

Orange County



Market Facts

2.8%

Orange County
Unemployment
Rate As Of Nov 2017

129,773 SF

Positive Net Absorption
Current Quarter

Negative -47,425 SF
Year-To-Date

2.2%

Total Vacancy Rate
Flat From 2.2% In Q3 2017

\$0.91 PSF

Asking Rental Rate
Weighted Average

Market Overview

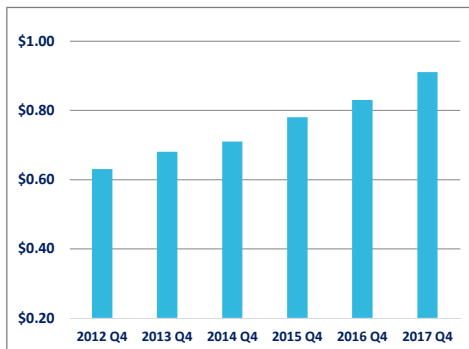
The Orange County industrial market remains one of the tightest in the U.S., as limited product sits at record occupancy levels. Slim vacancy rates have encouraged rental rates to surpass record heights. Demand is driven by the high-tech industry, aerospace, manufacturing and distribution firms throughout the county. Major companies will continue to seek a presence in this geographically vital market, and the county's bustling economy boasts an unemployment rate of 2.8%.

Orange County's industrial vacancy rate for the fourth quarter of 2017 has stayed flat at 2.2%, remaining at a highly competitive level. Current construction pacing is not expected to have a major impact on vacancy or rents in the near term. There are two industrial projects currently under construction; one build-to-suit for Rosendin Electric, and six of seven buildings at Beckman Business Center, which have no tenant pre-commitments. One industrial building has completed construction during the fourth quarter; a 142k sf building at Beckman Business Center. Demands for creative office, residential

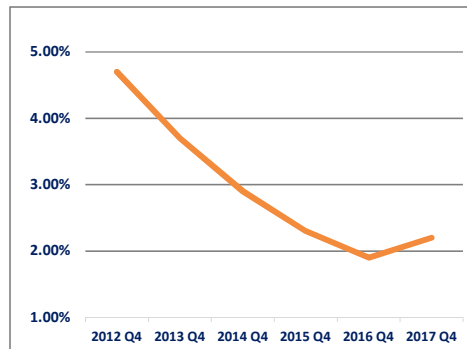
and self-storage have outpaced proposals for industrial development, and led to the repurposing of many older industrial buildings. Industrial tenants seeking new space may expect a challenge as demand further outpaces supply. There is more than 840k sf of proposed industrial development on record in the county.

Total net absorption came in at positive 129,773 sf for the fourth quarter of the year, and negative 47,425 sf for the most recent 12 month period, contracting from the prior 12 month period which recorded 1.8M sf. The fourth quarter of 2017 experienced a rental rate increase to \$0.91 psf, up from \$0.83 psf at the same time in the previous year. Rental rates have reached the levels achieved at the height of the market prior to the last recession. The year-over-year rental rate increases leading to this point, have been perpetuated by dwindling supply in a desirable market. With limited inventory coming on-line, rents have the capacity to grow further. Meanwhile, sale volume has soared over the past two years, reaching \$1.6M for the total year of 2017, with record level pricing per square foot at \$191 during the fourth quarter.

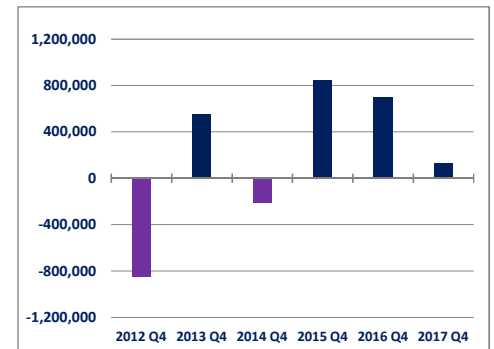
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Southland Industries	New	12131 Western Avenue, Garden Grove	West County	207,953
Red Digital Cinema	Renewal	34 Parker, Irvine Spectrum	South County	126,497
Titan Footwear	Sublease	15342 Graham Street, Huntington Beach	West County	84,754
NN, Inc.	New	9700 Toledo Way, Irvine Spectrum	South County	77,313
Smartex Apparel	New	5455 E La Palma Avenue, Anaheim	North County	53,562

