Kidder Mathews

4Q 2021

MARKET TRENDS | ORANGE COUNTY

INDUSTRIAL

MARKET DRIVERS

USER DEMAND industrial space has never been higher for the Orange County industrial market. The rapid growth of ecommerce and occupiers adopting a just-in-case model to prepare for any future supply disruptions, have caused rental rates to spike. Direct asking lease rates concluded the year at $1.23/SF, a new record high for the market.

POSITIVE GAINS in absorption continued in 4Q 2021 with over 230K SF, bringing the total for the year to over 2.1M SF, the highest it has been since 2015. Increases in tenant movement further compressed direct vacancies, decreasing to 1.3%.

DEVELOPERS remain aggressive in search of redevelopment and repurposing projects with over 2.1M SF under construction. Rexford Industrial purchased two office campuses for $175M with plans to develop state-of-the-art logistic facilities to supplement rising infill demand. In addition, Amazon purchased Bank of America's 637,500 SF office space in Brea for $165M which will likely be converted into a distribution hub for the e-tailer.

ECONOMIC OVERVIEW

AS OF NOVEMBER 2021, the unemployment rate was at 4.1%, 60 bps lower from the month prior and lower than the state's average of 5.4%. Job gains between October and November reported an increase of 9,500 jobs.

THE PORT OF LONG BEACH processed 745,488 TEU's in the month of November and is on the verge of breaking 9 million TEU's by the end of 2021, shattering the current annual record of 8.1 million TEU's set in 2020.

continued on page 3

Market Summary

	2021	2020	2019	Annual % Change
Direct Vacancy Rate	1.3%	2.4%	2.9%	-45.02%
Availability Rate	3.1%	3.7%	4.0%	-16.90%
Asking Lease Rate	$1.23	$1.07	$0.99	14.95%
Lease Transactions	10,952,450	14,593,273	15,603,416	-24.95%
Sale Transactions	5,821,278	5,662,896	8,123,231	2.80%
Net Absorption	2,136,291	1,764,693	(484,440)	N/A

▲ 2.1M
ABSORPTION

▼ 1.3%
VACANCY

▲ $1.23
RENTAL RATE

▼ 325K
DELIVIERIES (SF)

