



LOCAL EXPERTISE.  
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2Q 2024  
INDUSTRIAL MARKET  
**REPORT**

LOS ANGELES - LONG BEACH

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# INTRODUCTION



Although leasing activity increased across all submarkets in the Los Angeles Basin this quarter, vacancies and availability rates remained elevated, lease rates decreased, and new construction starts remained in abeyance. Almost all construction projects that are underway have been in the pipeline for some time now.

The U.S. unemployment rate ticked up by 30 basis points (bps) since Q1 to 4.1% while the labor force participation rate remained near 63%. Average hourly earnings rose by 3.86% year-over-year. The latest CPI report indicates that inflation grew below what was forecast. Respectively, CPI and Core CPI grew at 3.0% and 3.3%, year-over-year. Consensus estimates for each metric were 3.1% and 3.4%, respectively.

While the next GDP report will come out only by the end of June, the BEA reports that the GDP grew by 1.3% in Q1, and the Atlanta Fed along with forecasters at Visa project that the economy will grow by around 2.0% in Q2.

Although there is a growing expectation that the Fed will cut interest rates by September of this year, uncertainty is still high, and most investors and business owners remain cautious. While many investors have capital to deploy, they remain on the sidelines or are pursuing properties at drastically lower land values than in previous quarters.

Owner-occupiers have a unique opportunity to acquire buildings now with less institutional investor interest. Smaller buildings continue to be sought after via SBA loans and owner-user conventional financing, albeit with stringent oversight from lenders. Lease renewals for tenants are becoming more prevalent as the path of least resistance even though tenants are still seeing rent hikes upon lease expiration. Many tenants continue to sublet any portion of space they do not currently utilize. Overall, whether the economy continues to grow at its current plodding pace, or a market downturn occurs, industrial real estate as a product type in Southern California is well-positioned for either contingency.

## Q2 SUBMARKETS AT A GLANCE

	ABSORPTION	VACANCY	NNN RENT OVERALL	UNDER CONSTRUCTION	SALES TRANSACTIONS	AVERAGE SALES PRICE
<b>SOUTHBAY</b>	↑ (525,417) SF	↓ 4.2%	↓ \$1.68 / SF	↑ 1,631,540 SF	↑ \$51,070,000	↓ \$288.61 / SF
<b>MIDCOUNTRIES</b>	↑ (997,228) SF	↑ 4.8%	→ \$1.57 / SF	↑ 820,787 SF	↓ \$50,271,500	↑ \$307.29 / SF
<b>CENTRAL</b>	↓ (747,655) SF	↑ 5.6%	↓ \$1.43 / SF	↓ 606,004 SF	↓ \$43,303,500	↓ \$235.37 / SF
<b>INLAND EMPIRE</b>	↑ (4,786,918) SF	↑ 6.9%	↓ \$1.18 / SF	↓ 20,455,590 SF	↑ \$893,633,505	↑ \$257.64 / SF

Source: CoStar Realty Information Inc.

