

Q1 Industrial Market Insight

Lee & Associates® Research
Los Angeles Central
City of Industry

2024

South Bay

Lee & Associates - Los Angeles Central
5675 Telegraph Rd Suite 300
Commerce, CA 90040
(323) 720-8484

Lee & Associates - City of Industry
13181 Crossroads Pkwy N Suite 300
City of Industry, CA 91746
(562) 699.7500



Q1 2024 Market Insight South Bay

South Bay Highlights

- **Big Picture:** Across all submarkets in the Los Angeles Basin this quarter, vacancies and availability increased, lease rates decreased, sales and leasing activity were at historic lows, and construction starts diminished.
- **Vacancy Rate:** Continues to rise, increasing 30 bps from Q4 2023 to a rate of 4.8% in Q1. Year over year, the vacancy rate increased 190 bps or by 3.8 MSF.
- **Asking Rents:** Declined by \$0.24 or 12.1% from the Q2 2023 peak of \$1.97 to a rate of \$1.73 NNN PSF in Q1
- **Inflation:** Headline CPI continues to be elevated above the Fed's 2% target at 3.5%. Overall PCE inflation grew by 0.3% from February and 2.7% from the prior year, while core PCE inflation grew by 0.3 month-over-month and 2.8% year-over-year.
- **GDP & Employment:** In Q1, the U.S. economy grew by 1.6% year-over-year, below market growth-expectations of 2.5%. The unemployment rate fell by 10 basis points (bps) to 3.8% and the labor force participation rate ticked up to 62.7%. Average hourly earnings rose by 4.1% year-over-year, in line with market expectations and above inflation.
- **Port Activity:** Port of LA activity (measured by Total TEUs) is up 29.98% year to date as compared with the first three months of 2023.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 33.5% over Q1, ending at \$3,623 per container per Freightos.

CITY	# of Bldgs	Inventory	Vacancy	Availability	Net Absorption	Gross Absorption	Direct Asking Rate (NNN)	Asking Sale Rate
CARSON	497	1	6.1	10	3,841	273,415	\$ 1.79	\$ 290
COMPTON	478	25,209,573	5.9	8.9	-665,538	56,942	\$ 1.63	\$ 270
EL SEGUNDO	155	7,510,001	1.5	1.4	-9,484	36,118	\$2.22	\$ 340
GARDENA	1178	29,176,494	4.4	7.1	-54,282	184,542	\$ 1.46	\$ 286
HARBOR CITY	95	1,765,758	6.4	6.8	-16,600	14,400	0	\$ 321
HAWTHORNE	220	8,190,278	2.3	3.2	-21,628	26,515	\$ 1.67	\$ 288
INGLEWOOD	236	4,968,155	3.3	3.7	-54,360	25,007	\$ 1.65	\$ 352
LAKEWOOD/HG	24	538,131	0.3	0.3	-1,850	0	0	\$ 333
LAWDALE	30	268,126	7.9	7.9	-10,272	2,000	0	\$ 319
LONG BEACH/TI	753	24,021,123	5	7.7	-8,397	149,346	\$ 1.45	\$ 311
LYNWOOD	99	4,363,391	2.6	2.6	-18,400	0	\$ 1.21	\$ 244
RANCHO DOMINGUEZ	228	13,863,562	6.3	8.2	-49,509	393,679	\$1.54	\$ 280
REDONDO/HERMOSA	34	1,744,149	0	0	0	0	0	\$ 368
SAN PEDRO	45	2,768,203	2.6	14.8	-6,500	0	0	\$ 281
SIGNAL HILL	206	3,040,985	2	3.5	-2,546	15,250	\$ 1.91	\$ 355
TORRANCE	635	29,372,671	5.3	6.6	488,159	598,232	\$ 2.14	\$ 327
WILMINGTON	150	4,116,179	2.2	2.2	-36,448	8,058	\$ 1.79	\$ 286

