

# Los Angeles

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## Occupier movement remains soft for LA Industrial

For the seventh consecutive quarter, the Los Angeles industrial market saw negative absorption. In the second quarter of 2024, overall net absorption recorded negative 334,661 square feet (sf). Positive occupier movement was seen in the San Gabriel Valley and Ventura County submarkets while negative movement was seen in the Commerce/Vernon and Mid-Counties submarkets. Large occupier move-outs included 99 Cents Store leaving 615,000 sf in Commerce, VF Outdoor leaving 352,500 sf in Santa Fe Springs, and Huffy Bicycle leaving 334,000 sf in San Pedro. Overall vacancy ticked up 30 basis points (bps) from the previous quarter to 5.7%. In comparison, vacancy is up 200 bps from the total vacancy rate of 3.7% reported a year earlier. This increase in vacancy is due to increased available sublease space as well as vacant speculative 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 to \$1.46 per square foot (psf), which represents a decrease of 2.6% and 10.0% from the previous quarter and year, respectively. Despite the decline, overall rents are still 74.0% higher than pre-pandemic. Expect to see rental rates continue to soften as vacancy rates continue to increase. The top leases for the quarter included: Forward Air leased 300,200 sf in Los Angeles, Agron leased 258,404 sf in Carson, and Reformation Group leased 185,100 sf in Vernon.

### Economic uncertainties are expected to affect market conditions

Overall vacancy rates are expected to increase given new construction deliveries, additional available sublease space, and rising operating costs. Southern California inflation hardships have become more apparent while tenants are challenged with high rental rates and softening retail demand as it relates to e-commerce. Despite these challenges, the Los Angeles industrial market has historically had persistent strong market conditions as the overall region remains largely supply-constrained.

## Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	667.2 msf	684.7 msf	+17.5 msf
Vacancy Rate	3.7%	5.7%	+200 bps
Asking Rental Rate (Monthly)	\$1.63	\$1.47	-9.8%
Net Absorption	-1.7 msf	-0.33 msf	-1.4 msf
Under Construction	8.4 msf	7.7 msf	-0.7 msf
Deliveries	0.1 msf	2.1 msf	+2.0 msf

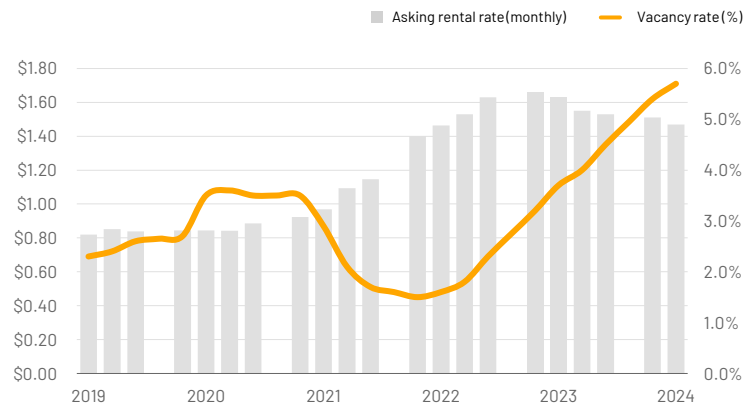
## Outlook

**01** Vacancy will increase as companies continue to downsize resulting in added available sublease space

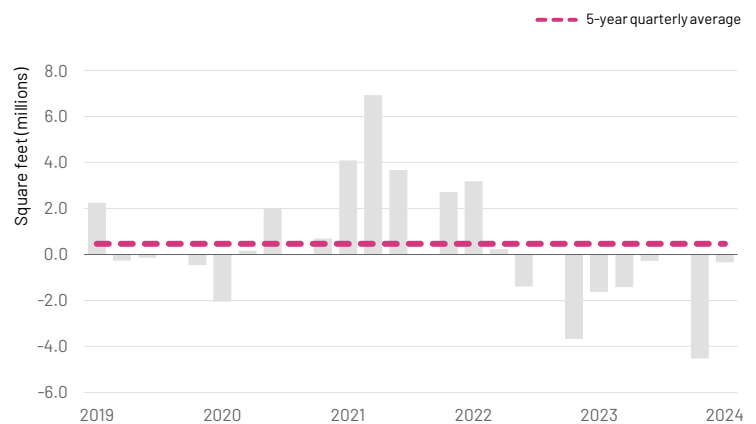
**02** Port of Los Angeles cargo volume rose 12% in April, up 25% in 2024. The West Coast growth rates have surged compared to U.S. East and Gulf Coast ports. This trend is expected to continue albeit at a lower rate

**03** Job growth is expected to soften. Los Angeles trade, transportation and utilities employment recorded no change Y-O-Y, while manufacturing employment also fell by 1.3%

