

2Q25

# Los Angeles Industrial Market Overview



**NEWMARK**



# Market Observations

## Economy

- The Trump Administration’s declaration of [broad tariffs on foreign goods](#) has given way to deadline extensions and country-by-country negotiations. A lack of clarity regarding the rollout, composition, effects, and duration of the new tariffs persists at the time of writing.
- China, which faces the steepest tariff hikes, has deep ties to Southern California’s ports and industrial markets.
- Loaded imports at Southern California’s ports totaled 4.0 million containers in the first five months of 2025. Volume will be uneven in the coming months.
- Consumer confidence has fallen in recent months, and U.S. retail sales are anticipated to slow. Sales will suffer a steeper decline if tariff-induced inflation sets in and domestic unemployment increases.

## Major Transactions

- Thirteen direct leases exceeding 100,000 SF were signed this quarter, slightly down from the 16 signed last quarter and 14 in the second quarter of 2024.
- YS Express, a 3PL with strong corporate ties to China, signed the largest lease of the quarter when it subleased 456 KSF at C3 Business Park in Commerce.
- W.P. Carey Inc. purchased a 302,850-SF cold storage facility at 15015 Valley View Ave in Santa Fe Springs from Brookfield Property Group in April. The \$140.3 million sale represents the largest single-property trade since August 2023.
- Industrial sales activity will likely remain subdued throughout the year as the leasing market continues to adjust.

## Leasing Market Fundamentals

- Leasing volume gradually declined through the first half of 2025, following a modest recovery in 2024. High rents, a tepid consumer spending outlook, and economic uncertainty driven by tariffs have hindered a robust leasing rebound.
- The market recorded 1.2 MSF in net absorption losses this quarter following a wave of 100 KSF+ move-outs that were concentrated in South Bay. Tenant departures, coupled with unleased new construction deliveries, pushed vacancy to 4.3%.
- Available sublease space rose 8.4% over the past three months, reaching 9.1 MSF.
- Infill contract for facilities with 24’+ clear heights fell 27.7% from nine quarters ago, a moderate decline given the 103.0% rent growth from early 2021 to late 2022.
- The construction pipeline shrank to 4.0 MSF, a 9.8% contraction from the first quarter. Of the 33 buildings under construction, only three have secured pre-leases.

## Outlook

- Prolonged uncertainty concerning U.S. tariff policy will depress leasing activity as occupiers continue to strategically refrain from new commitments.
- Southern California’s industrial markets, heavily reliant on Chinese imports, are expected to experience a more significant decline in tenant demand in 2025 compared to East and Gulf Coast markets.
- 2.2 MSF of new construction is slated to deliver next quarter and only 11.3% has pre-leased. Los Angeles’ vacancy will rise.
- Sustained tariffs will increase raw material prices, while federal immigration raids may lead to construction labor shortages. Both will drive up replacement costs, limit new construction, and insulate rents of existing product.

1. Southern California's Ports and U.S. Retail Sales
2. Local Employment
3. Leasing Market Fundamentals
4. Sales Activity
5. Appendix



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# Southern California's Ports and U.S. Retail Sales





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## Ocean Container Spot Rates Remain Volatile

A low-angle, upward-looking shot of a modern building's exterior. The image features a complex network of dark, metallic structural beams and a grid of glass panels. 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.

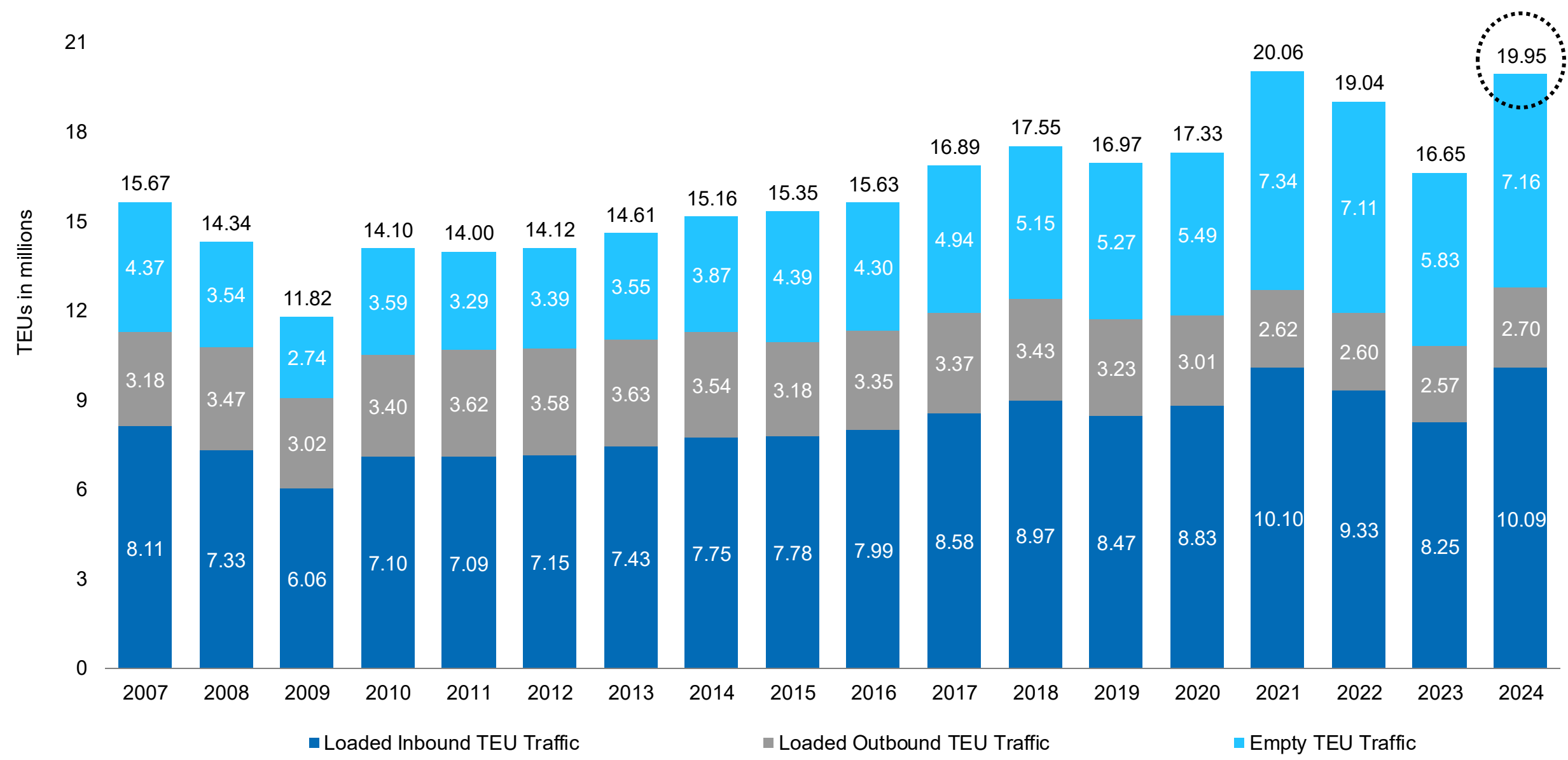
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# Southern California’s Ports: 2024 Was the Second Busiest Year on Record

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 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

