

OVERVIEW. The Orange County industrial market remains constrained by the lack of availability of quality space. Asking lease rates and sales prices both moved up sharply in Q2. Construction moved up slightly, but falls well short of where it needs to be to satisfy the demand for quality industrial space. Net absorption remained in positive territory, but suffered a decline. Vacancy fell to another new low. However, while all key metrics point to a market as tight as ever, anecdotal information indicates a slowdown in the owner/user sale market due to high pricing combined with higher interest rates brought on by the Federal Reserve’s response to runaway inflation. Early indications of a slowdown in the leasing market may also be at hand, as business owners grapple with the higher cost of rent, labor, raw materials, and transportation.

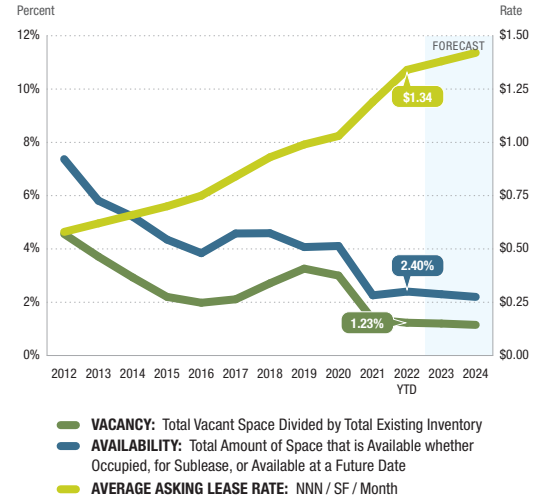
VACANCY & AVAILABILITY. The overall vacancy rate in Orange County fell again in Q2. This time it was a 5-basis point drop to 1.23%, another all-time low. But, as we have been reporting, many cities have vacancy rates even lower than that. In fact, Aliso Viejo, Foothill Ranch, Laguna Beach, Laguna Niguel, La Palma, and Seal Beach don’t have a vacancy rate because not a single square foot is available there. Anaheim, the city with the largest existing inventory, has a current vacancy rate of just 0.59%, down from 0.86% in Q1. The availability rate, which includes space offered for lease or sale that is still occupied, stands at 2.4%.

LEASE RATES & SALES PRICES. The average asking lease rate jumped another \$0.09 to \$1.34 in Q2 after a \$0.07 increase in Q1. Year over year, asking rents have increased by over 20%, but since many buildings have been marketed and leased without an asking rate, the actual rate is somewhat higher. Landlords are still holding the line on offering free rent or tenant improvement contributions. Fixed annual rental increases are also moving up. It is now common to see landlords insist on increases of 4% per year, rather than 3%, which has been the standard for many years. We are now even seeing a return to rent increases based on the CPI in response to rampant inflation.

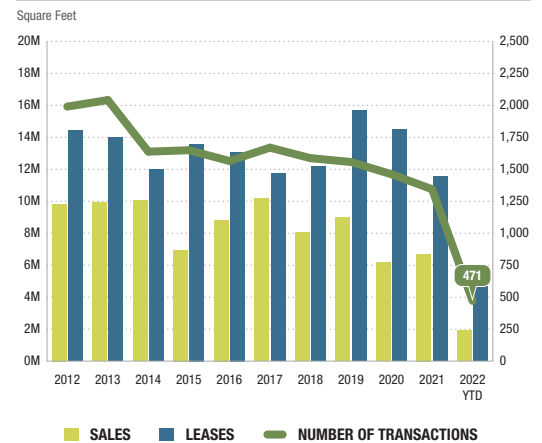
The average asking sales price broke the \$300-per-square-foot barrier almost a year ago, and has continued to rise quickly from there. In Q2, the average per-square-foot sales price topped \$366. Actual prices are higher, as prices are bid up above asking, and off-market deals, which have become more prevalent, are often initiated with unsolicited offers to property owners.

TRANSACTION ACTIVITY. Lease and sale activity, both in terms of square footage and number of transactions, fell for the fourth quarter in a row, not unexpected given the shortage of space available for lease or sale. Some buyers in the market are giving up on their searches and are opting to renew existing leases, more so now since the interest rates on SBA mortgages have spiked. Only 2.7 MSF of deals were inked in Q2, down from 3.9 MSF in Q1 and 6 MSF in Q2 of last year. In all, 212 transactions were completed in Q2; 155 leases and 57 sales, as compared to a total of 199 leases and 60 sales in Q1.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



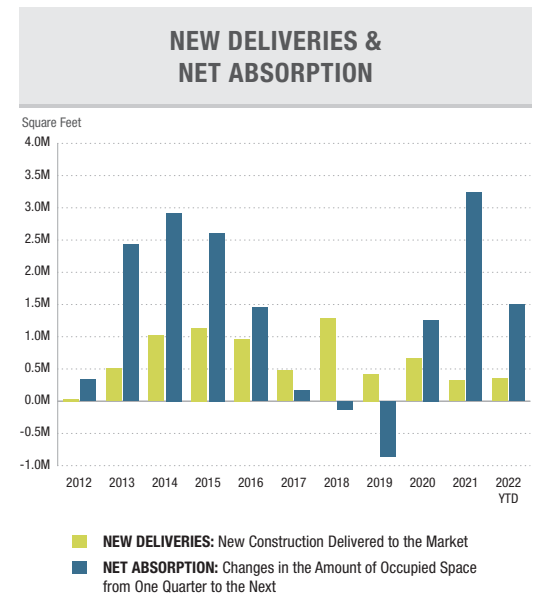
Market Statistics

	Change Over Last Quarter	2Q 2022	1Q 2022	2Q 2021	% Change Over Last Year
Vacancy Rate	▼ DOWN	1.23%	1.28%	2.15%	(42.90%)
Availability Rate	▼ DOWN	2.40%	2.43%	3.16%	(24.10%)
Average Asking Lease Rate	▲ UP	\$1.34	\$1.25	\$1.11	20.72%
Average Asking Sale Price	▲ UP	\$366.00	\$359.36	\$295.47	23.87%
Sale & Lease Transactions	▼ DOWN	2,714,363	3,899,029	6,039,299	(55.05%)
Gross Absorption	▼ DOWN	1,801,590	2,417,864	2,534,508	(28.92%)
Net Absorption	▲ POSITIVE	407,952	1,090,457	876,591	N/A

ABSORPTION. In Q2, net absorption remained in positive territory, but fell by more than half to 407,952 SF. The largest move-in for the period was a 148,000 SF lease to McKesson at 1930 Malvern Street in Fullerton. In the only other move-in over 100,000 SF, Atlas International, Inc. took occupancy of a 101,000 SF building on West McFadden in Huntington Beach. Under current circumstances, net absorption is being held back by lack of supply rather than a lack of demand. Also, in times of low vacancy, there is a disproportionate amount of functionally obsolete space in the available inventory, as quality product gets snapped up immediately.

CONSTRUCTION. Unfortunately, little changed on the construction front in Q2. Just 2,620,833 SF of space is in the queue, with most of that total in the Goodman Logistics Center on Orangethorpe Avenue in Fullerton. When completed, the four-building logistics campus will add 1,536,055 SF of first-generation space to North County’s inventory of relatively older properties. Huntington Gateway Business Park in Huntington Beach (the former Boeing site) is the other major project currently under construction. The project, owned by Sares-Regis, includes a build-to-suit of 433,865 SF for Cambo Manufacturing, and another spec building of 244,705 SF. Another 2.2 MSF of space is in the planning stages, most of which will be built in the North County submarket.

EMPLOYMENT. The unemployment rate in Orange County was 2.4 % in May 2022, down from a revised 2.7% in April 2022, and below the year-ago estimate of 6.2%. Between May 2021 and May 2022, total nonfarm employment increased by 76,100 jobs, or 4.8%.



Forecast

While the statistics will continue to indicate tight market conditions going forward, the upward trajectory we have seen in sales prices and lease rates is showing signs of slowing. The cost of doing business has increased sharply due to an inflationary spiral that started last year. Many owner/user buyers, already faced with rapidly rising operating expenses across the board, are giving up on their acquisition plans due to the combination of high prices and rising borrowing cost. The interest rate for an SBA 504 loan, the most popular financing vehicle for owner/user purchases, has risen by 63% to 5.19% in just the past five months. Further increases are expected as the Fed continues to raise its benchmark rate. It is too early to say if the market will move into correction territory, but for the first time in years there appears to be a shift in market momentum. We expect to see more supply hit the market for sale in the second half of the year, as those owners who have been contemplating a near-term sale accelerate their exit strategies. Time on market will likely increase and fewer buyers will be competing for deals.

Significant Transactions

Sales

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
2990–3000 Airway Ave.	Costa Mesa	142,273	\$46,775,000	Aeroterm, Inc.	Crown Realty and Development
1541 W. Broadway	Anaheim	62,500	\$14,000,000	Fairmont School HAC, LLC	Holt Family Trust *
2220-2228 Ritchey St.	Santa Ana	55,500	\$16,417,500	Steiner Investments	Matsushita International Corporation
15541 Mosher Ave.	Tustin	53,842	\$18,000,000	TA Realty	Container Supply Company
385 Clinton St.	Costa Mesa	53,120	\$16,500,000	Newport Beach Cars, LLC	Cal-AM Properties, Inc.

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
14451 Myford Rd.	Tustin	219,827	Jun-2022	Rivian	Panattoni Development Company
5 Pasteur	Irvine Spectrum	164,000	May-2022	Volcom Inc.	The Irvine Company
20001 Ellipse	Foothill Ranch	159,156	Jun-2022	Nike	Security Capital Industrial
3441 W. MacArthur Blvd.	Santa Ana	124,102	May-2022	Woodbridge Glass Inc.	RIF V-MacArthur, LLC (Rexford)
701 S Sally Pl, #B	Fullerton	117,857	May-2022	Cargill	AEW California Industrial, LLC

