

1Q25

Los Angeles Industrial Market Overview



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Market Observations

Economy

- Consumer confidence is trending down, and U.S. retail sales will follow if consumer prices rise. The sales drop will be precipitous if domestic unemployment increases.
- [Widespread tariffs on foreign goods](#) from the Trump Administration sent shockwaves across global financial markets in early-April.
- Uncertainty reigns: how long the new tariffs remain in effect, the degrees to which other countries retaliate, and Trump's willingness (or lack thereof) to negotiate were pending questions at the time of writing.
- Loaded imports at Southern California's ports totaled a record-breaking 1.7 million containers in the first two months of 2025. The outlook for 2025 is muted at best.

Major Transactions

- Twenty-six leases over 100,000 SF were signed this quarter, up from 17 signed during the same period in 2024. Direct leases predominated.
- The top three largest leases of the quarter were signed by Chinese 3PLs: US Elogistics Service Corp (a 694,400 SF direct lease); YiTong Investments (a 232,000 SF direct lease); and HYTX Logistics (a 217,464 SF direct lease). All three leased space in the City of Industry.
- Pleaser USA acquired a 269,780-SF warehouse at 4200 W Valley Blvd in Walnut from CapRock Partners in an owner-user sale. The \$99.9 million sale, completed in January, was the largest single-property trade of the quarter.
- Sudden volatility in the 10-year Treasury will give property buyers and sellers pause. There will be a readjustment period during which sales volume will slow.

Leasing Market Fundamentals

- Leasing activity and the average weighted lease term have slowly increased since the start of 2024 after reaching cyclical lows by year-end 2023. Steep rents, tepid retail sales and geopolitically-induced economic uncertainty hinder a full market recovery.
- The market recorded 1.4 MSF in net absorption gains in the first quarter following 10 consecutive quarters of net occupancy losses. A slowdown in large tenant departures coincided with a wave of big-box move-ins. Vacancy remained flat at 4.1%.
- Sublet availability declined 7.1% over the last three months to reach 8.9 MSF.
- Infill start rents for 24'+ clear facilities were down 27.2% from eight quarters ago; not a severe drop when considering rents grew by 103.0% from early 2021 to late 2022.
- The construction pipeline shrank by 13.4% from the fourth quarter to total 4.2 MSF. None of the 33 buildings currently under construction have been pre-leased.

Outlook

- The market, which is sustained in large part through imports from East Asia, is particularly vulnerable to a trade war. Occupiers often adopt a wait-and-see approach during periods of volatility, which can dampen near-term leasing activity.
- 2.4 MSF in unleased new construction is set to deliver next quarter.
- Prolonged tariffs will increase raw material prices and ultimately overall replacement costs. Construction activity will decrease.
- Implementation of California Assembly Bill 98 will favor landlords in the long-term, as regulatory hurdles to the construction of new industrial product will curb inventory growth and ultimately insulate market rents.

1. Local Ports, U.S. Retail Sales, and New Regulation
2. Local Employment
3. Leasing Market Fundamentals
4. Sales Activity
5. Appendix

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Local Ports, U.S. Retail Sales, and New Regulation



Ocean Container Spot Rates Are Coming Down

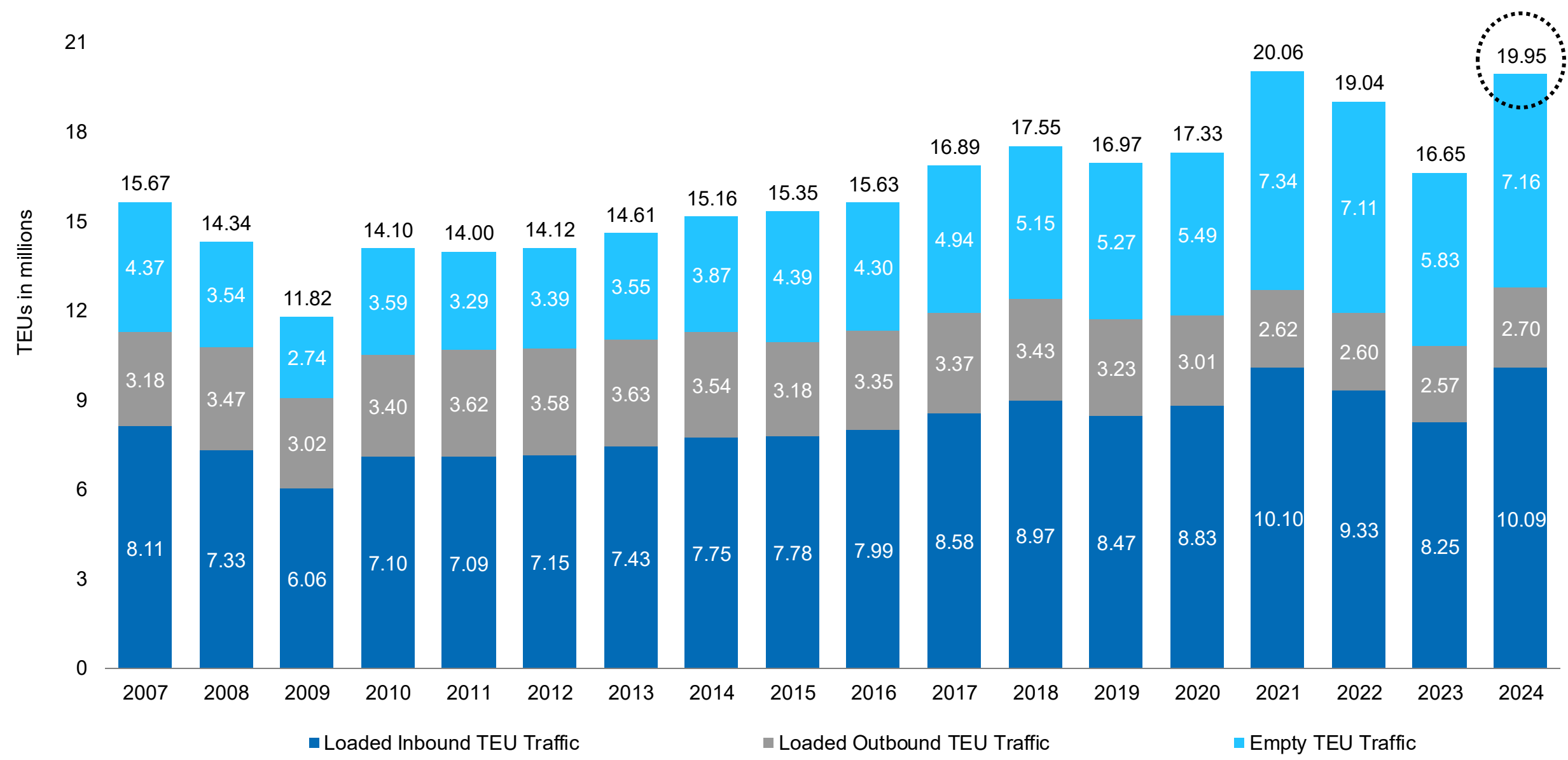


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Southern California’s Ports: 2024 Was the Second Busiest Year on Record

The inflated growth of 2021-2022 (due to strong retail sales from stay-at-home measures, government stimulus and distributors stockpiling goods) has passed. Southern California’s ports then contended with an influx of imports in 2024 due to labor contract negotiations with Gulf and East Coast dockworkers and the frontloading of cargo as a hedge against potential tariffs.

The Ports of Los Angeles and Long Beach: Combined TEU Volume | Loaded Imports, Loaded Exports and Empty Containers | By Year

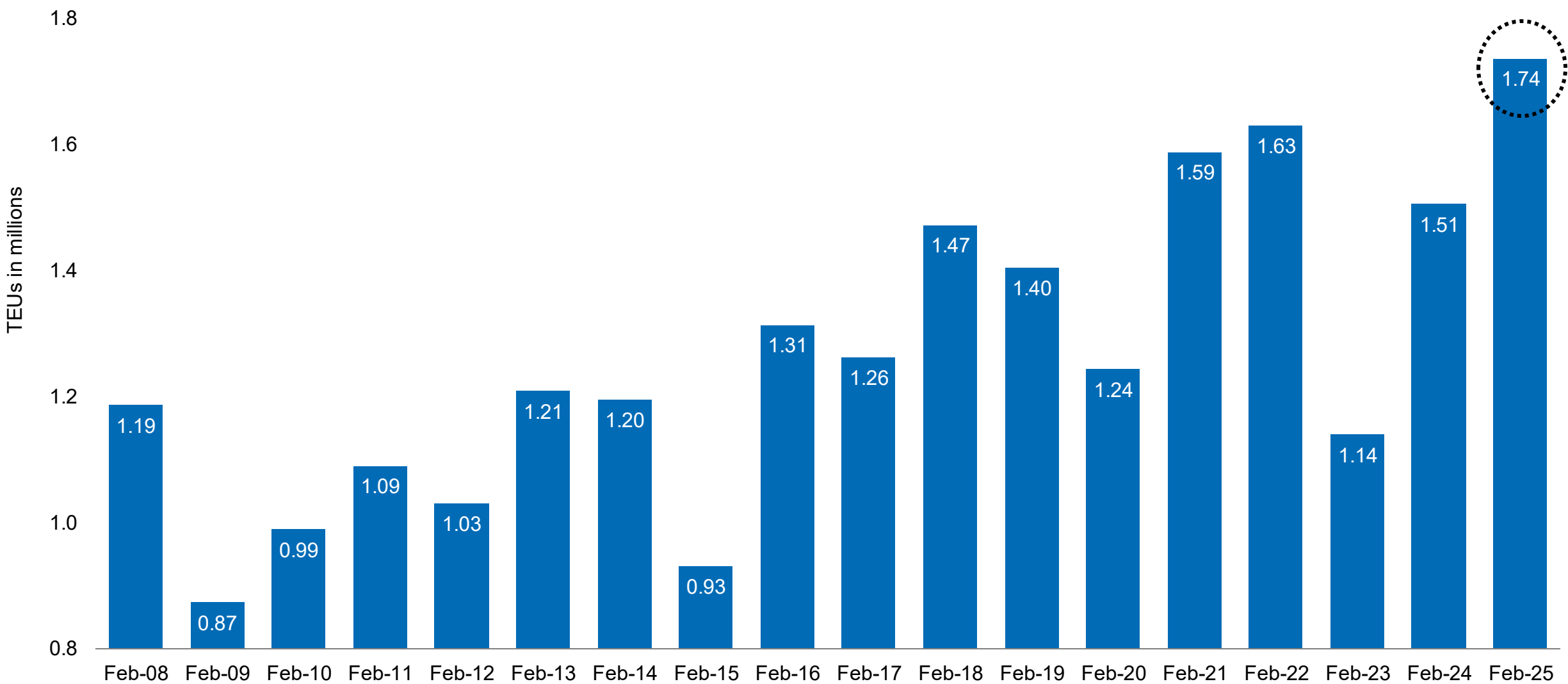


Source: Newmark Research, The Port of Long Beach and Los Angeles
Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size.

