

MARKET TRENDS

LOS ANGELES INDUSTRIAL

MARKET DRIVERS

AS WE NEAR THE BEGINNING OF Q4, it is abundantly clear that any surge of cargo associated with peak season is not materializing. With consumers continuing to spend on services and not goods, retailers have cleared excess inventory, and the holiday shopping season appears muted in terms of impact.

LEASING MARKET

THE NUMBER OF TENANTS in the market looking to expand or relocate is limited. The market is experiencing negative net absorption, and more buildings are returning to the market across all size ranges. Newly constructed Class A buildings garner little attention as the primary tenant base of 3rd party logistics users is mainly on the sidelines. Landlords are faced with lowering expectations on rental rates and offering more concessions, such as free rent, to get leases signed.

SALE MARKET

THE SALE MARKET continues to be negatively impacted by the debt markets, and many active buyers from 2021/2022 remain on the sidelines as seller's pricing expectations are stuck in the rear-view mirror. As the sale market begins to thaw and the Fed stops raising interest rates, we should see improvement in sale transaction velocity.

NEAR-TERM OUTLOOK

WITH NO NEAR-TERM CATALYSTS on the horizon between now and year-end to jump-start the market, we see more of the same through the end of 2023 and into the beginning of 2024. With the Port Labor Agreement in place and the potential for labor issues on the East Coast, we could see more cargo return to Long Beach/Los Angeles. Interest rate stability and lack of recession or a soft landing should begin stabilizing both lease and sale activity.

Market Summary

	3Q23	2Q23	3Q22	Annual Change
Direct Vacancy Rate	3.5%	3.2%	1.9%	83.00%
Availability Rate	6.3%	5.9%	3.8%	65.57%
Asking Lease Rate	\$1.83	\$1.88	\$1.75	4.57%
Leasing Activity (SF)	4,798,473	7,193,541	7,594,862	-36.82%
Sale Volume (SF)	3,118,164	2,023,132	4,966,822	-37.22%
Net Absorption (SF)	(1,701,828)	(2,410,266)	(513,763)	N/A

↓ **5.4M SF**
LEASING ACTIVITY

↓ **-1.7M SF**
NET ABSORPTION

↑ **3.5%**
VACANCY RATE

↓ **\$1.83**
ASKING RENT (AVG)

