

AIR CRE Town Hall - 3Q 2022 Research Insights

Inland Empire
Orange County
LA County
Ventura County



Speaker

Alie Baumann
Director, Real Estate Intelligence

CompStak
aliebaumann@compstak.com



Sign up at knowledge.compstak.com/blog or email marketintel@compstak.com

MARKET INTEL
based on COMPSTAK data

CompSnap of the Week

2024 IS PEAK YEAR FOR OFFICE LXDS IN GATEWAY MARKETS

2024 is the next peak LX D year for office space in Gateway Markets expiring over the next 10 years. More than 34% of office LXDs in Gateway Markets will expire from July 2022 through 2024 according to CompStak's database. Of these deals, more than 15% were executed in 2019, a record year for office lease transaction volume and pricing in many Gateway markets.

Year	Share of LXDs by Year
2016	7.7%
2017	10.2%
2018	11.2%
2019	13.3%
2020	12.2%
2021	11.7%
2022	10.8%
2023	10.8%
2024	14.0%

Source: CompStak, Leases analyzed reports July 2022 - June 2022.

The top 2 largest submarkets by total LX D's in each of the five gateway markets will account for more than 26% of leased square footage expiring from July 2022 to the end of 2024.

Source: CompStak, Leases analyzed reports July 2022 - June 2022. Gateway markets include Los Angeles Inland Empire, Bay Area, San Francisco, Washington, D.C. and New York City.

Want to use CompStak's data to get your own insights for CRE deals?

[Request a Demo](#)

MARKET INTEL
based on COMPSTAK data

Top Ten Metros By Net Tech Job Gains: Multifamily and Office Rent Growth

Top Ten Metros by Net Tech Job Gains: Multifamily and Office Rent Growth

Last week, CompStak launched its partnership with RealPage, the industry's best in class provider of residential real estate market data, integrating multifamily rental market data into CompStak's platform. In commemoration of this important partnership, this week we analyzed the top ten metros for net tech employment growth from 2020 to 2021, and how multifamily and office rents have trended in these key tech markets, using exclusive data from both RealPage and CompStak.

Key findings were:

- From 2020 to 2021, the top ten metros for net tech job gains accounted for 25% of the nation's net growth
- Over the last five years, eight of these top ten metros had net tech employment growth that outpaced the nation overall (10.0%)
- Seven outpaced effective rent growth in the U.S. overall (33.0%) from 2017 to 2022, according to RealPage
- The most recent median base office rent for tech and media deals is closer to pre-pandemic peak than the overall market average for these ten tech markets combined, according to CompStak's data

Read the complete blog on **TOP TEN METROS BY NET TECH JOB GAINS** - for more detailed data and insights!

[Read More](#)

MARKET INTEL
BASED ON COMPSTAK DATA

The Starbucks Effect: Office Rents Rose Where Starbucks Opened Most Stores During Pandemic

The Starbucks Effect: Office Rents Rose Where Starbucks Opened Most Stores During Pandemic

In this week's blog, CompStak compares office rent growth in the markets with the most closed and opened Starbucks stores during the pandemic. Well-known to have a nimble site-location strategy, Starbucks opened and closed many stores in the United States in response to changing routines and altered traffic patterns since the onset of COVID-19. Did office rents trend more favorably in markets with most Starbucks opened? CompStak's findings included:

- Effective office rents rose 43.7% from the pandemic low in markets with the most Starbucks opened, outpacing growth in top markets for closed stores
- Base office rents also increased at a faster rate in top areas where Starbucks opened
- Several NYC submarkets had the most openings as well as closures — excluding these still yielded stronger rent growth for the combined areas with most openings as compared to closings

Read the complete blog for more detailed data and insights!

[Read More](#)

MARKET INTEL
based on COMPSTAK data

CompSnap of the Week

AMAZON'S INDUSTRIAL SPACE GLUT: RENT TRENDS IN POTENTIAL MARKETS FOR REDUCTION

Amazon is rumored to be shedding space via sublease in several major industrial markets including California, New York, New Jersey, and Atlanta. While Amazon has not revealed the exact locations, an analysis of CompStak's short-term, industrial transaction data in six markets with significant Amazon footprints in these states, shows that the most recent starting rent average is 24.4% higher than the average current rent (\$10.81/SF) paid by Amazon in its active leases across these markets.

Market	Average Current Rent - Active Amazon Leases	Current Average Overall Starting Market Rent - 2022 YTD
Baltimore	\$5.72	\$7.17
Central PA - DE	\$6.40	\$7.97
Atlanta	\$6.40	\$7.97
San Antonio	\$6.40	\$7.97
Central Valley	\$6.40	\$7.97
NY/NJ	\$6.40	\$7.97
Northern Central	\$6.40	\$7.97
Bay Area	\$6.40	\$7.97
Los Angeles	\$6.40	\$7.97
Orange - Inland	\$6.40	\$7.97
6 Markets Average	\$10.81	\$13.45

Source: CompStak, Amazon deals included in this analysis were signed since 2011 and overall average starting rent analysis includes leases with terms of 5 years or less.

Source: CompStak, Analysis includes 6 markets with significant Amazon footprint in CA, NJ, PA, GA, and NY, and includes leases with terms of 5 years or less.

Want to use CompStak's data to get your own insights for CRE deals?

[Request a Demo](#)

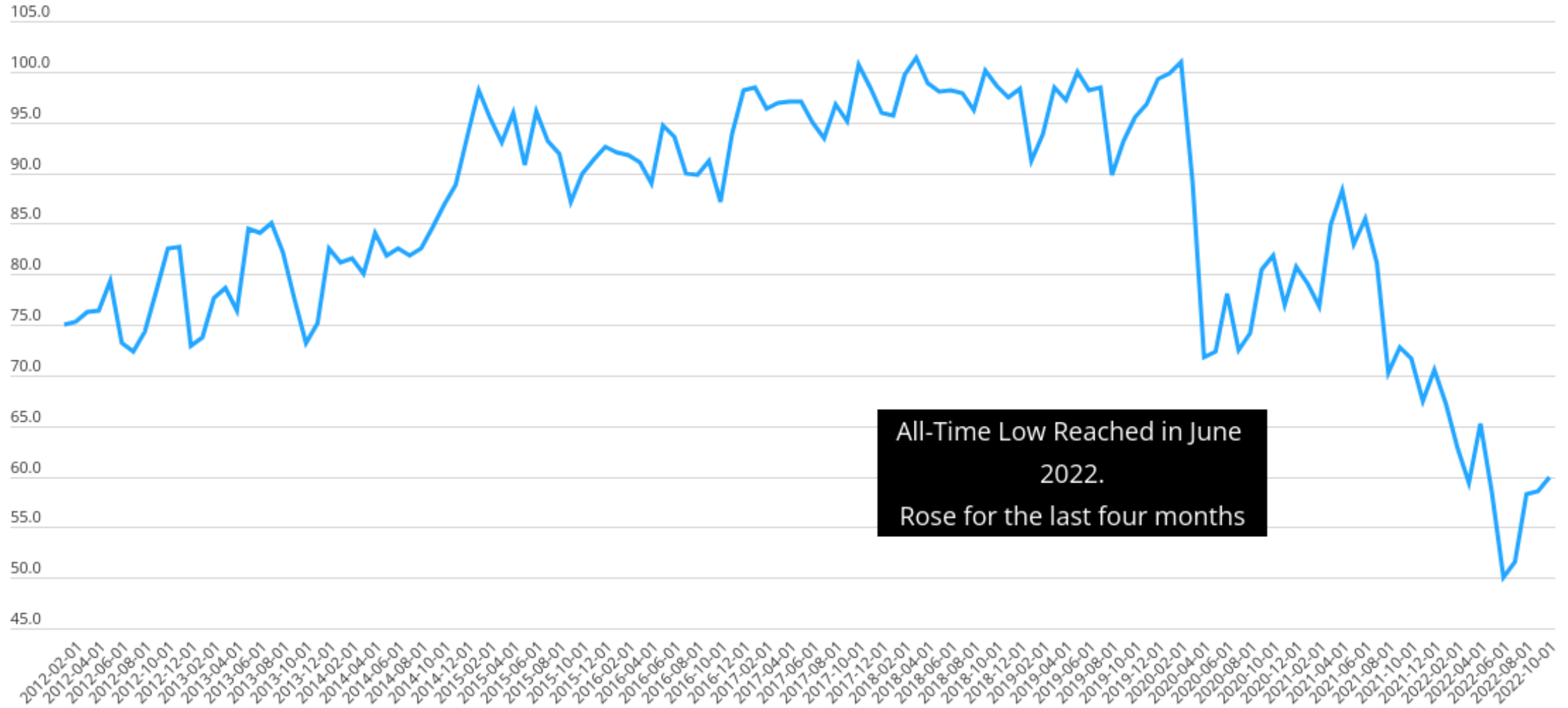




INDUSTRIAL OUTLOOK	COMPSTAK MARKET STATS 2022 Los Angeles, Ventura, and Orange Counties & Inland Empire
Decline in Retail Spending	Base Rent Growth
Decline in Consumer Sentiment	Transaction Size
Rising Retail Inventories	Rent Growth by Transaction Size
Logistics Managers Index	Average Built Year by Transaction Size
NAIOP CRE Sentiment Index	Term Length
Rising Cost of Capital	Annual Lease Escalations
Industrial Cap Rates	Current Rent in Place vs. Starting Rents
SoCal Development Pressure	Rent Growth – New vs. Renewals
Declining Port Volume – Long Beach and LA	Effective Rent Growth

Declining Consumer Confidence

University of Michigan: Consumer Sentiment (UMCSENT)



All-Time Low Reached in June 2022.
Rose for the last four months

Source: St. Louis Fed, <https://fred.stlouisfed.org/series/UMCSENT>



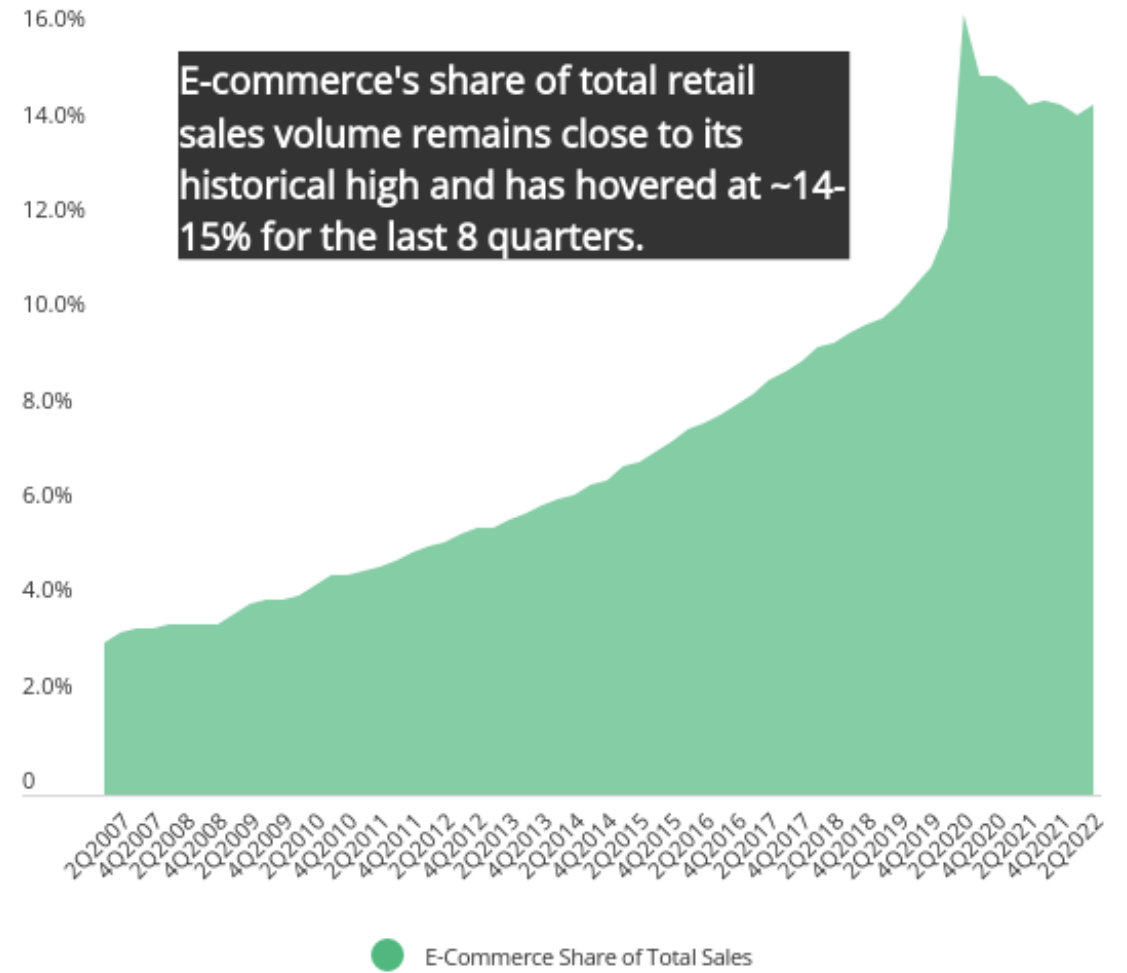
Retail Spending Beginning to Show Signs of Decline

Monthly % Change, Advance Retail Trade and Food Services Sales, U.S.



