

MARKET OVERVIEW. In the first half of 2019, the Orange County industrial market was in a steady state; however, indicators suggest a slowdown in leasing activity is possible for the balance of the year as significant economic and trade factors could potentially cause a pullback in demand. Rising labor, material and land costs pushed development costs to new highs; however, a diverse economy, geographic constraints, low vacancies, and proximity to the ports in Long Beach & Los Angeles have all kept the Orange County industrial market on firm footing. The numbers in the second quarter appear to be encouraging compared with the first quarter. This quarter availability showed signs of stabilization, vacancy dropped, and net absorption posted positive numbers. The market is stable enough that, even though absorption has been negative since 2017, vacancies have remained relatively steady and low.

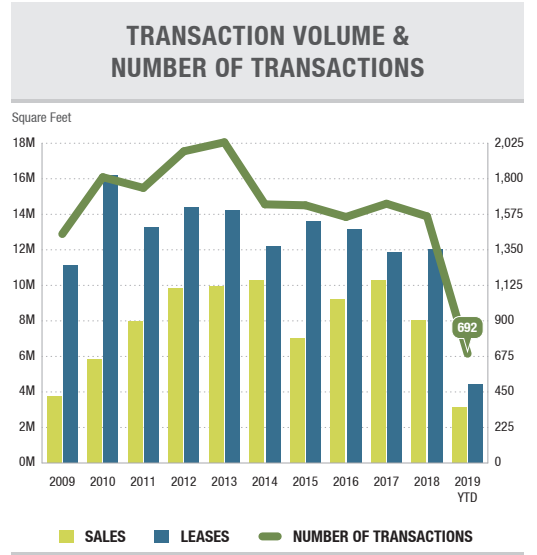
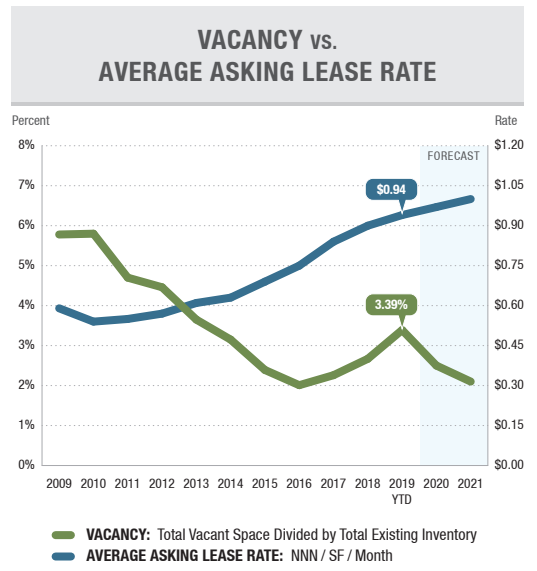
VACANCY. The Orange County industrial market lacks potential for strong, long-term demand increases, due to severe supply constraints and a highway system that is less desirable than that of the nearby Inland Empire. Nonetheless, these severe supply constraints keep vacancies low and fundamentals steady. Low vacancy rates generally mean that the market performance of an area is good and that there is strong demand. However, with higher demand for industrial space come higher rental rates. Direct/sublease space (unoccupied) finished the quarter at 3.39%—lower than last quarter’s rate of 3.56% but still higher than last year’s rate of 2.23%.

LEASE RATES. The average asking lease rate, which incorporates all size ranges and submarkets throughout Orange County, is \$0.94 NNN per square foot per month. For the first time since 2014, average rents remained at the same level from the previous quarter, but they have posted an average gain of 10.59% from a year ago. Asking rents have posted an average annual gain of 7.86% over the past three years.

SALE PRICES. The Orange County industrial market’s average asking price at the end of the second quarter of 2019 came in at \$239.51 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 1.98% from the second quarter of 2018. As interest rates have increased, we expect to see more modest levels of appreciation throughout 2019. Investors continue to target Orange County, and market cap rates have settled near 5%—less, on average, than returns in the office sector and a bit higher than for multi-family.

TRANSACTION ACTIVITY. There have been few signs of absorption slowing down in the coming months. Tenants continue to need space, and construction continues to lag. The overall lack of product might be the only factor that slows down transaction activity moving into the second half of 2019. Tenant demand has come from a mix of industries including aerospace, logistics and apparel. Demand for quality industrial space in Orange County has slowed down, with 2.95 million square feet in total transactions (sale and lease) in the second quarter, down from just over 4.59 million square feet last quarter. With such a limited number of available options, the supply and demand imbalance continues to limit overall activity.

AVAILABILITY. Direct/sublease space being marketed was 4.99% at the end of the second quarter, effectively unchanged from the previous quarter’s availability rate of 4.98%. The availability rate remains approximately one percentage point higher than the vacancy rate.



Market Statistics

	Change Over Last Quarter	2Q 2019	1Q 2019	2Q 2018	% Change Over Last Year
Vacancy Rate	▼ DOWN	3.39%	3.56%	2.23%	52.02%
Availability Rate	▬ FLAT	4.99%	4.98%	4.88%	2.25%
Average Asking Lease Rate	▬ FLAT	\$0.94	\$0.94	\$0.85	10.59%
Average Asking Sale Price	▲ UP	\$239.51	\$234.89	\$234.85	1.98%
Sale & Lease Transactions	▼ DOWN	2,952,095	4,594,248	5,557,127	(46.88%)
Gross Absorption	▼ DOWN	2,323,558	2,568,961	2,079,642	11.73%
Net Absorption	▲ POSITIVE	841,291	(1,110,904)	(304,748)	N/A

OVERALL. The Orange County industrial market appears to be healthy and stable, and potentially in the best position to weather any downturn that may come in the next couple of years, thanks to growth in manufacturing and the continued surge in demand for e-commerce fulfillment facilities. Continued decrease in vacancy and a subsequent increase in net occupancy is expected to contribute to an increase in asking lease rates. A lack of product available for sale in many size ranges (particularly in the 50,000–100,000 square-foot range) is causing an increase in sale prices and a drop in transaction volume. While these are certainly positive indicators, and cautious optimism prevails, strong job creation will need to continue in order to drive the demand needed to sustain growth in the Orange County industrial market.

