

MARKET TRENDS

ORANGE COUNTY INDUSTRIAL

MARKET DRIVERS

IN Q1 2023, the Orange County industrial market modestly softened, as some tenants hesitated to commit to new leases in the face of rising interest rates and economic uncertainty.

THE LACK OF EXTENSIVE, modern industrial facilities in Orange County raised demand and rental prices. The industrial market will be competitive in 2023 as some new projects are built, and more space will be available due to shortages of new inventory and high demand from e-commerce and logistics tenants.

ONE OF THE KEY FACTORS influencing the demand for Orange County industrial space is the ongoing expansion of e-commerce. Large, distribution-focused facilities are required by e-commerce businesses in order to store and deliver products to customers. In addition, the expansion of logistics is a significant factor in the demand for industrial space in Orange County. Logistics companies require room to run warehouses and distribution facilities, sift merchandise, and store everything. The supply of industrial space in Orange County is limited, contributing to rising rents.

ECONOMIC REVIEW

THE ORANGE COUNTY, Industrial Market is anticipated to be healthy in 2023, with positive economic indicators supporting demand for industrial space. The region's economy will expand, although at a slower pace than in recent years.

THE UNEMPLOYMENT RATE is to remain low while wages are to rise. As a result, this will support demand for industrial space from both e-commerce and logistics tenants.

THE CONTINUED POPULATION increase in the area will benefit the OC industrial market. The demand for goods and services rises along with the population, which increases the need for industrial space. The industrial market in Orange County is well-positioned to meet this demand due to a large inventory of available space and a skilled labor force.

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Market Summary

	1Q23	4Q22	1Q22	Annual Change
Direct Vacancy Rate	1.6%	1.3%	1.3%	24.82%
Availability Rate	4.2%	3.0%	3.0%	39.50%
Asking Lease Rate	\$1.66	\$1.58	\$1.25	32.80%
Lease Transactions	543,605	1,837,819	2,733,211	-80.11%
Sale Transactions	637,312	1,652,233	880,516	-27.62%
Net Absorption	(480,575)	1,339,588	273,688	N/A

↓ **543K SF**
LEASING ACTIVITY

↓ **-480K SF**
NET ABSORPTION

↑ **1.6%**
VACANCY RATE

↑ **\$1.66**
ASKING RENT (AVG)

↑ **224K SF**
NEW DELIVERIES

Year-Over-Year Trend

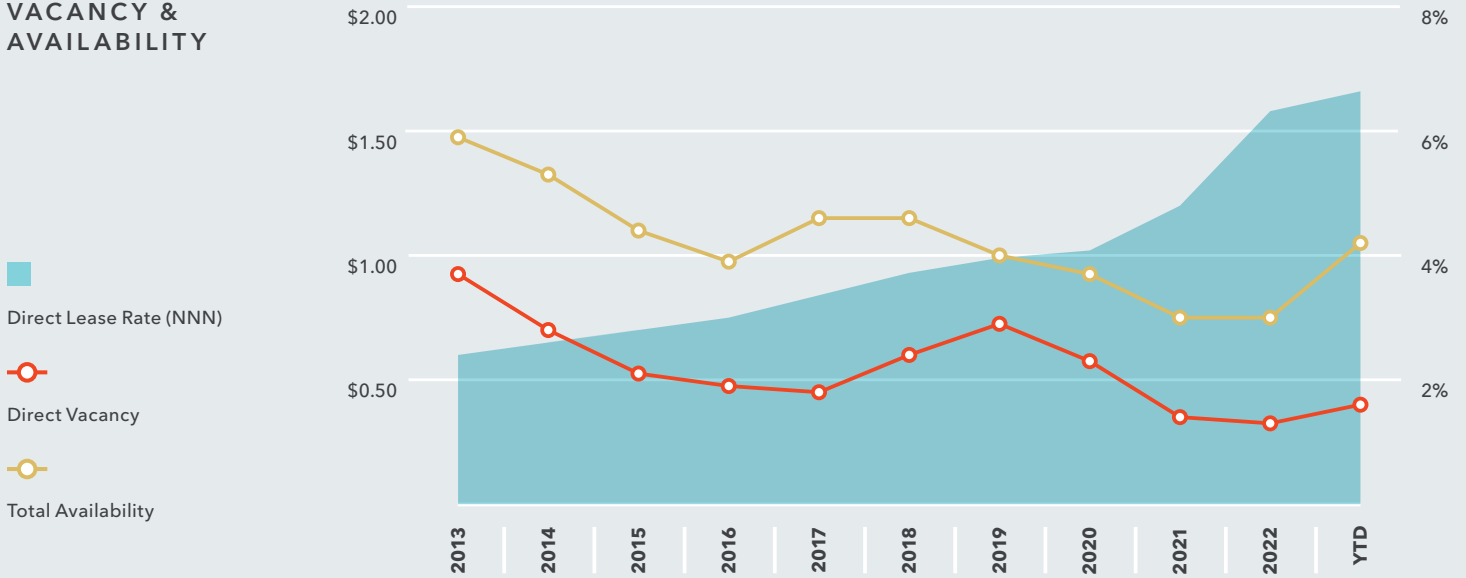
Market Highlights

DIRECT VACANCY RATE, which stands at 1.6%, remains low

MARKET AVERAGE of \$1.66/SF on a triple net basis, climbed by 33% from year-to-year

IN Q1 2023, the average sale price was \$316.30/SF, and the cap rate at 3.0%

LEASE RATE, VACANCY & AVAILABILITY

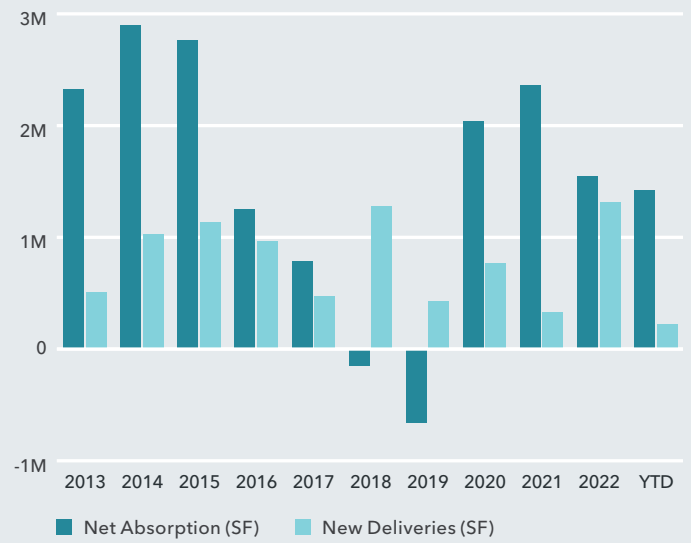


BIGGEST SALE OF THE QUARTER

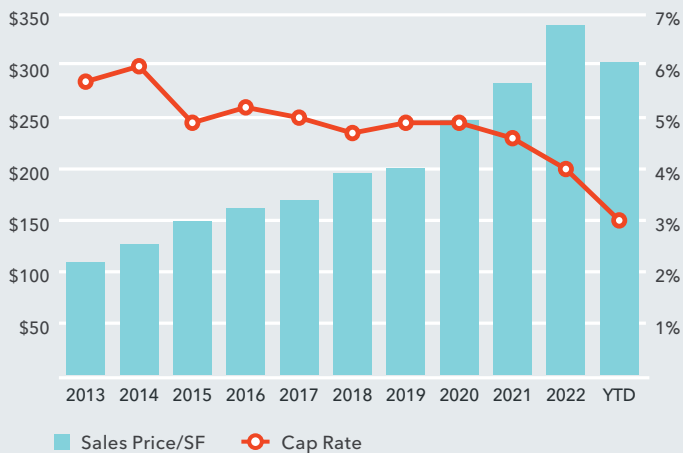
1701-1771 S Lewis St Portfolio



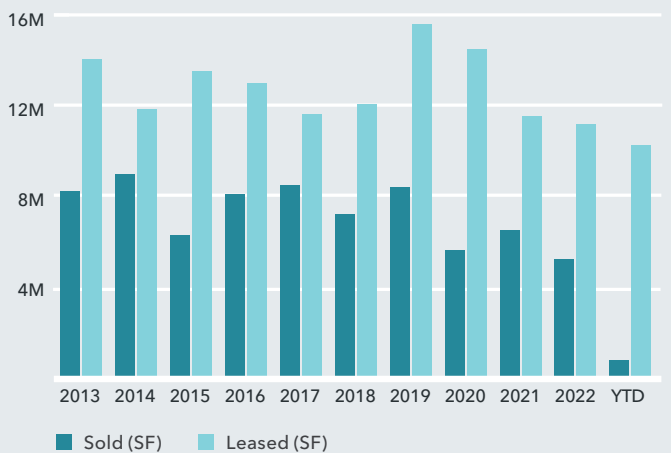
NET ABSORPTION & NEW DELIVERIES



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	1Q Direct Net Absorption	YTD Direct Net Absorption	1Q Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Costa Mesa	7,430,082	1.2%	0.1%	1.3%	2.9%	(6,330)	83,057	12,212	319,337	\$1.58
Fountain Valley	3,691,699	0.6%	0.0%	0.6%	3.2%	0	(30,297)	3,066	202,984	\$2.15
Irvine	11,080,120	1.3%	0.1%	1.3%	7.5%	0	(8,174)	17,500	341,673	\$1.84
Newport Beach	405,282	0.0%	0.0%	0.0%	0.0%	0	2,500	0	12,112	\$1.45
Santa Ana	30,155,912	1.9%	0.3%	2.2%	3.0%	41,518	(94,194)	229,691	880,985	\$1.73
Tustin	4,354,540	3.1%	0.3%	3.4%	11.2%	(60,080)	(88,230)	60,080	424,156	\$1.67
Airport Total	57,117,635	1.7%	0.2%	1.9%	4.5%	(24,892)	(135,338)	322,549	2,181,247	\$1.70
Anaheim	44,186,952	2.1%	0.3%	2.4%	3.7%	(269,243)	455,307	105,294	1,554,755	\$1.42
Brea/La Habra	15,126,021	0.7%	0.2%	1.0%	2.0%	12,816	70,211	3,703	602,452	\$1.47
Buena Park	13,191,181	1.0%	1.3%	2.3%	4.8%	(2,615)	(33,988)	22,824	404,866	\$1.99
Fullerton	18,270,581	0.9%	0.9%	1.7%	2.8%	(5,920)	513,101	0	2,213,206	\$1.90
Orange	13,257,349	0.9%	0.2%	1.1%	1.4%	(42,241)	10,235	0	303,330	\$1.57
Placentia/Yorba Linda	4,778,702	3.6%	0.0%	3.6%	3.7%	(56,008)	(58,631)	25,425	135,614	\$1.45
North County	108,810,786	1.5%	0.5%	2.0%	3.2%	(363,211)	956,235	157,246	5,214,223	\$1.79
Irvine Spectrum	10,349,220	1.7%	0.0%	1.7%	3.4%	(33,734)	148,679	46,491	412,724	\$1.69
Laguna Hills/Aliso Viejo	1,763,798	3.6%	0.0%	3.6%	3.1%	1,046	3,947	2,450	97,708	\$1.92
Laguna Niguel/Laguna Beach	311,660	0.0%	0.0%	0.0%	0.0%	0	(1,600)	0	3,445	\$0.00
Lake Forest/Foothill Ranch	9,267,295	0.5%	0.2%	0.7%	8.3%	(12,592)	(9,627)	0	479,868	\$1.71
Mission Viejo	743,055	0.9%	0.0%	0.9%	0.0%	(5,937)	66	0	2,947	\$1.47
Dana Point/San Juan/San Clemente	2,790,428	1.3%	0.0%	1.3%	0.5%	(5,500)	(14,492)	0	41,454	\$1.54
South County	25,225,456	1.3%	0.1%	1.4%	4.7%	(56,717)	126,973	48,941	1,038,146	\$1.71
Cypress	4,614,357	1.0%	0.0%	1.0%	18.8%	0	12,333	0	236,338	\$1.63
Garden Grove	11,967,169	3.4%	0.1%	3.6%	4.5%	(61,529)	199,455	5,460	511,224	\$1.85
Huntington Beach	13,056,720	1.6%	1.3%	2.9%	6.7%	49,225	319,337	7,249	695,239	\$1.35
La Palma	1,778,216	4.1%	0.0%	4.1%	0.0%	0	11,421	0	75,000	\$1.35
Los Alamitos/Stanton	3,809,122	1.4%	0.0%	1.4%	2.4%	(19,995)	(31,523)	2,160	119,341	\$1.40
Seal Beach	941,709	0.0%	0.0%	0.0%	0.0%	0	0	0	73,742	\$0.00
Westminster	2,170,195	0.5%	0.0%	0.5%	0.5%	(3,456)	(16,404)	0	84,025	\$1.84
West County	38,337,488	2.1%	0.5%	2.6%	6.2%	(35,755)	494,619	14,869	1,794,909	\$1.67
5,000 - 9,999	16,961,619	1.6%	0.1%	1.7%	2.8%	(17,237)	(52,231)	23,260	527,018	\$1.89
10,000 - 24,999	60,745,121	1.2%	0.1%	1.3%	2.3%	(45,314)	(22,322)	145,438	1,952,749	\$1.65
25,000 - 49,999	40,970,019	1.4%	0.3%	1.7%	2.2%	(51,987)	5,665	113,021	1,444,989	\$1.66
50,000 - 99,999	36,427,948	3.2%	0.5%	3.6%	4.0%	(201,406)	(68,797)	190,303	1,300,322	\$1.70
100,000 - 249,999	45,436,700	1.9%	0.9%	2.8%	7.9%	(236,214)	160,824	0	2,299,158	\$1.88
250,000 Plus	28,949,958	0.3%	0.2%	0.6%	6.3%	71,583	1,419,350	71,583	2,704,289	\$1.39
Orange County Total	229,491,365	1.6%	0.4%	2.0%	4.2%	(480,575)	1,442,489	543,605	10,228,525	\$1.66

NEAR-TERM OUTLOOK

POSITIVE ECONOMIC INDICATORS drive the need for industrial space, and Orange County's industrial sector will remain strong in 2023. There is little space for tightening with a 1.6% rate, and the number of vacancies has been constant over the previous 12 months.

THE OVERALL GROWTH of the trade sector in Orange County will positively impact the local economy. The industrial sector is expected to create an estimated 10,000 new jobs in 2023, which will boost the local economy and help to reduce unemployment.

TOP SALE TRANSACTIONS 1Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1701-1771 S Lewis St Portfolio	North County	193,200	\$58,000,000	\$300.21	Greenlaw Partners	Raymab LLC
16752 Armstrong Ave - Fox Racing	Airport Area	81,600	\$40,000,000	\$490.20	Rexford Industrial Realty, Inc.	Griffin Capital - Penwood
341 Kalmus Dr	Airport Area	45,600	\$20,000,000	\$438.60	Singleton Holdings, LLC	2995 Airway, LLC
11190-11240 Talbert Ave Portfolio	Airport Area	59,754	\$16,500,000	\$276.13	Manhattan West Asset Mgmt.	DDK Investments Ltd
7272-7274 Lampson Ave	West County	65,234	\$16,350,000	\$250.64	Dornin Investment Group	7272-7274 Lampson LLC
1221 E Warner Ave	Airport Area	26,700	\$11,500,000	\$430.71	Ricos Enterprises Santa Ana LLC	Warner Industrial LLC

TOP LEASE TRANSACTIONS 1Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2501 E Orangethorpe Ave	North County	228,168	March 2023	Prologis, LP.	3PL Global (Renewal)
205 S Puente St	North County	220,232	January 2023	Alere Property Group LLC	Sigler (Renewal)
Goodman Logistics Center Fullerton	North County	173,825	January 2023	Goodman	Bandai Logistics
Mid-Counties Distribution Center	North County	169,344	January 2023	Heitman	WESCO Distribution (Renewal)
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Centerport Cargo Facility	Airport Area	82,823	March 2023	Aeroterm, Inc.	Via Merch, LLC

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Goodman Logistics Center (3 Bldgs)	2099 E Orangethorpe	North County	1,049,019	Goodman	April 2023
Huntington Gateway (4 Bldgs)	Bolsa Ave & Delta Ln	West County	781,176	Sares-Regis Group	April 2023 / June 2023
2223 E Katella Ave	2223 E Katella Ave	North County	338,000	PI Stadium LLC	April 2024
LogistiCenter at SR-55	1101 Bell & 1100 Valencia	Airport Area	311,770	Dermody Properties, Inc.	September 2023
2872 E La Palma Ave	2872 E La Palma Ave	North County	187,520	Duke Realty Corporation	September 2023
26200 Enterprise Way	26200 Enterprise Way	South County	172,000	Black Creek Group	April 2025

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



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

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COMMERCIAL BROKERAGE	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,600+</i> ASSIGNMENTS ANNUALLY	<i>46</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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