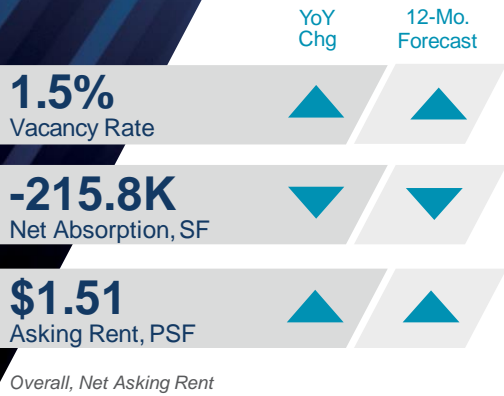
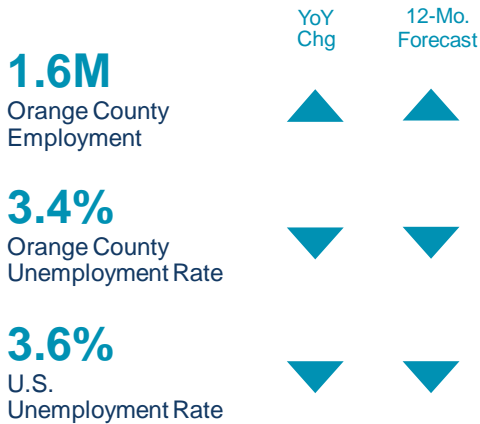


ORANGE COUNTY

Industrial Q2 2022



ECONOMIC INDICATORS Q2 2022



Source: BLS

ECONOMIC OVERVIEW

The total nonfarm employment in Orange County (OC) grew by 76,100 or +4.8% year-over-year (YOY) between May 2021 through May 2022. Leisure and hospitality had the largest YOY gain (+45,100 jobs), accounting for 59% of the total gains. During the same time, the monthly unemployment rate decreased from 6.2% last year to 2.4% and is currently 100 basis points (bps) below the quarterly average of 3.4%.¹ All employment sectors are expected to grow at a combined rate of 5.2% in 2022 and 2.0% in 2023, while office employment is forecasted to grow by 3.6% in 2022 and high-tech employment by 4.4%. The annual unemployment rate is forecasted to decrease from 8.3% in 2021 to 4.7% in 2022 and 3.7% in 2023.²

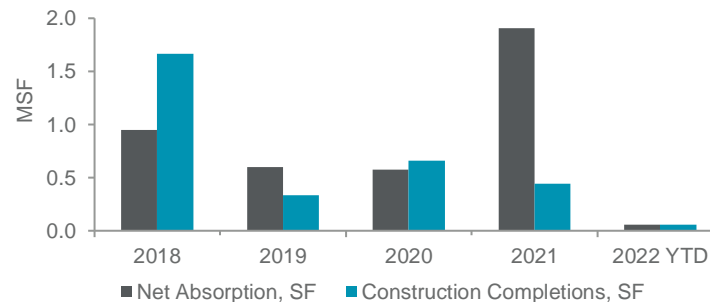
SUPPLY AND DEMAND

At the end of Q2 2022, OC's overall industrial vacancy was 1.5%, a 20-bps increase quarter-over-quarter (QOQ) and a 10-bps increase YOY. Across the region, the market is the tightest for manufacturing space with an overall vacancy rate of 0.9% in Q2 2022, 20 bps lower than a year ago. Vacancy for R&D space now stands at 3.1% countywide, 30 bps lower than a year ago, while vacancy for warehouse/distribution (W/D) space stands at 1.3% as of Q2 2022; an increase of 30 bps YOY. Total available space on the market, including sublease, remains low at 2.3% in Q2 2022 compared to 2.7% in Q2 2021.

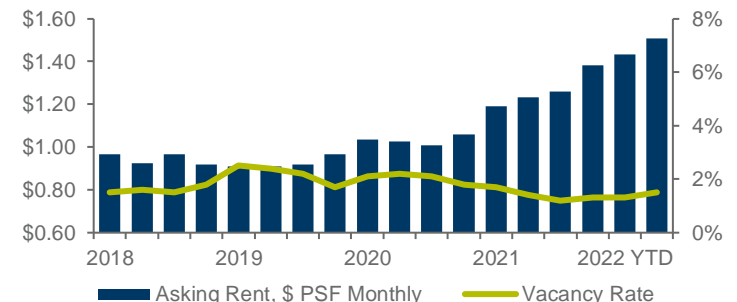
Overall, occupancy decreased by 215,776 square feet (sf) in Q2 2022. All submarkets except for South County posted occupancy losses in Q2 2022. New vacancies were concentrated in the Greater Airport Area with a negative 212,727 sf for the quarter, in part due to MicroVention vacating 71,616 sf in Tustin. However, most of the vacancies in Orange County are coming from spaces under 50,000 sf. Roughly 78.0% of total vacant space added in the second quarter was below 50,000 sf. However, not everything was negative as there were still some large move-ins in Q2 2022. Notably, Dr. Squatch moved into 109,060 sf in Brea, and Atlas International occupied 100,922 sf in Huntington Beach in Q2 2022. Overall, year-to-date occupancy gains were positive (+56,000 sf) through the first half of the year.

New leasing activity, excluding renewals, picked up in the second quarter totaling 2.6 million square feet (msf) across 121 deals compared to 2.2 msf (157 deals) in Q1 2022 although below the 3.6 msf (261 deals) in Q2 2021. Fullerton recorded the most leasing activity with 580,880 sf (23%) thanks to the largest lease of the quarter; Sprouts taking 336,968 sf in the new Goodman Logistics center in Fullerton. The city of Tustin followed with 323,380 sf (13%) in new leasing activity with a confidential tenant pre-leasing the entire 219,827 sf at 14451 Myford Rd. Comparing leasing by product type, distribution space accounted for 1.7 msf (66%) of all new leasing activity, followed by manufacturing with 537,726 sf (21%).

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Renewals were again an important source of activity in Q2 2022 with three of the top five leases of the quarter going to tenant renewals. Renewal activity for the quarter was 838,007 sf, a drop of 51% from Q1 2022's high water mark of 1.7 msf and 19% lower compared to 1.0 msf in Q2 2021. Volcom had the largest renewal with 164,000 sf in the Irvine Spectrum submarket. In Q2 2022, Sprouts signed the largest lease, taking 336,968 sf in Fullerton, followed by a confidential tenant, leasing 219,827 sf in Tustin, followed by the renewals of Volcom (164,000 sf), Nike (159,156 sf) and McLane Foodservice (159,036 sf) to round out the top five.

PRICING

The countywide average asking rent for all product types combined was \$1.51 per square foot (psf) per month on a triple net basis, up \$0.08 (+5.6%) from the previous quarter. The average asking rent for W/D space increased by \$0.08 (+5.3%) from \$1.47 psf in Q1 2022 to \$1.55 psf in Q2 2022. The average rent for research and development space increased by \$0.02 or 1.4% over the last three months to \$1.49 in Q2 2022. The average rent for manufacturing space increased by \$0.15 (+11.2%) to \$1.43 psf in Q2 2022 compared to \$1.28 recorded in Q1 2021.

FUTURE INVENTORY

During Q2 2022 one new building was completed, delivering 55,545 sf of new supply to the Orange County industrial market. The property located at 3196 E. Miraloma Ave. in Anaheim completed construction in April 2022 and was delivered vacant. There is currently another 3.3 msf across 14 W/D properties under construction, with 2.7 msf (10 properties) slated to deliver in the second half of 2022. This would be the largest amount of new industrial space brought to the market since 2001.

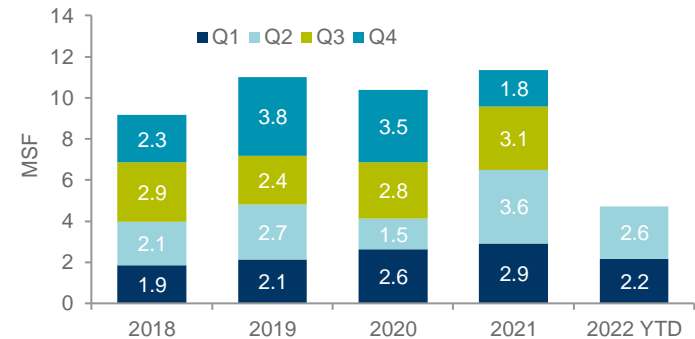
The majority or 83% of inventory, totaling 2.7 msf is speculative (SPEC) with the remaining 17%, totaling 578,900 sf across five buildings, build-to-suit (BTS). The 1.5-msf SPEC Goodman Logistics Center in Fullerton is projected to be completed next quarter. As of Q2 2022, one of the four buildings has been pre-leased by Sprouts.

Other pre-leasing happened during the second quarter. A confidential tenant leased 14451 Myford Rd. in Tustin which is slated to finish construction in Q3 2022, and TAE Technologies pre-leased the entire 99,638 sf at 9740 Irvine Blvd. with a Q4 2022 expected completion in the Irvine Spectrum submarket. Including the Cambro Manufacturing lease at Huntington Gateway, 39.7% of the under-construction SPEC space has been pre-leased so far.

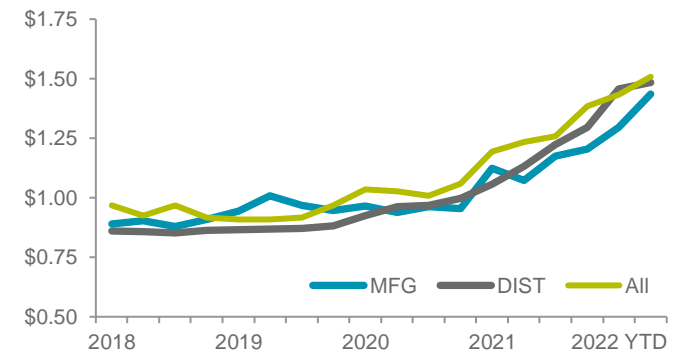
OUTLOOK

- Orange County remains a land-scarce, in-fill market located near the busiest port complex in North America, and as such landlords will continue to benefit from owning property in this tight, expensive market.
- The fundamentals of Orange County industrial remain strong, but the exuberance of the pandemic era may be cooling off. New leasing activity has dropped from the 2021 highs but is more in line with pre-pandemic activity. Rental rates continue to climb but with the economic headwinds of inflation, Federal Reserve rate hikes and a possible recession on the horizon, how much further they can go is in question.

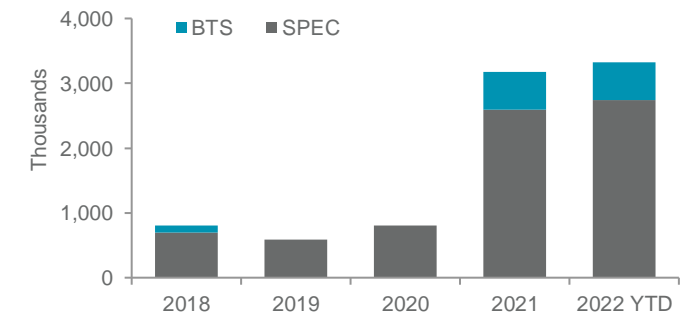
NEW LEASING ACTIVITY



AVERAGE MONTHLY ASKING RENT \$PSF MONTHLY NNN



UNDER CONSTRUCTION BY SF



Industrial Q2 2022

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	AVERAGE ASKING OVERALL RENT (ALL TYPES)*	AVERAGE ASKING OVERALL RENT (R&D)	AVERAGE ASKING OVERALL RENT (W/D)
South County	36,812,329	60,524	379,225	1.2%	157,180	324,517	0	244,638	\$1.51	\$1.46	\$1.52
Greater Airport Area	73,946,259	9,224	1,564,498	2.1%	-212,727	-215,953	0	219,827	\$1.52	\$1.79	\$1.42
West County	39,043,589	57,883	796,876	2.2%	-110,686	122,513	0	1,015,000	\$1.53	\$1.49	\$1.78
North County	109,071,276	71,079	846,307	0.8%	-49,543	-174,601	55,545	1,845,190	\$1.47	\$1.32	\$1.67
R&D	42,902,110	65,743	1,255,691	3.1%	-232,921	197,019	0	0	\$1.49		
MFG	88,464,110	47,787	792,159	0.9%	71,853	-984	0	0	\$1.43		
W/D	127,507,233	85,180	1,539,056	1.3%	-54,708	-139,559	55,545	3,324,655	\$1.55		
OC TOTALS	258,873,453	198,710	3,586,906	1.5%	-215,776	56,476	55,545	3,324,655	\$1.51		

*Rental rates reflect weighted triple net asking \$psf/month. **Renewals not included in leasing statistics.

Flex/R&D, MFG = Manufacturing, W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1829 E. Orangethorpe Ave.	North County	Sprouts	336,968	Direct
14451 Myford Rd.	Greater Airport Area	Confidential	219,827	Direct
5 Pasteur	South County	Volcom Inc.	164,000	Renewal*
20001 Ellipse	South County	Nike	159,156	Renewal*
6800 Artesia Blvd.	North County	McLane Foodservice	159,036	Renewal*

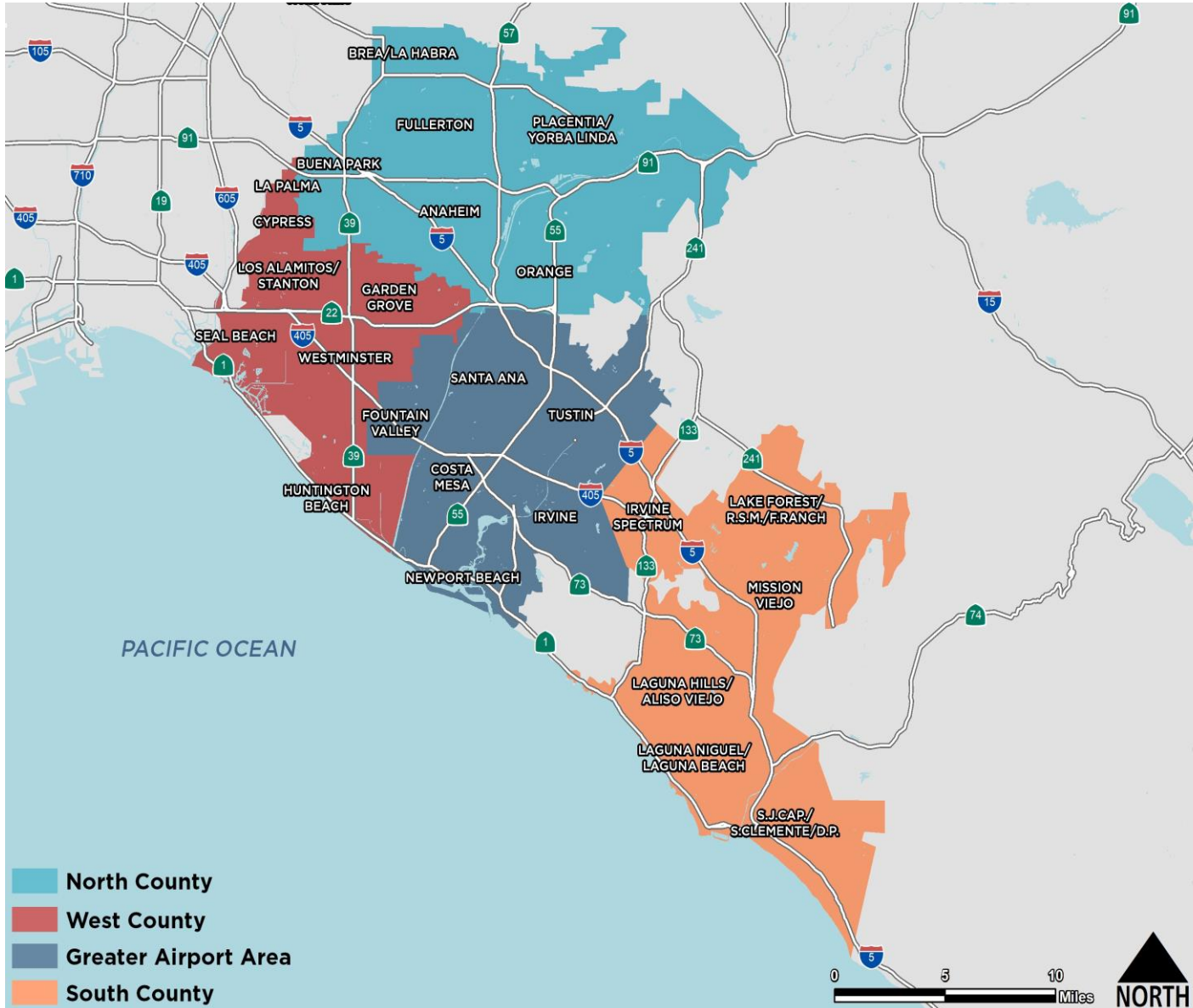
KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2990 & 3000 Airway Ave.	Greater Airport Area	Crown Realty & Development / Aeroterm, Inc.	142,273	\$46.8M / \$329
10521-10579 Dale Ave.	West County	Burke Real Estate Group / Dunbar Real Estate Investment Management	118,059	\$23.0M / \$195
4 Studebaker	South County	Alcone / Black Creek Group	91,723	\$33.2M / \$361
1361 Valencia Ave.	Greater Airport Area	The Koll Company / Port View Preparatory	76,675	\$24.7M / \$322
1729 Apollo Ct.	West County	EnCore Interiors / Brookfield Properties	57,033	\$35.4M / \$621

KEY PROJECTS UNDER CONSTRUCTION 2022 YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER
Goodman Logistics Center Fullerton	North County	Sprouts	1,536,055	Goodman
Huntington Gateway – Ph. II	West County	Cambro Manufacturing	1,015,000	Sares Regis
14451 Myford Rd.	Greater Airport Area	Confidential	219,827	Panattoni
2872 E. La Palma Ave.	North County	N/A	187,520	Duke Realty

INDUSTRIAL SUBMARKETS



JOSEPH ROSENA

Senior Research Analyst

Tel: +1 949 930 9226

joseph.rosena@cushwake.com

JOLANTA CAMPION

Senior Research Director, Southern California

Tel: +1 858 625 5235

jolanta.campion@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.