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2Q 2025

# INDUSTRIAL MARKET REPORT



LEE &  
ASSOCIATES

COMMERCIAL REAL ESTATE SERVICES

LOS ANGELES - LONG BEACH

# AT A GLANCE



**Employment:** In June 2025, U.S. nonfarm payrolls increased by 147,000 jobs, bringing the unemployment rate down to 4.1%, while average hourly earnings edged up by 2 cents to \$36.30. Job gains were concentrated in health care and social assistance, which added over 80,000 positions, while transportation and warehousing, and retail trade also saw modest increases. These gains were partially offset by declines in federal government employment and temporary help services. In California, employers added 17,700 jobs in May, maintaining the state's unemployment rate at 5.3%. Growth was led by private education and health services, which saw its 37th consecutive month of expansion. Meanwhile, the Los Angeles metro area reported an unemployment rate of 5.6% in May, up slightly from the prior month. Regional job trends remained mixed, with steady hiring in some service sectors offset by weakness in manufacturing and trade. Overall, these figures showcase a robust national jobs trend, while California and LA continue to experience more modest gains and elevated unemployment rates compared to the nation.

**GDP:** U.S. real GDP declined at an annualized rate of 0.5% in Q1 2025, following 2.4% growth in the previous quarter. As of July 9, the Atlanta Federal Reserve's GDPNow model estimates 2.6% annualized growth for Q2, supported by wholesale trade and a smaller drag from inventories. However, uncertainty surrounding tariff policy continues to pose potential headwinds for the second half of the year, particularly for business investment and trade-related sectors. Recent pauses in tariff implementation have softened their immediate economic impact, but future policy shifts could alter that trajectory. While early indicators for Q2 suggest a rebound, the broader outlook remains contingent on developments in trade and monetary policy.

**E-Commerce Sales:** The U.S. Census Bureau reports that retail e-commerce sales reached \$300.2 billion in Q1 2025 (seasonally adjusted), remaining flat from Q4 2024 but up 6.1% year-over-year, compared to a 4.5% increase in total retail sales, which totaled \$1.86 trillion. E-commerce

accounted for 16.2% of total retail sales this quarter, unchanged from the previous one. On a non-seasonally adjusted basis, e-commerce totaled \$275.8 billion, a 5.6% year-over-year rise, with a 15.9% share of total retail. This marks the 15th consecutive quarter with sub-10% annual growth, suggesting that e-commerce expansion is leveling off after its rapid acceleration during the pandemic.<sup>1</sup>

**Port Activity:** Despite ongoing tariff tumult, both the Ports of Los Angeles and Long Beach posted solid container volumes in the first half of 2025. The Port of Los Angeles moved 4.06 million TEUs year-to-date, up 4.1% from the same period in 2024, while the Port of Long Beach handled 4.04 million TEUs, compared to 3.44 million a year ago. These figures are notable, especially since June TEU data has not yet been released. However, both ports did report year-over-year declines in May, with Los Angeles down 4.82% and Long Beach down 8.16%.

**Trade & Tariff Update:** Container lines are scaling back capacity from Asia to the U.S. West Coast in August, responding to stop-and-start import demand and ongoing tariff uncertainty. According to maritime intelligence provider eeSea, deployed capacity will fall 6.2% month over month—about 90,000 TEUs—while East and Gulf Coast routes will see a smaller 1.7% cut.

