

ORANGE COUNTY

FOURTH QUARTER 2024 INDUSTRIAL MARKET REPORT

VACANCIES CLIMB, RENTS FALL, TENANTS GAIN OPTIONS

Continued softening demand for industrial space drove up the vacancy rate in the last eight quarters from an all-time low of 1.8% to 5.5% as net absorption in 2024 fell to its lowest level in more than a decade. Additionally, overall rental rates continued to tick downward in 2024 while a record was set for available sublet space.

The weakness in tenant activity mirrors aspects of the national picture. Business owners paused expansions in 2023 largely due to lingering supply-chain issues and higher interest rates that reduced home sales and purchases of home improvement materials and appliances. Caution continued to hobble growth plans in 2024 pending the U.S. elections and their effect on tariffs. Leasing activity was down 5.3% for the year but Q4's 2.8 million SF total was off 28% from 2023.

Net absorption in Orange County, whose inventory totals 278 million SF, was negative 1,191,254 SF in Q4 and off 5,269,917 SF for the year. Two of the county's four submarkets - North County and Airport - combined for the largest annual contraction since the 2009 financial crisis. Only the 43.2-million-SF South County market reported absorption and rent gains for 2024.

Overall, asking rents averaged \$1.58 per SF triple net, down 7.6% from a \$1.71 per SF peak a year ago. Availability increased 55% year over year to 23.3 million SF. The volume of second-hand available space jumped 61% from a year ago to a record of nearly 4.5 million SF.

The largest tenant contraction was in the 117.4-million-SF North County submarket. Net absorption in 2024 was negative 3,985,588 SF, the most on record in that submarket of Anaheim, Brea, La Habra, Buena Park, Fullerton, La Palma, Placentia and Yorba Linda. The vacancy rate rose from a record low 1.2% at the end of 2022 to 6.2% and totals 7.3 million SF.

There were 1,287,231 SF added to the 73.2-million-SF Airport submarket in 2024 through a combination of tenants shedding space and the completion of three buildings totaling 808,977 SF.

The Port of Long Beach reported several monthly cargo records in 2024, and there was a 19% year-over-year jump in container traffic through the Port of Los Angeles. Many of the increases were due to contract issues with East and Gulf Coast longshoremen, causing buyers to arrange transit through West Coast ports where ILWU workers approved a six-year contract in 2023.

One of the largest leases of the quarter was third-party logistics provider Weber Distribution's contract for a 137,000-SF, 46-year-old building with 26-foot clear height from the Irvine Company on Alton Parkway, Irvine, to serve a leading ramen noodle maker. Asking rent was \$2.06 per SF.

MARKET FORECAST

Orange County's economy remains on a slowing yet still positive economic trajectory. Chapman University economist Jim Doti said in December that Orange County's taxable sales will be flat in 2025 and the county population will fall by about 10,000 residents. He said residential sales will increase slightly in 2025 but prices will fall about 1%.

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ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	4.0%	4.1%
California Unemployment	5.3%	5.3%
US Unemployment	4.2%	4.1%

Source: EDD

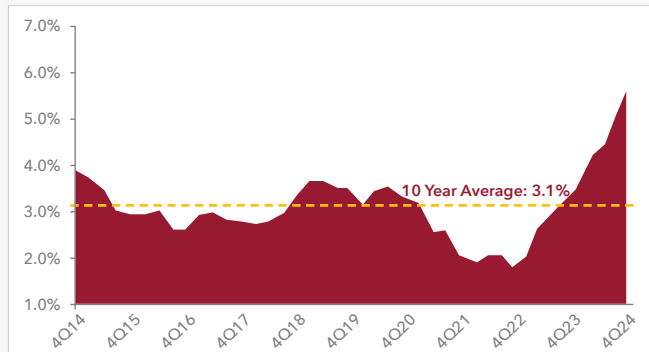
INDUSTRIAL MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	277,654,263	277,529,585
Vacancy Rate (%)	5.5%	5.1%
Net Absorption (SF)	(1,191,254)	(1,319,774)
Average Asking Rent (NNN)	\$1.58	\$1.59
Under Construction (SF)	2,104,205	1,849,715

Source: CoStar

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

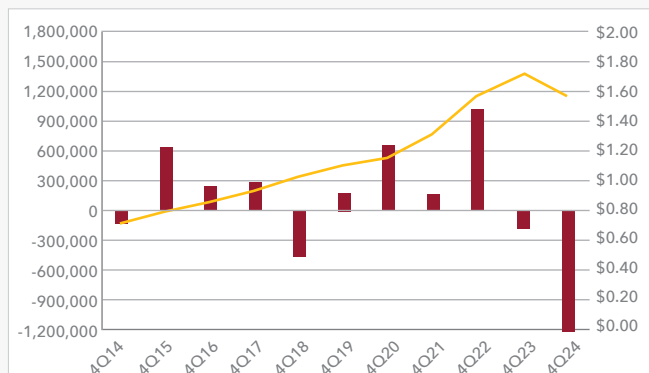
OVERALL VACANCY



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 - 4Q 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	117,437,346	9,956,062	8.4%	7,328,960	6.2%	(814,925)	(3,985,588)	\$1.56	639,954
West	1,328	43,876,674	3,726,818	8.4%	2,326,913	5.3%	(107,835)	(360,912)	\$1.47	390,268
Greater Airport	2,471	73,187,297	5,662,696	7.7%	3,960,285	5.4%	(304,876)	(1,287,231)	\$1.60	308,244
South	1,243	43,152,287	3,961,891	9.0%	1,746,246	4.0%	36,382	363,814	\$1.70	765,739
TOTALS	8,240	277,654,263	23,307,467	8.3%	15,362,404	5.5%	(1,191,254)	(5,269,917)	\$1.58	2,104,205




Source: CoStar

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

LEASE TRANSACTIONS 4Q 2024

PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
 5560 Katella Cypress, CA	215,000	Raymond West	Warland Investments Company	Allen Buchanan & Joshua Harper represented the Tenant.
 12393 Slauson Avenue Whittier, CA	52,360	Equipment Rental Company	Oliaie Slauson, LLC	David Bolt represented the Landlord. Steffan Morris & Bobby Martinez represented the Tenant.
 7901 Deering Avenue Los Angeles, CA	38,640	Equipment Rental Company	7901 Deering - 2003 LLC	Scott Caswell represented the Landlord. Steffan Morris & Bobby Martinez represented the Tenant.

SALE TRANSACTIONS 4Q 2024

PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
 14312 Franklin Avenue Tustin, CA	37,289	Jean Ault	Glyn Harris	Sean Ahern and Bob Griffin represented the Seller.
 12240 E End Avenue Chino, CA	28,622	California Alpha Targeting Therapies, LLC	Accruit LLC as Qualified Intermediary	David Newton represented the Buyer.
 2531 W Woodland Drive Anaheim, CA	10,190	Swedlund 1st Street LLC	O'Dell Scott LLC	Tom Gioia 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

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