



# Los Angeles industrial market report

Q3 2024

**AVISON  
YOUNG**

# Los Angeles industrial market trends

## 9.5 msf

### Sublease availabilities rise after Q2 decline

Recent expectations that the looming strike at East and Gulf ports would drive demand for short-term subleases have not materialized. Instead, the market has seen an increase in sublease space as occupiers downsize their industrial footprints to enhance efficiency and implement cost-saving initiatives. Many occupiers that secured larger spaces during the pandemic are either vacating early or opting not to renew their leases as they continue to shed unused industrial space.

As a result, sublet availabilities, which had declined in Q2 2024, rose by 9.5% by the end of Q3, totaling 9.5 million square feet and raising overall availability to 9.0%. This trend reflects the ongoing shift in occupier behavior, emphasizing efficiency over expansion.

## \$1.50/sf

### Average asking lease rates continue to cool

Rents have decreased by 23.9%, dropping from a peak of \$1.97/SF in 2023 to \$1.50/SF in Q3 2024. This decline is driven by low demand and tenants being more selective in their leasing strategies. In context, during the pandemic boom, demand for industrial space surged, resulting in a staggering 98% rent growth from 2020 to mid-2023. However, the market has since cooled, gradually adjusting to a more sustainable rate. Despite the current correction, the market has not collapsed; rather, it is finding its true equilibrium.

To stimulate industrial demand and encourage deal activity, landlords have been offering additional rent abatements to garner deals, a tactic that was not feasible during the pandemic due to limited availability and high competition for spaces.

