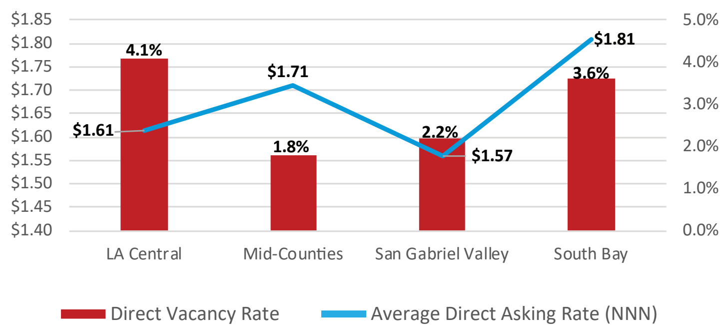
Q2 23 LOS ANGELES INDUSTRIAL MARKET

LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

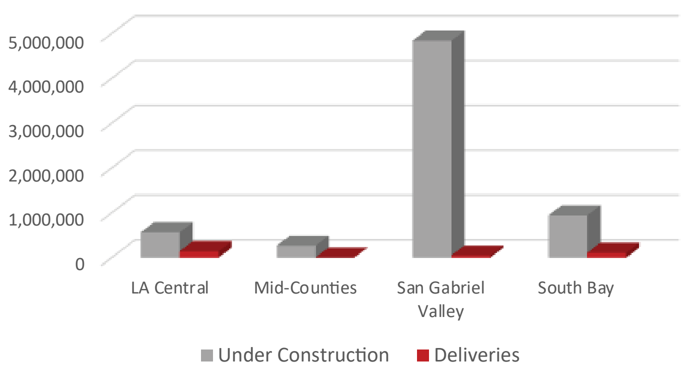
MARKET SNAPSHOT

HIGHEST TOTAL SALE & LEASE ACTIVITY **SAN GABRIEL VALLEY** **3,235,116 SF**	**HIGHEST SUBLEASE VACANCY RATE** **LA CENTRAL** **0.8%**
HIGHEST AVERAGE SALE PRICE PSF **MID-COUNTIES** **$303.78**	**HIGHEST AVERAGE DIRECT ASKING RATE (NNN)** **SOUTH BAY** **$1.81**

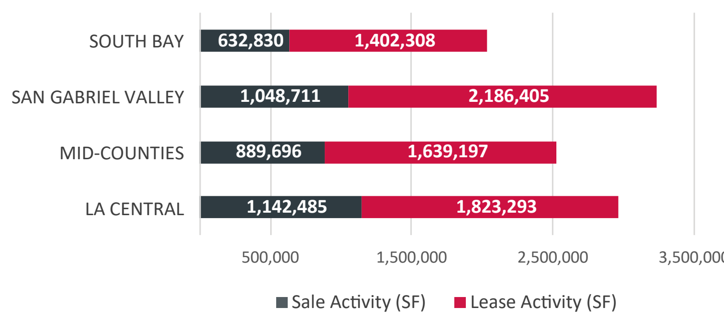
VACANCY AND ASKING RATE



UNDER CONSTRUCTION & DELIVERIES (SF)



SALE AND LEASE ACTIVITY (SF)



DECREASING RENTAL RATES

The Los Angeles industrial market ended the first half of the year with a total vacancy rate of 3.7%, up from 3.1% last quarter and 1.8% from one year ago. The increase in sublease vacancy from 0.3% to 0.6% quarter-over-quarter contributed to the rise in total vacancy.

As mentioned last quarter, the average direct asking rate was stabilizing and decreased slightly to $1.69 NNN PSF from $1.71 NNN PSF previously. Landlords became more open to reducing rates as vacancy rose, in response to the uncertainty of the economy and as tenants became more cautious in making commitments. The direct asking rates for all submarkets declined, except for Mid-Counties, where the average direct asking rate increased slightly from $1.70 NNN PSF to $1.71 NNN PSF in 2Q2023.

Bankruptcy filings surged in 2023, leading to many lessees becoming sublessors. Companies downsized their real estate footprints, offering their extra spaces as subleases. The sublease inventory increased by 2.5M SF, causing the average sublease asking rate to decrease from $1.47 NNN PSF to $1.41 NNN PSF.

The lease-to-sale ratio for 2Q2023 was 65.55 to 34.5%. Rising interest rates, economic uncertainty, stricter underwriting criteria by lenders and the ULA Tax (City of Los Angeles only) affected sales, especially properties over $5M. The average sale price was 6.9% lower than the asking price. Despite this, real estate investors remained confident in the Los Angeles market, with investment sales accounting for 61% of total sales.

