

MARKET TRENDS

ORANGE COUNTY INDUSTRIAL

MARKET DRIVERS

ORANGE COUNTY has maintained its stability while e-commerce operators explore warehouses to store goods because of its proximity to ports in Los Angeles County and significant thoroughfares into the Inland Empire. The North Area's logistics inventory benefits from being close to the ports and from the availability of prospective workers in great demand in the region.

STRONG REGIONAL DEMAND DRIVERS have maintained investors' interest in Orange County despite record-high prices and a sliding market cap rate in an era of high-interest rates. Unlike other real estate sectors, industrial activity flow has remained consistent even if prices may decrease when cap rates increase as long as interest rates are high.

DUE TO A SHORTAGE OF SUITABLE LAND, institutional investors keep investing in industrial properties in Orange County that are well-leased and prepared for redevelopment. Fullerton, one of Orange County's most efficient logistical hubs, is in a high-density area with ready access to the port in Los Angeles and the Inland Empire.

ECONOMIC REVIEW

IN NOVEMBER 2022, the Orange County adjusted unemployment rate was 3.0%, lower than the 4.1% rate the prior year.

THE PORT OF LOS ANGELES handled 9,182,287 TEUs in year-to-date 2022 and 8,589,554 TEUs operated by the Port of Long Beach.

NEAR-TERM OUTLOOK

EMPLOYMENT GROWTH in the transportation and e-commerce sectors was primarily driven by the retail trade sector, which created 2,800 jobs (64% overall increase). Retailers expanded their efforts throughout the Christmas season because despite the fact that inflation remains a major issue, consumers have been making purchases.

AT A 1.1% RATE, there isn't much margin for tightening, and vacancies haven't moved much in the last year. In the long run, Orange County has experienced extraordinary rent increases in 2022, with a net absorption of 1.4M SF in the positive.

Market Summary

	4Q22	3Q22	4Q21	Annual Change
Direct Vacancy Rate	1.1%	1.6%	1.3%	-14.09%
Availability Rate	3.2%	3.7%	2.9%	11.68%
Asking Lease Rate	\$1.57	\$1.58	\$1.19	31.93%
Lease Transactions	1,124,378	3,623,450	1,804,497	-37.69%
Sale Transactions	1,339,357	1,526,894	1,701,794	-21.30%
Net Absorption	1,191,998	161,885	322,057	N/A

↓ **1.1M SF**
LEASING ACTIVITY

↑ **1.2M SF**
NET ABSORPTION

↓ **1.1%**
VACANCY RATE

↑ **\$1.57**
ASKING RENT (AVG)

↑ **3.5M SF**
NEW DELIVERIES

Year-Over-Year Trend

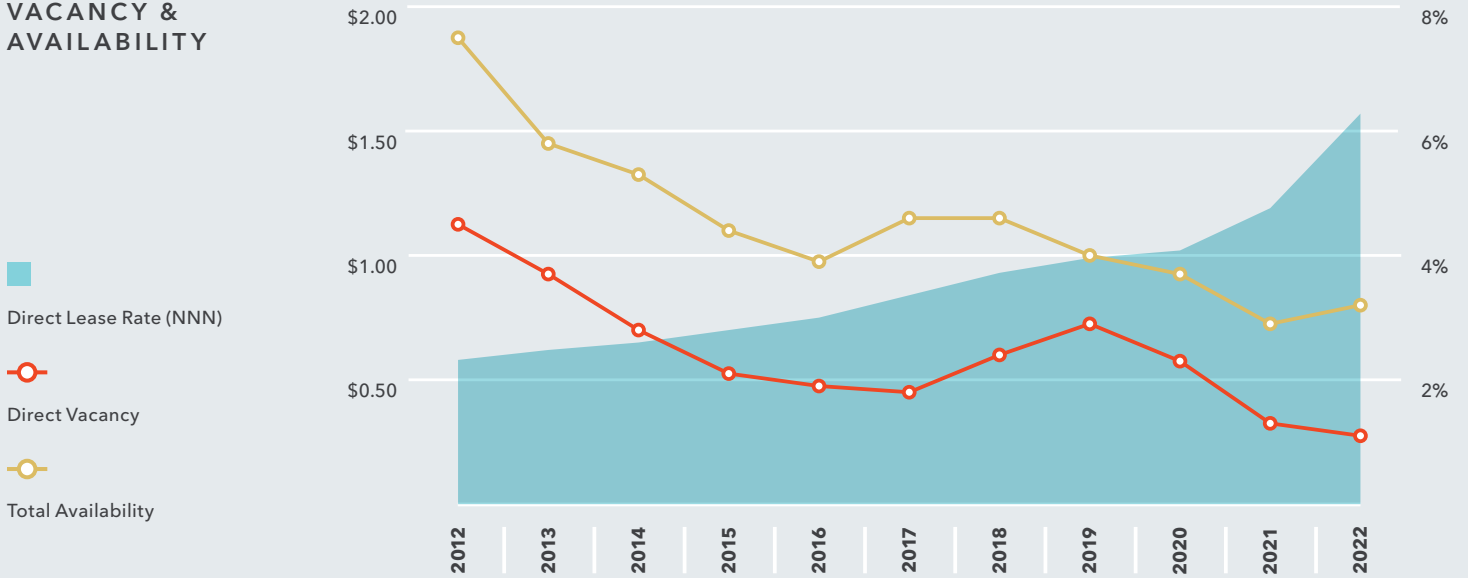
Market Highlights

DIRECT VACANCY rate, which stands at 1.1%, remains low.

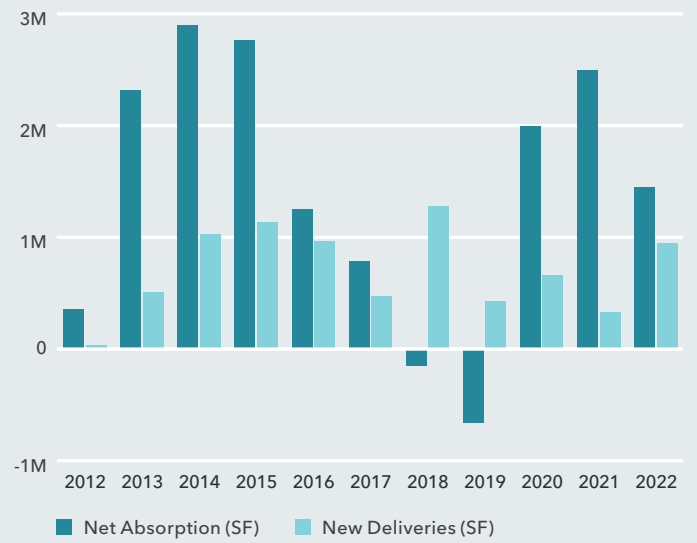
MARKET AVERAGE of \$1.58/SF on a triple net basis, climbed by 32% from year-to-year.

IN 4Q 2022, the average sale price was \$322.79/SF, and the cap rate remained constant at 4.0%.

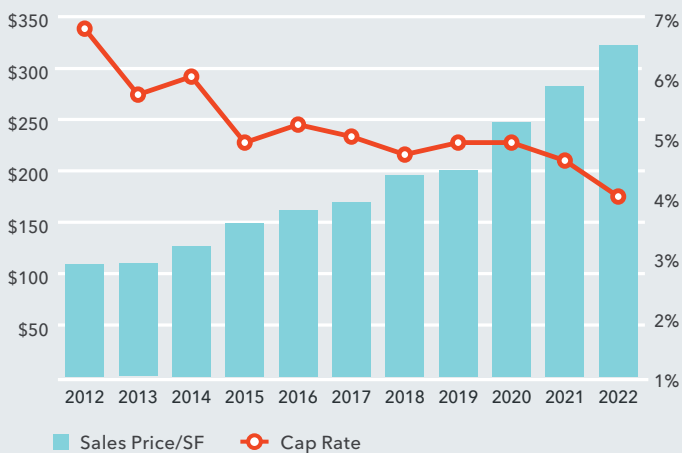
LEASE RATE, VACANCY & AVAILABILITY



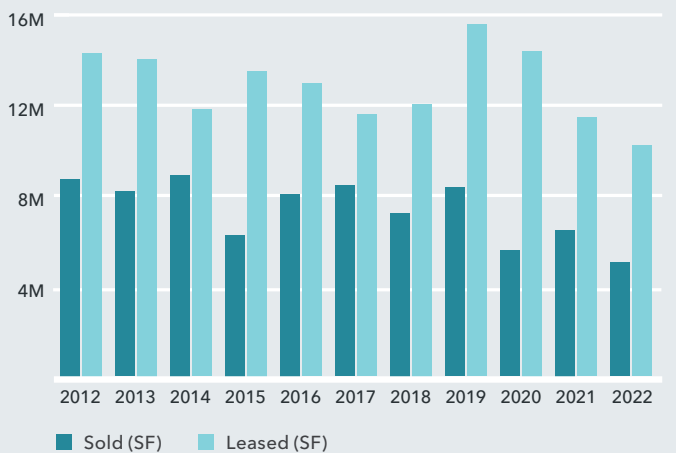
NET ABSORPTION & NEW DELIVERIES



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 Available Rate	4Q Direct Net Absorption	YTD Direct Net Absorption	4Q Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Airport Area	56,918,839	1.6%	0.1%	1.7%	3.6%	(63,172)	(135,338)	429,317	2,181,247	\$1.58
Costa Mesa	7,426,012	1.2%	0.2%	1.4%	1.6%	51,990	83,057	117,894	319,337	\$1.58
Fountain Valley	3,672,089	0.8%	0.0%	0.8%	2.0%	(17,381)	(30,297)	7,104	202,984	\$1.98
Irvine	11,111,924	1.1%	0.0%	1.1%	4.1%	26,470	(8,174)	107,224	341,673	\$1.79
Newport Beach	405,282	3.8%	0.0%	3.8%	3.8%	0	2,500	468	12,112	\$1.45
Santa Ana	30,168,992	1.8%	0.0%	1.9%	2.9%	(127,151)	(94,194)	182,777	880,985	\$1.66
Tustin	4,134,540	2.3%	0.3%	2.6%	12.1%	2,900	(88,230)	13,850	424,156	\$1.67
North County	108,767,130	0.8%	0.1%	0.9%	2.8%	1,135,167	956,235	400,036	5,214,223	\$1.55
Anaheim	44,039,267	0.7%	0.1%	0.9%	2.5%	439,346	455,307	140,557	1,554,755	\$1.38
Brea/La Habra	15,322,448	0.7%	0.0%	0.7%	2.5%	132,637	70,211	165,895	602,452	\$1.47
Buena Park	13,179,185	0.6%	0.0%	0.6%	3.3%	(12,988)	(33,988)	4,780	404,866	\$1.52
Fullerton	18,153,016	0.9%	0.0%	0.9%	4.0%	595,130	513,101	11,733	2,213,206	\$1.90
Orange	13,294,482	0.6%	0.2%	0.8%	1.7%	(9,817)	10,235	69,062	303,330	\$1.63
Placentia/Yorba Linda	4,778,732	2.8%	0.0%	2.8%	3.6%	(9,141)	(58,631)	8,009	135,614	\$1.34
South County	25,042,811	1.0%	0.5%	1.5%	2.1%	12,879	126,973	154,369	1,038,146	\$1.67
Irvine Spectrum	10,194,335	1.0%	0.0%	1.0%	2.3%	15,189	148,679	15,096	412,724	\$1.61
Laguna Hills/Aliso Viejo	1,763,798	2.9%	0.0%	2.9%	4.0%	(1,020)	3,947	11,917	97,708	\$1.98
Laguna Niguel/Laguna Beach	336,381	0.5%	0.0%	0.5%	0.0%	(1,600)	(1,600)	1,600	3,445	\$2.75
Lake Forest/Foothill Ranch	9,209,663	0.7%	1.2%	1.9%	1.9%	(5,170)	(9,627)	113,484	479,868	\$1.69
Mission Viejo	743,055	0.1%	0.0%	0.1%	0.9%	0	66	0	2,947	\$1.47
Dana Point/San Juan/San Clemente	2,795,579	1.1%	0.1%	1.3%	1.2%	5,480	(14,492)	12,272	41,454	\$1.54
West County	38,195,769	1.4%	0.1%	1.5%	4.7%	107,124	494,619	140,656	1,794,909	\$1.54
Cypress	4,622,357	1.2%	0.0%	1.2%	7.4%	(12,203)	12,333	6,175	236,338	\$1.36
Garden Grove	11,981,996	1.5%	0.1%	1.6%	4.8%	101,747	199,455	21,938	511,224	\$1.68
Huntington Beach	12,842,739	1.2%	0.2%	1.4%	6.0%	(12,405)	319,337	31,663	695,239	\$1.30
La Palma	1,778,216	4.1%	0.0%	4.1%	0.0%	0	11,421	0	75,000	\$1.35
Los Alamitos/Stanton	3,809,121	0.8%	0.0%	0.8%	2.0%	(1,251)	(31,523)	32,207	119,341	\$1.37
Seal Beach	941,709	0.0%	0.0%	0.0%	0.0%	0	0	0	73,742	\$0.89
Westminster	2,219,631	1.7%	0.0%	1.7%	2.1%	31,236	(16,404)	48,673	84,025	\$1.74
5,000 - 9,999	16,913,069	0.7%	0.1%	0.8%	1.8%	(7,369)	(52,231)	108,252	527,018	\$1.82
10,000 - 24,999	60,911,609	1.1%	0.1%	1.2%	2.4%	52,614	(22,322)	373,179	1,952,749	\$1.65
25,000 - 49,999	40,772,509	1.3%	0.2%	1.5%	2.3%	121,873	5,665	280,236	1,444,989	\$1.66
50,000 - 99,999	36,359,408	1.9%	0.1%	2.0%	2.8%	104,184	(68,797)	103,919	1,300,322	\$1.70
100,000 - 249,999	45,017,996	0.8%	0.2%	1.0%	5.5%	3,562	160,824	111,861	2,299,158	\$1.88
250,000 Plus	28,949,958	0.6%	0.0%	0.6%	4.3%	917,134	1,419,350	146,931	2,704,289	\$1.39
Orange County Total	228,924,549	1.1%	0.1%	1.2%	3.2%	1,191,998	1,442,489	1,124,378	10,228,525	\$1.57

TOP SALE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1050 S State College Blvd	North County	210,400	\$52,564,000	\$249.83	Principal Financial Group, Inc.	Oltmans Investment Company
1550-1560 W Lambert Rd	North County	34,582	\$20,351,500	\$588.50	West Harbor Capital	Peterson Brothers Construction
6259 Descanso Ave	North County	54,257	\$20,000,000	\$368.62	Fortress Investment Group	Boarsk Leasing Llc
350 Ranger Ave	North County	138,710	\$17,500,000	\$126.16	Vectra Management Group	Saunders Property Company
3201 S Standard Ave	Airport Area	31,898	\$15,850,000	\$496.90	Standard Investment LLC	The Defiance Company LLC
23705 Via Del Rio	North County	34,925	\$14,000,000	\$400.86	Tumon Bay Resort & Spa LLC	Via Del Rio LLC
4012 W Garry Ave	Airport Area	34,384	\$12,500,000	\$363.54	Blower-Dempsey Corporation	Strausser Commercial Holdings LLC

TOP LEASE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Jamboree Business Park	Airport Area	147,136	November 2022	Irvine Company	LA Jolla Group, Inc. (Renewal)
601 W Dyer Rd	Airport Area	135,371	November 2022	Bloom Family Trust	Shinoda Design Center (Renewal)
Imperial Distribution Center	North County	126,681	November 2022	Clarion Partners	Hayes Co. dba Knight-Swift
1400-1420 Manhattan Ave	North County	102,016	December 2022	Richmont Corporation	Undisclosed
Oak Canyon Business Center II	South County	100,352	October 2022	Irvine Company	Omni Logistics (Renewal)

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Goodman Logistics Center (3 Bldgs.)	2001 E Orangethorpe	Fullerton	1,049,019	Goodman	December 2022
Huntington Gateway (5 Bldgs)	Bolsa Ave & Delta Ln	Huntington Beach	1,013,771	Sares-Regis Group	March 2023 / June 2023
LogistiCenter@ 55	1101 Bell & 1100 Valencia	Tustin	311,770	Dermody Properties, Inc.	September 2023
Rivian Automotive	14451 Myford Rd	Tustin	219,827	Panattoni Development Company	October 2023
2872 E La Palma Ave	2872 E La Palma Ave	Anaheim	187,520	Duke Realty Corporation	September 2023

Data Source: EDD, Costar, Port of Long Beach, OCBJ



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COMMERCIAL BROKERAGE	\$10.9B TRANSACTION VOLUME ANNUALLY	49.7M ANNUAL SALES SF	43.7M ANNUAL LEASING SF
ASSET SERVICES	52M MANAGEMENT PORTFOLIO SF	875+ ASSETS UNDER MANAGEMENT	270+ ASSET SERVICES CLIENTS
VALUATION ADVISORY	2,600+ ASSIGNMENTS ANNUALLY	48 TOTAL APPRAISERS	25 WITH MAI DESIGNATIONS

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