



# FIRST QUARTER 2016 ORANGE COUNTY INDUSTRIAL

**Voith**  
REAL ESTATE SERVICES

## MARKET CHANGE

Compared to Previous Quarter:

Vacancy



UP

Net Absorption



POSITIVE

Sales Price



UP

Lease Rates



UP

Transactions



DOWN

## HIGHLIGHTS

- **Encouraging Numbers** - Orange County's diverse industrial market continues its steady growth with demand outpacing supply. Our biggest hurdle at the moment is uncovering expansion opportunities for clients given the shortage of inventory. Steady job growth, an improving housing market and an attractive interest rate environment have combined to fuel business expansion, driving lease rates up and sale prices past previous record highs. The scales are tipped in the landlords' favor at the moment resulting in limited concessions for tenants. Most of the new construction is being absorbed prior to completion and there is continued demand for well located, second-generation buildings as well. Aging industrial properties in parts of North and Central County are being sold in favor of higher and better uses, including retail, office, residential, and mixed use.
- **Construction** - There was 585,842 square feet under construction at the end of the first quarter with another 600,000 square feet on the books as "planned," most of that taking place in the North Orange County submarket. The overall supply of quality industrial buildings in Orange County has been severely limited for the past five plus years, creating a unique opportunity for developers of newer, more functional buildings which feature higher ceilings, expanded truck courts and more efficient fire suppression systems.
- **Vacancy** - Industrial vacancy for Q1 recorded an extraordinarily low rate of 2.37%, down from the already low rate of 3.16% for the previous year (Q1, 2015). The North County submarket boasted the lowest vacancy rate in the county at 1.80% and a majority of that inventory is functionally obsolete. Vacancies are at historic lows and demand is still on the rise resulting in multiple offers on listed properties as well as motivated buyers making "unsolicited" offers to owners with the hope they will become sellers. For this reason, identifying expansion or replacement properties is taking much longer and both tenants and buyers need to give themselves ample time.
- **Availability** - Direct / sublease space being marketed came in at 3.91% for the first quarter of 2016, a slight decrease of 37 basis points from the previous quarter. The lack of available space is creating pent up demand in some size ranges and is applying upward pressure on both lease rates and sale prices.
- **Lease Rates** - Asking rental rates continued climb, a trend we have been witnessing since 2011. The average asking triple-net lease rate checked in at \$0.71 NNN per square foot per month, up two cents from the previous quarter and up seven cents (or 10.94%) over 2015's first quarter figure. Expect this rent spike to continue.
- **Sales Pricing** - The Orange County industrial market's average asking price at the end of the first quarter 2016 came in at \$191.86, a slight

increase of 1.42% over the previous quarter and a 6.74% increase a year ago (Q1, 2015). This is somewhat misleading as several quality properties have traded before hitting the market at record high pricing, while some of the listed inventory is of a lesser quality. Expect both sale activity and pricing to increase if interest rates remain low. With SBA financing (requiring a 10% down payment) being the preferred vehicle for owner / users at the moment, the overall occupancy costs of ownership on a monthly basis are comparable to leasing, while providing favorable tax treatment as well.

- **Absorption** - Net absorption for the Orange County industrial market was positive 153,335 square feet in the first quarter 2016, giving the industrial market in Orange County a total over 2.92 million square feet of positive absorption for the past five quarters. The North County submarket recorded the highest net absorption of 281,632 square feet during the first quarter.
- **Transaction Activity** - The Orange County industrial market had a slow start to the year in terms of overall transaction volume. A volatile stock market coupled with limited supply in most size ranges resulted in a decline in both sales and leasing. Leasing activity checked in at 2.24 million square feet for the first quarter, compared to 2015's first quarter total of 4.07 million square feet. Sales activity also decreased, posting 1.23 million square feet in the first quarter of 2016 as compared to the 1.73 million square feet recorded in the same quarter of 2015.
- **Employment** - The unemployment rate in Orange County was 4.0% in February 2016, unchanged from a revised 4.0 percent in January 2016, and below the previous year's estimate of 4.7%. This compares with an unadjusted unemployment rate of 5.7% for California and 5.2% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 42,300 payroll jobs from February 2015 to February 2016. In terms of industry, construction posted the largest year-over-year payroll employment growth with an increase of 12,500 jobs. Nearly 80 percent of the growth was in specialty trade contractors tied to an improving housing market.
- **Overall** - We have continued optimism for Orange County's industrial market for 2016 as employment growth is well above the national average and small businesses are continuing to thrive across most industries including apparel, consumer electronics, technology, automotive, food & beverage and specialty manufacturing. Smaller industrial spaces, particularly those less than 30,000 square feet, are in high demand and are not being built during this most recent development cycle given the increase in construction costs and a spike in industrial land values.

## FORECAST

- **Employment** - The 2016-2017 Economic Forecast & Industry Outlook from the LAEDC Kyser Center for Economic Research projects a 2.5 percent increase in total nonfarm employment in Orange County in 2016 and a 1.7 percent increase in 2017, a total gain of 65,500 jobs over the two-year period.
- **Lease Rates** - Expect average asking lease rates to increase by a minimum of 3% to 5% per annum for the next 24-36 months.
- **Vacancy** - We anticipate the vacancy rate to continue its decline in coming quarters, dropping to roughly 2.0%, by the end of the fourth quarter of 2016.
- **General** - Landlords will continue to have leverage in the coming quarters resulting in limited concessions to tenants. Given the lack of available product, tenants need to plan early when considering an expansion or relocation. Being able to react quickly will also be critical in a market where Landlords are evaluating multiple offers in most cases.

## OVERVIEW

	1Q16	4Q15	1Q15	% of Change vs. 1Q15
Vacancy Rate	2.37%	2.27%	3.16%	(25.00%)
Availability Rate	3.91%	4.28%	5.30%	(26.23%)
Average Asking Lease Rate	\$0.71	\$0.69	\$0.64	10.94%
Average Asking Sale Price	\$191.86	\$189.18	\$179.75	6.74%
Sale & Lease Transactions	3,479,515	3,990,356	5,811,095	(40.12%)
Gross Absorption	2,675,870	2,858,616	2,829,373	(5.43%)
Net Absorption	153,335	667,986	(302,143)	N/A

To view available properties or electronic versions of current or past market reports, please visit:

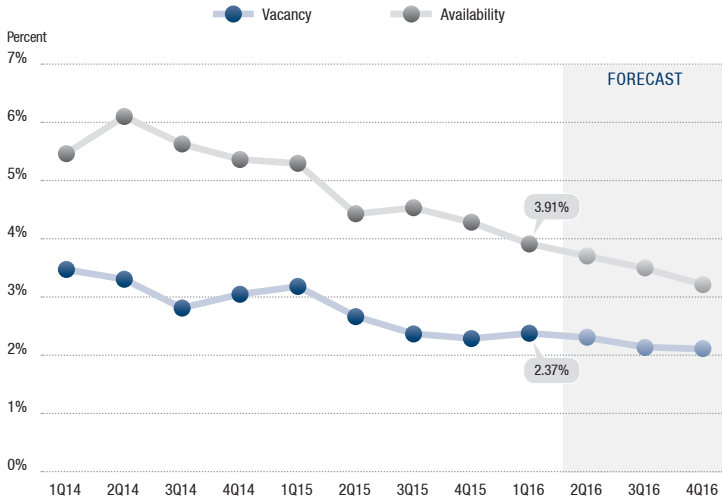
[www.voitco.com](http://www.voitco.com)

