

MARKET TRENDS | ORANGE COUNTY INDUSTRIAL

MARKET DRIVERS

MAJOR USER ACTIVITY has never been higher in the Orange County industrial market, as competition for space continues to outperform available supply, driving rental rates to new all-time highs. The market's direct asking lease rates have continued to rise, peaking at \$1.48/SF at the conclusion of the quarter.

MANY LARGE NATIONAL INDUSTRIAL distributors intend to expand into Orange County. Due to a scarcity of suitable buildings and high lease rates, an appealing trend has emerged for a build-to-suit construction with a less expensive land acquisition to obtain a larger, new Class A property. As a result, tenant mobility has shifted, with a negative 525K SF absorbed in 2Q 2022.

DEVELOPERS are still looking for new projects in the sector, which currently has over 2.6M SF under construction. The highly anticipated Goodman Logistics Center, which will address rising infill demand with four cutting-edge logistic buildings totaling 1.5M SF, is set to open in the third quarter.

ECONOMIC OVERVIEW

ORANGE COUNTY'S unemployment rate was 2.4% in May 2022, down from a revised 2.7% in April 2022 and lower than the year-ago estimate of 6.2%. During the same time period, California had an unadjusted unemployment rate of 3.4%, and the national rate was 3.4%.

THE PORT OF LONG BEACH transported 3,281,377 TEUs since April 2022, a -1.8% over the same time in 2021, due to their cargo delays at the ports.

NEAR TERM OUTLOOK

THE NATIONAL INDUSTRIAL MARKET prognosis for 2022 remains highly optimistic, reflecting the convergence of numerous variables that have greatly enhanced demand for industrial real estate since the outbreak began and will continue to do so in the near future.

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Market Summary

	2Q22	1Q21	2Q21	Annual % Change
Direct Vacancy Rate	1.7%	1.5%	2.0%	-13.25%
Availability Rate	3.4%	3.1%	3.2%	4.98%
Asking Lease Rate	\$1.48	\$1.25	\$1.11	32.88%
Lease Transactions	1,825,406	2,847,759	3,798,818	-51.95%
Sale Transactions	860,638	949,779	2,096,260	-58.94%
Net Absorption	(524,615)	580,798	793,346	N/A

▼ -524K

ABSORPTION

▼ 1.7%

VACANCY

▲ \$1.48

RENTAL RATE

▲ 339K

DELIVERIES (SF)

YEAR-OVER-YEAR TREND

Market Highlights

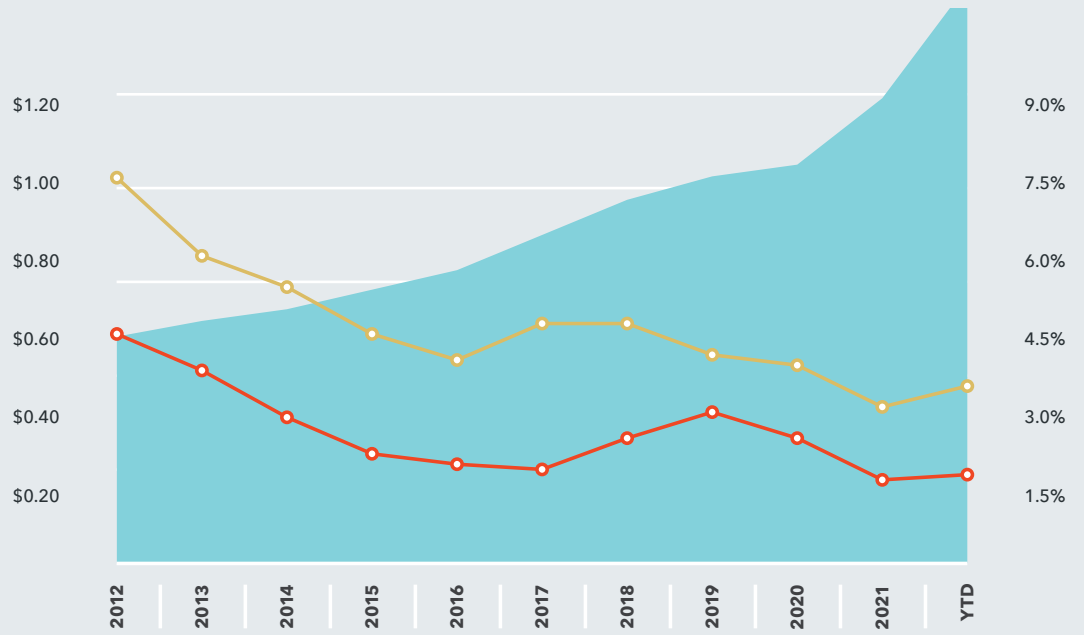
DIRECT VACANCIES fell in 2Q 2021 to 1.7%

