

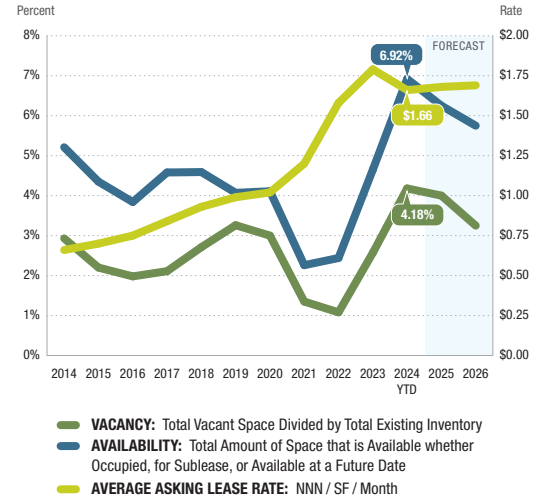
**OVERVIEW.** The Orange County industrial market softened further in Q2. Net absorption remained negative and vacancy rose again. The number of sales remained steady, but lease transaction count declined. Brokers report another drop in active lease and sale requirements, which is putting additional downward pressure on lease rates and sales prices. More deliveries in the Airport Area contributed to the spike in vacancy and an increase in the availability of premium space at the highest asking rates. Time on market increased again, prompting landlords to increase tenant and broker incentives. SBA mortgage interest rates for owner/user properties softened a bit late in the period, but not enough to cause a measurable interest in activity. The SBA 504 mortgage rate dropped to 6.35% in June from 6.69% in April.

**VACANCY & AVAILABILITY.** Orange County’s industrial vacancy rate jumped by 96 basis points to 4.18% in Q2 after a 65-basis-point rise in the first quarter. Year over year, vacancy has more than doubled but remains low by historic standards. That said it is the pace of the increase that is cause for concern, especially if this trend continues. The supply of high quality buildings offered for sale remains thin, but time on market is on the rise across the board, which contributes to rising vacancy and availability. The availability rate rose 171 basis points over the quarter, to 6.92%. This is primarily due to the increase in time on market and the delivery of several new buildings in the Airport Area during Q2.

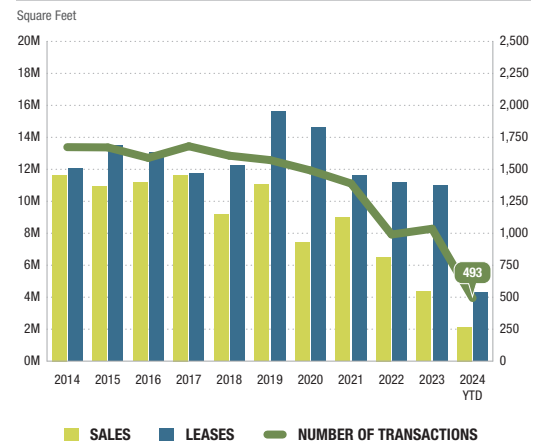
**LEASE RATES & SALES PRICES.** The average asking lease rate countywide fell by another \$0.04 in Q2 after a \$0.09 drop in Q1, ending the current period at \$1.66. For the first time in more than a decade, year-over-year average asking lease rates declined. Though the decrease was only 1.2%, it reflects the shift in underlying market dynamics. Landlords are reducing rates while they also increase tenant concessions to get their buildings leased before rates fall further. The average asking sales price also declined in Q2, falling to \$389 per square foot from just under \$410 per square foot in the first period. Year over year, the average price of an industrial building countywide fell by 8.27% after consecutive year-over-year gains since 2011. Sellers face pressure to reduce prices as high mortgage rates persist and inventory grows. Price cuts during marketing are becoming common, and even competitively priced properties struggle to attract buyers. The market is challenged by buyer hesitation due to high rates and fears of a potential economic downturn affecting property values.

**TRANSACTION ACTIVITY.** Sale transaction velocity was flat in Q2 with 38 buildings changing hands in the period. Owner/user activity remained sluggish due to persistently high mortgage rates and a price point that does not reflect the increase in debt service. At today’s rates, an owner/user in a standard SBA scenario has a mortgage payment of \$2.50 per square foot per month, excluding the higher property taxes associated with the sale. Depending on the building, that can be as much as double what the rent would be for the same building. Unless prices come down substantially, that gap will remain large enough to discourage building ownership. Overall lease and sale activity by square footage fell by almost 400,000 SF in Q2, ending the quarter at 3,023,406 SF, the lowest quarterly total in several years.

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



**TRANSACTION VOLUME & NUMBER OF TRANSACTIONS**



Market Statistics

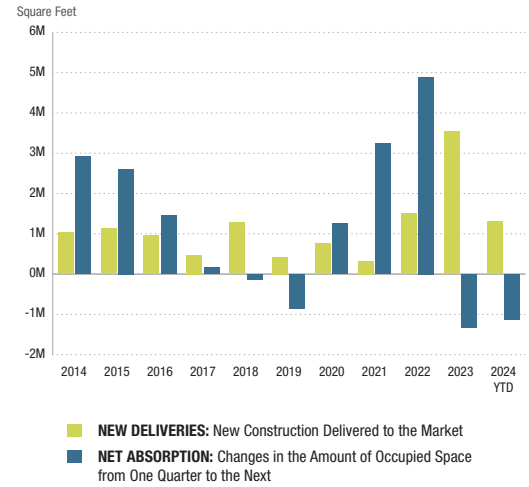
|                           | Change Over Last Quarter | Q2 2024   | Q1 2024   | Q2 2023   | % Change Over Last Year |
|---------------------------|--------------------------|-----------|-----------|-----------|-------------------------|
| Vacancy Rate              | ▲ UP                     | 4.18%     | 3.22%     | 2.02%     | 106.79%                 |
| Availability Rate         | ▲ UP                     | 6.92%     | 5.21%     | 3.94%     | 75.63%                  |
| Average Asking Lease Rate | ▼ DOWN                   | \$1.66    | \$1.70    | \$1.68    | (1.19%)                 |
| Average Asking Sale Price | ▼ DOWN                   | \$389.26  | \$409.94  | \$424.37  | (8.27%)                 |
| Sale & Lease Transactions | ▼ DOWN                   | 3,023,406 | 3,416,524 | 3,929,979 | (23.07%)                |
| Gross Absorption          | ▲ UP                     | 2,725,096 | 2,345,024 | 2,740,633 | (0.57%)                 |
| Net Absorption            | ▼ NEGATIVE               | (168,170) | (949,396) | (33,915)  | N/A                     |

**ABSORPTION.** Orange County experienced another net loss in occupied space in Q2, though the loss was not nearly as significant as that of Q1. Absorption was negative 168,170 SF in the period, compared with a 949,396 SF loss in Q1. The biggest impact was to the Airport Area, which suffered a decline in occupied space of over 473,471 SF, while the West, North and South County markets posted modest gains. Net absorption has been consistently negative for the past year and the trend is expected to continue due to fewer active requirements circulating in the market. Gross absorption, which is a measure of total move-ins, managed an increase to 2,725,096 SF from 2,345,024 SF in Q1. The largest move-in for the current period was in Cypress where Raymond West Intralogistics occupied 215,000 SF at 5560 Katella Avenue.

**CONSTRUCTION.** In Q2, more than 771,000 SF was delivered to the speculative inventory base, bringing the county's total base up to 237,923,418 SF. Just over 280,000 SF of the newly delivered space was pre-leased with the remaining space now categorized as vacant. The current construction queue stands at 2,271,062 SF, up from 1,744,000 SF in Q1. New projects went underway in Irvine, Buena Park, Orange and Irvine Spectrum. Most of the space being built is state-of-the-art warehouse buildings that showcase the amenities needed by the logistics sector. In some cases, those projects are being built after demolishing older obsolete R&D and office buildings that have fallen out of favor in recent years.

