

FIGURES | LOS ANGELES INDUSTRIAL | Q2 2026

Surge in leasing activity drives positive net absorption to a four-year high

▼ 5.0%

Vacancy Rate

▲ 2.8M

SF Net Absorption

▼ 378,990

SF Construction Delivered

▼ 4.0M

SF Under Construction

▼ \$1.19

NNN/MTH Direct Lease Rate

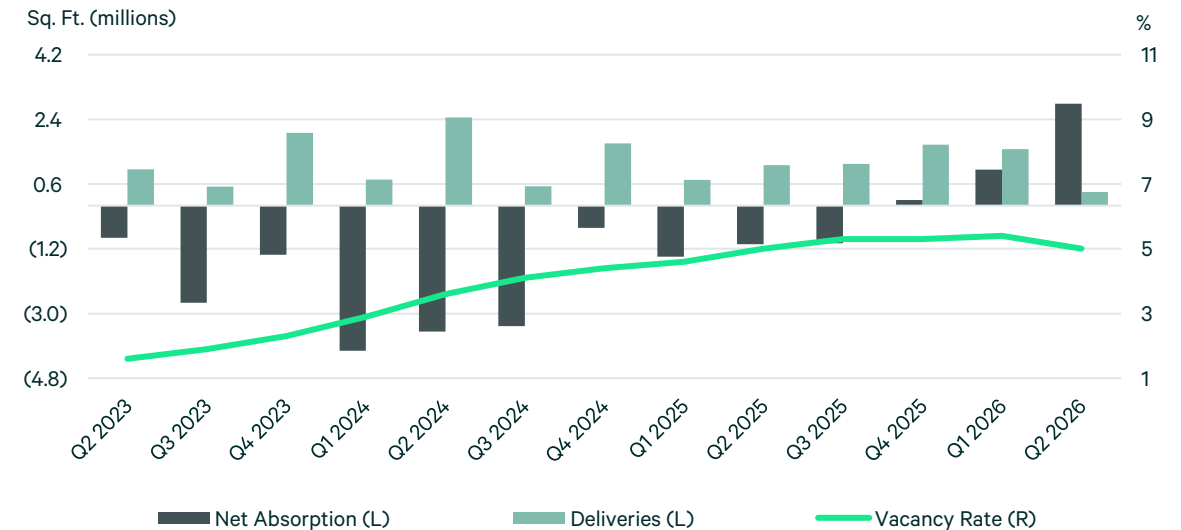
Note: Arrows indicate change from previous quarter.

Market Overview

The Los Angeles Industrial market recorded a third consecutive quarter of positive net absorption, signaling a broader shift away from the prolonged demand contraction seen in prior periods. Vacancy tightened modestly, declining 22 basis points quarter-over-quarter to end the period at 5.0%. Asking rents, however, continued to face downward pressure, falling by 2.5% quarter-over-quarter, 7.0% year-over-year, and 32.4% over the past 36 months..

Leasing activity was a notable bright spot in Q2 2026, led by three large transactions totaling 1.3 million sq. ft. Valar Atomics and Divergent Technologies each committed to space in the South Bay, signing 512,000 sq. ft. and 415,000 sq. ft. leases, respectively, while Line Apparel leased 374,000 sq. ft. in Commerce. Deliveries totaled 379,000 sq. ft. for the quarter, down 1.2 million sq. ft. from Q1 2026, as the development pipeline continued to thin — under construction volume has contracted 46.8% since Q2 2023.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Availability Rate

The overall availability rate edged down 10 basis points quarter-over-quarter to 7.8% in Q2 2026, though it remains elevated relative to both the prior year and the longer-term baseline. Overall availability increased by 30 basis points year-over-year, driven by a 40 basis point increase in direct availability to 6.7%, while sublease availability declined 10 basis points to 1.1%. The longer-term picture was more pronounced — since Q2 2023, overall availability has expanded 360 basis points from 4.2%, reflecting a 310 basis point rise in direct space and a 50 basis point gain in sublease space.

