JLL SEE A BRIGHTER WAY

SoCal Industrial

Market Update

March 2025

JLL Research



Growth I Increasingly difficult to forecast

The threat of US tariffs on many major economies has the potential to upend economic outlook

Growth forecasts are unable to capture the volatile and unpredictable policy environment under President Trump

Although only goods trade would be directly affected by tariffs, the indirect effects would be wide ranging

Financial markets don't know how to respond and arguably can't price in policy that is subject to sudden change (such as the recent imposition of tariffs on Mexico and Canada)

The time scale over which tariffs can change and thus will affect the economy is subject to political whim

The impact on global growth, and growth in many economies, is certain to be negative, but we cannot gauge the magnitude

The base outlook is positive:

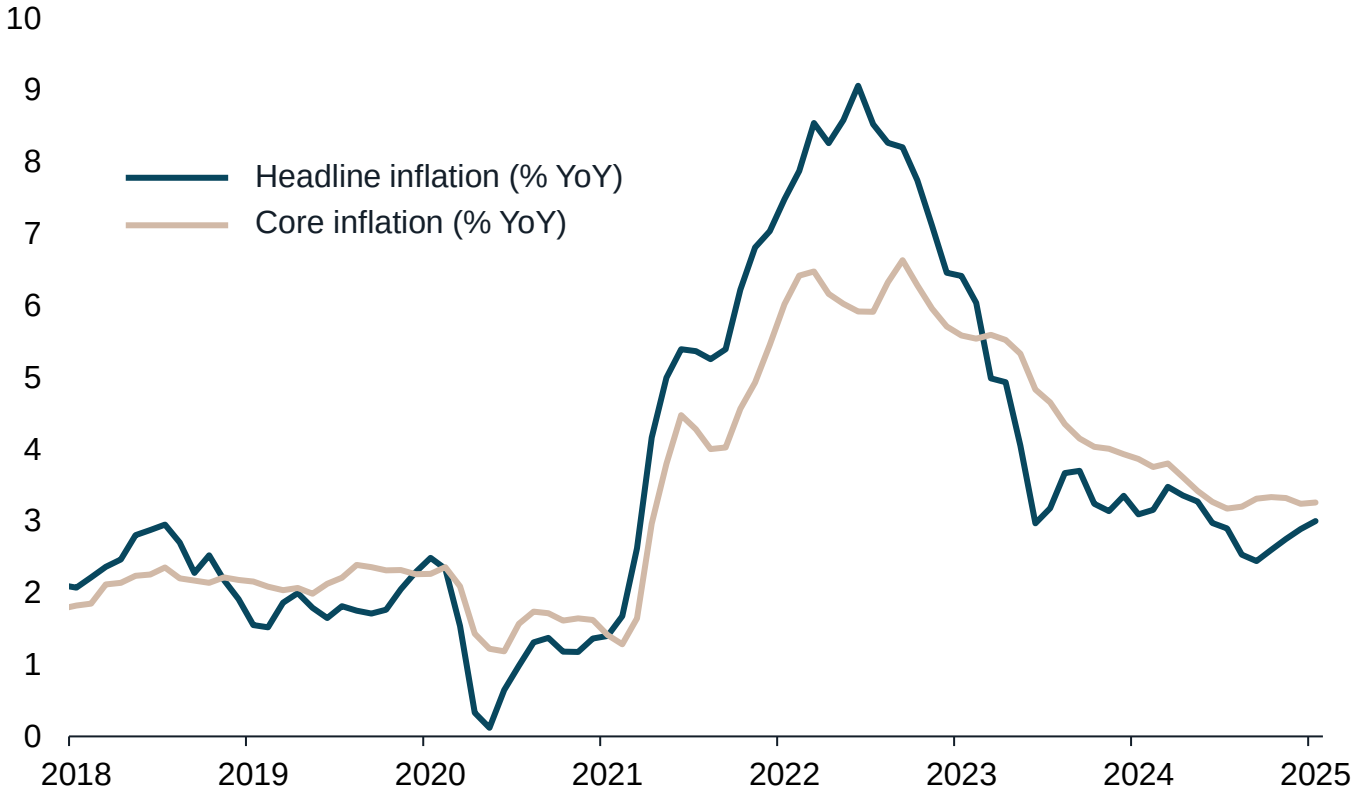
- Labor markets are tight
- Inflation has been trending lower
- Interest rates are being cut
- The base US GDP growth forecast is positive and stronger than other developed economies

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Inflation | Generally levelling off, but policies presents upside risks

Inflation outlook has become more uncertain

USA inflation
(% YoY)



