



NEWMARK

*Los Angeles:*  
Industrial Market Overview

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1Q26



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# Access the Expanded 1Q26 Los Angeles Industrial Market Overview



## *Los Angeles:* Industrial Market Overview

1Q26



The expanded version of this report includes slides on:

- **Southern California’s Ports, U.S. Retail Sales, Tariffs, and the Local Economy:** All shape industrial leasing market dynamics.
- **The Trajectory of Contract Rents**
- **Leasing Conditions by Building Size Segment**
- **The State of Aerospace and Defense in the Region**
- **Sales Activity:** Includes notable industrial sales, top buyers, and how industrial compares to other property segments.
- **Detailed Submarket Statistics**
- **Regulations**

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*Extensive content across 54 slides—a detailed presentation packed with **useful industrial information and in-depth analysis.***

# Los Angeles Industrial Market Observations



## Economy

- Loaded import volume at Southern California's ports reached 10.1 million containers in 2025, the busiest year on record. Monthly traffic was uneven throughout the year, reflecting a pattern of importers front-loading shipments ahead of tariff deadlines, followed by volume pullbacks once new rates took effect.
- Historically, goods from China drive import volume at the ports. The fact imports set a new record — despite China carrying the highest U.S. tariff rates of any trading partner — is counterintuitive and is explored in the slides to come.
- Local industrial-using employment contracted on a year-over-year basis.
- U.S. wage growth continues to outpace inflation and retail sales remain healthy; both are supportive of import demand and occupier activity. These conditions could deteriorate if the Iran conflict escalates into a sustained inflationary shock and unemployment rises meaningfully.



## Leasing Market Fundamentals

- First-quarter leasing volume recovered from a slump in the preceding quarter. Class A commitments accounted for nearly 20% of this activity — a flight-to-quality trend that has persisted throughout the current cycle.
- The market recorded 297,727 SF of net absorption this quarter, driven by big-box move-ins from Newmark-brokered transactions. Vacancy held flat at 4.2%.
- Infill contract rents for facilities with 24'+ clear heights have fallen 26.0% from their last peak — a moderate correction given the 103.0% growth recorded from early 2021 through early 2023. Concessions remain elevated.
- Lease term lengths are now tracking above their historical average as tenants lock in favorable conditions.



## Major Transactions

- Seventeen direct leases exceeding 100,000 SF were signed this quarter, up from 15 last quarter and on par with the 17 signed in the first quarter of 2025.
- Newmark brokered two of the five largest lease transactions of the quarter, including the largest lease of the quarter (a 504,810-SF direct commitment at 2401 E Wardlow Rd in Long Beach).
- Four of the top ten largest leases of the quarter were signed by aerospace and defense-related firms. Each of these South Bay-based transactions involved new or expanded space commitments.
- Christina Wong, a private investor, acquired a 265,418-SF warehouse at 588 Crenshaw Blvd in Torrance from Link Logistics for \$123.0M in the largest sale of the quarter. The property is fully leased to Next Level Apparel.

