



Southern California industrial market insights

Q4 2021

**AVISON
YOUNG**



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Let's look at U.S. industrial drivers

Supply chain disruptions have taken the spotlight at the end of 2021, but industrial real estate fundamentals remain strong.

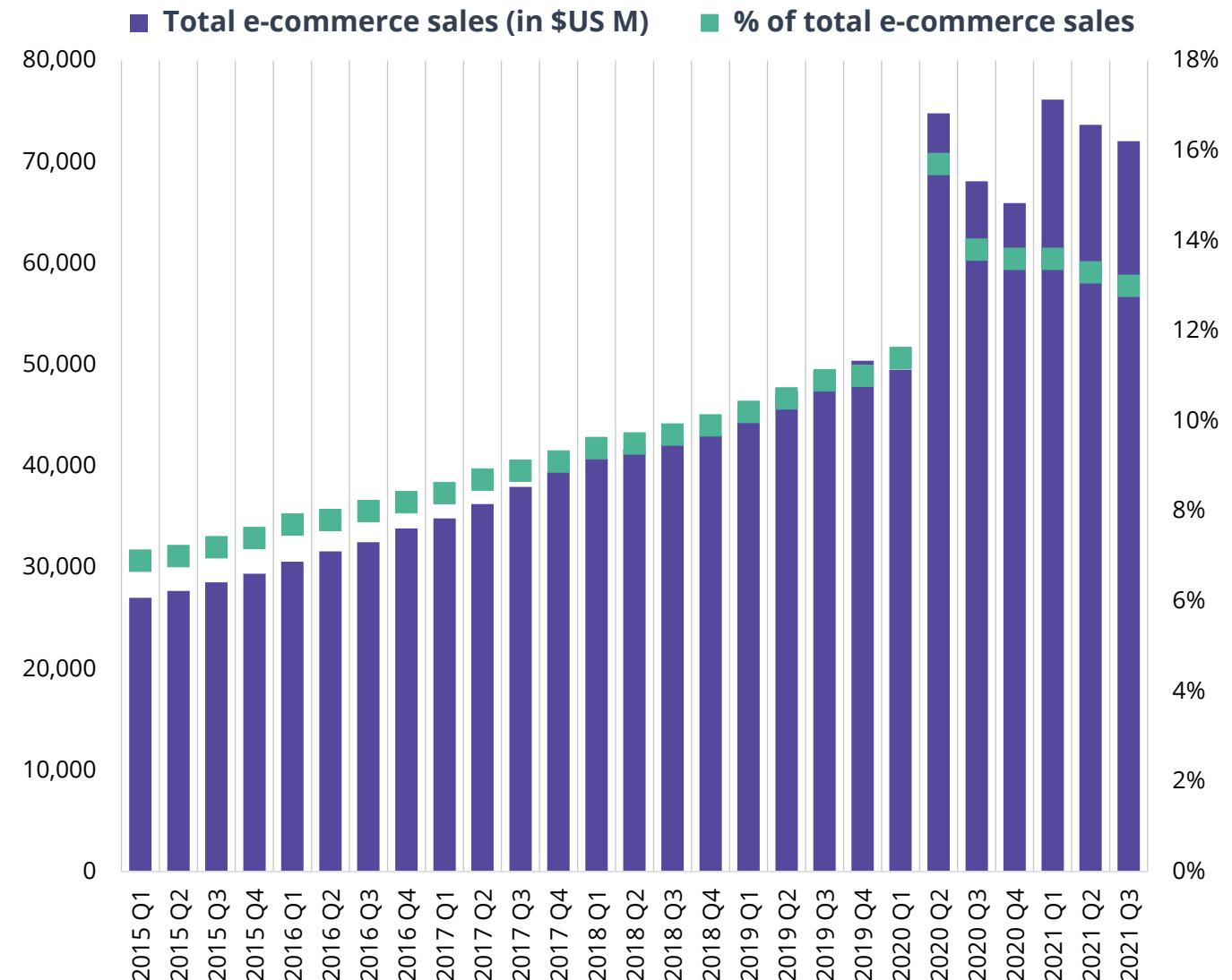


U.S. total retail and e-commerce sales

13.0%

e-commerce share of overall retail sales in Q3 2021.

Online sales as a percentage of total retail activity have continued to normalize over the course of the year, but remain significantly elevated over 2019 levels. This underscores a resetting of consumer buying habits as e-commerce spending remains sustainable and supports continued demand for industrial space in most U.S. markets.

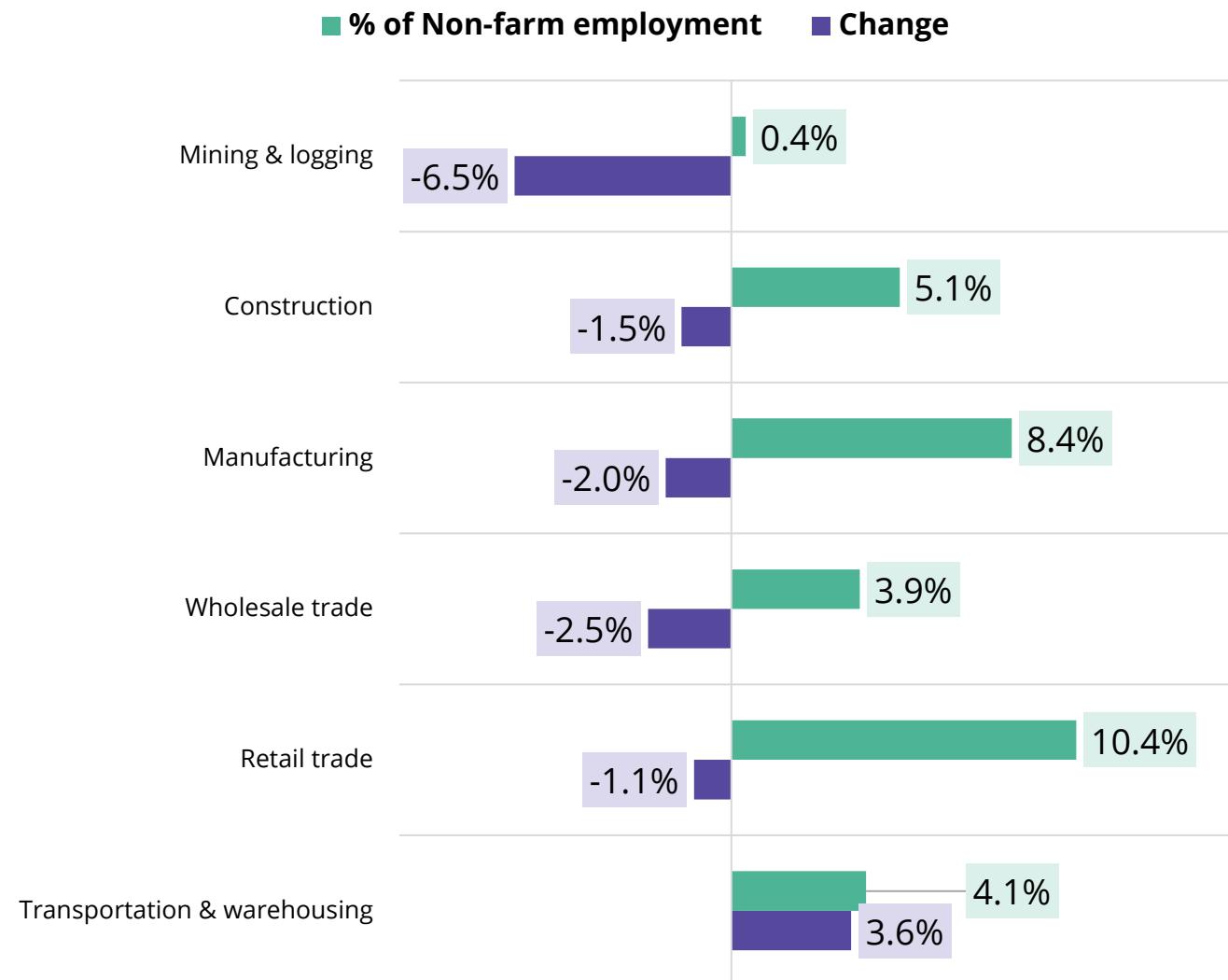


Industrial sector job gains and losses

3.6%

change in transportation and warehousing employment, February 2020 to November 2021.

The Transportation & warehousing employment sector has been resilient throughout the pandemic and performed ahead of other sectors in the latter part of this year. Manufacturing, Construction and Wholesale trade comprise similar proportions of total U.S. employment, but jobs have continued to contract since February 2020.

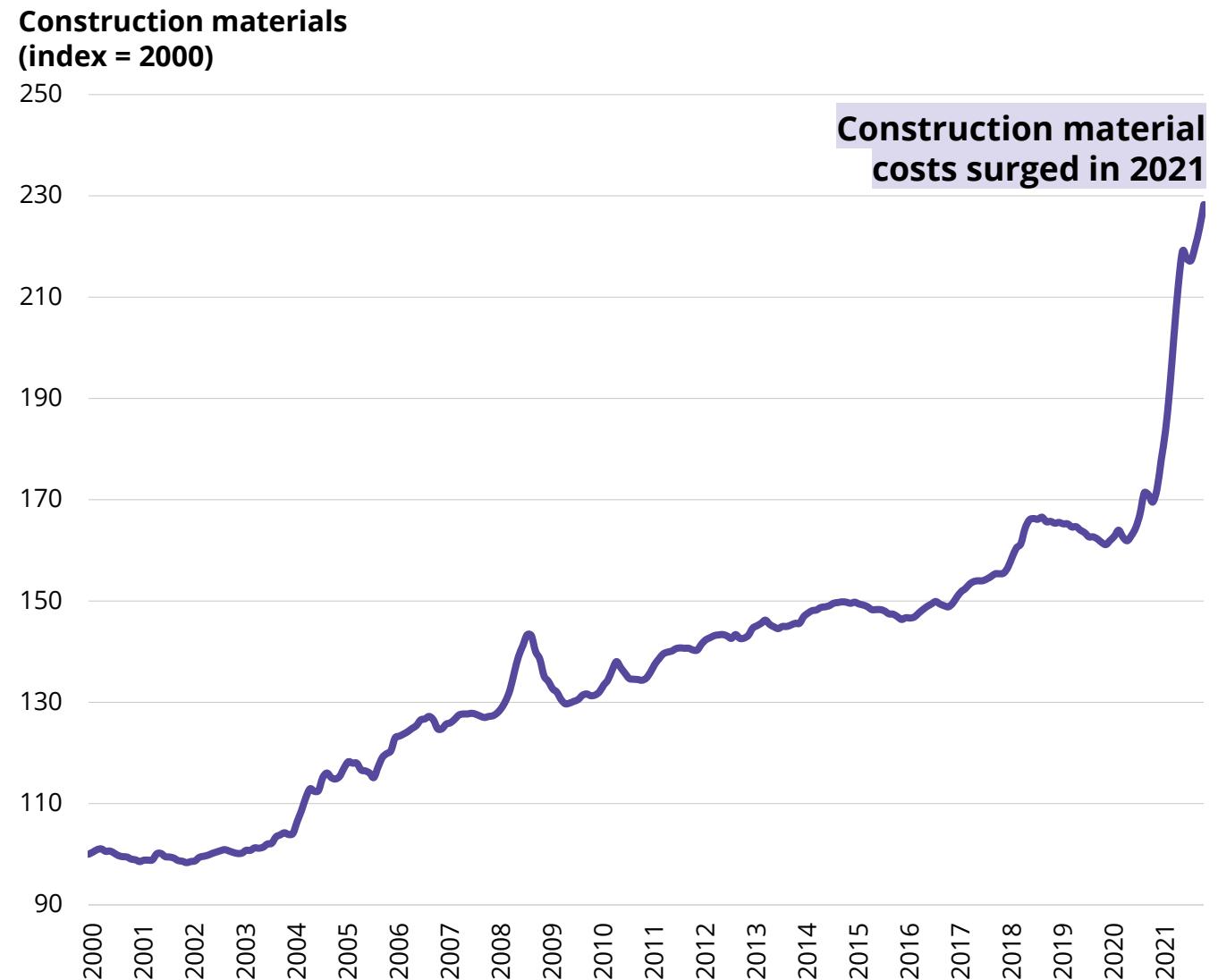


Cost of construction materials

+32.6%

increase in Construction Material Index cost from year-end 2020 to November 2021.

Construction material costs have continued to surge throughout 2021, pressuring industrial new construction pro forma rents. While the third quarter offered some reprieve in pricing, scarcity and supply chain disruptions have injected additional uncertainties.



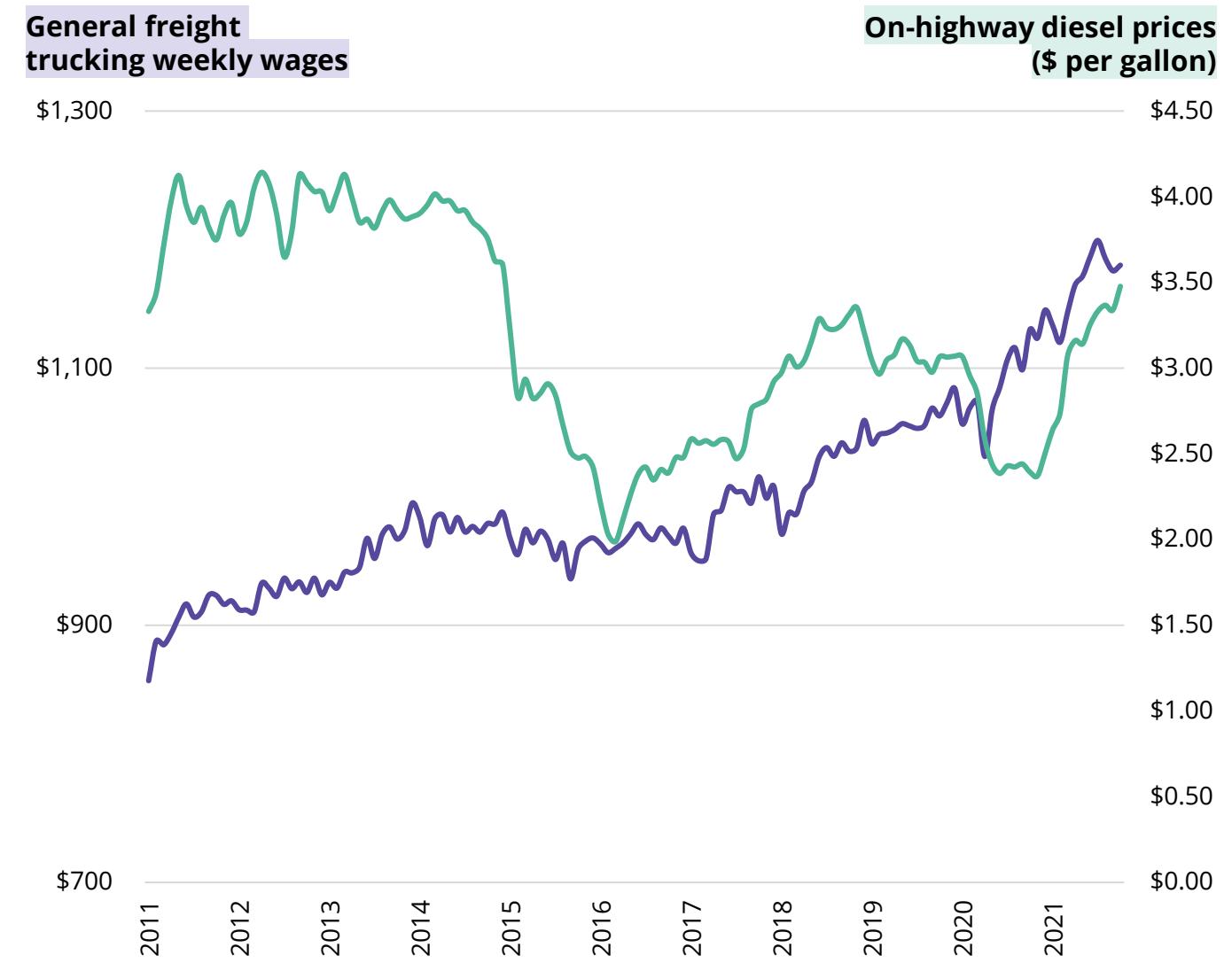
Note: Data not seasonally adjusted
Source: Bureau of Labor Statistics

Fuel costs and freight trucking driver wages

+45.2%

uptick in diesel fuel prices since October 2020.

Rising diesel fuel prices and wage rates, for both short- and long-haul trucking, are exacerbating pressures on shipping costs for companies that may have also faced international supply chain disruptions and continued constraints from driver shortages.

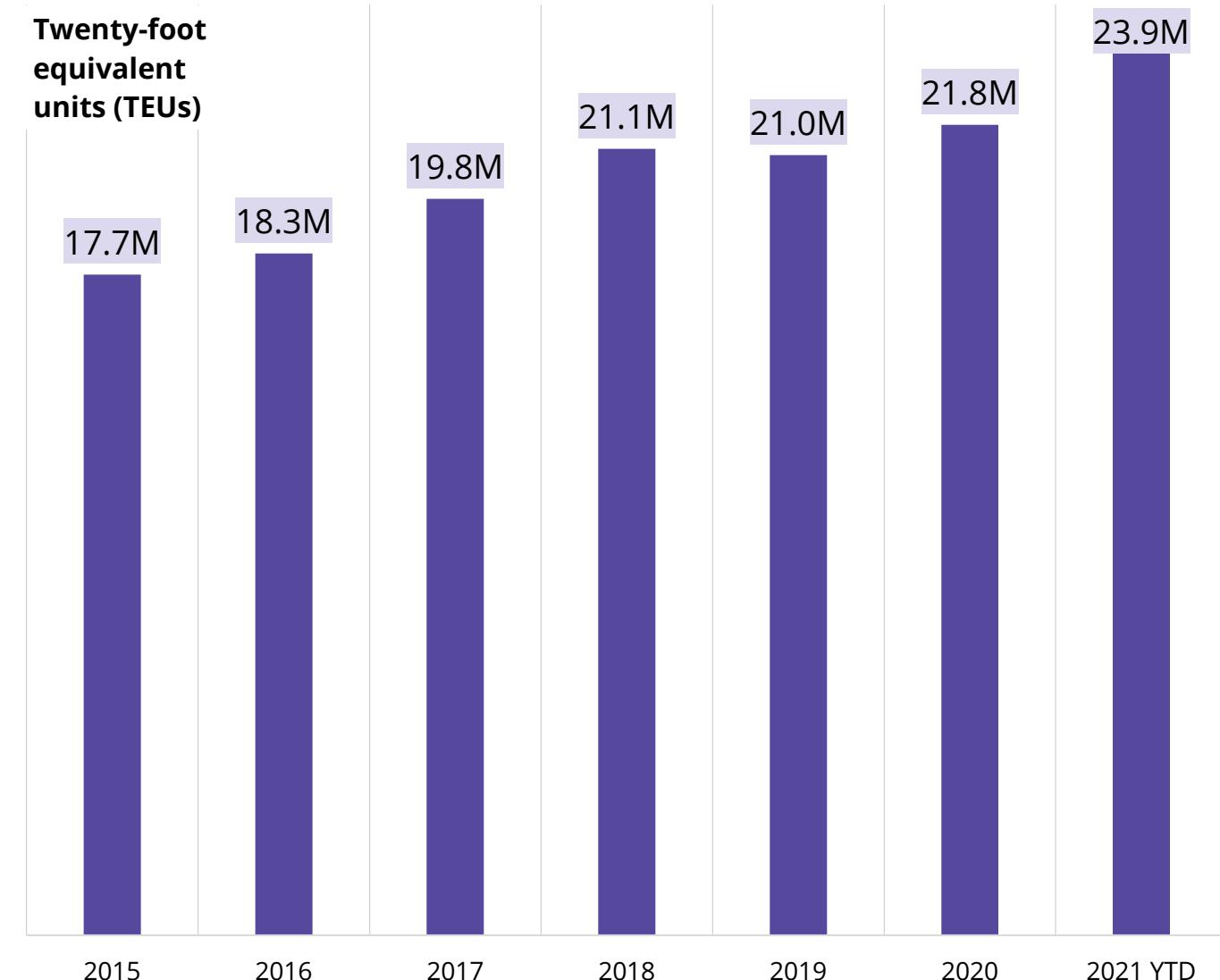


Loaded import container volumes

+9.9%

year-over-year increase in cargo volumes, despite supply chain disruptions and port congestion.

Through November, loaded imports at major U.S. seaports are up significantly over the same period last year. Despite heavy reporting in mainstream news and solutions still being conceptualized, throughput activity is being processed and moving into domestic supply chains.





Inland Empire industrial market insights

Q4 2021

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Let's look at industrial market fundamentals in the Inland Empire

e-commerce, traditional retail and 3PL demand continue to drive market fundamentals tighter, as post-pandemic consumer habits become more entrenched.



Key industrial takeaways



Economic conditions

- In one of the most critical logistics and supply chain markets in the country, local employment continues to grow as warehouse & distribution leasing activity surges. The market has added another **35,000 jobs in transportation, warehousing & utilities** over the course of the year.
- Inland Empire MSA unemployment has dropped precipitously since spiking in April 2020, and **at 5.4% has returned to 2017 levels**, while still approaching the historical lows last achieved in early 2019.



Recovery rate

- Current headwinds have been persistent global supply chain issues, and complex impediments in clearing of congestion at the Ports of Los Angeles and Long Beach. According to FreightWaves, there were **105 ships waiting for berths** at the ports, an all-time high.
- Challenges in the domestic consumer & transportation arenas include rising inflation, which has not yet affected spending on goods, but locally **prices are up 7.9% in the last year**, conspicuously in the energy sector.



Industrial demand

- Overall leasing activity has been constrained not by demand, but by existing supply in many size segments. **Activity is up 35.4% in the last two years** when compared to the long-term average, but declines in vacancy have limited options for many immediate tenant requirements.
- The Inland Empire has significantly expanded over the last decade via organic growth, but **new construction deliveries in 2021 amount to only 59.6% of total net absorption** in the year, helping drive vacancy to new lows.

Key industrial takeaways



Industrial supply

- New deliveries were consistent with prior years, but not maintaining pace with leasing demand. There were **77 properties** completed throughout 2021, totaling **17.4 msf** and between build-to-suit development, pre-leasing or post-spec leasing activity, these properties have already achieved **an occupancy rate of 87.2%**.
- The overall vacancy rate continued to tighten, **falling to a historical low of 1.5%**.
- For tenants seeking specific, large-block size ranges in the Inland Empire, options are limited. At the end of the year, there were **only 28 available sites in the 250 ksf - 1 msf size range.**



Pricing trends

- Base **rents have increased by 22.6%** since the beginning of the year.
- Rents are up a significant **86.6% over the last five years**, spurred by tightening vacancy, lack of available options and persistent demand from major occupiers to be located in the Inland Empire.