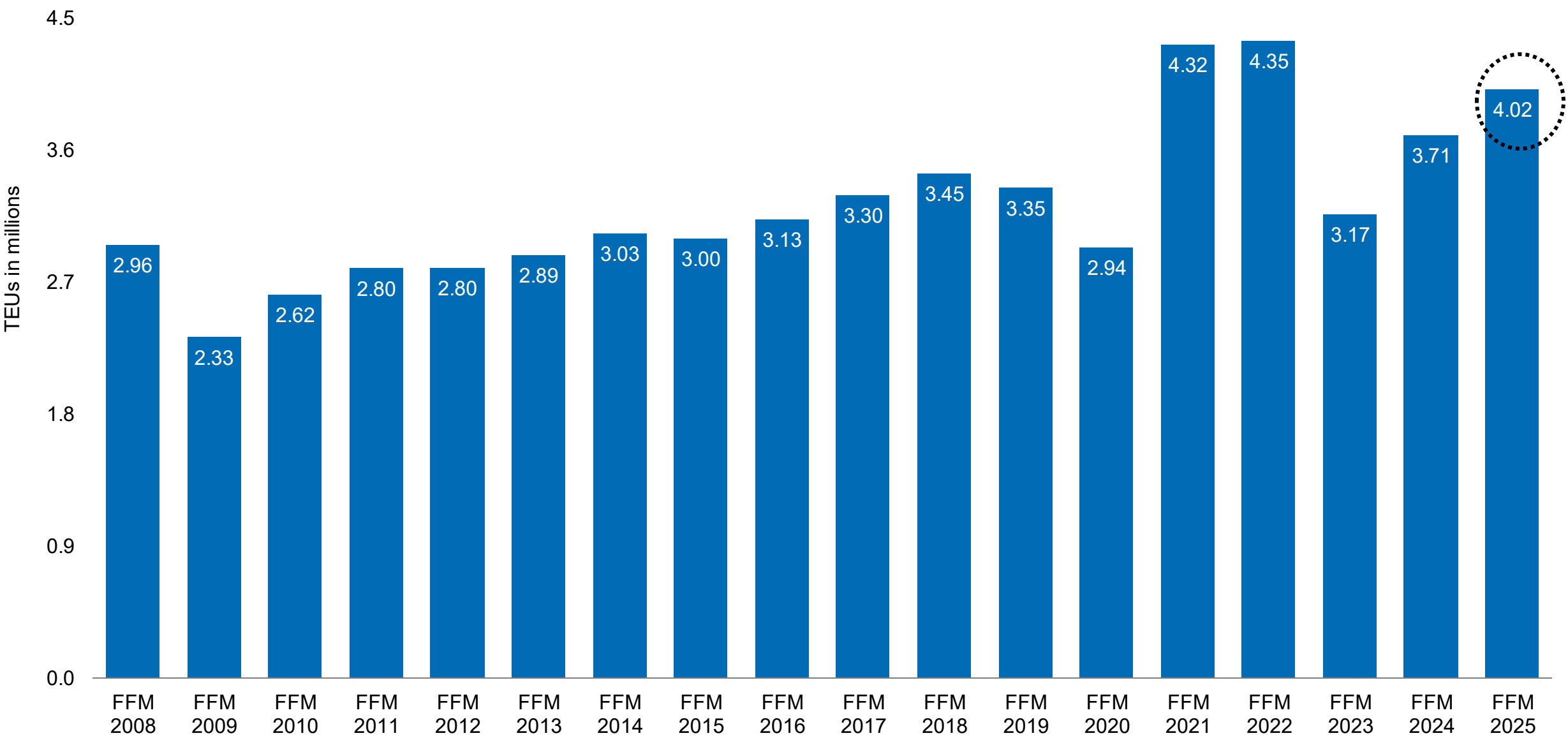


Source: Newmark Research, The Port of Long Beach and Los Angeles  
Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers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

# Loaded Import Volume in the First Five Months of 2025 Third Highest on Record

The frontloading of imports before President Trump’s tariffs went into effect shaped 2025’s year-to-date figure. Future volume will be uneven, as the next slide explores.

The Ports of Los Angeles and Long Beach: Loaded Imports | First Five Months (FFM) 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.



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## Southern California Ports Lead the Nation in Imports—Most of Which Originate from China

A low-angle, upward-looking shot of a modern building's exterior. The image features a complex network of dark, metallic structural beams and a grid of glass panels. The perspective creates a sense of height and architectural scale, with the lines converging towards the top of the frame. The lighting is bright, suggesting a sunny day, and the overall color palette is dominated by the blues and greys of the building's materials.

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## Southern California's Ports: Rail Dwell Times Higher Than Trucks

A low-angle, upward-looking shot of a modern building's exterior. The image features a complex network of dark steel beams and supports that form a grid-like structure. Large glass panels are interspersed within the frame, reflecting the sky and other parts of the building. 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.

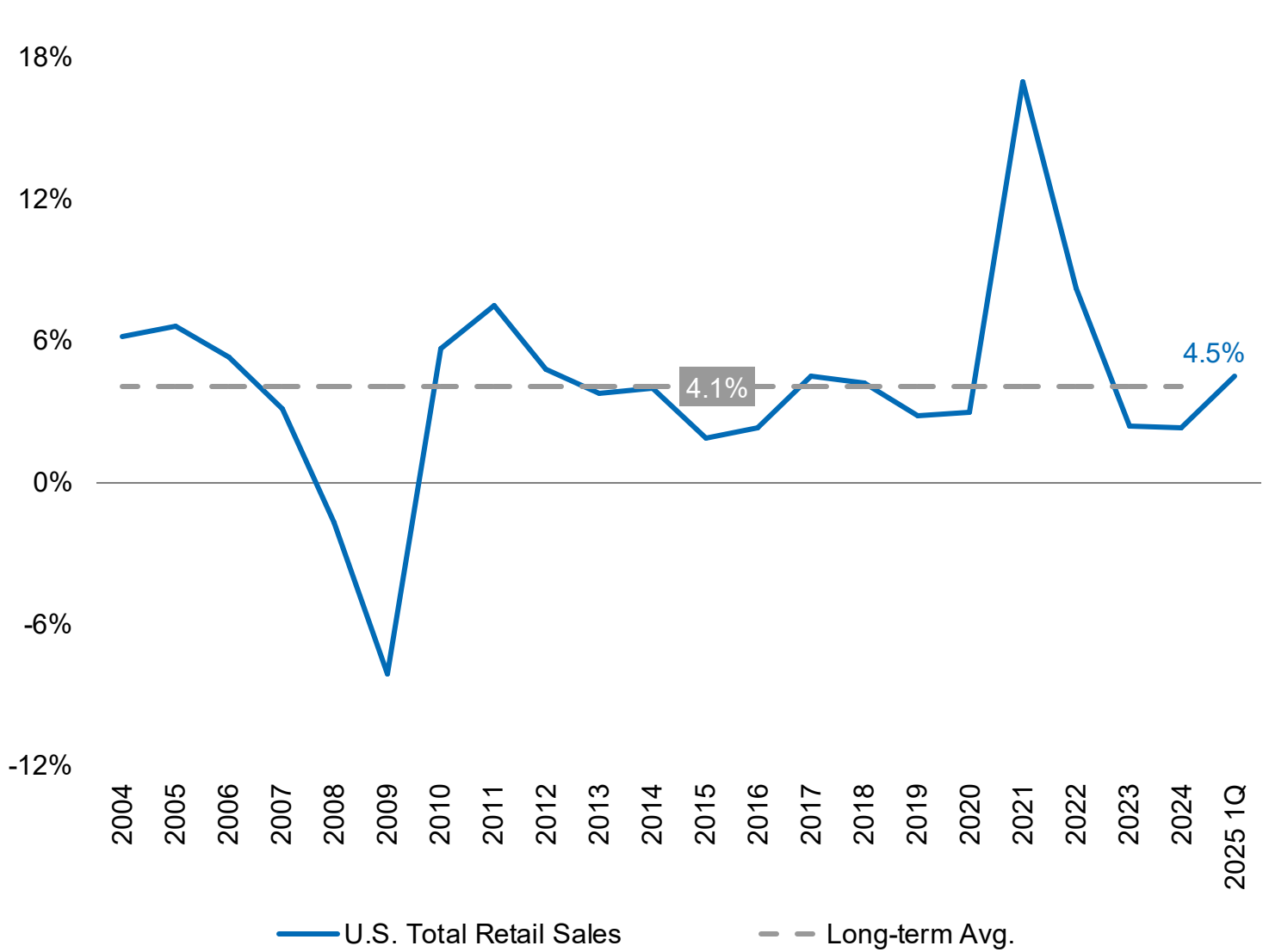
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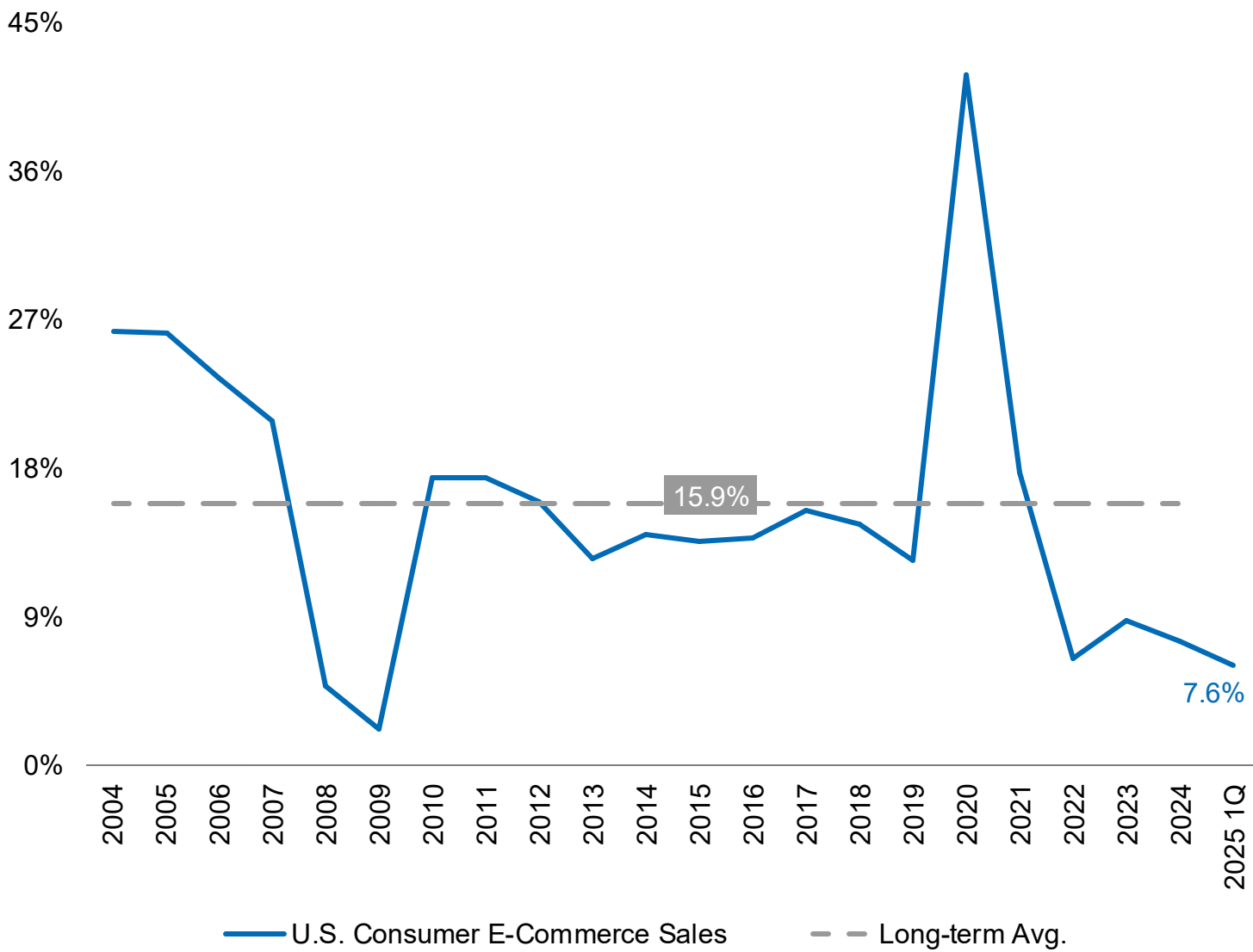
# Retail Sales (an Indicator of Warehouse Demand) Up, But Projected to Slow

Overall retail sales were up 4.5% in the first quarter of 2025 relative to the same period in 2024 as consumers frontloaded purchases – led by motor vehicles – ahead of expected higher prices due to impending tariffs. For e-commerce specifically: Growth exceeded total retail sales (+7.6% over the same period), yet the decline from 2021 onward is noticeable as consumer spending generally registers slower gains. Since tariffs are typically stagflationary shocks, which simultaneously increase the likelihood of an economic slowdown while putting upward pressure on prices, many economists have lowered their retail sales growth projections.

