



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
4.8% Vacancy Rate	▲	▼
-8.8M YTD Net Absorption, SF	▼	▲
\$1.44 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▼	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
4.6M Los Angeles County Employment	▲	▲
5.6% Los Angeles County Unemployment Rate	▲	▼
4.1% United States Unemployment Rate	▲	▼

Source: BLS

ECONOMY

Total nonfarm employment in Los Angeles (LA) County grew by 78,100 jobs or +1.7% year-over-year (YOY) between August 2023 and August 2024. During this time, the LA monthly unemployment rate increased from 5.6% last year to 6.7% and is currently 110 basis points (bps) above the quarterly average of 5.6%.¹ The manufacturing sector shed 3,800 jobs (-1.2% YOY), but wholesale trade gained 400 jobs (+0.2% YOY), retail trade gained 2,000 jobs (+0.5% YOY) and transportation and warehousing added 2,100 jobs (+1.0% YOY).

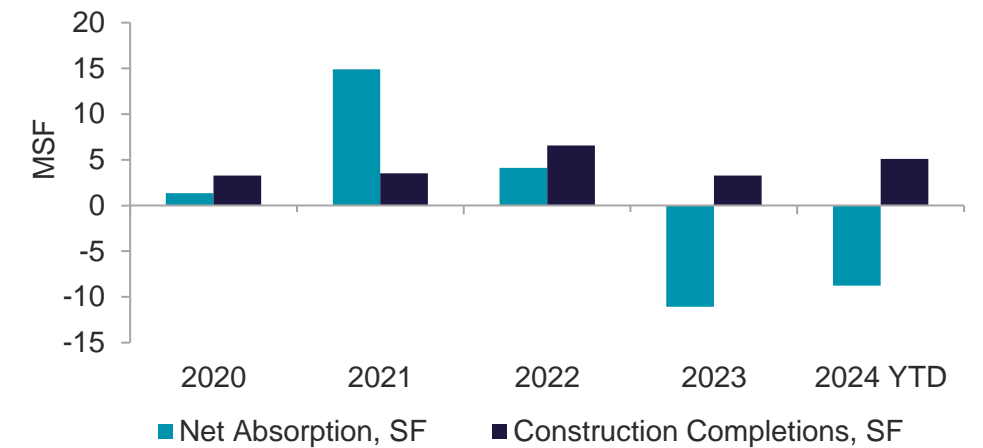
As of August 2024, the Port of Los Angeles (5.1 million) and the Port of Long Beach (4.6 million) handled a combined 9.7 million Twenty-Foot Equivalent Units (TEUs) of loaded imports, marking a 27.4% YOY increase.² This represents a 22.9% increase compared to pre-pandemic levels in 2019. The surge in cargo was driven by heightened demand as retailers prepared for the holiday season. Labor strikes at the East and Gulf Coast ports by the International Longshoremen's Association (ILA) disrupted operations, prompting some shippers to divert cargo. This shift further boosted volume at the West Coast ports.

SUPPLY AND DEMAND

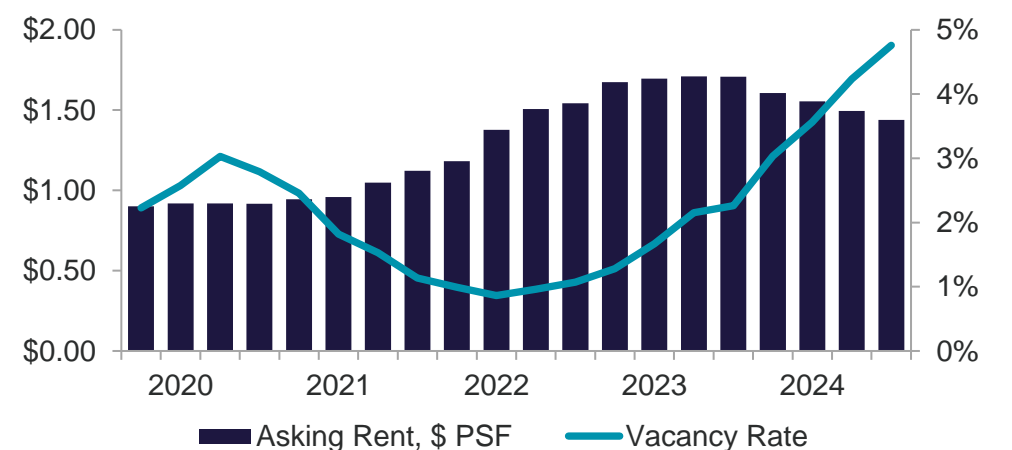
LA's overall vacancy rate increased 50 bps quarter-over-quarter (QOQ) and 250 bps YOY to 4.8% in Q3 2024, the highest recorded rate in the last decade. This quarter marked the eighth consecutive quarter of occupancy losses. The largest vacancy in the third quarter came from Pilot Automotive, which vacated 407,638 square feet (sf) in San Gabriel Valley (SGV).