Spending on retail fell in September, while spending on food services grew slightly from August's levels.

E-Commerce Retail Sales as a Percent of Total Sales



E-commerce's share of total retail sales volume remains close to its historical high and has hovered at ~14-15% for the last 8 quarters.

Source: BLS, <https://www.census.gov/retail/index.html>, Seasonally adjusted

Source: St. Louis Fed, <https://fred.stlouisfed.org/series/ECOMPCTSA>



Retail Spending Declining at Same Time as Inventories Skyrocket

Retailers Inventories

ECONOMY

Retailers' stockpiles mean deep holiday discounts starting now

Stores are sitting on a record \$732 billion of merchandise — including computers, clothing and coffee tables — and finding that consumers aren't interested



By Abha Bhattarai

October 10, 2022 at 8:00 a.m. EDT

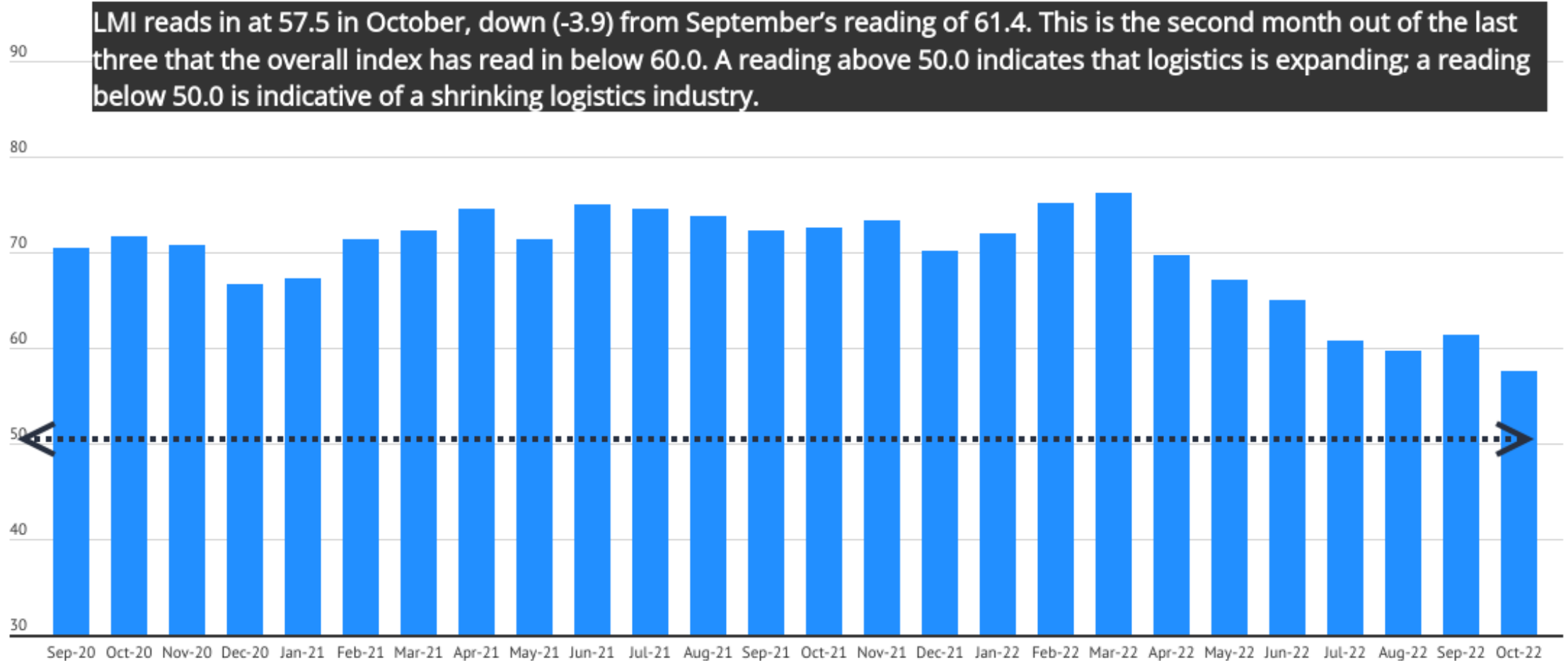


Source: U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>, October 24, 2022.



Mixed Signals for Industrial Market: Logistics Managers' Index

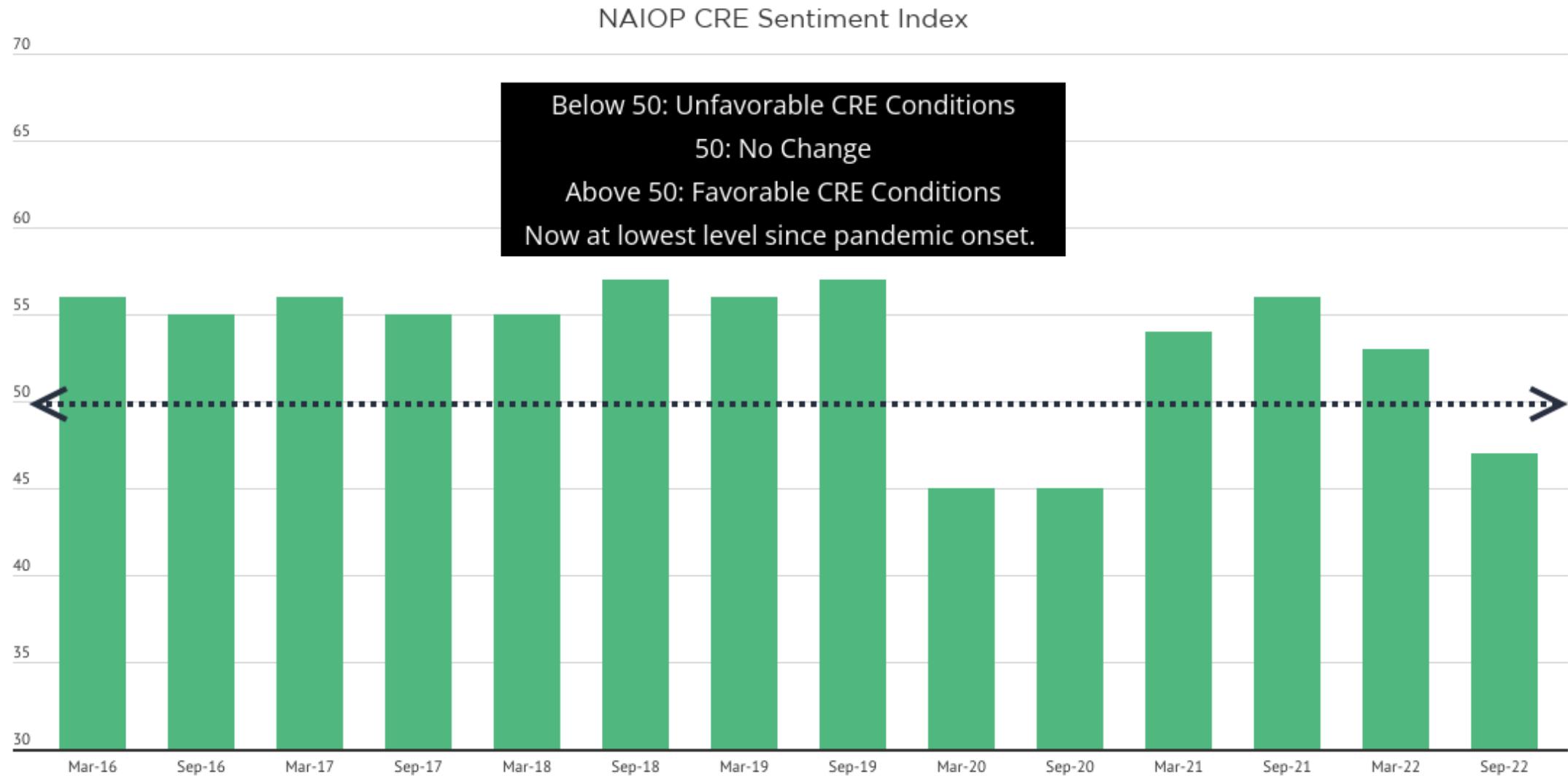
Logistics Managers Index



Source: Logistics Managers' Index Survey, <https://www.the-lmi.com/october-2022-logistics-managers-index.html>, The LMI score is a combination of eight unique components that make up the logistics industry, including: inventory levels and costs, warehousing capacity, utilization, and prices, and transportation capacity, utilization, and prices.



