

Los Angeles

Record container volumes at the ports drive demand across Los Angeles

- The Ports of Los Angeles and Long Beach continued to see record container volumes through the holiday season
- The Los Angeles market posted its highest positive absorption since 2017, signaling a strong rebound in the wake of the pandemic
- Tenant demand continues to be led by e-commerce and logistics focused companies

The Los Angeles market saw a sharp increase in demand from both tenants and investors in Q4 2020. All submarkets across Los Angeles posted positive absorption for the quarter. Add to this, sales activity was elevated as investors transacted on just over \$1.9 billion in industrial properties across the basin, a number well above the long-term historical average. This quarter sits in stark contrast to the first half of 2020, when the Los Angeles industrial market was reeling from the effects of both the pandemic and the ongoing trade war with China. As shipments from China slowed significantly, tenant demand across Los Angeles was severely dampened and tenants gave back significant blocks of space. The second half of the year has seen that trend reverse, as the twin Ports of Los Angeles and Long Beach have witnessed record container volumes, and e-commerce sales remain at elevated levels driving demand for last-mile focused facilities.

At a more granular level, the San Gabriel Valley and Mid-Counties submarkets both witnessed heightened positive absorption in Q4. Their outperformance demonstrates the increased demand from tenants for newly built properties that are suitable for last-mile facilities. The Central Los Angeles and South Bay submarkets also posted strong positive absorption for the quarter. These submarkets both benefit from their proximity to the twin ports, and their ability to service the affluent West Los Angeles consumer base. Across Los Angeles, asking rents rebounded 2.1% quarter-over-quarter after remaining stagnant during Q3 2020.

Outlook

Looking forward, we expect elevated demand across Los Angeles over the short term as strong e-commerce levels persists. Over the mid to long-term, container volumes at the twin ports will likely moderate as supply chains manage to catch up after a hectic first half of 2020. Above all, we believe Los Angeles will remain a top destination for tenants given the critical infrastructure of the ports and its vital consumer base.

Fundamentals	Forecast
YTD net absorption	-3,270,337 s.f. ▲
Under construction	4,047,093 s.f. ▼
Total vacancy	3.1% ▲
Sublease vacancy	2,342,630s.f. ▲
Direct asking rent	\$0.97 p.s.f. ▲
Sublease asking rent	\$1.01 p.s.f. ▼
Concessions	Increasing ▲

