

An aerial photograph of Orange County, California, at dusk. The image shows a mix of industrial and commercial buildings, including several multi-story office buildings and large parking lots filled with cars. The sky is a deep blue with some clouds, and the city lights are beginning to glow. The text 'Orange County industrial market report' is overlaid on the right side of the image.

Orange County industrial market report

Q2 2024

**AVISON
YOUNG**

Orange County industrial market trends

3.3 msf

Sublet availabilities reach new milestone

Orange County as well as neighboring Los Angeles and Inland Empire industrial markets have been experiencing a decrease in leasing activity. Occupiers have adopted a more cautious approach to expansion efforts by making decisions to consolidate their industrial footprint, a trend influenced by reduced consumer demand which has lessened the need for excess inventory storage. As a result, sublet availabilities for the first time surpassed 3.3 MSF in Q2 2024, contributing to a total availability rise to 9.5%.

\$1.64

Rents continue to soften due to lackluster demand

Average asking rental rates surged to historic highs during the pandemic but have since declined due to the softening in demand. Landlords recently have offered increased concessions to attract new occupiers, a strategy that was less common during the competitive pandemic period.

Over the past two quarters, the market has seen a decline in rents as landlords compete to attract tenants. Average asking lease rates dropped to \$1.64 per square foot in Q2 2024, a decrease of 5.2% from the prior quarter.