↑ 3.8%

US Unemployment Rate

↑ 1.6%

GDP - Quarter 1 % - Change YOY

↑ 4.6%

U.S. 10-Year Treasury Note

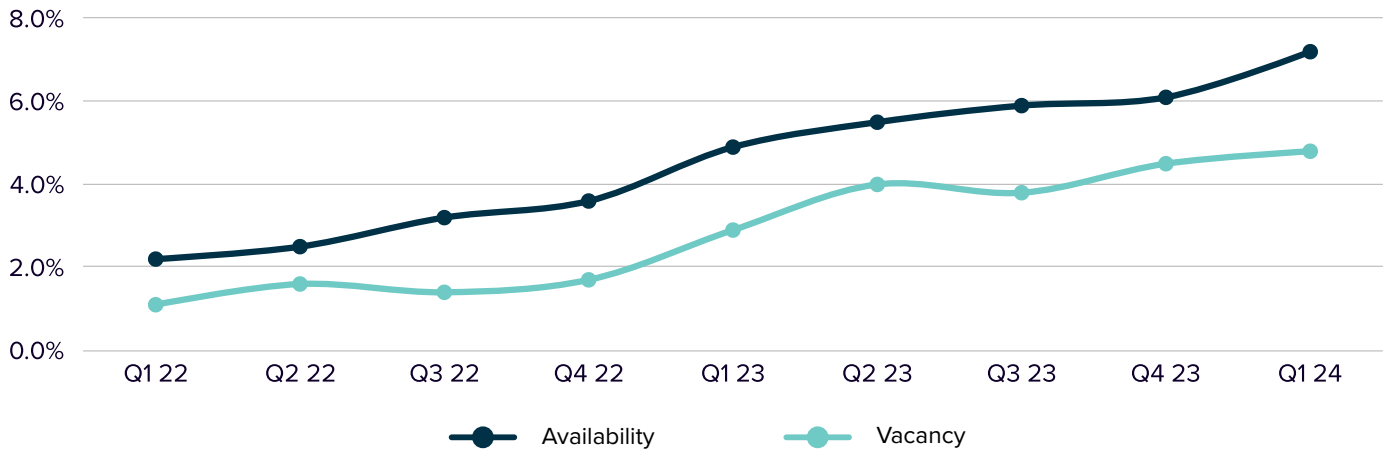
> Market Summary

	Q1 2023	Q4 2023	Q1 2024
Total Inventory (SF)	195,747,709	196,458,082	196,594,470
Overall Vacancy	2.9%	4.5%	4.8%
Overall Availability	4.9%	6.1%	7.2%
Under Construction (SF)	974,536	1,538,212	1,408,081
Net Absorption (SF)	-1,457,077	-1,374,565	-453,542
Overall Asking Lease Rates (NNN)	\$1.55	\$1.77	\$1.73

> Labor Force

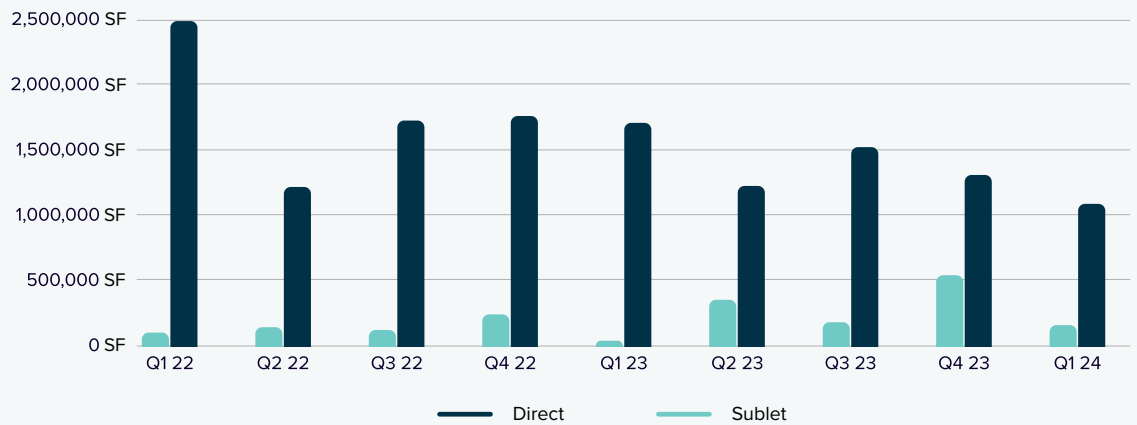
	Construction	Manufacturing	Transportation, Trade & Utilities
12-Mo Employment Growth (%)	0.5%	-1.5%	-0.1%
12-Mo Actual Employment Change	-700	-4,900	-1,200

