

OVERVIEW. The Orange County industrial market is finally cooling off, but remains expensive and undersupplied. Vacancy hovered near its all-time low, gross and net absorption remained healthy and average asking lease rates moved even higher in 4Q. On the other hand, average asking sales prices fell sharply for the first time in a decade, while new sale and lease transaction activity fell by half. Construction remained thin. Quality space is still in short supply and OC business owners are still having trouble finding just the right space. Active requirements were on the decline for the second consecutive period and that loss in market velocity is just now starting to show up in the numbers. Mortgage interest rates doubled in 2022, and that has put a major dent in owner / user sale activity, a primary driver of Orange County's industrial market. With lease rates still at all-time highs, business owners looking to lease are focusing on quality and bang for the buck, which has increased time-on-market for leased product.

VACANCY & AVAILABILITY. The overall vacancy rate in Orange County rose 3 basis points in 4Q to just 1.08%. Year-over-year, the vacancy rate is down by 27 basis points. Clearly, the shortage of good quality space is not over with despite the fact that the number of active requirements seems to be in decline. In fact, 17 Orange County cities we track still have a vacancy rate below 1%, so landlords maintain their advantage despite the shift in momentum. The availability rate, which includes space offered for lease or sale that is still occupied, held steady at 2.44% for the third consecutive period.

LEASE RATES & SALES PRICES. The average asking lease rate for the county jumped another \$0.08 to \$1.56 in 4Q after a \$0.15 increase in 3Q. Year-over-year, asking rents have increased by 30%, but, as we have been reporting, many buildings of high quality have been marketed and leased without an asking rate, so the actual average lease rate is even higher. Fixed annual rental increases remain in the 4.0% to 4.5% per year range, as landlords have become more focused on keeping up with inflation. The change in the county's average asking sales price is the big news for 4Q. Overall, the per-square-foot asking sales price dropped by \$47 in 4Q to a still-whopping \$391.87. This is the first quarterly price decline since 2011. Price reductions are becoming commonplace and the bidding wars are all but over, as we see the result of the rising cost of capital and a change in market psychology.

TRANSACTION ACTIVITY. As we have been reporting for years now, lease and sale activity has been restricted by a chronic shortage of quality available space. That shortage still exists, but demand is now on the wane, as buildings for sale or lease are sitting on the market for months rather than weeks or days. That shift is showing up in the transaction activity metric. In 4Q, the number of leasing transactions fell to 121 from 177 in 3Q. Sale transactions fell to 55 from 66 in the same period. Even more significant is the fact that the total square footage leased and sold fell from 5.2 MSF to 2.3 MSF in 4Q. Anecdotal input from agents in the field confirm that this now-measurable trend continues.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



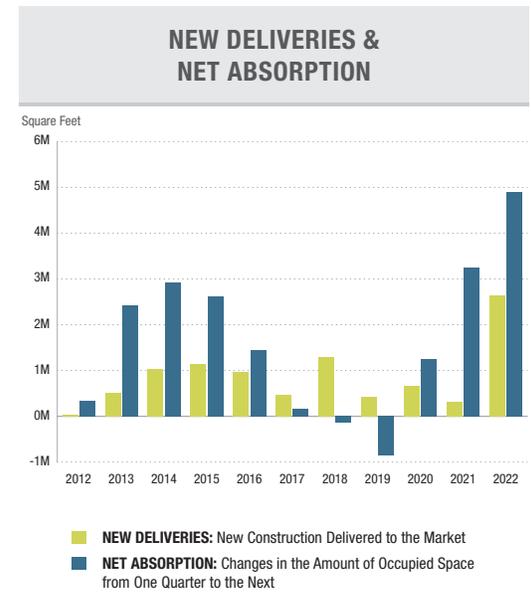
Market Statistics

	Change Over Last Quarter	4Q 2022	3Q 2022	4Q 2021	% Change Over Last Year
Vacancy Rate	▲ UP	1.08%	1.05%	1.35%	(20.20%)
Availability Rate	▲ UP	2.44%	2.20%	2.26%	7.69%
Average Asking Lease Rate	▲ UP	\$1.56	\$1.48	\$1.20	30.00%
Average Asking Sale Price	▼ DOWN	\$391.87	\$438.89	\$323.14	21.27%
Sale & Lease Transactions	▼ DOWN	2,309,901	5,213,039	3,723,095	(37.96%)
Gross Absorption	▲ UP	3,248,177	2,695,714	2,044,481	58.88%
Net Absorption	▲ POSITIVE	2,644,930	750,461	258,051	N/A

ABSORPTION. Net absorption was way up in 4Q due to several large move-ins in Fullerton. Samsung, Sprouts Farmers Market and Cargill occupied a combined 1.5 MSF to account for nearly 56% of the county's 2.6 MSF of net gain in occupied space for 4Q. The two buildings now occupied by Samsung on East Orangethorpe Avenue total over 1,025,000 SF, while the Sprouts facility, also on Orangethorpe Avenue, is just under 337,000 SF. Add the 117,857 SF on Sally Place now occupied by Cargill and it's been a good run for the City of Fullerton. Consistent and strong net absorption like this is difficult to maintain in a market without a high percentage of larger buildings and a steady stream of new deliveries.

CONSTRUCTION. With the Goodman Logistics Center on Orangethorpe Avenue in Fullerton finally completed, total space in the construction queue fell under 2 MSF. Huntington Gateway Business Park in Huntington Beach is the other major project currently under construction. The project, owned by Sares-Regis, includes a build-to-suit of 433,865 SF for Cambro Manufacturing, who just moved in, and another spec building of 244,705 SF. Several other buildings got underway in 4Q, including a 311,000 SF project in Tustin and 278,500 SF project in Anaheim. Another 2.48 MSF of space is in the planning stages, almost half of which will be built in the North County submarket.

EMPLOYMENT. The unemployment rate in Orange County was 3.0% in November 2022, up from a revised 2.8% in October 2022, and below the year-ago estimate of 4.1%. Sixty-four percent of the growth was in retail trade (up 2,800 jobs). The remaining job gains were in transportation, warehousing, and utilities (up 900 jobs) and wholesale trade (up 700 jobs).



Forecast

We expect the downward pressure on sales prices to continue into the new year, as mortgage interest rates are likely to remain elevated. For the moment, the market is bifurcated: lease rates are going up while sales prices are coming down. Leasing activity will continue to get support from user demand shifting from acquisitions to leasing. Sale demand will fall until prices come down enough for buyers to absorb higher borrowing costs. It's still too early to predict the extent of the market correction, but the signs are there. Properties take longer to lease or sell, and demand has fallen sharply for both sale and lease product. Almost gone are the days of multiple offers and bidding wars. Expect landlords to be more forthcoming on concessions to tenants with strong credit willing to sign long-term leases. On the other hand, expect tenants and buyers to exercise more caution when it comes to making long-term commitments. The likely result will be an increase in vacancy, downward pressure on sales prices, a decrease in net absorption and reduced transaction velocity over the next few quarters.

Significant Transactions

Sales						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
1050 S. State College Blvd.	Fullerton	210,000	\$38,564,000	State College Buildings I LLC	Oltman Investment Company, LLC	
350 Ranger Ave.	Brea	138,710	\$17,500,000	Vectra Management Group	Saunder Property Corporation	
2995 Mirlaloma Ave.	Anaheim	91,200	\$31,400,000	Ball Road Business Park, LLC*	Shooting Star Management, LLC	
6259 Descano Ave.	Buena Park	54,000	\$20,000,000	Fortress Investment Group*	Boarsk Leasing LLC*	
1550-1560 W. Lambert Rd.	Brea	34,582	\$20,351,500	West Harbor Capital	Peterson Development LLC	

Leases						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner	
6485-- Oak Canyon - Renewal	Irvine Spectrum	186,154	Oct-2022	Ramp Logistics	The Irvine Company	
601 W. Dyer Rd. - Renewal	Santa Ana	183,571	Nov-2022	Shinoda Designs	601 Dyer LLC	
1225 W. Imperial Hwy.	Brea	126,681	Nov-2022	Hayes Company	Clarion Partners	
1400-1420 S. Manhattan Ave.	Fullerton	91,116	Oct-2022	Berger Transfer & Storage	1400 Manhattan Properties LLC*	
20155 Ellipse	Foothill Ranch	73,373	Nov-2022	Daiwa*	Heitman	

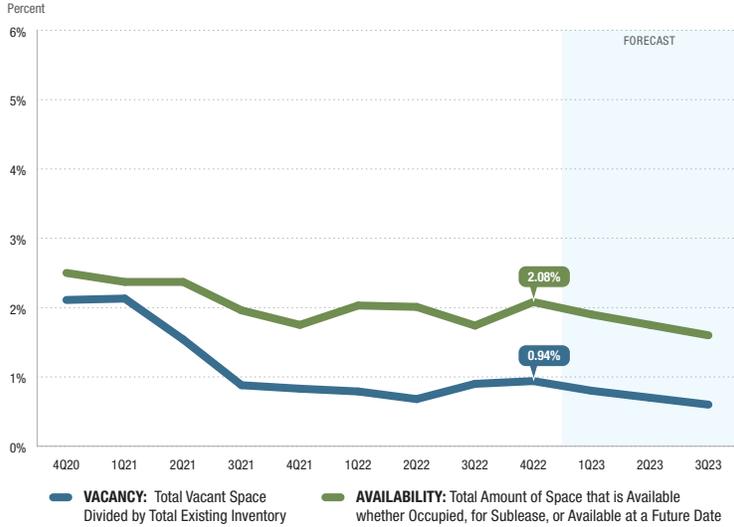
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2022	Square Feet Available	Availability Rate 4Q2022	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2022	Net Absorption 2022	Gross Absorption 4Q2022	Gross Absorption 2022
Airport Area														
Costa Mesa	440	7,525,153	0	0	107,415	1.43%	129,818	1.73%	\$1.58	\$519.16	80,817	154,630	224,762	403,653
Fountain Valley	181	3,758,225	0	0	14,134	0.38%	80,890	2.15%	\$1.98	\$350.51	534	(6,518)	5,352	67,232
Irvine	302	11,438,160	136,612	306,135	115,486	1.01%	457,859	4.00%	\$1.79	\$0.00	54,470	46,666	162,394	409,703
Newport Beach	48	603,018	0	224,545	22,651	3.76%	20,151	3.34%	\$1.55	\$0.00	0	4,360	2,968	19,612
Santa Ana	1,578	31,031,897	0	0	322,250	1.04%	772,977	2.49%	\$1.42	\$353.61	126,928	200,964	271,126	1,142,570
Tustin	115	4,441,654	311,770	0	38,031	0.86%	115,731	2.61%	\$1.40	\$0.00	15,000	691,561	18,500	159,389
Airport Area Total	2,664	58,798,107	448,382	530,680	619,967	1.05%	1,577,426	2.68%	\$1.55	\$363.24	277,749	1,091,663	685,102	2,202,159
North County														
Anaheim	1,833	44,337,407	278,500	763,075	527,134	1.19%	1,058,495	2.39%	\$1.40	\$378.91	(70,233)	96,543	224,762	1,220,925
Brea	327	12,031,308	255,603	0	89,586	0.74%	102,968	0.86%	\$1.34	\$457.04	138,625	218,807	5,352	319,055
Buena Park	234	13,331,001	0	30,650	82,943	0.62%	430,305	3.23%	\$1.31	\$360.93	(914)	(25,539)	162,394	201,614
Fullerton	458	19,338,677	173,825	279,000	165,079	0.85%	353,696	1.83%	\$1.79	\$331.89	1,616,138	1,645,277	2,968	320,703
La Habra	197	3,526,156	0	0	19,240	0.55%	26,998	0.77%	\$0.00	\$374.90	(15,190)	(5,323)	271,126	301,783
Orange	745	13,623,277	66,448	99,100	88,660	0.65%	170,872	1.25%	\$1.66	\$388.02	(9,817)	27,657	59,862	358,705
Placentia	222	4,347,075	0	0	33,075	0.76%	121,698	2.80%	\$1.50	\$296.61	(9,141)	(96)	8,009	132,592
Yorba Linda	54	873,956	0	0	45,781	5.24%	47,781	5.47%	\$1.43	\$0.00	29,942	3,293	0	56,737
North County Total	4,070	111,408,857	774,376	1,171,825	1,051,498	0.94%	2,312,813	2.08%	\$1.53	\$370.92	1,679,410	1,960,619	1,649,591	3,827,232
South County														
Aliso Viejo	17	663,662	0	0	49,980	7.53%	54,272	8.18%	\$0.00	\$415.00	(32,300)	357	0	32,657
Foothill Ranch	64	3,417,232	0	0	58,276	1.71%	33,138	0.97%	\$1.55	\$0.00	50,369	29,234	0	87,510
Irvine Spectrum	216	10,099,353	99,638	94,195	61,968	0.61%	201,764	2.00%	\$1.61	\$498.61	153,070	363,296	37,460	532,607
Laguna Beach	21	108,920	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	3,690	0	1,845
Laguna Hills	74	1,039,882	0	0	1,520	0.15%	25,219	2.43%	\$1.98	\$420.00	3,605	(805)	8,005	93,309
Laguna Niguel	19	256,297	0	0	1,600	0.62%	1,600	0.62%	\$0.00	\$0.00	(1,600)	(1,600)	0	0
Lake Forest	190	4,226,661	0	317,000	43,834	1.04%	110,062	2.60%	\$1.67	\$361.19	7,997	105,930	67,402	266,612
Mission Viejo	31	719,801	0	0	853	0.12%	6,790	0.94%	\$0.00	\$0.00	0	(1,962)	0	2,947
Rancho Santa Margarita	107	1,702,949	0	0	7,689	0.45%	25,056	1.47%	\$1.64	\$430.60	(2,200)	(9,116)	4,062	13,459
San Clemente	160	1,997,181	0	0	31,092	1.56%	13,592	0.68%	\$1.65	\$0.00	(6,792)	(9,592)	0	28,571
San Juan Capistrano	42	887,189	0	136,308	0	0.00%	0	0.00%	\$2.00	\$0.00	12,272	0	12,272	12,272
South County Total	941	25,119,127	99,638	547,503	256,812	1.02%	471,493	1.88%	\$1.69	\$471.57	184,421	479,432	129,201	1,071,789
West County														
Cypress	100	4,516,995	0	0	62,207	1.38%	340,041	7.53%	\$1.38	\$0.00	37,874	230,746	61,708	227,100
Garden Grove	474	12,113,468	97,896	237,499	201,657	1.66%	467,484	3.86%	\$1.72	\$426.87	49,421	280,161	154,165	601,301
Huntington Beach	691	13,271,095	570,351	0	186,427	1.40%	404,508	3.05%	\$1.30	\$458.66	389,828	866,438	495,006	1,079,341
La Palma	16	1,778,247	0	0	72,900	4.10%	0	0.00%	\$0.00	\$0.00	0	0	0	234,321
Los Alamitos	94	2,221,377	0	0	12,668	0.57%	28,431	1.28%	\$0.00	\$0.00	(11,048)	16,668	7,560	46,111
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	25,663	1.40%	57,310	3.13%	\$1.37	\$607.75	6,039	(32,243)	15,899	41,058
Westminster	140	2,301,495	0	0	38,132	1.66%	51,938	2.26%	\$1.82	\$524.51	31,236	(16,404)	49,945	95,761
West County Total	1,705	38,970,224	668,247	237,499	599,654	1.54%	1,349,712	3.46%	\$1.54	\$479.71	503,350	1,362,086	784,283	2,341,713
Orange County Total	9,380	234,296,315	1,990,643	2,487,507	2,527,931	1.08%	5,711,444	2.44%	\$1.56	\$391.87	2,644,930	4,893,800	3,248,177	9,442,893
Less than 9,999	3,333	20,261,419	0	9,500	208,395	1.03%	381,102	1.88%	\$1.68	\$429.61	(63,053)	(155,055)	115,850	584,231
10,000-19,999	3,148	43,517,510	0	14,000	465,734	1.07%	844,971	1.94%	\$1.57	\$388.61	109,050	117,446	530,307	1,680,773
20,000-29,999	1,185	28,283,533	0	50,604	342,126	1.21%	650,287	2.30%	\$1.56	\$427.78	(56,626)	323,195	201,297	1,039,695
30,000-39,999	489	16,697,311	0	63,650	223,629	1.34%	368,585	2.21%	\$1.43	\$384.59	190,275	32,311	245,377	705,833
40,000-49,999	292	12,840,824	0	187,500	144,734	1.13%	324,207	2.52%	\$1.46	\$414.41	(2,890)	(28,192)	108,360	551,495
50,000-74,999	374	22,543,629	66,448	69,400	397,869	1.76%	475,587	2.11%	\$1.57	\$286.85	120,198	92,153	337,130	850,569
75,000-99,999	169	14,474,780	288,514	264,600	250,265	1.73%	223,928	1.55%	\$1.60	\$0.00	(107,100)	174,732	101,505	651,732
100,000-199,999	262	34,552,229	1,411,976	1,490,253	318,735	0.92%	1,159,208	3.35%	\$1.84	\$0.00	321,513	645,245	22,341	939,759
200,000 Plus	128	41,125,080	223,705	338,000	176,444	0.43%	1,283,569	3.12%	\$0.00	\$0.00	2,133,563	3,691,965	1,586,010	2,438,806
Orange County Total	9,380	234,296,315	1,990,643	2,487,507	2,527,931	1.08%	5,711,444	2.44%	\$1.56	\$391.87	2,644,930	4,893,800	3,248,177	9,442,893

Lease rates are on a triple-net basis.

