

Los Angeles Industrial

MARKET OVERVIEW

Q2 2023

Mixed Signals in the Los Angeles Industrial Market

The Los Angeles industrial market saw mixed signals in the midst of economic headwinds. Asking rents increased 7.2% quarter-over-quarter despite net absorption of negative 5.0M SF—the fourth quarter in a row that net absorption has been negative. Sales volume decreased from around \$2B in the last four quarters to \$515M this quarter, which is the largest quarter-to-quarter decrease ever. Under construction increased despite the current economic environment as developers continued to build in an undersupplied and lucrative market. An upsurge in cargo volumes and emergence of the port labor agreement at San Pedro Bay should rehabilitate the Los Angeles industrial sector.

TRENDLINES

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.8	4.8	↔	7.1	↑
NET ABSORPTION (MSF)	(5.0)	0.7	↓	0.5	↑
OVERALL VACANCY RATE	3.7%	1.9%	↑	2.5%	↑
OVERALL VACANT SF (MSF)	34.4	17.8	↑	23.0	↑
UNDER CONSTRUCTION (MSF)	8.6	6.3	↑	6.4	↓
ASKING RENT, NNN (PSF)	\$1.86	\$1.58	↑	\$1.24	↔
SALES VOLUME (Millions)	\$515	\$2,346	↓	\$1,598.2	↓

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern



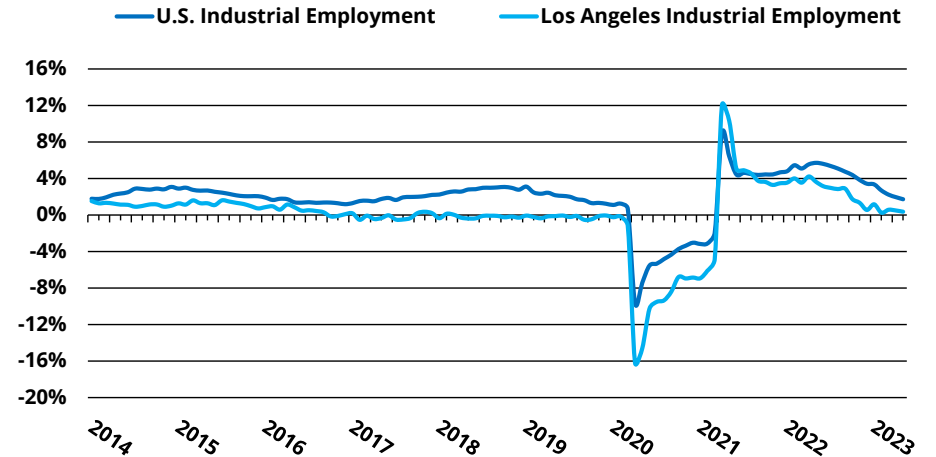
ECONOMY

Rocky Seas on the Horizon

- Industrial economic conditions in the Los Angeles metropolitan area regressed due to the current lending standards, inflation rate, and overall pessimism over the future of the economy. The Los Angeles industrial market lost 700 jobs in the quarter while the United States industrial market gained 77,400 jobs.
- Despite retracting in the quarter, Los Angeles industrial employment has increased 0.4% year-over-year and United States industrial employment increased by 1.7% year-over-year. The Los Angeles industrial unemployment rate has remained steady at 4.8% year-over-year.

