CUSHMAN & WAKEFIELD

A CLOSER LOOK

Los Angeles Industrial – August 2023

Key Trends

AVAILABLE SPACE ON THE RISE
After available space on the market bottomed in 2022, more is coming online.

HAVE RENTS PEAKED?
Asking rents skyrocketed during the pandemic, but not anymore.

CONSTRUCTION ACTIVITY REMAINS HOT
Construction activity is at the highest level since 2017.

WHO IS LEASING NEW SPACE?
A handful of tenant categories have been extremely active amid the pandemic.

PORT ACTIVITY DECLINING
Port activity at the ports of Los Angeles and Long Beach through the first six months was down 24%.

VOLATILE MARKET

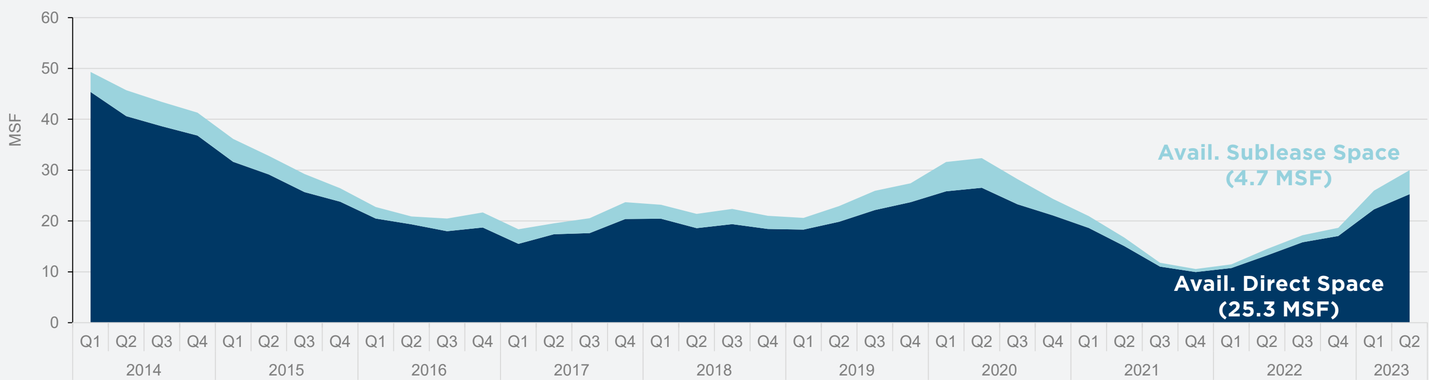
1

LOS ANGELES AVAILABLE SUBLEASE SPACE SURPASSES 4.5 MSF

The available space on the market in Los Angeles (LA) hit a low point in Q1 2022 at 11.5 million square feet (msf) but has been rapidly rising since then. By mid-2023, it had reached 30.0 msf. **Through the first two quarters of 2023, 11.3 msf has been added to the LA industrial market available for lease, an increase of 61% since the end of 2022.** Of this 11.3 msf added, 3.1 msf was sublease space, an increase of 198%.

Los Angeles Available Sublease Space Surpasses 4.5 MSF

The amount of available sublease space has increased 687% since Q4 2021 low of 597,227 SF.