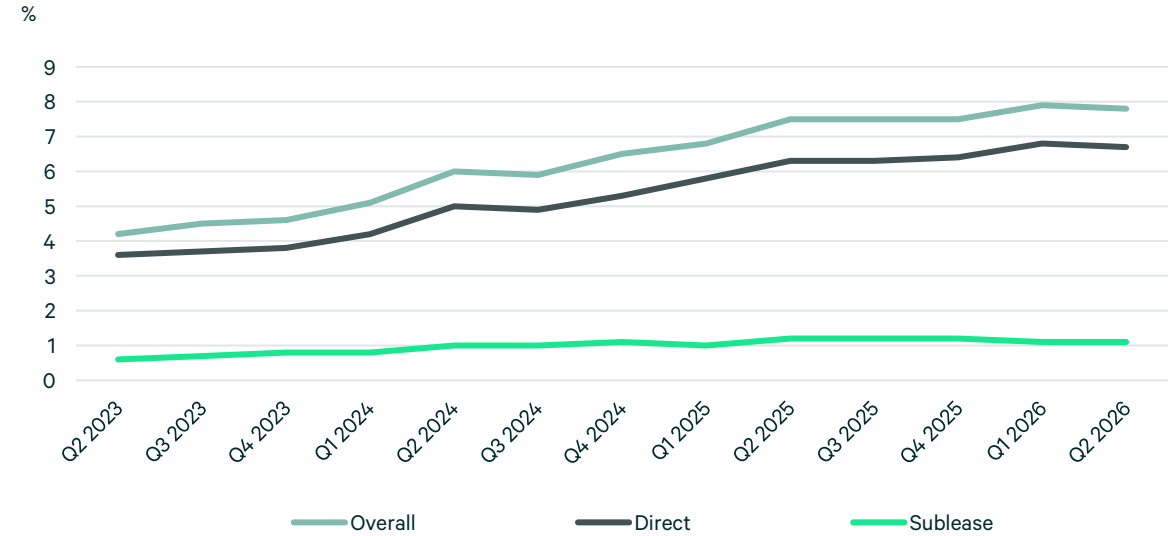
At the submarket level, the East San Fernando Valley posted the lowest overall availability rate at 5.7%, closely followed by the West San Fernando Valley at 6.0%. The Antelope Valley recorded the highest rate at 21.4%. Sublease availability held steady quarter-over-quarter at 1.1%, with approximately 9.8 million sq. ft. of sublease space tracked across the market.

Asking Rent

Average asking rent was \$1.19 per sq. ft. in Q2 2026, down 2.5% quarter-over-quarter and 7.0% year-over-year. Since Q2 2023, the market average has fallen from \$1.76 to \$1.19 per sq. ft., a cumulative 32.4% decline, with reductions recorded in nearly every quarter over the period.

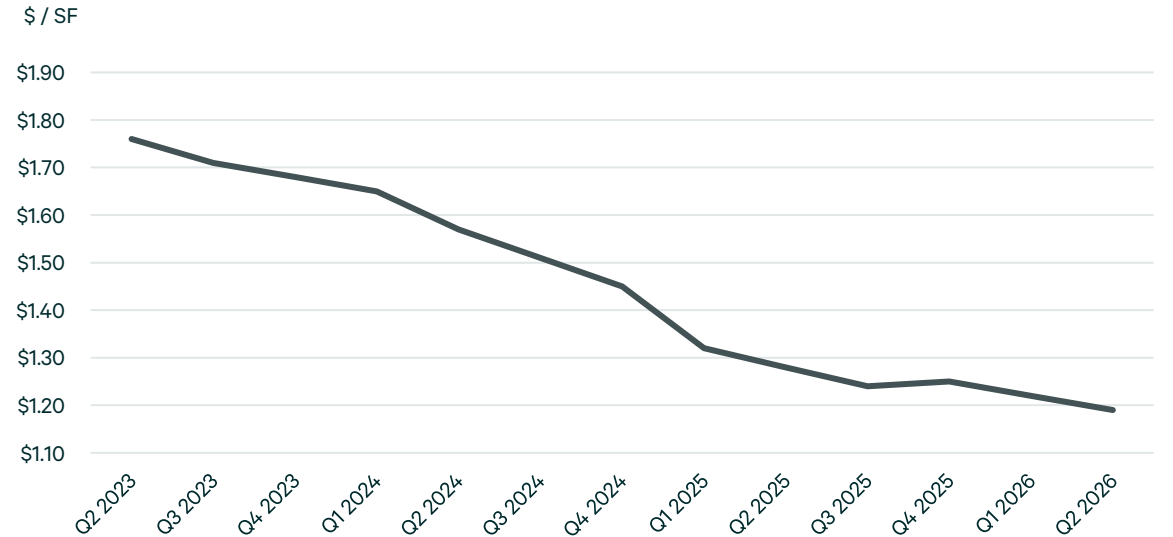
Average asking lease rates ranged from \$0.99 to \$1.34 per sq. ft. across the five submarkets. South Bay led at \$1.34 per sq. ft., followed by the Greater San Fernando Valley at \$1.30, Mid-Counties at \$1.23, and the San Gabriel Valley at \$1.21. Central Los Angeles recorded the lowest rate at \$0.99 per sq. ft., a \$0.35 per sq. ft. discount compared to the South Bay.

