

MARKET TRENDS

LOS ANGELES INDUSTRIAL

MARKET DRIVERS

THE INDUSTRIAL MARKET in Los Angeles County is still in extremely good shape, with vacancy rates at around 2.0% among all but a few regions. After seeing record growth in early 2022, market momentum has moderated as vacancy levels have slightly increased.

IN 2023, REITs are expected to have slower economic growth and higher interest rates. Recent sales have been robust as institutional investors have given industrial buildings more attention than they have given to other commercial assets. Rental rates are higher in submarkets where there is much more competition between industrial users and other property users. Some had reported impressive operational results, mainly because the lease agreements on the real estate assets were already in place when borrowing rates started to rise and leasing demand slowed.

ECONOMIC REVIEW

LOS ANGELES COUNTY'S unemployment rate in November 2022 was 4.9%, unchanged from the previous month's adjusted rate and lower than 6.9% from the period a year ago.

THE PORT OF LOS ANGELES handled 9,182,287 TEUs in 2022, higher than the 8,589,554 TEUs that the Port of Long Beach has been using.

NEAR-TERM OUTLOOK

IN THE LOS ANGELES MARKET industrial real estate is one of the most sought-after property types. If demand outpaces supply in the sector, the asking rent model for warehouse and distribution space predicts a 9.0% increase in rent in the United States in 2023 and a 5.0% increase in rent in 2024.

IN L.A. COUNTY, the shortage of suitable land sites has historically hampered growth, and as a result, the construction pipeline is constrained in some areas. The tendency is for specific areas to be dismantled and repurposed as cutting-edge logistics centers, while others, particularly in West Los Angeles, have been transformed into imaginative mixed-use complexes.

Market Summary

	4Q22	3Q22	4Q21	Annual Change
Direct Vacancy Rate	2.1%	2.0%	1.5%	41.54%
Availability Rate	4.5%	4.0%	2.6%	71.70%
Asking Lease Rate	\$1.69	\$1.73	\$1.29	30.84%
Leasing Activity (SF)	4,681,245	7,591,528	6,913,800	-32.29%
Sale Volume (SF)	2,503,530	4,860,441	5,596,248	-55.26%
Net Absorption (SF)	(2,104,818)	(139,110)	2,611,726	N/A

↓ **4.7M SF**
LEASING ACTIVITY

↓ **2.1M SF**
NET ABSORPTION

↑ **2.1%**
VACANCY RATE

↑ **\$1.69**
ASKING RENT (AVG)

