

# ORANGE COUNTY

## FIRST QUARTER 2022 INDUSTRIAL MARKET REPORT



LEE &  
ASSOCIATES

COMMERCIAL REAL ESTATE SERVICES

### VACANCIES HIT NEW LOWS; RENT GROWTH TOPS 16%

Continued strong demand for industrial space pushed the countywide vacancy rate to a record low 2% in the first quarter, and asking rents, which have increased about 7% annually over the last five years, posted record average gains of 5.2% in the first quarter and 16.6% year over year.

Lee & Associates' quarterly survey of buildings 10,000 SF and up shows 8,251 buildings with 274.2 million SF, a supply that gradually has declined 2% from its 2008 peak. Two buildings totaling 283,772 SF were completed in Q1, but the added supply was outstripped by Q1's 483,450 SF of positive net absorption. Although two of the county's four submarkets posted small negative net absorption totals in the first quarter, there have been more than 1.76 million SF of countywide tenant growth in the last four quarters, the most since 2008.

A 132,000-SF building in Buena Park that traded hands for \$247 per SF was the largest building sold in Q1, and the most paid for industrial space was \$594 per SF for a 28,583-SF building in Tustin.

Of the county's four submarkets, the largest year-over-year jump in lease rates through Q1 averaged 20.7% in the industrial neighborhoods surrounding the Airport. Lease rates in the 73.2-million-SF submarket ended Q1 averaging \$1.39 per SF. The 250,506 SF of Q1 tenant expansion sent the vacancy rate around the Airport to a record low 2.2%.

South County had the slowest rent growth in the county in the last four quarters, 13.2%. South County also has the county's highest vacancy rate, 3.3%, and highest average rents at \$1.52 per SF triple net. Three of the county's 10 largest new leases in the first quarter were for 254,984 SF of flex space in the Irvine Spectrum. Enevate, a battery maker for EVs, leased 126,497 SF at 34 Parker in Irvine, the county's second largest new lease in Q1.

The county's least expensive space, averaging \$1.09 per SF, is in the 42.7-million-SF West County submarket, which also posted the most Q1 net absorption, 525,370 SF. There have been 1.17 million SF of tenant growth in five of the last six quarters in West County, whose vacancy rate settled at 2.3%. The county's largest new lease in Q1 was for 196,620 SF at 7300 Chapman Ave., Garden Grove. Three of Q1's top 10 new leases totaled 304,040 SF in West County.

Net absorption in North County was 107,972 SF in the red in Q1, but the vacancy rate remained at the record low 1.3% as the 115.4-million-SF submarket's inventory of 3,212 buildings was reduced by three buildings. Leases on two buildings of 54,571 SF and 49,515 SF were among the 10 largest new leases in Q1. Bain Capital LP paid \$30.1 million for Alticor's 132,000-SF building at 5609 River Way in Buena Park.

### MARKET FORECAST

The overall economic outlook improved in Q1 among local business executives answering a quarterly survey by economists at Cal State Fullerton economists. Nearly a quarter of those surveyed expect supply shortages to last more than one year.

## ORANGE COUNTY INDUSTRIAL

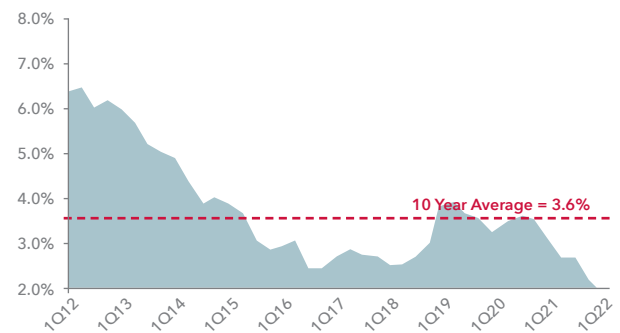
### ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	3.9%	4.6%
California Unemployment	5.0%	6.0%
US Unemployment	4.1%	4.3%

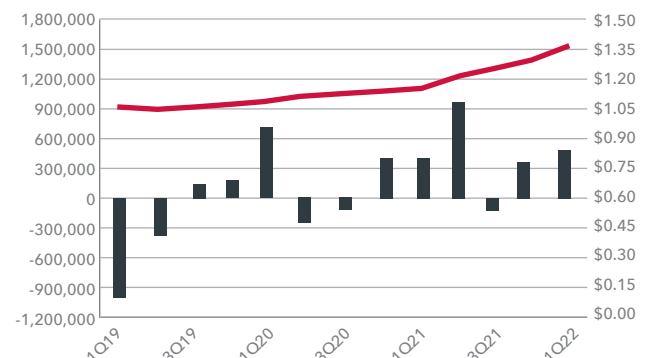
### MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	274,162,006	274,049,893
Vacancy Rate (%)	2.0%	2.2%
Net Absorption (SF)	483,450	343,781
Average Asking Rent (NNN)	\$1.37	\$1.32
Under Construction (SF)	2,290,465	2,020,372

### OVERALL VACANCY



### NET ABSORPTION VS ASKING RATES



\*All numbers are based on industrial buildings 10,000 sq. ft. and larger.



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# ORANGE COUNTY




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### ORANGE COUNTY MARKET STATISTICS - 1Q 2022



#### BY AREA

	Bldg Count	SF RBA	Total SF Available	Avail. Rate	Total SF Vacant	Total Vac. Rate	Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	SF Under Construction
North Orange County	3,209	115,370,445	4,095,070	3.5%	1,483,534	1.3%	(107,972)	(107,972)	\$1.31	1,711,600
West Orange County	1,321	42,675,656	1,527,649	3.5%	983,305	2.3%	525,370	525,370	\$1.09	433,865
Greater Airport Area	2,479	73,245,467	2,739,571	3.7%	1,644,923	2.2%	250,506	250,506	\$1.39	- 0 -
South Orange County	1,237	42,570,083	1,231,848	2.9%	1,424,031	3.3%	(204,831)	(204,831)	\$1.52	145,000
Outlying Orange County	5	300,355	- 0 -	- 0 -	5,568	1.9%	20,377	20,377	\$1.75	- 0 -
	8,251	274,162,006	9,594,138	3.5%	5,541,361	2.0%	483,450	483,450	\$1.37	2,290,465

### LEASE TRANSACTIONS 1Q 2022

	PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
	303 Logistics Glendale, AZ	349,663	Sweetwater Sound	303 Logistics Owner, LP	Justin Smith and Grant La Bounty represented the Tenant.
	1840 & 1860 Orangethorpe Fullerton, CA	69,200	McKenna Labs, Inc.	Le Baron Investments	Scott Seal and Ryan Magarian represented the Landlord.
	1431 N. Main Street Orange, CA	45,250	Foundation Building Materials, LLC	1431 N. Main Street Owners	Frank Adler and Jeff Hirsch represented the Buyer.

### SALE TRANSACTIONS 1Q 2022

	PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
	3501 Segerstrom Avenue Santa Ana, CA	66,600	RP 3501 Segerstrom LLC	3501 W Segerstrom LLC	Justin Smith and Grant La Bounty represented both the Seller and the Buyer.
	4433-4477 Holt Avenue Montclair, CA	78,016	TRICO-TCH, LTD	Hunsaker Family Trust	Dave Hunsaker and Chuck Noble represented the Seller.
	1270 N. Red Gum Anaheim, CA	48,920	1260 N. Red Gum, LLC	Primus Holding Company, LLC	Bob Griffin represented the Tenant.

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#### About Lee & Associates

Celebrating more than 43 years of leadership excellence in commercial real estate, Lee & Associates is the largest broker-owned firm in North America with locations across the U.S. and Canada including Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Texas, Toronto, Vancouver BC, Washington and Wisconsin.

With a broad array of regional, national and international clients - ranging from individual investors and small businesses to large corporations and institutions - Lee & Associates successfully completed transactions with a total value of more than \$15 billion last year.

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