1Q25

Orange County Industrial Market Overview

Market Observations

Economy

- U.S. retail sales are healthy but remain below the 20-year average; local industrial leasing activity will remain subdued.
- Orange County's median household income is the highest in Southern California. Its affluent population of 3.2 million is appealing to warehouse occupiers.
- Local industrial-using employment dropped by 140 basis points since last year. Job losses in the manufacturing sector continue to drive down industrial employment.
- Consumer Confidence trended down for the fourth-straight month in March as Americans grappled with still-high inflation and the prospect of higher prices after the Trump Administration introduced new tariffs. This could lead to a deceleration in retail sales in the months ahead, which will slow cargo import volumes. Historically, there is a strong correlation between imports and warehouse leasing activity.

Major Transactions

- The largest deal of the quarter was a pre-lease signed by Anduril for 313,214 SF. The defense company plans to occupy 3100-3120 W Lake Center Drive, a three-building, office-to-industrial development owned by C.J. Segerstrom & Sons. The project is expected to deliver in 2026.
- Walt Disney acquired a two-building industrial property in Anaheim for $124 million, marking the largest sale of the quarter. The 406,787-SF property, located at 1501-1601 E Cerritos Ave, was occupied by Disney under an existing leasehold at the time of sale.
- New York Life Insurance paid $92 million for a 218,648-SF distribution facility in Brea. The property, located at 3300 E Birch St, is a Class A facility built in 2016 and is fully leased. The deal was brokered by Newmark.

Leasing Market Fundamentals

- Current leasing activity is slow relative to 2021-2022 when demand was at a peak.
- Net absorption was negative for the ninth consecutive quarter, falling just under the zero line to -71,869 SF. Two large move-outs by Shaw Flooring (272,897 SF) in Cypress and Tropitone Furniture (200,648 SF) in the Irvine Spectrum are contributors.
- Vacancy (4.7%) is 260 basis points higher than it was two years ago but remains well below the peak of 6.8% seen during the Global Financial Crisis (reached in 2010). Orange County's vacancy is among the lowest across the Southwest region.
- After experiencing rapid growth and reaching an all-time high of $1.65/SF NNN two years ago, asking rents dropped to $1.55/SF NNN.
- Under-construction activity decreased to 2.0 MSF after five projects totaling 781,142 SF delivered, bringing pre-leasing levels to 9.0% of overall construction.

Outlook

- Rent declines will be slower than neighboring markets, due to Orange County's smaller inventory set, and its high-earning consumer base that is attractive to all final-mile distributors. These factors also appeal to developers and investors.
- Vacancy will increase in the quarters ahead as some tenants enact cost-cutting measures and new speculative construction delivers vacant.
- Sales activity is expected to fluctuate as investors contend with the current economic climate.
- The U.S. economy faces growing uncertainty after the Trump Administration introduced a wave of tariffs this quarter, with more to potentially follow. Businesses tend to adopt a wait-and-see approach during periods of volatility, which can dampen near-term leasing activity.

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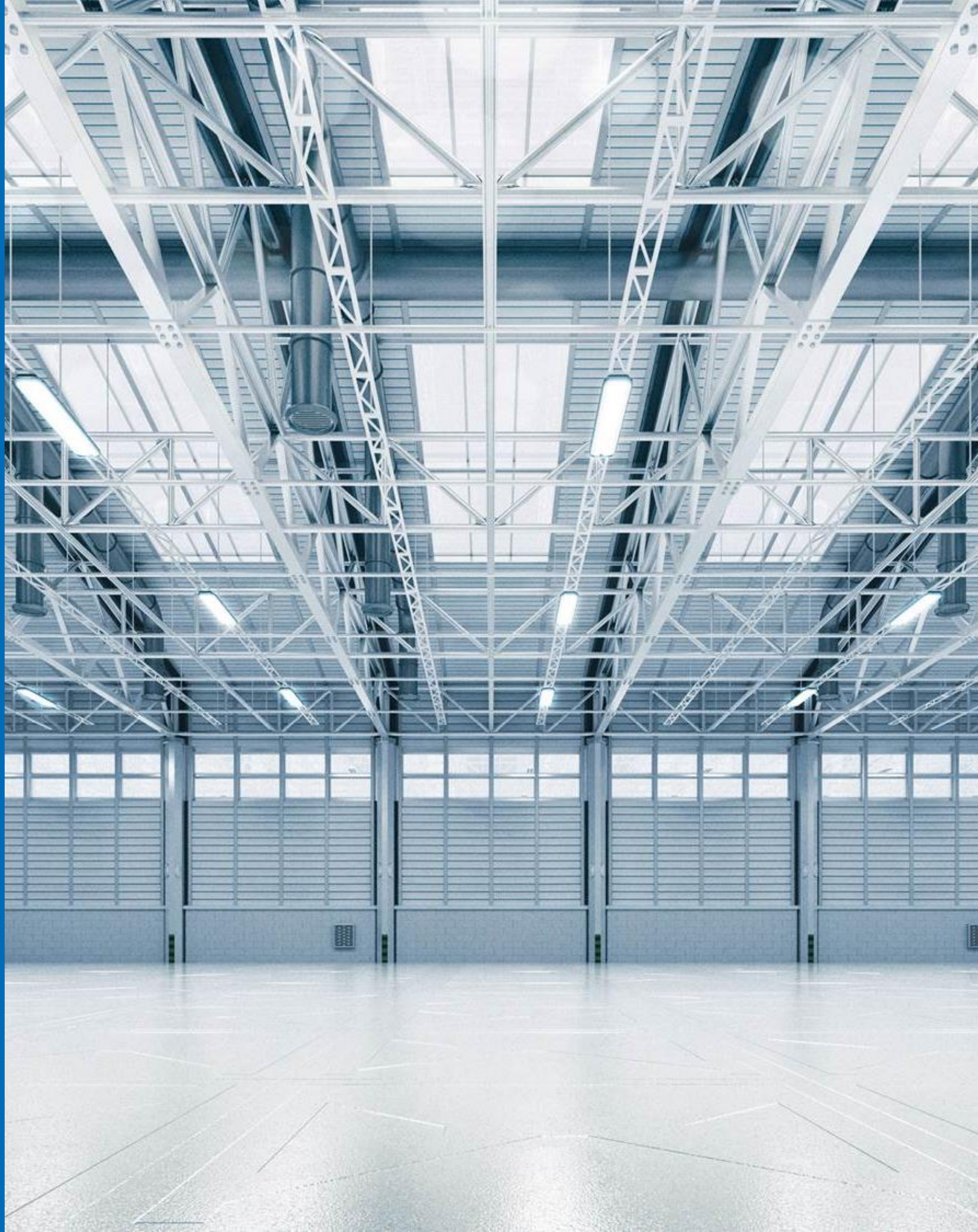
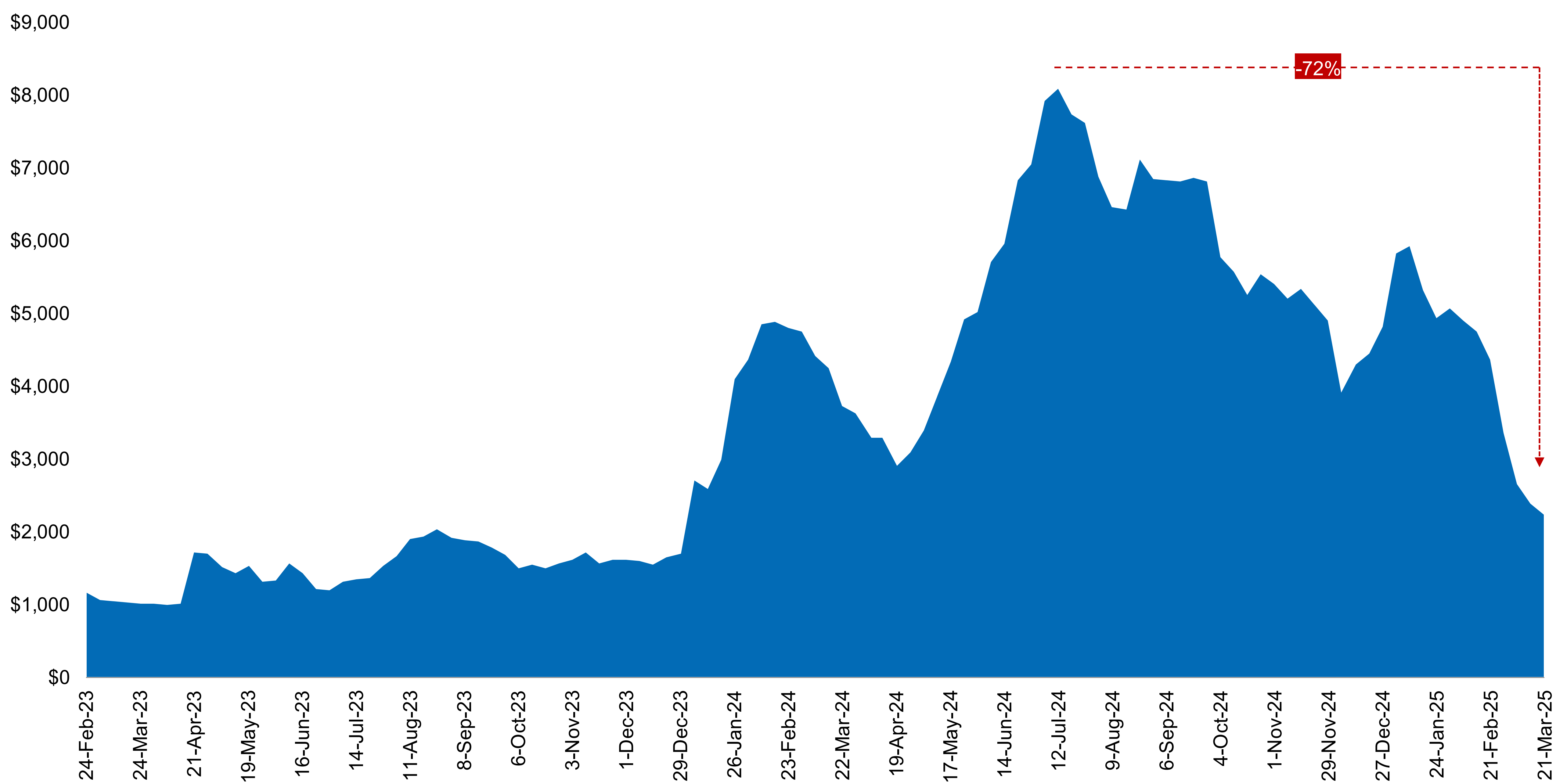
Economy



Ocean Container Spot Rates Are Coming Down

Spot rates are cooling after 1) U.S. Gulf and Eastern Seaboard dockworkers signed a new six-year contract and 2) The Trump Administration introduced additional tariffs on Chinese goods. Rates will slide further if U.S. consumer spending decelerates.

Ocean Container Spot Rates from China/East Asia to North America's West Coast

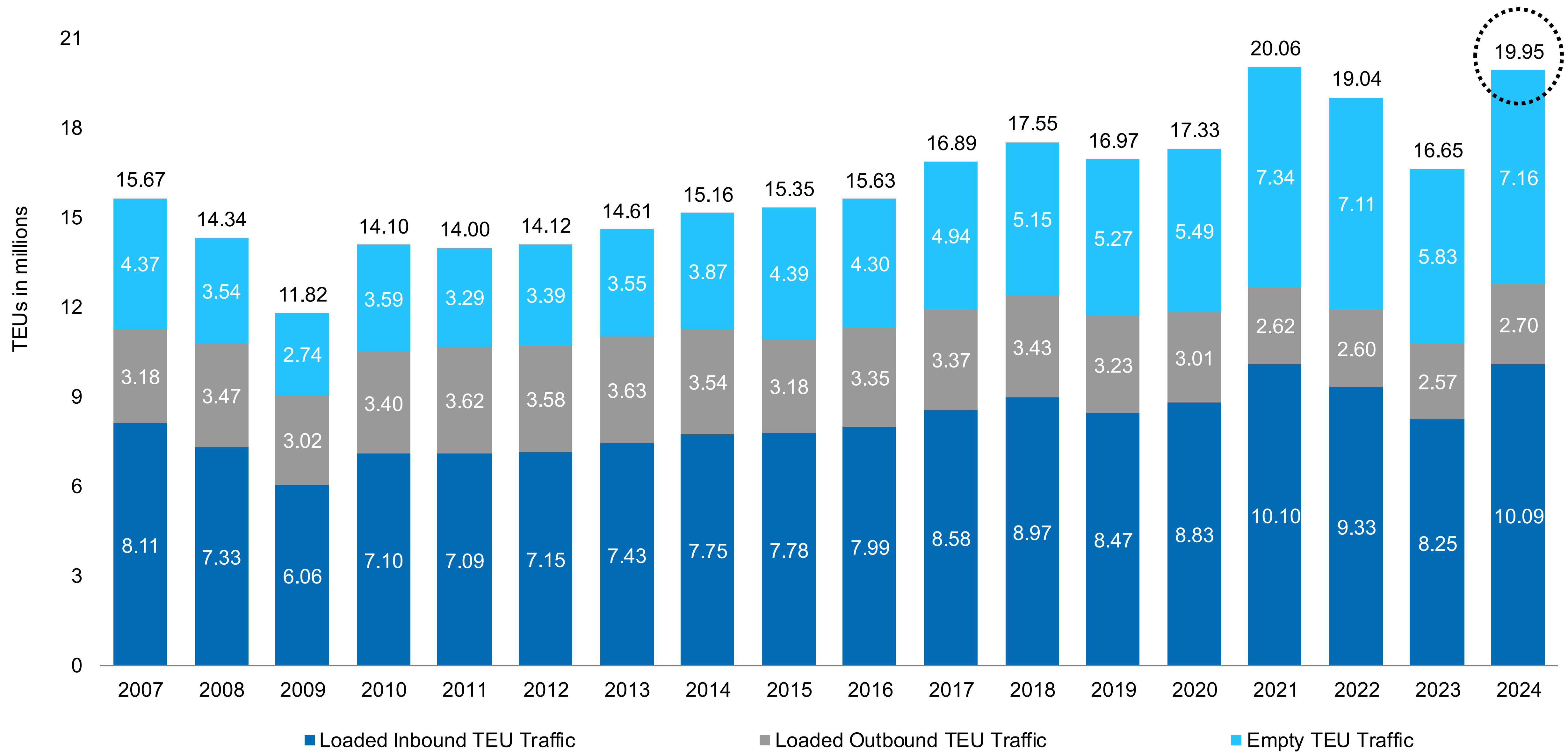


Source: Freightos, Newmark Research
Note: A spot rate is a one-time rate based on supply and demand, or shipment volume compared to available equipment. Because spot rates reflect current market conditions, they fluctuate continually. So, when load volumes are high and capacity is limited, pricing tends to increase.

Southern California's Ports: 2024 Was the Second Busiest Year on Record

The inflated growth of 2021-2022 (due to strong retail sales from stay-at-home measures, government stimulus and distributors stockpiling goods) has passed. Southern California's ports then contended with an influx of imports in 2024 due to (now-resolved) labor contract negotiations with Gulf and East Coast dockworkers and the frontloading of cargo as a hedge against potential tariffs.

The Ports of Los Angeles and Long Beach: Combined TEU Volume | Loaded Imports, Loaded Exports and Empty Containers | By Year

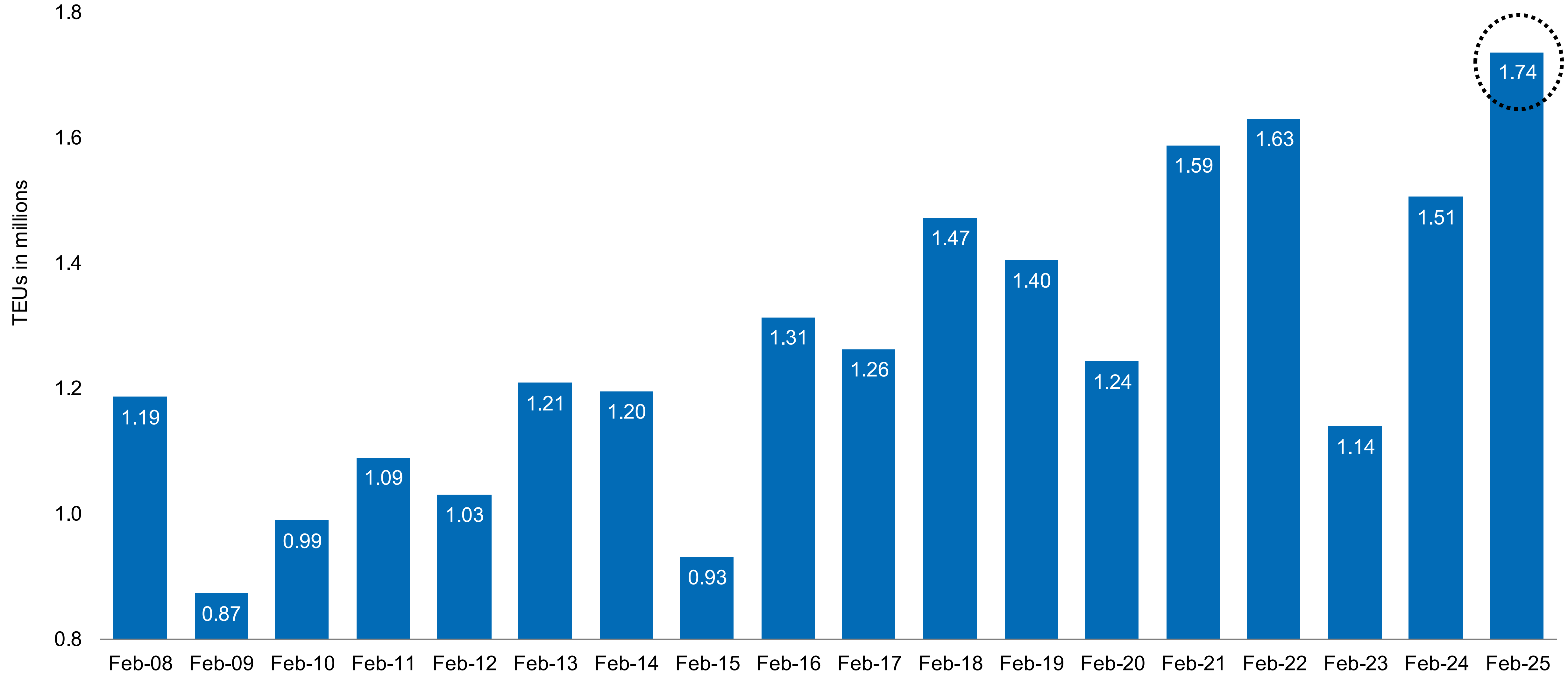


Source: Newmark Research, The Port of Long Beach and Los Angeles
Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size.

Loaded Import Volume in the First Two Months of 2025 Was Highest on Record

Import activity is expected to decelerate amid President Trump's new (and potentially escalating) tariffs. Resolved labor concerns at U.S. Gulf and East Coast ports is another factor.

The Ports of Los Angeles and Long Beach: Loaded Imports | First Two Months of a Given Year



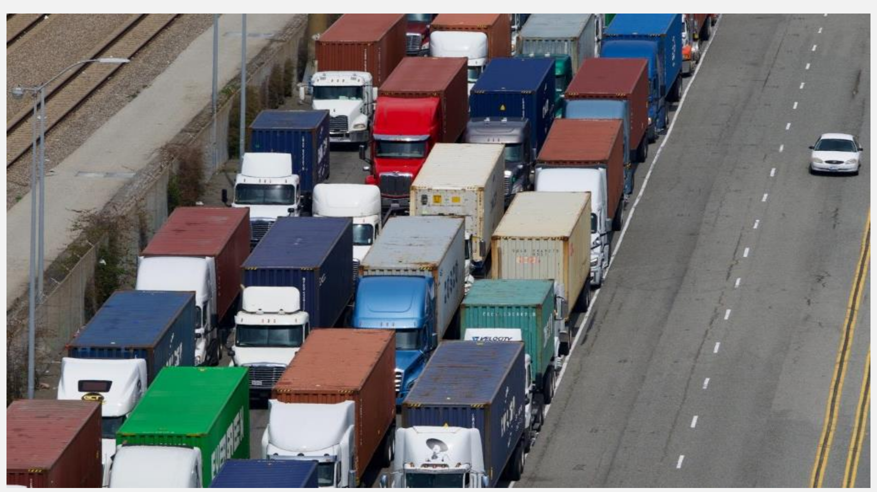
Source: Newmark Research, The Port of Long Beach and Los Angeles
Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size.

West Coast Dockworkers Signed a New Contract in 2023; Their Eastern Counterparts Just Settled

The ILWU and PMA signed a new labor contract in September 2023, restoring a sense of much-needed stability at U.S. West Coast seaports through late 2029. For Gulf and East Coast Ports: After a contentious negotiation period since late 2023 (that gave shippers the jitters—causing some imports to be rerouted to western ports of entry), a Master Contract between the ILA and USMX was finally signed, restoring stability.

West Coast Ports Agreement Reached; New Contract Good Through Mid-2028

- The International Longshore Warehouse Union (ILWU) represents dockworkers at 29 ports from Washington State to California. The Pacific Maritime Association (PMA) represents ocean carriers and terminal operators.
- The prior contract expired on July 1, 2022.
- The ILWU has a history of work disruptions in prior negotiation periods, ranging from strikes, to deliberate work slowdowns to under-staffing shifts.
- These disruptions have cost major retailers billions of dollars in the past.
- A tentative agreement was reached on June 15, 2023 for what became a new six-year contract. Longshore workers secured a 32% salary increase.
- Many Asian importers temporarily pushed inbound goods to East and Gulf Coast ports before an agreement was reached.



Gulf and East Coast Ports Strike a Deal in March 2025

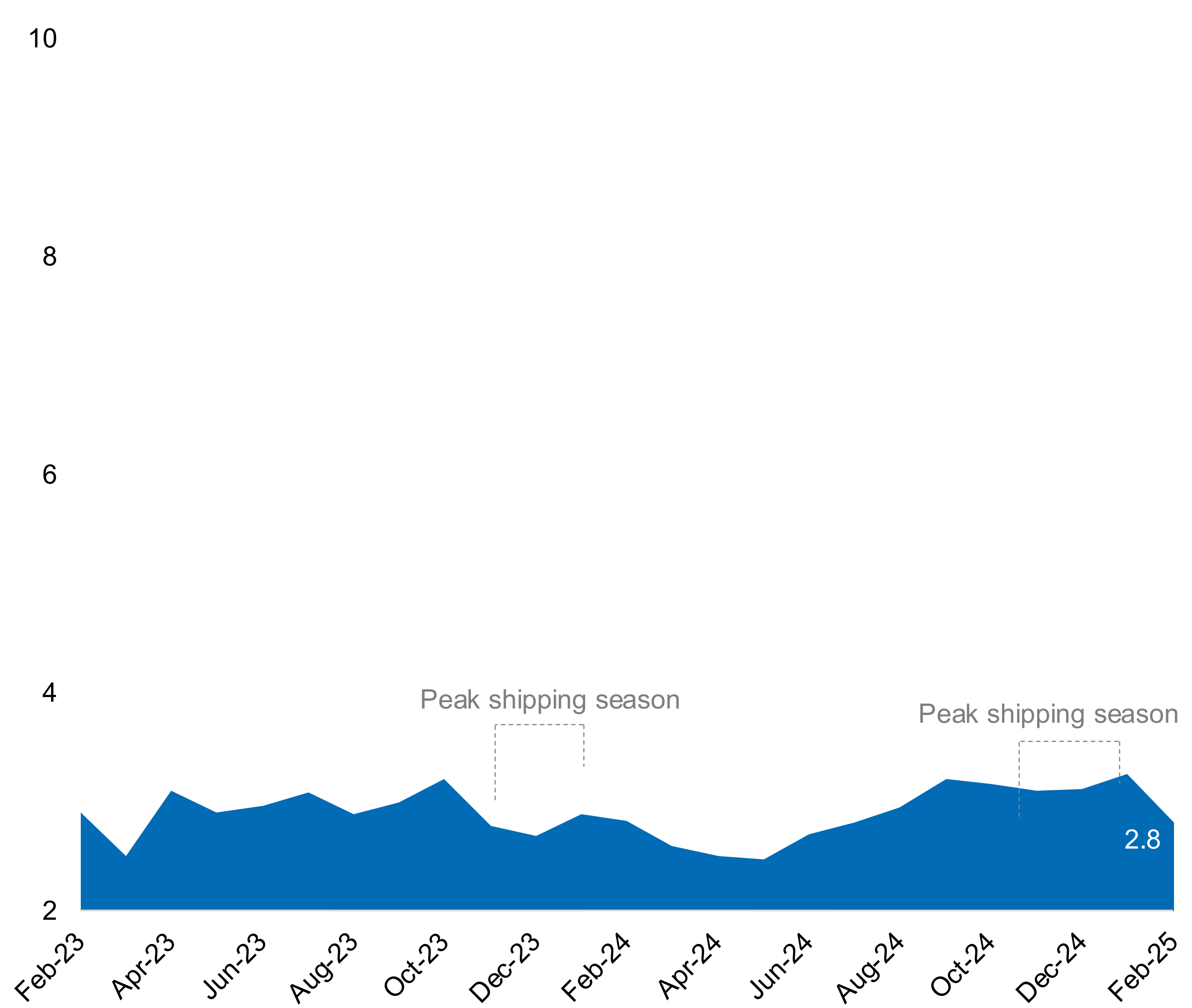
- The International Longshoremen's Association (ILA) represents dockworkers at 36 ports from Maine to Texas. The United States Maritime Alliance (USMX) represents ocean carriers and terminal operators.
- Their last contract expired on September 30, 2024.
- Harold Daggett, International President of the ILA, initiated a strike on October 1, 2024 that ended two days later.
- A new six-year Master Contract was signed on March 11, 2025. It is effective from October 1, 2024 through September 30, 2030.
- Job protection from automation and higher pay (a 62% wage increase over six years) for longshore workers are highlights from the new contract.
- Imports that were temporarily diverted to western ports of entry will return.

