LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

INDUSTRIAL MARKET INSIGHTS

Q3 2026



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

TABLE OF CONTENTS

ECONOMIC & INDUSTRY OVERVIEW

U.S. Economy & Consumer Trends 3

Charging Ahead, Port Activity, & Second-Half Outlook 4

REGIONAL MARKET FUNDAMENTALS

Availability, absorption, rents, investment sales and notable transactions

South Bay 5

Mid-Counties 6

Central 7

Inland Empire 8

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GROSS DOMESTIC PRODUCT

U.S. economic growth moderated slightly in the second quarter of 2026, with real GDP increasing at an annual rate of 2.2%, according to the Bureau of Economic Analysis' third estimate, compared with an upwardly revised 2.5% in the first quarter. The increase was driven by gains in consumer spending, investment, and exports, partly offset by a rise in imports, which subtract from headline growth. Underlying demand was notably strong, as real final sales to private domestic purchasers rose 4.6%, well above the headline pace. Price pressures intensified during the quarter, with the gross domestic purchases price index rising 5.6% at an annual rate, the PCE price index up 5.0%, and core PCE up 3.3%. More recent data show inflation picking up: the Consumer Price Index rose 0.6% in September, lifting year-over-year inflation to 3.7% from 3.4%, while core CPI increased 0.3% and stood at 2.6% year-over-year. Energy remains the primary driver, with energy prices up 20.4% from a year earlier. Diesel remains near record highs, averaging $6.28 per gallon, up 70% since the Iran war began. Against this backdrop, the Federal Reserve raised its benchmark rate by 25 basis points to a range of 3.75% to 4.00% in September.

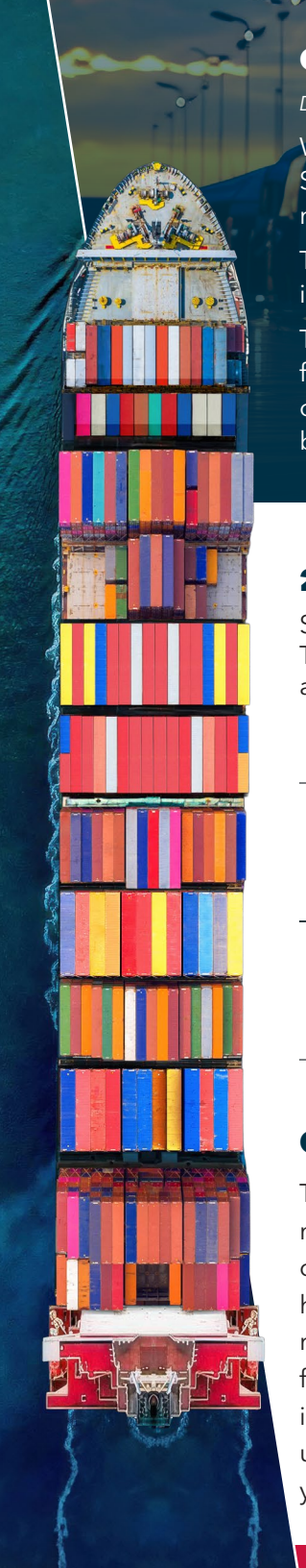
EMPLOYMENT

U.S. labor market conditions continued to soften in September 2026, as hiring nearly stalled. Employers added only 29,000 nonfarm jobs, trailing the 12-month monthly average of 45,000, and the unemployment rate ticked up to 4.2% from 4.1% the prior month. Health care, construction, and manufacturing led gains, offset by losses in information, professional and business services, and financial activities, while government employment declined by 17,000. Revised figures for July and August were lowered by a combined 60,000 jobs, turning July's total negative. Average hourly earnings growth moderated to 3.0% year-over-year, and the average workweek was unchanged at 34.4 hours. Labor force participation increased to 61.8% and the employment-population ratio reached 59.2%, yet the number of long-term unemployed remained near 1.9 million, 129,000 higher than a year ago.