↓ **588K SF**
NEW DELIVERIES

Year-Over-Year Trend

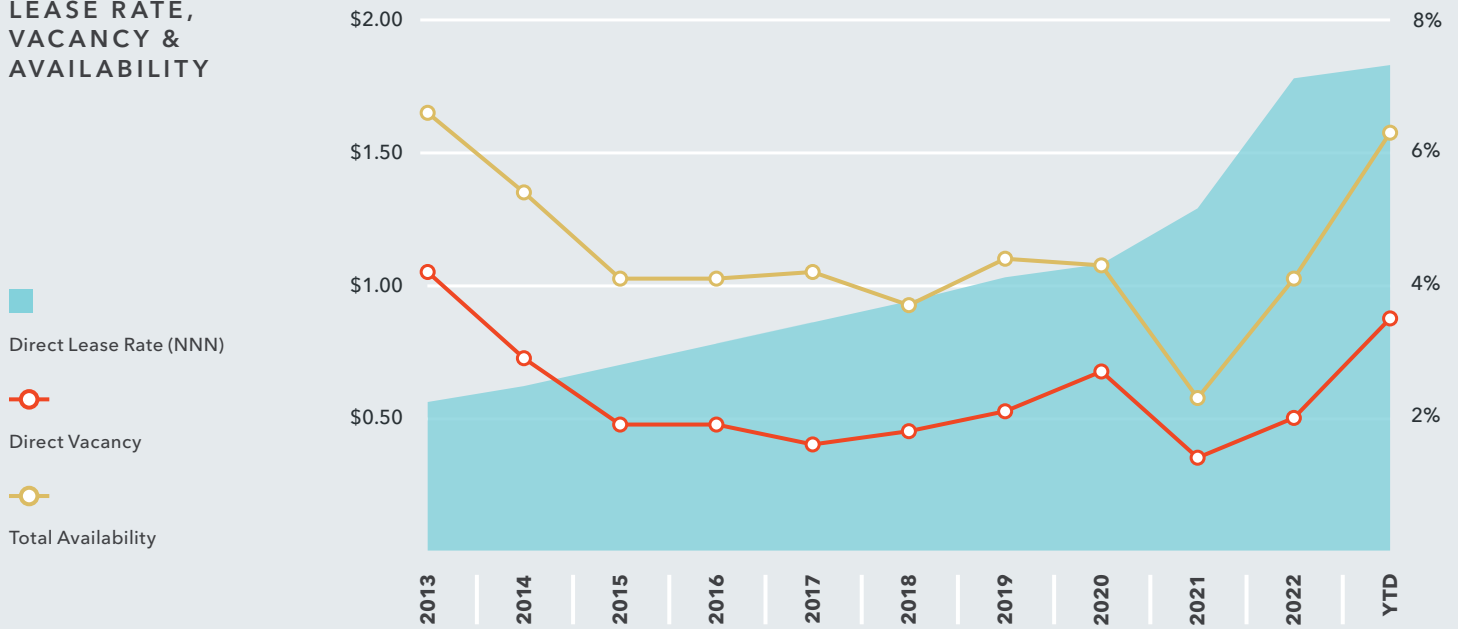
Market Highlights

DIRECT MARKET VACANCY in Los Angeles currently at 3.5%.

AVERAGE ASKING RATE fell to \$1.83/SF in the second quarter on a triple net lease (NNN) basis.

CAP RATES rested at 6.25% in Q3 2023 with an average sale price of \$302.40/SF.

