

Orange County

Industrial Market Outlook Q2 2022

MARKET OVERVIEW

Orange County's industrial market has strengthened, as the economy and ecommerce surged post-pandemic. Soaring rent triggered construction while incessant demand for warehouses depleted existing supply. This quarter vacancy inched up to 1.9 percent, while the average asking rent increased 16.8 percent to \$1.32 per square foot triple net from 2Q 2021. With 635,642 square feet of completed construction added to the market since Q2 2021, available space increased 3.5 percent over the same period. Industrial space under construction jumped 14.2 percent from the prior quarter as developers broke ground on new projects. Every submarket in Orange County has industrial pace under construction. In North Orange County, the largest industrial submarket, four warehouses representing 1,536,055 square feet at Goodman Logistics Center Fullerton remained under construction. Of which Building 2 at 538,226 square feet is the largest industrial building under construction and remains available.

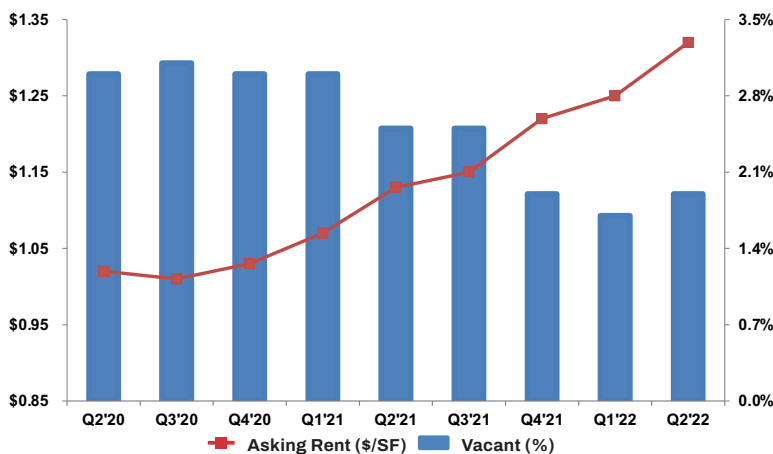
The market had a solid first half of the year, with 4,399,898 square feet leased. Post pandemic the demand for large warehouse distribution facilities, driven by ecommerce, put construction on a fast track in Orange County. Ninety-four percent of the 1.5 million square feet of warehouse distribution space under construction was larger than 100,000 square feet – with 28.4 percent of that space already preleased. The largest preleased project was a 433,865 square foot distribution facility leased to Cambro Manufacturing at Huntington Gateway Business Park.

TRENDS TO WATCH

Rising rent and sale prices supported the construction of warehouse distribution space in the market which will provide limited space for businesses to expand in Orange County. Development is attempting to kept up with the demand. Year-to-date, the North submarket suffered a 21.0 percent year over year decline in lease volume due to scarce availability of space, as rent increased 19.4 percent, and the vacancy rate dropped to 1.3 percent – the lowest in the region. Goodman Logistics Center Fullerton will provide much needed warehouse distribution space in the North. Airport, which had nothing under construction a year ago, has one 219,827 square foot built-to-suit facility under construction leased to Rivian Automotive.

Tenants looking to secure space and control occupancy cost face headwinds from increased pricing and interest rates. Year to date square footage sold decreased 8.1 percent from Q2 2021 to Q2 2022, as lofty prices impacted sales. Leasing volume decreased 28.8 percent over the same timeframe. Rent in every submarket pushed above \$1.25 per square foot triple net as the average sale price soared 22.4 percent year over year to \$355 per square foot. Higher costs will give users pause as they seek to buy or lease in Orange County.

Average Asking Rent and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



J.C. Casillas

Managing Director, Research
jcasillas@naicapital.com
Direct: 818.933.2433

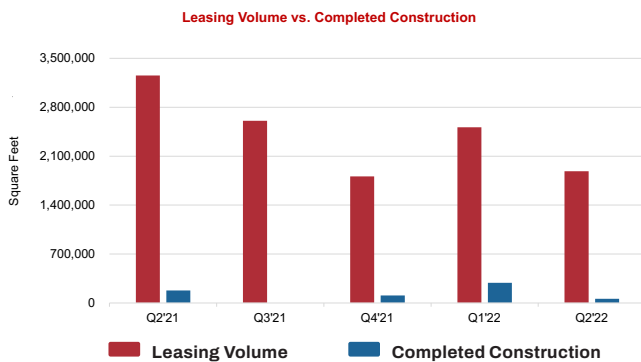
NAI Capital Commercial Research
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Market Statistics*