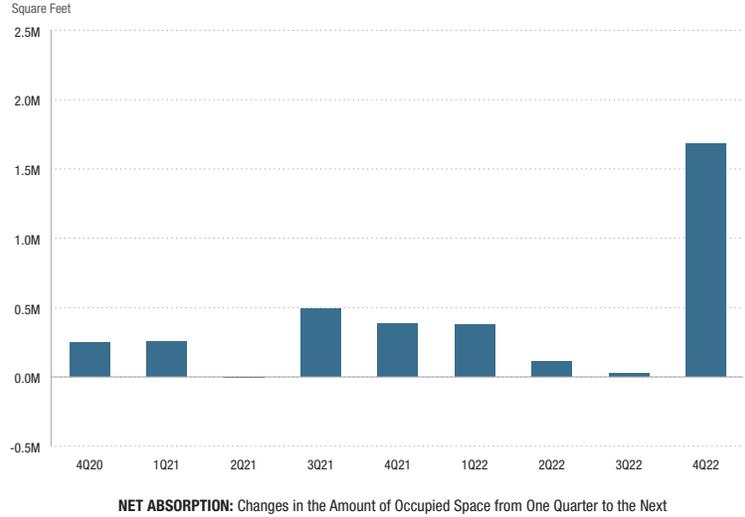
NORTH ORANGE COUNTY

In the fourth quarter of 2022, the North Orange County industrial market consisted of 4,070 buildings totaling 111,408,857 square feet and had an availability rate of 2.08%, which shows an increase from the previous quarter's figure of 1.74%.

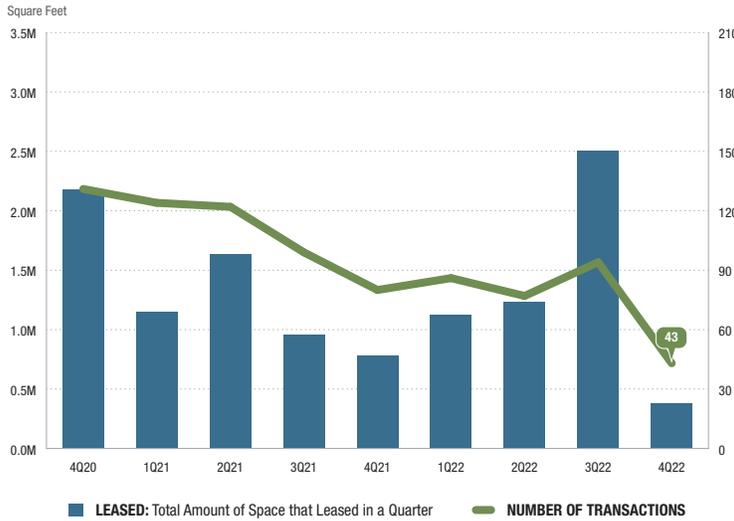
VACANCY & AVAILABILITY RATE



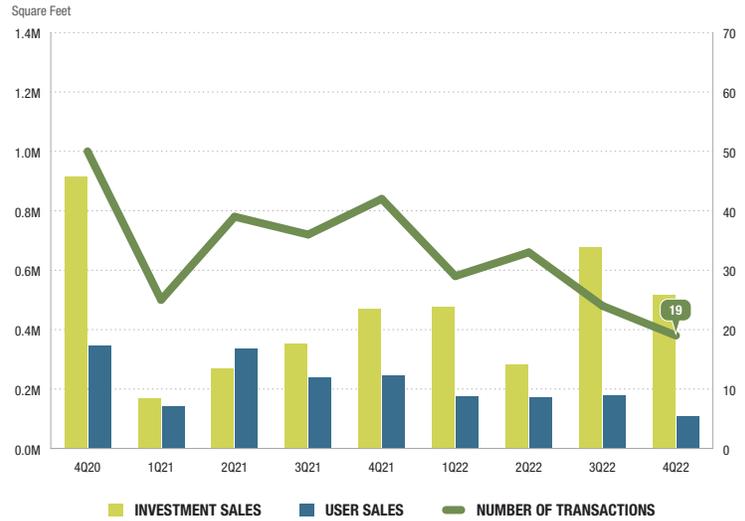
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

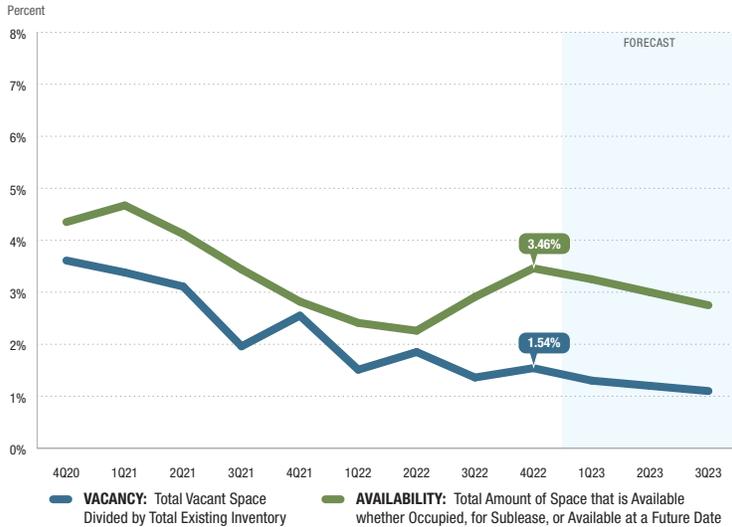
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2022	Square Feet Available	Availability Rate 4Q2022	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2022	Net Absorption 2022	Gross Absorption 4Q2022	Gross Absorption 2022
North Totals														
Less than 9,999	1,344	8,498,179	0	9,500	103,189	1.21%	179,265	2.11%	\$1.52	\$391.76	(57,526)	(87,900)	35,107	280,793
10,000-19,999	1,391	19,254,223	0	0	192,929	1.00%	370,824	1.93%	\$1.51	\$368.85	24,351	(21,123)	231,824	759,830
20,000-29,999	518	12,338,680	0	0	91,149	0.74%	165,094	1.34%	\$1.55	\$329.10	(22,011)	124,419	57,539	368,096
30,000-39,999	226	7,693,560	0	63,650	103,810	1.35%	202,492	2.63%	\$1.44	\$310.90	11,849	(41,223)	30,344	209,888
40,000-49,999	138	6,071,905	0	139,500	91,614	1.51%	155,534	2.56%	\$1.54	\$457.04	(45,279)	(37,763)	7,010	198,977
50,000-74,999	176	10,618,962	66,448	69,400	78,751	0.74%	78,751	0.74%	\$1.47	\$0.00	110,305	120,525	80,545	215,637
75,000-99,999	74	6,322,143	90,980	0	75,600	1.20%	178,465	2.82%	\$0.00	\$0.00	(75,600)	25,200	101,505	256,876
100,000-199,999	135	17,860,224	616,948	551,775	265,227	1.49%	581,114	3.25%	\$0.00	\$0.00	(17,710)	266,219	0	373,596
200,000 plus	68	22,750,981	0	338,000	49,229	0.22%	401,274	1.76%	\$0.00	\$0.00	1,751,031	1,612,265	1,105,717	1,163,539
Total	4,070	111,408,857	774,376	1,171,825	1,051,498	0.94%	2,312,813	2.08%	\$1.53	\$370.92	1,679,410	1,960,619	1,649,591	3,827,232

