



Orange County Industrial Market Report

Renewals Dominate Leasing Activity; Interest Rates Climb

- Net absorption was slightly negative following move-outs by Towne AllPoints at 3441 MacArthur Boulevard (124,948 square feet); Battery Systems at 12400 Industry (64,200 square feet), and AMP Research at 15651 Mosher Avenue (55,291 square feet).
- One or two tenant move-ins or outs can shape absorption in a tight market. Desirable space is also quickly backfilled.
- Woodbridge Glass Inc. plans to fill the space that Towne AllPoints vacated later this year.
- Under-construction activity is at a record high, after increasing by 78% from 12 months ago. Panattoni’s development at 14451 Myford Road in Tustin (219,827 square feet) was this quarter’s largest groundbreaking.
- Vacancy is relatively flat and will likely hover in the low 2s through year-end.
- Given current market conditions, most tenants are renewing when their leases come due.
- A sampling of this quarter’s lease renewals included Arbonne International Inc. at 9400 Jeronimo Road in Irvine (146,482 square feet); Pinnacle Exhibits at 9 Holland in Irvine (92,801 square feet); and Inmar at 701 South Sally Place in Fullerton (85,172 square feet).

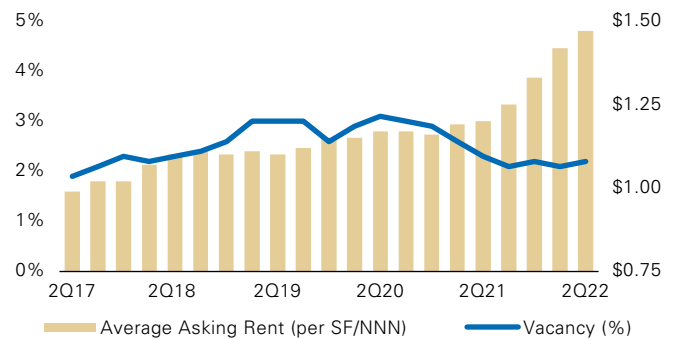
Developers Seek Relevant Infill Opportunities

Covered land plays are no longer restricted to dated industrial and office facilities, based on Rexford Industrial Realty’s purchase of a hotel in Fullerton this quarter. The developer paid \$45 million for the 7.2 acre-site (\$143/SF) and plans to build a 140,000-square-foot warehouse. Construction is set to begin in a year.

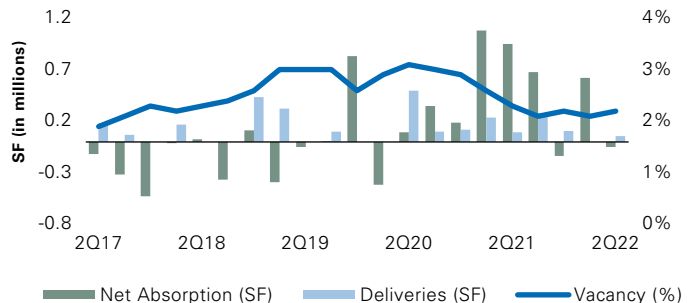
Panattoni is also expanding its industrial footprint in the Airport submarket. The developer paid \$19.3 million (\$215/SF) for a 90,000-square-foot building at 14351 Myford Road this quarter. Although plans for the site have not been disclosed,

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION, CONSTRUCTION DELIVERIES AND VACANCY



Market Summary

	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	263.0M	262.9M	261.5M	↑
Total Vacancy Rate	2.2%	2.1%	2.3%	→
Quarterly Net Absorption (SF)	-49K	622K	953K	→
Average Asking Rent/SF/Month	\$1.47 NNN	\$1.42 NNN	\$1.20 NNN	→
Deliveries (SF)	56K	0	93K	↑
Under Construction (SF)	3.7M	3.1M	2.1M	→

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future redevelopment is likely. Panattoni owns an existing development next door at 14451 Myford Road, a 219,827-square-foot facility that is pre-leased by Rivian Automotive and expected to deliver by year-end.

Other major projects that are underway include Goodman Logistics Center Fullerton, a four-building campus totaling 1.5 million square feet; Huntington Gateway, a six-building campus totaling 1.0 million square feet; and a 145,000-square-foot Amazon facility in Irvine Spectrum.

