

# Los Angeles Industrial Market

## Sublease Space Up; Older Buildings Comprise the Bulk of It

- Total vacancy increased for the third consecutive quarter to reach 1.5%, slightly above the 10-year market average of 1.4% and below the 20-year market average of 2.0%.
- Net absorption took the largest quarterly hit since the second quarter of 2020, with 2.4 million square feet in net losses.
- Loaded import volume at Southern California's ports has declined an average of 6.9% month-over-month since August 2022. Shippers continue to reroute discretionary cargo to Gulf and Eastern seaports as contract negotiations between the ILWU and PMA\* drag on.
- The PMA reported significant operational delays and a rise in truck backups in March after ILWU dockworkers ceased staggering work shifts.
- February U.S. retail sales fell 0.4% from the prior month, though they represented a 5.4% increase year-over-year.

### A Closer Look at Sublease Space

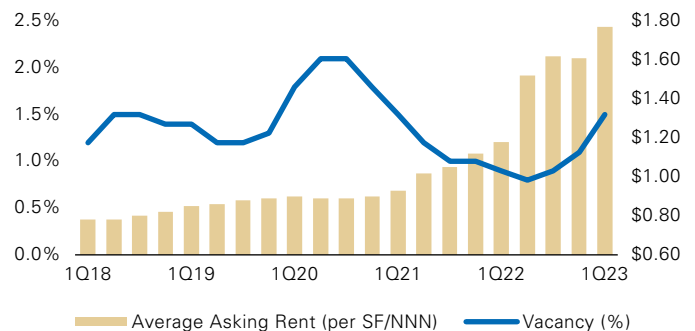
Available sublease space reached nearly 5.1 million square feet this quarter, up 114.1% from year-end 2019. The current total exceeds the market's 10-year average of 4.3 million square feet but remains under the 20-year average of 5.7 million square feet.

Although current sublet availability spans multiple size segments, there is a clear distinction between older and new product. Facilities constructed from 2000-onward accounted for only 300,865 square feet of available sublease space, while pre-2000 buildings comprised the remaining 4.8 million square feet. Most of this quarter's jump in sublease space came from the pre-2000 segment.

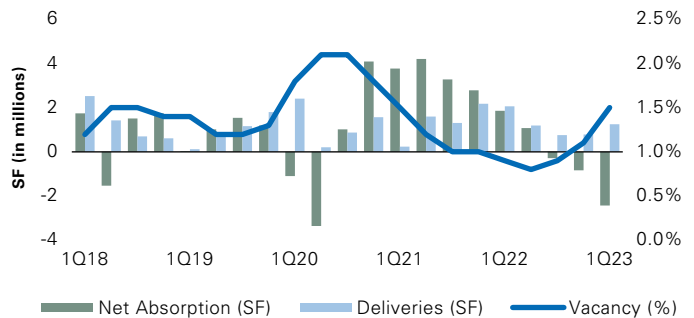
At the submarket level, sublease totals roughly tripled in South Bay, Central and Mid-Counties, where the average building is 58 years old.

### Market Analysis

#### ASKING RENT AND VACANCY



#### NET ABSORPTION, CONSTRUCTION DELIVERIES AND VACANCY



### Market Summary

	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	1.059B	1.053B	1.051B	↑
Total Vacancy Rate	1.5%	1.1%	0.9%	↑
Quarterly Net Absorption (SF)	-2.4M	-832K	1.9M	→
Average Asking Rent/SF/Month	\$1.77	\$1.61	\$1.18	↓
Deliveries (SF)	1.2M	794K	2.1M	↑
Under Construction (SF)	7.0M	6.5M	4.5M	↓

**New Construction Deliveries**

Only 23.7% of the 1.2 million square feet in new construction delivered this quarter was leased. Continual deceleration in the U.S. economy, a moderation in demand for industrial real estate and the looming question of to what degree rents will soften are all factors. At the time of writing, asking rents for trophy-grade space in South Bay, Central and Mid-Counties averaged roughly \$2.10/SF on a triple-net basis.

**Outlook**

Uncertainty is prevailing in the economy, given still-low (though progressively rising) unemployment, uneven retail sales in recent months, a narrowing gap (for now) between inflation and wage growth and the Fed’s progress in taming inflation, which will require more interest rate hikes to fully rein it in. Uncertainty breeds caution, and this has prompted overall demand in the marketplace to normalize in recent months. Normalization could lead to a more pronounced slowdown if the U.S. enters a recession.

