

**OVERVIEW.** The Orange County industrial market took a step back in Q1. Net absorption ran well into negative territory and vacancy moved up. The number of sales declined by half, but lease transaction count improved. Active lease and sale requirements continued to decline and that led to a measurable decline in lease rates and sales prices that many have been expecting since the end of 2022. There were a couple of high-profile deliveries in the Airport Area submarket, but overall space under construction remains flat. Quality space offered for lease is still commanding premium rates, but it's taking much longer to secure tenants. Landlords have responded by increasing tenant incentives. Owner / users sales are becoming more difficult to pencil due to higher mortgage rates, but there are still enough motivated buyers to forestall a major correction in sales prices. The SBA 504 mortgage rate was 6.28% as the quarter ended.

**VACANCY & AVAILABILITY.** Orange County's industrial vacancy rate jumped 65 basis points to 3.22% in Q1 2024, up 176 basis points year over year. While still low historically, repeated increases signal a recalibration after more than a decade of supply-demand imbalance. However, limited supply, especially for sale properties, has prevented any significant price corrections. Owners reluctant to give up low 3–4% mortgage rates contribute to this trend. The availability rate, including occupied space for sale / lease, rose to 5.21%, maintaining a steady spread with vacancies. An expected surge in sublease space, another market correction indicator, has yet to materialize.

**LEASE RATES & SALES PRICES.** The average asking lease rate countywide fell by \$0.09 in Q1 to finish the period at \$1.70, but year over year, the county has seen a 5% increase in asking rents. The quarterly decline in rates could indicate the bull market in rent growth is over, at least for the short term, as higher vacancy, lower absorption, and slower transaction velocity have combined to keep rents under control. Sales pricing also took a step back in Q1. The average asking sales price fell by more than \$15 per square foot to end the period at \$410. Most sellers remain unwilling to lower prices to any significant degree, but buyers with more negotiating leverage are insisting on it to mitigate the higher cost of servicing debt. As a result, we are seeing a significant bid-to-ask gap for now.

**TRANSACTION ACTIVITY.** Sale transaction velocity fell from 66 sales in Q4 of 2023 to 33 sales during the first quarter, in large part due to waning demand caused by persistently high mortgage rates. Additionally, the first quarter often reflects a seasonal component in the decline of transaction count, as many buyers and sellers are motivated to close by the end of a tax year. Owner / user sales have been the key driver in Orange County since the 1970's, but high mortgage rates coupled with sellers reluctant to lower prices have thrown a wet blanket on owner / user sales since late 2022. Overall lease and sale activity by square footage fell by a third in Q1, ending the quarter at 2,641,212 SF, down from 3,753,159 SF in

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



**TRANSACTION VOLUME & NUMBER OF TRANSACTIONS**



Market Statistics

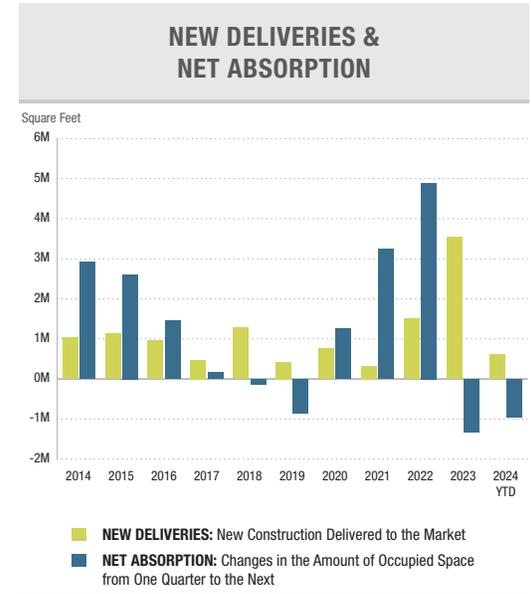
|                           | Change Over Last Quarter | Q1 2024   | Q4 2023   | Q1 2023   | % Change Over Last Year |
|---------------------------|--------------------------|-----------|-----------|-----------|-------------------------|
| Vacancy Rate              | ▲ UP                     | 3.22%     | 2.57%     | 1.46%     | 120.29%                 |
| Availability Rate         | ▲ UP                     | 5.21%     | 4.65%     | 3.11%     | 67.45%                  |
| Average Asking Lease Rate | ▼ DOWN                   | \$1.70    | \$1.79    | \$1.62    | 4.94%                   |
| Average Asking Sale Price | ▼ DOWN                   | \$409.94  | \$425.40  | \$390.12  | 5.08%                   |
| Sale & Lease Transactions | ▼ DOWN                   | 2,641,212 | 3,753,159 | 3,378,110 | (21.81%)                |
| Gross Absorption          | ▼ DOWN                   | 2,345,024 | 3,517,836 | 1,806,226 | 29.83%                  |
| Net Absorption            | ▼ NEGATIVE               | (949,396) | (61,967)  | 94,262    | N/A                     |

Q4. The decrease is all from sales, which dropped more than 50% by square footage, while lease square footage ticked slightly higher.

**ABSORPTION.** Orange County experienced a sharp decline in occupied space in Q1. The overall loss swelled to 949,396 SF in the period, up from 61,667 SF in Q4. Two-thirds of the decline was recorded in the North County submarket with Anaheim specifically recording a loss of more than 398,000 SF. However, Anaheim has the largest inventory in that submarket (44.5 MSF) and has been consistently outperforming other cities in that submarket. All four major Orange County submarkets recorded negative net absorption in Q1, which goes hand-in-hand with the sharp quarterly increase in vacancy and the fact that time-on-market for available space has been increasing. Gross absorption, which measures total move-ins, fell to 2,345,024 SF from 3,517,836 SF in Q4.

**CONSTRUCTION.** The construction pipeline in terms of square footage was little changed in Q1, but there was plenty of action. Five new buildings totaling 607,021 SF were delivered — two in Irvine, two in Tustin, and one in Anaheim. There were also several buildings breaking ground — two buildings totaling 390,268 SF in Cypress and another two in San Juan Capistrano totaling 122,308 SF. And interestingly, an office building was demolished on Red Hill Avenue in Irvine to make way for a 150,000 SF warehouse. As the quarter ended, a total of 2,038,663 SF was underway.

**EMPLOYMENT.** Orange County’s unemployment rate held steady at 4.2% in February 2024, unchanged from January but higher than 3.4% a year earlier. Information (-1,500 jobs), manufacturing (-1,000), and professional services (-200) were the few sectors contracting year over year.



## Forecast

The vacancy rate throughout the county will continue to inch up through the year, as time-on-market continues to increase. There are fewer tenants circulating in the market and with more to choose from they are becoming more demanding at the negotiating table. Concessions are back in play and realistic landlords are more forthcoming with offers of free rent and tenant improvements. While vacancy is still very low by historical standards, the fact that it has nearly tripled in a year is not lost on tenants who are finally feeling some negotiating leverage. Sales prices are also under pressure, as interest rates remain stubbornly high. While many expected sale pricing to have already adjusted to compensate for higher rates, we are just now starting to lean in that direction, as evidenced by the lower average asking sales price in Q1.