Loaded Import Volume in the First Two Months of 2025 Was Highest on Record

Import activity is expected to decelerate amid President Trump’s new (and potentially escalating) tariffs. Resolved labor issues at U.S. Gulf and East Coast ports is another factor.

The Ports of Los Angeles and Long Beach: Loaded Imports | First Two Months of a Given Year



Source: Newmark Research, The Port of Long Beach and Los Angeles
Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size.

West Coast Dockworkers Signed a New Contract in 2023; Their Eastern Counterparts Just Settled

The ILWU and PMA signed a new labor contract in September 2023, restoring a sense of much-needed stability at U.S. West Coast seaports through late 2029. For Gulf and East Coast Ports: After a contentious negotiation period since late 2023 (that gave shippers the jitters—causing some imports to be rerouted to western ports of entry), a Master Contract between the ILA and USMX was finally signed, restoring stability.

West Coast Ports Agreement Reached; New Contract Good Through Mid-2028

- The International Longshore Warehouse Union (ILWU) represents dockworkers at 29 ports from Washington State to California. The Pacific Maritime Association (PMA) represents ocean carriers and terminal operators.
- The prior contract expired on July 1, 2022.
- The ILWU has a history of work disruptions in prior negotiation periods, ranging from strikes, to deliberate work slowdowns to under-staffing shifts.
- These disruptions have cost major retailers billions of dollars in the past.
- A tentative agreement was reached on June 15, 2023 for what became a new six-year contract. Longshore workers secured a 32% salary increase.
- Many Asian importers temporarily pushed inbound goods to East and Gulf Coast ports before an agreement was reached.



Gulf and East Coast Ports Strike a Deal in March 2025

- The International Longshoremen's Association (ILA) represents dockworkers at 36 ports from Maine to Texas. The United States Maritime Alliance (USMX) represents ocean carriers and terminal operators.
- Their last contract expired on September 30, 2024.
- Harold Daggett, International President of the ILA, initiated a strike on October 1, 2024 that ended two days later.
- A new six-year Master Contract was signed on March 11, 2025. It is effective from October 1, 2024 through September 30, 2030.
- Job protection from automation and higher pay (a 62% wage increase over six years) for longshore workers are highlights from the new contract.
- Imports that were temporarily diverted to western ports of entry will return.



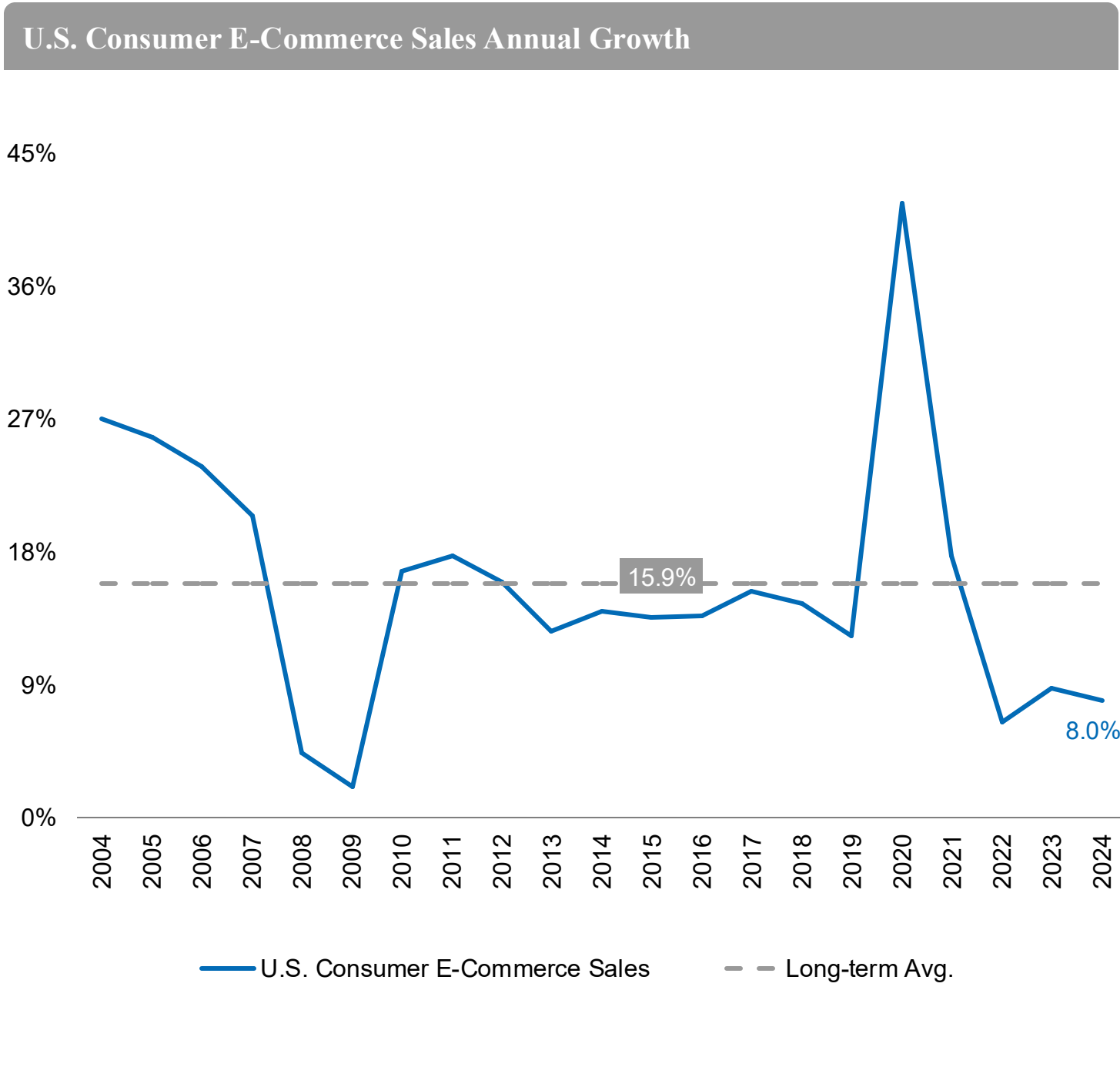
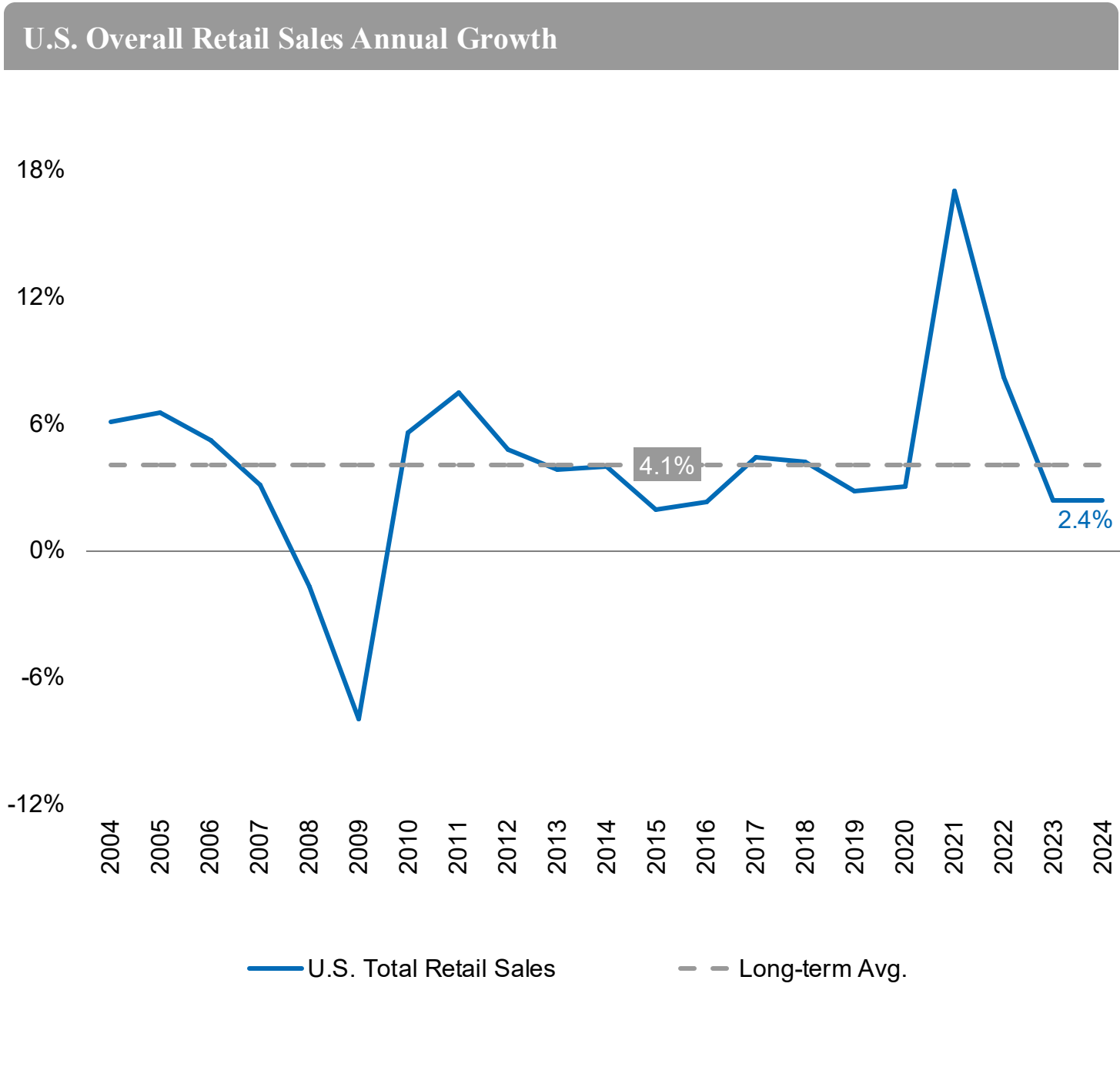
Southern California's Ports: Rail Dwell Times Remain Elevated—For Now

A low-angle, upward-looking photograph of a modern building's exterior. The image features a complex network of dark, metallic structural beams and supports that create a geometric, grid-like pattern. Large glass panels are interspersed within the frame, reflecting the sky and other parts of the building. The overall color palette is dominated by cool blues and greys, giving it a professional and architectural feel.

