

MARKET TRENDS | ORANGE COUNTY INDUSTRIAL

MARKET DRIVERS

USER DEMAND for industrial space has never been higher throughout Orange County. Tenants and buyers that halted negotiations during the pandemic, in hopes the market may soften, have been forced to act quickly.

AVERAGE ASKING RENTS reported an all-time high in 2Q21, concluding at \$1.07/SF on a triple net basis. The recent spike can be attributed to tenants who waited to make real estate decisions have now found themselves in a highly competitive market with many spaces receiving multiple offers.

DIRECT NET ABSORPTION was positive in 2Q21 with over 750K SF, the highest it has been since the pandemic started in early 2020. Increases in tenant movement has further compressed vacancies back to historical lows, falling to 2.2%.

AFTER coming off strong leasing activity in 1Q21 and 4Q20, leasing activity in the second quarter fell to 2.9M SF. Leasing activity may face challenges in the coming months as the search for industrial space may prove difficult with limited availabilities across the metro.

ECONOMIC OVERVIEW

AS OF MAY 2021, the unemployment rate was at 5.9%, 30 bps lower from the month prior and lower than the state's average of 7.5%. Job gains between April and May reported an increase of 19,100 jobs.

THE PORT OF LONG BEACH, for the first time in its 110-year history processed over 900K TEU's in May. During the first 5 months in 2021, the Port has managed to move over 4M TEU's, an increase of 42.3% from the same period last year.

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Market Summary

	2Q 2021	1Q 2021	2Q 2020	Annual % Change
Direct Vacancy Rate	2.2%	2.4%	2.8%	-22.90%
Availability Rate	3.3%	3.7%	4.9%	-32.08%
Asking Lease Rate	\$1.07	\$1.03	\$1.01	5.94%
Lease Transactions	2,902,358	3,103,942	2,914,965	-0.43%
Sale Transactions	1,973,885	606,819	447,419	341.17%
Net Absorption	758,978	267,594	17,354	N/A

▲ 759K

ABSORPTION

▼ 2.2%

VACANCY

▲ \$1.07

RENTAL RATE

▼ 179K

DELIVERIES

YEAR-OVER-YEAR TREND

Market Highlights

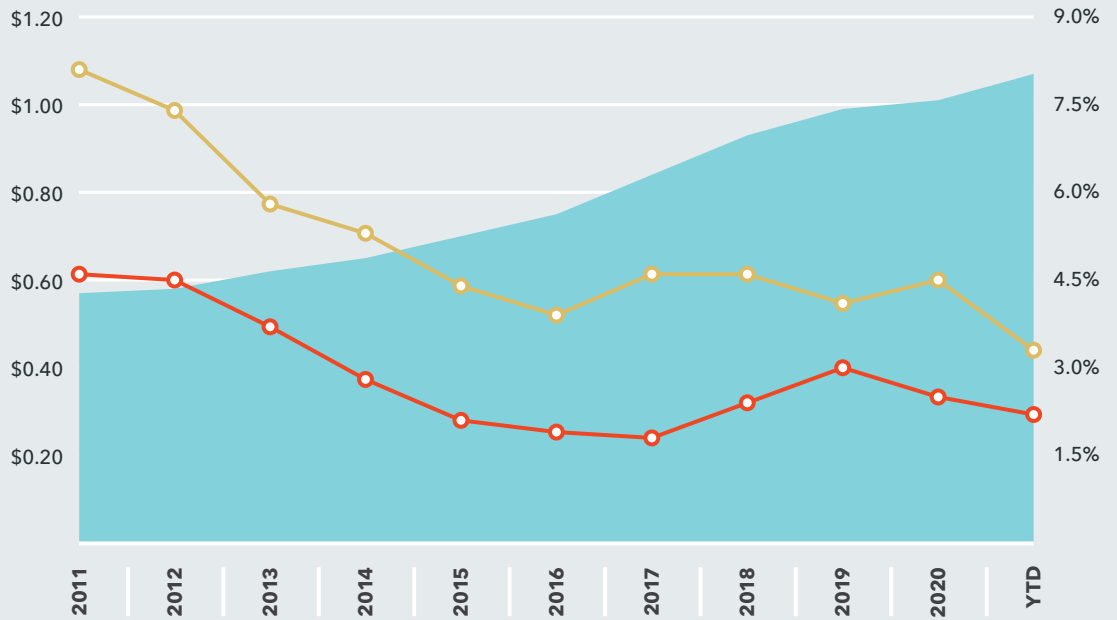
DIRECT VACANCIES decreased by 60 basis points YOY to 2.2%.

