



Los Angeles industrial market report

Q2 2024

**AVISON
YOUNG**

Los Angeles industrial market trends

8.7 msf

Sublet availabilities come down from recent high

In 2023, sublet availabilities rose sharply as occupiers, who expanded during the pandemic surge between 2020-2022, began consolidating and shedding any unused industrial space. This was driven by reduced storage inventory needs as the just-in-case business model had become less relevant.

In early 2024, sublet space peaked at 9.6 MSF in Q1 while subsequently decreasing by 9.2% to 8.7 MSF in the second quarter. Ongoing labor negotiations at East Coast ports could redirect additional imports to the West, boosting future demand for sublet space as they offer favorable short-term solutions and lower rates.

1.54/SF

Average asking lease rates continue its descent

The Los Angeles industrial market experienced rapid rent growth between 2020-2023 due to high space demand but has since cooled for four straight quarters. Average asking rates were reported at \$1.54/SF in Q2 2023, a 21.8% drop from its Q2 2023 peak when average asking rates were at \$1.97/SF.

Additionally, some owner/landlords have recently been offering additional abatements in order to attract occupiers, something that was not obtainable during the pandemic as availabilities were scarce and often attracted multiple offers.

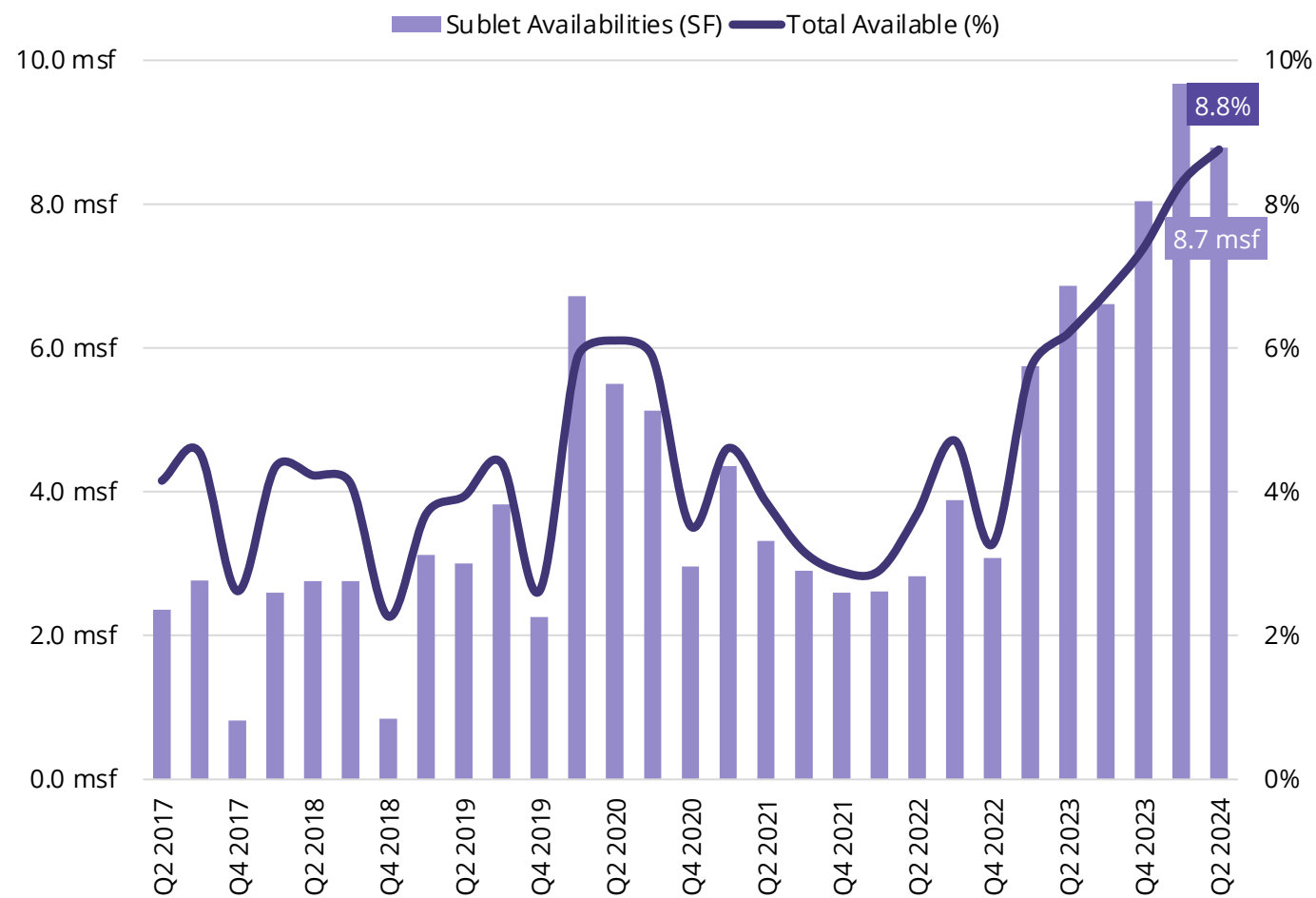
5.3 msf

Leasing activities remain firm

Leasing activity in Los Angeles increased for the third consecutive quarter, reaching 5.3 MSF leased, a 13.5% rise from the previous quarter. Additionally, led by logistic occupiers, direct leasing is up 21.1% in the second quarter with 4.5 MSF leased. Rising imports through the West Coast ports and ongoing East Coast port negotiations may consequently boost further demand as shippers seek alternatives to avoid delays.

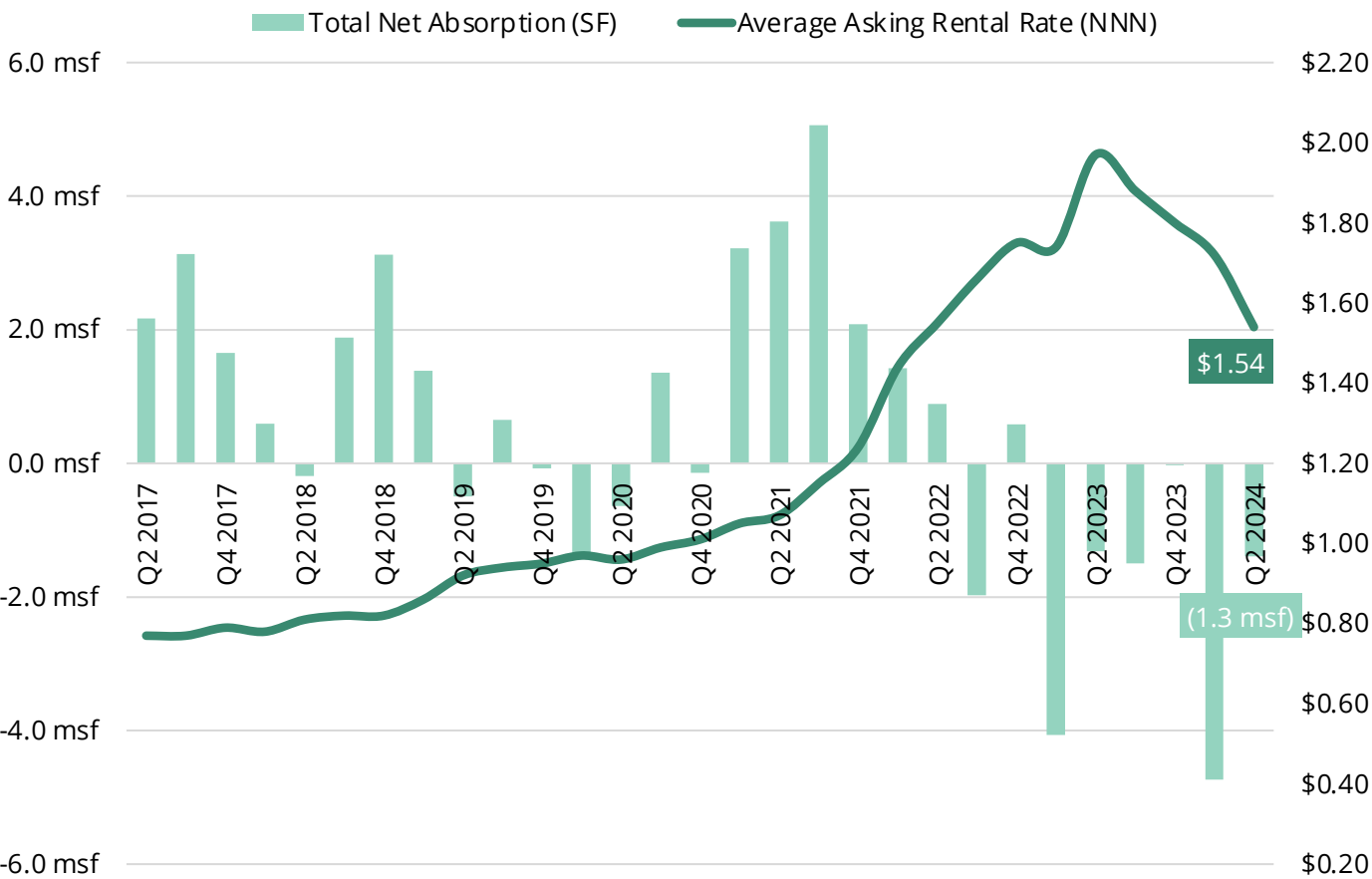
Despite being below the 5-year average, these trends reflect a positive outlook amid many occupiers making decisions to consolidate their industrial footprint and pause any expansion talks.