RETAIL & E-COMMERCE SALES

U.S. retail sales continued to expand in September 2026, as consumer spending held firm despite persistently elevated inflation and fuel costs. Total retail and food services sales reached $745.0 billion in September (advance estimate), up 0.8% month over month and 6.3% year over year, following a 1.3% gain in August (revised) to $739.3 billion. Nonstore retailers continued to outpace the broader market, posting 8.2% annual growth versus 6.3% for total retail and food services. The Census Bureau's second-quarter e-commerce report reinforced this trend, with online sales climbing 12.2% year-over-year to $340.2 billion, compared with 6.7% growth for total retail, lifting e-commerce's share of overall retail sales to 17.1%.





CHARGING AHEAD

ON THE RISE

Diesel at $6.28 puts the South Bay's electric truck buildout in the spotlight

With diesel averaging $6.28 per gallon and the ports posting record monthly volume in September, the cost of moving containers is under pressure. Southern California is at the center of the response. The Ports of Los Angeles and Long Beach and the South Coast Air Quality Management District recently agreed to set planning targets for electric drayage trucks and to develop charging and refueling infrastructure plans.

The South Bay already hosts the region's largest heavy-duty charging depot. Prologis and Maersk's Performance Team opened a 9-megawatt hub in Torrance that can charge up to 96 trucks at once.

The constraint is power. Utility service upgrades can take anywhere from two to ten years, so the Torrance depot relies on an on-site microgrid for 6 of its 9 megawatts. Researchers at the International Council on Clean Transportation warn that these timelines are out of step with how fleets operate. For landlords and occupiers, available power is becoming as important as clear height and dock doors. Sites that can deliver it early will be positioned to capture the next wave of port-related demand.

2026 SOCAL CONTAINER STATISTICS

Southern California's ports handled approximately 5.80 million TEUs in Q3 2026, up 5.4% year over year. Los Angeles processed 2.96 million TEUs, while Long Beach handled 2.85 million TEUs. September set all-time monthly records at both ports: Los Angeles handled 1,042,652 TEUs and Long Beach 997,177 TEUs, and Los Angeles posted its busiest quarter on record.

	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	July	499,552	111,776	611,327	446	348,691	349,137	960,464	1,019,837	-5.82%	
	August	500,302	115,561	615,863	358	339,686	340,044	955,907	958,355	-0.26%	3.42%
	September	545,696	125,751	671,446	1,488	369,718	371,206	1,042,652	883,053	18.07%	
LONG BEACH	July	467,461	104,843	572,304	14,399	341,806	356,205	928,509	944,233	-1.67%	
	August	456,100	99,754	555,854	17,375	346,763	364,138	919,992	901,845	2.01%	7.64%
	September	509,390	91,747	601,137	15,741	380,299	396,040	997,177	797,537	25.03%	

OUTLOOK FOR THE REST OF 2026

The U.S. economy appears positioned to close 2026 on solid footing, though elevated inflation and rising interest rates are expected to temper momentum heading into 2027. Real GDP is projected to grow 2.4% in 2026, supported by sustained AI-related business investment and resilient consumer spending, before moderating to 2.1% in 2027. Upward revisions to real income and the saving rate bolster the case for continued household spending, and the Atlanta Fed's GDPNow model currently tracks third-quarter growth at 3.6%. However, persistent constraints in oil and refined petroleum supply are expected to keep energy prices elevated through year-end, with forecasters projecting PCE inflation of 3.7% in the fourth quarter before gradually easing next year. Against this backdrop, another 25-basis-point rate hike from the Federal Reserve is anticipated in December, consistent with the Fed's September projections, which signal a year-end federal funds rate of 4.1%. Long-term bonds are already under pressure, with the 10-year Treasury yield reaching a 24-year high of 5.36% in early October amid oil-driven inflation concerns. The 10-year yield is expected to remain above 5% through the third quarter of 2027, keeping borrowing costs elevated for commercial real estate.

SOUTH BAY

Q3 2026
MARKET FUNDAMENTALS

Availability was unchanged at 5.3% as net absorption rose to 847,509 SF. Rents held at $1.45 NNN, while sale pricing averaged $259.17 per square foot.