U.S. Overall Retail Sales Annual Growth



U.S. Consumer E-Commerce Sales Annual Growth



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



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# The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates



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## U.S. Wage Growth is Outpacing Inflation While Unemployment Remains Low



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## U.S. Consumer Confidence is Down



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# Local Employment

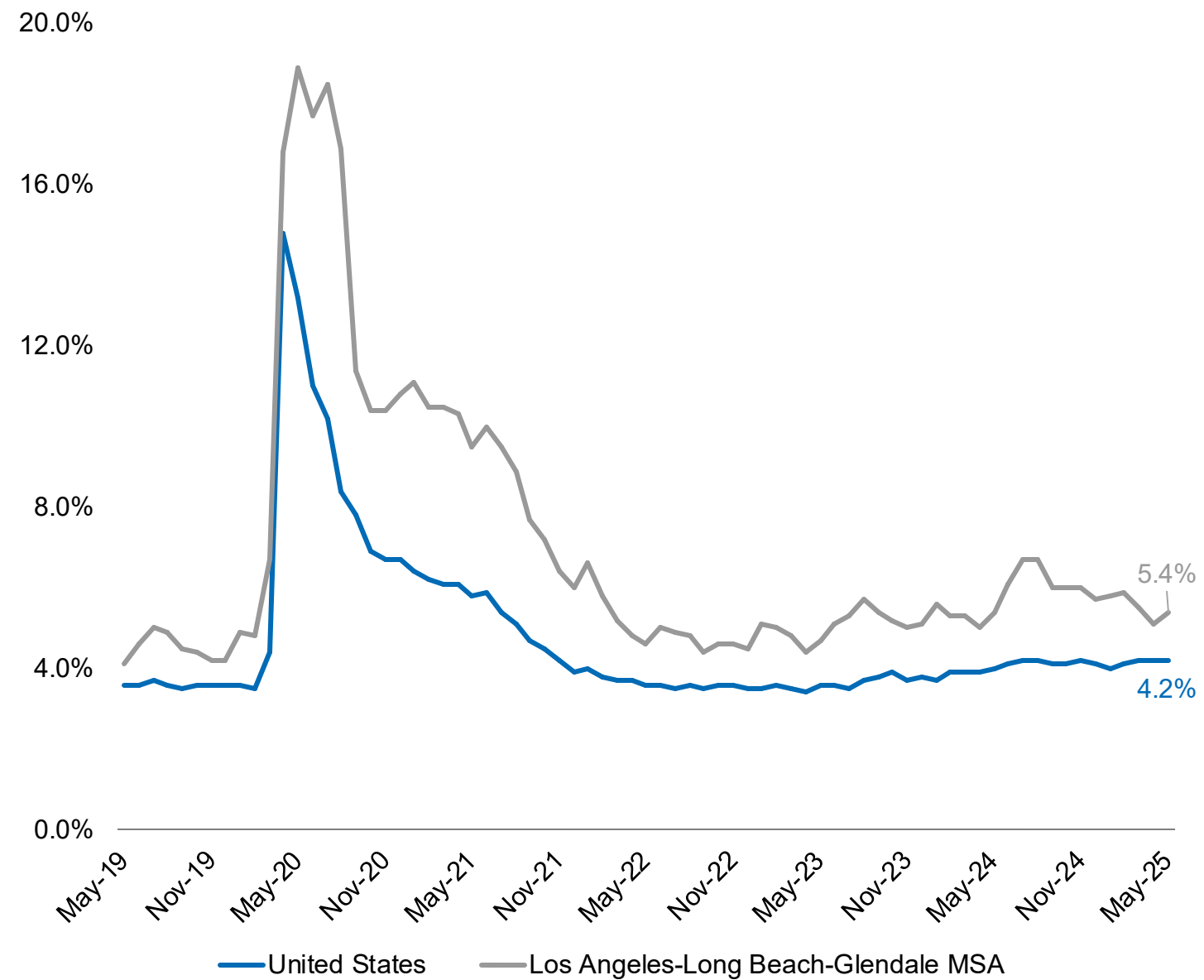




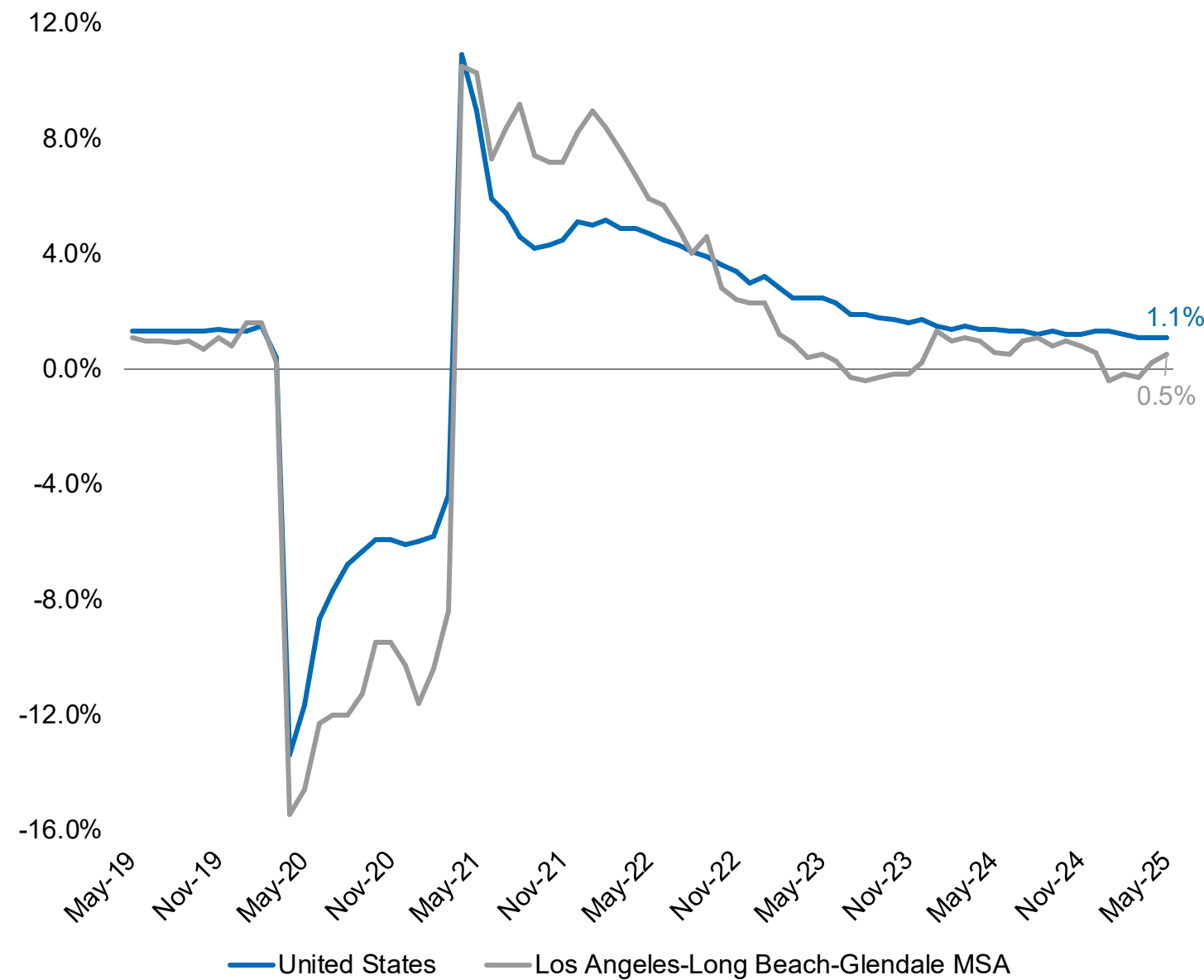
# Local Unemployment Still Above Pre-Pandemic Rate; Limited Employment Growth

Local unemployment held steady at 5.4% compared to 12 months ago, despite a shrinking civilian labor force. Local nonfarm payroll growth has lagged national figures since October 2022, reflecting stagnant labor pool expansion.

