
4Q24

Los Angeles Industrial Market Overview



NEWMARK

Market Observations

Economy

- U.S. retail sales annual growth is at a nine-year low, which has implications for industrial leasing and sales activity.
- Loaded import volume at Southern California’s ports totaled 9.2 million containers in the first 11 months of 2024, up 22.1% from the same period in 2023.
- A good portion of this cargo is being shipped eastward by rail to markets outside of Southern California. Goods that are “just passing through” have a negligible impact on local market dynamics.
- Gulf and East Coast ports will likely regain a portion of lost import volume as 2025 progresses when a new six-year contract between the International Longshoremen’s Association and the United States Maritime Alliance is finalized.

Major Transactions

- 18 leases over 100,000 SF were signed this quarter, down from 27 signed during the same period in 2023. Direct leases predominated.
- GE Appliances signed the largest lease of the quarter when it renewed on 1.3 MSF at Industry-based Fairway Business Center.
- New leasing activity across the greater market rose 10.6% from 2023 to 2024. Central led other submarkets with a 26.1% gain.
- Rexford Industrial Realty purchased a 300,217-SF warehouse at 2501 W Rosecrans Ave in Compton from JPMorgan Chase. The \$137.2 million sale, completed in December, was the largest single-property trade of the year.
- Sales volume is set to increase next year as the Fed pursues continued interest rate reductions and tenant demand recovers.

Leasing Market Fundamentals

- Leasing activity and the average weighted lease term marginally rose over the past year after hitting cyclical lows at the end of 2023. Tenant demand remains depressed amid still-high rents, elevated business costs and lukewarm retail sales.
- Net absorption totaled -2.2 MSF in the fourth quarter, marking 10 consecutive quarters of net occupancy losses. Net absorption for the year was -10.9 MSF, the second-worst yearly showing on record after 2023.
- Sublet availability increased 6.1% over the last three months to reach 10.6 MSF.
- Class A infill start rents were down 33.9% from nine quarters ago. A drop, but not a severe one when considering rents grew by 112.6% from early 2021 to late 2022.
- The construction pipeline shrank by 17.1% from the third quarter to total 5.3 MSF. None of the 43 buildings currently under construction have been pre-leased.

Outlook

- Vacancy will continue to increase in 2025 as elevated rents deter potential lessees from entering or expanding within the market and under-construction properties continue to deliver without committed tenants.
- 2.5 MSF in unleased new construction is set to deliver next quarter.
- The extent to which the proposed regime of additional tariffs will affect leasing activity – and leasing activity by cross-border firms in particular – will become clearer as 2025 progresses.
- Implementation of California Assembly Bill 98 will favor landlords in the long-term, as regulatory hurdles to the construction of new industrial product will curb inventory growth and ultimately insulate market rents.

1. Local Ports, U.S. Retail Sales and New Regulation
2. Local Employment
3. Leasing Market Fundamentals
4. Sales Activity
5. Appendix

4Q24

Local Ports, U.S. Retail Sales and New Regulation



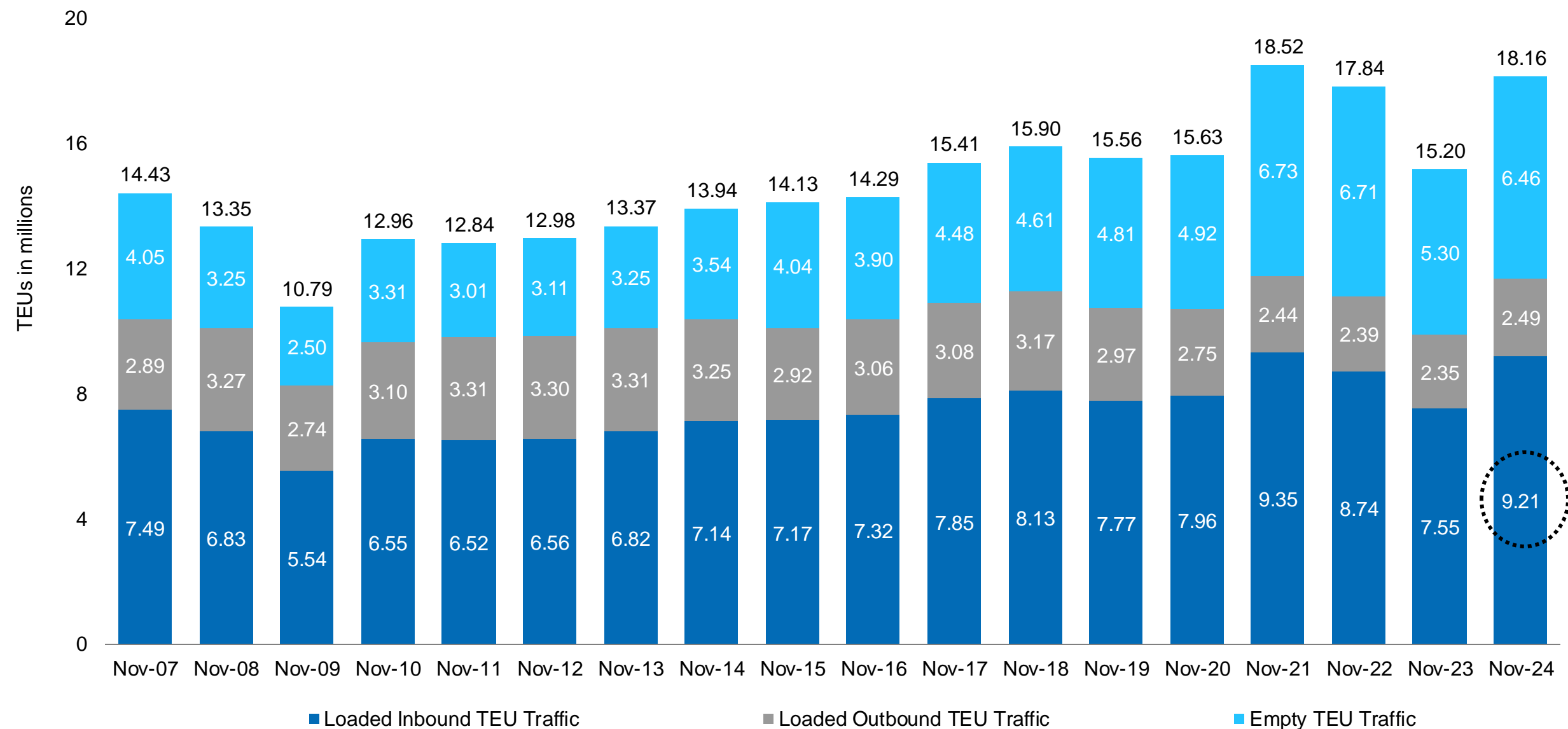
Ocean Container Spot Rates Far Higher Than Two Years Ago

Please reach out to your
Newmark business contact for this information

2024 Will Be the Second Busiest Year on Record Once December's Numbers are In

The inflated growth of 2021-2022 (due to strong retail sales from stay-at-home measures, government stimulus and distributors stockpiling goods) has passed. Now, Southern California's ports are contending with an influx of imports due to labor contract negotiations with Gulf and East Coast dockworkers and the frontloading of cargo as a hedge against potential tariffs.

The Ports of Los Angeles and Long Beach: Combined TEU Volume | Loaded Imports, Loaded Exports and Empty Containers | First 11 Months of a Given Year



Source: Newmark Research, The Port of Long Beach and Los Angeles

Note: TEUs are 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.

West Coast Dockworkers Signed a New Contract in 2023; Their Eastern Counterparts are Next Up...

The ILWU and PMA signed a new labor contract in September 2023, restoring a sense of much-needed stability at U.S. West Coast seaports through late 2029. Longshoremen at Gulf and East Coast ports went on strike for three days in early October 2024 after their demands with the United Maritime Alliance were unmet. Now, both sides have a tentative agreement. Import volume will continue to be rerouted to other North American ports (e.g., Los Angeles-Long Beach) until a master contract is finalized between the ILA and USMX.

West Coast Ports Agreement Reached; New Contract Good Through Mid-2028

- The International Longshore Warehouse Union (ILWU) represents dockworkers at 29 ports from Washington State to California. The Pacific Maritime Association (PMA) represents ocean carriers and terminal operators.
- The prior contract expired on July 1, 2022.
- The ILWU has a history of work disruptions in prior negotiation periods, ranging from strikes, to deliberate work slowdowns to under-staffing shifts.
- These disruptions have cost major retailers billions of dollars in the past.
- A tentative agreement was reached on June 15, 2023 for what became a new six-year contract. Longshore workers secured a 32% salary increase.
- Many Asian importers pushed inbound goods to East and Gulf Coast ports as talks dragged on. Some of this traffic is returning since stability is now less of a concern.



East and Gulf Coast Ports Are Up Next

- The International Longshoremen's Association (ILA) represents dockworkers at 36 ports from Maine to Texas. The United States Maritime Alliance (USMX) represents ocean carriers and terminal operators.
- Their contract expired on September 30, 2024.
- Harold Daggett, International President of the ILA, initiated a strike on October 1, 2024 that ended two days later.
- A tentative agreement with USMX for a new six-year master contract was reached on January 8, 2025. Port operations will continue as normal as the contract is ratified.
- Job protection from automation and higher pay (a 62% wage increase over six years) for longshore workers are part of the current deal.



