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1Q 2024

INDUSTRIAL MARKET
REPORT

LOS ANGELES - LONG BEACH

INTRODUCTION



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.¹

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.² Regarding inflation, however, not only do all inflation measures remain elevated, there are now growing concerns that the processes of disinflation has stalled.³ The latest CPI report indicates that inflation grew above what was forecast. Month-over-month inflation grew by 0.4%, and year-over-year it grew by 3.5%.⁴

Statistics from the BEA indicate that the economy grew by 2.5% on an annual basis at the end of 2023.⁵ The Bureau of Labor Statistics (BLS) will release its growth numbers for the first quarter of 2024 at the end of the month. However, both the Atlanta Fed and formerly bearish forecasters such as Visa and Wells Fargo project that U.S. GDP will grow by around 2.4% in Q1.⁶

Due to the uncertainty with potential federal interest rate cuts later this year and other geopolitical challenges particularly during an election year, most investors and business owners remain cautious. Although many investors have capital to deploy, they remain patiently on the sidelines or are pursuing property at drastically lower values than 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, while many tenants are working to sublet any portion of space they don't currently utilize.

Compared with other product types, industrial real estate on the whole still seems sought after given the multitude of barriers-to-entry developing and/or acquiring newer, functional space, in infill Southern California markets. With this said, the "correction" has certainly started and we are seeing less daily demand for space, less property walkthroughs compared to last year, newly built buildings sitting vacant, more lease rate sensitive tenants, and more questions about shorter-term lease extensions. We expect these trends to continue through well-through 2nd Quarter this year.

Q1 SUBMARKETS AT A GLANCE

	ABSORPTION	VACANCY	NNN RENT OVERALL	UNDER CONSTRUCTION	SALES TRANSACTIONS	AVERAGE SALES PRICE
SOUTHBAY	↑ (488,119) SF	↑ 4.7%	↓ \$1.76 / SF	↓ 1,401,824 SF	↓ \$38,645,000	↓ \$303.35 / SF
MIDCOUNTRIES	↓ (795,586) SF	↑ 4.1%	↓ \$1.57 / SF	↓ 370,787 SF	↓ \$73,958,000	↑ \$285.96 / SF
CENTRAL	↓ (2,161,594) SF	↑ 5.4%	↓ \$1.63 / SF	→ 910,505 SF	↑ \$127,700,000	↑ \$544.41 / SF
INLAND EMPIRE	↓ (1,695,625) SF	↑ 6.4%	↓ \$1.27 / SF	↓ 24,871,822 SF	↓ \$310,503,158	↓ \$229.23 / SF

Source: CoStar Realty Information Inc.

SOUTHBAY SUBMARKET

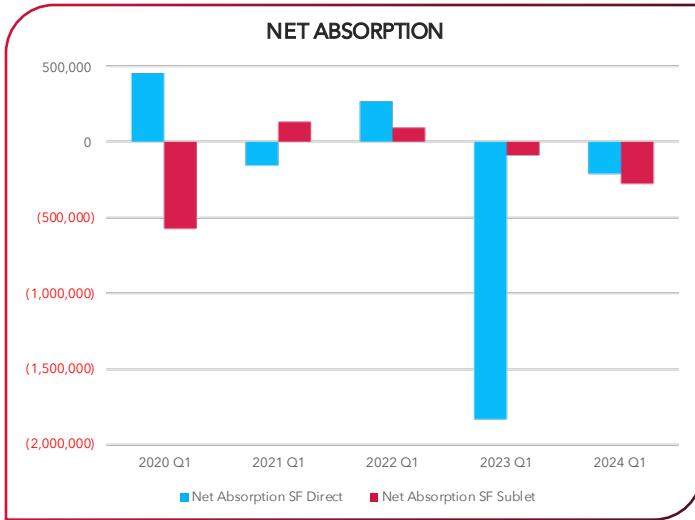


SOUTHBAY SUBMARKET Q1 TRENDS AT A GLANCE

<p>↑</p> <p>Absorption (488,119) SF</p>	<p>↓</p> <p>NNN Rent Overall \$1.76 / SF</p>	<p>↓</p> <p>Sales Transactions \$38,645,000</p>
<p>↑</p> <p>Vacancy 4.7%</p>	<p>↓</p> <p>Under Construction 1,401,824 SF</p>	<p>↓</p> <p>Average Sales Price \$303.35 / SF</p>

