

Los Angeles County

Industrial Market Outlook Q2 2024

MARKET OVERVIEW

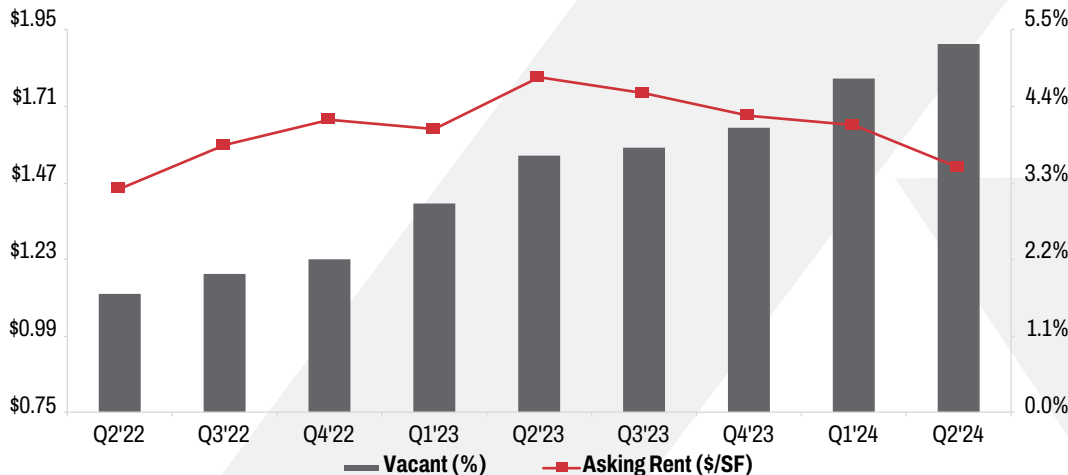
In Q2 2024, the industrial space vacancy rate in L.A. County rose, contributing to a 160-bps increase year-over-year, now standing at 5.3%, which is 50 basis points higher than the first quarter of 2024. Over the past two quarters, L.A. County added approximately 3.3 million square feet of completed construction to the market, while absorption resulted in a negative 8.3 million square feet during the same timeframe, indicating a shift in the industrial market's trajectory. The amount of industrial space under construction decreased by 23.9% compared to last year and dropped 20.8% from the prior quarter. The rate of completed construction almost tripled quarter-over-quarter and increased by 48.0% year-to-date compared to mid-year 2023 as developers raced to market, completing warehouse space in the pipeline to capture the now waning demand spurred by e-commerce's urgent need for capacity. The once double-digit rent growth, the primary driver for new construction, has now turned into a double-digit rent decline, with the average asking rent in Q2 dropping by 15.6% from the previous year to \$1.52/SF triple net, down 7.9% from Q1 2024. Sales volume declined by 67.0% quarter-over-quarter and 33.5% year-to-date compared to the second half of last year, totaling approximately 6.6 million square feet at the end of Q2 2024. The average sale price per square foot dipped 2.5% quarter-over-quarter to \$324, remaining 10.1% above last year's level. While leasing volume rose 8.0% quarter-over-quarter, closing the first half of 2024 with approximately 17.4 million square feet leased, it declined by 6.0% year-to-date.

TRENDS TO WATCH

Lower leasing velocity remains a concern while providing ammunition for favorable deals. The increase in the number of options for warehousing will drive the market as companies seek out flexible solutions to meet evolving demand. Excess space will continue to be backed-filled. The amount of vacant sublease space on the market is down by 6.0% from Q1 2024, however it remains 25.9% higher than Q2 2023, totaling approximately 5.6 million square feet which is still just shy of the all-time high reached last quarter. This abundance of industrial space 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 loaded TEU cargo volumes combined—a significant driver of warehouse space demand in L.A. County—increased by 17% year-to-date as of May 2024.

While the growth rate is expected to be lower, prices will continue their descent as interest rates remain elevated, affecting industrial building sales—though quality space still commands a premium. Sales dollar volume plummeted 69.5% quarter-over-quarter, with the year-to-date total down 0.7% from last year's figure. The median sale price per square foot, compared to the average, fell by 1.5% quarter-over-quarter, and registered a lower year-over-year increase of 5.0%, reflecting the impact weighing on the market. The combination of elevated interest rates and slowing demand will continue to exert downward pressure on pricing heading into the second half of the year, as opportunities are 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**



J.C. Casillas
Managing Director
Research
jcasillas@naicapital.com
Direct: 818.933.2433

