

MARKET OVERVIEW. A diverse economy, low vacancy, and proximity to the ports in Los Angeles have put the Orange County industrial market on steady pace. The market is stable enough that, even though absorption has been negative for the past few quarters, vacancy has remained steady. Investment volume has been solid over the last few years, generally meeting or exceeding the market’s historical average, and that momentum will carry into 2019. With its strategic location, Orange County is also one of the tightest markets in Southern California; in response, rent growth has surged over the last several years. Trading is heavy here and logistics properties are the most heavily purchased industrial type.

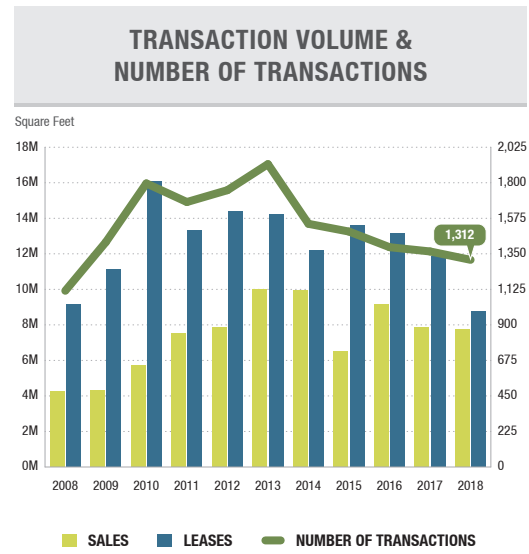
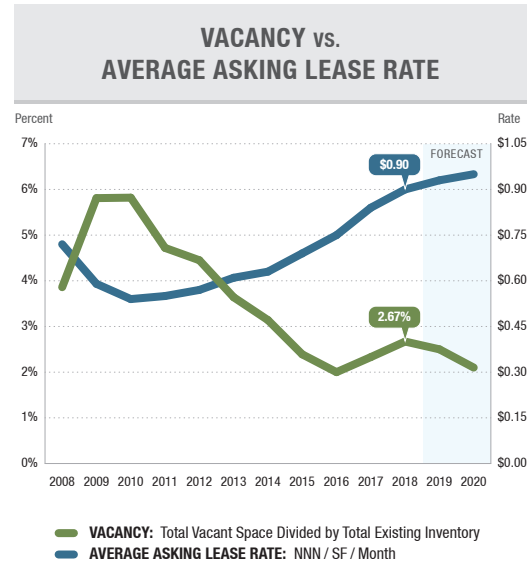
VACANCY. Vacancy is low, even with the negative absorption since 2017. Competition is high among companies in search of a sizable footprint, as the inventory skews smaller than in neighboring Inland Empire and L.A., which can both accommodate a more significant industrial footprint. Beckman Business Center in Fullerton recently delivered, and several of its buildings will be able to house a large user. With vacancy currently in the 2–3% range, the Orange County industrial market has one of lowest rates in the nation. The vacancy rate of 2.67% is up 29 basis points from the third quarter and 14.59% from the fourth quarter of 2017. Landlords will continue to have leverage in this competitive market, resulting in higher lease rates and fewer concessions. As a tenant, limited choices will result in longer timeframes for expansions or relocations and “off market” transactions will become more common.

LEASE RATES. Asking rates recorded their seventh consecutive year of positive growth and third straight year of 7%–plus gains in 2018. The shortage of available space has provided landlords the leverage to demand rental increases, even if many tenants are priced out of the market or diverted to other markets by the shortage of availability. There is enough demand to keep the market tight and to keep landlords at ease. The average asking lease rate, which incorporates all size ranges and submarkets throughout Orange County, is \$0.90 NNN per square foot per month, a \$0.01 per SF increase from last quarter and a \$0.06 per square foot increase from a year ago (7.14% annual increase).

SALE PRICES. The Orange County industrial market’s average asking price at the end of the fourth quarter of 2018 came in at \$290.27 per square foot (average price tracks 1,000 square foot buildings and larger). While sale prices vary greatly depending on the size of the building, this represents an increase of nearly 9.83% from the fourth quarter of 2017. As interest rates move up, we expect to see more modest levels of appreciation through 2019. With so little sizable inventory, most industrial transactions are for properties below 50,000 square feet and prices are well above the national average.

TRANSACTION ACTIVITY. Tenant demand has come from a mix of industries including food and beverage, beauty supply and home product companies. Demand for quality distribution space in Orange County has slowed down, with 3.22 million square feet of total transactions (Sale and Lease), down from just over 4.12 million square feet last quarter. With such a limited number of available options, the supply and demand imbalance continues to limit overall activity.

AVAILABILITY. Availability held steady in the Orange County market in the fourth quarter as expanding new supply caught up to strong demand. The availability rate, or ratio of available space (being marketed) to total rentable area in the region, came in at 4.98%, up 4.40% from a year ago.



Market Statistics

	Change Over Last Quarter	4Q 2018	3Q 2018	4Q 2017	% Change Over Last Year
Vacancy Rate	▲ UP	2.67%	2.38%	2.33%	14.59%
Availability Rate	▼ DOWN	4.98%	5.17%	4.77%	4.40%
Average Asking Lease Rate	▲ UP	\$0.90	\$0.89	\$0.84	7.14%
Average Asking Sale Price	▲ UP	\$290.27	\$283.71	\$264.28	9.83%
Sale & Lease Transactions	▼ DOWN	3,228,886	4,129,543	4,385,308	(26.37%)
Gross Absorption	▲ UP	2,487,044	2,444,033	2,921,348	(14.87%)
Net Absorption	▲ POSITIVE	505,790	(576,611)	385,420	N/A

LEASE RATES. Anticipate asking rents to increase by a minimum of 3% to reach a level of \$0.93 per square foot by the fourth quarter of 2019 with more robust increases coming in Class A buildings with modern features, such as 30' warehouse clearance, ample dock-high loading, fenced yards and immediate freeway access.

