

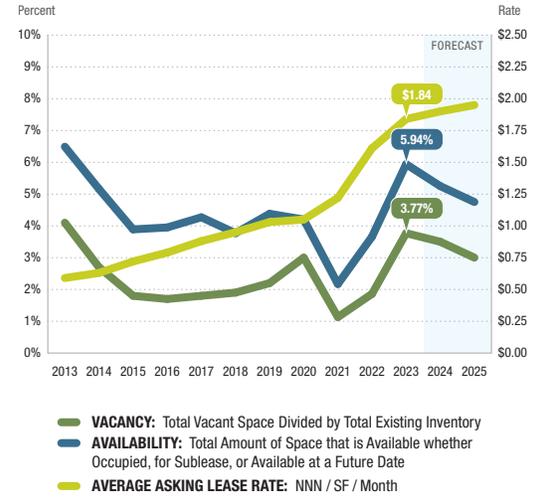
OVERVIEW. Lease and sale transaction activity in the Los Angeles industrial real estate market continued to decline in the final quarter of 2023, both in terms of square footage and transaction count. Vacancy and availability both moved sharply higher and negative net absorption continued. However, gross absorption, the metric that tracks move-ins, edged up. Average asking lease rates managed a slight gain, though landlord concessions are also on the rise. Anecdotal accounts point to sluggish activity in terms of new active requirements and prospective owner/users remain frustrated by persistent high mortgage rates. Construction activity was down during the period.

VACANCY & AVAILABILITY. The overall vacancy rate rose another 57 basis points to 3.77%, after a 29-basis-point jump in Q3. In the past year, vacancy has doubled, but still remains historically low and still well below the national average. Good quality space still moves faster than older, functionally obsolete product, but time-on-market has been on the rise all year regardless of building quality. Tenants, who had become accustomed to having to compete fiercely for space over the past several years, now have less of a sense of urgency to act quickly and are demanding more from prospective landlords to secure their commitment. The availability rate made a similar move up in Q4, rising by 45 basis points to 5.94%. Savvy landlords are being more proactive with existing tenants to secure renewals in order to avoid the loss of rental income that comes with longer lease-up times.

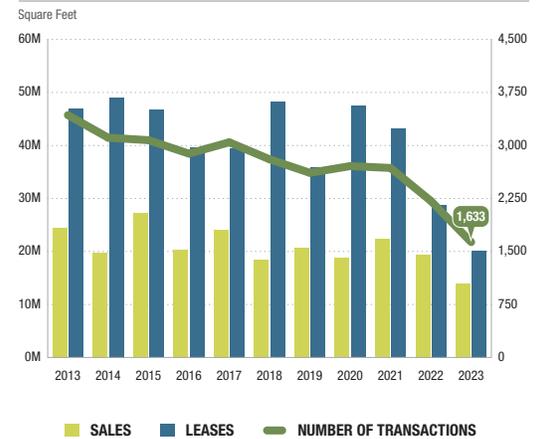
LEASE RATES. The average asking lease rate was slightly higher for the Los Angeles region in Q4, moving up by two cents to \$1.84. Landlords are generally holding the line on their asking rates, preferring to attract tenants with concessions rather than lower rates. Year over year, the average asking lease rate for the entire region is up by just 3.37%, but concessions, which wouldn't have been on the table a year ago, are now commonplace. The South Bay submarket still has the highest asking rate at \$1.87, but that is \$0.07 lower than it was in Q3. It is important to note that the overall average asking rent metric can be misleading, as many of the highest quality buildings that command a premium price are offered to the market without an asking price. What is clear is the fact that the prolific double-digit rent growth we experienced for over a decade is in the rearview mirror.

