

Orange County Industrial Market Overview



Market Observations

Economy

- Local unemployment reached 4.4% in September compared to the last three years' average of 3.8%. Nationally, unemployment reached its highest level in four years.
- 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 tariffs this year. 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 PaperMart for 246,732 SF. The packaging company was an owner-occupier at 2164 N Batavia St in Orange until it sold the warehouse facility to a joint-venture between Lincoln Property Co. and Artemis Real Estate in October. A short-term sale leaseback was signed. The sale also marks the largest of the quarter, coming in at \$69.6 million or \$279/SF.
- Mission Critical, a local electronics company, signed a lease expansion for its 89,940-SF headquarters at 1580 Sunflower Ave in Costa Mesa. The tenant expanded its footprint at the warehouse facility by 38,000 SF.
- Robinson Pharma acquired a brand-new 82,241-SF warehouse facility for \$40.7 million, or \$495/SF in an owner-user transaction. The property, located at 3130 S Fairview St in Santa Ana, delivered last year.



Leasing Market Fundamentals

- This quarter marks the third in net absorption gains in the last 12 quarters, bringing the total to 359,103 SF. The top three move-ins of the quarter, which originate from South County, North County and Airport Area, totaled 379,673 SF alone.
- Vacancy (5.2%) is 230 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 the second lowest in the Southwest behind Los Angeles.
- After experiencing rapid growth and reaching an all-time high of \$1.65/SF NNN three years ago, asking rents dropped to \$1.51/SF NNN.
- Under-construction activity dropped to 1.3 MSF after four projects totaling 462,128 SF delivered. Nearly 30% of underway space has pre-leased to-date.

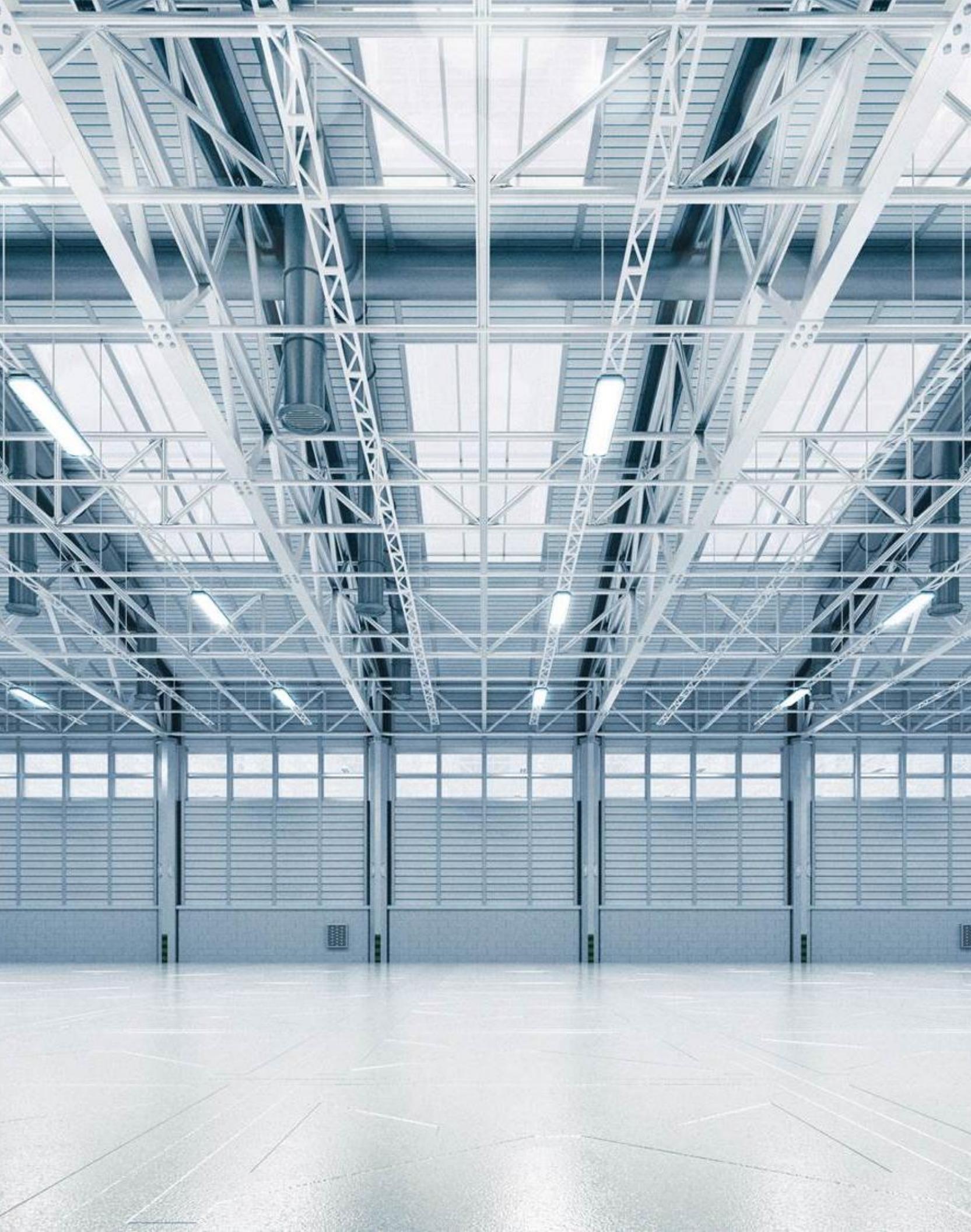


Outlook

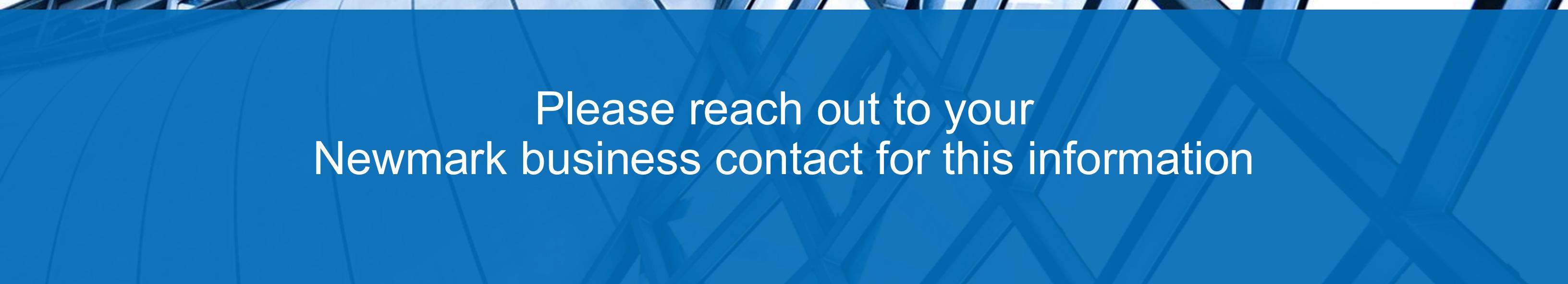
- Rent declines will be slower than neighboring markets, due to Orange County's smaller inventory set, and its high-earning consumer base that is attractive to all final-mile distributors. These factors also appeal to developers and investors.
- Vacancy will increase in the quarters ahead as more tenants enact cost-cutting measures and new speculative construction delivers vacant.
- Leasing market fundamentals are expected to fluctuate amid rising vacancy and slower rent growth, shifting some leverage toward tenants. Tariffs, inflation and elevated interest rates are creating uncertainty which is leading some occupiers to opt for short-term leases until the dust settles. Sales activity will also be impacted.

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



Ocean Container Spot Rates Have Been Volatile

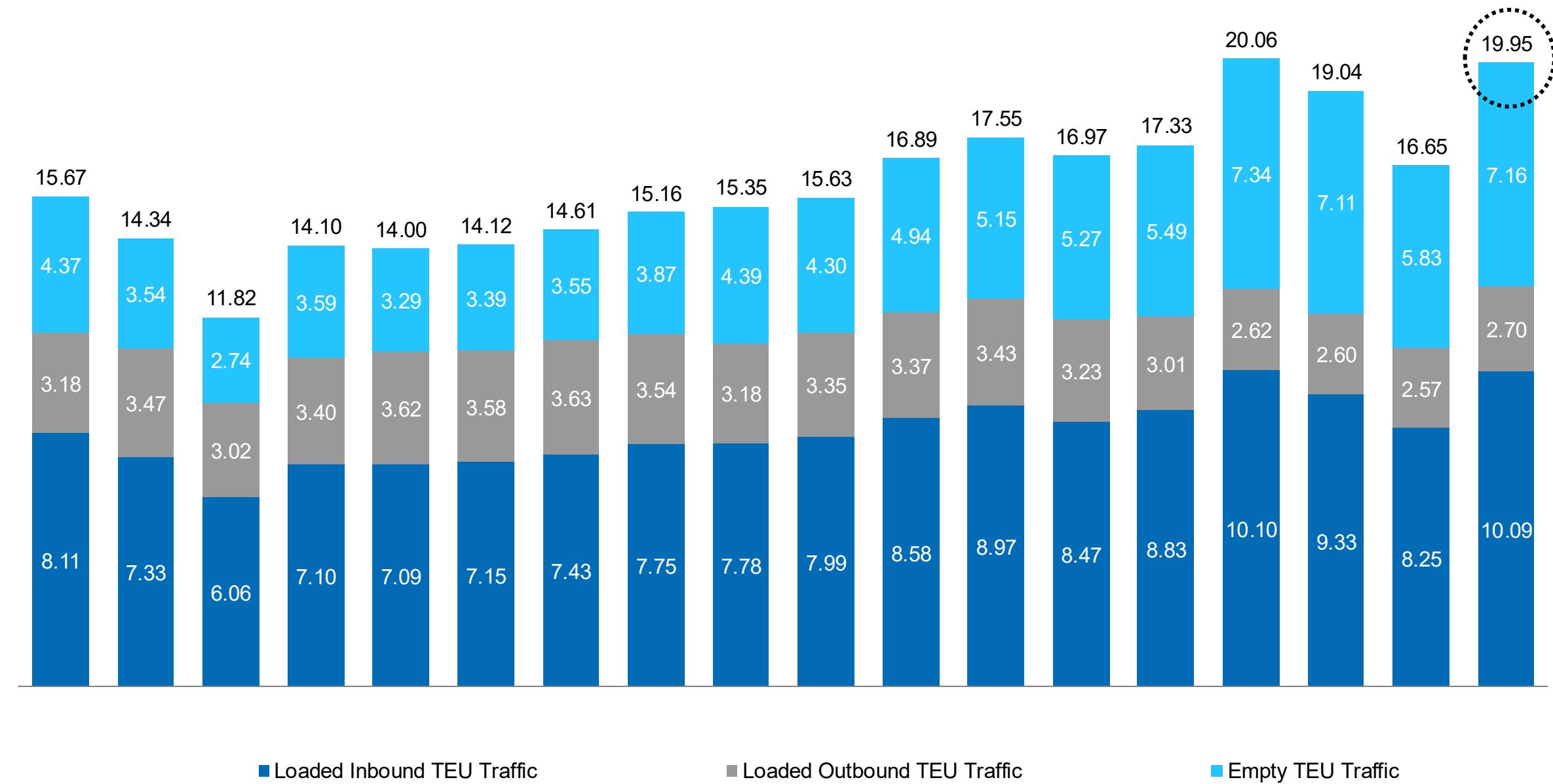


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Southern California's Ports: 2024 Was the Second Busiest Year on Record

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



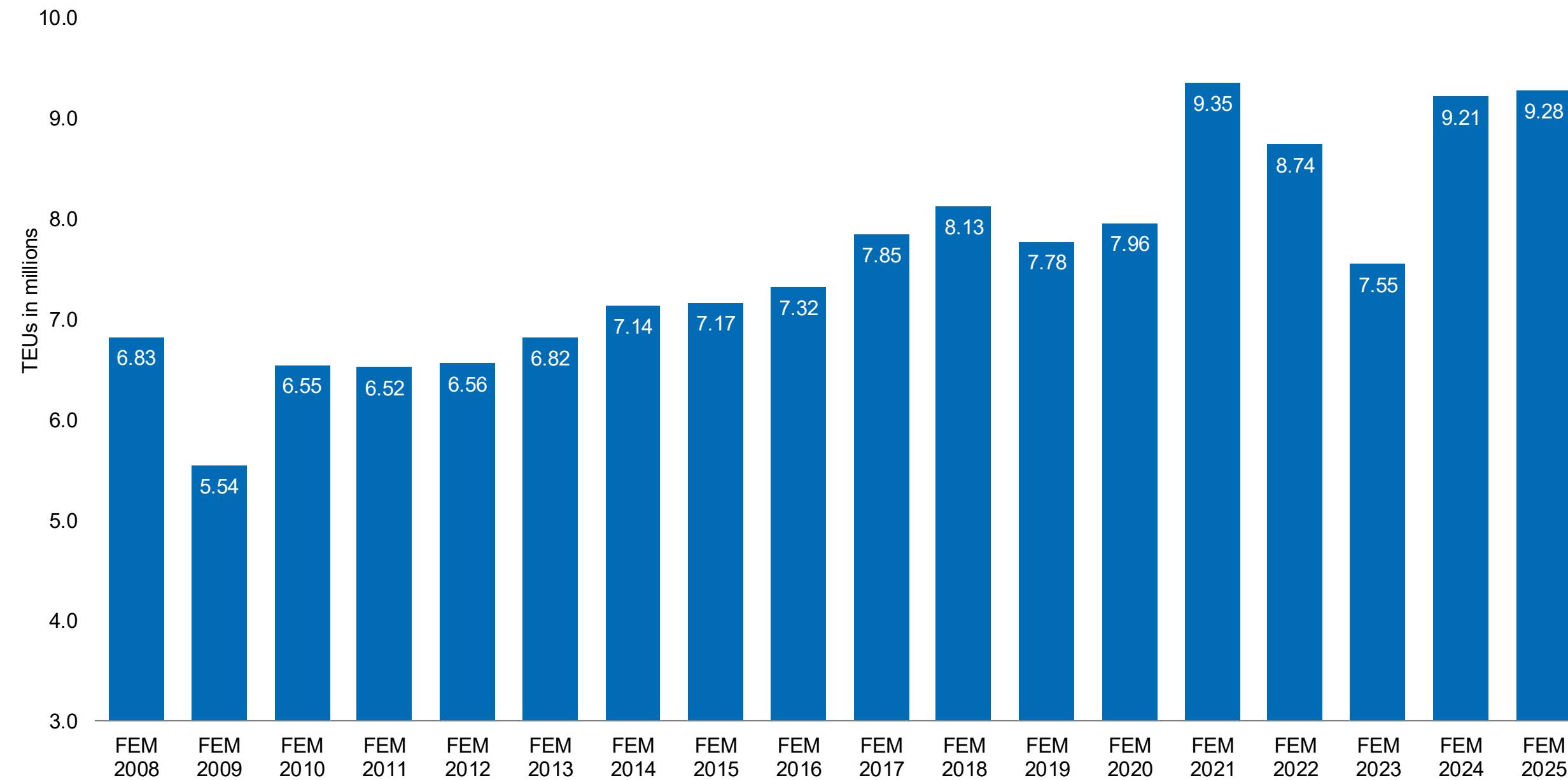
Source: Newmark Research, The Port of Long Beach and Los Angeles

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 Eleven Months of 2025 Second Highest on Record

Still-healthy U.S. retail sales and the cat-and-mouse game of frontloading imports before new (and ever-changing) tariffs from the Trump administration went into effect shaped 2025's year-to-date figure.

