

Los Angeles County

Industrial Market Outlook Q3 2022

MARKET OVERVIEW

Available warehouse space in the Los Angeles County got a little less scarce for cargo coming from the ports of Los Angeles and Long Beach. The industrial market is seeing the light at the end of the tunnel from easing supply chain issues. While demand for warehouses hasn't let up, rents continued rising as developers resumed completing new projects to meet demand. Completed construction increased 34.8 percent from the prior quarter, adding more than 3.4 million square feet to the market since the start of the year. Close to 5 million square feet of industrial space remained under construction as of Q3 2022.

Available industrial space increased 13.2 percent quarter over quarter, while the average asking rent increased 9.7 percent to \$1.59 per square foot, triple net. The availability rate of industrial space moved up to 3.5 percent, up 100 basis points year over year, as approximately 5.5 million square feet of completed construction was added to the market over the same period. The market has leased more than 8.1 million square feet in the third quarter as construction added much needed inventory. Demand for last mile warehouse/distribution buildings continued to be driven by ecommerce, pushing construction, and constrains on land availability. Still, development persisted with warehouses getting completed and added to the inventory. The largest project under construction, a 1,000,720 square foot warehouse in the City of Industry remained available as of Q3 2022.

TRENDS TO WATCH

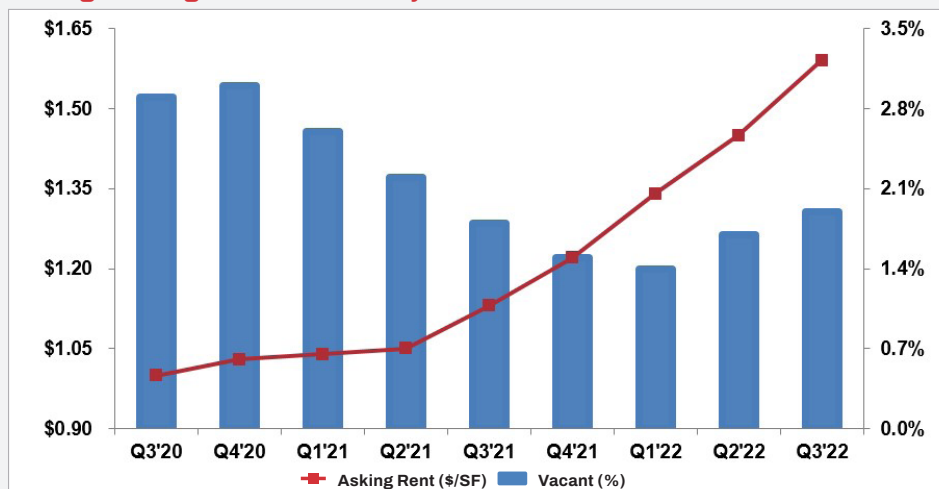
Demand for industrial space for years has outpaced the supply in Los Angeles County as development, rent, and sales prices skyrocketed. With an improved availability of industrial space, the situation will ease.

In the San Gabriel Valley industrial space under construction this quarter dropped 19.6 percent year over year, while completed construction grew by 40.6 percent adding more the 1.7 million square feet to the market. The availability rate of industrial space in the San Gabriel Valley this quarter registered 4.2 percent – up 160 basis points from Q3 2021. Asking rent in the San Gabriel Valley surged 50.5 percent from last year to \$1.49 a square foot, triple net. South Bay, home of the ports of LA and Long Beach, which added close to 1.8 million square feet of completed construction over the same period, experienced a 120 basis point increase in its availability rate to 3.5 percent. The average asking rent in the South Bay rose 44.6 percent year over year to \$1.75 per square foot – making it the highest rent market in LA County.

The region's main logistics and distribution corridors are seeing an increase in the availability of industrial space, albeit priced significantly higher.

With cheap financing no longer a market reality, higher interest rates will slow the economy and impact real estate values by increasing borrowing costs.

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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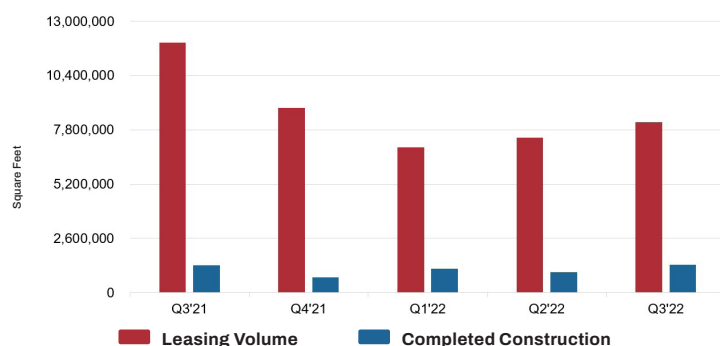
Market Statistics*

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	240,834,964	353,037	3.3%	1.7%	2,598,634	5,586,114	2,191,172	5,460,282	\$1.61	\$270
Mid-Cities	102,878,977	72,494	2.4%	1.3%	948,397	3,446,724	1,256,106	2,410,790	\$1.61	\$325
South Bay	222,122,828	2,159,190	2.8%	1.6%	1,618,468	4,946,297	1,671,694	4,099,827	\$1.75	\$475
North	148,654,016	1,107,747	2.5%	1.5%	1,044,394	3,676,946	687,460	4,430,771	\$1.41	\$295
San Gabriel Valley	172,595,102	1,282,473	4.1%	1.4%	1,944,308	4,869,880	1,314,923	3,750,872	\$1.49	\$299
Los Angeles County	887,085,887	4,974,941	3.1%	1.5%	8,154,201	22,525,961	7,121,355	20,152,542	\$1.59	\$337

Leasing

The last five quarters underscore leasing volume trends. Leasing volume totaled 22,525,961 square feet year to date in Q3 2022, while completed construction added to the market totaled 3,465,016 square feet. The supply of completed construction remained well below leasing activity in Los Angeles County.

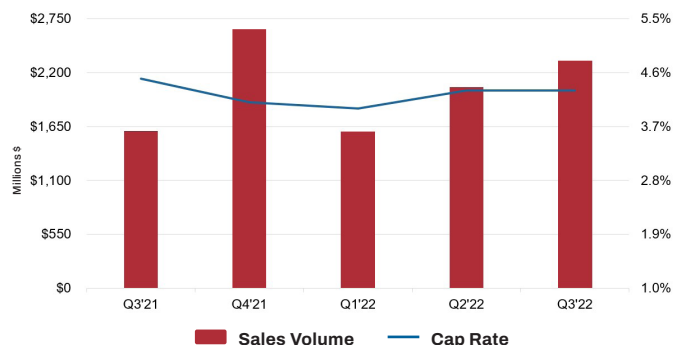
Leasing Volume vs. Completed Construction



Sales

Sales volume year to date continued at a brisk pace in Q3 2022, rising 44.7 percent from the third quarter of 2021 to more than \$2.3 billion. The average cap rate on investment sales dipped 20 basis points from the third quarter of 2021 to 4.3 percent.

Sales Volume vs. Cap Rate



Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
2901 Fruitland Ave*	Los Angeles	Central LA	855,470
2201 E Dominguez St	South Bay	Carson	272,910
601-615 W Walnut St	South Bay	Compton	200,000
18045-18055 E Rowland St**	City of Industry	San Gabriel Valley	200,000
5950 S Eastern Ave	Commerce	Central LA	168,352

*Sale Leaseback
**Sublease

Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
2901 Fruitland Ave (Part of a Portfolio)*	Los Angeles	Central LA	855,470
5801-5881 S 2nd St	Los Angeles	Central LA	294,606
11811-11831 E Florence Ave (Part of a Portfolio)	Santa Fe Springs	Mid-Cities	288,000
120 Puente Ave (Part of a Portfolio)	City Of Industry	San Gabriel Valley	253,670
8685 Bowers Ave	City Of Industry	Central LA	196,500