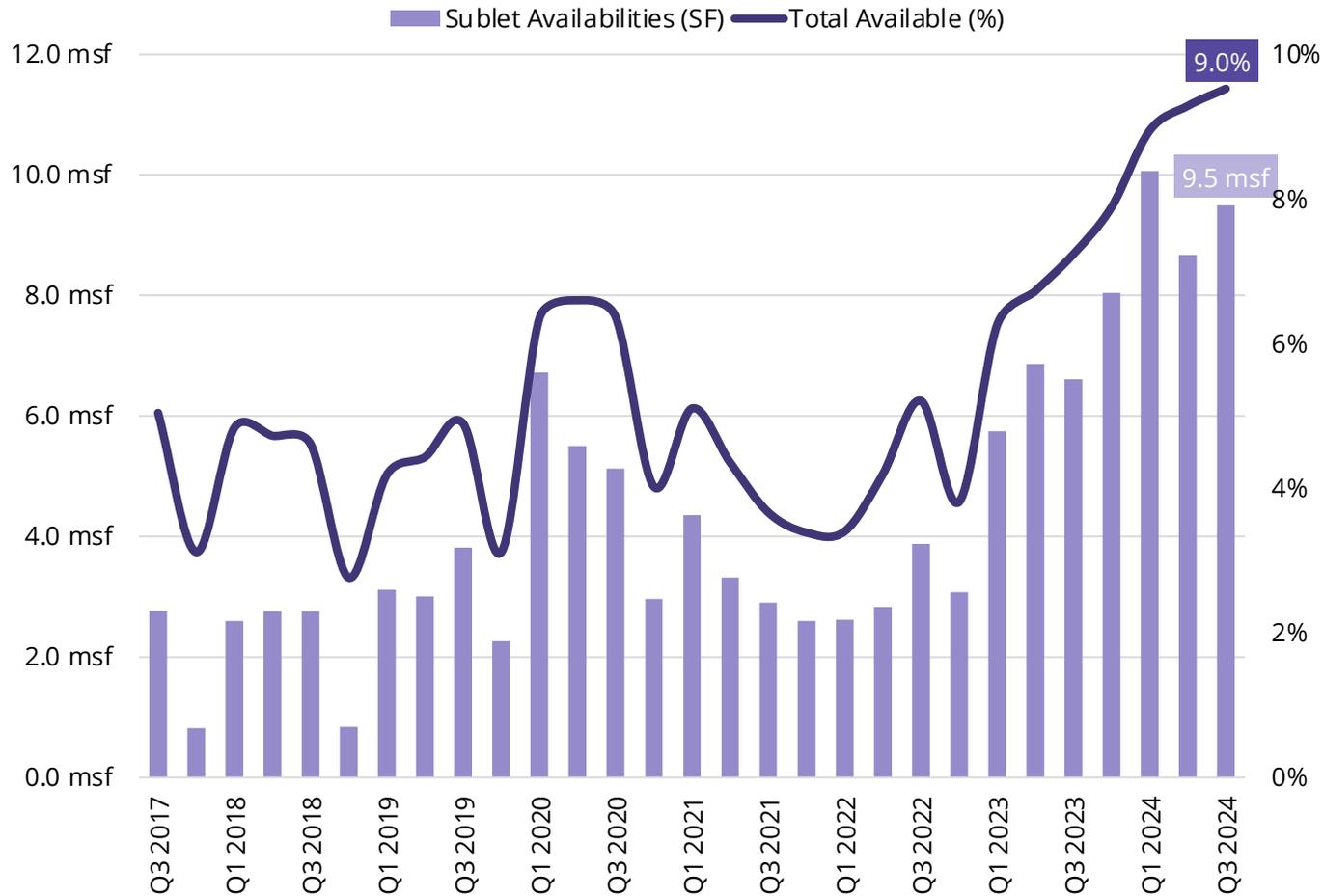
## 3.9 msf

### AB98 may present challenges for the industrial market

In Q3 2024, the Los Angeles industrial market completed 312,864 square feet of new space, bringing the annual total to 3.9 million square feet. However, the recently enacted AB98 bill could hinder future developments by imposing stricter regulations aimed at addressing environmental and community concerns.

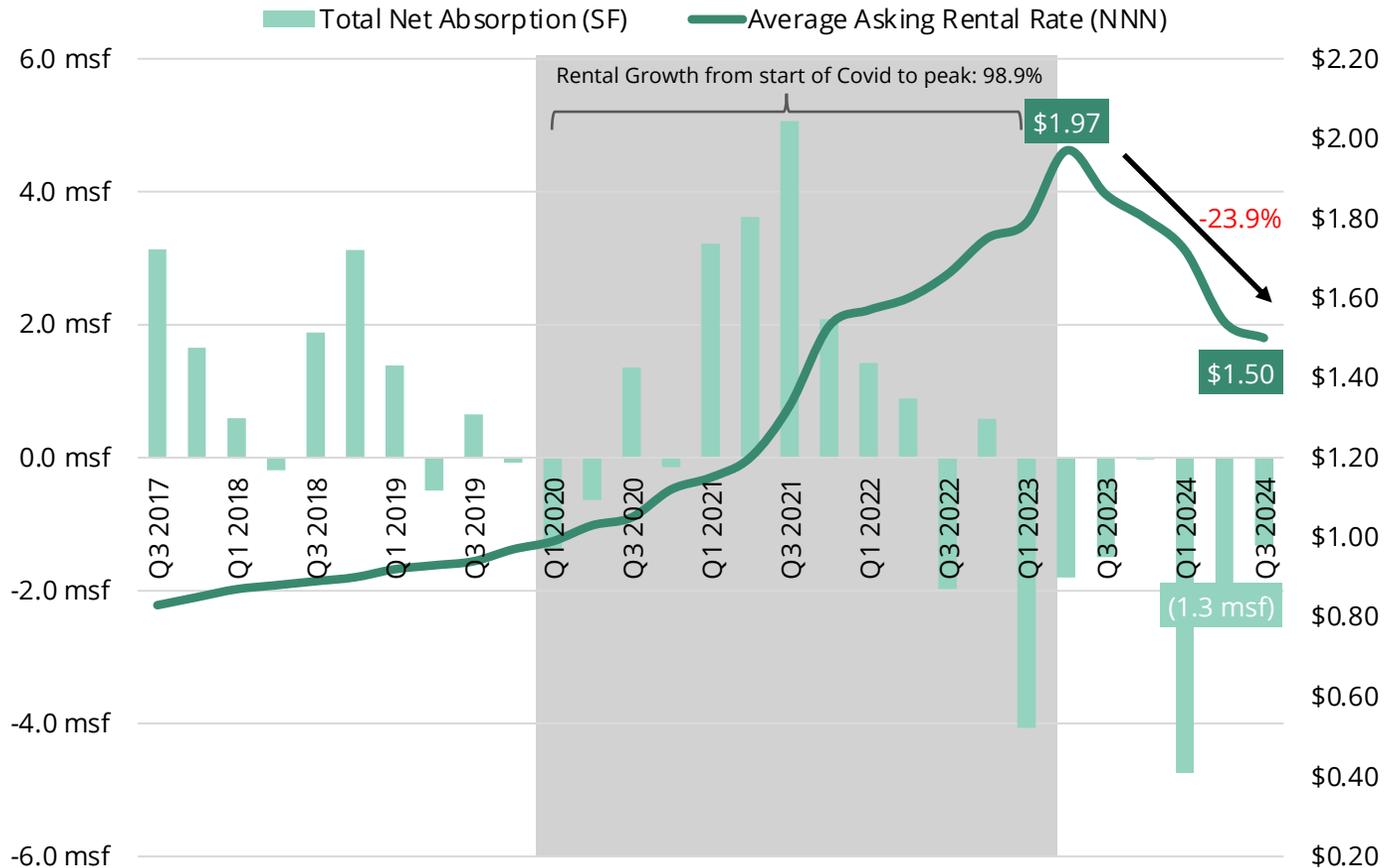
While existing warehouses and projects in progress may be exempt from some of these new regulations that will take place, smaller developers could potentially struggle to meet the new standards, potentially leading to fewer development opportunities and increased prices.

