MCQ2 25

SECOND QUARTER 2025 MARKET REPORT

MID COUNTIES INDUSTRIAL

Voit REAL ESTATE SERVICES

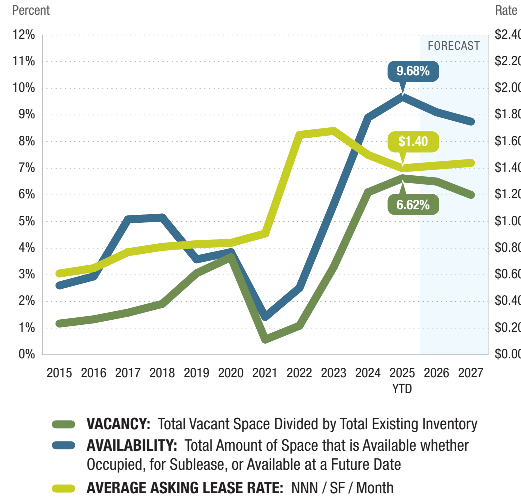
OVERVIEW. The Mid-Counties submarket is holding the line but feeling the same broader shifts we're seeing across Southern California. Vacancy edged higher in Q2 as new projects hit the market and older spaces came back online. Tenants continue to prioritize operational efficiency and push back on long-term commitments, opting for flexible and shorter terms when possible. The ongoing tariff situation and softer import volumes have made logistics and manufacturing users cautious, leading some to consolidate or pause on expansion. Even still, core demand for modern, well located space has kept the market relatively active. At the moment, developers are pulling back speculative building plans to avoid competing with an already over-saturated supply of new buildings, while landlords of existing buildings are leaning on drastic rent reductions and tenant concessions to secure deals. Overall, the market is shifting from rapid growth to a steady, calculated approach focused on efficiency rather than expansion.

VACANCY & AVAILABILITY. Mid-Counties vacancy rose to 6.62% in Q2 2025, up from 6.53% in Q1 and 5.06% a year ago, marking a 31% year-over-year increase. The availability rate remained at 9.68% in the second quarter, a 20% annual rise from 8.06% a year ago. These gradual quarter-over-quarter increases reflect new speculative deliveries and more second-generation space coming back as tenants consolidate and / or adjust their footprints. On average, space now spends 5.5 months on the market, takes 15 months to lease once active, and remains vacant for around 17.6 months. Tariff uncertainty and recent port slowdowns in Los Angeles and Long Beach have made companies more cautious, leading many to pause expansion or delay new commitments as they face softer import volumes and shifting trade policies. This hesitation has pushed vacancy higher and is creating a more tenant-favorable market overall. This marks the highest vacancy level since 2018, highlighting the broader regional adjustment.

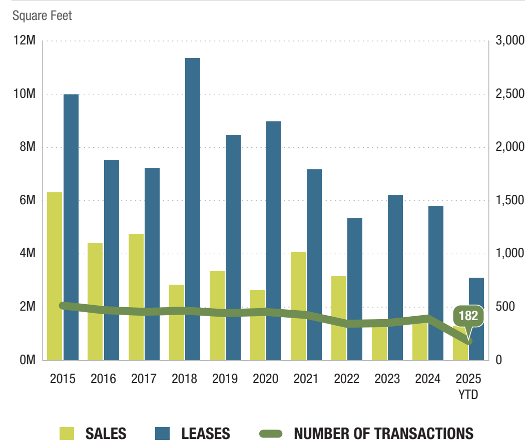
LEASE RATES. Average lease rates fell to $1.40 per square foot in Q2, down from $1.46 in Q1 and $1.62 a year ago, a 13.6% year-over-year drop. Rising inventory and more cautious tenant behavior have pushed overall rates lower. Santa Fe Springs posted the highest average at $1.74, while Buena Park / La Palma recorded $1.21, and Norwalk held the upper range at $1.67, highlighting variations across submarkets driven by building quality, tenant mix, and proximity to key freeway corridors. While pricing has softened, demand for functional, well located regional distribution and manufacturing facilities remains steady, supporting relative stability in certain segments despite broader market headwinds.