AVERAGE ASKING RENTS climbed 32.9% to a market average of \$1.48/SF on a triple net basis, a new record high

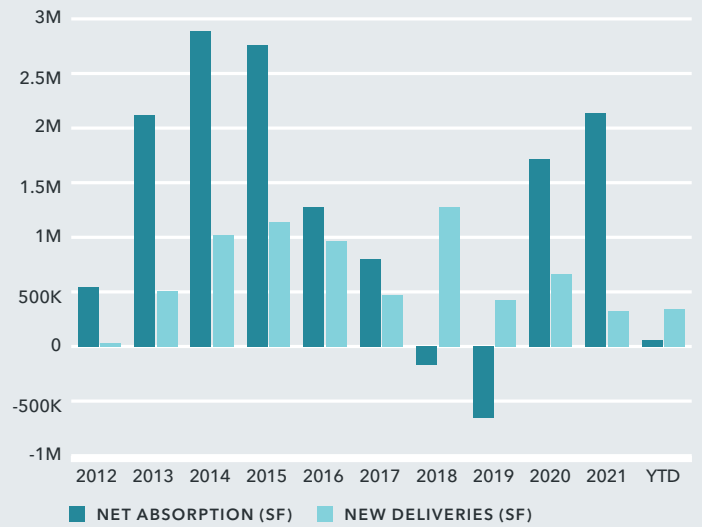
AVERAGE SALE PRICES in 2Q 2022 were at \$339.45/SF with cap rates settling at 3.7%

