

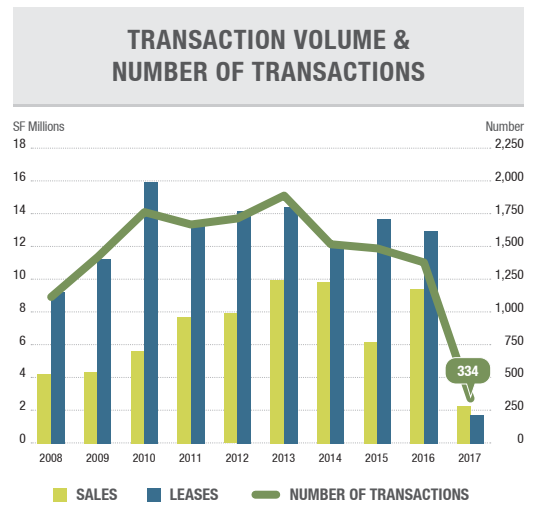
**SHARP START TO 2017.** As we enter the eighth year of economic recovery and expansion in OC's competitive industrial market, the fundamentals appear sound amidst some rather pronounced changes in the leadership of our nation. Tenant/user demand continues to be strong, dropping the overall vacancy rate to near historic lows, while lease rates and sale prices continue to spike, both up more than 18% from this time last year. The flow of investment capital (private, public, foreign and domestic) targeting this region remains robust, driving prices up and cap rates down. One of the most attractive characteristics of the Orange County industrial market is its diversity. In the first quarter we witnessed expansion in the automotive, pharmaceutical, nutraceutical, food/beverage, home improvement, 3PL and e-commerce industries. Expect demand from both occupiers and investors to increase in the coming quarters, resulting in even more competition for limited opportunities. Creativity, real market knowledge and the ability to react swiftly when opportunities surface will be critical ingredients for success in 2017.

**VACANCY.** Orange County's industrial vacancy rate is hovering near a historic low at 2.34% (roughly the same as the first quarter of 2016). Expect vacancy rates to stay low as the limited and shrinking inventory of quality buildings is quickly absorbed by a motivated pool of tenants. "Availability" will be a significant hurdle for tenants in 2017 and reaction time will be critical. "Off market" deals will become the norm and any form of concessions being offered to tenants by landlords will be severely limited in this competitive market.

**LEASE RATES.** The average asking lease rate for all OC is \$0.83 NNN per square foot per month, a two cent per square foot increase from last quarter and a sharp \$0.13 cent per square foot increase from a year ago (18% annual increase). As tenant demand remains consistent and interest rates rise, making purchasing less attractive to many business owners, expect even more upward pressure on lease rates throughout 2017.

**SALE PRICES.** The Orange County industrial market's average asking price at the end of the first quarter of 2017 came in at \$245 per square foot (average price tracks 1,000 square foot buildings and larger). While sale prices vary greatly depending on the size of the building and an average sale price doesn't tell the entire story, this represents an increase of nearly 28% from the first quarter of 2016. As interest rates move up we expect to see more modest levels of appreciation in 2017. The first quarter was an active time for both users and investors, as CenterPoint Properties purchased the former JC Penny distribution center in Buena Park (1.1 million square feet for more than \$131 million) and Karma Automotive purchased 262,000 square feet on Jeronimo in the Irvine Spectrum for their own use (\$56 million plus).

**TRANSACTION ACTIVITY.** Orange County industrial users, particularly specialized manufacturers and distributors, have been expanding rather rapidly over the past 24 months despite an inventory shortage. The overall lack of available inventory has finally taken its toll on transaction volume (sales and leases) as gross activity dropped in the first quarter to 3.9 million square feet, down from 5.5 million square feet in the previous quarter. Highlights include Clarion/Pacific Industrial's lease of 240,513 square foot lease to Worldpac at 1225 W. Imperial Highway in Brea, Econolite leasing 84,000 square feet of at 1250 N. Tustin Avenue in Anaheim from Blackstone (formerly LBA) and McGruff Pharmaceuticals leasing 92,000 square feet at 4040 Carriage Drive in Santa Ana from Myers/Erickson Properties.