LEASE RATE, VACANCY & AVAILABILITY

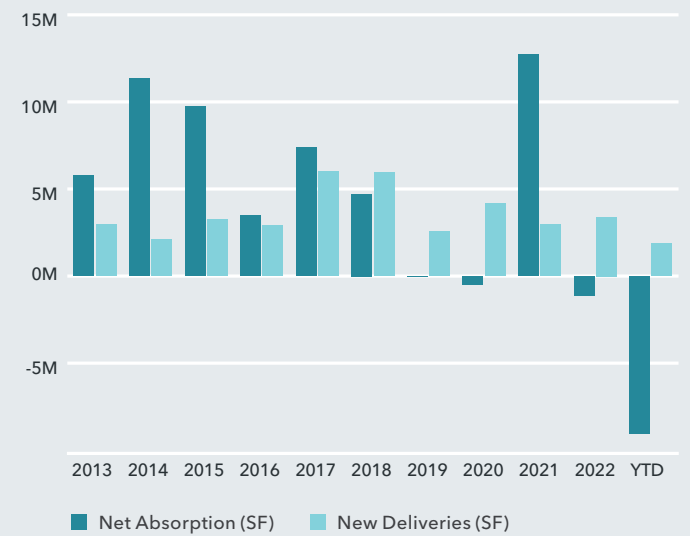


BIGGEST SALE OF THE QUARTER

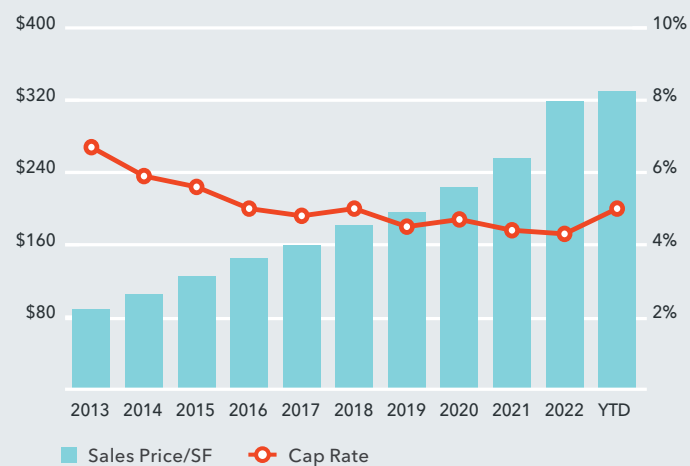
SFS Logistics Center



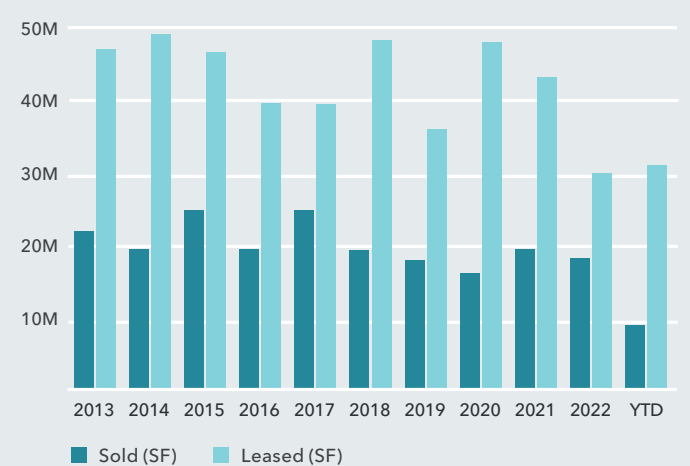
NET ABSORPTION & NEW DELIVERIES



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	3Q Direct Net Absorption	YTD Direct Net Absorption	3Q Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Bell/Bell Gardens/Maywood	7,545,367	3.0%	0.0%	3.0%	3.6%	(67,488)	(196,500)	5,450	66,749	\$1.53
Commerce	45,395,011	3.0%	0.3%	3.3%	4.4%	171,720	(818,972)	298,238	1,564,437	\$1.58
Huntington Park/Cudahy	4,784,974	1.6%	0.0%	1.6%	9.2%	(5,436)	(12,391)	0	49,000	\$1.57
Downtown LA	126,866,862	5.8%	0.4%	6.1%	8.2%	(569,208)	(1,655,156)	765,932	2,391,088	\$1.94
Montebello/Monterey Park	11,787,962	5.6%	0.1%	5.7%	6.9%	(122,202)	(414,605)	193,743	320,053	\$1.61
Pico Rivera	10,307,162	1.1%	0.0%	1.1%	2.9%	16,332	(44,036)	40,745	82,582	\$1.80
South Gate	9,771,472	0.5%	0.0%	0.5%	2.8%	11,274	13,844	0	14,845	\$1.25
Vernon	43,975,148	4.0%	2.5%	6.5%	7.8%	(286,867)	(1,011,059)	349,194	1,534,659	\$1.74
Central	260,433,958	4.4%	0.7%	5.1%	6.9%	(851,875)	(4,138,875)	1,653,302	6,023,413	\$1.74
Artesia/Cerritos	13,054,831	3.2%	0.4%	3.6%	4.9%	(27,592)	(175,139)	54,048	388,576	- \$1.68
Bellflower/Downey	5,525,650	2.4%	0.0%	2.4%	2.4%	13,437	(2,231)	33,735	116,331	\$1.55
Buena Park/La Palma	15,322,197	1.2%	0.9%	2.1%	5.3%	(22,973)	(32,366)	5,897	342,782	\$1.89
La Mirada	13,410,900	2.6%	1.6%	4.3%	9.8%	(57,586)	(273,648)	180,648	385,490	\$1.62
Norwalk	2,919,603	6.2%	0.0%	6.2%	6.2%	(2,059)	(175,272)	4,009	6,209	\$1.85
Paramount	9,055,131	1.3%	0.3%	1.7%	3.1%	52,271	(42,341)	9,897	217,476	\$1.32
Santa Fe Springs	53,725,021	2.4%	0.7%	3.1%	6.1%	(591,061)	(729,055)	625,162	1,671,755	\$1.78
Whittier	4,323,530	4.8%	0.0%	4.8%	2.8%	17,419	(156,417)	12,640	204,604	\$1.35
Mid-Cities	117,336,863	2.5%	0.7%	3.1%	5.8%	(618,144)	(1,586,469)	926,036	3,333,223	\$1.69
Alhambra	2,146,872	0.5%	0.8%	1.3%	1.5%	(2,508)	23,619	14,480	91,704	\$2.00
Arcadia/Temple City	3,146,409	1.7%	0.8%	2.5%	4.3%	(12)	(10,081)	9,960	78,452	\$2.43
Azusa	6,820,631	3.9%	0.0%	3.9%	5.3%	(76,710)	(150,799)	3,150	118,114	\$1.95
Baldwin Park	5,148,029	2.8%	0.1%	2.9%	4.7%	(14,479)	(13,483)	76,781	253,779	\$1.85
City of Industry/DB/HH/RH	75,648,759	2.7%	0.5%	3.2%	8.9%	(589,767)	(358,479)	589,872	10,953,482	\$1.71
Covina/West Covina	3,595,769	1.8%	0.0%	1.8%	9.6%	(13,877)	(7,845)	11,500	74,937	\$1.51