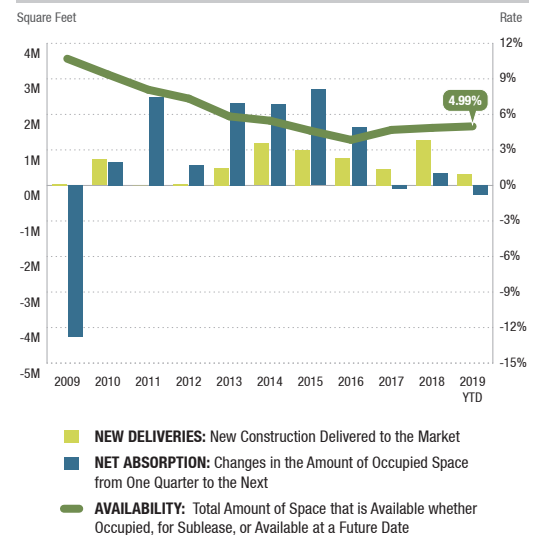
LEASE RATES. Rent growth continues to be strong. With few attractive alternatives in the market, expect lease rates to continue to climb as a result. We expect 2–3% annualized growth in the coming year.

VACANCY. Industrial real estate demand continues to soar to new heights, and we expect more of the same through 2019, anticipating vacancy rates in the 2.5–3.5% range over the next three quarters.

CONSTRUCTION. Large, vacant plots are rarely available, and lately, any availability tends to be targeted for multifamily development. Moreover, several industrial facilities have been redeveloped into multifamily and office projects. The former L.A. Times facility in Costa Mesa is slated to be torn down and converted to creative office. In Tustin, the 170,000 square foot Tustin Freeway Commerce Center sold to a homebuilder, Taylor Morrison, who tore down four industrial buildings to make way for 140 townhomes. At the end of the second quarter of 2019, there were only 10 buildings under construction totaling 572,943 square feet. Notable projects include Shea Dyer Road in Santa Ana, a nine-building industrial park totaling 472,667 square feet (Shea) and 1585 MacArthur Boulevard, a 100,233 square foot build-to-suit project for Robinson Pharma in Santa Ana (CJ Segerstrom).

ABSORPTION. The Orange County industrial market has benefited from a number of economic shifts that have led to an increase in demand for warehouse space, including the rise of e-commerce and aerospace. The Orange County industrial market posted 841,291 square feet of positive net absorption in the second quarter, bouncing back from 1,110,904 square feet of negative net absorption in the first quarter of 2019. Tenants that moved into large blocks of space in the second quarter included: Quiet Logistics (424,285 square feet in La Palma), Chubby Gorilla (78,523 square feet in Fullerton) and Rakuten Super Logistics (60,809 square feet in Placentia).

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
3080 Airway Ave.	Costa Mesa	78,738	\$21,700,000	Finishing Line Auto Storage*	Pacific Industrial & Crow Holding*
445–449 W. Freedom Ave.	Orange	92,647	\$18,000,000	Rexford Industrial Realty, LP	Colony Capital Inc.
1302 E. Warner Ave.	Santa Ana	16,844	\$13,152,000	Calpine Corporation	Frederick & Kathleen J Maas
1441 S. Sunkist St.	Anaheim	46,257	\$13,000,000	Ramar Land Corporation	PSIP WR Sunkist, LLC
15461 Springdale St.	Huntington Beach	61,389	\$12,750,000	Sares-Regus Group	Sandy & Michael Davis

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
6700–6750 Artesia Blvd.	Buena Park	447,055	Jun-2019	IDC Logistics	Comref So Ca Industrial Sub G
6565 Valley View St.	La Palma	424,285	Apr-2019	Quiet Logistics	Veritiv Corporation
2036–2040 E. Dyer Rd.	Santa Ana	278,132	Jun-2019	Integral Aerospace, LLC	DRSS–I, LLC
4320 N. Harbor Blvd.	Fullerton	78,523	Jun-2019	Chubby Gorilla	Laguna Canyon Plaza, LLC
1365 S. Van Buren St.	Placentia	60,809	May-2019	Rakuten Super Logistics	CP Logistics Van Buren, LLC