**NAI Capital Commercial
Research**
www.naicapital.com

Los Angeles County

Industrial Market Outlook Q2 2024



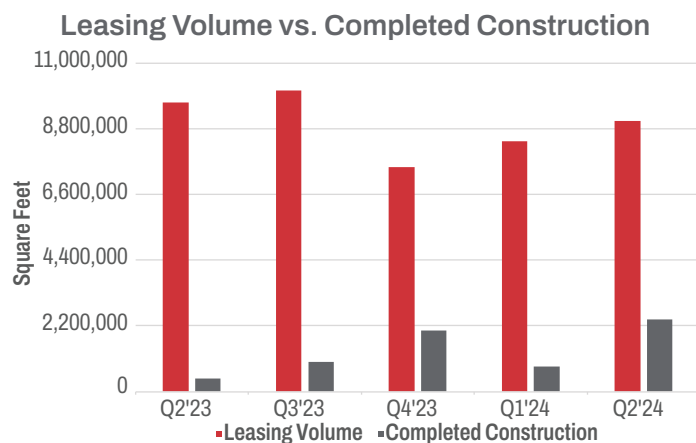
MARKET STATISTICS*

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	242,772,401	570,929	8.7%	6.2%	2,388,644	4,573,227	255,694	619,159	\$1.35	\$244
Mid-Cities	103,004,870	761,687	8.3%	5.4%	1,523,357	3,071,122	143,422	1,463,505	\$1.59	\$326
South Bay	223,659,587	1,685,338	7.0%	5.0%	2,383,714	3,738,749	299,777	1,402,312	\$1.69	\$286
North	151,010,225	1,466,484	5.5%	3.7%	1,219,609	2,474,761	541,005	1,615,769	\$1.54	\$371
San Gabriel Valley	179,482,715	623,379	7.6%	5.8%	1,536,466	3,574,124	391,387	1,475,075	\$1.59	\$328
Los Angeles County	899,929,798	5,107,817	7.5%	5.3%	9,051,790	17,431,983	5,016,249	5,016,249	\$1.52	\$324

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

LEASING TRENDS

While leasing volume showed an 8.0% increase in Q2 compared to Q1 2024, it remains 6.4% lower than the volume recorded at this time last year. The pace of completed construction has been robust, averaging 1.4 million square feet quarterly and adding 2.4 million square feet to the market this quarter.



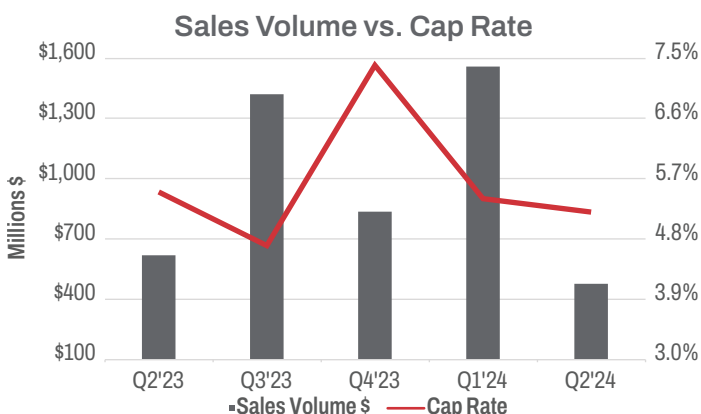
Select Lease Transactions

Address	City	Submarket	Square Feet
1650 E Glenn Curtiss St	Carson	South Bay	338,932
2501 W Rosecrans Ave	Los Angeles	South Bay	300,217
5801 S 2nd St	Vernon	Central	185,089
16501 Trojan Way*	La Mirada	Mid-Cites	180,000
5525 S Soto St*	Torrance	South Bay	174,211

*Sublease

SALES TRENDS

In the second quarter of 2024, sales volume plummeted by 69.5% from the previous quarter and by 23.1% from the second quarter of last year due to increasing borrowing costs and pricing disparities between sellers and buyers. The average cap rate fluctuated by only 20 bps from the prior quarter and 30 bps from the second quarter of 2023, averaging 5.2%.



Select Sales Transactions

Address	City	Submarket	Square Feet
8901-8945 Canoga Ave	Canoga Park	North	154,328
Arrow Highway Business Park Portfolio: 4 Indus. Properties Sold	Irwindale	San Gabriel Valley	134,542
130 Oris St	Compton	South Bay	50,000
28274-28288 Alta Vista Ave	Santa Clarita	North	44,139
4101 Whiteside St	Los Angeles	Central	43,681