AB 2840 and Future Supply in the Inland Empire

While the Inland Empire is historically the catcher's mitt for Los Angeles and Orange County distributors to expand or consolidate operations into modern facilities, this trend will likely decelerate if California Assembly Bill 2840 passes. The bill, which requires new warehouses with footprints of 100,000 square feet or larger to be built at least 1,000 feet away from residential properties and schools in San Bernardino and Riverside Counties, will likely push warehouse development to

tertiary Inland areas with higher drayage rates to and from Southern California's seaports, such as the High Desert and Coachella Valley.

Limits on where new construction can be built will also elevate rents in the Inland Empire's core basin. Higher pricing will deter migration activity out of Orange County.

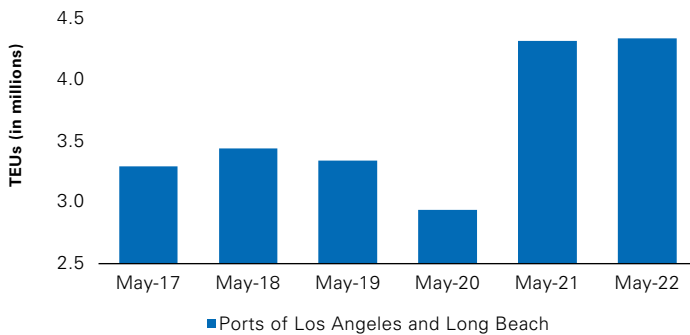
Outlook

Despite the county's 2.4% unemployment rate, economic conditions are starting to shift as interest rates rise. Historically, rising rates are followed by layoffs and higher unemployment. Both have an impact on consumer spending, which dropped 0.3% in May across the U.S.

Further declines in consumer spending will lead to a reduction in import activity at the Southern California ports, which, in turn, will slow demand for warehouse space. While the outlook for the remainder of 2022 is highly favorable for local leasing market conditions, a higher degree of uncertainty clouds the outlook in 2023.

YTD Import Volume

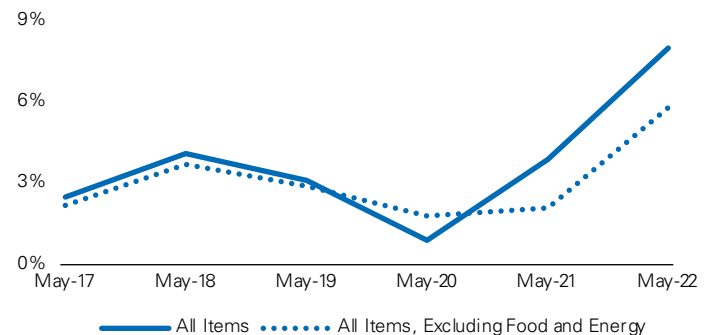
LOADED INBOUND CARGO



Source: Port of Los Angeles, Port of Long Beach

Consumer Price Index (CPI-U)

LOS ANGELES-LONG BEACH-ANAHEIM | 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics (data not adjusted for seasonality)

Lease Transactions

Tenant	Building(s)	Market Area	Lease Type	Square Feet
Sprouts Farmers Market	1829 Orangethorpe Avenue	North County	Pre-lease	336,968
Nike	20001 Ellipse	South County	Renewal	159,156
Woodbridge Glass Inc.	3441 W MacArthur Boulevard	Airport	New	124,102

Sale Transactions

Buyer	Building(s)	Market Area	Sale Price (PSF)	Square Feet
Aeroterm, Inc.	2990-3000 Airway Avenue	Airport	\$46,775,000 (\$329/SF)	142,273
Brookfield Asset Management	Pacific Gateway Business Park	West County	\$35,400,000 (\$621/SF)	57,033
Black Creek Group	4 Studebaker	South County	\$33,150,000 (\$361/SF)	91,723