Import Traffic Has Jumped Since Late 2023 at Los Angeles/Long Beach

Please reach out to your
Newmark business contact for this information

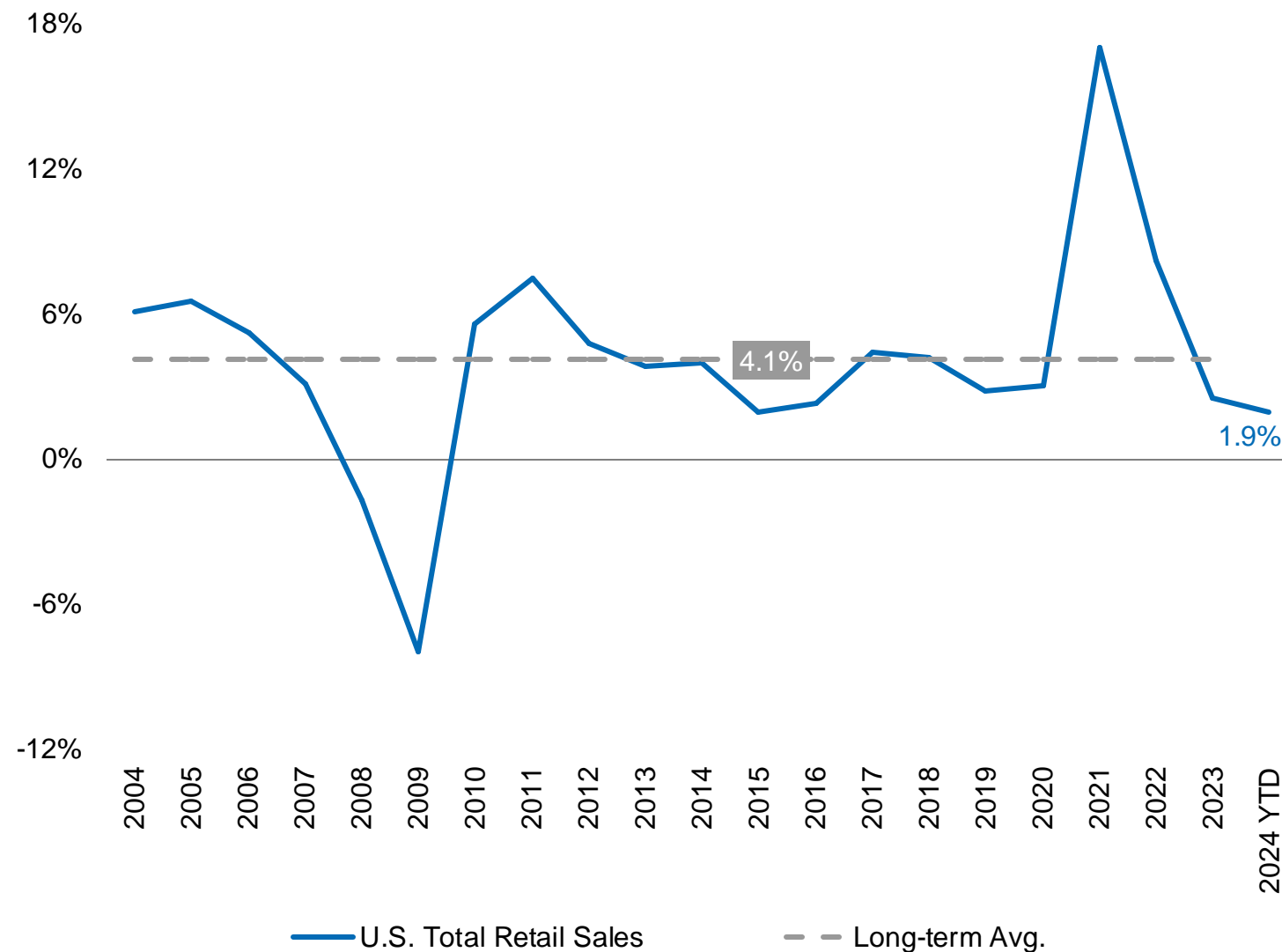
Rail Dwell Times Remain High

Please reach out to your
Newmark business contact for this information

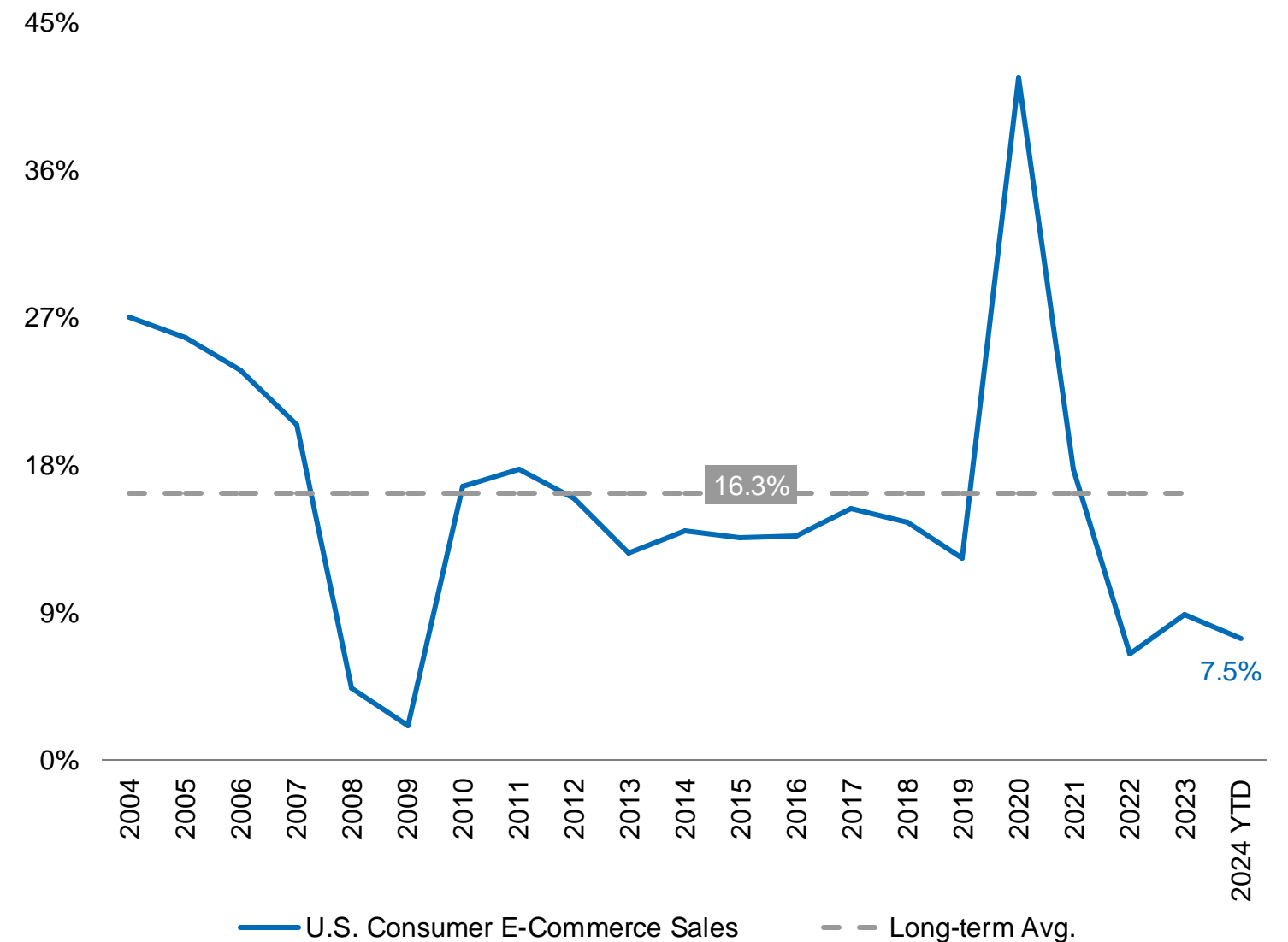
Retail Sales (an Indicator of Warehouse Demand) Continue to Moderate

Consumer e-commerce sales were up 7.5% in the first nine months of 2024 compared with the same period in 2023. Although e-commerce sales growth exceeded total retail sales (+1.9% over the same period), the decline from 2021 onward is noticeable as consumer spending registers slower gains.

U.S. Overall Retail Sales Annual Growth



U.S. Consumer E-Commerce Sales Annual Growth



Source: US Census Bureau (consumer adjusted retail sales); most current data available
 Note: 2024 YTD annual growth represents the change in sales from the first nine months of 2023 to the same period in 2024.