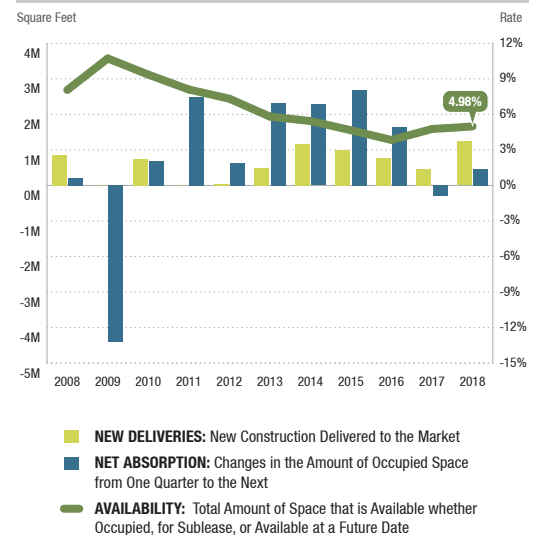
VACANCY. Availability will be a significant hurdle for tenants in 2019 and reaction time will be critical. “Off market” deals will be, and arguably have already become, the norm and tenant concessions will continue to be severely limited in this competitive market. With very little new product coming online and tenants electing to recommit or to renew in larger blocks of space, expect vacancy rates to remain around 2% through 2019.

OVERALL. The Orange County industrial market will continue to perform well in 2019. Expect healthy economic conditions to continue through 2019, buoyed by consumer and business confidence. The fundamentals are projected to continue a positive path for the remainder of the year. Growing trade is poised to accelerate trends in the industrial sector, with strong absorption driving vacancy contractions. Absorption is projected to continue growing, leading to declining vacancies.

CONSTRUCTION. While developers are trying to keep up with demand for Orange County industrial space, they aren't building at nearly the same level as last cycle, when nearly every year registered more than 2 million square feet under construction. This cycle, only two years have registered 1 million square feet under construction. Orange County is primarily an infill market with very little undeveloped industrial land, making it one of the most supply-constrained markets in the country. At the end of the fourth quarter, there were 14 buildings under construction totaling 841,447 square feet. Notable projects underway include Shea Dyer Road in Santa Ana, a 9-building industrial park totaling 1.10 million square feet (Shea); Orange Commerce Center, a 3-building project totaling 198,504 square feet (Panattoni); and 1585 MacArthur Blvd, a 100,233 square feet built-to-suit project for Robinson Pharma in Santa Ana (CJ Segerstrom).

ABSORPTION. Industrial market fundamentals continued strong through 2018. In the fourth quarter, Orange County industrial recorded 505,790 square feet of positive absorption, bringing year-to-date net absorption to 469,123 square feet. New arrivals or expansions in the fourth quarter included: Hybrid Apparel sublease 280,460 square feet at 5701 Skylab Road in Huntington Beach; Lexor moving into 187,696 square feet at 7400 Hazard Avenue in Westminster; and Health-Ade moving into 84,600 square feet at 6625 Caballero Boulevard in Buena Park.

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



Significant Transactions

Sales

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
2020 E. Howell Ave.	Anaheim	122,722	\$22,650,000	Pacific Industrial*	Seligman Western Enterprises, LP*
5593-5595 Fresca Dr.	La Palma	115,200	\$14,000,000	Rexford Industrial	GTI Management Company
3400 Segerstrom	Santa Ana	56,922	\$11,259,000	Bridge Point Santa Ana, LLC	Behr Process Corporation
590 W. Apollo St.	Brea	19,950	\$4,289,250	APW Knox-Seeman Warehouse	Burke Apollo, LLC*
6430-6450 Roland St.	Buena Park	11,562	\$2,659,260	Chang Hu Lee*	Jeff Tenney*

Leases

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1211 N. Miller St. – renewal	Anaheim	200,646	Oct-2018	Targus, Inc.	TIAA-CREF*
7366 Orangewood Ave.	Garden Grove	130,291	Oct-2018	Rexel USA	G&K Management Co., Inc.
3300 E. Birch St.	Brea	111,679	Nov-2018	Amore pacific USA, Inc.	Brea Industrial III, LLC
3355 E. La Palma Ave. – renewal	Anaheim	108,237	Oct-2018	BE Aerospace, Inc.	TIAA-CREF*
4930 E. La Palma Ave.	Anaheim	37,922	Dec-2018	Foam Concepts	DBW Warehouse*