# Total Availabilities



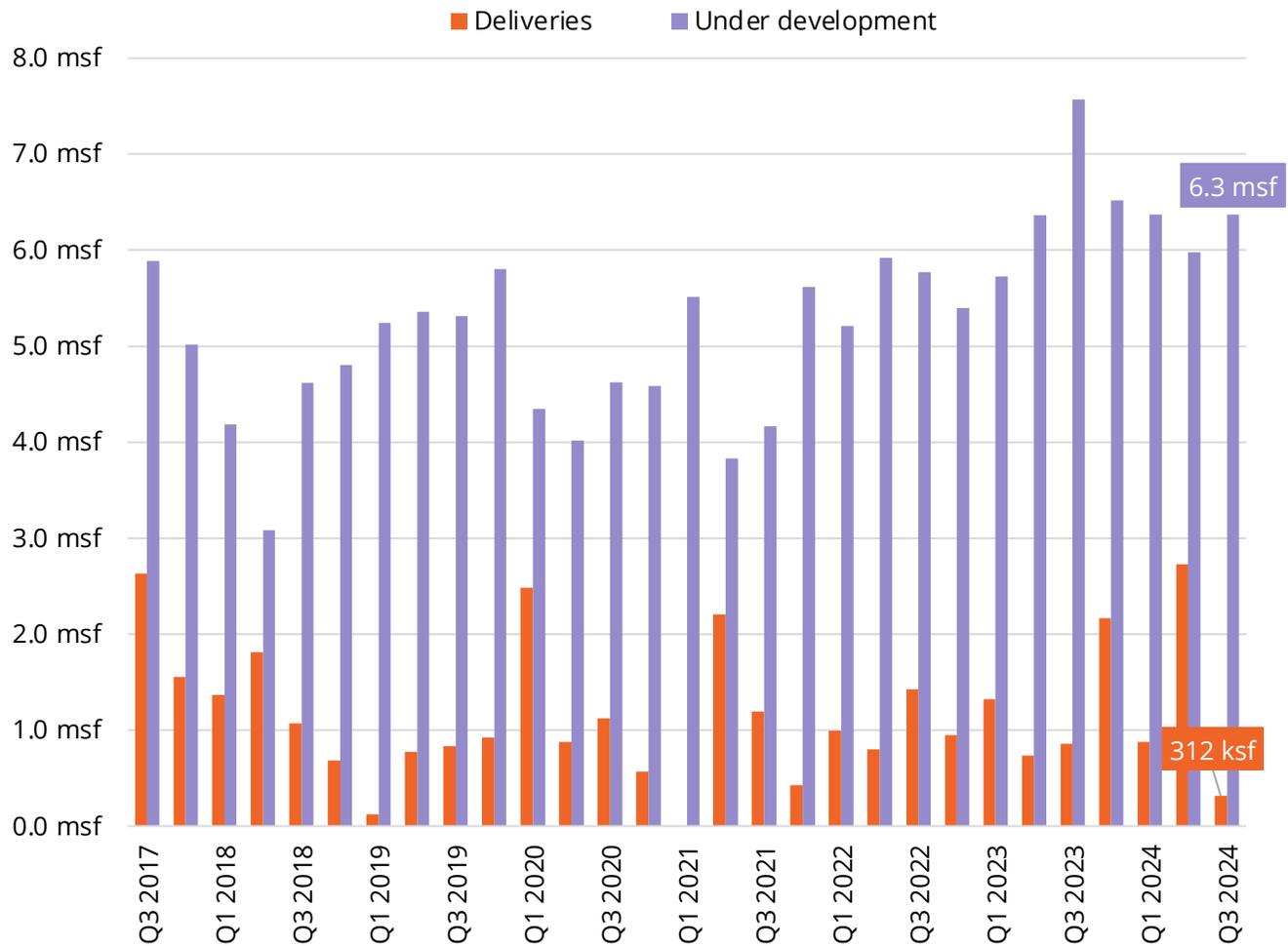
Sublet availabilities, which had decreased in the second quarter of 2024, rose by 9.5% by the end of Q3, reaching 9.5 million square feet and pushing total availabilities to 9.0%. This increase reflects current occupier behaviors, as many companies continue to downsize and focus on efficiency rather than expansion.

# Absorption



Rents have dropped by 23.9%, falling from their peak of \$1.97/SF in 2023 to \$1.50/SF in Q3 2024. This decline is largely due to low demand and tenants becoming more selective with their leasing strategies. To drive up industrial demand and encourage deal activity, many landlords have been offering significant concessions, such as rent abatements.

