

LOS ANGELES INDUSTRIAL MARKET

AMAZON EXPANDS; SALES ACTIVITY INCREASES

- Renewals and extensions drove leasing activity in a market where modern supply is in short supply. Only 13 existing Class A facilities are available.*
- Vacancy has remained under 3.0% for 17 consecutive years.
- Under-construction activity was up 1.3 million square feet from last quarter. Developers remain bullish on the market and continue to search for infill sites.
- Orange Courier, US Elogistics Services, Access Plus, Mega Lion, DNA Motors and Lucasfilm are among tenants that took occupancy of spaces 100,000 square feet and greater this quarter.
- 3PLs and ecommerce companies continue to lead other industry profiles in overall activity. With that said, some 3PLs are having mixed results based on existing accounts; those that have business with an embattled retailer or two are trying to reduce costs.
- Sublet availability represents 0.9% of existing inventory, higher than the 15-year average of 0.6%
- Loaded container volume at the ports totaled 7.3 million TEUs in the first eight months of the year, down 6.1% over the same period in 2019.
- Los Angeles North dominated other submarkets in quarterly net absorption gains, accounting for 85.7% of the greater market's activity.

AMAZON COMMITS BIG TO LA NORTH

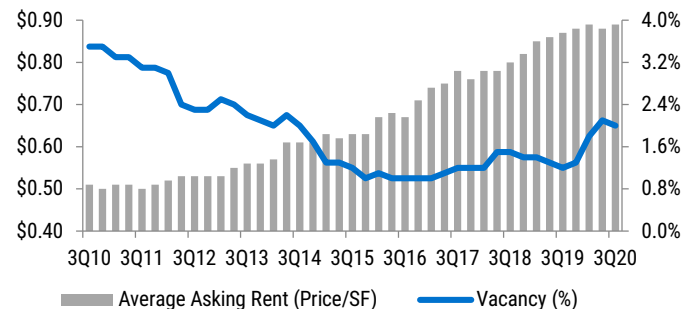
Amazon propelled North's absorption after taking occupancy of 1.2 million square feet across five facilities. The company is set to move into an additional 756,336 square feet in Burbank by year-end.

E-commerce, which drove leasing activity in the 2008 to early 2020 cycle, is more important now than it has ever been, thanks to social distancing. For Amazon, the e-tailer plans to open around 1,500 last-mile facilities across the nation, according to *Bloomberg*. More goods closer to the end consumer expedites delivery and lowers shipping costs. For the latter, Amazon opted not to renew its ground-shipping contract with FedEx in 2019 as the company builds out its own delivery infrastructure.

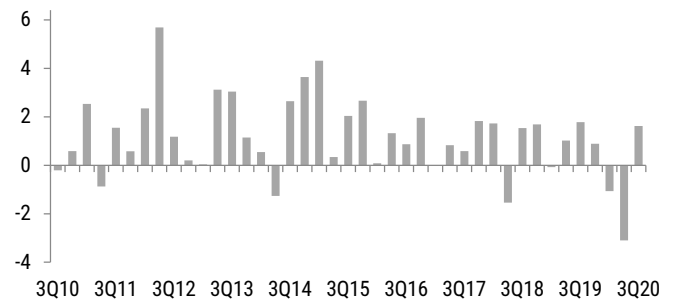
According to data from eMarketer, Amazon is on track to represent 38.7% of U.S. retail ecommerce sales by year-end. Walmart will follow with 5.3%. More final-mile locations will allow Amazon to retain and expand its market share, with the end goal of achieving same- and next-day delivery to up to 70.0% of U.S. households by 2022. This is on par with what Walmart has achieved with its brick-and-mortar stores; 70.0% of the U.S. population lives within five miles of a Walmart store.