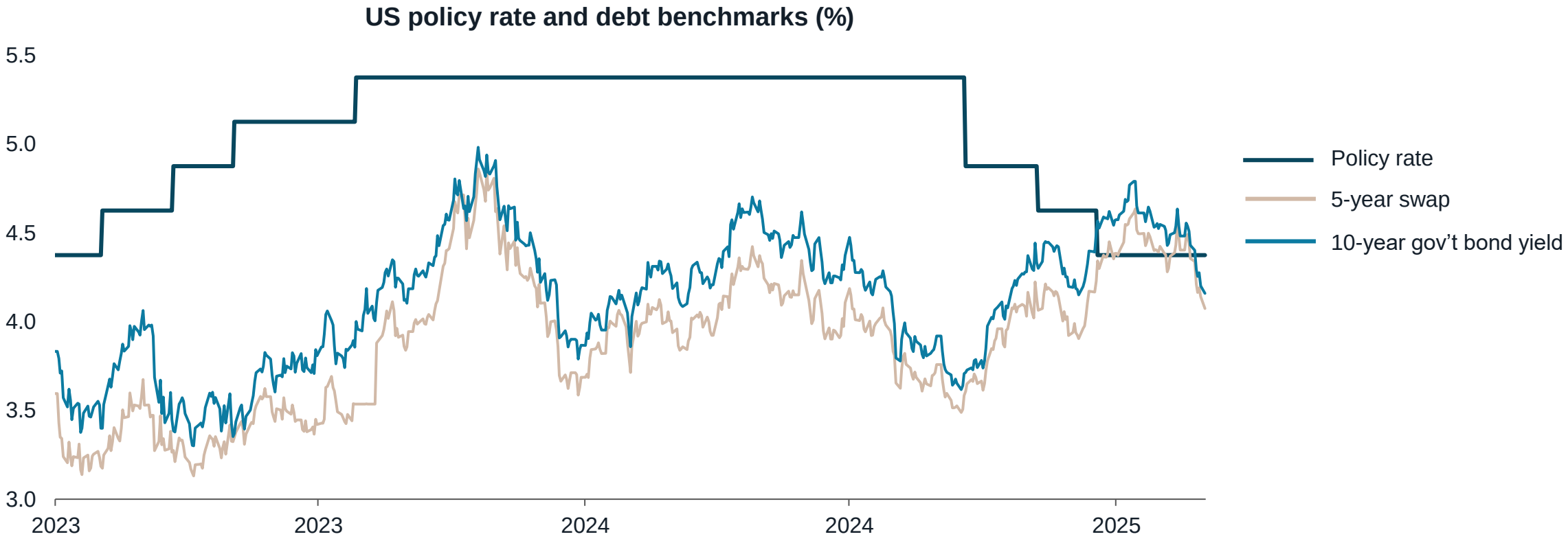
- Tariffs would create upward inflation pressure if importers pass on even some of the additional cost onto consumers
- Immigration policies could also tighten labor supply and add to inflationary pressures
- If tariffs end up being shorter-lived and/or moderated, inflation pressure and any negative demand impact would be transitory
- In case of a more protracted high-tariff environment dampening growth, tax cuts and deregulation could provide some potential growth off-set even as near-term corporate and household decision-makings can be delayed

Source: JLL Research, Bureau of Labor Statistics

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Bonds I Benchmark borrowing costs remain volatile

The impact of the global bond sell-off continues to be felt, though the worst of it has unwound

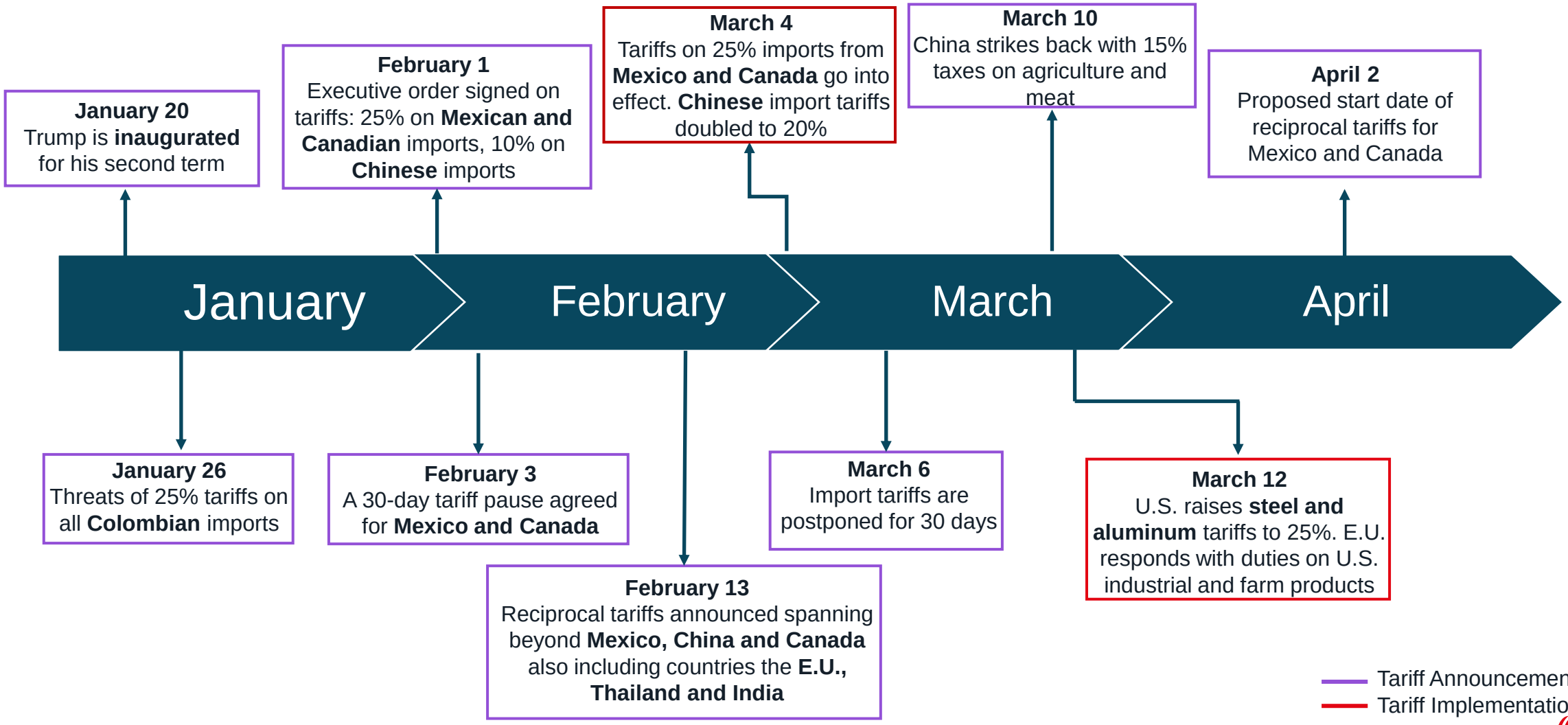


- In this month's FOMC meeting, the Fed is still signalling two rate cuts for rest of 2025, consistent with current market projections
- Despite inflation possibly picking up this year, bond yield has trended down as growth outlook has also become more uncertain
- The Fed is expected to remain very data-dependent going forward