Figure 2: Availability Rates



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q2 2026

Net Absorption

The Los Angeles Industrial market recorded 2.8 million sq. ft. of positive net absorption in Q2 2026, a significant acceleration from 999,000 sq. ft. in Q1 2026 and a sharp reversal from negative 1.1 million sq. ft. in Q2 2025. The quarter marked the third consecutive period of positive demand following ten consecutive quarters of negative net absorption, between Q2 2023 and Q3 2025.

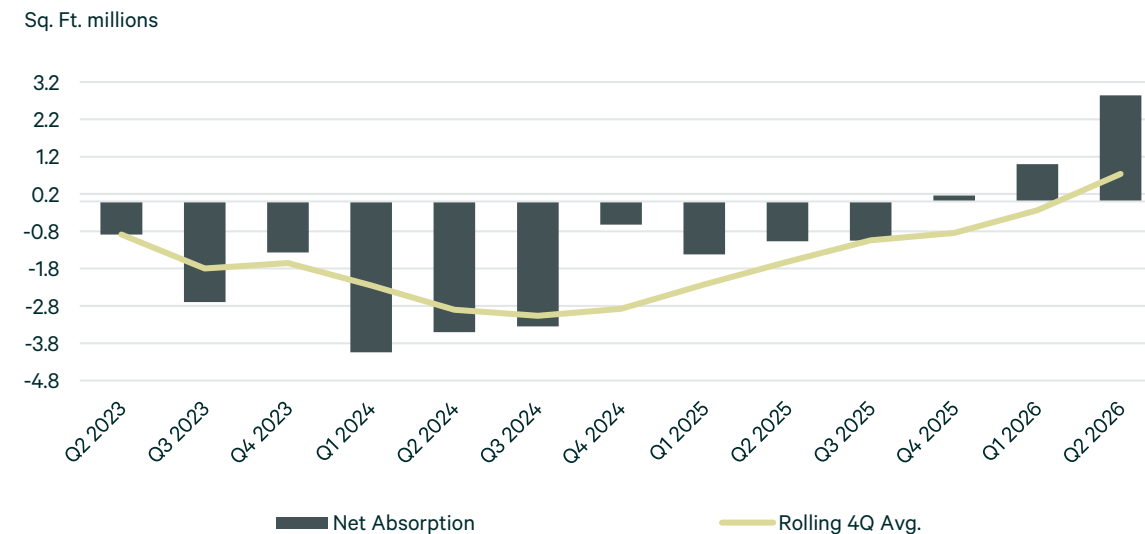
Demand was concentrated primarily in the South Bay with 1.4 million sq. ft. and Mid-Counties with 1.1 million sq. ft., with additional positive absorption recorded in the San Gabriel Valley with 324,000 sq. ft. and the Greater San Fernando Valley with 1,000 sq. ft.. Central Los Angeles was the only submarket to record negative net absorption, posting a modest decline of 18,000 sq. ft. for the quarter.

Construction Activity

In Q2 2026, the Los Angeles Industrial market recorded 379,000 sq. ft. of deliveries, down 75.8% quarter-over-quarter and 66.3% year-over-year, while 4.05 million sq. ft. remained under construction. Under construction volume itself continued to compress, declining 8.9% from Q1 2026 and 33.7% from Q2 2025, reflecting a significantly leaner development pipeline relative to recent years.

