

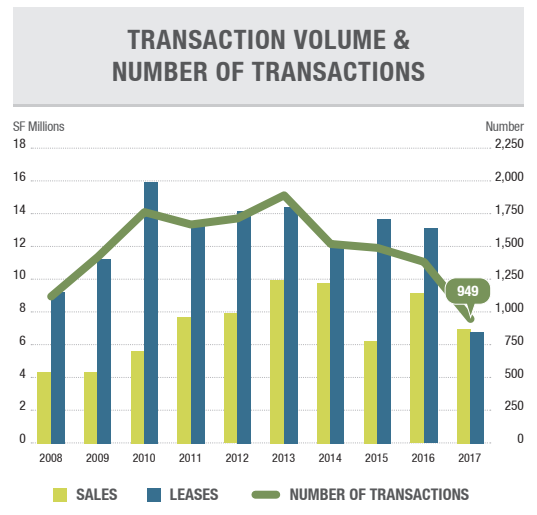
VIBRANT CONDITIONS CONTINUE. The Orange County industrial market recorded another stellar quarter, but as demand continues to outpace supply, options are becoming severely limited for Orange County’s diverse tenant base. Lease rates and sale prices are breaking through previous record highs across all size ranges and the region’s lack of available inventory continues to hinder overall transaction volume. As e-commerce and related logistics / transportation operators emerge as more significant players in this market, industrial demand and competition is at an all-time high. While there were a few 200,000 square feet plus deals inked this quarter, we are seeing a shift to smaller, leaner warehouses near the end user / consumer (below 50,000 square feet). Landlords continue to have the leverage in this “season of the market” and even functionally obsolete buildings, if well located, are seeing a lift in rents. Distribution / logistics tenants seem less focused on their monthly rent and their attention has shifted to more expensive pillars of the supply chain like reducing transportation and labor costs. Locating the right infill, or “last mile” location is becoming critically important.

VACANCY. The vacancy rate for industrial buildings fell to 2.34%, down from an already low 2.38% in the third quarter. Expect vacancy rates to stay low as the limited and shrinking inventory of quality buildings is quickly absorbed by a motivated pool of tenants. “Availability” will be a significant hurdle for tenants for the balance of 2017 and into 2018. For tenants and buyers, being prepared, being able to react and being willing to pursue “off market” deals will be keys for success in this competitive landscape. Market conditions will also provide landlords with the ability to push rents and potentially upgrade the credit of their tenants.

LEASE RATES. The average asking lease rate which incorporates all size ranges and sub-markets throughout Orange County is \$0.85 NNN per square foot per month, a one cent per square foot increase from last quarter and a \$0.05 cent per square foot increase from a year ago (6.25% annual increase). Although averages are difficult to rely upon, the fact is that rents in certain segments of the market are up 25–40% when compared with when the last five–year lease was negotiated on that building in 2012.

SALE PRICES. The Orange County industrial market’s average asking price at the end of the third quarter 2017 came in at just under \$261 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 and an average sale price doesn’t tell the entire story, this represents an increase of more than 11% from the third quarter of 2016. As interest rates move up we expect to see more modest levels of appreciation in 2018. With that said, both foreign (Asian & Canadian) and domestic interest in Orange County industrial product is as strong as it has ever been. With limited land for new construction, coupled with rising construction costs and a more stringent entitlement process, institutions are paying top dollar for existing Class A assets. DCT Industrial Trust paid just paid close to \$57 million or \$189 per square foot for the former Pacific Sunwear distribution facility (now occupied by Kuehne & Nagel) in Anaheim to secure 300,000 square feet in the most active segment of the Orange County industrial market.

TRANSACTION ACTIVITY. The overall lack of available inventory has taken its toll on transaction volume (sales and leases) as gross activity in the second quarter dropped to 4.2 million square feet, down from 4.3 million square feet in the previous quarter. Highlights include Amazon’s lease of 238,000 square feet from Prologis at 6400 Valley View Street in Buena Park, Daisy Nails leasing 132,231 square feet at 3335 E. La Palma Avenue in Anaheim (Bentall Kennedy) and Primary Color leasing 204,314 square feet at 11130 Holder Street (former Van’s headquarters) in Cypress.



Market Statistics

	Change Over Last Quarter		3Q 2017	2Q 2017	3Q 2016	% Change Over Last Year
Vacancy Rate	▼	DOWN	2.34%	2.38%	2.25%	4.00%
Availability Rate	▼	DOWN	4.20%	4.49%	3.62%	16.02%
Average Asking Lease Rate	▲	UP	\$0.85	\$0.84	\$0.80	6.25%
Average Asking Sale Price	▲	UP	\$260.81	\$255.41	\$234.06	11.43%
Sale & Lease Transactions	▼	DOWN	4,252,710	4,362,795	6,142,808	-30.77%
Gross Absorption	▲	UP	3,125,109	2,564,548	2,937,076	6.40%
Net Absorption	▲	POSITIVE	92,714	17,140	442,758	N/A

LEASE RATES. Anticipate asking rents to increase by a minimum of 3% to reach a level of \$0.88 per square foot by the end of 2017 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. With limited new product coming online and tenants electing to recommit or to renew in larger blocks of space, expect vacancy rates to remain below 2.10% well into 2018.

OVERALL. The fundamentals for OC industrial continue to look strong during this period of prolonged expansion. Consumer spending in autos, building materials and electronics is better than anticipated, despite a setback from the hurricanes in late August. With limited options available to tenants, renewals will be a more common occurrence. Even in this strong market, renewals can be substantially less complicated and less time consuming for both parties. For a landlord they avoid the process finding a new tenant as well as the out of pocket costs of improving the space. For a tenant they avoid an exhaustive search for new building and the start-up costs associated with relocating. Being able to quantify these key metrics, model them while understanding the motivations of the other party will result in more “win-win” scenarios.