> Vacancy vs Availability

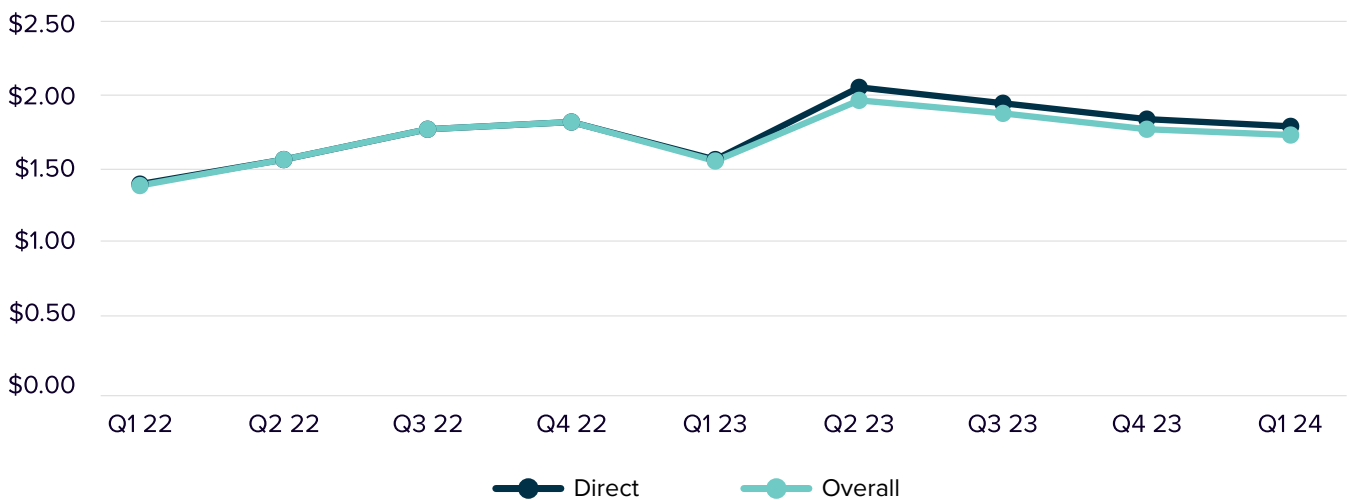


Leasing Activity & Absorption

Leasing activity totaled **1.24 million square feet (MSF)** in Q1, **49% below** the historical quarterly average of **2.44 MSF**. Net absorption in the first quarter was negative, posting **-453,542 MSF**, marking six out of seven quarters of diminishing demand in the past eighteen months.