Total Availabilities



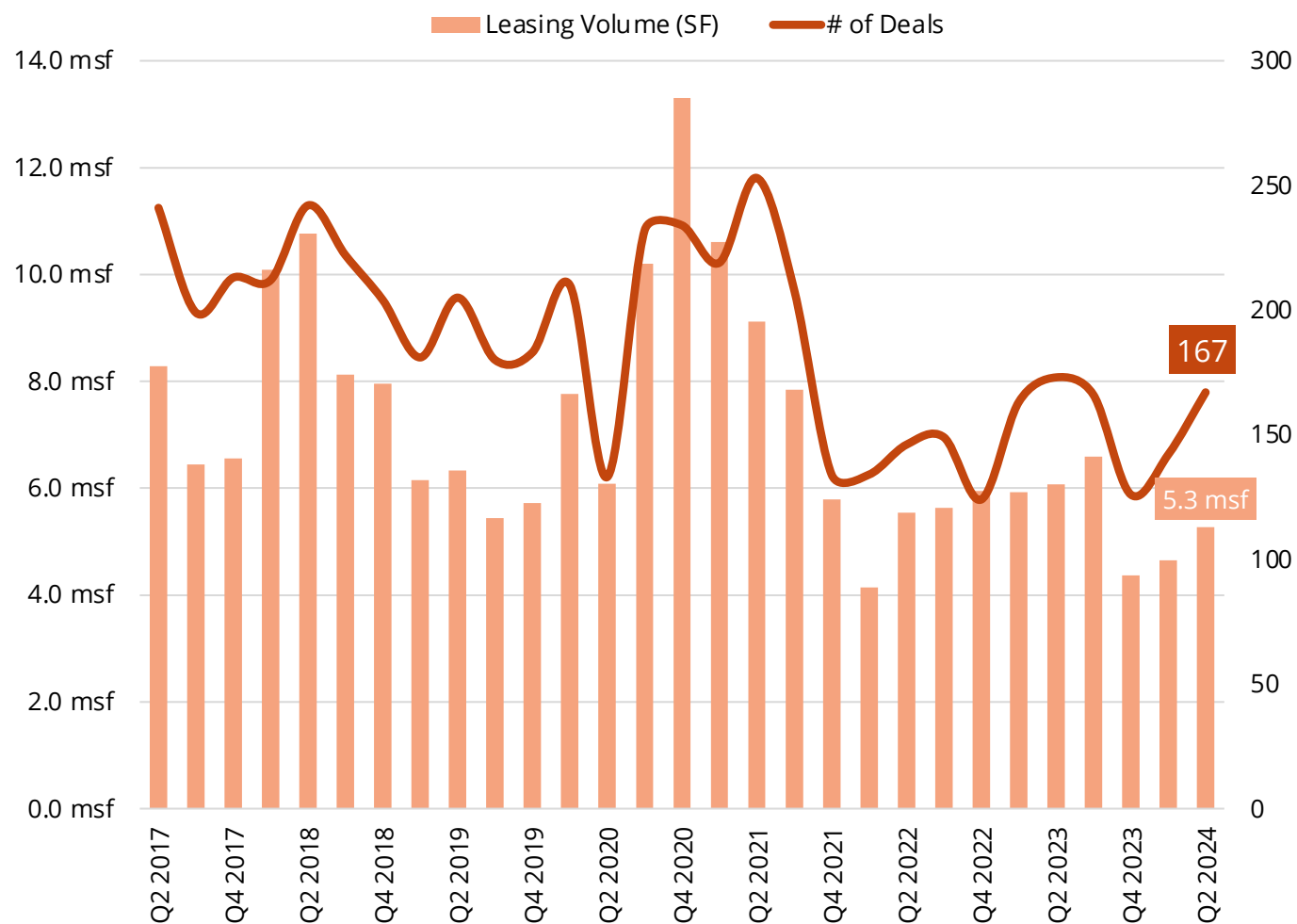
Q2 2024 sublet availabilities in the Los Angeles industrial market decreased for the first time since Q3 2023 with 8.7 MSF available.