LA South and LA West were the only submarkets where vacancy didn't climb QOQ. The largest increases came from the SGV and Mid-Counties where vacancy swelled by 100-bps and 90-bps respectively, reaching 5.0% and 5.2%. Meanwhile, LA Central registered the highest vacancy rate at 5.4%. LA boasted a sub-1.0% vacancy rate just 10 quarters ago but now all submarkets except LA North have rates above 3.5%, with four of six exceed the 5.0%-mark.

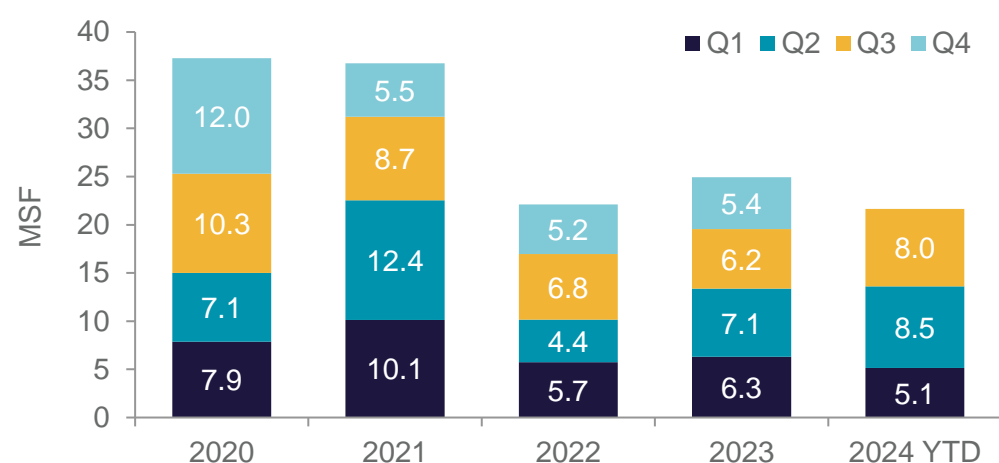
SPACE DEMAND / DELIVERIES



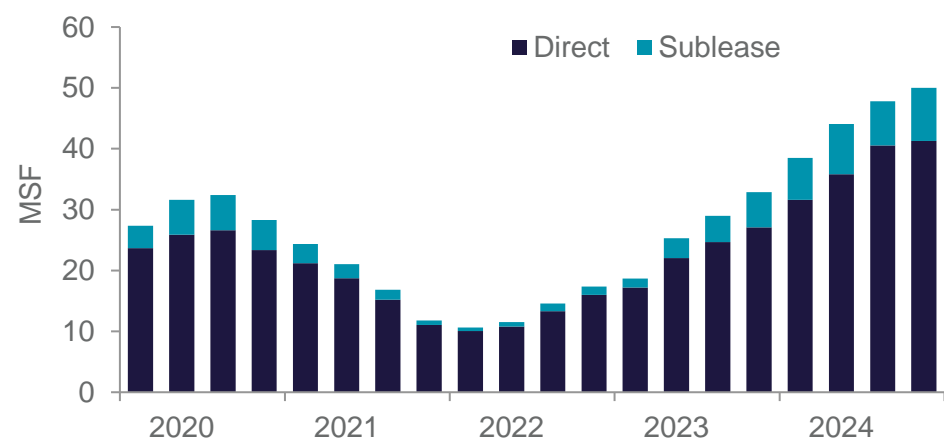
OVERALL VACANCY & ASKING RENT



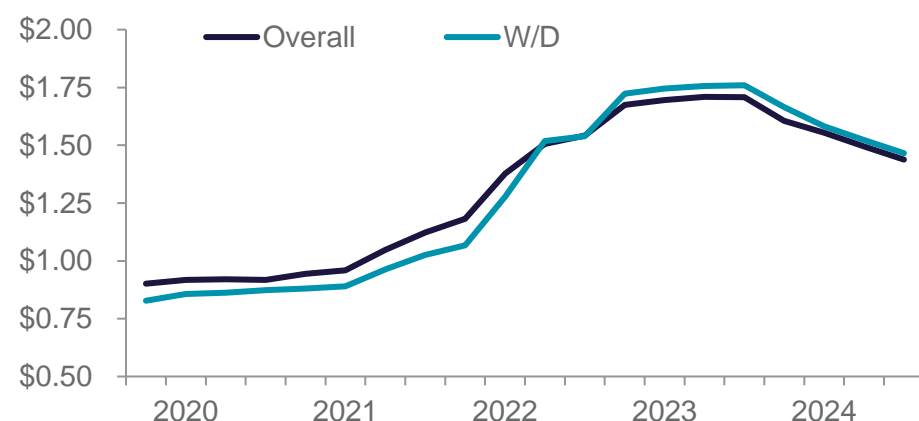
NEW LEASING ACTIVITY



DIRECT VS. SUBLEASE AVAILABLE SPACE



AVERAGE ASKING RENT \$PSF MONTHLY NNN



Vacancy is just one measure of the amount of supply on the market. As landlords generally market their space for lease before the current tenant vacates, a way of seeing where the vacancy rate may trend is by looking at the availability rate. The availability rate represents the percentage of the inventory on the market for lease. In Q3 2024, the availability rate reached 6.2%, 30 bps higher than last quarter and 210 bps higher than one year ago. At the end of the third quarter, the LA industrial market had 50.0 million square feet (msf) available for lease, an increase of 2.2 msf QOQ and 17.1 msf YOY.

New leasing activity in Q3 2024 totaled 8.0 msf, a 5.2% decrease QOQ but a 29.7% YOY increase. Year-to-date (YTD) new leasing activity reached 21.6 msf, up 10.6% YOY. Q3 2024 marked the second-highest leasing activity recorded since Q3 2021. Most new leasing activity YTD occurred in SGV, LA South and LA Central, accounting for a combined 78.6% of LA's total.

FUTURE INVENTORY

Construction activity is one area of the LA industrial market that has remained relatively stable throughout the last few years. At the end of Q3 2024, 44 properties were under construction, totaling 6.0 msf. Of these, all but two properties are being developed on a speculative (SPEC) basis. Of the buildings being built on SPEC, only three have been pre-leased, leaving 90.1% of the total under construction or 5.4 msf without tenant commitments thus far. If leasing activity within the new supply doesn't accelerate, the surge in new vacant supply will likely push vacancy rates higher. Meanwhile, eight buildings, totaling 722,963 sf, completed construction in the third quarter, however only 19.6% were pre-leased.

PRICING

Despite the stronger leasing activity, the continued rise in the vacancy rate continues to cool asking rents in LA. After the rapid rise during the COVID-19 pandemic and stagnating in the first half of 2023, the average asking rent has been falling over the past five quarters. The overall asking rate dropped \$0.06 or 3.8% QOQ and \$0.27 or 15.8% YOY to \$1.44 per square foot (psf) per month on a triple net basis. The average asking rent for warehouse and distribution space also fell during the quarter, falling by \$0.06 or 3.8% QOQ and \$0.29 or 16.7% YOY, ending the third quarter at \$1.47 psf.

