

Los Angeles County

Industrial Market Outlook Q1 2024

MARKET OVERVIEW

In Q1 2024, the rise in vacancy of industrial space in LA County continued, contributing to a 180-bps increase in the vacancy rate year over year, now standing at 4.8%—20 basis points higher than Q1 2009. Over the past two years, LA County has added approximately 10.2 million square feet of completed construction to the market, while absorption has resulted in a negative 21.9 million square feet during the same timeframe, indicating a shift in the industrial market's trajectory.

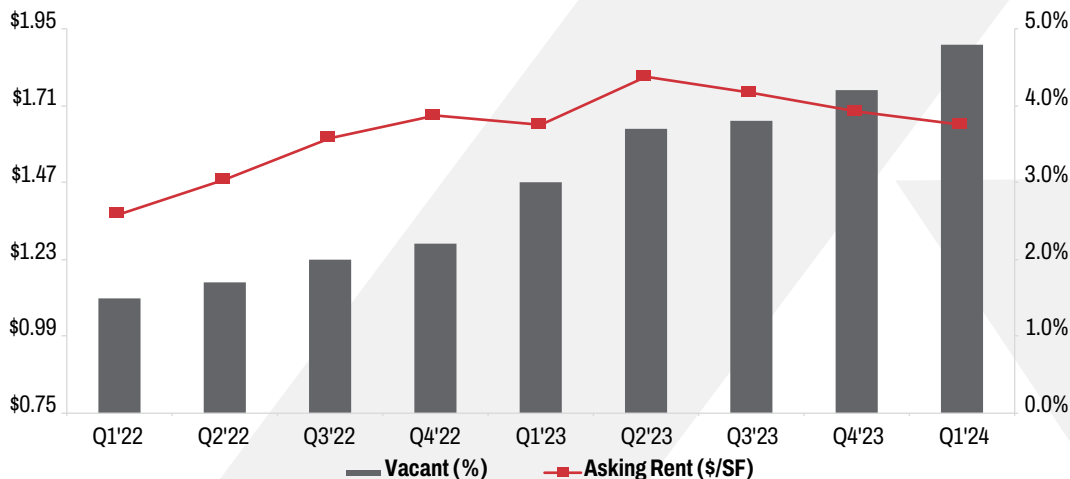
With space under construction, only down by 1.6% compared to last year, it represented a 6.6% drop from the prior quarter. Moreover, completed construction marked a 58.7% decrease compared to 2023 and a 65.8% decline quarter over quarter, adding 703 thousand square feet in Q1 2024. Developers that raced to meet the demand for warehouse space spurred by e-commerce, adding much-needed capacity, have hit the brakes on development. The once double-digit rent growth, which was the primary driver in the push for new construction, has indicated that the average asking rent in Q1 dropped by 1.8% from the previous quarter to \$1.65/SF triple net, maintaining a mere 0.6% rise from Q4 2023. On the sales side, first quarter sales volume on a square foot basis declined by 18.3% from last year, with the average price per square foot down 5.9% from this time last year. Slowing demand has impacted leasing volume, down 4.9% quarter over quarter and 22.3% year over year, with 7.1 million square feet—the weakest start to the new year since Q1 2009 during the Great Recession.

TRENDS TO WATCH

Lower leasing velocity remains a concern for landlords while providing ammunition for tenants to negotiate favorable deals. Nevertheless, an increase in the number of options for e-commerce warehousing of goods will drive the market as companies seek out flexible solutions to meet evolving demand. Companies that actively reduced excess warehouse space has resulted in a significant increase in the amount of available sublease space on the market, up by 24.9% from the end of 2023 and 77% higher than Q1 2023, totaling approximately 11.4 million square feet which is an all-time high. This abundance of industrial indicates that companies with warehousing requirements will have a variety of options as cargo coming through the ports remains up in pace. According to the latest figures from the Ports of Los Angeles and Long Beach, inbound TEU cargo volumes combined—a significant driver of warehouse space demand in SoCal—increased by 32% year-to-date as of February 2024.

While the growth rate is expected to be lower, elevated prices and interest rates will affect industrial building sales – with quality space still commanding a premium. Sales volume shot up 77% from the previous quarter as the result of Rexford Industrial Realty buying 36 industrial buildings from Blackstone Real Estate Income Trust – totaling 2.5 million square feet in LA County. The average price per square foot rose 33.1% quarter over quarter yet registered an 8.5% dip year over year denoting volatility. The combination of elevated interest rates and slowing demand will continue to have a settling effect on pricing heading into the first half of the year as opportunity seized in the marketplace.

