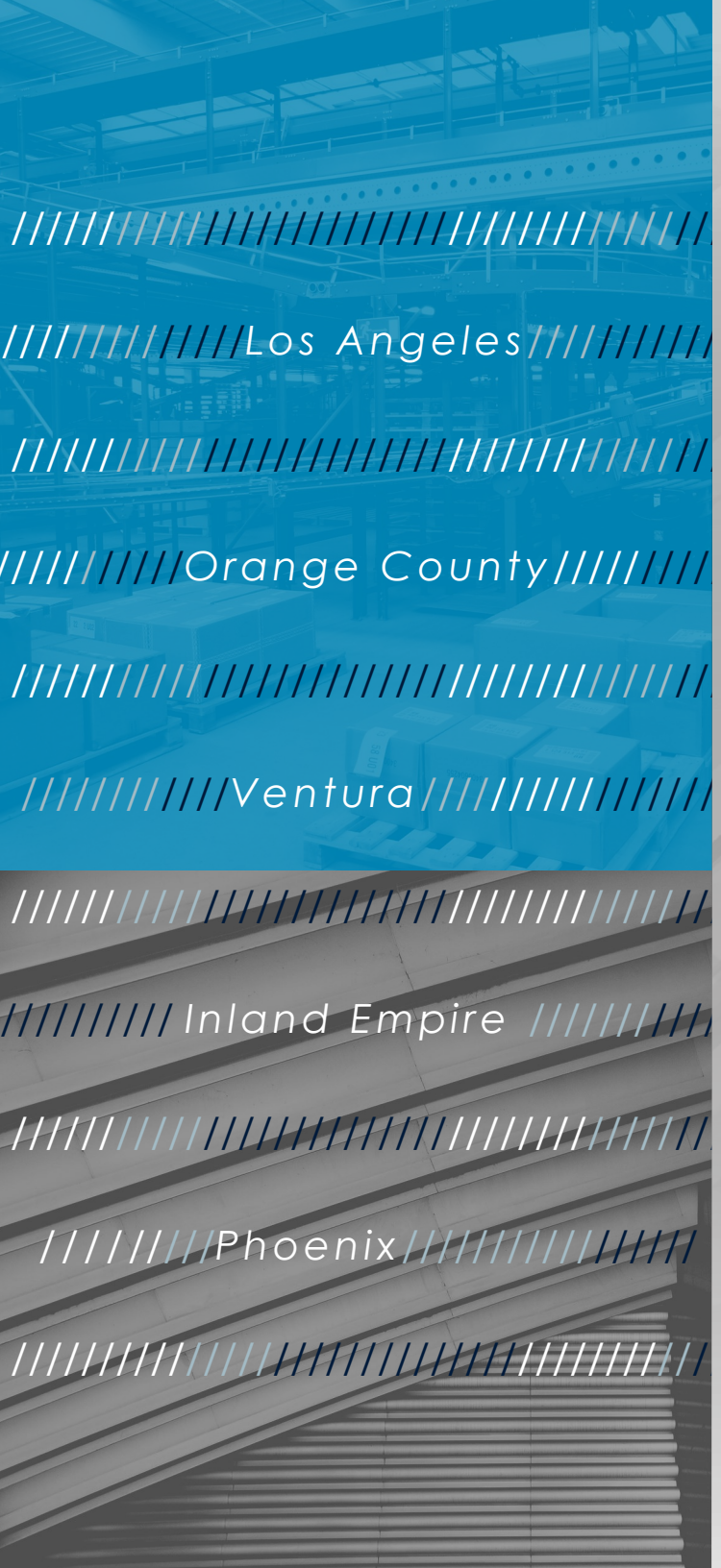

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Q2 | 2020 Market Report

Los Angeles Industrial

San Gabriel Valley

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MARKET REPORT Q2

Industrial 2020
San Gabriel Valley

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MARKET ACTIVITY

Direct Vacancy ⌄ 3.1%	Net Absorption ⌃ 1,079,921 SF
Overall Vacancy ⌄ 3.4%	Gross Absorption ⌃ 2,158,563 SF
Under Construction ⌄ 495,846 SF	Rental Rates (NNN) ⇔ $0.88
Sale Price Change ⌃ 9.4%	Deal Volume ⌄ 43.7%

KEY TAKE AWAYS

MARKET

- **Vacancy Rate**: Fell by 30 BPS in Q2 after experiencing a spike in Q1.
- **Asking Rents**: Remained the same from Q1.
- **Industrial Supply**: Nearly 583K SF was delivered in Q2. Under Construction is now slightly over 495K SF.
- **Sale**: Volume fell again this time by roughly 44% from Q1. The median price PSF was $191.33.

ECONOMIC OUTLOOK

- **GDP**: Q2 is expected to be the worst quarter in history with an estimated decline of over 35% from Q1 due to the unprecedented economic shutdowns from COVID-19. The NBER has declared the U.S. is in a recession that started in February.
- **Employment**: Over 47M Americans have filed for unemployment since economic shutdowns began 14 weeks ago in order to combat COVID-19.
- **Economic Relief** : As part of the larger $2.2 Trillion CARES, Congress appropriated $659B for the Paycheck Protection Program (PPP) to provide forgivable loans to small businesses. As of 6/29, over 4.8M loans have been approved. The efficacy of this program is paramount for the U.S. & CRE.

