

ORANGE COUNTY INDUSTRIAL MARKET

Q3 2023

ECONOMIC SNAPSHOT FOR ORANGE COUNTY

UNEMPLOYMENT RATE 3.7%
INFLATION RATE 3.1%

OFFICE SNAPSHOT

YTD NET ABSORPTION SF (1,789,122)
VACANCY RATE 2.9%
UNDER CONSTRUCTION SF 1,659,325
SUBLEASE VACANT SF 2,784,763
DIRECT ASKING RATE \$1.71/SF NNN

Orange County's Coastal Location Continues to Shield Industrial Slowdown

The Orange County industrial market is normalizing following the post-pandemic demand surge, though not as severely as other US markets. Vacancy has increased 0.9% year-over-year to 2.9% but remains below the historical average of 3.1%. Vacancy, at 2.9%, is the 2nd tightest market in the US. Vacancy is low in Orange County due to a lack of inventory, cheaper asking rents than Los Angeles, and closer proximity to major ports and airports than the Inland Empire.

Asking rents increased 2.2% quarter-over-quarter to \$1.71/SF NNN in Q3 despite negative 618,921 SF of net absorption; asking rents are also up 11.3% year-over-year even though Q3 was the third consecutive quarter of negative net absorption. Limited supply in Orange County results in a strong renewal market that overrides the lack of demand and drives up rents.

Available sublease space fell 17% to 2.7 million SF as space was picked up and leases expired but remains 72% greater than the historical Orange County average. Sales volume was \$224 million in Q3, less than half the 5-year quarterly average of \$502 million, which was expected given the current lending environment.

Sublease space will continue to grow in Orange County in the coming months as many occupiers over-leased during high demand, and current economic challenges are prompting cost reevaluation. Direct asking rents are primed to increase as new Class A space delivers and market vacancy remains near a historical low.

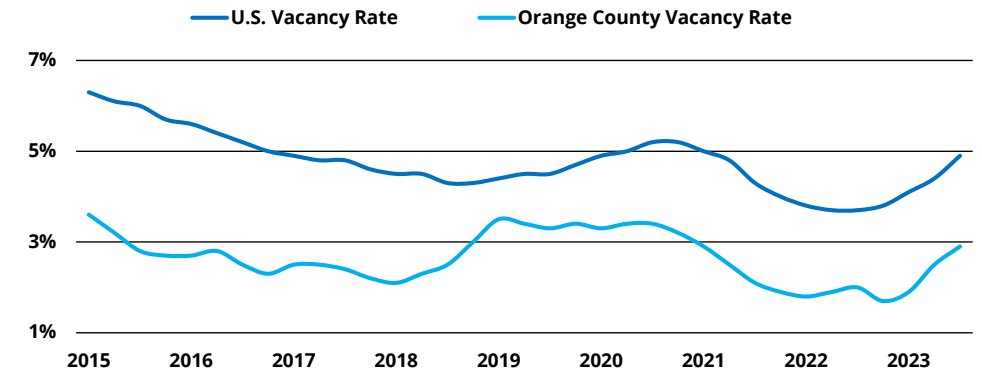
Trendlines

	Q3 2023	Q3 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
Unemployment Rate	3.7%	3.2%	↑	4.8%	↑
Net Absorption (Thousands SF)	(0.6)	0.3	↓	0.2	↑
Overall Vacancy Rate	2.9%	2.0%	↑	2.7%	↔
Overall Vacant SF (MSF)	7.4	5.0	↑	6.7	↔
Under Construction (MSF)	1.7	2.8	↓	1.5	↔
Asking Rent, All Service (PSF)	\$1.71	\$1.54	↑	\$1.28	↑
Sales Volume (Millions)	\$224.4	\$690	↓	\$501.9	↔