VACANT-AVAILABLE RATE
5.3%
Prev. Quarter: 5.3%

NET ABSORPTION
847,509 SF
Prev. Quarter: 531,247 SF

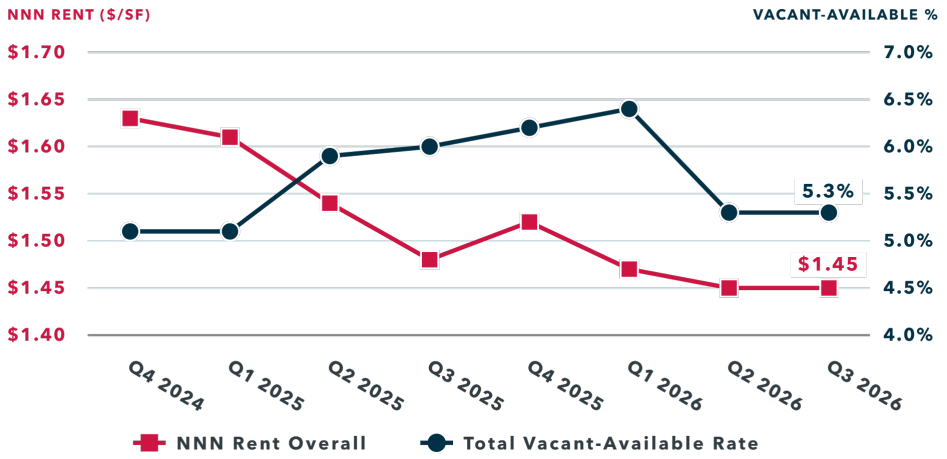
DELIVERIES
161,134 SF
Prev. Quarter: 184,228 SF

UNDER CONSTRUCTION
779,436 SF
Prev. Quarter: 578,851 SF

ASKING RENT (NNN)
$1.45
Prev. Quarter: $1.45

PRICE / BUILDING SF
$259.17
Prev. Quarter: $283.88
Outlier-adjusted

AVAILABILITY & RENT TRENDS



QUARTERLY MARKET TAKEAWAYS

1. Vacant-available conditions in the South Bay held steady in Q3 2026, consolidating the sharp improvement recorded last quarter. Total vacant-available space remained at 10.7 million square feet, or 5.3% of inventory, unchanged from Q2 but down from 6.0% a year earlier and well below the 6.4% peak in Q1 2026. Direct vacant-availability held at 4.7%, down from 5.4% a year ago, while sublease remained at 0.6%, signaling emerging market equilibrium.

2. Lease rate trends in the South Bay showed signs of stabilization in Q3 2026. Overall NNN asking rents averaged $1.45 per square foot, unchanged from Q2 and 2.0% below the $1.48 recorded a year earlier. Direct rents edged down to $1.46 from $1.47 in Q2, while sublease rents rebounded to $1.39 from $1.26 last quarter, suggesting that steady vacant-availability is helping pricing find firmer footing after an extended multi-year correction.

3. Investment activity in the South Bay was mixed in Q3 2026, with 14 transactions totaling approximately $123.7 million, down 29.8% from Q2 but up 54.1% year-over-year. Average pricing fell to $259.17 per square foot from $283.88 in Q2 (outlier-adjusted) and $290.97 a year earlier, while average cap rates compressed to 6.0% from 6.4% last year, though thin deal volume continues to drive pricing swings.

NOTABLE TRANSACTIONS (LEASES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Tenant	Landlord	Lease Type	Tenant Industry
300 Westmont Dr, San Pedro	338,899	International Cargo Terminals, Inc	BlackRock, Inc	Direct	Logistics
20974 S Santa Fe Ave, Long Beach	211,446	Cod Logistics and Distribution	Michael Kaplan	Direct	Logistics
19501 Prairie Ave, Torrance	177,103	Antares Nuclear	Kearny Real Estate	Sublet	Aerospace & Defense Technology
3470 Conant St, Long Beach	152,508	Confidential Tenant	Sares-Regis Group	Direct	Unknown / Confidential
2910 E Pacific Commerce Dr, East Rancho Dominguez	150,000	KCC Transport Systems, Inc	Rexford Industrial Realty, Inc.	Direct	Transportation & Logistics

