

MARKET TRENDS | ORANGE COUNTY INDUSTRIAL

MARKET DRIVERS

USER DEMAND has never been higher for the Orange County industrial market as the competition for space remains competitive, pushing rental rates to new all-time highs. Direct asking lease rates continue to spike across the market, concluding the quarter at \$1.28/SF.

POSITIVE GAINS in absorption continued with over 471K SF absorbed in 1Q 2022, making it the 11th straight quarter of positive absorption. Increases in tenant movement further compressed direct vacancies, decreasing to 1.2%.

DEVELOPERS continue their search for new projects in the market with over 1.8M SF under construction. The highly anticipated Goodman Logistics Center is on track to be delivered in the third quarter, supplementing the rise of infill demand with four state-of-the-art logistic facilities at a total of 1.5M SF. Over 283K SF was delivered in 1Q 2022.

ECONOMIC OVERVIEW

AS OF JANUARY 2022, the unemployment rate was at 4.2%, 50 bps higher from the month prior and lower than the state's average of 5.4%. Job losses between December and January totaled 29,100 jobs.

THE PORT OF LONG BEACH processed 796,560 TEU's in the month of February, up 3.2% from the year prior.

NEAR TERM OUTLOOK

OCCUPIERS THROUGHOUT THE ORANGE COUNTY METRO will need to act quickly as availabilities continue to fade, further pushing rents past all-time highs with rent growth forecasted to be between 10%-15%. Additionally, Los Angeles and Inland Empire are also experiencing inventory constraints and we can expect renewal activity to increase moving forward as relocation options remain limited.

Market Summary

	1Q22	4Q21	1Q21	Annual % Change
Direct Vacancy Rate	1.2%	1.6%	2.2%	-44.78%
Availability Rate	3.1%	3.0%	3.6%	-13.52%
Asking Lease Rate	\$1.28	\$1.19	\$1.06	20.75%
Lease Transactions	1,485,878	1,788,227	3,212,604	-53.75%
Sale Transactions	834,920	1,775,724	686,218	21.67%
Net Absorption	471,714	21,179	461,597	N/A

▲ 471K
ABSORPTION

▼ 1.2%
VACANCY

▲ \$1.28
RENTAL RATE

▼ 283K
DELIVERIES (SF)

YEAR-OVER-YEAR TREND

Market Highlights

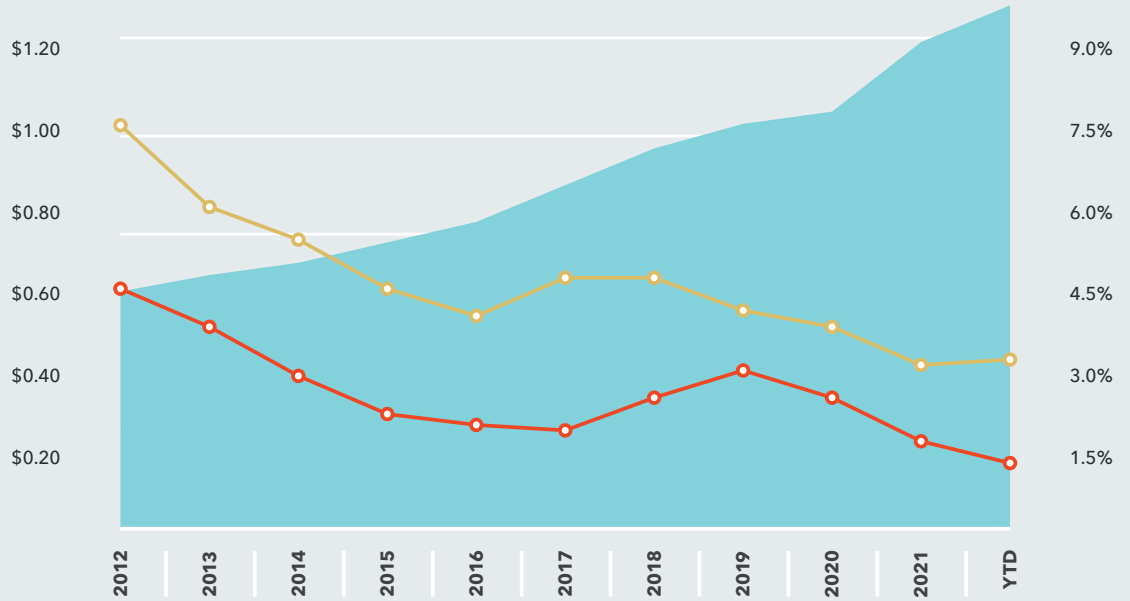
DIRECT VACANCIES fell in 1Q 2021 to 1.2%.