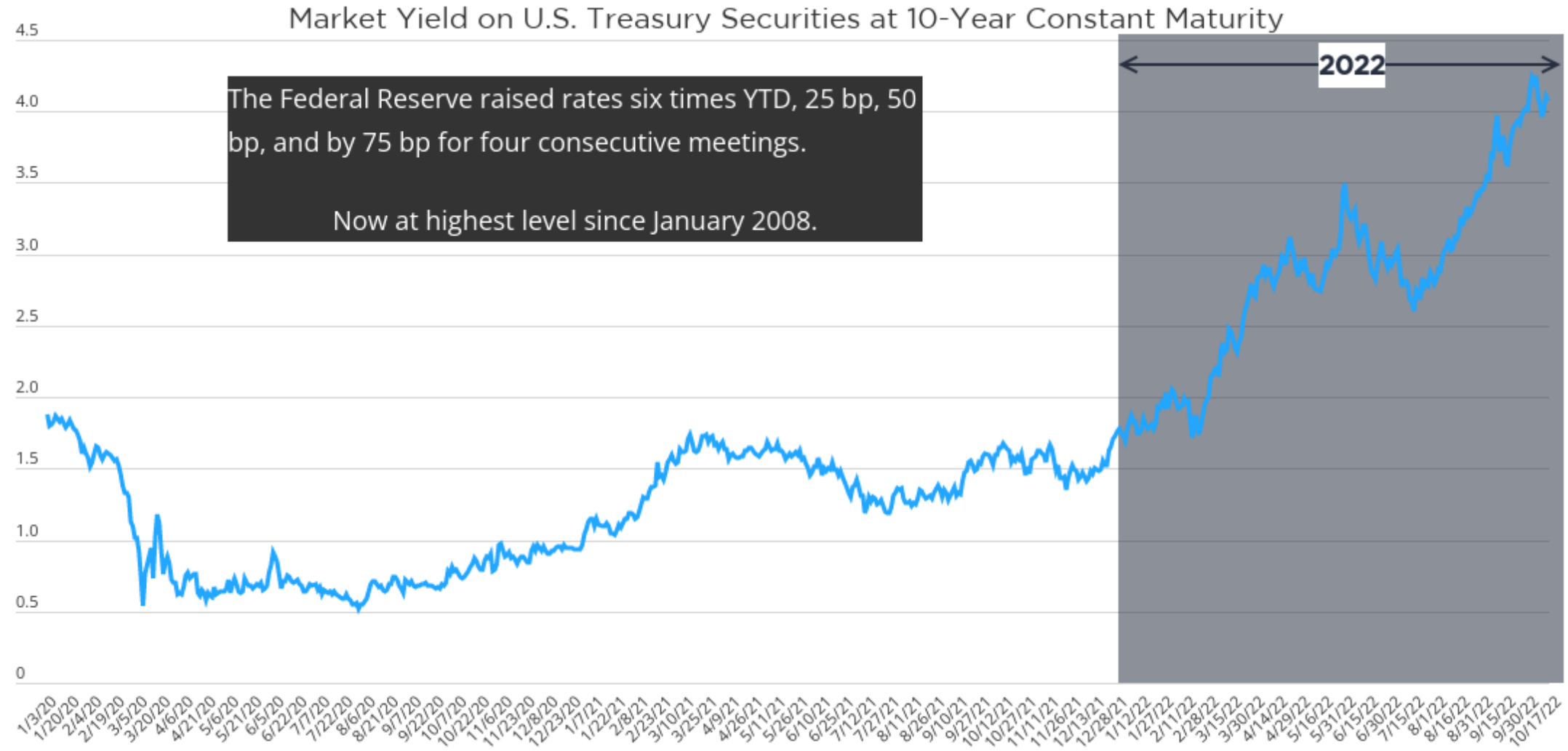
Mixed Signals for Industrial Market: NAIOP CRE Sentiment Index



Source: NAIOP, <https://www.naiop.org/en/Research-and-Publications/Sentiment-Index>



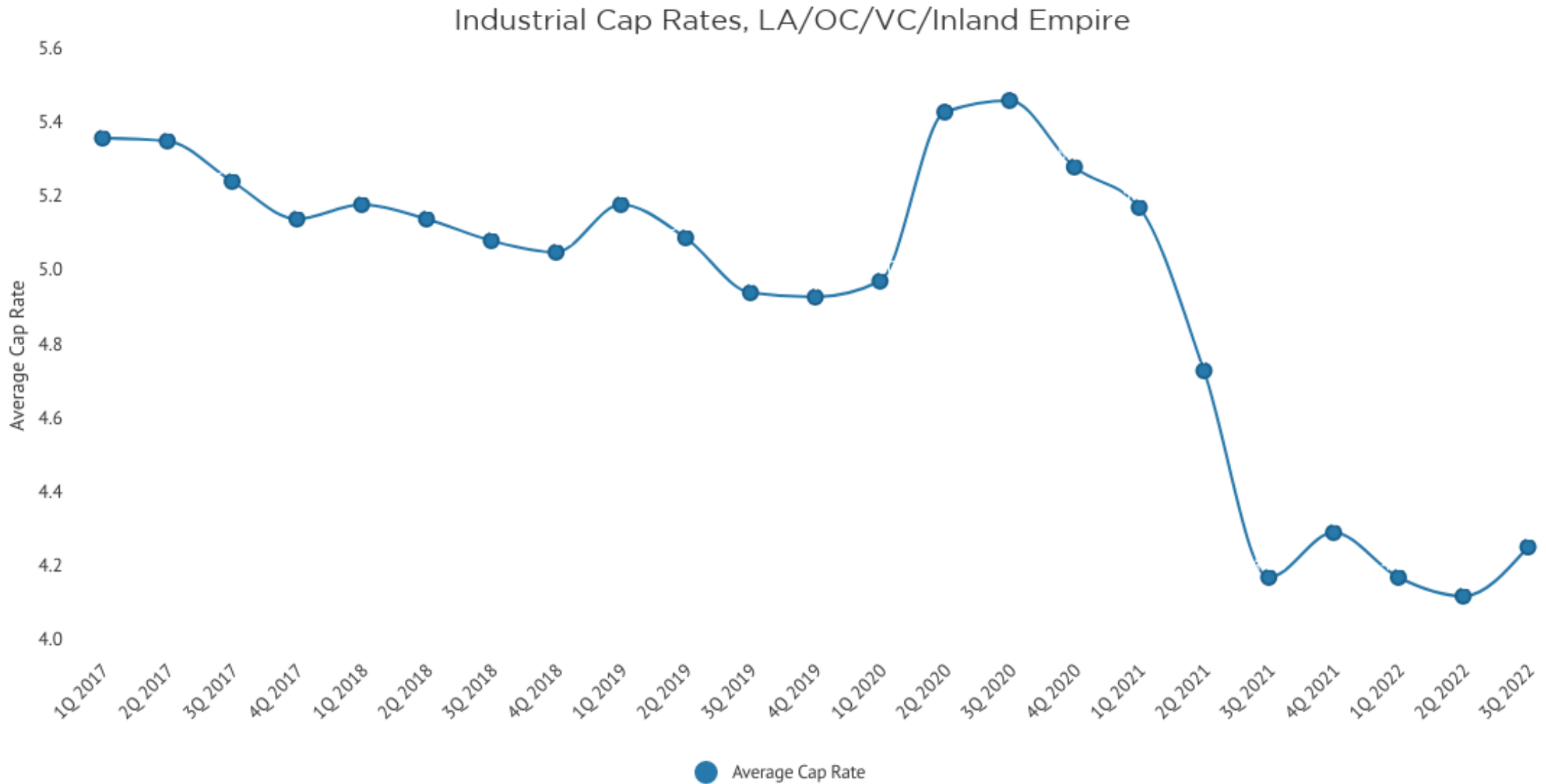
Rising Cost of Capital and Industrial Market



Source: Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis, St. Louis Fed, <https://fred.stlouisfed.org/series/DGS10>



Industrial Cap Rate Compression Expected to Moderate



Source: CompStak



Record Vacancy and Future Supply Challenges

Inland Empire industrial developers dodge a bullet — for now

Bill to create 1,000-foot buffer zone between warehouses and residences dies in committee

Los Angeles / By Isabella Farr

AB 2840

Development Bans Are Spreading Across The Inland Empire, Where Vacancy Is Below 1%

August 17, 2022 | Bianca Barragán, Southern California



The council of **the Inland Empire** city of Norco, California, will discuss Wednesday night whether to enact **a 45-day moratorium** on **warehouse** development, making it the latest municipality to consider such a move as the need for industrial space near the country's largest port metastasizes.

Bloomberg

US Edition

• Live Now Markets Economics Industries Technology Politics Wealth Pursuits Opinion Business

CityLab
Economics

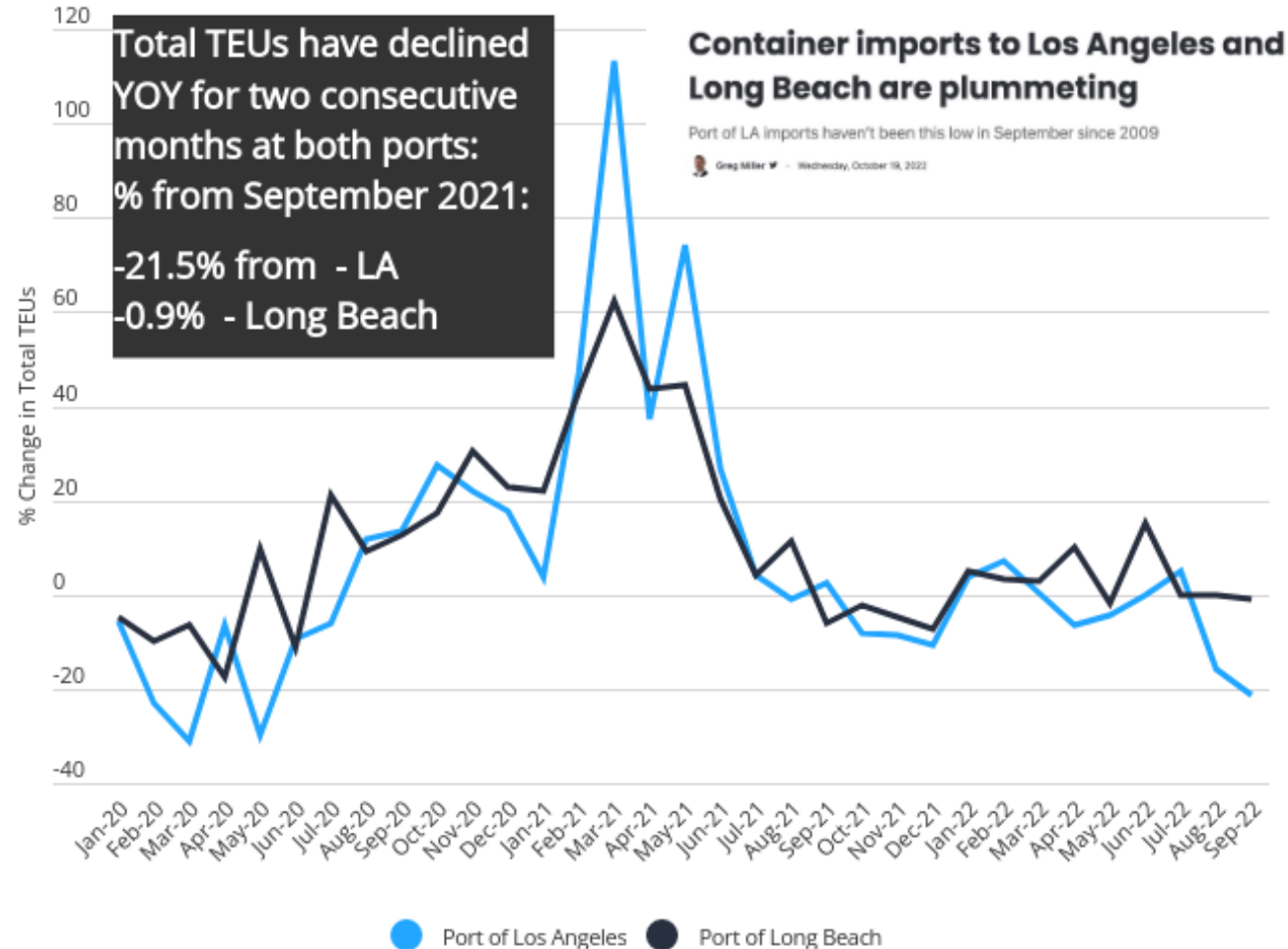
Los Angeles Warehousing Mecca Halts Expansion Just as Needs Soar

- California's Inland Empire is issuing warehousing moratoriums
- Communities are studying environmental impact of developments