Construction activity was the most concentrated in the Greater San Fernando Valley with 1,070,000 sq. ft. in development, followed by the San Gabriel Valley with 950,000 sq. ft. in development, Central Los Angeles with 800,000 sq. ft. in development, Mid-Counties with 740,000 sq. ft. in development, and the South Bay with 480,000 sq. ft. in development. Among the most notable projects underway were 9399 Stewart and Gray Rd in Mid-Counties, a 516,000 sq. ft. distribution and logistics facility fully pre-leased ahead of its Q2 2028 delivery, 15825 Roxford St in the East San Fernando Valley, a 440,000 sq. ft. building, and SWC Foothill Blvd & Irwindale Ave in the San Gabriel Valley, a 438,000 sq. ft. building.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity



Source: CBRE Research, Q2 2026

Leasing Activity

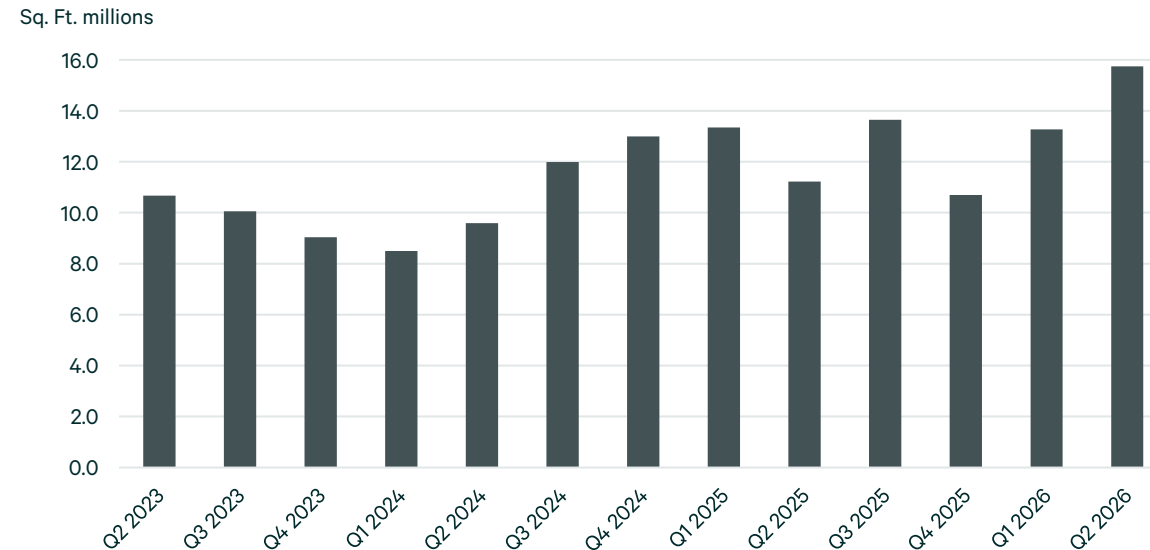
Leasing activity closed Q2 2026 at 15.7 million sq. ft., up 7.6% quarter-over-quarter and 40.4% year-over-year, surpassing the prior peak of 13.6 million sq. ft. recorded in Q3 2025. Compared to Q2 2023, activity has grown 47.6%, with cumulative leasing over the last three years totaling 150.8 million sq. ft.

At the submarket level, the South Bay led all markets with 5.5 million sq. ft. of leased area. The San Gabriel Valley, Central Los Angeles, and Mid-Countries each recorded between 2.4 and 3.1 million sq. ft., while the Greater San Fernando Valley closed the quarter at 1.7 million sq. ft.

Advanced manufacturing firms comprised three of the top ten leases in Los Angeles, with all three leases located in the South Bay submarket.

The recorded jump in leasing volume totals was also attributed to the sustained port activity. Through May 2026, San Pedro Bay volumes were slightly ahead of last year's record pace (Port of LA +1.4% year-to-date, Long Beach +0.2%). Notably, both ports posted sharp year-over-year May gains (LA +17%, Long Beach +31.7%) that mostly reflect a rebound from a softer, tariff-impacted May 2025.

