LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

INDUSTRIAL
MARKET INSIGHTS

Q2 2026

SOUTH BAY // MID-COUNTIES // CENTRAL // INLAND EMPIRE

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REGIONAL MARKET FUNDAMENTALS

Availability, absorption, rents, investment sales and notable transactions

GROSS DOMESTIC PRODUCT

U.S. economic growth accelerated in the first quarter of 2026, with real GDP increasing at an annual rate of 2.1%, up from 0.5% in the fourth quarter of 2025 and marking a rebound in momentum to start the year. According to the Bureau of Economic Analysis, the increase in output was driven by gains in investment, exports, government spending, and consumer spending. However, these were partly offset by a rise in imports, which subtract from headline growth. Real final sales to private domestic purchasers rose 1.7%, a softer pace than the headline number, pointing to more moderate underlying private demand. Price pressures were elevated during the quarter, with the gross domestic purchases price index rising 3.6%, the PCE price index up 4.6%, and the core PCE index up 4.4%. More recent data point to some relief: the Consumer Price Index fell 0.4% in June, its largest monthly decline since April 2020, pulling annual inflation down to 3.5% from 4.2% in May, while core CPI held flat for the month and eased to 2.6% year-over-year, driven largely by a pullback in energy prices tied to the Iran ceasefire – relief that may prove temporary given renewed tensions over the Strait of Hormuz.

EMPLOYMENT

U.S. labor market conditions cooled further in June 2026, with headline stability masking a slower pace of hiring. Total nonfarm payroll employment increased by just 57,000, roughly in line with the average monthly gain over the prior 12 months (36,000), while the unemployment rate edged down to 4.2%. Job gains were concentrated in professional and business services, social assistance, and health care, while leisure and hospitality shed 61,000 jobs on weaker-than-usual seasonal hiring; government payrolls showed little change on the month. Average hourly earnings rose 3.5% over the year, and the average workweek held at 34.3 hours. The labor force participation rate fell to 61.5%, and the employment-population ratio slipped to 59.0%, while long-term unemployment held at 1.9 million, up 286,000 over the year – consistent with a labor market that is stabilizing on the surface but still losing underlying momentum.

RETAIL & E-COMMERCE SALES

U.S. retail sales continued to grow through the spring of 2026, reflecting resilient consumer spending with e-commerce remaining a key driver. Total retail and food services sales reached $763.7 billion in May 2026, up 0.9% month over month and up 6.9% year over year, while sales for the March 2026 through May 2026 period increased 5.3% from the same period a year ago. Within retail trade, nonstore retailers again outperformed, posting 12.2% annual growth, well above the 7.5% year-over-year gain for retail trade overall. This trend was corroborated by the Census Bureau's first-quarter e-commerce data, in which online sales grew 9.8% year-over-year against 3.9% growth for total retail, pushing e-commerce's share of overall retail activity to 16.9%.

ADVANCED MANUFACTURING **ON THE RISE**

Advanced manufacturing is emerging as a major source of industrial demand across Southern California, led by growth in aerospace, defense, space technology, clean energy, robotics, and other high-value production sectors. The region's established supplier network, engineering talent, research institutions, and access to the ports continue to support facilities that combine research, prototyping, assembly, and production.

Recent investments reinforce this momentum. Anduril Industries announced a $1 billion, 1.18-million-square-foot campus spanning Long Beach and Lakewood that is expected to support approximately 5,500 direct jobs, while Vast plans to invest $87 million to expand its Long Beach space-station research, development, and manufacturing operations.

For industrial real estate, this growth is increasing demand for specialized facilities with heavy power, secure yards, upgraded HVAC, lab capacity, and flexible production areas. Because relatively few existing buildings meet these requirements, well-located and adaptable properties may command stronger tenant interest and longer-term occupancy.

2026 SOCAL CONTAINER STATISTICS

Southern California's ports handled approximately 5.17 million TEUs in Q2 2026, up 10.9% year over year. Los Angeles processed 2.73 million TEUs, while Long Beach handled 2.44 million TEUs.

