

ORANGE COUNTY

THIRD QUARTER 2024 INDUSTRIAL MARKET REPORT

TENANT DEMAND, AVERAGE RENT CONTINUES TO SLIDE IN Q3

Orange County tenant demand continued to downshift in the first half, Demand for industrial space continued to weaken countywide in the third quarter, producing a surfeit of sublet space. Although the vacant space is the most since 2013, it's still 200 basis points less than the national average. The decline in net absorption is the most year to date in 15 years. Average rents also fell for the seventh straight quarter.

Countywide negative net absorption in Q3 totaled 1.3 million SF, bringing the negative total for the year to about 4.1 million SF, the most since the aftermath of the 2008 financial meltdown.

Most of the Q3 and year-to-date weakness was in the North County submarket, the county's largest with 118 million SF. About 1.4 million SF was added to the North County's available inventory in Q3, bringing the negative total so far this year to 3.4 million SF, which includes five new buildings totaling 514,205 SF. Six buildings totaling 628,416 SF are underway.

Negative Q3 net absorption in the 73.1-million-SF Airport submarket totaled 414,580 SF, driving up the negative total for the year to slightly more than 1 million SF, which includes seven buildings totaling 808,977 SF completed to date. Three buildings totaling some 308 million SF remain under construction.

Third-quarter tenant demand in the 43.8-million-SF West County submarket totaled 225,783 SF. The increase is a change from six straight quarters of negative net absorption totaling 857,720 SF.

Tenant growth in the 42.8-million-SF South County submarket was 33,348 SF in the third quarter and totaled 286,692 SF year to date.

The average triple-net rental rate fell to \$1.59 per SF, which was down from the \$1.71 per SF peak reached at the close of 2023. The 5% vacancy rate in Q3 is up from 2% at the end of Q1 2023 but still less than the 7% national average for the last 20 years. The 4.1 million SF of negative growth since Q1 is the largest year-to-date total since the negative 6.8 million SF of 2009. Sublet space in Q3 totaled more than 2 million SF.

The largest direct leases in the third quarter were led by Big D Flooring, which signed a 65-month agreement for 108,981 SF at 12752 and 12822 Monarch Street in Garden Grove for \$1.49 per SF. Manufacturer Wesanco leased 97,896 SF at the same two addresses at \$1.79 per SF for 65 months.

The largest industrial sale in the third quarter was a \$30.1-million acquisition of a 65-year-old, 161,738-SF, Class C building at 2325-2335 Moore Ave., Fullerton. The building with 21 feet of clear height and 26 loading docks is fully occupied by tenant Van Law Food Products Inc. The buyers were Scind Moore Point and Bain Capital, which also were sellers of a 149,000 SF building 5609 River Way, Garden Grove, that is leased by Amway. Total consideration was \$43.5 million.

MARKET FORECAST

Forty-one percent of OC executives surveyed by Cal State Fullerton economists in the second quarter said they believe the Fed will engineer a soft landing. Thirty-one percent said any upcoming recession should be mild. Twelve percent said they think a recession will be less severe than the 2007-09 recession.

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ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	4.5%	4.0%
California Unemployment	5.9%	5.3%
US Unemployment	4.1%	4.1%

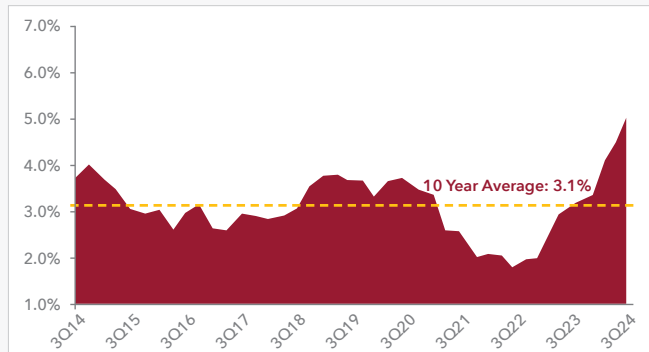
Source: EDD

INDUSTRIAL MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	278,663,185	278,262,091
Vacancy Rate (%)	5.0%	4.4%
Net Absorption (SF)	(1,290,516)	(770,218)
Average Asking Rent (NNN)	\$1.59	\$1.63
Under Construction (SF)	1,713,499	1,790,286