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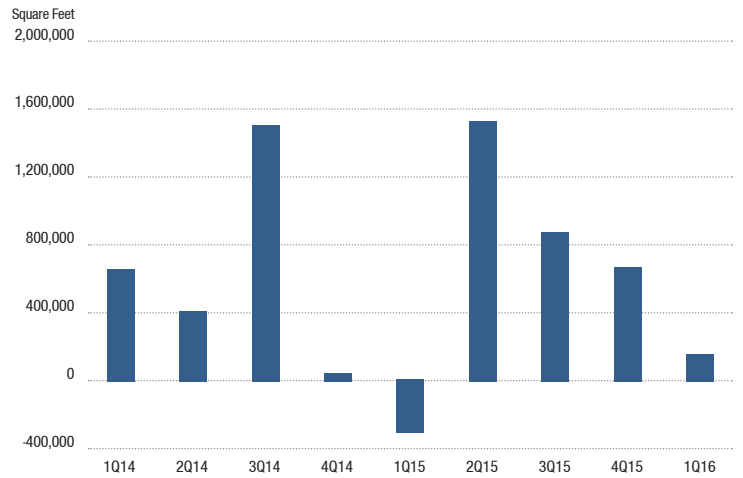
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



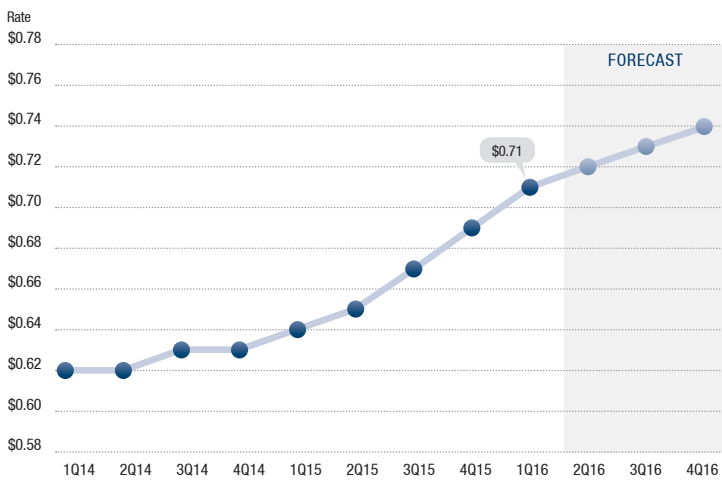
## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



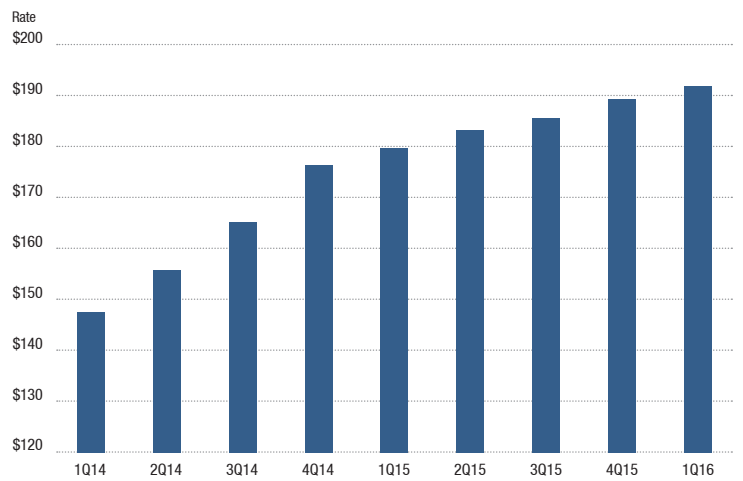
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



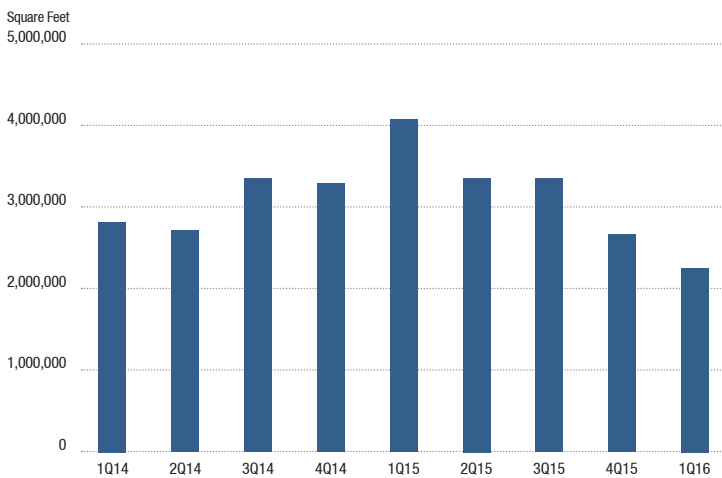
## WEIGHTED AVERAGE ASKING SALES RATES

SALES PRICE ON A PER SQ. FT. BASIS



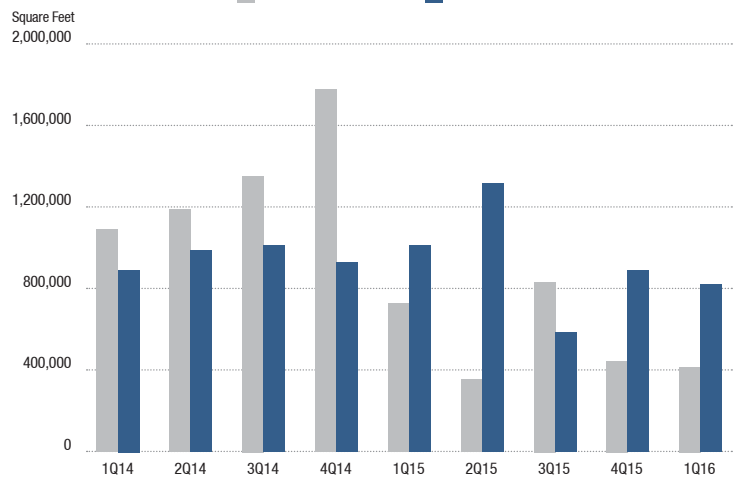
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