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Retail Sales (an Indicator of Warehouse Demand) Continue to Moderate

Consumer e-commerce sales were up 2.4% in 2024 relative to 2023. Although e-commerce sales growth exceeded total retail sales (+8.0% over the same period), the decline from 2021 onward is noticeable as consumer spending registers slower gains. Economists are lowering their retail growth projections due to economic uncertainty from tariffs.



Source: US Census Bureau (consumer adjusted retail sales); most current data available

The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates



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U.S. Consumer Confidence Dropped for Fourth-Straight Month



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New California Bill Adds Regulations on Warehouse Development in the State

A low-angle, upward-looking shot of a modern building's exterior. The image shows a complex network of dark steel beams forming a grid-like structure, with large glass panels interspersed. The perspective creates a sense of height and architectural scale. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing white text.

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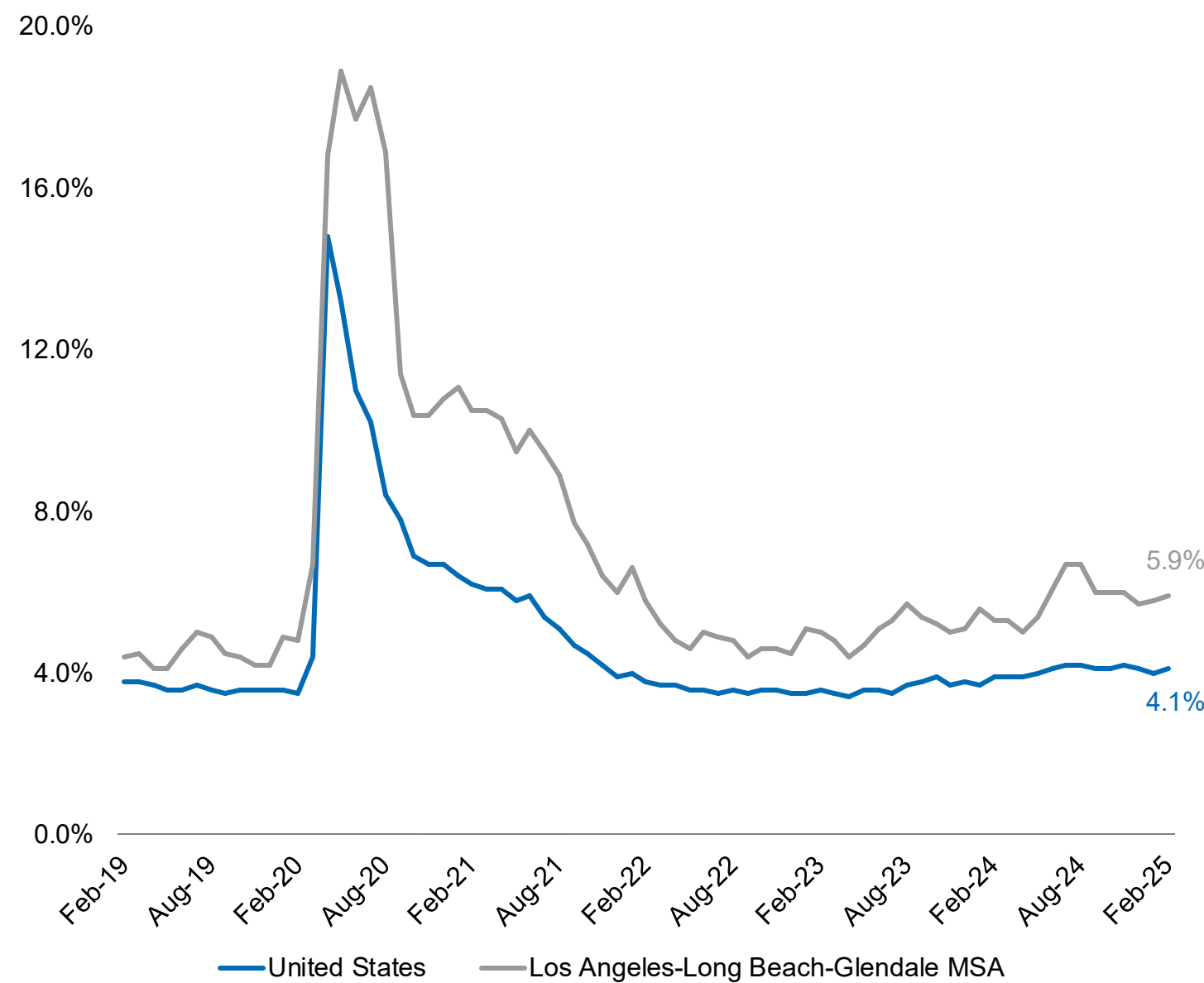
Local Employment



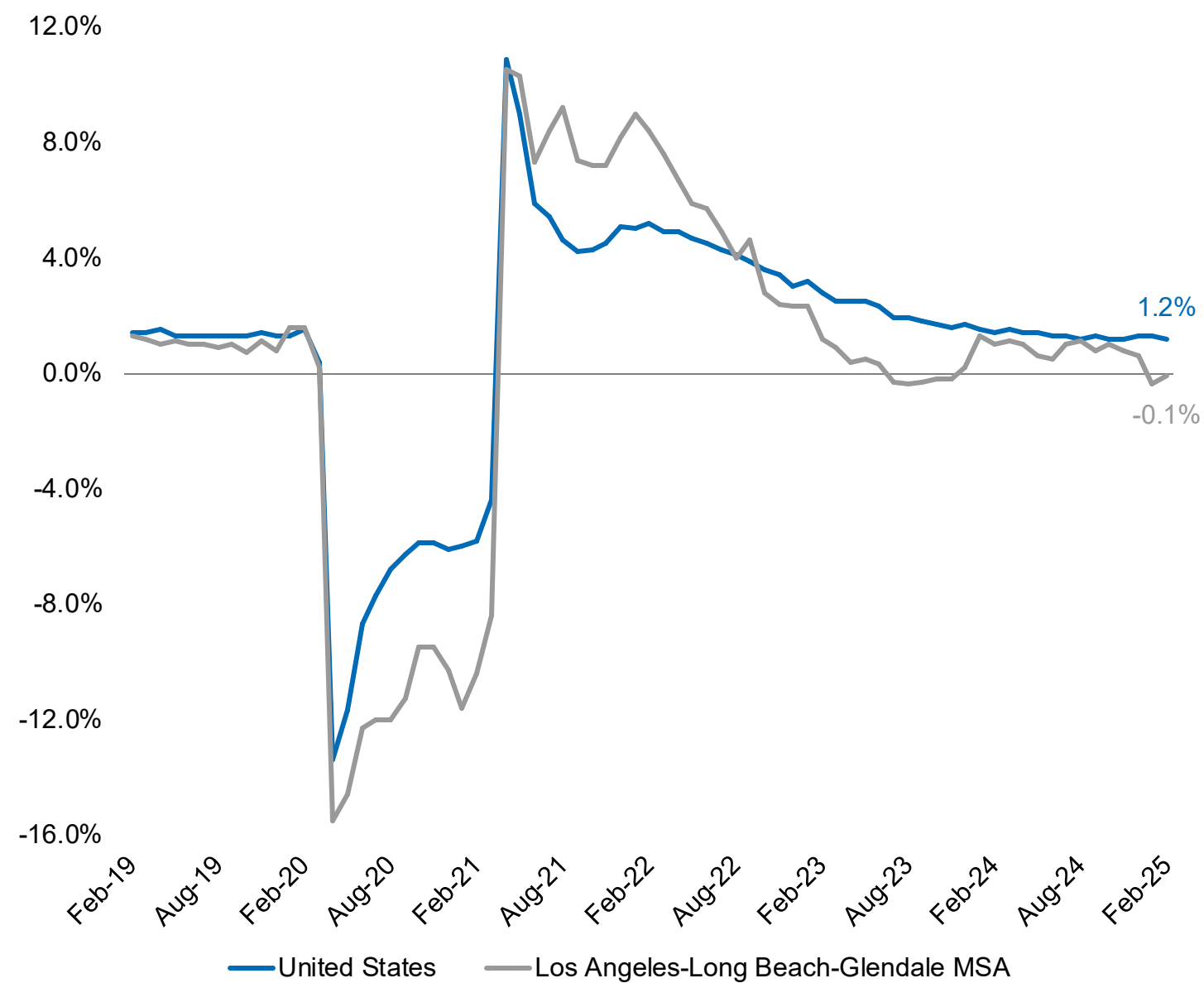
Local Unemployment Continues to Surpass U.S. Average; Metro Labor Force Shrinks

Local unemployment increased 60 basis points year-over-year to reach 5.9% in February. The local rate has risen more steeply over the past 12 months than the national average. Significant declines in construction and manufacturing employment within the past year led to a net decline in nonfarm payroll employment.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