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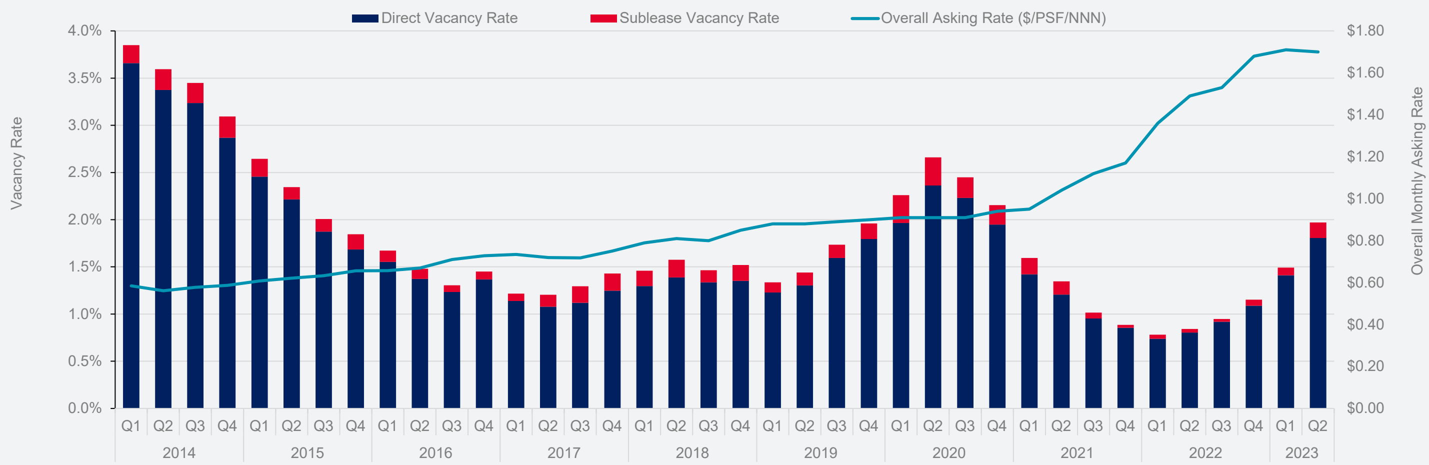
HAVE RENTS PEAKED?

2

The overall asking rate in LA had been on a steady growth trend for 18 consecutive quarters, averaging 4.4%. The average rent increased by $0.86 or 101% to $1.71 per square foot (psf) per month on a triple net basis during this time. However, **in Q2 2023, there was a drop of $0.01 or 0.6% to $1.70 psf.** This was the first decline in a while, and the general sentiment is that this trend might continue.

Los Angeles Lease Rate Growth Reversing In 2023

Average asking rent grew at an average rate of 5.2% per quarter through Q1 2023 but is down 0.6% in Q2.



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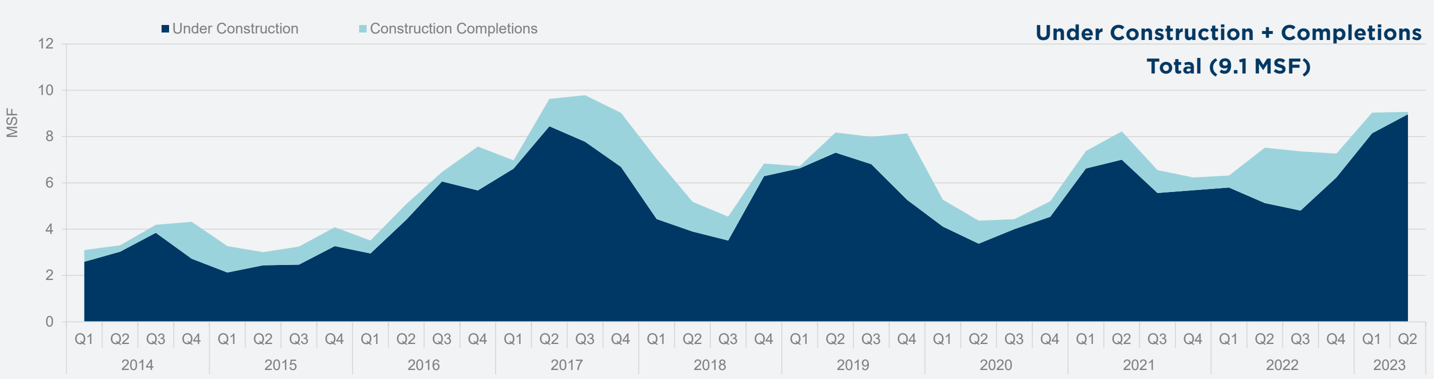
LOS ANGELES CONSTRUCTION ACTIVITY

Construction activity is at the highest point since 2017 at 9.1 msf with 9.0 msf currently under construction and 1.0 msf newly completed in 2023 so far. **The level of inventory currently under construction is the highest in the last 10 years.** However, with increasing vacancy rates and falling rents, construction activity is expected to slow down in the coming quarters.

Los Angeles Construction Activity

The total construction activity (under construction + completions) at the highest point since 2017.

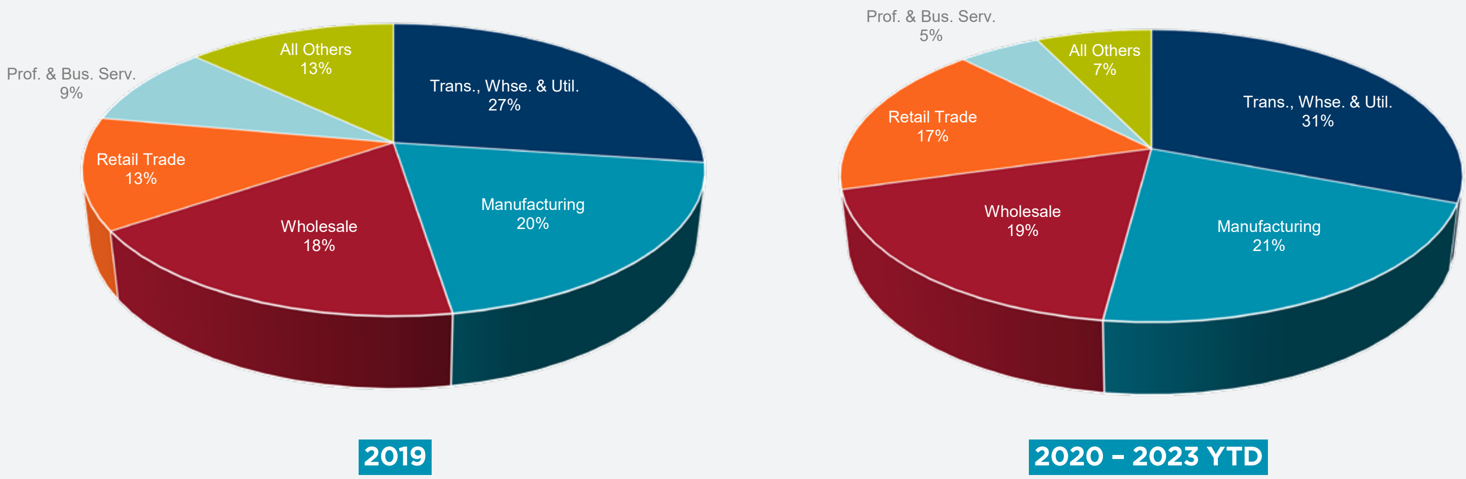


WHO IS LEASING NEW SPACE?

Industries like transportation, warehousing and utilities have continued to dominate the leasing market, accounting for the largest share or 31% of all leasing since 2020 up to mid-2023. Amazon, despite being in the smallest category (retail trade) of the big four industries, has leased the most space (around 3.4 msf) since 2020. **The transportation, warehousing and utilities industry as well as retail trade have gained significant leased market share since the COVID-19 pandemic.**

4

Tenant Mix Pre vs. Post COVID-19 Pandemic



Title Here

TRANS., WHSE. & UTIL.

(665,414 SF) Cubework

(627,480 SF) FedEx

(494,488 SF) SEKO Logistics

MANUFACTURING

(868,406 SF) Relativity Space

(844,286 SF) DrinkPak

(537,804 SF) Puma

WHOLESALE

(972,876 SF) Furniture of America

(350,256 SF) Sweda Corp.