## INVENTORY

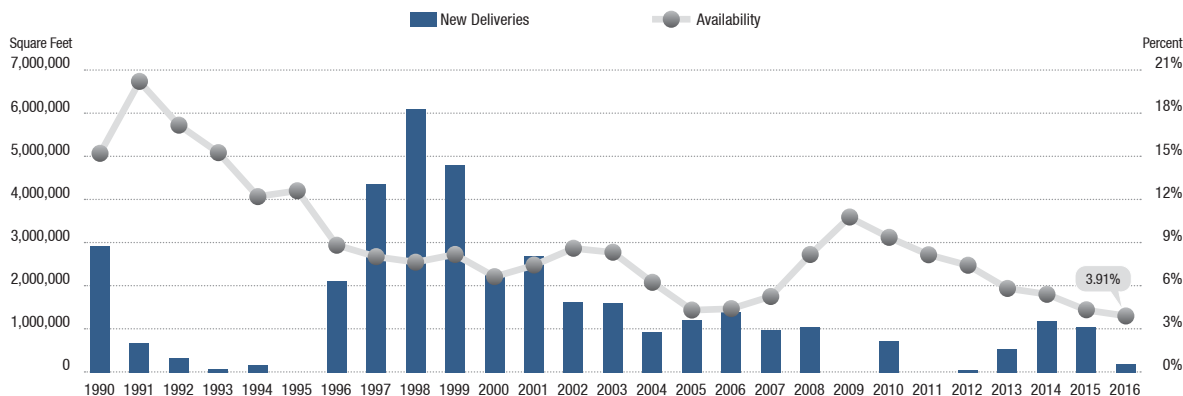
## VACANCY & LEASE RATES

## ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2016	Square Feet Available	Availability Rate 1Q2016	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2016	Net Absorption 2015	Gross Absorption 1Q2016	Gross Absorption 2015
<b>North County</b>														
Anaheim	1,824	44,674,819	0	406,766	925,773	2.07%	1,672,546	3.74%	\$0.81	\$170.12	335,316	840,011	726,968	2,742,807
Brea	326	11,421,417	585,842	0	68,212	0.60%	162,576	1.42%	\$0.69	\$227.15	(45,420)	592,706	137,128	1,055,881
Buena Park	231	13,529,441	0	0	175,826	1.30%	322,494	2.38%	\$0.52	\$180.87	(24,645)	505,112	105,397	926,164
Fullerton	444	19,101,851	0	175,000	640,453	3.35%	1,021,694	5.35%	\$0.82	\$114.35	(65,806)	(300,398)	66,049	976,252
La Habra	194	3,480,493	0	0	38,966	1.12%	46,591	1.34%	\$0.00	\$232.27	(10,652)	45,082	5,336	92,225
Orange	735	13,549,876	0	0	131,799	0.97%	165,120	1.22%	\$0.97	\$185.92	46,122	34,696	115,002	370,211
Placentia	219	4,084,288	0	0	9,573	0.23%	89,941	2.20%	\$0.00	\$174.26	49,665	(2,302)	64,089	157,156
Yorba Linda	52	985,367	0	0	3,898	0.40%	6,843	0.69%	\$0.00	\$199.50	(2,948)	44,426	0	66,019
<b>North County Total</b>	<b>4,025</b>	<b>110,827,552</b>	<b>585,842</b>	<b>581,766</b>	<b>1,994,500</b>	<b>1.80%</b>	<b>3,487,805</b>	<b>3.15%</b>	<b>\$0.62</b>	<b>\$170.22</b>	<b>281,632</b>	<b>1,759,333</b>	<b>1,219,969</b>	<b>6,386,715</b>
<b>West County</b>														
Cypress	95	3,994,505	0	0	160,003	4.01%	383,539	9.60%	\$0.68	\$163.80	82,456	86,934	82,456	177,243
Garden Grove	479	12,044,080	0	0	210,835	1.75%	650,272	5.40%	\$0.71	\$156.97	(14,302)	217,138	99,723	800,750
Huntington Beach	684	14,247,539	0	41,868	449,930	3.16%	658,897	4.62%	\$0.63	\$198.42	(85,609)	33,228	232,598	721,822
La Palma	16	1,774,689	0	0	164,046	9.24%	89,046	5.02%	\$0.00	\$0.00	(52,112)	(111,934)	22,888	170,692
Los Alamitos	98	2,428,100	0	0	2,348	0.10%	16,138	0.66%	\$0.00	\$224.34	3,468	158,089	4,448	185,531
Seal Beach	15	981,146	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Stanton	173	1,794,275	0	0	0	0.00%	4,067	0.23%	\$0.00	\$244.11	0	11,158	0	58,871
Westminster	153	2,348,467	0	0	51,793	2.21%	38,675	1.65%	\$0.00	\$210.08	(5,635)	(44,078)	25,103	86,358
<b>West County Total</b>	<b>1,713</b>	<b>39,612,801</b>	<b>0</b>	<b>41,868</b>	<b>1,038,955</b>	<b>2.62%</b>	<b>1,840,634</b>	<b>4.65%</b>	<b>\$0.68</b>	<b>\$170.25</b>	<b>(71,734)</b>	<b>350,535</b>	<b>467,216</b>	<b>2,201,267</b>
<b>Airport Area</b>														
Costa Mesa	415	7,139,980	0	0	84,837	1.19%	206,133	2.89%	\$0.95	\$264.93	(56,123)	218,941	71,560	500,168
Fountain Valley	186	3,876,111	0	73,200	131,957	3.40%	141,618	3.65%	\$0.76	\$123.70	69,583	(15,954)	147,609	102,395
Irvine	321	12,593,004	0	0	377,042	2.99%	470,180	3.73%	\$0.80	\$266.14	55,883	(36,067)	106,483	824,845
Newport Beach	49	565,910	0	0	1,326	0.23%	1,326	0.23%	\$0.67	\$196.17	(699)	(627)	0	15,270
Santa Ana	1,573	30,489,123	0	0	839,498	2.75%	1,255,123	4.12%	\$0.69	\$0.00	15,627	44,707	301,032	1,596,092
Tustin	114	4,527,107	0	0	152,118	3.36%	416,994	9.21%	\$0.00	\$212.36	(81,451)	181,982	67,732	278,362
<b>Airport Area Total</b>	<b>2,658</b>	<b>59,191,235</b>	<b>0</b>	<b>73,200</b>	<b>1,586,778</b>	<b>2.68%</b>	<b>2,491,374</b>	<b>4.21%</b>	<b>\$0.71</b>	<b>\$212.71</b>	<b>2,820</b>	<b>392,982</b>	<b>694,416</b>	<b>3,317,132</b>
<b>South County</b>														
Aliso Viejo	17	668,427	0	0	0	0.00%	27,607	4.13%	\$1.38	\$0.00	20,180	(16,674)	20,180	19,746
Foothill Ranch	76	3,523,244	0	0	249,745	7.09%	241,783	6.86%	\$0.75	\$0.00	(179,887)	5,966	23,344	111,445
Irvine Spectrum	207	9,743,246	0	0	359,429	3.69%	509,122	5.23%	\$0.81	\$258.88	52,121	165,119	52,121	424,125
Laguna Hills	92	1,168,501	0	0	22,407	1.92%	44,207	3.78%	\$0.89	\$228.00	25,143	16,262	41,862	140,728
Laguna Niguel	23	324,003	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	1,600	(1,600)	1,600	0
Lake Forest	190	4,107,107	0	0	259,130	6.31%	364,549	8.88%	\$0.87	\$214.72	2,332	(56,813)	47,510	202,186
Mission Viejo	32	501,589	0	0	4,665	0.93%	4,665	0.93%	\$1.10	\$189.00	2,610	11,419	22,267	27,976
Rancho Santa Margarita	102	1,608,122	0	0	1,050	0.07%	33,212	2.07%	\$0.95	\$251.64	0	10,189	0	92,792
San Clemente	159	1,967,500	0	0	16,358	0.83%	93,323	4.74%	\$0.92	\$207.61	16,518	28,711	54,443	167,197
San Juan Capistrano	43	915,020	0	0	9,603	1.05%	9,603	1.05%	\$0.00	\$324.66	0	10,441	15,000	53,712
<b>South County Total</b>	<b>941</b>	<b>24,526,759</b>	<b>0</b>	<b>0</b>	<b>922,387</b>	<b>3.76%</b>	<b>1,328,071</b>	<b>5.41%</b>	<b>\$0.86</b>	<b>\$240.18</b>	<b>(59,383)</b>	<b>173,020</b>	<b>278,327</b>	<b>1,239,907</b>
<b>Orange County Total</b>	<b>9,337</b>	<b>234,158,347</b>	<b>585,842</b>	<b>696,834</b>	<b>5,542,620</b>	<b>2.37%</b>	<b>9,147,884</b>	<b>3.91%</b>	<b>\$0.71</b>	<b>\$191.86</b>	<b>153,335</b>	<b>2,675,870</b>	<b>2,659,928</b>	<b>13,145,021</b>
Less than 9,999	3,305	20,062,087	0	0	191,778	0.96%	438,457	2.19%	\$1.13	\$241.26	(186)	22,593	176,164	667,506
10,000-19,999	3,145	43,465,112	0	0	400,185	0.92%	932,916	2.15%	\$1.13	\$224.69	82,221	441,491	433,876	2,540,067
20,000-29,999	1,189	28,289,892	0	0	438,261	1.55%	824,330	2.91%	\$0.82	\$187.00	54,121	98,810	287,829	1,416,225
30,000-39,999	488	16,568,042	0	73,200	319,403	1.93%	516,529	3.12%	\$0.83	\$208.43	15,439	6,230	236,624	639,159
40,000-49,999	294	12,906,186	0	41,868	219,321	1.70%	342,650	2.65%	\$0.74	\$180.71	(50,824)	230,572	130,689	704,178
50,000-74,999	374	22,493,125	0	0	486,457	2.16%	822,687	3.66%	\$0.67	\$134.31	(95,927)	470,736	384,966	1,445,716
75,000-99,999	168	14,397,065	0	0	358,547	2.49%	650,462	4.52%	\$0.75	\$179.22	(26,683)	585,791	199,343	1,132,091
100,000-149,999	186	21,874,122	0	0	1,150,429	5.26%	1,541,998	7.05%	\$0.67	\$159.28	190,716	470,407	511,141	1,518,066
150,000-199,999	69	11,665,038	0	175,000	815,588	6.99%	977,766	8.38%	\$0.64	\$206.77	176,889	369,650	266,010	1,241,933
200,000-299,999	69	16,470,336	218,648	406,766	268,814	1.63%	280,501	1.70%	\$0.75	\$0.00	(192,431)	502,341	33,286	1,141,219
300,000 Plus	50	25,967,342	367,194	0	893,837	3.44%	1,819,588	7.01%	\$0.58	\$0.00	0	(522,751)	0	698,861
<b>Orange County Total</b>	<b>9,337</b>	<b>234,158,347</b>	<b>585,842</b>	<b>696,834</b>	<b>5,542,620</b>	<b>2.37%</b>	<b>9,147,884</b>	<b>3.91%</b>	<b>\$0.71</b>	<b>\$191.86</b>	<b>153,335</b>	<b>2,675,870</b>	<b>2,659,928</b>	<b>13,145,021</b>

Lease rates are on a triple-net basis.

## ANNUAL NEW DELIVERIES VS. AVAILABILITY RATE

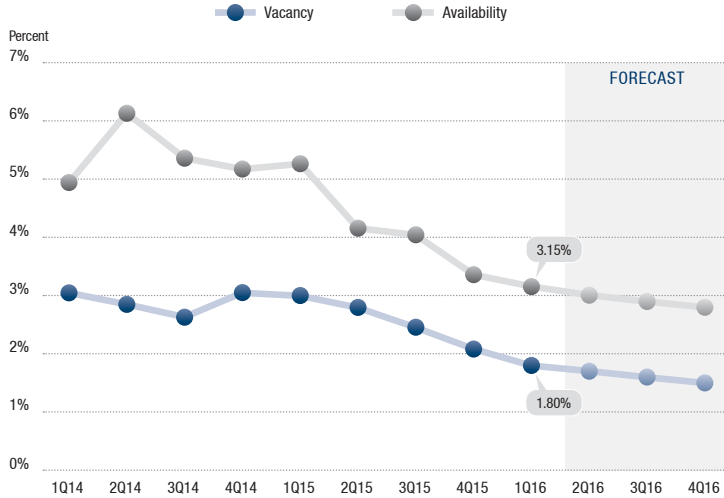


## NORTH ORANGE COUNTY

In the first quarter of 2016, the North Orange County industrial market consisted of 4,025 buildings totaling 110,827,552 square feet and had an availability rate of 3.15%, which shows a decrease from the previous quarter's figure of 3.36%.

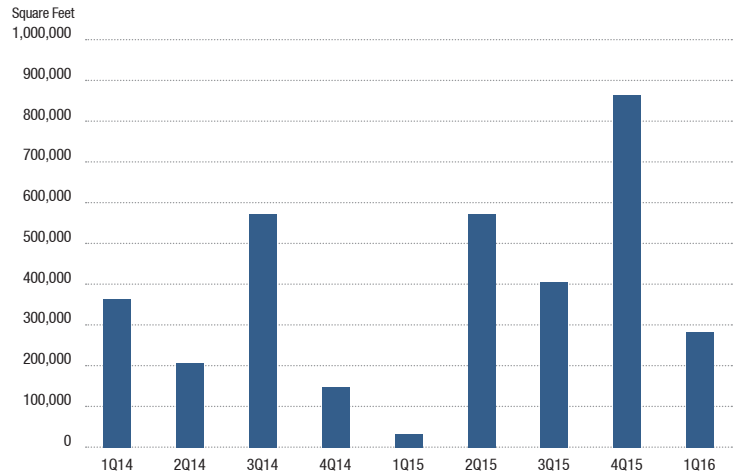
### VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



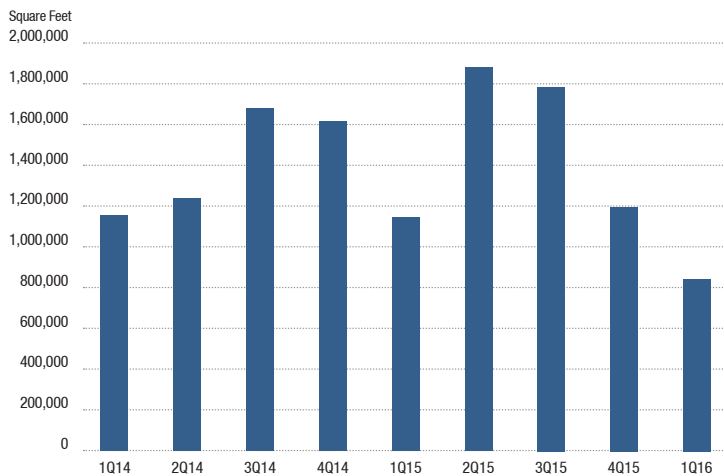
### NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



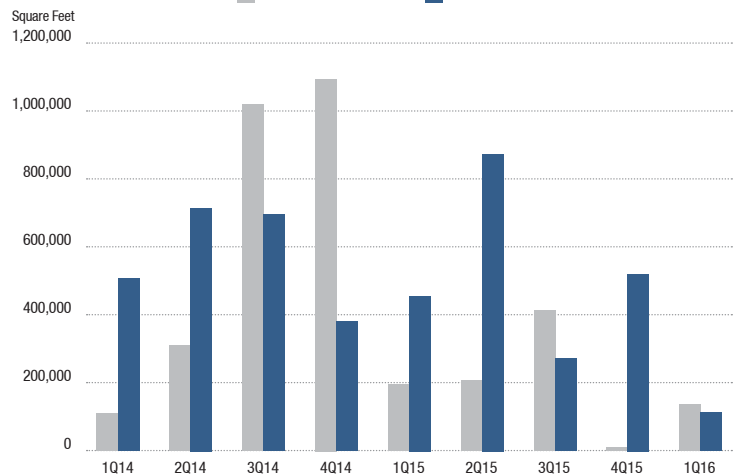
### LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



### SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



### INVENTORY

### VACANCY & LEASE RATES

### ABSORPTION

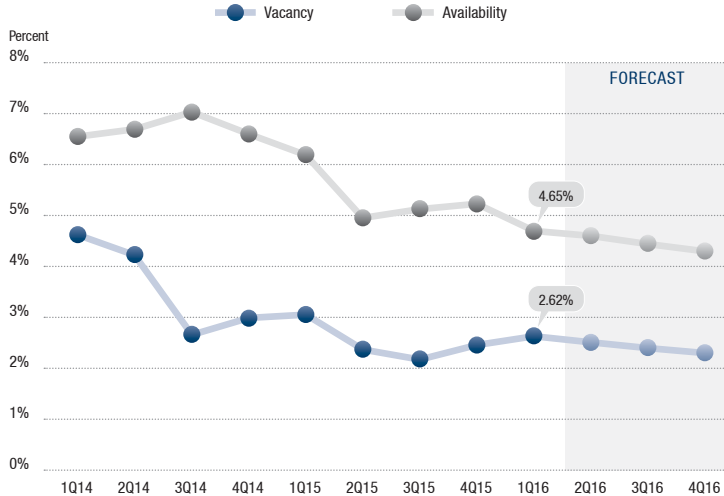
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2016	Square Feet Available	Availability Rate 1Q2016	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2016	Net Absorption 2015	Gross Absorption 1Q2016	Gross Absorption 2015
<b>North Totals</b>														
Less than 9,999	1,309	8,315,831	0	0	85,213	1.02%	188,135	2.26%	\$0.92	\$213.50	(6,656)	11,873	90,725	322,872
10,000-19,999	1,399	19,310,372	0	0	138,699	0.72%	352,904	1.83%	\$1.02	\$190.73	68,830	245,974	202,755	1,105,679
20,000-29,999	520	12,336,782	0	0	114,486	0.93%	237,612	1.93%	\$1.00	\$138.79	5,198	101,126	96,223	668,270
30,000-39,999	224	7,568,264	0	0	122,011	1.61%	230,262	3.04%	\$0.64	\$198.30	2,083	22,337	108,980	311,967
40,000-49,999	131	5,747,380	0	0	58,618	1.02%	182,318	3.17%	\$0.00	\$158.37	(37,454)	158,173	50,739	289,907
50,000-74,999	176	10,551,840	0	0	195,310	1.85%	277,792	2.63%	\$0.54	\$0.00	(51,960)	232,778	175,621	854,667
75,000-99,999	73	6,223,382	0	0	30,557	0.49%	30,557	0.49%	\$0.00	\$150.30	52,864	285,753	175,816	528,392
100,000-149,999	95	11,218,295	0	0	460,400	4.10%	439,249	3.92%	\$0.58	\$182.00	31,418	274,444	87,680	534,558
150,000-199,999	35	5,946,647	0	175,000	282,603	4.75%	450,557	7.58%	\$0.57	\$0.00	217,309	377,642	231,430	925,405
200,000-299,999	38	9,148,724	218,648	406,766	65,583	0.72%	0	0.00%	\$0.00	\$0.00	0	490,253	0	844,998
300,000 Plus	25	14,460,035	367,194	0	441,020	3.05%	1,098,419	7.60%	\$0.62	\$0.00	0	(441,020)	0	0
<b>Total</b>	<b>4,025</b>	<b>110,827,552</b>	<b>585,842</b>	<b>581,766</b>	<b>1,994,500</b>	<b>1.80%</b>	<b>3,487,805</b>	<b>3.15%</b>	<b>\$0.62</b>	<b>\$170.22</b>	<b>281,632</b>	<b>1,759,333</b>	<b>1,219,969</b>	<b>6,386,715</b>

## WEST ORANGE COUNTY

In the first quarter of 2016, the West Orange County industrial market consisted of 1,713 buildings totaling 39,612,801 square feet and had an availability rate of 4.65%, which shows a decrease from the previous quarter's figure of 5.24%.

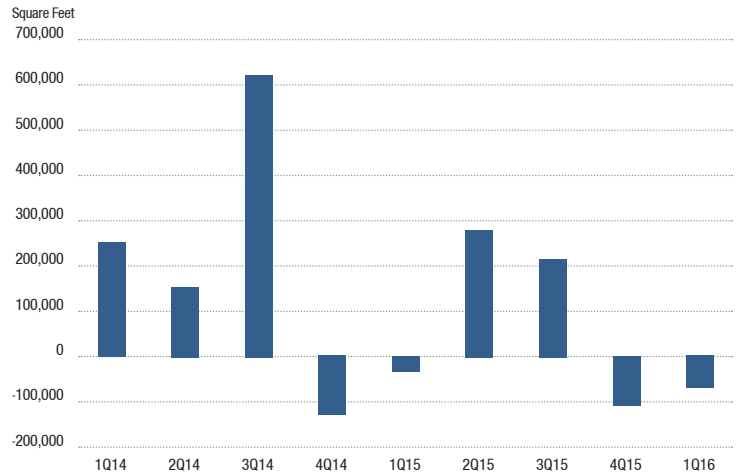
### VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



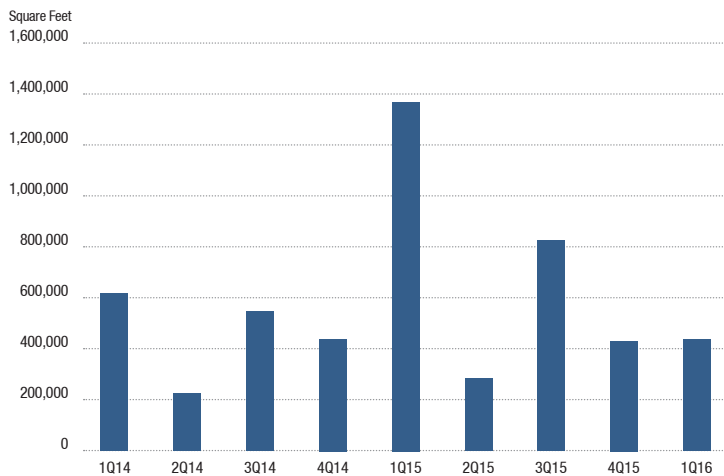
### NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