ECONOMIC OUTLOOK

U.S. Employment ⌃ 13.3%	U6 Rate ⌃ 21.2%
Interest Rate ⌄ 3.1% (30 year fixed)	Changing GDP ⌄ -35.3%
Port Traffic Y/Y Δ ⌄ -12.6%	NYSE Performance ⌃ 22.8%
Inflation Change ⌄ 0.2%	10 Yr. - 2 Yr. Spread ⌃ 50 BPS

EXPERIENCE IN A CHANGING MARKET
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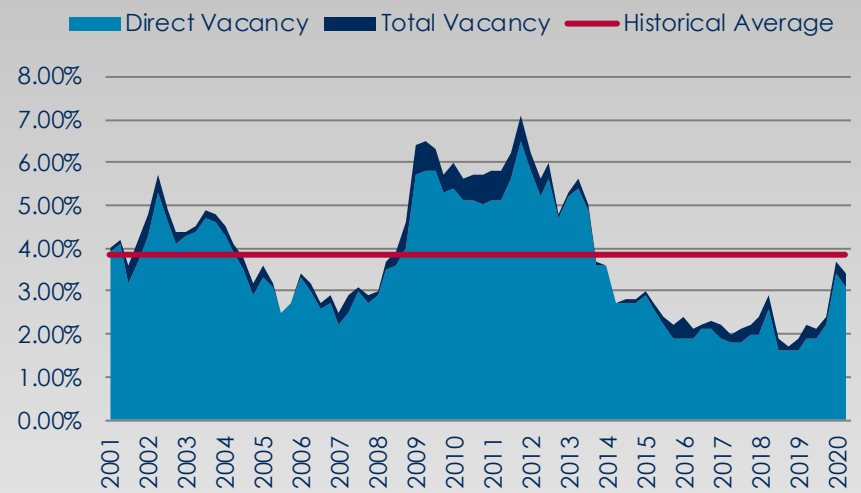
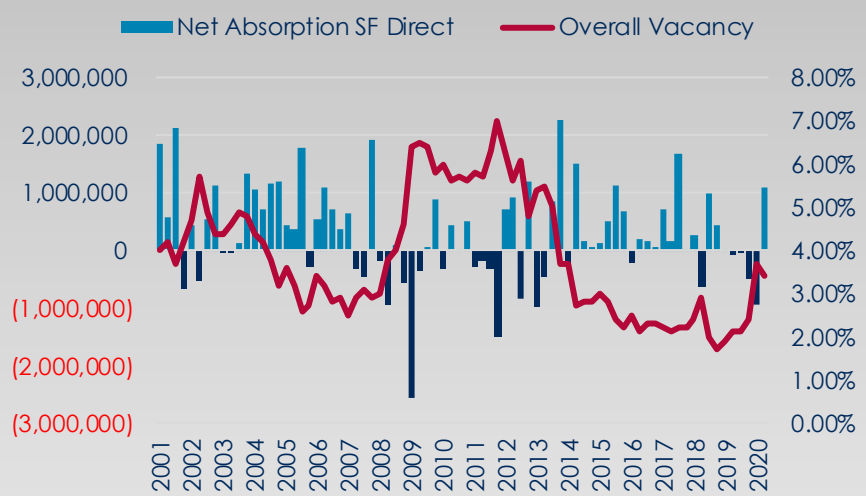
Q2 //////// Market Report

San Gabriel Valley | Industrial //// Q2 2020

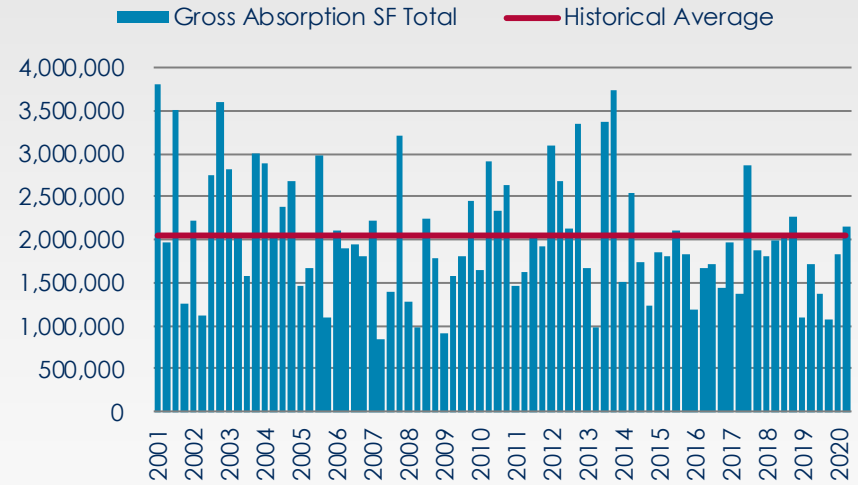
OVERALL VACANCY
FELL BY 30 BPS IN Q2 AFTER SPIKE IN Q1