Market Statistics

	Change Over Last Quarter	1Q 2017	4Q 2016	1Q 2016	% Change Over Last Year
Vacancy Rate	▲ UP	2.34%	2.08%	2.33%	0.43%
Availability Rate	▼ DOWN	3.82%	3.96%	4.22%	-9.48%
Average Asking Lease Rate	▲ UP	\$0.83	\$0.81	\$0.70	18.57%
Average Asking Sale Price	▲ UP	\$244.74	\$235.97	\$191.26	27.96%
Sale & Lease Transactions	▼ DOWN	3,894,872	5,577,168	5,325,360	-26.86%
Gross Absorption	▼ DOWN	2,108,841	3,259,799	2,612,124	-19.27%
Net Absorption	▼ NEGATIVE	(154,248)	706,655	266,156	N/A

**LEASE RATES.** Anticipate asking rents to increase by a minimum of 4% to reach a level of \$0.86 per square foot by the end of 2017.

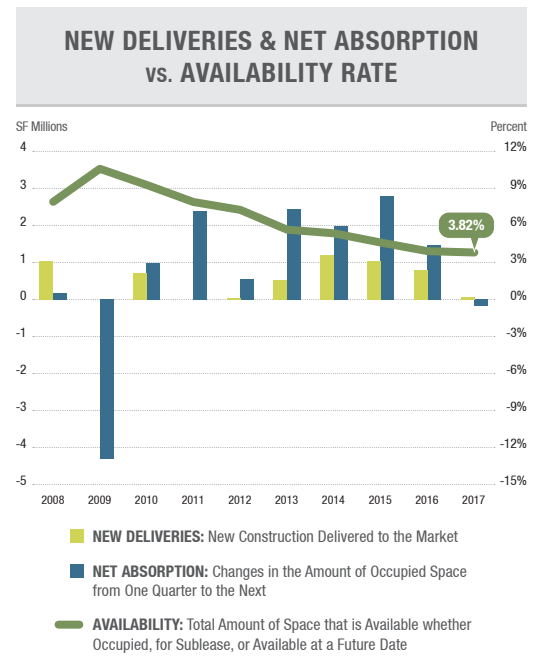
**VACANCY.** With limited new product coming online and tenants electing to recommit or to renew in larger blocks of space, expect vacancy rates to remain below 2.30% well into 2018.

**OVERALL.** The Orange County market landscape in 2017 will be characterized by strong fundamentals, increased capital flows/investor demand and continued increases in sale prices and lease rates. Expect modest growth in business investment resulting in job growth in the R&D, technology, software, medical, automotive and specialized manufacturing sectors. With a record low vacancy rate, strong tenant and buyer demand, and significant barriers to entry from a development standpoint, we expect 2017 to be reminiscent of 2016 as lease rates continue to climb.

**CONSTRUCTION.** During the first quarter of 2017, only one building (181,069 square feet) is under construction in the entire Orange County industrial market. Even though the market is craving new, Class A product, OC is simply short on industrial land. With limited infill parcels now approaching \$50 per square foot in some cases, do not expect any significant construction in the coming quarters. The most noteworthy project in the queue is Western Realco's redevelopment of the Beckman Coulter site in Fullerton (approximately 1 million square feet of Class A industrial on 45 acres). Initial interest is already strong and construction has not yet commenced.

**ABSORPTION.** The Orange County industrial market experienced a slight slowdown in the first quarter, as deal velocity was less robust as compared with recent quarters. This slowdown, largely attributable to the lack of available inventory, resulted in 154,248 square feet of negative net absorption, compared to a positive 706,665 square feet in the fourth quarter of 2016. Still, with an overall base of 234 million square feet of industrial space in the region, the first quarter dip is relatively minor given the continued tenant demand across all sectors and size ranges.