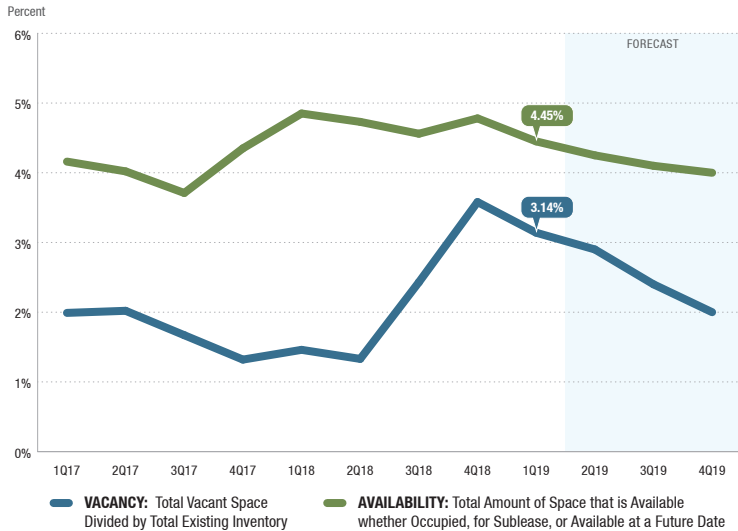
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2019	Square Feet Available	Availability Rate 2Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2019	Net Absorption 2019	Gross Absorption 2Q2019	Gross Absorption 2019
Airport Area														
Costa Mesa	428	7,676,544	100,276	0	501,134	6.53%	542,284	7.06%	\$1.12	\$425.51	17,556	97,961	75,934	190,051
Fountain Valley	186	3,883,559	0	73,200	70,511	1.82%	322,902	8.31%	\$1.13	\$236.26	21,468	(5,965)	26,717	76,850
Irvine	304	11,663,930	0	0	416,175	3.57%	458,611	3.93%	\$0.86	\$238.09	98,865	50,569	68,132	179,022
Newport Beach	51	630,166	0	0	495	0.08%	2,995	0.48%	\$0.00	\$1,053.43	2,500	8,000	2,500	10,500
Santa Ana	1,573	30,446,162	472,667	38,033	1,367,937	4.49%	1,991,320	6.54%	\$0.97	\$236.94	(211,158)	(326,257)	296,864	645,261
Tustin	110	4,169,245	0	10,000	94,194	2.26%	181,243	4.35%	\$1.09	\$222.46	21,717	53,459	42,793	63,141
Airport Area Total	2,652	58,469,606	572,943	121,233	2,450,446	4.19%	3,499,355	5.98%	\$0.99	\$244.13	(49,052)	(122,233)	512,940	1,164,825
North County														
Anaheim	1,826	44,528,358	0	244,259	573,743	1.29%	1,150,076	2.58%	\$0.87	\$190.84	19,066	(26,559)	488,536	701,614
Brea	333	12,164,590	0	0	170,147	1.40%	429,549	3.53%	\$0.83	\$170.34	46,768	84,255	221,209	251,832
Buena Park	232	13,349,982	0	0	1,160,874	8.70%	1,479,087	11.08%	\$0.83	\$249.00	194,790	(804,428)	199,701	518,104
Fullerton	455	19,095,276	0	0	1,106,979	5.80%	1,213,271	6.35%	\$1.00	\$354.06	93,403	251,116	164,136	473,214
La Habra	198	3,496,871	0	175,000	39,743	1.14%	69,989	2.00%	\$1.10	\$220.17	5,379	14,308	36,362	52,974
Orange	737	13,498,487	0	0	277,004	2.05%	334,183	2.48%	\$0.95	\$252.86	(35,143)	(46,687)	78,157	188,266
Placentia	221	4,254,147	0	0	149,109	3.51%	253,419	5.96%	\$0.82	\$232.54	50,598	91,930	89,582	231,111
Yorba Linda	52	869,088	0	0	14,973	1.72%	25,567	2.94%	\$0.00	\$135.61	(7,314)	6,880	0	16,594
North County Total	4,054	111,256,799	0	419,259	3,492,572	3.14%	4,955,141	4.45%	\$0.86	\$207.49	367,547	(429,185)	1,277,683	2,433,709
South County														
Aliso Viejo	17	661,690	0	0	23,864	3.61%	43,397	6.56%	\$1.30	\$263.19	(14,640)	(9,224)	0	14,640
Foothill Ranch	68	3,553,771	0	0	0	0.00%	24,000	0.68%	\$1.25	\$0.00	25,138	0	0	0
Irvine Spectrum	207	9,884,788	0	0	740,969	7.50%	1,042,673	10.55%	\$1.04	\$297.81	(20,832)	(35,368)	71,063	199,946
Laguna Beach	20	92,124	0	0	11,225	12.18%	9,725	10.56%	\$0.00	\$463.84	3,000	3,000	3,000	3,000
Laguna Hills	72	1,016,876	0	0	25,252	2.48%	59,725	5.87%	\$1.30	\$262.77	(4,791)	(2,544)	32,582	41,195
Laguna Niguel	20	271,295	0	0	0	0.00%	5,652	2.08%	\$0.00	\$288.23	0	0	0	0
Lake Forest	190	4,129,533	0	0	50,056	1.21%	137,354	3.33%	\$1.17	\$0.00	(847)	28,877	96,988	126,712
Mission Viejo	30	462,480	0	0	10,550	2.28%	9,537	2.06%	\$0.00	\$0.00	1,243	1,804	8,250	18,155
Rancho Santa Margarita	106	1,711,751	0	0	1,427	0.08%	21,913	1.28%	\$1.27	\$0.00	46,143	29,229	54,113	62,701
San Clemente	159	1,998,825	0	0	52,267	2.61%	76,563	3.83%	\$1.19	\$288.23	11,099	(6,015)	13,517	30,723
San Juan Capistrano	43	923,189	0	0	9,605	1.04%	12,191	1.32%	\$1.60	\$0.00	(1,336)	7,878	8,269	17,483
South County Total	932	24,706,322	0	0	925,215	3.74%	1,442,730	5.84%	\$1.13	\$302.24	44,177	17,637	287,782	514,555
West County														
Cypress	102	4,663,663	0	0	369,640	7.93%	389,647	8.35%	\$0.89	\$0.00	25,721	12,446	0	12,446
Garden Grove	474	11,809,919	0	40,000	314,775	2.67%	516,732	4.38%	\$0.80	\$216.41	8,689	154,620	59,226	249,446
Huntington Beach	680	12,625,459	0	47,640	271,301	2.15%	687,171	5.44%	\$0.81	\$187.28	(31,558)	10,877	86,498	251,889
La Palma	16	1,780,056	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	424,285	0	0	75,000
Los Alamitos	95	2,344,701	0	0	20,999	0.90%	30,162	1.29%	\$0.00	\$0.00	(11,489)	(11,879)	2,910	14,740
Seal Beach	15	978,518	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	57,033	57,033	0	0
Stanton	173	1,788,434	0	0	24,200	1.35%	76,895	4.30%	\$0.97	\$208.04	5,254	(17,120)	8,306	26,383
Westminster	142	2,366,592	0	0	13,419	0.57%	9,963	0.42%	\$0.00	\$0.00	684	58,191	88,213	149,526
West County Total	1,697	38,357,342	0	87,640	1,014,334	2.64%	1,710,570	4.46%	\$0.84	\$264.09	478,619	264,168	245,153	779,430
Orange County Total	9,335	232,790,069	572,943	628,132	7,882,567	3.39%	11,607,796	4.99%	\$0.94	\$239.51	841,291	(269,613)	2,323,558	4,892,519
Less than 9,999	3,303	20,096,195	0	0	307,990	1.53%	485,470	2.42%	\$1.31	\$302.07	38,163	8,640	251,565	491,400
10,000–19,999	3,146	43,448,813	0	10,000	716,228	1.65%	1,135,162	2.61%	\$1.28	\$316.44	167,282	185,908	522,392	1,054,001
20,000–29,999	1,181	28,099,877	94,176	0	662,623	2.36%	1,217,024	4.33%	\$1.04	\$246.31	(124,634)	(216,088)	219,201	504,258
30,000–39,999	486	16,552,712	70,786	111,233	419,572	2.53%	701,945	4.24%	\$0.99	\$238.59	245,052	220,655	167,779	431,752
40,000–49,999	296	13,007,075	0	127,640	468,568	3.60%	758,481	5.83%	\$0.80	\$223.74	(67,013)	(30,593)	118,820	253,846
50,000–74,999	376	22,640,253	143,979	55,000	614,561	2.71%	954,139	4.21%	\$0.86	\$240.91	206,726	16,357	335,075	651,294
75,000–99,999	166	14,208,431	0	80,000	509,743	3.59%	622,439	4.38%	\$0.85	\$240.07	(8,203)	(7,687)	72,028	129,473
100,000–199,999	255	33,403,889	264,002	0	738,151	2.21%	1,951,304	5.84%	\$0.83	\$135.79	136,215	736,284	250,101	779,709
200,000 Plus	126	41,332,824	0	244,259	3,445,131	8.34%	3,781,832	9.15%	\$0.84	\$0.00	247,703	(1,183,089)	386,597	596,786
Orange County Total	9,335	232,790,069	572,943	628,132	7,882,567	3.39%	11,607,796	4.99%	\$0.94	\$239.51	841,291	(269,613)	2,323,558	4,892,519

Lease rates are on a triple-net basis.

