

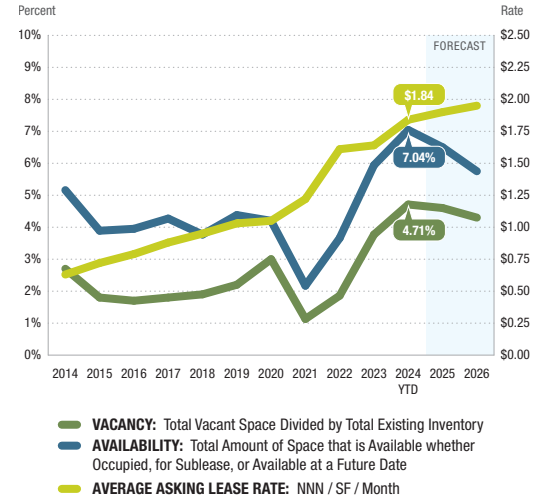
**OVERVIEW.** The Los Angeles industrial market slowed considerably in the first quarter, continuing a softening trend that began in late 2022. Vacancy and availability both took a big jump up in the period and net absorption moved well into negative territory. Transaction volume also suffered, especially on the sale side, while leasing activity was little changed. Despite all those metrics, the average asking lease rate was unchanged. But, as we have previously reported, landlord concessions are on the rise, which means effective rates are in decline. The number of active requirements and prospective owner/user purchasers is also declining and that is keeping available properties on the market longer. Construction activity and planned space were both up slightly to start the year.

**VACANCY & AVAILABILITY.** The rise in vacancy was significant in Q1 and worthy of concern. While it has been on the rise since late 2022, it spiked by 94 basis points to 4.71% in Q1, a level it hasn't reached in a decade. In the past year, vacancy has risen by 222 basis points, or 89%, but is still below the national average. Good quality space still moves fastest and commands the highest rates, but time-on-market is increasing across the quality spectrum. Tenants are gaining the upper hand in lease negotiations as a result, which is a welcome change for them after having to compete fiercely with multiple bidders for many years. The availability rate, which includes available space that is not yet vacant, also jumped in Q1, rising by 110 basis points to 7.04%. The widening spread between vacancy and availability rates is an indicator of more space available for sublease.

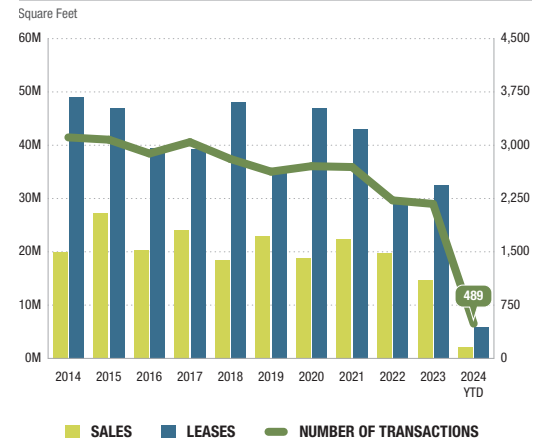
**LEASE RATES.** The average asking lease rate was unchanged at \$1.84 for the Los Angeles region in Q1. But, in a market with concessions on the rise, asking rates don't tell the real story. Landlords fight hard to keep their asking or "coupon" rates in lease negotiations because it helps with underwriting if they decide to refinance or sell. So they offer concessions like free rent and tenant improvements to lower the "effective" rate for their prospective tenants. The year-over-year average asking lease rate is up a healthy 8.24%, but that is still well off the double-digit annual pace landlords enjoyed for over a decade. The South Bay submarket still has the highest asking rate at \$1.84, down \$0.03 for the quarter. San Gabriel Valley recorded the lowest rate of \$1.56, unchanged for the period.