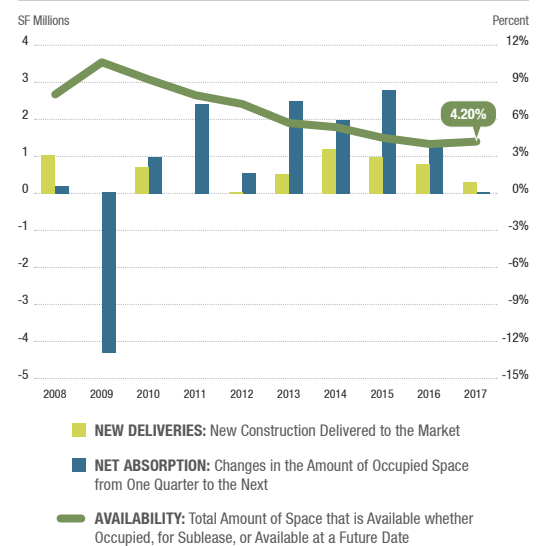
USERS AND INVESTORS WILL CONTINUE TO TARGET THIS AREA GIVEN ITS HIGHLY EDUCATED WORKFORCE AND PROXIMITY TO AFFLUENT HOUSEHOLDS. Even with a majority of the industrial base being built prior to 1980, industrial occupiers will tend to focus more on location than function in the coming quarters. Investors will attempt to grow their portfolios, even if that means acquiring “one off” 40–80,000 square foot buildings to be in the “last mile” with direct access to Orange County’s consumer base. Larger tenants with their eye on expansion will be forced to widen their search parameters and we will see more departures from Orange County to areas like the Inland Empire, where larger logistics facilities are more widely available at 20–30% lower rents.

CONSTRUCTION. During the third quarter of 2017, only 1.3 million square feet was under construction county-wide. Even though the market is craving new, Class A product, Orange County is short on industrial land. The most notable new construction involves the redevelopment of the former Beckman Coulter Campus in Fullerton (Western Realco, 1 million square feet on 45 acres). Expected delivery is mid-2018 and initial interest across all size ranges has been strong. There are also smaller projects of 5–10 acres still in the planning phases in Brea, Anaheim and Placentia. With limited infill parcels now approaching \$50 per square foot in some cases, do not expect any significant new construction in the coming quarters.

ABSORPTION. Despite fewer “puzzle pieces” to move around in this tight market, net absorption remained healthy in the third quarter 2017 with a positive 92,714 square feet county wide. The Airport Area experienced the biggest swing this quarter with a 3.87% vacancy rate and a negative 533,000 square feet of absorption. This increase in available space is largely due to the Royalty Carpets spaces coming online, adding 750,000 square feet of supply to the submarket. New arrivals or expansions in the third quarter include: Amazon (238,000 square feet), Shaw Industries (235,000 square feet) and Primary Color (204,000 square feet) in the North and West Orange County submarkets.

AVAILABILITY. The availability rate, or ratio of available space (being marketed) to total rentable area in the region, came in at 4.3%, down slightly from 4.5% last quarter, but a slight increase when compared with 3.62% a year ago. The five-year average in Orange County is 4.71%, so recent compression would indicate further increases in lease rates will be following.

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



Significant Transactions

Sales						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
3454 E. Miraloma Ave.	Anaheim	300,000	\$56,620,000	DCT Industrial	TH Real Estate	
500 W. Warner Ave.	Santa Ana	316,232	\$41,000,000	500 Warner Ave., LLC	Innovel Solutions, Inc.	
12752–12822 Monarch St.	Garden Grove	276,585	\$27,000,000	Penwood Real Estate Investment	Colony Realty Partners	
7142 Chapman Ave.	Garden Grove	40,840	\$7,125,000	Exelon Realty, LLC *	The Realty Associates Fund X *	
955 Beacon St.	Brea	37,916	\$6,635,300	Turf Star, Inc. *	LBA	

Leases						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner	
6400 Valley View St.	Buena Park	238,270	Aug-2017	Amazon	Prologis	
6550 Katella Ave.	Cypress	234,763	Jul-2017	Shaw Industries, Inc.	Cypress Distribution Center	
1000 E. Valencia Dr. – renewal	Fullerton	57,424	Aug-2017	Corovan Moving & Storage *	Fullerton Valencia Drive, LLC	
1030 E. Valencia Dr.	Fullerton	52,591	Aug-2017	Corovan Moving & Storage *	Fullerton Valencia Drive, LLC	
2330 Artesia Ave.	Fullerton	27,840	Aug-2017	Mozaik, LLC	TLF Logistics II Artesia *	