YEAR-OVER-YEAR TREND

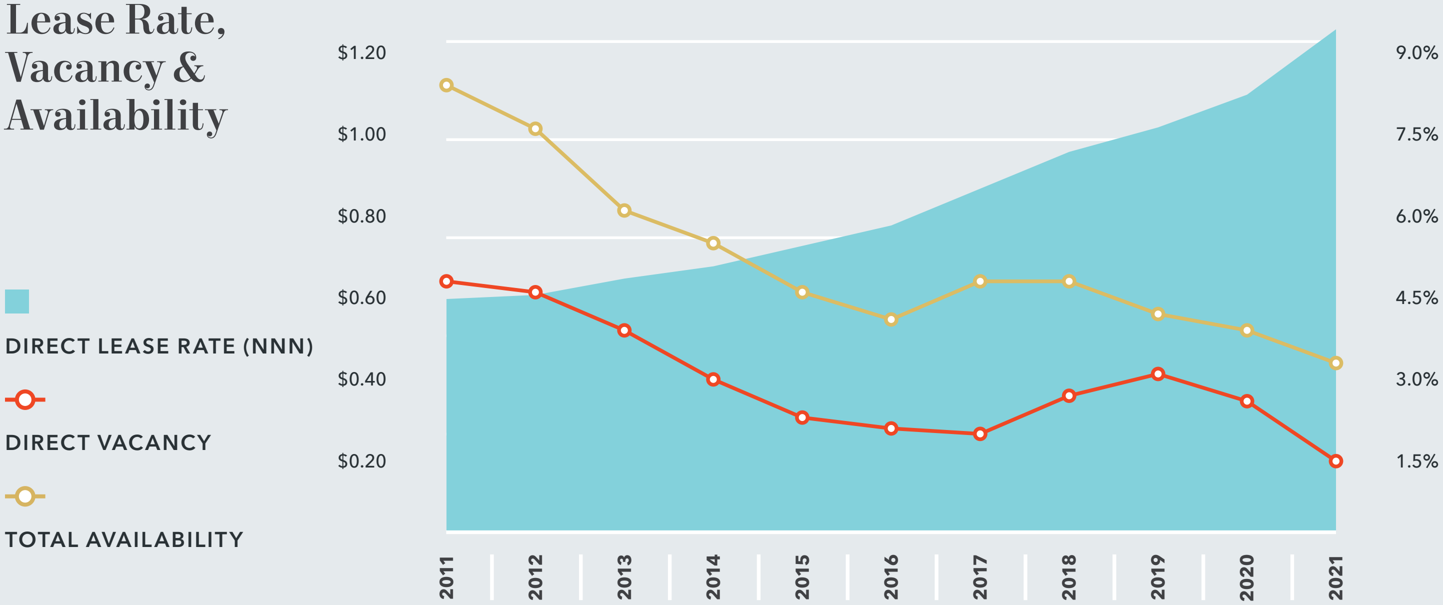
Market Highlights

DIRECT VACANCIES fell in 4Q 2021 to 1.3%

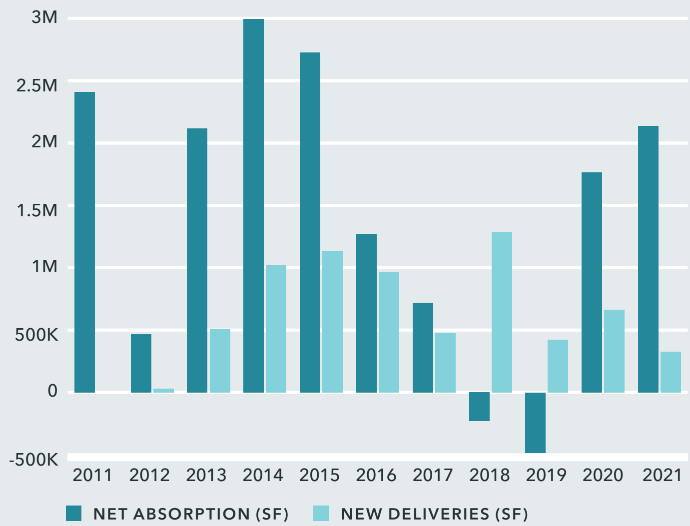
AVERAGE ASKING RENTS concluded the quarter at $1.23/SF on a triple net basis, a new all-time high

AVERAGE SALE PRICES in 4Q 2021 were at $296.23/SF with cap rates settling at 4.2%