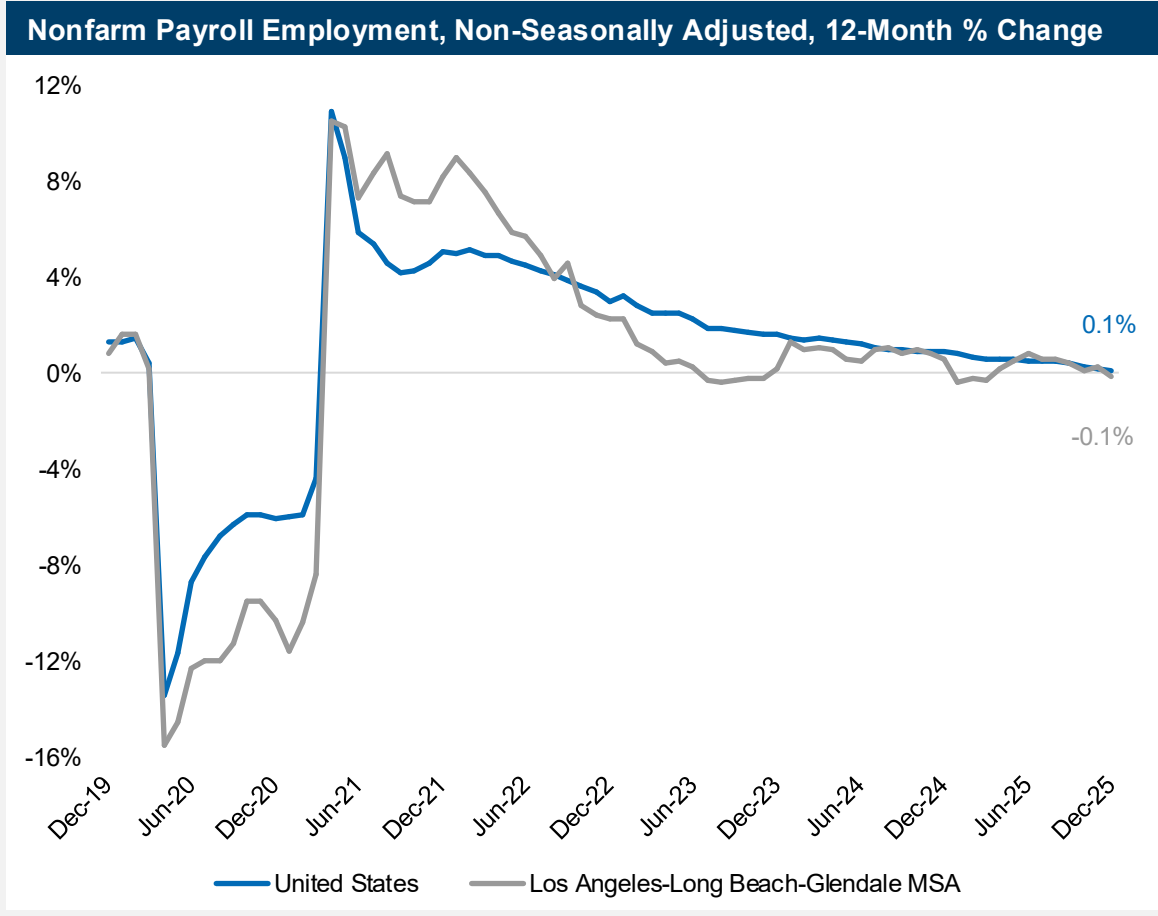
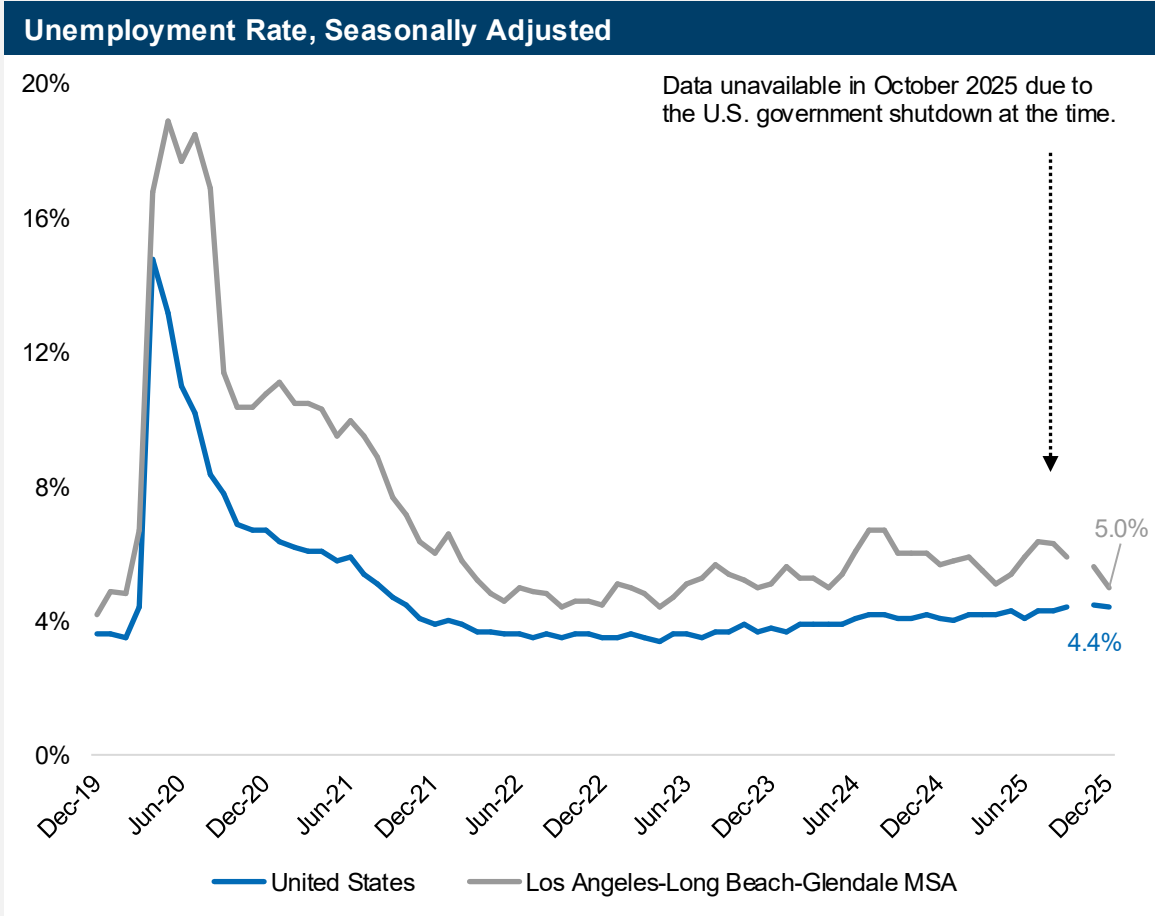