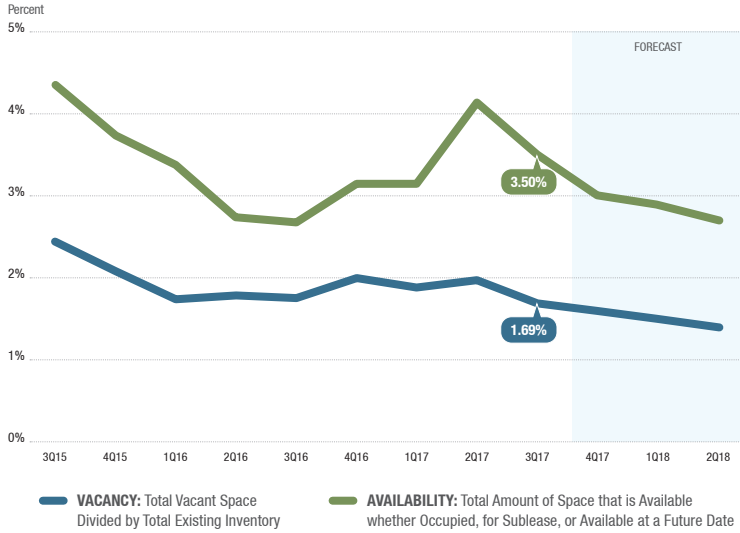
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2017	Square Feet Available	Availability Rate 3Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2017	Net Absorption 2017	Gross Absorption 3Q2017	Gross Absorption 2017
Airport Area														
Costa Mesa	414	7,434,947	0	0	373,996	5.03%	490,342	6.60%	\$0.87	\$332.20	45,451	(963)	88,898	246,467
Fountain Valley	186	3,857,245	0	73,000	78,440	2.03%	180,438	4.68%	\$0.00	\$0.00	5,750	(14,379)	49,067	122,172
Irvine	316	12,401,943	0	0	799,369	6.45%	883,351	7.12%	\$0.81	\$342.20	(252,937)	(379,047)	285,341	562,330
Newport Beach	48	572,594	0	0	17,223	3.01%	17,223	3.01%	\$0.00	\$0.00	(10,583)	(17,223)	0	5,200
Santa Ana	1,569	29,644,863	0	527,691	739,929	2.50%	1,111,051	3.75%	\$0.82	\$206.58	(350,437)	(324,471)	456,065	998,735
Tustin	114	4,449,197	0	0	248,517	5.59%	328,402	7.38%	\$0.92	\$206.69	29,530	69,564	60,544	145,867
Airport Area Total	2,647	58,360,789	0	600,691	2,257,474	3.87%	3,010,807	5.16%	\$0.82	\$252.50	(533,226)	(666,519)	939,915	2,080,771
North County														
Anaheim	1,829	44,480,494	370,000	0	533,806	1.20%	969,559	2.18%	\$0.87	\$213.69	122,790	(13,542)	399,677	952,251
Brea	329	12,024,354	0	0	311,210	2.59%	251,022	2.09%	\$0.00	\$217.36	75,849	386,892	184,529	672,035
Buena Park	229	13,425,905	0	0	69,734	0.52%	1,359,048	10.12%	\$0.85	\$185.83	231,019	719	164,017	208,465
Fullerton	445	19,354,646	934,754	0	529,557	2.74%	593,152	3.06%	\$0.77	\$196.20	90,929	429,351	213,412	1,064,588
La Habra	198	3,493,102	0	42,000	52,471	1.50%	31,479	0.90%	\$0.00	\$208.93	(14,965)	(18,014)	11,160	56,752
Orange	738	13,642,627	0	0	274,552	2.01%	392,344	2.88%	\$0.80	\$195.45	(61,646)	(142,390)	160,860	310,365
Placentia	217	4,049,672	0	0	99,109	2.45%	122,884	3.03%	\$0.75	\$202.87	(34,091)	(72,189)	31,153	52,325
Yorba Linda	52	992,305	0	0	11,363	1.15%	177,950	17.93%	\$0.00	\$221.64	29,075	10,617	32,490	73,390
North County Total	4,037	111,463,105	1,304,754	42,000	1,881,802	1.69%	3,897,438	3.50%	\$0.82	\$203.88	438,960	581,444	1,197,298	3,390,171
South County														
Aliso Viejo	17	668,427	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Foothill Ranch	68	3,575,168	0	0	143,653	4.02%	202,571	5.67%	\$0.76	\$293.43	(20,684)	101,975	12,015	142,224
Irvine Spectrum	213	9,923,732	0	0	210,161	2.12%	895,301	9.02%	\$0.98	\$302.83	55,192	(96,557)	83,774	246,176
Laguna Beach	18	83,127	0	0	6,625	7.97%	6,625	7.97%	\$0.00	\$0.00	(1,500)	(3,345)	0	895
Laguna Hills	73	1,040,287	0	0	10,865	1.04%	36,751	3.53%	\$1.27	\$0.00	8,143	(3,553)	10,883	27,465
Laguna Niguel	20	279,095	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	189	4,132,511	0	0	132,661	3.21%	214,499	5.19%	\$1.18	\$395.51	(30,123)	213,325	22,302	369,282
Mission Viejo	30	460,320	0	0	9,072	1.97%	9,072	1.97%	\$0.00	\$0.00	390	(6,762)	1,243	4,657
Rancho Santa Margarita	102	1,631,068	0	0	29,497	1.81%	121,975	7.48%	\$0.84	\$216.27	(17,535)	(19,409)	24,752	48,504
San Clemente	157	1,975,536	0	0	32,768	1.66%	91,038	4.61%	\$0.99	\$246.92	1,107	6,679	20,307	111,883
San Juan Capistrano	43	923,385	0	0	10,343	1.12%	22,933	2.48%	\$1.14	\$0.00	25,910	3,990	25,910	35,756
South County Total	930	24,692,656	0	0	585,645	2.37%	1,600,765	6.48%	\$0.95	\$282.16	20,900	196,343	201,186	986,842
West County														
Cypress	97	4,256,604	0	0	40,563	0.95%	157,589	3.70%	\$0.90	\$194.42	63,791	47,944	439,077	447,305
Garden Grove	475	11,977,235	0	0	359,094	3.00%	512,519	4.28%	\$0.78	\$169.78	68,436	(9,628)	120,134	272,246
Huntington Beach	679	14,128,443	0	0	309,822	2.19%	335,494	2.37%	\$0.86	\$167.64	51,251	(116,227)	188,537	512,056
La Palma	16	1,774,689	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Los Alamitos	97	2,384,153	0	0	17,197	0.72%	4,597	0.19%	\$0.00	\$0.00	(1,194)	(1,862)	33,382	53,865
Seal Beach	15	991,653	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	88,507
Stanton	175	1,835,815	0	0	12,082	0.66%	42,780	2.33%	\$0.00	\$173.93	5,580	(12,062)	5,580	22,572
Westminster	138	2,314,235	0	0	23,524	1.02%	283,654	12.26%	\$0.00	\$0.00	(21,784)	69	0	23,953
West County Total	1,692	39,662,827	0	0	762,282	1.92%	1,336,633	3.37%	\$0.81	\$172.50	166,080	(91,766)	786,710	1,420,504
Orange County Total	9,306	234,179,377	1,304,754	642,691	5,487,203	2.34%	9,845,643	4.20%	\$0.85	\$260.81	92,714	19,502	3,125,109	7,878,288
Less than 9,999	3,291	19,972,724	0	0	272,666	1.37%	412,438	2.07%	\$1.19	\$283.15	(14,638)	(107,476)	221,469	517,816
10,000–19,999	3,131	43,263,062	0	0	679,995	1.57%	1,058,151	2.45%	\$1.19	\$241.91	68,815	(16,565)	707,385	1,608,112
20,000–29,999	1,182	28,123,896	0	0	499,248	1.78%	806,871	2.87%	\$0.98	\$230.59	140,670	(114,715)	478,611	1,014,059
30,000–39,999	492	16,733,456	0	73,000	272,209	1.63%	526,585	3.15%	\$0.86	\$220.74	171,371	254,479	319,490	787,633
40,000–49,999	296	12,991,170	87,652	42,000	193,561	1.49%	389,765	3.00%	\$0.92	\$190.36	61,601	164,732	153,578	504,276
50,000–74,999	371	22,283,428	0	0	459,281	2.06%	870,184	3.91%	\$0.80	\$192.33	117,075	(123,681)	318,541	757,350
75,000–99,999	164	14,058,865	78,523	0	411,744	2.93%	685,778	4.88%	\$0.79	\$184.26	(107,510)	30,367	150,082	530,340
100,000–199,999	257	33,800,358	416,938	0	1,137,040	3.36%	1,925,912	5.70%	\$0.79	\$0.00	(122,573)	(252,864)	271,876	717,303
200,000 Plus	122	42,952,418	721,641	527,691	1,561,459	3.64%	3,169,959	7.38%	\$0.77	\$0.00	(222,097)	185,225	504,077	1,441,399
Orange County Total	9,306	234,179,377	1,304,754	642,691	5,487,203	2.34%	9,845,643	4.20%	\$0.85	\$260.81	92,714	19,502	3,125,109	7,878,288

Lease rates are on a triple-net basis.

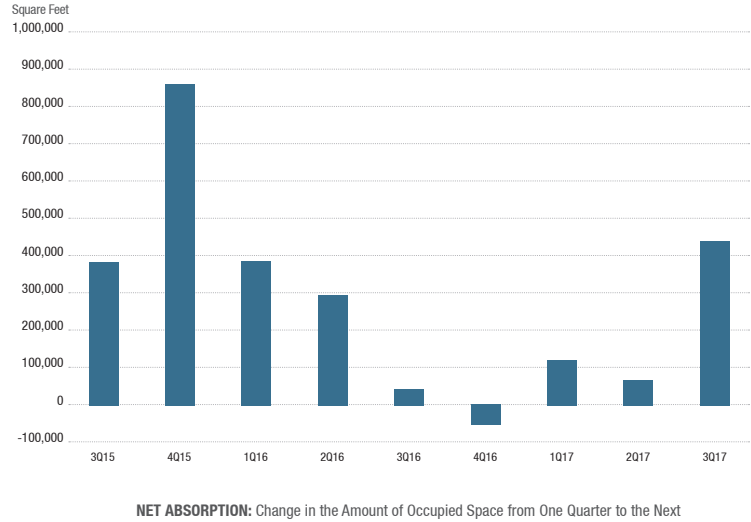
NORTH ORANGE COUNTY

In the third quarter of 2017, the North Orange County industrial market consisted of 4,037 buildings totaling 111,468,105 square feet and had an availability rate of 3.50%, which shows a decrease from the previous quarter's figure of 4.14%.

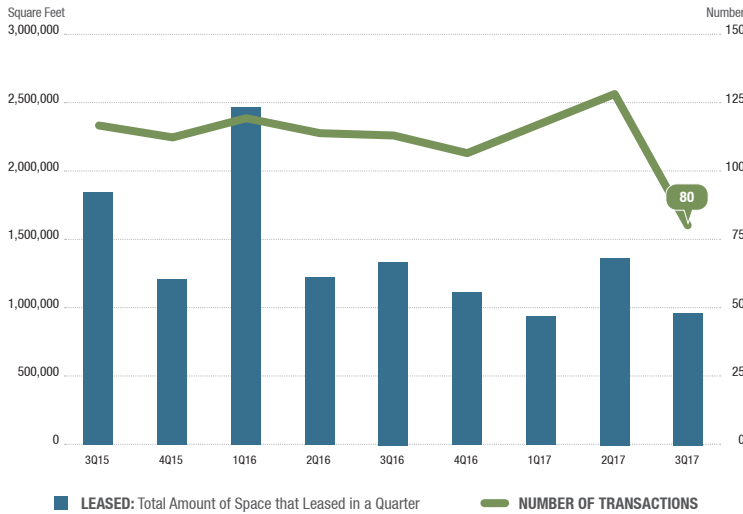
VACANCY & AVAILABILITY RATE



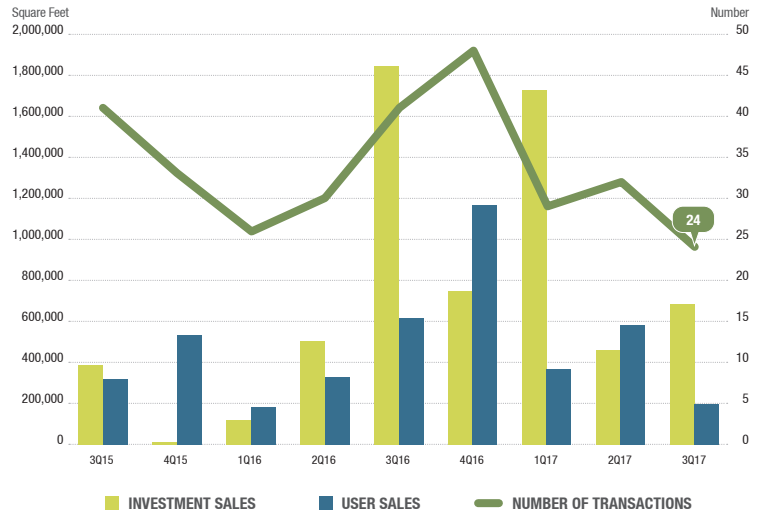
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