↓ **410K SF**
NEW DELIVERIES

Year-Over-Year Trend

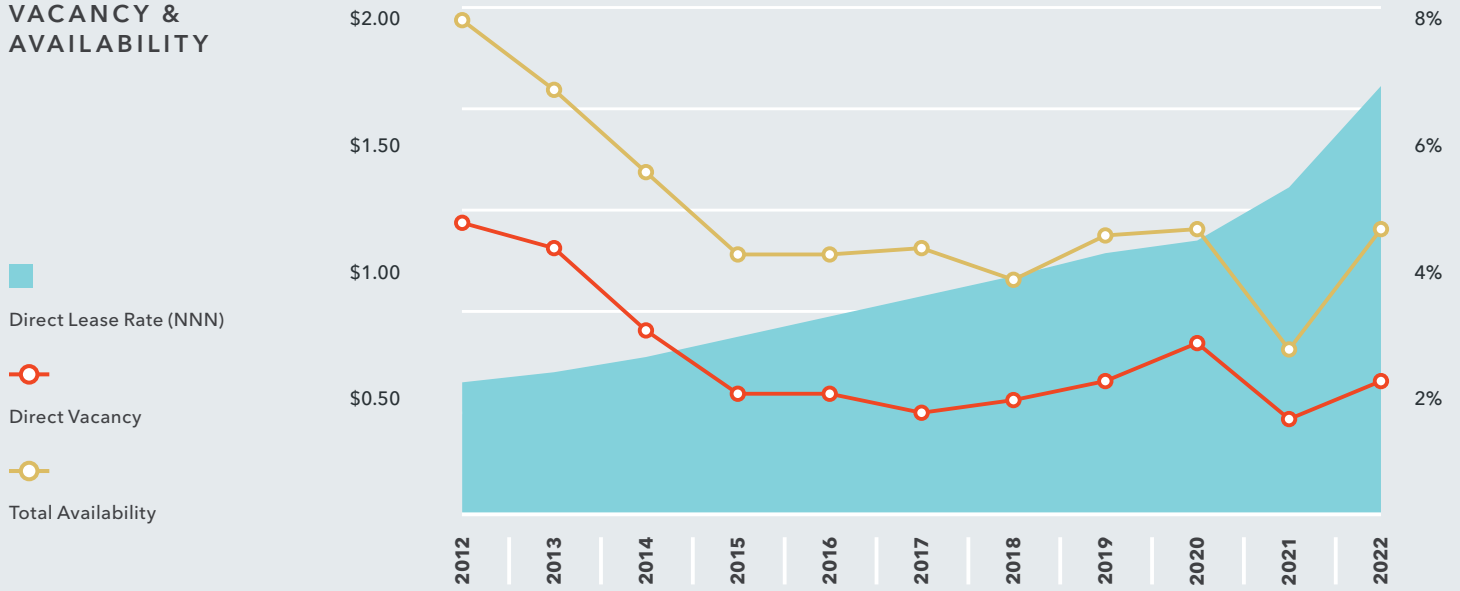
Market Highlights

DIRECT VACANCY RATE, which was 2.1%, remained among the lowest.

THE MARKET AVERAGE surged by 30.8% to \$1.69/S.F. on a triple-net basis from the previous year.

THE AVERAGE transaction price of \$346.67/S.F. in the 4Q 2022, the cap rate remained at 4.1%.