Unemployment Rate, Seasonally Adjusted



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



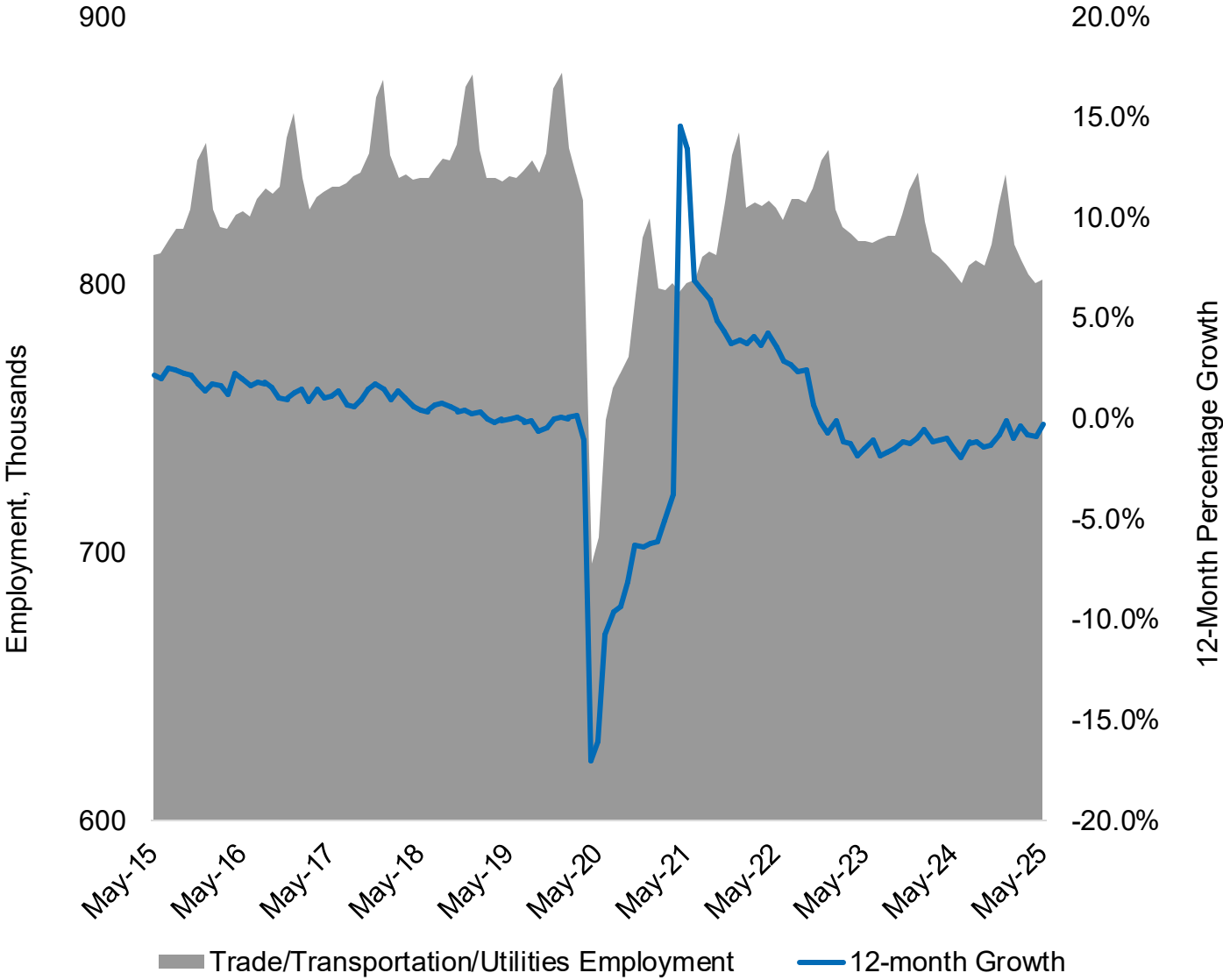
Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA



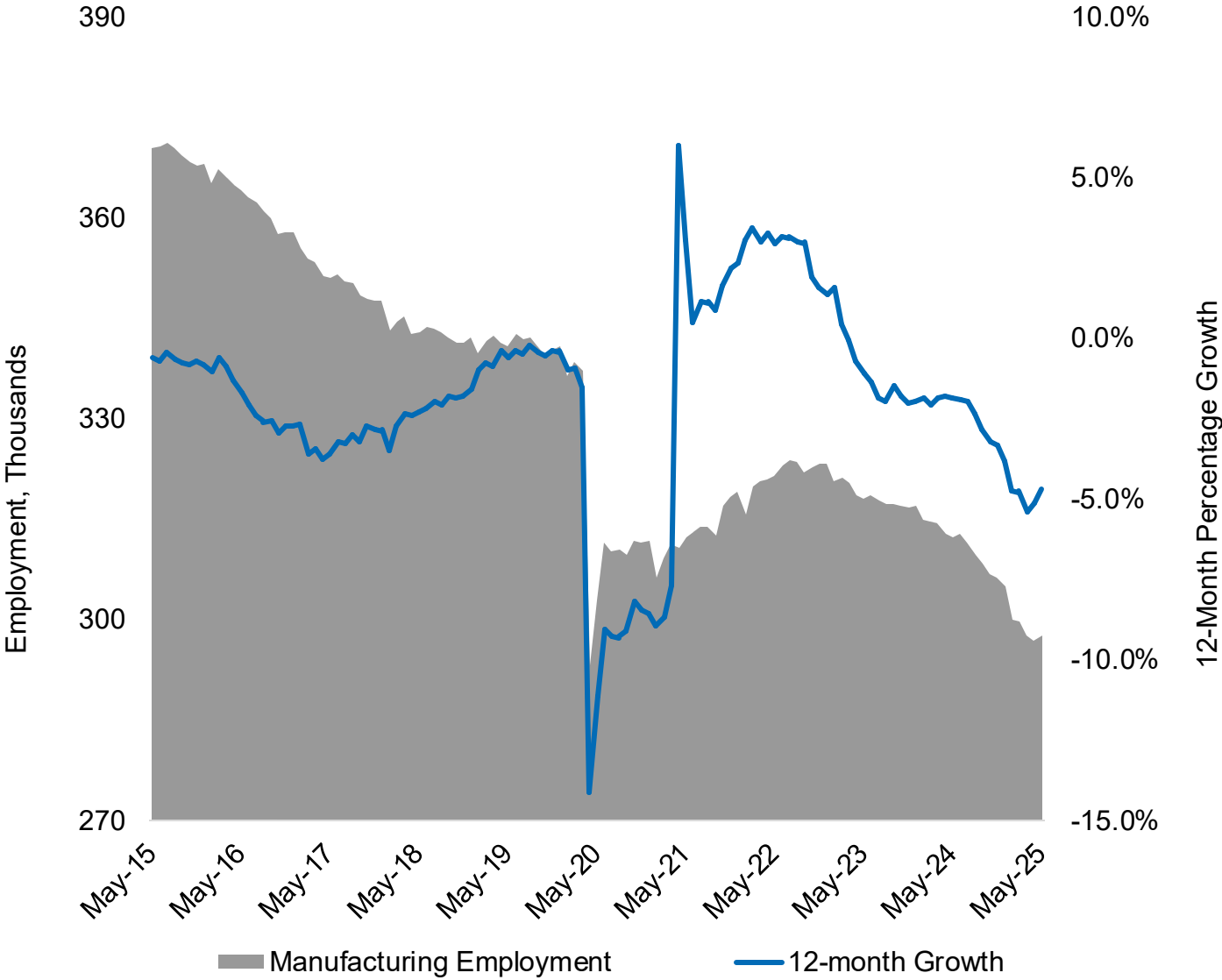
# Overall Industrial Employment Growth Down; Sector Vulnerable to Tariffs

The trade/transportation/utilities sector, which experienced a modest decline in year-over-year employment growth, is vulnerable to tariffs if consumer spending slows and warehouse demand trends down. Manufacturing employment, which continues to drop from increased automation and elevated costs of doing business in California, also has exposure to tariffs as it pertains to higher raw material costs.

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





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## Contact Rents Continue to Adjust



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Average Weighted Lease Terms Remain Below Long-Term Average

