

Los Angeles County

Industrial Market Outlook Q4 2022

MARKET OVERVIEW

The industrial market in Los Angeles County saw an uptick in vacant space as supply chain issues eased and warehouse space for cargo coming from the ports of Los Angeles and Long Beach increased in Q4 2022. The vacancy rate for industrial space moved to 2.2 percent, up 50 basis points year over year, as approximately 4 million square feet of completed construction was added to the market since the start of the year. Vacant industrial space increased 32.9 percent year over year, while the average asking rent increased 36.9 percent to \$1.67 per square foot triple net. With demand for warehouses still robust and rents rising, developers continued building new projects to meet demand. More than 6.3 million square feet of industrial space remained under construction at year end. However, completed construction in Q4 2022 decreased 9.7 percent from Q4 2021.

The market leased close to 30 million square feet in 2022 as construction added some much needed inventory, more than 4.7 million square feet over the previous five quarters. Demand for last mile warehouse/distribution buildings continued to be driven by ecommerce, pushing construction. Additionally, warehouses getting leased before completion continued. The largest project under construction, a 1,000,720 square foot warehouse in the City of Industry was leased in the fourth quarter of 2022 by Ryder, a leading provider of commercial transportation, logistics, and supply chain management solutions.

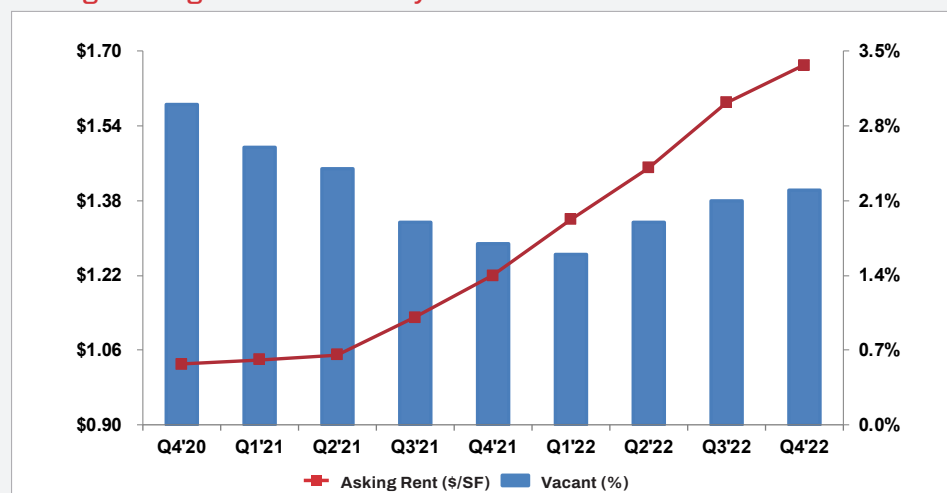
TRENDS TO WATCH

For years demand for industrial space has outpaced the supply in Los Angeles County as development, rent, and sale prices remained strong in 2022. With the availability of industrial space improving, the imbalance will lessen – providing opportunity for tenants that otherwise had limited options.

In the San Gabriel Valley industrial space under construction more than doubled from last year at this time, while completed construction grew 9 percent adding more than 1.3 million square feet to the market in 2022. The availability rate of industrial space in the San Gabriel Valley in Q4 2022 hit 5.1 percent – up 290 basis points from Q4 2021. Asking rent in the San Gabriel Valley shot up 70 percent from last year to \$1.68 per square foot triple net. South Bay, home of the ports of LA and Long Beach, which added more than 1 million square feet of completed construction over the same period, experienced a 160 basis point increase in its availability rate to 4 percent. The average asking rent in the South Bay rose 40 percent year over year to \$1.79 per square foot – maintaining its reign as the highest rent market in LA County.

The region's chief logistics and distribution corridors are seeing a welcomed increase in the availability of industrial space. Asking rent, while at an all-time high, will begin a milder rate of growth as higher interest rates, increasing borrowing costs, slow the economy, and impact real estate values heading into 2023.