# SOUTHBAY SUBMARKET

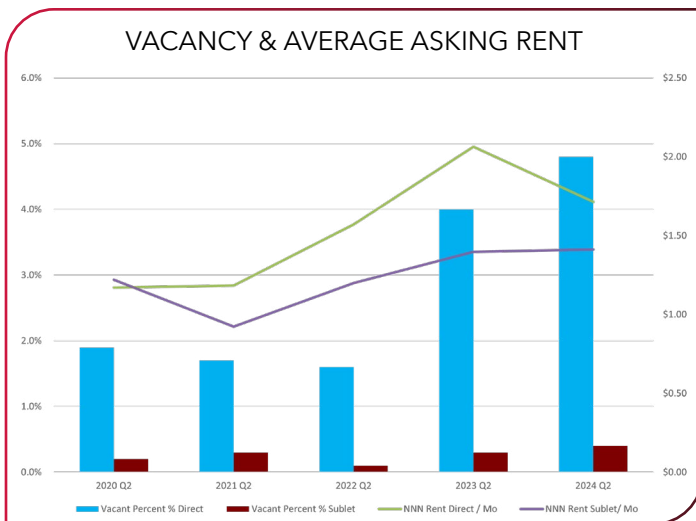
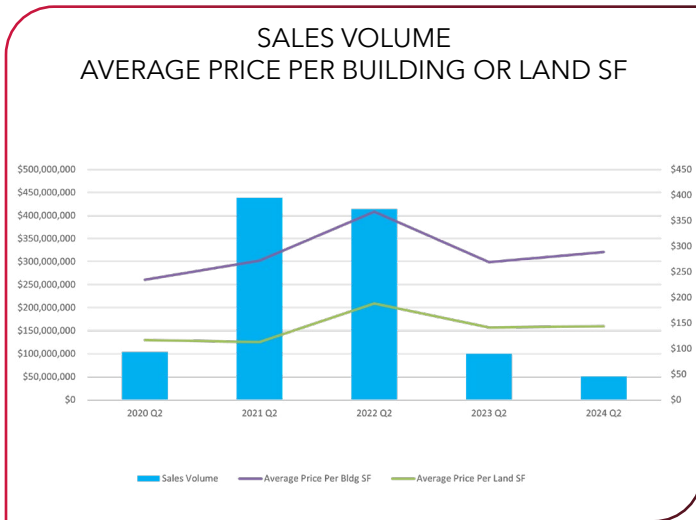
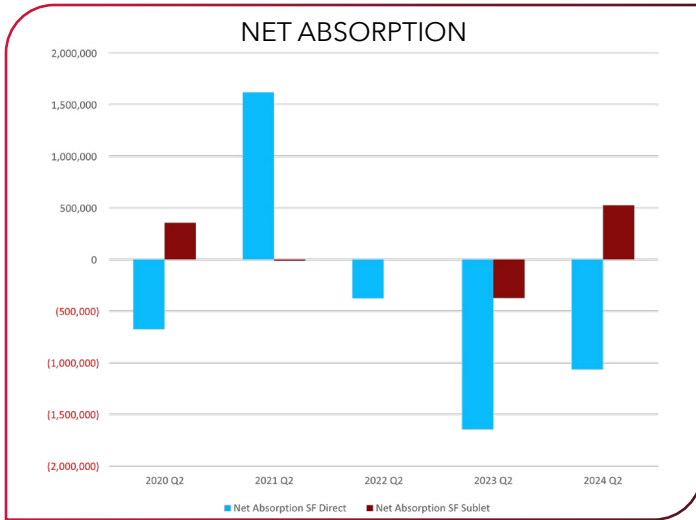


## SOUTHBAY SUBMARKET Q2 TRENDS AT A GLANCE

<p><b>↑</b> Absorption (525,417) SF</p>	<p><b>↓</b> NNN Rent Overall \$1.68 / SF</p>	<p><b>↑</b> Sales Transactions \$51,070,000</p>
<p><b>↓</b> Vacancy 4.2%</p>	<p><b>↑</b> Under Construction 1,631,540 SF</p>	<p><b>↓</b> Average Sales Price \$288.61 / SF</p>

Source: CoStar Realty Information Inc.

# SOUTHBAY SUBMARKET Q2 OVERVIEW



Source: CoStar Realty Information Inc.

2.3 million square feet (MSF) of industrial space, both direct and sublet, was leased this quarter. That is an increase of 1.03 million square feet from last quarter. Consequently, the vacant-availability rate dropped by 40 basis points (0.4%) from last quarter to reach 4.2%. Still, that represents a 2.8% rise in the vacancy-availability rate since last year. The increase in vacant-available space is unsurprising since tenants have been putting space they haven't been using back on the market since 2023.

Asking lease rates continued to decline this quarter. Direct lease and overall (including sublease space) asking lease rates reached their peak in Q2 of 2023: \$2.06 and \$1.97 NNN per square foot (PSF per Month). Asking rates now average \$1.71 and \$1.68 NNN PSF for Q2, still up 40%+ over the last 5 years. Landlords of new, Class A space are still pursuing \$2.00+ NNN PSF rates; however, tenants are pushing back simply by having more spaces to choose from - those with strong credit history and financials being able to push for increased rental concessions. Not only are tenants learning to do more with less space, but they've also become highly selective and more opportunistic about any new location. Landlords are hungry to fill vacancies and are generally negotiable, within reason. We anticipate that this trend will continue throughout 2024.

Although leasing activity was up this quarter and net absorption of sublet space was a positive 525,417 square feet, overall demand was down as net absorption was negative at -539,467 square feet. Sales volume in the South Bay totaled \$51 million across 9 transactions in Q2. The average price per square foot for industrial buildings was \$288.61. Land values averaged \$143.79 per square foot, and the cost of construction has yet to come down.