**AVAILABILITY.** The availability rate, or ratio of available space (being marketed) to total rentable area in the region, came in at 3.82%, a 40-basis point drop from a year ago. The five-year average in Orange County is 5%, so recent compression would indicate a further increase in lease rates will be following.



## Significant Transactions

### Sales

\* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
6800 Valley View St.	Buena Park	1,084,963	\$131,300,000	CenterPoint	J.C. Penny Properties, Inc.
901 E. South St.	Anaheim	339,999	\$38,000,000	Shopoff Props Trust	Freeman Co.
929 Baker St.	Costa Mesa	62,037	\$21,350,000	Civic Property Group	1989 Soresen Family Trust
2114 W. Ball Rd.	Anaheim	158,916	\$18,000,000	Fainbarg, LLP	J&S Goodwin Inc.
3220-3240 S. Standard Ave.	Santa Ana	30,800	\$4,300,000	Standard SA Investments, LLC *	Prior Frank; Rhine, Sandra

### Leases

\* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
15651 Mosher Ave. – Renewal	Tustin	55,291	Jan-2017	Lund Motion Products	Adler Investment *
2091 Raymer Ave.	Fullerton	48,772	Mar-2017	Van Law Food Products, Inc.	Raymer Avenue, LLC *
4989 E. La Palma Ave.	Anaheim	31,339	Feb-2017	Neon Energy	CINVEST, LLC
529-533 Rose St.	Anaheim	27,635	Mar-2017	Johnson Group *	OmniPrint, Inc.
970 Challenger St.	Brea	22,329	Jan-2017	Life Science Outsourcing *	Catalpa Group

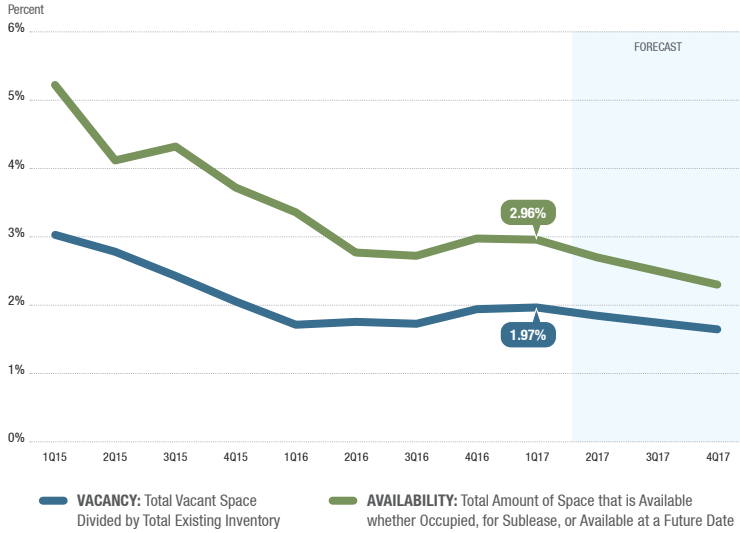
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2017	Square Feet Available	Availability Rate 1Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2017	Net Absorption 2017	Gross Absorption 1Q2017	Gross Absorption 2017
<b>North County</b>														
Anaheim	1,821	44,311,582	0	42,725	584,730	1.32%	1,028,410	2.32%	\$0.78	\$218.76	(74,356)	(74,356)	138,519	138,519
Brea	328	12,037,321	0	0	673,348	5.59%	377,499	3.14%	\$0.70	\$227.02	103,074	103,074	118,522	118,522
Buena Park	230	13,383,960	0	0	94,000	0.70%	764,155	5.71%	\$0.77	\$260.44	(67,574)	(67,574)	22,936	22,936
Fullerton	445	19,169,738	181,069	976,754	502,729	2.62%	603,671	3.15%	\$0.65	\$205.08	283,810	283,810	561,434	561,434
La Habra	198	3,517,950	0	0	39,860	1.13%	69,306	1.97%	\$0.93	\$209.13	(8,103)	(8,103)	14,475	14,475
Orange	736	13,610,284	0	0	177,538	1.30%	318,598	2.34%	\$0.83	\$178.47	(76,257)	(76,257)	77,848	77,848
Placentia	217	4,030,306	0	0	48,755	1.21%	82,272	2.04%	\$0.00	\$202.00	(21,835)	(21,835)	1,140	1,140
Yorba Linda	52	992,305	0	0	68,766	6.93%	42,895	4.32%	\$0.00	\$247.00	(46,786)	(46,786)	1,536	1,536
<b>North County Total</b>	<b>4,027</b>	<b>111,053,446</b>	<b>181,069</b>	<b>1,019,479</b>	<b>2,189,726</b>	<b>1.97%</b>	<b>3,286,806</b>	<b>2.96%</b>	<b>\$0.70</b>	<b>\$219.32</b>	<b>91,973</b>	<b>91,973</b>	<b>936,410</b>	<b>936,410</b>
<b>West County</b>														
Cypress	96	4,198,819	0	0	0	0.00%	634,273	15.11%	\$0.70	\$209.50	0	0	0	0
Garden Grove	478	12,065,320	0	0	177,083	1.47%	454,346	3.77%	\$0.75	\$208.60	(35,570)	(35,570)	86,193	86,193
Huntington Beach	679	14,141,412	0	0	232,720	1.65%	351,086	2.48%	\$0.71	\$224.17	(39,125)	(39,125)	206,414	206,414
La Palma	16	1,774,689	0	0	0	0.00%	0	0.00%	\$0.63	\$0.00	0	0	0	0
Los Alamitos	97	2,384,180	0	0	7,233	0.30%	28,837	1.21%	\$0.00	\$236.30	8,082	8,082	8,082	8,082
Seal Beach	15	991,653	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Stanton	174	1,798,526	0	0	19,392	1.08%	19,392	1.08%	\$0.84	\$247.73	(19,382)	(19,382)	2,000	2,000
Westminster	138	2,313,932	0	0	10,756	0.46%	5,420	0.23%	\$0.00	\$318.57	12,837	12,837	12,837	12,837
<b>West County Total</b>	<b>1,693</b>	<b>39,668,531</b>	<b>0</b>	<b>0</b>	<b>447,184</b>	<b>1.13%</b>	<b>1,493,354</b>	<b>3.76%</b>	<b>\$0.71</b>	<b>\$220.96</b>	<b>(73,158)</b>	<b>(73,158)</b>	<b>315,526</b>	<b>315,526</b>
<b>Airport Area</b>														
Costa Mesa	413	7,464,390	0	0	402,037	5.39%	392,015	5.25%	\$0.97	\$342.48	(29,004)	(29,004)	72,355	72,355
Fountain Valley	186	3,860,221	0	250,000	57,768	1.50%	94,775	2.46%	\$0.84	\$0.00	6,293	6,293	47,785	47,785
Irvine	316	12,502,593	0	0	639,197	5.11%	706,840	5.65%	\$0.89	\$348.13	(172,312)	(172,312)	102,879	102,879
Newport Beach	49	584,258	0	0	10,840	1.86%	10,840	1.86%	\$0.00	\$0.00	(5,200)	(5,200)	0	0
Santa Ana	1,566	29,930,037	0	0	448,746	1.50%	974,157	3.25%	\$0.72	\$229.68	(25,315)	(25,315)	218,897	218,897
Tustin	115	4,541,598	0	0	387,928	8.54%	481,658	10.61%	\$0.73	\$264.48	44,895	44,895	52,000	52,000
