

## TENANT DEMAND SHRUGS OFF RECESSION

Despite the pandemic, Orange County posted the most annual tenant growth in five years as strong demand returned in the fourth quarter. Available space remained near historically low levels with the year-end vacancy rate settling at 3.5%.

Fourth-quarter net absorption was 480,104 SF and totaled 941,872 SF for the year, reversing three straight years of negative growth. The pace of annual rent increases slowed to 4.6% in 2020, nearly half the average for the previous five years.

While the coronavirus recession has caused economic havoc for tenants and landlords of other property types, the lockdown has heightened demand for space among virtually all business categories of industrial users with few exceptions.

Stay-at-home orders have accelerated the pace of change in consumer buying patterns with shoppers spending more dollars online at the expense of brick-and-mortar retail. Companies of all sizes that are structured for online sales of consumer goods have gained. Locally, this also has moved supply-chain and logistics requirements front and center along with the need for access to the Southland's giant twin seaports that lately are moving more cargo than ever.

Inbound container traffic in 2020 was up more than 25% through the Port of Los Angeles. The Port of Long Beach announced a November record for handling cargo, up 31% from a year ago. The surge follows a 12% reduction in overall port traffic in the first half and is testing the limits of dockside labor. At year end a flotilla of anchored cargo vessels was facing lengthy delays for berth space.

One of the largest transactions of the year closed in Q4. Lee & Associates engineered the \$63.2-million sale of the Orange County Register newspaper's former printing plant to Amazon. The empty building will be razed to make way for a last-mile distribution facility.

Most of the annual growth was in North County, whose 116.7 million SF of inventory represents 42% of the county's 275.2-million SF base. About 1.3 million SF of space was absorbed across nine cities in 2020 that include Anaheim, Buena Park, Fullerton, Brea and Placentia. Its vacancy rate at the end of Q4 was 2.3%, and year-over-year asking rents gained an average 14%.

In spite of fourth-quarter negative absorption of 206,780 SF, net tenant demand in the 73-million-SF Airport submarket totaled 420,306 SF in 2020. The year-end vacancy rate was 3.5% throughout industrial neighborhoods in Costa Mesa, Fountain Valley, Irvine, Newport Beach, South Santa Ana and Tustin.

There was 234,433 SF of Q4 net absorption and 151,805 SF for the year in the 42.5-million-SF South County market. The year-end vacancy rate was 4.2% and average rents increased 5.5% in 2020.

The 197,775 SF of Q4 net absorption in West County failed to offset three previous quarters of contraction in which tenants shed 664,713 SF. The vacancy rate closed 2020 at 3.8%, up from 2.2% a year earlier. Average rents gained 3.4% for the year.

### MARKET FORECAST

The U.S. economy is expected to expand by 5.7% in 2021 after contracting 3.1% in 2020. There will be notable gains in travel and tourism and homebuilding, according to Chapman University's annual forecast.

## ORANGE COUNTY INDUSTRIAL

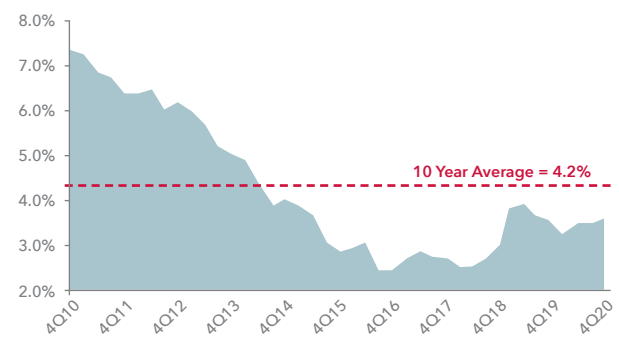
### ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	7.5%	11.8%
California Unemployment	9.1%	13.4%
US Unemployment	7.1%	9.9%

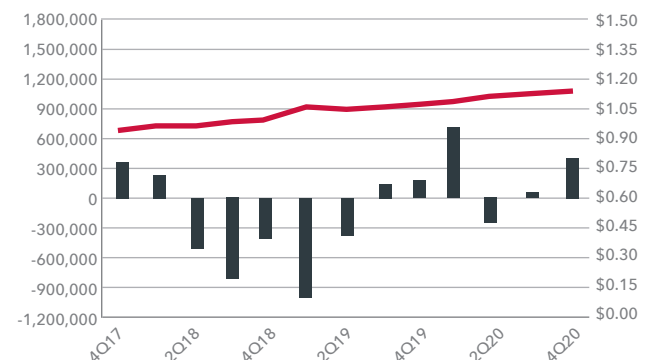
### MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	275,226,472	275,162,049
Vacancy Rate (%)	3.5%	3.6%
Net Absorption (SF)	480,104	29,701
Average Asking Rent (NNN)	\$1.13	\$1.11
Under Construction (SF)	332,382	396,805

### OVERALL VACANCY



### NET ABSORPTION VS ASKING RATES



\*All numbers are based on industrial buildings 10,000 sq. ft. and larger.

# ORANGE COUNTY




## FOURTH QUARTER 2020 INDUSTRIAL MARKET REPORT

### ORANGE COUNTY MARKET STATISTICS - 4Q 2020

BY AREA

	Bldg Count	SF RBA	Total SF Available	Avail. Rate	Total SF Vacant	Total Vac. Rate	Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	SF Under Construction
North Orange County	3,226	116,771,379	3,884,552	3.3%	2,664,099	2.3%	214,953	1,296,211	\$1.04	93,382
West Orange County	1,324	42,532,081	2,161,840	5.1%	1,618,791	3.8%	197,775	(664,713)	\$0.89	- 0 -
Greater Airport Area	2,487	73,095,625	4,696,534	6.4%	3,390,715	4.6%	(206,780)	420,306	\$1.12	239,000
South Orange County	1,237	42,527,032	2,317,343	5.4%	1,793,204	4.2%	234,433	(152,087)	\$1.34	- 0 -
Outlying Orange County	5	300,355	57,045	19.0%	57,045	19.0%	39,723	42,155	- 0 -	- 0 -
	8,279	275,226,472	13,117,314	4.8%	9,523,854	3.5%	480,104	941,872	\$1.13	332,382

### LEASE TRANSACTIONS 4Q 2020

	PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
	14404 Best Avenue Santa Fe Springs, CA	81,000	First OP International	Best Avenue Centre	Dave Hunsaker & Chuck Noble represented the Landlord.
	13220 Molette Street Santa Fe Springs, CA	70,706	SSR Motorsports	Molette Building, LLC	Justin Smith represented the Tenant.
	2580 W. 237th Street Torrance, CA	33,710	SHLA Group, Inc.	Marble Park Investments c/o Don Wilson Builders	Travis Haining represented the Landlord.

### SALE TRANSACTIONS 4Q 2020

	PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
	1601 & 1603 Steel Road Colton, CA	330,000	BSREP III	Aquatic Adventures	Jeff Gahagan and Scott Seal represented the Seller.
	2440 S. Milliken Avenue Ontario, CA	71,850	2440 Milliken LLC	CT Investors	Jim deRegt & Tom West represented the Buyer.
	5472 E La Palma Avenue Anaheim	38,753	Vogel Properties	Outlook Resources, Inc.	Ryan Swanson & Jeff Bischofberger represented the Seller.

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With a broad array of regional, national and international clients - ranging from individual investors and small businesses to large corporations and institutions - Lee & Associates successfully completed transactions with a total value of more than \$15 billion last year.

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