

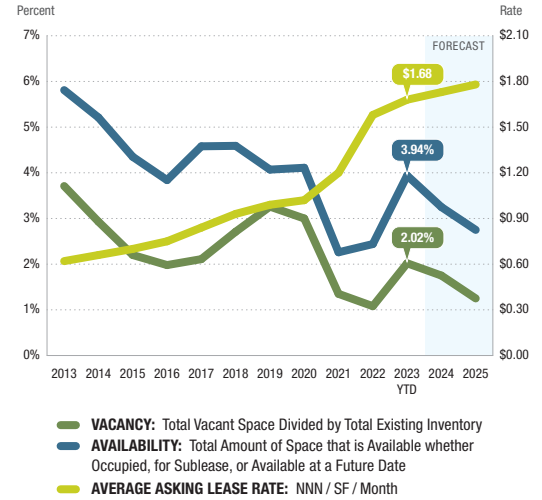
OVERVIEW. The Orange County industrial market stayed on its recent trajectory during the second quarter. Vacancy continued its move up and net absorption remained in negative territory, though gross absorption managed to increase. Construction fell slightly and remains at historically low levels countywide. Fewer active lease requirements have reduced overall market velocity and higher interest rates have sent many owner/user buyers to the sidelines. Surprisingly, average asking lease rates moved up again in Q2, but price reductions are becoming more common, as marketing time is now measured in months rather than weeks or days. But quality product, appropriately priced, is still moving quickly. Availability of buildings for sale remains very thin, and that has kept average asking sales prices in record territory, despite mortgage interest rates hovering above 6%.

VACANCY & AVAILABILITY. The vacancy rate in Orange County continued to rise in Q2, reaching 2.02%, up 56 basis points from Q1. The availability rate, which includes occupied spaces listed for lease or sale, also increased, rising 83 basis points to 3.94%. This was primarily due to an increase in sublease space. Tenants have more options to choose from, so time on market is increasing. Landlords are prioritizing creditworthiness and lease term, as they anticipate a further softening in market conditions. They are more willing to offer free rent and tenant improvements to attract solid, long-term tenants. The lack of space offered for sale is helping to keep a lid on the rise in vacancy.

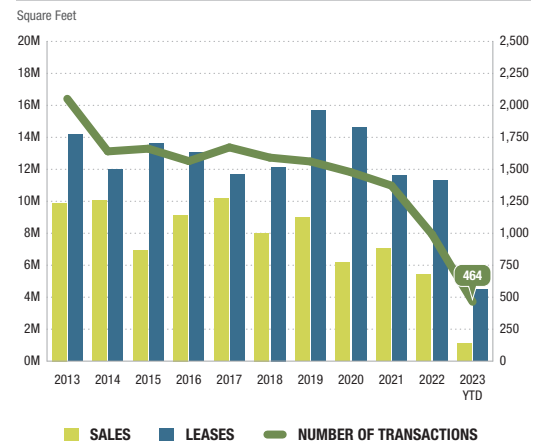
LEASE RATES & SALES PRICES. The average asking lease rate for the county keeps moving up despite rising vacancy. That rate moved up another \$0.06 per square foot in Q2 to \$1.68 after a \$0.04 increase in Q1. Year over year, asking rents have grown by 25%, despite the rise in vacancy and the slowdown in active requirements. The average asking sales price rose by \$34 per square foot in Q2, ending the quarter at \$424.37, the highest on record. However, that big move up reflects more for-sale buildings in the smaller size ranges, which command a higher per-square-foot price. Elevated mortgage rates have reduced demand from owner/users, but with so few buildings offered for sale, there is still enough demand to absorb every building that comes to market, allowing sellers to hold firm on pricing.

TRANSACTION ACTIVITY. There was little movement in the lease and sale market in Q2. Despite rising vacancy, the supply of high quality, functional space remains low, as the bulk of existing space is older with elements of functional obsolescence. Fewer active requirements circulating in the market have reduced the competition for space, lowering the level of urgency for tenants and buyers to make quick decisions. The number of lease transactions increased to 209 in the period from 189 in Q1, but just 25 sales were recorded in Q2, down from 41 in the first quarter. Total lease and sale activity by square footage fell to 2.6 MSF from 2.9 MSF in Q2. However, year-over-year sale and lease activity is down by over 34% and time on market for space is on the rise. The biggest sale of the quarter was a 182,800 SF portfolio sale in Anaheim, with total consideration of \$65 million. The largest lease was for 319,175 SF to Bunzl Distribution California on Miraloma Avenue, also in Anaheim.

VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES



TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



Market Statistics

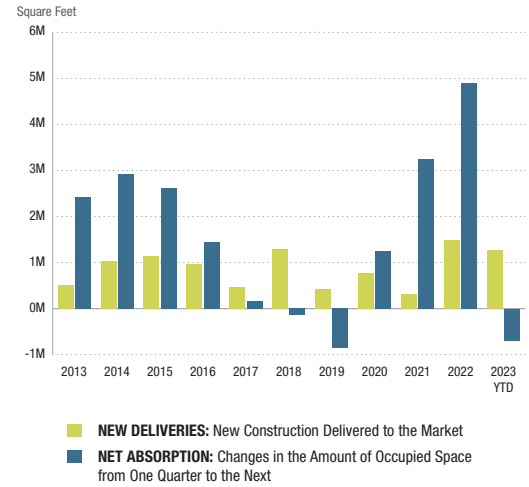
	Change Over Last Quarter	Q2 2023	Q1 2023	Q2 2022	% Change Over Last Year
Vacancy Rate	▲ UP	2.02%	1.46%	1.23%	64.44%
Availability Rate	▲ UP	3.94%	3.11%	2.40%	64.24%
Average Asking Lease Rate	▲ UP	\$1.68	\$1.62	\$1.34	25.37%
Average Asking Sale Price	▲ UP	\$424.37	\$390.12	\$366.00	15.95%
Sale & Lease Transactions	▼ DOWN	2,657,680	2,921,799	4,049,463	(34.37%)
Gross Absorption	▲ UP	2,740,633	1,806,226	1,801,590	52.12%
Net Absorption	▼ NEGATIVE	(194,101)	(496,325)	407,952	N/A

ABSORPTION. Orange County experienced a second consecutive quarter of negative net absorption in Q2. The overall loss in occupied space was 194,101 SF after a loss of 496,325 SF in Q1. Cypress recorded the biggest drop, losing 215,000 SF in occupied space, followed by Anaheim with a loss of 203,548 SF. But, despite the decline in Anaheim, North County posted positive net absorption of 127,500 SF thanks to Fullerton's gain of 229,655 SF. The Airport Area, West County and South County submarkets all posted net losses for the quarter. However, gross absorption, which measures total move-ins, actually increased in Q2 to 2,740,680 SF from 1,806,226 SF in Q1.

CONSTRUCTION. In Q2, the construction queue dropped to 2,263,408 SF on a total base inventory that now tops 235.5 MSF. The current pipeline includes 16 buildings in eleven cities. 12 of those 16 buildings are Class A distribution facilities that are in high demand from e-commerce users who require high clearance and state-of-the-art fire suppression systems to operate efficiently. The largest project, Goodman Commerce Center Cypress, totals 390,268 SF with completion expected in Q3 2024. Other projects include a 187,000 SF building in Anaheim being developed by LBA and two buildings totaling 311,770 SF fronting the 55 Freeway in Tustin.

EMPLOYMENT. The unemployment rate in Orange County was 3.2% in May 2023, up from a revised 3.0% in April 2023 and above the year-ago estimate of 2.7%. Eight sectors contributed an additional 33,600 jobs, accounting for 74% of the total nonfarm year-over-year increase. Private education and health services experienced an increase of 10,300 jobs, followed by trade, transportation, and utilities (up 6,800), professional and business services (up 4,600), government (up 4,200), construction (up 3,000), manufacturing (up 2,800), other services (up 1,200), and information (up 700).

NEW DELIVERIES & NET ABSORPTION



Forecast

Vacancy in for-lease product, though still low by historical standards, will continue to inch higher in the coming months as uncertain economic conditions continue to soften the demand for space. Downward pricing pressure on less functional buildings offered for lease will increase, but higher quality space will continue to lease at a premium. Tenants will gain more negotiating power as time-on-market for space increases. The sale market has shown remarkable resilience despite the doubling of mortgage interest rates in the past 18 months. Inventory of for-sale product should remain tight, as many long-term property owners sitting on massive capital gains are reluctant to cash out and hand over a third of their gains to the IRS and Franchise Tax Board. Construction activity will decrease over the next year, as planned projects are delayed due to the higher cost of capital and uncertain economic conditions that are expected to limit rent growth going forward. Institutional investors have lost interest in value-add acquisitions and are now focused on acquiring stabilized assets with strong credit tenants.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
1340-1400 S. State College Blvd. & 2000-2050 E. Winston Rd.	Anaheim	182,800	\$65,000,000	Dalfen Industrial	JP Morgan Chase & Co
1400 S. Allec St.	Anaheim	121,225	\$28,150,000	Lpf 1400 Allec Street LLC	Bixby Land Company
81-91 Columbia	Aliso Viejo	40,792	\$14,073,500	Columbia Hill Property LLC	JDH Pacific Inc.
650 W. Freedom Ave.	Orange	30,863	\$11,952,000	Aleme Properties LLC	JJFoil, Inc
1221 E. Warner Ave.	Santa Ana	26,700	\$11,500,000	Ricos Enterprises Santa Ana LLC	Warner Industrial LLC

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
3310-3250 E. Miraloma Ave. - Renewal	Anaheim	319,175	May-2023	Bunzl Distribution California	Anaheim Industrial LP
566 N. Gilbert St. - Renewal	Fullerton	301,470	Apr-2023	Cargill, Inc.	RREEF
3454 E. Miraloma Ave. - Renewal	Anaheim	300,000	May-2023	Freeman Expositions	DCT/Prologis
12821 Knott Ave.	Garden Grove	165,171	Jun-2023	Harbinger Motors Inc.	Rexford Industrial Realty LP
5665 Corporate Ave.	Cypress	159,943	Jun-2023	Bar Bakers, LLC	Bixby Land Company