Absorption



Average asking rental rates continue its descent due to the lack of leasing demand, down nearly 22% from Q2 2023 to \$1.54/SF in the second quarter.

Leasing Activity

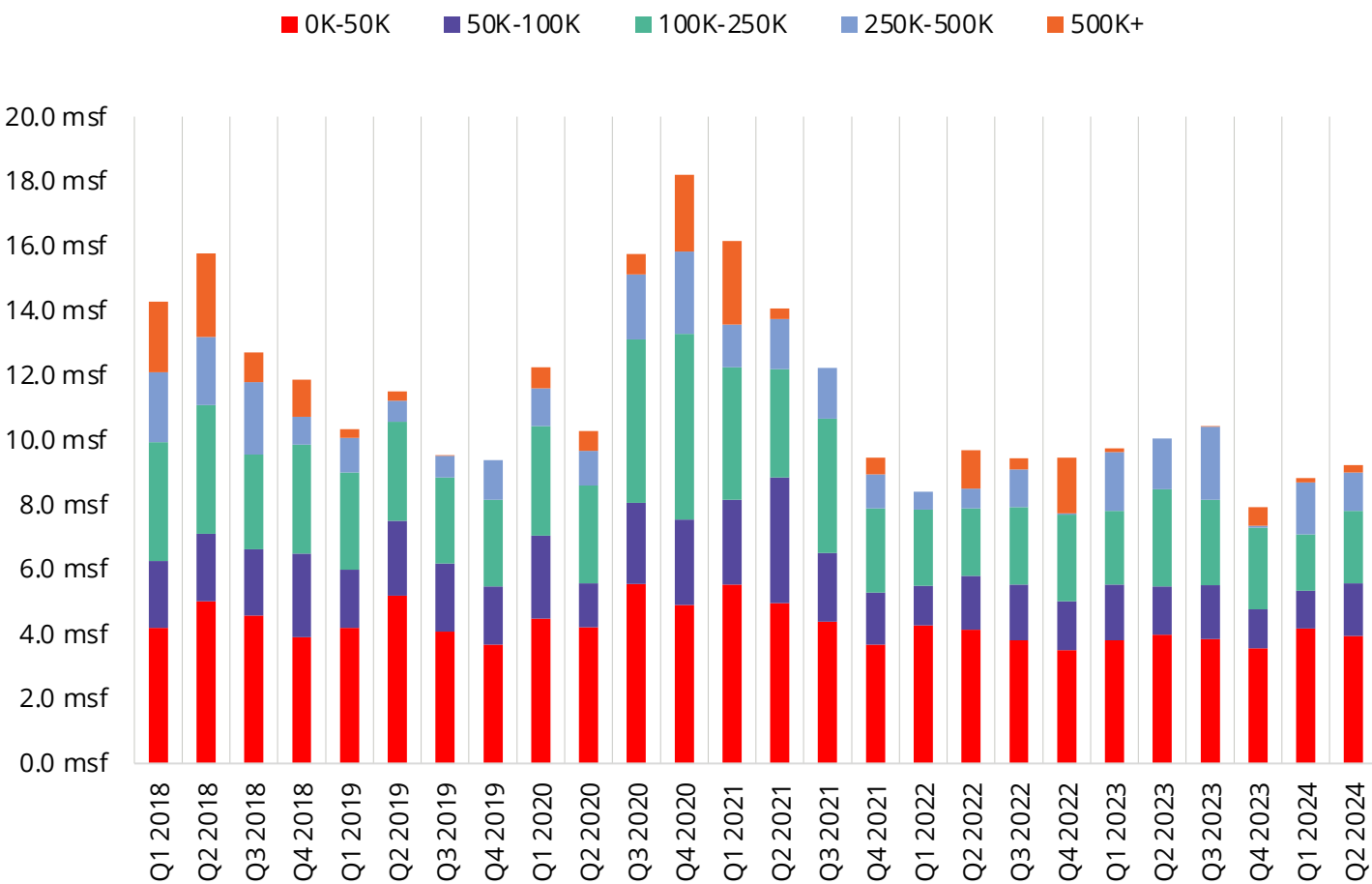


Leasing volume continued to gain momentum for the third straight quarter with a total volume of 5.2 MSF leased.

