

YoY
Chg**2.4%**

Vacancy Rate

**-779K**

YTD Net Absorption, SF

**\$1.04**

Asking Rent, PSF



Overall, Net Asking Rent

**ECONOMIC INDICATORS
Q2 2020**YoY
Chg**1.3M**Orange County
Employment**14.5%**Orange County
Unemployment Rate**13.0%**U.S.
Unemployment RateSource: *CAEDD/BLS – OC Employment report
was based on data as of May**ECONOMIC OVERVIEW: The Coronavirus Effect**

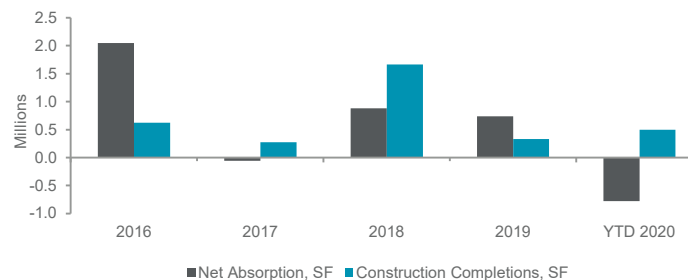
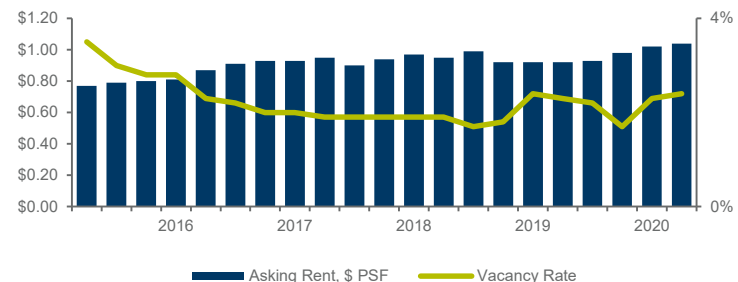
Orange County, like the rest of the nation, has been hit hard by the coronavirus pandemic. Between May 2019 and May 2020, the county has lost 256,400 nonfarm jobs and brought the unemployment rate up to 14.5% from a pre-recession level of 2.9% in January of this year. On a positive note – between April and May of this year, Orange County has gained 13,900 jobs. Although the job report is showing the first signs of a recovery with the reopened economy, the job market remains in a deep hole. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. Access the most recent information specific to COVID [here](#).

DEMAND: Uncertainty Slows Down Market Activity

Orange County's negative net absorption of 779,110 square feet (sf) and the addition of 497,638 sf of new product incrementally increased the vacancy rate to 2.4% at mid-year, a 10-basis point (bp) quarterly increase. The 9-building Shea Business Center project in Santa Ana added 497,638 sf to the market in the second quarter with one lease currently signed to Anduril Industries for 72,232 sf with the rest of the project delivered vacant. After ending Q1 2020 with negative 802,341 sf of net absorption, there was a slight improvement in the second quarter with positive net gains of 23,231 sf. This came naturally as large deals signed last quarter took occupancy, including Total Transportation occupying 309,439 sf in Fullerton. Interestingly, many of the industries that occupy industrial space were deemed "essential" by local and state governments and as such were not as impacted as users for other product types, such as office and retail, in occupying new space.

After a strong first quarter, there was a massive drop in new leasing activity in Q2, which was down 54.0% from Q1 2020. However, this was partially balanced out by the 153.3% surge in renewals quarter-over-quarter (Q/Q) from 443,901 sf in Q1 to 1.1 msf in Q2, largely attributed to the massive 675,000-sf renewal of American Woodmark. Furthermore, the renewal trend is also reflected in the top leases for the quarter with four of the top five lease transactions being renewals. Given the uptick in renewals, new leasing was down 20.2% from the same period a year ago and totaled 3.6 msf in the first half of the year.

Rents in Orange County stayed relatively stable with the average asking rent increasing 2.0% Q/Q to \$1.04 per square foot per month. The overall climate throughout the marketplace will be one of cautious optimism, but functional space in a strong location will still garner top end pricing. With eCommerce continuing to explode, strong demand for infill fulfillment facilities will continue. The need for last-mile infill logistics facilities bodes well for the industrial sector and puts the market in a strong position to weather the economic storm.

SPACE DEMAND / DELIVERIES**OVERALL VACANCY & ASKING RENT**

MARKETBEAT ORANGE COUNTY

Industrial Q2 2020



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Irvine Spectrum	18,410,054	4.5%	3,664	221,514	111,112	0	0	\$1.16	\$1.46	\$1.08
Lake Forest/R.S.M./F. Ranch	11,088,673	0.3%	-12,343	88,174	134,738	0	0	\$1.36	\$1.25	\$1.02
Laguna Hills/Aliso Viejo	3,563,272	2.2%	-65,609	17,408	0	0	0	\$1.44	N/A	\$1.21
Laguna Niguel/Laguna Beach	486,744	0.8%	-902	1,560	17,498	0	0	N/A	N/A	\$1.23
Mission Viejo	1,206,519	1.8%	-6,249	26,842	0	33,600	0	\$1.43	\$1.26	N/A
S.J. Capo/S. Clemente/D.P.	3,484,341	0.3%	-5,447	3,860	0	0	0	\$1.42	\$1.10	N/A
SOUTH COUNTY	38,239,603	2.5%	-86,886	359,358	263,348	33,600	0	\$1.26	\$1.43	\$1.06
Fountain Valley	4,750,344	1.4%	-46,699	76,840	32,063	0	0	\$0.84	\$1.19	\$0.95
Tustin	8,086,472	3.4%	99,181	64,200	0	0	0	N/A	\$1.32	\$1.00
Santa Ana	30,827,301	4.7%	-51,665	594,099	70,667	0	497,638	\$0.80	\$1.13	\$1.01
Costa Mesa	10,449,694	1.6%	-69,748	45,916	57,219	0	0	\$1.76	\$1.59	\$1.07
Newport Beach	653,872	0.4%	-2,500	0	0	0	0	N/A	\$1.69	N/A
Irvine	20,160,738	2.8%	-119,887	165,169	74,609	0	0	\$1.18	\$1.44	\$0.98
GREATER AIRPORT AREA	74,928,421	3.4%	-191,318	946,224	234,558	0	497,638	\$1.07	\$1.37	\$1.01
Seal Beach	906,642	0.0%	0	0	0	0	0	N/A	N/A	N/A
Westminster	2,176,606	2.2%	-38,124	0	0	0	0	\$1.09	N/A	\$1.19
Huntington Beach	11,934,784	1.4%	-87,144	542,180	54,898	610,273	0	\$0.92	\$1.02	\$0.77
Garden Grove	11,414,562	2.0%	-48,351	265,848	11,220	0	0	\$0.78	N/A	\$0.84
Los Alamitos/Stanton	3,539,105	0.6%	-1,548	26,895	0	0	0	\$1.21	\$1.13	N/A
Cypress	6,211,431	4.1%	-91,142	0	0	0	0	\$0.89	\$1.16	\$0.89
La Palma	1,973,294	4.0%	0	4,067	0	0	0	N/A	N/A	\$0.85
WEST COUNTY	38,156,424	2.1%	-266,309	829,990	66,118	610,273	0	\$0.87	\$1.15	\$0.85
Anaheim	45,164,644	1.4%	-96,833	512,746	60,083	0	0	\$1.04	\$1.61	\$1.01
Orange	11,923,172	1.3%	-125,896	65,359	15,750	93,382	0	\$1.27	\$1.15	\$0.91
Fullerton	18,459,855	2.3%	176,184	491,818	22,098	0	0	\$0.82	N/A	\$0.87
Brea/La Habra	13,068,395	1.4%	-88,414	142,005	77,667	0	0	\$1.13	\$1.44	\$0.90
Placentia/Yorba Linda	6,370,883	0.8%	72,727	60,075	36,505	0	0	\$1.10	N/A	\$1.05
Buena Park	12,693,153	3.0%	-172,365	233,734	12,366	0	0	\$0.59	N/A	\$0.90
NORTH COUNTY	107,680,102	1.7%	-234,597	1,505,737	224,469	93,382	0	\$0.92	\$1.47	\$0.91
ORANGE COUNTY TOTALS	259,004,550	2.4%	-779,110	3,641,309	788,493	737,255	497,638	\$0.98	\$1.35	\$0.97

*Rental rates reflect weighted net asking \$psf/month

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

MARKETBEAT ORANGE COUNTY

Industrial Q2 2020



KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
400 Orangethorpe Avenue	North County	American Woodmark	675,000	Renewal*
1683 Sunflower Avenue	Greater Airport Area	Robinson Pharma	197,000	Renewal*
3001 South Susan Street	Greater Airport Area	Overair, Inc.	93,955	Direct
5757 Plaza Drive	West County	United Healthcare	93,536	Renewal*
701 Sally Place	North County	Inmar Logistics	85,172	Renewal*
5757 Plaza Drive	West County	Bar Bakers LLC	83,700	Direct
1177 Grove Street	North County	Weartech International	73,335	Renewal*
709 Alton Avenue	Greater Airport Area	Anduril Industries	72,232	Direct
2930 South Fairview Street	Greater Airport Area	Tailgate Printing	71,363	Renewal*
2337 Commonwealth Avenue	North County	Brentwood Home	64,292	Sublease
2722 South Fairview Street	Greater Airport Area	MaxCare Products LLC	58,802	Direct
3373 East La Palma	North County	QYK Brands	48,331	Direct
4955 East Hunter Avenue	North County	Oakwood Construction & Restoration Services	43,428	Renewal*
12622 Monarch Street	West County	NIEN Advanced Solutions	40,000	Direct
401 South Grand Avenue	Greater Airport Area	Manley's Boilers	35,973	Direct
1450 Walnut Avenue	North County	Envoy Cabinetry	35,597	Direct
1924 Barranca Parkway	Greater Airport Area	Avon Protection Services	34,650	Direct
7423 Doig Drive	West County	FMK Labs	34,080	Sublease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
22343-22349 La Palma Avenue	North County	Berkeley Partners / Hamra Properties	115,760	\$22.8M/\$197
3009-3017 South Daimler Street	Greater Airport Area	MX3 Ventures / Edwards Lifesciences	52,379	\$12.1M/\$231
17401 Eastman	Greater Airport Area	Pan Fischer Group / Edwards Lifesciences	44,009	\$10.3M/\$235
655 North Tamarack Avenue	North County	Trico Realty / Lotus Labels	38,439	\$9.2M/\$240

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
705 & 709 Alton Avenue, 2906 Tech Center Drive, 640, 642, 650, 652, 660 & 662 East Dyer Road	Greater Airport Area	Anduril Industries	497,638	Shea Properties

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