

MARKET TRENDS

ORANGE COUNTY INDUSTRIAL

MARKET DRIVERS

The Orange County industrial market remains competitive despite a decrease in tenant competitiveness because of an incremental decline in demand following years of outstanding performance. The outcome is directly connected to the decrease in leased spaces. The changing demands of tenants are affecting leasing activity and causing a slowdown as businesses reevaluate their space requirements.

The industrial sector in Orange County, California, is recognized for its versatility, covering manufacturing, aerospace, healthcare, and technology. In 2024, a range of factors will shape the industrial sector projection for Orange County. These include technological advancements, economic conditions, as well as various trends, developments, and statistics.

ECONOMIC REVIEW

US industrial occupiers are streamlining their distribution facilities and warehouses to cut costs and increase productivity. The worldwide pandemic's e-commerce boom significantly raised demand for distribution centers closer to consumers. This thus led to a building boom.

There will probably be slower growth than in prior quarters because of the rising cost and demand for space, the possibility that the federal tightening cycle will start in early 2024, and the continued momentum of the economy. The diverse spectrum of industries in Orange County is indicative of the importance of diversity to the local economy.

NEAR-TERM OUTLOOK

Businesses are currently assessing their networks, taking into account variables such as location, supply chain effectiveness, and real estate cost reductions. The objectives are to lower labor and transportation costs, enhance distribution networks, and adjust to shifting market conditions. The regional average has risen in line with market vacancy rates, and more growth is anticipated in the upcoming quarters. Recently, there have been fewer new leases than there were previously. Several developments are anticipated to be completed without tenants.

Market Summary

	1Q24	4Q23	1Q23	YOY Change
Direct Vacancy Rate	3.0%	2.6%	1.4%	115.59%
Availability Rate	5.7%	5.3%	3.9%	46.91%
Asking Lease Rate	\$1.74	\$1.74	\$1.62	7.41%
	1Q24	2023 Total	1Q23	YOY Change
Leasing Activity (SF)	1,005,422	3,448,205	2,521,424	-60.12%
Sales Volume (SF)	144,357	1,040,836	597,612	-75.84%
Net Absorption (SF)	(1,048,144)	(581,494)	(10,671)	N/A

↓ **1.0M SF**
LEASING ACTIVITY

↓ **-1.0M SF**
NET ABSORPTION

↑ **3.0%**
VACANCY RATE

↔ **\$1.74**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

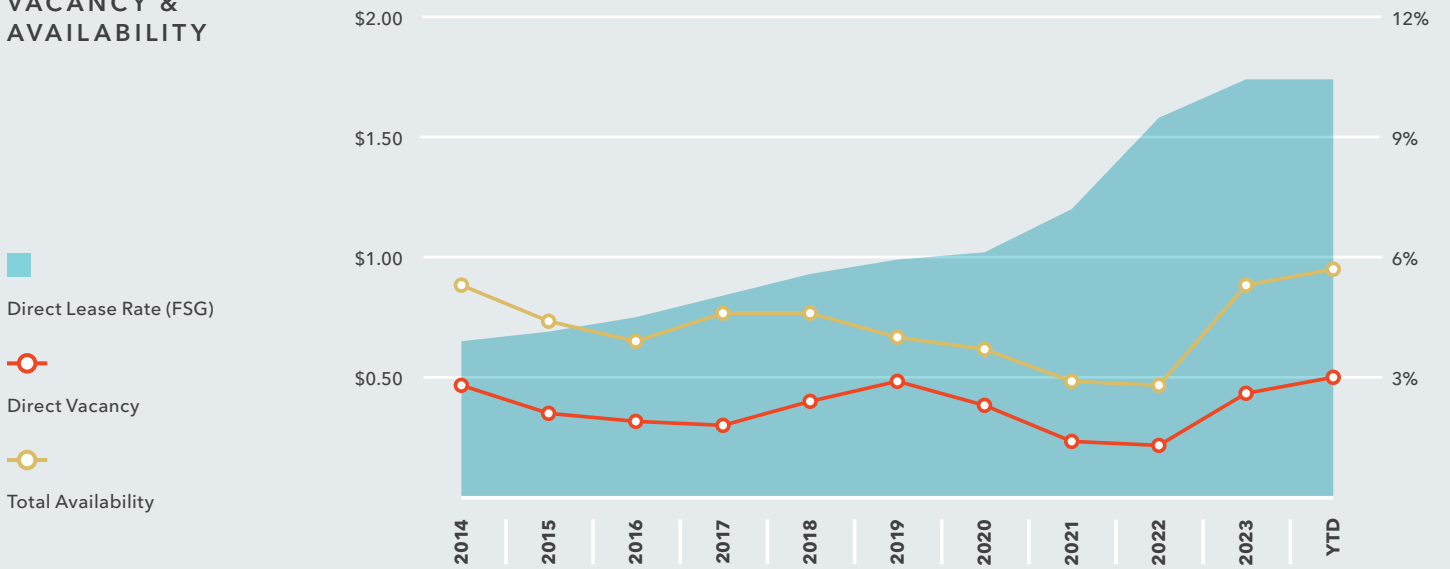
Market Highlights

DIRECT VACANCY RATE, which is currently at 3.0%, is still fairly low

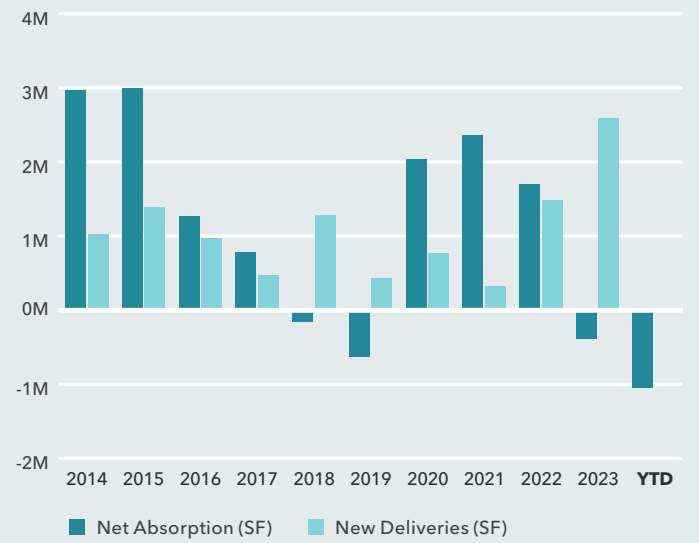
MARKET AVERAGE RENT stayed steady at \$1.74/SF on a NNN basis

THE AVERAGE SALE PRICE in Q1 2024 was \$481.10/SF, while the cap rate was 5.9%

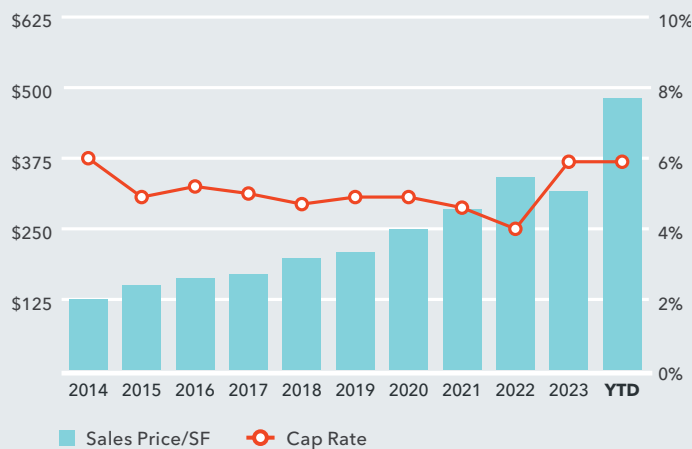
LEASE RATE, VACANCY & AVAILABILITY



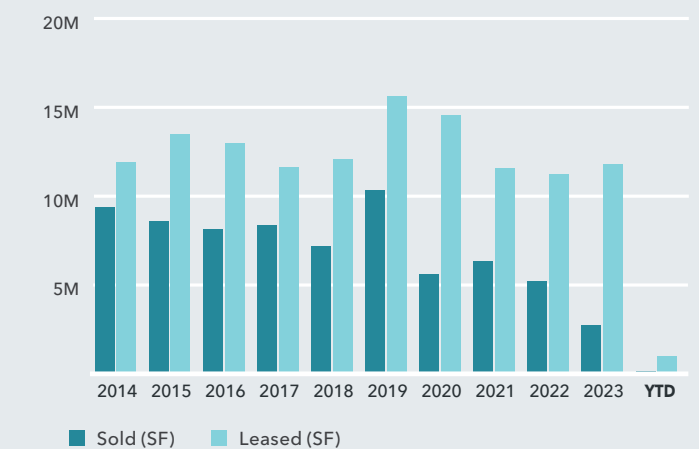
NET ABSORPTION & NEW DELIVERIES



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 Availability Rate	QTR Direct Net Absorption	YTD Direct Net Absorption	QTR Total Leasing Activity	YTD Total Leasing Activity	Average Rental Rate (NNN)
Costa Mesa	7,473,731	3.8%	0.2%	4.0%	5.3%	(12,821)	(12,821)	13,537	13,537	\$1.48
Fountain Valley	3,692,861	3.8%	0.0%	3.8%	3.1%	(106,770)	(106,770)	15,356	15,356	\$2.02
Irvine	11,225,305	2.5%	1.8%	4.3%	10.8%	(13,130)	(13,130)	174,780	174,780	\$1.89
Newport Beach	410,158	3.0%	0.0%	3.0%	3.0%	(5,776)	(5,776)	0	0	\$2.05
Santa Ana	30,305,471	1.9%	0.2%	2.1%	5.2%	(131,757)	(131,757)	111,952	111,952	\$1.71
Tustin	4,364,200	1.9%	0.9%	2.7%	12.5%	0	0	0	0	\$1.75
Airport Area	57,471,726	2.4%	0.5%	2.9%	6.7%	(270,254)	(270,254)	315,625	315,625	\$1.77
Anaheim	44,502,450	3.6%	0.5%	4.1%	5.3%	(366,413)	(366,413)	216,001	216,001	\$1.75
Brea/La Habra	15,620,688	2.1%	0.8%	3.0%	4.6%	(40,174)	(40,174)	40,509	40,509	\$1.65
Buena Park	13,505,573	2.2%	2.9%	5.1%	5.9%	(140,245)	(140,245)	8,400	8,400	\$1.74
Fullerton	19,375,797	2.4%	0.4%	2.9%	6.2%	(149,326)	(149,326)	127,711	127,711	\$1.67
Orange	13,203,270	0.9%	0.2%	1.1%	2.6%	(27,802)	(27,802)	49,246	49,246	\$1.41
Placentia/Yorba Linda	4,806,693	2.7%	0.2%	2.9%	4.6%	51,866	51,866	32,517	32,517	\$1.63
North County	111,014,471	2.7%	0.8%	3.4%	5.1%	(672,094)	(672,094)	474,384	474,384	\$1.69
Irvine Spectrum	10,265,628	2.4%	0.0%	2.4%	2.1%	(64,001)	(64,001)	49,623	49,623	\$1.78
Laguna Hills/Aliso Viejo	1,814,030	3.6%	0.0%	3.6%	3.2%	(26,395)	(26,395)	1,105	1,105	\$1.97
Laguna Niguel/Laguna Beach	311,660	1.8%	0.0%	1.8%	1.8%	0	0	0	0	\$2.75
Lake Forest/Foothill Ranch	9,217,447	7.2%	1.2%	8.4%	10.6%	16,422	16,422	38,811	38,811	\$1.69
Mission Viejo	748,266	0.0%	0.0%	0.0%	1.3%	3,010	3,010	1,836	1,836	\$1.91
Dana Point/San Juan/San Clemente	2,906,235	3.2%	0.0%	3.2%	3.6%	(21,095)	(21,095)	8,629	8,629	\$1.65
South County	25,263,266	4.2%	0.5%	4.7%	5.5%	(92,059)	(92,059)	100,004	100,004	\$1.75
Cypress	4,675,375	6.6%	0.0%	6.6%	3.3%	55,265	55,265	30,559	30,559	\$1.84
Garden Grove	12,351,060	4.6%	0.3%	4.9%	9.0%	(13,761)	(13,761)	15,803	15,803	\$1.76
Huntington Beach	13,953,116	4.3%	0.3%	4.5%	5.7%	(46,495)	(46,495)	42,277	42,277	\$1.75
La Palma	1,778,216	4.1%	0.0%	4.1%	4.7%	0	0	0	0	\$0.00
Los Alamitos/Stanton	3,849,242	2.2%	0.0%	2.2%	4.7%	(10,794)	(10,794)	23,026	23,026	\$1.70
Seal Beach	941,709	0.0%	0.0%	0.0%	6.8%	0	0	0	0	\$0.00
Westminster	2,213,967	0.3%	0.0%	0.3%	3.5%	128	128	0	0	\$1.65
West County	39,762,685	4.1%	0.2%	4.3%	6.2%	(15,657)	(15,657)	111,665	111,665	\$1.77
5,000 - 9,999	17,085,147	1.9%	0.0%	1.9%	3.2%	(40,926)	(40,926)	116,120	116,120	\$1.84
10,000 - 24,999	60,898,267	2.2%	0.3%	2.2%	3.7%	(30,153)	(30,153)	362,687	362,687	\$1.68
25,000 - 49,999	41,472,202	2.2%	0.5%	2.7%	5.3%	(338,779)	(338,779)	115,500	115,500	\$1.71
50,000 - 99,999	36,775,312	4.7%	0.3%	5.0%	7.0%	(406,894)	(406,894)	258,131	258,131	\$1.76
100,000 - 249,999	47,017,419	4.4%	0.3%	4.7%	8.5%	(156,247)	(156,247)	156,728	156,728	\$1.78
250,000 Plus	30,263,801	2.1%	2.2%	4.4%	6.1%	(73,225)	(73,225)	0	0	\$1.74
Orange County Total	233,512,148	3.0%	0.6%	3.6%	5.7%	(1,048,144)	(1,048,144)	1,005,422	1,005,422	\$1.74

SIGNIFICANT SALE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2 Sterling Redevelopment Project	South County	6,757	\$21,135,000	\$3,127.87	Dermody Properties, Inc.	Primo Water North America
Park Laguna Hills Portfolio	South County	58,160	\$19,500,000	\$335.28	C3 Development	Resco Properties
26845 Vista Terrace	South County	35,277	\$12,600,000	\$357.17	MagnaFlow	Sunningdale Properties LLC
Esperanza Business Center	South County	20,157	\$6,715,000	\$333.13	Watercress Holdings, LLC	Phytogene Corp (Sale-leaseback)
5381 Production Dr	West County	11,416	\$4,800,000	\$420.46	JMHong Holdings LLC	5381 Production Drive LLC
1432 Valencia - 1031 Exchange	North County	6,590	\$2,700,000	\$409.71	Christine Liu & Lianya Pan	Air Riders Aviation

SIGNIFICANT LEASE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2450 White Rd	Airport Area	106,862	January 2024	Cornucopia Inc	Northgate Gonzalez (Sublease)
Palais Logistics Center	North County	95,178	January 2024	Bradmore Realty Investment	Little Buddy Toys
Fullerton Business Center	North County	57,424	January 2024	Principal	Undisclosed
9701 Research Dr	South County	46,274	February 2024	Cohen Asset Management Inc	Undisclosed
11 Studebaker	South County	30,220	January 2024	Del Monico Investments Inc	Intellian Technologies ((Renewal)
Cypress Corporate Park	West County	29,319	January 2024	Nhat Minh LLC	Undisclosed

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
LogistiCenter at SR-55	1101 Bell & 1100 Valencia	Airport Area	311,770	Dermody Properties, Inc.	March 2024
LBA Logistics Center	1215 N Van Buren St	North County	165,850	LBA Logistics	March 2024
Prologis West Orange County Logistics Ctr	12691 Pala Dr	West County	149,335	Prologis, Inc.	June 2024
1901 Via Burton	1901 Via Burton	North County	139,449	Rexford Industrial Realty, Inc.	April 2024
9th Street Irvine	17451 Von Karman Ave	Airport Area	137,698	9th Street Partners LLC	March 2024
Irvine Commerce Center	18582 Teller Ave	Airport Area	136,612	ARES Management LLC	March 2024

Data Source: EDD, CoStar



Kidder Mathews is the largest independent commercial real estate firm on the West Coast, with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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

GARY BARAGONA
 Director 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

COMMERCIAL BROKERAGE	\$10B 3-YEAR AVERAGE TRANSACTION VOLUME	49.7M ANNUAL SALES SF	43.7M ANNUAL LEASING SF
ASSET SERVICES	51M SF MANAGEMENT PORTFOLIO SIZE	750+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,600+ 3-YEAR AVERAGE ASSIGNMENTS	43 TOTAL APPRAISERS	25 WITH MAI DESIGNATIONS

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