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

Overall Vacancy Rate

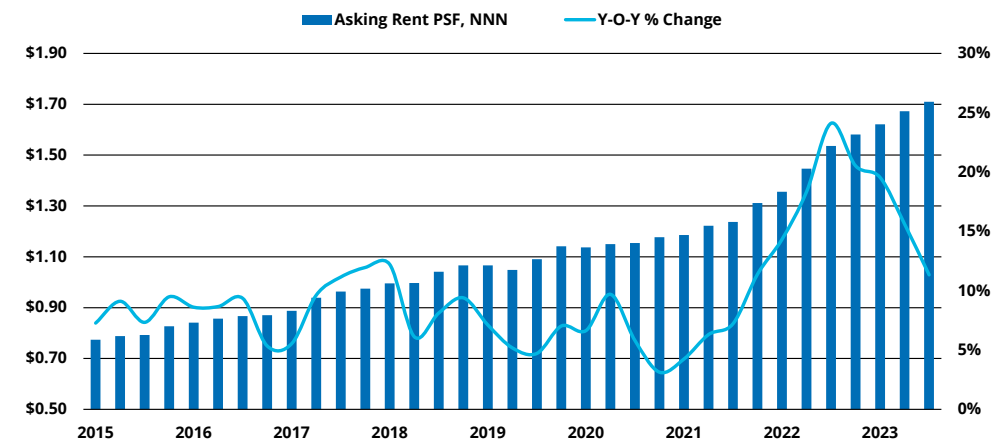
Orange County | Q3 2023



Source: Bureau of Labor Statistics, Transwestern

Asking Rents

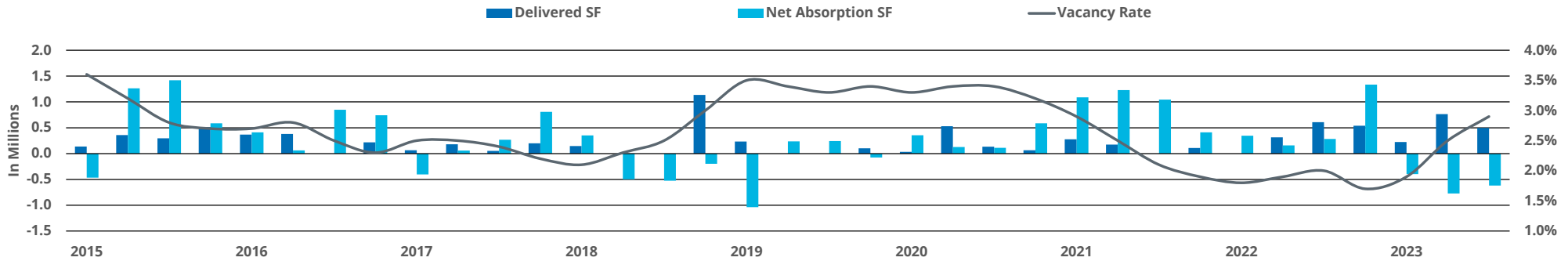
Orange County | Q3 2023



Source: Bureau of Labor Statistics, Transwestern



Delivery Impact on Key Indicators



Source: CoStar, Transwestern

Market Indicators Flex | Q3 2023

Submarket	Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Overall Vacancy Rate	Under Construction SF	Net Absorption SF	Y-O-Y Net Absorption SF	Asking Rent PSF, All Service
Greater Airport Area	10,496,047	335,630	3.3%	2.9%	0	(35,647)	(138,736)	\$1.94
Central County	9,836,195	242,151	2.5%	2.5%	0	(16,805)	(99,491)	\$1.85
North County	10,981,525	391,767	3.6%	3.4%	0	(43,977)	(97,456)	\$1.35
South County	18,811,558	734,111	3.9%	4.1%	0	(28,537)	(399,613)	\$1.86
West County	9,256,053	301,419	3.3%	2.9%	0	27,245	(127,534)	\$1.44
Total	59,381,378	2,005,078	3.3%	3.2%	0	(19,544)	(172,566)	\$1.69

Source: CoStar, Transwestern

Market Indicators Logistics | Q3 2023

Submarket	Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Overall Vacancy Rate	Under Construction SF	Net Absorption SF	Y-O-Y Net Absorption SF	Asking Rent PSF, All Service
Greater Airport Area	18,062,235	394,587	2.2%	2.9%	414,966	(204,265)	(260,027)	\$1.79
Central County	52,390,301	1,162,038	2.2%	2.4%	494,166	(35,024)	(110,901)	\$1.67
North County	83,279,894	1,367,143	1.6%	3.0%	600,858	(201,203)	(51,082)	\$1.67
South County	22,445,320	475,546	2.1%	2.2%	0	(3,453)	(287,781)	\$1.73
West County	36,805,562	827,779	2.2%	3.0%	149,335	(77,255)	(156,492)	\$1.83
Total	212,983,312	4,227,093	2.1%	2.7%	1,659,325	(104,240)	(173,257)	\$1.74

