



FOURTH QUARTER 2015 ORANGE COUNTY RETAIL

Voit
REAL ESTATE SERVICES

MARKET CHANGE

Compared to Previous Year:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

UP



Transactions

UP



Deliveries

UP



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Prepared by:

Jerry J. Holdner, Jr.

Vice President of Market Research

e-mail: jholdner@voitco.com

Tony Tran

Market Research Analyst

e-mail: ttran@voitco.com

VOIT Real Estate Services

HIGHLIGHTS

- **Encouraging Numbers** - The Orange County retail market continued to stride forward in 2015. Both availability and vacancy continued to trend downward, with vacancy dropping by over 5% since the fourth quarter of 2014. Net absorption posted a positive 737,000 square feet for the year, and lease rates continue to trend upward.
- **Construction** - There was almost 600,000 square feet of retail space under construction in Orange County at the end of the year, most of which was for mall space in the north.
- **Vacancy** - Direct/sublease space (unoccupied) finished 2015 at 4.21%, an increase from the previous quarter's 3.97% and a drop of 5.82% compared to the same quarter of 2014. Power center space and general retail had the lowest vacancy rates at only 2.11% and 2.72% respectively, while shopping centers had the highest at 5.45%.
- **Availability** - Direct/sublease space being marketed was 5.31% finishing up the year, up from the previous quarter's rate of 5.20% and 8.61% lower than the fourth quarter of 2014. Power center space and general retail had the lowest rates of all retail product types, while shopping centers had the highest. The airport area had the lowest availability rate of all submarkets at 3.33%, while north county had the highest at 6.36%.
- **Lease Rates** - The average asking triple-net lease rate per month per square foot in Orange County came in at \$2.08 at the end of the quarter, displaying a twenty-two cent increase from the same quarter last year.
- **Absorption** - The Orange County retail market posted 736,716 square feet of positive net absorption in 2015, giving the retail market a total of nearly four million square feet of positive absorption since the first quarter of 2011.
- **Transaction Activity** - Leasing activity checked in at 3.2 million square feet for 2015, compared to 3.8 million in 2014. Sales activity for 2015 came in at 5.5 million square feet, displaying an increase from 2014 when 2.9 million square feet sold. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher. Details of the largest transactions for the quarter can be found on the back page of this report.
- **Employment** - The unemployment rate in Orange County was 4.2% in November 2015, down from a revised 4.3% in October 2015 and below the previous year's estimate of 5.2%. This compares with an unadjusted unemployment rate of 5.7% for California and 4.8% for the nation during the same period. According to the State of California Employment Development Department, Orange County saw a net increase of 39,000 payroll jobs from November 2014 to November 2015. Most sectors showed gains in employment; the largest gains were in construction and leisure & hospitality each adding 8,200 jobs during that same period. Financial activities posted the largest year-over-year loss, dropping by 1,100 jobs.
- **Overall** - Both vacancy and availability have continued to trend downward, which should translate to further gradual increases in asking lease rates in the coming quarters. The market has posted ten consecutive quarters of positive net absorption, which has given way to higher occupancy costs. As long as job creation continues and consumer confidence stabilizes, the retail market will continue to flourish.

FORECAST

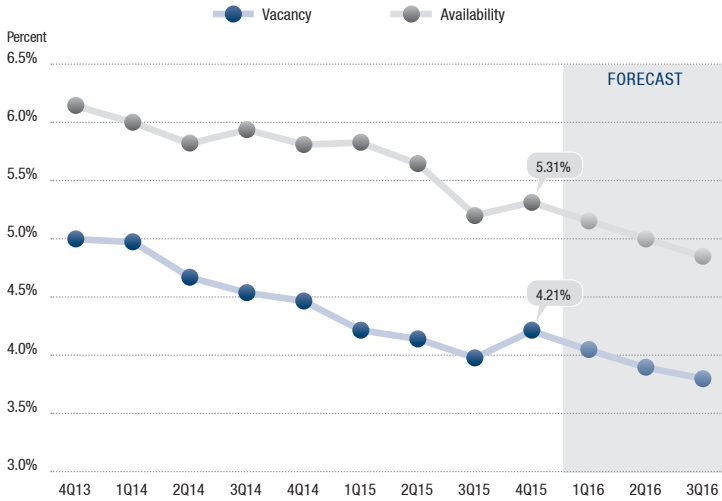
- **Employment** - We anticipate job growth of around 2.5%, or 39,000 jobs, in the Orange County area during the year according to Chapman University. The most rapid growth should take place in the professional & business services, education & health, leisure & hospitality, and construction sectors.
- **Lease Rates** - Expect average asking lease rates to increase by another 5% to 8% percent over the next four quarters.
- **Vacancy** - We anticipate vacancy continuing to descend in coming quarters, dropping by 40 basis points, to around 3.8%, by the third quarter of 2016.

