MCQ1 25

FIRST QUARTER 2025 MARKET REPORT

MID COUNTIES INDUSTRIAL

Voit REAL ESTATE SERVICES

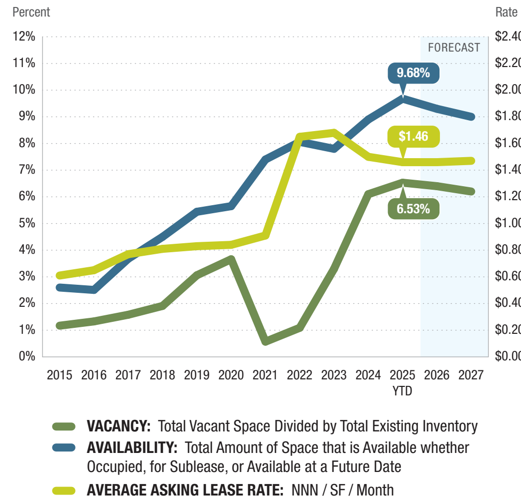
OVERVIEW. The Mid-Counties industrial market softened further but generally remained on its recent course in Q1. Vacancy rose again and average asking lease rates continued their steady decline. Despite a rise in gross absorption, both lease and sale activity decreased in Q1, and net absorption remained in negative territory. New construction saw little change with one new start and one building delivered. The sales transaction count and square footage sold were both sharply lower as interest rates for SBA 504 mortgages moved back up over 6% again after falling to 5.76% last September. That, along with uncertainty over the impact of new tariffs, is keeping owner/user buyers on the sidelines. Tenant demand remained thin in the final quarter, which forced landlords to sweeten concession packages and offer lower coupon rates to get their spaces leased up.

VACANCY & AVAILABILITY. The Mid-Counties industrial market posted a vacancy rate of 6.53% in Q1 2025, up from 4.01% in the same period last year. Availability followed suit, rising to 9.68%, a clear signal that more space—both direct and indirect—remains on the market. Santa Fe Springs and La Mirada, two of the region's most supply-heavy submarkets, saw vacancy rates climb to 6.29% and 7.84%, respectively—up sharply from sub-2% levels just two years ago. The imbalance between supply and functional demand continues to challenge landlords, particularly those holding space not aligned with current user requirements.

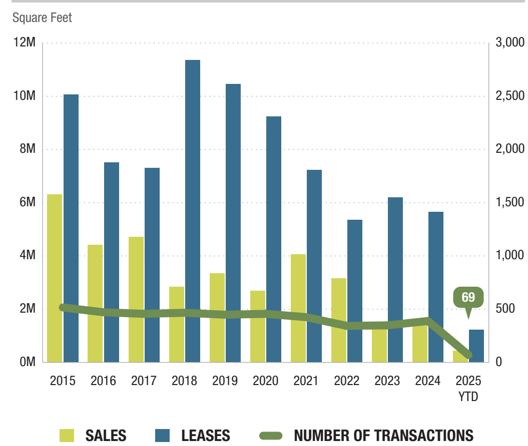
LEASE RATES. The Mid-Counties average asking lease rate moved lower again in Q1 2025, falling by $0.04 to end the quarter at $1.46 per square foot. That marks a 2.7% decline from Q4 and a 9.9% drop from the $1.62 recorded in Q1 2024. It is the largest year-over-year decline in this cycle and reflects mounting pressure on face rents as vacancy continues to rise and users gain leverage at the negotiating table. While institutional owners are still working to hold the line on asking rates, the gap between asking and effective rents continues to widen as concessions remain common. The pace of lease-rate compression has outpaced that of the broader Los Angeles market, suggesting that tenants in the Mid-Counties are pushing harder on pricing as space options increase and urgency diminishes.

