

MARKET TRENDS

ORANGE COUNTY INDUSTRIAL

MARKET DRIVERS

The demand for industrial space in the Orange County market stagnated during the first part of the year. Many market experts had anticipated a strong rebound following the presidential elections, but the reality has been quite the opposite. With business owners unable to make forecasts beyond just a few months, expansion plans have been put on hold. This uncertainty has led to a decline in demand for industrial space, placing pressure on landlords and sellers to lower their asking prices. Additionally, many businesses are struggling with the early effects of a trade war, resulting in a noticeable increase in sublease space hitting the market—an indicator of further challenges ahead.

ECONOMIC REVIEW

Several new industrial developments have recently come online. However, new construction has been progressing at a measured pace, and these state-of-the-art projects are standout properties. As the market recovers, these developments are expected to lease quickly at historically high rates. In the meantime, vacancy rates are projected to rise, and rents are likely to continue their decline.

NEAR-TERM OUTLOOK

The Orange County market is well-positioned for a strong recovery, bolstered by a diverse mix of major employers across various industries. Among the prominent players are The Walt Disney Company, Fluor Corporation, Edwards Lifesciences, Boeing, Broadcom, Pacific Life, and Ingram Micro. While several companies have relocated to other states in search of lower operating costs, many are finding that the anticipated savings don't outweigh the missed opportunities of being outside the Orange County market. As a result, we expect these companies to return, driving an uptick in demand for industrial properties.

The commercial real estate market has been in a recession for the past twenty-four months, but there is a strong drive to push it to new heights. Pent-up demand remains as business owners await the clarity needed to move forward with their growth plans. Once this happens, expect rent growth to surge, vacancy rates to drop, and new construction to accelerate. Peak pricing is just around the corner.

Market Summary

| | 1Q25 | 4Q24 | 1Q24 | YOY Change |
|---------------------|-----------|-----------|-----------|----------------|
| Direct Vacancy Rate | 4.8% | 4.3% | 3.1% | 53.75% |
| Availability Rate | 8.7% | 8.2% | 6.0% | 44.33% |
| Asking Lease Rate | \$1.57 | \$1.59 | \$1.72 | -8.72% |
| | 1Q25 | 4Q24 | 1Q24 | YOY Change |
| Lease Transactions | 1,530,450 | 2,939,880 | 2,853,518 | -46.37% |
| Sale Transactions | 1,088,215 | 784,853 | 647,001 | 68.19% |
| Net Absorption | -823,333 | -368,024 | -930,957 | N/A |



Year-Over-Year Trend

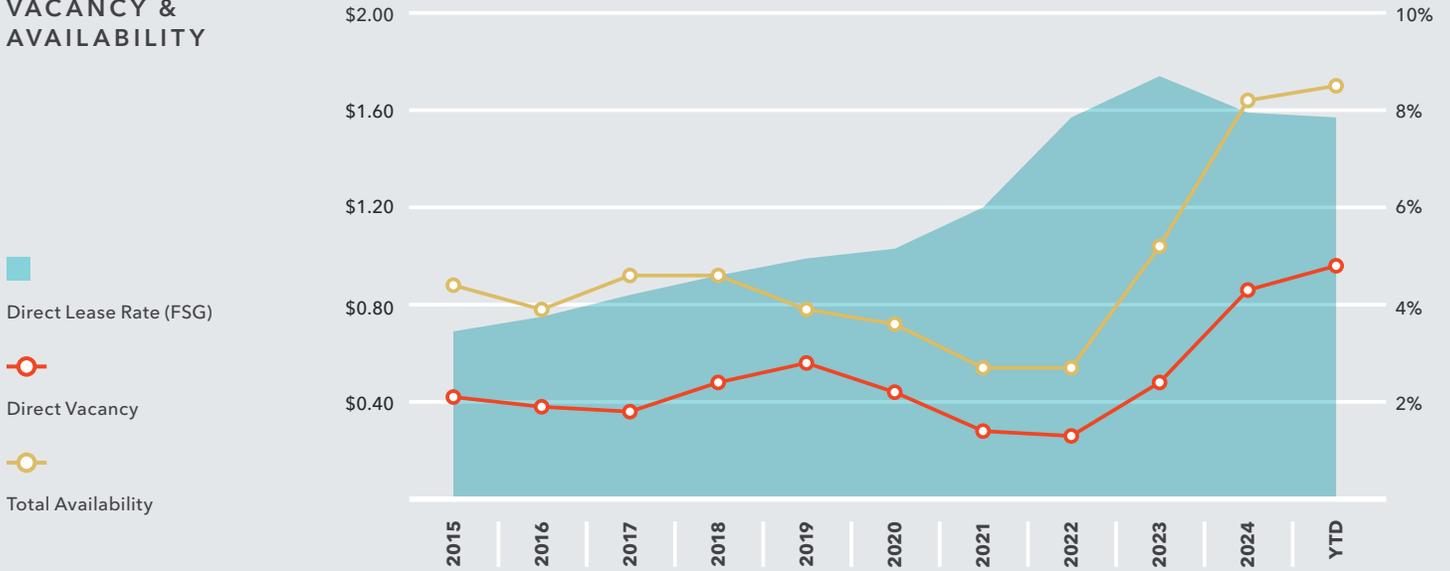
Market Highlights

DIRECT VACANCY RATES rose to 4.8%

MARKET AVERAGE was \$1.57 PSF on an NNN basis

SALE PRICE was \$321.38 PSF, while the cap rate was 4.5%

LEASE RATE, VACANCY & AVAILABILITY



BIGGEST SALE OF THE QUARTER

*1501-1601 E Cerritos Ave
Anaheim, CA*



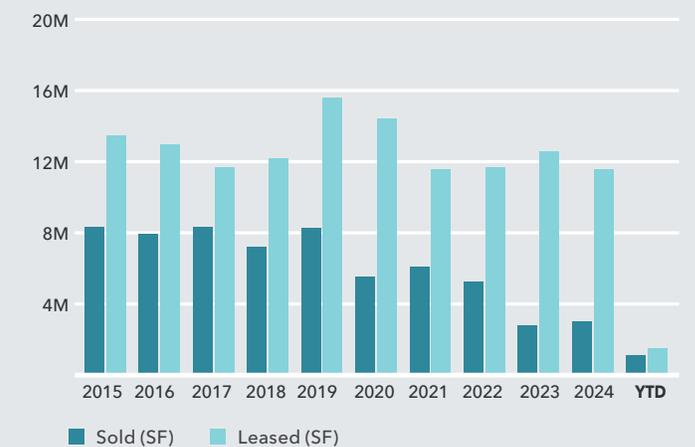
NET ABSORPTION & NEW DELIVERIES



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 | QTR Direct Net Absorption | YTD Direct Net Absorption | QTR Total Leasing Activity | YTD Total Leasing Activity | Average Direct Rental Rate (FS) |
|----------------------------------|--------------------|---------------------|---------------------|--------------------|----------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------------|
| Costa Mesa | 7,492,405 | 4.4% | 0.0% | 4.4% | 5.6% | -31,352 | -31,352 | 28,092 | 28,092 | \$1.67 |
| Fountain Valley | 3,654,295 | 2.5% | 0.0% | 2.5% | 3.5% | 4,614 | 4,614 | 44,561 | 44,561 | \$1.42 |
| Irvine | 11,931,555 | 8.7% | 2.6% | 11.3% | 12.6% | -136,420 | -136,420 | 16,261 | 16,261 | \$1.71 |
| Newport Beach | 414,709 | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0 | 0 | 0 | \$3.30 |
| Santa Ana | 30,726,455 | 4.2% | 1.0% | 5.2% | 8.1% | -152,130 | -152,130 | 63,716 | 63,716 | \$1.39 |
| Tustin | 4,730,533 | 7.3% | 0.2% | 7.4% | 9.2% | 69,872 | 69,872 | 2,328 | 2,328 | \$1.64 |
| Airport Area | 58,949,952 | 5.2% | 1.1% | 6.3% | 8.4% | -245,416 | -245,416 | 154,958 | 154,958 | \$1.55 |
| Anaheim | 45,077,142 | 5.3% | 0.6% | 6.0% | 8.3% | -159,315 | -159,315 | 572,643 | 572,643 | \$1.60 |
| Brea/La Habra | 15,817,714 | 3.4% | 0.3% | 3.8% | 8.1% | 27,676 | 27,676 | 17,352 | 17,352 | \$1.53 |
| Buena Park | 13,198,020 | 10.7% | 3.7% | 14.4% | 16.4% | -81,647 | -81,647 | 58,362 | 58,362 | \$1.54 |
| Fullerton | 19,404,510 | 4.3% | 1.4% | 5.7% | 9.3% | 37,777 | 37,777 | 80,251 | 80,251 | \$1.49 |
| Orange | 13,206,514 | 2.4% | 0.5% | 2.9% | 6.8% | -35,727 | -35,727 | 83,563 | 83,563 | \$1.50 |
| Placentia/Yorba Linda | 4,839,753 | 3.6% | 0.5% | 4.1% | 3.4% | 82,749 | 82,749 | 35,019 | 35,019 | \$1.63 |
| North County | 111,543,653 | 5.1% | 1.1% | 6.2% | 9.0% | -128,487 | -128,487 | 847,190 | 847,190 | \$1.55 |
| Irvine Spectrum | 10,173,605 | 3.9% | 0.4% | 4.2% | 11.6% | -245,020 | -245,020 | 21,998 | 21,998 | \$1.73 |