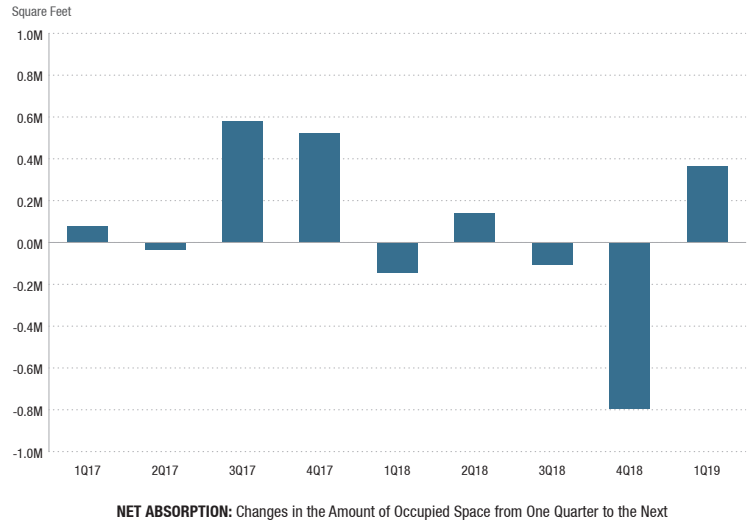
NORTH ORANGE COUNTY

In the second quarter of 2019, the North Orange County industrial market consisted of 4,054 buildings totaling 111,256,799 square feet and had an availability rate of 4.45%, which shows an increase from the previous quarter's figure of 4.78%.

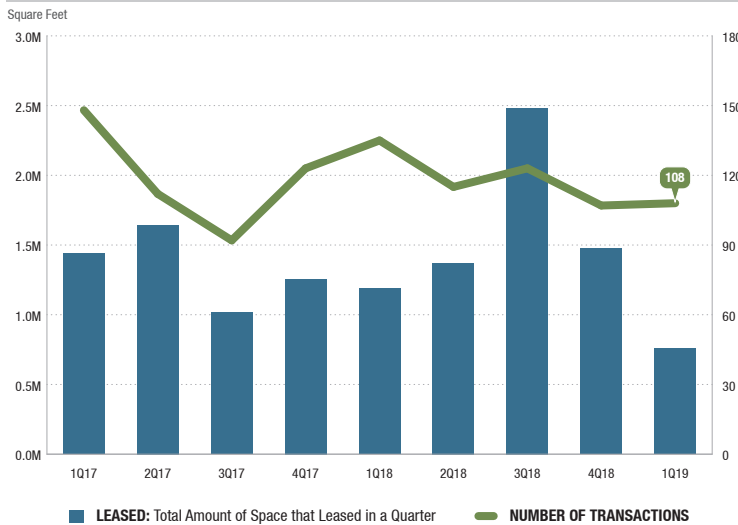
VACANCY & AVAILABILITY RATE



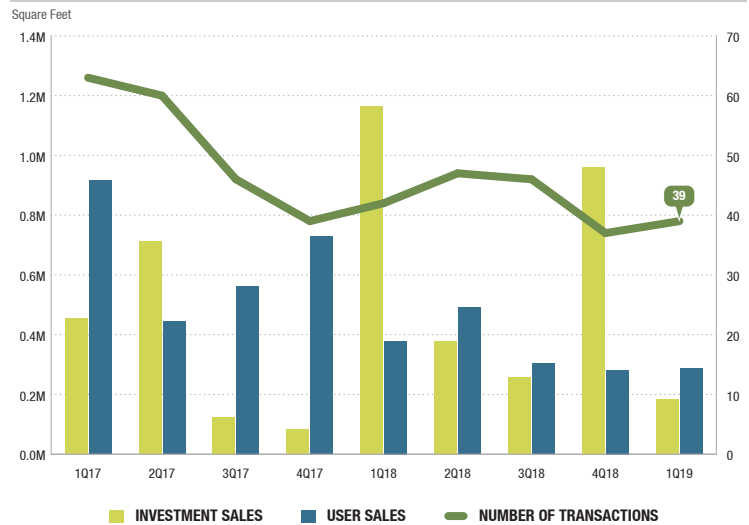
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

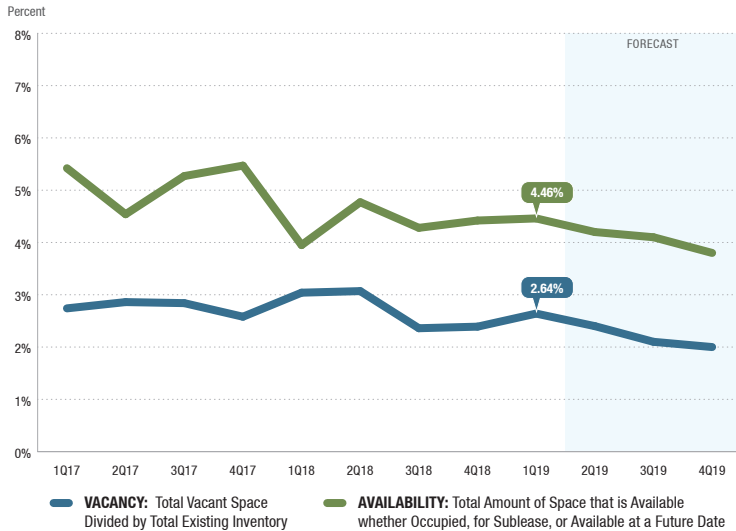
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2019	Square Feet Available	Availability Rate 2Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2019	Net Absorption 2019	Gross Absorption 2Q2019	Gross Absorption 2019
North Totals														
Less than 9,999	1,328	8,412,350	0	0	169,802	2.02%	236,257	2.81%	\$1.09	\$310.73	(21,032)	(37,527)	98,654	207,288
10,000-19,999	1,404	19,424,422	0	0	282,201	1.45%	420,522	2.16%	\$1.08	\$240.25	96,434	85,265	255,072	479,834
20,000-29,999	514	12,175,444	0	0	175,757	1.44%	434,116	3.57%	\$0.97	\$237.43	(54,805)	(43,665)	80,260	182,646
30,000-39,999	227	7,691,088	0	0	107,947	1.40%	244,550	3.18%	\$0.91	\$204.17	112,336	91,349	72,831	132,399
40,000-49,999	132	5,802,980	0	40,000	209,847	3.62%	257,160	4.43%	\$0.84	\$138.02	(24,000)	(47,914)	51,769	118,656
50,000-74,999	175	10,493,336	0	55,000	313,032	2.98%	434,750	4.14%	\$0.79	\$195.77	114,348	(93,081)	198,869	264,386
75,000-99,999	74	6,284,170	0	80,000	227,544	3.62%	331,725	5.28%	\$0.85	\$0.00	(55,371)	(22,162)	15,200	72,645
100,000-199,999	133	17,545,299	0	0	345,229	1.97%	705,900	4.02%	\$0.78	\$118.30	87,958	462,035	250,101	560,739
200,000 plus	67	23,427,710	0	244,259	1,661,213	7.09%	1,890,161	8.07%	\$0.87	\$0.00	111,679	(823,485)	254,927	415,116
Total	4,054	111,256,799	0	419,259	3,492,572	3.14%	4,955,141	4.45%	\$0.86	\$207.49	367,547	(429,185)	1,277,683	2,433,709