LEASE RATE, VACANCY & AVAILABILITY

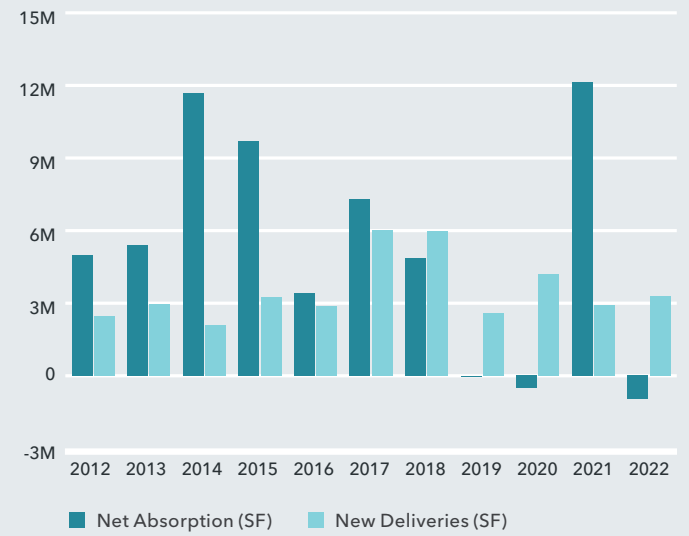


BIGGEST SALE OF THE QUARTER

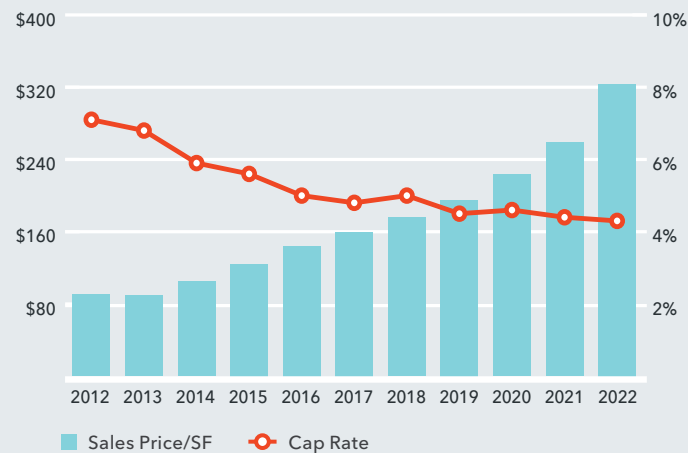
Rosecrans Portfolio



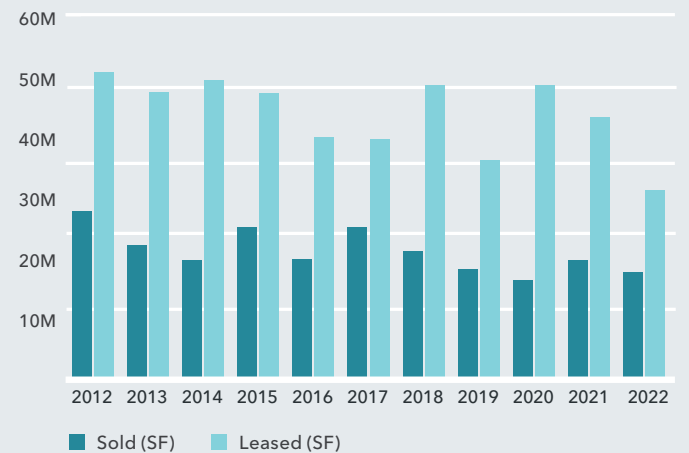
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	4QQ Direct Net Absorption	YTD Direct Net Absorption	4Q Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Bell/Bell Gardens/Maywood	7,514,640	0.4%	0.0%	0.4%	2.1%	0	(17,691)	0	140,092	\$1.87
Commerce	45,577,228	1.2%	0.1%	1.2%	3.1%	(225,320)	64,891	458,727	1,162,696	\$1.92
Huntington Park/Cudahy	4,760,099	1.3%	0.1%	1.4%	3.2%	0	(14,593)	0	160,059	\$1.57
Downtown LA	127,686,312	5.2%	0.1%	5.3%	6.9%	(167,524)	(167,524)	1,368,921	3,635,842	\$1.77
Montebello/Monterey Park	11,763,446	2.1%	0.4%	2.5%	5.2%	(13,139)	(222,276)	0	437,188	\$1.58
Pico Rivera	10,294,969	0.7%	0.2%	0.9%	2.4%	(9,600)	(9,600)	40,604	0	\$2.20
South Gate	9,644,938	0.7%	0.0%	0.7%	1.8%	0	0	26,300	26,300	\$1.25
Vernon	43,753,761	1.4%	0.4%	1.8%	3.5%	(30,000)	(211,408)	657,082	1,824,842	\$1.62
Central	260,995,393	3.2%	0.2%	3.3%	5.0%	(445,583)	(578,201)	2,551,634	7,387,019	\$1.79
Artesia/Cerritos	13,085,443	1.7%	0.2%	1.8%	4.3%	(68,369)	(110,966)	0	910,484	\$1.80
Bellflower/Downey	5,521,214	2.4%	0.0%	2.4%	2.3%	0	(69,393)	0	151,987	\$1.60
Buena Park/La Palma	15,019,471	1.0%	0.0%	1.0%	2.9%	(5,200)	(22,567)	0	496,166	\$1.80
La Mirada	13,411,678	0.6%	0.1%	0.7%	4.7%	(125,000)	142,844	28,921	300,059	\$1.80
Norwalk	2,889,795	0.2%	0.0%	0.2%	0.2%	0	(2,200)	2,592	68,733	\$1.85
Paramount	9,026,054	0.8%	0.1%	1.0%	2.0%	(9,800)	(69,347)	47,640	212,094	\$1.38
Santa Fe Springs	53,709,911	1.0%	0.1%	1.1%	2.4%	(52,180)	23,960	558,881	2,201,625	\$1.68
Whittier	4,114,163	0.6%	0.0%	0.6%	0.7%	(3,650)	(19,449)	81,747	124,605	\$1.25
Mid-Cities	116,777,729	1.1%	0.1%	1.1%	2.8%	(264,199)	(127,118)	719,781	4,465,753	\$1.75
Alhambra	2,149,145	1.6%	0.0%	1.6%	0.6%	0	(34,990)	14,480	91,704	\$2.00
Arcadia/Temple City	3,076,487	1.2%	0.0%	1.2%	2.0%	0	(11,950)	0	78,452	\$1.66
Azusa	6,812,655	1.7%	1.2%	2.9%	4.7%	0	27,413	3,150	118,114	\$1.25
Baldwin Park	4,743,704	2.5%	0.3%	2.8%	4.1%	0	(64,416)	76,781	253,779	\$1.85
City of Industry/DB/HH/RH	74,538,205	1.4%	0.2%	1.6%	6.7%	(723,851)	(270,921)	0	10,953,482	\$1.80
Covina/West Covina	3,399,052	1.7%	0.0%	1.7%	6.1%	0	(47,634)	0	74,937	\$1.38
