

Los Angeles Industrial

MARKET OVERVIEW

Q2 2023

ECONOMIC SNAPSHOT FOR LOS ANGELES

UNEMPLOYMENT RATE 4.8%

INFLATION RATE 4.3%

LOS ANGELES INDUSTRIAL SNAPSHOT

YTD NET ABSORPTION (10,629,436) SF

UNDER CONSTRUCTION 8,634,611 SF

TOTAL VACANCY RATE 3.7%

SUBLEASE VACANCY RATE 0.6%

DIRECT ASKING RATE (NNN) \$1.86/SF

Mixed Signals in the Los Angeles Industrial Market

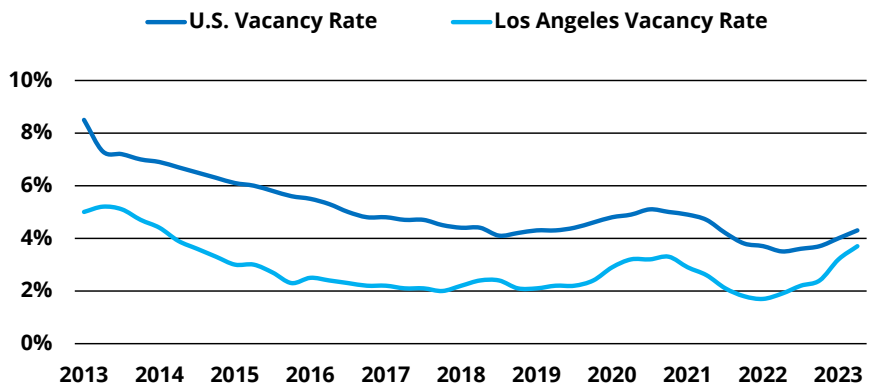
The Los Angeles industrial market saw mixed signals in the midst of economic headwinds. Asking rents increased 7.2% quarter-over-quarter despite net absorption of negative 5.0M SF—the fourth quarter in a row that net absorption has been negative. Sales volume decreased from around \$2B in the last four 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.

Los Angeles Industrial 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 | ↓ |

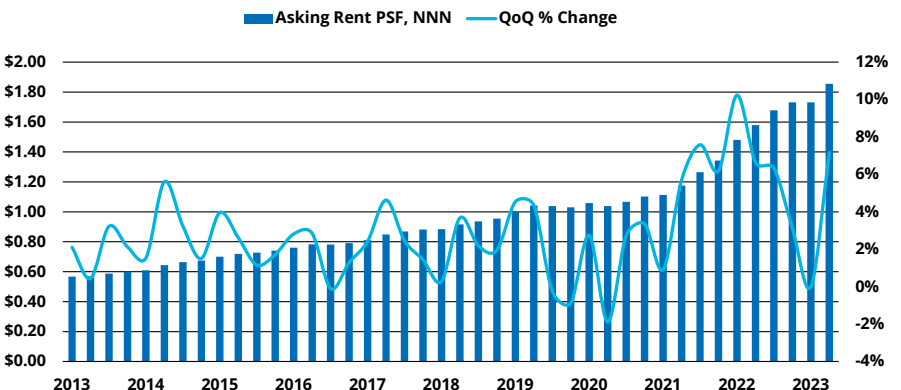
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

