

Los Angeles

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Absorption continues to stay negative for LA Industrial

For the sixth consecutive quarter, the Los Angeles industrial market saw negative absorption. In the first quarter, overall net absorption recorded -4.5 million square feet (msf). Much of this movement stemmed from the Mid-Counties, South Bay and San Gabriel Valley submarkets, which recorded a total of -2.3 msf absorption. The largest moveouts in the Los Angeles market were Pilot Automotive who moved out of 407,600 square feet (sf) in City of Industry, WestRock who moved out of 373,370 sf in Montebello and Crane Worldwide who moved out of 300,200 sf in Compton. Overall vacancy ticked up 80 basis points (bps) over the previous quarter to 5.4%. In comparison, this is up 210 bps from the total vacancy rate of 3.3% reported a year earlier. This increase in vacancy is due to increased available sublease space as well as vacant construction deliveries.

Warehouse rents fall as vacancy rates have increased

As market conditions have shifted due to persistently higher inflation and flatter consumer spending, overall asking rental rates decreased by 1.2% from the previous quarter to \$1.51 per square foot (psf) and decreased by 8.9% from one year ago. Expect to see stabilization in rental rates as vacancy rates continue to increase. The top lease transaction in Q1 was a renewal. STG Logistics renewed 418,344 sf in Compton, followed by Key Container Company leasing 369,383 sf in City of Industry and 8 Net renewing 220,000 sf in La Mirada.

Economic uncertainties are expected to affect market conditions

Overall vacancy rates are expected to increase given new construction deliveries, additional sublease space and rising operating costs. Southern California inflation hardships have become more apparent, and landlords, developers, tenants and lenders are all affected by changing consumer spending as it relates to e-commerce fulfillment demand. Despite these challenges, the Los Angeles industrial market has historically had persistent strong market conditions and expect vacancy levels to remain lower as the region remains largely supply-constrained.

Key Statistics

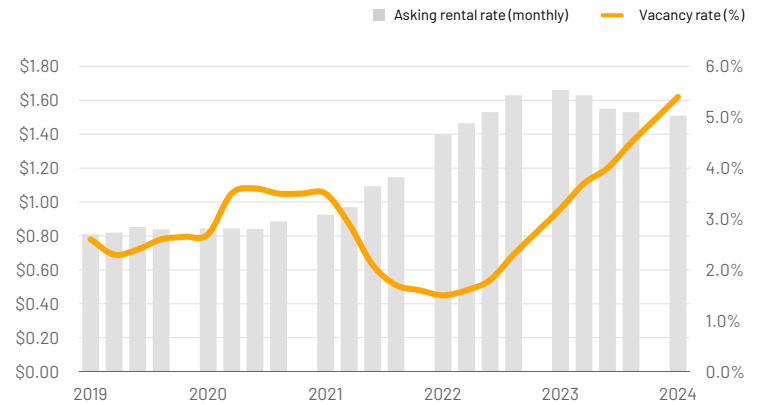
| | Q1 2023 | Q1 2024 | Y-0-Y |
|------------------------------|-----------|-----------|-----------|
| Inventory | 666.1 msf | 677.6 msf | +11.4 msf |
| Vacancy Rate | 3.3% | 5.4% | +210 bps |
| Asking Rental Rate (Monthly) | \$1.66 | \$1.51 | -9.0% |
| Net Absorption | -4.3 msf | -4.5 msf | -0.1 msf |
| Under Construction | 6.9 msf | 7.7 msf | +0.8 msf |
| Deliveries | 1.0 msf | 0.9 msf | -0.1 msf |

Outlook

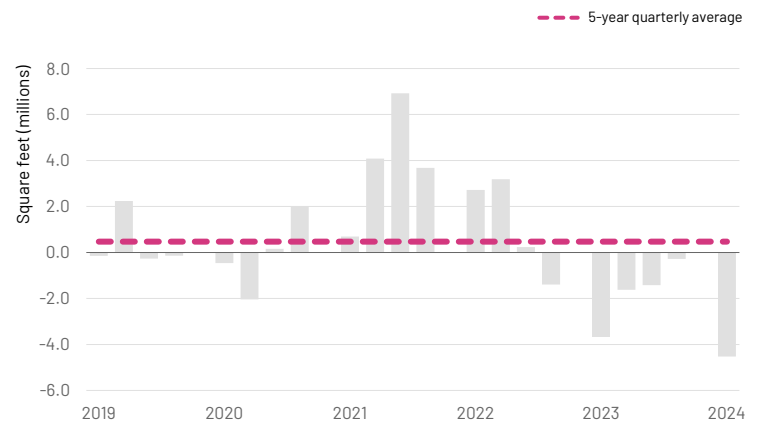
- 01** Vacancy will increase as new construction delivers and companies continue to downsize resulting in added available sublease space
- 02** A strike with East and Gulf Coast port counterparts, the Panama drought and Red Sea diversions could increase Los Angeles/Long Beach Port cargo volume

- 03** Job growth is expected to slow; LA trade, transportation and utilities employment recorded no change year over year, while manufacturing employment also fell by 1.2%

