

Orange County

Industrial Market Outlook Q3 2022

MARKET OVERVIEW

Orange County's industrial market vacancy rate remained near its record low as around the clock operations at the ports of Los Angeles and Long Beach gained the upper hand on bottlenecked cargo awaiting to get moved out to already jam-packed warehouses. A limited supply of industrial space and continued demand for warehouses has kept rent soaring. Vacancy registered to 2.0 percent, while the average rent increased 27 percent from last year to a \$1.46 per square foot triple net. With only 956,231 square feet of completed construction added to the market in 2022, vacant space decreased 24.1 percent year over year. Industrial space under construction shot up 56.8 percent over the same timeframe. In North Orange County the four-building 1.5M square foot logistics campus under construction, Goodman Logistics Center Fullerton, has now leased three of its buildings.

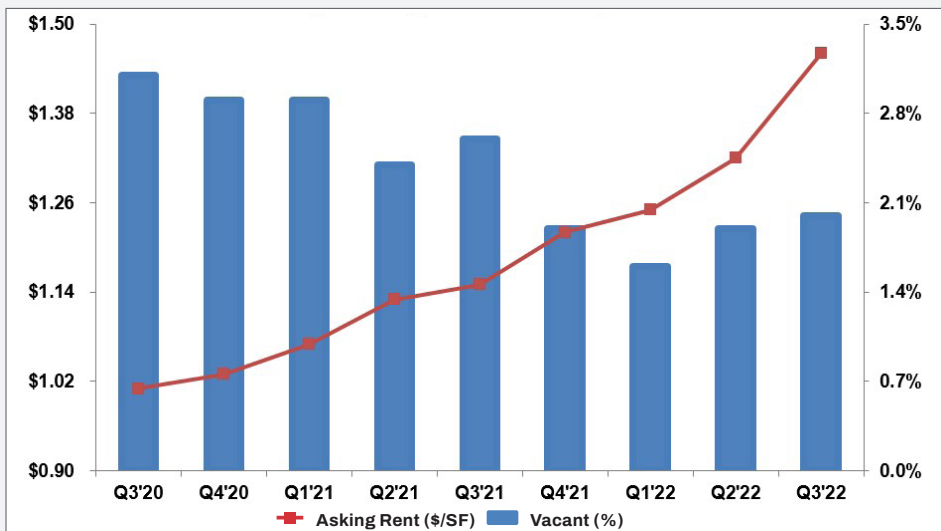
The market experienced solid leasing activity this quarter, 3.6M square feet, up 37.3 percent from Q3 2021. Sale volume dropped off 42.2 percent to 1,164,477 square feet over the same time frame. The Ports brimming with containers and post pandemic ecommerce boosted demand for large distribution facilities spurring construction. Since 2021 four warehouses larger than 100 thousand square feet were completed in Orange County of which only one remained available for lease

TRENDS TO WATCH

The market will continue to see elevated rent and sale prices as additional space comes online and businesses find options with a rise in availability. Land constrains, construction costs, and rising interest rate will keep development in check with demand. With virtually no construction added to the market in 2022, the Airport submarket experienced a 40.9 percent quarter over quarter decline in lease volume as rent soared 23.5 percent year over year. The North submarket, which finally received new construction via Goodman Logistics Center Fullerton, watched lease volume climb 45.6 percent and rent rise 28.3 percent year over year.

With cheap financing no longer a market reality, tenants looking to purchase industrial space to control occupancy cost will weigh the impact of increased borrowing. In Q3 square footage sold decreased 42.2 percent year over year, as prices for warehouse/distribution buildings soared. Almost every submarket witnessed a double digit drop in sale volume over the past year. Rent in every submarket has pushed above \$1.40 per square foot triple net. Overall, sale prices soared 48.1 percent year over year, the catalyst for increased development. However, higher interest rates will slow the market, impacting real estate values by increasing borrowing costs.