AVERAGE ASKING RENTS spiked in 2Q21, concluding the quarter at \$1.07/SF on a triple net basis, a new all-time high.

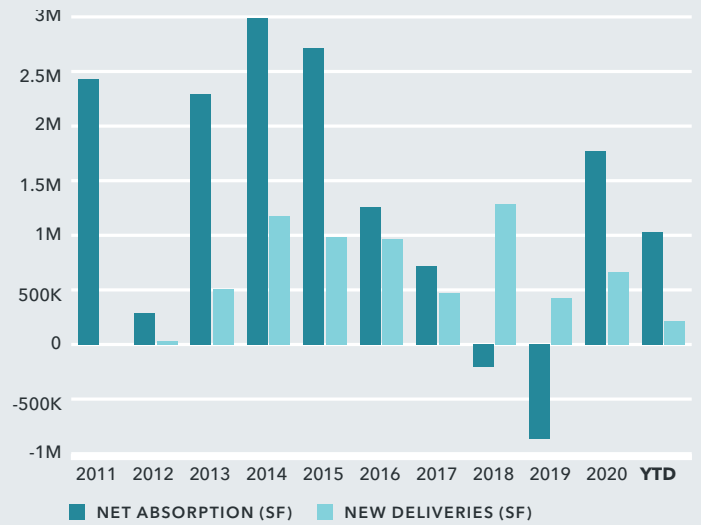
AVERAGE SALE PRICES in 2021 were at \$260.53/SF with cap rates settling at 4.4%.

Lease Rate, Vacancy & Availability

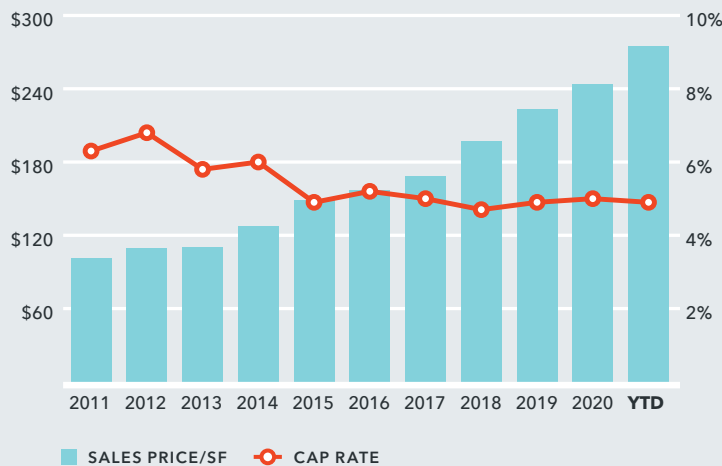
■ DIRECT LEASE RATE (NNN)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