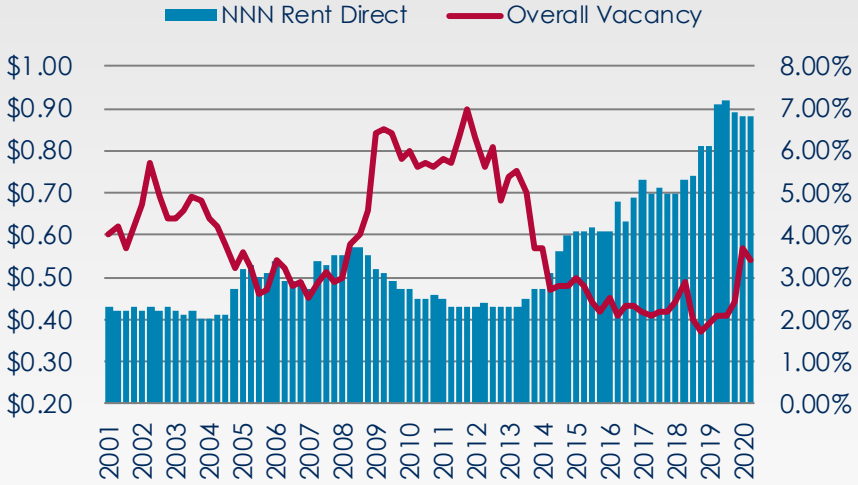
NET ABSORPTION
SWUNG BY OVER 2M SF FROM Q1 TO POSITIVE 1.1M SF IN Q2



GROSS ABORPTION
INCREASED BY 17% IN Q2 TO OVER 2.1M SF. ABOVE HIST. AVERAGE



ASKING RENTS
CONTINUE TO SOFTEN. RATES REMAINED FLAT FROM Q1



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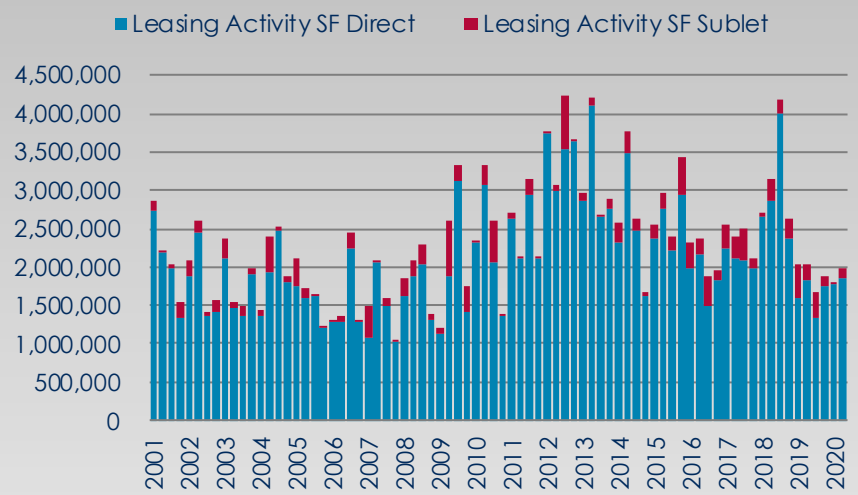
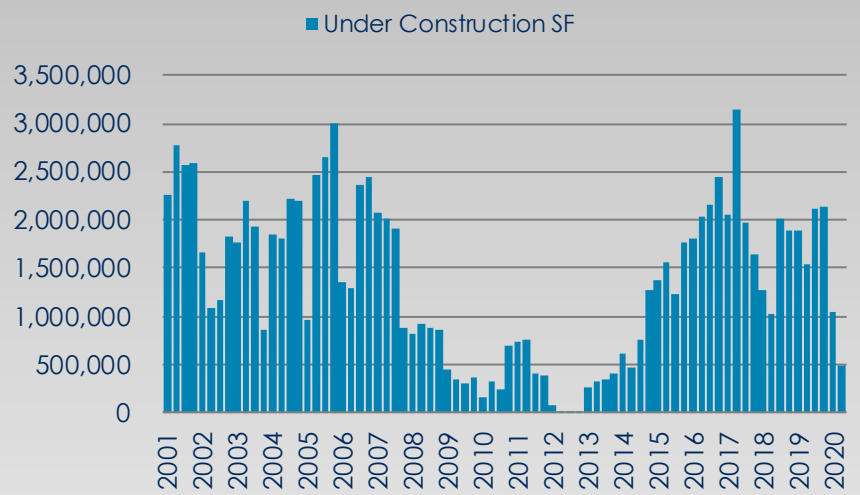
Q2 Market Report

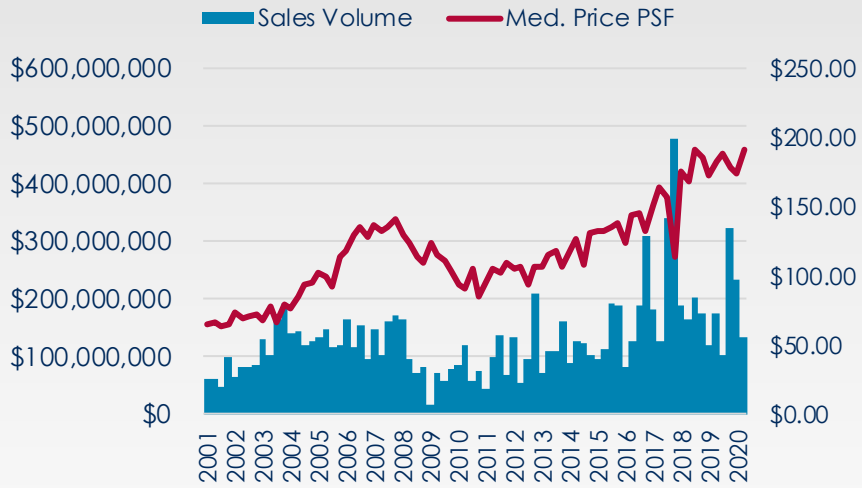
LEASING ACTIVITY
INCREASED BY 10% FROM Q1 TO JUST UNDER 2M SF