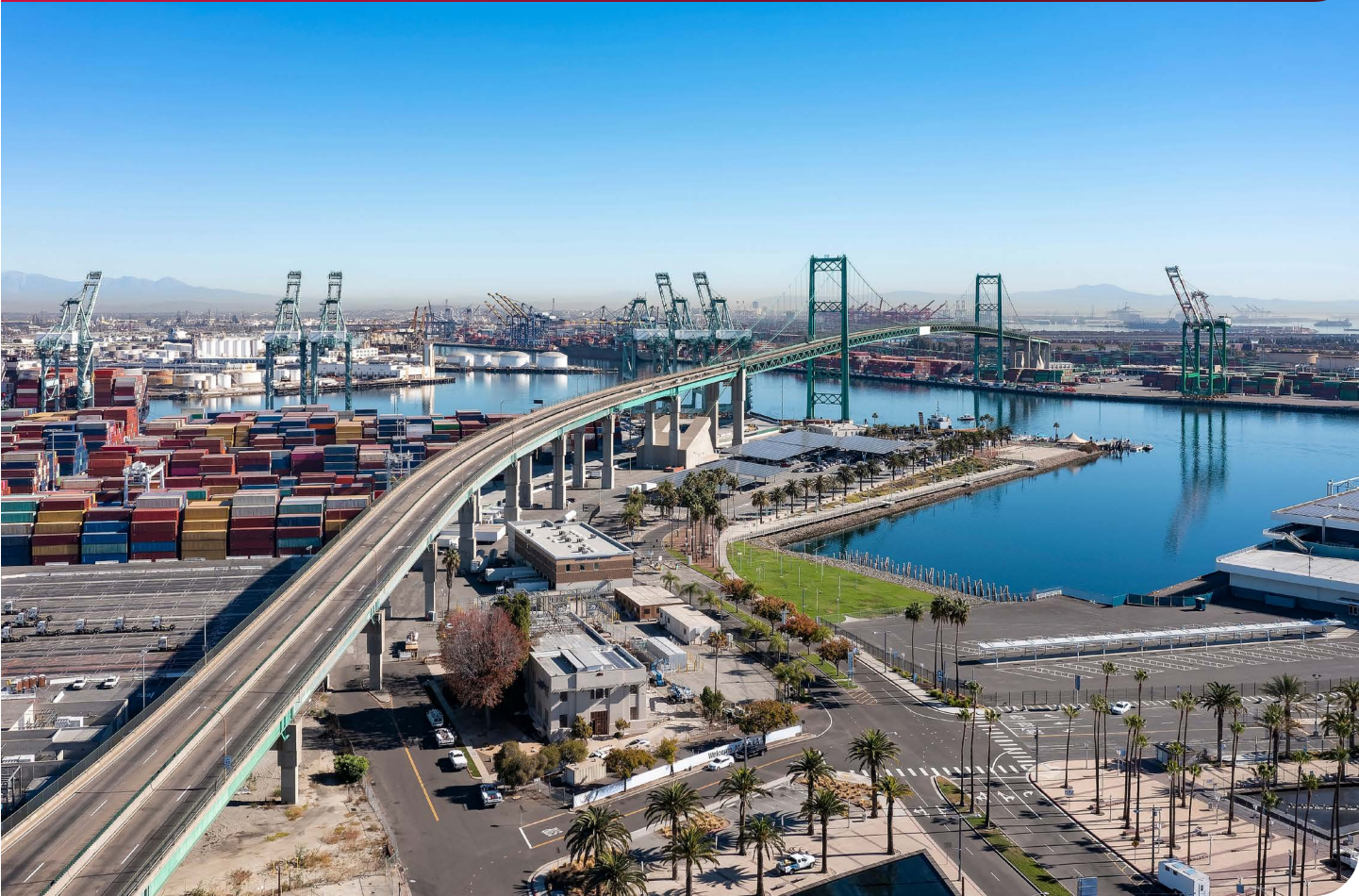
Despite the pullback, U.S. imports in July are expected to hit an 18-month high—the peak for 2025—driven by a surge ahead of the Trump administration's August 1 tariff deadline. However, the National Retail Federation (NRF) warns this mini rush will be short-lived, with imports projected to decline monthly from August through November. Retailers, especially small businesses, are struggling to plan amid the uncertainty and rising costs tied to tariffs.<sup>2</sup>

<sup>1</sup> [https://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf); release schedule: [https://www.census.gov/retail/release\\_schedule.html](https://www.census.gov/retail/release_schedule.html)

<sup>2</sup> E Journal of Commerce: 1. <https://tinyurl.com/4wxt2n8r> and 2. <https://tinyurl.com/yau3x97e>



# SOUTHBAY SUBMARKET



## SOUTHBAY SUBMARKET Q2 TRENDS

<div>↓</div> <div>Absorption</div> <div>(1,153,812) SF</div>	<div>↓</div> <div>NNN Rent Overall</div> <div>\$1.54 / SF</div>	<div>↑</div> <div>Sales Transactions</div> <div>\$93,525,090</div>
<div>↑</div> <div>Vacancy</div> <div>6.0%</div>	<div>↓</div> <div>Under Construction</div> <div>742,087 SF</div>	<div>↓</div> <div>Average Sales Price</div> <div>\$211.83 / SF</div>

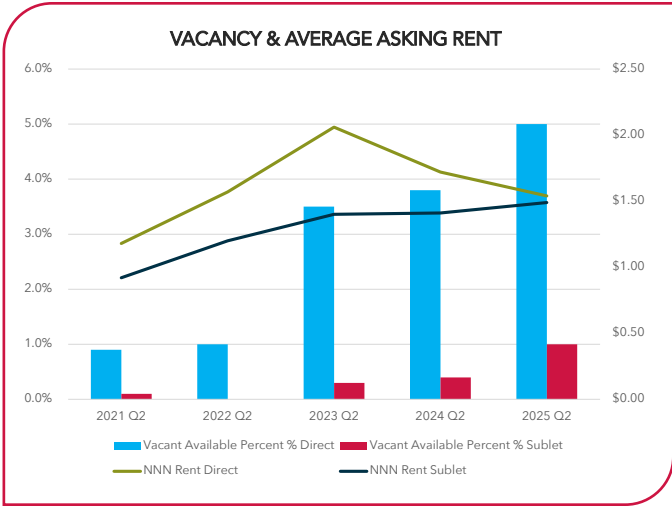
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SOUTHBAY SUBMARKET Q2 OVERVIEW

VACANCY / AVAILABILITY

In Q2 2025, total vacancy in South Bay reached 6.4%, the highest level since early 2023, with direct vacancy rising 70 basis points quarter-over-quarter. Total available space climbed to 19.4 million square feet, marking a 2.5 million SF increase since Q4 2024. Much of the rise stems from previously leased properties returning to the market, while newer listings are seeing slower lease-up times. Sublet vacancy also hit 1.0%, indicating early signs of tenant downsizing or space shedding. To return to a tighter 4% vacancy range, the submarket would need to absorb roughly 4.8 million square feet, without factoring in new deliveries.