## Significant Transactions

### Sales

\* Voit Real Estate Services Deal

| Property Address            | City            | Square Feet | Sale Price   | Buyer                            | Seller                     |
|-----------------------------|-----------------|-------------|--------------|----------------------------------|----------------------------|
| 7400 Hazard Ave.            | Westminster     | 258,506     | \$64,000,000 | Ares Management                  | Clarion Partners           |
| 1450-1456 S. Manhattan Ave. | Fullerton       | 48,235      | \$13,350,000 | 1450 Manhattan LLC*              | Salher LLC                 |
| 170 Technology Dr.          | Irvine Spectrum | 41,000      | \$15,100,000 | GF Properties                    | TA Realty                  |
| 26845 Vista Terrace         | Lake Forest     | 35,277      | \$12,600,000 | NKL & D LLC                      | Sunningdale Properties LLC |
| 410 Fletcher Ave.           | Orange          | 28,885      | \$10,000,000 | Fletcher Ave Land Management LLC | Valvoline                  |

### Leases

\* Voit Real Estate Services Deal

| Property Address                    | City             | Square Feet | Transaction Date | Tenant                  | Owner                |
|-------------------------------------|------------------|-------------|------------------|-------------------------|----------------------|
| 50 Icon                             | Foothill Ranch   | 307,781     | Mar-2024         | Hampton Products        | Prologis             |
| 3130-3150 E. Miraloma Ave - Renewal | Anaheim          | 144,000     | Jan-2024         | Arden Engineering, Inc. | Nuveen*              |
| 270 E. Palais Rd.                   | Anaheim          | 95,178      | Jan-2024         | Little Buddy Inc.       | TBG                  |
| 5473 Bolsa Ave.                     | Huntington Beach | 110,592     | Feb-2024         | Mach Industries         | Sares-Regis Group    |
| 2100 E Valencia Dr                  | Fullerton        | 66,528      | Mar-2024         | Found Rentals Inc.      | MCP SoCal Industrial |

