

**OVERVIEW.** Throughout the nation, the industrial sector is weathering the storm better than its office and retail counterparts. That trend certainly holds true for Orange County, as the industrial market continued to steamroll through the pandemic crisis without any apparent loss in momentum. Demand is still running well ahead of supply for both lease and sale product, and Q4 pricing set another high-water mark. E-commerce businesses are growing and have more than made up for other industrial use types that were initially impacted by the pandemic shutdown protocols. Record-low interest rates have owner-user buyers lining up to pay record prices for good quality freestanding industrial buildings throughout the county.

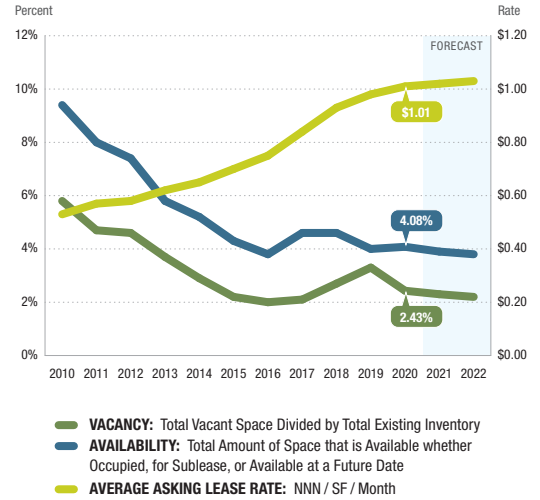
**VACANCY & AVAILABILITY.** The overall vacancy rate in Orange County fell sharply in Q4 despite a renewed coronavirus lockdown. By the end of the quarter, the vacancy rate had declined to a scant 2.43%. Vacancy going into the pandemic was already near a historic low. Tenants who looked forward to having more available inventory to choose from due to the pandemic found that quality product has become even harder to find as demand for space remained well ahead of supply. Anaheim, which boasts the largest industrial inventory of all Orange County cities at 44 MSF, saw its vacancy rate drop to 1.67% in Q4. By region North County vacancy came in lowest at just 1.7%, while South County's was highest at 4.02%. The availability rate, which includes sublease space, also fell, making clear that an expected increase in buildings offered for sublease never materialized.

**LEASE RATES & SALES PRICES.** The average asking lease rate for the county moved higher again in Q4, up 2 cents to \$1.01. Landlords continued their firm stance on asking rates and credit requirements, including personal guarantees and hefty security deposits. Earlier in the year, tenants were making aggressive offers expecting landlords to be fearful of potential long-term vacancy. However, those in imminent need of space know they have to make competitive offers to secure a deal, sometimes bidding up lease rates above the asking price. Clearly, landlords have maintained the upper hand in lease negotiations.

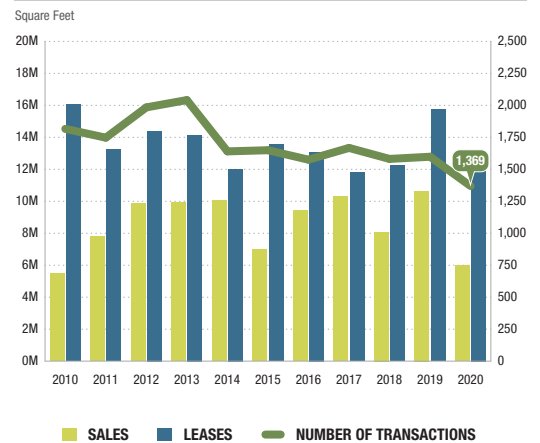
Sales prices moved higher again in the final period of the year, rising \$4.69 to \$268.49 on a countywide basis. Demand from owner/user buyers rose even further in Q4, as SBA 504 mortgage rates remain in the mid-2% range, and participating lenders are offering the balance in the 3.5% range. With just 10% down, owner/user buyers can borrow 90% of the purchase price at a blended rate of less than 3%. These buyers tend to have a long-term strategy, which makes them less sensitive to what they see as the temporary effects of the pandemic on their businesses. They like the idea of controlling their space in a tight market and fixing their occupancy costs for up to 25 years.

**TRANSACTION ACTIVITY.** Lease and sale activity was down compared to Q3, but remained strong despite the economic challenges posed by the pandemic and a dwindling supply of quality space. In all, 327 transactions were completed; 254 leases and 73 sales compared with a total of 364 leases and 63 sales in Q3. However, the total volume of square footage leased and sold was up in Q4, which indicates that the average deal size increased. The bump in sale transactions was driven by low mortgage rates for owner/user buildings, as buyers lined up to lock in long-term occupancy costs. In the final quarter of 2019, the last full quarter before the pandemic, there were 377 transactions completed, 260 of which were leases and 117 of them sales.

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



**TRANSACTION VOLUME & NUMBER OF TRANSACTIONS**



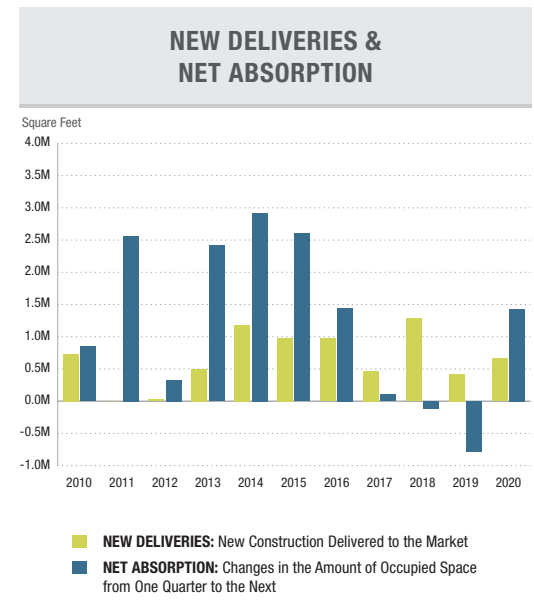
Market Statistics

	Change Over Last Quarter	4Q 2020	3Q 2020	4Q 2019	% Change Over Last Year
Vacancy Rate	▼ DOWN	2.43%	3.10%	3.30%	(26.38%)
Availability Rate	▼ DOWN	4.08%	4.50%	4.00%	2.09%
Average Asking Lease Rate	▲ UP	\$1.01	\$0.99	\$0.98	3.06%
Average Asking Sale Price	▲ UP	\$268.69	\$264.00	\$248.00	8.34%
Sale & Lease Transactions	▲ UP	5,618,723	4,858,950	5,869,544	(4.27%)
Gross Absorption	▲ UP	3,115,143	2,451,859	1,828,356	70.38%
Net Absorption	▲ POSITIVE	1,431,561	(124,013)	531,606	N/A

**ABSORPTION.** As vacancy declines, net positive absorption tends to decrease due to the lack of availability of quality space. Despite an acute shortage of quality space in Q4, net absorption managed to remain in positive territory by more than 1.4 MSF. That was down from roughly 2 MSF in Q3, but a remarkable performance given the tight supply. North County saw the biggest gain in occupied space of almost 700,000 SF, as the other major submarkets also posted gains for the quarter. Gross absorption, which measures total move-ins, was also up slightly over Q3, another clear indication that demand remains very strong despite challenges posed by the pandemic. Absorption was broad-based in terms of building size. More than one-third of the total was in buildings less than 20,000 SF, an indication that smaller businesses, the backbone of the local economy, are finding a way to get through the challenges posed by the pandemic.

**CONSTRUCTION.** Ground-up development activity was unchanged in Q4. Only 876,000 SF of new inventory was in the construction queue as the year ended, most of that in one project, the Huntington Gateway Business Park in Huntington Beach. Two buildings totaling 172,000 SF in Brea and two more, totaling 93,000 SF in Placentia, were the only other projects underway. The lack of new development exacerbates the problem that tenants and owner/users are having finding high quality space to execute their growth strategies. Growing businesses are having to increase their search radius to include the Inland Empire, where we see 20 MSF under construction and a healthy pipeline of projects planned for the coming year. Orange County is now an infill market—few large sites suitable for new projects exist, and redevelopment opportunities are scarce and expensive.

**EMPLOYMENT.** The unemployment rate in Orange County was 6.4% in November 2020, down from a revised 7.3% in October 2020, and above the year-ago estimate of 2.6%. This compares with an unadjusted unemployment rate of 7.9% for California and 6.4% for the nation during the same period. Construction was the only sector to experience year-over-year gains, adding 1,700 jobs. All the increase was in specialty trade contractors (up 2,500 jobs) which was offset by declines in heavy and civil engineering construction (down 500 jobs) and construction of buildings (down 300 jobs).



## Forecast

By the numbers, the near-term trend of Orange County's industrial market looks to be more of the same. High demand, short supply, rising lease rates, even loftier sales prices and positive net absorption are likely to continue through the new year. As vaccines are starting to be distributed, we hope to finally see a reduction in the spread of COVID-19 and the easing of restrictions on businesses.

However, the change in the majority party in the U.S. Senate gives the new administration a much better chance to enact a policy platform that includes a lengthy list of tax increases, several of which would directly impact the commercial real estate industry. President Biden has plans to raise individual marginal income tax rates, to tax capital gains at ordinary rates, to eliminate the step-up rule, to lower the threshold for estate taxes, and to eliminate 1031 exchanges, all of which are fundamental to investing in commercial real estate. Just how hard he will pursue these initiatives and when he will do so is unknown at this point, but the prospect of one or more of his proposals becoming law would be enough to impact commercial real estate market decisionmakers.

## Significant Transactions

Sales						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
515 E Dyer Rd.	Santa Ana	414,000	\$113,575,000	Realty Income Corporation	Hines	
6400-6450 Katella Ave.	Cypress	360,709	\$73,411,000	Duke Realty	Greenlaw Partners	
2871 E. La Mesa St.	Anaheim	191,500	\$30,790,000	Duke Realty *	UAC Associates, LLC *	
925-1075 W. Lambert Rd.	Brea	169,269	\$39,750,000	Stockbridge Capital Group, LLC	TIAA	
3300 W. Segerstrom Ave.	Santa Ana	127,513	\$27,000,000	Robinson Pharma, LLC	Graham Packaging Company, Inc.	
Leases						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner	
6565 Knott Ave. – Renewal	Buena Park	626,304	Dec-2020	Saddle Creek Corporation	Prudential Real Estate Investors	
500 W. Warner Ave.	Santa Ana	266,983	Oct-2020	Etekcitey Corporation *	500 Warner Avenue, LLC	
570-576 N. Gilbert St.	Fullerton	299,536	Oct-2020	Brentwood Home, LLC	DWS	
705 Alton Ave.	Santa Ana	166,722	Dec-2020	PODS	J.F. Shea Co. Inc.	
3125 E. Coronado St. – Renewal	Anaheim	144,000	Nov-2020	Eleganza Tiles, Inc. *	TIAA	

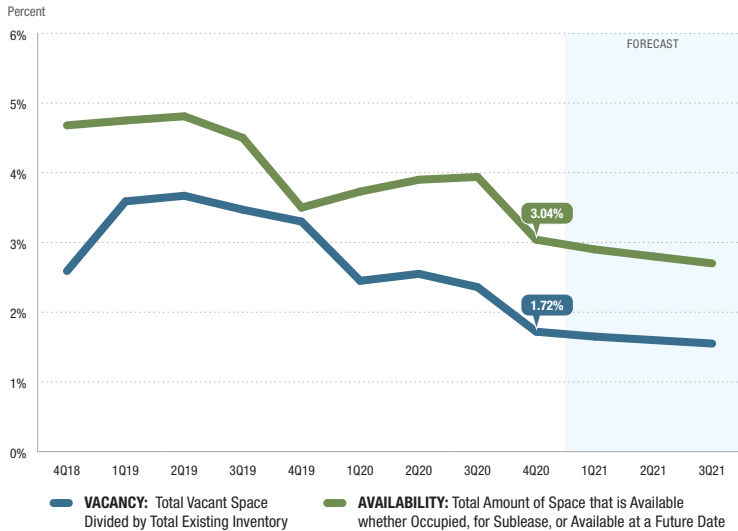
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2020	Square Feet Available	Availability Rate 4Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2020	Net Absorption 2020	Gross Absorption 4Q2020	Gross Absorption 2020
<b>Airport Area</b>														
Costa Mesa	432	7,329,354	0	0	128,796	1.76%	216,028	2.95%	\$1.18	\$370.16	59,210	(33,602)	128,361	381,618
Fountain Valley	182	3,762,395	0	36,000	60,635	1.61%	194,705	5.18%	\$1.01	\$268.42	29,280	5,882	21,535	159,641
Irvine	306	11,585,156	0	0	443,771	3.83%	826,193	7.13%	\$1.05	\$344.36	(200,595)	(152,927)	110,470	583,657
Newport Beach	49	606,502	0	0	12,595	2.08%	23,468	3.87%	\$1.55	\$246.28	(1,220)	(9,095)	1,280	8,780
Santa Ana	1,587	31,117,847	0	150,533	898,353	2.89%	1,608,795	5.17%	\$0.99	\$0.00	376,322	389,107	348,720	2,008,207
Tustin	112	4,205,504	0	45,000	103,146	2.45%	628,184	14.94%	\$1.06	\$311.18	(46,226)	21,430	28,301	150,371
<b>Airport Area Total</b>	<b>2,668</b>	<b>58,606,758</b>	<b>0</b>	<b>231,533</b>	<b>1,647,296</b>	<b>2.81%</b>	<b>3,497,373</b>	<b>5.97%</b>	<b>\$1.02</b>	<b>\$287.67</b>	<b>216,771</b>	<b>220,795</b>	<b>638,667</b>	<b>3,292,274</b>
<b>North County</b>														
Anaheim	1,831	44,211,618	0	0	737,665	1.67%	1,144,003	2.59%	\$0.97	\$242.48	180,505	397,012	479,728	1,751,453
Brea	330	12,055,072	172,548	0	252,274	2.09%	236,383	1.96%	\$0.94	\$250.67	(11,930)	(126,621)	173,289	584,149
Buena Park	234	13,329,381	0	0	297,973	2.24%	503,884	3.78%	\$0.69	\$0.00	186,923	1,253,056	404,273	1,787,488
Fullerton	455	19,318,162	0	1,620,000	337,906	1.75%	1,006,178	5.21%	\$1.05	\$249.20	288,164	565,043	125,999	934,822
La Habra	197	3,520,960	0	0	4,113	0.12%	37,601	1.07%	\$0.89	\$376.57	8,934	16,428	15,747	61,911
Orange	746	13,621,167	0	201,520	204,720	1.50%	269,355	1.98%	\$1.06	\$262.87	15,797	(61,453)	174,133	452,044
Placentia	222	4,257,113	93,382	0	76,873	1.81%	123,851	2.91%	\$0.00	\$253.59	18,011	52,382	87,597	297,479
Yorba Linda	54	882,002	0	0	0	0.00%	57,092	6.47%	\$0.92	\$257.00	10,601	24,523	10,601	26,166
<b>North County Total</b>	<b>4,069</b>	<b>111,195,475</b>	<b>265,930</b>	<b>1,821,520</b>	<b>1,911,524</b>	<b>1.72%</b>	<b>3,378,347</b>	<b>3.04%</b>	<b>\$0.90</b>	<b>\$248.66</b>	<b>697,005</b>	<b>2,120,370</b>	<b>1,471,367</b>	<b>5,895,512</b>
<b>South County</b>														
Aliso Viejo	16	629,005	0	0	17,680	2.81%	0	0.00%	\$1.35	\$352.07	0	(3,040)	17,680	36,300
Foothill Ranch	66	3,566,874	0	0	179,865	5.04%	180,251	5.05%	\$1.19	\$310.43	52,155	(111,994)	101,811	211,402
Irvine Spectrum	208	9,840,193	0	145,000	530,033	5.39%	463,260	4.71%	\$1.11	\$336.55	57,666	159,367	97,637	473,899
Laguna Beach	21	102,720	0	0	6,995	6.81%	9,175	8.93%	\$2.30	\$0.00	1,985	8,730	1,985	10,455
Laguna Hills	73	1,026,876	0	0	19,354	1.88%	47,061	4.58%	\$1.24	\$0.00	(854)	(5,832)	34,022	105,750
Laguna Niguel	19	256,297	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	191	4,241,154	0	0	180,608	4.26%	188,950	4.46%	\$1.24	\$360.64	3,517	(37,559)	18,872	96,000
Mission Viejo	29	704,431	0	0	0	0.00%	5,937	0.84%	\$1.75	\$344.97	0	5,204	0	18,285
Rancho Santa Margarita	105	1,676,525	0	0	27,226	1.62%	65,687	3.92%	\$1.19	\$375.00	(1,762)	10,371	0	18,454
San Clemente	159	1,988,521	0	0	38,786	1.95%	105,370	5.30%	\$1.11	\$287.16	35,334	(17,758)	84,478	128,333
San Juan Capistrano	42	887,189	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	13,204	11,968	0	6,408
<b>South County Total</b>	<b>929</b>	<b>24,919,785</b>	<b>0</b>	<b>145,000</b>	<b>1,000,547</b>	<b>4.02%</b>	<b>1,065,691</b>	<b>4.28%</b>	<b>\$1.15</b>	<b>\$328.29</b>	<b>161,245</b>	<b>19,457</b>	<b>356,485</b>	<b>1,105,286</b>
<b>West County</b>														
Cypress	101	4,760,227	0	150,000	182,271	3.83%	304,733	6.40%	\$0.90	\$215.00	104,675	78,055	148,175	241,793
Garden Grove	475	11,761,508	0	0	496,547	4.22%	428,081	3.64%	\$0.84	\$242.83	41,075	(364,808)	107,658	480,904
Huntington Beach	688	12,718,107	610,273	0	123,281	0.97%	299,563	2.36%	\$0.84	\$276.35	106,265	238,085	159,518	685,271
La Palma	16	1,791,477	0	0	84,321	4.71%	215,321	12.02%	\$0.99	\$0.00	159,271	(84,321)	170,692	170,692
Los Alamitos	94	2,219,301	0	0	65,737	2.96%	88,771	4.00%	\$0.00	\$0.00	(64,297)	(40,824)	1,440	31,927
Seal Beach	15	933,761	0	0	88,507	9.48%	88,507	9.48%	\$0.85	\$0.00	0	(88,507)	0	0
Stanton	175	1,838,150	0	0	18,366	1.00%	67,454	3.67%	\$1.04	\$241.01	(2,380)	6,327	15,952	38,529
Westminster	142	2,353,020	0	0	44,350	1.88%	85,185	3.62%	\$0.81	\$378.49	11,931	(34,970)	45,189	71,941
<b>West County Total</b>	<b>1,706</b>	<b>38,375,551</b>	<b>610,273</b>	<b>150,000</b>	<b>1,103,380</b>	<b>2.88%</b>	<b>1,577,615</b>	<b>4.11%</b>	<b>\$0.88</b>	<b>\$245.17</b>	<b>356,540</b>	<b>(290,963)</b>	<b>648,624</b>	<b>1,721,057</b>
<b>Orange County Total</b>	<b>9,372</b>	<b>233,097,569</b>	<b>876,203</b>	<b>2,348,053</b>	<b>5,662,747</b>	<b>2.43%</b>	<b>9,519,026</b>	<b>4.08%</b>	<b>\$1.01</b>	<b>\$268.69</b>	<b>1,431,561</b>	<b>2,069,659</b>	<b>3,115,143</b>	<b>12,014,129</b>
Less than 9,999	3,332	20,249,421	0	0	366,346	1.81%	464,256	2.29%	\$1.41	\$315.83	13,793	(161,960)	293,672	863,055
10,000-19,999	3,141	43,402,406	0	0	851,032	1.96%	1,307,017	3.01%	\$1.19	\$288.79	286,751	(207,305)	828,018	2,386,082
20,000-29,999	1,196	28,503,229	0	0	724,456	2.54%	1,061,969	3.73%	\$1.11	\$250.71	16,698	(84,613)	336,104	1,314,123
30,000-39,999	487	16,609,591	38,608	74,033	395,528	2.38%	634,412	3.82%	\$1.08	\$256.66	46,203	160,298	107,444	751,888
40,000-49,999	297	13,061,494	0	45,000	434,131	3.32%	662,181	5.07%	\$0.97	\$198.73	27,807	(42,637)	221,729	645,683
50,000-74,999	369	22,225,085	119,197	0	609,058	2.74%	796,176	3.58%	\$0.95	\$215.00	6,298	(54,526)	323,800	1,076,675
75,000-99,999	166	14,189,243	0	0	507,533	3.58%	553,739	3.90%	\$1.04	\$0.00	(63,619)	(18,151)	186,064	515,615
100,000-199,999	260	34,154,885	459,320	527,500	1,423,673	4.17%	1,472,960	4.31%	\$0.89	\$0.00	143,611	294,596	190,090	895,033
200,000 Plus	124	40,702,215	259,078	1,701,520	350,990	0.86%	2,566,316	6.31%	\$0.00	\$0.00	954,019	2,183,957	628,222	3,565,975
<b>Orange County Total</b>	<b>9,372</b>	<b>233,097,569</b>	<b>876,203</b>	<b>2,348,053</b>	<b>5,662,747</b>	<b>2.43%</b>	<b>9,519,026</b>	<b>4.08%</b>	<b>\$1.01</b>	<b>\$268.69</b>	<b>1,431,561</b>	<b>2,069,659</b>	<b>3,115,143</b>	<b>12,014,129</b>

Lease rates are on a triple-net basis.

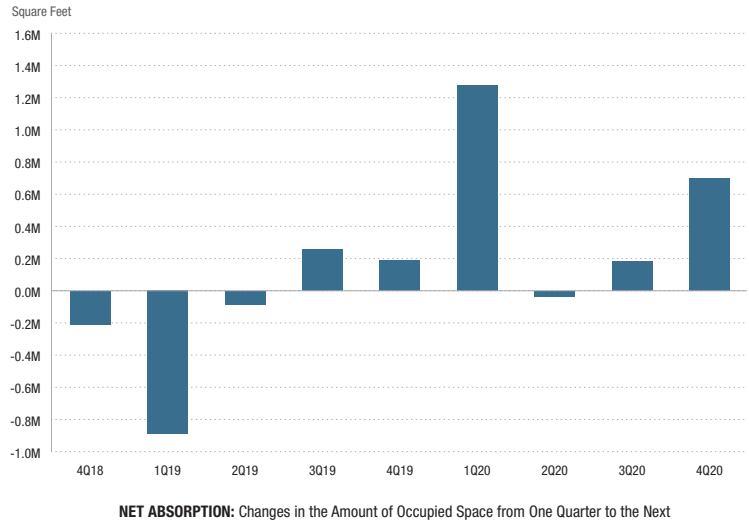
## NORTH ORANGE COUNTY

In the fourth quarter of 2020, the North Orange County industrial market consisted of 4,069 buildings totaling 111,195,475 square feet and had an availability rate of 3.04%, which shows a decrease from the previous quarter's figure of 3.94%.

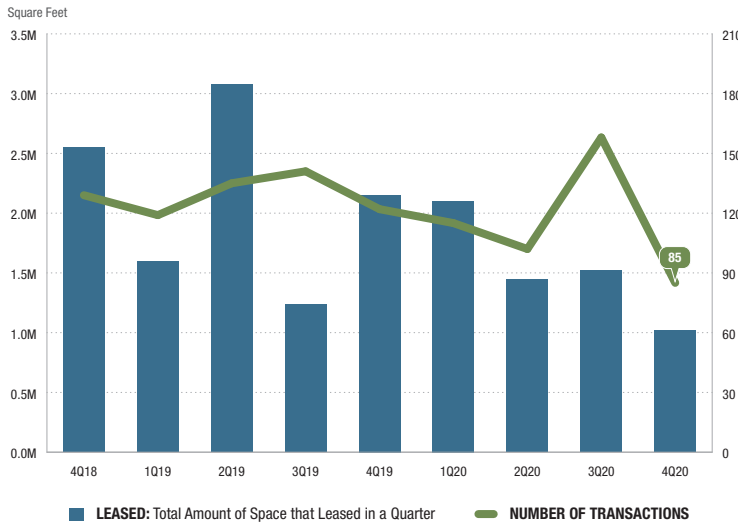
### VACANCY & AVAILABILITY RATE



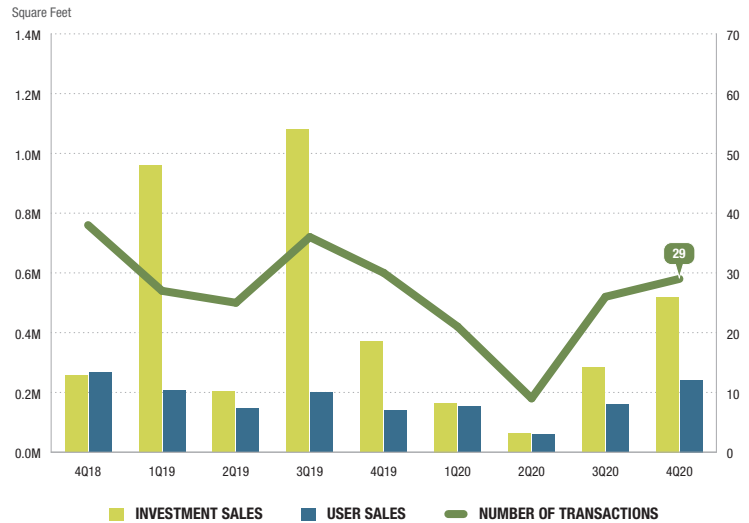
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

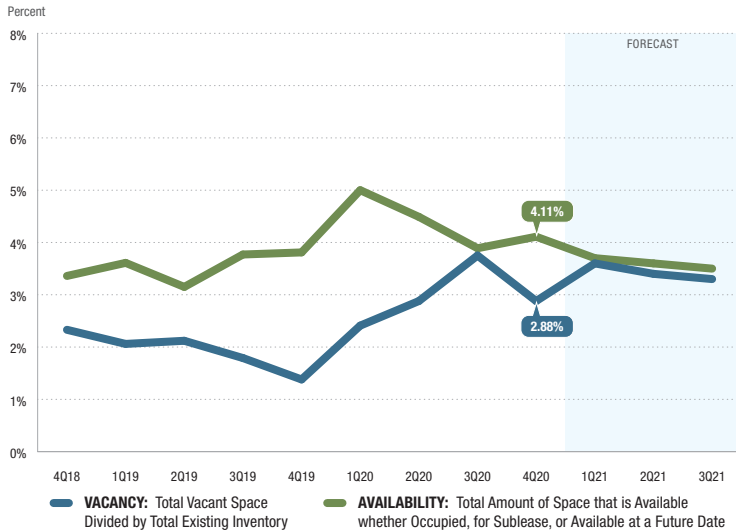
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2020	Square Feet Available	Availability Rate 4Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2020	Net Absorption 2020	Gross Absorption 4Q2020	Gross Absorption 2020
<b>North Totals</b>														
Less than 9,999	1,342	8,496,060	0	0	178,021	2.10%	185,263	2.18%	\$1.31	\$292.29	19,507	(78,101)	174,733	408,668
10,000-19,999	1,397	19,331,671	0	0	362,862	1.88%	541,663	2.80%	\$1.06	\$261.61	85,136	(71,342)	353,887	993,925
20,000-29,999	523	12,426,563	0	0	371,825	2.99%	584,500	4.70%	\$1.07	\$251.35	36,494	(194,656)	159,562	494,052
30,000-39,999	225	7,641,843	38,608	0	168,855	2.21%	193,157	2.53%	\$1.03	\$250.00	(19,614)	52,611	47,301	284,181
40,000-49,999	137	6,024,787	0	0	179,380	2.98%	174,897	2.90%	\$0.89	\$183.79	717	69,822	158,785	333,114
50,000-74,999	175	10,554,138	119,197	0	121,483	1.15%	322,486	3.06%	\$0.84	\$0.00	67,284	200,416	162,305	537,211
75,000-99,999	71	6,034,433	0	0	161,968	2.68%	106,841	1.77%	\$0.00	\$0.00	(44,800)	(63,081)	14,773	179,037
100,000-199,999	132	17,435,288	108,125	120,000	300,330	1.72%	269,250	1.54%	\$0.71	\$0.00	258,550	525,256	55,778	415,637
200,000 plus	67	23,250,692	0	1,701,520	66,800	0.29%	1,000,290	4.30%	\$0.97	\$0.00	293,731	1,679,445	344,243	2,249,687
<b>Total</b>	<b>4,069</b>	<b>111,195,475</b>	<b>265,930</b>	<b>1,821,520</b>	<b>1,911,524</b>	<b>1.72%</b>	<b>3,378,347</b>	<b>3.04%</b>	<b>\$0.90</b>	<b>\$248.66</b>	<b>697,005</b>	<b>2,120,370</b>	<b>1,471,367</b>	<b>5,895,512</b>

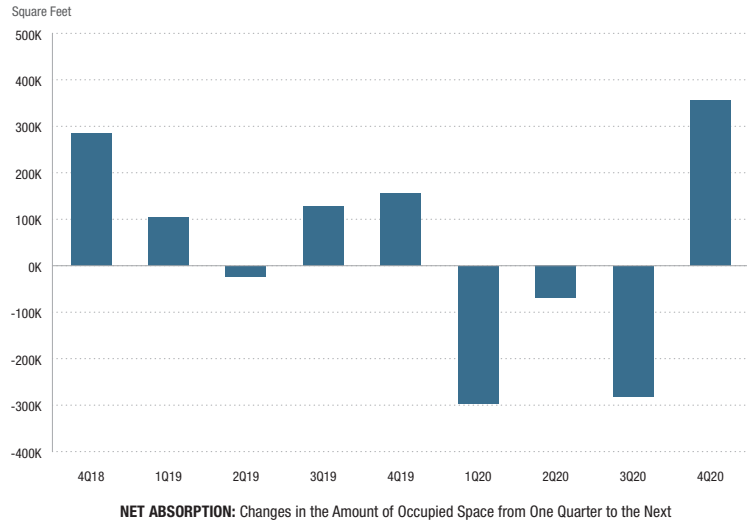
## WEST ORANGE COUNTY

In the fourth quarter of 2020, the West Orange County industrial market consisted of 1,706 buildings totaling 38,375,551 square feet and had an availability rate of 4.11%, which shows an increase from the previous quarter's figure of 3.89%.

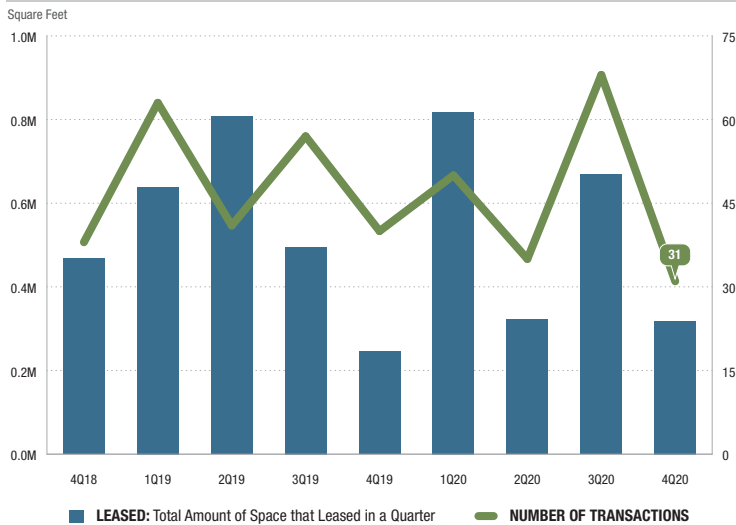
### VACANCY & AVAILABILITY RATE



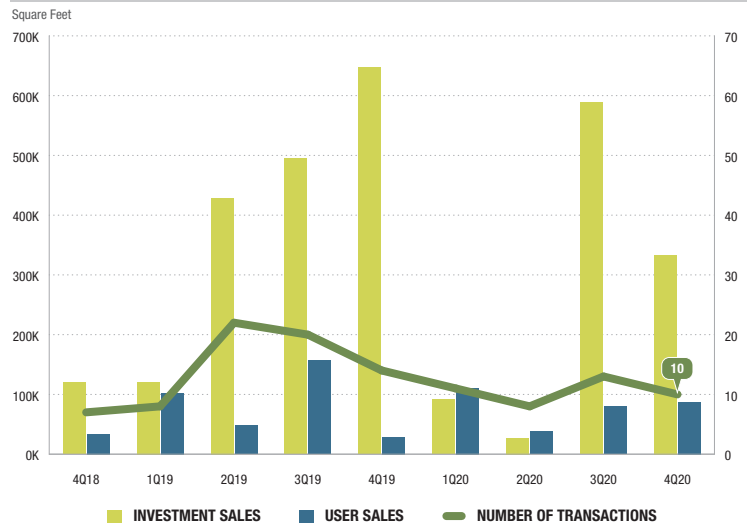
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

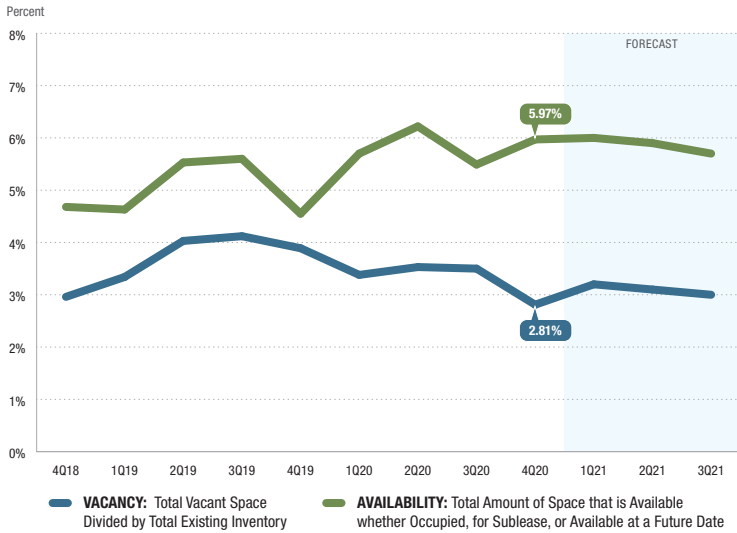
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2020	Square Feet Available	Availability Rate 4Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2020	Net Absorption 2020	Gross Absorption 4Q2020	Gross Absorption 2020
<b>West Totals</b>														
Less than 9,999	695	4,121,760	0	0	57,820	1.40%	74,534	1.81%	\$1.07	\$295.46	2,227	(675)	47,847	187,568
10,000-19,999	564	7,471,661	0	0	134,549	1.80%	227,209	3.04%	\$0.92	\$262.97	23,396	(34,920)	127,864	445,270
20,000-29,999	184	4,415,692	0	0	39,846	0.90%	44,887	1.02%	\$0.94	\$273.66	20,631	30,715	64,182	178,204
30,000-39,999	61	2,130,325	0	0	13,177	0.62%	51,283	2.41%	\$0.79	\$0.00	37,617	18,217	42,226	63,447
40,000-49,999	54	2,373,504	0	0	129,614	5.46%	179,205	7.55%	\$0.82	\$222.01	(4,402)	(126,064)	4,402	83,718
50,000-74,999	54	3,219,287	0	0	141,716	4.40%	179,386	5.57%	\$0.00	\$215.00	17,000	(148,294)	67,000	72,000
75,000-99,999	31	2,661,547	0	0	243,093	9.13%	271,057	10.18%	\$0.99	\$0.00	22,415	(61,357)	77,336	77,336
100,000-199,999	41	5,501,106	351,195	150,000	247,565	4.50%	323,054	5.87%	\$0.89	\$0.00	46,975	(47,040)	52,156	200,748
200,000 plus	22	6,480,669	259,078	0	96,000	1.48%	227,000	3.50%	\$0.79	\$0.00	190,681	78,455	165,611	412,766
<b>Total</b>	<b>1,706</b>	<b>38,375,551</b>	<b>610,273</b>	<b>150,000</b>	<b>1,103,380</b>	<b>2.88%</b>	<b>1,577,615</b>	<b>4.11%</b>	<b>\$0.88</b>	<b>\$245.17</b>	<b>356,540</b>	<b>(290,963)</b>	<b>648,624</b>	<b>1,721,057</b>

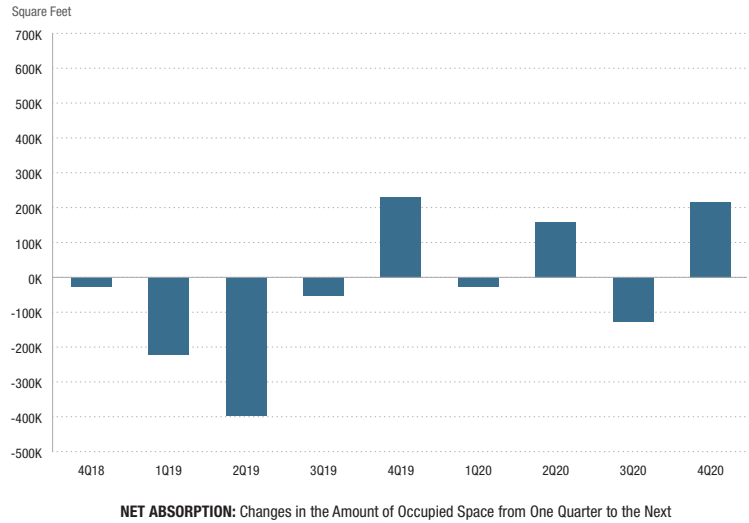
## AIRPORT AREA

In the fourth quarter of 2020, the Airport Orange County industrial market consisted of 2,668 buildings totaling 58,606,758 square feet and had an availability rate of 5.97%, which shows an increase from previous quarter's figure of 5.49%.

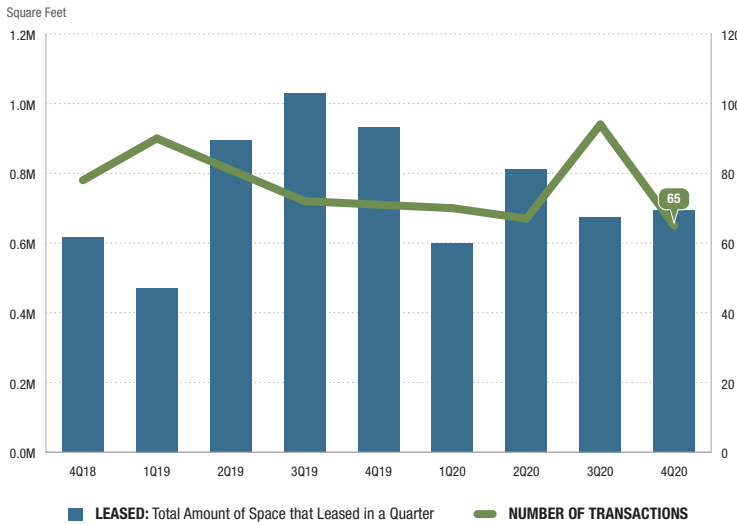
### VACANCY & AVAILABILITY RATE



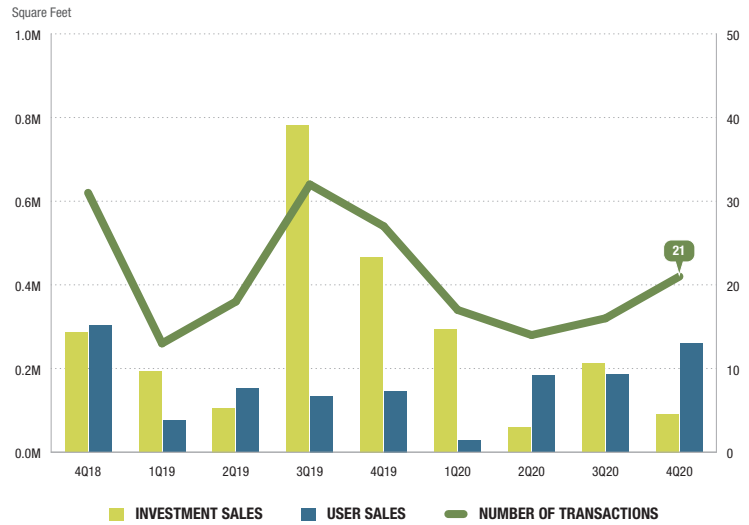
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