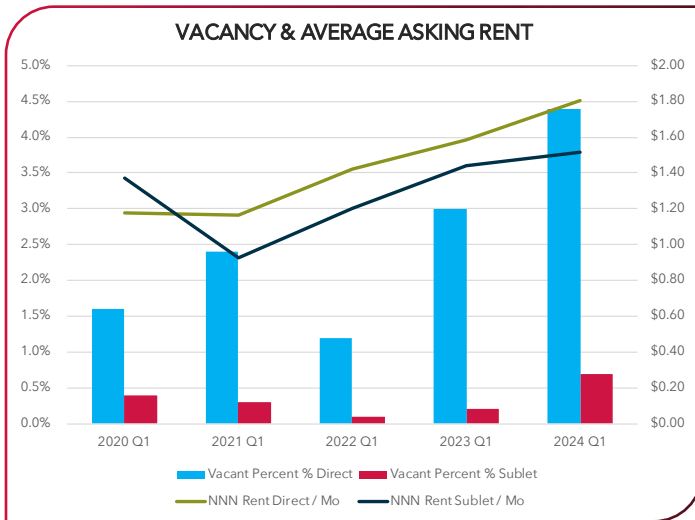
Source: CoStar Realty Information Inc.

SOUTHBAY SUBMARKET Q1 OVERVIEW

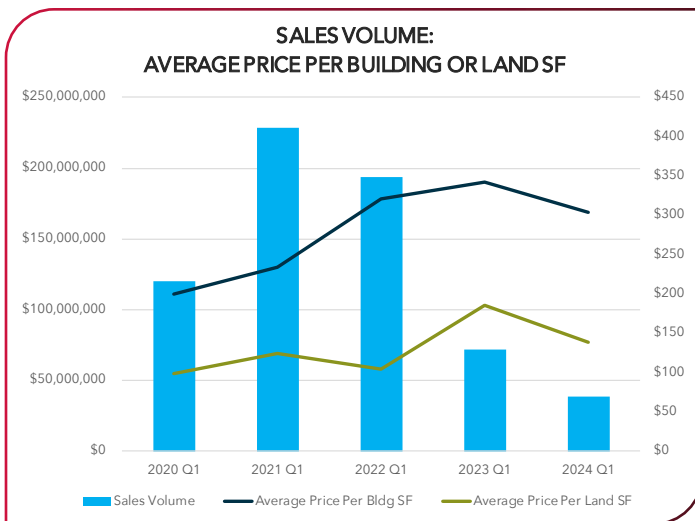


9.6 Million Square Feet (MSF) or 4.7% of the base inventory was vacant and available at the end of Q1. That represents a 200-basis point rise in the vacant-availability rate since last year. The increase in vacant-available space is unsurprising since tenants have been putting space they haven't been using back on the market since 2023. Vacant-available sublease space now totals over 1.43 MSF or 0.7% of the base. A year ago, by comparison, vacant-available sublet space totaled 293,116 square feet or 0.1% of the base.

Asking lease rates continued to decline this quarter. Direct and overall asking lease rates reached their peak in Q2 of 2023. Respectively, asking rates were \$2.06 and \$1.98 NNN per square foot (PSF per Month). Asking rates now stand at \$1.81 and \$1.75 NNN PSF. That represents a 12.1% and 11.6% decrease in direct and overall asking rates from their peak. Landlords of 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, they've become highly selective and more opportunistic about any new location. Landlords are hungry to fill vacancies and we anticipate that this trend will continue throughout 2024.