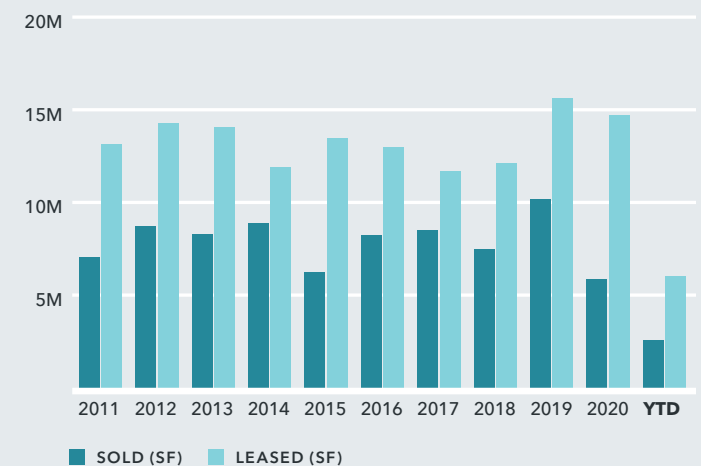
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Availability Rate	2Q Direct Net Absorption	YTD Direct Net Absorption	2Q Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
Costa Mesa	7,252,540	3.9%	0.0%	4.0%	4.5%	16,116	35,443	159,358	242,196	\$1.36
Fountain Valley	3,754,150	0.8%	0.1%	0.9%	1.4%	22,692	29,878	30,269	172,441	\$1.03
Irvine	11,405,398	2.2%	0.4%	2.7%	6.1%	78,051	146,487	139,600	319,473	\$1.12
Newport Beach	399,210	1.3%	0.0%	1.3%	0.6%	(2,500)	(2,500)	2,500	2,500	\$1.45
Santa Ana	30,351,901	2.9%	0.1%	3.0%	4.1%	192,537	500,711	383,215	872,017	\$0.99
Tustin	4,306,109	13.5%	0.7%	14.2%	13.4%	(457,588)	(493,171)	57,341	125,392	\$1.10
Airport Area	57,469,308	3.5%	0.2%	3.7%	5.0%	(150,692)	216,848	772,283	1,734,019	\$1.07
Anaheim	44,239,683	1.7%	0.5%	2.2%	3.0%	172,177	(7,854)	468,791	903,761	\$1.04
Brea/La Habra	15,316,562	0.9%	0.0%	0.9%	1.7%	147,171	44,885	216,195	295,362	\$0.95
Buena Park	13,219,406	1.3%	0.0%	1.3%	3.3%	102,331	107,946	14,208	280,428	\$0.90
Fullerton	19,382,602	1.4%	0.3%	1.8%	0.3%	195,490	348,848	181,188	397,003	\$0.97
Orange	13,295,090	1.0%	0.4%	1.4%	1.7%	34,833	(31,159)	148,834	254,089	\$1.04
Placentia/Yorba Linda	4,846,349	2.6%	1.0%	3.7%	6.8%	25,395	30,528	28,089	61,785	\$0.95
North County	110,299,692	1.5%	0.3%	1.8%	2.4%	677,397	493,194	1,057,305	2,192,428	\$0.95
Irvine Spectrum	9,856,253	4.1%	0.2%	4.3%	2.7%	105,784	198,477	232,840	288,944	\$1.15
Laguna Hills/Aliso Viejo	1,712,555	4.3%	0.0%	4.3%	2.7%	2,359	(29,198)	25,297	57,833	\$1.32
Laguna Niguel/Laguna Beach	336,381	0.7%	0.0%	0.7%	1.4%	(820)	3,680	1,360	7,360	\$2.36
Lake Forest/Foothill Ranch	9,231,341	0.8%	0.2%	1.0%	3.1%	(17,230)	68,927	33,573	254,881	\$1.29
Mission Viejo	742,995	0.0%	0.0%	0.0%	0.8%	18,278	0	3,528	20,443	\$1.33
Dana Point/San Juan/ San Clemente	2,804,473	2.8%	0.0%	2.8%	0.8%	(5,093)	(34,804)	68,559	77,523	\$1.12
South County	24,683,998	2.5%	0.2%	2.7%	2.6%	103,278	207,082	365,157	706,984	\$1.18
Cypress	4,832,026	2.2%	0.6%	2.8%	9.2%	147,162	70,051	189,904	328,221	\$0.91
Garden Grove	11,604,570	2.2%	0.7%	2.9%	4.2%	(11,836)	119,829	67,457	286,226	\$1.09
Huntington Beach	12,386,578	1.2%	0.8%	2.0%	2.9%	24,947	(48,320)	183,186	370,092	\$1.03
La Palma	1,778,247	4.7%	0.0%	4.7%	0.0%	0	0	84,321	124,321	\$0.99
Los Alamitos/Stanton	3,822,397	1.0%	0.0%	1.0%	2.4%	(2,394)	(6,428)	100,853	174,661	\$1.05
Seal Beach	928,574	0.0%	9.5%	9.5%	9.5%	0	0	0	0	\$0.87
Westminster	2,215,276	3.1%	0.0%	3.1%	0.9%	(28,884)	(25,684)	81,892	89,348	\$0.90
West County	37,567,668	1.8%	0.8%	2.6%	4.0%	128,995	109,448	707,613	1,372,869	\$0.99
5,000 - 9,999	16,872,198	1.1%	0.2%	1.3%	1.9%	9,314	63,449	161,082	274,349	\$1.41
10,000 - 24,999	60,943,042	1.4%	0.2%	1.6%	2.1%	362,324	309,434	760,151	1,607,214	\$1.29
25,000 - 49,999	40,426,014	2.5%	0.5%	3.0%	2.9%	216,964	265,939	763,082	1,237,558	\$1.19
50,000 - 99,999	36,643,569	2.9%	0.7%	3.7%	3.4%	(66,898)	(12,172)	601,075	1,255,787	\$1.09
100,000 - 249,999	45,197,790	1.4%	0.4%	1.8%	2.7%	822,969	956,991	544,245	1,322,281	\$0.95
250,000 Plus	29,938,053	4.0%	0.1%	4.1%	8.1%	(585,695)	(557,069)	72,723	309,111	\$0.90
Orange County Total	230,020,666	2.2%	0.4%	2.5%	3.3%	758,978	1,026,572	2,902,358	6,006,300	\$1.07