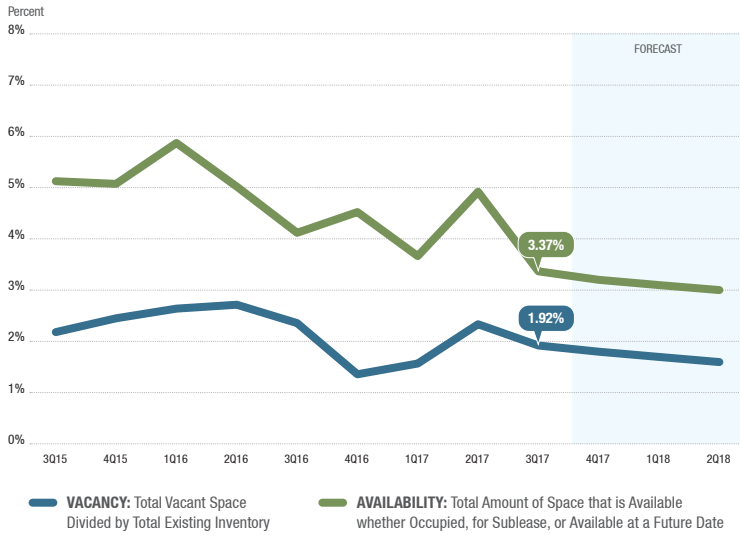
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2017	Square Feet Available	Availability Rate 3Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2017	Net Absorption 2017	Gross Absorption 3Q2017	Gross Absorption 2017
North Totals														
Less than 9,999	1,322	8,386,257	0	0	133,099	1.59%	151,183	1.80%	\$1.08	\$235.34	(38,496)	(81,623)	116,906	225,927
10,000-19,999	1,396	19,301,130	0	0	292,773	1.52%	468,472	2.43%	\$0.93	\$213.15	20,517	53,112	309,145	809,343
20,000-29,999	519	12,313,100	0	0	234,272	1.90%	381,701	3.10%	\$0.87	\$196.84	59,780	(61,182)	190,391	474,731
30,000-39,999	224	7,564,118	0	0	67,376	0.89%	144,423	1.91%	\$0.95	\$169.28	119,570	104,241	180,758	401,957
40,000-49,999	133	5,837,564	87,652	42,000	103,684	1.78%	244,871	4.19%	\$0.79	\$148.40	43,413	42,193	56,960	131,451
50,000-74,999	176	10,542,843	0	0	162,468	1.54%	376,454	3.57%	\$0.78	\$189.11	45,365	(107,293)	190,029	225,149
75,000-99,999	71	6,058,678	78,523	0	175,819	2.90%	243,476	4.02%	\$0.77	\$0.00	(107,824)	(175,819)	0	0
100,000-199,999	131	17,392,986	416,938	0	361,027	2.08%	540,219	3.11%	\$0.00	\$0.00	28,365	146,172	123,109	330,080
200,000 plus	65	24,066,429	721,641	0	351,284	1.46%	1,346,639	5.60%	\$0.00	\$0.00	268,270	661,643	30,000	791,533
Total	4,037	111,463,105	1,304,754	42,000	1,881,802	1.69%	3,897,438	3.50%	\$0.82	\$203.88	438,960	581,444	1,197,298	3,390,171

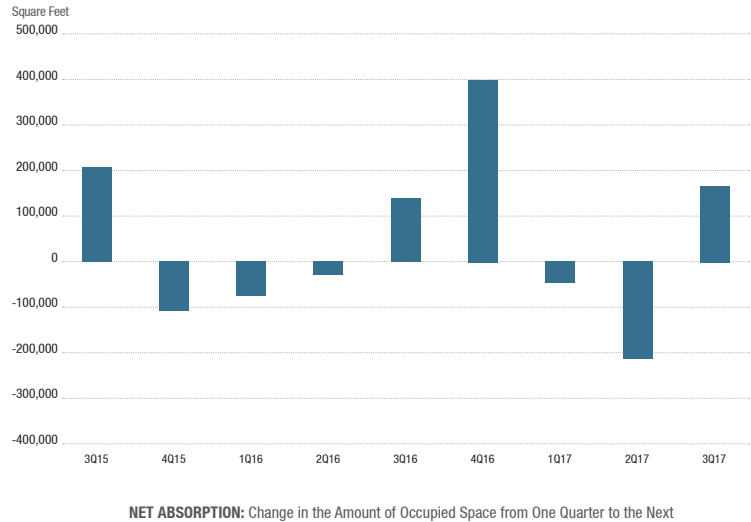
WEST ORANGE COUNTY

In the third quarter of 2017, the West Orange County industrial market consisted of 1,692 buildings totaling 39,662,827 square feet and had an availability rate of 3.37%, which shows a decrease from the previous quarter's figure of 4.91%.

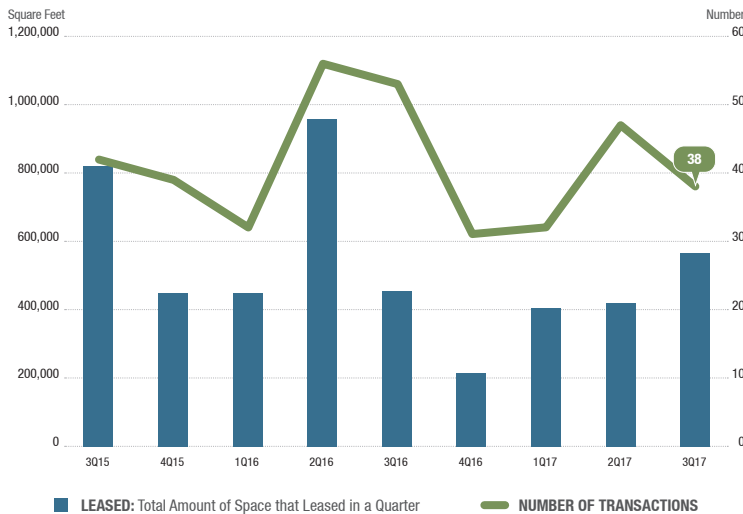
VACANCY & AVAILABILITY RATE



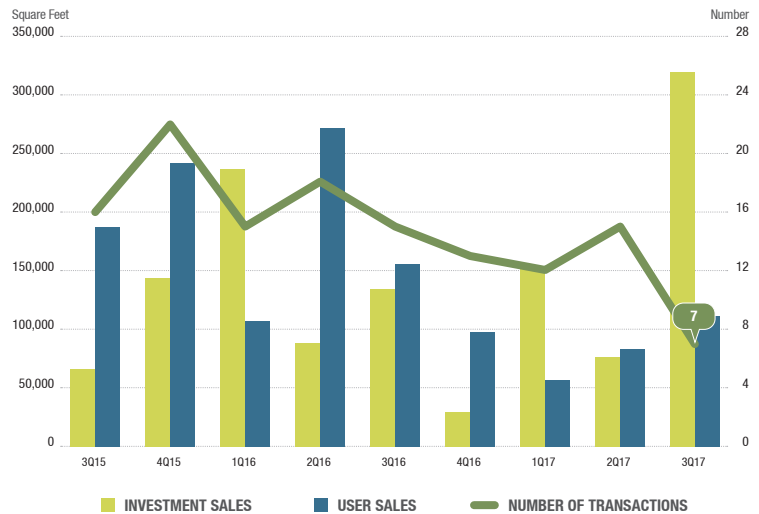
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

