

Los Angeles

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As market conditions continue shift, absorption stays negative

For the fifth consecutive quarter, the Los Angeles industrial market saw negative absorption. In the fourth quarter of 2023, overall absorption recorded -280,200 million square feet (msf). Much of this movement stemmed from the Commerce/Vernon and Mid-Counties submarkets, which recorded a total of -783,400 square feet (sf) absorption. The largest moveouts in the Los Angeles market were Avalon Cold Storage from 300,000 square feet (sf) in Compton, Furniture of America out of 260,000 sf in City of Industry and Cotton On vacating 181,000 sf in La Mirada. Overall vacancy ticked up 40 basis points (bps) over the previous quarter to 4.5%, up 220 bps from the total vacancy rate of 2.3% reported a year earlier. This increase in vacancy is due to increased available sublease space as well as vacant construction deliveries.

Warehouse rents plateau as vacancy rates change

As market conditions have shifted due to economic challenges, overall asking rental rates decreased by 1.1% from the previous quarter to \$1.53 NNN and by 6.7% from one year ago. Expect to see stabilization in rental rates as vacancy rates continue to change. The top transaction in Q4 was a new lease by National Road Logistics for 315,256 sf in Torrance, followed by Lincoln Transportation subleasing 234,600 sf in Compton, and Classic Concepts leasing 233,340 sf in Irwindale.

Economic uncertainties are expected to affect market conditions

Heading into 2024, overall vacancy rates are expected to increase given new construction deliveries, increasing available sublease space and rising operating costs. Southern California inflation hardships have become more apparent, and landlords, developers, tenants and lenders are all being affected by changing consumer spending as it relates to e-commerce fulfillment demand and flexing interest rates. Despite these challenges, the Los Angeles industrial market has historically had persistently strong market conditions. Also, the ports of Long Beach and Los Angeles saw an increase in cargo volume that could help stabilize space demand.

Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	661.1 msf	675.7 msf	+14.4 msf
Vacancy Rate	2.3%	4.5%	+220 bps
Asking Rental Rate (Monthly)	\$1.64	\$1.53	-6.7%
Net Absorption	-1.6 msf	-0.3 msf	-1.3 msf
Under Construction	6.0 msf	7.3 msf	+1.3 msf
Deliveries	1.2 msf	2.3 msf	+1.1 msf

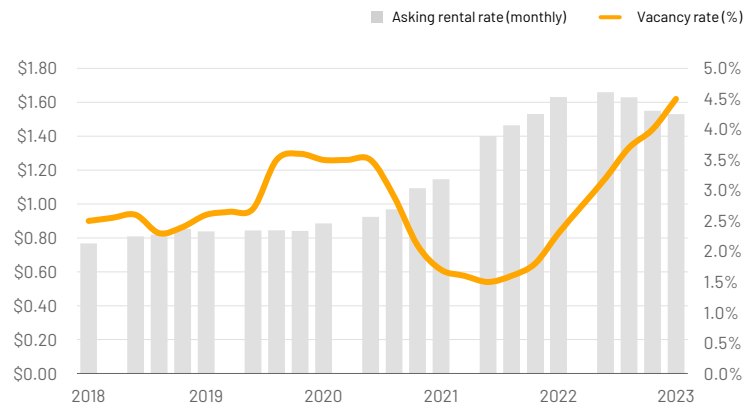
Outlook

01 Vacancy will likely increase as new construction delivers and companies continue to downsize

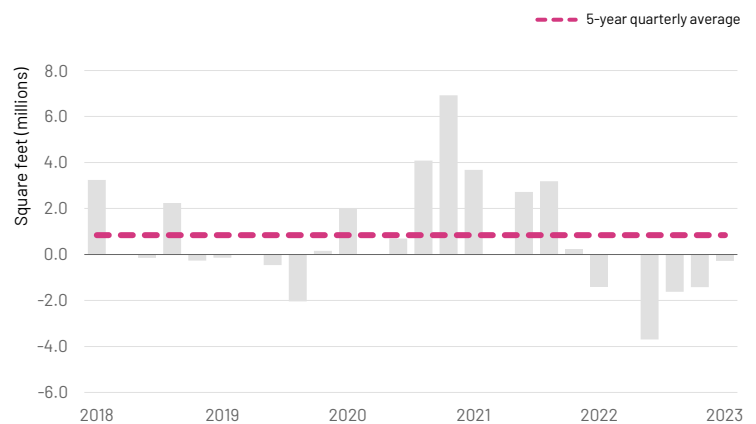
02 Cargo volume increased by 24% year over year at the Port of Long Beach and by 19% at the Port of LA, which could impact future leasing

03 With the Federal Reserve signaling the possibility of three interest rate cuts next year, property sales could see a change in volume