OVERVIEW

	2015	2014	2013	% of Change vs. 2014
Total Vacancy Rate	4.21%	4.47%	5.00%	(5.82%)
Availability Rate	5.31%	5.81%	6.15%	(8.61%)
Average Asking Lease Rate	\$2.08	\$1.92	\$1.86	8.33%
Sale & Lease Transactions	8,700,049	6,740,325	8,519,541	29.07%
Gross Absorption	3,958,502	4,461,672	4,986,876	(11.28%)
Net Absorption	736,716	1,139,777	1,133,030	N/A

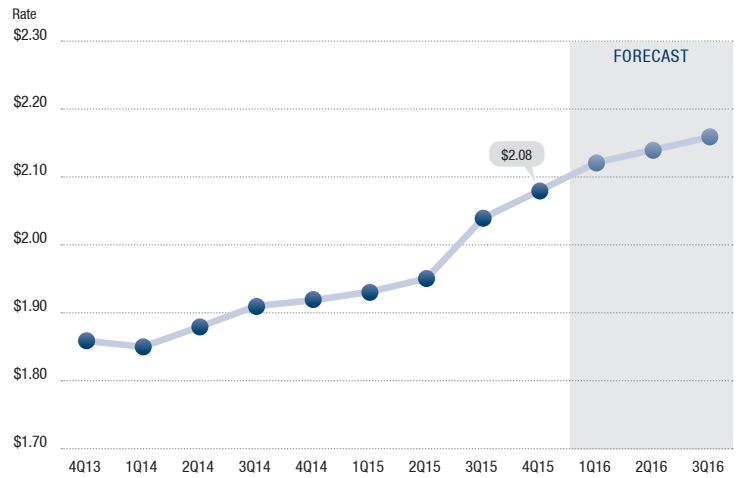
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



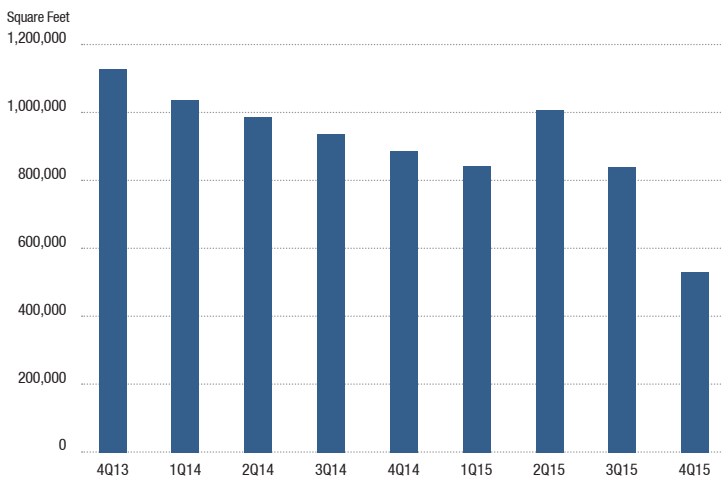
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



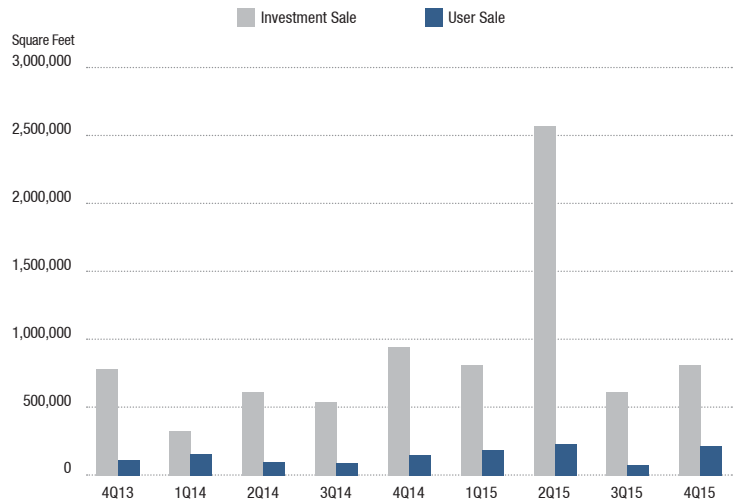
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



