

Orange County Industrial Market Report

New Projects Keep Under-Construction Levels Elevated

- Three new projects broke ground this quarter: a 120,135-square-foot warehouse at 1062 McGaw Avenue in Irvine; a 94,195-square-foot industrial facility at 4 Goodyear, also in Irvine; and a three-building property totaling 136,308 square feet at 30700 Rancho Viejo Road in San Juan Capistrano.
- Construction deliveries for the quarter include two buildings at the Goodman Logistics Center in Fullerton and one at the Huntington Gateway project, all of which were occupied upon completion. The move-ins also happen to be the quarter's top three, with Sprouts occupying 336,968 square feet at 1829 East Orangethorpe Avenue, Epson America moving into 233,705 square feet at 5383 Bolsa Avenue and Bandai Namco settling in 173,825 square feet of space at 2362 Kimberly Avenue.
- Despite the large move-ins, net absorption was negative 101,384 square feet due to several vacancies in the North County and Airport submarkets.
- Vacancy remained under 2% over the last five quarters. Sublease availability is also low, at 0.5%.

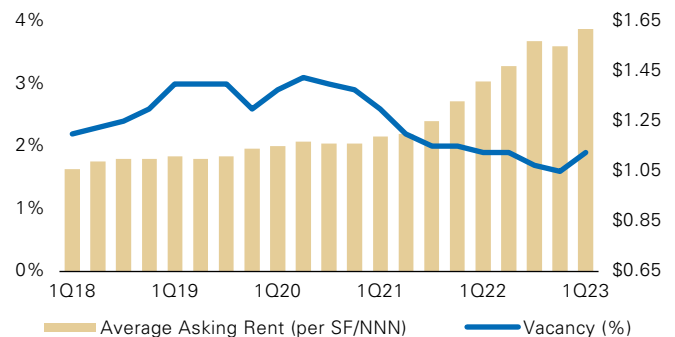
Pushback from Local Municipalities

Accelerated demand for logistics facilities triggered record-high construction levels across the market in recent years. Land scarcity, as well as some retailers' need for last-mile warehousing, has pushed industrial developers closer to densely populated and affluent neighborhoods. Community quality-of-life concerns are mounting, and local municipalities are responding by enacting barriers for industrial developers seeking permits.

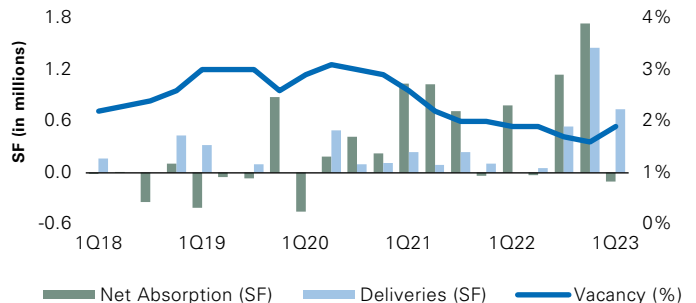
Rexford Industrial recently acquired the headquarters of Fox Racing in Irvine for \$40.0 million and intends to convert the existing buildings into a Class A logistics facility following the tenant's lease expiration. The City of Irvine is instating a new city requirement for warehouse and distribution developments

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)	266.0M	265.1M	263.1M	↑
Total Vacancy Rate	1.9%	1.6%	1.9%	↑
Quarterly Net Absorption (SF)	-101K	1.7M	783K	→
Average Asking Rent/SF/Month	\$1.62 NNN	\$1.55 NNN	\$1.41 NNN	→
Deliveries (SF)	745K	1.5M	0	→
Under Construction (SF)	2.3M	2.7M	3.0M	→

RESEARCH Q1 2023

greater than 100,000 square feet to obtain a conditional use permit, which may pose a threat to Rexford's plans, as well as other industrial developers in the area.

New Construction Faring Well

Despite more local pushback, construction levels remain elevated across the market, with a total of 15 projects underway.

Huntington Gateway, a Sares Regis development totaling 1.0 million square feet, broke ground in 2021 and has since delivered two of its five buildings. Both buildings have been fully occupied while the other three remain on the market. The final two facilities of the four-building Goodman development in Fullerton also completed this quarter and were occupied by Bandai Namco and Sprouts. Last quarter, Samsung took occupancy of the first two Goodman buildings.

New projects that delivered since 2021 are collectively 95.0% occupied. This is in sharp contrast to the 9.0% pre-leasing average of what is presently under construction.

Outlook

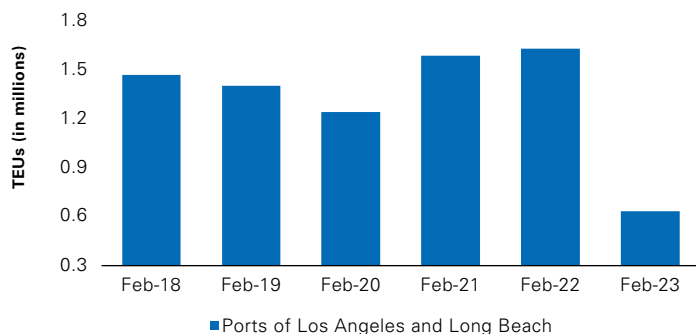
Healthy market fundamentals persist despite concerns of uneven U.S. retail sales and a moderation of tenant demand in recent months. For now, leasing activity remains healthy across all size segments. This is especially true for Class A inventory, while the bulk of new vacancies are coming from Class B and Class C spaces.

