



FOURTH QUARTER 2014 ORANGE COUNTY INDUSTRIAL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to 2013:

Vacancy

DOWN



Net Absorption

POSITIVE



Sales Price

UP



Lease Rates

UP



Transactions

DOWN



HIGHLIGHTS

- **Encouraging Numbers** - The Orange County industrial market continued to improve this year, posting a 3.58% vacancy rate for the fourth quarter of 2014, one of the lowest levels since the second quarter of 1998. Both vacancy and availability displayed significant drops and asking lease rates and occupancy costs continued to increase. Net absorption posted nearly two million square feet of positive absorption during 2014.
- **Construction** - There was 266,406 square feet under construction at the end of 2014 and over 1.5 million square feet planned, mostly in Anaheim and Brea. This is the most construction we have seen since 2008. We anticipate more build-to-suit and speculative development emerging later this year.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 3.58%, one of the lowest figures seen since the second quarter of 1998, and a decrease of over 9% since the fourth quarter of 2013, despite the 1.175 million square feet of added space in 2014. The Airport Area submarket presented the lowest vacancy rate in the county at 2.98%.
- **Availability** - Direct/sublease space being marketed came in at 5.85% for the fourth quarter of 2014, a 4 basis point increase from the previous quarter and a decrease of 4.88% from 2013's rate of 6.15%. The lack of available space is creating pent up demand in some size ranges and is applying upward pressure on pricing.
- **Lease Rates** - The average asking triple-net lease rate checked in at \$0.63 per square foot per month, unchanged from the previous quarter and up two cents or 3.28% over 2013's fourth quarter figure. The South County submarket posted the highest average asking lease rate in the county at \$0.76. The record high rate of \$0.80 was established in the second and third quarters of 2008.
- **Sales Pricing** - The average asking sales price in the fourth quarter of 2014 was \$176.26 per square foot, eleven dollars and twenty-six cents higher than the previous quarter and up 19.28% when compared to 2013's fourth quarter rate. The record high asking price of \$181.23 was established in the third quarter of 2007.
- **Absorption** - The Orange County industrial market posted 363,514 square feet of negative net absorption at the end of the fourth quarter of 2014, giving the industrial market 9.4 million square feet of positive absorption since the second quarter of 2010. North Orange County experienced over 880,000 square feet of positive absorption in 2014. We are forecasting that net absorption will continue its positive trend into 2015.
- **Transaction Activity** - Leasing activity checked in at 10.7 million square feet for 2014, a decrease over 2013's total of 14.6 million square feet leased. Sales activity came in below the previous year's rate, recording just under 8 million square feet for 2014 compared to 2013's 9.8 million square feet of sales transactions. This decrease is due to a lack of available space in many size ranges. This statistic can have some lag time in being reported, so look for fourth quarter figures to end up somewhat higher on the next report.
- **Employment** - The unemployment rate in Orange County was 5.0% in November 2014, unchanged from a revised 5.0% in October 2014 and below the previous year's estimate of 5.8%. This compares with an unadjusted unemployment rate of 7.1% for California and 5.5% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 32,200 payroll jobs from November 2013 to November 2014. Most sectors showed gains in employment; the largest gains were 10,900 in educational and health services and 7,700 in construction during that same period. Manufacturing posted the largest year-over-year loss, dropping by 2,300 jobs.
- **Overall** - Vacancy continues to drop, and the amount of available space has decreased significantly over the past year. A lack of product available for lease and sale in some size ranges (particularly anything below 100,000 square feet) is causing an increase in prices and a drop in transaction volume. As we move into the first quarter of 2015, positive absorption should continue, occupancy costs will continue to increase and with very few deliveries in the pipeline to apply upward pressure on vacancy, we foresee 2015 being another year of growth.

FORECAST

- **Employment** - We anticipate job growth of around 2.6%, or 38,000 jobs, in the Orange County area over the next four quarters according to Chapman University. The most rapid growth should take place in the construction, education & health, professional & business services, and leisure & hospitality sectors.
- **Lease Rates** - Expect average asking lease rates to increase by another 3% to 5% over the next four quarters.
- **Vacancy** - We anticipate vacancy rate continuing to descend in coming quarters, dropping by 60 basis points, to around 3.0%, by the end of the third quarter of 2015.

OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	3.58%	3.94%	4.79%	(9.14%)
Availability Rate	5.85%	6.15%	7.69%	(4.88%)
Average Asking Lease Rate	\$0.63	\$0.61	\$0.57	3.28%
Average Asking Sale Price	\$176.26	\$147.77	\$148.99	19.28%
Sale & Lease Transactions	18,669,297	24,365,991	21,728,751	(23.38%)
Gross Absorption	11,517,675	13,021,615	12,623,826	(11.55%)
Net Absorption	1,973,051	2,446,274	871,115	N/A