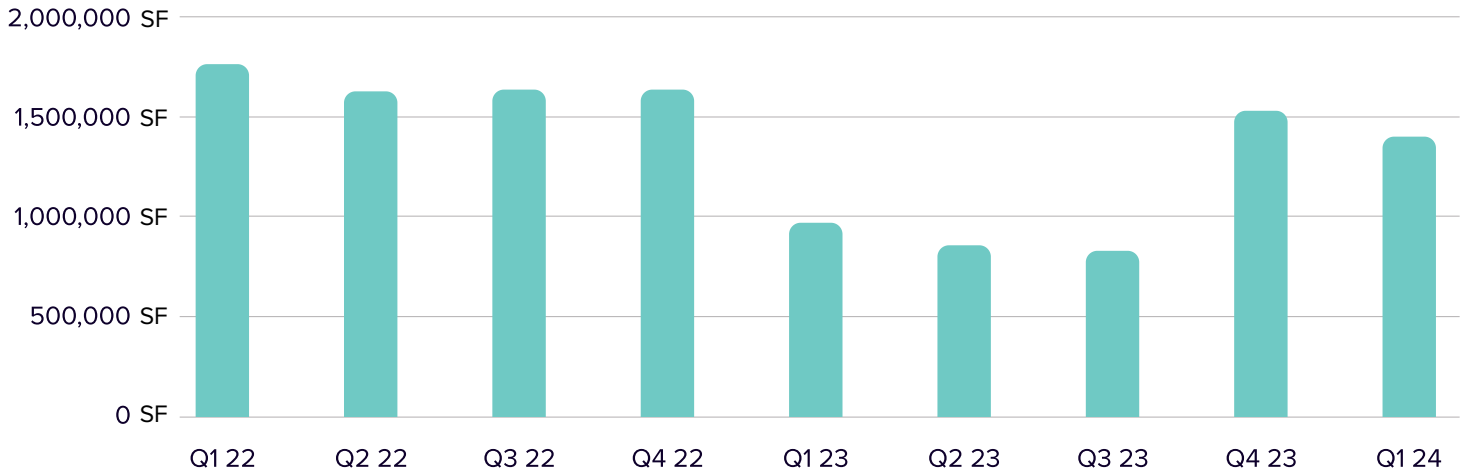
> Rental Rates



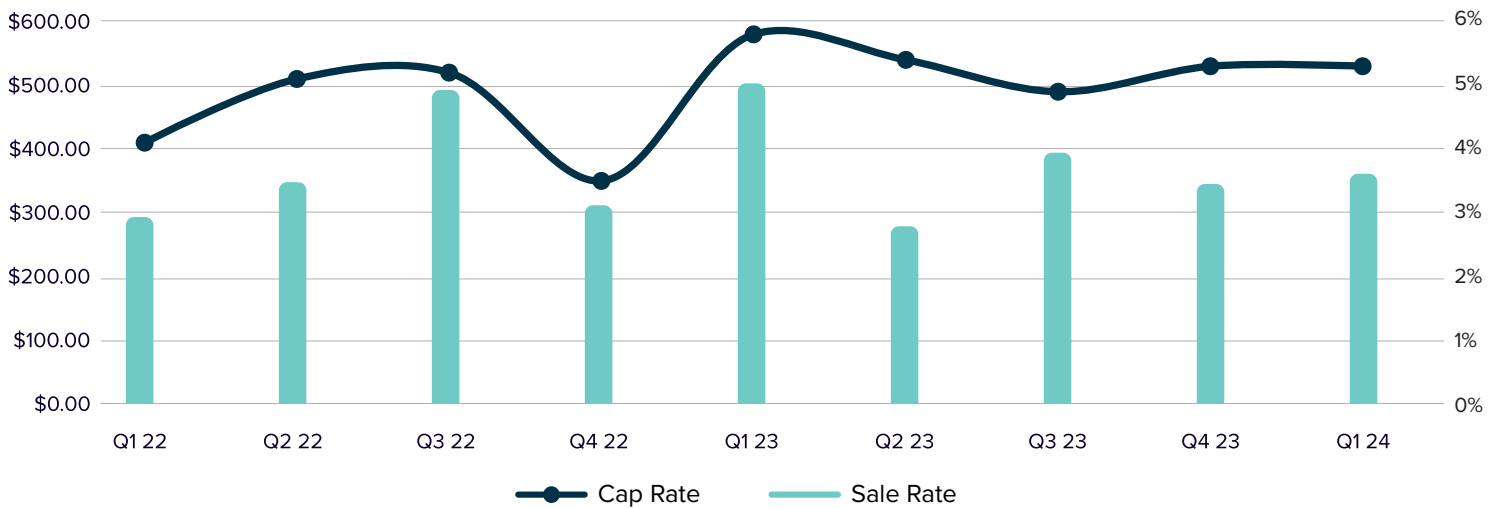


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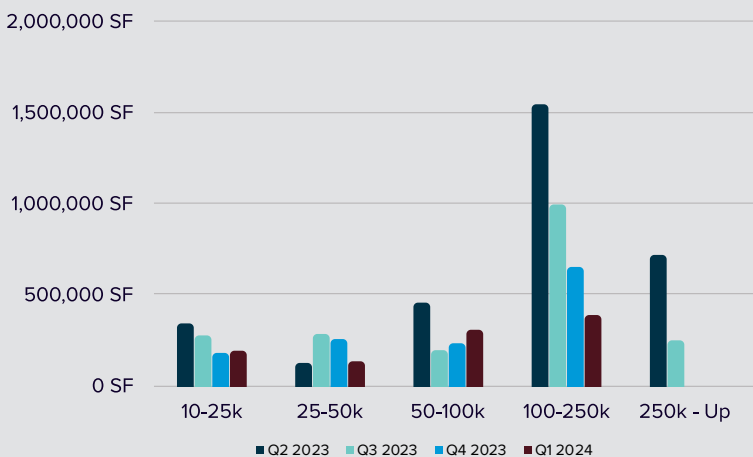
> Construction