Duarte	1,798,317	6.8%	0.0%	6.8%	2.6%	6,569	(59,416)	0	56,134	\$1.05
El Monte	8,694,343	2.2%	0.2%	2.5%	3.5%	(89,830)	(131,743)	36,930	253,873	\$1.75
Irwindale	11,926,506	3.4%	0.0%	3.4%	8.1%	35,683	431,015	374,791	518,772	-
La Puente	1,947,208	2.1%	0.0%	2.1%	3.3%	35,103	(7,636)	24,840	30,052	\$1.28
Glendora/La Verne/San Dimas	6,686,506	2.6%	0.0%	2.6%	2.5%	(41,325)	(46,217)	24,046	249,512	\$1.15
Monrovia	3,371,951	2.8%	0.0%	2.8%	3.4%	(34,536)	(37,021)	2,340	24,027	\$1.95
Pomona/Claremont	20,553,917	0.8%	0.4%	1.2%	2.2%	(100,661)	(22,341)	38,112	378,226	\$1.52
Rosemead/San Gabriel	2,271,284	5.4%	0.0%	5.4%	3.0%	(63,435)	(81,897)	64,878	25,777	\$1.22
South El Monte	11,212,320	2.8%	0.3%	3.0%	1.8%	(44,939)	(35,711)	81,035	(21,113)	\$1.56
Walnut	6,978,789	4.6%	2.6%	7.1%	8.8%	(19,562)	(84,536)	45,773	136,964	\$1.55
San Gabriel Valley	171,947,610	2.7%	0.4%	3.1%	6.3%	(1,014,286)	(592,571)	1,398,488	13,222,692	\$1.61
Carson	35,516,937	4.6%	0.2%	4.8%	6.0%	(294,624)	(1,147,253)	324,250	805,605	\$2.04
Compton	25,112,324	3.4%	0.6%	3.9%	7.4%	84,351	(572,705)	118,978	1,326,120	\$1.85
El Segundo	7,550,459	2.3%	0.4%	2.7%	2.7%	(21,762)	(79,658)	0	9,000	\$2.17
Gardena	29,375,533	2.5%	1.5%	4.0%	7.0%	287,770	(419,424)	114,299	705,437	\$1.52
Harbor City	1,760,255	4.2%	1.7%	5.9%	5.9%	144,728	(66,469)	0	14,470	\$1.65
Hawthorne	8,206,235	1.5%	0.2%	1.6%	2.1%	(20,750)	11,234	10,278	321,020	\$1.84
Inglewood	4,957,285	2.2%	0.1%	2.3%	3.7%	(58,162)	(54,418)	46,081	214,477	\$1.75
Lakewood/Hawaiian Gardens	545,940	0.0%	0.0%	0.0%	0.3%	0	0	0	18,144	-
Lawndale	255,756	0.0%	0.0%	0.0%	0.0%	0	5,000	0	2,500	-
Long Beach/Terminal Island	24,122,484	1.7%	0.4%	2.1%	4.0%	410,302	373,875	67,674	679,637	\$1.82
Lynwood	4,648,842	0.1%	0.0%	0.1%	1.2%	(2,000)	(4,374)	0	89,619	-
Rancho Domingz/E Rancho Domingz	14,280,896	5.3%	0.5%	5.7%	7.5%	(321,602)	(538,605)	3,263	588,432	\$1.64
Redondo/Hermosa Beach	1,751,599	0.3%	0.0%	0.3%	0.5%	0	0	0	65,249	\$2.11
San Pedro	2,768,303	0.6%	0.0%	0.6%	13.5%	(1,471)	(9,628)	0	1,282	\$2.00
Signal Hill	3,280,244	1.9%	0.1%	2.0%	3.0%	76,581	52,030	25,062	80,046	\$1.86
Torrance	28,596,750	7.0%	0.4%	7.4%	7.3%	220,958	(273,646)	103,032	893,006	\$2.20
Wilmington	4,074,735	0.3%	0.7%	1.0%	1.9%	278,158	2,844	7,730	82,186	\$1.82
South Bay	196,804,577	3.5%	0.5%	4.1%	5.8%	782,477	(2,721,197)	820,647	5,896,230	\$1.98
Los Angeles Total	746,523,008	3.5%	0.6%	4.1%	6.3%	(1,701,828)	(9,039,112)	4,798,473	30,971,694	\$1.83