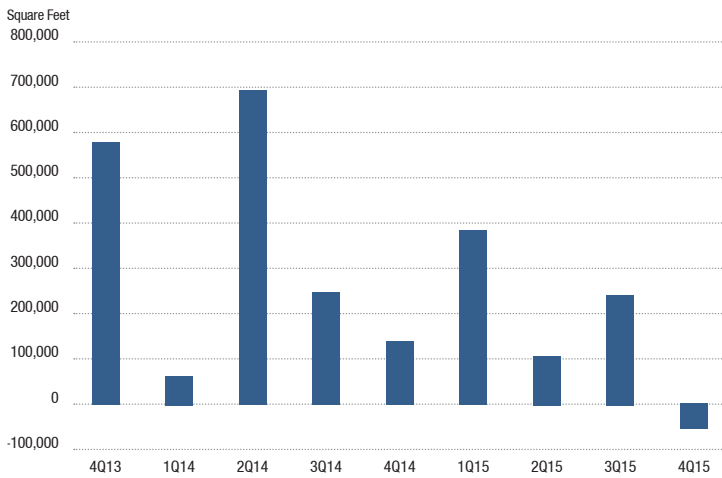
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



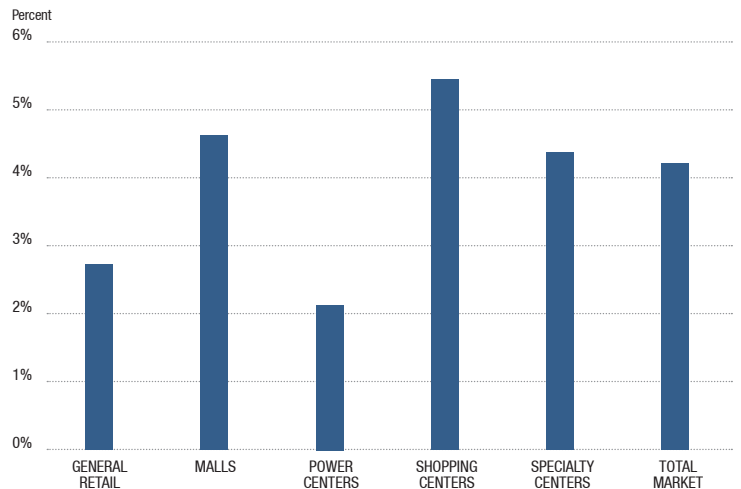
NET ABSORPTION

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



VACANCY RATE BY PRODUCT TYPE

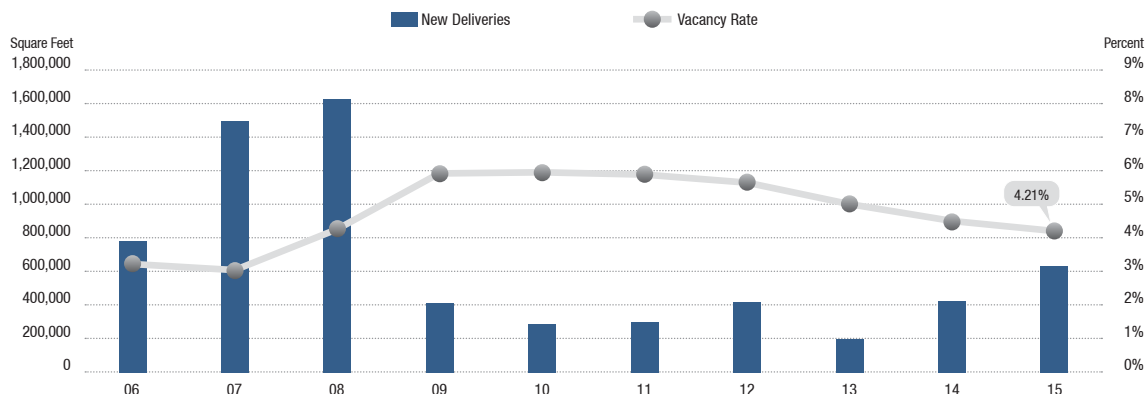
VACANCY – UNOCCUPIED SPACE



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U/C	Square Feet Planned	Square Feet Vacant	Vacancy Rate QO2015	Square Feet Available	Availability Rate QO2015	Average Asking Lease Rate	Net Absorption QO2015	Net Absorption 2015	Gross Absorption QO2015	Gross Absorption 2015
Airport Area													
General Retail	966	5,879,359	3,000	3,700	147,414	2.51%	197,537	3.36%	\$2.82	8,114	5,931	38,137	150,814
Malls	20	3,571,748	0	0	11,334	0.32%	12,935	0.36%	\$4.00	(4,400)	(1,502)	0	4,499
Power Centers	35	1,415,689	0	0	37,944	2.68%	80,964	5.72%	\$0.00	10,601	30,409	10,601	56,068
Shopping Centers	393	7,688,392	0	42,027	268,286	3.49%	306,917	3.99%	\$2.88	(53,314)	(1,356)	57,778	211,143
Specialty Centers	1	190,642	9,000	0	26,170	13.73%	26,170	13.73%	\$0.00	0	0	0	0
Airport Area Total	1,415	18,745,830	12,000	45,727	491,148	2.62%	624,523	3.33%	\$2.89	(38,999)	33,482	106,516	422,524
Central County													
General Retail	1,359	8,614,622	0	181,075	226,328	2.63%	382,057	4.43%	\$2.07	3,794	26,430	25,720	154,739
Malls	25	2,687,778	0	0	0	0.00%	0	0.00%	\$0.00	4,000	4,000	5,000	5,000
Power Centers	40	1,847,493	0	0	30,810	1.67%	58,084	3.14%	\$2.57	4,313	83,777	4,873	53,389
Shopping Centers	633	10,933,530	0	48,987	670,207	6.13%	787,825	7.21%	\$1.92	(13,168)	38,935	134,649	443,014
Specialty Centers	8	154,703	0	0	4,589	2.97%	4,589	2.97%	\$0.00	(4,589)	(4,589)	0	0
Central County Total	2,065	24,238,126	0	230,062	931,934	3.84%	1,232,555	5.09%	\$1.98	(5,650)	148,553	170,242	656,142
North County													
General Retail	1,612	11,195,299	2,800	319,787	388,610	3.47%	499,227	4.46%	\$1.45	(14,205)	67,053	52,623	426,113
Malls	35	3,304,017	400,000	0	296,274	8.97%	321,274	9.72%	\$0.00	0	31,739	0	34,341
Power Centers	111	4,457,654	0	0	78,361	1.76%	93,391	2.10%	\$2.79	4,313	83,777	4,313	103,373
Shopping Centers	838	15,578,900	91,078	338,990	1,093,278	7.02%	1,286,623	8.26%	\$1.73	(36,757)	86,706	149,422	580,764
