



NEWMARK

# *Los Angeles:* Industrial Market Overview

3Q26



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# Access the Expanded 3Q26 Los Angeles Industrial Market Overview



## *Los Angeles:* Industrial Market Overview



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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 State of Aerospace and Defense in the Region**
- **Leasing Conditions Within the Big-Box Segment**
- **Sales Activity:** Includes notable industrial sales, top buyers, and how industrial compares to other property segments.
- **Detailed Submarket Statistics**
- **Regulations**

*Extensive content across 46 slides—a detailed presentation packed with **useful industrial information and in-depth analysis.***

# Los Angeles Industrial Market Observations



## Economy

- Loaded imports at Southern California ports hit a record 6.95 million TEUs through August. U.S. retail sales in the first half of 2026 had a 5.3% annual increase, with e-commerce up 11.2%.
- Local industrial-related employment decreased 0.6% on a year-over-year basis.
- Diesel prices surpassed \$6.00 per gallon in September and could remain elevated into 2027 despite [temporary relief measures](#). Higher fuel costs and ongoing tariff increases may place further upward pressure on consumer prices as businesses pass through added expenses.
- U.S. wage growth has lagged inflation for five straight months, which could dampen retail sales, especially if unemployment rises meaningfully.
- The Federal Reserve raised its benchmark rate to 3.75%-4.00% in September, marking its first increase since 2023. Officials project one additional hike by year-end.



## Major Transactions

- Twenty-eight big-box leases (100,000+ SF) were signed in the third quarter, down from 45 in the second quarter and 39 a year earlier. Class A signings fell more sharply, from 19 to eight quarter over quarter.
- The South Bay led all submarkets for the second consecutive quarter with 13 big-box leases. Aerospace and defense firms, including EnduroSat, Starpath Robotics and Castellon, supported activity despite fewer and smaller commitments from these industries than in the prior quarter.
- International Cargo Terminals signed the largest lease of the quarter when it committed to 338,936 SF at the Port LA Distribution Center in San Pedro. Newmark represented the tenant in the transaction.
- Hines purchased a 182,269-SF warehouse in Torrance from Lift Partners for \$76.5 million in one of the largest sales of the quarter. The property is fully leased by Northwood Space Corp.



## Leasing Market Fundamentals

- Third-quarter net absorption totaled -583 KSF, ending four consecutive quarters of occupancy gains. Big-box departures by 3PLs and consumer goods firms, smaller tenant move-outs and fewer offsetting move-ins drove the decline.
- Class A leasing volume remained robust despite fewer big-box signings. Net absorption was healthy as well, with 457 KSF in gains this quarter.
- Class A contract rents continue to rise, with the highest rates in the South Bay, particularly along I-405, where the region's aerospace and defense industry is largely concentrated. Class B rents could stabilize as some Class A tenants seek lower-cost space.
- Demand for more economical space supported Central, where inventory is predominantly Class B and C. The submarket recorded the smallest quarterly decline in leasing volume among Los Angeles's five submarkets, supported by cost-conscious 3PLs and consumer goods firms seeking smaller footprints.

