

## Industrial Q1 2022

YoY Chg      12-Mo. Forecast

**1.0%**  
Vacancy Rate



**451K**  
YTD Net Absorption SF



**\$1.36**  
Asking Rent, PSF



Overall, Net Asking Rent per Month

### ECONOMIC INDICATORS Q1 2022

YoY Chg      12-Mo. Forecast

**4.5M**  
Los Angeles County Employment



**6.7%**  
Los Angeles County Unemployment Rate



**3.6%**  
U.S. Unemployment Rate



Sources: BLS

### ECONOMIC OVERVIEW

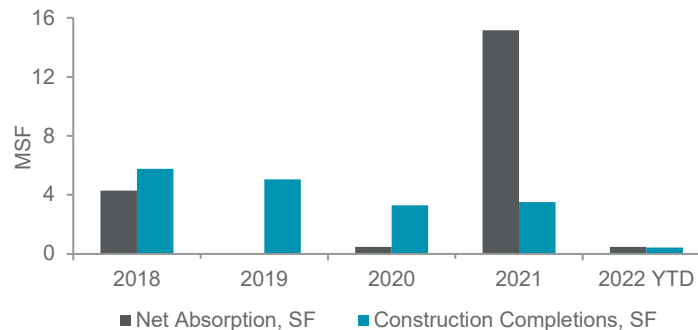
Two years on from the start of the COVID-19 pandemic, the industrial market in Greater Los Angeles (GLA) has never been better. With strict social distancing guidelines in place and consumers relying more heavily on the internet for their shopping needs, the supply chain at the regional and global level was pushed to its absolute limits. Retail sales in the U.S. for 2021 totaled approximately \$6.6 trillion, an increase of 17.9% year-over-year (YOY), with e-commerce sales making up \$870.8 billion, according to the U.S. Census Bureau. In the fourth quarter alone, e-commerce accounted for \$218.5 billion, or 12.9% of total retail sales. E-commerce revenue was up 9.2% YOY with financial experts fully expecting sales to surpass \$1 trillion by year-end 2022. As a result of the unrelenting demand, import volumes skyrocketed at the San Pedro Port Complex, a momentum that was handedly carried into the freshman months of the new year. As of March 2022, over 5.1 million twenty-foot equivalent units (TEUs) of cargo volume passed through the Ports of LA and Long Beach, surpassing import volumes YOY by 3.5%. A shortage of labor throughout the pandemic resulted in long waits for vessels to unload cargo at the ports, but as of February, the number of ships waiting to dock fell to 78, down from the peak of 109 ships the month before.

Labor has been a continual pain point for the region since the beginning of the pandemic, but with the arrival of the new year, the regional labor market has begun to show some signs of returning to normal. Total nonfarm employment grew from January to February by 61,100 jobs and pushed the monthly unemployment rate down to 5.4%. Trade, transportation, and utilities employment - the measure of the regional industrial labor force - grew by 3,300 jobs in the same period. Compared to the same period the year prior, industrial employment grew by 37,700 jobs.<sup>1</sup> Overall, the industrial labor force has nearly returned to what it was before the pandemic struck with only 2,100 jobs needed to surpass pre-pandemic levels.

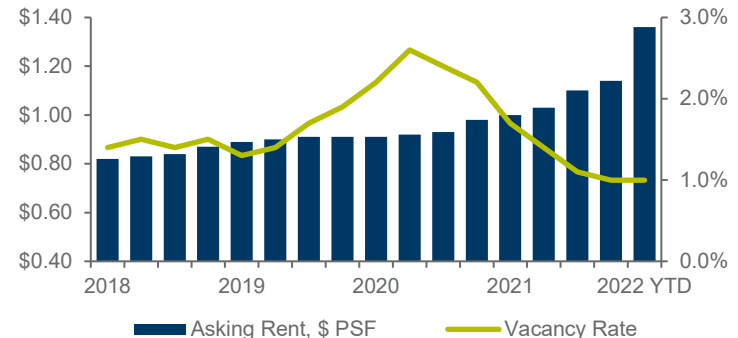
### SUPPLY AND DEMAND

Though demand has been consistently high even amid the pandemic the inevitable tradeoff has been the ever-diminishing supply of available industrial space in the GLA region. Overall vacancy in Q1 2022 remained flat at 1.0%, unchanged from the previous quarter and 70 basis-point (bps) compared to Q1 2021. Occupancy grew by 450,622 square feet (sf) during Q1 2022; noticeably less compared to the occupancy growth of 1.6 million square feet (msf) last quarter and 5.5 msf in Q1 2021. This decrease was due to an influx of spaces under 100,000 sf becoming available in the first few months of the new year. Robust demand continued to fuel the rise in pricing per square foot with asking lease rates totaling \$1.16 per square foot (psf) per month on a triple net basis, up 21.9% YOY.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY / ASKING RENT