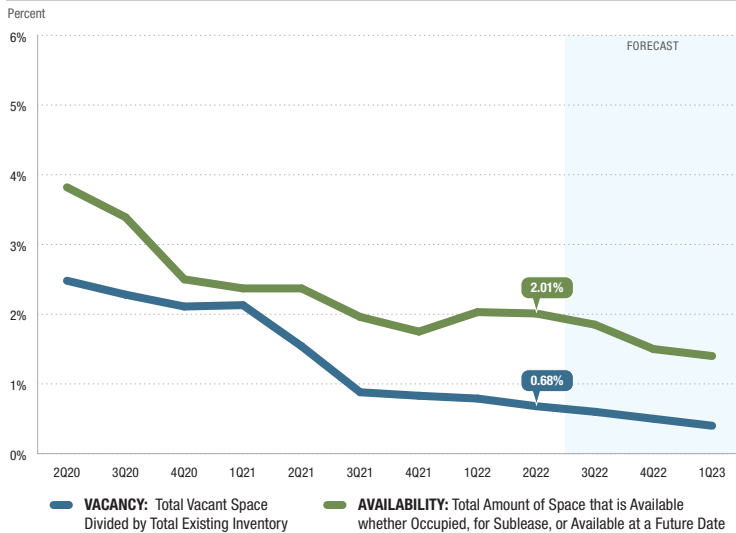
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2022	Square Feet Available	Availability Rate 2Q2022	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2022	Net Absorption 2022	Gross Absorption 2Q2022	Gross Absorption 2022
Airport Area														
Costa Mesa	440	7,525,153	0	0	51,896	0.69%	283,961	3.77%	\$1.42	\$503.96	24,789	127,818	24,568	150,704
Fountain Valley	181	3,758,225	0	0	7,616	0.20%	49,037	1.30%	\$1.81	\$304.45	5,550	0	10,562	12,722
Irvine	302	11,438,160	0	138,000	110,202	0.96%	503,426	4.40%	\$1.74	\$0.00	67,009	39,950	47,750	117,248
Newport Beach	48	603,018	0	224,545	19,511	3.24%	19,511	3.24%	\$1.55	\$0.00	9,144	7,500	9,144	16,644
Santa Ana	1,578	31,031,897	0	0	311,927	1.01%	643,121	2.07%	\$1.16	\$390.07	51,436	94,353	487,650	692,932
Tustin	114	4,221,827	219,827	0	590,447	13.99%	639,669	15.15%	\$1.32	\$0.00	(99,910)	(87,291)	73,978	90,148
Airport Area Total	2,663	58,578,280	219,827	362,545	1,091,599	1.86%	2,138,725	3.65%	\$1.32	\$380.53	58,018	182,330	653,652	1,080,398
North County														
Anaheim	1,833	44,337,407	0	619,085	259,783	0.59%	1,002,818	2.26%	\$1.28	\$380.73	34,038	153,321	228,771	667,172
Brea	327	12,031,308	0	131,500	182,226	1.51%	287,212	2.39%	\$1.34	\$151.10	117,695	79,743	153,958	285,501
Buena Park	234	13,331,001	0	30,650	107,024	0.80%	441,428	3.31%	\$1.31	\$328.85	(30,839)	(49,564)	9,312	14,281
Fullerton	455	17,976,447	1,656,055	139,000	32,337	0.18%	158,067	0.88%	\$1.24	\$335.29	38,619	16,498	125,877	213,026
La Habra	197	3,526,156	0	0	4,564	0.13%	8,925	0.25%	\$0.00	\$350.00	(4,564)	6,236	16,226	27,026
Orange	745	13,623,277	66,448	300,620	115,211	0.85%	126,785	0.93%	\$1.37	\$322.73	(3,273)	35,361	62,971	182,053
Placentia	222	4,347,075	0	0	15,925	0.37%	101,202	2.33%	\$1.50	\$403.88	(12,350)	37,926	5,435	71,048
Yorba Linda	54	873,956	0	0	34,925	4.00%	83,205	9.52%	\$1.43	\$370.00	(25,006)	(25,006)	9,919	26,795
North County Total	4,067	110,046,627	1,722,503	1,220,855	751,995	0.68%	2,209,642	2.01%	\$1.30	\$292.06	114,320	254,515	612,469	1,486,902
South County														
Aliso Viejo	17	663,662	0	0	0	0.00%	3,019	0.45%	\$0.00	\$0.00	32,657	32,657	0	0
Foothill Ranch	64	3,417,232	0	0	0	0.00%	58,276	1.71%	\$0.00	\$0.00	12,003	12,003	0	75,507
Irvine Spectrum	215	9,954,353	244,638	0	195,722	1.97%	181,017	1.82%	\$1.36	\$526.53	70,948	184,004	112,321	197,640
Laguna Beach	21	108,920	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	1,845	1,845	0	0
Laguna Hills	74	1,039,882	0	0	14,512	1.40%	12,975	1.25%	\$1.51	\$402.25	(12,832)	(17,272)	21,076	67,533
Laguna Niguel	19	256,297	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	190	4,226,661	0	317,000	53,366	1.26%	59,682	1.41%	\$1.58	\$361.19	66,381	61,865	57,824	113,165
Mission Viejo	31	719,801	0	0	919	0.13%	1,479	0.21%	\$1.60	\$0.00	0	(2,028)	0	2,028
Rancho Santa Margarita	107	1,702,949	0	0	2,854	0.17%	8,233	0.48%	\$1.55	\$0.00	(1,500)	(2,854)	7,970	9,397
San Clemente	160	1,997,181	0	0	16,533	0.83%	16,853	0.84%	\$1.65	\$420.00	(8,633)	(9,541)	10,977	10,977
San Juan Capistrano	42	887,189	0	91,520	12,272	1.38%	12,272	1.38%	\$2.00	\$0.00	0	(12,272)	0	0
South County Total	940	24,974,127	244,638	408,520	296,178	1.19%	353,806	1.42%	\$1.49	\$433.85	160,869	248,407	210,168	476,247
West County														
Cypress	100	4,516,995	0	0	142,466	3.15%	184,877	4.09%	\$1.38	\$0.00	(13,411)	114,251	27,442	66,755
Garden Grove	474	12,113,468	0	0	358,487	2.96%	264,460	2.18%	\$1.16	\$428.88	53,899	229,246	27,327	295,542
Huntington Beach	690	12,837,230	433,865	223,705	102,329	0.80%	235,711	1.84%	\$1.17	\$415.87	109,087	509,730	46,179	542,714
La Palma	16	1,778,247	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	159,321	159,321
Los Alamitos	94	2,221,377	0	0	6,136	0.28%	44,019	1.98%	\$0.00	\$405.00	11,600	29,336	17,736	36,931
Seal Beach	15	933,761	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	16,720	0	16,720
Stanton	175	1,833,786	0	0	35,326	1.93%	72,251	3.94%	\$0.00	\$567.56	(29,106)	(38,486)	4,880	12,108
Westminster	140	2,301,495	0	0	69,368	3.01%	69,368	3.01%	\$1.34	\$0.00	(57,324)	(47,640)	42,416	45,816
West County Total	1,704	38,536,359	433,865	223,705	714,112	1.85%	870,686	2.26%	\$1.25	\$459.84	74,745	813,157	325,301	1,175,907
Orange County Total	9,374	232,135,393	2,620,833	2,215,625	2,853,884	1.23%	5,572,859	2.40%	\$1.34	\$366.00	407,952	1,498,409	1,801,590	4,219,454
Less than 9,999	3,333	20,261,419	0	9,500	146,973	0.73%	322,320	1.59%	\$1.58	\$424.19	(32,173)	(56,366)	136,239	305,438
10,000-19,999	3,148	43,517,510	0	0	546,659	1.26%	871,538	2.00%	\$1.48	\$353.82	(65,955)	(15,652)	385,219	721,697
20,000-29,999	1,185	28,283,533	0	51,764	166,141	0.59%	594,257	2.10%	\$1.44	\$445.79	139,719	295,781	191,101	524,063
30,000-39,999	489	16,697,311	0	63,650	195,147	1.17%	388,650	2.33%	\$1.43	\$410.25	(165,640)	(112,665)	94,343	322,248
40,000-49,999	292	12,840,824	0	99,100	107,407	0.84%	252,249	1.96%	\$1.36	\$406.98	8,961	(25,888)	171,938	286,415
50,000-74,999	374	22,543,629	66,448	0	415,284	1.84%	723,826	3.21%	\$1.25	\$276.13	8,909	47,778	114,611	271,883
75,000-99,999	169	14,474,780	99,638	264,741	89,865	0.62%	35,363	0.24%	\$0.00	\$0.00	185,919	272,232	177,776	438,563
100,000-199,999	261	34,407,229	438,825	1,301,645	333,119	0.97%	583,627	1.70%	\$0.00	\$134.25	97,885	164,417	400,958	622,421
200,000 Plus	123	39,109,158	2,015,922	425,225	853,289	2.18%	1,801,029	4.61%	\$0.00	\$0.00	230,327	928,772	129,405	726,726
Orange County Total	9,374	232,135,393	2,620,833	2,215,625	2,853,884	1.23%	5,572,859	2.40%	\$1.34	\$366.00	407,952	1,498,409	1,801,590	4,219,454

Lease rates are on a triple-net basis.