TRANSACTION ACTIVITY. Total transaction volume in Mid-Counties reached 2,307,790 SF in Q2, up from 2,067,497 in Q1 and 1,754,360 one year ago, a 31.6% annual increase. Leasing accounted for 1,495,965 SF across 86 deals, while sales totaled 811,825 SF in 14 transactions, combining for 100 total deals. Users continue to prioritize functional buildings with strong freeway

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

	Change Over Last Quarter		Q2 2025	Q1 2025	Q2 2024	% Change Over Last Year
Vacancy Rate	▲	UP	6.62%	6.53%	5.06%	30.95%
Availability Rate	▬	FLAT	9.68%	9.68%	8.06%	20.14%
Average Asking Lease Rate	▼	DOWN	$1.40	$1.46	$1.62	(13.58%)
Sale & Lease Transactions	▲	UP	2,307,790	2,067,497	1,754,360	31.55%
Gross Absorption	▲	UP	1,821,829	1,023,491	1,659,709	9.77%
Net Absorption	▼	NEGATIVE	(112,371)	(743,657)	(1,006,462)	N/A

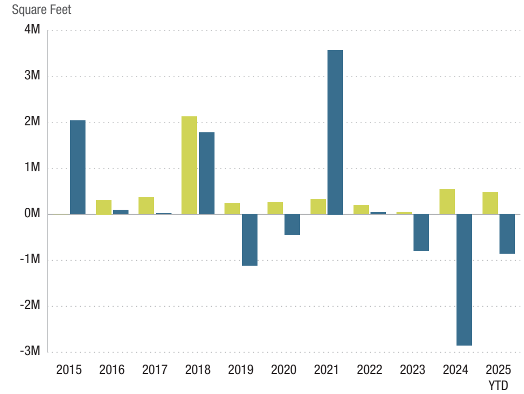
access and operational flexibility. Investors remain active, focusing on well located assets that support stable occupancy and long-term value. The 50,000- to 100,000-square-foot segment saw particularly strong activity, driven by regional distributors and manufacturers looking for modern, efficient footprints without committing to bulk logistics offerings. Transaction activity indicates ongoing demand for core regional distribution and manufacturing space, with decisions shaped by operational requirements and asset fundamentals rather than speculative growth.

ABSORPTION. Mid-Counties recorded negative net absorption of 112,371 SF in Q2, extending the negative trend seen in prior quarters. Gross absorption totaled 1,821,829 SF, an increase from 1,023,491 in Q1 and 1,659,709 a year ago. Several large move-outs continued to weigh on the market, driven by reduced port activity, shifting inventory strategies, and rising operating costs. Notable vacancies included JCR Logistics listing 184,270 SF for sublease in La Mirada, Dependable Global Express vacating a 130,459 SF building on Trojan Way, and Mach 1 Global Services exiting space in Downey. These changes underscore the ongoing shift from broad expansion to a focus on operational efficiency and footprint optimization. While overall vacancy has increased, active tenant movement highlights sustained demand for well located, functional facilities in core distribution and manufacturing submarkets.

CONSTRUCTION. Mid-Counties had 493,874 SF under construction at the end of Q2, with another 1,181,090 SF in the planning stages. New deliveries totaled 386,479 SF this quarter. While some recently completed projects remain unleased, interest continues to center on efficient, well located buildings that support streamlined distribution and manufacturing operations. Most developers already have sites secured and are waiting for market conditions to improve before advancing additional projects. This approach is intended to help avoid adding further vacancy and maintain the overall market balance.

EMPLOYMENT. Los Angeles County's unemployment rate held at 5.8% in May as the labor force and employment both edged higher. Nonfarm jobs grew by 13,800 over the month, led by leisure, hospitality, and government hiring. Manufacturing lost 14,600 jobs year over year, reflecting ongoing structural shifts. For industrial users, this signals a stable but cautious labor market with fewer skilled trade workers entering the pool, reinforcing challenges around labor availability and rising operational costs.

