

Q2 DEMAND IS STRONGEST IN SIX YEARS

Encouraged by effective vaccine distribution and improved economic data, companies in the second quarter leased the most industrial space in a three-month period in Orange County since 2015.

Net absorption totaled more than 1.1 million SF in Q2 and more than 2 million SF since the third quarter of last year. It's been 23 quarters since growth topped 1 million SF. In the last three quarters the vacancy rate has fallen 70 basis points to 3%. This is despite a long-term supply shortage that appears likely to become permanent.

There are fewer than 250 vacant buildings available, and the current 475.5 million SF of inventory has declined 1.3% over the last 10 years as buildings give way largely to apartment development. But there are occasional developments of headquarters-distribution buildings in random infill locations. For example, a 1.5-million-SF, four-building spec project broke ground in Q2 on the old Kimberly-Clark site in Fullerton.

Countywide, rents in the second quarter grew an average of 9% year over year.

Tenant demand in Q2 was strongest in the 117.1-million-SF North County market, the county's largest. Users leased 812,556 SF of space, the largest quarterly total since the first quarter of last year and second most since 2004. The gain reduced the vacancy rate across Anaheim, Brea, La Habra, Fullerton, Buena Park, La Palma, Placentia and Yorba Linda to 1.9% from 2.6% in Q1. One of the largest North County leases in Q2 was a 10-year deal for 108,125 SF in Brea by IDI Logistics.

Second-quarter net absorption totaled 213,058 SF in the 73.1-million-SF Airport market. It was the strongest first half on record with a year-to-date total of 779,820 SF in the market that includes Costa Mesa, Fountain Valley, Irvine, Newport Beach, south Santa Ana and Tustin. Three buildings totaling 355,771 SF were delivered in the first half. The vacancy rate settled at 4%.

Tenant expansion in the 42.4-million-SF West County market totaled 110,927 SF in Q1. It was the third straight quarter of growth totaling 429,554 SF of net absorption in the industrial neighborhoods of Cypress, Huntington Beach, Los Alamitos, Stanton, Seal Beach and Westminster. The vacancy rate fell from 3.5% to 3.2%.

With 42.6 million SF of total inventory South County - which extends from the Irvine Spectrum south to San Clemente - was the only submarket posting negative net absorption in Q2 as tenants shed 46,471 SF of space. Nevertheless, the largest overall lease of the quarter was a 127,030-SF lease in the Irvine Spectrum by medical device maker Masimo Inc.

MARKET FORECAST

A new forecast for Orange County from economists at Cal State Fullerton sees 85,000 jobs added this calendar year. Employment in many industries, especially in leisure and hospitality sector, are expected to achieve pre-pandemic levels late this year or early 2022.

ORANGE COUNTY INDUSTRIAL

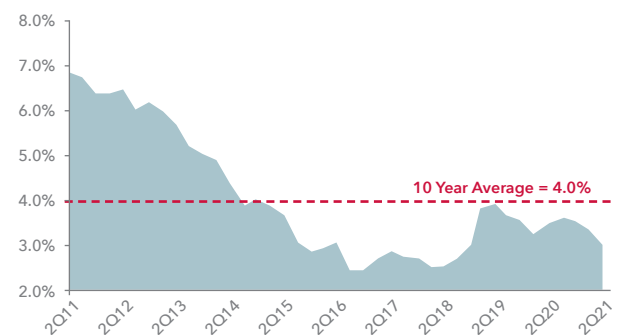
ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	5.9%	6.3%
California Unemployment	7.5%	8.2%
US Unemployment	5.9%	6.0%

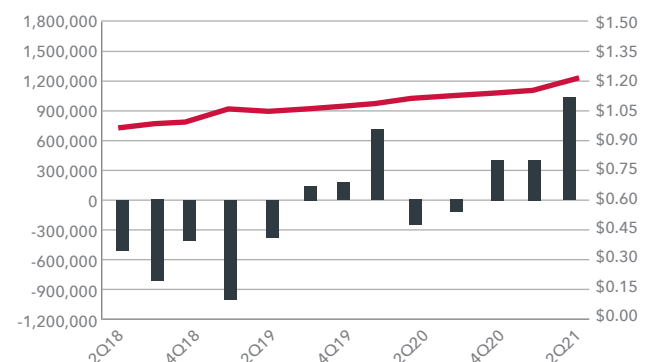
MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	275,485,932	275,574,407
Vacancy Rate (%)	3.0%	3.4%
Net Absorption (SF)	1,112,630	482,333
Average Asking Rent (NNN)	\$1.21	\$1.16
Under Construction (SF)	421,853	539,323

OVERALL VACANCY



NET ABSORPTION VS ASKING RATES



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

ORANGE COUNTY




SECOND QUARTER 2021 INDUSTRIAL MARKET REPORT

ORANGE COUNTY MARKET STATISTICS - 2Q 2021




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	3,216	117,106,472	3,031,847	2.6%	2,193,571	1.9%	812,556	419,580	\$1.08	162,775
West Orange County	1,322	42,378,990	1,970,398	4.6%	1,364,877	3.2%	110,927	231,779	\$0.95	259,078
Greater Airport Area	2,481	73,128,383	3,566,997	4.9%	2,891,115	4.0%	213,058	779,820	\$1.22	- 0 -
South Orange County	1,237	42,571,732	1,768,513	4.2%	1,673,425	3.9%	(46,471)	139,304	\$1.38	- 0 -
Outlying Orange County	5	300,355	25,945	8.6%	32,565	10.8%	22,560	24,480	\$1.75	- 0 -
	8,261	275,485,932	10,363,700	3.8%	8,155,553	3.0%	1,112,630	1,594,963	\$1.21	421,853

LEASE TRANSACTIONS 2Q 2021

	PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
	878 W. Washington Avenue San Bernardino, CA	141,000	Amtex Supply Holdings, LLC	CH Realty VIII/I San Bernardino Washington, LP	Allen Buchanan & Joshua Harper represented the Tenant.
	2440 S. Milliken Avenue Ontario, CA	71,850	Longyuan Forwarding Inc dba American New Logistics	2440 Milliken LLC	Jim deRegt represented the Landlord.
	170 W. Technology Drive Irvine, CA	41,905	Pacific Handy Cutter	TA Realty LLC	Dale Camera, Jason Helmick & Zach Schwaner represented the Landlord.

SALE TRANSACTIONS 2Q 2021

	PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
	8118 Allport Avenue Santa Fe Springs, CA	73,000	The Alchalel Real Estate Investments	Charles Robert Tyler Trust	Chris Destino, Connor Howland & Nick Tezak represented the Seller.
	1675 W. MacArthur Blvd. Santa Ana, CA	50,842	TA Realty LLC	MacArthur Holdings, Inc.	Dale Camera, Jason Helmick and Zach Schwaner represented the Buyer and the Seller.
	40 Tesla Irvine, CA	34,500	BLB US Inc.	40 Tesla LLC	John Martin represented the Seller.

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