

2Q25

Orange County Industrial Market Overview



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Market Observations

Economy

- U.S. retail sales growth surpassed the 20-year average for the first time in two years as consumers got ahead of purchases in anticipation of upcoming tariffs.
- 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 has declined year-over-year since March 2024. Job losses in the manufacturing sector continue to drive down industrial employment.
- Consumer Confidence trended down for the fifth-straight month in June 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 signed by Bio-Rad Laboratories for 283,130 SF. The life science company renewed its existing 136,648-SF space at 9500 Jeronimo Rd and expanded into the 146,482-SF building next door at 9400 Jeronimo Rd.
- Taylor Fresh Foods signed a new lease in Anaheim for 207,074 SF, marking the second largest deal of the quarter. This is the company's first facility in Southern California.
- Two owner-user investments topped this quarter's sales activity, one being Jiaherb acquiring a 130,925-SF property (2020 E Imperial Hwy) in Brea for \$53.7 million and Lake Forest Reliability Project purchasing a 102,299-SF facility (20 Icon) in Foothill Ranch for \$50.9 million.

Leasing Market Fundamentals

- Net absorption turned positive for the first time in ten quarters, with 81,171 SF. LeGrand occupying 194,375-SF of space in Anaheim and Bear Down Brands settling into 139,449-SF space in Fullerton were among this quarter's top move-ins.
- Vacancy (5.0%) is 260 basis points higher than it was two years ago but remains well below the peak of 6.7% 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 \$1.54/SF NNN.
- Under-construction activity dropped to 1.8 MSF after three projects totaling 429,630 SF delivered, bringing pre-leasing levels to 6.6% 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 earlier this year, 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

2Q25

Economy



Ocean Container Spot Rates Remain Volatile

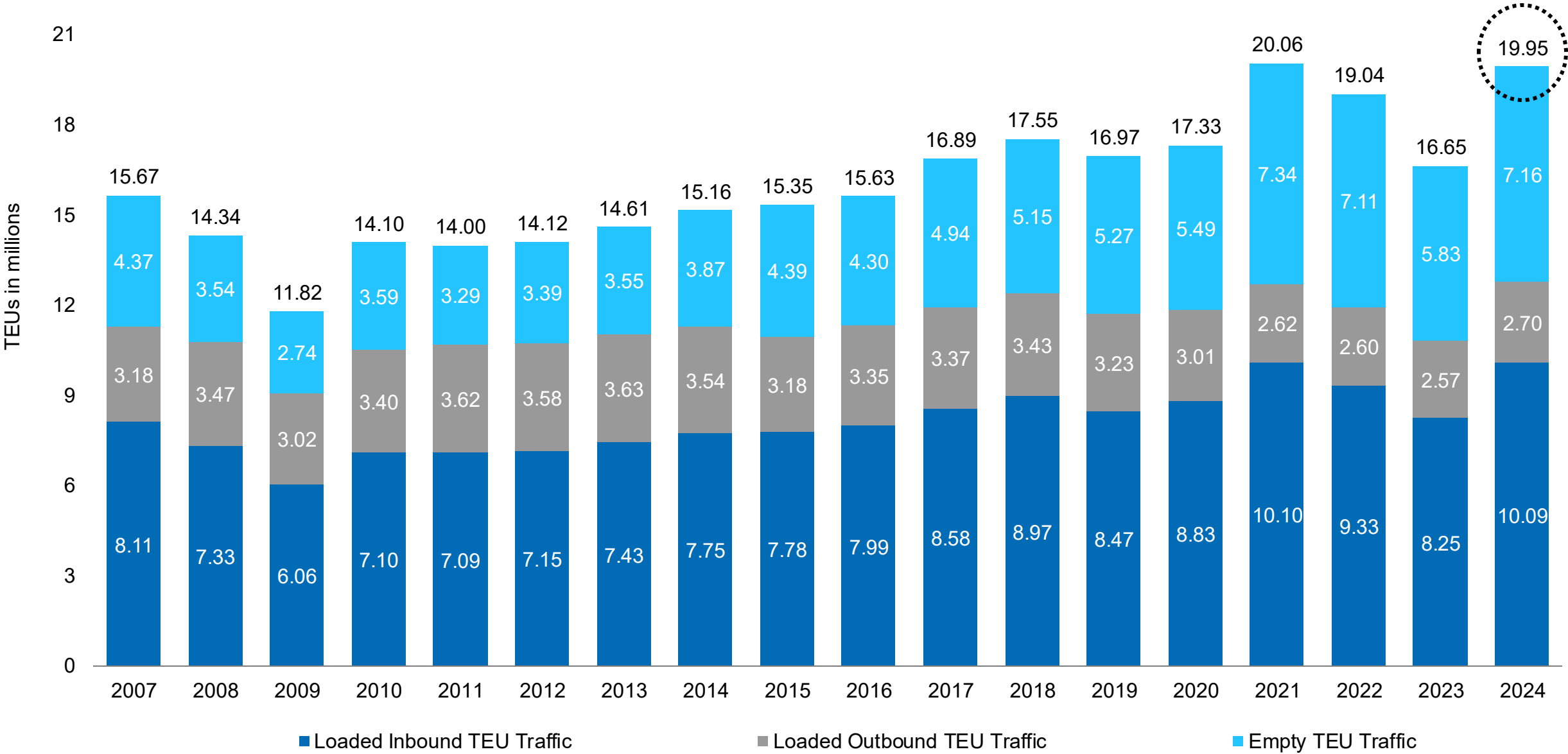
A low-angle, upward-looking shot of a modern building's exterior. The image features a complex network of dark blue or black steel beams forming a grid-like structure. Large glass panels are interspersed within the frame, reflecting the sky and other parts of the building. The perspective creates a sense of height and architectural scale. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing white text.

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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 labor 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

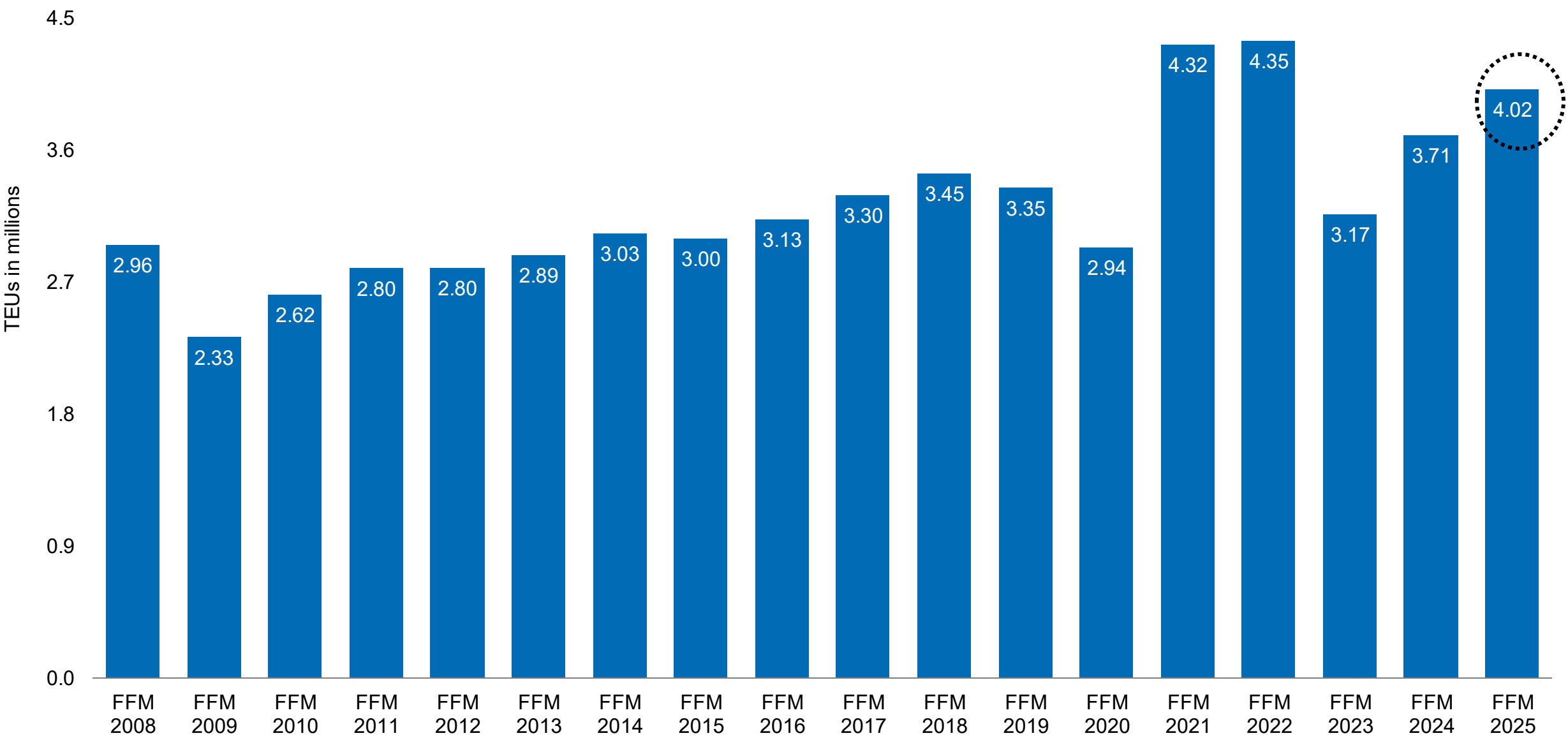


Source: Newmark Research, The Port of Long Beach and Los Angeles
Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers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

Loaded Import Volume in the First Five Months of 2025 Third Highest on Record

The frontloading of imports before President Trump’s tariffs went into effect shaped 2025’s year-to-date figure. Future volume will be uneven, as the next graph explores.

The Ports of Los Angeles and Long Beach: Loaded Imports | First Five Months (FFM) 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.

