

**OVERVIEW.** The Orange County industrial sector again set records in the final quarter of 2021, just as it has each and every quarter for years. Local business owners continued to have a tough time finding quality space for their growing operations. Even the latest version of the virus hasn't put a dent in market momentum. Asking lease rates and sale prices both jumped substantially but reported averages don't tell the whole story when property is offered without an asking price. Tenants and buyers are facing fierce competition to secure space—lack of supply is making it nearly impossible to find high quality industrial space and not a single new building was delivered in the final quarter. The existing inventory is proving incapable of meeting current demand.

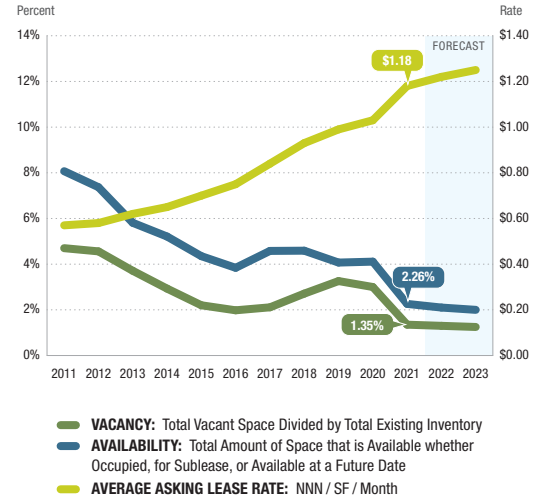
**VACANCY & AVAILABILITY.** The overall vacancy rate in Orange County fell to 1.35%, a 26-basis-point drop and a new record low. But, as we have been reporting, a significant chunk of the available space is more than 30 years old or is showing signs of functional obsolescence. So from a practical point of view, the vacancy rate is approaching zero. Tenants and buyers continue to compete aggressively for product, which is promoting the rise in lease rates and sales prices. The availability rate, which includes space offered for lease or sale but is still occupied, fell to 2.26% from 2.56% in Q3. That tight spread to the vacancy rate is indicative of an increase in lease renewals, as tenants are opting to stay in their current locations because they are unable to secure alternatives.

**LEASE RATES & SALES PRICES.** The average asking lease rate for the county jumped \$0.06 to \$1.18 in the final quarter, another record high. Landlords maintain a significant advantage in lease negotiations and many deals are being done without free rent or tenant improvement contributions. With such intense competition for space, it is common for final lease rates to be well above asking. So, published asking rates can be misleading. Also, some buildings are offered without an asking rate, while others are leased on an off-market basis and don't make it into the published statistics.

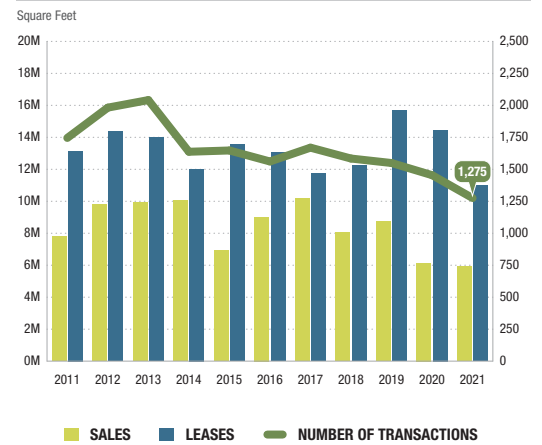
The county's average asking sales price broke the \$300 PSF barrier for the first time in Q3, and then took a big leap of \$23 PSF in Q4 to a record high of \$323.14. Moreover, some smaller buildings with good amenities and location are trading in the \$400 PSF range. Off-market deals are becoming more common as buyers are making aggressive unsolicited offers in the hope of securing a new building without having to face the intense competition associated with listed properties. Last quarter we characterized the sale market as being on fire and that is still the case.

**TRANSACTION ACTIVITY.** Leasing and sales activity, both in terms of square footage and number of transactions, fell again in Q4. However, that is due in large part to the lack of supply forcing tenants to renew in place, which often is not reflected in the quarterly statistics. Only 2.7 MSF of deals were inked during the current period, down from over 4.4 MSF in Q3. In all, 243 transactions were completed during the period—173 leases and 70 sales, as compared with a total of 218 leases and 94 sales in Q3.

**VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES**



**TRANSACTION VOLUME & NUMBER OF TRANSACTIONS**



Market Statistics

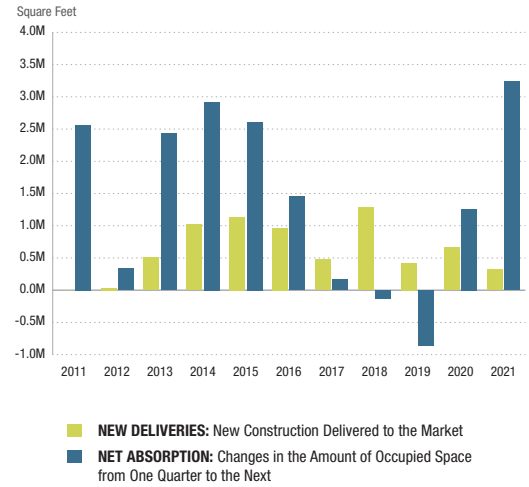
	Change Over Last Quarter	4Q 2021	3Q 2021	4Q 2020	% Change Over Last Year
Vacancy Rate	▼ DOWN	1.35%	1.61%	3.00%	(54.94%)
Availability Rate	▼ DOWN	2.26%	2.56%	4.07%	(44.32%)
Average Asking Lease Rate	▲ UP	\$1.18	\$1.12	\$1.03	14.56%
Average Asking Sale Price	▲ UP	\$323.14	\$300.42	\$268.69	20.26%
Sale & Lease Transactions	▼ DOWN	2,722,174	4,482,369	6,996,471	(61.09%)
Gross Absorption	▼ DOWN	2,044,481	3,578,262	2,430,967	(15.90%)
Net Absorption	▲ POSITIVE	258,051	1,564,860	1,431,561	N/A

**ABSORPTION.** As we have previously reported, maintaining strong positive net absorption in a market with such low vacancy is difficult. With the availability of quality space so low, there is little room for growth and many tenants are forced to stay where they are. However, net absorption still managed to remain in positive territory for the quarter, posting a gain of 258,051 SF. That brought total net absorption for the year up to just over 3.2 MSF. Gross absorption declined in the final quarter, falling to 2.0 MSF from the third quarter's 3.5 MSF, and move-ins were concentrated in the smaller size ranges. Only one move-in over 100,000 SF was recorded, a 126,000 SF building in Brea now occupied by Atosa USA.

**CONSTRUCTION.** While construction activity remains light, it picked up in the final half of the year. At the end of Q4, roughly 2.3 MSF of new space were underway, mostly in North County. The largest project in the queue is from Goodman Logistics who is developing a four-building campus totaling 1.5 MSF on a 65-acre site in Fullerton. Phase I of Huntington Gateway in Huntington Beach was expected to complete in Q4 but is now scheduled for delivery in early 2022.

**EMPLOYMENT.** The unemployment rate in Orange County was 4.1% in November 2021, down from a revised 4.7% in October 2021, and well below the year-ago estimate of 6.6%. Trade, transportation, and utilities added 4,500 jobs, the largest increase of any sector. This accounted for nearly half of the total increase in nonfarm employment, and was almost all in retail trade. The remaining job gains were in warehousing and utilities (up 1,200 jobs) while wholesale trade declined by 800 jobs.

## NEW DELIVERIES & NET ABSORPTION



## Forecast

The Orange County industrial market looks to stay on its current trajectory into the new year. Demand will remain high, vacancy will decline even further, and lease rates and sale prices should continue to set new records. The Omicron surge may be relatively short-lived, without requiring further lockdown protocols which affect business activity. However, high inflation has prompted the Fed to announce the phase-out of its bond-buying program and interest rate increases in 2022 are likely. That would put upward pressure on mortgage rates, which in turn would apply slight downward pressure on asset prices. That will be more than offset, however, by the magnitude by which demand is outpacing supply. Another positive development for property values is the fact that the Build Back Better Act and its associated tax increases appear to be on shaky ground.

## Significant Transactions

### Sales

\* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
2009-2011 Raymer Ave.	Fullerton	126,413	\$32,150,000	2009 Raymer Property Owner LLC	CRPF IV Raymer LLC
17451 Von Karman Ave.	Irvine	91,420	\$26,000,000	9th Street Partnes LLC	Desmond Ventures, Inc.
20481 Crescent Bay Dr.	Lake Forest	88,355	\$19,500,000	Rexford Industrial Realty, Inc.	Biocol Investment LP
3325 E. La Palma Ave.	Anaheim	63,774	\$25,350,000	LBA Logistics	JVK Holdings LLC*
17590 Gillette Ave.	Irvine	53,066	\$15,750,000	Fortress Investment Group	FIDM Properties Inc.

### Leases

\* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
5560 Katella Ave.	Cypress	215,000	Oct-2021	Romeo Power	West Country Commerce Realty
6300 Valley View Ave. – Renewal	Buena Park	190,800	Dec-2021	Manhattan Beachwear, LLC	Prudential*
1930-1938 Malvern St.	Fullerton	147,950	Nov-2021	McKesson	RREEF America REIT Corp. X
3355 E. La Palma Ave – Renewal	Anaheim	108,327	Nov-2021	Goodrich Corporation	TIAA-CREF (Nuveen)*
295 E. Orangethorpe Ave.	Anaheim	96,000	Dec-2021	Modern Fittings, Inc.	Hot Rods, LLC*

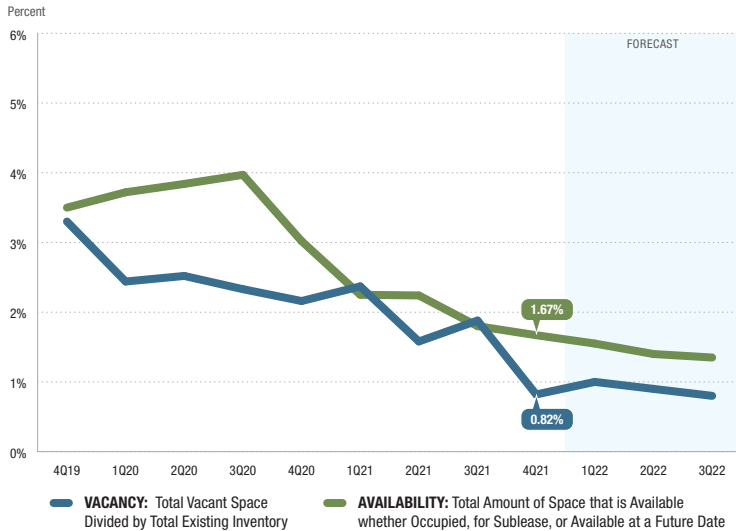
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2021	Square Feet Available	Availability Rate 4Q2021	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2021	Net Absorption 2021	Gross Absorption 4Q2021	Gross Absorption 2021
<b>Airport Area</b>														
Costa Mesa	439	7,489,597	0	0	186,015	2.48%	148,439	1.98%	\$1.35	\$447.89	72,968	94,673	172,840	503,327
Fountain Valley	181	3,759,165	0	0	7,385	0.20%	3,960	0.11%	\$1.04	\$268.01	28,522	110,782	67,195	268,041
Irvine	302	11,372,312	0	0	64,143	0.56%	466,667	4.10%	\$1.37	\$0.00	67,337	(58,771)	106,024	777,060
Newport Beach	48	603,018	0	0	27,011	4.48%	36,155	6.00%	\$1.55	\$0.00	5,527	(6,626)	10,873	21,353
Santa Ana	1,581	31,075,057	0	29,804	487,200	1.57%	901,787	2.90%	\$1.13	\$326.05	34,825	967,638	286,348	2,190,168
Tustin	114	4,224,084	0	219,827	507,486	12.01%	545,419	12.91%	\$1.32	\$0.00	(483,486)	(342,549)	18,099	202,655
<b>Airport Area Total</b>	<b>2,665</b>	<b>58,523,233</b>	<b>0</b>	<b>249,631</b>	<b>1,279,240</b>	<b>2.19%</b>	<b>2,102,427</b>	<b>3.59%</b>	<b>\$1.24</b>	<b>\$333.11</b>	<b>(274,307)</b>	<b>765,147</b>	<b>661,379</b>	<b>3,962,604</b>
<b>North County</b>														
Anaheim	1,834	44,338,516	257,919	324,640	359,322	0.81%	804,105	1.81%	\$1.03	\$314.59	74,708	342,691	355,001	1,767,356
Brea	326	11,989,539	108,125	0	159,145	1.33%	276,154	2.30%	\$0.98	\$0.00	186,955	155,438	122,900	430,875
Buena Park	234	13,335,604	0	30,650	45,656	0.34%	373,481	2.80%	\$0.63	\$317.07	6,805	381,048	10,805	719,850
Fullerton	454	19,545,483	1,536,055	259,000	153,187	0.78%	159,553	0.82%	\$1.21	\$319.91	87,433	300,520	89,500	930,952
La Habra	197	3,519,300	0	0	7,890	0.22%	7,890	0.22%	\$0.00	\$302.06	(3,383)	(12,187)	17,617	65,610
Orange	746	13,629,869	0	201,520	95,787	0.70%	159,364	1.17%	\$1.30	\$190.34	25,868	54,221	125,542	526,398
Placentia	223	4,366,396	0	0	81,975	1.88%	58,417	1.34%	\$0.95	\$325.00	5,136	23,918	17,544	229,494
Yorba Linda	54	872,595	0	0	9,919	1.14%	24,757	2.84%	\$0.00	\$357.00	(9,919)	180	2,400	75,705
<b>North County Total</b>	<b>4,068</b>	<b>111,597,302</b>	<b>1,902,099</b>	<b>815,810</b>	<b>912,881</b>	<b>0.82%</b>	<b>1,863,721</b>	<b>1.67%</b>	<b>\$0.99</b>	<b>\$305.18</b>	<b>373,603</b>	<b>1,245,829</b>	<b>741,309</b>	<b>4,746,240</b>
<b>South County</b>														
Aliso Viejo	17	663,662	0	0	50,337	7.58%	32,657	4.92%	\$0.00	\$0.00	0	(1,972)	0	0
Foothill Ranch	63	3,364,417	0	0	0	0.00%	12,003	0.36%	\$0.00	\$0.00	0	144,212	0	305,821
Irvine Spectrum	212	9,899,173	145,000	99,638	317,319	3.21%	200,800	2.03%	\$1.22	\$469.00	91,846	360,742	165,071	697,430
Laguna Beach	21	108,920	0	0	7,732	7.10%	2,390	2.19%	\$2.75	\$0.00	0	(4,732)	7,732	17,587
Laguna Hills	74	1,039,691	0	0	5,897	0.57%	25,924	2.49%	\$1.44	\$0.00	(5,110)	(24,271)	4,209	58,667
Laguna Niguel	19	256,297	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	189	4,173,820	0	384,000	44,331	1.06%	73,852	1.77%	\$1.43	\$373.37	29,359	175,377	30,813	322,542
Mission Viejo	30	719,181	0	0	919	0.13%	919	0.13%	\$1.30	\$0.00	1,531	(15,669)	10,286	30,729
Rancho Santa Margarita	107	1,702,949	0	0	0	0.00%	16,065	0.94%	\$1.42	\$390.00	12,908	(29,511)	41,618	107,262
San Clemente	160	1,997,181	0	0	17,500	0.88%	0	0.00%	\$1.12	\$0.00	5,259	3,608	18,259	102,927
San Juan Capistrano	42	887,189	0	91,520	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	13,204
<b>South County Total</b>	<b>934</b>	<b>24,812,480</b>	<b>145,000</b>	<b>575,158</b>	<b>444,035</b>	<b>1.79%</b>	<b>364,610</b>	<b>1.47%</b>	<b>\$1.29</b>	<b>\$403.13</b>	<b>135,793</b>	<b>607,784</b>	<b>277,988</b>	<b>1,656,169</b>
<b>West County</b>														
Cypress	100	4,701,662	0	0	68,365	1.45%	126,149	2.68%	\$1.07	\$0.00	(30,649)	162,609	60,384	425,497
Garden Grove	475	11,943,420	0	0	175,698	1.47%	382,724	3.20%	\$1.26	\$536.22	48,710	225,555	135,820	699,049
Huntington Beach	686	12,542,407	259,772	657,570	224,890	1.79%	333,013	2.66%	\$1.15	\$275.31	(26,723)	(16,023)	138,475	491,466
La Palma	16	1,778,247	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	45,000	159,142	0	85,000
Los Alamitos	94	2,218,514	0	0	0	0.00%	15,763	0.71%	\$0.00	\$0.00	12,663	(18,307)	12,663	134,895
Seal Beach	15	933,761	0	0	16,720	1.79%	16,720	1.79%	\$0.00	\$0.00	0	88,507	0	88,507
Stanton	176	1,839,602	0	0	4,200	0.23%	18,659	1.01%	\$0.00	\$277.36	(1,150)	2,076	3,050	56,513
Westminster	140	2,297,140	0	0	26,655	1.16%	54,834	2.39%	\$0.88	\$0.00	(24,889)	18,136	13,413	120,124
<b>West County Total</b>	<b>1,702</b>	<b>38,254,753</b>	<b>259,772</b>	<b>657,570</b>	<b>516,528</b>	<b>1.35%</b>	<b>947,862</b>	<b>2.48%</b>	<b>\$1.09</b>	<b>\$287.63</b>	<b>22,962</b>	<b>621,695</b>	<b>363,805</b>	<b>2,101,051</b>
<b>Orange County Total</b>	<b>9,369</b>	<b>233,187,768</b>	<b>2,306,871</b>	<b>2,298,169</b>	<b>3,152,684</b>	<b>1.35%</b>	<b>5,278,620</b>	<b>2.26%</b>	<b>\$1.18</b>	<b>\$323.14</b>	<b>258,051</b>	<b>3,240,455</b>	<b>2,044,481</b>	<b>12,466,064</b>
Less than 9,999	3,338	20,285,660	0	9,500	123,335	0.61%	289,069	1.42%	\$1.64	\$348.20	62,953	73,809	253,747	927,148
10,000-19,999	3,143	43,449,506	0	0	501,254	1.15%	601,673	1.38%	\$1.25	\$283.95	56,122	299,665	386,358	2,188,346
20,000-29,999	1,190	28,392,422	24,000	51,764	242,279	0.85%	259,548	0.91%	\$1.22	\$266.41	101,627	454,787	405,086	1,763,216
30,000-39,999	487	16,623,707	0	63,650	158,128	0.95%	256,667	1.54%	\$0.98	\$341.03	(12,193)	413,724	116,422	1,076,128
40,000-49,999	289	12,700,543	46,399	0	133,854	1.05%	223,243	1.76%	\$1.50	\$375.36	76,825	188,701	85,517	724,002
50,000-74,999	374	22,501,657	0	67,000	352,151	1.57%	552,726	2.46%	\$0.00	\$292.94	24,687	682,495	208,266	1,127,238
75,000-99,999	167	14,294,801	0	282,138	267,877	1.87%	397,247	2.78%	\$0.00	\$0.00	127,714	327,602	249,514	1,031,962
100,000-199,999	256	33,618,617	614,470	745,200	468,974	1.39%	568,232	1.69%	\$0.00	\$0.00	315,280	1,094,603	313,921	2,392,368
200,000 Plus	125	41,320,855	1,622,002	1,078,917	904,832	2.19%	2,130,215	5.16%	\$0.00	\$0.00	(494,964)	(294,931)	25,650	1,235,656
<b>Orange County Total</b>	<b>9,369</b>	<b>233,187,768</b>	<b>2,306,871</b>	<b>2,298,169</b>	<b>3,152,684</b>	<b>1.35%</b>	<b>5,278,620</b>	<b>2.26%</b>	<b>\$1.18</b>	<b>\$323.14</b>	<b>258,051</b>	<b>3,240,455</b>	<b>2,044,481</b>	<b>12,466,064</b>

Lease rates are on a triple-net basis.