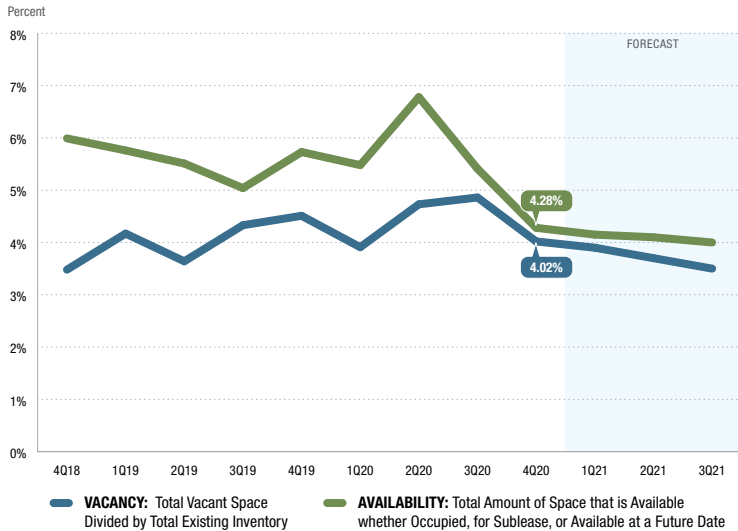
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2020	Square Feet Available	Availability Rate 4Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2020	Net Absorption 2020	Gross Absorption 4Q2020	Gross Absorption 2020
<b>Airport Totals</b>														
Less than 9,999	936	5,414,965	0	0	106,689	1.97%	138,006	2.55%	\$1.55	\$317.85	(20,361)	(102,200)	52,110	179,821
10,000-19,999	909	12,725,172	0	0	235,349	1.85%	345,106	2.71%	\$1.23	\$315.48	140,734	(31,770)	225,614	716,444
20,000-29,999	359	8,567,828	0	0	231,037	2.70%	293,023	3.42%	\$1.11	\$243.35	(51,693)	45,590	67,256	447,135
30,000-39,999	157	5,342,294	0	74,033	213,496	4.00%	306,695	5.74%	\$1.15	\$245.04	28,200	85,838	17,917	306,062
40,000-49,999	77	3,373,257	0	45,000	63,788	1.89%	146,365	4.34%	\$0.94	\$0.00	(22,714)	4,814	0	116,303
50,000-74,999	107	6,480,293	0	0	203,729	3.14%	263,401	4.06%	\$0.96	\$0.00	(77,986)	(106,648)	76,815	374,530
75,000-99,999	49	4,191,955	0	0	102,472	2.44%	161,838	3.86%	\$1.06	\$0.00	(41,234)	106,287	93,955	259,242
100,000-199,999	55	6,887,815	0	112,500	490,736	7.12%	706,845	10.26%	\$0.94	\$0.00	(164,414)	(294,014)	30,000	162,545
200,000 plus	19	5,623,179	0	0	0	0.00%	1,136,094	20.20%	\$0.89	\$0.00	426,239	512,898	75,000	730,192
<b>Total</b>	<b>2,668</b>	<b>58,606,758</b>	<b>0</b>	<b>231,533</b>	<b>1,647,296</b>	<b>2.81%</b>	<b>3,497,373</b>	<b>5.97%</b>	<b>\$1.02</b>	<b>\$287.67</b>	<b>216,771</b>	<b>220,795</b>	<b>638,667</b>	<b>3,292,274</b>

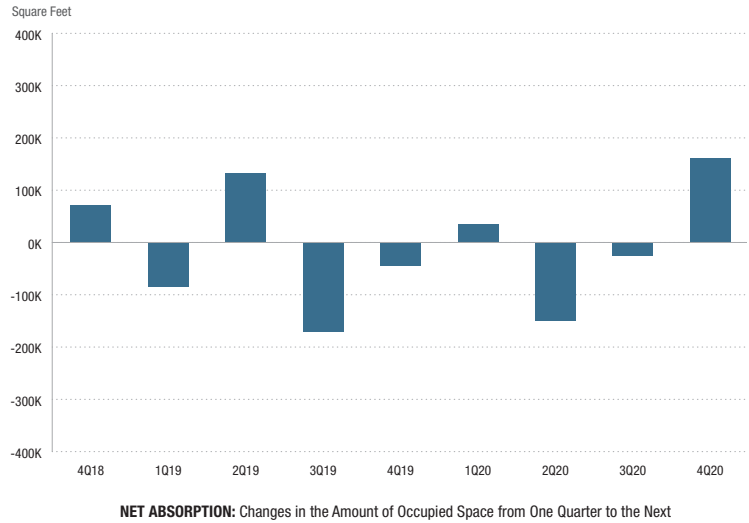
## SOUTH ORANGE COUNTY

In the fourth quarter of 2020, the South Orange County industrial market consisted of 929 buildings totaling 24,919,785 square feet and had an availability rate of 4.28%, which shows a decrease from the previous quarter's figure of 5.41%.