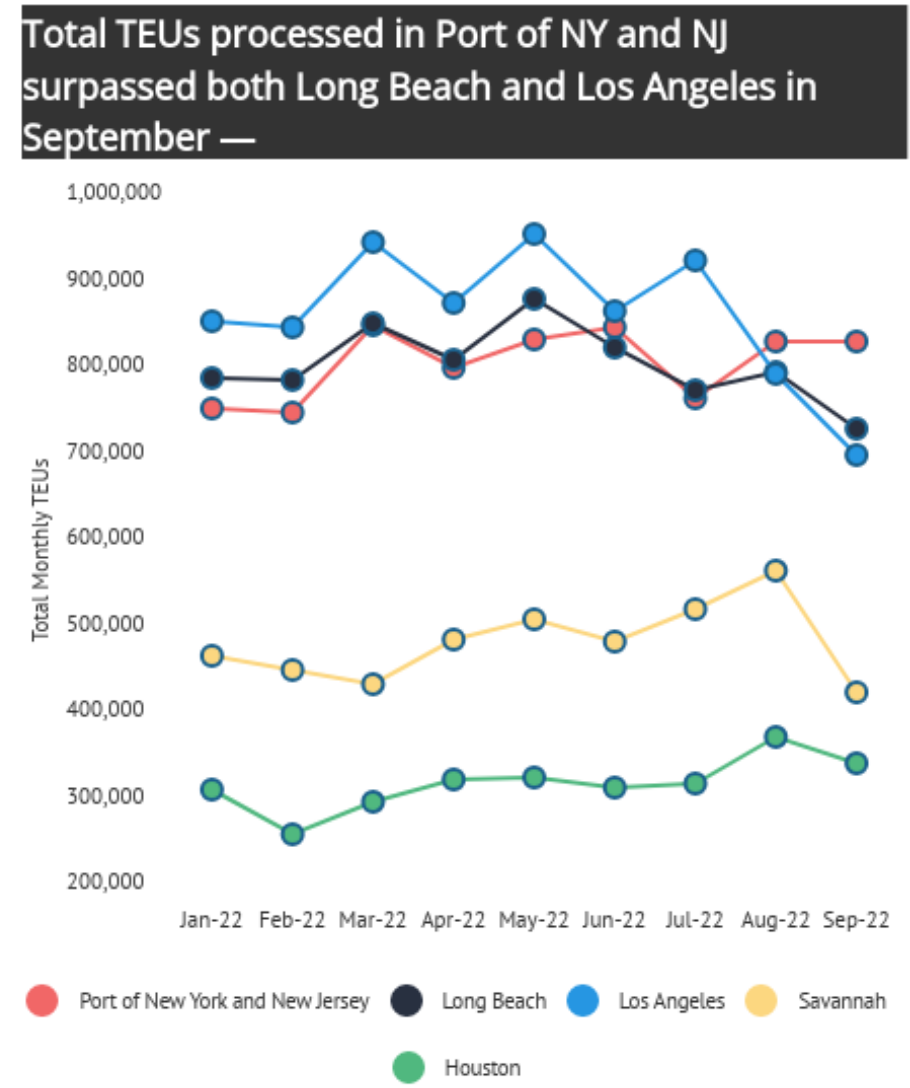


Southern California Industrial: Port Volumes Down in Los Angeles and Long Beach

Change YOY, Total TEU(s), Port of Long Beach vs. Port of Los Angeles



Total TEUs by Select Ports, 2022



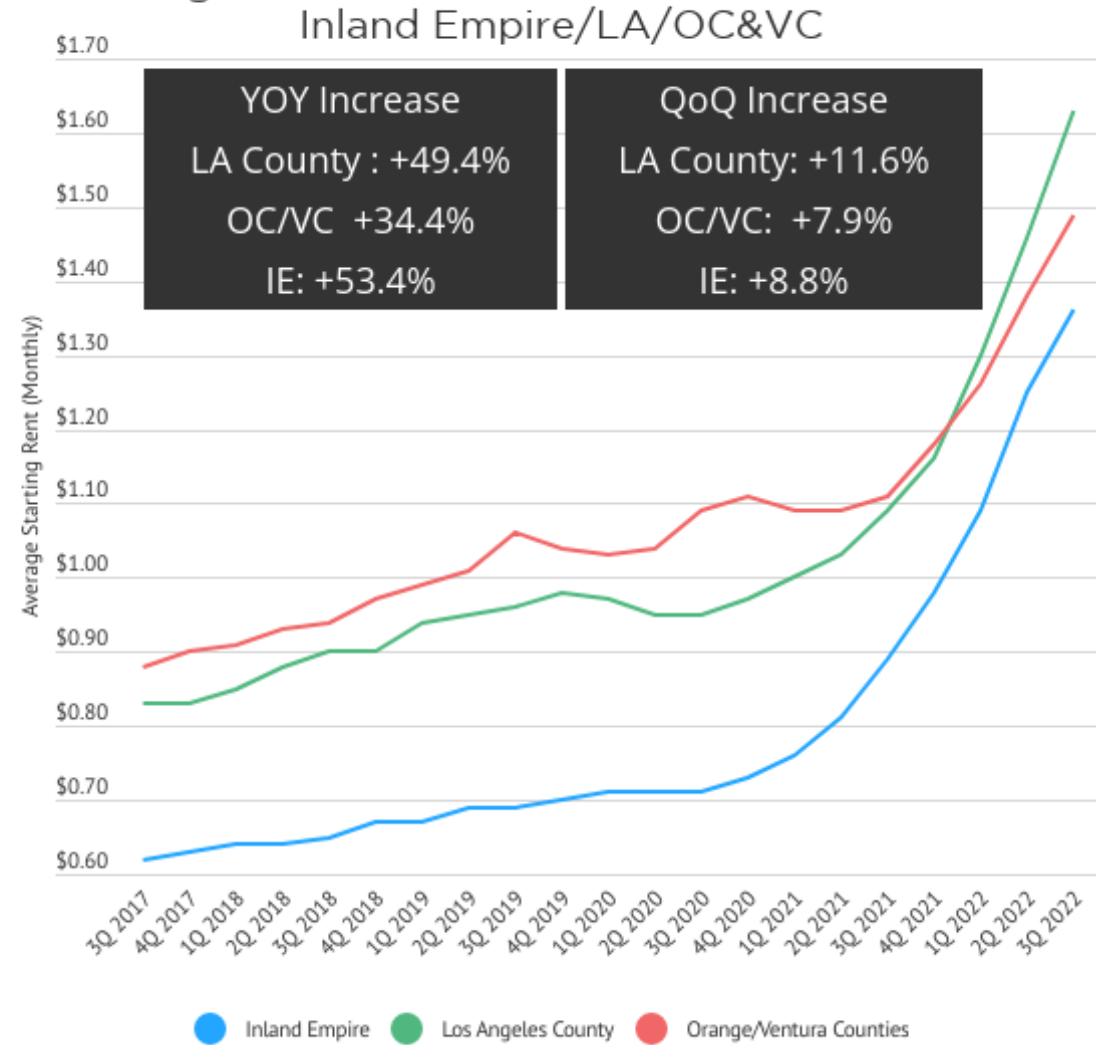
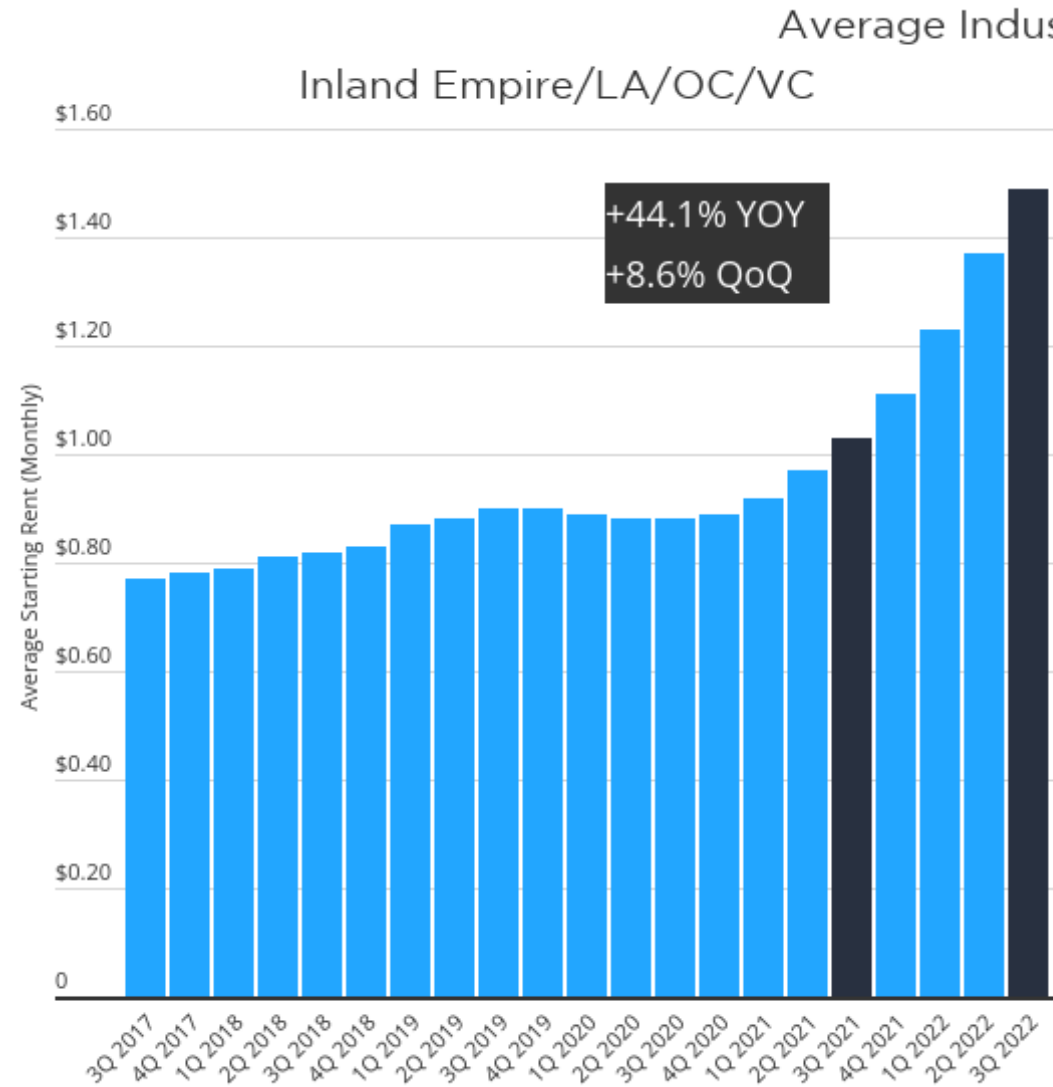
Source: Ports of Long Beach, Los Angeles, Houston, Savannah and New York and New Jersey





INDUSTRIAL OUTLOOK	COMPSTAK MARKET STATS 2022 Los Angeles, Ventura, and Orange Counties & Inland Empire
Decline in Retail Spending	Base Rent Growth
Decline in Consumer Sentiment	Transaction Size
Rising Retail Inventories	Rent Growth by Transaction Size
Logistics Managers Index	Average Built Year by Transaction Size
NAIOP CRE Sentiment Index	Term Length
Rising Cost of Capital	Annual Lease Escalations
Industrial Cap Rates	Current Rent in Place vs. Starting Rents
SoCal Development Pressure	Rent Growth – New vs. Renewals
Declining Port Volume – Long Beach and LA	Effective Rent Growth