TRANSACTION ACTIVITY. Transaction activity declined sharply in Q1 2025, both in total square footage and deal count. Combined lease and sale activity fell to 1,373,334 SF, down 26.8% from the 1,877,365 SF recorded in Q4 2024, and off 33.9% year over year from Q1 2024's total of 2,076,426 SF. Leasing activity accounted for the bulk of the drop, falling to 1,225,175 SF across 65 deals, compared with

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

	Change Over Last Quarter		Q1 2025	Q4 2024	Q1 2024	% Change Over Last Year
Vacancy Rate	▲	UP	6.53%	6.10%	4.01%	63.10%
Availability Rate	▲	UP	9.68%	8.90%	7.40%	30.80%
Average Asking Lease Rate	▼	DOWN	$1.46	$1.50	$1.62	(9.88%)
Sale & Lease Transactions	▼	DOWN	1,373,334	1,877,365	2,076,426	(33.86%)
Gross Absorption	▲	UP	1,461,639	890,288	890,434	64.15%
Net Absorption	▼	NEGATIVE	(743,657)	(222,413)	(646,454)	N/A

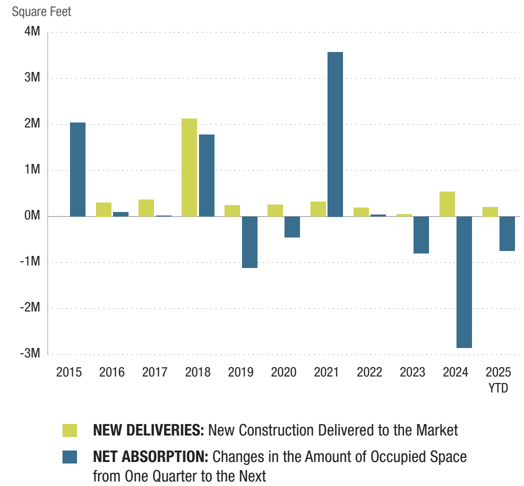
1,115,454 SF across 75 leases in the prior quarter. Sale activity also moderated, with just 12 transactions totaling 148,159 SF, down from 18 sales totaling 761,911 SF in Q4. The total number of sale and lease transactions ended the quarter at 77, a steep decline from 93 in Q4 and 105 one year ago.

ABSORPTION. The Mid-Counties industrial market posted negative net absorption of 743,657 SF in Q1 2025, marking the fourth consecutive quarter of occupancy loss. While an improvement over the negative 976,842 SF recorded in Q3 2024, the figure highlights ongoing demand softness as users delay major space commitments. The bulk of the losses were concentrated in the 100,000 to 249,000 SF segment, which recorded a negative net absorption of 533,742 SF for the quarter. Other notable declines came from Whittier (negative 192,278 SF) and Santa Fe Springs (negative 320,144 SF), two of the region's most supply-heavy submarkets. Persistent functional obsolescence and slower leasing velocity are compounding challenges, particularly for landlords marketing second-generation space. With users still cautious and cost-sensitive, backfilling vacant space remains difficult, and the market continues to grapple with elevated vacancy and softening fundamentals.

CONSTRUCTION. Construction activity in the Mid-Counties market remained relatively steady in Q1 2025, with 773,461 SF under development. That's just below the 780,506 SF recorded in Q4 2024, and the second-highest total recorded over the past nine quarters. By comparison, construction bottomed out at 295,668 SF in Q2 2023. While current activity reflects projects initiated during stronger market conditions, the outlook for future deliveries is more limited. Developers continue to face mounting challenges, including elevated land and construction costs, high borrowing rates, and softer rent growth. These headwinds have stalled many speculative projects and tightened underwriting standards, particularly for infill development. With fewer projects in the planning stages and a shrinking pool of viable sites, the Mid-Counties market may soon face a shortage of modern industrial product even as older space sits idle.

EMPLOYMENT. Los Angeles County's seasonally adjusted unemployment rate held steady at 6.0% between January and February 2025. However, this figure marks a notable increase from the 5.4% recorded in February of the previous year. While overall employment saw a slight dip, different sectors experienced varied performance. Notably, the Trade, Transportation, and Utilities sectors saw job losses, indicating a point of weakness amid the county's otherwise expanding economy.

NEW DELIVERIES & NET ABSORPTION



Forecast

The Mid-Counties market is expected to maintain its current state. High interest rates, projected to stay around 6% despite potential Fed rate cuts, will likely hinder owner/user sales. Mortgage rates, typically 1.5% to 2% above the still-high 10-year Treasury yield, contribute to this. Institutional sales, a former market driver, will also be slow due to their reliance on leverage and the need for expected rent growth, which is unlikely until demand reduces rising vacancy. Inflation, high interest rates, and new tariffs create business uncertainty, leading to more lease renewals and continued operational inefficiencies until the macroeconomic picture becomes clearer.