MARKET ANALYSIS

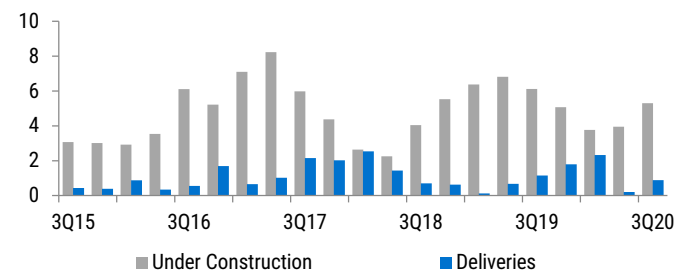
Asking Rent and Vacancy



Net Absorption (SF, Millions)



Construction and Deliveries (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	1.046 BSF	1.045 BSF	1.037 BSF	↑
Vacancy Rate	2.0%	2.1%	1.2%	↑
Quarterly Net Absorption	1.6 MSF	-3.1 MSF	1.8 MSF	↑↓
Average Asking Rent	\$0.89	\$0.88	\$0.87	↑↓
Under Construction	5.3 MSF	4.0 MSF	6.1 MSF	↑↓
Deliveries	889,270	201,186	1.2 MSF	↑

CAPITAL MARKETS ACTIVITY

Sales volume was pronounced this quarter with nearly \$1.5 billion, outpacing the 10-year average of \$995 million. This is a welcome return to form after the uncertainty of COVID-19 took its toll on last quarter's sales of \$657 million. Regional and institutional players were among the third quarter's top buyers, including Sares-Regis Group, Brookfield, Blackstone and Rexford Industrial Realty.

The sale of 2751 Skypark Drive in Torrance is perhaps the most interesting trade in recent months. The property was a former Costco, marketed as vacant retail, and was vacant for over three years. NKF sold it as "retail," at an undisclosed price in November 2019 to Bridge, which was willing to take the industrial entitlement risk. Bridge received approval to develop a three-building industrial park, prior to Amazon leasing the facility. Amazon plans to convert the former Costco into a final-mile center, since the site is

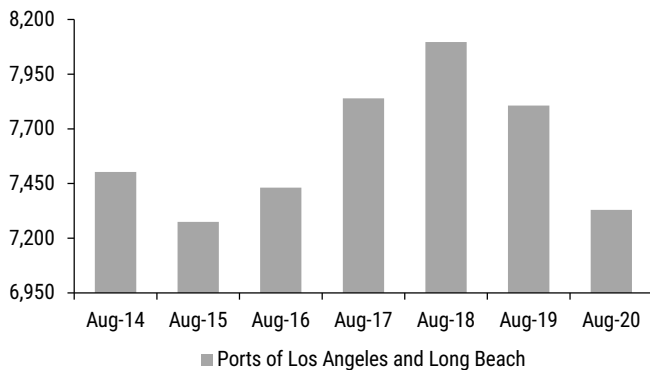
within a 30-minute drive time of over 2.1 million consumers. Once leased, Bridge, with NKF representation, sold the property for a significantly higher price to Realterm Logistics, an institutional owner of high-flow-through logistics facilities.

OUTLOOK

Demand for final-mile centers will continue to boost Los Angeles' numbers since COVID-19 is only expediting e-commerce adoption rates. New supply and the efficiencies it offers will also be quick to find tenants in a market where the average building age is 47 years. Stronger demand across all industries will be contingent on when the labor markets recover, since high unemployment historically cuts into consumer spending. The full reality of this has yet to unfold, thanks to fed stimulus from the CARES Act, with more aid to come.