OUTLOOK

- Port activity at the Ports of Los Angeles and Long Beach has rebounded since 2023. The increase in import volumes though has not translated into increased tenant demand as occupiers continue to right-size their footprints. However, if cargo volume rises further in 2025, we could see the market begin to stabilize amid more economic clarity and lower borrowing costs for tenants.
- LA's industrial market has seen stable construction activity, even as market conditions cooled. Unlike other markets facing oversupply, LA has limited new construction due to its infill nature, with no more than 1.2% of its inventory under construction at any time. This supply constraint, coupled with growing port activity, may allow LA to recover from any downturn faster than other metros nationwide.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MFG)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT (ALL)*
LA North	147,234,928	4,027,395	2.7%	-388,508	-597,644	2,750,839	2,388,393	345,246	\$1.47	\$1.31	\$1.34
San Gabriel Valley	160,683,974	8,098,782	5.0%	-1,585,725	-910,288	5,004,183	698,849	3,061,155	\$0.99	\$1.37	\$1.34
Mid-Counties	89,472,591	4,611,403	5.2%	-791,579	-2,239,405	2,430,577	308,853	307,869	\$1.50	\$1.51	\$1.51
LA Central	203,507,965	11,054,874	5.4%	-925,090	-3,332,363	5,229,723	404,869	673,789	\$1.11	\$1.37	\$1.32
LA West	8,525,747	309,094	3.6%	4,125	-16,851	60,644	0	0	\$1.75	\$2.64	\$2.60
LA South	193,229,913	10,099,054	5.2%	302,622	-1,667,205	6,164,042	2,199,602	720,610	\$1.38	\$1.65	\$1.61
LOS ANGELES TOTALS	802,655,118	38,200,602	4.8%	-3,384,155	-8,763,756	21,640,008	6,000,566	5,108,669	\$1.26	\$1.47	\$1.44

*Rental rates reflect weighted triple-net asking \$psf/month. **Renewals not included in leasing statistics.

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
18175-18215 E. Rowland St.	San Gabriel Valley	American Starlink Logistics	700,000	Direct
2027 Harpers Way	LA South	Virco Manufacturing Corp.	559,490	Renewal*
2000 E. Carson St.	LA South	Spektrum Brakes	293,800	Direct
301 W. Walnut St.	LA South	Geodis Logistics	215,316	Renewal*
250 W. Manville St.	LA South	Kair Harbor	206,483	Direct