	MONTH	LOADED INBOUND TEUS	LOADED OUTBOUND TEUS	TOTAL LOADED TEUS	EMPTY INBOUND TEUS	EMPTY OUTBOUND TEUS	TOTAL EMPTY TEUS	TOTAL TEUS 2026	TOTAL TEUS 2025	YOY % CHANGE BY MONTH	YOY % CHANGE BY QUARTER
LOS ANGELES	April	459,825	127,726	587,551	108	303,202	303,310	890,861	842,807	5.70%	
	May	449,370	107,657	557,027	132	283,006	283,138	840,165	716,619	17.24%	11.50%
	June	530,558	126,365	656,923	201	345,610	345,811	1,002,734	892,340	12.37%	
LONG BEACH	April	389,835	118,901	508,736	17,553	291,704	309,257	817,993	867,493	-5.71%	
	May	418,851	109,168	528,019	16,094	297,918	314,012	842,031	639,160	31.74%	10.33%
	June	387,025	86,446	473,471	14,476	291,384	305,860	779,331	704,403	10.64%	

2026 SECOND HALF OUTLOOK

The U.S. economic outlook for 2026 reflects a mixed picture shaped by lingering Middle East-driven disruptions, an uneven labor market, and resilient but moderating consumer spending. Real GDP growth is projected at 2.1% this year, with Q1 finalized at 2.1% annualized and Q2 expected near 2.5%, supported by robust AI-driven business investment and a recovering manufacturing sector. Inflation showed meaningful signs of cooling in June, with headline CPI easing to 3.5% year-over-year from 4.2% in May and core CPI declining to 2.6% from 2.9%, largely due to lower energy prices following the Iran ceasefire, though renewed tension over the Strait of Hormuz leaves that relief fragile.

Harkening back to the Greenspan era, new Fed Chair Kevin Warsh has foresworn forward guidance, leaving the path of interest rates unusually uncertain. The cooler CPI print makes a near-term rate hike unlikely, although the latest dot plot shows most FOMC officials expecting rates to remain unchanged or move higher later this year, with only one anticipating a cut. June payrolls rose by 57,000, with gains concentrated in professional services, health care, and social assistance, while leisure and hospitality lost jobs and unemployment held near 4.2%.

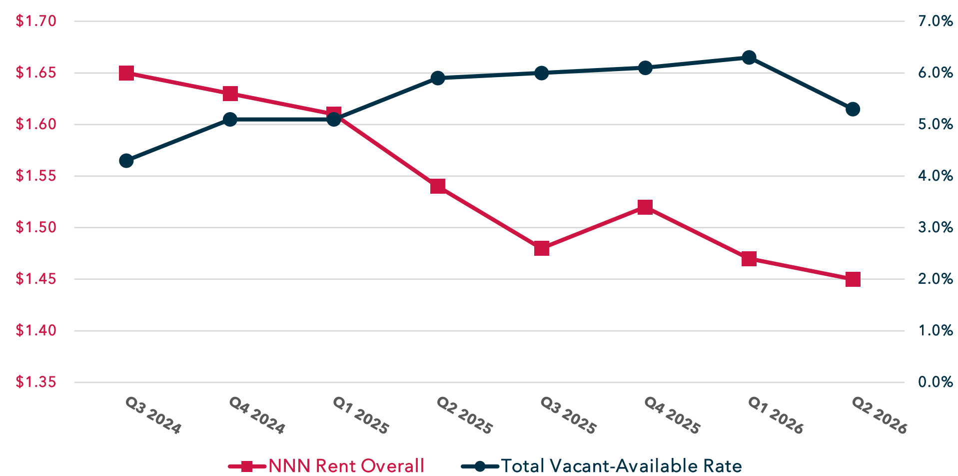
SOUTH BAY

Q2 2026
MARKET FUNDAMENTALS

Availability fell to 5.3% as net absorption turned positive. Rents eased to $1.45 NNN, while sale pricing averaged $283.88 per square foot.

VACANT-AVAILABLE RATE	NET ABSORPTION	DELIVERIES	UNDER CONSTRUCTION	ASKING RENT (NNN)	PRICE / BUILDING SF
↘	↗	↗	↘	↘	↘
5.3%	**542,069 SF**	**184,228 SF**	**759,556 SF**	**$1.45**	**$283.88**
Prev. Quarter: 6.3%	*Prev. Quarter: (1,551,135) SF*	*Prev. Quarter: 0 SF*	*Prev. Quarter: 763,079 SF*	*Prev. Quarter: $1.47*	*Prev. Quarter: $298.16*

AVAILABILITY & RENT TRENDS



QUARTERLY MARKET TAKEAWAYS

1. Vacant-available conditions in the South Bay improved in Q2 2026 after three consecutive quarters of increases. Total vacant-available space declined to approximately 10.6 million square feet, or 5.3% of inventory, while direct and sublease availability fell to 4.7% and 0.6%, respectively. Overall, the market appears to be stabilizing, though availability remains above the tighter levels recorded through much of 2024 and early 2025.