## Industrial Q1 2022

New leasing activity, excluding renewals, totaled 5.8 million square feet (msf) across 256 deals in Q1 2022 compared to 4.6 msf (134 deals) in Q4 2021 and 11.2 msf (338 deals) in Q1 2021. South Bay recorded the most or 2.4 msf (41%), followed by Commerce/Vernon with 874,000 sf (15%) and San Gabriel Valley with 645,000 sf (11%) of new leasing activity. Comparing leasing by product type, warehouse/distribution (W/D) space accounted for most or 5.0 msf (83%) leased, followed by manufacturing (11%). The decrease in new leasing activity in Q1 2022 compared to last year (Q1 2021) isn't to say this hot market is cooling down but is more reflective of how tight the market already is with few available spaces.

### FUTURE INVENTORY

As of Q1 2022, there are 35 properties, totaling over 5.9 msf, currently under construction market-wide. The majority or 63% of inventory is being built as speculative (SPEC), with the remaining 37% as build-to-suit. Venture County will welcome the most of new inventory or 2.2 msf (37%), followed by San Gabriel Valley (1.3 msf or 22%) and South Bay (1.2 msf or 20%). The overall pre-leasing rate of current inventory under construction stands at 49%, with the remaining SPEC development available for lease. All of the new inventory currently under construction is W/D space, planned to be delivered by end of 2022. This will be a welcome addition to the market in addition to 3.1 msf delivered in 2021, providing some much-needed relief.

### SALES ACTIVITY

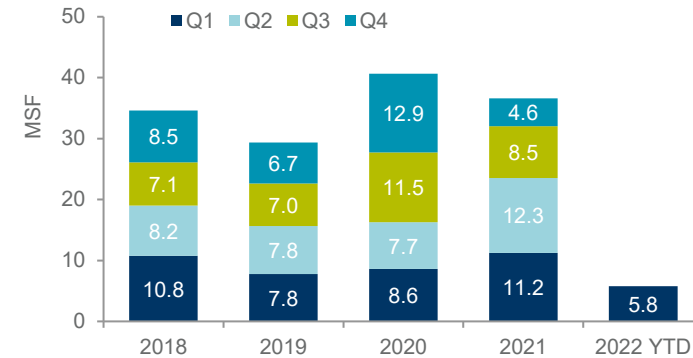
The GLA industrial market recorded \$1.7 billion in sales activity (110 properties) in Q1 2022 compared to \$4.4 billion (183 properties) in Q4 2021 and \$1.6 billion (164 properties) in Q1 2021. The average price psf decreased to \$281 in Q1 2022 compared to the 2021 annual average of \$235. The average cap rate increased to 4.5% in Q1 2022 compared to the 2021 annual average of 4.4%. The leading buyers in Q1 2022 were private investors (51% vs. 43% in 2021), followed by institutional (26% vs. 36% in 2021). Private sellers accounted for 66% of activity in Q1 2022 (vs. 57% in 2021), followed by owner-user sellers at 17% (vs. 28% in 2021).<sup>2</sup>

Sources: <sup>1</sup>[www.bls.gov](http://www.bls.gov) <sup>2</sup> RCA Sales in Los Angeles, Los Angeles CBD, West.

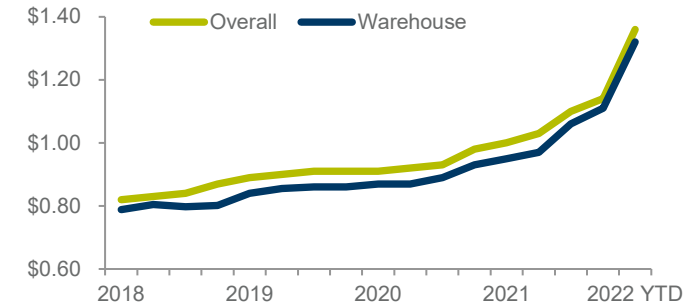
### OUTLOOK

- Real estate fundamentals are expected to remain strong throughout the rest of 2022. Rents are likely to continue to increase while vacancy will trend downward, albeit at a slower pace due to supply constraints. Construction completions should help alleviate some of the supply woes, but more will be needed as the year continues in order to keep pace with demand.
- Import volumes at the San Pedro Complex broke records last year, and 2022 is shaping up to be another banner year. Labor shortage issues have begun to dissipate, leading to fewer ships waiting to berth and offload at the ports, which will mean greater demand for W/D space in the region.
- Despite rising inflation concerns, consumer spending is expected to remain high throughout 2022, translating to further heightened demand for W/D space in the region.