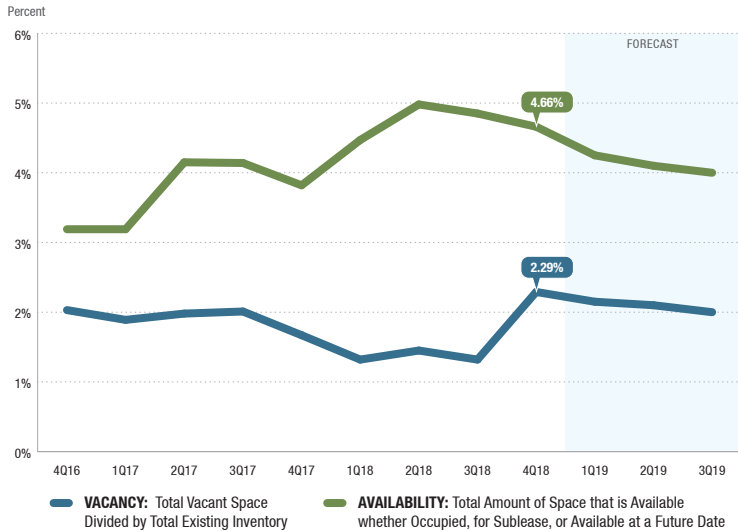
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2018	Square Feet Available	Availability Rate 4Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2018	Net Absorption 2018	Gross Absorption 4Q2018	Gross Absorption 2018
Airport Area														
Costa Mesa	426	7,590,938	100,276	0	165,255	2.18%	201,119	2.65%	\$1.07	\$277.11	54,867	19,794	77,750	301,906
Fountain Valley	185	3,830,011	0	73,200	54,852	1.43%	206,773	5.40%	\$1.26	\$239.63	8,101	(9,268)	10,496	68,699
Irvine	306	11,716,054	0	0	291,986	2.49%	593,555	5.07%	\$0.81	\$270.05	20,249	(139,055)	173,599	466,175
Newport Beach	49	589,523	0	0	8,000	1.36%	16,202	2.75%	\$0.00	\$377.96	(2,360)	9,723	5,640	26,723
Santa Ana	1,570	29,921,629	472,667	0	910,828	3.04%	1,507,952	5.04%	\$0.88	\$227.09	29,250	(2,979)	317,281	1,142,468
Tustin	110	4,243,222	0	10,000	196,620	4.63%	201,426	4.75%	\$0.80	\$201.53	(20,757)	45,273	11,719	262,219
Airport Area Total	2,646	57,891,377	572,943	83,200	1,627,541	2.81%	2,727,027	4.71%	\$0.87	\$237.41	89,350	(76,512)	596,485	2,268,190
North County														
Anaheim	1,827	44,598,113	0	244,259	425,856	0.95%	1,067,537	2.39%	\$0.97	\$222.88	121,833	269,676	300,675	1,980,382
Brea	333	11,990,308	0	0	163,218	1.36%	266,035	2.22%	\$0.80	\$246.28	(30,185)	193,982	37,487	577,071
Buena Park	231	13,242,959	0	0	406,354	3.07%	1,760,344	13.29%	\$0.85	\$225.21	(108,171)	38,382	245,567	672,107
Fullerton	454	19,197,950	0	0	1,226,005	6.39%	1,493,842	7.78%	\$0.93	\$1,887.79	(11,935)	(21,027)	108,400	721,982
La Habra	197	3,483,932	0	217,000	47,282	1.36%	71,860	2.06%	\$1.15	\$254.09	(19,090)	(13,208)	24,392	63,172
Orange	740	13,609,174	0	0	174,228	1.28%	197,389	1.45%	\$0.89	\$279.64	45,510	75,346	109,397	577,834
Placentia	218	4,060,413	178,504	0	77,167	1.90%	161,851	3.99%	\$0.82	\$231.61	(2,938)	(25,021)	46,836	157,745
Yorba Linda	53	1,010,951	0	0	24,253	2.40%	164,889	16.31%	\$0.00	\$0.00	(1,807)	(101)	12,572	49,937
North County Total	4,053	111,193,800	178,504	461,259	2,544,363	2.29%	5,183,747	4.66%	\$0.87	\$219.30	(6,783)	518,029	885,326	4,800,230
South County														
Aliso Viejo	17	676,772	0	0	14,640	2.16%	0	0.00%	\$1.24	\$0.00	0	(14,640)	0	19,680
Foothill Ranch	68	3,552,109	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	74,421	151,289	74,421	315,653
Irvine Spectrum	210	9,824,207	90,000	0	742,980	7.56%	1,303,672	13.27%	\$1.04	\$300.89	93,217	(100,807)	91,610	562,365
Laguna Beach	19	91,064	0	0	14,225	15.62%	14,225	15.62%	\$0.00	\$0.00	5,976	1,131	5,976	5,976
Laguna Hills	72	1,036,115	0	0	22,353	2.16%	30,567	2.95%	\$1.35	\$329.32	(5,058)	(13,175)	5,704	80,549
Laguna Niguel	20	271,295	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	189	4,099,498	0	0	170,327	4.15%	222,627	5.43%	\$1.16	\$337.36	10,572	(16,996)	70,425	221,558
Mission Viejo	30	462,480	0	0	12,354	2.67%	11,226	2.43%	\$1.03	\$0.00	8,372	2,024	16,540	29,746
Rancho Santa Margarita	104	1,675,902	0	0	23,291	1.39%	48,823	2.91%	\$1.25	\$0.00	(1,317)	(18,790)	0	42,547
San Clemente	159	1,998,825	0	0	29,906	1.50%	41,406	2.07%	\$1.60	\$0.00	2,056	8,423	15,773	71,657
San Juan Capistrano	43	923,189	0	0	17,483	1.89%	17,483	1.89%	\$1.23	\$0.00	8,629	(3,888)	8,629	42,088
South County Total	931	24,611,456	90,000	0	1,047,559	4.26%	1,690,029	6.87%	\$1.10	\$303.22	196,868	(5,429)	289,078	1,391,819
West County														
Cypress	101	4,332,287	0	0	179,946	4.15%	210,920	4.87%	\$0.92	\$325.00	(41,820)	(71,724)	27,980	221,948
Garden Grove	475	11,990,602	0	0	309,123	2.58%	689,624	5.75%	\$0.75	\$195.33	145,081	35,059	269,374	811,692
Huntington Beach	680	12,530,898	0	97,460	246,776	1.97%	340,245	2.72%	\$0.82	\$247.48	167,109	192,061	388,087	991,709
La Palma	16	1,780,025	0	0	75,000	4.21%	424,285	23.84%	\$0.00	\$0.00	0	56,000	0	220,768
Los Alamitos	95	2,346,033	0	0	7,460	0.32%	26,833	1.14%	\$0.00	\$0.00	(11,930)	(917)	0	25,758
Seal Beach	15	991,653	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Stanton	174	1,790,208	0	0	8,080	0.45%	58,536	3.27%	\$1.24	\$238.30	(4,680)	176	0	41,230
Westminster	142	2,361,592	0	0	143,693	6.08%	186,330	7.89%	\$0.85	\$215.20	(64,072)	(140,953)	30,714	225,390
West County Total	1,698	38,123,298	0	97,460	970,078	2.54%	1,936,773	5.08%	\$0.81	\$218.26	189,688	69,702	716,155	2,538,495
Orange County Total	9,328	231,819,931	841,447	641,919	6,189,541	2.67%	11,537,576	4.98%	\$0.90	\$233.30	469,123	505,790	2,487,044	10,998,734
Less than 9,999	3,304	20,097,735	0	0	312,444	1.55%	554,446	2.76%	\$1.32	\$293.15	(26,566)	(3,579)	225,798	890,073
10,000–19,999	3,141	43,367,630	0	10,000	714,824	1.65%	1,044,915	2.41%	\$1.19	\$240.61	(11,991)	(115,440)	465,147	2,231,557
20,000–29,999	1,181	28,096,868	94,176	0	417,997	1.49%	836,222	2.98%	\$1.04	\$239.28	149,981	178,493	357,533	1,484,583
30,000–39,999	488	16,599,557	70,786	73,200	551,608	3.32%	693,077	4.18%	\$0.94	\$205.05	(32,519)	(177,171)	223,728	759,490
40,000–49,999	296	12,995,214	47,813	179,460	288,618	2.22%	463,868	3.57%	\$0.97	\$185.46	157,766	(32,498)	133,439	420,211
50,000–74,999	374	22,494,715	274,670	55,000	552,849	2.46%	822,910	3.66%	\$0.84	\$245.46	(16,172)	(42,633)	245,936	1,136,728
75,000–99,999	164	14,044,358	90,000	80,000	352,999	2.51%	558,627	3.98%	\$0.86	\$184.14	30,985	(14,481)	132,185	641,043
100,000–199,999	257	33,665,181	264,002	0	1,348,666	4.01%	2,448,543	7.27%	\$0.85	\$174.60	(60,330)	90,583	347,597	1,320,989
200,000 Plus	123	40,458,673	0	244,259	1,649,536	4.08%	4,114,968	10.17%	\$0.79	\$0.00	277,969	622,516	355,681	2,114,060
Orange County Total	9,328	231,819,931	841,447	641,919	6,189,541	2.67%	11,537,576	4.98%	\$0.90	\$233.30	469,123	505,790	2,487,044	10,998,734

Lease rates are on a triple-net basis.