There is great deal of uncertainty in the present macro economic environment, and developers will likely err on the side of caution as it pertains to future groundbreakings. This will change if the pre-leasing figure alluded to earlier has a pronounced increase.

Some tenants are beginning to wonder when rents will soften and/or concessions will increase. This could lead to a further reduction in demand if more companies take a wait-and-see approach. A recession, if it happens, will only amplify that trend.

YTD Import Volume

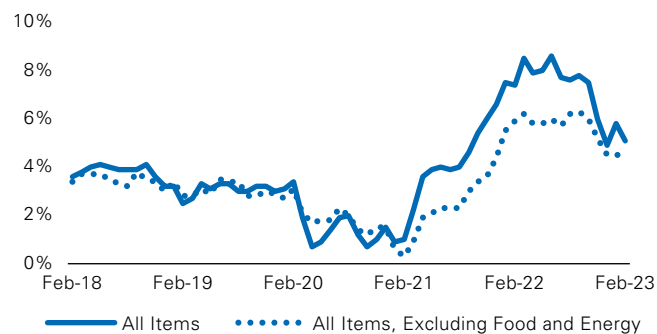
LOADED INBOUND CARGO



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
Bandai Namco	2362 Kimberly Avenue	North County	New	173,825
Terra Universal Inc	230 West Blueridge Avenue	North County	New	108,282
Terran Orbital	4 Goodyear	South County	Pre-Lease	94,195

Sale Transactions

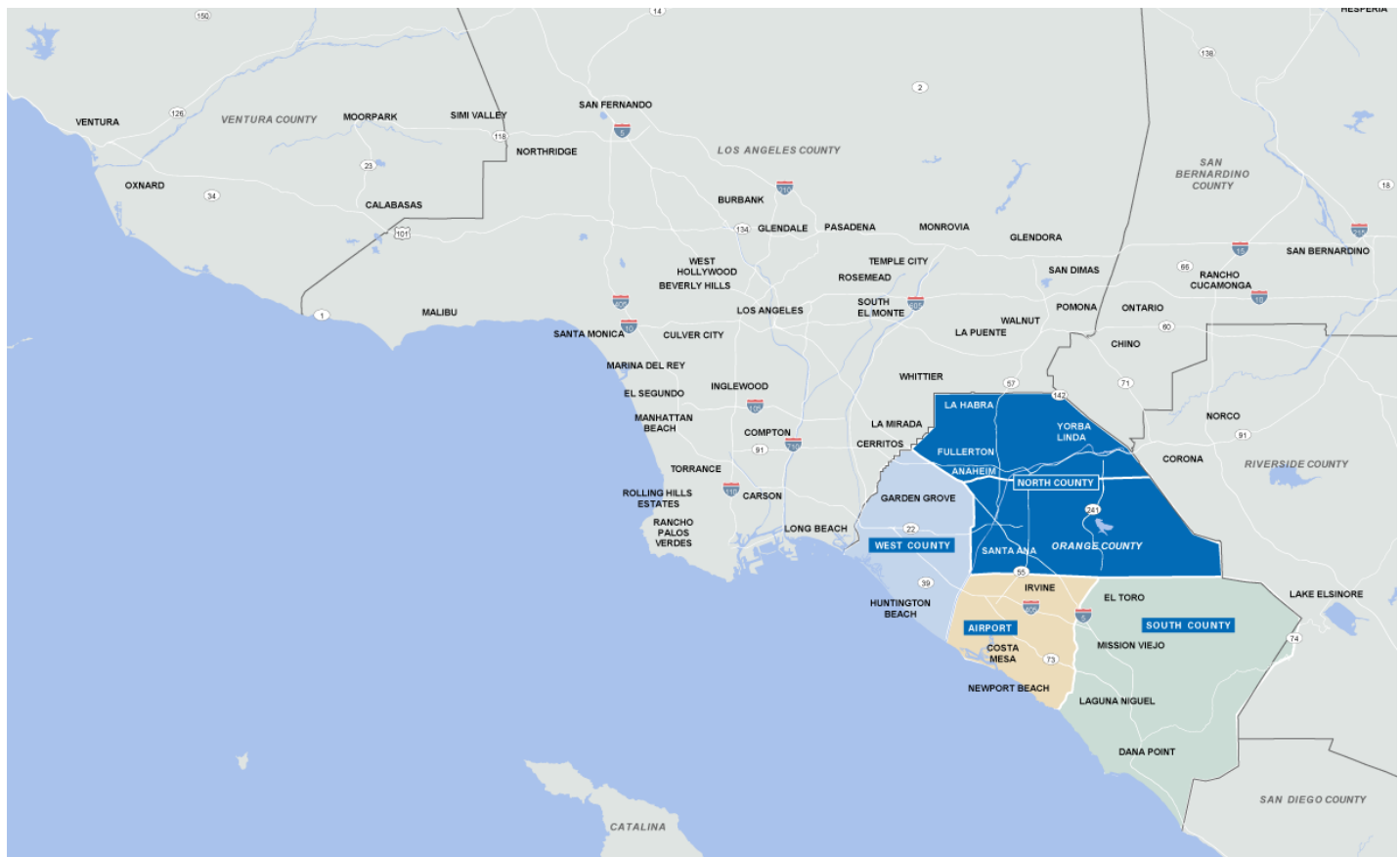
Buyer	Building(s)	Market Area	Sale Price (PSF)	Square Feet
Greenlaw Partners	1701-1771 South Lewis Street	North County	\$58,000,000 (\$292/SF)	198,807
Motive Holding Companies LLC	2692-2696 Dow Avenue	Airport	\$23,109,500 (\$420/SF)	55,022
Dornin Investment Group/Sundance Bay	7272-7274 Lampson Avenue	West County	\$16,350,000 (\$251/SF)	65,234

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	84,258,828	900,048	1.9%	-142,219	-142,219	\$1.67	\$1.68	\$1.64
Costa Mesa	11,056,285	0	1.6%	6,747	6,747	-	\$1.86	\$1.64
Fountain Valley	4,698,015	0	1.4%	4,760	4,760	\$1.35	\$1.65	\$1.59
Irvine	26,026,176	588,278	2.3%	-5,001	-5,001	\$1.64	-	\$1.68
Newport Beach	892,953	0	3.7%	1,299	1,299	-	-	\$1.81
Santa Ana	31,700,878	0	1.4%	-77,244	-77,244	\$1.21	\$1.19	\$1.49
Tustin	9,884,521	311,770	2.5%	-72,780	-72,780	\$1.75	\$1.89	\$1.80
North County	106,111,357	704,151	1.7%	11,454	11,454	\$1.50	\$1.53	\$1.48
Anaheim	50,341,608	448,548	1.9%	-414,960	-414,960	\$1.41	\$1.37	\$1.46
Brea	11,578,379	255,603	0.9%	-4,208	-4,208	\$1.35	\$1.45	\$1.44
Fullerton	21,811,632	0	1.4%	442,171	442,171	-	-	\$1.19
La Habra	3,472,738	0	1.1%	-3,668	-3,668	\$1.65	\$1.47	\$1.55
Orange	12,889,819	0	1.1%	32,398	32,398	\$1.50	\$1.47	\$1.50
Placentia	3,831,036	0	1.6%	-31,250	-31,250	\$1.55	\$1.44	\$1.53
Yorba Linda	2,186,145	0	8.8%	-9,029	-9,029	\$1.50	\$1.24	\$1.44
South County	35,131,509	136,308	2.4%	1,971	1,971	\$1.61	\$1.63	\$1.63
Aliso Viejo	1,812,542	0	6.5%	-4,239	-4,239	-	-	\$1.88
Foothill Ranch	2,843,505	0	0.0%	0	0	\$1.65	-	\$1.65
Irvine Spectrum	17,444,796	0	3.2%	29,947	29,947	\$1.58	\$1.92	\$1.59
Laguna Beach	76,268	0	4.7%	0	0	-	-	\$2.52
Laguna Hills	1,227,951	0	3.3%	-22,171	-22,171	\$1.70	\$1.69	\$1.59
Laguna Niguel	498,492	0	5.0%	0	0	-	-	\$1.53
Lake Forest	4,788,233	0	0.8%	-16,875	-16,875	\$1.55	\$1.66	\$1.63

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Mission Viejo	1,054,227	0	3.0%	-13,045	-13,045	-	\$1.60	\$1.60
Rancho Santa Margarita	2,352,189	0	0.4%	4,062	4,062	-	-	\$1.65
San Clemente	2,079,518	0	0.8%	32,936	32,936	\$1.45	\$1.71	\$1.65
San Juan Capistrano	953,788	136,308	0.9%	-8,644	-8,644	-	-	-
West County	40,466,639	594,541	2.2%	27,410	27,410	\$1.68	\$1.75	\$1.67
Cypress	6,473,102	0	3.4%	-127,030	-127,030	-	-	\$1.44
Garden Grove	12,894,836	247,231	2.7%	23,311	23,311	\$1.68	\$1.79	\$1.71
Huntington Beach	15,675,669	347,310	1.7%	123,486	123,486	\$1.58	\$1.43	\$1.47
Los Alamitos	2,039,241	0	0.6%	-5,505	-5,505	\$1.55	-	\$1.55
Seal Beach	841,203	0	0.0%	0	0	-	-	-
Stanton	811,246	0	3.6%	-17,019	-17,019	-	\$1.35	\$2.40
Westminster	1,731,342	0	1.5%	30,167	30,167	-	\$1.35	\$1.35
Orange County	265,968,333	2,335,048	1.9%	-101,384	-101,384	\$1.63	\$1.66	\$1.62

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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