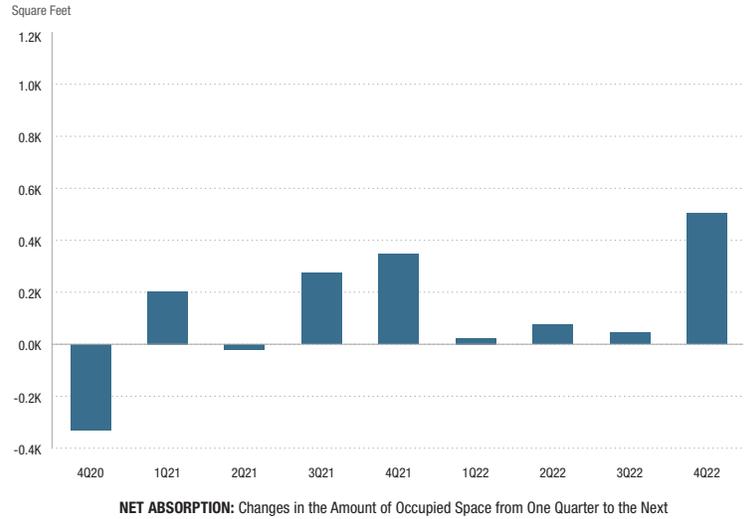
WEST ORANGE COUNTY

In the fourth quarter of 2022, the West Orange County industrial market consisted of 1,705 buildings totaling 38,970,224 square feet and had an availability rate of 3.46%, which shows an increase from the previous quarter's figure of 2.91%.

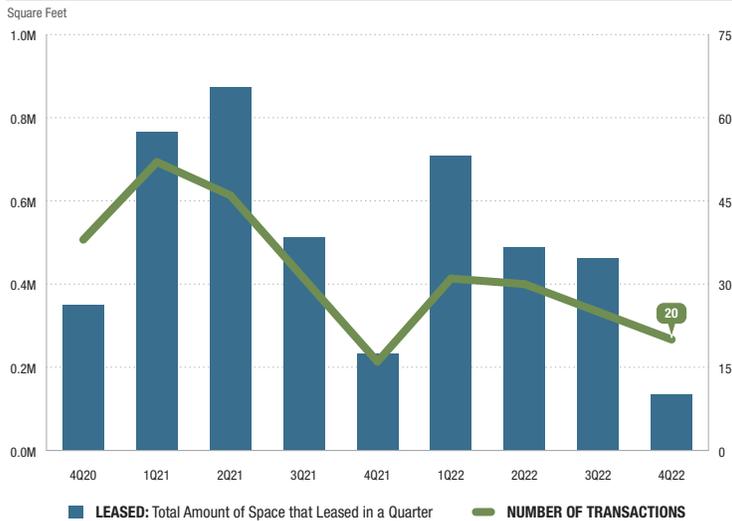
VACANCY & AVAILABILITY RATE



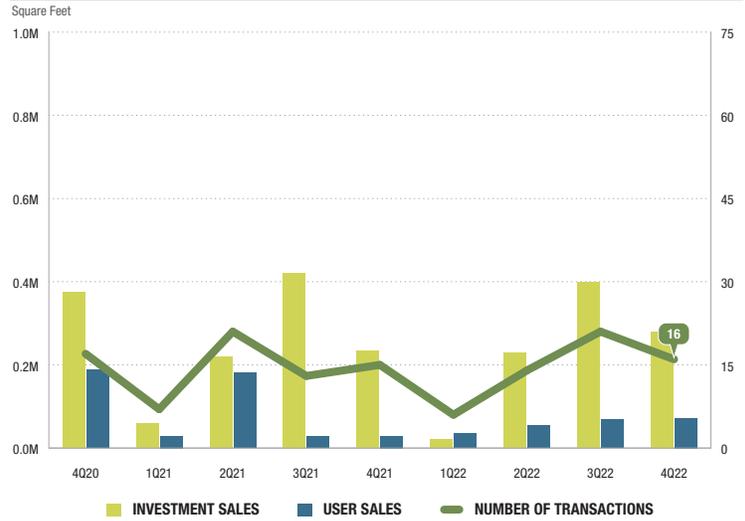
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