Source: Refinitiv Workspace. Data to 03.03.2025.

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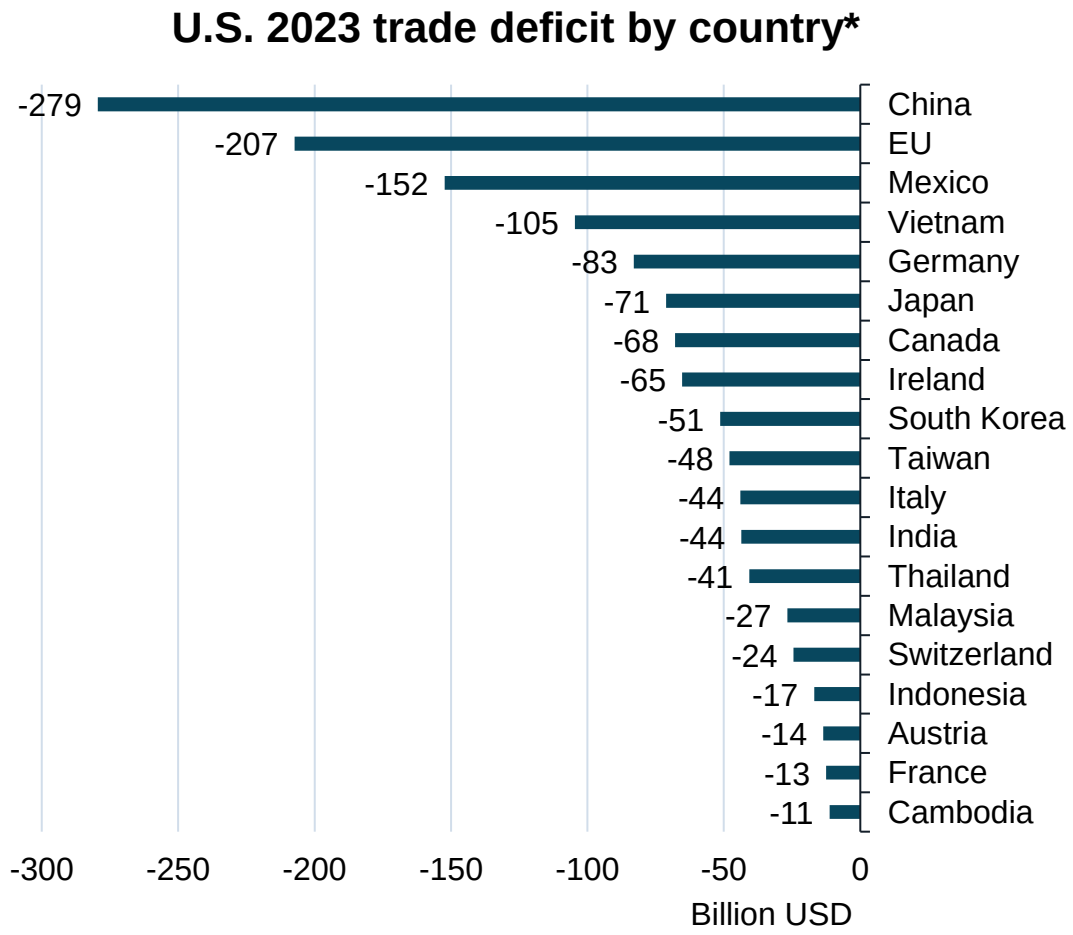
Tariffs | Timeline of US tariffs announcements YTD so far



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Tariffs | Those with the biggest trade deficit in the crosshairs

China, the EU, Mexico and Canada are in the firing line. And Vietnam!