Leasing and sales volume numbers confirm the pause in real estate activity we are witnessing. Both were the lowest on record. Over the past ten years, the square footage leased per quarter has averaged 2.75 Million SF, with the number of lease transactions averaging 110. In Q1 2024, the market saw roughly 730,000 SF leased, over 63 transactions. Sales volume totaled \$38,645,000 in Q1, 77% below the historic average of \$169 Million. Even more astonishingly, the total number of sales transactions this quarter totaled 4 - less than the number of sales transacted during the heart of the Great Recession. With this said, general consensus revolving around industrial product is positive; the market is working through an adjustment between owner/landlord value expectations and what buyers/occupiers are willing or able to pay.



Source: CoStar Realty Information Inc.

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SOUTHBAY SUBMARKET Q1 OVERVIEW (CONTINUED)

SOUTHBAY SUBMARKET TOP LEASES FOR 1Q24

ADDRESS	CITY	TYPE	TENANT	EXECUTION DATE	SIZE
1650 S Central Ave	Compton	Warehouse	STG Logistics (Renewal)	2/1/2024	418,344 SF
3555 Conant St, Bldg. 23	Long Beach	Warehouse	Ford Motor Co.	1/31/2024	112,964 SF
2200 - 2250 Technology Pl	Long Beach	Warehouse	Kair Harbor Express (Renewal)	1/1/2024	104,737 SF
2132 E Dominguez St	Carson	Warehouse	RoadEx America	2/23/2024	74,664 SF
3090 E Via Mondo	Rancho Dominguez	Warehouse	Prime Logistics	3/27/2024	59,508 SF

SOUTHBAY SUBMARKET TOP SALES FOR 1Q24

ADDRESS	CITY	TYPE	BUYER	SALE PRICE	SIZE
4 Building Portfolio Sale	Compton	Warehouse	CenterPoint Properties	\$196,500,500	546,866 SF
19060 S Dominguez Hills Dr	Compton	Warehouse	Osang LLC	\$14,650,000	42,324 SF
14328-14338 Lakewood Blvd	Bellflower	Warehouse	Cbbmp LLC	\$13,300,000	41,808 SF
14011-14083 S Normandie Ave	Gardena	Warehouse	Classic Components Corporation	\$10,695,000	37,072 SF
11231 S La Cienega Blvd	Los Angeles	Warehouse	Axis IOS	\$8,650,000	30,000 SF