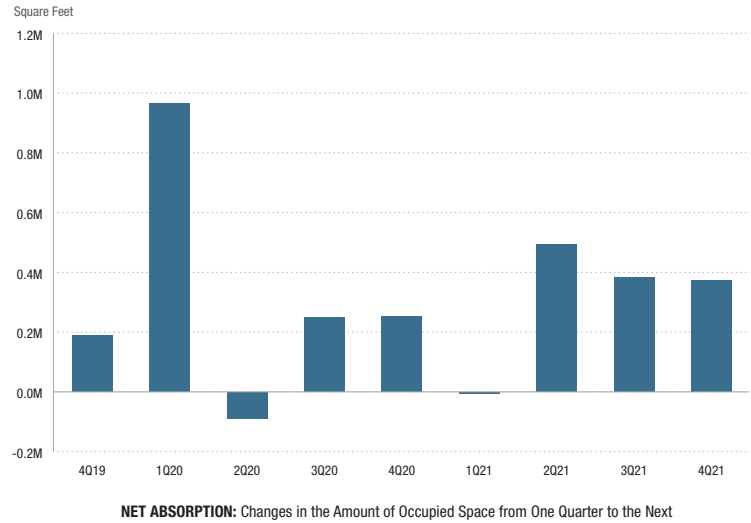
## NORTH ORANGE COUNTY

In the fourth quarter of 2021, the North Orange County industrial market consisted of 4,068 buildings totaling 111,597,302 square feet and had an availability rate of 1.67%, which shows a decrease from the previous quarter's figure of 1.80%.

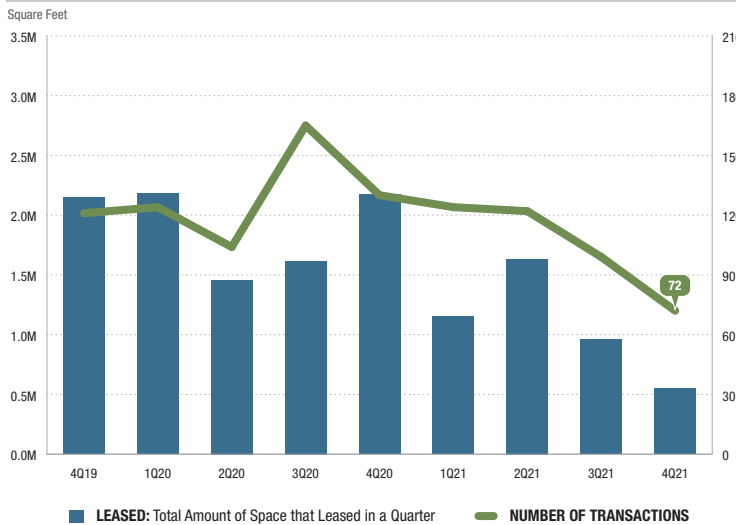
### VACANCY & AVAILABILITY RATE



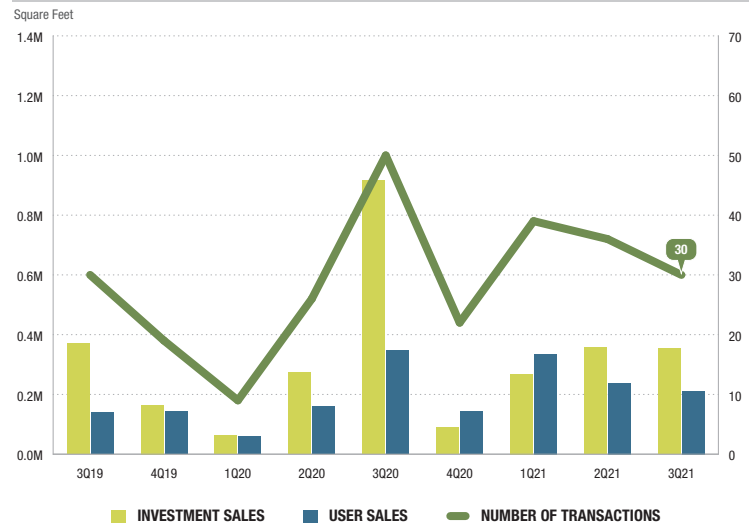
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

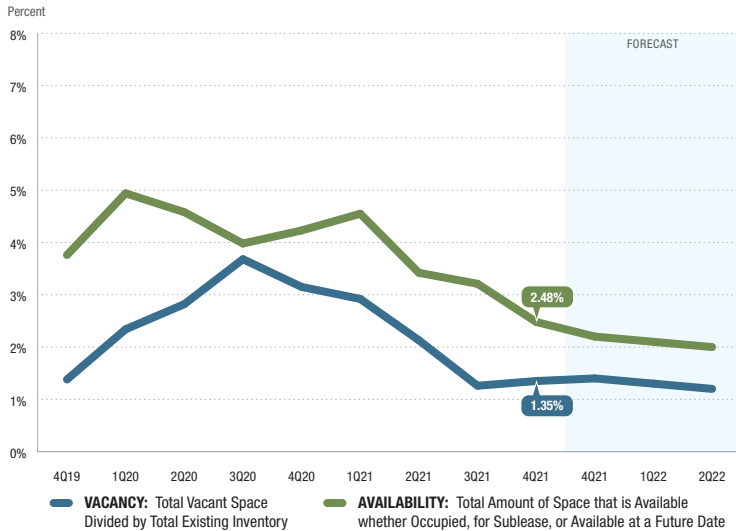
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2021	Square Feet Available	Availability Rate 4Q2021	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2021	Net Absorption 2021	Gross Absorption 4Q2021	Gross Absorption 2021
<b>North Totals</b>														
Less than 9,999	1,346	8,507,585	0	9,500	60,242	0.71%	141,292	1.66%	\$1.30	\$322.56	32,713	39,703	120,119	420,585
10,000-19,999	1,392	19,264,733	0	0	173,032	0.90%	223,762	1.16%	\$1.01	\$260.42	31,760	76,321	129,037	872,668
20,000-29,999	522	12,425,477	24,000	21,960	70,965	0.57%	123,247	0.99%	\$1.00	\$284.69	49,353	276,253	100,841	789,172
30,000-39,999	224	7,624,636	0	63,650	27,917	0.37%	26,455	0.35%	\$1.03	\$326.04	18,664	131,464	78,028	415,871
40,000-49,999	135	5,931,726	46,399	0	61,418	1.04%	63,600	1.07%	\$1.24	\$345.00	(2,001)	82,835	13,501	305,287
50,000-74,999	178	10,717,906	0	0	70,900	0.66%	18,500	0.17%	\$1.25	\$0.00	36,272	391,334	0	484,940
75,000-99,999	71	6,050,433	0	90,980	110,800	1.83%	165,271	2.73%	\$0.00	\$0.00	55,420	47,863	177,220	442,018
100,000-199,999	133	17,573,765	469,470	428,200	293,326	1.67%	177,810	1.01%	\$0.00	\$0.00	151,422	152,448	122,563	681,884
200,000 plus	67	23,501,041	1,362,230	201,520	44,281	0.19%	923,784	3.93%	\$0.00	\$0.00	0	47,608	0	333,815
<b>Total</b>	<b>4,068</b>	<b>111,597,302</b>	<b>1,902,099</b>	<b>815,810</b>	<b>912,881</b>	<b>0.82%</b>	<b>1,863,721</b>	<b>1.67%</b>	<b>\$0.99</b>	<b>\$305.18</b>	<b>373,603</b>	<b>1,245,829</b>	<b>741,309</b>	<b>4,746,240</b>

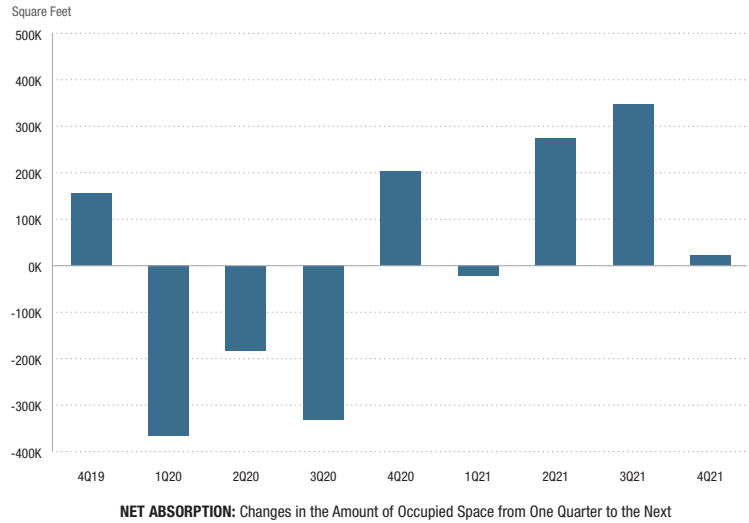
## WEST ORANGE COUNTY

In the fourth quarter of 2021, the West Orange County industrial market consisted of 1,702 buildings totaling 38,254,753 square feet and had an availability rate of 2.48%, which shows a decrease from the previous quarter's figure of 3.21%.

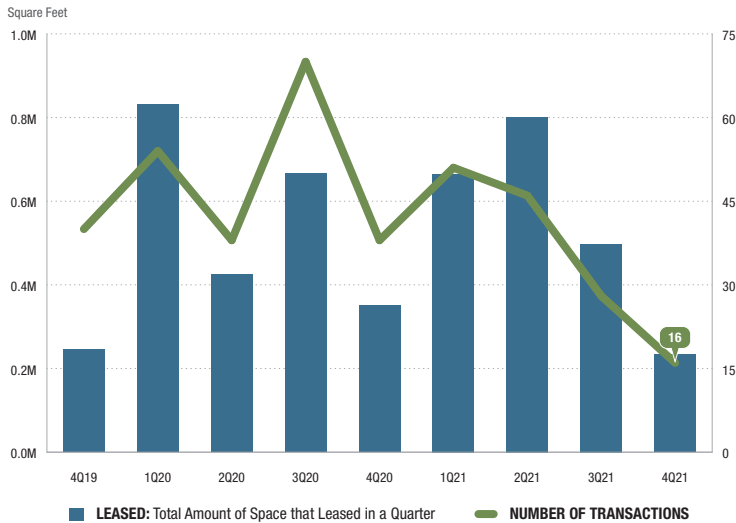
### VACANCY & AVAILABILITY RATE



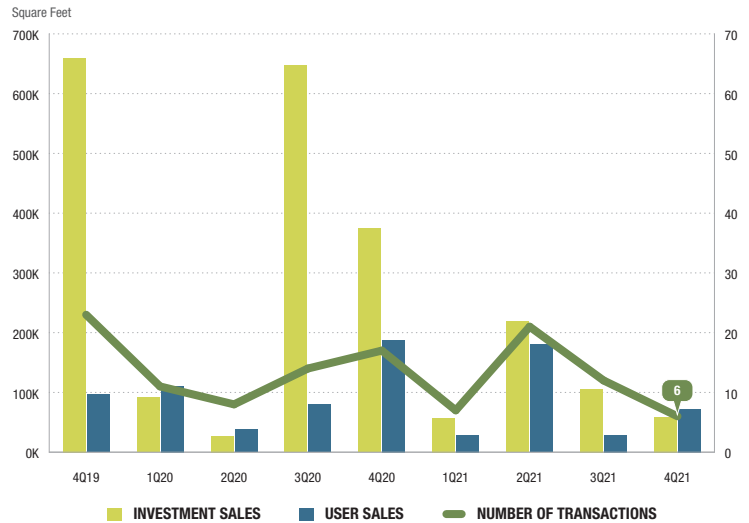
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

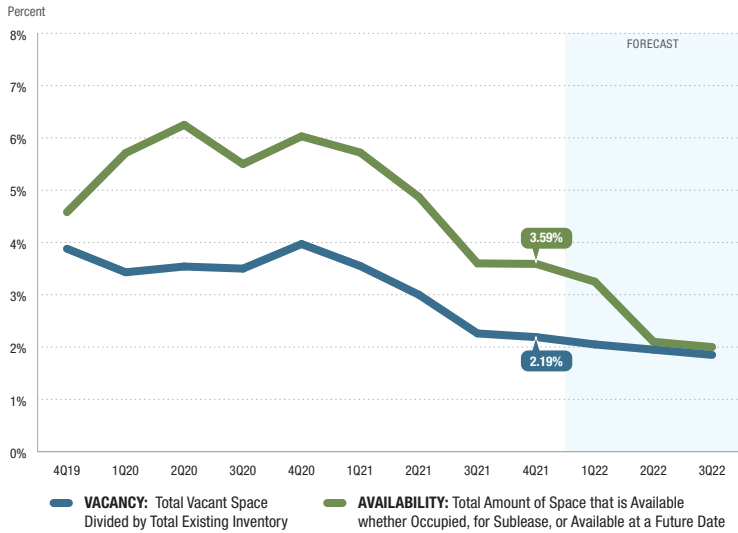
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2021	Square Feet Available	Availability Rate 4Q2021	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2021	Net Absorption 2021	Gross Absorption 4Q2021	Gross Absorption 2021
<b>West Totals</b>														
Less than 9,999	696	4,128,398	0	0	18,830	0.46%	74,558	1.81%	\$1.27	\$287.63	5,526	4,456	42,441	179,173
10,000-19,999	567	7,520,251	0	0	128,394	1.71%	135,467	1.80%	\$1.18	\$0.00	(62,896)	(23,137)	44,739	266,865
20,000-29,999	180	4,329,707	0	0	34,882	0.81%	34,388	0.79%	\$0.96	\$0.00	17,594	96,183	77,774	232,955
30,000-39,999	61	2,122,825	0	0	39,313	1.85%	80,259	3.78%	\$1.21	\$0.00	(39,313)	11,094	0	60,443
40,000-49,999	49	2,152,523	0	0	4,700	0.22%	4,700	0.22%	\$0.95	\$0.00	(4,700)	25,339	2,161	192,019
50,000-74,999	57	3,407,218	0	0	73,870	2.17%	189,568	5.56%	\$0.00	\$0.00	61,751	74,086	176,701	239,237
75,000-99,999	31	2,661,547	0	0	86,985	3.27%	102,748	3.86%	\$0.00	\$0.00	0	137,327	0	227,732
100,000-199,999	39	5,249,466	0	0	4,100	0.08%	4,100	0.08%	\$0.00	\$0.00	45,000	257,373	0	576,956
200,000 plus	22	6,682,818	259,772	657,570	125,454	1.88%	322,074	4.82%	\$0.00	\$0.00	0	38,974	19,989	125,671
<b>Total</b>	<b>1,702</b>	<b>38,254,753</b>	<b>259,772</b>	<b>657,570</b>	<b>516,528</b>	<b>1.35%</b>	<b>947,862</b>	<b>2.48%</b>	<b>\$1.09</b>	<b>\$287.63</b>	<b>22,962</b>	<b>621,695</b>	<b>363,805</b>	<b>2,101,051</b>

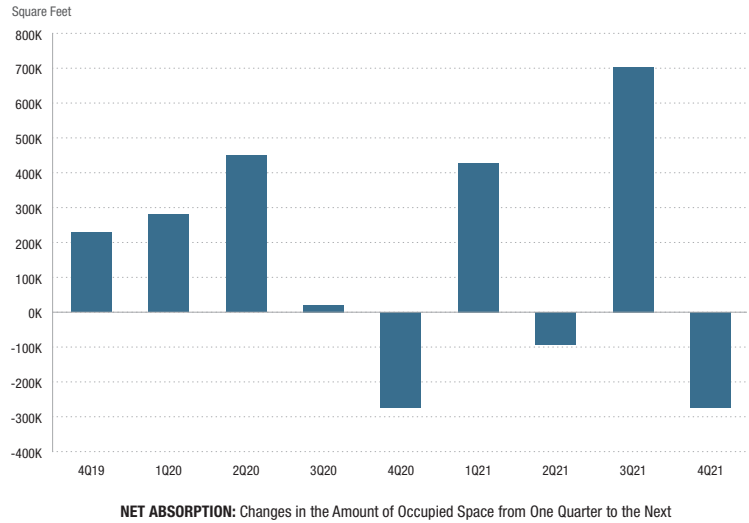
## AIRPORT AREA

In the fourth quarter of 2021, the Airport Orange County industrial market consisted of 2,665 buildings totaling 58,523,233 square feet and had an availability rate of 3.59%, which shows a decrease from previous quarter's figure of 3.60%.

### VACANCY & AVAILABILITY RATE

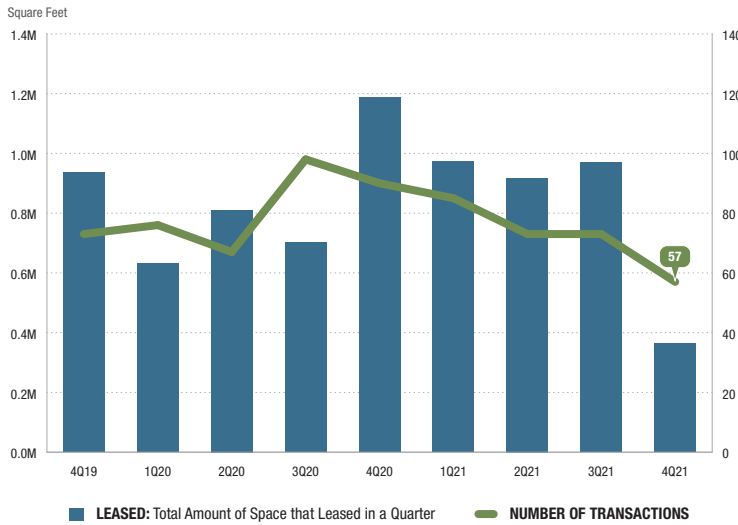


### NET ABSORPTION

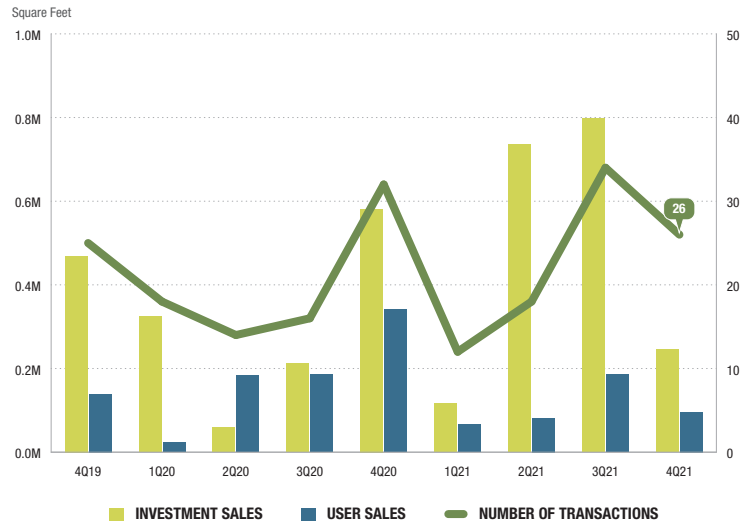


NET ABSORPTION: Changes in the Amount of Occupied Space from One Quarter to the Next

### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

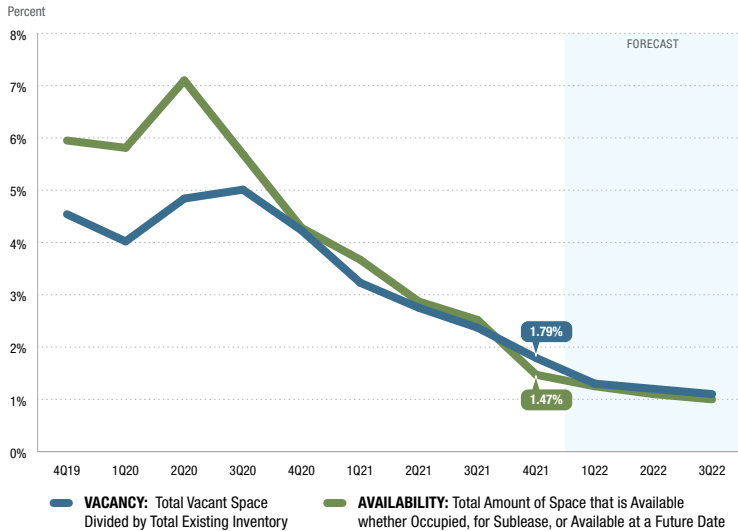
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2021	Square Feet Available	Availability Rate 4Q2021	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2021	Net Absorption 2021	Gross Absorption 4Q2021	Gross Absorption 2021
<b>Airport Totals</b>														
Less than 9,999	934	5,411,575	0	0	14,333	0.26%	35,351	0.65%	\$1.52	\$394.53	25,391	40,210	43,302	191,308
10,000-19,999	911	12,759,822	0	0	148,908	1.17%	186,295	1.46%	\$1.41	\$331.42	53,961	230,758	150,067	715,771
20,000-29,999	356	8,493,138	0	29,804	89,791	1.06%	68,535	0.81%	\$1.11	\$244.78	33,998	113,366	194,849	509,827
30,000-39,999	157	5,345,190	0	0	58,241	1.09%	103,900	1.94%	\$0.75	\$354.83	8,456	239,333	38,394	558,407
40,000-49,999	78	3,416,263	0	0	62,606	1.83%	108,386	3.17%	\$2.00	\$388.64	78,290	23,920	22,714	98,993
50,000-74,999	106	6,410,844	0	0	139,861	2.18%	303,838	4.74%	\$1.90	\$292.94	(82,430)	133,371	30,901	296,398
75,000-99,999	50	4,281,513	0	0	70,092	1.64%	117,225	2.74%	\$0.00	\$0.00	72,294	128,409	72,294	338,609
100,000-199,999	53	6,612,031	0	0	92,100	1.39%	386,322	5.84%	\$0.00	\$0.00	36,358	428,844	108,858	871,953
200,000 plus	20	5,792,857	0	219,827	603,308	10.41%	792,575	13.68%	\$0.00	\$0.00	(500,625)	(573,064)	0	381,338
<b>Total</b>	<b>2,665</b>	<b>58,523,233</b>	<b>0</b>	<b>249,631</b>	<b>1,279,240</b>	<b>2.19%</b>	<b>2,102,427</b>	<b>3.59%</b>	<b>\$1.24</b>	<b>\$333.11</b>	<b>(274,307)</b>	<b>765,147</b>	<b>661,379</b>	<b>3,962,604</b>

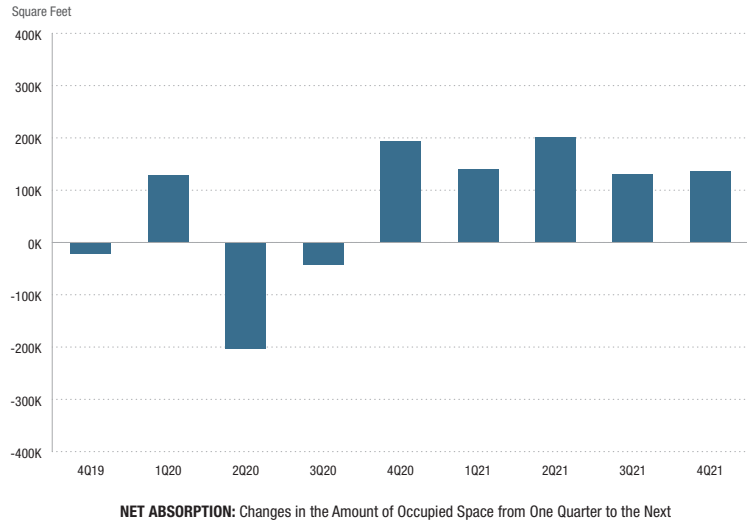
## SOUTH ORANGE COUNTY

In the fourth quarter of 2021, the South Orange County industrial market consisted of 934 buildings totaling 24,812,480 square feet and had an availability rate of 1.47%, which shows a decrease from the previous quarter's figure of 2.52%.

