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//////////////////Los Angeles////////////////

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//////////////////Orange County////////////////

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//////////////////Ventura////////////////

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//////////////////Inland Empire////////////////

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//////////////////Phoenix////////////////

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Q1 | 2023

Market Report

////////////////// Orange County Industrial



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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased 39 bps in Q1 to 2.1%.
- **Net Absorption:** Weaker demand in Q1, totaling -944K SF.
- **Asking Rents:** Increased by \$0.04 PSF or 2.5% in Q1 to a rate of \$1.61 PSF NNN.
- **Industrial Supply:** 224K SF was delivered in Q1. Under construction revised to 2.75M SF in Q1.
- **Sales:** The median price PSF in Q1 was \$356.51. A drop of 3.7% from Q4. Volume in Q1 totaled \$408.2M; down 52.1% from Q4.

ECONOMIC OUTLOOK

- **Interest Rates:** The FOMC decided to increase interest rates twice in Q1 by 25 bps each to the current target range of 4.75% - 5.00%. This current rate hike cycle is the fastest in history. The impact of the FOMC's actions became apparent in Q1 with the collapse of multiple banks & others reeling with depositors withdrawing cash at historic rates.
- **Inflation:** Appears to have peaked, but still causing pain in the U.S. economy.
- **Supply Chain:** The cost from China/East Asia to North America West Coast declined 27% over Q1, ending at \$1,006 per container. (Freightos)


Direct Vacancy
▲ 1.8%


Net Absorption
▼ -944,225 SF


Overall Vacancy
▲ 2.1%


Gross Absorption
▼ 2,032,330 SF


Under Construction
▲ 2,748,722 SF


Rental Rates (NNN)
▲ \$1.61


Median Sale \$/SF
▼ \$356.51



Deal Volume
▼ \$408.2M


U.S. Employment
▲ 3.6%



U6 Rate
▲ 6.8%



Interest Rate
▼ 6.3%
(30 year fixed)


Changing GDP
▼ 1.7%


Port Traffic Y/Y Δ
▼ 19.9%


NYSE Performance
▲ 8.1%


Inflation Change
▼ 5.9%


10 Yr. - 2 Yr. Spread
▼ -58 BPS

EXPERIENCE IN A CHANGING MARKET

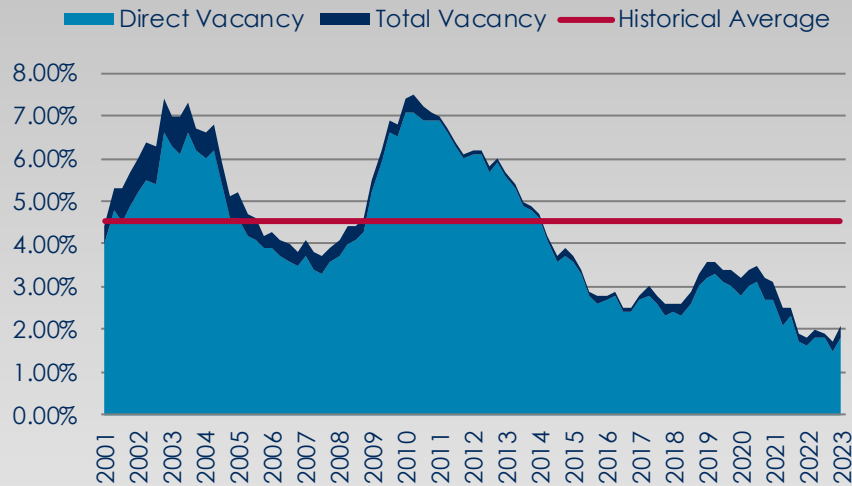
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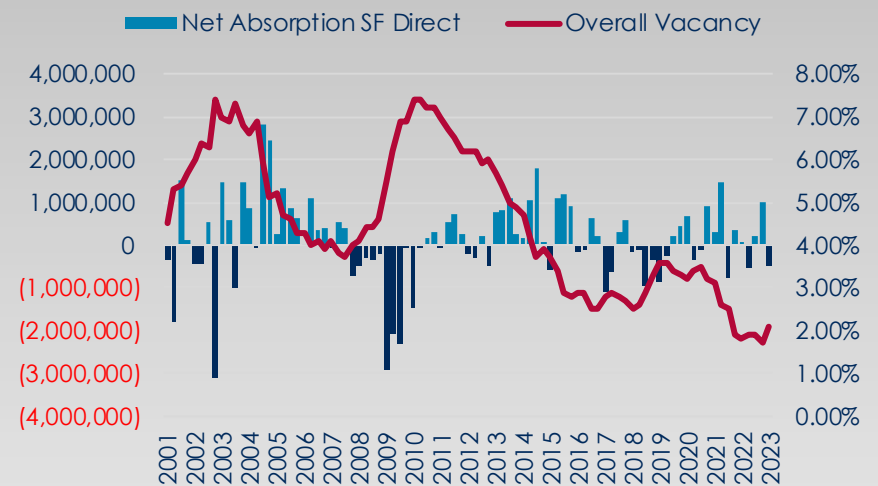
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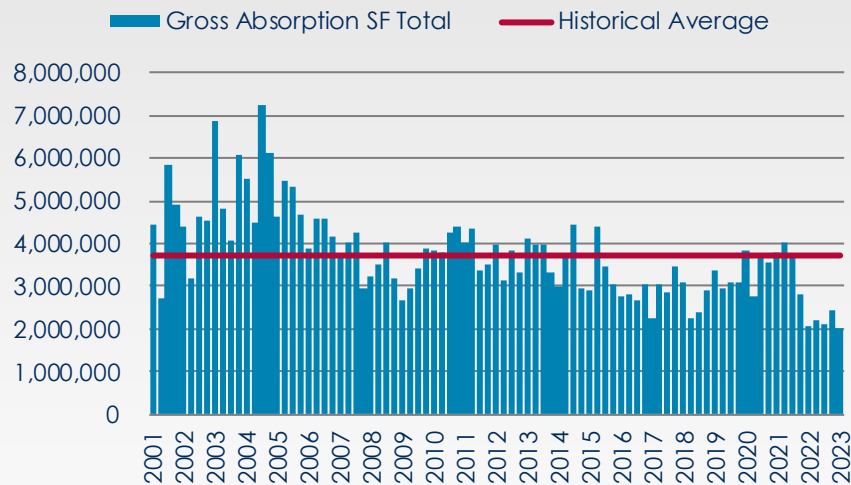
OVERALL VACANCY INCREASED BY 39 BPS IN Q1 TO 2.1%



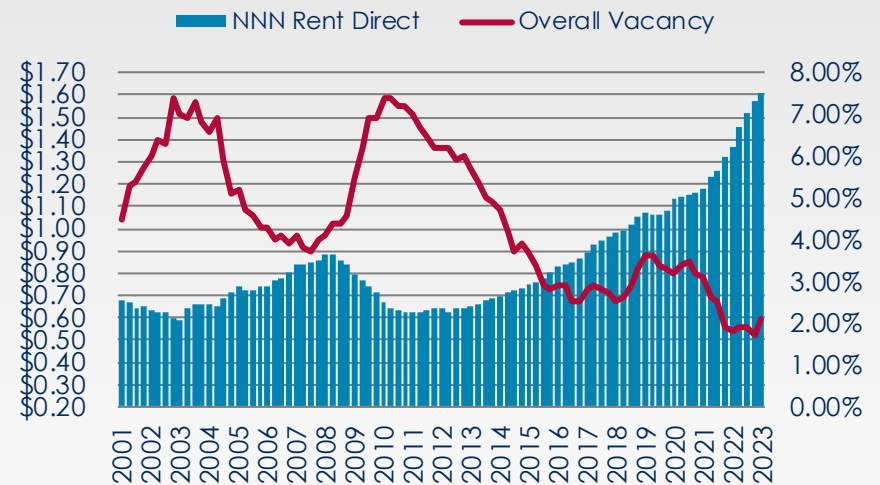
NET ABSORPTION WEAKER DEMAND IN Q1 TOTALING -944K SF



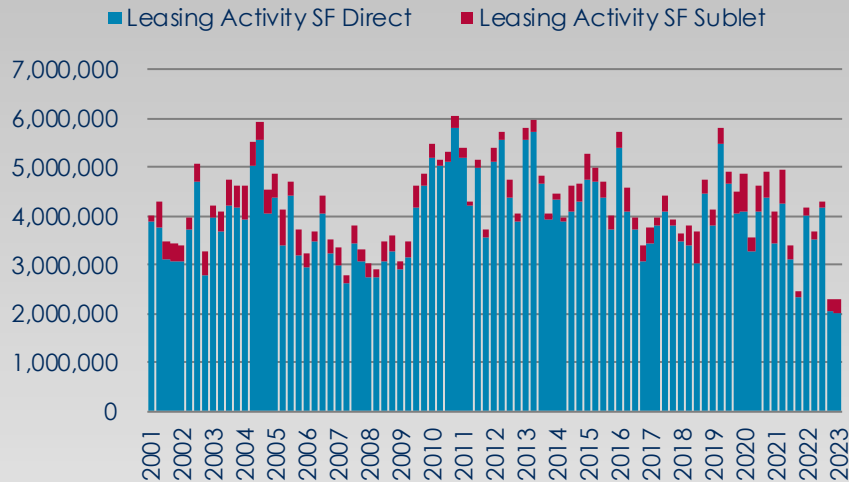
GROSS ABSORPTION DECLINED BY 16.0% FROM Q4 TO 2M SF IN Q1



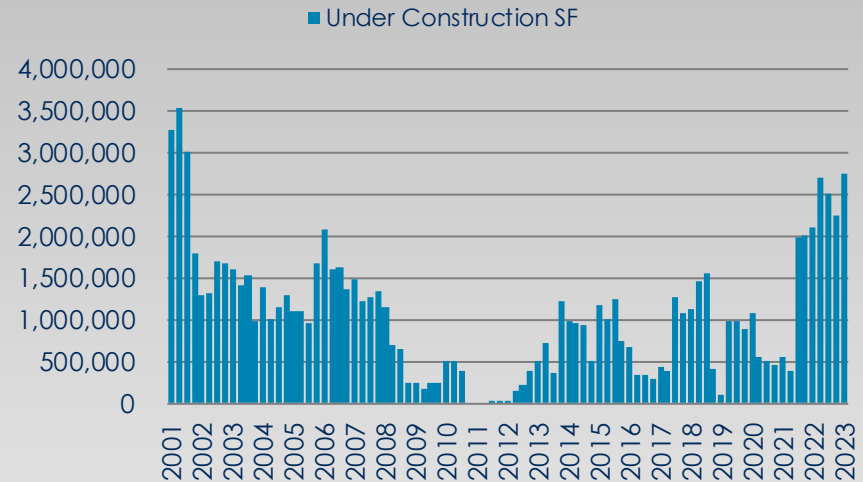
ASKING RENTS ROSE BY \$0.04 PSF OR 2.5% IN Q1 TO \$1.61 PSF NNN



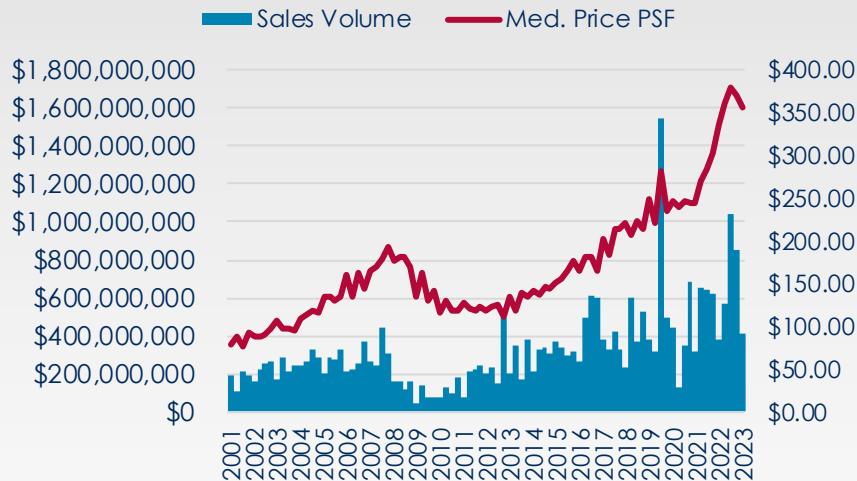
LEASING ACTIVITY DECLINED BY 1.3% FROM REVISED Q4 TOTALING 2.3M SF IN Q1



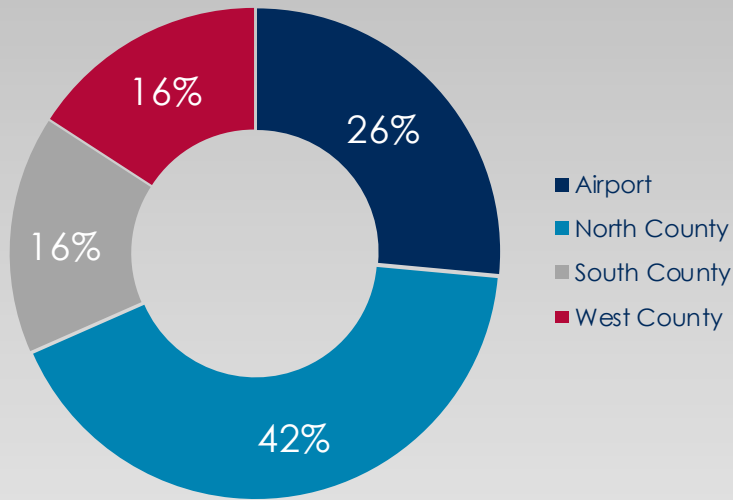
CONSTRUCTION ACTIVITY 224K SF WAS DELIVERED IN Q1. UC REVISED TO 2.7M SF



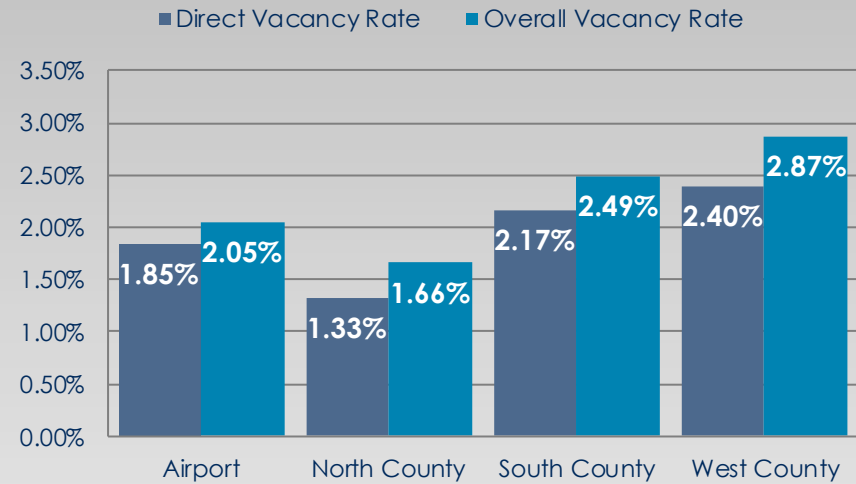
SALES VOLUME DOWN 52.1%. MEDIAN PRICE IN Q1 WAS \$356.51 PSF



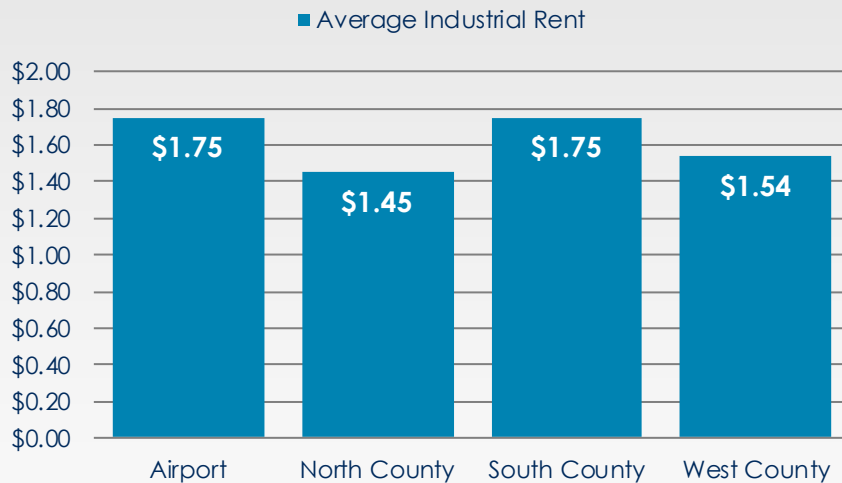
SQUARE FOOT BREAKDOWN- 295,943,252 SF MARKET SIZE



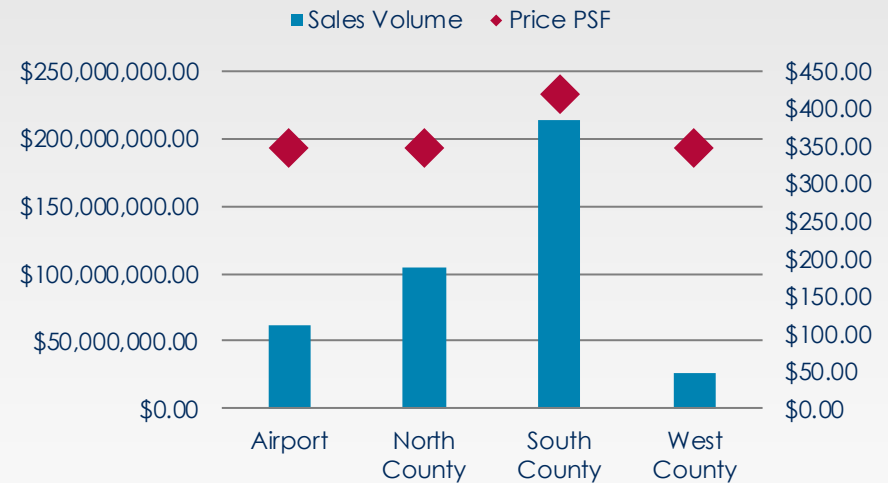
VACANCY BREAKDOWN



AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

Methodology

Industrial and flex (R & D) buildings that are 5,000 square feet and greater.

Direct Vacant SF

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale directly from the landlord.

Total Vacant W/ Sublet SF

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale by the landlord or for sublease by the current tenant.

Direct Vacancy Rate

Total vacant direct space (vacant space for lease or sale from the landlord or owner) divided by the total rentable square footage for existing buildings only.

Vacancy W/ Sublet Rate

Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

Gross Absorption

The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time.

Net Absorption

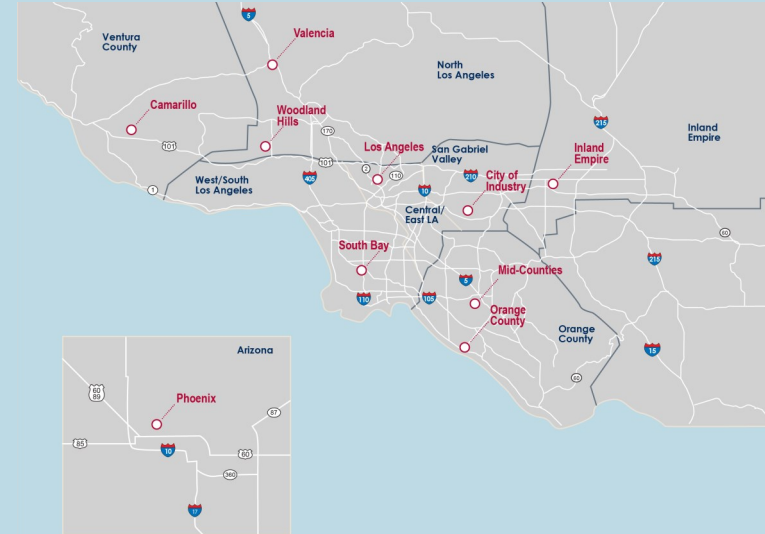
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

Under Construction

Planned buildings for which construction has started but have not yet been granted a Certificate of Occupancy. Planned buildings are not included.

Completed in 2023

New buildings with original construction completed in the year 2023 and granted a Certificate of Occupancy. Renovated buildings are not included.



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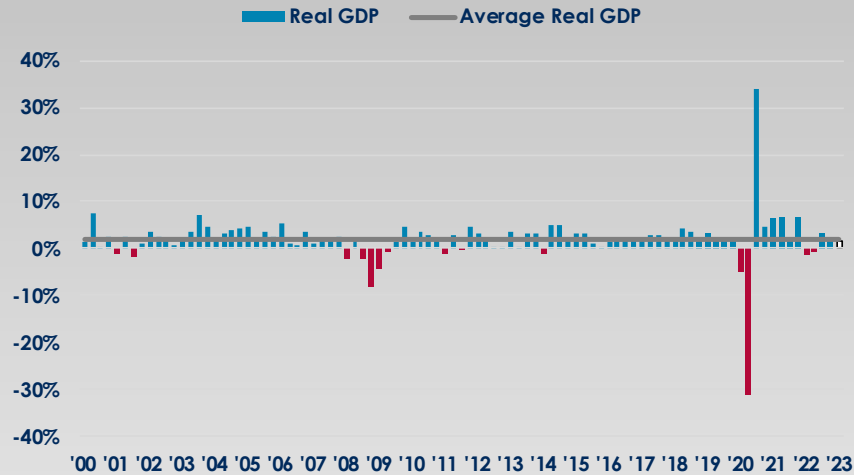
Economic Overview

Q1 2023



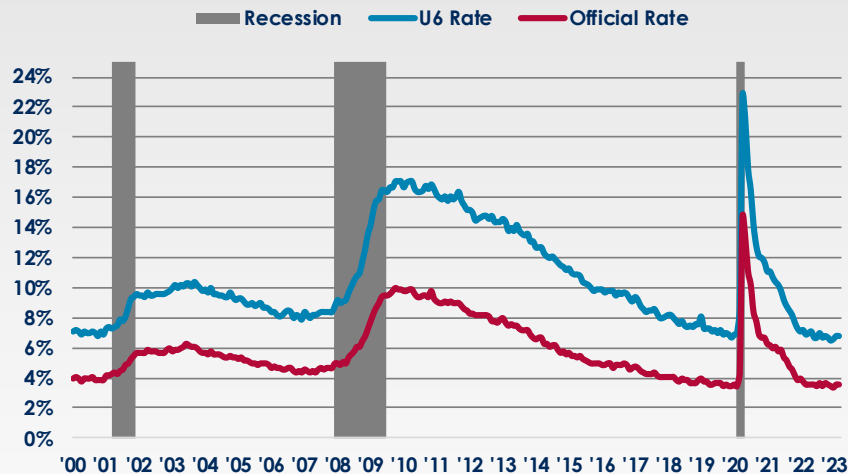
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GDP IN Q4 FINISHED AT 2.6%. Q1 EST. TO INCREASE AT 1.7%

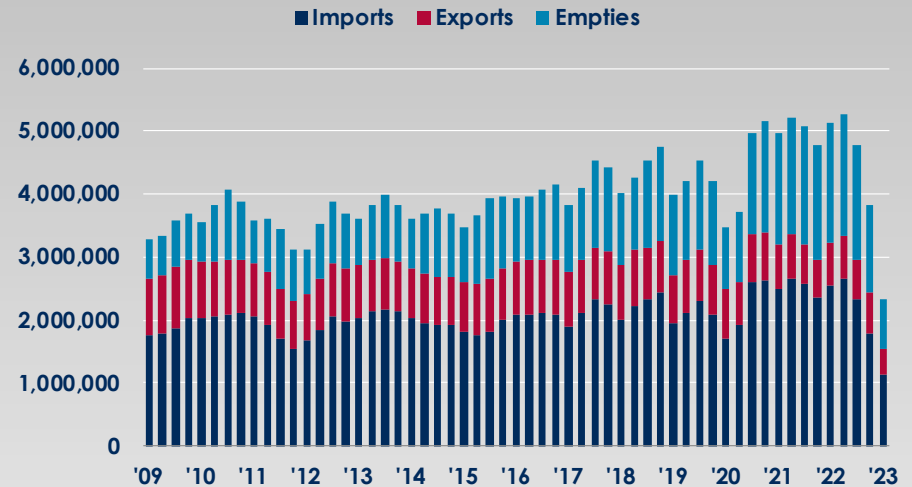


*1.7% Estimate for Q1-23 from the Federal Reserve Bank of Atlanta GDPNow

UNEMPLOYMENT CONTINUES TO BE STICKY AS THE FED TIGHTENS

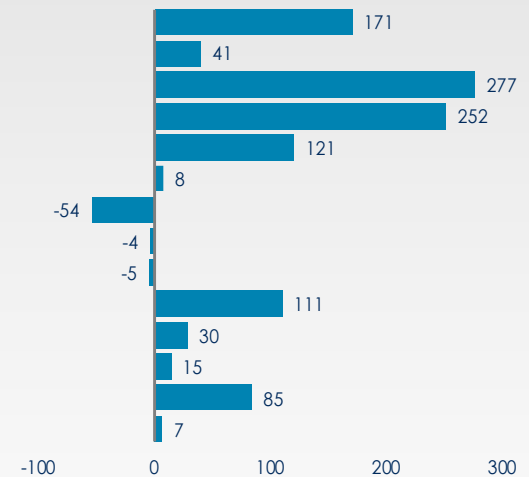


PORT ACTIVITY CONTINUES TO SLOW. DOWN 19.9% Y/Y IN Q4

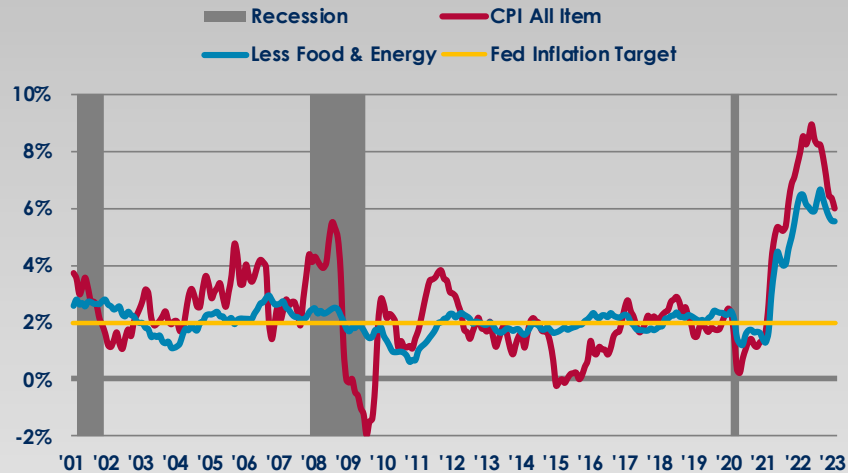


LEISURE & HOSPITALITY; EDUCATION & HEALTH SERVICES LED AGAIN IN Q1

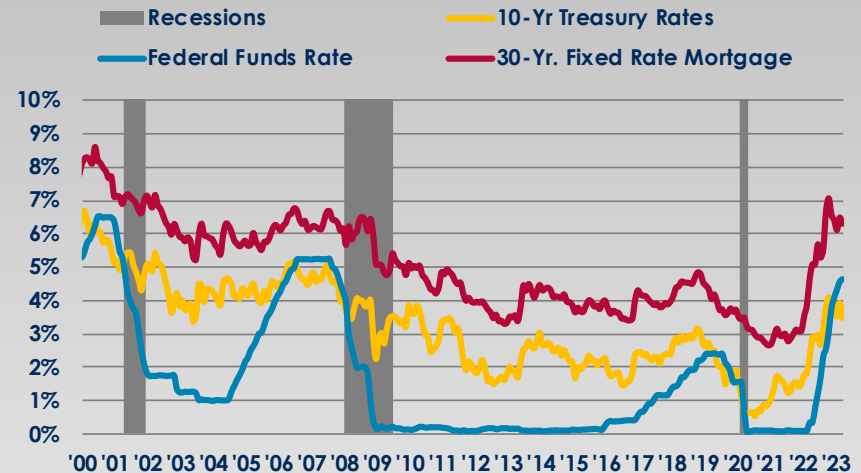
- Government
- Other Services
- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Information
- Utilities
- Transportation and Warehousing
- Retail Trade
- Wholesale Trade
- Manufacturing
- Construction
- Mining and Logging



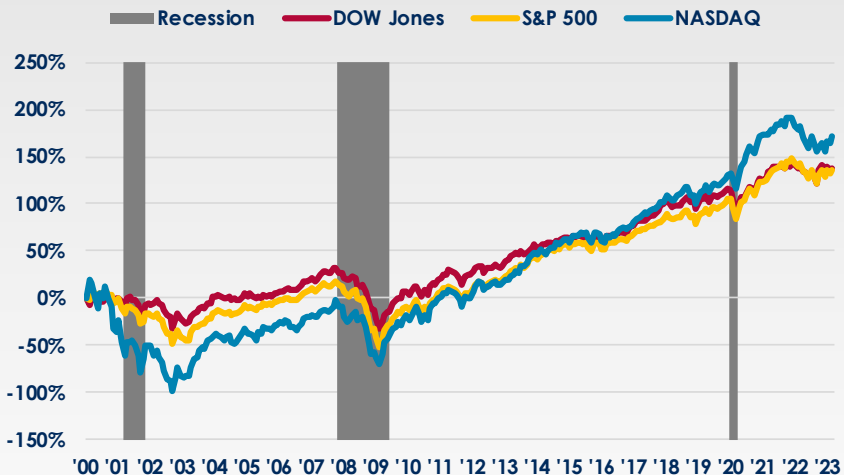
CPI HAS PEAKED BUT STILL CAUSING PAIN IN THE ECONOMY



THE FED CONTINUED TO HIKE RATES IN Q1 BY 50 BPS



THE NASDAQ OUTPERFORMED THE OTHER MAJOR INDEXES IN Q1



10-2 YEAR SPREAD INVERTED DEEPER IN Q1 ENDING AT -58 BPS

