

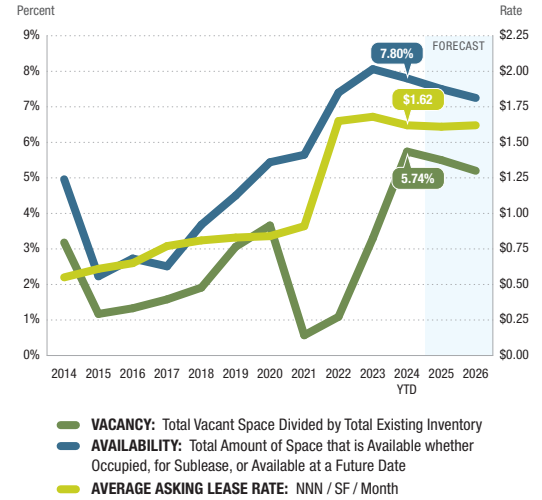
OVERVIEW. Mid-COUNTIES industrial market activity remained subdued in the second period. Vacancy was up sharply again, but average asking lease rates were unchanged. Lease and sale activity fell and net absorption remained firmly in negative territory. Gross absorption, which measures total move-ins, was little changed after a healthy increase in Q2. New construction was slightly higher. Sale transaction count was unchanged, but square footage sold spiked on two large institutional closings. The interest rate on SBA 504 mortgages, the go-to source for owner / user buyers, fell to 5.76% in September, down from 7.13% last November, which has more owner / user buyers circulating in the market. Even so, tenants and buyers remained cautious throughout the period, as uncertainty over the economy and outcome of the national election is still in play.

VACANCY & AVAILABILITY. Vacancy spiked again in Q3 on the heels of an outsized gain in Q2. The overall vacancy rate rose by another 69 basis points after a 105-basis-point jump in Q2 and a 71-basis-point spike in Q1. Year over year the vacancy rate has risen by almost 169%. This time last year, the vacancy rate was just 2.13%. Vacancy is still low by historical standards, but the pace of quarterly increases is cause for concern for landlords and sellers. The vacancy rate for spaces under 25,000 SF is lowest at 2.71%, down from 3.42% in Q2, while vacancy is highest in spaces from 100,000-250,000 SF at 8.65%, up from 7.14% last quarter. The availability rate, which includes occupied space offered for sale or lease, actually fell 26 basis points to 7.8% in Q3, an indication that less space is being offered for sublease.

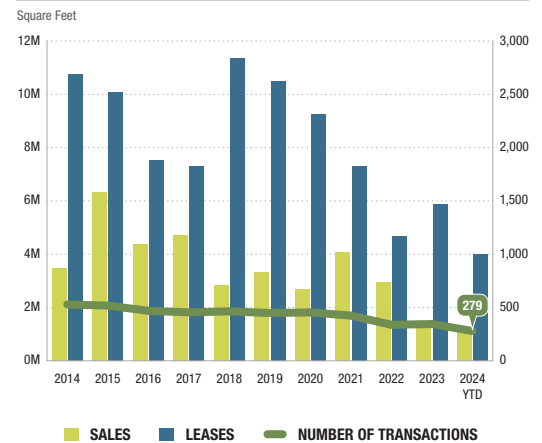
LEASE RATES. The Mid-COUNTIES average asking lease rate remained at \$1.62 for the third consecutive quarter. That kept year-over-year rent growth slightly in negative territory at -2.99%. Of note is the fact that a disproportionate amount of the space in the Mid-COUNTIES market is controlled by institutional owners, who work hard to maintain their “coupon” or asking rates. However, effective rates, which factor in the discounts for free rent and other tenant concessions, are much lower. Santa Fe Springs has the highest asking lease rate at \$1.74, mainly due to the higher concentration of newer, more efficient spaces offered by institutional owners. Norwalk is close behind at \$1.67. Paramount has the lowest asking rate of \$1.35, but also has the lowest vacancy rate in the Mid-COUNTIES of just 1.86%.