Southern California Ports Lead the Nation in Imports—Most of Which Originate from China

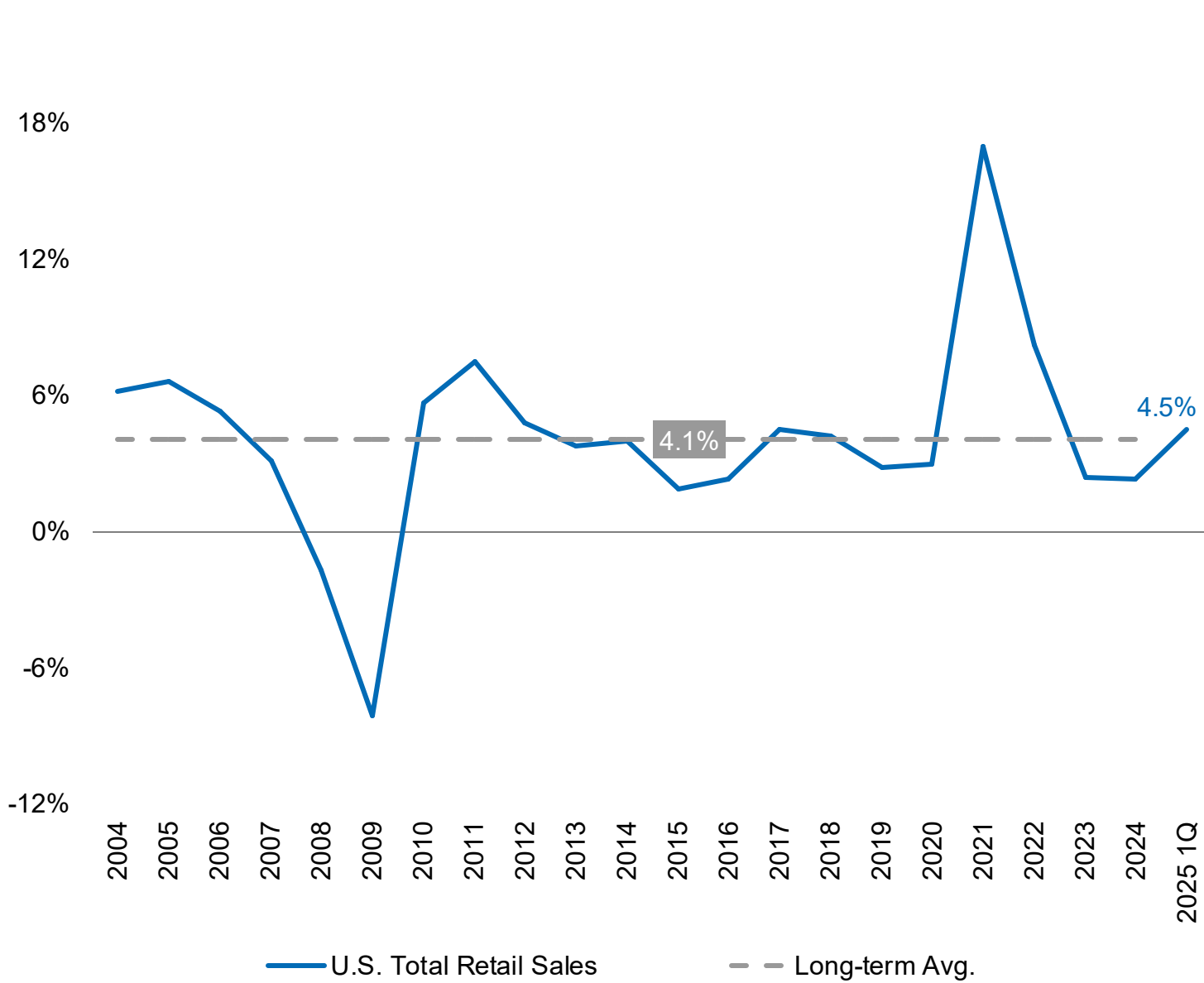


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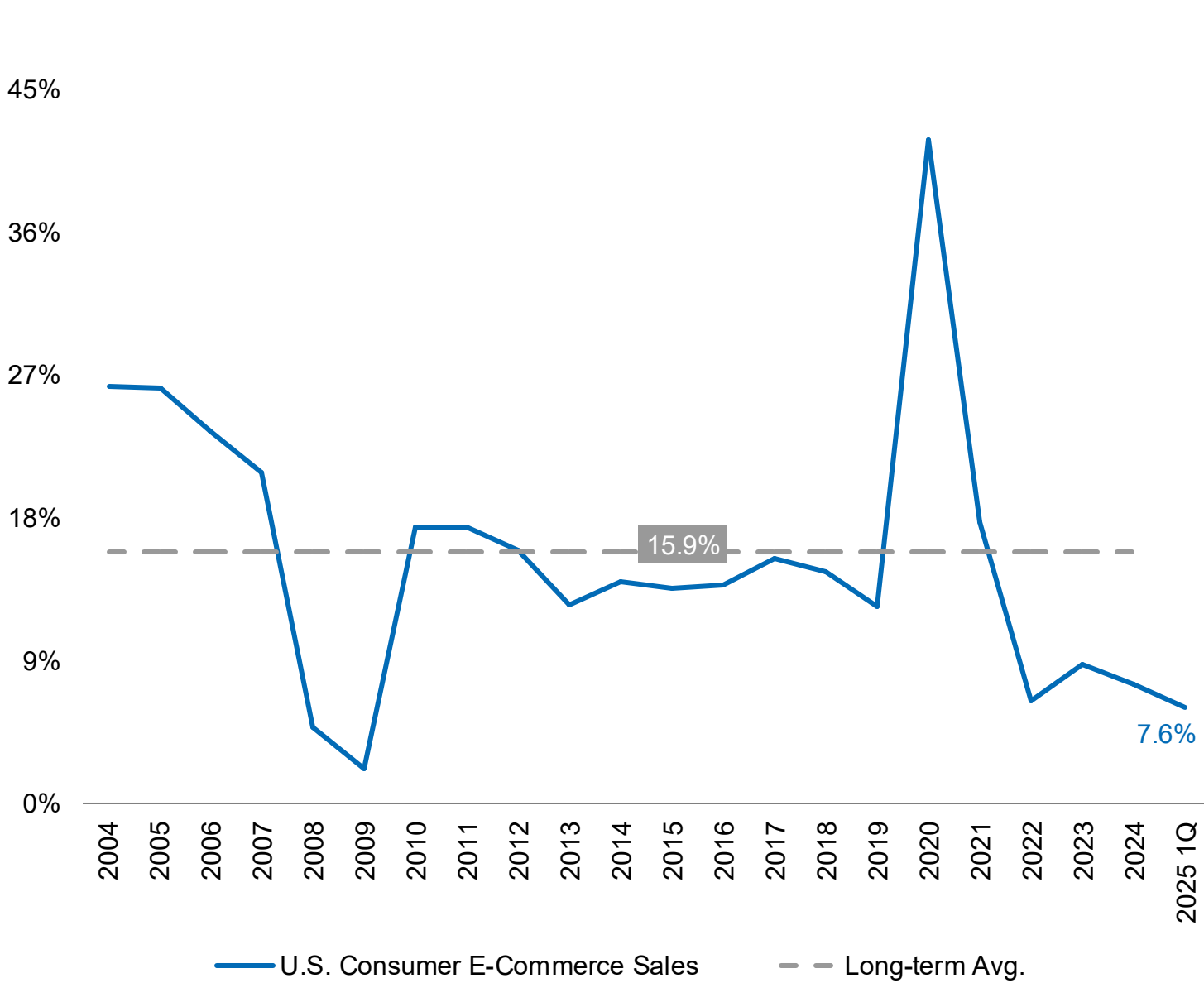
Retail Sales (an Indicator of Warehouse Demand) Up, But Projected to Slow

Overall retail sales were up 4.5% in the first quarter of 2025 relative to the same period in 2024 as consumers frontloaded purchases – led by motor vehicles – ahead of expected higher prices due to impending tariffs. For e-commerce specifically: Growth exceeded total retail sales (+7.6% over the same period), yet the decline from 2021 onward is noticeable as consumer spending generally registers slower gains. Since tariffs are typically stagflationary shocks, which simultaneously increase the likelihood of an economic slowdown while putting upward pressure on prices, many economists have lowered their retail sales growth projections.

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. Wage Growth is Outpacing Inflation While Unemployment Remains Low



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U.S. Consumer Confidence is Down