# AB98 could hinder future developments

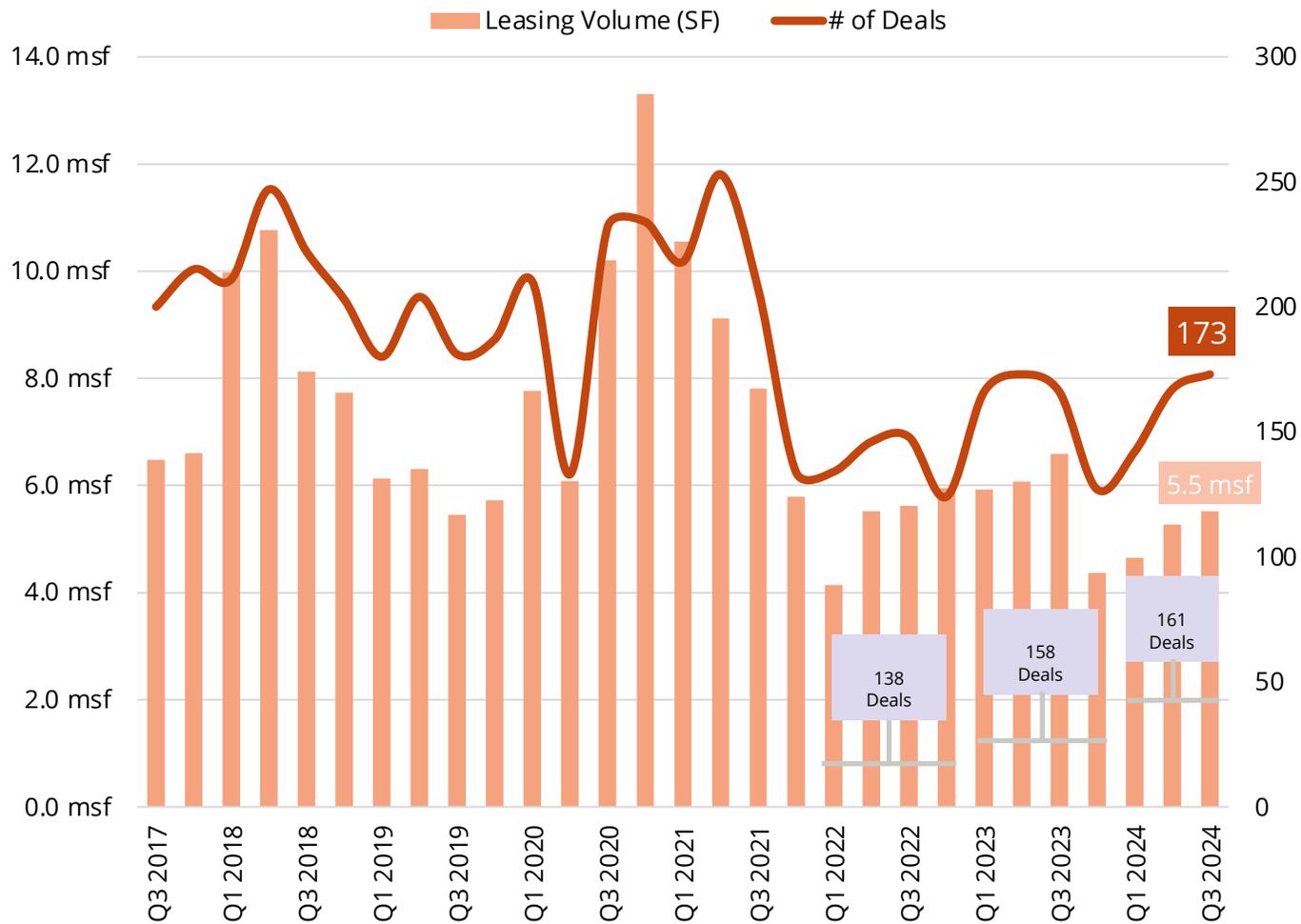


In Q3 2024, the Los Angeles industrial market saw the completion of 312,864 square feet of new space, bringing the total for the year to 3.9 million square feet. However, the recently enacted AB98 bill may slow future industrial development in Southern California by imposing stricter regulations. These new measures are designed to address environmental and community concerns surrounding new construction projects.