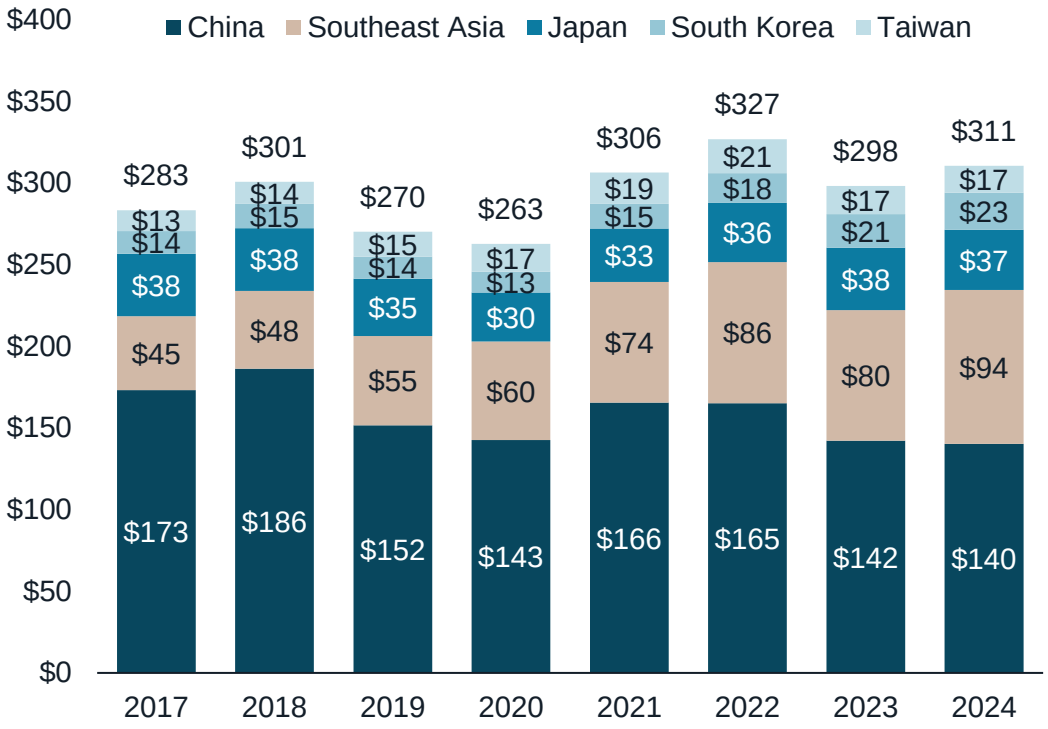
- President Trump views trade deficits as other countries "taking advantage of the U.S." He wants deficits to be cut and proposes tariffs as the way to do so.
- Those with the largest deficit are at highest risk of tariffs being imposed: China, the EU, Mexico, Canada and Vietnam!
- Tariffs increase the price of imports, making them less competitive so fewer are bought.
- Tariffs are ultimately paid by the end consumer (in this case, U.S. consumers). They are inflationary as they increase consumer prices.

Source: LSEG Workspace. *Net goods and services deficit.

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Tariffs | Diversification from China has been evident in our port data

Annual import value to San Pedro Bay from Asia
(USD, billions)



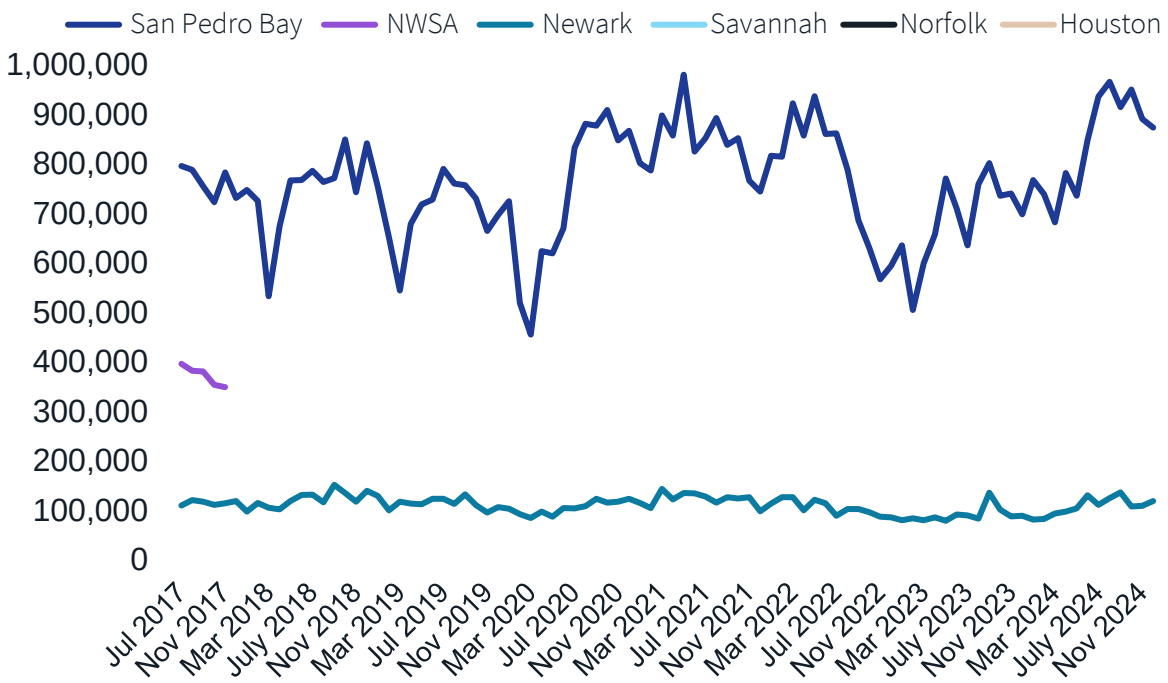
- Exporters have adjusted their manufacturing base and/or supply chain since the previous Trump administration to minimize China risk. Imports from China have dipped since then.
- To the extent that more goods are coming from other Asian countries, trade deficit has built up with those countries, putting them in possible tariffs crosshairs. We also need to monitor how content rules will be enforced.
- There are always cycles in the economy, but our ports are well-placed geographically with strong infrastructure and connectivity, handling 30% of all waterborne containerized trade to/from the US. And as shown in previous reports, the SoCal region also has the biggest population cluster in the US, with strong consumption power.