Capitalization rates (rates of return) for leased investment transactions are increasing as the cost of capital increases and sellers are being forced to adjust to new pricing realities. Interest rates remain in the 6.5% ballpark for fixed, 25-year money on owner-occupier, small business loans (SBA). Building insurance is becoming much more challenging for owners to get and keep as providers are raising premiums, refusing to renew policies, and/or bowing out of writing policies in California as a whole. Some industrial zoned areas are taking the brunt of homelessness and general vagrancy issues affecting property and rental values in some areas more than others.

## SOUTHBAY SUBMARKET Q2 OVERVIEW (CONTINUED)

## SOUTHBAY SUBMARKET TOP LEASES FOR 2Q24

ADDRESS	CITY	TYPE	TENANT	EXECUTION DATE	SIZE
1650 E. Glenn Curtiss St.	Carson	N/A	KW	June 2024	338,274
2501 W. Rosecrans Ave.	Compton	Warehouse	Forward AIR	May 2024	313,168
1355 Sepulveda Blvd.	Torrance	Manufacturing	K2 Space	May 2024	174,211
525 W. Manville St	Compton	Warehouse	Capital Logistics	April 2024	183,000
16525 S. Avalon Blvd.	Carson	Warehouse	360 Global Warehousing and Distribution	June 2024	103,594

## SOUTHBAY SUBMARKET TOP SALES FOR 2Q24

ADDRESS	CITY	TYPE	BUYER	SALE PRICE	SIZE
1790 Apollo Ct	Seal Beach	Industrial	JP. Morgan	\$25,250,000	64,061 SF
2701 Signal Hill Pky	Signal Hill	Industrial	R.E Michel Company	\$10,500,000	31,500 SF
15401 S Figueroa St.	Gardena	Industrial	15401 Figueroa, LLC	\$10,225,000	38,584 SF
620 W. 135th st	Gardena	Industrial	Nicole Hofferr	8,400,000	28,707 SF
6305 E. Alondra Blvd.	Paramount	Industrial	Los Altos Beef Inc.	6,850,000	16,608 SF

Source: CoStar Realty Information Inc. and AIR CRE

# MIDCOUNTIES SUBMARKET



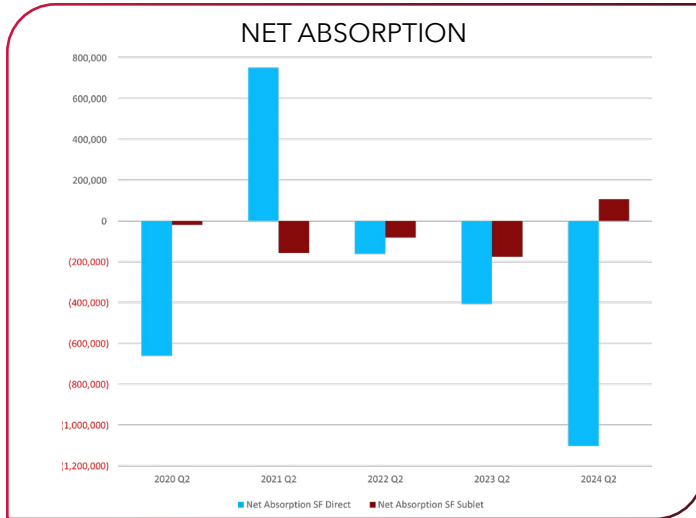
## MIDCOUNTIES SUBMARKET Q2 TRENDS AT A GLANCE

<p><b>↑</b> Absorption (997,228) SF</p>	<p><b>→</b> NNN Rent Overall \$1.57 / SF</p>	<p><b>↓</b> Sales Transactions \$50,271,500</p>
<p><b>↑</b> Vacancy 4.8%</p>	<p><b>↑</b> Under Construction 820,787 SF</p>	<p><b>↑</b> Average Sales Price \$307.29 / SF</p>

Source: CoStar Realty Information Inc.

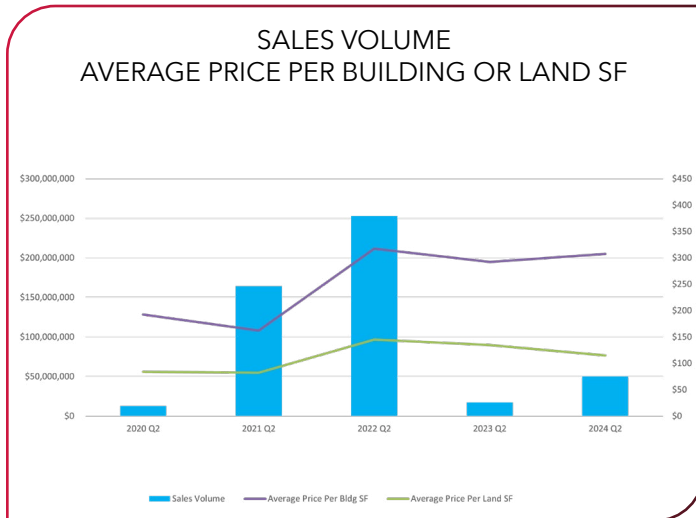
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# MIDCOUNTIES SUBMARKET Q2 OVERVIEW