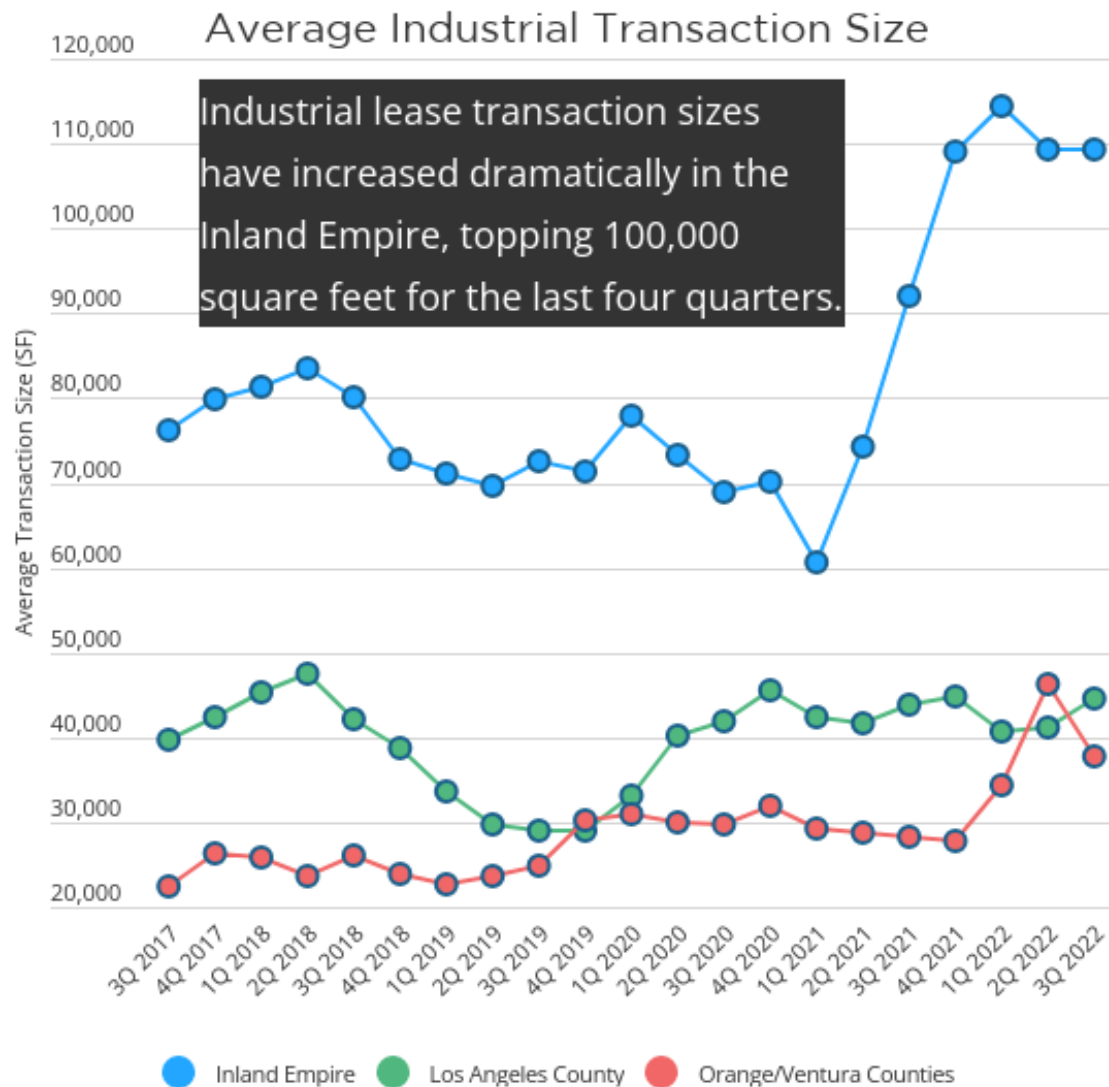
Robust Base Rent Growth, No Signs of Slowdown Yet



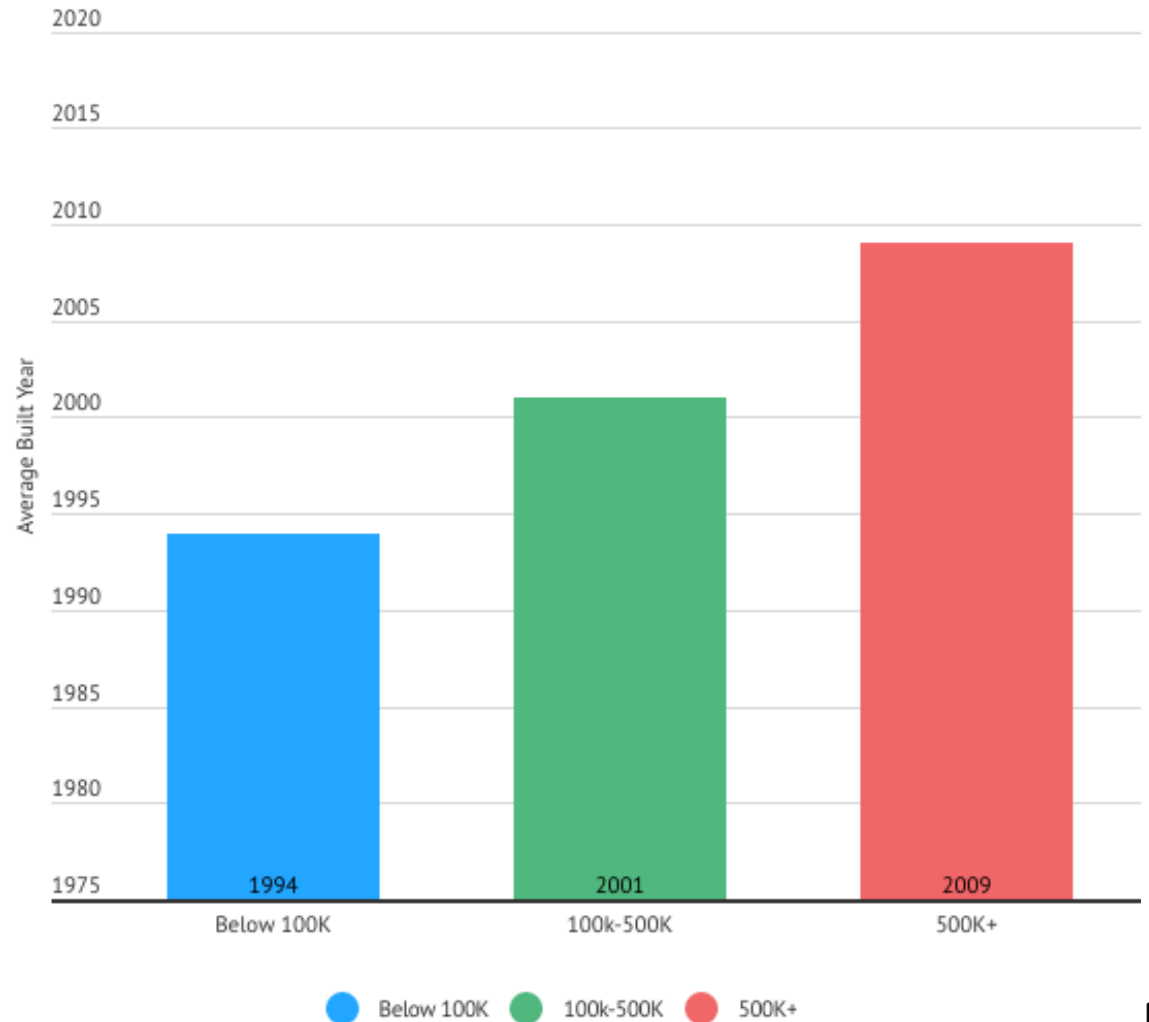
Source: CompStak, transactions 10,000 SF+



Robust Growth in Transaction Size in Inland Empire

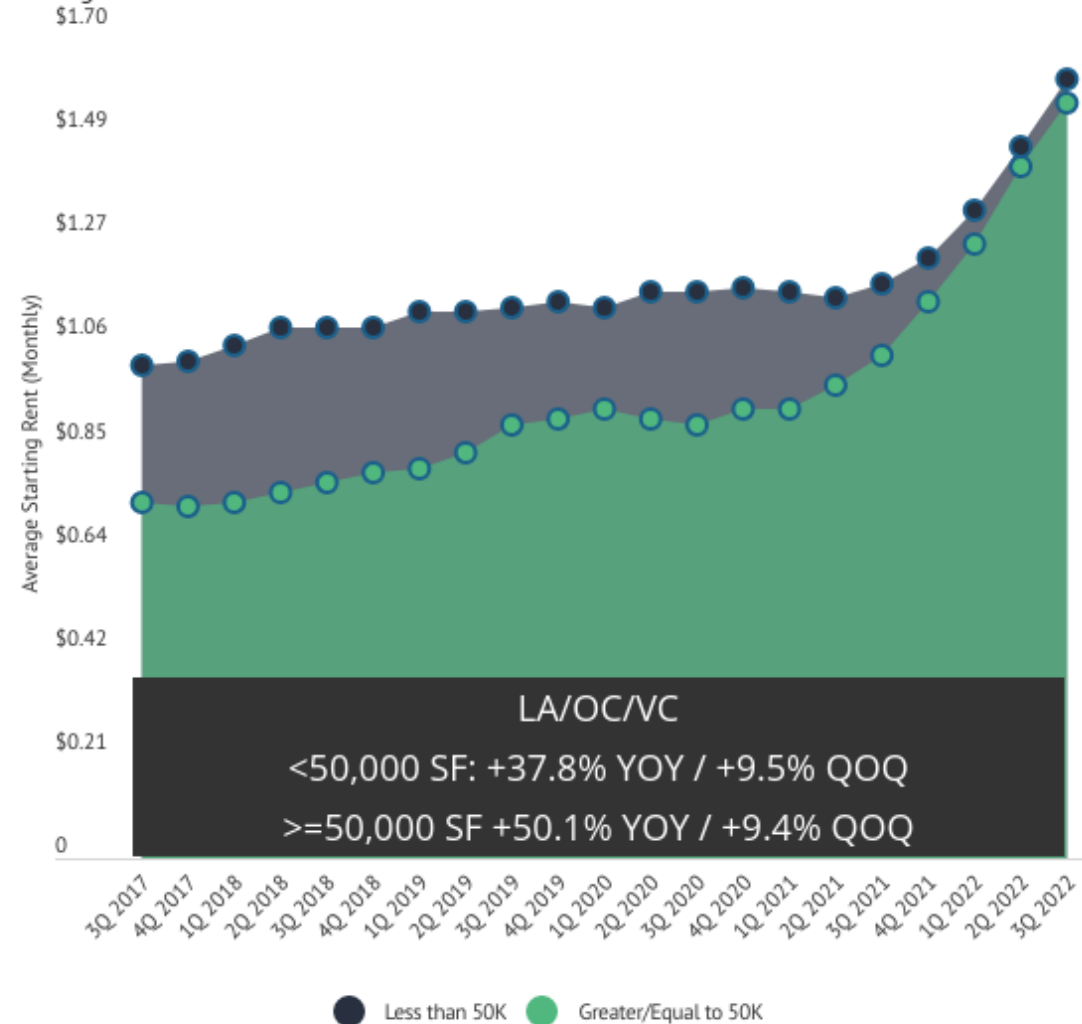
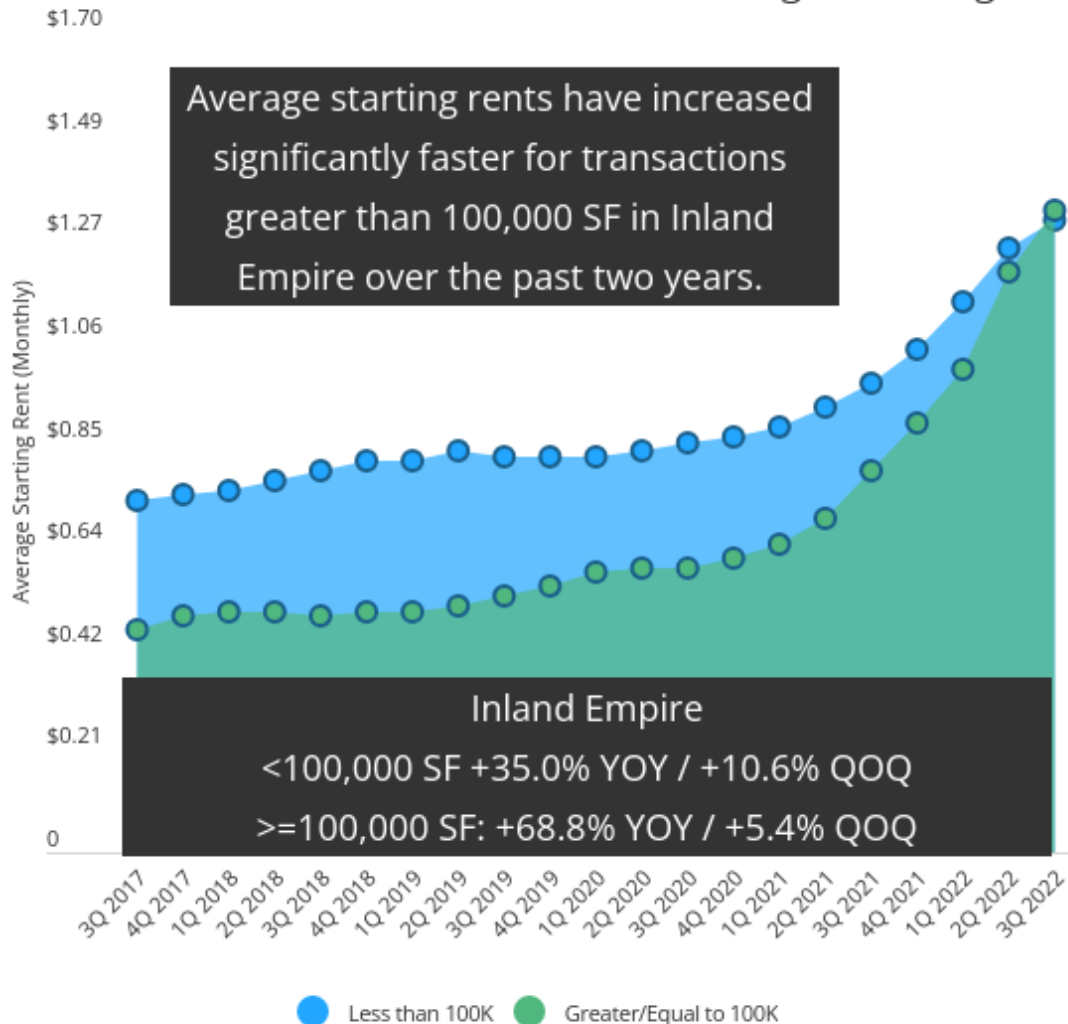