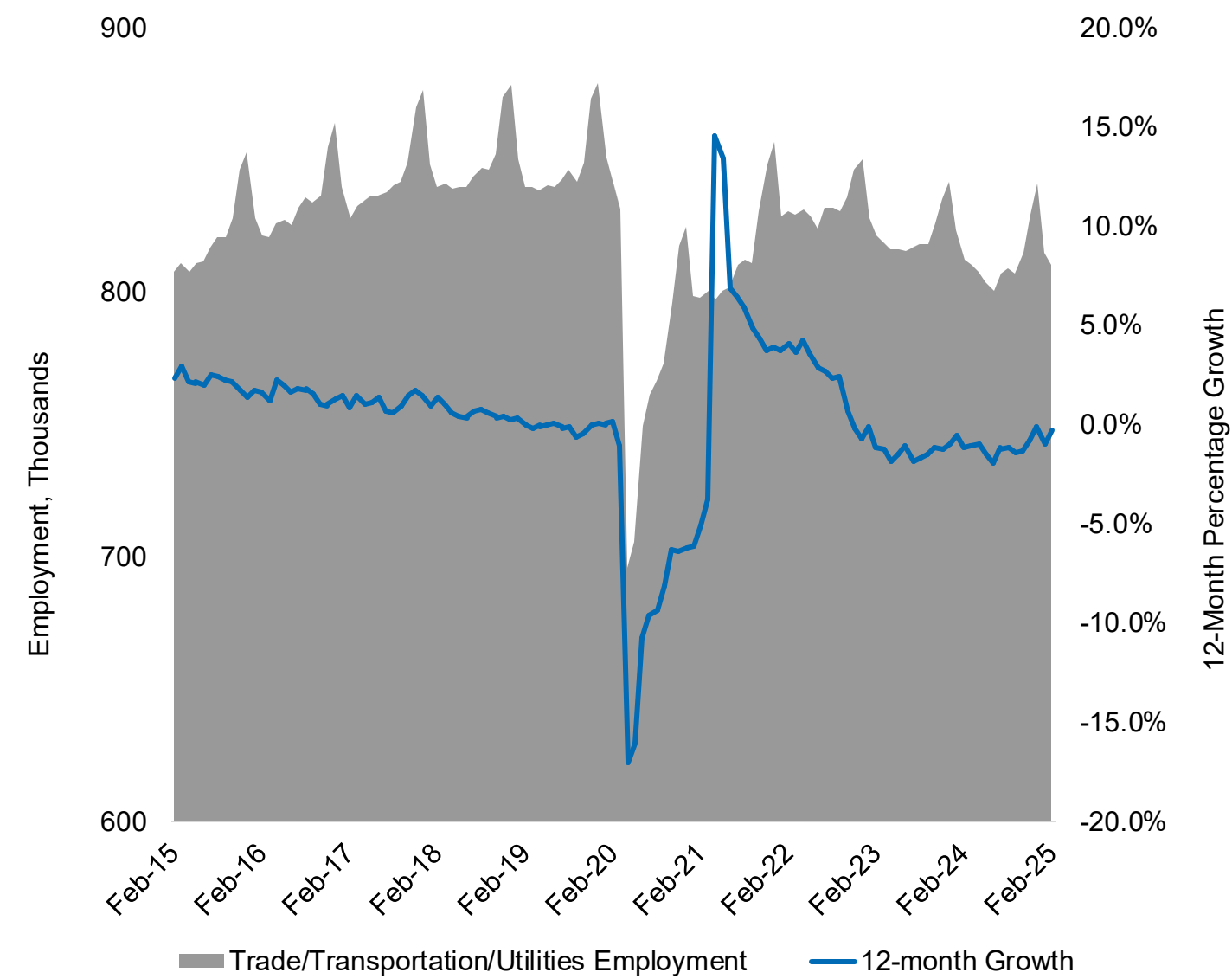


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

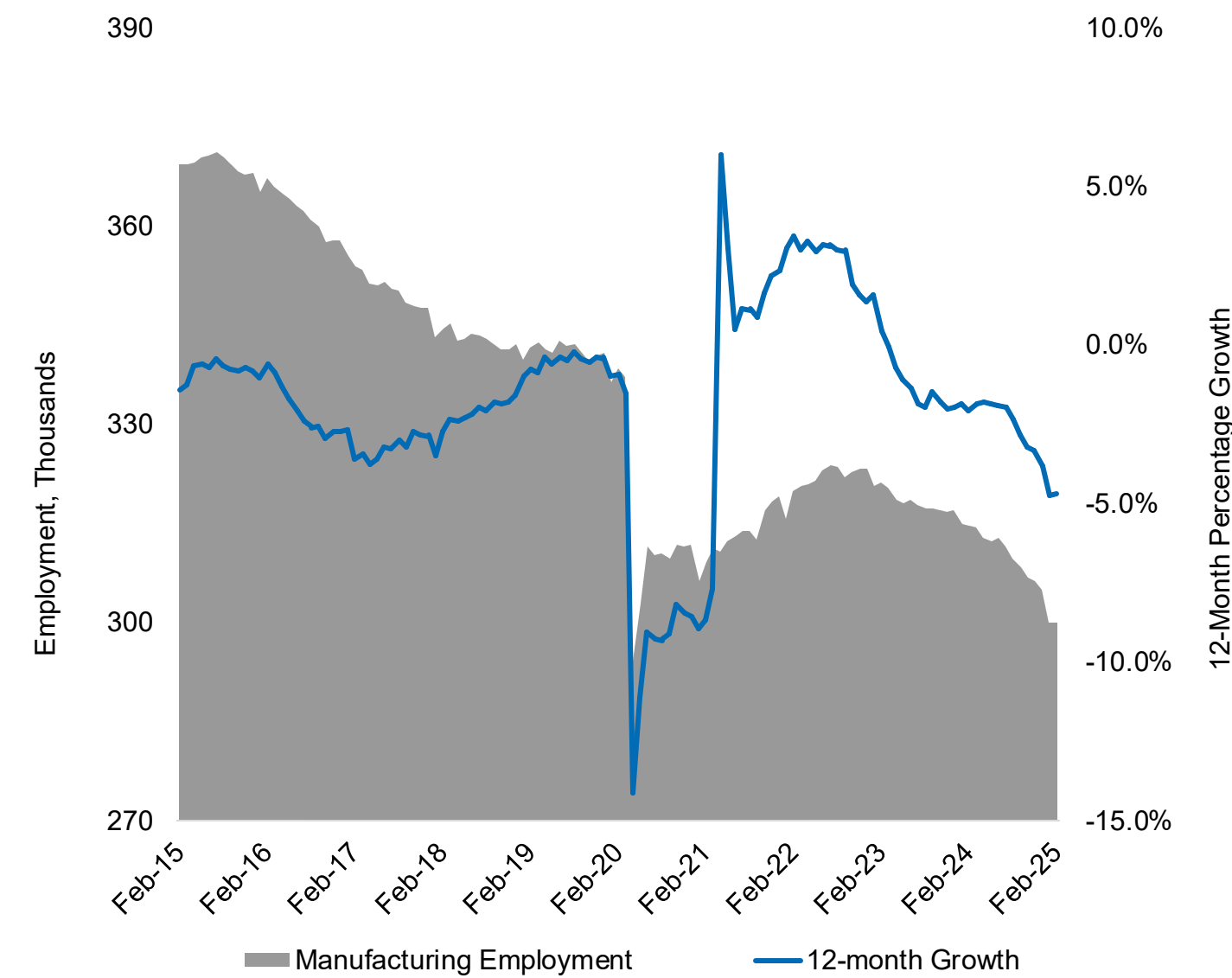
Industrial Employment Ebbs Amid Continued Freefall in Manufacturing Employment

Sustained employment growth within the trade/transportation/utilities sector will remain unrealized until tenant demand strengthens. Increased automation and elevated costs of doing business in California continue to adversely affect manufacturing jobs in the region.

Trade/Transportation/Utilities Employment and 12-Month Growth Rate



Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale

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Leasing Market Fundamentals



Contact Rents Continue to Adjust



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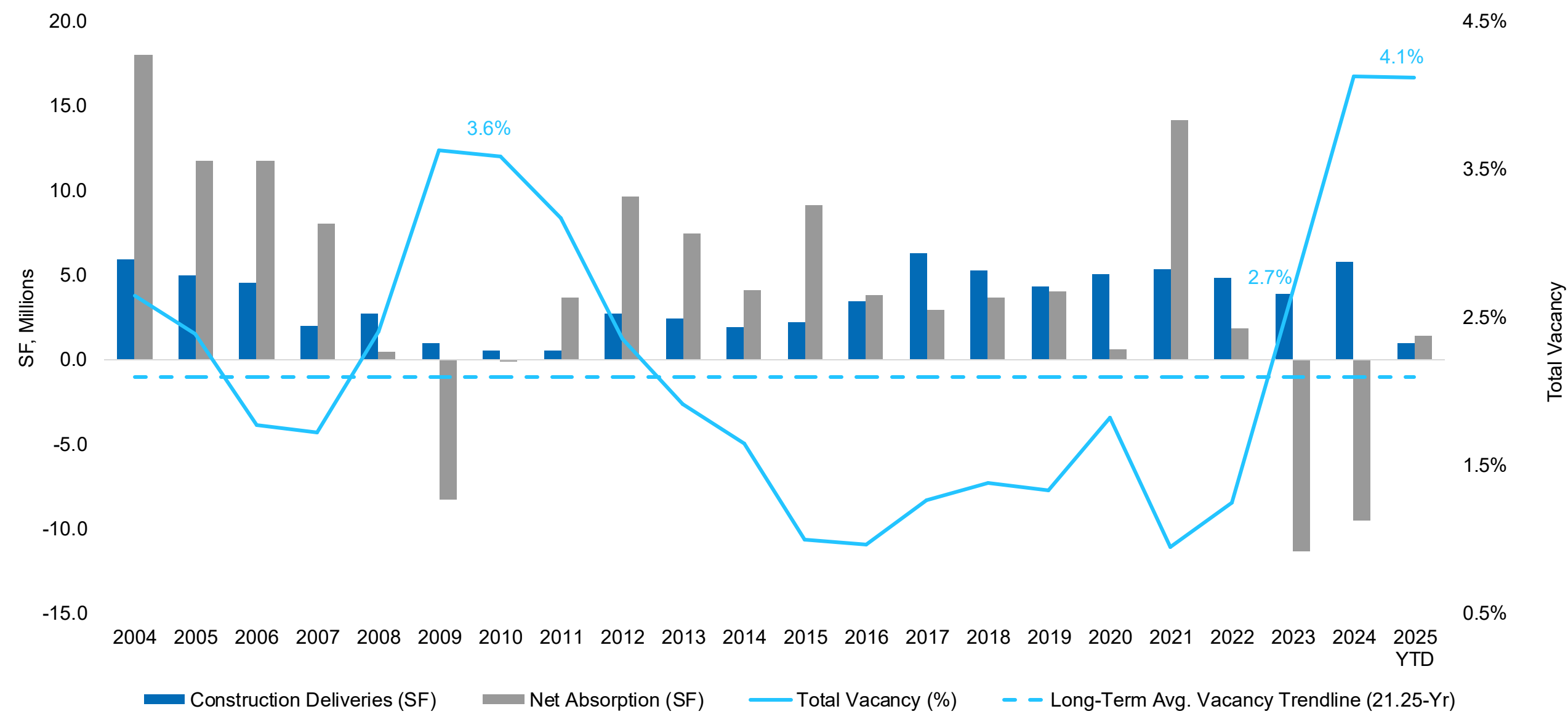
Average Weighted Lease Terms Remain Below Long-Term Average