|                            | INVENTORY        |                          |                   |                     | VACANCY & LEASE RATES |                      |                       |                           |                           |                            | ABSORPTION             |                     |                          |                       |
|----------------------------|------------------|--------------------------|-------------------|---------------------|-----------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------------|------------------------|---------------------|--------------------------|-----------------------|
|                            | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant    | Vacancy Rate Q1 2024 | Square Feet Available | Availability Rate Q1 2024 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption Q1 2024 | Net Absorption 2024 | Gross Absorption Q1 2024 | Gross Absorption 2024 |
| <b>Airport Area</b>        |                  |                          |                   |                     |                       |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Costa Mesa                 | 449              | 7,674,694                | 0                 | 0                   | 308,000               | 4.01%                | 395,320               | 5.15%                     | \$1.48                    | \$430.67                   | (17,599)               | (17,599)            | 35,940                   | 35,940                |
| Fountain Valley            | 179              | 3,701,270                | 0                 | 0                   | 127,750               | 3.45%                | 123,323               | 3.33%                     | \$1.76                    | \$0.00                     | (72,320)               | (72,320)            | 36,270                   | 36,270                |
| Irvine                     | 303              | 11,512,035               | 348,418           | 0                   | 570,913               | 4.96%                | 1,011,508             | 8.79%                     | \$1.80                    | \$415.04                   | 63,907                 | 63,907              | 89,703                   | 89,703                |
| Newport Beach              | 49               | 607,894                  | 0                 | 0                   | 16,541                | 2.72%                | 16,541                | 2.72%                     | \$2.04                    | \$0.00                     | (5,776)                | (5,776)             | 0                        | 0                     |
| Santa Ana                  | 1,586            | 31,026,217               | 244,897           | 207,500             | 601,346               | 1.94%                | 1,537,816             | 4.96%                     | \$1.69                    | \$378.55                   | (99,070)               | (99,070)            | 199,865                  | 199,865               |
| Tustin                     | 116              | 4,612,962                | 0                 | 0                   | 431,222               | 9.35%                | 546,814               | 11.85%                    | \$1.75                    | \$451.93                   | (37,592)               | (37,592)            | 0                        | 0                     |
| <b>Airport Area Total</b>  | <b>2,682</b>     | <b>59,135,072</b>        | <b>593,315</b>    | <b>207,500</b>      | <b>2,055,772</b>      | <b>3.48%</b>         | <b>3,631,322</b>      | <b>6.14%</b>              | <b>\$1.71</b>             | <b>\$396.77</b>            | <b>(168,450)</b>       | <b>(168,450)</b>    | <b>361,778</b>           | <b>361,778</b>        |
| <b>North County</b>        |                  |                          |                   |                     |                       |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Anaheim                    | 1,840            | 44,539,799               | 271,023           | 338,000             | 1,720,622             | 3.86%                | 2,320,033             | 5.21%                     | \$1.75                    | \$455.16                   | (398,419)              | (398,419)           | 332,881                  | 332,881               |
| Brea                       | 330              | 12,279,301               | 124,678           | 0                   | 253,283               | 2.06%                | 611,065               | 4.98%                     | \$1.47                    | \$449.37                   | 87,495                 | 87,495              | 64,178                   | 64,178                |
| Buena Park                 | 238              | 13,622,407               | 27,765            | 0                   | 572,375               | 4.20%                | 864,762               | 6.35%                     | \$1.61                    | \$403.06                   | (66,149)               | (66,149)            | 39,913                   | 39,913                |
| Fullerton                  | 462              | 19,505,066               | 139,449           | 0                   | 428,739               | 2.20%                | 895,604               | 4.59%                     | \$1.62                    | \$297.98                   | (143,236)              | (143,236)           | 96,349                   | 96,349                |
| La Habra                   | 195              | 3,591,808                | 0                 | 0                   | 85,900                | 2.39%                | 85,900                | 2.39%                     | \$1.67                    | \$426.83                   | (44,612)               | (44,612)            | 5,443                    | 5,443                 |
| Orange                     | 744              | 13,506,719               | 100,483           | 66,448              | 147,604               | 1.09%                | 286,036               | 2.12%                     | \$1.41                    | \$292.61                   | (29,277)               | (29,277)            | 48,447                   | 48,447                |
| Placentia                  | 221              | 4,272,865                | 0                 | 0                   | 77,948                | 1.82%                | 241,765               | 5.66%                     | \$1.68                    | \$352.46                   | (7,575)                | (7,575)             | 110,504                  | 110,504               |
| Yorba Linda                | 55               | 908,881                  | 0                 | 0                   | 2,400                 | 0.26%                | 24,123                | 2.65%                     | \$0.00                    | \$0.00                     | (2,400)                | (2,400)             | 11,020                   | 11,020                |
| <b>North County Total</b>  | <b>4,085</b>     | <b>112,226,846</b>       | <b>663,398</b>    | <b>404,448</b>      | <b>3,288,871</b>      | <b>2.93%</b>         | <b>5,329,288</b>      | <b>4.75%</b>              | <b>\$1.65</b>             | <b>\$378.93</b>            | <b>(604,173)</b>       | <b>(604,173)</b>    | <b>708,735</b>           | <b>708,735</b>        |
| <b>South County</b>        |                  |                          |                   |                     |                       |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Aliso Viejo                | 19               | 735,866                  | 0                 | 0                   | 32,300                | 4.39%                | 32,300                | 4.39%                     | \$0.00                    | \$415.00                   | (32,300)               | (32,300)            | 0                        | 0                     |
| Foothill Ranch             | 63               | 3,321,584                | 0                 | 0                   | 40,140                | 1.21%                | 134,027               | 4.04%                     | \$1.66                    | \$495.00                   | 72,020                 | 72,020              | 433,279                  | 433,279               |
| Irvine Spectrum            | 217              | 10,224,841               | 94,195            | 0                   | 195,580               | 1.91%                | 214,918               | 2.10%                     | \$1.78                    | \$429.84                   | (70,699)               | (70,699)            | 22,671                   | 22,671                |
| Laguna Beach               | 22               | 113,034                  | 0                 | 0                   | 5,495                 | 4.86%                | 6,350                 | 5.62%                     | \$2.75                    | \$0.00                     | 0                      | 0                   | 0                        | 0                     |
| Laguna Hills               | 78               | 1,066,962                | 0                 | 0                   | 13,282                | 1.24%                | 69,054                | 6.47%                     | \$2.03                    | \$603.81                   | 4,283                  | 4,283               | 62,485                   | 62,485                |
| Laguna Niguel              | 17               | 231,576                  | 0                 | 0                   | 0                     | 0.00%                | 0                     | 0.00%                     | \$0.00                    | \$0.00                     | 0                      | 0                   | 0                        | 0                     |
| Lake Forest                | 192              | 4,348,320                | 0                 | 172,000             | 260,033               | 5.98%                | 514,754               | 11.84%                    | \$1.70                    | \$470.02                   | (11,449)               | (11,449)            | 68,031                   | 68,031                |
| Mission Viejo              | 31               | 725,012                  | 0                 | 0                   | 0                     | 0.00%                | 11,501                | 1.59%                     | \$1.91                    | \$0.00                     | 3,010                  | 3,010               | 3,010                    | 3,010                 |
| Rancho Mission Viejo       | 3                | 99,200                   | 25,844            | 0                   | 0                     | 0.00%                | 1,920                 | 1.94%                     | \$2.21                    | \$0.00                     | 1,920                  | 1,920               | 7,488                    | 7,488                 |
| Rancho Santa Margarita     | 107              | 1,708,558                | 0                 | 0                   | 8,719                 | 0.51%                | 31,559                | 1.85%                     | \$1.58                    | \$365.00                   | 9,806                  | 9,806               | 15,662                   | 15,662                |
| San Clemente               | 164              | 2,058,906                | 0                 | 0                   | 33,008                | 1.60%                | 84,874                | 4.12%                     | \$1.60                    | \$433.76                   | 6,413                  | 6,413               | 20,271                   | 20,271                |
| San Juan Capistrano        | 43               | 925,030                  | 122,308           | 14,000              | 7,200                 | 0.78%                | 15,592                | 1.69%                     | \$1.85                    | \$0.00                     | 3,817                  | 3,817               | 13,441                   | 13,441                |
| <b>South County Total</b>  | <b>956</b>       | <b>25,558,889</b>        | <b>242,347</b>    | <b>186,000</b>      | <b>595,757</b>        | <b>2.33%</b>         | <b>1,116,849</b>      | <b>4.37%</b>              | <b>\$1.75</b>             | <b>\$456.79</b>            | <b>(13,179)</b>        | <b>(13,179)</b>     | <b>646,338</b>           | <b>646,338</b>        |
| <b>West County</b>         |                  |                          |                   |                     |                       |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Cypress                    | 101              | 4,727,720                | 390,268           | 0                   | 315,463               | 6.67%                | 106,407               | 2.25%                     | \$1.84                    | \$0.00                     | 49,336                 | 49,336              | 107,086                  | 107,086               |
| Garden Grove               | 484              | 12,449,612               | 149,335           | 88,164              | 592,906               | 4.76%                | 908,099               | 7.29%                     | \$1.76                    | \$419.94                   | (36,911)               | (36,911)            | 115,455                  | 115,455               |
| Huntington Beach           | 703              | 14,153,922               | 0                 | 0                   | 640,782               | 4.53%                | 884,715               | 6.25%                     | \$1.76                    | \$468.18                   | (91,309)               | (91,309)            | 349,128                  | 349,128               |
| La Palma                   | 16               | 1,778,216                | 0                 | 0                   | 0                     | 0.00%                | 84,321                | 4.74%                     | \$0.00                    | \$0.00                     | 0                      | 0                   | 0                        | 0                     |
| Los Alamitos               | 96               | 2,206,219                | 0                 | 0                   | 21,878                | 0.99%                | 80,207                | 3.64%                     | \$1.45                    | \$460.00                   | (13,203)               | (13,203)            | 6,728                    | 6,728                 |
| Seal Beach                 | 15               | 947,258                  | 0                 | 0                   | 0                     | 0.00%                | 64,061                | 6.76%                     | \$0.00                    | \$0.00                     | 0                      | 0                   | 0                        | 0                     |
| Stanton                    | 177              | 1,881,358                | 0                 | 0                   | 43,867                | 2.33%                | 76,779                | 4.08%                     | \$1.99                    | \$520.64                   | (4,486)                | (4,486)             | 44,387                   | 44,387                |
| Westminster                | 138              | 2,290,921                | 0                 | 0                   | 78,534                | 3.43%                | 78,534                | 3.43%                     | \$1.60                    | \$0.00                     | (67,021)               | (67,021)            | 5,389                    | 5,389                 |
| <b>West County Total</b>   | <b>1,730</b>     | <b>40,435,226</b>        | <b>539,603</b>    | <b>88,164</b>       | <b>1,693,430</b>      | <b>4.19%</b>         | <b>2,283,123</b>      | <b>5.65%</b>              | <b>\$1.77</b>             | <b>\$473.79</b>            | <b>(163,594)</b>       | <b>(163,594)</b>    | <b>628,173</b>           | <b>628,173</b>        |
| <b>Orange County Total</b> | <b>9,453</b>     | <b>237,356,033</b>       | <b>2,038,663</b>  | <b>886,112</b>      | <b>7,633,830</b>      | <b>3.22%</b>         | <b>12,360,582</b>     | <b>5.21%</b>              | <b>\$1.70</b>             | <b>\$409.94</b>            | <b>(949,396)</b>       | <b>(949,396)</b>    | <b>2,345,024</b>         | <b>2,345,024</b>      |
| Less than 9,999            | 3,370            | 20,530,762               | 0                 | 0                   | 350,434               | 1.71%                | 611,127               | 2.98%                     | \$1.84                    | \$485.17                   | 4,577                  | 4,577               | 248,858                  | 248,858               |
| 10,000-19,999              | 3,152            | 43,611,873               | 25,844            | 14,000              | 924,668               | 2.12%                | 1,525,948             | 3.50%                     | \$1.67                    | \$407.47                   | (45,951)               | (45,951)            | 525,064                  | 525,064               |
| 20,000-29,999              | 1,189            | 28,455,688               | 48,565            | 0                   | 592,628               | 2.08%                | 1,147,545             | 4.03%                     | \$1.57                    | \$417.87                   | (25,172)               | (25,172)            | 370,432                  | 370,432               |
| 30,000-39,999              | 499              | 17,035,034               | 0                 | 0                   | 623,329               | 3.66%                | 943,711               | 5.54%                     | \$1.71                    | \$373.64                   | (302,255)              | (302,255)           | 172,078                  | 172,078               |
| 40,000-49,999              | 299              | 13,157,522               | 48,485            | 0                   | 406,974               | 3.09%                | 653,710               | 4.97%                     | \$1.68                    | \$383.16                   | (238,244)              | (238,244)           | 22,981                   | 22,981                |
| 50,000-74,999              | 378              | 22,724,936               | 106,086           | 66,448              | 657,401               | 2.89%                | 1,240,338             | 5.46%                     | \$1.70                    | \$440.81                   | (99,829)               | (99,829)            | 113,500                  | 113,500               |
| 75,000-99,999              | 164              | 14,119,870               | 176,436           | 183,164             | 698,396               | 4.95%                | 1,154,660             | 8.18%                     | \$1.55                    | \$205.27                   | (166,208)              | (166,208)           | 178,852                  | 178,852               |
| 100,000-199,999            | 273              | 36,288,032               | 1,428,338         | 284,500             | 2,052,110             | 5.66%                | 2,925,572             | 8.06%                     | \$1.71                    | \$0.00                     | 28,162                 | 28,162              | 283,378                  | 283,378               |
| 200,000 Plus               | 129              | 41,432,316               | 204,909           | 338,000             | 1,327,890             | 3.20%                | 2,157,971             | 5.21%                     | \$0.00                    | \$0.00                     | (104,476)              | (104,476)           | 1,100,690                | 1,100,690             |
| <b>Orange County Total</b> | <b>9,453</b>     | <b>237,356,033</b>       | <b>2,038,663</b>  | <b>886,112</b>      | <b>7,633,830</b>      | <b>3.22%</b>         | <b>12,360,582</b>     | <b>5.21%</b>              | <b>\$1.70</b>             | <b>\$409.94</b>            | <b>(949,396)</b>       | <b>(949,396)</b>    | <b>2,345,024</b>         | <b>2,345,024</b>      |