# Appendix

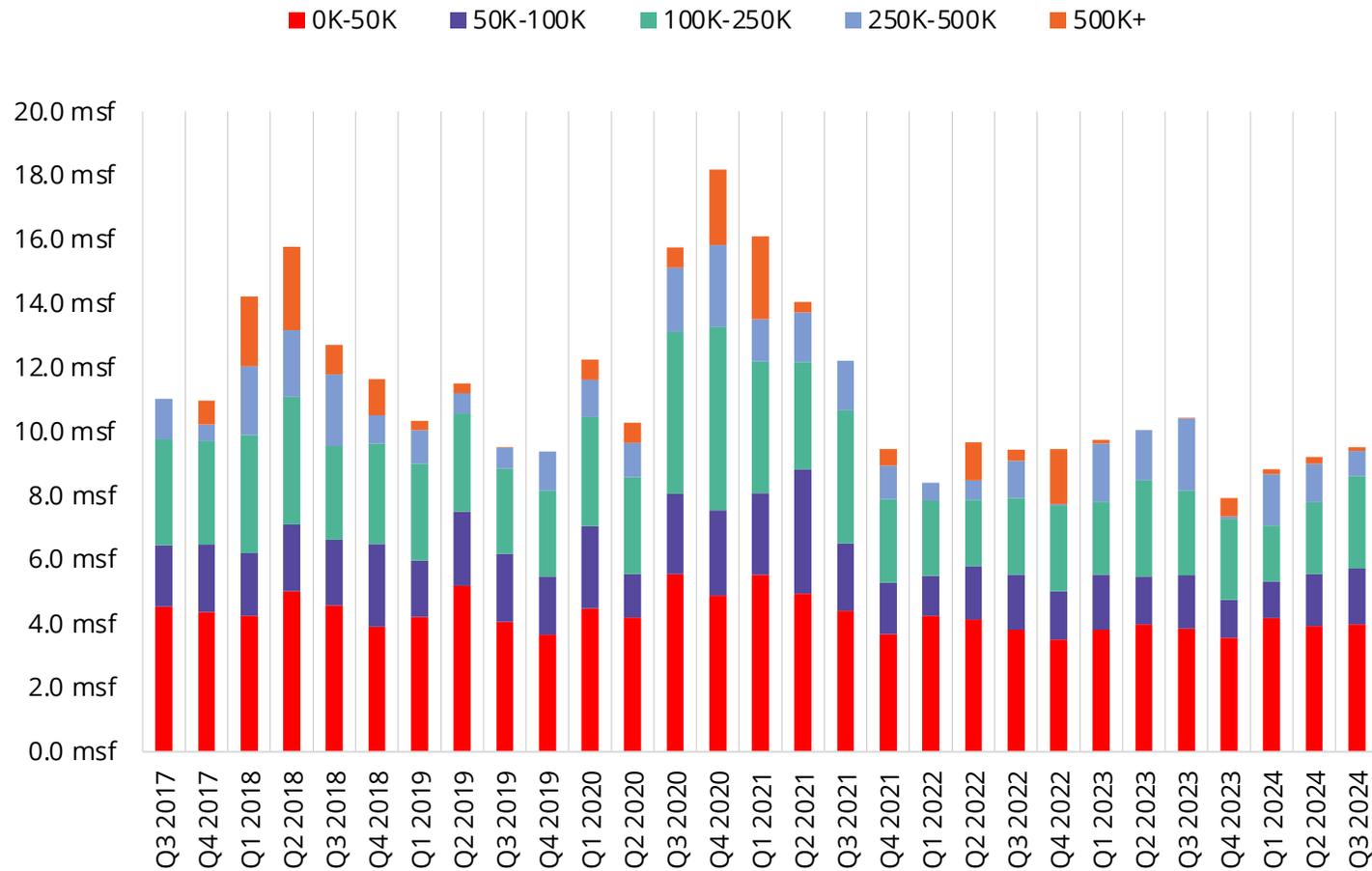


# Leasing Activity



In Q3, leasing activity increased with 173 transactions. Although the total square footage leased has decreased since the pandemic boom, the overall deal volume remains strong. This is largely due to companies downsizing and eliminating excess space from the pandemic era, often opting for smaller facilities to enhance cost-saving measures.

