

## MARKET TRENDS

# ORANGE COUNTY INDUSTRIAL

### MARKET DRIVERS

**AS OF THE THIRD QUARTER OF 2023**, the Orange County industrial market supply is still limited. It is starting to show indications of stabilization after several years of heightened demand. Even though there is a probability that demand has softened, the main hot spots are still competitive. Among the top 50 industrial locations in the US, the Orange County market has the third-lowest direct vacancy rate at 2.6%, indicating this submarket is stable and positioned for future rent growth.

**DUE TO THE LACK OF AVAILABLE INVENTORY**, real estate values have held steady, allowing rental rates to remain stable for the year. Rents in some submarkets are increasing; reports indicate that the average rent of \$1.73/SF NNN exceeds that of the Inland Empire and Los Angeles markets. Rates tend to remain stable since companies have limited space options for servicing the Orange County market. The result is a strong renewal market.

**THIS YEAR**, a substantial portion of new developments under construction are pre-leased. This will result in significant net absorption as tenants move in, partially offsetting the more significant occupancy losses among the older, existing inventory.

### ECONOMIC REVIEW

**ORANGE COUNTY'S ECONOMY** is anticipated to keep growing in 2023 as it recovers from the pandemic, which will help fuel demand for industrial space, particularly for e-commerce and logistics. Due to its closeness to significant Southern California consumer markets, Orange County is well-situated for e-commerce distribution sites. The County is a business-friendly area with a steady workforce, a sizable consumer base, and a key location near ports, airports, and industrial rates that are less expensive than Greater Los Angeles and the Inland Empire.

**THE INDUSTRIAL SECTOR**, which accounts for around 10% of jobs in Orange County, is a major driver of the local economy because of the growth of e-commerce and the need for more warehousing space.

continued on page 3

## Market Summary

	3Q23	2Q23	3Q22	Annual Change
Direct Vacancy Rate	2.0%	1.6%	1.8%	8.41%
Availability Rate	5.3%	4.7%	3.6%	47.29%
Asking Lease Rate	\$1.73	\$1.68	\$1.47	17.69%
Lease Transactions	1,241,218	3,396,855	3,742,405	-66.83%
Sale Transactions	370,077	502,077	1,516,136	-75.59%
Net Absorption	(302,730)	546,475	182,357	N/A

↓ 1.2M SF  
LEASING ACTIVITY

↓ -303K SF  
NET ABSORPTION

↑ 2.0%  
VACANCY RATE

↑ \$1.73  
ASKING RENT (AVG)

↓ 494K SF  
NEW DELIVERIES

Year-Over-Year Trend

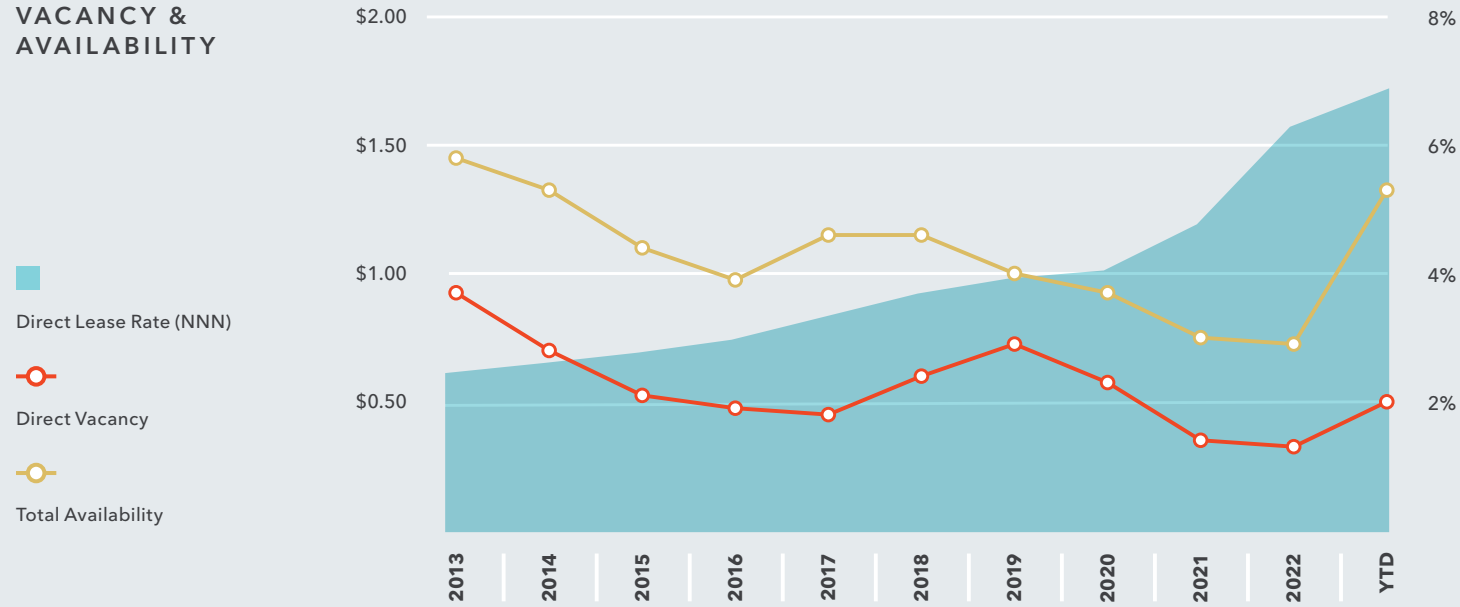
## Market Highlights

**DIRECT VACANCY RATE**, which is currently at 2.0%, is still reasonably low

**MARKET AVERAGE** increased by 18% from year-to-year, reaching \$1.73/SF, on a NNN basis.

**AVERAGE SALE PRICE** in Q3 2023 was \$336.85/SF, while the cap rate was 6.5%.

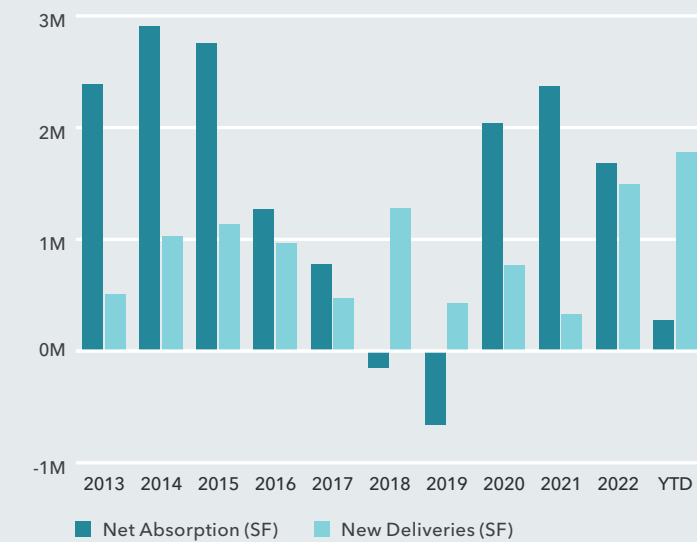
### LEASE RATE, VACANCY & AVAILABILITY



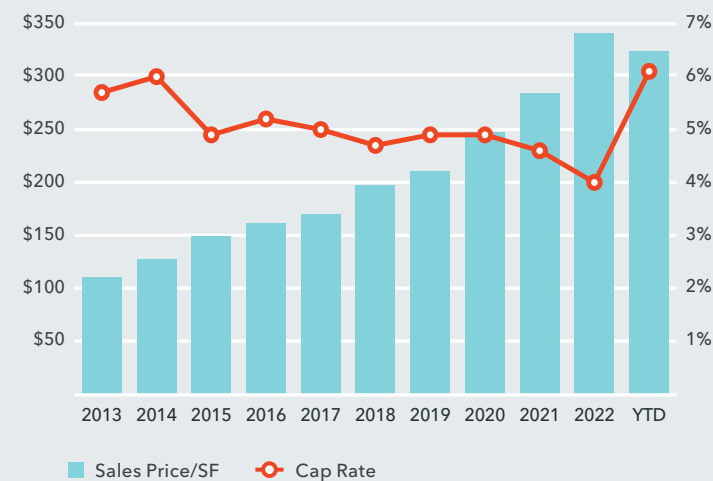
### BIGGEST SALE OF THE QUARTER

*Raytheon Campus Portfolio*

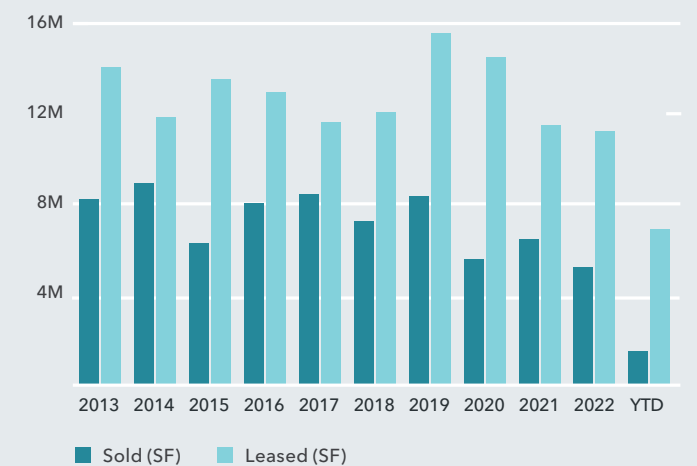
### NET ABSORPTION & NEW DELIVERIES



### AVERAGE SALES PRICE/SF & CAP RATE



### SALE VOLUME & LEASING ACTIVITY



## 3Q 2023 | ORANGE COUNTY INDUSTRIAL

### SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q Direct Net Absorption	YTD Direct Net Absorption	3Q Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (NNN)
Costa Mesa	7,430,274	3.5%	0.2%	3.7%	5.9%	(181,345)	(169,697)	21,634	292,802	\$1.46
Fountain Valley	3,691,699	1.8%	0.0%	1.8%	1.4%	(42,628)	(35,483)	14,692	107,653	\$2.36
Irvine	11,132,082	1.7%	1.1%	2.9%	6.7%	(52,943)	(68,412)	60,447	255,157	\$1.73
Newport Beach	405,282	0.0%	0.0%	0.0%	0.0%	15,346	15,346	0	15,346	\$0.00
Santa Ana	30,302,718	1.7%	0.2%	1.9%	4.3%	(55,094)	17,913	173,403	802,196	\$1.65
Tustin	4,354,540	1.9%	0.3%	2.2%	11.4%	(10,359)	231,048	2,328	65,008	\$1.78
<b>Airport Area</b>	<b>57,316,595</b>	<b>1.9%</b>	<b>0.4%</b>	<b>2.3%</b>	<b>5.3%</b>	<b>(327,023)</b>	<b>(9,285)</b>	<b>272,504</b>	<b>1,538,162</b>	<b>\$1.67</b>
Anaheim	44,567,268	2.3%	0.4%	2.6%	5.7%	90,627	(288,762)	256,117	1,434,359	\$1.70
Brea/La Habra	15,259,425	1.7%	0.1%	1.8%	5.1%	(21,084)	(28,603)	39,513	445,534	\$1.82
Buena Park	13,481,911	0.8%	1.0%	1.8%	6.0%	(22,973)	(32,366)	5,897	342,782	\$1.89
Fullerton	19,339,504	1.2%	3.3%	4.5%	6.4%	245,875	795,520	96,495	942,724	\$1.75
Orange	13,400,419	0.8%	0.2%	0.9%	2.7%	16,546	(25,740)	32,572	219,756	\$1.56
Placentia/Yorba Linda	4,798,956	3.4%	0.8%	4.2%	3.2%	(17,040)	(30,780)	53,735	162,752	\$1.45
<b>North County</b>	<b>110,847,483</b>	<b>1.7%</b>	<b>0.9%</b>	<b>2.6%</b>	<b>5.3%</b>	<b>291,951</b>	<b>389,269</b>	<b>484,329</b>	<b>3,547,907</b>	<b>\$1.70</b>