### VACANCY & AVAILABILITY RATE

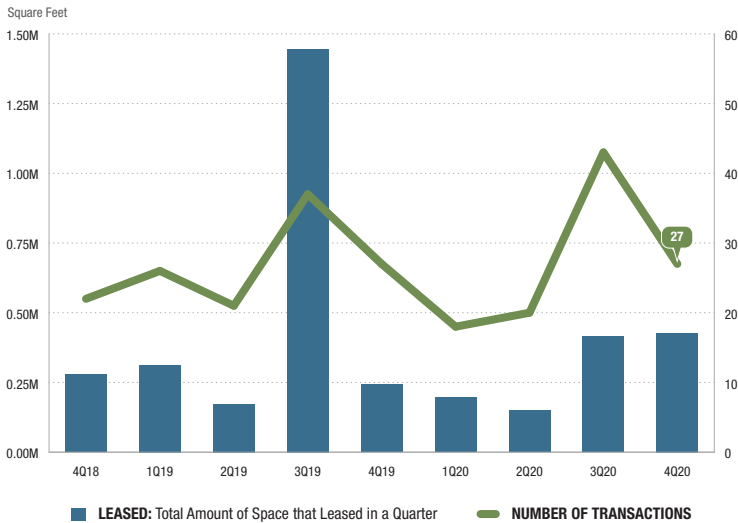


### NET ABSORPTION

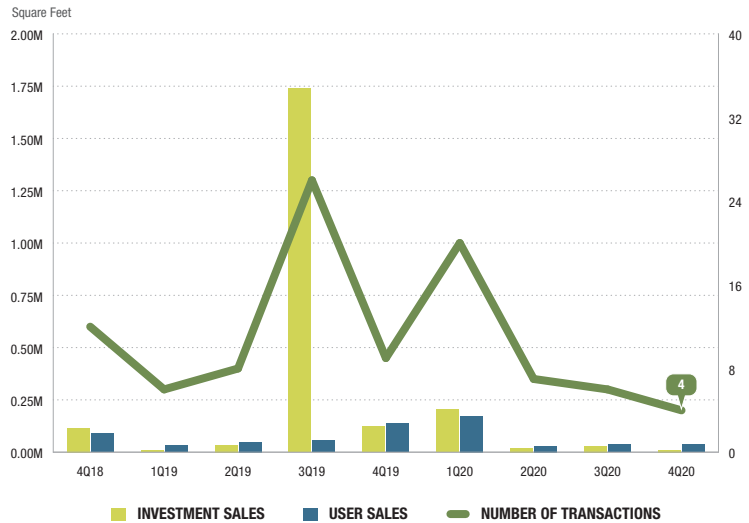


NET ABSORPTION: Changes in the Amount of Occupied Space from One Quarter to the Next

### 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 4Q2020	Square Feet Available	Availability Rate 4Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2020	Net Absorption 2020	Gross Absorption 4Q2020	Gross Absorption 2020
<b>South Totals</b>	<b>929</b>	<b>24,919,785</b>	<b>0</b>	<b>145,000</b>	<b>1,000,547</b>	<b>4.02%</b>	<b>1,065,691</b>	<b>4.28%</b>	<b>\$1.15</b>	<b>\$328.29</b>	<b>161,245</b>	<b>19,457</b>	<b>356,485</b>	<b>1,105,286</b>
Less than 9,999	359	2,216,636	0	0	23,816	1.07%	66,453	3.00%	\$1.51	\$376.25	12,420	19,016	18,982	86,998
10,000-19,999	271	3,873,902	0	0	118,272	3.05%	193,039	4.98%	\$1.28	\$304.33	37,485	(69,273)	120,653	230,443
20,000-29,999	130	3,093,146	0	0	81,748	2.64%	139,559	4.51%	\$1.24	\$0.00	11,266	33,738	45,104	194,732
30,000-39,999	44	1,495,129	0	0	0	0.00%	83,277	5.57%	\$1.09	\$297.68	0	3,632	0	98,198
40,000-49,999	29	1,289,946	0	0	61,349	4.76%	161,714	12.54%	\$1.21	\$0.00	54,206	8,791	58,542	112,548
50,000-74,999	33	1,971,367	0	0	142,130	7.21%	30,903	1.57%	\$1.16	\$0.00	0	0	17,680	92,934
75,000-99,999	15	1,301,308	0	0	0	0.00%	14,003	1.08%	\$0.00	\$0.00	0	0	0	0
100,000-199,999	32	4,330,676	0	145,000	385,042	8.89%	173,811	4.01%	\$1.02	\$0.00	2,500	110,394	52,156	116,103
200,000 plus	16	5,347,675	0	0	188,190	3.52%	202,932	3.79%	\$0.00	\$0.00	43,368	(86,841)	43,368	173,330





A Cautionary Tale

by **Mike Bouma**

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The Orange County industrial market plowed through the pandemic downturn without a significant impact on market direction in 2020. In fact, the trajectory of the market was mostly unchanged throughout the year. Vacancy was down, absorption was up, lease rates and sales prices continued to rise and transaction activity kept pace. That is great news considering the challenges presented by virus-response protocols since last March.

Other good news is the recent announcement from the SBA outlining further mortgage relief for existing and new borrowers along with lower loan fees, which will give those businesses who have been struggling another boost and provide additional incentive for buyers to remain aggressive in their attempts to purchase facilities. SBA 504 loans for industrial owner/ users were readily available at 2.66% as the year ended and should remain low in 2021. With rents on the rise, investor-buyers still have a healthy appetite for new acquisitions at record prices. On top of that, Proposition 15, a serious threat to property tax protection in California, was defeated at the polls in November.

We all have a lot to be grateful for, but we now face some new challenges in 2021 that pose a potential threat to the current market balance. Although it looks like the overall economy is recovering nicely from a sudden and significant shock, our new president ran on a platform of tax hike proposals which present a significant threat to commercial real estate property values. President Biden has spoken of plans to raise personal income tax rates, to tax capital gains at ordinary marginal rates, and perhaps most concerning, to eliminate 1031 exchange provisions, which have driven a significant portion of commercial real estate transactions for decades.

At the state level, legislation is moving through the California legislature to raise the highest marginal income tax rate to 16.8% from the current 13.3%, which is the highest in the nation already. The threat of even higher state income taxes has caused a lot of investors to move their capital and their personal residences to more tax-friendly states. If that trend continues, it may eventually reduce demand for commercial property enough to measurably impact property values.

Any one or a combination of these potential tax increases could be a game-changer and it is cause for caution when it comes to acquisition and disposition strategies going forward. If you are a long-term owner who has plans to sell in the near term, it may be wise to move your timetable up to exit your investment before any of these changes take place. If you are planning to acquire commercial property, a long-term hold strategy may be best, as that will give you time for the market to adjust and recover from new tax laws that may be enacted.

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for Further Information

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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. ©2021 Voit Real Estate Services, Inc. DRE License #01991785.

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Nationally & Internationally.

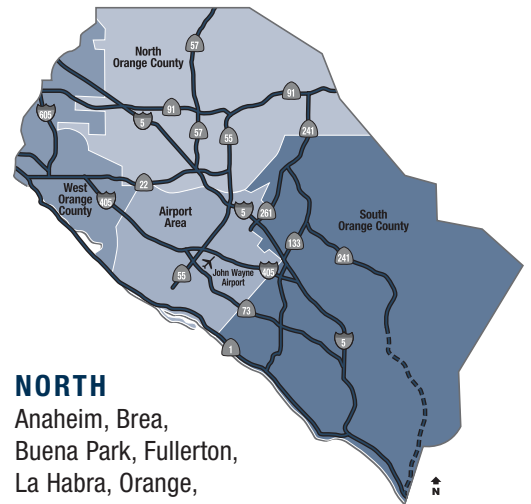


Product Type

**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