TRANSACTION ACTIVITY. Transaction activity by square footage suffered another significant decline in Q4, and the total number of sale and lease transactions completed fell to 367 from 529 in Q3. In Q4, 301 leases were completed totaling 4,368,980 SF, as compared with 430 leases totaling 7,810,363 SF in Q3. Sales transaction count also took a hit. Only 66 sale transactions were completed for a total of 2,422,771 SF, as compared with 99 sales and 3,821,802 SF in Q3. The sluggish sale numbers for the quarter reflect high mortgage interest rates for owner/user buildings, the increased caution from institutional investors and the impact of Measure ULA for properties within the city limits of Los Angeles. The biggest sale for the final quarter was a 993,142 SF building acquired by Rexford Industrial Realty, Inc. from Pabst Brewing Company in Irwindale. The largest lease was a sublease of 234,600 SF to Lincoln Transportation in Compton by Puma North America, Inc.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



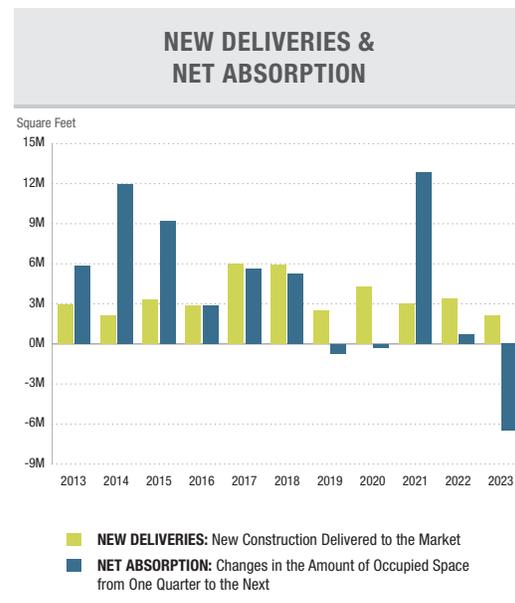
Market Statistics

	Change Over Last Quarter	Q4 2023	Q3 2023	Q4 2022	% Change Over Last Year
Vacancy Rate	▲ UP	3.77%	3.20%	1.86%	101.91%
Availability Rate	▲ UP	5.94%	5.49%	3.66%	62.33%
Average Asking Lease Rate	▲ UP	\$1.84	\$1.82	\$1.78	3.37%
Sale & Lease Transactions	▼ DOWN	6,791,751	11,632,165	10,963,774	(38.05%)
Gross Absorption	▲ UP	10,135,574	9,833,888	7,070,327	43.35%
Net Absorption	▼ NEGATIVE	(414,935)	(1,414,571)	(712,855)	N/A

ABSORPTION. Negative net absorption continued for the seventh straight quarter in Q4, but the overall decline in occupied space narrowed to just over 414,000 SF from over 1,400,000 in Q3. Losses in the South Bay Central and Mid-Counties submarkets were offset by a strong gain of over 701,000 SF in the San Gabriel Valley. Negative net absorption is a general indicator of a decline in business activity, but the recent decline in occupied space is minor considering the inventory base of over 747 MSF. Significant positive absorption is difficult to achieve in markets with low vacancy and aging, functionally obsolete inventory, as those conditions make it problematic for growing companies to expand significantly within the area. This is why we may see more LA-area companies relocate to the Inland Empire in the future.

CONSTRUCTION. New construction in the Los Angeles area fell substantially in Q4 as several new deliveries were added to the base inventory, which expanded by 3.4 MSF to 747.6 MSF. The construction queue fell to 5.1 MSF from just over 7 MSF in Q3. Planned space fell by 400,000 SF to just under 6.3 MSF. Unfortunately, new construction numbers keep heading in the wrong direction, as there is still strong demand from users looking for the clear height and fire-suppression systems associated with first-generation space. But suitable land sites are in short supply and the cost of capital remains elevated, which makes projects difficult to underwrite, especially now that rent growth has slowed. Two thirds of all new construction is in the San Gabriel Valley.

EMPLOYMENT. In November 2023, the seasonally adjusted unemployment rate in Los Angeles County increased to 5.3%, up from the revised rate of 5.2% in October 2023, and surpassing the 4.7% rate observed one year ago. On a positive note, several industries experienced job gains over the year, including private education and health services, which saw an increase of 56,200 jobs. Similarly, the leisure and hospitality sector added 33,700 jobs, while trade, transportation, and utilities registered a gain of 10,700 jobs.



