MC Q3 25

THIRD QUARTER 2025 MARKET REPORT
MID COUNTIES INDUSTRIAL

Voit REAL ESTATE SERVICES

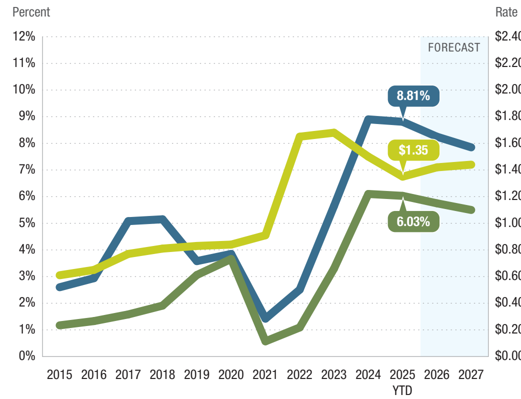
OVERVIEW. The Mid Counties industrial market showed meaningful improvement during the third quarter. Vacancy and availability rates both declined, and net absorption turned sharply positive after several quarters of contraction. Transaction volume rose substantially from a year ago, supported by tenant commitments for operational space and by investors selectively pursuing well located properties. Lease rates declined again as elevated availability and competitive conditions pushed completed transactions below asking levels, with concessions remaining common and very favorable for tenants in negotiations. Major absorption gains were centered on distribution and logistics requirements, with several large commitments driving the quarter's turnaround. Construction activity was steady, with no completions this quarter but a pipeline of planned projects focused on pre-leased or high-demand locations. In the short term, competitive pricing and tenant concessions will drive activity in the Mid Counties. In the long term, the combination of steady demand, declining availability, and limited new supply positions the Mid Counties market for continued stabilization into the year ahead.

VACANCY & AVAILABILITY. Vacancy closed Q3 at 6.03%, down 59 basis points from the prior quarter and up 29 basis points from the 5.74% recorded a year ago. Availability also declined, finishing at 8.81%, an 87 basis point decrease from Q2. This marks the first quarterly decline in both metrics after consecutive increases earlier in the year, suggesting the market may be approaching peak vacancy. The improvement reflects no new deliveries of space this quarter along with steady tenant demand. Trade policy shifts including the elimination of the de minimis exemption in late August have introduced operational adjustments, though current fundamentals suggest conditions will continue to stabilize.

LEASE RATES. Overall average asking rents ended Q3 at $1.35, down $0.05, or 3.6% from Q2, and down $0.20, or 12.9% from one year earlier. During the quarter, NNN transactions for properties 5,000 SF and larger averaged $1.29 based on 24 completed deals with rate data, about 4.4% below asking rents. This spread reflects how deals are being finalized in the current environment, with elevated vacancy and cautious decision-making being the main drivers of pricing outcomes. Some leases included concessions, while others did not, contributing to a variation in effective rates. Well located, functional assets continued to achieve stronger pricing relative to inferior product. As stated above, the data shows that asking rent remains an important benchmark, but executed transactions provide a clearer picture of market levels in Q3.

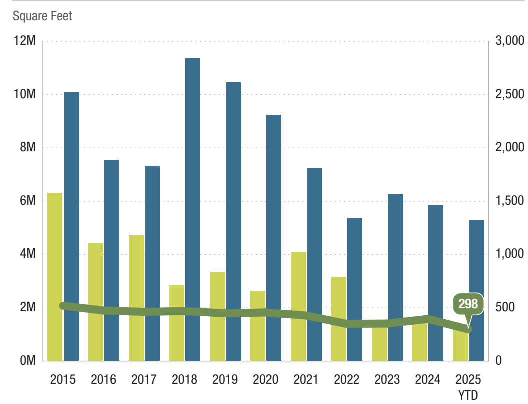
TRANSACTION ACTIVITY. Leasing activity strengthened in Q3 2025, with 108 completed lease transactions across the Mid Counties market. Building sales activity included 14 completed transactions this quarter. Total activity across lease and sale reached 122 deals

