3Q25

Orange County Industrial Market Overview

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 continues to trend down as Americans grapple 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 Anduril for 162,656 SF. The defense technology company signed its third industrial lease of the year in the market at 3100 S Harbor Blvd in Santa Ana, a new office-to-industrial development that delivered earlier this year.

– Line Drive Trucking also signed a direct lease for 105,173 SF at a new construction facility that delivered last year. The tenant plans to occupy the space at 3071 E Coronado St in Anaheim later this year.

– An owner-user transaction topped this year's sales activity on a sales volume basis. Future Foam, a local foam supplier, acquired a 417,320-SF distribution facility at 1050 S State College Blvd in Fullerton for $145.0 million.

Leasing Market Fundamentals

– This quarter marks the eighth net absorption loss in the last 11 quarters, bringing the total to -703,353 SF. The top three move-outs of the quarter, which originate from West County and North County, totaled 606,670 SF alone.

– Vacancy (5.3%) 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 the second lowest in the Southwest behind Los Angeles.

– After experiencing rapid growth and reaching an all-time high of $1.65/SF NNN two and a half years ago, asking rents dropped to $1.49/SF NNN.

– Under-construction activity dropped to 1.6 MSF after six projects totaling 648,796 SF delivered, bringing pre-leasing levels to 19.0% 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.

– Sustained tariffs will increase raw material prices, while federal immigration raids may lead to construction labor shortages. Both will elevate replacement costs, hinder future construction, and insulate rents of existing product.

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

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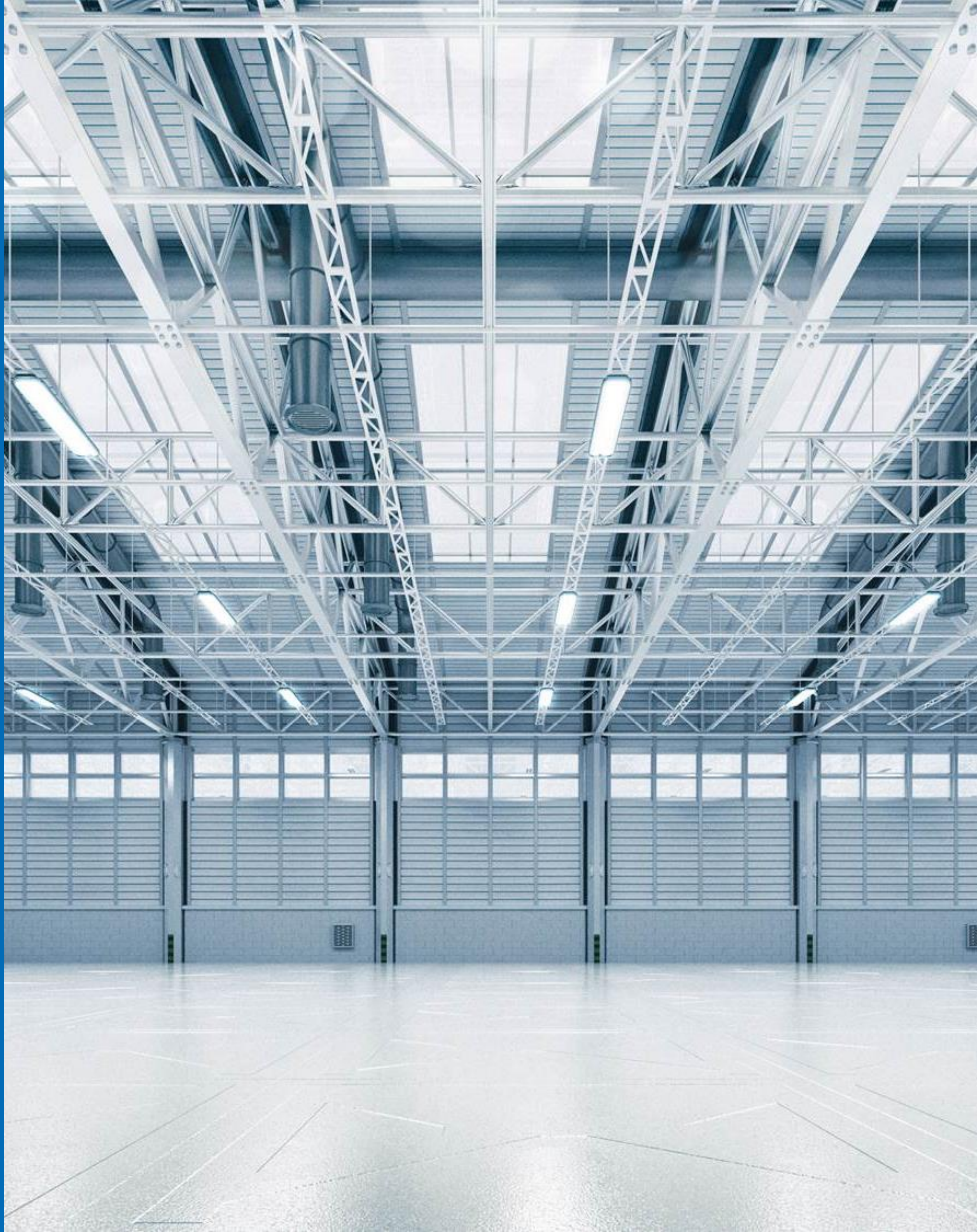
Economy



Ocean Container Spot Rates Have Been Volatile

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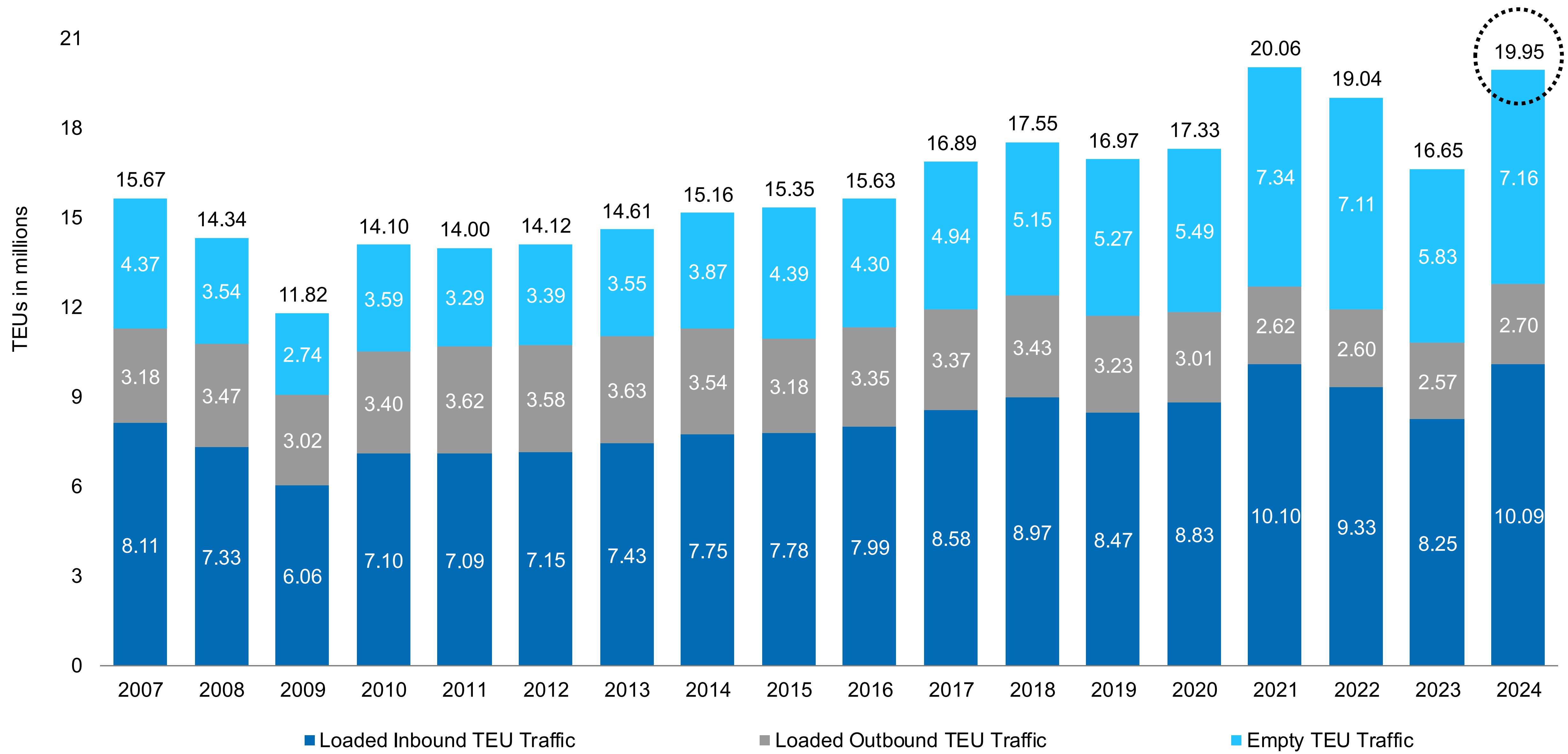
Southern California's Ports: 2024 Was the Second Busiest Year on Record

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

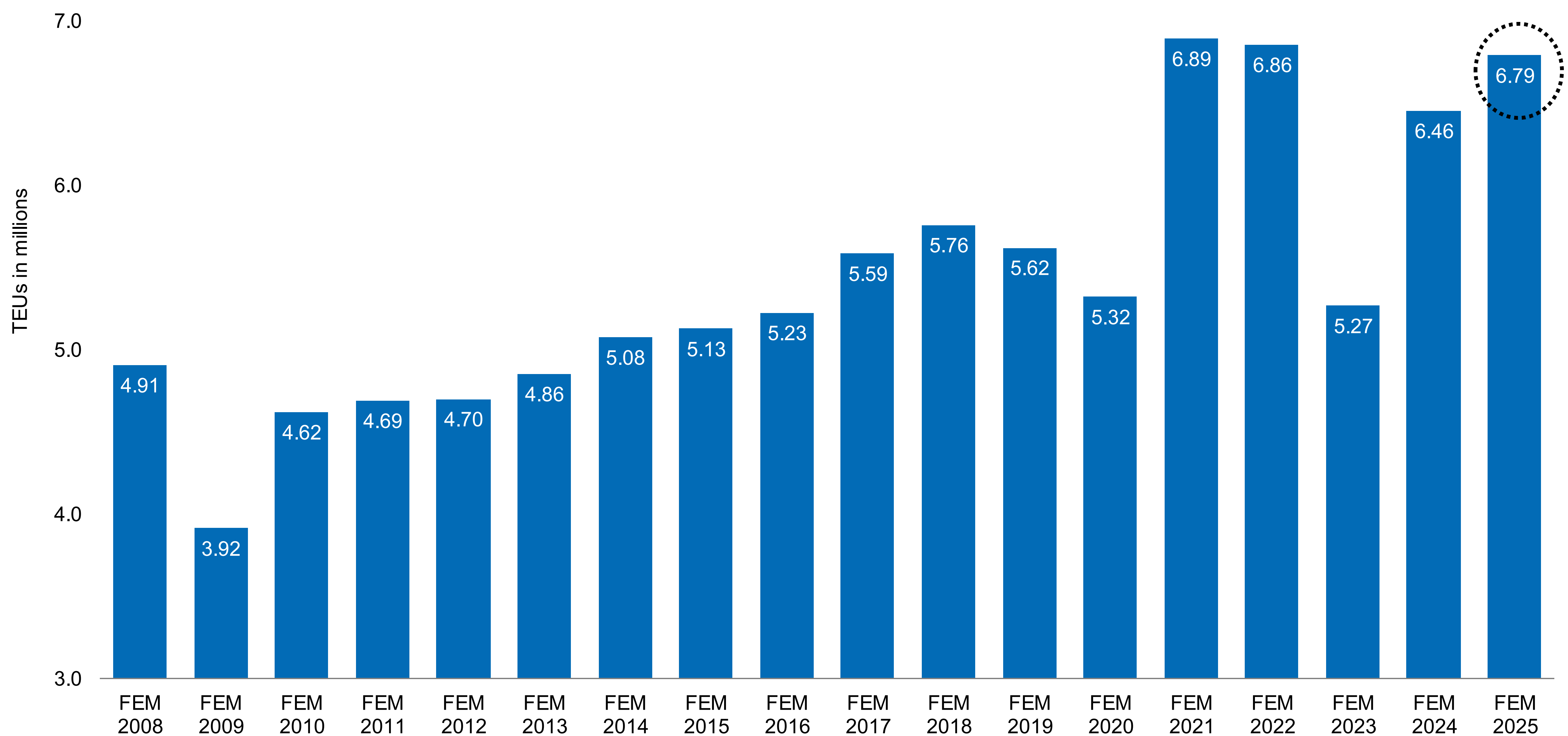


Source: Newmark Research, The Port of Long Beach and Los Angeles
Note: TEUs are a standard measure for the steel cargo containers commonly used interchangeably on ships, trucks and trains. A TEU or 20-foot equivalent unit is the industry measure used to tally cargo containers, whether the containers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

Loaded Import Volume in the First Eight 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. Recent volume is uneven, as the next slide explores.

