

ORANGE COUNTY

SECOND QUARTER 2022 INDUSTRIAL MARKET REPORT

RENTAL RATES SOAR WITH SUPPLY AT RECORD LOWS

Rental rates increased at levels without historical precedent and available space remained at an all-time low as healthy demand continued through the first half.

Countywide, average asking rents climbed 20.6% year over year with gains ranging from 14.5% to 24.2% across the county's four major submarkets.

The average rent was \$1.46 per SF triple net at the end of Q2. Rents were highest in the South County submarket, averaging \$1.58 per SF, and lowest in West County, averaging \$1.09 per SF, up 20% from a year ago.

By comparison, countywide rent growth averaged 7.5% annually over the previous five years.

Lee & Associates' quarterly survey of properties 10,000 SF and up included 8,239 buildings totaling 273.4 million SF.

As for notable second-quarter transactions, the largest lease was for a 203,029 SF building at 701 S. Sally Place in Fullerton at \$1.79 per SF that had been on the market for four months. Of the 20 largest new leases in Q2 the average time on market for the space was five months.

The largest sale was the \$23-million purchase of a recently renovated 118,059-SF Stanton industrial park on 4.74 acres by an El Segundo investor.

Countywide vacancy at the end of the first half settled at 2.1%, a record and down 80 basis points from a year ago.

The vacancy rate was lowest, 1.3%, in North County, whose 115.1-million-SF inventory accounts for 42% of the county's industrial base. Asking rents average \$1.32 per SF, up 22.2% year over year. Although demand eased in the last year by about 1 million SF of negative net absorption, the supply was reduced by 1.8 million SF in nine buildings that were razed in three of the last four quarters. The North County submarket includes Anaheim, Brea, La Habra, Buena Park, Fullerton, La Palma, Placentia and Yorba Linda.

Demand for space in the 72.2-million SF Airport submarket has been trending higher with 1.6 million SF of positive net absorption since late 2019. Asking rents were \$1.54, up an average of 24% year over year. At the end of Q2 the vacancy rate settled at 2.4%, a record low. Two more Airport-area buildings were razed in Q2, cutting the inventory by 206,180 SF.

Net absorption in the 45.6-million-SF West County submarket is up 367,827 SF through the first half. Average asking rent was up 20% in the first half and the vacancy rate settled at 2.7%.

Asking rents in the 42.7-million-SF South County submarket averaged \$1.58 per SF at the end of Q2, for an average year-over-year gain of 14.5%.

MARKET FORECAST

The overall economic outlook improved in Q1 among local business. In their Spring forecast, Cal State Fullerton economists said that central bankers' tightening money policy will slow Orange County growth this year. "There are few signs of imbalance in any of the major sectors of the economy;" the economists said, adding that "labor remains strong, and personal incomes continue to improve."

ORANGE COUNTY

ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	2.4%	3.9%
California Unemployment	3.4%	5.0%
US Unemployment	3.6%	4.1%

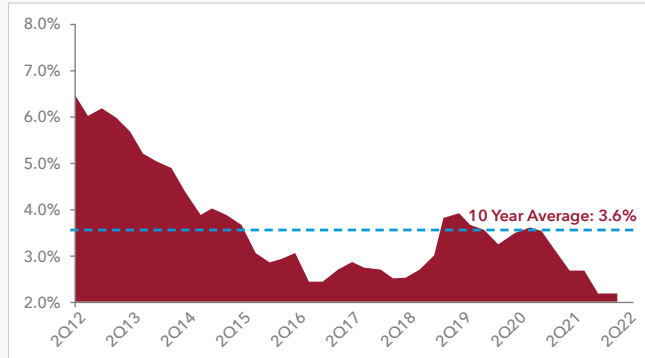
Source: EDD

INDUSTRIAL MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	273,427,196	273,636,167
Vacancy Rate (%)	2.1%	2.1%
Net Absorption (SF)	(204,455)	237,304
Average Asking Rent (NNN)	\$1.46	\$1.37
Under Construction (SF)	2,620,833	2,290,465

