

Despite soaring shipping costs, activity at the San Pedro Bay Port increased

GREATER LOS ANGELES, ORANGE COUNTY & INLAND EMPIRE

by Rick Cozart and Matthew Hocum

In 2024, shipping container spot rates per 40-foot container from China to Los Angeles were up 190% from that of August 2023. The spot rates, a one-time quote provided by carriers to move freight from one port to another, doubled in the span of 13 weeks from \$3,371 in early May to \$6,740 in early August. These rates increased due to various factors, including geopolitical tensions in the Red Sea, drought conditions at the Panama Canal, and labor concerns on the East Coast. Consequently, Southern California occupiers have expressed concerns about the potential impact on their bottom line.

While rates increased dramatically, the San Pedro Bay Port Complex's shipping volume increased 14.3% year-over-year in H1 2024. This increased port activity directly translated to a surge in the region's industrial market, with Q2 leasing activity experiencing 21% growth year-over-year. Occupiers remain committed to the region given the Port Complex's ability to meet the demands and expectations of a vast consumer population.

San Pedro Bay Total TEUs
% Share of U.S.
Through H1 2024

39.1%

San Pedro Bay Total TEUs
Through H1 2024

9.0M

San Pedro Bay Total TEUs
Annual % Change
Through H1 2024

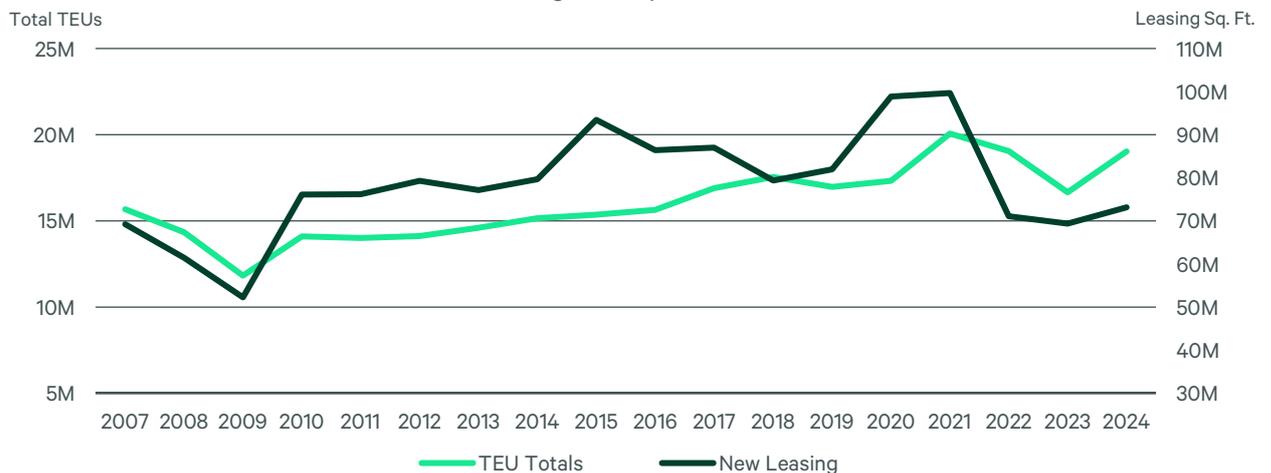
14.3%

FIGURE 1: June 2024 Loaded Imports

Port	Loaded Imports	YOY % Change	June 2019 % Change
Los Angeles	428,752 TEUs	-1.5%	8.2%
Long Beach	419,698 TEUs	53.0%	26.6%
Combined Total	848,450 TEUs	19.6%	16.6%

Source: Drewry World Container Index, August 2024; Ports of Los Angeles and Long Beach, August 2024.

FIGURE 2: Total TEU's & GLA-OC-IE New Leasing Activity



*Note: 2024 annual forecast based on H1 volume.

Source: Ports of Los Angeles and Long Beach, April 2024; CBRE Research, August 2024.

FIGURE 3: Global Shipping Container Rates, August 2024



Source: Drewry World Container Index, August 2024.

Note: Shipping container spot rates reflect the cost to ship 40-foot equivalent containers.

The main drivers of rising costs are beyond the shippers' control, making it difficult to predict how long the issue will last. Forecasts suggest that shipping container spot rates may continue to rise until early 2025, but the weekly rate fluctuations create additional uncertainty. Despite these challenges, the Southern California industrial market saw improvement in activity as occupiers seek to secure space for the future.

Key Facts

- The last surge in ocean freight rates occurred in January 2022 during the COVID-19 pandemic.
- Ocean freight orders were down 48% month-over-month from April 2024 to May 2024.
- In May 2024, air freight prices increased 9% year-over-year, prompting companies to explore alternative methods of international goods transportation.
- The imposition of tariffs by Brazil and Mexico on Chinese goods has significantly reduced the availability of ocean transport space.

Despite concerns and various hurdles affecting short term demand and economic uncertainty, the Southern California industrial sector remains well-positioned as an essential real estate market.

Source: CNBC, *FORESMART.com*, Ports of Los Angeles and Long Beach, August 2024.

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