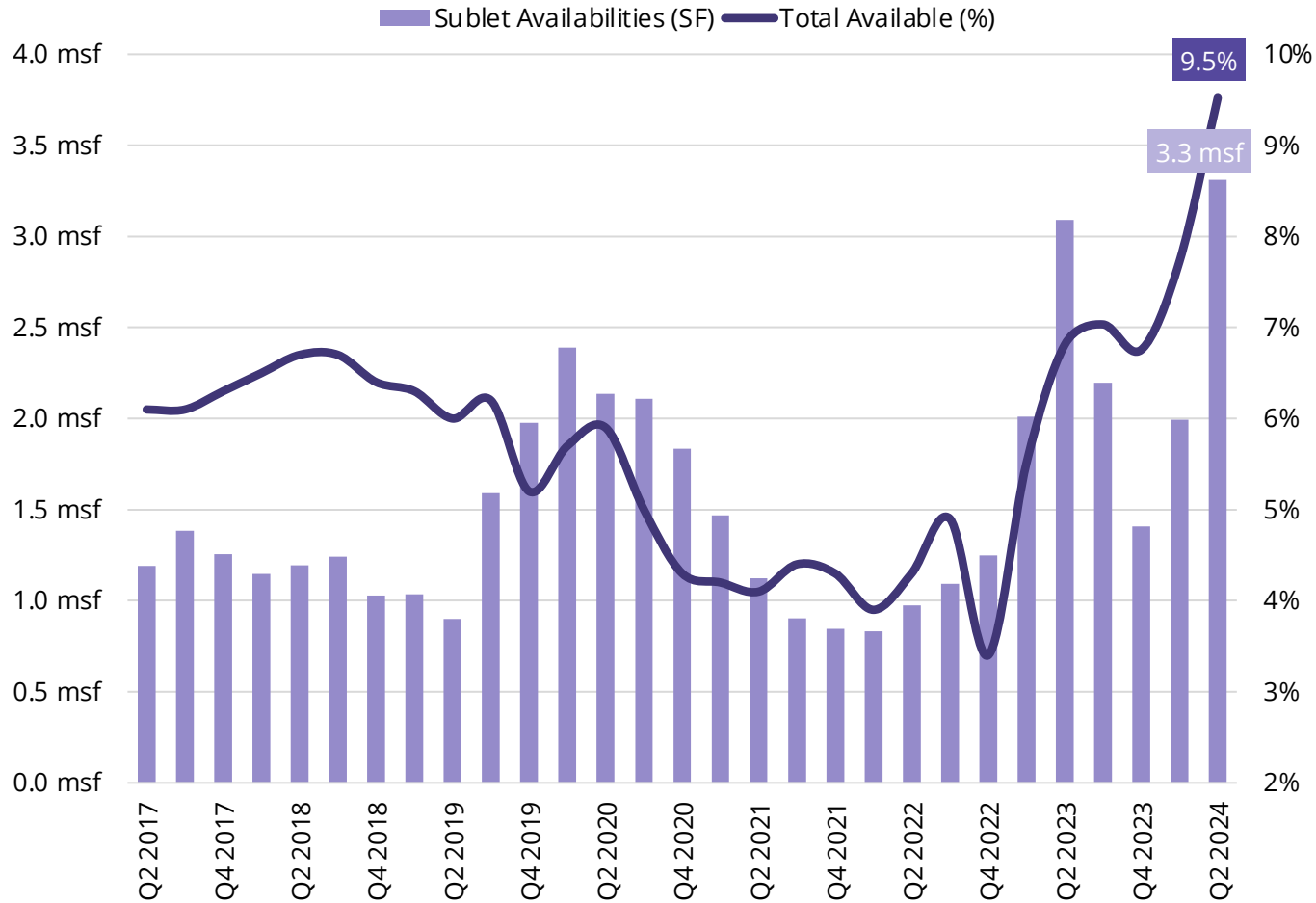
756K SF

Leasing remains quiet as market conditions adjust

Occupancies have continued to contract in Orange County as manufacturers, national retailers, and 3PL companies have opted to shed unused space which has contributed to the rise in sublet availabilities.

Additionally, market high rents have previously deterred many occupiers in the market, but with rents currently on a downward trend, tenants are taking on a wait-and-see approach to see where rents land and wait on the sideline until market conditions improve.

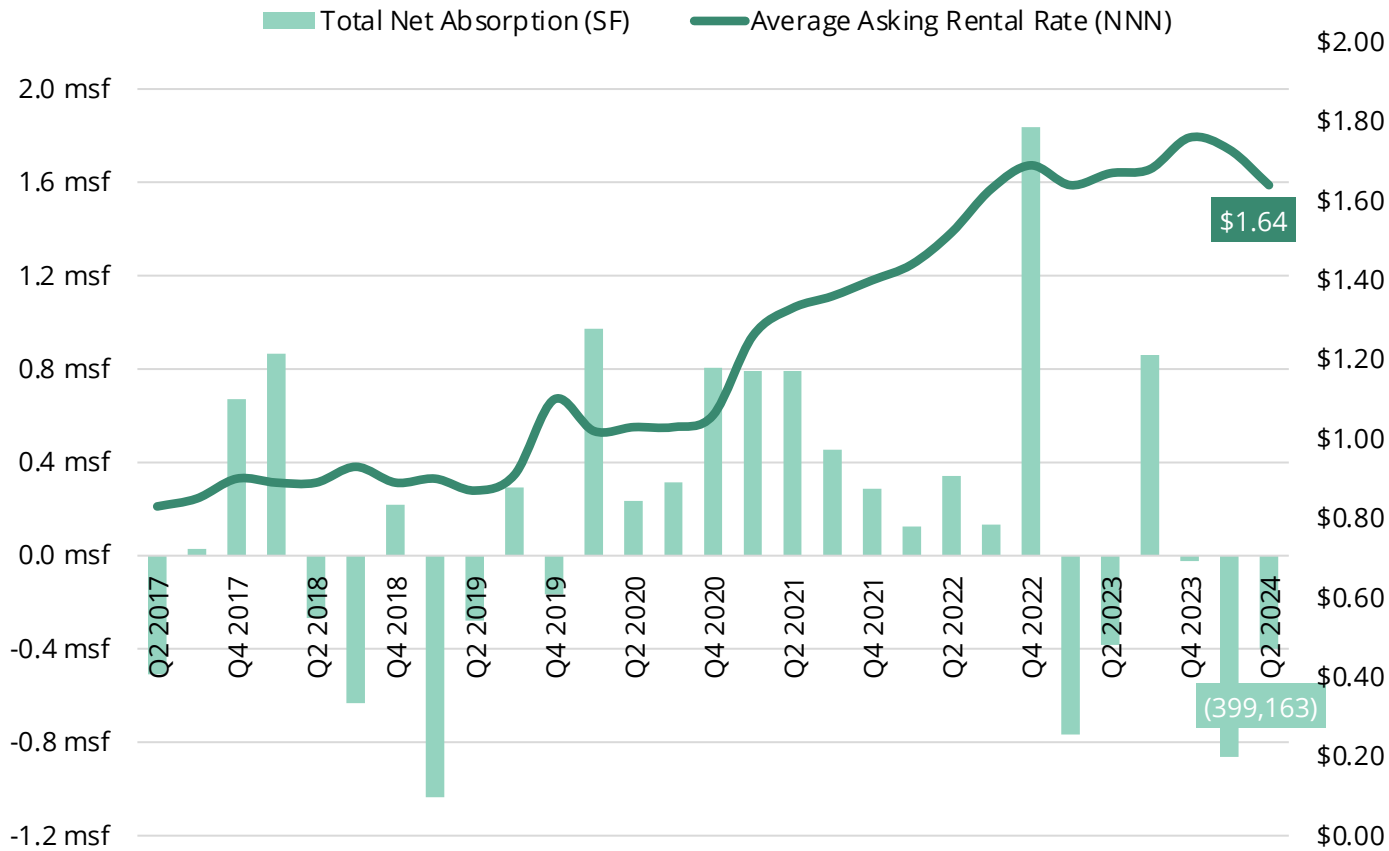
Total Availabilities



Q2 2024 sublet availabilities in the Orange County industrial market have reached a record high with 3.3 million square feet available.