Specialty Centers	1	68,462	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
North County Total	2,597	34,604,332	493,878	658,777	1,856,523	5.37%	2,200,515	6.36%	\$1.65	(46,649)	269,275	206,358	1,144,591
South County													
General Retail	857	6,859,761	0	47,675	158,905	2.32%	224,648	3.27%	\$1.68	11,646	59,037	27,506	166,619
Malls	30	3,324,559	0	0	277,228	8.34%	303,032	9.11%	\$2.32	1,383	(28,860)	1,383	9,473
Power Centers	99	4,007,811	0	0	105,712	2.64%	162,456	4.05%	\$3.27	2,713	33,056	22,963	93,412
Shopping Centers	706	14,704,726	77,688	4,000	748,952	5.09%	931,897	6.34%	\$2.62	(166,704)	(105,479)	122,143	528,357
Specialty Centers	2	283,613	0	229,382	9,178	3.24%	15,924	5.61%	\$3.48	1,980	29,580	0	0
South County Total	1,694	29,180,470	77,688	281,057	1,299,975	4.45%	1,637,957	5.61%	\$2.64	(148,982)	(12,666)	173,995	797,861
West County													
General Retail	1,544	10,525,369	0	238,363	252,501	2.40%	349,842	3.32%	\$1.69	54,924	98,583	83,787	239,720
Malls	34	3,163,861	0	0	154,229	4.87%	234,262	6.00%	\$3.01	89,669	158,338	89,669	162,338
Power Centers	19	857,986	0	0	12,708	1.48%	20,708	2.41%	\$0.00	(1,888)	(2,879)	0	10,258
Shopping Centers	890	19,057,247	6,278	32,640	923,076	4.84%	1,161,559	6.10%	\$2.05	45,741	46,742	141,843	525,068
Specialty Centers	3	282,244	0	0	2,712	0.96%	2,712	0.96%	\$0.00	(2,712)	(2,712)	0	0
West County Total	2,490	33,886,707	6,278	271,003	1,345,226	3.97%	1,769,083	5.22%	\$2.02	185,734	298,072	315,299	937,384
Orange County Total	10,261	140,655,465	589,844	1,486,626	5,924,806	4.21%	7,464,633	5.31%	\$2.08	(54,546)	736,716	972,410	3,958,502
General Retail	6,338	43,074,410	5,800	790,600	1,173,758	2.72%	1,653,311	3.84%	\$1.75	64,273	257,034	227,773	1,138,005
Malls	144	16,051,963	400,000	0	739,065	4.60%	871,503	5.43%	\$2.85	90,652	163,715	96,052	215,651
Power Centers	304	12,586,633	0	0	265,535	2.11%	415,603	3.30%	\$2.89	20,052	228,140	42,750	316,500
Shopping Centers	3,460	67,962,795	175,044	466,644	3,703,799	5.45%	4,474,821	6.58%	\$2.07	(224,202)	65,548	605,835	2,288,346
Specialty Centers	15	979,664	9,000	229,382	42,649	4.35%	49,395	5.04%	\$3.48	(5,321)	22,279	0	0
Orange County Total	10,261	140,655,465	589,844	1,486,626	5,924,806	4.21%	7,464,633	5.31%	\$2.08	(54,546)	736,716	972,410	3,958,502

