

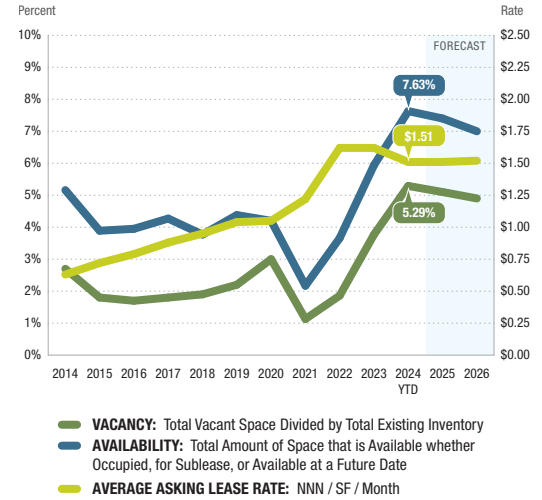
OVERVIEW. The Los Angeles industrial market leveled off after its continual softening beginning late 2022. Vacancy and availability saw little change while net absorption improved but was still in negative territory. Transaction volume by square footage ticked up, but average asking lease rates moved lower again, keeping year-over-year rent growth in decline. Concessions remained elevated, which lowered effective rates for tenants. The number of active requirements and prospective owner/user purchasers is still well off the market peak of late 2022 and uncertainty over the election results has many potential requirements on hold. The time on market is still on the increase, offering tenants and buyers more choices. Gone are the days of multiple offers from tenants and buyers willing to bid prices up just to be the winner. Total space under construction moved slightly lower and remains concentrated in the San Gabriel Valley submarket.

VACANCY & AVAILABILITY. The recent sharp rise in vacancy moderated in Q3, ending the period at 5.29%, up just 3 basis points. In just the past year, vacancy has risen by 209 basis points, or 65%. Buildings in all quality ranges are still taking longer to lease, some sitting empty for as many as six months. With more to choose from, tenants have less pressure to make quick decisions and are in position to be more aggressive in lease negotiations. Inventory for sale remains thin, as elevated mortgage rates have put a damper on the owner/user sale market that has been a key market driver for decades. Existing owner/users are reluctant to give up their low-rate fixed mortgages to exchange into alternate facilities with higher borrowing costs even though they may be more efficient for their businesses. The availability rate also leveled out in Q3, rising just 13 basis points to 7.63%.

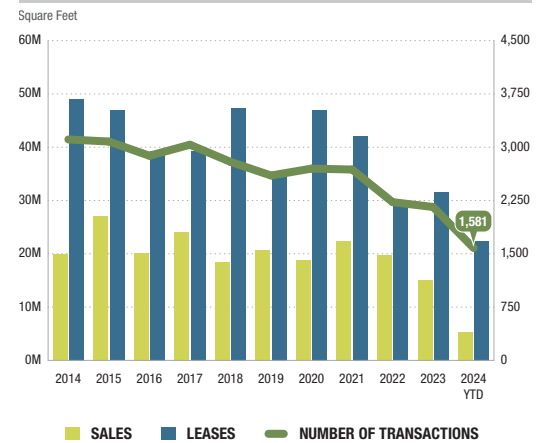
LEASE RATES. The average asking lease rate fell again in Q3. This is a response by landlords looking to reduce lease-up times and the resulting loss of rental income. As a result, year-over-year average asking lease rates are down for the first time in more than a decade. The quarter ended at \$1.51, down 17% year over year with a six-cent decline from last quarter, which is welcome news to Los Angeles tenants who had to weather double-digit rent growth for several consecutive years.