Appendix



Leasing picks up within buildings between 50K SF-250K SF



*Survey based on ALL industrial/flex buildings

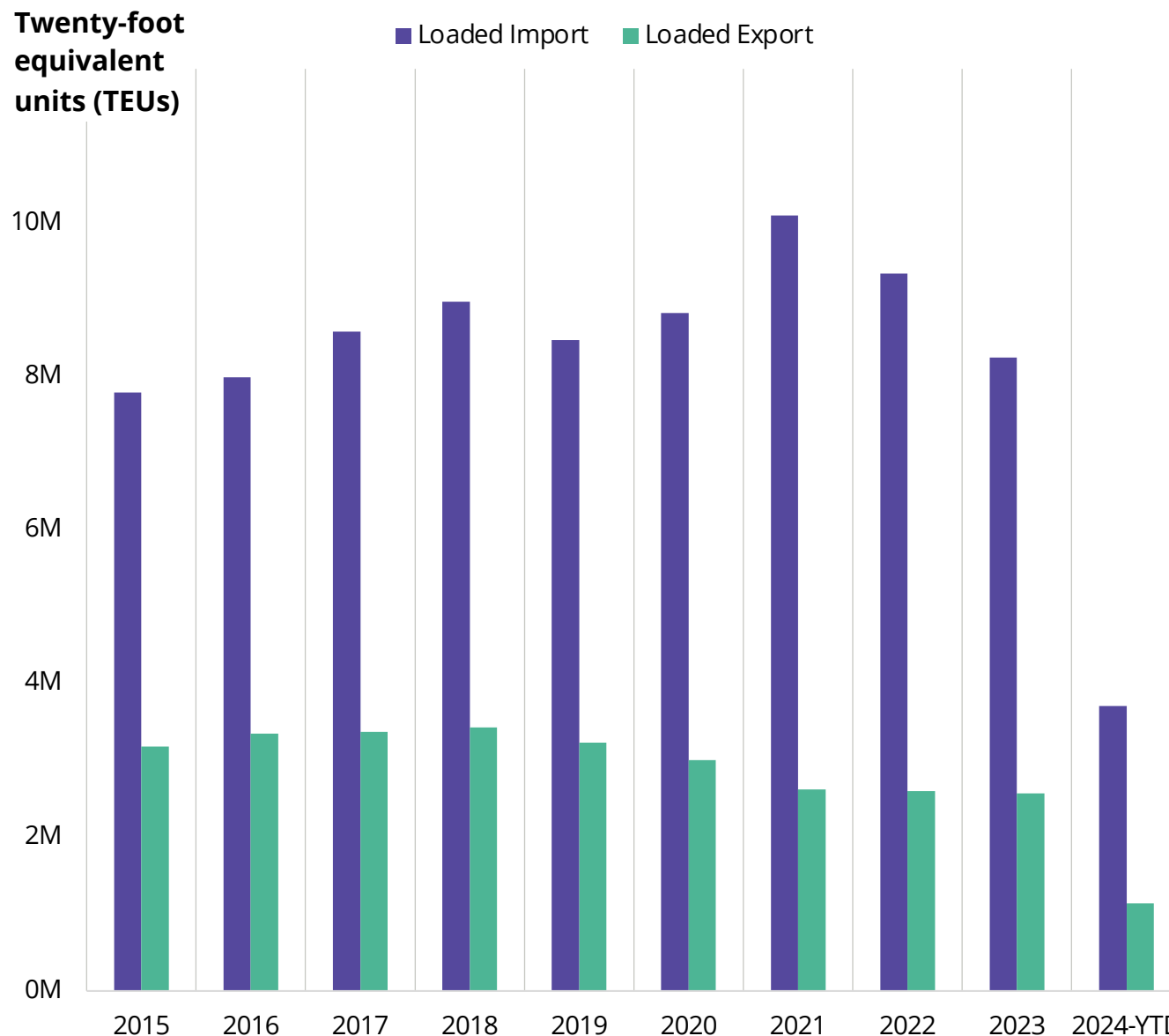
Demand has picked up for buildings between 50K SF-100K SF and 100K SF-250K SF, with 1.6 MSF and 2.2 MSF leased, respectively.