Y-O-Y CHANGE IN OFFICE JOBS

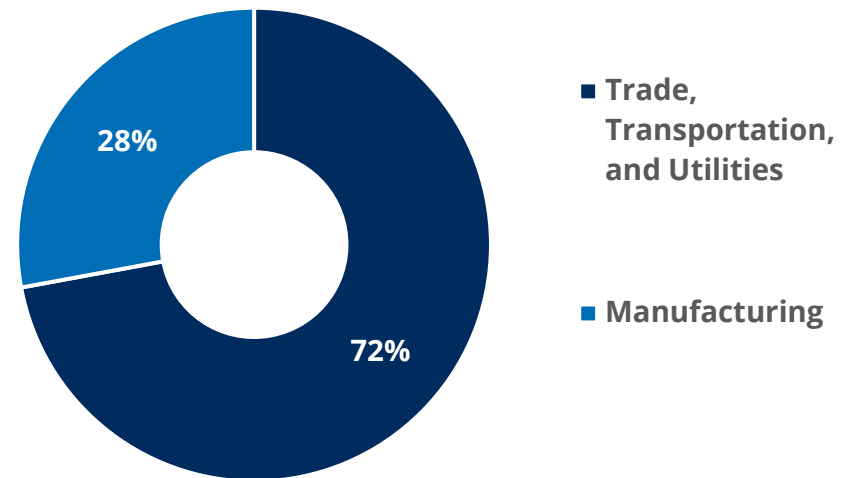
Los Angeles MSA | June 2023



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

Los Angeles MSA | June 2023



Source: Bureau of Labor Statistics, Transwestern



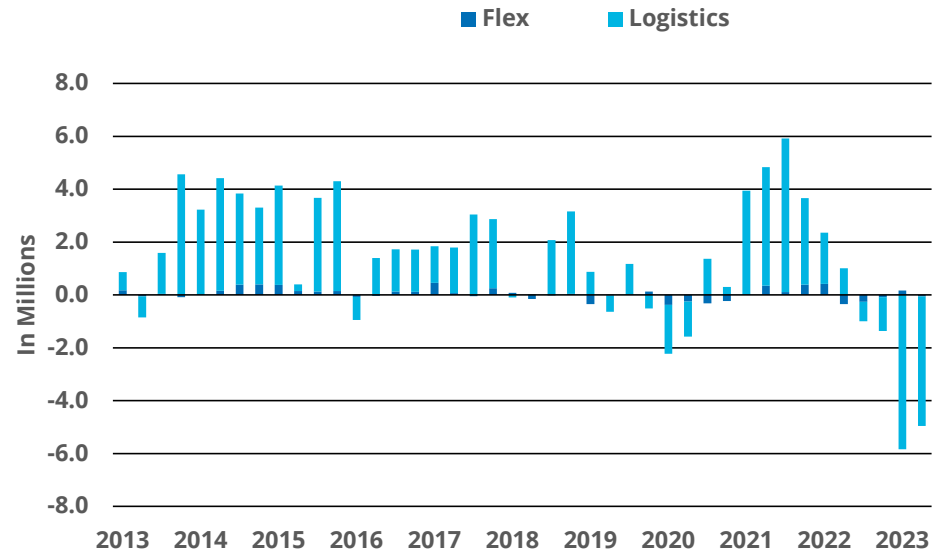
MARKET FUNDAMENTALS

Supply & Demand

- Net absorption was negative 5M SF in Q2, which is the fourth straight quarter that net absorption has been negative. The high costs of doing business forced many tenants to trim their capacity.
 - The submarkets with the worst net absorption were South Bay with negative 2.1M SF, Central Los Angeles with negative 1.2M SF, Mid Counties with negative 900K SF, and North Los Angeles with negative 533K SF. Tenants continued to downsize in these submarkets, with a notable example being Bella & Canvas moving out of 320,345 SF in Central Los Angeles.
 - The submarkets with the least negative net absorption were the San Gabriel Valley with negative 111K SF and Ventura County with negative 134K SF.
- The Los Angeles industrial construction pipeline remains strong with 8.6M SF of space underway and 48.5% pre-leased.
 - Despite construction volume slightly increasing this quarter, expect under construction to fall as space delivers and developers exert increased caution to embark on future projects.