The Ports of Los Angeles and Long Beach: Loaded Imports | First Eight Months (FEM) 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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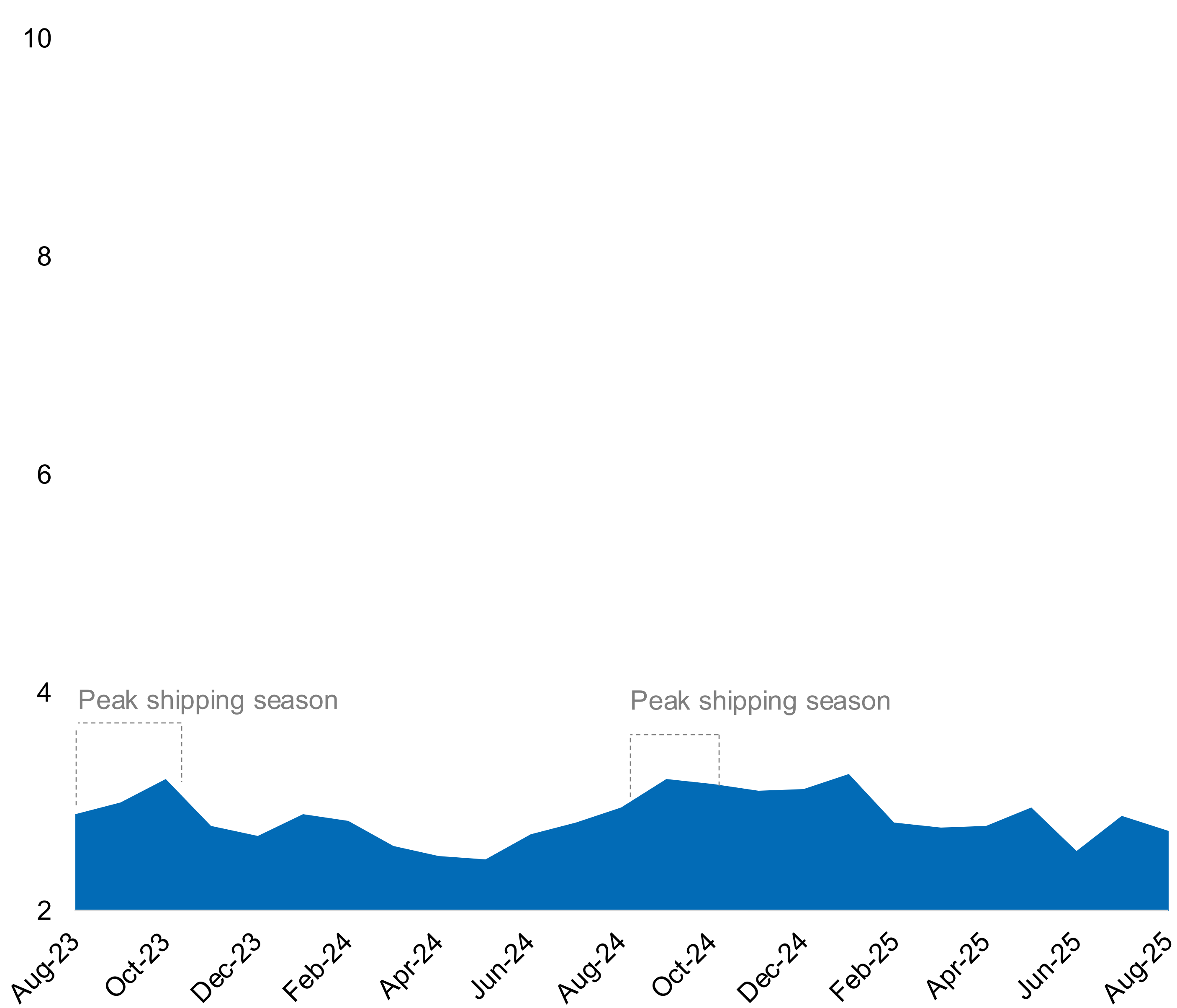
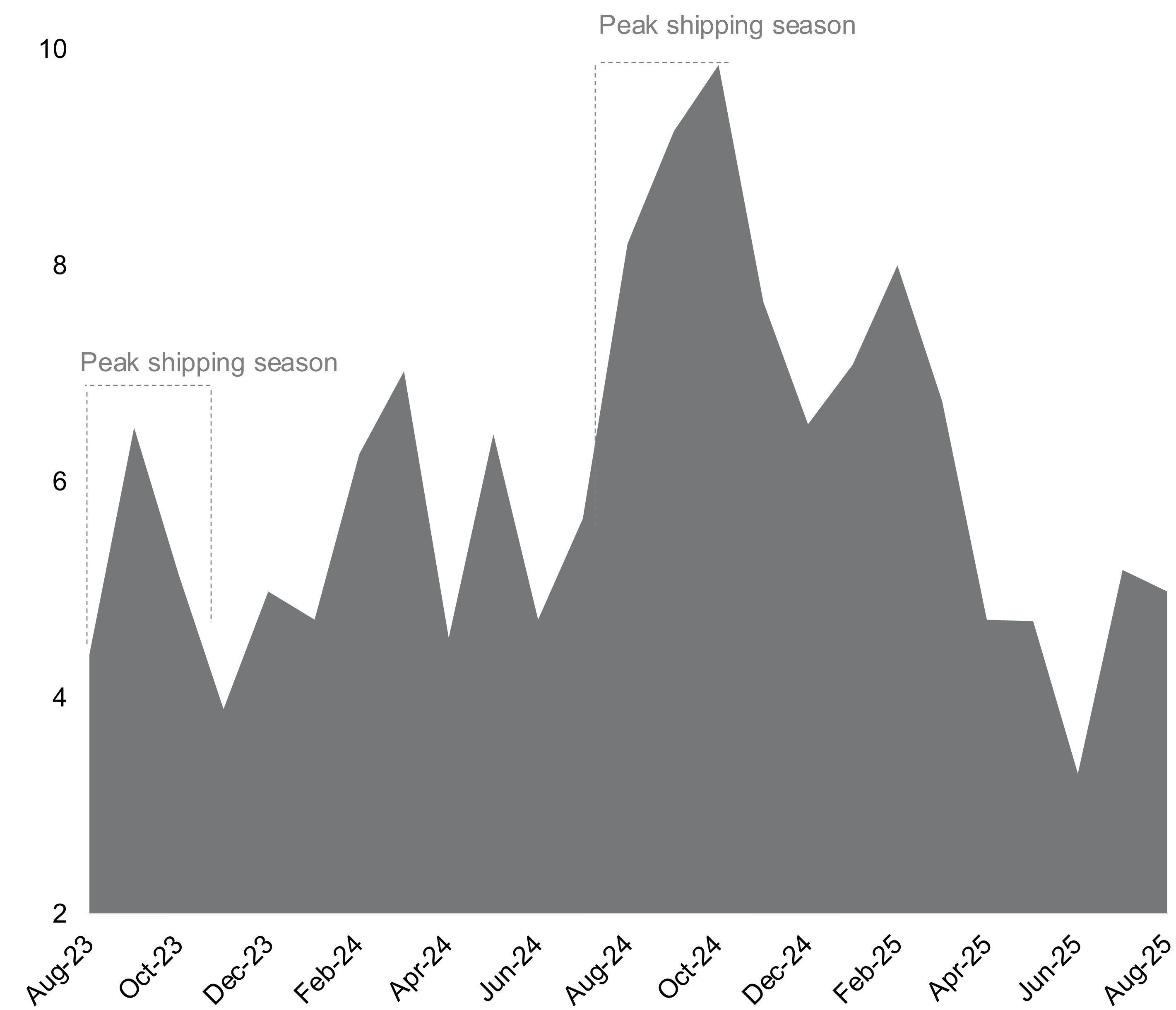
Southern California's Ports: Rail Dwell Times Higher Than Trucks

A fair share of import traffic at The Ports of Los Angeles and Long Beach consists of goods that are passing through to other U.S. markets. Truck dwell times would be much higher if domestic consumption was stronger and more goods were bound for Southern California's warehouses. Rail dwell times have been volatile in recent months, reflecting uneven import volume due to tariffs.

Truck-Bound Cargo Dwell Time (in Days) | Ports of Los Angeles and Long Beach



Rail-Bound Cargo Dwell Time (in Days) | Ports of Los Angeles and Long Beach

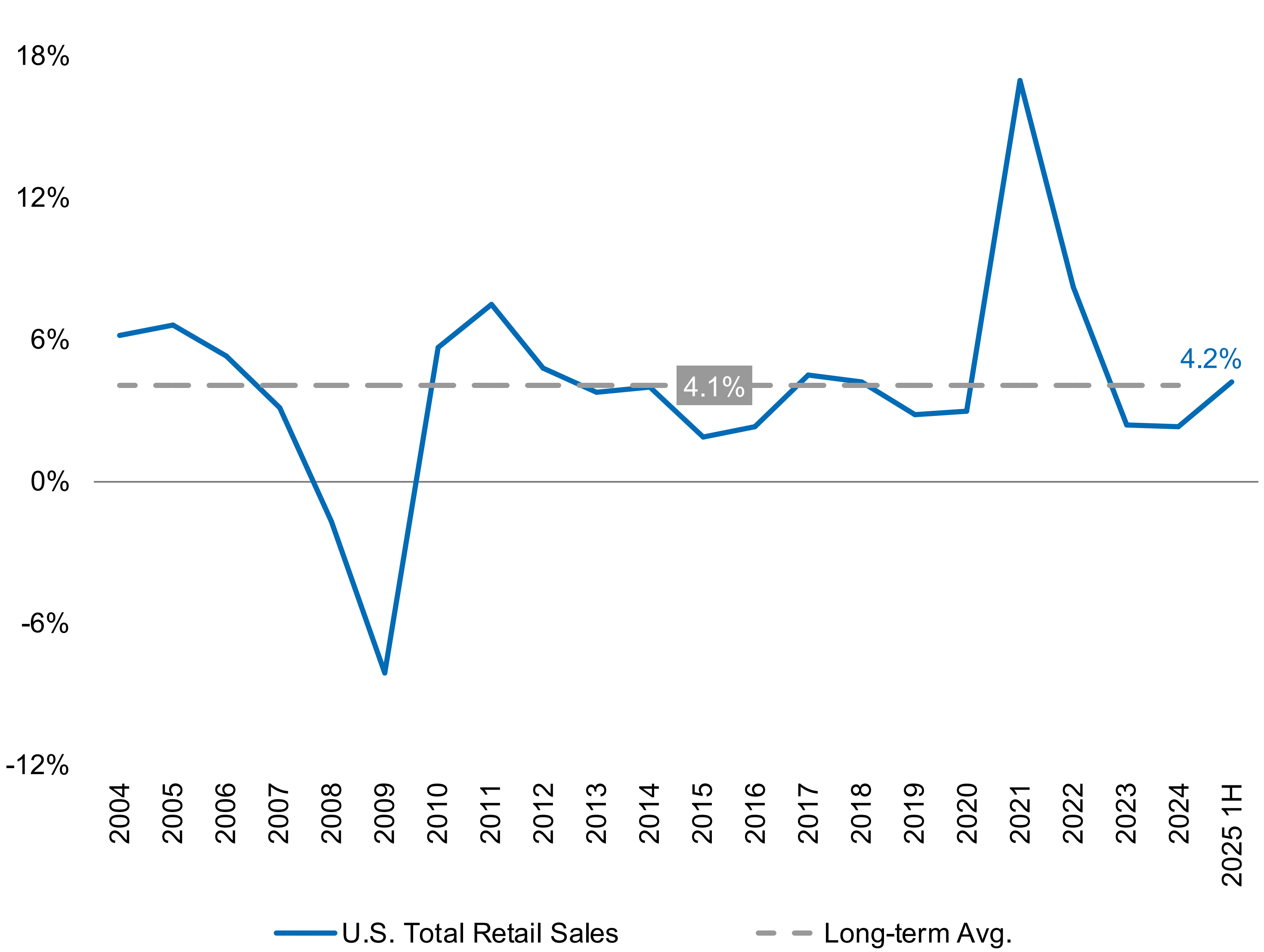


Source: Newmark Research, The Pacific Merchant Shipping Association (PMSA)
Note: Truck-bound cargo dwell time measures how long cargo waits after being unloaded from ships to being placed on an outbound vehicle.