The vacancy-availability rate in the submarket spiked to 4.8%, an increase of 3.1% from Q2 of 2023. There are now over 5.4 million square feet of vacant and available space on the market. Like all other LA Basin submarkets, overall asking rents decreased to \$1.58 NNN PSF, a YOY decrease of \$0.07 from Q2 2023's rate of \$1.65 PSF.

One bright spot in the submarket was construction. Ground-up construction activity rose to 820,787 SF in Q2 from 412,324 SF in Q1. Much of this square footage derives from a build-to-suit facility for Yamaha in Buena Park, and five buildings in three separate projects in Santa Fe Springs. Just one project in Santa Fe Springs totaling 178,264 SF is currently in the planning phase.



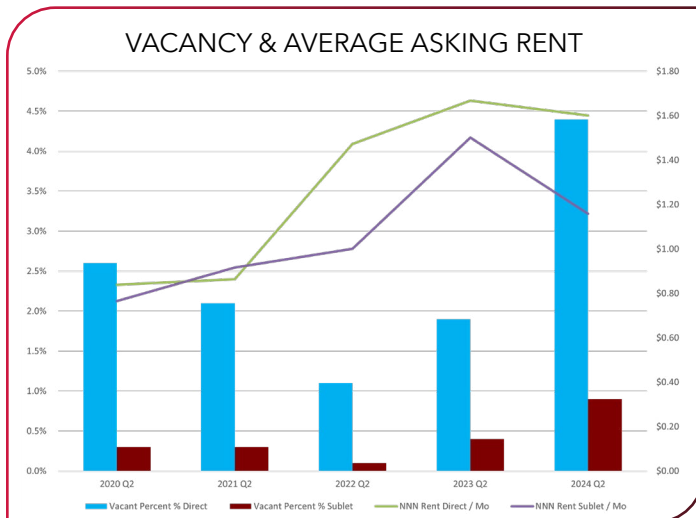
At \$50.2 million, sales volume was one of the lowest on record for Q2; however, both land and industrial buildings are trading well above historic norms. The average price per square foot for land is \$115.07, and the average price per square foot for industrial buildings is \$307.29. Over the past 10 years, land and industrial buildings have, respectively, traded for \$88.14 PSF and \$194.19 PSF on average in the submarket.

### MIDCOUNTIES SUBMARKET TOP LEASES FOR 2Q24

ADDRESS	TENANT	SIZE
16501 Trojan Way, La Mirada	Americhine	180,969 SF
14221 Artesia Blvd, La Mirada	Felix Lighting	106,118 SF
12907 Imperial Hwy, Santa Fe Springs	Timken Gears & Services	101,080 SF
12935 Leffingwell Ave, Santa Fe Springs	Collision Auto Parts	82,238 SF
12021 Woodruff Ave, Downey	Sysco Transportation	44,162 SF (6.31 AC Yard)

### MIDCOUNTIES SUBMARKET TOP SALES FOR 2Q24

ADDRESS	BUYER	SIZE
12301 Woodruff Ave, Downey	Art Weiss Industrial Properties	30,800 SF
12848 Imperial Hwy, Santa Fe Springs	Interesting Investment LLC	20,139 SF
10838 Bloomfield Ave, Santa Fe Springs	Salta Capital Partners LLC	17,303 SF
15520 Cornet Ave, Santa Fe Springs	15220 Cornet LLC	15,823 SF
12519 Putnam St, Whittier	GMJ Group LLC	12,000 SF