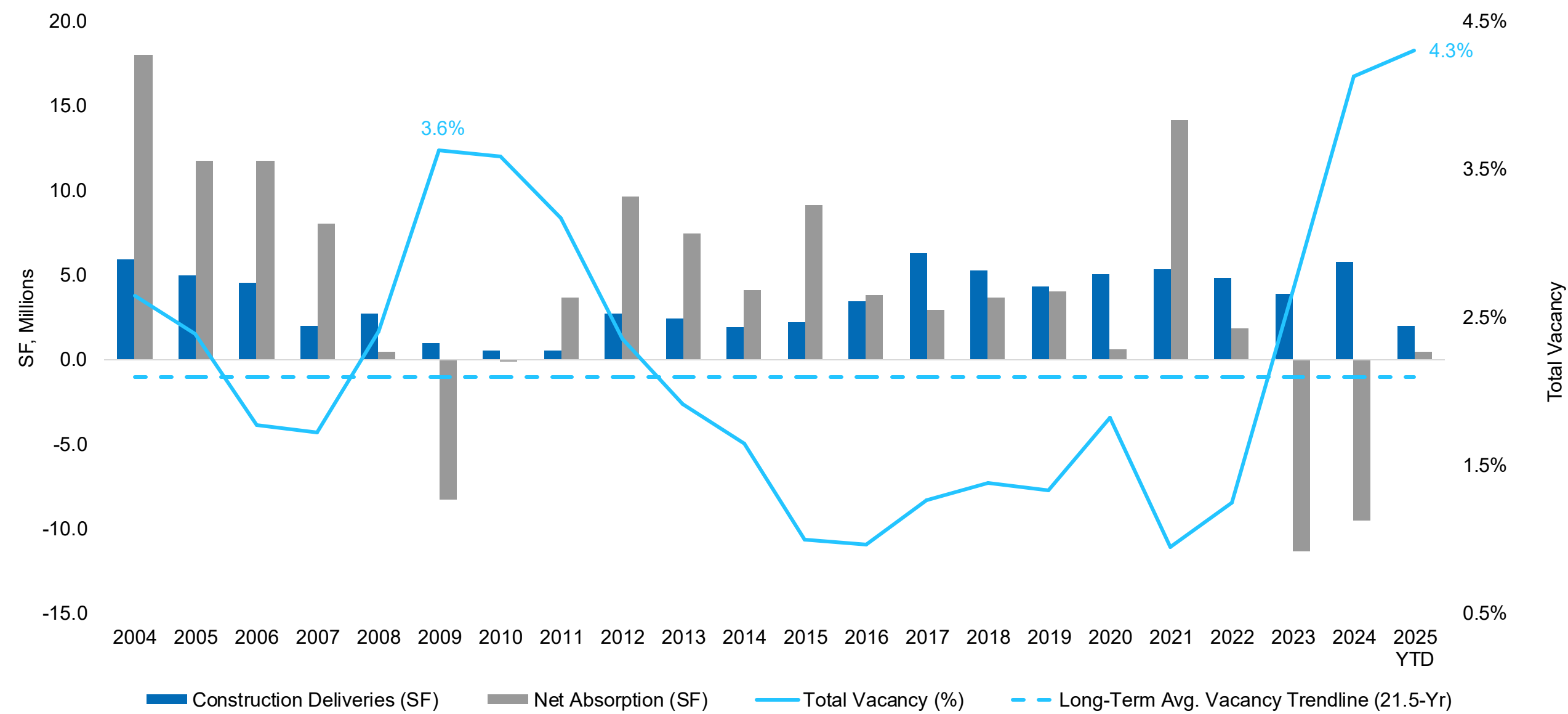
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# Market Resumes Quarterly Net Absorption Losses; Vacancy Highest Since 2002

Los Angeles recorded 1.2 MSF in net absorption losses in the second quarter of 2025, driven by limited 100 KSF+ move-ins and a concurrent wave of big-box departures, particularly in the South Bay submarket. This, coupled with the delivery of 1.0 MSF of mostly unleased new construction, pushed the region’s vacancy rate to 4.3%. Despite second quarter’s challenges, net occupancy gains from the first quarter resulted in positive year-to-date net absorption of 506 KSF.

Historical Construction Deliveries, Net Absorption, and Vacancy



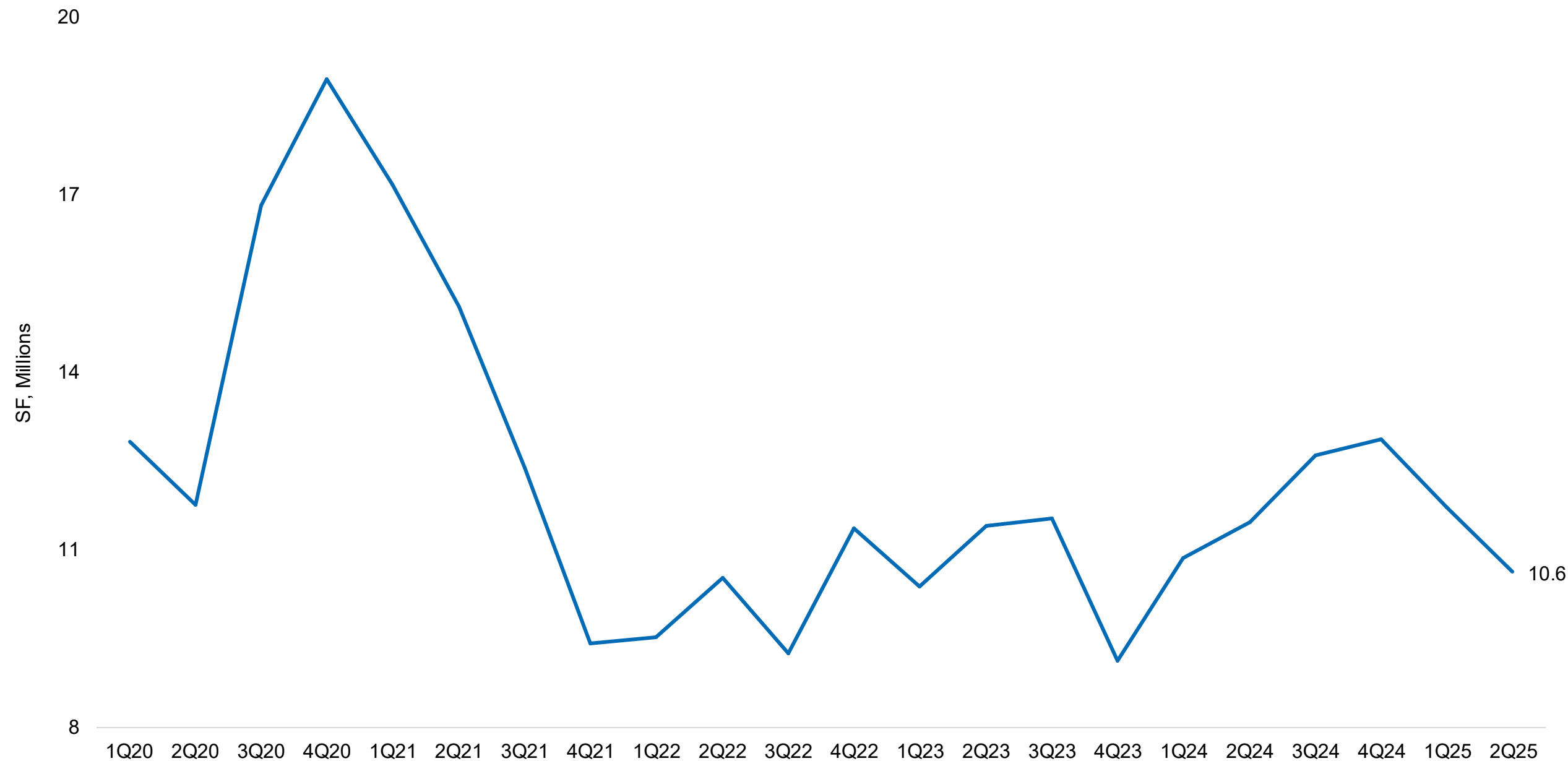
Source: Newmark Research



# Leasing Activity Ebbs as Tariffs Hamper Tenant Commitments

Leasing activity gradually declined in the first half of 2025, reversing the steady gains seen throughout 2024. Uncertainty surrounding the scope, timing, and impact of U.S. tariff policies has led many existing and prospective tenants to delay their leasing plans.

Total Leasing Activity (SF) by Quarter



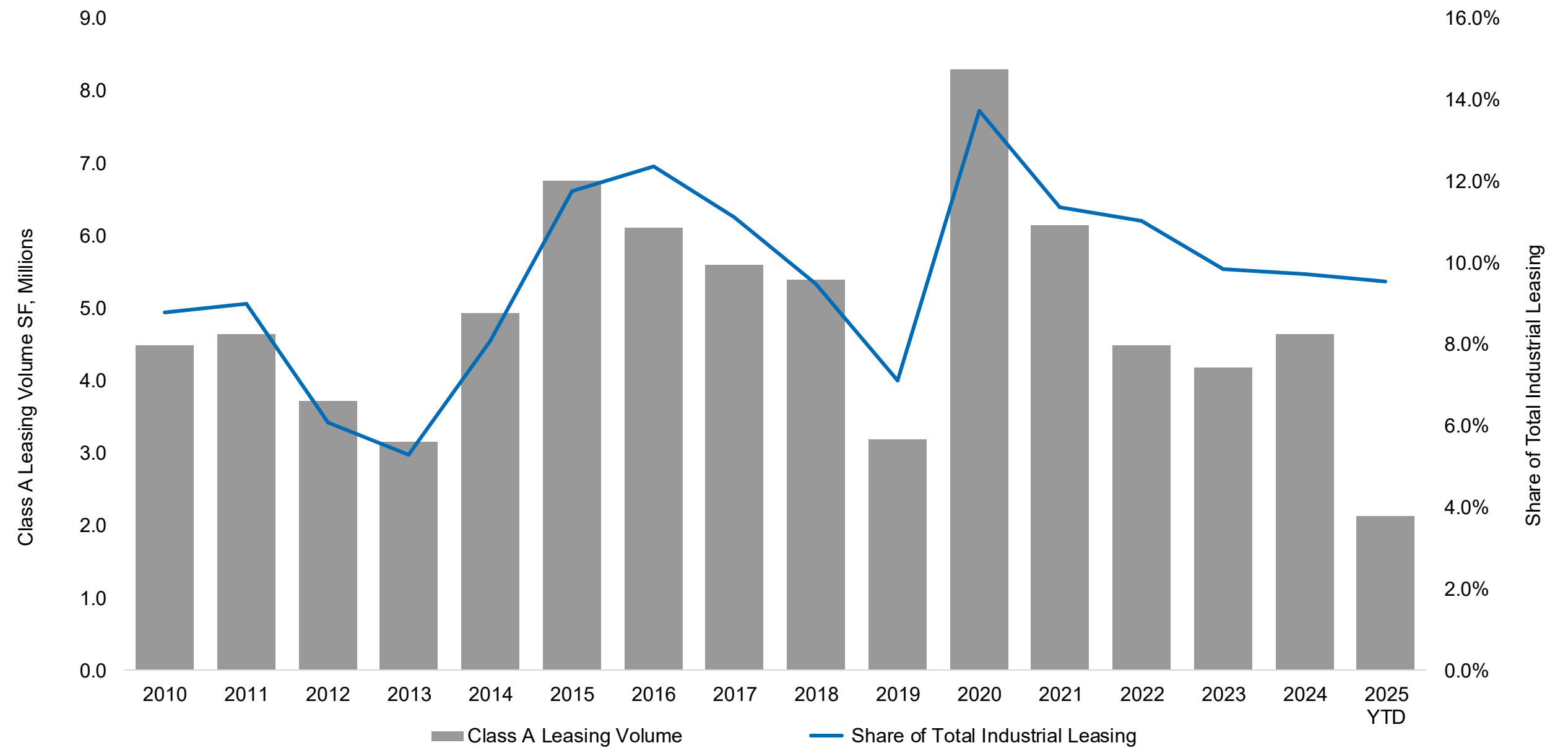
Source: Newmark Research, CoStar  
Note: Total leasing activity includes direct leases, subleases, renewals and extensions.



