

MARKET TRENDS | ORANGE COUNTY INDUSTRIAL

4TH QUARTER
2020

▲ VACANCY | ▼ UNEMPLOYMENT | ▲ RENTAL RATE | ▲ CONSTRUCTION DELIVERIES

Year-over-year change

MARKET DRIVERS

THE ORANGE COUNTY industrial market remained on firm footing once again as direct vacancy rates decreased by 15% Y-O-Y, concluding at 2.5%. A driving force behind expansion efforts is a result of 3PL and ecommerce companies looking to perfect their logistics channels as ecommerce sales continue to accelerate.

LEASING ACTIVITY declined 22% Y-O-Y to 12.3 million square feet in 2020. Although, smaller tenants between 10,000 and 25,000 square feet have been affected the most as a result of Covid-19, over 2.7 million square feet was leased by year end. This can be correlated to many tenants relocating to smaller properties as they adjust their business operations.

WITH MINIMAL vacancies and leasing activity remaining steady, direct lease rates have continued to grow, increasing by 3% from the year prior to \$1.01 market wide.

ECONOMIC REVIEW

As of November 2020, the unemployment rate was at 6.4%, 90 basis points (bps) lower from the month prior and 150 basis points (bps) lower than the state's average of 7.9%, respectively.

Job gains between October and November reported an increase of 16,500 jobs. Transportation, warehousing and utilities were up 800 jobs for the month with construction jobs seeing the largest month-over decrease, down 3,100 jobs.

The Port of Long Beach processed 783,523 Twenty-Foot Equivalent Units (TEUs) in November, accounting for a 30.6% increase from November 2019. The surge in cargo shipments have been correlated to a combination of recent holiday shipments, consumer expenditures, and warehouses replenishing inventories and storing safety stock.

NEAR-TERM OUTLOOK

Ecommerce sales grew at a rapid rate of 40.3% from the prior year, as a result of local stay at home and social distancing restrictions. As the country awaits the widespread distribution of vaccinations, we can expect ecommerce sales to continue to grow in 2021. Furthermore, demand fundamentals should remain stable as more businesses look to convert to online sales.

Market Breakdown

	2020	2019	2018	Annual % Change
Direct Vacancy Rate	2.5%	3.0%	2.5%	-15.05%
Availability Rate	4.1%	4.1%	4.6%	0.29%
Asking Lease Rate	\$1.01	\$0.98	\$0.92	3.06%
Lease Transactions	12,272,445	15,651,096	12,165,320	-21.59%
Sale Transactions	4,179,374	9,778,287	6,626,040	-57.26%
Net Absorption	1,692,143	(783,173)	(185,185)	N/A