Overall Vacancy Rate



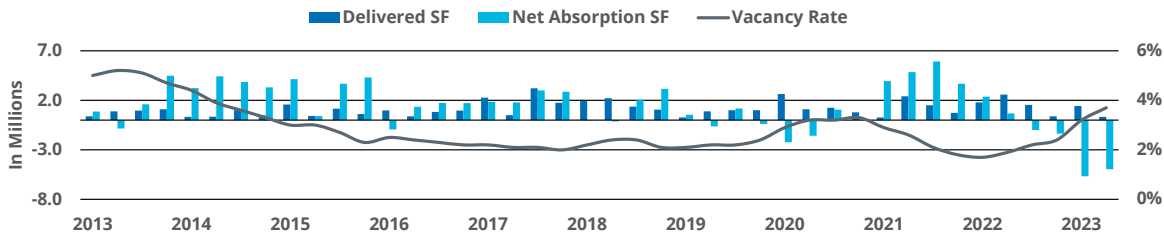
Source: CoStar, Transwestern

Asking Rent



Source: CoStar, Transwestern

Delivery Impact on Key Indicators



Market Indicators: Flex | 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, FULL SERVICE |
|---------------------|-------------------|------------------|---------------------|----------------------|-----------------------|-------------------|-------------------------|-------------------------------|
| SOUTH BAY | 16,570,495 | 873,384 | 5.3% | 6.4% | 90,000 | 8,304 | (192,459) | \$3.34 |
| SAN GABRIEL VALLEY | 7,897,179 | 330,010 | 4.5% | 4.8% | 0 | (21,579) | (17,372) | \$2.05 |
| MID COUNTIES | 3,932,262 | 98,845 | 2.5% | 2.7% | 0 | (41,232) | (36,640) | \$1.44 |
| NORTH LOS ANGELES | 16,281,404 | 452,822 | 2.8% | 2.8% | 0 | 114,304 | 88,689 | \$1.98 |
| CENTRAL LOS ANGELES | 4,555,616 | 275,934 | 6.1% | 6.1% | 0 | 40,857 | 55,757 | \$1.84 |
| VENTURA | 5,332,768 | 408,681 | 7.7% | 11.1% | 0 | (149,171) | (288,702) | \$1.61 |
| TOTAL | 54,569,724 | 2,439,676 | 4.8% | 5.7% | 90,000 | (8,086) | (65,121) | \$2.04 |

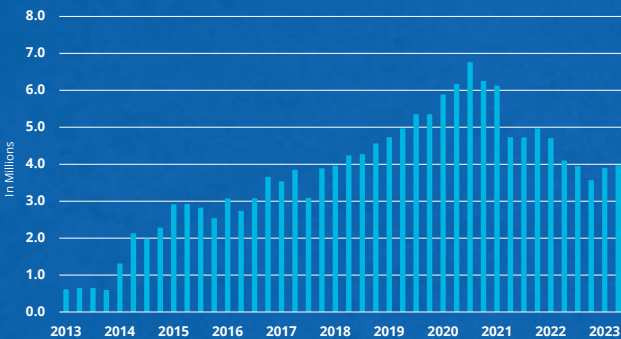
Source: CoStar, Transwestern

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, FULL SERVICE |
|---------------------|--------------------|-------------------|---------------------|----------------------|-----------------------|-------------------|-------------------------|-------------------------------|
| 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 |

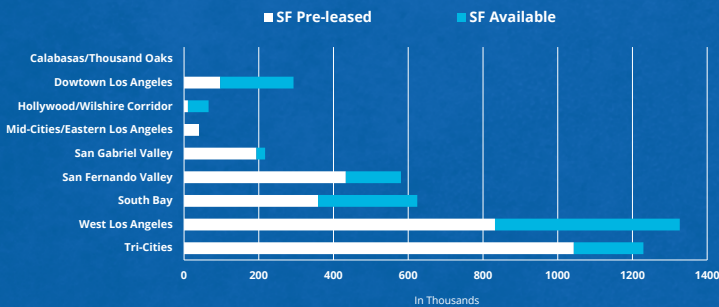
Source: CoStar, Transwestern

Under Construction



Source: CoStar, Transwestern

Under Construction by Submarket

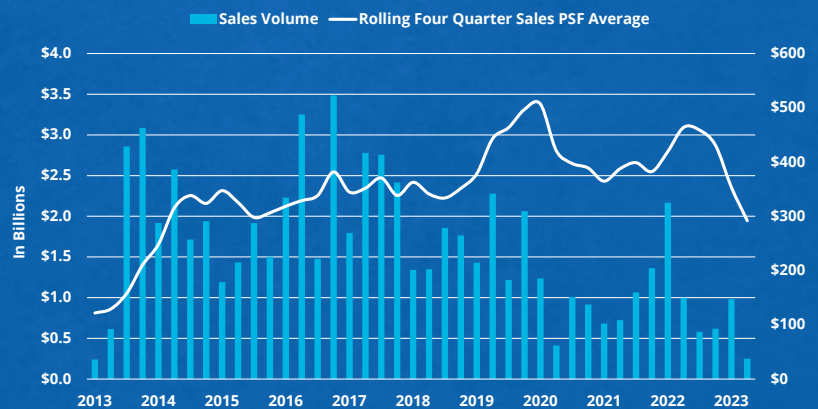


Source: CoStar, Transwestern

Capital Markets:

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.

Sales Volume



Source: CoStar, Transwestern