Source: Newmark Research, CNBC, Journal of Commerce, Reuters

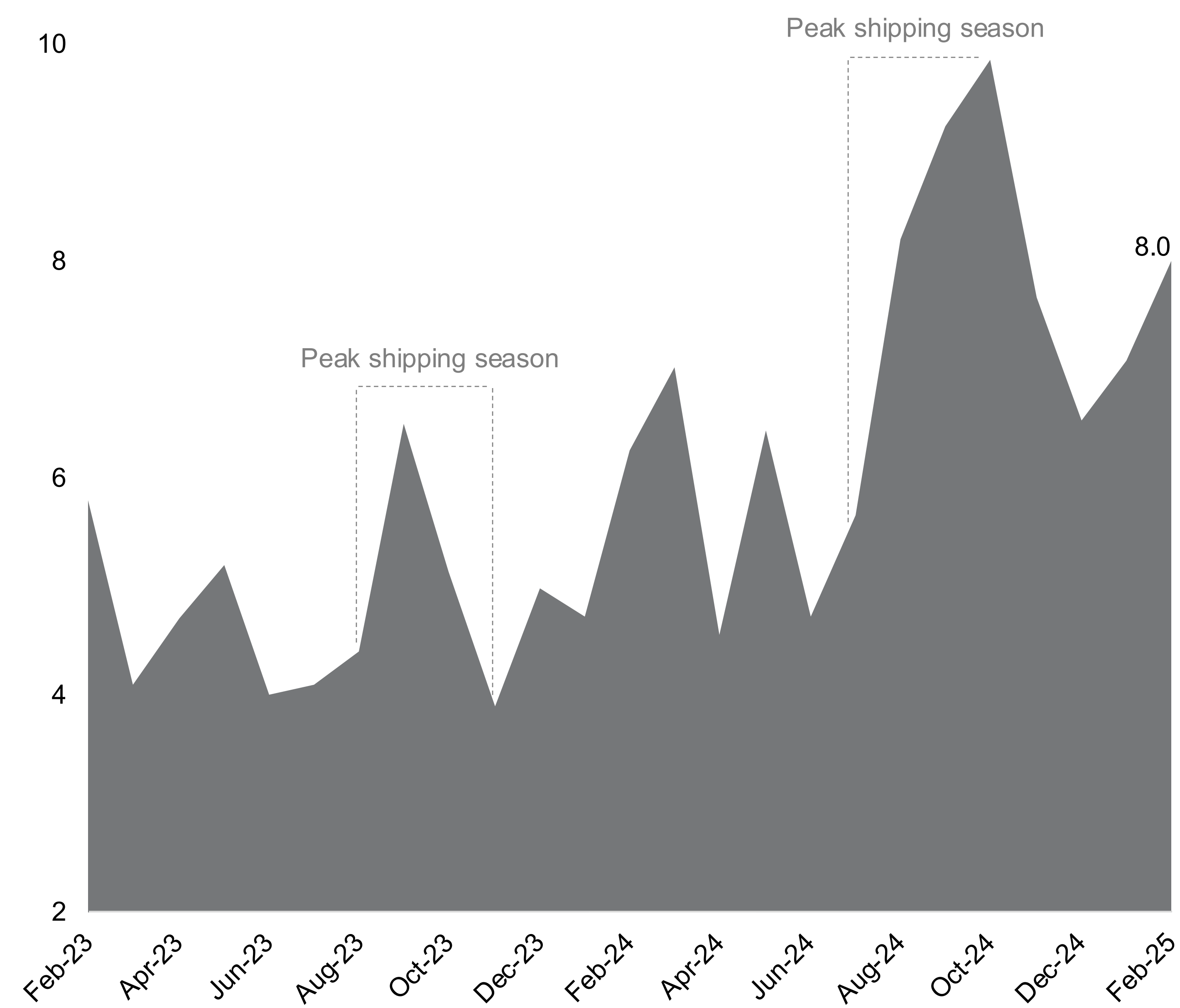
Rail Dwell Times Remain Elevated—For Now

A boost in imports to Los Angeles-Long Beach (due to ILA labor concerns) drove an increase in eastbound intermodal train movement and, at times, strained network capacity. In other words, a fair share of the import traffic at The Ports of Los Angeles and Long Beach consisted of goods that were just passing through to other U.S. markets. Truck dwell times would be much higher if all imports were destined for Southern California's warehouses. Rail dwell times will normalize, following the new ILA-USMX Master Contract.

Truck-Bound Cargo Dwell Time (in Days) | Ports of Los Angles and Long Beach



Rail-Bound Cargo Dwell Time (in Days) | Ports of Los Angles and Long Beach

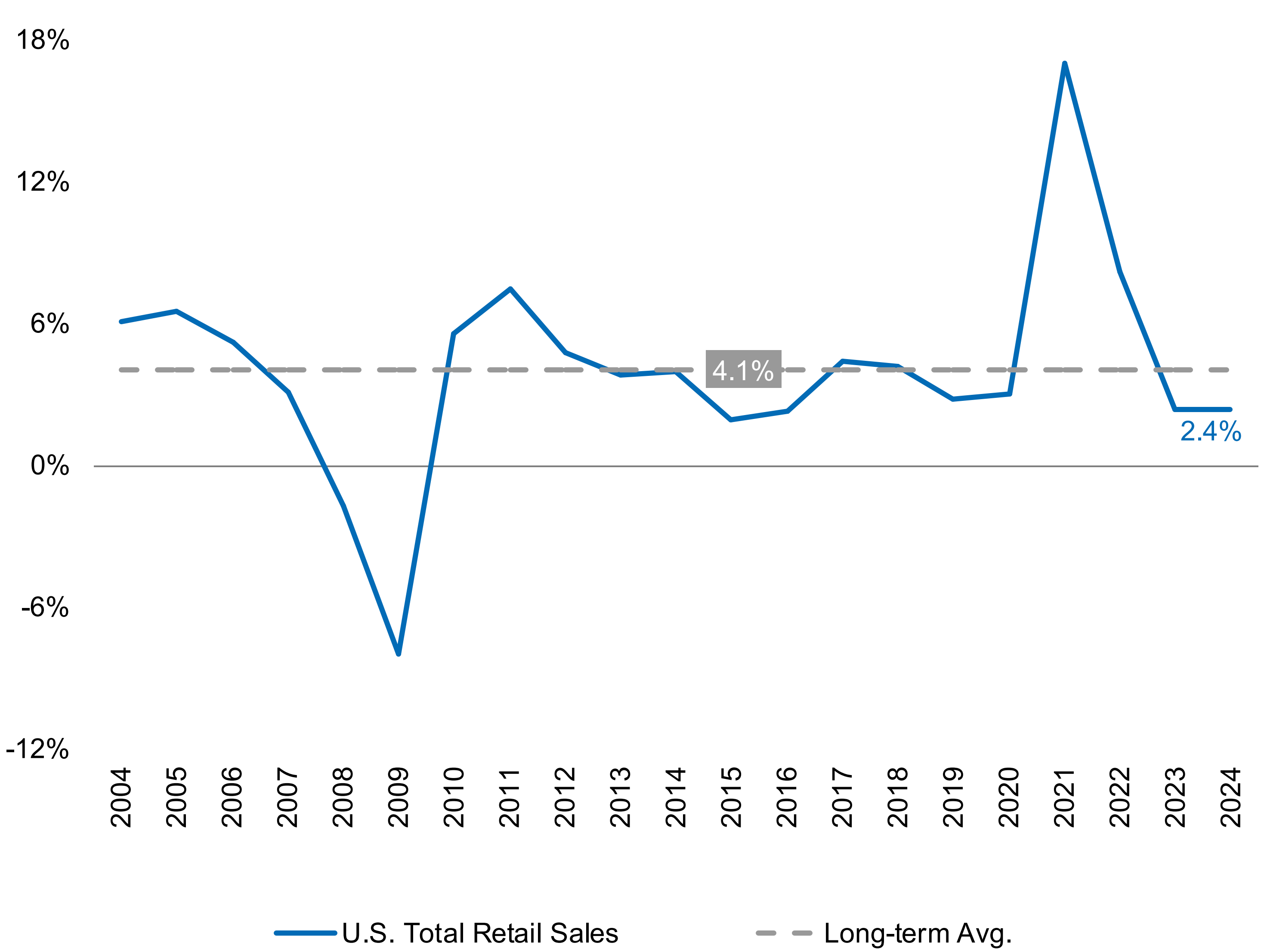


Source: Newmark Research, The Pacific Merchant Shipping Association (PMSA)
Note: Truck-bound cargo dwell time measures how long cargo waits after being unloaded from ships to being placed on an outbound vehicle.

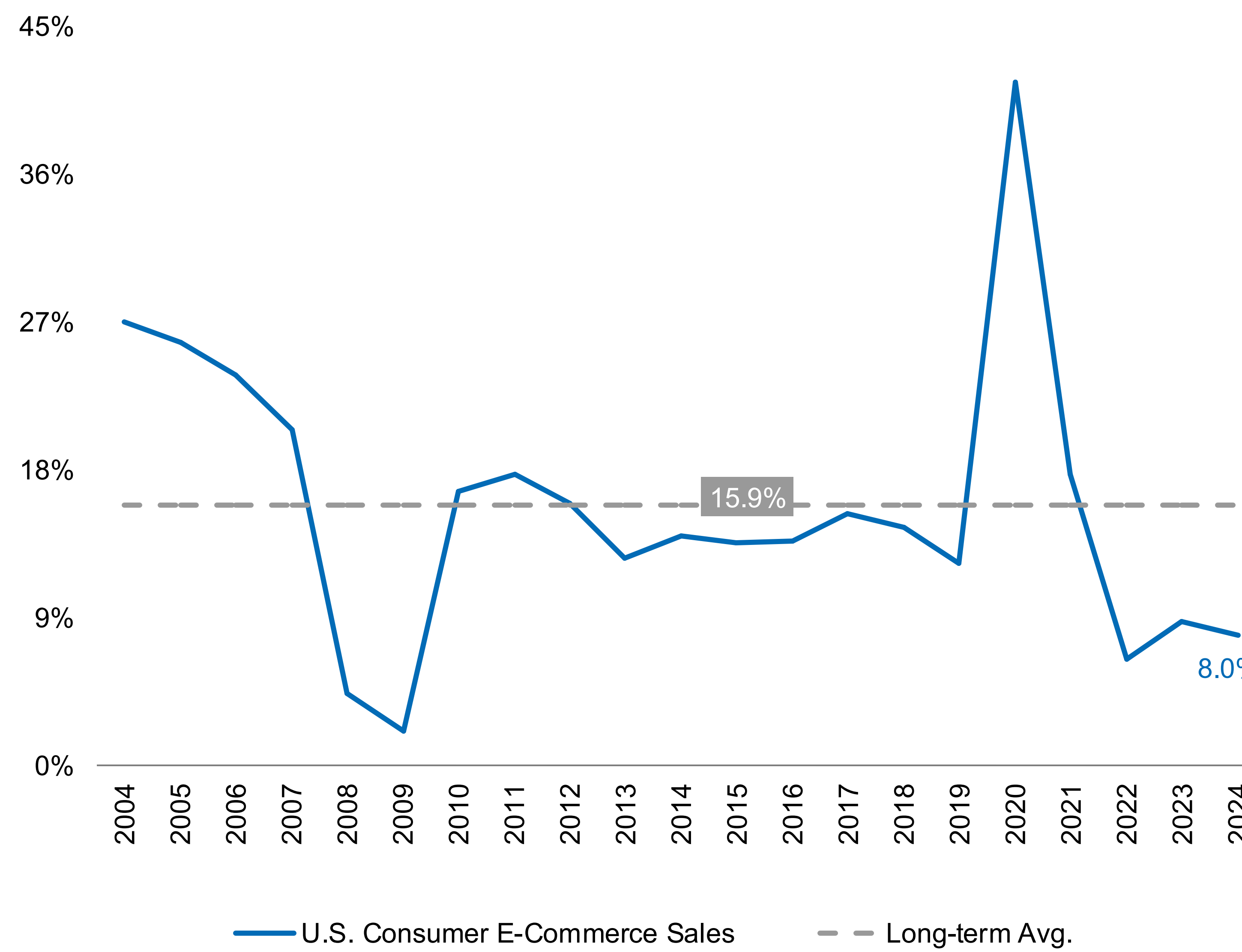
Retail Sales (an Indicator of Warehouse Demand) Continue to Moderate

Consumer e-commerce sales were up 2.4% in 2024 relative to 2023. Although e-commerce sales growth exceeded total retail sales (+8.0% over the same period), the decline from 2021 onward is noticeable as consumer spending registers slower gains. Economists are lowering their retail growth projections due to economic uncertainty from tariffs.

U.S. Overall Retail Sales Annual Growth



U.S. Consumer E-Commerce Sales Annual Growth

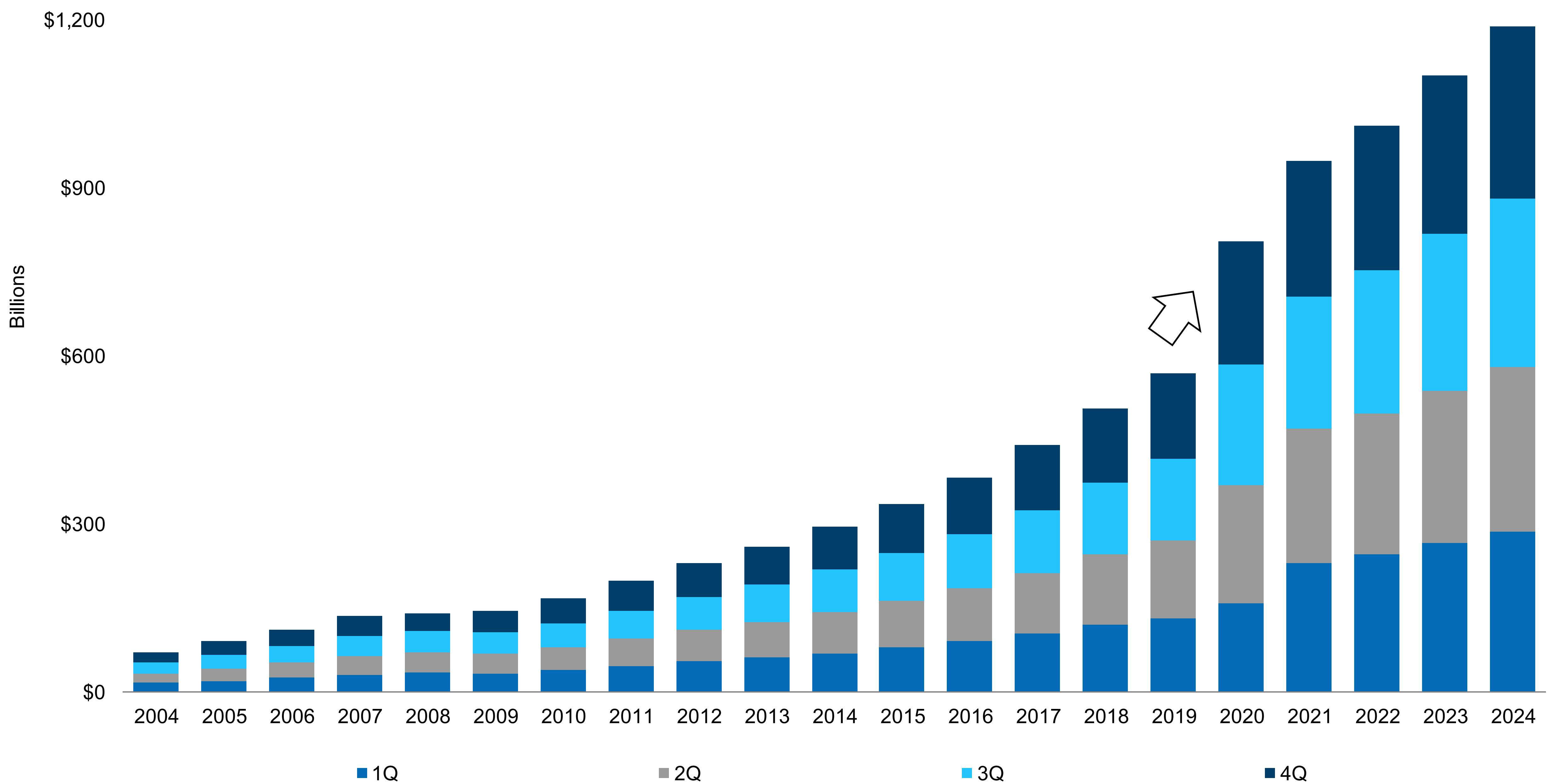


Source: US Census Bureau (consumer adjusted retail sales); most current data available

The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

Every $1.0 billion in e-commerce sales is supported by roughly 1.2 MSF of logistics space. More e-commerce facilities are to be expected, especially in markets with large populations.

U.S. Consumer E-Commerce Sales Volume | By Quarter

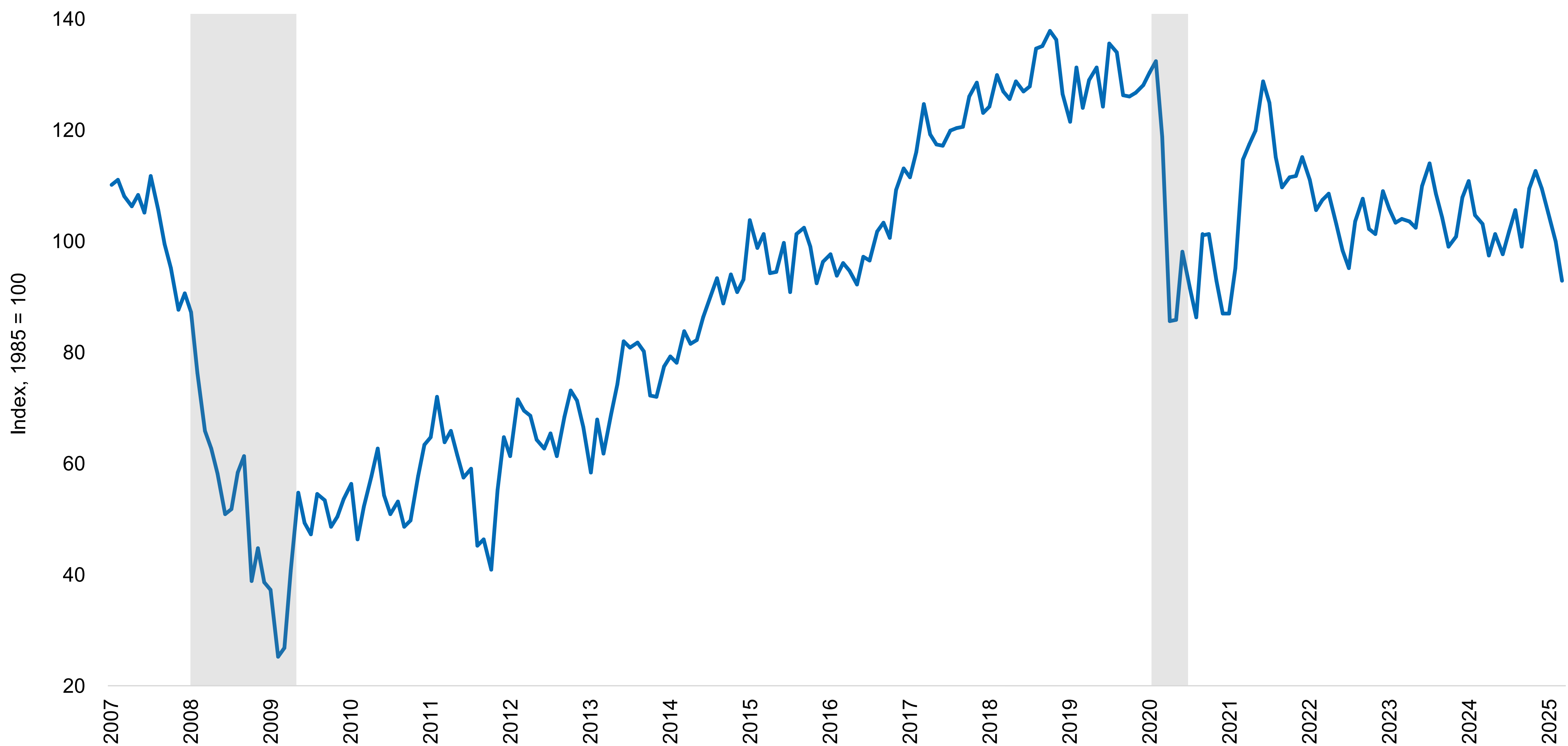


Source: US Census Bureau (consumer adjusted retail sales); most current data available.

U.S. Consumer Confidence Dropped for Fourth-Straight Month

March 2025's reading (92.9) is the lowest level in four years, with households fearing a recession in the future and higher inflation due to tariffs. Several big-box retailers have warned of higher prices and are bearish on their near-term earnings outlooks.

U.S. Consumer Confidence Index

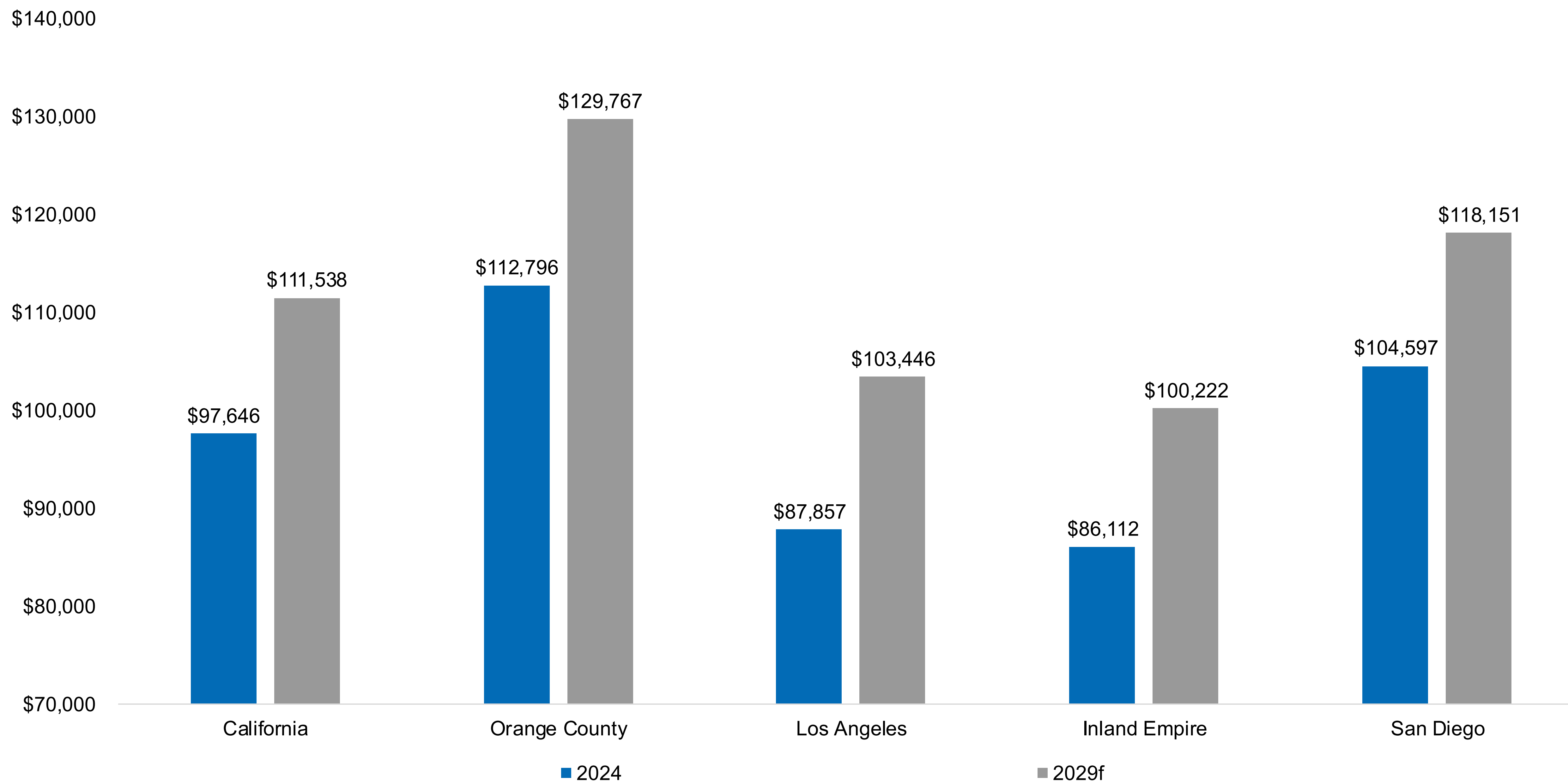


Source: U.S. Bureau of Labor Statistics, The Conference Board
Note: Shaded areas indicate U.S. recessions

Orange County Median Household Income Highest in Southern California

Orange County's affluent population continues to attract major industrial players to fill the growing demand for last-mile e-commerce delivery facilities in the supply-constrained market.