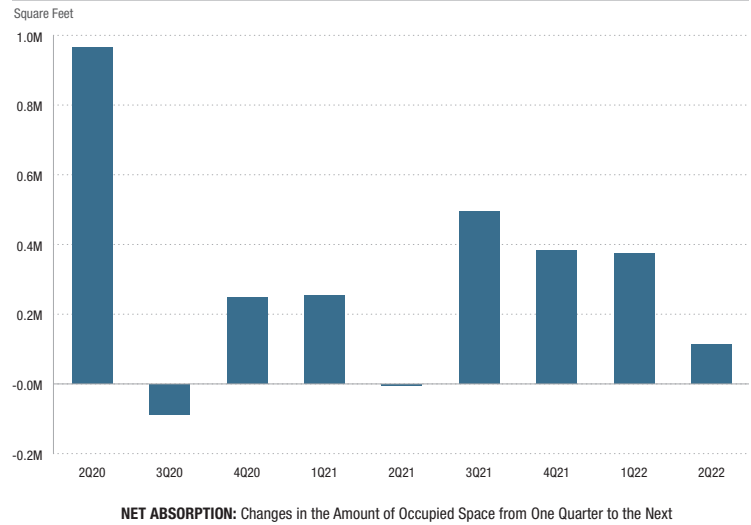
NORTH ORANGE COUNTY

In the second quarter of 2022, the North Orange County industrial market consisted of 4,067 buildings totaling 110,046,627 square feet and had an availability rate of 2.01%, which shows a decrease from the previous quarter's figure of 2.03%.

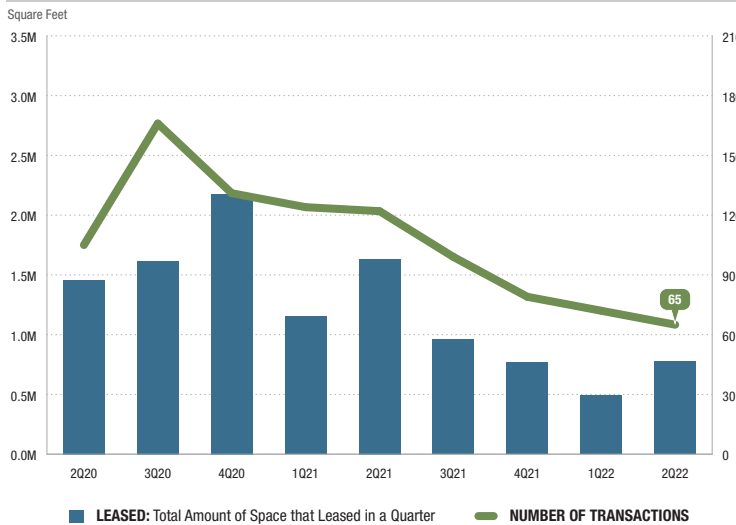
VACANCY & AVAILABILITY RATE



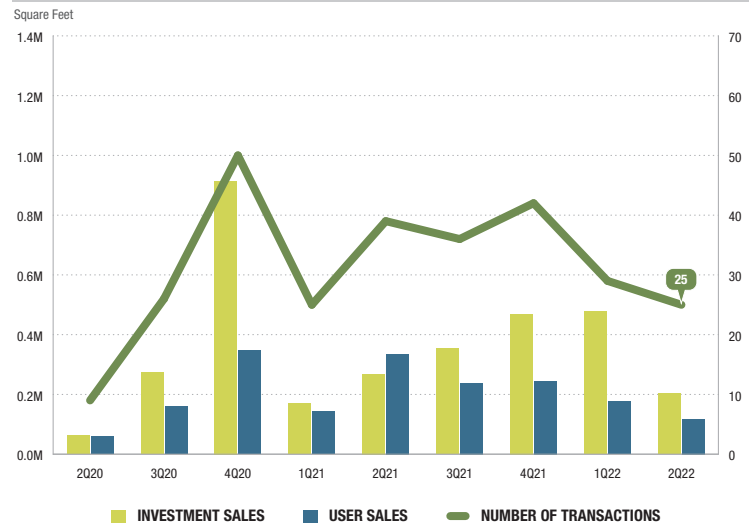
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

