

ORANGE COUNTY

THIRD QUARTER 2022 INDUSTRIAL MARKET REPORT

RECORD HIGH RENTS, LOW VACANCY FAIL TO BLUNT DEMAND

Rents for industrial space posted a record annual gain in the third quarter while healthy overall tenant growth continued, led by a surge in demand for South County space. Countywide, the vacancy rate remained at a historic low, 2.1%.

Net absorption totaled 381,573 SF in Q3 as three of the county's four submarkets reported tenant expansion. It was most net growth in the last five quarters, according to Lee & Associates' quarterly survey of space 10,000 SF and up. The survey covers 8,239 buildings totaling 274 million SF.

Countywide, annual rent increased an average of 22% year over year through the third quarter with triple-net asking rents averaging \$1.53 per SF. Annual rent increases averaged from 10% in South County to 47% in West County, where a spike in lease rates stemmed in part from a sharp decline in deals for larger buildings whose rents cost less per square foot.

Among the largest leases in Q3 was packaging supplier Mozaik's deal for 57,600 SF at 245 W. Carl Karcher Way, Anaheim, for \$1.55 triple net. The largest sale was Chicago-based Global Logistic Properties' purchase of a 406,261-SF building at 458 E. Lambert Road Fullerton, for \$156 million. AEW of Boston was the seller.

Two buildings totaling 608,651 SF were completed in the North County submarket in Q3. Fifteen buildings totaling 2,684,386 SF are under construction countywide.

The 42.8-million-SF South County submarket, whose vacancy rate is 4.4%, posted the most quarterly tenant demand in eight years with 458,700 SF of net absorption in the third quarter. Notable among new South County leases in Q3 was TAE Technologies' agreement for a 99,638-SF building owned by LBA at 9740 Irvine Blvd., in the Irvine Spectrum, and a 75,507-SF sublease by Operon Group at 19531 Pauling in the Foothill Ranch. There were renewals by Dynacast for a 111,832-SF Prologis building at 25871 Atlantic Ocean Dr., Lake Forest, and by Pinnacle Exhibits for 92,801 SF at 9 Holland in the Irvine Spectrum.

The most annual and quarterly rent growth was recorded in West County, which posted 27,852 SF of net absorption in Q3 on record-low leasing activity. The total space leased in Q3, 231,151 SF, was two-thirds less than Q2's 686,572 SF on 15% fewer transactions, helping to produce a quarter-to-quarter 25% increase in asking rents. Nevertheless, the current asking average of \$1.43 per SF in the 42.5-million-SF West County is less than the countywide average \$1.53 per SF.

There was 22,056 SF of Q3 net absorption in the 72.8-million-SF Airport market. It was tenth quarterly gain in three years. Industrial space is costliest in the Airport submarket where landlords are asking \$1.61 per SF, up from \$1.28 a year ago for a 26% increase.

There was 127,035 SF of negative Q3 net absorption in the North County submarket, the county's largest with 115.6 million SF and tightest with a 1.9% vacancy rate. North County includes Anaheim, Brea, La Habra, Buena Park, Fullerton, La Palma, Placentia and Yorba Linda.

MARKET FORECAST

Forty-one percent of Orange County executives expect significant or some growth in their respective industries, compared to 33.4% in the second quarter, according to a business expectations survey by Cal State Fullerton economists, who report the results are in contrast to expectations of lower growth for the regional economy overall.

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ORANGE COUNTY

ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	3.0%	2.8%
California Unemployment	4.1%	3.4%
US Unemployment	3.5%	3.7%

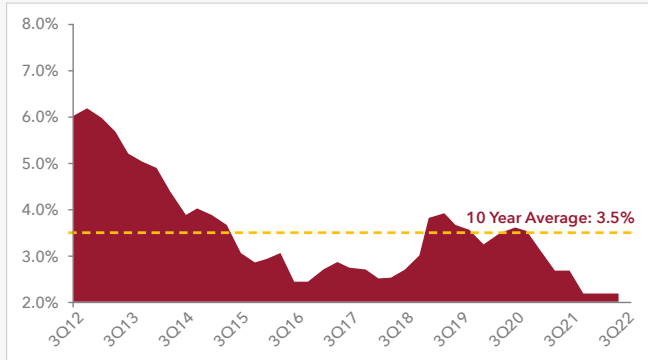
Source: EDD

INDUSTRIAL MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	274,099,808	273,501,157
Vacancy Rate (%)	2.1%	2.1%
Net Absorption (SF)	381,573	(207,455)
Average Asking Rent (NNN)	\$1.53	\$1.46
Under Construction (SF)	2,684,386	2,758,934

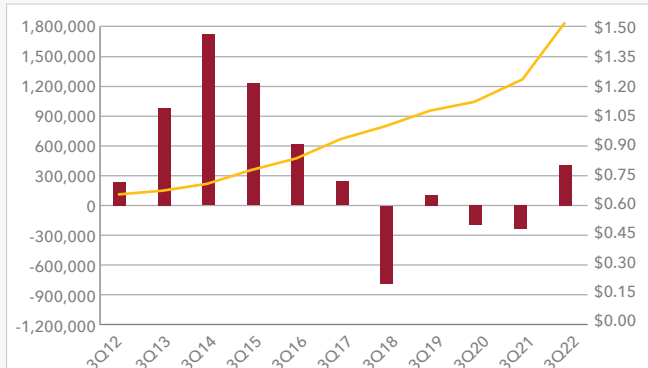
Source: CoStar

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

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ORANGE COUNTY INDUSTRIAL MARKET STATISTICS - 3Q 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	115,628,390	4,748,139	4.0%	2,217,538	1.9%	(127,035)	(246,116)	\$1.42	1,649,570
West	1,317	42,558,046	1,934,265	4.5%	947,825	2.2%	27,852	395,679	\$1.43	570,351
Greater Airport	2,471	72,806,138	2,997,080	4.1%	1,728,495	2.4%	22,056	(24,536)	\$1.61	219,827
South	1,237	42,806,879	1,441,952	3.3%	947,486	2.2%	458,700	271,714	\$1.55	244,638
Outlying	5	300,355	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	25,945	\$1.75	- 0 -
TOTALS	8,239	274,099,808	11,121,436	4.0%	5,841,344	2.1%	381,573	422,686	\$1.53	2,684,386

Source: CoStar

LEASE TRANSACTIONS 3Q 2022

PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
 2100 E Valencia Dr. Fullerton, CA	112,746	San Antonio Winery, Inc.	MCP SoCal Industrial	Rob Leiter represented the Tenant.
 14521 S Avalon Blvd. Los Angeles, CA	82,195	Corridor Recycling	Gardena Property, LLC	Guy LaFerrara & Brock Stryker represented the Tenant.
 10711 Walker St. Cypress, CA	57,784	Vatech America	Alere Property Group	Brad Schneider & Nick Krakower represented both the Landlord and Tenant.

SALE TRANSACTIONS 3Q 2022

PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
 9701 Research Dr. Irvine, CA	47,797	CAM Industrial Fund Acquisition, LLC	ALS Boys, LP	Christopher Destino, Connor Howland & Nick Tezak represented the Buyer.
 23151 Alcalde Dr. Laguna Hills, CA	37,318	LBA Realty, LLC	Resco Development, Inc.	John Collins represented the Seller.
 1364 E Valencia Dr. Fullerton, CA	7,968	Stancil Corporation	JAJ Management LLC	Dale Camera, Jason Helmick & Zach Schwaner represented the Buyer.

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ABOUT LEE & ASSOCIATES

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