Forecast

The Los Angeles industrial market should remain tight throughout 2024. However, vacancy and availability will keep creeping up and net absorption will remain slightly in negative territory due to the ongoing shortage of highly functional existing space and the lack of new deliveries. Some LA-area tenants will be forced to consider the Inland Empire, which saw a significant rise in vacancy and new deliveries in 2023. LA-area owner/user sales could get a welcome boost in activity due to the decline in mortgage interest rates that began in December. The yield on the 10-Year Treasury note, the primary benchmark for setting commercial property mortgage rates, fell by over 100 basis points in just a few weeks, and that sent the SBA 504 rate down 41 basis points to 6.59% in December. A similar decline is expected in January.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
15801 E. First St.	Irwindale	993,142	\$120,000,000	Rexford Industrial Realty, Inc.	The Pabst Brewing Company
7050-7150 Village Dr. - 5 Properties	Buena Park	295,860	\$71,000,000	Buchanan Street Partners	TA Realty
690-750 W 190th St	Gardena	126,015	\$55,000,000	Evergreen Equity	Campbell Campbell & Campbell Inc.
2411 Santa Fe Ave.	Redondo Beach	112,363	\$45,700,000	Terreno Santa Fe LLC	Link Logistics Real Estate
1217 W. Artesia Blvd.	Compton	71,000	\$21,000,000	Artisan Ventures	Nsa Reaty Estate Investment LLC

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
601 W. Carob St. – Subleased	Compton	234,600	Oct-2023	Lincoln Transportation	Puma North America Inc.
5091 4th St.	Irwindale	233,342	Nov-2023	Classic Concepts, Inc.*	LIT Finance II LP
16400 Trojan Way – Renewal	La Mirada	220,000	Oct-2023	Daiso California LLC	Prologis Inc.
1021 N. Todd Ave. – Subleased	Azusa	150,000	Oct-2023	Esong Group	World Depot
5500 Ferguson Dr.	Commerce	149,325	Oct-2023	Moreno Bathroom Vanity, Inc.	Cross Roads Trust