The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

Please reach out to your
Newmark business contact for this information

New California Bill Adds Regulations on Warehouse Development in the State

Please reach out to your
Newmark business contact for this information

4Q24

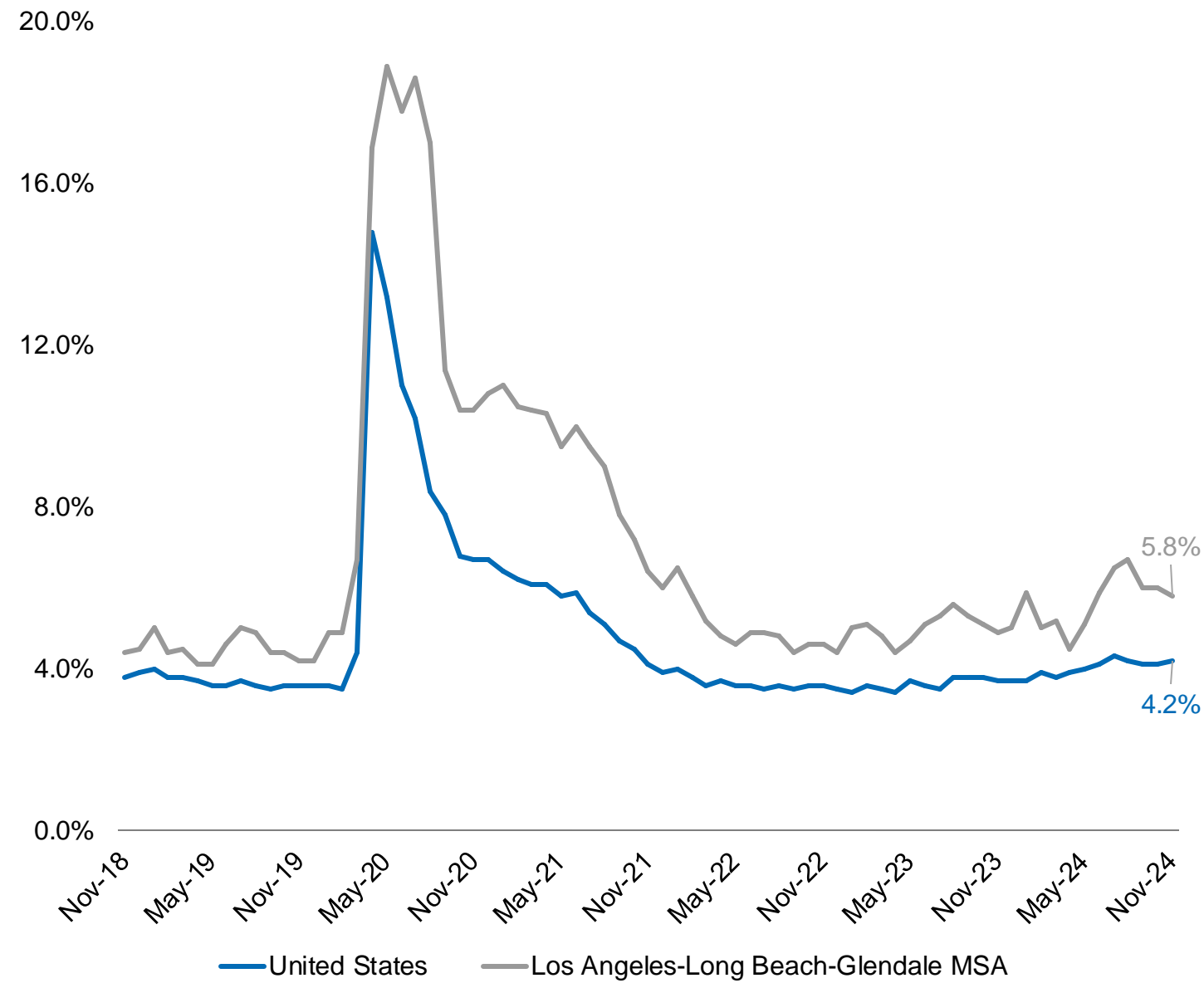
Economy: Local Employment



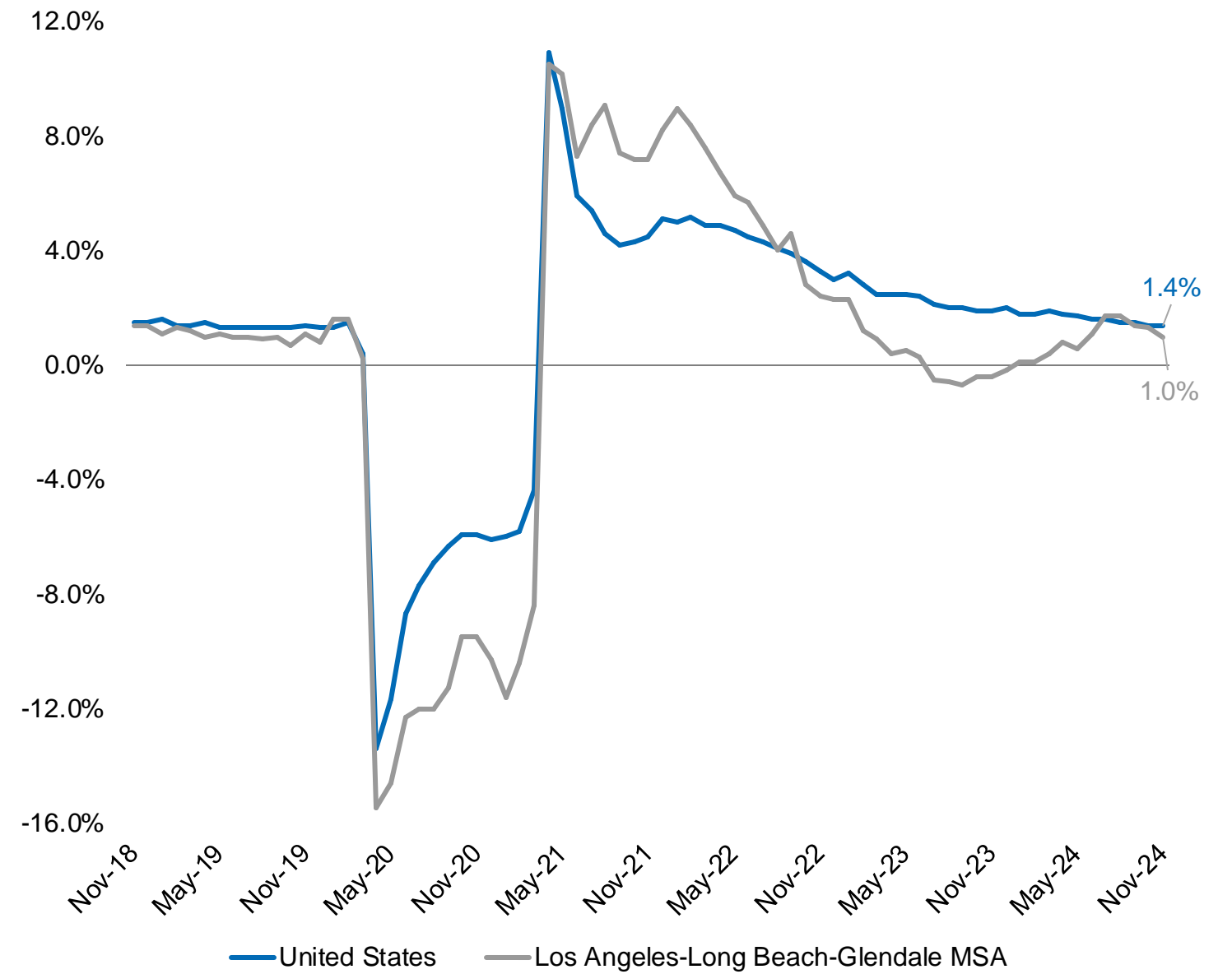
Local Unemployment Declines Amid Contraction of Civilian Labor Force

Local unemployment fell to 5.8% in November after reaching a nearly three-year high of 6.7% in August. A reduction in the overall civilian labor force and employment growth within the education sector accounted for the decline. Local 12-month job growth remains modest and has trended downward in recent months.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