NET ABSORPTION

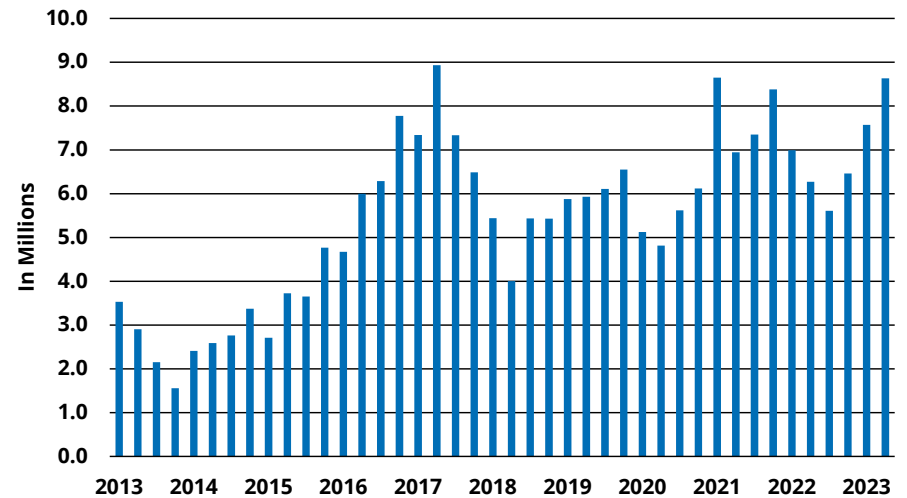
Los Angeles | Millions SF



Source: CoStar, Transwestern

UNDER CONSTRUCTION

Los Angeles | Millions SF



Source: CoStar, Transwestern.



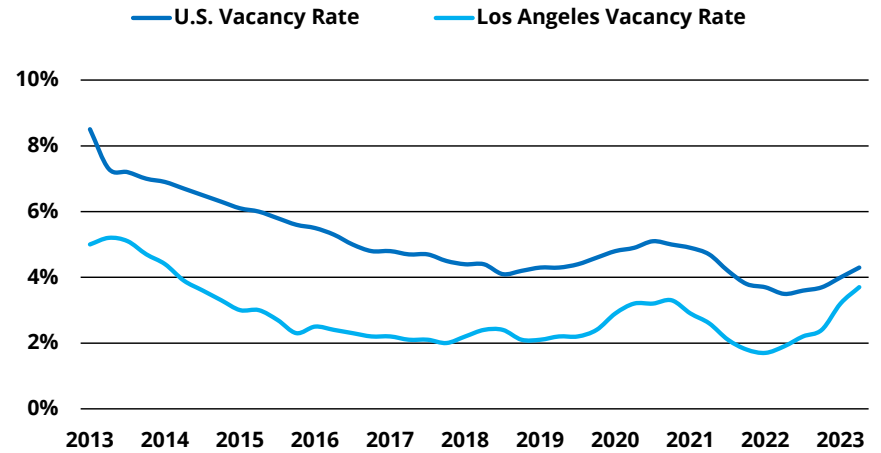
MARKET FUNDAMENTALS

Vacancy

- Los Angeles industrial vacancy rates increased 0.5% quarter-over-quarter to 3.7% in Q2 2023. Vacancy rates have increased each quarter since Q2 2022 as the need for space has slowed after the demand surge that concluded 2021 and continued into 2022.
- The current vacancy rate of 3.7% is notably higher than the 10-year average for Los Angeles, which stands at 2.8% and it remains below the 10-year average for the entire United States, which is 5.0%.