TOP SALE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
SFS Logistics Center	Mid-Cities	595,304	\$210,000,000	\$352.76	Rexford Industrial Realty, Inc	DWS Group
Azusa Industrial Center Portfolio	SGV	432,500	\$126,000,000	\$291.33	IDS Real Estate Group	LBA Realty
4000 Union Pacific Ave	Central Los Angeles	800,000	\$190,000,000	\$237.50	Dart Warehouse Corporation	99 Cents Only Stores LLC
Harbor Gateway Center	South Bay	116,433	\$88,000,000	\$755.80	Prologis, Inc	Blackstone Inc
575 E Weber St - Bankruptcy Sale	Mid-Cities	37,867	\$80,000,000	\$2,112.66	Universal Logistics Holdings	Yellow
17969 Railroad St	SGV	75,000	\$44,000,000	\$586.67	Rockpoint	Reuland Electric Co

TOP LEASE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
660-700 W Artesia Blvd	South Bay	457,960	July 2023	Sares Regis Group	TJ Maxx
1430-1452 W Knox St - Harbor Gateway Center	South Bay	442,550	September 2023	Prologis, Inc	National Road Logistics
3900 Arden Dr - El Monte Logistics Center	SGV	360,992	August 2023	Ares Management	Eurostar (WSS/Footlocker)
4889 4th St - Irwindale Business Center	SGV	312,000	August 2023	Tri-Mountain Inc	Undisclosed
909 Colon St	South Bay	223,865	July 2023	Metro International Trade Services	West Logistics
19635-19777 E Walnut Dr N	SGV	200,435	September 2023	Principal	Undisclosed

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Grand Crossing South II	131-151-171 Marcellin Dr	SGV	1,541,380	City of Industrial Dev Authority (IDA)	December 2023
The Park @ Live Oak I	1270 Arrow Hwy - A B	SGV	1,023,000	JH Properties, Inc	May 2024
Grand Crossing South I	21921-2193 Industry Way	SGV	1,000,720	City of Industrial Dev. Authority (IDA)	November 2023
The Park @ Live Oak II	901-905 Live Oak	SGV	552,562	JH Properties, Inc	November / September 2023
3900 Arden Dr	3900 Arden Dr	SGV	360,992	El Monte Logistics Center LP	December 2023
4200 W Valley Blvd	4200 W Valley Blvd	SGV	269,780	CapRock Partners	September 2024

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.

The information in this report was composed by the Kidder Mathews Research Group.

GARY BARAGONA
Vice President of Research
415.229.8925
gary.baragona@kidder.com

JIM KRUSE
Regional President, Brokerage
Greater Los Angeles
213.225.7249
jim.kruse@kidder.com
LIC N° 00678735

COMMERCIAL
BROKERAGE

\$12B

TRANSACTION
VOLUME ANNUALLY

32.1M

ANNUAL
SALES SF

41.2M

ANNUAL
LEASING SFASSET
SERVICES

53M

MANAGEMENT
PORTFOLIO SF

771+

ASSETS UNDER
MANAGEMENT

250+

ASSET SERVICES
CLIENTSVALUATION
ADVISORY

2,800+

ASSIGNMENTS
ANNUALLY

41

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS