

# Orange County Industrial Market Report

## Availability Remains a Hurdle; Rents Continue to Rise

- The average asking rent continues to climb, and is up 3.3% from 12 months ago, to \$1.21/SF.
- Vacancy tightened to 2.3% after quarterly net absorption gains of 784,376 square feet.
- Available sublet space represents 0.5% of existing inventory, lower than the 10-year average of 0.7%.
- Developers continue to scour the market for infill sites, but land values are well-north of \$80/SF and continue to increase.
- Available space options are few and the demand for quality space is strong. The average lease-up time for a Class A warehouse over 100,000 square feet is one to three months.
- Goodman Logistics Center broke ground this quarter in Fullerton. The project will consist of a four-building logistics campus on 65 acres, and total 1.5 million square feet. Modern facilities remain highly sought after in a supply-constrained market.
- Construction volumes remain moderate, representing 0.8% of existing inventory.

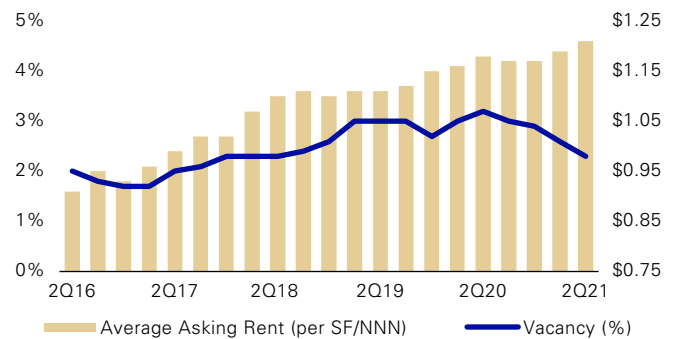
### Contract Rents Reach New Highs

Warehouse contract rents for direct leases and renewals over 50,000 square feet in spaces with a 30-foot and greater clearance height ranged from \$1.14/SF to \$1.31/SF in the first half of 2021. This compares to a \$0.79/SF to \$0.86/SF range in the same period of 2020.

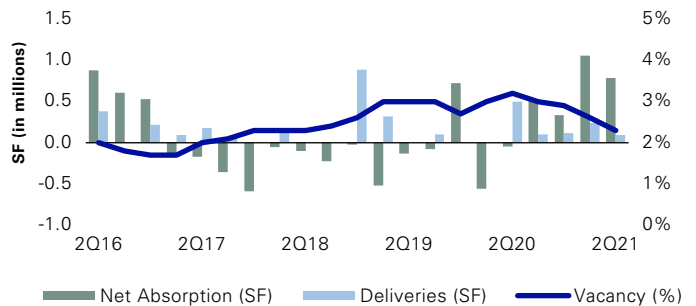
The jump in rent is swift, but pricing thresholds are being set on a deal-by-deal basis, due to tight fundamentals and an extreme lack of availability. Historically, tenants have looked to the Inland Empire's competitive rates and modern inventory to expand or consolidate operations, but distributors are now harder pressed to find desirable space in a market where

### Market Analysis

#### VACANCY AND ASKING RENT



#### NET ABSORPTION, CONSTRUCTION DELIVERIES AND VACANCY



### Market Summary

	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	261.6M	261.6M	260.2M	↑
Total Vacancy Rate	2.3%	2.6%	3.2%	→
Quarterly Net Absorption (SF)	784,376	1,057,658	-42,928	→
Average Asking Rent/SF/Month	\$1.21 NNN	\$1.19 NNN	\$1.18 NNN	↑
Deliveries (SF)	93,382	239,000	497,638	↑
Under Construction (SF)	2.1M	351,101	521,554	↓

## RESEARCH Q2 2021

vacancy is now 1.7%. This will limit relocation activity and lead to more local renewals, and further insulate the market. Continued rent growth is expected in the quarters ahead.

### Economic Conditions

Orange County's local unemployment rate of 5.9% in May is the lowest in Southern California, but still has room to tighten until it is on par with the 2.8% average, reached in February 2020 (before the declaration of a national health emergency). Local warehouse and storage jobs, in particular, had a 7.0% annual gain in May.

Loaded import volume at the Ports of Long Beach and Los Angeles totaled nearly 4.3 million TEUs in the first five months of the year, up 47.1% from the same period in 2020. Many distributors are trying to replenish inventories amid global supply disruptions, which is leading to heavy congestion at the ports. On June 24, 13 container ships were anchored, awaiting entry into

the twin ports. Heavy congestion is leading to higher shipping and drayage costs.

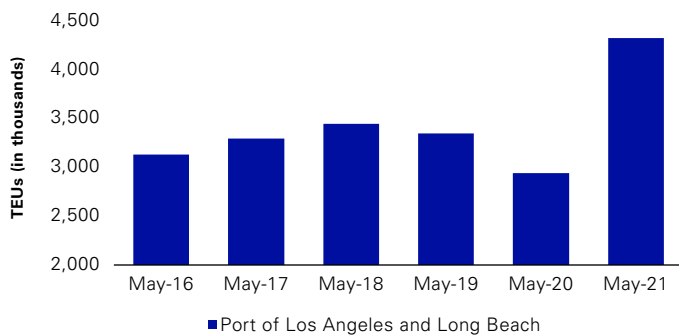
### Outlook

Orange County's economy fully reopened in mid-June, a widespread vaccine rollout is underway, and over half of the county's population is at least partially vaccinated. Employment and consumer spending gains will follow, which will ultimately favor the local industrial market.

Landlords will continue to have complete leverage in the market, with renewals dominating the leasing landscape. A shortage of availability, coupled with rising land values, will cause lease rates to continue to trend north.

### YTD Import Volume

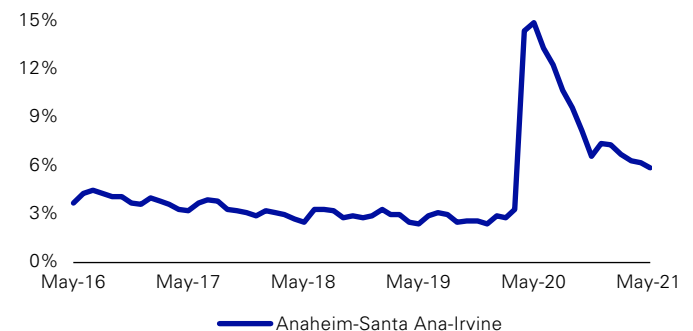
#### Loaded Inbound Cargo



Source: Port of Los Angeles, Port of Long Beach

### Unemployment Rate

#### Total Nonfarm



Source: U.S. Bureau of Labor Statistics (Preliminary data, not seasonally adjusted). Includes information, financial activities and professional and business services jobs.

### Lease Transactions

Tenant	Building	Market Area	Lease Type	Square Feet
Cambro Manufacturing Company	5301 Bolsa Avenue	West County	New	433,865
Gerber Plumbing	11251-11261 Warland Drive	West County	New	121,983
OC Sheriff's Department	1382 Bell Avenue	Airport Area	New	120,000

### Sale Transactions

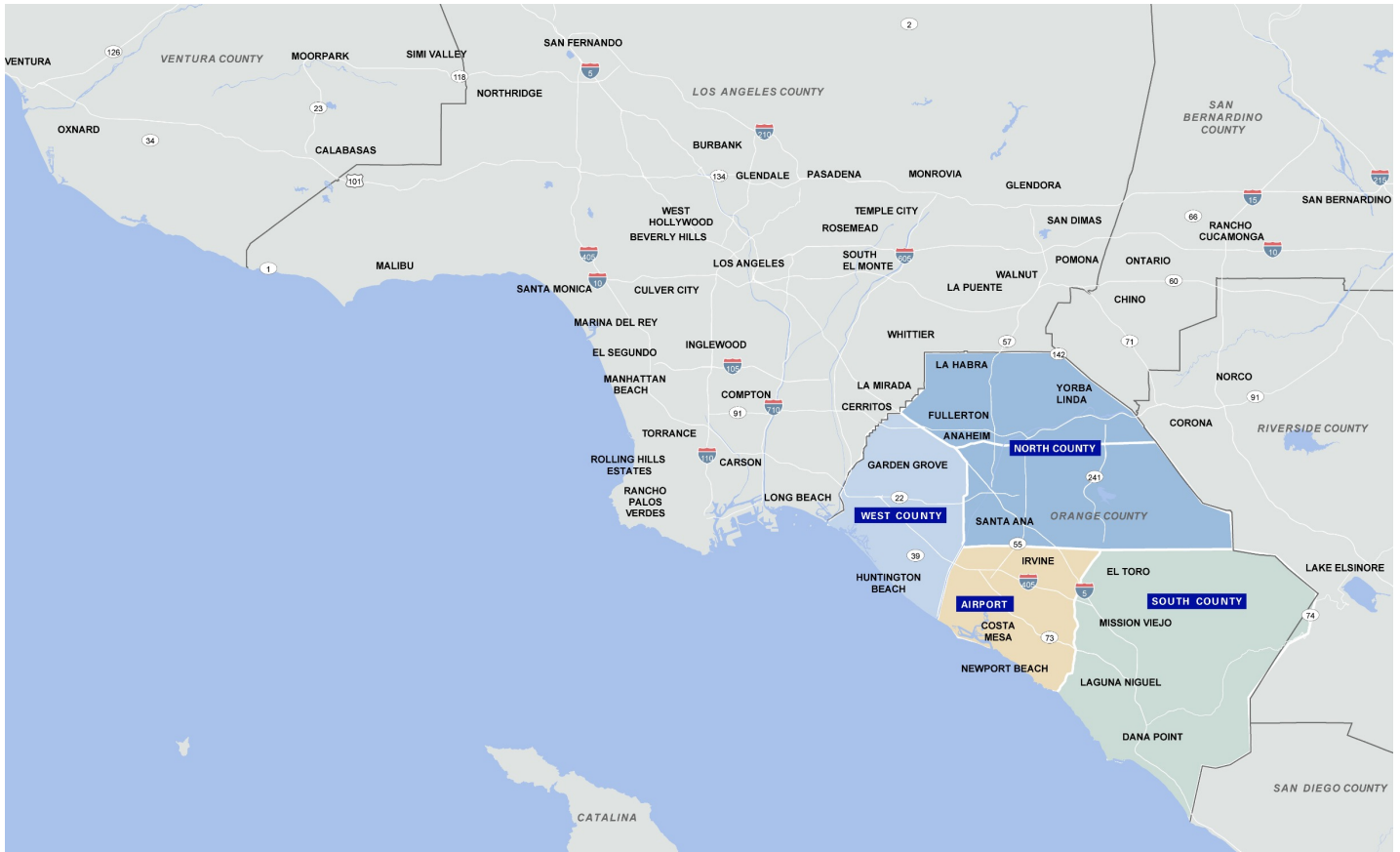
Buyer	Building(s)	Market Area	Sale Price (PSF)	Square Feet
CBRE Global Investors Ltd	17871 Von Karman Avenue	Airport Area	\$180,750,000 (\$457/SF)	395,673
Crown Associates Realty, Inc.	15301 & 15461 Springdale Street	West County	\$35,266,000 (\$288/SF)	122,512
Alere Property Group	1062 McGaw Avenue	Airport Area	\$23,000,000 (\$214/SF)	107,600

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)
<b>Airport</b>	<b>84,062,617</b>	<b>0</b>	<b>3.3%</b>	<b>51,288</b>	<b>587,663</b>	<b>-</b>	<b>\$1.13</b>	<b>\$1.54</b>
Costa Mesa	10,642,922	0	4.7%	-1,537	-45,226	-	\$1.53	\$1.46
Fountain Valley	4,659,715	0	2.4%	30,277	36,055	-	\$1.36	\$1.37
Irvine	26,372,948	0	3.8%	-3,834	189,293	-	\$1.60	\$1.65
Newport Beach	892,953	0	3.9%	4,203	11,703	-	\$2.29	\$1.98
Santa Ana	31,804,467	0	2.6%	-7,010	444,507	-	\$0.86	\$0.91
Tustin	9,689,612	0	2.7%	29,189	-48,669	-	\$1.37	\$1.57
<b>North County</b>	<b>103,513,833</b>	<b>1,831,700</b>	<b>2.4%</b>	<b>443,459</b>	<b>564,469</b>	<b>\$0.88</b>	<b>\$1.07</b>	<b>\$1.05</b>
Anaheim	49,716,396	187,520	1.5%	98,797	272,561	\$0.79	\$0.97	\$0.99
Brea	11,280,609	108,125	1.6%	13,502	-32,209	\$0.95	\$1.13	\$1.18
Fullerton	20,218,305	1,536,055	1.0%	190,034	217,493	\$1.35	\$0.86	\$0.98
La Habra	3,456,110	0	0.8%	1,117	10,395	\$0.60	\$1.13	\$0.67
Orange	12,797,040	0	1.1%	49,146	8,586	\$1.11	\$0.90	\$1.00
Placentia	3,796,636	0	2.2%	93,182	88,319	\$0.95	\$1.69	\$1.33
Yorba Linda	2,248,737	0	0.8%	-2,319	-676	-	\$1.17	\$1.17
<b>South County</b>	<b>34,933,552</b>	<b>0</b>	<b>3.4%</b>	<b>154,859</b>	<b>211,561</b>	<b>\$1.31</b>	<b>\$1.28</b>	<b>\$1.32</b>
Aliso Viejo	1,810,021	0	2.4%	-22,391	-21,792	-	-	-
Foothill Ranch	2,829,044	0	0.0%	0	179,865	-	-	-
Irvine Spectrum	17,459,742	0	5.0%	140,701	54,387	\$1.13	\$1.30	\$1.27
Laguna Beach	76,268	0	4.7%	0	0	-	-	-
Laguna Hills	1,209,803	0	3.3%	-11,143	-11,729	\$1.50	\$1.25	\$1.43
Laguna Niguel	498,492	0	5.7%	0	-1,922	-	-	-
Lake Forest	4,706,353	0	0.6%	48,886	-5,143	-	\$1.49	\$1.49

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Mission Viejo	1,054,227	0	7.1%	-8,656	2,018	-	-	-
Rancho Santa Margarita	2,312,865	0	1.0%	-1,334	-176	-	\$1.43	\$1.69
San Clemente	2,023,031	0	2.8%	-4,105	14,712	-	\$1.45	\$1.90
San Juan Capistrano	953,706	0	2.1%	12,901	1,341	-	\$1.60	\$1.60
<b>West County</b>	<b>39,109,689</b>	<b>242,976</b>	<b>2.0%</b>	<b>134,770</b>	<b>478,341</b>	<b>\$0.96</b>	<b>\$0.92</b>	<b>\$0.96</b>
Cypress	6,345,912	0	2.5%	87,130	158,593	-	-	-
Garden Grove	12,612,970	0	2.2%	-16,829	224,216	\$0.87	\$0.81	\$0.90
Huntington Beach	14,748,419	242,976	0.9%	30,606	59,094	\$1.03	\$1.05	\$0.90
Los Alamitos	2,037,124	0	3.4%	1,736	7,951	\$1.01	\$0.98	\$1.02
Seal Beach	841,203	0	10.5%	0	0	-	-	-
Stanton	797,352	0	0.0%	5,140	1,400	\$1.05	-	\$1.05
Westminster	1,726,709	0	1.9%	26,987	27,087	-	-	-
<b>Market</b>	<b>261,619,691</b>	<b>2,074,676</b>	<b>2.3%</b>	<b>784,376</b>	<b>1,842,034</b>	<b>\$0.97</b>	<b>\$1.11</b>	<b>\$1.21</b>

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.



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