Figure 6: Leasing Activity Trend



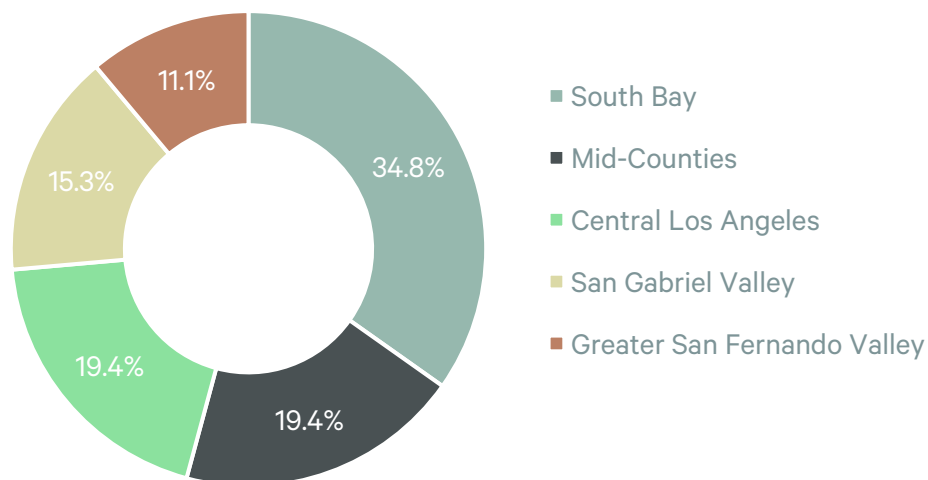
Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

| Tenant | Sq. Ft. Leased | Transaction Type | Address | Submarket |
|------------------------|----------------|------------------|--------------------------------------|-----------------------------|
| Valar Atomics | 512,000 | New Lease | 20333 Normandie Ave, Torrance | South Bay |
| Divergent Technologies | 415,000 | New Lease | 2400 E Artesia Blvd, Long Beach | South Bay |
| Line Apparel | 374,000 | New Lease | 4000 Union Pacific Ave, Commerce | Central Los Angeles |
| Ducommun | 307,000 | Renewal | 268 E Gardena Blvd, Gardena | South Bay |
| Food & Beverage | 258,000 | New Lease | 25470 Springbrook Ave, Santa Clarita | Greater San Fernando Valley |
| Speedup Logistics | 254,000 | Renewal | 400 W Artesia Blvd, Compton | South Bay |
| Consumer Goods | 246,000 | New Lease | 2161 E Dominguez St, Long Beach | South Bay |
| NM GWF | 238,000 | New Lease | 4401 S Downey Rd, Vernon | Central Los Angeles |

Source: CBRE Research, Q2 2026

Figure 7: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 9

| Submarket | Net Rentable Area (MSF) | Total Vacant Available (%) | Total Availability (%) | Direct Availability (%) | Sublease Availability (%) | Avg. Direct Asking Rate (\$/SF NNN/mth) | Current Quarter Net Absorption (MSF) | YTD Net Absorption (MSF) | Deliveries (SF) | Under Construction (MSF) |
|-------------------------------|-------------------------|----------------------------|------------------------|-------------------------|---------------------------|---|--------------------------------------|--------------------------|-----------------|--------------------------|
| Central Los Angeles | 242.86 | 5.1 | 7.8 | 7.2 | 0.6 | 0.99 | (0.02) | 0.31 | 70,000 | 0.80 |
| Greater San Fernando Valley | 169.69 | 4.8 | 7.3 | 6.3 | 1.1 | 1.30 | - | 0.62 | - | 1.07 |
| Mid-Counties | 102.48 | 4.5 | 8.7 | 7.2 | 1.5 | 1.23 | 1.08 | 0.89 | - | 0.74 |
| South Bay | 198.93 | 5.5 | 8.8 | 7.2 | 1.6 | 1.34 | 1.45 | 1.94 | 124,000 | 0.48 |
| San Gabriel Valley | 157.73 | 4.6 | 6.6 | 5.5 | 1.1 | 1.21 | 0.32 | 0.08 | 186,000 | 0.95 |
| Los Angeles Industrial | 871.69 | 5.0 | 7.8 | 6.7 | 1.1 | 1.19 | 2.84 | 3.84 | 379,000 | 4.05 |