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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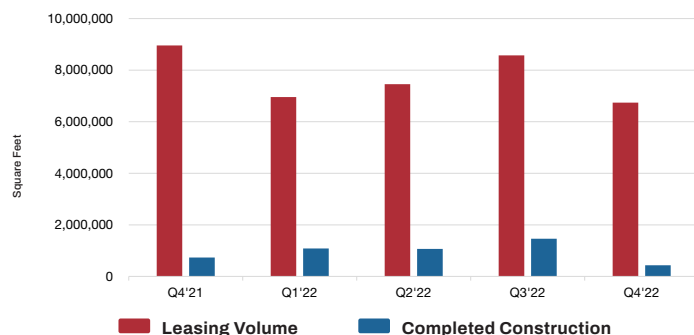
Market Statistics*

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	243,160,416	286,348	5.0%	3.3%	1,213,133	6,981,258	663,275	6,158,024	\$1.43	\$260
Mid-Cities	102,880,479	51,468	2.9%	1.3%	895,314	4,342,547	1,848,625	4,310,059	\$1.69	\$259
South Bay	221,954,319	1,573,382	4.0%	1.8%	1,375,973	6,597,347	2,212,779	6,242,829	\$1.79	\$298
North	148,776,263	1,023,402	2.7%	1.9%	1,344,770	5,022,316	457,495	4,847,796	\$1.50	\$415
San Gabriel Valley	172,208,308	3,376,415	5.1%	1.9%	1,911,784	6,781,664	2,522,489	6,305,522	\$1.68	\$252
Los Angeles County	888,979,785	6,311,015	4.1%	2.2%	6,740,974	29,725,132	7,704,663	27,864,230	\$1.67	\$275

Leasing

The last five quarters underscore leasing volume trends. Leasing volume totaled 29,725,132 square feet year to date in Q4 2022, while completed construction added to the market totaled 4,049,266 square feet. The supply of completed construction remained well below leasing volume in Los Angeles County.

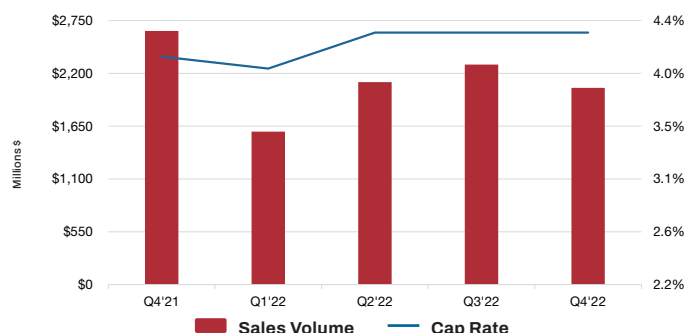
Leasing Volume vs. Completed Construction



Sales

The total sales volume in 2022 persisted at a brisk pace, rising 16.4 percent from 2021 to more than \$8.04 billion, despite the rise in interest rates. The average cap rate on investment sales moved up 20 basis points from the fourth quarter of 2021 to 4.3 percent.

Sales Volume vs. Cap Rate



Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
21921-21931 Industry Way	City Of Industry	San Gabriel Valley	1,000,720
9400-9500 Santa Fe Springs Rd*	Santa Fe Springs	Mid-Cities	607,833
13401 Crossroads Pky N	City Of Industry	San Gabriel Valley	144,000
2141 E Paulhan St	Rancho Dominguez	South Bay	133,752
7301-7379 Telegraph Rd*	Montebello	San Gabriel Valley	112,704