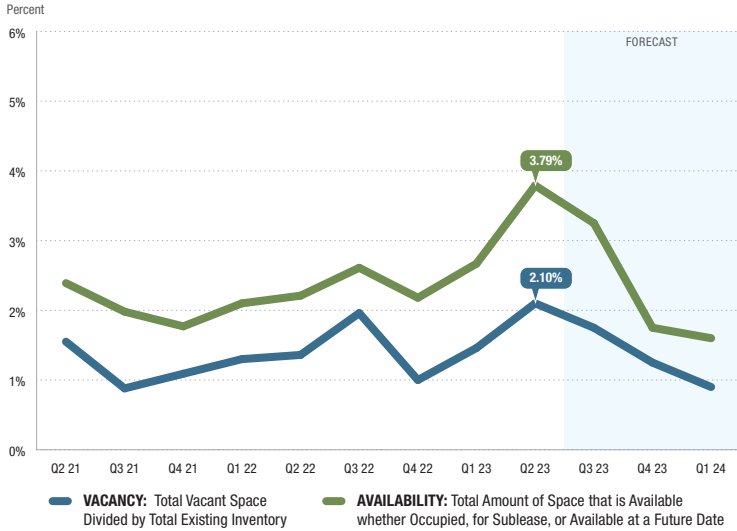
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2023	Square Feet Available	Availability Rate Q2 2023	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption Q2 2023	Net Absorption 2023	Gross Absorption Q2 2023	Gross Absorption 2023
Airport Area														
Costa Mesa	447	7,647,666	0	0	98,296	1.29%	304,944	3.99%	\$1.49	\$551.90	(2,629)	1,499	39,183	102,307
Fountain Valley	178	3,680,498	0	0	15,702	0.43%	58,542	1.59%	\$2.44	\$557.88	5,467	14,595	21,567	51,916
Irvine	298	11,072,908	394,966	0	145,631	1.32%	591,435	5.34%	\$1.78	\$0.00	14,028	29,636	57,175	106,875
Newport Beach	48	602,698	0	0	4,165	0.69%	6,665	1.11%	\$0.00	\$0.00	15,986	15,986	4,292	19,638
Santa Ana	1,571	30,850,914	0	357,741	666,683	2.16%	1,265,835	4.10%	\$1.67	\$366.88	(114,784)	(163,720)	557,338	688,265
Tustin	113	4,291,532	311,770	0	85,551	1.99%	173,601	4.05%	\$1.67	\$0.00	600	(20,887)	62,680	376,460
Airport Area Total	2,655	58,146,216	706,736	357,741	1,016,028	1.75%	2,401,022	4.13%	\$1.68	\$405.54	(81,332)	(122,891)	742,235	1,345,461
North County														
Anaheim	1,832	44,394,358	261,028	149,900	1,219,809	2.75%	1,951,391	4.40%	\$1.56	\$454.08	(203,548)	(682,354)	392,093	553,440
Brea	327	12,031,238	124,678	0	71,242	0.59%	205,941	1.71%	\$0.00	\$452.82	39,391	16,154	76,422	117,534
Buena Park	238	13,309,159	27,765	0	146,527	1.10%	769,919	5.78%	\$2.13	\$325.00	27,156	(60,923)	65,324	93,370
Fullerton	463	20,649,100	0	279,000	664,352	3.22%	924,522	4.48%	\$1.55	\$331.68	229,655	265,592	763,756	865,404
La Habra	193	3,328,639	0	0	25,869	0.78%	37,358	1.12%	\$0.00	\$372.32	21,057	(15,384)	34,813	43,848
Orange	743	13,549,815	0	165,548	69,681	0.51%	216,745	1.60%	\$1.60	\$609.01	52,696	178,849	90,691	219,931
Placentia	218	4,243,899	0	0	150,845	3.55%	143,083	3.37%	\$1.51	\$275.89	(59,639)	(59,770)	74,876	94,230
Yorba Linda	55	908,881	0	0	8,493	0.93%	10,493	1.15%	\$1.43	\$0.00	20,732	54,313	26,238	44,138
North County Total	4,069	112,415,089	413,471	594,448	2,356,818	2.10%	4,259,452	3.79%	\$1.67	\$407.06	127,500	(303,523)	1,524,213	2,031,895
South County														
Aliso Viejo	18	685,634	0	0	32,300	4.71%	32,300	4.71%	\$0.00	\$415.00	0	21,972	0	42,152
Foothill Ranch	64	3,417,232	0	0	5,285	0.15%	421,482	12.33%	\$1.66	\$0.00	(5,285)	19,853	0	58,276
Irvine Spectrum	216	10,493,588	94,195	0	183,896	1.75%	244,837	2.33%	\$1.66	\$493.69	(41,879)	(68,362)	125,859	144,903
Laguna Beach	21	112,459	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Laguna Hills	78	1,066,962	0	0	8,654	0.81%	10,404	0.98%	\$1.91	\$0.00	5,331	(13,314)	12,821	29,773
Laguna Niguel	17	231,576	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	1,600	0	1,600
Lake Forest	190	4,303,472	0	172,000	36,981	0.86%	364,286	8.46%	\$1.75	\$405.44	15,531	21,168	58,749	62,149
Mission Viejo	31	719,801	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	853	853	6,790	6,790
Rancho Mission Viejo	3	99,200	25,844	0	3,840	3.87%	5,664	5.71%	\$1.83	\$0.00	(3,840)	(3,840)	1,920	5,760
Rancho Santa Margarita	107	1,703,058	0	0	6,706	0.39%	9,565	0.56%	\$1.75	\$493.36	30	983	5,300	20,354
San Clemente	161	1,988,287	0	0	20,994	1.06%	38,705	1.95%	\$1.50	\$0.00	(10,302)	(10,302)	35,015	43,655
San Juan Capistrano	42	881,671	136,308	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
South County Total	948	25,702,940	256,347	172,000	298,656	1.16%	1,127,243	4.39%	\$1.69	\$440.08	(39,561)	(29,389)	246,454	415,412
West County														
Cypress	100	4,674,702	390,208	0	258,953	5.54%	310,351	6.64%	\$1.79	\$0.00	(215,000)	(202,921)	0	31,500
Garden Grove	474	12,079,597	149,335	0	409,358	3.39%	489,676	4.05%	\$1.80	\$410.44	(38,690)	(177,921)	76,359	138,305
Huntington Beach	694	13,492,087	347,311	0	369,592	2.74%	587,222	4.35%	\$1.37	\$608.26	64,446	126,629	115,029	428,538
La Palma	16	1,778,216	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Los Alamitos	93	2,197,467	0	0	20,391	0.93%	18,931	0.86%	\$0.00	\$428.20	(16,051)	(6,263)	2,880	28,431
Seal Beach	15	946,896	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Stanton	174	1,847,964	0	0	21,370	1.16%	78,343	4.24%	\$1.35	\$542.09	8,043	1,243	30,007	57,493
Westminster	139	2,254,225	0	0	10,380	0.46%	14,563	0.65%	\$1.84	\$991.50	(3,456)	24,610	3,456	69,824
West County Total	1,705	39,271,154	886,854	0	1,090,044	2.78%	1,499,086	3.82%	\$1.71	\$495.20	(200,708)	(234,623)	227,731	754,091
Orange County Total	9,377	235,535,399	2,263,408	1,124,189	4,761,546	2.02%	9,286,803	3.94%	\$1.68	\$424.37	(194,101)	(690,426)	2,740,633	4,546,859
Less than 9,999	3,332	20,339,458	0	0	319,668	1.57%	531,444	2.61%	\$1.95	\$530.29	(4,092)	(120,932)	285,781	437,329
10,000-19,999	3,136	43,346,254	39,844	0	496,679	1.15%	1,054,184	2.43%	\$1.67	\$387.41	78,933	86,257	418,458	696,745
20,000-29,999	1,189	28,404,254	48,565	0	249,725	0.88%	758,490	2.67%	\$1.63	\$443.50	79,109	113,355	249,986	612,003
30,000-39,999	497	16,977,675	0	37,943	234,031	1.38%	543,602	3.20%	\$1.48	\$354.89	(30,971)	72,733	157,519	400,164
40,000-49,999	294	12,947,183	0	99,100	275,096	2.12%	247,633	1.91%	\$1.53	\$387.81	100,349	(31,184)	154,241	178,824
50,000-74,999	372	22,414,391	0	66,448	709,748	3.17%	795,071	3.55%	\$1.59	\$356.01	102,634	(197,868)	249,772	442,006
75,000-99,999	164	14,060,195	189,373	82,241	254,324	1.81%	611,517	4.35%	\$1.77	\$0.00	(39,511)	(150,857)	124,031	171,294
100,000-199,999	263	34,822,749	1,780,717	838,457	1,152,379	3.31%	2,118,200	6.08%	\$1.81	\$0.00	(152,423)	(330,409)	408,733	467,729
200,000 Plus	130	42,223,240	204,909	0	1,069,896	2.53%	2,626,662	6.22%	\$0.00	\$0.00	(328,129)	(131,521)	692,112	1,140,765
Orange County Total	9,377	235,535,399	2,263,408	1,124,189	4,761,546	2.02%	9,286,803	3.94%	\$1.68	\$424.37	(194,101)	(690,426)	2,740,633	4,546,859

Lease rates are on a triple-net basis.

