

# Los Angeles County

## Industrial Market Outlook Q1 2023

### MARKET OVERVIEW

The impact of demand caused by the pandemic and supply chain challenges is now in the rearview mirror, and it has resulted in an increase in available sublease space in L.A. County's industrial market. The region has witnessed a decline in the heightened demand for warehouse and distribution space that once existed. As of Q1, excess space available for sublease increased 53.6% from the prior quarter, totaling 6.5M square feet. Leasing volume declined 15.1% quarter over quarter to 7.8M square feet. Due to a change in the pace of the economy, vacancy rates have risen 1.5 percentage points from last year to 3.1%, which is a 90 basis point increase from the previous quarter.

This quarter, the average asking rent decreased 3-cents from its all-time high to \$1.64/SF triple net, yet it remained 22.4% higher than the first quarter of last year. Since the depths of the Great Recession in 2010, the average rent has climbed 222%, highlighting the market's strength. Despite scarce parcels of land, developers have continued building new projects, adding more than 1.4M square feet of construction to the market in Q1 2023. Industrial space under construction grew a brisk 10.4% quarter over quarter, increasing 21.5% year over year.

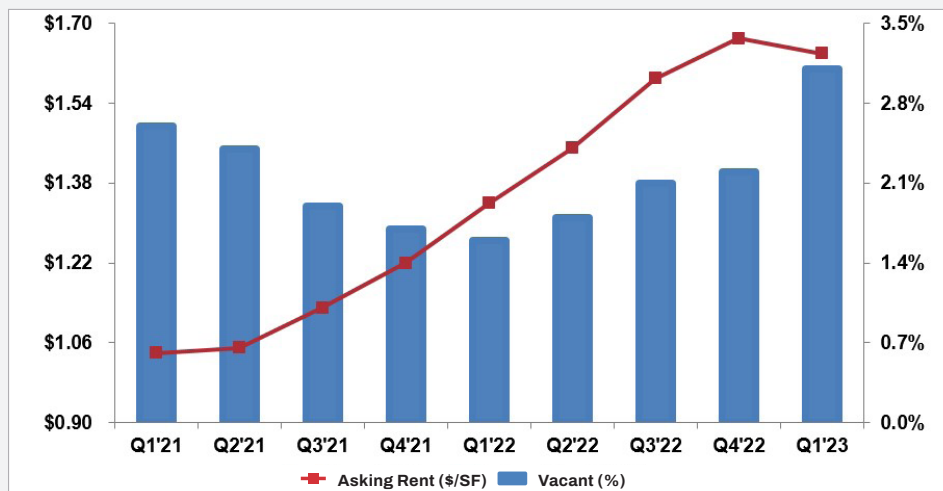
### TRENDS TO WATCH

As demand slowed down, companies that expanded their warehouse/distribution space during the pandemic to keep up with the pandemic-fueled e-commerce boom have started to reduce excess space. The slowdown in demand is evident from the amount of industrial space placed on the market as available for sublease, which far exceeded the amount subleased in Q1. Approximately 2.3M square feet of additional sublease space was put on the market in the first quarter, compared to just 1.6M square feet being subleased. With the likelihood of lower economic growth in the background, companies are becoming less inclined to carry more space than necessary.

Although the increase in industrial space provided more options for tenants, high prices along with higher interest rates weakened sales of industrial buildings. Sales volume declined 41.6% quarter over quarter, down 15.4% from a year ago, to approximately 5.1M square feet at the end of Q1 2023. The average sale price per square foot reached a new record high at \$346/SF, up 29.9% year over year. However, increasing interest rates, a slowing economy, and rent coming off its recent high will dampen pricing.

In the coming year, the industrial market in L.A. County is expected to add more than 6.6M square feet of new projects, adding to an increase in available space. As demand continues to slow down, the market will face the pressure to adapt to changing conditions.

### Average Asking Rent and Vacancy Rate



### MARKET OUTLOOK

#### Asking Rental Rates



#### Sale Prices



#### Availability/Vacancy Rates



#### Landlord Concessions



#### Sales/Leasing Volume



#### New Construction



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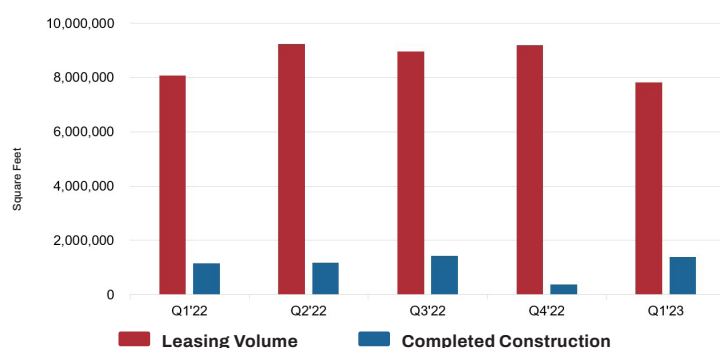
### Market Statistics\*