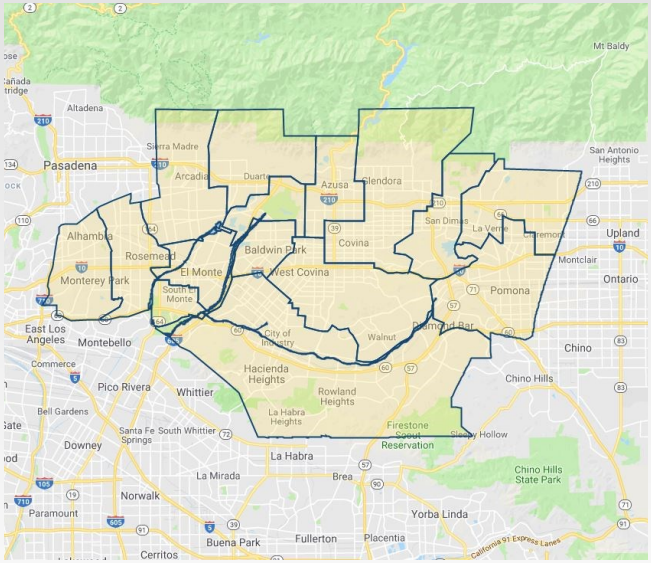


CONSTRUCTION ACTIVITY
583K SF WAS DELIVERED IN Q2. UC UNDER 500K SF



SALES
VOLUME DOWN 44% FROM Q1. MEDIAN PRICE WAS $191.33 PSF





San Gabriel Valley | Industrial //// Q2 2020

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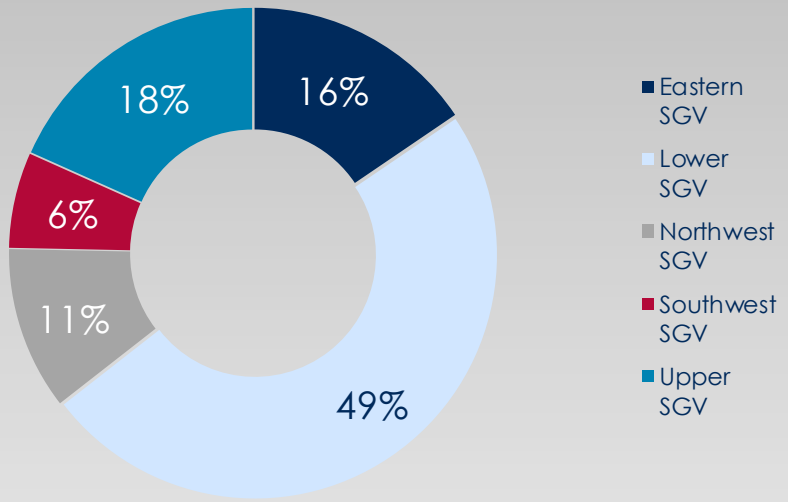
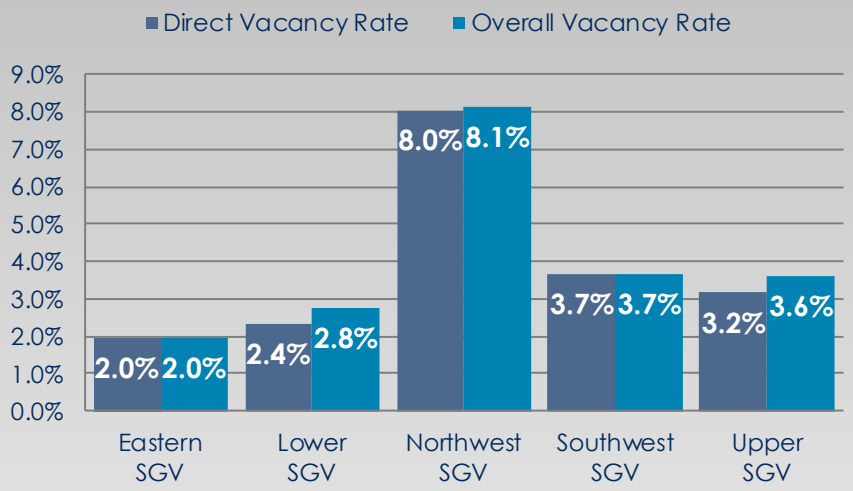
Q2 Market Report