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Market Observes First Quarter of Positive Net Absorption Since 2022; Vacancy Flattens

Los Angeles recorded 1.4 MSF in net absorption gains in the first quarter of 2025 amid a wave of 100,000+ SF move-ins, including US Elogistics (694,400 SF in Industry), Source Logistics (374,370 SF in Commerce), YiTong Investments (232,000 SF in Industry) and HYTX Logistics (217,464 SF in Industry). A slowdown in big-box move-outs and the delivery of new, unleased construction also helped to keep vacancy (4.1%) steady. This was a nice change of pace after 10 quarters of consecutive vacancy increases.

Historical Construction Deliveries, Net Absorption, and Vacancy

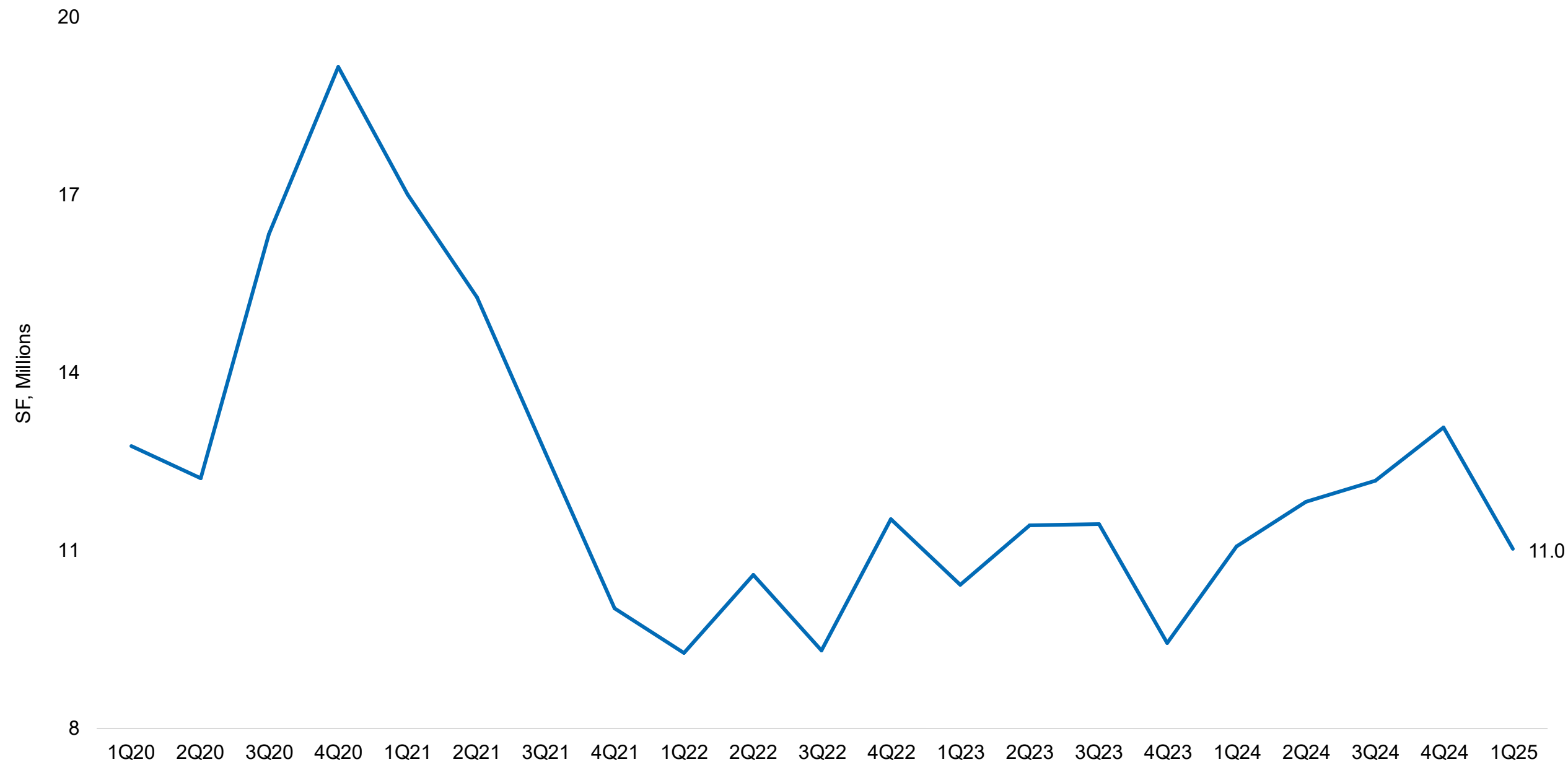


Source: Newmark Research

Leasing Activity Improved In 2024; Figures Remain Below Pre-COVID Average

Total leasing activity in 2024 constituted a modest improvement over the previous two years, though demand has yet to fully recover to pre-pandemic levels.

Total Leasing Activity (SF) by Quarter

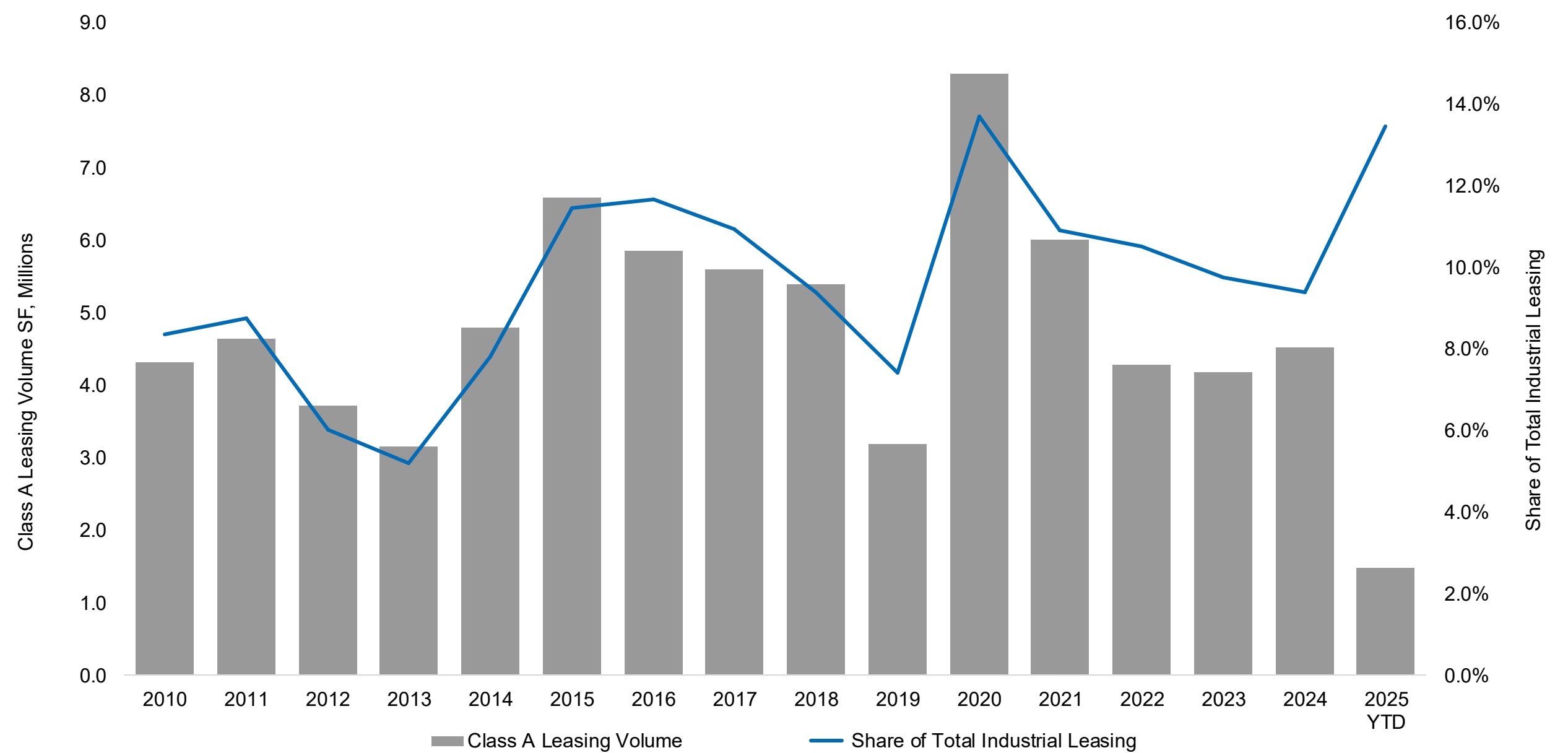


Source: Newmark Research, CoStar
Note: Total leasing activity includes direct leases, subleases, renewals and extensions.

