

# MARKET TRENDS | ORANGE COUNTY INDUSTRIAL

## MARKET DRIVERS

**USER DEMAND** for industrial space has never been higher. Tenants and buyers that halted negotiations during the pandemic have been forced to act swiftly, further pushing up rental rates. Direct asking lease rates for 3Q 2021 were \$1.09/SF, a new record for the market.

**POSITIVE GAINS** in absorption continued with over 911K SF, the highest since the pandemic started in early 2020. Increases in tenant movement have compressed vacancies to historical lows, falling to 1.7%.

**OVER 1.9M SF** remain under construction. Developers remain aggressive in search of redevelopment and repurposing projects. Rexford Industrial purchased two office campuses for \$175M with plans to develop new state-of-the-art logistic facilities to supplement the rising infill demand.

**AFTER** coming off strong leasing activity in the past three quarters, leasing activity in 3Q 2021 fell to 2.2M SF.

## ECONOMIC OVERVIEW

**AS OF AUGUST 2021** the unemployment rate was at 6.0%, 30 bps lower from the month prior and lower than the state's average of 7.5%. Job gains between July and August reported an increase of 7,200 jobs.

**WITH OVER 66 CARGO** ships waiting to dock, processing times have been pushed from two days to 6 days. Delays may continue as consumers prepare for the holiday season. The Port of Long Beach processed 807,704 TEU's in the month of August, an 11.3% increase from the year prior.

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## Market Summary

	3Q 2021	2Q 2021	3Q 2020	Annual % Change
Direct Vacancy Rate	1.7%	2.1%	2.7%	-35.32%
Availability Rate	2.6%	3.3%	4.6%	-43.02%
Asking Lease Rate	\$1.09	\$1.07	\$1.00	9.00%
Lease Transactions	2,207,252	3,726,643	3,438,234	-35.80%
Sale Transactions	1,927,540	2,079,849	1,543,155	24.91%
Net Absorption	911,068	793,514	140,674	N/A

▲ 911K

ABSORPTION

▼ 1.7%

VACANCY

▲ \$1.09

RENTAL RATE

▼ 0 SF

DELIVERIES

YEAR-OVER-YEAR TREND

## Market Highlights

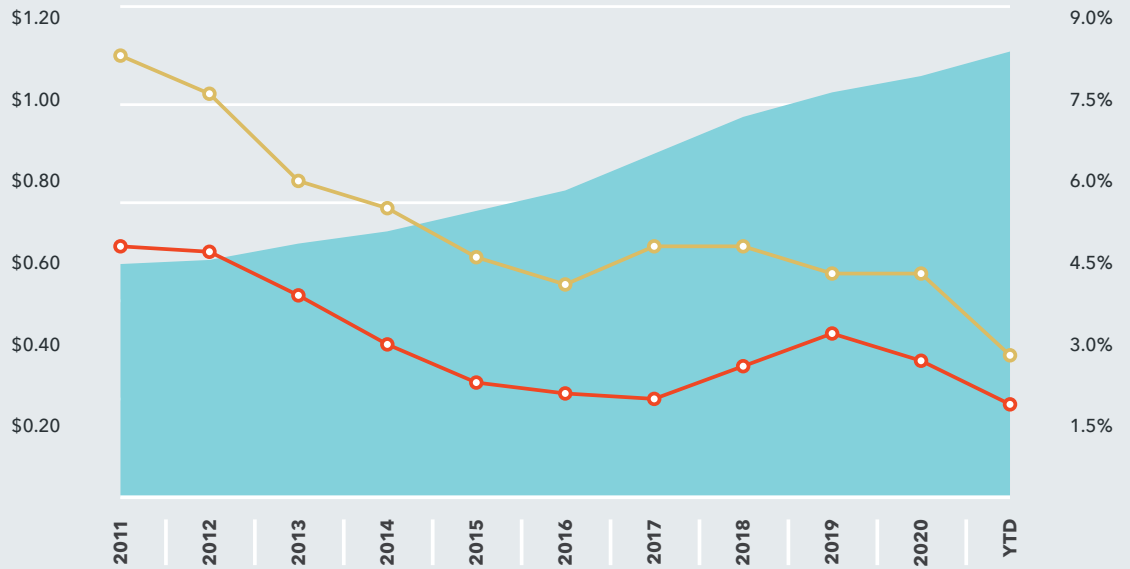
**DIRECT VACANCIES** decreased by 100 basis points YOY to 1.7%.