Capital markets

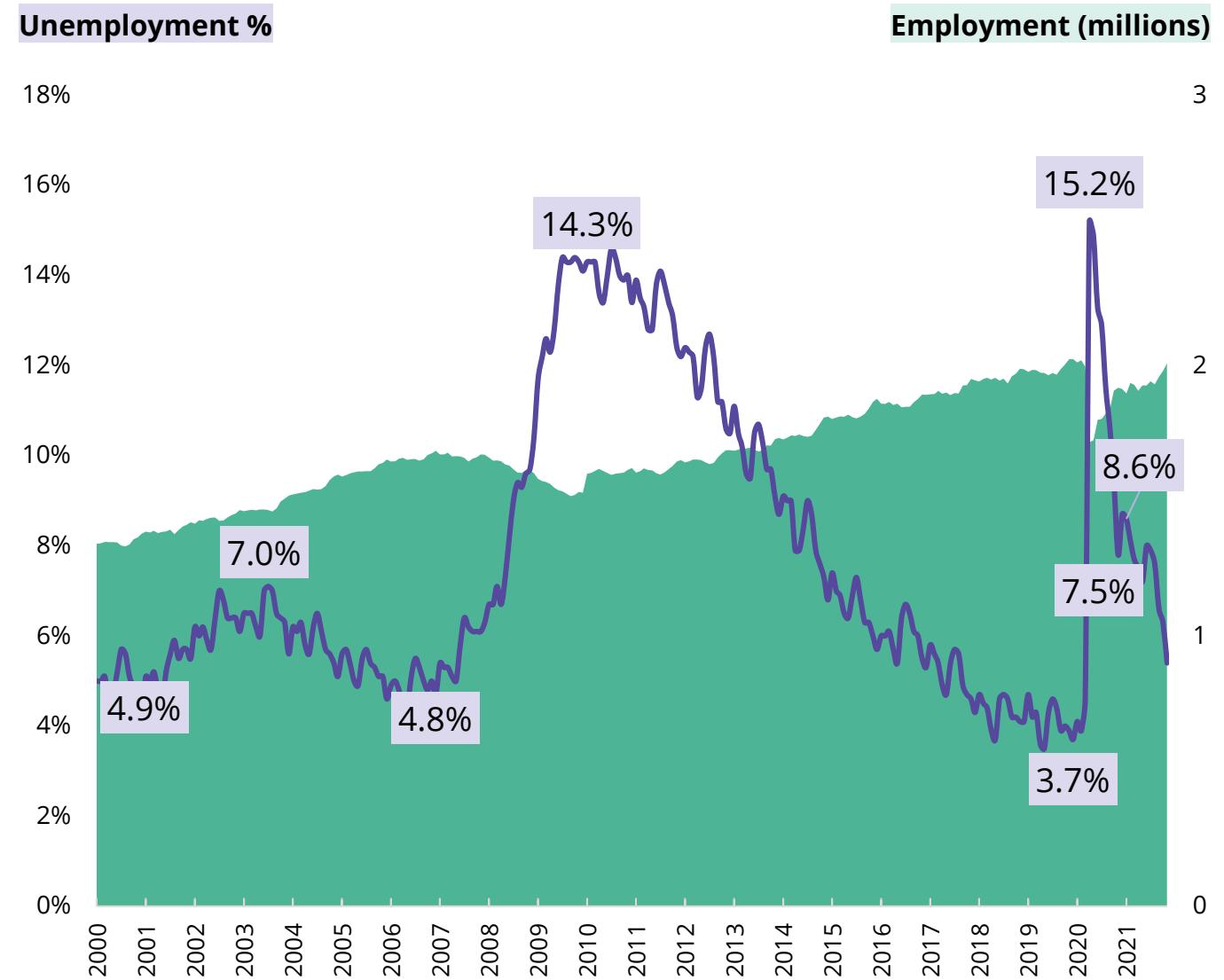
- Inland Empire Industrial **investment activity surged to \$7.3B** over the course of 2021 as major domestic and global investors remain attracted to sector fundamentals largely benefited from the COVID environment.
- Investors continue capital deployment on industrial assets at a **rate that is 129.6% higher** than the prior five-year average.
- This also translated into higher valuations for Inland Empire industrial assets, with a **61.5% higher psf rate** than the trailing five-year average, while the fourth quarter was up 39.3% over the same period last year.

Employment and unemployment rate

5.4%

Inland Empire unemployment rate as of November 2021, nearing levels last experienced in 2014.

Before the pandemic, unemployment was at historical lows. After spiking in April 2020, recovered occurred through the end of the year, and have steadily improved throughout 2021, up another 91,000 jobs since last year, with unemployment returning to early- to mid-2017 levels.



Employment and unemployment rate

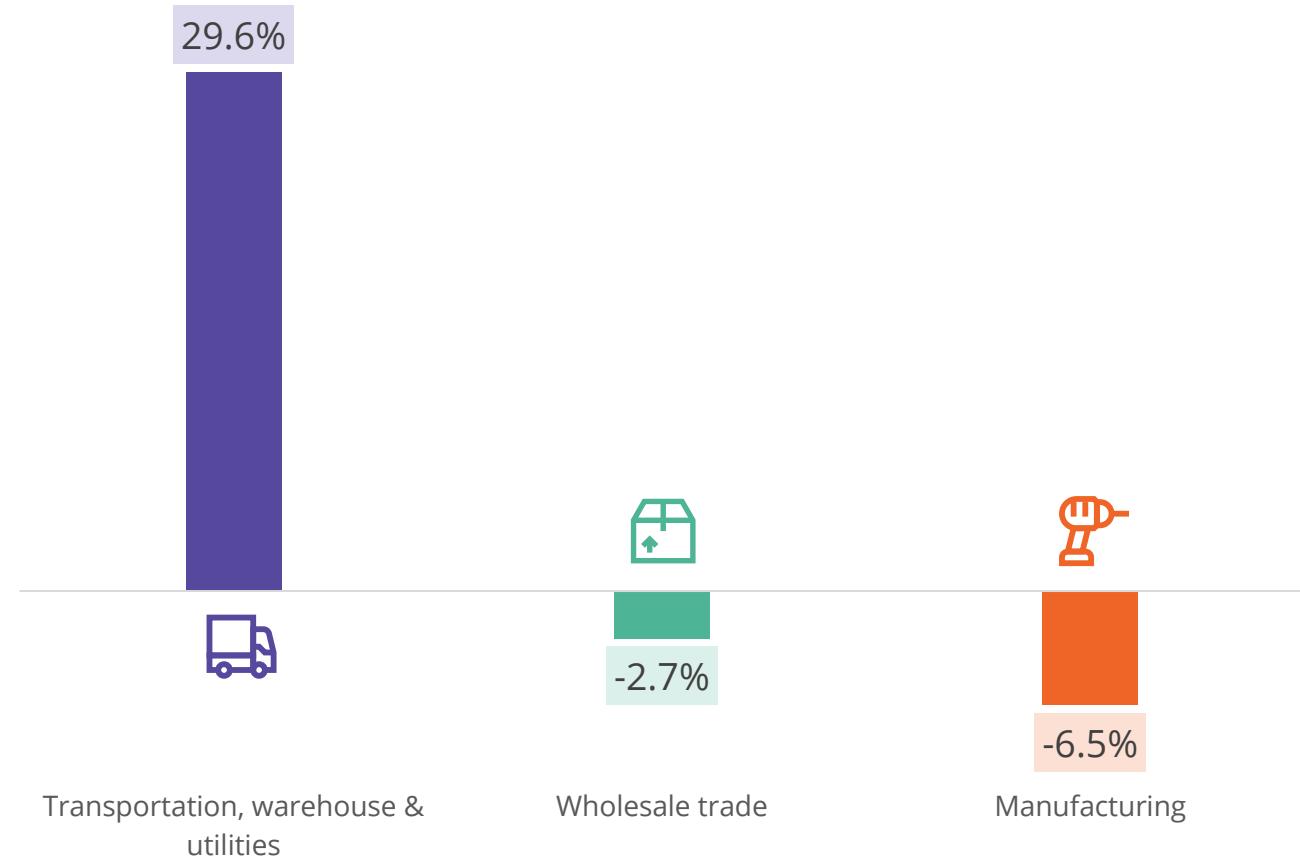
+ 11.8%

Change in Inland Empire industrial employment sectors from February 2020 to November 2021.

While its dip early in the pandemic was less severe than other markets around the country, Inland Empire industrial employment also recovered quickly and has continued to over the last 12 months. Logistics-oriented jobs are up significantly, while wholesale trade and manufacturing have bounced back since the end of 2020.

Total change in Inland Empire job gains and losses

February 2020 to November 2021



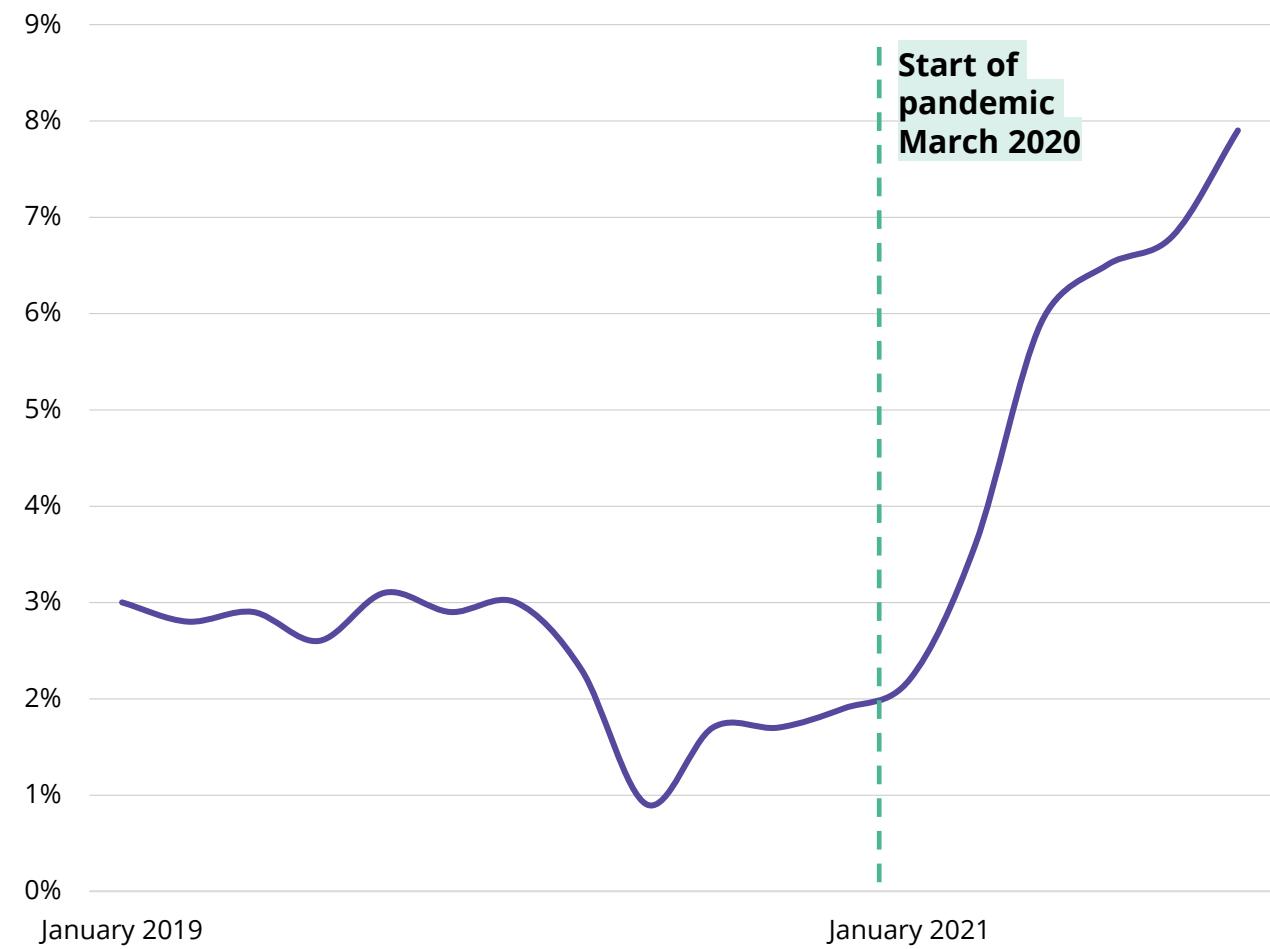
Consumer prices and inflation rates

+7.9%

Year-over-year change in Consumer Price Index for the Inland Empire, all items.

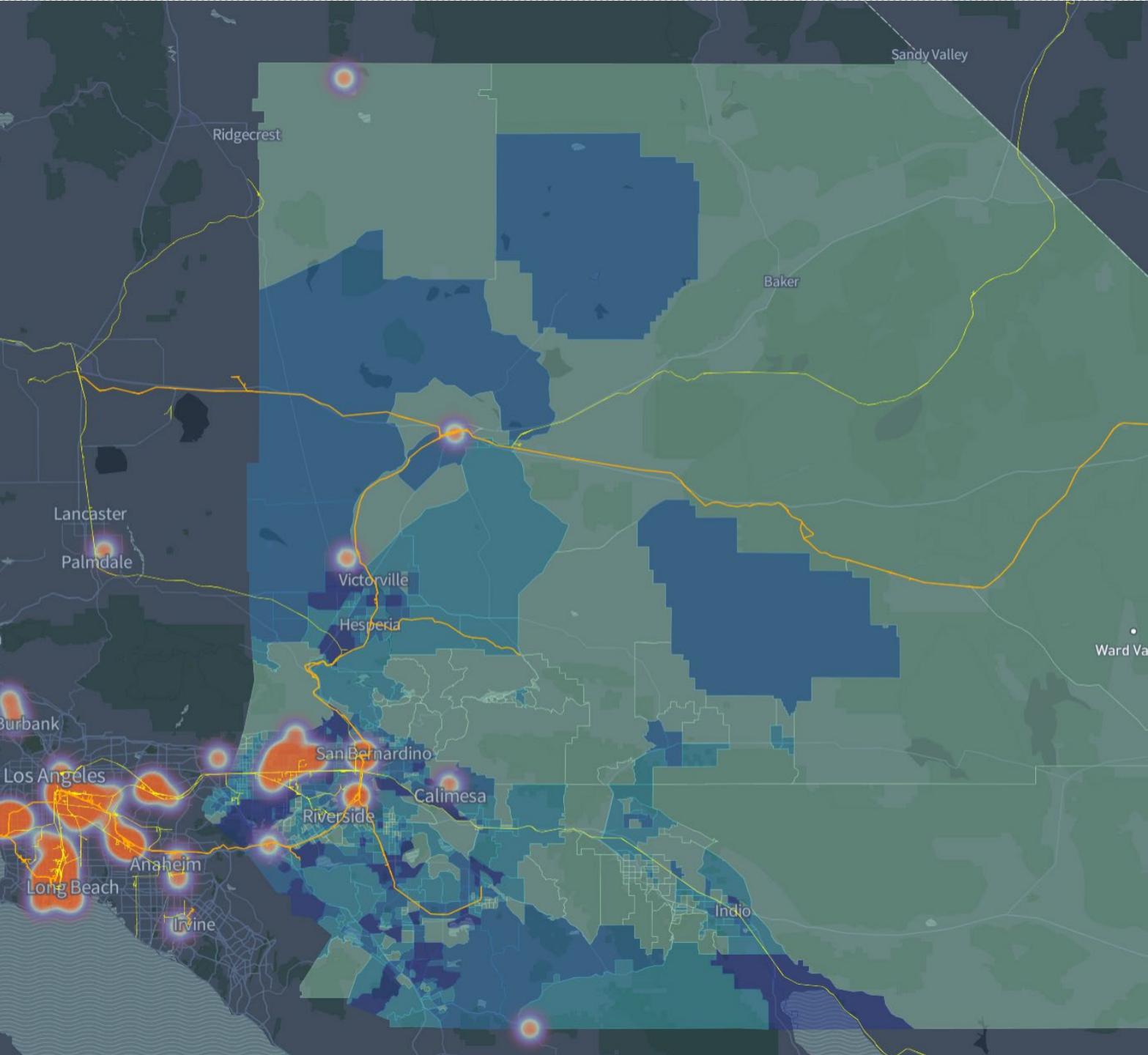
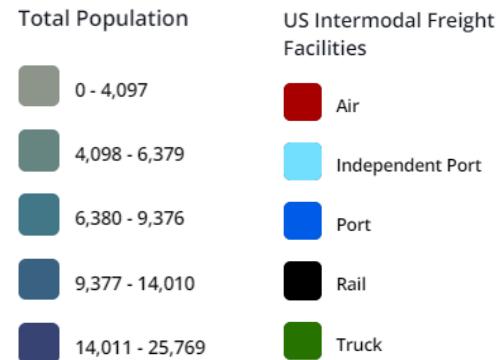
Consumer prices in Southern California, and exceptionally in the Inland Empire, have escalated above national trends, and only accelerated in the wake of the pandemic. Despite being the home to much of U.S. transpacific trade, supply chain issues along with a re-starting of many local economies have put upward pressure on prices, especially on energy, with local gasoline rates alone up 35.7 percent.

Annual %
change



Freight rail and intermodal facilities

Heatmap of U.S. Intermodal Freight Facilities

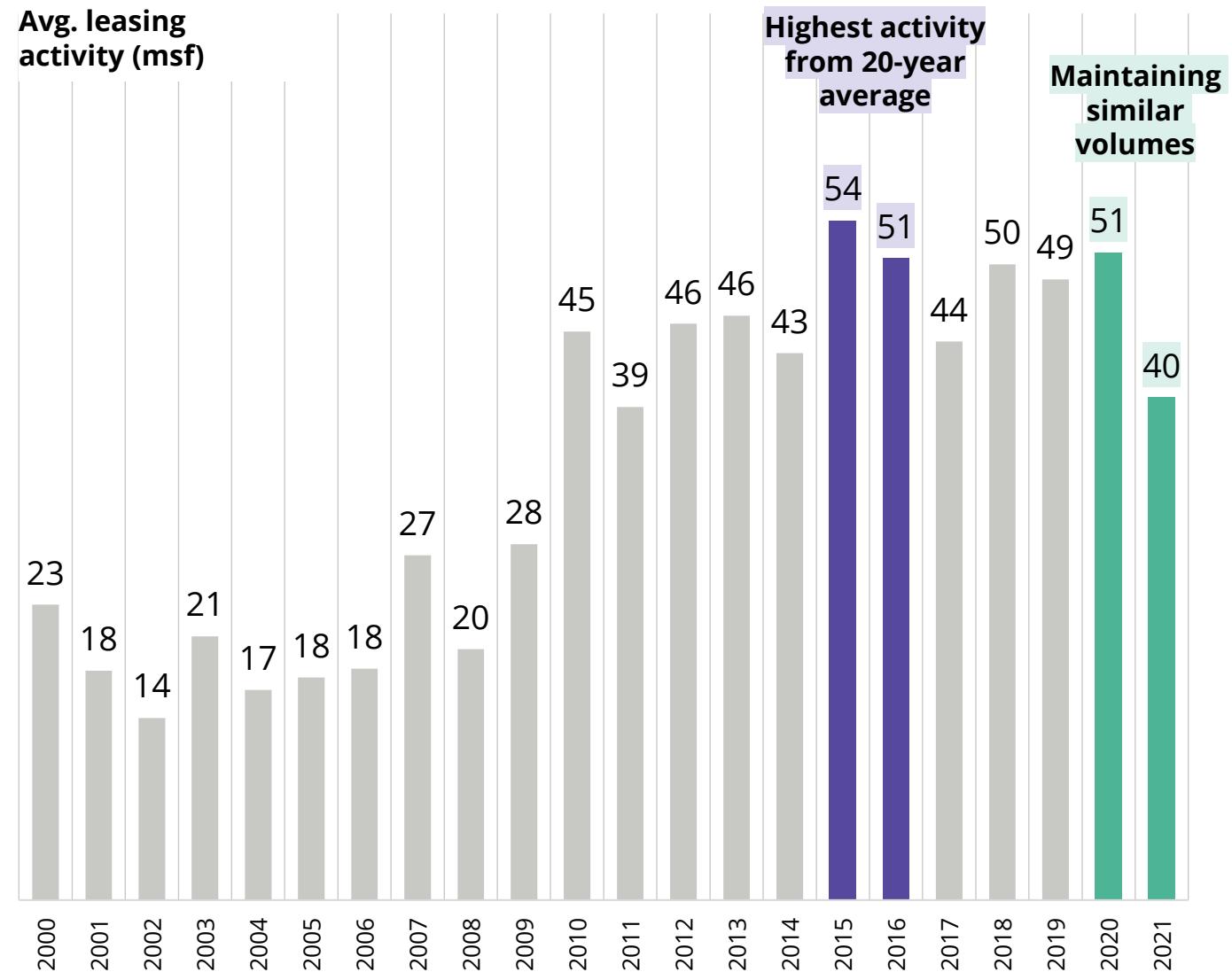


Industrial leasing activity

+35.4%

Two-year average annual leasing activity vs. prior 20-year annual average leasing activity.

Significant declines in vacancy have kept the Inland Empire development pipeline at consistently high levels over the last eight years. While 2021 volumes appear low relative to past years, net absorption set an annual record in the year – and new construction should help unleash much of the pent-up demand that the market currently faces.

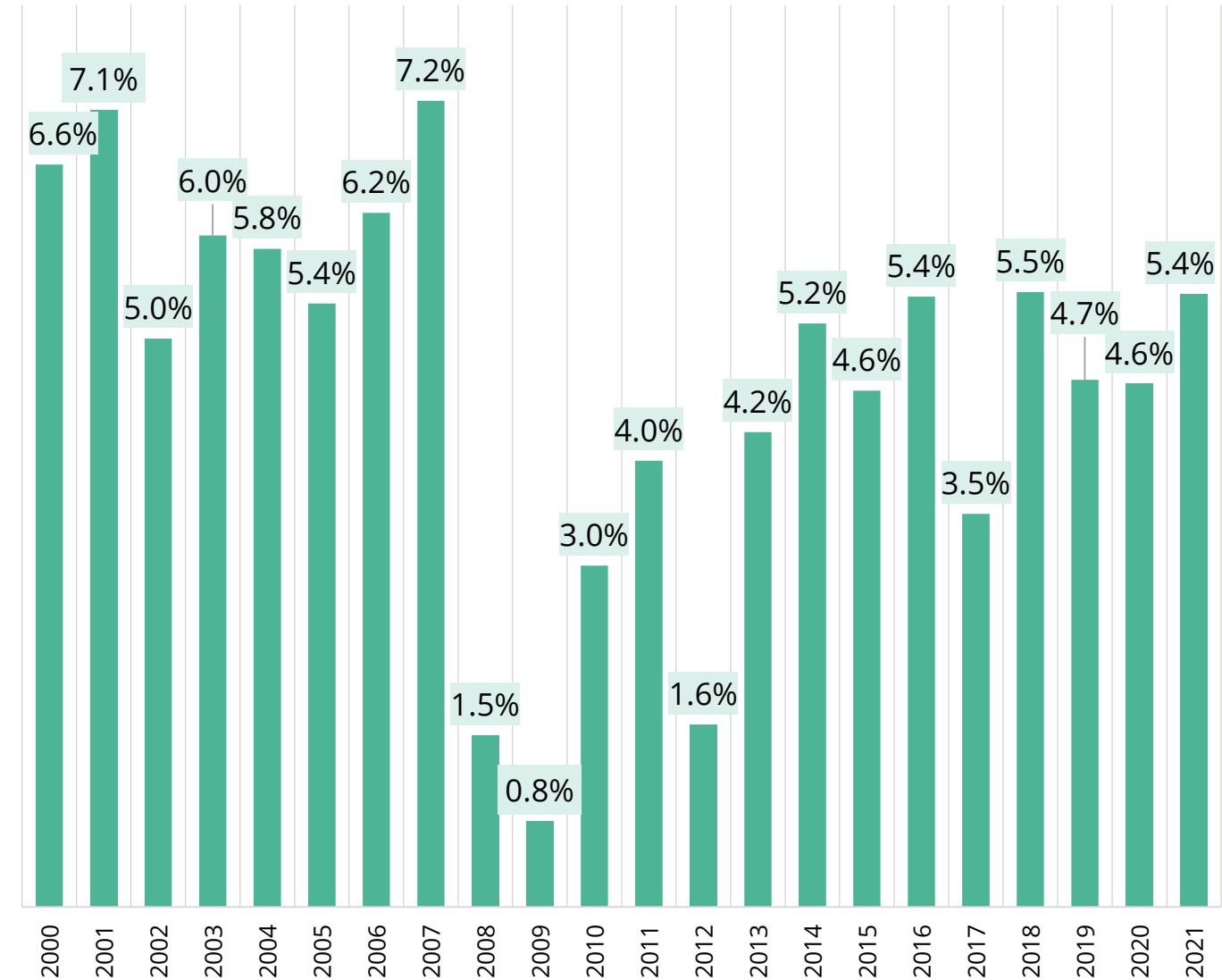


Industrial net absorption

5.0%

Average annual net absorption as a percentage of inventory, from 2020 through year-end 2021.

At more than 29.2 million square feet over the course of the year, net absorption achieved its highest tally on record. New deliveries are keeping up with demand, and the pipeline of new construction and groundbreakings remain on pace to satisfy current and near-term future demand, especially for prime big-box logistics space needs.

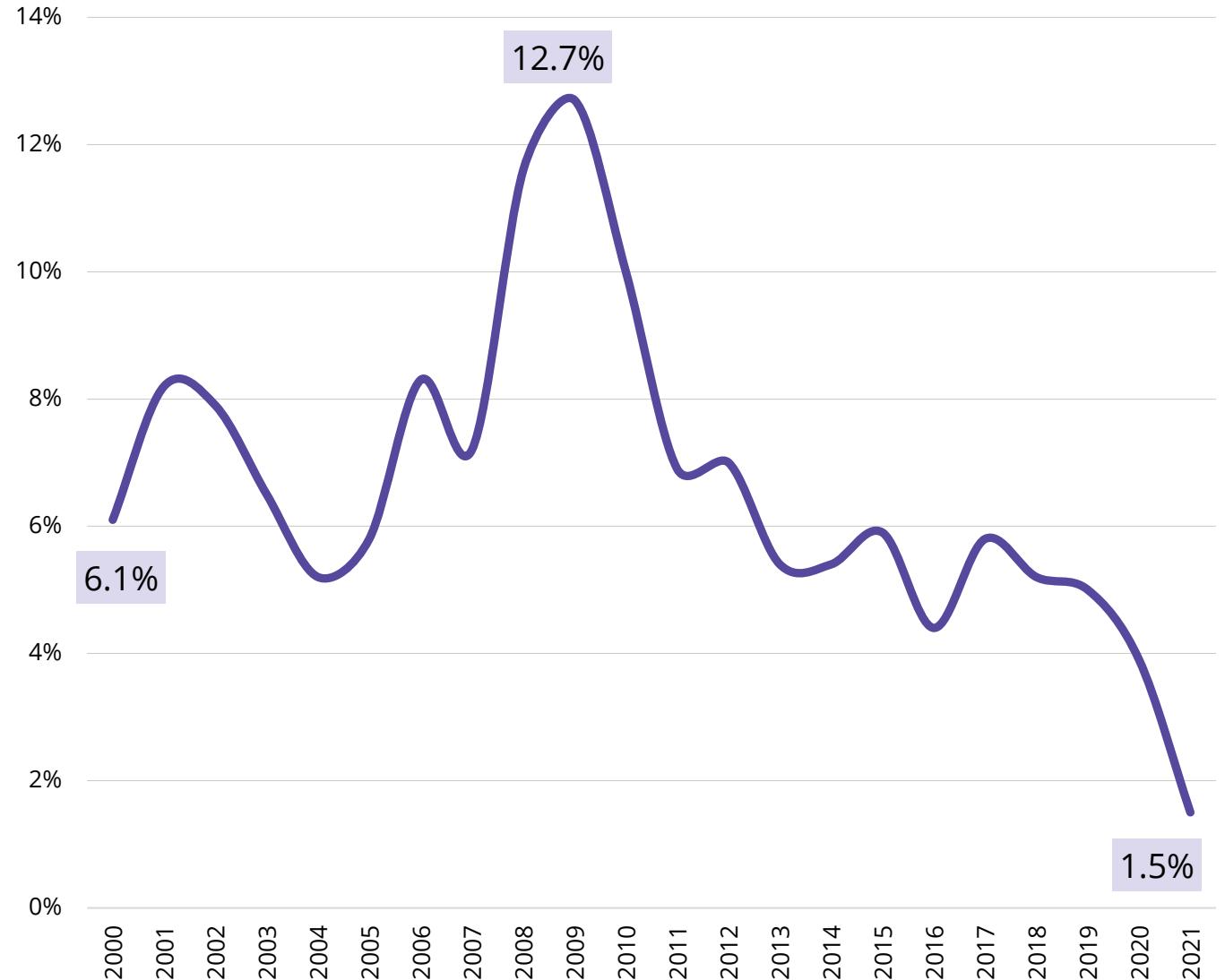


Industrial vacancy rate

1.5%

Inland Empire industrial
vacancy rate as of year-
end 2021.

Vacancy dropped another 30 basis points over the course of the fourth quarter, to another historical low. Vacancy at such unprecedented levels, especially for larger user requirements, has bolstered competition, helped drive pricing and continues to fuel new construction and the search for new development sites – all of which has helped push the peripheral market boundaries to expand further west and south.



Source: CoStar, AVANT by Avison Young

Industrial development pipeline

124 properties

proposed, under construction / renovation

87.0 msf

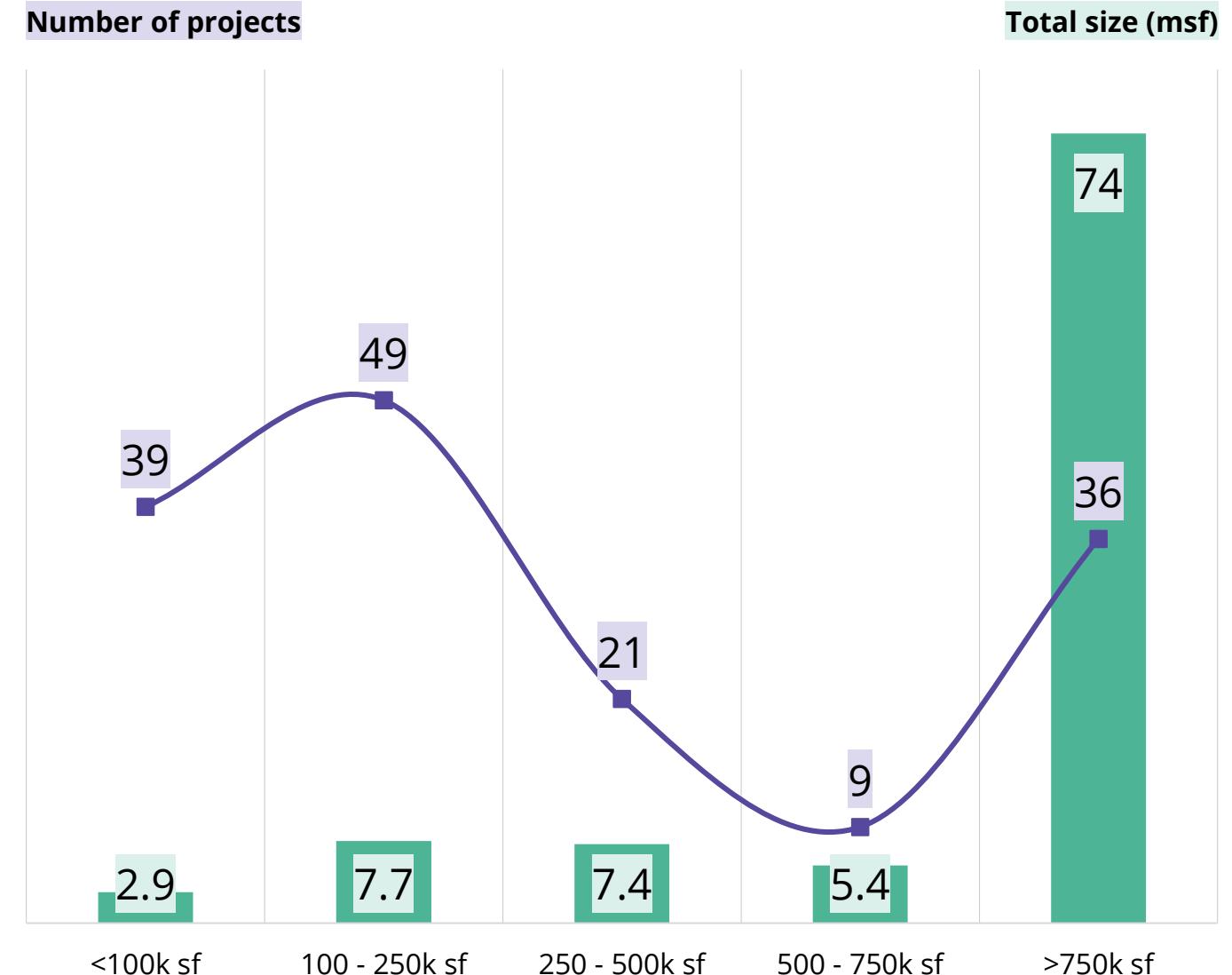
proposed, under construction

16.5%

share of industrial inventory

North Riverside

has the most ground-broken projects at 18



Industrial development pipeline

124 properties

proposed, under construction / renovation

87.0 msf

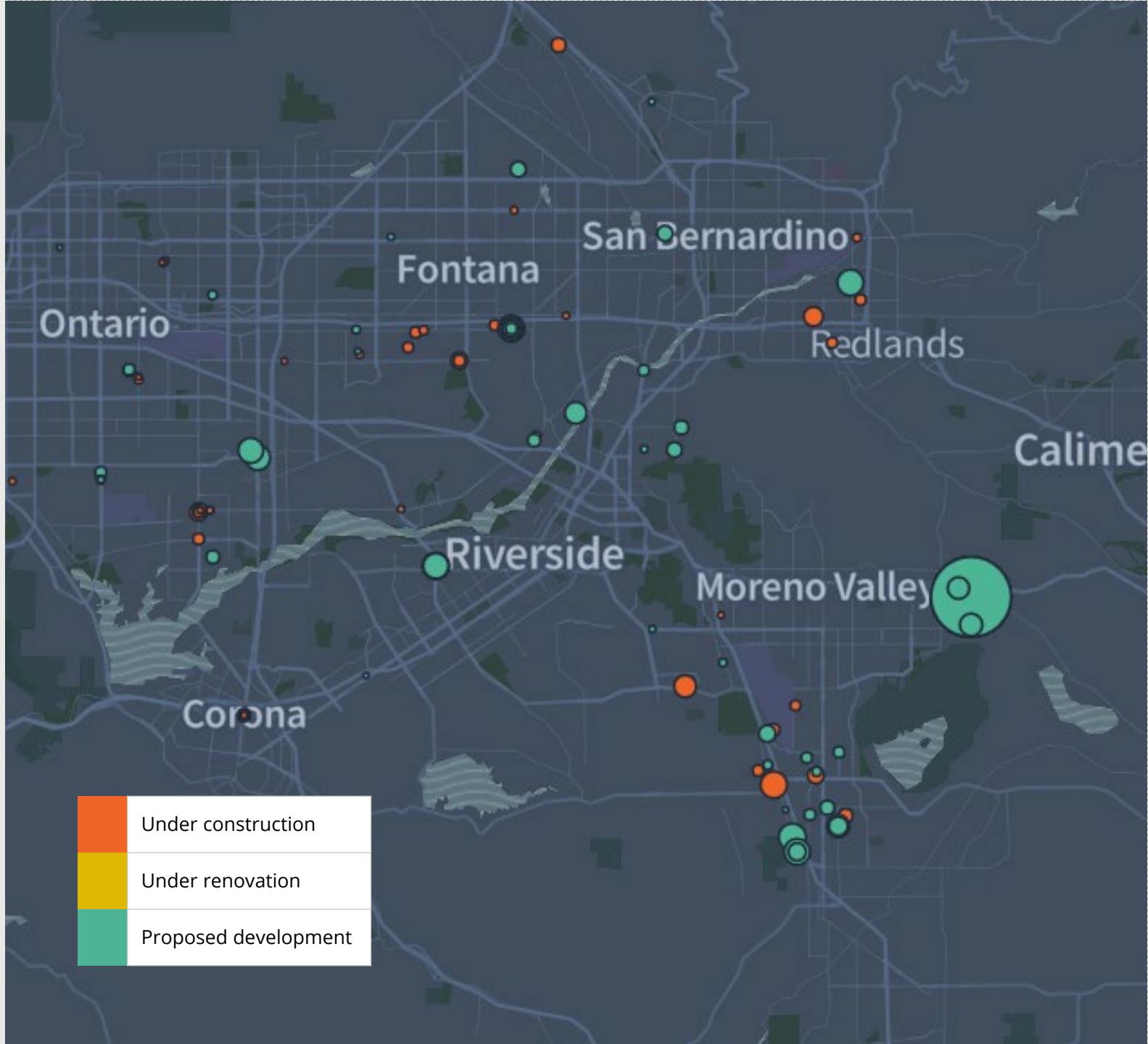
proposed, under construction

16.5%

share of industrial inventory

North Riverside

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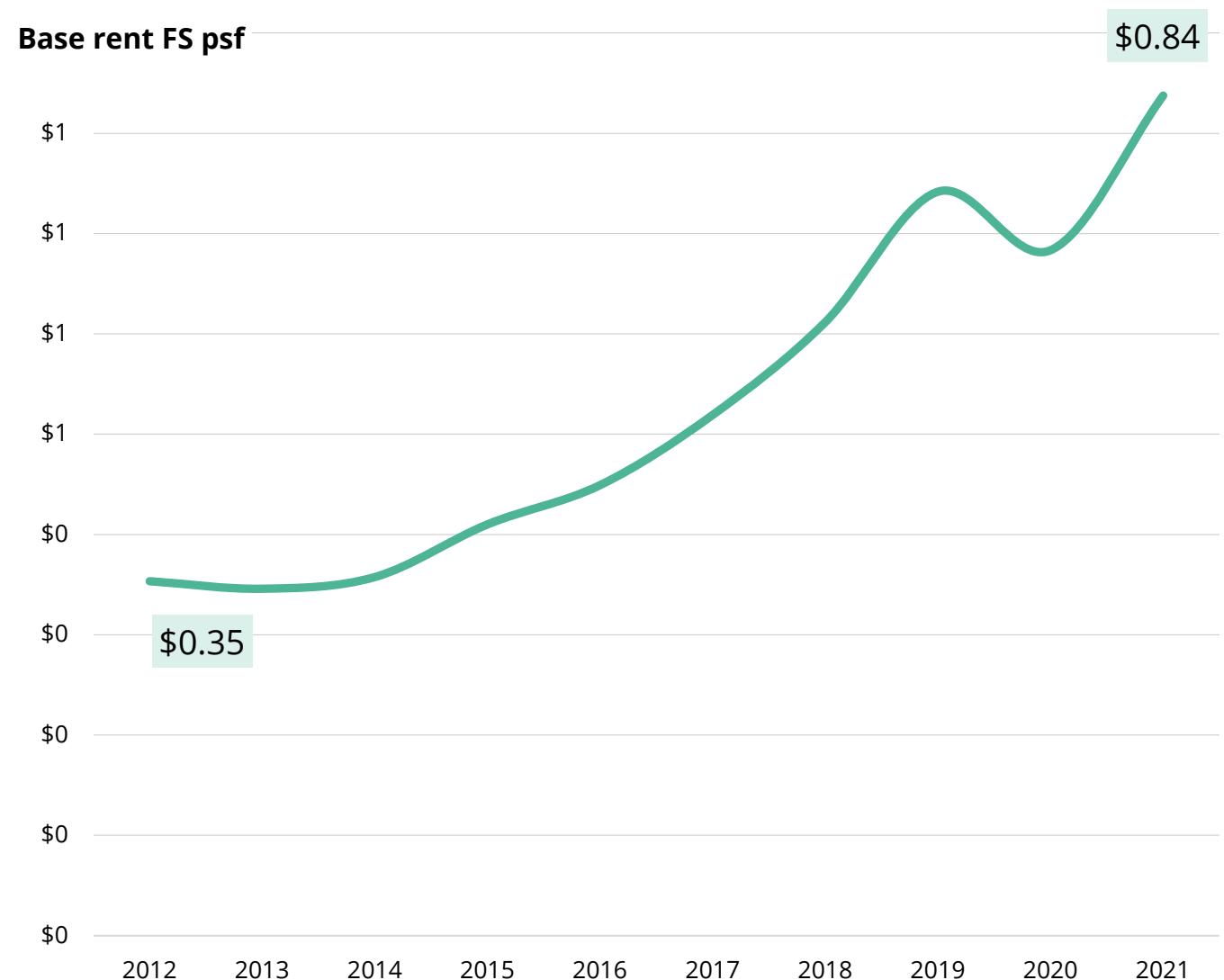


Industrial base rental rates

+22.6%

Year-over-year increase in base rents for industrial assets in the Inland Empire.

Average rents spiked again over the course of the fourth quarter, as inflation and vacancy pressures as well as a lack of options drove rents to new highs. Rent levels are being pushed up among all occupier size ranges and most asset types.

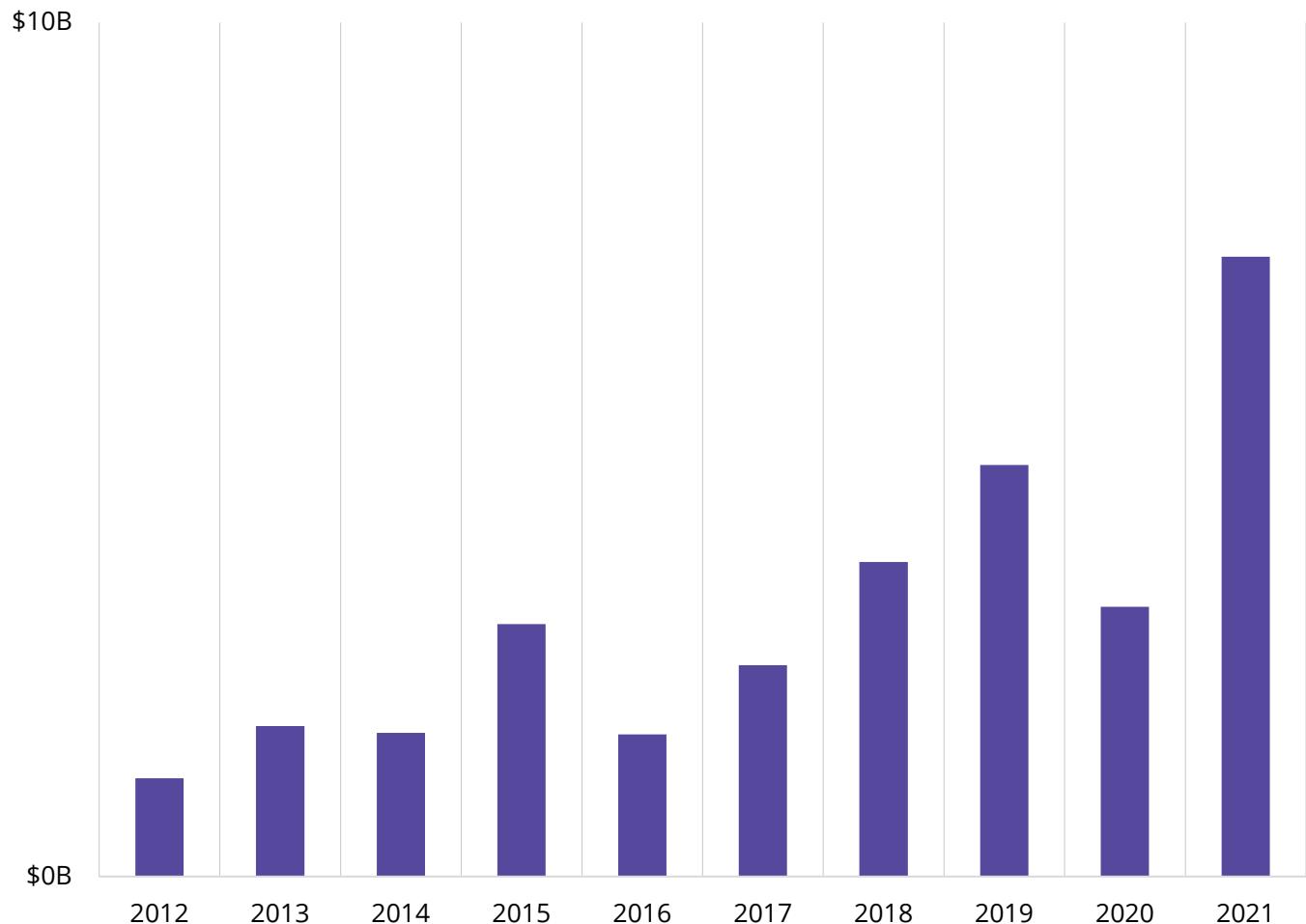


Industrial investment dollar volume

\$7.3B

Inland Empire dollar volume in 2021.

Inland Empire industrial investment activity surged to a total of \$7.3B in 2021 as investors continue to deploy capital in the warehouse and logistics sector at a rate that is 129.6% higher than the prior five-year average and 50.6% over pre-pandemic levels.

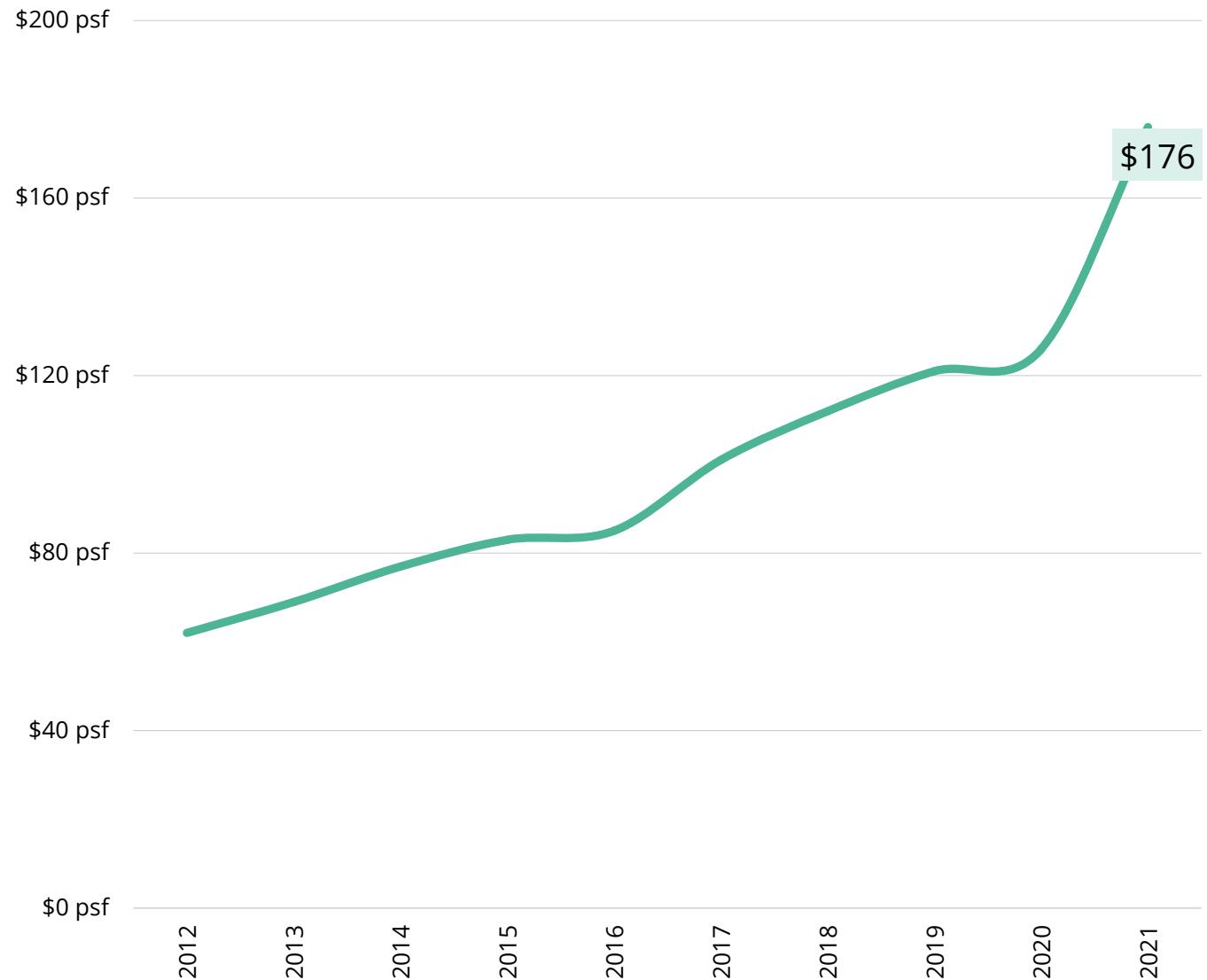


Industrial asset pricing

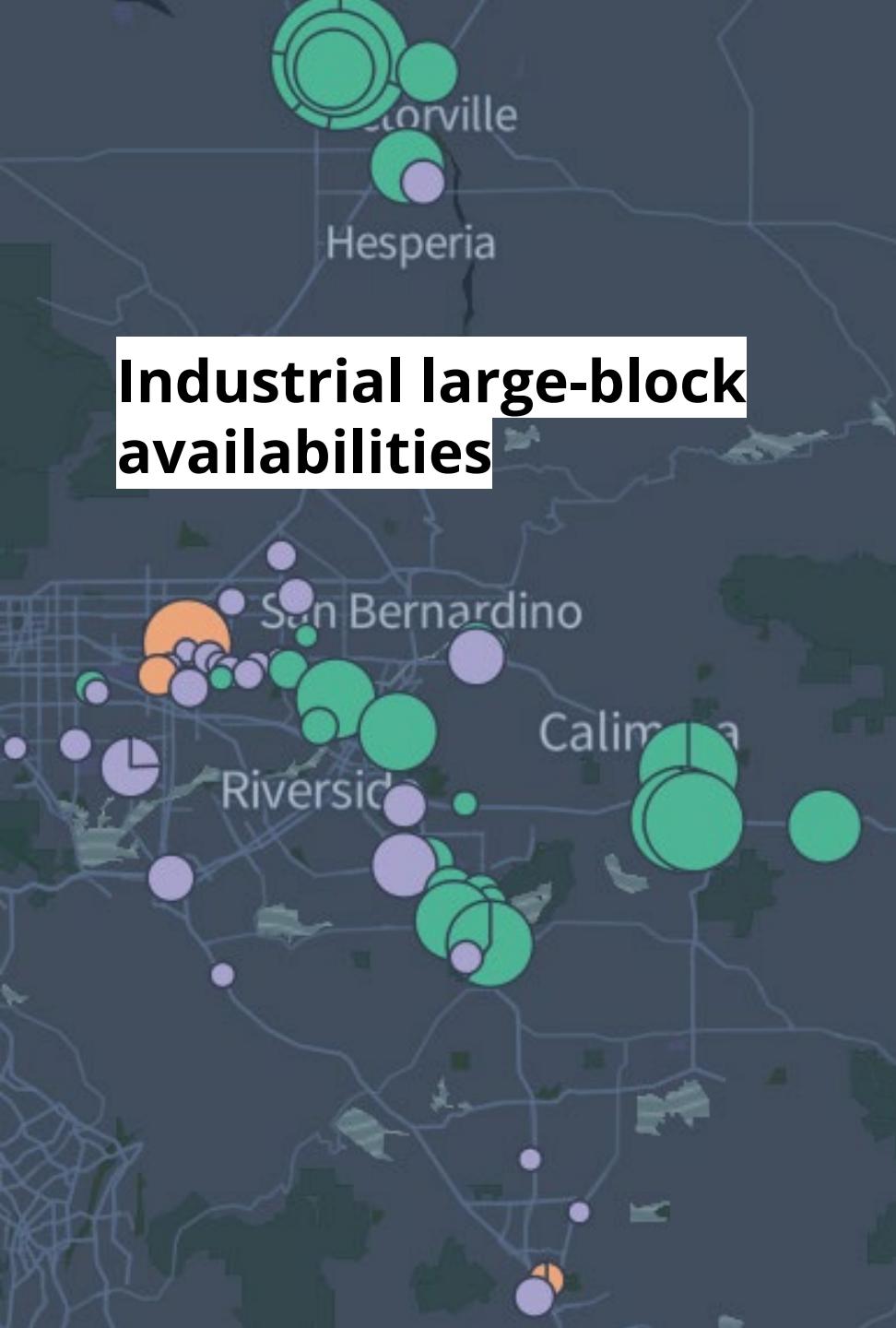
+39.3%

Inland Empire pricing from fourth quarter 2020 to 2021.