Source: CoStar Realty Information Inc. and AIR CRE

# CENTRAL SUBMARKET



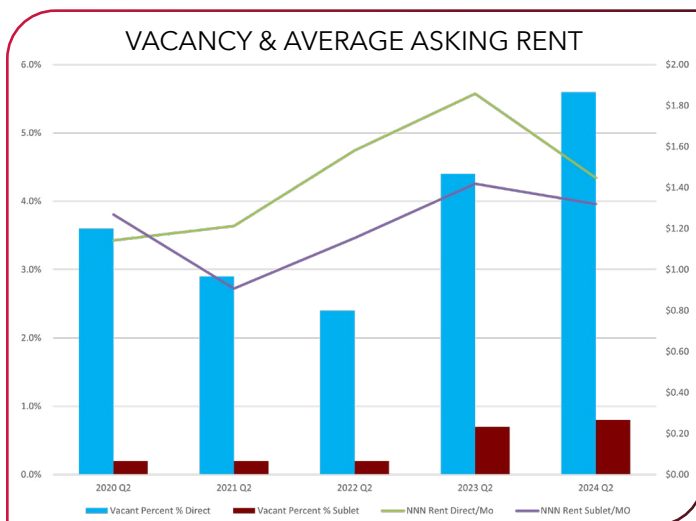
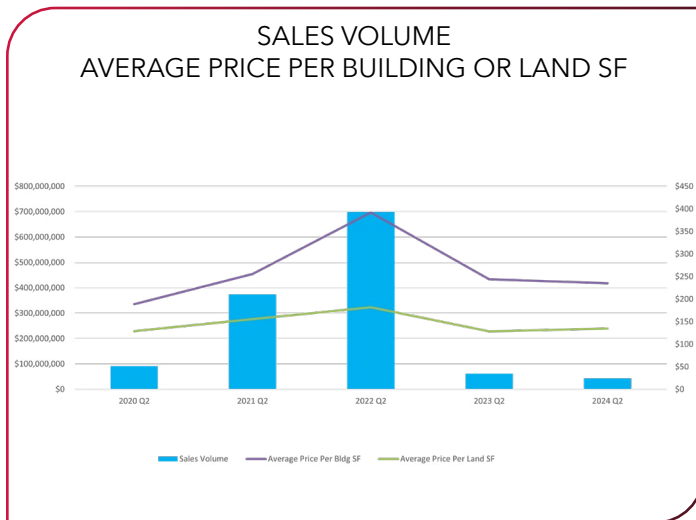
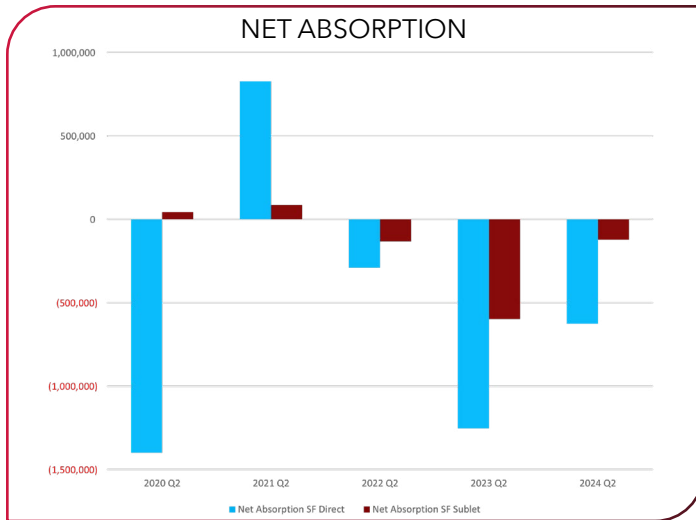
## CENTRAL SUBMARKET Q2 TRENDS AT A GLANCE

 <p><b>Absorption</b> (747,655) SF</p>	 <p><b>NNN Rent Overall</b> \$1.43 / SF</p>	 <p><b>Sales Transactions</b> \$43,303,500</p>
 <p><b>Vacancy</b> 5.6%</p>	 <p><b>Under Construction</b> 606,004 SF</p>	 <p><b>Average Sales Price</b> \$235.37 / SF</p>

Source: CoStar Realty Information Inc.



# CENTRAL SUBMARKET Q2 OVERVIEW



Source: CoStar Realty Information Inc.

The vacant-availability rate in Central LA ended Q2 at 5.6%, with now over 13.7 MSF of vacant space in Central LA. Contrary to what was the case for the past decade, Central LA now has one of the highest vacancy rates among all the submarkets in the Los Angeles Basin.

Two new buildings totaling over 304,501 square feet were delivered this quarter, and eight buildings totaling over 606,004 SF are still under construction. Like all submarkets across the L.A. Basin this quarter, net absorption was negative, including net absorption of sublet space. In terms of square footage, there is now over 1.97 MSF of vacant sublease space on the market. Sublet net absorption numbers notwithstanding, the demand for functional industrial space is nearly insatiable in the Central submarket, and asking prices are still high - although they are now declining.