The Ports of Los Angeles and Long Beach: Loaded Imports | First Eleven 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.

2025 Monthly Import Volume Was Volatile Due to Ever-Changing U.S. Tariff Policies

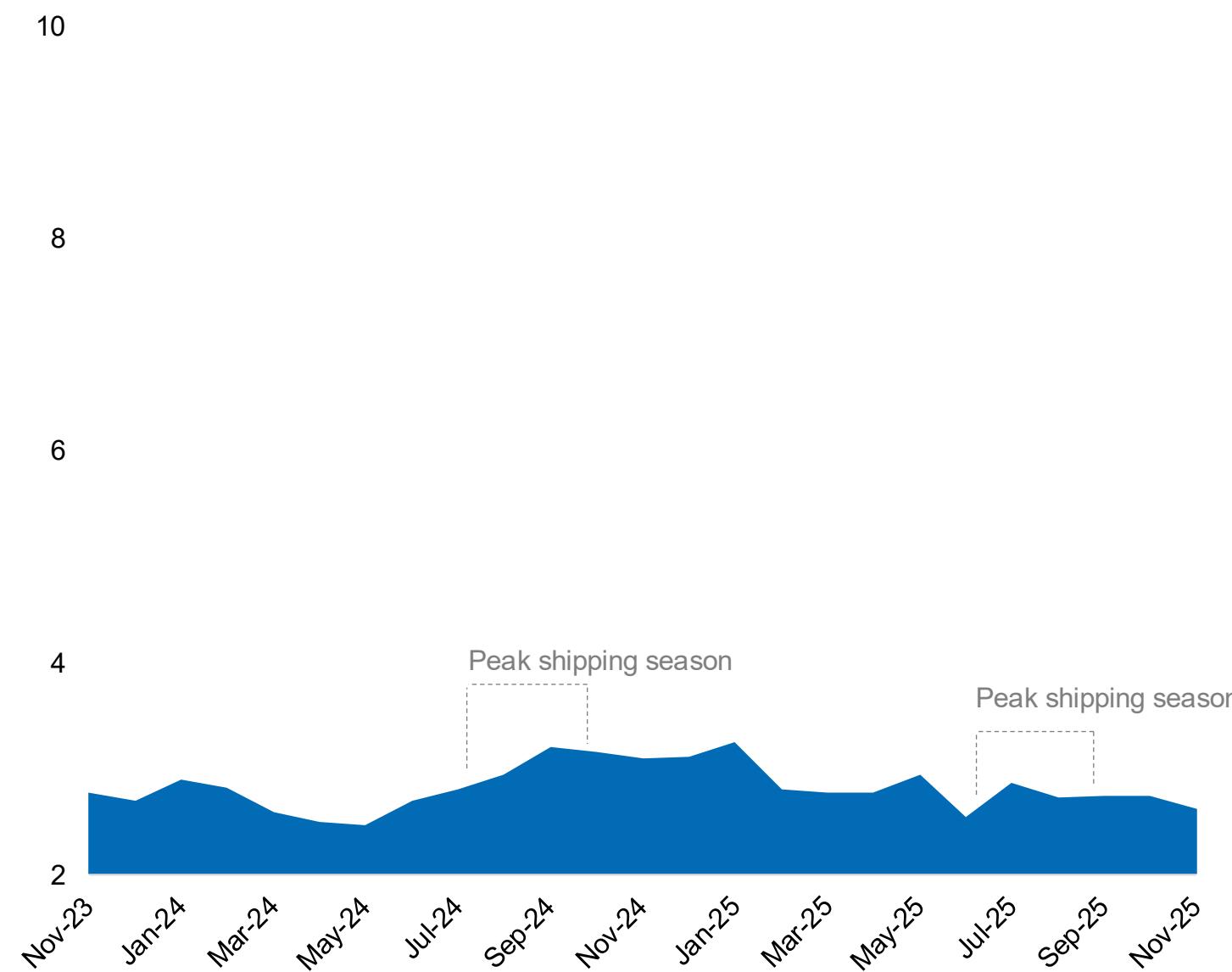


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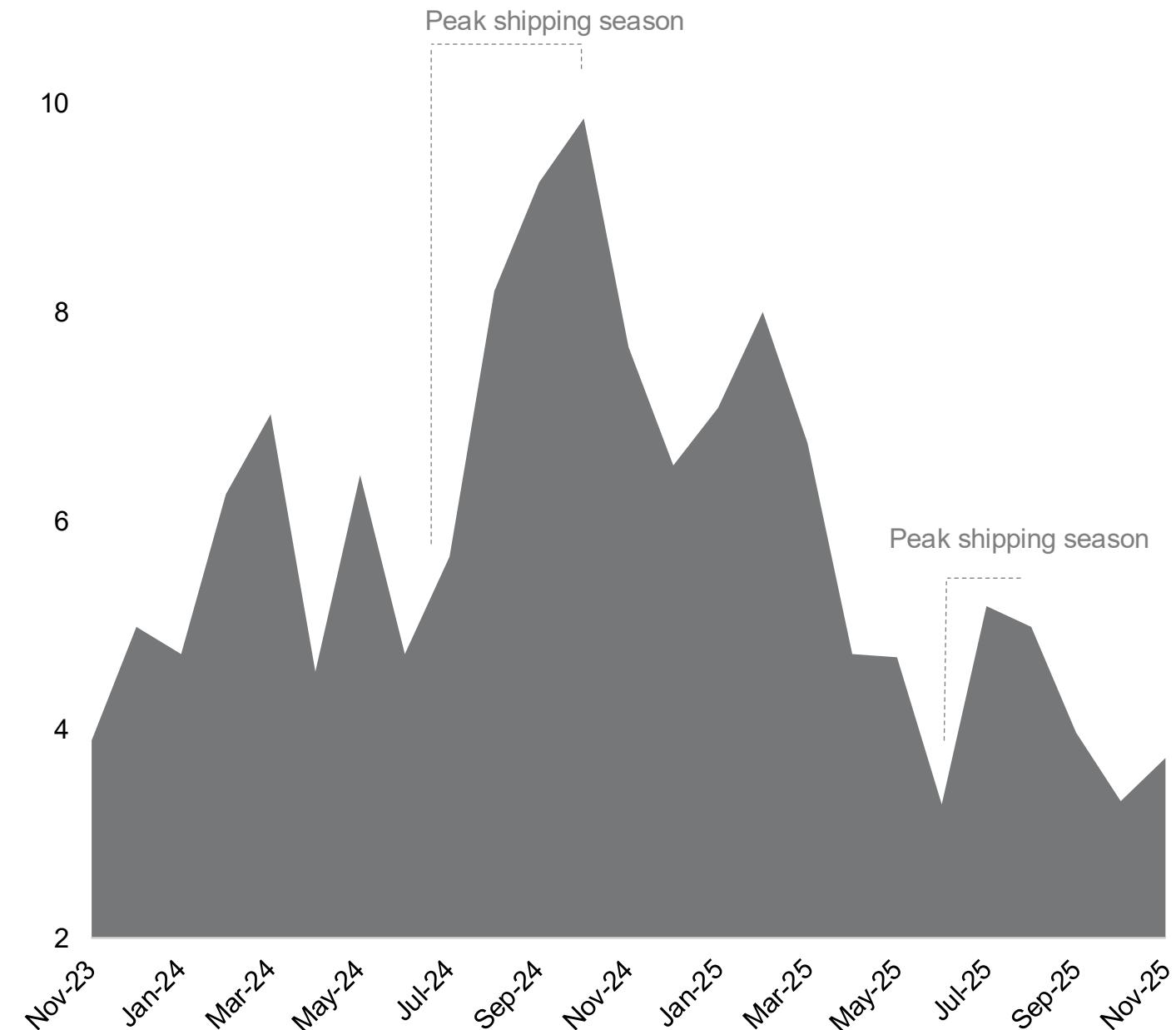
Southern California's Ports: Rail Dwell Times Higher Than Trucks

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



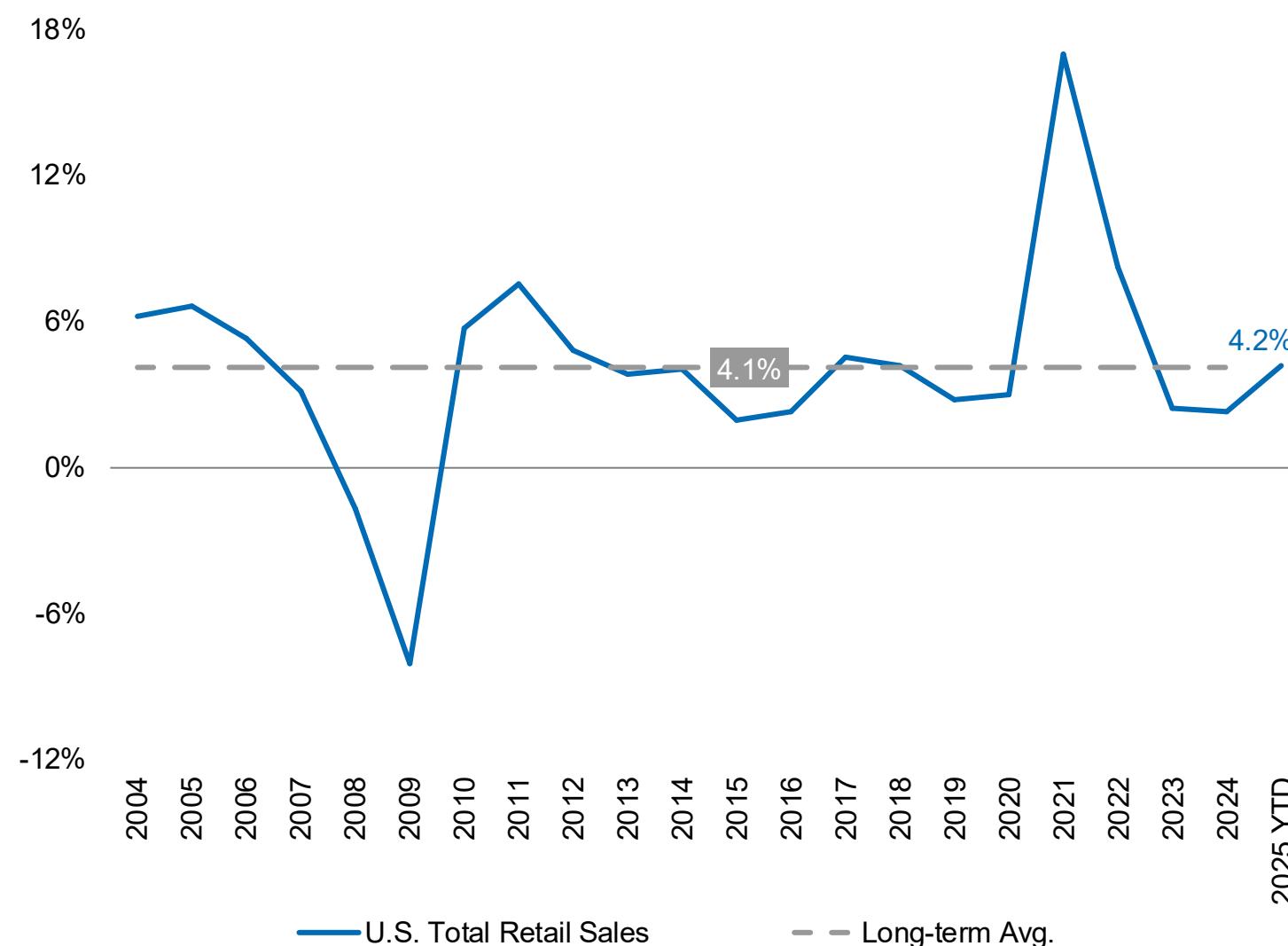
Source: Newmark Research, The Pacific Merchant Shipping Association (PMSA)

Note: Truck-bound cargo dwell time measures how long cargo waits after being unloaded from ships to being placed on an outbound vehicle

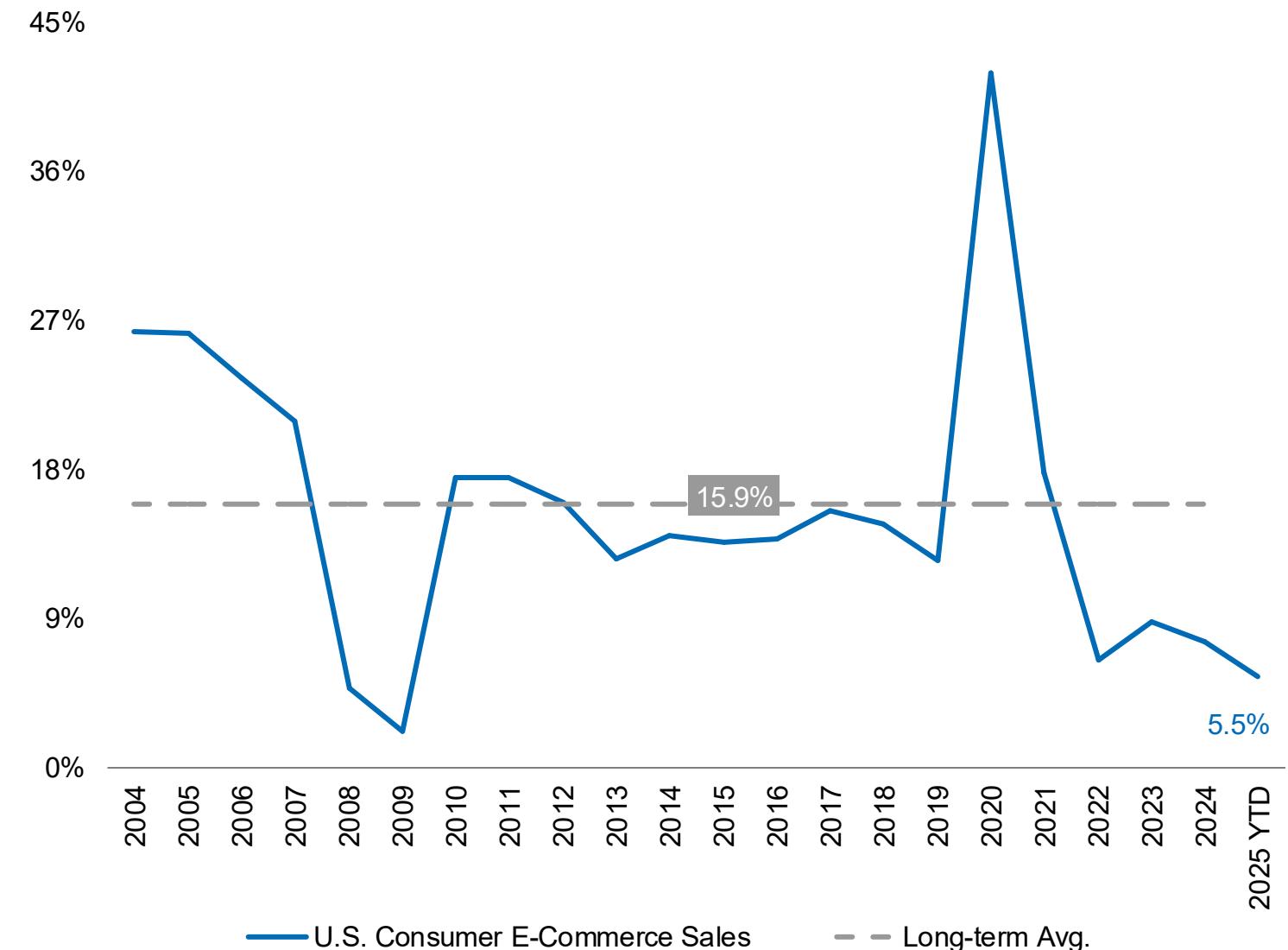
Retail Sales (an Indicator of Warehouse Demand) Up, But Projected to Slow

Overall retail sales were up 4.2% in the first three quarters of 2025 relative to the same period in 2024. For e-commerce specifically: Growth exceeded total retail sales (+5.5% over the same period), yet the decline from 2021 onward is noticeable as consumer spending generally registers slower gains amid higher prices and tighter household budgets. Many economists have lowered their retail sales growth projections, citing still-high inflation and a cooling labor market.

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 is Creeping Up



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U.S. Consumer Confidence is Down

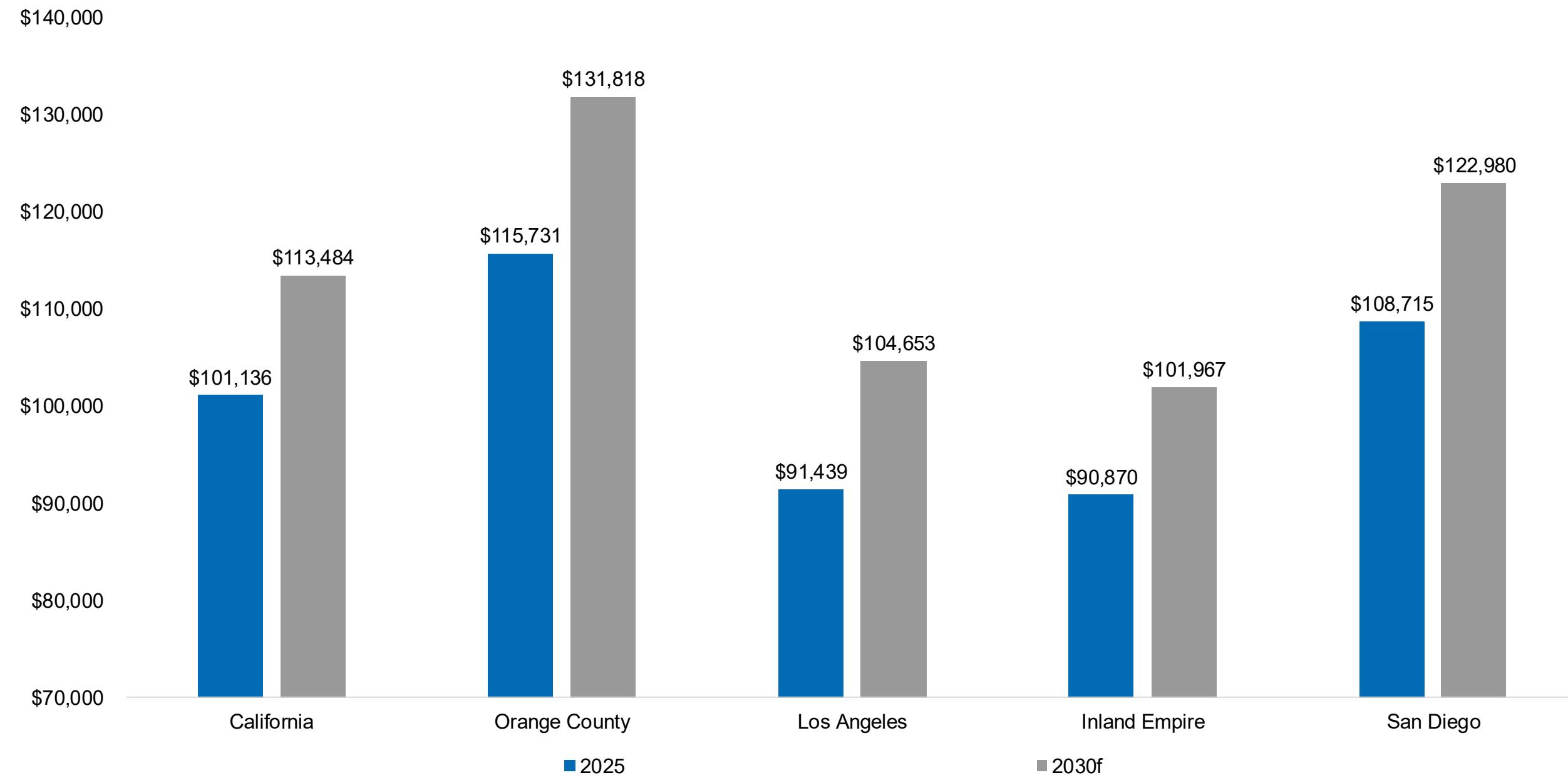


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Orange County Median Household Income Highest in Southern California

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.

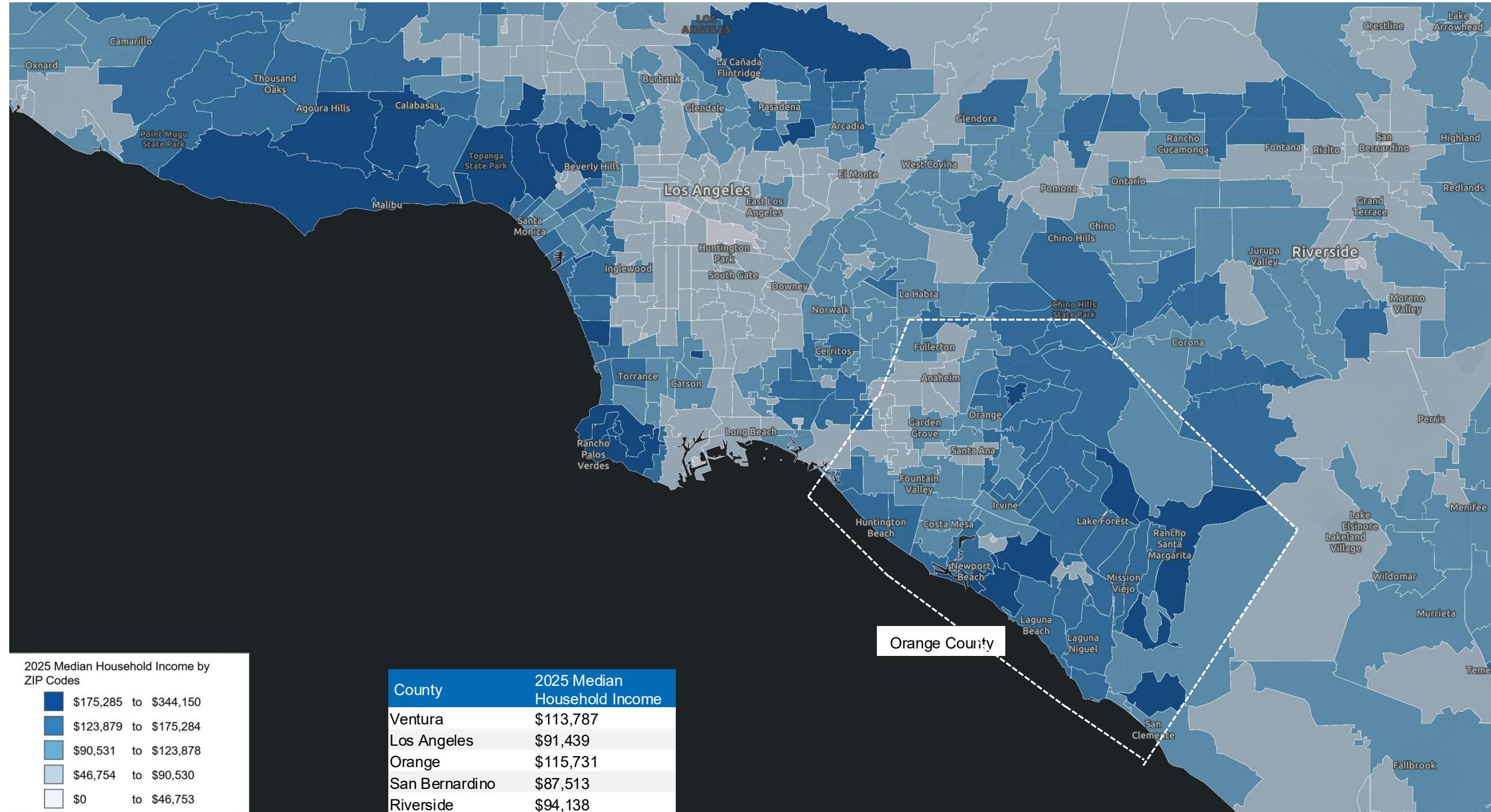
Southern California Median Household Income: 2025 vs. 2030 Projections



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.

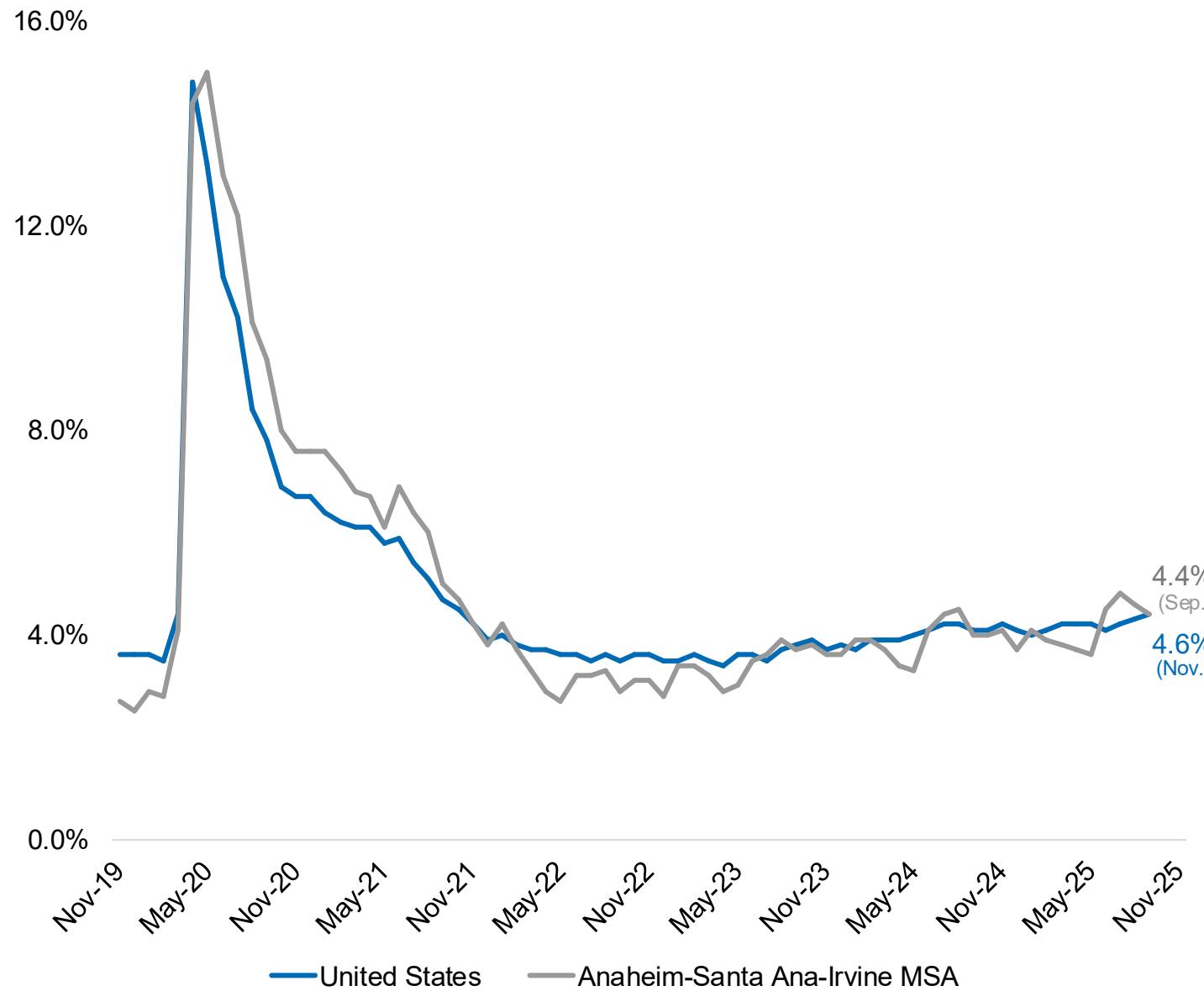


Source: Newmark Research, ESRI

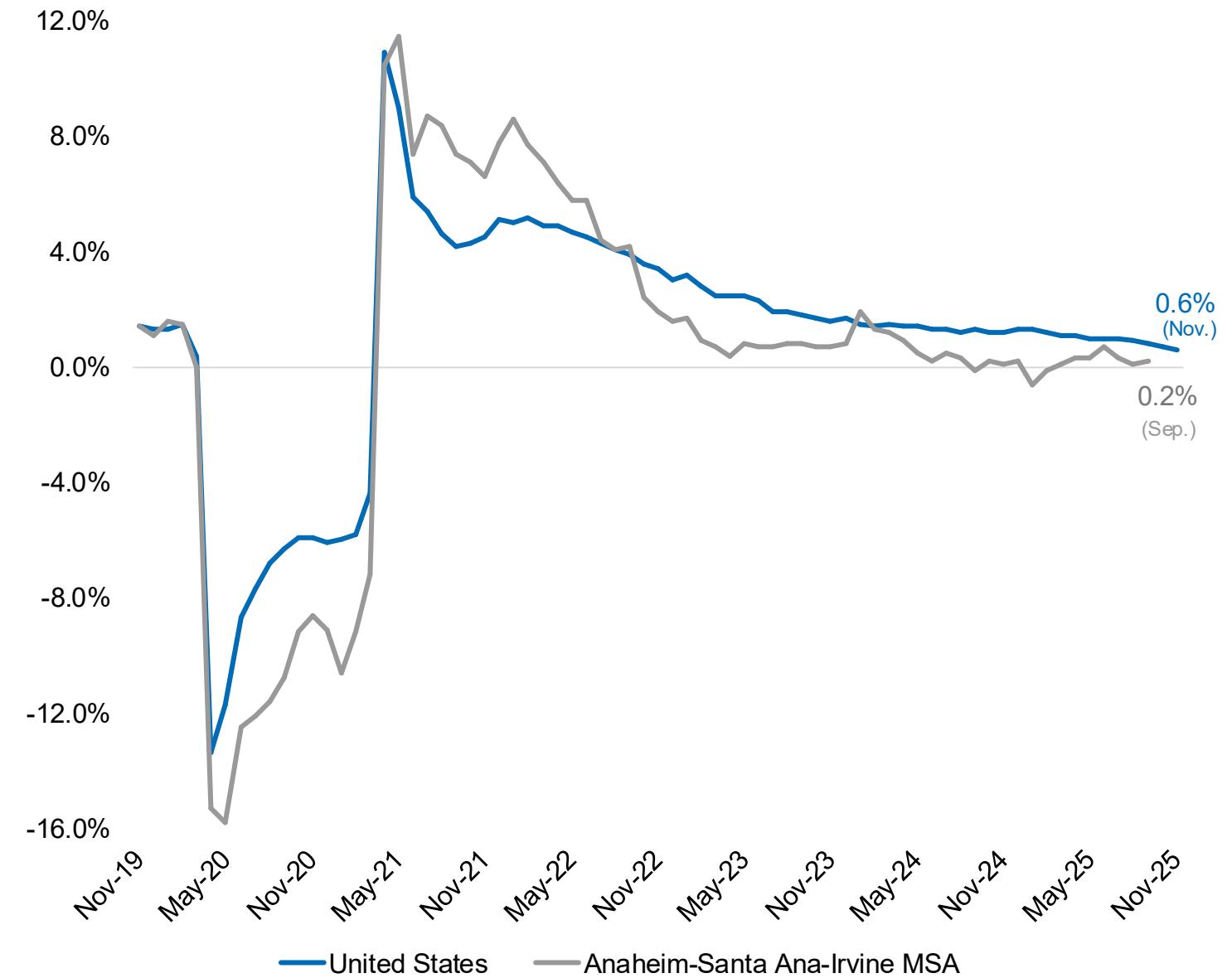
Local Employment Growth Is Stagnant

Local unemployment jumped 80 basis points from May (3.6%) to September (4.4%) while year-over-year nonfarm employment growth has plateaued. On a national level, unemployment reached its highest level in four years. 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