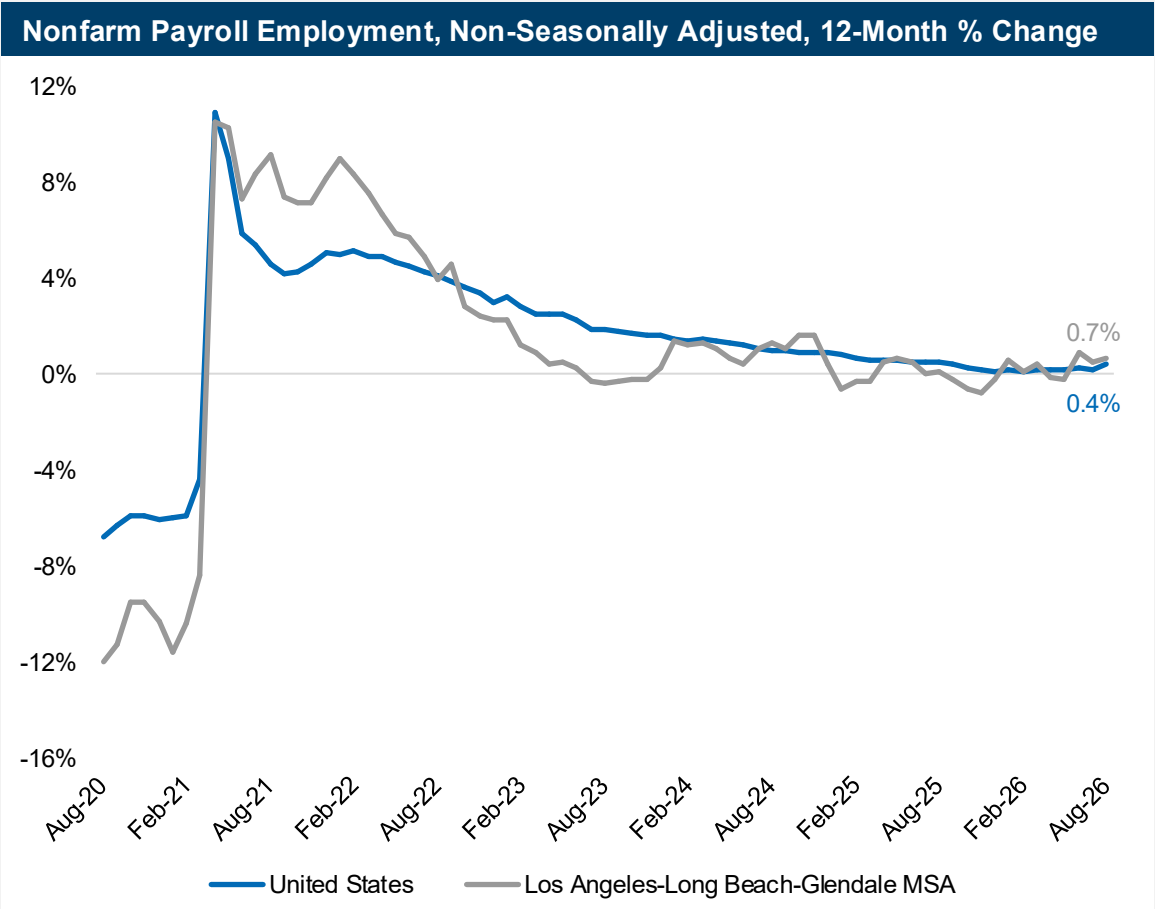
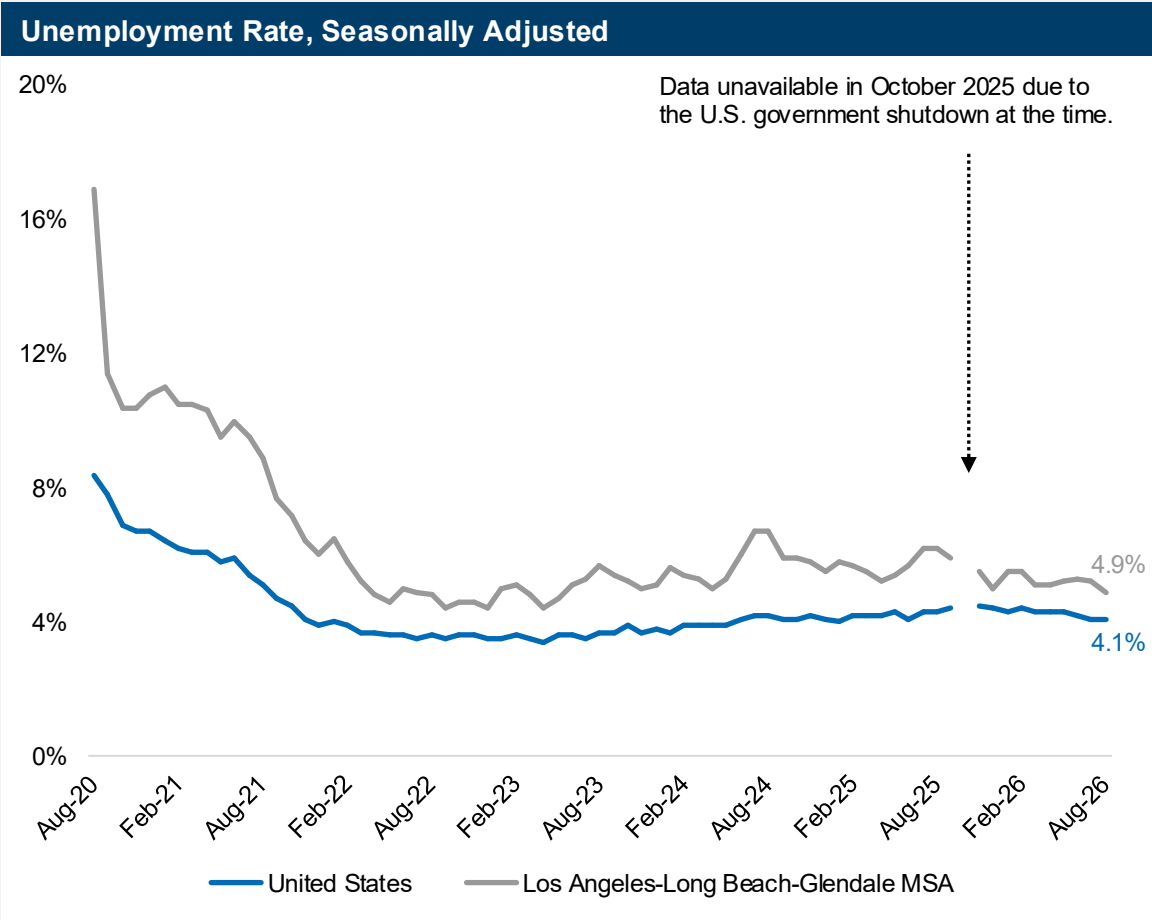