# Leasing remains robust within buildings up to 50,000 square feet



\*Survey based on ALL industrial/flex buildings

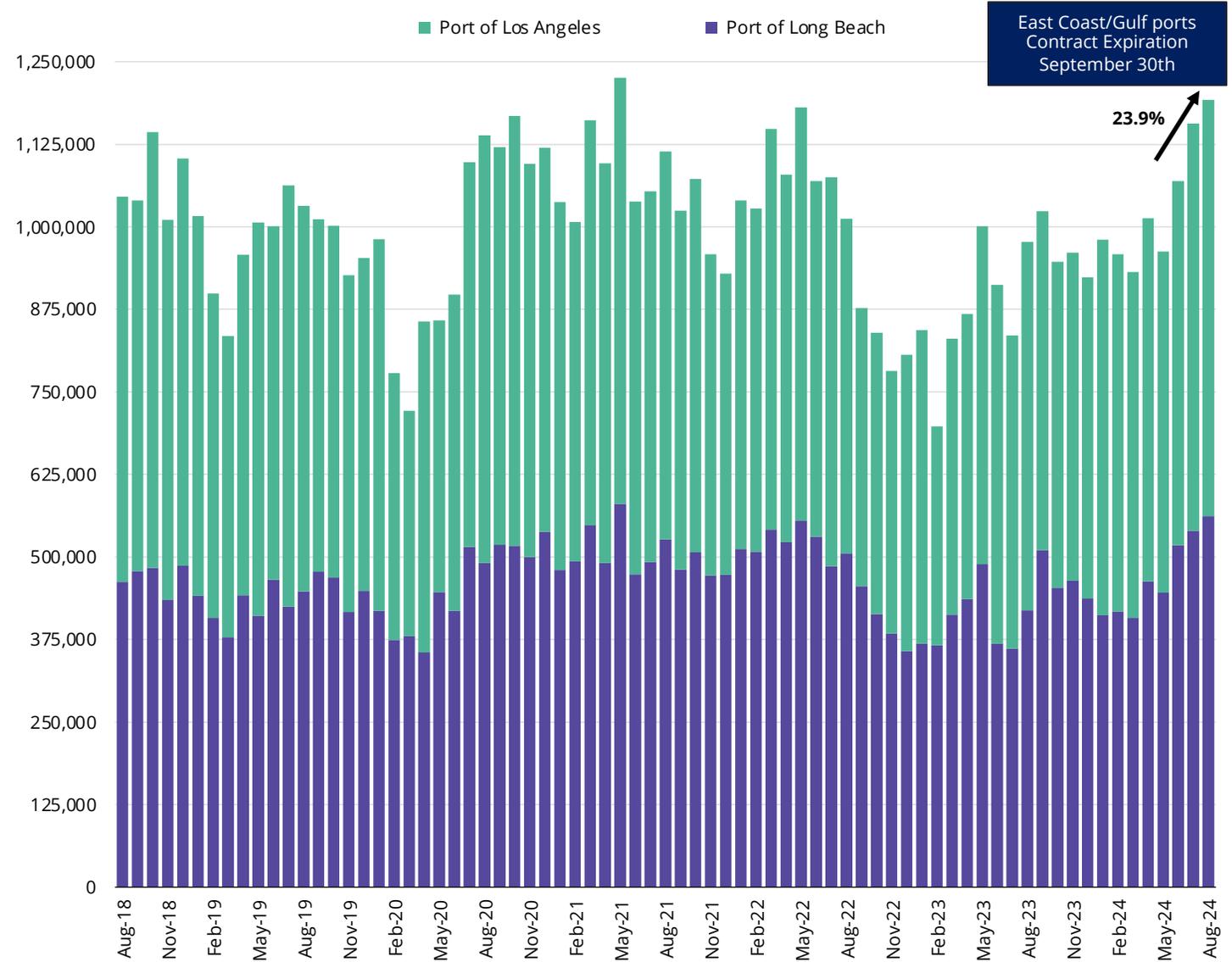
Demand for small-bay industrial spaces in the Los Angeles market remains strong. In Q3, leases within buildings up to 50,000 square feet made up 42% of the leasing volume, totaling 3,987,729 square feet. Additionally, demand for spaces within buildings between 100,000 and 250,000 square feet surged by 66% since the start of the year, with 2,892,346 square feet leased in Q3 2024.