Source: CoStar Realty Information Inc. and AIR CRE

MIDCOUNTIES SUBMARKET



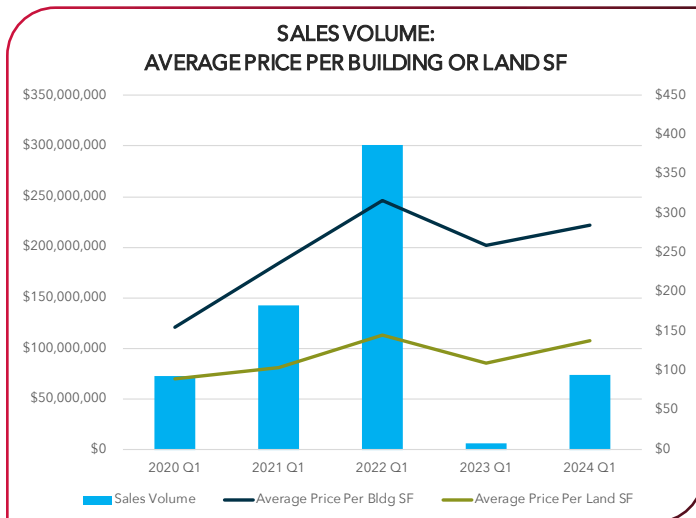
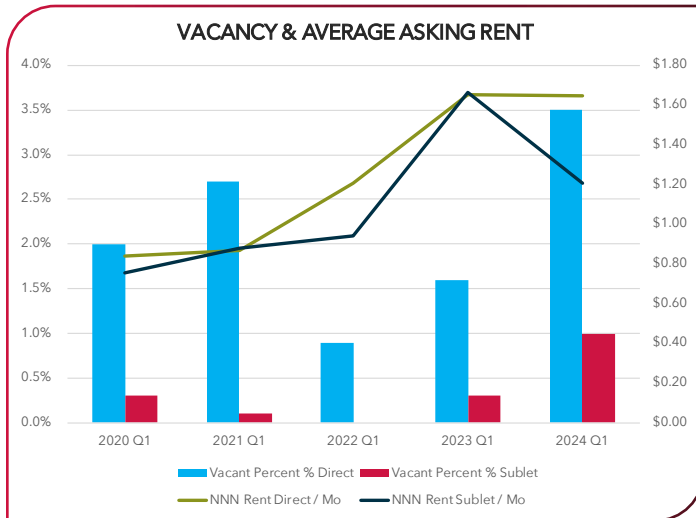
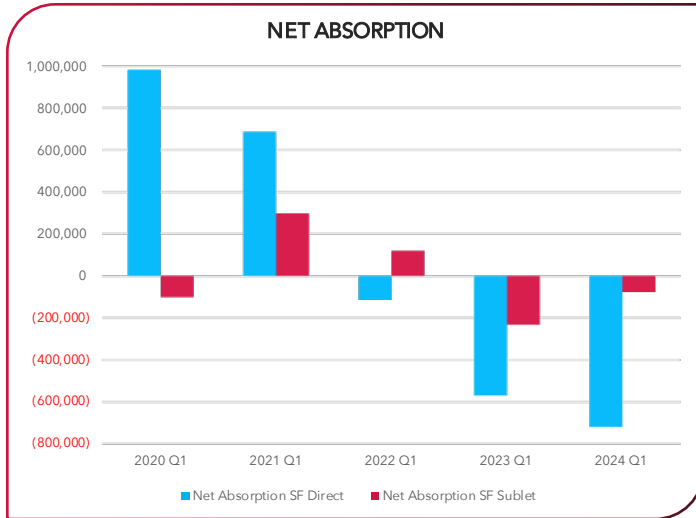
MIDCOUNTIES SUBMARKET Q1 TRENDS AT A GLANCE

<p>↓</p> <p>Absorption (795,586) SF</p>	<p>↓</p> <p>NNN Rent Overall \$1.57 / SF</p>	<p>↓</p> <p>Sales Transactions \$73,958,000</p>
<p>↑</p> <p>Vacancy 4.1%</p>	<p>↓</p> <p>Under Construction 370,787 SF</p>	<p>↑</p> <p>Average Sales Price \$285.96 / SF</p>

Source: CoStar Realty Information Inc.

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MIDCOUNTIES SUBMARKET Q1 OVERVIEW



Mid-Counties continued to have the lowest vacant-availability rate of any industrial submarket within Los Angeles at 4.1%. There is about 3.4 MSF of direct vacant-available space on the market. As small as that number is, it represents an increase in vacancies. Since Q1 2023, vacant space has increased by over 2.1 MSF. One new building was delivered this quarter, and six buildings totaling over 370,787 SF are under construction. Like all other LA Basin submarkets, overall asking rents decreased to \$1.57 NNN PSF, a YOY decrease of about 4.8% from Q1 2023's rate of \$1.65 PSF.

Although sales volume was one of the lowest on record, currently both land and industrial buildings are trading well above historic norms. The average price per square foot for land is \$138.35 and the average price per square foot for industrial buildings is \$285.96. Over the past 10 years, land and industrial buildings have, respectively, traded for \$88.14 and \$194.19 on average in the submarket.