Loaded import and export container volumes

25%

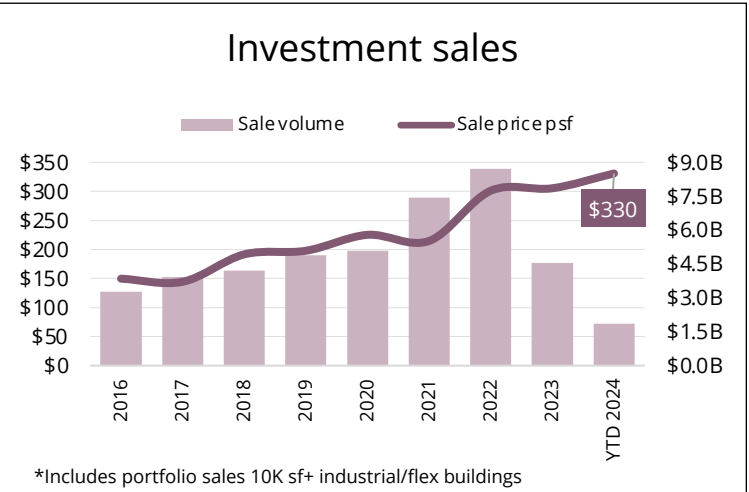
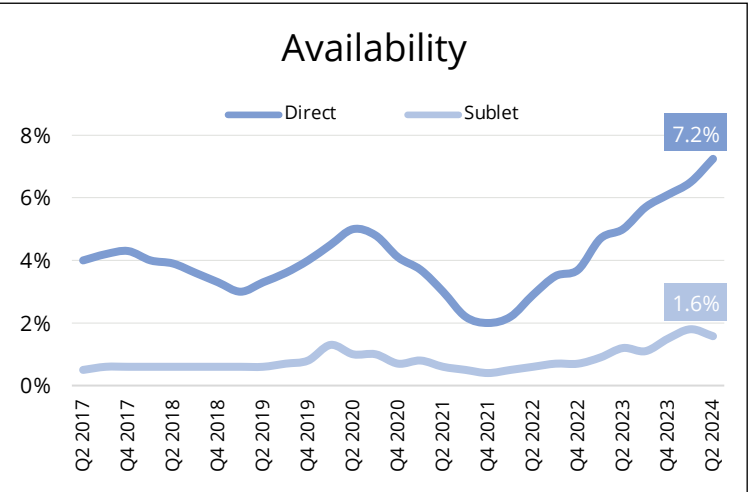
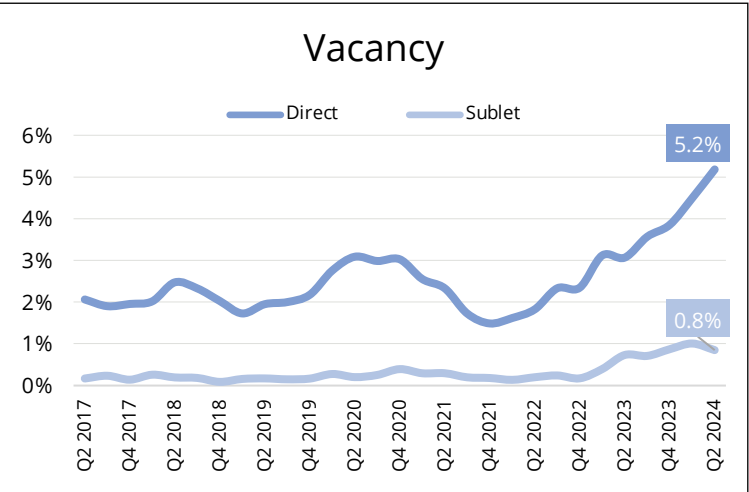
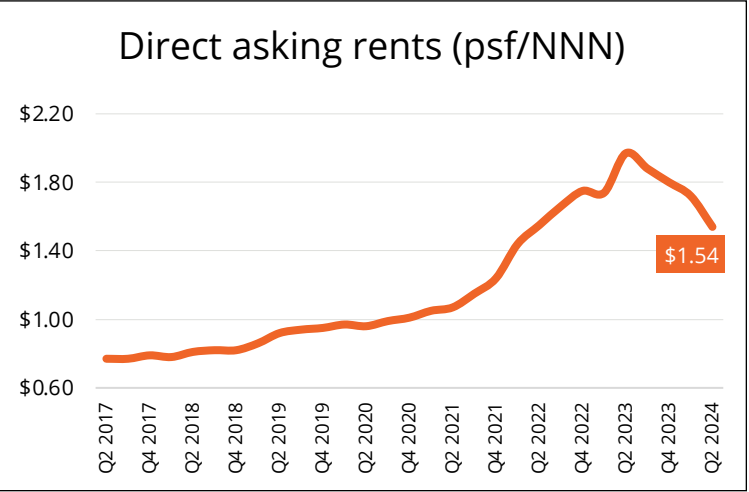