**TRANSACTION ACTIVITY.** Transaction activity by square footage declined again in Q1, ending the quarter at 7,898,929 SF from 9,823,740 SF in Q4. The total number of sale and lease transactions fell to 489 from 506 in Q4. Lease transaction count actually went up by 28, but square footage leased fell by 642,000 SF, which means the average deal size was smaller, a trend we are seeing throughout Southern California. Sales transaction count took another big hit in Q1. Just 58 sales were inked for a total of 2,022,540 SF, down from 110 sales and 3,305,665 SF in Q4. The weakening sale numbers are mainly due to high mortgage interest rates for owner/user buildings, a decrease in institutional investor interest and, in the City of Los Angeles, the onerous transfer tax associated with Measure ULA.

**VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES**



**TRANSACTION VOLUME & NUMBER OF TRANSACTIONS**



Market Statistics

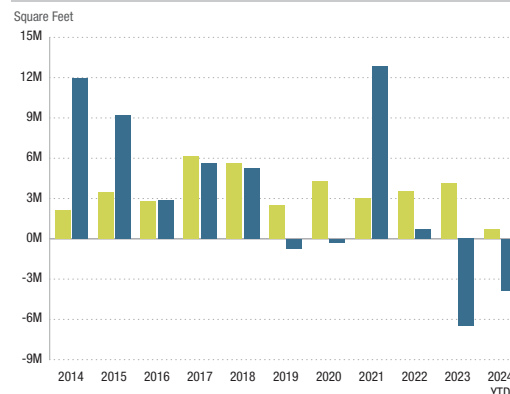
	Change Over Last Quarter	Q1 2024	Q4 2023	Q1 2023	% Change Over Last Year
Vacancy Rate	▲ UP	4.71%	3.77%	2.49%	89.09%
Availability Rate	▲ UP	7.04%	5.94%	4.72%	49.33%
Average Asking Lease Rate	▬ FLAT	\$1.84	\$1.84	\$1.70	8.24%
Sale & Lease Transactions	▼ DOWN	7,898,929	9,823,740	13,357,239	(40.86%)
Gross Absorption	▼ DOWN	8,274,461	10,135,574	5,333,171	55.15%
Net Absorption	▼ NEGATIVE	(3,870,528)	(414,935)	(3,606,403)	N/A

**ABSORPTION.** Negative net absorption took a big turn for the worse in Q1. Net occupied space declined by a whopping 3,870,528 SF in just 3 months, after a decline of 414,935 SF in Q4. This is due in part to the increase in time-on-market that is now measured in months rather than days as it was before the end of 2022. There aren't as many active tenant and buyer requirements in the market to generate significant growth in occupied space. Net absorption is a key indicator of market health because it points to the level of business growth within a market area. Consistent net occupancy loss indicates that businesses are shrinking and/or leaving the area. In 2024, gross absorption in the LA Region declined by almost 5.5 MSF and Q1 performance indicates that trend is ongoing.

**CONSTRUCTION.** New construction in the Los Angeles area ticked higher in Q1, ending the period at 5,459,653 SF, up from 5,130,928 SF in Q4. Planned space also moved up slightly to 6.4 MSF, most of which will be located in the South Bay and San Gabriel Valley submarkets. There is still strong enough demand from users looking for the clear height and fire suppression systems associated with first-generation space to warrant additional new deliveries.

**EMPLOYMENT.** The seasonally adjusted unemployment rate in Los Angeles County held steady at 5.4% in February 2024, unchanged from the revised 5.4% rate in January but higher than the 4.9% rate a year earlier in February 2023. Several industries contributed to job growth during the month, professional and business services with 2,200 new jobs, government employment up by 2,200, the construction sector gaining 1,100 jobs, and manufacturing adding 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 become more of a challenge for landlords and sellers over the next several quarters. Vacancy will move higher and absorption will stay in negative territory as a shrinking pool of tenants and buyers will become even more demanding at the negotiating table. Owner / user sales will be especially difficult, as mortgage interest rates are likely to remain near current levels for the remainder of the year. The Fed still seems to be undecided about its monetary policy after predictions of multiple rate cuts have been rescinded. Property owners within the limits of the City of Los Angeles face especially stiff headwinds, as the so-called “mansion tax” makes all real estate transactions over \$5 million subject to a transfer tax of up to 5.5% of the purchase price. New construction starts are likely to slow as well. Prospects for rapid rent growth and strong demand have diminished, making new ground-up development projects more difficult to underwrite. Despite the shift in market metrics, it is still important to note the market is cooling off only after an unprecedented bull run that lasted more than a decade.