*Survey based industrial/flex buildings 50k+

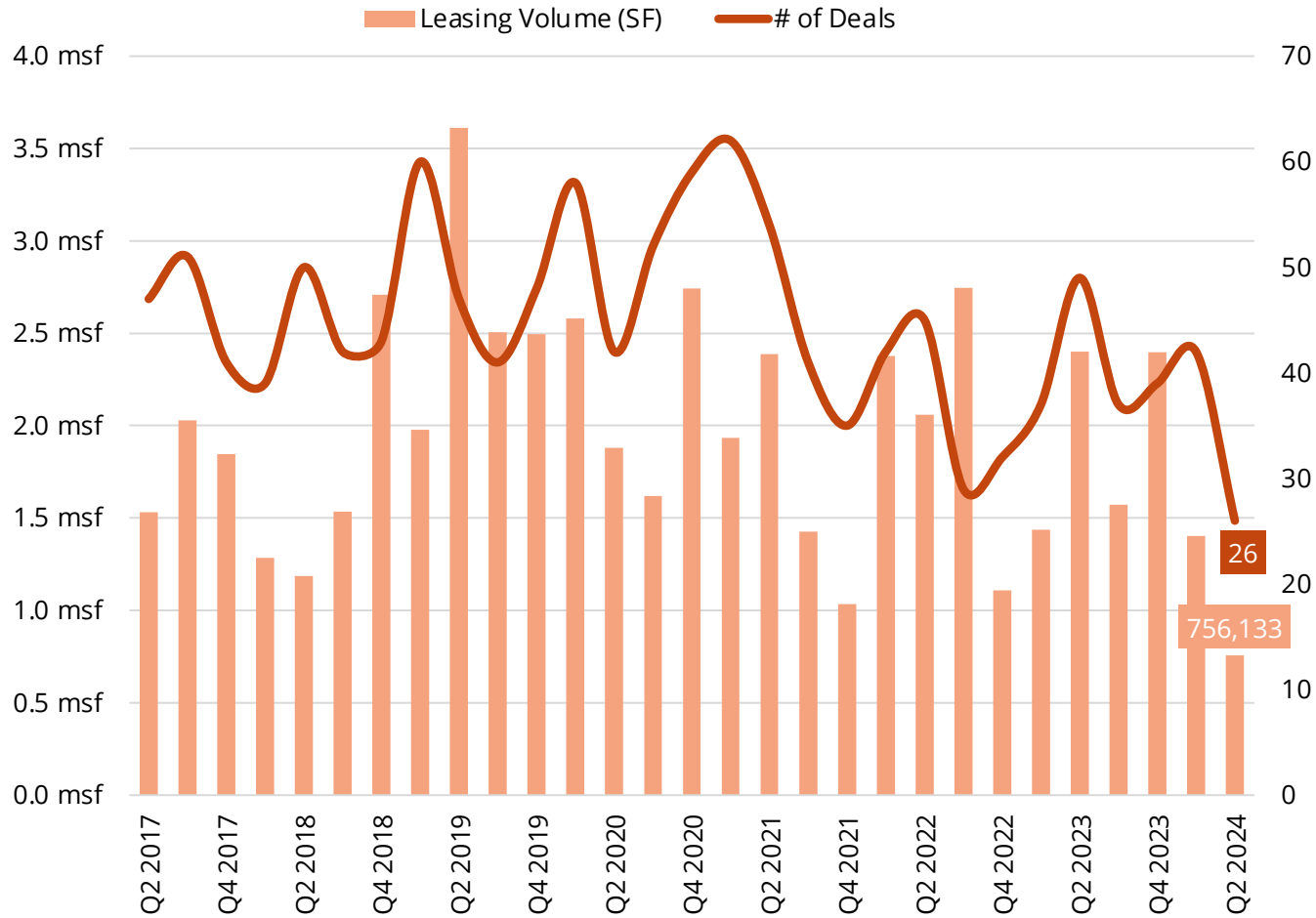
Absorption



*Survey based industrial/flex buildings 50k+

Average asking rental rates have cooled down for the 2nd straight quarter to \$1.64/SF as owner/landlords look to provide additional abatements to attract occupiers.