RENTAL RATES

As of Q2 2025, asking rents in the South Bay industrial market have started to soften after years of consistent growth. The average NNN asking rent decreased to \$1.54 per square foot, down from \$1.61 in Q1 and a peak of \$1.69 in Q2 2024, over the past year. This marks the first time since the pandemic recovery that rents have posted two consecutive quarterly declines. Direct asking rents fell more sharply than sublet rents, signaling greater pricing pressure on landlords amid rising vacancies and sluggish leasing. While rents remain historically high, the recent cooling suggests tenants are gaining leverage in negotiations.

CONSTRUCTION

New development in the South Bay industrial market slowed notably in Q2 2025, with just one building (504,000 SF) delivered. The construction pipeline shrank for the fourth straight quarter to 742,000 SF—down over 60% from 1.9 million SF a year ago—reflecting developer caution amid rising vacancies, sluggish leasing, and softening rents. Several graded sites remain on standby, awaiting tenants or better market conditions. With no current projects preleased, vacancy is expected to rise if leasing doesn’t improve before deliveries. This pause signals a more cautious outlook as developers wait for signs of sustained demand before moving forward.

SOUTHBAY SUBMARKET TOP LEASES FOR 2Q25

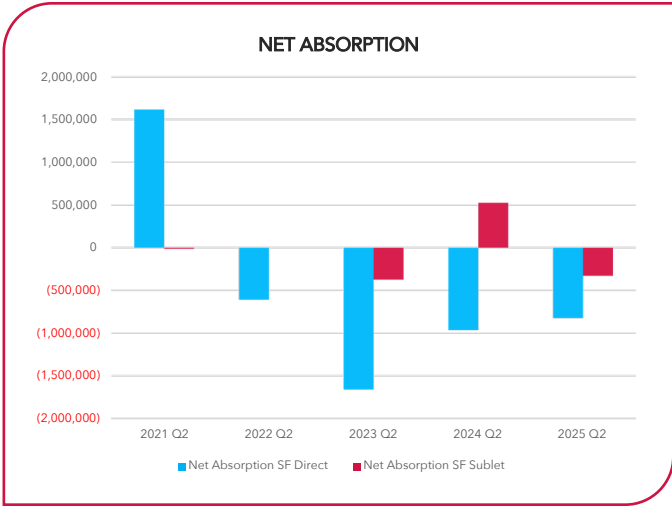
ADDRESS	CITY	TENANT	DATE	SIZE
935 E Watson Center Rd	Carson	Undisclosed	April 2025	165,440 SF
18301 S Broadwick St	Rancho Dominguez	Jas Forwarding	June 2025	115,925 SF
230 W Rosecrans Ave	Gardena	Bee Imagine, LLC	April 2025	60,115 SF
1705-1715 S Anderson Ave	Compton	Undisclosed	April 2025	60,000 SF
1920 S Acacia Ave	Compton	World Class Freight, Inc	June 2025	45,776 SF

Source: CoStar Realty Information Inc.

SOUTHBAY SUBMARKET Q2 OVERVIEW (CONTINUED)

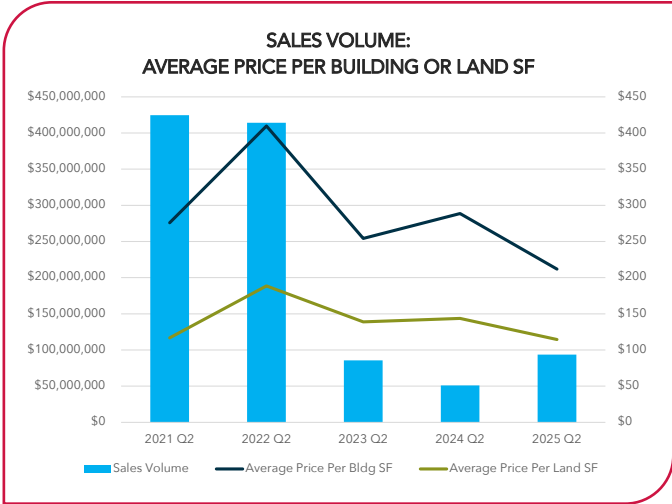
LEASING ACTIVITY / ABSORPTION

In Q2 2025, the South Bay industrial market recorded negative net absorption totaling -1.15 million square feet, marking a significant downturn from the previous quarter’s positive 544,000 square feet. This decline represents the third quarter out of the last four with negative net absorption, underscoring ongoing tenant contraction. Leasing activity also cooled: total square footage leased dropped to 1.12 million SF—the lowest since at least Q2 2023—while the number of deals fell to 84, below the historical average of 105. The slowdown reflects continued caution among occupiers, particularly in securing larger spaces.



SALES ACTIVITY / INVESTMENT TRENDS

Sales activity in the South Bay industrial market remained subdued in Q2 2025, with 19 transactions totaling \$93.5 million—up slightly from 16 in Q1 but far below the \$375 million peak in Q4 2024. The average price per square foot dropped to \$211.83, the lowest in over a year, as buyers recalibrated expectations amid rising vacancies and softer rents. Investor sentiment remains cautious with the Fed holding off on rate cuts and tariff policy uncertain. Many are delaying deals until the outlook clears. Still, strong fundamentals and high rents continue to attract capital, positioning the region for future investment growth.