Top Sales

Address	Buyer	Seller	Price	SF	P/SF
4150 N Palm Street, Fullerton	Independent Trading Company	AEW Capital Management	\$32,592,500	181,069	\$180
17822 Gillette Avenue, Irvine	Intracorp	Greenlaw Partners	\$28,500,000	127,490	\$224
30142 Avenida De Las Banderas, RSM	Applied Medical Resources Corp.	Magna Flow	\$16,500,000	88,672	\$186
2222 E Howell & 2225 E Katella, Anaheim	Pacific Industrial	Cathedral Center of Saint Paul	\$14,570,000	38,928	\$374
2970 Airway Avenue, Costa Mesa	2970 Airway, LLC	Lakeshore Enterprises	\$9,200,000	42,053	\$219

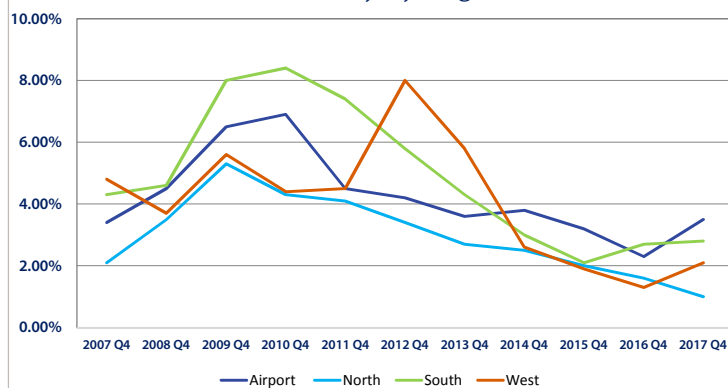
Under Construction

Address	Submarket	Developer	SF	Completion
Beckman Business Center	Fullerton	Western Realco	793,138	Q2 2018
1701 S Anaheim Way	Anaheim	Batcheller Equities	170,000	Q4 2017

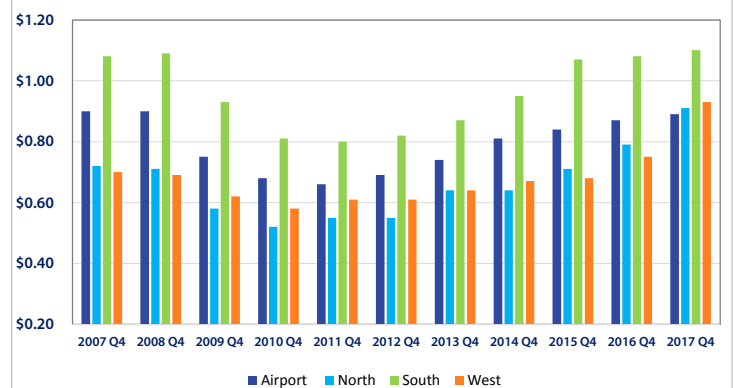
Orange County By The Numbers

Vacancy					Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
Q4 2017 Inventory (SF)	Q4 2017 Vacancy (SF)	Q4 2017 Vacancy (%)	Q3 2017 Vacancy (%)		Current Quarter Absorption	Year-To-Date Absorption	Q4 2017 Rental Rates	Q3 2017 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	Year-To-Date Deliveries	Under Construction Quarter-End
Airport Area												
20k to 49k SF	26,031,282	464,368	1.80%	1.90%	125,355	204,338	\$1.05	\$1.10	-4.55%	0	0	0
50k to 99k SF	14,043,575	540,691	3.90%	3.40%	-11,807	-172,727	\$0.89	\$0.85	4.71%	0	51,450	0
100k SF and up	14,953,902	934,961	6.30%	7.30%	-80,981	-220,333	\$0.74	\$0.74	0.00%	0	0	0
Total	55,028,759	1,940,020	3.50%	3.70%	32,567	-188,722	\$0.84	\$0.85	-1.18%	0	51,450	0
North County												
20k to 49k SF	32,027,192	493,705	1.50%	1.50%	-44,504	-48,117	\$1.02	\$0.93	9.68%	0	23,191	87,652
50k to 99k SF	18,716,837	295,016	1.60%	1.80%	-44,492	-387,321	\$0.82	\$0.82	0.00%	0	0	78,523
100k SF and up	44,270,275	153,305	0.30%	0.90%	474,013	1,013,146	\$0.73	\$0.71	2.82%	200,000	522,685	796,963
Total	95,014,304	942,026	1.00%	1.30%	385,017	577,708	\$0.87	\$0.83	4.82%	200,000	545,876	963,138
South County												
20k to 49k SF	14,978,104	413,909	2.80%	1.90%	-70,600	47,944	\$1.34	\$1.32	1.52%	0	0	0
50k to 99k SF	6,887,853	181,447	2.60%	3.00%	-45,453	119,609	\$0.84	\$0.84	0.00%	0	0	0
100k SF and up	11,690,165	357,347	3.10%	1.40%	-217,676	-150,527	\$0.89	\$0.73	21.92%	0	0	0
Total	33,556,122	952,703	2.80%	1.90%	-333,729	17,026	\$1.08	\$1.11	-2.70%	0	0	0
West County												
20k to 49k SF	12,045,214	260,488	2.20%	1.90%	-40,463	14,297	\$0.91	\$0.89	2.25%	0	41,668	0
50k to 99k SF	8,110,019	14,863	0.20%	2.00%	204,188	5,081	\$0.79	\$0.81	-2.47%	0	0	0
100k SF and up	14,625,496	457,114	3.10%	2.90%	-117,807	-472,815	\$0.75	\$0.73	2.74%	0	0	0
Total	34,780,729	732,465	2.10%	2.30%	45,918	-453,437	\$0.81	\$0.79	2.53%	0	41,668	0
Orange County Market												
20k to 49k SF	85,081,792	1,632,470	1.90%	1.80%	-30,212	218,462	\$1.13	\$1.12	0.89%	0	64,859	87,652
50k to 99k SF	47,758,284	1,032,017	2.20%	2.50%	102,436	-435,358	\$0.84	\$0.83	1.20%	0	51,450	78,523
100k SF and up	85,539,838	1,902,727	2.40%	2.40%	57,549	169,471	\$0.77	\$0.74	4.05%	200,000	522,685	796,963
Total	218,379,914	4,567,214	2.20%	2.20%	129,773	-47,425	\$0.91	\$0.89	2.25%	200,000	638,994	963,138

Vacancy by Region



Rental Rate by Region



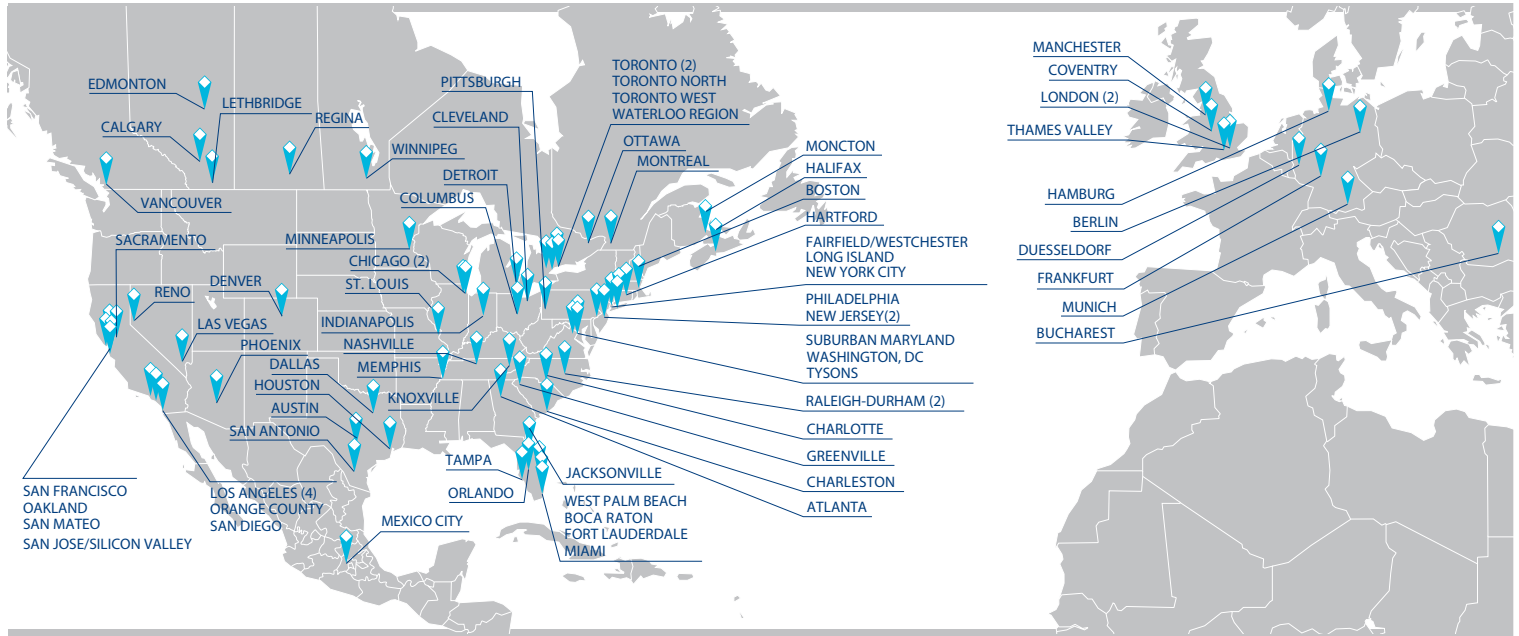
Industrial Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Costa Mesa	8,072,113	6.60%	0	6,623,582	7.70%	8.00%	-76,230	\$1.01
Fountain Valley	3,431,744	1.20%	0	2,599,707	1.60%	1.60%	-4,756	\$0.95
Irvine	14,512,685	2.20%	0	10,353,840	2.80%	2.90%	-2,444	\$0.86
Newport Beach	477,134	0.00%	0	425,234	0.00%	0.00%	1,583	\$2.13
Santa Ana	22,030,854	2.90%	0	16,400,204	3.70%	3.70%	216,163	\$0.82
Tustin	6,504,229	6.30%	0	5,037,545	6.40%	6.50%	36,091	\$0.80
Airport Area	55,028,759	3.50%	0	41,440,112	4.30%	4.40%	170,407	\$0.84
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	36,098,776	0.90%	170,000	26,319,559	0.70%	0.70%	87,275	\$1.10
Brea/La Habra	13,345,026	1.20%	0	6,514,132	2.40%	2.50%	-6,722	\$0.77
Buena Park	13,141,440	0.30%	0	8,880,564	0.30%	0.30%	-15,396	\$0.80
Fullerton	18,464,815	0.80%	793,138	12,737,353	1.00%	1.10%	-99,102	\$0.75
Orange	9,4	1.90%	0	6,256,256	2.40%	2.40%	94,107	\$0.79
Placentia/Yorba Linda	4,558,518	2.30%	0	3,265,532	2.10%	2.10%	-17,624	\$0.80
North County	95,014,304	1.00%	963,138	63,973,396	1.10%	1.20%	42,538	\$0.87
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Aliso Viejo/Laguna Hills	2,624,244	1.40%	0	1,901,731	1.80%	2.00%	909	\$1.39
Dana Point/San Clemente/SJC	2,907,883	1.30%	0	2,368,196	1.60%	1.60%	2,314	\$1.10
Foothill Ranch/Lake Forest/RSM	9,539,707	2.30%	0	6,296,052	2.70%	3.50%	-38,964	\$0.87
Irvine Spectrum	17,404,200	3.70%	0	11,951,480	3.70%	5.30%	-304,756	\$1.29
Laguna Beach/Laguna Niguel	346,875	1.50%	0	224,561	2.30%	2.30%	0	\$1.35
Mission Viejo	733,213	1.70%	0	381,127	3.30%	3.30%	-2,406	\$1.45
South County	33,556,122	2.80%	0	23,123,147	3.00%	4.10%	-342,903	\$1.08
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Cypress	6,147,182	3.90%	0	5,286,164	4.10%	4.50%	14,279	\$0.94
Garden Grove	10,342,872	1.40%	0	7,261,057	2.00%	2.00%	151,414	\$0.76
Huntington Beach	10,715,153	3.00%	0	6,173,731	0.60%	5.10%	-157,049	\$0.80
La Palma	1,859,005	0.00%	0	1,192,947	0.00%	0.00%	0	\$0.63
Los Alamitos/Stanton	2,912,329	0.70%	0	2,394,291	0.90%	0.90%	-978	\$1.08
Seal Beach	986,466	0.00%	0	773,812	0.00%	0.00%	0	\$0.75
Westminster	1,817,722	0.20%	0	1,773,722	0.20%	0.20%	3,276	\$0.97
West County	34,780,729	2.10%	0	24,855,724	1.70%	2.90%	10,942	\$0.81
Orange County Total	218,379,914	2.20%	963,138	153,392,379	2.40%	2.80%	-119,016	\$0.91

A Growing, Multinational Presence

Avison Young at a Glance

Founded: **1978**
Total Real Estate Professionals: **2,600**
Offices: **82**
Brokerage Professionals: **1,100**
Property Under Management: **100 million sf**

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 82 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



Contact Information - Southern California, United States

Los Angeles - Downtown

555 S Flower St, Ste 3200
Los Angeles, CA 90071
Primary Contact: Ted Simpson
ted.simpson@avisonyoung.com
213.935.7430

Los Angeles - West

10940 Wilshire Blvd, Ste 800
Los Angeles, CA 90024
Primary Contact: Jonathan Larsen
jonathan.larsen@avisonyoung.com
213.471.1069

Los Angeles - North

6711 Forest Lawn Dr
Los Angeles, CA 90068
Primary Contact: Mark Evanoff
mark.evanoff@avisonyoung.com
323.851.6666

Los Angeles - Santa Monica

301 Arizona Ave, Ste 303
Santa Monica, CA 90401
Primary Contact: Randy Starr
randy.starr@avisonyoung.com
310.899.1800

Orange County - Irvine

2030 Main St, Ste 150
Irvine, CA 92614
Primary Contact: Keith Kropfl
keith.kropfl@avisonyoung.com
949.757.1190

San Diego

4655 Executive Dr, Ste 325
San Diego CA 92121
Primary Contact: Jerry Keeney
jerry.keeney@avisonyoung.com
858.201.7077

Regional Managing Director:

Chris Cooper - Corporate
555 S Flower St, Ste 3200
Los Angeles, CA 90071
chris.cooper@avisonyoung.com
213.935.7435

Report Prepared By:

Amber Jagers - Research Manager
4655 Executive Dr, Ste 325
San Diego CA 92121
amber.jagers@avisonyoung.com
858.201.7072



Intelligent
Real Estate
Solutions



avisonyoung.com