VACANCY RATE AND AVERAGE ASKING RENT



MARKET OUTLOOK

**Asking
Rental Rates**



**Sale
Prices**



**Availability
Vacancy Rates**



**Landlord
Concessions**



**Leasing/Sales
Volume**



**New
Construction**



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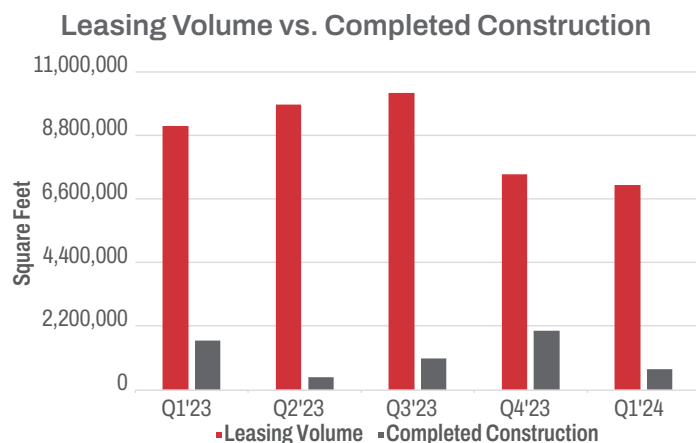
MARKET STATISTICS*

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	242,358,726	869,605	8.1%	5.8%	2,166,943	2,166,943	356,715	356,715	\$1.58	\$526
Mid-Cities	102,911,397	411,687	8.3%	4.6%	1,113,406	1,113,406	1,319,896	1,319,896	\$1.65	\$253
South Bay	223,547,971	1,439,622	7.1%	4.9%	819,239	819,239	1,105,918	1,105,918	\$1.79	\$367
North	150,878,703	1,206,861	5.0%	3.2%	1,221,423	1,221,423	1,216,743	1,216,743	\$1.56	\$190
San Gabriel Valley	177,115,804	2,360,186	7.0%	4.8%	1,777,097	1,777,097	1,016,977	1,016,977	\$1.65	\$324
Los Angeles County	896,812,601	6,287,961	7.1%	4.8%	7,098,108	7,098,108	5,016,249	5,016,249	\$1.65	\$326

*RBA includes industrial buildings of all sizes. Rents reflect buildings of 10,000 square feet or greater.

LEASING TRENDS

In the third quarter of last year, leasing volume started trending downward, beginning 2024 with a quarter-over-quarter decrease of 5.1% and a year-over-year decrease of 22.3%. While completed construction averaged 1.2 million square feet quarterly, Q1 began 58.9% below the average, with 703,239 square feet added to the market.



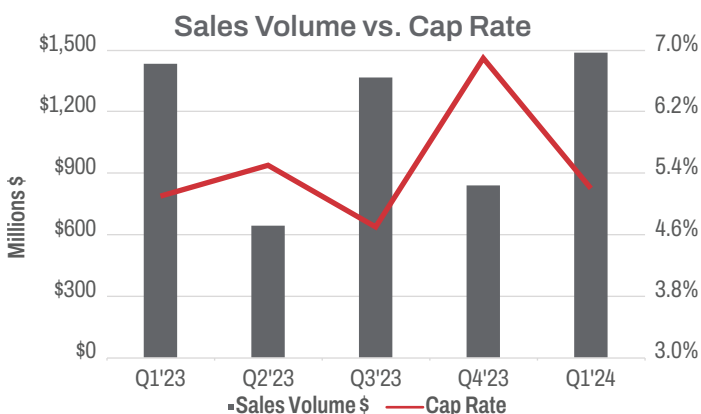
Select Lease Transactions

Address	City	Submarket	Square Feet
4231 Liberty Blvd	South Gate	Central	369,383
18305 San Jose Ave*	City of Industry	San Gabriel Valley	160,000
4455-14525 E Clark Ave	City of Industry	San Gabriel Valley	157,000
14659 Alondra Blvd	La Mirada	Mid-Cites	142,560
5525 S Soto St*	Vernon	Central	138,100

*Sublease

SALES TRENDS

In the first quarter of 2024, sales volume shot up 77% from the previous quarter and 3.9% from the first quarter of last year as the result of Rexford Industrial Realty acquiring 2,515,464 square feet of industrial space throughout Los Angeles County. The average cap rate also fluctuated by 170 bps from the prior quarter and 10 bps from the first quarter of 2023, averaging 5.2%.



Select Sales Transactions

Address	City	Submarket	Square Feet
9140 Lurline Ave*	Chatsworth	North	272,065
14407 Alondra Blvd*	La Mirada	Mid-Cites	221,415
1620 S Wilmington Ave*	Compton	South Bay	202,219
5010 Azusa Canyon Rd - Bldg 1*	Irwindale	San Gabriel Valley	184,879
12928-12958 Midway Pl*	Cerritos	Mid-Cites	161,517

*Part of a Portfolio