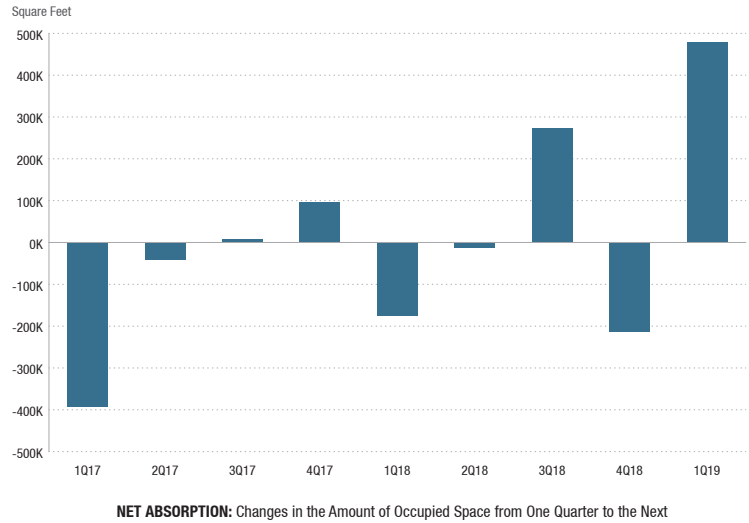
WEST ORANGE COUNTY

In the second quarter of 2019, the West Orange County industrial market consisted of 1,699 buildings totaling 38,357,342 square feet and had an availability rate of 4.46%, which shows an increase from the previous quarter's figure of 4.42%.

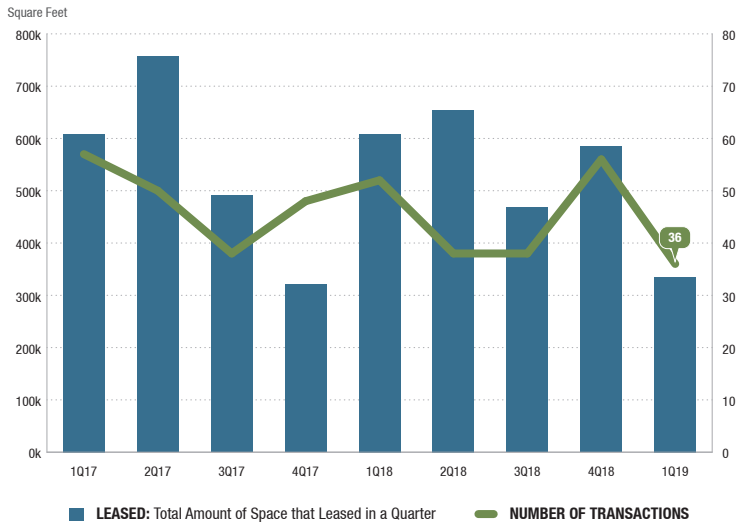
VACANCY & AVAILABILITY RATE



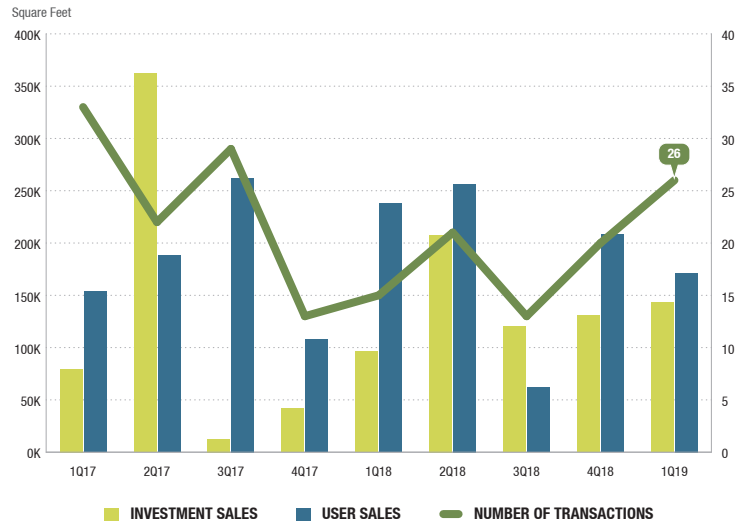
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