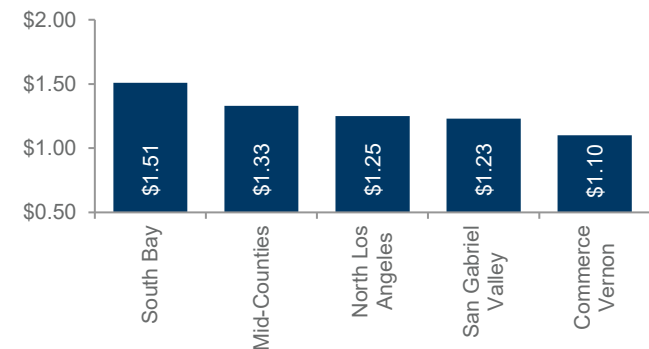
### NEW LEASING ACTIVITY



### AVERAGE ASKING RENT \$PSF MONTHLY NNN



### AVERAGE ASKING RENT \$PSF MONTHLY NNN



## Industrial Q1 2022

## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	AVERAGE ASKING OVERALL RENT (MF)	AVERAGE ASKING OVERALL RENT (OS)	AVERAGE ASKING OVERALL RENT (W/D)
Downtown LA	92,056,263	3.6%	-233,478	535,406	631,691	0	0	\$1.33	\$1.47	\$1.19
Commerce/Vernon	165,620,841	0.5%	-218,583	873,891	365,353	694,398	0	\$0.98	N/A	\$1.15
Mid-Counties	119,269,826	0.4%	209	634,792	764,068	243,319	0	\$1.26	\$1.29	\$1.40
San Gabriel Valley	186,549,676	1.0%	-756,154	646,911	1,763,861	1,296,024	0	\$1.39	\$1.07	\$1.26
South Bay	221,188,397	0.8%	1,052,316	2,355,626	1,347,100	1,215,048	104,544	\$1.12	\$1.98	\$1.51
LA North	210,404,806	0.8%	682,659	608,493	1,390,149	2,456,103	311,114	\$1.30	\$1.46	\$1.14
Westside	13,834,385	2.2%	-76,347	147,022	0	0	0	\$2.88	\$2.76	\$2.78
<b>GLA TOTALS</b>	<b>1,008,924,194</b>	<b>1.0%</b>	<b>450,622</b>	<b>5,802,141</b>	<b>6,262,222</b>	<b>5,904,892</b>	<b>415,658</b>	<b>\$1.24</b>	<b>\$1.67</b>	<b>\$1.32</b>

\*Rental rates reflect weighted triple-net asking \$psf/month. \*\*Renewals not included in leasing statistics. YTD absorption total does not match the total reported in the national report.

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

## KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1855 West 139th St., Gardena	South Bay	CSC Generation	230,891	Direct
300-336 Enterprise Pl., Pomona	San Gabriel Valley	Structural Composites Industries, LLC	172,800	Renewal*
12801 Carmenita Rd., Santa Fe Springs	Mid-Counties	Pixior, LLC	153,724	Direct
4507-4547 Maywood Ave., Vernon	Los Angeles	United Pacific Designs	137,307	Renewal*
2700 California St., Torrance	South Bay	Rivian	134,816	Direct