## Outlook

- The U.S. economy is on track to expand roughly 2.4% in 2026, despite a Q4 2025 stumble (0.7% annualized, partly attributable to the government shutdown), with Q1 signaling a recovery toward trend growth. Oil price escalation and persistent tariff-driven inflation remain the primary near-term threats to business confidence and consumer spending.
- Elevated diesel prices increase drayage costs for facilities further from ports — a dynamic that could slow tenant migrations to the Inland Empire and support Los Angeles leasing demand.
- A mere 3.1% of the 2.6 MSF in under-construction space that is scheduled to deliver next quarter has been pre-leased. Vacancy will likely take a short-term hit.
- Accelerating U.S. defense spending and VC funding in aerospace and defense firms have fueled sector-driven industrial demand in recent months, with the 1.2-MSF Anduril expansion in Long Beach/Lakewood the most prominent example. South Bay — home to a deep concentration of defense contractors and aerospace suppliers — will be the region's primary beneficiary.

# Local Unemployment Declines Via Seasonal Hiring; Employment Growth Near Zero

Local unemployment fell to 5.0% in December, marking a 70-bps year-over-year decline and the lowest rate since April 2024. Local and national nonfarm payroll growth rates were virtually flat by year-end 2025.

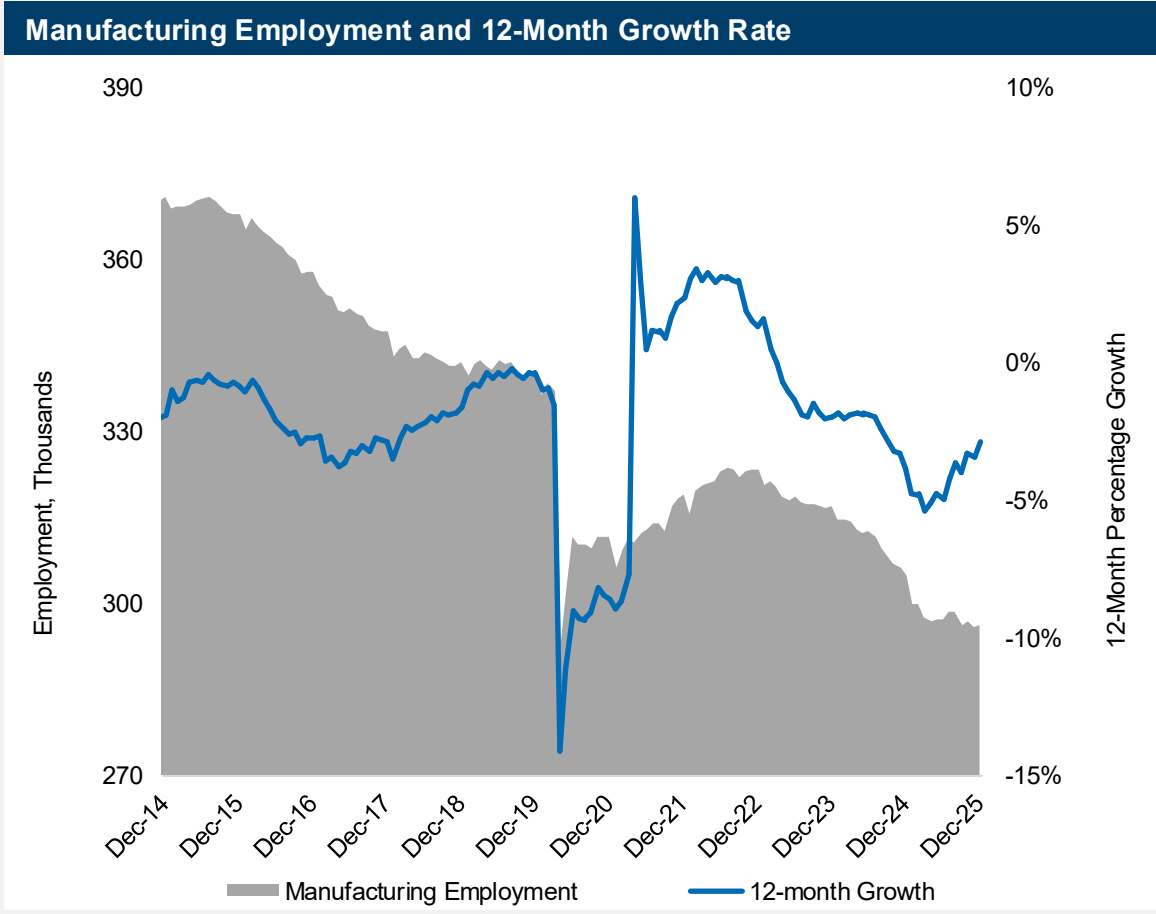
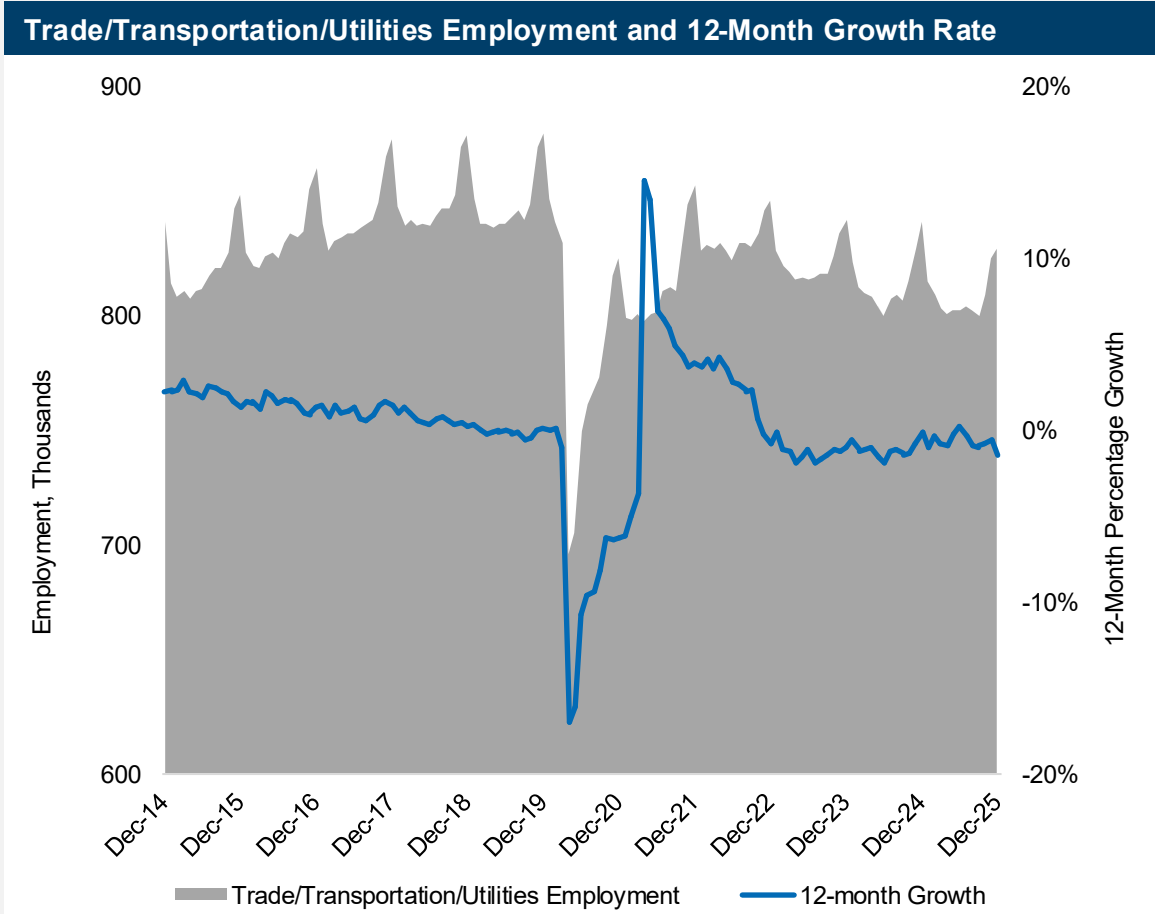


Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA

Note: Local unemployment statistics for October were unavailable due to a federal government shutdown. Local January and February unemployment figures were unavailable at the time of publication.