Lease Rate, Vacancy & Availability

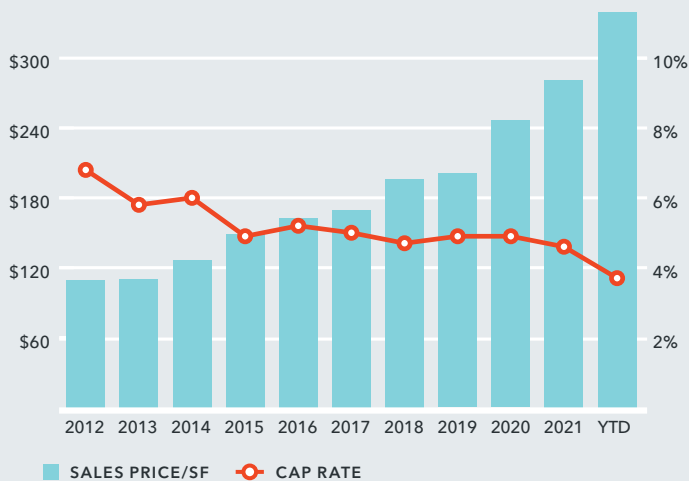
■ DIRECT LEASE RATE (NNN)
○ DIRECT VACANCY
○ TOTAL AVAILABILITY



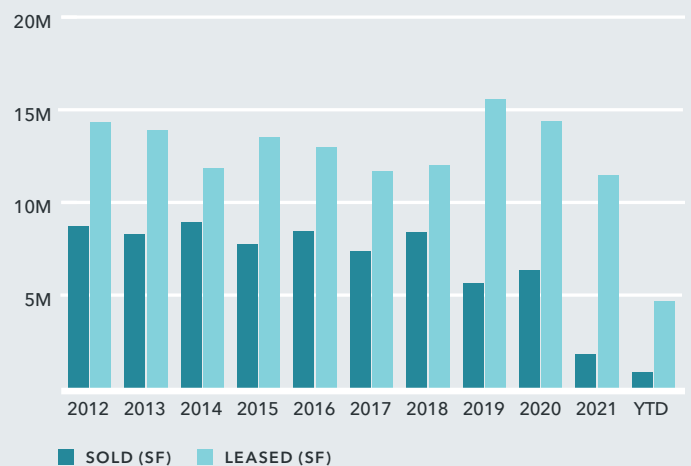
Net Absorption & New Deliveries



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	2Q22 Direct Net Absorption	YTD Direct Net Absorption	2Q22 Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
Costa Mesa	7,346,673	1.3%	0.0%	1.4%	3.9%	(27,574)	78,102	22,607	59,011	\$1.37
Fountain Valley	3,667,180	0.2%	0.0%	0.2%	1.2%	0	(7,616)	14,065	174,975	\$2.04
Irvine	11,462,884	1.7%	0.0%	1.7%	4.5%	(108,313)	(76,951)	44,800	147,779	\$1.81
Newport Beach	405,282	3.8%	0.0%	3.8%	3.8%	0	2,500	0	11,644	\$1.73
Santa Ana	30,141,538	1.5%	0.0%	1.5%	2.2%	46,382	17,866	386,875	598,647	\$1.44
Tustin	4,247,030	13.9%	0.0%	13.9%	20.6%	(69,706)	(81,883)	55,291	83,638	\$1.34
Airport Area	57,270,587	2.4%	0.0%	2.4%	4.2%	(159,211)	(67,982)	523,638	1,075,694	\$1.49
Anaheim	44,218,848	1.7%	0.0%	1.7%	2.2%	(70,815)	37	270,714	546,970	\$1.51
Brea/La Habra	15,326,621	1.5%	0.0%	1.5%	1.8%	81,403	(62,075)	154,978	384,123	\$1.49
Buena Park	13,239,696	0.5%	0.2%	0.7%	3.2%	(11,497)	(23,297)	4,812	359,739	\$1.52
Fullerton	17,602,870	0.2%	0.0%	0.2%	10.3%	51,320	37,499	303,902	434,191	\$1.56
Orange	13,322,990	0.6%	0.5%	1.0%	1.5%	(12,422)	10,296	62,577	161,941	\$1.56
Placentia/Yorba Linda	4,778,961	2.4%	0.0%	2.4%	5.0%	(55,238)	(39,838)	15,243	44,128	\$1.39
North County	108,489,986	1.2%	0.1%	1.2%	3.6%	(17,249)	(77,378)	812,226	1,931,092	\$1.39
Irvine Spectrum	10,118,884	2.9%	1.0%	3.9%	3.2%	(97,567)	(42,742)	95,852	260,248	\$1.54
Laguna Hills/Aliso Viejo	1,764,718	3.8%	0.3%	4.0%	1.4%	(12,161)	(11,011)	12,472	71,907	\$1.64
Laguna Niguel/Laguna Beach	336,381	0.5%	0.0%	0.5%	0.0%	(1,845)	(1,845)	1,845	1,845	\$2.75
Lake Forest/Foothill Ranch	9,194,773	1.3%	0.0%	1.3%	1.2%	(35,357)	(70,178)	68,546	300,450	\$1.68
Mission Viejo	743,055	0.1%	0.0%	0.1%	0.0%	0	0	919	2,947	\$1.33
Dana Point/San Juan/ San Clemente	2,795,215	1.6%	0.1%	1.7%	1.1%	(7,244)	(27,416)	1,908	16,518	\$1.80
South County	24,953,026	2.1%	0.5%	2.6%	2.0%	(154,174)	(153,192)	181,542	653,915	\$1.65
Cypress	4,306,848	3.3%	0.0%	3.3%	3.8%	(40,853)	(74,101)	96,830	96,830	\$1.42
Garden Grove	11,982,312	3.5%	0.3%	3.8%	2.2%	(97,197)	121,458	92,041	377,236	\$1.38
Huntington Beach	12,621,207	0.8%	0.0%	0.8%	1.9%	(8,222)	379,239	24,785	369,679	\$1.14
La Palma	1,778,216	4.1%	0.0%	4.1%	0.0%	11,421	11,421	75,000	75,000	\$1.03
Los Alamitos/Stanton	3,829,153	0.9%	0.0%	0.9%	2.9%	(8,090)	(35,642)	7,300	46,627	\$1.13
Seal Beach	941,709	0.0%	0.0%	0.0%	0.0%	0	0	0	16,720	\$0.94
Westminster	2,219,631	3.1%	0.0%	3.1%	3.1%	(51,040)	(47,640)	12,044	30,372	\$1.19
West County	37,679,076	2.2%	0.1%	2.3%	2.2%	(193,981)	354,735	308,000	1,012,464	\$1.26
5,000 - 9,999	16,896,035	0.7%	0.0%	0.7%	1.6%	(54,596)	(46,141)	141,260	315,012	\$1.53
10,000 - 24,999	60,776,279	1.2%	0.1%	1.3%	2.1%	(140,887)	(77,665)	472,991	932,939	\$1.55
25,000 - 49,999	40,581,451	1.9%	0.1%	2.0%	2.3%	(374,552)	(275,015)	287,942	802,983	\$1.49
50,000 - 99,999	36,604,621	2.3%	0.1%	2.4%	2.5%	(154,019)	(223,785)	280,854	588,617	\$1.60
100,000 - 249,999	45,397,492	0.9%	0.1%	0.9%	2.4%	70,034	176,573	584,537	1,576,632	\$1.45
250,000 Plus	28,136,797	3.9%	0.3%	4.2%	11.4%	129,405	502,216	57,822	456,982	\$1.39
Orange County Total	228,392,675	1.7%	0.1%	1.8%	3.4%	(524,615)	56,183	1,825,406	4,673,165	\$1.48

