

Orange County Industrial Market Report

New Construction Propelled This Year's Absorption Gains

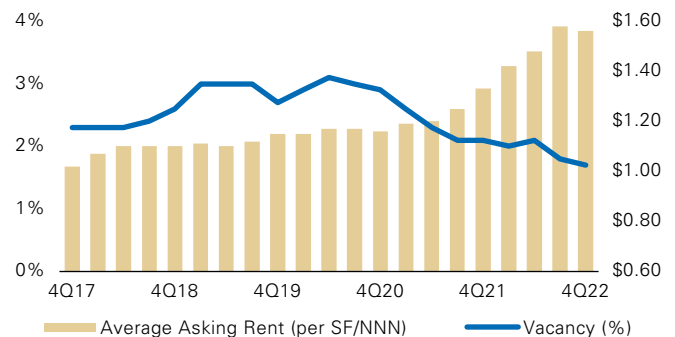
- Net absorption totaled 3.5 million square feet in 2022, marking a 15-year high. New construction occupancies comprised 53.0% of the year's absorption gains.
- Samsung Electronics at 2099-2289 Orangethorpe Avenue (1.0 million square feet) and Cambro Manufacturing at 14851 Delta Lane (433,865 square feet) were this quarter's top move-ins. Both occurred following the completion of each company's buildings at the Goodman Logistics and Huntington Gateway developments, respectively.
- South County was the only submarket with net absorption losses this quarter, following move-outs by Karma Automotive (59,372 square feet) and Kelley Blue Book (47,654 square feet) in Irvine Spectrum.
- EV battery-maker Enevate was scheduled to occupy 126,497 square feet in South County, only to scrap the deal after a lack of funding.
- Asking rent growth came to a halt after dropping by \$0.02/SF from last quarter.
- Vacancy experienced a modest decrease and will likely stabilize in the coming months as market conditions cool.
- November U.S. retail sales fell 0.6% from the prior month for the biggest decline this year.
- Inflation moderately slowed after reaching record-high levels in June. Additional interest rate hikes from the Fed are expected, albeit less aggressive hikes.
- Sublet availability is 0.4%, well below the market's 20-year average of 0.8%.

A Closer Look at This Quarter's Top Move-Ins

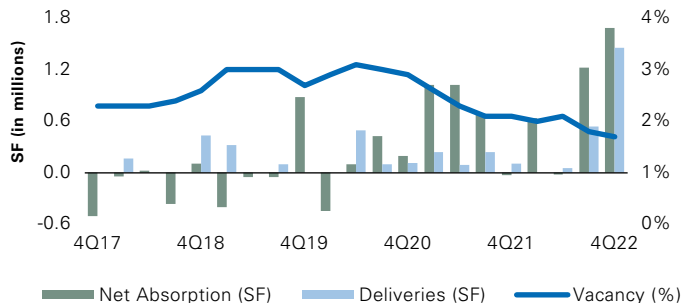
Cambro Manufacturing's move to Huntington Gateway allowed the company to consolidate its City of Industry location with its headquarters in Huntington Beach. In addition to the cost savings of consolidating, a modern-gen facility

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)	264.6M	263.2M	261.8M	↑
Total Vacancy Rate	1.7%	1.8%	2.1%	↑
Quarterly Net Absorption (SF)	1.7M	1.2M	-27K	→
Average Asking Rent/SF/Month	\$1.56 NNN	\$1.58 NNN	\$1.33 NNN	→
Deliveries (SF)	1.5M	542K	108K	→
Under Construction (SF)	2.6M	3.6M	3.0M	→

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provides operational efficiencies the company's older City of Industry facility (318,497 square feet; built in 2000) cannot.

In the case of Samsung, the company expanded its local footprint to house its technology distribution division at the Goodman Logistics development. Boosting consumer and business-to-business sales is a focus for the company, and its 1.0-million-square-foot commitment is one of the largest leases Orange County has seen in recent years.

Building Larger

Orange County's average warehouse was built in 1981 and is just over 180,000 square feet in size. Alternatively, warehouse properties currently under construction or built in the last two years average around 305,000 square feet in size.

Modern large-box facilities offer multiple selling points, including, but not limited to, the ability to automate operations, higher storage capacities and deep truck courts. New construction is expected to fare well based on this, its rareness

in the market and the segment's contributions to net absorption gains this year. From a location standpoint, Orange County offers access to 17.4 million consumers within a 1.5-hour drive time, while the metro boasts one of Southern California's more affluent population centers.

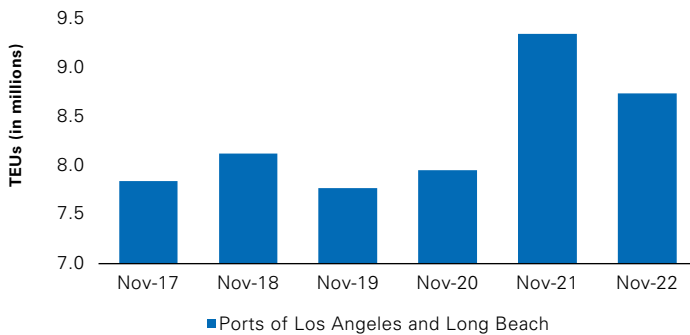
Outlook

The pandemic induced an acceleration in industrial demand across the country, which is now beginning to moderate as the economy and consumer spending slow. Increasing capital costs and downward revisions to revenue growth are impacting all companies to some degree.