Duarte	1,794,092	3.5%	0.0%	3.5%	0.4%	0	(7,700)	0	56,134	\$1.05
El Monte	8,563,178	0.7%	0.1%	0.8%	3.1%	(10,178)	19,000	36,930	253,873	\$2.74
Irwindale	12,070,725	6.9%	0.1%	6.9%	13.8%	0	210,875	374,791	518,772	\$1.50
La Puente	1,941,274	1.8%	0.0%	1.8%	2.0%	(4,000)	(22,364)	24,840	30,052	\$1.28
Glendora/La Verne/ San Dimas	6,704,878	1.8%	0.1%	1.9%	2.8%	(23,416)	(20,302)	0	249,512	\$1.20
Monrovia	3,305,883	0.3%	0.0%	0.3%	2.5%	0	(11,242)	2,340	24,027	\$1.10
Pomona/Claremont	20,428,313	0.7%	0.0%	0.8%	2.2%	(22,848)	(18,498)	0	378,226	\$1.50
Rosemead/San Gabriel	2,287,009	1.7%	0.0%	1.7%	2.5%	0	(16,882)	0	25,777	\$1.25
South El Monte	11,122,232	2.5%	0.0%	2.5%	1.1%	10,600	(21,113)	81,035	(21,113)	\$1.70
Walnut	6,947,821	3.4%	0.0%	3.4%	2.1%	(8,010)	5,177	45,773	136,964	\$1.33
San Gabriel Valley	169,884,653	1.9%	0.2%	2.1%	5.2%	(781,703)	(285,547)	660,120	13,222,692	\$1.49
Carson	35,257,215	1.3%	0.0%	1.3%	3.4%	(88,307)	(205,034)	324,250	805,605	\$1.83
Compton	24,571,369	0.7%	0.1%	0.8%	2.3%	0	(119,186)	118,978	1,326,120	\$1.85
El Segundo	8,558,019	1.2%	0.4%	1.6%	2.0%	0	(38,689)	0	9,000	\$2.28
Gardena	29,133,819	1.1%	0.5%	1.6%	3.3%	(267,950)	(73,305)	114,299	705,437	\$1.50
Harbor City	1,773,002	0.4%	0.0%	0.4%	3.3%	(52,069)	(7,200)	0	14,470	\$1.65
Hawthorne	7,957,931	1.6%	0.0%	1.7%	1.6%	(24,500)	115,936	10,278	321,020	\$1.53
Inglewood	4,920,237	1.1%	0.1%	1.2%	5.6%	(12,257)	128,030	46,081	214,477	\$1.97
Lakewood/Hawaiian Gardens	564,084	0.0%	0.4%	0.4%	0.4%	0	43,054	0	18,144	\$1.27
Lawndale	255,756	2.0%	0.0%	2.0%	1.0%	0	3,745	0	2,500	-
Long Beach/Terminal Island	24,124,067	3.3%	0.1%	3.3%	4.8%	(137,742)	39,820	0	679,637	\$1.67
Lynwood	4,657,533	0.0%	0.0%	0.0%	2.7%	0	0	0	89,619	-
Rancho Dominguez	14,018,664	0.1%	0.0%	0.1%	5.6%	(3,263)	65,088	0	588,432	\$1.88
Redondo/Hermosa Beach	1,810,528	0.3%	0.0%	0.3%	0.4%	0	(5,390)	0	65,249	\$2.11
San Pedro	2,808,011	0.6%	0.0%	0.6%	1.1%	0	12,627	0	1,282	\$1.84
Signal Hill	3,282,026	3.5%	0.0%	3.5%	5.2%	(7,345)	(80,387)	25,062	80,046	\$1.50
Torrance	27,988,974	3.1%	0.2%	3.3%	7.3%	(19,900)	163,331	103,032	893,006	\$1.85
Wilmington	3,905,070	0.4%	0.2%	0.6%	8.3%	0	(11,044)	7,730	82,186	\$1.65
South Bay	195,586,305	1.6%	0.1%	1.7%	4.1%	(613,333)	31,396	749,710	5,896,230	\$1.71
Los Angeles Total	743,244,080	2.1%	0.1%	2.3%	4.5%	(2,104,818)	(959,470)	4,681,245	30,971,694	\$1.69