ORANGE COUNTY SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Availability Rate	Q4 Direct Net Absorption	2020 Direct Net Absorption	Q4 Leasing Activity	2020 Leasing Activity	Average Rental Rate (NNN)
Costa Mesa	7,169,314	2.5%	0.1%	2.6%	4.0%	(26,190)	(19,754)	116,822	545,788	\$1.20
Fountain Valley	3,753,986	1.7%	0.0%	1.7%	5.1%	15,773	(28,892)	28,586	187,526	\$1.01
Irvine	11,590,580	3.6%	0.8%	4.4%	7.1%	(176,291)	(65,048)	101,266	337,227	\$1.05
Newport Beach	405,336	0.6%	0.0%	0.6%	0.6%	(2,500)	(2,500)	0	7,500	\$0.00
Santa Ana	30,378,473	4.4%	0.3%	4.7%	5.0%	51,095	782,071	464,529	1,643,488	\$0.99
Tustin	4,295,735	2.0%	0.2%	2.2%	14.6%	(30,302)	3,281	22,723	80,595	\$1.08
Airport Area	57,593,424	3.6%	0.3%	4.0%	6.0%	(168,415)	669,158	733,926	2,802,124	\$1.03
Anaheim	44,137,819	1.7%	0.3%	2.0%	2.4%	5,225	8,584	307,046	2,560,403	\$0.98
Brea/La Habra	15,417,076	1.7%	0.3%	1.9%	1.5%	107,474	(40,795)	105,748	641,642	\$0.94
Buena Park	13,213,526	2.2%	0.4%	2.6%	4.1%	(8,150)	1,066,150	374,278	970,916	\$0.71
Fullerton	19,175,018	3.3%	0.5%	3.8%	5.2%	(32,129)	175,774	220,533	1,369,813	\$0.91
Orange	13,306,909	0.9%	0.5%	1.4%	1.9%	47,454	(192)	52,936	390,508	\$1.03
Placentia/Yorba Linda	4,764,153	1.4%	0.1%	1.5%	5.7%	30,258	28,955	32,300	188,318	\$0.81
North County	110,014,501	1.9%	0.4%	2.3%	3.1%	150,132	1,238,476	1,092,841	6,121,600	\$0.90
Irvine Spectrum	9,797,003	5.7%	0.2%	5.9%	4.5%	87,574	282,804	257,569	533,945	\$1.11
Laguna Hills/Aliso Viejo	1,667,083	2.3%	0.0%	2.3%	2.8%	(19,113)	2,211	21,427	102,866	\$1.26
Laguna Niguel/Laguna Beach	336,381	1.8%	0.0%	1.8%	2.0%	(1,500)	5,470	0	0	\$2.30
Lake Forest/Foothill Ranch	9,328,086	2.0%	1.9%	3.9%	4.8%	9,789	(83,175)	156,485	490,031	\$1.18
Mission Viejo	728,245	0.0%	0.0%	0.0%	0.8%	0	5,069	0	4,192	\$1.75
Dana Point/San Juan/ San Clemente	2,795,973	1.6%	0.3%	1.9%	3.8%	49,454	(24,894)	39,456	90,391	\$1.11
South County	24,652,771	3.4%	0.9%	4.2%	4.3%	126,204	187,485	474,937	1,221,425	\$1.14
Cypress	4,707,882	3.7%	2.4%	6.1%	9.2%	67,000	1,428	31,500	257,825	\$0.90
Garden Grove	11,637,565	3.5%	0.9%	4.4%	3.6%	20,931	(330,312)	188,229	689,337	\$0.84
Huntington Beach	12,494,877	0.8%	1.4%	2.2%	2.5%	101,385	29,550	97,680	804,599	\$0.85
La Palma	1,791,477	4.7%	0.0%	4.7%	4.7%	159,271	(84,321)	0	170,692	\$0.00
Los Alamitos/Stanton	3,821,351	0.9%	1.3%	2.2%	4.0%	(16,907)	1,022	3,949	60,012	\$0.97
Seal Beach	928,574	0.0%	9.5%	9.5%	9.5%	0	0	0	0	\$0.00
Westminster	2,271,156	1.9%	0.1%	2.0%	3.7%	13,931	(20,343)	7,929	144,831	\$0.81
West County	37,652,882	2.2%	1.4%	3.7%	4.2%	345,611	(402,976)	329,287	2,127,296	\$0.87
5,000 - 9,999	16,828,785	1.5%	0.2%	1.7%	2.3%	31,794	(73,120)	149,134	616,760	\$1.40
10,000 - 24,999	61,119,607	1.9%	0.3%	2.2%	3.4%	367,563	(4,540)	508,448	2,785,195	\$1.13
25,000 - 49,999	40,617,200	3.2%	0.4%	3.6%	3.8%	(85,119)	(128,624)	445,994	2,076,769	\$1.06
50,000 - 99,999	36,478,751	2.6%	1.1%	3.7%	3.9%	120,880	(154,694)	409,367	1,786,911	\$1.02
100,000 - 249,999	45,138,792	3.5%	0.6%	4.2%	3.0%	(138,414)	(14,633)	935,402	2,626,992	\$0.90
250,000 Plus	29,730,443	2.1%	0.9%	3.0%	9.0%	156,828	2,067,754	182,646	2,379,818	\$0.91
Orange County Total	229,913,578	2.5%	0.6%	3.1%	4.1%	453,532	1,692,143	2,630,991	12,272,445	\$1.01

TOP SALE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
6550 Katella Ave.	Cypress	339,117	\$60,281,254	\$177.76	LBA Realty	Stockbridge Capital Group LLC
555 S. Harbor Blvd.	Brea/La Habra	34,300	\$42,750,000	\$1,246.36	The Blackstone Group L.P.	West Harbor Capital
11130 Holder St.	Cypress	204,314	\$36,318,746	\$177.76	LBA Realty	Stockbridge Capital Group LLC
1300 W. Taft Ave.	Orange	120,000	\$29,885,000	\$249.04	Goodman North America	Keurig Dr. Pepper, Inc.
20200-20202 Windrow Dr.	Lake Forest	125,442	\$29,400,000	\$234.37	Applied Medical	Jafar & Seyed Yassai