To compound matters, unparalleled rent growth in Southern California markets has occurred over the last two years and tenants whose leases are up for renewal are in for sticker shock. This will likely lead to more consolidations, downsizes and a rise in sublease space as tenants try to rein in costs.

YTD Import Volume

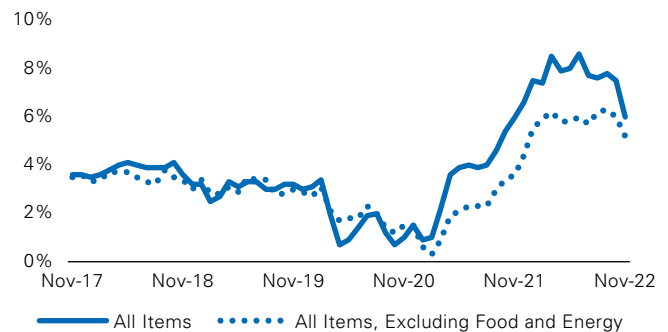
LOADED INBOUND CARGO



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
Omni Logistics	6485/6489 Oak Canyon	South County	Renewal	186,506
Shinoda Design Center	601 West Dyer Road	North County	Renewal	135,371
Hayes Company	1225 West Imperial Highway	North County	Direct	126,681

Sale Transactions

Buyer	Building(s)	Market Area	Sale Price (PSF)	Square Feet
GLP Capital Partners	458-486 East Lambert Road	North County	\$156,000,000 (\$384/SF)	406,261
Principal Financial Group, Inc.	1050 South State College Boulevard	North County	\$52,564,000 (\$250/SF)	210,400
Ares Management	350 Ranger Avenue	North County	\$61,000,000 (\$394/SF)	155,000

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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	84,120,524	548,020	1.9%	235,823	1,110,569	\$1.61	\$1.45	\$1.58
Costa Mesa	10,764,021	0	2.3%	32,701	-33,305	\$1.61	\$1.63	\$1.60
Fountain Valley	4,697,315	0	1.9%	-13,397	3,950	-	\$1.59	\$1.55
Irvine	26,194,126	236,250	2.5%	-14,947	202,296	\$1.70	\$1.75	\$1.64
Newport Beach	892,953	0	3.9%	6,154	18,092	-	-	\$1.75
Santa Ana	31,687,588	0	1.2%	219,146	143,672	\$1.52	\$1.30	\$1.41
Tustin	9,884,521	311,770	1.7%	6,166	775,864	\$1.59	\$1.95	\$1.85
North County	105,238,199	1,251,694	1.2%	1,164,380	1,212,470	\$1.75	\$1.40	\$1.49
Anaheim	50,157,171	448,548	1.2%	32,209	80,055	\$1.44	\$1.31	\$1.33
Brea	11,540,553	255,603	0.8%	119,190	54,577	-	\$1.34	\$1.41
Fullerton	21,315,237	547,543	1.2%	1,020,288	992,853	\$1.91	-	\$1.79
La Habra	3,472,738	0	1.0%	-3,565	1,310	-	\$2.16	\$2.16
Orange	12,826,838	0	1.1%	13,586	10,993	-	\$1.67	\$1.47
Placentia	3,796,891	0	0.5%	-17,150	91,783	-	\$1.46	\$1.46
Yorba Linda	2,128,771	0	8.5%	-178	-19,101	-	\$1.24	\$1.41
South County	35,122,560	0	2.5%	-188,378	270,226	\$1.55	\$1.61	\$1.62
Aliso Viejo	1,812,203	0	2.3%	-9,148	1,041	-	-	\$1.43
Foothill Ranch	2,829,044	0	0.0%	0	0	-	-	-
Irvine Spectrum	17,500,656	0	3.6%	-169,828	251,971	\$1.55	\$2.03	\$1.61
Laguna Beach	76,268	0	4.7%	0	0	-	-	\$2.52
Laguna Hills	1,227,951	0	1.5%	16,621	1,036	-	\$1.75	\$1.76
Laguna Niguel	498,492	0	5.0%	0	3,469	-	-	\$1.53
Lake Forest	4,780,058	0	0.7%	-18,812	24,247	\$1.55	-	\$1.59

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Mission Viejo	1,054,227	0	3.0%	-1,085	9,041	-	\$1.60	\$1.60
Rancho Santa Margarita	2,337,119	0	0.6%	-1,427	829	-	\$1.65	\$1.77
San Clemente	2,052,836	0	3.5%	-4,617	-9,439	-	\$1.40	\$1.48
San Juan Capistrano	953,706	0	1.3%	-82	-11,969	-	-	-
West County	40,154,472	788,139	1.9%	472,306	935,033	\$1.78	\$1.33	\$1.52
Cypress	6,313,159	0	1.5%	99,043	283,859	-	-	\$1.25
Garden Grove	12,976,450	97,896	3.4%	-70,443	172,544	\$1.79	\$1.41	\$1.69
Huntington Beach	15,453,587	690,243	1.1%	403,213	470,900	\$1.67	\$1.25	\$1.25
Los Alamitos	2,039,241	0	0.3%	-1,564	786	-	-	\$1.78
Seal Beach	841,203	0	0.0%	0	16,720	-	-	-
Stanton	797,352	0	0.8%	10,676	-5,161	-	\$1.20	\$1.16
Westminster	1,733,480	0	3.3%	31,381	-4,615	-	-	-
Orange County	264,635,755	2,587,853	1.7%	1,684,131	3,528,298	\$1.72	\$1.42	\$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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