

MARKET TRENDS

ORANGE COUNTY INDUSTRIAL

MARKET DRIVERS

AS OF THE BEGINNING OF Q2 2023 the Orange County industrial market remains highly competitive. The vacancy rate for this market is 2.3%, which is half the national average of 4.7%, and the Orange County market has the third lowest vacancy rate among the top 50 industrial markets in the country. The County's lack of inventory has prevented a decline in property values while the number of completed lease and sale transactions is down significantly.

RENTS ARE HOLDING UP and even increasing in certain submarkets, although at a much slower pace. The stated average rent of \$1.70/SF NNN is more than the Inland Empire and Los Angeles markets. We have seen, large tenants in the manufacturing and logistics industries lease large blocks of space. This is partly due to Orange County's employment base and the County's strategic location to the LA/Long Beach ports, Inland Empire and Greater Los Angeles markets.

ECONOMIC REVIEW

THE INDUSTRIAL MARKET for Orange County has grown steadily due to a diverse, skilled and stable work force. This has resulted in new development projects to accommodate manufacturing, life sciences as well as e-commerce, which must satisfy the County's large consumer base and point of sale taking place in the warehouse. Third quarter is likely to be better than the first and second as it relates to the industrial market. Tenants and landlords as well as buyers and sellers have adjusted to the higher interest rates and recognize their impact on property values is minimal. For this reason, we expect a significant increase in transaction volume compared to the beginning of the year. In addition, the Longshore unions (22,000 dockworkers) have reached a tentative 6-year deal with the Pacific Maritime Association that will allow the freight levels to return back to normal. This will result in an increased demand for industrial space in the market.

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Market Summary

	2Q23	1Q23	2Q22	Annual Change
Direct Vacancy Rate	1.6%	1.4%	1.6%	1.20%
Availability Rate	4.7%	3.9%	3.3%	40.97%
Asking Lease Rate	\$1.70	\$1.58	\$1.34	26.87%
Lease Transactions	1,663,911	2,161,151	2,877,455	-42.17%
Sale Transactions	140,945	590,208	1,129,972	-87.53%
Net Absorption	421,050	15,181	(320,526)	N/A

↓ **1.7M SF**
LEASING ACTIVITY

↑ **421K SF**
NET ABSORPTION

↔ **1.6%**
VACANCY RATE

↑ **\$1.70**
ASKING RENT (AVG)

↑ **900K SF**
NEW DELIVERIES

Year-Over-Year Trend

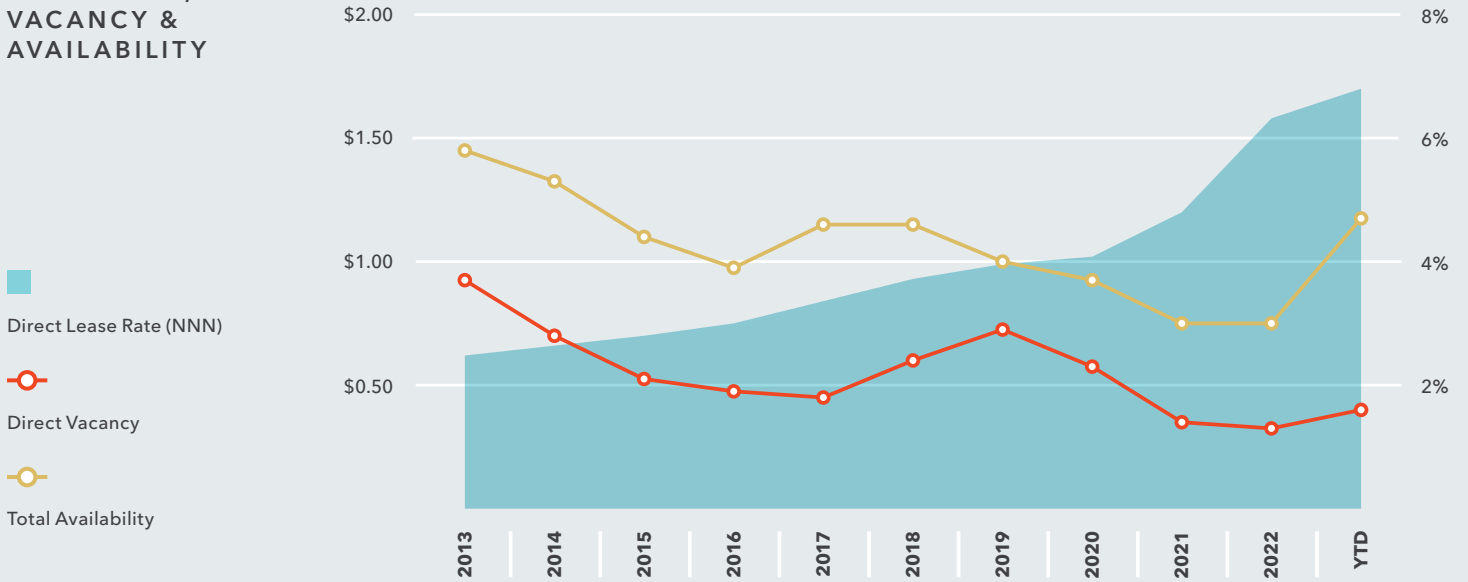
Market Highlights

DIRECT VACANCY RATE, which is at 1.6%, is still relatively low

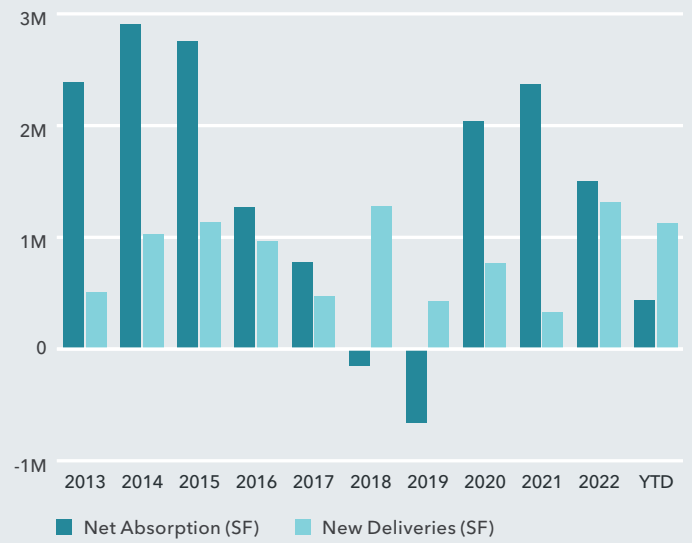
MARKET AVERAGE rose by 27% from year-to-year, reaching \$1.70/SF, on a triple net basis