Average Asking Rent and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Sale Prices



Availability/Vacancy Rates



Landlord Concessions



Sales/Leasing Volume



New Construction



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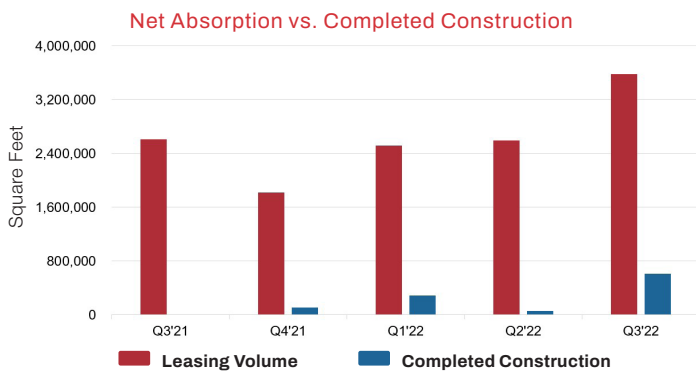
NAI Capital Commercial Research
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Market Statistics*

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	54,255,368	219,827	4.1%	2.5%	433,742	1,563,478	164,113	830,357	\$1.42	\$530
North	96,770,860	1,649,570	4.1%	2.0%	2,449,507	4,448,335	799,032	1,622,527	\$1.45	\$372
South	25,261,799	244,638	1.7%	1.2%	222,142	888,701	67,749	162,857	\$1.48	\$477
West	40,513,795	1,004,216	4.0%	1.5%	473,110	1,781,601	133,583	462,394	\$1.52	\$370
Orange County	216,801,822	3,118,251	3.8%	2.0%	3,578,501	8,682,115	1,164,477	3,078,135	\$1.46	\$404

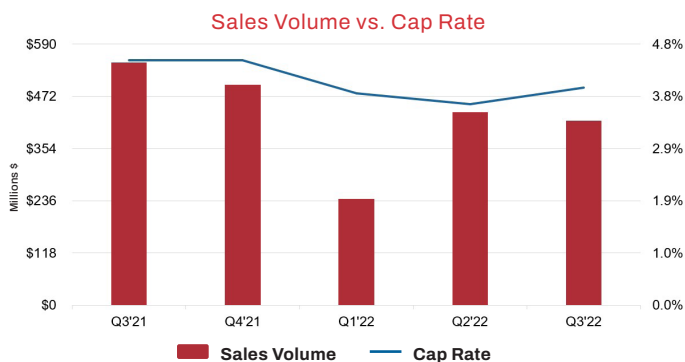
Leasing Trends

Leasing volume totaled 5,103,614 square feet year to date as of Q3 2022, while completed construction added to the market totaled 347,580 square feet. The supply of completed construction remained well below demand, supporting the case for new construction.



Sales Trends

Sales volume year to date changed pace in Q3 2022, dropping 24.0 percent from 2021 to \$1.1B. The average cap rate on investment sales moved up 30 basis points quarter over quarter from the third quarter of 2022 to 4 percent.



Select Lease Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
2099 E Orangethorpe Ave	Fullerton	North	538,226
2289 E Orangethorpe Ave	Fullerton	North	487,036
1515 E Winston Rd	Anaheim	North	375,000
5383 Bolsa Ave	Huntington Beach	West	223,705
2220 E Cerritos Ave	Anaheim	North	101,505

Select Sales Transactions

ADDRESS	CITY	SUBMARKET	SIZE SF
458-486 E Lambert Rd	Fullerton	North	406,261
2995 Miraloma Ave	Anaheim	North	91,200
801 & 811 S Acacia Ave (Portfolio)	Fullerton	North	75,000
14321 Myford Rd	Tustin	Airport	57,033
9701 Research Dr	Irvine	Airport	46,274

Orange County

Industrial Market Outlook Q3 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

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Diamond Bar

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Diamond Bar, CA 91765
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Westlake Village

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Westlake Village, CA 91361
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Inland Empire

Ontario

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Orange County

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