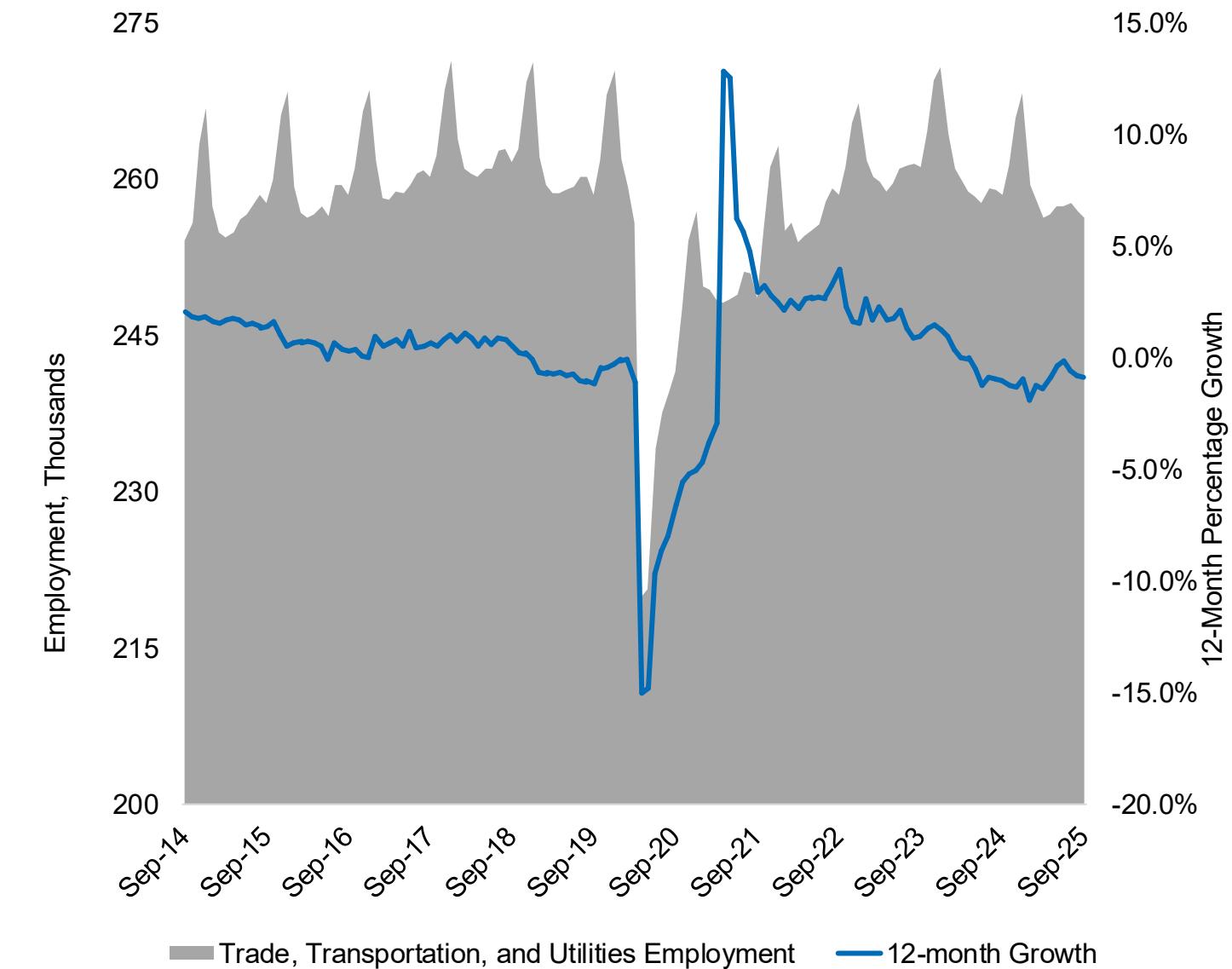
Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA

Note: Local employment statistics for October were unavailable due to the federal government shutdown. November's figures are delayed.

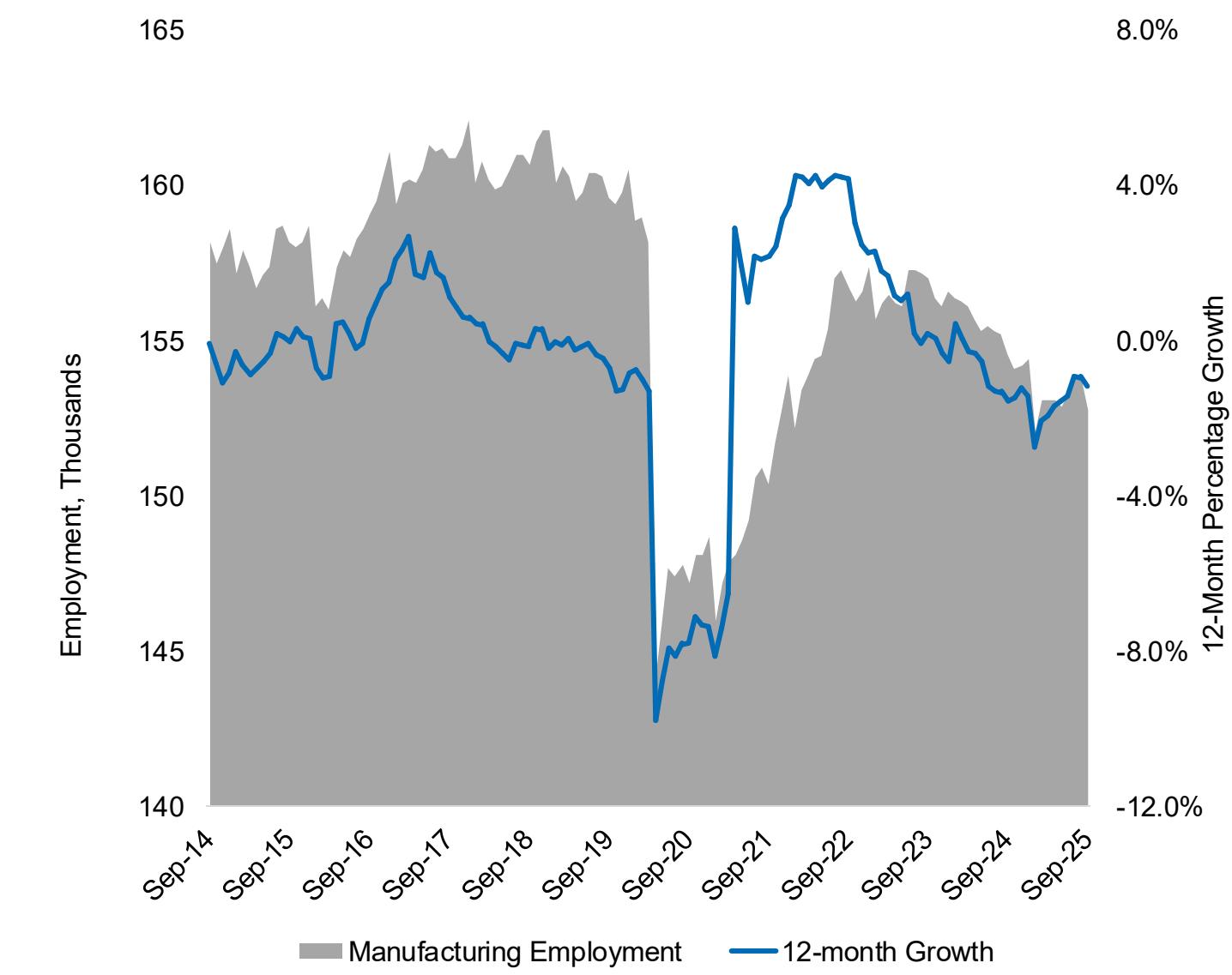
Manufacturing Sector Driving Down Industrial Employment

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 since early 2024. 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



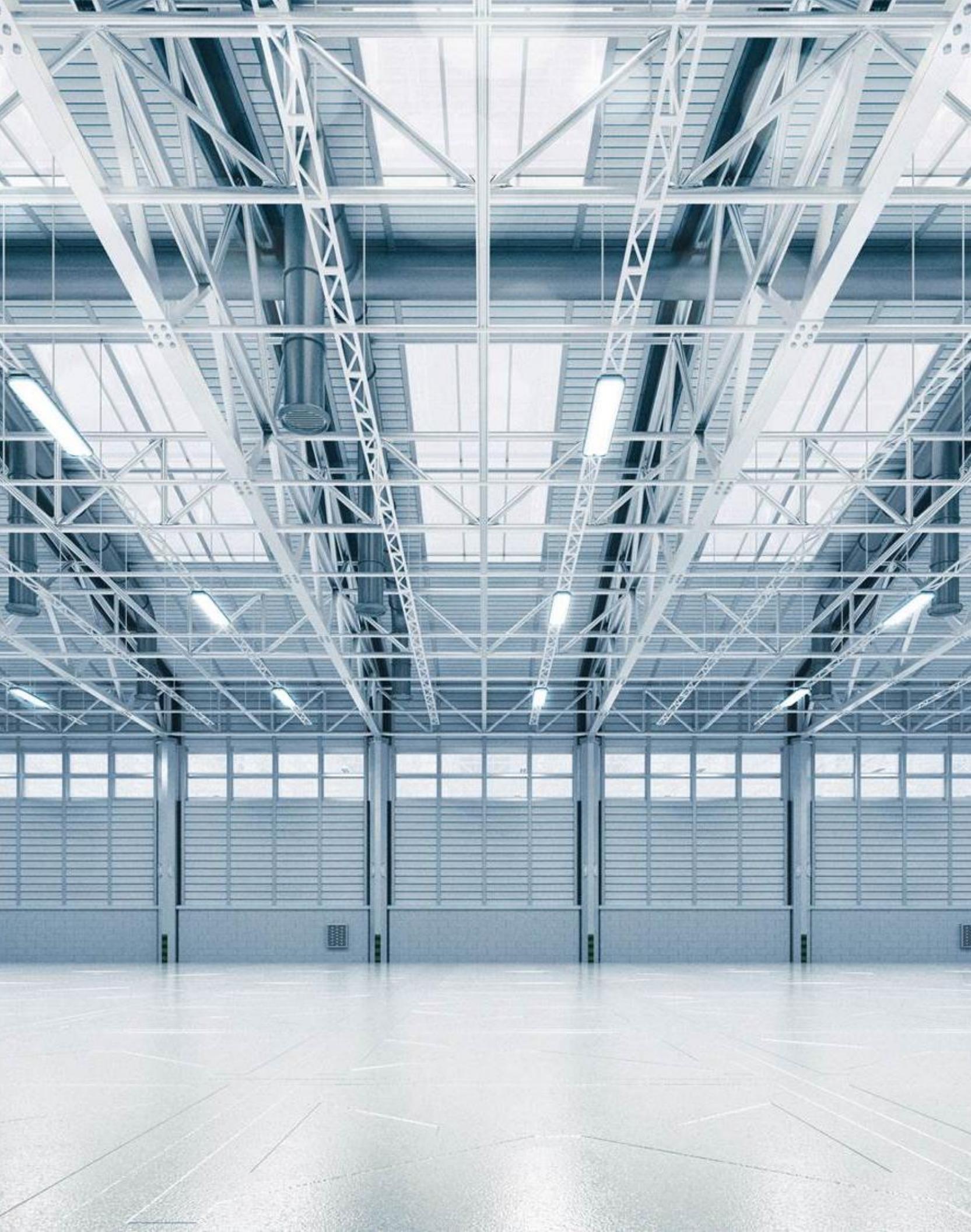
Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics, Anaheim-Santa Ana-Irvine, CA

Note: Local employment statistics for October were unavailable due to the federal government shutdown. November's figures are delayed.

Leasing Market Fundamentals



Contract Rents Continue to Adjust



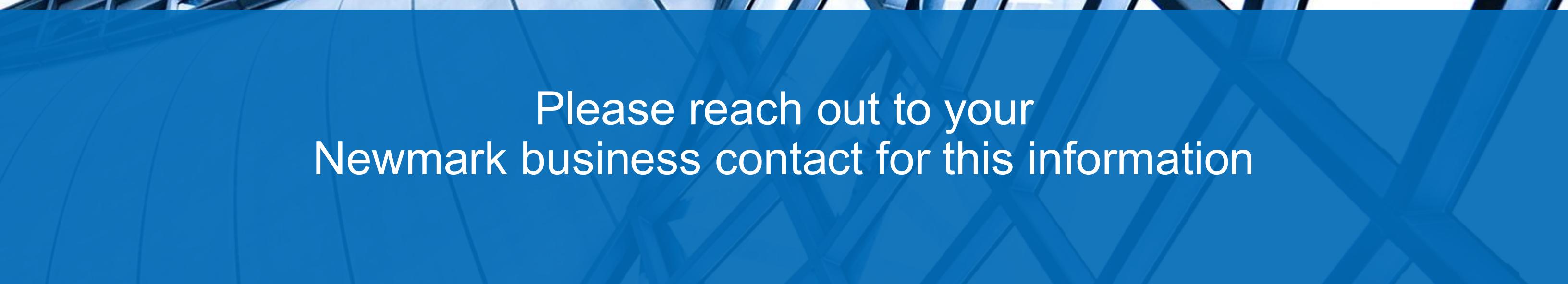
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Inland Empire Luring Orange County Tenants With Lower Asking Rents



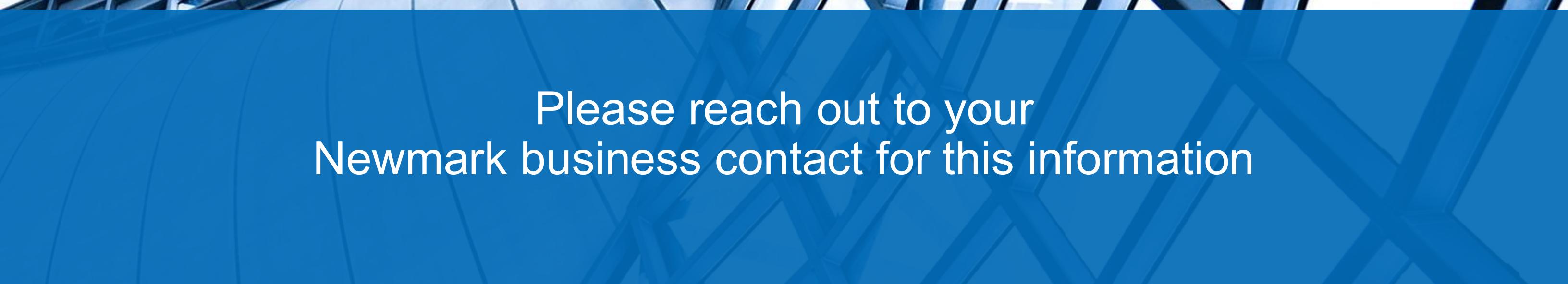
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Modern Supply is More Readily Available in the Inland Empire



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Term Lengths Are Trending Up After Declines in 2022-2023

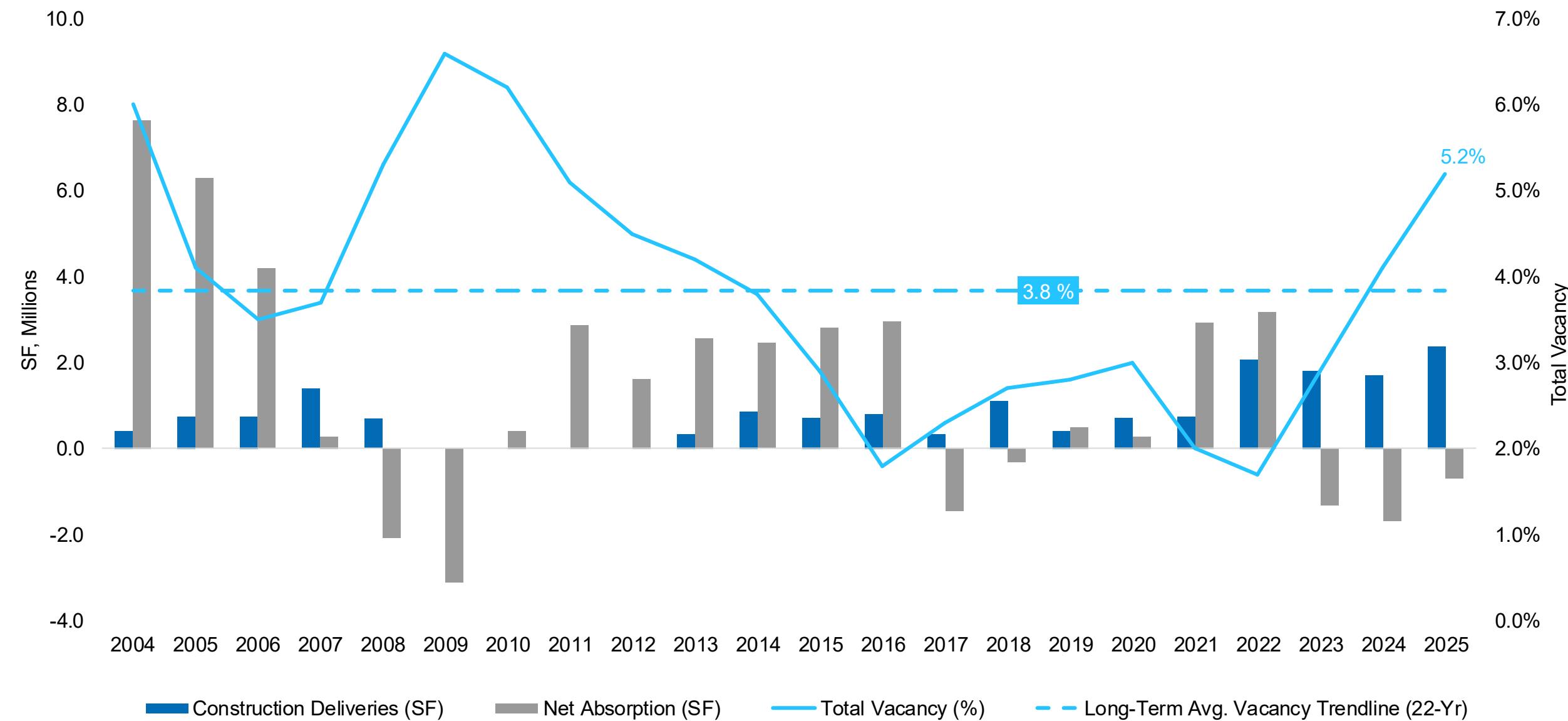


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Vacancy Reaches Highest Level Since 2011

Vacancy surpassed the 22-year average after incurring absorption losses in nine out of 12 past quarters but remains below the peak of 6.8% seen in 2010. This quarter, the market posted 359,103 SF of net absorption gains which was met with 462,128 SF in construction deliveries, accelerating vacancy's upward trajectory. On an annual basis, net absorption totaled -714,365 SF, versus 2.4 MSF in construction deliveries.

Historical Construction Deliveries, Net Absorption, and Vacancy

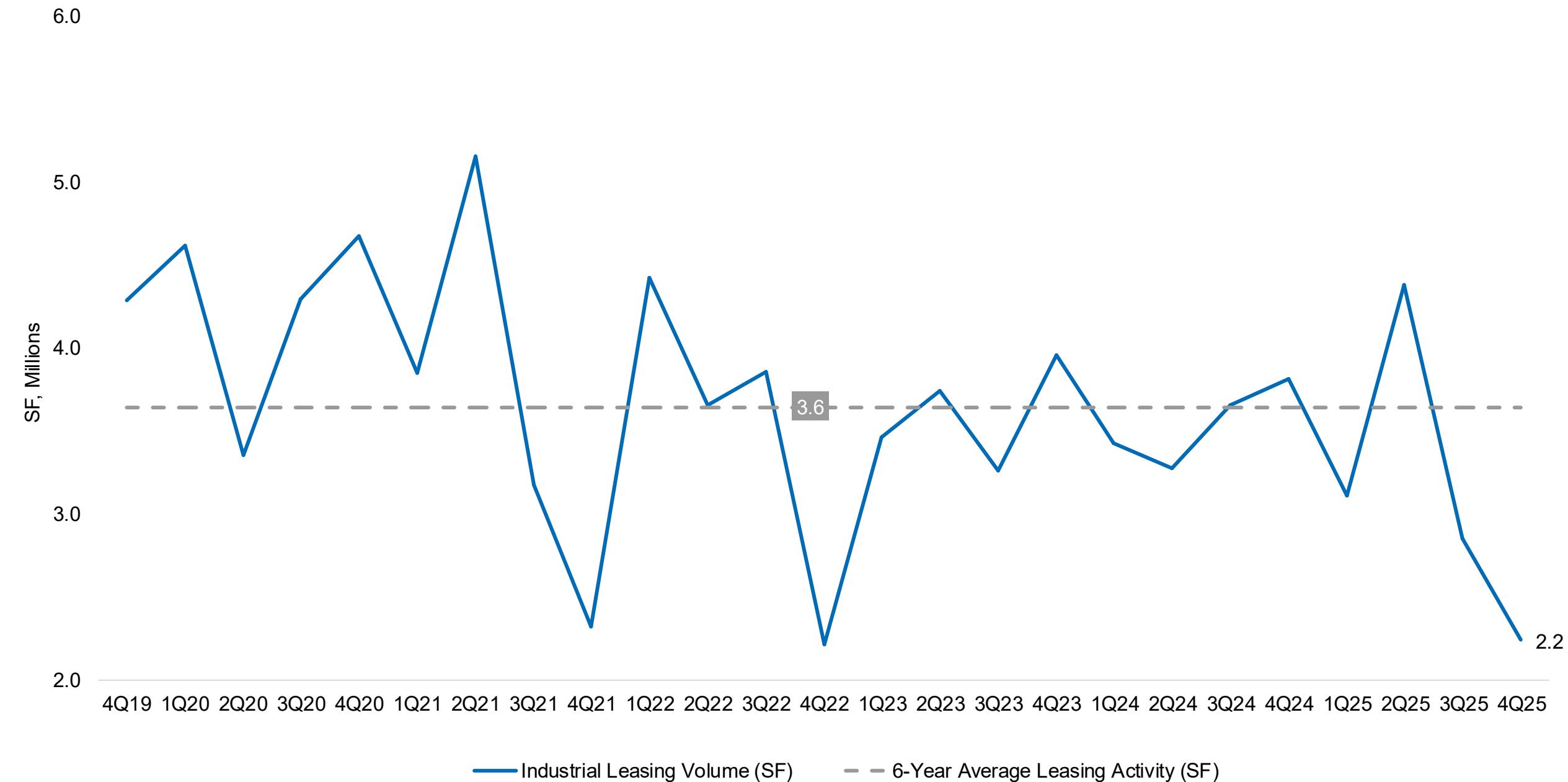


Source: Newmark Research

Leasing Activity Falls Below Six-Year Average

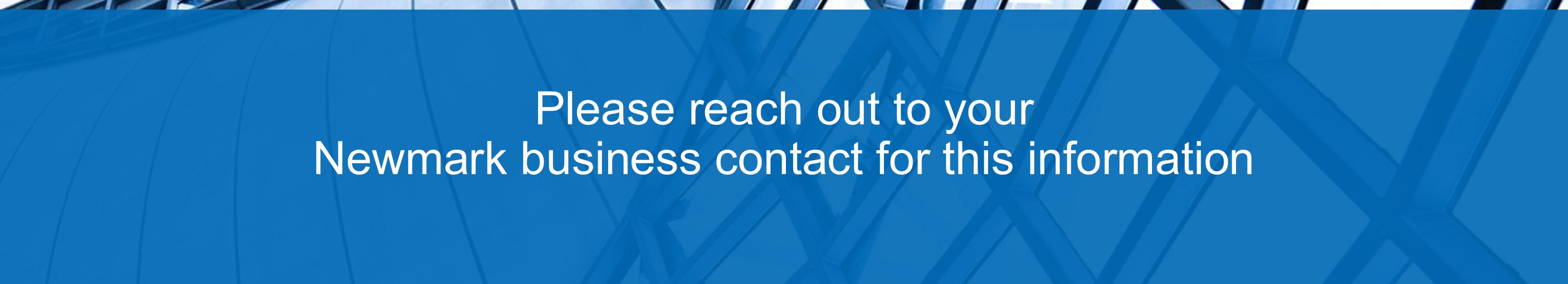
Leasing activity dropped to its lowest level in three years and is subdued compared to leasing volumes seen during the pandemic. Measured retail sales growth, economic uncertainty surrounding tariffs, and high business costs are prompting tenants to downsize, which will lead to lower leasing figures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

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

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

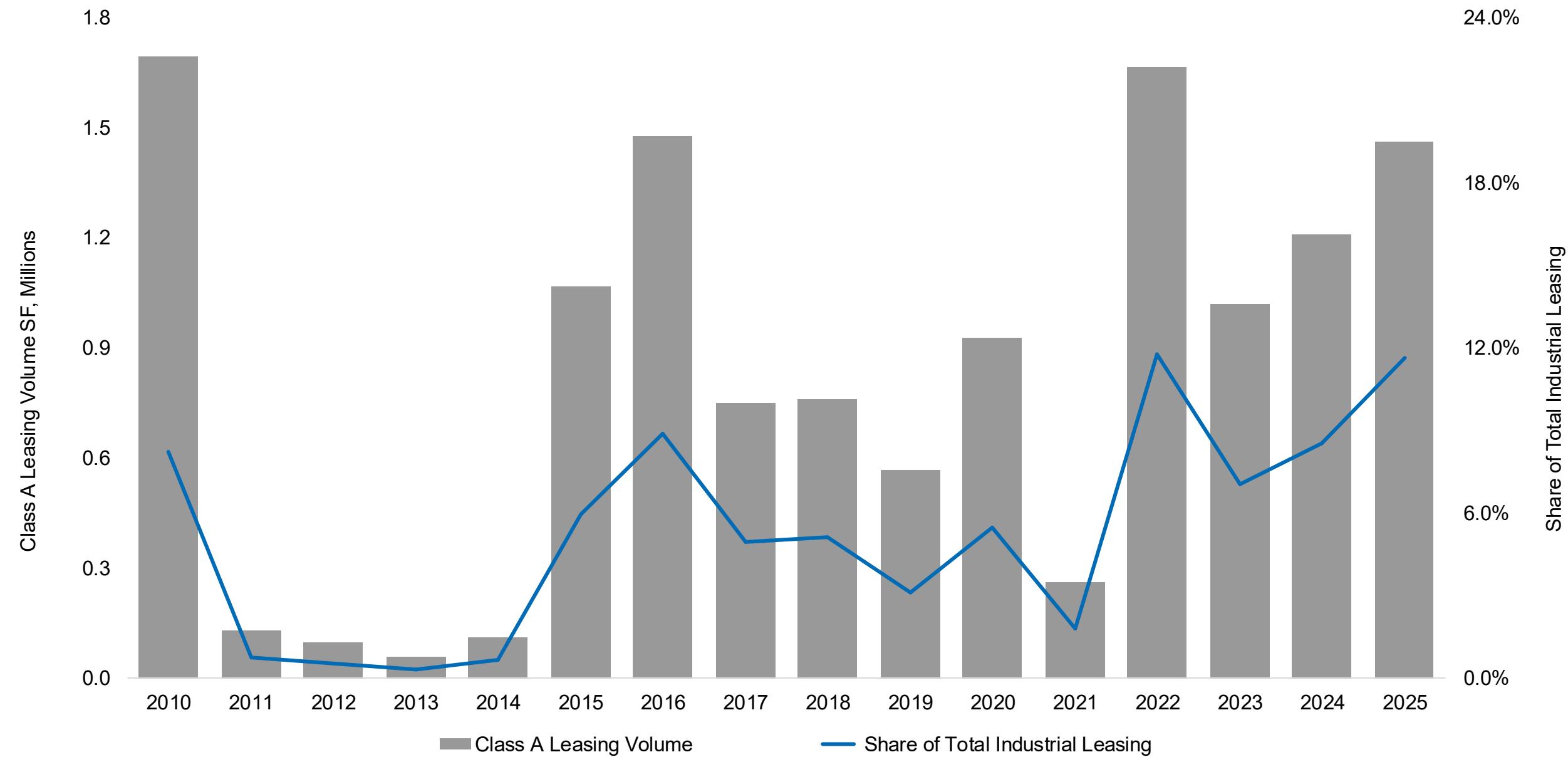


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Boost in Class A Leasing Activity for 2025

Class A leasing activity jumped in 2025, accounting for 11.6% of all leasing activity for the year. The top contributors of the year include Straub Distributing Company at 4633 E La Palma Ave (281,548 SF), Anduril at 3100 Harbor Blvd (162,656 SF) and Etekcity at 1202 N Miller St (151,181 SF).