MIDCOUNTIES SUBMARKET TOP LEASES FOR 1Q24

ADDRESS	TENANT	SIZE
14659 Alondra Blvd	MEI Rigging & Crating	142,560 SF
6363 Regio Ave	Premier Transportation & Warehousing Inc	116,622 SF
17719 Valley View Ave	CMA Dishmachines	48,351 SF
13101 Moore St	Exhibit Options	36,540 SF
17515 Valley View Ave	Vellichor Floors	30,302 SF

MIDCOUNTIES SUBMARKET TOP SALES FOR 1Q24

ADDRESS	BUYER	SIZE
14328-14338 Lakewood Blvd	Cbbmp LLC	41,808 SF
10329 Painter Ave	SRE CA 10329 Painter Owner, LLC	41,725 SF
16912-16920 Gridley Pl	ELB USA Inc	36,610 SF
9435-9439 Sorensen Ave	Fox Wholesale Electric	32,707 SF
13905 Mica St	Caca Land Investment LLC	24,600 SF







Source: CoStar Realty Information Inc. and AIR CRE

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CENTRAL SUBMARKET

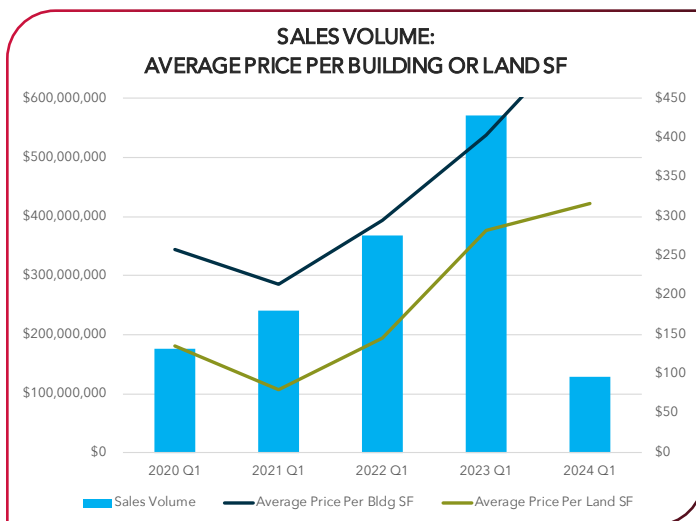
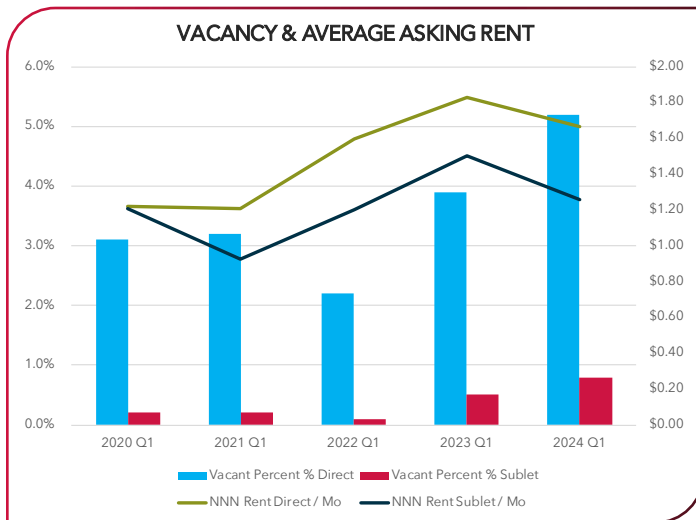
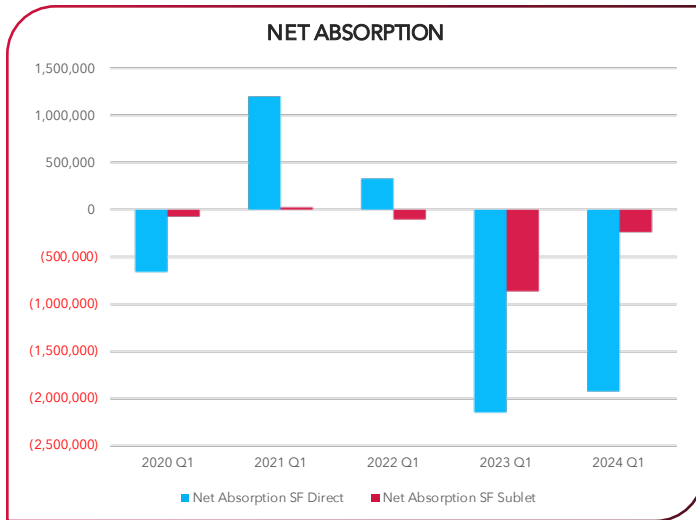


CENTRAL SUBMARKET Q1 TRENDS AT A GLANCE

 <p>Absorption (2,161,594) SF</p>	 <p>NNN Rent Overall \$1.63 / SF</p>	 <p>Sales Transactions \$127,700,000</p>
 <p>Vacancy 5.4%</p>	 <p>Under Construction 910,505 SF</p>	 <p>Average Sales Price \$544.41 / SF</p>

Source: CoStar Realty Information Inc.

CENTRAL SUBMARKET Q1 OVERVIEW



Source: CoStar Realty Information Inc.

The vacant-availability rate in Central LA ended Q1 at 5.4%, with now over 13.0 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. No new buildings were delivered this quarter, and ten buildings totaling over 910,000 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. The amount of sublease space increased dramatically this quarter. Sublease vacancy increased by 60 basis points from 0.1% in Q1 2023 to 0.7% in Q1 2024. In terms of square footage, there is now over 1.76 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 easing up a bit.







Overall average asking rental rates are now \$1.63 PSF NNN. This represents a quarterly decline of \$0.06 PSF or 3.5%. 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 through 2024.

INLAND EMPIRE SUBMARKET

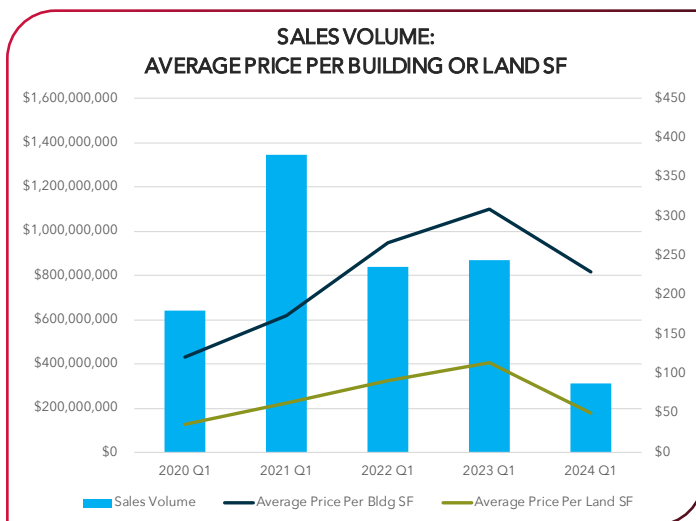
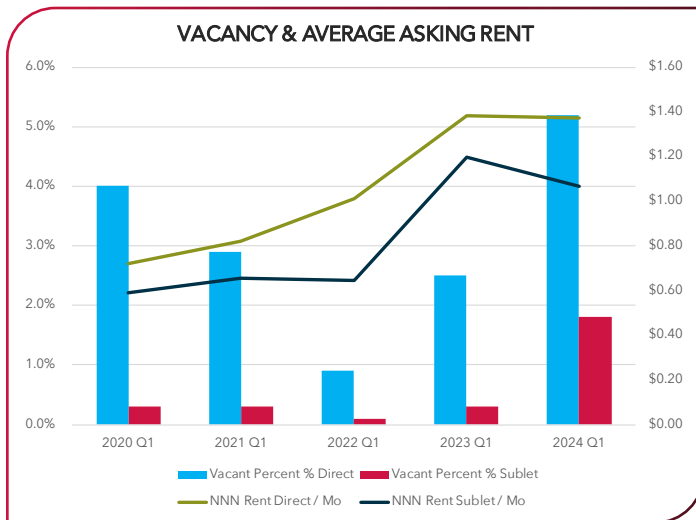
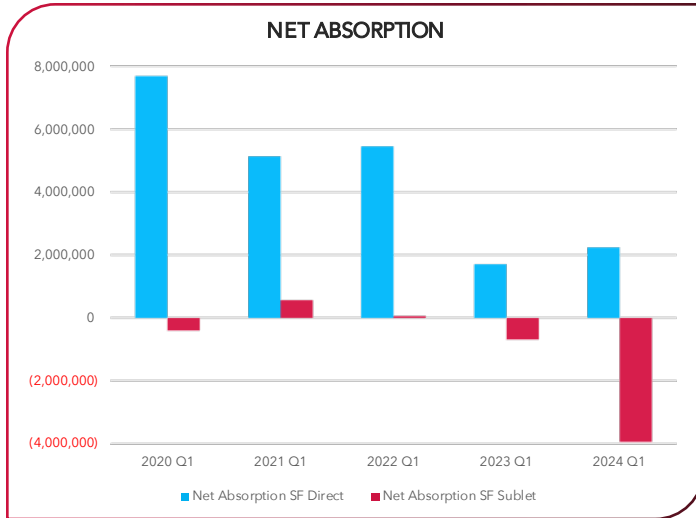