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT (\$/SF NNN)	AVERAGE SALE PRICE (\$/SF)
Central	243,753,872	343,494	6.4%	4.6%	2,480,938	2,480,938	2,097,036	2,097,036	\$1.76	\$332
Mid-Cities	102,781,991	266,933	4.0%	2.0%	501,980	501,980	35,520	35,520	\$1.70	\$665
South Bay	223,506,614	1,052,195	5.2%	3.1%	1,415,909	1,415,909	1,463,695	1,463,695	\$1.59	\$502
North	149,153,076	895,741	3.2%	2.1%	805,913	805,913	654,432	654,432	\$1.59	\$318
San Gabriel Valley	172,957,475	4,054,485	5.2%	2.6%	2,603,469	2,603,469	861,360	861,360	\$1.69	\$102
<b>Los Angeles County</b>	<b>892,153,028</b>	<b>6,612,848</b>	<b>5.0%</b>	<b>3.1%</b>	<b>7,808,209</b>	<b>7,808,209</b>	<b>5,112,043</b>	<b>5,112,043</b>	<b>\$1.64</b>	<b>\$346</b>

### Leasing

In Q1 2023, the leasing volume totaled 7.8M square feet, which decreased by 15.1% from the fourth quarter and 3.2% year over year. The market added a total of 1.4M square feet of completed construction in Q1, representing a 20.3% increase year over year.

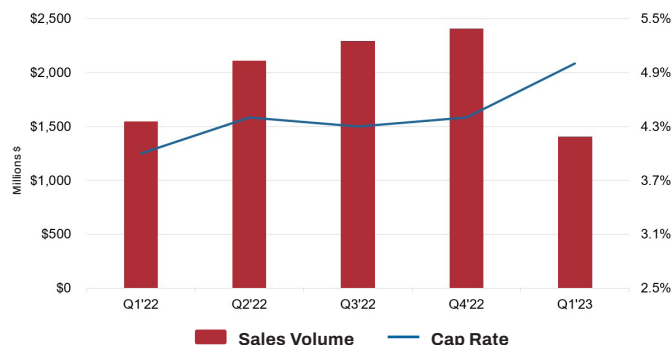
Leasing Volume vs. Completed Construction



### Sales

The impact of rising interest rates was felt in Q1 2023, resulting in a 41.6% decline in total sales volume compared to the prior quarter. The average cap rate on investment sales increased by a full percentage point from last year to 5.0%.

Sales Volume vs. Cap Rate



### Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
680 S Lemon Ave*	City Of Industry	San Gabriel Valley	472,876
901 Live Oak Buidling 1*	Irwindale	San Gabriel Valley	291,673
21508 Ferrero Pky	City Of Industry	San Gabriel Valley	274,474
901 Live Oak Buidling 2*	Irwindale	San Gabriel Valley	260,889
6501 Flotilla St	Commerce	LA Central	171,388