> Sales Trends



> Lease Expiration



South Bay
Largest Lease Transaction
By Square Foot
 Lessee: St. George Distribution Corp
 1650 S Central Ave, Compton

418,344^{sf}

> Top 5 Sales

Address	City	Size (SF)	Buyer	Seller(s)
1620 S. WILMINGTON AV	Compton	202,219	CenterPoint	South Bay Industrials Company, LLC
711 W. WALNUT ST	Compton	157,320	CenterPoint	South Bay Industrials Company, LLC
2910 PACIFIC COMMERCE DR	Rancho Dominguez	147,573	Rexford	WPT Pacific Commerce Drive, LP
425 W. CAROB ST	Compton	104,192	CenterPoint	Mark. H. Leschinsky
1111-1121 W ARTESIA BL	Compton	83,135	CenterPoint	South Bay Industrials Company, LLC

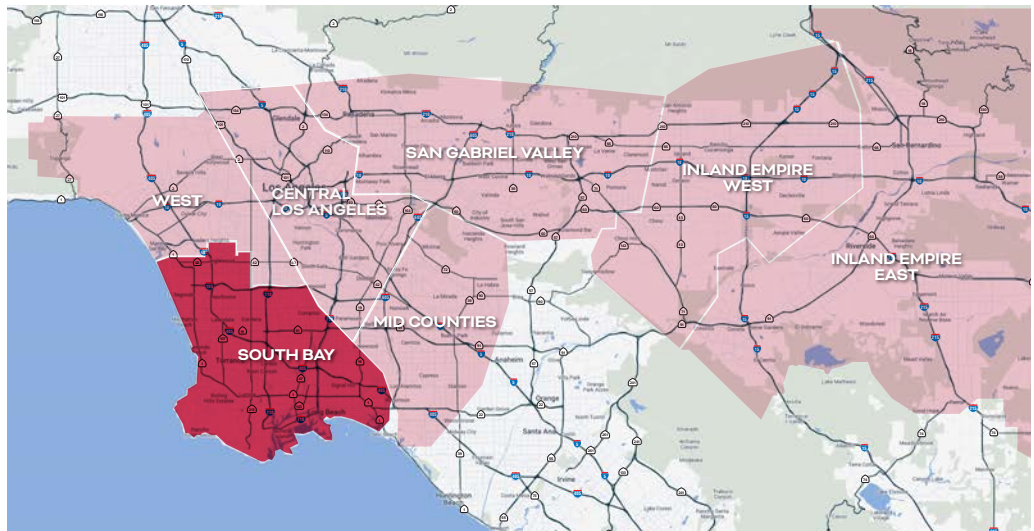
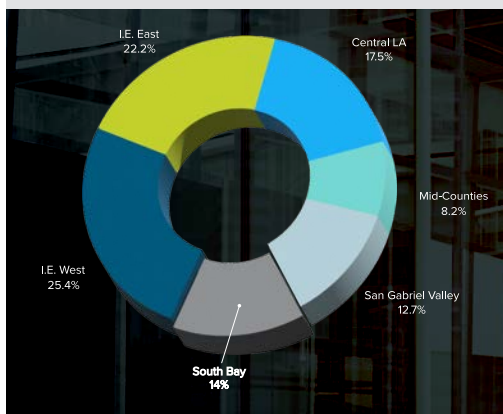
> Top 5 New Leases