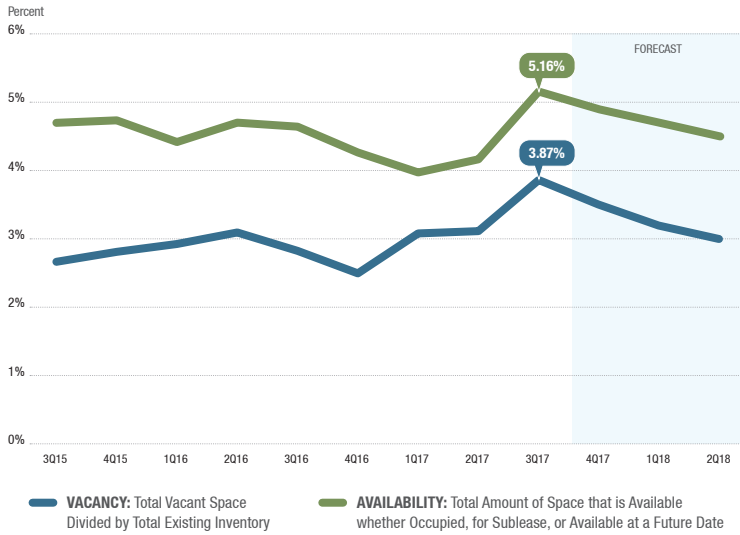
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2017	Square Feet Available	Availability Rate 3Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2017	Net Absorption 2017	Gross Absorption 3Q2017	Gross Absorption 2017
West Totals														
Less than 9,999	691	4,078,677	0	0	42,442	1.04%	85,358	2.09%	\$1.21	\$228.68	24,600	(1,127)	58,303	123,533
10,000-19,999	558	7,400,051	0	0	91,228	1.23%	99,490	1.34%	\$0.93	\$178.15	24,890	(29,639)	137,471	255,914
20,000-29,999	180	4,322,374	0	0	72,224	1.67%	127,696	2.95%	\$0.94	\$136.03	72,154	19,852	106,782	160,381
30,000-39,999	63	2,206,846	0	0	20,802	0.94%	79,620	3.61%	\$0.86	\$190.00	1,544	81,769	11,000	94,805
40,000-49,999	50	2,175,832	0	0	51,039	2.35%	12,373	0.57%	\$0.00	\$176.84	(51,039)	3,466	0	54,505
50,000-74,999	58	3,472,364	0	0	119,440	3.44%	152,119	4.38%	\$0.83	\$155.00	0	(103,440)	13,000	79,182
75,000-99,999	30	2,574,308	0	0	31,500	1.22%	54,330	2.11%	\$0.82	\$0.00	(15,700)	57,007	15,800	207,107
100,000-199,999	40	5,391,236	0	0	125,654	2.33%	262,634	4.87%	\$0.78	\$0.00	5,277	(119,654)	5,277	6,000
200,000 plus	22	8,041,139	0	0	207,953	2.59%	463,013	5.76%	\$0.76	\$0.00	104,354	0	439,077	439,077
Total	1,692	39,662,827	0	0	762,282	1.92%	1,336,633	3.37%	\$0.81	\$172.50	166,080	(91,766)	786,710	1,420,504

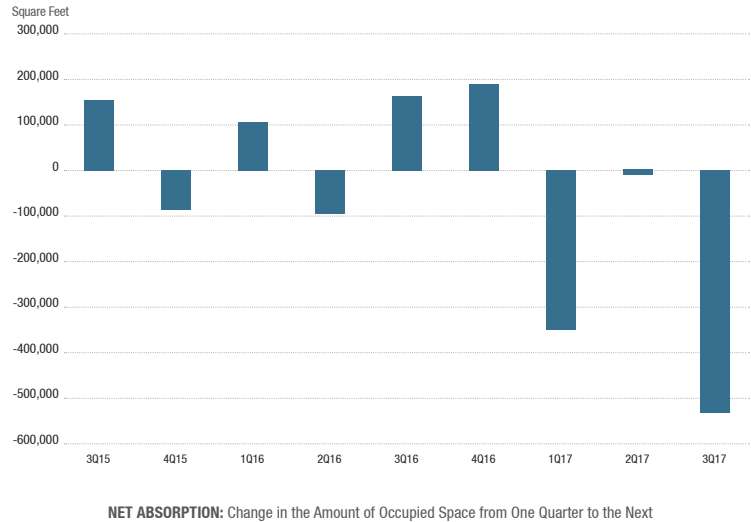
AIRPORT AREA

In the third quarter of 2017, the Airport Orange County industrial market consisted of 2,647 buildings totaling 58,360,789 square feet and had an availability rate of 5.16%, which shows an increase from previous quarter's figure of 4.17%.

