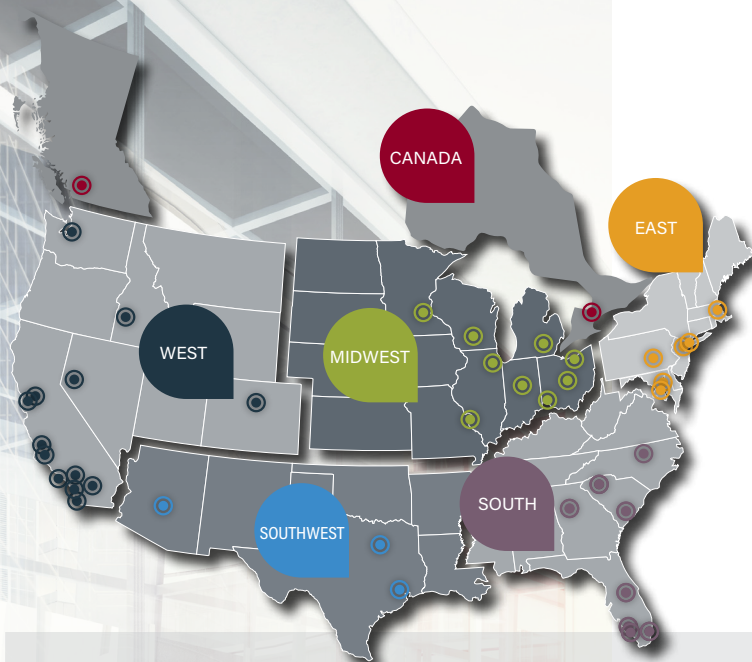
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**1,300**  
PROFESSIONALS  
AND GROWING  
INTERNATIONALLY

**\$15+**  
BILLION  
2019 TRANSACTION  
VOLUME

**176%**  
INCREASE  
IN TRANSACTION  
VOLUME OVER 5 YEARS



## EXCEPTIONAL EXPANSION

LOCAL EXPERTISE. INTERNATIONAL REACH. WORLD CLASS.

2020 - Washington, DC  
2020 - Naples, FL  
2020 - Boston, MA  
2019 - Toronto, ON Canada  
2018 - Cincinnati, OH  
2018 - Raleigh, NC  
2018 - Miami, FL  
2016 - Seattle, WA  
2016 - Walnut Creek, CA  
2016 - Vancouver, BC Canada  
2016 - Twin Cities, MN  
2016 - Pasadena, CA  
2015 - Eastern Pennsylvania  
2015 - Columbus, OH

2015 - Houston, TX  
2014 - Denver, CO  
2014 - Cleveland, OH  
2013 - Long Island-Queens, NY  
2013 - Chesapeake Region, MD  
2012 - Edison, NJ  
2012 - Orlando, FL  
2012 - Charleston, SC  
2011 - Fort Myers, FL  
2011 - Manhattan, NY  
2011 - Greenville, SC  
2010 - Atlanta, GA  
2010 - Greenwood, IN  
2010 - Indianapolis, IN

2009 - Long Beach, CA  
2009 - Elmwood Park, NJ  
2008 - Boise, ID  
2008 - ISG, LA, CA  
2008 - Palm Desert, CA  
2008 - Santa Barbara, CA  
2006 - Antelope Valley, CA  
2006 - Dallas, TX  
2006 - Madison, WI  
2006 - Oakland, CA  
2006 - Reno, NV  
2006 - San Diego - UTC, CA  
2006 - Ventura, CA  
2006 - San Luis Obispo, CA

2005 - Southfield, MI  
2005 - Los Olivos, CA  
2004 - Calabasas, CA  
2004 - St. Louis, MO  
2002 - Chicago, IL  
2001 - Victorville, CA  
1999 - Temecula Valley, CA  
1996 - Central LA, CA  
1994 - Sherman Oaks, CA  
1994 - West LA, CA  
1993 - Pleasanton, CA  
1993 - Stockton, CA  
1991 - Phoenix, AZ  
1990 - Carlsbad, CA

1990 - Industry, CA  
1989 - LA - Long Beach, CA  
1989 - Riverside, CA  
1987 - Ontario, CA  
1984 - Newport Beach, CA  
1983 - Orange, CA  
1979 - Irvine, CA

AFFILIATE  
INTERNATIONAL  
RELATIONSHIP



**GERALDEVE**

INDUSTRY  
SPONSORSHIPS &  
ORGANIZATIONS



**176%**  
Increase in  
Transaction Volume  
Over 5 years

**15+**  
Billion Transaction  
Volume (2018)

**1K+**  
Professionals  
& Growing  
Nationwide

**60+**  
Offices  
Nationwide

- ▶ AUSTRIA
- ▶ BELGIUM
- ▶ CZECH REPUBLIC
- ▶ DENMARK
- ▶ FRANCE
- ▶ GERMANY
- ▶ INDIA
- ▶ IRELAND
- ▶ LUXEMBOURG
- ▶ NETHERLANDS
- ▶ NORTHERN IRELAND
- ▶ NORWAY
- ▶ POLAND
- ▶ PORTUGAL
- ▶ SLOVAKIA
- ▶ SPAIN
- ▶ TURKEY
- ▶ UNITED KINGDOM



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