**AVERAGE ASKING RENTS** concluded the quarter at \$1.09/SF on a triple net basis, a new all-time high.

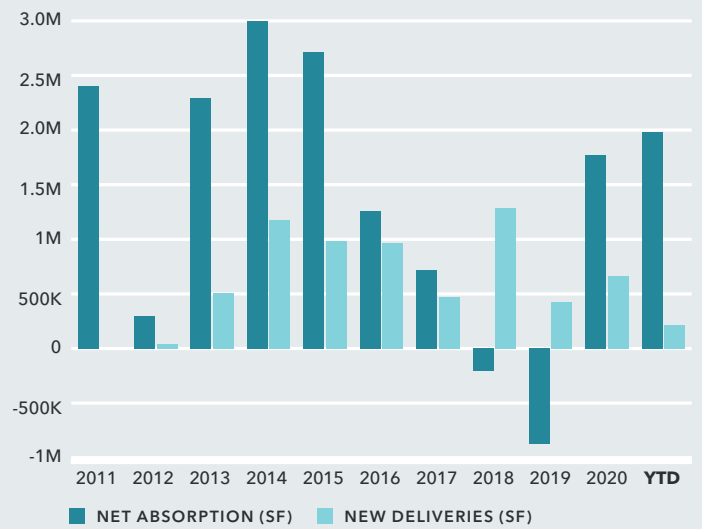
**AVERAGE SALE PRICES** in 3Q 2021 were at \$273.11/SF with cap rates settling at 4.8%.

# Lease Rate, Vacancy & Availability

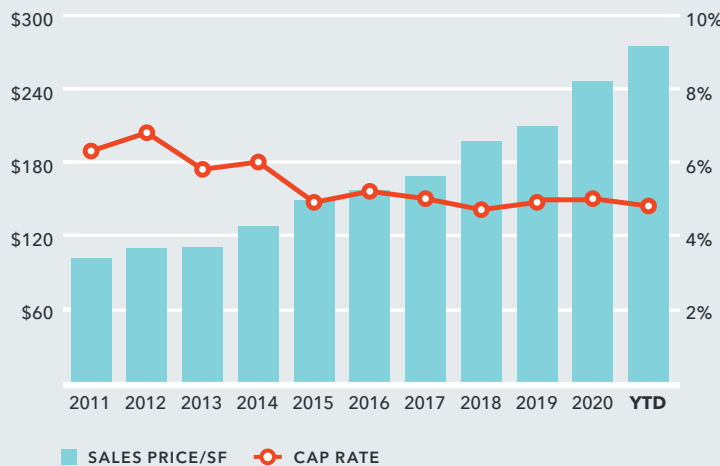
■ DIRECT LEASE RATE (NNN)  
○ DIRECT VACANCY  
○ TOTAL AVAILABILITY