Source: CoStar, Transwestern

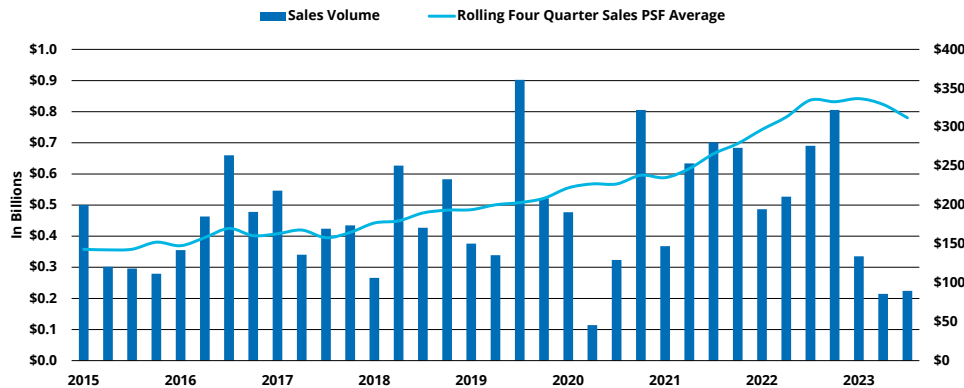


Notable Sales

Tenant	Submarket	Sales Price	Building SF	Price PSF	Buyer	Seller
331-333 Cliffwood Park St	North County	\$31,700,000	101,292	\$313	Artisan Ventures	Bain Capital LP
1311 Valencia Ave	Central County	\$26,500,000	71,616	\$370	KTI Hydraulics Inc	Stos Partners
14650-14700 Hoover St - Bldg B	West County	\$22,300,000	60,000	\$372	Rexford Industrial Group Inc	Pyramid Logistics Services Inc
5630 Cerritos Ave	West County	\$21,350,000	76,032	\$281	Rexford Industrial Group Inc	Penwood Real Estate Investment Management
41 Columbia	South County	\$13,130,000	32,657	\$402	Peter Spenuzza	JRC Real Estate Investment Corporation
8015 E Crystal Dr	North County	\$11,000,000	30,400	\$362	Mazher Khalfan	Outsource Utility Contractor Corp

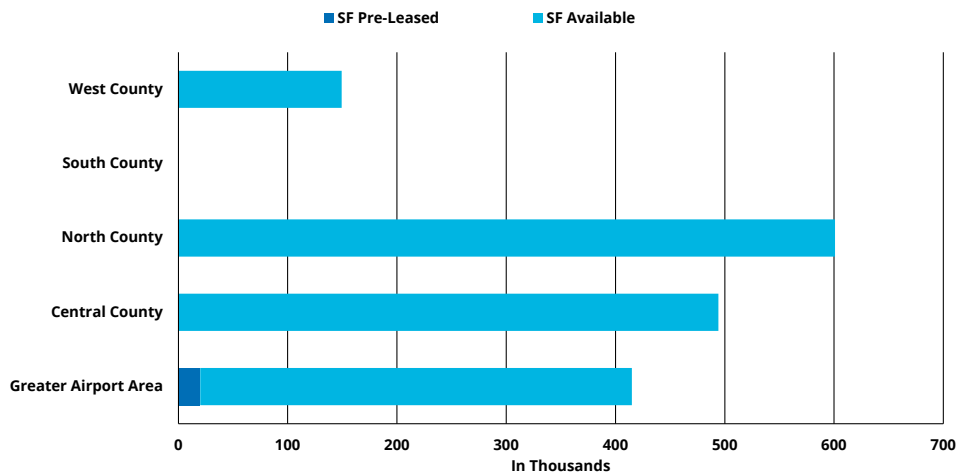
Source: CoStar, Transwestern

Sales Volume



Source: CoStar, Real Capital Analytics, Transwestern

Under Construction by Submarket



Source: CoStar, Transwestern

Notable Leases

Tenant	Address	Submarket	Type	SF Leased
FSSI	3300-3310 S Fairview St	Central County	Renewal	200,000
Engineered Floors LLC	675-679 S Placentia Ave	North County	Renewal	127,000
Spotter Global	1204 N Miller St	North County	New	106,000
Phillips-Medisize	3545 Harbor Gtwy	Greater Airport Area	New	70,000
Danros	900-912 E Arlee Pl	North County	New	62,000
St. Gobain	15301 Springdale St	West County	New	61,000

Source: CoStar, Transwestern

RESEARCH METHODOLOGY

This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding government-owned buildings in Orange County.



FOR MORE INFORMATION

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