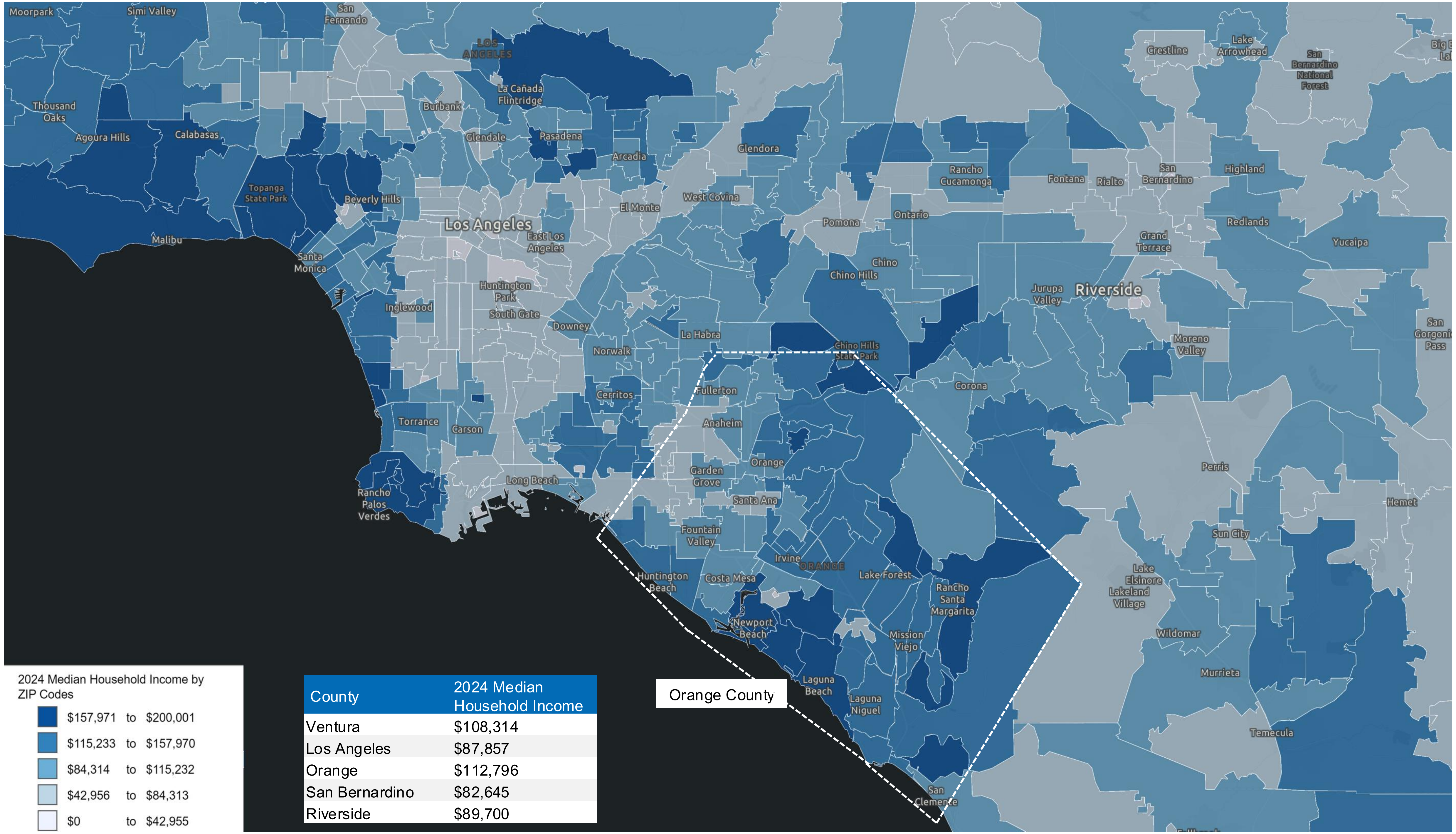
Southern California Median Household Income: 2024 vs. 2029 Projections



Source: Newmark Research, ESRI

Orange County is the Most Affluent County in Southern California

Across the greater map: median household incomes are generally higher in coastal and foothill communities.



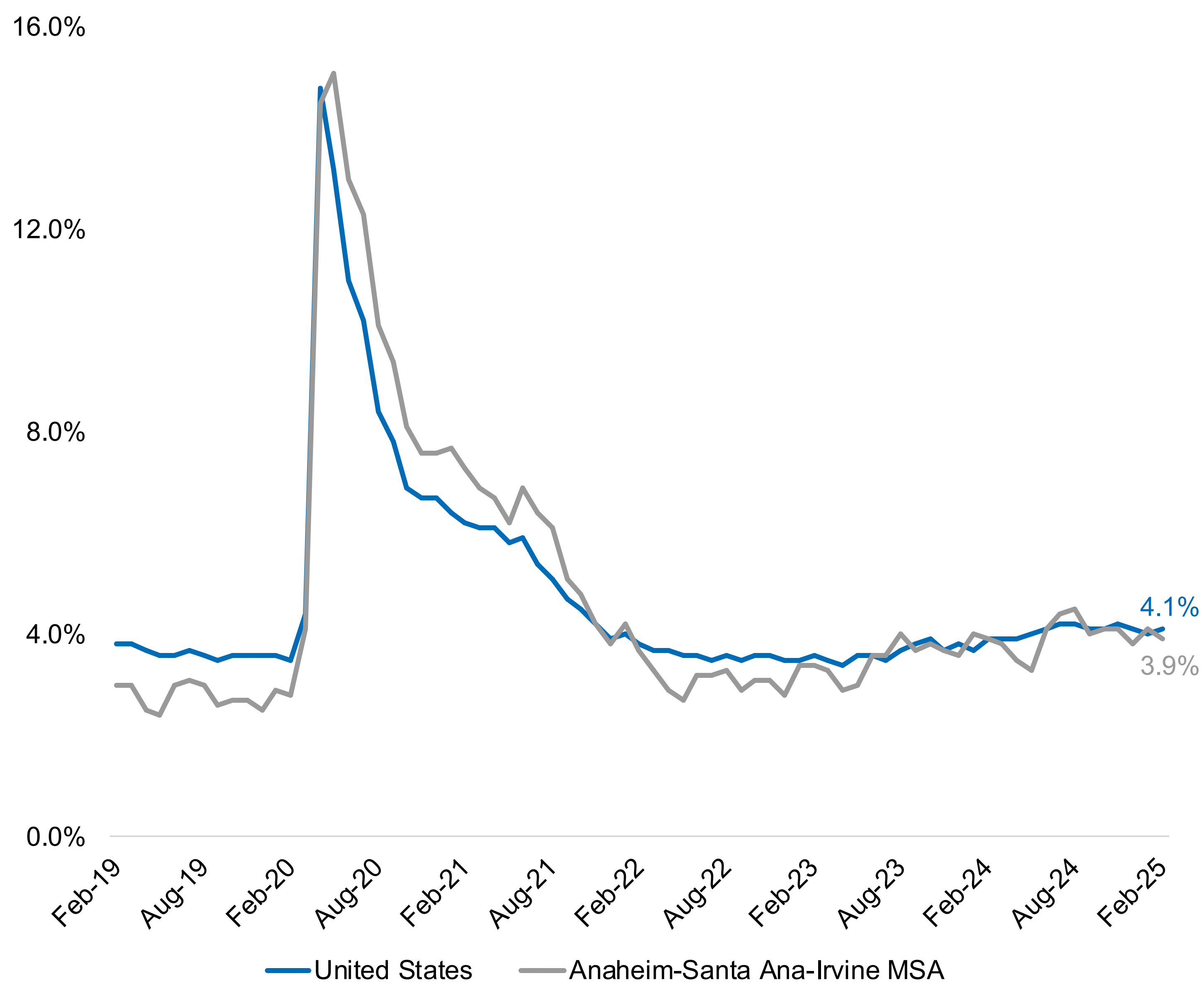
County	2024 Median Household Income
Ventura	$108,314
Los Angeles	$87,857
Orange	$112,796
San Bernardino	$82,645
Riverside	$89,700

Source: Newmark Research, ESRI

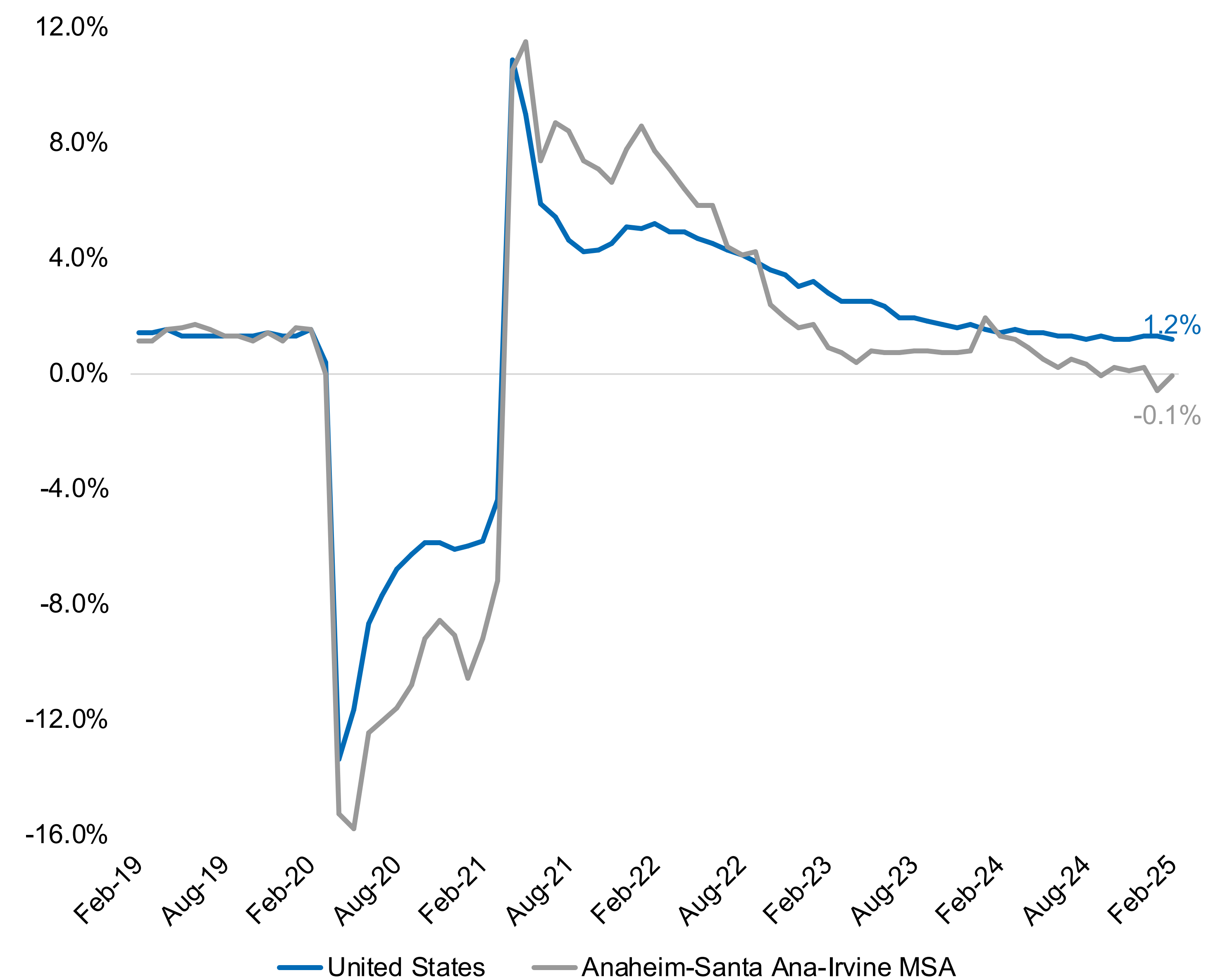
Local Employment Growth Is Stagnant

After reaching a three-year peak of 4.5% in August, local unemployment dropped 60 basis to 3.9% in February while year-over-year nonfarm employment growth has plateaued. In the months ahead, unemployment will continue to fluctuate as companies grapple with the uncertainty surrounding the economy.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month% Change

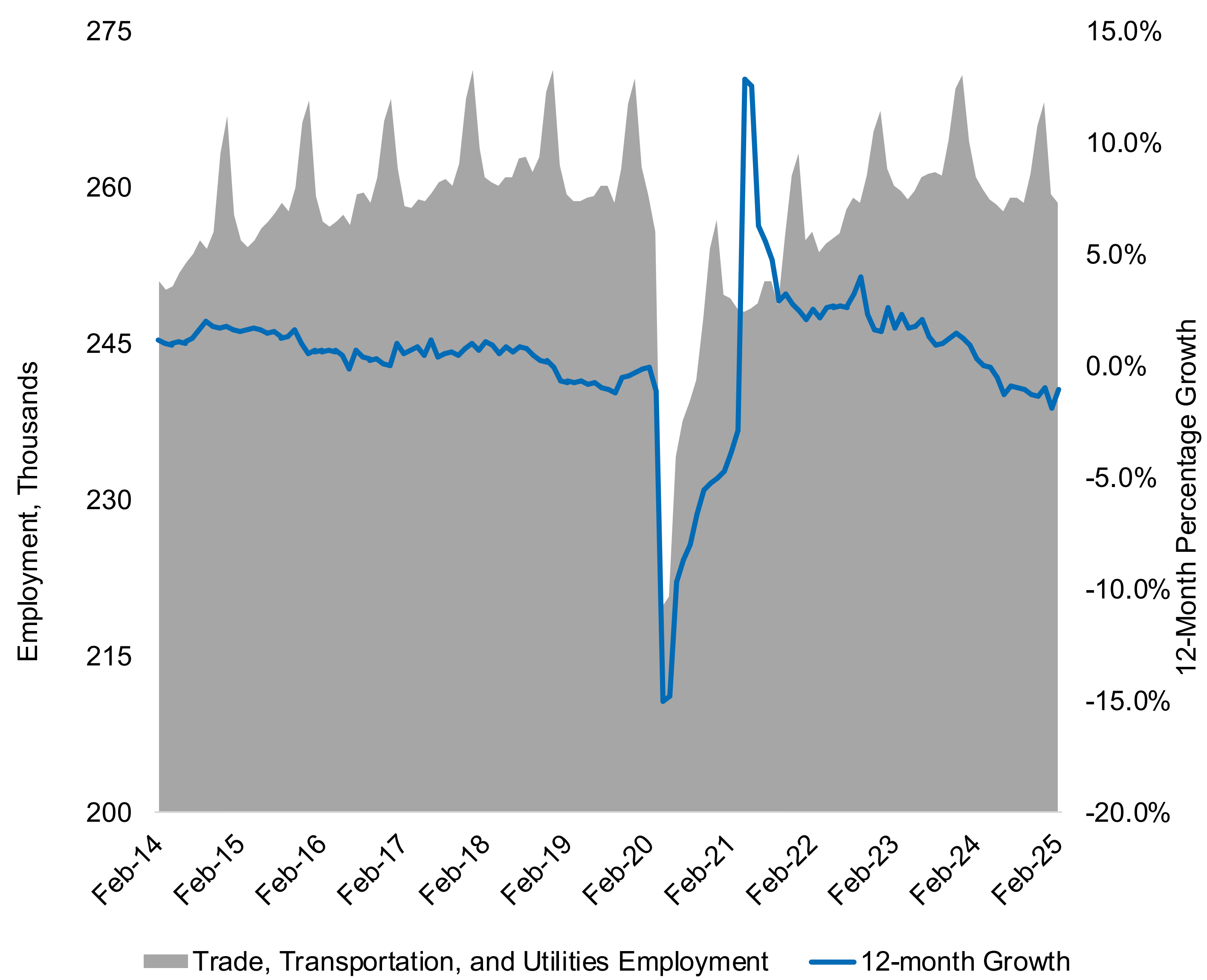


Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA
Note: February 2025 data is preliminary.

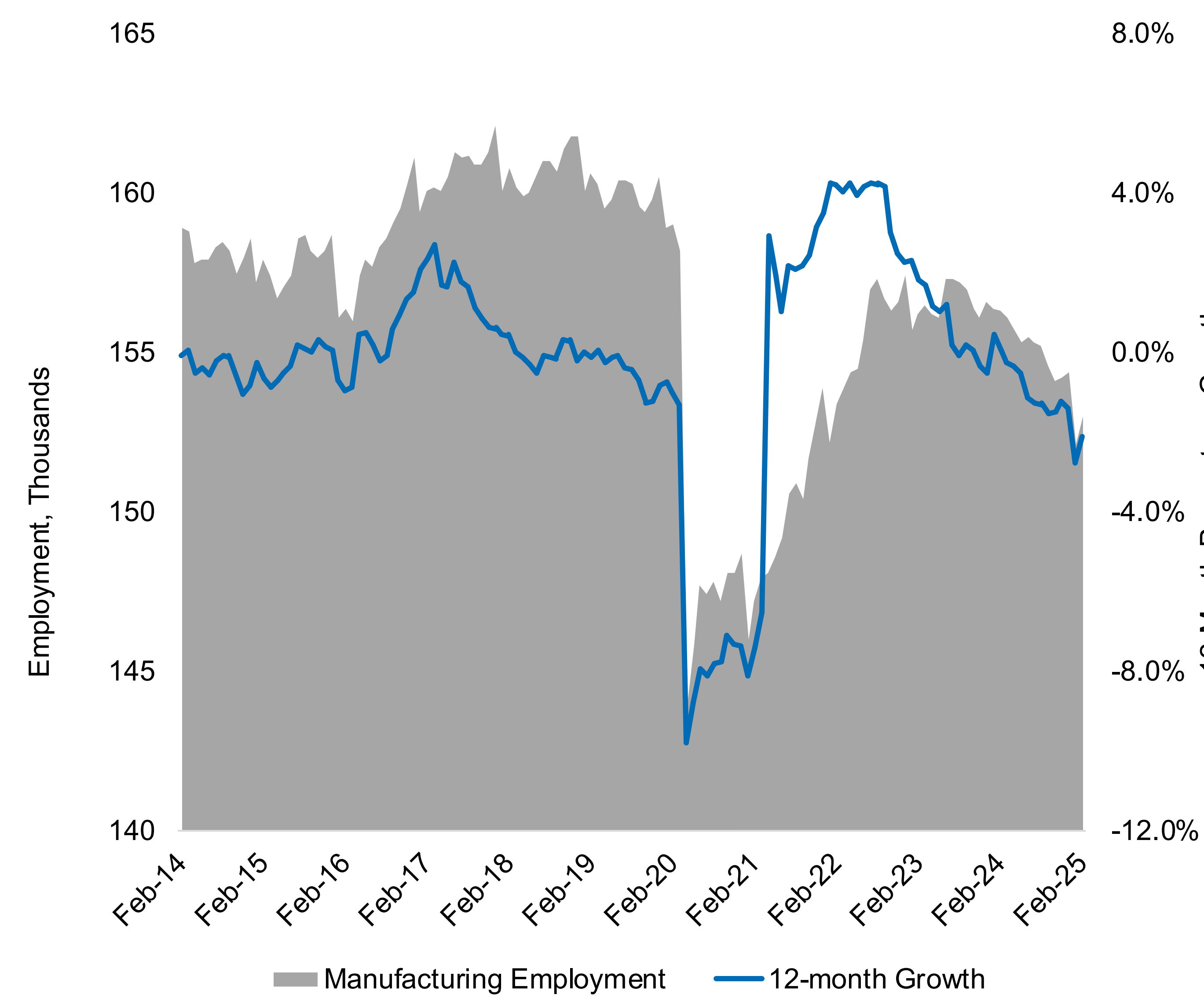
Manufacturing Sector Driving Down Industrial Employment

The trade/transportation/utilities sector continues to follow a cyclical pattern where local employment peaks in November ahead of the holiday season and drops gradually in the first half of the following year. A spate of plant closures has contributed to a continued decline in manufacturing employment over the last 12 months. Given the regionally disadvantageous costs of doing business in California, it is unlikely that the county will recoup these job losses anytime soon.

Trade/Transportation/Utilities Employment and 12-Month Growth Rate



Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine MSA
Note: February 2025 data is preliminary.

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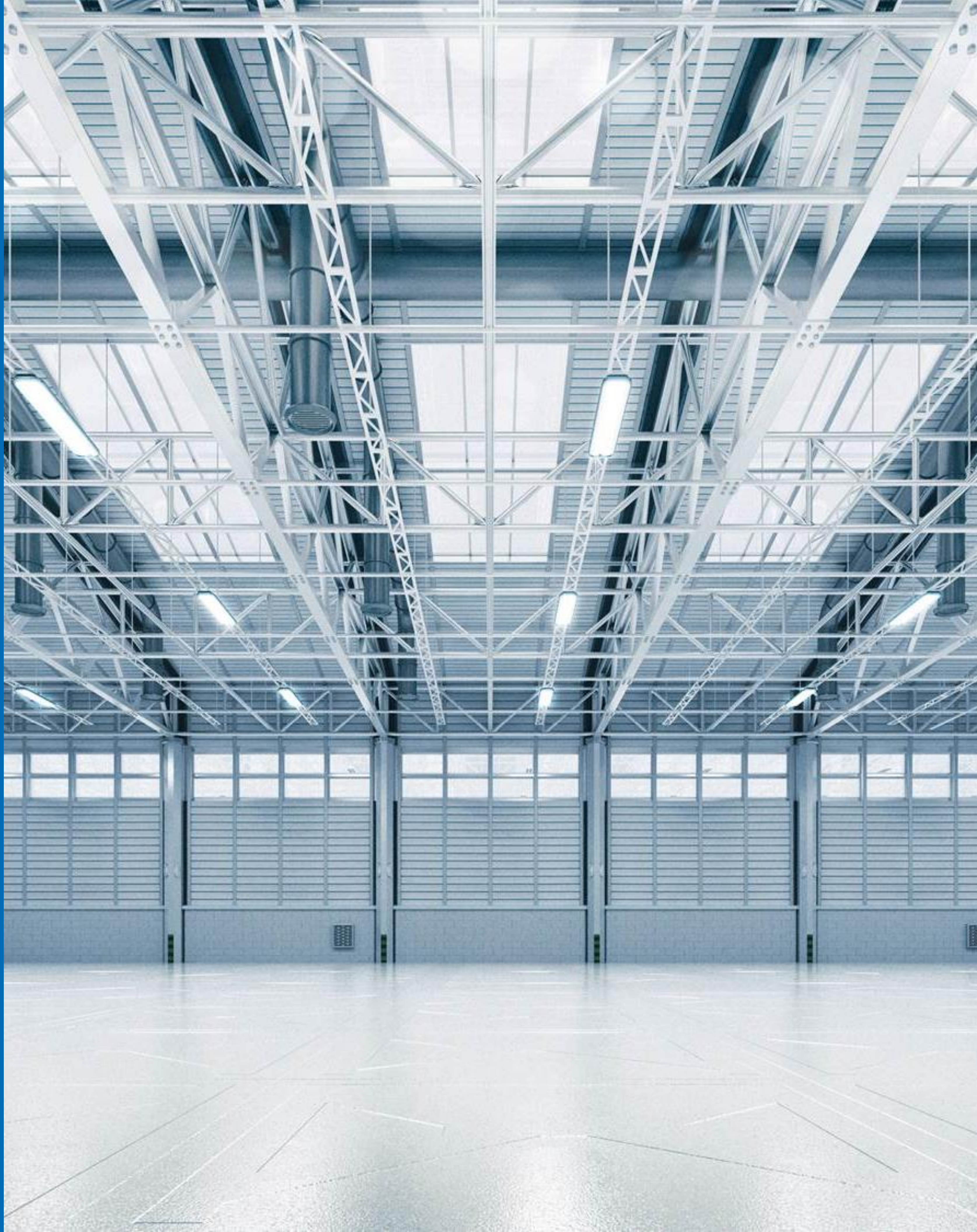
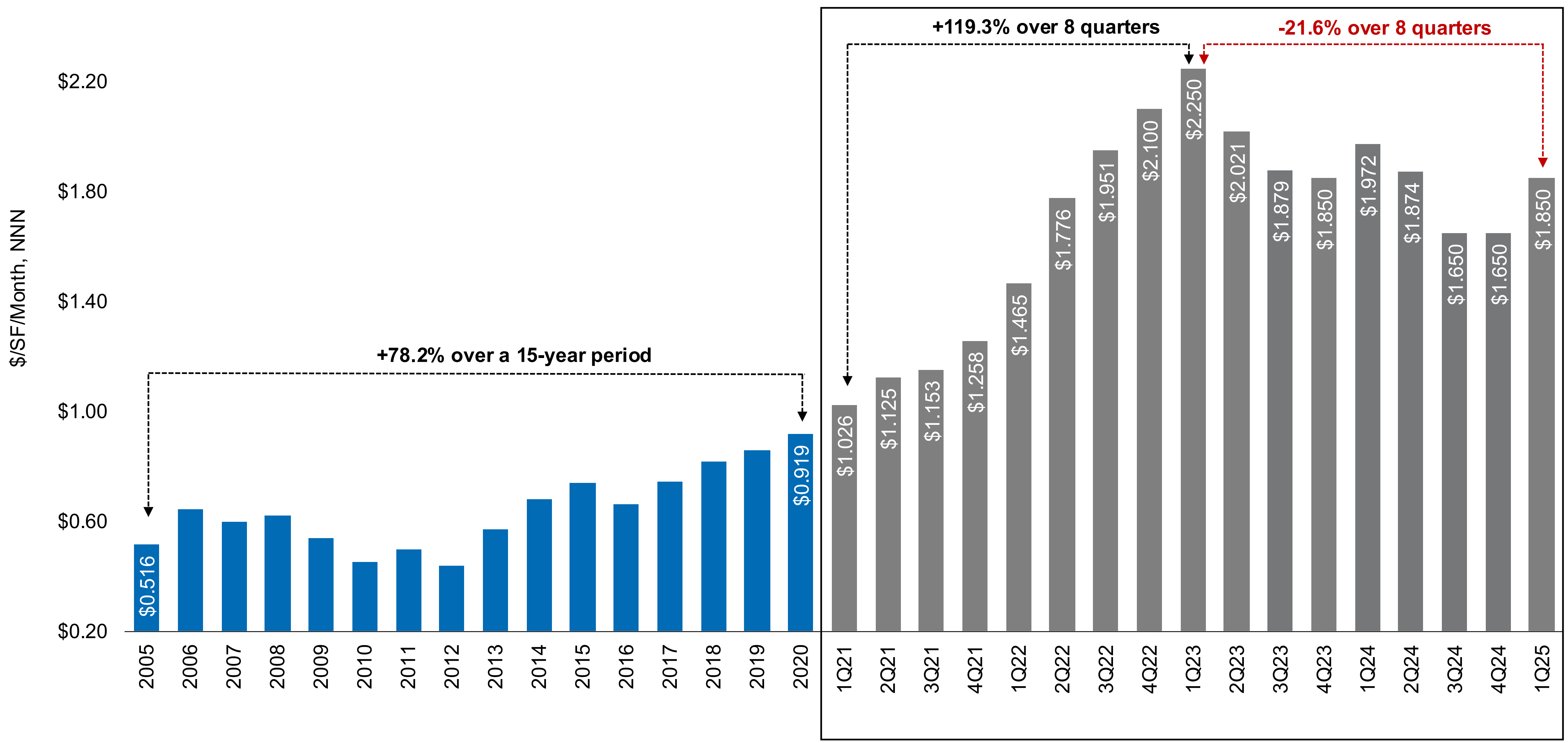
Leasing Market Fundamentals



Contract Rents Continue to Adjust

Generally, rents are softening as landlords compete for tenants amid a slower leasing environment, sublease space and new speculative construction deliveries. The increase in the first quarter of 2025 is largely attributed to Anduril committing to a build-to-suit facility in Irvine with a contract rent close to the mid-$2s.

