

# Metro Update

Los Angeles Industrial Report

2nd Quarter 2008

## LA COUNTY INDUSTRIAL SUBMARKETS SNAPSHOT

Los Angeles County Industrial Submarket	Total Building SF	Average Asking Lease Rate	Vacancy Rate	YTD Net Absorption SF	SF Under Construction
Commerce	83,671,499	\$0.558	2.50%	-165,152	184,600
Vernon	91,608,875	\$0.613	2.80%	-1,112,630	290,620
Central LA	116,564,063	\$0.795	3.10%	-1,217,386	0
Mid-Counties	102,089,645	\$0.627	2.90%	207,405	67,360
San Gabriel Valley	175,351,783	\$0.702	3.67%	-1,649,227	287,451
San Fernando Valley	145,270,650	\$0.904	2.75%	-629,734	238,695
SCV / Lancaster / Palmdale	23,789,607	\$0.761	6.60%	122,899	82,024
Ventura County	49,757,408	\$0.705	3.30%	88,869	216,423
<b>Industrial Submarket Trends</b>	<b>788,103,530</b>	<b>\$0.708</b>	<b>3.16%</b>	<b>-4,354,956</b>	<b>2,509,339</b>
<b>Change from Last Qtr.</b>		↑	↑	↓	↓
<b>Change from Last Yr.</b>		↑	↑	↓	↓

\* Statistics compiled with the support of The CoStar Group.



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## MARKET OVERVIEW

The Los Angeles Industrial market ended the second quarter 2008 with a vacancy rate of 3.4%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (3,828,502) square feet in the second quarter. The vacant sublease space increased to 3,706,964 square feet at the end of the second quarter which is an increase over the previous quarter, which totaled 2,511,210 square feet. Rental rates ended the second quarter at \$0.72, a slight decrease over the previous quarter. A total of 31 buildings were delivered to the market in the quarter totaling 740,642 square feet, with 2,754,664 square feet still under construction at the end of the quarter.

## **SALES ACTIVITY**

Tallying industrial building sales of 15,000 square feet or larger, Los Angeles industrial sales figures fell during the first quarter 2008 in terms of dollar volume compared to the fourth quarter of 2007.



In the first quarter, 64 industrial transactions closed with a total volume of \$483,506,957. The 64 buildings totaled 5,504,146 square feet and the average price per square foot equated to \$187.84 per square foot. That compares to 97 transactions totaling \$673,202,926 in the fourth quarter.

The total square footage was 6,025,708 for an average price per square foot of \$111.72.

Total year-to-date industrial building sales activity in 2008 is down in terms of volume when compared to the previous year. In the first three months of 2008, the market saw 64 industrial sales transactions with a total volume of \$483,506,957. The price per square foot has averaged \$87.84 this year. In the first three months of 2007, the market posted 117 transactions with a total volume of \$711,926,453. The price per square foot averaged \$113.00.

Cap rates have been lower in 2008, averaging 5.4%, compared to the first three months of last year when they averaged 6.5%.

## **VACANCY**

The Industrial vacancy rate in the Los Angeles market area increased to 3.4% at the end of the second quarter 2008. The vacancy rate was 3.0 % at the end of the first quarter 2008, 2.8% at the end of the fourth quarter 2007 and 3.0 % at the end of the third quarter 2007.

## **DELIVERIES AND CONSTRUCTION**

During the second quarter 2008, 31 buildings totaling 740,642 square feet were completed in the Los Angeles



market area. This compares to 9 buildings totaling 336,743 square feet that were completed in the first quarter 2008, 28 buildings totaling 1,907,716 square feet that were completed in the fourth quarter 2007 and 19 buildings totaling 909,716 square feet that were completed in the third quarter 2007. There were 2,754,664 square feet of

Industrial space under construction at the end of the second quarter 2008.

## **RENTAL RATES**

The average quoted asking rental rate for available Industrial space was \$0.727 per square foot per month at the end of the second quarter 2008 in the Los Angeles market area. This represented a 0.7% increase in quoted rental rates from the end of the first quarter 2008, when rents were reported at \$0.732 per square foot.

## **ABSORPTION**

Net absorption for the overall Los Angeles Industrial market was negative (3,828,502) square feet in the second quarter 2008. That compares to negative (2,687,236) square feet in the first quarter 2008, positive 4,179,904 square feet in the fourth quarter 2007 and negative (1,181,892) in the third quarter 2007.

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