## Outlook

- Higher interest rates are increasing borrowing costs for consumers and businesses. Wage growth trailing inflation could slow consumer spending, weighing on warehouse demand and occupier expansion. Volatile fuel prices and tariff-related costs add further pressure.
- Four big-box warehouses totaling 607 KSF broke ground in the South Bay during the third quarter. Recent leasing trends suggest aerospace and defense firms could commit to a substantial share of the new space.
- Speculative groundbreakings will likely remain limited outside the South Bay, where aerospace and defense demand supports development and higher fuel and transportation costs strengthen the value of port proximity.
- Persistent macroeconomic pressures could temper leasing among 3PLs and smaller, less-capitalized firms that traditionally anchor Los Angeles's infill tenant base. However, high transportation costs could help sustain demand in port-proximate submarkets.

# Local Unemployment Falls Below 5.0%; Market Observes Modest Employment Growth

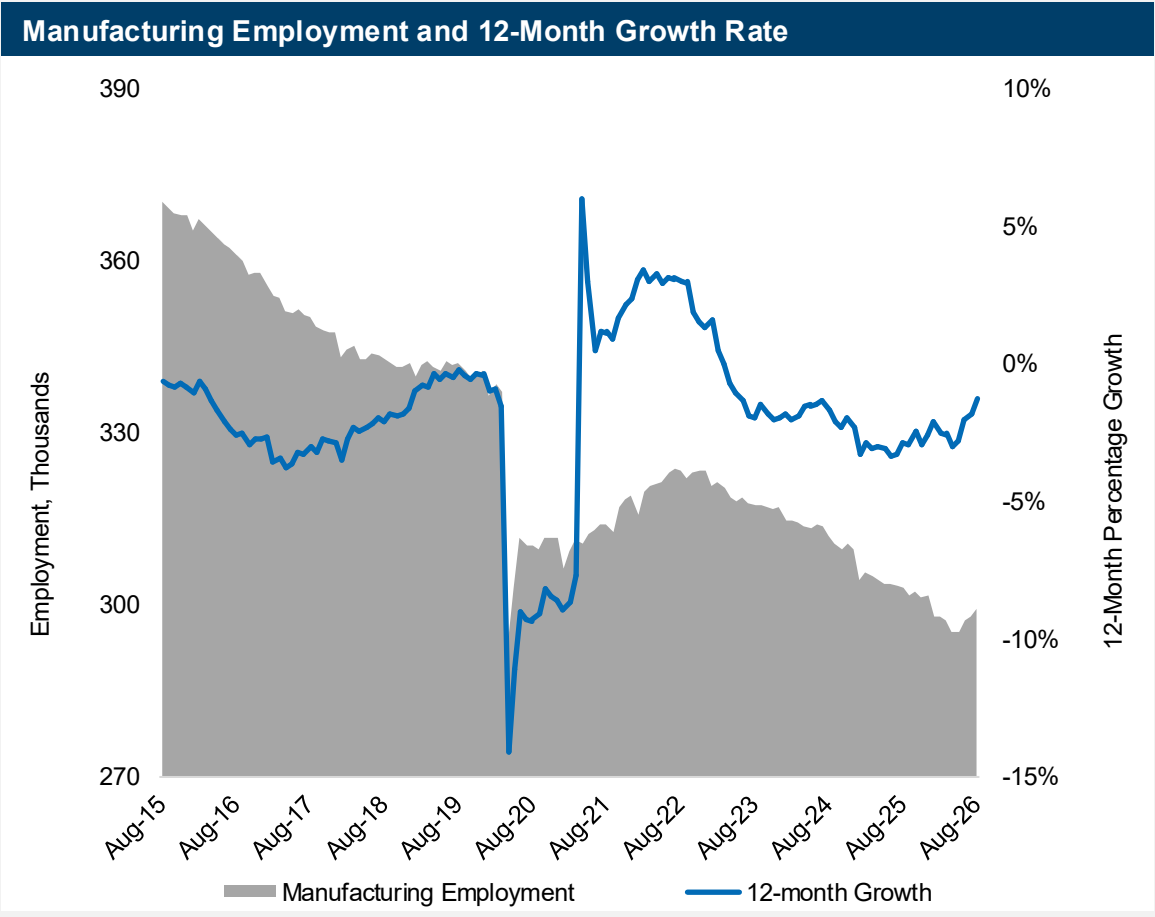
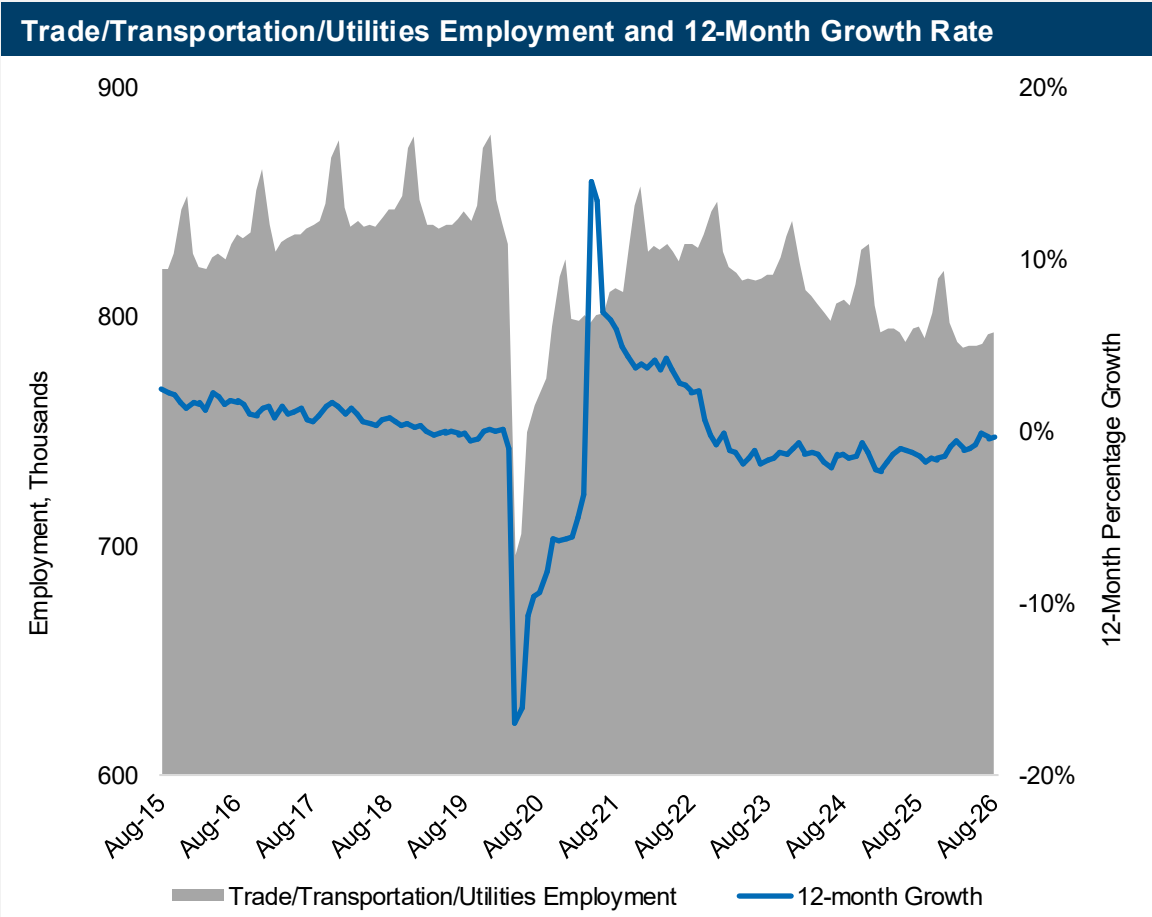
Local unemployment declined to 4.9% in August, falling below 5.0% for the first time since May 2023. Gains in government and education and health services employment drove modest year-over-year growth in the market’s total nonfarm employment.



Source: U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Glendale MSA  
Note: Local unemployment statistics for October 2025 were unavailable due to a federal government shutdown.