VACANCY & AVAILABILITY RATE



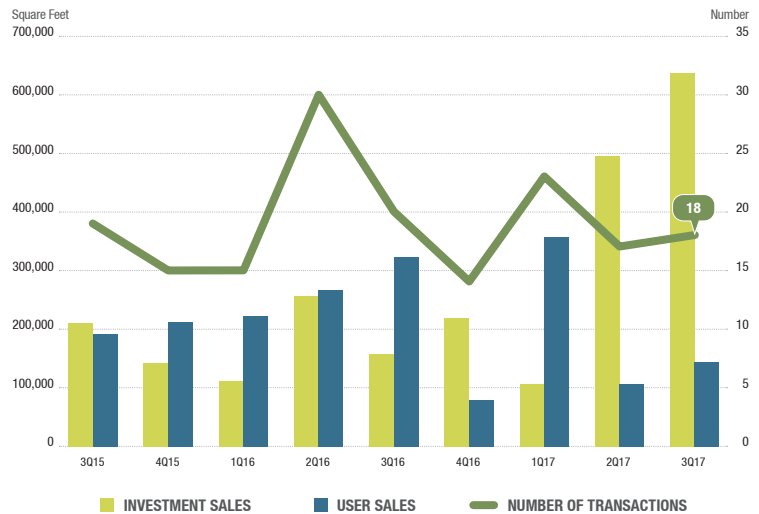
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

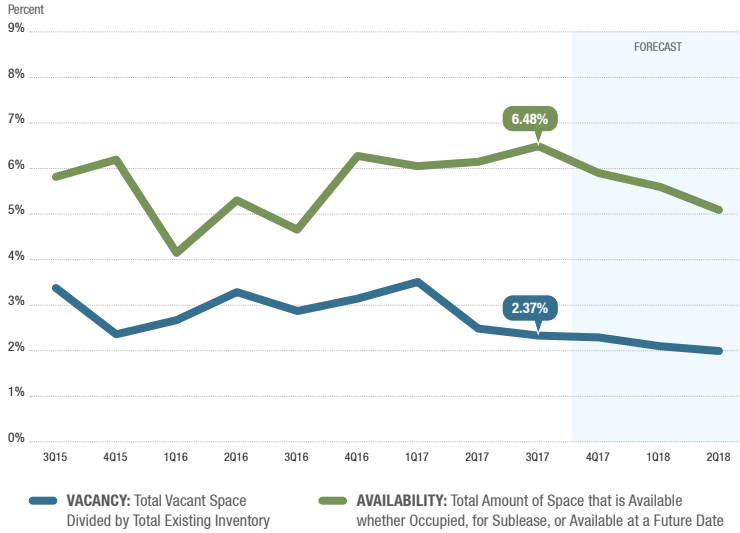
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2017	Square Feet Available	Availability Rate 3Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2017	Net Absorption 2017	Gross Absorption 3Q2017	Gross Absorption 2017
Airport Totals														
Less than 9,999	931	5,336,862	0	0	47,441	0.89%	111,363	2.09%	\$1.10	\$298.34	9,950	(3,085)	27,225	109,857
10,000-19,999	900	12,582,101	0	0	210,408	1.67%	349,979	2.78%	\$0.93	\$244.50	(22,870)	(83,720)	181,100	366,862
20,000-29,999	347	8,246,748	0	0	112,553	1.36%	151,328	1.84%	\$1.01	\$284.96	17,006	(15,462)	119,255	265,511
30,000-39,999	157	5,334,592	0	73,000	159,558	2.99%	283,706	5.32%	\$0.82	\$261.44	16,257	31,316	87,513	201,643
40,000-49,999	84	3,683,574	0	0	14,503	0.39%	47,520	1.29%	\$0.95	\$0.00	69,227	42,895	96,618	224,088
50,000-74,999	104	6,295,572	0	0	91,973	1.46%	191,211	3.04%	\$0.77	\$199.00	112,126	114,700	115,432	376,740
75,000-99,999	49	4,214,400	0	0	127,112	3.02%	92,000	2.18%	\$0.00	\$173.91	16,014	69,786	134,282	239,593
100,000-199,999	56	7,069,488	0	0	564,205	7.98%	853,979	12.08%	\$0.80	\$0.00	(156,215)	(193,228)	143,490	261,477
200,000 plus	19	5,597,452	0	527,691	929,721	16.61%	929,721	16.61%	\$0.79	\$0.00	(594,721)	(629,721)	35,000	35,000
Total	2,647	58,360,789	0	600,691	2,257,474	3.87%	3,010,807	5.16%	\$0.82	\$252.50	(533,226)	(666,519)	939,915	2,080,771

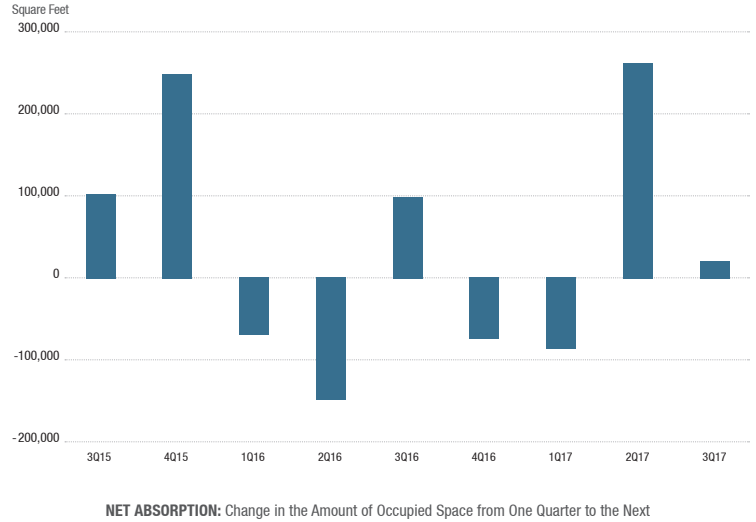
SOUTH ORANGE COUNTY

In the third quarter of 2017, the South Orange County industrial market consisted of 930 buildings totaling 24,692,645 square feet and had an availability rate of 6.48%, which shows an increase from the previous quarter's figure of 6.17%.