Leasing Activity



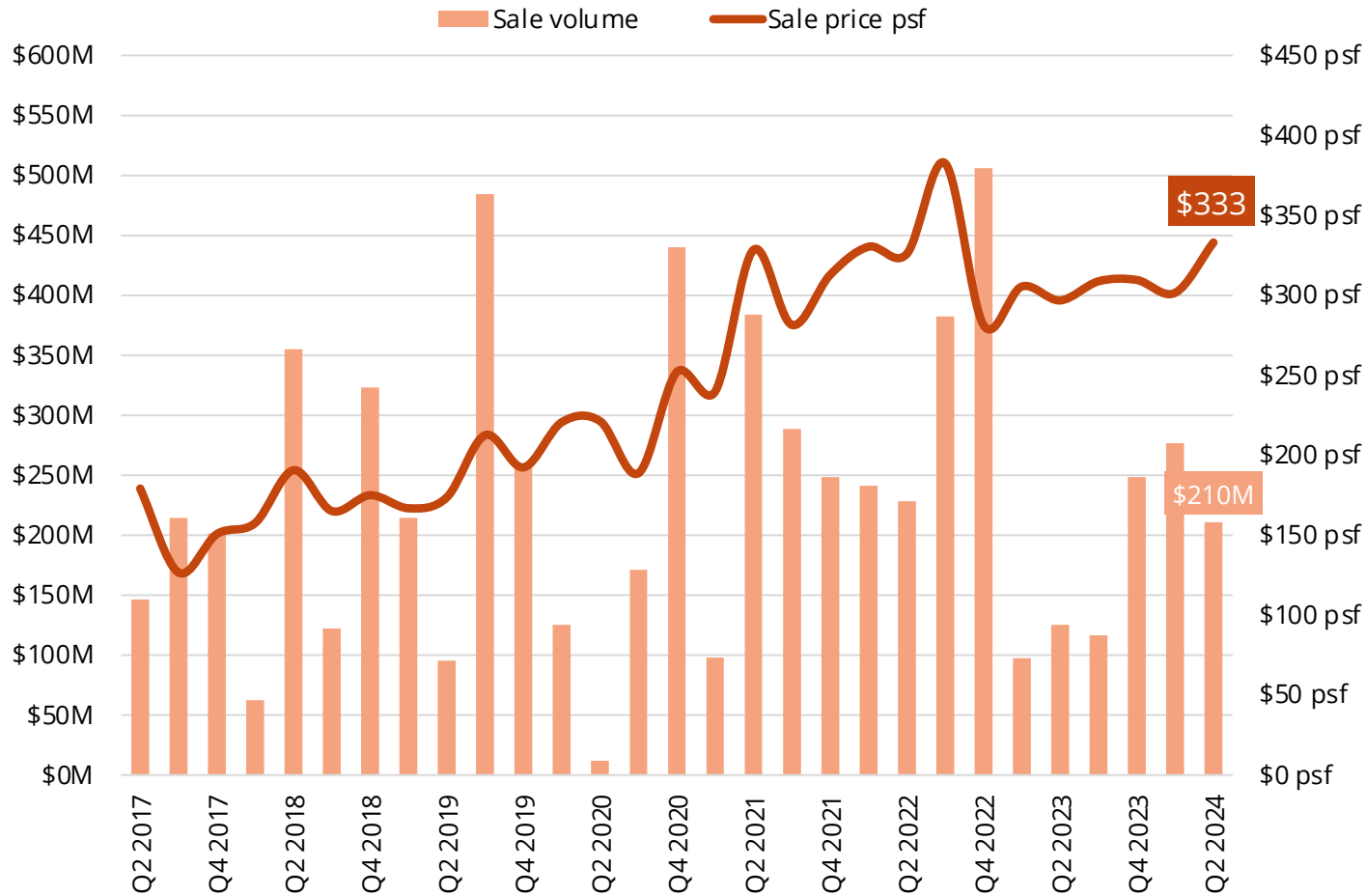
*Survey based industrial/flex buildings 50k+

Leasing volume has remained quiet in Q2 2024, with a total volume of 756K square feet.

Appendix

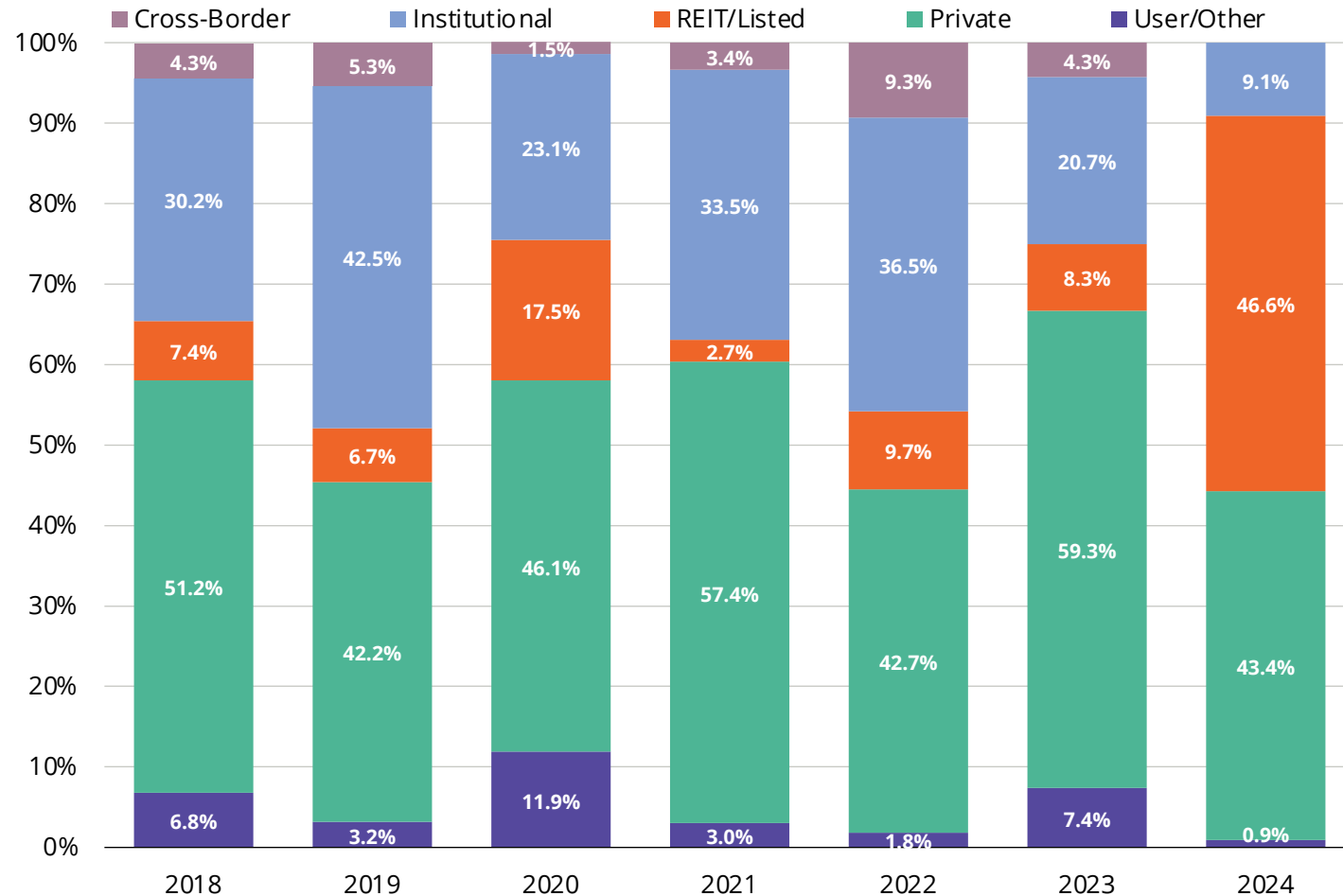


Sales Activity



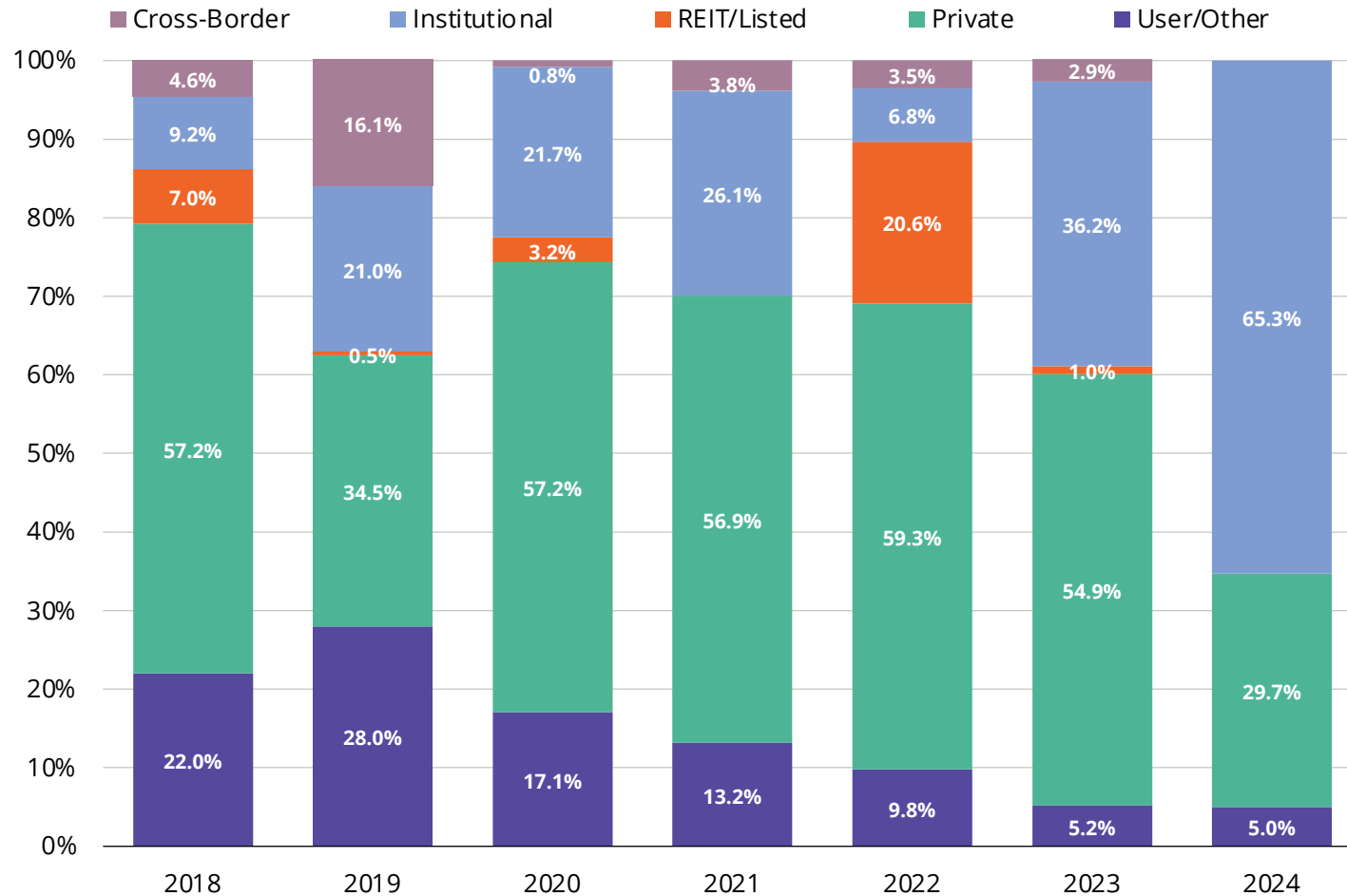
National sales activity has slowed due to high interest rates and limited lending power, yet the market remains resilient with over \$210M in volume in Q2 2024.

Buyer profiles



REITS led by Rexford Industrial remain very active in infill markets like Orange County, holding a 46.6% market share of acquisitions in 2024. Despite purchasing a \$1 billion Southern California portfolio from Blackstone in Q1 2024, Rexford Industrial has continued their activity with a \$94.2 million acquisition of 1901 E Rosslonn in the second quarter.

Seller profiles



Institutional investors are capitalizing and selling their industrial assets due to the increased demand stemming from REITS active in the market. A large part of the market share is due to the \$1 billion Blackstone portfolio sale to Rexford Industrial in the first quarter of 2024.

Loaded import and export container volumes

25%

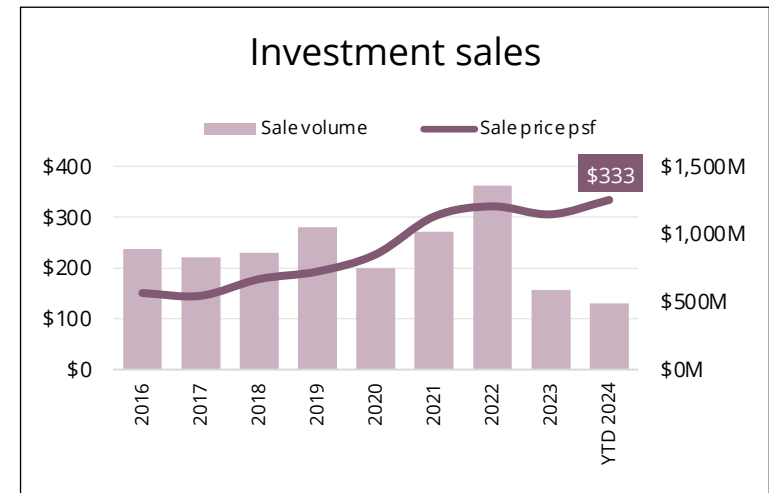
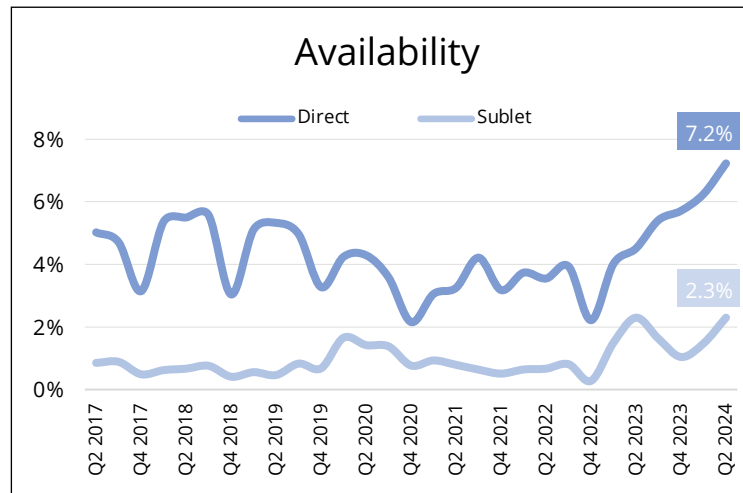
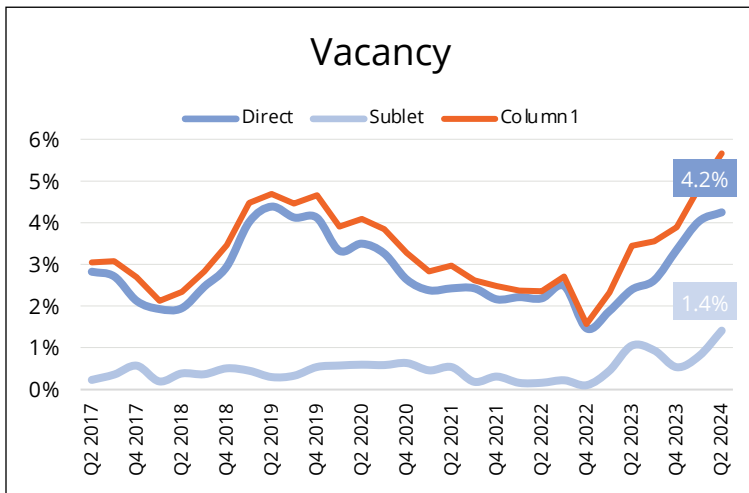
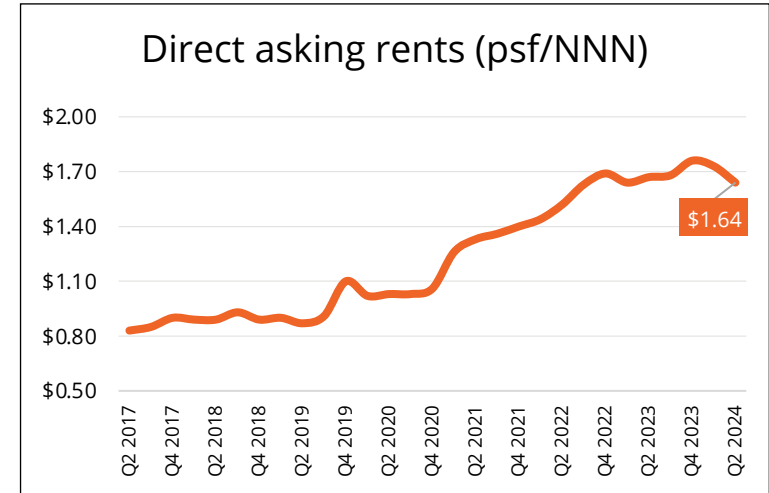
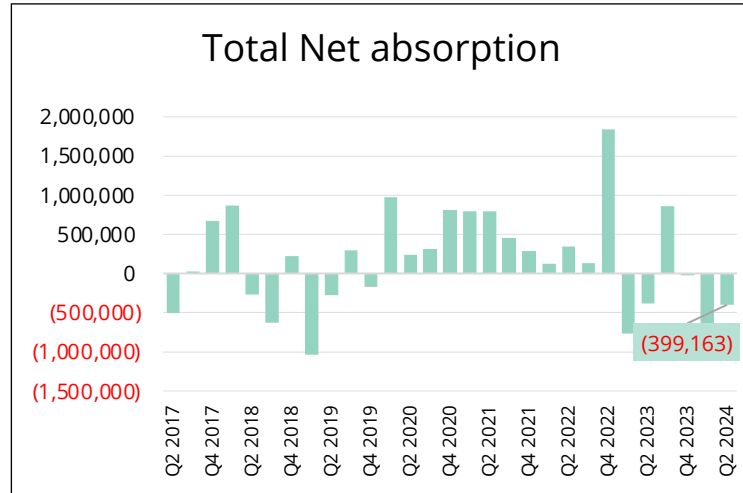
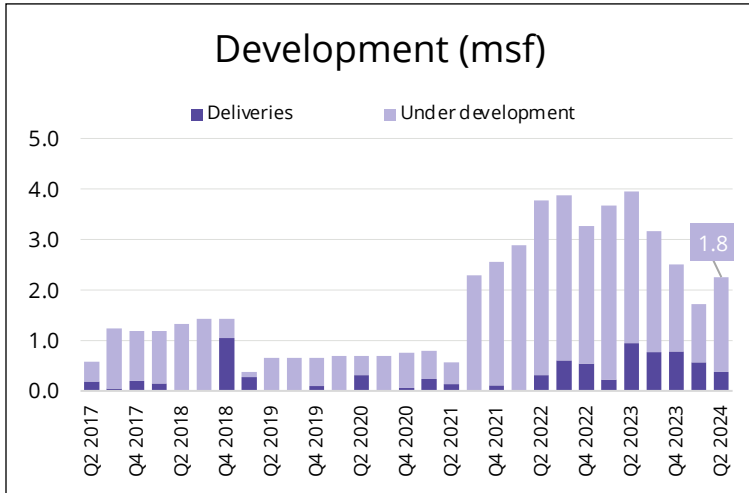
When comparing the first four months of 2024 to the same time period last year, cargo volumes at the Los Angeles port are up nearly 25%.