NEW DELIVERIES & NET ABSORPTION



NEW DELIVERIES: New Construction Delivered to the Market
NET ABSORPTION: Changes in the Amount of Occupied Space from One Quarter to the Next

Forecast

The Mid-Counties market is expected to continue adjusting through the second half of 2025 and into 2026. Vacancy and availability could trend slightly higher as new space comes online and some tenants continue to consolidate. Asking rates are expected to stabilize and potentially trend upward in well located, highly functional properties as market clarity improves and tenants regain long-term confidence. Many companies are still realigning operations in response to ongoing tariff impacts and now are adapting to changes brought on by recently passed legislation. These policy shifts are further influencing inventory strategies, supply chain decisions, and real estate footprints as operators balance cost control with flexibility. Developers already have sites in place and are likely to move forward more aggressively once tenant demand shows sustained improvement. This temporary pause in new starts helps prevent additional vacancy pressure and supports healthier long-term fundamentals. Overall, the market is positioned to gradually transition from a period of adjustment toward a more stable, predictable leasing environment, anchored by strong regional connectivity and its central role in Southern California's distribution and manufacturing networks.

	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2025	Square Feet Available	Availability Rate Q2 2025	Average Asking Lease Rate	Net Absorption Q2 2025	Net Absorption 2025	Gross Absorption Q2 2025	Gross Absorption 2025
Mid Counties													
Artesia / Cerritos	278	13,134,009	0	72,189	734,479	5.59%	1,312,231	4.88%	$1.43	96,505	119,621	373,423	507,510
Bellflower / Downey	211	5,732,747	0	516,124	434,817	7.58%	453,364	2.41%	$1.41	(259,381)	(279,580)	9,259	76,776
Buena Park / La Palma	235	14,971,771	0	0	1,366,088	9.12%	1,965,097	5.32%	$1.21	74,679	(11,253)	280,748	447,074
La Mirada	178	13,212,907	0	0	1,223,386	9.26%	1,549,294	9.47%	$1.58	(165,737)	(232,056)	50,825	231,567
Norwalk	91	2,924,525	0	5,000	76,140	2.60%	86,200	6.18%	$1.67	66,134	(2,176)	68,150	72,620
Paramount	417	9,269,926	0	0	155,536	1.68%	439,767	3.08%	$1.35	16,407	2,816	136,756	261,237
Santa Fe Springs	1,354	54,227,444	201,571	587,777	3,363,188	6.20%	5,075,874	5.63%	$1.74	54,518	(265,626)	868,239	1,645,803
Whittier	160	3,754,894	292,303	0	407,127	10.84%	470,645	2.97%	$1.50	4,504	(187,774)	34,429	40,881
Mid Counties Total	**2,924**	**117,228,223**	**493,874**	**1,181,090**	**7,760,761**	**6.62%**	**11,352,472**	**9.68%**	**$1.40**	**(112,371)**	**(856,028)**	**1,821,829**	**3,283,468**
5,000-24,999	1,832	24,012,840	0	24,124	667,384	2.78%	1,059,227	4.41%	$1.29	85,812	23,458	272,530	593,578
25,000-49,999	519	18,449,807	0	59,568	983,034	5.33%	1,599,579	8.67%	$1.32	(7,745)	(179,954)	235,767	419,275
50,000-99,999	299	20,831,977	0	150,606	1,366,573	6.56%	2,434,588	11.69%	$1.38	13,477	38,125	270,122	838,988
100,000-249,999	214	31,777,112	201,571	430,668	3,346,117	10.53%	4,339,002	13.65%	$1.43	(119,645)	(653,387)	943,410	1,331,627
250,000-499,999	50	16,415,632	292,303	0	1,169,102	7.12%	1,371,525	8.35%	$0.00	140,000	140,000	0	0
500,000 plus	10	5,740,855	0	516,124	228,551	3.98%	548,551	9.56%	$0.00	(224,270)	(224,270)	100,000	100,000
Mid Counties Total	**2,924**	**117,228,223**	**493,874**	**1,181,090**	**7,760,761**	**6.62%**	**11,352,472**	**9.68%**	**$1.40**	**(112,371)**	**(856,028)**	**1,821,829**	**3,283,468**