Note: Southeast Asia includes Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam

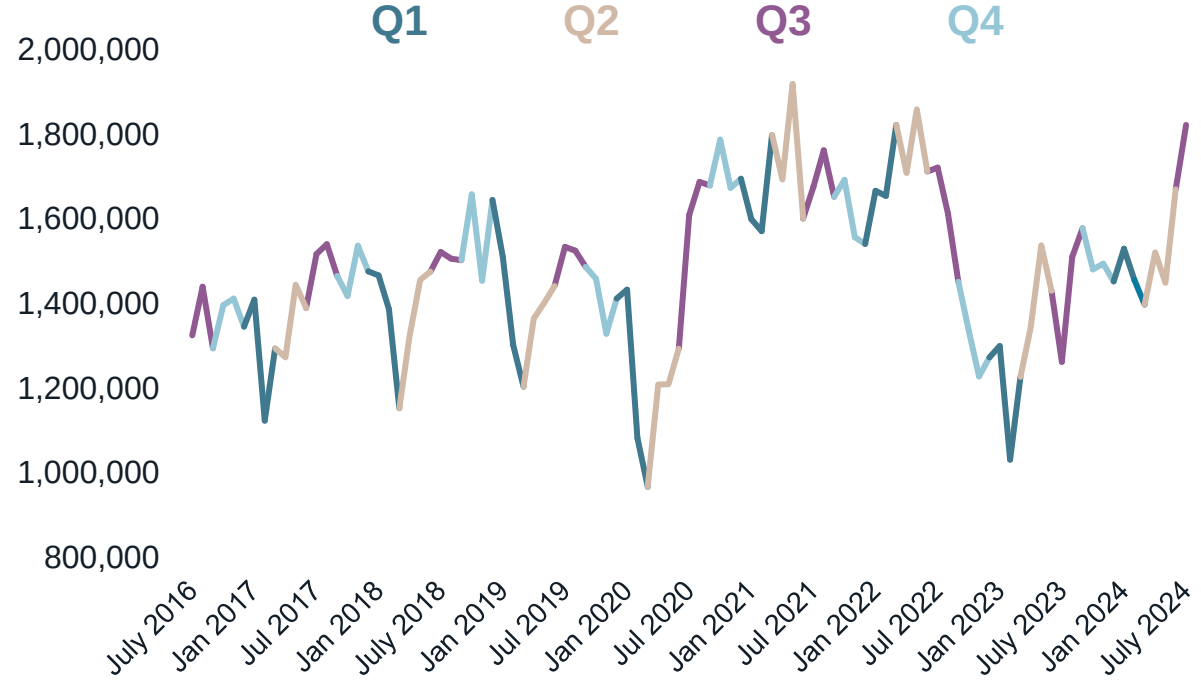
Source: JLL Research, US Census Bureau, 2024

Tariffs | Possible front-running has driven import uptrend into 2025

National ports: loaded imports monthly (TEUs)



San Pedro Bay (Total TEUs by quarter)



Last 12 Months Container Statistics (March 24 – Feb 2025)

	Loaded imports	Empty imports	Loaded exports	Empty exports	Total TEUs	YoY change (%)
Port of Los Angeles	5,403,221	7,388	1,457,320	3,517,980	10,385,909	14.7%
Port of Long Beach	4,914,683	172,788	1,221,720	3,709,922	10,019,106	21.4%
San Pedro Port Complex	**10,317,904**	**180.176**	**2,679,040**	**7,227,902**	**10,845,094**	**17.9%**

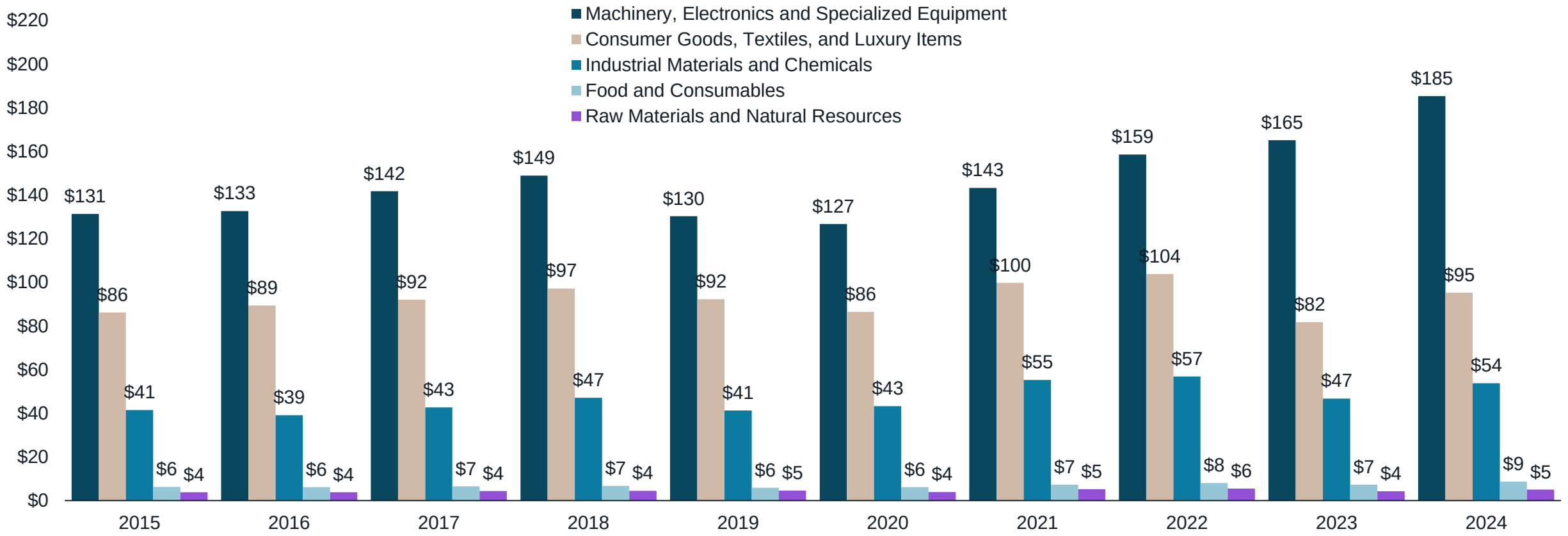
Source: JLL Research, Individual port authorities, 2024