# Overall Industrial Employment Growth Negative; Sector Exposed to Trade Disruptions

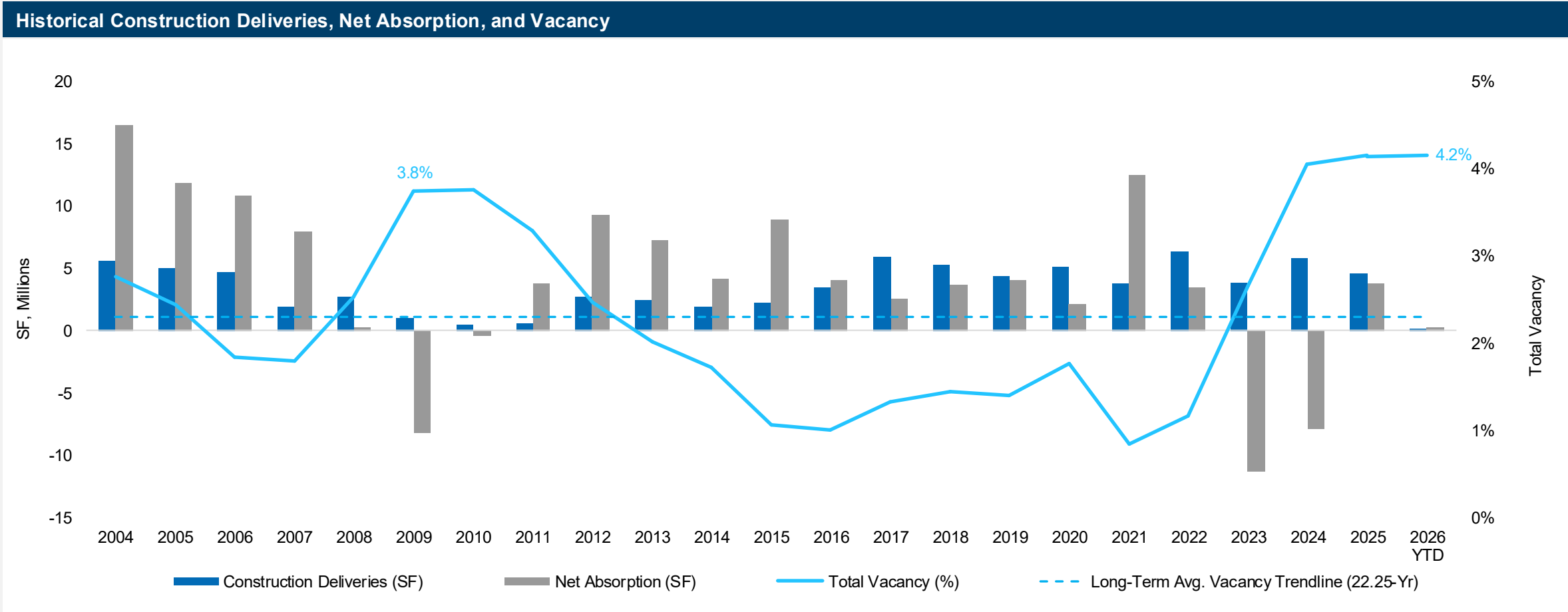
The trade/transportation/utilities sector reached its typical December employment peak through seasonal hiring yet still posted a modest year-over-year decline. Manufacturing employment continues to contract, pressured by ongoing automation, elevated operating costs in California, and growing tariff-driven exposure on imported raw materials. Both sectors face an additional downside from rising transportation costs as the Iran conflict keeps oil prices elevated.



Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale  
 Note: Post-2025 employment growth figures for Los Angeles-Long Beach-Glendale were unavailable at the time of publication.