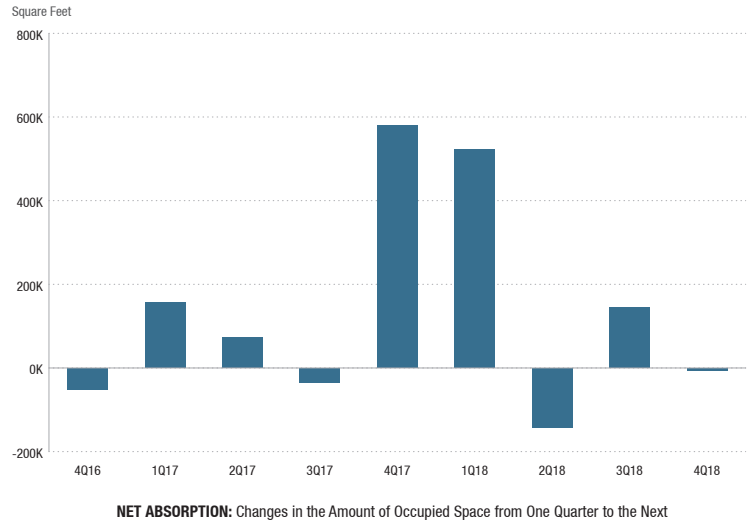
NORTH ORANGE COUNTY

In the fourth quarter of 2018, the North Orange County industrial market consisted of 4,053 buildings totaling 111,193,800 square feet and had an availability rate of 4.66%, which shows an decrease from the previous quarter's figure of 4.85%.

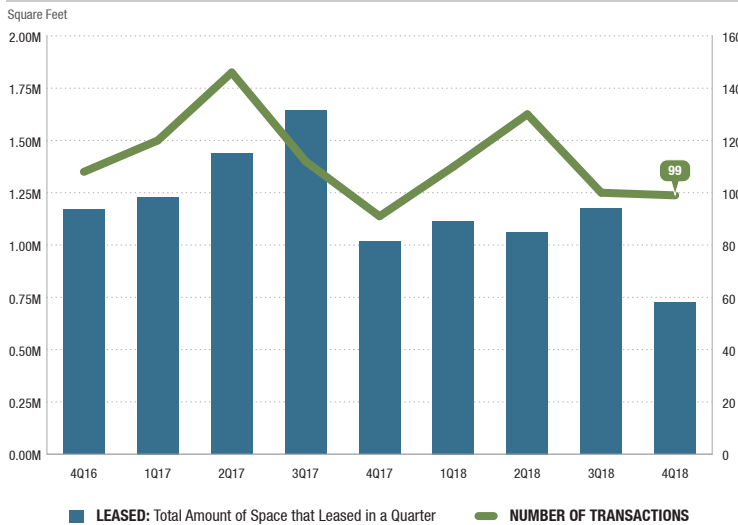
VACANCY & AVAILABILITY RATE



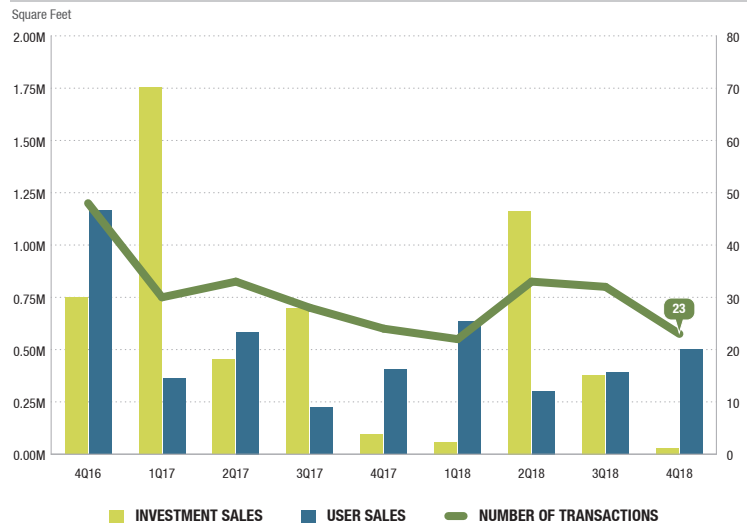
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

