



NEWMARK

Los Angeles: Industrial Market Overview

4Q25



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Access the Expanded 4Q25 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 Trajectory of Contract Rents**
- **Leasing Conditions by Building Size Segment**
- **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 56 slides—a detailed presentation packed with **useful office information and in-depth analysis.***

Los Angeles Industrial Market Observations



Economy

- Loaded import volume at Southern California's Ports totaled 9.3 million containers in the first 11 months of 2025, the second-highest year-to-date total on record. Import traffic at Southern California's seaports was uneven this year due to ever-changing [U.S. tariffs](#) on foreign goods.
- [Tariff exemptions and enforcement gaps](#) kept effective tariff rates well below statutory rates in 2025, while companies broadly absorbed the bulk of tariff costs in the immediate term to keep consumer prices stable. Cost passthroughs to consumers continued to play out through the year, while annual job growth fell to the lowest level since 2020.
- U.S. wage growth continues to outpace inflation and retail sales are healthy despite a recent decline in consumer confidence, a hiring slowdown, and a rise in consumer debt. Sales will decline if unemployment meaningfully increases.



Major Transactions

- Fourteen direct leases exceeding 100,000 SF were signed this quarter, far below the 26 signed last quarter and roughly on par with the 13 signed in the fourth quarter of 2024. The market recorded a mere three renewals and extensions within this transaction size segment in the fourth quarter, down from 10 signed last quarter and seven signed in the fourth quarter of 2024.
- Newmark brokered two of the five largest lease transactions of the quarter.
- Morgan Stanley purchased a 143,060-SF facility at 5705 W 98th St from Overton Moore Properties for \$211.4 million in November. This was the largest sale of the quarter.
- Sales volume for the year was on par with the 2012-2019 average. Industrial sales activity will gain momentum as leasing fundamentals improve and landlords acquire greater leverage.



Leasing Market Fundamentals

- Overall leasing volume declined sharply in the fourth quarter following growth earlier in the year. While mixed economic signals will moderate leasing activity into 2026, many tenants will continue to lock in plateauing rents. Class A product was increasingly pursued in 2025.
- 687 KSF in net absorption gains occurred this quarter while vacancy (4.3%) was flat for the third consecutive quarter. Annual net absorption (2.5 MSF) was positive for the first time since 2022.
- Available sublease space rose 7.1% from last quarter to reach 9.9 MSF.
- Infill contract rents for facilities with 24'+ clear heights fell 31.1% from 11 quarters ago, a moderate decline given the 103.0% rent growth from early 2021 to late 2022. Concessions, meanwhile, are substantially up.
- Lease term lengths are gradually rising as tenants lock in favorable conditions.