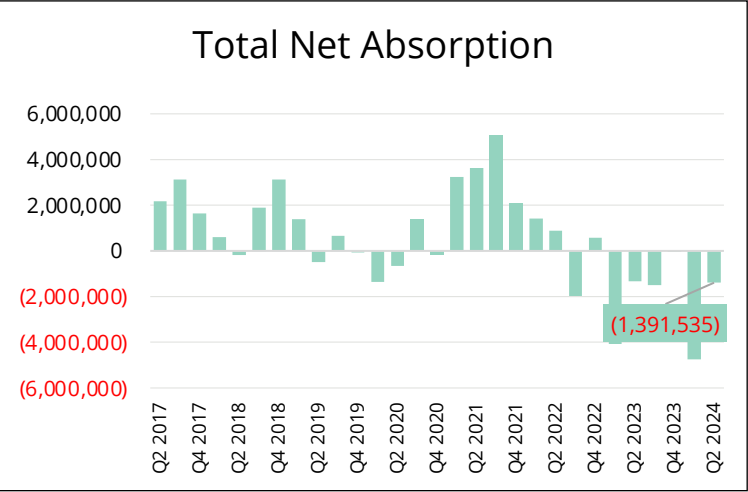
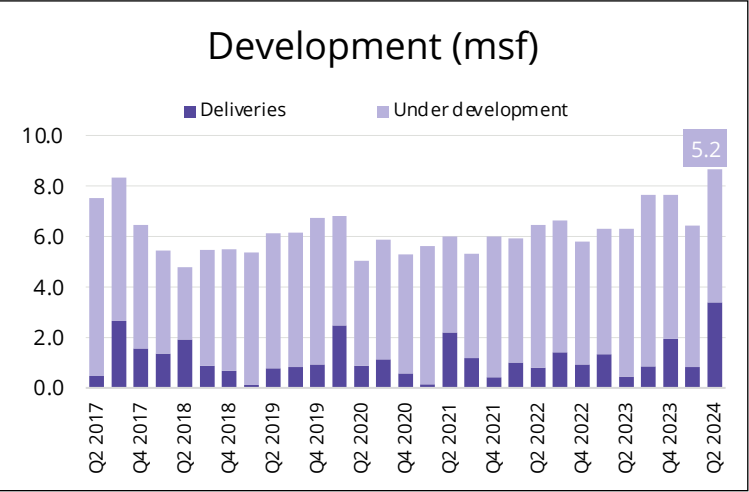
When comparing the first four months of 2024 to the same time period last year, cargo volumes at the Los Angeles port are up nearly 25%.