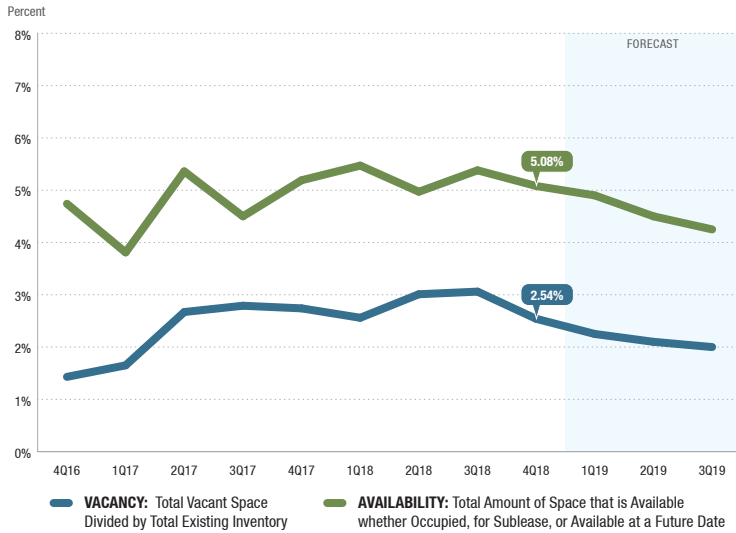
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2018	Square Feet Available	Availability Rate 4Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2018	Net Absorption 2018	Gross Absorption 4Q2018	Gross Absorption 2018
North Totals														
Less than 9,999	1,327	8,409,559	0	0	129,716	1.54%	262,163	3.12%	\$1.20	\$270.34	(10,580)	(23,232)	114,234	409,253
10,000-19,999	1,402	19,380,506	0	0	276,813	1.43%	385,781	1.99%	\$1.13	\$235.42	20,116	(35,337)	192,544	940,255
20,000-29,999	515	12,197,159	0	0	117,699	0.96%	176,027	1.44%	\$0.83	\$229.00	95,290	120,334	161,804	611,296
30,000-39,999	228	7,708,036	0	0	165,682	2.15%	328,737	4.26%	\$0.91	\$205.05	44,501	(26,310)	97,205	348,223
40,000-49,999	133	5,837,652	47,813	82,000	101,120	1.73%	186,318	3.19%	\$0.95	\$183.86	85,021	82,717	42,168	151,873
50,000-74,999	176	10,536,257	130,691	55,000	132,469	1.26%	282,626	2.68%	\$0.84	\$0.00	(2,258)	157,967	86,021	549,626
75,000-99,999	72	6,125,734	0	80,000	135,673	2.21%	238,161	3.89%	\$0.83	\$0.00	6,750	118,669	91,350	372,698
100,000-199,999	133	17,571,187	0	0	656,775	3.74%	1,072,418	6.10%	\$0.86	\$165.00	(167,911)	(26,922)	100,000	624,021
200,000 plus	67	23,427,710	0	244,259	828,416	3.54%	2,251,516	9.61%	\$0.88	\$0.00	(77,712)	150,143	0	792,985
Total	4,053	111,193,800	178,504	461,259	2,544,363	2.29%	5,183,747	4.66%	\$0.87	\$219.30	(6,783)	518,029	885,326	4,800,230

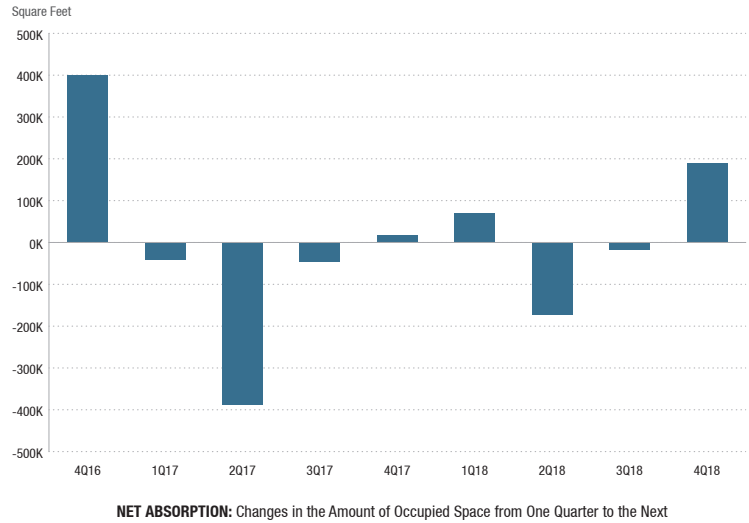
WEST ORANGE COUNTY

In the fourth quarter of 2018, the West Orange County industrial market consisted of 1,698 buildings totaling 38,123,298 square feet and had an availability rate of 5.08%, which shows a decrease from the previous quarter's figure of 5.38%.

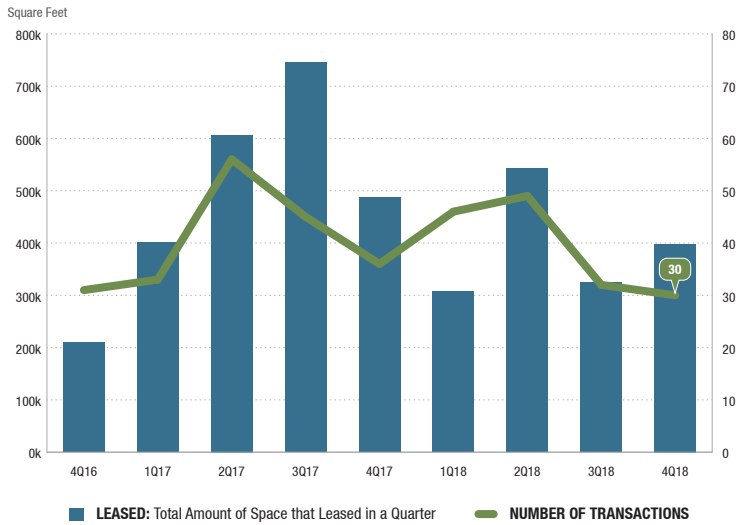
VACANCY & AVAILABILITY RATE



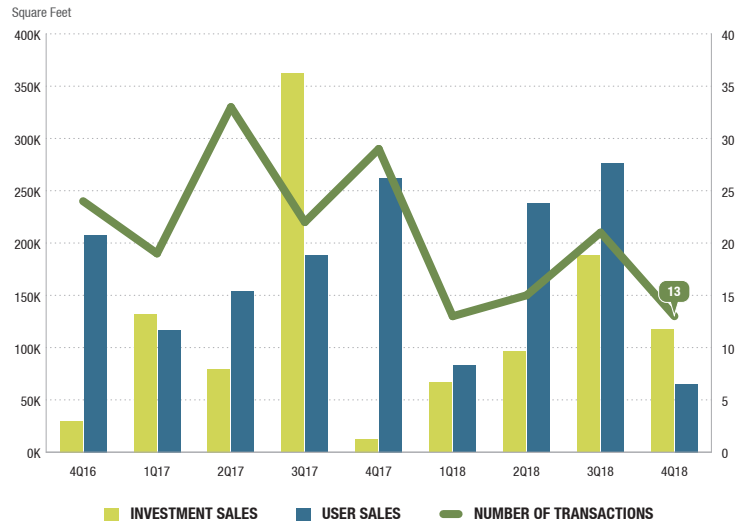
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