| Laguna Hills/Aliso Viejo | 1,786,480 | 3.2% | 0.0% | 3.2% | 7.7% | -10,448 | -10,448 | 5,096 | 5,096 | \$1.75 |
| Laguna Niguel/Laguna Beach | 286,699 | 2.0% | 0.0% | 2.0% | 2.0% | -3,340 | -3,340 | 0 | 0 | \$2.58 |
| Lake Forest/Foothill Ranch | 7,337,703 | 3.8% | 1.8% | 5.6% | 6.9% | -561 | -561 | 54,200 | 54,200 | \$1.69 |
| Mission Viejo | 748,218 | 1.3% | 0.0% | 1.3% | 1.3% | 0 | 0 | 3,400 | 3,400 | \$1.52 |
| RSM/CDC/Ladera Ranch | 1,775,013 | 3.0% | 0.1% | 3.1% | 4.0% | -11,063 | -11,063 | 5,630 | 5,630 | \$1.74 |
| Dana Point/San Juan/San Clemente | 2,895,056 | 3.5% | 0.3% | 3.8% | 9.4% | 2,158 | 2,158 | 14,591 | 14,591 | \$1.64 |
| South County | 25,002,774 | 3.6% | 0.7% | 4.3% | 8.7% | -268,274 | -268,274 | 104,915 | 104,915 | \$1.71 |
| Cypress | 4,263,376 | 7.7% | 0.0% | 7.7% | 19.1% | -249,850 | -249,850 | 7,281 | 7,281 | \$1.62 |
| Garden Grove | 12,379,111 | 4.4% | 0.2% | 4.5% | 6.2% | 61,785 | 61,785 | 23,020 | 23,020 | \$1.52 |
| Huntington Beach | 13,963,129 | 2.1% | 2.3% | 4.4% | 8.1% | -13,887 | -13,887 | 335,107 | 335,107 | \$1.61 |
| La Palma | 1,778,216 | 4.1% | 0.0% | 4.1% | 0.0% | 0 | 0 | 0 | 0 | \$0.00 |
| Los Alamitos/Stanton | 3,955,160 | 4.7% | 0.0% | 4.7% | 5.3% | 45,954 | 45,954 | 47,365 | 47,365 | \$1.60 |
| Seal Beach | 942,399 | 0.0% | 0.0% | 0.0% | 1.4% | 0 | 0 | 0 | 0 | \$0.00 |
| Westminster | 2,218,745 | 5.7% | 1.6% | 7.3% | 9.7% | -25,158 | -25,158 | 10,614 | 10,614 | \$1.45 |
| West County | 39,500,136 | 3.9% | 1.0% | 4.9% | 7.9% | -181,156 | -181,156 | 423,387 | 423,387 | \$1.56 |
| 5,000 - 9,999 | 17,163,430 | 1.8% | 0.1% | 1.9% | 2.7% | 44,861 | 44,861 | 91,759 | 91,759 | \$1.68 |
| 10,000 - 24,999 | 60,736,980 | 3.0% | 0.3% | 3.2% | 4.2% | -257,905 | -257,905 | 381,342 | 381,342 | \$1.61 |
| 25,000 - 49,999 | 41,866,359 | 3.9% | 0.2% | 4.1% | 5.9% | -109,599 | -109,599 | 229,329 | 229,329 | \$1.53 |
| 50,000 - 99,999 | 37,317,249 | 5.5% | 0.6% | 6.1% | 8.9% | 185,899 | 185,899 | 208,812 | 208,812 | \$1.56 |
| 100,000 - 249,999 | 47,729,118 | 7.5% | 1.4% | 8.8% | 16.9% | -413,692 | -413,692 | 57,200 | 57,200 | \$1.60 |
| 250,000 Plus | 30,217,066 | 6.2% | 4.1% | 10.2% | 11.4% | -272,897 | -272,897 | 562,008 | 562,008 | \$1.49 |
| Orange County Total | 235,030,202 | 4.8% | 1.0% | 5.8% | 8.7% | -823,333 | -823,333 | 1,530,450 | 1,530,450 | \$1.57 |