SOUTHBAY SUBMARKET TOP SALES FOR 2Q25				
ADDRESS	CITY	BUYER	DATE	SIZE
18903 Anelo Ave	Carson	Orbit Industries	May 2025	66,104 SF
1617 W Rosecrans Ave	Gardena	Private Buyer	June 2025	60,000 SF
505 E Gardena Blvd	Gardena	LPJ CAPITAL LLC	May 2025	50,974 SF
300 W Carob St	Compton	Private Buyer	June 2025	28,725 SF
135 W 132nd St	Gardena	Undisclosed	April 2025	22,836 SF

Source: CoStar Realty Information Inc. and AIR CRE



# MIDCOUNTIES SUBMARKET



## MIDCOUNTIES SUBMARKET Q2 TRENDS



**Absorption**  
(180,660) SF



**NNN Rent Overall**  
\$1.35 / SF



**Sales Transactions**  
\$281,165,000



**Vacancy**  
7.4%



**Under Construction**  
493,874 SF



**Average Sales Price**  
\$378.17 / SF

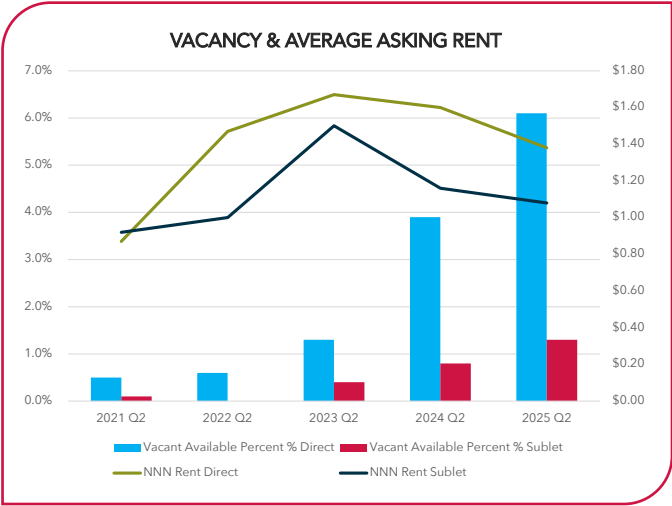
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MIDCOUNTIES SUBMARKET Q2 OVERVIEW

VACANCY / AVAILABILITY

Vacant available space in the Mid-Counties rose again in Q2 2025, reaching 8.3 million square feet and pushing the availability rate to 7.4%. This marks the fifth consecutive quarterly increase, up from 7.1% in Q1 and just 4.7% a year ago. While the pace of growth has slowed slightly compared to previous quarters, the steady rise in available space reflects a market still grappling with elevated move-outs and sluggish absorption. With availability now at its highest point in over two years, tenants continue to gain leverage as options expand across the submarket.



RENTAL RATES

Asking rents in the Mid-Counties submarket continued to decline in Q2 2025, with overall NNN rates dropping to \$1.35 per square foot, down from \$1.44 in Q1 and \$1.58 in Q2 2024. Direct rents followed a similar path, falling to \$1.38 from \$1.47 the previous quarter, while sublet rents held relatively flat at \$1.08. This marks the fourth consecutive quarterly decrease and reflects a market recalibrating after several years of rapid growth. The widening gap from peak rates suggests that landlords are becoming more flexible on pricing to stay competitive amid rising availability and softer demand.

CONSTRUCTION

Development and delivery activity in the Mid-Counties remained relatively restrained in Q2 2025. Three buildings were completed, totaling 279,587 square feet—slightly more than the 234,657 square feet delivered in Q1. The construction pipeline also narrowed, with only two projects totaling 493,874 square feet underway, down from five projects and over 770,000 square feet last quarter. This represents the lowest level of construction in over a year and signals a slowdown in new starts as vacancy rises and tenant demand cools. Builders appear to be taking a more cautious approach as the market absorbs recently delivered space.

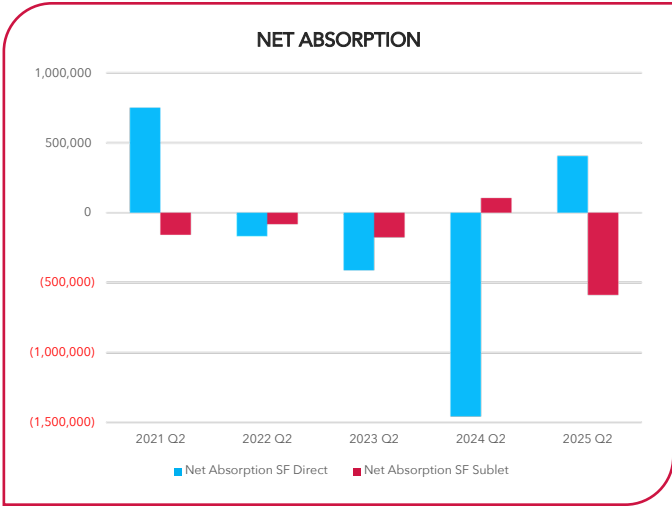
MIDCOUNTIES SUBMARKET TOP LEASES FOR 2Q25				
ADDRESS	CITY	TENANT	DATE	SIZE
11600 Alameda St	Lynwood	Paramount Logistics	April 2025	201,027 SF
7300 Flores St	Downey	HK Logistics	June 2025	122,500 SF
12850 Midway Pl	Cerritos	IPS Industries	May 2025	113,080 SF
11600 Los Nietos	Santa Fe Springs	Cloud Moon Warehouse Services	June 2025	106,251 SF
6545 Caballero Blvd	Buena Park	Tossware	April 2025	83,938 SF

Source: CoStar Realty Information Inc.