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



VACANCY: Total Vacant Space Divided by Total Existing Inventory
AVAILABILITY: Total Amount of Space that is Available whether Occupied, for Sublease, or Available at a Future Date
AVERAGE ASKING LEASE RATE: NNN / SF / Month

TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



SALES LEASES NUMBER OF TRANSACTIONS

Market Statistics

	Change Over Last Quarter	Q3 2025	Q2 2025	Q3 2024	% Change Over Last Year
Vacancy Rate	DOWN	6.03%	6.62%	5.74%	5.07%
Availability Rate	DOWN	8.81%	9.68%	7.80%	12.93%
Average Asking Lease Rate	DOWN	$1.35	$1.40	$1.55	(12.90%)
Sale & Lease Transactions	UP	2,748,776	2,450,796	2,293,512	19.85%
Gross Absorption	UP	3,153,737	1,676,374	1,372,607	129.76%
Net Absorption	POSITIVE	1,293,618	(112,371)	(976,842)	N/A

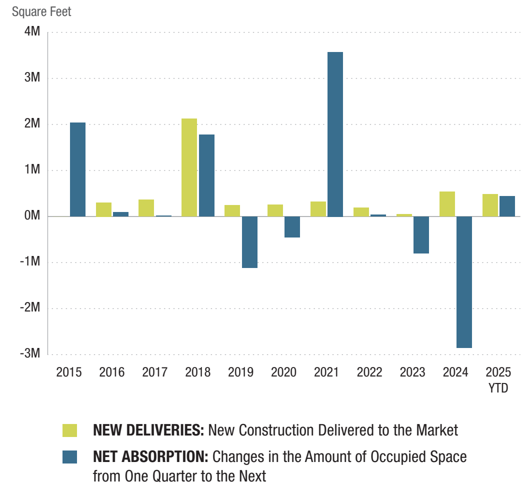
for 2,748,776 SF, up 19.85% from the 2,293,512 SF transacted in Q3 2024. While overall activity remains below historical peaks, the year-over-year increase shows that tenants and buyers continue to engage for operational space and/or desirable ownership opportunities. Investment activity is beginning to gain traction following the Federal Reserve's September rate cut. With two additional cuts anticipated by year end and another in 2026, the fed funds rate is projected to reach 3.6% by the close of 2025 and 3.4% by the end of 2026. This path toward lower financing costs is creating a more positive sentiment among investors, and sales volume is expected to improve as borrowing conditions improve through next year.

ABSORPTION. Net absorption returned to positive ground in Q3, totaling 1,293,618 SF, a significant turnaround from the negative 112,371 SF in Q2 and negative 976,842 SF one year earlier. Gross absorption also rose to 3,153,737 SF. The rebound was led by major commitments across key submarkets, contrasting sharply with the contractionary environment that defined the first half of 2025 and several previous quarters. Notable transactions include Breakthru Beverage Group with a 521,091-square-foot lease in Santa Fe Springs, Fashion Nova with a 194,046-square-foot lease in Santa Fe Springs, and Tomarco with a 178,818-square-foot lease in La Mirada. These deals contributed significantly to Q3's positive absorption.

CONSTRUCTION. Total space under construction stood at 493,874 SF, with 1,181,090 SF planned. No completions were recorded this quarter. Developers are advancing projects cautiously, with most new starts tied to pre-leased commitments or sites with clear tenant demand. Public REITs and institutional owners have noted that underwriting new developments remains challenging, as higher borrowing costs and softening market conditions make speculative projects difficult to justify. Major industrial operators report that development starts remain low, with a depleting supply pipeline. This disciplined approach has kept the Mid Counties pipeline controlled, ensuring modern industrial product enters the market while limiting the risk of oversupply heading into 2026.

EMPLOYMENT. The Los Angeles unemployment rate stood at 5.7% in August 2025, down from 6.1% a year earlier. Trade, transportation, and utilities employment slipped slightly, yet warehousing and trucking held near prior levels, reflecting steady industrial demand. Manufacturing jobs declined by about 11,000 year over year, with durable goods and apparel posting the steepest cuts. These shifts highlight a regional labor market where logistics remains resilient, but industrial production is under pressure from macroeconomic headwinds.