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q1 2025	Square Feet Available	Availability Rate Q1 2025	Average Asking Lease Rate	Net Absorption Q1 2025	Net Absorption 2025	Gross Absorption Q1 2025	Gross Absorption 2025
Mid Counties													
Artesia/Cerritos	278	13,137,433	0	72,189	830,984	6.33%	1,375,465	4.88%	$1.43	23,116	23,116	134,087	134,087
Bellflower/Downey	211	5,745,830	0	516,124	163,916	2.85%	371,362	2.41%	$1.41	(20,199)	(20,199)	67,517	67,517
Buena Park/La Palma	234	14,873,913	100,000	0	1,451,546	9.76%	2,065,022	5.32%	$0.00	(85,932)	(85,932)	166,326	166,326
La Mirada	178	13,216,409	0	0	1,036,534	7.84%	1,519,658	9.47%	$1.58	(66,319)	(66,319)	180,742	180,742
Norwalk	91	2,924,525	0	5,000	142,274	4.86%	144,184	6.18%	$1.67	(68,310)	(68,310)	4,470	4,470
Paramount	417	9,312,494	0	0	221,556	2.38%	475,626	3.08%	$1.35	(13,591)	(13,591)	124,481	124,481
Santa Fe Springs	1,352	54,387,974	381,158	383,653	3,419,880	6.29%	5,007,611	5.63%	$1.74	(320,144)	(320,144)	777,564	777,564
Whittier	161	4,149,541	292,303	0	428,131	10.32%	435,350	2.97%	$1.50	(192,278)	(192,278)	6,452	6,452
Mid Counties Total	**2,922**	**117,748,119**	**773,461**	**976,966**	**7,694,821**	**6.53%**	**11,394,278**	**9.68%**	**$1.46**	**(743,657)**	**(743,657)**	**1,461,639**	**1,461,639**
5,000-24,999	1,826	23,939,804	0	5,000	777,929	3.25%	987,688	4.13%	$1.34	(62,354)	(62,354)	321,048	321,048
25,000-49,999	519	18,468,219	0	59,568	1,064,188	5.76%	1,474,427	7.98%	$1.34	(172,209)	(172,209)	183,508	183,508
50,000-99,999	301	20,954,921	58,463	150,606	1,361,250	6.50%	2,439,441	11.64%	$1.45	24,648	24,648	568,866	568,866
100,000-249,999	215	31,894,168	422,695	245,668	3,278,071	10.28%	4,567,646	14.32%	$1.51	(533,742)	(533,742)	388,217	388,217
250,000-499,999	53	17,508,130	292,303	0	1,169,102	6.68%	1,376,525	7.86%	$1.79	0	0	0	0
500,000 plus	8	4,982,877	0	516,124	44,281	0.89%	548,551	11.01%	$0.00	0	0	0	0
Mid Counties Total	**2,922**	**117,748,119**	**773,461**	**976,966**	**7,694,821**	**6.53%**	**11,394,278**	**9.68%**	**$1.46**	**(743,657)**	**(743,657)**	**1,461,639**	**1,461,639**

This survey consists of buildings greater than 5,000 square feet. Lease rates are on triple-net basis.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
5600 Beach Blvd.	Buena Park	180,256	$60,000,000	Shopoff Realty Investments	Amway
8401 Page St.	Buena Park	55,362	$18,103,374	Products Go LLC	John Smith Services, LLC
13575–13577 Larwin Cir.	Santa Fe Springs	11,444	$4,400,000	Blue Joy LLC	UMT Group, LLC
15533 Vermont Ave.	Paramount	5,000	$1,480,500	Jesus Jauregui	15533 Vermont LLC