* Voit Real Estate Services Deal

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q4 2023	Square Feet Available	Availability Rate Q4 2023	Average Asking Lease Rate	Net Absorption Q4 2023	Net Absorption 2023	Gross Absorption Q4 2023	Gross Absorption 2023
Central													
Bell/Bell Gardens/Maywood	201	7,546,033	0	0	163,665	2.17%	291,695	3.87%	\$1.91	0	(182,947)	51,151	125,047
City of Commerce	742	46,242,493	151,565	0	1,517,725	3.28%	3,680,742	7.96%	\$1.61	(287,993)	(782,260)	577,043	2,184,277
Huntington Park/Cudahy	197	4,774,995	0	0	178,421	3.74%	517,937	10.85%	\$1.45	(94,210)	(147,604)	32,135	192,162
Downtown	5,081	124,757,072	322,840	292,363	5,085,516	4.08%	7,512,426	6.02%	\$1.88	261,921	(953,074)	1,922,500	5,429,743
Montebello/Monterey Park	317	11,855,996	0	25,500	780,981	6.59%	1,182,107	9.97%	\$2.00	(80,560)	(436,552)	152,619	767,615
Pico Rivera	198	10,307,162	40,900	0	167,972	1.63%	369,728	3.59%	\$1.50	(59,368)	(59,155)	9,750	117,631
South Gate	226	9,808,893	0	625,930	69,598	0.71%	310,221	3.16%	\$0.00	(20,686)	1,088	0	74,466
Vernon	801	44,529,163	286,282	86,748	2,832,245	6.36%	3,183,487	7.15%	\$1.66	127,856	(390,948)	690,519	2,385,920
Total	7,763	259,821,807	801,587	1,030,541	10,796,123	4.16%	17,048,343	6.56%	\$1.73	(153,040)	(2,951,452)	3,435,717	11,276,861
Mid Counties													
Artesia/Cerritos	277	13,055,746	0	0	525,490	4.02%	920,675	7.05%	\$1.63	73,093	(74,783)	222,945	537,294
Bellflower/Downey	204	5,547,944	0	0	158,990	2.87%	240,629	4.34%	\$1.55	(25,312)	(27,375)	19,478	260,191
Buena Park/La Palma	236	15,304,937	27,765	0	507,391	3.32%	685,812	4.48%	\$0.00	(71,544)	(96,899)	135,571	388,857
La Mirada	177	13,415,184	0	0	769,665	5.74%	1,522,743	11.35%	\$1.59	(289,166)	(412,403)	128,749	611,174
Norwalk	90	2,919,603	0	0	94,271	3.23%	103,199	3.53%	\$1.60	(687)	(177,059)	5,744	11,053
Paramount	414	9,228,217	0	0	115,280	1.25%	274,208	2.97%	\$1.45	17,209	(16,716)	73,197	323,687
Santa Fe Springs	1,345	53,800,422	366,332	607,624	1,634,471	3.04%	2,805,699	5.22%	\$1.77	(195,675)	(205,092)	752,774	2,255,519
Whittier	162	4,339,467	0	292,426	72,310	1.67%	97,298	2.24%	\$1.38	(32,224)	215,201	245,472	349,758
Total	2,905	117,611,520	394,097	900,050	3,877,868	3.30%	6,650,263	5.65%	\$1.68	(524,306)	(795,126)	1,583,930	4,737,533
San Gabriel Valley													
Alhambra	112	2,154,439	0	0	43,596	2.02%	84,240	3.91%	\$1.30	(14,285)	(46,855)	2,780	41,429
Arcadia/Temple City	141	3,146,409	0	0	86,105	2.74%	89,440	2.84%	\$2.43	(5,323)	(49,518)	20,128	71,987
Azusa	247	6,839,284	0	0	166,942	2.44%	199,027	2.91%	\$1.40	102,368	122,605	173,650	445,851
Baldwin Park	248	5,166,839	0	0	201,306	3.90%	250,174	4.84%	\$1.28	(37,750)	(97,559)	21,633	216,664
City of Industry/DB/HH/RH	1,110	76,708,807	2,127,316	271,100	3,095,256	4.04%	5,747,218	7.49%	\$1.66	674,863	294,869	1,683,094	4,638,295
Covina/West Covina	185	3,515,933	0	0	86,242	2.45%	365,376	10.39%	\$3.07	(21,352)	(30,947)	9,988	111,584
Duarte	70	1,798,317	0	0	95,100	5.29%	50,050	2.78%	\$0.00	27,258	(36,701)	63,798	91,552
El Monte	315	8,717,256	372,992	80,000	161,475	1.85%	162,126	1.86%	\$1.75	(709)	(164,075)	185,555	549,417
Irwindale	262	12,270,405	682,625	1,251,758	328,894	2.68%	568,538	4.63%	\$1.38	8,875	637,040	125,795	919,446
La Puente	94	1,947,208	0	0	9,902	0.51%	26,323	1.35%	\$0.00	32,374	24,738	56,340	100,738
La Verne/San Dimas/Glendora	307	6,662,010	81,477	30,110	175,426	2.63%	177,661	2.67%	\$1.15	(28,306)	(4,941)	29,182	306,402
Monrovia	206	3,368,133	0	0	106,055	3.15%	157,084	4.66%	\$1.85	(18,354)	(42,213)	36,666	110,818