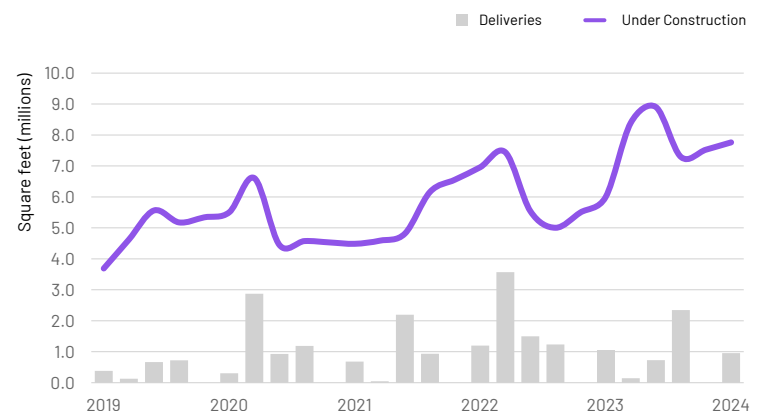
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

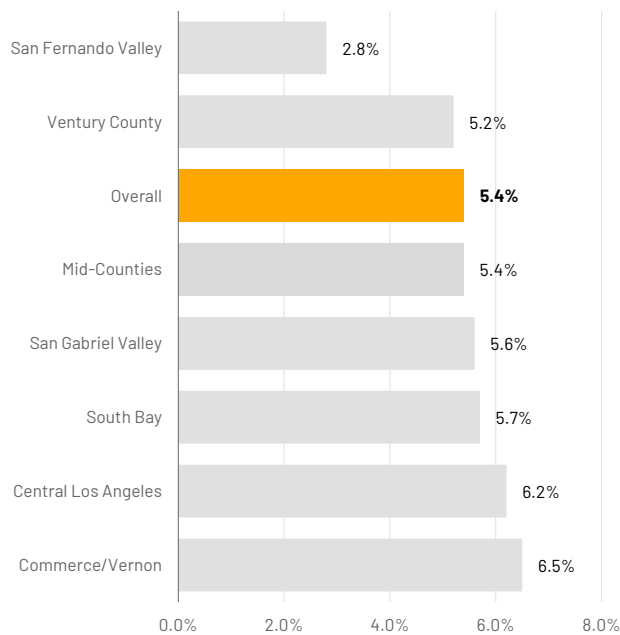
| TENANT | SIZE (SF) | SUBMARKET | ADDRESS | TRANSACTION TYPE | INDUSTRY |
|-----------------------|-----------|--------------------|----------------------------|------------------|--------------------------------|
| STG Logistics | 418,344 | Central LA | 1650 S Central Avenue | Renewal | Logistics & Distribution/ 3PLs |
| Key Container Company | 369,383 | Central LA | 4231 Liberty Boulevard | New Lease | Paper & Packaging |
| 8 Net | 160,000 | San Gabriel Valley | 18305 San Jose Avenue | Sublease | Paper & Packaging |
| Popular Basics Corp | 220,000 | Mid Counties | 16400 Trojan Way | New Lease | Consumer Goods |
| Smurfit Kappa | 120,000 | San Gabriel Valley | 505 7 th Avenue | Renewal | Paper & Packaging |

Top Sales

| OWNER/BUYER | SIZE (SF) | SUBMARKET | ADDRESS | PRICE / \$/SF | SELLER |
|------------------------|-----------|--------------------|-----------------------------------|-------------------|---------------------------|
| CenterPoint Properties | 546,866 | Central LA | 1620 S Wilmington (4 Bldgs) | \$196.5 M / \$359 | JPMorgan Chase & Co. |
| Rexford Industrial | 233,984 | San Gabriel Valley | 2010 Azusa Canyon Road (2 Bldgs) | \$84.0 M / \$359 | AEW Capital Management |
| Rexford Industrial | 98,784 | San Gabriel Valley | 5010 Azusa Canyon Road (2 Bldgs) | \$45.7 M / \$463 | AEW Capital Management |
| Gigabyte Technology | 91,151 | San Gabriel Valley | 18689-18701 Arenth Avenue | \$38.4 M / \$421 | Staley Point Capital |
| Planned Parenthood | 73,622 | Central LA | 320-336 W 31 st Street | \$37.9 M / \$514 | Fortress Investment Group |

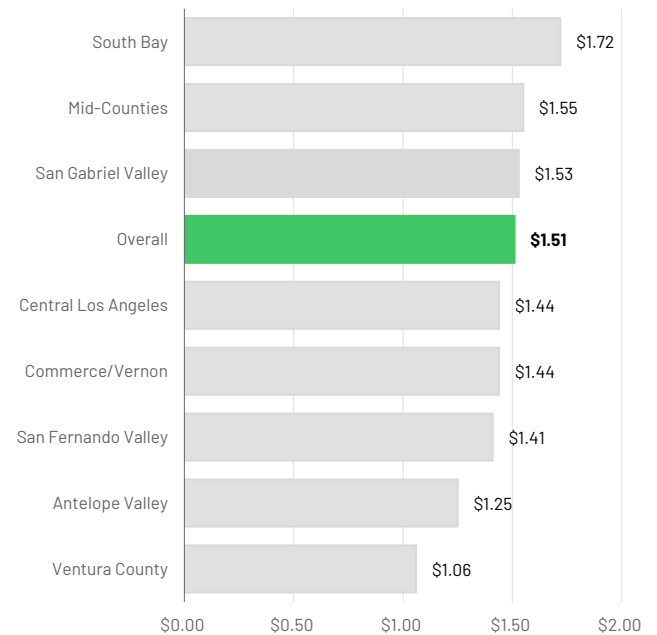
Vacancy Rate Comparison (%)

LOS ANGELES SUBMARKETS



Rental Rate Comparison (\$/sf)*

LOS ANGELES SUBMARKETS



*based on all classes of available inventory

Los Angeles Q1 2024 - Industrial

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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