2. South Bay lease rates softened further in Q2 2026, with overall NNN asking rents averaging $1.45 per square foot, down from $1.47 in Q1 and $1.54 one year ago. Direct rents declined slightly to $1.47, while sublease rents fell more sharply to $1.26 as sublessors continued discounting to compete with available direct space. The continued decline reflects sustained tenant leverage, though improving vacant-available conditions suggest the rent correction may be approaching a floor.

3. South Bay investment sales activity was mixed in Q2 2026, with 14 transactions totaling approximately $177.9 million, below Q1 but above last year. After excluding outlier transactions, adjusted pricing averaged $283.88 per square foot, compared with $298.16 in Q1. Overall, the market remained selective, with well-positioned assets continuing to attract buyers despite moderating transaction volume.

NOTABLE Q2 TRANSACTIONS (LEASES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Tenant	Landlord	Lease Type	Tenant Industry
20333 Normandie Ave, Torrance	512,490	Valar Atomics	Morgan Stanley & Co. LLC	Direct	Energy Technology
2400 E Artesia Blvd, Long Beach	415,312	Divergent Technologies	Kurv Industrial	Direct	Aerospace
2161 E Dominguez St, Long Beach	245,720	SimpleHuman USA	Lakeshore Learning Materials	Direct	Consumer Products
22941 S Wilmington Ave, Carson	150,000	Rayhunt LLC	Watson Land Company	Sublease	Industrial Real Estate
20500 S Alameda St, Carson	147,390	Custom Goods	CenterPoint Properties	Direct	Third-Party Logistics

NOTABLE Q2 TRANSACTIONS (SALES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Buyer	Seller	Price	Transaction Date
Carson Industrial Center: 11 Industrial Properties	419,199	BKM Capital Partners	DWS Group	$94,750,000	6/22/2026
19801 S Vermont Ave, Torrance	98,659	Lift Partners	Terreno Realty	$31,100,000	4/7/2026
19100 Susana Rd, Rancho Dominguez	52,714	Stonelake Capital Partners	Rexford Industrial Realty	$16,100,000	5/8/2026
625 S Douglas St, El Segundo	26,454	Impulse	Private Individual	$9,450,000	4/7/2026
19143 S Hamilton Ave, Gardena	23,520	19143 S Hamilton LLC	Lee First Properties LLC	$5,750,000	5/7/2026

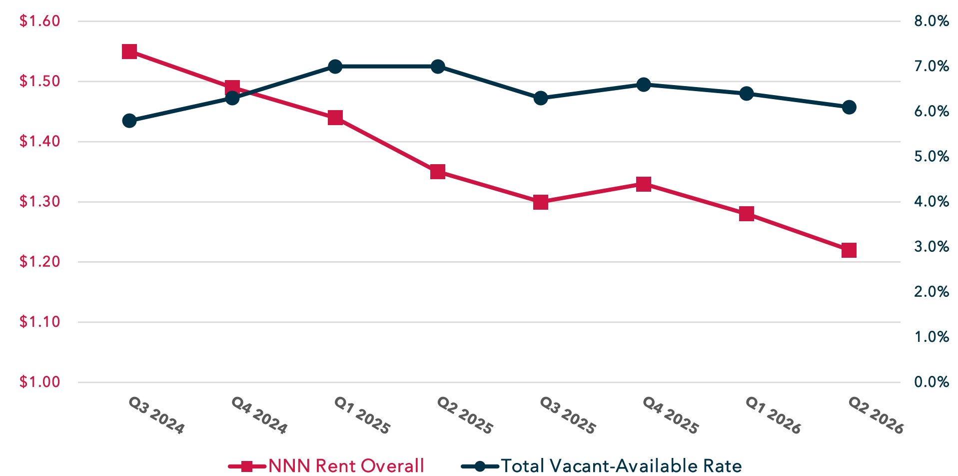
MID-COUNTIES

Q2 2026
MARKET FUNDAMENTALS

Availability improved to 6.1%, though net absorption turned negative. Rents declined to $1.22 NNN, while sale pricing increased to $308.60 per square foot.