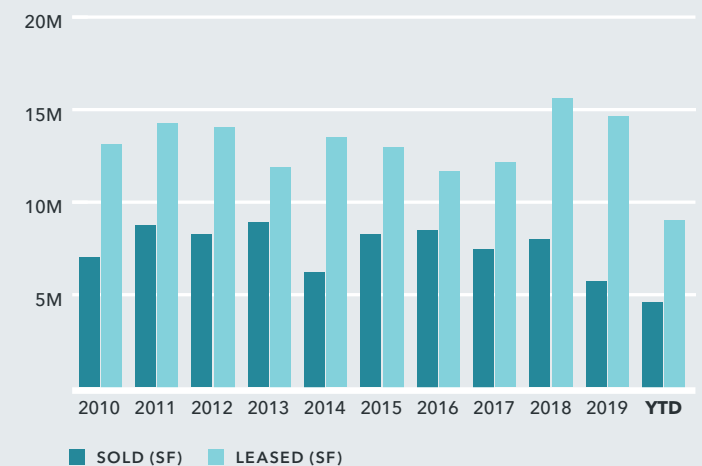
# Net Absorption & New Deliveries



# 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	3Q Direct Net Absorption	YTD Direct Net Absorption	3Q Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
Costa Mesa	7,274,962	4.1%	0.0%	4.1%	3.3%	(12,878)	35,239	125,431	367,627	\$1.37
Fountain Valley	3,751,382	1.6%	0.1%	1.8%	0.5%	(31,879)	(2,001)	60,996	233,437	\$1.05
Irvine	11,377,736	1.3%	0.0%	1.3%	4.1%	95,066	255,053	157,540	493,013	\$1.14
Newport Beach	405,282	0.6%	0.0%	0.6%	10.6%	2,500	0	0	2,500	\$1.45
Santa Ana	30,316,309	1.8%	0.1%	1.9%	2.3%	326,286	829,325	488,818	1,482,487	\$1.01
Tustin	4,306,109	12.1%	0.0%	12.2%	12.1%	54,818	(436,433)	18,821	144,213	\$1.22
<b>Airport Area</b>	<b>57,431,780</b>	<b>2.7%</b>	<b>0.0%</b>	<b>2.8%</b>	<b>3.5%</b>	<b>433,913</b>	<b>681,183</b>	<b>851,606</b>	<b>2,723,277</b>	<b>\$1.09</b>
Anaheim	44,263,752	1.2%	0.1%	1.3%	2.1%	228,381	220,527	521,972	1,511,915	\$1.05
Brea/La Habra	15,268,838	1.5%	0.0%	1.5%	2.5%	(83,197)	(38,312)	155,899	451,261	\$0.98
Buena Park	13,219,406	0.4%	0.0%	0.4%	2.8%	121,956	229,902	11,430	691,331	\$0.93
Fullerton	19,407,202	1.0%	0.1%	1.1%	0.8%	67,721	423,357	13,642	410,645	\$0.98
Orange	13,320,346	0.5%	0.3%	0.8%	1.2%	76,836	45,677	69,978	324,067	\$1.09
Placentia/Yorba Linda	4,863,249	1.7%	0.0%	1.7%	2.8%	44,323	74,851	112,523	267,690	\$0.96
<b>North County</b>	<b>110,342,793</b>	<b>1.0%</b>	<b>0.1%</b>	<b>1.1%</b>	<b>1.9%</b>	<b>456,020</b>	<b>956,002</b>	<b>885,444</b>	<b>3,656,909</b>	<b>\$0.97</b>
Irvine Spectrum	9,855,983	3.4%	0.8%	4.2%	3.4%	65,139	263,616	60,660	364,900	\$1.17
Laguna Hills/Aliso Viejo	1,714,555	3.0%	0.0%	3.0%	2.9%	23,243	(5,955)	0	57,833	\$1.32
Laguna Niguel/Laguna Beach	336,381	2.3%	0.0%	2.3%	2.3%	(5,412)	(1,732)	0	7,360	\$2.36
Lake Forest/Foothill Ranch	9,108,822	0.6%	0.1%	0.7%	2.5%	9,750	84,677	109,102	372,716	\$1.30
Mission Viejo	742,995	0.3%	0.0%	0.3%	1.4%	(2,450)	(2,450)	0	20,443	\$1.31
Dana Point/San Juan/ San Clemente	2,804,473	0.7%	0.0%	0.7%	0.1%	56,311	21,507	21,100	98,623	\$1.13
<b>South County</b>	<b>24,563,209</b>	<b>1.9%</b>	<b>0.4%</b>	<b>2.3%</b>	<b>2.6%</b>	<b>146,581</b>	<b>359,663</b>	<b>190,862</b>	<b>921,875</b>	<b>\$1.22</b>
Cypress	4,649,317	4.5%	0.2%	4.7%	9.4%	(108,787)	(34,736)	7,700	335,921	\$0.91
Garden Grove	11,819,339	2.3%	0.1%	2.3%	3.6%	(15,202)	104,627	95,901	383,327	\$1.11
Huntington Beach	12,343,674	1.9%	0.1%	2.0%	2.6%	(91,123)	(139,443)	64,510	436,202	\$1.05
La Palma	1,778,247	4.7%	0.0%	4.7%	0.0%	0	0	45,000	169,321	\$0.99
Los Alamitos/Stanton	3,815,793	0.4%	0.0%	0.4%	1.2%	21,632	15,204	49,546	224,207	\$1.05
Seal Beach	928,574	0.0%	1.8%	1.8%	1.8%	0	0	0	88,507	\$0.89
Westminster	2,215,276	0.0%	0.1%	0.1%	0.9%	68,034	42,350	16,683	106,031	\$0.91
<b>West County</b>	<b>37,550,220</b>	<b>2.2%</b>	<b>0.1%</b>	<b>2.3%</b>	<b>3.4%</b>	<b>(125,446)</b>	<b>(11,998)</b>	<b>279,340</b>	<b>1,743,516</b>	<b>\$1.00</b>
5,000 - 9,999	16,864,392	0.8%	0.1%	0.9%	1.5%	33,674	109,043	167,663	450,745	\$1.35
10,000 - 24,999	60,965,743	1.1%	0.1%	1.2%	1.8%	198,170	527,144	534,877	2,201,758	\$1.30
25,000 - 49,999	40,334,431	1.6%	0.1%	1.6%	1.3%	372,938	654,627	470,378	1,777,651	\$1.22
50,000 - 99,999	36,783,965	2.4%	0.3%	2.6%	2.8%	199,834	187,662	282,566	1,744,351	\$1.15
100,000 - 249,999	44,799,269	1.8%	0.0%	1.8%	1.8%	(157,970)	799,021	505,146	1,781,150	\$0.98
250,000 Plus	30,140,202	3.1%	0.2%	3.2%	7.6%	264,422	(292,647)	246,622	1,089,922	\$0.93
<b>Orange County Total</b>	<b>229,888,002</b>	<b>1.7%</b>	<b>0.1%</b>	<b>1.9%</b>	<b>2.6%</b>	<b>911,068</b>	<b>1,984,850</b>	<b>2,207,252</b>	<b>9,045,577</b>	<b>\$1.09</b>

