

FIGURES | GREATER LOS ANGELES INDUSTRIAL | Q3 2024

Leasing activity rebounds despite space-give backs and rising vacancy

▲ 3.8%

Overall Vacancy Rate

▲ (2.8M)

SF Net Absorption

▼ 6.2M

SF Under Construction

▼ \$1.49

NNN / MO Lease Rate

▼ 5.0%

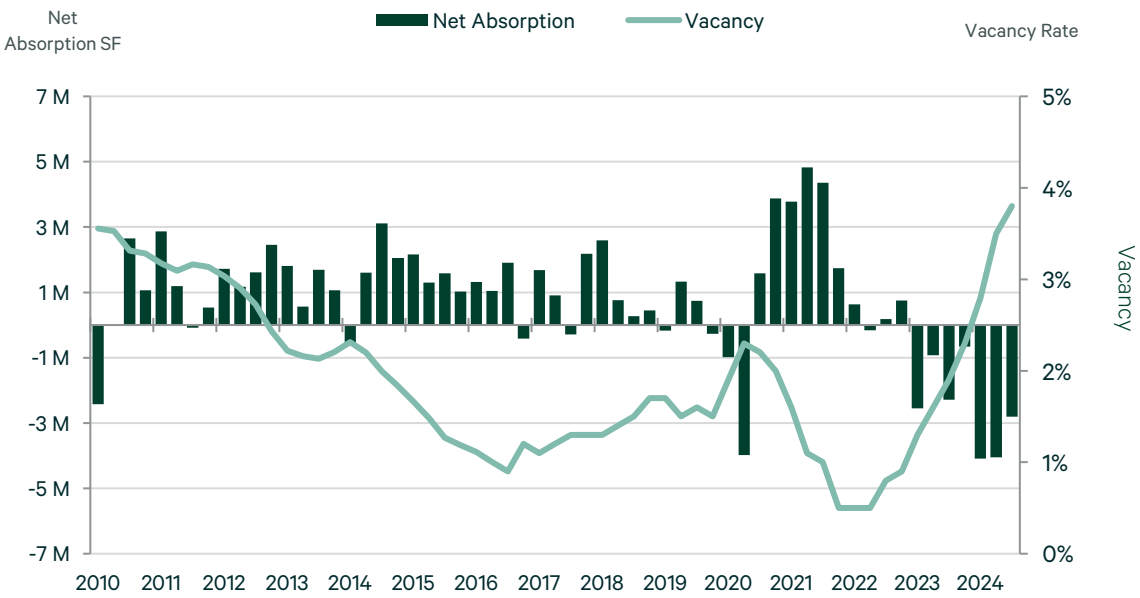
Projected Unemployment Rate Through Q3 2024
LA and Ventura County

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- The overall vacancy rate increased to 3.8% in Q3 2024, driven by 2.8 million sq. ft. of negative net absorption.
- The total availability rate rose by 140 basis points (bps) year-over-year to 5.7% from 4.3% in Q3 2023.
- Gross activity reached 11.9 million sq. ft. in Q3 2024, marking the highest level since Q3 2021.
- The average direct asking rate dropped to \$1.49 NNN , a 3.8% decrease from the previous quarter, and 11.3% from the prior year.
- The largest lease of the quarter was American Starlink Logistics’ 700,000 sq. ft. lease at 18175–18215 E Rowland St in the City of Industry.
- The top sale transaction of the quarter was McMaster Carr Supply Company’s acquisition of a 239,532 sq. ft. portfolio in Santa Fe Springs from Brookfield for \$75M.

FIGURE 1: Overall Vacancy & Net Absorption Trend



Source: CBRE Research, Q3 2024.

Market Overview

The Greater Los Angeles (GLA) industrial market reported seven consecutive quarters of negative net absorption including Q3 2024, leading to an overall vacancy rate of 3.8%. Total availability reached 5.7%, while sublease availability increased to 1.0% from 0.7% in Q2. The average direct asking rate was \$1.49 NNN, dropping by 3.2% quarter-over-quarter and 10.2% year-over-year. Leasing activity increased by 16.1% from the previous quarter to 11.9 million sq. ft., which according to CBRE is the most leasing activity recorded since Q3 2021.