KEY SALE TRANSACTIONS Q3 2024

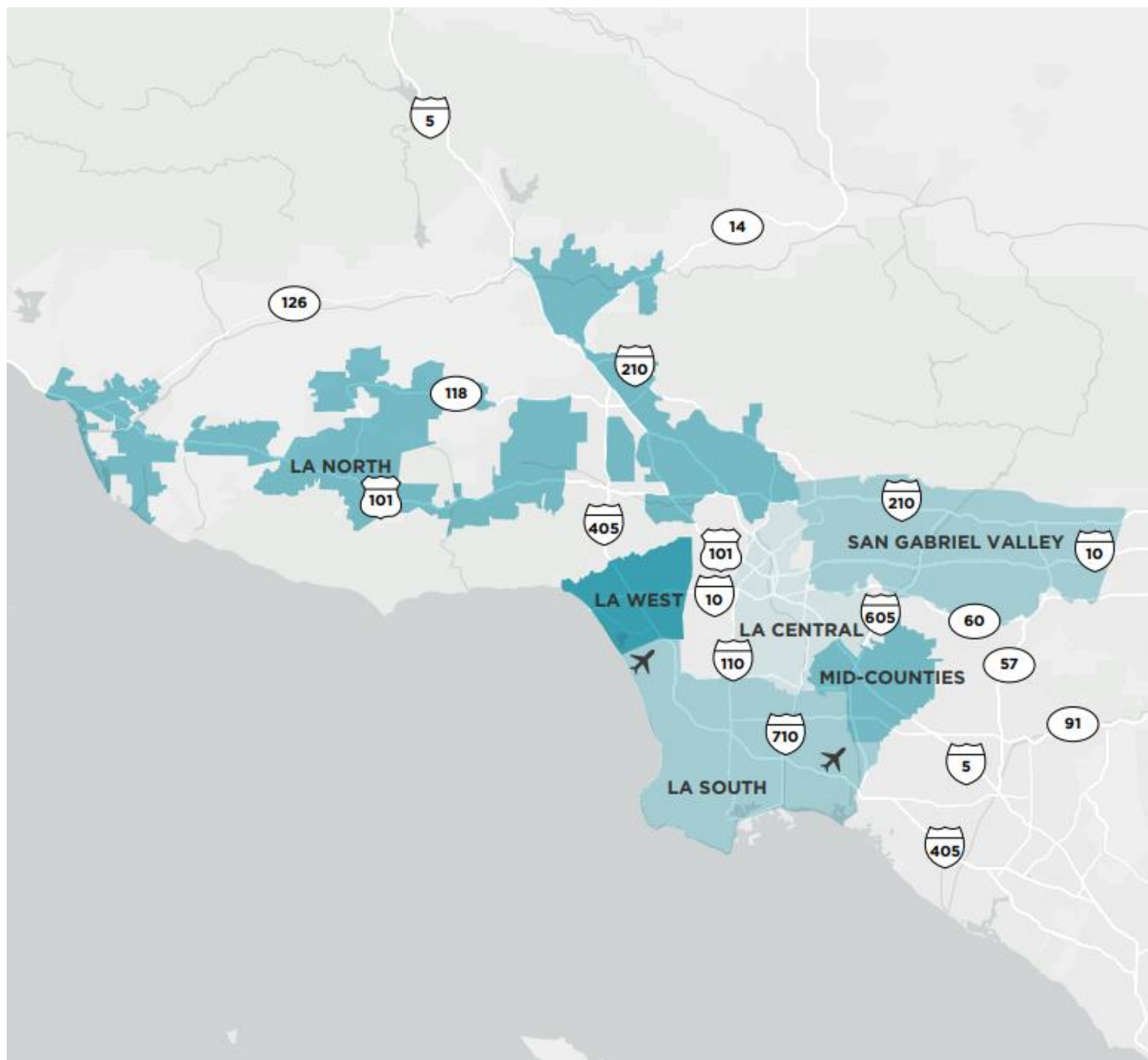
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
16000-16032 Carmenita Rd. & 13553-13563 Alondra Blvd.	Mid-Counties	Link/Blackstone / Greenlaw Partners	234,261	\$69.0M / \$295
9401 De Soto Ave.	LA North	NBP Capital / Center Capital Partners	150,831	\$41.5M / \$275
9830 Norwalk Blvd.	Mid-Counties	Brookfield / McMaster-Carr Supply Co.	136,052	\$35.8M / \$263
16930 Valley View Ave.	Mid-Counties	Pacific Industrial / LD Valley View Holding LLC	125,000	\$32.4M / \$259
19020 Anelo Ave.	LA South	Carroll Hall Shelby Trust / ABC Supply Co., Inc.	71,047	\$19.7M / \$277

KEY CONSTRUCTION COMPLETIONS 2024 YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Grand Crossing – Bldgs. 4, 5, & 6	San Gabriel Valley	Win IT America, Inc.	1,541,380	Majestic Realty Co.
The Park @ Live Oak – Bldgs. 1, 2, & 3	San Gabriel Valley	Glenair	797,562	Irwindale Partners
Bridge Point Vernon II & III	LA Central	Reformation	395,436	Bridge Industrial
El Monte Logistics Center	San Gabriel Valley	Foot Locker	360,992	Ares Management Corp.

Sources: ¹ www.bls.gov Los Angeles-Long Beach-Glendale, CA²The Port of Long Beach and Los Angeles, San Pedro Ports.

INDUSTRIAL SUBMARKETS



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