



Vacancy ticks up due to construction deliveries and slowing demand

After nine consecutive quarters of positive absorption, the Los Angeles industrial market recorded 1.4 million square feet (msf) of negative net absorption during the fourth quarter. Much of this negative movement stemmed from the delivery of 3880 N. Mission Road in Los Angeles, which added over 1.5 msf of vacant space to the market. The overall vacancy rate ticked up 40 basis points (bps) over the previous quarter to 2.2%. In comparison, this is up 50 bps from the total vacancy rate of 1.7% reported a year earlier. In the fourth quarter, just under 1.0 msf of new deliveries were recorded, while under-construction square footage rose to 6.3 msf from 5.0 msf in the previous quarter as demand for new buildings continues.

Warehouse rents stay elevated after surging over past year

Despite a slowdown in net absorption and the expectation of a recession looming around the corner, overall asking rental rates recorded an astounding 39% year-over-year increase, closing the fourth quarter at \$1.64 per square foot (psf). Top lease transactions included Ryder signing for 1.0 msf in City of Industry; Pacific Lighting System Inc. signing 490,789 square feet (sf), also in City of Industry; and GXO Logistics Supply Chain Inc. renewing 411,034 sf in Santa Fe Springs. Given the tight market conditions, landlords will continue to keep pressure on asking rental rates. However, expect to see a moderation in rental growth due to foreseen economic challenges in the coming year.

Economic headwinds could impact future market conditions

The Los Angeles industrial market continues to see favorable market conditions for landlords as vacancy rates remain low. However, with the expectation of a recession looming, landlords, developers, tenants and lenders should closely monitor consumer spending as it relates to e-commerce fulfillment demand. A drastic slowdown is not expected, but asking rents will see a moderation in growth in comparison with the past two years. Also, Southern California ports are seeing less activity as retailers and manufacturers have found logjam workarounds by sending their cargo to East Coast and Gulf Coast ports, which will have a direct impact on California jobs. The Ports of Los Angeles/Long Beach have seen a slowdown in inbound cargo volume totaling nearly 8.7 million containers year to date, a decrease of 14.7% from one year ago.

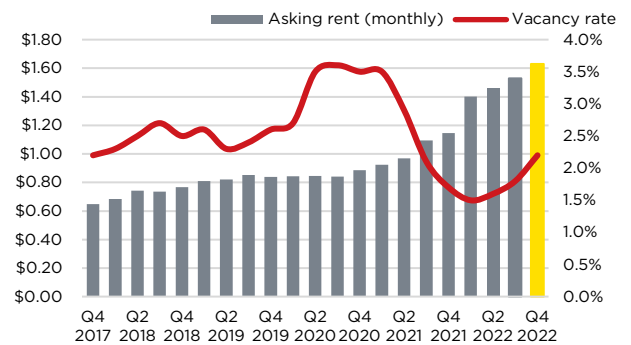
Outlook

- Expect market conditions to remain extremely tight; however, concerns about the impact of inflation and the looming recession will persist through the next year
- Expect a slowdown in rent growth due to economic challenges, rising operating expenses and the California WAIRE program
- Developers will continue to see pushback from Los Angeles cities as measures are made to halt new warehouse developments

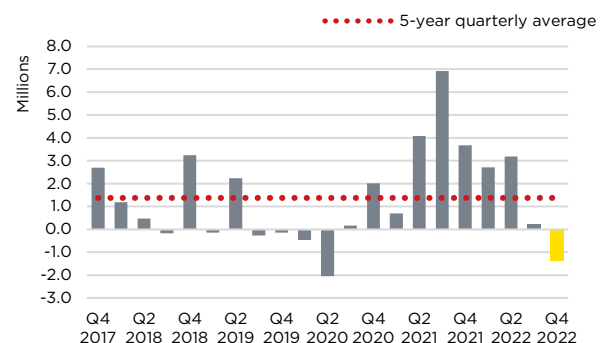
KEY STATISTICS

	Q4 2021	Q4 2022	y-o-y Change
Inventory	649.0 MSF	660.9 MSF	▲
Vacancy Rate	1.7%	2.2%	▲
Quarterly Net Absorption	3.7 MSF	-1.4 MSF	▼
Under Construction	7.0 MSF	6.3 MSF	▼
Deliveries	0.9 MSF	0.9 MSF	◀▶
Asking Rental Rate (Monthly)	\$1.17	\$1.63	▲