(318,497 SF) D Element Group

RETAIL TRADE

(3,356,446 SF) Amazon

(802,417 SF) The Home Depot

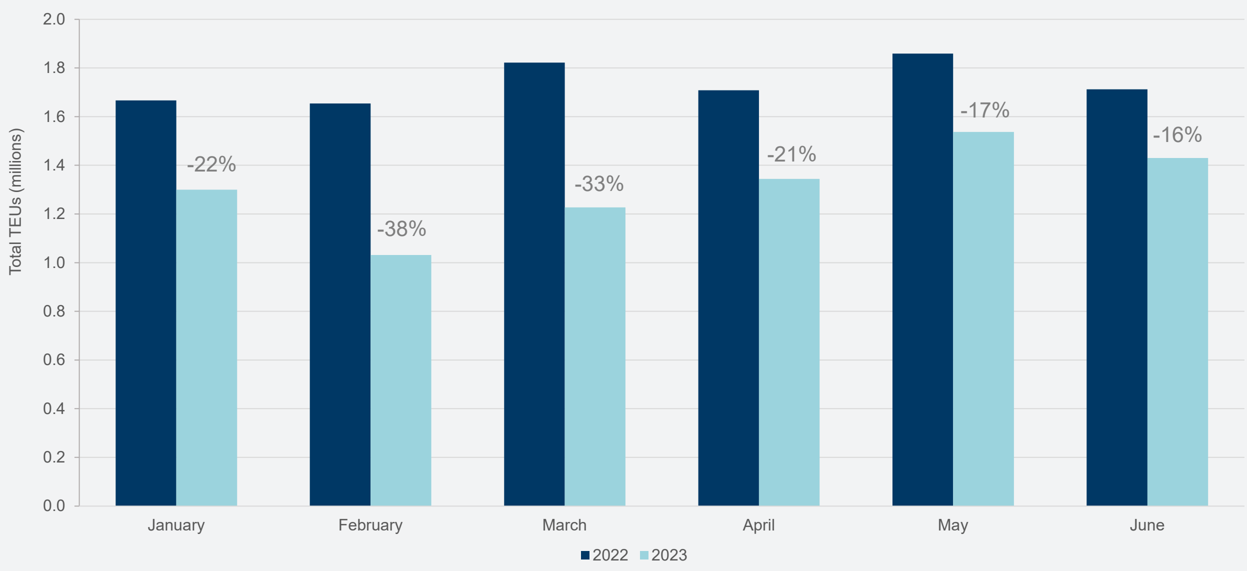
(350,000 SF) DNA Motor, Inc.

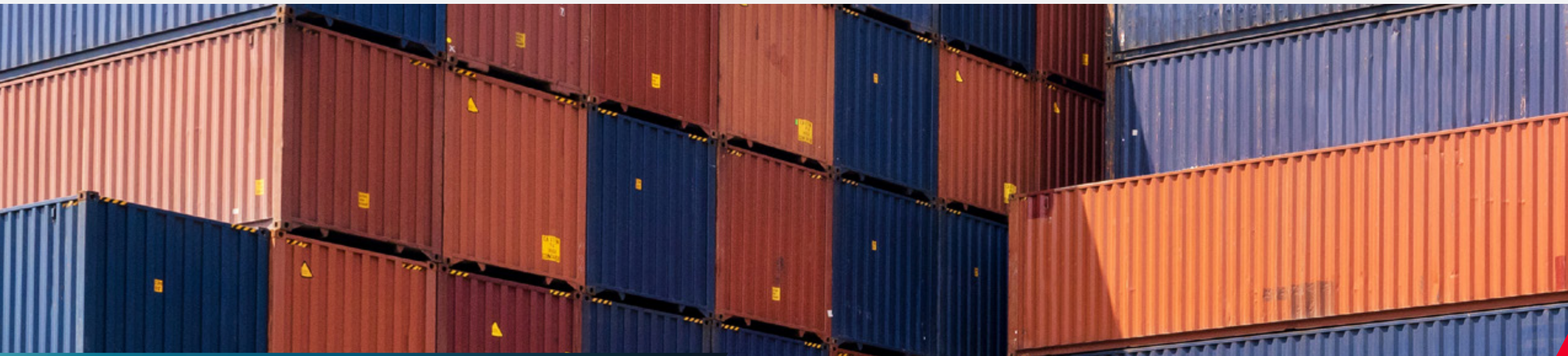
PORT ACTIVITY DECLINING

Port activity in LA has seen a decline in the first half of 2023 compared to the previous year. The total twenty-foot equivalent unit (TEU) volume is down 24% year-over-year, which could be attributed partly to the labor dispute between Pacific Maritime Associates (PMA) and the International Longshore and Warehouse Union (ILWU). **However, a tentative agreement was signed in June 2023, which might alleviate this issue.** The hope is that shippers who have redirected cargo away from the ports of Los Angeles and Long Beach due to the labor negotiations will return. Another factor contributing to the port activity decline could be the high inventory levels. Total business inventories totaled $2.5 trillion in the May 2023 preliminary estimates, an increase of 3.5% YOY.

Port Volume Down Year-Over-Year

Total TEU volume is down 24% through the first half of 2023 compared to 2022.





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