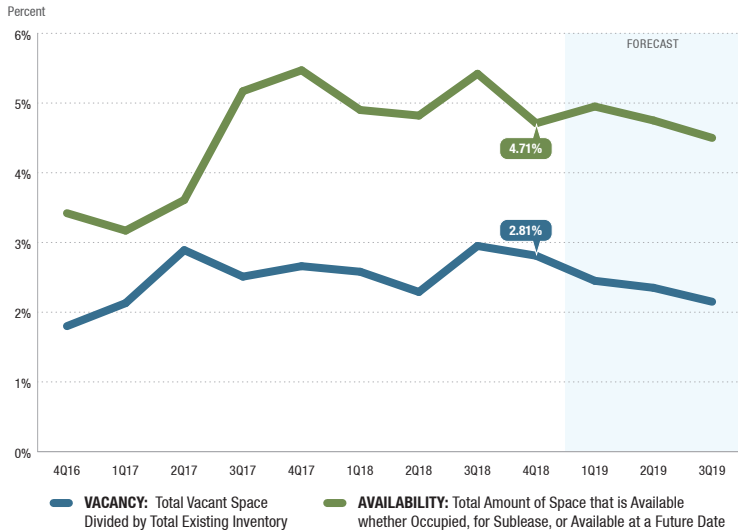
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2018	Square Feet Available	Availability Rate 4Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2018	Net Absorption 2018	Gross Absorption 4Q2018	Gross Absorption 2018
West Totals														
Less than 9,999	694	4,109,105	0	0	48,625	1.18%	82,430	2.01%	\$1.27	\$254.98	(24,212)	(6,991)	21,165	137,403
10,000-19,999	559	7,412,059	0	0	161,668	2.18%	205,782	2.78%	\$1.11	\$230.81	(57,992)	(89,006)	42,777	330,871
20,000-29,999	180	4,326,944	0	0	39,381	0.91%	134,380	3.11%	\$0.92	\$200.48	57,495	62,479	74,420	264,328
30,000-39,999	63	2,208,481	0	0	92,665	4.20%	81,549	3.69%	\$0.75	\$0.00	7,780	(59,689)	12,460	84,954
40,000-49,999	49	2,131,485	0	97,460	41,341	1.94%	131,815	6.18%	\$0.82	\$189.00	46,576	(41,341)	45,917	104,717
50,000-74,999	62	3,713,237	0	0	223,912	6.03%	203,397	5.48%	\$0.82	\$0.00	(74,413)	(216,112)	97,976	303,801
75,000-99,999	30	2,593,807	0	0	16,600	0.64%	92,680	3.57%	\$0.77	\$0.00	(16,600)	(16,600)	0	126,830
100,000-199,999	39	5,277,132	0	0	245,386	4.65%	218,643	4.14%	\$0.89	\$0.00	(29,406)	(23,652)	140,980	252,321
200,000 plus	22	6,351,048	0	0	100,500	1.58%	786,097	12.38%	\$0.67	\$0.00	280,460	460,614	280,460	933,270
Total	1,698	38,123,298	0	97,460	970,078	2.54%	1,936,773	5.08%	\$0.81	\$218.26	189,688	69,702	716,155	2,538,495

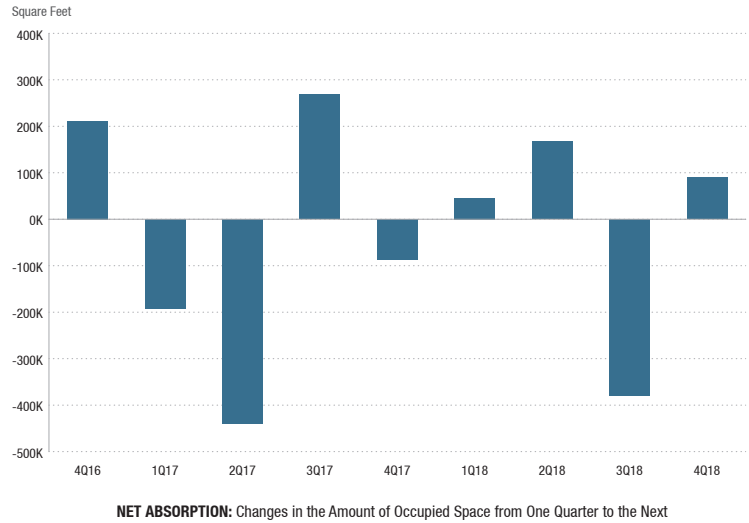
AIRPORT AREA

In the fourth quarter of 2018, the Airport Orange County industrial market consisted of 2646 buildings totaling 57,891,377 square feet and had an availability rate of 4.71%, which shows a decrease from previous quarter's figure of 5.42%.

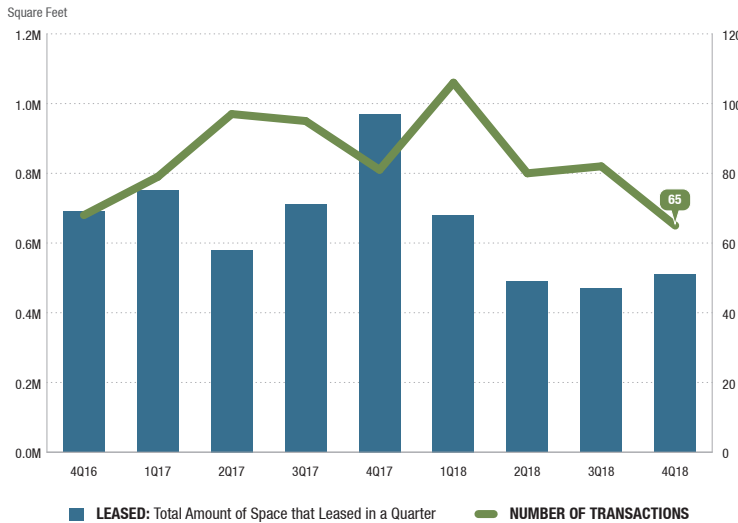
VACANCY & AVAILABILITY RATE



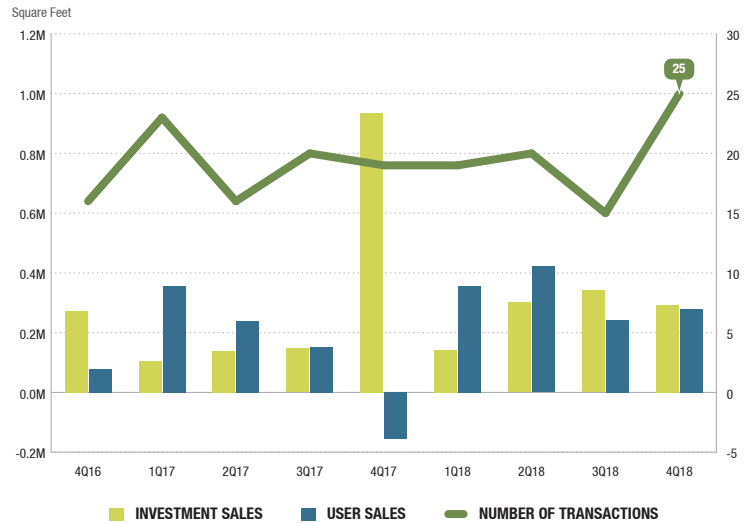
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