San Gabriel Valley | Industrial | Q2 2020

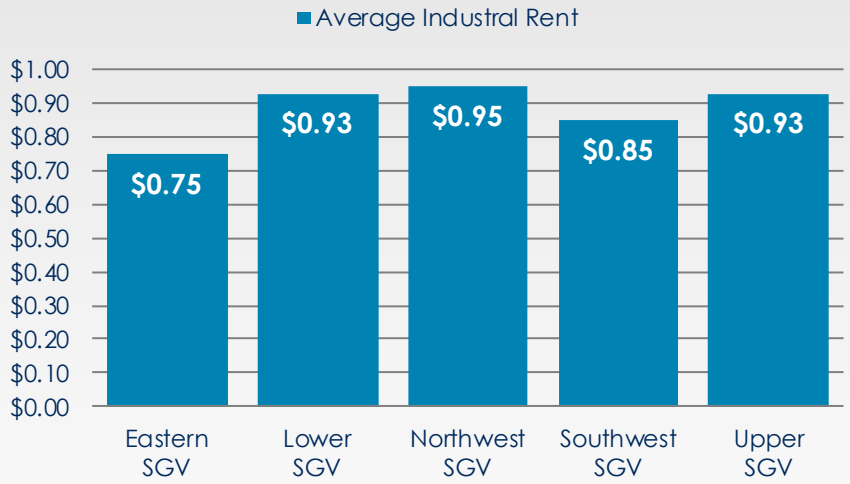
SQUARE FOOT BREAKDOWN– 176,474,655 SF MARKET SIZE



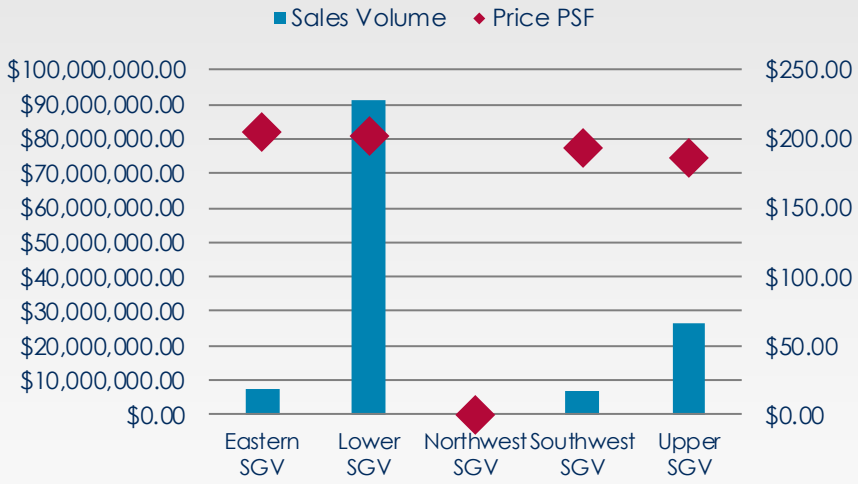
VACANCY BREAKDOWN



AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



VOLUME BREAKDOWN



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Q2 Market Report

San Gabriel Valley | Industrial | Q2 2020

METHODOLOGY & TERMINOLOGY

Methodology
Industrial and flex (R & D) buildings that are 5,000 square feet and greater.

Direct Vacant SF
Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale directly from the landlord.

Total Vacant W/ Sublet SF
Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale by the landlord or for sublease by the current tenant.

Direct Vacancy Rate
Total vacant direct space (vacant space for lease or sale from the landlord or owner) divided by the total rentable square footage for existing buildings only.

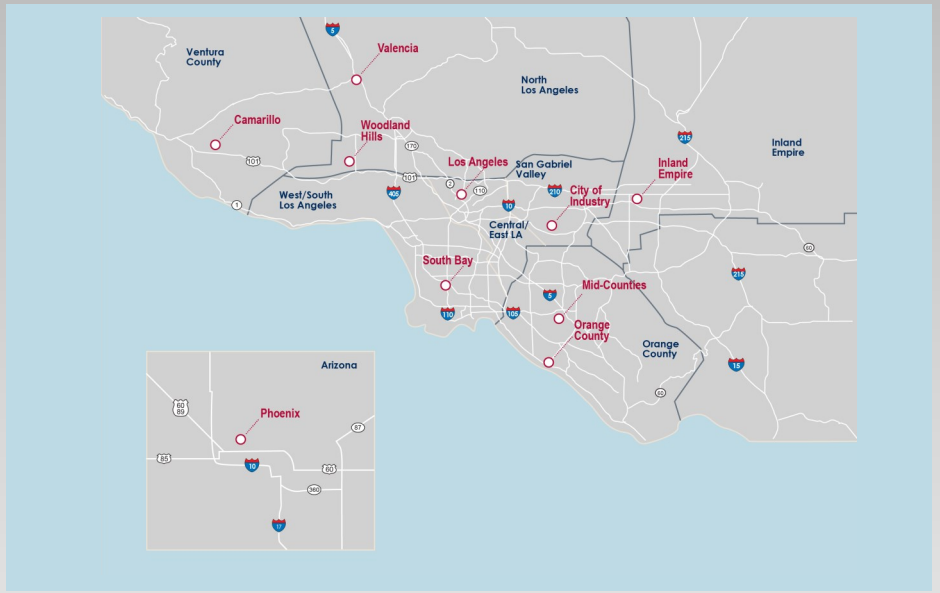
Vacancy W/ Sublet Rate
Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

Gross Absorption
The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time.

Net Absorption
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

Under Construction
Planned buildings for which construction has started but have not yet been granted a Certificate of Occupancy. Planned buildings are not included.