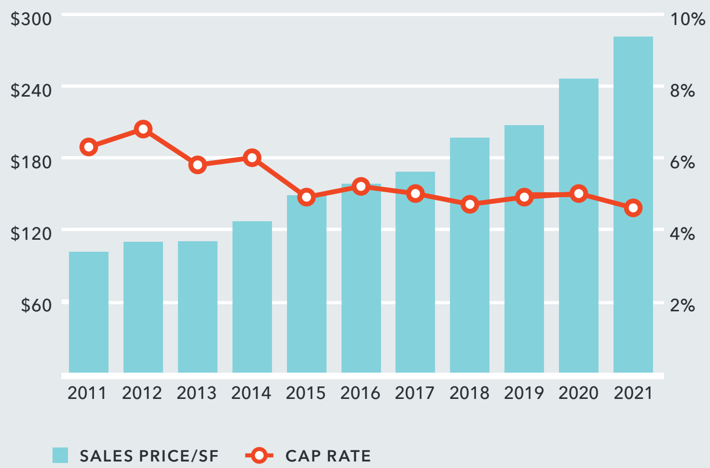
Lease Rate, Vacancy & Availability



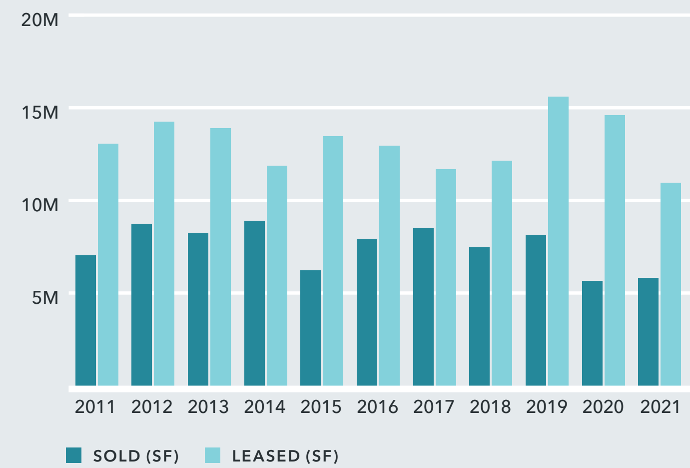
Net Absorption & New Deliveries



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	4Q Direct Net Absorption	2021 Direct Net Absorption	4Q Total Leasing Activity	2021 Total Leasing Activity	Average Direct Rental Rate (NNN)
Costa Mesa	7,300,944	2.4%	0.0%	2.4%	2.1%	120,588	155,827	86,054	454,881	$1.36
Fountain Valley	3,749,692	0.0%	0.0%	0.0%	0.1%	61,645	57,954	7,385	240,822	$1.04
Irvine	11,347,141	1.0%	0.0%	1.0%	4.1%	28,157	283,210	48,511	541,524	$1.37
Newport Beach	405,282	4.4%	0.0%	4.4%	9.1%	(15,346)	(15,346)	0	2,500	$1.45
Santa Ana	30,286,492	1.5%	0.1%	1.7%	2.8%	84,495	525,098	212,249	1,702,104	$1.13
Tustin	4,303,852	11.8%	0.0%	11.8%	12.7%	15,219	(421,214)	7,862	256,820	$1.32
Airport Area	**57,393,403**	**2.2%**	**0.1%**	**2.3%**	**3.6%**	**294,758**	**585,529**	**362,061**	**3,198,651**	**$1.27**
Anaheim	44,048,964	1.5%	0.0%	1.5%	2.3%	(330,315)	101,942	259,653	1,782,618	$1.16
Brea/La Habra	15,324,841	1.2%	0.0%	1.2%	1.9%	174,604	119,172	125,778	580,542	$1.06
Buena Park	13,219,406	0.3%	0.0%	0.3%	2.8%	8,180	238,082	2,625	693,956	$0.63
Fullerton	17,859,173	0.8%	0.1%	0.9%	9.5%	59,165	482,522	16,059	466,254	$1.21
Orange	13,319,006	0.7%	0.1%	0.8%	0.9%	(27,040)	18,637	61,068	400,135	$1.30
Placentia/Yorba Linda	4,864,889	1.6%	0.2%	1.8%	1.6%	5,138	79,989	92,820	360,510	$0.95
North County	**108,636,279**	**1.1%**	**0.0%**	**1.1%**	**3.3%**	**(110,268)**	**1,040,344**	**558,003**	**4,284,015**	**$1.18**
Irvine Spectrum	9,889,930	2.2%	1.0%	3.2%	2.0%	120,765	392,140	157,873	522,773	$1.22
Laguna Hills/Aliso Viejo	1,714,746	3.2%	0.0%	3.2%	3.1%	(4,323)	(10,278)	41,004	98,837	$1.46
Laguna Niguel/Laguna Beach	336,381	1.6%	0.0%	1.6%	0.7%	2,320	588	7,732	15,092	$2.75
Lake Forest/Foothill Ranch	9,086,235	0.7%	0.1%	0.8%	1.4%	1,789	79,558	135,875	511,764	$1.34
Mission Viejo	742,995	0.1%	0.0%	0.1%	0.1%	1,531	(919)	8,849	30,729	$1.30
Dana Point/San Juan/ San Clemente	2,804,473	0.6%	0.0%	0.6%	0.0%	16,439	24,946	0	98,623	$1.12
South County	**24,574,760**	**1.5%**	**0.4%**	**1.9%**	**1.5%**	**138,521**	**486,035**	**351,333**	**1,277,818**	**$1.45**
Cypress	4,464,650	1.5%	0.0%	1.5%	2.8%	12,407	106,206	8,664	559,585	$1.07
Garden Grove	11,787,494	3.2%	0.1%	3.3%	3.4%	(111,466)	(6,839)	57,639	440,966	$1.32
Huntington Beach	12,615,202	1.7%	0.1%	1.8%	2.4%	24,557	(114,886)	157,054	593,256	$1.15
La Palma	1,778,247	4.7%	0.0%	4.7%	0.0%	0	0	0	169,321	$0.99
Los Alamitos/Stanton	3,818,315	0.3%	0.0%	0.3%	1.8%	4,076	19,280	0	224,207	$1.05
Seal Beach	928,574	0.0%	1.8%	1.8%	1.8%	0	0	0	88,507	$0.89
Westminster	2,219,587	1.0%	0.2%	1.2%	3.8%	(21,728)	20,622	10,093	116,124	$0.88
West County	**37,612,069**	**2.1%**	**0.1%**	**2.2%**	**2.7%**	**(92,154)**	**24,383**	**233,450**	**2,191,966**	**$1.12**
5,000 - 9,999	16,860,594	0.4%	0.0%	0.5%	1.5%	72,108	163,243	132,534	590,851	$1.42
10,000 - 24,999	60,877,530	1.1%	0.1%	1.2%	1.3%	(57,552)	523,322	462,396	2,684,313	$1.30
25,000 - 49,999	40,327,057	1.1%	0.1%	1.1%	1.5%	197,201	857,897	256,281	2,088,692	$1.24
50,000 - 99,999	36,986,941	1.5%	0.1%	1.7%	2.6%	300,451	490,113	289,401	2,098,737	$1.18
100,000 - 249,999	45,228,296	1.1%	0.0%	1.1%	2.1%	270,280	1,197,941	191,730	2,227,430	$1.08
250,000 Plus	27,936,093	4.8%	0.3%	5.1%	12.5%	(551,631)	(1,096,225)	172,505	1,262,427	$1.00
Orange County Total	**228,216,511**	**1.3%**	**0.1%**	**1.4%**	**3.1%**	**230,857**	**2,136,291**	**1,504,847**	**10,952,450**	**$1.23**