# YTD Class A Leasing Volume On Par With First Half of 2024 and Historical Average

Class A leasing activity accounted for 9.6% of total market leasing in the first half of 2025, aligning with the 15.5-year average. While demand for modern-generation space remains strong, many tenants are holding off on commitments, anticipating further softening of elevated rental rates.

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



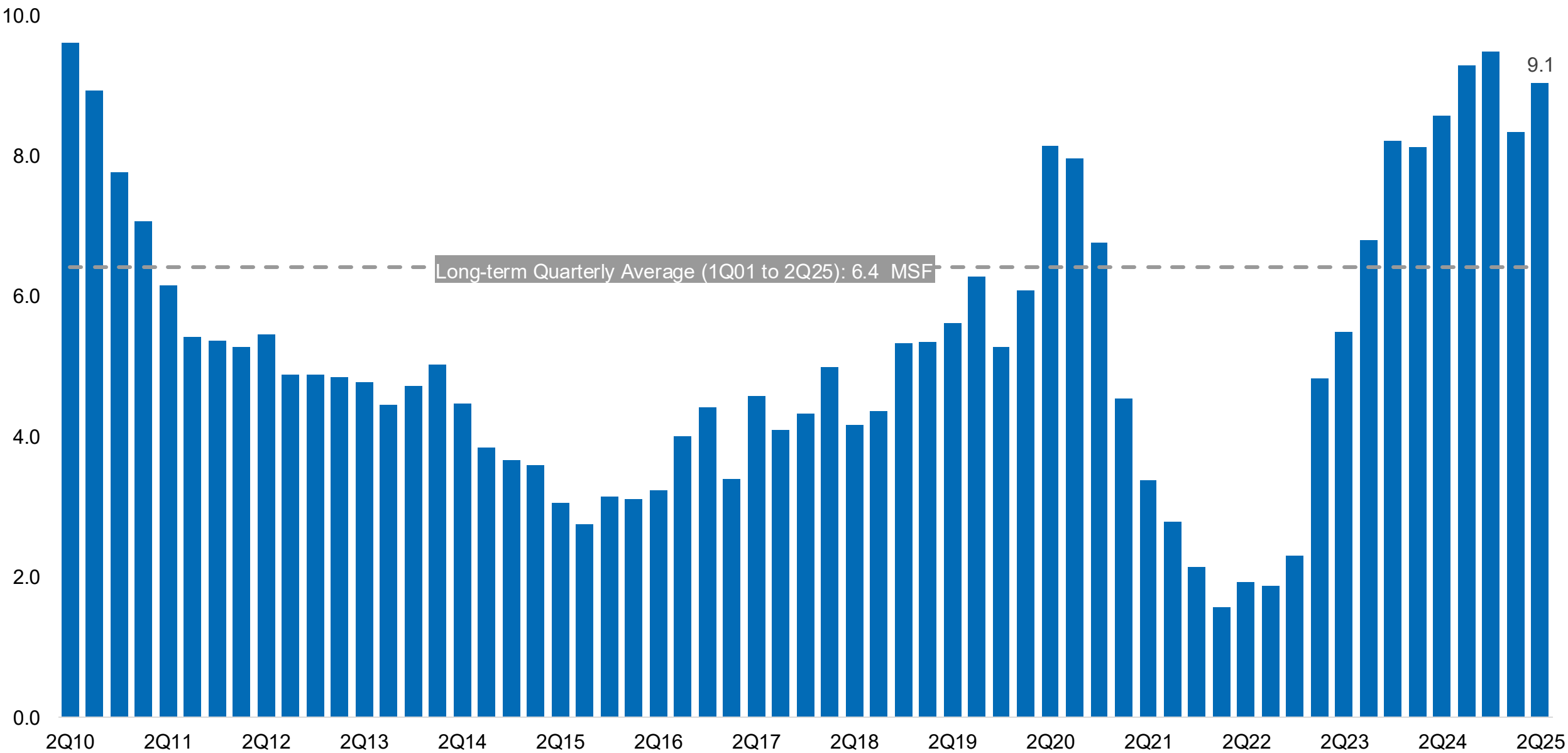
Source: Newmark Research, CoStar  
Note: Class A is defined as 100,000+ SF warehouse/distribution facilities constructed since 2000 with a 30'+ minimum interior ceiling height.



# Sublet Availability Rises As New Listings Outweigh Signings

Available sublease space jumped 8.4% from the preceding quarter to reach 9.1 MSF. New sublease signings by tenants such as YS Express (445,767 SF at 5500 Sheila St in Commerce) were offset by new listings from Milgard Windows & Doors (237,266 SF at 355 E Easy St in Simi Valley), Oldcastle BuildingEnvelope (237,266 SF at 5631 Ferguson Dr in Commerce), Pregis Corporation (182,275 SF at 159 N San Antonio Ave in Pomona), and Amazon (164,284 SF at 4187 Temple City Blvd in El Monte).

Available Industrial Sublease Volume (MSF)



Source: Newmark Research



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62.7% of Available Sublease Space is Based in the Region's Infill Markets

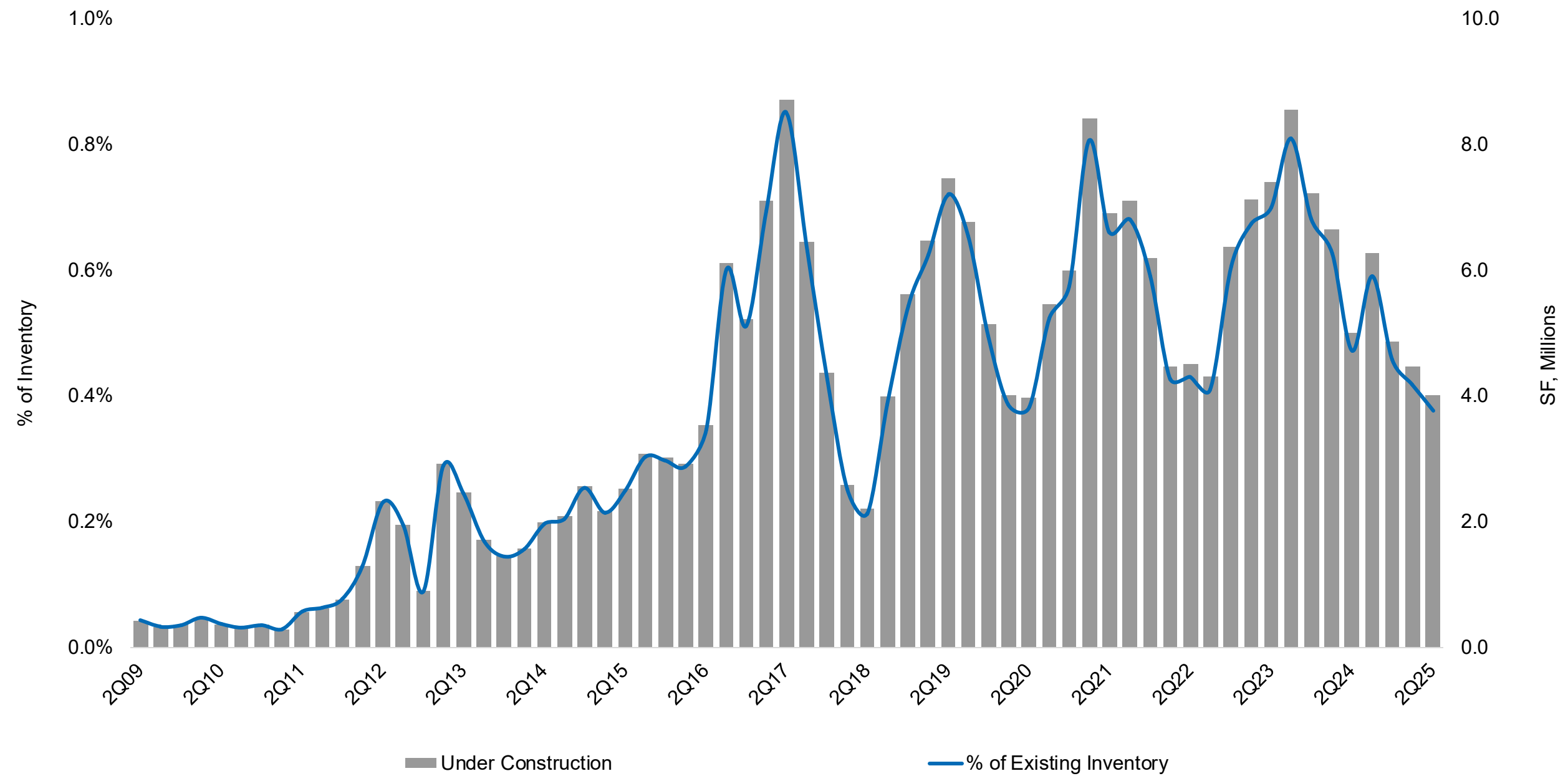
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# Construction Pipeline Contracts Again Amid Lack of New Construction Starts

The under-construction pipeline contracted by 9.8% from the previous quarter after the delivery of 1.0 MSF. The pipeline will likely decline until leasing activity strengthens and there is greater clarity on how the global economy will absorb the effects of widespread tariffs.