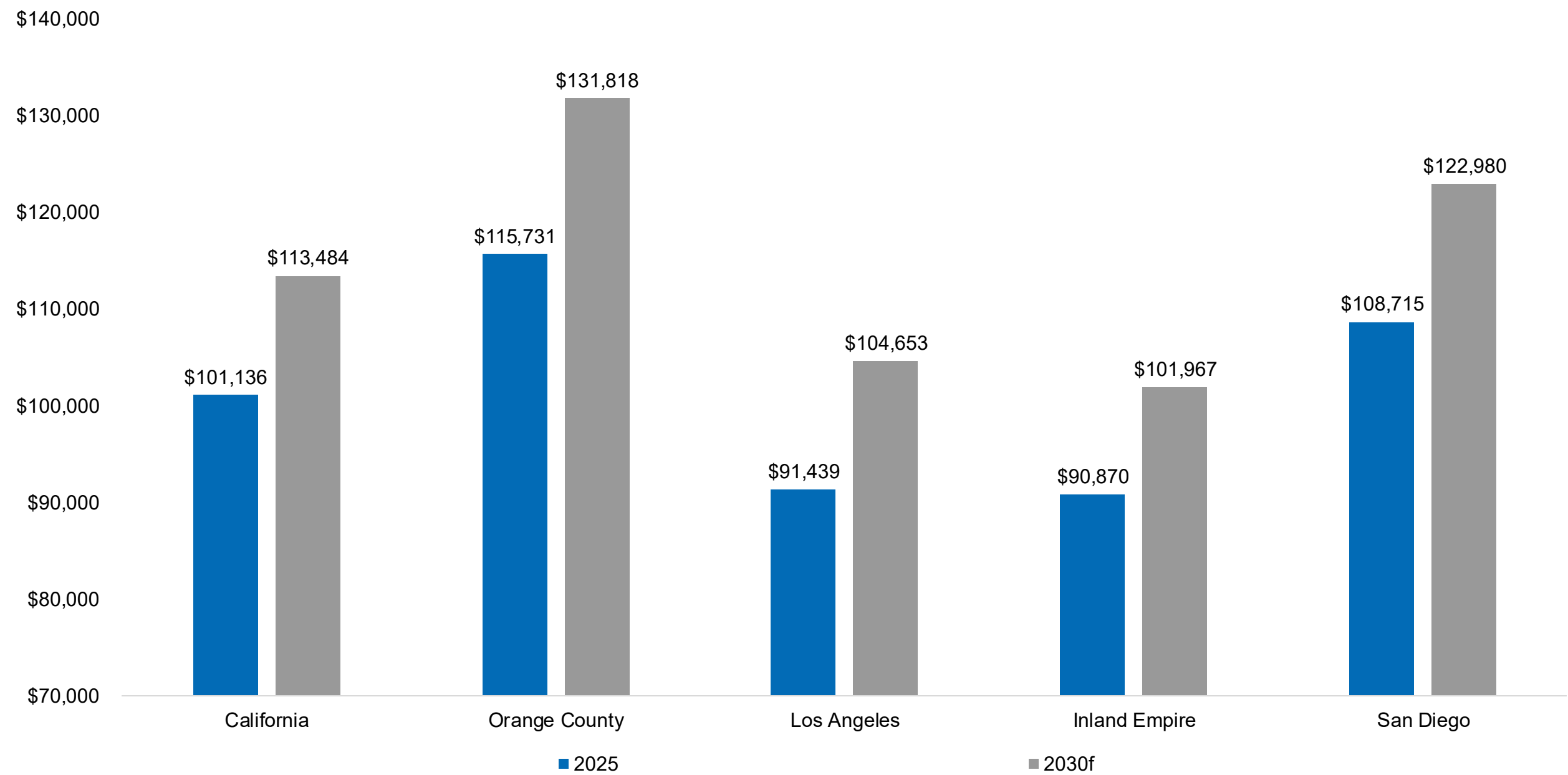


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Orange County Median Household Income Highest in Southern California

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.

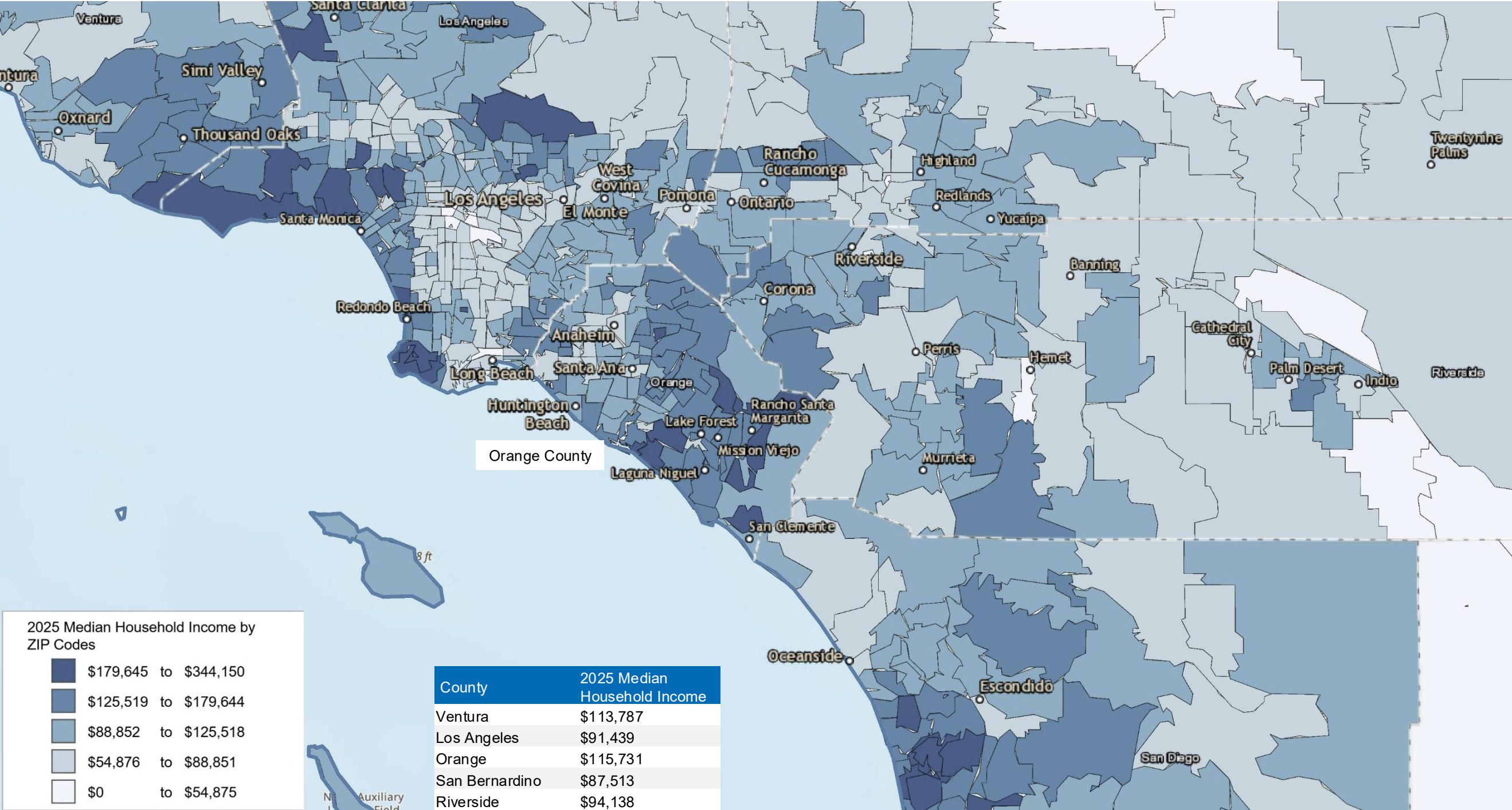
Southern California Median Household Income: 2025 vs. 2030 Projections



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.