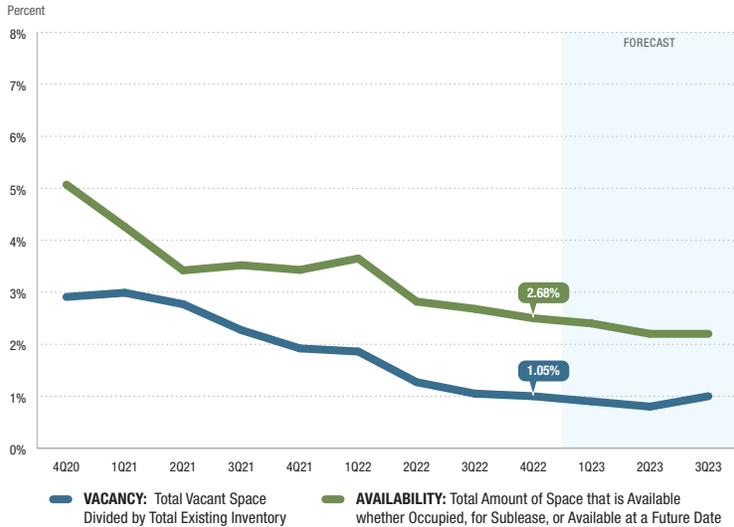
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2022	Square Feet Available	Availability Rate 4Q2022	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2022	Net Absorption 2022	Gross Absorption 4Q2022	Gross Absorption 2022
West Totals														
Less than 9,999	693	4,117,474	0	0	41,230	1.00%	89,687	2.18%	\$1.59	\$490.24	(17,771)	(51,433)	30,198	114,099
10,000-19,999	569	7,534,030	0	0	98,758	1.31%	150,736	2.00%	\$1.34	\$428.84	25,801	54,260	76,501	288,261
20,000-29,999	181	4,358,343	0	0	72,896	1.67%	178,772	4.10%	\$1.12	\$505.44	(3,945)	97,098	50,586	163,921
30,000-39,999	61	2,128,714	0	0	37,782	1.77%	43,782	2.06%	\$1.30	\$0.00	108,655	(2,766)	69,342	164,813
40,000-49,999	49	2,158,231	0	0	0	0.00%	46,644	2.16%	\$1.48	\$0.00	0	2,539	10,626	33,873
50,000-74,999	57	3,405,460	0	0	128,239	3.77%	143,107	4.20%	\$0.00	\$0.00	0	(4,946)	71,015	253,413
75,000-99,999	31	2,661,547	97,896	88,164	174,665	6.56%	15,763	0.59%	\$0.00	\$0.00	(31,500)	(14,780)	0	101,041
100,000-199,999	41	5,560,637	346,646	149,335	21,552	0.39%	277,365	4.99%	\$0.00	\$0.00	(11,755)	(16,877)	15,972	170,647
200,000 plus	23	7,045,788	223,705	0	24,532	0.35%	403,856	5.73%	\$0.00	\$0.00	433,865	1,298,991	460,043	1,051,645
Total	1,705	38,970,224	668,247	237,499	599,654	1.54%	1,349,712	3.46%	\$1.54	\$479.71	503,350	1,362,086	784,283	2,341,713

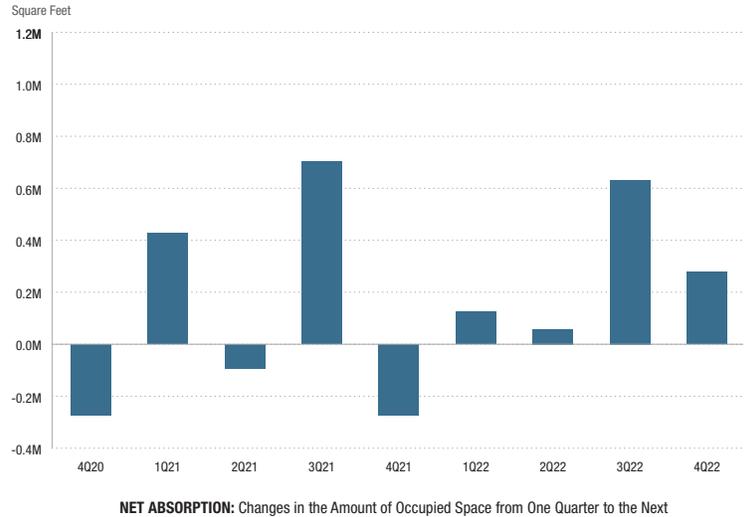
AIRPORT AREA

In the fourth quarter of 2022, the Airport Orange County industrial market consisted of 2,664 buildings totaling 58,798,107 square feet and had an availability rate of 2.68%, which shows a decrease from previous quarter's figure of 2.82%.

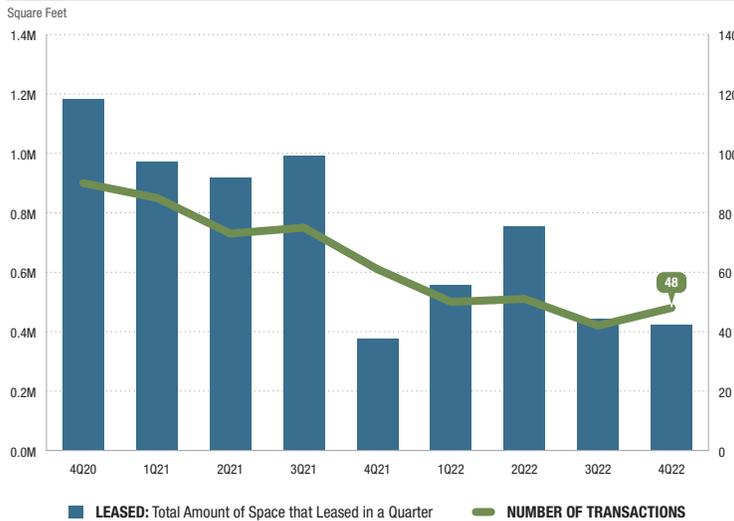
VACANCY & AVAILABILITY RATE



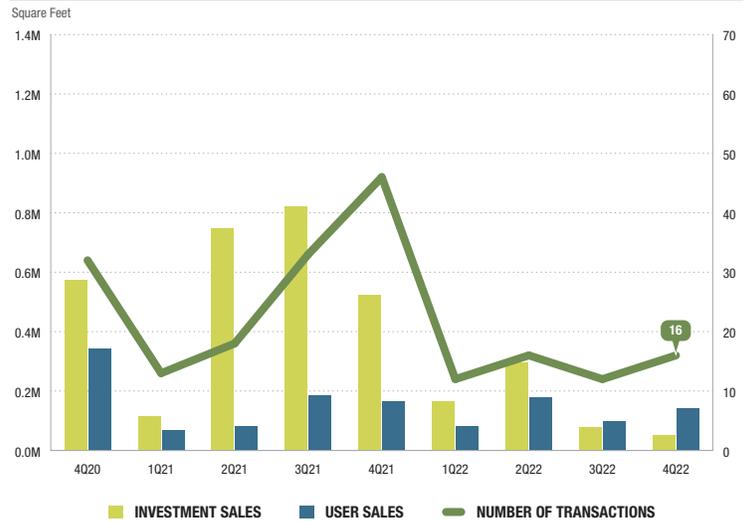
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

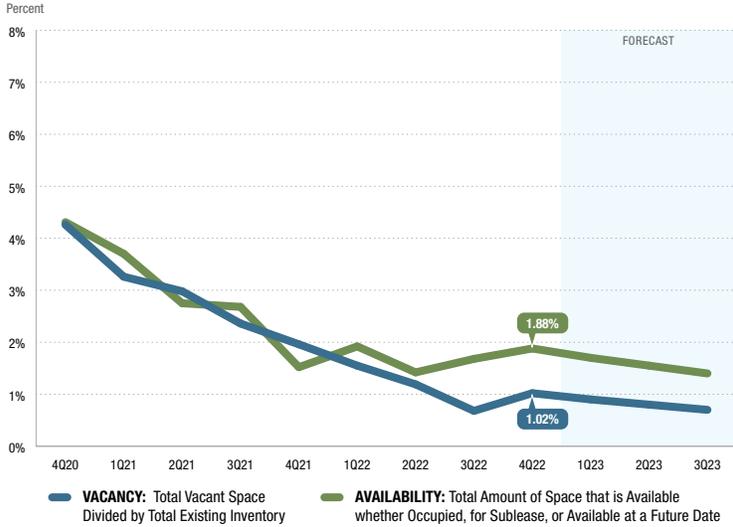
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2022	Square Feet Available	Availability Rate 4Q2022	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2022	Net Absorption 2022	Gross Absorption 4Q2022	Gross Absorption 2022
Airport Totals														
Less than 9,999	933	5,414,001	0	0	43,617	0.81%	69,194	1.28%	\$1.77	\$416.40	24,763	(5,473)	43,061	106,009
10,000-19,999	913	12,793,456	0	0	119,103	0.93%	263,807	2.06%	\$1.63	\$402.92	6,672	67,980	126,237	440,674
20,000-29,999	354	8,438,136	0	29,804	104,054	1.23%	222,287	2.63%	\$1.53	\$384.37	6,260	10,970	93,172	312,182
30,000-39,999	156	5,309,843	0	0	44,984	0.85%	65,258	1.23%	\$1.26	\$340.84	102,071	74,678	145,691	253,768
40,000-49,999	77	3,363,356	0	48,000	47,500	1.41%	68,708	2.04%	\$1.33	\$376.72	41,000	7,429	85,142	266,506
50,000-74,999	107	6,479,190	0	0	126,070	1.95%	220,591	3.40%	\$1.58	\$286.85	24,064	(52,880)	61,380	317,434
75,000-99,999	49	4,191,427	0	82,241	0	0.00%	0	0.00%	\$0.00	\$0.00	0	152,309	171,399	368,104
100,000-199,999	54	6,803,013	448,382	370,635	31,956	0.47%	232,465	3.42%	\$0.00	\$0.00	124,252	95,948	150	217,048
200,000 plus	21	6,005,685	0	0	102,683	1.71%	435,116	7.25%	\$0.00	\$0.00	(51,333)	740,702	20,250	91,833
Total	2,664	58,798,107	448,382	530,680	619,967	1.05%	1,577,426	2.68%	\$1.55	\$363.24	277,749	1,091,663	685,102	2,202,159

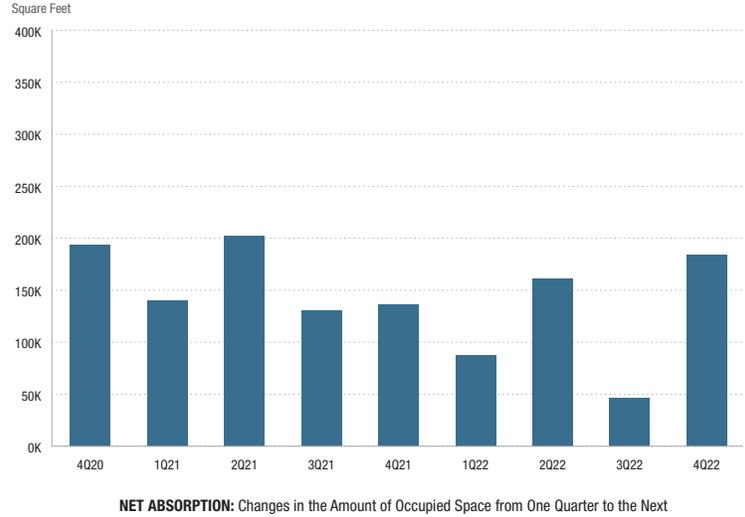
SOUTH ORANGE COUNTY

In the fourth quarter of 2022, the South Orange County industrial market consisted of 941 buildings totaling 25,119,127 square feet and had an availability rate of 1.88%, which shows an increase from the previous quarter's figure of 1.68%.

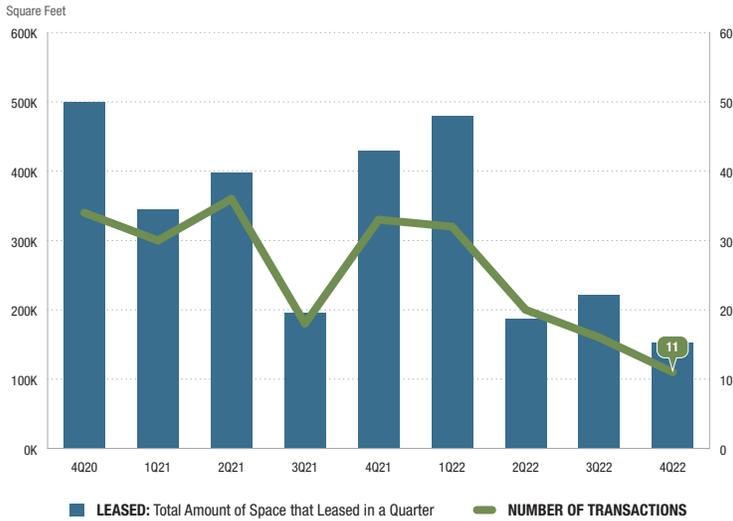
VACANCY & AVAILABILITY RATE



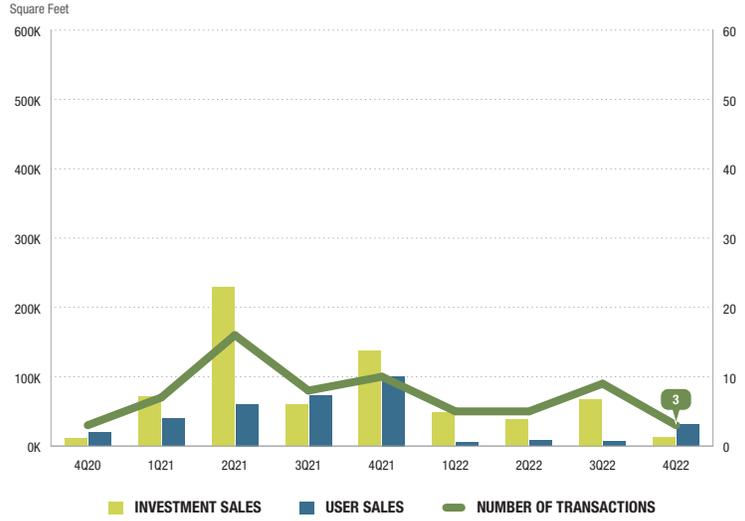
NET ABSORPTION



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 4Q2022	Square Feet Available	Availability Rate 4Q2022	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2022	Net Absorption 2022	Gross Absorption 4Q2022	Gross Absorption 2022
South Totals														
Less than 9,999	363	2,231,765	0	0	20,359	0.91%	42,956	1.92%	\$1.85	\$469.32	(12,519)	(10,249)	7,484	83,330
10,000-19,999	275	3,935,801	0	14,000	54,944	1.40%	59,604	1.51%	\$1.91	\$0.00	52,226	16,329	95,745	192,008
20,000-29,999	132	3,148,374	0	20,800	74,027	2.35%	84,134	2.67%	\$1.54	\$0.00	(36,930)	90,708	0	195,496
30,000-39,999	46	1,565,194	0	0	37,053	2.37%	57,053	3.65%	\$1.76	\$472.25	(32,300)	1,622	0	77,364
40,000-49,999	28	1,247,332	0	0	5,620	0.45%	53,321	4.27%	\$1.65	\$0.00	1,389	(397)	5,582	52,139
50,000-74,999	34	2,040,017	0	0	64,809	3.18%	33,138	1.62%	\$0.00	\$0.00	(14,171)	29,454	14,171	64,085
75,000-99,999	15	1,299,663	99,638	94,195	0	0.00%	29,700	2.29%	\$0.00	\$0.00	0	12,003	0	97,110
100,000-199,999	32	4,328,355	0	418,508	0	0.00%	68,264	1.58%	\$0.00	\$0.00	226,726	299,955	6,219	178,468
200,000 plus	16	5,322,626	0	0	0	0.00%	43,323	0.81%	\$0.00	\$0.00	0	40,007	0	131,789
Total	941	25,119,127	99,638	547,503	256,812	1.02%	471,493	1.88%	\$1.69	\$471.57	184,421	479,432	129,201	1,071,789



Year-End OC Industrial Market Overview

by **Mike Vernick, CCIM, SIOR**

SENIOR VICE PRESIDENT / PARTNER, ANAHEIM

714.935.2354 · mvernick@voitco.com · Lic. #01420885

The Orange County industrial market has experienced a historic recovery from the “Great Recession” era of 2008, not only in length of the recovery, but also in value appreciation, as the latter was supercharged by skyrocketing demand during the pandemic. The (multi) million dollar question now begs, is this historic ride over?

The answer is perhaps not as clear as the doomsday media would have us believe. Let us consider the market fundamentals. There has been a pullback of buyer demand due to rapidly rising interest rates, causing sale prices to soften, but the lease rates have held at their historic high levels and in some cases have continued to increase. The result is a critical mass of owner users who are still pursuing purchases as an alternative to high leasing costs. Furthermore, an intrinsic desire to own property in Orange County still prevails. The repatriating of manufacturing, less reliance on just-in-time inventory deliveries, and access to over 27 million people in the greater OC, LA and IE metros have continued to bolster the demand for, and confidence in, OC industrial space.

Although net absorption has tapered off slightly, the vacancy rates are still historically low — frustratingly low for occupants searching for quality space. There are several new projects coming on line in 2023, but the new deliveries in OC should not make a significant impact to the airtight vacancy. We could start to see vacancies in older buildings tick up as tenants transition to newly developed, higher-quality buildings.

The capital markets uncertainty continues as the gap between interest rates and seller cap rate expectations widen. The impact of negative leverage on investor demand has been significant and buyer / seller expectations are often misaligned. Rising construction costs have also slowed the appetite for new development. Many institutional investors are in a holding pattern for new acquisitions unless irreplaceable opportunities become available.

Some economists are saying that a recession is highly likely, if not certain, during 2023 as inflation concerns persist, but the silver lining lies in the solid OC market fundamentals. With an extremely diverse industry base, strong local economy, nearly 1.0% vacancy, limited infill land and high barriers to development, the Orange County industrial market is poised to withstand some slight economic headwinds or even more significant turbulence, as the case might be in 2023.

**Please Contact Us
for Further Information**

Tony Tran
Regional Director of Research
ttran@voitco.com

Anaheim, CA
714.978.7880

Carlsbad, CA
760.472.5620

Inland Empire, CA
909.545.8000

Irvine, CA
949.851.5100

Los Angeles, CA
424.329.7500

San Diego, CA
858.453.0505

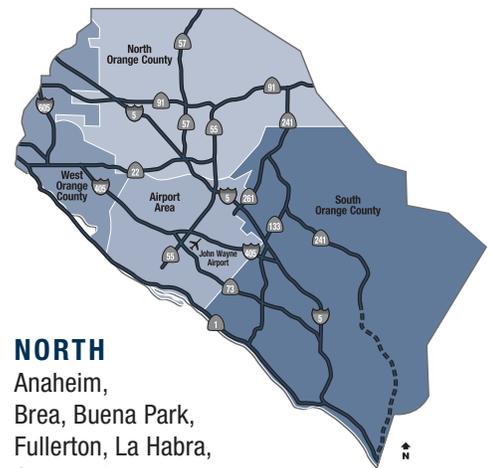
This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is 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