SIGNIFICANT SALE TRANSACTIONS 1Q 2025

| Property | Submarket | SF | Sale Price | \$/SF | Buyer | Seller |
|--|--------------|---------|---------------|----------|-----------------------------|----------------------|
| 1501-1601 E Cerritos Ave (Purchased By Tenant) | North County | 406,787 | \$124,000,000 | \$304.83 | The Walt Disney Company | JPMorgan Chase & Co |
| 3300 E Birch St | North County | 218,648 | \$92,100,000 | \$421.22 | New York Life Insurance Co. | AEW Capital Mgmt |
| 8401 Page St | North County | 55,362 | \$18,136,500 | \$327.60 | Ki-ayla LLC | ConvergeOne |
| Kimberly Business Center | North County | 59,277 | \$12,525,000 | \$211.30 | Terra Universal Inc | LBA Logistics |
| 1601 N Miller St | North County | 44,921 | \$9,850,000 | \$219.27 | Salmobros Properties, LLC | Cal Core LLC |
| 1842 Barranca Pkwy (1031 Exchange) | Airport Area | 25,000 | \$9,500,000 | \$380.00 | Finish Well LLC | Barranca Inv. Co. LP |

SIGNIFICANT LEASE TRANSACTIONS 1Q 2025

| Property | Submarket | SF | Transaction Date | Landlord | Tenant |
|--------------------------------|--------------|---------|------------------|------------------------|--|
| Straub Distributing Building | North County | 281,548 | February 2025 | Pfizer Inc. | Straub Distributing Co., Ltd (Renewal) |
| McDonnell Center Business Park | West County | 280,460 | January 2025 | Prologis, Inc. | Adient Aerospace (Sublease) |
| 640 N Cypress St | North County | 84,037 | January 2025 | GS Properties LLC | Undisclosed |
| 1210 N Tustin Ave | North County | 75,700 | February 2025 | Fluter Properties | Undisclosed |
| 2425-2440 Artesia Ave | North County | 55,214 | January 2025 | PacificWest Asset Mgmt | Acro Tech Service |
| 1190 - 1198 N Kraemer Blvd | North County | 50,000 | February 2025 | Zantos Living Trust | Undisclosed |

SIGNIFICANT UNDER CONSTRUCTION

| Property | Address | Submarket | SF | Owner | Delivery |
|--------------------------------|--|--------------|---------|----------------------------------|----------------------|
| Goodman Commerce Center | 5755 Plaza Dr & 5885 Plaza Dr | West County | 390,268 | Goodman | March 2025 |
| Bake Freeway Business Park | 15700-15800 Bake Pky | South County | 379,168 | Tishman Speyer | August 2025 |
| Stadium Landing | 2120 E Howell Ave & 2223 E Katella Ave | North County | 338,030 | Pacific Industrial | May 2025 June 2025 |
| Huntington Gateway | 5055-14383-14393 Skybolt Ln | West County | 318,751 | Sares Regis Group | January 2025 |
| LogistiCenter at Irvine I & II | 2 & 4 Sterling | South County | 224,920 | Dermody Properties, Inc. | June 2025 |
| Harbor Logistics Center | 3130-3100 S Harbor Blvd | Airport Area | 162,656 | Kearny RE Co/Dune RE Partners LP | March 2025 |

Data Source: EDD, CoStar



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

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| COMMERCIAL BROKERAGE | <i>\$9B</i> AVERAGE ANNUAL TRANSACTION VOLUME | <i>26.2M</i> ANNUAL SALES SF | <i>36.7M</i> ANNUAL LEASING SF |
| ASSET SERVICES | <i>58M SF</i> MANAGEMENT PORTFOLIO SIZE | <i>850+</i> ASSETS UNDER MANAGEMENT | <i>250+</i> CLIENTS SERVED |
| VALUATION ADVISORY | <i>2,400+</i> AVERAGE ANNUAL ASSIGNMENTS | <i>39</i> TOTAL APPRAISERS | <i>24</i> WITH MAI DESIGNATIONS |

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