Leases

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
16010 Shoemaker Ave. - Renewal	Cerritos	115,600	Feb 2025	Silver Spur Corporation	Rexford Industrial
12801 Ann St.	Santa Fe Springs	106,230	Jan 2025	ALS West Coast Logistics	TA Realty
9939 Norwalk Blvd.	Santa Fe Springs	89,499	Jan 2025	F.P. Nutraceuticals	9939 Norwalk Blvd LLC
13555 Excelsior Dr. - Renewal	Norwalk	48,000	Feb 2025	Santa Ana RV Storage*	Rexford Industrial
14830 Carmenita Rd. - Renewal	Norwalk	45,900	Feb 2025	Santa Ana RV Storage*	Rexford Industrial

FIRST QUARTER 2025 MARKET REPORT

MID COUNTIES INDUSTRIAL

Voit
REAL ESTATE SERVICES

Riding the Economic Rollercoaster

Jordan Haynes
ASSOCIATE, ANAHEIM
714.935.2329 · jhaynes@voitco.com · Lic. #02083655

As we conclude the first quarter of 2025, the Los Angeles industrial market shows a mix of growth and caution, reflecting broader economic trends and shifting policies. While Southern California's industrial landscape continues to face challenges, key market indicators highlight a period of change as businesses adjust to evolving economic conditions.

The Port of Los Angeles continues to show resilience. The cargo statistics show robust year-over-year growth in Twenty-Foot Equivalent Units (TEUs) processed at the port, with 17 of the last 19 months experiencing an increase in cargo volume. In February, the Port of Los Angeles handled 801,398 TEUs, marking the second-busiest February on record. Meanwhile, the Port of Long Beach handled 765,385 TEUs in February, a 13.4% increase from the previous year. If this volume continues throughout 2025, the San Pedro Port Complex will be on track to break its all-time record for TEUs processed.

Tariffs are likely one of the main drivers in this surge in port activity as businesses accelerated imports to stockpile goods ahead of expected policy changes. The introduction of the Liberation Day tariffs has prompted countries worldwide to adjust to the evolving trade landscape. Before the implementation of these tariffs, inflationary pressures from February's tariff measures had influenced the Federal Open Market Committee (FOMC) to maintain current interest rates. The Fed's cautious stance reflected uncertainty over whether tariff-driven inflation will prove transitory, with Chair Powell emphasizing data dependency ahead of the next FOMC meeting in early May. However, heightened market volatility led to a closed-door Fed meeting on April 7 to discuss potential monetary policy adjustments amid evolving economic risks.

The vacancy rate in Greater Los Angeles is now 5.51%. It was 4.71% a year ago. Net absorption had been negative for eleven quarters. It turned positive in the first quarter, while average asking lease rates of $1.51 per square foot remained stable. Although attractive opportunities to purchase and lease exist in the market, many decision-makers are adopting a more cautious approach due to shifting policies and economic uncertainty.

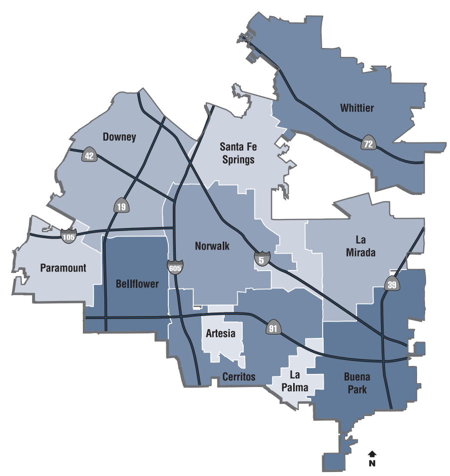
While the local industrial market faces unpredictability, port activity offers a bright spot. However, the market is still in flux, with businesses and decision-makers closely watching economic and policy changes. For now, Los Angeles remains a vital hub for global trade, and the industrial market's adaptation in the coming months will be crucial in determining its path forward in 2025.

Product Type

MFG./DIST.
Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

Submarkets

MID COUNTIES
Artesia / Cerritos, Bellflower / Downey, Buena Park / La Palma, La Mirada, Norwalk, Paramount, Santa Fe Springs, Whittier



Please Contact Us for Further Information

Tony Tran
Regional Director of Research
ttran@voitco.com

Anaheim, CA 714.978.7880
Carlsbad, CA 760.472.5620
Inland Empire, CA 909.545.8000
Irvine, CA 949.851.5100
Los Angeles, CA 424.329.7500
San Diego, CA 858.453.0505