NOTABLE TRANSACTIONS (SALES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Buyer	Seller	Price	Transaction Date
860 Sandhill Ave, Carson	90,500	WareSpace	JTL Corporation	$23,000,000	7/10/2026
23105 Kashiwa Ct, Torrance	63,202	Grand Prix Auto Club	LEDtronics Inc.	$20,500,000	9/3/2026
20701 Manhattan Pl, Torrance	35,250	Terreno Realty	Christie Properties	$14,700,000	8/10/2026
333 W Alondra Blvd, Gardena	54,000	Amnon Ambar	Donald M & Marcella L Breslow Trust	$11,800,000	8/14/2026
2840 E Harcourt Ave, Compton	41,949	Faropoint	The Hsieh Family Revocable Trust	$9,000,000	8/24/2026

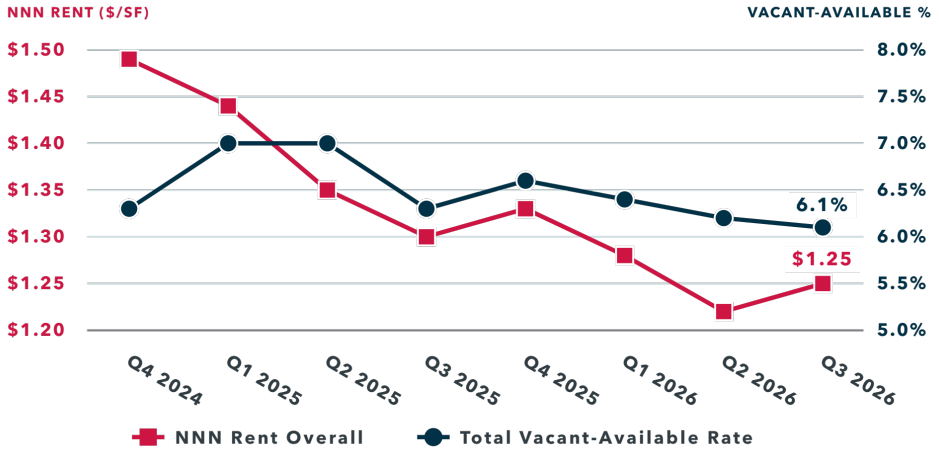
MID-COUNTIES

Q3 2026
MARKET FUNDAMENTALS

Vacant-available edged down to 6.1% from 6.2%, but net absorption stayed negative at (331,671) SF. NNN rents rose to $1.25/SF from $1.22.

VACANT-AVAILABLE RATE	NET ABSORPTION	DELIVERIES	UNDER CONSTRUCTION	ASKING RENT (NNN)	PRICE / BUILDING SF
6.1%	(331,671) SF	0 SF	446,464 SF	$1.25	$230.29
Prev. Quarter: 6.2%	*Prev. Quarter: (282,467) SF*	*Prev. Quarter: 0 SF*	*Prev. Quarter: 390,768 SF*	*Prev. Quarter: $1.22*	*Prev. Quarter: $305.99*

AVAILABILITY & RENT TRENDS



QUARTERLY MARKET TAKEAWAYS

1. Vacant-available conditions in the Mid-Counties continued to improve in Q3 2026, marking a third consecutive quarterly decline. Total vacant-available space fell to approximately 6.9 million square feet, or 6.1% of inventory, down from 6.2% in Q2 and 6.3% a year earlier. Direct vacant-availability edged up to 5.7% from 5.5% in Q2, while sublease vacant-availability dropped to 0.5% from 0.7%, indicating that shrinking sublease space is primarily driving the overall tightening.

2. Lease rate trends in the Mid-Counties showed mixed signals in Q3 2026. Overall NNN asking rents averaged $1.25 per square foot, up from $1.22 in Q2 but still 3.8% below the $1.30 recorded a year earlier. The quarterly gain was driven by sublease rents, which rebounded to $1.10 from $0.91 in Q2, while direct rents slipped to $1.27 from $1.29 last quarter, suggesting landlords of direct space continue to face pricing pressure despite tightening availability.

