

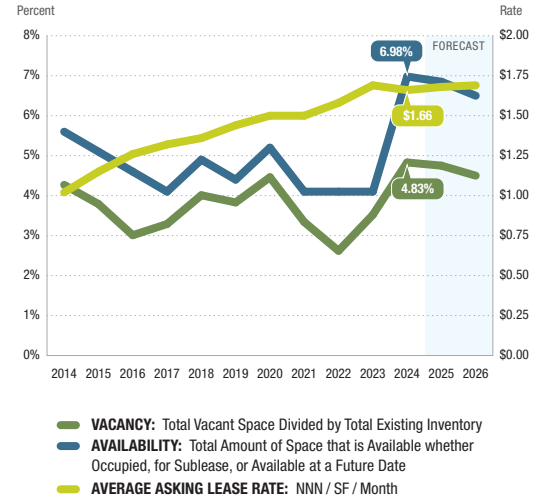
**OVERVIEW.** The Orange County R&D/Flex market remained stable in Q4, although the vacancy rate increased slightly more than anticipated. Average asking rents were slightly lower, and lease & sale activity remained relatively unchanged. While gross absorption increased modestly, net absorption was slightly negative (50,783 SF). Notably, continuing a multi-year trend, not a single square foot of new R&D/Flex properties was under construction in 2024. Only the cities of Irvine and Fountain Valley reported any new projects in the planning queue at year end. Overall the R&D/Flex market continued its run of consistency, in stark contrast to the office and industrial sectors which experienced significant shifts in key market metrics throughout 2024.

**VACANCY & AVAILABILITY.** The overall vacancy rate in Orange County's R&D/Flex market rose by 59 basis points to 4.83% in Q4, following a 30-basis-point increase in Q3. Year over year, vacancy has risen by 135 basis points or 38%, well below reported increases for the industrial and office sectors. In Q4, all four major submarkets recorded a vacancy increase. The biggest increase, 69 basis points, was in South County, which ended the period at 4.95%. Vacancy in North County was up by 54 basis points to 4.34%. Availability, which includes occupied space offered for sale or lease, actually moved down by 11 basis points to 6.98%, a further indication that space offered for sublease is declining.

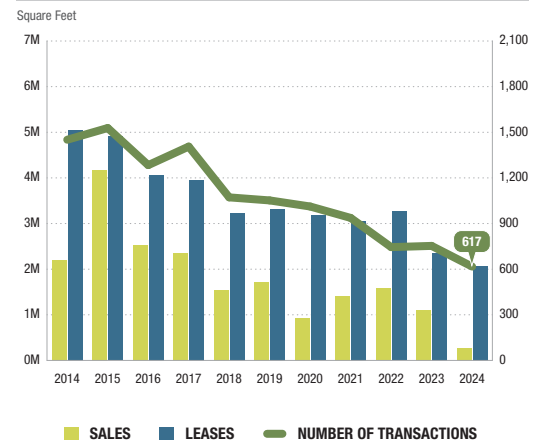
**LEASE RATES.** The countywide average asking lease rate countywide fell two cents to \$1.66 in Q4. Year over year, that rate is down by just 1%, further indication of market stability despite economic headwinds and the uncertainty of an election year. The Airport Area and South County submarkets, which account for most of the County's inventory, both moved two cents lower to \$1.75. North County was little changed at \$1.34, off a penny. West County was flat for the period at \$1.50. The small change in asking rents for the year reflects the relative balance between supply and demand for this hybrid asset class, as compared to its industrial and office counterparts.

**TRANSACTION ACTIVITY.** Total square footage leased and sold fell from 896,571 SF in Q3 to 767,721 SF in Q4. Total transaction count fell to 199 from 218 in Q3. Six buildings were sold in Q4 totaling 81,330 SF, up slightly from 76,324 SF in the third period. 192 leases were inked, down from 212 in Q3. The largest lease transaction was in Orange where Weber Distribution LLC leased 136,998 SF from The Irvine Company at 15967 Alton Parkway in the Irvine Spectrum. The largest sale transaction was a 58,372 SF, eight-building complex on Batavia Street in Orange. The buyer was Guthrie Batavia Street LLC and the seller was Aspen Realty. The property sold for \$16 million.

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



**TRANSACTION VOLUME & NUMBER OF TRANSACTIONS**



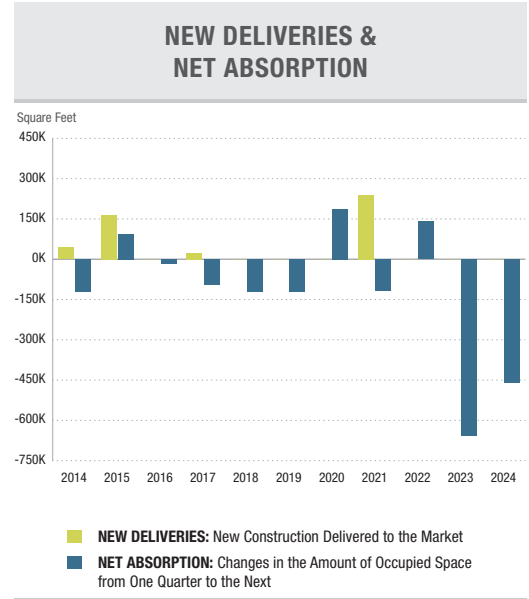
Market Statistics

	Change Over Last Quarter	Q4 2024	Q3 2024	Q4 2023	% Change Over Last Year
Vacancy Rate	▲ UP	4.83%	4.24%	3.48%	38.68%
Availability Rate	▼ DOWN	6.98%	7.09%	5.02%	38.97%
Average Asking Lease Rate	▼ DOWN	\$1.66	\$1.68	\$1.68	(1.19%)
Sale & Lease Transactions	▼ DOWN	767,721	896,571	1,082,381	(29.07%)
Gross Absorption	▲ UP	827,498	738,231	807,162	2.52%
Net Absorption	▼ NEGATIVE	(50,783)	56,132	(52,614)	N/A

**ABSORPTION.** Net absorption (the change in occupied space between periods) was negative in Q4 and for the year as a whole. The County suffered a net loss of 50,783 SF for the period and that brought the year-to-date decline in occupied space to 459,161 SF. However, a significant amount of the annual decline was attributed to a handful of outsized move-outs in Cypress and Yorba Linda. The Airport and South County submarkets, accounting for roughly two-thirds of the R&D / Flex inventory, both posted positive net absorption for the year. Of note is the fact that the largest space vacated in 2024 has already been leased and is expected to be re-occupied by L3 Technology in the first quarter of 2025.

**CONSTRUCTION:** There is nothing new to report in terms of new construction. As has been the case for years, no R&D / Flex space is under construction and planned space is limited to 225,579 SF, all of which would be built in Irvine and Fountain Valley. With rents flat and transaction activity where it is today, there is little call for new development. Plus, land sites available for R&D / Flex projects are better suited for high-density residential projects, as the demand for housing remains relatively strong. Currently, there is an adequate inventory of available flex properties to meet the needs of local tenants.

**EMPLOYMENT.** Orange County’s unemployment rate dropped to 4.0% in November 2024. This is a slight decrease from October’s 4.2% but still higher than the 3.8% rate from November of the previous year. Manufacturing showed a slight uptick with 500 new jobs added, construction lost 2,100 jobs, and strong growth in trade and transportation (4,200 jobs added) points to healthy consumer demand and logistics needs.



Forecast

The Orange County R&D/Flex market is not expected to change substantially in 2025. Supply and demand should remain in balance due to a lack of new construction. Average asking lease rates should remain relatively flat unless the overall economy returns to a period of more robust growth. R&D/flex could get a welcome boost in activity if the R&D expensing rules, enacted with the Tax Cuts & Jobs Act of 2017, are extended as expected. Once there is confidence that Congress will be taking definitive action, we expect an increase in active lease requirements, which could lead to a decline in vacancy and a return of positive net absorption countywide. Sale activity is expected to remain flat, as private and institutional investors are facing much higher mortgage rates, which are expected to remain near current levels for the time being.

Significant Transactions

Sales \* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
1570-1594 N. Batavia St. - 8 Buildings	Orange	58,372	\$16,000,000	Guthrie Batavia Street LLC*	Aspen Realty LLC*
14312 Franklin Ave.	Tustin	37,289	\$14,767,000	Jean Ault*	Glyn P Harris & Ginger Harris
74 Argonaut	Aliso Viejo	19,633	\$6,700,000	Argonaut Seventy Five LLC	J.W. Mitchell Company, LLC
17690 Mitchell	Irvine	18,334	\$8,066,960	IBJJF	Ron McGuff
2531 W. Woodland Dr.	Anaheim	10,190	\$3,192,500	Swedlund Properties	Odell Scott LLC

Leases \* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
15967 Alton Pkwy.	Irvine Spectrum	136,998	Nov-2024	Weber Distribution, LLC	The Irvine Company
175 Technology Dr.	Irvine Spectrum	19,580	Oct-2024	Resolution Processing	The Irvine Company
421 Rowland Ave.	Santa Ana	12,869	Dec-2024	Known Supply Inc.	Rowland 2016 Trust
7300 Bolsa Ave.	Westminster	12,307	Oct-2024	DDC Electric Supply Inc.	PP Tango CA LLC
1637 N. O'Donnell Way - Renewal	Orange	11,980	Oct-2024	Mike's Restaurant Supply, Inc.*	Watson Industrial Properties LLC*

	INVENTORY				VACANCY & LEASE RATES				ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q4 2024	Square Feet Available	Availability Rate Q4 2024	Average Asking Lease Rate	Net Absorption Q4 2024	Net Absorption 2024	Gross Absorption Q4 2024	Gross Absorption 2024
<b>Airport Area</b>													
Costa Mesa	166	3,930,294	0	0	243,464	6.19%	337,187	8.58%	\$1.71	(7,213)	(86,442)	40,275	135,119
Fountain Valley	49	1,445,173	0	37,800	18,734	1.30%	56,339	3.90%	\$1.61	7,347	4,788	11,330	43,470
Irvine	237	6,276,544	0	187,779	224,725	3.58%	341,933	5.45%	\$1.90	6,948	26,855	82,818	382,040
Newport Beach	21	582,730	0	0	12,777	2.19%	27,835	4.78%	\$0.00	(825)	(1,200)	4,075	14,413
Santa Ana	173	4,300,047	0	0	187,588	4.36%	200,013	4.65%	\$1.60	427	6,485	60,246	216,932
Tustin	84	2,796,427	0	0	68,592	2.45%	120,004	4.29%	\$1.66	4,500	(4,498)	20,524	105,947
<b>Airport Area Total</b>	<b>730</b>	<b>19,331,215</b>	<b>0</b>	<b>225,579</b>	<b>755,880</b>	<b>3.91%</b>	<b>1,083,311</b>	<b>5.60%</b>	<b>\$1.75</b>	<b>11,184</b>	<b>(54,012)</b>	<b>219,268</b>	<b>897,921</b>
<b>North County</b>													
Anaheim	172	5,190,454	0	0	194,719	3.75%	209,145	4.03%	\$1.60	(32,754)	(20,099)	33,362	143,925
Brea	55	1,640,164	0	0	91,482	5.58%	106,350	6.48%	\$1.50	(6,430)	(10,856)	5,832	52,802
Buena Park	28	860,850	0	0	21,385	2.48%	21,385	2.48%	\$0.00	(10,066)	(1,813)	10,149	42,040
Fullerton	42	1,730,579	0	0	24,060	1.39%	54,190	3.13%	\$1.12	(7,187)	(15,082)	19,855	67,413
La Habra	12	247,791	0	0	11,852	4.78%	11,852	4.78%	\$0.00	(5,950)	(5,856)	0	12,535
Orange	96	2,098,960	0	0	68,782	3.28%	73,633	3.51%	\$1.82	(18,517)	(39,646)	14,864	79,580
Placentia	24	647,243	0	0	21,793	3.37%	21,793	3.37%	\$1.47	1,200	(5,299)	3,140	36,940
Yorba Linda	50	1,453,486	0	0	168,327	11.58%	30,240	2.08%	\$1.17	(7,603)	(149,494)	14,430	56,147
<b>North County Total</b>	<b>479</b>	<b>13,869,527</b>	<b>0</b>	<b>0</b>	<b>602,400</b>	<b>4.34%</b>	<b>528,588</b>	<b>3.81%</b>	<b>\$1.34</b>	<b>(87,307)</b>	<b>(248,145)</b>	<b>101,632</b>	<b>491,382</b>
<b>South County</b>													
Aliso Viejo	42	1,144,777	0	0	61,119	5.34%	64,208	5.61%	\$1.55	4,456	15,331	14,860	86,059
Foothill Ranch	8	273,620	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
Irvine Spectrum	291	10,511,874	0	0	661,783	6.30%	1,529,279	14.55%	\$1.76	28,018	31,148	314,562	797,058
Laguna Hills	52	1,203,794	0	0	27,238	2.26%	57,149	4.75%	\$1.62	1,839	3,469	11,288	58,548
Laguna Niguel	18	882,718	0	0	9,385	1.06%	27,900	3.16%	\$0.00	(2,640)	3,278	0	5,918
Lake Forest	60	1,417,499	0	0	48,585	3.43%	62,725	4.43%	\$1.72	(7,348)	9,863	14,178	86,704
Mission Viejo	36	691,400	0	0	25,400	3.67%	28,451	4.11%	\$1.78	(7,858)	(5,014)	4,478	44,640
Rancho Santa Margarita	38	1,429,909	0	0	38,243	2.67%	62,403	4.36%	\$1.66	30,470	16,962	30,470	35,808
San Clemente	59	1,419,688	0	0	64,123	4.52%	77,683	5.47%	\$1.78	291	9,640	14,447	111,351
San Juan Capistrano	42	739,899	0	0	40,810	5.52%	47,124	6.37%	\$2.15	691	21,095	2,960	36,559
<b>South County Total</b>	<b>646</b>	<b>19,715,178</b>	<b>0</b>	<b>0</b>	<b>976,686</b>	<b>4.95%</b>	<b>1,956,922</b>	<b>9.93%</b>	<b>\$1.75</b>	<b>47,919</b>	<b>105,772</b>	<b>407,243</b>	<b>1,262,645</b>
<b>West County</b>													
Cypress	49	2,007,618	0	0	367,655	18.31%	444,712	22.15%	\$1.51	(18,431)	(171,437)	2,521	64,308
Garden Grove	60	1,634,116	0	0	39,111	2.39%	35,431	2.17%	\$0.00	(14,484)	11,536	12,495	70,271
Huntington Beach	124	2,650,642	0	0	49,931	1.88%	50,188	1.89%	\$1.60	20,086	(28,454)	36,346	95,769
La Palma	1	78,980	0	0	78,980	100.00%	78,980	100.00%	\$0.00	0	0	0	157,960
Los Alamitos	40	862,087	0	0	48,870	5.67%	43,797	5.08%	\$1.88	(10,826)	(14,804)	25,366	72,351
Stanton	3	68,350	0	0	9,004	13.17%	9,004	13.17%	\$0.00	(3,804)	(3,444)	1,440	10,706
Westminster	16	440,455	0	0	1,000	0.23%	3,260	0.74%	\$0.00	4,880	(56,173)	21,187	30,573
<b>West County Total</b>	<b>293</b>	<b>7,742,248</b>	<b>0</b>	<b>0</b>	<b>594,551</b>	<b>7.68%</b>	<b>665,372</b>	<b>8.59%</b>	<b>\$1.50</b>	<b>(22,579)</b>	<b>(262,776)</b>	<b>99,355</b>	<b>501,938</b>
<b>Orange County Total</b>	<b>2,148</b>	<b>60,658,168</b>	<b>0</b>	<b>225,579</b>	<b>2,929,517</b>	<b>4.83%</b>	<b>4,234,193</b>	<b>6.98%</b>	<b>\$1.66</b>	<b>(50,783)</b>	<b>(459,161)</b>	<b>827,498</b>	<b>3,153,886</b>
<b>Airport Area</b>													
10,000-24,999	507	8,226,425	0	0	268,542	3.26%	368,108	4.47%	\$1.81	(9,221)	(62,899)	125,026	459,366
25,000-49,999	156	5,196,706	0	37,800	170,533	3.28%	328,611	6.32%	\$1.77	18,292	69,620	79,753	360,783
50,000-99,999	52	3,468,969	0	78,837	316,805	9.13%	386,592	11.14%	\$1.57	2,113	(60,733)	14,489	77,772
100,000 Plus	15	2,439,115	0	108,942	0	0.00%	0	0.00%	\$0.00	0	0	0	0
<b>North County</b>													
10,000-24,999	314	5,025,584	0	0	197,270	3.93%	238,458	4.74%	\$1.58	(36,914)	(36,982)	70,783	308,044
25,000-49,999	116	3,830,791	0	0	109,939	2.87%	134,899	3.52%	\$1.52	(37,641)	(43,511)	14,618	114,621
50,000-99,999	31	1,981,774	0	0	100,658	5.08%	100,441	5.07%	\$1.50	(14,086)	(27,364)	7,492	43,883
100,000 Plus	18	3,031,378	0	0	194,533	6.42%	54,790	1.81%	\$0.00	1,334	(140,288)	8,739	24,834
<b>South County</b>													
10,000-24,999	376	6,279,974	0	0	359,825	5.73%	535,756	8.53%	\$1.78	(38,418)	(85,310)	123,137	419,713
25,000-49,999	193	6,460,271	0	0	479,776	7.43%	579,841	8.98%	\$1.72	(986)	6,531	142,550	545,486
50,000-99,999	62	4,157,527	0	0	77,713	1.87%	581,659	13.99%	\$1.77	(49,675)	47,553	4,558	160,448
100,000 Plus	15	2,817,406	0	0	59,372	2.11%	259,666	9.22%	\$0.00	136,998	136,998	136,998	136,998
<b>West County</b>													
10,000-24,999	204	3,263,636	0	0	93,531	2.87%	110,548	3.39%	\$1.57	(3,265)	27,062	63,158	248,124
25,000-49,999	59	2,025,009	0	0	135,477	6.69%	158,513	7.83%	\$1.57	(19,314)	(71,820)	36,197	95,854
50,000-99,999	27	1,899,405	0	0	237,319	12.49%	268,087	14.11%	\$1.46	0	(218,018)	0	157,960
100,000 Plus	3	554,198	0	0	128,224	23.14%	128,224	23.14%	\$0.00	0	0	0	0
<b>Orange County</b>													
10,000-24,999	1,401	22,795,619	0	0	919,168	4.03%	1,252,870	5.50%	\$1.75	(87,818)	(158,129)	382,104	1,435,247
25,000-49,999	524	17,512,777	0	37,800	895,725	5.11%	1,201,864	6.86%	\$1.71	(39,649)	(39,180)	273,118	1,116,744
50,000-99,999	172	11,507,675	0	78,837	732,495	6.37%	1,336,779	11.62%	\$1.66	(61,648)	(258,562)	26,539	440,063
100,000 Plus	51	8,842,097	0	108,942	382,129	4.32%	442,680	5.01%	\$0.00	138,332	(3,290)	145,737	161,832
<b>Orange County Total</b>	<b>2,148</b>	<b>60,658,168</b>	<b>0</b>	<b>225,579</b>	<b>2,929,517</b>	<b>4.83%</b>	<b>4,234,193</b>	<b>6.98%</b>	<b>\$1.66</b>	<b>(50,783)</b>	<b>(459,161)</b>	<b>827,498</b>	<b>3,153,886</b>

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple-net basis.



## Washington's Effect on the OC Industrial Real Estate Market

by **Matt Peters**

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Now that we've moved past what might have been one of the most polarizing elections of all time, many Orange County industrial users are shifting their focus to the potential impacts of the new administration on the industrial real estate market. While several factors will undoubtedly influence industrial users, the Southern California industrial market is positioned to remain stable compared to other, more volatile regions. Here are the key factors driving this stability and their implications for our market.

One factor that no administration can alter is our location. Southern California's industrial market holds a unique and lasting edge due to its proximity to the ports of Los Angeles and Long Beach, which handle close to half of the nation's imports and exports. This makes the region a vital hub for logistics, storage, and distribution. As home to the largest concentration of logistics companies in the United States, the demand for industrial buildings here remains consistently strong.

A quick drive around Orange County reveals a striking fact—there are very few new industrial buildings under construction. The scarcity of available land restricts new developments, keeping supply exceptionally tight. This causes an imbalance between supply and demand and bolsters the market, making industrial properties in the region highly sought after.

Lease rates have dropped significantly over the past two years. However, we don't anticipate a steep decline from current levels. In fact, a rebound seems more likely in the near future. Securing a long-term lease (5+ years) at today's rates could be a smart move.

Although sale prices have softened slightly due to rising interest rates—now approaching 7%, compared to sub-3% rates three years ago—the limited supply and strong demand in Southern California's industrial market continue to drive consistent appreciation. This makes the acquisition of an industrial property a sound long-term investment.

The Southern California industrial market continues to offer attractive opportunities for investors, despite recent economic shifts. While rising interest rates may have cooled some speculative activity, the region's unmatched demand, constrained supply, and enduring advantages—such as its ports and proximity to logistics hubs—make it a resilient market. Investors can feel confident that industrial properties in this region are well-positioned for long-term appreciation and stable cash flows. Timing acquisitions to align with current market conditions could yield strong returns, especially as the market stabilizes and lease rates rebound.

If you're a tenant, owner / user, or investor in the Orange County industrial market and have questions, we're here to help. With our extensive experience, advanced tools, and tailored resources, we can guide you in making the best decisions for your unique needs and goals. Give us a call to get started!

### Please Contact Us for Further Information

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

### Product Type

#### R&D OR MID-TECH

30% to 74.9% improved with drop ceiling, minimum parking ratio of 3 to 1, minimum 50% of exterior glassline, dock and/or ground level loading.

### Submarkets



#### NORTH

Anaheim, Brea, Buena Park, Fullerton, La Habra, Orange, Placentia, Yorba Linda

#### WEST

Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Stanton, Westminster

#### AIRPORT

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana, Tustin

#### SOUTH

Aliso Viejo, Foothill Ranch, Irvine Spectrum, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente, San Juan Capistrano