Overall average asking rental rates are now \$1.44 PSF NNN. This represents a quarterly decline of \$0.19 PSF. Sales volume totaled \$43.3 million, the lowest on record in the 10-year history of the submarket. At the end of Q2, the average price was \$235.37 per building square foot.

Industrial demand is heavily concentrated in the Vernon and Commerce submarkets, where food production and apparel manufacturing are the top industries. Commerce has a large concentration of food manufacturing tenants; the spaces these tenants occupy come at a premium and will continue to drive up asking rents. Although landlords have started to reduce their asking rents to placate occupiers who cannot afford to lease at current prices, the pace of reduction has been slower than expected. Nonetheless, expect the reduction in asking rents to continue apace throughout 2024.

# INLAND EMPIRE SUBMARKET

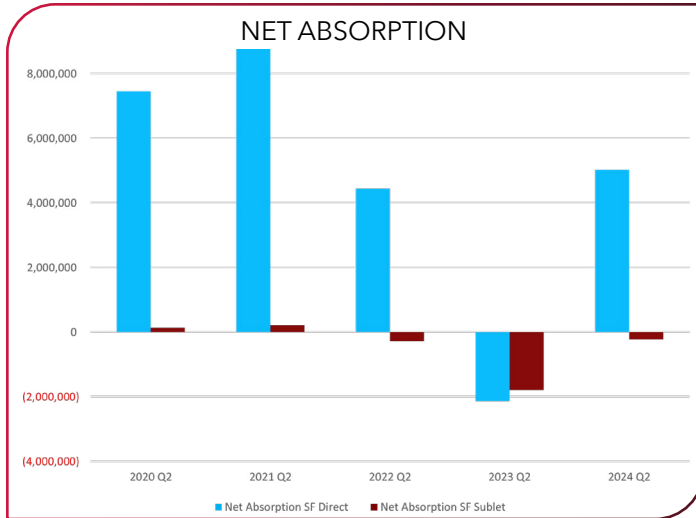


## INLAND EMPIRE SUBMARKET Q2 TRENDS AT A GLANCE

<p><b>↑</b></p> <p><b>Absorption</b> (4,786,918) SF</p>	<p><b>↓</b></p> <p><b>NNN Rent Overall</b> \$1.18 / SF</p>	<p><b>↑</b></p> <p><b>Sales Transactions</b> \$893,633,505</p>
<p><b>↑</b></p> <p><b>Vacancy</b> 6.9%</p>	<p><b>↓</b></p> <p><b>Under Construction</b> 20,455,590 SF</p>	<p><b>↑</b></p> <p><b>Average Sales Price</b> \$257.64 / SF</p>

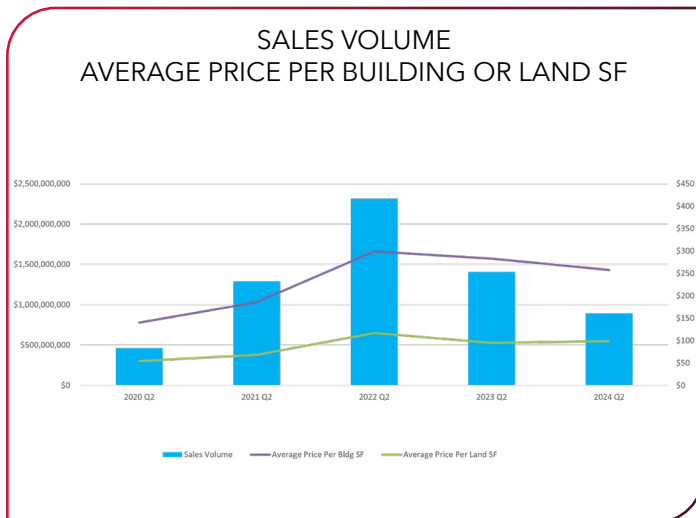
Source: CoStar Realty Information Inc.