3. Investment activity in the Mid-Counties accelerated in Q3 2026, with 27 transactions totaling approximately $524.5 million, up 53.5% from Q2 and more than tripling year-over-year, the highest quarterly volume since Q3 2022. Average pricing eased to $230.29 per square foot from $305.99 in Q2, while cap rates averaged 5.5% this quarter, reflecting strong buyer demand at more attractive entry points.

NOTABLE TRANSACTIONS (LEASES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Tenant	Landlord	Lease Type	Tenant Industry
16222 Phoebe Ave, La Mirada	137,700	Capital Logistics & Warehousing	Phoebe Investment LLC	Direct	Logistics & Distribution
12500 Slauson Ave, Santa Fe Springs	127,585	SwiftX, Inc	Prologis	Direct	Logistics & Distribution
10251 Santa Fe Springs Rd, Santa Fe Springs	121,124	Legacy Sports Complex LLC	Centris Industrial	Direct	Sports Facility
12851 Midway Pl, Cerritos	102,160	Polycell International Corp	ARES Management	Direct	Logistics & Distribution
13140 Alondra Blvd, Cerritos	87,635	Tandem Foods	The Muller Company	Direct	Food Manufacturing

NOTABLE TRANSACTIONS (SALES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Buyer	Seller	Price	Transaction Date
13900 Carmenita Rd, Santa Fe Springs	150,548	Travelers Club Luggage	ARES Management	$51,250,000	8/5/2026
6635 Caballero Blvd, Buena Park	92,385	GuruNanda	Rexford Industrial Realty	$28,181,000	9/2/2026
13100 Arctic Cir, Santa Fe Springs	120,357	Juanita's Foods	LBA Logistics	$27,250,000	9/2/2026
12910 Mulberry Dr, Whittier	153,080	Mulberry Properties LLC	Realterm US	$22,300,000	9/22/2026
11966 Rivera Rd, Santa Fe Springs	16,388	Private Individual	O'Rourke Family Trust	$4,650,000	8/26/2026

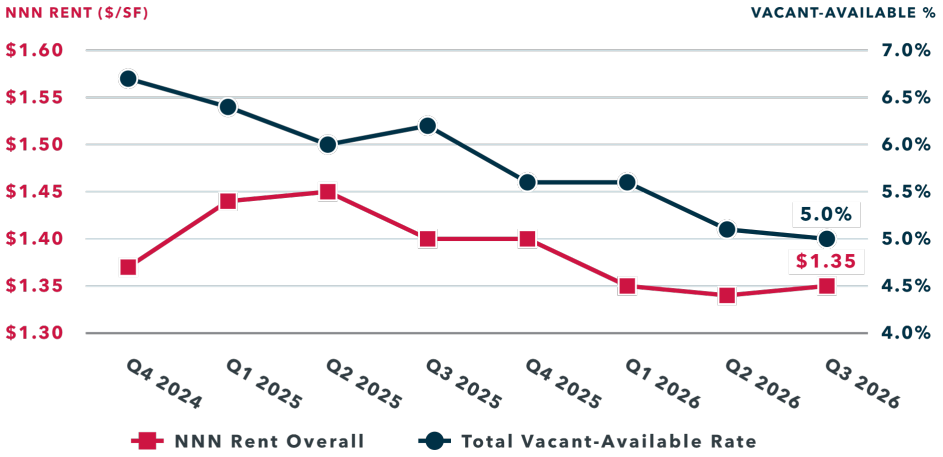
CENTRAL

Q3 2026
MARKET FUNDAMENTALS

Vacant-available tightened to 5.0% from 5.1%, and net absorption rebounded to 562,781 SF from (1,159,126) SF. NNN rents ticked up to $1.35/SF.