**EMPLOYMENT.** Orange County's unemployment rate decreased to 3.2% in May 2024, down from 3.7% in April 2024. Several sectors crucial to industrial space demand demonstrated growth. The construction sector showed promise, adding 1,200 jobs. Other sectors contributing to the employment increase included trade, transportation, and utilities (1,000 jobs).

## NEW DELIVERIES & NET ABSORPTION



## Forecast

The vacancy rate is expected to inch higher through the rest of the year, as lagging lease and sale activity will increase marketing time. In addition, many players are reluctant to initiate active requirements until the upcoming election is behind us. Asking lease rates, which plateaued during the market peak of 2022, are now in measurable decline and that trend should continue. In addition, landlords will continue to offer significant tenant concessions to attract tenants. Sales prices will remain under pressure as interest rates remain near current levels, given the Fed has shown reluctance to lower rates. The owner/user market will remain under the most pressure because these highly leveraged transactions are very sensitive to mortgage rates. The SBA 504 mortgage rate was at 6.35% at quarter's end, about where it is expected to remain until the Fed decides to switch gears.

## Significant Transactions

### Sales

\* Voit Real Estate Services Deal

| Property Address                 | City       | Square Feet | Sale Price   | Buyer                           | Seller                         |
|----------------------------------|------------|-------------|--------------|---------------------------------|--------------------------------|
| 1901 E. Rossllynn Ave.           | Fullerton  | 257,246     | \$94,200,000 | Rexford Industrial Realty       | American Realty Advisors       |
| 2040-2050 S. State College Blvd. | Anaheim    | 104,767     | \$64,500,000 | NE State College LLC            | Penwood Real Estate Investment |
| 3140 E. Coronado St.             | Anaheim    | 95,732      | \$26,800,000 | 3140 Coronado LLC               | Ddi Global Corp                |
| 1790 Apollo Ct.                  | Seal Beach | 64,061      | \$25,250,000 | 1790 Apollo Property Owners LLC | Thor Athletics, LLC            |
| 3366 E. La Palma Ave.            | Anaheim    | 46,444      | \$17,950,000 | Sunrise 50 Investors LLC        | The O'Connor Family Trust      |

### Leases

| Property Address                 | City             | Square Feet | Transaction Date | Tenant                  | Owner                         |
|----------------------------------|------------------|-------------|------------------|-------------------------|-------------------------------|
| 1683 Sunflower Ave. - Renewal    | Costa Mesa       | 197,000     | Apr-2024         | Robinson Pharma         | Prologis, Inc.                |
| 12691 Pala Ct.                   | Garden Grove     | 149,335     | Jun-2024         | Daisy Nail              | Prologis, Inc.                |
| 14852 Delta Ln.                  | Huntington Beach | 119,893     | Jun-2024         | Boeing Encore Interiors | Sares-Regis                   |
| 320-330 S. Hale Ave.             | Fullerton        | 90,336      | May-2024         | McKenna Labs            | EastGroup                     |
| 25200 Commercentre Dr. - Renewal | Lake Forest      | 84,030      | May-224          | Vintage Design, Inc.    | Sagar Real Estate Investments |

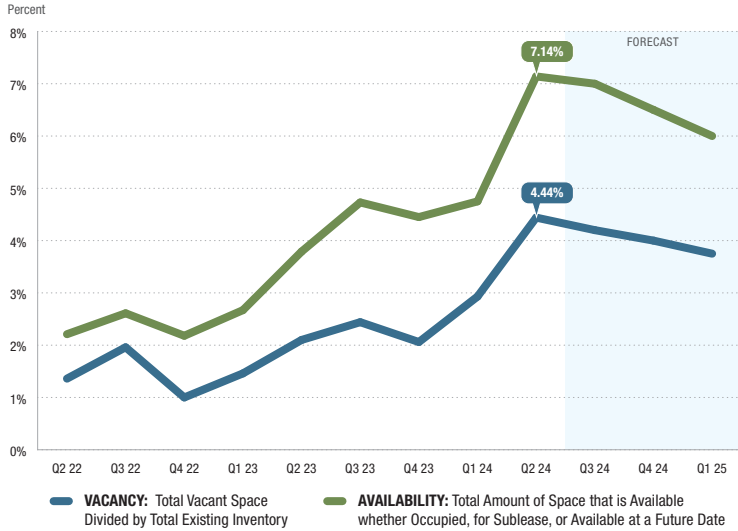
|                            | INVENTORY        |                          |                   |                     | VACANCY & LEASE RATES |                      |                       |                           |                           |                            | ABSORPTION             |                     |                          |                       |
|----------------------------|------------------|--------------------------|-------------------|---------------------|-----------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------------|------------------------|---------------------|--------------------------|-----------------------|
|                            | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant    | Vacancy Rate Q2 2024 | Square Feet Available | Availability Rate Q2 2024 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption Q2 2024 | Net Absorption 2024 | Gross Absorption Q2 2024 | Gross Absorption 2024 |
| <b>Airport Area</b>        |                  |                          |                   |                     |                       |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Costa Mesa                 | 449              | 7,674,694                | 0                 | 0                   | 357,006               | 4.65%                | 441,082               | 5.75%                     | \$1.43                    | \$468.45                   | (92,656)               | (110,255)           | 43,818                   | 79,758                |
| Fountain Valley            | 179              | 3,701,270                | 0                 | 0                   | 80,249                | 2.17%                | 131,099               | 3.54%                     | \$1.60                    | \$401.44                   | 45,165                 | (27,155)            | 63,381                   | 99,651                |
| Irvine                     | 303              | 11,512,035               | 348,418           | 0                   | 638,160               | 5.54%                | 1,067,583             | 9.27%                     | \$1.82                    | \$437.91                   | (104,764)              | (40,857)            | 295,409                  | 385,112               |
| Newport Beach              | 49               | 607,894                  | 0                 | 0                   | 4,165                 | 0.69%                | 4,165                 | 0.69%                     | \$2.89                    | \$0.00                     | 12,376                 | 6,600               | 12,376                   | 12,376                |
| Santa Ana                  | 1,588            | 31,128,458               | 257,656           | 112,500             | 1,183,819             | 3.80%                | 1,793,636             | 5.76%                     | \$1.71                    | \$378.73                   | (323,833)              | (422,903)           | 324,649                  | 524,514               |
| Tustin                     | 116              | 4,612,962                | 0                 | 150,493             | 440,981               | 9.56%                | 542,101               | 11.75%                    | \$1.63                    | \$0.00                     | (9,759)                | (47,351)            | 0                        | 0                     |
| <b>Airport Area Total</b>  | <b>2,684</b>     | <b>59,237,313</b>        | <b>606,074</b>    | <b>262,993</b>      | <b>2,704,380</b>      | <b>4.57%</b>         | <b>3,979,666</b>      | <b>6.72%</b>              | <b>\$1.71</b>             | <b>\$411.63</b>            | <b>(473,471)</b>       | <b>(641,921)</b>    | <b>739,633</b>           | <b>1,101,411</b>      |
| <b>North County</b>        |                  |                          |                   |                     |                       |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Anaheim                    | 1,841            | 44,644,972               | 375,973           | 0                   | 2,173,622             | 4.87%                | 3,314,710             | 7.42%                     | \$1.66                    | \$362.08                   | 293,874                | (104,545)           | 627,019                  | 959,900               |
| Brea                       | 330              | 12,279,301               | 124,678           | 0                   | 577,168               | 4.70%                | 756,898               | 6.16%                     | \$1.41                    | \$427.60                   | (309,027)              | (221,532)           | 178,943                  | 243,121               |
| Buena Park                 | 238              | 13,622,407               | 127,765           | 0                   | 762,971               | 5.60%                | 1,563,152             | 11.47%                    | \$1.76                    | \$375.34                   | (107,317)              | (173,466)           | 88,646                   | 128,559               |
| Fullerton                  | 463              | 19,644,515               | 135,741           | 0                   | 813,771               | 4.14%                | 1,390,020             | 7.08%                     | \$1.66                    | \$329.31                   | 426,685                | 283,449             | 261,175                  | 357,524               |
| La Habra                   | 195              | 3,591,808                | 0                 | 0                   | 111,526               | 3.11%                | 94,958                | 2.64%                     | \$1.56                    | \$322.79                   | (6,539)                | (51,151)            | 24,394                   | 29,837                |
| Orange                     | 746              | 13,607,202               | 0                 | 128,953             | 305,916               | 2.25%                | 689,178               | 5.06%                     | \$1.46                    | \$251.57                   | (83,579)               | (112,856)           | 135,416                  | 183,863               |
| Placentia                  | 221              | 4,272,865                | 0                 | 0                   | 234,204               | 5.48%                | 220,336               | 5.16%                     | \$1.55                    | \$314.45                   | (89,234)               | (96,809)            | 59,274                   | 169,778               |
| Yorba Linda                | 55               | 908,881                  | 0                 | 0                   | 15,412                | 1.70%                | 7,699                 | 0.85%                     | \$0.00                    | \$0.00                     | (13,012)               | (15,412)            | 24,123                   | 35,143                |
| <b>North County Total</b>  | <b>4,089</b>     | <b>112,571,951</b>       | <b>764,157</b>    | <b>128,953</b>      | <b>4,994,590</b>      | <b>4.44%</b>         | <b>8,036,951</b>      | <b>7.14%</b>              | <b>\$1.62</b>             | <b>\$351.67</b>            | <b>111,851</b>         | <b>(492,322)</b>    | <b>1,398,990</b>         | <b>2,107,725</b>      |
| <b>South County</b>        |                  |                          |                   |                     |                       |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Aliso Viejo                | 19               | 735,866                  | 0                 | 0                   | 49,980                | 6.79%                | 41,689                | 5.67%                     | \$0.00                    | \$415.00                   | 0                      | (32,300)            | 0                        | 0                     |
| Foothill Ranch             | 63               | 3,321,584                | 0                 | 0                   | 52,143                | 1.57%                | 532,228               | 16.02%                    | \$1.71                    | \$475.00                   | (12,003)               | 60,017              | 16,377                   | 449,656               |
| Irvine Spectrum            | 218              | 10,319,036               | 224,920           | 0                   | 167,752               | 1.63%                | 501,932               | 4.86%                     | \$1.74                    | \$455.98                   | 127,467                | 56,768              | 44,926                   | 67,597                |
| 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                   | 31,766                | 2.98%                | 81,091                | 7.60%                     | \$2.03                    | \$600.00                   | (21,544)               | (17,261)            | 5,122                    | 67,607                |
| 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                 | 0                   | 266,116               | 6.12%                | 412,894               | 9.50%                     | \$1.65                    | \$422.88                   | (18,591)               | (30,040)            | 77,703                   | 145,734               |
| Mission Viejo              | 31               | 725,012                  | 0                 | 0                   | 2,026                 | 0.28%                | 5,564                 | 0.77%                     | \$1.91                    | \$0.00                     | (2,026)                | 984                 | 0                        | 3,010                 |
| Rancho Mission Viejo       | 5                | 125,044                  | 0                 | 0                   | 22,344                | 17.87%               | 14,842                | 11.87%                    | \$2.45                    | \$0.00                     | 3,500                  | 5,420               | 9,040                    | 16,528                |
| Rancho Santa Margarita     | 107              | 1,708,558                | 0                 | 0                   | 8,719                 | 0.51%                | 31,809                | 1.86%                     | \$1.61                    | \$0.00                     | 0                      | 9,806               | 0                        | 15,662                |
| San Clemente               | 164              | 2,058,906                | 0                 | 0                   | 83,625                | 4.06%                | 67,626                | 3.28%                     | \$1.67                    | \$423.30                   | 1,568                  | 7,981               | 19,336                   | 39,607                |
| San Juan Capistrano        | 43               | 925,030                  | 136,308           | 0                   | 2,388                 | 0.26%                | 0                     | 0.00%                     | \$1.85                    | \$0.00                     | 0                      | 3,817               | 2,388                    | 15,829                |
| <b>South County Total</b>  | <b>959</b>       | <b>25,678,928</b>        | <b>361,228</b>    | <b>0</b>            | <b>692,354</b>        | <b>2.70%</b>         | <b>1,696,025</b>      | <b>6.60%</b>              | <b>\$1.70</b>             | <b>\$467.90</b>            | <b>78,371</b>          | <b>65,192</b>       | <b>174,892</b>           | <b>821,230</b>        |
| <b>West County</b>         |                  |                          |                   |                     |                       |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Cypress                    | 101              | 4,727,720                | 390,268           | 0                   | 47,918                | 1.01%                | 110,477               | 2.34%                     | \$1.77                    | \$0.00                     | 267,545                | 316,881             | 56,503                   | 163,589               |
| Garden Grove               | 484              | 12,449,612               | 149,335           | 88,164              | 680,482               | 5.47%                | 965,278               | 7.75%                     | \$1.62                    | \$343.00                   | (219,712)              | (256,623)           | 43,819                   | 159,274               |
| Huntington Beach           | 703              | 14,153,922               | 0                 | 0                   | 592,869               | 4.19%                | 1,272,052             | 8.99%                     | \$1.55                    | \$466.19                   | 141,222                | 49,913              | 292,091                  | 641,219               |
| La Palma                   | 16               | 1,778,216                | 0                 | 0                   | 0                     | 0.00%                | 84,321                | 4.74%                     | \$0.00                    | \$339.00                   | 0                      | 0                   | 0                        | 0                     |
| Los Alamitos               | 96               | 2,206,219                | 0                 | 0                   | 64,297                | 2.91%                | 93,104                | 4.22%                     | \$1.45                    | \$460.00                   | (42,419)               | (55,622)            | 0                        | 6,728                 |
| Seal Beach                 | 15               | 947,258                  | 0                 | 0                   | 0                     | 0.00%                | 3,162                 | 0.33%                     | \$0.00                    | \$0.00                     | 0                      | 0                   | 0                        | 0                     |
| Stanton                    | 177              | 1,881,358                | 0                 | 0                   | 53,422                | 2.84%                | 88,369                | 4.70%                     | \$1.99                    | \$475.22                   | (1,884)                | (6,370)             | 19,168                   | 63,555                |
| Westminster                | 138              | 2,290,921                | 0                 | 0                   | 108,207               | 4.72%                | 134,801               | 5.88%                     | \$1.63                    | \$0.00                     | (29,673)               | (96,694)            | 0                        | 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>1,547,195</b>      | <b>3.83%</b>         | <b>2,751,564</b>      | <b>6.80%</b>              | <b>\$1.63</b>             | <b>\$473.79</b>            | <b>115,079</b>         | <b>(48,515)</b>     | <b>411,581</b>           | <b>1,039,754</b>      |
| <b>Orange County Total</b> | <b>9,462</b>     | <b>237,923,418</b>       | <b>2,271,062</b>  | <b>480,110</b>      | <b>9,938,519</b>      | <b>4.18%</b>         | <b>16,464,206</b>     | <b>6.92%</b>              | <b>\$1.66</b>             | <b>\$389.26</b>            | <b>(168,170)</b>       | <b>(1,117,566)</b>  | <b>2,725,096</b>         | <b>5,070,120</b>      |
| Less than 9,999            | 3,370            | 20,530,762               | 0                 | 0                   | 486,144               | 2.37%                | 664,290               | 3.24%                     | \$1.69                    | \$469.26                   | (89,400)               | (84,823)            | 229,335                  | 478,193               |
| 10,000-19,999              | 3,154            | 43,637,717               | 14,000            | 0                   | 1,299,366             | 2.98%                | 1,711,860             | 3.92%                     | \$1.67                    | \$411.33                   | (223,499)              | (269,450)           | 406,295                  | 931,359               |
| 20,000-29,999              | 1,190            | 28,475,688               | 48,565            | 0                   | 796,018               | 2.80%                | 1,177,755             | 4.14%                     | \$1.57                    | \$389.48                   | (143,210)              | (168,382)           | 484,612                  | 855,044               |
| 30,000-39,999              | 499              | 17,035,034               | 37,943            | 0                   | 640,041               | 3.76%                | 961,815               | 5.65%                     | \$1.71                    | \$376.32                   | (94,934)               | (397,189)           | 274,815                  | 446,893               |
| 40,000-49,999              | 300              | 13,206,007               | 0                 | 0                   | 485,318               | 3.67%                | 827,467               | 6.27%                     | \$1.61                    | \$335.30                   | (34,671)               | (272,915)           | 132,150                  | 155,131               |
| 50,000-74,999              | 379              | 22,776,934               | 54,088            | 0                   | 1,028,105             | 4.51%                | 1,655,082             | 7.27%                     | \$1.60                    | \$413.06                   | (165,803)              | (265,632)           | 83,713                   | 197,213               |
| 75,000-99,999              | 166              | 14,296,306               | 186,600           | 88,164              | 672,966               | 4.71%                | 1,277,239             | 8.93%                     | \$1.62                    | \$276.70                   | 93,573                 | (72,635)            | 271,110                  | 449,962               |
| 100,000-199,999            | 275              | 36,532,654               | 1,487,711         | 391,946             | 2,794,979             | 7.65%                | 3,863,332             | 10.58%                    | \$1.65                    | \$226.12                   | (31,886)               | (3,724)             | 513,480                  | 796,858               |
| 200,000 Plus               | 129              | 41,432,316               | 442,155           | 0                   | 1,735,582             | 4.19%                | 4,325,366             | 10.44%                    | \$0.00                    | \$0.00                     | 521,660                | 417,184             | 329,586                  | 1,430,276             |
| <b>Orange County Total</b> | <b>9,462</b>     | <b>237,923,418</b>       | <b>2,271,062</b>  | <b>480,110</b>      | <b>9,938,519</b>      | <b>4.18%</b>         | <b>16,464,206</b>     | <b>6.92%</b>              | <b>\$1.66</b>             | <b>\$389.26</b>            | <b>(168,170)</b>       | <b>(1,117,566)</b>  | <b>2,725,096</b>         | <b>5,070,120</b>      |

Lease rates are on a triple-net basis.

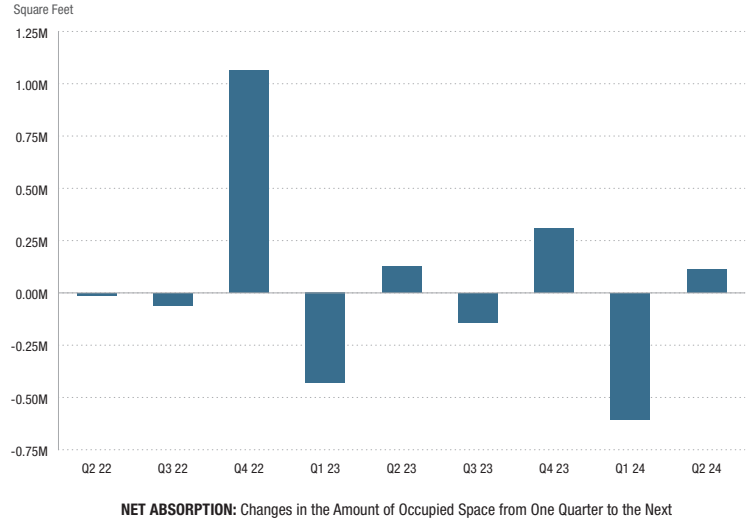
## NORTH ORANGE COUNTY

In the second quarter of 2024, the North Orange County industrial market consisted of 4,089 buildings totaling 112,571,951 square feet and had an availability rate of 7.14%, which shows an increase from the previous quarter's figure of 4.75%.

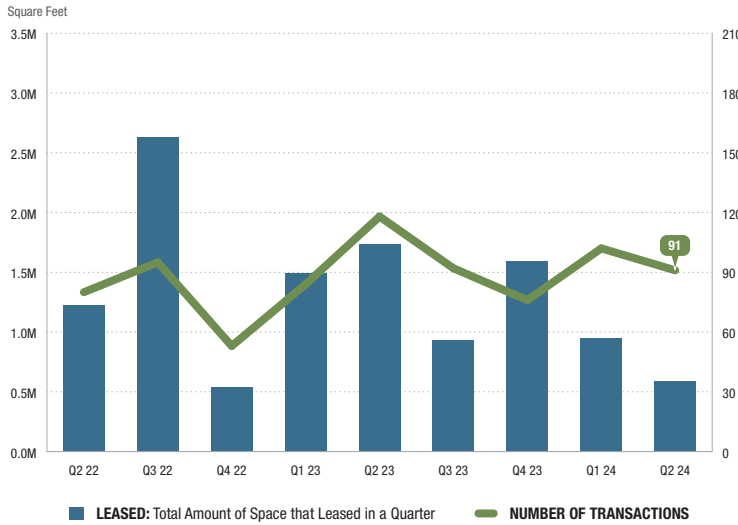
### VACANCY & AVAILABILITY RATE



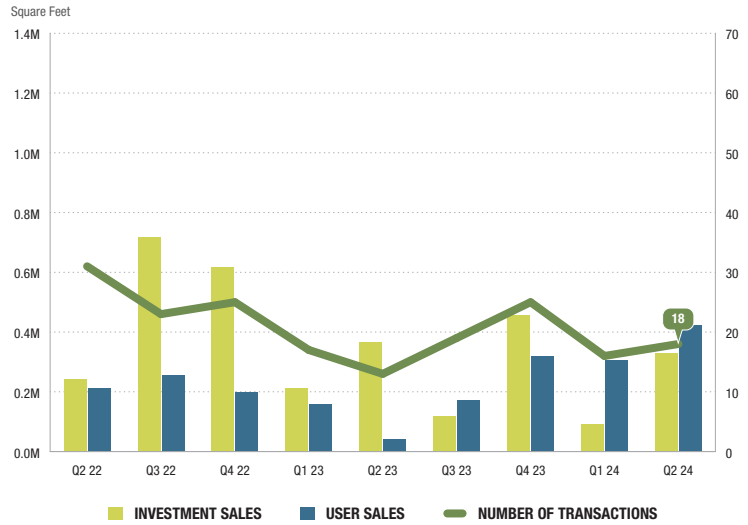
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

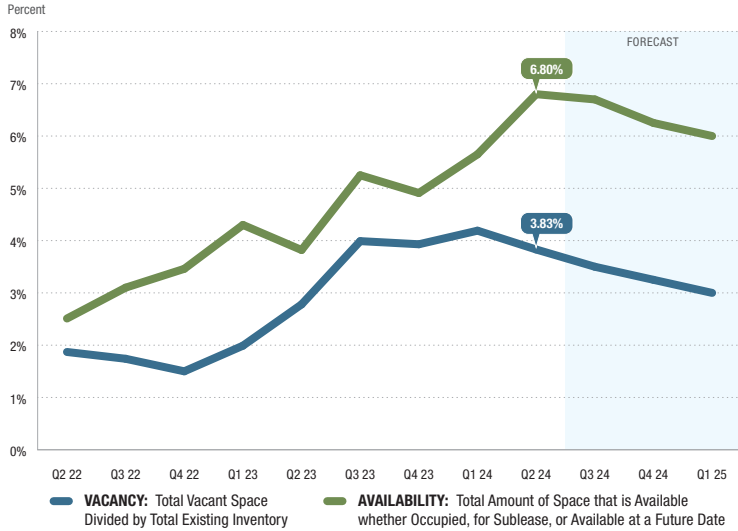
### ABSORPTION

|                     | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate Q2 2024 | Square Feet Available | Availability Rate Q2 2024 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption Q2 2024 | Net Absorption 2024 | Gross Absorption Q2 2024 | Gross Absorption 2024 |
|---------------------|------------------|--------------------------|-------------------|---------------------|--------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------------|------------------------|---------------------|--------------------------|-----------------------|
| <b>North Totals</b> |                  |                          |                   |                     |                    |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Less than 9,999     | 1,360            | 8,574,870                | 0                 | 0                   | 175,019            | 2.04%                | 255,831               | 2.98%                     | \$1.42                    | \$401.42                   | (42,016)               | (34,129)            | 106,968                  | 186,591               |
| 10,000-19,999       | 1,389            | 19,254,709               | 0                 | 0                   | 592,029            | 3.07%                | 701,945               | 3.65%                     | \$1.51                    | \$367.54                   | (177,037)              | (231,673)           | 166,242                  | 342,350               |
| 20,000-29,999       | 513              | 12,264,551               | 27,765            | 0                   | 368,397            | 3.00%                | 486,777               | 3.97%                     | \$1.55                    | \$247.89                   | (114,428)              | (159,231)           | 207,163                  | 346,070               |
| 30,000-39,999       | 225              | 7,662,387                | 37,943            | 0                   | 241,393            | 3.15%                | 318,874               | 4.16%                     | \$1.60                    | \$38,500.00                | (39,540)               | (134,192)           | 116,836                  | 211,870               |
| 40,000-49,999       | 139              | 6,125,847                | 0                 | 0                   | 230,475            | 3.76%                | 375,302               | 6.13%                     | \$1.61                    | \$432.30                   | (38,818)               | (166,470)           | 115,350                  | 129,645               |
| 50,000-74,999       | 179              | 10,754,021               | 0                 | 0                   | 631,674            | 5.87%                | 1,064,476             | 9.90%                     | \$1.57                    | \$214.19                   | (55,135)               | (192,858)           | 76,544                   | 142,061               |
| 75,000-99,999       | 73               | 6,253,283                | 0                 | 0                   | 235,291            | 3.76%                | 514,238               | 8.22%                     | \$1.35                    | \$226.12                   | 56,597                 | (58,540)            | 190,910                  | 292,235               |
| 100,000-199,999     | 144              | 19,143,935               | 461,203           | 128,953             | 1,557,983          | 8.14%                | 2,313,802             | 12.09%                    | \$1.72                    | \$0.00                     | 90,406                 | 102,268             | 225,768                  | 263,694               |
| 200,000 plus        | 67               | 22,538,348               | 237,246           | 0                   | 962,329            | 4.27%                | 2,005,706             | 8.90%                     | \$0.00                    | \$0.00                     | 431,822                | 382,503             | 193,209                  | 193,209               |
| <b>Total</b>        | <b>4,089</b>     | <b>112,571,951</b>       | <b>764,157</b>    | <b>128,953</b>      | <b>4,994,590</b>   | <b>4.44%</b>         | <b>8,036,951</b>      | <b>7.14%</b>              | <b>\$1.62</b>             | <b>\$351.67</b>            | <b>111,851</b>         | <b>(492,322)</b>    | <b>1,398,990</b>         | <b>2,107,725</b>      |

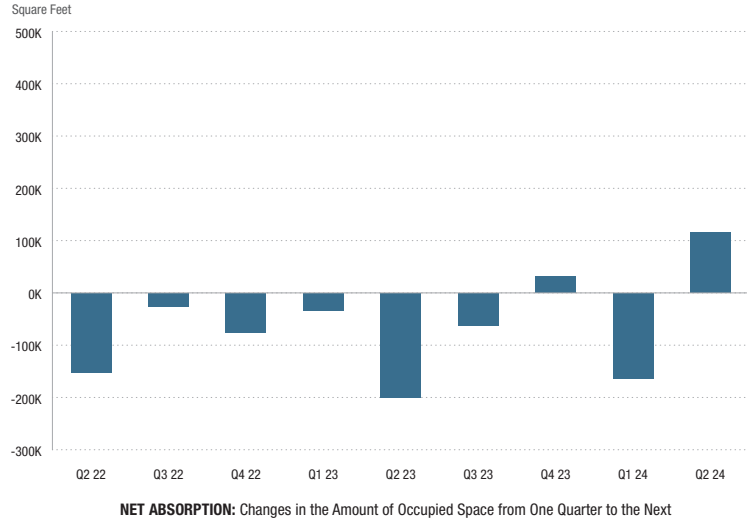
## WEST ORANGE COUNTY

In the second 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 6.80%, which shows an increase from the previous quarter's figure of 5.65%.

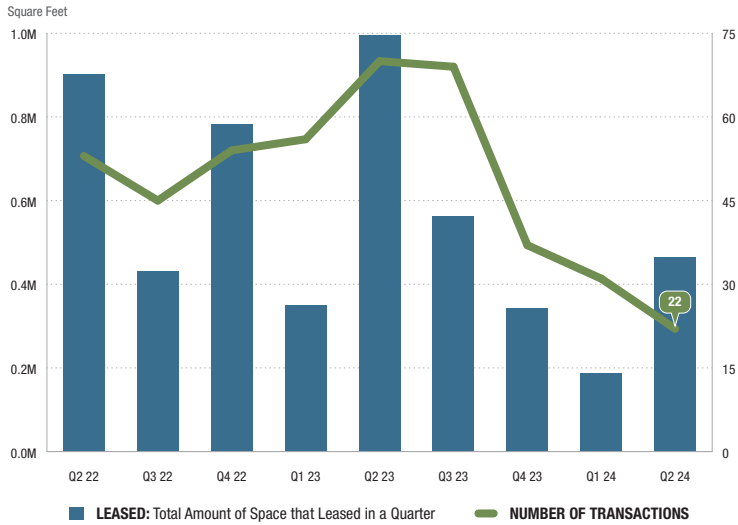
### VACANCY & AVAILABILITY RATE



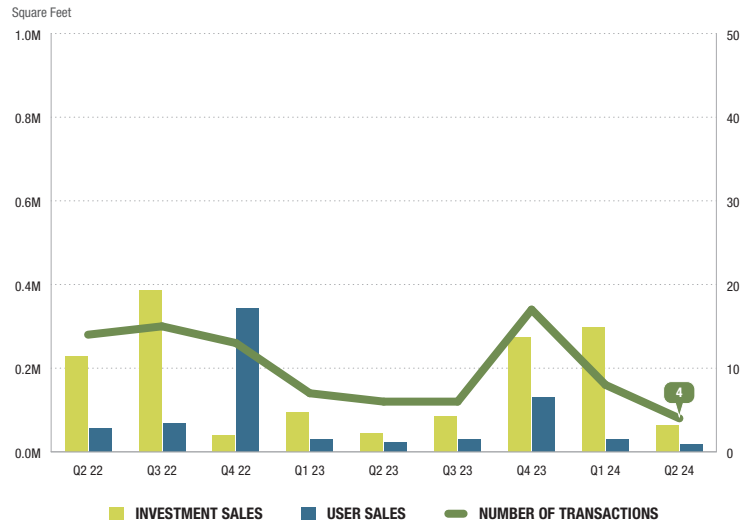
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

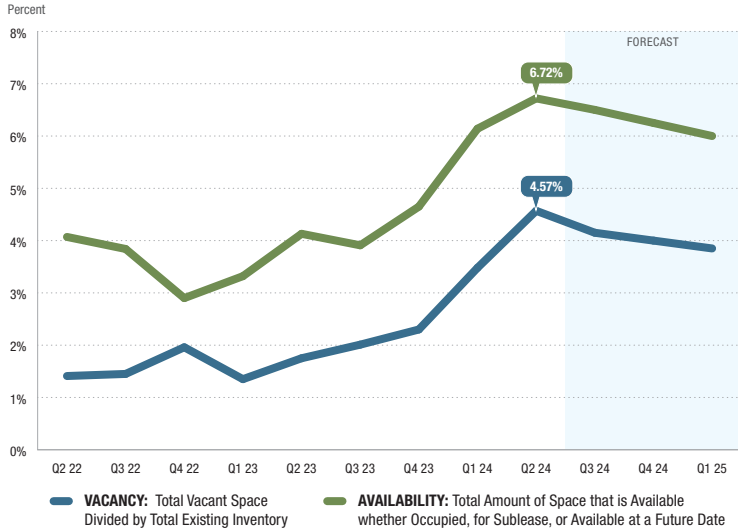
### ABSORPTION

|                    | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate Q2 2024 | Square Feet Available | Availability Rate Q2 2024 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption Q2 2024 | Net Absorption 2024 | Gross Absorption Q2 2024 | Gross Absorption 2024 |
|--------------------|------------------|--------------------------|-------------------|---------------------|--------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------------|------------------------|---------------------|--------------------------|-----------------------|
| <b>West Totals</b> |                  |                          |                   |                     |                    |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Less than 9,999    | 697              | 4,170,626                | 0                 | 0                   | 118,335            | 2.84%                | 152,580               | 3.66%                     | \$1.62                    | \$409.99                   | (17,825)               | (25,054)            | 34,098                   | 90,432                |
| 10,000-19,999      | 574              | 7,631,159                | 0                 | 0                   | 283,104            | 3.71%                | 346,953               | 4.55%                     | \$1.58                    | \$390.65                   | (38,748)               | (84,181)            | 43,849                   | 156,724               |
| 20,000-29,999      | 187              | 4,514,039                | 0                 | 0                   | 150,775            | 3.34%                | 231,747               | 5.13%                     | \$1.49                    | \$437.98                   | (13,972)               | (70,592)            | 33,569                   | 69,660                |
| 30,000-39,999      | 64               | 2,228,191                | 0                 | 0                   | 42,613             | 1.91%                | 53,934                | 2.42%                     | \$0.00                    | \$324.00                   | 6,660                  | 1,522               | 12,970                   | 16,282                |
| 40,000-49,999      | 51               | 2,250,192                | 0                 | 0                   | 86,170             | 3.83%                | 188,471               | 8.38%                     | \$1.63                    | \$287.49                   | 0                      | (40,274)            | 0                        | 0                     |
| 50,000-74,999      | 59               | 3,523,201                | 0                 | 0                   | 136,526            | 3.88%                | 225,257               | 6.39%                     | \$1.65                    | \$339.00                   | 7,169                  | 45,063              | 7,169                    | 55,152                |
| 75,000-99,999      | 29               | 2,511,677                | 0                 | 88,164              | 0                  | 0.00%                | 129,899               | 5.17%                     | \$1.77                    | \$0.00                     | 49,334                 | 76,527              | 49,334                   | 125,861               |
| 100,000-199,999    | 44               | 6,013,707                | 334,694           | 0                   | 425,864            | 7.08%                | 429,026               | 7.13%                     | \$1.59                    | \$0.00                     | (72,550)               | (75,720)            | 110,592                  | 393,970               |
| 200,000 plus       | 25               | 7,592,434                | 204,909           | 0                   | 303,808            | 4.00%                | 993,697               | 13.09%                    | \$0.00                    | \$0.00                     | 195,011                | 124,194             | 120,000                  | 131,673               |
| <b>Total</b>       | <b>1,730</b>     | <b>40,435,226</b>        | <b>539,603</b>    | <b>88,164</b>       | <b>1,547,195</b>   | <b>3.83%</b>         | <b>2,751,564</b>      | <b>6.80%</b>              | <b>\$1.63</b>             | <b>\$473.79</b>            | <b>115,079</b>         | <b>(48,515)</b>     | <b>411,581</b>           | <b>1,039,754</b>      |

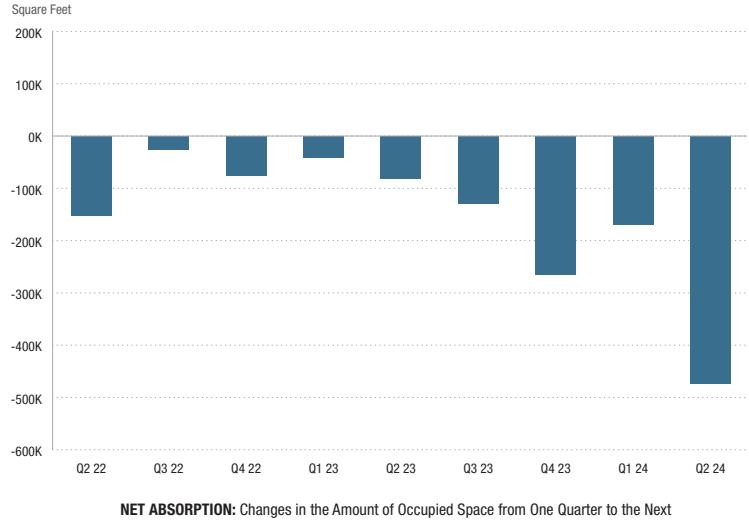
## AIRPORT AREA

In the second quarter of 2024, the Airport Orange County industrial market consisted of 2,684 buildings totaling 59,237,313 square feet and had an availability rate of 6.72%, which shows an increase from the previous quarter's figure of 6.14%.

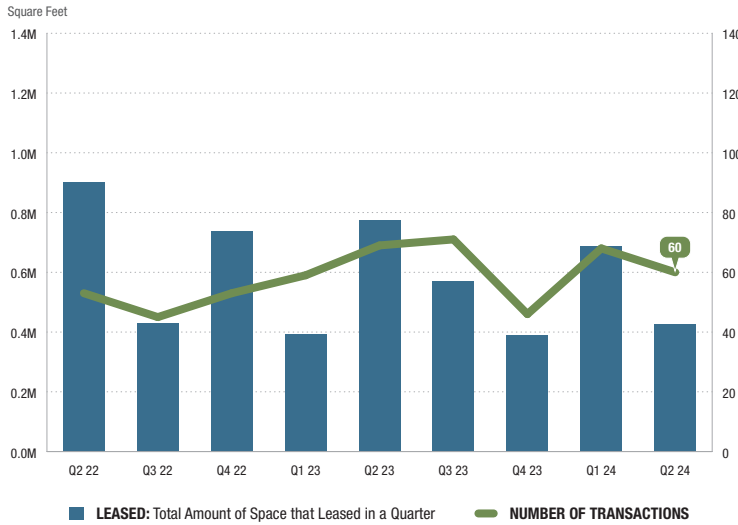
### VACANCY & AVAILABILITY RATE



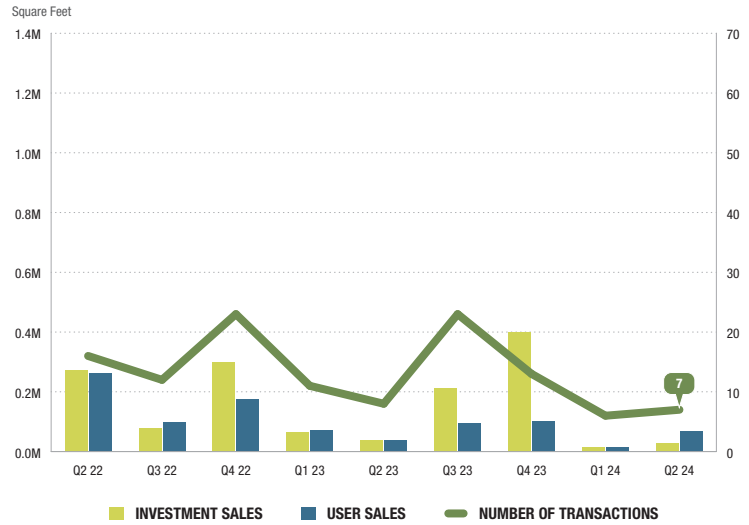
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

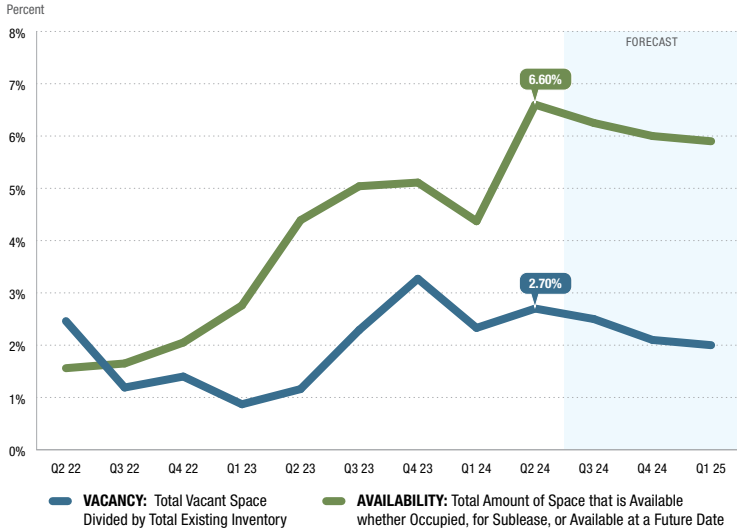
### ABSORPTION

|                       | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate Q2 2024 | Square Feet Available | Availability Rate Q2 2024 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption Q2 2024 | Net Absorption 2024 | Gross Absorption Q2 2024 | Gross Absorption 2024 |
|-----------------------|------------------|--------------------------|-------------------|---------------------|--------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------------|------------------------|---------------------|--------------------------|-----------------------|
| <b>Airport Totals</b> |                  |                          |                   |                     |                    |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Less than 9,999       | 944              | 5,491,481                | 0                 | 0                   | 119,700            | 2.18%                | 163,654               | 2.98%                     | \$1.73                    | \$460.12                   | (12,750)               | (8,375)             | 67,911                   | 133,877               |
| 10,000-19,999         | 912              | 12,766,611               | 0                 | 0                   | 307,510            | 2.41%                | 493,783               | 3.87%                     | \$1.72                    | \$446.03                   | 1,939                  | 33,471              | 156,797                  | 289,844               |
| 20,000-29,999         | 358              | 8,538,738                | 0                 | 0                   | 233,703            | 2.74%                | 354,290               | 4.15%                     | \$1.62                    | \$380.94                   | (319)                  | 44,569              | 189,193                  | 321,827               |
| 30,000-39,999         | 163              | 5,545,186                | 0                 | 0                   | 262,306            | 4.73%                | 450,083               | 8.12%                     | \$1.75                    | \$380.08                   | (13,111)               | (187,032)           | 111,204                  | 140,335               |
| 40,000-49,999         | 79               | 3,447,400                | 0                 | 0                   | 127,179            | 3.69%                | 166,799               | 4.84%                     | \$1.59                    | \$0.00                     | (42,127)               | (71,143)            | 16,800                   | 16,800                |
| 50,000-74,999         | 104              | 6,299,324                | 54,088            | 0                   | 190,037            | 3.02%                | 251,738               | 4.00%                     | \$1.65                    | \$372.66                   | (117,837)              | (117,837)           | 0                        | 0                     |
| 75,000-99,999         | 47               | 4,033,110                | 95,000            | 0                   | 365,526            | 9.06%                | 531,253               | 13.17%                    | \$1.55                    | \$0.00                     | (94,550)               | (172,814)           | 30,866                   | 31,866                |
| 100,000-199,999       | 56               | 7,135,683                | 456,986           | 262,993             | 742,868            | 10.41%               | 976,733               | 13.69%                    | \$1.56                    | \$0.00                     | (60,000)               | (28,044)            | 166,862                  | 166,862               |
| 200,000 plus          | 21               | 5,979,780                | 0                 | 0                   | 355,551            | 5.95%                | 591,333               | 9.89%                     | \$0.00                    | \$0.00                     | (134,716)              | (134,716)           | 0                        | 0                     |
| <b>Total</b>          | <b>2,684</b>     | <b>59,237,313</b>        | <b>606,074</b>    | <b>262,993</b>      | <b>2,704,380</b>   | <b>4.57%</b>         | <b>3,979,666</b>      | <b>6.72%</b>              | <b>\$1.71</b>             | <b>\$411.63</b>            | <b>(473,471)</b>       | <b>(641,921)</b>    | <b>739,633</b>           | <b>1,101,411</b>      |

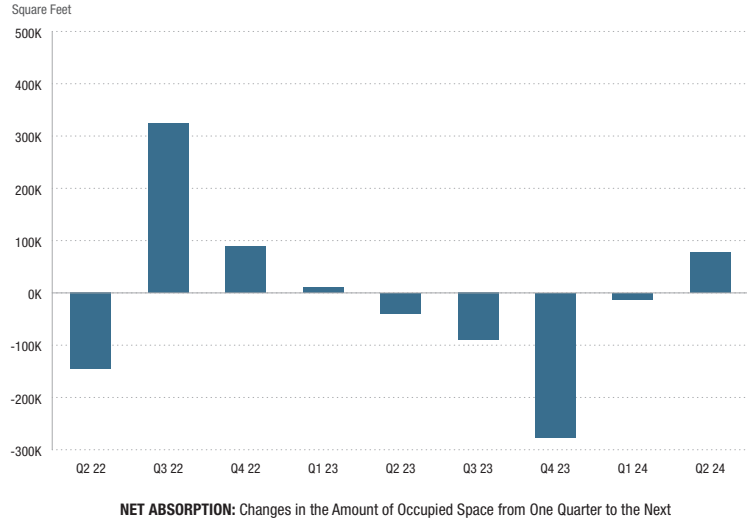
## SOUTH ORANGE COUNTY

In the second quarter of 2024, the South Orange County industrial market consisted of 959 buildings totaling 25,678,928 square feet and had an availability rate of 6.60%, which shows an increase from the previous quarter's figure of 4.37%.

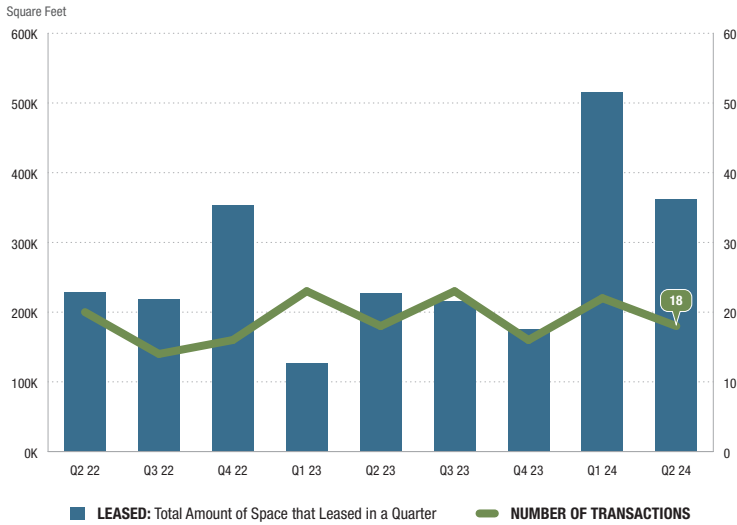
### VACANCY & AVAILABILITY RATE



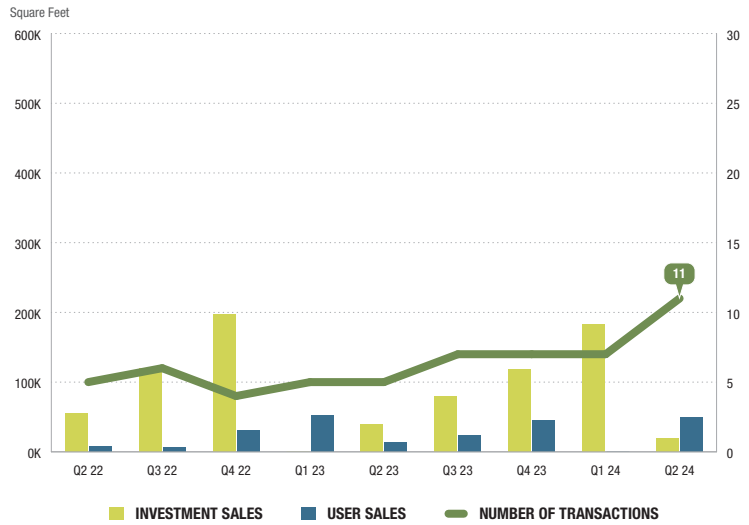
### NET ABSORPTION



### 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 2024 | Square Feet Available | Availability Rate Q2 2024 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption Q2 2024 | Net Absorption 2024 | Gross Absorption Q2 2024 | Gross Absorption 2024 |
|---------------------|------------------|--------------------------|-------------------|---------------------|--------------------|----------------------|-----------------------|---------------------------|---------------------------|----------------------------|------------------------|---------------------|--------------------------|-----------------------|
| <b>South Totals</b> |                  |                          |                   |                     |                    |                      |                       |                           |                           |                            |                        |                     |                          |                       |
| Less than 9,999     | 369              | 2,293,785                | 0                 | 0                   | 73,090             | 3.19%                | 92,225                | 4.02%                     | \$1.81                    | \$555.06                   | (16,809)               | (17,265)            | 20,358                   | 67,293                |
| 10,000-19,999       | 279              | 3,985,238                | 14,000            | 0                   | 116,723            | 2.93%                | 169,179               | 4.25%                     | \$1.76                    | \$437.04                   | (9,653)                | 12,933              | 39,407                   | 142,441               |
| 20,000-29,999       | 132              | 3,158,360                | 20,800            | 0                   | 43,143             | 1.37%                | 104,941               | 3.32%                     | \$1.61                    | \$407.58                   | (14,491)               | 16,872              | 54,687                   | 117,487               |
| 30,000-39,999       | 47               | 1,599,270                | 0                 | 0                   | 93,729             | 5.86%                | 138,924               | 8.69%                     | \$1.70                    | \$415.00                   | (48,943)               | (77,487)            | 33,805                   | 78,406                |
| 40,000-49,999       | 31               | 1,382,568                | 0                 | 0                   | 41,494             | 3.00%                | 96,895                | 7.01%                     | \$1.74                    | \$0.00                     | 46,274                 | 4,972               | 0                        | 8,686                 |
| 50,000-74,999       | 37               | 2,200,388                | 0                 | 0                   | 69,868             | 3.18%                | 113,611               | 5.16%                     | \$1.72                    | \$0.00                     | 0                      | 0                   | 0                        | 0                     |
| 75,000-99,999       | 17               | 1,498,236                | 91,600            | 0                   | 72,149             | 4.82%                | 101,849               | 6.80%                     | \$1.66                    | \$0.00                     | 82,192                 | 82,192              | 0                        | 0                     |
| 100,000-199,999     | 31               | 4,239,329                | 234,828           | 0                   | 68,264             | 1.61%                | 143,771               | 3.39%                     | \$0.00                    | \$0.00                     | 10,258                 | (2,228)             | 10,258                   | 10,258                |
| 200,000 plus        | 16               | 5,321,754                | 0                 | 0                   | 113,894            | 2.14%                | 734,630               | 13.80%                    | \$0.00                    | \$0.00                     | 29,543                 | 45,203              | 16,377                   | 396,659               |
| <b>Total</b>        | <b>959</b>       | <b>25,678,928</b>        | <b>361,228</b>    | <b>0</b>            | <b>692,354</b>     | <b>2.70%</b>         | <b>1,696,025</b>      | <b>6.60%</b>              | <b>\$1.70</b>             | <b>\$534.60</b>            | <b>78,371</b>          | <b>65,192</b>       | <b>174,892</b>           | <b>821,230</b>        |



## Midpoint OC Industrial Rundown by Mike Zehner and Reed Rutter



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As we reach the halfway point of 2024, we continue to see various economic factors apply pressure on the Orange County industrial market, even though it remains one of the tightest and most competitive markets in the nation. Economic analysts led us to believe that interest rates were going to drop in the latter part of the year, but the Federal Reserve has not conformed to the prognostications. As a result, the stagnant and high interest rates have sent demand lower than in recent years and buildings are sitting on the market longer than they have in the past.

Additionally, average asking lease rates and market competition among lessees are trending downward, only increasing negotiability and landlord concessions for tenants across the board, including rent abatement and tenant improvement allowances. Both institutional and private investors see opportunity through a lens colored by inflation and as a result are more cautious in their underwriting. However, we are still seeing highly functional and reasonably priced buildings moving relatively quickly with the right marketing approach.

Developers are constantly looking for less risky opportunities to expand their portfolio within Orange County, as they remain confident in the long-term growth of the industrial sector and the population's reliance on warehouse space. Proximity to the ports and access to millions of people in Southern California support future progress.

One potential factor to consider looking forward is that owners of businesses and/or commercial property are wary of the potential for tax hikes after the November elections, whether on the corporate, capital gains, or estate tax fronts. As the government's deficit increases, many politicians see tax increases as a potential source of additional revenue, which could have material effects on institutional investors and owner/users looking to dispose of or trade their assets.

Optimism is still in the air when it comes to market stability in the industrial sector in Orange County. Buildings are trading at near peak levels and activity may be picking up. Long-term strategic planning is more important right now than ever, so please give us a call to further discuss the Orange County Industrial Market.

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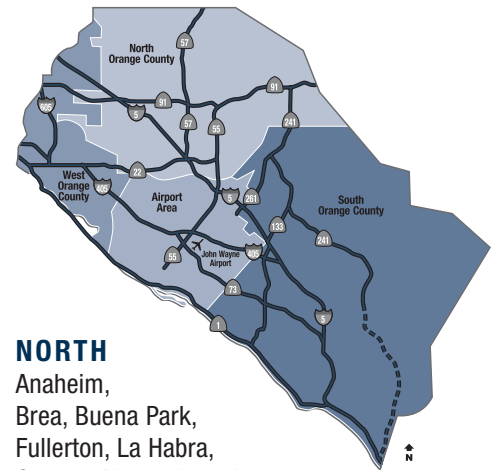
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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees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