MIDCOUNTRIES SUBMARKET Q2 OVERVIEW (CONTINUED)

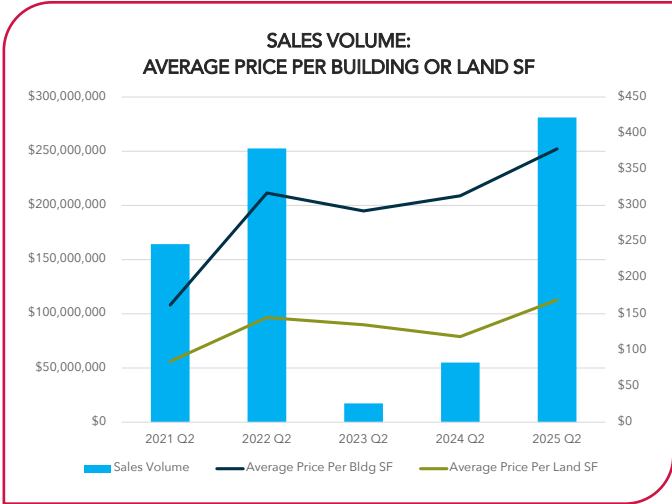
LEASING ACTIVITY / ABSORPTION

The Mid-Counties market posted 180,660 square feet of negative net absorption in Q2 2025, its fifth consecutive quarter in the red. While still negative, this figure marks a notable improvement from the 815,274 square feet of space returned in Q1. Leasing activity also picked up slightly, with 76 deals totaling 1.46 million square feet—up from 68 deals and 1.56 million square feet last quarter. The uptick in volume suggests tenant interest is returning, but ongoing negative absorption indicates move-outs and consolidations are still outpacing new commitments. The market appears to be gradually finding its footing after a prolonged stretch of losses.



SALES ACTIVITY / INVESTMENT TRENDS

In Q2 2025, Mid Counties saw 11 industrial sale transactions totaling \$281 million in volume, up significantly from \$136 million in Q1 and more than five times the total from Q2 2024. The average sale price per building climbed to \$31.2 million, driven by larger asset trades averaging over 71,000 square feet. While the average price per square foot fell to \$378.17 from \$463.16 in Q1, the median price per square foot landed at \$299.81, suggesting several high-dollar outliers elevated the average. The average reported cap rate was 5.3%. Overall, investor appetite rebounded strongly this quarter.



MIDCOUNTRIES SUBMARKET TOP SALES FOR 2Q25				
ADDRESS	CITY	BUYER	DATE	SIZE
15015 Valley View Ave	Santa Fe Springs	WP Carey Inc	April 2025	302,850 SF
6600 Valley View St	Buena Park	Stockbridge Capital Group	June 2025	290,920 SF
12439-12455 Florence Ave	Santa Fe Springs	12455 Florence Ave LLC	May 2025	44,858 SF
9445 Ann St	Santa Fe Springs	Allen Real Estate Holdings LLC	June 2025	36,011 SF
10214 Norwalk Blvd	Santa Fe Springs	Leadway Enterprise Inc	June 2025	21,345 SF

Source: CoStar Realty Information Inc. and AIR CRE

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# CENTRAL SUBMARKET



## CENTRAL SUBMARKET Q2 TRENDS

<div>↑</div> <div><b>Absorption</b> 243,094 SF</div>	<div>↓</div> <div><b>NNN Rent Overall</b> \$1.45 / SF</div>	<div>↑</div> <div><b>Sales Transactions</b> \$211,446,759</div>
<div>↑</div> <div><b>Vacancy</b> 6.0%</div>	<div>↓</div> <div><b>Under Construction</b> 466,121 SF</div>	<div>↓</div> <div><b>Average Sales Price</b> \$195.57 / SF</div>

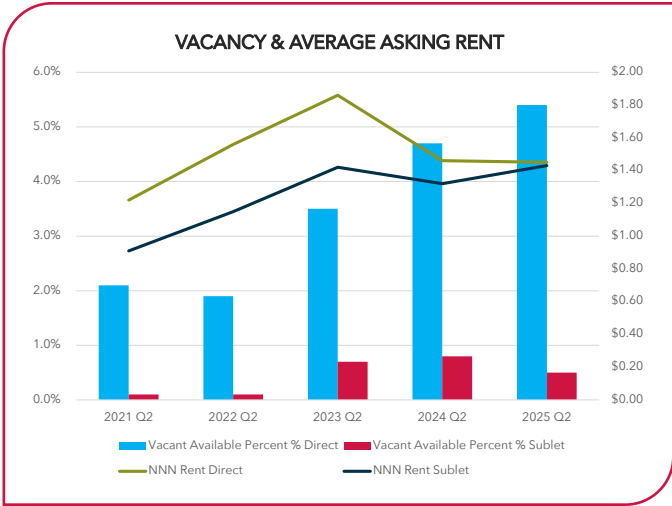
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CENTRAL SUBMARKET Q2 OVERVIEW

VACANCY / AVAILABILITY

Vacant-available space in the Central market declined slightly in Q2 2025, falling to 14.68 million square feet from 15.28 million in the previous quarter. The vacancy rate dipped to 6.0%, down from 6.2% in Q1 and a peak of 6.5% in Q4 2024. This marks the second consecutive quarterly improvement, suggesting that space is being absorbed at a modest pace. While the rate remains elevated compared to mid-2024 levels, the trend points to a slow but steady stabilization in the market as leasing activity holds firm and new deliveries remain limited.