NEAR-TERM OUTLOOK

OCCUPIERS throughout the Orange County metro will need to act swiftly as availabilities continue to diminish, pushing rents past all-time highs with rent growth forecasted to be between 10%-15%. Increases in renewal activity should occur as relocation options to neighboring Los Angeles and Inland Empire markets remain scarce. We can expect demand for industrial space to remain extremely competitive in 2022 given the current supply constraints.

TOP SALE TRANSACTIONS FOR 2021

Property	Submarket	SF	Sale Price	Price PSF	Buyer	Seller
Irvine Crossing	Irvine	395,673	$180,750,000	$456.82	CBRE Investment Mgmt.	Menlo Equities
Harbor Blvd(3 Bldgs.)	Santa Ana	397,000	$114,025,000	$287.22	CenterPoint Properties	Cancilla Properties II LLC
2009 Raymer Ave	Fullerton	123,972	$32,150,000	$259.33	Oaktree Capital Mgmt.	CapRock Partners
17451 Von Karman Ave	Irvine	91,420	$26,000,000	$284.40	9th Street Partners LLC	Desmond Ventures, Inc.
Anaheim Concourse	Anaheim	63,774	$25,350,000	$397.50	LBA Logistics	JVK Holdings LLC

TOP LEASE TRANSACTIONS FOR 2021

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Huntington Beach Gateway	Huntington Beach	433,865	September 2021	Sares Regis	Cambro Manufacturing
6311 Knott Ave	Buena Park	399,473	May 2021	Clarion Partners	Houdini Inc.
500 W Warner Ave	Santa Ana	246,622	July 2021	LBA Logistics	Cloud Mountain
5560 Katella Ave	Cypress	215,000	October 2021	Warland Investments Co.	Romeo Power
3355 E La Palma Ave	Anaheim	108,327	November 2021	Nuveen	Goodrich Corp.

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	January 2022
2872 E La Palma Ave	2872 E La Palma Ave	Anaheim	187,520	Duke Realty	September 2022
14300 Alton Pkwy	14300 Alton Pkwy	Irvine Spectrum	145,000	Amazon	November 2022

DATA SOURCE: EDD, COSTAR, PORT OF LONG BEACH, OCBJ

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

SOUTHERN CA & SOUTHWEST

MARK READ
Regional President, Brokerage
mark.read@kidder.com
LIC N° 00572743

ERIC PAULSEN
Regional President, Brokerage
eric.paulsen@kidder.com
LIC N° 01001040

949.557.5000