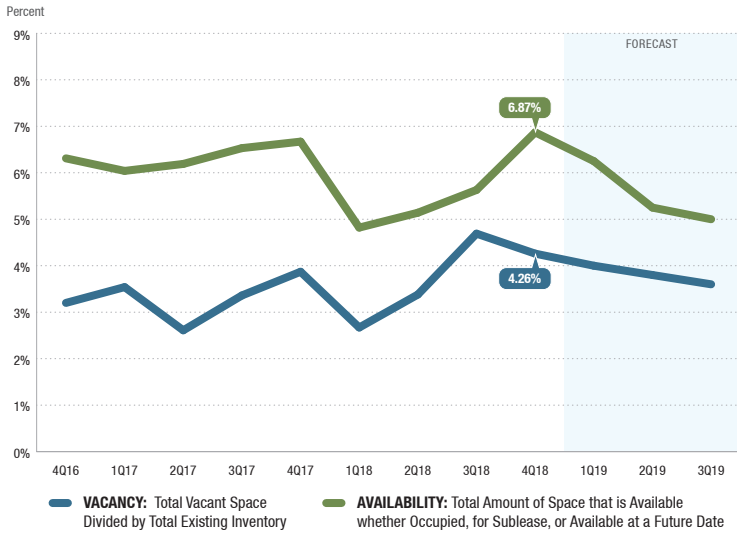
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2018	Square Feet Available	Availability Rate 4Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2018	Net Absorption 2018	Gross Absorption 4Q2018	Gross Absorption 2018
Airport Totals														
Less than 9,999	930	5,376,766	0	0	70,853	1.32%	126,045	2.34%	\$1.45	\$324.06	29,556	50,464	76,023	230,469
10,000-19,999	905	12,642,412	0	10,000	190,983	1.51%	339,650	2.69%	\$1.14	\$261.09	23,036	1,935	184,801	717,369
20,000-29,999	354	8,435,704	94,176	0	181,131	2.15%	345,645	4.10%	\$1.14	\$250.16	(5,129)	(23,641)	72,145	360,409
30,000-39,999	150	5,086,072	70,786	73,200	226,682	4.46%	251,489	4.94%	\$0.95	\$0.00	(88,775)	(72,487)	78,786	272,200
40,000-49,999	84	3,688,913	0	0	67,719	1.84%	64,297	1.74%	\$1.04	\$0.00	25,894	(67,719)	41,722	132,745
50,000-74,999	101	6,149,179	143,979	0	131,788	2.14%	185,952	3.02%	\$0.85	\$204.90	60,499	1,687	61,939	128,067
75,000-99,999	49	4,206,576	0	0	115,929	2.76%	142,989	3.40%	\$0.99	\$184.14	31,235	(31,753)	31,235	60,055
100,000-199,999	55	6,870,214	264,002	0	228,147	3.32%	539,923	7.86%	\$0.77	\$185.00	13,034	55,003	49,834	356,876
200,000 plus	18	5,435,541	0	0	414,309	7.62%	731,037	13.45%	\$0.75	\$0.00	0	9,999	0	10,000
Total	2,646	57,891,377	572,943	83,200	1,627,541	2.81%	2,727,027	4.71%	\$0.87	\$237.41	89,350	(76,512)	596,485	2,268,190

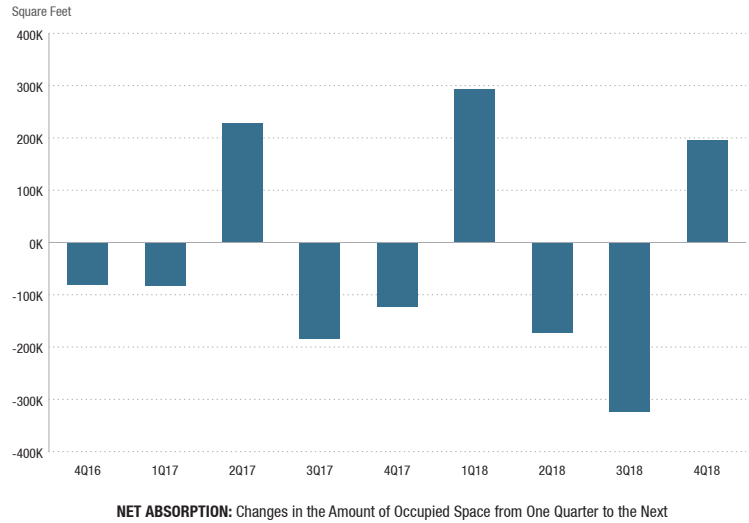
SOUTH ORANGE COUNTY

In the fourth quarter of 2018, the South Orange County industrial market consisted of 931 buildings totaling 24,611,456 square feet and had an availability rate of 6.87%, which shows an increase from the previous quarter's figure of 5.63%.

