

THE INDUSTRIAL ECOSYSTEM'S ECONOMIC CONTRIBUTIONS TO SOUTHERN CALIFORNIA: FREQUENTLY ASKED QUESTIONS

Q What did this research find, and why does it matter? What are the biggest takeaways?

Researchers found that industrial real estate is the economic backbone of Southern California – supporting roughly **1.45 million jobs and \$196 billion in regional GDP** across Los Angeles, Orange, Riverside, and San Bernardino counties, or about **one of every nine dollars produced** across the four-county region. The paper warns that policies reducing industrial land capacity threaten long-term regional growth. Key takeaways include:

- **Land-use decisions made today will shape Southern California's economic capacity for decades, and they should be made to optimize the efficiency of the regional system instead of the value of individual sites in isolation.**
- Southern California's industrial ecosystem serves as **the physical infrastructure of the nation's largest containerized trade gateway** and relies on deeply established supplier networks, specialized labor pools, and access to ports and transportation infrastructure that **cannot easily be replicated if relocated or expanded elsewhere.**
- Industrial capacity across Southern California, and especially in Los Angeles and Orange County, is **aging, constrained, and increasingly at risk from land-use decisions** that treat industrial parcels as interchangeable with other uses.
- Many of the jobs supported by the industrial ecosystem are available to workers **without a four-year college degree, and the employers are located close to where those workers live.**

Q Who conducted this research?

The new white paper, produced in partnership with the Pepperdine School of Public Policy and non-partisan research firm Beacon Economics as part of a three-part series examining the critical role of industrial real estate in Southern California's economy, is entitled "The Industrial Ecosystem's Economic Contributions to Southern California." It was made possible through support from the Supply Chain Federation, NAIOP SoCal, the County of San Bernardino, and NAIOP Inland Empire.

The study relies on a rigorous, deliberately conservative methodology (netting out inter-industry purchases to avoid double-counting), matching industrial property data from CoStar with employment records from the California Employment Development Department, as well as running a multi-regional input-output contribution analysis through IMPLAN.

Q What is the role of industrial real estate in Southern California's economy?

Industrial real estate is the physical foundation and cornerstone of Southern California's economic engine. The region's industrial activities support roughly **1.45 million jobs and \$196 billion in regional GDP**, connecting ports, transportation networks, manufacturing, distribution centers, retailers, and consumer markets across Southern California.

Q What type of jobs does industrial activity support?

Industrial activity supports a full spectrum of employment across Southern California, from accessible entry points in logistics and fulfillment to middle-skill trades and advanced manufacturing careers that don't require a four-year degree. The business activity and employment at these industrial sites provide essential services, directly support trade, and drive economic growth.

These industries – which include goods movement and distribution, manufacturing, and construction – provide middle-class wages and benefits, with **average annual compensation exceeding \$75,000 in Los Angeles, \$82,000 in Orange County, and \$64,000 in the Inland Empire.**

Q What land-use policy decisions are recommended to ensure Southern California's continued economic growth?

As land-use restrictions tighten, modernization and redevelopment become more difficult—limiting production and constraining job growth. The paper posits that efficient land-use decisions should prioritize well-located industrial land to ensure infrastructure capacity, emphasize modernization and reinvestment as the principal lever for productivity, plan housing and industry in tandem, and preserve industrial employment centers.

Q What is the state of Southern California's industrial stock, and what must be done to preserve its economic capacity?

The white paper's findings show that coastal counties continue to host large, economically significant industrial ecosystems built largely of older, smaller facilities, while inland counties have absorbed most of the region's newer large-scale industrial developments. **More than 80% of Los Angeles County's industrial properties were built or renovated before 1990**, and roughly half before 1970. Orange County's industrial base is similarly mature, **with 76.5% of its stock predating 1990**. These facilities are critical to the supply chain because of their proximity to ports, labor markets, and supplier networks that simply cannot be replicated elsewhere. And, in these built-out markets, there is no new industrial land on the horizon.