VACANCY RATE

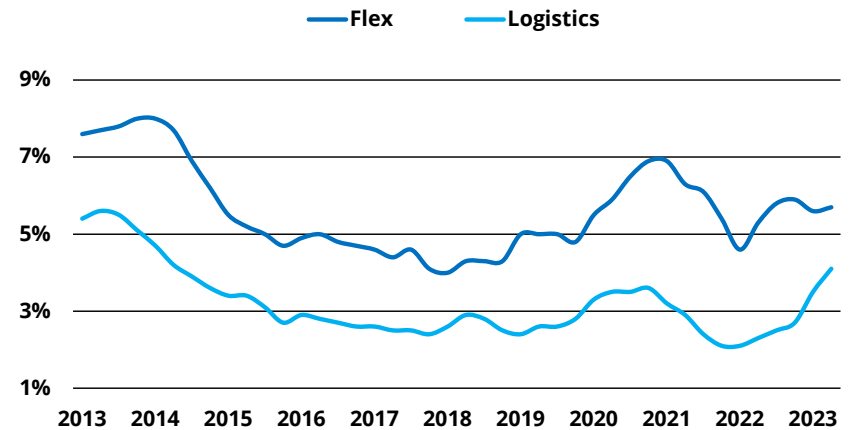
Los Angeles | % of Stock



Source: CoStar, Transwestern

OVERALL VACANCY RATE BY CLASS

Los Angeles | % of Stock



Source: CoStar, Transwestern



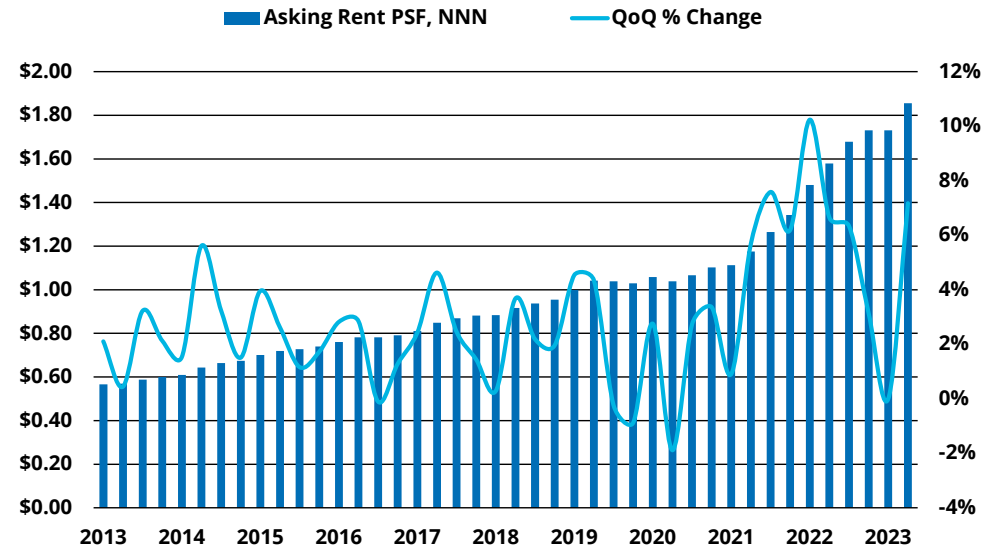
MARKET FUNDAMENTALS

Rents

- Los Angeles industrial asking rents increased 7.2% quarter-over-quarter to \$1.86 NNN despite the fourth straight quarter of negative net absorption. Expect rents to increase or remain steady in the next few months despite sublease space and new construction flooding the market as Los Angeles remains one of the most sought-after industrial markets in the county with limited supply.
- Asking rents have increased each quarter since Q2 2020 regardless of the strength of demand as owners remain bullish over the value of their properties.