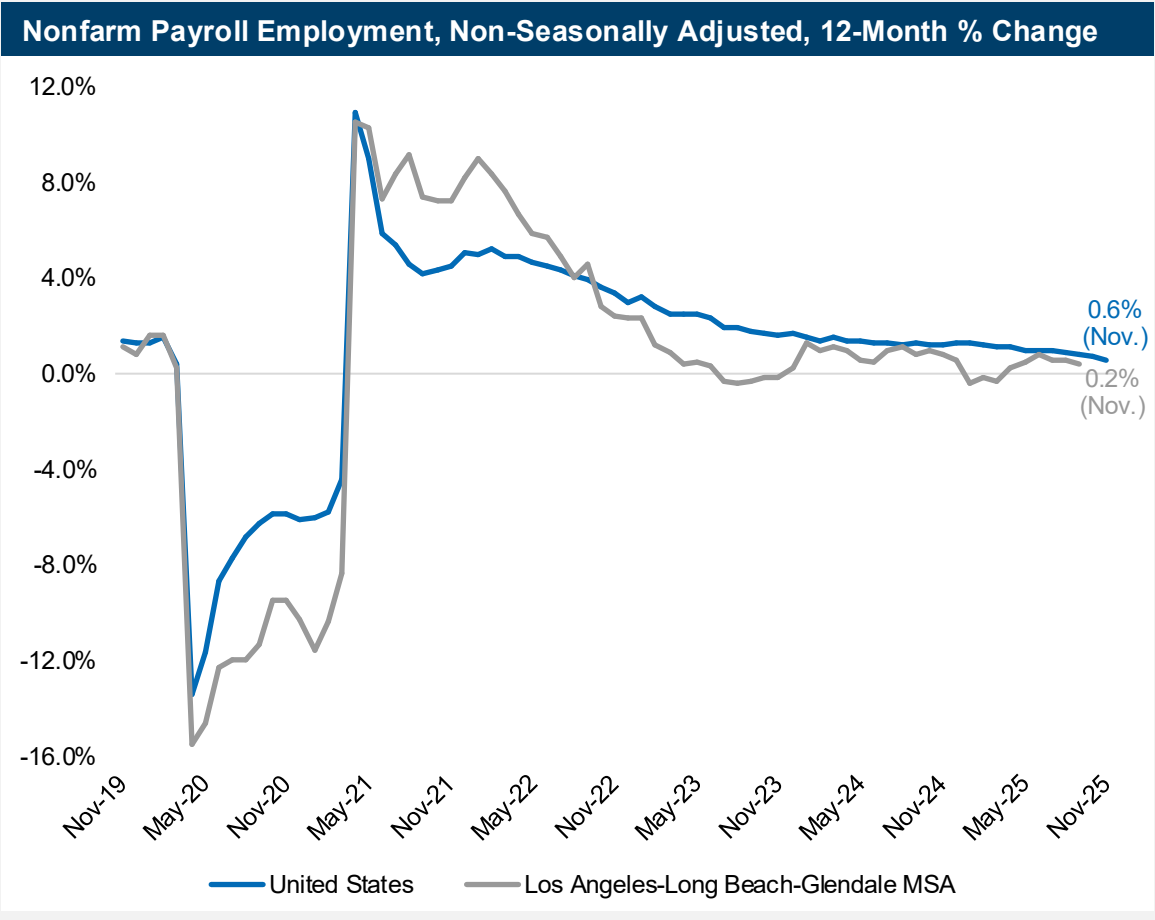
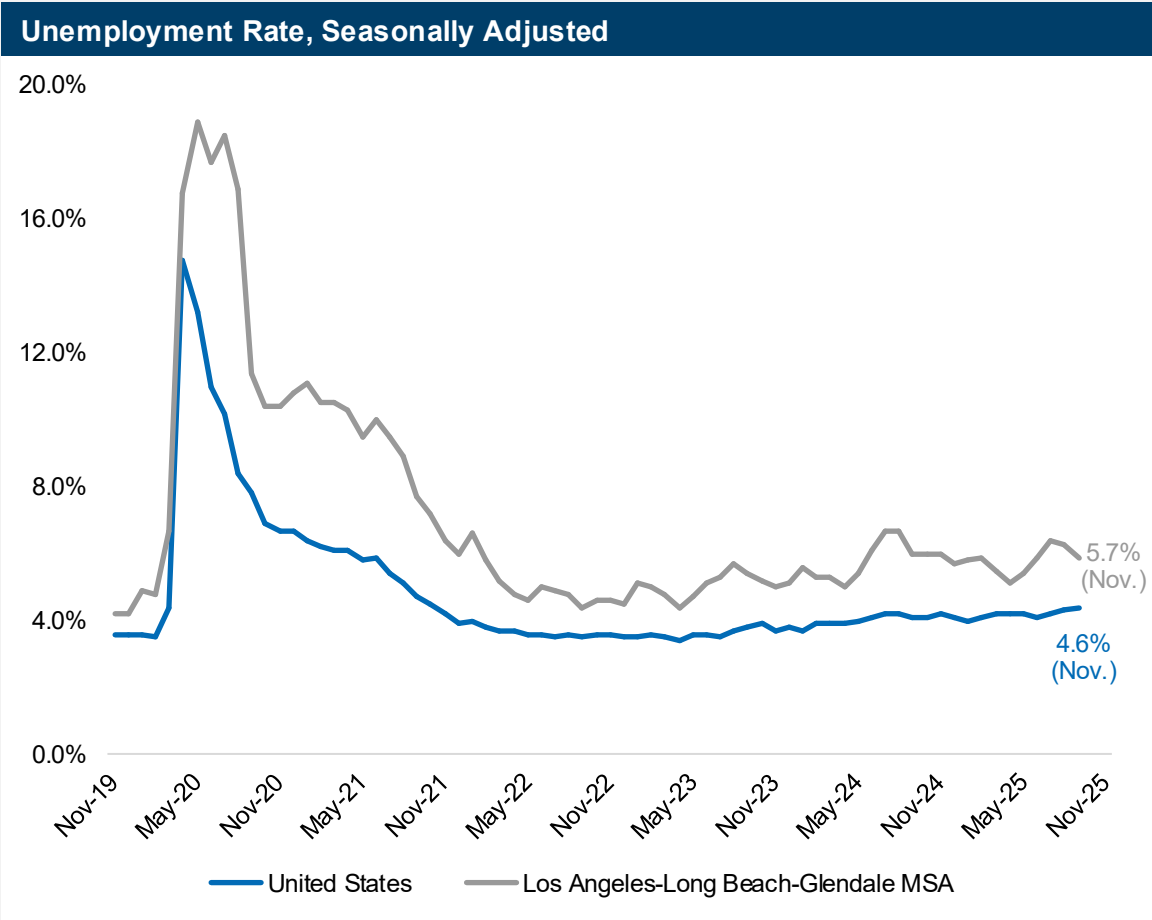