VACANT-AVAILABLE RATE	NET ABSORPTION	DELIVERIES	UNDER CONSTRUCTION	ASKING RENT (NNN)	PRICE / BUILDING SF
5.0%	562,781 SF	283,621 SF	355,760 SF	$1.35	$217.30
Prev. Quarter: 5.1%	*Prev. Quarter: (1,159,126) SF*	*Prev. Quarter: 69,695 SF*	*Prev. Quarter: 639,381 SF*	*Prev. Quarter: $1.34*	*Prev. Quarter: $351.11*

AVAILABILITY & RENT TRENDS



QUARTERLY MARKET TAKEAWAYS

1. Vacant-available conditions in the Central market tightened in Q3 2026. Vacant-available space declined to 12.1 million square feet, or 5.0% of inventory, down from 5.1% in Q2 and 6.2% year-over-year, the lowest rate since Q4 2023. Direct vacant-availability held steady at 4.7% quarter-over-quarter but improved from 5.8% a year ago, while sublease vacant-availability remained unchanged at 0.3%, signaling absorption and favorable momentum heading into year-end.

2. Lease rate trends in the Central market showed early signs of stabilization in Q3 2026. Overall NNN asking rents averaged $1.35 per square foot, up from $1.34 in Q2, the first quarterly increase since Q2 2025, though still 3.6% below the $1.40 recorded a year earlier. Direct rents held flat at $1.35, while sublease rents slipped to $1.29 from $1.31.

3. Investment sales activity in the Central market slowed in Q3 2026, with 13 transactions totaling approximately $118.3 million, down 42.0% from Q2 and 58.0% year-over-year, marking the lowest deal count since Q1 2024. Average pricing fell to $217.30 per square foot from $351.11 in Q2 and $248.30 a year earlier, though the median rose year-over-year to $230.77. Buyers remain interested but selective amid ongoing market recalibration.

NOTABLE TRANSACTIONS (LEASES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Tenant	Landlord	Lease Type	Tenant Industry
3030 S Atlantic Blvd, Vernon	200,683	AMP Transportation	The Magellan Group Inc	Direct	Transportation & Logistics
6000-6098 Rickenbacker Rd, Commerce	117,900	Price Zone dba J&S International	DWS Group	Direct	Import & Export
3051 Washington Blvd, Los Angeles	100,000	Great Buy Inc.	Rich On, Inc	Direct	Retail / Wholesale Distribution
2522 E 37th St, Vernon	83,019	Baby2Baby	Karney Management Company	Direct	Nonprofit / Charitable Organization
6100 S Wilmington Ave, Huntington Park	76,621	Private Individual	TSB Capital LLC	Direct	Individual Business

NOTABLE TRANSACTIONS (SALES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Buyer	Seller	Price	Transaction Date
7000 E Slauson Ave, Commerce	69,123	International Union of Painters & Allied Tds	Private Philanthropic Foundation	$18,663,210	7/24/2026
315 Aurora St, Los Angeles	29,943	Metabolic Studio	Downtown Properties	$11,450,000	7/13/2026
716-718 Monterey Pass Rd, Monterey Park	25,615	Union Technology Corporation	Private Individual	$8,888,000	8/31/2026
5901 Corvette St, Commerce	25,000	Private Individual	Private Individual	$7,986,500	9/15/2026
201 W 138th St, Los Angeles	40,385	Private Individual	Private Individual	$7,340,000	9/8/2026