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Submarket Statistics								
	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	84,209,477	319,465	2.8%	-167,316	234,908	\$1.62	\$1.53	\$1.56
Costa Mesa	10,764,021	0	2.7%	-134,039	-76,321	\$1.59	\$1.36	\$1.29
Fountain Valley	4,697,315	0	1.7%	31,834	15,764	\$1.43	\$1.53	\$1.62
Irvine	26,212,380	99,638	3.00%	60,451	145,198	-	\$1.70	\$1.56
Newport Beach	892,953	0	4.5%	-2,640	12,060	-	\$1.85	\$1.83
Santa Ana	31,858,114	0	1.6%	-39,437	75,013	\$1.71	-	\$1.58
Tustin	9,784,694	219,827	6.8%	-83,485	63,194	-	\$1.62	\$1.73
North County	104,009,403	2,106,685	1.4%	207,980	-276,544	\$1.46	\$1.25	\$1.34
Anaheim	50,029,621	412,265	1.7%	33,756	-220,583	\$1.56	\$1.26	\$1.45
Brea	11,535,520	0	1.6%	123,833	-38,473	\$1.20	\$1.38	\$1.38
Fullerton	20,219,557	1,694,420	0.5%	57,245	6,124	\$0.77	-	\$1.15
La Habra	3,472,738	0	0.4%	0	20,825	\$0.60	-	\$0.60
Orange	12,826,305	0	1.2%	-15,077	-8,906	\$1.32	\$0.80	\$1.01
Placentia	3,796,891	0	0.6%	-4,704	88,469	-	\$1.45	\$1.45
Yorba Linda	2,128,771	0	6.8%	12,927	-124,000	-	\$1.43	\$1.44
South County	34,994,471	145,000	2.2%	76,447	344,883	\$1.68	\$1.51	\$1.59
Aliso Viejo	1,812,203	0	3.0%	44,471	-12,345	-	-	\$1.43
Foothill Ranch	2,829,044	0	0.0%	0	0	-	-	-
Irvine Spectrum	17,372,567	145,000	2.7%	-42,164	371,204	\$1.63	\$1.75	\$1.61
Laguna Beach	76,268	0	4.7%	0	0	\$2.52	\$0.00	\$2.52
Laguna Hills	1,227,951	0	2.1%	-5,231	-5,968	\$1.70	\$1.45	\$1.57
Laguna Niguel	498,492	0	5.0%	3,469	3,469	-	-	\$1.50
Lake Forest	4,780,058	0	0.4%	80,585	40,289	-	\$1.80	\$1.68

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Mission Viejo	1,054,227	0	4.3%	10,327	-4,629	-	\$0.99	\$0.99
Rancho Santa Margarita	2,337,119	0	0.3%	700	6,318	-	-	-
San Clemente	2,052,836	0	5.0%	-16,013	-41,568	\$1.85	\$1.65	\$1.56
San Juan Capistrano	953,706	0	1.3%	303	-11,887	-	-	\$2.00
West County	39,777,640	1,114,892	2.6%	-165,907	269,741	\$1.52	\$1.21	\$1.25
Cypress	6,311,612	0	7.2%	-238,365	-77,799	\$1.49	\$1.29	\$1.29
Garden Grove	12,976,450	0	3.0%	5,869	226,832	-	\$1.17	\$1.41
Huntington Beach	15,019,722	1,114,892	0.4%	122,381	137,634	\$1.76	\$1.19	\$1.10
Los Alamitos	2,039,241	0	1.0%	-1,468	2,350	-	-	\$1.70
Seal Beach	841,203	0	0.0%	0	16,720	-	\$0.00	-
Stanton	797,352	0	0.2%	0	0	-	\$1.02	\$1.02
Westminster	1,792,060	0	4.9%	-54,324	-35,996	-	-	-
Orange County	262,990,991	3,686,042	2.2%	-48,796	572,988	\$1.50	\$1.39	\$1.47

Net absorption is the change in physically occupied space. A hypothetical vacant and available space could lease this quarter with the tenant set to take occupancy six months later; positive absorption is not recorded until this physical move-in occurs. The space will remain vacant, but not available, until occupancy.

The total asking rent is the weighted average across warehouse, manufacturing, flex, incubator and general industrial properties. Older, available buildings often cite asking rents, while newer facilities often withhold rent values. Based on this, today's asking rent averages are materially understated.



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