Outlook

- U.S. tariff policy—along with high borrowing costs and AI—continues to cut into corporate profit margins, raise consumer costs, and depress hiring. At the same time, slackening labor constraints, federal policy initiatives and AI-facilitated corporate efficiencies favor spending in 2026. Select occupiers will strategically curb lease commitments as the economy remains in flux.
- The Port of Los Angeles is currently seeking proposals for the development of Pier 500, the first new terminal at the port since 2002.
- Current construction volume, which rests at 3.7 MSF, is at a 6.5-year low. Limited speculative construction will help insulate market vacancy.
- California AB 98's restrictive development standards for new logistics developments take effect at the start of 2026. The standards will constrict big-box developments within infill markets, improve the marketability of pre-existing infill sites and spur construction in tertiary markets.

Local Unemployment Declines Via Seasonal Hirings; Employment Growth Near Zero

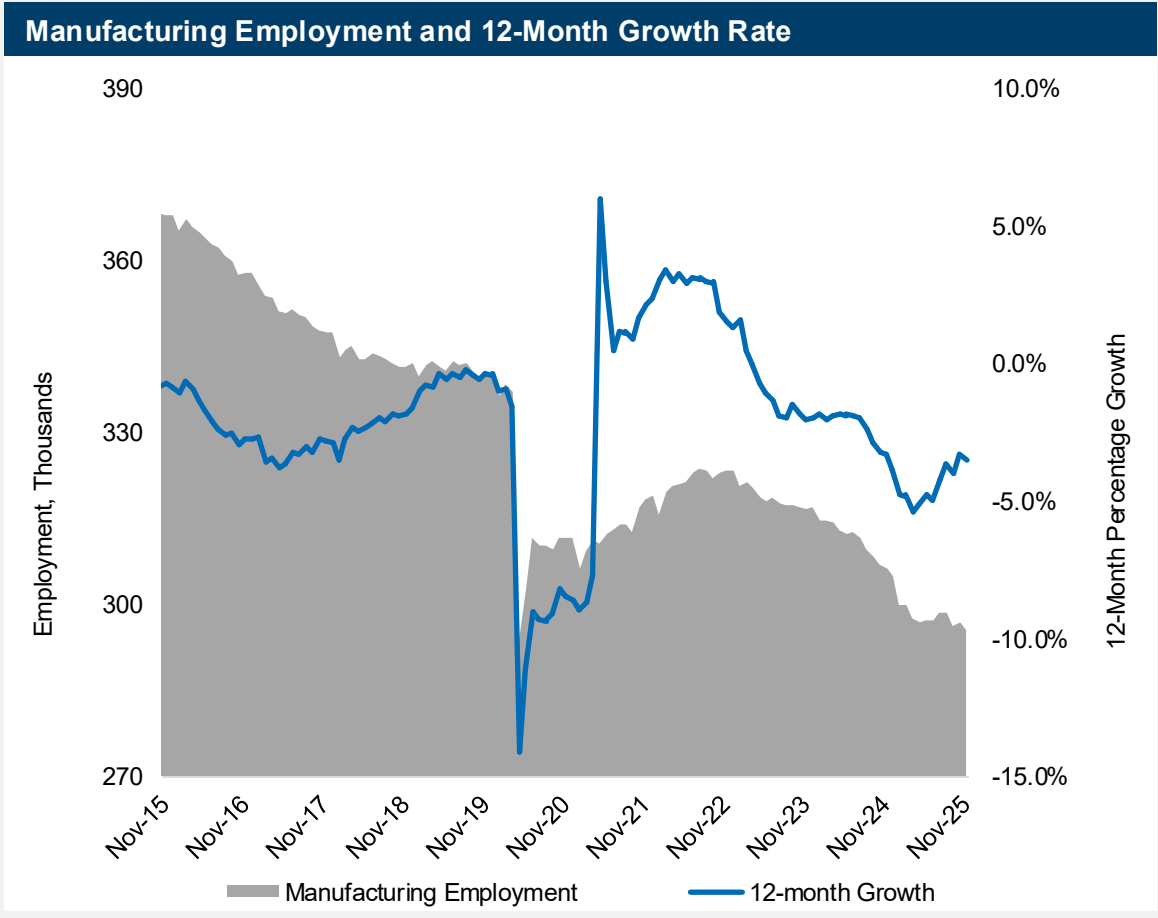
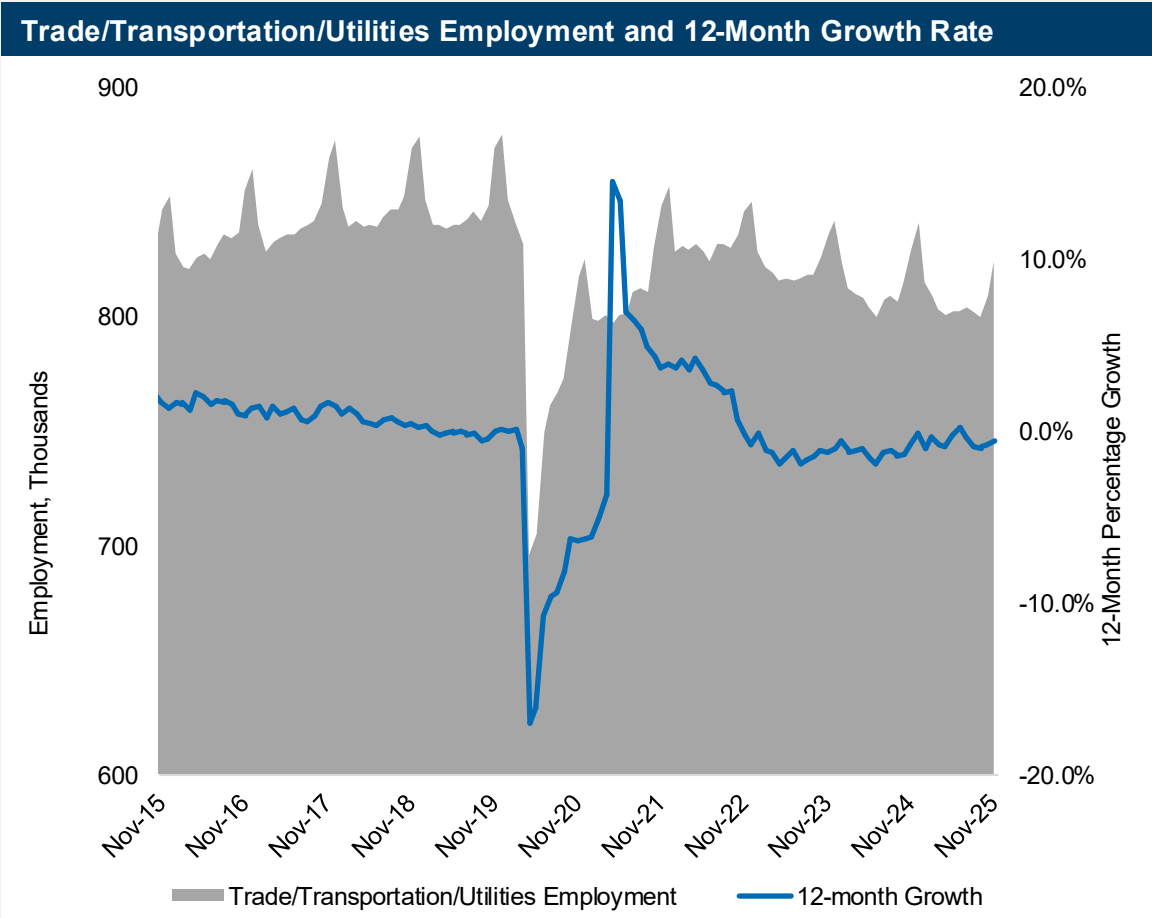
Local unemployment in November (5.7%), which boasted a 30-bps year-over-year decline, fell in recent months amid the seasonal uptick in employment within the trade, transportation and utilities sector. Local nonfarm payroll growth has remained below national figures since October 2022, reflecting stagnant labor pool expansion.



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

Industrial Employment Growth Down As Job Openings Shrink; Sector Vulnerable to Tariffs