Average Built Year by Transaction Size, Inland Empire



Steepest Rent Growth for Larger Transactions

Average Starting Rents by Transaction Size

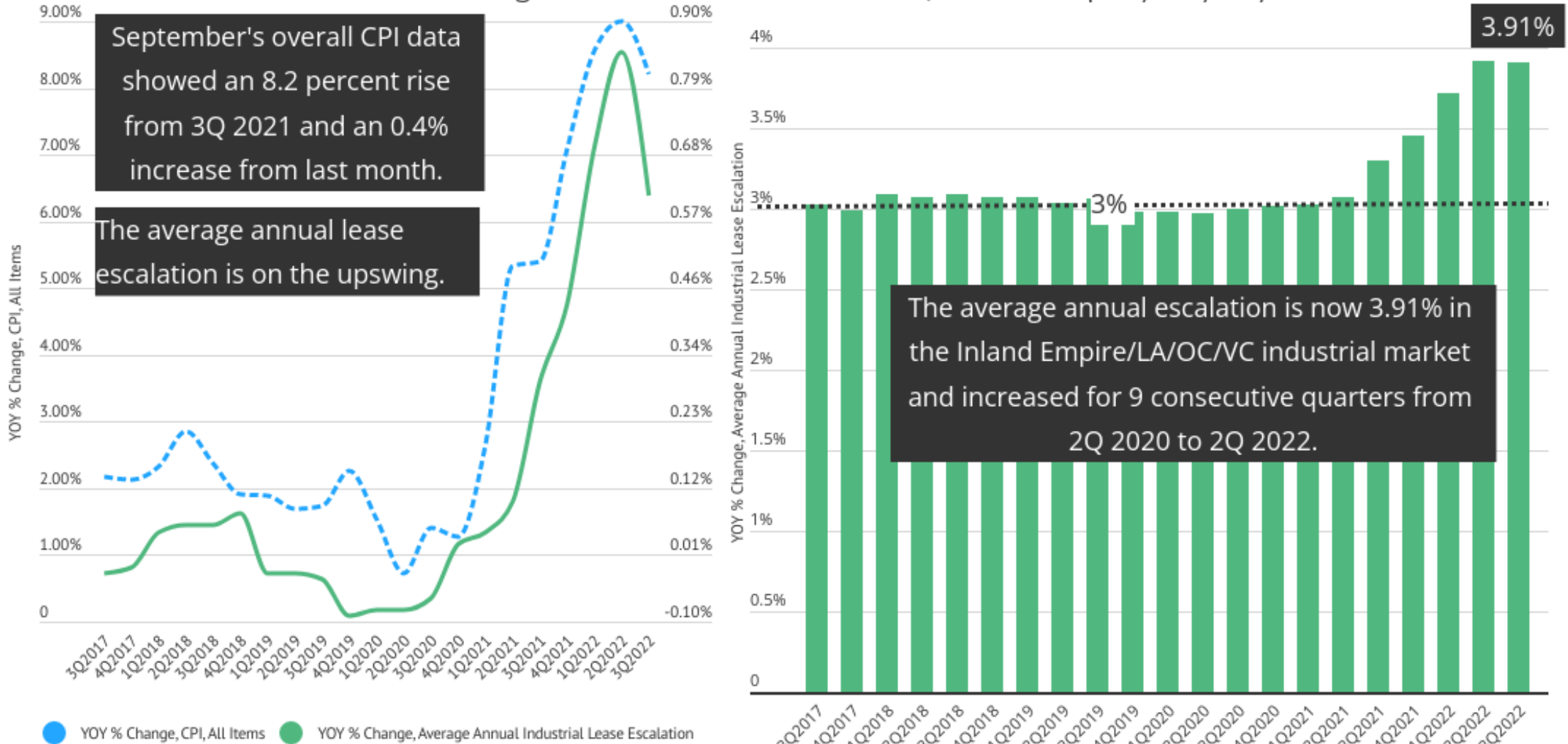


Source: CompStak, rents are monthly



Lease Escalations on Upswing in Response to Inflation and Industrial Market Strength

Industrial Average Annual Lease Escalations, Inland Empire/OC/LA/VC



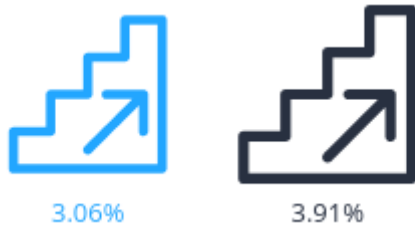
Source: CompStak, CPI data from <https://fred.stlouisfed.org/series/CPIAUCSL>



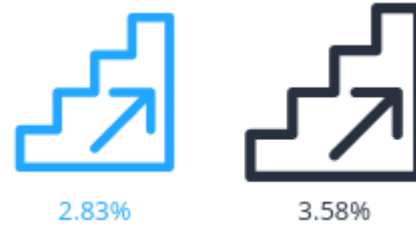
Lease Escalations on Upswing in Response to Inflation and Industrial Market Strength