Maggie Kusumawathy, Research and Marketing

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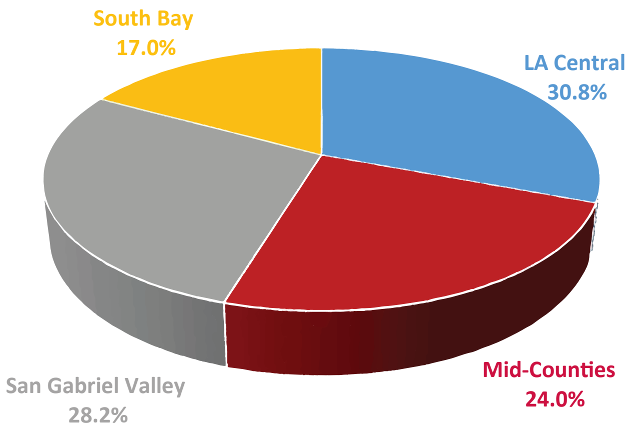
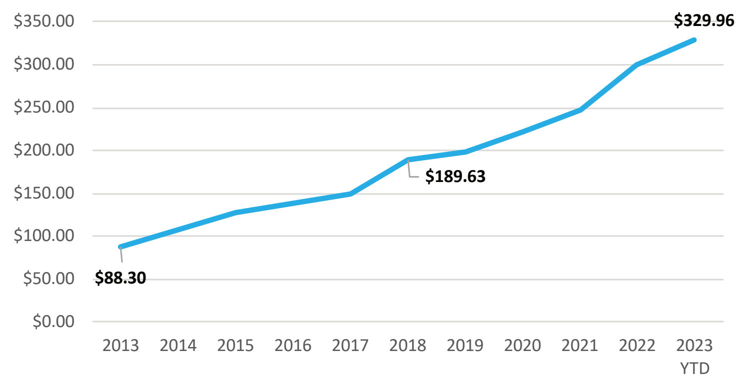
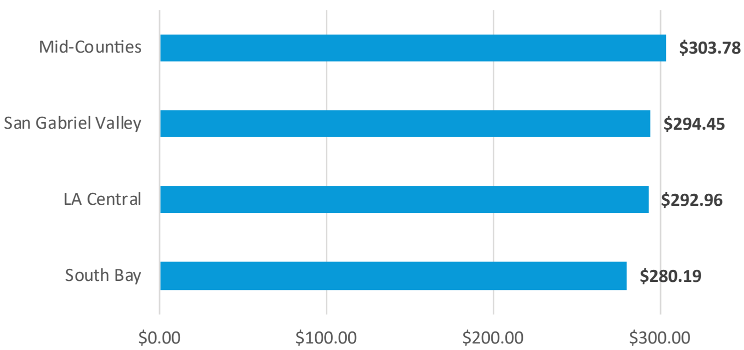
SALE ACTIVITY (SF)



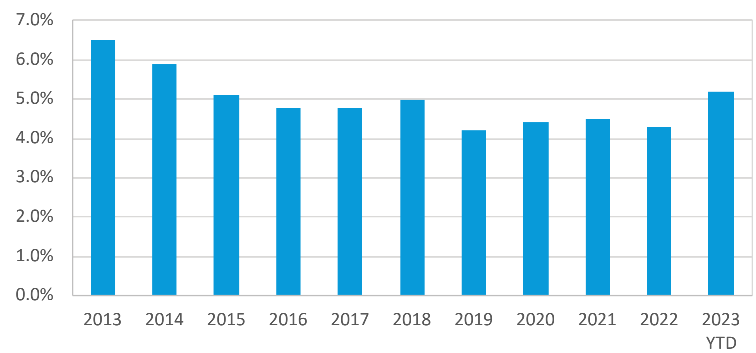
AVERAGE SALE PRICE PSF



AVERAGE SALE PRICE PSF



AVERAGE CAP RATE



TOP SALE TRANSACTIONS

Address	Transaction Size (SF)	Buyer	Property Type	Sale Type	Sale Price	Market
3049, 3094, 3095 & 3163 E Vernon Ave	689,904	Goodman North America Management, LLC	Food Processing	Investment	$206,458,500	LA Central
823-829, 875-935 & 975-985 W 8th St	432,500	IDS Real Estate Group	Warehouse/ Distribution	Investment	$126,000,000	San Gabriel Valley
2395-2399 Bateman Ave	133,875	Rexford Industrial Property	Warehouse/ Distribution	Investment	$41,202,800	San Gabriel Valley
140 N Orange Ave	124,397	High Street Logistics Properies	Warehouse/ Distribution	Investment	$38,500,000	San Gabriel Valley
2665, 2671 & 2675 Pomona Blvd	103,228	GID Investment Advisors, LLC	Warehouse/ Distribution	Investment	$30,200,000	San Gabriel Valley

