

**OVERVIEW.** The Orange County industrial sector tightened even further in 2Q. Demand ratcheted up while supply dwindled. That caused another substantial decline in the vacancy rate and another increase in both sales prices and lease rates throughout the region. Business owners ramped up operations across most industry sectors in anticipation of an end to pandemic lockdown protocols that were lifted on June 15. Another surge in owner-user purchase demand raised prices to a record high, and tenants desperate for space are paying more for than ever. E-commerce, which took up the slack during the pandemic, has picked up even more steam, but the supply of good quality distribution space has dried up, forcing more e-commerce users to opt for the Inland Empire to meet their growth needs. Mortgage interest rates for owner-user buyers, which spiked in 1Q, have come back down again after a scare in the US Treasuries market ran its course through 2Q.

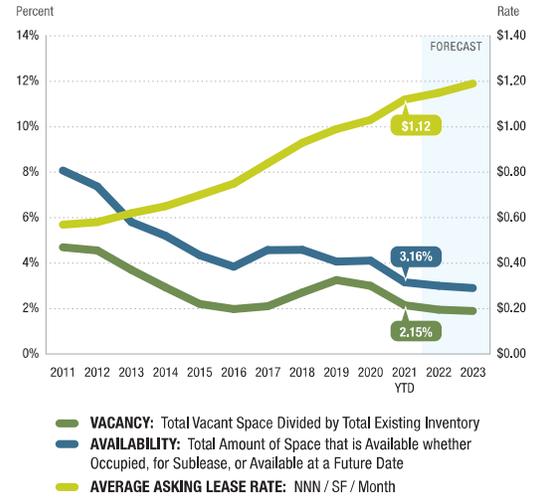
**VACANCY & AVAILABILITY.** The overall vacancy rate in Orange County fell to 2.15%, a 33-basis-point drop from the previous quarter. Tenants and buyers are competing aggressively for product, often offering above asking prices to secure space. The North County submarket, the largest in the county at 111 MSF, now has a vacancy rate of just 1.58%, and a significant portion of the available space has elements of functional obsolescence that reduce operational efficiency. The availability rate, which includes space offered for lease or sale but is still occupied, fell from 4.01% to 3.16% in 2Q, which indicates an increase in lease renewal activity and a reduction in space offered for sublease.

**LEASE RATES & SALES PRICES.** The average asking lease rate for the county added another five cents to reach \$1.12 in 2Q, breaking another record. Landlords still hold all the cards in lease negotiations. Concessions are at a minimum, with many deals being struck with neither free rent nor landlord-sponsored improvements. Many leases are finalized at a rate above asking and landlords are still often demanding personal guarantees and hefty security deposits. Asking lease rates were up sharply in four of the five major submarkets, with the Airport Area seeing the largest increase, rising \$0.09 to \$1.14.

Sales prices moved from an average of \$282.67 per square foot in 1Q to another record high of \$295.47 per square foot countywide in 2Q. That brought the year-over-year increase in industrial property values up to 20.6%, great news for those looking to exit their investments in the near term. Demand intensified from owner-user buyers in 2Q, but supply became even harder to find, as owners hung on to their properties in anticipation of even higher prices, or were unwilling to cash out and face the tax consequences

**TRANSACTION ACTIVITY.** Lease and sale activity was up in 2Q, rising by more than 1.5 MSF to 4.8 MSF. In all, 353 transactions were completed during the period (253 leases and 100 sales), as compared with a total of 264 leases and just 56 sales in 1Q. Large investment deals made a big contribution to this quarter's total. Just the top five investment transactions totaled almost 809,000 SF, the largest of which was a 395,673 SF sale by Von Karman Income Partners to Opus Irvine Crossing LP in Irvine. That property sold for almost \$181 million. The biggest lease deal in 2Q was a renewal of a 400,000 SF building in Buena Park to Houdini, Inc. by Clarion Partners.

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



**TRANSACTION VOLUME & NUMBER OF TRANSACTIONS**



Market Statistics

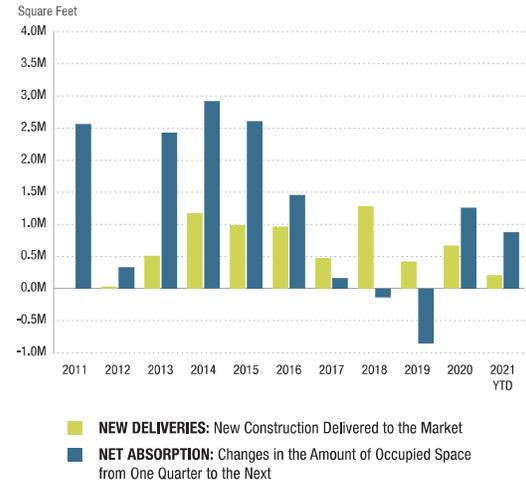
	Change Over Last Quarter	2Q 2021	1Q 2021	2Q 2020	% Change Over Last Year
Vacancy Rate	▼ DOWN	2.15%	2.48%	3.07%	(29.96%)
Availability Rate	▼ DOWN	3.16%	4.01%	4.91%	(35.52%)
Average Asking Lease Rate	▲ UP	\$1.12	\$1.07	\$1.00	12.00%
Average Asking Sale Price	▲ UP	\$295.47	\$282.67	\$245.00	20.60%
Sale & Lease Transactions	▲ UP	4,815,460	3,286,104	3,473,863	38.62%
Gross Absorption	▲ UP	3,994,536	2,848,785	2,191,126	82.31%
Net Absorption	▲ POSITIVE	876,591	540,953	(97,094)	N/A

**ABSORPTION.** Positive net absorption becomes more difficult to maintain when there is a lack of quality space available for buyers and tenants. Yet, despite the critical shortage of space throughout the county, net absorption moved sharply higher in 2Q, up by over 330,000 SF to 876,000 SF. Gross absorption also made a move up in 2Q, posting a total of nearly 4 MSF to bring the year-to-date total to over 6.8 MSF. Absorption remains well distributed across all size ranges, a further indication that businesses of all sizes are sharing in the economic recovery

**CONSTRUCTION.** Ground-up development is at a standstill. Just two buildings are in the construction queue, a 108,000 SF building in Brea and a 259,000 SF building for Amazon in Huntington Beach. The lack of new inventory has tenants and owner/user buyers frustrated, as they are stuck choosing from an aging inventory of increasingly obsolete space or leaving the area, which for many is not an option. Industrial construction in Orange County will be limited to smaller, infill sites, which will keep the flow of new product running at a trickle going forward. Just 2.7 MSF of space is in the planning stage and 2.2 MSF of that total is in three projects, all in North County. While this may be good for existing landlords and owner-users, it is beginning to squeeze growing businesses out of the area, which could have long-term market ramifications.