Orange County: Average Weighted Contract Rent for Warehouse Leases: 20,000+ SF SF | 30'+ Clear Facilities

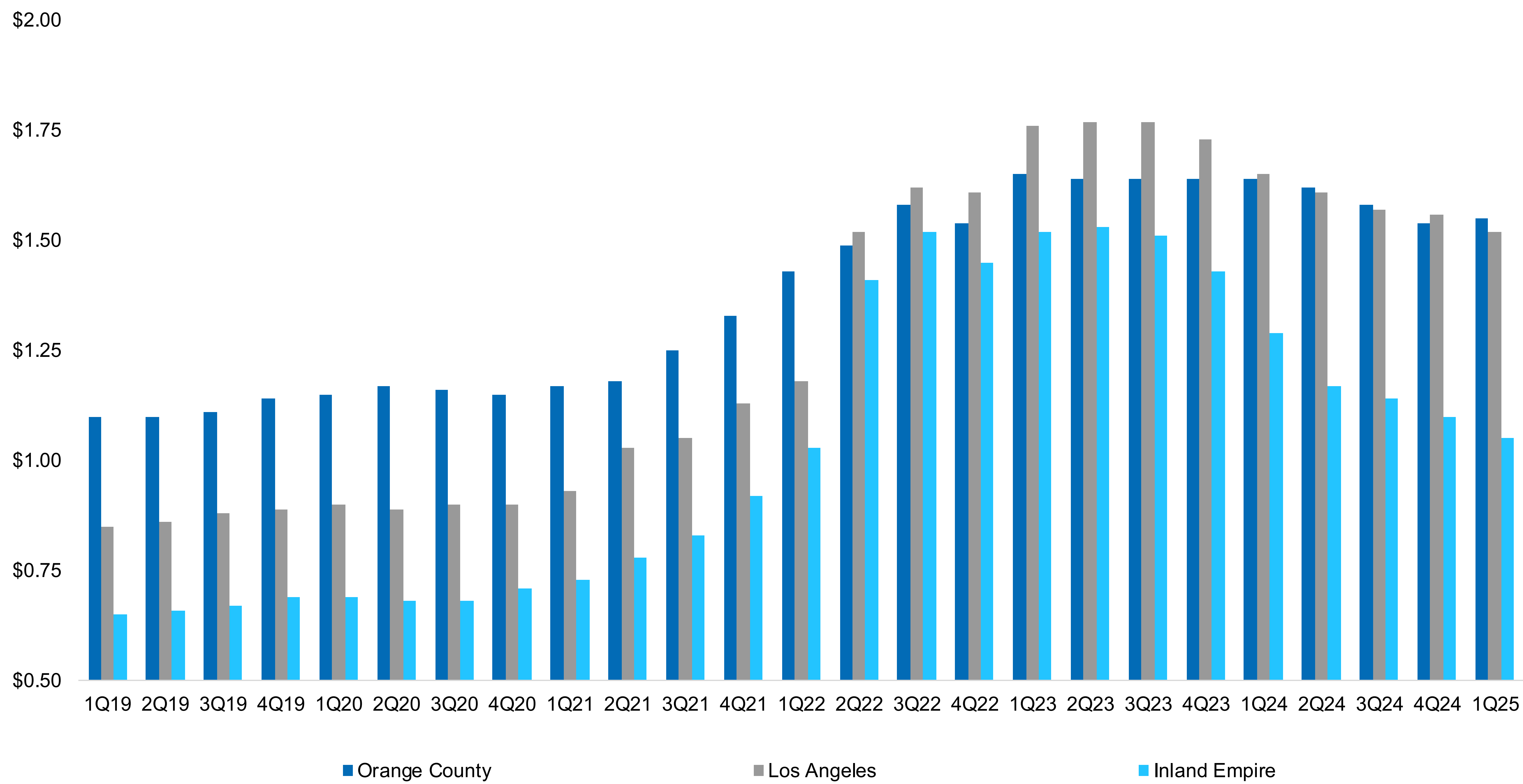


Source: Newmark Research
Note: Data drawn from 193 transactions and excludes subleases. Developed on March 24, 2025.

Inland Empire Luring Orange County Tenants With Lower Asking Rents

The average asking rent in Orange County is $1.55 NNN, 32.2% higher than the Inland Empire's average. Some Orange County tenants, especially logistics companies, are relocating operations to cut down on mounting costs. Orange County is historically pricey since new supply additions are limited due to the cost and regulation hurdles of infill development.

Orange County, Los Angeles, and Inland Empire Average Asking Rents (Monthly)

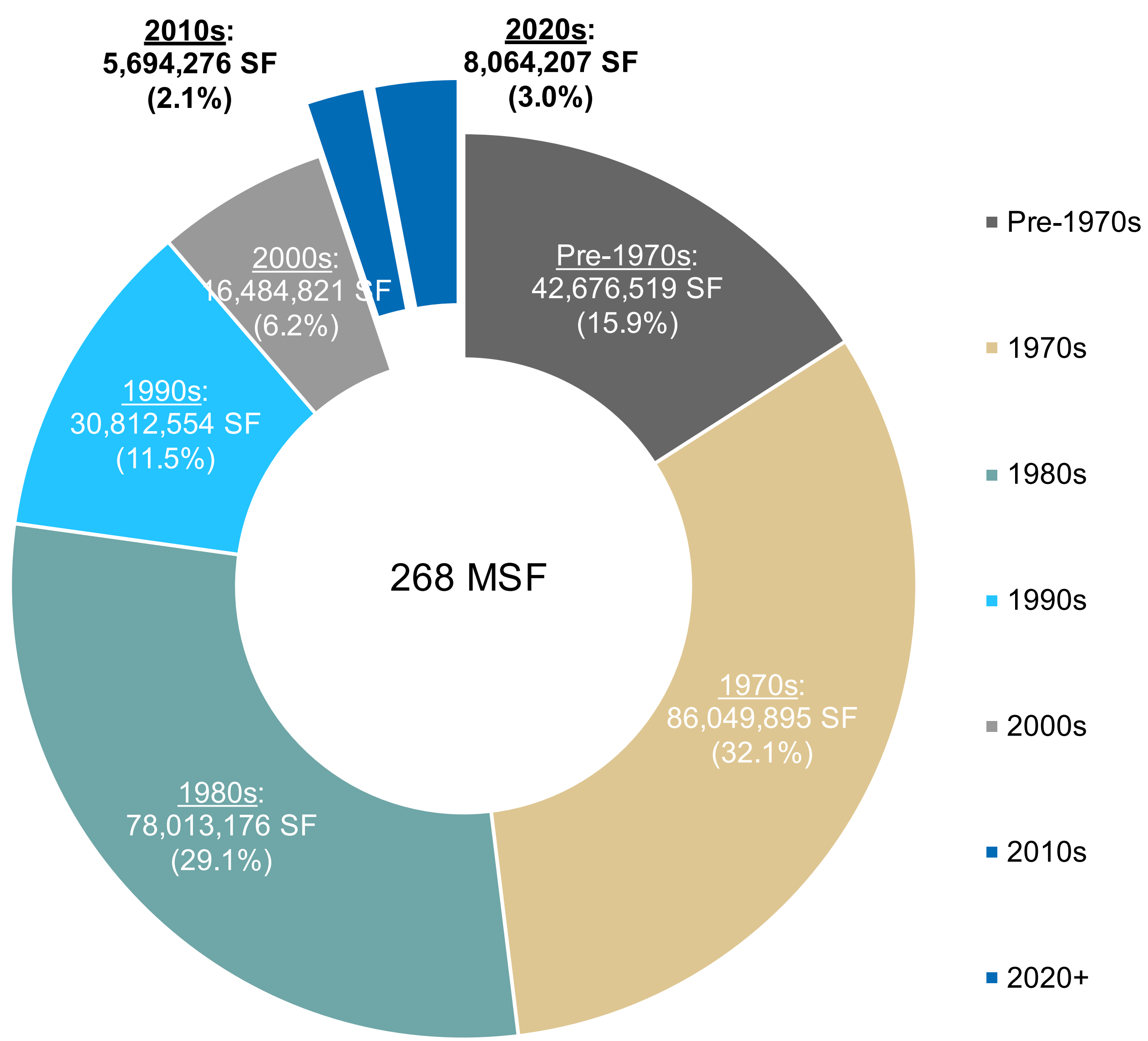


Source: Newmark Research

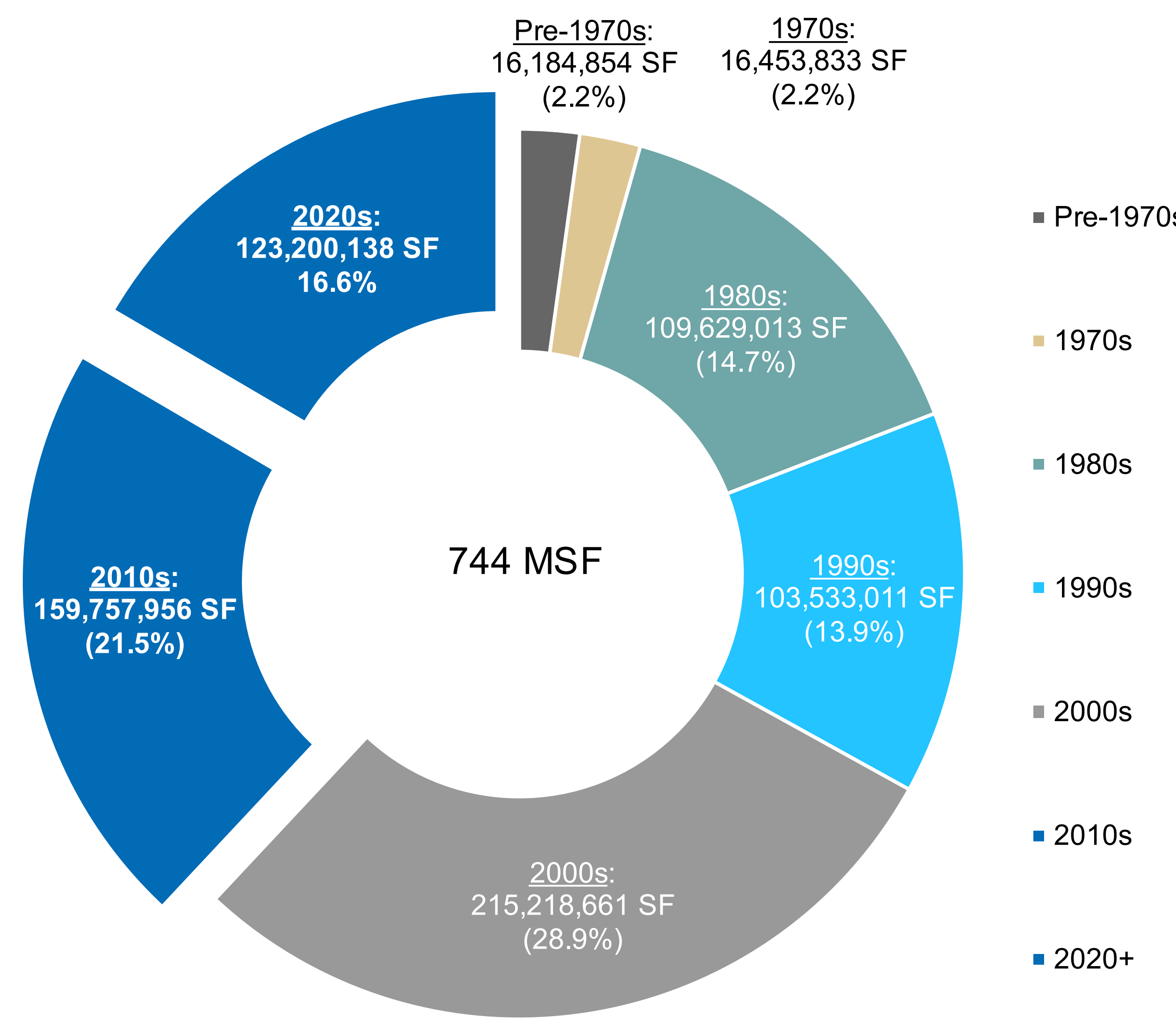
Modern Supply is More Readily Available in the Inland Empire

Only 5.1% of Orange County's inventory was built from 2010+, a stark contrast to the Inland Empire's 38.1% share. Newer facilities tend to offer features (e.g., higher clear heights, more dock-high doors, thicker slabs conducive to automation, and deeper truck courts) that better help an occupier to maximize efficiencies relative to more-dated buildings.

Orange County: Inventory Composition by Decade Built



Inland Empire: Inventory Composition by Decade Built

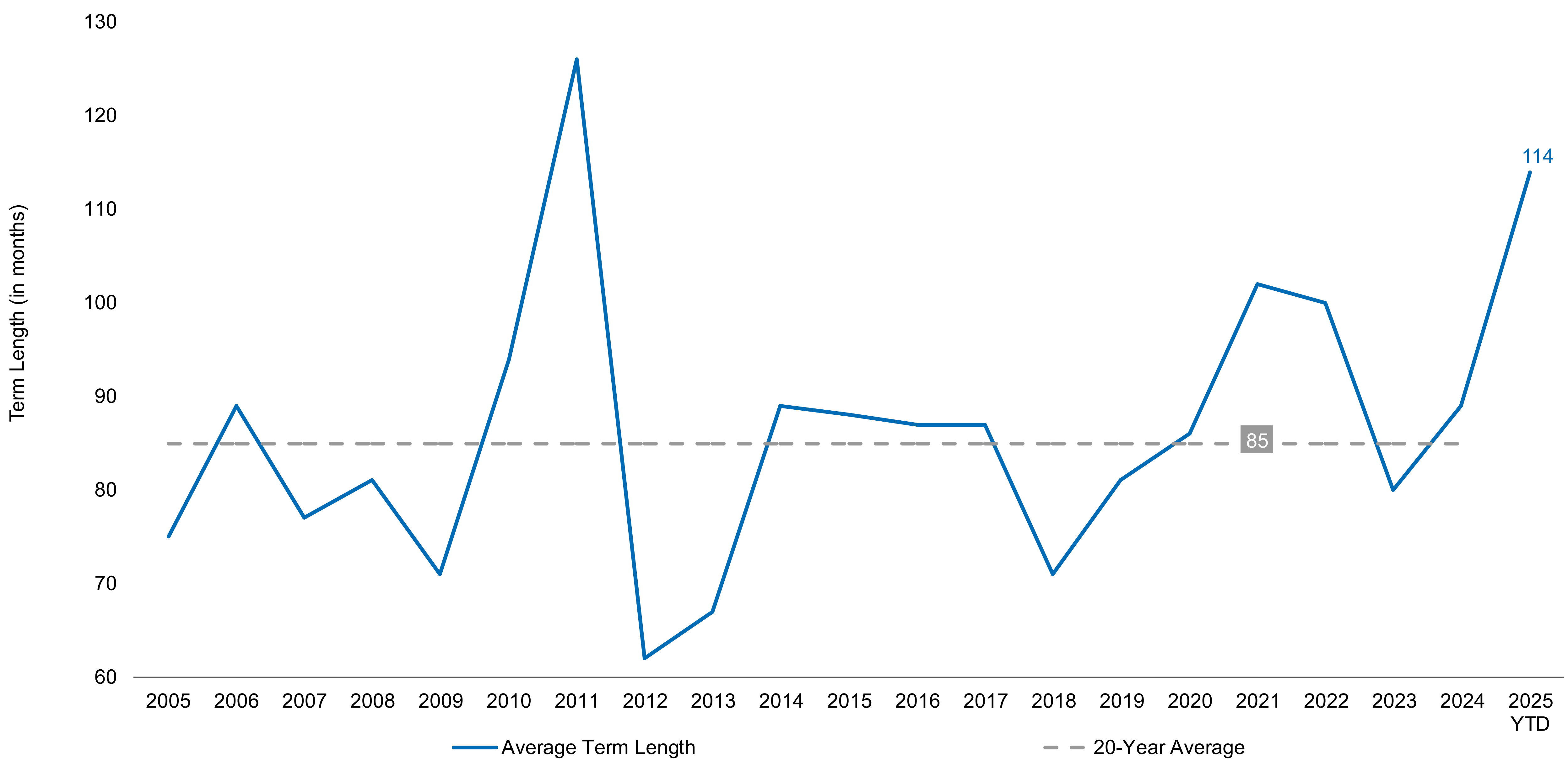


Source: Newmark Research

Term Lengths Were Moderately Up in 2024 After Declines in 2022-2023

The jump in the first quarter of 2025 was from Anduril signing a 144-month lease term for 313,214 SF in Irvine.

Orange County: Average Weighted Term Length for Warehouse Leases: 20,000+ SF SF | 30'+ Clear Facilities

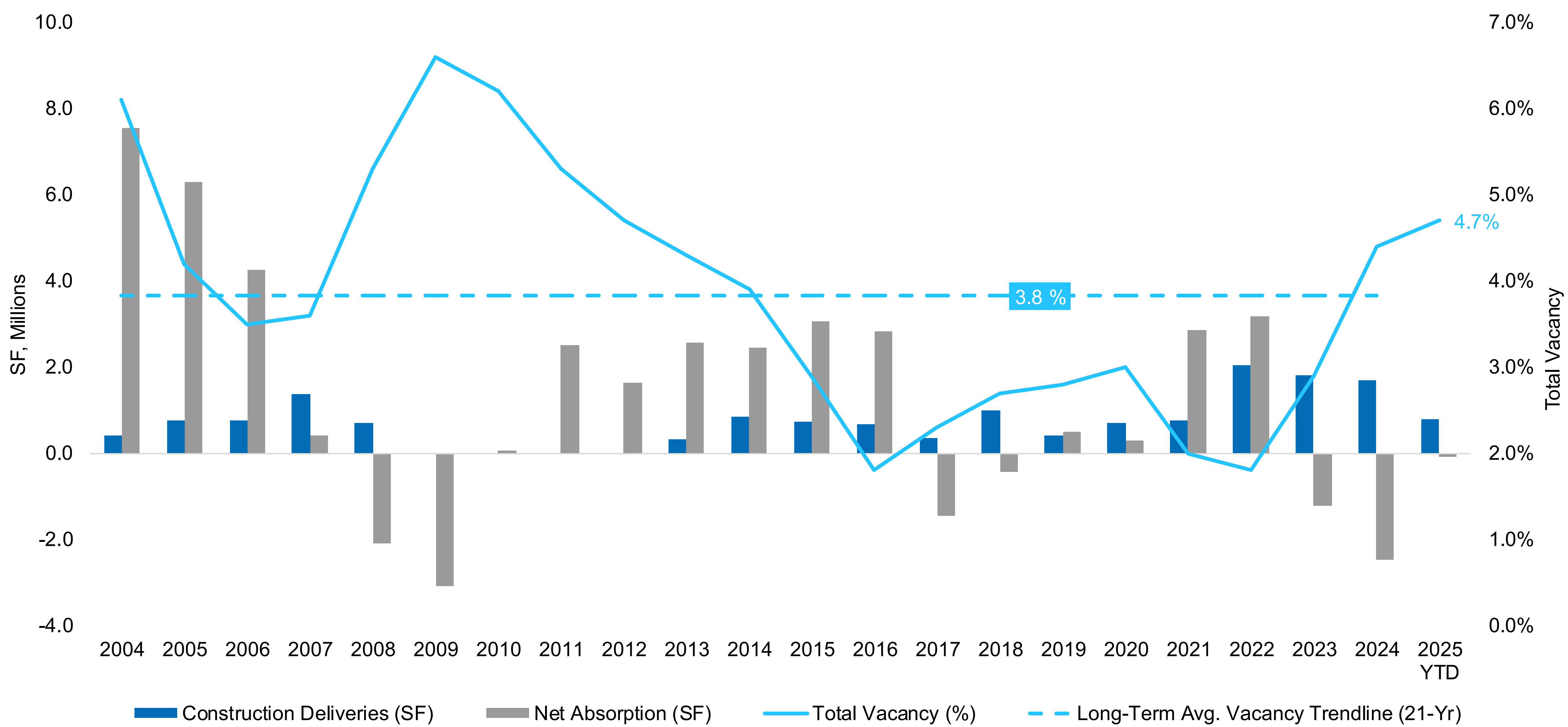


Source: Newmark Research
Note: Includes leases with 36-month+ term lengths. Excludes subleases and extensions. Developed on March 24, 2025.

Vacancy Reaches Highest Level Since 2012

Vacancy has surpassed the 21-year average after incurring nine consecutive quarters of absorption losses but remains below the peak of 6.6% seen in 2010. This quarter, 71,869 SF in net absorption losses was met with 781,142 SF in construction deliveries, accelerating vacancy's upward trajectory.