Total GLA industrial property sales volume was \$671 million in Q3 2024, down 7.5% quarter-over-quarter and down 57.0% year-over-year. Private investors comprised 64.8% of all industrial asset sales in the third quarter. Owner user building sales represented 42.2% while investment sales comprised 55.3% of total activity.

Seven properties delivered in GLA for a total of 541,418 sq. ft., bringing our total under construction pipeline to 6.2M sq. ft., down from the all-time-high of 9.7 million sq. ft. in Q2 2023. The South Bay accounted for approximately 40% of all developments in GLA due to its exceptional logistical location, but construction starts have slowed.

Industrial-using employment reported stable in GLA despite an increase in overall unemployment to 5.0%. Total manufacturing employment decreased in LA County by 1.2% year-over-year, food manufacturing increased by 2.5%, and aerospace manufacturing jobs were unchanged from second quarter estimates. Transportation and warehousing employment increased by 1.0% from the prior year, and air transportation employment climbed by 5.1%.

GLA’s industrial vacancies steadily increased following the Federal Reserves initial interest rate hike in Q1 2022, yet the vacancy rate remains relatively low compared to other West Coast markets. Factors such as the slowdown in the entertainment industry, geopolitical and economical uncertainty, and new regulations from California Assembly Bill 98 have impacted the industrial sector in GLA. However, the 50 basis point cut in the Federal Funds rate offered some relief to both investors and tenants with an expected additional cut of 25-50 basis points by year-end.

FIGURE 2: Submarket Statistics

Submarket	Bldg. Count	NRA	Direct Vacancy Rate	Overall Vacancy Rate	Overall Availability Rate	Net Absorption	Total Gross Activity	Gross Absorption	Avg. Direct Asking Rate NNN	Under Const.	Deliveries
Commerce/Vernon	2,788	155,446,507	4.4%	5.2%	7.3%	(875,308)	2,432,512	2,074,417	\$1.42	294,850	279,243
Downtown Los Angeles	2,549	98,769,175	3.0%	3.2%	4.9%	(105,274)	476,708	476,708	\$1.36	253,318	0
Mid-Counties	2,126	102,950,126	4.9%	5.2%	7.4%	(1,016,365)	1,324,264	1,124,907	\$1.58	408,700	163,435
Greater San Fernando Valley	4,800	172,290,160	1.6%	1.9%	3.3%	(590,528)	1,142,069	810,308	\$1.48	1,160,685	68,145
San Gabriel Valley	3,037	159,012,349	3.9%	4.2%	6.1%	167,139	2,715,318	2,588,008	\$1.47	764,535	0
South Bay	4,058	197,862,799	3.6%	4.2%	6.5%	(231,513)	3,613,986	2,357,330	\$1.59	2,453,368	30,595
Los Angeles County	19,358	886,331,116	3.5%	3.9%	5.9%	(2,651,849)	11,704,857	9,431,678	\$1.51	5,335,456	541,418
Ventura County	1,792	67,177,346	2.5%	2.7%	4.1%	(153,913)	198,849	170,836	\$1.06	849,577	0
Greater L.A.	21,150	953,508,462	3.4%	3.8%	5.7%	(2,805,762)	11,903,706	9,602,514	\$1.49	6,185,033	541,418

Source: CBRE Research, Q3 2024.

Note: During Q3 2024, CBRE conducted a comprehensive building-by-building audit. The audit aimed to exclude buildings with significant functional obsolescence, those not genuinely part of our competitive set, and certain recent redevelopments. Consequently, the net rentable inventory decreased by nearly 40 million square feet, with retroactive adjustments applied where necessary. CBRE’s revised market data now offers enhanced accuracy and fidelity for the Greater Los Angeles industrial market.

FIGURE 3: Notable Lease Transactions Q3 2024

Tenant	Address	SF Leased	Type
American Starlink Logistics	18175-18215 E Rowland St. City of Industry	700,000	New Lease
Virco	2027 Harpers Way Torrance	559,000	Renewal
IDC Logistics	2700 E Imperial Hwy. Lynwood	323,374	Renewal
R1 Concept	2000 E Carson St. Long Beach	293,800	New Lease
Confidential	301 W. Walnut St. Compton	215,316	Renewal
Confidential	250 W. Manville St. Compton	206,486	New Lease