AVERAGE ASKING RENTS concluded the quarter at \$1.28/SF on a triple net basis, a new all-time high

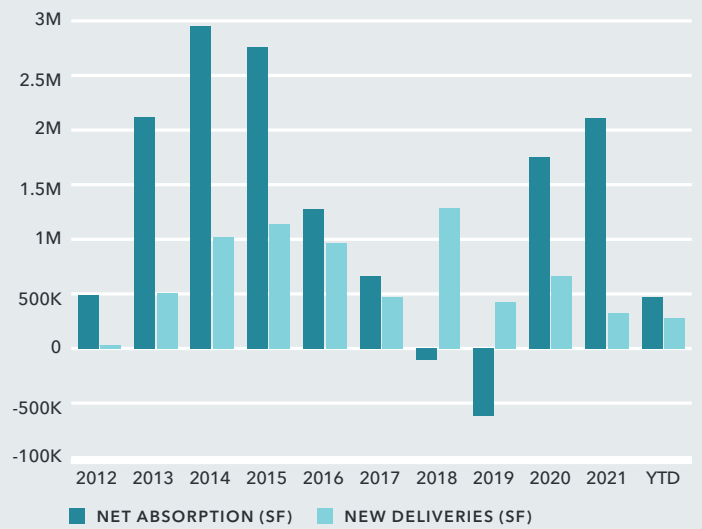
AVERAGE SALE PRICES in 1Q 2021 were at \$323.93/SF with cap rates settling at 3.7%

Lease Rate, Vacancy & Availability

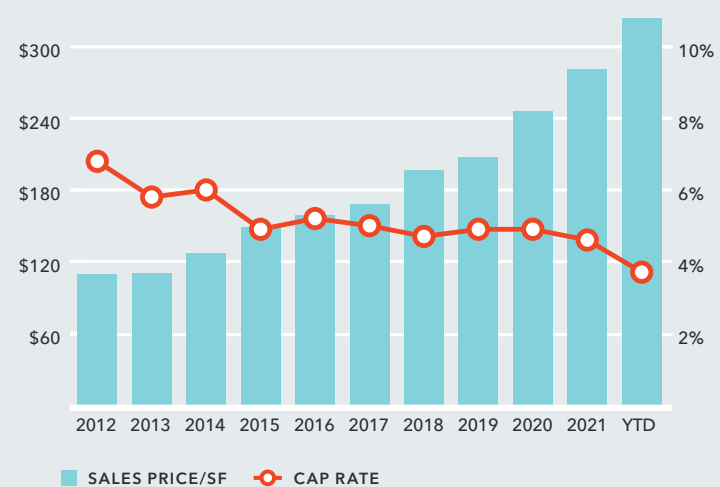
■ DIRECT LEASE RATE (NNN)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