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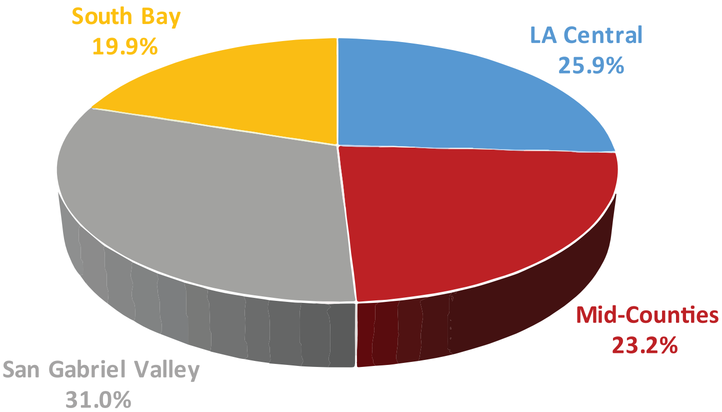
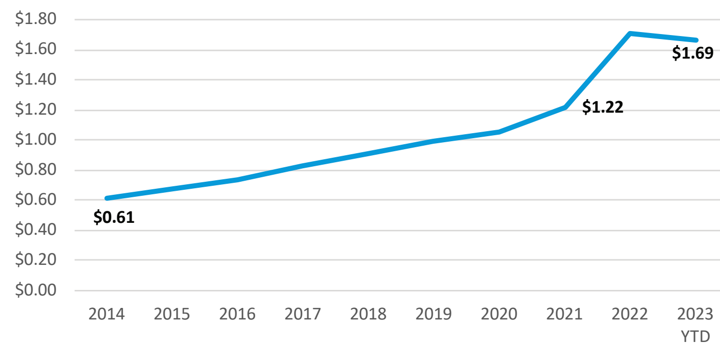
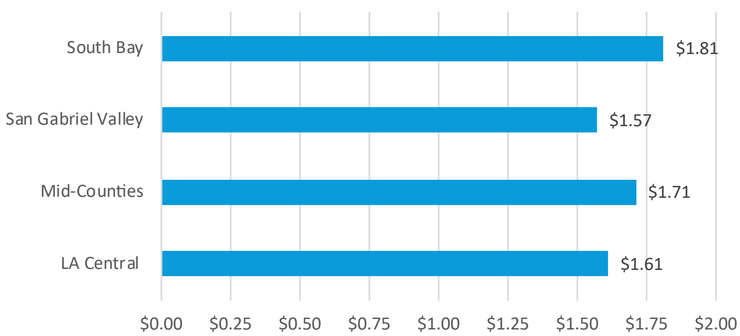
LEASE ACTIVITY (SF)



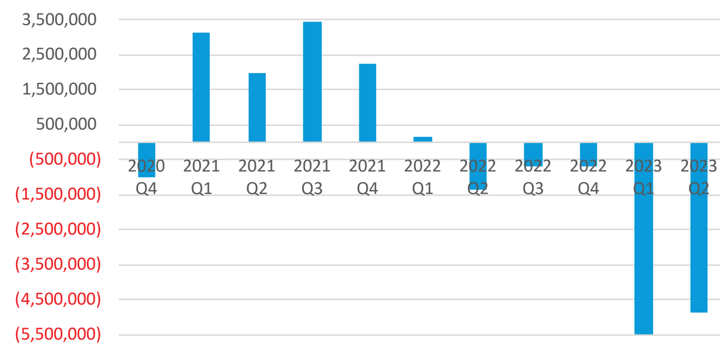
AVERAGE DIRECT ASKING RATE (NNN)



AVERAGE DIRECT ASKING RATE (NNN)



NET ABSORPTION (SF)



TOP LEASE TRANSACTIONS

Address	Transaction Size (SF)	Tenant	Property Type	Lease Type	Tenant Type	Market
21558 Ferrero Pkwy	318,497	FBD Logistics	Warehouse/ Distribution	Relocation	Logistics	San Gabriel Valley
400 W Artesia Blvd	253,584	SpeedUp Logistics	Warehouse/ Distribution	Sublease	Logistics	South Bay
5560 E Slauson Ave	248,759	Century Snack	Manufacturing	Renewal	Food/Beverage	LA Central
131 Marcellin Dr	240,500	Win.IT America, Inc.	Warehouse/ Distribution	Direct	Logistics	San Gabriel Valley
909 E Colon St	223,865	West Logistics	Warehouse/ Distribution	Direct	Logistics	South Bay

SUBMARKET STATISTICS

Submarket	Inventory	Under Construction	2Q 23 Deliveries	2Q 23 Direct Vacancy	2Q 23 Sublease Vacancy	2Q 23 Total Vacancy	1Q 23 Total Vacancy	2Q 23 Net Absorption	YTD Net Absorption	2Q 23 Avg Direct Asking Rent (NNN)
Bell/Bell Gardens/Cudahy	7,408,080	0	0	1.3%	0.0%	1.3%	0.8%	(42,253)	(78,761)	$1.78
Commerce	61,945,120	191,775	0	5.8%	0.7%	6.4%	6.7%	27,169	(1,580,056)	$1.61
Huntington Park	9,974,975	0	0	2.3%	1.6%	3.9%	2.6%	(124,585)	(161,841)	$1.38
Lincoln Heights/City Terrace	10,579,669	0	0	5.7%	0.1%	5.9%	10.5%	488,765	232,873	$1.40
Central Los Angeles	49,358,186	0	0	4.9%	0.3%	5.3%	4.7%	(254,376)	(646,453)	$1.42
Maywood	802,765	0	0	7.9%	0.0%	7.9%	7.9%	(100)	(51,251)	$1.15
Montebello	10,089,060	0	0	5.4%	0.7%	6.1%	2.9%	(328,113)	(352,868)	$1.89
Pico Rivera	10,450,106	0	0	1.3%	0.0%	1.3%	0.9%	(47,556)	(43,794)	$1.90
South Gate	9,661,833	0	0	0.6%	0.0%	0.6%	0.7%	1,415	2,570	$1.48
Vernon	60,002,122	371,988	140,464	3.0%	1.7%	4.7%	2.8%	(1,026,123)	(1,560,480)	$1.75
LA CENTRAL	**230,271,916**	**563,763**	**140,464**	**4.1%**	**0.8%**	**4.9%**	**4.4%**	**(1,305,757)**	**(4,240,061)**	**$1.61**
Artesia	310,967	0	0	2.6%	0.0%	2.6%	0.0%	(8,083)	(8,083)	N/A
Bellflower	918,553	0	0	4.1%	0.0%	4.1%	4.7%	5,564	9,469	$1.60
Buena Park	13,522,679	0	0	0.6%	0.5%	1.2%	1.4%	36,432	(78,832)	$1.99
Cerritos	12,797,228	23,136	0	2.8%	0.2%	3.0%	2.3%	(85,441)	(140,188)	$1.67
Cypress	4,615,884	0	0	1.0%	5.8%	6.8%	1.0%	(268,433)	(256,354)	$1.79
Downey	4,705,940	0	0	2.3%	0.0%	2.3%	4.3%	90,502	(25,137)	$1.81
La Mirada	13,495,900	0	0	2.2%	2.3%	4.5%	1.2%	(444,734)	(510,188)	$1.62
La Palma	1,778,216	0	0	4.1%	0.0%	4.1%	4.1%	0	0	N/A
Los Alamitos	2,198,771	0	0	0.9%	0.0%	0.9%	0.2%	(16,051)	(7,723)	N/A
Norwalk	2,898,311	0	0	6.2%	0.0%	6.2%	0.3%	(170,281)	(173,213)	$1.50
Santa Fe Springs	53,397,573	202,897	0	1.3%	0.3%	1.5%	1.7%	73,559	(254,197)	$1.76
Whittier	9,000,083	40,900	0	2.5%	0.8%	3.3%	2.9%	(30,343)	(10,798)	$1.70
MID-COUNTIES	**119,640,105**	**266,933**	**0**	**1.8%**	**0.7%**	**2.5%**	**1.8%**	**(817,309)**	**(1,455,244)**	**$1.71**
City of Industry	80,026,070	2,821,844	34,089	2.4%	1.1%	3.5%	2.7%	(620,758)	(873,761)	$1.68
East San Gabriel Valley	26,504,421	37,690	0	0.5%	0.0%	0.5%	1.5%	273,805	84,248	$1.40
Lower San Gabriel Valley	25,928,893	372,992	0	1.9%	0.2%	2.0%	1.8%	(47,601)	(73,552)	$1.41
Upper San Gabriel Valley	38,205,862	1,608,124	12,725	3.0%	0.1%	3.1%	3.7%	265,975	256,547	$1.57
SAN GABRIEL VALLEY	**170,665,246**	**4,840,650**	**46,814**	**2.2%**	**0.5%**	**2.7%**	**2.6%**	**(128,579)**	**(606,518)**	**$1.57**
Beach Cities/El Segundo	10,632,580	31,541	0	1.5%	0.5%	2.0%	1.6%	(45,521)	(83,641)	$2.13
Carson	23,405,790	127,930	0	5.1%	0.3%	5.4%	2.8%	(607,026)	(784,754)	$2.20
Compton/Rancho Dominguez	41,562,022	205,435	0	3.1%	0.8%	4.0%	1.9%	(857,697)	(1,204,882)	$1.87
Gardena/Hawthorne/ Inglewood/Lawndale	49,698,073	0	107,733	2.9%	0.3%	3.2%	2.5%	(229,768)	(773,445)	$1.65
Harbor City/Lomita/San Pedro/Wilmington	9,376,476	0	0	5.6%	0.0%	5.6%	5.2%	(37,723)	(485,148)	$1.86
Lakewood/Long Beach/ Signal Hill	36,892,151	94,328	0	2.8%	0.1%	2.9%	3.3%	152,555	126,713	$1.95
Lynwood/Paramount	13,578,031	0	0	1.3%	0.2%	1.4%	1.7%	30,834	(108,329)	$1.37
Torrance	28,326,476	485,228	0	6.8%	0.3%	7.1%	5.2%	(537,975)	(531,848)	$1.91
SOUTH BAY	**213,471,599**	**944,462**	**107,733**	**3.6%**	**0.3%**	**4.0%**	**2.9%**	**(2,132,321)**	**(3,845,334)**	**$1.81**
LOS ANGELES TOTAL	**734,048,866**	**6,615,808**	**295,011**	**3.2%**	**0.6%**	**3.7%**	**3.1%**	**(4,383,966)**	**(10,147,157)**	**$1.69**