## Significant Transactions

Sales						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
1620 S. Wilmington Ave. - 4 Properties	Compton	546,866	\$196,500,500	CenterPoint Properties	South Bay Industrials Company LLC	
5010–5020 Azusa Canyon Rd. - 2 Properties	Irwindale	233,984	\$84,000,000	Rexford Industrial Realty, Inc.	AEW Capital Management	
1600–1639 Main St. - 3 Properties	Los Angeles	98,784	\$45,750,000	Hobson Lucas Family Foundation	Redcar Cornfields Owner LLC	
18689–18701 Arenth Ave.	Rowland Heights	91,151	\$38,400,000	Gigabyte Technologies	Staley Point Capital	
320–336 W. 31th St.	Los Angeles	736,222	\$37,900,000	Planned Parenthood	Fortess Investment Group*	

Leases					
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
5804–5884 E. Slauson Ave. - Renewal	City of Commerce	631,264	Jan-2024	Four Season General Merchandise	LIT Commerce Distribution Ctr
1650 Central S. Cenral Ave. - Renewal	Compton	418,344	Mar-2024	STG Logistics	Alfred E. & Katherine Heller
2132 E. Dominquez St. - Renewal	Carson	254,411	Feb-2024	Inland Star Distribution Centers, Inc.	Prologis
14425–14525 Clark Ave.	City of Industry	232,643	Jan-2024	ACL America	Bpp Shiraz Park Bc Lp
4800 Conant St- renewal	Long Beach	219,280	Mar-2024	Simple Human, Inc.	Sares-Regis Group