Accordingly, policies that streamline permitting for redevelopment and allow higher-intensity industrial uses on existing sites are crucial to sustain and grow Southern California's economy. The past decade makes that need clear: Los Angeles and Orange counties together built roughly 63 million square feet of industrial space but demolished about 47 million of it – a net gain of just 16 million square feet. The Inland Empire, by contrast, added more than 220 million net square feet over the same period. In coastal markets, that means the most effective lever is reinvestment and modernization of existing sites. A facility built to modern standards (with 36-foot clear heights) provides roughly 80% more cubic storage on the same footprint than legacy stock – expanding productive capacity without expanding the industrial footprint.

Q Why can't this land simply be replaced or relocated elsewhere?

The white paper documents how the value of industrial land derives not just from the buildings on it, but from where it sits: proximity to ports, freight corridors, specialized labor pools, and deeply embedded supplier networks. Once industrial networks are disrupted – through conversion, downzoning, or displacement – they are difficult and costly to rebuild. Research in the white paper suggests that policies forcing relocation impose regional costs that no individual parcel valuation captures.

Q How does Southern California's industrial system fit together?

Los Angeles and Orange County concentrate manufacturing, high-value production, and last-mile delivery. The Inland Empire, which consists of Riverside and San Bernardino counties, provides the large-format warehousing capacity that makes regional freight movement possible.

These functions are interdependent, and none can substitute for one another. Together, they support the nation's largest trade gateway: the Ports of Los Angeles and Long Beach.

Q What does industrial real estate have to do with everyday life for Southern California residents?

Nearly everything. The Ports of Los Angeles and Long Beach together handle **close to one-third of all U.S. containerized waterborne trade**. The warehouses, distribution centers, and logistics facilities surrounding those ports are what move those goods to businesses and households across Southern California and the entire country.

As Gene Seroka, Executive Director of the Port of Los Angeles, puts it: "a world-class port is only as strong as the industrial ecosystem surrounding it." Dr. Noel Hacegaba, CEO of the Port of Long Beach, adds "constraining that ecosystem means constricting the entire supply chain – not just for Southern California, but for the entire nation."

THE INDUSTRIAL ECOSYSTEM'S ECONOMIC CONTRIBUTIONS TO SOUTHERN CALIFORNIA: ABOUT THE PARTNERS

Q What is the Supply Chain Federation? What does it do?

The Supply Chain Federation is a leading national trade association and a unifying force working to secure and strengthen America's supply chain.

SCF supports regulatory and legislative measures that unite businesses and labor to protect jobs, invest in domestic infrastructure and safeguard the supply chain and economy from global instability – all to ensure access to the goods and services Americans depend on. We do this by supporting policies that:

- Incentivize human jobs at each critical point within the domestic supply chain, from ports, airports, railways and logistic centers.
- Strengthen America's infrastructure, from building to maintaining roads, bridges, ports and airports across the country and investing in new infrastructure where needed.
- Incentivize the use of climate-friendly technologies that are already developed and available for utilization, as opposed to policies that demand the use of technologies not currently deployable by the businesses and workers on the frontlines.

Q What is NAIOP SoCal? What does it do?

NAIOP SoCal is the leading organization in Southern California for developers, owners and investors of office, industrial, retail and mixed-use real estate.

NAIOP SoCal is comprised of over 1,200 members, making it the largest commercial real estate trade association in Southern California. At the international level, the organization represents more than 20,000 commercial real estate professionals. NAIOP SoCal's mission is to provide a unified voice to protect and enhance the commercial real estate industry and quality of life in Southern California. This is accomplished through:

- Superior educational programs that advance expertise and professionalism across the commercial real estate industry;
- Proactive involvement in public policy advocacy to support advancements in commercial real estate and quality of life in California; and
- Fostering business relationship opportunities that connect members and peers in the industry.