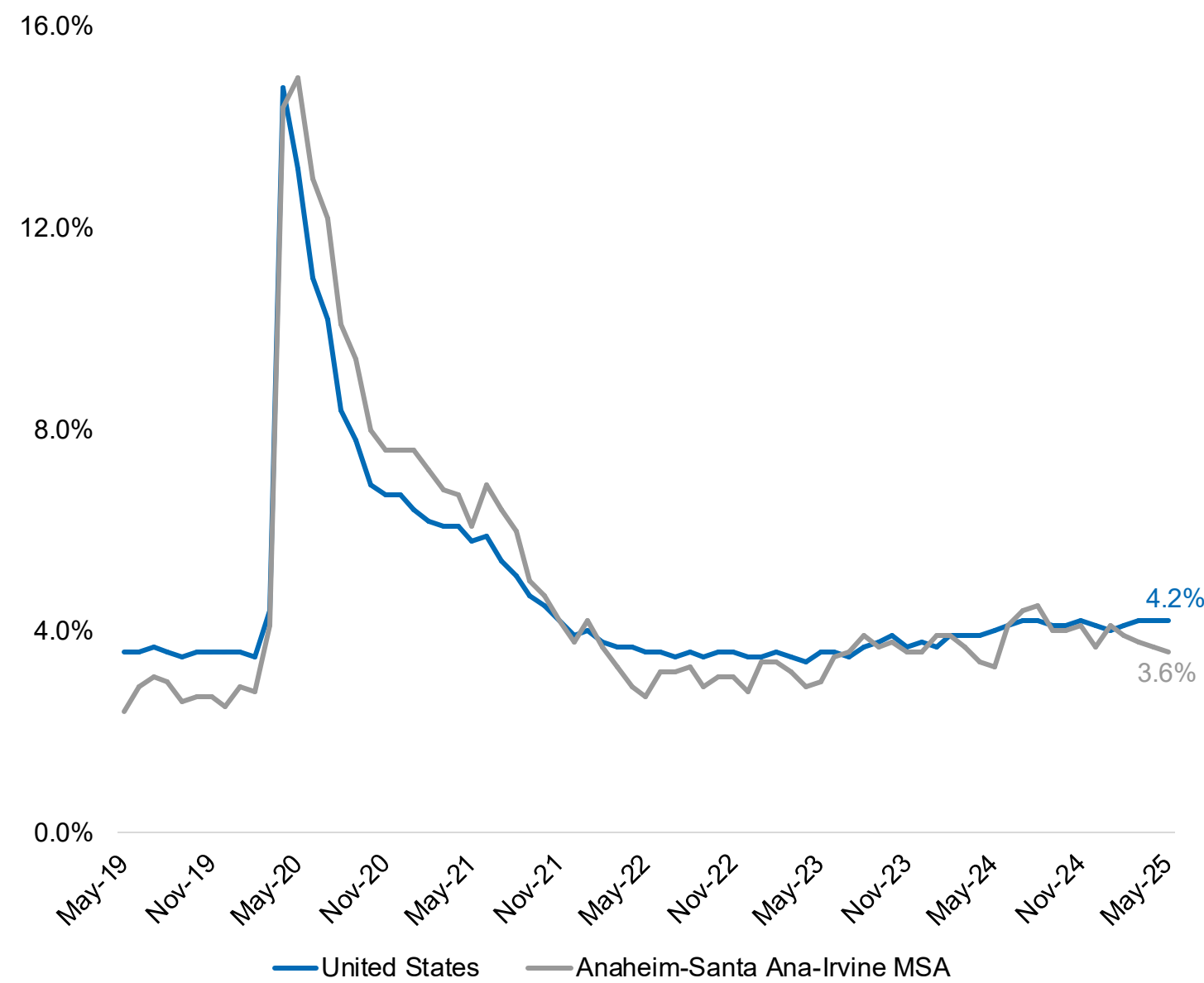


Source: Newmark Research, ESRI

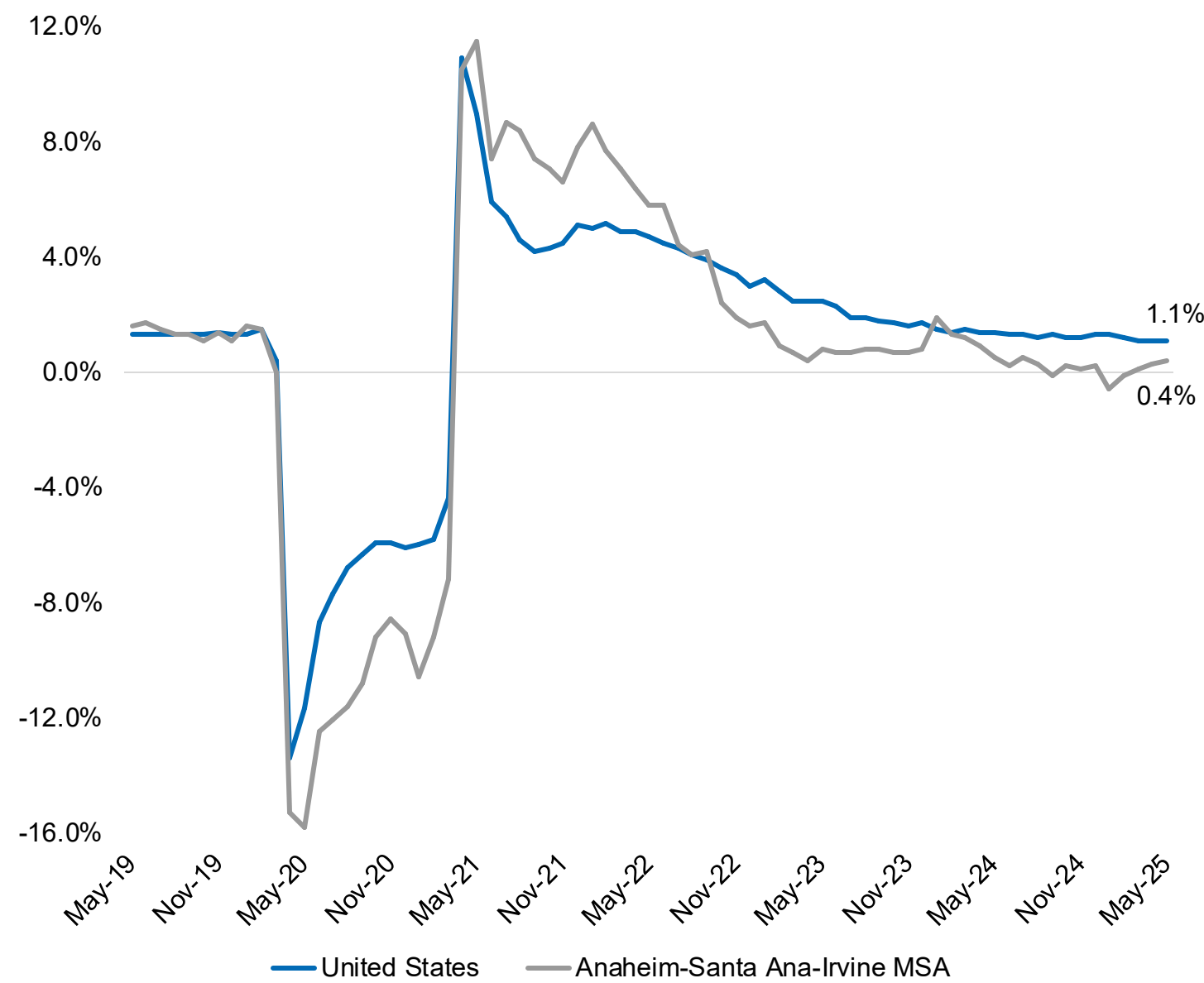
Local Employment Growth is Stagnant

Local unemployment dropped 50 basis points since January to 3.6% in May 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

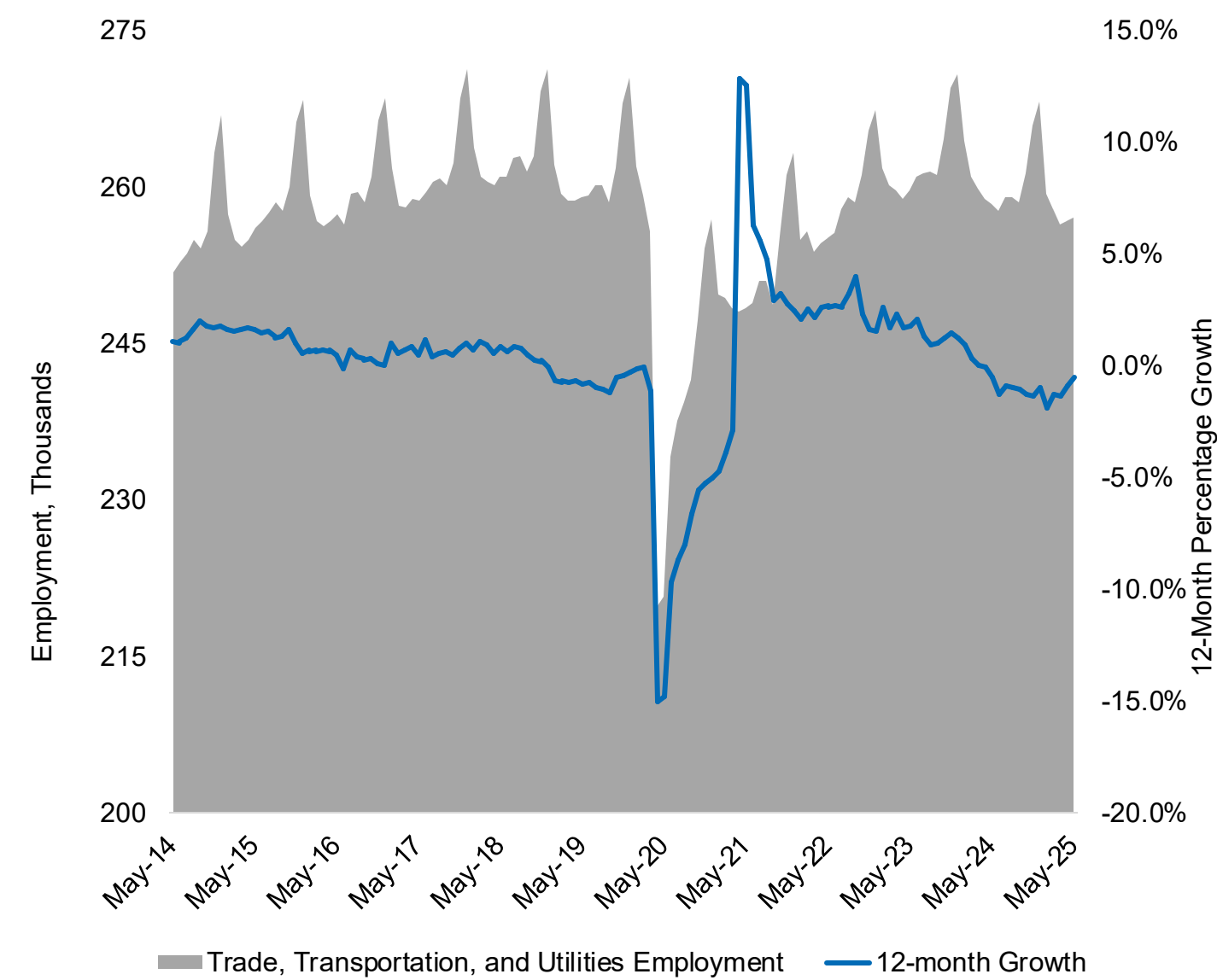


Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA
Note: May 2025 data is preliminary.

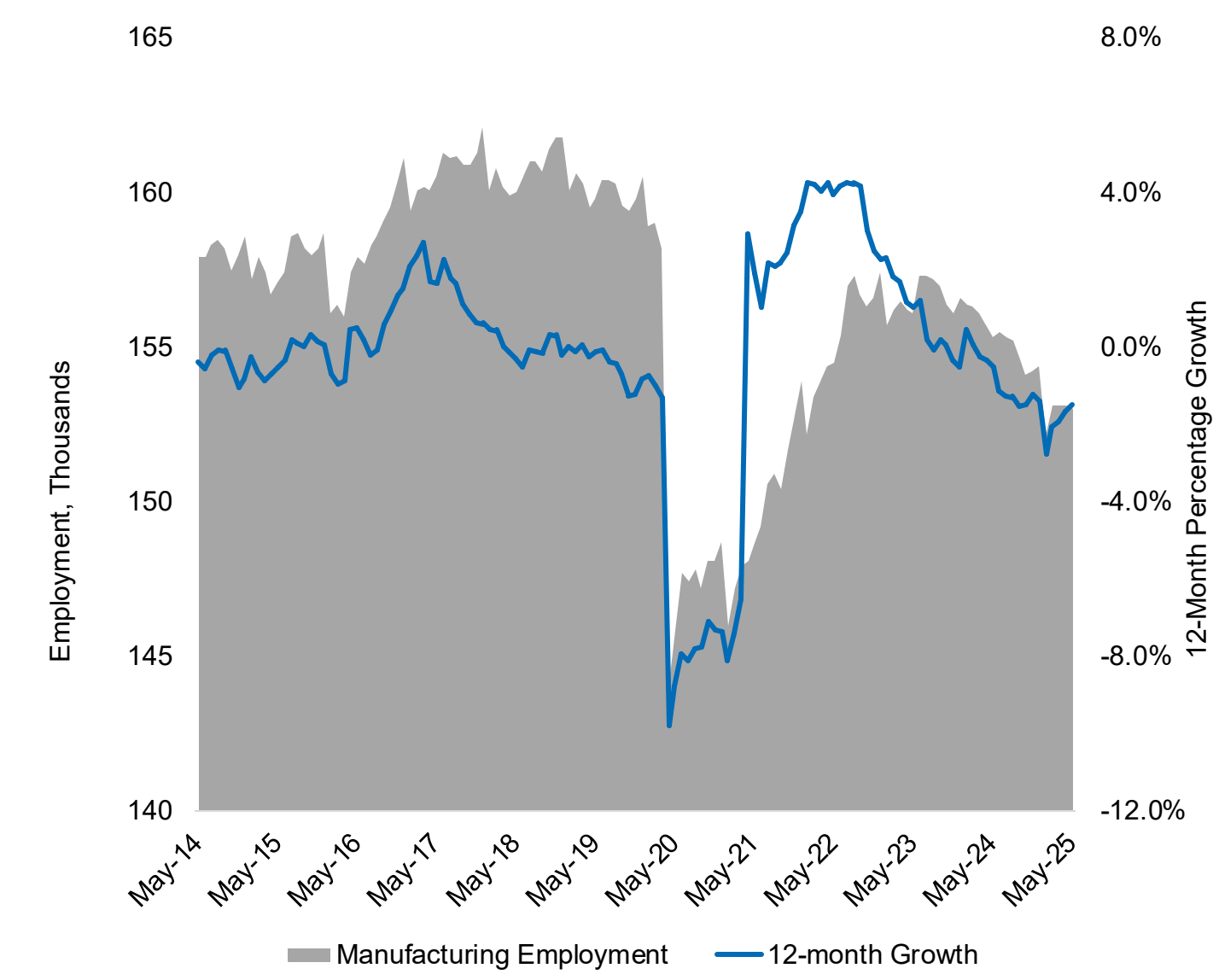
Manufacturing Sector Driving Down Industrial Employment

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 any time 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: May 2025 data is preliminary.