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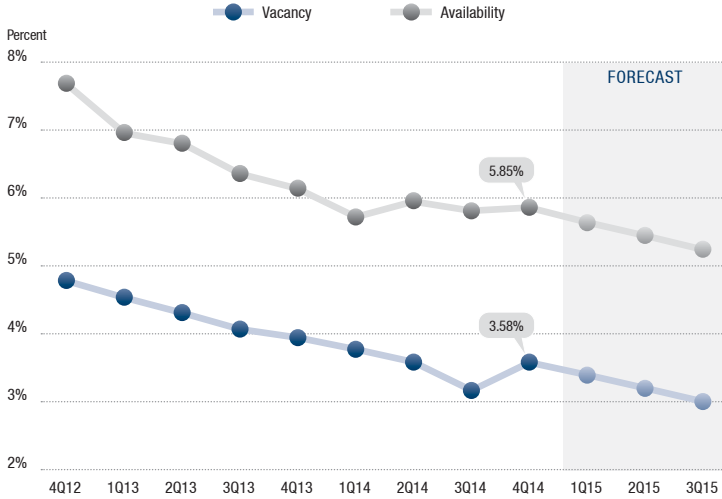
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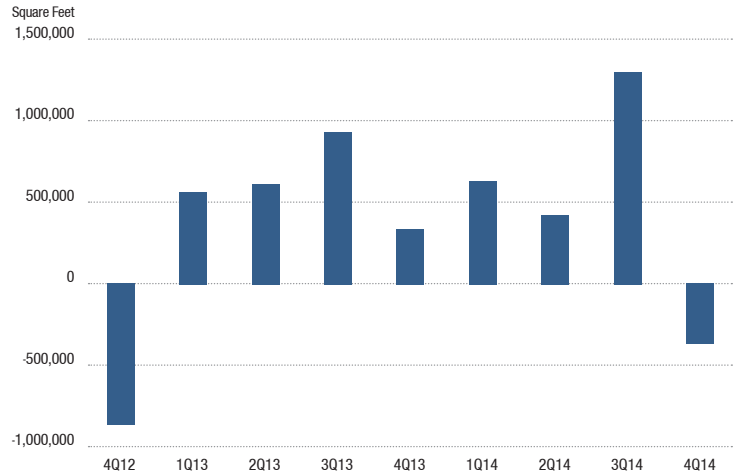
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



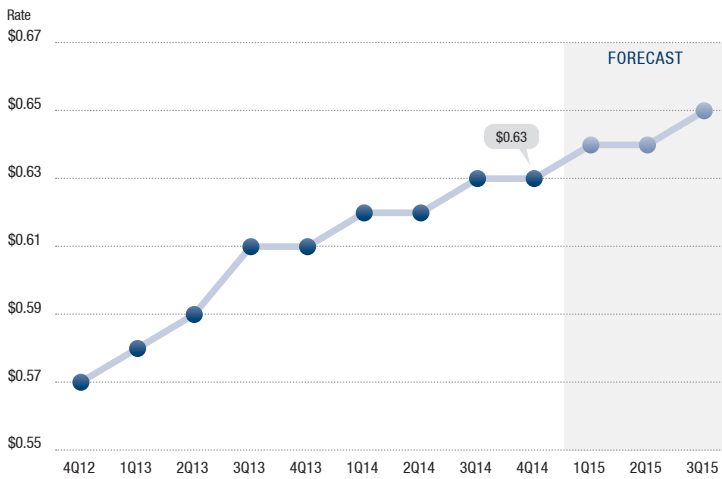
NET ABSORPTION

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



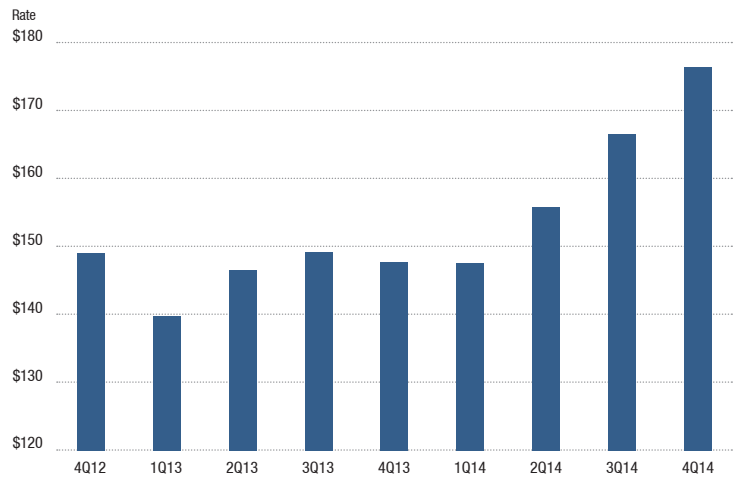
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