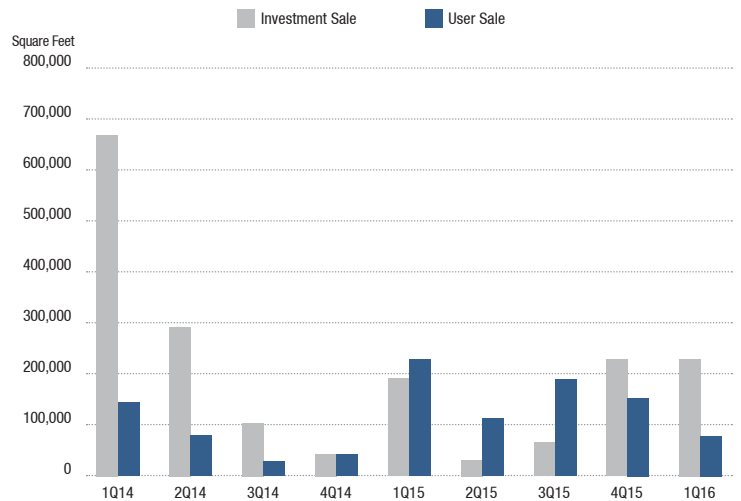
### LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



### SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



### INVENTORY

### VACANCY & LEASE RATES

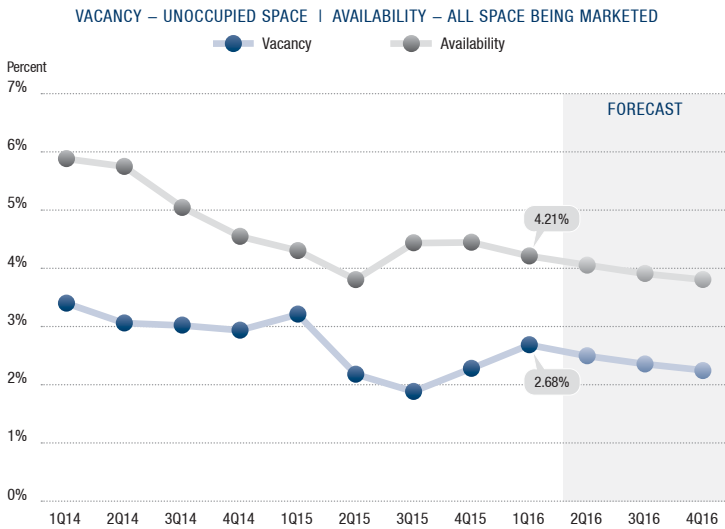
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2016	Square Feet Available	Availability Rate 1Q2016	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2016	Net Absorption 2015	Gross Absorption 1Q2016	Gross Absorption 2015
<b>West Totals</b>	<b>1,713</b>	<b>39,612,801</b>	<b>0</b>	<b>41,868</b>	<b>1,038,955</b>	<b>2.62%</b>	<b>1,840,634</b>	<b>4.65%</b>	<b>\$0.68</b>	<b>\$170.25</b>	<b>(71,734)</b>	<b>350,535</b>	<b>467,216</b>	<b>2,201,267</b>
Less than 9,999	709	4,168,102	0	0	28,517	0.68%	87,264	2.09%	\$0.00	\$226.19	27,422	657	38,458	96,683
10,000–19,999	560	7,433,810	0	0	67,181	0.90%	124,169	1.67%	\$0.00	\$198.09	6,854	115,645	35,153	367,779
20,000–29,999	183	4,386,420	0	0	118,148	2.69%	149,128	3.40%	\$0.75	\$164.90	28,217	(89,683)	59,290	162,583
30,000–39,999	62	2,159,160	0	0	17,430	0.81%	30,484	1.41%	\$0.78	\$0.00	27,268	(28,120)	42,154	68,024
40,000–49,999	50	2,189,544	0	41,868	65,619	3.00%	59,094	2.70%	\$0.00	\$170.46	(6,525)	(49,066)	41,454	50,576
50,000–74,999	58	3,470,146	0	0	200,026	5.76%	297,487	8.57%	\$0.65	\$139.09	(129,844)	46,060	60,730	109,623
75,000–99,999	30	2,563,801	0	0	0	0.00%	213,173	8.31%	\$0.73	\$175.00	0	217,320	0	217,320
100,000–149,999	26	3,071,141	0	0	168,212	5.48%	371,445	12.09%	\$0.65	\$151.02	15,294	215,627	155,397	424,053
150,000–199,999	14	2,325,115	0	0	373,822	16.08%	198,772	8.55%	\$0.63	\$0.00	(40,420)	(100,793)	34,580	223,727
200,000–299,999	13	3,131,860	0	0	0	0.00%	208,000	6.64%	\$0.75	\$0.00	0	22,888	0	296,221
300,000 Plus	8	4,713,702	0	0	0	0.00%	101,618	2.16%	\$0.57	\$0.00	0	0	0	184,678

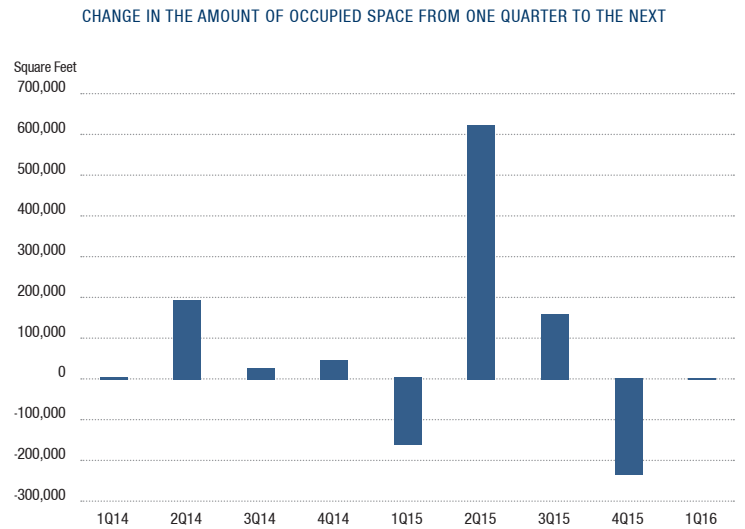
AIRPORT AREA

In the first quarter of 2016, the Airport Orange County industrial market consisted of 2,658 buildings totaling 59,191,235 square feet and had an availability rate of 4.21%, which shows a decrease from the previous quarter's figure of 4.46%.