# Market Boasts Modest Net Absorption Gains; Vacancy Remains Unchanged From 4Q25

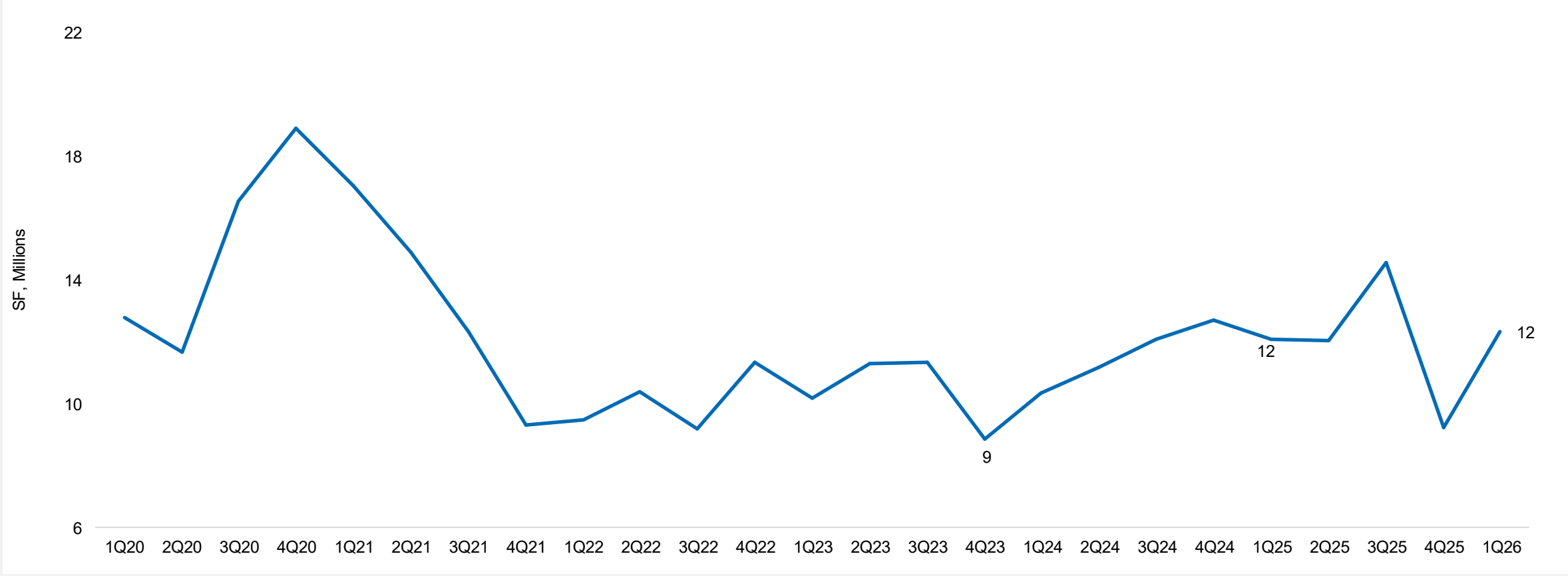
Los Angeles recorded 297,727 SF of net absorption in the first quarter of 2026. Big-box move-ins — including a 615,000 SF occupancy at 6100 Garfield Ave in Commerce and 326,517 SF at 2101 Flotilla St in Montebello, both stemming from Newmark-brokered transactions — contributed to gross absorption gains, though significant move-outs partially offset the headline figure. Vacancy held flat at 4.2%, as net absorption was tempered by 199,672 SF of largely unleased new construction deliveries.



# Leasing Bounces Back in First Quarter as Market Faces Uncertain Economic Outlook

First-quarter leasing volume crested above the preceding six-year quarterly average in a sharp turnaround from the previous quarter. While plateauing industrial rents and healthy consumer spending have helped encourage space commitments in recent quarters, the growing risk of an inflation-induced downturn may crimp leasing momentum in the near-term.

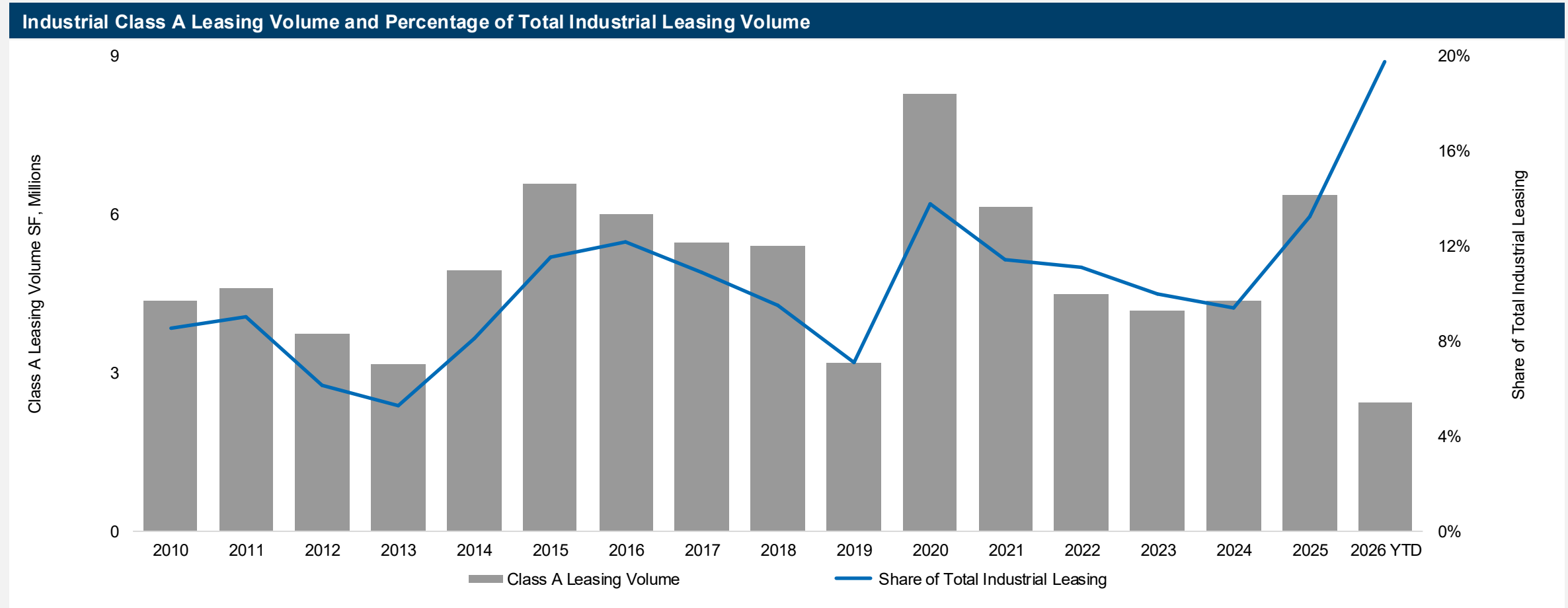
**Total Leasing Activity (SF): New Leases and Renewals**