2Q25

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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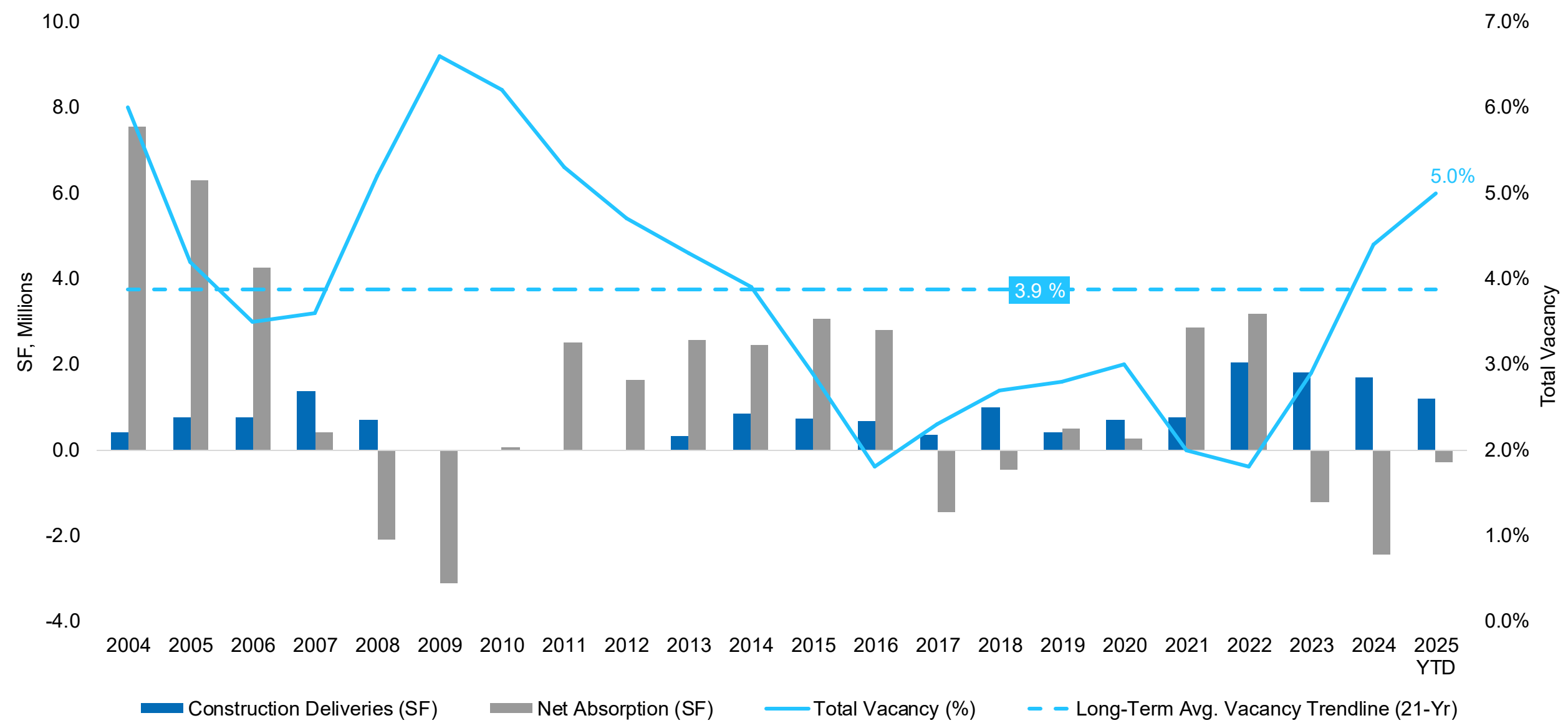
Term Lengths Are Trending Up After Declines in 2022-2023

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Vacancy Reaches Highest Level Since 2012

Vacancy surpassed the 21-year average after incurring nine consecutive quarters of absorption losses but remains below the peak of 6.7% seen in 2010. This quarter, the market realized 81,171 SF of net absorption gains that was met with 429,630 SF in construction deliveries, accelerating vacancy's upward trajectory.

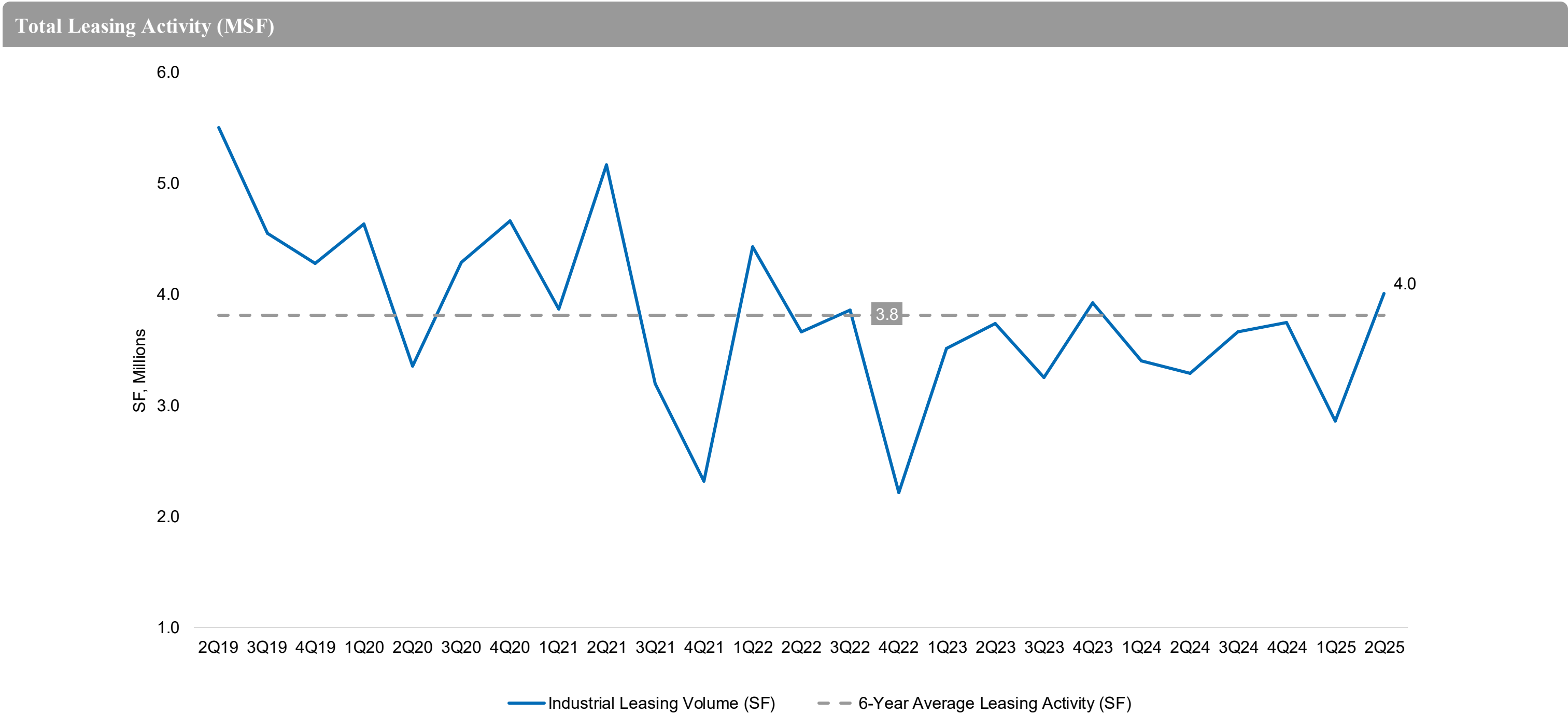
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Leasing Activity Surpasses Six-Year Average

Leasing activity increased to its highest level in three years and has exceeded the six-year average thanks to several large deals, including Bio-Rad Laboratories’ renewal/expansion for 283,130 SF, Taylor Fresh Foods’ new lease for 207,074 SF, and Bear Down Brands’ sublease for 147,950 SF.