Industrial Under Construction and % of Existing Inventory



Source: Newmark Research



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## Limited Pre-Leasing as Construction Pipeline Empties



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# Notable 2Q25 Lease Transactions

Twenty-two leases over 100,000 SF were signed this quarter, slightly below the 25 signed in the same period of 2024. Of this quarter’s big-box leases, 13 were direct, seven were renewals/extensions, and two were subleases.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
YS Express	5500 Sheila St	Central	Sublease	445,767
The 3PL, which is expanding in the market, moved into the vacated property in May. Smart & Final is the sublessor. Sublease term expires in 1Q28.				
McMaster-Carr Supply Company	12434 Lakeland Rd	Mid-Counties	Lease Renewal	295,267
The industrial equipment supplier has occupied the property since 2017. Renewed lease term expires in 1Q31.				
Hyperdyne Logistics, Inc	20100 S Alameda St	South Bay	Direct Lease	205,435
The 3PL will move into the vacant property in October. Lease term expires in 1Q31.				
Paramount Logistics	11600 Alameda St	Central	Direct Lease	201,027
The Irwindale-based 3PL, which is expanding into LA’s infill region, will move into the property in July. Lease term expires 4Q28.				
Fashion Nova	12489 Lakeland Rd Bldg #2	Mid-Counties	Direct Lease	194,107
The online clothing retailer, which currently leases space within the Goodman Logistics Center in Santa Fe Springs, will expand into an adjacent building in September. Lease term expires 2Q28.				

Source: Newmark Research



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# Sales Activity

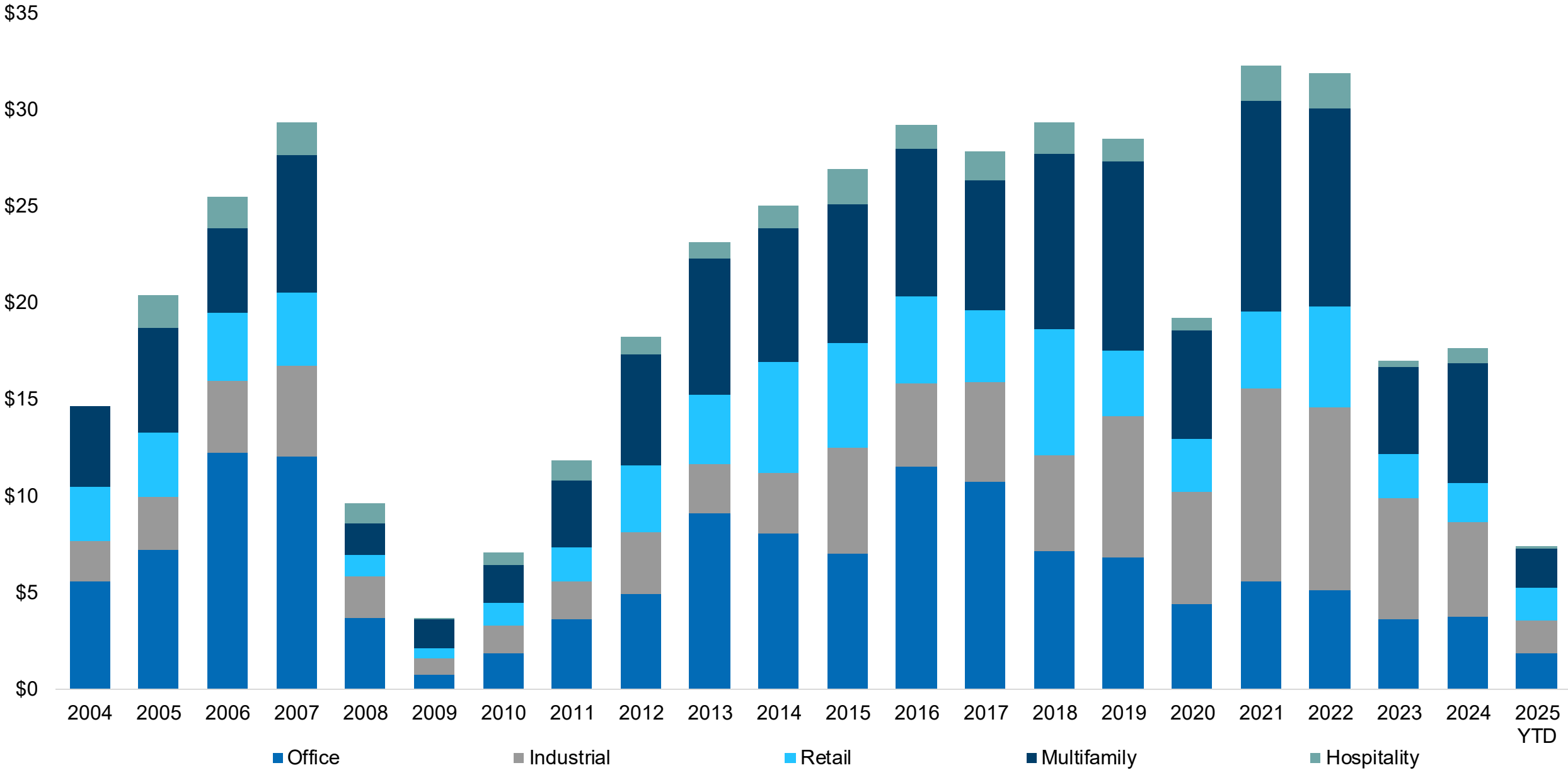




# Industrial Comprised 23.0% of Total Sales Volume in the First Half of 2025

This figure is slightly above the 21-year average of 20.7%. 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 sales activity in recent quarters, however.

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



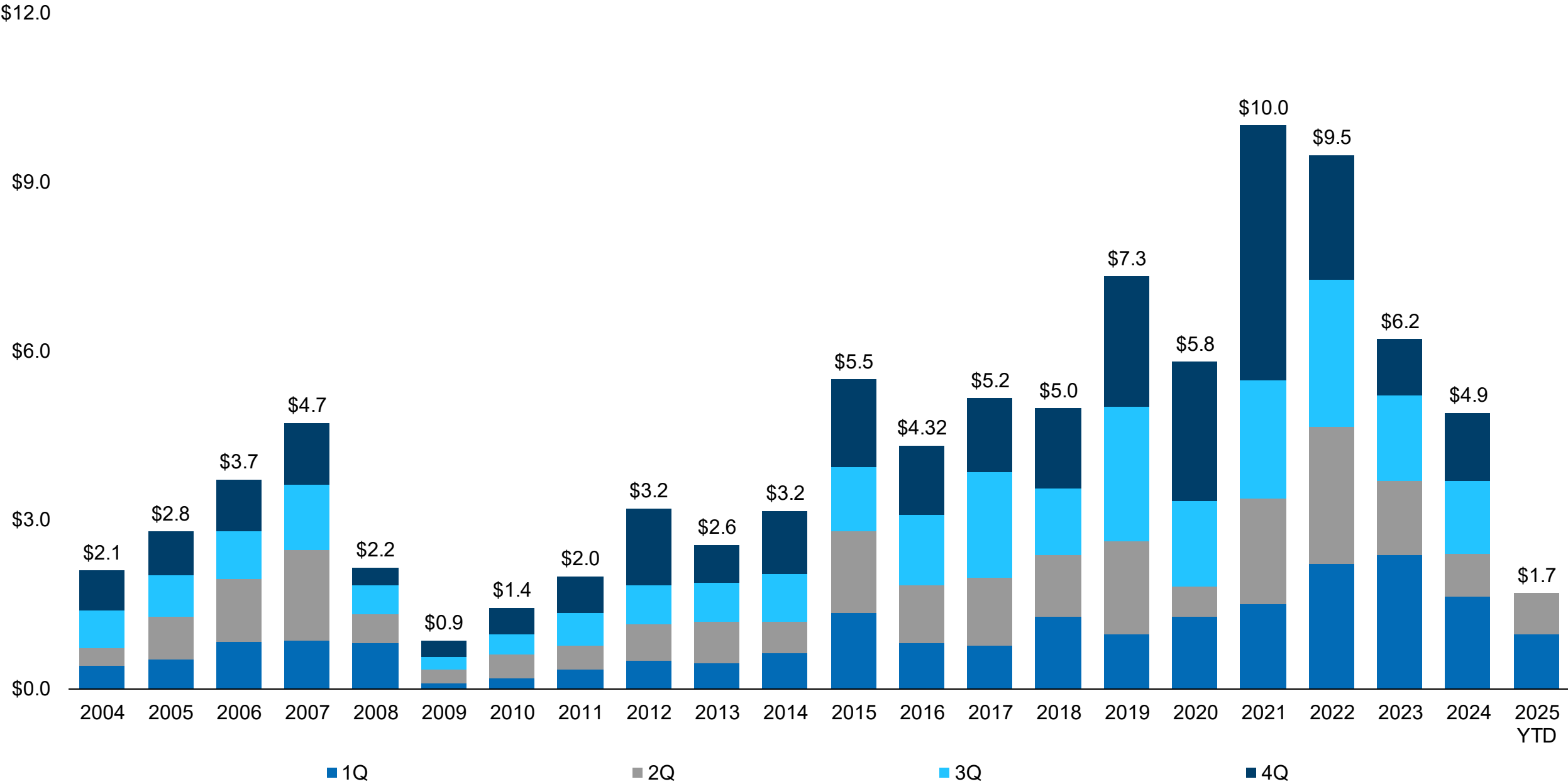
Source: MSCI Real Capital Analytics, Newmark Research  
Note: Preliminary data is cited for the second quarter of 2025.