Mega-Box Lease Causes Surge in Overall Class A Leasing Volume in First Quarter

A single 694,400-SF lease by US Elogistics accounted for 46.8% of all market-wide Class A leasing activity in the first quarter of 2025. The transaction also led to a jump in Class A as a portion of overall industrial leasing. Demand for modern-gen space remains high, but many tenants are waiting for elevated rents to soften further before committing to space.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

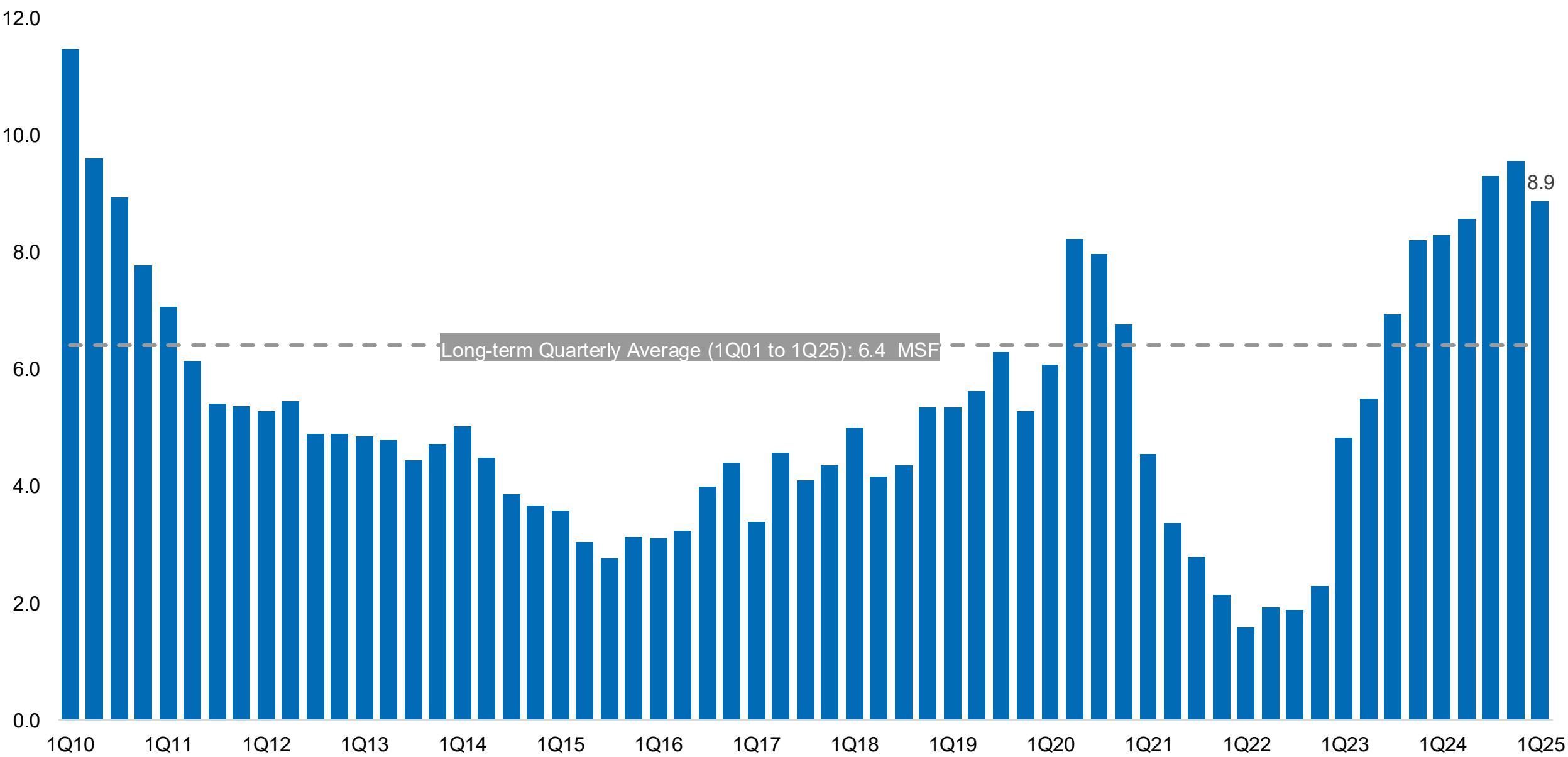


Source: Newmark Research, CoStar
Note: Class A is defined as 100,000+ SF warehouse/distribution facilities constructed since 2000 with a 30'+ minimum interior ceiling height.

Sublet Availability Declines After Nine Quarters of Consecutive Increases

Available sublease space declined 7.1% from the preceding quarter to reach 8.9 MSF, following nine quarters of successive increases. Multiple factors accounted for the quarter-over-quarter decline, including a wave of 100,000+ SF sublease signings, a slowdown in the addition of new sublease listings, and the conversion of several big-box listings to direct space after sublease terms expired.

Available Industrial Sublease Volume (MSF)



Source: Newmark Research

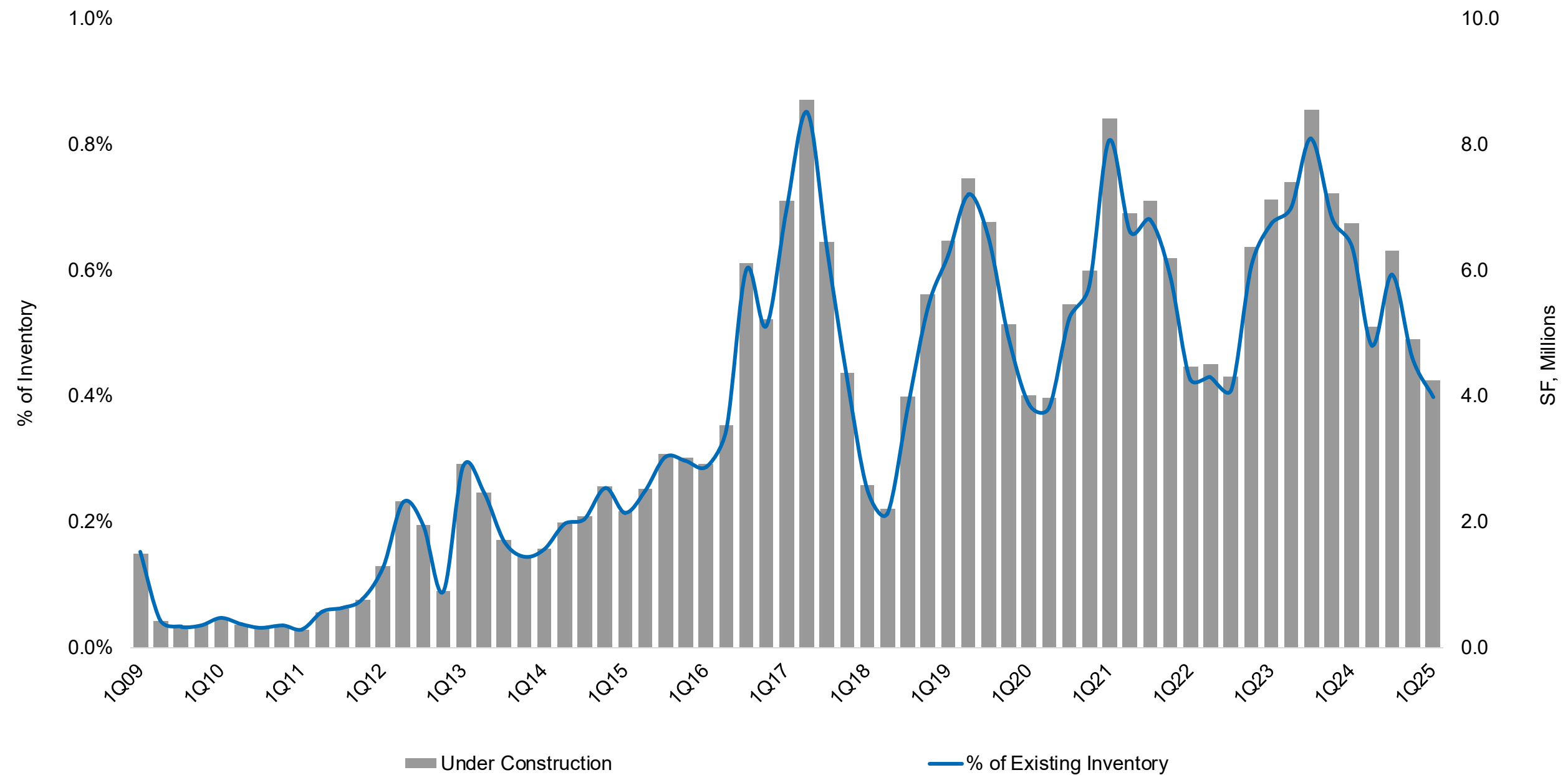
69.6% of Available Sublease Space in the Region is Based in the Infill Markets

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Construction Pipeline Contracts Again Amid Lack of New Construction Starts

The under-construction pipeline shrank by 13.4% quarter-over-quarter as 979,320 SF of space delivered in the first quarter of 2025. The pipeline will likely decline until leasing activity strengthens and there is more clarity on how the global economy will fare after the recent introduce of widespread tariffs.