Source: CBRE Research, Q2 2026

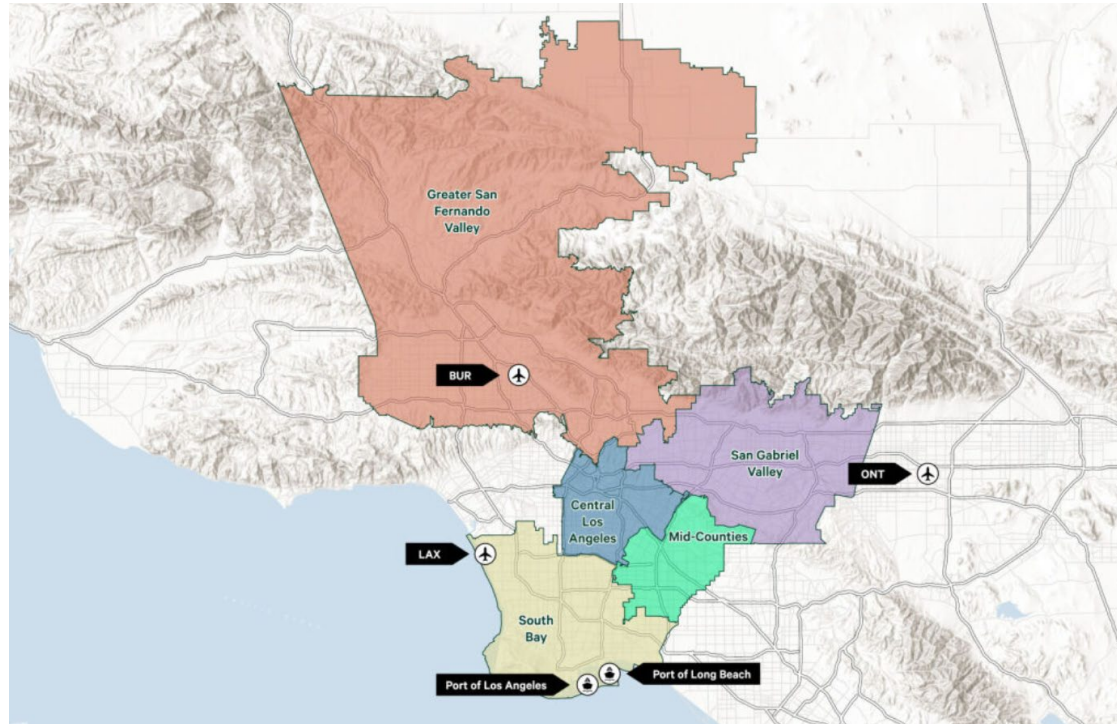
Market Statistics by Size

Figure 10

| Size Range | Net Rentable Area (SF) | Total Vacancy (%) | Total Availability (%) | Direct Availability (%) | Sublease Availability (%) | Avg. Direct Asking Rate (\$/SF NNN/mth) | Current Quarter Net Absorption (SF) | YTD Net Absorption (SF) | Deliveries (SF) | Under Construction (SF) |
|-----------------|------------------------|-------------------|------------------------|-------------------------|---------------------------|---|-------------------------------------|-------------------------|-----------------|-------------------------|
| Below 50K SF | 316.45M | 4.5 | 6.8 | 6.1 | 0.7 | 1.18 | (191,000) | (816,000) | - | 155,000 |
| 50K-99,999 SF | 184.53M | 5.1 | 8.3 | 7.0 | 1.2 | 1.10 | 378,000 | (34,000) | 70,000 | 363,000 |
| 100K-249,999 SF | 229.94M | 5.4 | 9.6 | 7.9 | 1.7 | 1.28 | 1.91M | 1.85M | 309,000 | 1.31M |
| 250K-499,999 SF | 89.40M | 4.7 | 6.6 | 5.1 | 1.5 | 1.31 | 326,000 | 1,000,000 | - | 1.71M |
| 500K-749,999 SF | 29.34M | 4.0 | 4.7 | 4.7 | 0.1 | 0.93 | 417,000 | 922,000 | - | 516,000 |
| 750,000 SF + | 22.03M | 9.1 | 10.3 | 9.9 | 0.4 | 0.84 | - | 920,000 | - | - |
| Total | 871.69M | 5.0 | 7.8 | 6.7 | 1.1 | 1.19 | 2.84M | 3.84M | 379,000 | 4.05M |

Source: CBRE Research, Q2 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the total Building Area. **Average Asking Lease Rate:** A calculated average that includes net rates, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. **Gross Activity:** All user-sales and lease transactions completed within a specified period. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. Positive absorption is reflected when a lease is signed, which may not coincide with the date of occupancy. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Available Vacant Sq. Ft. divided by the total Building Area. **Available Vacant Sq. Ft.:** Space that is not occupied and is listed on the market for lease or sale (user sale).

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in Los Angeles County. Buildings which have begun construction as evidenced by site excavation or foundation work.

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