INLAND EMPIRE SUBMARKET Q1 TRENDS AT A GLANCE

 <p>Absorption (1,695,625) SF</p>	 <p>NNN Rent Overall \$1.27 / SF</p>	 <p>Sales Transactions \$310,503,158</p>
 <p>Vacancy 6.4%</p>	 <p>Under Construction 24,871,822 SF</p>	 <p>Average Sales Price \$229.23 / SF</p>

Source: CoStar Realty Information Inc.

INLAND EMPIRE SUBMARKET Q1 OVERVIEW



Source: CoStar Realty Information Inc.

By the end of Q1, more than 42.7 MSF of space was vacant and available, now 6.4% of the base inventory SF. The rise in the vacancy rate is attributed to 33 new buildings totaling over 7.3 MSF that were delivered in Q1 alone. A significant majority of these buildings were not pre-leased. In the pipeline, there are 126 buildings totaling over 24.8 MSF under construction.

Overall net absorption for the quarter was negative and totaled -(1.69) MSF. Net absorption of direct space, however, was positive 2.23 MSF and general leasing activity was healthy with a total of 241 leases completed this quarter (over 7.9 MSF). Although these figures do not rival the high numbers witnessed during the pandemic era, there was more leasing activity this quarter than half the quarters of 2022 and the previous two quarters of 2023, separately. Asking rents continue to decline and averaged \$1.27 PSF NNN for Q1, down from \$1.34 PSF NNN, year-over-year. Expect this downward trend to continue throughout 2024.

Amazon has returned to the market in a big way having signed two large leases at the end of Q1 totaling over 2 MSF in Ontario and Jurupa Valley. Amazon is rumored to be looking to lease more space in the coming quarters as they have found it easier to lease existing buildings and modify as appropriate, rather than build new from the ground up due to lengthy entitlement processes and time sensitive infrastructure hurdles.

Like all other submarkets, sales activity hit a historic low this quarter. With only 26 transactions occurring, sales volume totaled a mere \$310,503,158 - the second smallest sales volume amount in the past 10 years and 67% below the historic average of \$937 Million. The average price per building SF was \$229.23, well above the historic average of \$154.90 PSF.

A LOOK AHEAD



While one or two interest rate cuts by the Fed are expected this year, investors and business owners still face elevated borrowing costs and feel cautiously optimistic.