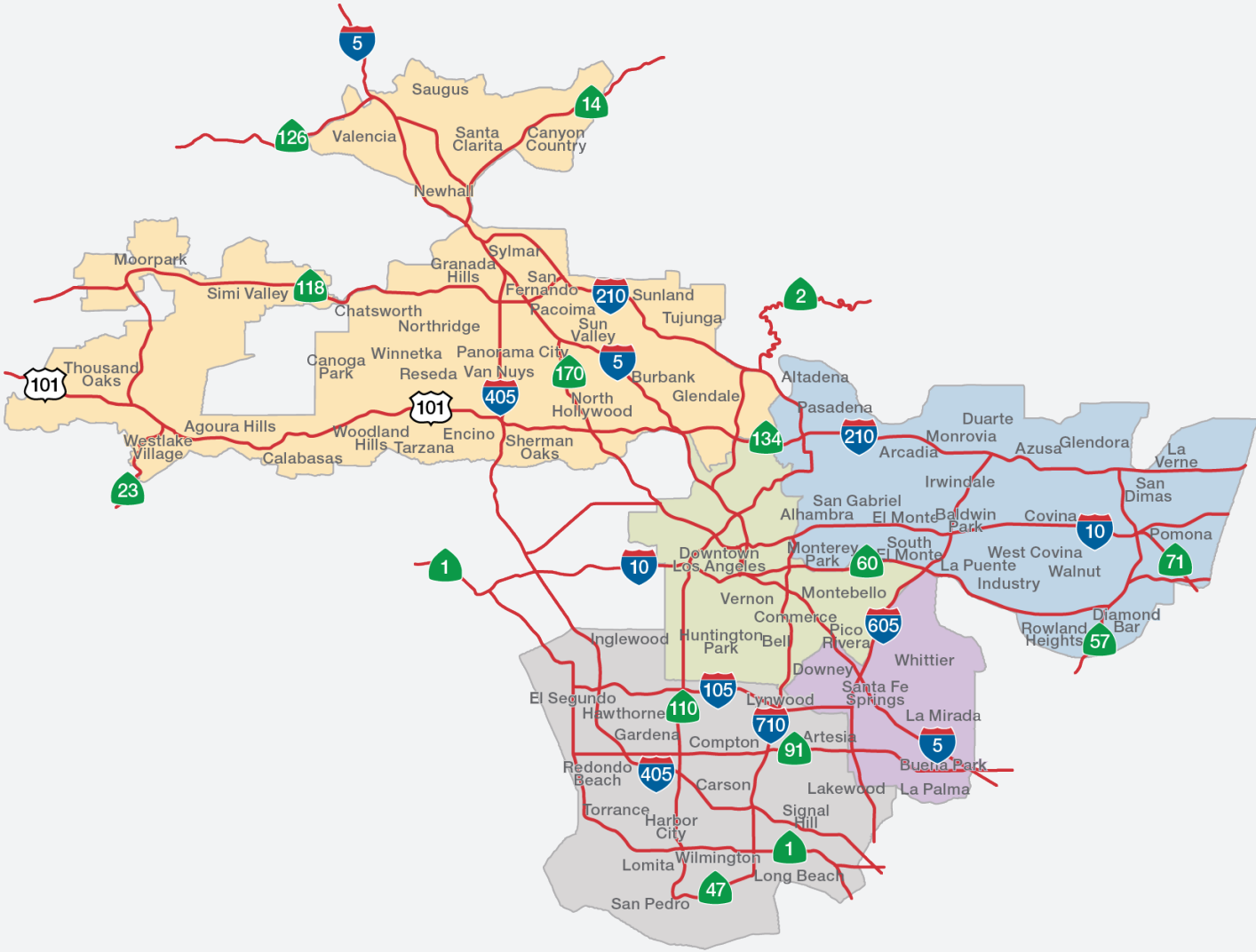
*Sale Leaseback

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COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE



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

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Industrial Market Outlook Q3 2022



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