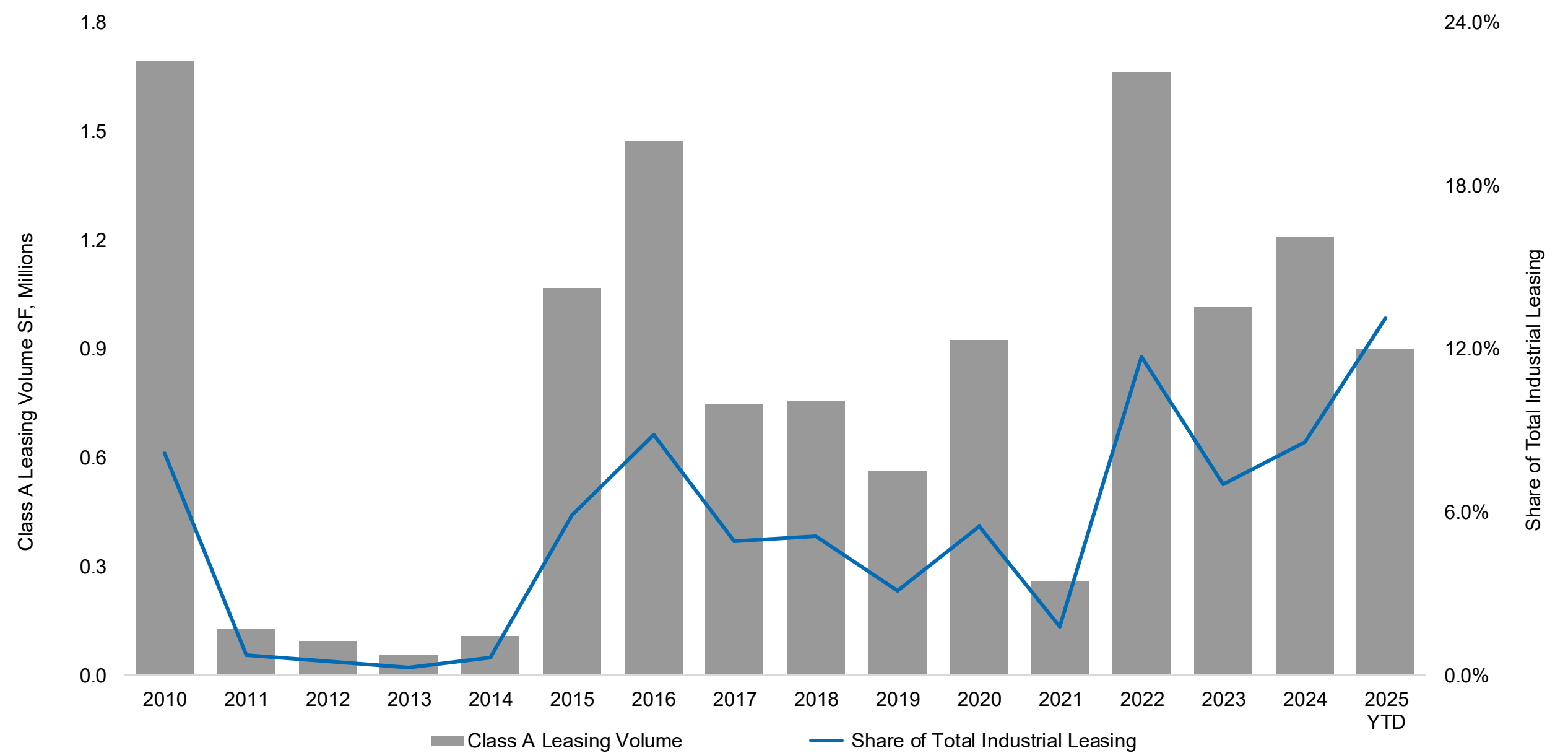


Source: Newmark Research, CoStar

Boost In Class A Leasing Activity Year-to-Date

Class A leasing activity jumped in the first half of 2025, accounting for 13.1% of all leasing activity. The top contributors of the quarter include a new lease for Taylor fresh Foods at 1151-1153 N Ocean Cir (207,074 SF) and a renewal for Excelsior Nutrition at 1206 N Miller St (77,753 SF).

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

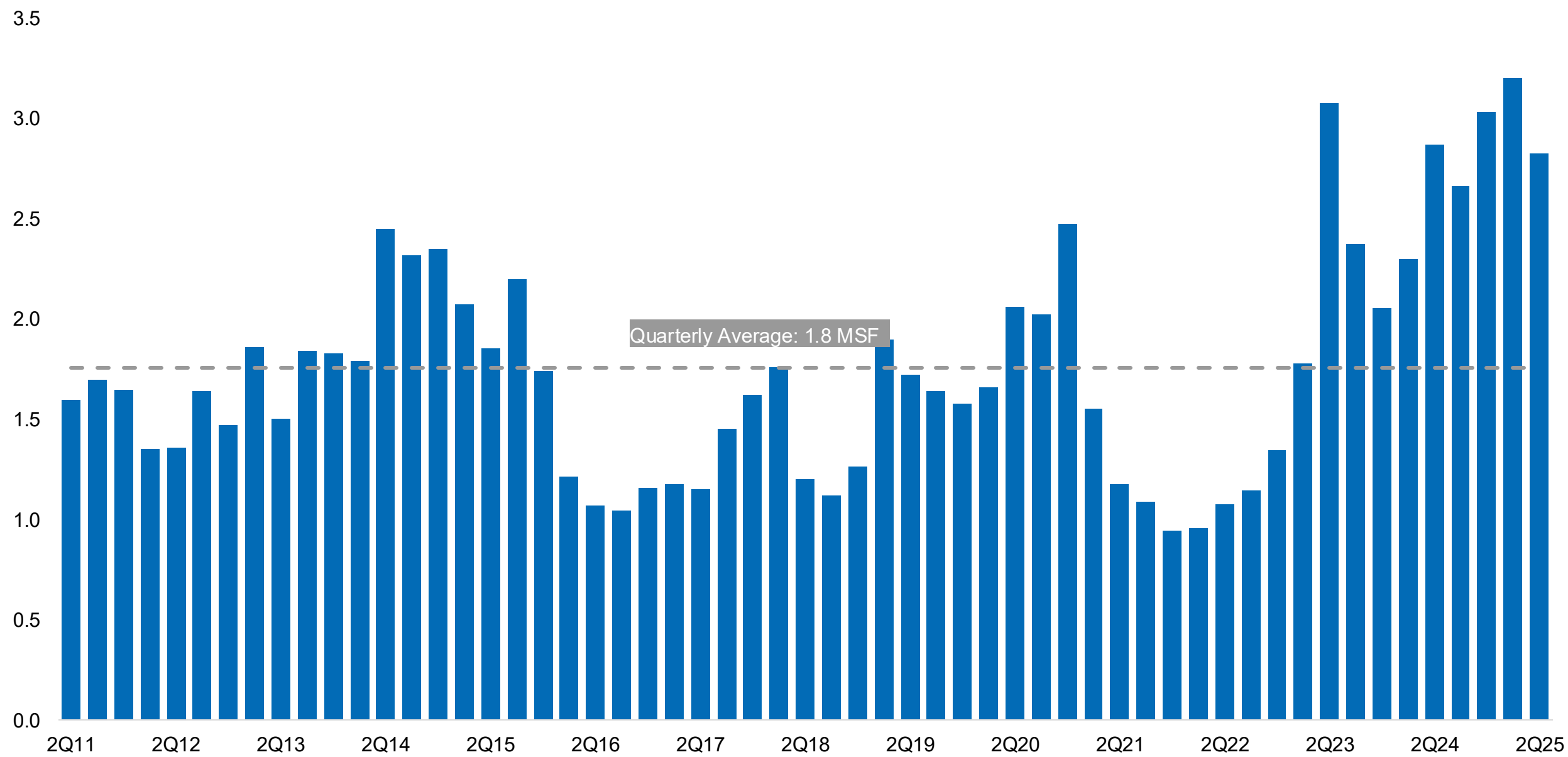


Source: Newmark Research, CoStar

Slight Drop in Sublease Availability

The drop in sublet availability is not only attributed to increased leasing activity, but also to listings having gone direct, as is the case with the 196,911-SF listing at 701 Burning Tree Rd. The largest sublease of the quarter was signed by Bear Down Brands for 147,950 SF at 1930 Malvern Ave.

Available Industrial Sublease Volume (MSF)