YTD IMPORT AND EXPORT VOLUME

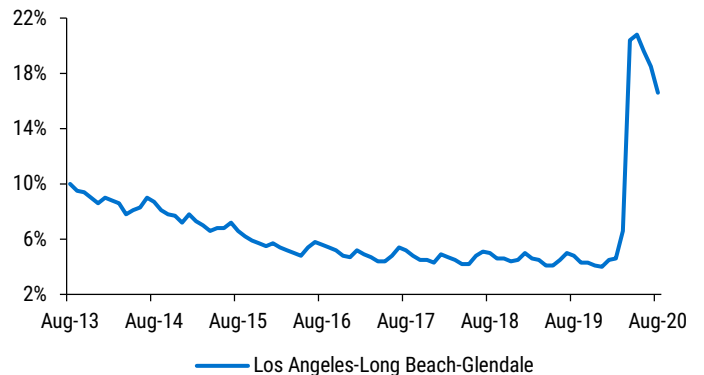
Loaded Inbound and Outbound Cargo (TEUs, Thousands)



Source: Port of Los Angeles, Port of Long Beach

PAYROLL EMPLOYMENT

Total Nonfarm Unemployment Rate, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics (Preliminary Data)

LEASE TRANSACTIONS

Tenant	Building	City	Type	Square Feet
Michael Kors	3777 Workman Mill Rd	Whittier	Renewal	613,375
Pilot Automotive	1300 E Temple Ave	City of Industry	Renewal	407,638
Armdore Home Design	918 S Stimson Ave	City of Industry	New Lease	282,377
Orange Courier	15300 Desman Rd	La Mirada	Sublease	254,718
US Elogistics Services	5215 S Boyle Ave	Vernon	New Lease	232,229

SALE TRANSACTIONS

Buyer	Building(s)	City	Sale Price	Price/SF	Square Feet
Realterm Logistics	2751 Skypark Dr (Amazon)	Torrance	\$81,500,000	\$626	130,248
Brookfield Property Group	15015 Valley View Ave	Santa Fe Springs	\$67,960,000	\$224	302,850
The Blackstone Group L.P.	8700 Mercury Ln	Pico Rivera	\$62,000,000	\$253	244,768
Los Angeles Regional Food Bank	2300 Pellissier Pl	City of Industry	\$52,100,000	\$204	255,878
Black Creek Group	1451 W Knox St	Torrance	\$44,230,000	\$289	152,790