# Industrial Sales Volume: Up Close

Industrial sales volume totaled \$726.5 million in the second quarter of 2025, a 4.0% decrease from the second quarter of 2024 and 30.7% below the average second quarter sales from 2012 to 2019. The higher cost of capital following multiple interest rate hikes from March 2022 to July 2023 has reduced momentum. Additionally, adjusting leasing fundamentals has 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 second quarter of 2025.



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Pricing is Down and Cap Rates are Up

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## Private Buyers Dominate YTD Sales



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# Appendix





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## Los Angeles Submarket Map and High-Level Statistics | 2Q25



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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

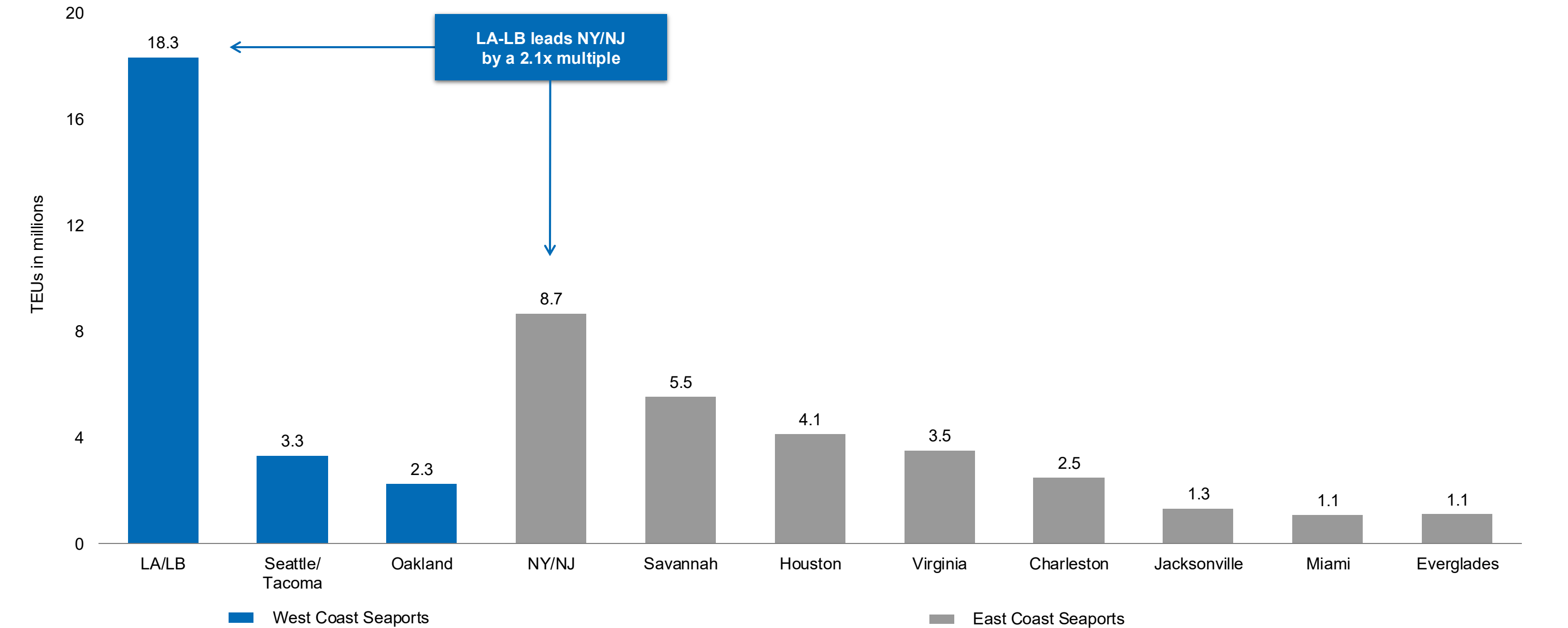
Source: Newmark Research, upply  
Note: TEU totals includes loaded and empty containers



# 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



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## Why Los Angeles-Long Beach?

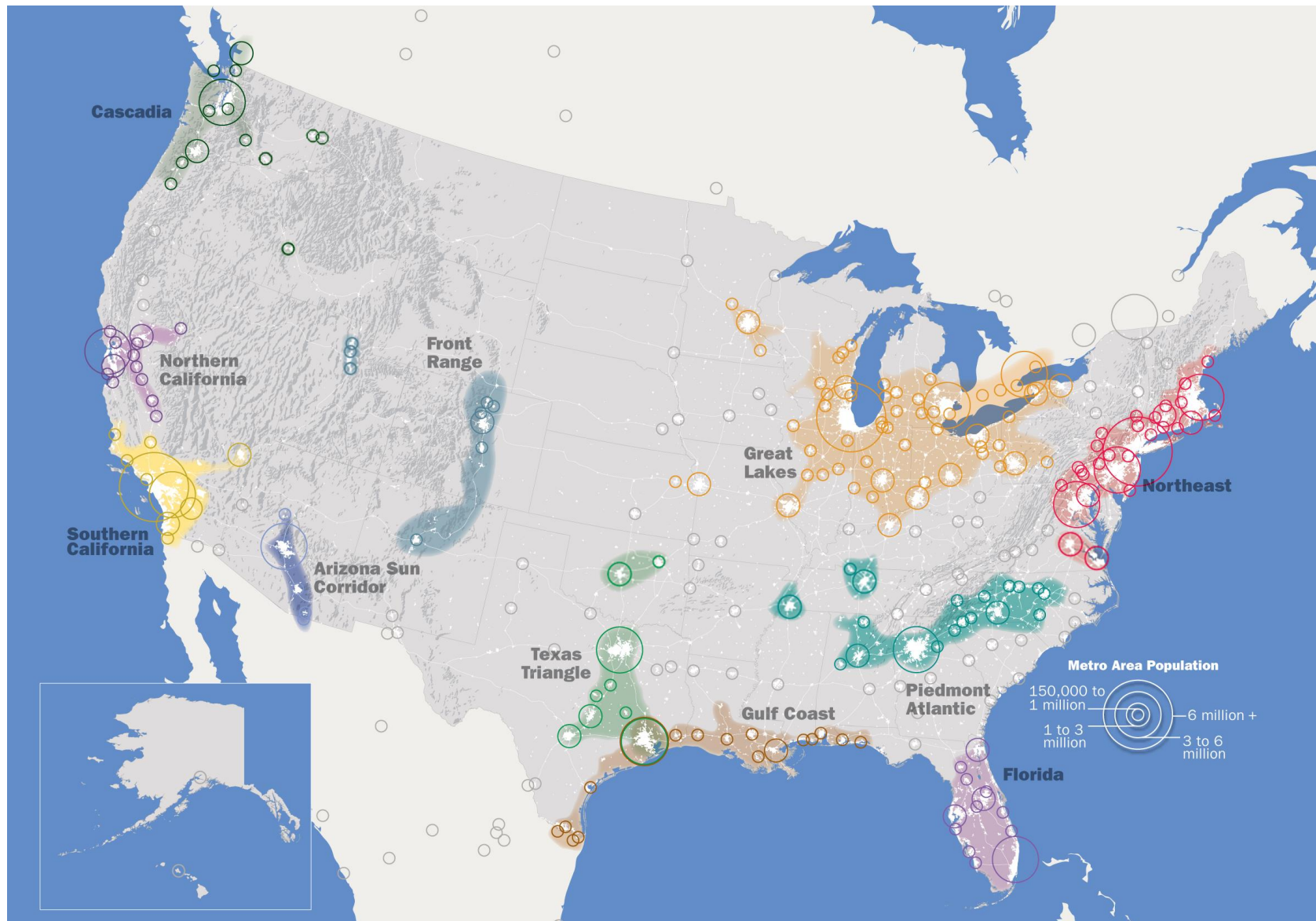


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# Population of Megaregions: Past and Projected

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
<b>Greater Southern California</b>	<b>24.4M</b>	<b>29.0M</b>
Texas Triangle	19.8M	24.8M

Source: U.S. Census Bureau



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# 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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## New California Bill Adds Regulations on Warehouse Development in the State



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## WAIRE: Program Summary and Implications for Industrial



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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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