Pomona/Claremont	671	20,553,890	37,690	230,000	356,277	1.73%	570,073	2.77%	\$1.45	(79,100)	(58,530)	50,387	469,124
Rosemead/San Gabriel	120	2,264,964	0	0	120,732	5.33%	69,932	3.09%	\$1.31	(54,693)	(126,772)	5,704	65,753
South El Monte	840	11,220,850	0	0	341,181	3.04%	257,086	2.29%	\$1.56	25,703	(466)	131,412	388,799
Walnut	199	6,739,726	0	269,780	405,263	6.01%	399,038	5.92%	\$1.55	89,482	(102,882)	147,288	278,892
Total	5,127	173,074,470	3,302,100	2,132,748	5,779,752	3.34%	9,173,386	5.30%	\$1.56	701,051	317,793	2,743,400	8,806,751
South Bay													
Carson	497	35,560,064	127,775	0	1,563,273	4.40%	2,755,775	7.75%	\$1.86	(12,709)	(738,632)	243,040	1,233,502
Compton	474	25,135,580	0	45,000	905,198	3.60%	1,808,075	7.19%	\$1.81	7,593	(587,259)	503,532	1,337,517
El Segundo	155	7,526,459	0	0	121,466	1.61%	158,810	2.11%	\$2.17	54,992	(43,224)	54,992	120,549
Gardena	1,175	29,288,589	474,774	330,048	947,730	3.24%	1,272,675	4.35%	\$1.63	(71,566)	(388,905)	501,463	1,564,156
Harbor City	95	1,765,758	0	0	111,372	6.31%	87,572	4.96%	\$0.00	(7,703)	(243,025)	14,400	159,128
Hawthorne	220	8,249,208	30,595	40,000	177,010	2.15%	205,911	2.50%	\$1.58	(40,845)	(43,011)	10,730	72,485
Inglewood	235	4,968,473	0	0	148,633	2.99%	167,819	3.38%	\$1.72	(41,540)	(102,478)	67,520	158,949
Lakewood/Hawaiian Gardens	24	545,940	0	0	1,850	0.34%	1,850	0.34%	\$0.00	(1,850)	150	0	4,450
Lawndale	29	255,756	0	0	12,000	4.69%	12,000	4.69%	\$0.00	(10,000)	(5,000)	0	5,000
Long Beach/Terminal Island	753	24,267,399	0	1,193,672	636,998	2.62%	1,038,879	4.28%	\$1.53	(11,247)	(224,715)	704,096	1,683,968
Lynwood	99	4,665,228	0	0	94,948	2.04%	133,616	2.86%	\$1.21	(43,983)	(48,357)	5,680	14,142
Rancho Dominguez	235	14,280,896	0	0	863,411	6.05%	1,065,122	7.46%	\$1.50	(57,280)	(681,484)	38,371	201,442
Redondo & Hermosa Beach	36	1,767,808	0	0	2,130	0.12%	2,130	0.12%	\$0.00	(1,330)	(3,330)	2,900	2,900
San Pedro	45	2,768,203	0	34,930	64,225	2.32%	418,124	15.10%	\$2.00	(48,500)	(59,583)	0	5,455
Signal Hill	205	3,000,137	0	24,400	56,068	1.87%	85,017	2.83%	\$1.86	17,123	79,284	43,813	270,403
Torrance	633	28,975,645	0	545,140	1,913,805	6.60%	2,244,360	7.75%	\$2.21	(149,352)	(164,211)	165,980	2,020,198
Wilmington	146	4,069,153	0	0	60,873	1.50%	97,218	2.39%	\$1.82	(20,443)	187,991	16,010	346,351
Total	5,056	197,090,296	633,144	2,213,190	7,680,990	3.90%	11,554,953	5.86%	\$1.87	(438,640)	(3,065,789)	2,372,527	9,200,595
Los Angeles Total	20,851	747,598,093	5,130,928	6,276,529	28,151,317	3.77%	44,426,945	5.94%	\$1.84	(414,935)	(6,494,574)	10,135,574	34,021,740
5,000-24,999	13,645	165,693,633	51,786	88,358	5,287,699	3.19%	7,191,507	4.34%	\$1.80	(89,294)	(1,927,743)	2,235,316	7,731,362
25,000-49,999	3,605	125,444,032	172,868	284,108	5,255,841	4.19%	7,343,965	5.85%	\$1.53	(371,879)	(1,590,582)	1,684,712	5,554,395
50,000-99,999	1,987	132,231,351	506,976	563,786	5,608,401	4.24%	8,300,994	6.28%	\$1.67	(175,471)	(1,198,357)	1,743,304	5,787,067
100,000-249,999	1,287	190,967,444	1,931,546	2,672,829	7,578,743	3.97%	13,035,685	6.83%	\$1.73	(614,850)	(2,131,877)	2,954,948	8,612,510
250,000-499,999	266	86,339,629	1,166,872	1,612,405	3,633,052	4.21%	6,462,225	7.48%	\$2.08	(164,061)	(791,335)	495,660	4,422,781
500,000 plus	61	46,922,004	1,300,880	1,055,043	787,581	1.68%	2,092,569	4.46%	\$0.00	1,000,620	1,145,320	1,022,084	1,913,625
Los Angeles Total	20,851	747,598,093	5,130,928	6,276,529	28,151,317	3.77%	44,426,945	5.94%	\$1.84	(414,935)	(6,494,574)	10,135,574	34,021,740