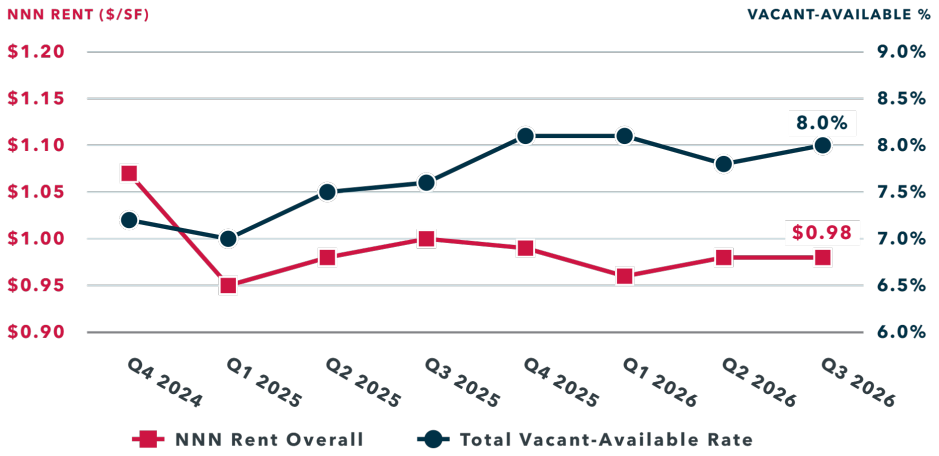
INLAND EMPIRE

Q3 2026
MARKET FUNDAMENTALS

Vacant-available rose to 8.0% from 7.8% despite net absorption rebounding to 3,373,656 SF. Construction climbed to 11.5 million SF; NNN rents held at $0.98/SF.

VACANT-AVAILABLE RATE	NET ABSORPTION	DELIVERIES	UNDER CONSTRUCTION	ASKING RENT (NNN)	PRICE / BUILDING SF
8.0%	3,373,656 SF	456,995 SF	11,520,650 SF	$0.98	$229.27
Prev. Quarter: 7.8%	*Prev. Quarter: (342,490) SF*	*Prev. Quarter: 370,221 SF*	*Prev. Quarter: 8,542,893 SF*	*Prev. Quarter: $0.98*	*Prev. Quarter: $190.09*

AVAILABILITY & RENT TRENDS



QUARTERLY MARKET TAKEAWAYS

1. Vacant-available conditions in the Inland Empire softened in Q3 2026, reversing last quarter's improvement. Total vacant-available space rose to approximately 56.3 million square feet, or 8.0% of inventory, up from 7.8% in Q2 and 7.6% a year earlier, just below the 8.1% peak. Direct vacant-availability climbed to 6.9% from 6.7% in Q2, while sublease vacant-availability increased to 1.2% from 1.0%, signaling renewed pressure on landlords as occupiers continue returning space.

2. Lease rate trends in the Inland Empire held steady in Q3 2026. Overall NNN asking rents averaged $0.98 per square foot, unchanged from Q2 and down 2.0% from $1.00 a year earlier. Direct rents were flat at $0.98, while sublease rents rose to $0.99 from $0.95 in Q2 and $0.87 a year ago, suggesting the market's extended rent correction is leveling off despite elevated availability.

3. Investment activity in the Inland Empire remained healthy in Q3 2026, with 60 transactions totaling approximately $976.9 million, up 9.1% year-over-year despite a 28.8% quarterly decline. Average pricing rose to $229.27 per square foot from $190.09 in Q2, while average cap rates compressed to 5.2% from 5.9% a year earlier, signaling renewed investor confidence in the region's long-term industrial fundamentals.

NOTABLE TRANSACTIONS (LEASES)