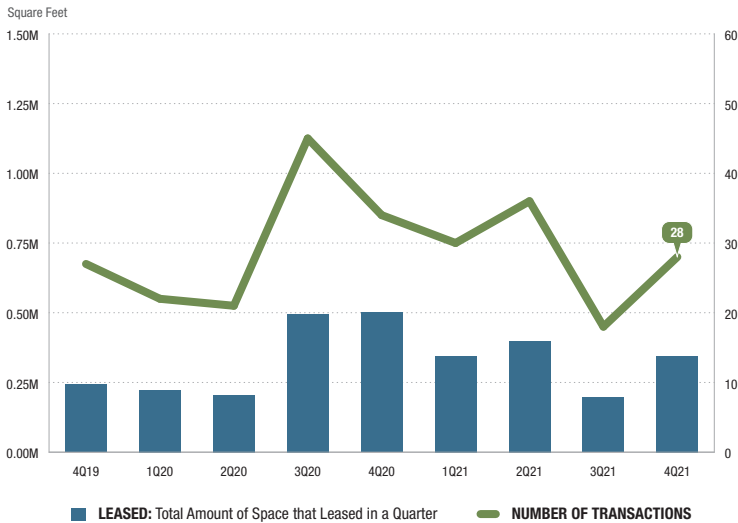
### VACANCY & AVAILABILITY RATE



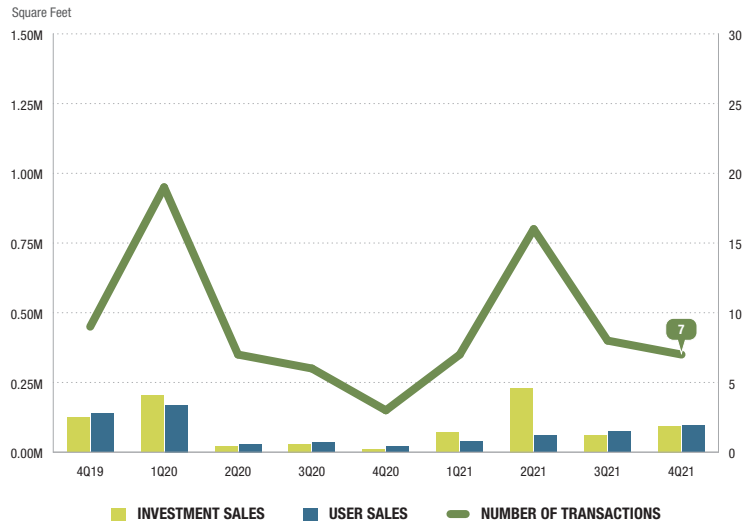
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2021	Square Feet Available	Availability Rate 4Q2021	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2021	Net Absorption 2021	Gross Absorption 4Q2021	Gross Absorption 2021
<b>South Totals</b>														
Less than 9,999	362	2,238,102	0	0	29,930	1.34%	37,868	1.69%	\$1.47	\$403.13	(677)	(10,560)	47,885	136,082
10,000-19,999	273	3,904,700	0	0	50,920	1.30%	56,149	1.44%	\$1.46	\$0.00	33,297	15,723	62,515	333,042
20,000-29,999	132	3,144,100	0	0	46,641	1.48%	33,378	1.06%	\$1.40	\$0.00	682	(31,015)	31,622	231,262
30,000-39,999	45	1,531,056	0	0	32,657	2.13%	46,053	3.01%	\$1.26	\$0.00	0	31,833	0	41,407
40,000-49,999	27	1,200,031	0	0	5,130	0.43%	46,557	3.88%	\$1.25	\$0.00	5,236	56,607	47,141	127,703
50,000-74,999	33	1,965,689	0	67,000	67,520	3.43%	40,820	2.08%	\$1.75	\$0.00	9,094	83,704	664	106,663
75,000-99,999	15	1,301,308	0	191,158	0	0.00%	12,003	0.92%	\$0.00	\$0.00	0	14,003	0	23,603
100,000-199,999	31	4,183,355	145,000	317,000	79,448	1.90%	0	0.00%	\$0.00	\$0.00	82,500	255,938	82,500	261,575
200,000 plus	16	5,344,139	0	0	131,789	2.47%	91,782	1.72%	\$0.00	\$0.00	5,661	191,551	5,661	394,832
<b>Total</b>	<b>934</b>	<b>24,812,480</b>	<b>145,000</b>	<b>575,158</b>	<b>444,035</b>	<b>1.79%</b>	<b>364,610</b>	<b>1.47%</b>	<b>\$1.29</b>	<b>\$403.13</b>	<b>135,793</b>	<b>607,784</b>	<b>277,988</b>	<b>1,656,169</b>

## Fourth Quarter Industrial Market Overview

by **Mike Hefner** and **Mike Vernick**



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The Orange County industrial market, along with the rest of Southern California, continues to experience unprecedented demand driven by a number of factors which have positively impacted the market. Most notably, the pandemic has accelerated the consumer shift to e-commerce and bolstered the demand for warehouse space. Manufacturing companies are aggressively increasing production capacity in order to build inventories and mitigate supply chain disruption, creating demand for additional space. The strong housing and construction sectors have also added to the competition for space to store building material. In combination these components have created an insatiable appetite for industrial product, driving county-wide vacancy rates to a historic low of 1.35% and generating record sale pricing and lease rates, with each new transaction eclipsing the last. Across the county over the past 12 months, industrial asking lease rates have increased by 14.5% and asking sale prices have increased by 20.2%.

Institutional investment activity in the county is still incredibly strong with intense bidding for limited investment offerings. A byproduct of this demand in a supply-constrained market is a rapid spike in land values, and sales prices are now approaching \$150 per square foot, nearly double the land prices from just two years ago. In spite of escalating land and construction costs, the economics of new development have been supported by the rapid appreciation in lease rates and aggressive assumptions about continued rent growth. Infill development sites are in such high demand that industrial developers are acquiring existing corporate campuses and office complexes intending to redevelop these sites into state-of-the-art warehouse facilities. Rexford Industrial, Black Creek Group, Duke Realty and Western Realco, among others, have all been successful in recent infill land acquisitions.

While attempting to meet the unprecedented demand, the supply side of the industrial market faces potential headwinds as labor shortages and the supply chain crisis impact both construction costs and lead times for new development. However, these same cost factors also impact the industrial user which could result in diminished demand. For example, the Producer Price Index increased by 9.65% in November of this year, the highest level in the past ten years. Inflation now presents one of the most significant threats to the overall economy and ultimately the demand for industrial space. The Consumer Price Index has already increased by 6.8% since November 2020 and as the costs of necessities and energy continue to escalate, the discretionary spending ability of the consumer will be impaired, which will eventually impact the demand for warehouse space. Despite these concerns and the surge in Covid cases, the Orange County industrial market should continue to see low vacancy and increasing lease rates and sale prices through 2022 as lack of inventory will continue to present the biggest challenge to the end-user of industrial real estate.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

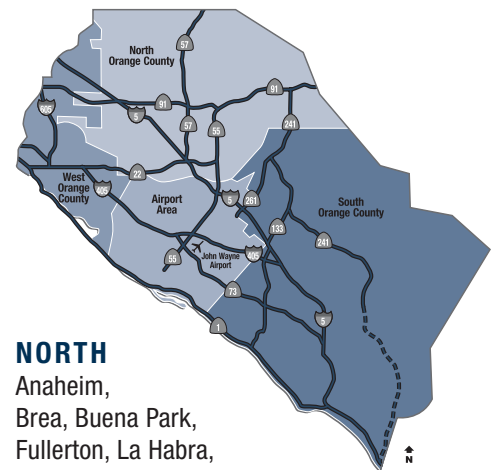
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### Product Type

#### MFG./DIST.

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

### Submarkets



#### NORTH

Anaheim,  
Brea, Buena Park,  
Fullerton, La Habra,  
Orange, Placentia and  
Yorba Linda

#### WEST

Cypress, Garden Grove, Huntington Beach,  
La Palma, Los Alamitos, Seal Beach, Stanton  
and Westminster

#### AIRPORT

Costa Mesa, Fountain Valley, Irvine,  
Newport Beach, Santa Ana and Tustin

#### SOUTH

Aliso Viejo, Foothill Ranch, Irvine Spectrum,  
Laguna Hills, Laguna Niguel, Lake Forest,  
Mission Viejo, Rancho Santa Margarita,  
San Clemente and San Juan Capistrano