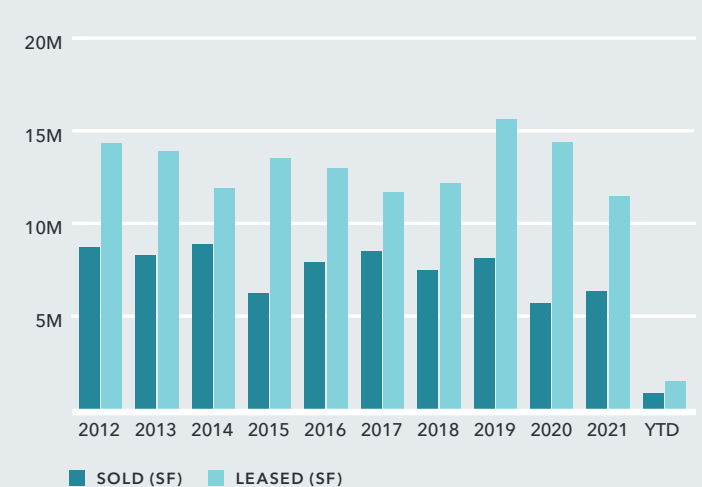
Net Absorption & New Deliveries



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	1Q22 Direct Net Absorption	2021 Direct Net Absorption	1Q22 Total Leasing Activity	2021 Total Leasing Activity	Average Direct Rental Rate (NNN)
Costa Mesa	7,312,858	1.2%	0.0%	1.2%	2.7%	84,390	155,827	36,404	454,881	\$1.42
Fountain Valley	3,750,138	0.0%	0.1%	0.1%	0.4%	0	57,954	25,110	240,822	\$1.10
Irvine	11,443,584	0.8%	0.0%	0.8%	3.6%	31,362	283,210	102,979	541,524	\$1.41
Newport Beach	405,282	3.8%	2.3%	6.0%	3.8%	2,500	(15,346)	11,644	2,500	\$1.48
Santa Ana	30,302,575	1.6%	0.0%	1.6%	2.8%	(20,368)	525,098	174,181	1,702,104	\$1.16
Tustin	4,303,665	12.3%	0.0%	12.3%	14.0%	(21,837)	(421,214)	28,347	256,820	\$1.34
Airport Area	57,518,102	2.1%	0.0%	2.1%	3.6%	76,047	585,529	378,665	3,198,651	\$1.33
Anaheim	44,201,359	1.5%	0.0%	1.5%	2.0%	34,412	101,942	267,939	1,782,618	\$1.26
Brea/La Habra	15,326,607	2.1%	0.0%	2.1%	2.3%	(147,463)	119,172	45,145	580,542	\$1.24
Buena Park	13,280,803	0.4%	0.1%	0.5%	3.1%	(11,800)	238,082	4,969	693,956	\$1.11
Fullerton	17,837,457	0.7%	0.1%	0.8%	10.7%	(54,965)	482,522	59,644	466,254	\$1.23
Orange	13,319,650	0.5%	0.2%	0.7%	0.8%	17,018	18,637	92,496	400,135	\$1.37
Placentia/Yorba Linda	4,865,722	1.2%	0.2%	1.4%	2.0%	15,400	79,989	7,213	360,510	\$1.08
North County	108,831,598	1.2%	0.1%	1.3%	3.5%	(147,398)	1,040,344	477,406	4,284,015	\$1.23
Irvine Spectrum	9,909,373	2.0%	1.0%	2.9%	2.5%	54,825	392,140	9,834	522,773	\$1.30
Laguna Hills/Aliso Viejo	1,714,746	3.6%	0.0%	3.6%	1.5%	(6,120)	(10,278)	56,415	98,837	\$1.53
Laguna Niguel/Laguna Beach	336,381	0.0%	0.0%	0.0%	0.7%	0	588	0	15,092	\$2.75
Lake Forest/Foothill Ranch	9,190,375	0.6%	0.1%	0.7%	1.5%	(6,567)	79,558	91,362	511,764	\$1.35
Mission Viejo	743,055	0.4%	0.0%	0.4%	0.1%	(2,028)	(919)	2,028	30,729	\$1.33
Dana Point/San Juan/ San Clemente	2,783,655	1.3%	0.0%	1.3%	0.7%	(18,180)	24,946	14,610	98,623	\$1.22
South County	24,677,585	1.4%	0.4%	1.8%	1.7%	21,930	486,035	174,249	1,277,818	\$1.48
Cypress	4,401,727	2.3%	0.0%	2.3%	4.5%	(33,248)	106,206	0	559,585	\$1.16
Garden Grove	11,997,604	2.7%	0.3%	3.1%	2.8%	214,100	(6,839)	250,907	440,966	\$1.38
Huntington Beach	12,615,009	0.9%	0.3%	1.2%	1.1%	364,435	(114,886)	132,672	593,256	\$1.20
La Palma	1,778,247	4.7%	0.0%	4.7%	0.0%	0	0	0	169,321	\$1.07
Los Alamitos/Stanton	3,818,656	0.7%	0.0%	0.7%	2.2%	(27,552)	19,280	36,931	224,207	\$1.13
Seal Beach	928,574	0.0%	1.8%	1.8%	0.0%	0	0	16,720	88,507	\$0.98
Westminster	2,219,631	0.8%	0.5%	1.4%	4.1%	3,400	20,622	18,328	116,124	\$1.03
West County	37,759,448	1.8%	0.3%	2.1%	2.2%	521,135	24,383	455,558	2,191,966	\$1.18
5,000 - 9,999	16,860,758	0.4%	0.1%	0.6%	1.3%	2,217	163,243	154,711	590,851	\$1.61
10,000 - 24,999	60,846,450	1.0%	0.1%	1.2%	1.6%	10,895	523,322	432,124	2,684,313	\$1.52
25,000 - 49,999	40,658,639	1.1%	0.1%	1.1%	2.3%	111,138	857,897	396,817	2,088,692	\$1.45
50,000 - 99,999	36,872,499	1.8%	0.1%	1.9%	1.9%	(95,982)	490,113	255,590	2,098,737	\$1.34
100,000 - 249,999	45,617,621	1.1%	0.1%	1.2%	2.4%	70,635	1,197,941	50,016	2,227,430	\$1.23
250,000 Plus	27,930,766	4.4%	0.3%	4.7%	11.4%	372,811	(1,096,225)	196,620	1,262,427	\$1.15
Orange County Total	228,786,733	1.2%	0.1%	1.3%	3.1%	471,714	2,136,291	1,485,878	10,952,450	\$1.28