RENTAL RATES

Asking rents in the Central market remained stable in Q2 2025, with overall NNN rates holding at \$1.45 per square foot, flat compared to the same period last year. Direct asking rents dipped slightly to \$1.45 from \$1.48 in Q1, while sublet rents rose to \$1.43, narrowing the gap between the two. This mild fluctuation suggests that while tenant demand may be softening, landlords are largely maintaining pricing power. Compared to other submarkets, the Central market has shown more resilience in rental rates, likely due to its smaller inventory and more limited supply pipeline.

CONSTRUCTION

Construction activity in the Central market remained modest in Q2 2025, with just one building totaling 47,052 square feet delivered during the quarter. This marks a slowdown from the 171,047 square feet delivered in Q1 and continues a generally low delivery pace over the past year. The pipeline remains thin, with only four projects totaling 466,121 square feet under construction, less than half the volume underway a year ago. This decline reflects a cautious development environment as rising vacancies and slower leasing temper demand for new product.

CENTRAL SUBMARKET TOP LEASES FOR Q2 25

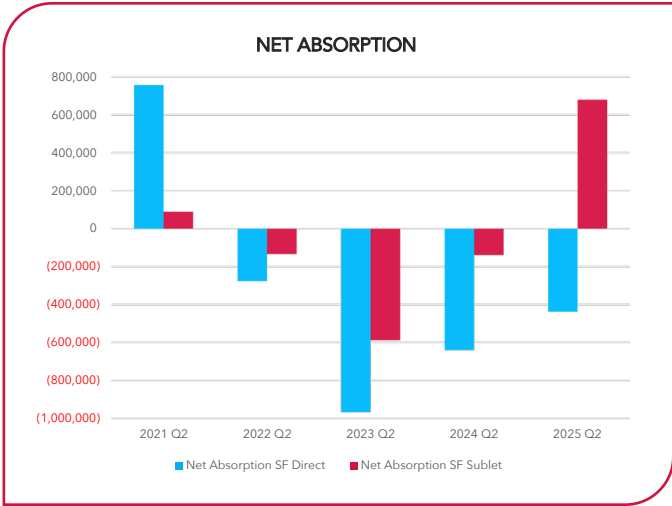
ADDRESS	CITY	TENANT	DATE	SIZE
5500 Shiela St	Commerce	YS Express	April 2025	445,767 SF
5215 S Boyle Ave	Vernon	YunExpress	May 2025	232,229 SF
2100 E 38th St	Vernon	Justman Packaging & Display	May 2025	177,261 SF
3049 E Vernon Ave	Vernon	Undisclosed	May 2025	140,000 SF
2929 E 54th St	Vernon	SuperInk	June 2025	113,952 SF

Source: CoStar Realty Information Inc.

CENTRAL SUBMARKET Q2 OVERVIEW (CONTINUED)

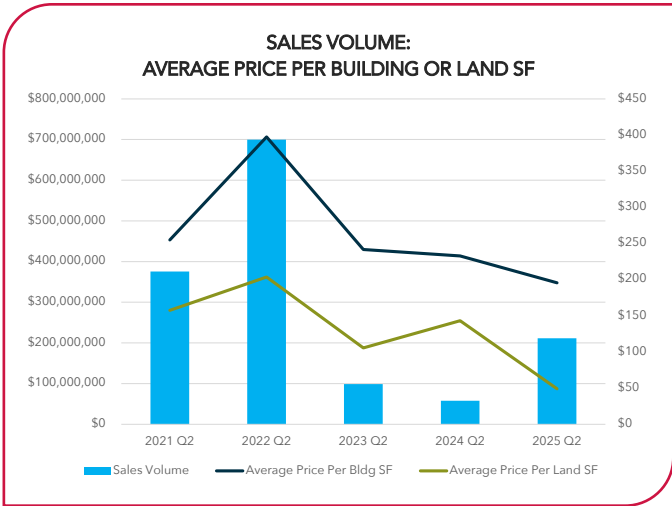
LEASING ACTIVITY / ABSORPTION

The Central market posted 243,094 square feet of positive net absorption in Q2 2025, marking its second consecutive quarter of occupancy gains after a string of negative quarters in 2024. While absorption was down from the 865,221 square feet recorded in Q1, the trend signals improving tenant demand. Leasing activity remained steady, with 111 deals totaling 2.58 million square feet, on par with recent quarters. This consistency in deal volume, combined with a modest but positive absorption figure, suggests the market is gradually stabilizing after last year's downturn.



SALES ACTIVITY / INVESTMENT TRENDS

In Q2 2025, the Central submarket recorded 23 industrial sales totaling \$211 million, nearly triple the previous quarter's volume. The average sale price rose to \$9.2 million, up from \$5.2 million in Q1, while building sizes stayed around 47,000 square feet. Despite higher volume, the average price per square foot fell to \$195.57 from \$227.86, suggesting more activity in lower-priced or less premium assets. The median price per square foot was \$229.94, showing a few lower-end deals pulled down the average. Reported cap rates averaged 6.8%, highest among the three submarkets, reflecting investor demand for higher yields.



CENTRAL SUBMARKET TOP SALES FOR 2025				
ADDRESS	CITY	BUYER	DATE	SIZE
3412-3422 Garfield Ave (Part of a 5 Property Sale)	Commerce	Palisade Group   Benefit Street Partners	May 2025	307,833
3364 Garfield Ave (Part of a 5 Property Sale)	Commerce	Palisade Group   Benefit Street Partners	May 2025	110,336
4095 Firestone Blvd (Part of a 4 Property Sale)	South Gate	Hatikva Investments Corporation	June 2025	97,854
3330-3358 Garfield Ave (Part of a 5 Property Sale)	Commerce	Palisade Group   Benefit Street Partners	May 2025	72,026
6466 Gayhart St	Commerce	Yellow Iron Real Estate	April 2025	65,090







Source: CoStar Realty Information Inc. and AIR CRE



# INLAND EMPIRE SUBMARKET



## INLAND EMPIRE SUBMARKET Q2 TRENDS

 <b>Absorption</b> (5,299,852) SF	 <b>NNN Rent Overall</b> \$0.98 / SF	 <b>Sales Transactions</b> \$500,883,888
 <b>Vacancy</b> 7.5%	 <b>Under Construction</b> 10,152,042 SF	 <b>Average Sales Price</b> \$261.69 / SF

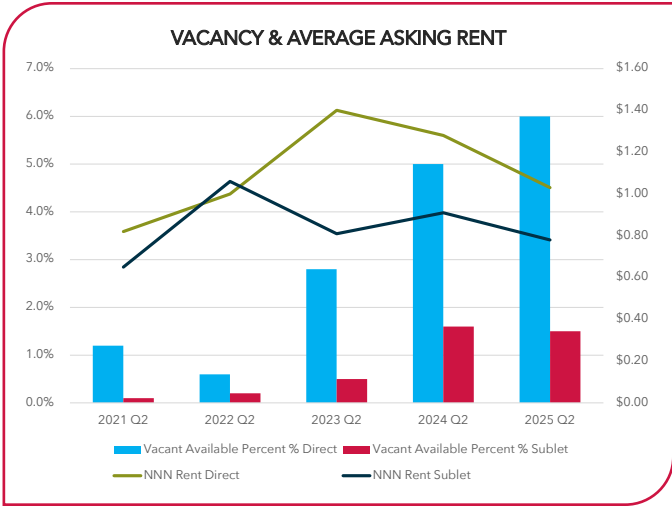
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INLAND EMPIRE SUBMARKET Q2 OVERVIEW

**VACANCY / AVAILABILITY**

Vacant-available space in the Inland Empire climbed to 52.1 million square feet in Q2 2025, marking a 12% increase from the previous quarter and the highest level in over two years. The total now represents 7.5% of the market’s inventory, up from 6.8% in Q1 and 6.6% a year ago. After briefly improving at the end of 2024, availability has resumed its upward trend, driven by weak net absorption and continued deliveries. This rise signals growing slack in the market as tenants give back space and new supply struggles to lease up.



**RENTAL RATES**

Asking rents in the Inland Empire continued to decline in Q2 2025, with overall NNN rates falling to \$0.98 per square foot, down from \$1.18 in Q2 2024 and \$1.07 last quarter. Direct rents dropped to \$1.03, while sublet rents fell more sharply to \$0.78, widening the gap between primary and secondary space. This marks the fourth consecutive quarterly decline in asking rents and reflects growing availability, softening tenant demand, and increased pressure from sublease inventory. The downward trend suggests landlords are adjusting pricing expectations to compete in a cooling market.

**CONSTRUCTION**

Construction activity in the Inland Empire remained elevated in Q2 2025, with over 10.1 million square feet underway across 53 projects. This marks a slight decline from Q1, when 51 buildings totaling 10.5 million square feet were under construction, and a more pronounced drop from 16.2 million square feet in Q2 2024. New deliveries slowed sharply, with just four buildings and 671,000 square feet delivered—down from over 2.7 million in Q1 and nearly 9.7 million in Q2 last year. The decline in starts and completions points to a market recalibrating in response to rising vacancy and cautious investor sentiment.