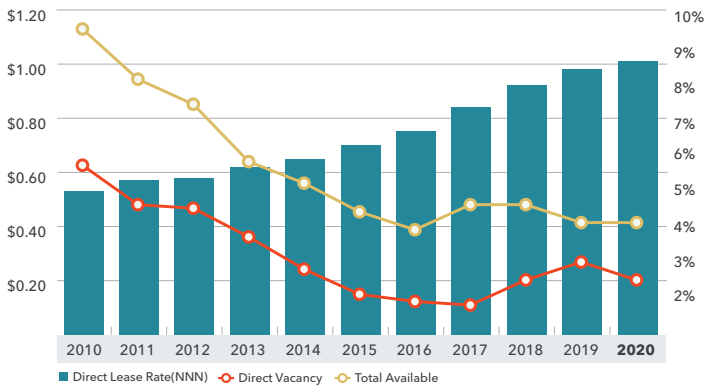
TOP LEASE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Date	Landlord	Tenant
300-400 E. Orangethorpe Ave.	Anaheim	675,512	June 2020	Prologis	American Woodmark
6565 S. Knott Ave.	Buena Park	626,000	December 2020	Prudential Financial, Inc.	Saddle Creek Logistics Services
210 E. Lambert Rd.	Fullerton	309,439	February 2020	Prologis	Total Transportation and Distribution
1683 Sunflower Ave.	Costa Mesa	239,000	June 2020	Sakura Paper, Inc.	Robinson Pharma, Inc.
570-576 N. Gilbert St.	Fullerton	222,036	October 2020	DWS	Brentwood Home

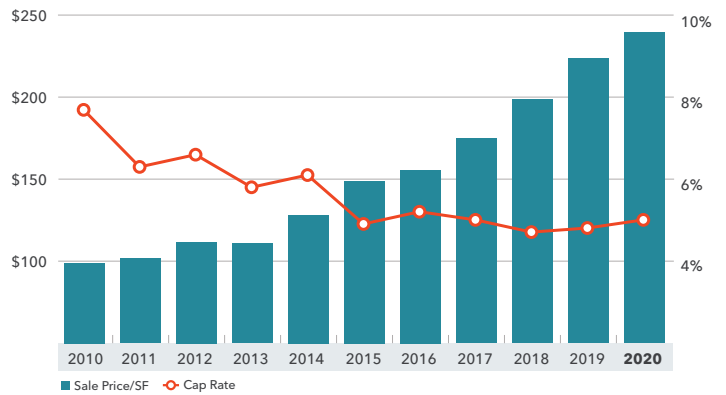
TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
Lakeview Loop Way	718 Lakeview Loop Way(2 Bldgs.)	Placentia	93,382	AJAX Lakeview Dev, LLC	March 2021
1213-1227 S. Claudina St.	1213-1227 S. Claudina St.	Anaheim	9,500	Anaheim Transportation Network	June 2022

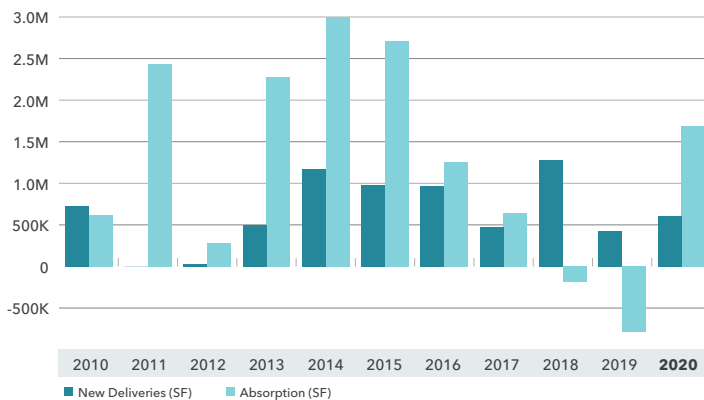
LEASE RATE, VACANCY, AVAILABILITY



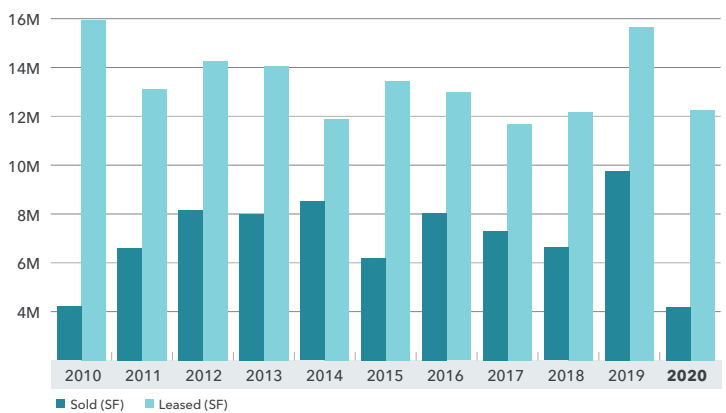
AVERAGE SALES PRICE/SF & CAPITALIZATION RATES



NET ABSORPTION & NEW DELIVERIES



SALE VOLUME & LEASE VOLUME



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

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COMMERCIAL BROKERAGE

23M ANNUAL SALES SF **450+** NO. OF BROKERS
\$8B ANNUAL TRANSACTION VOLUME **42M** ANNUAL LEASING SF

VALUATION ADVISORY

1,800+ APPRAISALS ANNUALLY **39/20** TOTAL NO. APPRAISERS/MAI'S

PROPERTY MANAGEMENT

70M+ MANAGEMENT PORTFOLIO SF **\$12B** IN ASSETS UNDER MANAGEMENT

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