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT (\$/SF NNN)	AVERAGE SALE PRICE (\$/SF)
Airport	54,440,166	219,827	4.4%	2.5%	509,573	905,259	482,796	677,848	\$1.29	\$331
North	96,360,509	1,722,503	3.6%	1.3%	893,346	1,662,717	349,094	726,501	\$1.29	\$376
South	25,214,007	244,638	2.0%	2.5%	181,542	661,450	30,371	72,309	\$1.46	\$614
West	40,236,388	433,865	2.1%	2.1%	301,030	1,170,472	235,252	290,595	\$1.25	\$340
Orange County	216,251,070	2,620,833	3.3%	1.9%	1,885,491	4,399,898	1,097,513	1,767,253	\$1.32	\$355

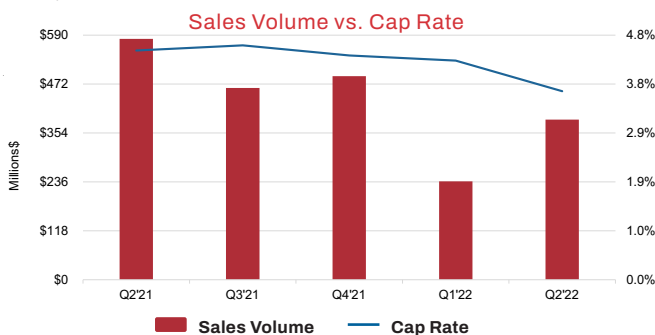
Leasing Trends

Leasing volume totaled 1,885,491 square feet in the second quarter of 2022, while a mere 59,508 square feet of completed construction was added to the market. The supply of completed construction, well below demand, remained constrained in the region.



Sales Trends

Quarter over quarter sales volume grew 62.7 percent in the second quarter of 2022, down 40.2 percent year to date compared to the first half of 2021. The average cap rate on investment sales dropped 30 basis points from the previous quarter, down 80 basis points from the second quarter of 2021 to 3.7 percent.



Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
14451 Myford Rd	Tustin	Airport	219,827
3441 W MacArthur Blvd	Santa Ana	Airport	124,948
701 S Sally Pl	Fullerton	North	117,000
114 S Berry St	Brea	North	109,060
2526-2560 S Birch S	Santa Ana	Airport	72,500

Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
2990-3000 Airway Ave (Portfolio 2 Properties)	Costa Mesa	Airport	142,273
10521-10579 Dale Ave	Stanton	West	118,059
500 W Collins Ave	Orange	North	75,000
1729 Apollo Ct	Seal Beach	West	57,033
2220-2228 Ritchey St	Santa Ana	Airport	55,500

Orange County

Industrial Market Outlook Q2 2022



● **North**

- Anaheim
- Brea
- Fullerton
- La Habra
- Orange
- Villa Park
- Yorba Linda

● **West**

- Buena Park
- Cypress
- Fountain Valley
- Garden Grove
- Huntington Beach
- Seal Beach
- Stanton

● **Airport**

- Costa Mesa
- Irvine
- Newport Beach
- Santa Ana
- Tustin
- Tustin Foothills

● **South**

- Aliso Viejo
- Dana Point
- Foothill Ranch
- Laguna Hills
- Laguna Niguel
- Lake Forest
- Mission Viejo
- Rancho Santa Margarita
- San Clemente
- San Juan Capistrano

Orange County

Industrial Market Outlook Q2 2022



NAI Capital Commercial Southern California Office Locations

Headquarters

15821 Ventura Blvd., Ste. 320
Los Angeles, CA 91436
818.905.2400

Los Angeles County

Downtown LA

707 Wilshire Blvd., Ste. 5125
Los Angeles, CA 90017
213.632.7700

West Los Angeles

11835 Olympic Blvd., Ste. 700E
Los Angeles, CA 90064
310.440.8500

Torrance

970 W. 190th St., Ste. 100
Torrance, CA 90502
310.532.9080

Pasadena

225 S. Lake Ave., Ste. 1170
Pasadena, CA 91101
626.564.4800

Valencia

25060 Avenue Stanford., Ste. 165
Valencia, CA 91355
661.705.3550

Diamond Bar

21660 E. Copley Dr., Ste. 320
Diamond Bar, CA 91765
909.348.0600

Ventura County

Oxnard

300 Esplanade Dr., Ste. 470
Oxnard, CA 93036
805.278.1400

Westlake Village

2555 Townsgate Rd., Ste. 320
Westlake Village, CA 91361
805.446.2400

Inland Empire

Ontario

800 N. Haven Dr., Ste. 400
Ontario, CA 91764
909.945.2339

Victorville

13911 Park Ave., Ste. 206
Victorville, CA 92392
760.780.4200

Orange County

Irvine

1920 Main St., Ste. 100
Irvine, CA 92614
949.854.6600

Coachella Valley

Palm Desert

75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
760.346.1566