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

# YTD Class A Leasing Volume Soars Above Historical Average

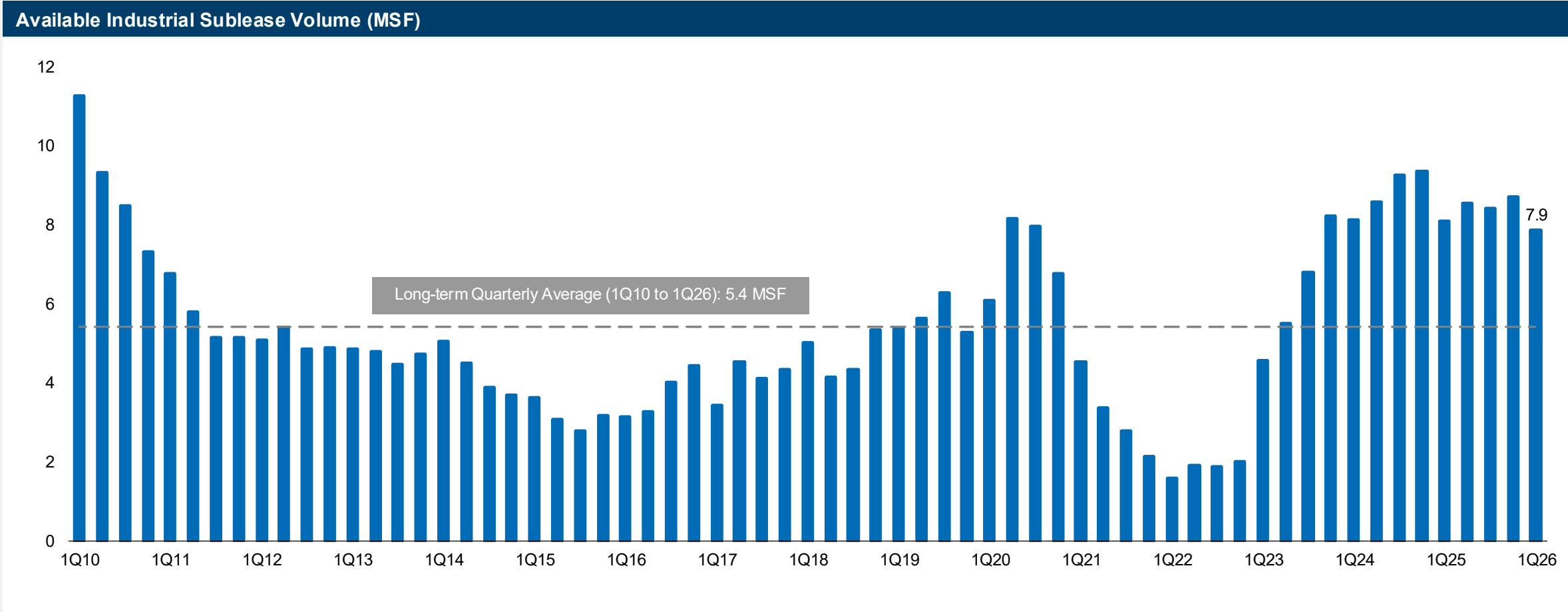
Class A leasing activity accounted for 19.8% of total market leasing in the first quarter, roughly doubling the preceding 16-year average rate of 9.8%. Prospective tenants are increasingly pursuing modern-gen space as Class A product availability surges and the cost premium for top-tier space declines.



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.