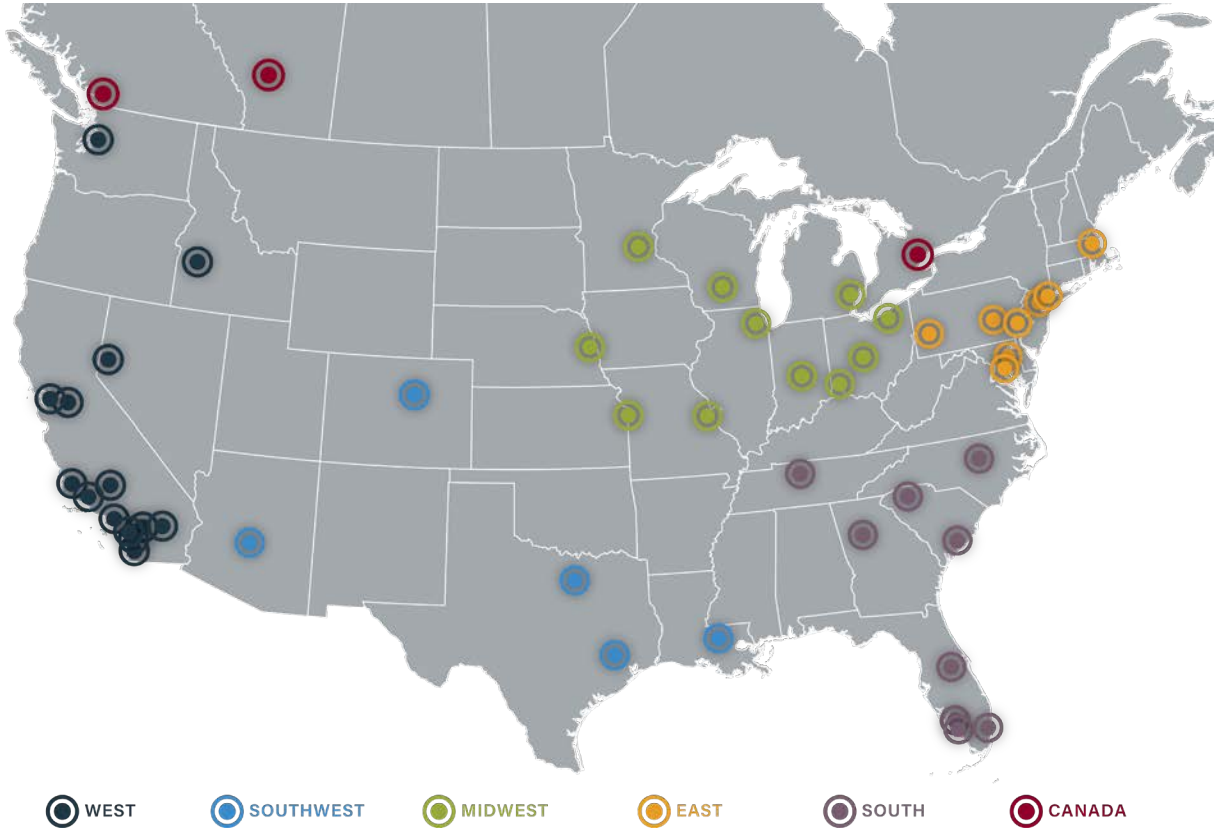
Address	City	Size (SF)	Lessor	Lessee(s)
1650 S CENTRAL AV	Compton	418,344	Brookfield Properties	St George Distribution Corp
2132 E DOMINGUEZ ST	Carson	254,411	Prologis	Inland Star Distribution Center
2902 E VAL VERDE CT, BLDG C	Compton	184,074	Carson Estate Co	SBS Transportation
525 W MANVILLE ST	Compton	183,000	Heitman	Capital Logistics & Warehouse
900 E WATSON CENTER	Carson	152,000	Watson Land Company	Howmet

> Major Construction / Development Projects

Address	City	Developer	Size (SF)	Est. Completion
2001 E DOMINGUEZ ST	Carson	Brookfield Properties	429,112	Oct-24
1600 W 135TH ST	Gardena	OMP	190,860	Sep-24
1124 W ALONDRA BLVD	Gardena	Link Logistics	181,831	Oct-24
3590 COVER ST	Long Beach	RGNL	150,000	Dec-24

Inventory Comparison





108% Increase in Brokered Sale & Lease SF Over 5 Years

\$32⁺ Billion Transaction Volume (2022)

1.5K⁺ Professionals and Growing Internationally

75⁺ Offices Nationwide

- WEST
- SOUTHWEST
- MIDWEST
- EAST
- SOUTH
- CANADA

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<p>LEE & ASSOCIATES® - LOS ANGELES CENTRAL</p> <p>5675 E Telegraph Rd, Suite 300 City of Commerce, CA 90040</p> <p>P: 323.720.8484 F: 323.720.8474</p>	<p>LEE & ASSOCIATES® - CITY OF INDUSTRY</p> <p>13181 Crossroads Pkwy North, Suite 300 City of Industry, CA 91746</p> <p>P: 562.699.7500 F: 562.695.3133</p>
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These reports are based on industrial single and multi-tenant buildings that are greater than 5,000.

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