NEW DELIVERIES & NET ABSORPTION



Forecast

The Mid Counties industrial market is expected to hold steady through the remainder of 2025 and into the first half of 2026. Vacancy and availability are likely to gradually come down as the constrained development pipeline and ongoing leasing/sales help to absorb space. Asking rents may continue to soften, but concessions will remain the primary lever rather than sweeping rent cuts. Net absorption should stay positive, though moderate, as occupiers balance growth needs and economic uncertainty. Developers are being cautious with new projects, and the slowdown in new construction should keep the market from becoming oversupplied. This will, in turn, help newer buildings hold their value. The Federal Reserve has already initiated rate cuts, and additional easing is broadly anticipated in 2026, which should reduce financing costs and support more investment activity. Overall, the outlook points to stability and gradual improvement.

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q3 2025	Square Feet Available	Availability Rate Q3 2025	Average Asking Lease Rate	Net Absorption Q3 2025	Net Absorption 2025	Gross Absorption Q3 2025	Gross Absorption 2025
Mid Counties													
Artesia / Cerritos	277	13,126,787	0	72,189	803,385	6.12%	1,108,402	4.88%	$1.27	(50,668)	68,953	245,913	753,423
Bellflower / Downey	212	5,724,006	0	516,124	274,291	4.79%	351,473	2.41%	$1.41	118,675	(160,905)	168,630	245,406
Buena Park / La Palma	233	14,951,352	0	0	1,148,952	7.68%	1,806,770	5.32%	$1.21	98,102	86,849	231,179	678,253
La Mirada	177	13,212,712	0	0	1,439,218	10.89%	1,781,755	9.47%	$1.58	(62,615)	(294,671)	247,641	479,208
Norwalk	91	2,925,308	0	5,000	13,600	0.46%	120,925	6.18%	$1.67	63,640	61,464	3,640	76,260
Paramount	416	9,295,783	0	0	204,006	2.19%	542,890	3.08%	$1.35	(33,494)	(30,678)	128,923	390,160
Santa Fe Springs	1,356	54,224,922	201,571	587,777	2,789,484	5.14%	4,216,173	5.63%	$1.74	1,158,149	892,523	2,124,111	3,769,914
Whittier	159	3,767,259	292,303	0	396,035	10.51%	401,334	2.97%	$1.50	1,829	(185,945)	3,700	44,581
Mid Counties Total	**2,921**	**117,228,129**	**493,874**	**1,181,090**	**7,068,971**	**6.03%**	**10,329,722**	**8.81%**	**$1.35**	**1,293,618**	**437,590**	**3,153,737**	**6,437,205**
5,000-24,999	1,831	24,025,180	0	24,124	619,279	2.58%	920,297	3.83%	$1.29	107,791	131,249	327,254	920,832
25,000-49,999	516	18,309,517	0	59,568	882,131	4.82%	1,363,304	7.45%	$1.32	53,122	(126,832)	345,230	764,505
50,000-99,999	300	20,881,363	0	150,606	1,546,719	7.41%	2,524,412	12.09%	$1.38	72,318	110,443	592,085	1,431,073
100,000-249,999	213	31,354,841	201,571	430,668	2,692,479	8.59%	3,494,844	11.15%	$1.43	730,297	76,910	1,304,360	2,635,987
250,000-499,999	52	17,016,373	292,303	0	1,284,082	7.55%	1,982,584	11.65%	$0.00	145,820	285,820	400,538	400,538
500,000 plus	9	5,640,855	0	516,124	44,281	0.79%	44,281	0.79%	$0.00	184,270	(40,000)	184,270	284,270
Mid Counties Total	**2,921**	**117,228,129**	**493,874**	**1,181,090**	**7,068,971**	**6.03%**	**10,329,722**	**8.81%**	**$1.35**	**1,293,618**	**437,590**	**3,153,737**	**6,437,205**