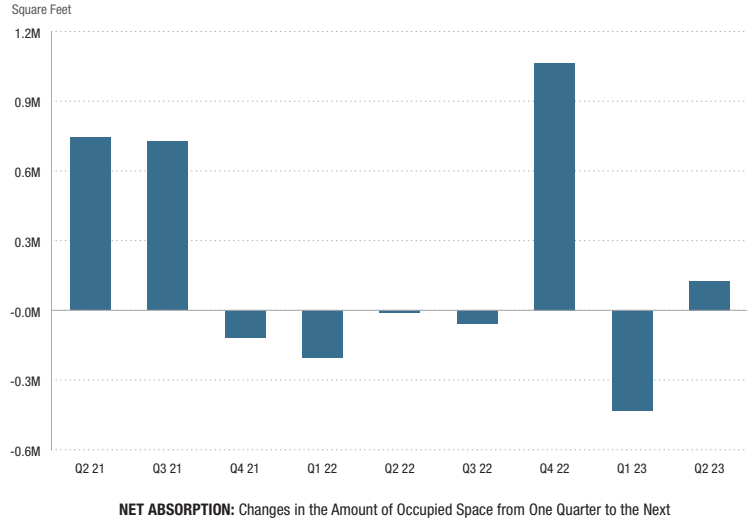
NORTH ORANGE COUNTY

In the second quarter of 2023, the North Orange County industrial market consisted of 4,069 buildings totaling 112,415,089 square feet and had an availability rate of 3.79%, which shows an increase from the previous quarter's figure of 2.67%.

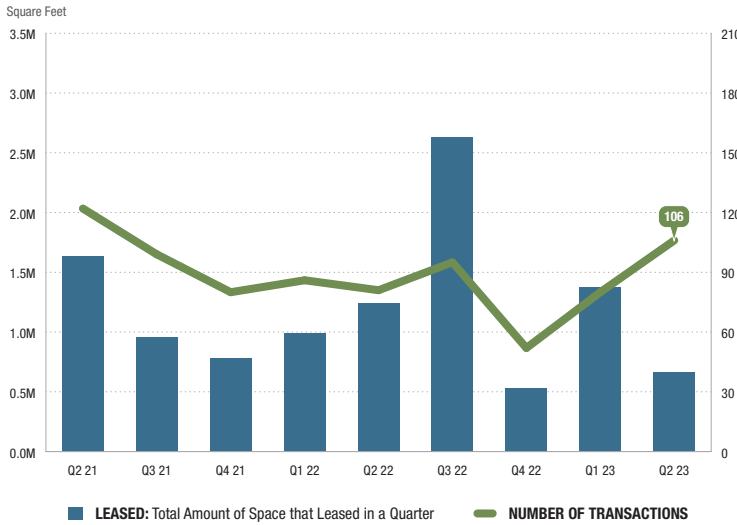
VACANCY & AVAILABILITY RATE



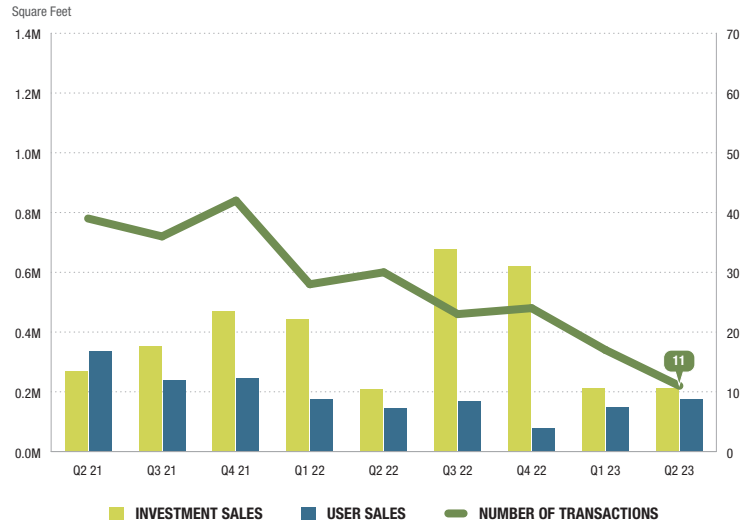
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