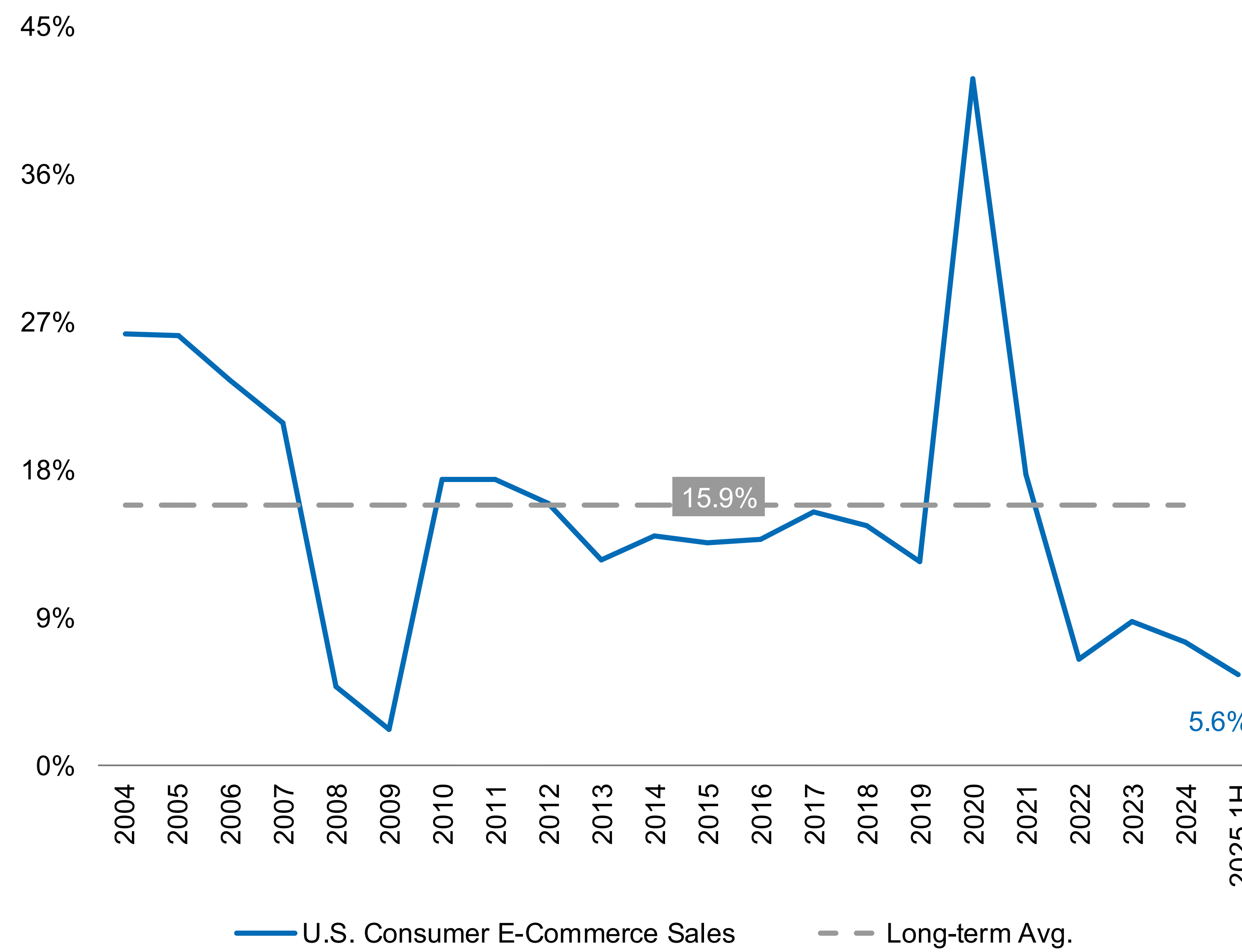
Retail Sales (an Indicator of Warehouse Demand) Up, But Projected to Slow

Overall retail sales were up 4.2% in the first half 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 (+5.6% 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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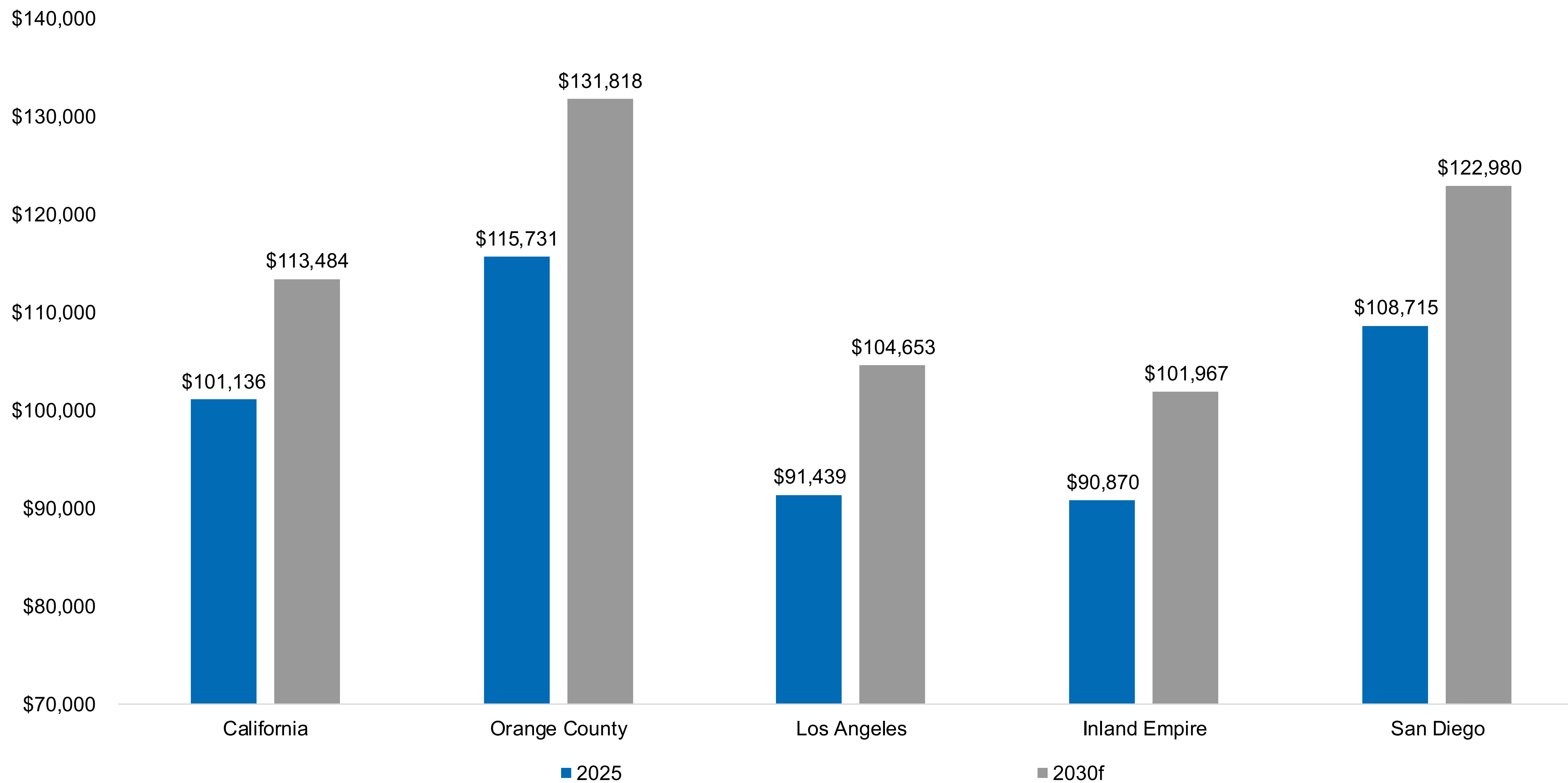
U.S. Consumer Confidence is Down

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.

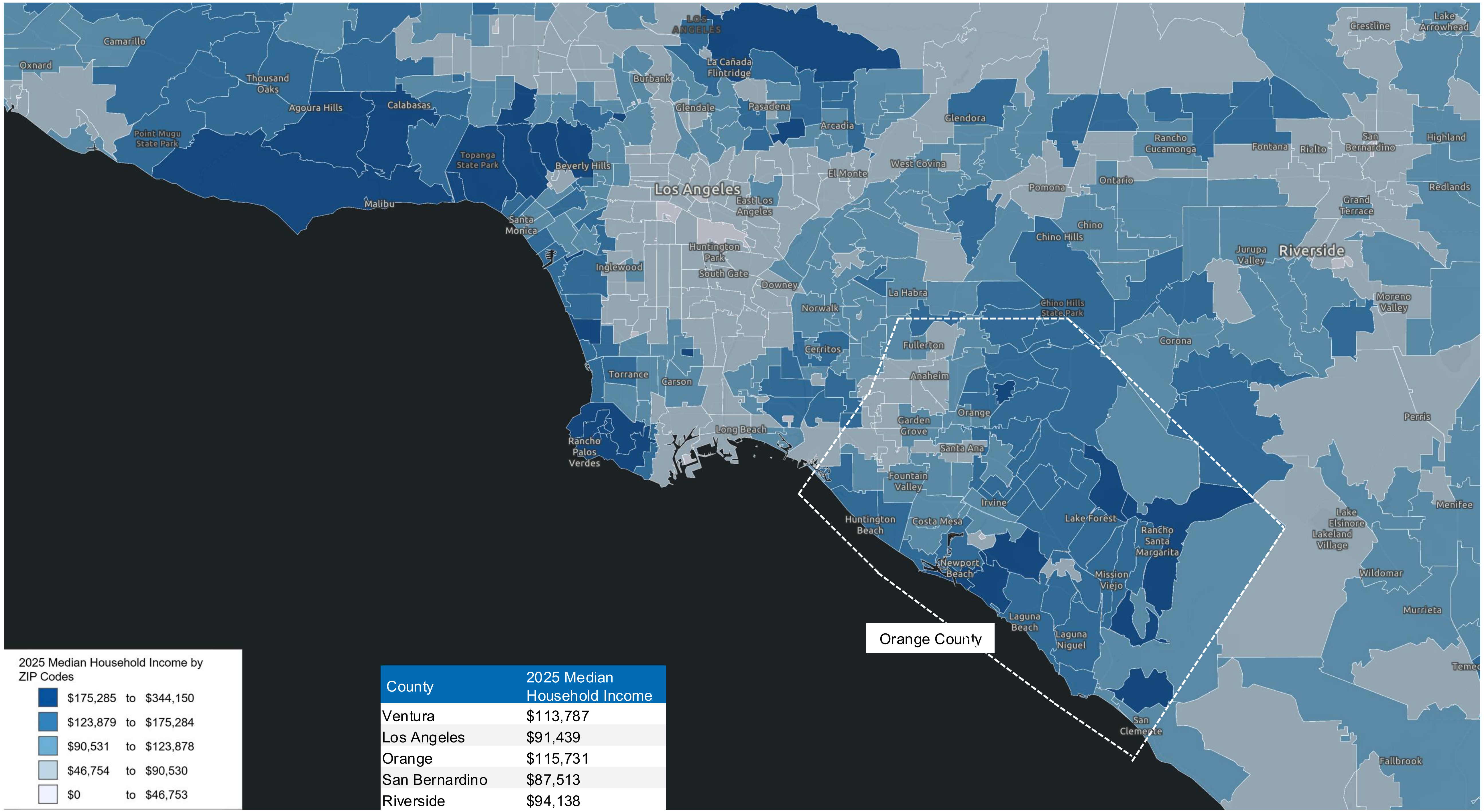
Southern California Median Household Income: 2025 vs. 2030 Projections



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.