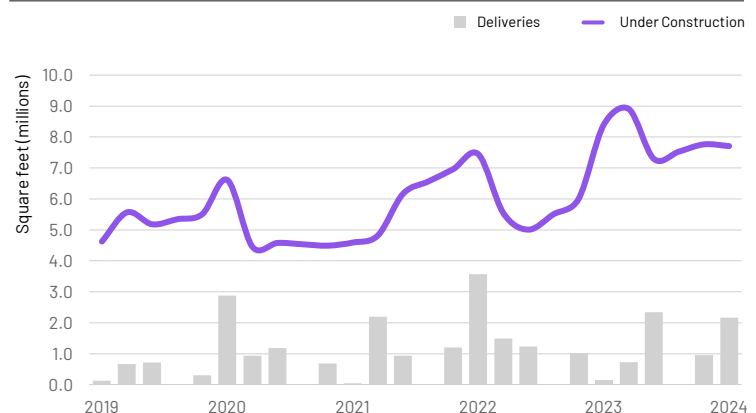
## Asking Rent and Vacancy



## Net Absorption



## Deliveries and Under Construction



## Top Leases

Source: Savills Research

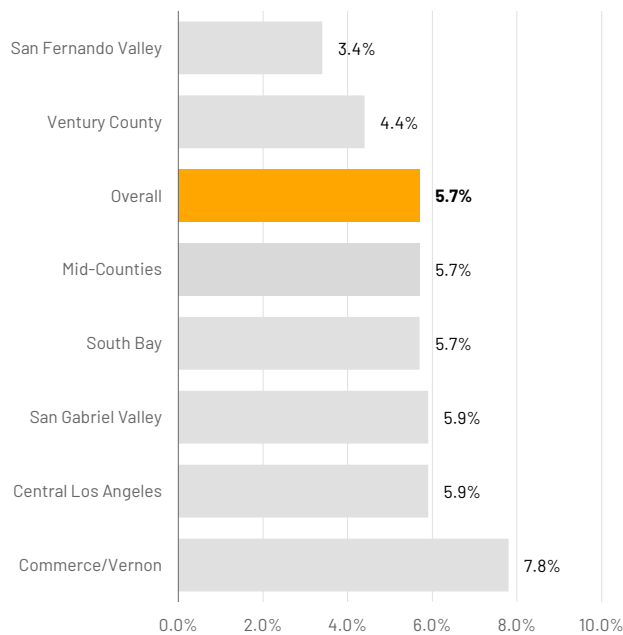
TENANT	SIZE(SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Forward Air	300,200	Central LA	2501 Rosecrans Avenue	New Lease	Logistics & Distribution/ 3PLs
Agron	258,400	South Bay	18055 Harmon Avenue	New Lease	Consumer Goods
Reformation Group	185,100	Central LA	5801 S 2 <sup>nd</sup> Street	New Lease	Consumer Goods
K2 Space Corporate	181,700	South Bay	1355 W Sepulveda Boulevard	New Lease	Aviation & Aerospace
Americhine	180,900	Mid Counties	16509 Trojan Way	Sublease	Consumer Goods

## Top Sales

OWNER/BUYER	SIZE(SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Invesco Advisers, Inc.	154,328	San Fernando Valley	8901-8945 Canoga Avenue	\$57.0 M / \$369	AEW Capital Management
Rexford Industrial	134,542	San Gabriel Valley	16213-16233 Arrow Highway (4 Bldgs)	\$48.5 M / \$360	Panattoni Development
Captiva Partners	66,400	San Fernando Valley	8210-8222 Lankershim Boulevard (2 Bldgs)	\$15.7 M / \$236	B & E Lankershim Properties
Invest Capital, LLC	44,139	San Fernando Valley	28274-28288 Alta Vista Avenue	\$11.7 M / \$257	KSK Properties, LLC
P.E Michel Company	31,500	South Bay	2701 Signal Parkway	\$10.5 M / \$333	Jim & Marilyn Kirby

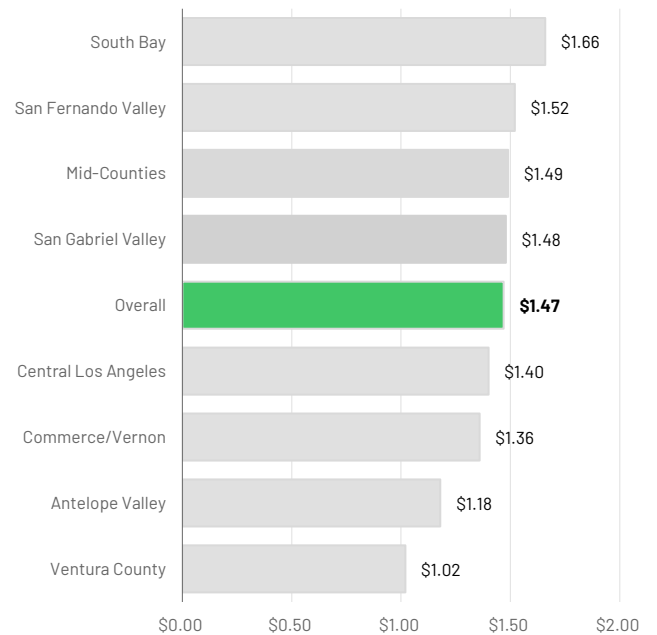
## Vacancy Rate Comparison (%)

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## Rental Rate Comparison (\$/sf)\*

LOS ANGELES SUBMARKETS



\*based on all classes of available inventory

## Los Angeles Q2 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.

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