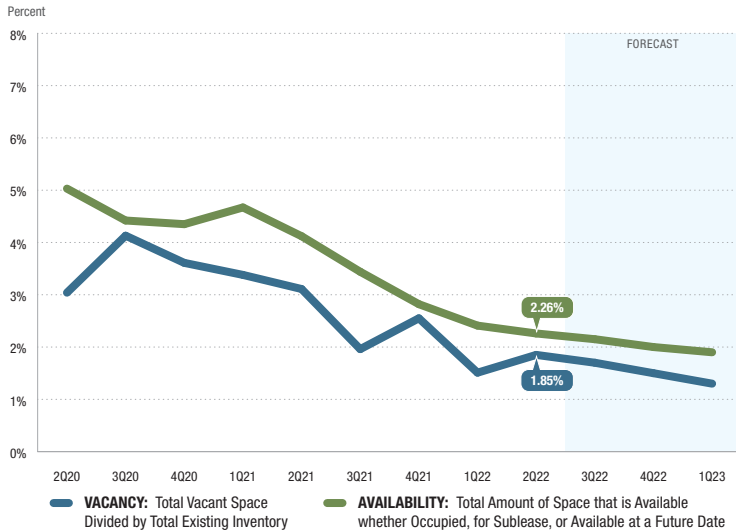
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2022	Square Feet Available	Availability Rate 2Q2022	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2022	Net Absorption 2022	Gross Absorption 2Q2022	Gross Absorption 2022
North Totals														
Less than 9,999	1,344	8,498,179	0	9,500	45,874	0.54%	127,236	1.50%	\$1.40	\$400.57	285	7,281	79,656	172,186
10,000-19,999	1,391	19,254,223	0	0	277,689	1.44%	401,497	2.09%	\$1.23	\$336.83	(107,073)	(119,855)	150,040	273,996
20,000-29,999	518	12,338,680	0	21,960	31,879	0.26%	261,758	2.12%	\$1.52	\$384.14	64,789	77,316	20,764	138,777
30,000-39,999	226	7,693,560	0	63,650	80,601	1.05%	91,367	1.19%	\$1.43	\$330.00	(59,074)	(49,068)	26,422	130,918
40,000-49,999	138	6,071,905	0	99,100	79,445	1.31%	80,667	1.33%	\$1.39	\$0.00	(10,860)	25,815	90,834	150,409
50,000-74,999	176	10,618,962	66,448	0	55,545	0.52%	237,248	2.23%	\$1.47	\$0.00	0	58,400	18,500	76,900
75,000-99,999	74	6,322,143	0	90,980	10,000	0.16%	10,000	0.16%	\$0.00	\$0.00	59,371	100,800	59,371	155,371
100,000-199,999	135	17,860,224	293,825	734,145	0	0.00%	133,907	0.75%	\$0.00	\$134.25	109,060	175,592	109,060	330,523
200,000 plus	65	21,388,751	1,362,230	201,520	170,962	0.80%	865,962	4.05%	\$0.00	\$0.00	57,822	(21,766)	57,822	57,822
Total	4,067	110,046,627	1,722,503	1,220,855	751,995	0.68%	2,209,642	2.01%	\$1.30	\$292.06	114,320	254,515	612,469	1,486,902

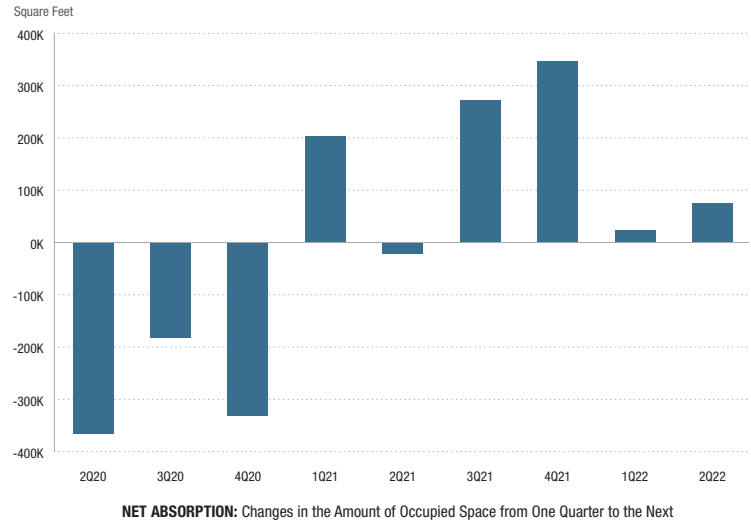
WEST ORANGE COUNTY

In the second quarter of 2022, the West Orange County industrial market consisted of 1,704 buildings totaling 38,536,359 square feet and had an availability rate of 2.26%, which shows a decrease from the previous quarter's figure of 2.41%.

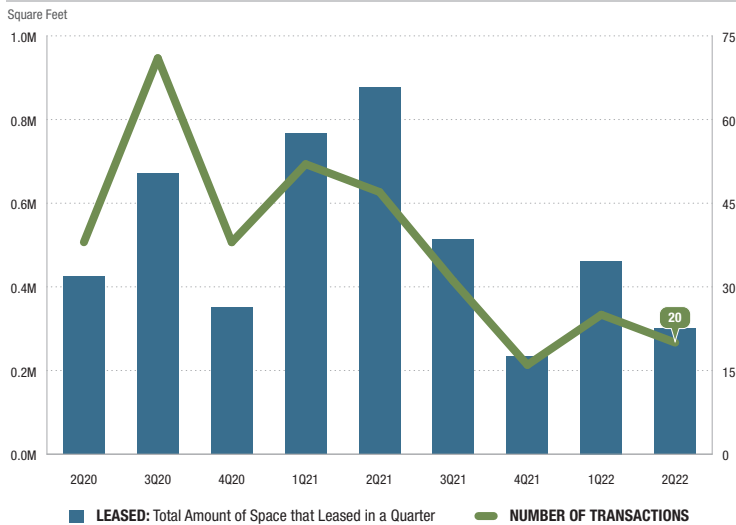
VACANCY & AVAILABILITY RATE



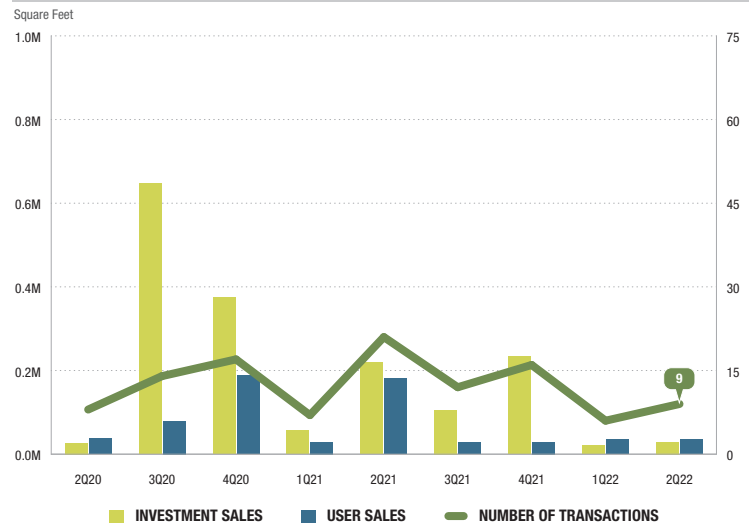
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