VACANCY & AVAILABILITY RATE



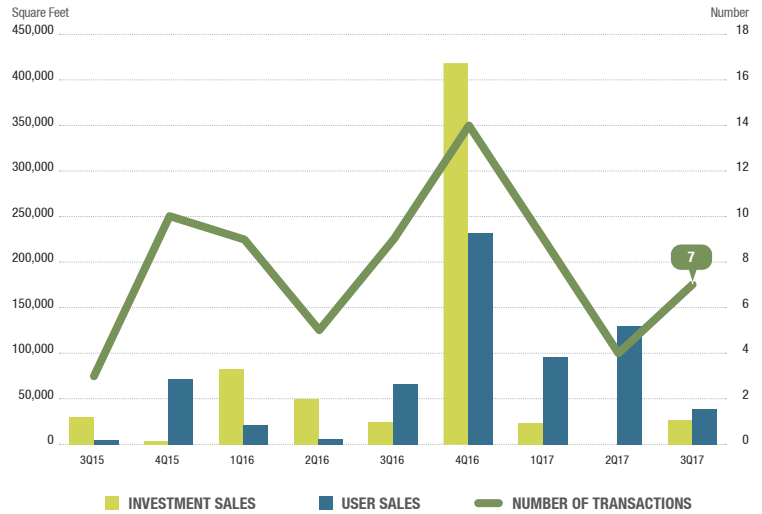
NET ABSORPTION



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 3Q2017	Square Feet Available	Availability Rate 3Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2017	Net Absorption 2017	Gross Absorption 3Q2017	Gross Absorption 2017
South Totals														
Less than 9,999	347	2,170,928	0	0	49,684	2.29%	64,534	2.97%	\$1.20	\$330.08	(10,692)	(21,641)	19,035	58,499
10,000-19,999	277	3,979,780	0	0	85,586	2.15%	140,210	3.52%	\$1.24	\$325.03	46,278	43,682	79,669	175,993
20,000-29,999	136	3,241,674	0	0	80,199	2.47%	146,146	4.51%	\$1.15	\$295.78	(8,270)	(57,923)	62,183	113,436
30,000-39,999	48	1,627,900	0	0	24,473	1.50%	18,836	1.16%	\$1.10	\$0.00	34,000	37,153	40,219	89,228
40,000-49,999	29	1,294,200	0	0	24,335	1.88%	85,001	6.57%	\$1.01	\$263.33	0	76,178	0	94,232
50,000-74,999	33	1,972,649	0	0	85,400	4.33%	150,400	7.62%	\$1.10	\$227.00	(40,416)	(27,648)	80	76,279
75,000-99,999	14	1,211,479	0	0	77,313	6.38%	295,972	24.43%	\$0.79	\$195.00	0	79,393	0	83,640
100,000-199,999	30	3,946,648	0	0	86,154	2.18%	269,080	6.82%	\$0.00	\$0.00	0	(86,154)	0	119,746
200,000 plus	16	5,247,398	0	0	72,501	1.38%	430,586	8.21%	\$0.69	\$0.00	0	153,303	0	175,789
Total	930	24,692,656	0	0	585,645	2.37%	1,600,765	6.48%	\$0.95	\$282.16	20,900	196,343	201,186	986,842



In Need of Industrial Space to Lease or Buy?
Here's What You Need to Know.

by **Adam Hill**
SENIOR ASSOCIATE, ANAHEIM

If you are occupying an industrial building that meets the needs of your business for the foreseeable future, consider yourself lucky. Those in this group have the luxury of devoting their time and energy to growing their business, rather than running around looking for a suitable building, in a market with very few choices.

For those who have a lease expiring in the next 12–18 months, have grown out of a building, or have changing needs in building requirements or location, finding a new space can be challenging if you aren't mentally prepared for the task at hand. The landscape of the industrial market has changed since you last executed whether that be 3, 5 or 7 years ago.

It's important to recognize that this process could take months, even years, depending upon the specifics of your building requirements. Vacancy is down again (below 2.5%), while sale prices and lease rates continue to climb. These market dynamics have created a very competitive atmosphere for buyers and tenants, while landlords and sellers have the luxury of being selective based on the multiple offers coming their way. Landlords have the leverage, which means concessions (free rent, moving allowances and tenant improvement packages) are limited or non-existent.

Those who are paying attention to the market, and have eyes on every new listing, represent a group of serious tenants/buyers who are prepared to pounce on any property that meets their needs. This means getting out to tour immediately, having financials available for submission, and being ready to submit a strong offer once a suitable space has been identified. In this market, the early bird often does get the worm, so having a strong offer in before more competition arrives just might be the difference-maker that gets you the deal. One can't afford to be passive and simply survey the market once or twice a month. The hunt for new space must be a daily activity. The good news is that quality assistance is available via a well informed and diligent commercial real estate broker.

Hiring an active and savvy broker to work on your requirement is critical to securing your next building. While it may seem that you can log into services like Loopnet daily and search for new listings, the market is moving too quickly to shop online. A good broker should know your business (requirements, long term goals, hurdles, key employee locations, etc.), your specific building requirements, and the market. They should be actively and creatively hunting for opportunities on your behalf. Your responsibility is to review each opportunity that comes your way and provide feedback, which will help to increase your broker's knowledge of your requirement and enable them to continually refine the opportunities that he or she is presenting to you.

Be prepared to go look at every building that has potential and to quickly and thoroughly assess the space. Once you are able to identify an appropriate space solution, move swiftly with a strong offer and provide all of the requested financial information to position YOUR deal in its best light. Whether you are a tenant or a buyer, don't get hung up on trying to negotiate the best price. It may sound crazy and probably goes against your core beliefs as an entrepreneur, but if your business depends on operating in Orange County... lease rates and sale prices are something that you can't control at this stage in the real estate cycle. In all likelihood your rent makes up 5–10% of your supply chain costs and proximity to your core customers is a more significant driver. The right location helps you control other expenses like labor and transportation costs which have a more significant impact on the bottom line.

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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. ©2017 Voit Real Estate Services, Inc. License #01991785.

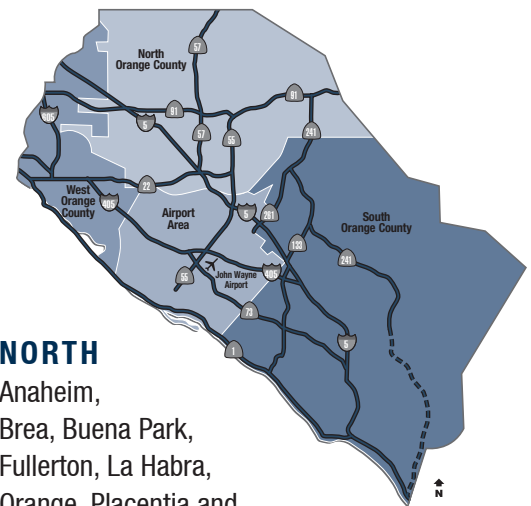
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Nationally & Internationally.
CORFAC
International

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