SUBMARKET STATISTICS

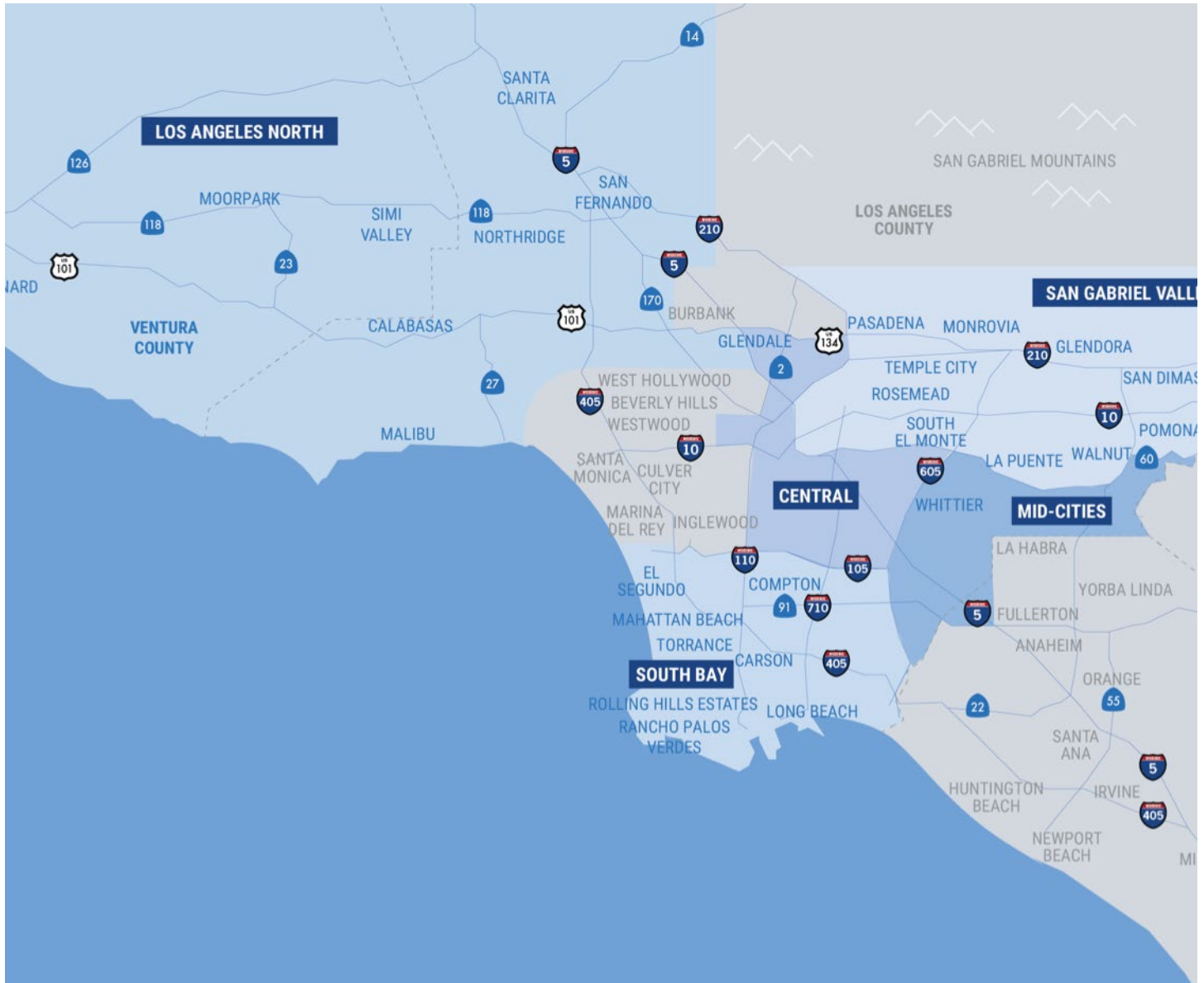
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central	296,713,960	374,306	2.0%	-240,428	-2,071,299	\$0.86	\$0.91	\$0.87
Bell	3,755,475	0	0.0%	0	52,388	\$1.05	-	\$1.05
Bell Gardens	2,366,464	0	0.0%	0	26,640	\$0.86	-	\$0.86
Commerce	52,384,754	171,726	1.3%	-359,086	-373,908	\$0.76	\$0.87	\$0.77
Cudahy	828,184	0	0.0%	0	0	-	-	-
Downtown Los Angeles	130,449,284	202,580	2.8%	74,026	-1,880,234	\$0.98	\$1.02	\$1.00
Huntington Park	4,871,547	0	2.0%	0	-10,073	\$0.59	\$0.63	\$0.62
Lynwood	3,822,994	0	0.0%	0	0	-	-	-
Maywood	764,938	0	0.0%	15,132	0	-	-	-
Montebello	13,449,824	0	0.8%	4,800	-96,022	\$0.92	\$0.69	\$0.86
Pico Rivera	11,042,170	0	4.3%	-82,461	-63,661	\$0.89	-	\$0.89
South Gate	11,499,881	0	1.3%	0	0	\$0.70	\$0.55	\$0.59
Vernon	61,478,445	0	1.4%	107,161	273,571	\$0.79	\$0.83	\$0.80
Mid-Cities	114,147,470	559,741	1.5%	97,131	932,967	\$0.83	\$0.83	\$0.83
Artesia	308,193	0	0.0%	0	0	-	-	-
Buena Park	14,572,932	0	0.2%	-8,788	1,066,559	\$0.83	\$0.64	\$0.80
Cerritos	14,919,174	0	2.6%	-87,976	-269,525	\$0.85	\$0.85	\$0.85
Downey	4,294,733	0	1.7%	0	-27,088	\$0.75	\$0.81	\$0.77
La Mirada	14,150,661	0	3.8%	165,336	-70,046	\$0.78	\$0.99	\$0.81
La Palma	2,083,684	0	0.0%	0	0	-	-	-
Norwalk	3,579,158	0	8.4%	-120,127	-119,960	-	\$0.88	\$0.88
Santa Fe Springs	56,127,047	559,741	0.6%	148,686	303,027	\$0.86	\$0.85	\$0.86
Whittier	4,111,888	0	0.0%	0	50,000	\$0.85	\$0.67	\$0.77