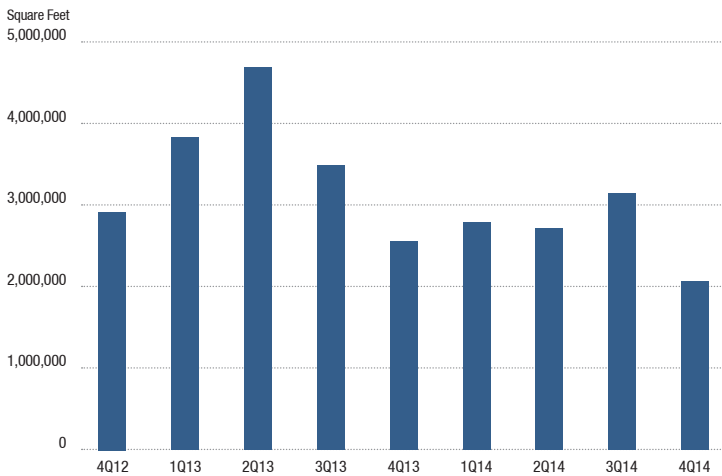
WEIGHTED AVERAGE ASKING SALES RATES

SALES PRICE ON A PER SQ. FT. BASIS



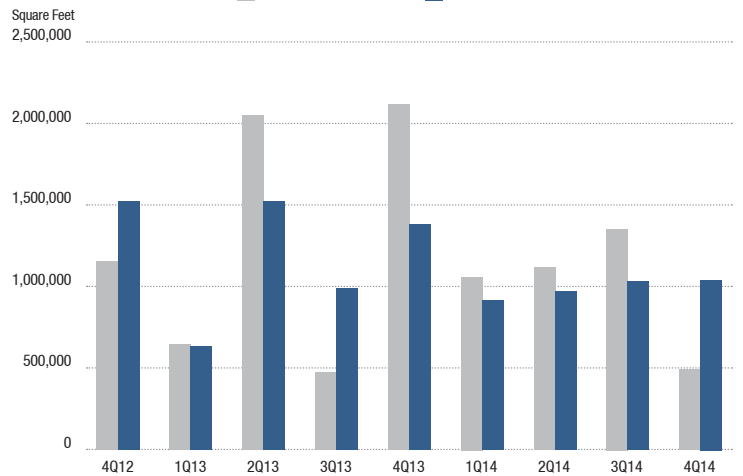
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER

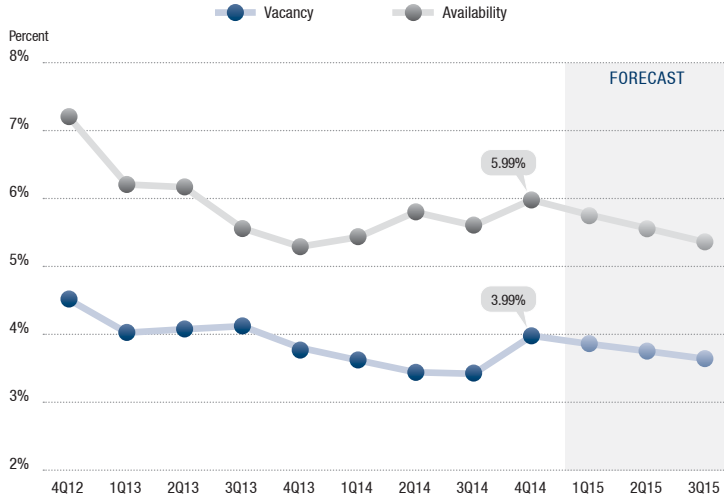


NORTH ORANGE COUNTY

In the fourth quarter of 2014, the North Orange County industrial market consisted of 4,024 buildings totaling 109,124,916 square feet and had an availability rate of 5.99%, which shows an increase from the previous quarter's figure of 5.60%.

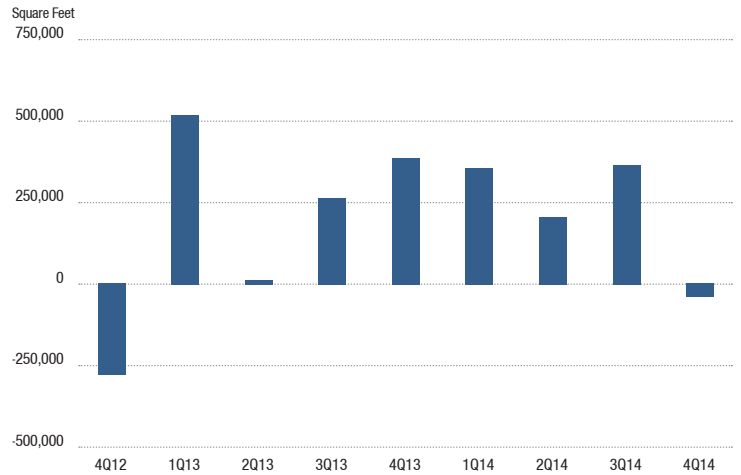
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



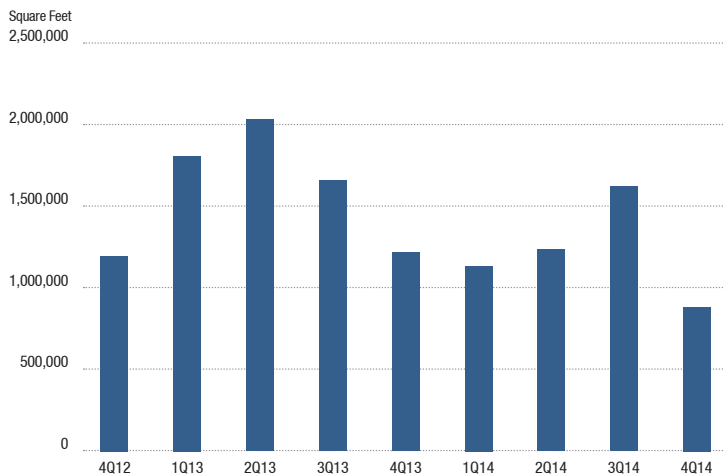
NET ABSORPTION

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



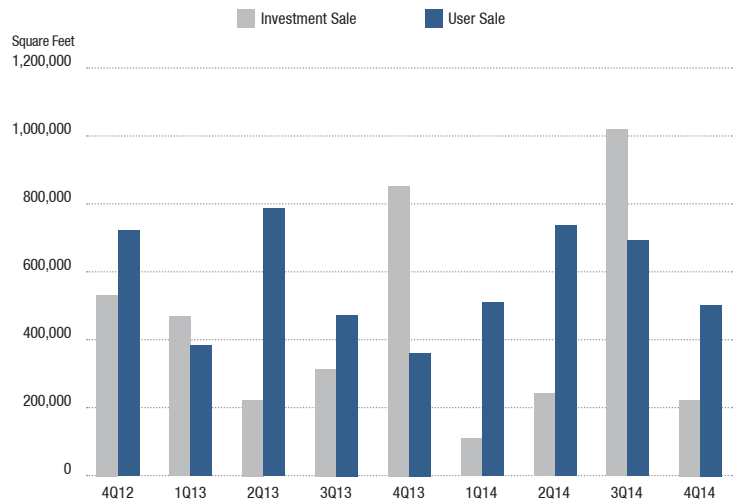
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



INVENTORY

VACANCY & LEASE RATES

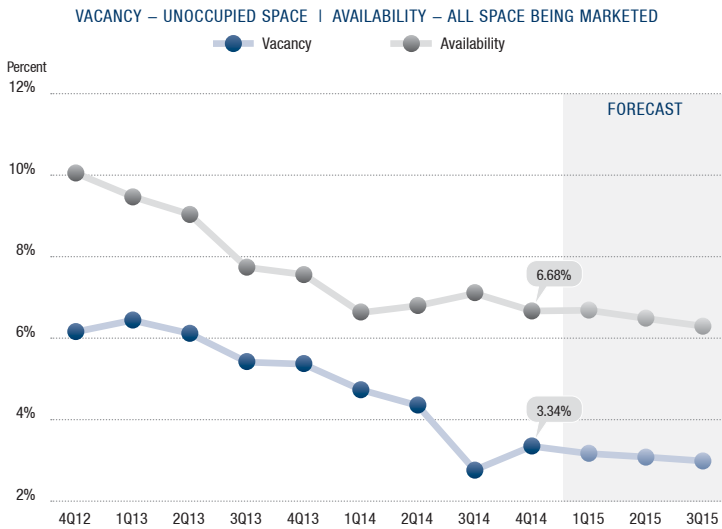
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
North Totals														
Less than 9,999	1,309	8,320,770	0	0	88,330	1.06%	217,981	2.62%	\$0.93	\$198.30	14,039	58,074	107,940	432,825
10,000-19,999	1,404	19,315,901	0	15,000	443,102	2.29%	671,126	3.47%	\$0.79	\$168.78	44,954	139,961	307,007	958,773
20,000-29,999	518	12,281,222	0	0	247,710	2.02%	445,522	3.63%	\$0.68	\$204.73	50,956	42,770	199,612	641,905
30,000-39,999	223	7,534,217	0	35,957	97,776	1.30%	234,186	3.11%	\$0.65	\$136.92	37,075	151,944	116,533	468,316
40,000-49,999	131	5,747,705	0	45,087	195,459	3.40%	283,865	4.94%	\$0.59	\$134.22	(84,877)	(16,965)	91,063	269,490
50,000-74,999	174	10,427,585	0	66,602	453,823	4.35%	971,901	9.32%	\$0.57	\$114.15	(121,031)	(81,637)	141,889	467,402
75,000-99,999	74	6,292,436	95,270	0	257,409	4.09%	279,302	4.44%	\$0.62	\$171.87	(73,830)	(35,240)	0	64,562
100,000-149,999	91	10,775,424	0	154,916	482,027	4.47%	391,822	3.64%	\$0.59	\$182.26	40,000	111,472	40,000	323,654
150,000-199,999	35	5,934,880	0	347,077	709,888	11.96%	997,273	16.80%	\$0.54	\$0.00	198,222	283,550	198,222	393,718
200,000-299,999	38	9,148,724	0	214,339	774,876	8.47%	847,122	9.26%	\$0.51	\$0.00	(146,656)	228,103	0	1,012,109
300,000 Plus	27	13,346,052	0	367,194	600,800	4.50%	1,191,027	8.92%	\$0.00	\$0.00	0	0	0	0
Total	4,024	109,124,916	95,270	1,246,172	4,351,200	3.99%	6,531,127	5.99%	\$0.57	\$160.73	(41,148)	882,032	1,202,266	5,032,754

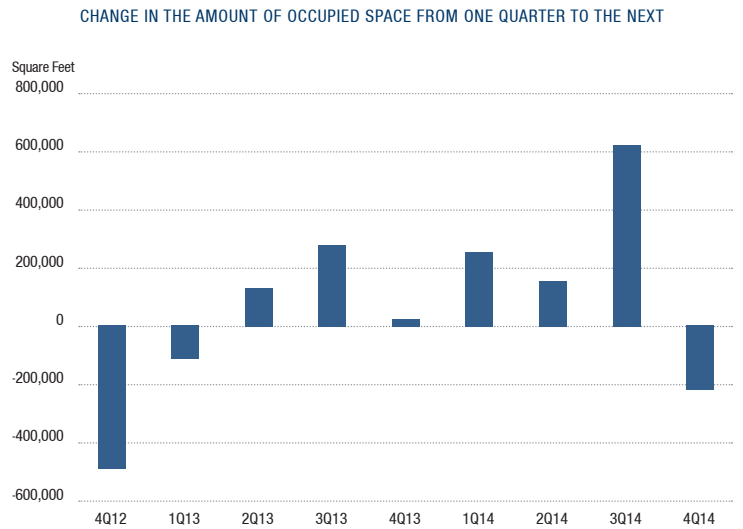
WEST ORANGE COUNTY

In the fourth quarter of 2014, the West Orange County industrial market consisted of 1,704 buildings totaling 39,475,248 square feet and had an availability rate of 6.68%, which shows a decrease from the previous quarter's figure of 7.14%.

VACANCY & AVAILABILITY RATE

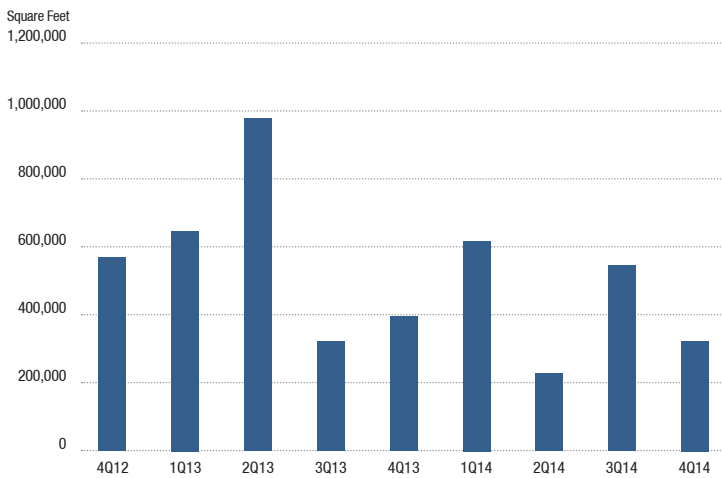


NET ABSORPTION



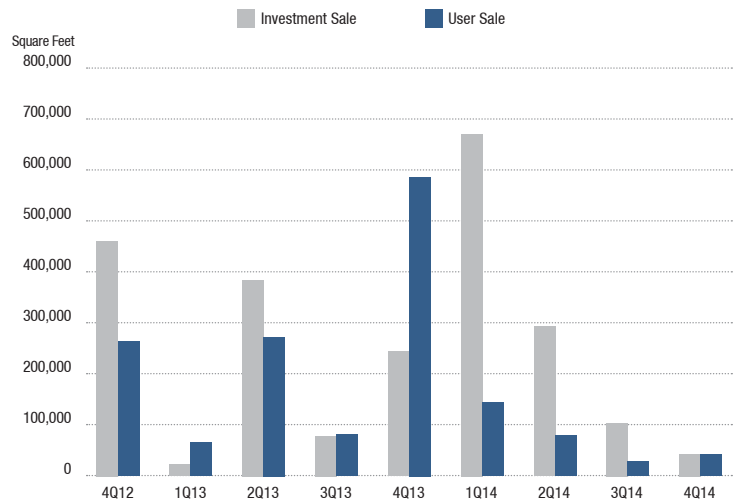
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



INVENTORY

VACANCY & LEASE RATES

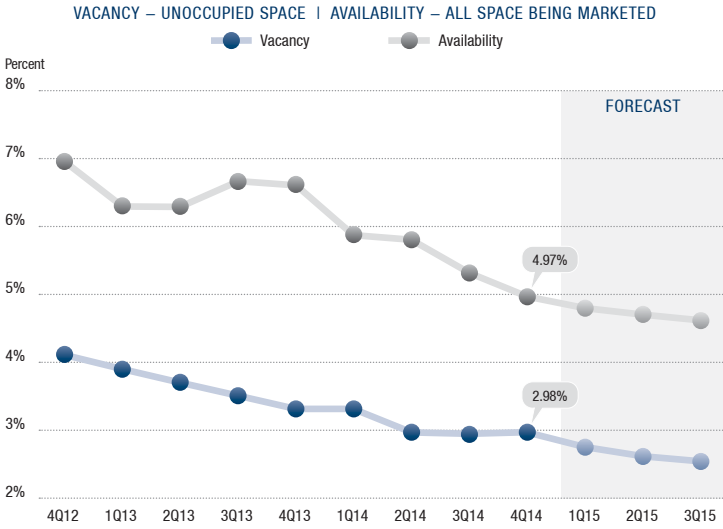
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
West Totals	700	4,124,041	0	0	48,296	1.17%	106,731	2.59%	\$0.83	\$206.53	4,362	47,134	23,744	122,355
Less than 9,999	560	7,408,212	0	0	209,860	2.83%	295,623	3.99%	\$0.78	\$213.51	73,580	4,981	143,877	454,525
10,000–19,999	184	4,408,963	0	0	58,822	1.33%	107,054	2.43%	\$0.56	\$92.00	3,778	23,912	56,360	194,720
20,000–29,999	61	2,127,160	0	0	16,578	0.78%	52,928	2.49%	\$0.68	\$0.00	39,349	29,687	46,677	112,530
30,000–39,999	51	2,234,861	0	41,400	30,028	1.34%	214,290	9.59%	\$0.55	\$139.02	(3,028)	44,064	3,500	99,132
40,000–49,999	59	3,551,570	50,182	0	66,060	1.86%	64,000	1.80%	\$0.73	\$172.93	(30,000)	(54,810)	0	13,586
50,000–74,999	28	2,373,329	94,572	0	122,748	5.17%	77,500	3.27%	\$0.55	\$127.00	(63,911)	130,542	12,000	218,453
75,000–99,999	25	2,915,501	0	0	399,133	13.69%	513,442	17.61%	\$0.58	\$0.00	(140,103)	(140,164)	0	182,566
100,000–149,999	15	2,486,049	0	0	342,869	13.79%	363,662	14.63%	\$0.58	\$0.00	(102,767)	60,468	0	192,035
150,000–199,999	13	3,131,860	0	0	22,888	0.73%	409,818	13.09%	\$0.00	\$0.00	0	168,051	0	168,051
200,000–299,999	8	4,713,702	0	0	0	0.00%	431,441	9.15%	\$0.49	\$0.00	0	493,319	0	493,319
300,000 Plus	8	4,713,702	0	0	0	0.00%	431,441	9.15%	\$0.49	\$0.00	0	493,319	0	493,319
Total	1,704	39,475,248	144,754	41,400	1,317,282	3.34%	2,636,489	6.68%	\$0.59	\$169.25	(218,740)	807,184	286,158	2,251,272

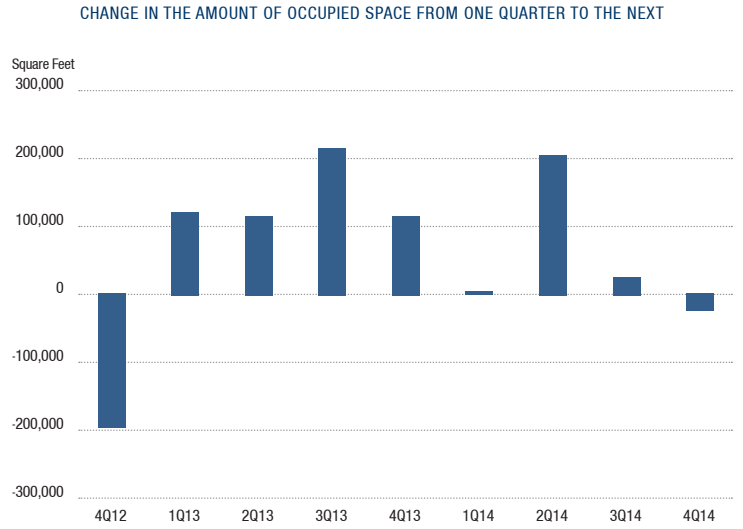
AIRPORT AREA

In the fourth quarter of 2014, the Airport Orange County industrial market consisted of 2,675 buildings totaling 60,567,688 square feet and had an availability rate of 4.97%, which shows a decrease from the previous quarter's figure of 5.32%.

VACANCY & AVAILABILITY RATE

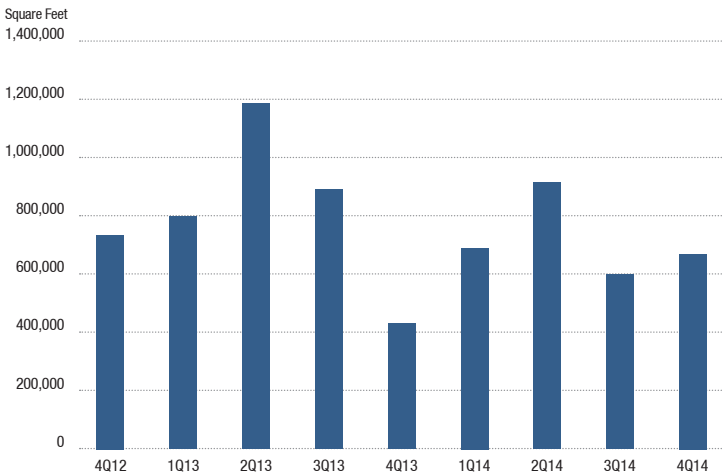


NET ABSORPTION



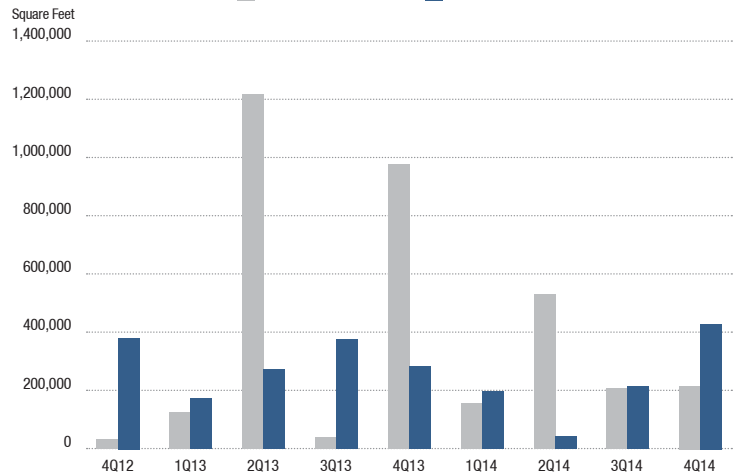
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



INVENTORY

VACANCY & LEASE RATES

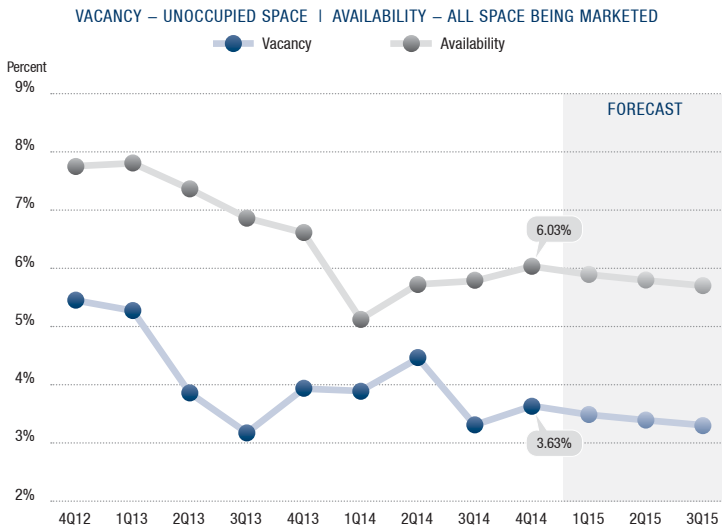
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
Airport Totals														
Less than 9,999	937	5,401,279	0	0	29,841	0.55%	105,968	1.96%	\$0.00	\$229.15	10,638	61,195	50,414	224,778
10,000-19,999	899	12,567,370	0	12,100	181,446	1.44%	388,717	3.09%	\$0.90	\$197.45	29,754	121,432	161,760	681,099
20,000-29,999	358	8,472,319	0	0	153,878	1.82%	181,264	2.14%	\$0.75	\$183.30	(29,512)	(37,210)	55,781	392,570
30,000-39,999	157	5,320,501	0	105,200	116,801	2.20%	139,797	2.63%	\$0.00	\$215.00	18,700	59,127	89,171	232,710
40,000-49,999	88	3,841,832	0	0	202,660	5.28%	406,126	10.57%	\$0.62	\$173.89	17,446	(38,813)	52,500	187,962
50,000-74,999	103	6,226,252	0	0	279,478	4.49%	279,416	4.49%	\$0.59	\$136.69	29,683	10,662	112,522	327,376
75,000-99,999	51	4,395,923	0	0	126,060	2.87%	378,371	8.61%	\$0.64	\$195.00	(37,060)	57,040	9,660	136,732
100,000-149,999	45	5,167,422	0	119,000	184,121	3.56%	260,599	5.04%	\$0.68	\$0.00	(101,093)	(129,164)	115,892	291,700
150,000-199,999	14	2,396,280	0	0	159,163	6.64%	501,335	20.92%	\$0.79	\$128.96	(3,358)	(3,358)	155,805	155,805
200,000-299,999	13	3,166,726	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
300,000 Plus	10	3,611,784	0	0	371,086	10.27%	371,086	10.27%	\$0.65	\$0.00	40,000	106,629	40,000	106,629
Total	2,675	60,567,688	0	236,300	1,804,534	2.98%	3,012,679	4.97%	\$0.70	\$172.25	(24,802)	207,540	843,505	2,737,361

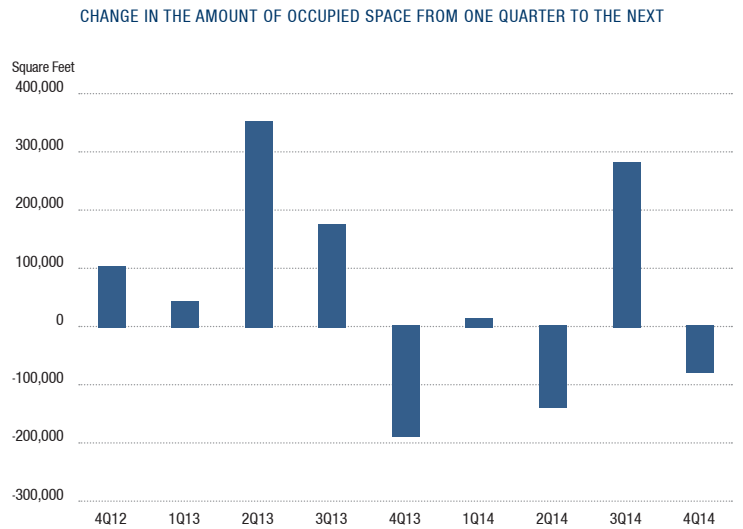
SOUTH ORANGE COUNTY

In the fourth quarter of 2014, the South Orange County industrial market consisted of 964 buildings totaling 24,423,577 square feet and had an availability rate of 6.03%, which shows an increase from the previous quarter's figure of 5.79%.

VACANCY & AVAILABILITY RATE

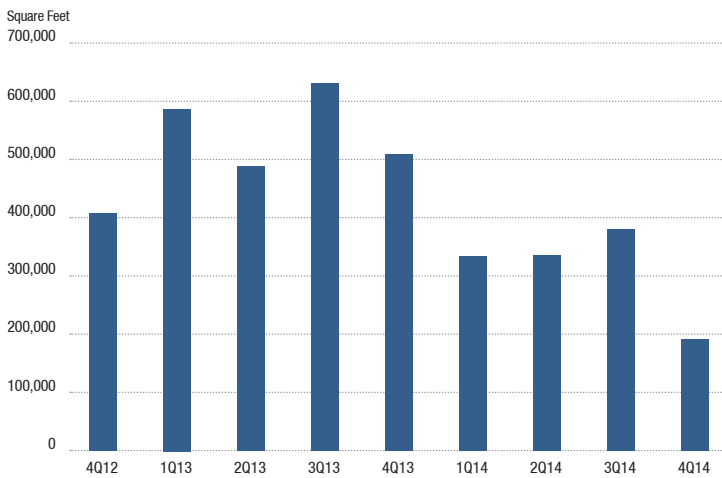


NET ABSORPTION



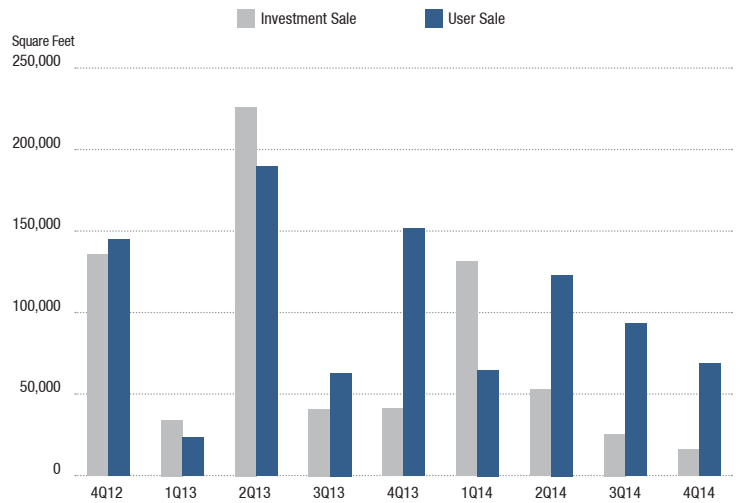
LEASE TRANSACTIONS

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 4Q2014	Square Feet Available	Availability Rate 4Q2014	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2014	Net Absorption 2014	Gross Absorption 4Q2014	Gross Absorption 2014
South Totals														
Less than 9,999	366	2,317,623	0	0	32,902	1.42%	102,969	4.44%	\$1.08	\$249.22	19,266	19,927	36,462	140,233
10,000–19,999	296	4,288,595	0	15,000	111,120	2.59%	250,537	5.84%	\$0.90	\$198.18	1,453	60,551	46,882	284,520
20,000–29,999	137	3,250,679	26,382	0	117,389	3.61%	206,438	6.35%	\$0.89	\$216.32	(27,763)	12,139	23,470	250,541
30,000–39,999	47	1,577,651	0	0	57,384	3.64%	82,365	5.22%	\$0.00	\$0.00	(32,034)	43,191	1,836	148,124
40,000–49,999	28	1,258,598	0	0	7,044	0.56%	47,812	3.80%	\$0.75	\$189.61	0	1,971	0	60,043
50,000–74,999	34	2,028,195	0	0	93,379	4.60%	148,046	7.30%	\$0.78	\$0.00	(25,140)	29,489	0	233,272
75,000–99,999	14	1,210,211	0	0	205,101	16.95%	220,591	18.23%	\$0.65	\$180.00	(29,700)	(93,604)	0	111,497
100,000–149,999	20	2,398,461	0	0	169,442	7.06%	322,050	13.43%	\$0.68	\$0.00	(8,000)	(64,334)	51,291	156,399
150,000–199,999	8	1,340,541	0	0	92,801	6.92%	92,801	6.92%	\$0.63	\$0.00	0	0	0	0
200,000–299,999	6	1,287,149	0	0	0	0.00%	0	0.00%	\$0.00	\$190.50	23,094	66,965	23,094	111,659
300,000 Plus	8	3,465,874	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Total	964	24,423,577	26,382	15,000	886,562	3.63%	1,473,609	6.03%	\$0.76	\$204.93	(78,824)	76,295	183,035	1,496,288

MAJOR TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
6550 Katella Ave.	West County	543,431	\$111.30	Stockbridge Capital Group, LLC	Colony Realty Partners
52 Discovery	South County	213,400	\$262.42	52 Discovery, LLC	Nikken USA, LLC
2060 N. Batavia St.	North County	227,505	\$204.39	Foamex International	Sares-Regis Group
4321 Jamboree Rd.	Airport Area	311,452	\$143.44	The Picerne Group	Shopoff Realty Investments, LP
601 S. Acacia Ave.	North County	440,227	\$97.11	KTR Capital Partners, LP	Yokohama Tire Corporation

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
6400 Valley View St.	North County	238,270	Mar-14	Dynamic Worldwide West	Prologis
6300 Valley View St.	North County	190,800	May-14	Manhattan Beachwear	Prudential RE Advisors
105 S. Puente St. – Sublease	North County	184,000	Jul-14	Pleaser USA, Inc.	eCMM (Division of Foxconn)
5800 Skylab Rd.	West County	167,778	Mar-14	Mitsubishi Electronics	Morgan Stanley
25342 Commercentre Dr. – Renewal	South County	156,374	Sep-14	Quantum Fuel System Worldwide	Makena Properties

SUBMARKETS

NORTH

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

WEST

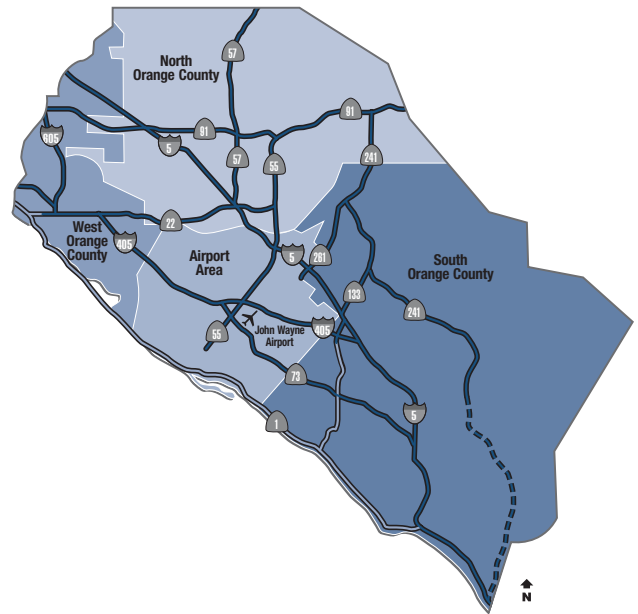
Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Seal Beach, Stanton and Westminster

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



PRODUCT TYPE

MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.

Please Contact Us for Further Information

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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.

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