

INVESTMENT FORECAST

Industrial
Orange County Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2024

Orange County Holds the Title of West Coast's Least Vacant Market for a Third Straight Year

Developers plan teardown projects amid limited land availability. Tenant demand for industrial space in Orange County remains strong, with both of its largest submarkets by stock entering this year with sub-3 percent vacancy — a claim just one other major market can make. While moderate upward vacancy momentum is anticipated this year, conditions are likely to remain tight in areas near Los Angeles County and John Wayne International Airport. Upcoming completions are moderate here, with the metro's overall inventory slated to expand by just 0.7 percent in 2024, thanks in part to a lack of deliveries with footprints above 200,000 square feet. The pipeline, however, is likely to enlarge as the year progresses. In addition to properties already slated to break ground in 2024, a growing number of plans are emerging that would involve demolishing office buildings and replacing them with industrial parks. Fortunately for the metro, leasing activity related to properties larger than 100,000 square feet has held steady over the past two years, suggesting these industrial proposals should have a minimal impact on overall conditions moving forward.

Transactions likely to remain clustered. When compared to other major industrial markets, Orange County noted a less pronounced, roughly 7 percent, decline in deal flow last year, a dynamic fueled by its tight conditions and lengthy stretch of rent growth. The metro's average price point also adjusted moderately, an indication buyer and seller expectations are relatively in line. During 2024, buyers are likely to concentrate on smaller warehouses and manufacturing facilities in Santa Ana, Anaheim, Garden Grove and Orange proper, bordering cities that comprise the metro's industrial epicenter. The abundance of sub-\$5 million acquisition opportunities here will foster a sizable private buyer pool, with those seeking discounted pricing active in Santa Ana.

2024 MARKET FORECAST

+1.0%



EMPLOYMENT: An unemployment rate well below the metro's long-term average will limit job creation in 2024. As such, employers are expected to expand the local workforce by 17,000 roles.

1.8 million
sq. ft.



CONSTRUCTION: Developers complete more than 1.2 million square feet for a third straight year; however, Orange County's delivery volume is the lowest among Southern California markets.

+100 bps



VACANCY: Orange County's vacant stock is anticipated to grow by 2.7 million square feet. Still, the metro's 4.2 percent year-end vacancy rate is 40 basis points below its 2000-2019 average.

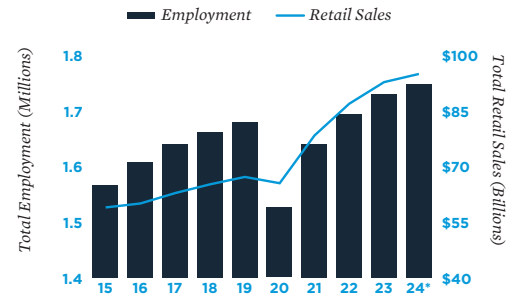
+4.4%



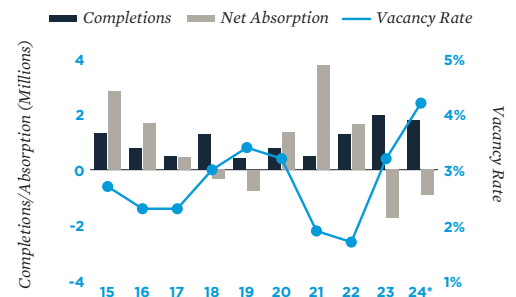
RENT: The metro's average asking rate reaches \$20.96 per square foot. Tenants seeking lower rents will target inland options in the central and northern parts of the county, rather than coastal spaces.

INVESTMENT: *The mean marketed rent nearly doubled over the past seven years. This may attract buyers to assets with upcoming lease expirations, where upside can be captured by re-tenanting or securing a renewal.*

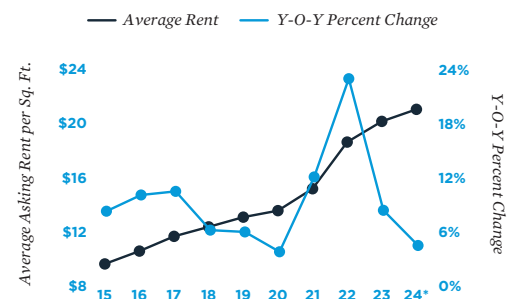
Economic Trends



Supply and Demand



Rent Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.