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

Promising Horizons for the 2024 Los Angeles Industrial Real Estate Market

by **Selden McKnight and Jordan Haynes**



Selden McKnight
VICE PRESIDENT / PARTNER
ANAHEIM
714.935.2323
smcknight@voitco.com
Lic. #02027919



Jordan Haynes
ASSOCIATE
ANAHEIM
714.935.2329
jhaynes@voitco.com
Lic. #02083655

Los Angeles industrial real estate experienced a return to a more balanced market in 2023. Vacancy rates rose quarter by quarter, resulting in landlords offering more concessions including rent abatement and tenant improvement allowances. Sale prices continued decreasing over the year as the price of capital continued to rise. However, multiple indicators demonstrate the Los Angeles industrial market could remain resilient in 2024 as port activity began to increase and the cost of capital started falling along with the 10 Year Treasury Note.

In November, port activity saw a 19% increase in monthly year-over-year activity for twenty-foot equivalent units (TEU's). This is the largest monthly year-over-year increase since June of 2021. The primary contributors to this increase in activity are the shortage of water in the Panama Canal and labor negotiations at U.S. ports. The Panama Canal is experiencing a drought, resulting in delayed passage for shipping containers. It is predicted the number of shipping containers that can pass through the Panama Canal will be reduced by 50% by February 2024. The ports of Los Angeles and Long Beach experienced a surge in activity as global shipping routes shifted in response to the passageway limitations. This redirection amplified the region's role as a key gateway for international trade. Additionally, after reaching a tentative six-year labor contract for the West Coast port workers, the East Coast ports now find themselves dealing with labor negotiations heading into 2024. Port workers have threatened strikes if their terms for increased wages are not met, resulting in carriers diverting ships to Western ports. The combination of the shortage of water in the Panama Canal combined with ongoing labor issues on the East Coast should continue to facilitate growth for the Los Angeles ports.

Moreover, in December the Federal Reserve reported their intention not to implement additional rate hikes, instead signaling the possibility of three rate reductions in 2024. Although the supply of properties for sale is limited, the divergence between buyer and seller expectations continues, with asking prices maintaining elevated levels. Nevertheless, the prospective reduction in the cost of capital in 2024, which will result in increased buying power, may serve to mitigate the gap between buyer and seller expectations.

Real estate giant Prologis anticipates vacancy rates to hit an all-time low by mid-2024, according to their year-end report. As many new developments have been delayed due to rising material and labor expenses, along with increased capital costs, Prologis predicts these factors could lead to more scarcity in the market as speculative development slumped 65% from peak levels and continue to drop.

Please Contact Us for Further Information

Tony Tran
Regional Director of Research
ttran@voitco.com

Anaheim, CA
714.978.7880

Carlsbad, CA
760.472.5620

Inland Empire, CA
909.545.8000

Irvine, CA
949.851.5100

Los Angeles, CA
424.329.7500

San Diego, CA
858.453.0505

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