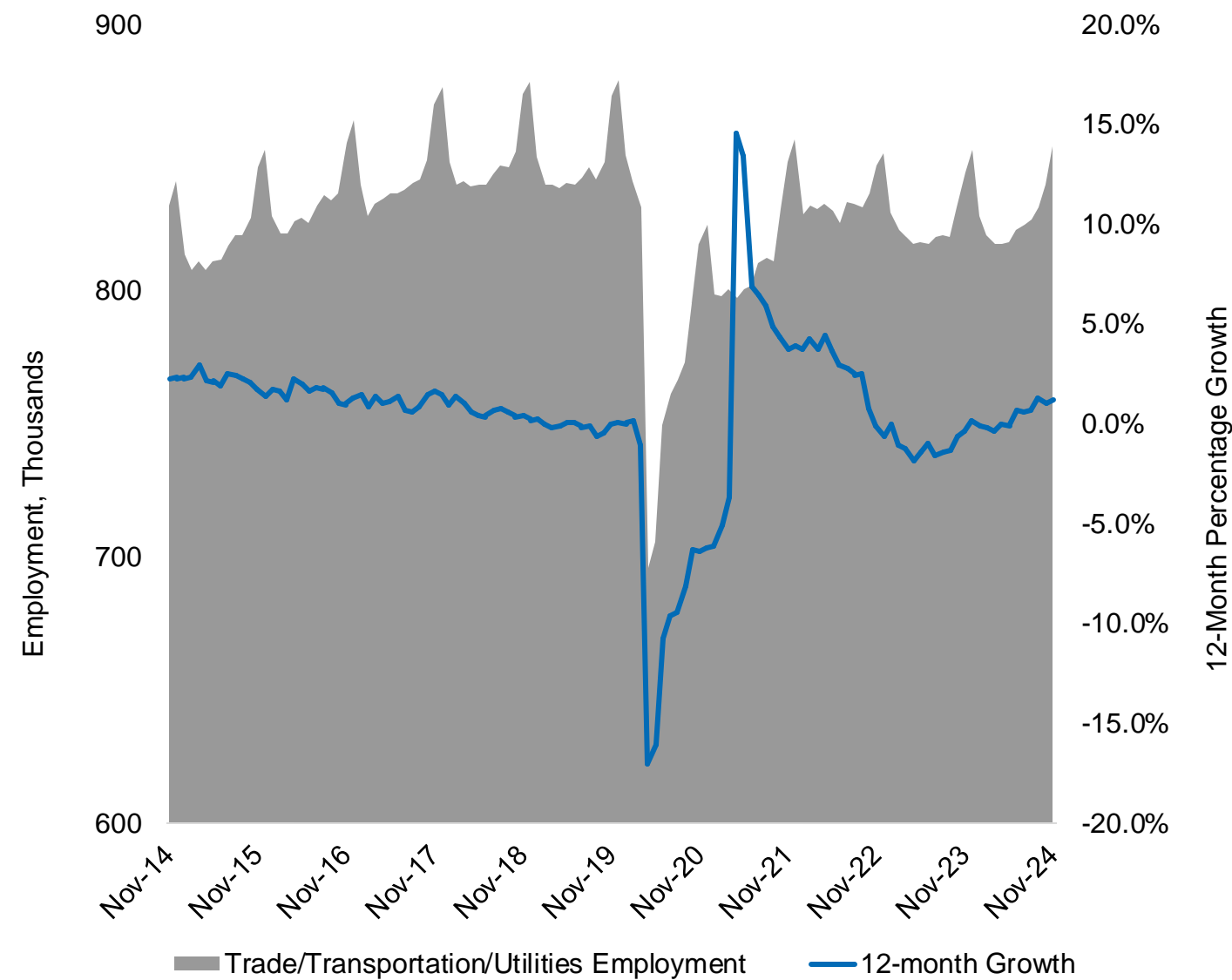


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

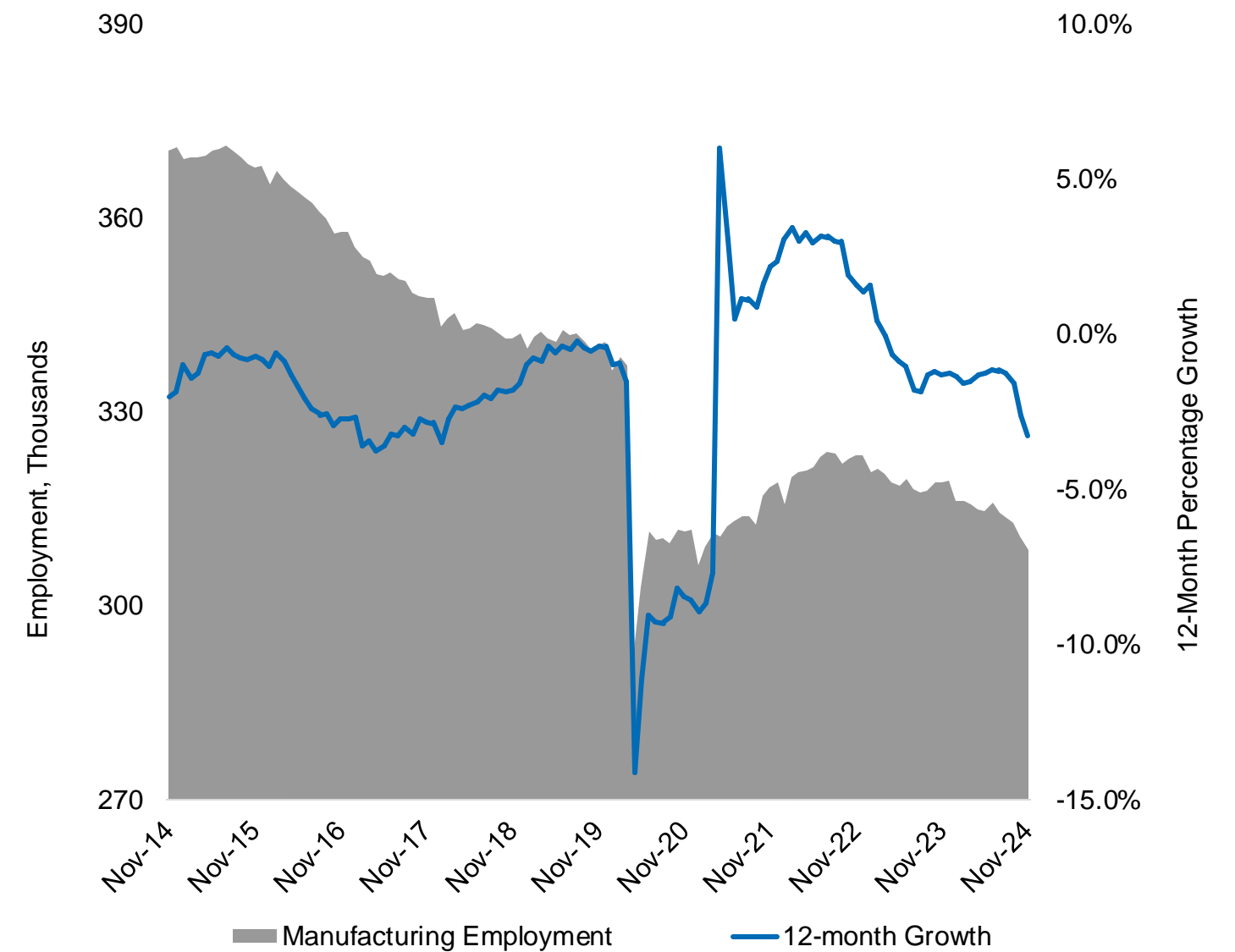
Holiday Season Provides Predicted Year-End Bump in Industrial Employment

Sustained employment growth within the trade/transportation/utilities sector will remain unrealized until tenant demand strengthens. Increased automation and elevated costs of doing business in California continue to adversely affect manufacturing jobs in the region.

Trade/Transportation/Utilities Employment and 12-Month Growth Rate



Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale

4Q24

Leasing Market Fundamentals



Contact Rents Continue to Adjust

Please reach out to your
Newmark business contact for this information

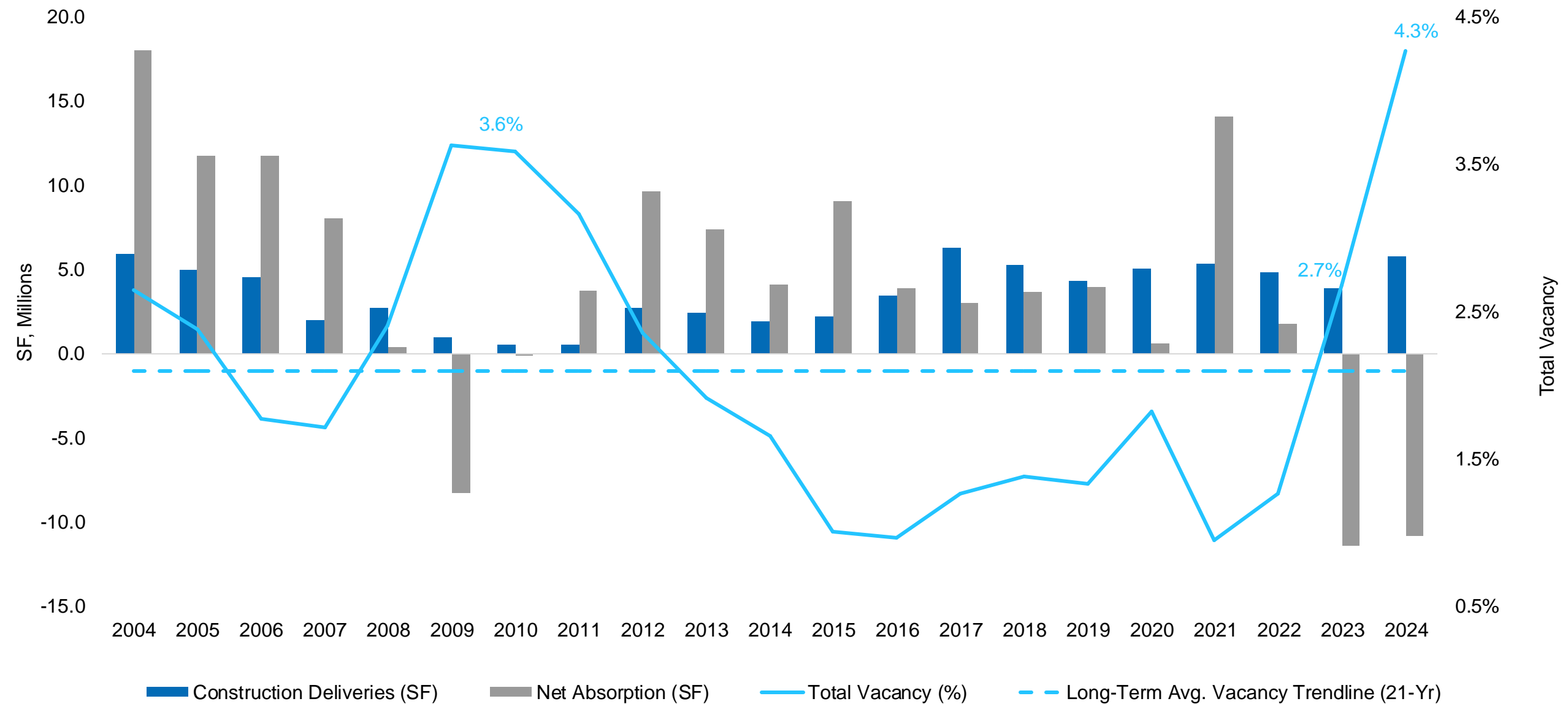
Average Weighted Lease Terms Remain Below Long-Term Average, But are Increasing

Please reach out to your
Newmark business contact for this information

Vacancy Rose to 4.3%, Higher than 2010/the GFC's Trough Period

Current vacancy is up from 2023's 2.7% average after 5.8 MSF in construction deliveries were met with 10.9 MSF in net absorption losses (the second-worst annual showing after 2023). For the fourth quarter, specifically: Net absorption contracted by 2.2 MSF due to move-outs by 99 Cents Only Stores (903,335 SF), Win.It America (340,300 SF) and National Road Logistics (315,256 SF).