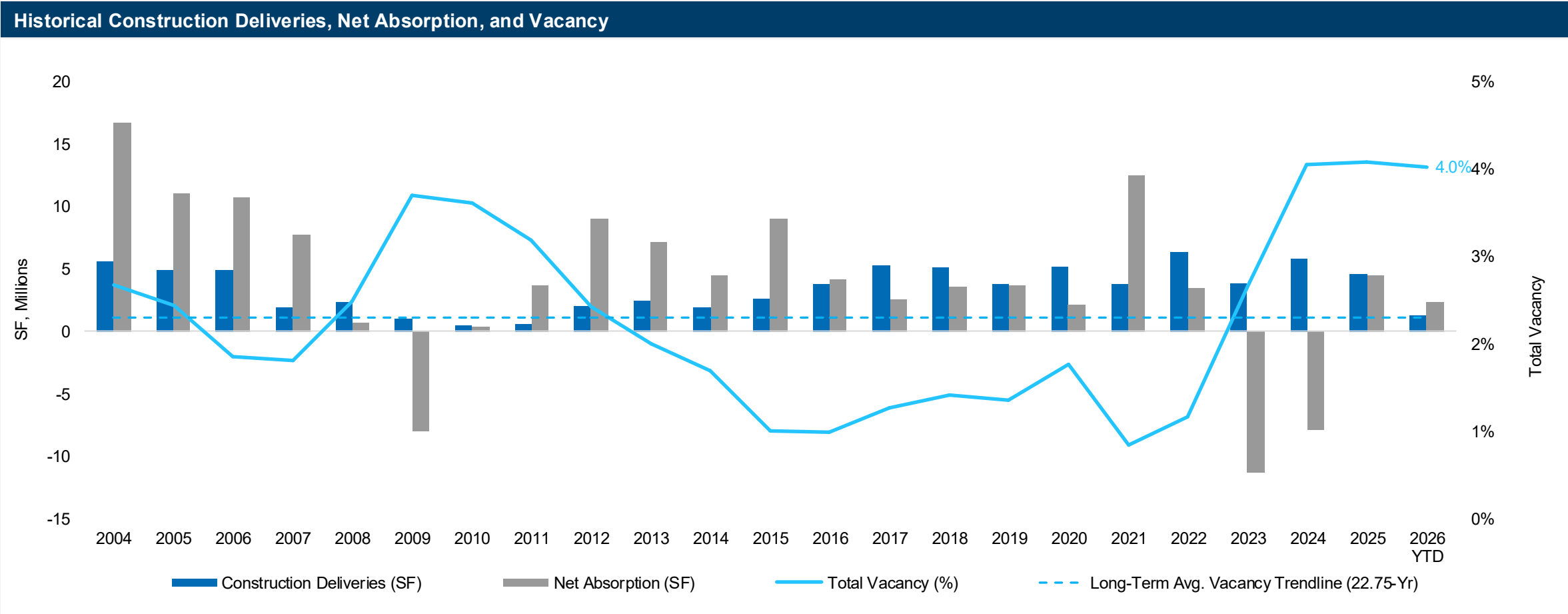
# Industrial Employment Declines; Cost Pressures Persist

Trade, transportation, and utilities employment declined 0.3% year over year in August 2026, while manufacturing employment fell 1.3%. Combined employment in these sectors decreased 0.6% over the same period. Both sectors face ongoing challenges from automation, elevated operating costs, and tariff-related input pressures.



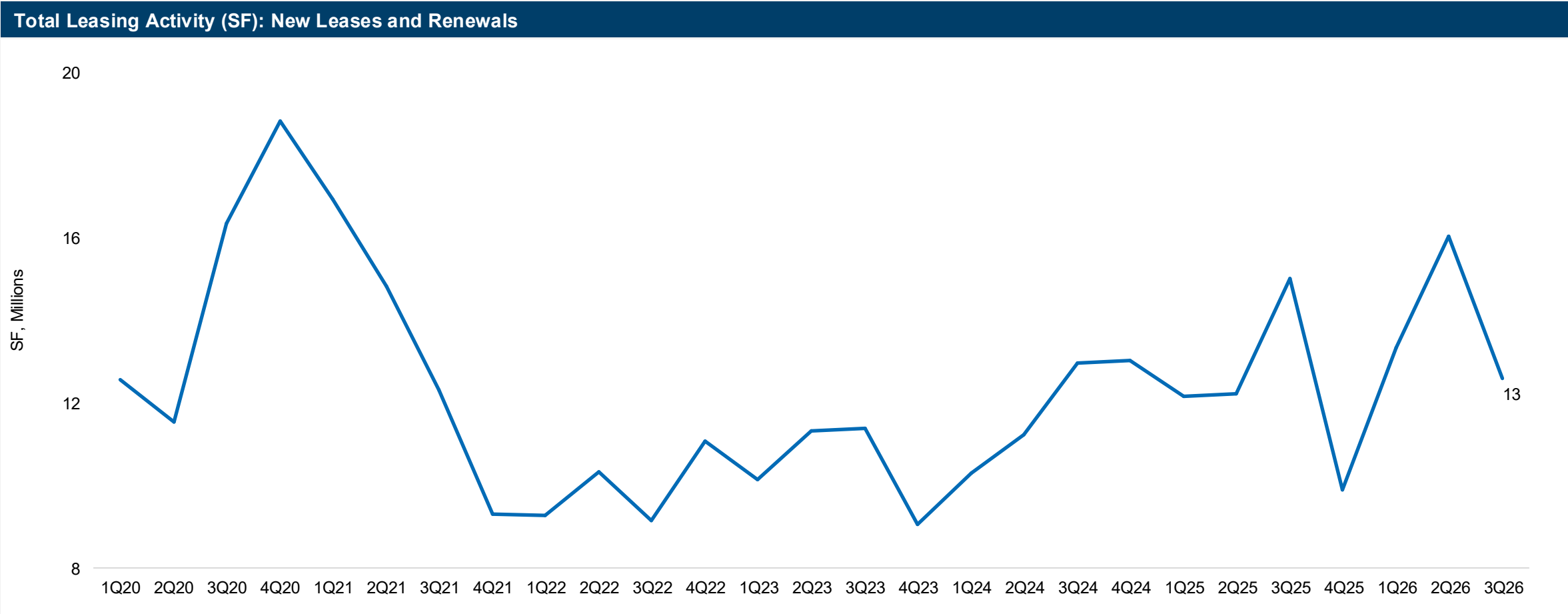
# Tenant Departures Led to Absorption Losses This Quarter