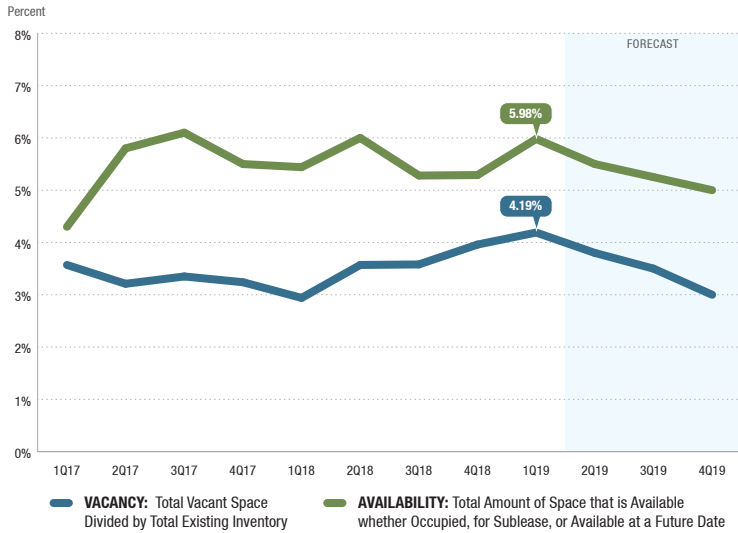
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2019	Square Feet Available	Availability Rate 2Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2019	Net Absorption 2019	Gross Absorption 2Q2019	Gross Absorption 2019
West Totals														
Less than 9,999	691	4,091,950	0	0	48,860	1.19%	74,294	1.82%	\$1.19	\$237.46	(6,529)	(3,612)	41,285	86,393
10,000-19,999	560	7,421,709	0	0	116,256	1.57%	171,111	2.31%	\$1.02	\$215.58	52,124	70,918	73,253	175,689
20,000-29,999	179	4,303,283	0	0	135,748	3.15%	212,220	4.93%	\$0.95	\$217.95	(69,271)	(96,367)	6,739	31,394
30,000-39,999	63	2,211,009	0	0	14,510	0.66%	65,957	2.98%	\$0.85	\$0.00	46,859	80,576	20,915	102,650
40,000-49,999	52	2,269,885	0	87,640	129,190	5.69%	239,675	10.56%	\$0.68	\$196.26	(81,005)	(41,027)	6,185	52,348
50,000-74,999	61	3,649,396	0	0	131,061	3.59%	219,703	6.02%	\$0.80	\$0.00	47,299	37,102	9,366	128,546
75,000-99,999	30	2,593,777	0	0	76,080	2.93%	76,080	2.93%	\$0.77	\$0.00	16,600	(59,480)	16,600	16,600
100,000-199,999	38	5,133,909	0	0	40,000	0.78%	323,648	6.30%	\$0.84	\$0.00	48,257	225,237	0	115,000
200,000 plus	23	6,682,424	0	0	322,629	4.83%	327,882	4.91%	\$0.79	\$0.00	424,285	50,821	70,810	70,810
Total	1,697	38,357,342	0	87,640	1,014,334	2.64%	1,710,570	4.46%	\$0.84	\$264.09	478,619	264,168	245,153	779,430

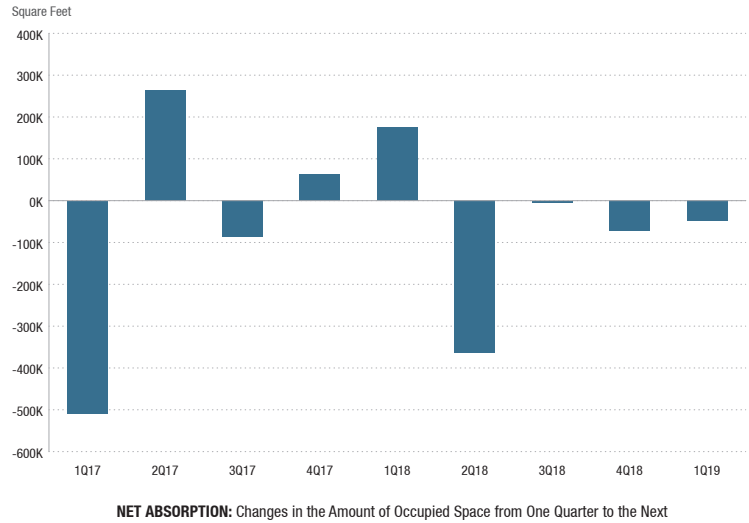
AIRPORT AREA

In the second quarter of 2019, the Airport Orange County industrial market consisted of 2,652 buildings totaling 58,469,606 square feet and had an availability rate of 5.98%, which shows an increase from previous quarter's figure of 5.29%.

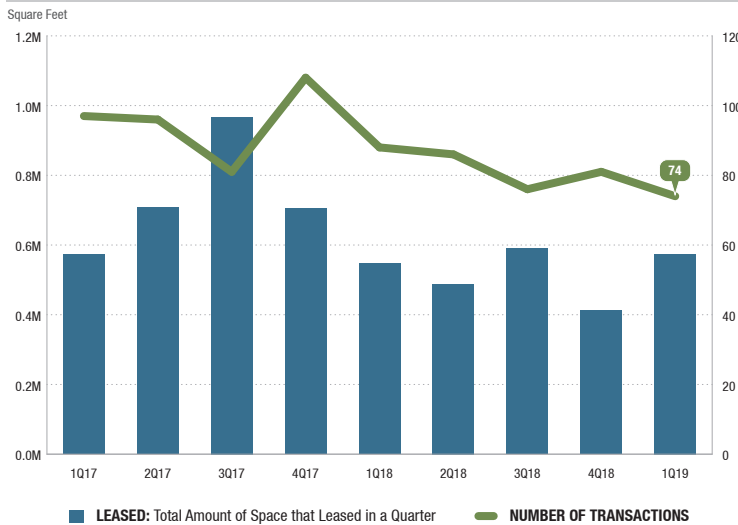
VACANCY & AVAILABILITY RATE



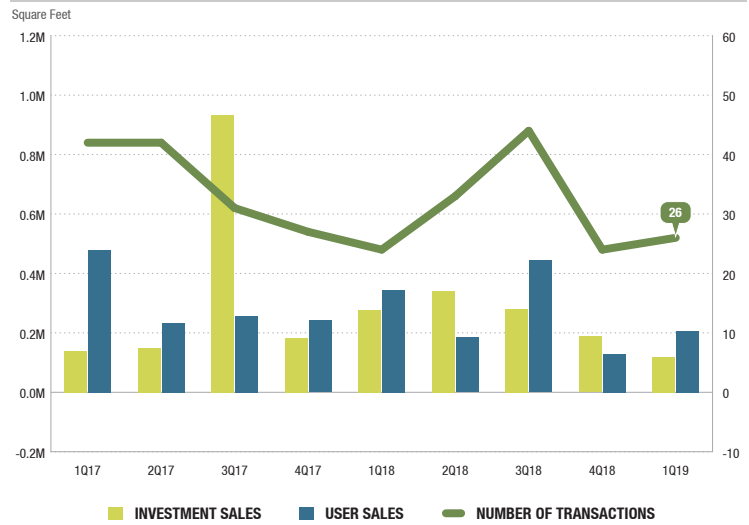
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