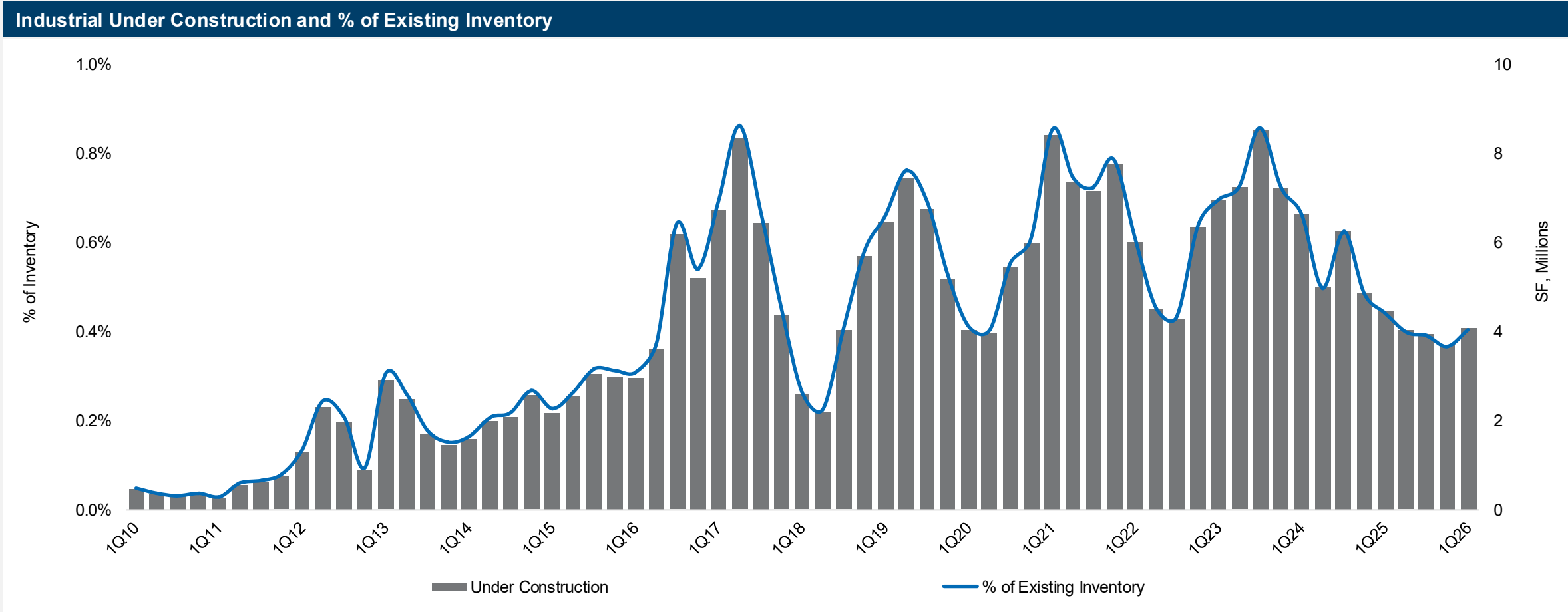
# Sublet Availability Falls as New Listings Decline and Tenants Take Up Available Spaces

Available sublease space fell 9.8% quarter-over-quarter to 7.9 MSF, driven by a slowdown in new sublease listings and tenants committing to existing sublet offerings, including Neros (251,606 SF at 19681 Pacific Gateway Dr, Torrance) and One Dreamworks (119,196 SF at 2263 E Vernon Ave, Vernon).



# Construction Volume Increases After Five Quarters of Decreases

The under-construction pipeline grew 10.0% quarter-over-quarter following five consecutive quarters of declining construction volume. Accelerating investment in aerospace and defense is expected to yield new industrial development in and around South Bay.



# Notable 1Q26 Lease Transactions

Twenty-three leases over 100,000 SF were signed this quarter, on par with the 23 signed in the previous quarter and below the 32 signed during the same period of 2025. Of this quarter's 100,000+ SF leases, 17 were direct leases, two were subleases, one was an expansion, and three were renewals/extensions.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Confidential Tenant	2401 E Wardlow Rd	South Bay	Direct Lease	504,810
<i>Newmark represented both the tenant and landlord in the transaction.</i>				
Apex Logistics	1452 Knox St	South Bay	Direct Lease	442,550
<i>The 3PL firm, which has a historical presence in South Bay, will move into the vacant facility in October. Lease term expires in 1Q34.</i>				
Speed Xpress, Inc.	2101 Flotilla St	Central	Direct Lease	326,517
<i>The tenant moved into the vacant facility in January. Newmark represented the landlord in the transaction.</i>				
Neros	19681 Pacific Gateway Dr	South Bay	Sublease	251,606
<i>The Torrance-based defense systems manufacturer will move into the vacant facility in April. Omni Logistics is the sublessor. Lease term expires in 4Q32.</i>				
Varda Space Industries	2031 E Mariposa Ave	South Bay	Direct Lease	205,433
<i>The El Segundo-based space research company will move into the facility in December. Lease term expires in 2Q37.</i>				

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