Los Angeles recorded 583 KSF of negative net absorption in the third quarter, driven by big-box move-outs by 3PLs (including STG Logistics and Lincoln Transportation) and consumer goods firms (including Houdini and Soho Apparel), along with numerous tenant departures from spaces under 100 KSF. Vacancy increased 10 basis points quarter over quarter to 4.0%. Despite the quarterly loss, year-to-date net absorption remained positive at 2.4 MSF, exceeding construction deliveries of 1.3 MSF.



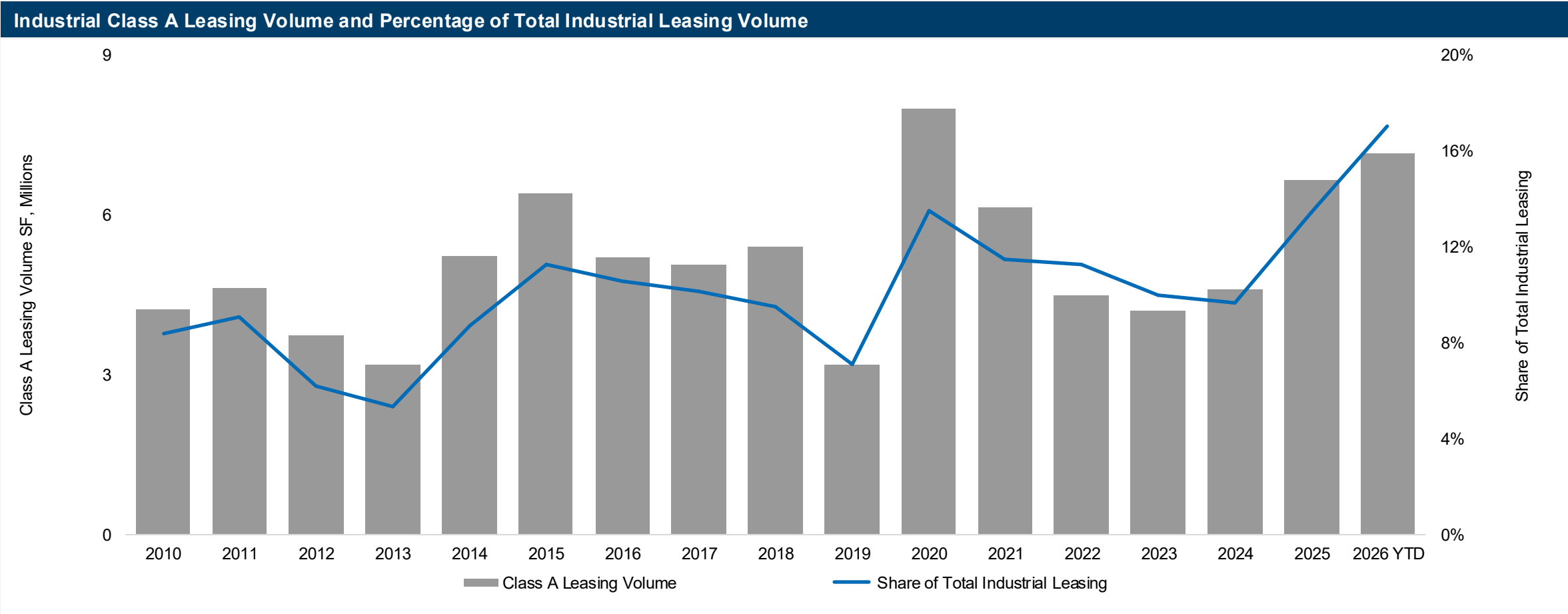
# Leasing Activity Stumbles in the Third Quarter

Third-quarter leasing fell 21.5% from the second quarter and 16.1% from a year earlier, but at 12.6 MSF it remained modestly above the preceding 6.5-year quarterly average of 12.3 MSF. A pullback in aerospace- and defense-related leasing contributed to the decline, as the limited pool of modern-generation 100,000+ SF space, particularly in the South Bay, constrained options for these tenants. Across the broader market, tenant-friendly lease terms, unemployment that has fallen below 5.0% and healthy consumer spending continue to support demand. However, elevated diesel costs and rising borrowing costs are weighing on leasing, particularly among less-capitalized firms and cost-sensitive tenants such as 3PLs.



