



Orange County Industrial Market Report

Net Absorption Posts a Massive Gain for the Quarter

- Quarterly net absorption totaled 1.3 million square feet, the highest quarterly showing in seven years.
- Notable move-ins included Bedrosian Tile at 1123 E. Warner Avenue (500,625 square feet); Crane Worldwide Logistics at 1515-1517 E. Winston Road (375,000 square feet); and Rivian Automotive at 14451 Myford Road (219,827 square feet). Rivian occupied the Panattoni building following its delivery this quarter.
- Amazon’s distribution center at 14300 Alton Parkway and two warehouse facilities at 3190 E. Miraloma Avenue and 1500 Walnut Avenue also finished construction. In all, 541,987 square feet delivered this quarter.
- Pent-up tenant demand for modern space led to several pre-leases, including large commitments from Samsung at the Goodman Logistics Center, Epson America at Huntington Gateway, and TAE Technologies at 9740 Irvine Boulevard.
- Average starting rents for general industrial and warehouse leases with a 30-foot or greater clearance height were 67.5% higher than 12 months ago.
- Newer buildings are on the higher end of the rent growth spectrum.

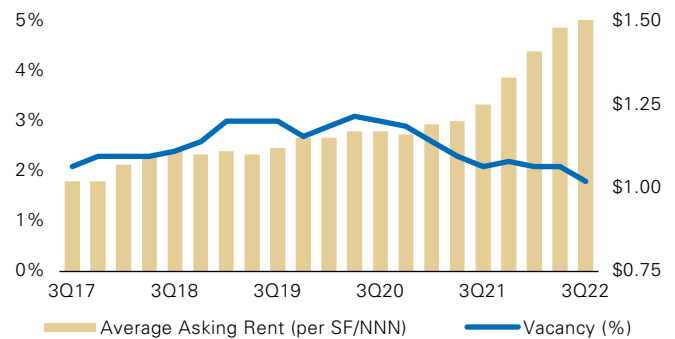
Irvine Spectrum’s Electric Vehicle Hub

Orange County is an excellent location for electric vehicle companies seeking technical labor and proximity to industry players. The University of California Irvine currently serves more than 4,500 engineering students and provides a large pool of potential workers for companies already in the market, such as Karma, Evevate, Mullen Automotive and Rivian.

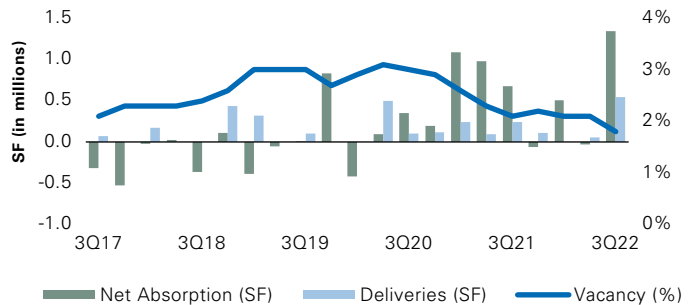
Clean energy initiatives are prevalent in the state, industrial occupiers throughout most of Southern California are now confronted with the [WAIRE program](#) and it is only a matter of time until a greater push for adoption of green technology spreads throughout the nation.

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)	263.2M	262.8M	261.7M	↑
Total Vacancy Rate	1.8%	2.1%	2.1%	↑
Quarterly Net Absorption (SF)	1.3M	-33K	678K	→
Average Asking Rent/SF/Month	\$1.56 NNN	\$1.48 NNN	\$1.25 NNN	→
Deliveries (SF)	542K	56K	243K	↑
Under Construction (SF)	3.4M	3.8M	2.4M	→

Amazon is very much aware of this, after signing a deal to purchase 100,000 custom electric delivery vans from Rivian. New Amazon EV rollouts have already begun in key cities across the country, including Los Angeles and San Francisco.

In another telling sign, Prologis, the world’s largest owner of industrial real estate, is building a separate business to provide charging stations for electric trucks.

Out With the Old, In with the New

Limited Class A inventory continues to motivate developers into purchasing older properties for redevelopment. This quarter, Duke Realty acquired a group of industrial buildings on a 10.7-acre plot in Los Alamitos for \$77.2 million. The existing buildings, totaling 250,000 square feet, will likely undergo redevelopment. Elsewhere, North Palisade bought a 2.45-acre industrial property in Irvine for \$11.0 million. The developer plans to demolish the existing facility to build a modern 48,000-square-foot warehouse that is expected to deliver in 2025.

Outlook

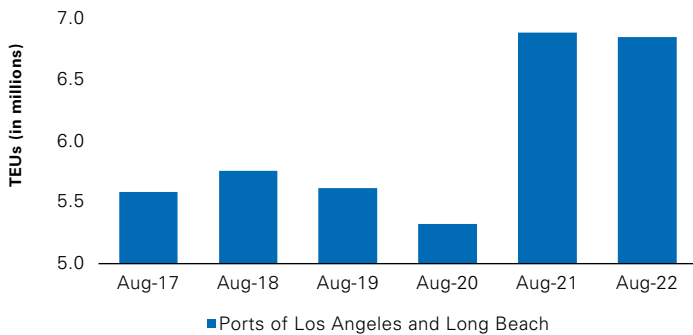
Leasing dynamics remain strong thanks to pent-up tenant demand for modern space. Despite inflation continuing to outpace wage growth, U.S. retail sales have held steady. This may change in the months ahead as consumers begin to cut back on discretionary purchases and affected businesses execute cost-cutting measures to adapt to less sales. The upcoming holiday season will be interesting to watch.