ORANGE COUNTY'S INDUSTRIAL MARKET has outpaced other property sectors, with increased lease volumes and rising rent increases approaching an all-time high of 12.3%. Orange County's closeness to Los Angeles County ports and key thoroughfares into the Inland Empire, along with

the county's dense population, has bolstered stability in recent years. Despite record-high prices and a falling market cap rate, these strong local demand factors have kept investors engaged in Orange County. As inventory control has become a main emphasis for industrial users, several

organizations have implemented a "plus one" facility model. As a result, expanded warehouse footprints have emerged as a new trend to handle greater inventory owing to recent and ongoing supply chain disruptions and as an added service to clients.

TOP SALE TRANSACTIONS FOR 2Q22

Property	Submarket	SF	Sale Price	Price PSF	Buyer	Seller
15955 Alton Pkwy	Irvine Spectrum	245,958	\$120,000,000	\$487.89	Alton Pkwy Office Compus LLC	Canon USA Inc
2990 & 3000 Airway Ave	Costa Mesa	123,100	\$46,775,000	\$379.98	Aero Orange County LLC	CPF Airway Associates LLC
1361 Valencia Ave	Tustin	76,675	\$24,719,000	\$322.39	PVP Tustin Owner LLC	KWT Valencia LLC
1400 E Cerritos Ave	Anaheim	46,000	\$19,000,000	\$413.04	Fortress Investment Group	Cerritos Street 2005 LLC
15541 Mosher Ave	Tustin	53,842	\$18,000,000	\$334.31	TA Mosher Avenue LP	Container Supply Company Inc

TOP LEASE TRANSACTIONS FOR 2Q22

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1829 E Orangethorpe Ave	Fullerton	336,968	June 2022	GLC Fullerton LLC	Sprouts Farmers Market
14451 Myford Rd	Tustin	219,827	June 2022	Panattoni Development Company	Rivian Automotive
105 Puente Street	Brea	184,000	April 2022	Alere Property Group	Pleaser Shoes
20001 Ellipse	Foothill Ranch	159,156	May 2022	Heitman	Nike
6800 Artesia Blvd	Buena Park	159,036	April 22	NY State Common Retirement Fund	McLane Foodservice, Inc.

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
Huntington Gateway Business Park	Bolsa Ave & Skylab Rd - Building 2	Huntington Beach	433,865	Sares-Regis Group	March 2023
14451 Myford Rd	14451 Myford Rd	Tustin	219,827	Panattoni Development Company	October 2023
Amazon Logistics Hub	14300 Alton Pkwy	Irvine Spectrum	145,000	Amazon	November 2022
1500 E Walnut Ave	1500 E Walnut Ave	Fullerton	120,000	Blackstone	July 2022

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

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Commercial Brokerage

\$10.9B
TRANSACTION
VOLUME (ANNUAL)

49.7M
SALES SF
(ANNUAL)

43.7M
LEASING SF
(ANNUAL)

Valuation Advisory

2,600+
ASSIGNMENTS
ANNUALLY

50/25
TOTAL NO.
APPRAISERS/MAI'S

Asset Services

62M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

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

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