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2024	Square Feet Available	Availability Rate Q1 2024	Average Asking Lease Rate	Net Absorption Q1 2024	Net Absorption 2024	Gross Absorption Q1 2024	Gross Absorption 2024
<b>Central</b>													
Bell/Bell Gardens/Maywood	202	7,548,534	0	0	231,506	3.07%	378,714	5.02%	\$1.89	1,570	1,570	62,351	62,351
City of Commerce	739	46,006,641	245,705	0	2,332,517	5.07%	4,091,534	8.89%	\$1.58	(872,825)	(872,825)	309,291	309,291
Huntington Park/Cudahy	200	4,827,401	0	0	260,101	5.39%	457,228	9.47%	\$1.25	(81,680)	(81,680)	22,705	22,705
Downtown	5,063	123,876,353	469,867	292,363	5,693,115	4.60%	8,071,864	6.52%	\$1.79	(874,741)	(874,741)	1,718,381	1,718,381
Montebello/Monterey Park	316	11,844,271	0	25,500	1,121,702	9.47%	1,425,936	12.04%	\$1.82	(251,023)	(251,023)	119,950	119,950
Pico Rivera	198	10,308,592	40,900	0	278,031	2.70%	422,397	4.10%	\$1.43	(110,059)	(110,059)	8,247	8,247
South Gate	227	9,823,603	0	625,930	211,860	2.16%	459,588	4.68%	\$1.19	(55,224)	(55,224)	109,903	109,903
Vernon	793	44,193,063	227,283	271,837	2,970,445	6.72%	3,254,436	7.36%	\$1.59	6,723	6,723	683,941	683,941
<b>Total</b>	<b>7,738</b>	<b>258,428,458</b>	<b>983,755</b>	<b>1,215,630</b>	<b>13,099,277</b>	<b>5.07%</b>	<b>18,561,697</b>	<b>7.18%</b>	<b>\$1.66</b>	<b>(2,237,259)</b>	<b>(2,237,259)</b>	<b>3,034,769</b>	<b>3,034,769</b>
<b>Mid Counties</b>													
Artesia/Cerritos	276	13,125,844	0	0	609,565	4.64%	1,013,628	7.72%	\$1.53	(25,779)	(25,779)	236,756	236,756
Bellflower/Downey	206	5,775,407	0	0	210,083	3.64%	229,468	3.97%	\$1.42	(54,706)	(54,706)	157,059	157,059
Buena Park/La Palma	238	15,345,859	27,765	0	578,025	3.77%	974,098	6.35%	\$0.00	(74,549)	(74,549)	39,913	39,913
La Mirada	178	13,442,224	0	0	968,339	7.20%	1,535,377	11.42%	\$1.57	(172,996)	(172,996)	102,583	102,583
Norwalk	90	2,919,603	0	5,000	105,877	3.63%	103,794	3.56%	\$1.67	(9,523)	(9,523)	5,958	5,958
Paramount	414	9,231,789	0	0	189,930	2.06%	370,552	4.01%	\$1.44	(99,708)	(99,708)	33,762	33,762
Santa Fe Springs	1,350	53,878,719	343,022	483,500	1,967,428	3.65%	4,184,453	7.77%	\$1.75	(181,684)	(181,684)	397,154	397,154
Whittier	163	4,224,305	0	292,303	96,308	2.28%	314,349	7.44%	\$1.50	(27,509)	(27,509)	26,331	26,331
<b>Total</b>	<b>2,915</b>	<b>117,943,750</b>	<b>370,787</b>	<b>780,803</b>	<b>4,725,555</b>	<b>4.01%</b>	<b>8,725,719</b>	<b>7.40%</b>	<b>\$1.62</b>	<b>(646,454)</b>	<b>(646,454)</b>	<b>999,516</b>	<b>999,516</b>
<b>San Gabriel Valley</b>													
Alhambra	112	2,155,611	0	0	88,368	4.10%	104,873	4.87%	\$1.26	(3,734)	(3,734)	19,238	19,238
Arcadia/Temple City	141	3,147,408	0	0	71,161	2.26%	46,889	1.49%	\$1.85	8,519	8,519	59,275	59,275
Azusa	249	6,911,252	0	0	191,242	2.77%	357,514	5.17%	\$1.40	(52,860)	(52,860)	62,500	62,500
Baldwin Park	248	5,164,064	0	0	230,122	4.46%	217,428	4.21%	\$1.36	(22,360)	(22,360)	25,731	25,731
City of Industry/DB/HH/RH	1,119	77,396,982	1,739,326	247,100	4,341,237	5.61%	7,564,953	9.77%	\$3.24	(490,779)	(490,779)	1,115,020	1,115,020
Covina/West Covina	186	3,557,045	0	0	91,446	2.57%	363,141	10.21%	\$1.75	(5,204)	(5,204)	34,814	34,814
Duarte	70	1,798,317	0	0	116,955	6.50%	19,714	1.10%	\$0.00	(58,395)	(58,395)	51,406	51,406
El Monte	317	9,003,220	12,000	80,000	158,900	1.76%	271,081	3.01%	\$1.62	335,997	335,997	390,733	390,733
Irwindale	265	12,278,163	682,181	1,251,758	479,071	3.90%	1,114,124	9.07%	\$1.55	518,005	518,005	4,206	4,206
La Puente	94	1,947,208	0	0	6,965	0.36%	17,237	0.89%	\$0.00	2,937	2,937	6,407	6,407
La Verne/San Dimas/Glendora	308	6,770,034	0	30,110	261,695	3.87%	348,319	5.15%	\$1.59	(18,604)	(18,604)	31,597	31,597
Monrovia	206	3,405,847	0	0	104,825	3.08%	269,149	7.90%	\$1.85	(30,162)	(30,162)	29,257	29,257