Irvine Spectrum	10,601,644	1.9%	0.0%	1.9%	3.1%	166,202	58,364	30,929	295,257	\$1.72
Laguna Hills/Aliso Viejo	1,814,030	4.2%	0.0%	4.2%	3.1%	(2,095)	(25,066)	8,748	63,699	\$1.94
Laguna Niguel/Laguna Beach	311,660	1.4%	0.0%	1.4%	1.6%	(4,400)	(2,800)	0	0	\$2.75
Lake Forest/Foothill Ranch	9,313,237	2.3%	0.4%	2.7%	8.4%	(150,855)	(149,475)	65,027	131,812	\$1.71
Mission Viejo	743,055	0.3%	0.0%	0.3%	1.1%	(2,165)	(1,312)	0	6,790	\$0.00
Dana Point/San Juan/San Clemente	2,830,148	1.4%	1.0%	2.4%	3.8%	(22,919)	(11,427)	25,519	68,274	\$1.60
<b>South County</b>	<b>25,613,774</b>	<b>2.1%</b>	<b>0.3%</b>	<b>2.3%</b>	<b>5.1%</b>	<b>(16,232)</b>	<b>(131,716)</b>	<b>130,223</b>	<b>565,832</b>	<b>\$1.72</b>
Cypress	4,615,884	1.0%	4.7%	5.6%	8.0%	(1,250)	10,829	240,700	454,076	\$1.84
Garden Grove	12,123,461	5.2%	0.1%	5.3%	5.4%	(252,530)	(189,222)	19,860	408,565	\$1.79
Huntington Beach	13,130,624	1.1%	0.5%	1.6%	6.6%	44,198	231,829	88,154	286,228	\$1.84
La Palma	1,778,216	4.1%	0.0%	4.1%	0.0%	0	0	0	0	\$1.35
Los Alamitos/Stanton	3,856,107	2.4%	0.2%	2.5%	4.1%	(41,844)	(59,203)	5,448	64,106	\$1.58
Seal Beach	941,709	0.0%	0.0%	0.0%	0.0%	0	0	0	0	\$0.00
Westminster	2,193,978	0.4%	0.0%	0.4%	0.4%	0	28,045	0	37,883	\$1.84
<b>West County</b>	<b>38,639,979</b>	<b>2.6%</b>	<b>0.8%</b>	<b>3.4%</b>	<b>5.4%</b>	<b>(251,426)</b>	<b>22,278</b>	<b>354,162</b>	<b>1,250,858</b>	<b>\$1.80</b>
5,000 - 9,999	17,007,773	1.6%	0.1%	1.8%	2.6%	(3,511)	(159,337)	145,038	445,799	\$1.94
10,000 - 24,999	60,748,192	1.8%	0.2%	2.1%	3.1%	(304,891)	(429,836)	304,658	1,365,949	\$1.70
25,000 - 49,999	41,277,174	1.7%	0.4%	2.1%	4.3%	(247,191)	(167,963)	181,522	854,923	\$1.68
50,000 - 99,999	36,840,151	3.0%	0.5%	3.5%	5.1%	142,606	(78,591)	178,449	1,082,763	\$1.81
100,000 - 249,999	46,694,390	2.4%	1.1%	3.5%	8.5%	(85,802)	300,405	373,729	1,588,627	\$1.59
250,000 Plus	29,850,151	0.8%	1.8%	2.6%	8.1%	196,059	805,868	57,822	1,564,698	\$1.82
<b>Orange County Total</b>	<b>232,417,831</b>	<b>2.0%</b>	<b>0.7%</b>	<b>2.6%</b>	<b>5.3%</b>	<b>(302,730)</b>	<b>270,546</b>	<b>1,241,218</b>	<b>6,902,759</b>	<b>\$1.73</b>

### NEAR-TERM OUTLOOK

**TECH-DRIVEN INNOVATIONS;** It is projected that automation, robots, and innovative technologies will continue to impact the industrial market. Businesses will likely improve logistics and storage processes to enhance productivity and save expenses.

**THE INDUSTRIAL MARKET** in Orange County is expected to grow in 2023. The substantial demand for industrial space is anticipated to continue, as will the low vacancy rate and rising rents. Rising interest rates and economic uncertainty are among several of the market's potential stumbling blocks.

TOP SALE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Raytheon Campus Portfolio	North County	443,156	\$76,500,000	\$172.63	Diamond Development Group	Oaktree Capital Management, LP
Pacific Park	South County	32,657	\$13,129,681	\$402.05	ScaleUp 7 LLC	JRC Real Estate Investment Corp
3144 W Adams St	Airport Area	20,060	\$8,400,000	\$418.74	Undisclosed (Foreclosure Sale)	SA Real One LLC
12833 Monarch Ave	West County	19,695	\$5,600,000	\$284.34	Alala LDF LLC	Boland Family Trust
11180 Talbert Ave	Airport Area	5,000	\$5,500,000	\$1,100.00	CM Property Holdings LLC	Tech Center Equities I LLC

TOP LEASE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
5560 Katella Ave - Warland/Cypress Bus Ctr	West County	215,000	September 2023	Warland Investments Company	Undisclosed (Sublease)
9400 Jeronimo Rd - Alton-Jeronimo Bus Park	South County	146,482	June 2023	Irvine Company	Bio-Rad Laboratories, Inc
500 W Warner Ave	Airport Area	113,499	August 2023	LBA Realty-Blackstone-GIC Real Estate	Builders Surplus
5660 Knott Ave - Buena Park	North County	110,696	July 2023	Oltmans Construction Co	Taomore Supply Chain Services
1204 N Miller St - Anaheim Concourse	North County	106,067	August 2023	BentallGreenOak	Spotter Global

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Huntington Gateway	14851 Bolsa Ave	West County	433,865	Sares-Regis Group	September 2023
2223 E Katella Ave	2223 E Katella Ave	North County	338,000	PI Stadium LLC	September 2023
LogistiCenter at SR-55	1101 Bell & 1100 Valencia	Airport Area	311,442	Dermody Properties, Inc	September 2023
LBA Logistics Center	1215 N Van Buren St	North County	165,850	LBA Logistics	March 2024
9th Street Irvine	17451 Von Karman Ave	Airport Area	137,698	9th Street Partners LLC	October 2023

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.

**GARY BARAGONA**  
 Vice President of Research  
 415.229.8925  
 gary.baragona@kidder.com

**ERIC PAULSEN**  
 Regional President, Brokerage  
 Southern California & Arizona  
 949.557.5000  
 eric.paulsen@kidder.com  
 LIC N° 01001040

<b>COMMERCIAL BROKERAGE</b>	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
<b>VALUATION ADVISORY</b>	<i>2,800+</i> ASSIGNMENTS ANNUALLY	<i>41</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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