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

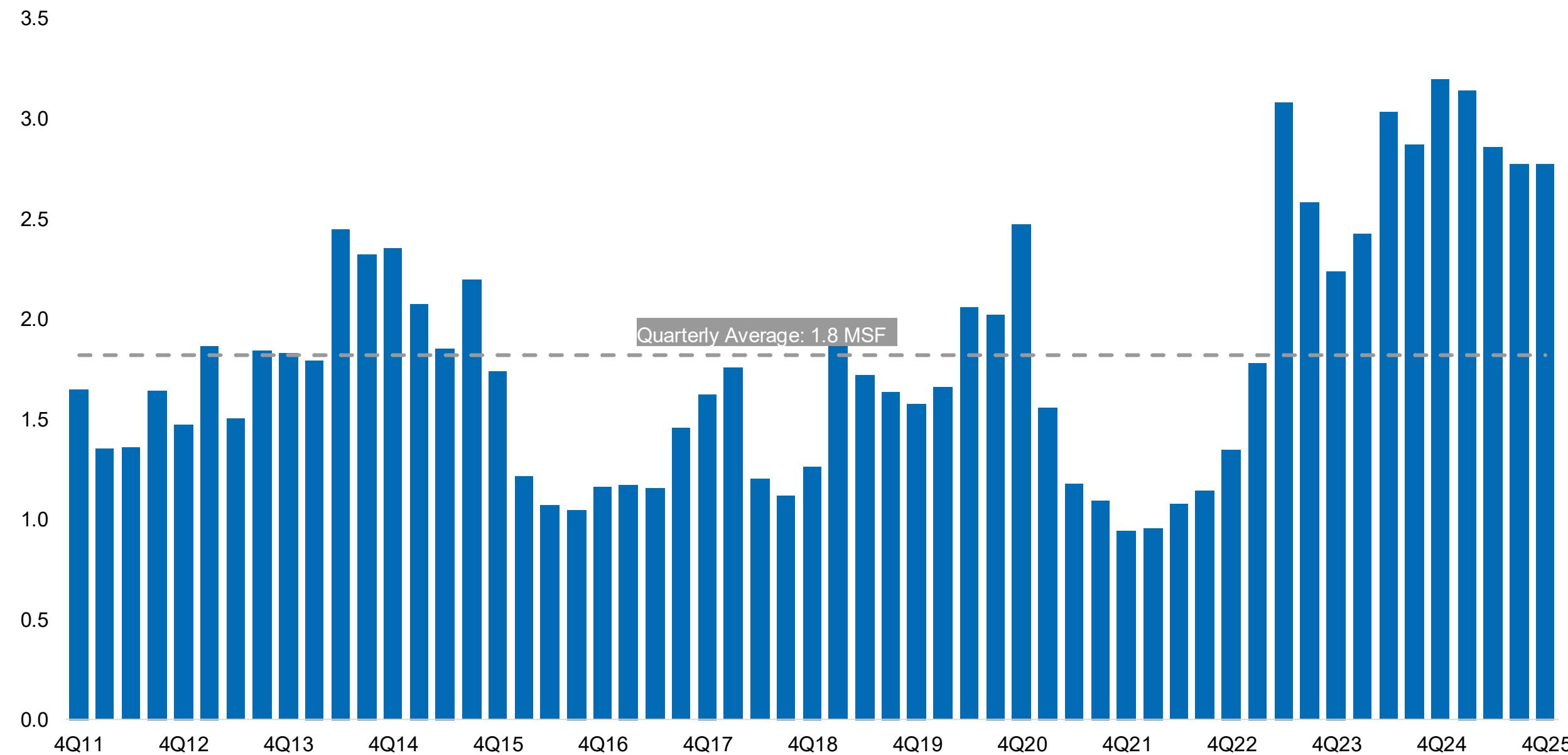


Source: Newmark Research, CoStar

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. The largest sublease of the quarter was signed by Vita Plus at 1900 Carnegie Ave for 60,110 SF. Large listings from Syco Enterprise (134,716 SF at 500 W Warner Ave), United Sports Brands (134,000 SF at 11488 Slater Ave), and Orora Packaging (131,544 SF at 3200 Enterprise St) are keeping availability levels elevated from a historical standpoint.

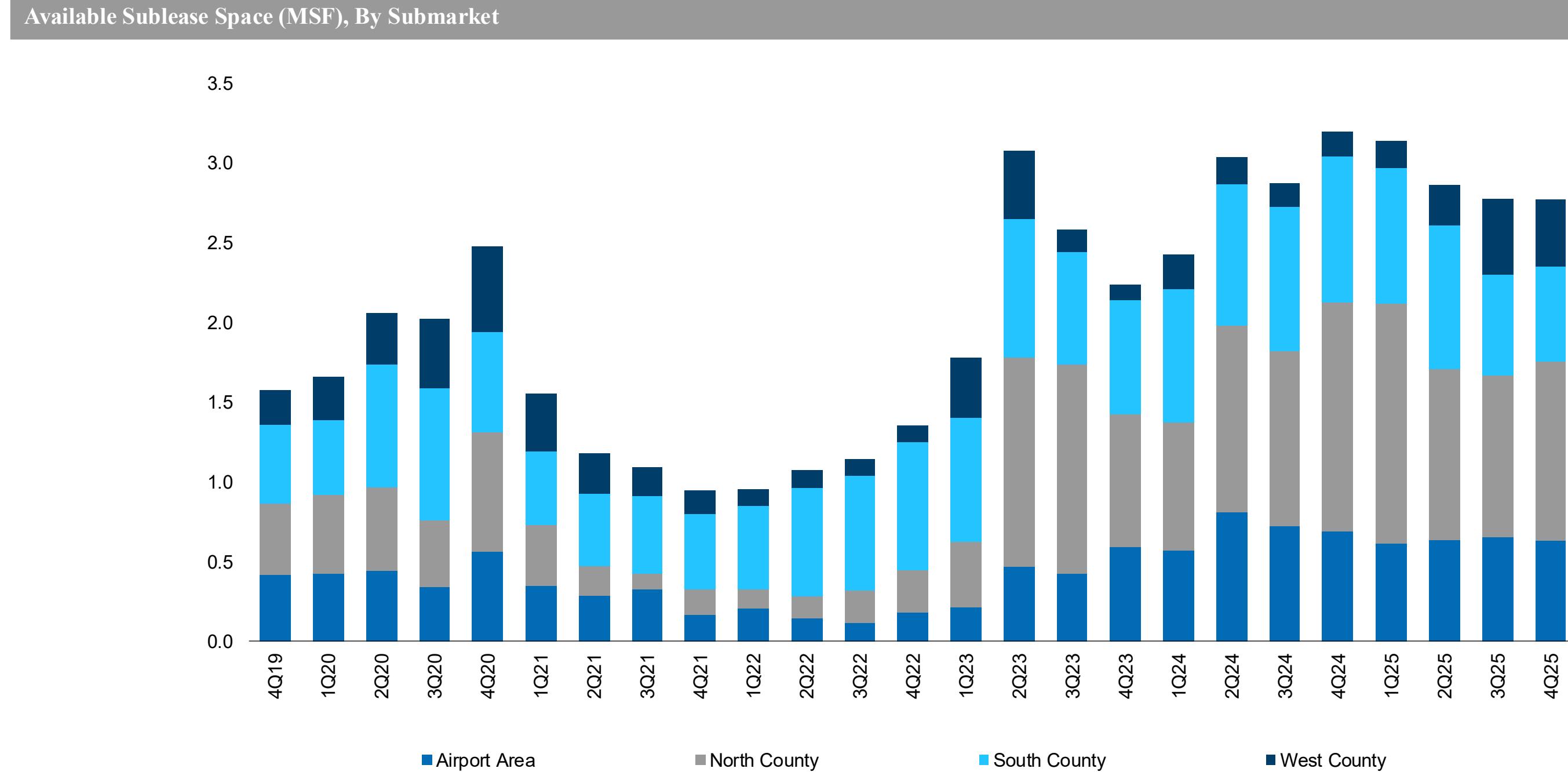
Available Industrial Sublease Volume (MSF)



Source: Newmark Research

Bulk of Sublet Availability Originating from North County

North County's available sublease space accounts for 40.5% 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).

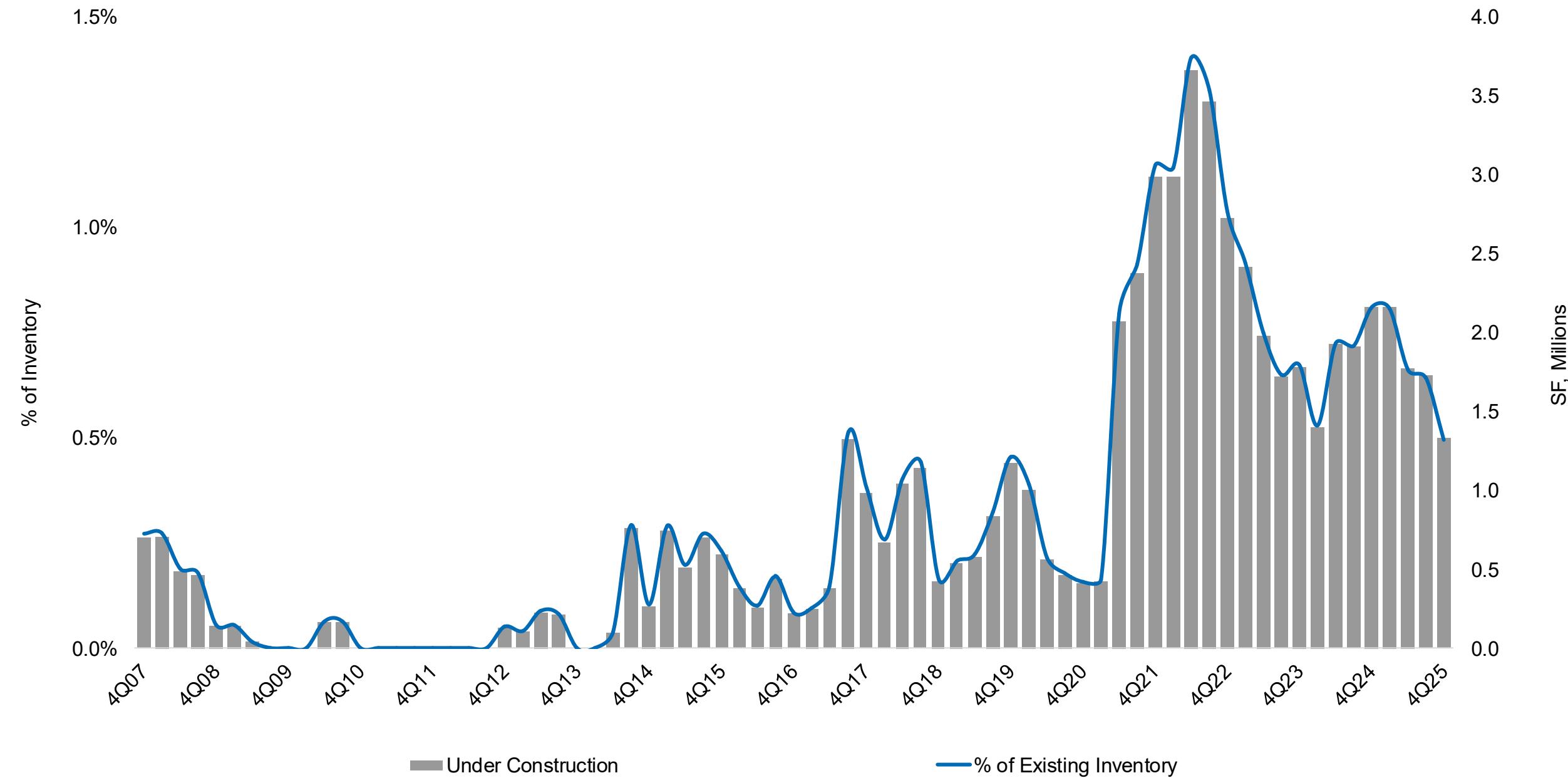


Source: Newmark Research

Elevated Under-Construction Levels Gradually Normalizing

An additional project broke ground this quarter while four others delivered, bringing the under-construction total to 1.3 MSF across nine development projects, all of which remain fully available save the Lake Center development leased by Anduril and Advantech's North American Campus. 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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Smaller Leases This Quarter

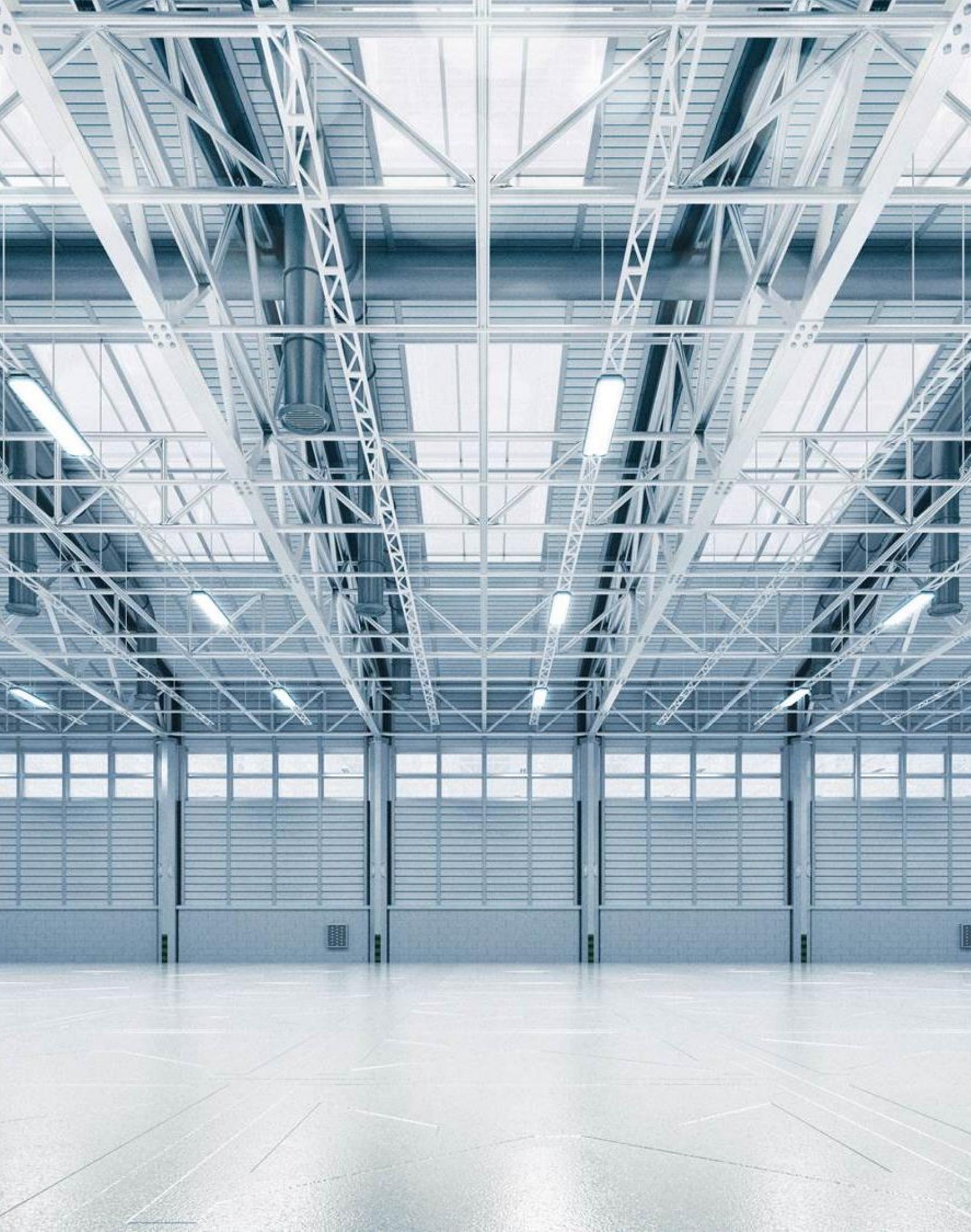
Only one of the top five leases of the quarter exceeded 100,000 SF, unlike prior quarters where most deals (if not all) did. The biggest lease originated from North County, the largest submarket by inventory size and the driver of leasing activity historically.