Historical Construction Deliveries, Net Absorption, and Vacancy

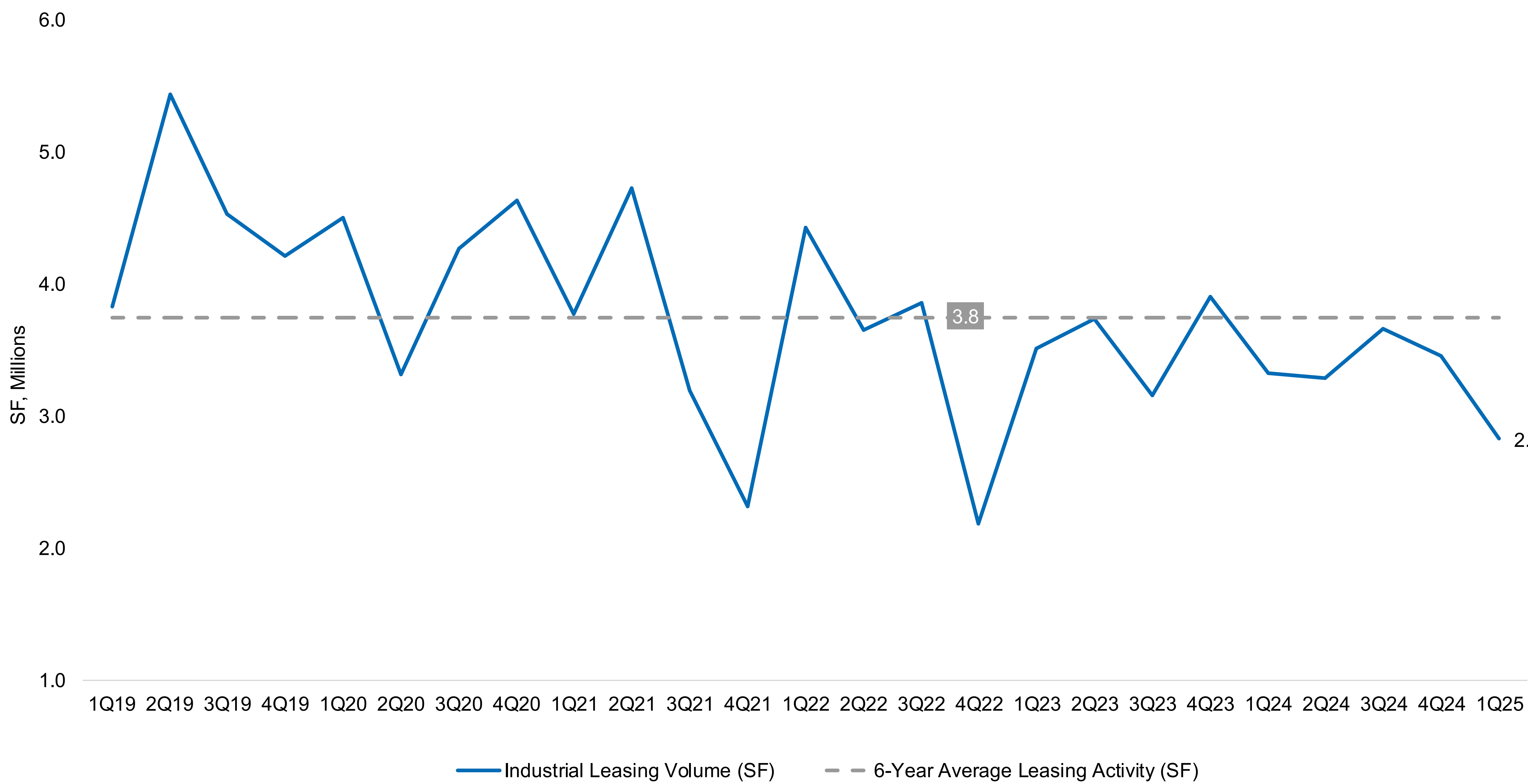


Source: Newmark Research

Leasing Activity Levels Remain Below Six-Year Average

Leasing activity dropped to its lowest level in two years and is subdued compared to leasing volumes seen during the pandemic. Measured retail sales growth and high business costs are prompting tenants to downsize, which will lead to lower leasing figures in the quarters ahead. The current economic climate is keeping retail sales in check, while most occupiers are trying to shed overcapacity in their networks to reduce costs. Both have implications for future leasing activity.

Total Leasing Activity (MSF)

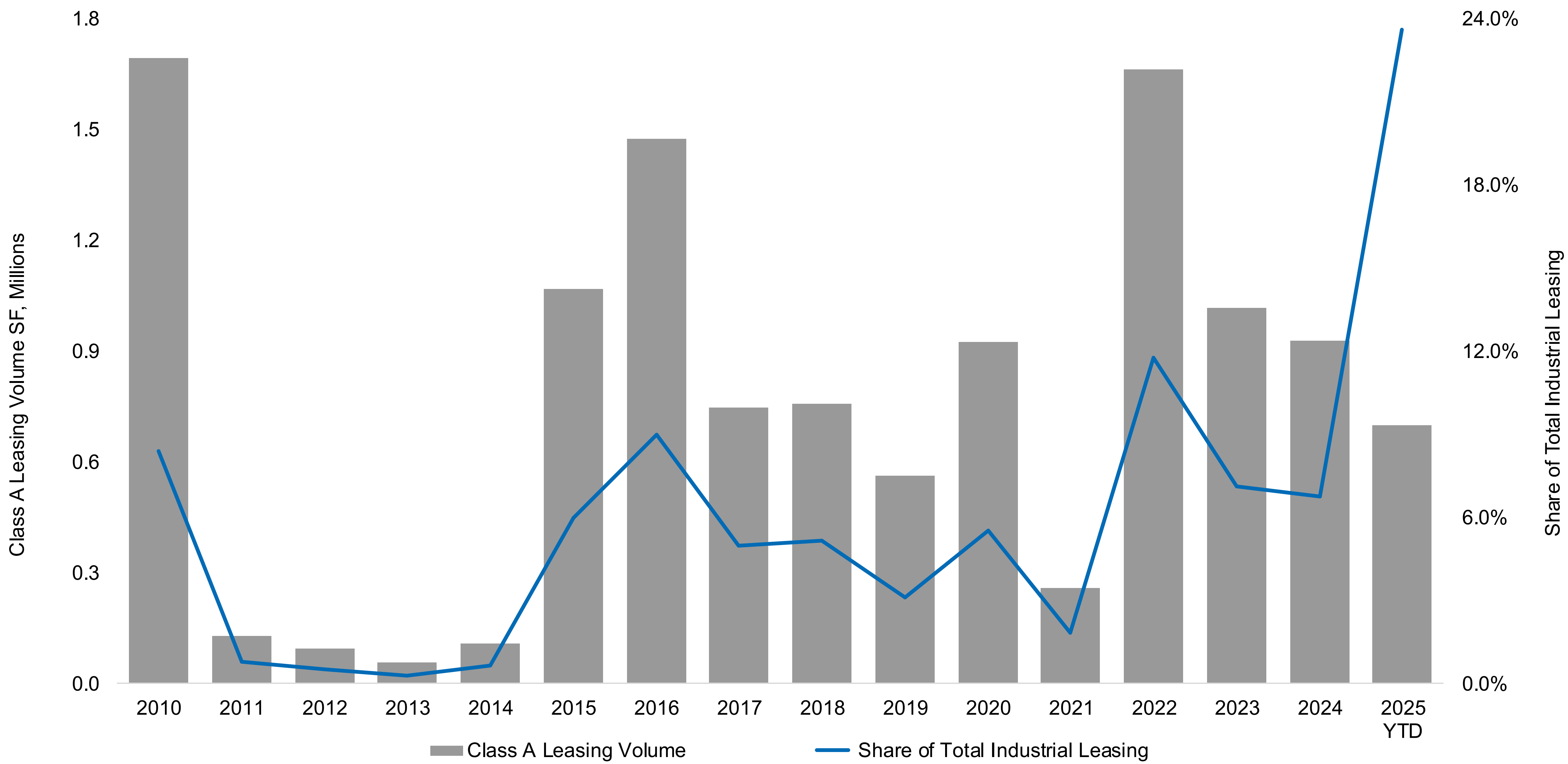


Source: Newmark Research, CoStar

Boost In Class A Leasing Activity This Quarter

Class A leasing activity jumped in the first quarter of 2025, accounting for 23.6% of all leasing activity year-to-date. The two contributors to this spike included a renewal for Straub Distributing at 4633 E La Palma Ave (281,548 SF) and a direct lease for Doosan Bobcat at 1901 Via Burton (139,449 SF).

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

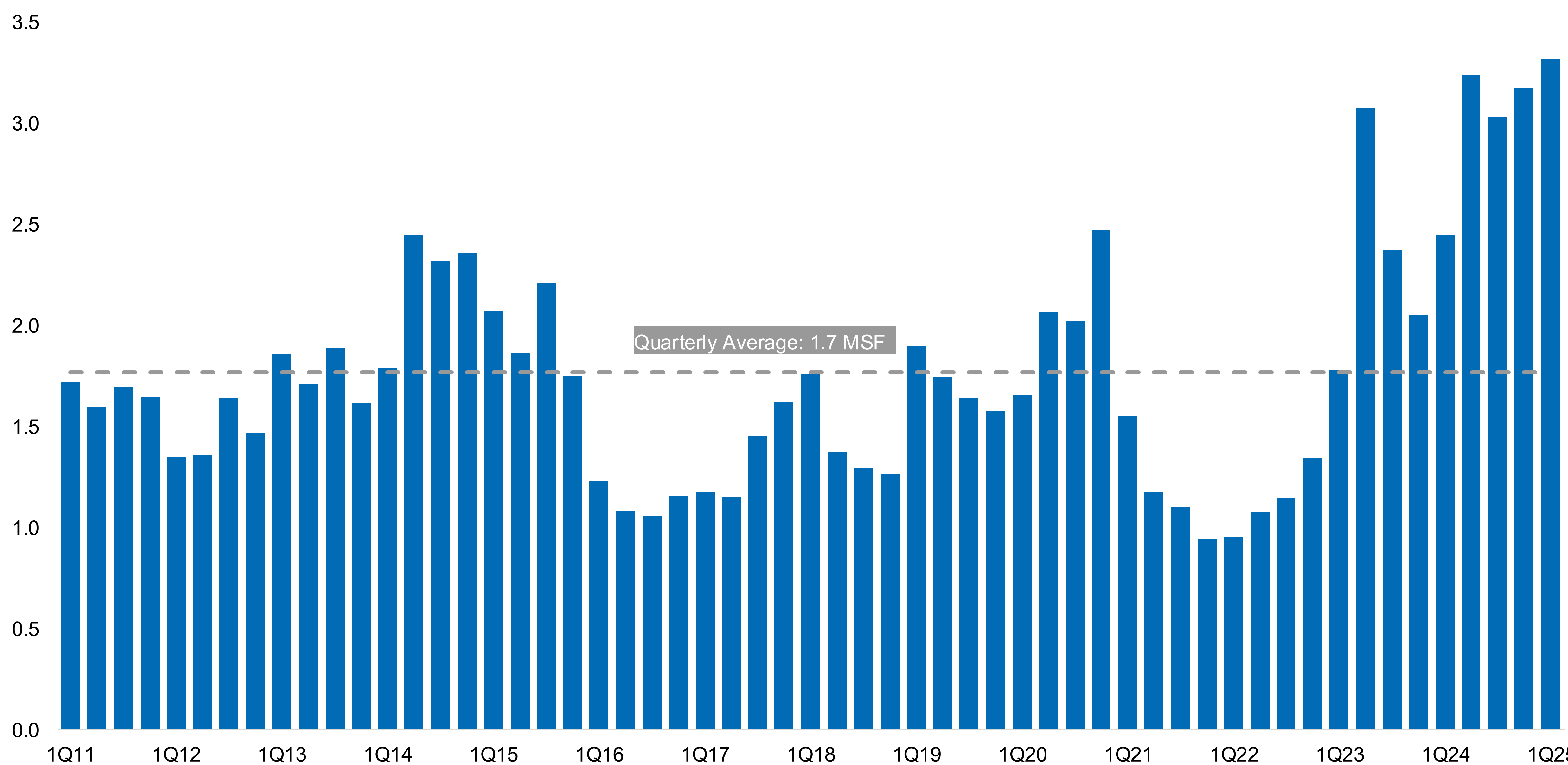


Source: Newmark Research, CoStar

Sublease Availability Continues Upward Trajectory

New sublease offerings from Orora Packaging (131,544 SF at 3200 Enterprise St) and Corporate eWaste Solutions (99,552 SF at 331-333 Cliffwood Park St), combined with older, active listings from Brentwood Homes (196,911 SF at 701 Burning Tree Rd), Syco Enterprise (134,716 SF at 500 W Warner Ave), and Freeman Decorating (128,794 SF at 3454 E Miraloma Ave) are keeping availability elevated. Some tenants are downsizing to mitigate the high costs of doing business amid a slowed economy.

Available Industrial Sublease Volume (MSF)

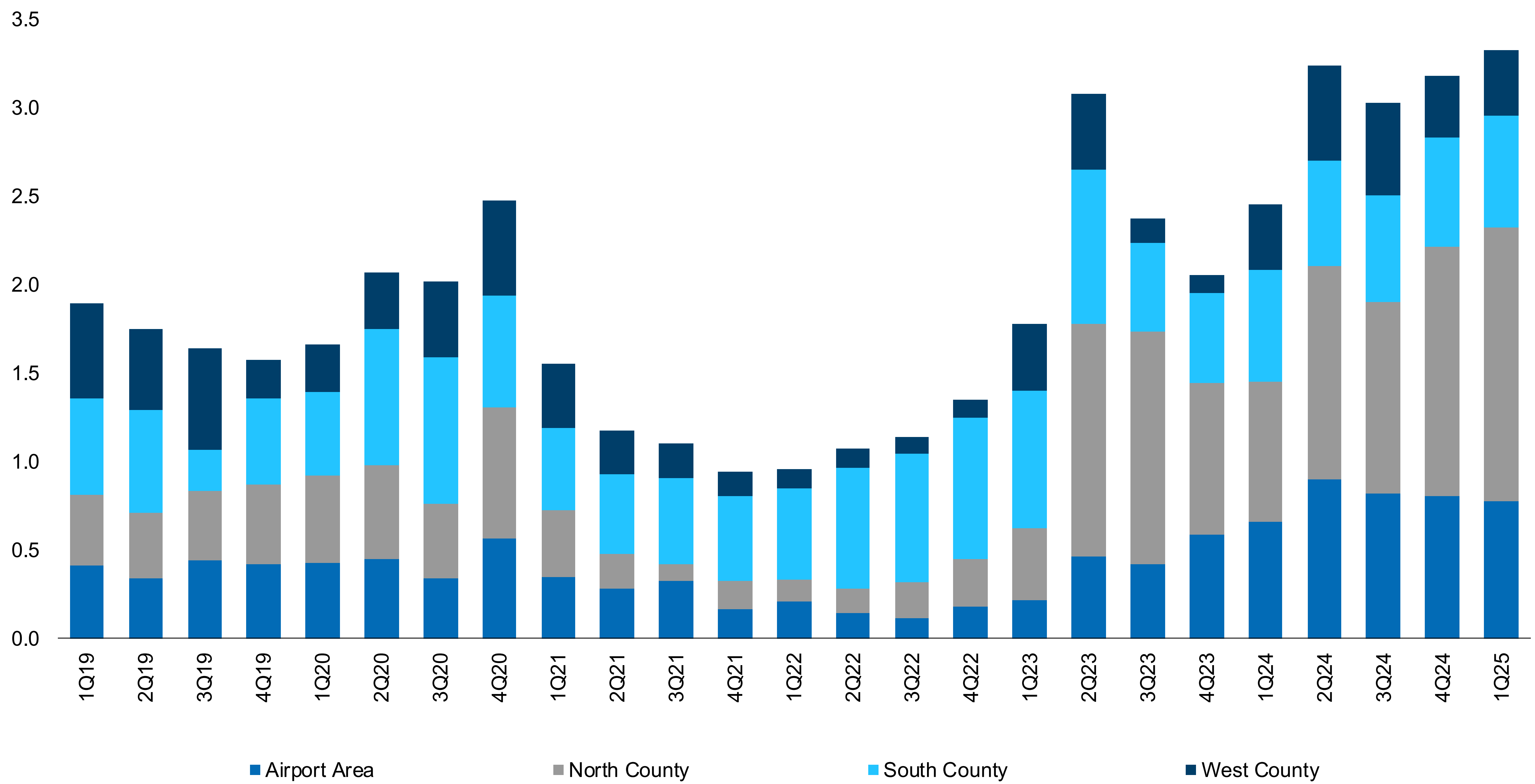


Source: Newmark Research

North County Accounts for Almost Half of Total Sublet Availability

North County's available sublease space accounts for 46.7% of the greater market's total. Historically, North County sublease offerings were limited despite comprising 39.7% of the market's total inventory. Over the last two years, however, the submarket has seen an uptick in sublet availability thanks to large-block listings by notable tenants such as Brentwood Homes (196,911 SF), Orora Packaging (131,544 SF) and Freeman Decorating (128,794 SF).

Available Sublease Space (MSF), By Submarket

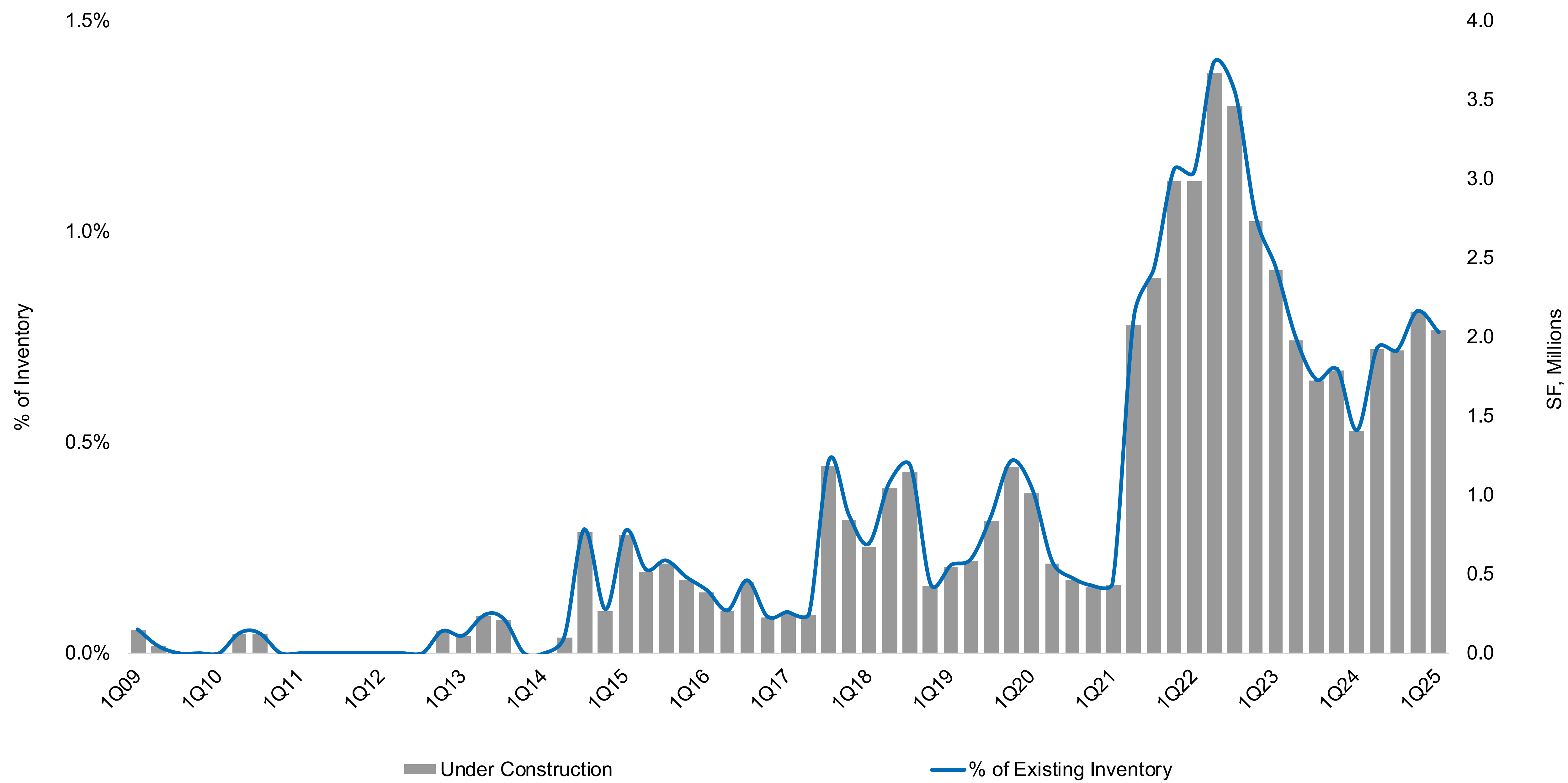


Source: Newmark Research

Elevated Under-Construction Levels Gradually Normalizing

An additional four buildings (Building #1 at 3100-3120 W Lake Center Drive, 701 E Ball Rd, 1 Banting and 759 N Eckhoff St) broke ground this quarter, bringing the under-construction total to 2.0 MSF across 11 development projects, all of which remain fully available save two. Construction starts are expected to level off in the quarters ahead.

Industrial Under Construction and % of Existing Inventory

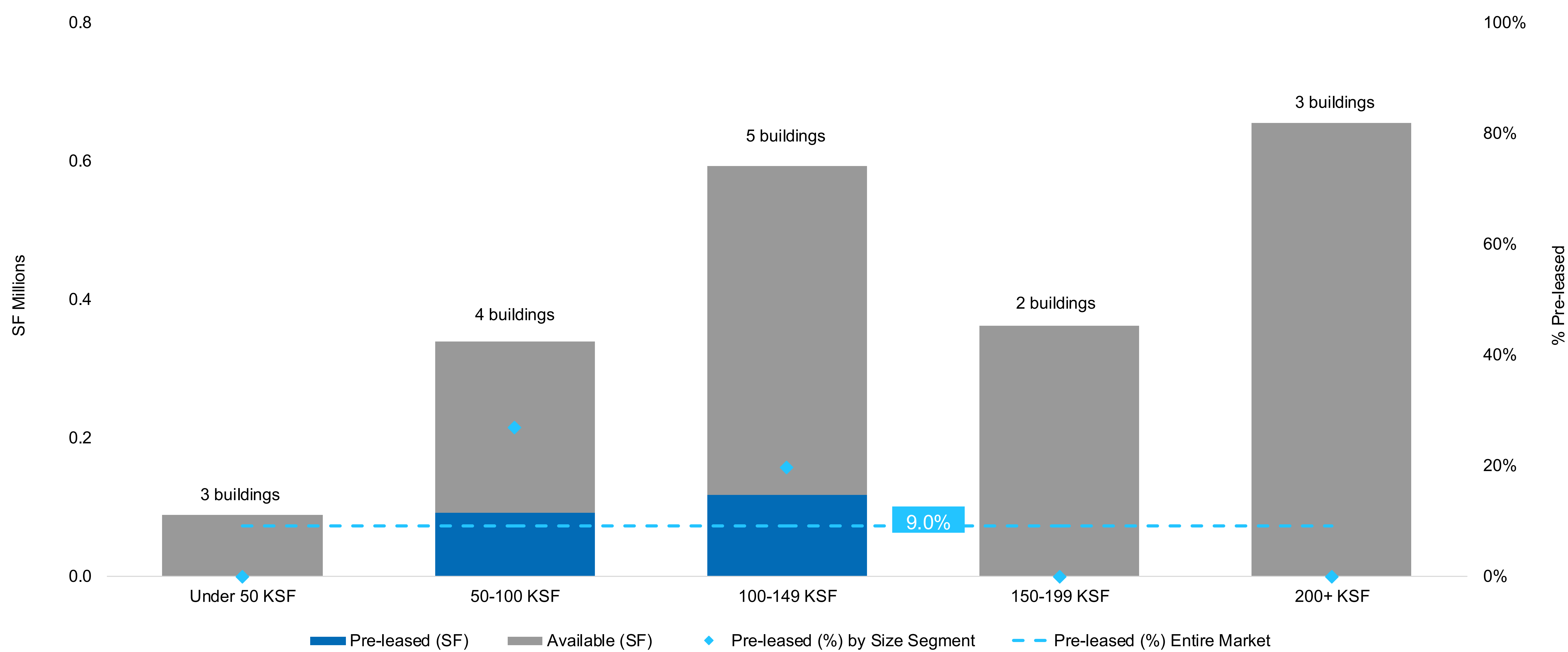


Source: Newmark Research

Pre-leasing Activity at a Halt

Of the 17 buildings currently underway, two have pre-leased to date. The bulk of under-construction activity is spread across the top three size segments, most of which remains available. Five projects delivered this quarter while four buildings broke ground, bringing pre-leasing figures to 9.0%.