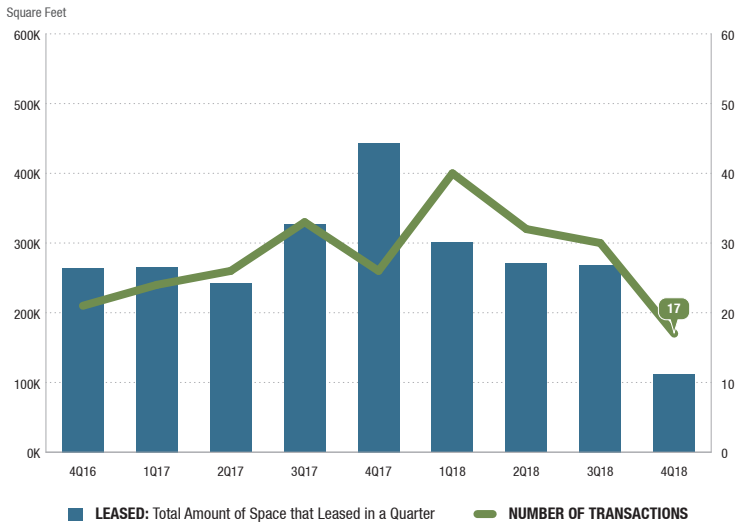
VACANCY & AVAILABILITY RATE



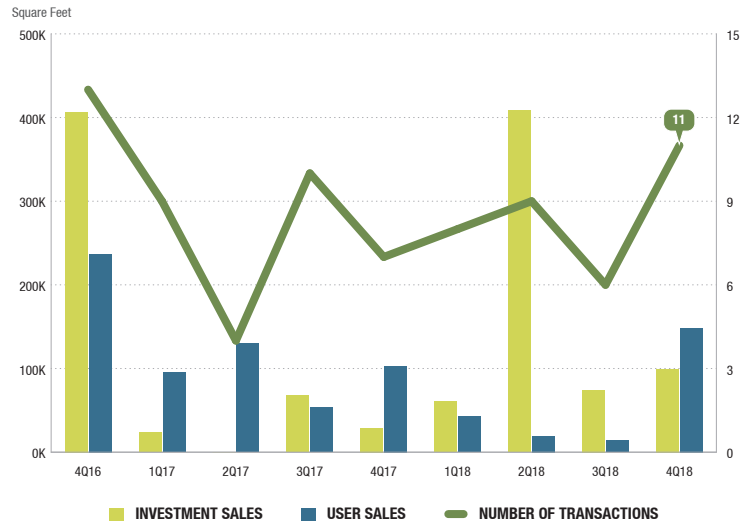
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2018	Square Feet Available	Availability Rate 4Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2018	Net Absorption 2018	Gross Absorption 4Q2018	Gross Absorption 2018
South Totals														
Less than 9,999	353	2,202,305	0	0	63,250	2.87%	83,808	3.81%	\$1.30	\$365.84	(21,330)	(23,820)	14,376	112,948
10,000-19,999	275	3,932,653	0	0	85,360	2.17%	113,702	2.89%	\$1.26	\$0.00	2,849	6,968	45,025	243,062
20,000-29,999	132	3,137,061	0	0	79,786	2.54%	180,170	5.74%	\$1.19	\$0.00	2,325	19,321	49,164	248,550
30,000-39,999	47	1,596,968	0	0	66,579	4.17%	31,302	1.96%	\$1.06	\$0.00	3,975	(18,685)	35,277	54,113
40,000-49,999	30	1,337,164	0	0	78,438	5.87%	81,438	6.09%	\$1.27	\$0.00	275	(6,155)	3,632	30,876
50,000-74,999	35	2,096,042	0	0	64,680	3.09%	150,935	7.20%	\$0.00	\$291.00	0	13,825	0	155,234
75,000-99,999	13	1,118,241	90,000	0	84,797	7.58%	84,797	7.58%	\$0.93	\$0.00	9,600	(84,797)	9,600	81,460
100,000-199,999	30	3,946,648	0	0	218,358	5.53%	617,559	15.65%	\$0.96	\$0.00	123,953	86,154	56,783	87,771
200,000 plus	16	5,244,374	0	0	306,311	5.84%	346,318	6.60%	\$0.81	\$0.00	75,221	1,760	75,221	377,805
Total	931	24,611,456	90,000	0	1,047,559	4.26%	1,690,029	6.87%	\$1.10	\$303.22	196,868	(5,429)	289,078	1,391,819



Strong Market Fundamentals Persist

by **Eric Hinkelman**

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As we say goodbye to 2018, the industrial real estate market has proven one thing: strong market fundamentals persist despite recent stock market fears and rising interest rates. The trends that headlined previous quarters should continue into the new year. The major themes in South Orange County are: limited space, strong demand, record-setting rents, little to no construction and increasing interest rates. Whether it's a tenant needing more space or an investor in a 1031 exchange, there is an ongoing competition to find a replacement property.

After several months of political mailers and television commercials, the midterms are finally in the rear-view mirror and we can focus on the year ahead. The consensus is that growth in the U.S. economy is likely to remain healthy. Given the correlation, demand for CRE space should also remain very strong. Orange County continues to have one of the lowest unemployment rates in the nation at 2.9%. Regarding the international trade war, the economy will feel the effects as imports increase in price and tariffs impact American exporters, but despite these challenges, there is confidence that business will remain stable. The Fed has given the public soft explanations on their future policies; however, it is expected they will continue to gradually raise interest rates through 2019 to temper inflation and maintain a stable economy. I believe this will be the biggest factor to drive decision making in the next few years as interest rates affect everyone who owns and occupies real estate. I suggest staying in tune with the spread between the 10-year and the 2-year yield as economists believe an inversion can signal a correction.

Since there has been some flight from equity markets, there is a possibility more investors will seek shelter in real estate investments. Overall, it's safe to say that we can expect more of the same trends in commercial real estate heading into 2019. Pay attention to overall transaction activity within your particular market. Each submarket can differ greatly in terms of availability and price. Also, if you'd like a creative way to find space, consider off-market opportunities when they arise.

**Please Contact Us
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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services. ©2019 Voit Real Estate Services, Inc. DRE License #01991785.

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Nationally & Internationally.

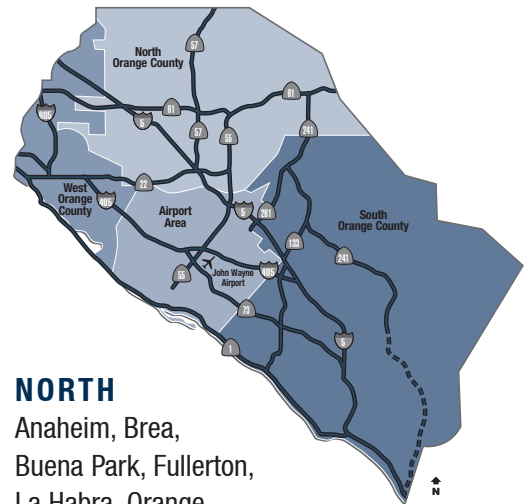


Product Type

MFG./DIST.

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

Submarkets



NORTH

Anaheim, Brea, Buena Park, Fullerton, La Habra, Orange, Placentia and Yorba Linda

WEST

Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Seal Beach, Stanton and Westminster

AIRPORT

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana and Tustin

SOUTH

Aliso Viejo, Foothill Ranch, Irvine Spectrum, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano