LEE & ASSOCIATES
LOS ANGELES - DOWNTOWN

Los Angeles County Industrial
CONSOLIDATED MARKET REPORT
Class B and C Buildings

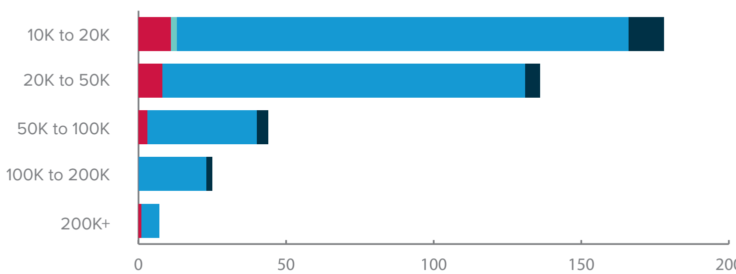
February | 2025

INSIGHT

In February, there were 77 total available added compared to 53 comps in the same time, resulting in supply outpacing demand at a 1.5x ratio. **South Bay is facing the highest oversupply (36% of new listings but only 19% of comps),** suggesting slower lease-up times and potential pricing pressure. **Mid-Counties is the strongest submarket for direct leasing, with more demand than supply, creating favorable conditions for landlords.** However, **its sublease market is struggling, with zero transactions despite 6 new availabilities,** highlighting weak absorption for sublease space. **Direct leasing (1.3x supply-to-demand) is performing better than subleases (2.1x)**, potentially indicating stronger tenant preference for long-term commitments. Landlords in **South Bay may need to adjust pricing or offer concessions,** while those in **Mid-Counties can capitalize on direct lease demand but should be cautious about sublease vacancies** to optimize occupancy and rental income.

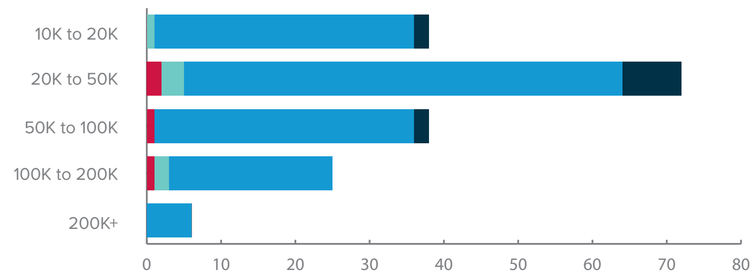
Lease Supply Demand Report

LA Central Lease Supply Demand (February 2025)



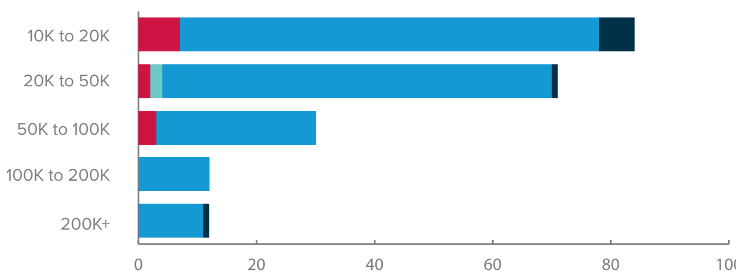
SF	Availables Added Direct	Availables Added Sublease	Total Availables	Total Comps This Month
10K to 20K	11	2	153	12
20K to 50K	8	0	123	5
50K to 100K	3	0	37	4
100K to 200K	0	0	23	2
200K+	1	0	6	0

Mid-Counties Lease Supply Demand (February 2025)



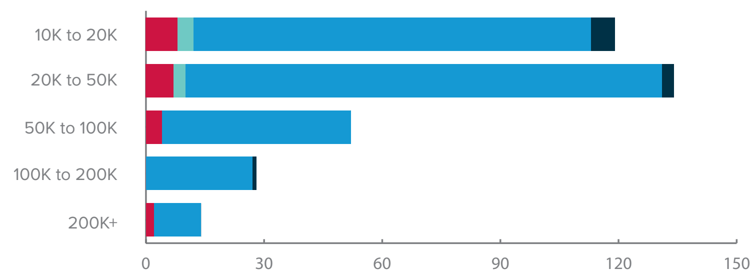
SF	Availables Added Direct	Availables Added Sublease	Total Availables	Total Comps This Month
10K to 20K	0	1	35	2
20K to 50K	2	3	59	8
50K to 100K	1	0	35	2
100K to 200K	1	2	22	0
200K+	0	0	6	0

San Gabriel Valley Lease Supply Demand (February 2025)



SF	Availables Added Direct	Availables Added Sublease	Total Availables	Total Comps This Month
10K to 20K	7	0	71	6
20K to 50K	2	2	66	1
50K to 100K	3	0	27	0
100K to 200K	0	0	12	0
200K+	0	0	11	1

South Bay Lease Supply Demand (February 2025)



SF	Availables Added Direct	Availables Added Sublease	Total Availables	Total Comps This Month
10K to 20K	8	4	101	6
20K to 50K	7	3	121	3
50K to 100K	4	0	48	0
100K to 200K	0	0	27	1
200K+	2	0	12	0

Grand Total:	Direct Availables Added	Total Available Added Sublease	Total Availables	Total Comps This Month
	60	17	995	53

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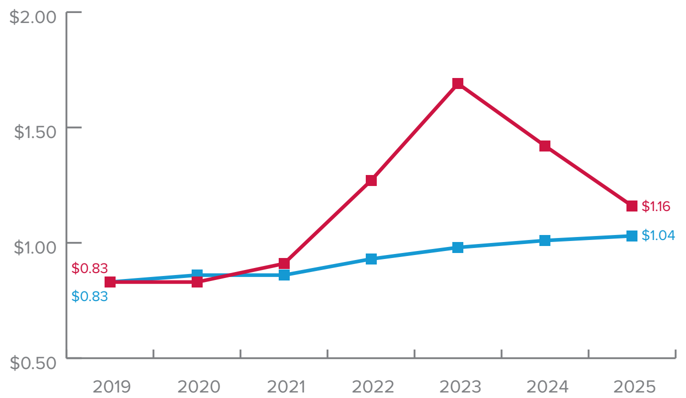
INSIGHT

NNN lease rates have declined significantly, with the **2025 lease comp rate at $1.16, down 18.7% from the previous year,** indicating a substantial market correction after rapid growth in 2022 and 2023. While still above the **CPI inflation-adjusted prediction of $1.04,** the rate would need to decline **another 10%** to align with inflation-based expectations. In contrast, **GRS lease rates have remained more stable, increasing 2% to $1.11 in 2025**, though still lagging behind the **inflation-predicted rate of $1.18, requiring a 6% increase** to keep pace. The data suggests that while **NNN leases are undergoing a sharp downward adjustment, GRS leases are showing resilience but still face inflationary pressure,** highlighting differing market dynamics between the two lease structures.

2019-2025 (February) Potential Lease Equilibrium

ALL MARKETS IN LOS ANGELES - NNN

Lease Comp Rate VS. Lease Comp Rate w/ Inflation

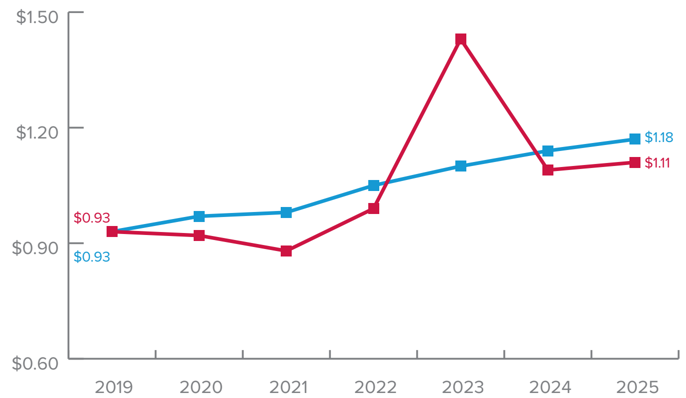


Year	Lease Comp Rate	Lease Comp Rate With Inflation	% Inflation
2019	$0.83	$0.83	
2020	$0.83	$0.86	3.4%
2021	$0.91	$0.86	1.0%
2022	$1.27	$0.93	7.4%
2023	$1.69	$0.98	5.1%
2024	$1.42	$1.01	3.4%
2025	$1.16	$1.04	3.3%

Lease Comp Rate   Lease Comp Rate w/ Inflation

ALL MARKETS IN LOS ANGELES - GRS

Lease Comp Rate VS. Lease Comp Rate w/ Inflation



Year	Lease Comp Rate	Lease Comp Rate With Inflation	% Inflation
2019	$0.93	$0.93	
2020	$0.92	$0.97	3.4%
2021	$0.88	$0.98	1.0%
2022	$0.99	$1.05	7.4%
2023	$1.43	$1.10	5.1%
2024	$1.09	$1.14	3.4%
2025	$1.11	$1.18	3.3%

Lease Comp Rate   Lease Comp Rate w/ Inflation

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INSIGHT

Sublease vacancy rates for **NNN leases have surged from 3.7% in Q1 2024 to 8.6% in Q1 2025**, indicating a significant increase in available sublease space. This rise in vacancy has coincided with a **decline in sublease asking rates**, dropping from **$1.34 in Q1 2024 to $1.16 in Q1 2025**, reflecting softening demand. **LA County sublease rates have steadily declined over the past year**, with **Q4 2024 and Q1 2025 both at $1.16**, a notable decrease from earlier 2024 peaks. Regional trends vary, with **Mid-Counties seeing an increase to $1.49 in Q1 2025**, while **LA Central dropped to $0.99, its lowest point in the past year.** Notably, Mid-Counties also saw no absorption of subleases in the last month. The growing sublease inventory, **with 179 total listings but only 89 comps in the last 12 months**, suggests **a tenant-favored market where landlords may need to adjust pricing strategies to stay competitive.**

Sublease Report

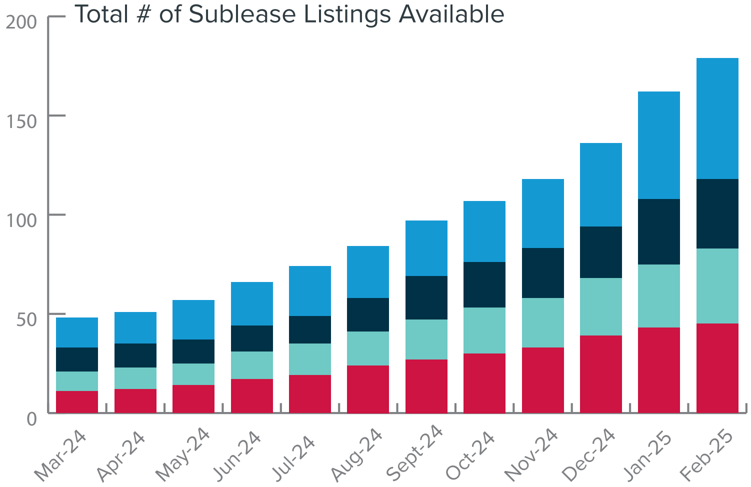
Sublease Vacancy

Q1 2025 (QTD)	8.6%
Q1 2024	3.7%

Sublease Asking Rate (NNN)

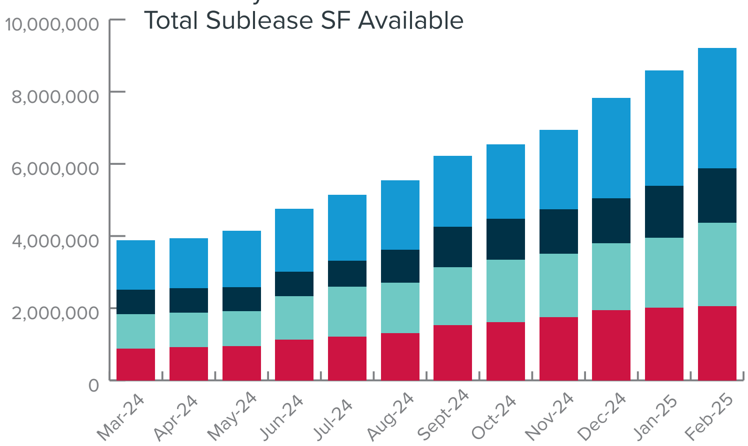
Q1 2025 (QTD)	$1.16
Q1 2024	$1.34

LA County # of Sublease Listings Added + Total # of Sublease Listings Available



Period	LA Central	Mid-Counties	SGV	South Bay	LA County
Mar-24	11	10	12	15	48
Apr-24	1	1	0	1	3
May-24	2	0	0	4	6
June-24	3	3	1	2	9
July-24	2	2	1	3	8
Aug-24	5	1	3	1	10
Sept-24	3	3	5	2	13
Oct-24	3	3	1	3	10
Nov-24	3	2	2	4	11
Dec-24	6	4	1	7	18
Jan-25	4	3	7	12	26
Feb-25	2	6	2	7	17
Total	**45**	**38**	**35**	**61**	**179**

LA County Sublease SF Added + Total Sublease SF Available



Period	LA Central	Mid-Counties	SGV	South Bay	LA County
Mar-24	885,011	948,784	670,746	1,379,317	3,883,858
Apr-24	30,000	10,500	-	16,427	56,927
May-24	32,230	-	-	176,086	208,316
June-24	176,339	242,270	12,000	166,912	597,521
July-24	89,050	181,384	31,427	96,684	398,545
Aug-24	90,494	19,967	190,306	98,985	399,752
Sept-24	219,743	211,582	203,826	34,699	669,850
Oct-24	95,923	108,685	26,980	92,885	324,473
Nov-24	136,049	30,560	92,000	150,235	408,844
Dec-24	191,217	99,272	13,200	574,977	878,666
Jan-25	71,587	71,680	207,151	405,675	756,093
Feb-25	37,320	386,766	61,720	134,058	619,864
Total:	**2,054,963**	**2,311,450**	**1,509,356**	**3,326,940**	**9,202,709**

Total Number or Sublease Listings Added + Total Number of Sublease Listings Available	179

Total Comps	89

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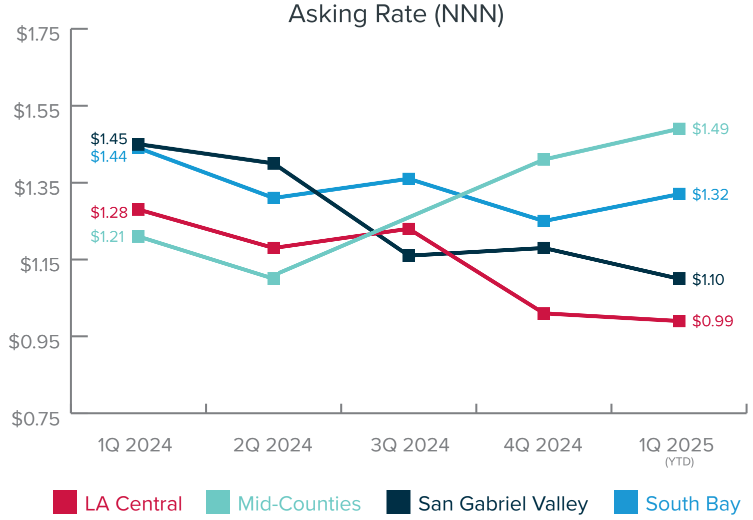
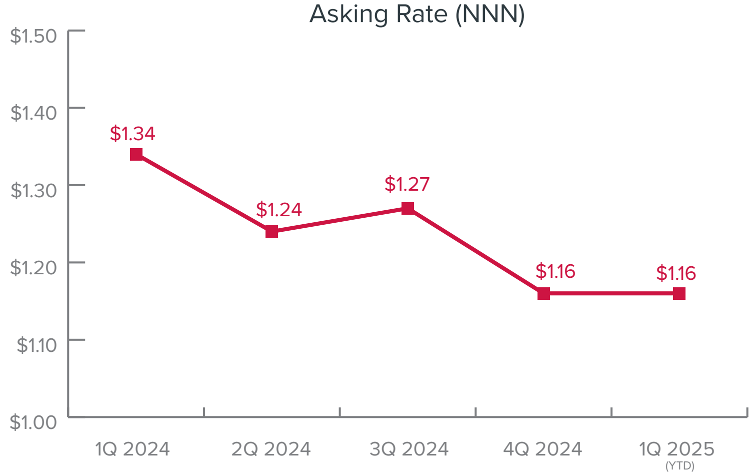
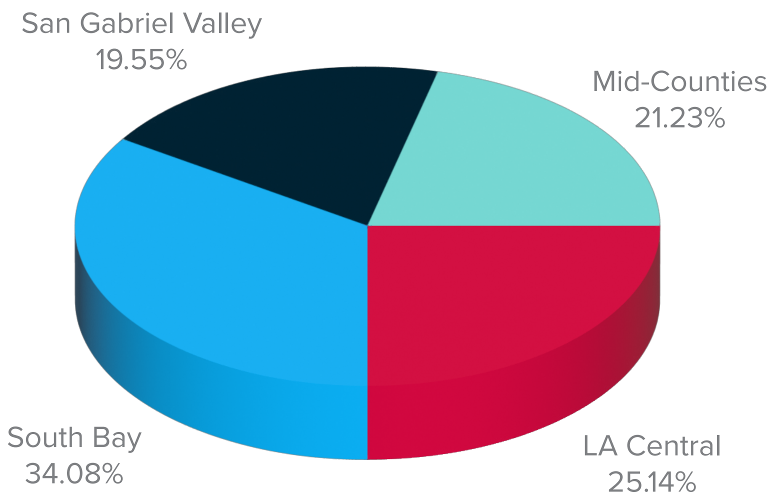
Sublease Report





% Sublease Availability



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