Notable Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
PaperMart	2164 N Batavia St	North County	Direct Lease	246,732
<i>The packaging company was an owner-user until it sold the property to an investor this quarter; a short-term sale leaseback was signed.</i>				
Mission Critical	1580 Sunflower Ave	Airport Area	Lease Expansion	89,940
<i>The electronics company almost doubled its original footprint at its Costa Mesa headquarters.</i>				
Dialed Holdings	15551 Del Amo Ave	Airport Area	Direct Lease	72,303
<i>The new tenant is committing to the new space for the next five years.</i>				
Intertek	25862 Commercentre Dr	South County	Direct Lease	61,163
<i>This location will serve as an extension to the British company's existing space at the Prologis-owned business park in Lake Forest.</i>				
Vita Plus	1900 Carnegie Ave	Airport Area	Sublease	60,110
<i>The tenant will take over New Wellness Industries' lease that runs through 2027.</i>				

Source: Newmark Research

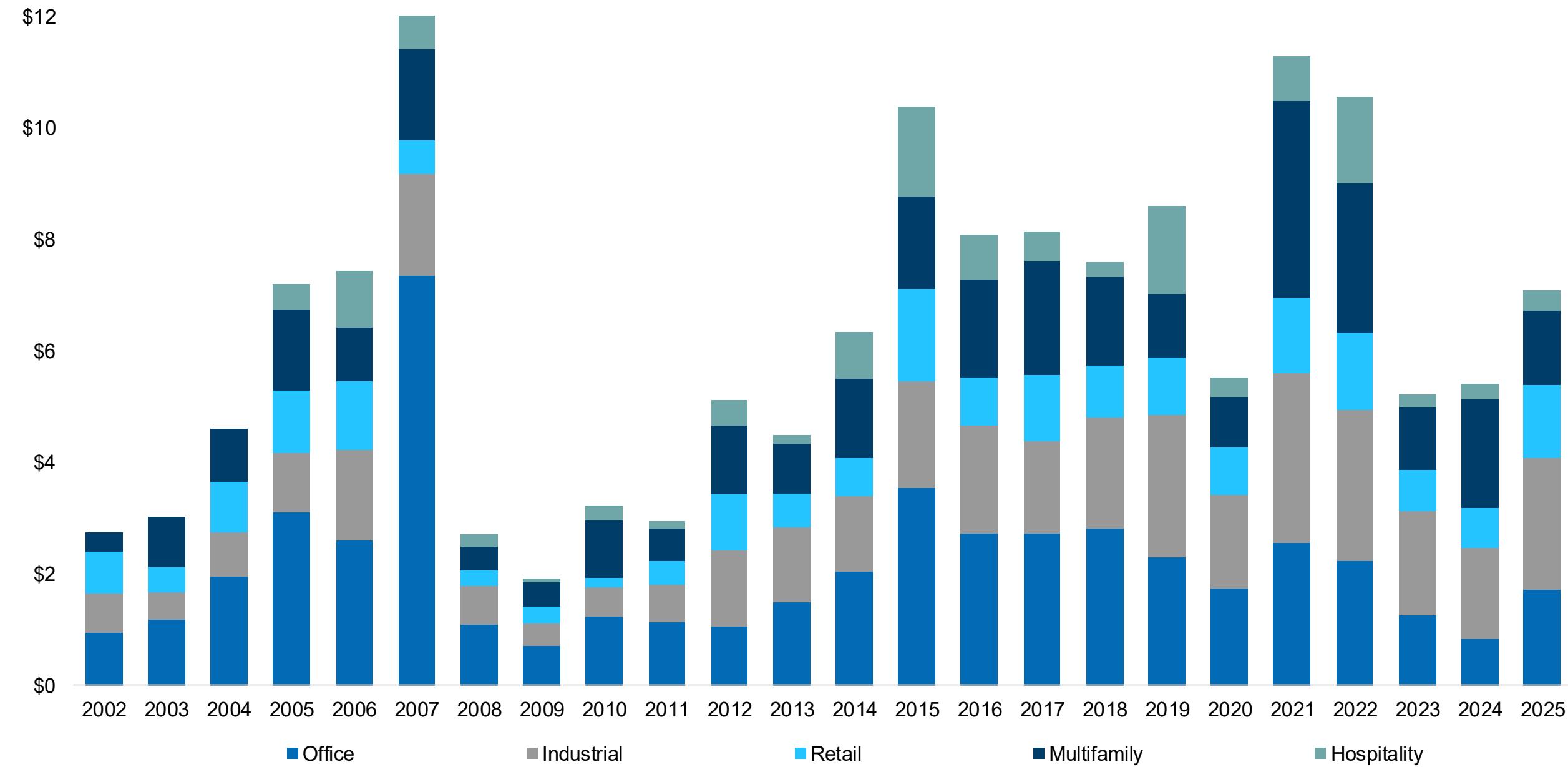
Sales Activity



Industrial Comprised 33.4% of Total Sales Volume for the Year

This is an improvement from three years ago when industrial comprised only 25.6% 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)

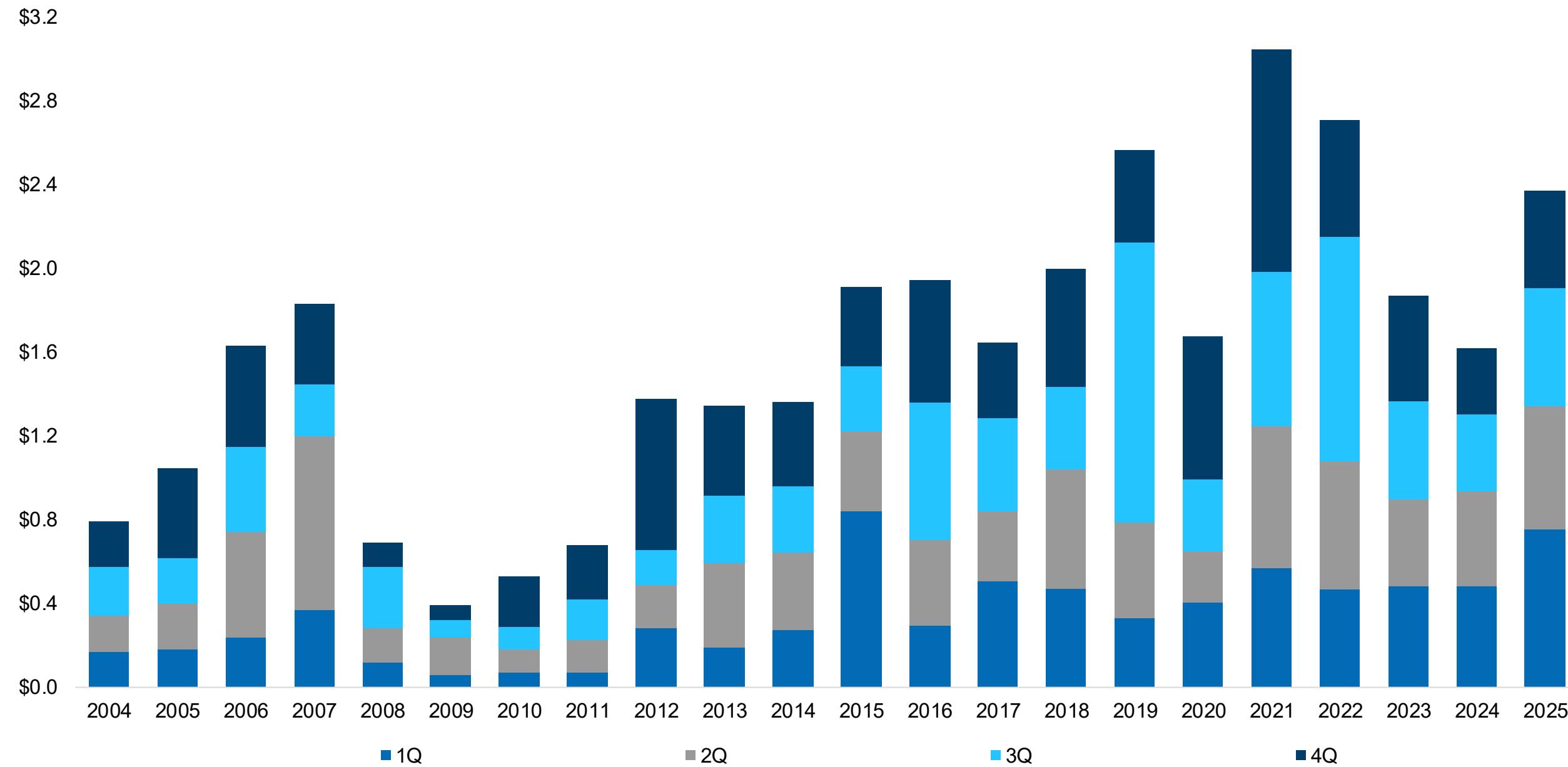


Source: MSCI Real Capital Analytics, Newmark Research
Note: Preliminary data is cited for the fourth quarter of 2025.

Industrial Sales Activity Picking Up

Industrial sales volume totaled \$2.4 billion for the year, exceeding the last two years' annual totals. 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 fourth quarter of 2025.

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



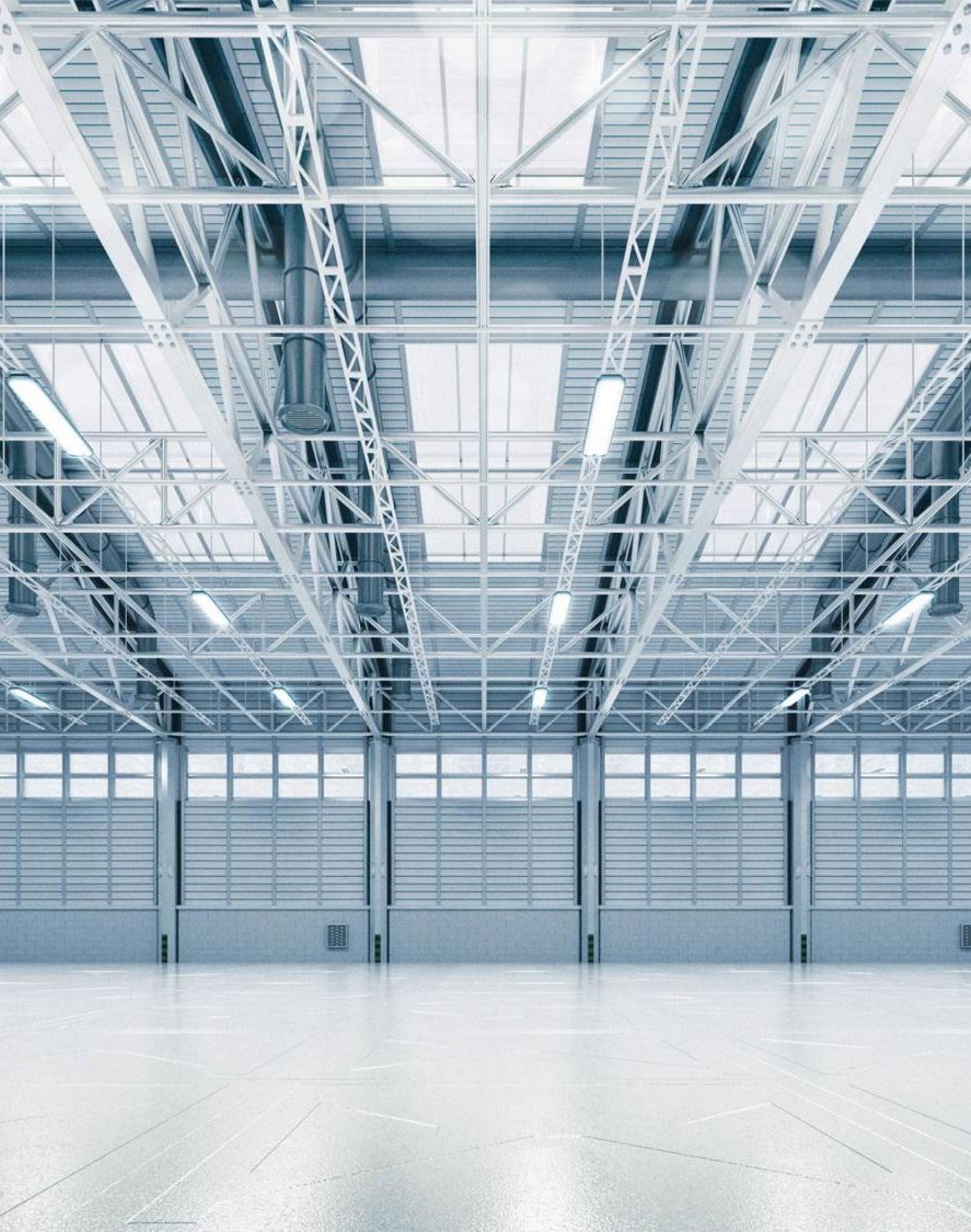
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Private and Institutional Buyers Most Active