# YTD Class A Leasing Volume Remains Well Above Historical Average

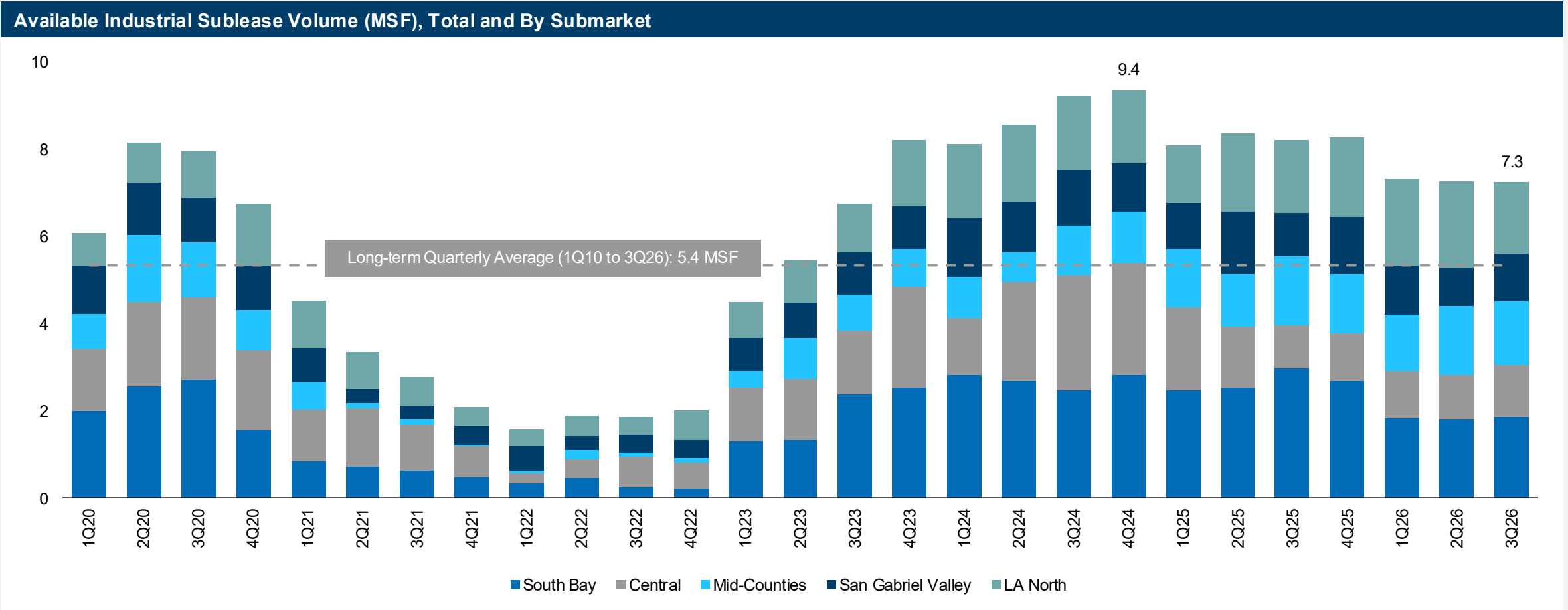
Class A leasing activity accounted for 17.1% of total market leasing in the first three quarters of 2026, considerably higher than the preceding 16-year average rate of 9.7%.



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.

