CUSHMAN & WAKEFIELD

SAN PEDRO PORTS REPORT

Second Quarter 2023

Port Activity Update Reports – Q2 2023

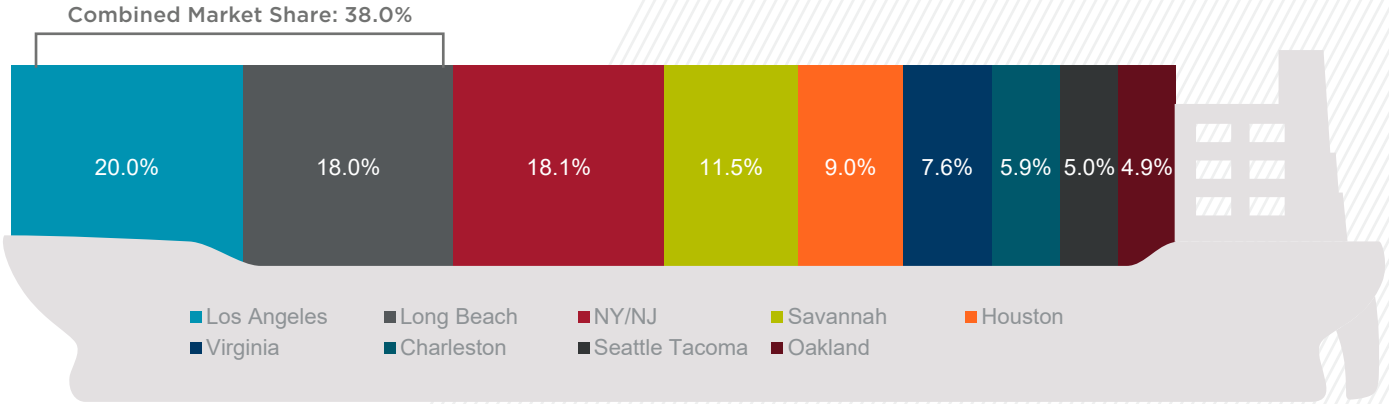
Port volume at the Ports of Los Angeles and Long Beach (San Pedro Ports) began to increase in the second quarter of 2023; however, it remained lower compared to the same period a year ago. Monthly Twenty-Foot Equivalent Unit (TEU) volumes had reached a low point in February but have been gradually increasing month over month until dropping again in June.

The total TEU volume at the San Pedro Ports during the first half of 2023 was 7.9 million TEUs, reflecting a significant 24.5% drop from the 10.4 million TEUs recorded during the first half of 2022. Both the Port of Los Angeles and the Port of Long Beach experienced similar year-over-year (YOY) declines for the first half of the year. The total TEU volume at the Port of Los Angeles dropped 23.6% to 4.1 million TEUs, while activity at the Port of Long Beach declined 25.5% to 3.7 million TEUs YOY.

One major factor contributing to the drop in TEU volume was decreased imports from China, which has a significant influence on the activity level of the San Pedro Ports. As the main port of entry for goods from China, the activity level of the San Pedro Ports is closely correlated to the Chinese export market. In June 2023, the dollar value of Chinese imports to the U.S. dropped 29.3% YOY, while imports at the San Pedro Ports were down 17.5%. The correlation between the San Pedro Ports' activity and imports from China was even stronger when comparing the first half of the year in 2023 versus 2022. In 2023, through the first six months of the year, import volume at the San Pedro Ports was down 25.6% versus 2022, and imports from China were down 25.2% during that same timeframe.

Another factor that has been affecting port activity over the past year has been labor contract negotiations which began back in July 2022 between the Pacific Maritime Association (PMA), which represents employers, and the International Longshore and Warehouse Union (ILWU),

U.S. PORT VOLUME MARKET SHARE



*TEU is a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size. Source: The Port of Long Beach and Los Angeles. ©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

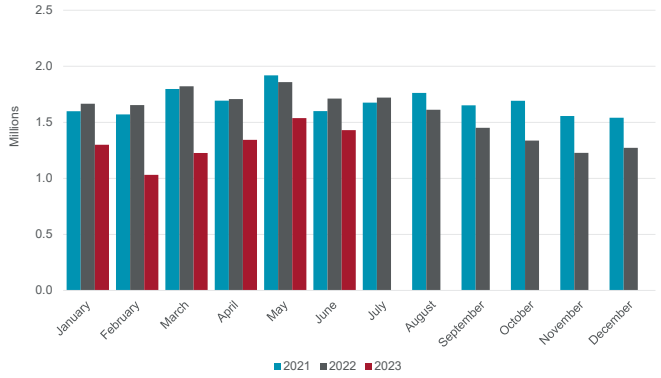
which represents employees. As of June 2023, a tentative agreement has been reached, with the hope that shippers who have redirected cargo away from the ports of Los Angeles and Long Beach due to the negotiations will return, boosting cargo volume going forward.

Despite the slowdown from China and all the uncertainty around contract negotiations, the San Pedro Port complex still holds a combined market share of 38.0% of all TEUs that flow to the country. The strategic geographical advantage of the Ports of Los Angeles and Long Beach in relation to the United States' major trading partners remains significant.

The San Pedro Ports play a crucial role in driving industrial demand in the Los Angeles Basin. The recent 24.5% drop in TEU volume seemed to have had at least a partial effect on the local industrial market. The Los Angeles vacancy rate has increased 80 basis points to 2.0% so far in 2023, although Los Angeles remains the second tightest market in the country. Meanwhile, the overall average asking rent decreased on a quarterly basis for the first time since Q3 2018. However, the decline was minimal at just a $0.01 decrease from Q1 2023 to $1.70 per square foot per month on a triple net basis. If the slowdown in port activity continues, it is likely that the industrial market will feel further effects.

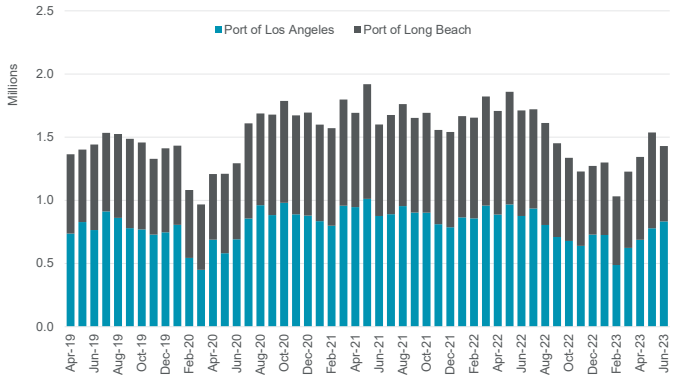
PORTS OF LOS ANGELES & LONG BEACH

Monthly TEU Volume Annual Comparison



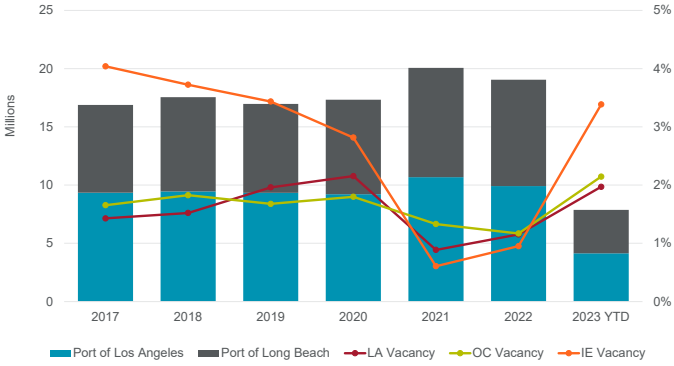
PORTS OF LOS ANGELES & LONG BEACH

Monthly TEU Volume



PORTS OF LOS ANGELES & LONG BEACH

Annual TEU Volume vs. Overall Industrial Vacancy Rate



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