

INVESTMENT FORECAST

Industrial
Los Angeles

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2026

Port Operations Anchor Industrial Demand as Local Transaction Activity Bucks National Trend

Record vacancy tests West Coast's largest market. A foundational generator of local industrial demand, container activity at the ports of Los Angeles and Long Beach was noteworthy last year, despite the impact of newly enacted tariffs on global trade. Each port also logged encouraging volumes in January and February, with the two facilities projected to handle more than 20 million TEUs again this year. However, the Iran conflict could impact volume. A steady flow of goods through both ports will help to stabilize local fundamentals in the county's industrial hubs — South Bay, Commerce-Vernon, Lower San Gabriel Valley, Mid-Cities, and San Fernando Valley — at a time when overall vacancy is in the low-7 percent band for the first time since at least 2000. Mirroring many major markets, vacancy is most pronounced across 2020s-built properties, at nearly 25 percent as of this March. Fortunately, speculative deliveries will be minimal for the foreseeable future. This dynamic should allow some of these spaces to secure tenants amid a broader movement among users to modern facilities.

Private investors exhibit confidence. Properties built this century account for a sizable share of deal flow across many major markets. In Los Angeles, however, assets built before 2000 continue to trade most frequently. During the 12 months ending this March, sales involving buildings of this vintage accounted for 90 percent of closings. Most warehouses traded for less than \$5 million, reflecting the long-lasting impact of Measure ULA. This dynamic will persist for the foreseeable future, as nearly 75 percent of the inventory was built before 2000. Active private investors may pursue listings in Central Los Angeles, South Bay, and San Fernando Valley, areas where vacancy is elevated, yet long-term has averaged in the 3 to low-4 percent range.

2026 MARKET FORECAST

+0.4%



Employment: By adding 18,000 roles this year, Los Angeles County records an improvement in hiring velocity, raising the metro's headcount to a record level.

2.7 million
sq. ft.



Construction: A recent pullback in project starts translates to the lowest delivery slate since 2019, with inventory expanding by just 0.3 percent. Most of the pipeline was accounted for as of March.

+50 bps



Vacancy: Minimal supply-side pressure and encouraging leasing in the 100,000-square-foot-plus marketplace limit the extent of vacancy increase in 2026. Still, the local rate reaches 7.2 percent.

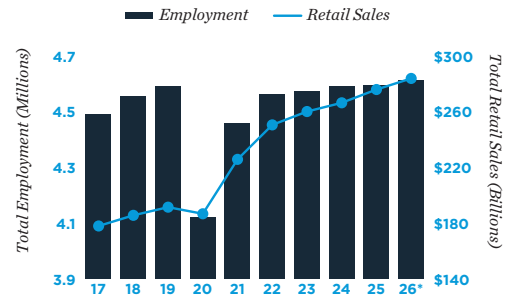
-3.0%



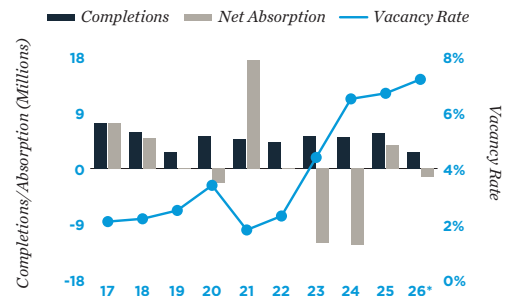
Rent: Following a first quarter of net relinquishment, the average asking rent remains on a downward trajectory, falling to \$16.00 per square foot. This mean trails the 2022 peak by nearly 20 percent.

INVESTMENT: Listings in southern San Gabriel Valley, which includes the City of Industry, will garner attention as its below-average vacancy rate among larger submarkets appeals to investors seeking well-leased buildings.

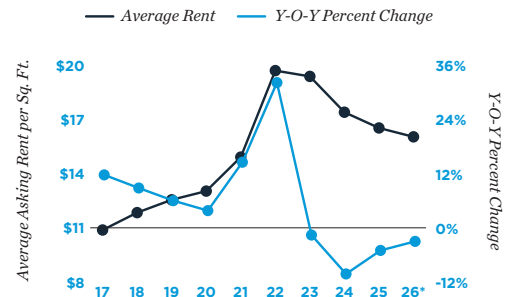
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.