Completed in 2020
New buildings with original construction completed in the year 2020 and granted a Certificate of Occupancy. Renovated buildings are not included



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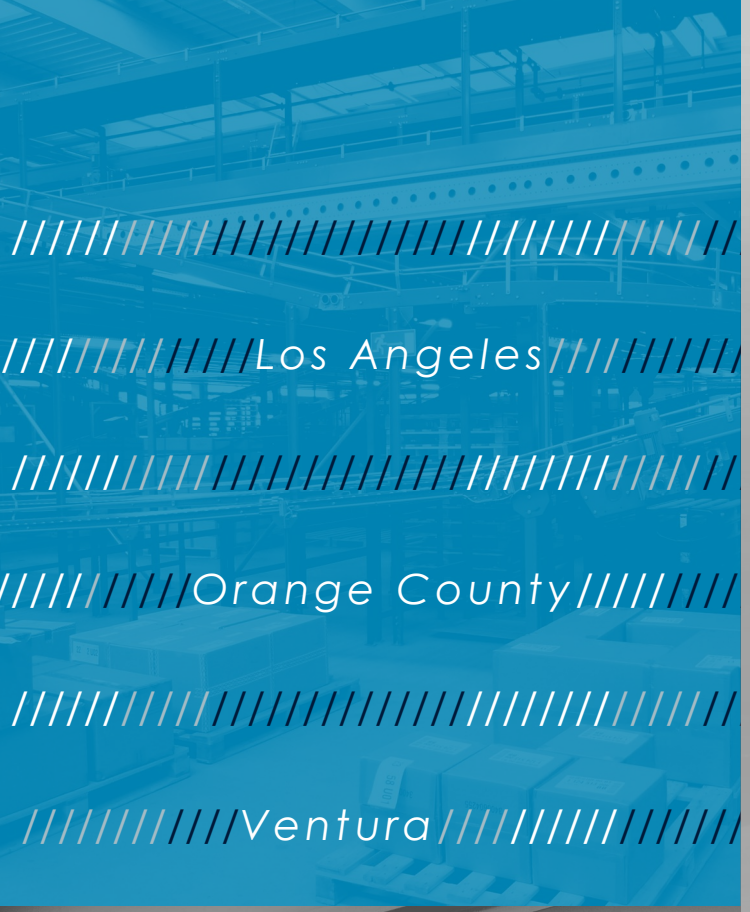