Industrial Under Construction and % of Existing Inventory



Source: Newmark Research

Zero Under-Construction Properties Have Tenants Attached



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Notable 1Q25 Lease Transactions

Twenty-six leases over 100,000 SF were signed this quarter, far higher than the 17 signed in the same period of 2024. Of this quarter’s big-box leases, 15 were direct, six were renewals/extensions and five were subleases.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
US Elogistics Service Corp.	171 Marcellin Dr	East (San Gabriel)	Direct Lease	694,400
The 3PL, which is expanding in the market, took early occupancy of the vacant 694,400-SF facility prior to the end of the quarter. A 120-month lease term.				
YiTong Investments	17560 Rowland St	East (San Gabriel)	Direct Lease	232,000
The 3PL, which is entering the market, moved into the vacant property in February.				
HYTX Logistics	14505 E Proctor Ave	East (San Gabriel)	Direct Lease	217,464
The 3PL, which currently leases multiple facilities across West Inland Empire, moved into the vacant property in March. Lease term expires in 3Q30.				
Freight Horse	1540 Francisco St	South Bay	Sublease	206,055
The 3PL, which presently leases warehouse space in South Bay, moved into the property in February. Puma North America is the sublessor. Sublease term expires in 3Q26.				
HK Trans	12418-12488 Florence Ave	Mid-Counties	Sublease	194,016
The 3PL, which had previously occupied warehouse space in Whittier, moved into the property in March. Funai is the sublessor. Lease term expires in 3Q25.				

Source: Newmark Research

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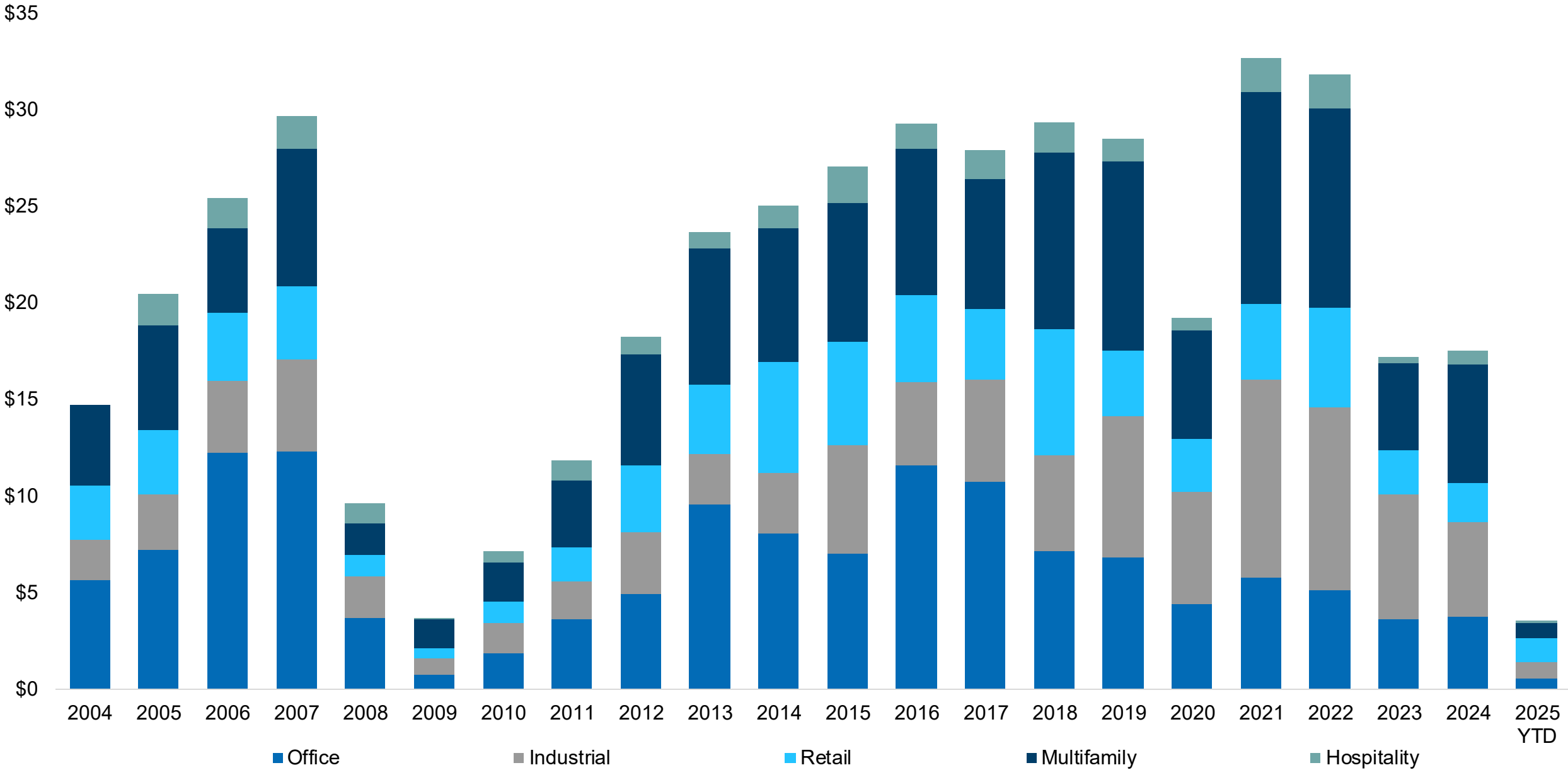
Sales Activity



Industrial Comprised 25.3% of Total Sales Volume in the First Quarter of 2025

This figure is slightly above the 21-year average of 20.9%. Heated rent growth in recent years has favored the segment, with many investors targeting desirable buildings with credit tenants whose leases are up for renewal. Elevated lending costs and steady occupancy losses within the market have cooled industrial sale activity in recent quarters, however.

Los Angeles County: Sales Volume Across Commercial Property Segments (\$ in Billions)

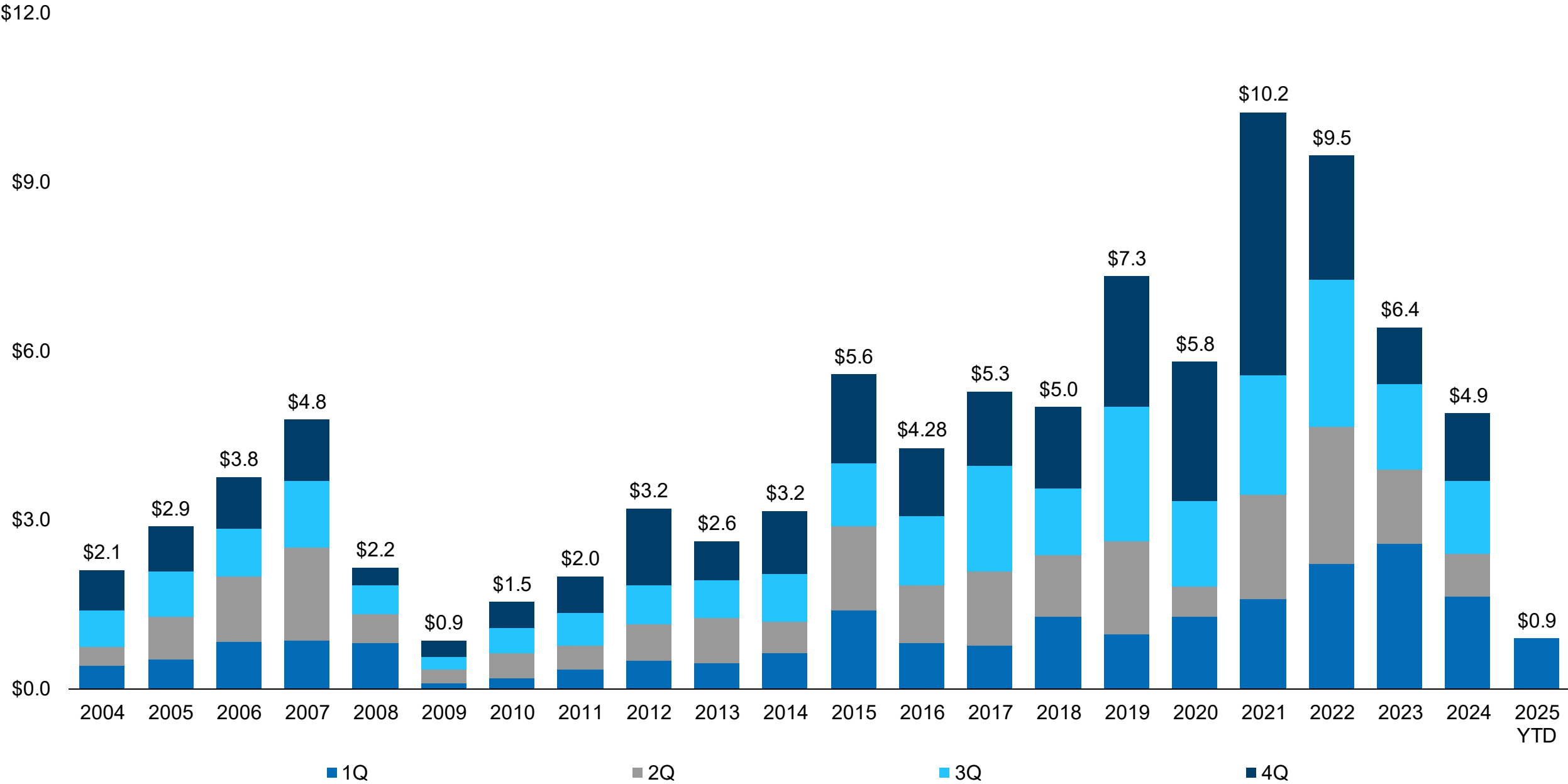


Source: MSCI Real Capital Analytics, Newmark Research
Note: Preliminary data is cited for the first quarter of 2025.

Industrial Sales Volume: Up Close

Industrial sales volume totaled \$887.6 million in the first quarter of 2025, roughly half that of the same period in 2024. The higher cost of capital following multiple interest rate hikes from March 2022 to July 2023 has crimped momentum, in addition to adjusting leasing fundamentals, have imposed downward pressure on volume and pricing.

Los Angeles County: Industrial Sales Volume (\$ in Billions) | By Quarter



Source: Newmark Research, MSCI Real Capital Analytics
Note: Preliminary data is cited for the first quarter of 2025.

Pricing is Down and Cap Rates are Up

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Private Buyers Dominate YTD Sales



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Appendix



Los Angeles Submarket Map and High-Level Statistics | 1Q25



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WAIRE: Program Summary and Implications for Industrial



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The World’s Top 20 Containerized Cargo Seaports

Sixteen are in Asia, China leads all other countries with nine and Los Angeles-Long Beach is the only U.S. complex to make the list.