3Q 2019 vs 3Q 2022, Average Annual Escalations, Select Markets

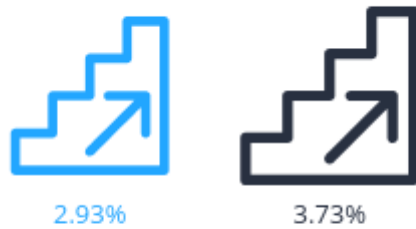
Inland Empire/OC/LA/VC



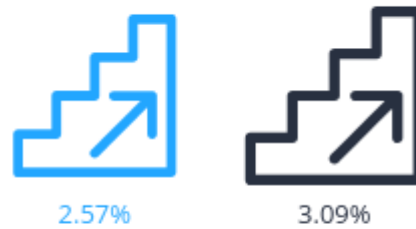
Atlanta



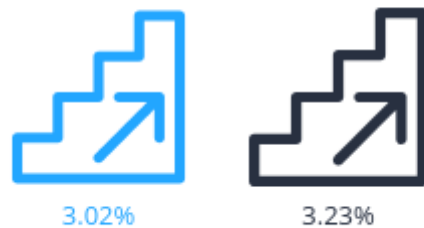
Seattle



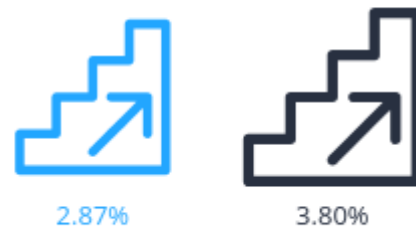
Chicago



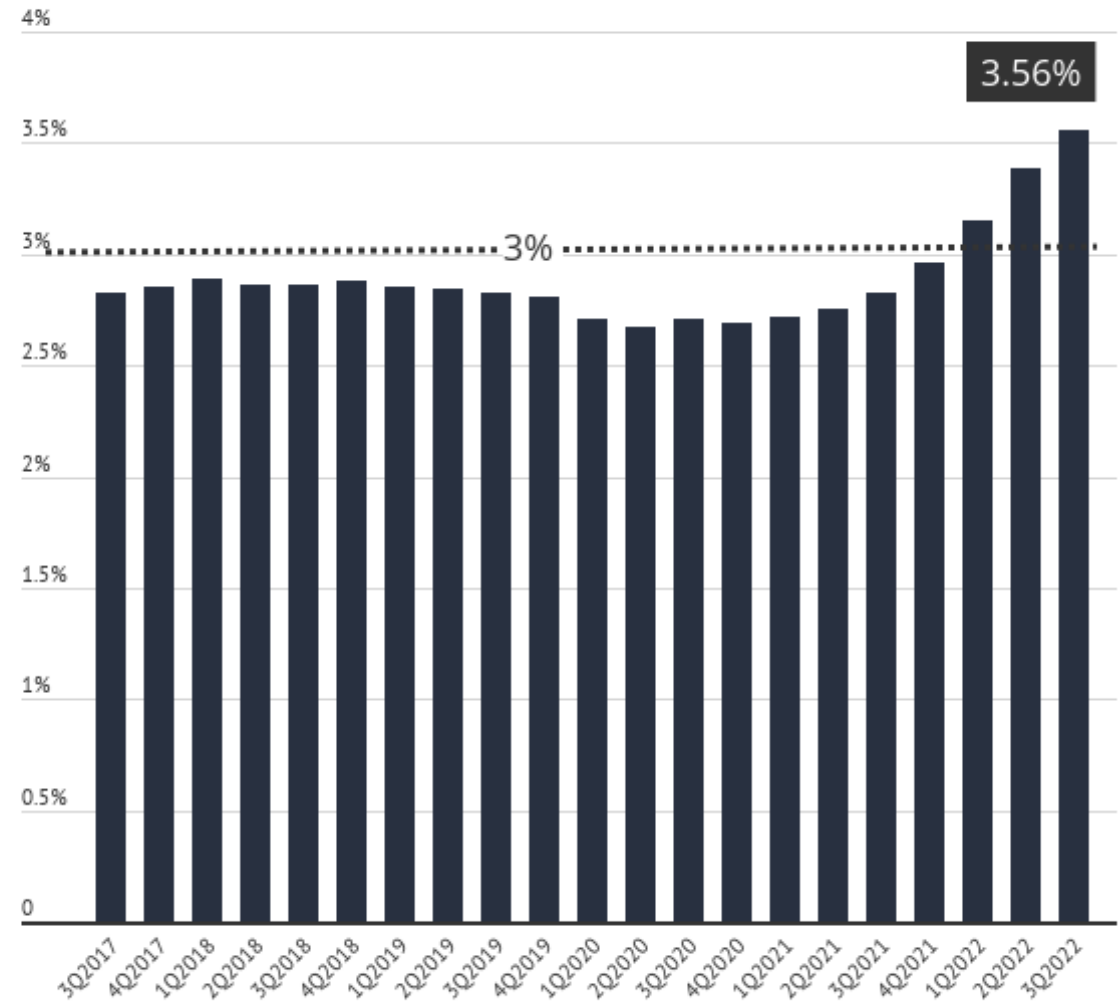
Bay Area



NJ- North and Central



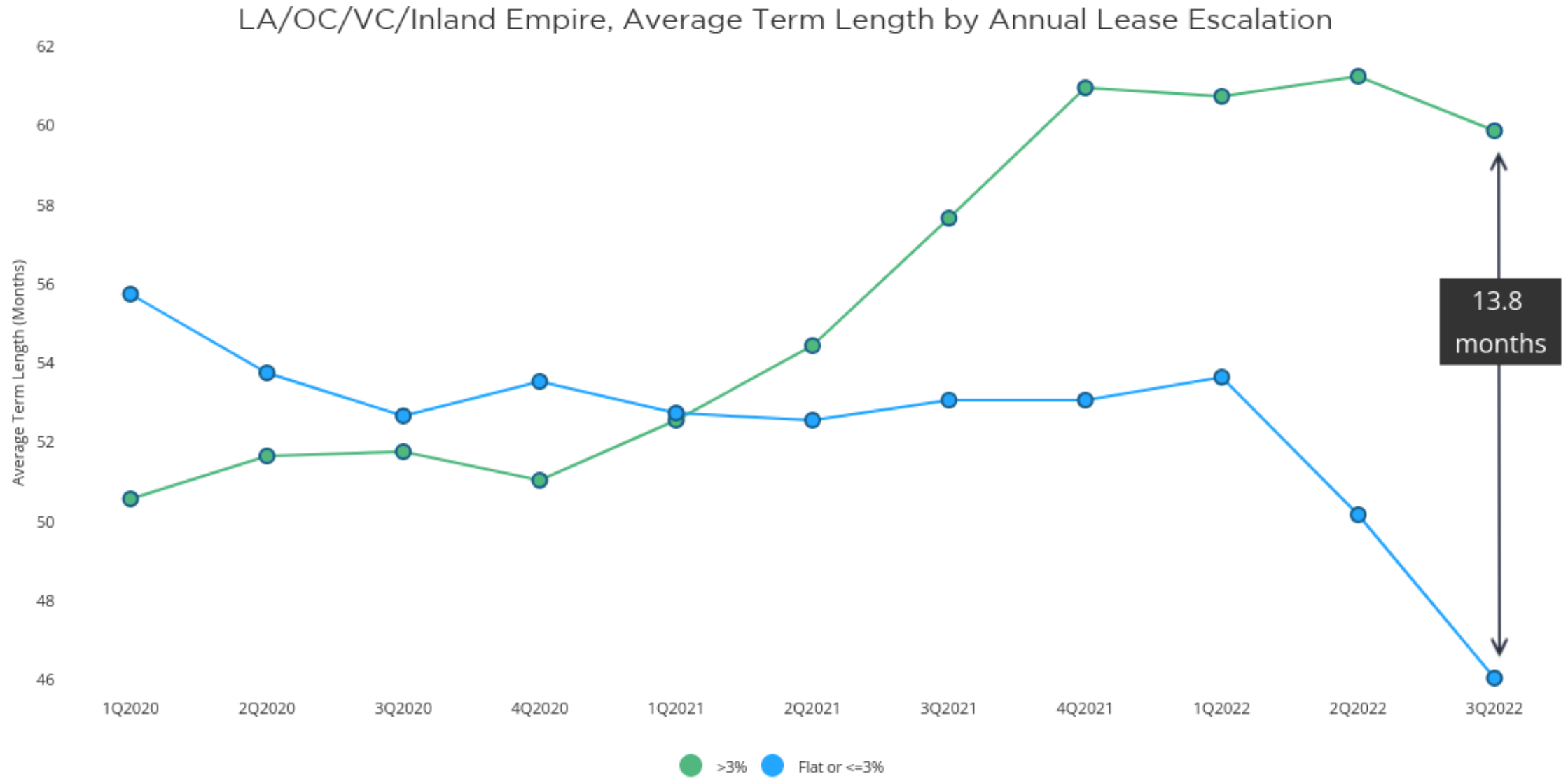
National Annual Average Lease Escalations



Source: CompStak



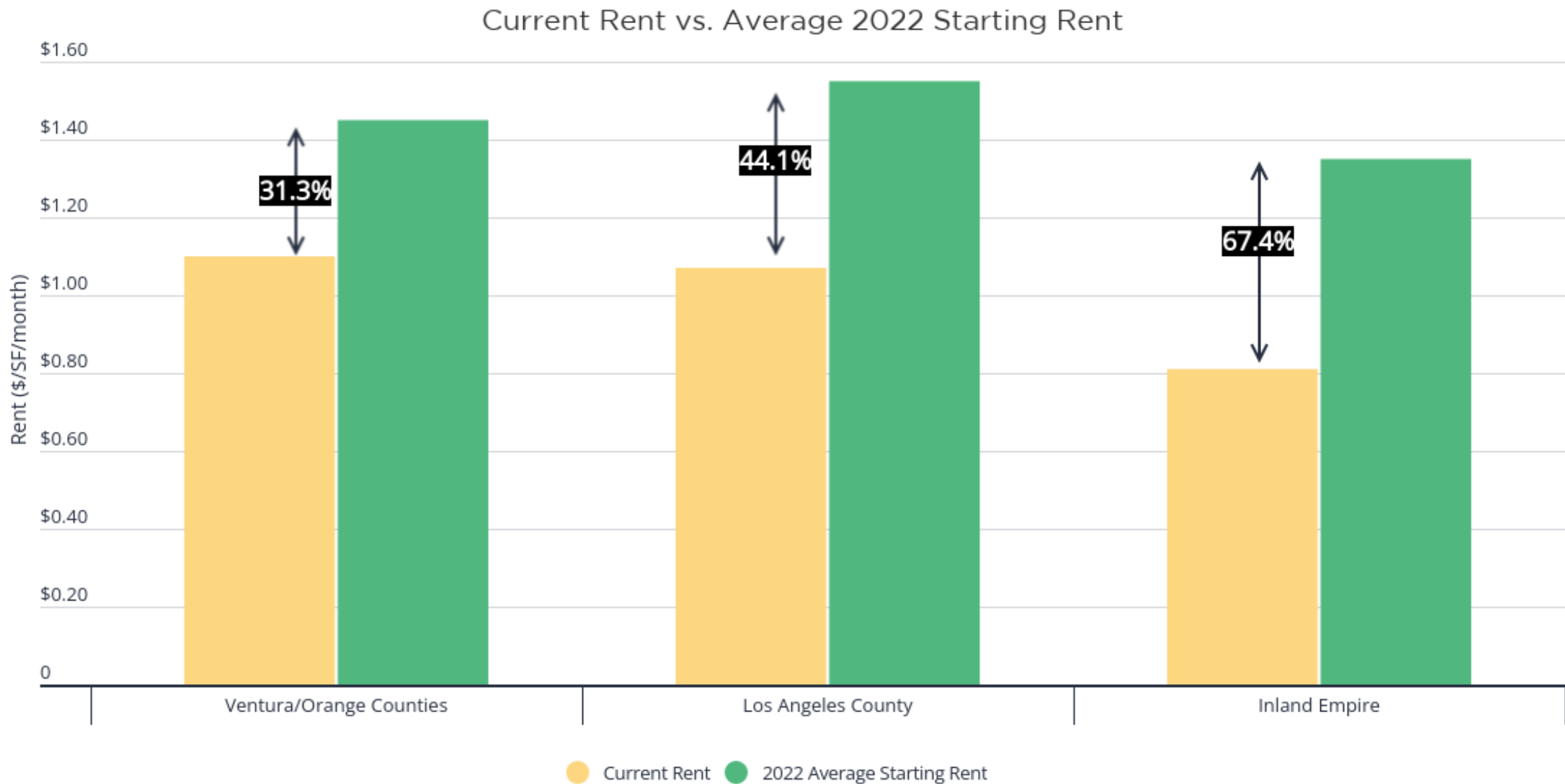
Lease Escalations on Upswing in Response to Inflation and Industrial Market Strength