# INLAND EMPIRE SUBMARKET Q2 OVERVIEW



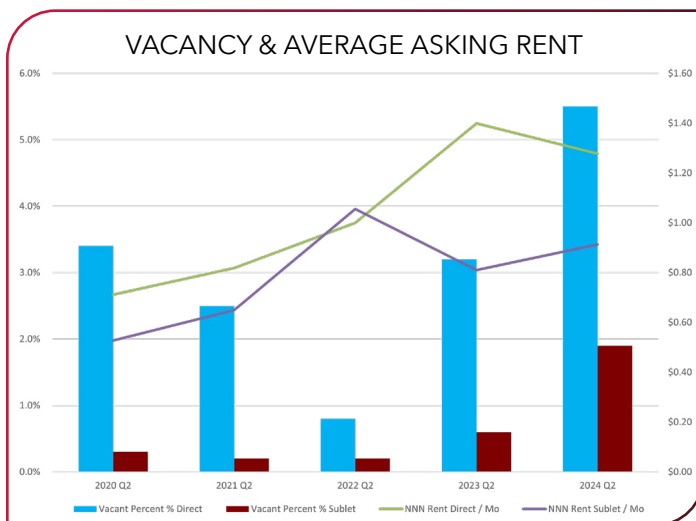
More than 46.6 million square feet of industrial space is vacant and available in the I.E. In percentage terms, 6.9% of the base is vacant and available. That represents a 3.6% increase in vacancy, year-over-year. 33 buildings totaling over 6.6 million square feet were delivered this quarter and there are 108 industrial buildings totaling over 20.4 million square feet still under construction in the submarket. The IE East now accounts for a third of the construction total, and nearly half of all construction in the IE West is in the city of Fontana.

Both overall and direct net absorption for the quarter was positive at 4.7 and 5.0 million square feet. Leasing activity was healthy and well within historical norms with a resurgence of activity from Chinese based third-party logistics providers and E-Commerce / Fulfillment providers. 260 leases, both direct and sublet, were transacted this quarter - translating to over 13.5 million square feet of leased space.



Asking rents continue to decline and averaged \$1.18 PSF NNN for Q2, down from \$1.33 PSF NNN, year-over-year. Expect this downward trend to continue throughout 2024. Amazon leased another 1.1 M SF in Q2, totaling 3 building leases at a combined 3.1 million SF leased this year.

Sales volume was high this quarter, totaling over \$893.6 million. Several major institutional investment sales occurred during the period including a \$197 million, 819,004 SF project in Fontana sold to EQT Exeter by John Hancock Real Estate, along with a 519,116 SF sale in Ontario to Stockbridge Capital Group, LLC by Principal Real Estate Investors. On an average price per square foot basis, industrial buildings traded at \$257.64 PSF in Q2.



Source: CoStar Realty Information Inc.

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# PORT UPDATE



Through the first half of the year, the San Pedro Bay Port Complex moved a combined 9,023,122 loaded TEUs (imports and exports; twenty-foot equivalent units), up 14.65% year-over-year. For the Port of Long Beach, April was up 14.39%, May was down -8.21%, and June was up a whopping 41.1%, compared to the same months last year. For the Port of Los Angeles, April was up 11.95%, May was down -3.37%, and June was about even at -0.63% less container volume, compared to the same months last year.

The Port of Los Angeles has completed construction of their \$73 million rail expansion project on APM Terminals' Pier 400 that added just shy of 6 linear miles of track, with five new storage tracks, large concrete bridge, greater access and turnouts. The Port of Long Beach continues to quietly acquire land north of their current footprint to make way for their Pier B On-Dock Rail Support Facility, that is nearly ready for construction. This \$1.5 billion project won't be complete until at least 2032 but will be an expansion from 82 to 171 acres that will triple the volume of on-dock rail cargo the Port can handle annually.

Globally, more containerized goods are being shipped by ocean than ever before, surpassing peak-Covid demand in the month of May, over the previous peak in May 2021 (15.94 million TEUs vs. 15.72 million TEUs). Meanwhile, available carrier capacity is affected by port congestion in Asia and Europe coupled with diversions around Africa due to Red Sea conflict. China exports reached an all-time high of 6.2 million TEUs in May (39% of global container trade for the month, per Xeneta). Ocean freight rates out of Asia spiked highest year to date in July, with the latest daily prices currently at \$8,200/FEU (40' container) to the West Coast, and \$9,300/FEU to the East Coast. Spot rates being on average over 360% higher to the West Coast and 260% higher to the East Coast, than December last year before Red Sea challenges - 79% and 72% of the way to their pandemic peaks in early 2022.

According to Jonathan Gold, National Retail Federation's Vice President, "We're experiencing the strongest surge in volume we've seen in two years, and that's a good sign for what retailers expect in sales. Consumers can rest assured that retailers will be well-stocked and ready to meet demand as we head into the back-to-school and holiday seasons."