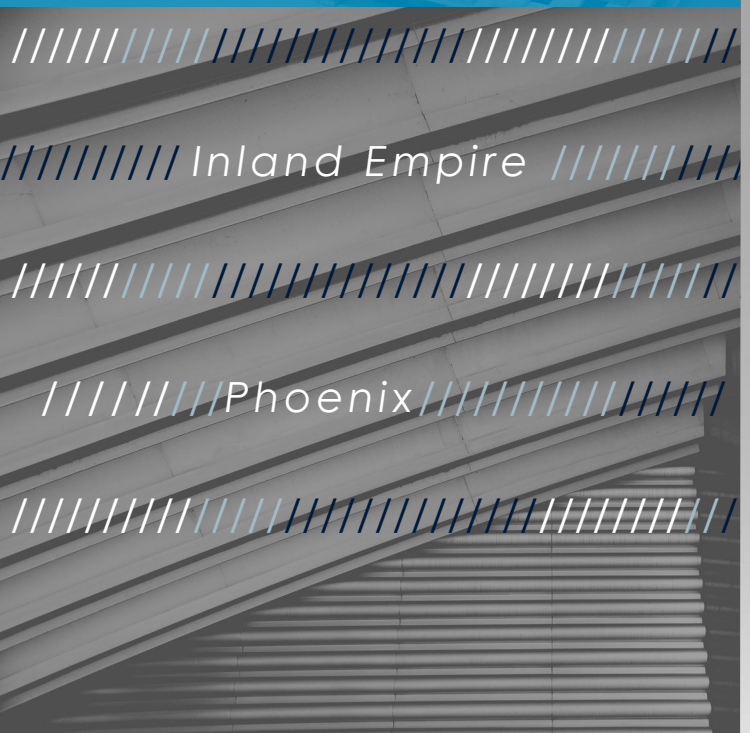

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Economic Overview

Q2 2020

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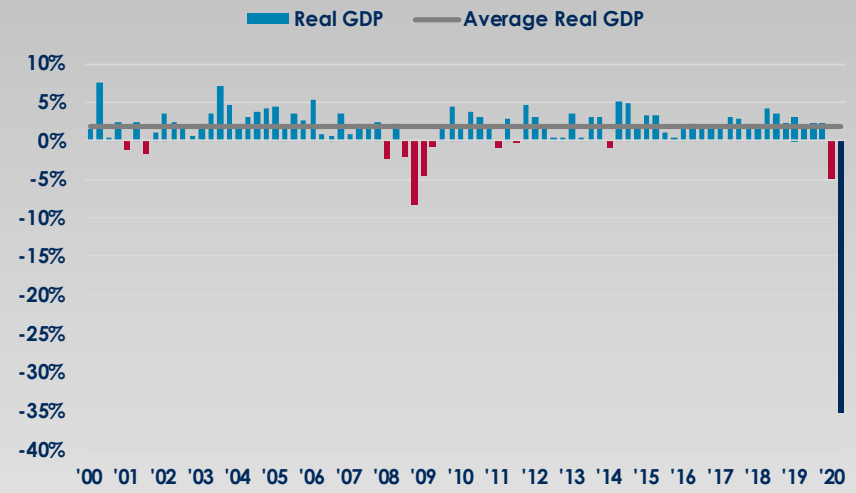
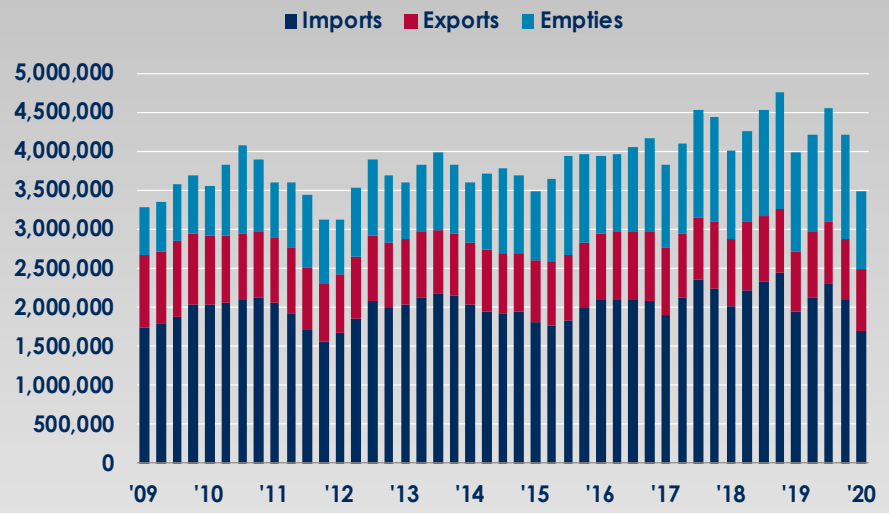
Q2

GDP IN Q1 FINISHED AT -5.0%. Q2 EST. TO BE WORST IN HISTORY

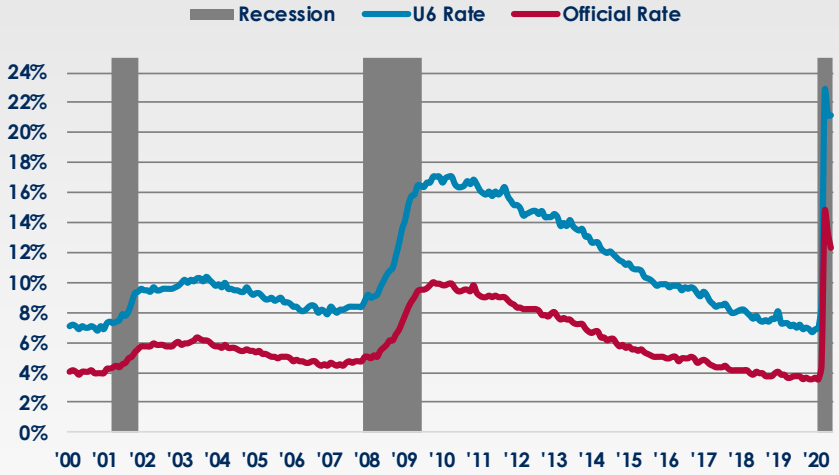


*-35.3% for 2Q20 based on CNBC/Moody's Analytics Rapid Update Survey

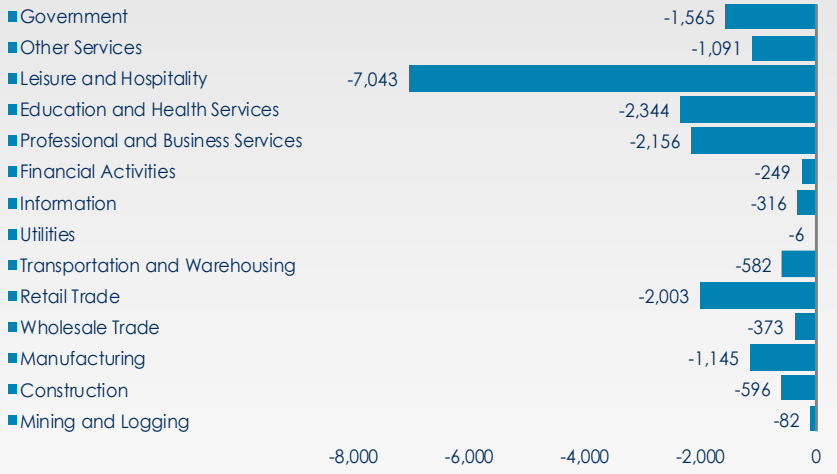
PORT ACTIVITY FELL BY 17.1% FROM Q3. DECLINE EXPECTED IN Q2-20