TRANSACTION ACTIVITY. Transaction activity by square footage inched higher in Q3, ending the period at 9,459,927 SF from just under 8,904,840 SF in Q2. The total number of sale and lease transactions fell to 530 from 541 in Q2. Lease transaction count fell to 452 from 470 in Q2, but sale transactions rose to 78 from 71. However, that sale activity has fallen by almost half in just two years. In Q3 of 2022, 135 industrial properties changed hands in the area. Since then mortgage interest rates, which drive the owner/user market, have more than doubled. In the City of Los Angeles, sale activity is also being impacted by the Measure ULA transfer tax, which can add 4.5% to 5.5% to the cost of a sale depending on the sales price. Since its inception, tax revenue generated by the new law has been a small fraction of the original government estimates, as the suppression of sales activity was underestimated.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

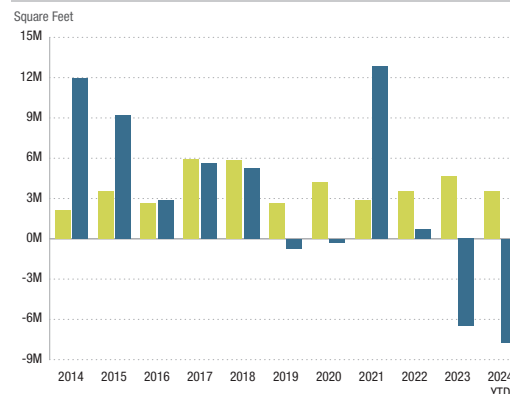
	Change Over Last Quarter	Q3 2024	Q2 2024	Q3 2023	% Change Over Last Year
Vacancy Rate	▲ UP	5.29%	5.26%	3.20%	65.01%
Availability Rate	▲ UP	7.63%	7.50%	5.49%	38.98%
Average Asking Lease Rate	▼ DOWN	\$1.51	\$1.57	\$1.82	(17.03%)
Sale & Lease Transactions	▲ UP	9,459,927	8,904,840	12,514,445	(24.41%)
Gross Absorption	▲ UP	11,032,535	9,318,928	9,833,888	12.19%
Net Absorption	▼ NEGATIVE	(778,339)	(3,091,322)	(1,414,571)	N/A

ABSORPTION. Net absorption in Q3 remained in negative territory, but moderated after a big decline in occupied space in Q2. The net loss for Q3 came in at 778,339 SF versus 3,091,322 SF in Q2 and a 3,870,528 SF loss in Q1. Slower lease-up times are the primary cause of the inventory accumulation. Net absorption, a crucial metric which reflects overall business growth or contraction, clearly indicates the reluctance of area business owners to make big moves on space. They have become more cautious due to economic uncertainty and more patient in terms of their property searches, as a steady flow of additional inventory is coming onto the market.

CONSTRUCTION. New construction fell slightly in the third quarter. The period ended with 3,445,902 SF in the construction queue, down from 3,690,156 SF in Q2 and 5,459,653 SF in Q1. Planned space rose sharply from 3.4 MSF in Q2 to over 6.7 MSF in Q3, primarily due to several new projects developing in the San Gabriel Valley submarket, particularly Irwindale. It is too early to tell if the Fed's recent rate reduction will convince developers to move forward with their new projects. High borrowing costs and a softening of rent growth continue to keep many projects on the drawing board.

EMPLOYMENT. In August 2024, the seasonally adjusted unemployment rate in Los Angeles County rose to 5.6%, up from 5.5% in July and higher than 5.1% a year ago. Gains were seen in trade, transportation, and utilities (600 jobs), construction (300 jobs), leisure and hospitality (300 jobs), and other services (100 jobs).