With regard to activity at the Port of Long Beach and Port of Los Angeles, the West Coast has had strong throughput increases in recent months, reversing the loss of momentum to rivals on the U.S. East and Gulf Coasts. Shipping rates from Asia to the West Coast had outpaced rate changes to East Coast ports. Current data indicates that Asia to West Coast freight rates are depreciating far less than freight rates to East Coast ports.⁷

In the month of January, the San Pedro Bay Port Complex (LA/LB) moved a combined 1.53 million loaded TEUs (imports and exports; twenty-foot equivalent units), the third highest total since September 2022. Consumer spending habits remaining at elevated levels and cargo owners' traditional push to replenish inventories and bring forward goods ahead of the Lunar New Year holiday helped contribute to this resurgence. Year-over-year, the Port of Los Angeles alone saw a 60.18% increase in total TEUs just in the month of February, the latest Port statistics listed in the chart below.

Expect an increase in freight volume at the San Pedro Bay Port Complex (LA/LB) throughout 2024 as labor relations have been resolved and issues at the Panama Canal (drought), Red Sea (safety), East/Gulf Coast Ports (labor contract renegotiations), and now Baltimore (FSK Bridge collapse) continue to complicate traditional shipping routes.

PORT OF LONG BEACH CONTAINER STATISTICS 2024

	LOADED INBOUND	LOADED OUTBOUND	LOADED TOTALS	EMPTIES	TOTAL CONTAINERS
JAN	325,339	86,525	411,864	262,151	674,015
FEB	329,850	87,474	417,324	257,400	674,724
MAR	302,521	105,099	407,620	246,464	654,084
YTD	957,710	279,098	1,236,808	766,015	2,002,823

PORT OF LOS ANGELES CONTAINER STATISTICS 2024

	LOADED INBOUND	LOADED OUTBOUND	LOADED TOTALS	EMPTIES	TOTAL CONTAINERS
JAN	441,763	126,554	568,317	287,336	855,652
FEB	408,764	132,755	541,519	239,916	781,434
MAR	-	-	-	-	-
YTD	850,527	259,308	1,109,835	527,251	1,637,086

¹ The Inland Empire is the partial exception. Its leasing activity was not at a historically low level.

² BLS: <https://www.bls.gov/news.release/pdf/empsit.pdf>

³ Economist Adam Posen: <https://tinyurl.com/2s4cscww>

⁴ BLS: <https://www.bls.gov/cpi/>

⁵ BEA: <https://tinyurl.com/mtc5c4ws>

⁶ Wells Fargo and Atlanta Fed

⁷ See latest update from Freightos: <https://www.freightos.com/april-9-2024-update/>

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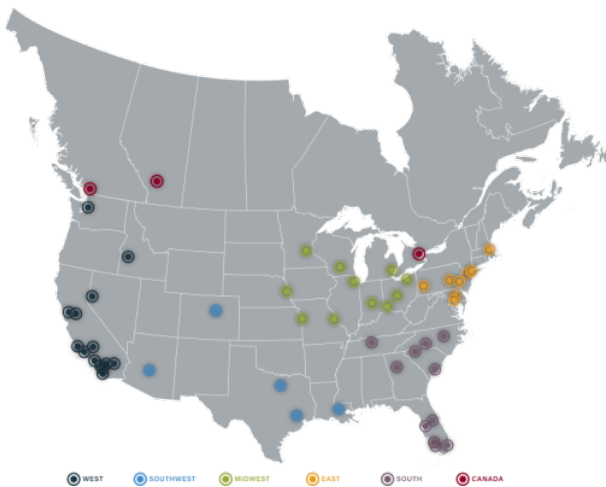
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2+
Billion

IN BROKERED SALE & LEASE SF OVER 5 YEARS

\$115+
Billion

IN TRANSACTION VOLUME OVER 5 YEARS

1,600
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