Rank	Seaport	2024 Volume (TEU, in millions)
1	Shanghai, China	51.5
2	Singapore	41.1
3	Ningbo-Zhoushan, China	39.3
4	Shenzhen, China	33.4
5	Qingdao, China	30.9
6	Guangzhou, China	26.1
7	Busan, South Korea	24.4
8	Tianjin, China	23.3
9	Los Angeles-Long Beach, U.S.	18.3
10	Jebel Ali, United Arab Emirates	15.5

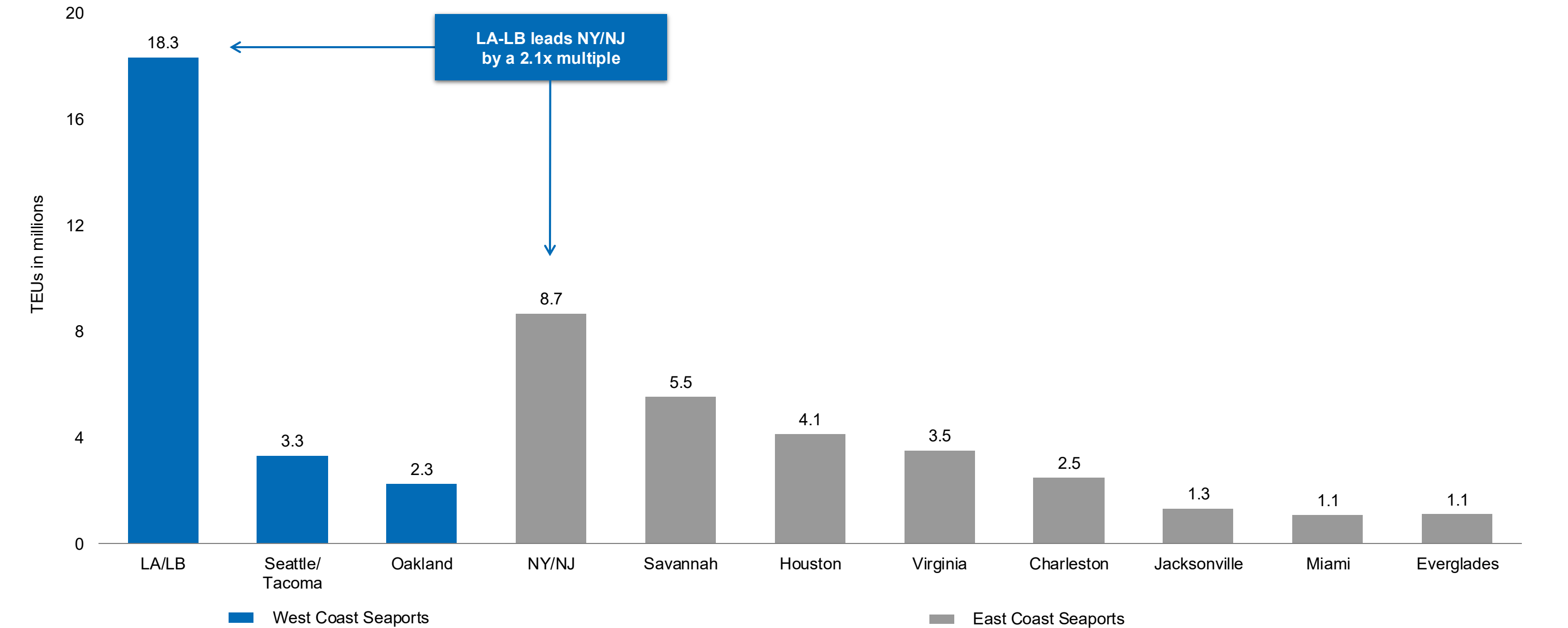
Rank	Seaport	2024 Volume (TEUs, in millions)
11	Port Kelang, Malaysia	14.6
12	Rotterdam, The Netherlands	13.8
13	Hong Kong, China	13.7
14	Antwerp-Bruges, Belgium	13.5
15	Tanjung Pelepas, Malaysia	12.3
16	Xiamen, China	12.3
17	Tanger Med, Morocco	10.2
18	Laem Chabang, Thailand	9.5
19	Kaoshiung, Taiwan	9.2
20	Beibu Gulf, China	9.0

Source: Newmark Research, upply
Note: TEU totals includes loaded and empty containers

Los Angeles-Long Beach is the Nation’s Dominant Port System

Los Angeles-Long Beach can accommodate 18,000 TEU vessels, which are too wide to traverse the new Panama Canal. Additionally, both ports have Class 1 freight rail connectivity to the nation’s major population centers.

Major U.S. Seaports: 2024 TEU Volume (All Containers: Loaded and Empty)



Source: Newmark Research, Individual Seaports

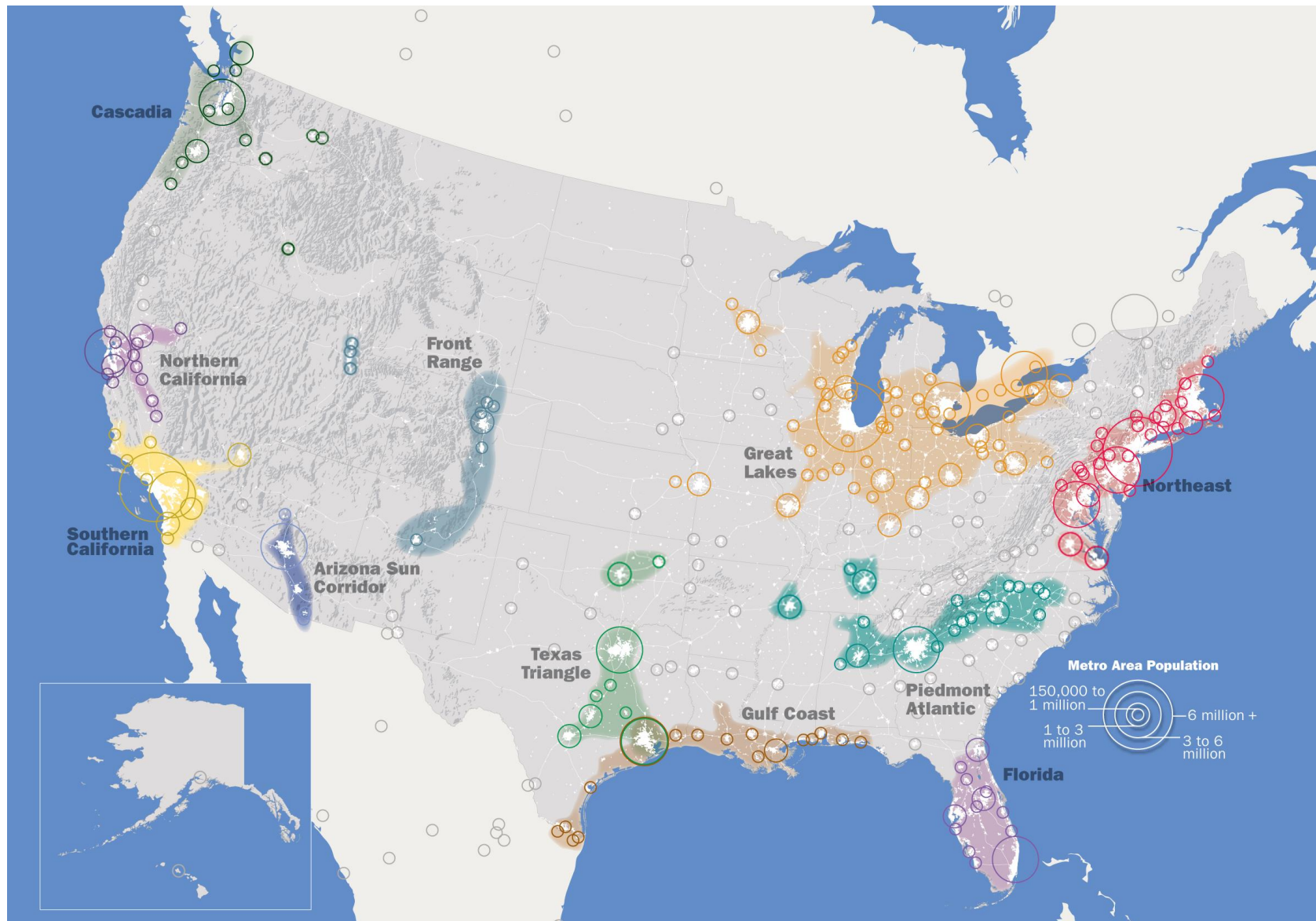
Why Los Angeles-Long Beach?



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Population of Megaregions: Past and Projected

Southern California benefits from its consumer base, ports and rail connectivity.



Megaregion	2010 Population	2025 Pop. Est.
Arizona Sun Corridor	5.7M	7.8M
Cascadia	8.4M	8.8M
Florida	17.3M	21.5M
Front Range	5.5M	7.0M
Great Lakes	55.6M	60.7M
Gulf Coast	13.4M	16.3M
Northeast	52.3M	58.4M
Northern California	14.0M	16.4M
Piedmont Atlantic	17.6M	21.7M
Greater Southern California	24.4M	29.0M
Texas Triangle	19.8M	24.8M

Source: U.S. Census Bureau

Transport Costs Are the Biggest Expenditure for Most Warehouse Occupiers



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Transport Costs Per TEU Container Increase the Further an Occupier is from the Ports

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Central LA Has the Highest Population Density



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Southeast Asia Imports to POLA-POLB are Growing; Mexico Remains U.S.' Top Trade Partner

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Newmark business contact for this information

For more information:

Colin Harmony

Senior Research Analyst
Los Angeles, Inland Empire

colin.harmony@nmrk.com

Norma Llamas

Senior Database Coordinator
Los Angeles

norma.llamas@nmrk.com

Dain Fedora

Head of Research
Southwest

dain.fedora@nmrk.com

Los Angeles -- Downtown

555 S. Flower St., Suite 3550
Los Angeles, CA 90071
t 213-596-2222

New York Headquarters

125 Park Ave.
New York, NY 10017
t 212-372-2000

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