# Loaded import and export container volumes

# 23.9%

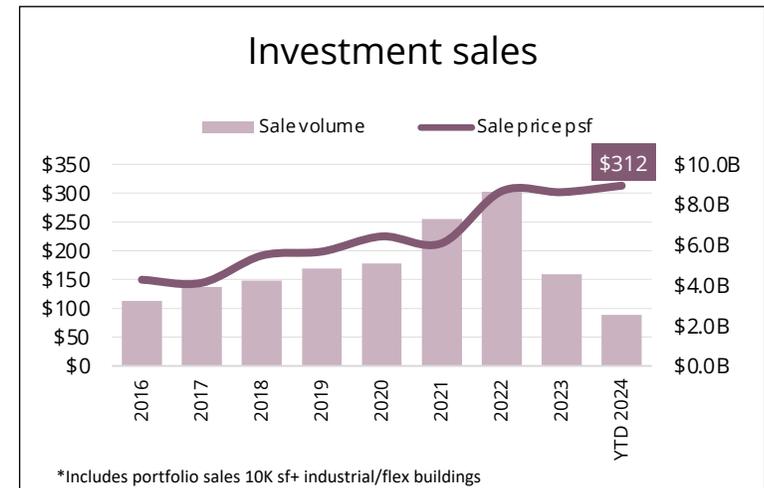
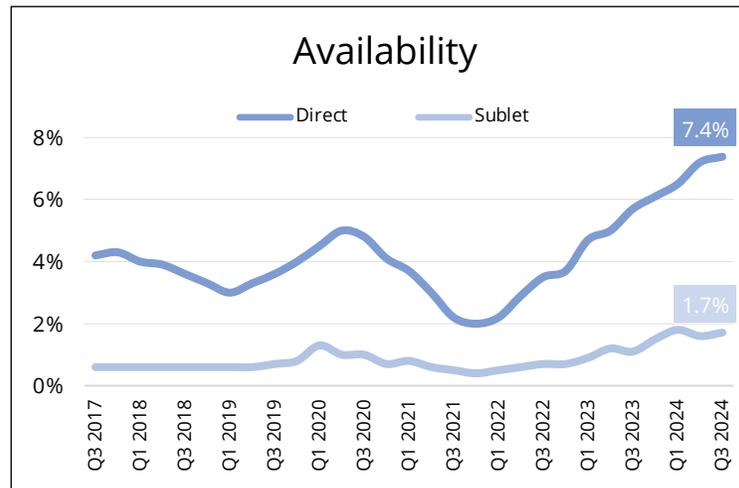
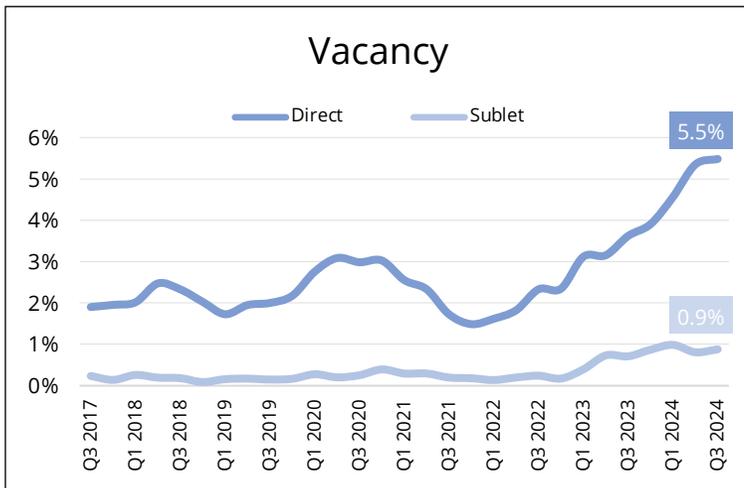
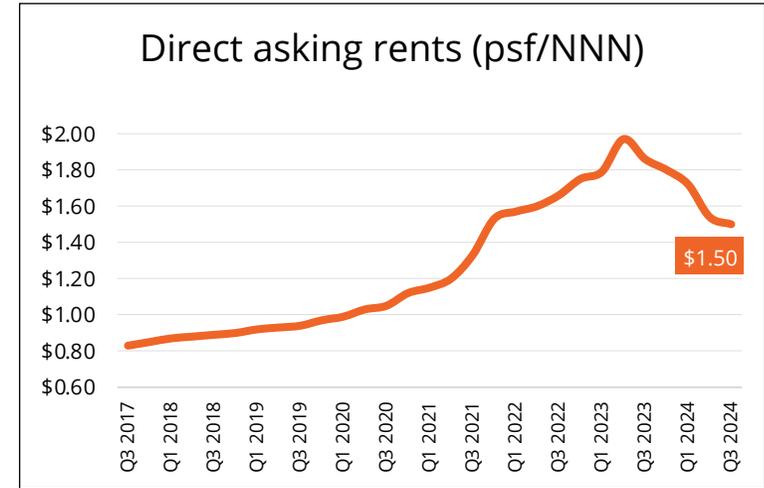
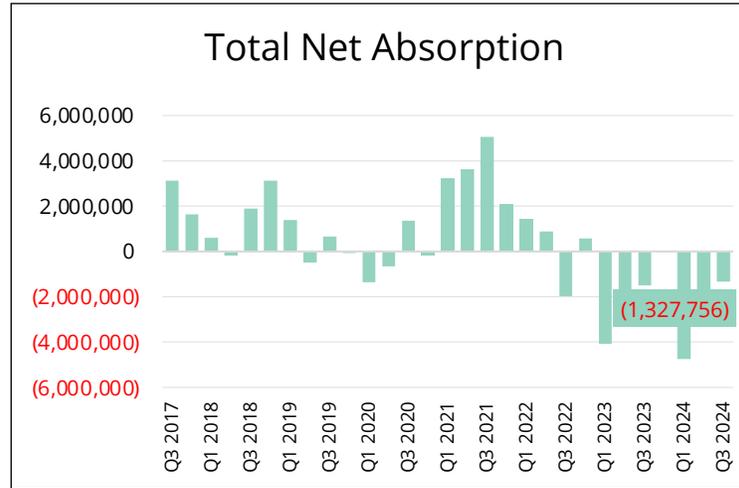
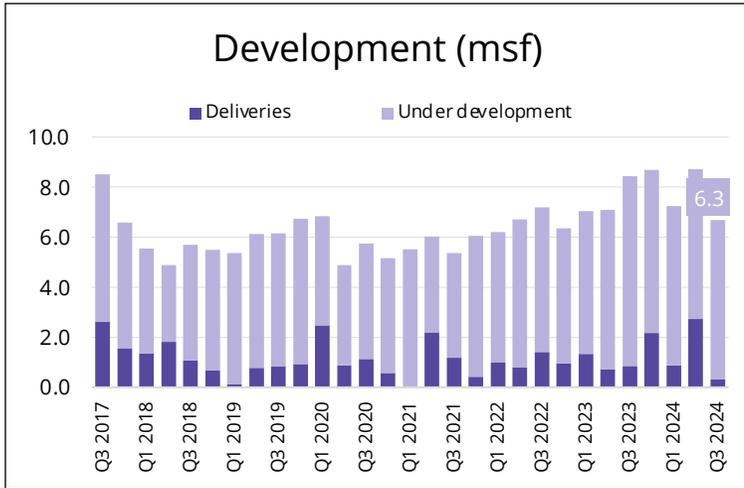
Due to the looming strike at East and Gulf ports, West Coast ports experienced a 23.9% increase in activity three-months prior to the expiration.

The ports of Long Beach and Los Angeles have shown strong recovery after labor negotiations and strike that occurred in 2023, driven by high consumer demand and holiday preparations. In 2024, they consistently handled over 1 million TEUs of cargo across four months. From May to August, trade volumes surged by 23.9%, partly due to the looming expiration of the East Coast labor contract. Currently, the strike has been suspended until January 15, 2025, and dock workers have returned to work.



Port of Los Angeles, Port of Long Beach. Totals consist of loaded imports and exports

# Los Angeles industrial market indicators



# Los Angeles industrial market activity

## Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Starlink	18175-18215 Rowland St, Industry	San Gabriel Valley	Sept 2024	700,000	Direct	New
R1 Concept	2000 E Carson St, Carson	South Bay	Aug 2024	293,800	Direct	New
Kair Harbor	250 W Manville St, Compton	South Bay	Aug 2024	206,483	Direct	New

## Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
McMaster-Carr Supply Company	Norwalk Blvd, Santa Fe Springs (7 Bldgs.)	Jul 2024	239,532	\$75,000,000	\$313	Brookfield Asset Management
Greenlaw Partners	Carmenita Rd/Alondra Blvd (2 Bldgs.)	Aug 2024	234,261	\$69,000,000	\$294	Link Logistics
Center Capital Partners	9401 De Soto Ave, Chatsworth	Jul 2024	150,831	\$41,500,000	\$275	NBP Capital

## Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
N 45 <sup>th</sup> St W, Lancaster	Antelope Valley	Sept 2025	647,327	0%	NorthPoint Development
2401 E Wardlow Rd., Long Beach	South Bay	Dec 2024	504,810	0%	Goodman North America
4200 W Valley Blvd., Walnut	San Gabriel Valley	Oct 2024	269,780	0%	CapRock Partners

# Los Angeles industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (QTD)	Net absorption sf (YTD)	Direct asking rent psf NNN
South Bay	130,223,018	402,773	1,633,230	4.2%	0.4%	4.6%	1,119,827	156,861	\$1.66
San Gabriel Valley	103,626,382	2,444,209	764,944	7.0%	1.1%	8.1%	(975,576)	(2,338,595)	\$1.49
Mid-Counties	71,381,083	144,434	634,254	6.0%	0.8%	6.8%	(509,001)	(1,929,582)	\$1.63
Vernon	63,903,967	427,584	396,617	5.5%	1.7%	7.2%	(229,008)	(1,102,793)	\$1.29
Commerce	56,437,706	210,347	151,565	8.4%	1.4%	9.8%	(495,086)	(1,749,451)	\$1.10
East San Fernando Valley	25,251,491	0	250,279	1.3%	0.7%	2.0%	(48,635)	132,401	\$1.67
West San Fernando Valley	21,757,814	0	79,539	3.4%	0.3%	3.7%	210,073	(218,994)	\$1.56
East Ventura County	10,148,595	0	0	7.8%	1.7%	9.5%	(34,377)	49,403	\$1.29
West Ventura County	25,251,491	0	0	3.2%	0.1%	3.3%	(103,056)	(91,025)	\$0.89
Downtown Los Angeles	17,741,135	0	0	7.3%	0.0%	7.3%	(27,793)	847	\$1.33
Santa Clarita	14,963,473	288,229	640,439	2.6%	0.9%	3.5%	(144,065)	118,425	\$1.27
West Side	6,205,689	0	0	10.2%	2.8%	13.0%	(91,059)	(103,523)	\$2.50
Antelope Valley	5,685,034	0	1,822,180	0.6%	0.0%	0.6%	0	(5,100)	\$1.49
<b>Market total</b>	<b>551,996,039</b>	<b>3,917,576</b>	<b>6,373,047</b>	<b>5.5%</b>	<b>0.9%</b>	<b>6.4%</b>	<b>(1,327,756)</b>	<b>(7,081,126)</b>	<b>\$1.50</b>

# Industrial insights glossary of terms

## Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

## Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

## Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

## Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

## Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and  
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