AVERAGE SALE PRICE in Q2 2023 was \$377.41/SF, while the cap rate was 4.1%

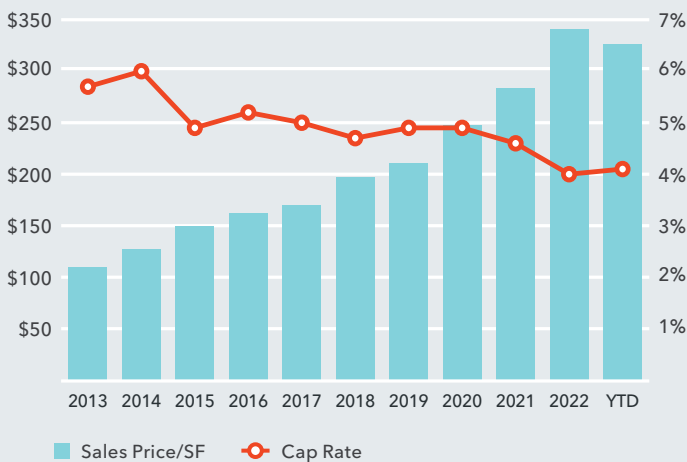
LEASE RATE, VACANCY & AVAILABILITY



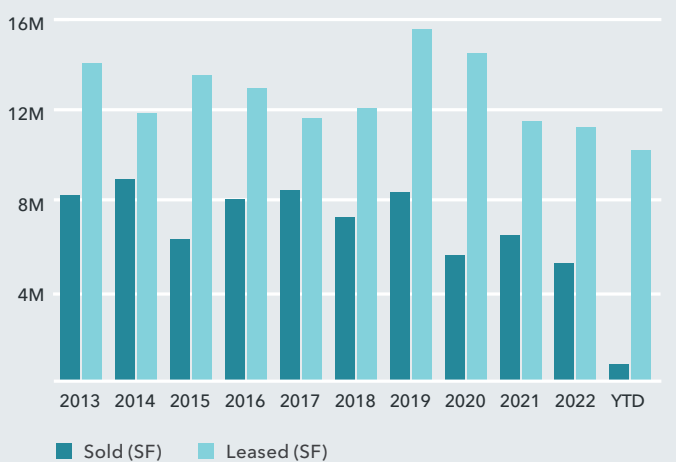
NET ABSORPTION & NEW DELIVERIES



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	2Q Direct Net Absorption	YTD Direct Net Absorption	2Q Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Costa Mesa	7,422,092	1.1%	0.1%	1.1%	4.0%	2,894	11,674	32,771	319,337	\$1.47
Fountain Valley	3,691,699	0.7%	0.0%	0.7%	1.6%	(3,233)	5,895	70,744	202,984	\$2.44
Irvine	11,080,757	1.4%	0.4%	1.8%	9.0%	(15,648)	(28,216)	44,242	341,673	\$1.74
Newport Beach	405,282	0.0%	0.0%	0.0%	0.0%	0	15,346	0	12,112	\$1.45
Santa Ana	30,255,163	1.7%	0.1%	1.8%	3.4%	121,121	39,536	363,058	880,985	\$1.73
Tustin	4,354,540	1.7%	0.3%	2.0%	11.1%	600	241,407	60,080	424,156	\$1.67
Airport Total	57,209,533	1.5%	0.2%	1.6%	5.0%	105,734	285,642	570,895	2,181,247	\$1.67
Anaheim	44,433,709	2.6%	0.3%	2.9%	5.0%	(292,027)	(534,732)	291,164	1,554,755	\$1.68
Brea/La Habra	15,126,760	0.7%	0.2%	1.0%	3.3%	8,200	(12,249)	109,250	602,452	\$1.47
Buena Park	13,350,660	0.7%	0.5%	1.2%	5.2%	35,530	(13,824)	15,604	404,866	\$1.99
Fullerton	18,997,795	0.8%	3.3%	4.2%	5.2%	700,856	711,770	16,955	2,213,206	\$1.90
Orange	13,345,772	1.0%	0.1%	1.1%	1.5%	(53,702)	(55,093)	57,001	303,330	\$1.65
Placentia/Yorba Linda	4,793,577	3.0%	0.5%	3.5%	2.9%	(28,854)	(12,429)	78,168	135,614	\$1.46
North County	110,048,273	1.6%	0.8%	2.5%	4.3%	370,003	83,443	568,142	5,214,223	\$1.79
Irvine Spectrum	10,472,415	2.0%	0.0%	2.0%	2.3%	(66,170)	(107,838)	145,642	412,724	\$1.66
Laguna Hills/Aliso Viejo	1,763,798	3.8%	0.0%	3.8%	2.4%	(3,408)	(15,873)	18,064	97,708	\$1.91
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	9,287,080	0.5%	0.1%	0.5%	8.5%	(5,255)	17,728	37,581	479,868	\$1.75
Mission Viejo	743,055	0.0%	0.0%	0.0%	0.3%	853	853	0	2,947	\$1.47
Dana Point/San Juan/San Clemente	2,834,828	0.9%	0.6%	1.5%	1.5%	7,692	7,592	0	41,454	\$1.57
South County	25,412,836	1.4%	0.1%	1.4%	4.4%	(66,288)	(95,938)	201,287	1,038,146	\$1.69
Cypress	4,615,884	1.0%	5.8%	6.8%	9.0%	0	12,079	213,376	236,338	\$1.79
Garden Grove	11,994,379	3.2%	0.2%	3.4%	4.6%	(37,180)	(43,580)	62,259	511,224	\$1.81
Huntington Beach	13,108,349	1.4%	1.3%	2.8%	6.8%	64,312	185,154	37,479	695,239	\$1.60
La Palma	1,778,216	4.1%	0.0%	4.1%	0.0%	0	0	0	75,000	\$1.35
Los Alamitos/Stanton	3,834,068	1.2%	0.0%	1.2%	3.0%	(12,075)	(15,179)	7,017	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%	0.3%	(3,456)	24,610	3,456	84,025	\$1.84
West County	38,442,800	2.0%	1.2%	3.2%	5.2%	11,601	163,084	323,587	1,794,909	\$1.75
5,000 - 9,999	16,952,263	1.5%	0.1%	1.6%	2.7%	(5,060)	(142,833)	166,440	527,018	\$1.95
10,000 - 24,999	60,756,755	1.3%	0.1%	1.3%	2.5%	(73,335)	(117,177)	381,465	1,952,749	\$1.70
25,000 - 49,999	41,270,742	1.3%	0.3%	1.6%	2.8%	(1,071)	17,110	294,309	1,444,989	\$1.66
50,000 - 99,999	36,604,429	2.8%	0.7%	3.5%	4.7%	(71,810)	(339,379)	498,973	1,300,322	\$1.70
100,000 - 249,999	46,041,069	2.3%	1.2%	3.5%	8.5%	(41,323)	404,861	230,173	2,299,158	\$1.88
250,000 Plus	29,488,184	0.3%	1.7%	2.0%	6.8%	613,649	637,418	92,551	2,704,289	\$1.99
Orange County Total	231,113,442	1.6%	0.6%	2.3%	4.7%	421,050	436,231	1,663,911	10,228,525	\$1.70

ECONOMIC REVIEW CONTINUED

THE DEMAND THAT DRIVES the need for industrial space in this market is well balanced. This includes Hi-Tech manufacturing, life sciences, logistics, and of course e-commerce, which will continue to expand while working to expedite the delivery of goods from the warehouse to the consumer's doorstep. Additionally, Orange County continues to draw new companies to the region who are wanting to expand and perfect their business in a market that is business friendly with stable labor, an enormous consumer base, and strategic location to the ports, airports, affordable housing, the Greater Los Angeles and Inland Empire.

ORANGE COUNTY'S economy was strong due to low unemployment and higher salaries. The unemployment rate fell to 2.8% in June 2023 from 3.2% in June 2022.

NEAR-TERM OUTLOOK

THE NEAR-TERM OUTLOOK for Orange County's industrial market is optimistic. It is projected that as businesses endeavor to grow their operations and meet customer demands, the requirement for industrial space will rise.

TOP SALE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1400 S Allec St	North County	121,341	\$28,150,000	\$231.99	Confidential	Bixby Land Company
650 W Freedom Ave	North County	30,863	\$11,952,000	\$387.26	Alemi Properties LLC	Vu Family Trust
1820 S Santa Fe St	Airport Area	19,152	\$7,100,000	\$370.72	STSU LLC	Limpus Prints
2199 N Batavia St	North County	27,167	\$6,950,000	\$255.83	MS International, Inc.	Daleo Enterprises
320 E Crowther Ave	North County	12,411	\$4,525,000	\$364.60	M & T Company LLC	Lindby LLC
596 Apollo St	North County	9,460	\$3,800,000	\$401.69	Reborn Realty LLC	Far West Industries, Inc.

TOP LEASE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
5665 Corporate Ave	West County	159,943	May 2023	Bixby Land Company	Undisclosed
9700 Toledo Way	South County	77,313	May 2023	BLT Enterprises	Undisclosed (Sublease)
2701 S Harbor Blvd	Airport Area	71,583	May 2023	CenterPoint Properties	Robinson Pharma
3421 W Segerstrom Ave	Airport Area	67,266	April 2023	Alere Property Group	Pace Supply Corp
1909 S Susan St	Airport Area	62,957	April 2023	William Newman	Global Tire
17777 Newhope Street	Airport Area	62,328	May 2023	Sakioka Johnny K Trust	Kingston Technology (Renewal)

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Huntington Gateway	14851 Bolsa Ave	West County	433,865	Sares-Regis Group	June 2023
Goodman Commerce Center	5755 Plaza Dr & 5885 Plaza Dr	West County	390,268	Goodman	June 2023
2223 E Katella Ave	2223 E Katella Ave	North County	338,000	PI Stadium LLC	September 2023
Goodman Logistics Center	1829 E Orangethorpe Ave	North County	336,968	Goodman	June 2023
LogistiCenter at SR-55	1101 Bell & 1100 Valencia	Airport Area	311,770	Dermody Properties, Inc.	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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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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