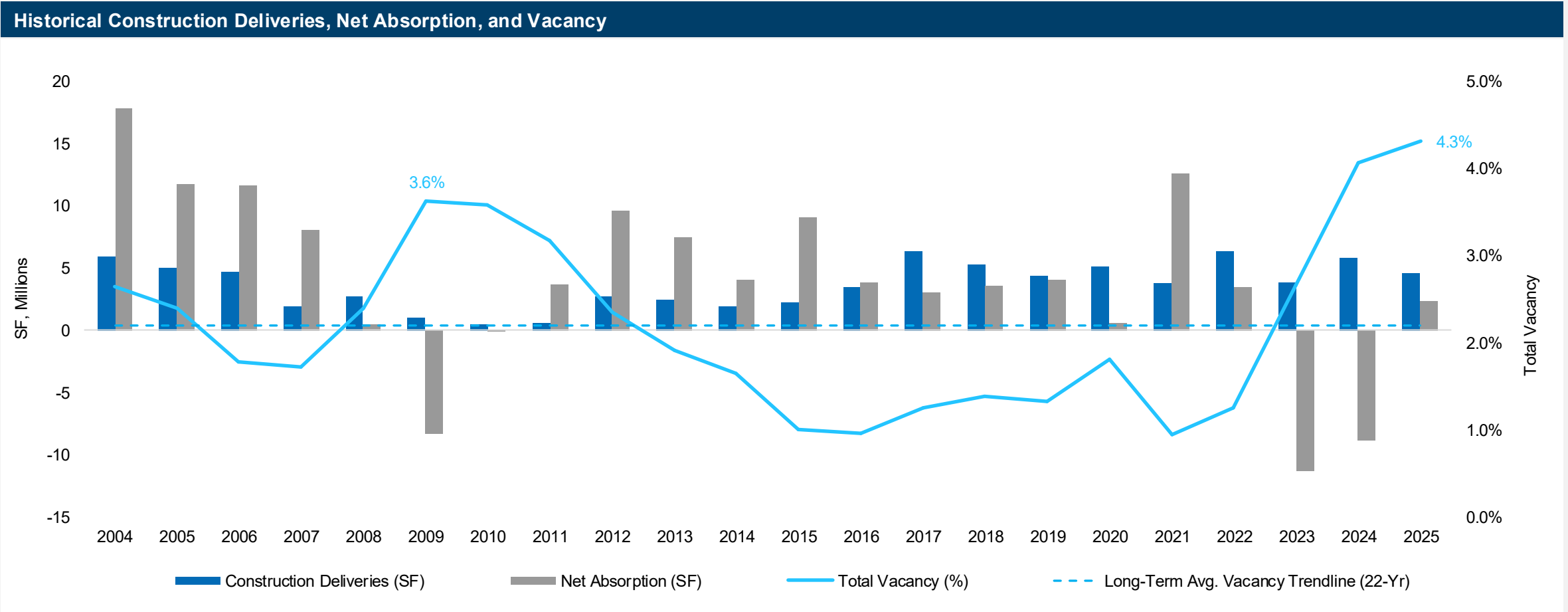
The trade/transportation/utilities sector, which reached an 11-month employment peak in November due to seasonal hirings, nevertheless experienced a modest decline in year-over-year employment growth amid fewer full-time job openings. Manufacturing employment, which continues to contend with increased automation and elevated costs of doing business in California, has particularly severe exposure to tariffs as it pertains to higher raw material costs.



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

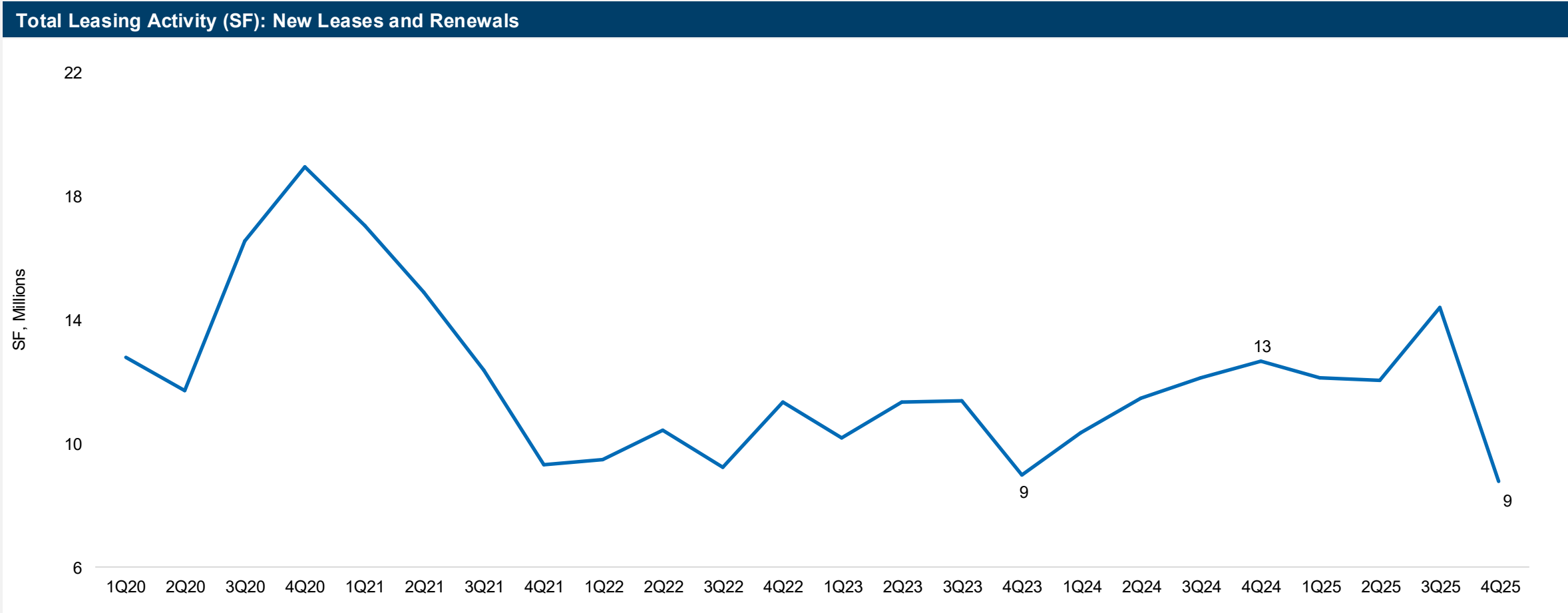
Market Records Second-Straight Quarter of Positive Net Absorption; Vacancy Remains Flat

