

1Q25

Orange County Industrial Market Overview



NEWMARK

Market Observations

Economy

- U.S. retail sales are healthy but remain below the 20-year average; local industrial leasing activity will remain subdued.
- Orange County’s median household income is the highest in Southern California. Its affluent population of 3.2 million is appealing to warehouse occupiers.
- Local industrial-using employment dropped by 140 basis points since last year. Job losses in the manufacturing sector continue to drive down industrial employment.
- Consumer Confidence trended down for the fourth-straight month in March as Americans grappled with still-high inflation and the prospect of higher prices after the Trump Administration introduced new tariffs. This could lead to a deceleration in retail sales in the months ahead, which will slow cargo import volumes. Historically, there is a strong correlation between imports and warehouse leasing activity.

Major Transactions

- The largest deal of the quarter was a pre-lease signed by Anduril for 313,214 SF. The defense company plans to occupy 3100-3120 W Lake Center Drive, a three-building, office-to-industrial development owned by C.J. Segerstrom & Sons. The project is expected to deliver in 2026.
- Walt Disney acquired a two-building industrial property in Anaheim for \$124 million, marking the largest sale of the quarter. The 406,787-SF property, located at 1501-1601 E Cerritos Ave, was occupied by Disney under an existing leasehold at the time of sale.
- New York Life Insurance paid \$92 million for a 218,648-SF distribution facility in Brea. The property, located at 3300 E Birch St, is a Class A facility built in 2016 and is fully leased. The deal was brokered by Newmark.

Leasing Market Fundamentals

- Current leasing activity is slow relative to 2021-2022 when demand was at a peak.
- Net absorption was negative for the ninth consecutive quarter, falling just under the zero line to -71,869 SF. Two large move-outs by Shaw Flooring (272,897 SF) in Cypress and Tropitone Furniture (200,648 SF) in the Irvine Spectrum are contributors.
- Vacancy (4.7%) is 260 basis points higher than it was two years ago but remains well below the peak of 6.8% seen during the Global Financial Crisis (reached in 2010). Orange County’s vacancy is among the lowest across the Southwest region.
- After experiencing rapid growth and reaching an all-time high of \$1.65/SF NNN two years ago, asking rents dropped to \$1.55/SF NNN.
- Under-construction activity decreased to 2.0 MSF after five projects totaling 781,142 SF delivered, bringing pre-leasing levels to 9.0% of overall construction.

Outlook

- Rent declines will be slower than neighboring markets, due to Orange County’s smaller inventory set, and its high-earning consumer base that is attractive to all final-mile distributors. These factors also appeal to developers and investors.
- Vacancy will increase in the quarters ahead as some tenants enact cost-cutting measures and new speculative construction delivers vacant.
- Sales activity is expected to fluctuate as investors contend with the current economic climate.
- The U.S. economy faces growing uncertainty after the Trump Administration introduced a wave of tariffs this quarter, with more to potentially follow. Businesses tend to adopt a wait-and-see approach during periods of volatility, which can dampen near-term leasing activity.

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1. Economy
 2. Leasing Market Fundamentals
 3. Sales Activity
 4. Appendix

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Economy



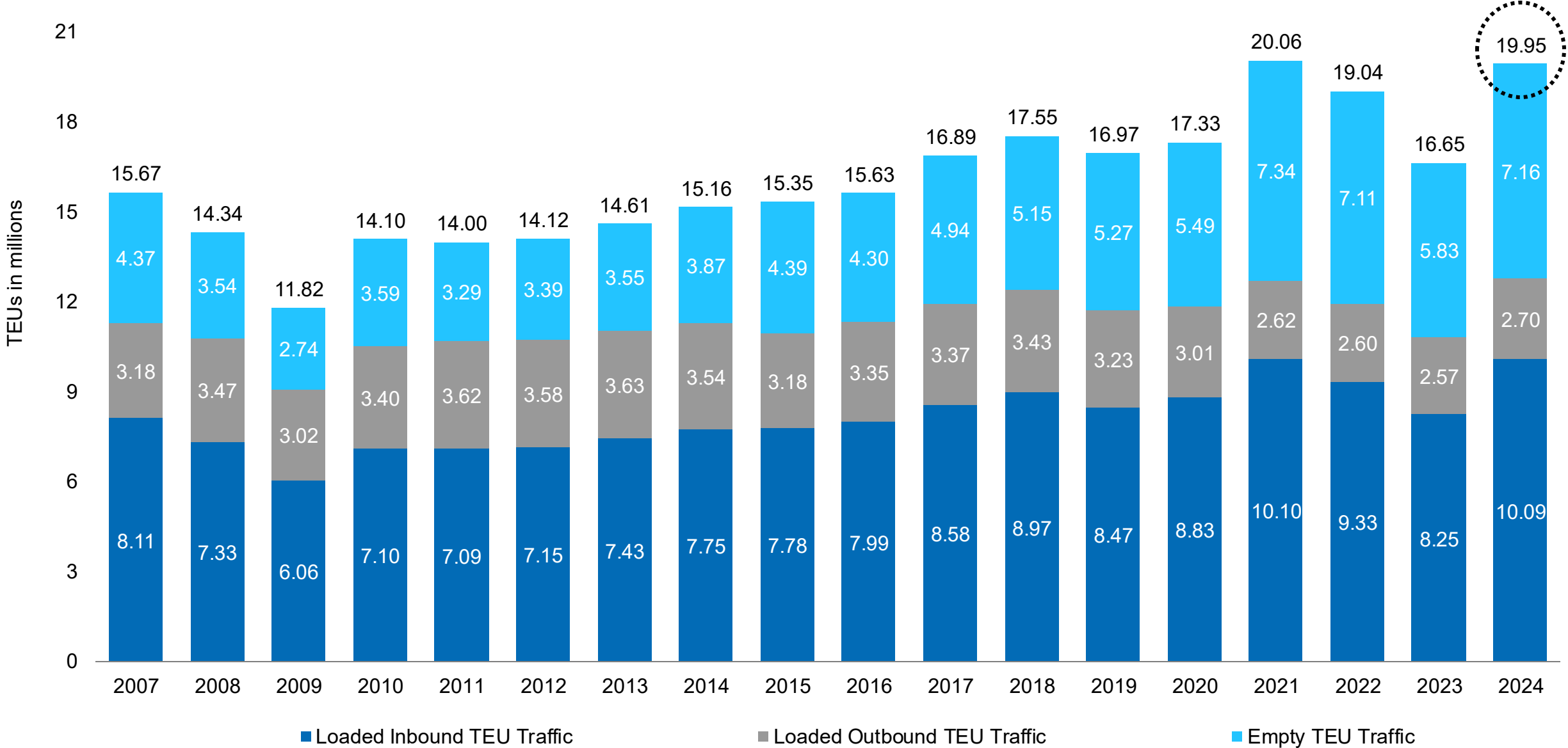
Ocean Container Spot Rates Are Coming Down

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Southern California’s Ports: 2024 Was the Second Busiest Year on Record

The inflated growth of 2021-2022 (due to strong retail sales from stay-at-home measures, government stimulus and distributors stockpiling goods) has passed. Southern California’s ports then contended with an influx of imports in 2024 due to (now-resolved) labor contract negotiations with Gulf and East Coast dockworkers and the frontloading of cargo as a hedge against potential tariffs.

The Ports of Los Angeles and Long Beach: Combined TEU Volume | Loaded Imports, Loaded Exports and Empty Containers | By Year

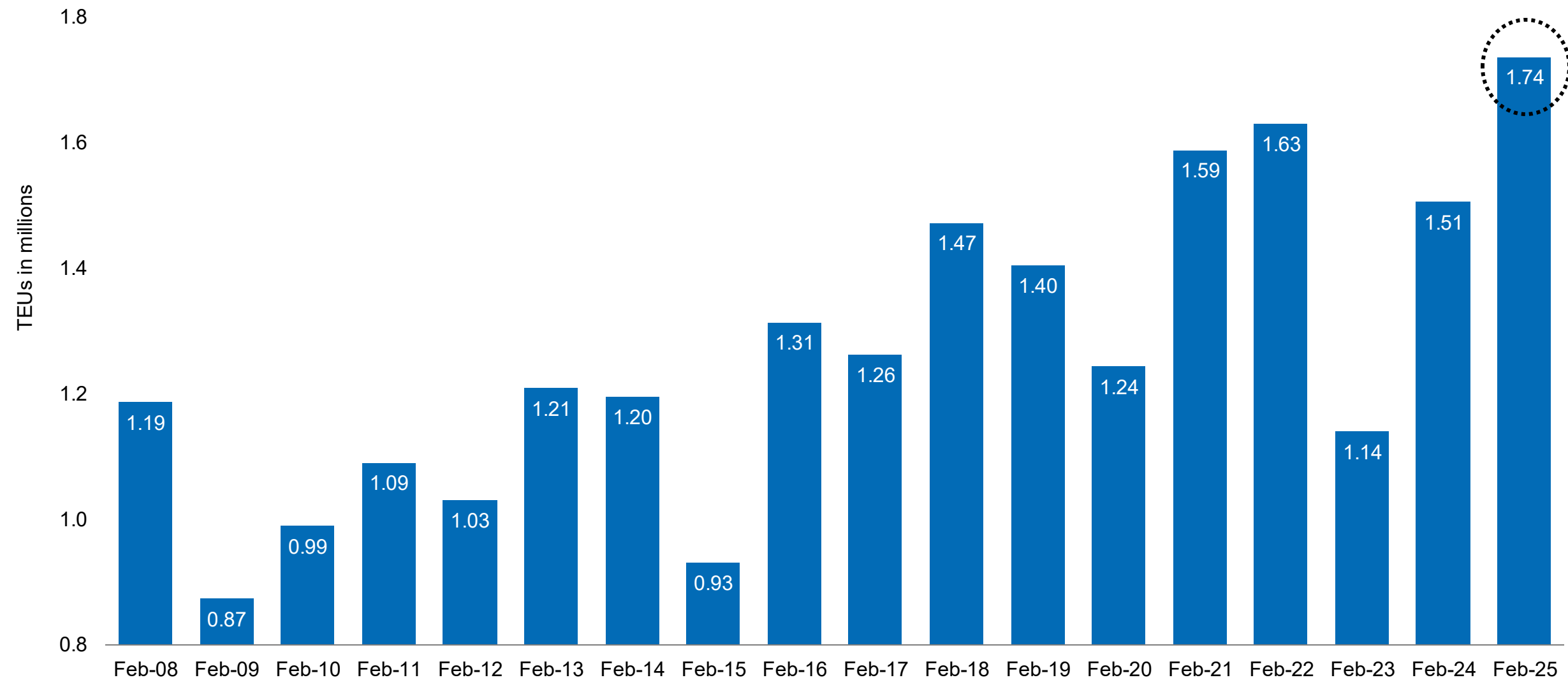


Source: Newmark Research, The Port of Long Beach and Los Angeles
 Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size.