VACANCY & AVAILABILITY RATE

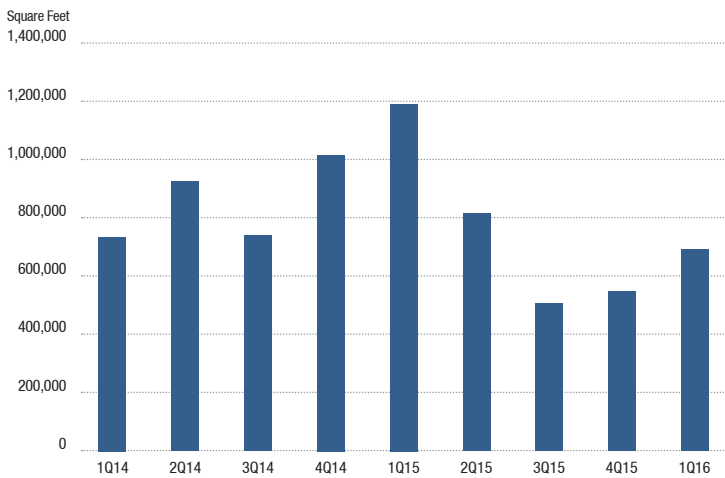


NET ABSORPTION



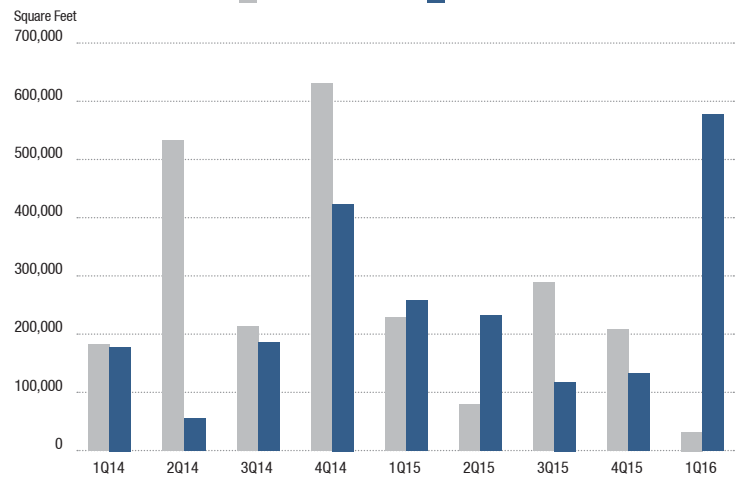
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



INVENTORY

VACANCY & LEASE RATES

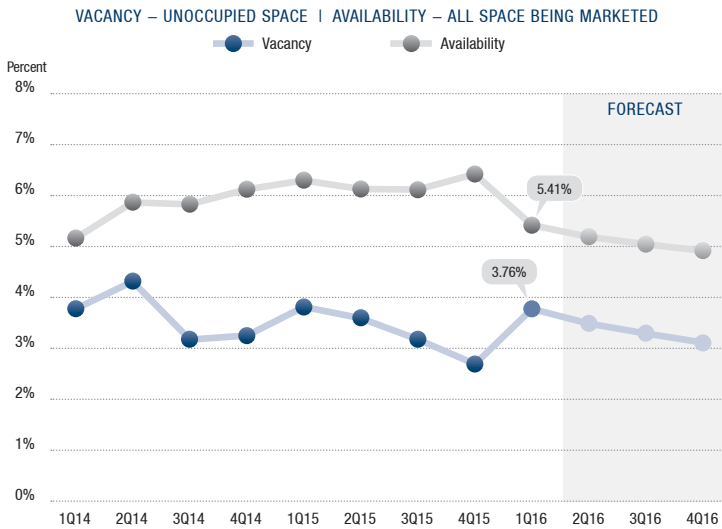
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2016	Square Feet Available	Availability Rate 1Q2016	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2016	Net Absorption 2015	Gross Absorption 1Q2016	Gross Absorption 2015
<b>Airport Totals</b>														
Less than 9,999	931	5,338,541	0	0	48,903	0.92%	83,238	1.56%	\$0.95	\$260.01	(24,960)	6,198	20,680	162,158
10,000-19,999	901	12,603,150	0	0	134,968	1.07%	297,919	2.36%	\$0.88	\$309.69	(9,200)	52,478	134,357	722,159
20,000-29,999	350	8,327,510	0	0	155,550	1.87%	248,341	2.98%	\$0.78	\$189.68	(7,795)	41,718	61,989	389,291
30,000-39,999	156	5,286,242	0	73,200	179,962	3.40%	178,815	3.38%	\$0.88	\$218.08	(63,482)	4,199	35,920	162,075
40,000-49,999	86	3,759,201	0	0	54,944	1.46%	55,220	1.47%	\$0.59	\$200.72	(6,845)	154,561	38,496	297,613
50,000-74,999	106	6,425,424	0	0	91,121	1.42%	170,483	2.65%	\$0.75	\$139.93	60,649	130,848	123,387	355,189
75,000-99,999	52	4,475,716	0	0	244,350	5.46%	323,092	7.22%	\$0.73	\$195.00	(79,547)	(38,743)	23,527	264,918
100,000-149,999	45	5,182,322	0	0	65,000	1.25%	316,487	6.11%	\$0.66	\$0.00	134,000	123,454	256,060	449,546
150,000-199,999	12	2,052,735	0	0	159,163	7.75%	328,437	16.00%	\$0.71	\$206.77	0	0	0	0
200,000-299,999	10	2,459,389	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
300,000 Plus	9	3,281,005	0	0	452,817	13.80%	489,342	14.91%	\$0.45	\$0.00	0	(81,731)	0	514,183
<b>Total</b>	<b>2,658</b>	<b>59,191,235</b>	<b>0</b>	<b>73,200</b>	<b>1,586,778</b>	<b>2.68%</b>	<b>2,491,374</b>	<b>4.21%</b>	<b>\$0.71</b>	<b>\$212.71</b>	<b>2,820</b>	<b>392,982</b>	<b>694,416</b>	<b>3,317,132</b>

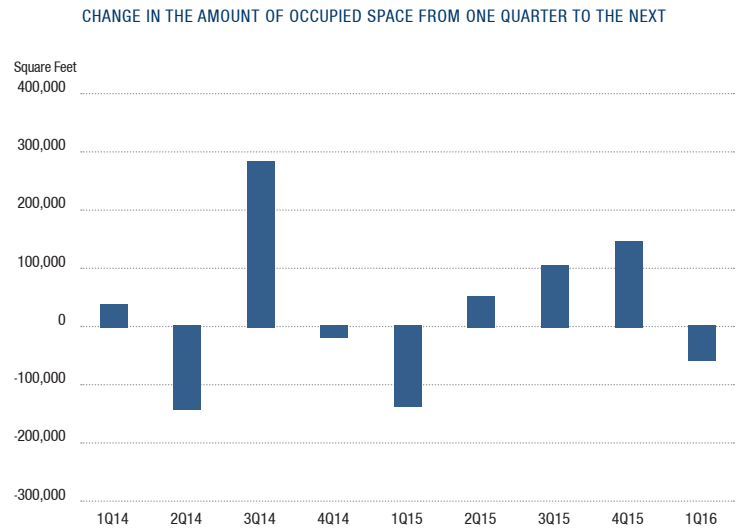
## SOUTH ORANGE COUNTY

In the first quarter of 2016, the South Orange County industrial market consisted of 941 buildings totaling 24,526,759 square feet and had an availability rate of 5.41%, which shows a decrease from the previous quarter's figure of 6.42%.