TRANSACTION ACTIVITY. The Mid-COUNTIES industrial market suffered another decline in overall sale and lease activity in Q3, due to a sharp decline on the leasing side of the equation. There were just 60 lease transactions completed totaling

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

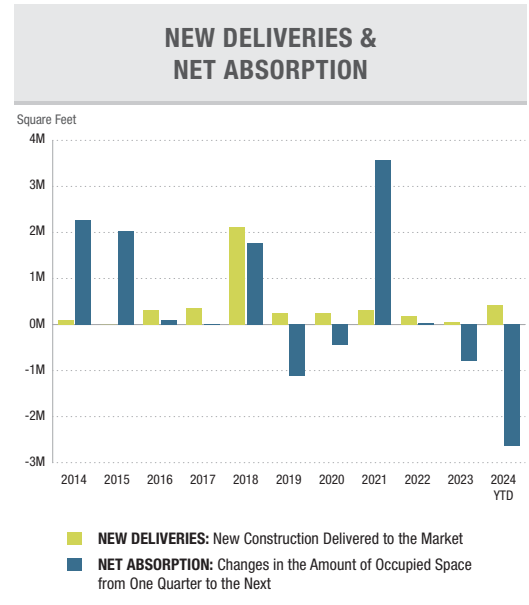
	Change Over Last Quarter	Q3 2024	Q2 2024	Q3 2023	% Change Over Last Year
Vacancy Rate	▲ UP	5.74%	5.06%	2.13%	168.88%
Availability Rate	▼ DOWN	7.80%	8.06%	5.44%	43.42%
Average Asking Lease Rate	▬ FLAT	\$1.62	\$1.62	\$1.67	(2.99%)
Sale & Lease Transactions	▼ DOWN	1,388,503	1,766,253	3,003,354	(53.77%)
Gross Absorption	▼ DOWN	1,569,328	1,659,709	1,146,222	36.91%
Net Absorption	▼ NEGATIVE	(976,842)	(1,006,462)	195,326	N/A

845,771 SF, down from 1,565,489 SF in 90 transactions in Q2. Sales activity fared much better. 13 sales were completed totaling 542,732 SF during the third period, as compared to 13 sales totaling just 200,764 SF in Q2. This was mainly due to two larger sales involving Brookfield Asset Management and Greenlaw Partners, both institutional players. Higher mortgage interest rates are an ongoing challenge for the owner / user market, which depends heavily on financing through the SBA, but good news on rates did come in Q3 with three consecutive declines in the SBA 504 rate which ended the period at 5.76%. Further declines are expected now that the Fed has begun reducing its benchmark Fed Funds Rate.

ABSORPTION. Negative net absorption in Q2 decreased slightly to 976,842 SF from 1,006,462 SF in Q2. As has been the case for many years, the Mid-Countries region faces challenges related to aging, functionally obsolete buildings lacking modern features like adequate clear height, fire sprinkler systems, and loading facilities. Now that land has become scarce and prohibitively expensive, new construction of state-of-the-art facilities is falling behind. This is forcing some tenants out of the area, primarily to the Inland Empire where quality lease product has become more affordable due to softening market conditions. The contrast between the Inland Empire’s new developments and Mid-Countries’ aging inventory highlights the importance of modernization in retaining tenants.

CONSTRUCTION. Ground-up construction activity rose to 699,663 SF in Q3 from 577,832 SF in Q2. The entire increase was recorded in Santa Fe Springs. Of the eight projects in the construction queue, six are in Santa Fe Springs, and they account for all but 127,765 SF of the total. Buena Park has the other two projects, including a 100,000 SF facility soon to be occupied by Yamaha. The amount of space in the planning phase rose to 936,057 SF in Q3 from just 178,264. The increase was concentrated in Santa Fe Springs and Whittier. The timing of these projects is still unknown, but they will be welcome additions in a market starved for first-generation space.