Lease rates are on a triple-net basis.

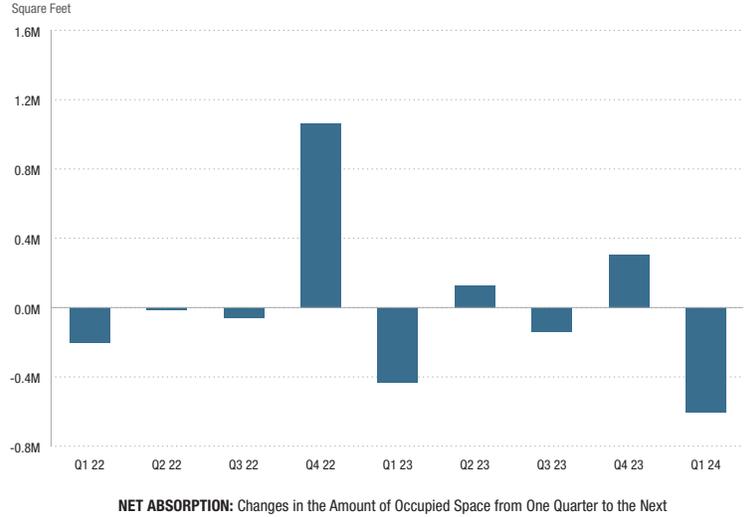
## NORTH ORANGE COUNTY

In the first quarter of 2024, the North Orange County industrial market consisted of 4,085 buildings totaling 112,226,846 square feet and had an availability rate of 4.75%, which shows an increase from the previous quarter's figure of 4.45%.

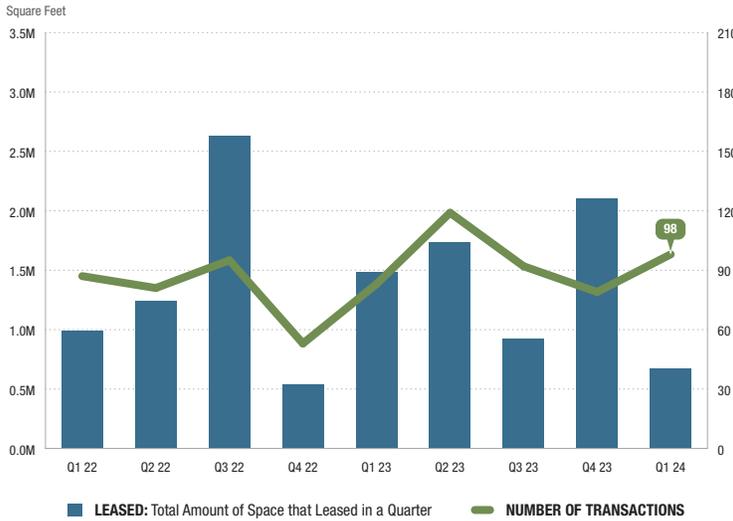
### VACANCY & AVAILABILITY RATE



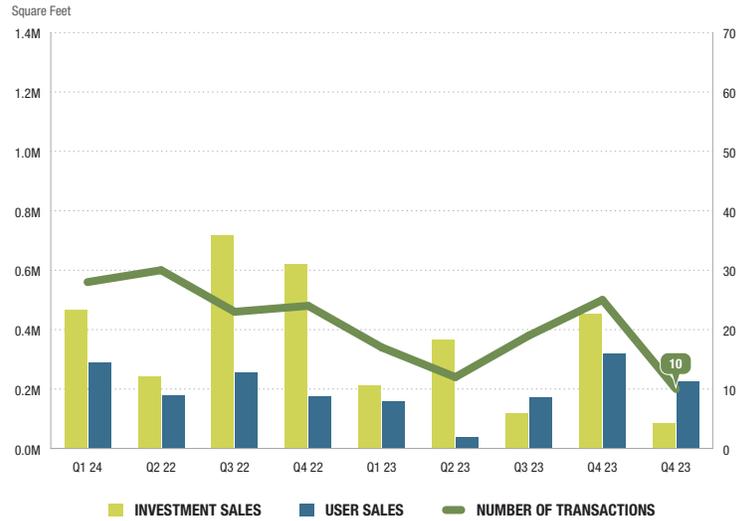
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