Loaded Import Volume in the First Two Months of 2025 Was Highest on Record

Import activity is expected to decelerate amid President Trump's new (and potentially escalating) tariffs. Resolved labor concerns at U.S. Gulf and East Coast ports is another factor.

The Ports of Los Angeles and Long Beach: Loaded Imports | First Two Months of a Given Year



Source: Newmark Research, The Port of Long Beach and Los Angeles

Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers are 20-foot long, 40-foot long or some other size.

West Coast Dockworkers Signed a New Contract in 2023; Their Eastern Counterparts Just Settled

The ILWU and PMA signed a new labor contract in September 2023, restoring a sense of much-needed stability at U.S. West Coast seaports through late 2029. For Gulf and East Coast Ports: After a contentious negotiation period since late 2023 (that gave shippers the jitters—causing some imports to be rerouted to western ports of entry), a Master Contract between the ILA and USMX was finally signed, restoring stability.

West Coast Ports Agreement Reached; New Contract Good Through Mid-2028

- The International Longshore Warehouse Union (ILWU) represents dockworkers at 29 ports from Washington State to California. The Pacific Maritime Association (PMA) represents ocean carriers and terminal operators.
- The prior contract expired on July 1, 2022.
- The ILWU has a history of work disruptions in prior negotiation periods, ranging from strikes, to deliberate work slowdowns to under-staffing shifts.
- These disruptions have cost major retailers billions of dollars in the past.
- A tentative agreement was reached on June 15, 2023 for what became a new six-year contract. Longshore workers secured a 32% salary increase.
- Many Asian importers temporarily pushed inbound goods to East and Gulf Coast ports before an agreement was reached.



Gulf and East Coast Ports Strike a Deal in March 2025

- The International Longshoremen’s Association (ILA) represents dockworkers at 36 ports from Maine to Texas. The United States Maritime Alliance (USMX) represents ocean carriers and terminal operators.
- Their last contract expired on September 30, 2024.
- Harold Daggett, International President of the ILA, initiated a strike on October 1, 2024 that ended two days later.
- A new six-year Master Contract was signed on March 11, 2025. It is effective from October 1, 2024 through September 30, 2030.
- Job protection from automation and higher pay (a 62% wage increase over six years) for longshore workers are highlights from the new contract.
- Imports that were temporarily diverted to western ports of entry will return.



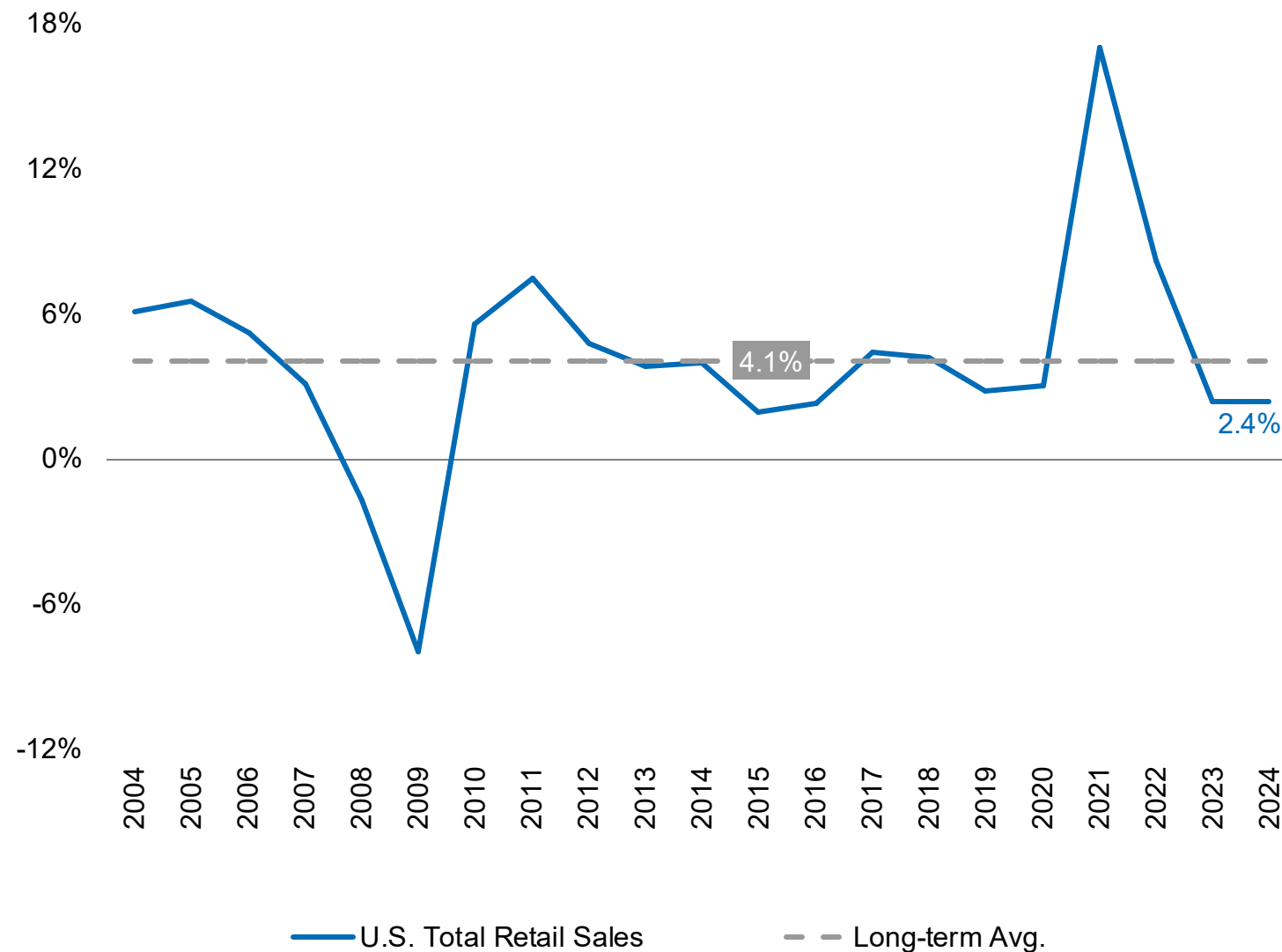
Southern California's Ports: Rail Dwell Times Remain Elevated—For Now

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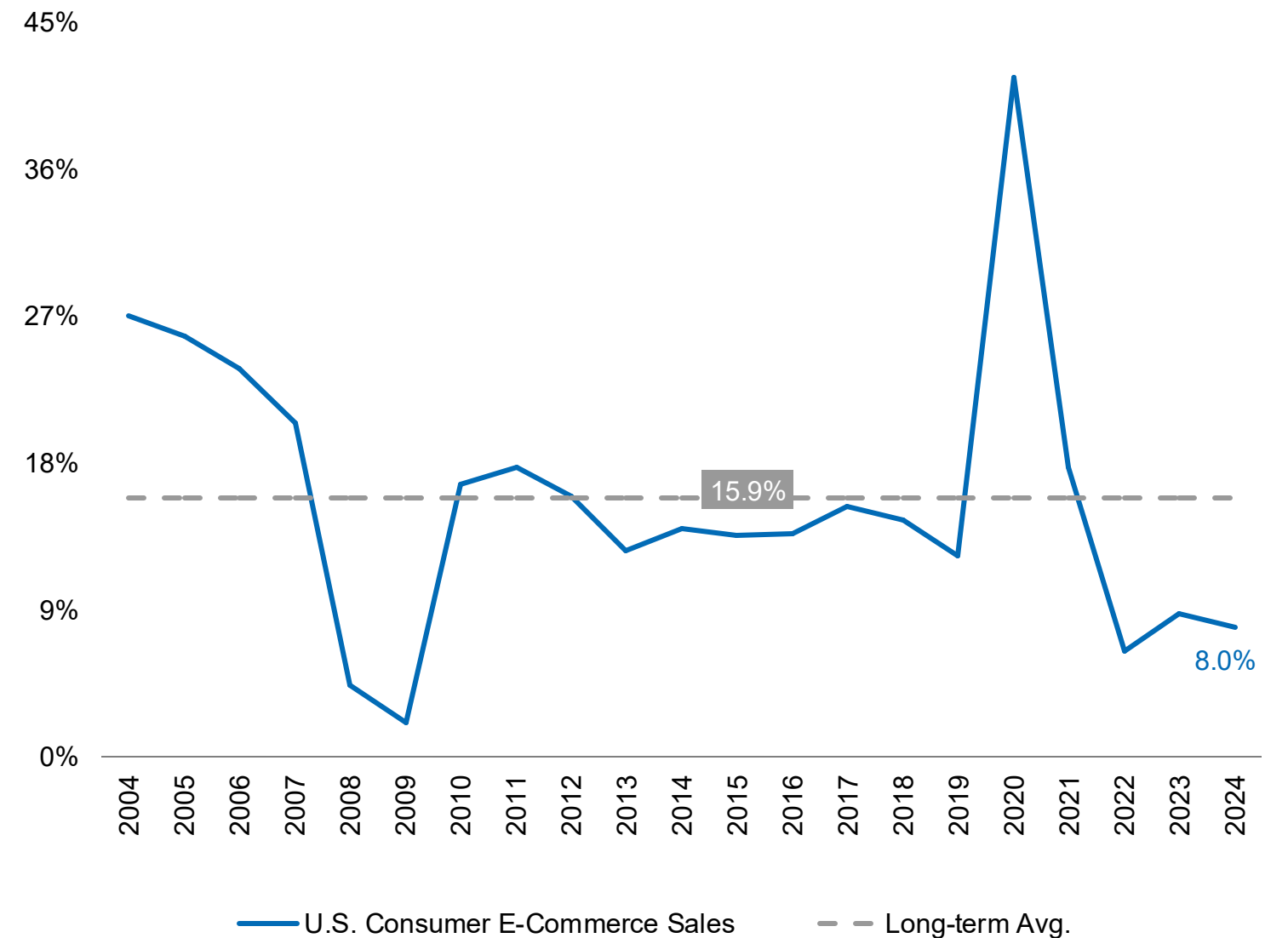
Retail Sales (an Indicator of Warehouse Demand) Continue to Moderate

Consumer e-commerce sales were up 2.4% in 2024 relative to 2023. Although e-commerce sales growth exceeded total retail sales (+8.0% over the same period), the decline from 2021 onward is noticeable as consumer spending registers slower gains. Economists are lowering their retail growth projections due to economic uncertainty from tariffs.

U.S. Overall Retail Sales Annual Growth



U.S. Consumer E-Commerce Sales Annual Growth



Source: US Census Bureau (consumer adjusted retail sales); most current data available

The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

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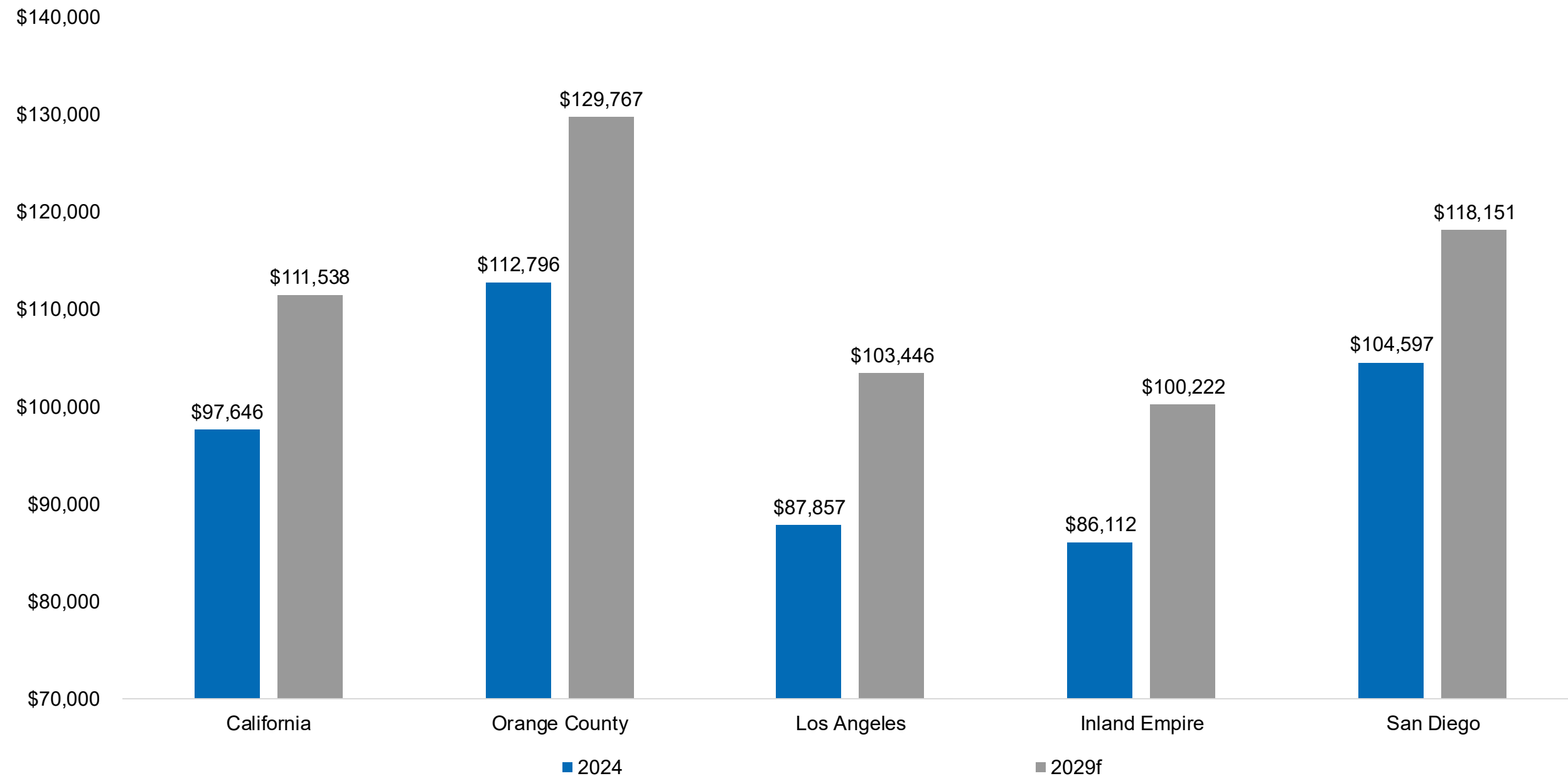
U.S. Consumer Confidence Dropped for Fourth-Straight Month

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Orange County Median Household Income Highest in Southern California

Orange County's affluent population continues to attract major industrial players to fill the growing demand for last-mile e-commerce delivery facilities in the supply-constrained market.

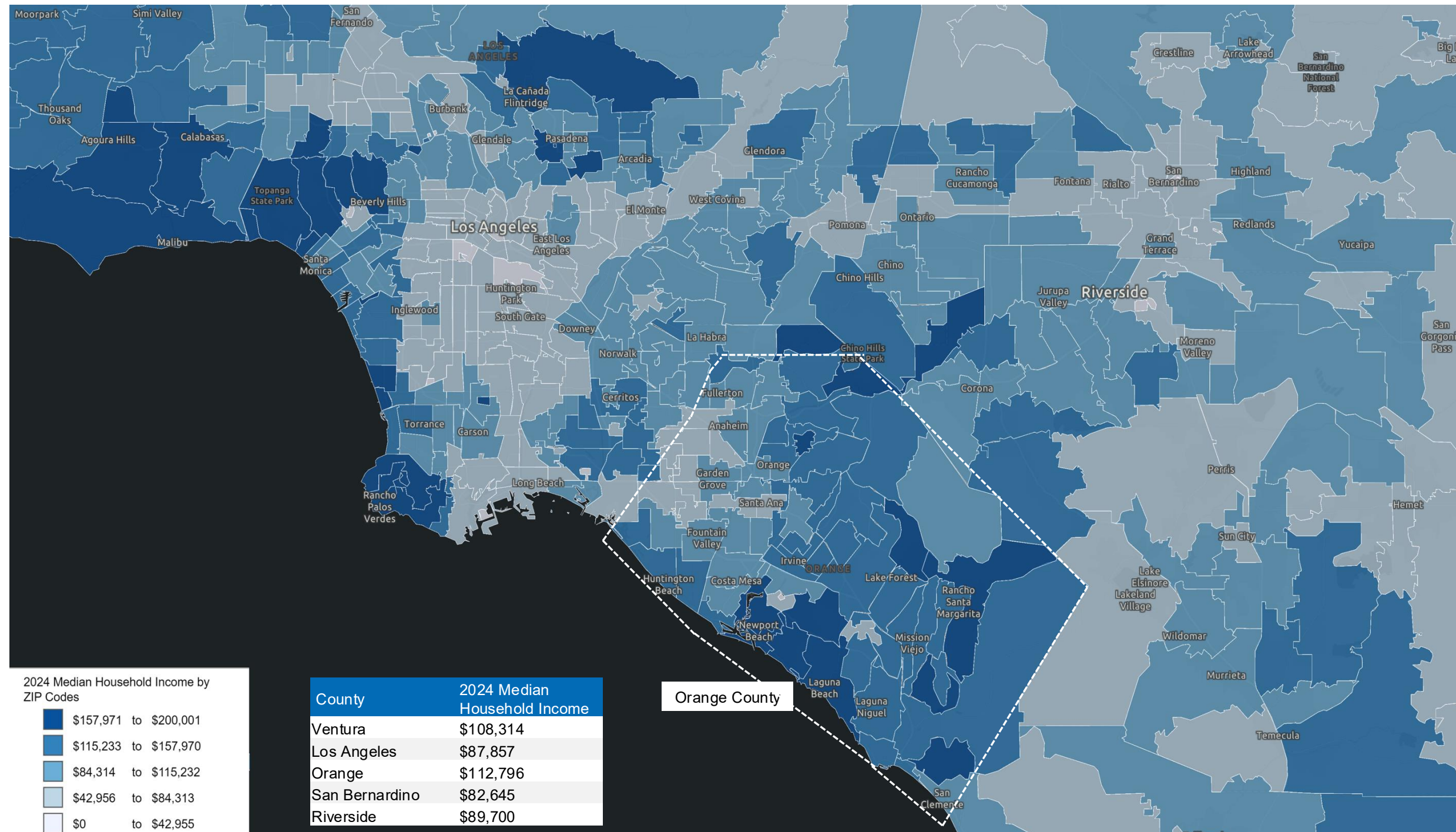
Southern California Median Household Income: 2024 vs. 2029 Projections



Source: Newmark Research, ESRI

Orange County is the Most Affluent County in Southern California

Across the greater map: median household incomes are generally higher in coastal and foothill communities.

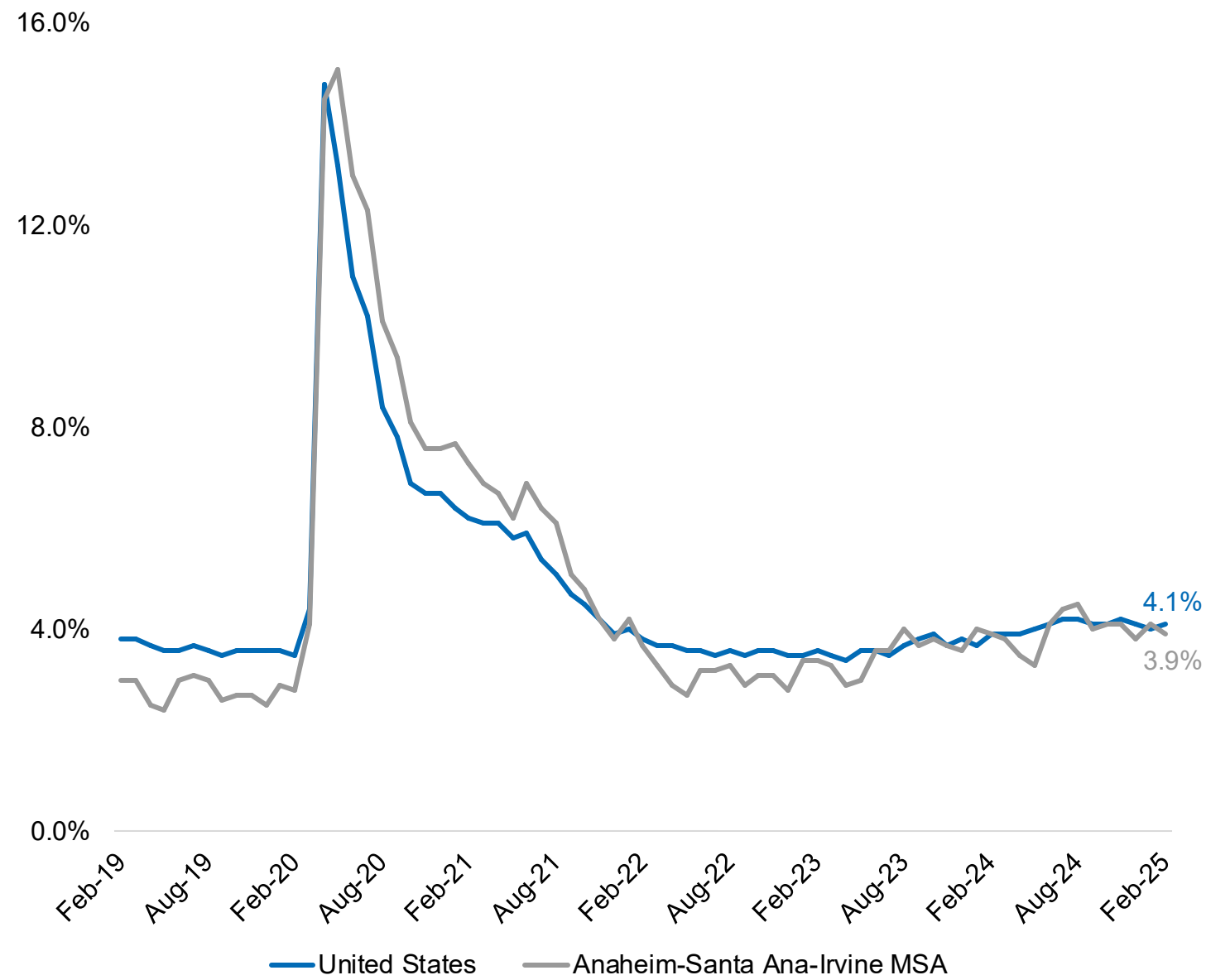


Source: Newmark Research, ESRI

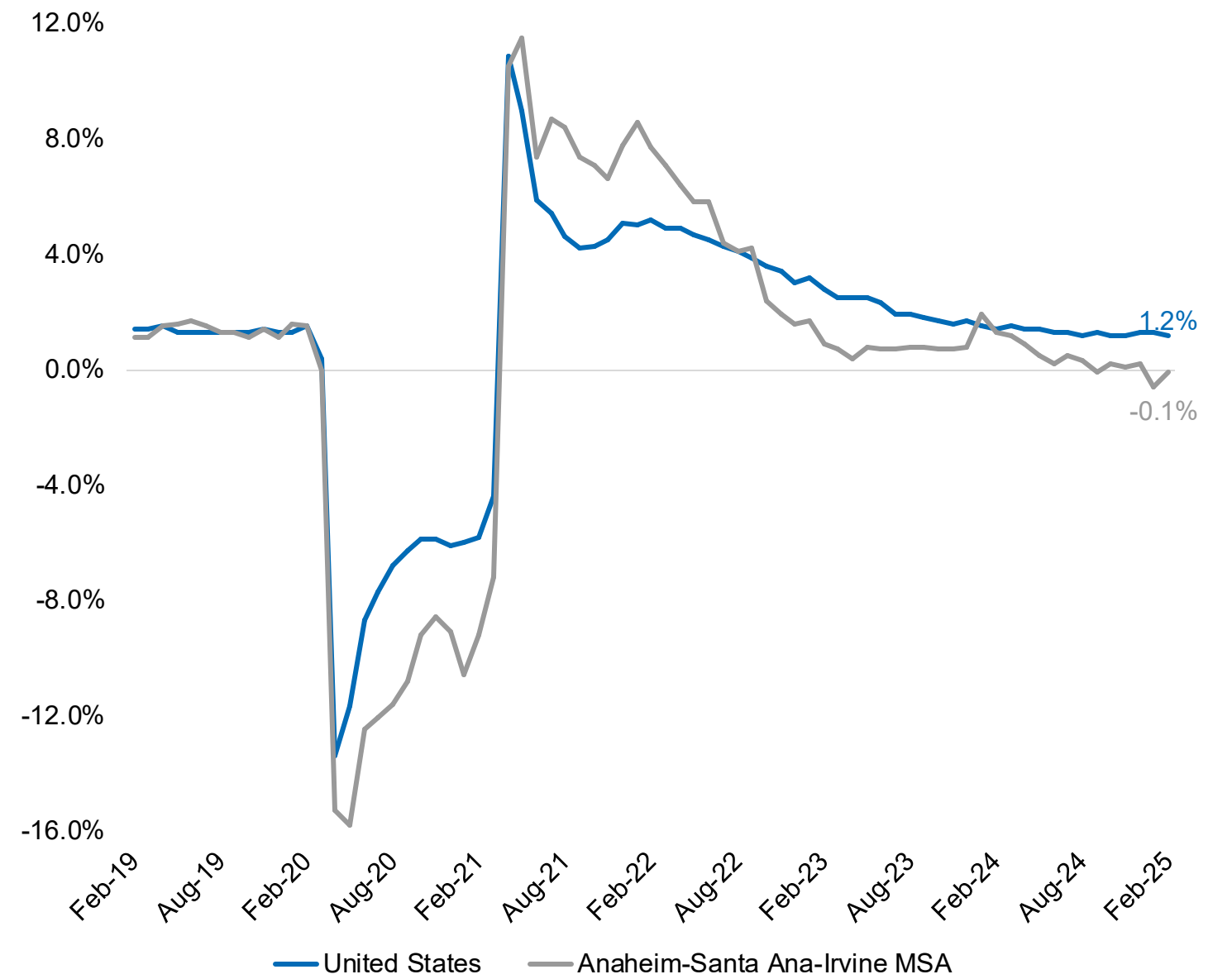
Local Employment Growth Is Stagnant

After reaching a three-year peak of 4.5% in August, local unemployment dropped 60 basis to 3.9% in February while year-over-year nonfarm employment growth has plateaued. In the months ahead, unemployment will continue to fluctuate as companies grapple with the uncertainty surrounding the economy.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month% Change

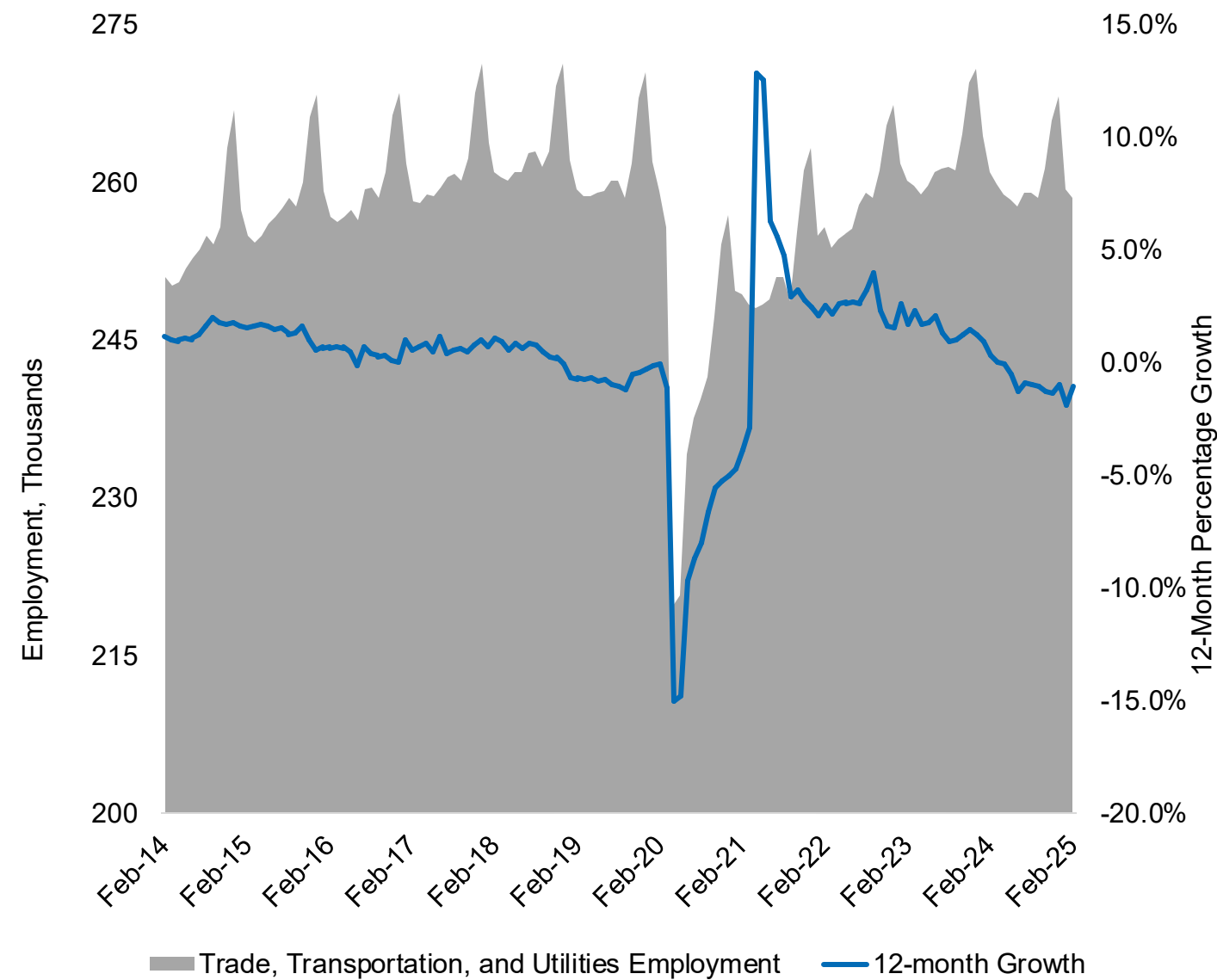


Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA
 Note: February 2025 data is preliminary.

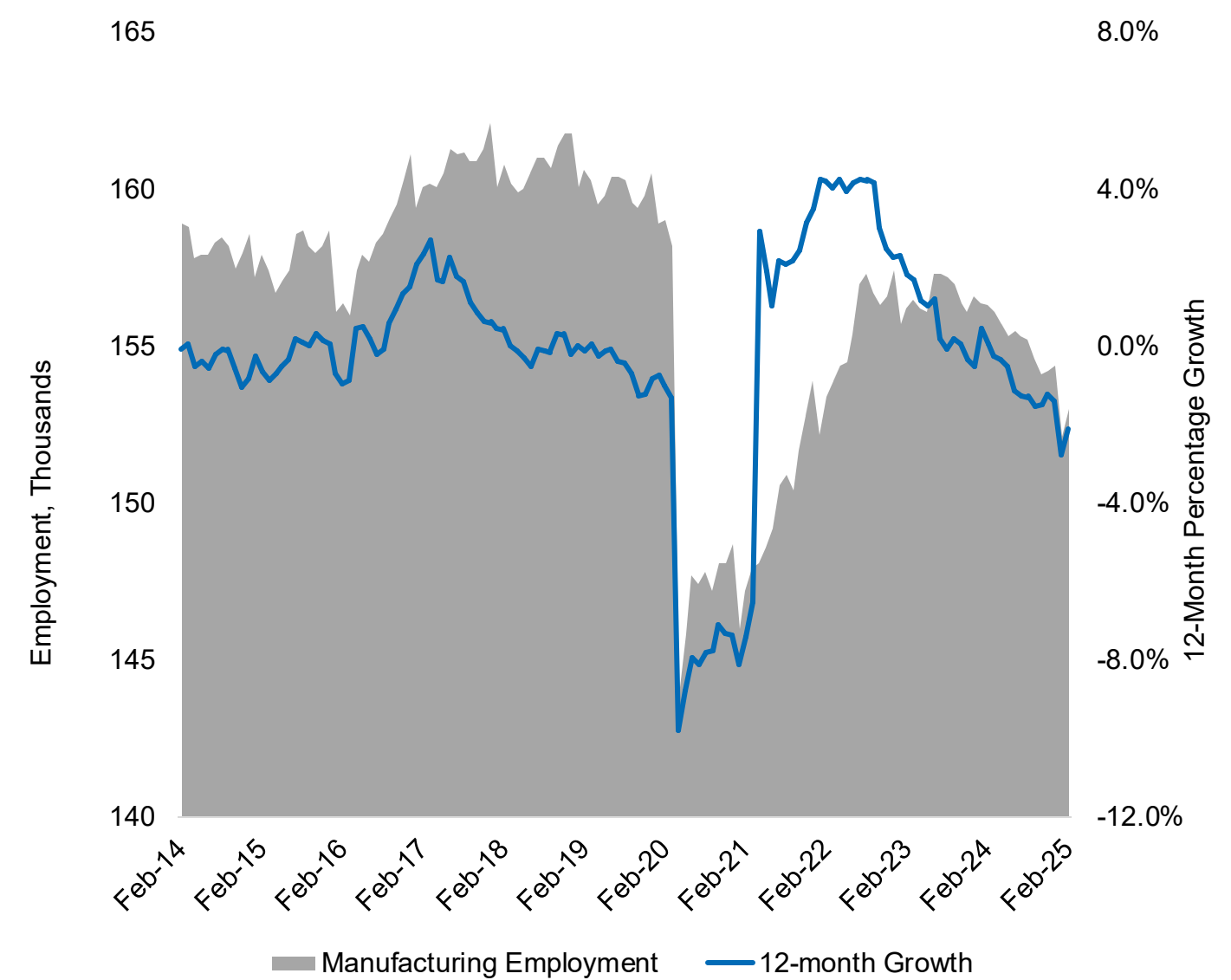
Manufacturing Sector Driving Down Industrial Employment

The trade/transportation/utilities sector continues to follow a cyclical pattern where local employment peaks in November ahead of the holiday season and drops gradually in the first half of the following year. A spate of plant closures has contributed to a continued decline in manufacturing employment over the last 12 months. Given the regionally disadvantageous costs of doing business in California, it is unlikely that the county will recoup these job losses anytime soon.

Trade/Transportation/Utilities Employment and 12-Month Growth Rate



Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine MSA
 Note: February 2025 data is preliminary.

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Leasing Market Fundamentals



Contract Rents Continue to Adjust

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Inland Empire Luring Orange County Tenants With Lower Asking Rents



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Modern Supply is More Readily Available in the Inland Empire

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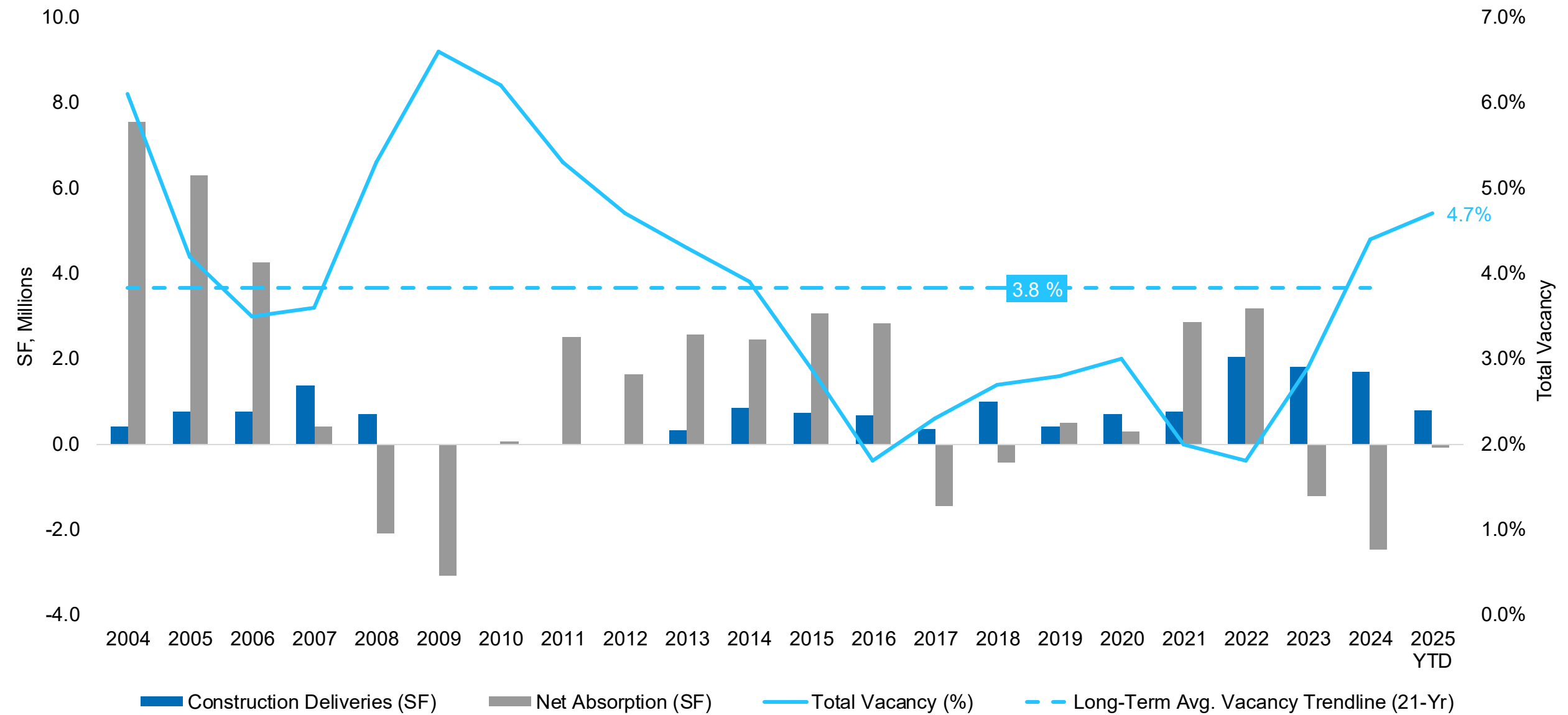
Term Lengths Were Moderately Up in 2024 After Declines in 2022-2023

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Vacancy Reaches Highest Level Since 2012

Vacancy has surpassed the 21-year average after incurring nine consecutive quarters of absorption losses but remains below the peak of 6.6% seen in 2010. This quarter, 71,869 SF in net absorption losses was met with 781,142 SF in construction deliveries, accelerating vacancy's upward trajectory.

Historical Construction Deliveries, Net Absorption, and Vacancy

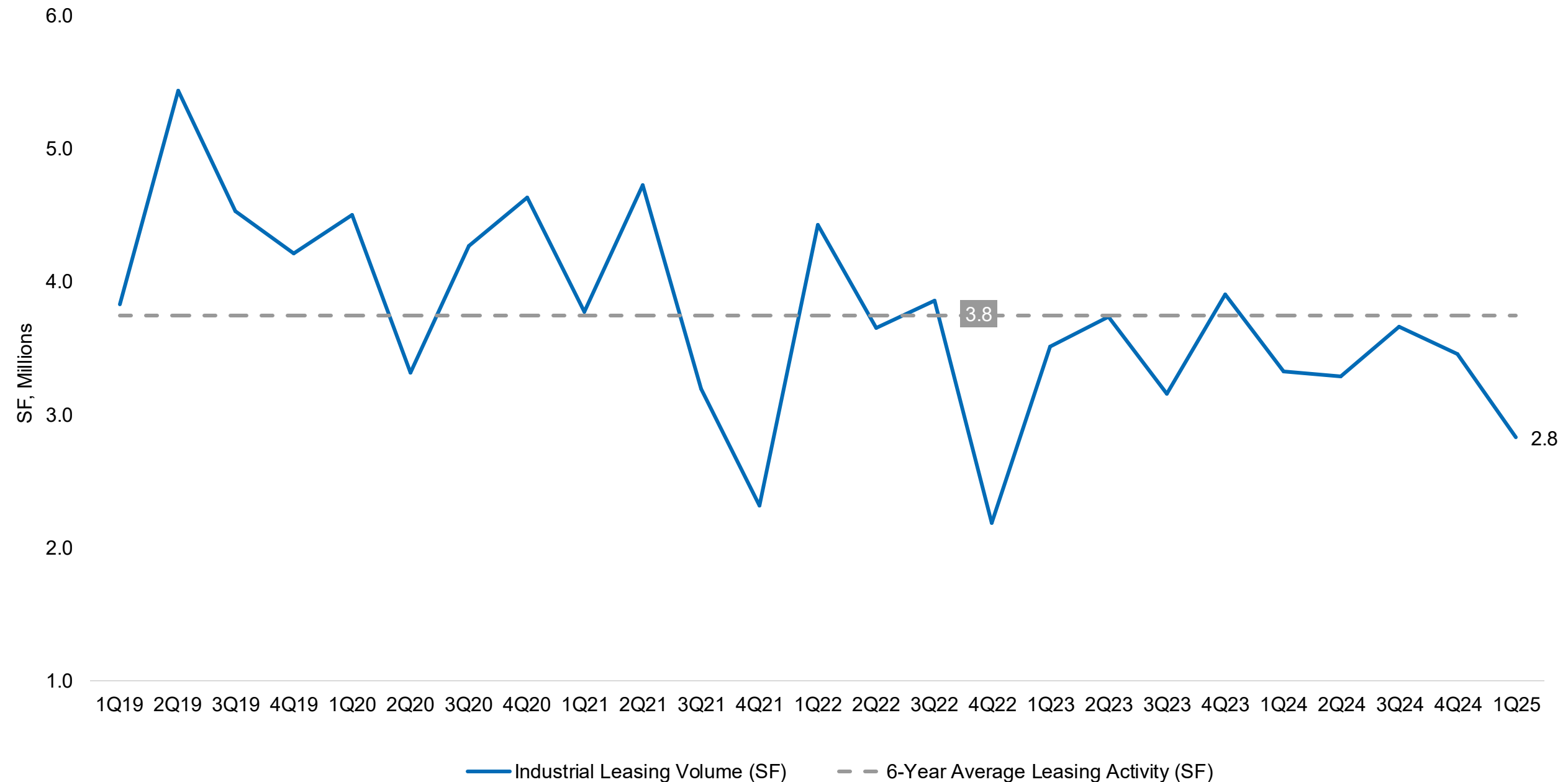


Source: Newmark Research

Leasing Activity Levels Remain Below Six-Year Average

Leasing activity dropped to its lowest level in two years and is subdued compared to leasing volumes seen during the pandemic. Measured retail sales growth and high business costs are prompting tenants to downsize, which will lead to lower leasing figures in the quarters ahead. The current economic climate is keeping retail sales in check, while most occupiers are trying to shed overcapacity in their networks to reduce costs. Both have implications for future leasing activity.

Total Leasing Activity (MSF)

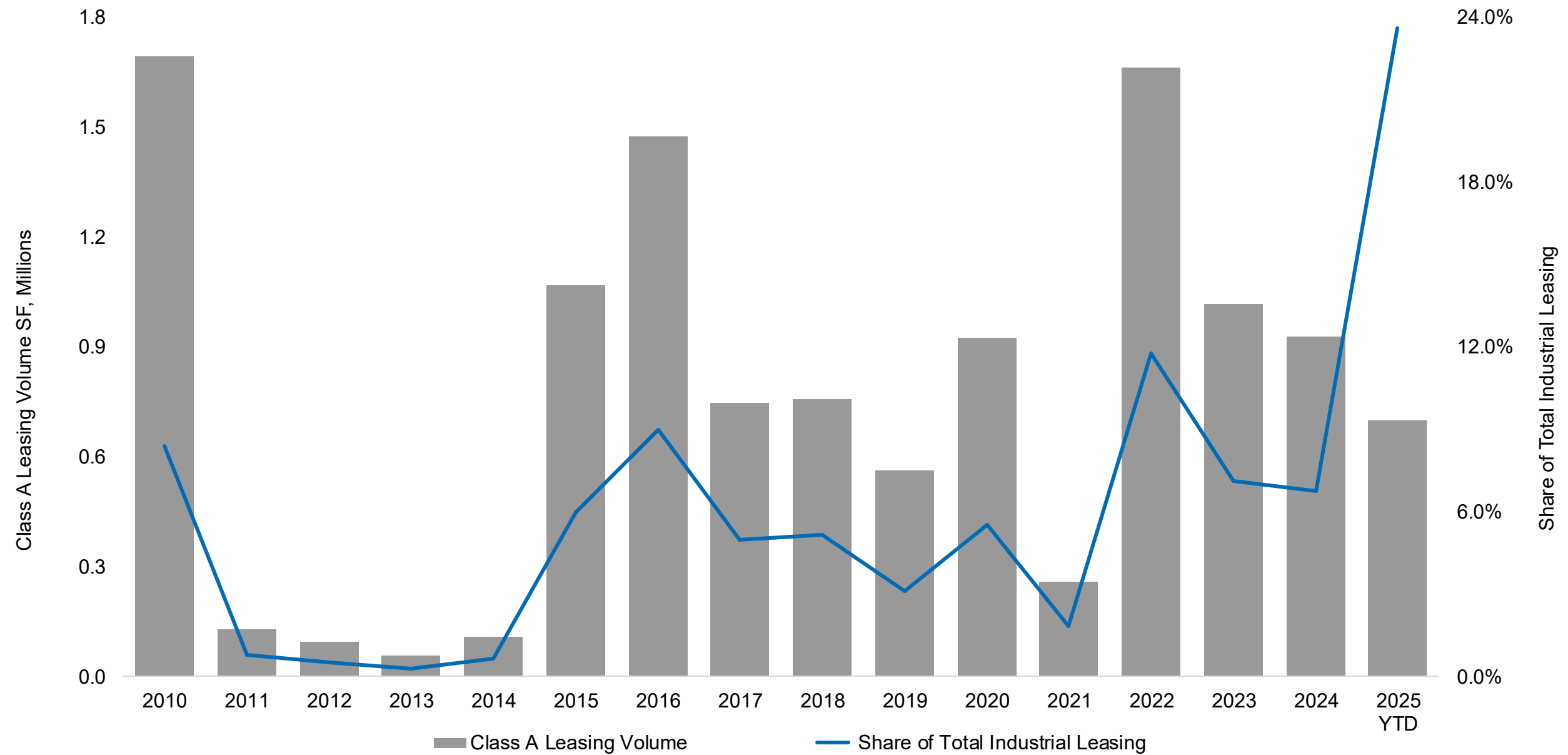


Source: Newmark Research, CoStar

Boost In Class A Leasing Activity This Quarter

Class A leasing activity jumped in the first quarter of 2025, accounting for 23.6% of all leasing activity year-to-date. The two contributors to this spike included a renewal for Straub Distributing at 4633 E La Palma Ave (281,548 SF) and a direct lease for Doosan Bobcat at 1901 Via Burton (139,449 SF).

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

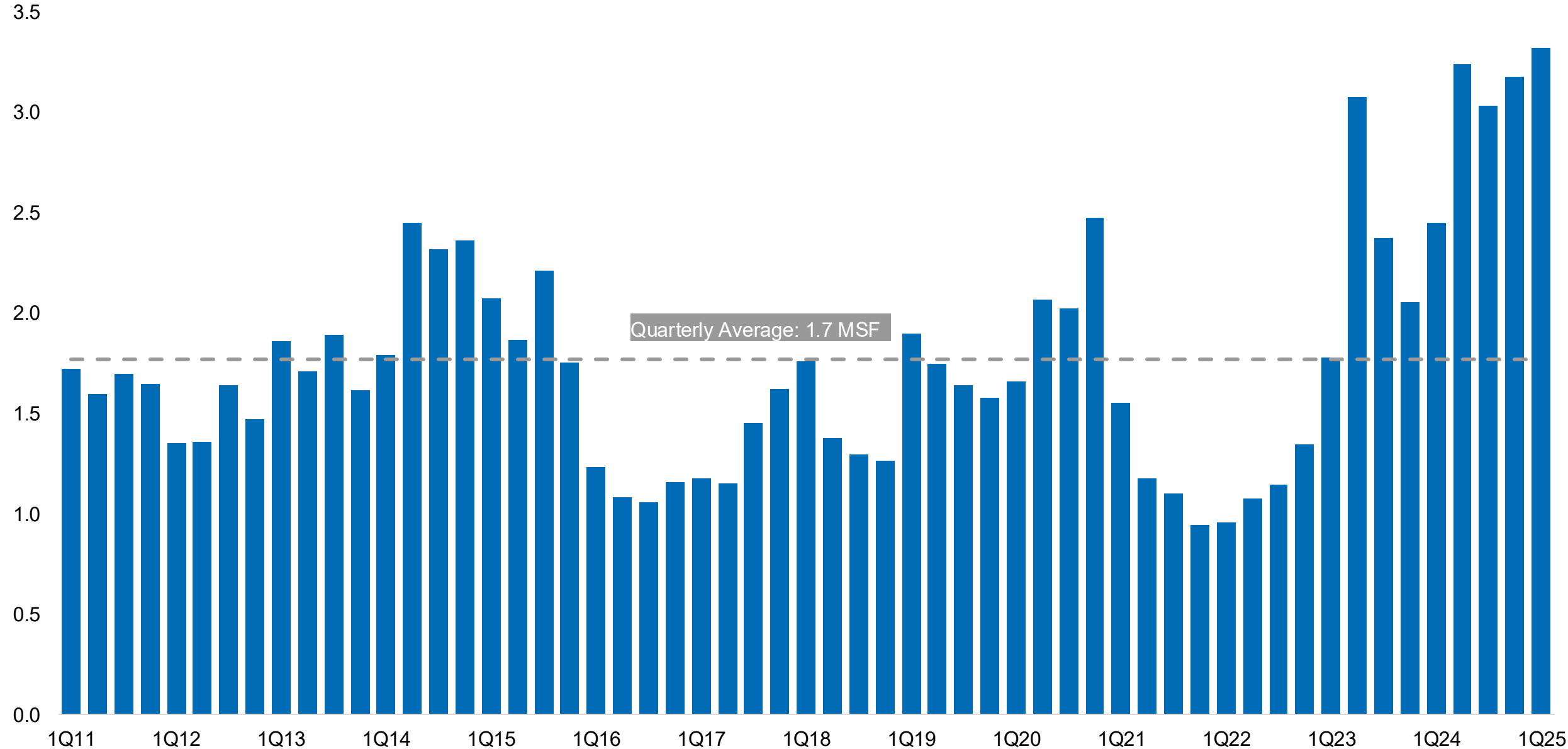


Source: Newmark Research, CoStar

Sublease Availability Continues Upward Trajectory

New sublease offerings from Orora Packaging (131,544 SF at 3200 Enterprise St) and Corporate eWaste Solutions (99,552 SF at 331-333 Cliffwood Park St), combined with older, active listings from Brentwood Homes (196,911 SF at 701 Burning Tree Rd), Syco Enterprise (134,716 SF at 500 W Warner Ave), and Freeman Decorating (128,794 SF at 3454 E Miraloma Ave) are keeping availability elevated. Some tenants are downsizing to mitigate the high costs of doing business amid a slowed economy.

Available Industrial Sublease Volume (MSF)



Source: Newmark Research

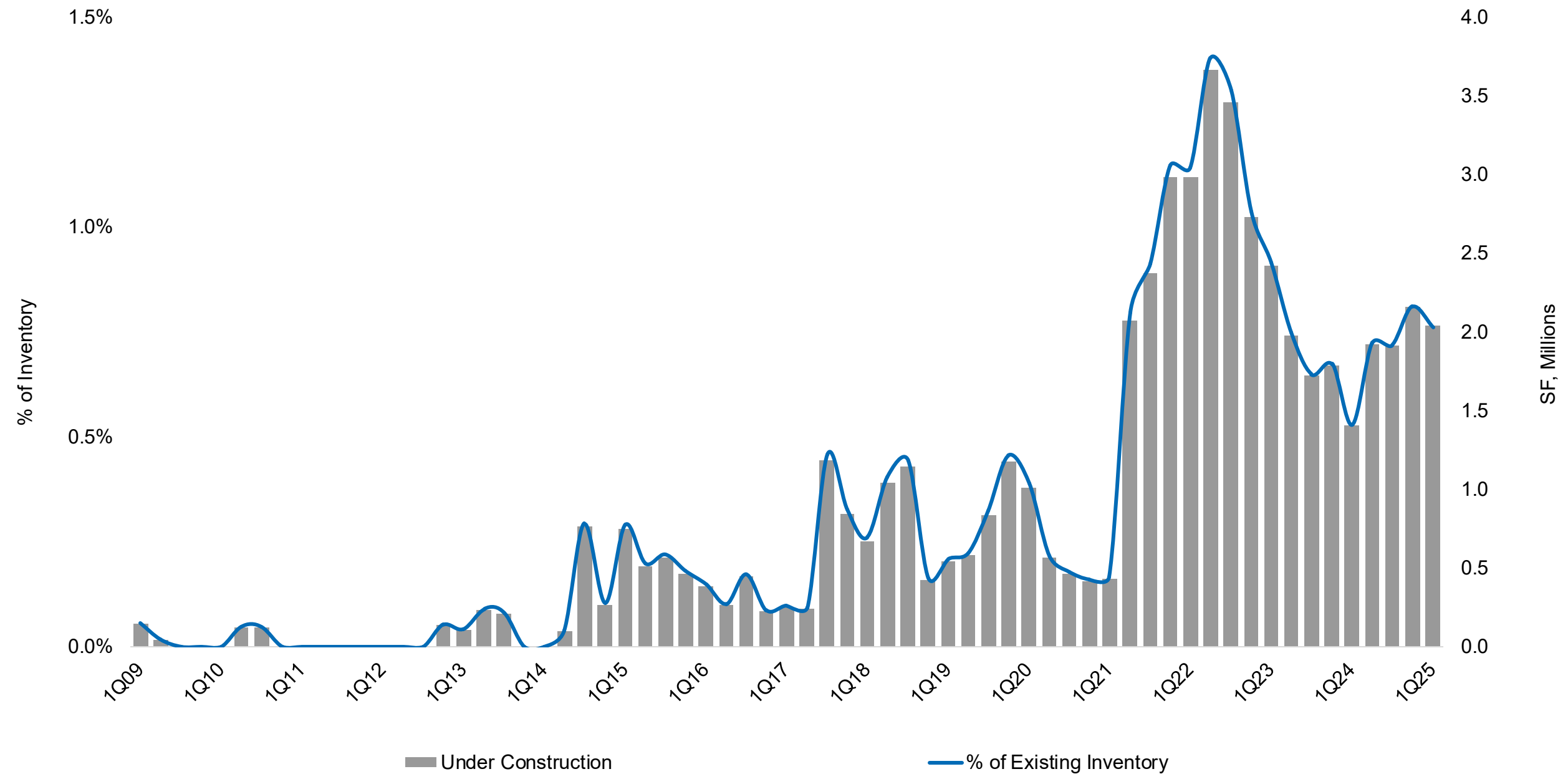
North County Accounts for Almost Half Of Total Sublet Availability

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Elevated Under-Construction Levels Gradually Normalizing

An additional four buildings (Building #1 at 3100-3120 W Lake Center Drive, 701 E Ball Rd, 1 Banting and 759 N Eckhoff St) broke ground this quarter, bringing the under-construction total to 2.0 MSF across 11 development projects, all of which remain fully available save two. Construction starts are expected to level off in the quarters ahead.

Industrial Under Construction and % of Existing Inventory



Source: Newmark Research

Pre-leasing Activity at a Halt

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Unclaimed New Construction Will Boost Vacancy



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All Top Deals Were Over 100,000 SF

This quarter's top deals were all over 100,000 SF, the largest of which was a pre-lease. The bulk of leasing activity is coming from North County, the largest submarket by inventory size, while South County activity is noticeably absent.

Notable Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Anduril	3100-3120 W Lake Center Dr	Airport	Pre-lease	313,214
<i>The defense technology company will occupy the three-building industrial campus, which is less than a mile away from its office campus in Costa Mesa, once delivered in late 2025 and mid-2026.</i>				
Straub Distributing Company	4633 E La Palma Ave	North County	Renewal	281,548
<i>The beer distributor has been at this location since 2010 and secured a renewal before its existing lease expires in 2026.</i>				
Legrand	1515 E Winston Ave	North County	Direct Lease	194,357
<i>The electrical equipment manufacturer leased the warehouse space which is less than a mile away from its industrial facility in Anaheim.</i>				
Doosan Bobcat	1901 Via Burton	North County	Direct Lease	139,449
<i>The equipment manufacturer committed to five years at the new-build facility.</i>				
Bar Bakers LLC	10681 Calle Lee	West County	Renewal	134,136
<i>The tenant has occupied this space since 2015 and just recently moved into a new industrial facility two miles away.</i>				

New California Bill Adds Regulations on Warehouse Development in the State



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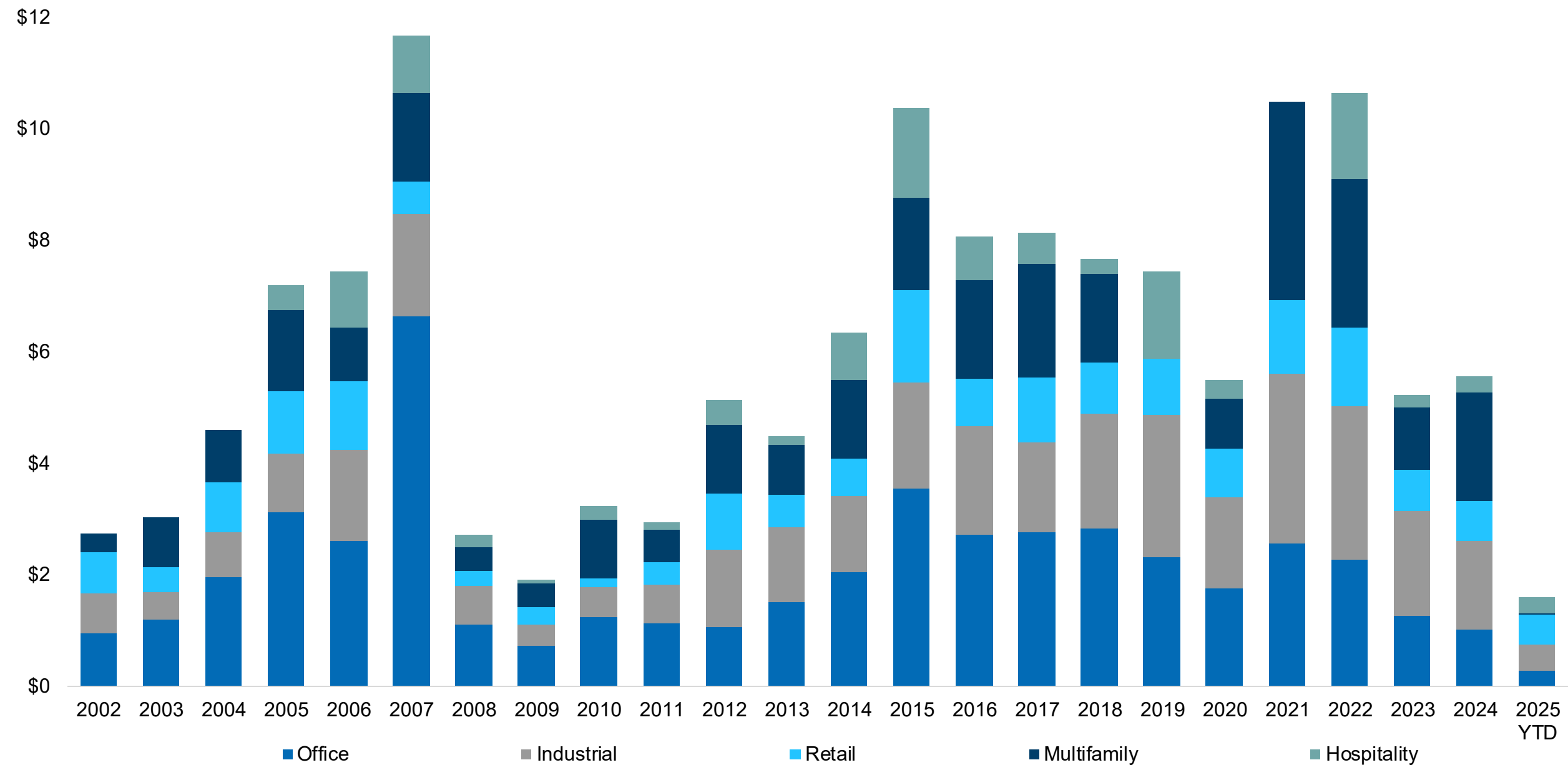
Sales Activity



Industrial Comprised 28.1% of Total Sales Volume Year-To-Date

This is an improvement from three years ago when industrial comprised only 26.0% of all sales. Still-low vacancy and heated rent growth in recent years favor the segment, with many investors targeting desirable buildings with credit tenants whose leases are up for renewal. What the tenant was paying (\$\$) is different than today's rent averages (\$\$\$\$).

Orange County: Sales Volume Across Commercial Property Segments (\$ in Billions)

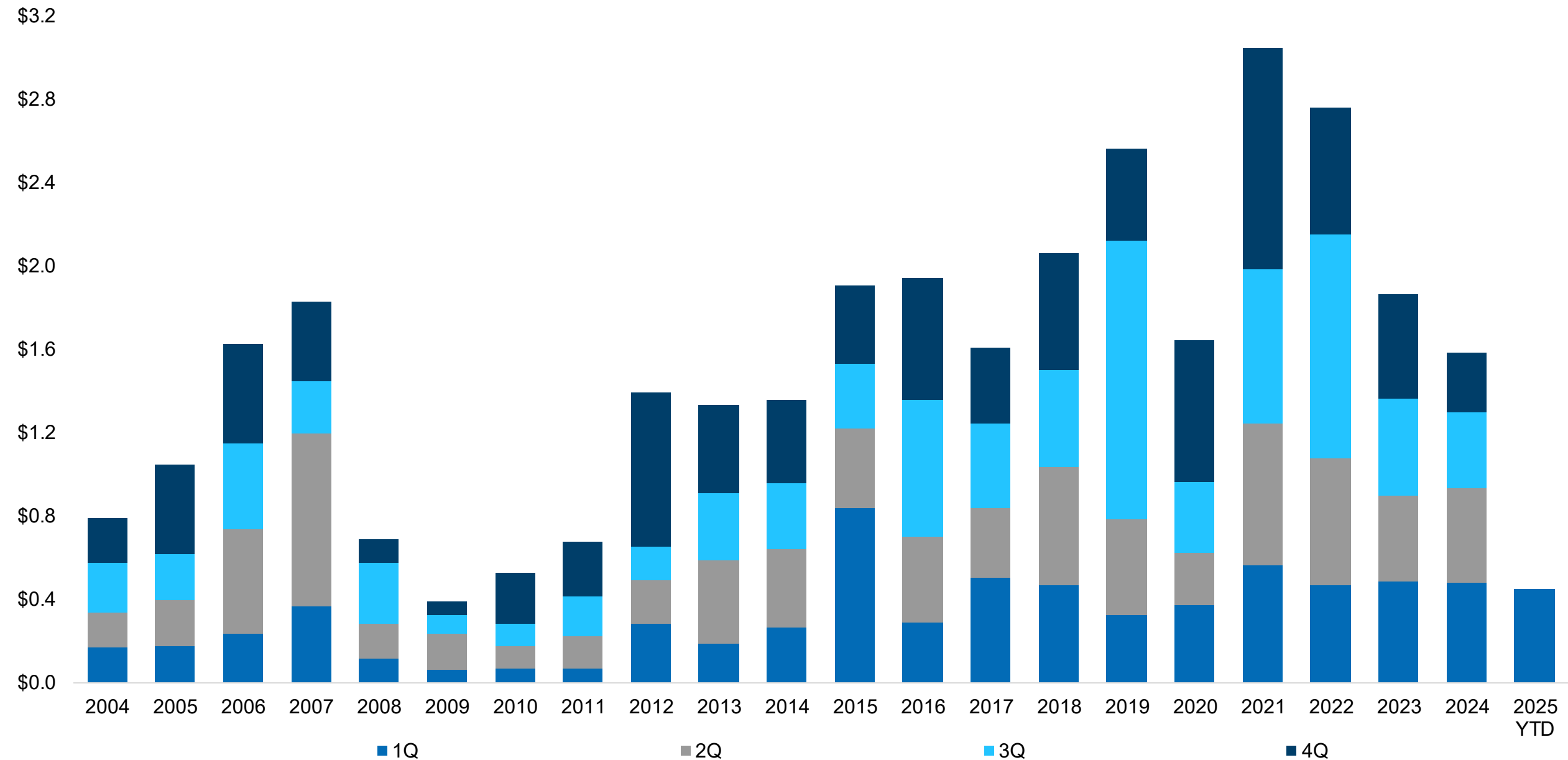


Source: MSCI Real Capital Analytics, Newmark Research
 Note: Preliminary data is cited for the first quarter of 2025.

Industrial Sales Activity Cooling

Industrial sales volume totaled \$450.0 million in the first quarter of 2025, down by 6.4% from the same period in 2024. The higher cost of capital following multiple interest rate hikes from March 2022 to July 2023 has crimped momentum in the last two years, in addition to adjusting leasing fundamentals. With the newly-imposed tariffs already causing economic instability, sales activity is expected to fluctuate.

Orange County: Industrial Sales Volume (\$ in Billions) | By Quarter



Source: Newmark Research, MSCI Real Capital Analytics
 Note: Preliminary data is cited for the first quarter of 2025.

Pricing Hovers Close to 2024's Peak, While Cap Rates Hold Steady

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Private and Institutional Buyers Most Active

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Appendix



Orange County Submarket Map and High-Level Statistics | 1Q25

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Some Underperforming Office Properties Will Find New Life

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New California Bill Adds Regulations on Warehouse Development in the State

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WAIRE: Program Summary and Implications for Industrial

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The World's Top 20 Containerized Cargo Seaports

Sixteen are in Asia, China leads all other countries with nine and Los Angeles-Long Beach is the only U.S. complex to make the list.

Rank	Seaport	2024 Volume (TEU, in millions)
1	Shanghai, China	51.5
2	Singapore	41.1
3	Ningbo-Zhoushan, China	39.3
4	Shenzhen, China	33.4
5	Qingdao, China	30.9
6	Guangzhou, China	26.1
7	Busan, South Korea	24.4
8	Tianjin, China	23.3
9	Los Angeles-Long Beach, U.S.	18.3
10	Jebel Ali, United Arab Emirates	15.5

Rank	Seaport	2024 Volume (TEUs, in millions)
11	Port Kelang, Malaysia	14.6
12	Rotterdam, The Netherlands	13.8
13	Hong Kong, China	13.7
14	Antwerp-Bruges, Belgium	13.5
15	Tanjung Pelepas, Malaysia	12.3
16	Xiamen, China	12.3
17	Tanger Med, Morocco	10.2
18	Laem Chabang, Thailand	9.5
19	Kaoshiung, Taiwan	9.2
20	Beibu Gulf, China	9.0

Source: Newmark Research, upply
 Note: TEU totals includes loaded and empty containers

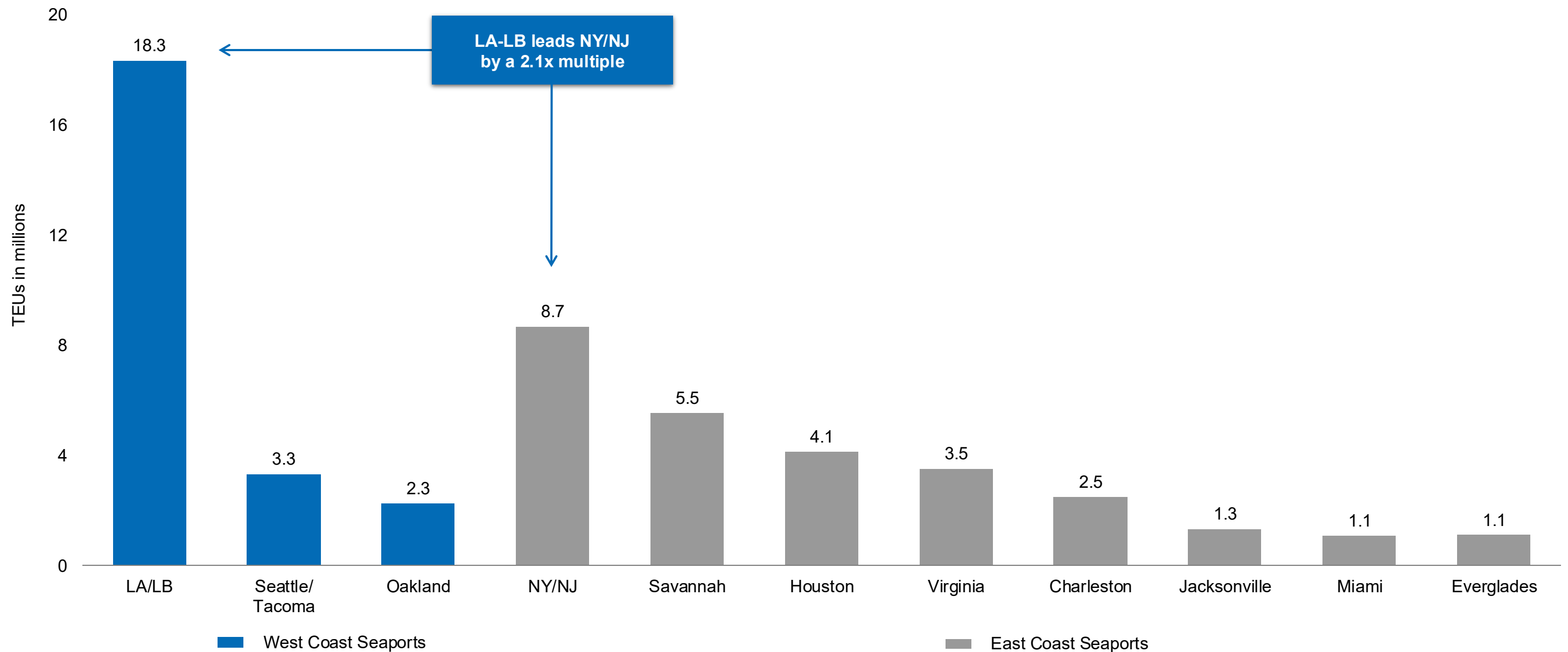
Southeast Asia Imports to POLA-POLB are Growing; Mexico Remains U.S.' Top Trade Partner

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Los Angeles-Long Beach is the Nation's Dominant Port System

Los Angeles-Long Beach can accommodate 18,000 TEU vessels, which are too wide to traverse the new Panama Canal. Additionally, both ports have Class 1 freight rail connectivity to the nation's major population centers.

Major U.S. Seaports: 2024 TEU Volume (All Containers: Loaded and Empty)



Source: Newmark Research, Individual Seaports

Why Los Angeles-Long Beach?

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Transport Costs Are the Biggest Expenditure for Most Warehouse Occupiers

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Transport Costs Per TEU Container Increase the Further an Occupier is from the Ports

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