Potential ILA strikes at East Coast ports, where the ILA is seeking wage increases in excess of 32%, could shift additional port imports to the West Coast as shippers may explore alternatives to avoid any delays in anticipation of a strike. Meanwhile, Southern California ports continue to show strong growth, with the Port of Los Angeles reporting its third-best best opening for the year in the port's history and the Port of Long Beach reporting it's eight consecutive month of Y-O-Y growth for imports.



Port of Los Angeles, Port of Long Beach. Totals consist of loaded imports and exports

Orange County industrial market indicators



Orange County industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Daisy Nail	12691 Pala Dr., Garden Grove	West County	Jun 2024	149,335	Direct	New
Cryogenic Industries	5701 Bolsa Ave., Huntington Beach	West County	Jun 2024	147,010	Direct	New
McKenna Labs	320-330 S Hale Ave., Fullerton	North County	May 2024	90,336	Direct	New

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Rexford Industrial	1901 E Rossllyn Ave., Fullerton	May 2024	278,572	\$94,250,000	\$338	American Realty Advisors
H&S Ventures	2040-2050 S State College Blvd., Anaheim	May 2024	104,767	\$64,500,000	\$615	Penwood Real Estate Investment
Advantage Mailing	3140 E Coronado St., Anaheim	Apr 2024	95,732	\$26,800,000	\$279	TTM Technologies

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer/Owner
2120 E Howell Ave., Anaheim	North County	Oct 2024	237,246	0%	Pacific Industrial
5885 Plaza Dr., Cypress	West County	Nov 2025	204,909	0%	Goodman Group
5755 Plaza Dr., Cypress	West County	Dec 2025	185,359	0%	Goodman Group

Orange County industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (QTD)	Net absorption SF (YTD)	Direct asking rent psf NNN
North County	62,711,354	296,620	728,558	3.6%	1.5%	5.1%	260,275	(663,391)	\$1.65
Airport Area	29,309,659	651,279	286,786	5.0%	1.3%	6.3%	(358,502)	(546,994)	\$1.71
West County	22,030,504	0	539,603	6.8%	2.2%	9.0%	(472,138)	(617,239)	\$1.58
South County	20,332,250	0	319,115	2.4%	0.4%	2.8%	171,202	438,273	\$1.76
Market total	134,221,962	947,899	1,874,062	4.2%	1.4%	5.6%	(399,163)	(1,389,351)	\$1.64

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (QTD)	Net absorption SF (YTD)	Direct asking rent psf NNN
Class A	15,398,207	947,899	1,874,062	8.9%	1.5%	10.4%	338,456	333,388	\$1.83
Class B	70,014,732	0	0	3.4%	2.1%	5.5%	(525,652)	(831,890)	\$1.63
Class C	48,809,023	0	0	4.0%	0.4%	4.4%	(211,967)	(890,849)	\$1.47
Market total	134,221,962	947,899	1,874,062	4.2%	1.4%	5.6%	(399,163)	(1,389,351)	\$1.64

Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

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