<b>Airport Area Total</b>	<b>2,645</b>	<b>58,883,097</b>	<b>0</b>	<b>250,000</b>	<b>1,946,516</b>	<b>3.31%</b>	<b>2,660,285</b>	<b>4.52%</b>	<b>\$0.79</b>	<b>\$274.34</b>	<b>(180,643)</b>	<b>(180,643)</b>	<b>493,916</b>	<b>493,916</b>
<b>South County</b>														
Aliso Viejo	17	668,427	0	0	0	0.00%	6,000	0.90%	\$1.90	\$0.00	0	0	0	0
Foothill Ranch	68	3,575,508	0	0	245,618	6.87%	336,165	9.40%	\$0.96	\$293.43	10	10	10	10
Irvine Spectrum	212	9,876,439	0	0	242,804	2.46%	649,785	6.58%	\$1.24	\$302.99	(11,322)	(11,322)	150,330	150,330
Laguna Beach	16	80,431	0	0	4,175	5.19%	4,175	5.19%	\$0.00	\$0.00	(895)	(895)	0	0
Laguna Hills	75	1,088,167	0	0	20,405	1.88%	27,605	2.54%	\$1.07	\$275.00	(11,653)	(11,653)	8,842	8,842
Laguna Niguel	20	279,095	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	189	4,126,088	0	0	277,016	6.71%	215,694	5.23%	\$0.87	\$201.50	68,970	68,970	145,432	145,432
Mission Viejo	30	460,320	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	2,310	2,310	3,414	3,414
Rancho Santa Margarita	101	1,620,225	0	0	21,786	1.34%	120,718	7.45%	\$0.86	\$275.00	(5,307)	(5,307)	12,821	12,821
San Clemente	157	1,975,734	0	0	63,275	3.20%	104,783	5.30%	\$1.16	\$336.43	(23,828)	(23,828)	35,539	35,539
San Juan Capistrano	42	923,303	0	0	24,538	2.66%	41,998	4.55%	\$1.16	\$290.98	(10,705)	(10,705)	4,545	4,545
<b>South County Total</b>	<b>927</b>	<b>24,673,737</b>	<b>0</b>	<b>0</b>	<b>899,617</b>	<b>3.65%</b>	<b>1,506,923</b>	<b>6.11%</b>	<b>\$1.01</b>	<b>\$289.29</b>	<b>7,580</b>	<b>7,580</b>	<b>360,933</b>	<b>360,933</b>
<b>Orange County Total</b>	<b>9,292</b>	<b>234,278,811</b>	<b>181,069</b>	<b>1,269,479</b>	<b>5,483,043</b>	<b>2.34%</b>	<b>8,947,368</b>	<b>3.82%</b>	<b>\$0.83</b>	<b>\$244.74</b>	<b>(154,248)</b>	<b>(154,248)</b>	<b>2,106,785</b>	<b>2,106,785</b>
Less than 9,999	3,278	19,914,979	0	0	182,896	0.92%	329,467	1.65%	\$1.17	\$265.70	(12,066)	(12,066)	156,529	156,529
10,000–19,999	3,132	43,235,736	0	16,225	797,664	1.84%	1,204,023	2.78%	\$1.13	\$227.63	(114,179)	(114,179)	369,835	369,835
20,000–29,999	1,180	28,089,835	0	26,500	479,388	1.71%	806,433	2.87%	\$0.98	\$224.56	(87,280)	(87,280)	217,226	217,226
30,000–39,999	491	16,695,081	0	0	696,010	4.17%	459,596	2.75%	\$0.84	\$247.94	(32,669)	(32,669)	139,569	139,569
40,000–49,999	292	12,821,048	0	129,652	295,763	2.31%	332,150	2.59%	\$0.89	\$279.22	77,586	77,586	130,616	130,616
50,000–74,999	377	22,713,025	0	0	466,844	2.06%	1,081,958	4.76%	\$0.74	\$187.89	(163,772)	(163,772)	279,112	279,112
75,000–99,999	165	14,149,755	0	78,523	477,788	3.38%	634,333	4.48%	\$0.76	\$162.40	(75,868)	(75,868)	100,586	100,586
100,000–199,999	255	33,578,807	181,069	246,938	821,503	2.45%	1,541,318	4.59%	\$0.70	\$171.73	(19,544)	(19,544)	272,282	272,282
200,000 Plus	122	43,080,545	0	771,641	1,265,187	2.94%	2,558,090	5.94%	\$0.65	\$0.00	273,544	273,544	441,030	441,030
<b>Orange County Total</b>	<b>9,292</b>	<b>234,278,811</b>	<b>181,069</b>	<b>1,269,479</b>	<b>5,483,043</b>	<b>2.34%</b>	<b>8,947,368</b>	<b>3.82%</b>	<b>\$0.83</b>	<b>\$244.74</b>	<b>(154,248)</b>	<b>(154,248)</b>	<b>2,106,785</b>	<b>2,106,785</b>