*Renewal

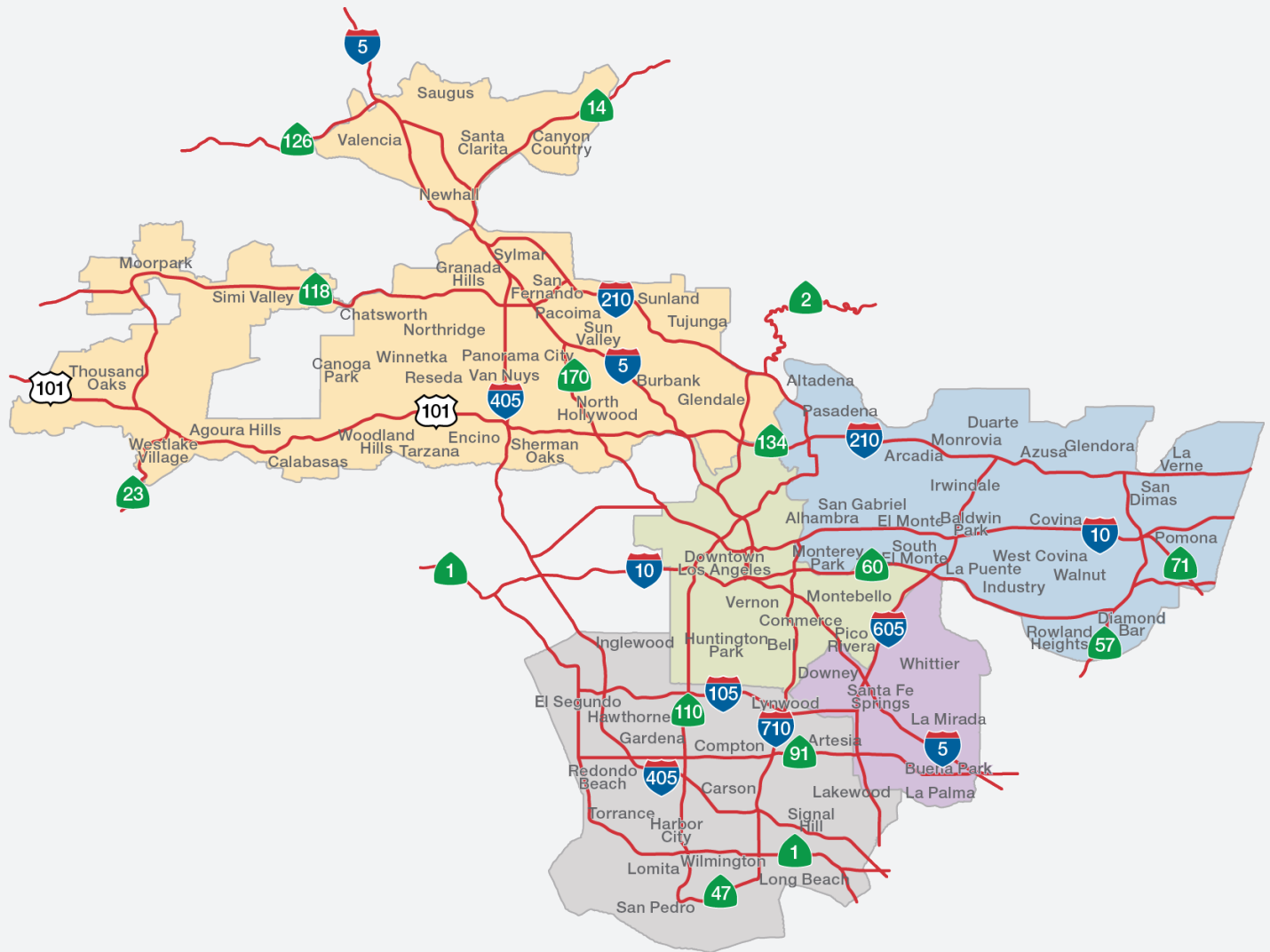
Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
13131 Los Angeles St (Part of a Portfolio)*	Irwindale	San Gabriel Valley	529,866
16501 Trojan Way (Part of a Portfolio)*	La Mirada	Mid-Cities	497,620
16301 Trojan Way (Part of a Portfolio)*	La Mirada	Mid-Cities	477,008
825 Ajax Ave (Part of a Portfolio)*	City Of Industry	San Gabriel Valley	430,078
2700 E Imperial Hwy (Part of a Portfolio)*	Lynwood	South Bay	196,500

*Entire Portfolio of 673 Properties (166,451,378 SF)

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

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Industrial Market Outlook Q4 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