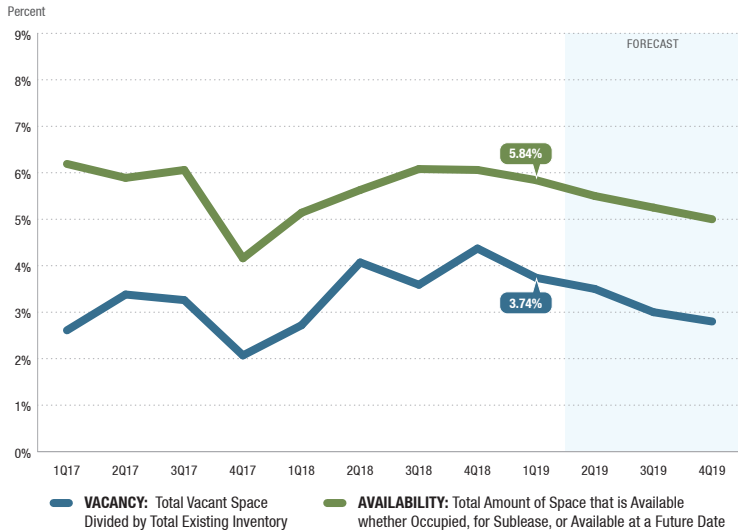
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2019	Square Feet Available	Availability Rate 2Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2019	Net Absorption 2019	Gross Absorption 2Q2019	Gross Absorption 2019
Airport Totals														
Less than 9,999	930	5,385,831	0	0	63,873	1.19%	103,293	1.92%	\$1.43	\$475.04	36,636	(3,429)	56,517	102,880
10,000-19,999	909	12,703,100	0	10,000	207,603	1.63%	361,786	2.85%	\$1.50	\$284.46	32,234	39,187	145,612	280,285
20,000-29,999	354	8,434,312	94,176	0	263,251	3.12%	402,338	4.77%	\$1.03	\$290.66	(47,026)	(88,034)	72,199	184,828
30,000-39,999	150	5,091,114	70,786	111,233	225,694	4.43%	288,148	5.66%	\$0.96	\$247.53	95,462	88,849	74,033	196,703
40,000-49,999	83	3,649,788	0	0	64,474	1.77%	212,459	5.82%	\$0.93	\$250.00	27,739	44,967	47,291	64,519
50,000-74,999	104	6,326,869	143,979	0	162,751	2.57%	124,143	1.96%	\$0.91	\$222.46	52,796	80,053	62,160	193,682
75,000-99,999	48	4,122,243	0	0	121,322	2.94%	214,634	5.21%	\$0.92	\$240.07	30,568	(10,842)	40,228	40,228
100,000-199,999	54	6,778,033	264,002	0	191,347	2.82%	539,923	7.97%	\$0.85	\$185.00	0	86,634	0	36,800
200,000 plus	20	5,978,316	0	0	1,150,131	19.24%	1,252,631	20.95%	\$0.82	\$0.00	(277,461)	(359,618)	14,900	64,900
Total	2,652	58,469,606	572,943	121,233	2,450,446	4.19%	3,499,355	5.98%	\$0.99	\$244.13	(49,052)	(122,233)	512,940	1,164,825

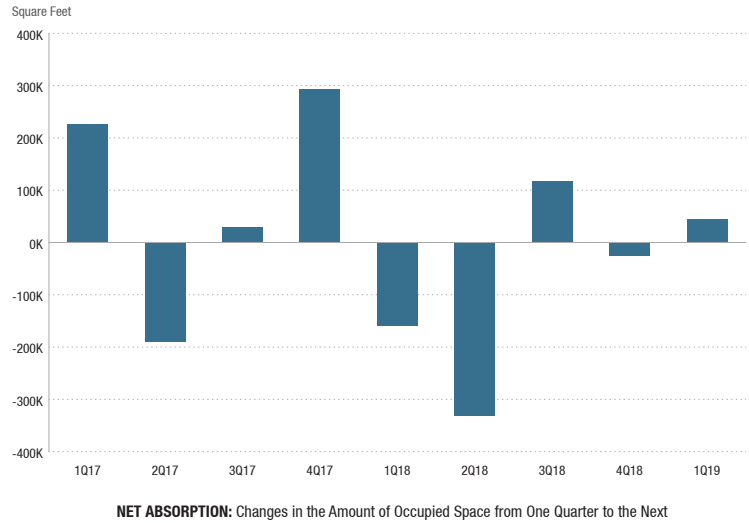
SOUTH ORANGE COUNTY

In the second quarter of 2019, the South Orange County industrial market consisted of 932 buildings totaling 24,706,322 square feet and had an availability rate of 5.84%, which shows a decrease from the previous quarter's figure of 6.06%.