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

Significant Transactions

Sales

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
6250–6290 Caballero Blvd.	Buena Park	274,170	$60,900,000	Elion Partners	AEW Capital Management
6259 Descanso Ave.	Buena Park	54,000	$17,400,000	Buena Vista-Los Angeles, LLC	CREF3 Descano Owner LLC *
16511 Carmenita Rd.	Cerritos	32,702	$12,300,000	Trio Pines USA Inc.	Chung Family Trust
17110 Jersey Ave.	Artesia	32,487	$6,700,000	Hels Place LLC	Grand Avenue Capital Partners
9911 Romandel Ave.	Santa Fe Springs	23,390	$8,584,130	Coral LW LLC	Bivio Transport and Logistics Company LLC

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
15614–15700 Shoemaker Ave.	Santa Fe Springs	521,091	Jul-2025	Breakthru Beverage Group	PGIM Real Estate
8201 Sorensen Ave. – Renewal	Santa Fe Springs	234,330	Jul-2025	Rove Concepts	Xebec Realty
14000–14030 E. 183rd St. – Renewal	La Palma	170,692	Jul-2025	Americhine	Oltman
6250 Caballero Blvd.	Buena Park	143,970	Sep-2025	Orange Courier	AEW Capital Management
13711 Freeway Dr.	Santa Fe Springs	78,456	Jul-2025	CreatePros LLC	Rexford Industrial Realty, Inc.

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STABILITY IN THE INDUSTRIAL MARKET?

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Stability in the industrial market appears to be taking hold. The numbers are moving in the right direction. Vacancy in the Los Angeles industrial market peaked at 5.69% in the fourth quarter of 2024. In the first quarter of 2025, it ticked down very slightly to 5.51%. That might fall within the margin of error, but it was something. The second quarter held about flat, and our new numbers for this quarter show vacancy falling again to 5.41%. Another small change, but it is a great sign.

For perspective, the 2008 crash took 13 quarters to go from lowest recorded vacancy to highest recorded vacancy before beginning recovery. It has been 11 quarters since we recorded the lowest vacancy during the 2022 Covid boom. Based on these numbers we can make a good guess that we are at peak vacancy right now and the recovery is about to begin.

Looking at the recovery timeline, it took four quarters following peak vacancy in 2008 before we saw rents bottom out and begin to rise. So we're looking at possibly another year of falling rents as we flush out some of the stickiest vacancy.

Investors are still extremely cautious and not willing to take on unjustifiable risk. Tenants are still being cautious, taking on smaller expansion plans or holding off altogether. Landlords with vacancy are still seeing extremely high competition to land new tenants. Lease rates are soft and concessions like free rent and tenant improvement allowances are very high.

Recent tariff policies are introducing operational challenges across the industrial sector. The elimination of de minimis exemptions in August 2025 now subjects previously duty-free packages under $800 to full customs processing and fees. Additionally, new furniture tariffs at 25% took effect in October 2025, affecting upholstered wooden furniture imports. These policies impact tenants across logistics, distribution, e-commerce, and manufacturing. However, the industrial market has historically demonstrated resilience during periods of trade uncertainty, and current fundamentals suggest the sector can weather these headwinds as vacancy trends continue to stabilize.

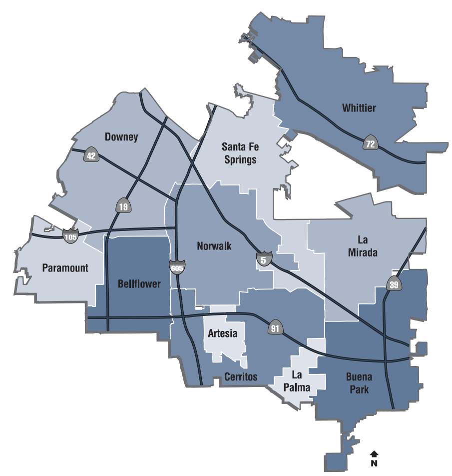
If stability in the market continues, we will see rental rates reverse their trend. With a peak market vacancy of only around 5%, we only need a few quarters of stability to get back to rent inflation. Tenants will continue to hunt for the best deals so there will be stubborn vacancy in pockets throughout the market. It will be an interesting time in the coming quarters as we track what hopes to be a comprehensive market recovery.

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



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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

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