Pomona/Claremont	670	20,614,658	0	235,000	516,329	2.50%	766,687	3.72%	\$1.20	(130,520)	(130,520)	102,278	102,278
Rosemead/San Gabriel	120	2,271,784	0	0	79,738	3.51%	84,738	3.73%	\$1.31	48,485	48,485	78,956	78,956
South El Monte	841	11,207,380	0	0	322,173	2.87%	202,429	1.81%	\$1.55	20,878	20,878	155,317	155,317
Walnut	201	6,743,499	269,780	0	312,944	4.64%	612,040	9.08%	\$1.52	89,847	89,847	244,201	244,201
<b>Total</b>	<b>5,147</b>	<b>174,372,472</b>	<b>2,703,287</b>	<b>1,843,968</b>	<b>7,373,171</b>	<b>4.23%</b>	<b>12,360,316</b>	<b>7.09%</b>	<b>\$1.56</b>	<b>212,050</b>	<b>212,050</b>	<b>2,410,936</b>	<b>2,410,936</b>
<b>South Bay</b>													
Carson	495	35,555,227	556,887	0	1,960,188	5.51%	2,732,364	7.68%	\$1.80	(202,291)	(202,291)	181,493	181,493
Compton	476	25,137,542	76,553	45,000	1,495,284	5.95%	2,216,154	8.82%	\$1.77	(707,862)	(707,862)	56,942	56,942
El Segundo	155	7,510,001	0	0	130,716	1.74%	118,229	1.57%	\$2.22	(26,900)	(26,900)	30,000	30,000
Gardena	1,178	29,155,958	474,774	558,048	1,531,209	5.25%	1,601,130	5.49%	\$1.46	(187,532)	(187,532)	243,588	243,588
Harbor City	95	1,765,758	0	0	82,572	4.68%	90,829	5.14%	\$0.00	14,400	14,400	14,400	14,400
Hawthorne	220	8,190,278	30,595	40,000	192,478	2.35%	178,713	2.18%	\$1.58	(25,843)	(25,843)	56,072	56,072
Inglewood	235	4,962,425	0	0	164,674	3.32%	177,529	3.58%	\$1.59	(56,390)	(56,390)	19,977	19,977
Lakewood/Hawaiian Gardens	24	538,131	0	0	1,850	0.34%	1,850	0.34%	\$0.00	(1,850)	(1,850)	0	0
Lawndale	30	268,028	0	0	22,272	8.31%	22,272	8.31%	\$0.00	(10,272)	(10,272)	2,000	2,000
Long Beach/Terminal Island	753	23,993,040	263,015	1,228,305	1,228,674	5.12%	1,794,621	7.48%	\$1.45	(110,302)	(110,302)	142,326	142,326
Lynwood	99	4,363,391	0	0	113,348	2.60%	113,965	2.61%	\$1.21	(18,400)	(18,400)	0	0
Rancho Dominguez	234	14,340,325	0	0	1,133,830	7.91%	1,419,053	9.90%	\$1.57	(106,925)	(106,925)	600,710	600,710
Redondo & Hermosa Beach	34	1,744,149	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
San Pedro	45	2,768,203	0	0	64,225	2.32%	403,124	14.56%	\$0.00	0	0	0	0
Signal Hill	206	3,040,985	0	24,400	75,578	2.49%	103,589	3.41%	\$1.91	(16,516)	(16,516)	18,580	18,580
Torrance	634	28,853,874	0	687,066	1,615,754	5.60%	1,896,249	6.57%	\$2.17	294,266	294,266	455,094	455,094
Wilmington	148	4,107,358	0	0	90,302	2.20%	84,951	2.07%	\$1.79	(36,448)	(36,448)	8,058	8,058
<b>Total</b>	<b>5,061</b>	<b>196,294,673</b>	<b>1,401,824</b>	<b>2,582,819</b>	<b>9,902,954</b>	<b>5.04%</b>	<b>12,954,622</b>	<b>6.60%</b>	<b>\$1.84</b>	<b>(1,198,865)</b>	<b>(1,198,865)</b>	<b>1,829,240</b>	<b>1,829,240</b>
<b>Los Angeles Total</b>	<b>20,861</b>	<b>747,039,353</b>	<b>5,459,653</b>	<b>6,423,220</b>	<b>35,151,150</b>	<b>4.71%</b>	<b>52,602,354</b>	<b>7.04%</b>	<b>\$1.84</b>	<b>(3,870,528)</b>	<b>(3,870,528)</b>	<b>8,274,461</b>	<b>8,274,461</b>
5,000-24,999	13,647	165,838,848	51,786	74,358	6,083,159	3.67%	7,739,643	4.67%	\$1.74	(863,307)	(863,307)	1,856,397	1,856,397
25,000-49,999	3,607	125,324,117	229,318	287,659	5,684,745	4.54%	7,812,919	6.23%	\$1.52	(290,956)	(290,956)	1,592,222	1,592,222
50,000-99,999	1,997	135,331,285	590,080	740,581	6,668,808	4.93%	10,588,033	7.82%	\$1.69	(779,445)	(779,445)	1,557,529	1,557,529
100,000-249,999	1,283	190,409,248	1,782,817	3,352,189	10,368,286	5.45%	16,697,276	8.77%	\$1.65	(1,161,630)	(1,161,630)	1,878,150	1,878,150
250,000-499,999	267	86,818,737	1,504,772	913,390	5,633,917	6.49%	7,649,760	8.81%	\$1.88	(850,536)	(850,536)	1,390,163	1,390,163
500,000 plus	60	43,317,118	1,300,880	1,055,043	712,235	1.64%	2,114,723	4.88%	\$0.00	75,346	75,346	0	0
<b>Los Angeles Total</b>	<b>20,861</b>	<b>747,039,353</b>	<b>5,459,653</b>	<b>6,423,220</b>	<b>35,151,150</b>	<b>4.71%</b>	<b>52,602,354</b>	<b>7.04%</b>	<b>\$1.84</b>	<b>(3,870,528)</b>	<b>(3,870,528)</b>	<b>8,274,461</b>	<b>8,274,461</b>