Total Construction by Size Segment: Pre-leased vs. Available Space

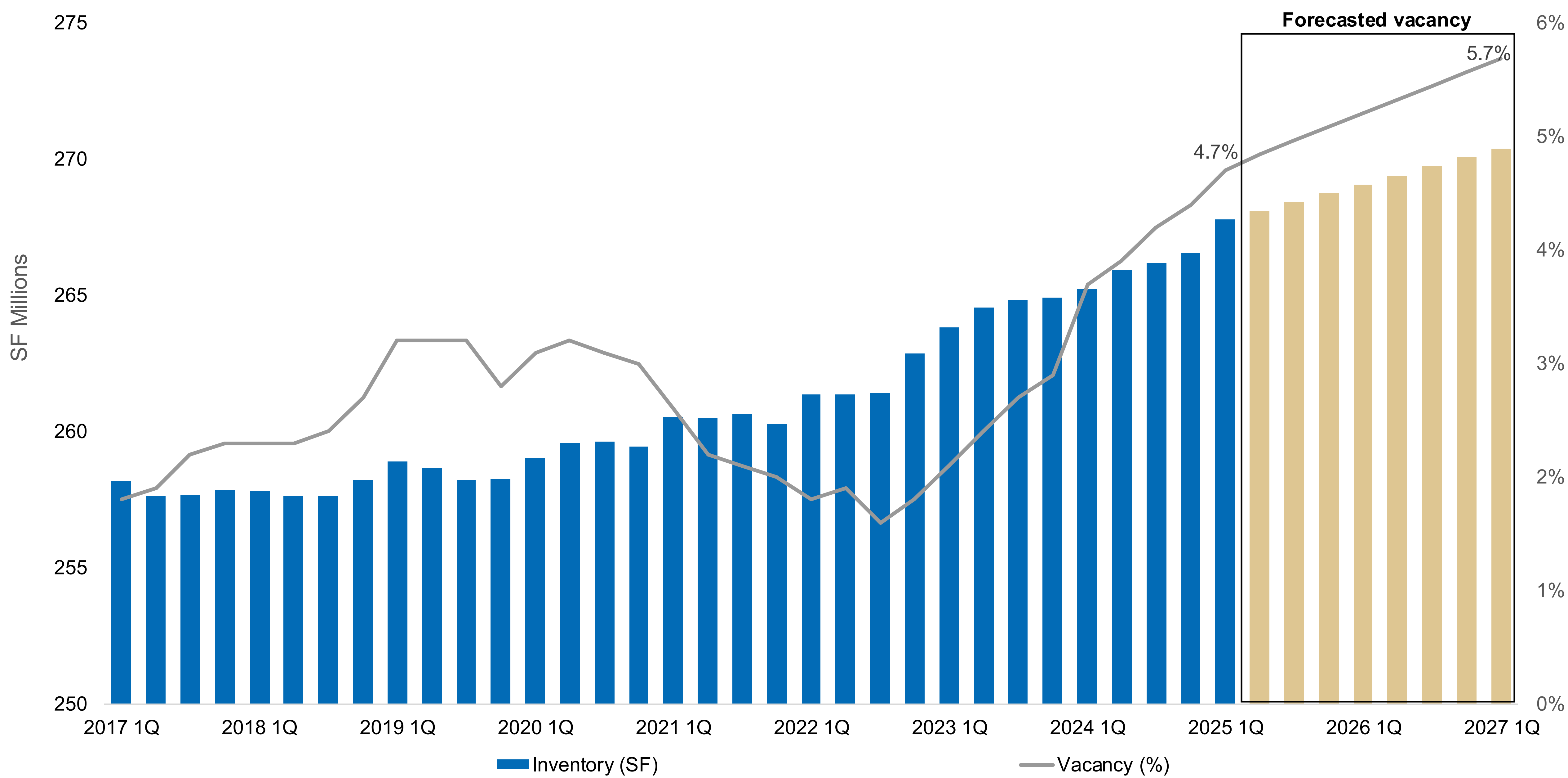


Source: Newmark Research

Unclaimed New Construction Will Boost Vacancy

Assuming all underway developments that are fully available, including the eight planned projects that will break ground in the next two years, remain so, vacancy will noticeably rise in the coming quarters. Developers, to cut their losses and avoid vacant properties, will provide more concessions to secure tenants.

Historical and Forecasted Industrial Vacancy (%)



Source: Newmark Research

All Top Deals Were Over 100,000 SF

This quarter’s top deals were all over 100,000 SF, the largest of which was a pre-lease. The bulk of leasing activity is coming from North County, the largest submarket by inventory size, while South County activity is noticeably absent.

Notable Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Anduril	3100-3120 W Lake Center Dr	Airport	Pre-lease	313,214
The defense technology company will occupy the three-building industrial campus, which is less than a mile away from its office campus in Costa Mesa, once delivered in late 2025 and mid-2026.				
Straub Distributing Company	4633 E La Palma Ave	North County	Renewal	281,548
The beer distributor has been at this location since 2010 and secured a renewal before its existing lease expires in 2026.				
Legrand	1515 E Winston Ave	North County	Direct Lease	194,357
The electrical equipment manufacturer leased the warehouse space which is less than a mile away from its industrial facility in Anaheim.				
Doosan Bobcat	1901 Via Burton	North County	Direct Lease	139,449
The equipment manufacturer committed to five years at the new-build facility.				
Bar Bakers LLC	10681 Calle Lee	West County	Renewal	134,136
The tenant has occupied this space since 2015 and just recently moved into a new industrial facility two miles away.				

Source: Newmark Research

New California Bill Adds Regulations on Warehouse Development in the State

Building setbacks, facility design features and truck routes are among the bill's focus---regulations that will ultimately increase warehouse occupancy costs. It is also worth noting that the state will have more control over matters that have historically fallen under the jurisdiction of counties and cities.

California Assembly Bill 98 (also known as "The Planning Logistics and Neighborhood Standards Act")

Macro

- Signed into law on September 29, 2024.
- Prohibits California cities and counties from approving all new development or expansions (20%+) of logistics centers unless they meet specified standards.
- Commences on January 1, 2026.

Standards

- Establishes setback requirements for new 250,000+ SF warehouse developments that are within 900 feet of homes, schools, daycares, parks or healthcare facilities.
    - Truck loading bays must be at least 300 feet from the property line in areas zoned for industrial use and 500 feet from the property line in areas not zoned for industrial use.
- Guidelines for sub-250,000 SF warehouse developments are here; see Section 65098.1. (d)
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Impacts on Industrial Market Across California

- Cities and counties will need to update their general plans. Critics of the bill point to unclear provisions that will likely cause confusion for municipalities and delay the entitlement of proposed projects.
- Most jurisdictions in the state have until 2028 to enforce the changes; the Inland Empire has until 2026.
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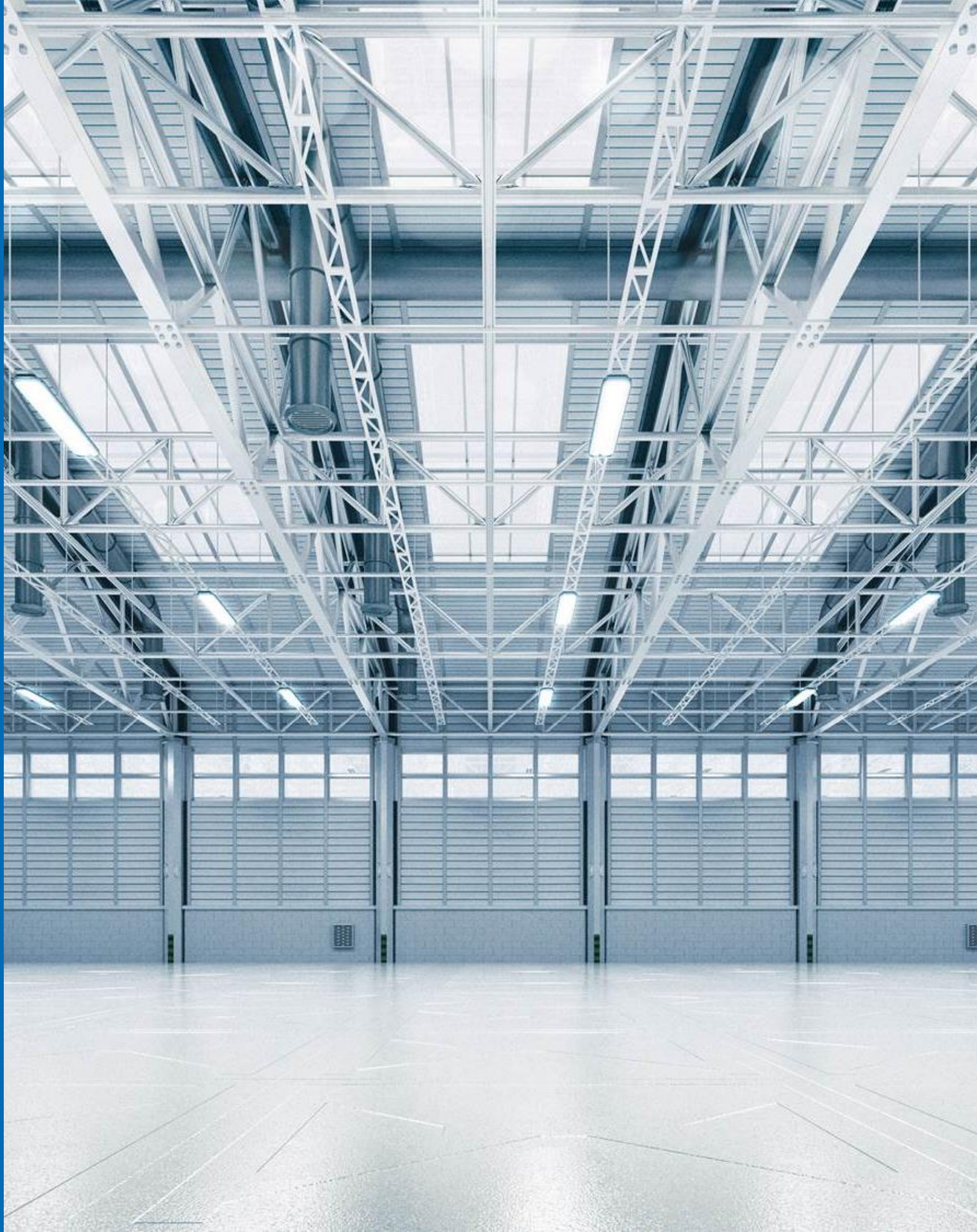
- The Inland Empire, with the largest concentration of warehouse development in the state, will be most affected. Construction will grow in tertiary areas, such as the High Desert.

Source: Newmark Research; Rutan & Tucker, LLP; California Legislative Information.

1Q25

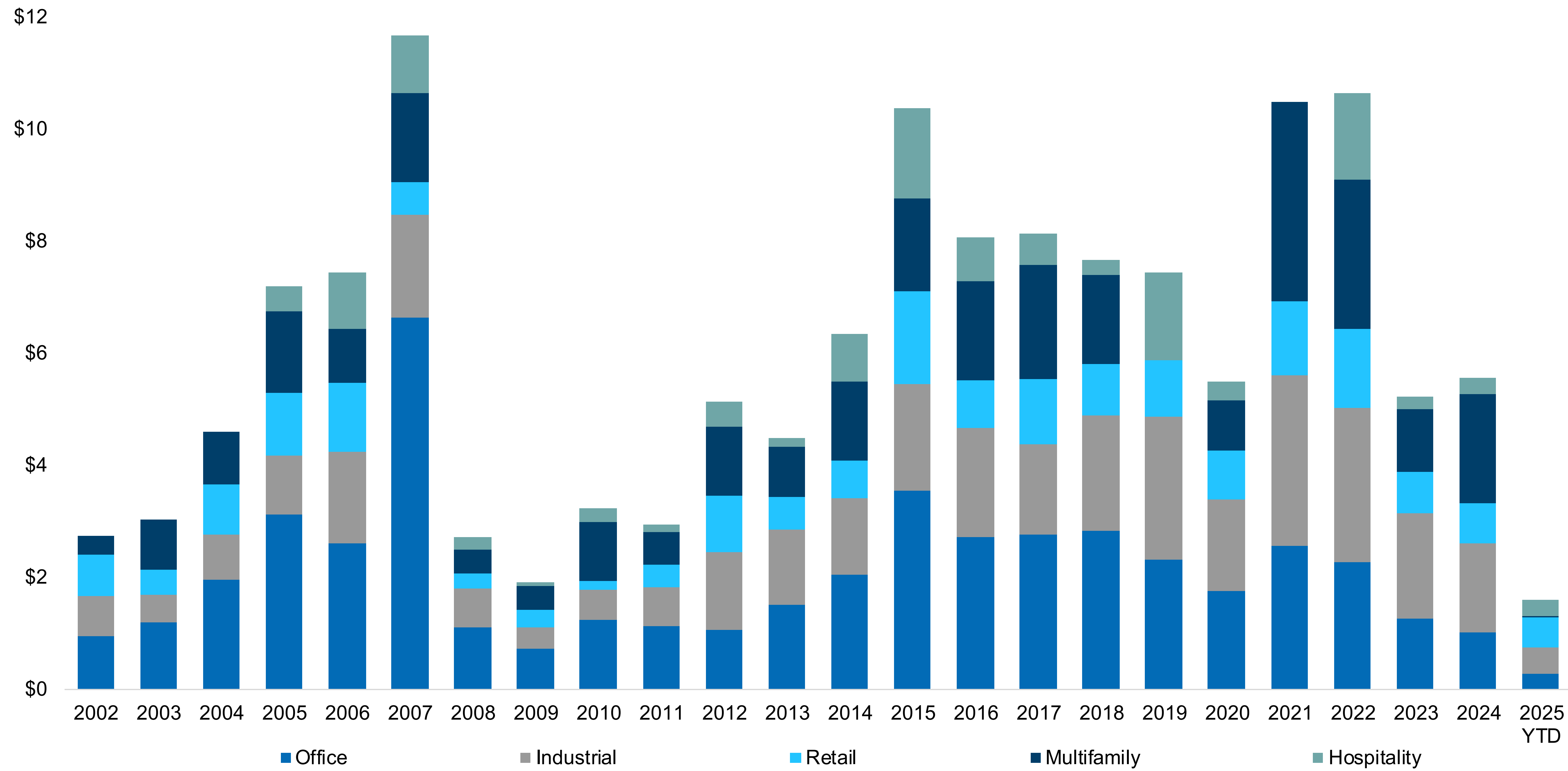
Sales Activity



Industrial Comprised 28.1% of Total Sales Volume Year-To-Date

This is an improvement from three years ago when industrial comprised only 26.0% of all sales. Still-low vacancy and heated rent growth in recent years favor the segment, with many investors targeting desirable buildings with credit tenants whose leases are up for renewal. What the tenant was paying ($$) is different than today's rent averages ($$$$).

Orange County: Sales Volume Across Commercial Property Segments ($ in Billions)

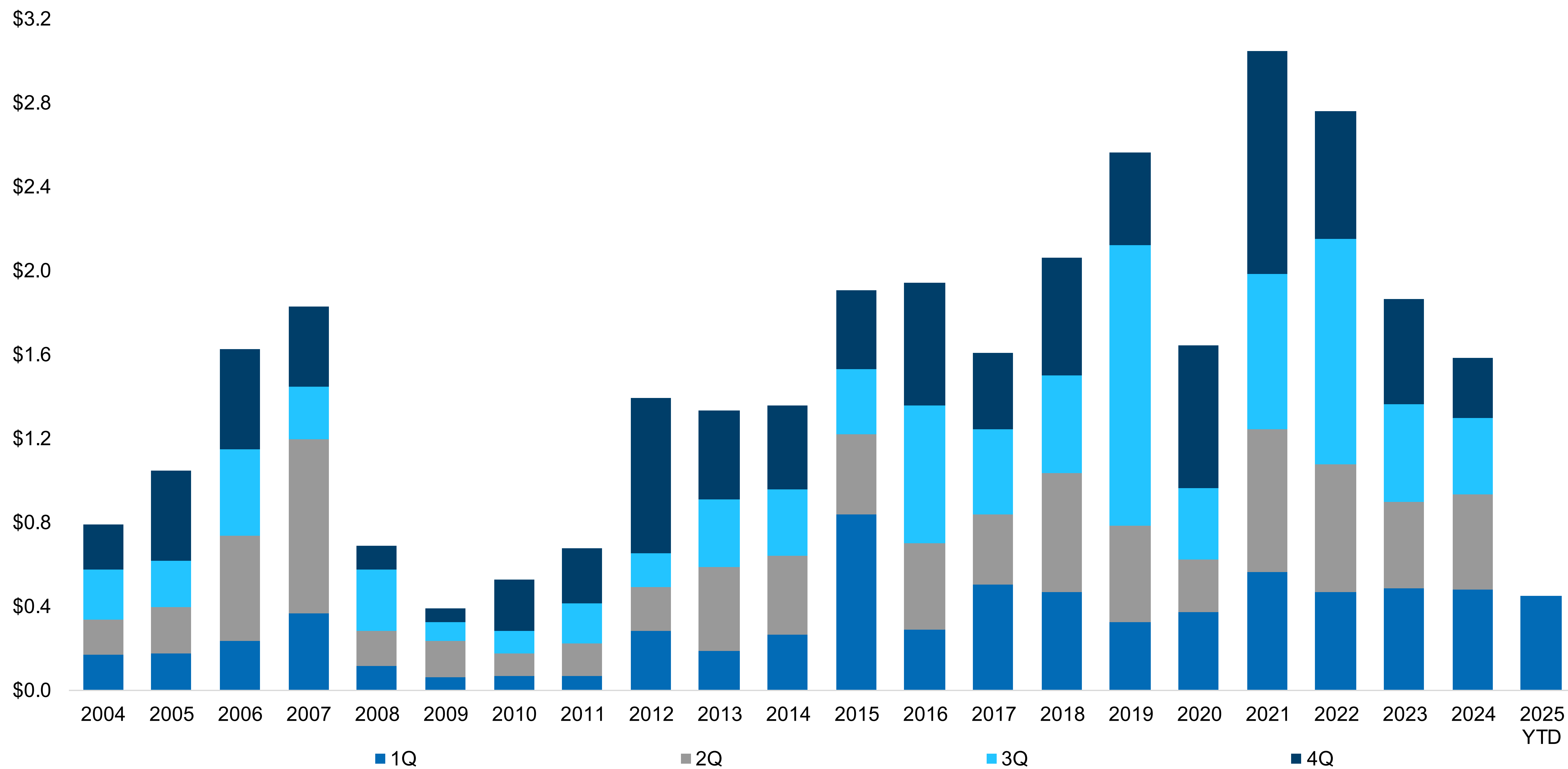


Source: MSCI Real Capital Analytics, Newmark Research
Note: Preliminary data is cited for the first quarter of 2025.

Industrial Sales Activity Cooling

Industrial sales volume totaled $450.0 million in the first quarter of 2025, down by 6.4% from the same period in 2024. The higher cost of capital following multiple interest rate hikes from March 2022 to July 2023 has crimped momentum in the last two years, in addition to adjusting leasing fundamentals. With the newly-imposed tariffs already causing economic instability, sales activity is expected to fluctuate.

Orange County: Industrial Sales Volume ($ in Billions) | By Quarter

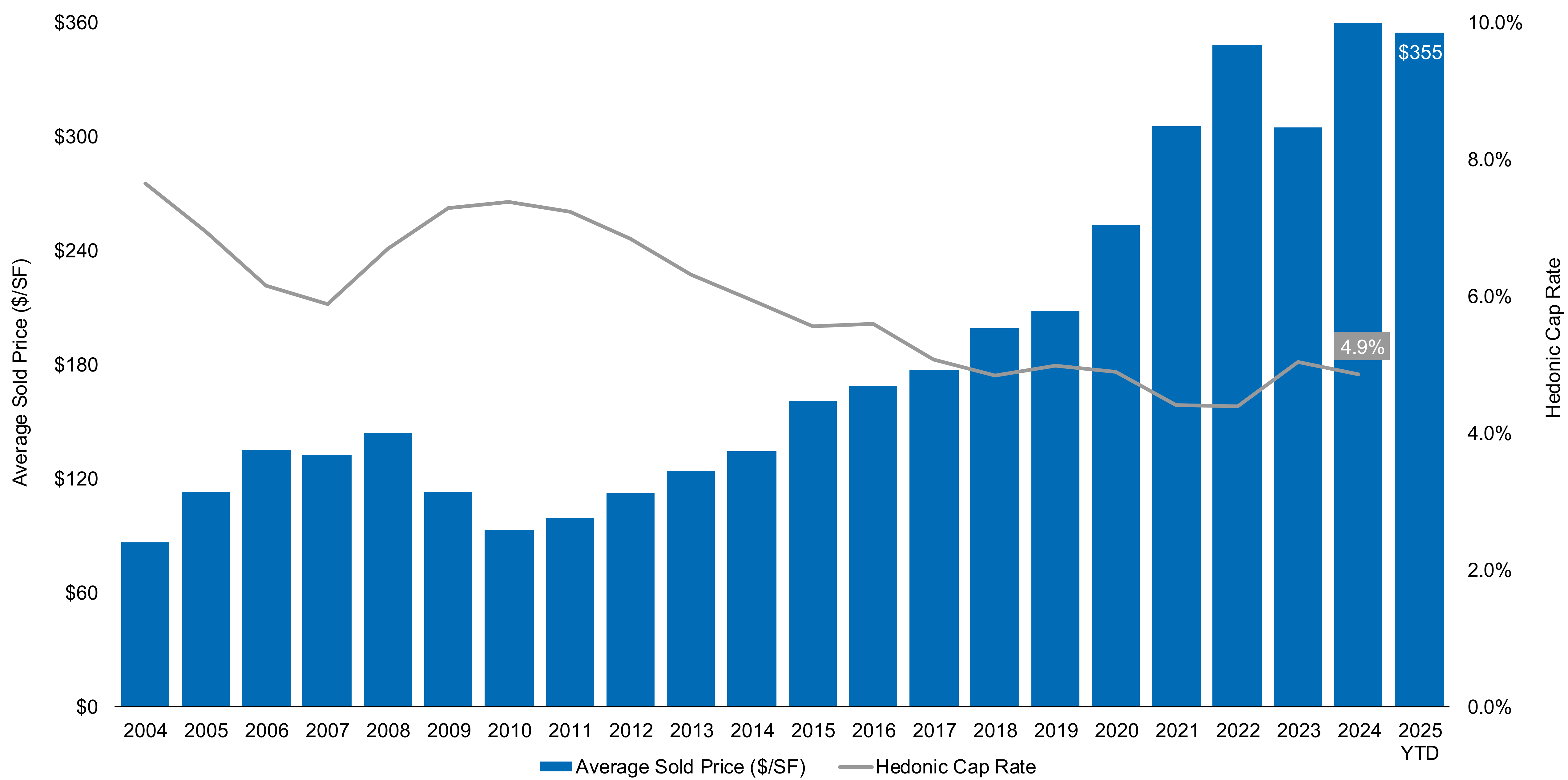


Source: Newmark Research, MSCI Real Capital Analytics
Note: Preliminary data is cited for the first quarter of 2025.

Pricing Hovers Close to 2024's Peak, While Cap Rates Hold Steady

Current pricing ($355/SF) is just below the previous year's peak pricing of $361/SF while cap rates trail around the 5.0% mark.

Orange County: Industrial Price Per Square Foot and Hedonic Cap Rate Averages

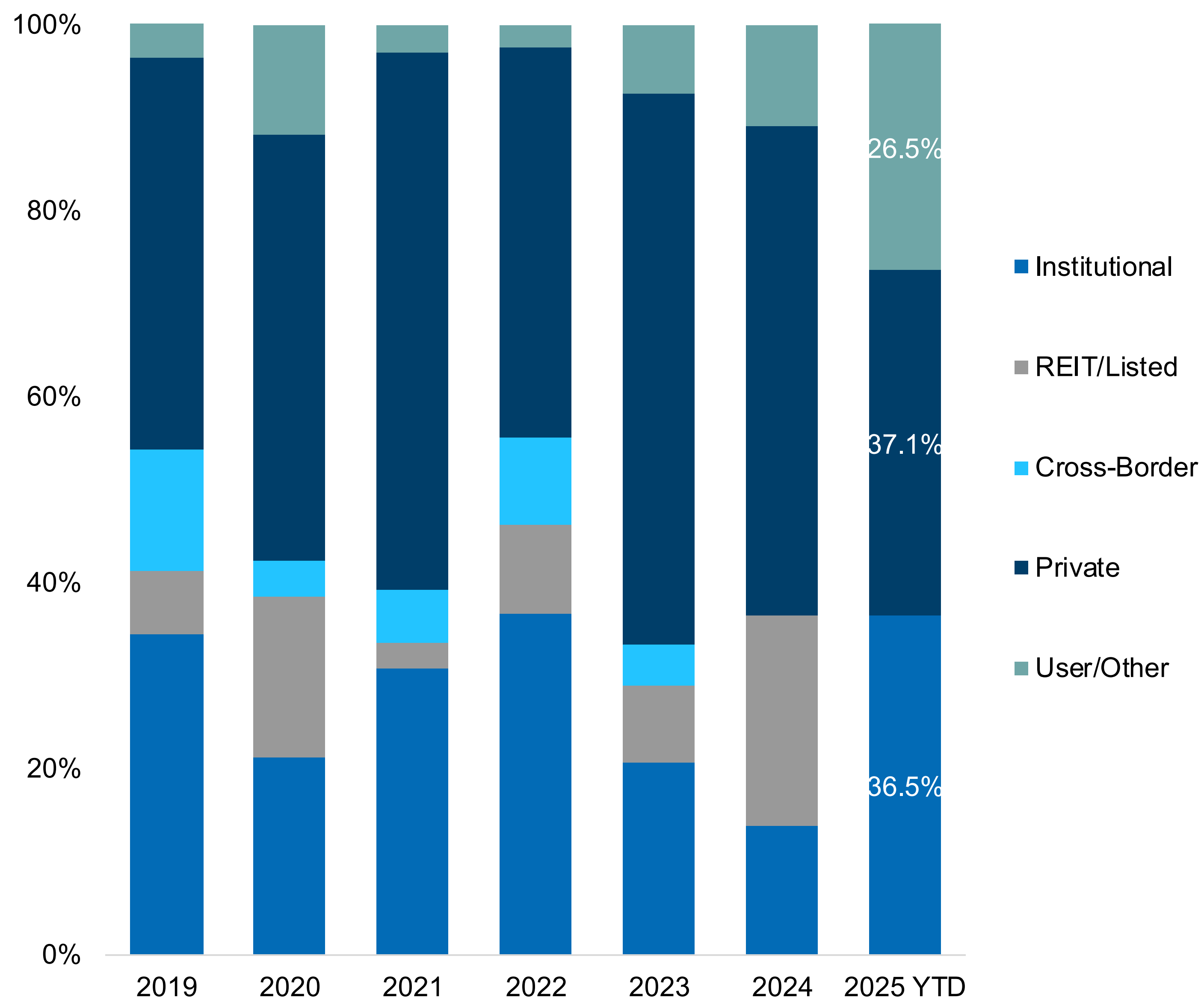


Source: Newmark Research, MSCI Real Capital Analytics
Note: 12-month trailing averages are cited.