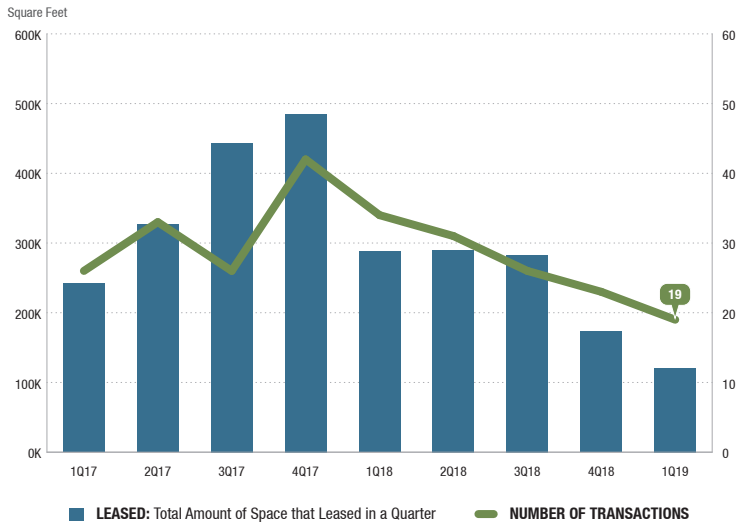
VACANCY & AVAILABILITY RATE



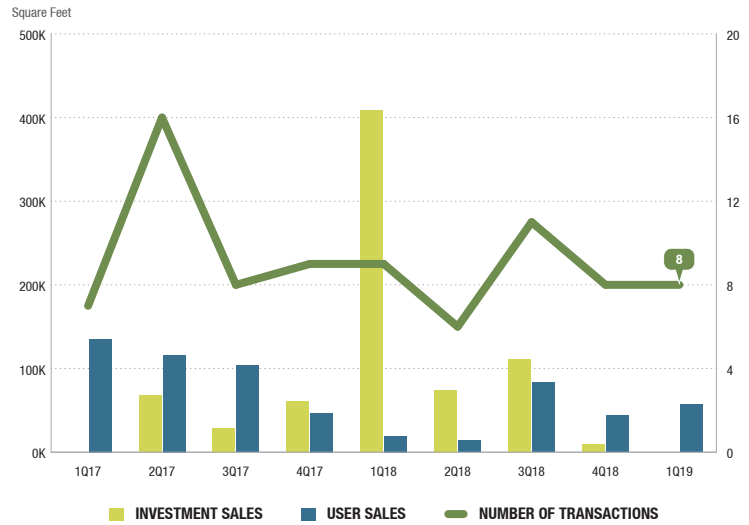
NET ABSORPTION



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 2Q2019	Square Feet Available	Availability Rate 2Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2019	Net Absorption 2019	Gross Absorption 2Q2019	Gross Absorption 2019
South Totals														
Less than 9,999	354	2,206,064	0	0	25,455	1.15%	71,626	3.25%	\$1.35	\$358.26	29,088	53,208	55,109	94,839
10,000-19,999	273	3,899,582	0	0	110,168	2.83%	181,743	4.66%	\$1.25	\$355.53	(13,510)	(9,462)	48,455	118,193
20,000-29,999	134	3,186,838	0	0	87,867	2.76%	168,350	5.28%	\$1.20	\$0.00	46,468	11,978	60,003	105,390
30,000-39,999	46	1,559,501	0	0	71,421	4.58%	103,290	6.62%	\$1.11	\$264.29	(9,605)	(40,119)	0	0
40,000-49,999	29	1,284,422	0	0	65,057	5.07%	49,187	3.83%	\$1.38	\$315.00	10,253	13,381	13,575	18,323
50,000-74,999	36	2,170,652	0	0	7,717	0.36%	175,543	8.09%	\$1.11	\$291.00	(7,717)	(7,717)	64,680	64,680
75,000-99,999	14	1,208,241	0	0	84,797	7.02%	0	0.00%	\$1.00	\$0.00	0	84,797	0	0
100,000-199,999	30	3,946,648	0	0	161,575	4.09%	381,833	9.67%	\$0.96	\$0.00	0	(37,622)	0	67,170
200,000 plus	16	5,244,374	0	0	311,158	5.93%	311,158	5.93%	\$0.89	\$0.00	(10,800)	(50,807)	45,960	45,960
Total	932	24,706,322	0	0	925,215	3.74%	1,442,730	5.84%	\$1.13	\$302.24	44,177	17,637	287,782	514,555



Can I Buy in a Hot Market?

by **Eric Smith**

VICE PRESIDENT, ANAHEIM

714.935.2310 · esmith@voitco.com · Lic. #01940591

This past spring, we officially entered the geriatric stage, economically speaking of course. We are in what many have believed to be the longest bull market in recent U.S. history. In the geriatric analogy that would put us, or this up-ticking market rather, in the nursing home. But the question remains, can you still buy in this market? And is that wise?

The answer is **yes**. You can still buy owner/user occupant and even investment real estate in this insanely white-hot market. Here's why:

For the owner/user, you must first look your primary alternative, **leasing**. Sure, sales prices are at record highs but so are lease rates. Moreover, the aggressive (I prefer the term "market savvy") landlord is offering fewer concessions, demanding long-term leases and passing more maintenance and capital improvement responsibilities off to the tenant. So, if a market correction does occur you may be locked into a long-term lease with difficulty in subleasing to get out. The realization that the alternative is less desirable may convince you to purchase instead of leasing.

Historically low interest rates, still! The gravy train keeps rolling. The days of double-digit borrowing costs we saw in the early 1980s have been usurped by rates in the low 4% range. If you can buy today and lock in financing at record low rates for 25 years, the question then becomes "why wouldn't you?" And does price matter? Perhaps not when your mortgage is similar or even less than a lease rate.

The United States has and always will support the **ownership of real estate as it is a pillar of wealth creation**. The ability to own, finance, refinance and enjoy appreciation is incredible, especially over long periods of time. Looking at historical trends, industrial buildings in the 1980s were priced roughly \$50 per square foot. Many of those similar buildings are now trading for \$200 per square foot. I suspect that investors in the market at that time who opted not to buy over a few dollars a square foot are feeling some regret today, especially when considering that real estate offers the ability to refinance and provide a cash influx for business and personal wealth expansion.

After-Tax Benefit — Owners of commercial real estate are afforded many ways to reduce their taxable income, depreciation being one of the most valuable. Each year, as a property owner, you're able to deduct a percentage of the structure's value. Certain expenses related to the operation of the real estate are also deductible. Don't forget mortgage interest, that's also deductible along with property tax. In many cases, when you realize the after-tax benefits **owning is still cheaper than leasing**.

Please Contact Us
for Further Information

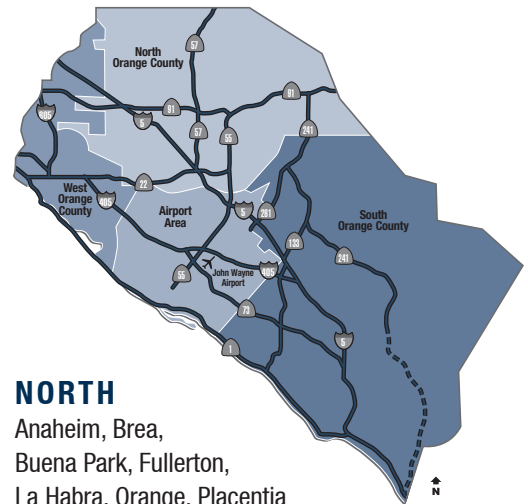
Tony Tran Regional Director of Research ttran@voitco.com	Anaheim, CA 714.978.7880	Carlsbad, CA 760.517.4000	Inland Empire, CA 909.545.8000	Irvine, CA 949.851.5100	Los Angeles, CA 424.329.7500	San Diego, CA 858.453.0505
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Product Type

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