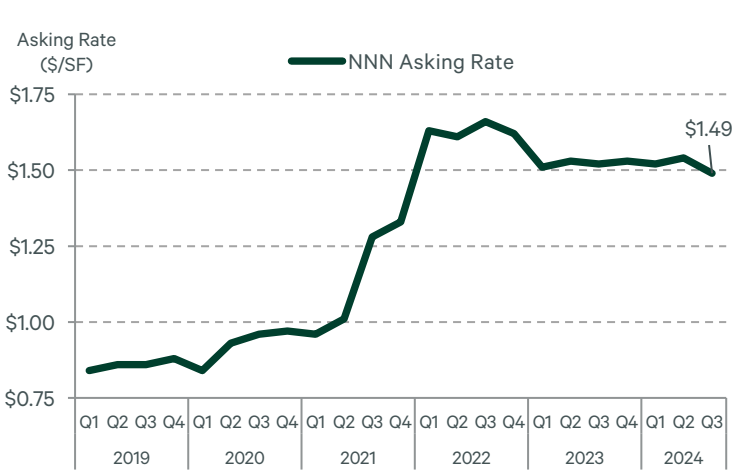
Source: CBRE Research, Q3 2024.

FIGURE 4: Notable Sale Transactions Q3 2024

Buyer	Address	SF Sold	Sale Price
CoreSite	Vernon (Portfolio)	368,500	\$61.5MM
McMaster-Carr Supply Company	Santa Fe Springs (Portfolio)	239,532	\$75MM
Greenlaw Partners	Mid Counties (Portfolio)	234,261	\$69MM
Center Capital Partners, LLC	9401 De Soto Ave. Chatsworth	150,831	\$41.5MM
Xiaoxia Chen	16930 Valley View Ave. La Mirada	125,000	\$32.4MM

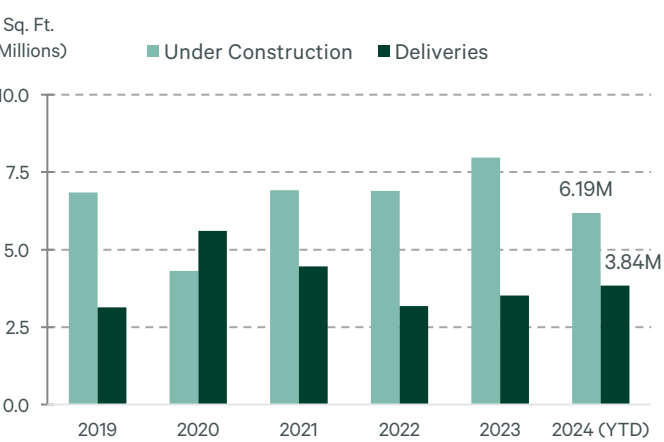
Source: CBRE Research, Q3 2024.

FIGURE 5: Direct Asking Lease Rates



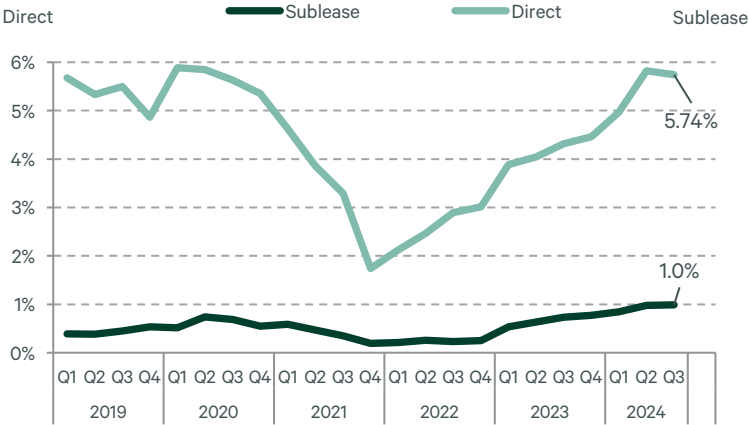
Source: CBRE Research, Q3 2024.