NEAR-TERM OUTLOOK

HEALTHY FUNDAMENTALS will continue to keep the Orange County industrial market on firm footing. Market demand continues to outpace supply and with a limited amount of construction (421,853 SF) to help supplement low availabilities, tenants must act quickly as demand for quality industrial space will remain competitive moving forward.

SOURCES: EDD, COSTAR, PORT OF LONG BEACH

TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Sale Price	Price PSF	Buyer	Seller
Von Karman Technology Center	Irvine	395,673	\$180,750,000	\$456.82	CBRE Global Investors	Menlo Equities
3030 Airway Ave	Costa Mesa	78,466	\$25,150,000	\$320.52	Kohlberg Kravis Roberts & Co. LP	Pacific Industrial LLC
1062 McGaw Ave	Irvine	107,600	\$23,000,000	\$213.75	Alere Property Group	Ricoh Electronics, Inc.
25200 Commercentre Dr	Lake Forest/Foothill Ranch	83,640	\$22,350,000	\$267.22	EverWest Real Estate Investors, LLC	Timothy Buckley Trust
331-333 Cliffwood Park St	Brea/La Habra	99,552	\$20,925,000	\$210.19	Staley Point Capital	4M Investment Corp.

TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Knott Distribution Center (Renewal)	Buena Park	399,437	May 2021	Clarion Partners	Houdini, Inc.
Cypress Business Park	Cypress	121,983	April 2021	Cypress Land Company	Gerber Plumbing Fixtures LLC
1382 Bell Ave	Tustin	120,000	May 2021	GEM Realty Capital, Inc.	OC Sheriff's Department
Brea Logistics Center	Brea/La Habra	108,125	May 2021	IDI Logistics	Atosa USA
5701 Fresca Dr	La Palma	84,321	April 2021	Longpoint Realty Partners	Taomore Supply Chain

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
14900 Bolsa Chica St	14900 Bolsa Chica St	Huntington Beach	259,078	Sares-Regis Group	December 2021
Brea Logistics Center	201 N. Berry St.	Brea/La Habra	108,125	IDI Logistics	October 2021

DATA SOURCE: EDD, COSTAR, PORT OF LONG BEACH

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.

The information in this report was composed by the Kidder Mathews Research Group.

GARY BARAGONA

Director of Research
415.229.8925
gary.baragona@kidder.com

MARK READ

Regional President, Brokerage
Southern California, Southwest
949.557.5000
mark.read@kidder.com
LIC N° 00572743

**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

40/19
TOTAL NO.
APPRAISERS/MAI'S

**Property
Management**

70M+
MANAGEMENT
PORTFOLIO SF

\$12B
IN ASSETS UNDER
MANAGEMENT

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