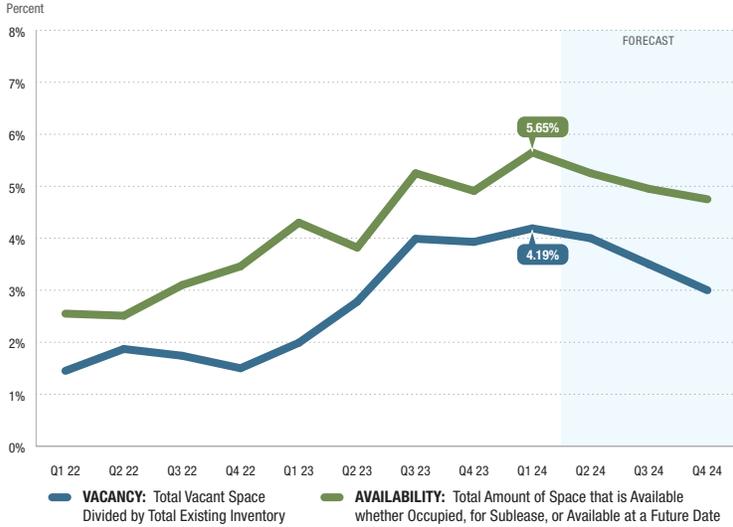
### ABSORPTION

|                     | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate Q1 2024 | Square Feet Available | Availability Rate Q1 2024 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption Q1 2024 | Net Absorption 2024 | Gross Absorption Q1 2024 | Gross Absorption 2024 |
|---------------------|------------------|--------------------------|-------------------|---------------------|--------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------------|------------------------|---------------------|--------------------------|-----------------------|
| <b>North Totals</b> |                  |                          |                   |                     |                    |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Less than 9,999     | 1,360            | 8,574,870                | 0                 | 0                   | 103,744            | 1.21%                | 215,537               | 2.51%                     | \$1.67                    | \$417.45                   | 7,887                  | 7,887               | 79,623                   | 79,623                |
| 10,000-19,999       | 1,389            | 19,254,709               | 0                 | 0                   | 368,517            | 1.91%                | 548,182               | 2.85%                     | \$1.49                    | \$369.60                   | (54,636)               | (54,636)            | 176,108                  | 176,108               |
| 20,000-29,999       | 513              | 12,264,551               | 27,765            | 0                   | 238,363            | 1.94%                | 436,743               | 3.56%                     | \$1.56                    | \$385.00                   | (44,803)               | (44,803)            | 138,907                  | 138,907               |
| 30,000-39,999       | 225              | 7,662,387                | 0                 | 0                   | 231,144            | 3.02%                | 342,339               | 4.47%                     | \$1.36                    | \$0.00                     | (94,652)               | (94,652)            | 95,034                   | 95,034                |
| 40,000-49,999       | 138              | 6,077,362                | 48,485            | 0                   | 143,172            | 2.36%                | 320,390               | 5.27%                     | \$1.72                    | \$366.83                   | (127,652)              | (127,652)           | 14,295                   | 14,295                |
| 50,000-74,999       | 178              | 10,702,023               | 51,998            | 66,448              | 413,197            | 3.86%                | 760,417               | 7.11%                     | \$1.80                    | \$511.40                   | (137,723)              | (137,723)           | 65,517                   | 65,517                |
| 75,000-99,999       | 73               | 6,253,283                | 0                 | 0                   | 291,620            | 4.66%                | 470,142               | 7.52%                     | \$1.35                    | \$205.27                   | (115,137)              | (115,137)           | 101,325                  | 101,325               |
| 100,000-199,999     | 142              | 18,899,313               | 535,150           | 0                   | 958,833            | 5.07%                | 1,176,594             | 6.23%                     | \$1.71                    | \$0.00                     | 11,862                 | 11,862              | 37,926                   | 37,926                |
| 200,000 plus        | 67               | 22,538,348               | 0                 | 338,000             | 540,281            | 2.40%                | 1,058,944             | 4.70%                     | \$0.00                    | \$0.00                     | (49,319)               | (49,319)            | 0                        | 0                     |
| <b>Total</b>        | <b>4,085</b>     | <b>112,226,846</b>       | <b>663,398</b>    | <b>404,448</b>      | <b>3,288,871</b>   | <b>2.93%</b>         | <b>5,329,288</b>      | <b>4.75%</b>              | <b>\$1.65</b>             | <b>\$378.93</b>            | <b>(604,173)</b>       | <b>(604,173)</b>    | <b>708,735</b>           | <b>708,735</b>        |

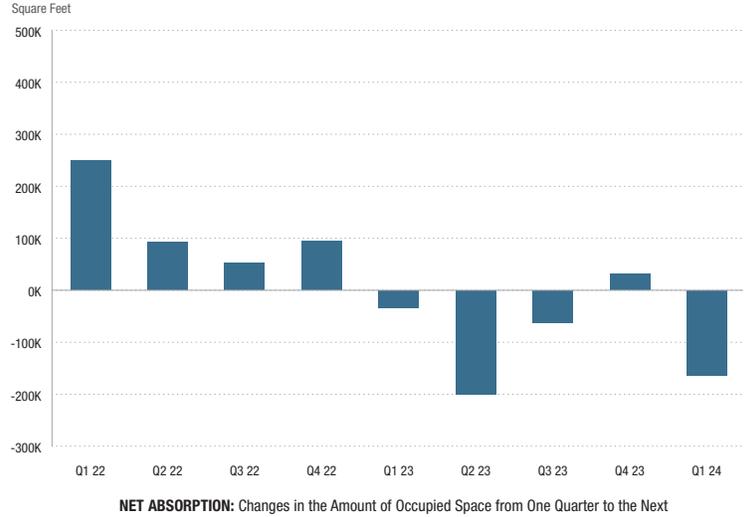
## WEST ORANGE COUNTY

In the first quarter of 2024, the West Orange County industrial market consisted of 1,730 buildings totaling 40,435,226 square feet and had an availability rate of 5.65%, which shows an increase from the previous quarter's figure of 4.91%.

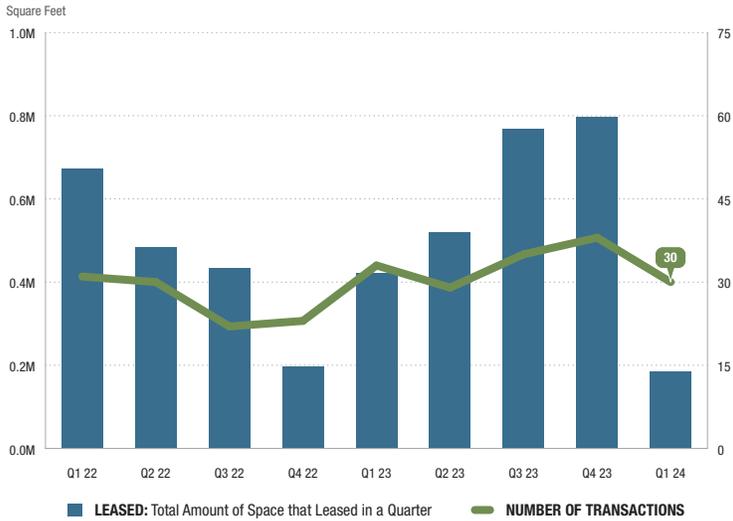
### VACANCY & AVAILABILITY RATE



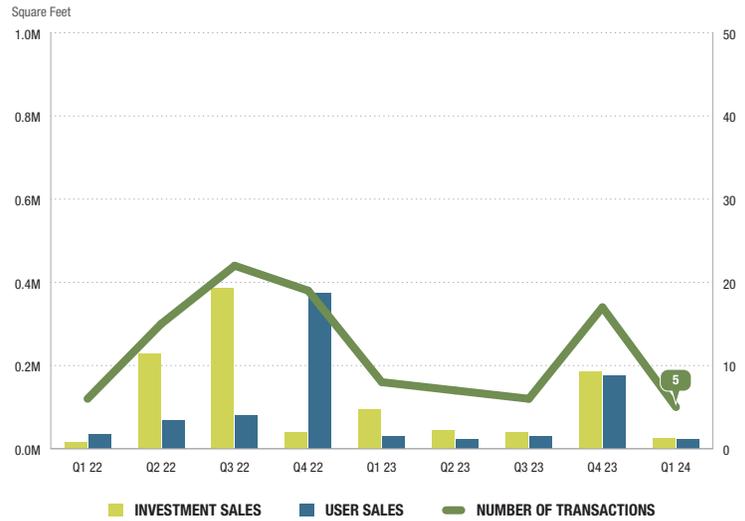
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

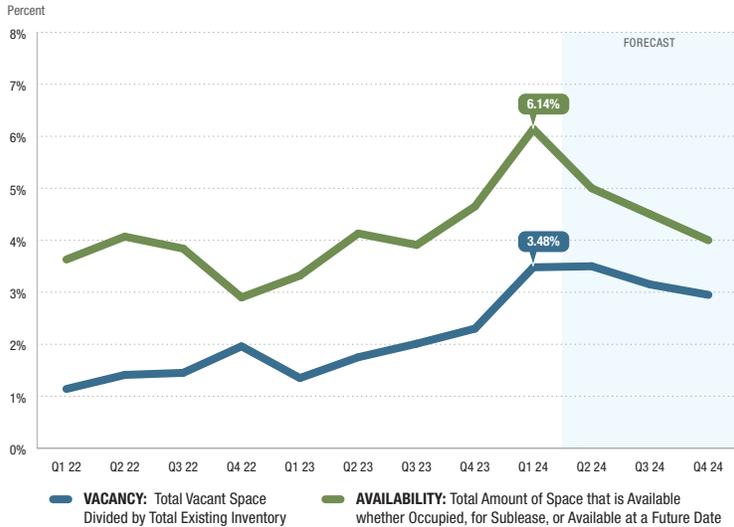
### ABSORPTION

|                    | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate Q1 2024 | Square Feet Available | Availability Rate Q1 2024 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption Q1 2024 | Net Absorption 2024 | Gross Absorption Q1 2024 | Gross Absorption 2024 |
|--------------------|------------------|--------------------------|-------------------|---------------------|--------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------------|------------------------|---------------------|--------------------------|-----------------------|
| <b>West Totals</b> |                  |                          |                   |                     |                    |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Less than 9,999    | 697              | 4,170,626                | 0                 | 0                   | 83,117             | 1.99%                | 144,349               | 3.46%                     | \$1.70                    | \$428.24                   | (7,229)                | (7,229)             | 56,334                   | 56,334                |
| 10,000-19,999      | 574              | 7,631,159                | 0                 | 0                   | 219,354            | 2.87%                | 311,289               | 4.08%                     | \$1.66                    | \$424.02                   | (45,433)               | (45,433)            | 112,875                  | 112,875               |
| 20,000-29,999      | 187              | 4,514,039                | 0                 | 0                   | 112,053            | 2.48%                | 206,746               | 4.58%                     | \$1.49                    | \$568.98                   | (56,620)               | (56,620)            | 36,091                   | 36,091                |
| 30,000-39,999      | 64               | 2,228,191                | 0                 | 0                   | 12,970             | 0.58%                | 50,273                | 2.26%                     | \$1.72                    | \$0.00                     | (5,138)                | (5,138)             | 3,312                    | 3,312                 |
| 40,000-49,999      | 51               | 2,250,192                | 0                 | 0                   | 86,170             | 3.83%                | 139,774               | 6.21%                     | \$1.96                    | \$0.00                     | (40,274)               | (40,274)            | 0                        | 0                     |
| 50,000-74,999      | 59               | 3,523,201                | 0                 | 0                   | 145,155            | 4.12%                | 184,110               | 5.23%                     | \$1.96                    | \$0.00                     | 37,894                 | 37,894              | 47,983                   | 47,983                |
| 75,000-99,999      | 29               | 2,511,677                | 0                 | 88,164              | 217,495            | 8.66%                | 227,795               | 9.07%                     | \$1.65                    | \$0.00                     | 27,193                 | 27,193              | 76,527                   | 76,527                |
| 100,000-199,999    | 44               | 6,013,707                | 334,694           | 0                   | 350,481            | 5.83%                | 533,623               | 8.87%                     | \$1.71                    | \$0.00                     | (3,170)                | (3,170)             | 283,378                  | 283,378               |
| 200,000 plus       | 25               | 7,592,434                | 204,909           | 0                   | 466,635            | 6.15%                | 485,164               | 6.39%                     | \$0.00                    | \$0.00                     | (70,817)               | (70,817)            | 11,673                   | 11,673                |
| <b>Total</b>       | <b>1,730</b>     | <b>40,435,226</b>        | <b>539,603</b>    | <b>88,164</b>       | <b>1,693,430</b>   | <b>4.19%</b>         | <b>2,283,123</b>      | <b>5.65%</b>              | <b>\$1.77</b>             | <b>\$473.79</b>            | <b>(163,594)</b>       | <b>(163,594)</b>    | <b>628,173</b>           | <b>628,173</b>        |

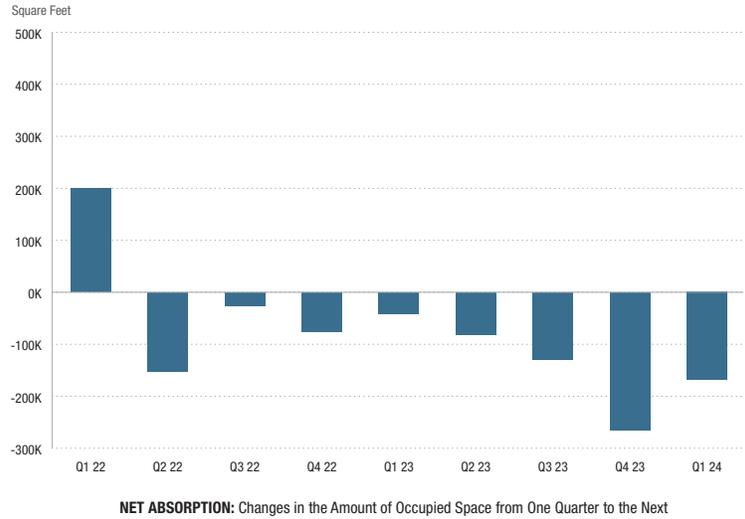
## AIRPORT AREA

In the first quarter of 2024, the Airport Orange County industrial market consisted of 2,682 buildings totaling 59,135,072 square feet and had an availability rate of 6.14%, which shows an increase from the previous quarter's figure of 4.65%.

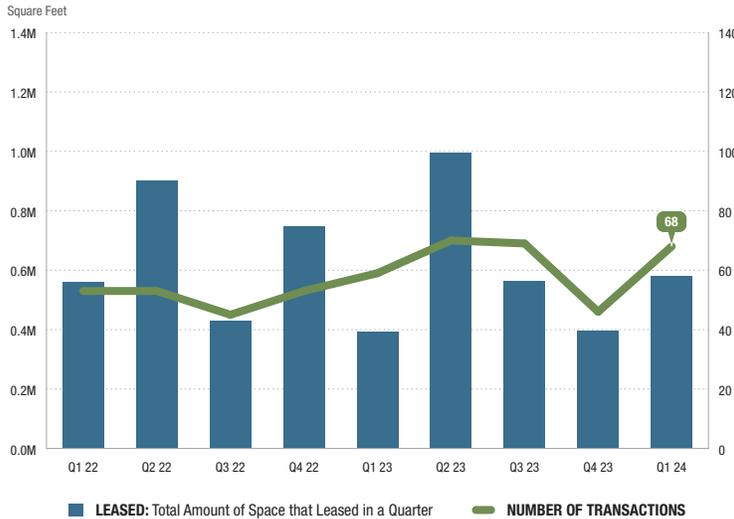
### VACANCY & AVAILABILITY RATE



### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

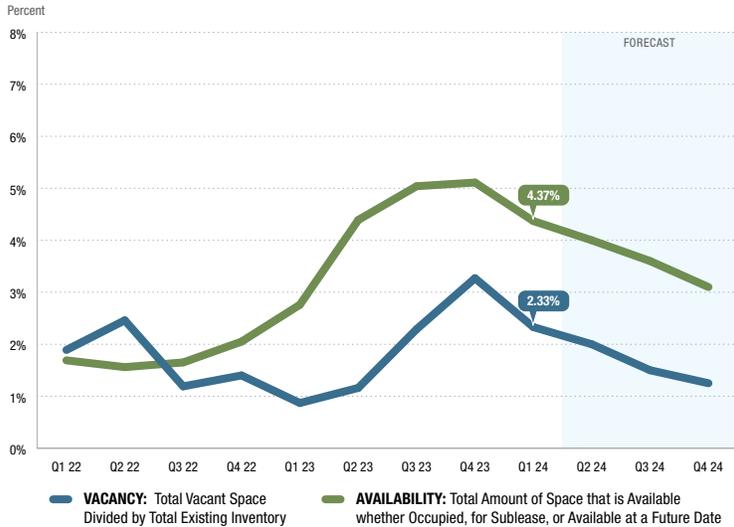
### ABSORPTION

|                       | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate Q1 2024 | Square Feet Available | Availability Rate Q1 2024 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption Q1 2024 | Net Absorption 2024 | Gross Absorption Q1 2024 | Gross Absorption 2024 |
|-----------------------|------------------|--------------------------|-------------------|---------------------|--------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------------|------------------------|---------------------|--------------------------|-----------------------|
| <b>Airport Totals</b> |                  |                          |                   |                     |                    |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Less than 9,999       | 944              | 5,491,481                | 0                 | 0                   | 107,292            | 1.95%                | 170,979               | 3.11%                     | \$2.02                    | \$454.93                   | 4,375                  | 4,375               | 65,966                   | 65,966                |
| 10,000-19,999         | 912              | 12,766,611               | 0                 | 0                   | 265,860            | 2.08%                | 470,329               | 3.68%                     | \$1.74                    | \$408.01                   | 31,532                 | 31,532              | 133,047                  | 133,047               |
| 20,000-29,999         | 357              | 8,518,738                | 0                 | 0                   | 210,500            | 2.47%                | 347,171               | 4.08%                     | \$1.52                    | \$422.43                   | 44,888                 | 44,888              | 132,634                  | 132,634               |
| 30,000-39,999         | 163              | 5,545,186                | 0                 | 0                   | 313,110            | 5.65%                | 463,074               | 8.35%                     | \$1.80                    | \$353.98                   | (173,921)              | (173,921)           | 29,131                   | 29,131                |
| 40,000-49,999         | 79               | 3,447,400                | 0                 | 0                   | 85,052             | 2.47%                | 152,052               | 4.41%                     | \$1.57                    | \$399.19                   | (29,016)               | (29,016)            | 0                        | 0                     |
| 50,000-74,999         | 104              | 6,299,324                | 54,088            | 0                   | 72,200             | 1.15%                | 207,784               | 3.30%                     | \$1.70                    | \$372.66                   | 0                      | 0                   | 0                        | 0                     |
| 75,000-99,999         | 46               | 3,950,869                | 82,241            | 95,000              | 129,135            | 3.27%                | 308,389               | 7.81%                     | \$1.61                    | \$0.00                     | (78,264)               | (78,264)            | 1,000                    | 1,000                 |
| 100,000-199,999       | 56               | 7,135,683                | 456,986           | 112,500             | 651,788            | 9.13%                | 1,054,927             | 14.78%                    | \$1.71                    | \$0.00                     | 31,956                 | 31,956              | 0                        | 0                     |
| 200,000 plus          | 21               | 5,979,780                | 0                 | 0                   | 220,835            | 3.69%                | 456,617               | 7.64%                     | \$0.00                    | \$0.00                     | 0                      | 0                   | 0                        | 0                     |
| <b>Total</b>          | <b>2,682</b>     | <b>59,135,072</b>        | <b>593,315</b>    | <b>207,500</b>      | <b>2,055,772</b>   | <b>3.48%</b>         | <b>3,631,322</b>      | <b>6.14%</b>              | <b>\$1.71</b>             | <b>\$396.77</b>            | <b>(168,450)</b>       | <b>(168,450)</b>    | <b>361,778</b>           | <b>361,778</b>        |

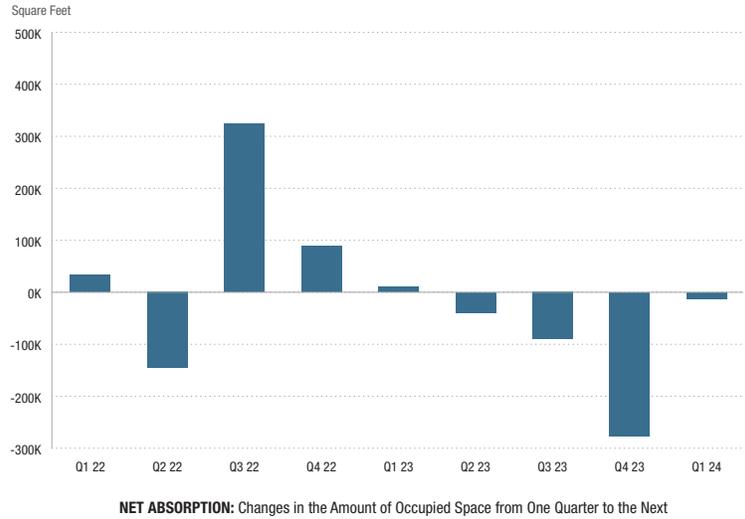
## SOUTH ORANGE COUNTY

In the first quarter of 2024, the South Orange County industrial market consisted of 956 buildings totaling 25,558,889 square feet and had an availability rate of 4.37%, which shows a decrease from the previous quarter's figure of 5.11%.

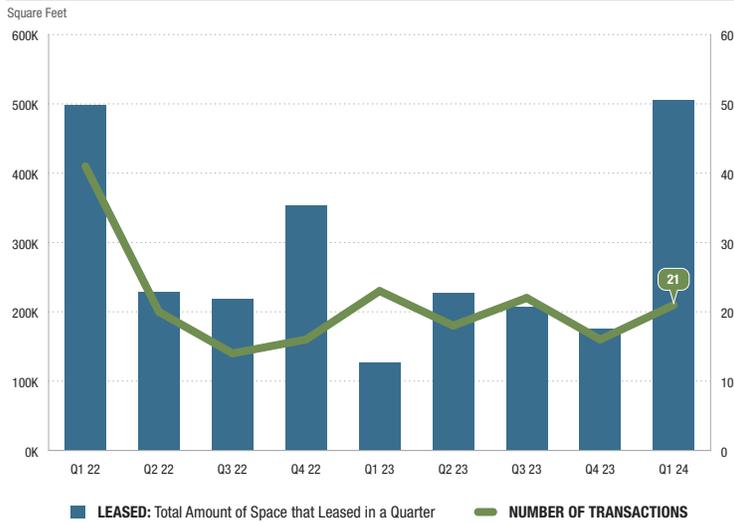
### VACANCY & AVAILABILITY RATE



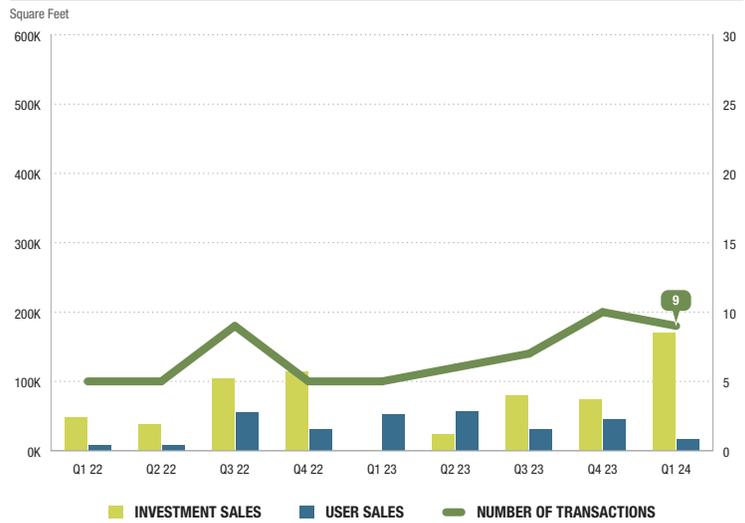
### NET ABSORPTION



### 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 Q1 2024 | Square Feet Available | Availability Rate Q1 2024 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption Q1 2024 | Net Absorption 2024 | Gross Absorption Q1 2024 | Gross Absorption 2024 |
|---------------------|------------------|--------------------------|-------------------|---------------------|--------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------------|------------------------|---------------------|--------------------------|-----------------------|
| <b>South Totals</b> |                  |                          |                   |                     |                    |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Less than 9,999     | 369              | 2,293,785                | 0                 | 0                   | 56,281             | 2.45%                | 80,262                | 3.50%                     | \$1.78                    | \$559.98                   | (456)                  | (456)               | 46,935                   | 46,935                |
| 10,000-19,999       | 277              | 3,959,394                | 25,844            | 14,000              | 70,937             | 1.79%                | 196,148               | 4.95%                     | \$1.78                    | \$438.64                   | 22,586                 | 22,586              | 103,034                  | 103,034               |
| 20,000-29,999       | 132              | 3,158,360                | 20,800            | 0                   | 31,712             | 1.00%                | 156,885               | 4.97%                     | \$1.69                    | \$388.62                   | 31,363                 | 31,363              | 62,800                   | 62,800                |
| 30,000-39,999       | 47               | 1,599,270                | 0                 | 0                   | 66,105             | 4.13%                | 88,025                | 5.50%                     | \$1.70                    | \$415.00                   | (28,544)               | (28,544)            | 44,601                   | 44,601                |
| 40,000-49,999       | 31               | 1,382,568                | 0                 | 0                   | 92,580             | 6.70%                | 41,494                | 3.00%                     | \$1.75                    | \$0.00                     | (41,302)               | (41,302)            | 8,686                    | 8,686                 |
| 50,000-74,999       | 37               | 2,200,388                | 0                 | 0                   | 26,849             | 1.22%                | 88,027                | 4.00%                     | \$1.72                    | \$0.00                     | 0                      | 0                   | 0                        | 0                     |
| 75,000-99,999       | 16               | 1,404,041                | 94,195            | 0                   | 60,146             | 4.28%                | 148,334               | 10.56%                    | \$1.65                    | \$0.00                     | 0                      | 0                   | 0                        | 0                     |
| 100,000-199,999     | 31               | 4,239,329                | 101,508           | 172,000             | 91,008             | 2.15%                | 160,428               | 3.78%                     | \$0.00                    | \$0.00                     | (12,486)               | (12,486)            | 0                        | 0                     |
| 200,000 plus        | 16               | 5,321,754                | 0                 | 0                   | 100,139            | 1.88%                | 157,246               | 2.95%                     | \$0.00                    | \$0.00                     | 15,660                 | 15,660              | 380,282                  | 380,282               |
| <b>Total</b>        | <b>956</b>       | <b>25,558,889</b>        | <b>242,347</b>    | <b>186,000</b>      | <b>595,757</b>     | <b>2.33%</b>         | <b>1,116,849</b>      | <b>4.37%</b>              | <b>\$1.75</b>             | <b>\$534.60</b>            | <b>(13,179)</b>        | <b>(13,179)</b>     | <b>646,338</b>           | <b>646,338</b>        |



## Riding Waves of Stability in the Shadow of Uncertainty

by **Ryan Osterkamp**

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We began 2024 with high hopes of lower interest rates and increased economic activity. But the first quarter of the year has challenged these aspirations and revived the thoughts and feelings from late 2023. Rent stability is evident in Orange County's industrial market, however, with average asking lease rates remaining virtually unchanged quarter to quarter. Landlords and tenants alike are taking notice of the reality of increasing vacancy, resulting in landlords granting concessions of free rent and tenant improvement allowances.

Orange County has continued to add supply in the 50,000 to 200,000 square foot range, bringing heavy competition among landlords and revealing the waning demand in this size range. Landlords are being forced to get creative when it comes to marketing and lease structure as tenants have almost three times as many options to choose from as availability closes in on 5%. Operating expenses are beginning to play a pivotal role in the decision-making process for tenants as the county average moves closer to \$0.20–0.25 per square foot. Landlords who have held onto their properties through the last bull run are being rewarded with lower operating expenses to offer the prospective tenant pool.

Functionally obsolete buildings have taken, and will continue to take, the biggest hit when vacancy approaches today's levels, with very few tenants willing to sacrifice their wants and needs for a reduced lease rate they can get elsewhere. Landlords, completely aware of this, have continued to hold firm on their asking lease rates in most cases and are only making reductions when tenant activity has completely dissipated. Concessions are becoming much more common in this area of the market.

Many planned buildings have completed construction in Q1 which will affect this quarter's vacancy and availability numbers accordingly. Most of these projects stand between 50,000 and 150,000 square feet. Vacancy and availability will seem to have increased on paper, but the market remains tight below 50,000 square feet in Orange County. Time on market steadily climbed throughout 2023, and as vacancy continues its upward trend towards 5%.

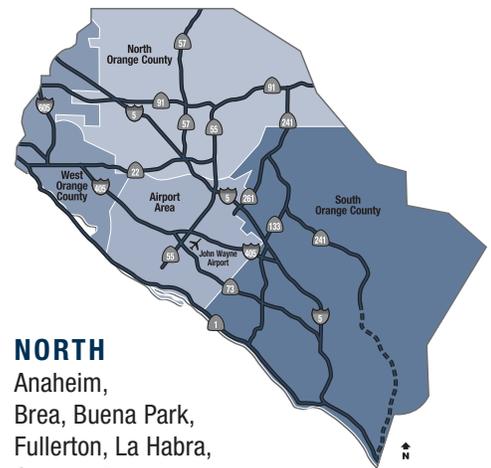
Coming into 2024 many were ready to hit their optimistic red buttons to send interest rates falling. But as we round out Q1 of 2024, cautious optimism is at the forefront of decision-making for the second year in a row.

### 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

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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.