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Tariffs | Demand for discretionary goods could see short-term impact, but SoCal is well-placed structurally with consumers & infrastructure

Annual import value to San Pedro Bay from East & Southeast Asia

Customs value of imports (USD, billions)



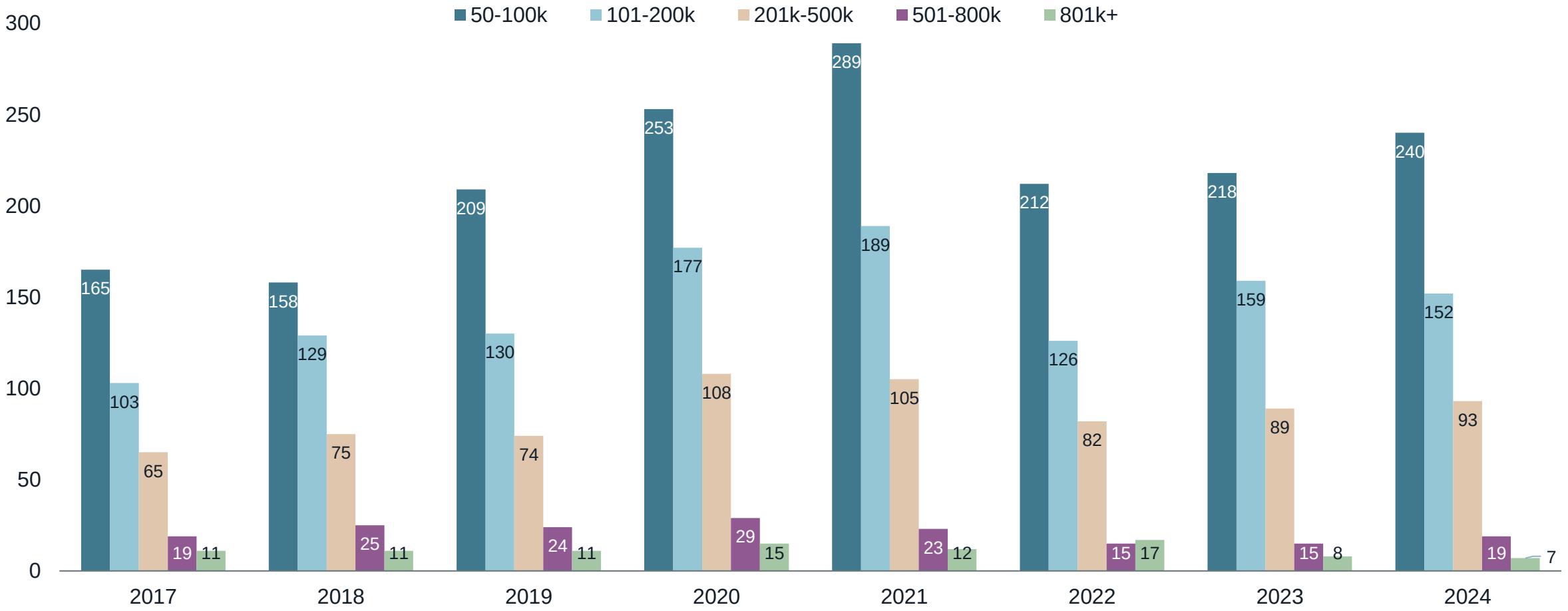
Note: Machinery, Electronics and Specialized Equipment includes computers, semiconductors, printers, phones, televisions, audiovisual equipment, etc.

Source: JLL Research, US Census Bureau, 2025

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Fundamentals | Leasing activities improved in 2024 and the first two months of 2025 was up YoY

SoCal lease count (all transaction types)