VACANT-AVAILABLE RATE	NET ABSORPTION	DELIVERIES	UNDER CONSTRUCTION	ASKING RENT (NNN)	PRICE / BUILDING SF
↘	↘	→	↗	↘	↗
6.1%	**(108,552) SF**	**0 SF**	**390,768 SF**	**$1.22**	**$308.60**
Prev. Quarter: 6.4%	*Prev. Quarter: 312,036 SF*	*Prev. Quarter: 0 SF*	*Prev. Quarter: 229,931 SF*	*Prev. Quarter: $1.28*	*Prev. Quarter: $299.10*

AVAILABILITY & RENT TRENDS



QUARTERLY MARKET TAKEAWAYS

1. Vacant-available conditions in the Mid-Counties improved for a third consecutive quarter in Q2 2026, with total availability declining to approximately 6.9 million square feet, or 6.1% of inventory. Direct availability fell to 5.4%, while sublease availability held at 0.7%, with inventory remaining stable at approximately 113.2 million square feet. However, negative net absorption of approximately 108,600 square feet suggests the improvement was driven more by reduced listings than stronger tenant demand.

2. Mid-Counties lease rates softened further in Q2 2026, with overall NNN asking rents falling to $1.22 per square foot, down from $1.28 in Q1 and $1.35 one year ago. Sublease rents declined sharply to $0.91, while direct rents held steady at $1.29, highlighting a widening pricing gap between the two segments. Stable direct pricing suggests the broader rent correction may be nearing a floor, though discounted sublease space continues to pressure overall rents.

3. Mid-Counties investment sales activity rebounded in Q2 2026, with 26 transactions totaling $337.9 million, up sharply from the unusually slow first quarter. Average pricing rose to $308.60 per square foot, while the median reached $247.80, indicating relatively broad-based gains. Although pricing remained below Q2 2025 levels, the year-over-year comparison was influenced by several larger portfolio transactions, and overall deal velocity improved significantly.

NOTABLE Q2 TRANSACTIONS (LEASES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Tenant	Landlord	Lease Type	Tenant Industry
16400 Trojan Way, La Mirada	220,000	Delivrae Inc	Prologis	New Lease	International Trade
14445 Alondra Blvd, La Mirada	199,588	STG Logistics	The Orden Company	Renewal	Third-Party Logistics
13355 Cambridge St, Santa Fe Springs	184,475	Kenko Freight Systems	The Orden Company	Renewal	Third-Party Logistics
12301 Hawkins St, Santa Fe Springs	132,888	Fashion Nova	Clarion Partners	New Lease	Apparel & E-Commerce
7475 Flores St, Downey	126,381	Evenflow Supplies	Fremont Associates	New Lease	Wholesale Distribution

NOTABLE Q2 TRANSACTIONS (SALES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Buyer	Seller	Price	Transaction Date
Santa Fe Springs: 4 Industrial Properties Portfolio	275,093	McMaster-Carr Supply Co	Prologis	$134,500,000	6/17/2026
13711 Freeway Dr, Santa Fe Springs	82,180	Warespace	Rexford	$15,775,000	5/11/2026
7150 Village Dr, Buena Park	68,870	Jayone Foods	Buchanan Street Partners	$22,555,000	6/17/2026
12805-12809 Busch Pl, Santa Fe Springs	67,019	Rockview Dairies Inc	LBA Realty	$26,808,000	5/29/2026
16404 Knott Ave, La Mirada	55,336	Maverick Aerospace, LLC	Brookfield Properties	$18,750,603	6/3/2026

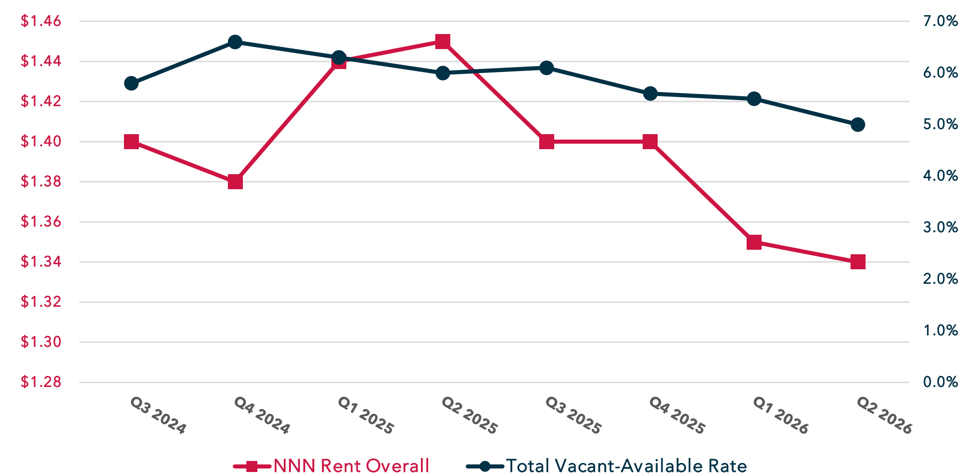
CENTRAL

Q2 2026
MARKET FUNDAMENTALS

Availability fell to 5.0% with 200,390 square feet of positive absorption. Rents held at $1.34 NNN, while sale pricing reached $352.53 per square foot.