TOP SALE TRANSACTIONS FOR 1Q22

Property	Submarket	SF	Sale Price	Price PSF	Buyer	Seller
5609 River Way (2 Bldgs)	Buena Park	166,000	\$41,000,000	\$246.99	Staley Point Capital	Alticor, Inc
3128 Red Hill Ave (2 Bldgs)	Costa Mesa	43,789	\$26,000,000	\$593.76	Fortress Investment Group	Christopher Mathews
3501 W Segerstrom Ave	Santa Ana	66,600	\$25,000,000	\$375.38	Robinson Pharma, Inc	United Glass Blowing
5410-5414 E La Palma Ave	Anaheim	73,000	\$22,400,000	\$306.85	EverWest Real Estate Investors, LLC	Legacy Property Management
2301 Raymer Ave	Fullerton	57,300	\$18,284,500	\$319.10	Invesco Advisers, Inc	James WorldWide

TOP LEASE TRANSACTIONS FOR 1Q22

Property	Submarket	SF	Transaction Date	Landlord	Tenant
7300 Chapman Ave	Garden Grove	196,309	January 2022	The Sudler Companies	Old World Industries
5600-5640 Knott Ave	Buena Park	183,958	January 2022	Crown Associates Realty, Inc	Deus Ex Supply
Parker Irvine Business Center	Irvine Spectrum	126,497	February 2022	Northwestern Mutual Life Ins Co	Enevat
Lake Forest Business Center	Lake Forest	111,832	March 2022	Prologis	Dynacast
West County Commerce Center	Huntington Beach	100,922	January 2022	Sares-Regis	Atlas International

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
14300 Alton Pkwy	14300 Alton Pkwy	Irvine Spectrum	145,000	Amazon	November 2022
1500 E Walnut Ave	1500 E Walnut Ave	Fullerton	120,000	Blackstone	August 2023

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

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.

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Commercial Brokerage

\$10.9B
TRANSACTION VOLUME (ANNUAL)

49.7M **43.7M**
SALES SF (ANNUAL) LEASING SF (ANNUAL)

Valuation Advisory

2,600+
ASSIGNMENTS ANNUALLY

51/24
TOTAL NO. APPRAISERS/MAI'S

Asset Services

62M
MANAGEMENT PORTFOLIO SF

\$11B
IN ASSETS UNDER MANAGEMENT