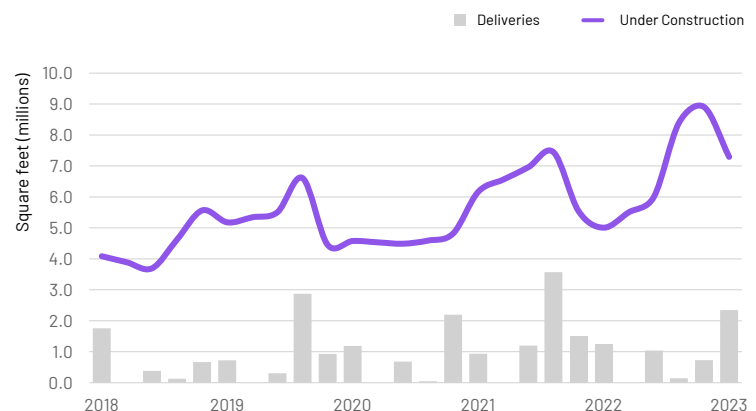
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

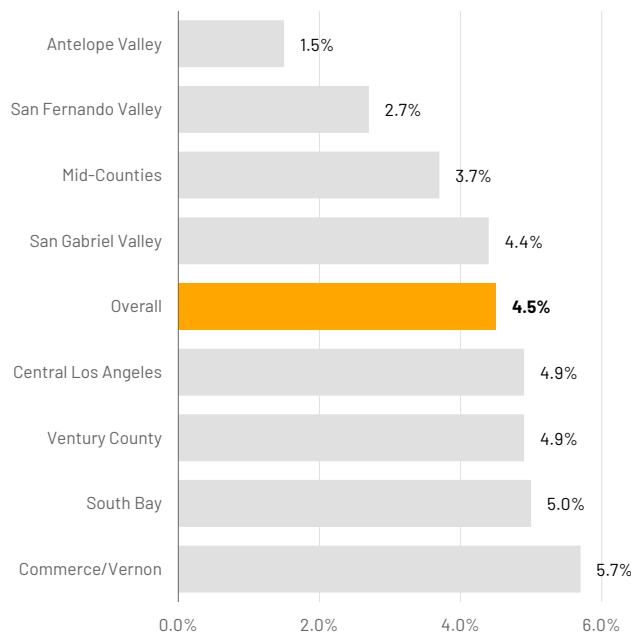
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
National Road Logistics	315,256	South Bay	19200-19270 Western Avenue	New Lease	Logistics & Distribution/ 3PLs
Lincoln Transportation	234,600	South Bay	601 W Carob Street	Sublease	Logistics & Distribution/ 3PLs
Classic Concepts	233,342	San Gabriel Valley	5091 4 th Street	New Lease	Retailer
Daiso California LLC	220,000	Mid Counties	16400 Trojan Way	New Lease	Logistics & Distribution/ 3PLs
Esong Group	150,000	San Gabriel Valley	1021 N Todd Avenue	Expansion	Communications / Media / Tech

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Rexford Industrial Realty, Inc.	993,142	San Gabriel Valley	15801 E First Street	\$120.0 M / \$120	The Pabst Brewing Company
Harbor Associates	126,015	South Bay	690-750 W 190 th Street (4 Bldgs)	\$55.0 M / \$436	Campbell Campbell & Campbell Inc.
Prologis, Inc.	239,780	Central LA	7400 E Slauson Avenue	\$50.0 M / \$208	The Gehr Group
Terreno Realty	112,400	South Bay	2411 Santa Fe Avenue	\$45.7 M / \$407	Link Logistics Real Estate
Rockview Dairies, Inc.	74,160	San Gabriel Valley	14955 E Don Julian Road	\$30.5 M / \$411	Chestnut Properties LLC

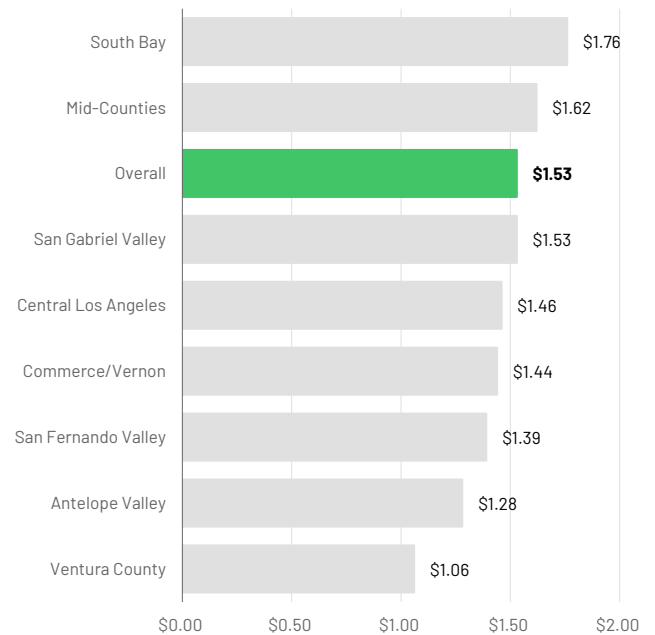
Vacancy Rate Comparison (%)

LOS ANGELES SUBMARKETS



Rental Rate Comparison (\$/sf)*

LOS ANGELES SUBMARKETS



*based on all classes of available inventory

Los Angeles Q4 2023 - 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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