Many signs point to an early peak season easing by September for North America and specifically the San Pedro Bay Port Complex. The Panama Canal is further increasing the number of daily transits back to 35, as of August 5th (36 transits were normal pre-drought issues). The International Longshoremen's Association (ILA) has not agreed on a new East Coast/Gulf Port labor contract with the United States Maritime Alliance (USMX) yet - all signs point to a likely strike come October 1st should the federal government not intervene (note: this would be a major union strike 5 weeks before a Presidential election; the last strike was 1977).

PORT OF LONG BEACH CONTAINER STATISTICS 2024					
	LOADED INBOUND	LOADED OUTBOUND	LOADED TOTALS	EMPTIES	TOTAL TEUs
<b>JAN</b>	325,339	86,525	411,864	262,151	674,015
<b>FEB</b>	329,850	87,474	417,324	257,400	674,723
<b>MARCH</b>	302,521	105,099	407,620	246,463	654,082
<b>APRIL</b>	364,665	98,266	462,931	287,493	750,424
<b>MAY</b>	345,271	100,885	446,156	249,781	695,937
<b>JUNE</b>	419,698	98,300	517,998	324,448	842,446
<b>YTD</b>	2,087,344	576,549	2,663,893	1,627,736	<b>4,291,627</b>

PORT OF LOS ANGELES CONTAINER STATISTICS 2024					
	LOADED INBOUND	LOADED OUTBOUND	LOADED TOTALS	EMPTIES	TOTAL TEUs
<b>JAN</b>	441,763	126,554	568,317	287,336	855,652
<b>FEB</b>	408,764	132,755	541,519	239,916	781,434
<b>MARCH</b>	379,542	144,718	524,259	219,158	743,417
<b>APRIL</b>	416,929	133,046	549,975	220,362	770,337
<b>MAY</b>	390,663	125,963	516,625	236,268	752,893
<b>JUNE</b>	428,753	122,515	551,268	276,489	827,757
<b>YTD</b>	2,466,413	785,550	3,251,963	1,479,528	<b>9,462,982</b>

<sup>1</sup> See here: [https://ycharts.com/indicators/us\\_average\\_hourly\\_earnings\\_yoy](https://ycharts.com/indicators/us_average_hourly_earnings_yoy)

<sup>2</sup> Bloomberg: <https://www.bloomberg.com/news/articles/2024-07-11/us-inflation-broadly-cools-bolstering-case-for-fed-rate-cut?sref=V4hDBprx>

<sup>3</sup> BEA: <https://tinyurl.com/5959479k> and Atlanta Fed: <https://www.atlantafed.org/cqer/research/gdpnow>; Visa: [https://www.linkedin.com/posts/visa-consulting-and-analytics-vca\\_ybei-july-2024-us-economic-outlook-report-ugcPost-7217237408566632453-9lqD?utm\\_source=share&utm\\_medium=member\\_desktop](https://www.linkedin.com/posts/visa-consulting-and-analytics-vca_ybei-july-2024-us-economic-outlook-report-ugcPost-7217237408566632453-9lqD?utm_source=share&utm_medium=member_desktop)

<sup>4</sup> WSJ: <https://tinyurl.com/yc3hn58e>

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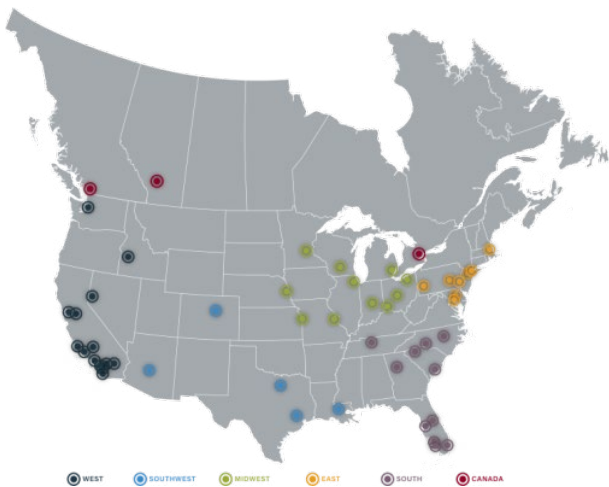
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**2+**  
**Billion**

IN BROKERED SALE &  
LEASE SF OVER 5 YEARS

**\$115+**  
**Billion**

IN TRANSACTION  
VOLUME OVER 5 YEARS

**1,600**  
**Professionals**

AND GROWING  
INTERNATIONALLY

**LOCAL EXPERTISE.**

**INTERNATIONAL REACH.**

**WORLD CLASS.**





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