

VACANCY HITS NEW LOW ON RED-HOT DEMAND

Industrial users leased 1.8 million SF of space in the third quarter. It was the most three-month net absorption in 17 years. The strong tenant expansion also drove down the vacancy rate to an all-time low.

The intensified demand reflects national trends. Businesses are reacting to pandemic-fueled e-commerce growth along with disruptions at several points in the global supply chain, affecting everything from raw materials to finished goods. Locally, a growing armada of as many as 80 cargo ships has been anchored offshore with each awaiting a berth at the port of Los Angeles or Long Beach.

There was healthy growth in each of the county's four industrial markets, and Lee & Associates' industrial specialists report that quality available space of virtually any size is drawing multiple offers. Anything with a loading dock and 18 feet of clear height will excite user interest. It follows then that the lack of supply has anxious decision makers willing to accept space that leaves some boxes unchecked.

The last four quarters countywide rents gained 11.6%, the most since 2016-17.

Lee & Associates surveyed 275.5 million SF in 8,257 buildings of at least 10,000 SF.

North County, the largest market with 42% of county inventory, posted 825,995 SF of net absorption in the third quarter. It was the second most growth since late 2004. The vacancy rate fell 50 basis points, settling at a record 1.2%. Year-to-date-net growth totaled 1.2 million SF.

There was 543,009 SF of net absorption in the 73-million-SF Airport market in the third quarter with 1.3 million SF of tenant expansion year to date. There has been more than 1.5 million SF in positive absorption over seven of the last eight quarters.

The vacancy rates in South County and West County each fell 50 basis points in the third quarter to 3.4% and 2.7% respectively.

In the 42.5-million-SF South County market there was 223,632 SF of tenant growth, which has been positive in three of the last four quarters and totaled 598,101 SF.

In West County, which also includes 42.5 million SF of space, net growth in Q3 totaled 212,380 SF, the most since late 2018. Tenant growth has been in the black for four straight quarters, totaling 642,000 SF.

The largest lease in the quarter was for a 246,622-SF building on West Warner Avenue in Santa Ana by Cloud Mountain at 88 cents per SF for five years.

Investors paid \$83.6 million, or \$252 per SF for a 331,376-SF distribution building on Plaza Drive in Cypress.

MARKET FORECAST

The state unemployment rate is projected to average 7.8% in 2021 and 6.4% next year, a marked improvement from last year but still well above than the forecasted U.S. average of 5.7% in 2021 and 4.3% in 2022.

ORANGE COUNTY INDUSTRIAL

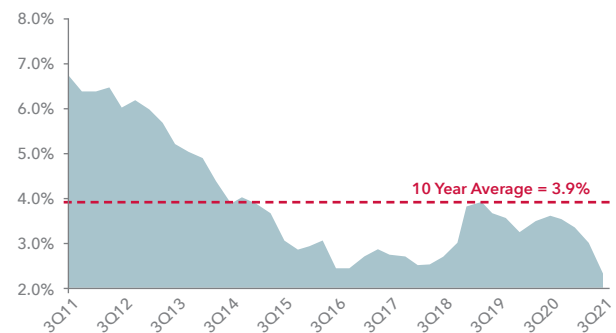
ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	6.5%	6.0%
California Unemployment	7.5%	8.0%
US Unemployment	5.2%	5.9%

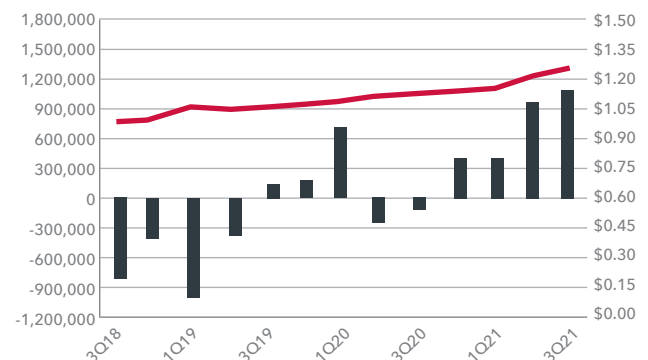
MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	275,553,234	275,610,399
Vacancy Rate (%)	2.3%	3.0%
Net Absorption (SF)	1,811,636	1,055,734
Average Asking Rent (NNN)	\$1.25	\$1.21
Under Construction (SF)	1,927,952	391,897

OVERALL VACANCY



NET ABSORPTION VS ASKING RATES



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

ORANGE COUNTY




THIRD QUARTER 2021 INDUSTRIAL MARKET REPORT

ORANGE COUNTY MARKET STATISTICS - 3Q 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	3,215	117,106,150	4,061,397	3.4%	1,351,140	1.2%	825,995	1,248,364	\$1.10	1,668,180
West Orange County	1,320	42,515,161	1,756,849	4.1%	1,152,497	2.7%	212,380	444,159	\$0.97	259,772
Greater Airport Area	2,481	73,107,216	2,732,651	3.7%	2,343,198	3.2%	543,009	1,297,240	\$1.26	- 0 -
South Orange County	1,236	42,524,352	1,776,471	4.2%	1,455,619	3.4%	223,632	361,701	\$1.41	- 0 -
Outlying Orange County	5	300,355	25,945	8.6%	25,945	8.6%	6,620	31,100	\$1.75	- 0 -
	8,257	275,553,234	10,353,313	3.7%	6,328,399	2.3%	1,811,636	3,382,564	\$1.25	1,927,952

LEASE TRANSACTIONS 3Q 2021

	PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
	201 N. Berry Brea, CA	108,125	Atosa USA, Inc.	IDI Brea, LP	Allen Buchanan represented the Landlord.
	3172 Nasa St., Suite A Brea, CA	104,316	Lund Motion Products, Inc.	CheckerProp California 3172 Nasa LLC, a Delaware LLC	John Collins represented the Tenant.
	17466 Daimler St. Irvine, CA	40,645	James R. Glidewell Dental Ceramics, Inc.	1890 25th Street LLC	Justin Smith and Grant La Bounty represented the Landlord.

SALE TRANSACTIONS 3Q 2021

	PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
	9105, 9145 & 9175 Milliken, 9108, 9138 & 9168 Pittsburgh Rancho Cucamonga, CA And 14570 Meyer Canyon Road Fontana, CA	211,950	Confidential	Robert Wells Family Partnership, Twedt Family Partnership and Maddie LLC	Justin Smith and Grant La Bounty represented the Seller.
	2321 Pullman St. Santa Ana, CA	52,500	FRO III/SMA Acquisitions, LLC	John M. Garrison, as Successor-Trustee of the Garrison Family Trust	Matt Christensen represented both the Buyer and Seller.
	4900 E. Hunter Ave. Anaheim, CA	52,416	S.E.S.S., LLC	Scholten Family Trust	Luke Hudson, Scott Seal and Ryan Magarian reprented both the Buyer and Seller.

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About Lee & Associates

Celebrating more than 42 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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