### VACANCY & AVAILABILITY RATE

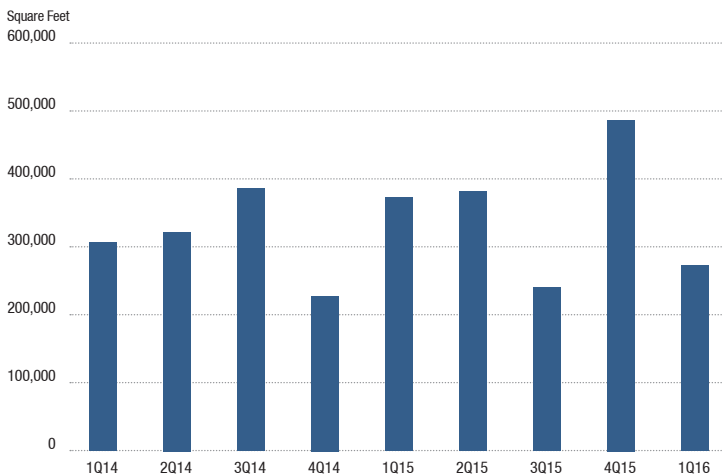


### NET ABSORPTION



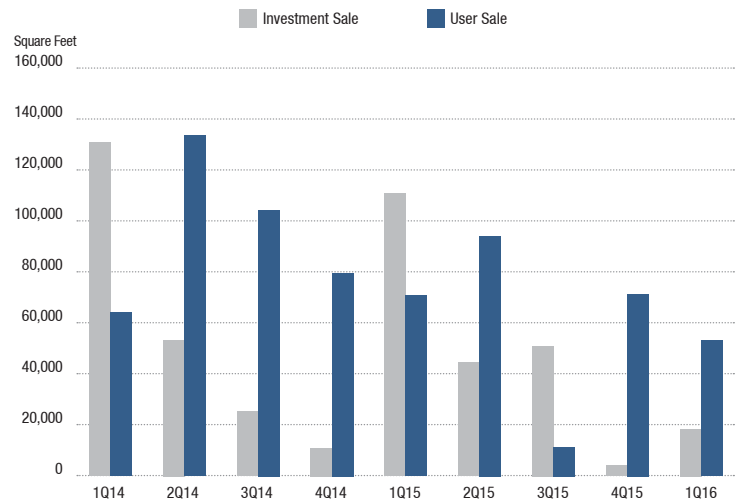
### LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



### SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



### INVENTORY

### VACANCY & LEASE RATES

### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2016	Square Feet Available	Availability Rate 1Q2016	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2016	Net Absorption 2015	Gross Absorption 1Q2016	Gross Absorption 2015
<b>South Totals</b>														
Less than 9,999	356	2,239,613	0	0	29,145	1.30%	79,820	3.56%	\$1.17	\$279.13	4,008	3,865	26,301	85,793
10,000–19,999	285	4,117,780	0	0	59,337	1.44%	157,924	3.84%	\$1.10	\$228.14	15,737	27,394	61,611	344,450
20,000–29,999	136	3,239,180	0	0	50,077	1.55%	189,249	5.84%	\$0.84	\$241.64	28,501	45,649	70,327	196,081
30,000–39,999	46	1,554,376	0	0	0	0.00%	76,968	4.95%	\$0.87	\$218.29	49,570	7,814	49,570	97,093
40,000–49,999	27	1,210,061	0	0	40,140	3.32%	46,018	3.80%	\$0.89	\$299.00	0	(33,096)	0	66,082
50,000–74,999	34	2,045,715	0	0	0	0.00%	76,925	3.76%	\$0.80	\$227.00	25,228	61,050	25,228	126,237
75,000–99,999	13	1,134,166	0	0	83,640	7.37%	83,640	7.37%	\$0.79	\$195.00	0	121,461	0	121,461
100,000–149,999	20	2,402,364	0	0	456,817	19.02%	414,817	17.27%	\$0.73	\$0.00	10,004	(143,118)	12,004	109,909
150,000–199,999	8	1,340,541	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	92,801	0	92,801
200,000–299,999	8	1,730,363	0	0	203,231	11.74%	72,501	4.19%	\$0.75	\$0.00	(192,431)	(10,800)	33,286	0
300,000 Plus	8	3,512,600	0	0	0	0.00%	130,209	3.71%	\$0.00	\$0.00	0	0	0	0
<b>Total</b>	<b>941</b>	<b>24,526,759</b>	<b>0</b>	<b>0</b>	<b>922,387</b>	<b>3.76%</b>	<b>1,328,071</b>	<b>5.41%</b>	<b>\$0.86</b>	<b>\$240.18</b>	<b>(59,383)</b>	<b>173,020</b>	<b>278,327</b>	<b>1,239,907</b>

## MAJOR TRANSACTIONS

### Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
2001–2005 E. Dyer Rd.	Airport Area	366,629	\$150.02	Heritage Village OC, LLC	Dyer 18, LLC
27635 Forbes Rd. (4 Properties)	South County	67,415	\$326.34	Alliance Residential Company	Walbern Development
17311 Nichols Ln.	West County	114,912	\$148.81	Rexford Industrial	CT Realty Investors
17353 Derian Ave.	Airport Area	78,727	\$149.90	Group Effort 6, LLC	MDD Partners
3560 Cadillac Ave.	Airport Area	42,365	\$170.19	Endural, LLC	Prothane

### Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
5701 Skylab Rd.	West County	280,460	Mar-2016	C&D Zodiac, Inc.	Prologis
1151–1153 N. Ocean Cir.	North County	207,074	Jan-2016	L&L Foods	Panattoni Development Company
701 Burning Tree Rd.	North County	156,096	Mar-2016	Brentwood Home, LLC	SFERS Real Estate Corporation
1505 E. Warner Ave. (Renewal)	Airport Area	134,792	Feb-2016	County of Orange	Leed Warner, LLC
3441 W. MacArthur Blvd. (Renewal)	Airport Area	122,060	Mar-2016	Towne AllPoints, Inc.	Rexford Industrial

## SUBMARKETS

### NORTH

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

### WEST

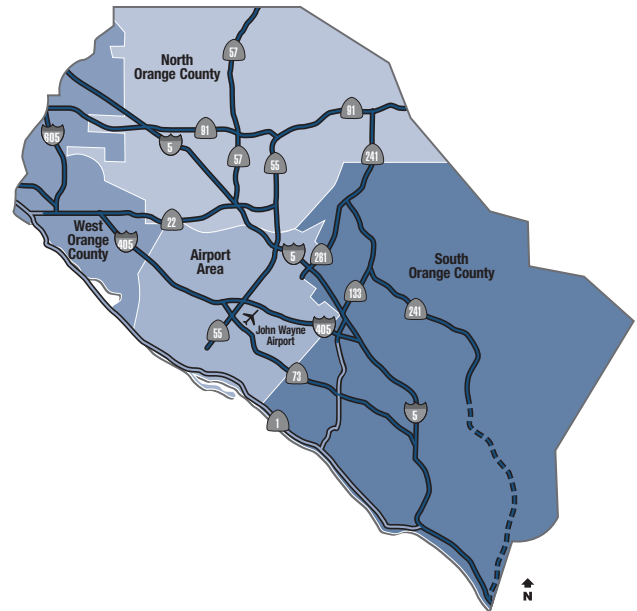
Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Seal Beach, Stanton and Westminster

### 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



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