Los Angeles boasted 686,662 SF in net occupancy gains in the fourth quarter of 2025. Big-box move-ins by tenants such as Hyperdyne (205,435 SF at 20100 S Alameda St in Rancho Dominguez) and DrinkPAK, LLC (172,843 SF at 26313 Golden Valley Rd in Santa Clarita) significantly contributed to the positive showing. Quarterly net absorption gains largely offset the delivery of 976,891 SF in primarily unleased new construction in the fourth quarter, keeping vacancy flat at 4.3% for the third consecutive quarter. On an annual basis, net absorption finished 2025 with 2.2 MSF, the first year of net occupancy gains since 2022.



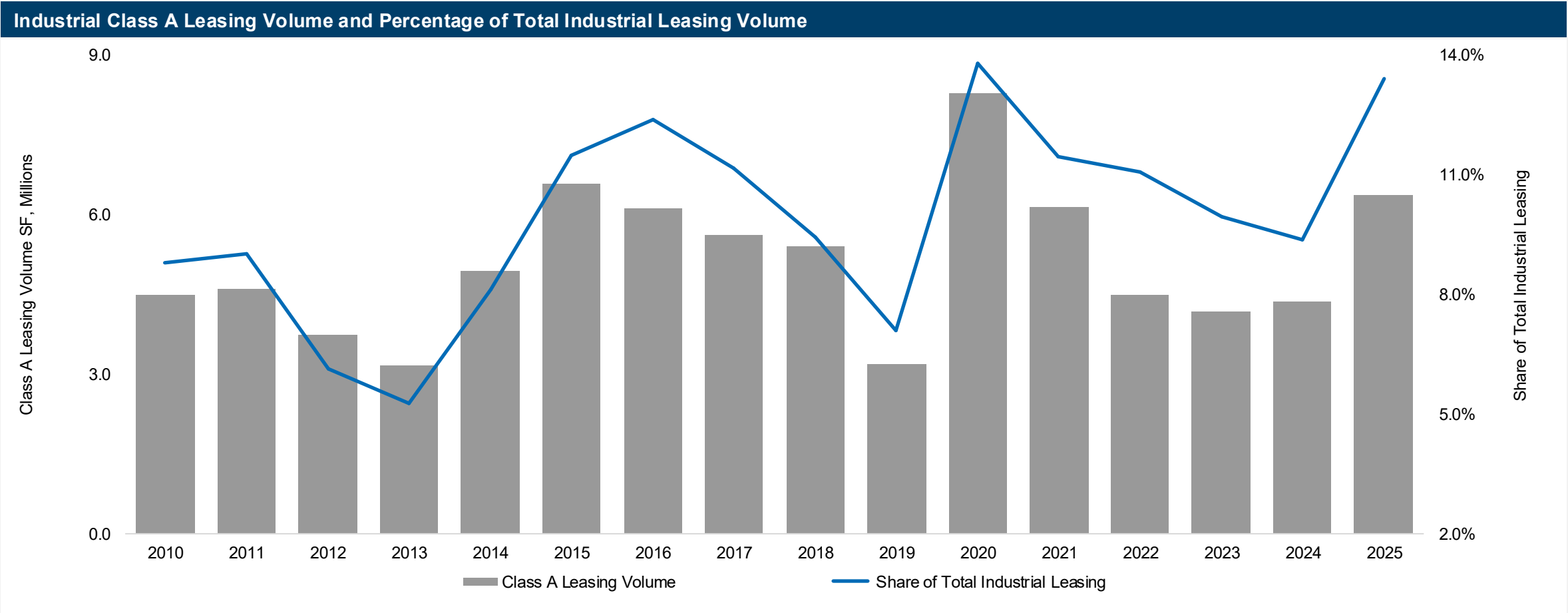
Fourth-Quarter Leasing Activity Slumps; Mixed Economic Signals Complicate Outlook

A pronounced pullback in big-box renewals partially accounted for the lowest quarterly leasing volume since the fourth quarter of 2023. While plateauing industrial rents and healthy consumer spending helped encourage space commitments in recent quarters, it remains to be seen how trade policy, inflation, and employment dynamics will combinatorially shape leasing momentum in 2026.



YTD Class A Leasing Volume Exceeds Historical Average

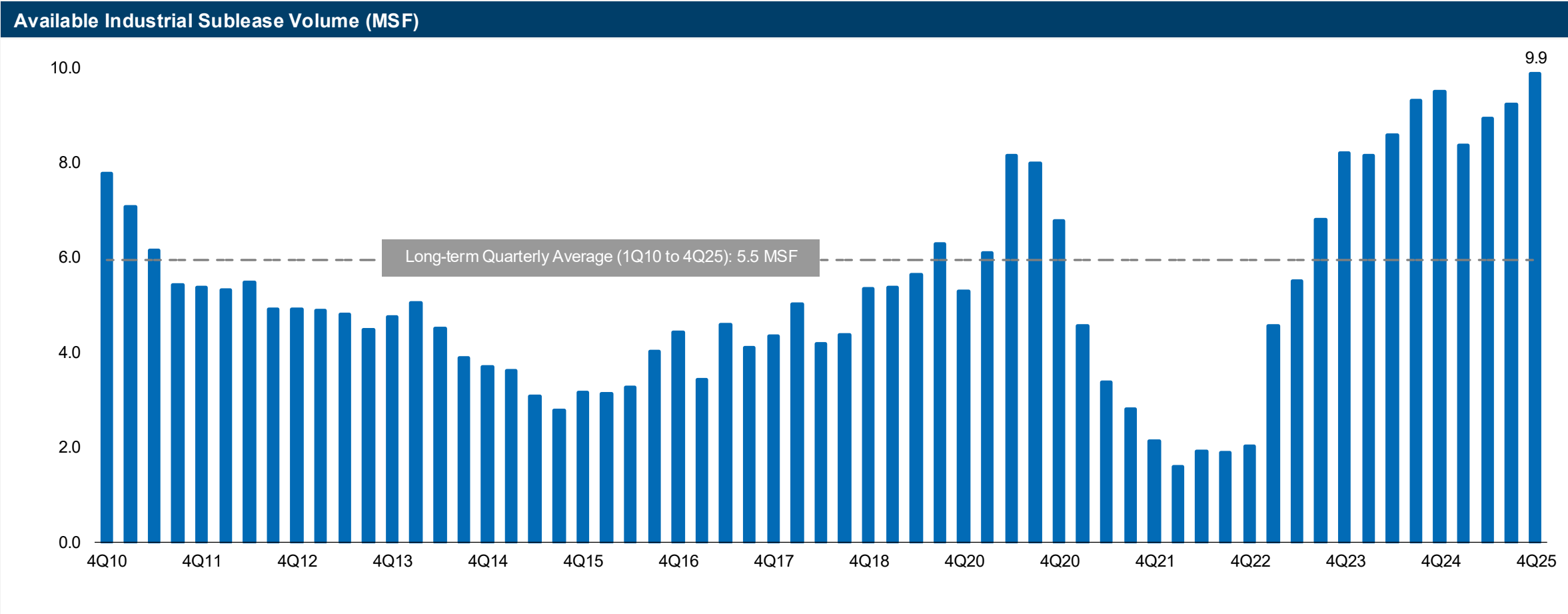
Class A leasing activity accounted for 13.4% of total market leasing in 2025, clearing the 16-year average of 9.9%. As product availability surges and tenants retain leverage in leasing negotiations, prospective occupiers are increasingly pursuing top-shelf space.



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.

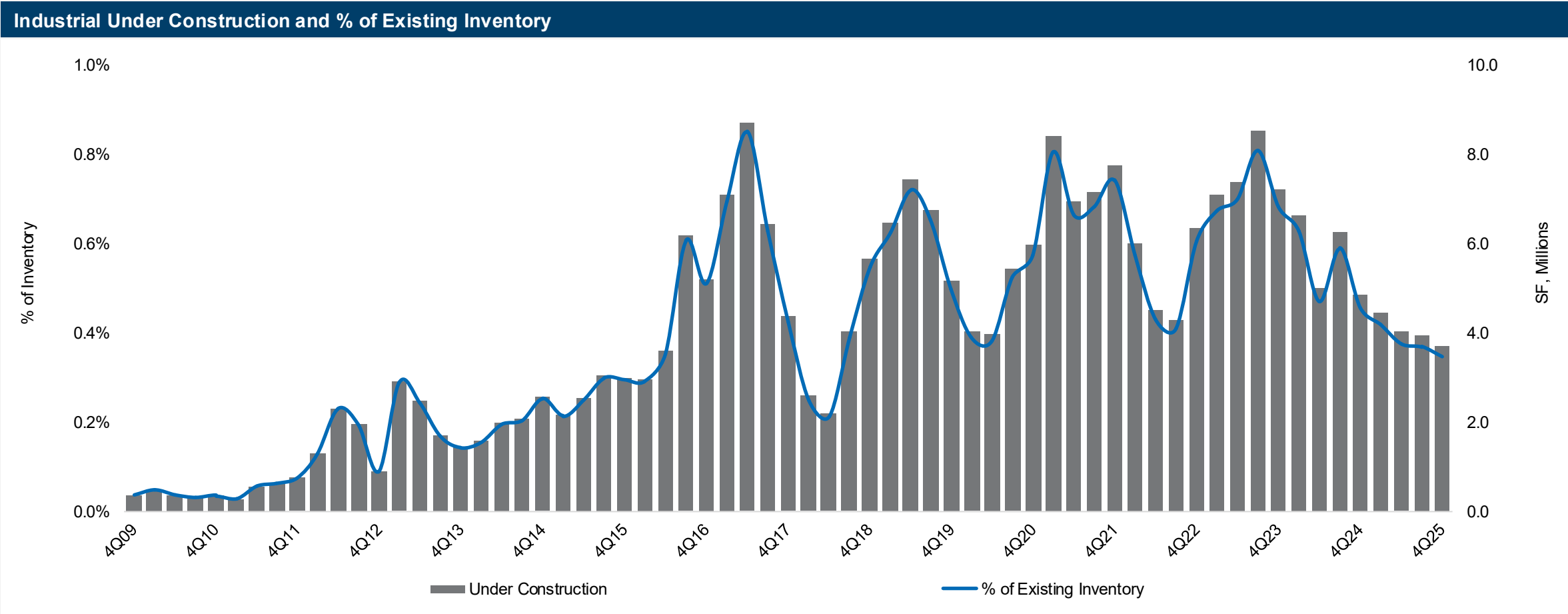
Sublet Availability Increases As New Listings Outweigh Sublease Signings

Sublease space reached 9.9 MSF, up 7.1% from the preceding quarter. Limited sublease signings were offset by new listings from tenants such as HD Supply (247,512 SF at Mission – 71 Business Park in Pomona), Omni Logistics (251,606 SF at 19681 Pacific Gateway Dr in Torrance) and Source Logistics (217,775 SF at 2225 Workman Mill Rd in Industry).



Construction Volume Reaches 6.5-Year Low; Further Contractions Likely

The under-construction pipeline shrank by 5.9% from the third to the fourth quarter, marking five consecutive quarters of declining construction volume. The pipeline will likely trend down until leasing activity strengthens and competition for space increases.



Notable 4Q25 Lease Transactions

Eighteen leases over 100,000 SF were signed this quarter, below the 22 signed in the same period of 2024. Of this quarter’s 100,000+ SF leases, 14 were direct leases, one was an expansion and three were renewals/extensions.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Amazon	6100 Garfield Ave	Central	Direct Lease	615,000
The tenant will move into the Commerce Distribution Center in January.				
FedEX	Apex at Downey	Mid-Counties	Direct Lease	516,124
The build-to-suit project represents the largest space commitment within the market by the delivery servicer, which has an extensive leasing presence in facilities across Los Angeles and the Inland Empire. Construction commencement anticipated for 1Q26, with an estimated completion date of 1Q27.				
Confidential Tenant	415-501 W Walnut St	South Bay	Direct Lease	228,414
Newmark represented the landlord in the transaction.				
Aloha Freight	21750 Arnold Center Rd	South Bay	Direct Lease	189,338
The Compton-based freight forwarder, which specializes in freight services between Hawaii and the continental US, will move into the vacant facility in February. Lease term expires in 4Q31.				
Confidential Tenant	143,529	LA North	Direct Lease	143,529
Newmark represented the landlord and tenant in the transaction.				

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--South Bay

2301 Rosecrans Ave., Suite 4100
El Segundo, CA 90245
t 310-491-2000

Downtown Los Angeles

555 S. Flower St., Suite 3550
Los Angeles, CA 10017
t 212-372-2000

Northern Los Angeles

24025 Park Sorrento, Suite 480
Calabasas, CA 91302
t 818-921-8526

New York Headquarters

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

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