ASKING RENT

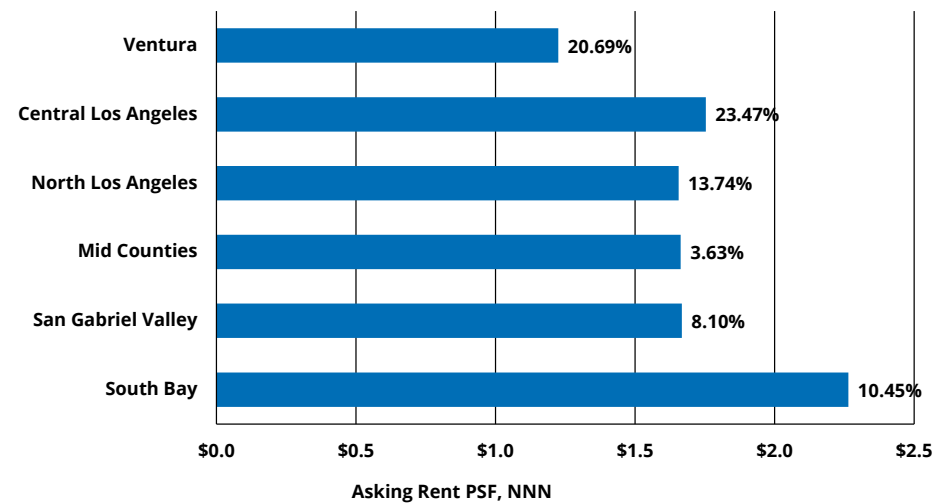
Los Angeles | \$/SF, Direct Rents



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH

Los Angeles | % of Change



Source: CoStar, Transwestern



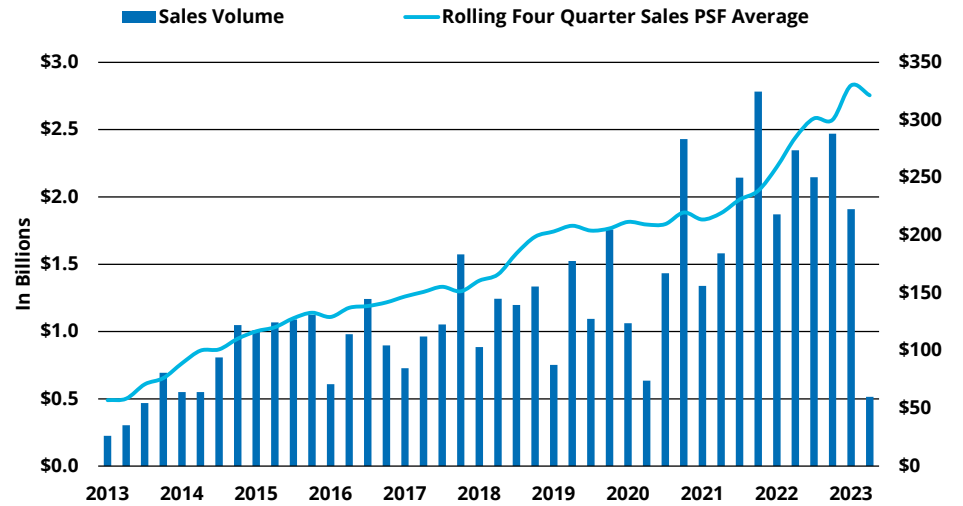
CAPITAL MARKETS

Decrease in Overall Volume

- Los Angeles industrial sales volume dropped 73% quarter-over-quarter from \$2B SF to \$515M SF in Q2 2023, the largest ever decrease in a three-month period.
- \$515M is the lowest sales volume since Q2 2020 and breaks a trend of at least \$1.3B each quarter since Q3 2020.
- Industrial investors have been particularly cautious in the current debt market and will continue to be as long as lending standards remain elevated.

INVESTMENT VOLUME

Los Angeles Market



Source: Transwestern Research,



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SQUARE FEET LEASED
HOLLANDIA PRODUCE	6135 N Rose Ave	Ventura County	New	707,984
D ELEMENT GROUP	21558 Ferrero Pkwy	San Gabriel Valley	New	318,497
SPEEDUP LOGISTICS	400 W Artesia Blvd	South Bay	New	253,584
WEST LOGISTICS	909 Colon St	South Bay	New	223,865
IRWINDALE BREW YARD	5010 Azusa Canyon Rd	San Gabriel Valley	New	184,879
WEEE! INC	13215 Cambridge St	Mid Counties	New	142,617

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
140 N ORANGE	San Gabriel Valley	\$38,500,000	124,397	\$309	High Street Logistics Properties	Seven-Bros Enterprise
2824 E 208TH ST	South Bay	\$32,000,000	101,175	\$316	EverWest Real Estate Investors, LLC	Black Equities Group, LLC
960 OVERLAND CT	San Gabriel Valley	\$26,000,000	79,036	\$329	Boyd Watterson Asset Management	Menlo Equities
8226 WHITTIER BLVD	Central Los Angeles	\$19,200,000	31,236	\$615	CapRock Partners	Sunset Olive Oil
19500 S RANCHO WAY	South Bay	\$17,150,000	35,815	\$479	Turnbridge Equities	T & S Properties
2397 BATEMAN AVE	San Gabriel Valley	\$14,730,000	49,535	\$297	Rexford Industrial Realty, Inc	Ouyang Family Trust