Lease rates are on a triple-net basis.

ANNUAL NEW DELIVERIES VS. VACANCY RATE



MAJOR TRANSACTIONS OF 2015

Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
7777 Edinger Ave. (3 Properties)	West County	840,909	\$457.84	Prudential Real Estates Investors	DJM Capital Partners, Inc.
3303 Hyland Ave.	Airport Area	294,166	\$407.93	SOCO Retail Fee Owner, LLC	South Coast Trade Center 1, LLC
100-150 5th St.	West County	96,000	\$698.15	CAPREF Strand, LLC	CIM Huntington, LLC
26501-26505 Aliso Creek Rd.	South County	181,160	\$328.44	ValueRock Aliso Viejo, LLC	CLF Aliso Viejo Business Trust
18200 Yorba Linda Blvd. (7 Properties)	North County	145,067	\$220.59	Packing House Yorba Linda, LLC	The Kavli Foundation

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
21672 Plano Trabuco Rd. – Renewal	South County	50,145	Apr-2015	Haggen Food & Pharmacy	Lieun, LLC
2800 N. Main St.	Central County	47,500	Jan-2015	Round 1 Entertainment	Centennial Real Estate Company, LLC
2801 N. Main St.	Central County	47,501	Feb-2015	24 Hour Fitness	Centennial Real Estate Company, LLC
8030-8060 Dale St.	North County	44,100	Jul-2015	Orchard Supply Hardware	Oshdale, LLC
1091 Irvine Blvd.	Central County	43,000	Apr-2015	Tustin Lanes	Cadence Capital Investments, LLC



SUBMARKETS

NORTH COUNTY

Anaheim Hills, Brea, Buena Park, Fullerton, La Habra, La Palma, Placentia, Yorba Linda

WEST COUNTY

Anaheim, Buena Park, Cypress, Garden Grove, Fountain Valley/Huntington Beach, Los Alamitos, Midway City, Seal Beach, Stanton, Sunset Beach, Surfside, Westminster

CENTRAL COUNTY

Anaheim, Garden Grove, Orange/Villa Park, Fountain Valley/Midway City/Santa Ana/Westminster, Stanton, Tustin

AIRPORT AREA

Corona Del Mar, Costa Mesa, Fountain Valley, Huntington Beach, Irvine, Laguna Beach, Newport Beach, Santa Ana/Westminster, Tustin

SOUTH COUNTY

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

Please Contact Us for Further Information



Anaheim, CA
714.978.7880

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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www.voitco.com

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