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# South Bay Industrial Market Observations | 4Q23

## Economy

- U.S. retail sales are slowing, coinciding with measured industrial leasing activity.
- Loaded import volume at Southern California’s ports totaled 8.3 million containers in 2023, making for the seventh busiest year on record. 2019 was the sixth busiest year for imports, with 8.5 million loaded containers.
- Gulf and East Coast dockworkers have signaled their intention to strike in 2024. Pair this with drought conditions at the Panama Canal and ship attacks in the Red Sea, and it is highly likely import traffic at Southern California’s ports will increase.
- A local rise in imports does not necessarily portend more demand for Los Angeles warehouse space. Goods that are just “passing through” to other U.S. markets have a negligible effect on local market dynamics. Severe congestion at the ports (if it happens) will drive up ocean container spot and truck drayage rates, though.

## Leasing Market Fundamentals

- Largely comprised of inventory in Carson, Compton, Gardena, Rancho Dominguez and Torrance, South Bay is home to the nation’s busiest seaport complex and LAX (ranked fifth in U.S. air freight volume). It is within a 1.5-hour drive time of 15.6 million consumers.
- Drayage rates from the Ports of Los Angeles and Long Beach to a South Bay warehouse are far lower than other markets to the east (e.g., \$753 to Carson address compared with \$1,092 to \$1,170 to the Western Inland Empire).
- From an inventory standpoint, South Bay is highly mature with most of its buildings constructed in the early 1970s. New construction is limited and mostly infill.
- Food and beverage, 3PLs and trucking companies are top occupiers. Although cooling consumer sales relative to 2021 and 2022 impact all occupiers to some degree, 3PLs have the most exposure since their contracts are tied to retailers.

## Leasing Market Fundamentals *(continued)*

- Total vacancy expanded to a 20-year high of 3.5%, significantly higher than the 20-year average of 2.0%.
- South Bay’s 2023 net absorption losses totaled 3.9 MSF, the worst year on record for the submarket. Move-outs by Matheson Trucking (415,160 SF), Avalon Cold (300,217 SF), Toll Global (293,900 SF) and OPX Logistics (150,000 SF) contributed to a fourth-quarter net occupancy loss of 966,834 SF.
- 11 tenants signed 100,000+ SF leases in the fourth quarter of 2023, up from five leases in the fourth quarter of 2022.
- Sublease space rose by 9.4% from last quarter to reach 3.0 MSF, a 14-year high.
- Under-construction activity totals roughly 2.1 MSF, most of which is based in Carson and Long Beach/Signal Hill. Nothing was pre-leased by year-end.

## Outlook

- Tenant downsizings and departures are anticipated for the new year amid elevated rents, a muted consumer spending outlook and inflated capital costs.
- Vacancy will rise as tenants continue to cut space, a subset of available sublease space becomes vacates and unleased under-construction inventory delivers.
- Anticipated enforcement of the [WAIRE Program](#) by the federal government will burden all companies that occupy 100,000+ SF warehouses under the South Coast Air Quality Management District’s (SCAQMD) jurisdiction.
- Adjacency to the ports and proximity to a large consumer population favor a swift recovery when rents cool and demand recovers.

# South Bay Industrial Market Snapshot | 4Q23

Total vacancy (3.5%) is currently at a 20-year high while 3.9 MSF in net absorption losses occurred in 2023, the submarket's worst annual showing.

## Market 101s



### Population:

12.3M (within a 1-hour drive-time)



### Working Population:

846K (35% Aged 25+ have a BA Degree or Higher)



### # of Households:

4.2M (within a 1-hour drive-time)



### Major Freeways:

91, 105, 110, 405, 605, 710



### Avg. Household Income:

\$127,229 (within a 1-hour drive-time)



### Seaports:

Los Angeles-Long Beach



### Cargo Airport:

LAX

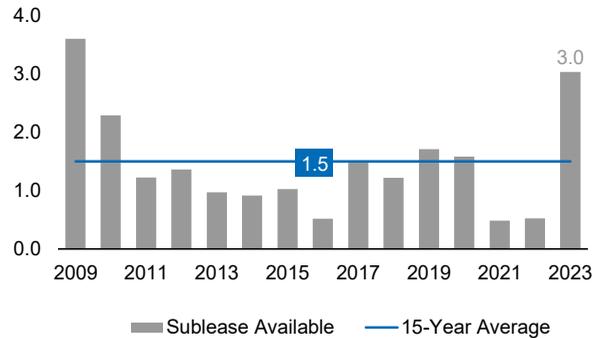
## Total Vacancy and Availability Rates



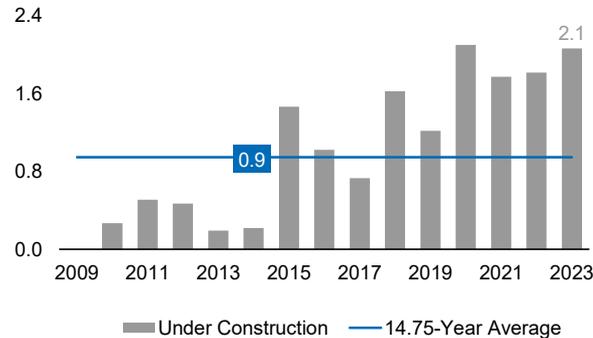
## Const. Deliveries and Net Absorption (SF in millions)



## Sublease Availability (SF in millions)



## Under Construction (SF in millions)



## Fourth Quarter's Top Transactions



315,256 SF

19200-19270 S Western Ave

Torrance

Direct Lease



234,600 SF

601 W Carob St

Compton

Sublease

Source: Newmark Research, ESRI

# South Bay Industrial Market Statistics | 4Q23

## Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Price/SF)
<b>South Bay</b>	<b>224,726,237</b>	<b>2,065,820</b>	<b>3.5%</b>	<b>-966,834</b>	<b>-3,910,954</b>	<b>473,984</b>	<b>1,596,403</b>	<b>\$1.90</b>
Carson	41,316,634	1,119,866	3.9%	-446,915	-1,366,508	0	293,093	\$1.97
Compton/Rancho Dominguez	41,148,840	0	4.9%	-267,353	-1,447,001	205,435	313,168	\$1.76
El Segundo	9,566,210	0	1.6%	0	-8,595	0	0	\$2.62
Gardena/110 Corridor	34,603,100	190,860	3.4%	-170,582	-515,365	0	86,879	\$1.36
Hawthorne	10,225,545	0	1.6%	-12,195	-24,724	0	0	\$2.17
LAX/Inglewood	11,269,965	0	2.8%	-22,649	-146,940	0	0	\$2.23
Long Beach/Signal Hill	20,803,784	755,094	3.4%	-379,955	-315,310	94,338	94,338	\$1.72
Paramount	9,451,133	0	0.8%	-31,663	-4,820	0	0	\$1.44
Port District	6,609,135	0	0.2%	10,330	31,256	0	0	\$1.71
Redondo Beach	3,539,750	0	0.0%	0	0	0	0	-
Torrance Area	36,192,141	0	4.4%	354,148	-112,947	174,211	808,925	\$2.11

Source: Newmark Research