Private and Institutional Buyers Most Active

Industrial is widely perceived as being more stable in today's environment when compared with other commercial property segments. Additionally, domestic e-commerce growth is spurring interest in last-mile facilities in markets with affluent consumer populations, like Orange County.

Orange County: Industrial Buyer Composition, by Year | Based on Sales Volume



Orange County: Most Active Industrial Buyers | Last 12 Months

Company	Investor Type	Volume	# of Properties	Size (SF)
Walt Disney	User/Other	$124,000,000	1	406,787
City of Irvine	Institutional	$109,800,000	2	166,015
Ares Management	Institutional	$96,000,000	1	308,685
Rexford Industrial REIT	REIT/Listed	$94,300,000	1	242,612
New York Life Insurance	Institutional	$92,100,000	1	218,968
Buchanan Street Partners	Institutional	$83,000,000	1	226,636
H&S Ventures	User/Other	$64,500,000	1	106,000
BRIDGE	Private	$60,000,000	1	139,610
Silicon2	User/Other	$53,312,500	1	166,066
Magellan Group	Private	$30,000,000	1	162,000
Newport Real Estate Partners	Private	$28,800,000	1	110,769
Advantage Inc.	Private	$26,800,000	1	95,732

Source: Newmark Research
Note: Preliminary data is cited for the first quarter of 2025.

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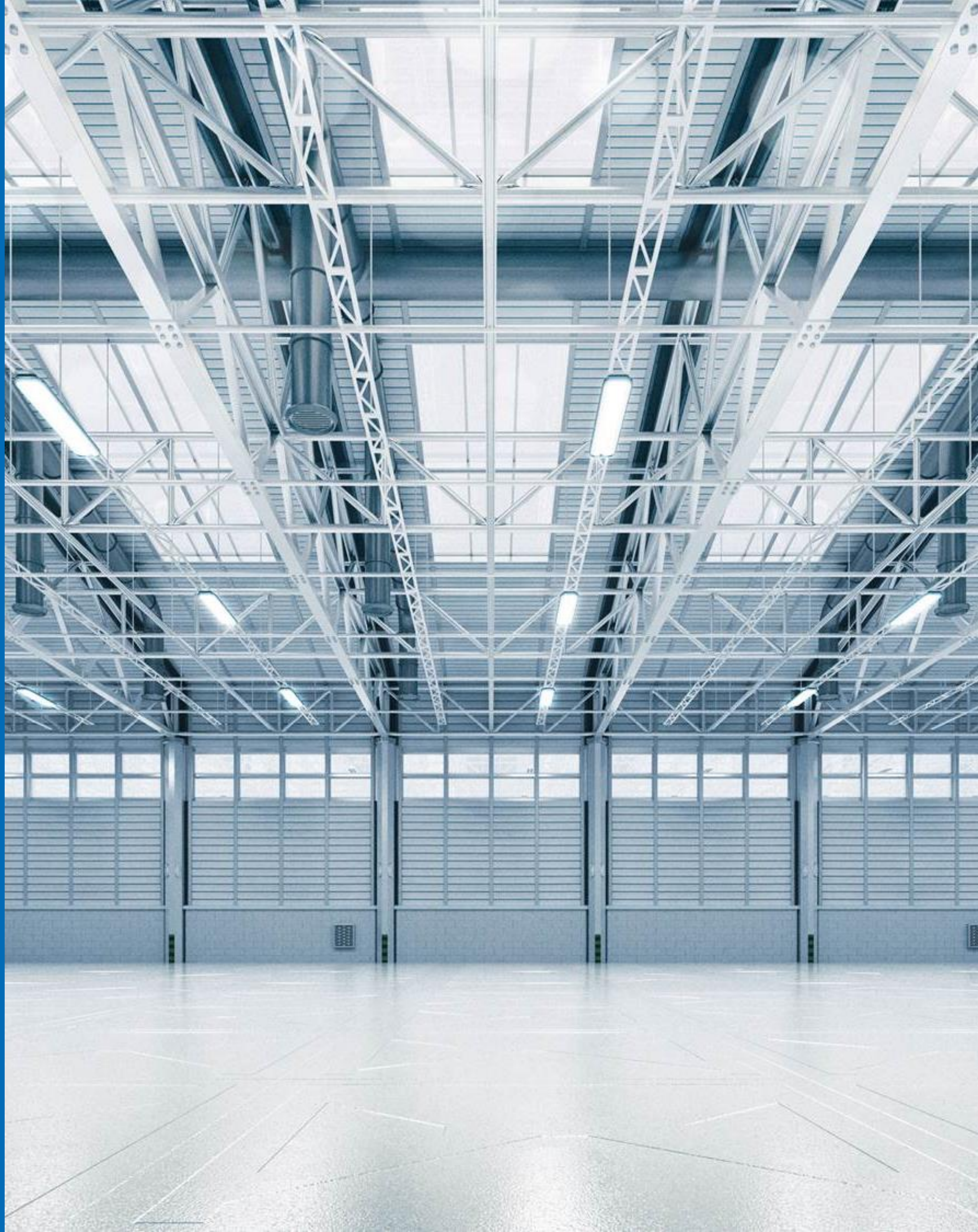
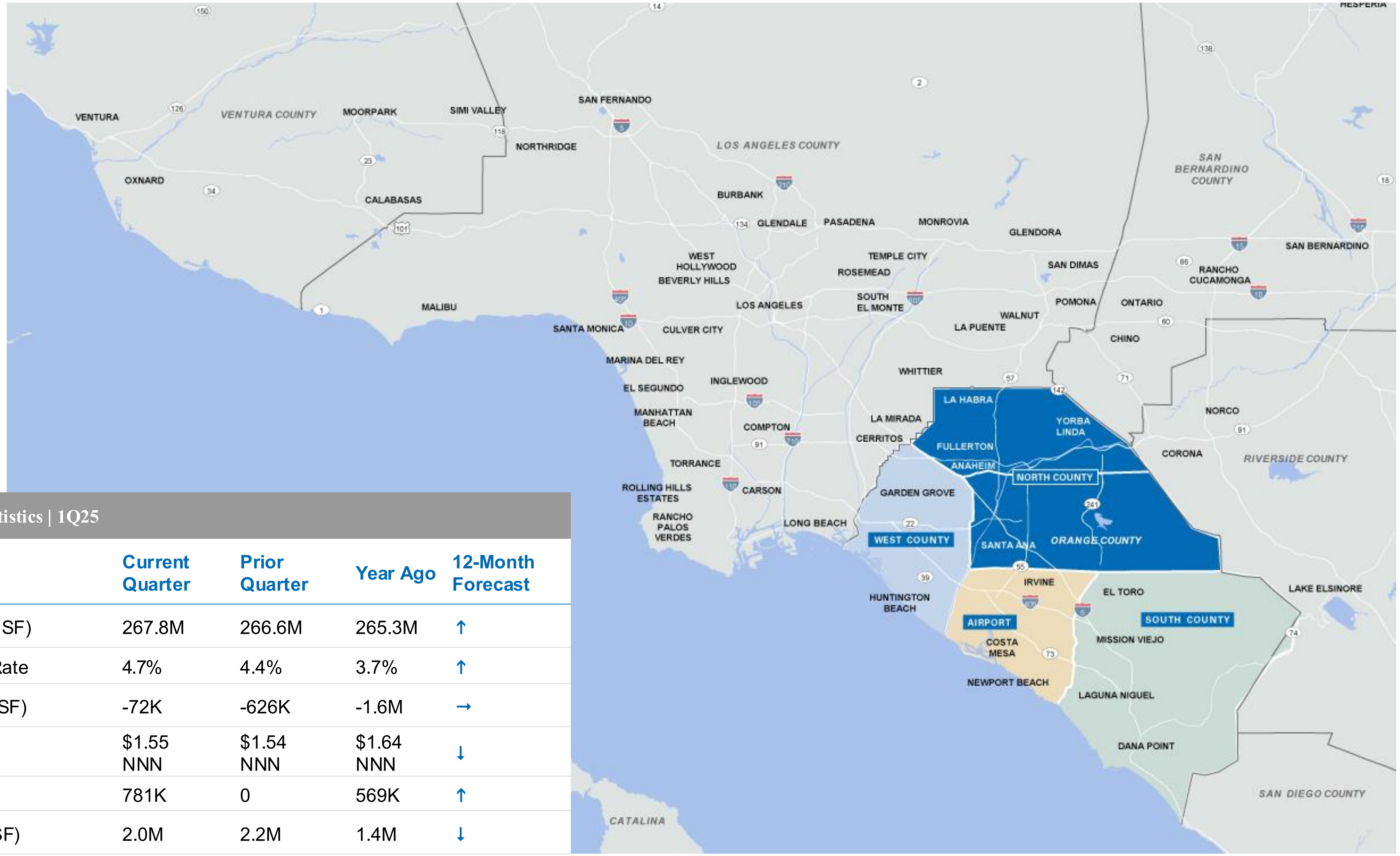
Appendix



Orange County Submarket Map and High-Level Statistics | 1Q25



Marketwide Statistics | 1Q25				
	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	267.8M	266.6M	265.3M	↑
Total Vacancy Rate	4.7%	4.4%	3.7%	↑
Qtr. Net Absp. (SF)	-72K	-626K	-1.6M	→
Average Asking Rent/SF/Month	$1.55 NNN	$1.54 NNN	$1.64 NNN	↓
Deliveries (SF)	781K	0	569K	↑
Under Const. (SF)	2.0M	2.2M	1.4M	↓

Source: Newmark Research

Orange County Submarket Statistics | 1Q25 (page 1 of 3)

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Airport	**84,388,620**	**396,238**	**4.7%**	**-107,810**	**-107,810**	**$1.56**	**$1.48**	**$1.55**
Costa Mesa	10,911,687	0	3.6%	-35,868	-35,868	$1.89	$1.64	$1.58
Fountain Valley	4,680,019	0	2.9%	11,727	11,727	-	$1.50	$1.49
Irvine	25,694,364	279,008	5.6%	-68,946	-68,946	$1.74	$1.67	$1.75
Newport Beach	760,566	0	1.0%	0	0	-	-	$1.66
Santa Ana	32,337,423	117,230	4.8%	-17,293	-17,293	$1.32	$1.34	$1.34
Tustin	10,004,561	0	4.7%	2,570	2,570	$1.48	$1.75	$1.50
North County	**106,387,636**	**763,284**	**4.3%**	**421,787**	**421,787**	**$1.49**	**$1.52**	**$1.51**
Anaheim	50,304,474	477,565	5.4%	134,114	134,114	$1.49	$1.53	$1.51
Brea	11,960,974	0	4.5%	29,099	29,099	$1.64	$1.24	$1.54
Fullerton	21,785,745	0	4.1%	71,846	71,846	$1.21	$1.61	$1.44
La Habra	3,472,890	0	2.2%	-124	-124	$1.67	$1.50	$1.55
Orange	12,884,104	285,719	2.3%	-19,592	-19,592	-	$1.66	$1.72
Placentia	3,767,968	0	2.2%	68,181	68,181	$1.33	$1.71	$1.56
Yorba Linda	2,211,481	0	0.6%	138,263	138,263	$1.47	-	$1.48

Source: Newmark Research

Orange County Submarket Statistics | 1Q25 (page 2 of 3)

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
South County	**35,497,278**	**879,637**	**4.2%**	**-228,250**	**-228,250**	**$1.65**	**$1.67**	**$1.68**
Aliso Viejo	1,819,973	0	3.2%	3,596	3,596	-	-	$1.76
Foothill Ranch	2,855,942	0	1.5%	-32,000	-32,000	-	$1.68	$1.68
Irvine Spectrum	17,708,536	743,329	5.6%	-214,211	-214,211	$1.64	$1.66	$1.70
Laguna Beach	76,268	0	4.7%	0	0	-	-	$2.52
Laguna Hills	1,237,183	0	2.1%	-12,025	-12,025	-	$1.71	$1.59
Laguna Niguel	452,142	0	0.0%	0	0	-	-	-
Lake Forest	4,873,875	0	3.6%	30,200	30,200	$1.56	$1.59	$1.56
Mission Viejo	1,093,758	0	3.2%	3,538	3,538	$2.23	-	$2.01
Rancho Santa Margarita	2,362,298	0	2.2%	-1,401	-1,401	-	-	$1.62
San Clemente	2,101,518	0	4.1%	-5,947	-5,947	$1.60	$1.79	$1.51
San Juan Capistrano	915,785	136,308	1.7%	0	0	-	-	-
West County	**41,521,914**	**0**	**6.1%**	**-157,596**	**-157,596**	**$1.58**	**$1.53**	**$1.54**
Cypress	6,606,953	0	16.0%	-266,055	-266,055	-	$1.60	$1.54
Garden Grove	13,215,330	0	3.5%	100,219	100,219	$1.56	$1.39	$1.46

Source: Newmark Research

Orange County Submarket Statistics | 1Q25 (page 3 of 3)

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Wh/Dist Asking Rent (Price/SF)	General Ind Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Huntington Beach	16,170,998	0	3.3%	11,539	11,539	$1.63	$1.59	$1.55
Los Alamitos	2,063,009	0	6.1%	-81	-81	-	$1.61	$1.63
Seal Beach	841,203	0	1.6%	0	0	-	-	-
Stanton	826,538	0	3.6%	12,840	12,840	-	-	-
Westminster	1,797,883	0	17.9%	-16,058	-16,058	$1.55	$1.45	$1.60
Orange County	**267,795,448**	**2,039,159**	**4.7 %**	**-71,869**	**-71,869**	**$1.53**	**$1.52**	**$1.55**

Source: Newmark Research

Some Underperforming Office Properties Will Find New Life

Finding the best use for a commercial asset is the principal goal of any developer. A handful of underperforming office properties will eventually vanish to make way for new industrial product, a list that will continue to grow.

Office-to-Industrial Redevelopment Project Announcements

Address: 5757-5665 Plaza Dr
Buyer: Goodman Logistics
Office RBA: 466,058 SF

Address: 1700-1740 E Garry Ave
Buyer: Terreno Realty
Office RBA: 99,000 SF

Address: 1801 E Saint Andrew Pl
Buyer: Rexford Industrial
Office RBA: 370,000 SF

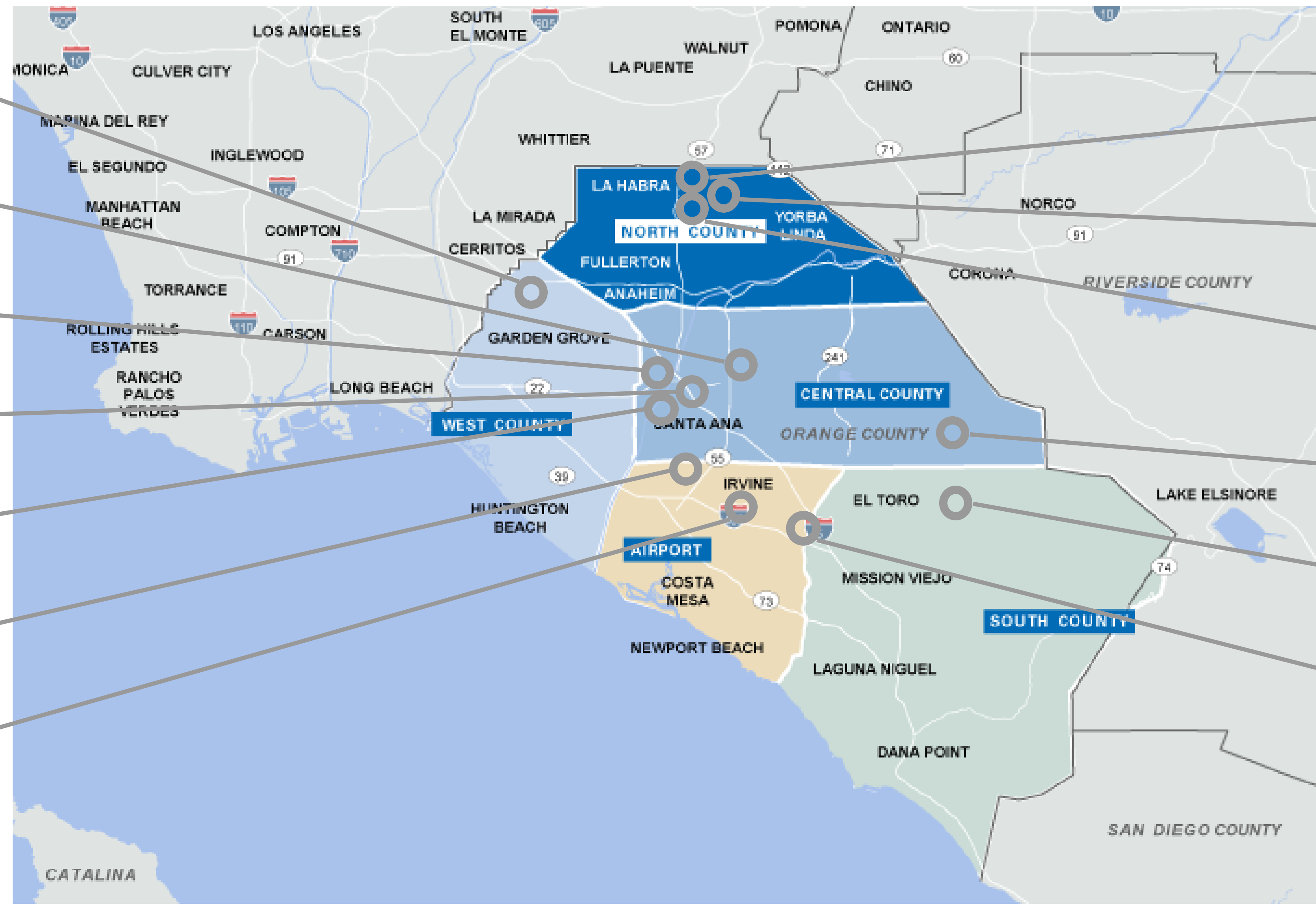
Address: 3100-3130 S Harbor Blvd
Buyer: Kearny/Dune
Office RBA: 197,370 SF

Address: 3100-3120 W Lake Center Dr
Owner: C.J. Segerstrom & Sons
Office RBA: 178,026 SF

Address: 3700-3720 S Susan St
Owner: C.J. Segerstrom & Sons
Office RBA: 31,082 SF

Address: 16752 Armstrong Ave
Buyer: Rexford Industrial
Office RBA: 81,600 SF

2.8 MSF slated for industrial conversion



Address: 2929 E Imperial Hwy
Buyer: Western Realco
Office RBA: 128,250 SF

Address: 275 Valencia Ave
Buyer: Amazon
Office RBA: 640,000 SF

Address: 2727 E Imperial Hwy
Buyer: Duke Realty
Office RBA: 104,662 SF

Address: 2401-2421 N Glassell St
Buyer: Rexford Industrial
Office RBA: 191,000 SF

Address: 26110-26250 Enterprise Way
Buyer: Western Realco/RREEF
Office RBA: 221,921 SF

Address: 1 & 3 Banting
Buyer: Bridge Industrial
Office RBA: 138,375 SF

Source: Newmark Research

New California Bill Adds Regulations on Warehouse Development in the State

Building setbacks, facility design features and truck routes are among the bill's focus---regulations that will ultimately increase warehouse occupancy costs. It is also worth noting that the state will have more control over matters that have historically fallen under the jurisdiction of counties and cities.

California Assembly Bill 98 (also known as "The Planning Logistics and Neighborhood Standards Act")

Macro

- Signed into law on September 29, 2024.
- Prohibits California cities and counties from approving all new development or expansions (20%+) of logistics centers unless they meet specified standards.
- Commences on January 1, 2026.

Standards

- Establishes setback requirements for new 250,000+ SF warehouse developments that are within 900 feet of homes, schools, daycares, parks or healthcare facilities.
    - Truck loading bays must be at least 300 feet from the property line in areas zoned for industrial use and 500 feet from the property line in areas not zoned for industrial use.
- Guidelines for sub-250,000 SF warehouse developments are here; see Section 65098.1. (d)
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- Building plans for many unentitled sites will be revised.
- Development costs will rise.
- The Inland Empire, with the largest concentration of warehouse development in the state, will be most affected. Construction will grow in tertiary areas, such as the High Desert.

Source: Newmark Research; Rutan & Tucker, LLP; California Legislative Information.

WAIRE: Program Summary and Implications for Industrial

The Warehouse Actions and Investments to Reduce Emissions (WAIRE) Program imposes additional costs for warehouse occupiers and encourages new construction outside of South Coast Air Quality Management District's (SCAQMD's) jurisdiction.

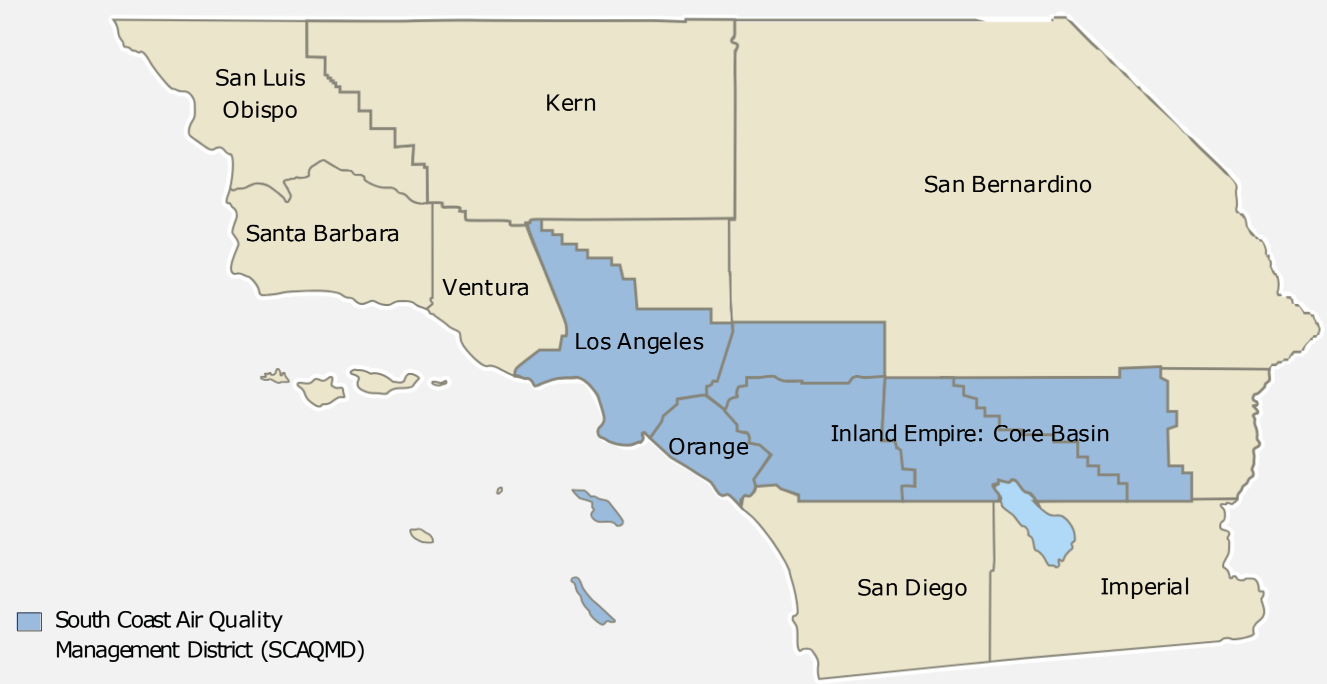
Program Summary

– In 2021, SCAQMD implemented the WAIRE program to "reduce local and regional emissions of nitrogen oxides and particulate matter…[derived from] warehouses and the mobile sources attracted to warehouses."

– The program essentially imposes an emissions-based tariff on warehouse occupiers whose footprints are above 100,000 SF in much of LA, Orange, Riverside and San Bernardino Counties.

– The first report submission year was 2023, and average collections are estimated to be between $670 million and $1.0 billion per year.

