

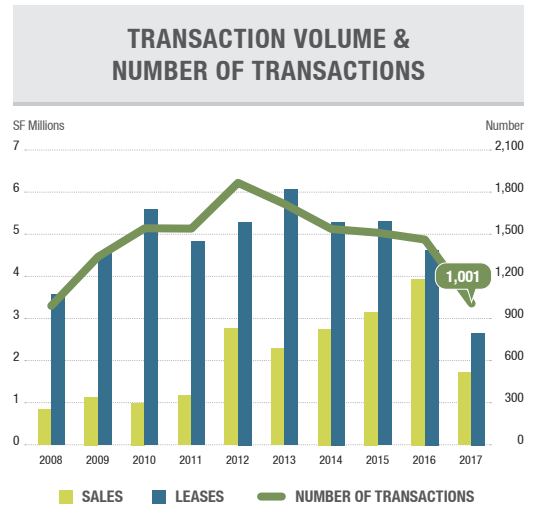
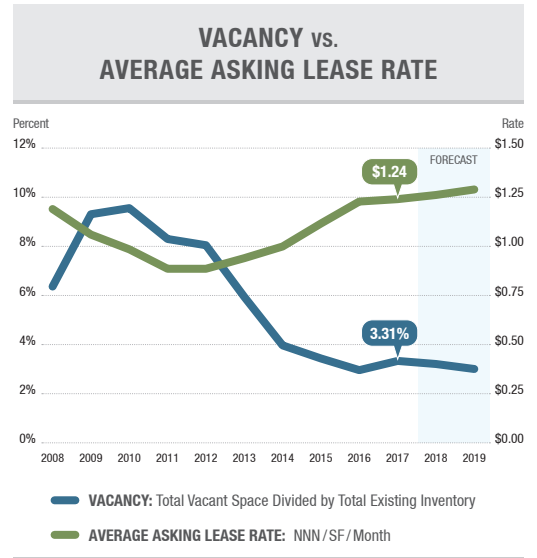
TREND TOWARD COMBINED LAB / RESEARCH AND GENERAL OFFICE UNDER ONE ROOF.

There has been a trend toward combining uses under one roof, as office rents continue to rise and a major lack of industrial space has tenants scrambling. The most active tenants are within the engineering, biopharmaceuticals and medical device industries. These companies are increasingly looking for both office and lab components, but the market for this type of space has been pretty tight. However, the market is showing signs of relief. This quarter, availability increased from last quarter, vacancy rose slightly, and net absorption was fairly flat (posted only a small negative number). Although absorption was sluggish by historical standards, the volume of lease transactions increased.

VACANCY. In the third quarter, the Orange County R&D/Flex market saw vacancy levels increase slightly to 3.31%, up from the 3.29% we saw in the second quarter of 2017 and, an increase of 18.21% when compared with the same quarter last year (2.80%). The lack of available /functional industrial R&D/Flex space is the main cause of sluggish leasing. Over the last two years the Orange County submarket has become increasingly tight with the vacancy rate falling below 3.00% at the start 2017.

LEASE RATES. The average asking lease rate in Orange County is currently \$1.24, which is a 2.48% increase over last year’s rate of \$1.21 and one cent lower than last quarter’s rate. The record high rate of \$1.25 was established in the second quarter of 2017. Due to high prices for traditional office space, tenants are seeking alternative bargains in the R&D/Flex market for their operations.

TRANSACTION ACTIVITY. Activity volume remains relatively flat, much like the previous quarter. The overall lack of available inventory has continued to take its toll on transaction volume (sales and leases) as gross activity dropped in the third quarter to 1.22 million square feet, down slightly from 1.28 million square feet in the previous quarter. Highlights include Bankers Diversified Mortgage’s lease of 27,942 square feet at A Point of View at 3080 S. Harbor Boulevard in Santa Ana, Impressions Vanity Mirror leasing 25,650 square feet at I2152 Alton Parkway in Irvine, and Dee Engineering leasing 19,296 square feet at 15770 Laguna Canyon Road in Irvine Spectrum from The Irvine Company.



Market Statistics

	Change Over Last Quarter	3Q 2017	2Q 2017	3Q 2016	% Change Over Last Year
Vacancy Rate	▲ UP	3.31%	3.29%	2.80%	18.21%
Availability Rate	▲ UP	5.56%	5.06%	4.45%	24.94%
Average Asking Lease Rate	▼ DOWN	\$1.24	\$1.25	\$1.21	2.48%
Sale & Lease Transactions	▼ DOWN	1,228,395	1,282,399	1,859,496	(33.94%)
Gross Absorption	▲ UP	1,377,260	1,035,720	1,150,172	19.74%
Net Absorption	▼ NEGATIVE	(8,553)	52,227	(230,621)	N/A

LEASE RATES. Anticipate asking rents to modestly increase by 1–2% to reach a level of \$1.26 per square foot by the end of 2017.

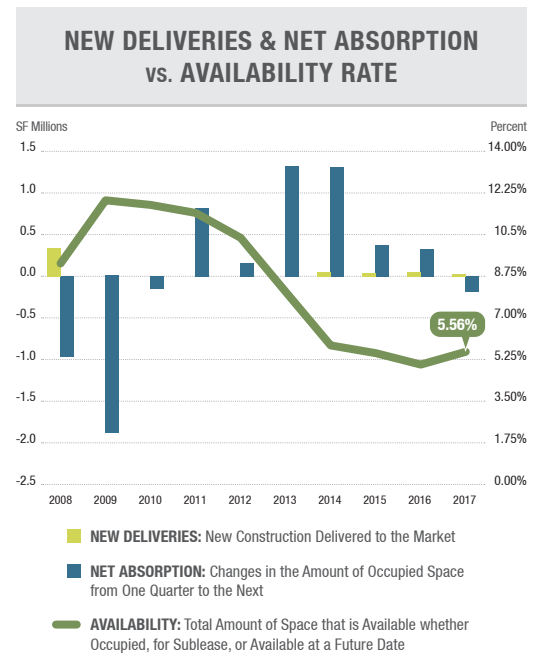
VACANCY. With limited new product coming online and tenants electing to recommit or to renew in larger blocks of space, expect vacancy rates to remain at approximately 3.20% into 2018.

OVERALL. We are beginning to see a nominal increase in the amount of vacant space being added per quarter. Absorption was only slightly negative. With no deliveries in the pipeline to put more upward pressure on vacancies, the market should continue to chug along. Users that can combine their light manufacturing and office needs under one roof are finally getting the chance to generally see more choices.

CONSTRUCTION. With the price of land now above previous record highs in most markets, expect developers to be conservative and to build more alternative (lucrative) uses in the short term. There was no R&D / Flex space under construction in Orange County in the second quarter of 2017. The shrinking availability of land, limited opportunities for financing and rising construction costs have led to a lack of projects being developed. With (limited) infill parcels now approaching \$50 square foot in some cases, we do not expect any significant R&D / Flex construction in the coming quarters.

ABSORPTION. The Orange County R&D / Flex market continued to experience flat absorption in the third quarter. The Orange County submarket reported negative absorption of 8,553 square feet. It was hit hardest in the Airport Area (negative 177,405 square feet) and South County (negative 56,590 square feet). As mentioned, the big hurdle in the market is a lack of viable choices to fuel activity.

AVAILABILITY. Direct/sublease space being marketed came in at 5.56% for the third quarter of 2017, a 50 basis point increase from the previous quarter and an increase of 24.94% from the third quarter of 2016's rate of 4.45%. Quality available space is difficult to find in some size ranges, creating a flight to alternative space for many tenants.



Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
2830 Orbiter St.	Brea	101,420	\$13,975,000	Caran Precision	US REIF 2830 Orbiter St. CA
6940–6980 Aragon Cir.	Buena Park	102,096	\$12,589,000	Yi-Lan Sun	Gildred Companies
5802 Engineer Dr.	Huntington Beach	40,532	\$7,200,000	Huy & Thuy Nguyen	Watson Living Trust
11 Vanderbilt	Irvine Spectrum	24,599	\$7,075,000	239 Investments, LLC	Essex Redlands, LLC
3186 Airway Ave.	Costa Mesa	10,800	\$3,456,000	Program For Autistic Teacher	R.W. Smiths & Co.

Leases

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1900 Carnegie	Santa Ana	34,599	Jul-2017	Hirsch Electronics *	One Morgan
3080 S. Harbor Blvd.	Santa Ana	27,942	Jul-2017	A Point of View	Bankers Mortgage Co.
2152 Alton Pkwy.	Irvine	25,650	Aug-2017	Impressions Vanity Mirror	Financial Management Group
10600 Valley View St.	Cypress	13,951	Jul-2017	Ladsberg Orora	DRS Advanced ISR, LLC *
1815 Ritchey St.	Santa Ana	12,706	Sep-2017	Vtac USA *	Ritchey Associates, LLC

	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	Net Absorption 3Q2017	Net Absorption 2017	Gross Absorption 3Q2017	Gross Absorption 2017
Airport Area													
Costa Mesa	179	4,340,621	0	0	119,630	2.76%	297,784	6.86%	\$1.25	30,172	27,048	98,285	251,338
Fountain Valley	50	1,426,073	0	0	18,226	1.28%	12,594	0.88%	\$0.00	(8,633)	(9,547)	4,627	31,739
Irvine	247	6,215,027	0	0	277,372	4.46%	381,878	6.14%	\$1.29	(116,657)	(138,920)	181,612	382,822
Newport Beach	24	618,441	0	0	16,172	2.61%	9,572	1.55%	\$0.00	(2,190)	(599)	2,810	17,911
Santa Ana	194	5,108,274	0	0	243,247	4.76%	418,120	8.19%	\$0.00	(16,404)	(116,587)	87,188	206,719
Tustin	92	3,127,586	0	0	290,334	9.28%	271,367	8.68%	\$0.99	(63,693)	(73,012)	56,677	142,190
Airport Area Total	786	20,836,022	0	0	964,981	4.63%	1,391,315	6.68%	\$1.13	(177,405)	(311,617)	431,199	1,032,719
North County													
Anaheim	190	5,440,094	0	0	121,691	2.24%	200,162	3.68%	\$1.96	133,810	67,290	181,128	297,967
Brea	52	1,506,419	0	0	23,241	1.54%	68,695	4.56%	\$1.16	95,400	107,872	112,901	159,796
Buena Park	31	983,704	0	0	12,006	1.22%	14,056	1.43%	\$0.00	4,974	25,952	8,919	32,038
Fullerton	47	1,811,683	0	0	13,904	0.77%	24,549	1.36%	\$0.00	18,145	9,450	24,440	55,297
La Habra	10	187,013	0	0	2,108	1.13%	2,108	1.13%	\$0.00	(1,108)	(1,000)	0	1,108
Orange	102	2,284,400	0	0	8,090	0.35%	8,796	0.39%	\$1.85	7,930	9,056	25,947	57,385
Placentia	26	660,537	0	0	2,889	0.44%	9,043	1.37%	\$0.75	26,351	11,159	37,429	49,129
Yorba Linda	53	1,397,044	0	0	48,242	3.45%	52,348	3.75%	\$0.80	2,201	1,350	15,746	98,345
North County Total	511	14,270,894	0	0	232,171	1.63%	379,757	2.66%	\$1.79	287,703	231,129	406,510	751,065
South County													
Aliso Viejo	45	1,104,753	0	0	23,111	2.09%	23,762	2.15%	\$1.25	(5,729)	841	8,614	21,574
Foothill Ranch	7	162,895	0	0	0	0.00%	1,718	1.05%	\$0.00	0	0	0	0
Irvine Spectrum	301	10,361,179	0	0	355,936	3.44%	645,335	6.23%	\$1.34	(687)	34,762	302,573	579,789
Laguna Hills	56	1,296,039	0	0	36,488	2.82%	58,064	4.48%	\$1.20	(3,281)	(21,683)	31,724	70,274
Laguna Niguel	21	498,678	0	0	6,099	1.22%	7,296	1.46%	\$0.00	(4,392)	7,958	0	13,242
Lake Forest	62	1,401,310	0	0	31,448	2.24%	48,973	3.49%	\$1.18	9,671	8,798	33,429	101,020
Mission Viejo	36	919,124	0	0	42,474	4.62%	37,194	4.05%	\$1.21	(15,653)	(27,433)	22,738	63,113
Rancho Santa Margarita	44	1,495,300	0	0	5,253	0.35%	20,339	1.36%	\$1.31	231	6,973	16,497	35,255
San Clemente	57	1,359,666	0	0	35,915	2.64%	88,364	6.50%	\$1.17	(28,897)	21,665	13,202	123,540
San Juan Capistrano	44	901,665	0	0	35,543	3.94%	39,693	4.40%	\$1.30	(7,853)	(9,261)	11,400	35,668
South County Total	673	19,500,609	0	0	572,267	2.93%	970,738	4.98%	\$1.30	(56,590)	22,620	440,177	1,043,475
West County													
Cypress	56	2,643,806	0	0	135,914	5.14%	177,232	6.70%	\$0.96	(45,971)	(51,163)	2,175	60,617
Garden Grove	72	1,833,602	0	0	58,960	3.22%	64,388	3.51%	\$0.00	(21,189)	(19,350)	27,377	92,585
Huntington Beach	132	3,055,908	0	0	111,332	3.64%	442,353	14.48%	\$0.77	8,870	(57,730)	44,278	115,545
La Palma	1	78,980	0	0	0	0.00%	78,980	100.00%	\$0.00	0	0	0	0
Los Alamitos	41	913,587	0	0	13,662	1.50%	14,458	1.58%	\$0.00	(1,307)	6,806	19,064	48,911
Stanton	6	122,189	0	0	3,264	2.67%	5,014	4.10%	\$0.00	(3,264)	(3,264)	0	0
Westminster	19	502,745	0	0	14,880	2.96%	18,240	3.63%	\$0.00	600	(4,378)	6,480	7,300
West County Total	327	9,150,817	0	0	338,012	3.69%	800,665	8.75%	\$0.86	(62,261)	(129,079)	99,374	324,958
Orange County Total	2,297	63,758,342	0	0	2,107,431	3.31%	3,542,475	5.56%	\$1.24	(8,553)	(186,947)	1,377,260	3,152,217
Airport Area													
10,000-24,999	527	8,475,191	0	0	324,563	3.83%	415,426	4.90%	\$1.39	(18,171)	(75,641)	248,106	603,120
25,000-49,999	189	6,355,426	0	0	324,623	5.11%	365,635	5.75%	\$1.17	(27,183)	(47,205)	148,054	352,798
50,000-99,999	54	3,594,302	0	0	315,795	8.79%	481,276	13.39%	\$0.98	(132,051)	(188,771)	35,039	76,801
100,000 Plus	16	2,411,103	0	0	0	0.00%	128,978	5.35%	\$0.00	0	0	0	0
North County													
10,000-24,999	329	5,271,192	0	0	111,360	2.11%	124,217	2.36%	\$1.48	19,120	31,029	83,966	270,462
25,000-49,999	136	4,515,566	0	0	101,373	2.24%	240,422	5.32%	\$1.86	37,602	8,542	82,306	199,993
50,000-99,999	31	2,028,591	0	0	19,438	0.96%	15,118	0.75%	\$0.00	117,146	90,138	126,403	160,799
100,000 Plus	15	2,455,545	0	0	0	0.00%	0	0.00%	\$0.00	113,835	101,420	113,835	119,811
South County													
10,000-24,999	413	6,899,953	0	0	269,373	3.90%	417,415	6.05%	\$1.26	(46,635)	(68,152)	183,424	461,151
25,000-49,999	192	6,437,431	0	0	217,302	3.38%	412,846	6.41%	\$1.33	(7,964)	54,229	173,252	443,871
50,000-99,999	55	3,663,590	0	0	85,592	2.34%	140,477	3.83%	\$1.30	(1,991)	36,543	83,501	138,453
100,000 Plus	13	2,499,635	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
West County													
10,000-24,999	224	3,575,467	0	0	132,662	3.71%	158,887	4.44%	\$0.96	(19,932)	(21,036)	49,290	168,311
25,000-49,999	68	2,324,218	0	0	110,239	4.74%	187,227	8.06%	\$0.96	(35,266)	(43,876)	48,484	141,153
50,000-99,999	30	2,062,296	0	0	68,111	3.30%	147,091	7.13%	\$0.77	(7,063)	(64,167)	1,600	15,494
100,000 Plus	5	1,188,836	0	0	27,000	2.27%	307,460	25.86%	\$0.00	0	0	0	0
Orange County													
10,000-24,999	1,493	24,221,803	0	0	837,958	3.46%	1,115,945	4.61%	\$1.29	(65,618)	(133,800)	564,786	1,503,044
25,000-49,999	585	19,632,641	0	0	753,537	3.84%	1,206,130	6.14%	\$1.35	(32,811)	(28,310)	452,096	1,137,815
50,000-99,999	170	11,348,779	0	0	488,936	4.31%	783,962	6.91%	\$0.91	(23,959)	(126,257)	246,543	391,547
100,000 Plus	49	8,555,119	0	0	27,000	0.32%	436,438	5.10%	\$0.00	113,835	101,420	113,835	119,811
Orange County Total	2,297	63,758,342	0	0	2,107,431	3.31%	3,542,475	5.56%	\$1.24	(8,553)	(186,947)	1,377,260	3,152,217

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple-net basis.



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.

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

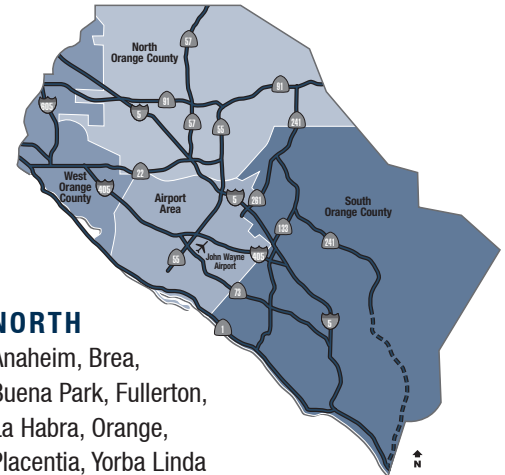
Represented in 150 Markets
Nationally & Internationally.
CORFAC
International

Product Type

R&D OR MID-TECH

30% to 74.9% improved with drop ceiling,
minimum parking ratio of 3 to 1, minimum 50% of
exterior glassline, dock and/or ground level loading.

Submarkets



NORTH

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

WEST

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

AIRPORT

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

SOUTH

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