FIGURE 7: Development Pipeline



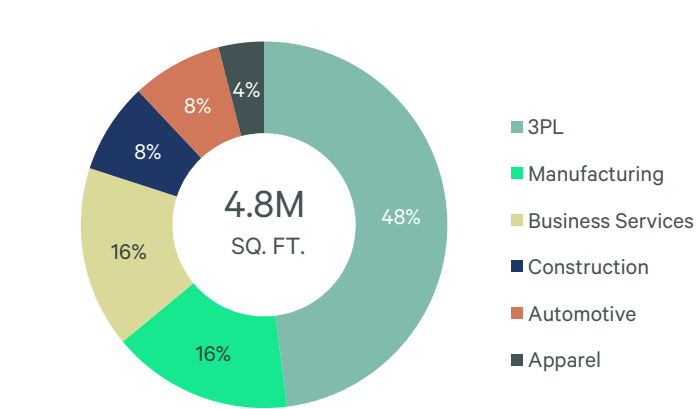
Source: CBRE Research, Q3 2024.

FIGURE 6: Direct Availability & Sublease Vacancy



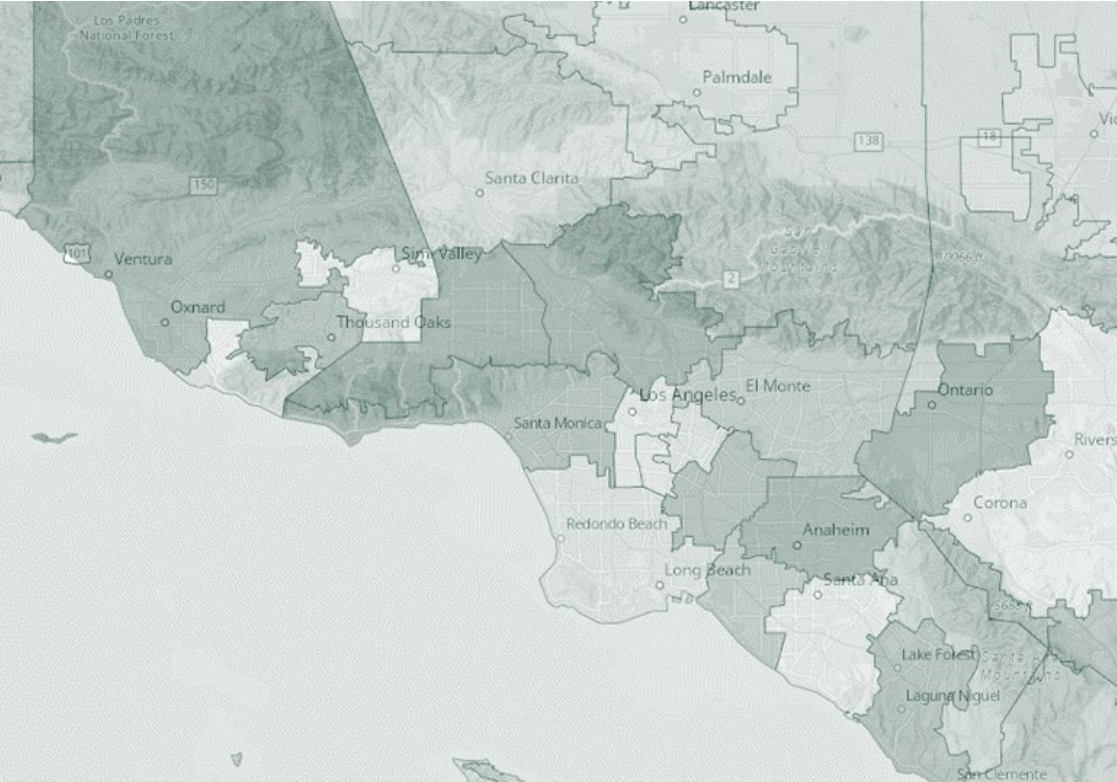
Source: CBRE Research, Q3 2024.

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q3 2024.

Submarket Map



Source: CBRE Research, Q3 2024, Location Intelligence,

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Definitions

Available Sq. Ft.: Space in a building, ready for occupancy; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the total Building Area. **Average Asking Lease Rate:** A calculated average that includes net and gross lease rates, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. **Gross Absorption:** All user-sales and lease transactions completed within a specified period, lease activity defined as new leases and expansions, omitting renewals unless publicly marketed, and sale activity omitting only investment sales. **Gross Activity:** All user-sales and lease transactions completed within a specified period. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, and major maintenance. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy. **Net Lease Rate:** Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that is not occupied.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in Los Angeles and Ventura counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

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