Historical Construction Deliveries, Net Absorption, and Vacancy

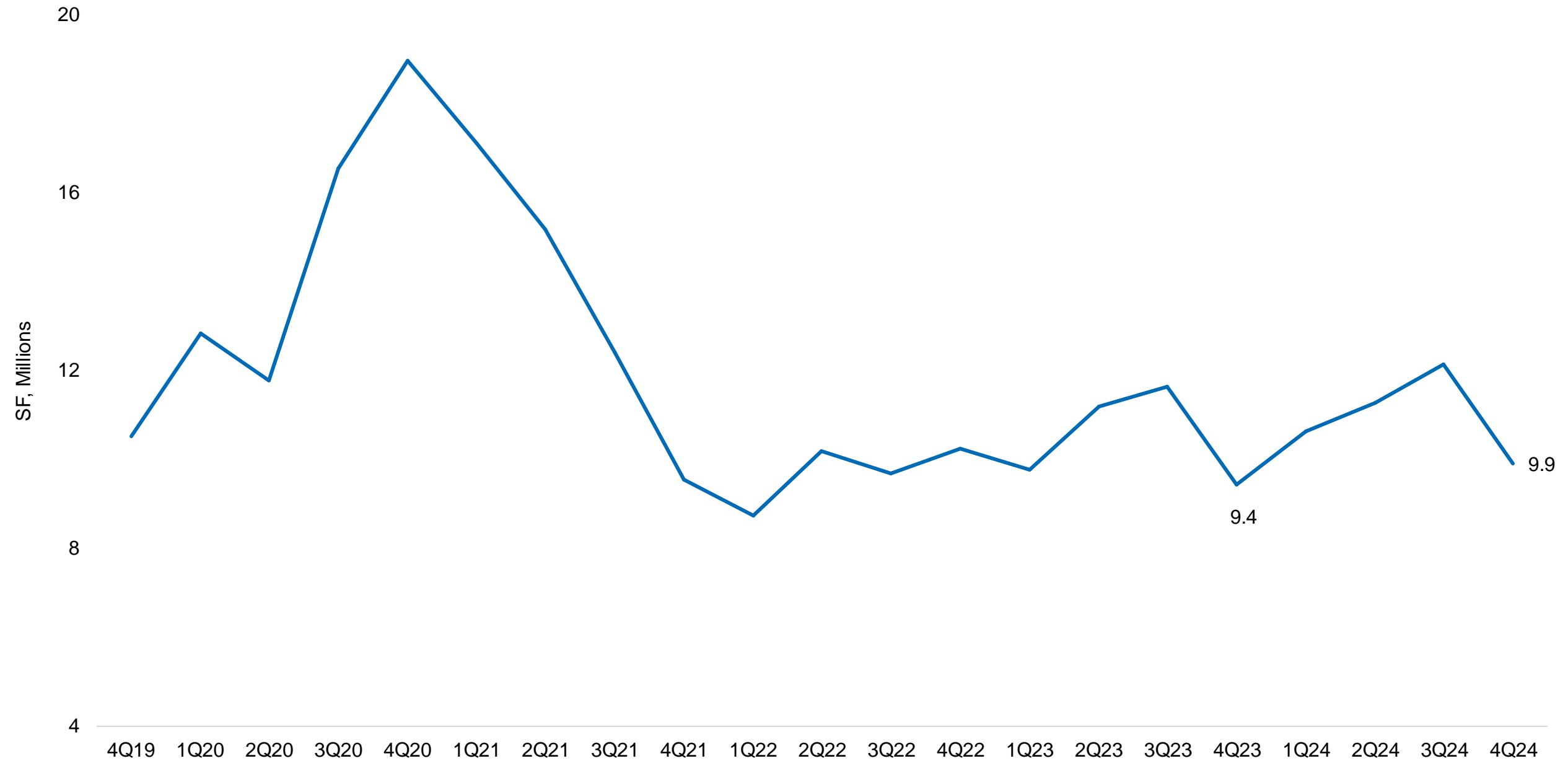


Source: Newmark Research

Total Leasing Volume Remains Muted

While leasing activity has marginally increased since the fourth quarter of 2023, it remains measured at best from a historical perspective: This quarter's 9.9 MSF was lower than the 21-quarter average of 11.8 MSF.

Total Leasing Activity (SF) by Quarter



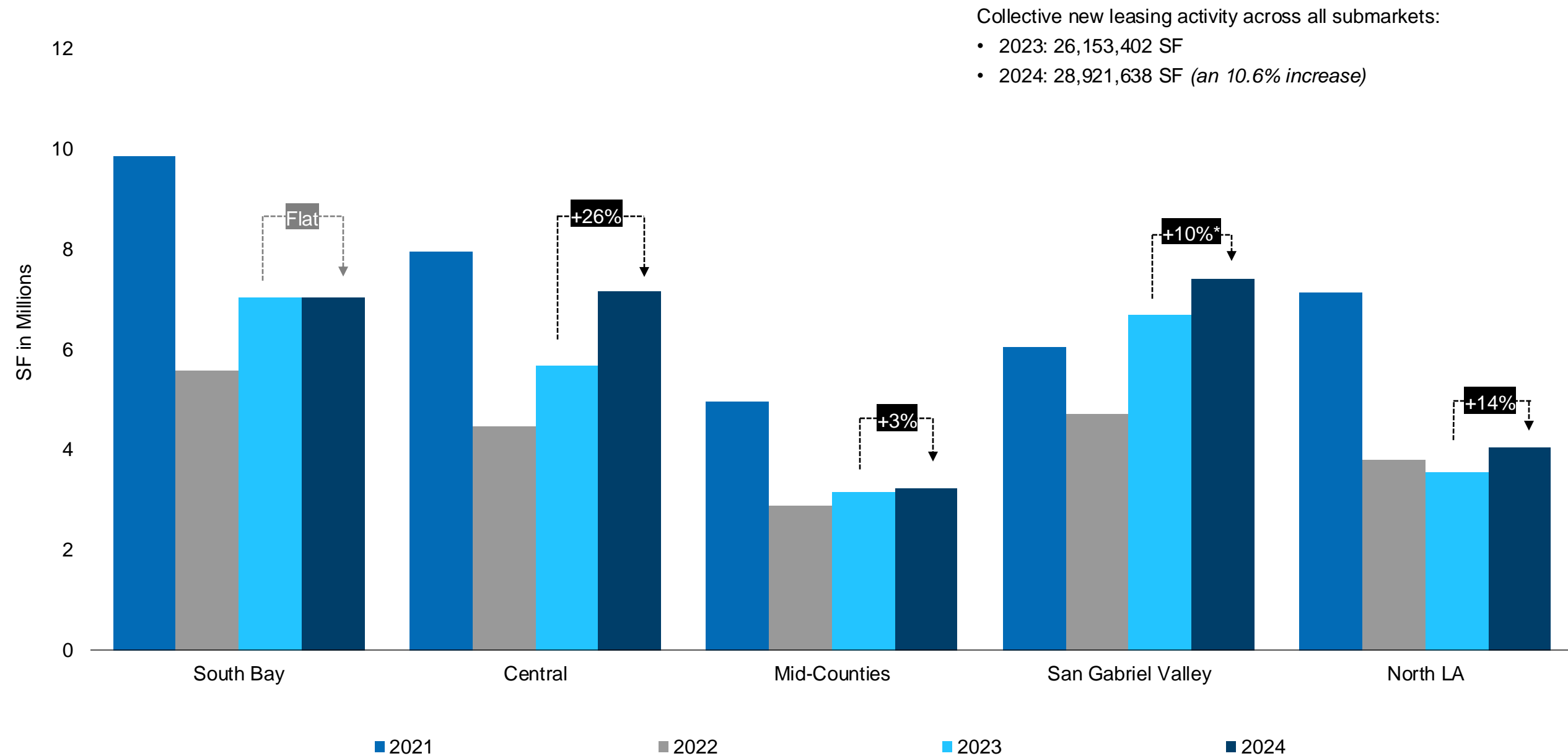
Source: Newmark Research, CoStar

Note: Total leasing activity includes direct leases, subleases, renewals and extensions.

New Leases: Greater Market Activity Up 11%, Largely Thanks to a 26% Jump in Central

Central is adjacent to Southern California's seaports and offers access to a large (and dense) consumer population.

New Leasing Activity by Submarket | By Year



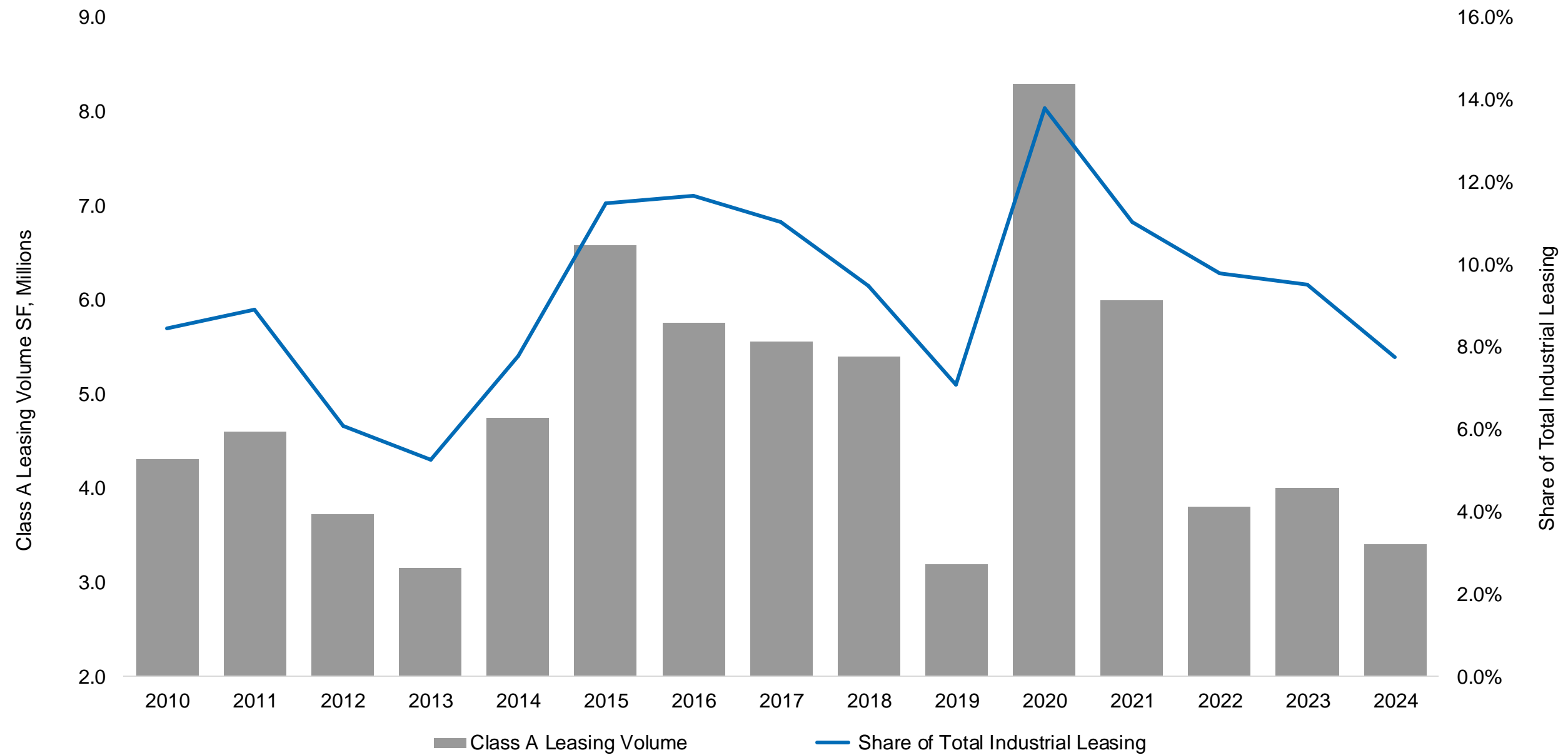
Source: Newmark Research, AIR

Notes: Includes direct leases and subleases. Excludes renewals and extension. San Gabriel Valley's increase is largely from American Starlink committing to 700,000 SF across two buildings last quarter.

Tenants Increasingly Favored Alternatives to Class A Space in 2024

Class A leasing activity as a portion of overall industrial leasing activity remained depressed relative to the historical average. Demand for modern-gen space remains high, but many tenants are waiting for elevated rents to soften further before committing to space.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

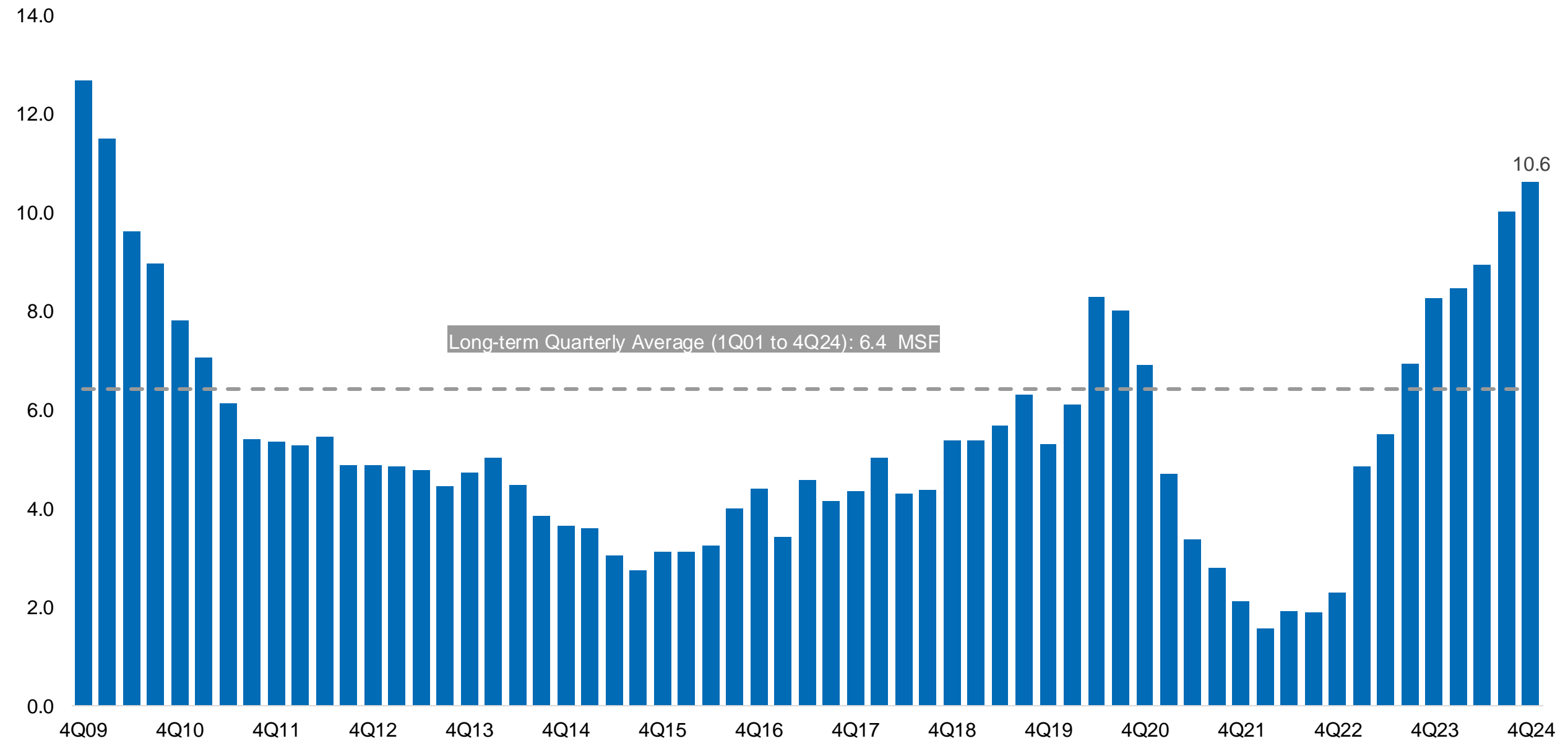


Source: Newmark Research, CoStar
 Note: Class A is defined as 100,000+ SF warehouse/distribution facilities constructed since 2000 with a 30'+ minimum interior ceiling height.

Sublet Availability Volume Highest Since 2010

Available sublease space increased 6.1% from the preceding quarter to reach 10.6 MSF, a 14.75-year high. Limited sublease signings and new offerings from Omni Logistics (251,606 SF in Torrance), Poundex Associates Corporation (125,500 SF in Industry), Santa Clarita Studios (121,498 SF in Valencia) and a range of smaller tenants contributed to the increase.

Available Industrial Sublease Volume (MSF)



Source: Newmark Research

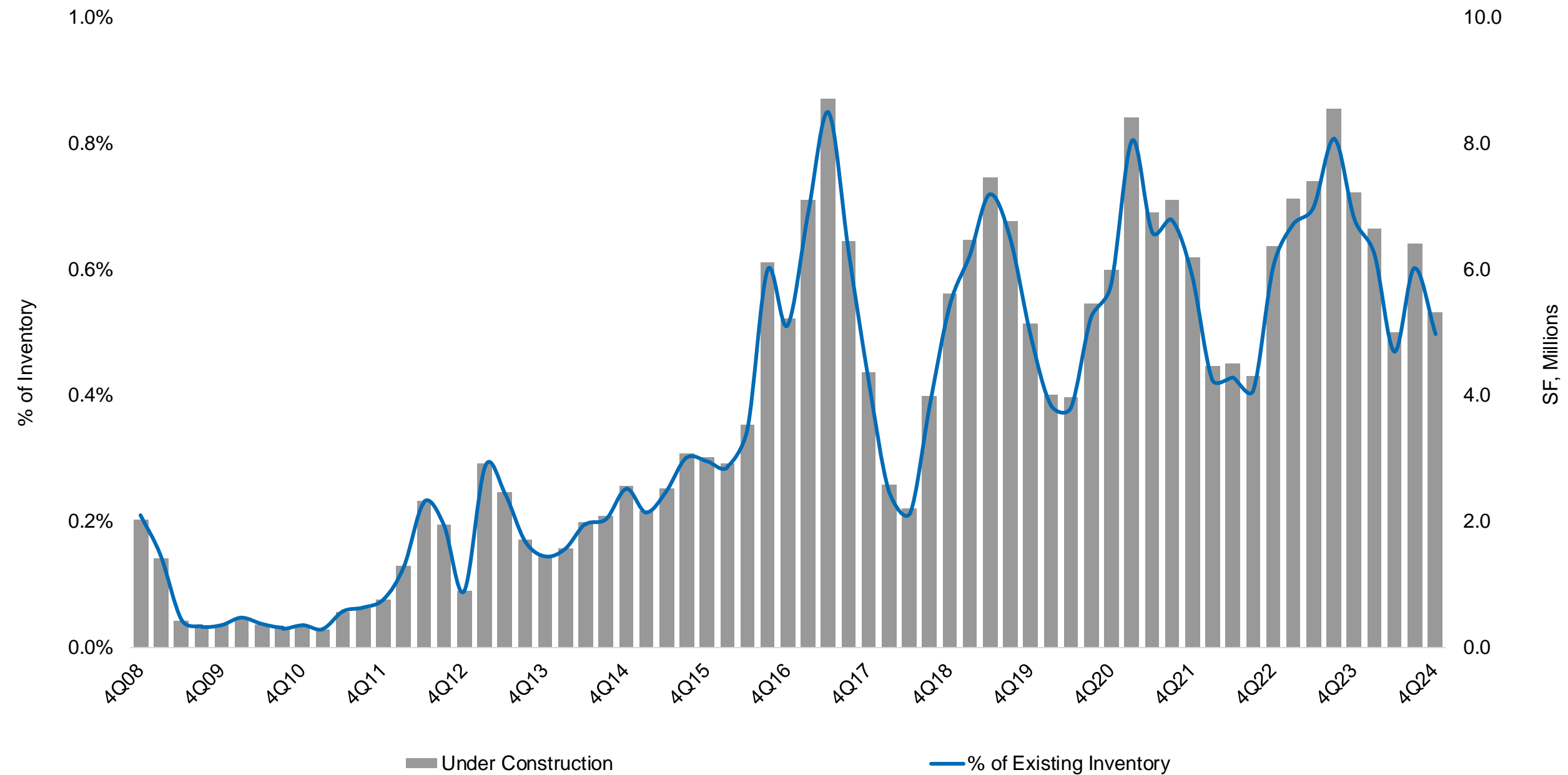
70.9% of Available Sublease Space in the Region is Based in the Infill Markets

Please reach out to your
Newmark business contact for this information

Construction Pipeline Contracts Again Amid Lack of New Construction Starts

The under-construction pipeline shrank by 17.1% from the third to the fourth quarter of 2024 as 1.8 MSF of space delivered. None of the presently under-construction buildings were pre-leased by the end of the fourth quarter, while, in 2025, construction totals are expected to fall.

Industrial Under Construction and % of Existing Inventory



Source: Newmark Research

Zero Under-Construction Properties Have Tenants Attached



Please reach out to your
Newmark business contact for this information

Notable 4Q24 Lease Transactions

Eighteen leases over 100,000 SF were signed this quarter, down from 27 in the same period of 2023. Of this quarter's big-box leases, 11 were direct, six were renewals and one was a sublease.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
GE Appliances	19705-20005 Business Pkwy	East (San Gabriel)	Lease Renewal	1,300,000
<i>The home appliance manufacturer, which has leased the property since 2001, renewed prior to the end of the year. A 60-month lease term.</i>				
Win.It America	151 Marcellin Dr	East (San Gabriel)	Direct Lease	606,480
<i>The 3PL, which moved out of a 158,500-SF facility in Industry earlier in the year, will take occupancy of the vacant property in August 2025. Lease term expires in 3Q35.</i>				
Sunny Distributor	13000 E Temple Ave	East (San Gabriel)	Direct Lease	407,638
<i>The health and wellness firm, which is expanding in the market, moved into the vacant property in November.</i>				
Source Logistics	2100 Yates Ave	Central	Direct Lease	374,370
<i>The 3PL, which is expanding in the market, will move into the vacant property in January 2025. Lease term expires in 1Q30.</i>				
Wesco Distribution	9306 Sorensen Ave	Mid-Counties	Lease Renewal	305,422
<i>The 3PL, which has leased the property since 2019, renewed in October. Lease term expires in 3Q30.</i>				

4Q24

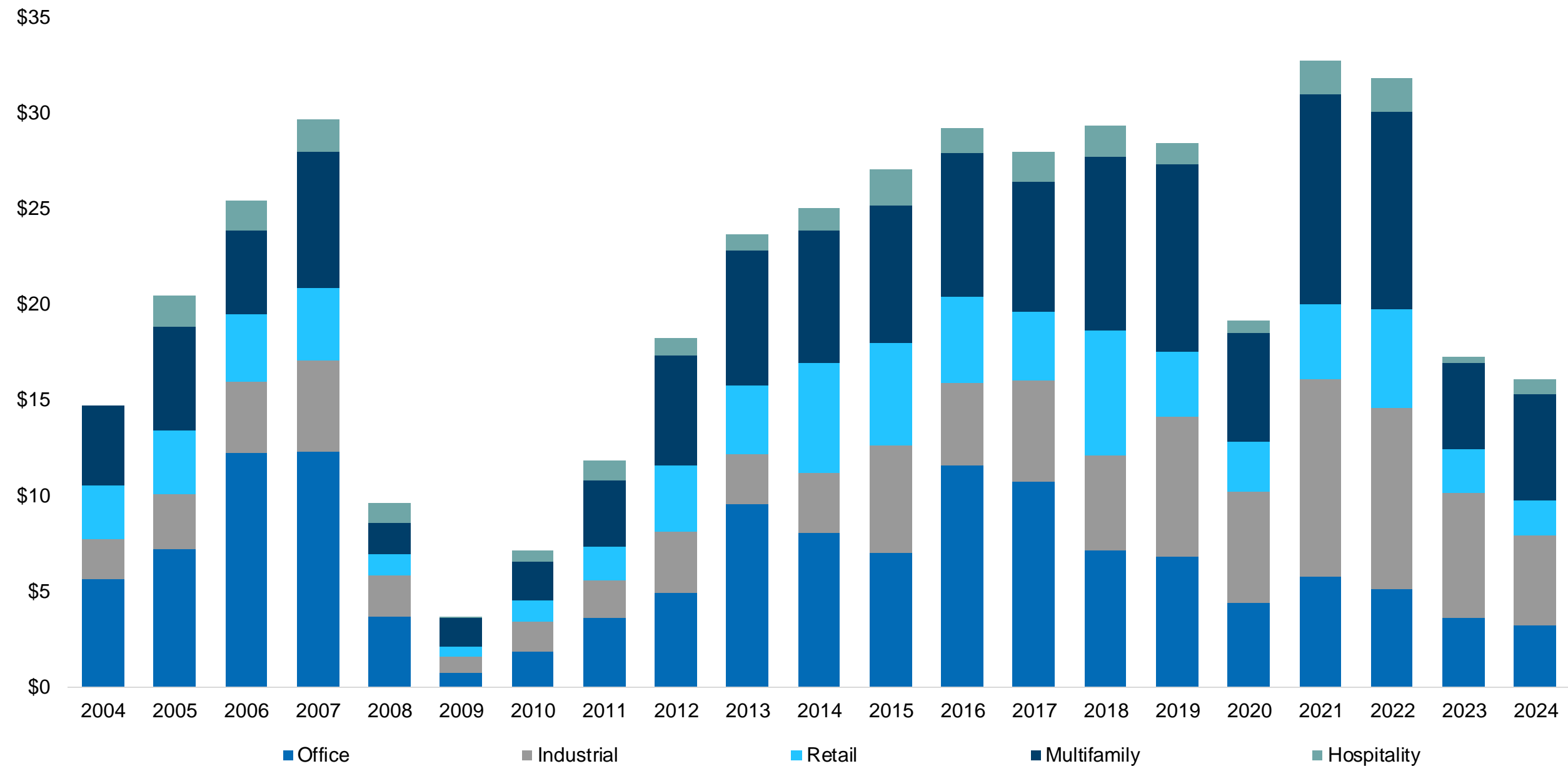
Sales Activity



Industrial Comprised 29.0% of Total Sales Volume in 2024

This figure is higher than the 21-year average of 20.9%. Heated rent growth in recent years has favored the segment, with many investors targeting desirable buildings with credit tenants whose leases are up for renewal. Elevated lending costs and steady occupancy losses within the market have cooled industrial sale activity in recent quarters, however.

Los Angeles County: Sales Volume Across Commercial Property Segments (\$ in Billions)

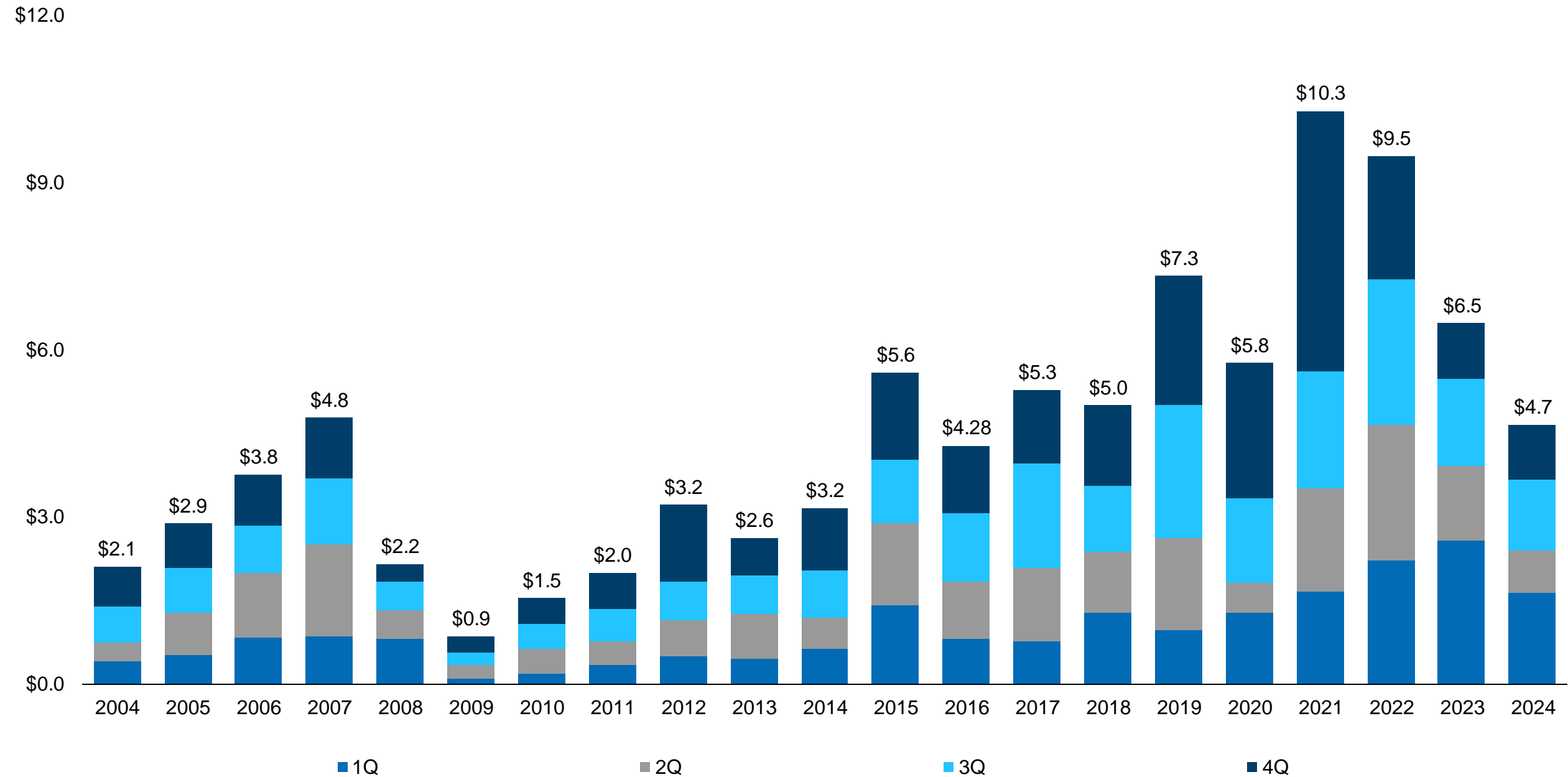


Source: MSCI Real Capital Analytics, Newmark Research
 Note: Preliminary data is cited for the fourth quarter of 2024.

Industrial Sales Volume: Up Close

Industrial sales volume totaled \$981.8 million in the fourth quarter of 2024, roughly on par with the same period in 2023. The higher cost of capital following multiple interest rate hikes from March 2022 to July 2023 has crimped momentum, in addition to adjusting leasing fundamentals, have imposed downward pressure on volume and pricing. Additional interest rate cuts will help to fuel sales activity in 2025.

Los Angeles County: Industrial Sales Volume (\$ in Billions) | By Quarter



Source: Newmark Research, MSCI Real Capital Analytics
 Note: Preliminary data is cited for the fourth quarter of 2024

Pricing is Down and Cap Rates are Up

Please reach out to your
Newmark business contact for this information

Rexford Dominated Sales Activity in 2024; Private Buyers Still Active

Please reach out to your
Newmark business contact for this information

4Q24

Appendix



Los Angeles Submarket Map and High-Level Statistics | 4Q24

Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information

WAIRE: Program Summary and Implications for Industrial

Please reach out to your
Newmark business contact for this information

The World's Top 20 Containerized Cargo Seaports

Fifteen are in Asia, China leads all other countries with eight and Los Angeles-Long Beach is the only U.S. complex to make the list.