While industrial leasing activity will likely slow in the quarters ahead, Orange County is well-insulated to weather the storm. It’s proximity to the busiest cargo seaport complex in the nation, affluent consumer base and diverse roster of industry players position it as one of the most desirable industrial markets in the country.

The unprecedented industrial rent growth of recent years will decelerate and progressively shift back to pre-pandemic norms as retail sales cool.

YTD Import Volume

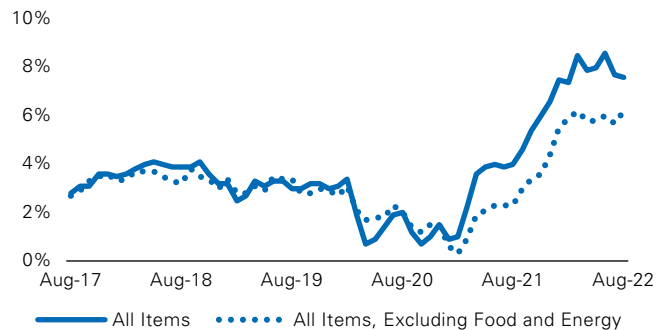
LOADED INBOUND CARGO



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
Samsung	2289/2099 E. Orangethorpe Avenue	North County	Pre-lease	1,025,262
Epson America	5383 Bolsa Avenue	West County	Pre-lease	233,705
TAE Technologies	9740 Irvine Boulevard	Airport	Pre-lease	99,638

Sale Transactions

Buyer	Building(s)	Market Area	Sale Price (PSF)	Square Feet
Global Logistics Properties	458-486 E. Lambert Road	North County	\$156,000,000 (\$384/SF)	406,261
Duke Realty Corporation	10811 Bloomfield Street	West County	\$35,326,371 (\$154/SF)	229,644
Panattoni Development Company	14321 Myford Road	Airport	\$21,320,000 (\$372/SF)	57,330

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	84,138,778	99,638	2.1%	824,482	1,027,615	\$1.59	\$1.65	\$1.62
Costa Mesa	10,764,021	0	2.5%	-45,516	-83,824	\$1.61	\$1.66	\$1.80
Fountain Valley	4,697,315	0	1.7%	10,803	16,027	-	\$1.60	\$1.57
Irvine	26,212,380	99,638	2.7%	37,797	236,601	\$1.72	\$1.75	\$1.50
Newport Beach	892,953	0	4.6%	-122	11,938	-	-	\$1.63
Santa Ana	31,687,588	0	1.8%	-400	9,572	\$1.51	\$1.51	\$1.57
Tustin	9,884,521	0	1.1%	821,920	837,301	-	\$2.28	\$1.95
North County	104,125,253	2,151,942	1.4%	314,745	-64,359	\$1.38	\$1.44	\$1.40
Anaheim	50,075,053	448,212	1.1%	430,891	148,641	\$1.45	\$1.18	\$1.36
Brea	11,535,520	130,925	2.0%	-55,537	-83,483	\$1.33	\$1.40	\$1.35
Fullerton	20,289,975	1,572,805	1.3%	-16,891	-27,435	\$1.06	-	\$1.09
La Habra	3,472,738	0	0.6%	-7,681	13,144	-	\$2.43	\$2.43
Orange	12,826,305	0	1.5%	-42,117	-51,023	\$1.40	\$1.85	\$1.49
Placentia	3,796,891	0	0.4%	8,114	96,583	-	\$1.48	\$1.48
Yorba Linda	2,128,771	0	8.5%	-2,034	-160,786	-	\$1.42	\$1.42
South County	35,139,471	0	2.2%	141,934	391,053	\$1.72	\$1.60	\$1.63
Aliso Viejo	1,812,203	0	3.5%	-7,920	-20,779	-	-	\$1.44
Foothill Ranch	2,829,044	0	0.0%	0	0	-	-	-
Irvine Spectrum	17,517,567	0	2.7%	155,698	431,652	\$1.66	\$1.61	\$1.64
Laguna Beach	76,268	0	4.7%	0	0	-	-	\$2.52
Laguna Hills	1,227,951	0	2.9%	-9,617	-15,585	\$1.70	\$1.45	\$1.54
Laguna Niguel	498,492	0	5.0%	0	3,469	-	-	\$1.68
Lake Forest	4,780,058	0	0.3%	2,770	43,059	\$1.72	-	\$1.71

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Mission Viejo	1,054,227	0	4.4%	-745	-5,374	-	\$1.60	\$1.60
Rancho Santa Margarita	2,337,119	0	0.5%	-4,062	2,256	-	\$1.65	\$1.62
San Clemente	2,052,836	0	4.8%	5,810	-35,758	\$1.85	\$1.65	\$1.69
San Juan Capistrano	953,706	0	1.3%	0	-11,887	-	-	-
West County	39,778,285	1,124,108	2.1%	61,738	459,061	\$1.78	\$1.26	\$1.52
Cypress	6,312,257	0	2.4%	70,805	224,129	-	-	\$1.25
Garden Grove	12,976,450	0	3.5%	1,600	157,997	\$1.79	\$1.38	\$1.74
Huntington Beach	15,019,722	1,124,108	0.5%	-8,558	129,076	\$1.64	\$1.20	\$1.18
Los Alamitos	2,039,241	0	1.0%	0	2,350	-	-	\$1.78
Seal Beach	841,203	0	0.0%	0	16,720	-	-	-
Stanton	797,352	0	0.5%	-2,109	-2,109	-	\$1.35	\$1.32
Westminster	1,792,060	0	6.8%	0	-69,102	-	-	-
Orange County	263,181,787	3,375,688	1.8%	1,342,899	1,813,370	\$1.64	\$1.53	\$1.56

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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