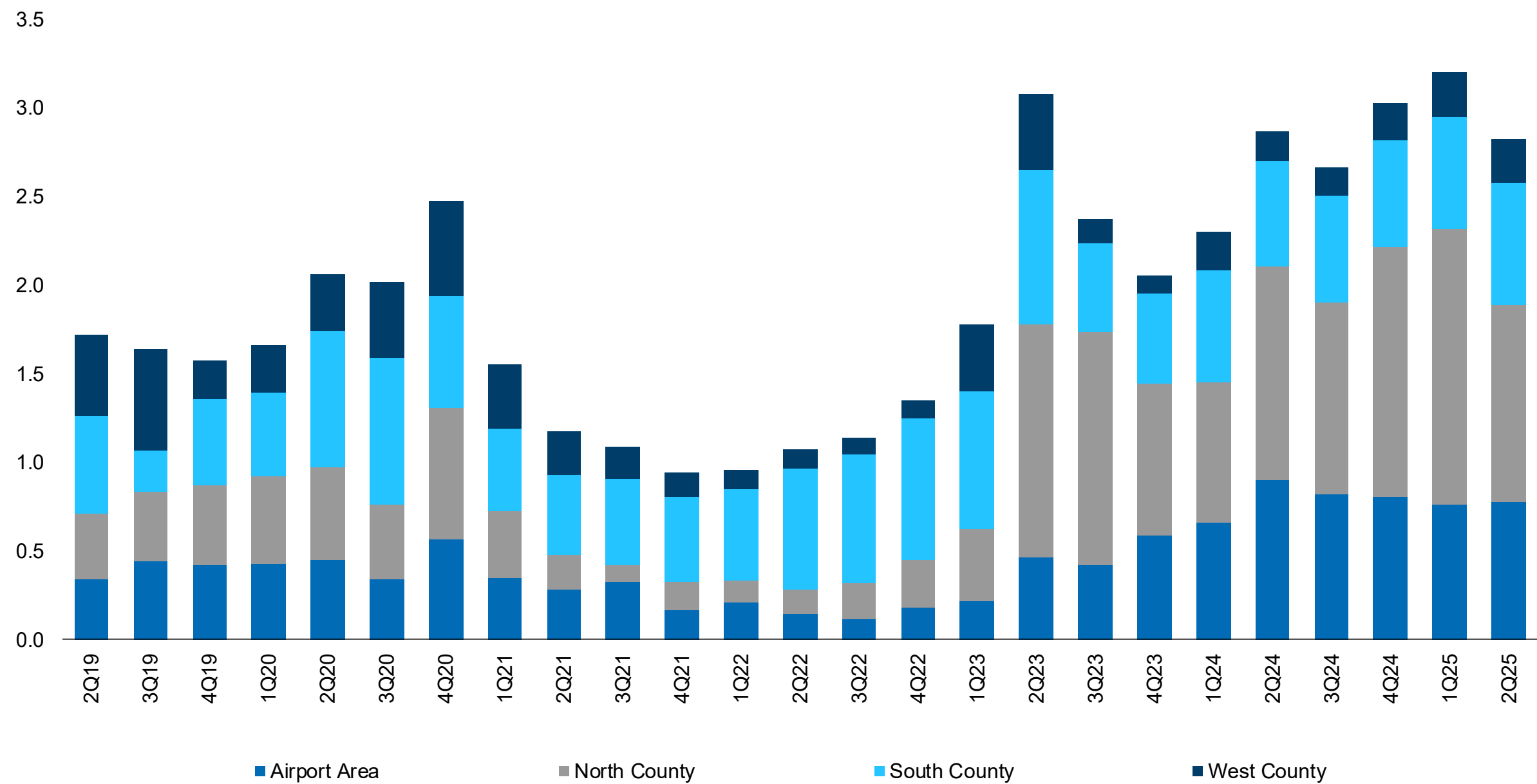


Source: Newmark Research

Bulk of Sublet Availability Originating from North County

North County’s available sublease space accounts for 39.3% of the greater market’s total. Historically, North County sublease offerings were limited despite comprising 39.9% of the market’s total inventory. Over the last two years, however, the submarket has seen an uptick in sublet availability thanks to large-block listings by notable tenants such as Orora Packaging (131,544 SF) and Freeman Decorating (128,794 SF).

Available Sublease Space (MSF), By Submarket

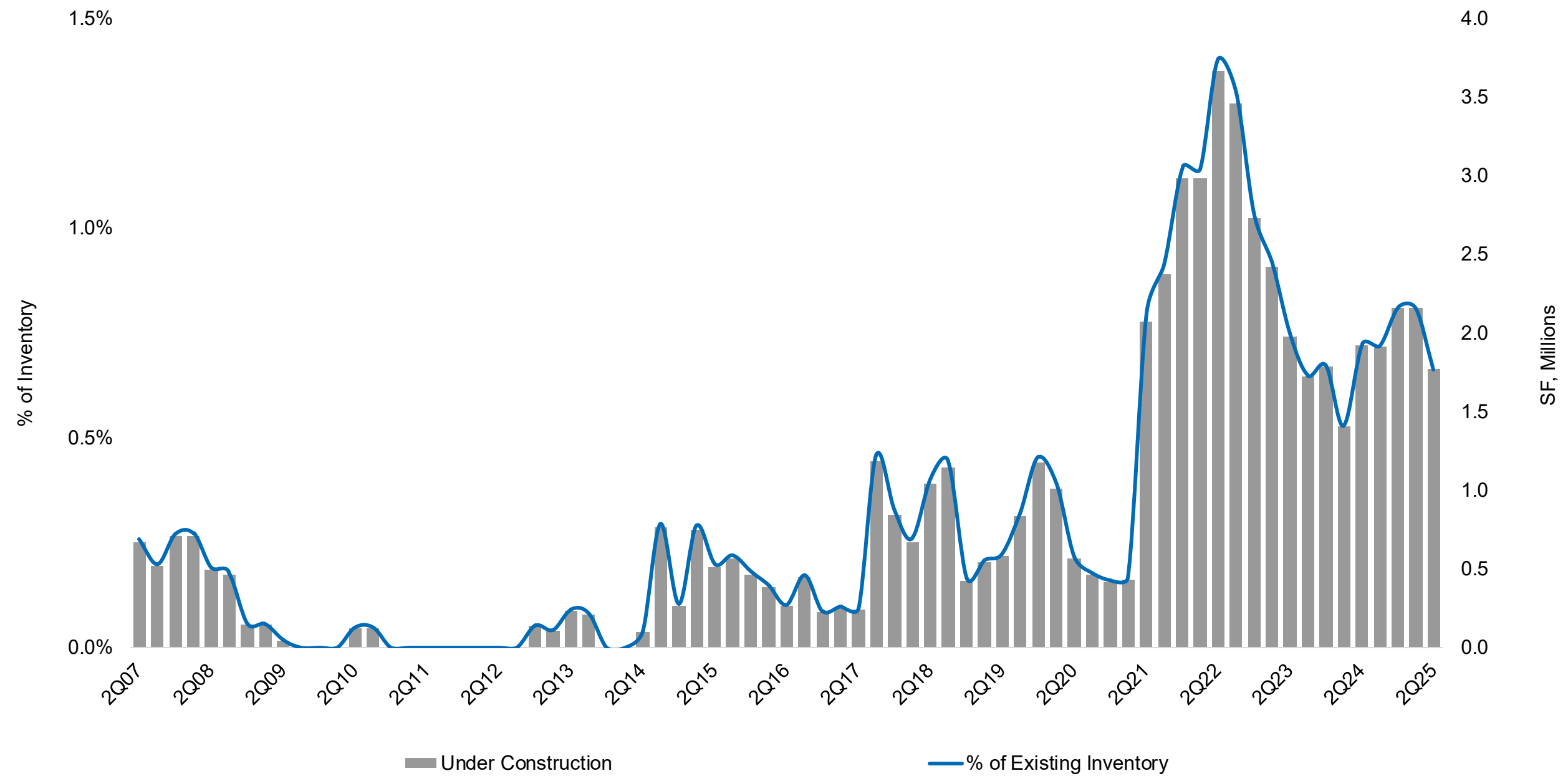


Source: Newmark Research

Elevated Under-Construction Levels Gradually Normalizing

An additional project (300 E Dyer Rd) broke ground this quarter while three others (2 Sterling and 2100 and 2120 E Howell Ave) delivered, bringing the under-construction total to 1.8 MSF across 11 development projects, all of which remain fully available save one. 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

A low-angle, upward-looking shot of a modern building's exterior. The image shows a complex network of dark steel beams and supports forming a grid-like structure. Large glass panels are visible, reflecting the sky. The perspective creates a sense of height and architectural scale. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing white text.

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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 based in South County. The submarket comprises 13.2% of total inventory and rarely sees large deals or new construction. The bulk of leasing activity historically comes from North County, the largest submarket by inventory size.

Notable Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Bio-Rad Laboratories	9400-9500 Jeronimo Rd	South County	Renewal/Expansion	283,130
The life sciences company has occupied 9500 Jeronimo Rd for over 20 years and expanded into 9400 Jeronimo Rd to accommodate growing manufacturing needs.				
Taylor Fresh Foods	1151-1153 N Ocean Cir	North County	Direct Lease	207,074
This will be the Salinas-based food company’s first facility in Southern California.				
Anduril	3001-3030 S Susan St	Airport Area	Direct Lease	202,813
The defense company has been expanding rapidly recently; this is their second industrial lease of the year in Orange County.				
Bear Down Brands	1930 W Malvern Ave	North County	Sublease	147,950
The tenant took over McKesson’s lease which runs through 2027.				
Guilin Cabinets	1922 Barranca Pkwy	Airport Area	Direct Lease	111,024
The new tenant has committed to five years at the location.				

Source: Newmark Research

2Q25

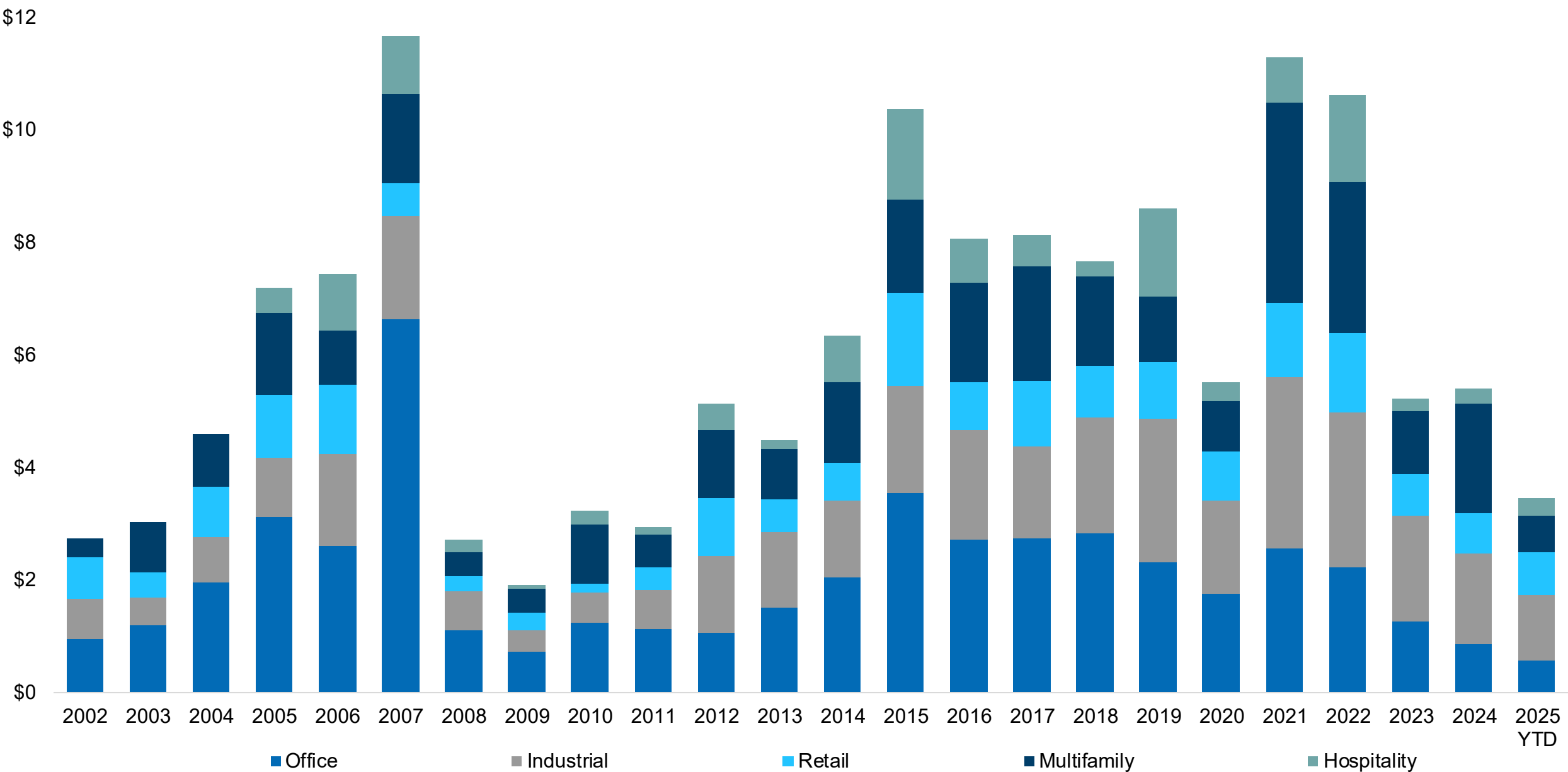
Sales Activity



Industrial Comprised 33.7% 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)

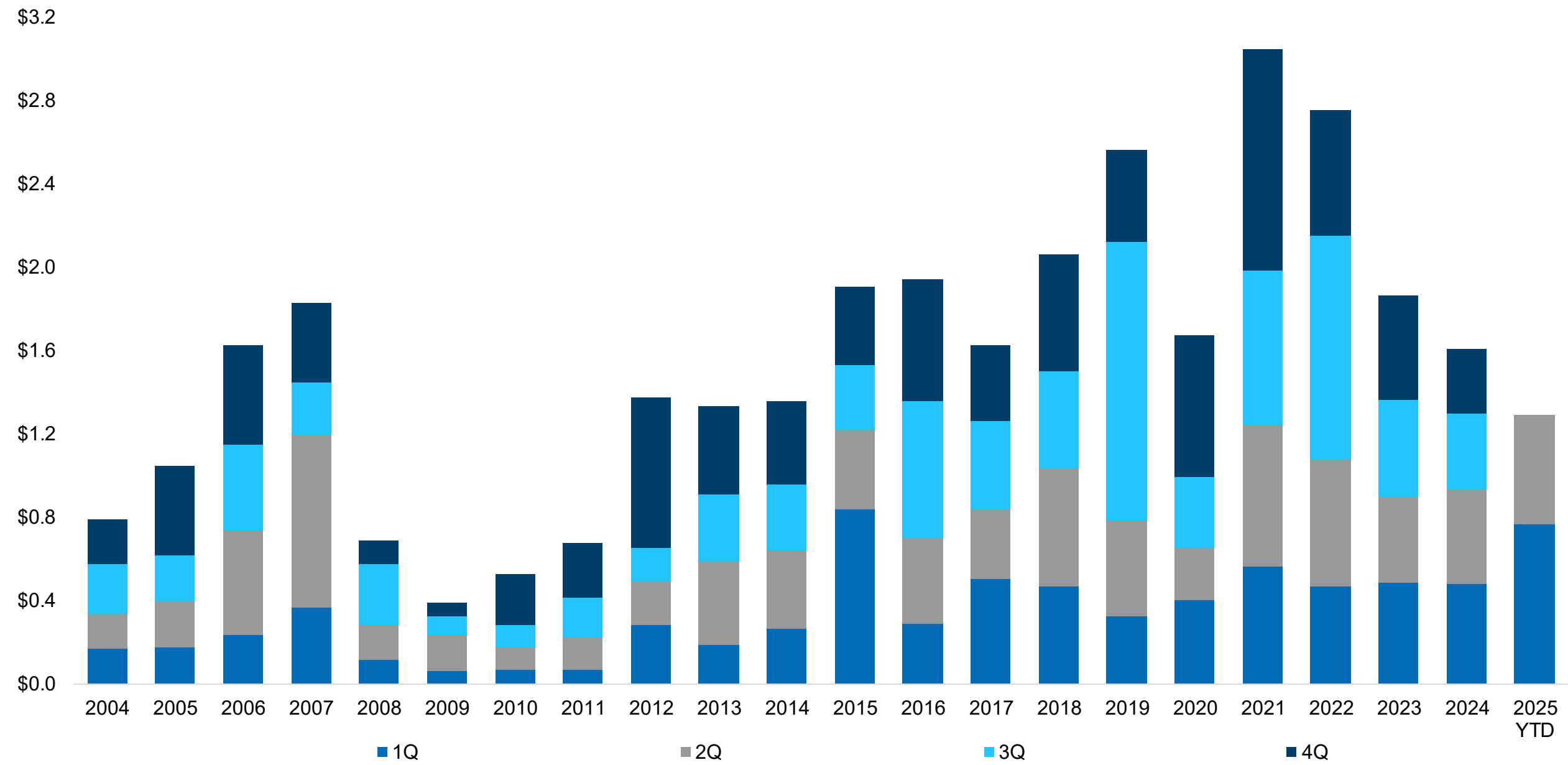


Source: MSCI Real Capital Analytics, Newmark Research
Note: Preliminary data is cited for the second quarter of 2025.

Industrial Sales Activity Picking Up

Industrial sales volume totaled \$1.3 billion in the first half of 2025, up by 38.2% 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. 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 second quarter of 2025.

Pricing Hovers Close to 2022'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 | 2Q25



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Some Underperforming Office Properties Will Find New Life



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

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New California Bill Adds Regulations on Warehouse Development in the State

A low-angle, upward-looking photograph of a modern building's exterior. The image shows a complex network of dark steel beams and supports forming a grid-like structure. Large glass panels are visible, reflecting the sky. The perspective creates a sense of height and architectural scale. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing white text.

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WAIRE: Program Summary and Implications for Industrial

A low-angle, upward-looking photograph of a modern building's exterior. The image features a complex network of dark blue steel beams and glass panels, creating a geometric pattern. The sky is visible through the glass, appearing as a light blue background. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing white text.

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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

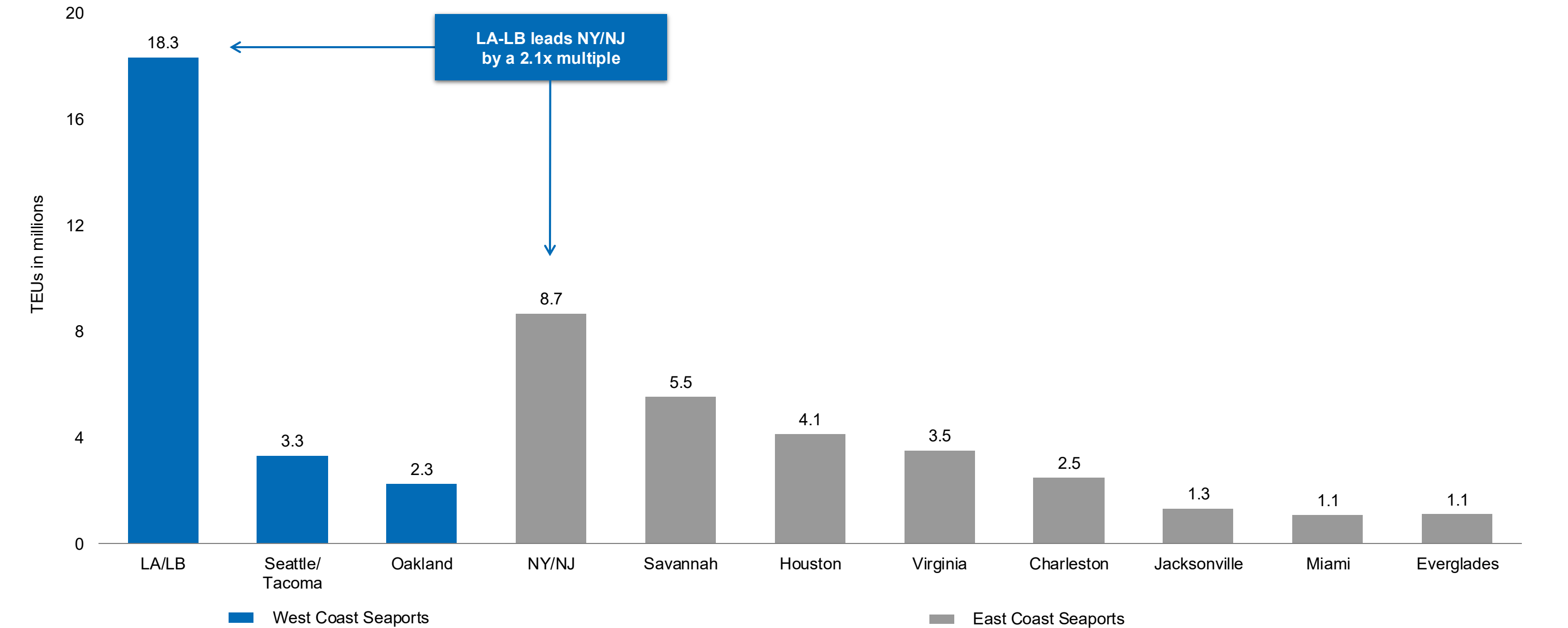
Rank	Seaport	2024 Volume (TEUs, in millions)
11	Port Kelang, Malaysia	14.6
12	Rotterdam, The Netherlands	13.8
13	Hong Kong, China	13.7
14	Antwerp-Bruges, Belgium	13.5
15	Tanjung Pelepas, Malaysia	12.3
16	Xiamen, China	12.3
17	Tanger Med, Morocco	10.2
18	Laem Chabang, Thailand	9.5
19	Kaoshiung, Taiwan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

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

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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Newmark business contact for this information

For more information:

Fahima Dawd

Senior Research Analyst

Orange County

fahima.dawd@nmrk.com

Dain Fedora

Head of Research

Southwest

dain.fedora@nmrk.com

Orange County

18401 Von Karman Ave., Suite 150

Irvine, CA 92612

t 949-608-2000

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

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