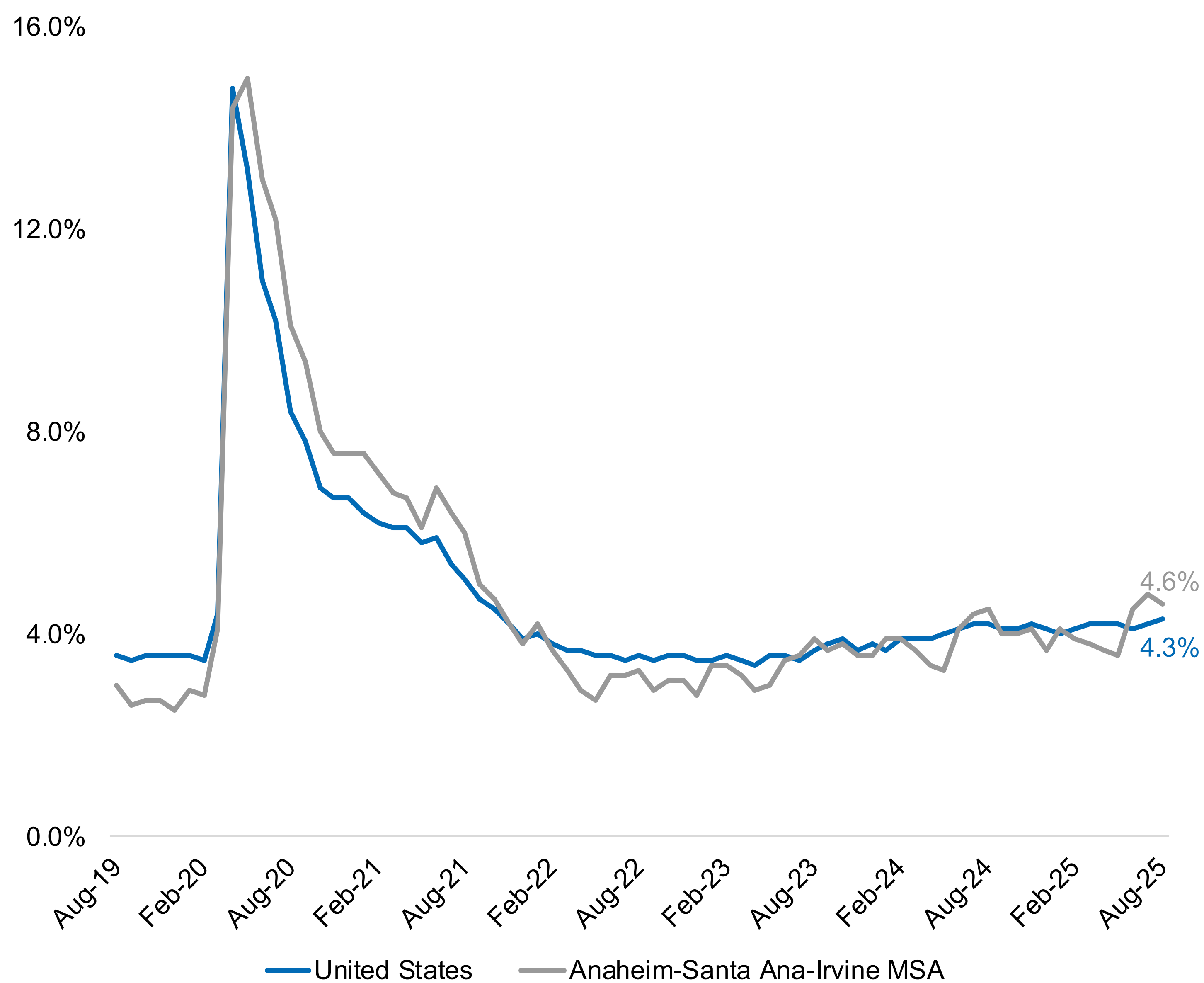
County	2025 Median Household Income
Ventura	$113,787
Los Angeles	$91,439
Orange	$115,731
San Bernardino	$87,513
Riverside	$94,138

Source: Newmark Research, ESRI

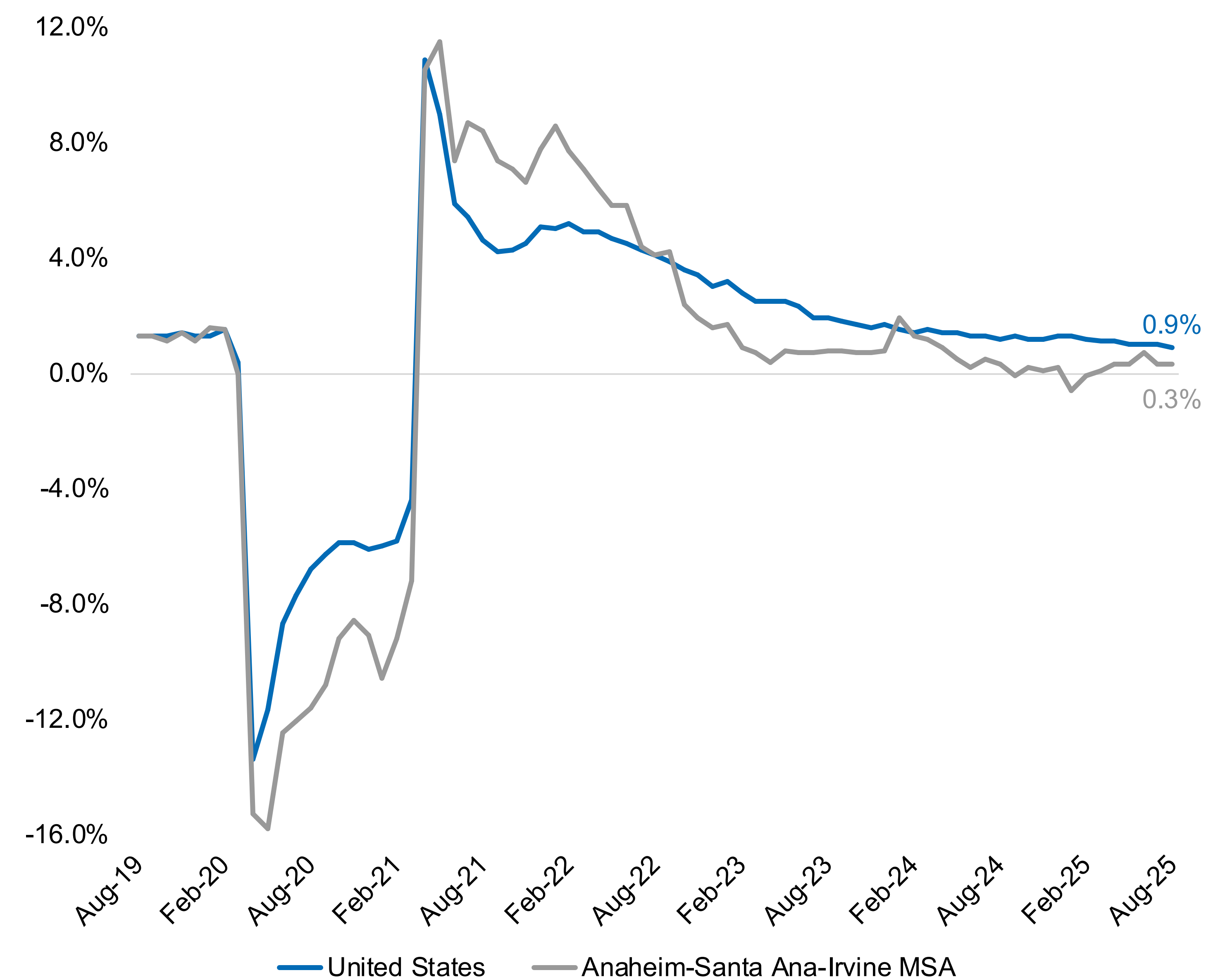
Local Employment Growth Is Stagnant

Local unemployment jumped 100 basis points from May to August (4.6%) 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

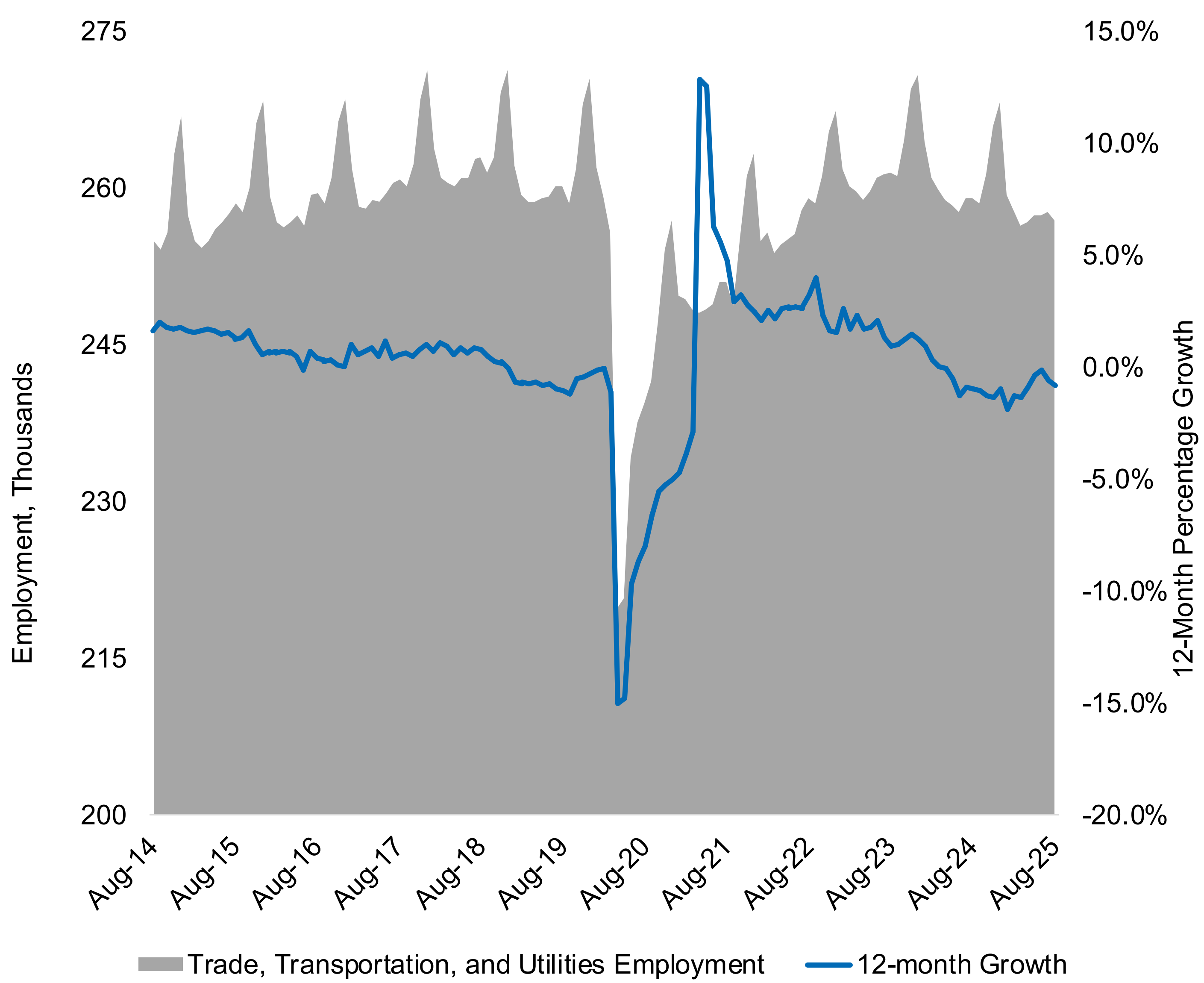


Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA
Note: August 2025 data is preliminary.

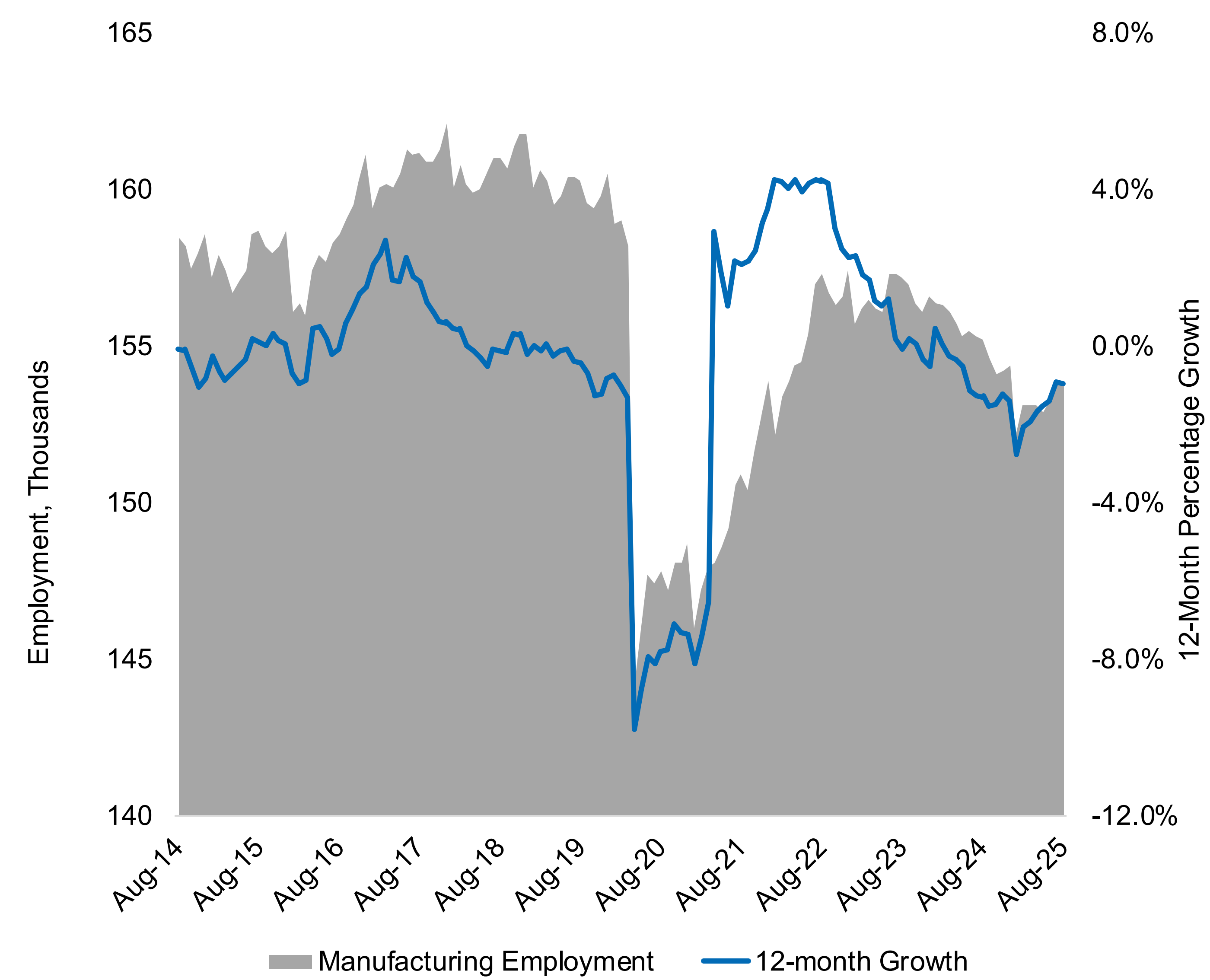
Manufacturing Sector Driving Down Industrial Employment

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: August 2025 data is preliminary.

