

# ORANGE COUNTY

## FIRST QUARTER 2025 INDUSTRIAL MARKET REPORT

### DEMAND FALLS FOR NINTH STRAIGHT QUARTER; RENTS OFF 10%

Despite decent overall economic growth and healthy levels of trade through the twin ports of Long Beach and Los Angeles, first-quarter demand for Orange County industrial space fell for the ninth straight quarter. Asking rents declined nearly 10% over the period.

First-quarter net absorption was negative 626,940 SF. That follows last year's absorption decline of 5.2 million SF and a 2.6-million-SF contraction in 2023. The countywide inventory totals 278 million SF. During the two-year skid, the countywide vacancy rate climbed from 1.8%, a record low, to 5.8%. Vacant space now totals 16 million SF. In the recession following the 2008 financial crisis, empty space peaked at 20 million SF and the vacancy rate hit 7.1%.

In some aspects the current weakened demand has been reflective of the national picture. Linger supply-chain issues from Covid caused many business owners to pause expansion plans, while higher interest rates slowed home sales and purchases of home improvement materials and appliances. Caution continued to hobble growth throughout last year and the election season as business owners weighed the potential impact of promised tariffs.

Meanwhile, however, trade through the Port of Long Beach rose in February for the ninth straight month as retailers continued to move goods ahead of imposition of tariffs. The Port of Los Angeles posted a monthly record in January and the second busiest February ever.

Among the county's four submarkets, only the 117-million-SF North County submarket - the county's largest - posted positive net absorption in the first quarter with 430,097 SF of tenant growth thanks to two major direct leases in Anaheim: Straub Distributing leased a 281,548-SF building at 4633 La Palma Ave. and Legrand Manufacturing leased the 194,357-SF Bedrosian Tile & Stone building at 1515 E. Winston Road.

Net absorption has been negative for eight of the last 10 quarters in the 44-million-SF South County submarket and tenants shed 383,665 SF in the first quarter, driving up the vacancy rate 50 basis points to 5%.

The 73.5-million-SF Airport submarket was 372,490 SF in the red due, in part, to three deliveries totaling 278,624 SF.

There were 300,882 SF of negative net absorption in the 44-million-SF West County submarket in Q1, the biggest quarterly loss since late 2020.

Adient Aerospace, a builder of business-class seats for commercial aircraft, signed a 280,460-SF sublease at 5701 Skylab Rd., Huntington Beach, for \$1.05 per SF triple net. The agreement helped reduce the countywide total of second-hand space from its record high of 2.8 million SF.

Motion Industries signed a 10-year lease for 62,717-SF building at 3373 E. La Palma Ave., Anaheim. The tenant, an industrial products distributor, was allowed two months of free rent, reducing the effective rent to \$1.72 per SF.

### MARKET FORECAST

Cal State Fullerton's quarterly survey of Orange County business leaders' economic expectations produced a rating of 85.9%. The index was up from 73.1% in the fourth quarter of 2024, indicating significantly improved business sentiment early in the year and the biggest gain in three years.

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### ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	3.9%	3.7%
California Unemployment	5.5%	5.2%
US Unemployment	4.1%	4.1%

Source: EDD

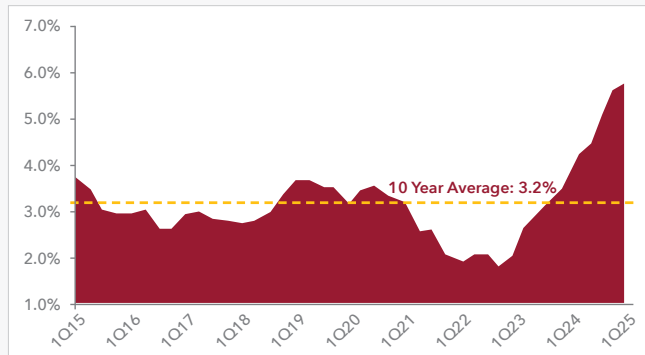
### INDUSTRIAL MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	277,572,640	277,556,146
Vacancy Rate (%)	5.8%	5.6%
Net Absorption (SF)	(626,940)	(1,207,118)
Average Asking Rent (NNN)	\$1.54	\$1.58
Under Construction (SF)	2,677,285	2,093,617

Source: CoStar

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

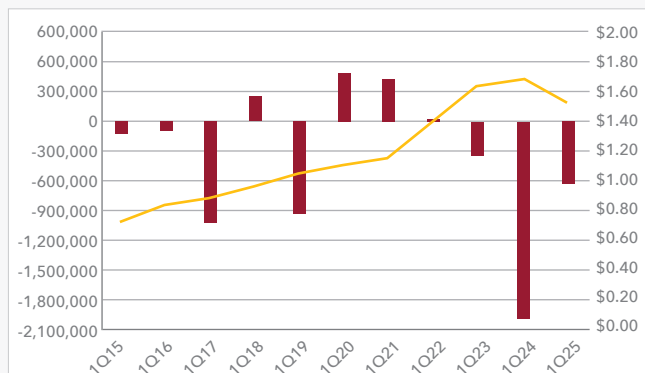
### OVERALL VACANCY



Source: CoStar

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

### NET ABSORPTION VS ASKING RATES



Source: CoStar

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

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### ORANGE COUNTY INDUSTRIAL MARKET STATISTICS - 1Q 2025

Submarket	Bldg Count	Total SF Inventory	Total SF Available	Availability Rate	Total SF Vacant	Vacancy Rate	Net SF Absorption	YTD Net SF Absorption	Avg Asking Lease Rate	SF Under Construction
North	3,190	117,032,303	10,122,599	8.6%	6,822,326	5.8%	430,097	430,097	\$1.46	999,502
West	1,329	43,987,096	3,728,318	8.3%	2,483,803	5.6%	(300,882)	(300,882)	\$1.48	709,019
Greater Airport	2,476	73,530,003	5,982,422	8.1%	4,637,594	6.3%	(372,490)	(372,490)	\$1.60	54,088
South	1,241	43,023,238	4,688,311	10.7%	2,153,694	5.0%	(383,665)	(383,665)	\$1.67	914,676
<b>TOTALS</b>	<b>8,236</b>	<b>277,572,640</b>	<b>24,521,650</b>	<b>8.7%</b>	<b>16,097,417</b>	<b>5.8%</b>	<b>(626,940)</b>	<b>(626,940)</b>	<b>\$1.54</b>	<b>2,677,285</b>




Source: CoStar

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

### LEASE TRANSACTIONS 1Q 2025

	PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
	50 Icon Drive Foothill Ranch, CA	307,781	Hampton Productions, Inc.	Prologis	Jeff Gahagan represented the Tenant.
	15559 Flight Avenue Chino, CA	173,776	Berger Transfer & Storage, Inc.	Chino Kimball Industrial, LLC	Justin Smith, Grant La Bounty & Chris Vassilian represented the Tenant.
	6681 River Run Drive Riverside, CA	162,700	Sloan Valve Company	SV Partners South I	Matt Durkin represented the Tenant.

### SALE TRANSACTIONS 1Q 2025

	PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
	1601 N Mill Street Anaheim, CA	44,921	Precision Anodizing & Plating, Inc.	Cal Core LLC	Justin Smith, Grant La Bounty & Chris Vassilian represented the Buyer.
	3020 Pullman Street Costa Mesa, CA	39,149	Jaime Trimble	JWM Pullman LLC	Tom West represented the Seller.
	2220 S Dupont Drive Anaheim, CA	13,175	Vazgen Hagopian	Dan & Bill Hanson	Ryan Magarian & Nick Magarian represented the Seller

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