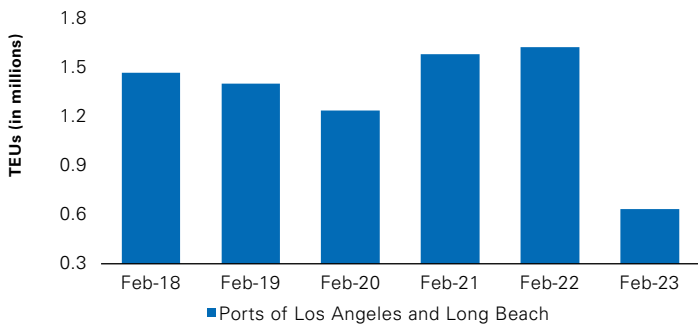
Global trade has slowed, as evidenced by steady decreases in

both China-U.S. West Coast and China- U.S. East Coast ocean container spot rates, while ongoing West Coast port contract negotiations do not favor import traffic at Southern California’s ports. The ILWU has a history of strikes and deliberate work slowdowns in previous negotiation periods, and no shipper wants to incur the added costs and delays of the union’s posturing tactics. Some of the Gulf and Eastern Seaboard diverted cargo will return once an agreement is reached and operational stability is less of a concern.

Market vacancy will likely increase by smaller extents in the coming months as new construction delivers, a subset of available sublease space becomes vacant and smaller occupiers contend with higher rents. Rent growth for the market has very likely peaked; subsequent quarters should observe a moderation of rents as landlords readjust expectations to accommodate broader market vacancy and normalized tenant demand. Rising vacancy in the Inland Empire will also present more options for Los Angeles tenants to consolidate operations.

**YTD Import Volume**

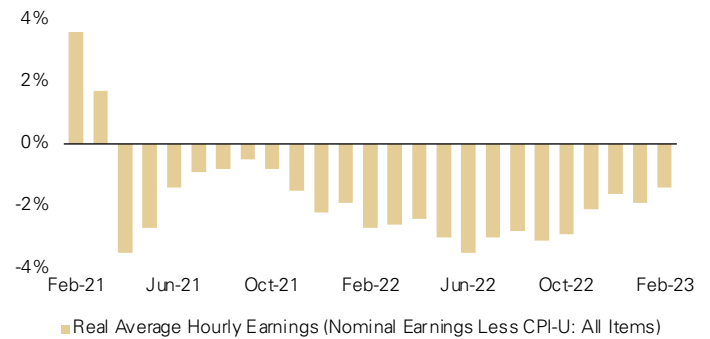
**LOADED INBOUND CARGO**



Source: Port of Los Angeles, Port of Long Beach

**Real Income**

**U.S. | 12-MONTH % CHANGE**



Source: U.S. Bureau of Labor Statistics (earnings for all employees on private nonfarm payrolls; data adjusted for seasonality)

**Lease Transactions**

Tenant	Building(s)	City	Lease Type	Square Feet
Furniture of America	680 South Lemon Avenue	City of Industry	Sublease	472,876
National Road Logistics, LLC	20333 Normandie Avenue	Torrance	Sublease	312,212
Scenic Expressions	25655 Springbrook Avenue	Santa Clarita	New	300,000

**Sale Transactions**

Buyer	Building(s)	City	Sale Price (PSF)	Square Feet
TPG Global LLC	21200 Victory Boulevard	Woodland Hills	\$78,500,000 (\$427/SF)	183,972
BOK Rhee	1701 East 41 <sup>st</sup> Street	Vernon	\$42,198,500 (\$318/SF)	132,544
Shannon Chon	1800 East Martin Luther King Blvd	Vernon	\$32,864,500 (\$181/SF)	181,939