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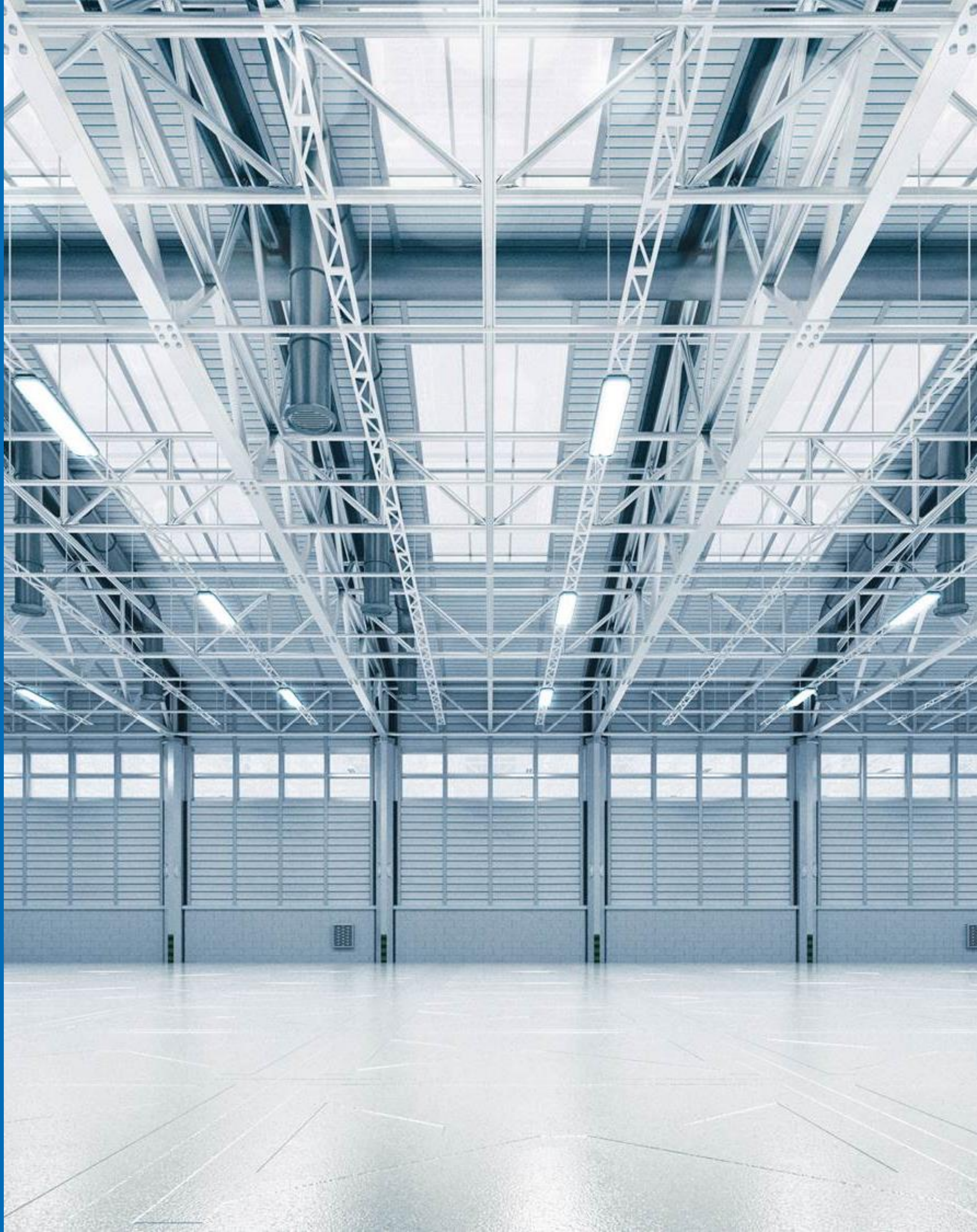
Leasing Market Fundamentals



Contract Rents Continue to Adjust

Inland Empire Luring Orange County Tenants With Lower Asking Rents

Modern Supply is More Readily Available in the Inland Empire

Term Lengths Are Trending Up After Declines in 2022-2023

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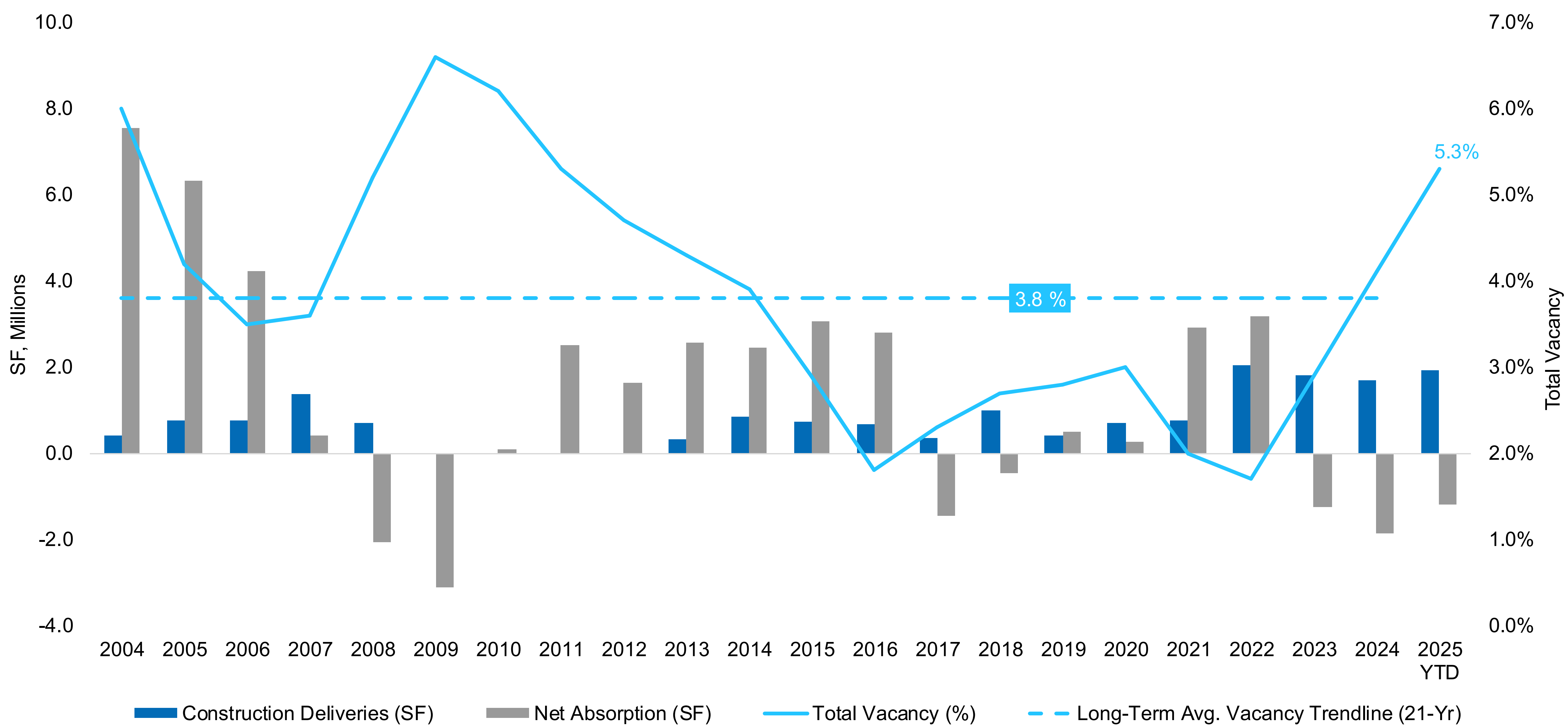
Vacancy Reaches Highest Level Since 2011

Vacancy surpassed the 21-year average after incurring absorption losses in eight out of 11 past quarters but remains below the peak of 6.7% seen in 2010. This quarter, the market posted 703,353 SF of net absorption losses that was met with 648,796 SF in construction deliveries, accelerating vacancy's upward trajectory. On a year-to-date basis, net absorption totals -1.2 MSF, versus 1.9 MSF in construction deliveries.

Historical Construction Deliveries, Net Absorption, and Vacancy

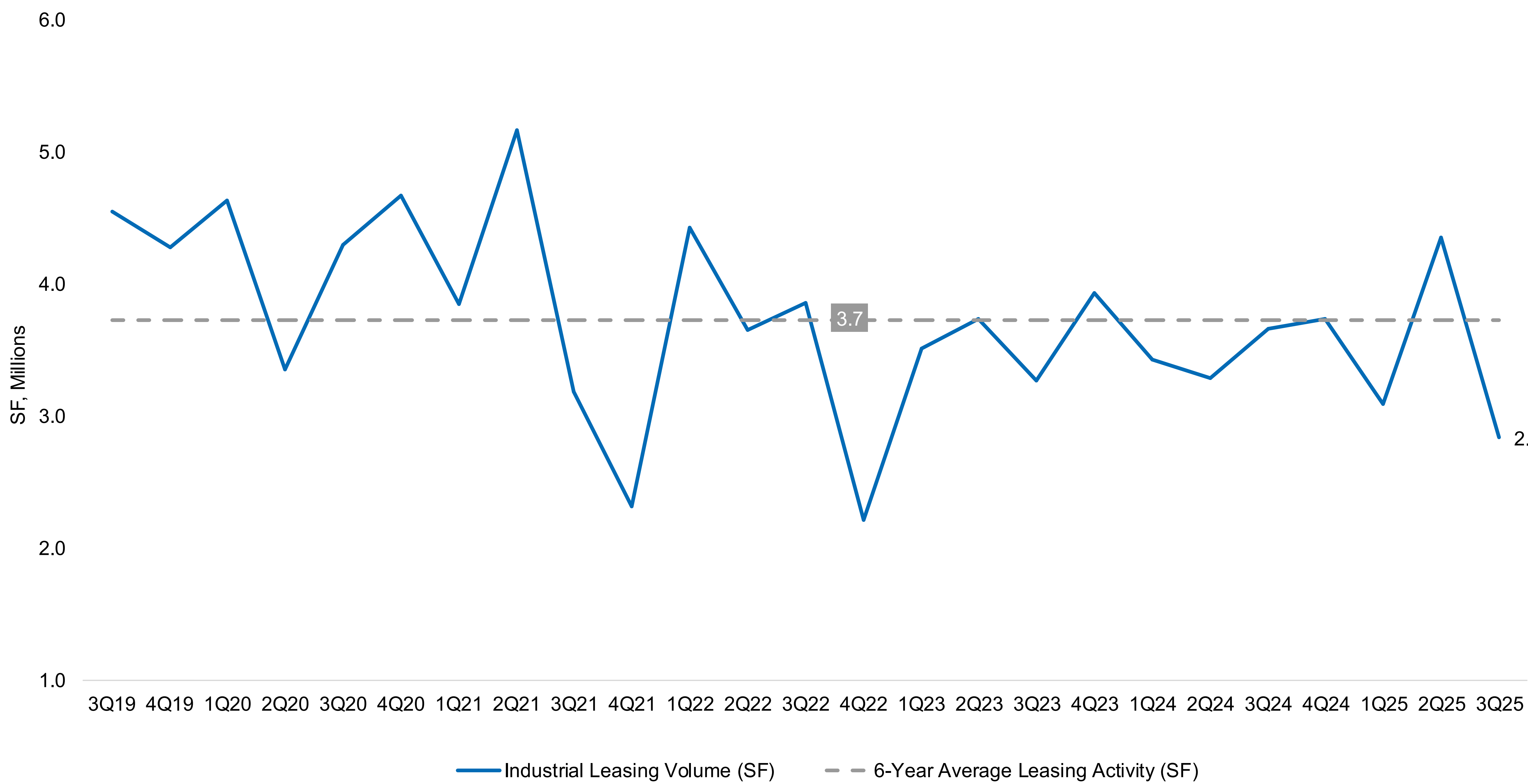


Source: Newmark Research

Leasing Activity Falls Below Six-Year Average

Leasing activity dropped to its lowest level in three years and is subdued compared to leasing volumes seen during the pandemic. Measured retail sales growth, economic uncertainty surrounding tariffs, and high business costs are prompting tenants to downsize, which will lead to lower leasing figures in the quarters ahead.

Total Leasing Activity (MSF)



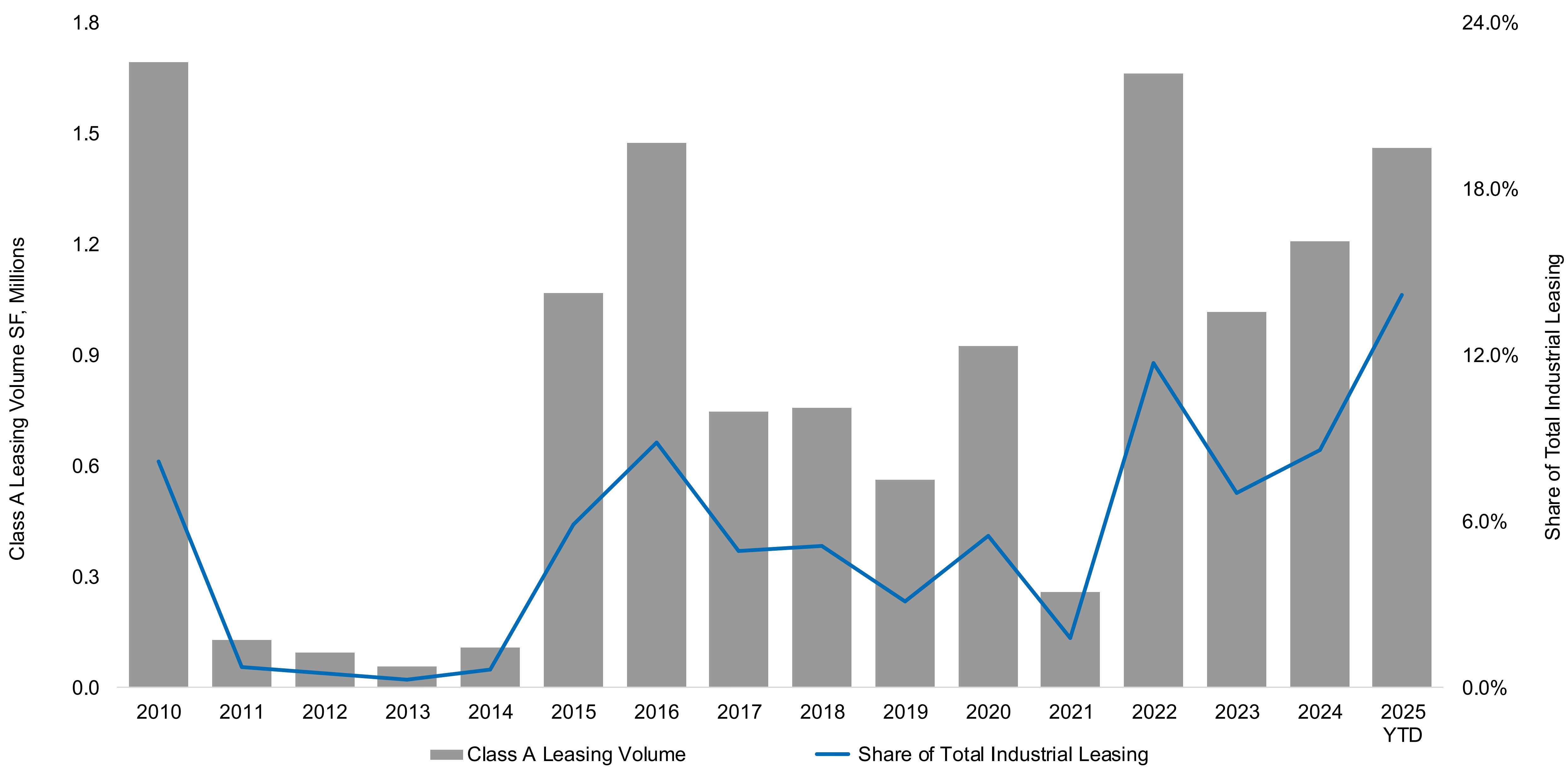
Source: Newmark Research, CoStar

Pre- and Post-Covid Annual Leasing Averages are Worlds Apart

Boost in Class A Leasing Activity Year-to-Date

Class A leasing activity jumped in 2025, accounting for 14.2% of all leasing activity year-to-date. The top contributors of the quarter include new leases for Anduril at 3100 Harbor Blvd (162,656 SF) and Line Drive Trucking at 3071 E Coronado St (105,173 SF).

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

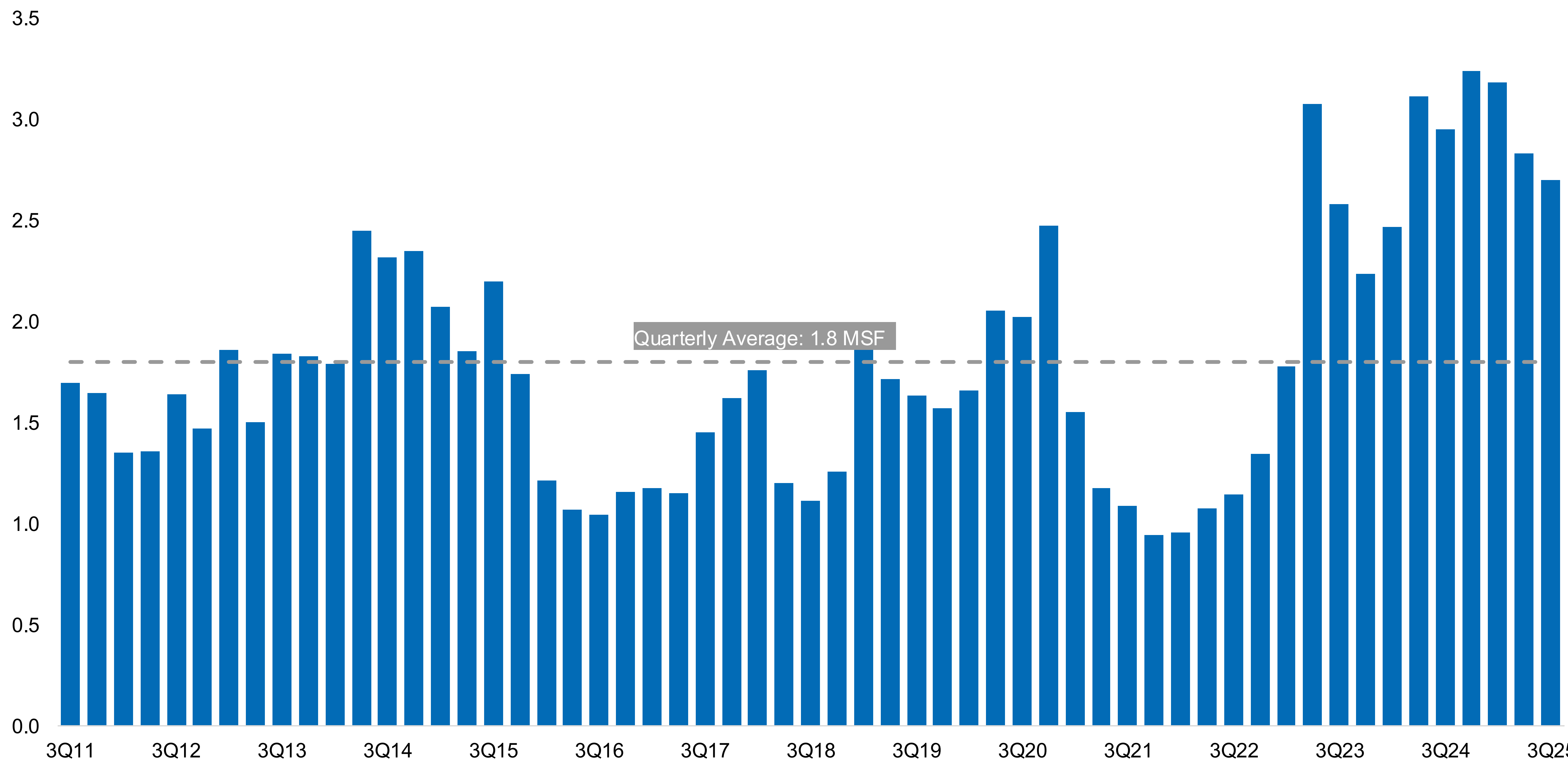


Source: Newmark Research, CoStar

Sublease Availability Tapering Off

The drop in sublet availability is attributed not only to leasing activity but also to listings being withdrawn or converted to direct space. This quarter, Freeman Decorating's 128,794-SF listing at 3454 E Miraloma Ave was withdrawn. The largest sublease of the quarter was signed by Bio-Rad Laboratories at 7 Holland for 26,512 SF.

Available Industrial Sublease Volume (MSF)

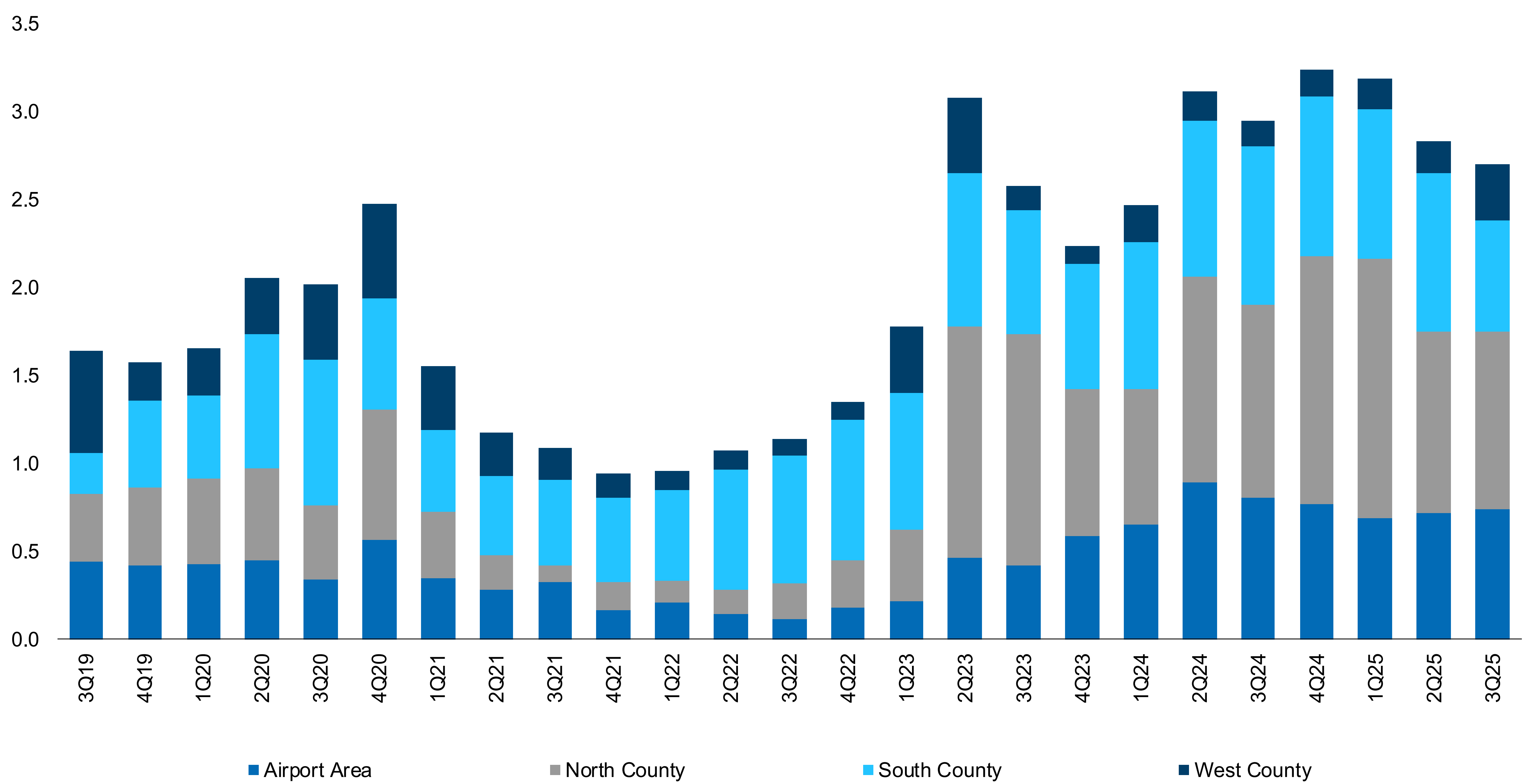


Source: Newmark Research

Bulk of Sublet Availability Originating from North County

North County's available sublease space accounts for 37.5% of the greater market's total. Historically, North County sublease offerings were limited despite comprising 39.7% 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 Berger Allied (91,116 SF).