TOP SALE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
14001-14051 Rosecrans Portfolio	Mid-Cities	337,847	\$151,200,000	\$447.54	Nuveen	Clarion Partners
3700 E Olympic Blvd	Central Los Angeles	218,000	\$51,300,000	\$235.32	New Mountain Capital	Venator Americas LLC
South Division Jefferson Industrial	Westside	72,710	\$49,625,000	\$682.51	The Ratkovich Co.	Altemus Co.
14400 S Figueroa Industrial Portfolio	South Bay	119,824	\$49,001,000	\$408.94	Rexford Industrial Realty, Inc.	Young W & Chong Y Kong
The Susana Properties Portfolio	South Bay	73,000	\$27,500,000	\$376.71	Rexford Industrial Realty, Inc.	Ken & Tel Properties LLC
370 S Turnbull Canyon Rd	SGV	62,824	\$24,500,000	\$389.98	Sygen Holdings LLC	TriMas

TOP LEASE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Grand Crossing South	SGV	1,000,720	November 2022	City of Industrial Dev. Authority (IDA)	Ryder
SFS Logistics Center	Mid-Cities	411,034	December 2022	DWS Group	GXO Logistics Supply Chain, Inc. (Renewal)
Watson Corporate Center	South Bay	198,292	October 2022	Watson Land Company	Seko Logistics
9700 & 9720 E Frontage Rd	Mid-Cities	153,464	October 2022	Frontage Gate Partners	Packaging Corporation of America (Renewal)
Torrance Commerce Center	South Bay	146,919	November 2022	Sares Regis	Arc Boat Company
2141 E Paulhan St	South Bay	133,752	November 2022	South Bay Public Warehouse	Damco Maersk

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Grand Crossing South I	21921-2193 Industry Way	SGV	1,000,720	City of Industrial Dev. Authority (IDA)	July 2023
Grand Crossing South II	131-151 Marcellin Dr & 23070 Grand Crossing	SGV	846,980	City of Industrial Dev. Authority (IDA)	December 2023
Grand Crossing South III	171 Marcellin Dr & 23060 Grand Crossing	SGV	694,400	City of Industrial Dev. Authority (IDA)	December 2023
The Park @ Live Oak	901-905 Live Oak	SGV	552,562	Irwindale Partners LP	May 2023
Torrance Industrial Exchange	19501 Prairie ave	South Bay	320,771	Kearny Real Estate	January 2023
20100 S Alameda St	20100 S Alameda St	South Bay	205,435	20100 Alameda Property Co., II, L.P.	August 2023

Data Source: EDD, CoStar



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

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COMMERCIAL BROKERAGE	<i>\$10.9B</i> TRANSACTION VOLUME ANNUALLY	<i>49.7M</i> ANNUAL SALES SF	<i>43.7M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>52M</i> MANAGEMENT PORTFOLIO SF	<i>875+</i> ASSETS UNDER MANAGEMENT	<i>270+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,600+</i> ASSIGNMENTS ANNUALLY	<i>48</i> TOTAL APPRAISERS	<i>25</i> WITH MAI DESIGNATIONS

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