\*Sublease

### Select Sales Transactions

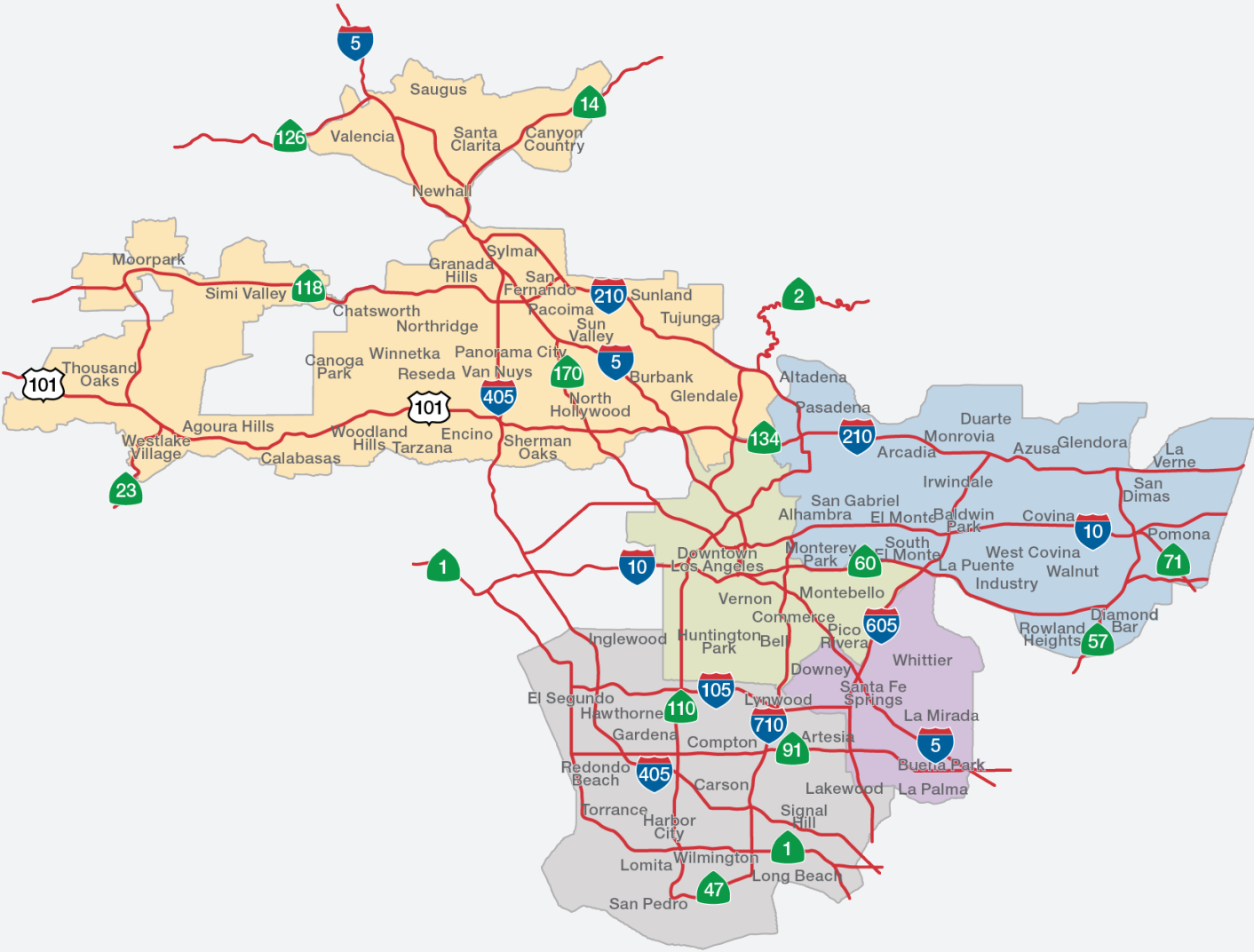
ADDRESS	CITY	SUBMARKET	SIZE SF
1100 Baldwin Park Blvd	Baldwin Park	San Gabriel Valley	593,043
21200 Victory Blvd	Woodland Hills	LA North	183,972
1800 E Martin Luther King Jr Blvd	Vernon	LA Central	181,939
1701 E 41st St	Vernon	LA Central	132,544
1700 Martin Luther King Jr.	Los Angeles	LA Central	115,012

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## Industrial Market Outlook Q1 2023



COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



- LA North
- Central
- San Gabriel Valley
- Mid-Cities
- South Bay

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## Industrial Market Outlook Q1 2023



### NAI Capital Commercial Southern California Office Locations

#### Headquarters

15821 Ventura Blvd., Ste. 320  
Los Angeles, CA 91436  
818.905.2400

#### Los Angeles County

##### Downtown LA

707 Wilshire Blvd., Ste. 5125  
Los Angeles, CA 90017  
213.632.7700

##### West Los Angeles

11835 Olympic Blvd., Ste. 700E  
Los Angeles, CA 90064  
310.440.8500

##### Torrance

970 W. 190th St., Ste. 100  
Torrance, CA 90502  
310.532.9080

##### Pasadena

225 S. Lake Ave., Ste. 1170  
Pasadena, CA 91101  
626.564.4800

##### Valencia

25060 Avenue Stanford., Ste. 165  
Valencia, CA 91355  
661.705.3550

##### Diamond Bar

21660 E. Copley Dr., Ste. 320  
Diamond Bar, CA 91765  
909.348.0600

#### Ventura County

##### Oxnard

300 Esplanade Dr., Ste. 470  
Oxnard, CA 93036  
805.278.1400

##### Westlake Village

2555 Townsgate Rd., Ste. 320  
Westlake Village, CA 91361  
805.446.2400

#### Inland Empire

##### Ontario

800 N. Haven Dr., Ste. 400  
Ontario, CA 91764  
909.945.2339

##### Victorville

13911 Park Ave., Ste. 206  
Victorville, CA 92392  
760.780.4200

#### Orange County

##### Irvine

1920 Main St., Ste. 100  
Irvine, CA 92614  
949.854.6600

#### Coachella Valley

##### Palm Desert

75-410 Gerald Ford Dr., Ste. 200  
Palm Desert, CA 92211  
760.346.1566