NEW DELIVERIES & NET ABSORPTION



■ **NEW DELIVERIES:** New Construction Delivered to the Market
 ■ **NET ABSORPTION:** Changes in the Amount of Occupied Space from One Quarter to the Next

Forecast

The Los Angeles industrial market will remain hampered as we head into next year. Demand is not strong enough to push rent growth that will give tenants a sense of urgency to take immediate action. Vacancy will keep moving up and landlords will likely be forced to continue lowering asking rates and offer more concessions to attract quality tenants. However, we could see a surge in owner/user sales if mortgage rates keep coming down. The SBA 504 rate has fallen 135 basis points since November of 2023 and that decline came before the Fed made its first rate reduction in September. Lack of sale inventory will be a persistent problem as existing owners are not inclined to give up their 3% mortgages to acquire new facilities with rates roughly twice as high. Many experts were surprised by the Fed's 50-basis-point cut, and if it follows through with further cuts in November and December, mortgage rates will move back into the mid-5% range by the beginning of the year, which could cause a spike in buyer demand and loosen up tight inventory throughout the LA region.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
9804-10012 Norwalk Blvd. - 7 Properties	Santa Fe Springs	239,532	\$75,000,000	McMaster-Carr Supply Company	Brookfield Asset Management
16000 Carmenita Rd. - 2 Properties	Cerritos	171,313	\$50,458,531	Greenlaw Partners	Link Logistics
16930 Valley View Ave.	La Mirada	125,000	\$32,425,000	Ld Valley View Holdings LLC	Pacific Industrial LLC
2202 E. Del Amo Blvd.	Compton	91,643	\$36,932,129	Joosung 3PL	IDI Logistics
1000 W. Foothill Blvd.	Azusa	61,360	\$17,050,000	Mrc Creations	Xebec

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
18175-18215 E. Rowland St.	City of Industry	700,000	Sep-2024	American Starlink	Link Logistics
2000 E. Carson	Carson	293,800	Aug-2024	R1 Concept	Watson Land Company
301 W. Walnut St. - Renewal	Compton	215,316	Aug-2024	Goedis	Invesco
250 W. Manville St.	Compton	206,483	Aug-2024	Kair Harbor	Prologis
20435-20445 Business Pky - sublease	Walnut	200,000	Aug-2024	Xiaoyun Logistics	STG Express

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2024	Square Feet Available	Availability Rate Q3 2024	Average Asking Lease Rate	Net Absorption Q3 2024	Net Absorption 2024	Gross Absorption Q3 2024	Gross Absorption 2024
Central													
Bell/Bell Gardens/Maywood	202	7,557,216	0	0	342,715	4.53%	486,027	6.43%	\$1.83	(175,294)	(88,027)	41,213	195,241
City of Commerce	739	46,374,098	151,551	0	2,434,947	5.25%	5,374,187	11.59%	\$1.20	70,083	(1,450,903)	520,518	1,431,970
Huntington Park/Cudahy	194	4,691,845	0	0	188,783	4.02%	460,289	9.81%	\$0.79	(3,166)	(55,377)	212,797	276,115
Downtown	5,057	124,175,841	332,920	379,014	6,595,431	5.31%	8,904,585	7.17%	\$1.68	(113,990)	(1,366,408)	1,548,604	4,571,914
Montebello/Monterey Park	316	11,845,921	0	0	954,236	8.06%	1,138,967	9.61%	\$1.74	(98,835)	(279,408)	162,501	469,599
Pico Rivera	197	10,299,615	0	0	482,283	4.68%	649,171	6.30%	\$1.41	27,855	(413,975)	463,715	666,687
South Gate	231	9,774,326	0	625,930	320,797	3.28%	720,365	7.37%	\$1.36	(13,338)	(170,364)	18,412	139,922
Vernon	803	45,241,049	0	103,684	2,944,917	6.51%	3,321,594	7.34%	\$1.53	105,969	119,607	1,218,222	2,369,387
Total	7,739	259,959,911	484,471	1,108,628	14,264,109	5.49%	21,055,185	8.10%	\$1.66	(200,716)	(3,704,855)	4,185,982	10,120,835
Mid Counties													
Artesia/Cerritos	276	13,087,795	0	75,514	861,543	6.58%	1,344,445	10.27%	\$1.43	(132,812)	(424,833)	311,723	718,113
Bellflower/Downey	209	5,713,633	0	0	181,429	3.18%	181,429	3.18%	\$1.41	9,588	7,105	136,498	333,812
Buena Park/La Palma	235	15,065,660	127,765	0	1,297,500	8.61%	1,573,974	10.45%	\$0.00	(474,982)	(647,598)	174,045	299,854
La Mirada	178	13,211,571	0	0	1,003,135	7.59%	1,445,711	10.94%	\$1.58	(100,925)	65,624	57,855	730,309
Norwalk	90	3,088,005	0	5,000	92,424	2.99%	100,574	3.26%	\$1.67	(34)	(4,165)	3,300	27,228
Paramount	417	9,302,690	0	0	172,655	1.86%	267,583	2.88%	\$1.35	(19,664)	(158,063)	103,257	207,743
Santa Fe Springs	1,345	53,999,356	571,898	563,240	2,920,385	5.41%	4,042,812	7.49%	\$1.74	(161,004)	(1,188,809)	747,393	1,922,495
Whittier	163	4,197,785	0	292,303	223,665	5.33%	224,764	5.35%	\$1.50	(97,009)	(279,019)	35,257	98,071
Total	2,913	117,666,495	699,663	936,057	6,752,736	5.74%	9,181,292	7.80%	\$1.62	(976,842)	(2,629,758)	1,569,328	4,337,625
San Gabriel Valley													
Alhambra	112	2,153,914	0	0	83,134	3.86%	93,404	4.34%	\$1.26	(13,315)	(10,599)	8,876	58,309
Arcadia/Temple City	142	3,162,498	0	0	140,774	4.45%	163,154	5.16%	\$1.52	(59,125)	(48,256)	22,294	114,208
Azusa	253	6,965,301	0	0	226,192	3.25%	410,030	5.89%	\$1.46	33,225	(113,520)	175,617	247,557
Baldwin Park	249	5,256,388	0	0	174,327	3.32%	293,698	5.59%	\$1.48	82,569	37,151	135,782	234,938
City of Industry/DB/HH/RH	1,109	78,031,923	307,045	250,900	5,472,925	7.01%	7,395,449	9.48%	\$1.67	386,436	316,641	1,446,476	4,045,029
Covina/West Covina	185	3,546,288	0	0	78,082	2.20%	317,530	8.95%	\$1.87	7,891	1,004	48,601	94,162
Duarte	70	1,798,317	0	0	135,029	7.51%	82,719	4.60%	\$0.00	(1,086)	(69,155)	3,754	59,715
El Monte	317	9,048,729	0	80,000	270,508	2.99%	297,964	3.29%	\$1.60	(144,901)	203,782	64,218	567,453
Irwindale	264	13,372,036	129,619	1,689,310	893,288	6.68%	956,387	7.15%	\$1.57	(172,173)	177,384	35,855	644,087
La Puente	95	1,952,113	0	0	16,967	0.87%	19,967	1.02%	\$0.00	10,838	(2,933)	15,722	23,064
La Verne/San Dimas/Glendora	308	6,767,542	0	30,980	246,543	3.64%	465,383	6.88%	\$1.38	(13,643)	(10,895)	123,899	254,878
Monrovia	208	3,410,492	0	0	93,369	2.74%	282,509	8.28%	\$1.85	(4,583)	(18,476)	30,906	93,973
Pomona/Claremont	674	20,646,164	0	235,000	788,695	3.82%	1,023,987	4.96%	\$1.23	(24,340)	(277,140)	283,330	543,424
Rosemead/San Gabriel	121	2,246,999	0	0	57,456	2.56%	84,174	3.75%	\$1.24	5,626	60,631	16,188	155,293
South El Monte	842	11,218,880	0	0	233,359	2.08%	289,861	2.58%	\$1.55	2,144	(40,264)	112,174	321,381
Walnut	206	6,909,089	269,780	0	414,066	5.99%	596,049	8.63%	\$1.51	(43,296)	50,740	424,782	739,968
Total	5,155	176,486,673	706,444	2,286,190	9,324,714	5.28%	12,772,265	7.24%	\$1.56	52,267	256,095	2,948,474	8,197,439
South Bay													
Carson	496	35,994,166	0	429,112	1,764,867	4.90%	2,799,738	7.78%	\$1.75	539,653	184,750	708,048	1,264,005
Compton	480	25,166,084	128,822	45,000	1,489,526	5.92%	2,366,602	9.40%	\$1.55	(73,901)	(883,928)	359,793	542,146
El Segundo	154	7,544,505	0	0	38,652	0.51%	136,498	1.81%	\$2.28	20,110	2,098	49,430	119,448
Gardena	1,174	29,026,613	474,773	566,048	1,458,998	5.03%	2,076,460	7.15%	\$1.43	(138,360)	(793,324)	238,749	697,300
Harbor City	96	1,801,758	0	0	105,296	5.84%	125,106	6.94%	\$0.00	(18,790)	22,676	0	52,400
Hawthorne	222	8,219,583	0	48,080	229,936	2.80%	319,342	3.89%	\$1.61	(118,173)	(67,516)	30,180	165,752
Inglewood	236	4,954,870	0	0	273,730	5.52%	308,823	6.23%	\$1.48	14,270	(174,241)	76,288	144,608
Lakewood/Hawaiian Gardens	24	538,131	0	0	0	0.00%	5,199	0.97%	\$0.00	0	(1,850)	0	0
Lawndale	30	268,126	0	0	30,370	11.33%	21,370	7.97%	\$0.00	(9,098)	(19,370)	9,000	11,000
Long Beach/Terminal Island	750	23,407,042	875,176	715,814	1,246,665	5.33%	1,715,484	7.33%	\$1.78	(69,352)	(246,171)	348,791	689,386
Lynwood	98	4,372,770	0	0	137,978	3.16%	563,402	12.88%	\$1.20	(2,604)	(30,404)	7,200	15,683
Rancho Dominguez	233	14,292,499	76,553	0	718,692	5.03%	1,239,489	8.67%	\$1.48	(214,783)	(240,622)	94,260	1,192,241
Redondo & Hermosa Beach	34	1,750,535	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
San Pedro	45	2,768,203	0	0	375,653	13.57%	395,653	14.29%	\$0.00	5,471	(311,428)	5,471	27,471
Signal Hill	208	3,058,056	0	24,400	118,524	3.88%	114,288	3.74%	\$1.88	(15,264)	(61,894)	18,854	55,652
Torrance	634	29,389,714	0	550,678	1,308,366	4.45%	1,997,908	6.80%	\$2.03	423,576	949,625	360,951	897,441
Wilmington	151	4,109,311	0	0	31,434	0.76%	57,872	1.41%	\$1.75	4,197	9,928	21,736	95,492
Total	5,065	196,661,966	1,555,324	2,379,132	9,328,687	4.74%	14,243,234	7.24%	\$1.84	346,952	(1,661,671)	2,328,751	5,970,025
Los Angeles Total	20,872	750,775,045	3,445,902	6,710,007	39,690,805	5.29%	57,251,976	7.63%	\$1.51	(778,339)	(7,740,189)	11,032,535	28,625,924
5,000-24,999	13,658	165,766,929	34,675	99,294	6,450,519	3.89%	8,287,505	5.00%	\$1.65	(90,758)	(1,414,905)	2,234,762	6,208,209
25,000-49,999	3,605	125,495,131	157,823	271,109	5,271,838	4.20%	7,795,634	6.21%	\$1.43	255,562	67,213	1,833,737	5,290,448
50,000-99,999	1,991	135,692,403	0	0	7,262,183	5.35%	11,462,938	8.45%	\$1.53	(350,607)	(1,334,850)	2,173,744	5,027,521
100,000-249,999	1,284	190,898,008	1,830,271	3,140,815	12,773,394	6.69%	18,510,320	9.70%	\$1.52	(1,478,832)	(3,720,891)	3,173,477	7,404,444
250,000-499,999	270	87,412,498	1,027,742	2,330,054	5,413,179	6.19%	6,780,447	7.76%	\$1.78	886,296	(977,528)	1,616,815	4,326,233
500,000 plus	64	45,510,076	395,391	868,735	2,519,692	5.54%	4,415,132	9.70%	\$0.00	0	(359,228)	0	369,069
Los Angeles Total	20,872	750,775,045	3,445,902	6,710,007	39,690,805	5.29%	57,251,976	7.63%	\$1.51	(778,339)	(7,740,189)	11,032,535	28,625,924

This survey consists of buildings greater than 5,000 square feet. Lease rates are on a triple-net basis.

The Uncertain Landscape During Election Season

by Zac Kolander and Jordan Haynes



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The industrial real estate market has been in a state of flux throughout the year, but it is a bright spot relative to the other commercial property sectors. Although vacancy has increased consistently since late 2022, it slowed in the third quarter, increasing slightly to 5.29% in Los Angeles. The Port of Los Angeles continued to show growth after reporting a 17.6% year-over-year increase for loaded imports in the month of August. Total TEU's topped 960,000, which would mark August as the busiest non-pandemic month ever at the port. Additionally, East Coast dock workers ended their strike after just three days, reaching a tentative agreement on a new contract with port operators.

As industrial real estate professionals, we have the opportunity to speak with business and property owners on a daily basis who describe the pressure points influencing their decision-making. The most common talking points are the future of interest rates, an uncertain political landscape, and the market metrics that affect their planning.

As of September 27, the Core Personal Consumption Expenditure (Core PCE) index, the Fed's preferred inflation indicator, cooled to 2.68%, and its Federal Open Market Committee (FOMC) made its first rate cut (50 basis points) in several years. This is a welcome sign for many who have been waiting on the sidelines for purchase opportunities to finance at more favorable rates. Depending on the October PCE data, we will see if the FOMC's indication of multiple rate cuts starts coming to fruition at its next meeting in November.

The psychology of decision-making in commercial real estate is often conflicted during election years. Which candidate is perceived to be more pro-business, and how could each candidate's policies affect my real estate decisions?

We can reasonably assume that many of the tax policies from 2017 will expire after 2025, depending on the outcome of the election. Individual and corporate tax rates, the Qualified Business Income deduction for pass-through entities, the estate tax threshold, depreciation of business assets, and interest deduction limitations, would each impact businesses and commercial property owners.

Both the outcome of the elections, and moreover, which tax policies would be targeted for change, are uncertain. In uncertain times, it is best to have comprehensive contingency planning. While there is still time to plan, the array of potential options is worth discussing with your financial advisor. If the strategy that fits your position requires a valuation of your industrial property, that's what we do best.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

Product Type

MFG./DIST.

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

Submarkets

CENTRAL

Bell / Bell Gardens / Maywood, City of Commerce, Huntington Park / Cudahy, Downtown, Montebello / Monterey Park, Pico Rivera, South Gate, Vernon

MID COUNTIES

Artesia / Cerritos, Bellflower / Downey, Buena Park / La Palma, La Mirada, Norwalk, Paramount, Santa Fe Springs, Whittier

SAN GABRIEL VALLEY

Alhambra, Arcadia / Temple City, Azusa, Baldwin Park, City of Industry / DB / HH / RH, Covina / West Covina, Duarte, El Monte, Irwindale, La Puente, La Verne / San Dimas / Glendora, Monrovia, Pomona / Claremont, Rosemead / San Gabriel, South El Monte, Walnut

SOUTH BAY

Carson, Compton, El Segundo, Gardena, Harbor City, Hawthorne, Inglewood, Lakewood / Hawaiian Gardens, Lawndale, Long Beach / Terminal Island, Lynwood, Rancho Dominguez, Redondo & Hermosa Beach, San Pedro, Signal Hill, Torrance, Wilmington