VACANT-AVAILABLE RATE	NET ABSORPTION	DELIVERIES	UNDER CONSTRUCTION	ASKING RENT (NNN)	PRICE / BUILDING SF
↘	↗	↘	↘	↘	↗
5.0%	**200,390 SF**	**69,695 SF**	**486,381 SF**	**$1.34**	**$352.53**
Prev. Quarter: 5.5%	*Prev. Quarter: 191,252 SF*	*Prev. Quarter: 133,017 SF*	*Prev. Quarter: 556,076 SF*	*Prev. Quarter: $1.35*	*Prev. Quarter: $208.63*

AVAILABILITY & RENT TRENDS



QUARTERLY MARKET TAKEAWAYS

1. Vacant-available conditions in the Central market improved further in Q2 2026, with total availability declining to approximately 12.3 million square feet, or 5.0% of inventory–the lowest level since Q4 2023. Direct availability fell to 4.7%, while sublease availability held at 0.3%, with inventory remaining stable at approximately 245.9 million square feet. Positive net absorption and limited new construction indicate the market continues to tighten, giving landlords greater confidence heading into the second half of 2026.

2. Central market lease rates softened modestly in Q2 2026, with overall NNN asking rents averaging $1.34 per square foot, down from $1.35 in Q1 and $1.45 one year ago. Direct rents held nearly flat at $1.34, while sublease rents declined more noticeably to $1.31. Slower quarter-over-quarter declines, combined with improving availability, suggest the market's rent correction may be nearing an inflection point.

3. Central market investment sales activity strengthened in Q2 2026, with 16 transactions totaling approximately $204.6 million, up sharply from the first quarter. Average and median pricing rose to $352.53 and $350.27 per square foot, respectively, indicating broad-based pricing gains, while average cap rates compressed to 5.5%. Overall, investor sentiment and pricing fundamentals improved, though transaction volume remained below the elevated levels recorded in late 2025.

NOTABLE Q2 TRANSACTIONS (LEASES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Tenant	Landlord	Lease Type	Tenant Industry
4000 Union Pacific Ave, Commerce	375,000	Line Apparel	Dart Entities	Direct	Apparel Manufacturing
7400 E Slauson Ave, Commerce	283,621	Pixior	GEHR COMMERCE LLC	Direct	Third-Party Logistics
6021 S Malt Ave, Commerce	140,450	N.A. Trading Company	American International Industries	Direct	Logistics
3359-3389 E 50th St, Vernon	137,402	Secret Charm	In Y Noh	Direct	Apparel & Accessories
5008 S Boyle Ave, Vernon	129,269	Xpress Container Service	Y & N Apparel	Direct	Food Import & Distribution

NOTABLE Q2 TRANSACTIONS (SALES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Buyer	Seller	Price	Transaction Date
4690 Colorado Blvd, Los Angeles	96,948	Blue Owl Capital	Eaton Corporation	$43,333,500	4/3/2026
3258 E 45th St, Los Angeles	88,457	New Mountain Capital	Golden West Food Group	$37,416,416	5/8/2026
5555 E Slauson Ave, Commerce	91,010	Holland Flower Market	BCI	$34,129,000	4/20/2026
5721 W 96th St, Los Angeles	30,976	Open Industrial	Kerr Building LLC	$20,418,000	4/13/2026
5901 Triumph St, Commerce	40,210	Stonelake Capital Partners	Clarion Partners	$17,500,000	4/1/2026