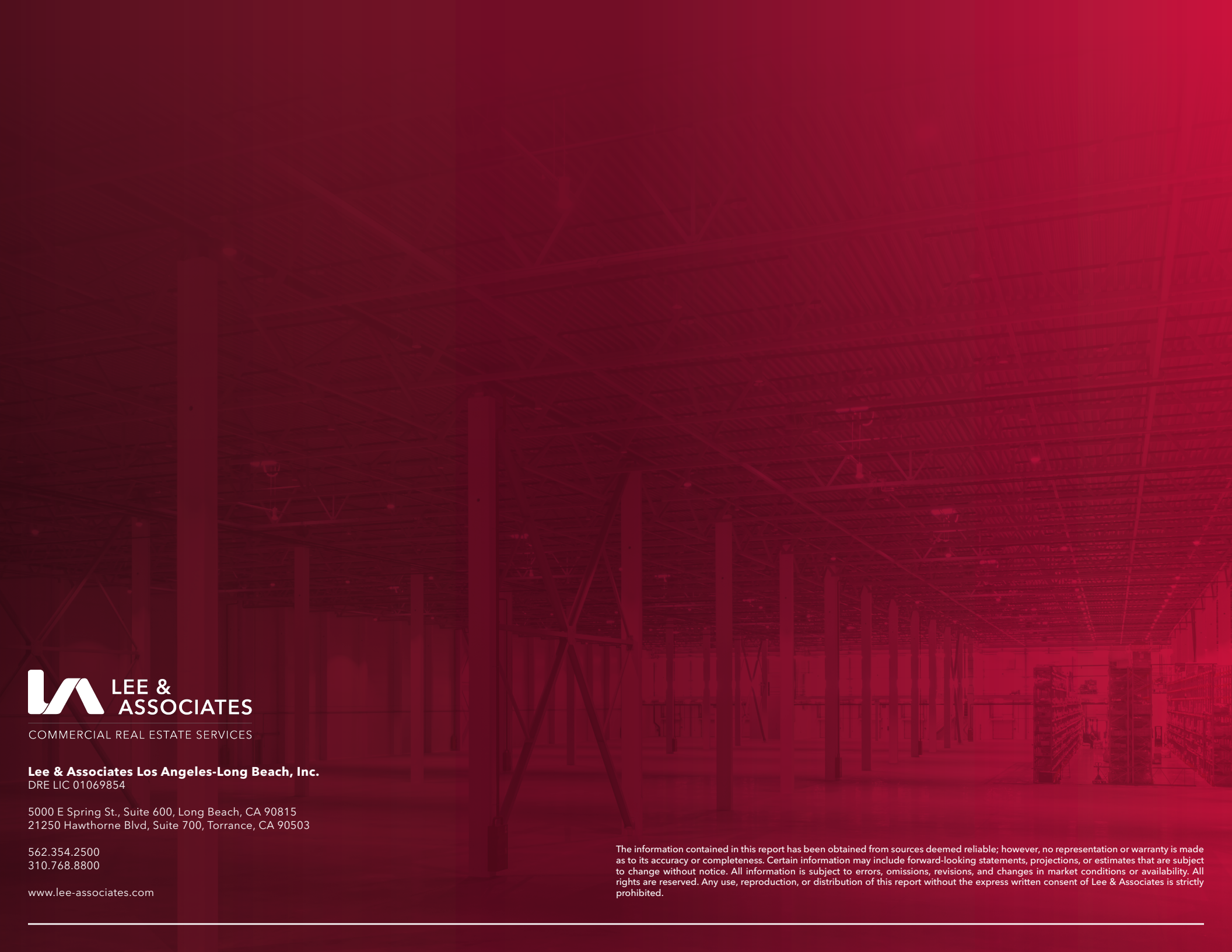
Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Tenant	Landlord	Lease Type	Tenant Industry
3300 Indian Ave, Perris	1,224,874	Wayfair	Prologis, Inc	Direct	E-commerce
3500 Indian Ave, Perris	783,407	Wayfair	Prologis, Inc	Direct	E-commerce
15207 Flight Ave, Chino	600,140	Confidential Tenant	Watson Land Company	Direct	Unknown / Confidential
9333 Hermosa Ave, Rancho Cucamonga	530,000	LC Logistics Services Inc	TIAA	Direct	Logistics & Transportation
1151 S Mildred St, Ontario	433,463	Alto Systems	Alere Property Group LLC	Direct	Industrial Systems & Engineering

NOTABLE TRANSACTIONS (SALES)

Source: AIR CRE / CoStar / Internal Database

Address	Size (SF)	Buyer	Seller	Price	Transaction Date
2688 W Baseline Ave, Rialto	90,726	American Realty Advisors	Winix Inc.	$23,679,500	8/20/2026
8425 Almeria Ave, Fontana	67,113	Sunearth, Inc.	TPA Group	$19,200,000	8/5/2026
14326 Limonite Ave, Eastvale	87,180	EQT Real Estate	Rexford Industrial Realty, Inc.	$18,200,000	9/17/2026
3524 N Mike Daley Dr, San Bernardino	94,108	EQT Real Estate	Cabot Properties	$17,650,000	7/1/2026
10302 Birtcher Dr, Jurupa Valley	71,658	Lincoln Property Company	AEW Capital Management	$16,380,000	9/11/2026



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