JEFF RINKOV
CEO & Senior Vice President | LIC ID 0128887
213-400-7941
jrinkov@lee-associates.com

JACK R. CLINE, JR.
President | LIC ID 00854279
213-590-3512
jcline@lee-associates.com

DOUG CLINE
Senior Vice President | LIC ID 01142005
213-324-2957
dcline@lee-associates.com

EVAN JURGENSEN
Senior Vice President | LIC ID 01967347
323-922-3733
ejurgensen@lee-associates.com

MILES SOLOMON
Senior Vice President & Land Specialist | LIC ID 02099423
949-532-8609
msolomon@lee-associates.com

TONY NAPLES
Senior Vice President | LIC ID 01811344
818-395-4373
tnaples@lee-associates.com

LOREN KAPLAN
Senior Vice President | LIC ID 01968119
323-922-5784
lkaplan@lee-associates.com

MATTHEW EDDY
Senior Vice President | LIC ID 01844956
213-268-8922
meddy@lee-associates.com

CONNOR F. ULF
Senior Vice President | LIC ID 01956845
818-468-1752
culf@lee-associates.com

SEHYUNG KIM
Senior Vice President | LIC ID 01327276
213-290-3599
skim@lee-associates.com

EVERETT PHILLIPS
Associate | LIC ID 01992837
626-755-4199
ephillips@lee-associates.com

WILSON TRAN
Associate | LIC ID 02084697
626-500-8929
wtran@lee-associates.com

ALLAN ROMAN
LIC ID 01809609
949-274-1680
aroman@lee-associates.com

DAVID COX
LIC ID 02130657
760-571-4827
dcox@lee-associates.com

MATTISON BEHR
LIC ID 02091054
818-434-9116
mbehr@lee-associates.com

SAM RINKOV
LIC ID 02132512
323-922-5479
srinkov@lee-associates.com

MELANIE GUILLEN
Client Services Associate
323-922-3746
mguillen@lee-associates.com

AMANDA ULF
LIC ID 02135282
818-468-1762
aulf@lee-associates.com

MAX NUEVO
LIC ID 02215232
323-924-3832
mnuevo@lee-associates.com