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

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
15015 Valley View Ave.	Santa Fe Springs	302,850	$140,250,000	Cold As Ice Ca LLC	Brookfield Property Group
6600 Valley View St.	Buena Park	290,920	$99,500,000	Stockbridge Capital Group LLC	IDI Logistics
12439–12455 Florence Ave.	Santa Fe Springs	44,858	$12,200,000	12455 Florence LLC	12439 East Florence LLC
9445 Ann St.	Santa Fe Springs	36,011	$13,600,000	Allen Real Estate Holdings LLC	Ann Street Holdings LLC
10214 Norwalk Blvd	Santa Fe Springs	21,345	$7,197,000	Leadway Enterprises Inc.	Hairsense Inc.

Leases

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
7300 Flores Ave.	Downey	122,500	May-2025	Logistics Company*	FDC Partners Rancho
12850 Midway Pl. - Renewal	Cerritos	113,080	May-2025	IPS Industries, Inc.	Prologis
11600 Los Nietos Rd.	Santa Fe Springs	106,251	Jun-2025	Cloud Moon Warehouse Services	Rexford Industrial Realty, Inc.
11650 Burke St.	Santa Fe Springs	106,110	Apr-2025	Lionext, Inc.	Kekropis Inc.
13767 Freeway Dr. - Sublease	Santa Fe Springs	77,713	Apr-2025	Createpros	Nefab

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REAL ESTATE SERVICES

Wait and See

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The Southern California industrial market isn't crashing, but it's clearly adjusting. For eight straight quarters, activity has slowed, shaped first by inflation and now complicated further by tariffs. What began as a response to broader economic pressure is turning into a more fundamental shift in how tenants approach space and how landlords recalibrate expectations.

Tariffs have introduced an added layer of unpredictability for business owners, making long-term planning increasingly difficult. Unlike the stock market, which has shown signs of recovery, industrial tenants are not experiencing a comparable rebound. Many business operators have expressed a preference for clarity, even if tariffs remain in place, so they can plan accordingly. In the absence of such clarity, many have adopted a cautious "wait and see" approach.

This hesitancy is having a direct impact on the industrial leasing market, which is currently experiencing the highest vacancy levels since 2018. With a surplus of available inventory, landlords have been compelled to reduce asking rents and offer creative incentives to attract tenants. However, this environment also presents opportunities: businesses unaffected by tariffs are well positioned to take advantage of favorable lease terms.

Conversely, companies that are directly impacted by tariff uncertainty have largely refrained from committing to new leases. Instead, tenants approaching lease expirations are increasingly requesting short-term renewals. While this may seem like a temporary setback for landlords, it can actually be advantageous. Industry analysts project that lease rates will begin to recover and trend upward in the coming year. As such, short-term renewals allow landlords the flexibility to either re-sign existing tenants at higher rates in the near future or market the space at improved pricing.

Despite the current challenges, there remains a strong sense of optimism among business owners. As the economic landscape stabilizes, many anticipate a return to more predictable conditions, and with it, renewed momentum in the industrial market.

Our team has a strong command of the industrial market. We track activity daily, monitor every deal, and adjust forecasts as new policy shifts emanate from the current administration. That level of visibility gives our clients a real edge. It helps them stay ahead, act decisively, and consistently drives better outcomes.

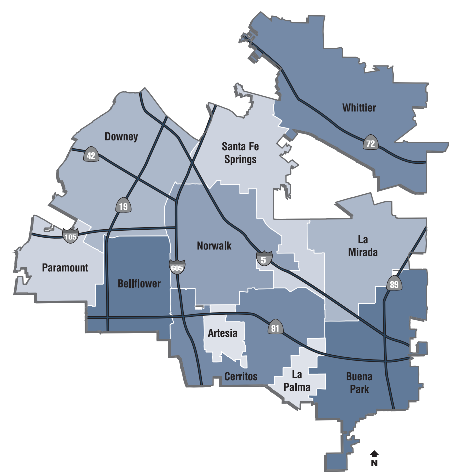
If you have any questions or would like to discuss your specific needs, please don't hesitate to reach out. We're here to help in any way we can.

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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