**EMPLOYMENT.** The unemployment rate in Orange County was 5.9% in May 2021, down from a revised 6.2% in April 2021, and below the year-ago estimate of 14.9%. Employment increased in professional and business services (up 2,700 jobs), manufacturing (up 1,500 jobs), and trade, transportation, and utilities (up 1,300 jobs).

## NEW DELIVERIES & NET ABSORPTION



## Forecast

Orange County's industrial market conditions are likely to tighten further over the balance of the year. Demand will increase, supply will shrink and lease rates and sales prices will continue to set new records. With the pandemic hopefully in the rearview mirror, Orange County's economy should see strong growth for the rest of the year. Unemployment is already moving lower and that trend should also continue, the result of which will be more consumer spending to support the region's businesses, especially the service industries that took such a hard hit over the past year.

However, there is one area of significant concern. The American Families Plan proposed by the new administration contains several tax hikes that are currently being negotiated in. Any one of these changes could be harmful to commercial real estate, but in combination they pose a very real threat to property values and would make real estate a less attractive investment. We will know much more in 3Q about the plan's prospects for passage and what the final legislation actually will look like.

## Significant Transactions

### Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
17871 Von Karman Ave.	Irvine	395,673	\$180,750,000	Cpus Irvine Crossing Lp	Von Karman Income Ptrs Holding
15301 & 15461 Springdale St.	Huntington Beach	122,512	\$35,266,000	Crown Associates Realty, Inc.	Sares-Regis Group
1062 McGaw Ave.	Irvine	107,600	\$23,000,000	Alere Property Group	Ricoh Electronics, Inc.
331-333 Cliffwood Park St.	Brea	99,552	\$20,925,000	Staley Point Capital	4M Investment Corporation
25200 Commercentre Dr.	Lake Forest	83,640	\$22,350,000	EverWest Real Estate investors, LLC	Eastpark Drive LLC

### Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
6311 Knott Ave. - Renewal	Buena Park	399,437	May-2021	Houdini, Inc.	Clarion Partners
500 W. Warner Ave.	Santa Ana	134,716	Jun-2021	Syco Enterprises	LBA Realty
11251-11261 Warland Dr.	Cypress	121,983	Apr-2021	Gerber Plumbing & Fixture	Cypress Land Company
201 N. Berry St.	Brea	108,125	Jun-2021	Atosa USA	ID Logistics
5701 Fresca Dr.	La Palma	84,321	Apr-2021	Taomore Supply Chain, LLC	Longpoint Realty Partners

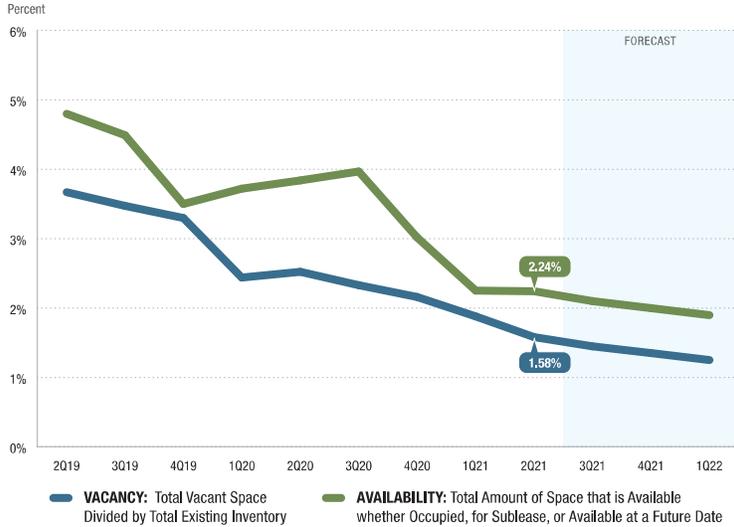
	INVENTORY				VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2021	Square Feet Available	Availability Rate 2Q2021	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2021	Net Absorption 2021	Gross Absorption 2Q2021	Gross Absorption 2021
<b>Airport Area</b>														
Costa Mesa	437	7,473,362	0	0	275,151	3.68%	326,039	4.36%	\$1.40	\$345.60	48,483	44,295	138,108	237,953
Fountain Valley	181	3,762,559	0	0	36,756	0.98%	77,850	2.07%	\$1.14	\$428.10	15,702	26,303	24,132	46,351
Irvine	304	11,530,863	0	0	563,509	4.89%	668,023	5.79%	\$1.09	\$260.73	(348,143)	(234,266)	256,650	416,280
Newport Beach	48	600,376	0	0	22,248	3.71%	20,968	3.49%	\$1.55	\$0.00	(1,280)	(9,653)	5,480	7,980
Santa Ana	1,583	31,089,725	0	0	816,166	2.63%	1,201,661	3.87%	\$1.01	\$285.35	92,226	447,635	692,234	1,232,337
Tustin	113	4,215,878	0	0	45,545	1.08%	565,583	13.42%	\$1.15	\$337.39	100,477	61,542	62,801	76,674
<b>Airport Area Total</b>	<b>2,666</b>	<b>58,672,763</b>	<b>0</b>	<b>0</b>	<b>1,759,375</b>	<b>3.00%</b>	<b>2,860,124</b>	<b>4.87%</b>	<b>\$1.14</b>	<b>\$298.26</b>	<b>(92,535)</b>	<b>335,856</b>	<b>1,179,405</b>	<b>2,017,575</b>
<b>North County</b>														
Anaheim	1,832	44,184,678	0	348,640	927,575	2.10%	1,240,517	2.81%	\$1.01	\$275.11	162,957	24,926	559,004	820,564
Brea	329	12,025,145	108,125	0	184,700	1.54%	162,513	1.35%	\$0.94	\$296.62	97,180	45,707	169,654	277,984
Buena Park	234	13,335,261	0	0	89,988	0.67%	429,992	3.22%	\$0.66	\$256.79	54,346	333,861	353,928	569,298
Fullerton	453	19,522,113	0	1,656,055	233,148	1.19%	109,386	0.56%	\$1.05	\$234.08	124,662	132,637	427,496	648,895
La Habra	197	3,519,200	0	0	8,174	0.23%	10,304	0.29%	\$0.89	\$436.93	6,553	(5,461)	34,861	38,974
Orange	746	13,622,868	0	201,520	198,310	1.46%	226,427	1.66%	\$1.04	\$298.11	7,999	(14,434)	158,679	250,746
Placentia	223	4,349,896	0	0	63,657	1.46%	232,726	5.35%	\$0.00	\$266.46	90,774	17,389	32,639	80,307
Yorba Linda	54	872,442	0	0	56,306	6.45%	85,224	9.77%	\$0.89	\$282.30	(50,486)	(46,207)	5,820	15,919
<b>North County Total</b>	<b>4,068</b>	<b>111,431,603</b>	<b>108,125</b>	<b>2,206,215</b>	<b>1,761,858</b>	<b>1.58%</b>	<b>2,497,089</b>	<b>2.24%</b>	<b>\$0.94</b>	<b>\$275.81</b>	<b>493,985</b>	<b>488,418</b>	<b>1,742,081</b>	<b>2,702,687</b>
<b>South County</b>														
Aliso Viejo	17	661,662	0	0	50,337	7.61%	32,657	4.94%	\$0.00	\$0.00	(1,972)	(1,972)	0	0
Foothill Ranch	64	3,511,738	0	0	0	0.00%	86,914	2.47%	\$1.06	\$295.08	144,212	144,212	175,612	305,821
Irvine Spectrum	212	9,899,443	0	145,000	405,014	4.09%	307,391	3.11%	\$1.14	\$399.85	113,161	173,503	179,482	351,029
Laguna Beach	21	108,920	0	0	2,320	2.13%	2,320	2.13%	\$2.50	\$0.00	(820)	680	2,860	9,855
Laguna Hills	74	1,039,691	0	0	35,255	3.39%	19,415	1.87%	\$1.58	\$0.00	(6,894)	(29,589)	15,930	43,243
Laguna Niguel	19	256,297	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	189	4,173,121	0	384,000	47,214	1.13%	125,904	3.02%	\$1.38	\$313.61	1,448	132,225	49,395	208,404
Mission Viejo	30	719,181	0	0	0	0.00%	0	0.00%	\$1.33	\$0.00	3,528	(14,750)	20,443	20,443
Rancho Santa Margarita	107	1,702,949	0	0	56,374	3.31%	59,225	3.48%	\$1.43	\$345.00	(42,535)	(53,309)	14,907	48,754
San Clemente	159	1,988,521	0	0	90,088	4.53%	81,228	4.08%	\$1.11	\$306.09	(8,287)	(9,198)	16,148	23,357
San Juan Capistrano	42	887,189	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	13,204
<b>South County Total</b>	<b>934</b>	<b>24,948,712</b>	<b>0</b>	<b>529,000</b>	<b>686,602</b>	<b>2.75%</b>	<b>715,054</b>	<b>2.87%</b>	<b>\$1.22</b>	<b>\$339.82</b>	<b>201,841</b>	<b>341,802</b>	<b>474,777</b>	<b>1,024,110</b>
<b>West County</b>														
Cypress	103	4,884,371	0	0	133,085	2.72%	446,735	9.15%	\$0.91	\$0.00	117,983	62,370	155,162	273,744
Garden Grove	474	11,730,933	0	0	264,615	2.26%	318,043	2.71%	\$1.09	\$235.32	30,748	126,738	134,086	410,173
Huntington Beach	686	12,607,743	259,078	0	230,627	1.83%	346,337	2.75%	\$1.09	\$331.83	34,338	(20,909)	146,837	226,580
La Palma	16	1,778,247	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	114,142	114,142	40,000	40,000
Los Alamitos	94	2,219,301	0	0	30,571	1.38%	46,334	2.09%	\$0.00	\$0.00	(7,563)	(17,954)	87,961	87,961
Seal Beach	15	933,761	0	0	88,507	9.48%	88,507	9.48%	\$0.85	\$0.00	0	0	0	0
Stanton	176	1,839,523	0	0	21,018	1.14%	50,415	2.74%	\$0.00	\$349.08	(7,031)	(8,802)	18,169	31,777
Westminster	142	2,340,923	0	0	48,467	2.07%	13,488	0.58%	\$0.87	\$378.49	(9,317)	(4,117)	16,058	28,714
<b>West County Total</b>	<b>1,706</b>	<b>38,334,802</b>	<b>259,078</b>	<b>0</b>	<b>816,890</b>	<b>2.13%</b>	<b>1,309,859</b>	<b>3.42%</b>	<b>\$0.99</b>	<b>\$287.47</b>	<b>273,300</b>	<b>251,468</b>	<b>598,273</b>	<b>1,098,949</b>
<b>Orange County Total</b>	<b>9,374</b>	<b>233,387,880</b>	<b>367,203</b>	<b>2,735,215</b>	<b>5,024,725</b>	<b>2.15%</b>	<b>7,382,126</b>	<b>3.16%</b>	<b>\$1.12</b>	<b>\$295.47</b>	<b>876,591</b>	<b>1,417,544</b>	<b>3,994,536</b>	<b>6,843,321</b>
Less than 9,999	3,335	20,257,986	0	9,500	328,692	1.62%	361,612	1.79%	\$1.47	\$359.37	(64,053)	(43,759)	203,958	431,019
10,000-19,999	3,145	43,481,532	0	45,960	701,640	1.61%	872,635	2.01%	\$1.31	\$304.31	230,356	130,367	741,306	1,319,781
20,000-29,999	1,193	28,459,098	0	33,000	539,121	1.89%	752,397	2.64%	\$1.15	\$265.11	156,010	183,103	465,716	861,270
30,000-39,999	488	16,662,992	0	0	242,531	1.46%	416,159	2.50%	\$1.09	\$248.30	212,936	219,049	312,920	551,196
40,000-49,999	290	12,750,197	0	0	457,058	3.58%	409,301	3.21%	\$1.06	\$271.89	(16,639)	(45,246)	197,239	360,952
50,000-74,999	373	22,444,537	0	67,000	470,768	2.10%	681,416	3.04%	\$1.13	\$269.63	274,017	418,484	247,256	476,434
75,000-99,999	166	14,193,030	0	90,980	438,760	3.09%	481,958	3.40%	\$1.07	\$0.00	62,208	160,829	388,408	482,772
100,000-199,999	259	34,019,803	108,125	925,025	706,174	2.08%	861,864	2.53%	\$0.94	\$0.00	363,748	669,455	1,055,591	1,754,741
200,000 Plus	125	41,118,705	259,078	1,563,750	1,139,981	2.77%	2,544,784	6.19%	\$0.95	\$0.00	(341,992)	(274,738)	382,142	605,156
<b>Orange County Total</b>	<b>9,374</b>	<b>233,387,880</b>	<b>367,203</b>	<b>2,735,215</b>	<b>5,024,725</b>	<b>2.15%</b>	<b>7,382,126</b>	<b>3.16%</b>	<b>\$1.12</b>	<b>\$295.47</b>	<b>876,591</b>	<b>1,417,544</b>	<b>3,994,536</b>	<b>6,843,321</b>

Lease rates are on a triple-net basis.

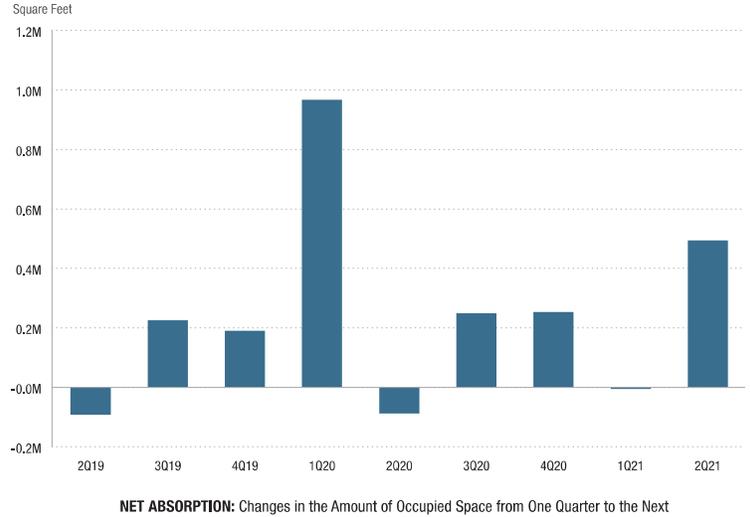
## NORTH ORANGE COUNTY

In the second quarter of 2021, the North Orange County industrial market consisted of 4,068 buildings totaling 111,431,603 square feet and had an availability rate of 2.24%, which shows a decrease from the previous quarter's figure of 2.25%.

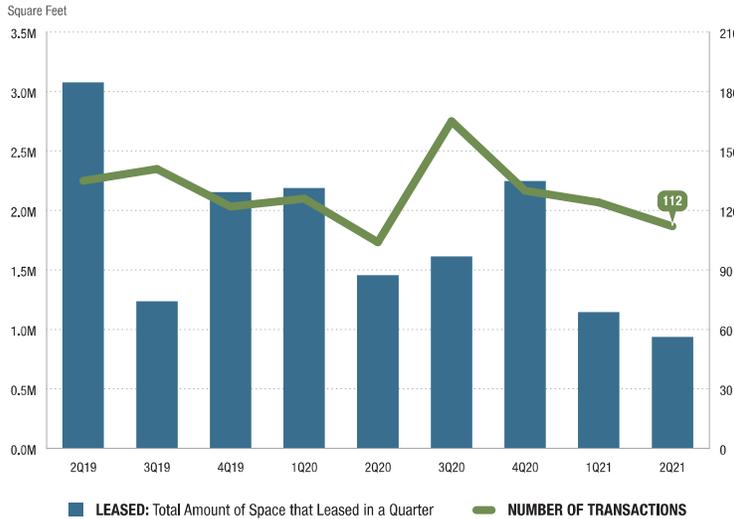
### VACANCY & AVAILABILITY RATE



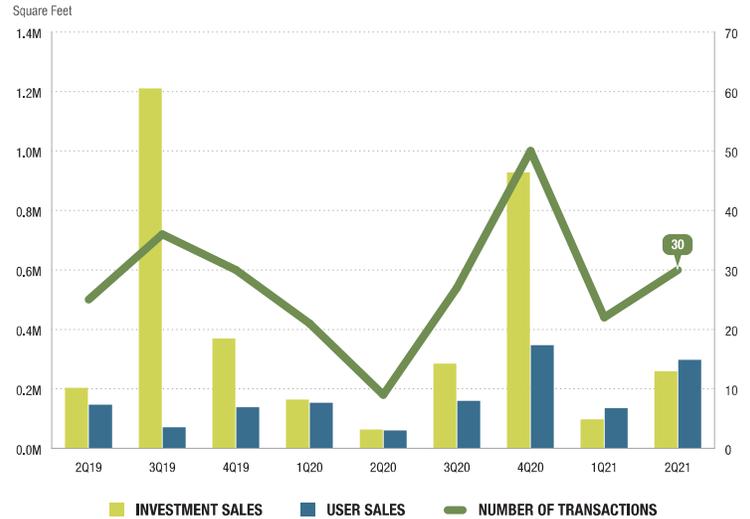
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

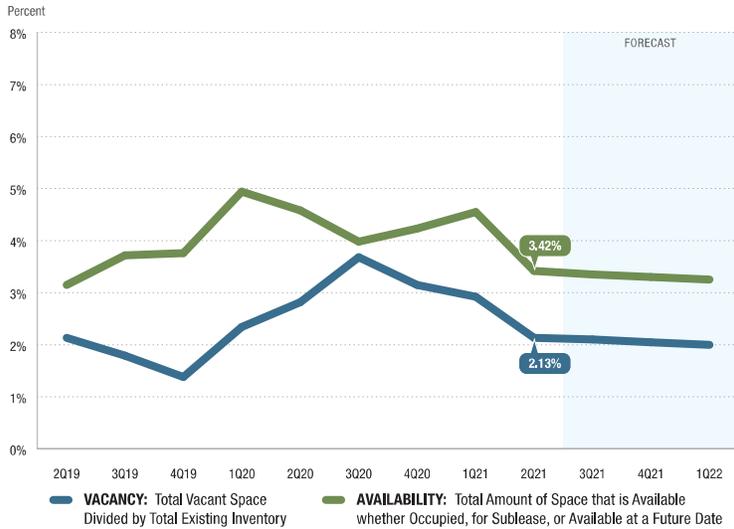
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2021	Square Feet Available	Availability Rate 2Q2021	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2021	Net Absorption 2021	Gross Absorption 2Q2021	Gross Absorption 2021
<b>North Totals</b>														
Less than 9,999	1,346	8,504,789	0	9,500	139,309	1.64%	125,792	1.48%	\$1.25	\$322.11	(17,539)	(360)	98,198	195,898
10,000-19,999	1,396	19,328,598	0	45,960	299,307	1.55%	319,842	1.65%	\$0.99	\$279.19	71,285	(12,116)	306,972	538,286
20,000-29,999	521	12,390,655	0	33,000	235,845	1.90%	335,159	2.70%	\$1.06	\$258.84	67,110	123,881	260,739	451,556
30,000-39,999	223	7,588,823	0	0	93,128	1.23%	199,614	2.63%	\$1.03	\$199.00	95,272	11,405	139,775	160,396
40,000-49,999	135	5,936,966	0	0	159,905	2.69%	125,969	2.12%	\$0.89	\$280.03	44,461	42,975	168,060	195,723
50,000-74,999	177	10,666,669	0	0	151,204	1.42%	267,928	2.51%	\$0.93	\$273.79	321,641	201,698	141,573	157,921
75,000-99,999	70	5,954,433	0	90,980	127,313	2.14%	55,373	0.93%	\$1.09	\$0.00	(60,472)	71,923	135,166	198,030
100,000-199,999	133	17,559,630	108,125	463,025	466,216	2.66%	282,781	1.61%	\$0.77	\$0.00	14,258	46,754	269,562	518,662
200,000 plus	67	23,501,040	0	1,563,750	89,631	0.38%	784,631	3.34%	\$1.01	\$0.00	(42,031)	2,258	222,036	286,215
<b>Total</b>	<b>4,068</b>	<b>111,431,603</b>	<b>108,125</b>	<b>2,206,215</b>	<b>1,761,858</b>	<b>1.58%</b>	<b>2,497,089</b>	<b>2.24%</b>	<b>\$0.94</b>	<b>\$275.81</b>	<b>493,985</b>	<b>488,418</b>	<b>1,742,081</b>	<b>2,702,687</b>

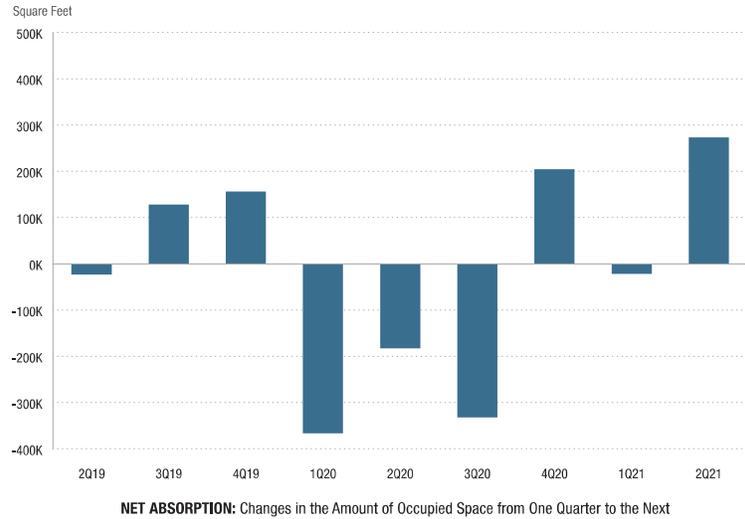
## WEST ORANGE COUNTY

In the second quarter of 2021, the West Orange County industrial market consisted of 1,706 buildings totaling 38,334,802 square feet and had an availability rate of 3.42%, which shows a decrease from the previous quarter's figure of 4.55%.

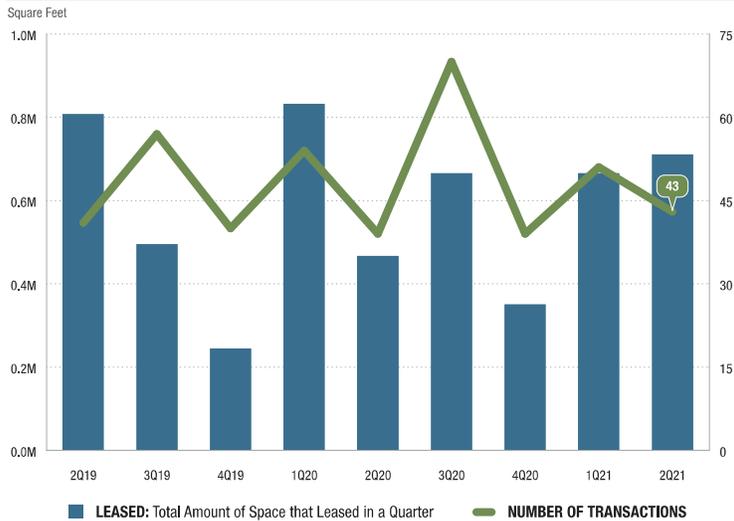
### VACANCY & AVAILABILITY RATE



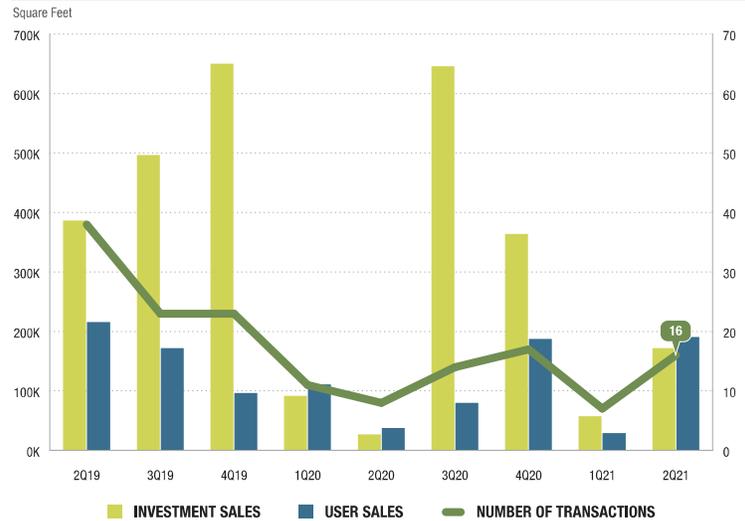
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

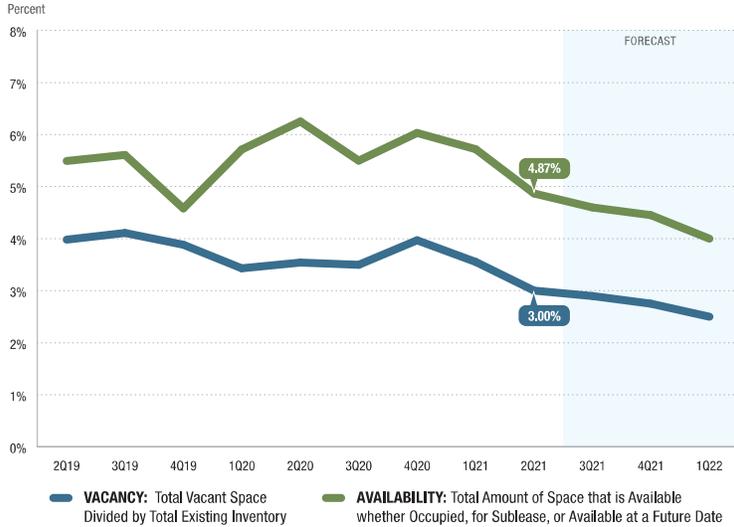
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2021	Square Feet Available	Availability Rate 2Q2021	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2021	Net Absorption 2021	Gross Absorption 2Q2021	Gross Absorption 2021
<b>West Totals</b>														
Less than 9,999	695	4,120,344	0	0	57,353	1.39%	71,883	1.74%	\$1.04	\$385.30	(11,817)	(17,827)	43,136	87,304
10,000-19,999	565	7,485,599	0	0	75,691	1.01%	109,518	1.46%	\$1.12	\$313.08	74,051	55,588	106,381	165,753
20,000-29,999	183	4,402,113	0	0	70,132	1.59%	94,253	2.14%	\$1.08	\$229.00	43,361	63,425	76,525	104,929
30,000-39,999	62	2,160,325	0	0	45,339	2.10%	1,200	0.06%	\$0.79	\$0.00	(9,078)	(11,070)	11,040	24,264
40,000-49,999	51	2,237,523	0	0	52,017	2.32%	52,017	2.32%	\$0.93	\$210.00	0	(15,878)	29,179	136,030
50,000-74,999	57	3,401,216	0	0	162,038	4.76%	193,405	5.69%	\$0.95	\$0.00	(70,124)	(65,802)	20,544	62,536
75,000-99,999	31	2,661,547	0	0	194,273	7.30%	197,835	7.43%	\$0.99	\$0.00	61,021	48,820	72,224	103,724
100,000-199,999	40	5,385,466	0	0	64,047	1.19%	120,759	2.24%	\$0.89	\$0.00	151,672	159,998	239,244	414,409
200,000 plus	22	6,480,669	259,078	0	96,000	1.48%	468,989	7.24%	\$0.83	\$0.00	34,214	34,214	0	0
<b>Total</b>	<b>1,706</b>	<b>38,334,802</b>	<b>259,078</b>	<b>0</b>	<b>816,890</b>	<b>2.13%</b>	<b>1,309,859</b>	<b>3.42%</b>	<b>\$0.99</b>	<b>\$287.47</b>	<b>273,300</b>	<b>251,468</b>	<b>598,273</b>	<b>1,098,949</b>

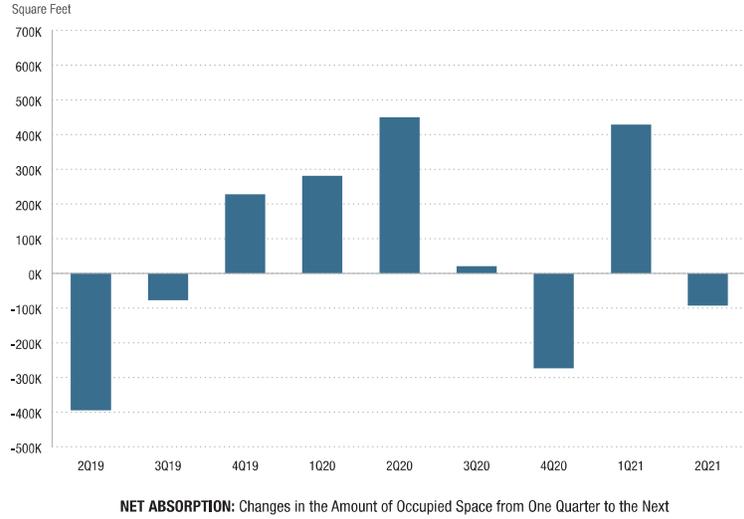
## AIRPORT AREA

In the second quarter of 2021, the Airport Orange County industrial market consisted of 2,666 buildings totaling 58,672,763 square feet and had an availability rate of 4.87%, which shows a decrease from previous quarter's figure of 5.72%.

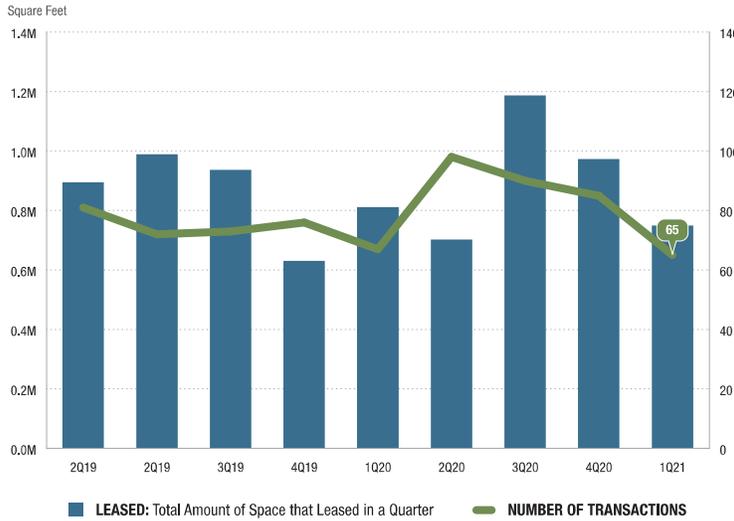
### VACANCY & AVAILABILITY RATE



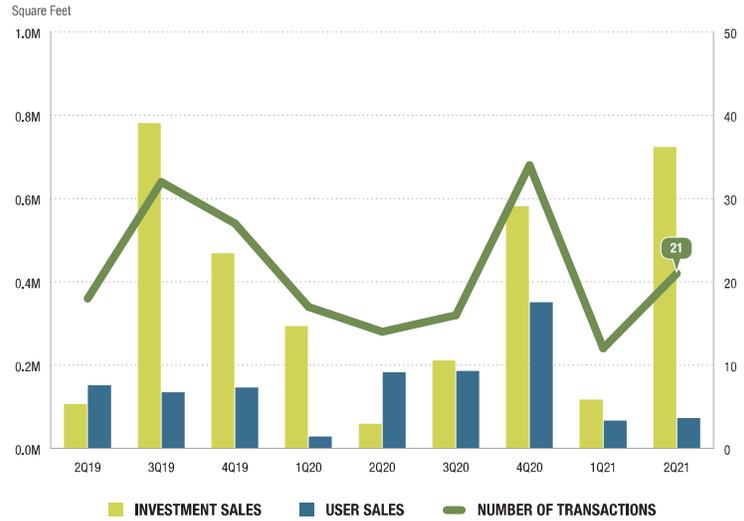
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

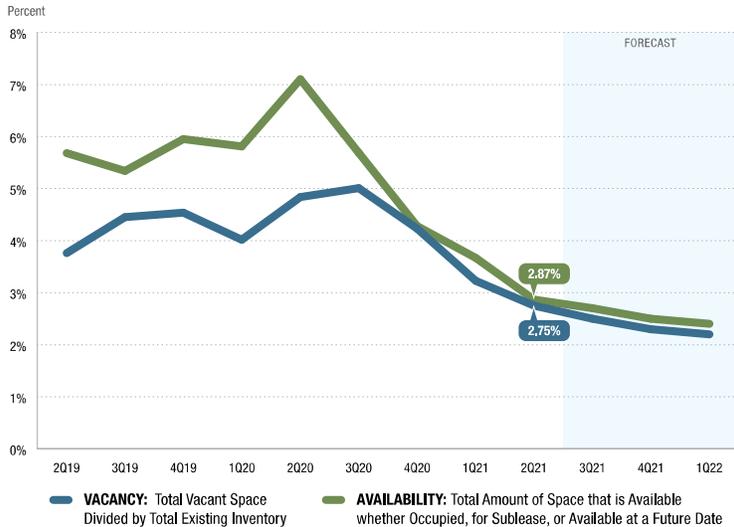
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2021	Square Feet Available	Availability Rate 2Q2021	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2021	Net Absorption 2021	Gross Absorption 2Q2021	Gross Absorption 2021
<b>Airport Totals</b>														
Less than 9,999	933	5,403,411	0	0	77,888	1.44%	87,828	1.63%	\$1.42	\$378.05	(27,014)	(5,615)	33,546	97,739
10,000-19,999	911	12,765,284	0	0	193,625	1.52%	291,503	2.28%	\$1.40	\$305.29	102,812	118,496	214,706	408,870
20,000-29,999	357	8,522,230	0	0	151,726	1.78%	216,204	2.54%	\$1.18	\$286.42	56,030	39,052	121,652	184,842
30,000-39,999	158	5,382,518	0	0	62,107	1.15%	173,388	3.22%	\$1.12	\$264.31	138,014	196,181	162,105	366,536
40,000-49,999	77	3,375,677	0	0	181,890	5.39%	170,518	5.05%	\$1.06	\$317.46	(55,970)	(76,170)	0	0
50,000-74,999	106	6,411,013	0	0	90,006	1.40%	158,305	2.47%	\$0.99	\$238.38	22,500	207,978	54,200	149,978
75,000-99,999	50	4,275,742	0	0	117,174	2.74%	219,150	5.13%	\$1.09	\$0.00	47,656	26,083	167,015	167,015
100,000-199,999	54	6,744,031	0	0	19,600	0.29%	297,732	4.41%	\$0.97	\$0.00	77,214	283,628	426,181	642,595
200,000 plus	20	5,792,857	0	0	865,359	14.94%	1,245,496	21.50%	\$0.88	\$0.00	(453,777)	(453,777)	0	0
<b>Total</b>	<b>2,666</b>	<b>58,672,763</b>	<b>0</b>	<b>0</b>	<b>1,759,375</b>	<b>3.00%</b>	<b>2,860,124</b>	<b>4.87%</b>	<b>\$1.14</b>	<b>\$298.26</b>	<b>(92,535)</b>	<b>335,856</b>	<b>1,179,405</b>	<b>2,017,575</b>

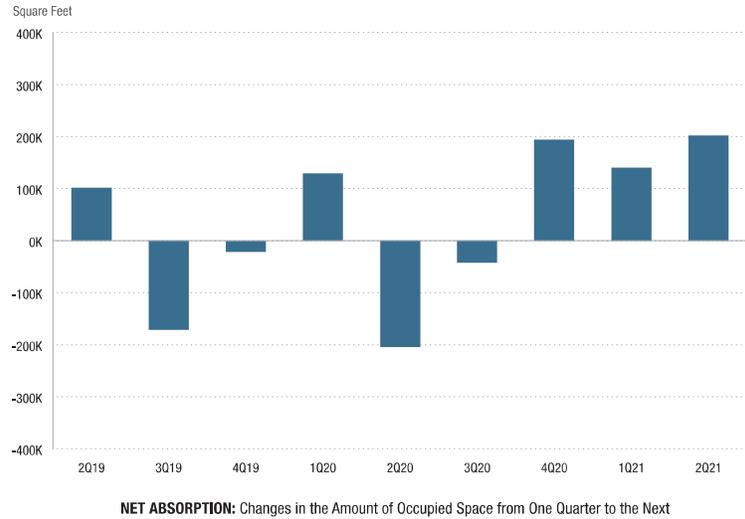
## SOUTH ORANGE COUNTY

In the second quarter of 2021, the South Orange County industrial market consisted of 934 buildings totaling 24,948,712 square feet and had an availability rate of 2.87%, which shows a decrease from the previous quarter's figure of 3.67%.

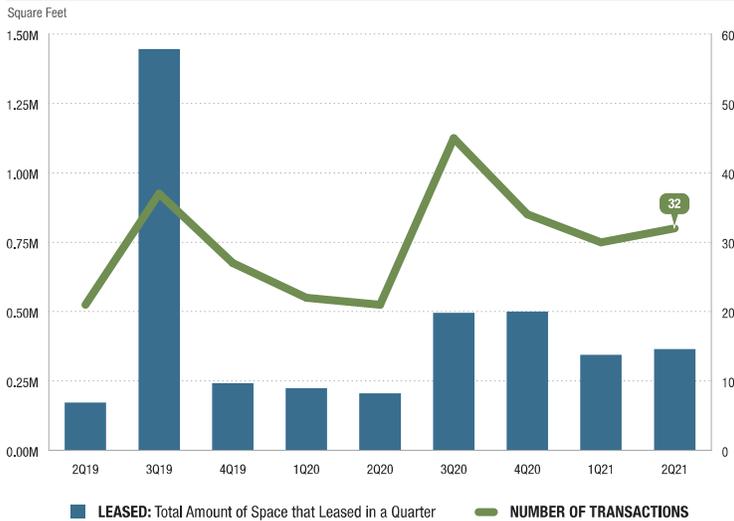
### VACANCY & AVAILABILITY RATE



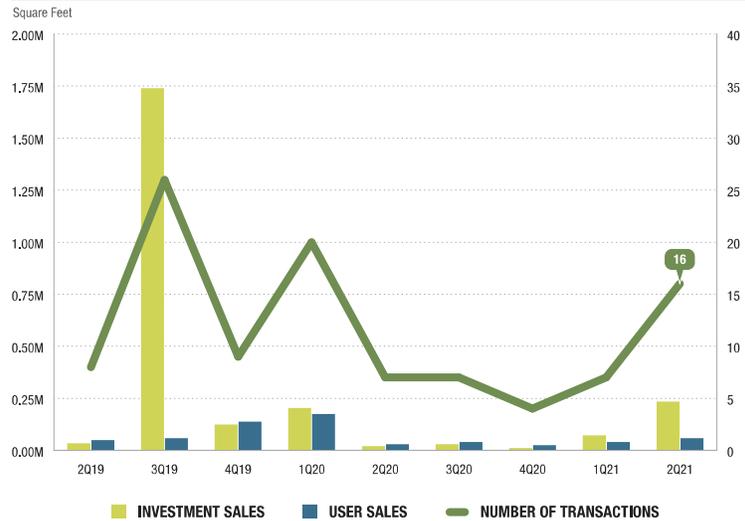
### NET ABSORPTION



### 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 2Q2021	Square Feet Available	Availability Rate 2Q2021	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2021	Net Absorption 2021	Gross Absorption 2Q2021	Gross Absorption 2021
<b>South Totals</b>														
Less than 9,999	361	2,229,442	0	0	54,142	2.43%	76,109	3.41%	\$1.53	\$385.43	(7,683)	(19,957)	29,078	50,078
10,000-19,999	273	3,902,051	0	0	133,017	3.41%	151,772	3.89%	\$1.44	\$331.66	(17,792)	(31,601)	113,247	206,872
20,000-29,999	132	3,144,100	0	0	81,418	2.59%	106,781	3.40%	\$1.31	\$315.00	(10,491)	(43,255)	6,800	119,943
30,000-39,999	45	1,531,326	0	0	41,957	2.74%	41,957	2.74%	\$1.18	\$0.00	(11,272)	22,533	0	0
40,000-49,999	27	1,200,031	0	0	63,246	5.27%	60,797	5.07%	\$1.24	\$0.00	(5,130)	3,827	0	29,199
50,000-74,999	33	1,965,639	0	67,000	67,520	3.44%	61,778	3.14%	\$1.37	\$295.00	0	74,610	30,939	105,999
75,000-99,999	15	1,301,308	0	0	0	0.00%	9,600	0.74%	\$0.95	\$0.00	14,003	14,003	14,003	14,003
100,000-199,999	32	4,330,676	0	462,000	156,311	3.61%	160,592	3.71%	\$1.03	\$0.00	120,604	179,075	120,604	179,075
200,000 plus	16	5,344,139	0	0	88,991	1.67%	45,668	0.85%	\$1.19	\$0.00	119,602	142,567	160,106	318,941
<b>Total</b>	<b>934</b>	<b>24,948,712</b>	<b>0</b>	<b>529,000</b>	<b>686,602</b>	<b>2.75%</b>	<b>715,054</b>	<b>2.87%</b>	<b>\$1.22</b>	<b>\$339.82</b>	<b>201,841</b>	<b>341,802</b>	<b>474,777</b>	<b>1,024,110</b>



## Battling with Supply Constraints

by **Seth Davenport**

EXECUTIVE VICE PRESIDENT / PARTNER, IRVINE  
714.935.2376 · sdavenport@voitco.com · Lic. #01413387

The general economy, despite the challenges of the past year, is back in growth mode and businesses throughout Southern California are feeling the wind at their backs again. But the spike in business activity has shed new light on an ongoing problem: short supply of quality industrial space. Surprisingly, vacancy generally fell throughout the pandemic and pricing for both sale and lease product has risen to new record highs.

Barring major changes to the tax code, which are now on the negotiating table in Washington, things should keep moving in the same direction for the foreseeable future. Landlords are demanding even more in terms of price and creditworthiness from prospective tenants and sellers maintain the upper hand on prospective buyers. Final pricing is often well above the asking price for both owner-user buildings and investment properties.

So, what does this mean to you if your company needs a building to lease?

Most importantly, be prepared to act immediately. If you are looking to lease, have complete financial documentation ready to submit and make sure your current facility is ship-shape, as many landlords will want to see your existing operation before they accept you as a tenant. If possible, offer to take space "As-Is." The less complex your negotiations are, the better chance you will have to secure the space. We've seen too many tenants push hard for landlord concessions and end up back in the hunt for another building. If you find the right building, do what it takes to secure it, as your other options may be even more problematic.

If you are a prospective buyer, it's just as important to be ready to strike when you find what you are looking for. If you will be financing the acquisition, get prequalified before your search begins in earnest and be prepared to show proof of funds for your down payment. Also, check with the site's city to make sure the zoning of the property is appropriate for your use and there are no other impediments to your being able to complete the sale. Offer a short due diligence period and a quick close after standard contingencies are waived, and be willing to extend the escrow if the seller needs extra time to find a suitable 1031 exchange property.

Constraints on supply have tipped the balance of power in real estate negotiations. Tenants and buyers who accept that as reality are the ones who end up with the best possible outcome. Those who don't are in for a long and difficult search process and they may end up paying even more to get less down the road.

### Please Contact Us for Further Information

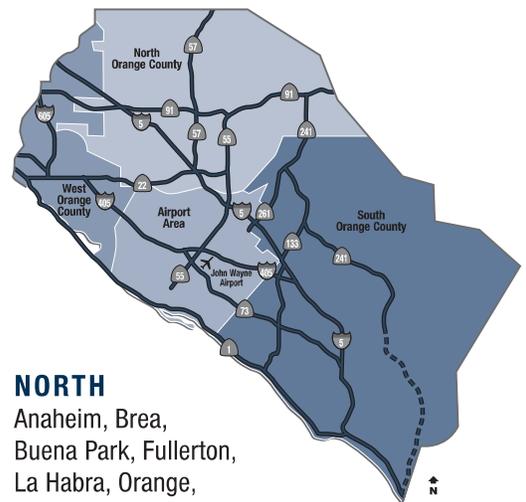
<b>Tony Tran</b> Regional Director of Research ttran@voitco.com	Anaheim, CA 714.978.7880	Carlsbad, CA 760.472.5620	Inland Empire, CA 909.545.8000	Irvine, CA 949.851.5100	Los Angeles, CA 424.329.7500	San Diego, CA 858.453.0505
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## Product Type

### 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