THE IMPACT FROM COVID-19 BEGINS TO SHOW



LEISURE & HOSPITALITY HIT HARD DUE TO SHUTDOWNS FROM COVID-19



National Economic Overview //// Q2 2020

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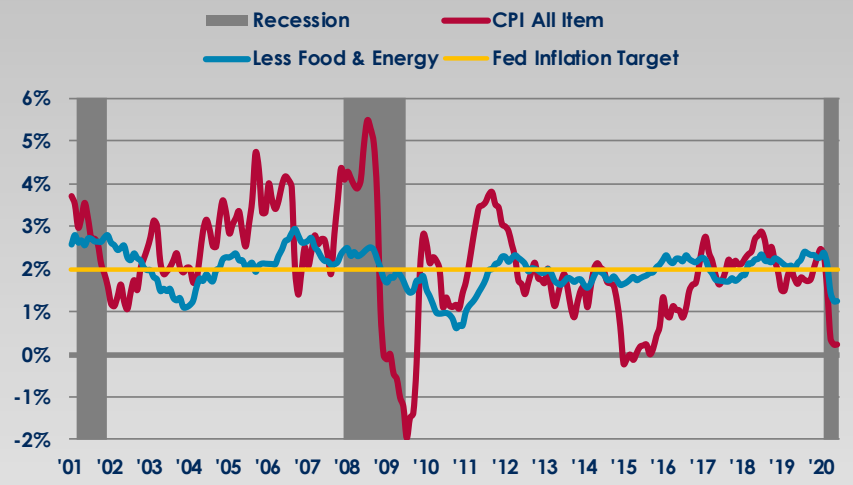
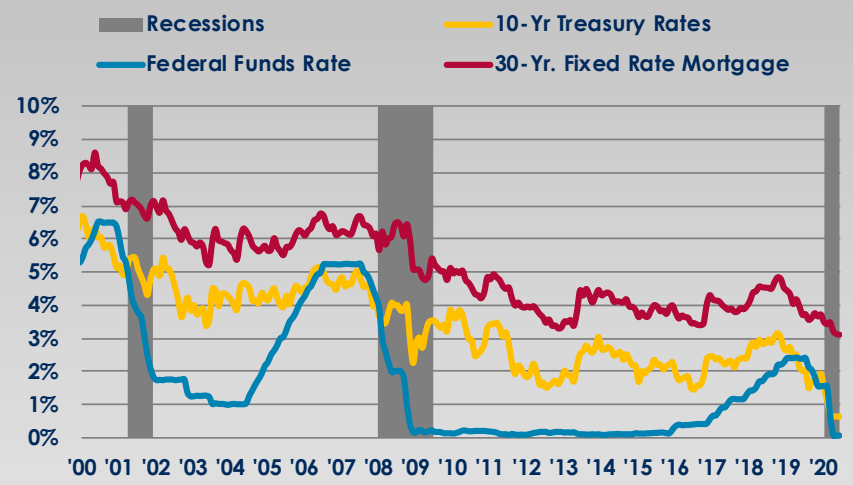
Q2

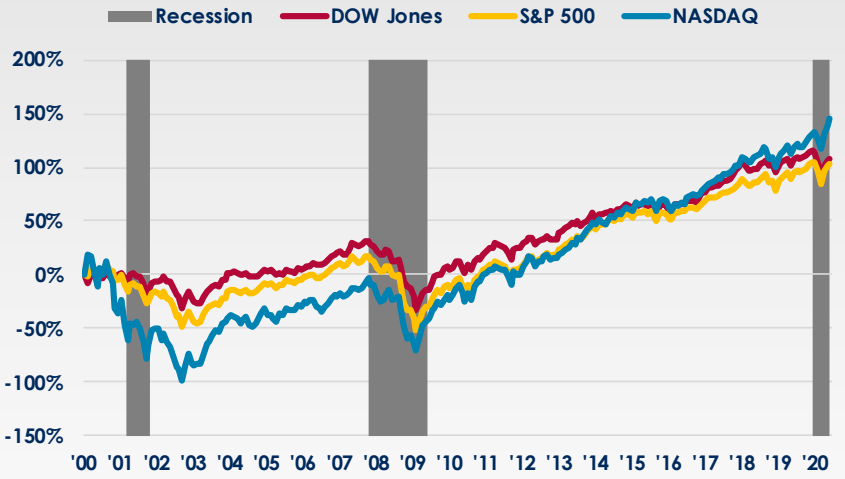
CPI FELL DRASTICALLY IN Q2



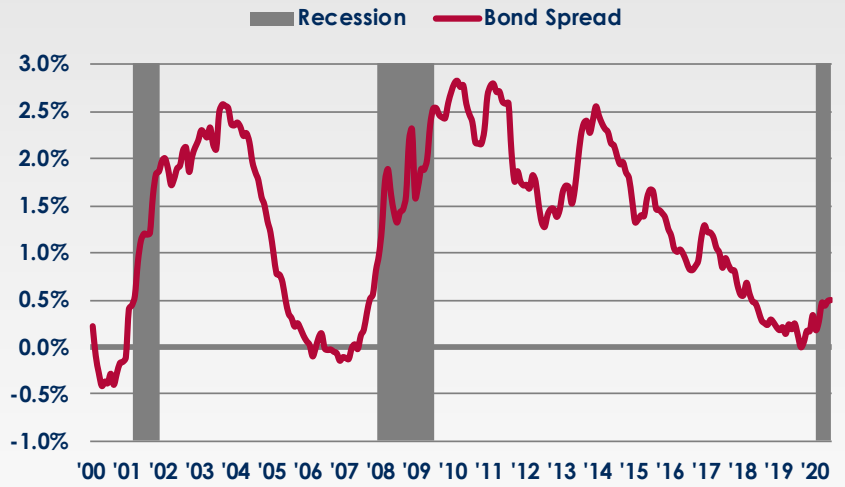
THE FEDERAL RESERVE CUT THE FED FUNDS RATE TO 0.0-0.25%



THE STOCK MARKET HAD ITS BEST QUARTER IN OVER 20 YEARS



10-2 YEAR BOND SPREAD INCREASED AS NEAR-TERM PROSPERITY DECLINES



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