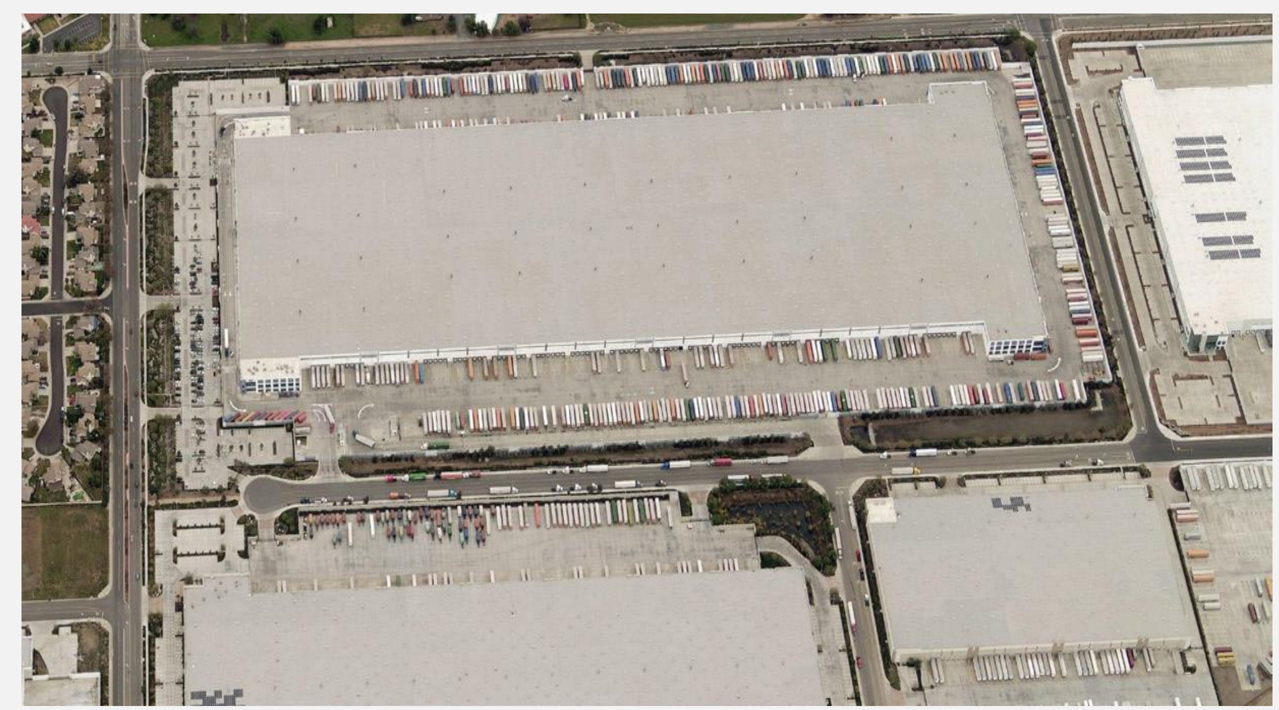
– For more information, please read Newmark's report on the subject.



Implications for Industrial Real Estate

– Retrofitted buildings within SCAQMD's jurisdiction that have solar roof panels, EV stations, etc. help to lower a tenant's annual WAIRE costs. These buildings will command a rent premium.

– Building owners can participate in the WAIRE Program and can give preferential treatment to top-credit tenants.



Source: Newmark Research

The World's Top 20 Containerized Cargo Seaports

Sixteen are in Asia, China leads all other countries with nine and Los Angeles-Long Beach is the only U.S. complex to make the list.

Rank	Seaport	2024 Volume (TEU, in millions)
1	Shanghai, China	51.5
2	Singapore	41.1
3	Ningbo-Zhoushan, China	39.3
4	Shenzhen, China	33.4
5	Qingdao, China	30.9
6	Guangzhou, China	26.1
7	Busan, South Korea	24.4
8	Tianjin, China	23.3
9	**Los Angeles-Long Beach, U.S.**	**18.3**
10	Jebel Ali, United Arab Emirates	15.5

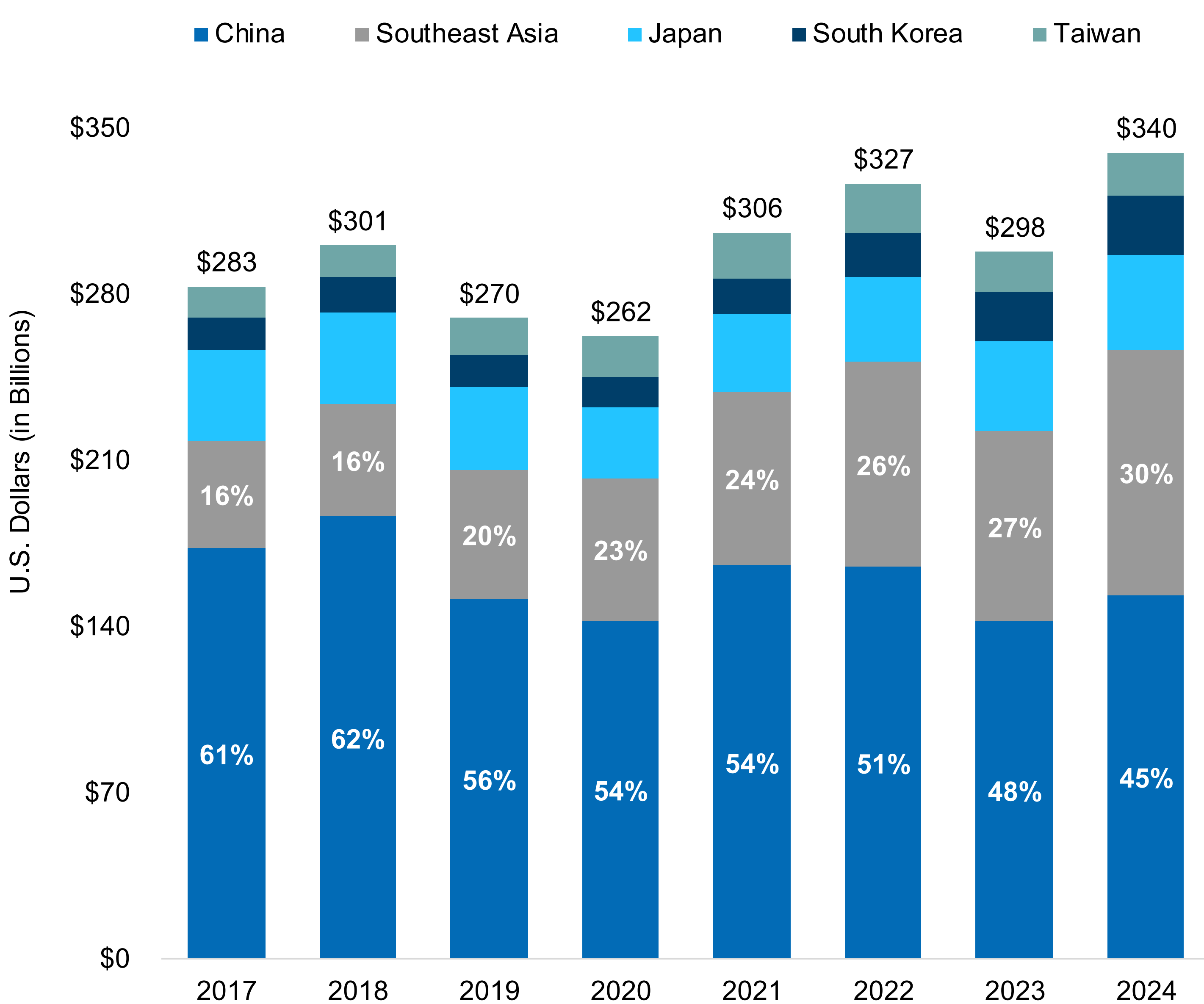
Rank	Seaport	2024 Volume (TEUs, in millions)
11	Port Kelang, Malaysia	14.6
12	Rotterdam, The Netherlands	13.8
13	Hong Kong, China	13.7
14	Antwerp-Bruges, Belgium	13.5
15	Tanjung Pelepas, Malaysia	12.3
16	Xiamen, China	12.3
17	Tanger Med, Morocco	10.2
18	Laem Chabang, Thailand	9.5
19	Kaoshiung, Taiwan	9.2
20	Beibu Gulf, China	9.0

Source: Newmark Research, upply
Note: TEU totals includes loaded and empty containers

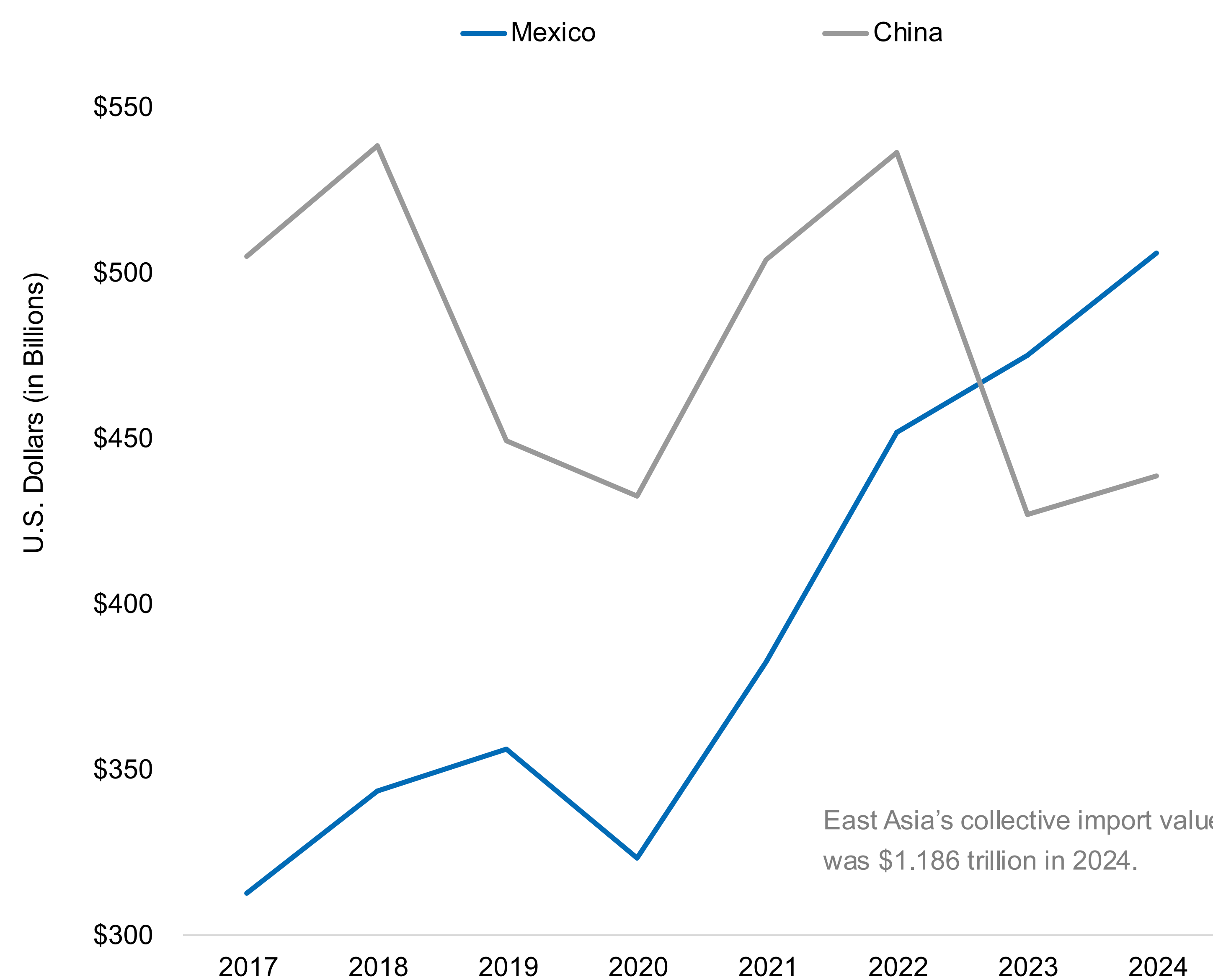
Southeast Asia Imports to POLA-POLB are Growing; Mexico Remains U.S.' Top Trade Partner

China's exporter-dominance is narrowing due to lower manufacturing wages in other countries; escalating U.S. tariffs (began in 2018 and grew more contentions in early 2025); and stringent lockdown measures during the height of COVID-19 that stalled production and riled global supply chains. Although Mexico's manufacturing industry is rising, East Asia will continue to produce the bulk of the world's goods; Southern California's seaports will remain the dominant point of entry for trans-Pacific routes.

Annual Import Value from East Asia to Ports of Los Angeles and Long Beach



Annual Import Value to U.S. from Mexico and China (All Ports of Entry)

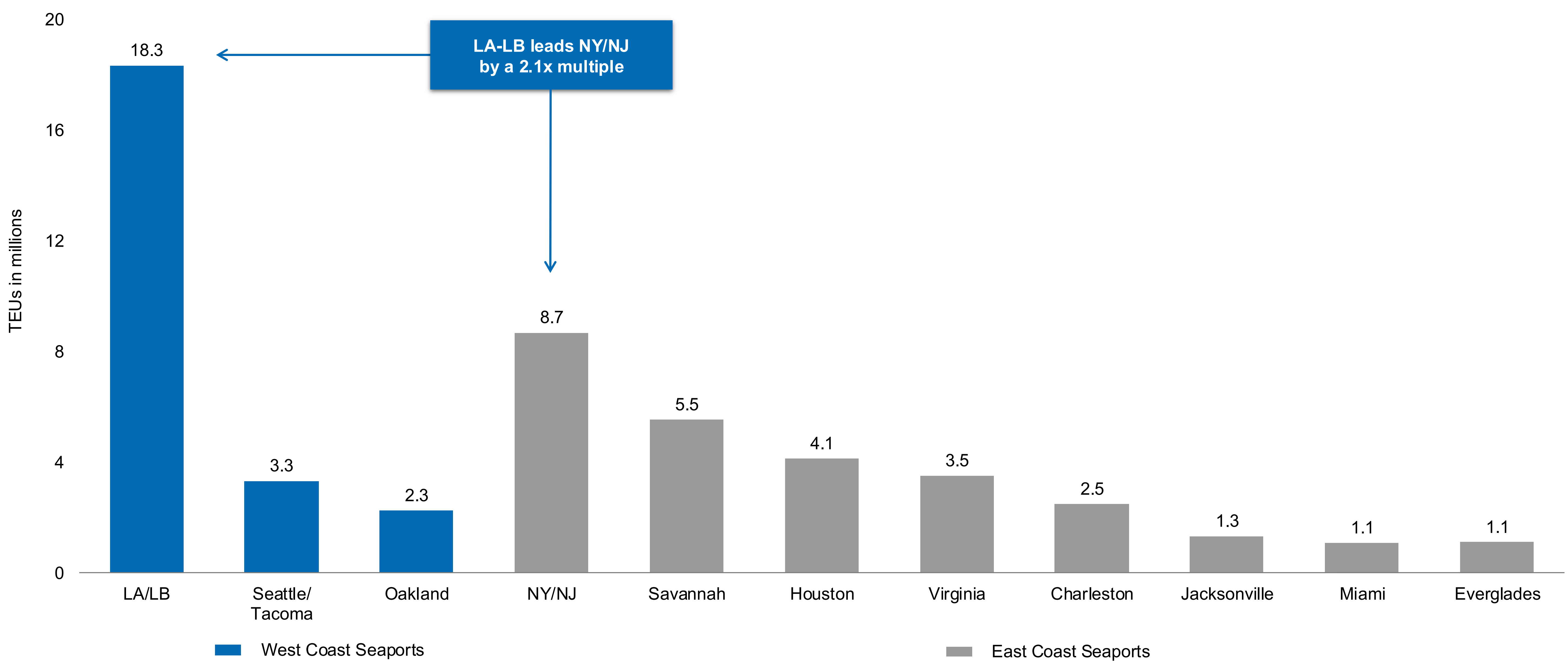


Source: Newmark Research, USA Trade Online, US Census Bureau
Note: Southeast Asia includes the following countries: Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam

Los Angeles-Long Beach is the Nation's Dominant Port System

Los Angeles-Long Beach can accommodate 18,000 TEU vessels, which are too wide to traverse the new Panama Canal. Additionally, both ports have Class 1 freight rail connectivity to the nation's major population centers.

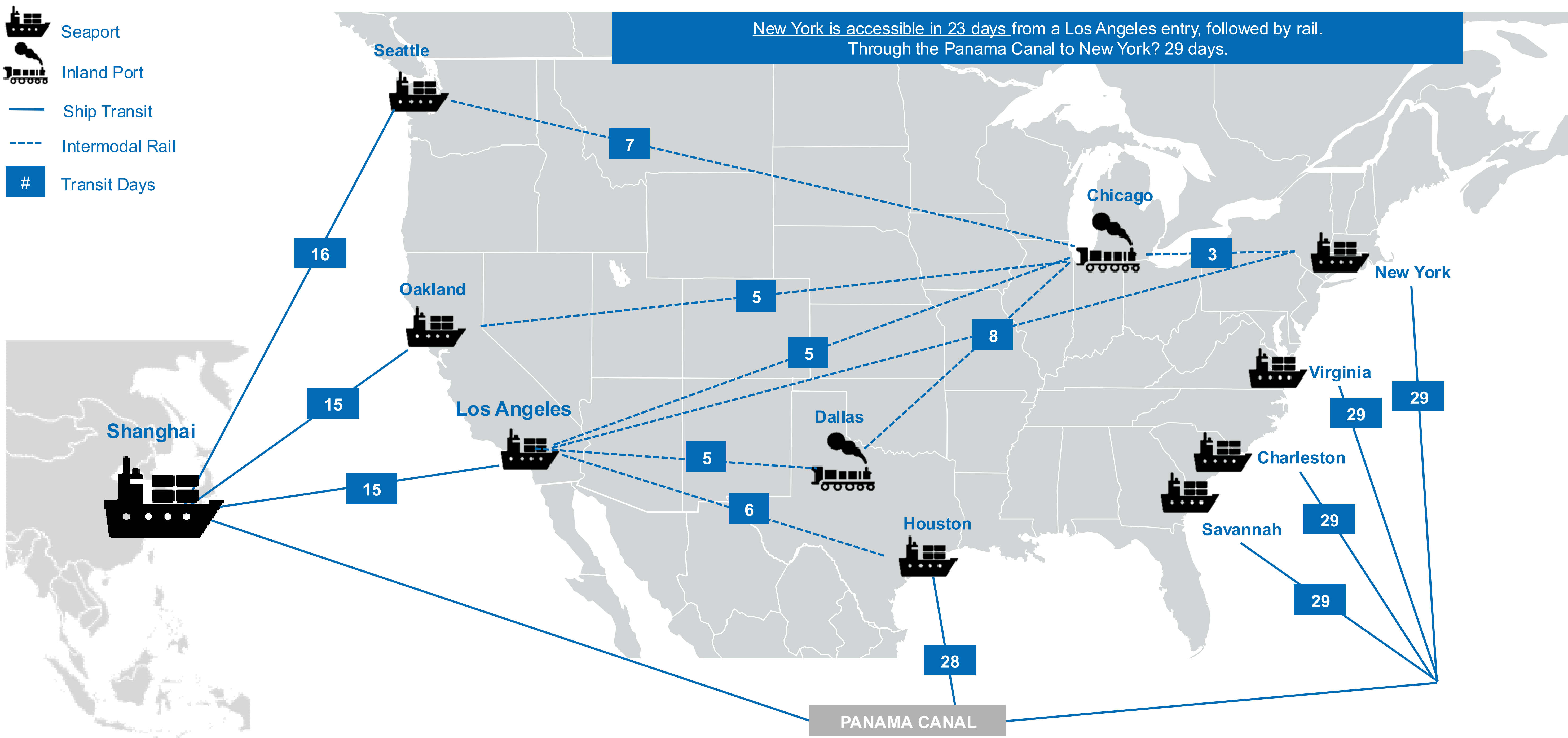
Major U.S. Seaports: 2024 TEU Volume (All Containers: Loaded and Empty)



Source: Newmark Research, Individual Seaports

Why Los Angeles-Long Beach?

In a normal environment, shorter transit time from Shanghai. Double-stack rail connectivity allows distributors to touch multiple U.S. markets, which is more cost-effective.

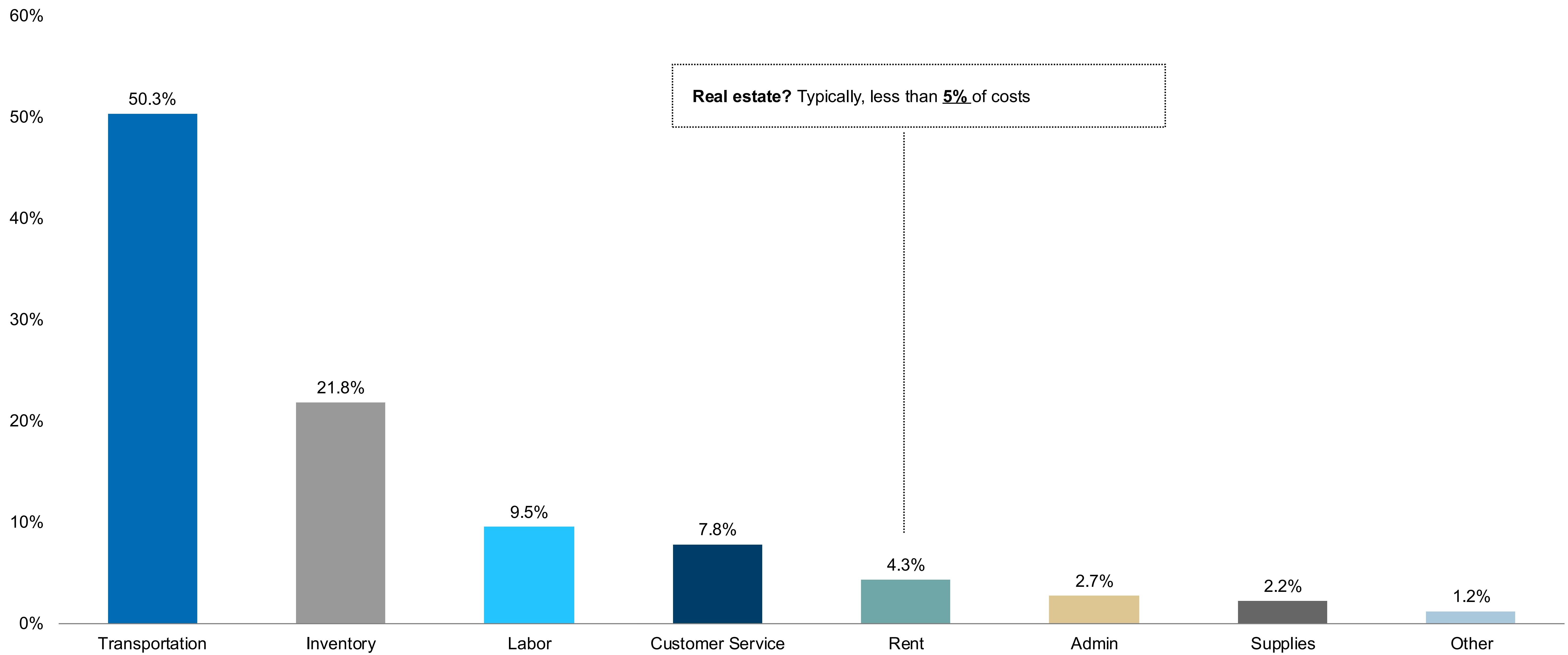


Source: Newmark Research, IMS Worldwide

Transport Costs Are the Biggest Expenditure for Most Warehouse Occupiers

Before the pandemic, the average was just over 50%.

Cost Splits for the Average Warehouse Occupier Prior to COVID-19



Source: Newmark Research, Exchange Inc. Logistics Cost & Service Report
Note: These ratios do not apply to all industries. 3PLs, for instance, are highly rent-sensitive.

Transport Costs Per TEU Container Increase the Further an Occupier is from the Ports

Current rates are down from 2023 due to slowing global trade.

Region	Early 2023 Drayage Rate (includes base rate, fuel surcharge, chassis rental – 5 days)	Early 2024 Drayage Rate (includes base rate, fuel surcharge, chassis rental – 5 days)
South Bay	$753 to $858	$613 to $644
Central/Mid-Counties	$910 to $962	$666 to $742
San Gabriel Valley	$962	$735 to $788
I.E. West	$1,066 to $1,145	$825 to $894
I.E. East	$1,170 to $1,307	$894 to $1,066

Source: Newmark Research, WCL Consulting, Inc.
Note: The drayage rates are roundtrip base rates to haul a container from the Ports of Long Beach or Los Angles and return it after unloading. Assumptions: 1) Annual volume: 5,000 x 40' containers per year; 2) Commodity: Consumer Goods/Non-Hazardous; 3) Origins: Ports of Los Angeles and Long Beach Marine Terminals.
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For more information:

Fahima Dawd
Senior Research Analyst
Orange County
fahima.dawd@nmrk.com

Dain Fedora
Head of Research
Southwest
dain.fedora@nmrk.com

Orange County
18401 Von Karman Ave., Suite 150
Irvine, CA 92612
t 949-608-2000

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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