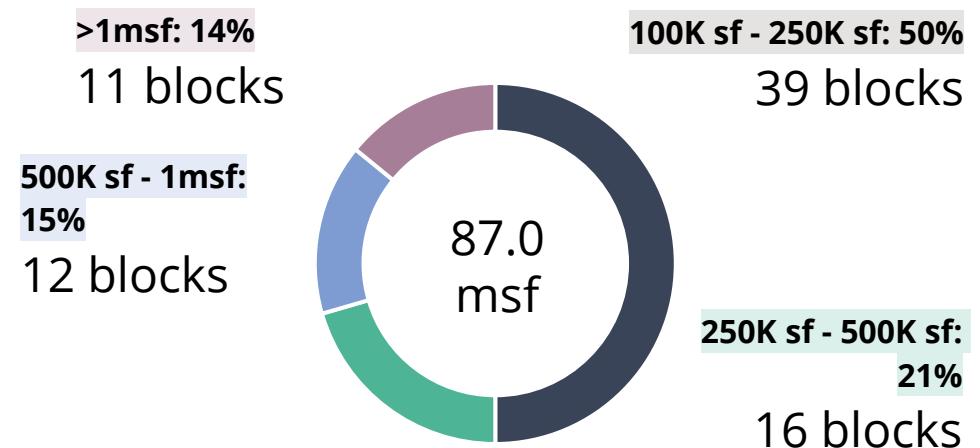
Pricing for Inland Empire logistics assets barely flattened early in the pandemic, and has only continued to steeply rise since throughout 2021. Competition amongst investors to be in one of the U.S. "must have" investment markets, combined with solid market fundamentals only strengthen higher psf rates, a trend that will likely continue throughout 2022.



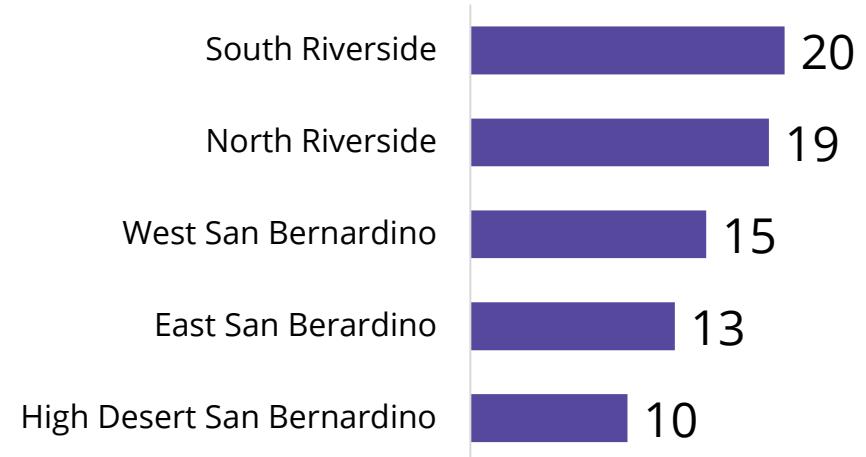
Industrial large-block availabilities



Large-block space size ranges



Large blocks available by submarket



Source: AVANT by Avison Young

Now, let's see what we can expect looking forward

Post-pandemic structural shifts in consumer spending have given a boost to already stellar market fundamentals, and will drive new development in 2022.



Here's what we can expect looking forward

- **Supply chain disruptions** did little to abate demand in the Inland Empire, and we can likely expect that as constraints are further worked through, that some additional pent-up demand will come back to the market.
- **e-commerce, retail & 3PL** continue to drive leasing activity, but options have become limited over the last few years, spurring increased development activity. Low vacancy levels will continue to exert upward pressure on rents, especially for core large-block size segments, as existing options and development are limited.
- **The market is on the move**, with new development continuing to expand beyond the long-established periphery and pioneering into areas to the east and south. The construction pipeline is consistent, pre-leasing activity is very strong and demand is still eclipsing current development levels.
- **Solid leasing fundamentals** have bolstered investment interest in the industrial sector, and the Inland Empire is a target for many institutional and major global investors, keeping competition for market share fierce.





Los Angeles industrial market insights

Q4 2021

AVISON
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Let's look at the industrial market fundamentals in Los Angeles

A spotlight on port congestion and supply chain disruptions only help to emphasize the impact of tight leasing market fundamentals on location optimization and tenant operations.



Key industrial takeaways



Economic conditions

- Unemployment in the Los Angeles-Orange County MSA has significantly recovered from its pandemic spike in early 2020, but **at 6.4% is still 270 basis points above 2019 levels.**
- Local employment in **transportation, warehousing & utilities improved by 9.6%** since the beginning of the pandemic, but other sectors like wholesale trade and construction have yet to fully bounce back.



Recovery rate

- Consumer prices are **up 6.0%**, with energy costs rising 34.8%, **especially due to gasoline.** Any impact on warehouse & distribution space demand has not been and may not be realized, while likely overshadowed by well-publicized issues at the San Pedro ports.
- Despite over 100 vessels still stuck offshore from the ports, and congestion not yet fully resolved – the ports each had record TEU volumes. **The Port of Los Angeles was up 13.0% year-over-year and the Port of Long Beach up 15.7%.**



Industrial demand

- Even while vacancy is extremely low, overall leasing activity has been significant throughout the pandemic, currently sitting at **+36.4% of the long-term annual average** of the last 20 years of historical data.
- Given lack of buildable land in a dense metro area and limited, but highly coveted, redevelopment opportunities, absorption was still notably strong, **eclipsing new construction by over 3x.**

Key industrial takeaways



Industrial supply

- There are limited opportunities for both development and redevelopment. Despite this, **20 properties** larger than 50,000 sf were completed in 2021, **totaling 3.9 msf** and now only 7.3% vacant in aggregate.
- 79.5% of large blocks are in the 100,000 – 250,000 sf size range, totaling **4.5 msf space available**. **16 (41%)** of all large blocks are located in the South Bay.
- The overall vacancy rate for the Los Angeles industrial market was pushed to new lows in the fourth quarter, with **vacancy at 1.2%**, a new record.



Pricing trends

- Base **rents have increased by 25.8%** over the last year and have continued a steady upward trajectory since 2012.
- Rents have more than doubled over that time period, **up 123.5%** in the last nine years, and with the steepest increase occurring after the pandemic.



Capital markets

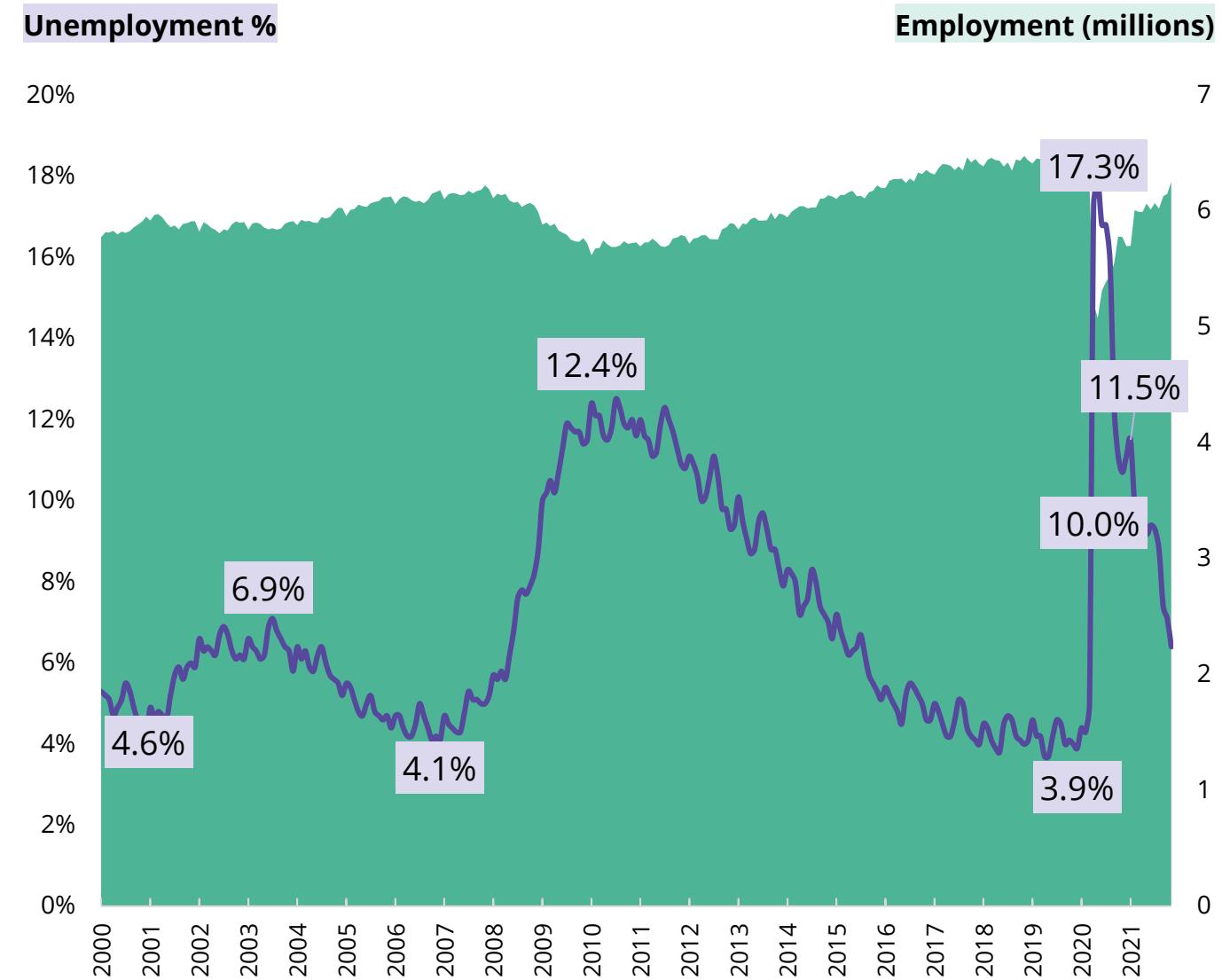
- Los Angeles Industrial **investment activity surges to \$6.9B** throughout 2021 as investors remain attracted to dense demographic factors, proximity to the ports, as well as sector fundamentals all largely benefited from the COVID environment.
- Investors continue capital deployment on industrial assets at a **rate that is 59.6% higher** than the prior five-year average and **82.4% above** 2019 levels.
- It also translated into higher valuations for Los Angeles industrial assets in the fourth quarter, with a **16.0% higher psf rate** than the same period last year.

Employment and unemployment rate

6.4%

Los Angeles & Orange County metro unemployment rate as of November 2021, nearing levels last experienced in 2015.

From 2017 to early 2020, the metro area operated in an unemployment band at historical lows, between 4 – 5 percent. While significantly recovering from a pandemic-oriented spike, levels have come back down, but are yet to reach the low levels of full employment experienced pre-COVID.



Employment and unemployment rate

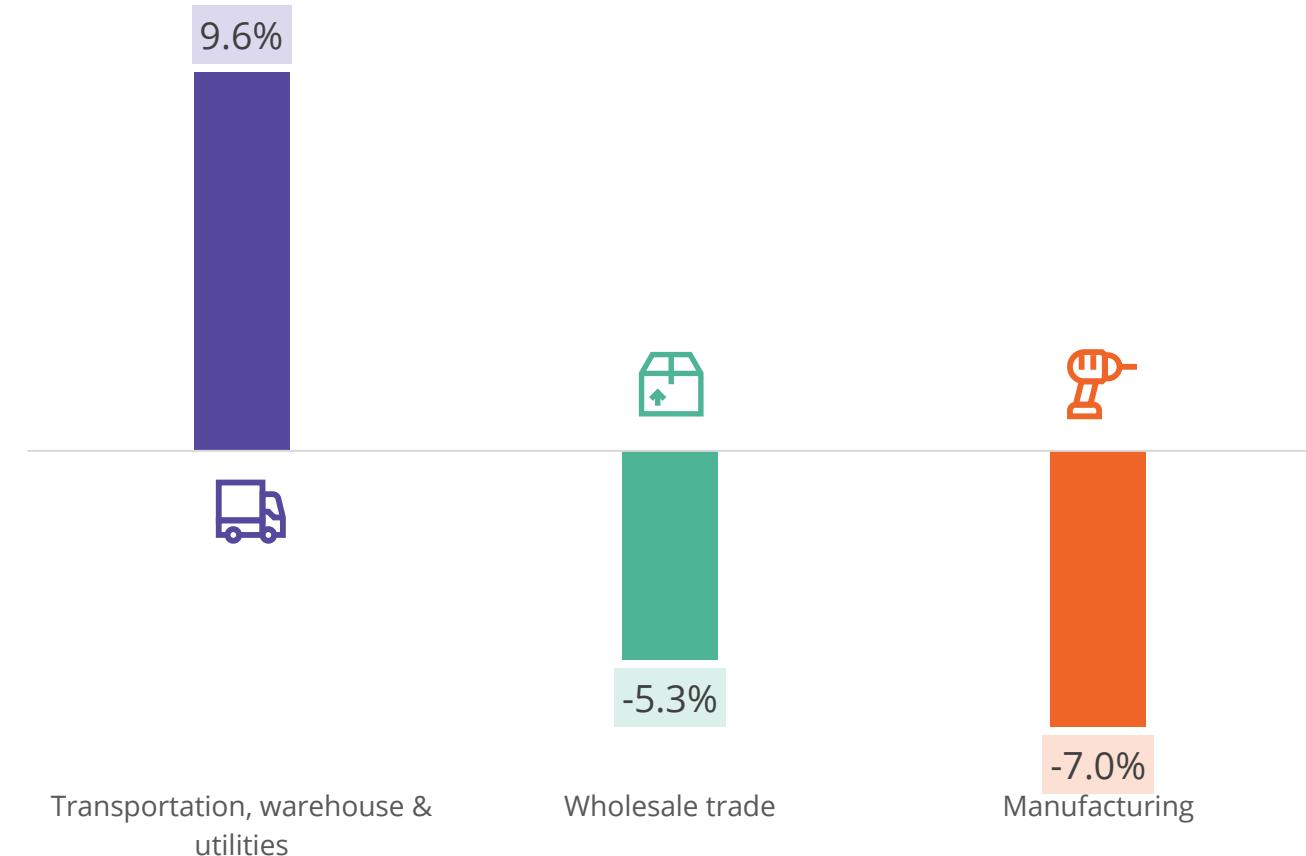
-2.6%

Change in Los Angeles & Orange County industrial employment sectors from February 2020 to November 2021.

While the Los Angeles & Orange County metro area has experienced net industrial job losses since the pandemic, it has largely recovered in the critical areas of transportation and logistics. Additionally, all sectors are now up year-over-year, gaining 3.2% across the industry.

Total change in Los Angeles & Orange County job gains and losses

February 2020 to November 2021

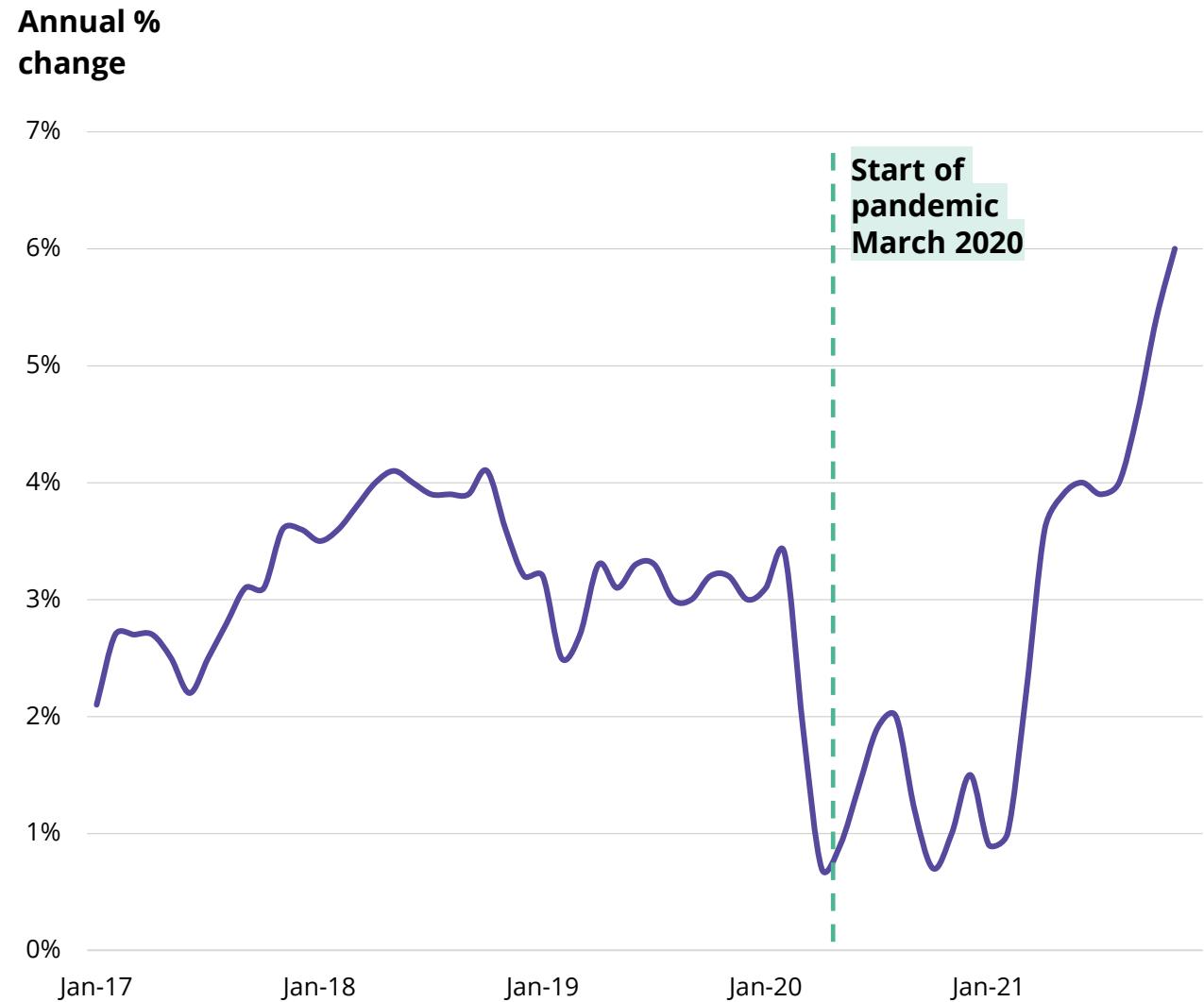


Consumer prices and inflation rates

+6.0%

Year-over-year change in Consumer Price Index for Los Angeles and Orange County, all items.

Consumer pricing trends in Southern California have escalated above national trends, and only accelerated in the wake of the pandemic. Despite being the home to much of U.S. transpacific trade, food prices have jumped 6.9 percent over last November, and energy prices, largely because of gasoline prices, are up 34.8 percent.



Last-mile distribution facility visitor volumes

-44.9%

Change in visitor volumes since 2019.

Supply chain disruptions, including labor shortages and congestion at major ports – especially at Los Angeles and Long Beach, have caused visitor volumes at e-commerce distribution facilities to decline in most North American markets.

View vitality index

2021 Cyber Monday facility visitor volumes in Los Angeles

% change when compared to previous year

vs. 2020

-25.4% change in visitor volumes

vs. 2019

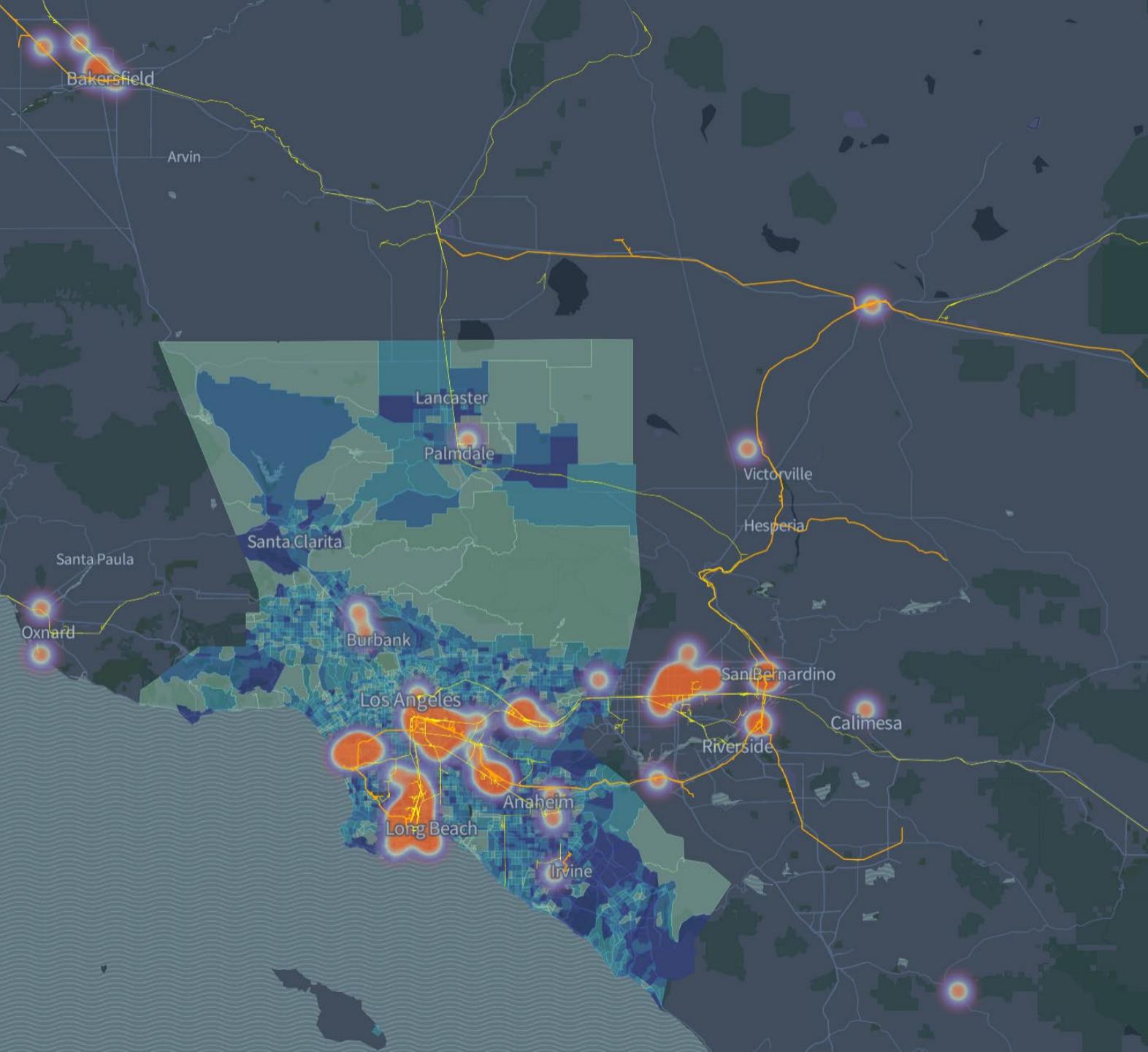
-44.9%

Freight rail and intermodal facilities

Heatmap of U.S. Intermodal Freight Facilities



Total Population	US Intermodal Freight Facilities
0 - 3,142	Air
3,143 - 4,766	Independent Port
4,767 - 6,581	Port
6,582 - 12,141	Rail
12,142 - 26,716	Truck