Potential ILA strikes at East Coast ports, where the ILA is seeking wage increases in excess of 32%, could shift port imports to the West Coast as shippers may explore alternatives to avoid any delays in anticipation of a strike. Meanwhile, Southern California ports continue to show strong growth, with the Port of Los Angeles reporting its third-best best opening for the year in the port's history and the Port of Long Beach reporting it's eight consecutive month of Y-O-Y growth for imports.



Port of Los Angeles, Port of Long Beach. Totals consist of loaded imports and exports

Los Angeles industrial market indicators



*Includes portfolio sales 10K sf+ industrial/flex buildings

Los Angeles industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
KW	1650 E Glenn Curtiss St., Carson	South Bay	Jun 2024	338,932	Direct	New
Forward Air	2501 Rosecrans Ave., Compton	South Los Angeles	May 2024	300,217	Direct	New
Prime Freight	18120 Bishop Ave., Carson	South Bay	Jun 2024	290,034	Direct	New

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Invesco Advisers, Inc	8901-8945 Canoga Ave., Canoga Park	Apr 2024	154,328	\$57,000,000	\$369	AEW Capital Management
Rexford Industrial	Arrow Hwy., Irwindale(4 Bldgs.)	May 2024	134,542	\$48,500,000	\$360	Panattoni Development
Captiva Partners	Lankershim Blvd., North Hollywood (2 Bldgs.)	May 2024	66,400	\$15,700,000	\$236	Stuart Eigler

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
2401 E Wardlow Rd., Long Beach	South Bay	Dec 2024	505,043	0%	Goodman North America
4200 W Valley Blvd., Walnut	San Gabriel Valley	Oct 2024	269,780	0%	CapRock Partners
3690 Union Pacific Ave., Los Angeles	Vernon	Oct 2024	253,318	0%	Real Estate Development Associates

Los Angeles industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (QTD)	Net absorption sf (YTD)	Direct asking rent psf NNN
South Bay	131,350,780	274,998	1,600,945	5.0%	0.6%	5.6%	(580,467)	(1,089,458)	\$1.74
San Gabriel Valley	103,658,296	2,133,186	706,444	5.6%	1.0%	6.6%	353,612	(753,383)	\$1.55
Mid-Counties	71,261,293	144,434	634,254	5.3%	0.7%	6.0%	(516,516)	(1,420,581)	\$1.65
Vernon	63,873,976	242,495	396,617	5.4%	1.3%	6.7%	(350,483)	(815,418)	\$1.35
Commerce	56,628,813	304,501	57,411	7.2%	1.6%	8.8%	(262,312)	(1,210,615)	\$1.15
East San Fernando Valley	25,157,853	0	250,279	1.3%	0.9%	2.2%	136,913	181,036	\$1.80
West Ventura County	25,251,491	0	0	2.8%	0.1%	2.9%	34,962	12,031	\$0.90
West San Fernando Valley	21,757,814	0	79,539	4.5%	0.2%	4.7%	(353,500)	(429,067)	\$1.64
Downtown Los Angeles	17,890,113	0	0	7.0%	0.0%	7.0%	72,772	28,640	\$1.36
Santa Clarita	14,963,473	288,229	377,917	2.5%	0.1%	2.6%	12,284	262,490	\$1.21
East Ventura County	10,148,285	0	0	7.9%	1.3%	9.2%	167,137	83,780	\$1.30
West Side	6,205,689	0	0	8.8%	2.8%	11.6%	(105,937)	(12,464)	\$2.60
Antelope Valley	5,685,034	0	1,174,853	0.6%	0.0%	0.6%	0	(5,100)	\$1.30
Market total	553,832,910	3,387,843	5,278,259	5.2%	0.8%	6.0%	(1,391,535)	(5,168,109)	\$1.54

*Survey based industrial/flex buildings 50k+

Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

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