Rank	Seaport	2023 Volume (TEU, in millions)
1	Shanghai, China	49.2
2	Singapore	39.0
3	Ningbo-Zhoushan, China	35.3
4	Qingdao, China	30.0
5	Shenzhen, China	29.9
6	Guangzhou Harbor, China	25.4
7	Busan, South Korea	22.8
8	Tianjin, China	22.2
9	Los Angeles-Long Beach, U.S.	16.6
10	Jebel Ali/Dubai, United Arab Emirates	14.5

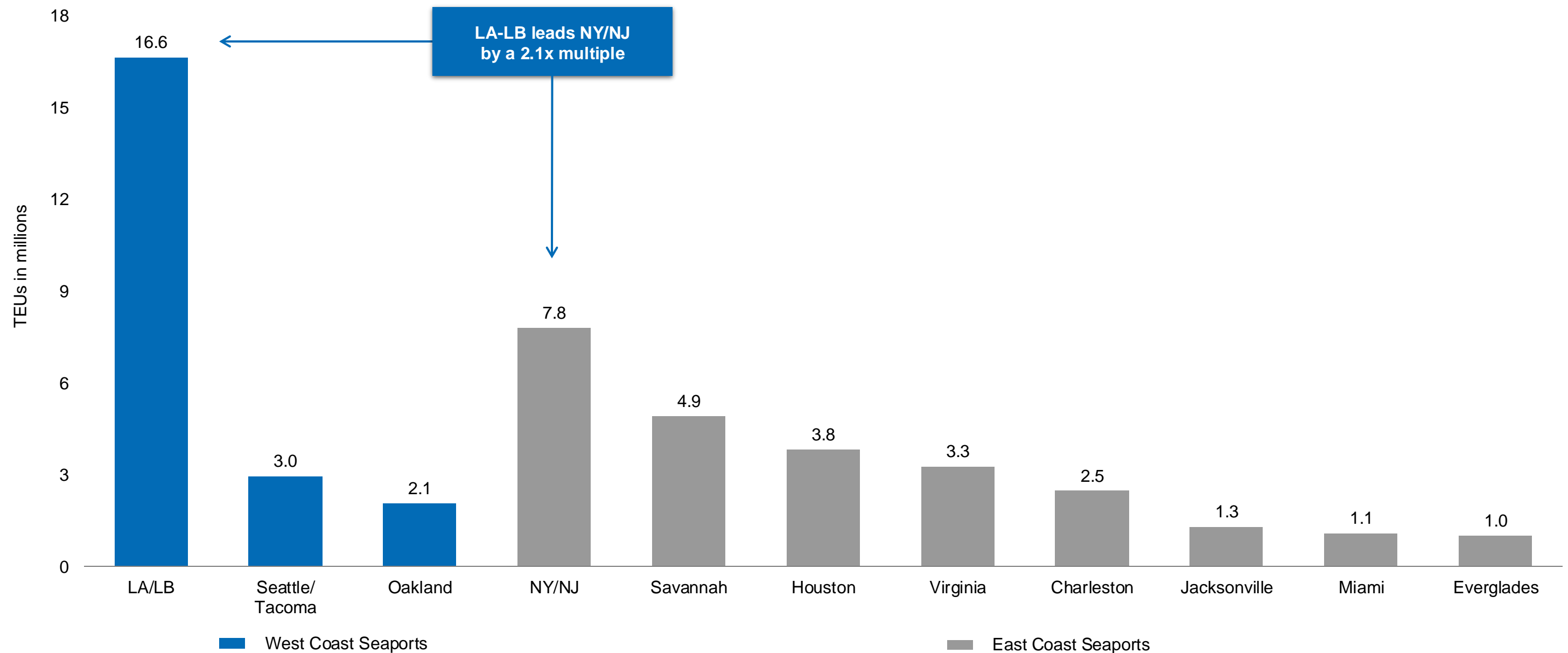
Rank	Seaport	2023 Volume (TEUs, in millions)
11	Hong Kong	14.3
12	Port Klang, Malaysia	14.1
13	Rotterdam, The Netherlands	13.4
14	Xiamen, China	12.6
15	Antwerp, Belgium	12.5
16	Tanjung Pelepas, Malaysia	10.5
17	Kaohsiung, Taiwan	8.8
18	Laem Chabang, Thailand	8.7
19	Tanger Med, Morocco	8.6
20	Beibu Gulf, China	8.0

Source: Newmark Research, upply
 Note: TEU totals includes loaded and empty containers

Los Angeles-Long Beach is the Nation's Dominant Port System

Los Angeles-Long Beach can accommodate 18,000 TEU vessels, which are too wide to traverse the new Panama Canal. Additionally, both ports have Class 1 freight rail connectivity to the nation's major population centers.

Major U.S. Seaports: 2023 TEU Volume (All Containers: Loaded and Empty)



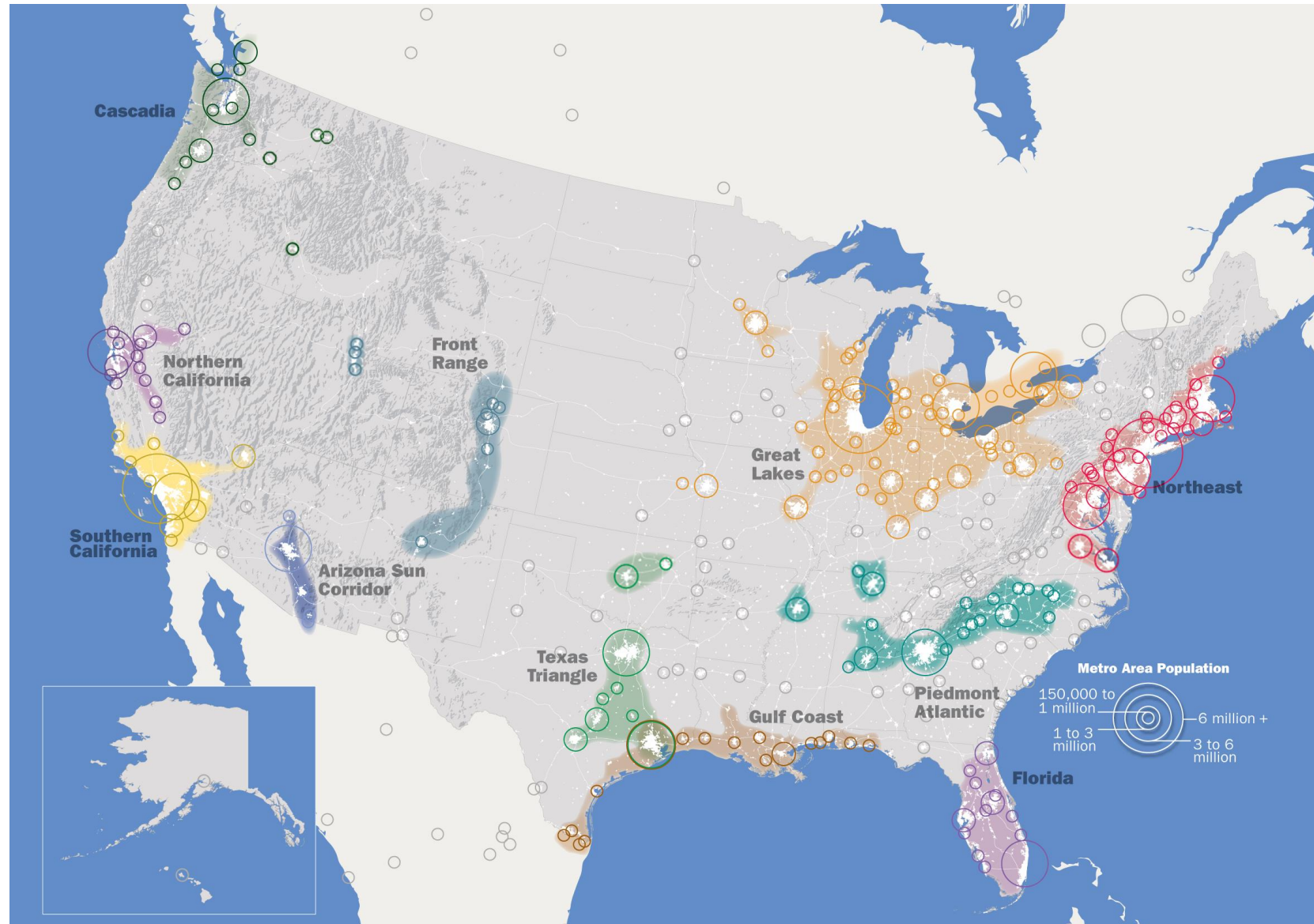
Source: Newmark Research, Individual Seaports

Why Los Angeles-Long Beach?

Please reach out to your
Newmark business contact for this information

Population of Megaregions: Past and Projected

Southern California benefits from its consumer base, ports and rail connectivity.



Megaregion	2010 Population	2025 Pop. Est.
Arizona Sun Corridor	5.7M	7.8M
Cascadia	8.4M	8.8M
Florida	17.3M	21.5M
Front Range	5.5M	7.0M
Great Lakes	55.6M	60.7M
Gulf Coast	13.4M	16.3M
Northeast	52.3M	58.4M
Northern California	14.0M	16.4M
Piedmont Atlantic	17.6M	21.7M
Greater Southern California	24.4M	29.0M
Texas Triangle	19.8M	24.8M

Source: U.S. Census Bureau

Transport Costs Are the Biggest Expenditure for Most Warehouse Occupiers

Please reach out to your
Newmark business contact for this information

Transport Costs Per TEU Container Increase the Further an Occupier is from the Ports

Please reach out to your
Newmark business contact for this information

Central LA Has the Highest Population Density

Please reach out to your
Newmark business contact for this information

For more information:

Colin Harmony

*Senior Research Analyst
Los Angeles, Inland Empire*

colin.harmony@nmrk.com

Norma Llamas

*Senior Database Coordinator
Los Angeles*

norma.llamas@nmrk.com

Dain Fedora

*Head of Research
Southwest*

dain.fedora@nmrk.com

Los Angeles -- Downtown

555 S. Flower St., Suite 3550
Los Angeles, CA 90071
t 213-596-2222

New York Headquarters

125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK