

SECOND QUARTER 2016 ORANGE COUNTY INDUSTRIAL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to Previous Quarter:

Vacancy



UP

Net Absorption

NEGATIVE



Sales Price



UP

Lease Rates



UP

Transactions



DOWN

HIGHLIGHTS

- Steady Growth** - Orange County's industrial market continues its positive momentum, marked by increased tenant/buyer demand amid historically limited supply. Orange County's diverse economy and industrial base are well positioned as we enter the second half of the year. Tenants in the aerospace, logistics, food/beverage, apparel, healthcare and technology sectors continued to make sizeable space commitments this quarter to support their expanding businesses while real estate investors, both public and private, compete with one another to acquire industrial assets in search of yield. This surge of activity by both owners and occupiers in this low interest rate environment has resulted in the rapid increase of both lease rates and sale prices. Aside from large industrial development projects in the submarkets of Brea and Anaheim, there has been very little new product being introduced to the market over the past several quarters to satisfy the ever increasing demand. High land prices and rising development/construction costs make new development of industrial product extremely difficult, particularly in a market where traditional industrial land is being converted to higher and better uses like high density residential and hospitality. Creativity, patience and repurposing of functionally obsolete product will continue to be rewarded in the coming quarters as motivated tenants and buyers search for functional alternatives.
- Construction** - There was 41,668 square feet under construction at the end of the second quarter with another 959,683 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 featuring higher ceilings, expanded truck courts and more efficient fire suppression systems. Although OC has traditionally been a smaller building market, most of new construction today caters to larger users above 100,000 square feet, where quality options are even scarcer. In Brea a 367,194 square foot building was recently completed and is now 35% leased to Atosa Catering Equipment. This is one of the largest buildings built in the area since 2010 as companies continue to target larger assets where they can consolidate multiple functions under one roof. With land costs now cresting \$40 per square foot, gone are the days of developers building new industrial condos and small building projects given the limited site coverage and increased costs associated these units.
- Vacancy** - The Orange County vacancy rate for industrial increased slightly in the second quarter to 2.57%, but still lower than the 2.69% vacancy rate posted at this time last year. This slight increase is the first time in six years where the vacancy rate has actually moved up. Landlords will continue to have leverage in this competitive market resulting in higher lease rates and fewer concessions. As a tenant, limited choices will result in longer timeframes for expansions or relocations and "off market" transactions will become more common. Tenants will need to give themselves ample time prior to their lease expiration so that an informed decision can be made.
- Availability** - Direct/sublease space being marketed came in at 4.01% for the second quarter of 2016, a slight decrease of 16 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 to climb, a trend we have been witnessing since 2011. The average asking triple-net lease rate checked in at \$0.75 NNN per square foot per month, up four cents from the previous quarter and up ten cents (or 15.38%) over 2015's second quarter figure. Expect this rent spike to continue.
- Sales Pricing** - The Orange County industrial market's average asking price at the end of the second quarter 2016 came in at \$201.82; this is an average from 1,000 square feet and above and prices vary greatly depending on the size of the building.

This is an increase of 5.19% over the previous quarter and a 10.25% increase over a year ago second quarter 2015. This is somewhat misleading, as several quality properties have traded before hitting the market at record high pricing, while a portion of the listed inventory is of a lesser quality. Despite some resistance to record prices and a select number of buyers temporarily hitting the "pause" button in the midst of a puzzling global economy, expect both sale activity and pricing to increase in the coming quarters. Pricing is expected to increase at a more modest level, but with interest rates expected to remain low, overall occupancy costs will remain favorable. 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 negative 82,705 square feet in the second quarter 2016, giving the industrial market in Orange County a total of more than 4.49 million square feet of positive absorption for the past nine quarters. North County experienced the most substantial level of absorption in the second quarter with more than 235,384 square feet in positive absorption. This is primarily driven by three larger tenants making substantial commitments: Nelson Nutraceutical (107,000 square feet), L&L Foods (207,000 square feet) and Atosa Catering (126,000 square feet).
- Transaction Activity** - Orange County's leasing activity in the second quarter totaled 3.8 million square feet, a 13.51% year-over-year increase in activity, which was led by significant expansion in the logistics, professional/business services, and food/beverage industries. Sales activity in the second quarter of 2016 experienced a slowdown as compared to year ago, as we continue to see the effects of limited supply negatively impacting transaction activity. In the second quarter of 2016, 1.09 million square feet of overall sales activity was recorded as opposed to the 1.66 million in second quarter 2015 and 1.42 million square feet in the first quarter 2016. Major transactions for the second quarter include Nelson Nutraceutical lease of 107,000 square feet at 1204 N. Miller Street in Anaheim, FormDecor's, Inc. lease of 101,618 square feet at 5600 Argosy Circle in Huntington Beach, and Liquid Graphic's lease of 97,500 square feet at 2701 S. Harbor Boulevard in Santa Ana. A portfolio of 9 industrial assets traded between CT Realty Investors and Rexford Industrial Realty, concentrated primarily in Orange County, for \$191 million. Major asset sales or portfolio sales will continue to be a trend in this market as owners look to monetize their assets at record low cap rates, resulting in high exit pricing.
- Employment** - The unemployment rate in Orange County was 3.6% in May 2016, down from a revised 3.9% in April 2016, and below the year-ago estimate of 4.3%. This compares with an unadjusted unemployment rate of 4.7% for California and 4.5% for the nation during the same period. Construction posted the largest gain over the year with the addition of 14,700 jobs; other gains were noted in transportation and utilities (up 6,000 jobs), and specialty trade contractors accounted for 72% of the growth.
- Overall** - Overall the Orange County industrial market is as healthy as it has ever been, despite the steep barriers to entry. As demand remains consistent among a diverse pool of tenants and buyers, vacancy rates will remain low and rents and sale prices will stay high. Creative investors who have the resources to reposition industrial assets to improve their function should realize healthy returns for the next several quarters. For investors, expect this market to be even more competitive as the flow of investment capital from the private sector, as well as life insurance companies, REITS and pension funds, continues to target Southern California. The industrial market in Orange County should also benefit from the growth of e-commerce, particularly the "last mile delivery" as retailers aim to have satellite distribution centers near major population clusters like Orange County.

FORECAST

- Lease Rates** - Anticipate asking rents to increase to an annualized average of 6% to reach a level of \$0.79 per square foot by the end of the first quarter of 2017.
- Vacancy** - With limited new product coming online and tenants electing to recommit or renew in larger blocks of space, expect vacancy rates to remain below 3% for the balance of 2016.
- Overall** - While it remains to be seen how the recently announced "BREXIT" will impact our local industrial market, we expect US commercial real estate to continue to be a "safe haven" for investors. With this added level of uncertainty to an already puzzling global economy, the risk of any interest rate hikes in the near term seems very low which bodes well for both investors and occupiers of warehouse space.

OVERVIEW

	2Q16	1Q16	2Q15	% of Change vs. 2Q15
Vacancy Rate	2.57%	2.25%	2.69%	(4.46%)
Availability Rate	4.01%	4.17%	4.40%	(8.86%)
Average Asking Lease Rate	\$0.75	\$0.71	\$0.65	15.38%
Average Asking Sale Price	\$201.82	\$191.86	\$183.06	10.25%
Sale & Lease Transactions	4,901,452	5,929,935	5,018,097	(2.32%)
Gross Absorption	2,573,358	2,613,174	4,604,833	(44.12%)
Net Absorption	(82,705)	163,887	1,531,213	N/A

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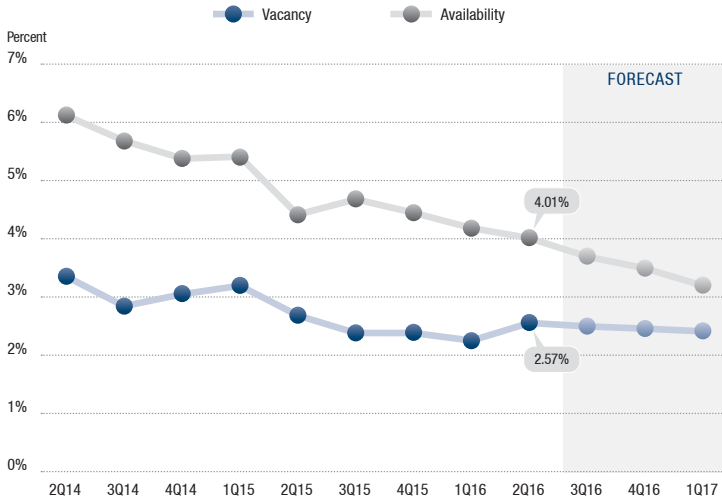
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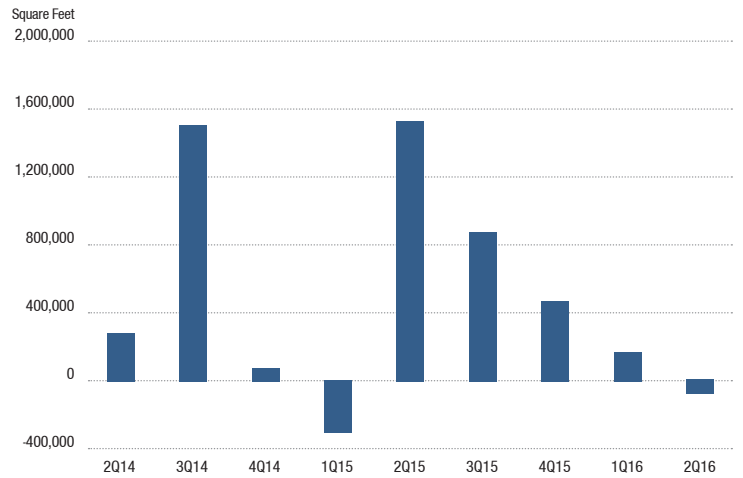
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



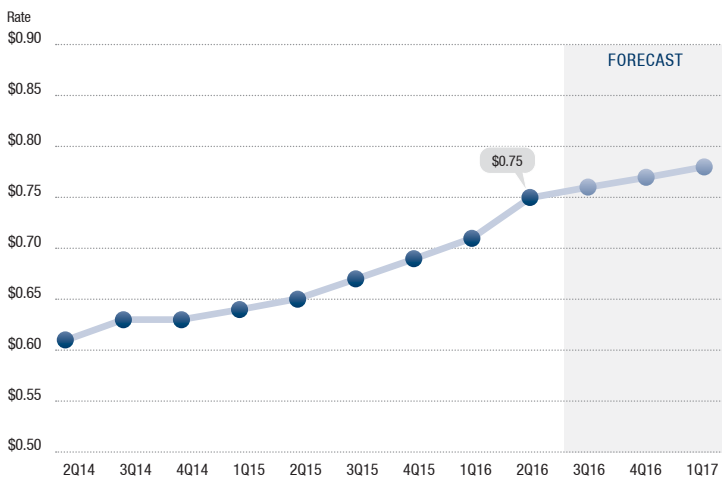
NET ABSORPTION

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



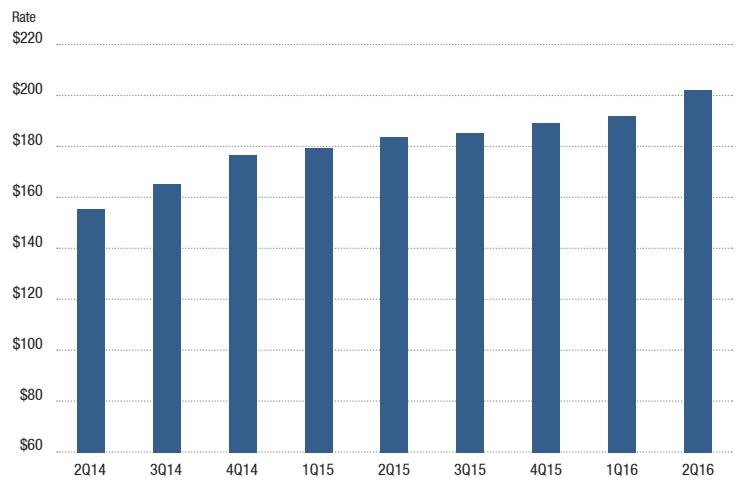
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY BASE RENT ON A PER SQ. FT. BASIS



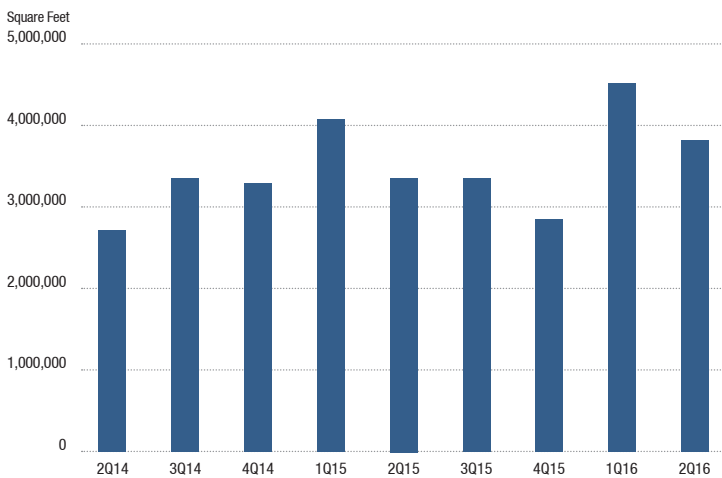
WEIGHTED AVERAGE ASKING SALES RATES

SALES PRICE ON A PER SQ. FT. BASIS



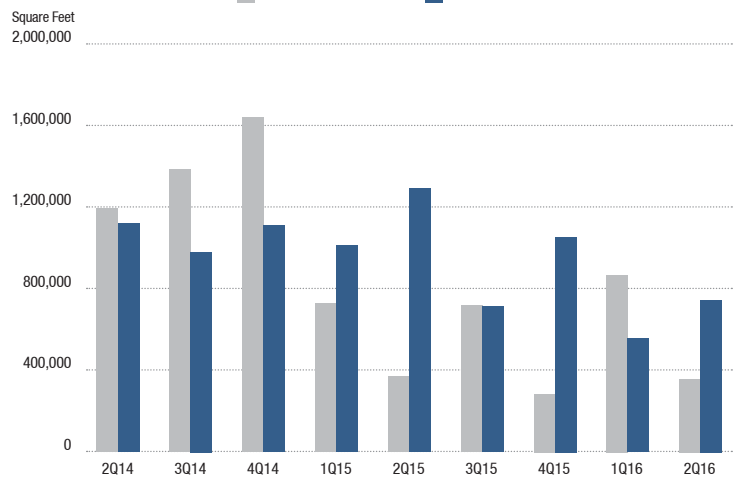
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



SALES TRANSACTIONS

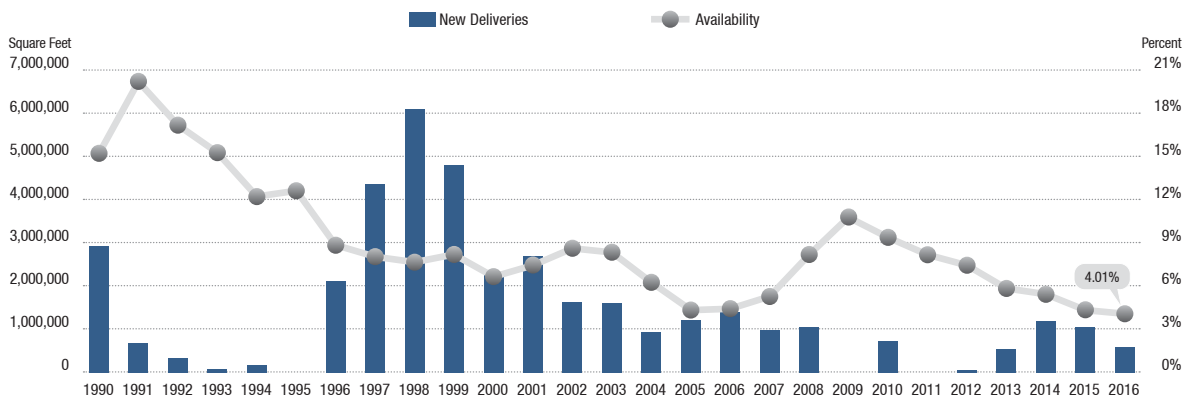
TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2016	Square Feet Available	Availability Rate 2Q2016	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2016	Net Absorption 2016	Gross Absorption 2Q2016	Gross Absorption 2016
North County														
Anaheim	1,822	44,312,836	0	406,766	689,303	1.56%	1,049,673	2.37%	\$0.80	\$187.58	230,490	569,786	633,182	1,314,871
Brea	328	11,854,569	0	218,648	392,883	3.31%	543,712	4.59%	\$0.68	\$208.92	42,523	(2,897)	55,744	192,872
Buena Park	231	13,531,439	0	0	152,867	1.13%	266,436	1.97%	\$0.00	\$152.32	22,959	(1,686)	78,552	183,949
Fullerton	444	19,116,232	0	181,069	723,251	3.78%	1,019,949	5.34%	\$0.61	\$126.43	(91,718)	(148,604)	107,356	173,405
La Habra	196	3,509,001	0	15,000	70,474	2.01%	99,144	2.83%	\$0.00	\$223.68	(15,850)	(26,502)	17,519	22,857
Orange	736	13,559,391	0	0	94,887	0.70%	166,870	1.23%	\$0.77	\$212.11	36,912	83,034	99,292	214,294
Placentia	219	4,084,388	0	0	3,403	0.08%	103,118	2.52%	\$0.00	\$196.13	6,170	55,835	54,905	118,994
Yorba Linda	51	982,567	0	0	0	0.00%	6,315	0.64%	\$0.00	\$136.26	3,898	950	10,188	10,188
North County Total	4,027	110,950,423	0	821,483	2,127,064	1.92%	3,255,217	2.93%	\$0.66	\$177.04	235,384	529,916	1,056,738	2,231,430
West County														
Cypress	96	4,198,819	0	0	338,336	8.06%	688,684	16.40%	\$0.00	\$164.55	(178,333)	(95,877)	0	82,456
Garden Grove	478	12,022,315	0	0	175,290	1.46%	574,535	4.78%	\$0.74	\$158.90	35,545	21,243	302,094	401,817
Huntington Beach	681	14,167,463	41,668	0	412,074	2.91%	426,823	3.01%	\$0.74	\$207.40	37,856	(47,753)	183,175	415,773
La Palma	16	1,774,689	0	0	145,200	8.18%	70,200	3.96%	\$0.00	\$0.00	18,846	(33,266)	18,846	41,734
Los Alamitos	97	2,396,763	0	0	8,860	0.37%	42,944	1.79%	\$0.00	\$220.00	(6,512)	(5,392)	3,788	5,888
Seal Beach	15	997,866	0	0	0	0.00%	67,667	6.78%	\$0.75	\$0.00	0	0	0	0
Stanton	174	1,792,555	0	0	25,053	1.40%	25,453	1.42%	\$0.00	\$209.91	(25,053)	(25,053)	0	0
Westminster	153	2,348,467	0	0	56,551	2.41%	9,236	0.39%	\$0.00	\$0.00	(4,758)	(10,393)	36,151	61,254
West County Total	1,710	39,698,937	41,668	0	1,161,364	2.93%	1,905,542	4.80%	\$0.74	\$179.27	(122,409)	(196,491)	544,054	1,008,922
Airport Area														
Costa Mesa	416	7,486,107	0	0	361,425	4.83%	456,773	6.10%	\$1.05	\$291.99	23,412	(32,711)	80,470	152,030
Fountain Valley	186	3,876,111	0	73,200	133,544	3.45%	14,257	0.37%	\$0.85	\$0.00	(1,587)	67,996	86,047	233,656
Irvine	319	12,551,876	0	50,000	417,569	3.33%	645,203	5.14%	\$0.81	\$261.32	(40,527)	15,356	137,415	243,898
Newport Beach	49	565,910	0	0	2,500	0.44%	5,000	0.88%	\$0.00	\$0.00	(1,174)	(1,873)	1,326	1,326
Santa Ana	1,575	30,513,867	0	0	712,068	2.33%	1,456,017	4.77%	\$0.74	\$194.08	74,530	90,157	383,363	685,266
Tustin	114	4,527,114	0	0	285,390	6.30%	332,455	7.34%	\$0.75	\$215.96	(133,272)	(214,723)	63,140	130,872
Airport Area Total	2,659	59,520,985	0	123,200	1,912,496	3.21%	2,909,705	4.89%	\$0.78	\$218.36	(78,618)	(75,798)	751,761	1,447,048
South County														
Aliso Viejo	17	668,427	0	0	21,607	3.23%	6,000	0.90%	\$1.90	\$0.00	(21,607)	(1,427)	0	20,180
Foothill Ranch	68	3,569,110	0	0	379,954	10.65%	286,973	8.04%	\$0.82	\$0.00	(130,209)	(310,096)	0	23,344
Irvine Spectrum	207	9,740,800	0	0	143,111	1.47%	499,044	5.12%	\$0.91	\$271.34	10,766	62,887	46,864	98,985
Laguna Hills	102	1,251,863	0	15,000	39,074	3.12%	45,580	3.64%	\$0.80	\$239.91	(16,667)	8,476	19,117	60,979
Laguna Niguel	21	299,273	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	1,600	0	1,600
Lake Forest	188	4,086,729	0	0	187,618	4.59%	317,981	7.78%	\$0.87	\$214.42	71,512	73,844	118,640	166,150
Mission Viejo	32	501,589	0	0	3,465	0.69%	6,934	1.38%	\$1.10	\$189.00	1,200	3,810	1,200	23,467
Rancho Santa Margarita	102	1,608,122	0	0	9,020	0.56%	30,975	1.93%	\$0.99	\$320.00	(7,970)	(7,970)	7,970	7,970
San Clemente	158	1,976,207	0	0	50,048	2.53%	141,037	7.14%	\$0.00	\$215.40	(33,690)	(17,172)	17,411	71,854
San Juan Capistrano	43	915,020	0	0	0	0.00%	15,794	1.73%	\$0.00	\$324.66	9,603	9,603	9,603	24,603
South County Total	938	24,617,140	0	15,000	833,897	3.39%	1,350,318	5.49%	\$0.89	\$240.75	(117,062)	(176,445)	220,805	499,132
Orange County Total	9,334	234,787,485	41,668	959,683	6,034,821	2.57%	9,420,782	4.01%	\$0.75	\$201.82	(82,705)	81,182	2,573,358	5,186,532
Less than 9,999	3,302	20,017,382	0	0	203,404	1.02%	396,649	1.98%	\$1.07	\$246.90	(11,626)	(11,812)	168,279	345,316
10,000-19,999	3,144	43,447,972	0	30,000	521,111	1.20%	1,105,739	2.54%	\$1.20	\$225.35	(84,947)	(2,755)	414,287	848,163
20,000-29,999	1,189	28,246,003	0	0	422,216	1.49%	1,010,745	3.58%	\$0.91	\$187.28	4,920	71,941	332,799	620,628
30,000-39,999	488	16,576,696	0	73,200	290,308	1.75%	601,868	3.63%	\$0.83	\$219.25	29,095	42,186	203,486	437,762
40,000-49,999	293	12,854,346	41,668	0	213,468	1.66%	247,179	1.92%	\$0.78	\$223.00	5,853	(44,971)	99,645	185,055
50,000-74,999	375	22,561,317	0	50,000	354,436	1.57%	1,030,678	4.57%	\$0.74	\$152.56	132,021	36,094	262,926	647,892
75,000-99,999	166	14,239,585	0	0	434,559	3.05%	922,615	6.48%	\$0.75	\$165.97	(76,012)	(102,665)	48,896	248,239
100,000-149,999	186	21,837,912	0	0	943,187	4.32%	1,135,526	5.20%	\$0.71	\$169.04	(75,310)	115,406	495,147	1,006,288
150,000-199,999	69	11,665,038	0	181,069	619,518	5.31%	486,210	4.17%	\$0.66	\$206.77	196,070	372,958	202,070	468,080
200,000-299,999	70	16,666,412	0	625,414	203,231	1.22%	484,815	2.91%	\$0.75	\$0.00	65,583	(126,848)	198,424	231,710
300,000 Plus	52	26,674,822	0	0	1,829,383	6.86%	1,998,758	7.49%	\$0.64	\$0.00	(268,352)	(268,352)	147,399	147,399
Orange County Total	9,334	234,787,485	41,668	959,683	6,034,821	2.57%	9,420,782	4.01%	\$0.75	\$201.82	(82,705)	81,182	2,573,358	5,186,532

Lease rates are on a triple-net basis.

ANNUAL NEW DELIVERIES VS. AVAILABILITY RATE

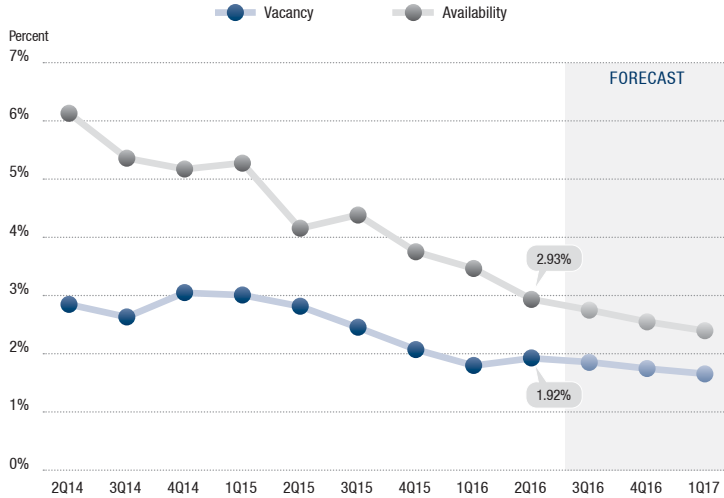


NORTH ORANGE COUNTY

In the second quarter of 2016, the North Orange County industrial market consisted of 4,027 buildings totaling 110,950,423 square feet and had an availability rate of 2.93%, which shows a decrease from the previous quarter's figure of 3.47%.

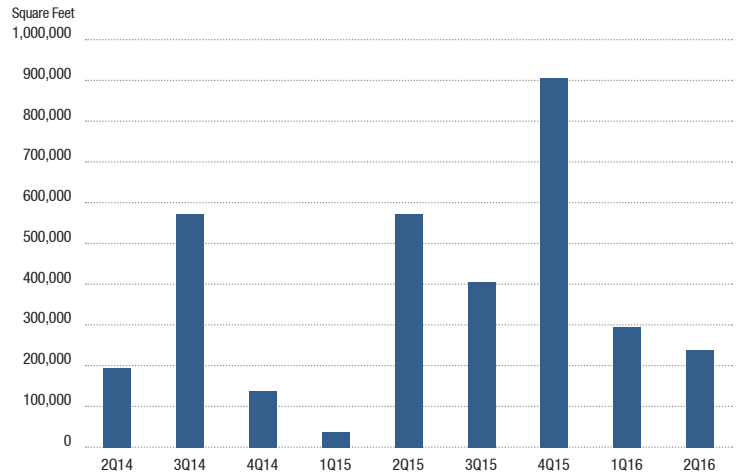
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



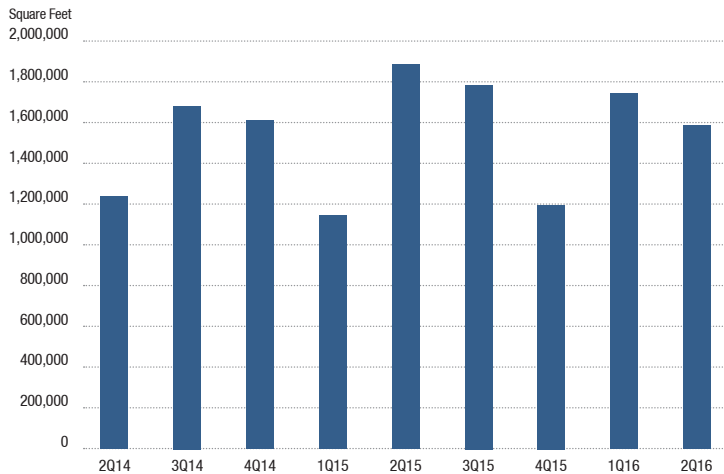
NET ABSORPTION

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



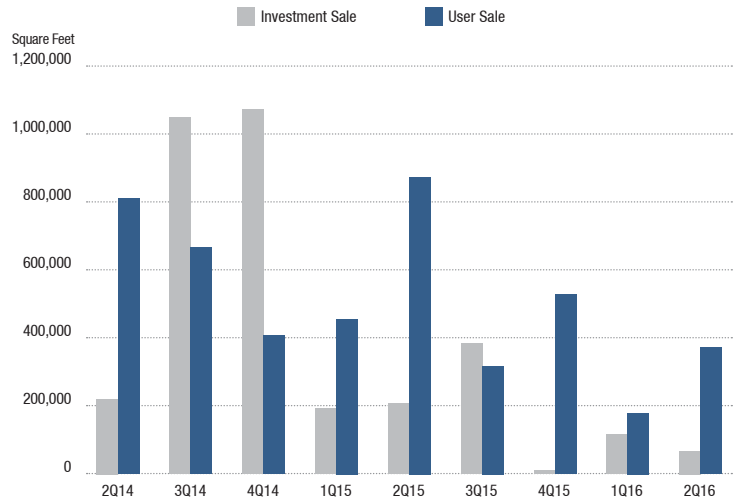
LEASE TRANSACTIONS

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

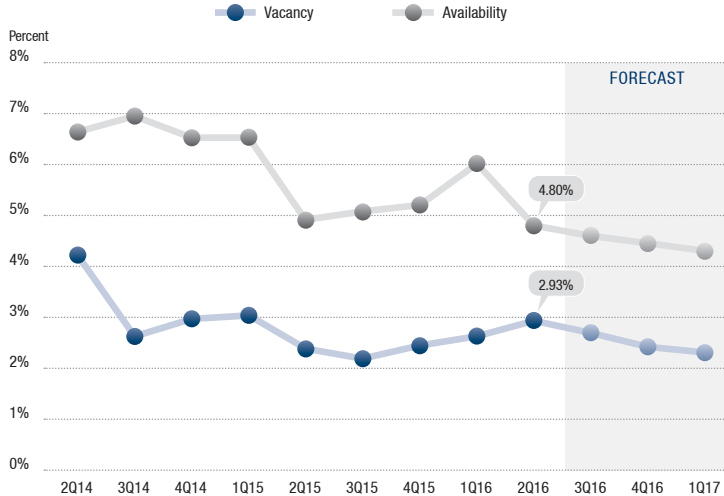
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2016	Square Feet Available	Availability Rate 2Q2016	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2016	Net Absorption 2016	Gross Absorption 2Q2016	Gross Absorption 2016
North Totals														
Less than 9,999	1,313	8,341,264	0	0	105,461	1.26%	198,289	2.38%	\$0.77	\$214.74	(20,248)	(26,904)	77,124	167,851
10,000-19,999	1,399	19,317,690	0	15,000	189,620	0.98%	433,209	2.24%	\$1.02	\$203.75	(27,042)	41,759	150,011	352,766
20,000-29,999	519	12,311,871	0	0	122,199	0.99%	299,952	2.44%	\$1.00	\$168.98	(18,838)	(740)	123,174	219,397
30,000-39,999	224	7,568,264	0	0	99,632	1.32%	198,457	2.62%	\$0.77	\$186.03	22,379	24,462	71,697	180,677
40,000-49,999	131	5,743,540	0	0	64,064	1.12%	162,804	2.83%	\$0.65	\$215.00	(5,446)	(42,900)	47,944	53,404
50,000-74,999	177	10,618,142	0	0	157,510	1.48%	244,036	2.30%	\$0.00	\$121.85	37,800	(14,160)	37,800	213,421
75,000-99,999	71	6,047,266	0	0	33,707	0.56%	131,740	2.18%	\$0.67	\$143.17	(3,150)	49,744	0	175,816
100,000-149,999	94	11,079,786	0	0	350,254	3.16%	554,179	5.00%	\$0.00	\$182.00	98,146	129,564	249,806	337,486
150,000-199,999	35	5,946,647	0	181,069	196,403	3.30%	140,936	2.37%	\$0.57	\$0.00	86,200	303,508	86,200	317,630
200,000-299,999	38	9,148,724	0	625,414	0	0.00%	0	0.00%	\$0.00	\$0.00	65,583	65,583	65,583	65,583
300,000 Plus	26	14,827,229	0	0	808,214	5.45%	891,615	6.01%	\$0.64	\$0.00	0	0	147,399	147,399
Total	4,027	110,950,423	0	821,483	2,127,064	1.92%	3,255,217	2.93%	\$0.66	\$177.04	235,384	529,916	1,056,738	2,231,430

WEST ORANGE COUNTY

In the second quarter of 2016, the West Orange County industrial market consisted of 1,710 buildings totaling 39,698,937 square feet and had an availability rate of 4.80%, which shows a decrease from the previous quarter's figure of 6.01%.

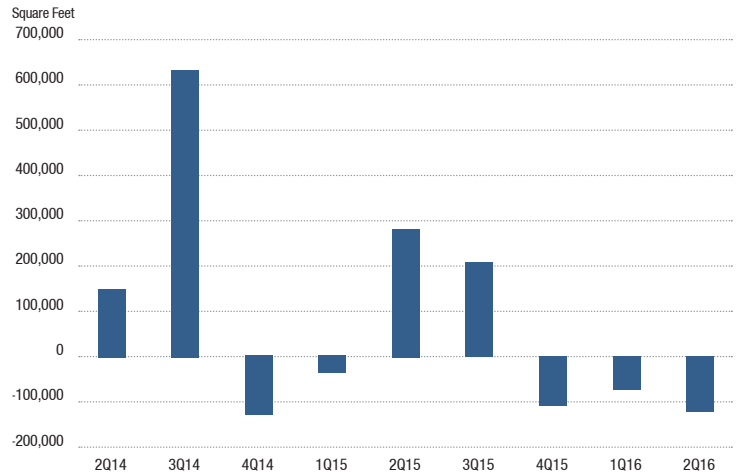
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



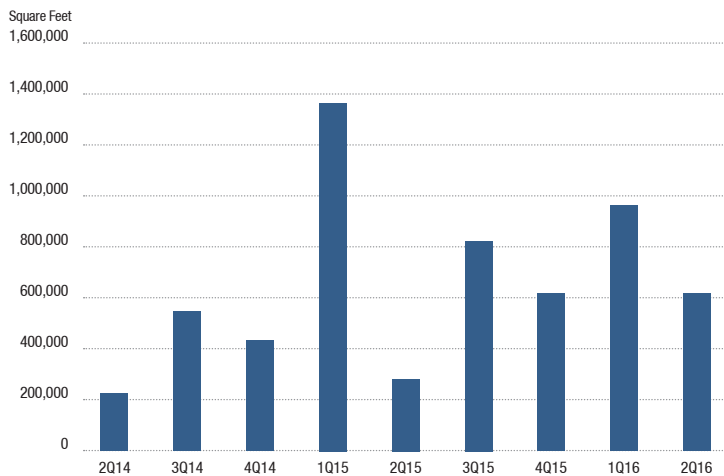
NET ABSORPTION

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



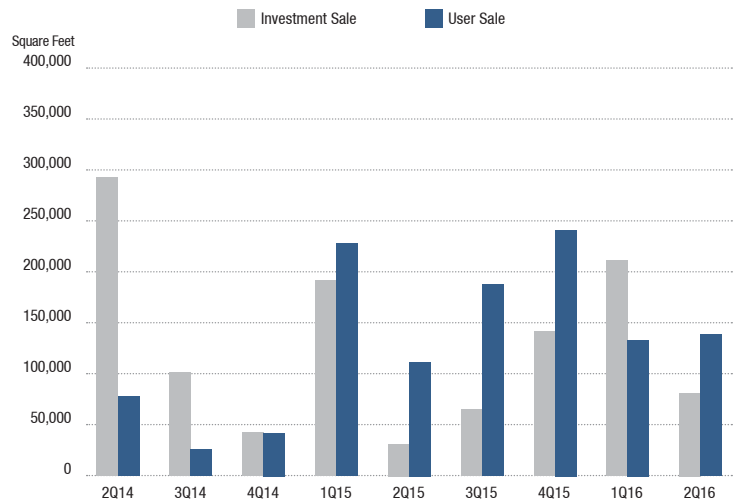
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



INVENTORY

VACANCY & LEASE RATES

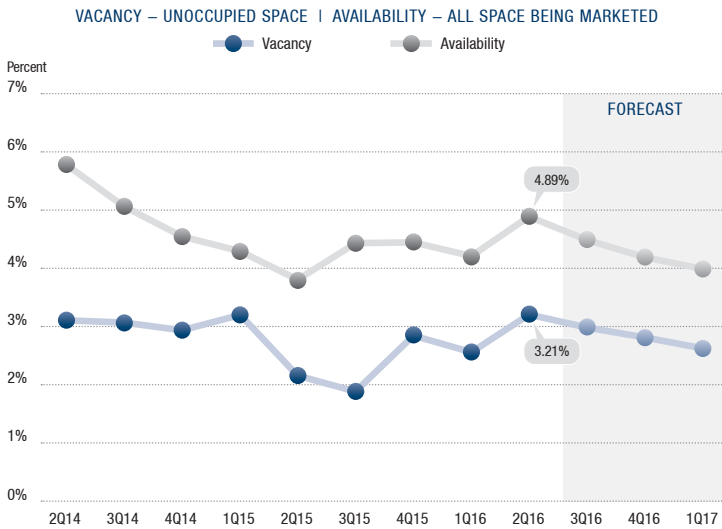
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2016	Square Feet Available	Availability Rate 2Q2016	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2016	Net Absorption 2016	Gross Absorption 2Q2016	Gross Absorption 2016
West Totals	708	4,161,982	0	0	32,990	0.79%	66,690	1.60%	\$0.00	\$222.88	(4,473)	22,949	19,921	58,379
Less than 9,999	560	7,416,957	0	0	109,567	1.48%	215,233	2.90%	\$0.95	\$212.90	(42,386)	(35,532)	72,941	108,094
10,000–19,999	182	4,361,857	0	0	106,518	2.44%	180,066	4.13%	\$0.82	\$166.65	11,630	39,847	42,100	101,390
20,000–29,999	61	2,127,719	0	0	12,000	0.56%	25,054	1.18%	\$0.78	\$169.00	5,430	30,350	7,110	46,916
30,000–39,999	49	2,141,544	41,668	0	80,248	3.75%	33,720	1.57%	\$0.00	\$168.00	(14,629)	(21,154)	25,371	66,825
40,000–49,999	58	3,470,463	0	0	149,226	4.30%	372,208	10.73%	\$0.68	\$139.09	50,800	(79,044)	116,800	177,530
50,000–74,999	30	2,580,521	0	0	95,900	3.72%	184,940	7.17%	\$0.75	\$175.00	(95,900)	(95,900)	0	0
75,000–99,999	26	3,071,141	0	0	209,345	6.82%	70,200	2.29%	\$0.00	\$155.00	(41,133)	(25,839)	41,300	196,697
100,000–149,999	14	2,325,115	0	0	263,952	11.35%	6,000	0.26%	\$0.00	\$0.00	109,870	69,450	115,870	150,450
150,000–199,999	14	3,327,936	0	0	0	0.00%	412,314	12.39%	\$0.75	\$0.00	0	0	102,641	102,641
200,000–299,999	8	4,713,702	0	0	101,618	2.16%	339,117	7.19%	\$0.00	\$0.00	(101,618)	(101,618)	0	0
300,000 Plus														
Total	1,710	39,698,937	41,668	0	1,161,364	2.93%	1,905,542	4.80%	\$0.74	\$179.27	(122,409)	(196,491)	544,054	1,008,922

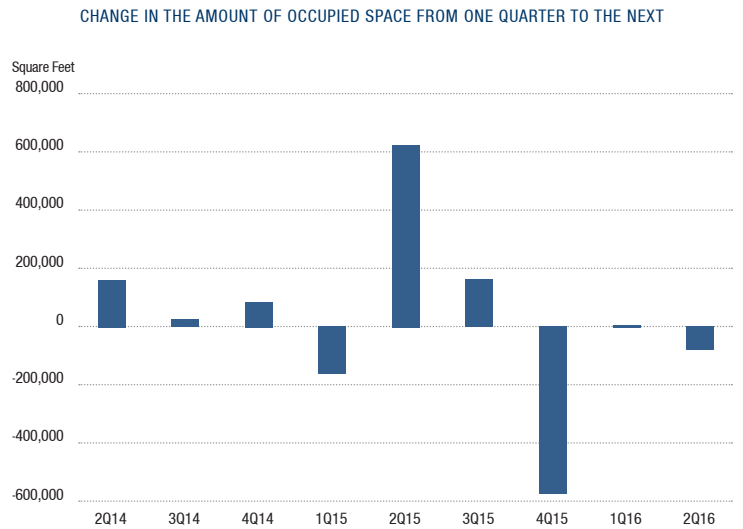
AIRPORT AREA

In the second quarter of 2016, the Airport Orange County industrial market consisted of 2,659 buildings totaling 59,520,985 square feet and had an availability rate of 4.89%, which shows an increase from the previous quarter's figure of 4.19%.

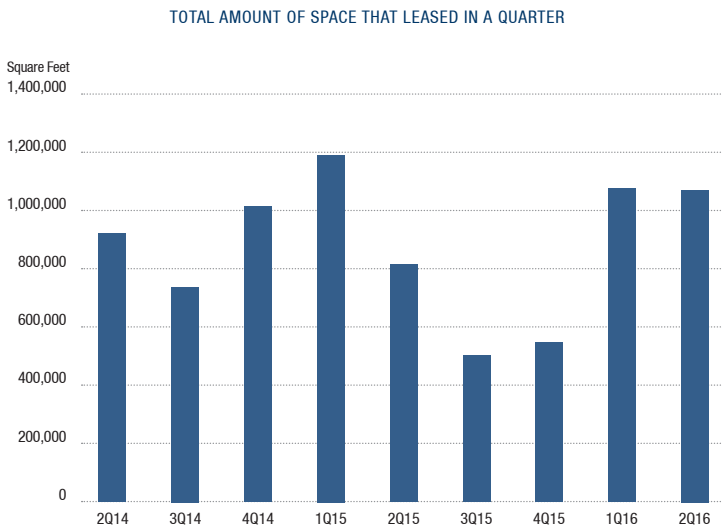
VACANCY & AVAILABILITY RATE



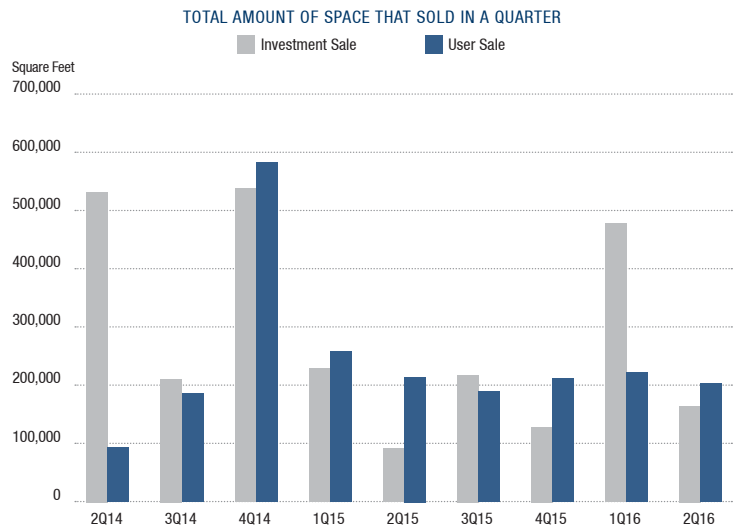
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

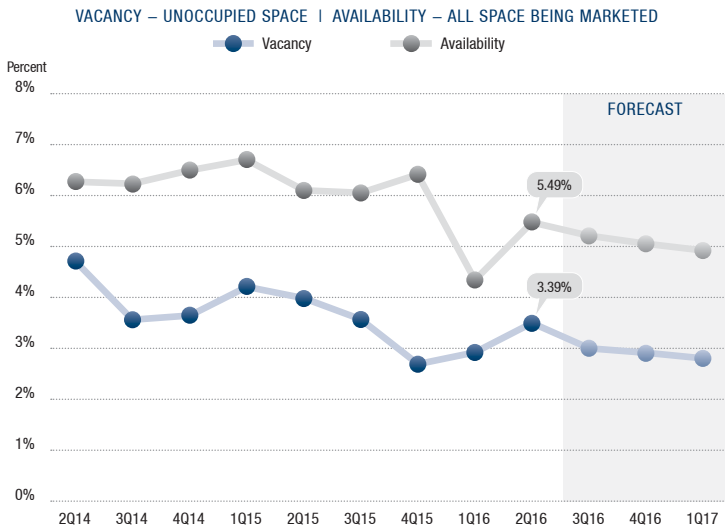
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2016	Square Feet Available	Availability Rate 2Q2016	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2016	Net Absorption 2016	Gross Absorption 2Q2016	Gross Absorption 2016
Airport Totals														
Less than 9,999	930	5,344,248	0	0	25,484	0.48%	78,909	1.48%	\$1.77	\$262.05	23,419	(1,541)	45,901	67,452
10,000-19,999	901	12,587,608	0	0	141,555	1.12%	245,911	1.95%	\$1.37	\$251.82	5,513	(3,687)	146,211	280,568
20,000-29,999	350	8,284,862	0	0	105,944	1.28%	297,752	3.59%	\$1.00	\$182.24	49,606	41,811	146,735	208,724
30,000-39,999	157	5,324,986	0	73,200	178,676	3.36%	248,710	4.67%	\$0.79	\$261.61	1,286	(62,196)	124,679	160,599
40,000-49,999	86	3,759,201	0	0	29,016	0.77%	1,920	0.05%	\$0.00	\$0.00	25,928	19,083	26,330	64,826
50,000-74,999	106	6,426,997	0	50,000	47,700	0.74%	281,820	4.38%	\$0.78	\$165.50	43,421	104,070	90,949	214,336
75,000-99,999	52	4,477,632	0	0	221,312	4.94%	477,105	10.66%	\$0.76	\$195.00	23,038	(56,509)	48,896	72,423
100,000-149,999	45	5,182,322	0	0	214,304	4.14%	300,487	5.80%	\$0.71	\$0.00	(214,304)	(80,304)	122,060	378,120
150,000-199,999	12	2,052,735	0	0	159,163	7.75%	339,274	16.53%	\$0.74	\$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	10	3,621,005	0	0	789,342	21.80%	637,817	17.61%	\$0.00	\$0.00	(36,525)	(36,525)	0	0
Total	2,659	59,520,985	0	123,200	1,912,496	3.21%	2,909,705	4.89%	\$0.78	\$218.36	(78,618)	(75,798)	751,761	1,447,048

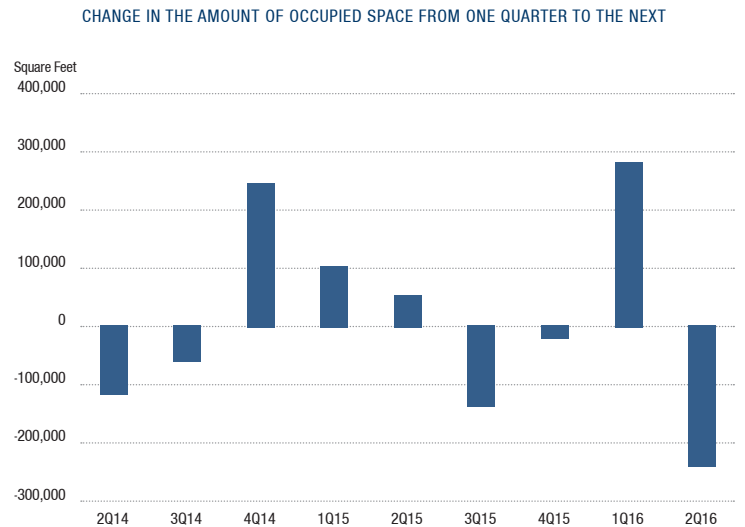
SOUTH ORANGE COUNTY

In the second quarter of 2016, the South Orange County industrial market consisted of 938 buildings totaling 24,617,140 square feet and had an availability rate of 5.49%, which shows an increase from the previous quarter's figure of 4.34%.

VACANCY & AVAILABILITY RATE

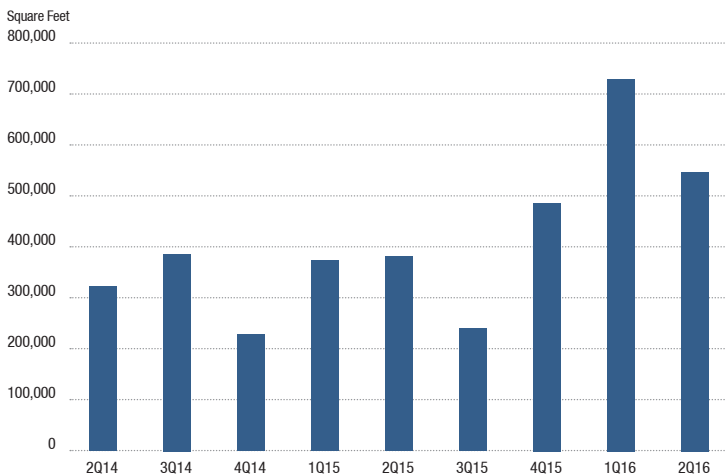


NET ABSORPTION



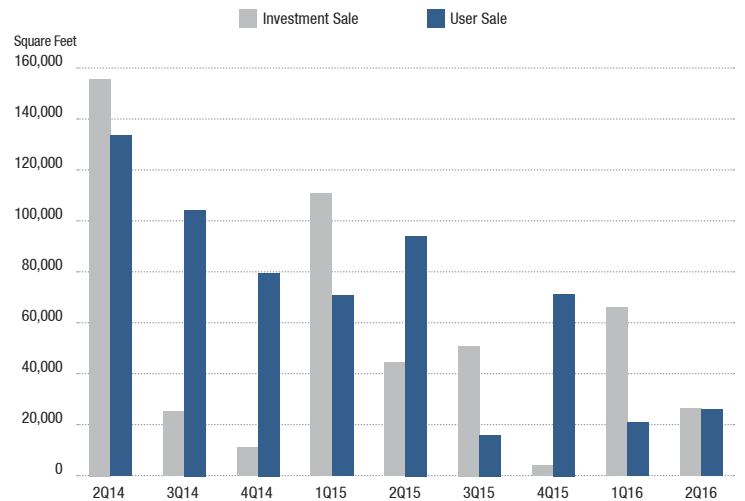
LEASE TRANSACTIONS

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 2Q2016	Square Feet Available	Availability Rate 2Q2016	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2016	Net Absorption 2016	Gross Absorption 2Q2016	Gross Absorption 2016
South Totals														
Less than 9,999	351	2,169,888	0	0	39,469	1.82%	52,761	2.43%	\$1.20	\$295.65	(10,324)	(6,316)	25,333	51,634
10,000–19,999	284	4,125,717	0	15,000	80,369	1.95%	211,386	5.12%	\$1.24	\$236.77	(21,032)	(5,295)	45,124	106,735
20,000–29,999	138	3,287,413	0	0	87,555	2.66%	232,975	7.09%	\$0.89	\$231.76	(37,478)	(8,977)	20,790	91,117
30,000–39,999	46	1,555,727	0	0	0	0.00%	129,647	8.33%	\$0.96	\$218.29	0	49,570	0	49,570
40,000–49,999	27	1,210,061	0	0	40,140	3.32%	48,735	4.03%	\$0.89	\$257.38	0	0	0	0
50,000–74,999	34	2,045,715	0	0	0	0.00%	132,614	6.48%	\$0.78	\$227.00	0	25,228	17,377	42,605
75,000–99,999	13	1,134,166	0	0	83,640	7.37%	128,830	11.36%	\$0.77	\$169.00	0	0	0	0
100,000–149,999	21	2,504,663	0	0	169,284	6.76%	210,660	8.41%	\$0.00	\$0.00	81,981	91,985	81,981	93,985
150,000–199,999	8	1,340,541	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
200,000–299,999	8	1,730,363	0	0	203,231	11.74%	72,501	4.19%	\$0.75	\$0.00	0	(192,431)	30,200	63,486
300,000 Plus	8	3,512,886	0	0	130,209	3.71%	130,209	3.71%	\$0.00	\$0.00	(130,209)	(130,209)	0	0
Total	938	24,617,140	0	15,000	833,897	3.39%	1,350,318	5.49%	\$0.89	\$240.75	(117,062)	(176,445)	220,805	499,132

MAJOR TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
18218 E. McDermott	Irvine	204,083	\$44,800,000	Olen Commercial Realty Corp.	PR 1 1200 Main, LLC
671 W. 17th St.	Costa Mesa	190,518	\$35,000,000	NC Meritage Home of California	W-WP Westside Gateway Onwer VI
9 Holland St.	Irvine Spectrum	180,981	\$31,093,841	Rexford Industrial	CT Realty Investors
Cordia Portfolio – 4 Properties	Orange County	170,447	\$27,000,000	Berdan	AICI, LLC
12131 Western Ave.	Garden Grove	210,000	\$23,703,800	Rexford Industrial	CT Realty Investors

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
3454 E. Miraloma Ave.	Anaheim	300,000	Jun-2016	Kuehne + Nagel, Inc.	TCAM Core Property Fund Operation
3100 W. Segerstrom Ave.	Santa Ana	159,163	May-2016	Airborne System	American Realty Advisors
1225 W. Imperial Hwy.	Brea	126,681	May-2016	Atosa Catering Equipment, Inc.	LIT Industrial, LP
14520 Delta Ln.	Huntington Beach	115,870	May-2016	Rocket Lab, USA, Inc.	JD Lincoln
76 Fairbanks	Irvine Spectrum	107,024	Apr-2016	Exhibitree	The Irvine Company

SUBMARKETS

NORTH

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

WEST

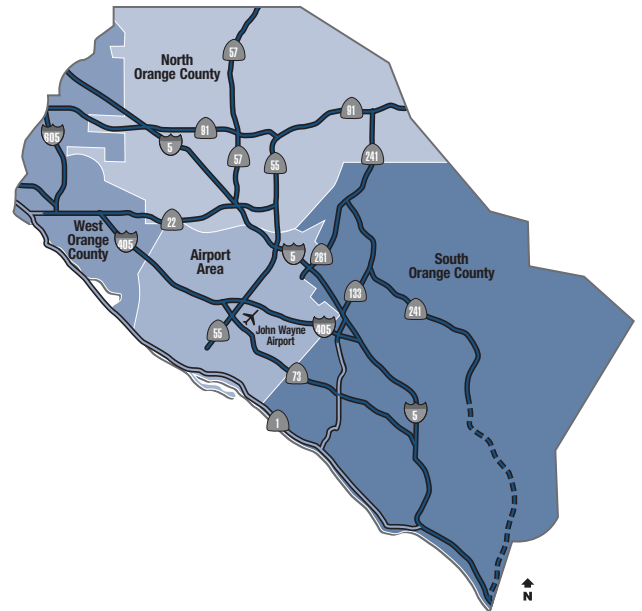
Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Seal Beach, Stanton and Westminster

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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