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



## The Los Angeles Industrial Market in Transition

by **Loren Cargile, MBA**

VICE PRESIDENT / PARTNER, IRVINE

714.935.2306 · [lcargile@voitco.com](mailto:lcargile@voitco.com) · Lic. #01431329

There is no question the LA industrial real estate market is in a state of transition right now. After unprecedented rent growth and property appreciation coming out of the COVID-19 pandemic, the market started cooling off in 2023. To provide some perspective, the vacancy rate for the LA County industrial real estate market was approximately 1.7% at its lowest point in Q1 2022. Since that time, the vacancy rate has almost tripled. Despite the rising vacancy rate, the average asking rate paradoxically also climbed. This climb lasted through July 2023, at which point it started declining. Sale prices per square foot spiked in Q1 2023 and have gradually been declining since that time.

The rise in the vacancy rate and the recent decline in the average asking lease rate are largely attributable to overly ambitious lease rate expectations created by market-maker landlords (i.e. publicly traded REITS, institutional landlords, and new buyers that entered the market between 2020 to mid-2023) and an overall decline in new lease requirements. As the leasing market recalibrates, lease rate reductions, tenant concessions (free rent, tenant improvement allowances, early possession), and more tenant-friendly deal terms are quickly becoming more common. For tenants, these conditions will present opportunities to secure more favorable terms compared to 12 to 18 months ago. For landlords, being attuned to market conditions and being flexible with deal terms for the right tenants will likely yield the most favorable results for the foreseeable future.

On the sales side, prices will likely see a gradual decline over the coming months due to the current interest rate environment and less investor capital in the market. However, the inventory of buildings for sale is still relatively low and the Small Business Administration (SBA) is still actively lending on owner-user purchases. Owner-users will likely be the more active buyer group in the foreseeable months due to access to SBA capital and also due to a more conservative posture from investors.

On a positive note, Port of Los Angeles activity (measured by a twenty-foot-equivalent container "TEU") increased by 60% year over year for the month of February 2024 and is also up 35% year to date as compared with the first two months of 2023. There is typically a very strong positive correlation between port activity and the industrial vacancy rate, so it's possible that if the positive trends in port activity continue, those could translate to positive absorption later this year.

For the coming months, further softening in the market is likely to occur. However, long term, the LA industrial real estate market will continue to be a highly sought-after market in which demand, rent growth, and price appreciation will return.

### Please Contact Us for Further Information

**Tony Tran**  
Regional Director of Research  
[ttran@voitco.com](mailto: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