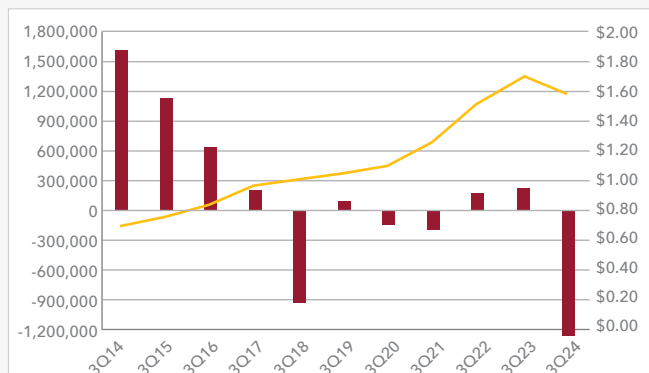
Source: CoStar *All numbers are based on industrial & flex buildings 10,000 sq. ft. and larger.

OVERALL VACANCY



Source: CoStar *All numbers are based on industrial & flex buildings 10,000 sq. ft. and larger.

NET ABSORPTION VS ASKING RATES



Source: CoStar *All numbers are based on industrial & flex buildings 10,000 sq. ft. and larger.

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ORANGE COUNTY INDUSTRIAL MARKET STATISTICS - 3Q 2024

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	3,198	118,547,961	9,057,495	7.6%	6,402,090	5.4%	(1,135,067)	(3,139,236)	\$1.53	628,416
West	1,327	43,832,523	3,636,439	8.2%	2,219,078	5.1%	225,783	(253,077)	\$1.58	390,268
Greater Airport	2,468	73,123,679	5,737,942	7.8%	3,664,362	5.0%	(414,580)	(1,001,848)	\$1.58	308,244
South	1,234	42,825,321	3,930,926	9.1%	1,760,284	4.1%	33,348	286,692	\$1.69	386,571
Outlying	7	333,701	22,344	6.7%	22,344	6.7%	- 0 -	12,922	\$2.45	- 0 -
TOTALS	8,234	278,663,185	22,385,146	8.0%	14,068,158	5.0%	(1,290,516)	(4,094,547)	\$1.59	1,713,499

Source: CoStar

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

LEASE TRANSACTIONS 3Q 2024

PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
 5701 Bolsa Avenue Huntington Beach, CA	147,010	Cryogenic Industries, Inc.	Citation II	Dave Hunsaker, Chuck Noble & Phil Fridd represented the Tenant.
 12782 Monarch Street Garden Grove, CA	108,981	N&A Enterprises, Inc.	Rexford Industrial Realty LP	Brad Schneider represented the Tenant.
 12393 Slauson Avenue Whittier, CA	52,360	Equipmentsshare.com	Oliaie Slauson LLC	Steffan Morris & Bobby Martinez represented the Tenant.

SALE TRANSACTIONS 3Q 2024

PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
 6749 Top Gun Street San Diego, CA	35,980	Fund III Lift Real Estate LLC	Ingold Family Investments, LLC	Dale Camera, Jason Helmick, Zach Schwaner, Greg Pieratt & Alex Weiss represented the Seller.
 11762 Western Avenue Garden Grove, CA	33,580	Freeway Industrial Park	Sandra Alonzo, Steven Strickler & Scott Strickler	Mike Long represented the Buyer.
 3080 S Harbor Santa Ana	30,342	3080 S. Harbor, LLC	The Hahnfeld Family Trust	Greg Diab, Jack Haley & Tom Gilmer represented the Seller.

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