SUBMARKET STATISTICS

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LA North	230,358,547	1,655,149	1.9%	1,386,640	604,273	\$0.86	\$0.95	\$0.93
Central Valley	31,942,789	77,526	0.2%	-12,072	-57,589	\$1.08	\$1.05	\$1.06
Conejo Valley	14,620,957	0	1.0%	37,516	11,317	-	\$0.96	\$0.96
East Valley	56,590,023	1,004,305	0.3%	18,167	50,638	\$1.18	\$1.04	\$1.09
Santa Clarita	26,386,852	155,680	5.8%	335,549	164,626	\$0.72	\$0.79	\$0.77
Simi/Moorpark	13,850,848	284,704	3.1%	-55,824	-54,318	\$0.77	\$0.86	\$0.83
West Valley	42,102,156	0	1.1%	288,917	40,434	\$0.91	\$0.99	\$0.96
West Ventura County	44,864,922	132,934	3.4%	774,387	449,165	\$0.66	\$0.73	\$0.69
LA East (San Gabriel)	182,496,249	1,308,685	2.2%	410,578	-224,185	\$0.87	\$0.82	\$0.84
Central SGV	26,931,871	413,156	2.1%	160,165	349,815	\$0.81	\$0.85	\$0.83
Eastern SGV	33,552,181	0	0.9%	-191,672	84,767	\$0.81	\$0.84	\$0.83
El Monte Area	19,617,702	0	6.5%	37,846	101,552	\$0.90	\$0.87	\$0.88
Industry Area	90,413,909	895,529	1.8%	444,331	-702,227	\$0.88	\$0.78	\$0.83
Western SGV	11,980,586	0	3.1%	-40,092	-58,092	\$0.92	\$0.97	\$0.95
South Bay	222,826,135	1,404,434	2.1%	-35,960	-1,784,978	\$0.98	\$0.90	\$0.93
Carson	41,191,438	62,690	2.2%	-463,890	-283,480	\$0.95	\$0.88	\$0.89
Compton/Rancho Dominguez	41,052,783	107,733	1.8%	392,033	-126,240	\$0.92	\$0.89	\$0.91
El Segundo	9,640,317	0	1.2%	-7,861	-100,147	-	\$1.50	\$1.50
Gardena/110 Corridor	34,075,144	390,831	1.0%	42,580	-24,305	\$0.93	\$0.80	\$0.81
Hawthorne	10,234,557	0	0.1%	41,228	-6,000	\$0.98	\$0.93	\$0.95
LAX/Inglewood	11,284,008	0	1.2%	-11,248	-103,271	\$1.35	\$1.45	\$1.43
Long Beach/Signal Hill	20,565,906	415,160	8.6%	40,464	-1,132,966	\$0.75	\$0.86	\$0.82
Paramount	9,490,398	0	1.2%	-10,547	-97,491	\$0.92	\$0.82	\$0.83

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Port District	6,541,495	0	0.2%	6,960	6,960	-	-	-
Redondo Beach	3,577,501	0	0.1%	0	0	-	-	-
Torrance Area	35,172,588	428,020	1.3%	-65,679	81,962	\$1.03	\$0.93	\$1.00
Los Angeles	1,046,542,361	5,302,315	2.0%	1,617,961	-2,543,222	\$0.87	\$0.89	\$0.89



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