Available Sublease Space (MSF), By Submarket

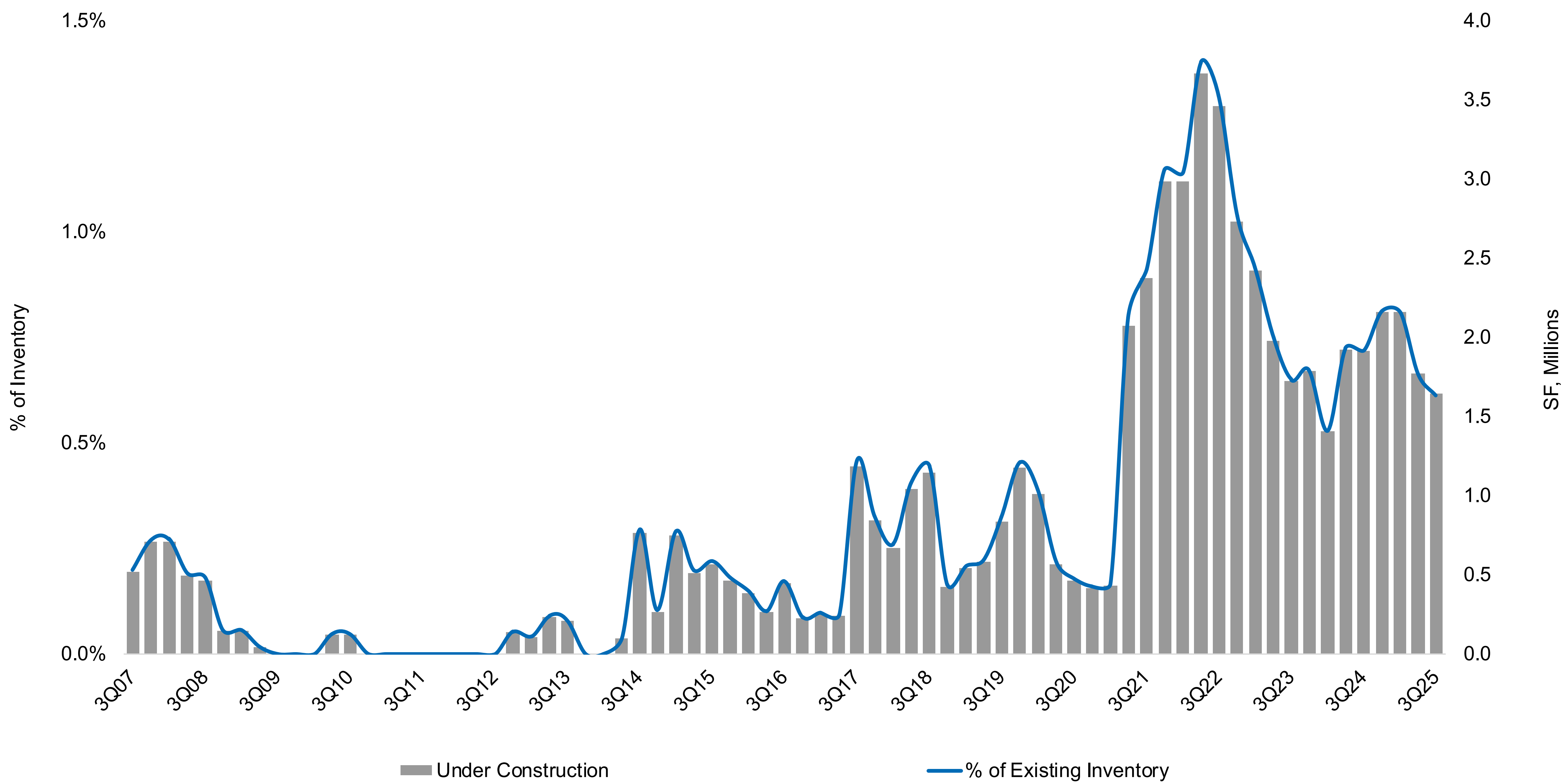


Source: Newmark Research

Elevated Under-Construction Levels Gradually Normalizing

An additional three projects broke ground this quarter while six others delivered, bringing the under-construction total to 1.6 MSF across 11 development projects, all of which remain fully available save the Lake Center development leased by Anduril. 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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This Quarter's Top Leases Occurred in All Submarkets

This quarter's top deals originated from all submarkets, the largest of which was based in the Airport Area. 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
Anduril	3100 S Harbor Blvd	Airport Area	Direct Lease	162,656
The defense technology company has been expanding rapidly recently; this is their third industrial lease of the year in Orange County.				
Line Drive Trucking	3071 E Coronado St	North County	Direct Lease	105,173
The Anaheim-based logistics company signed a new lease at the newly-constructed warehouse facility.				
Harbor Distributing	5600 Argosy Ave	West County	Direct Lease	104,678
This marks the distributor's second location in Orange County and fourth in Southern California.				
Intellian Technologies	19531 Pauling	South County	Direct Lease	75,507
This location will serve as an extension to the satellite company's headquarters in the Irvine Spectrum.				
Intertrade Industries	14600 Hoover St	West County	Lease Renewal	74,107
The plastics manufacturing company has been at this location since 2012 and has committed to an additional five years.				

Source: Newmark Research

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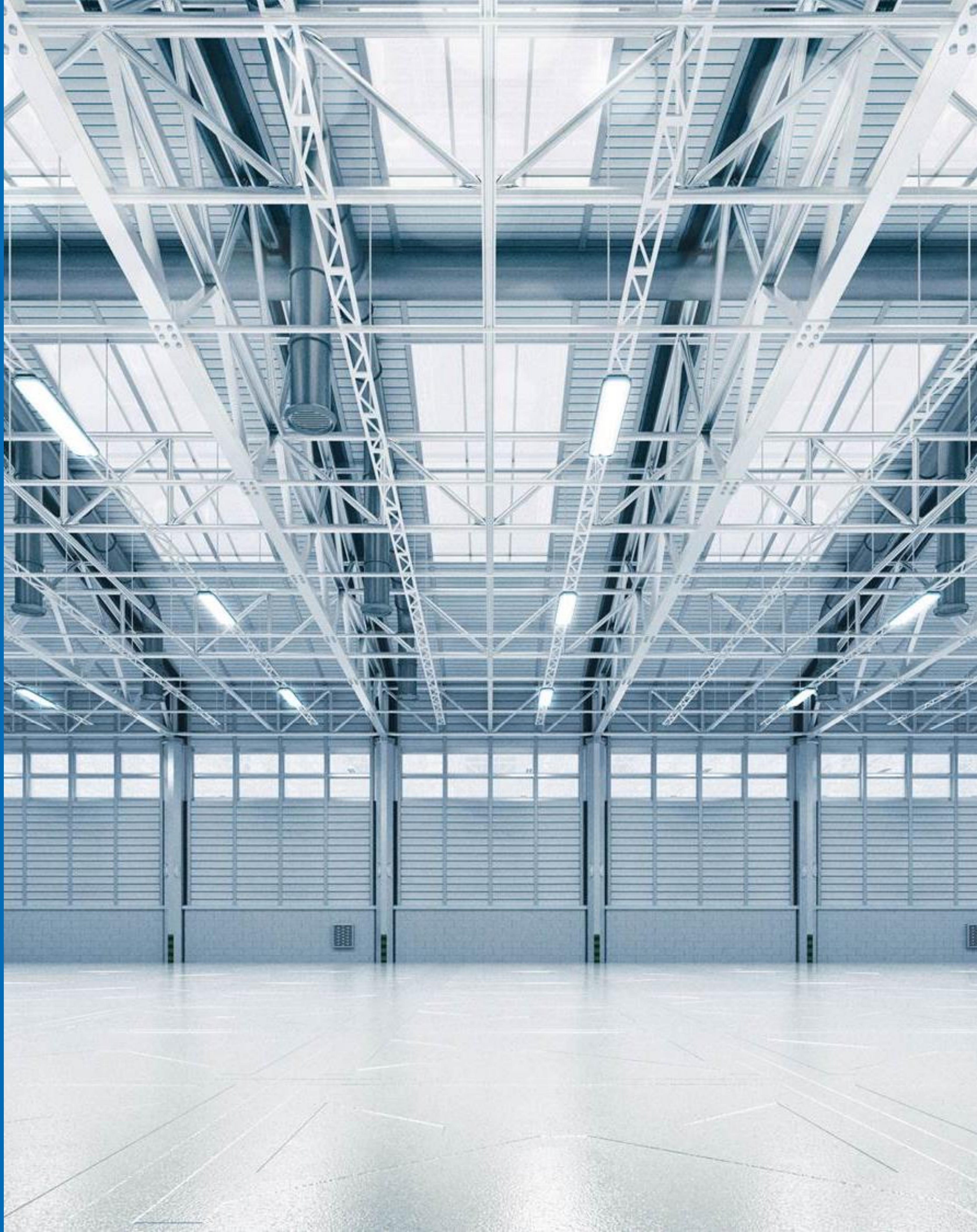
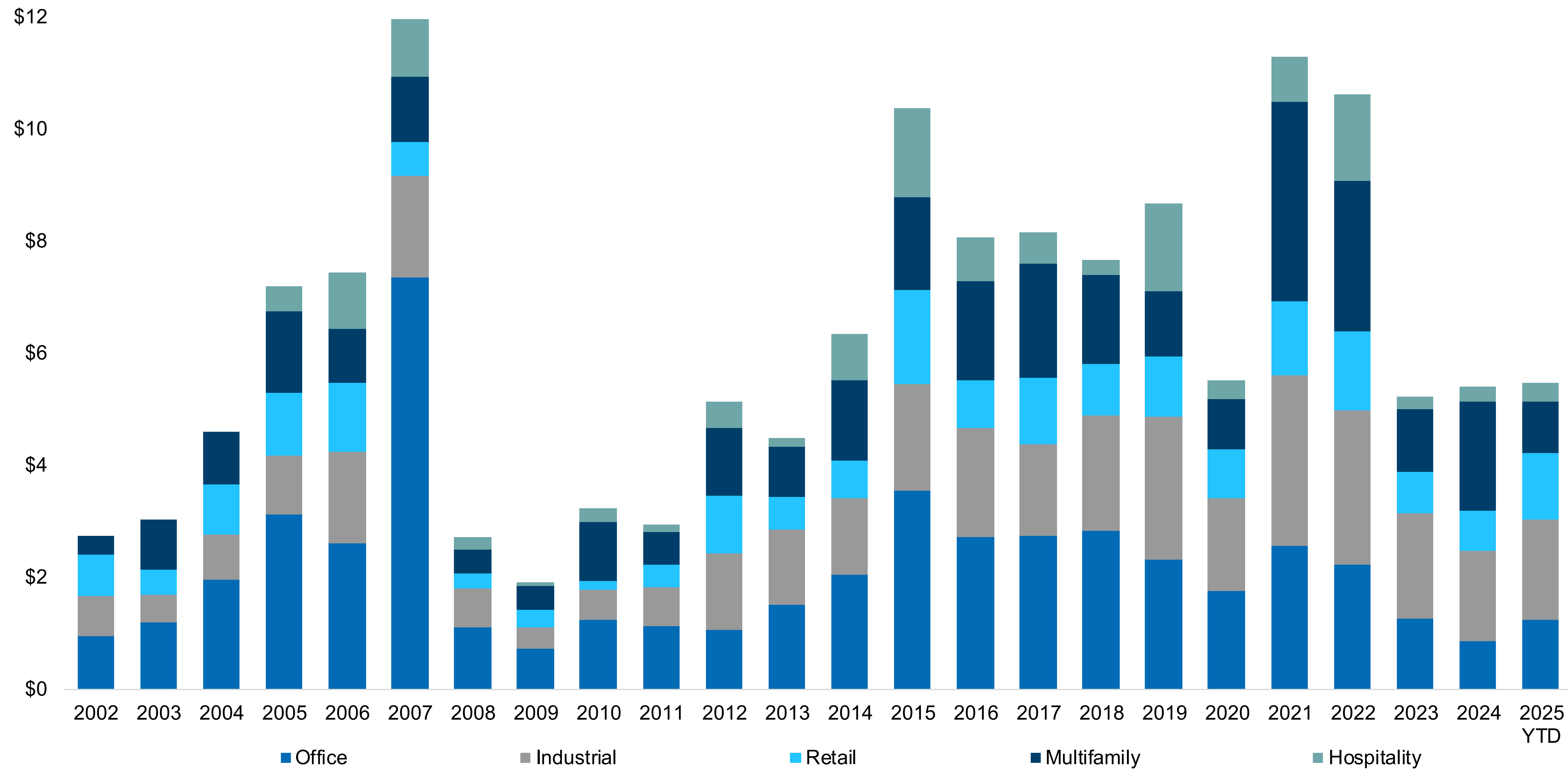
Sales Activity



