

Orange County Industrial Market Report

Construction Activity Increases, Rents Trend North

- Vacancy compressed slightly from last quarter after nearly 660,000 square feet in net absorption gains were met with an absence of construction deliveries.
- Cloud Mountain LLC, Amazon, Syco, AIM Sports, and Home Plus Group all took occupancy of 75,000-square-foot and greater spaces this quarter.
- Loaded inbound cargo volume at Los Angeles-Long Beach in the first eight months of 2021 was up 29.5% from the same period in 2020.
- More goods flowing into Southern California favors demand for warehouse space across the basin.
- Orange County's warehouse vacancy averages 2.0%, below the market's greater average of 2.3%.
- North County, which comprises 51.3% of the metro's warehouse inventory, led all submarkets in year-to-date net absorption and construction activity.
- Under-construction activity is at a record high.

Net Absorption (and the Inland Empire)

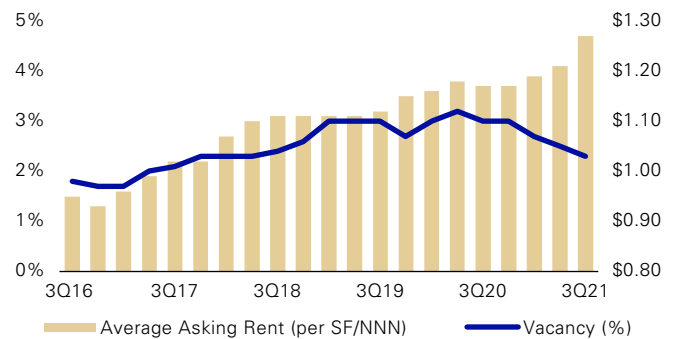
Orange County's net absorption would have surpassed 1.0 million square feet had Ricoh Electronics not vacated 500,625 square feet in Tustin in a downsize-relocation move to the Inland Empire. While the Inland Empire historically functions as the catcher's mitt for Los Angeles and Orange County distributors that want to expand or consolidate operations at competitive rental rates, this is changing.

The Inland Empire's vacancy is now 1.0%. Desirable buildings that come to market attract multiple offers that bid up rents, which, when surveying current Class A* warehouse contract rent averages, are up 28.9% from two years prior.

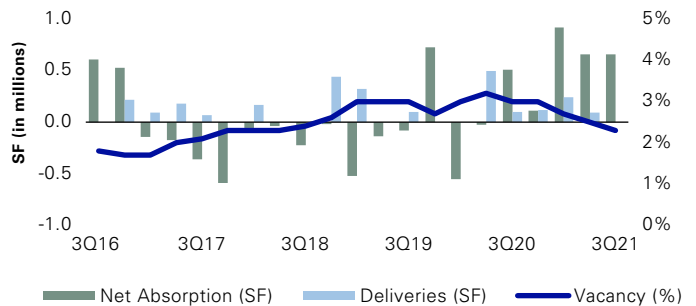
Fewer space options to the East will limit migration activity out of Orange County. This will give local landlords even more leverage over tenants.

Market Analysis

VACANCY AND ASKING RENT



NET ABSORPTION, CONSTRUCTION DELIVERIES AND VACANCY



Market Summary

	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	262.1M	261.7M	260.3M	↑
Total Vacancy Rate	2.3%	2.5%	3.0%	↓
Quarterly Net Absorption (SF)	656,963	656,367	510,152	→
Average Asking Rent/SF/Month	\$1.27 NNN	\$1.21 NNN	\$1.17 NNN	↑
Deliveries (SF)	0	93,382	99,200	↑
Under Construction (SF)	2.4M	2.1M	422,354	→

Notable Construction, Office Goes the Way of Industrial

Goodman North America broke ground last quarter on a four-building campus at the former Kimberly-Clark facility in Fullerton for what will total 1.5 million square feet, while other developers have notable projects underway and planned.

In Huntington Beach, Sares Regis Group commenced work on the second building of Huntington Gateway for Cambro Manufacturing (433,865 square feet), while Gateway’s first building (242,976 square feet for Amazon) delivered this quarter. Four additional speculative buildings, ranging from 109,892 square feet to 233,706 square feet, will soon break ground.

Huntington Gateway is situated on a site that once housed an eight-story office previously occupied by Boeing and is an example of how developers are targeting older suburban offices for industrial construction. Last quarter, Western Realco and RREEF Property Trust acquired four Lake Forest office buildings, totaling 223,000 square feet, while, this quarter, Rexford Industrial purchased the Volt Campus in Orange in a sale-

leaseback. Rexford will redevelop the 191,000-square-foot site once Volt’s lease is up.

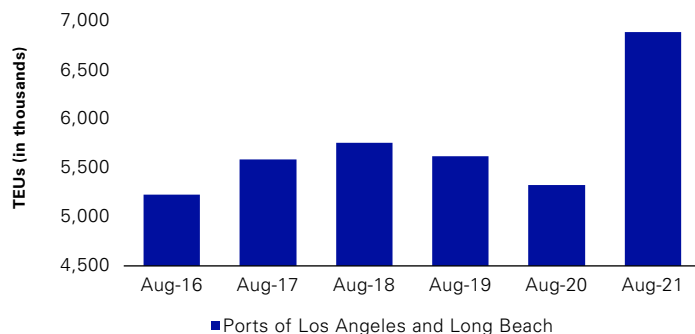
Rent Growth and the Outlook

Warehouse contract rents for direct leases and renewals between 50,000 and 150,000 square feet in spaces with a 24-foot and greater ceiling height had a weighted average of \$1.04/SF/month in the first nine months of 2021, up 27.7% from the same period in 2020. Newer facilities – with 30-foot and higher ceilings – transacted in the upper \$1.30s/SF.

Pronounced rent growth is occurring throughout Southern California and will not slow anytime soon on account of demand for last-mile e-commerce facilities, healthy consumer spending and global supply disruptions that are prompting some distributors to increase domestic inventory capacities by leasing additional space. Orange County’s consumer population of 3.2 million, whose median household income is 31.4% higher than Los Angeles’, only favors local leasing dynamics in a market where modern facilities are in short supply.

YTD Import Volume

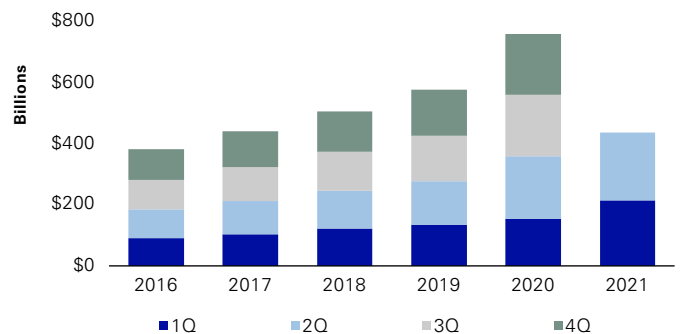
LOADED INBOUND CARGO



Source: Port of Los Angeles, Port of Long Beach

U.S. Consumer E-Commerce Sales Volume

BY YEAR AND QUARTER



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

Lease Transactions

Tenant	Building	Market Area	Lease Type	Square Feet
Cloud Mountain Inc.	500 W Warner Avenue	Airport	New	246,622
Syco Enterprises	500 W Warner Avenue	Airport	New	134,716
Overair	3030 S Susan Street	Airport	Expansion	108,858

Sale Transactions

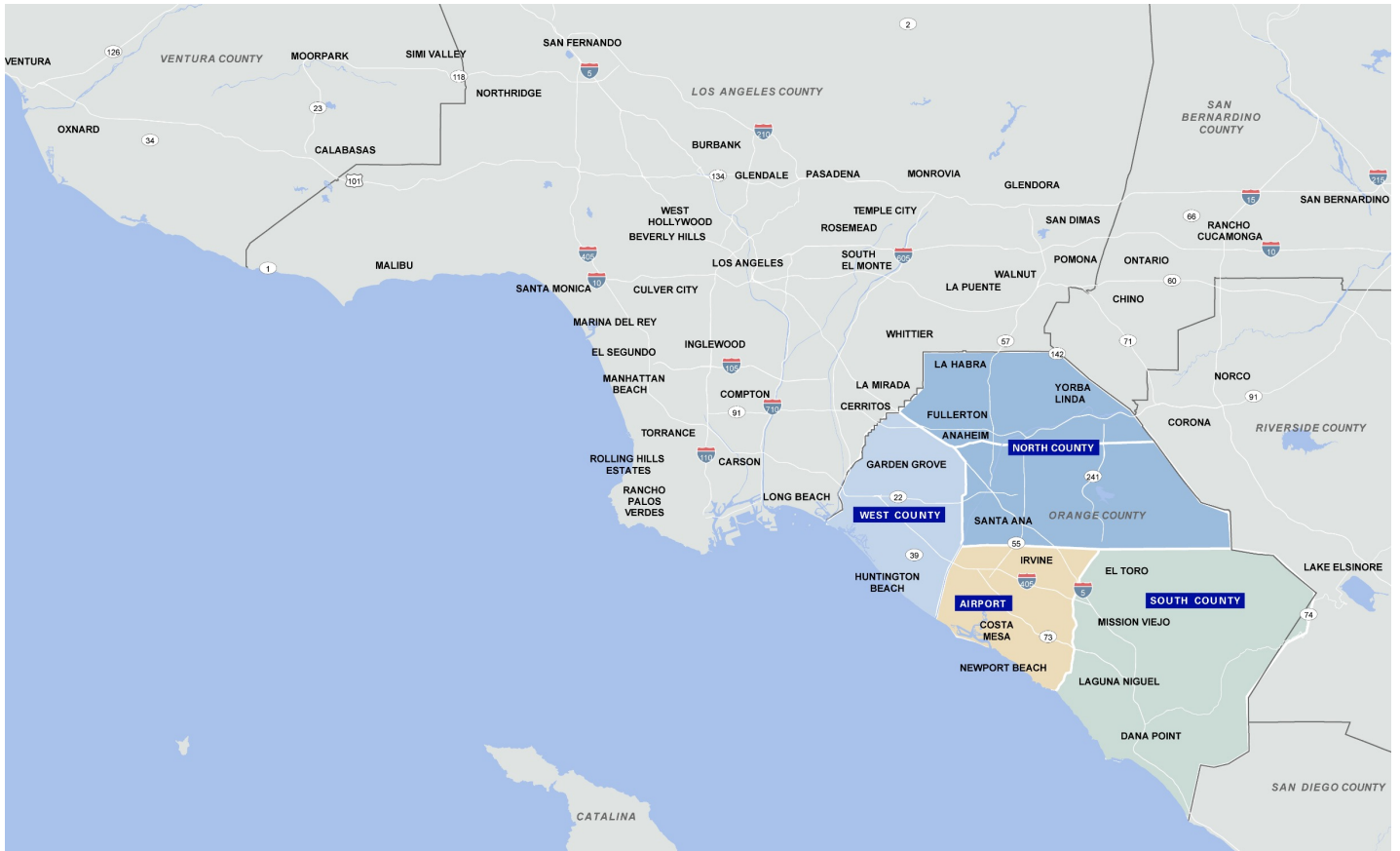
Buyer	Building(s)	Market Area	Sale Price (PSF)	Square Feet
Staley Point Capital	888 W. Crowther Avenue	North County	\$15,000,000 (\$257/SF)	58,400
Precision Water Jet & Laser	4900 E. Hunter Avenue	North County	\$13,000,000 (\$248/SF)	52,416
LBA Realty	850-851 Enterprise Avenue	North County	\$9,050,000 (\$153/SF)	59,277

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	84,112,002	0	3.2%	98,194	738,277	\$1.14	\$1.27	\$1.40
Costa Mesa	10,721,388	0	3.3%	148,335	103,109	-	\$1.65	\$1.64
Fountain Valley	4,659,715	0	1.7%	104,509	145,564	-	\$1.60	\$1.57
Irvine	26,343,867	0	4.0%	-62,827	193,929	\$1.16	\$1.42	\$1.45
Newport Beach	892,953	0	3.3%	5,159	16,862	-	\$2.43	\$1.96
Santa Ana	31,804,467	0	1.3%	420,506	844,970	\$0.82	\$0.85	\$1.02
Tustin	9,689,612	0	8.0%	-517,488	-566,157	\$1.44	\$1.41	\$1.61
North County	103,635,934	1,917,700	1.2%	283,000	719,358	\$1.09	\$1.14	\$1.12
Anaheim	49,683,581	273,520	1.3%	112,199	359,305	\$1.00	\$1.06	\$1.06
Brea	11,435,525	108,125	1.3%	38,190	5,981	\$1.01	-	\$1.21
Fullerton	20,218,305	1,536,055	0.8%	13,533	233,426	\$1.28	\$0.89	\$1.16
La Habra	3,456,110	0	0.8%	0	10,395	\$0.60	-	\$0.60
Orange	12,797,040	0	0.9%	32,050	40,636	\$1.25	\$0.87	\$0.92
Placentia	3,796,636	0	2.7%	37,044	70,589	-	\$1.75	\$1.75
Yorba Linda	2,248,737	0	0.8%	49,984	-974	-	\$1.17	\$1.17
South County	34,993,624	0	3.7%	3,334	215,609	\$1.31	\$1.36	\$1.35
Aliso Viejo	1,810,021	0	3.3%	-16,707	-38,499	-	-	-
Foothill Ranch	2,829,044	0	0.0%	0	179,865	-	-	-
Irvine Spectrum	17,519,814	0	6.1%	-69,890	-15,503	\$1.30	\$1.28	\$1.31
Laguna Beach	76,268	0	4.7%	0	0	-	-	-
Laguna Hills	1,209,803	0	2.7%	6,143	-4,872	-	\$1.39	\$1.39
Laguna Niguel	498,492	0	5.7%	0	-1,922	-	-	-
Lake Forest	4,706,353	0	0.4%	7,877	2,734	\$1.45	\$1.47	\$1.47

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)
Mission Viejo	1,054,227	0	3.1%	42,181	44,199	-	-	-
Rancho Santa Margarita	2,312,865	0	0.8%	2,695	2,519	-	\$1.43	\$1.69
San Clemente	2,023,031	0	2.1%	12,930	27,642	-	\$1.45	\$1.90
San Juan Capistrano	953,706	0	0.2%	18,105	19,446	-	\$1.85	\$1.82
West County	39,352,665	433,865	2.3%	272,435	558,932	\$1.05	\$0.89	\$0.99
Cypress	6,345,912	0	6.9%	-63,298	-119,849	-	-	-
Garden Grove	12,612,970	0	2.3%	-10,771	213,445	\$0.92	\$0.80	\$0.96
Huntington Beach	14,991,395	433,865	0.8%	237,068	296,162	\$1.40	\$0.92	\$0.97
Los Alamitos	2,037,124	0	1.3%	19,194	50,445	\$1.01	\$1.25	\$1.05
Seal Beach	841,203	0	0.0%	88,507	88,507	-	-	-
Stanton	797,352	0	1.2%	-9,228	-7,828	\$1.05	-	\$1.05
Westminster	1,726,709	0	1.2%	10,963	38,050	-	-	-
Market	262,094,225	2,351,565	2.3%	656,963	2,232,176	\$1.14	\$1.18	\$1.27

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.



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