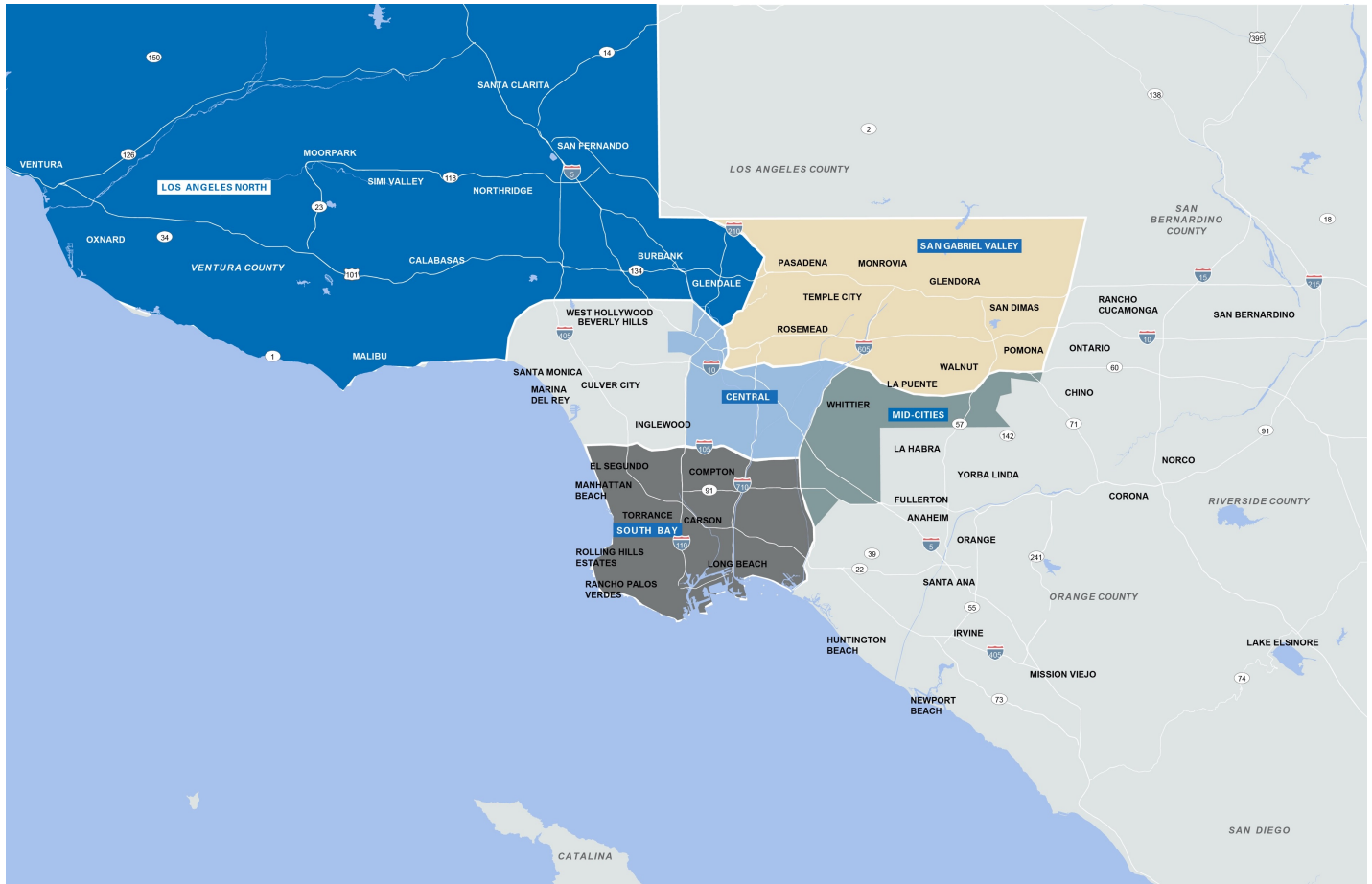
Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
<b>Central</b>	<b>297,087,524</b>	<b>559,173</b>	<b>1.3%</b>	<b>-620,023</b>	<b>-620,023</b>	<b>\$1.61</b>	<b>\$1.72</b>	<b>\$1.63</b>
Bell	3,925,915	0	0.9%	-16,465	-16,465	\$1.95	-	\$1.95
Bell Gardens	2,367,979	0	0.0%	0	0	\$1.85	-	\$1.85
Commerce	52,584,940	249,288	1.2%	-269,132	-269,132	\$1.67	\$1.21	\$1.58
Cudahy	828,184	0	0.0%	0	0	-	-	-
Downtown Los Angeles	128,639,929	0	1.5%	-257,295	-257,295	\$1.52	\$1.73	\$1.59
Huntington Park	4,872,421	0	0.0%	34,924	34,924	-	-	-
Lynwood	3,822,994	0	0.0%	0	0	\$1.25	-	\$1.25
Maywood	774,197	0	0.0%	0	0	-	-	-
Montebello	13,346,873	0	0.2%	16,183	16,183	\$1.60	\$1.65	\$1.63
Pico Rivera	11,057,296	40,900	0.9%	-45,290	-45,290	\$1.79	-	\$1.79
South Gate	11,554,254	0	1.3%	-8,526	-8,526	-	-	-
Vernon	63,312,542	268,985	1.4%	-74,422	-74,422	\$1.60	\$1.89	\$1.64
<b>Mid-Counties</b>	<b>115,099,282</b>	<b>23,136</b>	<b>0.9%</b>	<b>-209,466</b>	<b>-209,466</b>	<b>\$1.79</b>	<b>\$1.68</b>	<b>\$1.74</b>
Artesia	321,227	0	0.0%	0	0	-	-	-
Buena Park	14,570,204	0	0.7%	-93,703	-93,703	\$1.85	\$1.73	\$1.78
Cerritos	14,942,525	23,136	0.9%	-14,565	-14,565	\$1.66	\$1.61	\$1.63
Downey	4,334,143	0	2.1%	-31,864	-31,864	-	\$1.20	\$1.20
La Mirada	14,071,297	0	0.9%	-61,110	-61,110	\$1.88	\$1.65	\$1.84
La Palma	2,101,336	0	0.0%	0	0	-	-	-
Norwalk	3,705,621	0	0.0%	0	0	-	-	-
Santa Fe Springs	56,930,577	0	0.9%	-4,963	-4,963	\$1.79	\$1.74	\$1.75
Whittier	4,122,352	0	0.1%	-3,261	-3,261	-	-	-

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<b>LA North</b>	<b>235,821,303</b>	<b>775,529</b>	<b>1.3%</b>	<b>71,378</b>	<b>71,378</b>	<b>\$1.60</b>	<b>\$1.52</b>	<b>\$1.54</b>
Central Valley	32,037,735	20,000	1.2%	-81,696	-81,696	\$1.50	\$1.54	\$1.53
Conejo Valley	15,083,914	0	4.5%	-63,993	-63,993	\$1.63	\$1.52	\$1.51
East Valley	58,088,432	0	0.7%	133,645	133,645	\$1.84	\$1.72	\$1.77
Santa Clarita	27,126,530	193,490	0.2%	10,706	10,706	\$1.49	\$1.45	\$1.48
Simi/Moorpark	14,868,387	552,039	1.6%	186,469	186,469	\$1.26	\$1.32	\$1.32
West Valley	41,434,065	10,000	0.8%	-59,528	-59,528	\$1.44	\$1.50	\$1.47
West Ventura County	47,182,240	0	1.9%	-54,225	-54,225	\$0.90	\$1.02	\$0.99
<b>LA East (San Gabriel)</b>	<b>185,878,921</b>	<b>3,812,182</b>	<b>1.7%</b>	<b>-584,175</b>	<b>-584,175</b>	<b>\$1.79</b>	<b>\$1.69</b>	<b>\$1.76</b>
Central SGV	28,653,795	1,564,997	4.0%	-3,392	-3,392	\$1.55	\$1.99	\$1.70
Eastern SGV	33,985,812	30,980	1.1%	-34,191	-34,191	\$1.65	\$1.23	\$1.34
El Monte Area	19,641,474	360,992	0.9%	21,750	21,750	\$1.75	\$1.49	\$1.74
Industry Area	91,580,309	1,855,213	1.5%	-565,271	-565,271	\$1.88	\$2.02	\$1.92
Western SGV	12,017,531	0	0.9%	-3,071	-3,071	-	\$1.63	\$1.67
<b>South Bay</b>	<b>225,036,720</b>	<b>1,876,429</b>	<b>1.9%</b>	<b>-1,098,036</b>	<b>-1,098,036</b>	<b>\$2.28</b>	<b>\$1.79</b>	<b>\$2.09</b>
Carson	41,763,014	127,930	1.2%	-112,158	-112,158	\$2.24	-	\$2.24
Compton/Rancho Dominguez	40,737,412	313,168	2.4%	-774,091	-774,091	-	-	\$1.95
El Segundo	9,567,083	0	1.5%	-308	-308	\$2.10	\$2.39	\$2.25
Gardena/110 Corridor	34,741,630	283,893	2.1%	-12,583	-12,583	\$2.15	\$1.61	\$1.74
Hawthorne	10,225,645	0	1.1%	24,631	24,631	-	\$1.88	\$1.88
LAX/Inglewood	11,269,965	0	1.3%	26,384	26,384	-	\$2.67	\$2.67
Long Beach/Signal Hill	20,707,191	773,350	1.1%	62,482	62,482	-	\$1.45	\$1.46
Paramount	9,451,133	0	0.2%	55,283	55,283	-	\$1.62	\$1.61

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Port District	6,609,135	0	3.8%	-207,084	-207,084	-	\$1.70	\$1.70
Redondo Beach	3,539,750	0	0.0%	0	0	-	-	-
Torrance Area	36,424,762	378,088	3.4%	-160,592	-160,592	\$2.37	\$1.62	\$2.28
<b>Los Angeles</b>	<b>1,058,923,750</b>	<b>7,046,449</b>	<b>1.5%</b>	<b>-2,440,322</b>	<b>-2,440,322</b>	<b>\$1.84</b>	<b>\$1.66</b>	<b>\$1.77</b>

*Net absorption is the change in physically occupied space. A hypothetical vacant and available space could lease this quarter with the tenant set to take occupancy six months later; positive absorption is not recorded until this physical move-in occurs. The space will remain vacant, but not available, until occupancy.*

*The total asking rent is the weighted average across warehouse, manufacturing, flex, incubator and general industrial properties. Older, available buildings often cite asking rents, while newer facilities often withhold rent values. Based on this, today's asking rent averages are materially understated.*



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