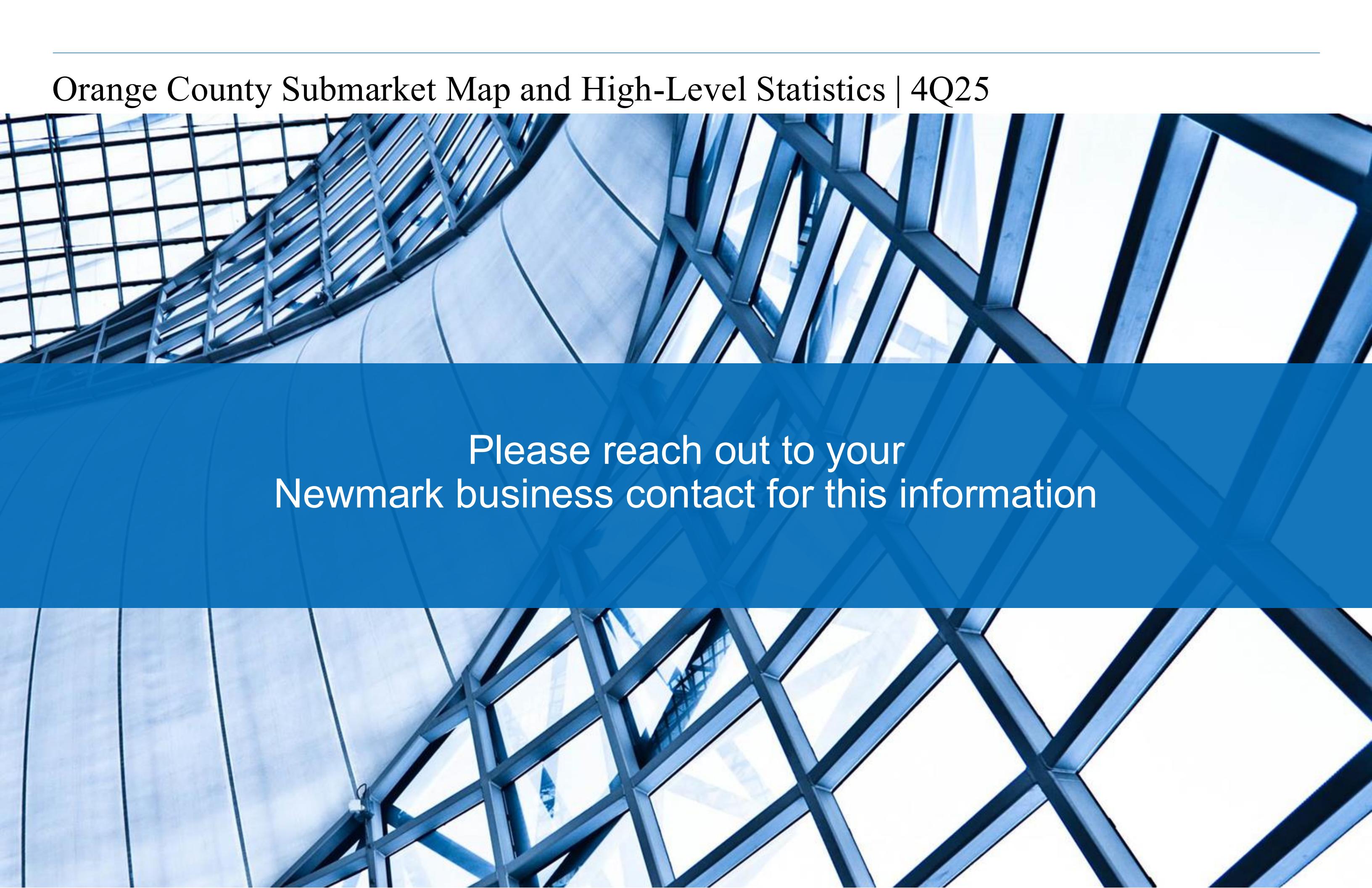


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Appendix



Orange County Submarket Map and High-Level Statistics | 4Q25



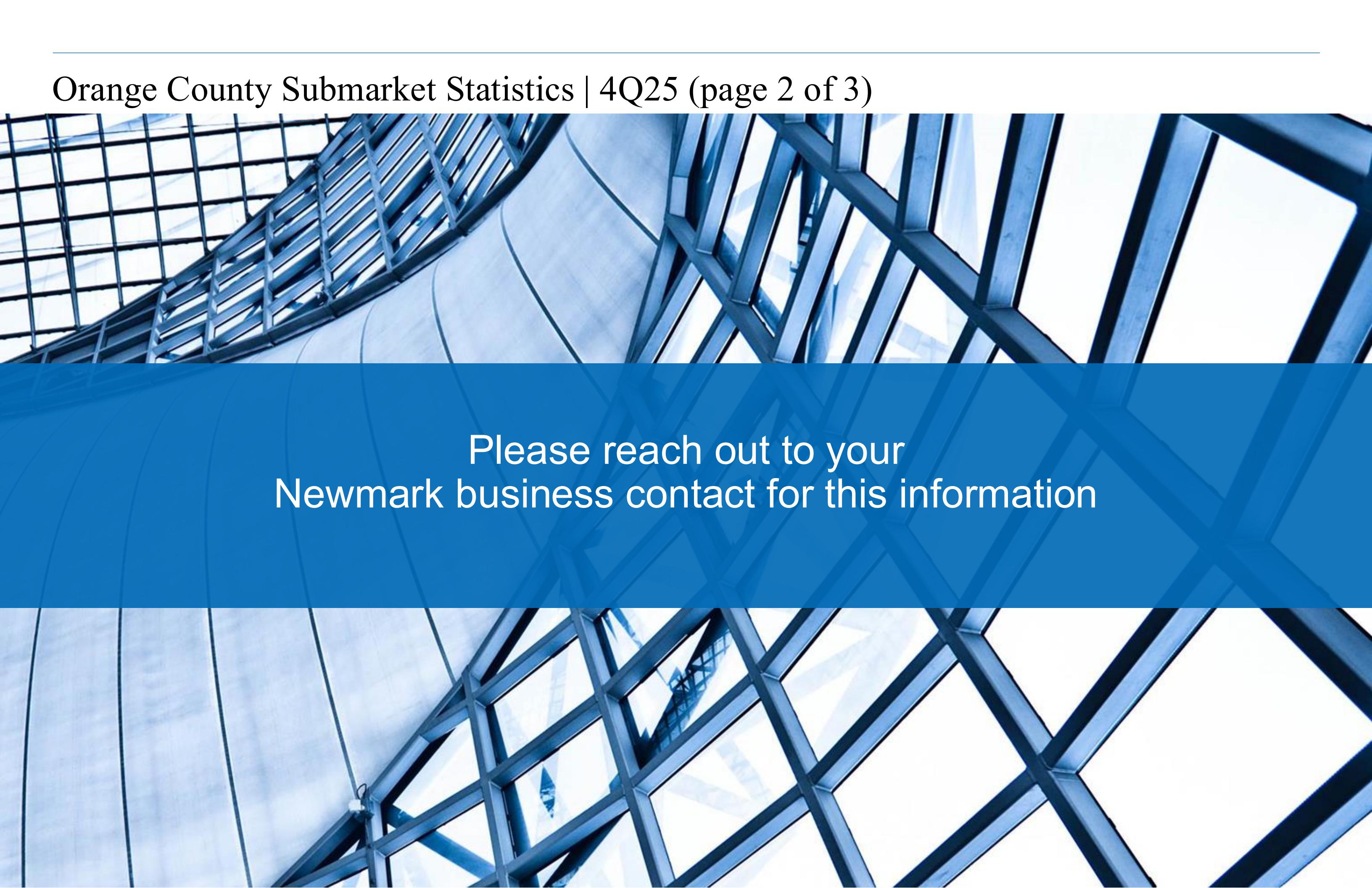
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Orange County Submarket Statistics | 4Q25 (page 3 of 3)



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Foreign Trade Zones and Orange County



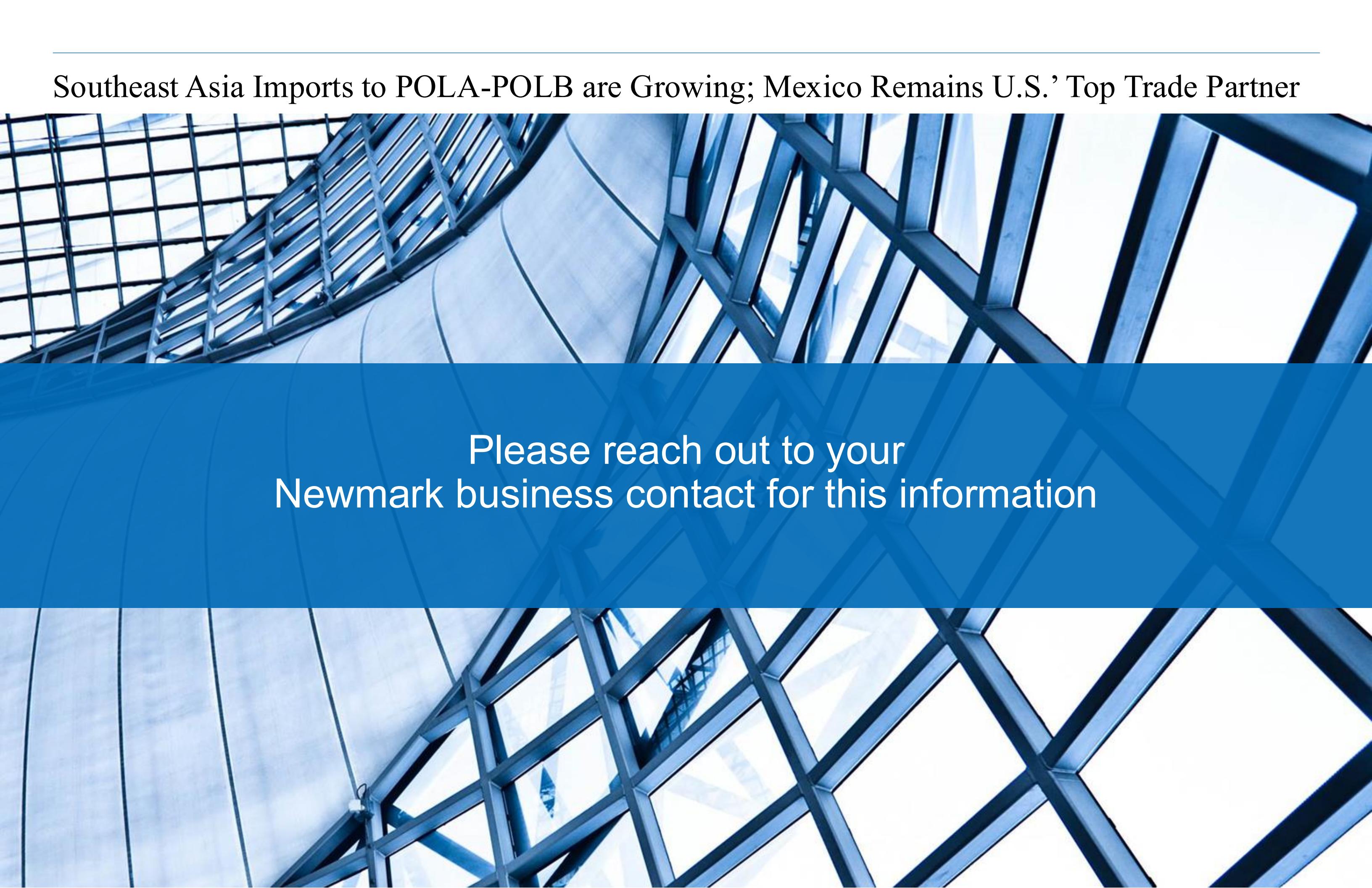
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Some Underperforming Office Properties Will Find New Life



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



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California AB 98 (Amended by Senate Bill 415): Warehouse Development Standards



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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

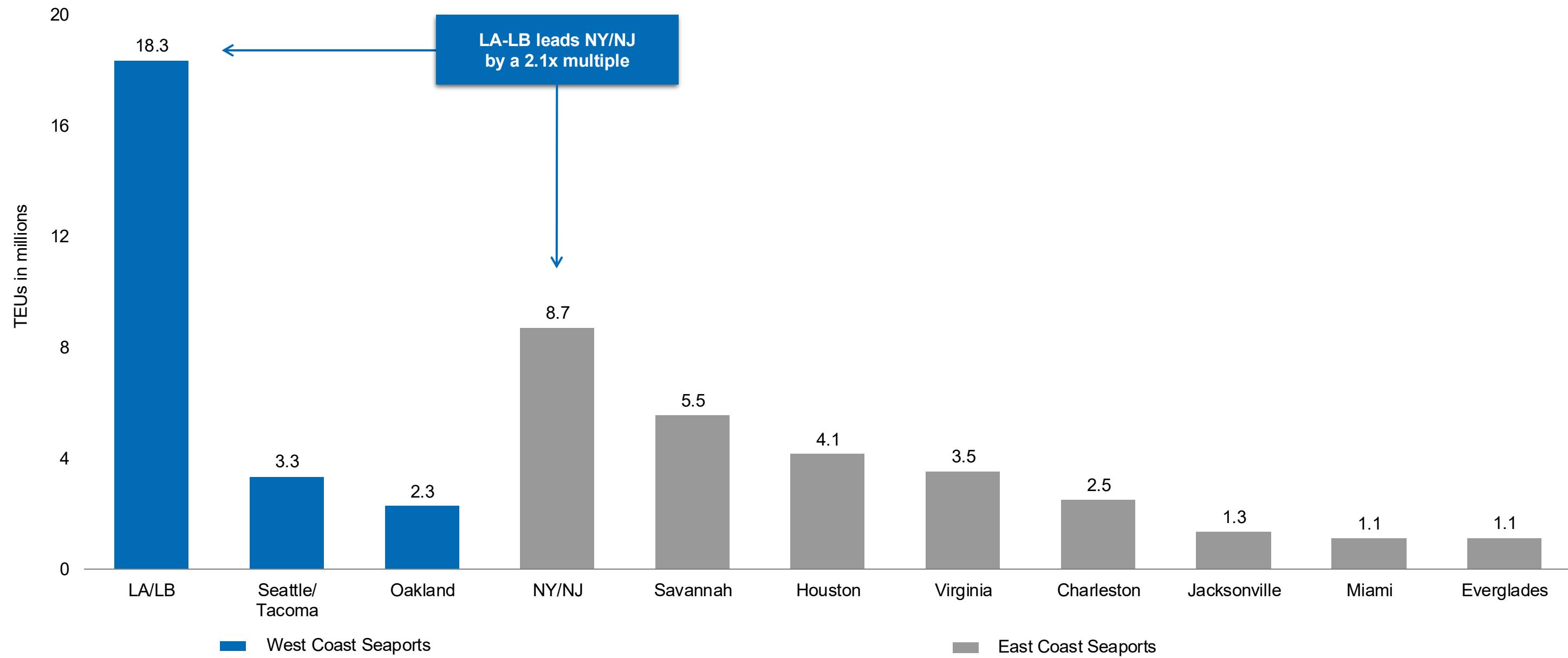
Source: Newmark Research, apply

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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