## NEAR-TERM OUTLOOK

**INCREASES** in renewal activity are to be expected moving forward as relocation options across the LA Basin remain limited. Additionally, tenants that have looked to the Inland Empire's competitive rates will also need to assess the rise in drayage costs. With vacancies at historical lows, we can expect leasing activity to soften in the following months, thus propelling rental rates upward as the competition for quality industrial space increases.

## TOP SALE TRANSACTIONS FOR 3Q 2021

Property	Submarket	SF	Sale Price	Price PSF	Buyer	Seller
5757 Plaza Dr	Cypress	331,376	\$83,587,854	\$252.24	Goodman	DRA Advisors LLC
Irvine Industrial Complex (2 Bldgs.)	Tustin	104,745	\$32,660,000	\$311.80	Black Creek	Vita-best Nutrition
2390 N American Way	Orange	20,916	\$16,700,000	\$798.43	Rexford Industrial	Richard Huntington
888 W Crowther Ave	Placentia	58,400	\$15,000,000	\$256.85	Bain Capital, LP	General Rewinding, Inc.
2311 Pullman St	Santa Ana	45,780	\$14,275,000	\$311.82	Fortress Investment Group	Gemini Industries Inc.

## TOP LEASE TRANSACTIONS FOR 3Q 2021

Property	Submarket	SF	Transaction Date	Landlord	Tenant
500 W Warner Ave #200	Santa Ana	246,622	July 2021	LBA Realty	Cloud Mountain
500 W Warner Ave #100	Santa Ana	134,716	July 2021	LBA Realty	Syco
3030 S Susan St	Santa Ana	108,858	August 2021	Alere Property Group	Overair
3172 Nasa St	Brea/La Habra	104,915	September 2021	Checker Properties	Lund Motion Products
9 Holland	Irvine Spectrum	88,180	September 2021	Rexford Industrial	Bio-Rad

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
Goodman Logistics Center (4 Bldgs.)	2001 E Orangethorpe	Fullerton	1,536,055	Goodman	August 2022
14900 Bolsa Chica St	14900 Bolsa Chica St	Huntington Beach	259,772	Sares Regis	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, OCBJ, KTLA

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**Commercial  
 Brokerage**

**\$8B**  
 TRANSACTION

**23M**  
 SALES SF

**42M**  
 LEASING SF

**Valuation  
 Advisory**

**1,800+**  
 ASSIGNMENTS

**39/20**  
 TOTAL NO.

**Asset  
 Services**

**70M**  
 MANAGEMENT

**\$12B**  
 IN ASSETS UNDER

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