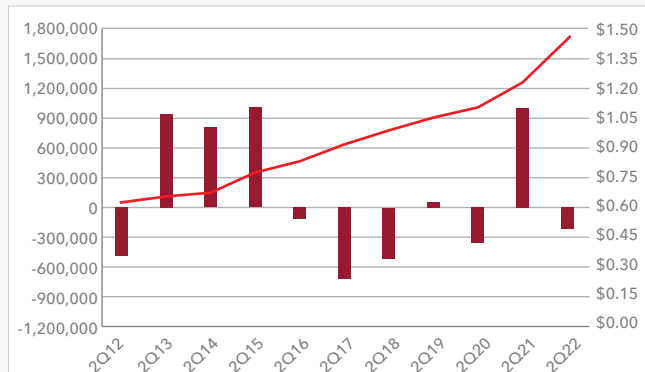
Source: CoStar

OVERALL VACANCY



Source: CoStar

NET ABSORPTION VS ASKING RATES



Source: CoStar

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

ORANGE COUNTY


SECOND QUARTER 2022 INDUSTRIAL MARKET REPORT

ORANGE COUNTY INDUSTRIAL MARKET STATISTICS - 2Q 2022




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	3,209	115,088,211	4,226,549	3.6%	1,488,852	1.3%	50,227	(116,081)	\$1.32	1,722,503
West	1,318	42,572,827	1,536,917	3.6%	1,140,848	2.7%	(157,543)	367,827	\$1.14	433,865
Greater Airport	2,470	72,770,499	3,151,580	4.3%	1,761,815	2.4%	(120,552)	(57,856)	\$1.54	219,827
South	1,237	42,695,304	1,359,137	3.2%	1,406,186	3.3%	17,845	(186,986)	\$1.58	244,638
Outlying	5	300,355	- 0 -	- 0 -	- 0 -	- 0 -	5,568	25,945	\$1.75	- 0 -
TOTALS	8,239	273,427,196	10,274,183	3.7%	5,797,701	2.1%	(204,455)	32,849	\$1.46	2,620,833

Source: CoStar

LEASE TRANSACTIONS 2Q 2022

PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
 15651 Mosher Ave. Tustin, CA	55,291	Xponential Fitness, LLC	Adler Investments	Matt Christensen represented the Tenant.
 21046 Figueroa, Unit A Carson, CA	42,690	ThermoSource Tooling & Manufacturing	Hacor Inc.	John Son represented the Landlord.
 16782 Millikan Ave. Irvine, CA	15,000	ADEP Precision Contracting	Westland-Irvine, LLC	Craig Fitterer and Mark Jerue represented the Landlord.

SALE TRANSACTIONS 2Q 2022

PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
 10521-10579 Dale Ave. Stanton, CA	118,059	Dunbar Real Estate Holdings, LLC	Burke Stanton LLC	Phil Cohen, Kurt Bruggeman and Ryan Swanson represented the Seller.
 221-299 W Allen Ave. San Dimas, CA	89,852	Jay Steven Patti Trust	MW, RH 2 San Dimas Owner, LLC	Greg Diab and Jack Haley represented the Buyer.
 3700 W Warner Ave. Santa Ana, CA	11,579	Cref3 Warner Owner LLC	Tiritilli 1997 Revocable Trust	Nick Krakower and Brad Schneider represented the Buyer.

LEE & ASSOCIATES - IRVINE

9838 Research Drive
Irvine, California 92618
(949) 727-1200

LEE & ASSOCIATES - NEWPORT BEACH

100 Bayview Circle, Suite 600
Newport Beach, California 92660
(949) 724-1000

LEE & ASSOCIATES - ORANGE

1004 West Taft Avenue, Suite 150
Orange, California 92865
(714) 647-9100

ABOUT LEE & ASSOCIATES

Celebrating more than 44 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 has successfully completed transactions with a total value of more than \$11 billion in 2018.

Copyright © 2022 Lee & Associates. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.