

DEMAND FOR SPACE INTENSIFIED IN 2021

Demand for industrial space in Orange County, already one of the hottest markets in the country, continued to set records in 2021.

Out of a total inventory of 274.1 million SF surveyed by Lee & Associates, only 5.8 million SF are vacant.

Year-over-year rent growth averaged a record 16% countywide in 2021. Net absorption in 2021 totaled 1.8 million SF. It was the most tenant growth in six years, during which average rents have increased 83% countywide.

Orange County industrial space has been in short supply for years. And with a growing number of companies seeking to be in close proximity to the twin ports of Los Angeles and Long Beach, demand has intensified.

Three of the four submarkets posted net growth in 2021, but North County, which accounts for 42% of OC's industrial base, was 457,642 SF in the red.

The Airport submarket reported 1.3 million SF of net absorption in 2021. It was the most growth since 1999 in the 72.9-million-SF submarket. Year-over-year rents increased 23%.

There was 598,000 SF of tenant expansion in South County in 2021, the most since 2014, which pushed down the vacancy rate in the 42.5-million-SF submarket to 2.9%. In South County, rents gained 9% in 2021 and are the costliest in Orange County, averaging \$1.46 per SF.

Net absorption in North County was negative in the fourth quarter by 183,537 SF, but because the submarket's inventory fell nearly 1.5 million SF in the last quarter the vacancy rate settled at 1.3%.

There was 347,753 SF of net absorption in West County in 2021, a turnaround from the contraction of 741,041 SF in 2020. But net absorption in Q4 was negative 96,406 SF.

The biggest lease in the fourth quarter was to Atlas International for 100,922 SF of space at 5555 McFadden Avenue in Huntington Beach. The 10-year-lease has a \$1.25 per SF start rate. The rehabbed building has 11 loading docks.

The three largest sales in the fourth quarter were for buildings in North County. The largest was Oaktree Capital Management's purchase of a 123,972-SF warehouse building from CapRock Partners at 2009 Raymer Ave., Fullerton, for \$32.2 million, or \$259.33 per SF. Rexford Industrial Realty of Los Angeles purchased a 106,000-SF building on East Coronado Street in Anaheim for \$28 million or \$264.15 per SF. The Blackstone Group acquired a 102,000-SF building at 1500 East Walnut Avenue in Fullerton for \$35 million or \$348.04 per SF.

MARKET FORECAST

Robust job and economic growth will be mixed with high inflation and rising mortgage rates that could derail home price gains, said Chapman University economist Jim Doti in his recent forecast. Doti also said he sees the likelihood of a recession possibly at the end of the year.

ORANGE COUNTY INDUSTRIAL

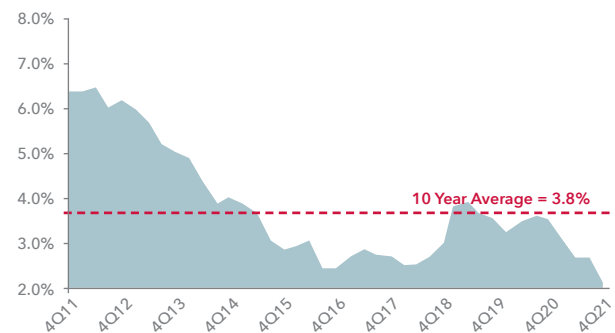
ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	4.6%	6.5%
California Unemployment	6.0%	7.5%
US Unemployment	4.3%	5.2%

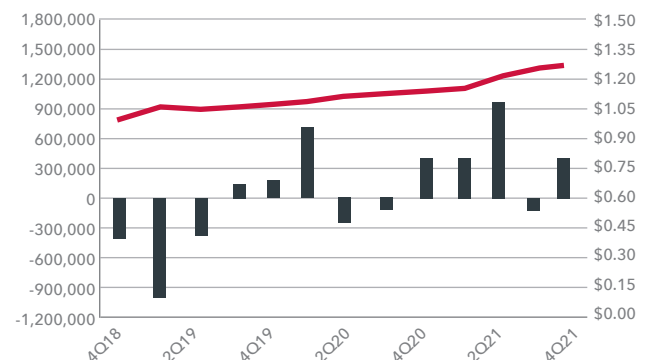
MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	274,140,429	275,568,359
Vacancy Rate (%)	2.1%	2.8%
Net Absorption (SF)	414,345	(74,895)
Average Asking Rent (NNN)	\$1.32	\$1.25
Under Construction (SF)	2,198,746	2,161,871

OVERALL VACANCY



NET ABSORPTION VS ASKING RATES



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

ORANGE COUNTY




FOURTH QUARTER 2021 INDUSTRIAL MARKET REPORT

ORANGE COUNTY MARKET STATISTICS - 4Q 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	115,516,295	4,023,701	3.4%	1,453,516	1.3%	(183,537)	(457,672)	\$1.12	1,793,974
West Orange County	1,321	42,746,526	1,769,134	4.1%	1,248,903	2.9%	(96,406)	347,753	\$1.05	259,772
Greater Airport Area	2,481	73,119,623	2,833,592	3.9%	1,895,429	2.6%	457,869	1,311,254	\$1.40	- 0 -
South Orange County	1,235	42,457,630	1,396,717	3.3%	1,219,200	2.9%	236,419	598,120	\$1.46	145,000
Outlying Orange County	5	300,355	25,945	8.6%	25,945	8.6%	- 0 -	31,100	\$1.75	- 0 -
	8,257	274,140,429	10,049,089	3.6%	5,842,993	2.1%	414,345	1,830,555	\$1.32	2,198,746

LEASE TRANSACTIONS 4Q 2021

	PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
	5082 4th Street Irwindale, CA	140,400	Legacy Apparel Solutions, LLC	LIT Industrial, LP	Phillip DeRousse represented the Tenant.
	7485 Flores Street Downey, CA	63,250	Stone Brewing Co., LLC	FDC Partners Rancho, L.P.	Guy LaFerrara represented the Tenant.
	3370 Davie Road Davie, FL	42,660	George Fischer, LLC	Davie F, LLC, a Delaware limited liability company	Gary McArdeall represented the Tenant.

SALE TRANSACTIONS 4Q 2021

	PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
	20481 Crescent Bay Lake Forest, CA	90,000	Rexford Industrial Acquisitions, LLC	BIOCOL INVESTMENTS, LLC	Brad Schneider and Nick Krakower represented the Buyer.
	1300 Kellogg Anaheim, CA	44,913	Crosspointe Church	1300 Anaheim, LLC	Allen Buchanan represented the Seller.
	23061 Arroyo Vista Rancho Santa Margarita, CA	22,530	Applied Medical Resources	The Barrett Family Trust	Mark Jerue and Craig Fitterer represented both the Buyer and Seller.

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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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