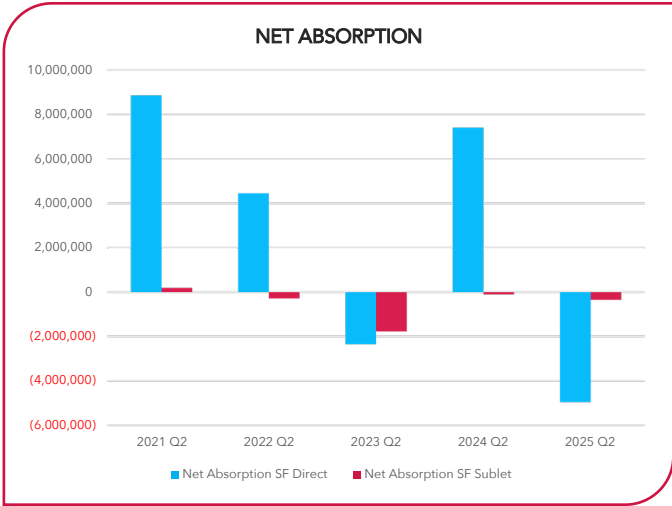
INLAND EMPIRE SUBMARKET TOP LEASES FOR 2Q25				
ADDRESS	CITY	TENANT	DATE	SIZE
15207 Flight Ave - Building 837	Chino	Logistics Plus	June 2025	600,000 SF
5650 Santa Ana St	Ontario	E.I.F. Beauty	May 2025	615,640 SF
120 S Cedar Ave	Rialto	American Building Supply, Inc	May 2025	715,433 SF
570 E Mill St	San Bernandino	Burlington	May 2025	758,180 SF
21800 Authority Way	Riverside	Nissan North America	April 2025	620,000 SF

Source: CoStar Realty Information Inc.

INLAND EMPIRE SUBMARKET Q2 OVERVIEW (CONTINUED)

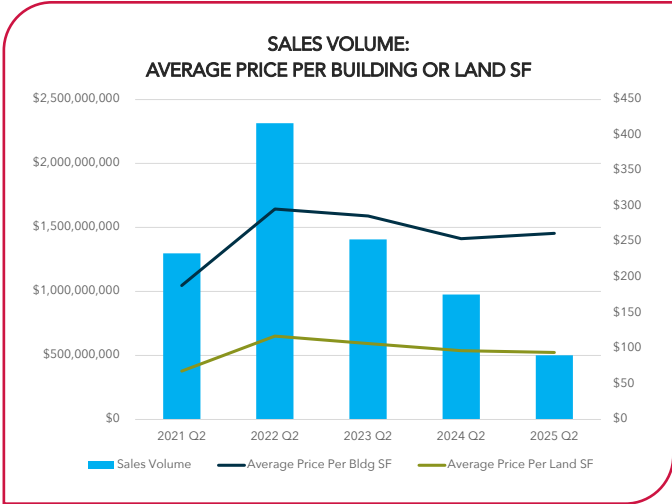
LEASING ACTIVITY / ABSORPTION

Net absorption in the Inland Empire turned sharply negative in Q2 2025, with the market giving back nearly 5.3 million square feet—the weakest quarter in over two years. This comes after three consecutive quarters of positive absorption, including a strong 3.8 million square feet absorbed in Q1. Leasing activity also slowed: just 237 deals were completed, totaling 10.98 million square feet, a noticeable drop from the 15.2 million square feet leased across 294 deals in Q1. The decline in both net absorption and leasing volume signals a market under pressure from rising vacancy, cautious tenant behavior, and continued space deliveries.



SALES ACTIVITY / INVESTMENT TRENDS

In Q2 2025, the Inland Empire recorded 33 industrial sales totaling just over \$500 million. This marks a modest increase from Q1’s \$465 million but falls well short of the \$976 million seen in Q2 2024. The average deal size decreased slightly to \$17.3 million, while the average building size shrank to around 58,900 square feet. Pricing per square foot averaged \$261.69, down from \$274.56 in the prior quarter, although the median rose to \$289.88, indicating that smaller, higher-priced deals helped balance the dip in average price. The average cap rate was 5.9%, pointing to a market where buyers seek better returns amid today’s higher interest rates.



INLAND EMPIRE SUBMARKET TOP SALES FOR 2Q25				
ADDRESS	CITY	BUYER	DATE	SIZE
21800 Authority Way (Part of a 4 Property Portfolio)	Riverside	Morgan Stanley & Co. LLC	April 2025	620,000 SF
11296 Harrel St	Jurupa Valley	LBA Realty	April 2025	353,361 SF
1930 S Rochester Ave (Part of a 4 Property Sale)	Ontario	Faropoint	April 2025	144,591 SF
1990 W Renaissance Pky	Rialto	DHG	April 2025	134,256 SF
2688 W Baseline Ave	Rialto	Winix America Inc.	April 2025	90,726 SF

Source: CoStar Realty Information Inc. and AIR CRE

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## YOUR LOCAL INDUSTRIAL MARKET EXPERTS



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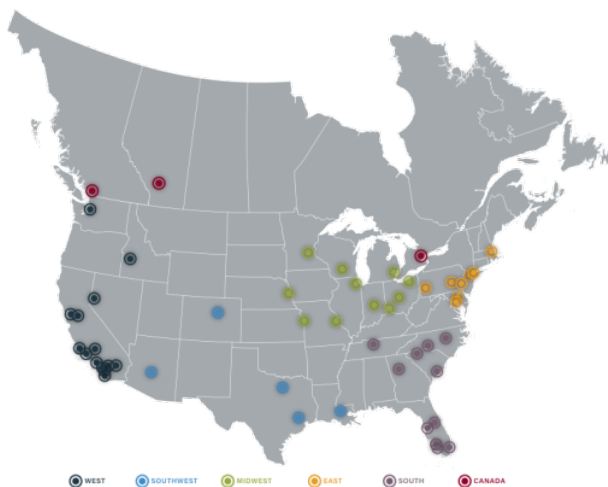
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