EMPLOYMENT. In August 2024, the seasonally adjusted unemployment rate in Los Angeles County rose to 5.6%, up from 5.5% in July and higher than 5.1% a year ago. Gains were seen in trade, transportation, and utilities (600 jobs), construction (300 jobs), leisure and hospitality (300 jobs), and other services (100 jobs).



Forecast

Mid-Countries market conditions are not expected to change significantly over the next several quarters. Economic uncertainty, the upcoming national election and residual concerns over inflation will keep tenants and buyers cautious. Speculative development will be restrained by elevated borrowing costs and concerns over the trajectory of rent growth going forward. However, mortgage rates have come down substantially since the beginning of the year, and we could see even further rate reductions. If that occurs, the demand for owner / user buildings could pick back up and more projects may break ground. The question is: will we see supply come on the market to meet that owner/user demand? If not, we may see another sales price spike that could offset the benefit of lower borrowing costs.

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2024	Square Feet Available	Availability Rate Q3 2024	Average Asking Lease Rate	Net Absorption Q3 2024	Net Absorption 2024	Gross Absorption Q3 2024	Gross Absorption 2024
Mid Counties													
Artesia / Cerritos	276	13,087,795	0	75,514	861,543	6.58%	1,344,445	4.88%	\$1.43	(132,812)	(424,833)	311,723	718,113
Bellflower / Downey	209	5,713,633	0	0	181,429	3.18%	181,429	2.41%	\$1.41	9,588	7,105	136,498	333,812
Buena Park / La Palma	235	15,065,660	127,765	0	1,297,500	8.61%	1,573,974	5.32%	\$0.00	(474,982)	(647,598)	174,045	299,854
La Mirada	178	13,211,571	0	0	1,003,135	7.59%	1,445,711	9.47%	\$1.58	(100,925)	65,624	57,855	730,309
Norwalk	90	3,088,005	0	5,000	92,424	2.99%	100,574	6.18%	\$1.67	(34)	(4,165)	3,300	27,228
Paramount	417	9,302,690	0	0	172,655	1.86%	267,583	3.08%	\$1.35	(19,664)	(158,063)	103,257	207,743
Santa Fe Springs	1,345	53,999,356	571,898	563,240	2,920,385	5.41%	4,042,812	5.63%	\$1.74	(161,004)	(1,188,809)	747,393	1,922,485
Whittier	163	4,197,785	0	292,303	223,665	5.33%	224,764	2.97%	\$1.50	(97,009)	(279,019)	35,257	98,071
Mid Counties Total	2,913	117,666,495	699,663	936,057	6,752,736	5.74%	9,181,292	7.80%	\$1.62	(976,842)	(2,629,758)	1,569,328	4,337,615
5,000-24,999	1,823	23,939,191	22,850	5,000	648,452	2.71%	974,477	4.07%	\$1.38	101,070	(34,328)	341,662	1,170,757
25,000-49,999	514	18,310,264	63,683	59,568	837,269	4.57%	1,092,366	5.97%	\$1.42	146,880	(240,537)	363,379	829,561
50,000-99,999	300	20,839,895	99,847	212,394	1,033,237	4.96%	1,850,261	8.88%	\$1.54	55,230	(148,321)	294,678	511,806
100,000-249,999	214	31,730,677	513,283	366,792	2,744,465	8.65%	3,655,805	11.52%	\$1.61	(834,895)	(1,426,827)	404,561	1,291,966
250,000-499,999	54	17,857,500	0	292,303	1,125,032	6.30%	1,244,102	6.97%	\$0.00	(445,127)	(960,714)	165,048	352,556
500,000 plus	8	4,988,968	0	0	364,281	7.30%	364,281	7.30%	\$0.00	0	180,969	0	180,969
Mid Counties Total	2,913	117,666,495	699,663	936,057	6,752,736	5.74%	9,181,292	7.80%	\$1.62	(976,842)	(2,629,758)	1,569,328	4,337,615

This survey consists of buildings greater than 5,000 square feet. Lease rates are on triple-net basis.