Industrial Comprised 32.9% 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)

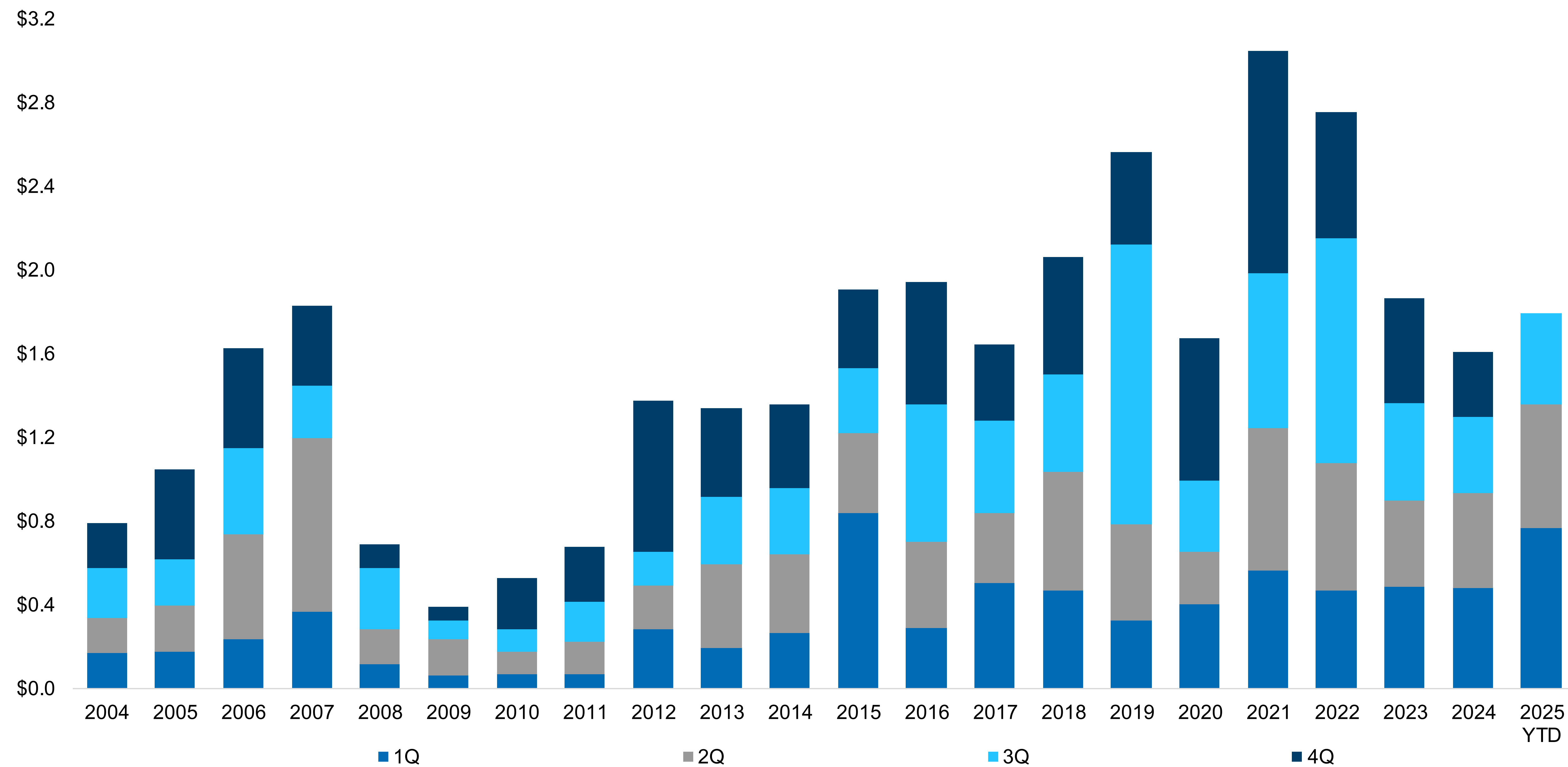


Source: MSCI Real Capital Analytics, Newmark Research
Note: Preliminary data is cited for the third quarter of 2025.

Industrial Sales Activity Picking Up

Industrial sales volume totaled $1.8 billion 2025 year-to-date, exceeding the annual total for the previous year. Interest rate cuts are driving recent investments; however, with the newly imposed tariffs already causing economic instability, sales activity is expected to fluctuate.

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



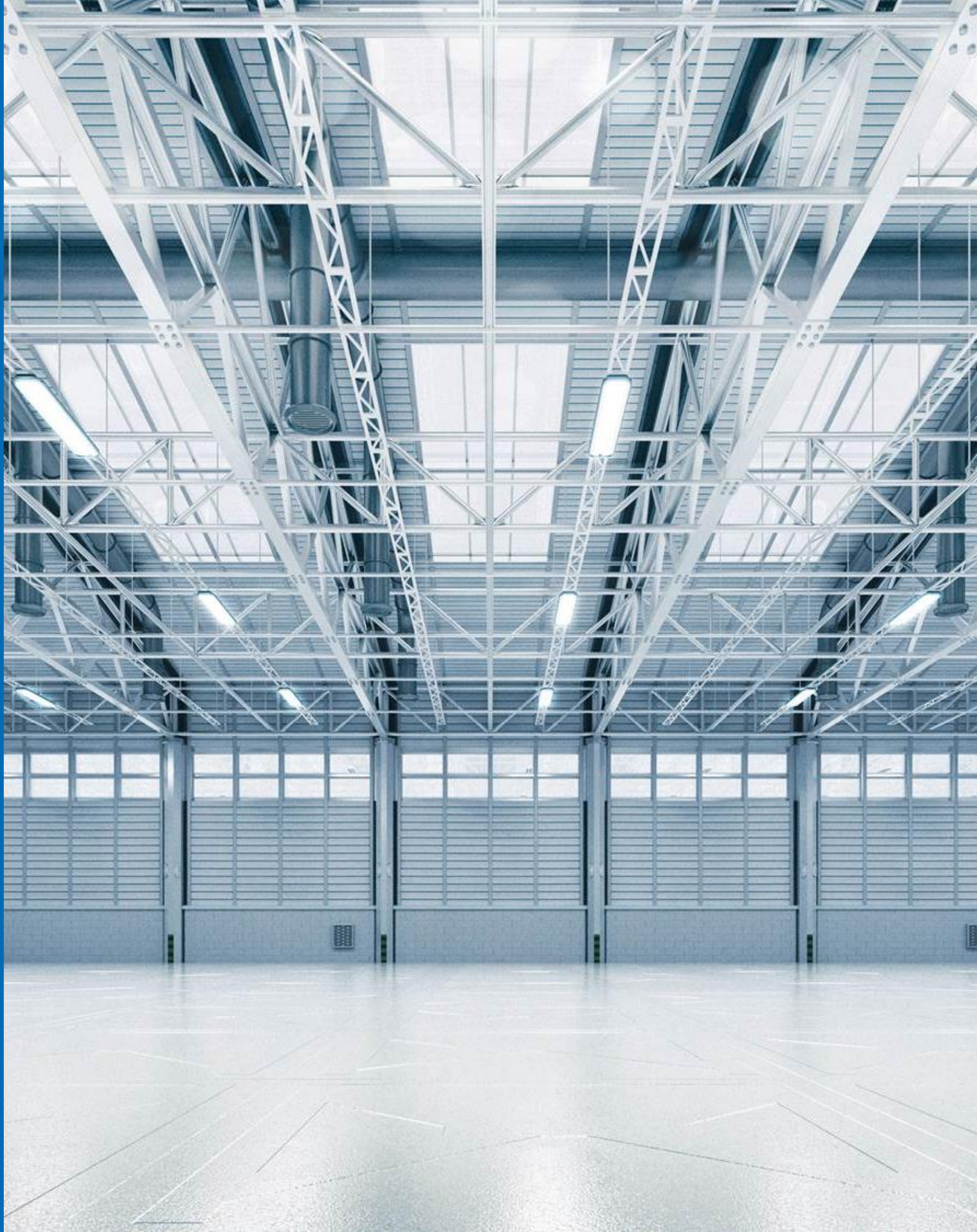
Source: Newmark Research, MSCI Real Capital Analytics
Note: Preliminary data is cited for the third quarter of 2025.

Pricing Exceeds 2022’s Peak, While Cap Rates Hold Steady

Private and Institutional Buyers Most Active

3Q25

Appendix



Orange County Submarket Map and High-Level Statistics | 3Q25

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Orange County Submarket Statistics | 3Q25 (page 1 of 3)

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Orange County Submarket Statistics | 3Q25 (page 2 of 3)

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Some Underperforming Office Properties Will Find New Life

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

Assembly Bill 98 Adds Regulations on Warehouse Development in the State

WAIRE: Program Summary and Implications for Industrial

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

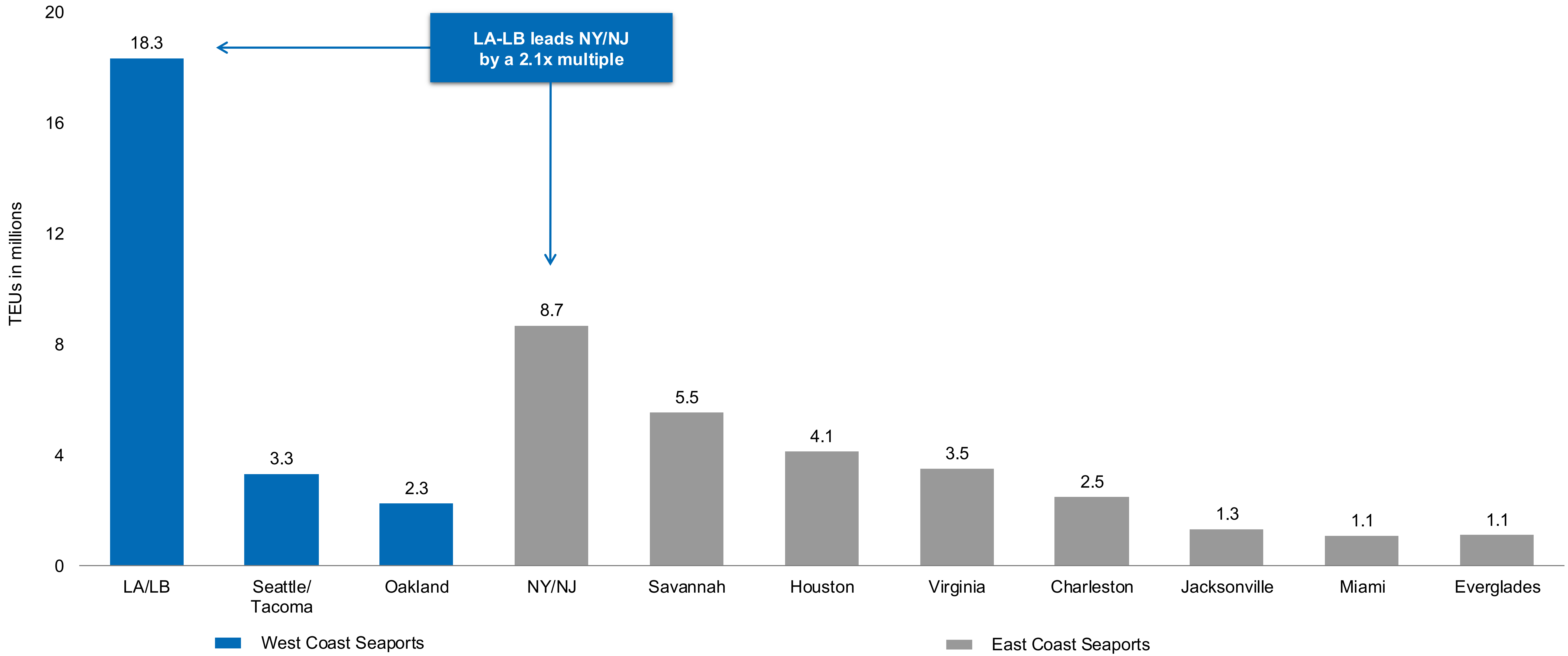
Rank	Seaport	2024 Volume (TEUs, in millions)
11	Port Kelang, Malaysia	14.6
12	Rotterdam, The Netherlands	13.8
13	Hong Kong, China	13.7
14	Antwerp-Bruges, Belgium	13.5
15	Tanjung Pelepas, Malaysia	12.3
16	Xiamen, China	12.3
17	Tanger Med, Morocco	10.2
18	Laem Chabang, Thailand	9.5
19	Kaoshiung, Taiwan	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 has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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