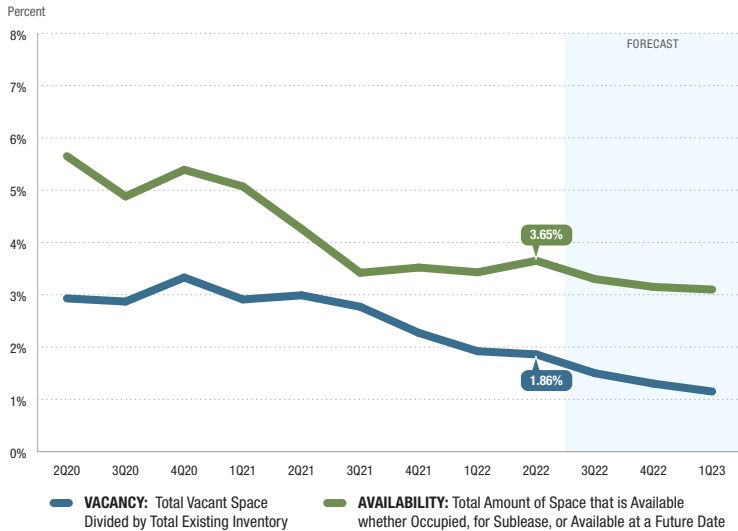
ABSORPTION

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West Totals														
Less than 9,999	693	4,117,474	0	0	44,433	1.08%	65,749	1.60%	\$1.39	\$459.87	(35,027)	(47,533)	12,668	55,504
10,000-19,999	569	7,534,030	0	0	106,644	1.42%	148,775	1.97%	\$1.19	\$378.91	(14,614)	33,734	67,115	151,693
20,000-29,999	181	4,358,343	0	0	42,652	0.98%	107,427	2.46%	\$1.12	\$351.94	59,263	99,035	59,329	102,685
30,000-39,999	61	2,128,714	0	0	72,613	3.41%	152,743	7.18%	\$1.37	\$0.00	(95,091)	(106,901)	15,470	56,158
40,000-49,999	49	2,158,231	0	0	4,908	0.23%	15,028	0.70%	\$1.08	\$0.00	(4,908)	(208)	11,398	16,098
50,000-74,999	57	3,405,460	0	0	143,931	4.23%	138,470	4.07%	\$0.00	\$0.00	64,200	(20,638)	0	60,414
75,000-99,999	31	2,661,547	0	0	70,265	2.64%	15,763	0.59%	\$0.00	\$0.00	0	16,720	84,321	101,041
100,000-199,999	41	5,560,637	0	0	169,846	3.05%	176,021	3.17%	\$0.00	\$0.00	0	0	75,000	75,000
200,000 plus	22	6,611,923	433,865	223,705	58,820	0.89%	50,710	0.77%	\$0.00	\$0.00	100,922	838,948	0	557,314
Total	1,704	38,536,359	433,865	223,705	714,112	1.85%	870,686	2.26%	\$1.25	\$459.84	74,745	813,157	325,301	1,175,907

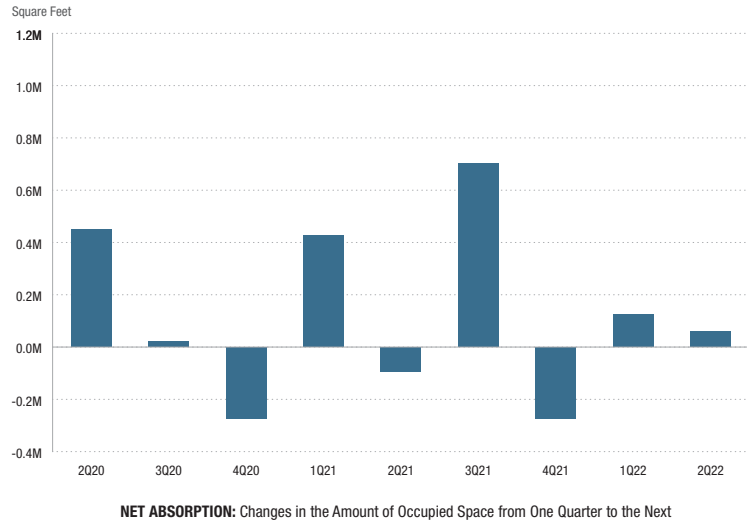
AIRPORT AREA

In the second quarter of 2022, the Airport Orange County industrial market consisted of 2,663 buildings totaling 58,578,280 square feet and had an availability rate of 3.65%, which shows an increase from previous quarter's figure of 3.43%.

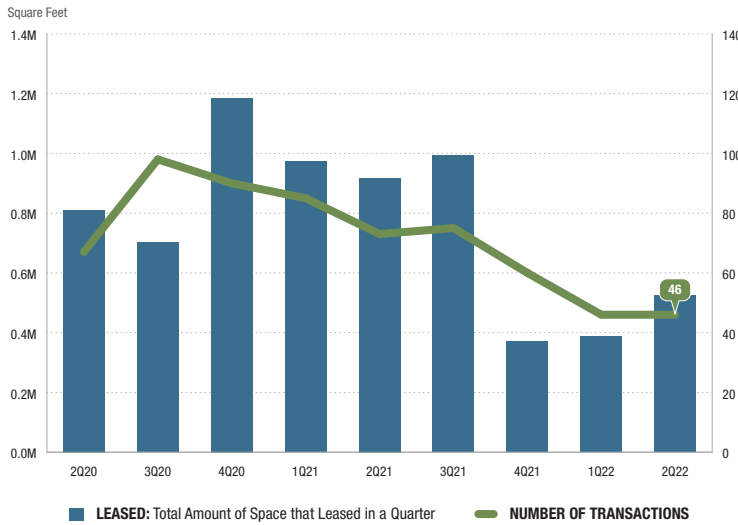
VACANCY & AVAILABILITY RATE



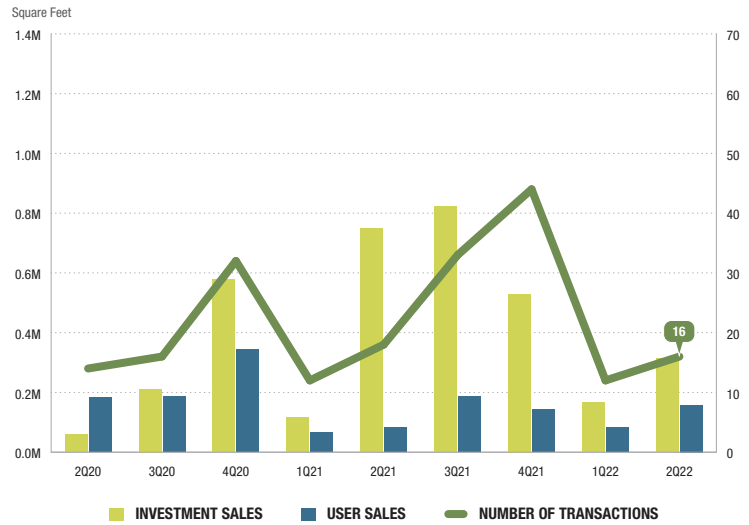
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