Source: CompStak



Tenants in Place Facing Steep Rents at Lease Expiration

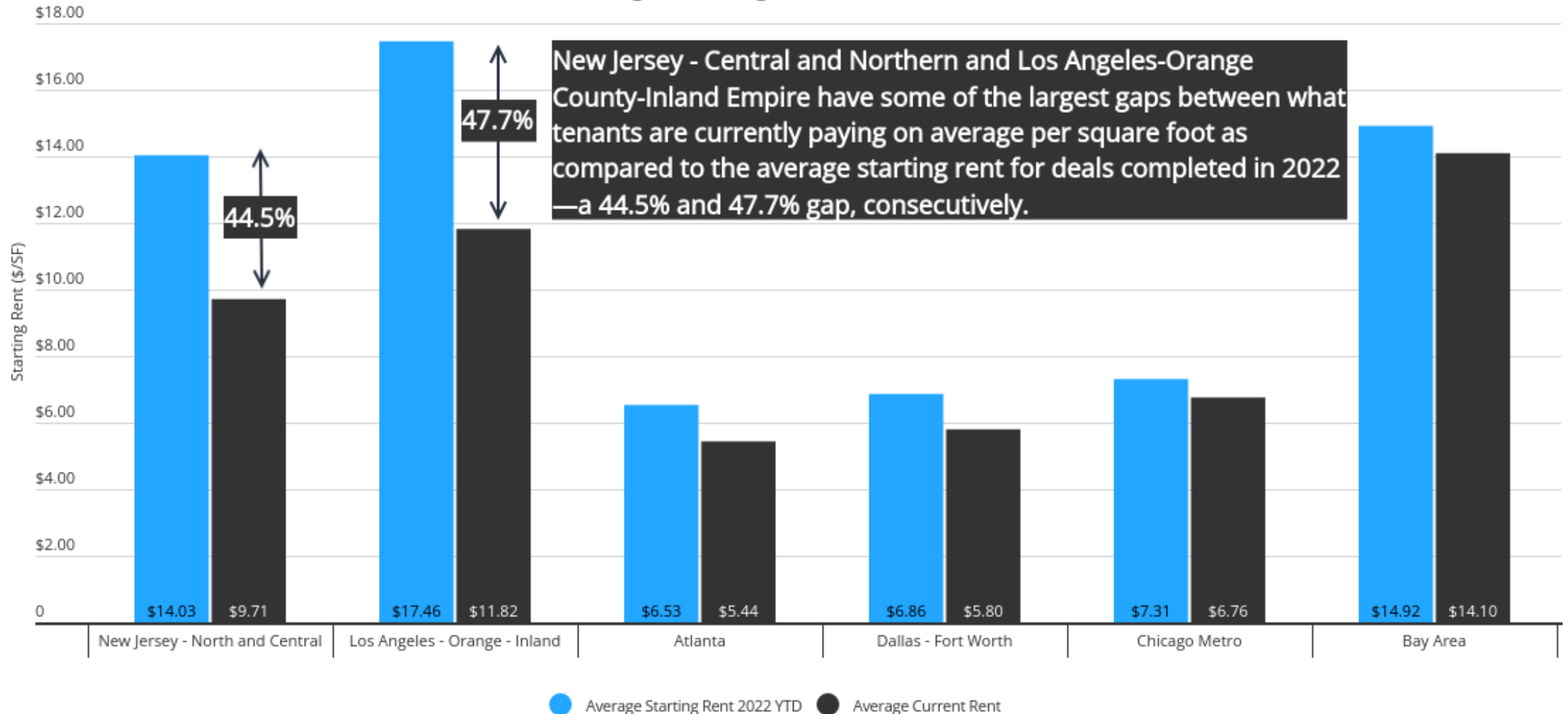


Source: CompStak, transactions above 10,000 SF



Tenants in Place Facing Steep Rents at Lease Expiration

Current Rent Paid vs. Average Starting Rents, Select Industrial Markets

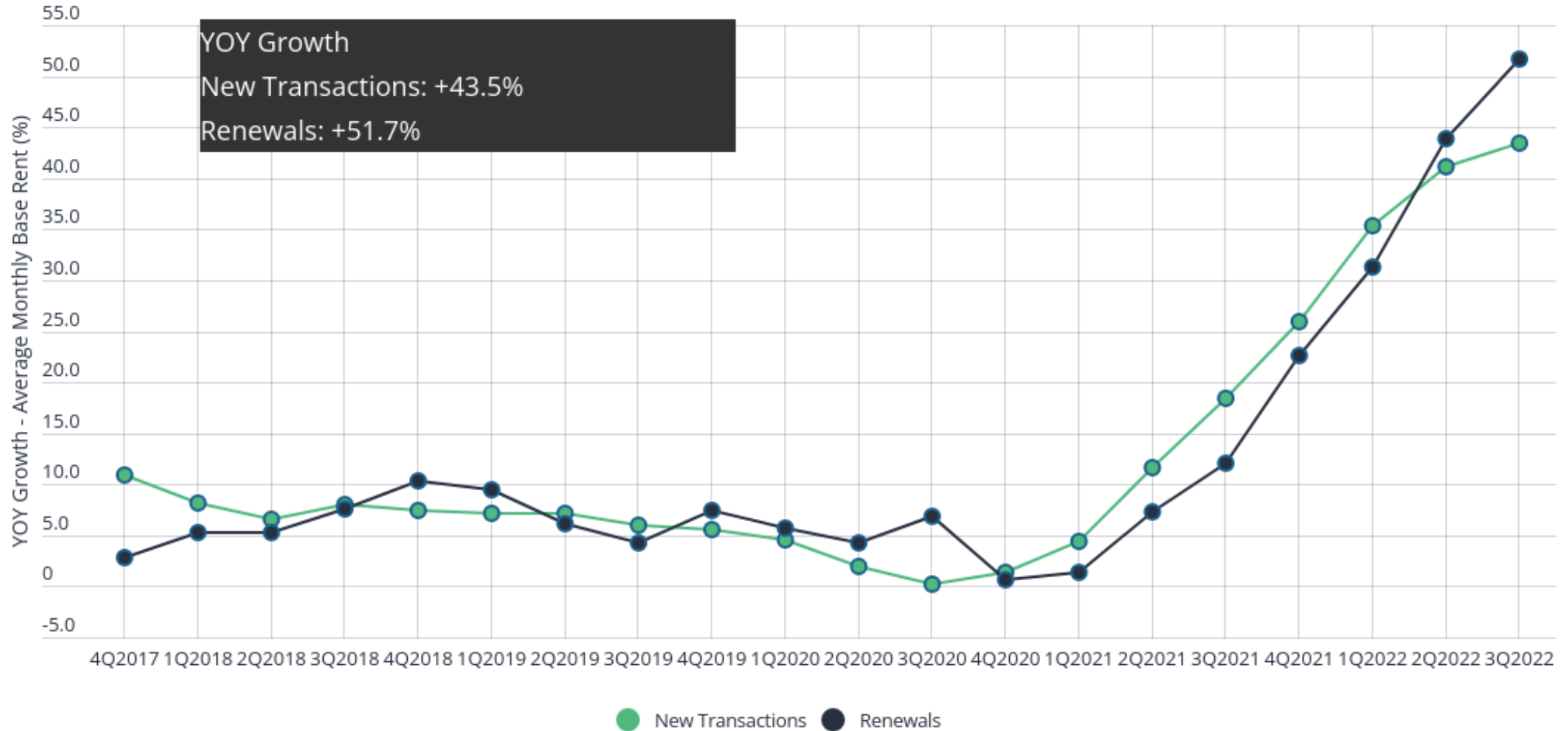


Source: CompStak, transactions above 10,000 SF, West coast rents are quoted annually for comparison purposes



Tenants in Place Facing Steep Rents at Lease Expiration

YOY Starting Rent Growth, Renewals vs. New Transactions, OC/LA/VC/Inland Empire

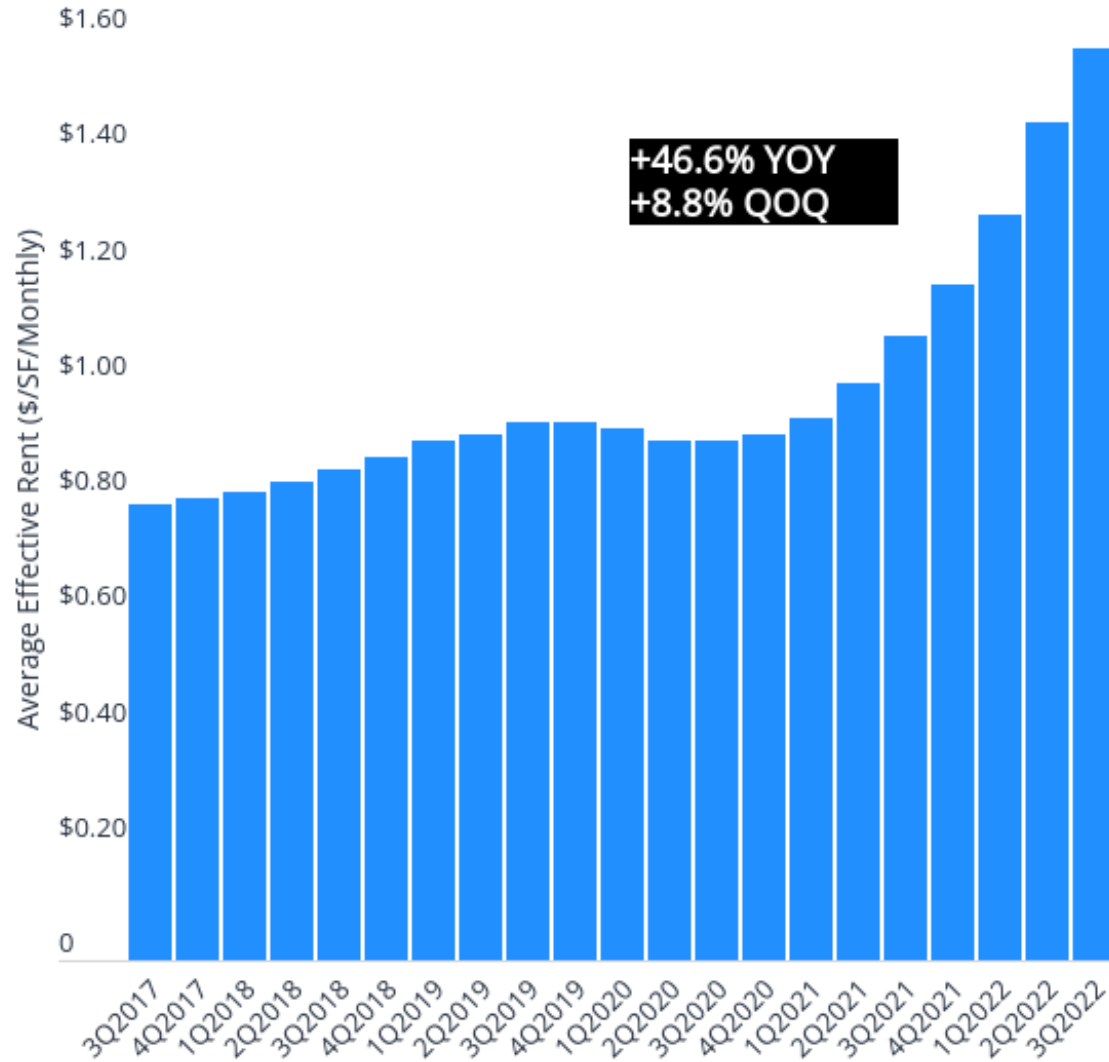


Source: CompStak, transactions above 10,000 SF

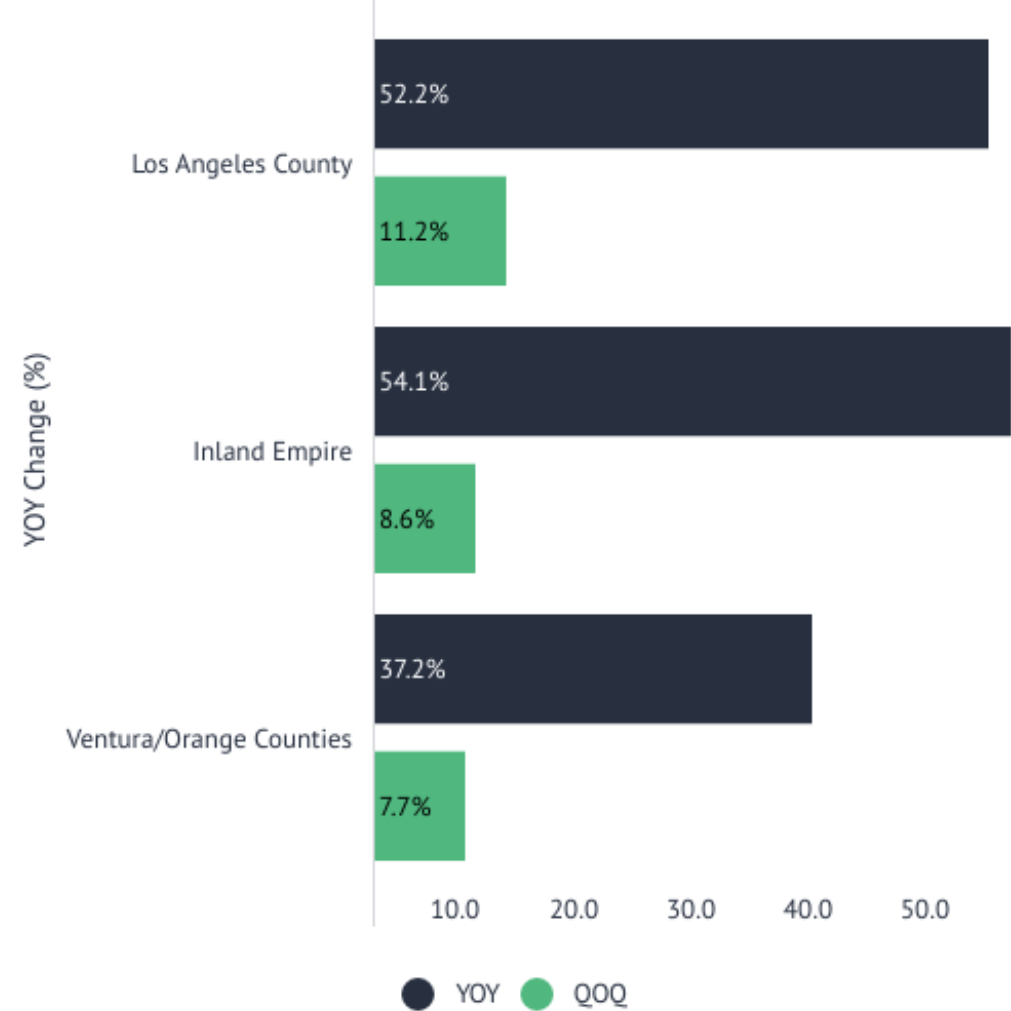


Strong Growth in Effective Rents

Average Effective Rent, LA/OC/VC/Inland Empire



YOY and QOQ Percentage Change, Effective Rents, LA vs. OC/VC vs. Inland Empire



Source: CompStak, transactions above 10,000 SF



Thank you!

Interested in receiving CompStak Market Intel?

Email: marketintel@compstak.com

Twitter/LinkedIn:

[@compstak](#)