# Available Sublease Space Held at 7.3 MSF for the Third Consecutive Quarter

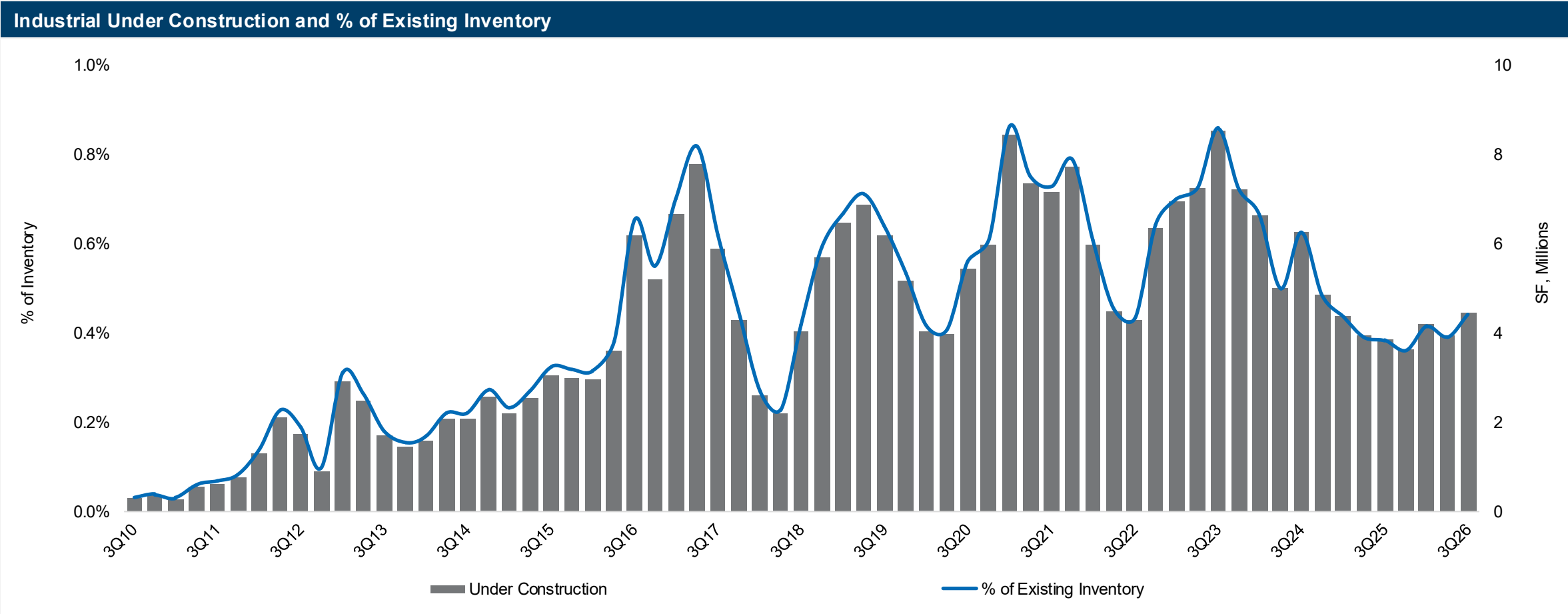
7.3 MSF is presently on the market, which matches the totals for the first and second quarters of this year. Sixty-two percent of available sublease space is concentrated in the region’s infill submarkets, which are disproportionately leased by 3PLs that are highly sensitive to both rent and fuel costs. Despite these pressures, total sublease availability remains below its late-2024 peak of 9.4 MSF.



Source: Newmark Research  
Note: The infill submarkets include South Bay, Central, and Mid-Counties

# South Bay Groundbreakings Drive Growth in Construction Pipeline

The under-construction pipeline expanded 13.2% from last quarter, with most new groundbreakings concentrated in the South Bay. Construction began on a 191,000-SF facility in Gardena and three buildings totaling 416,000 SF at Torrance Gateway Phase III. Limited availability of Class A big-box space and renewed demand from aerospace and defense companies have supported additional industrial development in and around the South Bay.



# Notable 3Q26 Lease Transactions

Twenty-eight leases over 100,000 SF were signed this quarter, far below the 45 signed in the previous quarter and the 39 signed during the third quarter of 2025. Of this quarter’s 100,000+ SF leases, 19 were direct leases, three were subleases and six were renewals/extensions.

| Select Lease Transactions                                                                                                                                   |                                    |                    |                 |             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------|-----------------|-------------|
| Tenant                                                                                                                                                      | Building                           | Submarket          | Type            | Square Feet |
| International Cargo Terminals Inc.                                                                                                                          | Port LA Distribution Center        | South Bay          | Direct Lease    | 338,936     |
| The container freight forwarder moved into the vacant facility in September. Newmark represented the tenant in the transaction. Lease term expires in 3Q36. |                                    |                    |                 |             |
| KDC/One Chatsworth, Inc.                                                                                                                                    | 9120 Mason Ave                     | LA North           | Lease Renewal   | 319,348     |
| The Chatsworth-based beauty and home care product manufacturer renewed its lease at the facility in September. Lease term expires in 1Q34.                  |                                    |                    |                 |             |
| Confidential Tenant                                                                                                                                         | Xebec Business Center Commerce     | Central            | Lease Extension | 273,507     |
| Newmark represented the landlord in the transaction.                                                                                                        |                                    |                    |                 |             |
| Geodis Logistics, LLC                                                                                                                                       | Watson Corporate Center, Bldg. 206 | South Bay          | Lease Renewal   | 224,560     |
| The France-headquartered 3PL, which has occupied the facility since 2012, renewed in September.                                                             |                                    |                    |                 |             |
| SLA Inc.                                                                                                                                                    | 19465-19485 E Walnut Dr            | East (San Gabriel) | Direct Lease    | 220,000     |
| The freight forwarder will move into the vacant facility in October. Lease term expires in 1Q32.                                                            |                                    |                    |                 |             |

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