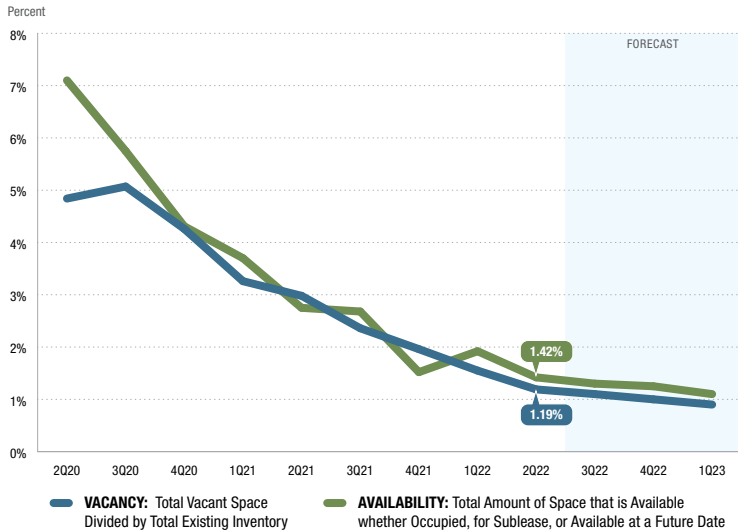
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2022	Square Feet Available	Availability Rate 2Q2022	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2022	Net Absorption 2022	Gross Absorption 2Q2022	Gross Absorption 2022
Airport Totals														
Less than 9,999	933	5,414,001	0	0	25,055	0.46%	81,304	1.50%	\$1.75	\$380.53	14,173	4,887	26,968	39,470
10,000-19,999	913	12,793,456	0	0	103,731	0.81%	243,735	1.91%	\$1.53	\$373.28	55,286	83,487	113,858	230,764
20,000-29,999	354	8,438,136	0	29,804	50,866	0.60%	153,572	1.82%	\$1.05	\$0.00	(8,306)	24,784	26,731	126,568
30,000-39,999	156	5,309,843	0	0	37,180	0.70%	136,768	2.58%	\$1.35	\$446.96	(45,397)	9,382	38,533	90,465
40,000-49,999	77	3,363,356	0	0	20,200	0.60%	148,321	4.41%	\$1.25	\$406.98	(13,771)	(53,771)	69,706	113,351
50,000-74,999	107	6,479,190	0	0	165,788	2.56%	314,970	4.86%	\$1.29	\$276.13	(55,291)	(25,927)	55,291	84,655
75,000-99,999	49	4,191,427	0	82,241	0	0.00%	0	0.00%	\$0.00	\$0.00	124,145	152,309	34,084	106,644
100,000-199,999	54	6,803,013	0	250,500	157,054	2.31%	267,480	3.93%	\$0.00	\$0.00	(84,404)	(84,404)	216,898	216,898
200,000 plus	20	5,785,858	219,827	0	531,725	9.19%	792,575	13.70%	\$0.00	\$0.00	71,583	71,583	71,583	71,583
Total	2,663	58,578,280	219,827	362,545	1,091,599	1.86%	2,138,725	3.65%	\$1.32	\$380.53	58,018	182,330	653,652	1,080,398

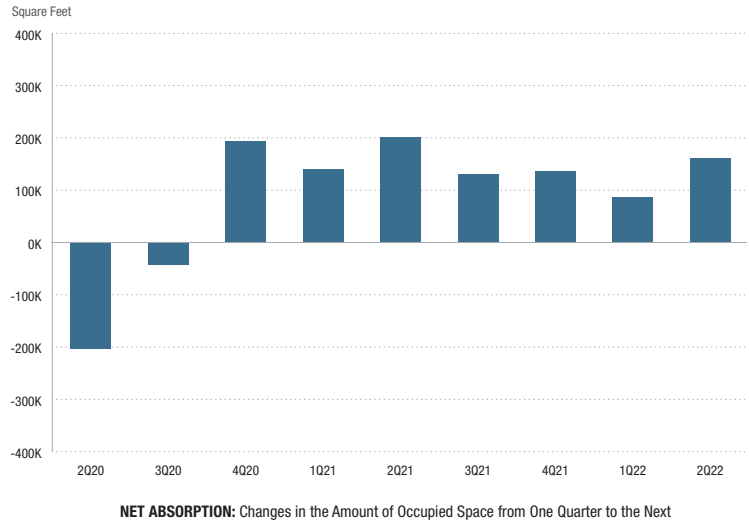
SOUTH ORANGE COUNTY

In the second quarter of 2022, the South Orange County industrial market consisted of 940 buildings totaling 24,974,127 square feet and had an availability rate of 1.42%, which shows a decrease from the previous quarter's figure of 1.92%.

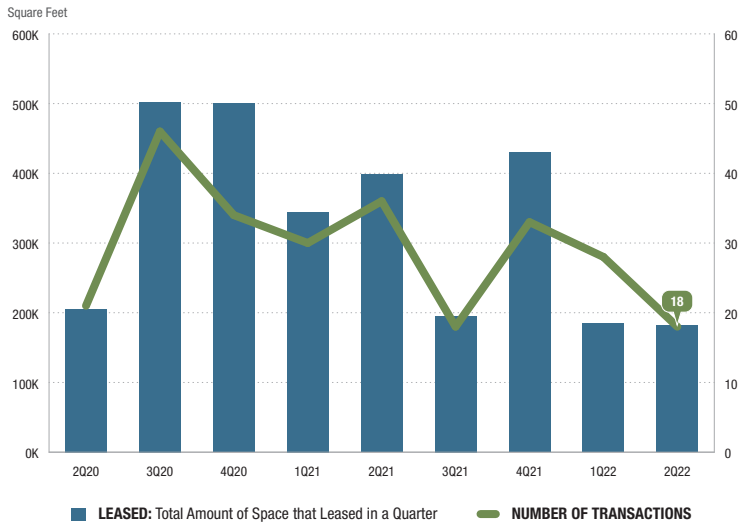
VACANCY & AVAILABILITY RATE



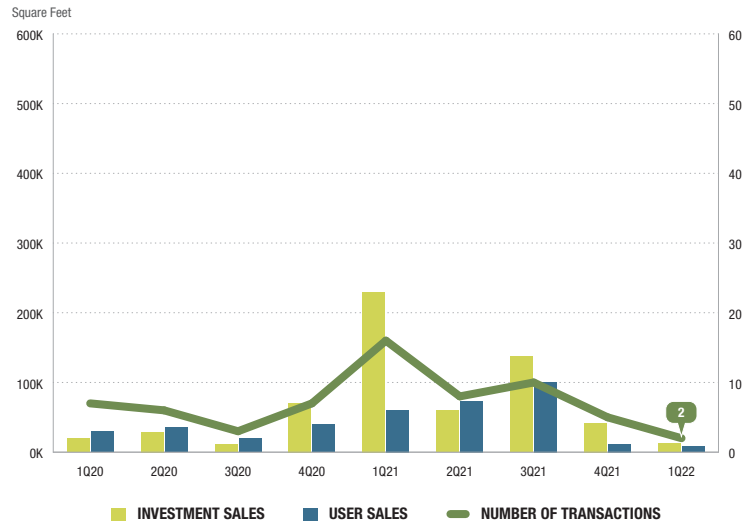
NET ABSORPTION



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 2Q2022	Square Feet Available	Availability Rate 2Q2022	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2022	Net Absorption 2022	Gross Absorption 2Q2022	Gross Absorption 2022
South Totals														
Less than 9,999	363	2,231,765	0	0	31,611	1.42%	48,031	2.15%	\$1.74	\$433.85	(11,604)	(21,001)	16,947	38,278
10,000-19,999	275	3,935,801	0	0	58,595	1.49%	77,531	1.97%	\$1.91	\$0.00	446	(13,018)	54,206	65,244
20,000-29,999	132	3,148,374	0	0	40,744	1.29%	71,500	2.27%	\$1.48	\$0.00	23,973	94,646	84,277	156,033
30,000-39,999	46	1,565,194	0	0	4,753	0.30%	7,772	0.50%	\$1.76	\$0.00	33,922	33,922	13,918	44,707
40,000-49,999	28	1,247,332	0	0	2,854	0.23%	8,233	0.66%	\$1.44	\$0.00	38,500	2,276	0	6,557
50,000-74,999	34	2,040,017	0	0	50,020	2.45%	33,138	1.62%	\$1.49	\$0.00	0	35,943	40,820	49,914
75,000-99,999	15	1,299,663	99,638	91,520	9,600	0.74%	9,600	0.74%	\$0.00	\$0.00	2,403	2,403	0	75,507
100,000-199,999	31	4,183,355	145,000	317,000	6,219	0.15%	6,219	0.15%	\$0.00	\$0.00	73,229	73,229	0	0
200,000 plus	16	5,322,626	0	0	91,782	1.72%	91,782	1.72%	\$0.00	\$0.00	0	40,007	0	40,007
Total	940	24,974,127	244,638	408,520	296,178	1.19%	353,806	1.42%	\$1.49	\$433.85	160,869	248,407	210,168	476,247

Where do we stand?

by Michael Zehner and Reed Rutter



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As the second quarter of 2022 comes to a close, we are starting to see the country as a whole react to the measures being taken to combat uncomfortably high inflation. The United States economy is grappling with a four-decade-high inflation rate of 8.6%, the Federal Reserve’s aggressive interest rate hikes, supply constraints, an energy crisis, a bearish stock market, and even a war overseas. Despite all these factors, demand for industrial buildings in Orange County is still running ahead of supply, but that may be about to change.

Sale demand is still running well ahead of limited supply throughout Orange County, but that balance is being threatened by higher interest rates. The SBA 504 mortgage rate has increased by more than 60% since January, to 5.19%. As the Federal Reserve continues its push to curb runaway inflation, history tells us we will see rates move high enough to tip the scales in the other direction. Signs of a slowdown in sales have yet to manifest in our quarterly statistics, but we are seeing potential owner/users and institutional investors exercising more caution. The sale market is of course quite interest-rate sensitive, so it is hard to imagine that demand won’t be affected by higher rates.

The inflationary environment we are currently experiencing has had a direct influence on all of us, including every Orange County business owner who is facing sky-high rents, record-breaking fuel costs and a big increase in wages, among other things. To what degree the recent spike in rents will impact demand for space going forward is still a big unknown. But, we are already seeing a falloff in active requirements, an increase in time-on-market and a decrease in competition for space. That could be good news for those in the market for space in the coming months. Finally, they may have some viable quality options to consider.

So, if you are making a real estate decision in the near future, it is important to consider the foregoing carefully. The market is showing signs of reaching its peak, yet we do not know if or when the market will correct, and how severe a correction would be should one occur. Sale and lease comps still show the market on the same trajectory it has been on for years. However, comps look backward. They tell us where we’ve been. It’s the psychology of the market that we see changing, and that tells us more about where we are going because thoughts and feelings precede action. There’s never been a better time to be fully informed than now.

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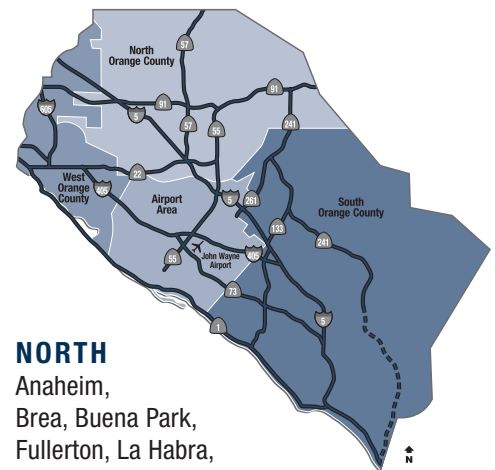
This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is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

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