Significant Transactions

Sales						* Voit Real Estate Services Deal*
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
9804-10012 Norwalk Blvd. - 7 Properties	Santa Fe Springs	239,532	\$75,000,000	McMaster-Carr Supply Company	Brookfield Asset Management	
16000 Carmenita Rd. - 2 Buildings	Cerritos	234,261	\$69,000,000	Greenlaw Partners	Link Logistics	
5609 River Way	Buena Park	149,000	\$43,542,237	Bloomingkoco, LLC*	SCIND Beach Point LLC	
16930 Valley View Ave.	La Mirada	125,000	\$32,425,000	Ld Valley View Holding LLC	Pacific Industrial LLC	
9331 Santa Fe Springs Rd.	Santa Fe Springs	39,420	\$16,250,000	Fonciere Santa Fe Springs LLC	Cam Investments 378 LLC	
Leases						
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner	
15905-16107 Commerce Way	Cerritos	104,556	Jul-2024	Grimco	Prologis	
13711 Freeway Dr. - Subleased	Santa Fe Springs	82,092	Aug-2024	Silver Hawk Express	Independent Trading	
13930 Gannet St.	Santa Fe Springs	75,004	Jul-2024	Travelers Club Luggage, Inc	The His Family Trust	
10900 Painter Ave.	Santa Fe Springs	66,122	Jul-2024	Doosan Bobcat North America, Inc.	Prologis	
5450 Dodds Ave.	Buena Park	62,812	Jul-2024	Shinwoo-Global	JAAKKS Properties, LLC	

The Uncertain Landscape During Election Season

by **Zac Kolander and Jordan Haynes**



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The industrial real estate market has been in a state of flux throughout the year, but it is a bright spot relative to the other commercial property sectors. Although vacancy has increased consistently since late 2022, it slowed in the third quarter, increasing slightly to 5.29% in Los Angeles. The Port of Los Angeles continued to show growth after reporting a 17.6% year-over-year increase for loaded imports in the month of August. Total TEU's topped 960,000, which would mark August as the busiest non-pandemic month ever at the port. Additionally, East Coast dock workers ended their strike after just three days, reaching a tentative agreement on a new contract with port operators.

As industrial real estate professionals, we have the opportunity to speak with business and property owners on a daily basis who describe the pressure points influencing their decision-making. The most common talking points are the future of interest rates, an uncertain political landscape, and the market metrics that affect their planning.

As of September 27, the Core Personal Consumption Expenditure (Core PCE) index, the Fed's preferred inflation indicator, cooled to 2.68%, and its Federal Open Market Committee (FOMC) made its first rate cut (50 basis points) in several years. This is a welcome sign for many who have been waiting on the sidelines for purchase opportunities to finance at more favorable rates. Depending on the October PCE data, we will see if the FOMC's indication of multiple rate cuts starts coming to fruition at its next meeting in November.

The psychology of decision-making in commercial real estate is often conflicted during election years. Which candidate is perceived to be more pro-business, and how could each candidate's policies affect my real estate decisions?

We can reasonably assume that many of the tax policies from 2017 will expire after 2025, depending on the outcome of the election. Individual and corporate tax rates, the Qualified Business Income deduction for pass-through entities, the estate tax threshold, depreciation of business assets, and interest deduction limitations, would each impact businesses and commercial property owners.

Both the outcome of the elections, and moreover, which tax policies would be targeted for change, are uncertain. In uncertain times, it is best to have comprehensive contingency planning. While there is still time to plan, the array of potential options is worth discussing with your financial advisor. If the strategy that fits your position requires a valuation of your industrial property, that's what we do best.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

Product Type

MFG./DIST.

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

Submarkets

MID COUNTIES

Artesia / Cerritos, Bellflower / Downey, Buena Park / La Palma, La Mirada, Norwalk, Paramount, Santa Fe Springs, Whittier