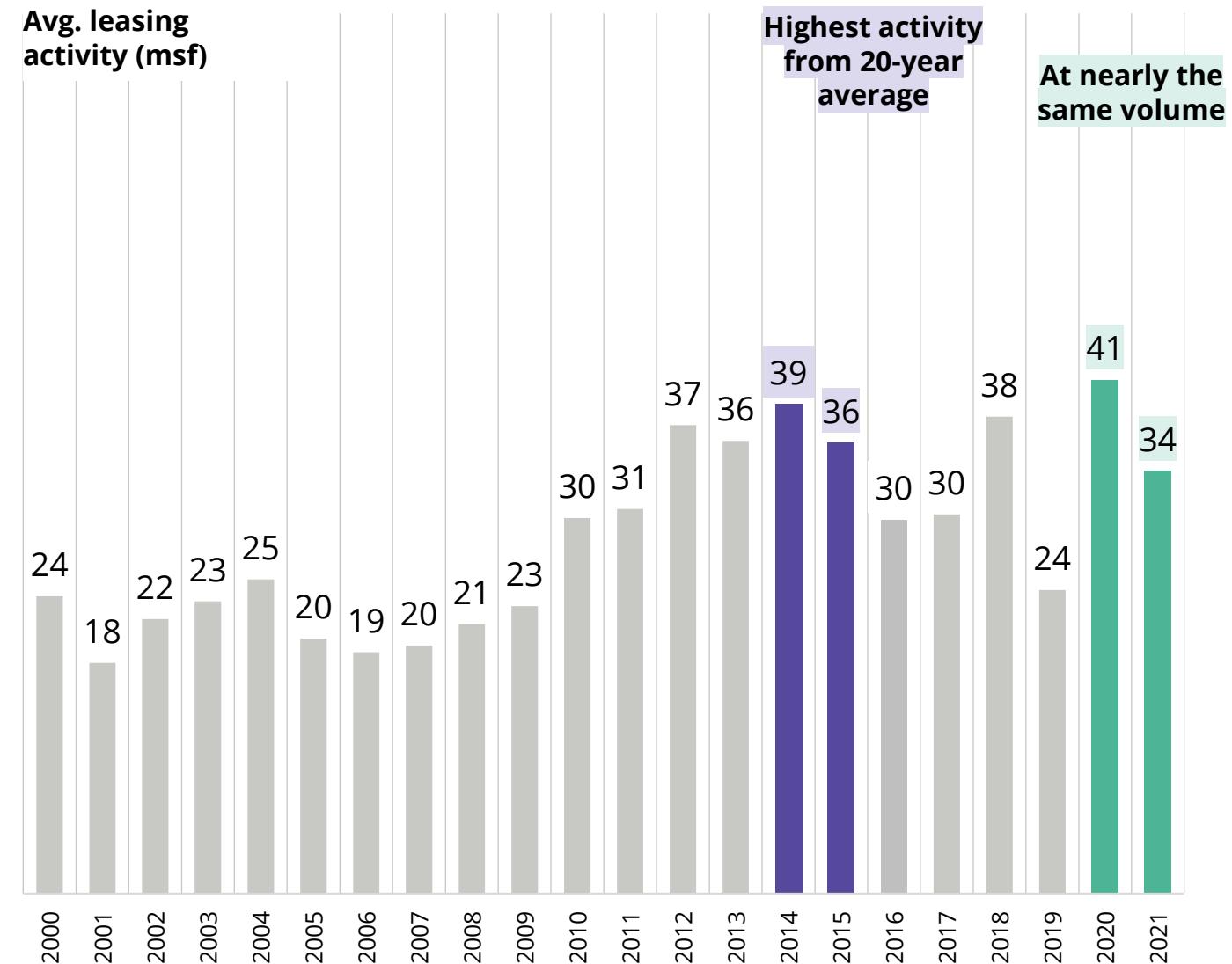


Industrial leasing activity

+36.4%

Two-year average annual leasing activity vs. prior 20-year annual average leasing activity.

Despite supply chain issues, shortages and port congestion – leasing activity cleared throughout the year. With density tight and redevelopment options limited, market inertia remains, as vacancy is still hanging around 1.5% and constricting tenant expansion options or movement.

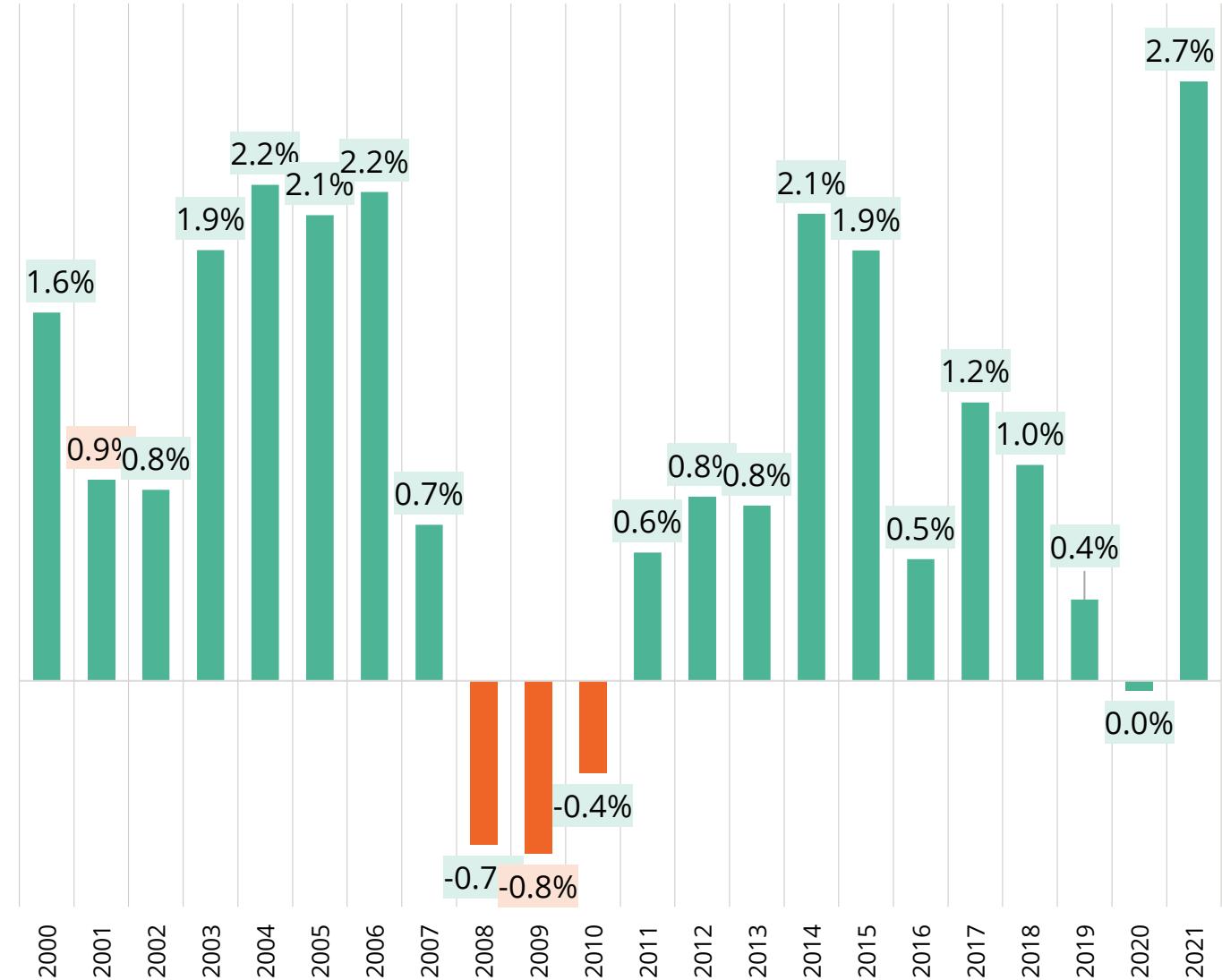


Industrial net absorption

2.7%

Net absorption as a percentage of inventory, from 2020 through year-end 2021.

Absorption through the end of the year was exceptionally strong and surpassed 20-year historical highs. Overbuilding risks remains low given lack of available land, and has created some opportunities to avoid market inertia. At 13.8 msf for the full year, aggregate 2021 net absorption has outpaced totals for the past 3-4 years.

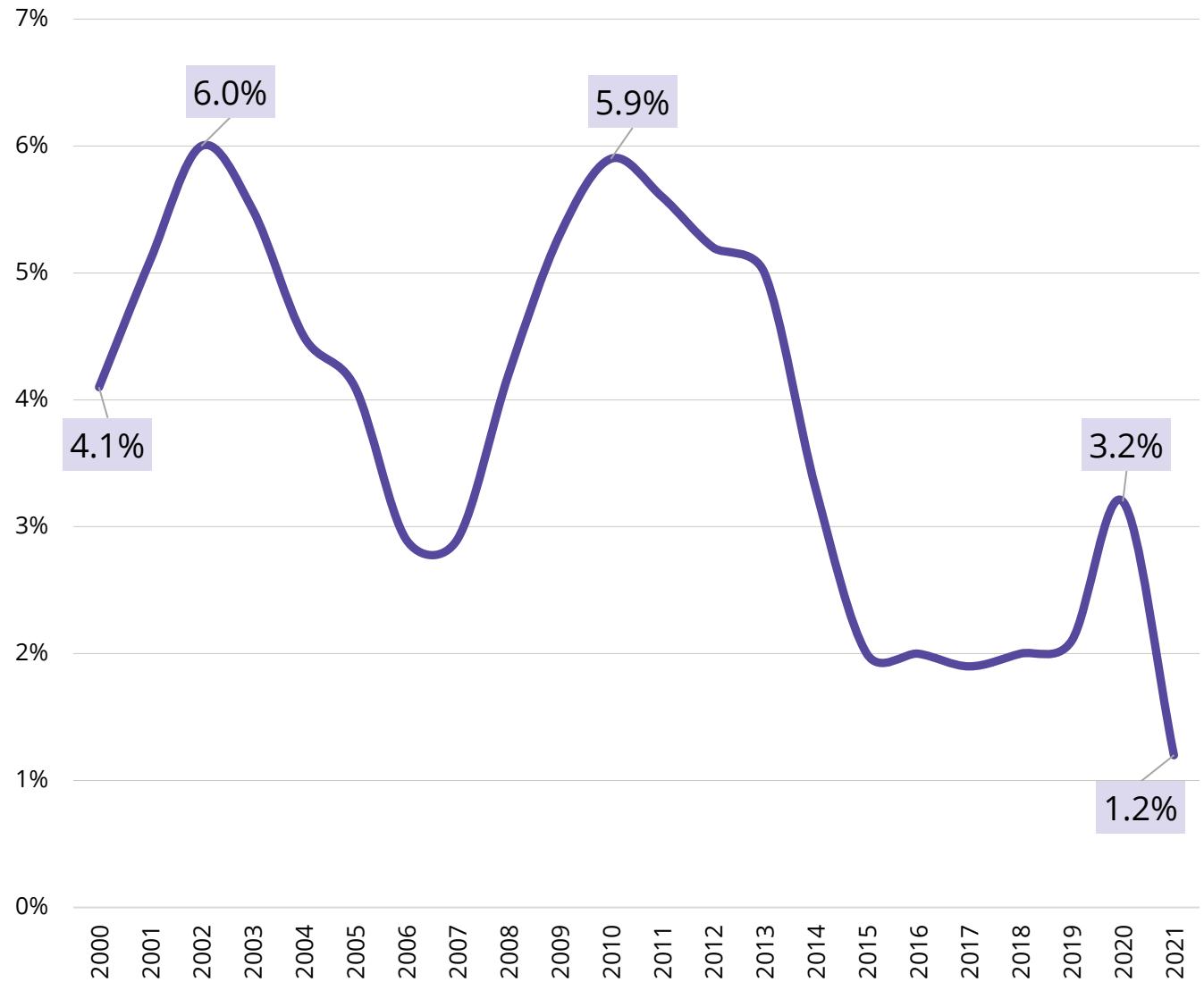


Industrial vacancy rate

1.2%

Los Angeles vacancy as of year-end 2021.

With strong leasing demand, limited new construction and continued lack of optionality, vacancy rates pushed even lower in the fourth quarter, eclipsing the record achieved last quarter. Sustained low vacancy is putting added pressure on rents, even as some tenants are forced to renew in place.



Industrial development pipeline

54 properties

proposed, under construction / renovation

10.9 msf

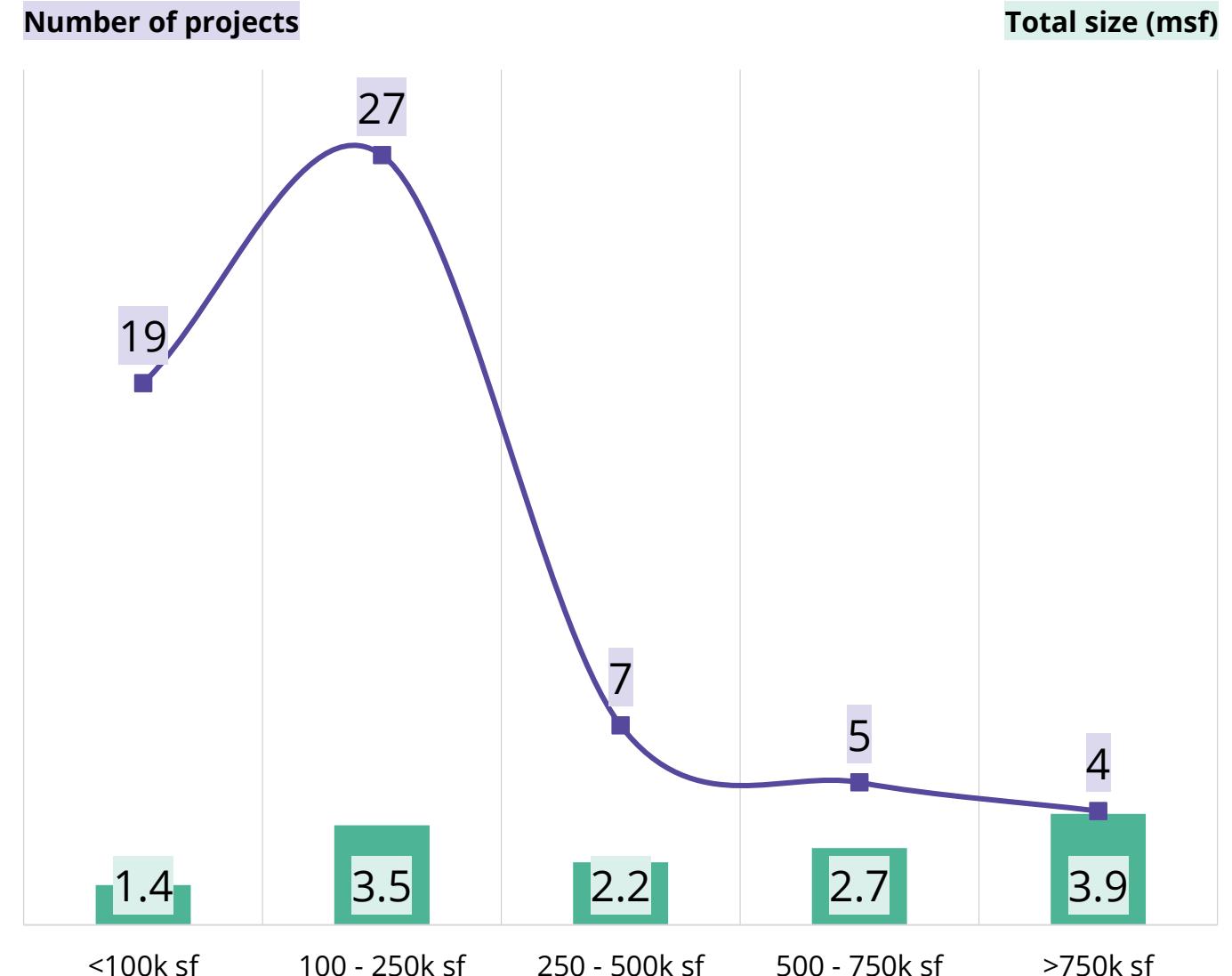
proposed, under construction

2.1%

share of industrial inventory

West Ventura County

the most square footage broken ground



Industrial development pipeline

54 properties

proposed, under construction / renovation

10.9 msf

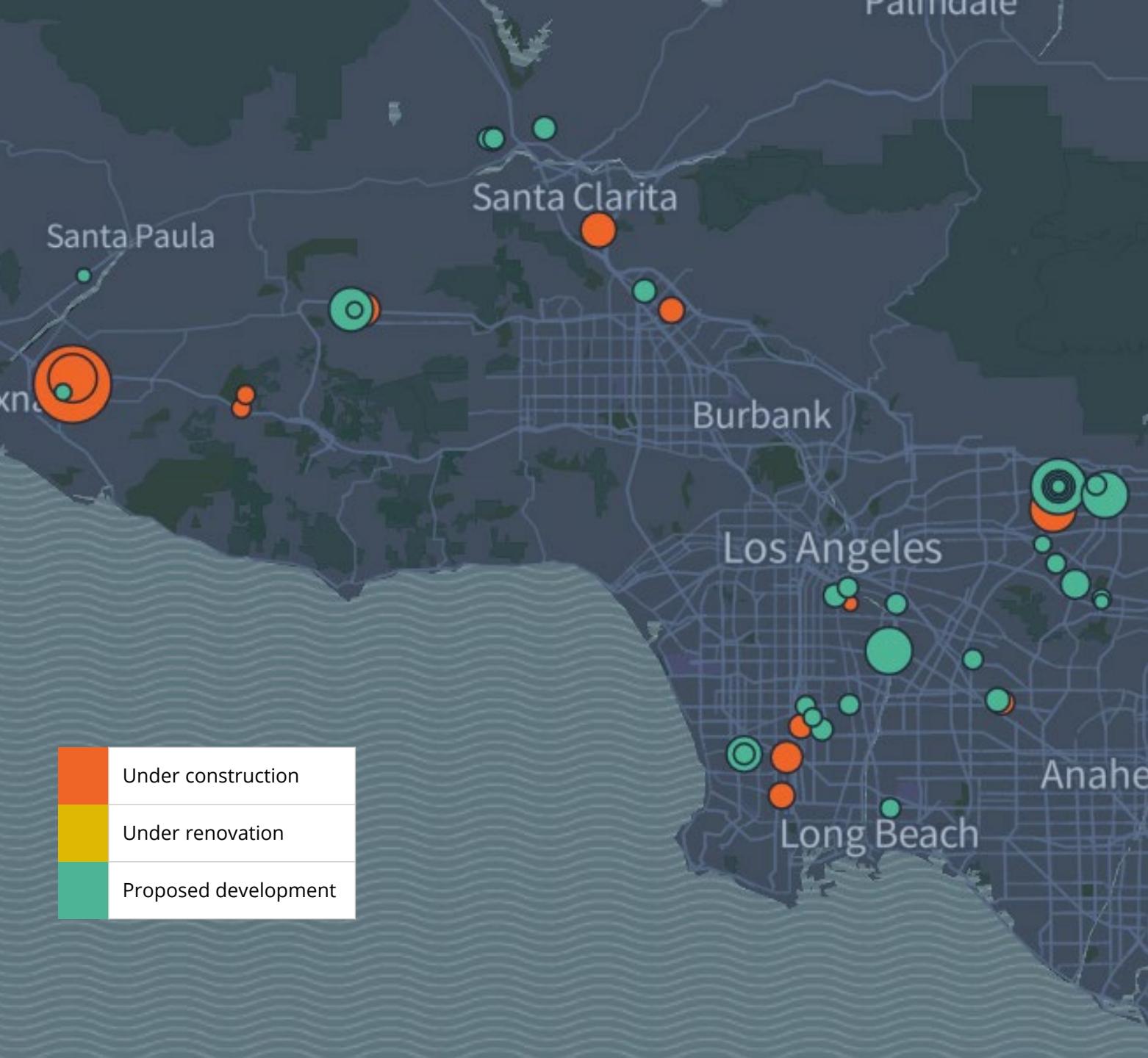
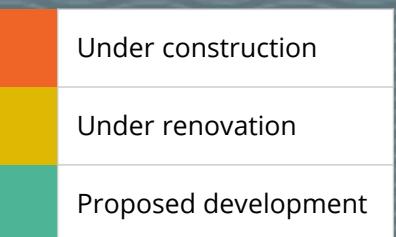
proposed, under construction

2.1%

share of industrial inventory

West Ventura County

the most square footage broken ground



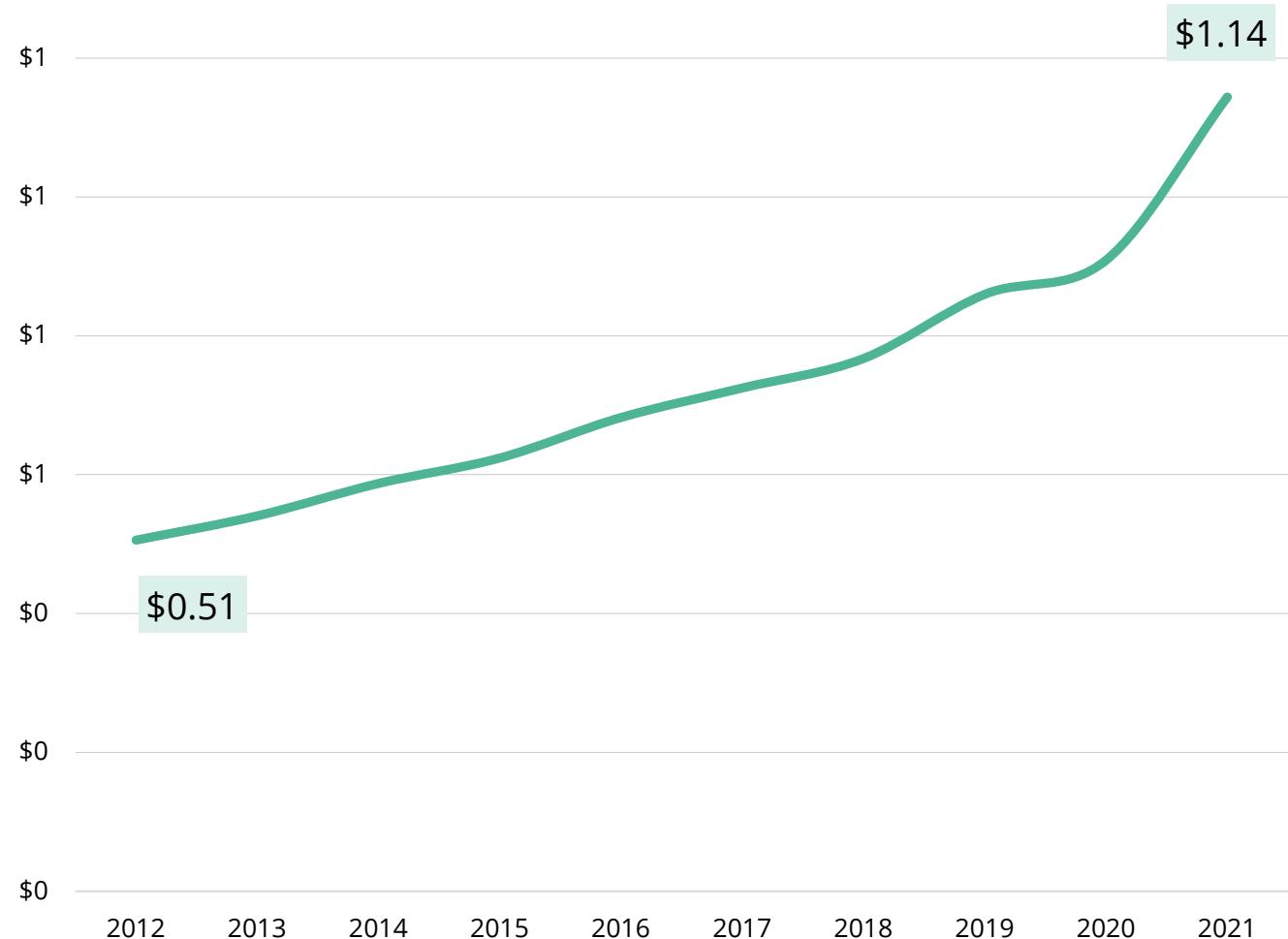
Industrial base rental rates

+25.8%

Year-over-year increase in base rents for industrial assets.

With nearly a decade of historically tight vacancy, rents continue to escalate. In the last year, and following a brief pandemic blip, rents have spiked again, up significantly over last year.

Base rent FS psf

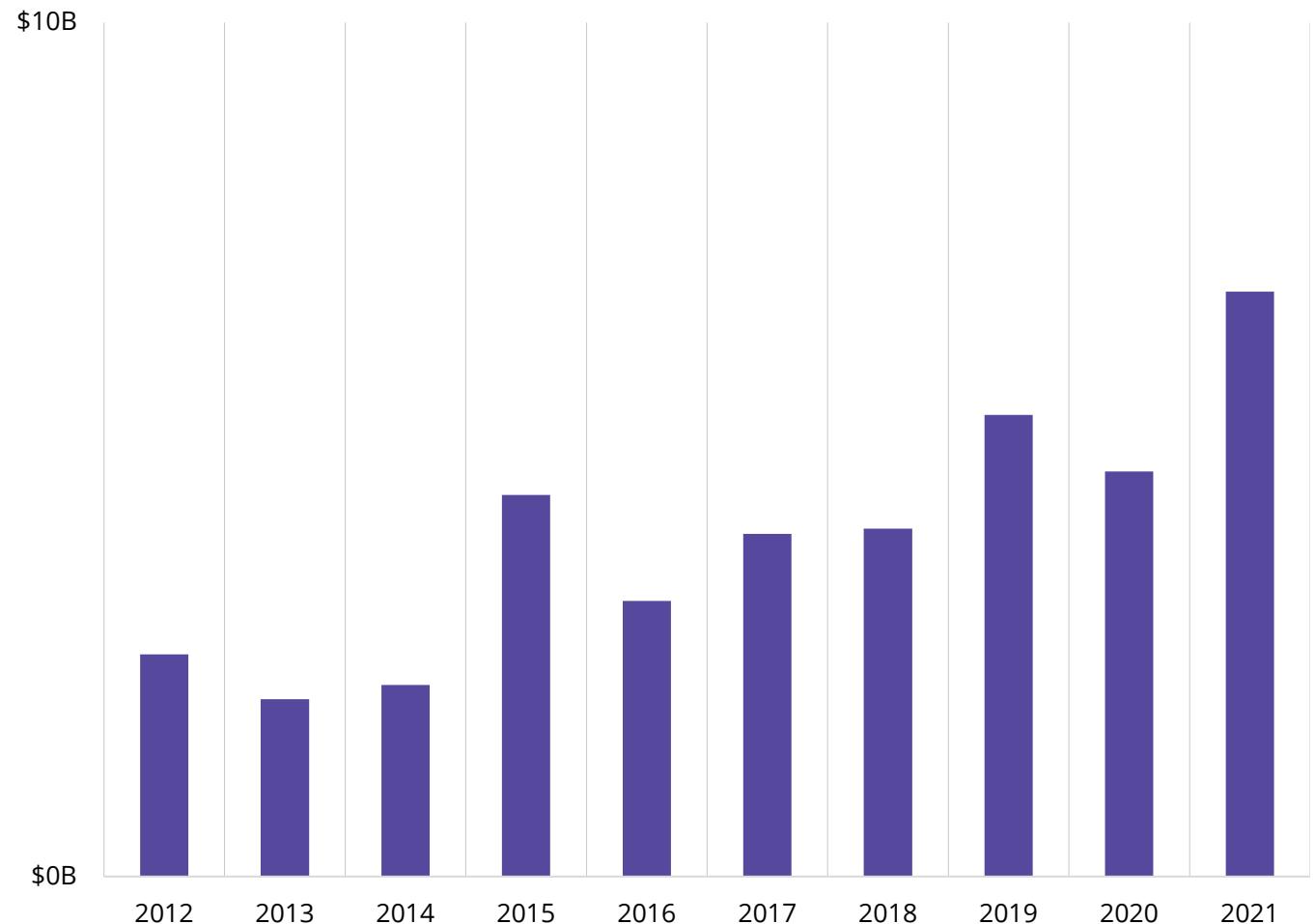


Industrial investment dollar volume

\$6.9B

Los Angeles dollar volume
in 2021.

Investors have been able to capitalize on the region's dense population, infrastructure and proximity to the nation's largest port complex, driving up sales throughout 2021. Investment volumes are 59.6% higher than the five-year average, and up 82.4% over pre-pandemic levels.

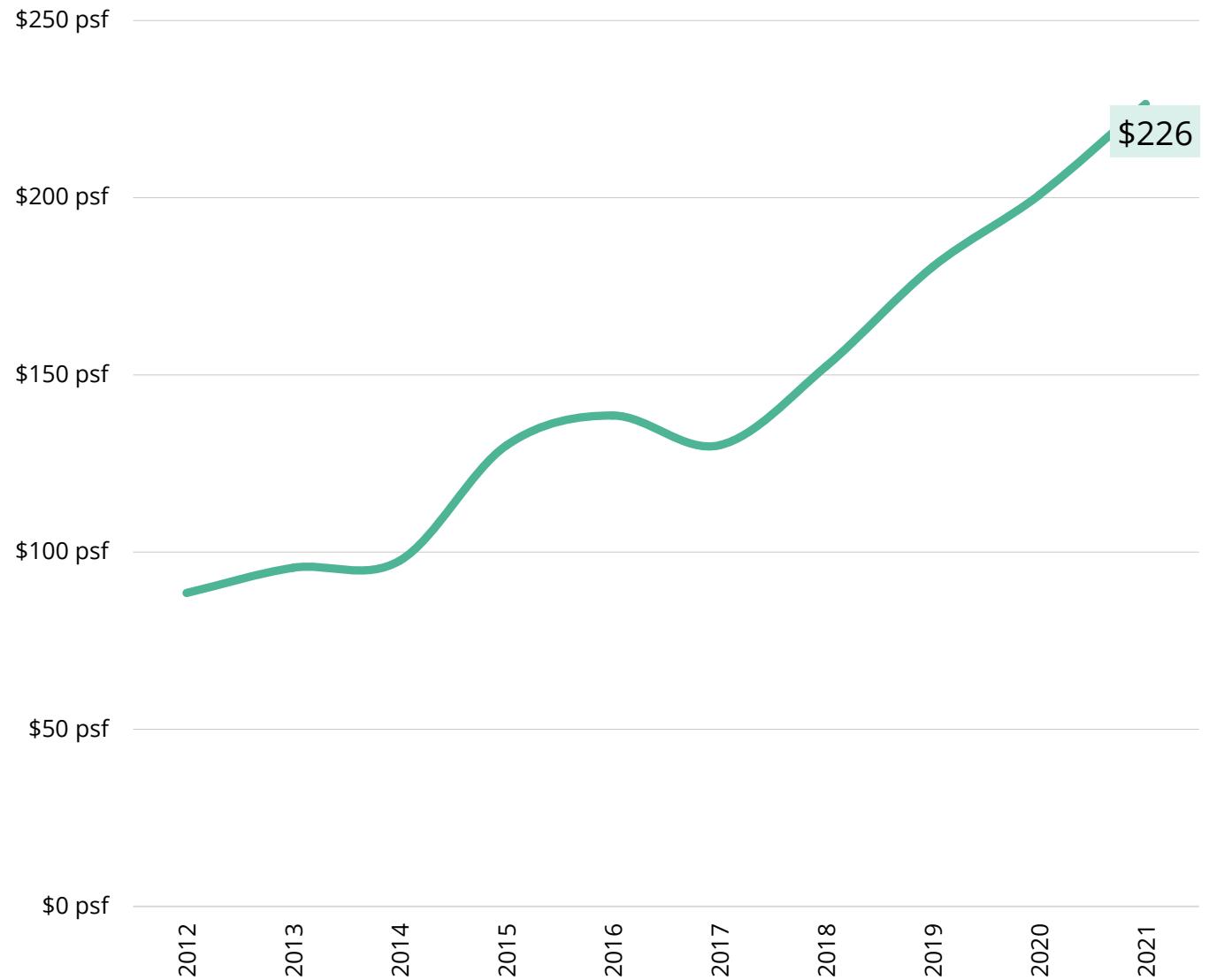


Industrial asset pricing

+ 16.0%

Los Angeles pricing from fourth quarter 2020 to 2021.

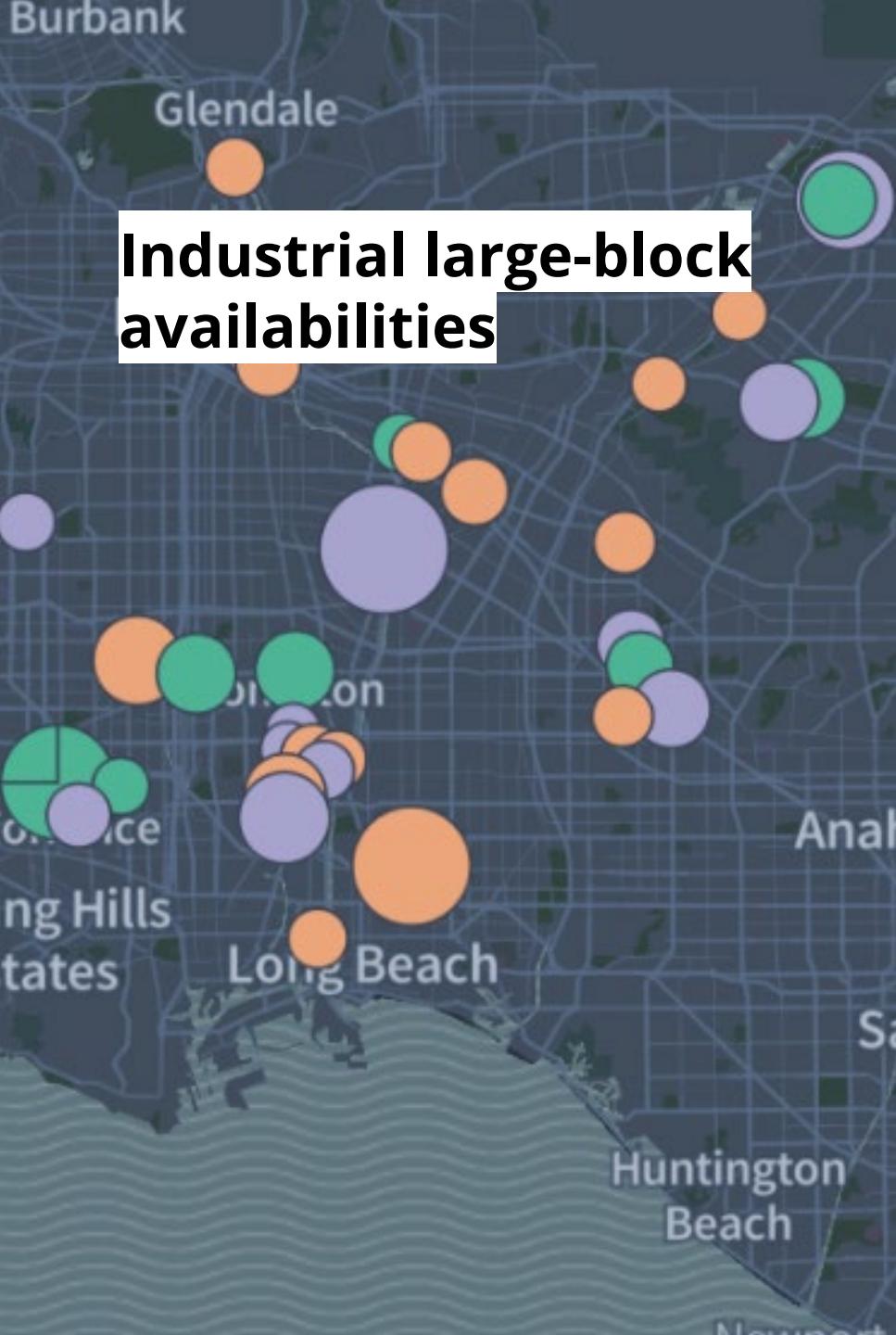
Pricing for Los Angeles industrial assets has continued to escalate since 2017, and particularly since the pandemic, as an influx of investors seek exposure to properties that can accommodate the rise of e-commerce and last-mile distribution within the dense population base of the metro area.



Burbank

Glendale

Industrial large-block availabilities



Large-block space size ranges

250K sf - 500K sf:

18%

7 blocks

100K sf - 250K sf:

79%

31 blocks

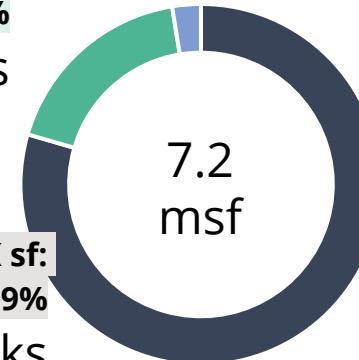
500K sf - 1msf:

3%

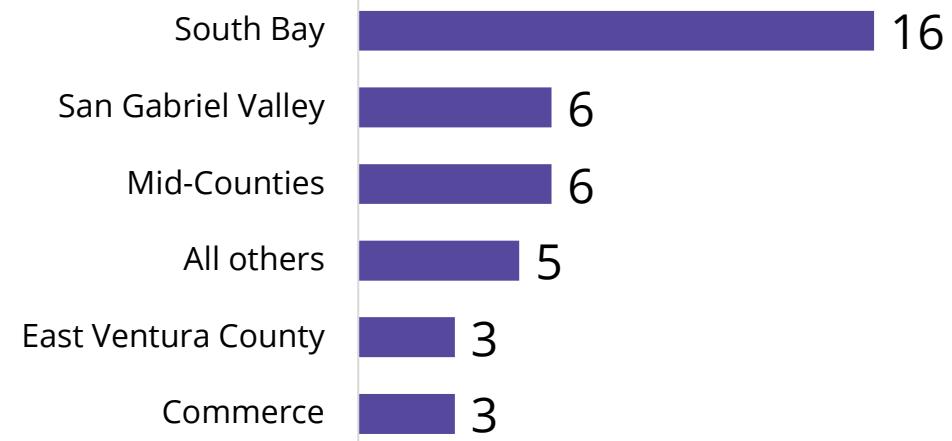
1 blocks

>1msf: 0%

0 blocks



Large blocks available by submarket



Source: AVANT by Avison Young

Now, let's see what we can expect looking forward

Persistent lack of supply has drawn investors to infill locations, creating opportunity for new redevelopment projects that could infuse the market with needed optionality.



Here's what we can expect looking forward

- **The nation's import clearinghouse**, the ports of Los Angeles & Long Beach, will continue find solutions to unclog container volumes, which could lead to longer-term innovations. This will benefit not only the domestic economy, but also the local real estate market. Progress has already been made following the holidays in the U.S., and the Lunar New Year in China could provide some additional reprieve to focus on throughput capacity.
- **At current vacancy levels**, some activity may be curtailed due to lack of ability to move or expand, and may further drive higher rents.
- **At current demand levels, opportunities abound for redevelopment**, given vacancy has fallen and even surpassed its trendline from 2016 to 2019.
- **Investors may continue to target the market**, seeking off-market, in-fill opportunities that could be redevelopment plays.
- **Competition amongst users** exists not just for industrial & logistics space, but increasingly for non-traditional or alternative uses within the Los Angeles area. Demand from entertainment & studio operators, requiring open spaces and low coverage for parking, are adding pressure to an already tight market.





Orange County industrial market insights

Q4 2021

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Let's look at the industrial market fundamentals in Orange County

Vacancy continues to tighten, and in the wake of another strong year of leasing demand – new development increases in response.



Key industrial takeaways



Economic conditions

- Overall unemployment has recovered in the Los Angeles & Orange County MSA, but at **6.4% for November 2021**, not yet to the levels experienced in 2016 to 2019.
- Local employment in **transportation, warehousing & utilities improved by 9.6%** since the beginning of the pandemic, but other sectors like wholesale trade and construction have yet to fully bounce back.



Recovery rate

- Consumer prices are **up 6.0%**, with energy costs rising 34.8%, **especially due to gasoline**. Any impact on warehouse & distribution space demand has not been and may not be realized, while likely overshadowed by well-publicized issues at the San Pedro ports.
- Despite over 100 vessels still stuck offshore from the ports, and congestion not yet fully resolved – the ports each had record TEU volumes. **The Port of Los Angeles was up 13.0% year-over-year and the Port of Long Beach up 15.7%**.



Industrial demand

- While leasing activity over the last two years has largely recovered, 2021 aggregate levels were slightly below 2019 and 2020, but **at 90.7% of the 10-year average**, not out of line with long term annual tallies and reflecting a lack of supply.
- Strong leasing activity in 2020 has had some impact on 2021 net absorption, which was **quite strong at 1.2 msf**.
- Just as important, there are limited development opportunities in the market, and absorption was **5x the amount of new construction in 2021**, putting more downward pressure on vacancy.

Key industrial takeaways



Industrial supply

- A dense population and mature housing market offer few large-block development alternatives in Orange County, and as such there are currently only **16 industrial properties** under construction, being renovated or proposed, **totaling 3.1 msf**.
- Deliveries over the last three years have totaled **just under 1msf**.
- **65.0% of large blocks** (over 100,000 sf) are in the 100,000 – 250,000 sf size range, totaling **2.0 msf space available, 41.7% of large block space**.



Pricing trends

- Base **rents have increased by 16.3%** over the course of the year, and as vacancy declined throughout the pandemic, rents are **up 22.0%** from year-end 2019 totals.
- Rents have **more than doubled** since 2012, as vacancy has been cut in half over the same period, from 5.5% to 2.4%.



Capital markets

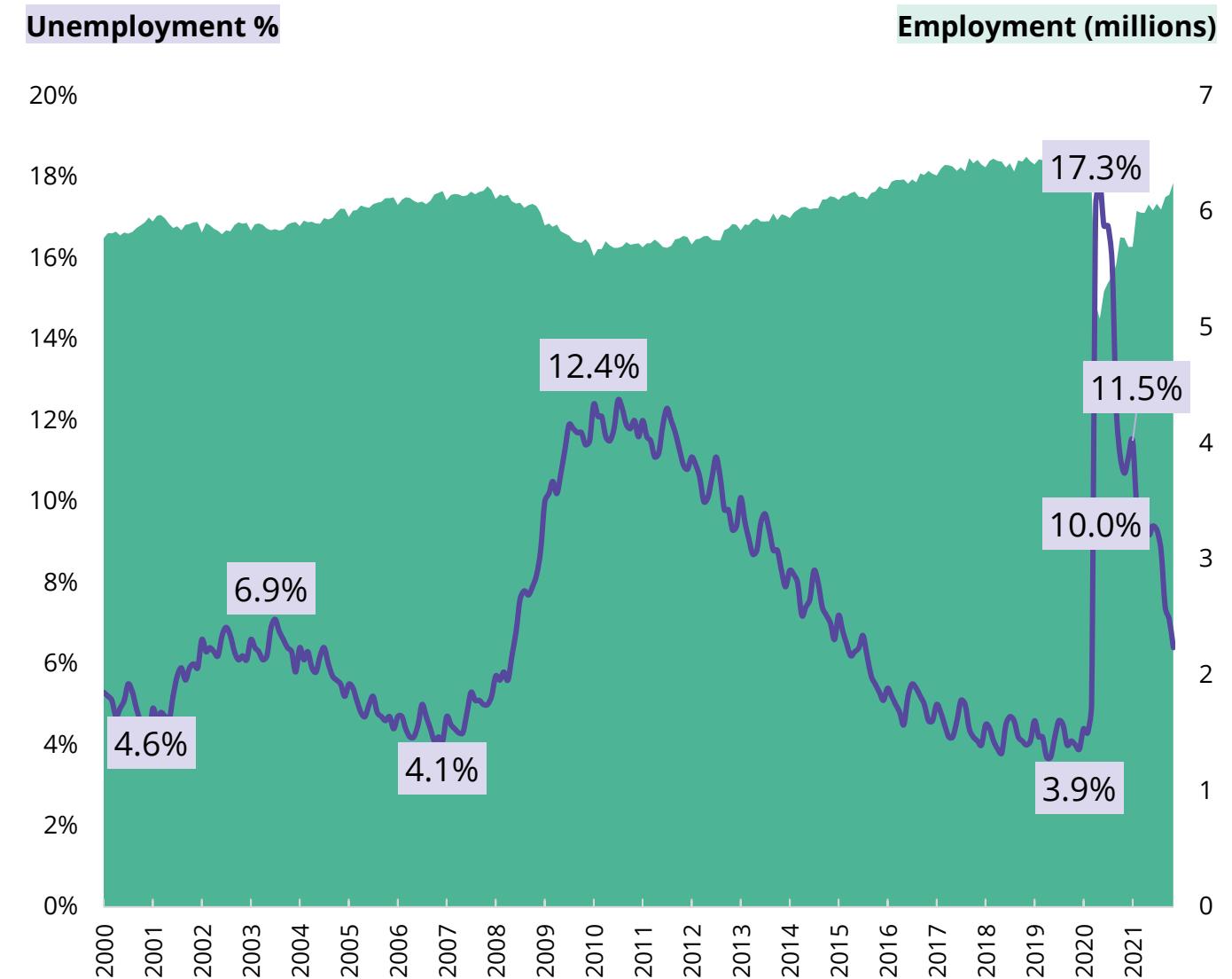
- At \$**1.5B for calendar year 2021**, industrial investment levels, were **29.5% above five-year historical averages**, and just below the record year of 2019.
- Investment demand has led to a surge in pricing as well, with valuations **up 33.1%** from the fourth quarter of 2021 to a year prior, and **47.0% above the existing five-year average**.

Employment and unemployment rate

6.4%

Los Angeles & Orange County metro unemployment rate as of November 2021, nearing levels last experienced in 2015.

From 2017 to early 2020, the metro area operated in an unemployment band at historical lows, between 4 – 5 percent. While significantly recovering from a pandemic-oriented spike, levels have come back down, but are yet to reach the low levels of full employment experienced pre-COVID.



Employment and unemployment rate

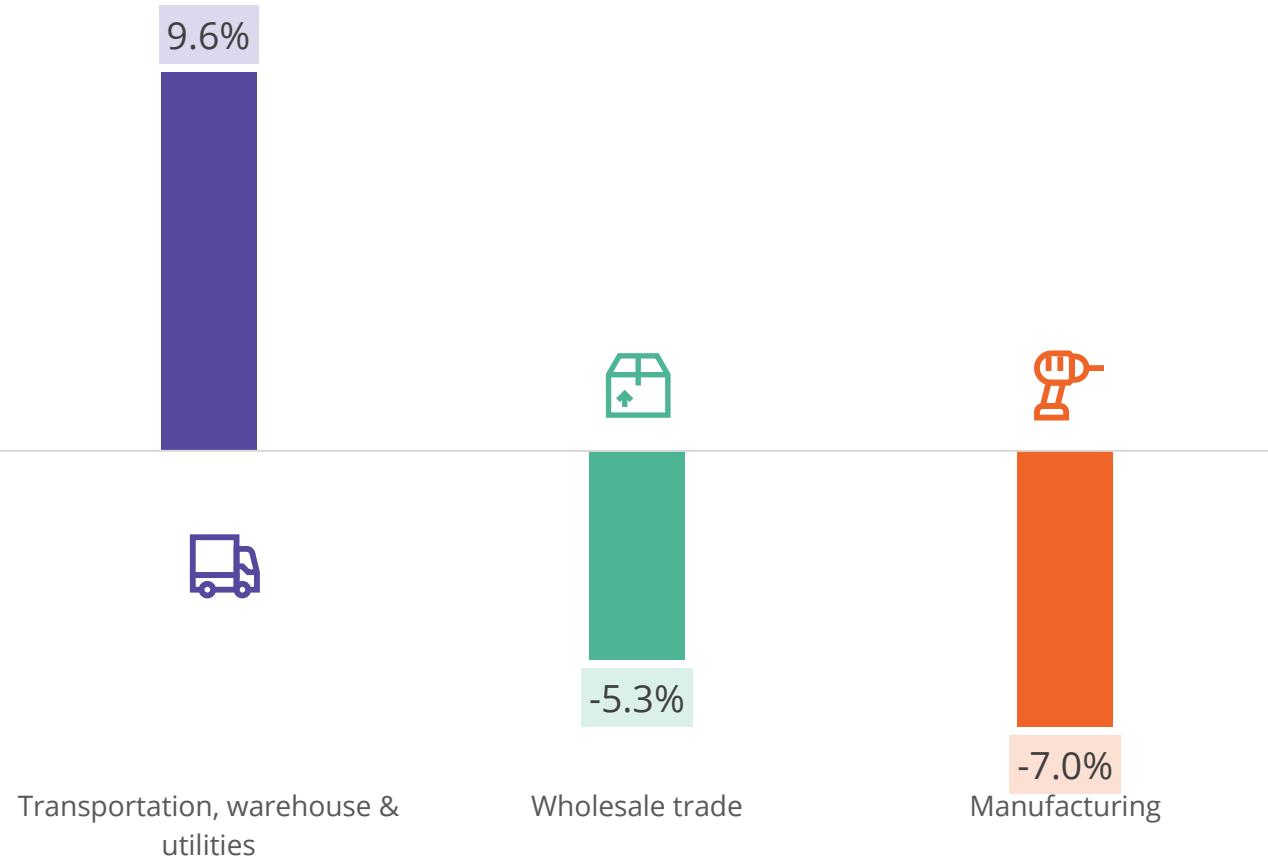
-2.6%

Change in Los Angeles & Orange County industrial employment sectors from February 2020 to November 2021.

While the Los Angeles & Orange County metro area has experienced net industrial job losses since the pandemic, it has largely recovered in the critical areas of transportation and logistics. Additionally, all sectors are now up year-over-year, gaining 3.2% across the industry.

Total change in Los Angeles & Orange County job gains and losses

February 2020 to November 2021

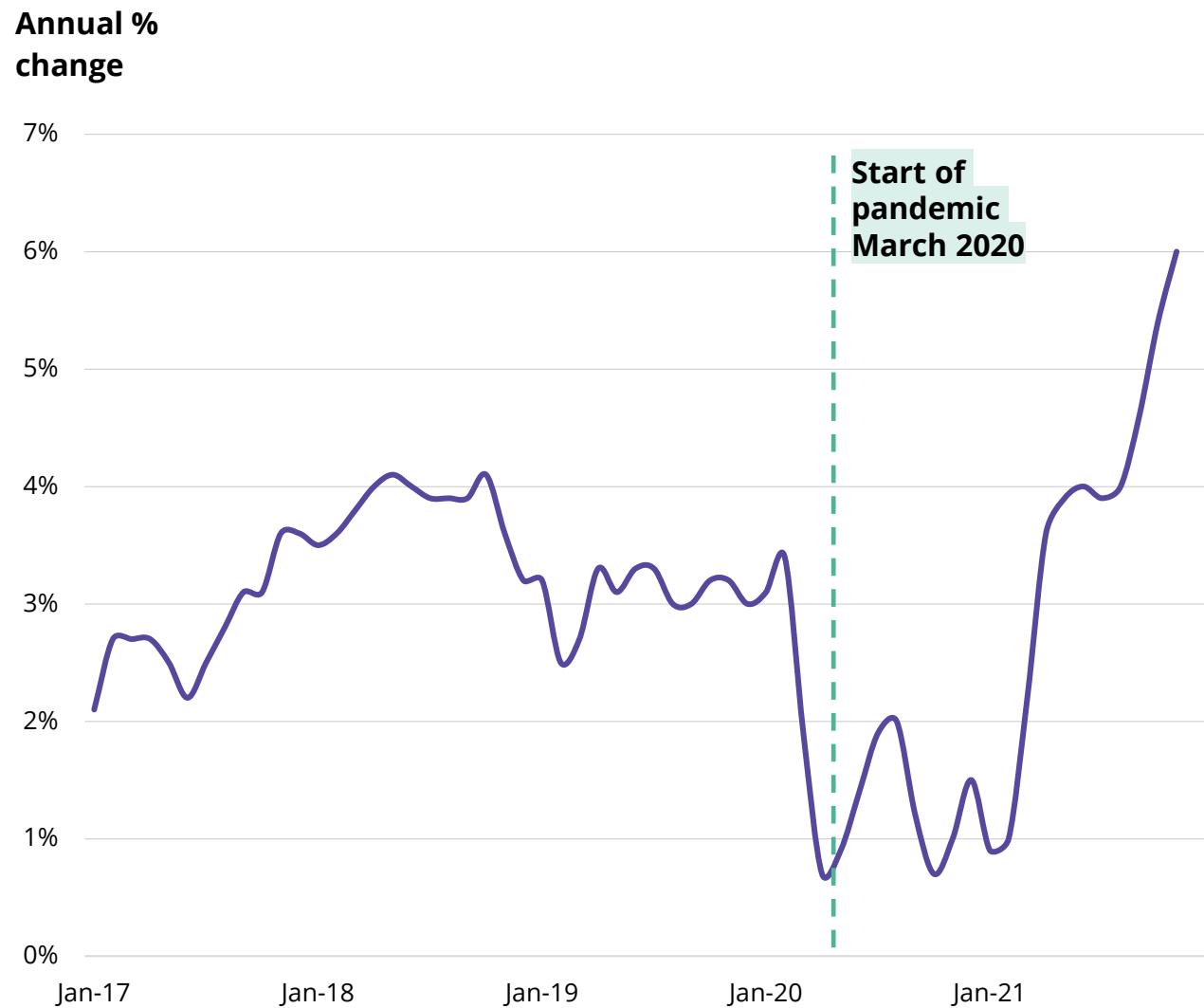


Consumer prices and inflation rates

+6.0%

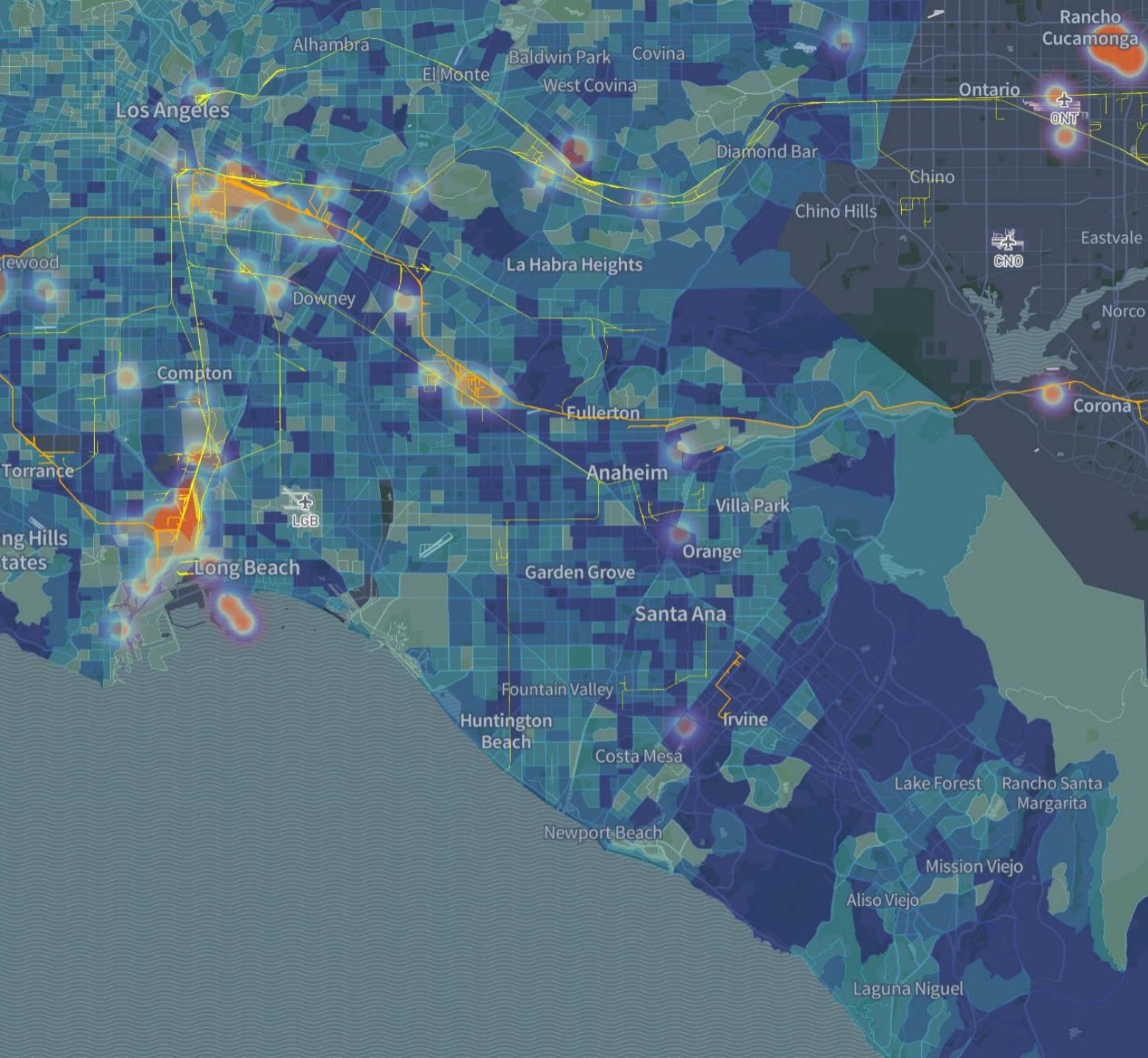
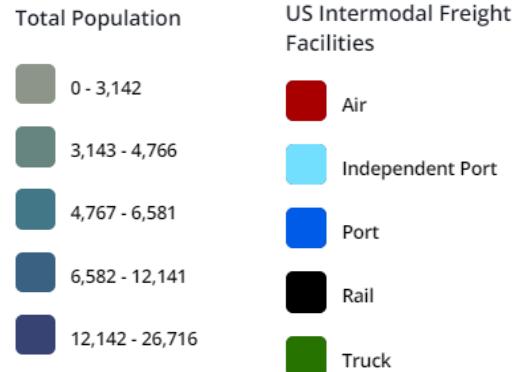
Year-over-year change in Consumer Price Index for Los Angeles and Orange County, all items.

Consumer pricing trends in Southern California have escalated above national trends, and only accelerated in the wake of the pandemic. Despite being the home to much of U.S. transpacific trade, food prices have jumped 6.9 percent over last November, and energy prices, largely because of gasoline prices, are up 34.8 percent.



Freight rail and intermodal facilities

Heatmap of U.S. Intermodal Freight Facilities

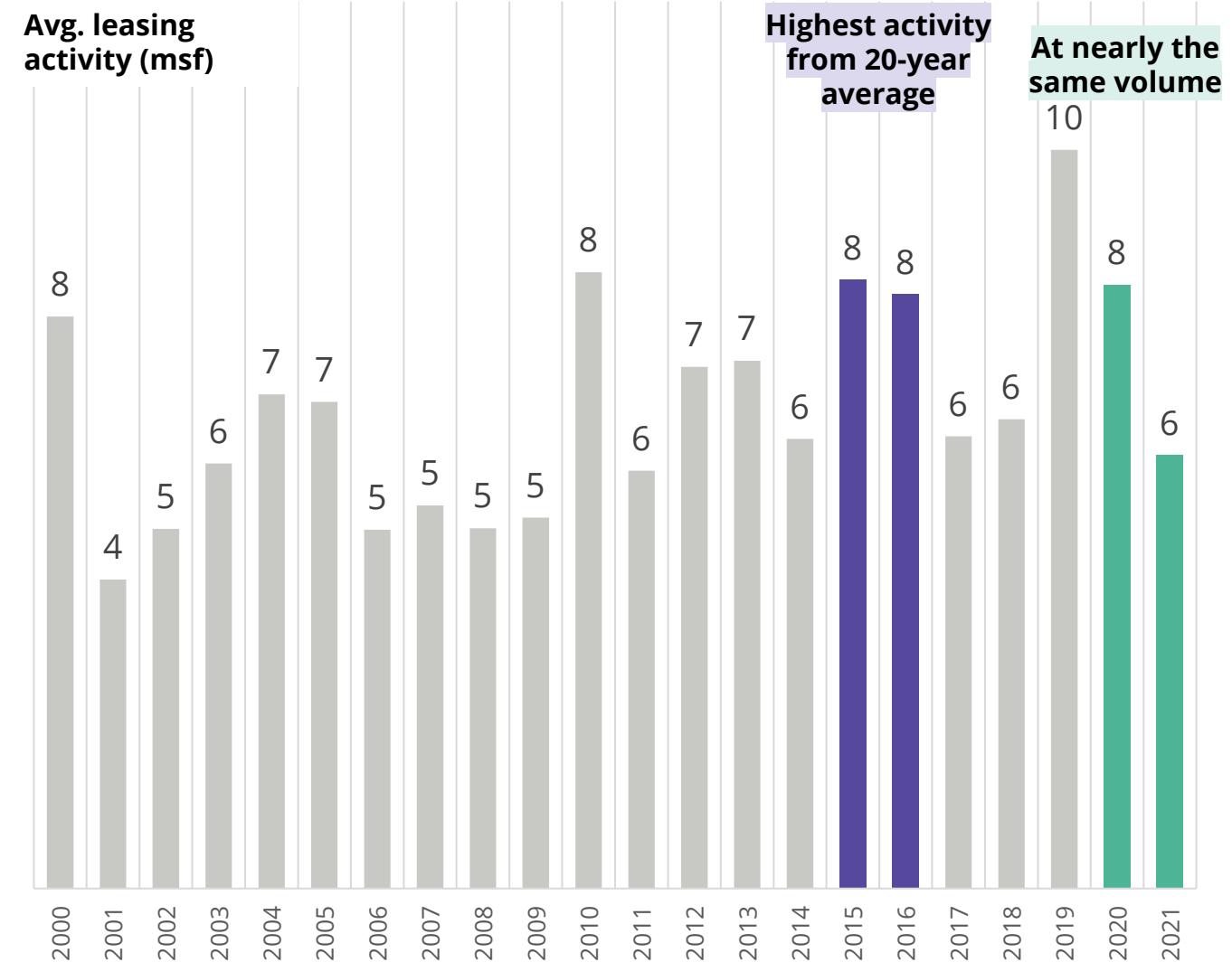


Industrial leasing activity

+9.0%

Two-year average annual leasing activity vs. prior 20-year annual average leasing activity.

A lack of supply continues to impinge upon leasing activity. With current low levels of vacancy, opportunities are limited and have potentially stalled some of 2021 activity.

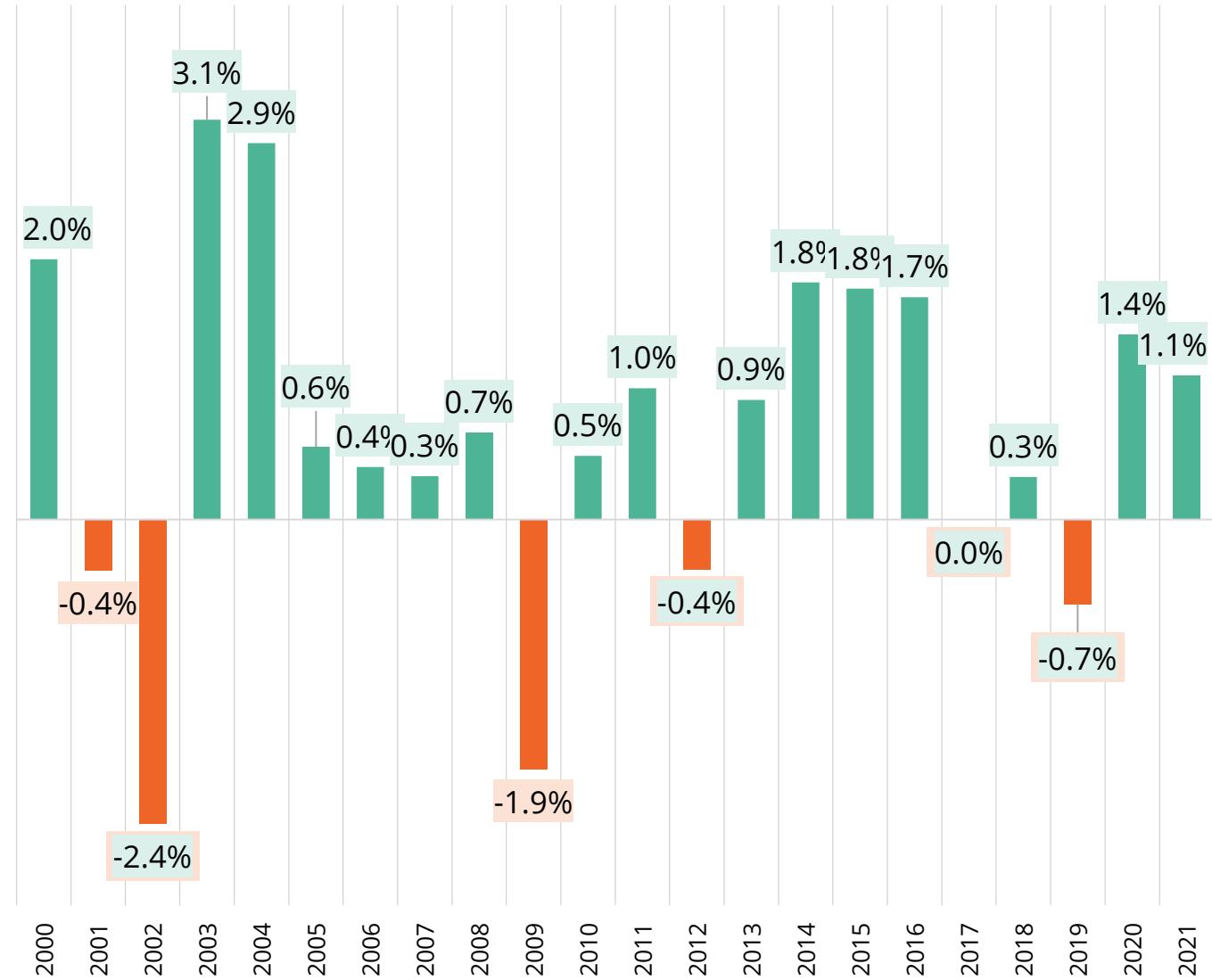


Industrial net absorption

1.3%

Average annual net absorption as a percentage of inventory, from 2020 through year-end 2021.

In the intervening two years following the onset of the pandemic, absorption levels in Orange County have bounced back sharply. While somewhat normalizing in 2021, at 1.2 million square feet, it was a strong year given that vacancy has dropped precipitously over the last four years and new development has only recently picked up.

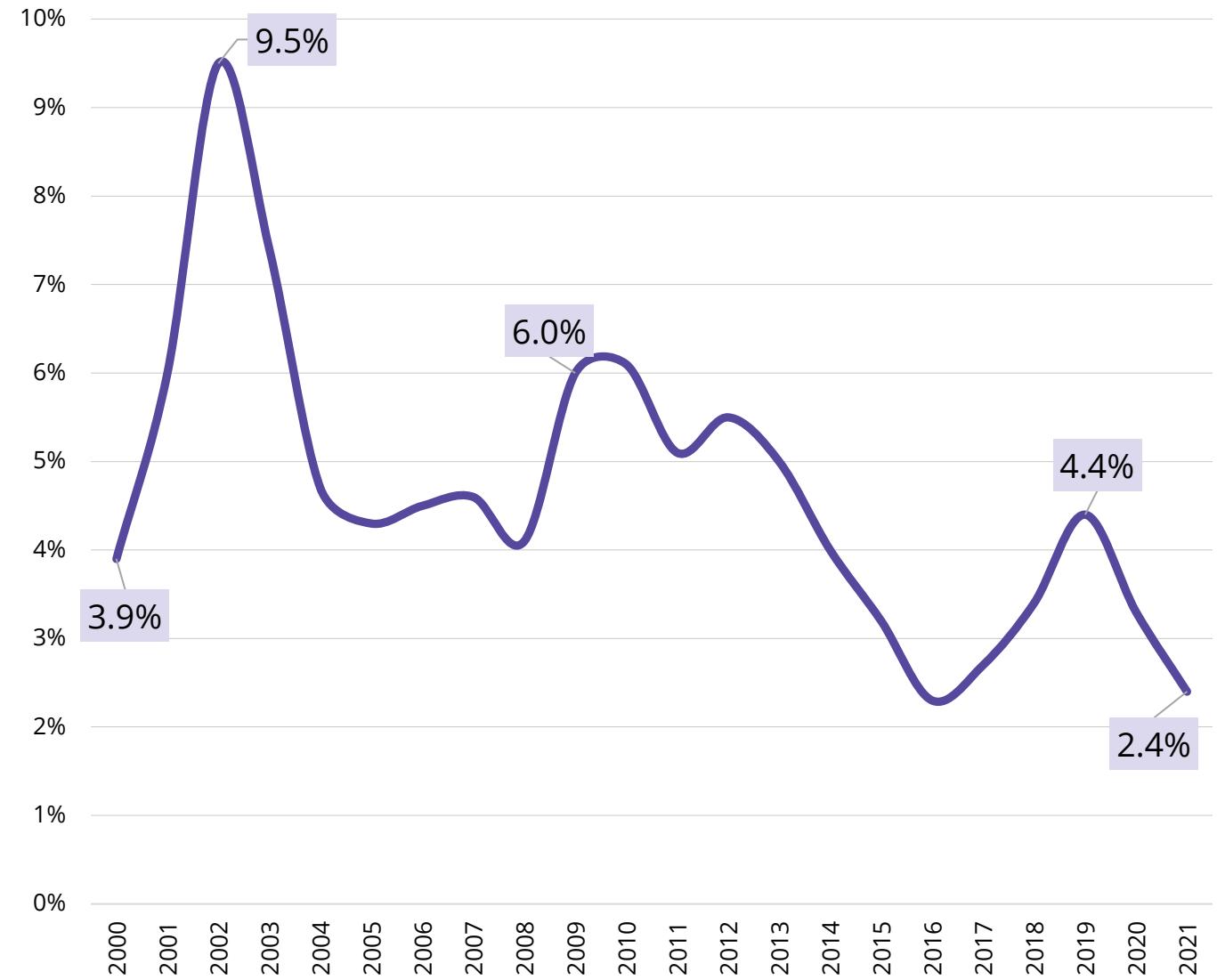


Industrial vacancy rate

2.4%

Orange County
industrial vacancy rate
as of year-end 2021.

Vacancy had been ticking up even before the pandemic, with a few years of lackluster leasing and demand. However, as e-commerce and pent-up consumer demand rebounded later in 2020 and throughout 2020, it has fallen swiftly – now approaching the lows last experienced in 2016.



Industrial development pipeline

19 properties

proposed, under construction / renovation

4.2 msf

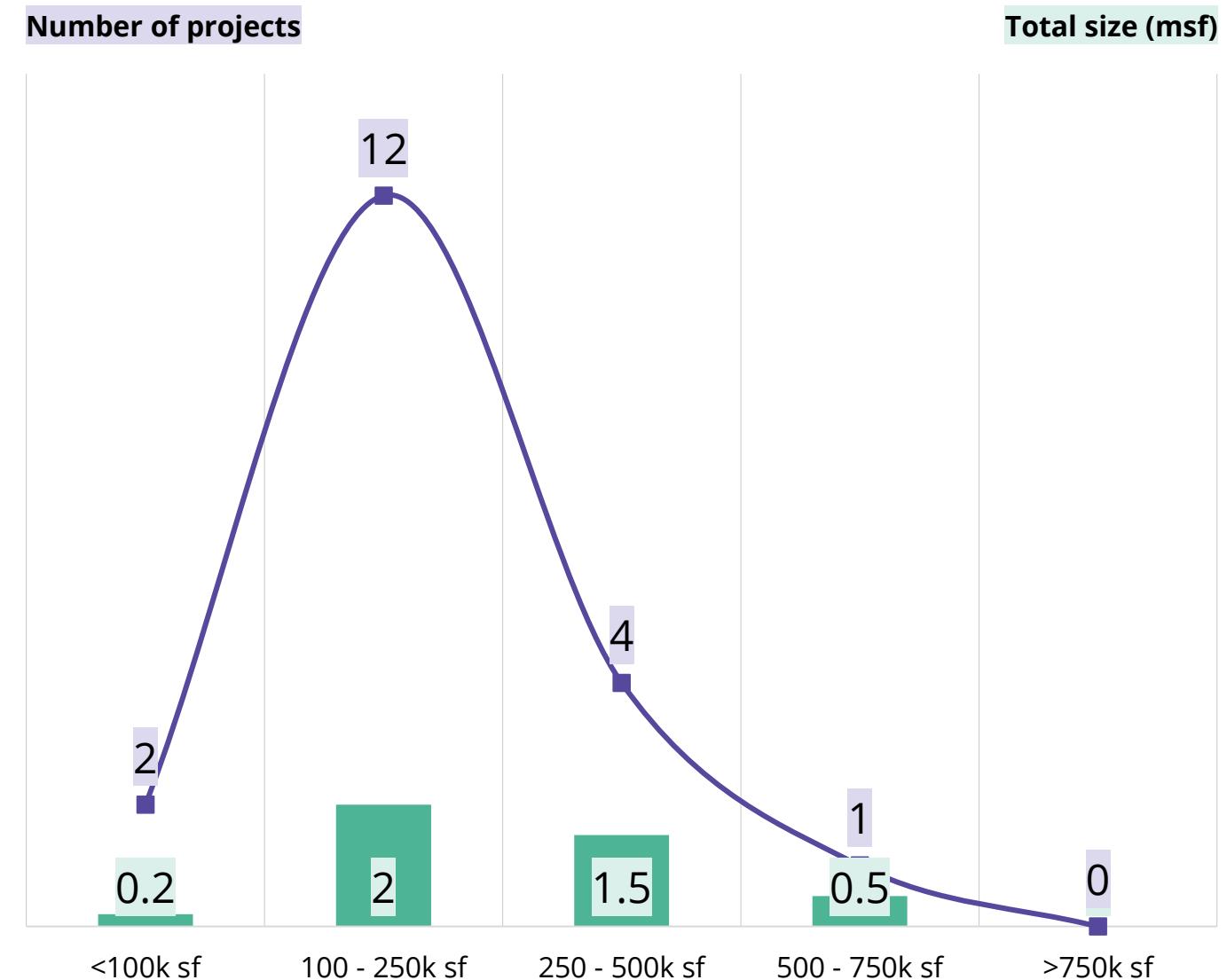
proposed, under construction

2.5%

share of industrial inventory

**Huntington Beach &
Fullerton**

each with one project now under development



Industrial development pipeline

16 properties

proposed, under construction / renovation

3.1 msf

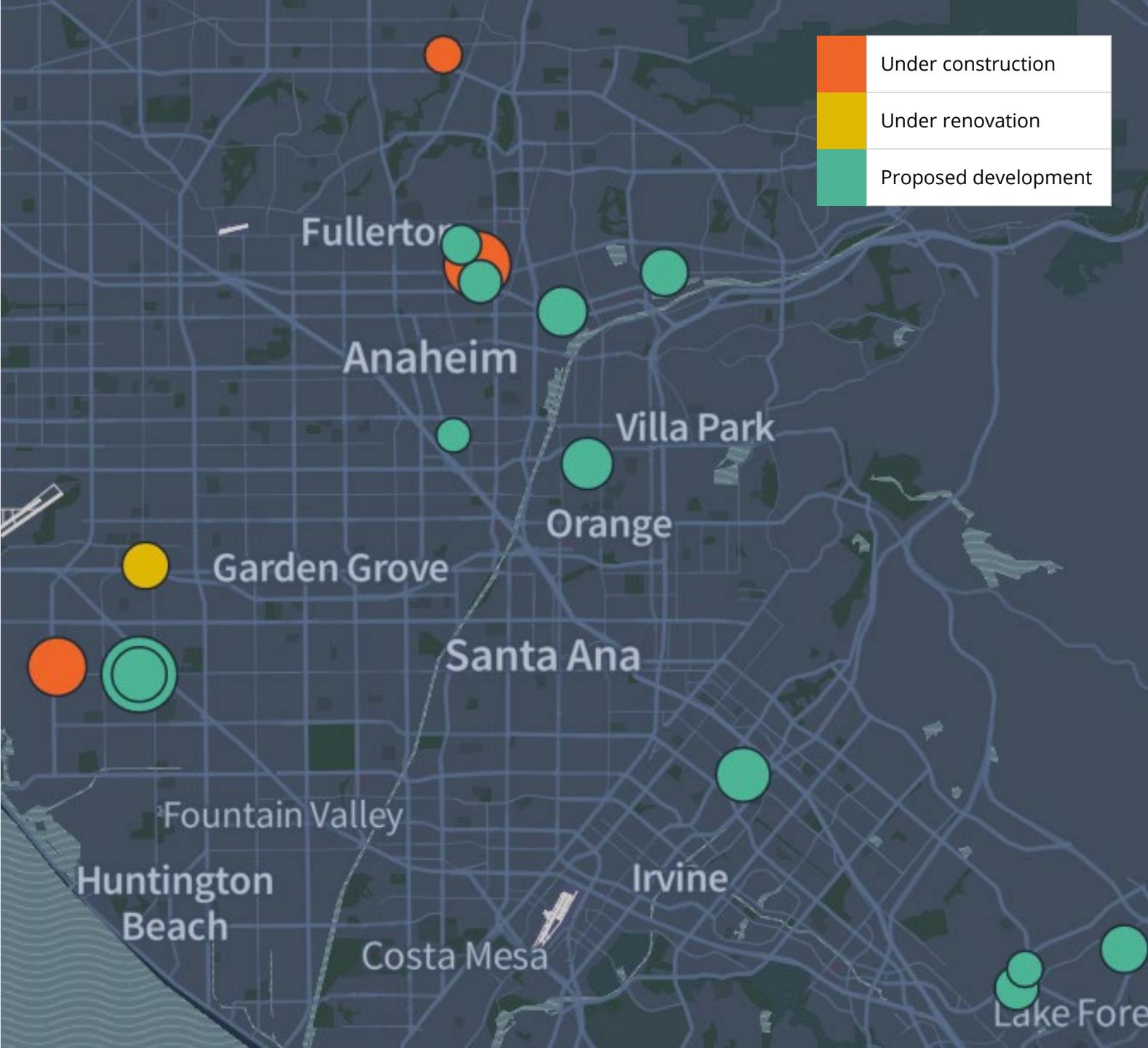
proposed, under construction

2.5%

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**Huntington Beach &
Fullerton**

each with one project under development

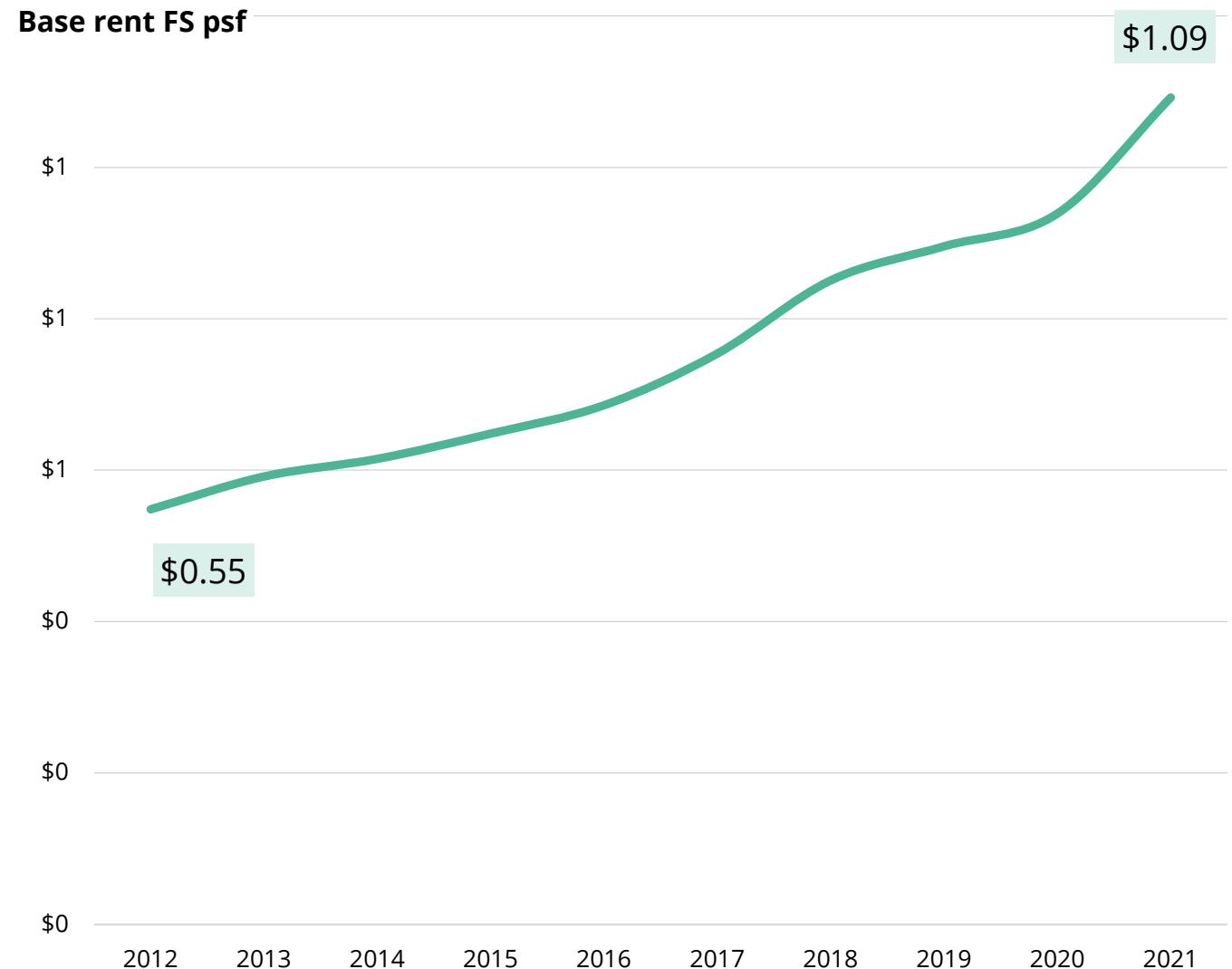


Industrial base rental rates

+ 16.3%

Year-over-year increase in base rents for industrial assets.

Despite slower leasing activity between 2017 and 2019, vacancy remained below 5%. Stronger demand over the last two years and little availability of new development opportunities have only entrenched low supply numbers – thus pushing rents along a continuing upward trajectory.

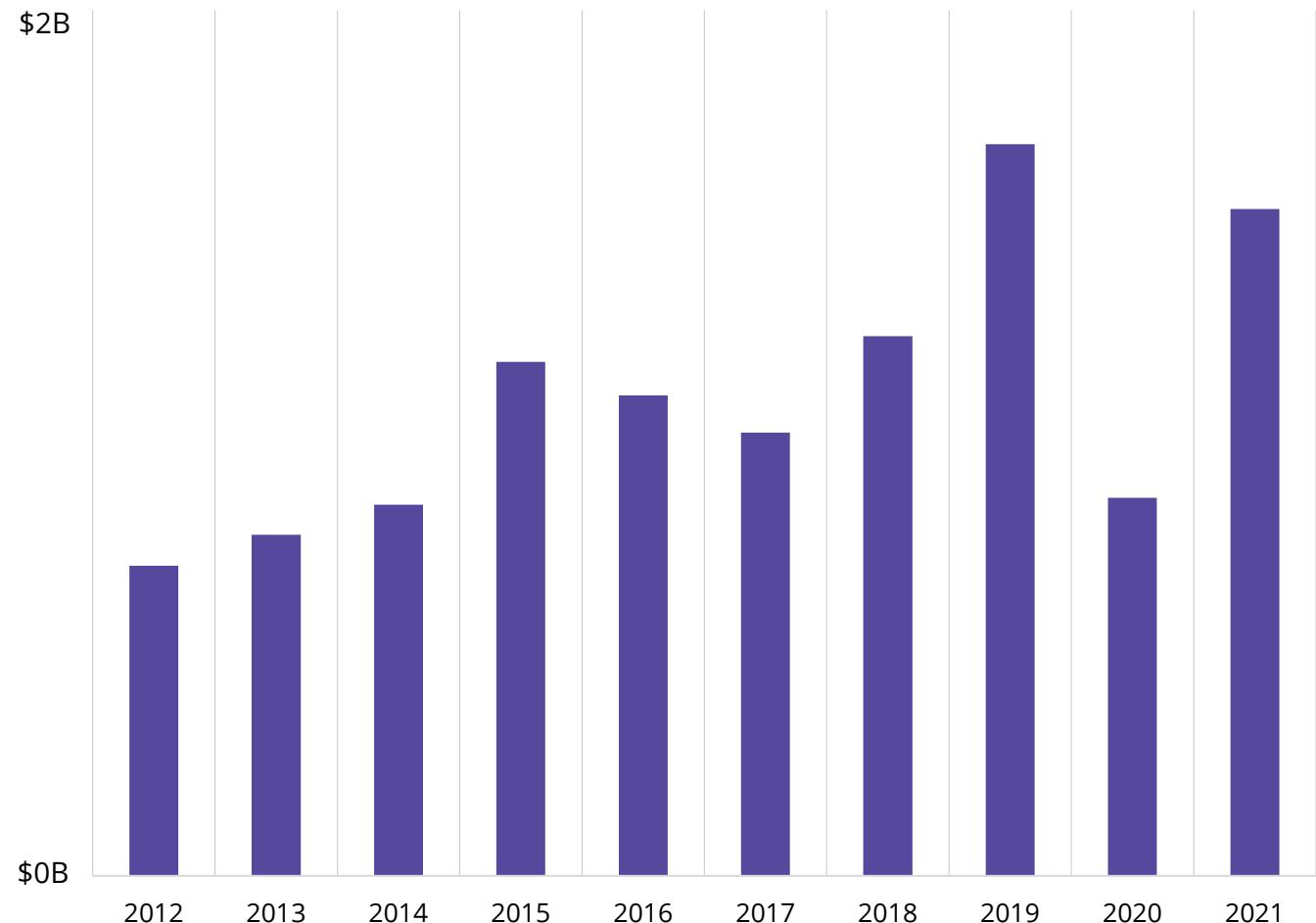


Industrial investment dollar volume

\$1.5B

Orange County dollar volume
in 2021.

While full-year 2021 investment sales volumes dipped a slight -8.9% from a record pre-pandemic 2019, they largely recovered and were 29.5% above the five-year annual average.

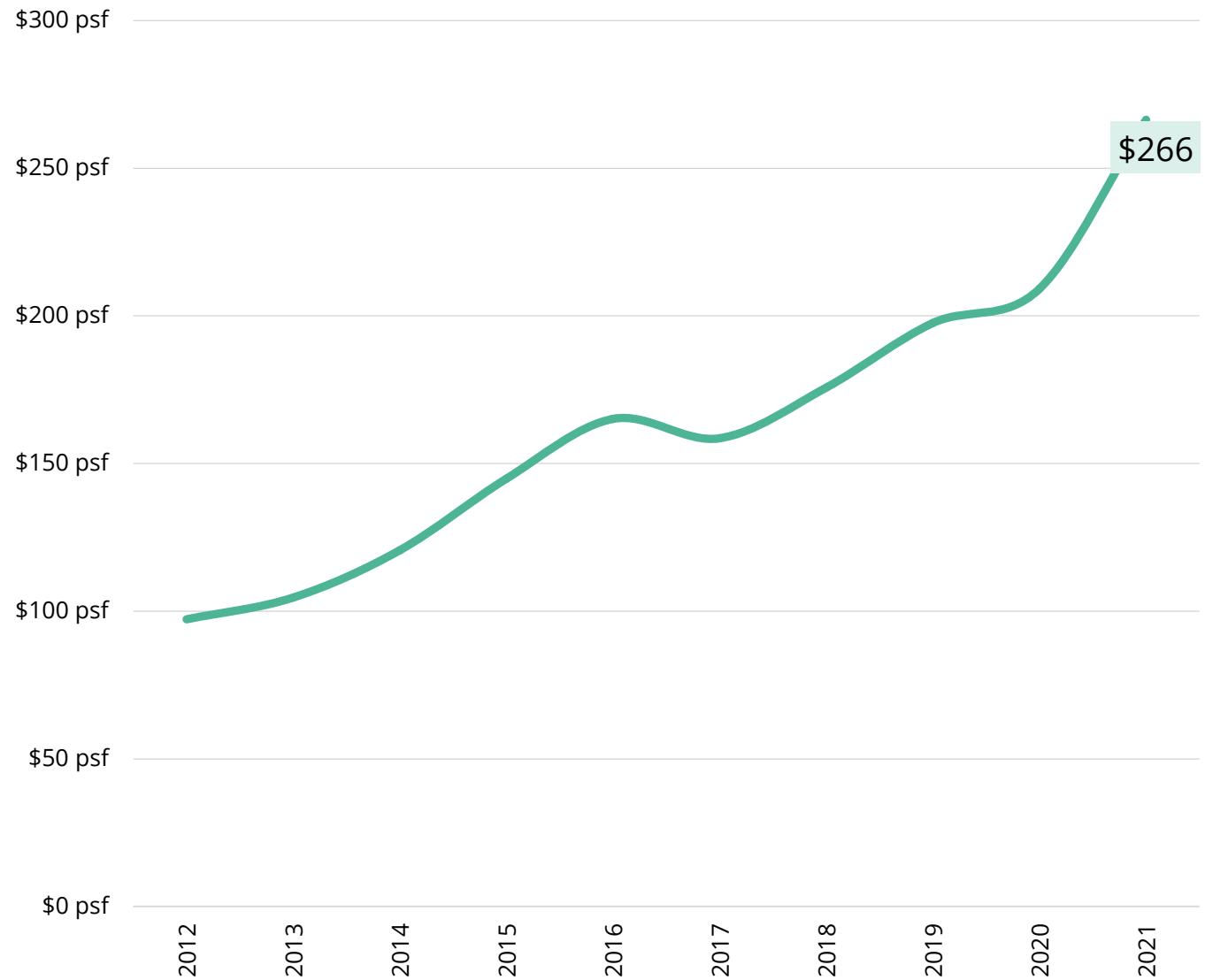


Industrial asset pricing

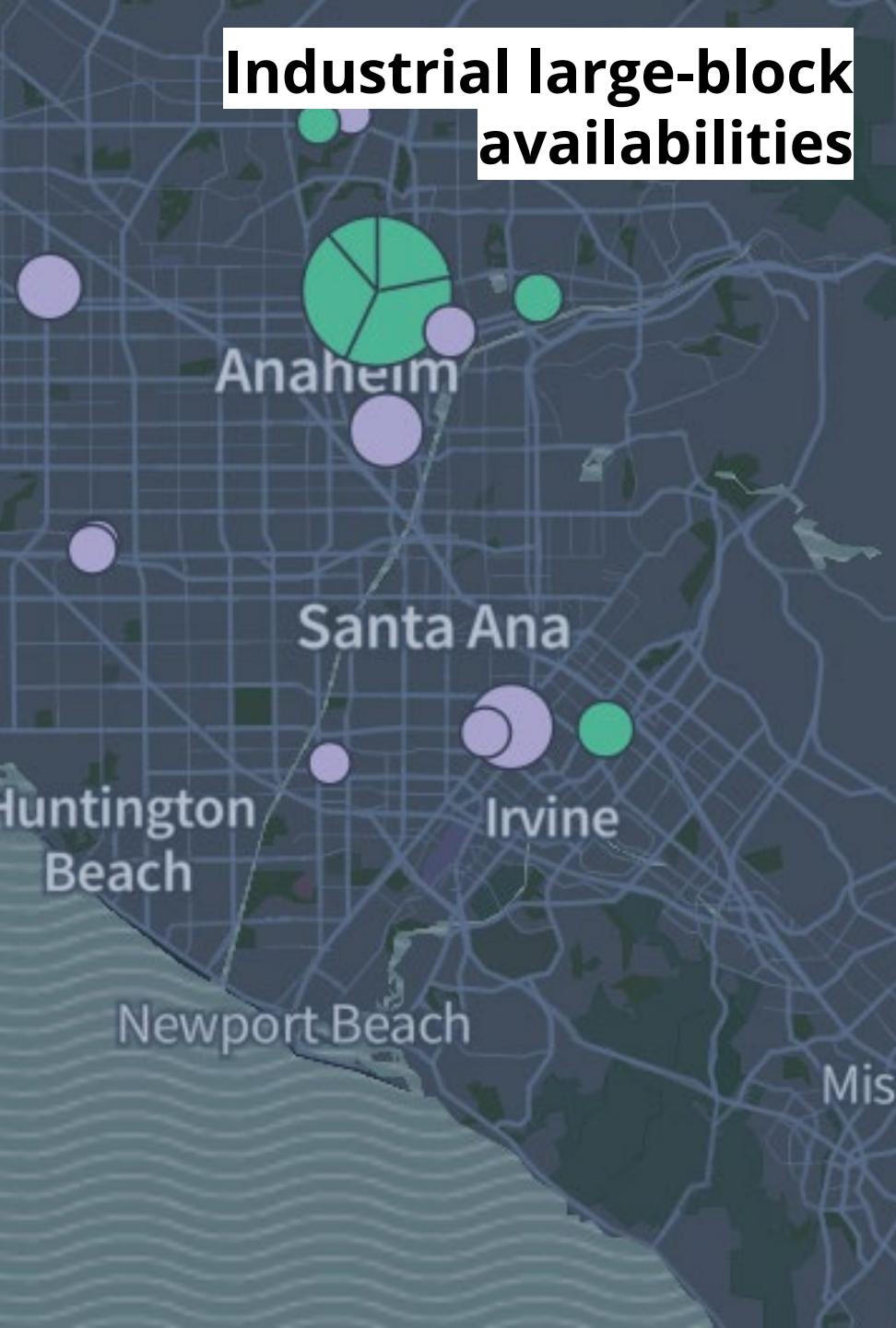
+33.1%

Orange County pricing from fourth quarter 2020 to 2021.

Institutional capital continued to target Orange County, solidifying a trend from the remainder of the year. Investment demand has driven pricing 47.0% above the existing five-year average. Key submarkets for transactions were Garden Grove, Santa Ana and Anaheim, comprising 71.0% of all investment activity throughout 2021.



Industrial large-block availabilities



Large-block space size ranges

500K sf - 1msf:
10%

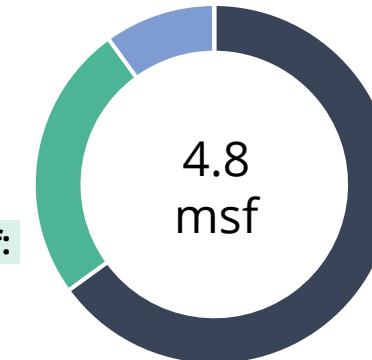
2 blocks

250K sf - 500K sf:
25%

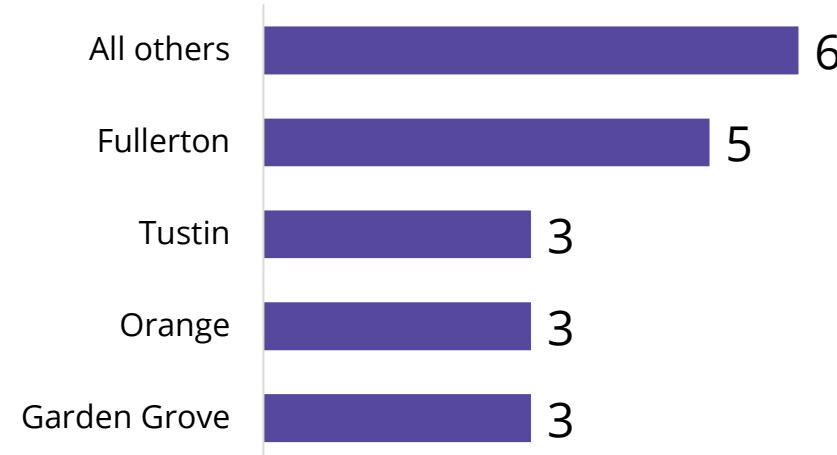
5 blocks

100K sf - 250K sf: 65%
13 blocks

>1msf: 0%
0 blocks



Large blocks available by submarket



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Now, let's see what we can expect looking forward

Tight leasing fundamentals have kept upward pressure on rents, a trend that is likely to continue throughout 2022 as new development options are limited.



Here's what we can expect looking forward

- **Supply chain constraints should slowly ease** over the course of 2022 and into 2023, providing some relief to small- and mid-sized manufacturers & distributors in Orange County. Given that demand has remained strong throughout both the pandemic and any West Coast port problems, tight market conditions will likely keep upward pressure on rents.
- **Industrial leasing demand will remain consistent**, as pre- and post-COVID transaction volumes are following similar trendlines. However, at low vacancy levels, competition amongst users may drive up rents or limit relocation opportunities.
- **Solid leasing fundamentals** have driven investment interest to industrial. **e-commerce penetration** has only reinforced the need for new and different types of last-mile facilities near Orange County consumers.



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Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Industrial inventory:** existing industrial properties that are 50,000+ square feet, including owner-occupied properties and excluding data centers, telecom facilities and government owner-occupied properties
- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple-net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple-net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial space
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as triple-net (NNN)
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

Vitality Index

- **Visitor volumes:** based on extrapolated, anonymized cell phone pings provided by Orbital Insight at custom, geofenced locations, the Vitality Index tracks visitor volumes at representative areas of interest across cities; for the Retail Vitality Index, 3-10 representative areas of interest were isolated for each retail experience (10-minute dwell times) and last-mile distribution centers (one-minute dwell times) were geofenced to demonstrate online shopping habits

Explore the latest data and insights

The retail vitality index

Measuring retail activity and how people shop
Our team analyzes how in-person and online shopping habits have evolved across North America using cell phone mobility data.

U.S. employment overview

Tracking trends in real-time

Our team takes a look at real-time movement of people in major cities across North America, and how the volume of foot traffic compares to pre-pandemic levels.

Deep-dive into the thought capital shaping real estate

THE X FACTOR
Powered by people
Workplace transformation after Covid

A new era for the workplace ecosystem
No one needs to tell you that things have changed in the wake of the Covid-19 pandemic, and there is no doubt that our social fabric will continue to be impacted for years to come. But within this disruption are significant opportunities for the workplace to make progress on overdue structural and social issues, enhancing and evolving outdated paradigms for everyone's benefit.

Start a new journey

Make the most of the experience
Find out how

Explore the X Factor

Executive summary
Powered by people
You are here
Jump to this section

The new workplace paradigm
Jump to this section

Reducing the impact
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Introduction - The rising tide

Across the world we are seeing Environmental, Social and Governance (ESG) issues exercising a great influence throughout our economy, society and built environment. As world leaders prepare to reaffirm their pledges on tackling climate change at COP26, our team looks at what the journey to net zero carbon means for real estate.

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