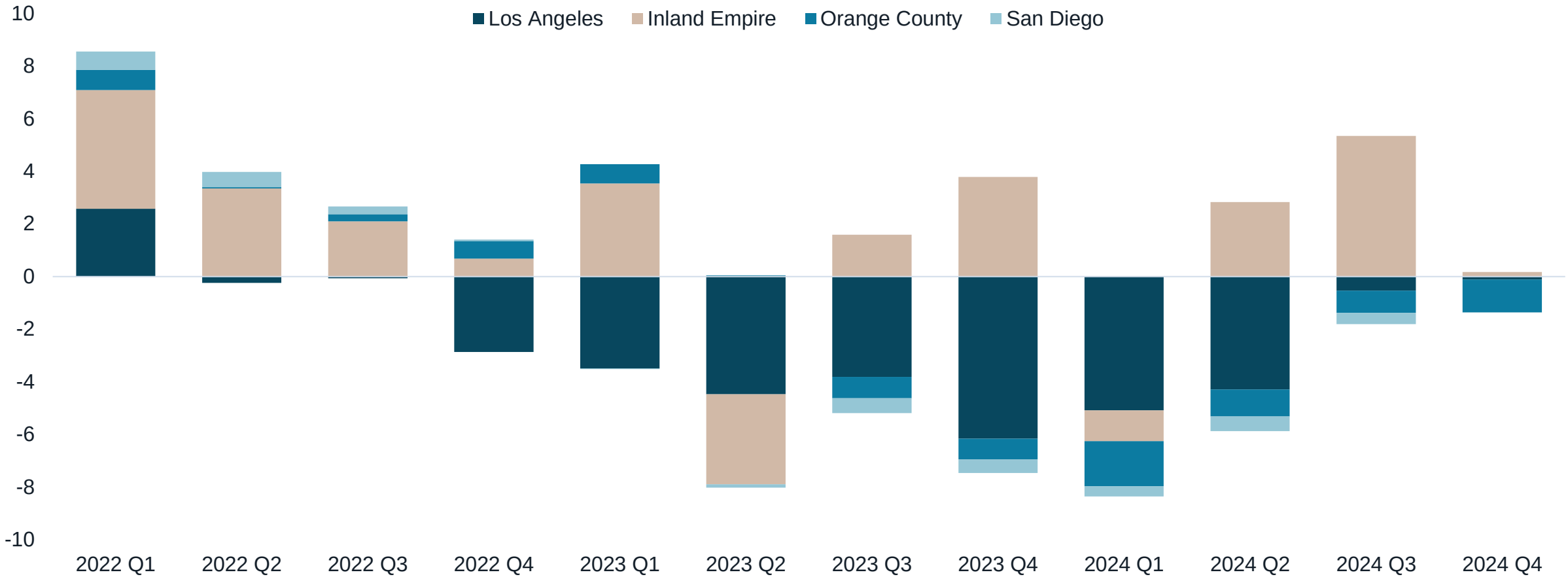


Source: JLL Research, 2025

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Fundamentals | Absorption was also getting less negative coming into 2025

Annual total net absorption (s.f., millions)