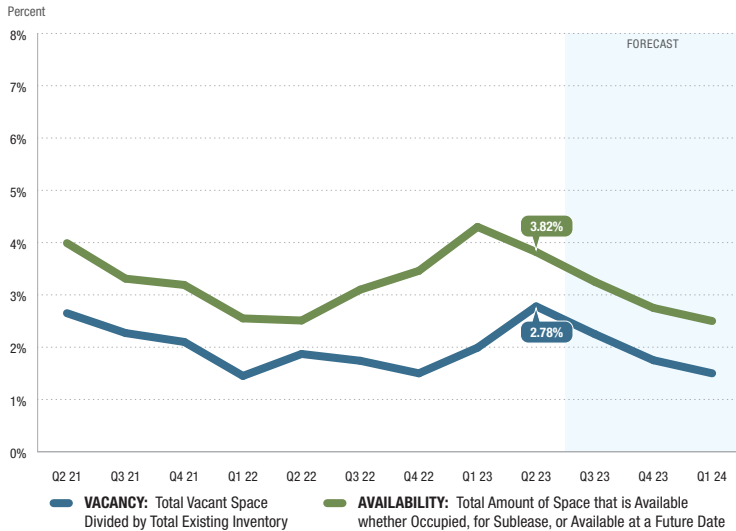
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2023	Square Feet Available	Availability Rate Q2 2023	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption Q2 2023	Net Absorption 2023	Gross Absorption Q2 2023	Gross Absorption 2023
North Totals														
Less than 9,999	1,346	8,517,026	0	0	143,389	1.68%	205,504	2.41%	\$1.94	\$548.02	25,248	(57,879)	135,003	205,178
10,000-19,999	1,386	19,200,047	0	0	202,043	1.05%	436,999	2.28%	\$1.67	\$339.56	61,279	37,184	238,499	357,072
20,000-29,999	517	12,320,427	27,765	0	48,902	0.40%	237,926	1.93%	\$1.58	\$451.46	23,739	53,512	74,734	170,684
30,000-39,999	226	7,693,851	0	37,943	100,806	1.31%	254,349	3.31%	\$1.20	\$303.39	15,349	83,101	85,878	145,781
40,000-49,999	139	6,128,074	0	99,100	144,019	2.35%	105,183	1.72%	\$1.25	\$387.81	20,760	(87,415)	86,989	92,494
50,000-74,999	174	10,489,587	0	66,448	258,763	2.47%	283,902	2.71%	\$1.57	\$0.00	51,551	(122,012)	70,671	220,403
75,000-99,999	73	6,240,328	95,178	0	142,848	2.29%	302,166	4.84%	\$1.75	\$0.00	1,700	(141,146)	46,718	46,718
100,000-199,999	140	18,544,509	290,528	390,957	763,406	4.12%	1,337,959	7.21%	\$1.67	\$0.00	(134,036)	(103,681)	236,775	239,671
200,000 plus	68	23,281,240	0	0	552,642	2.37%	1,095,464	4.71%	\$0.00	\$0.00	61,910	34,813	548,946	553,894
Total	4,069	112,415,089	413,471	594,448	2,356,818	2.10%	4,259,452	3.79%	\$1.67	\$407.06	127,500	(303,523)	1,524,213	2,031,895

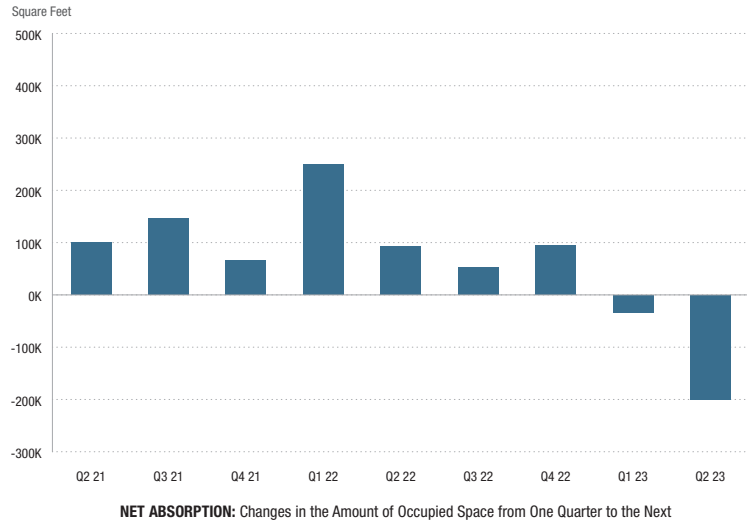
WEST ORANGE COUNTY

In the second quarter of 2023, the West Orange County industrial market consisted of 1,705 buildings totaling 39,271,154 square feet and had an availability rate of 3.82%, which shows a decrease from the previous quarter's figure of 4.30%.

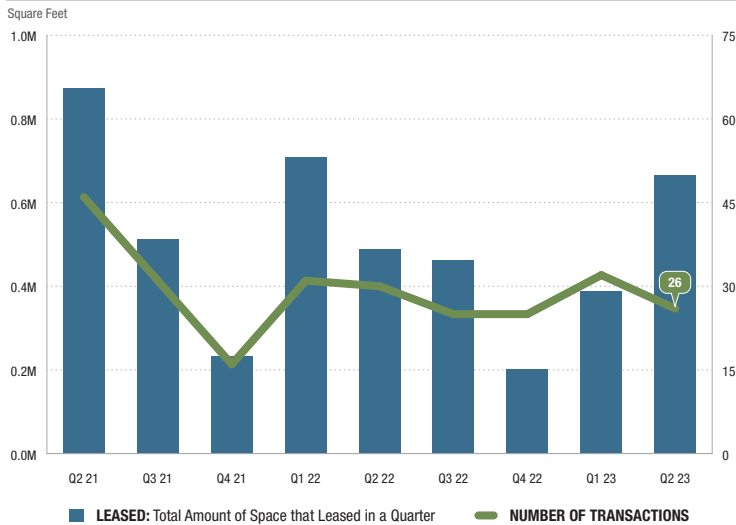
VACANCY & AVAILABILITY RATE



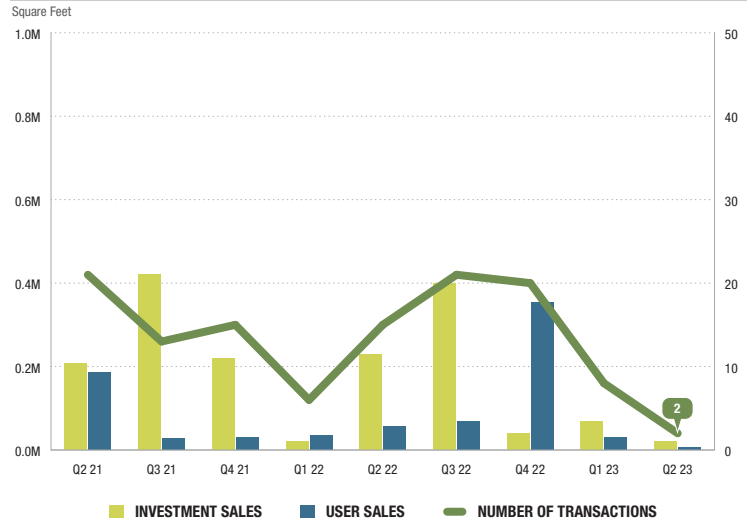
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

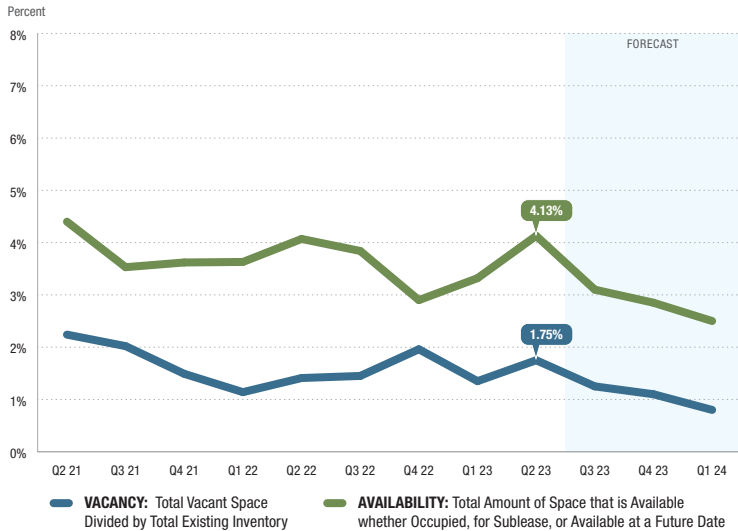
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2023	Square Feet Available	Availability Rate Q2 2023	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption Q2 2023	Net Absorption 2023	Gross Absorption Q2 2023	Gross Absorption 2023
West Totals														
Less than 9,999	688	4,106,362	0	0	52,496	1.28%	107,566	2.62%	\$1.71	\$539.91	(18,500)	(19,598)	54,734	87,752
10,000-19,999	567	7,510,690	0	0	115,338	1.54%	235,862	3.14%	\$1.54	\$428.14	(7,138)	(19,221)	26,539	76,029
20,000-29,999	187	4,506,442	0	0	23,307	0.52%	80,918	1.80%	\$1.33	\$523.71	46,921	58,308	47,707	154,223
30,000-39,999	61	2,128,365	0	0	17,476	0.82%	28,020	1.32%	\$1.35	\$0.00	(11,456)	20,306	9,456	75,824
40,000-49,999	51	2,249,918	0	0	6,525	0.29%	49,545	2.20%	\$1.70	\$0.00	40,119	(6,525)	46,644	46,644
50,000-74,999	57	3,406,011	0	0	236,475	6.94%	172,788	5.07%	\$1.56	\$0.00	(45,654)	(109,757)	6,064	6,064
75,000-99,999	28	2,401,303	0	0	70,265	2.93%	76,527	3.19%	\$1.85	\$0.00	0	31,500	0	47,263
100,000-199,999	41	5,573,767	681,945	0	328,630	5.90%	442,360	7.94%	\$1.97	\$0.00	10,000	(198,341)	36,587	36,587
200,000 plus	25	7,388,296	204,909	0	239,532	3.24%	305,500	4.13%	\$0.00	\$0.00	(215,000)	8,705	0	223,705
Total	1,705	39,271,154	886,854	0	1,090,044	2.78%	1,499,086	3.82%	\$1.59	\$495.20	(200,708)	(234,623)	227,731	754,091

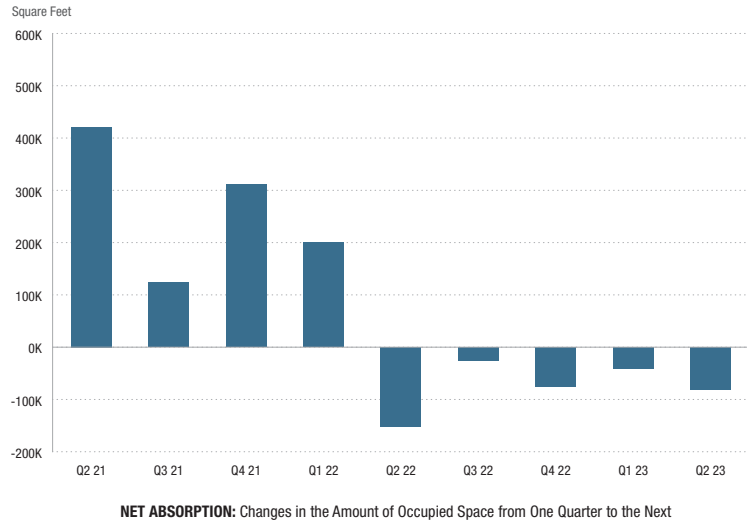
AIRPORT AREA

In the second quarter of 2023, the Airport Orange County industrial market consisted of 2,655 buildings totaling 58,146,216 square feet and had an availability rate of 4.13%, which shows an increase from the previous quarter's figure of 3.32%.

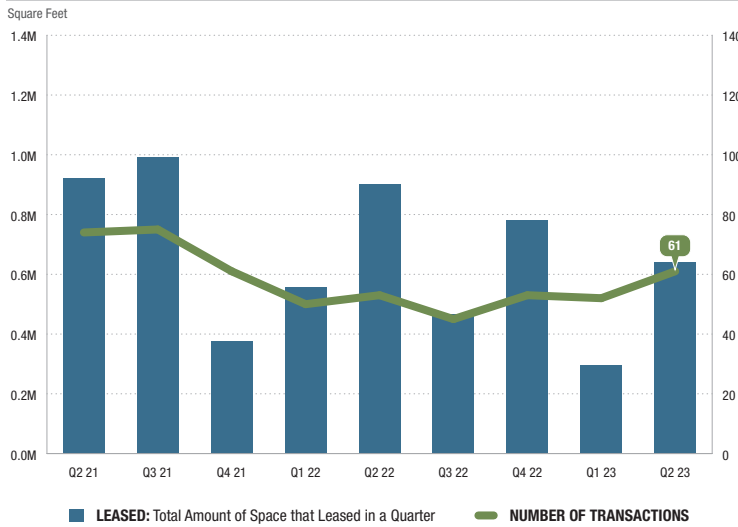
VACANCY & AVAILABILITY RATE



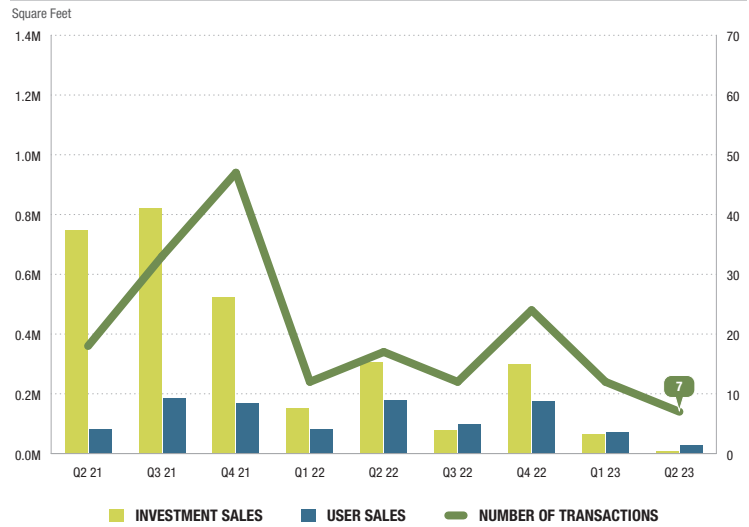
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

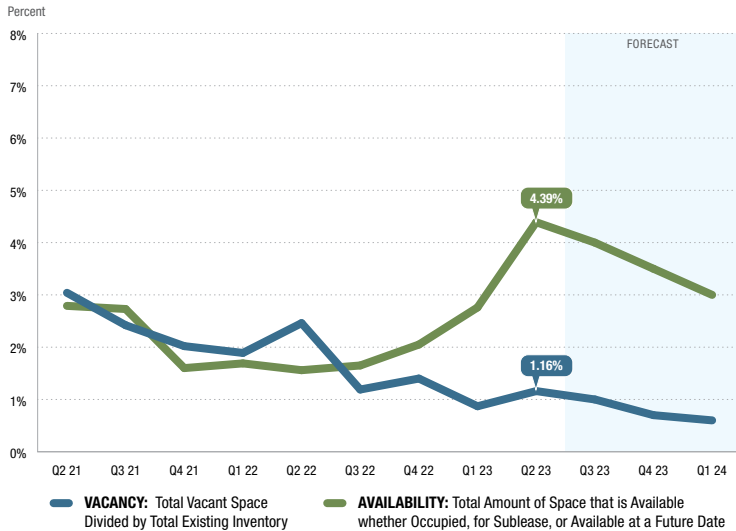
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2 2023	Square Feet Available	Availability Rate Q2 2023	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption Q2 2023	Net Absorption 2023	Gross Absorption Q2 2023	Gross Absorption 2023
Airport Totals														
Less than 9,999	932	5,434,993	0	0	100,135	1.84%	141,843	2.61%	\$2.39	\$494.98	(7,238)	(34,682)	64,482	93,738
10,000-19,999	909	12,713,355	0	0	125,742	0.99%	293,739	2.31%	\$1.78	\$403.68	13,158	19,591	107,639	207,963
20,000-29,999	353	8,424,871	0	0	97,611	1.16%	323,755	3.84%	\$1.82	\$355.20	47,465	32,785	70,674	131,737
30,000-39,999	162	5,518,766	0	0	79,609	1.44%	152,788	2.77%	\$1.79	\$363.14	(31,024)	(31,587)	28,158	139,779
40,000-49,999	76	3,315,455	0	0	74,802	2.26%	40,296	1.22%	\$1.55	\$0.00	38,570	96,101	19,708	35,206
50,000-74,999	105	6,353,697	0	0	164,490	2.59%	224,194	3.53%	\$1.59	\$356.01	96,737	33,901	173,037	182,401
75,000-99,999	47	4,019,393	0	82,241	41,211	1.03%	128,211	3.19%	\$0.00	\$0.00	(41,211)	(41,211)	0	0
100,000-199,999	50	6,363,119	706,736	275,500	54,706	0.86%	263,980	4.15%	\$0.00	\$0.00	(22,750)	(22,750)	135,371	191,471
200,000 plus	21	6,002,567	0	0	277,722	4.63%	832,216	13.86%	\$0.00	\$0.00	(175,039)	(175,039)	143,166	363,166
Total	2,655	58,146,216	706,736	357,741	1,016,028	1.75%	2,401,022	4.13%	\$1.68	\$405.54	(81,332)	(122,891)	742,235	1,345,461

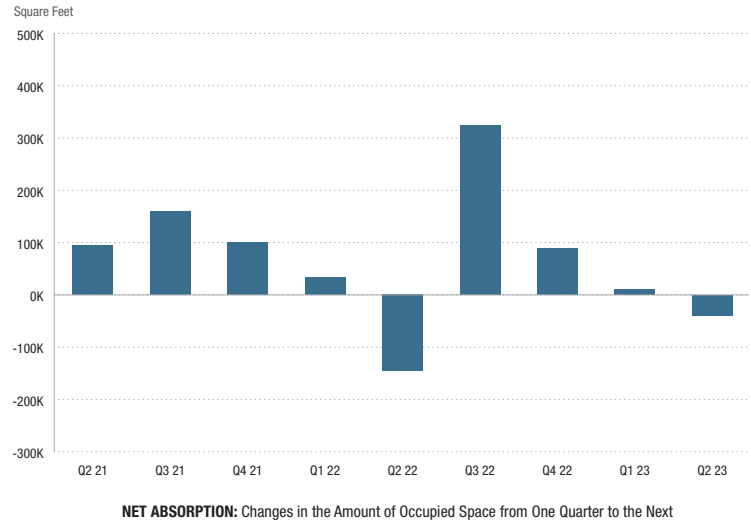
SOUTH ORANGE COUNTY

In the second quarter of 2023, the South Orange County industrial market consisted of 948 buildings totaling 25,702,940 square feet and had an availability rate of 4.39%, which shows an increase from the previous quarter's figure of 2.76%.

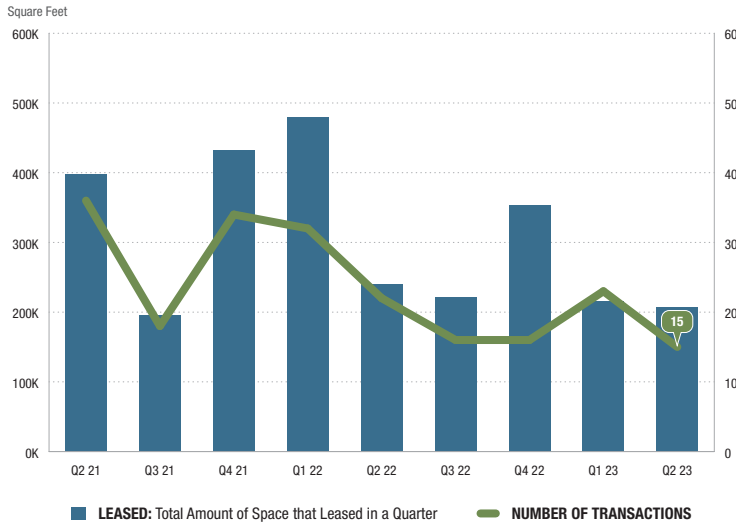
VACANCY & AVAILABILITY RATE



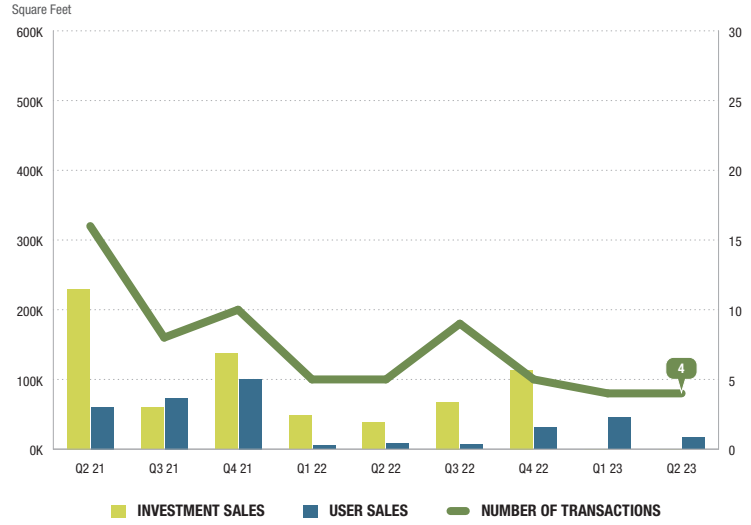
NET ABSORPTION



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 Q2 2023	Square Feet Available	Availability Rate Q2 2023	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption Q2 2023	Net Absorption 2023	Gross Absorption Q2 2023	Gross Absorption 2023
South Totals														
Less than 9,999	366	2,281,077	0	0	23,648	1.04%	76,531	3.36%	\$1.78	\$549.79	(3,602)	(8,773)	31,562	50,661
10,000-19,999	274	3,922,162	39,844	0	53,556	1.37%	87,584	2.23%	\$1.72	\$0.00	11,634	48,703	45,781	55,681
20,000-29,999	132	3,152,514	20,800	0	79,905	2.53%	115,891	3.68%	\$1.60	\$0.00	(39,016)	(31,250)	56,871	155,359
30,000-39,999	48	1,636,693	0	0	36,140	2.21%	108,445	6.63%	\$1.72	\$399.34	(3,840)	913	34,027	38,780
40,000-49,999	28	1,253,736	0	0	49,750	3.97%	52,609	4.20%	\$1.65	\$0.00	900	(33,345)	900	4,480
50,000-74,999	36	2,165,096	0	0	50,020	2.31%	114,187	5.27%	\$1.90	\$0.00	0	0	0	33,138
75,000-99,999	16	1,399,171	94,195	0	0	0.00%	104,613	7.48%	\$0.00	\$0.00	0	0	77,313	77,313
100,000-199,999	32	4,341,354	101,508	172,000	5,637	0.13%	73,901	1.70%	\$1.80	\$0.00	(5,637)	(5,637)	0	0
200,000 plus	16	5,551,137	0	0	0	0.00%	393,482	7.09%	\$0.00	\$0.00	0	0	0	0
Total	948	25,702,940	256,347	172,000	298,656	1.16%	1,127,243	4.39%	\$1.71	\$440.08	(39,561)	(29,389)	246,454	415,412



Cost Crunch & Competition: The Fight for Industrial Real Estate Continues

by **Chris Drzyzga**

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Despite a barrage of negative headlines, the scarcity of desirable properties in Orange County creates a competitive local environment, maintaining elevated prices as businesses vie for limited space. There are currently thirteen buildings under construction, representing 2.1 MSF of new product. In a market with a total inventory of 234 MSF, this represents less than 1% of the base and is not enough to satisfy the ongoing demand for first-generation space that supports maximum operating efficiency.

The region's economy is expected to continue its growth, albeit at a slower pace compared with previous years. Positive economic indicators, such as low unemployment rates and rising wages, will support the demand for industrial space from both e-commerce and logistics tenants. These trends have caught the attention of investors, who recognize the potential for sustained growth and income generation in the industrial sector.

Real estate investors, big and small, are reallocating capital away from office, retail and multi-family to industrial real estate. This transition reflects a growing recognition of the sector's resilience and its demonstrated importance in the evolving economy. Investor interest extends beyond your typical warehouse space into more niche sub-sectors such as cold storage, outdoor storage & data centers.

On the other hand, as if limited inventory and higher borrowing costs were not enough, businesses are grappling with higher operating costs, which have increased by 25% year over year in some cases. The primary contributors to these cost increases are utilities, insurance, and labor. While businesses have been able to pass these cost increases along to customers thus far, there is a growing concern about the sustainability of this approach. They may need to explore alternative strategies to mitigate the impact. This could include efficiency improvements, cost-cutting measures, or renegotiating contracts with suppliers.

Barring another black swan event, I do not expect any major changes to the basic dynamics of the Orange County industrial market. Rather, I expect things to move in the same general direction, at a somewhat slower pace.

Please Contact Us for Further Information

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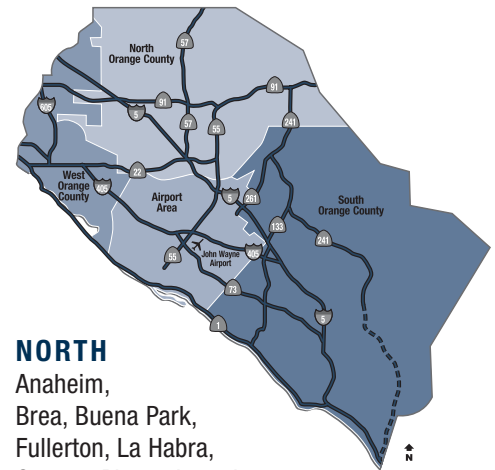
This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is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

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