## KEY SALES TRANSACTIONS Q1 2022

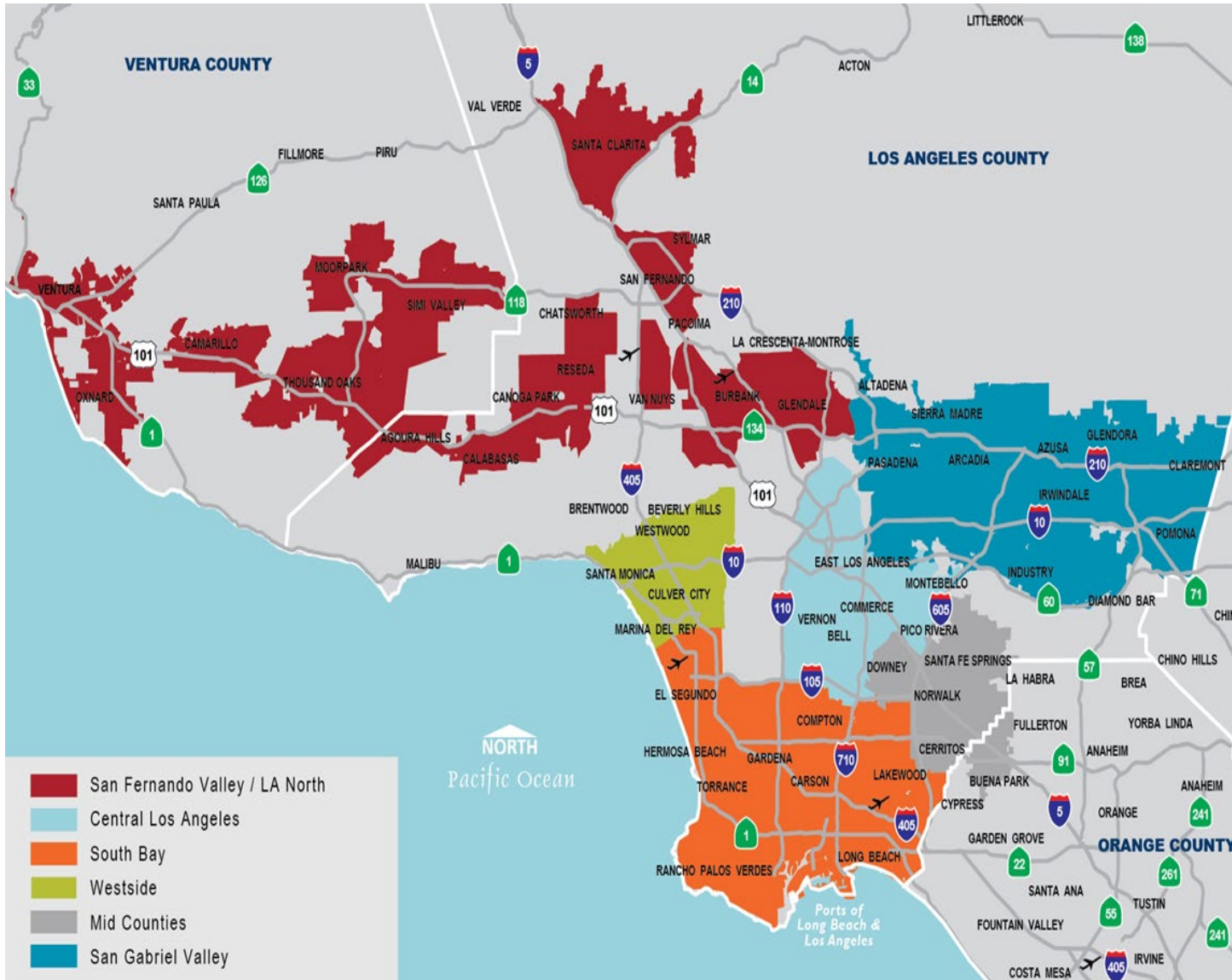
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1452 West Knox St., Torrance	South Bay	Sunrider International / Prologis	428,952	\$148.0M / \$345
24903 Avenue Kearny, Valencia	Los Angeles North	Dedeaux Properties/Stockbridge Capital Group / Rexford Industrial	214,436	\$58.5M / \$273
4561 Colorado Blvd., Glendale	Los Angeles North	Westbrook Partners / Swift Real Estate Partners	188,662	\$92.5M / \$490
21200 Victory Blvd., Woodland Hills	Los Angeles North	Frank W Butler Family Trust / Walton Street Capital, LLC	183,972	\$60.0M / \$326
29011 Commerce Center Dr., Valencia	Los Angeles North	MMB Management LLC / Greenlaw Partners	165,141	\$41.5M / \$251

## KEY CONSTRUCTION COMPLETIONS 2022 YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
21480 Needham Ranch Pkwy. – Bldg. 10, Valencia	Los Angeles North	Tires Warehouse	169,854	Clarion Partners / TCC
29025-29055 Ave. Paine, Valencia	Los Angeles North	Lief Organics	111,260	Rexford Industrial



INDUSTRIAL SUBMARKETS



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