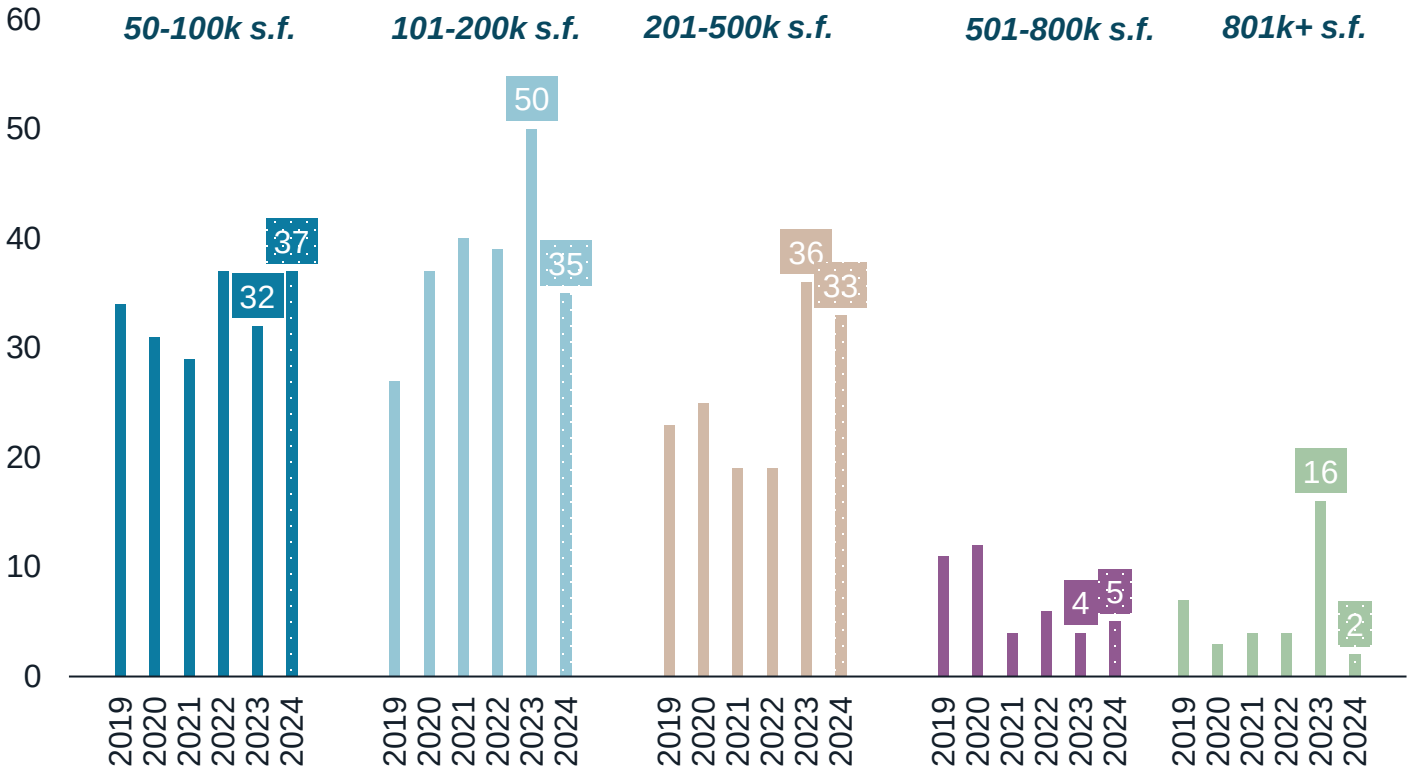


Source: JLL Research, 2025

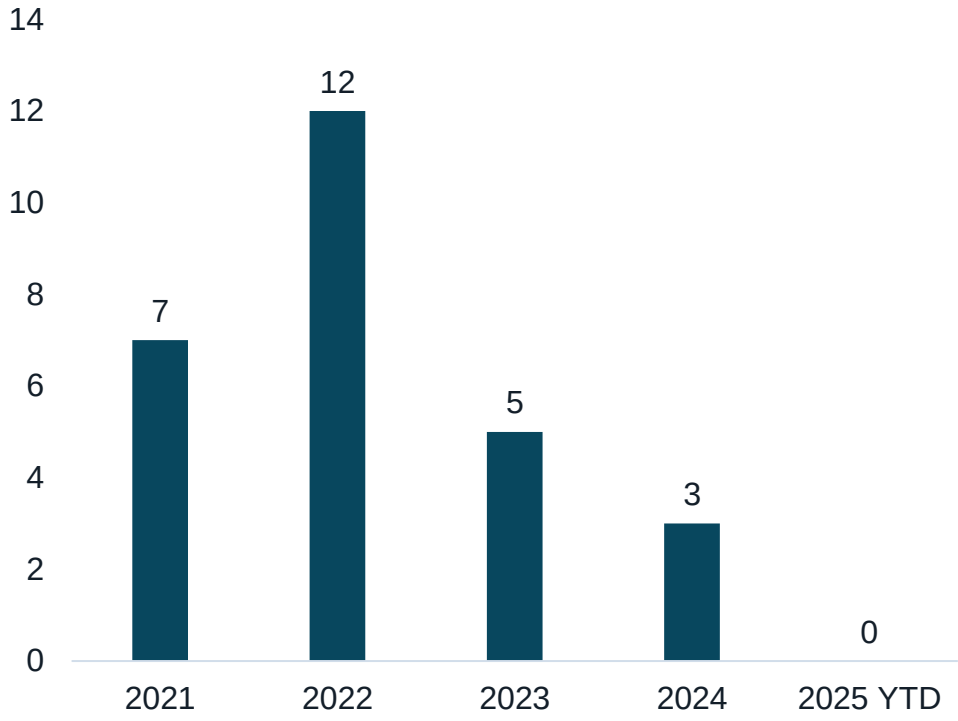
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Fundamentals | Completions peaked in 2023 and starts have dropped off

Annual completions by size segment (total count)



Count of break grounds (1mn sf and up)

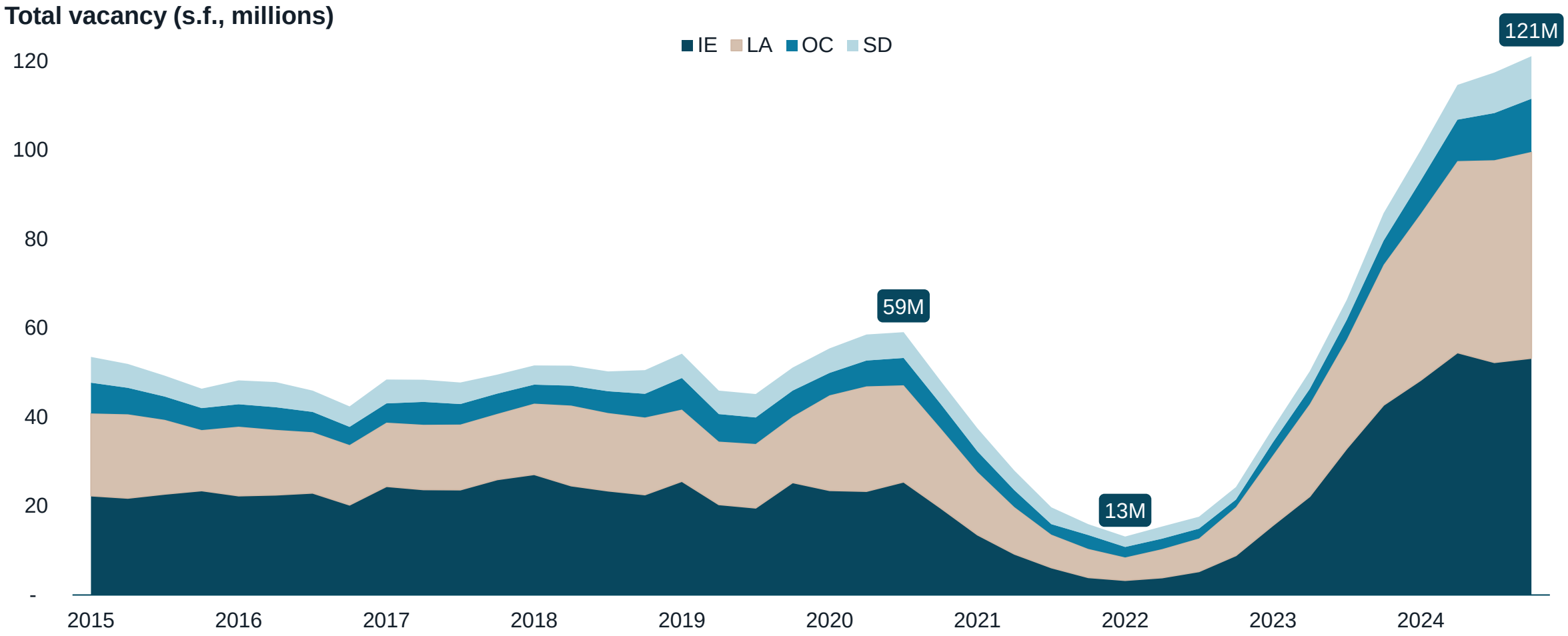


Note: based on YTD completions – it does not anticipate buildings that have not broken ground yet

Source: JLL Research, 2025

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Fundamentals | Vacancy plateaued or grew slowly



Source: JLL Research, 2025

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Thank you

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