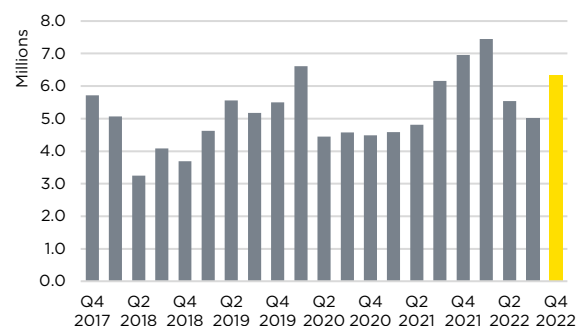
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



BY THE NUMBERS

+50

basis points increase from one year ago

39%

asking rent growth over the past 12 months

1.5%

lowest vacancy in Mid-Counties submarket

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Ryder	1,000,720	21921-21931 Industry Way	New	San Gabriel Valley	Majestic Realty Co.
Pacific Lighting Systems, Inc.	490,789	17891 Arenth Avenue	New	San Gabriel Valley	LBA Realty LLC
GXO Logistics Supply Chain, Inc.	411,034	9400-9500 Santa Fe Springs	Renewal	Mid-Counties	DWS Group
Arc Boat Company	146,919	2100 W 195 th Street	New	South Bay	Sares-Regis Group
Maersk	133,752	2141 E Paulhan Street	New	South Bay	South Bay Public Warehouse

Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
Nuveen	337,800	14001-14051 Rosecrans Avenue	\$151,200,000	Mid-Counties	Clarion Partners
New Mountain Capital	218,000	3700 E Olympic Boulevard	\$51,300,000	Commerce/Vernon	Venator
The Ratkovich Company	72,700	5978-5966 Bowcroft Street	\$49,625,000	West Los Angeles	Altemus Company
Rexford Industrial Realty, Inc.	119,800	14400 S Figueroa Street	\$49,001,000	South Bay	Young W & Chong & Kong
Rexford Industrial Realty, Inc.	325,273	19145 Gramercy Place (3 Bldgs)	\$37,000,000	South Bay	IDI Logistics

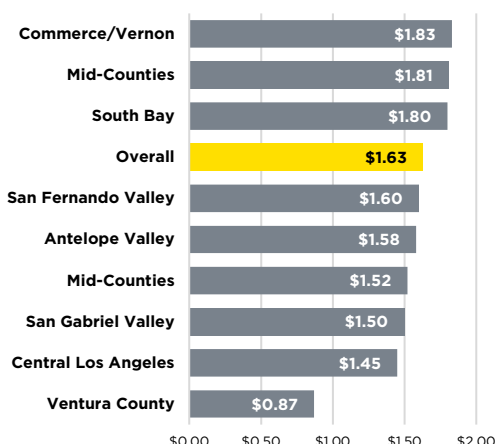
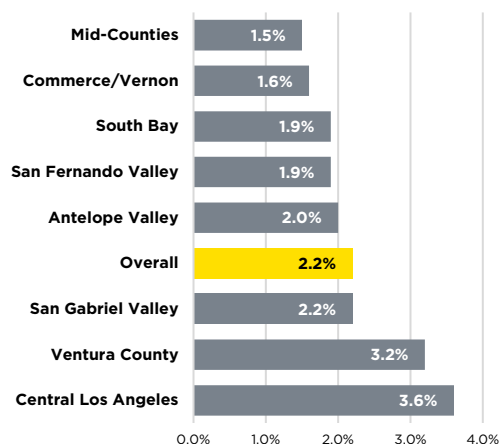
Source: Savills Research

VACANCY RATE COMPARISON

Los Angeles Industrial Submarkets

RENTAL RATE COMPARISON (\$/SF)*

Los Angeles Industrial Submarkets



*Based on all classes of available inventory

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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