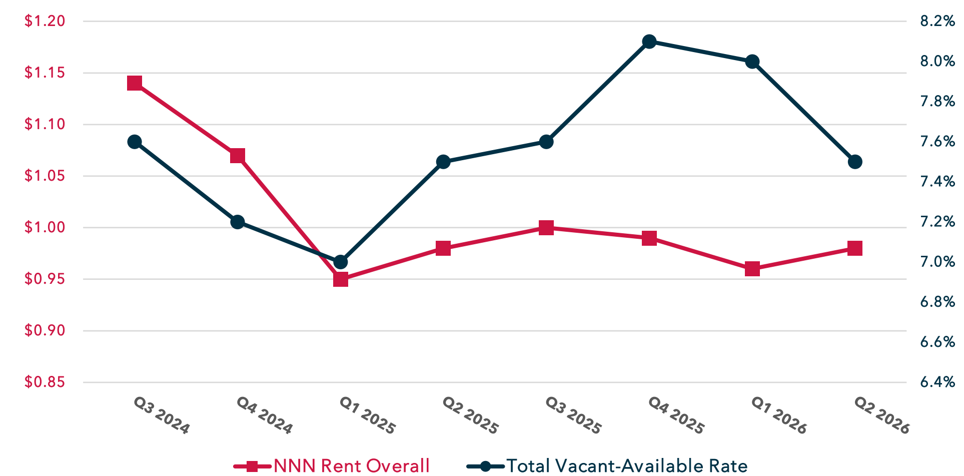
INLAND EMPIRE

Q2 2026 MARKET FUNDAMENTALS

Availability improved to 7.5% with 778,305 square feet of positive absorption. Rents rose to $0.98 NNN as construction reached 7.63 million square feet.

VACANT-AVAILABLE RATE	NET ABSORPTION	DELIVERIES	UNDER CONSTRUCTION	ASKING RENT (NNN)	PRICE / BUILDING SF
↘	↘	↘	↗	↗	↘
7.5%	**778,305 SF**	**370,221 SF**	**7,631,223 SF**	**$0.98**	**$190.69**
Prev. Quarter: 8.0%	*Prev. Quarter: 2,521,312 SF*	*Prev. Quarter: 1,643,023 SF*	*Prev. Quarter: 5,517,356 SF*	*Prev. Quarter: $0.96*	*Prev. Quarter: $208.19*

AVAILABILITY & RENT TRENDS



QUARTERLY MARKET TAKEAWAYS

1. Vacant-available conditions in the Inland Empire improved for a second consecutive quarter in Q2 2026, with total availability declining to approximately 52.5 million square feet, or 7.5% of inventory. Direct availability fell to 6.5% and sublease availability tightened to 1.0%, though the overall rate remained unchanged from a year ago. Positive net absorption continued to support the market, but rising construction activity and a slower pace of absorption may temper further improvement.

2. Inland Empire lease rates were mixed in Q2 2026, with overall NNN asking rents rising to $0.98 per square foot, up from $0.96 in Q1 and unchanged from a year ago. Direct rents declined to $0.98, while sublease rents increased sharply to $0.95, significantly narrowing the gap between the two segments. Overall pricing appears more balanced, though direct landlords continue to face pressure from elevated supply.

3. Inland Empire investment sales activity surged in Q2 2026, with 69 transactions totaling approximately $1.18 billion, more than double the volume recorded a year ago. Average and median pricing declined to $190.69 and $214.63 per square foot, respectively, reflecting a broad-based pullback as larger, more land-intensive properties traded. Overall, investment activity strengthened significantly even as per-square-foot valuations continued to soften.

NOTABLE Q2 TRANSACTIONS (LEASES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Tenant	Landlord	Lease Type	Tenant Industry
6207 Cajon Blvd, San Bernardino	830,750	Centric Brands	Ares Industrial Management	New Lease	Apparel & Accessories
11850 Riverside Dr, Jurupa Valley	656,661	Walmart	Alere Property Group	New Lease	Retail & E-Commerce
4061 E Francis St, Ontario	500,000	SNL Logistics Inc	Majestic Realty	New Lease	Logistics & Warehousing
8291 Milliken Ave, Rancho Cucamonga	443,190	Western Post	Prologis	New Lease	E-Commerce Logistics
21661 N Barton Rd, Colton	417,809	US Elogistics Service Corp	Clarion Partners	New Lease	E-Commerce Logistics

NOTABLE Q2 TRANSACTIONS (SALES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Buyer	Seller	Price	Transaction Date
1660 N Linden Ave, Rialto	855,000	Premier Logistics Properties	Link Logistics Real Estate	$140,968,342	5/21/2026
1568 N Linden Ave, Rialto	614,848	Premier Logistics Properties	Link Logistics Real Estate	$129,031,658	5/21/2026
6227 Cajon Blvd, San Bernardino	806,322	Bridge Logistics Properties	EQT Real Estate	$121,500,000	5/18/2026
4555 Redlands Ave, Perris	599,113	Prologis	IDI Logistics	$104,693,000	6/10/2026
5990 N Cajon Blvd, San Bernardino	392,983	Amazon	Transwestern Real Estate Services	$102,176,000	5/15/2026

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