

RENTS GAIN ON STRONG TENANT GROWTH

Strong demand for industrial space continued in the first quarter, pushing down the vacancy rate to 3.3% and lifting lease rates to new highs as competition intensified for a short supply of space.

Net absorption in Q1 totaled 672,317 SF, the second highest quarterly total in five years. Countywide, tenant growth has totaled more than 1 million SF in the last six months and 1.8 million SF since the second half of 2019, showing confidence among industrial users despite the pandemic.

But with a vacancy rate less than 4% since 2014, companies planning for growth have faced declining options in quality space for sale or lease. In recent years, buildings for sale frequently attracted multiple offers. That trend continues today. Similar levels of interest for the first time are showing up in buildings for lease. A 35,000-SF building for lease in Tustin recently drew offers from five different users.

Asking lease rates are up countywide 6.4% year over year and have gained 40% in the last five years. In North County, the county's largest market with 116.8 million SF, asking rents are up nearly 12% year over year and 56% since 2016.

Positive first-quarter net absorption was reported in three of the county's four markets whose inventory combines for 275.5 million SF of space.

The 73.4-million-SF Airport market posted 664,389 SF of Q1 net absorption, led by a 166,722-SF lease in the Shea Business Center in Santa Ana. It's the fifth and largest lease completed 500,000-SF project, the Airport market's largest development in a decade. Nevertheless, the Airport market has not grown in year-over-year average asking rents.

There were 172,955 SF of Q1 net absorption in 42.5-million-SF South County market. Tenant growth pushed down the vacancy rate to 3.8%. Average asking rents gained 5.5% year over year.

In the 42.4-million-SF West County market there were 120,582 SF of net absorption and the vacancy rate settled at 3.5% and asking rents gained an average of 13% year over year.

North County reported 287,799 SF of Q1 contraction. Nevertheless, its 2.5% vacancy rate is the lowest in the county and asking rents were up nearly 12% from the same period last year.

There are seven buildings totaling 890,518 SF under construction and most are pre-leased.

MARKET FORECAST

Chapman University economists predict that Orange County's payroll employment total will improve by 10% in the second quarter, led by job gains in leisure and hospitality, a major industry sector in Orange County and one hit hardest by the coronavirus shutdown.

ORANGE COUNTY INDUSTRIAL

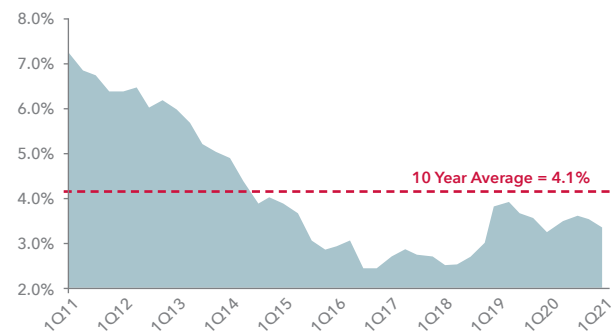
ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	6.8%	7.4%
California Unemployment	8.4%	9.1%
US Unemployment	6.0%	6.7%

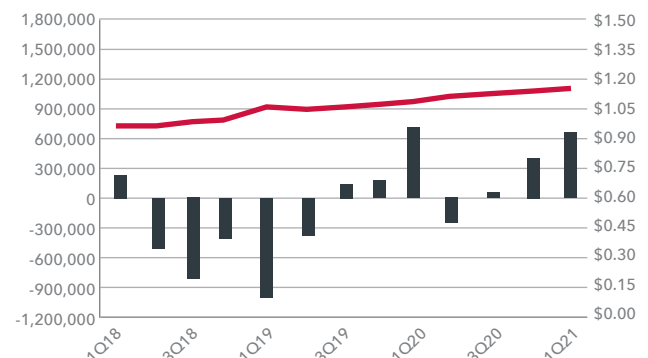
MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	275,502,815	275,263,815
Vacancy Rate (%)	3.3%	3.5%
Net Absorption (SF)	672,317	471,837
Average Asking Rent (NNN)	\$1.16	\$1.14
Under Construction (SF)	890,518	332,382

OVERALL VACANCY



NET ABSORPTION VS ASKING RATES



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

ORANGE COUNTY




FIRST QUARTER 2021 INDUSTRIAL MARKET REPORT

ORANGE COUNTY MARKET STATISTICS - 1Q 2021




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	3,223	116,803,652	3,704,479	3.2%	2,952,395	2.5%	(287,799)	(287,799)	\$1.06	201,507
West Orange County	1,323	42,421,260	2,218,986	5.2%	1,497,939	3.5%	120,852	120,852	\$0.96	610,273
Greater Airport Area	2,490	73,432,641	4,387,990	6.0%	3,025,018	4.1%	664,389	664,389	\$1.14	78,738
South Orange County	1,235	42,544,907	2,268,256	5.3%	1,626,959	3.8%	172,955	172,955	\$1.34	- 0 -
Outlying Orange County	5	300,355	55,125	18.4%	55,125	18.4%	1,920	1,920	- 0 -	- 0 -
	8,276	275,502,815	12,634,836	4.6%	9,157,436	3.3%	672,317	672,317	\$1.16	890,518

LEASE TRANSACTIONS 1Q 2021

	PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
	15625 Shoemaker Avenue Norwalk, CA	181,472	Midway Importing, Inc.	Principal Real Estate Investors	Frank Adler and Jeff Hirsch represented the Tenant.
	2020 Piper Ranch Road San Diego, CA	98,500	Balboa Water Group	Black Creek Group	Dale Camera, Jason Helmick and Greg Pieratt represented the Tenant.
	928 Vermont Anaheim, CA	64,800	ATC, LLC	Jerico Ventures	David Williams represented the Landlord.

SALE TRANSACTIONS 1Q 2021

	PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
	Edward Kraemer Ranch Corona, CA	216,360	City of Corona	Knowlton Partners, Inc.	Dave Hunsaker and Chuck Noble represented the Seller.
	170 W. Technology Drive Irvine, CA	41,905	TA Realty LLC	Ingold Family Investments, LLC	Dale Camera, Jason Helmick and Zach Schwaner represented the Buyer and the Seller.
	2511 S. Daimler Street Santa Ana, CA	21,840	Daimler Investment Partners, LLC	Allen and Allen Enterprises	Bob Griffin represented the Buyer and the Seller.

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