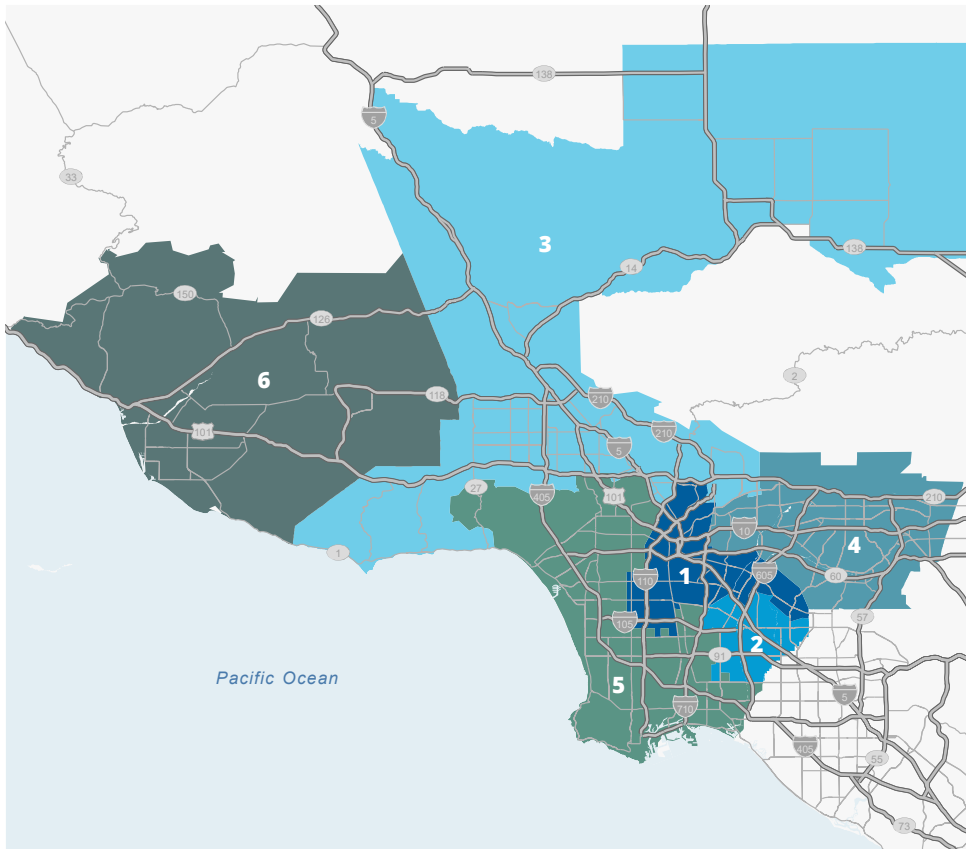
MARKET INDICATORS Logistics | Q2 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, NNN
SOUTH BAY	193,417,755	8,058,631	4.2%	4.6%	912,921	2,176,368	(3,955,625)	\$2.12
SAN GABRIEL VALLEY	158,724,952	3,494,599	2.2%	2.8%	5,317,805	(79,887)	(990,932)	\$1.60
MID COUNTIES	122,842,811	2,621,112	2.1%	2.6%	336,167	(851,615)	(2,020,198)	\$1.67
NORTH LOS ANGELES	129,108,917	2,621,641	2.0%	2.4%	771,645	(647,992)	(1,524,600)	\$1.64
CENTRAL LOS ANGELES	222,073,478	9,143,475	4.1%	4.9%	563,673	(1,253,033)	5,316,023	\$1.75
VENTURA	64,096,253	1,509,307	2.4%	2.7%	659,763	14,908	(222,010)	\$1.17
TOTAL	890,264,166	27,448,765	2.8%	3.3%	8,561,974	(106,875)	(566,224)	\$1.66

SUBMARKET MAP

Los Angeles Industrial Submarkets

- | | |
|------------------------------|-----------------------------|
| 1 Central Los Angeles | 4 San Gabriel Valley |
| 2 Mid-Counties | 5 South Bay |
| 3 North Los Angeles | 6 Ventura |



FOR MORE INFORMATION

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RESEARCH METHODOLOGY

This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding government-owned buildings in Los Angeles.

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