Lease rates are on a triple-net basis.

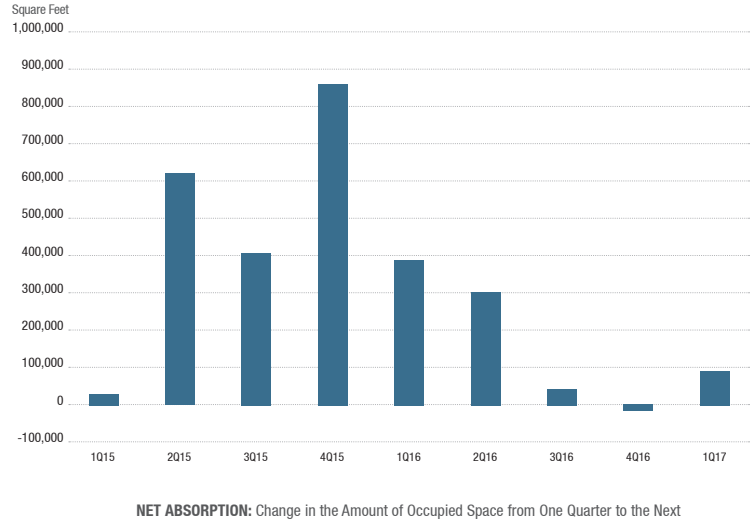
## NORTH ORANGE COUNTY

In the first quarter of 2017, the North Orange County industrial market consisted of 4,027 buildings totaling 111,053,446 square feet and had an availability rate of 2.96%, which shows a decrease from the previous quarter's figure of 2.97%.

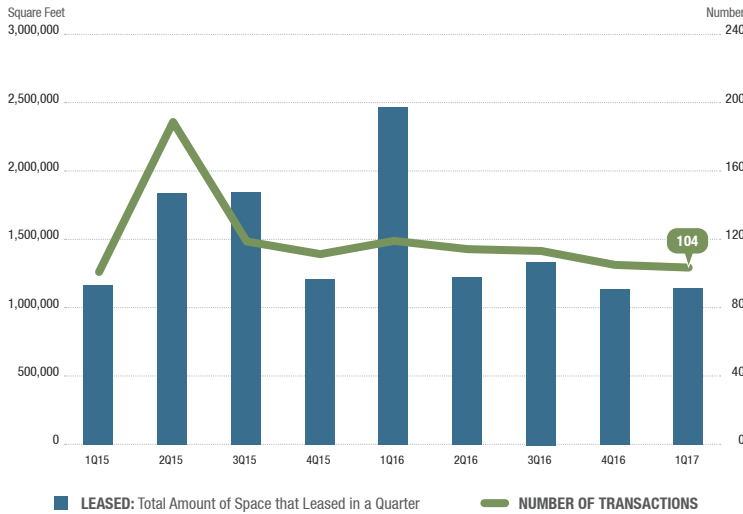
### VACANCY & AVAILABILITY RATE



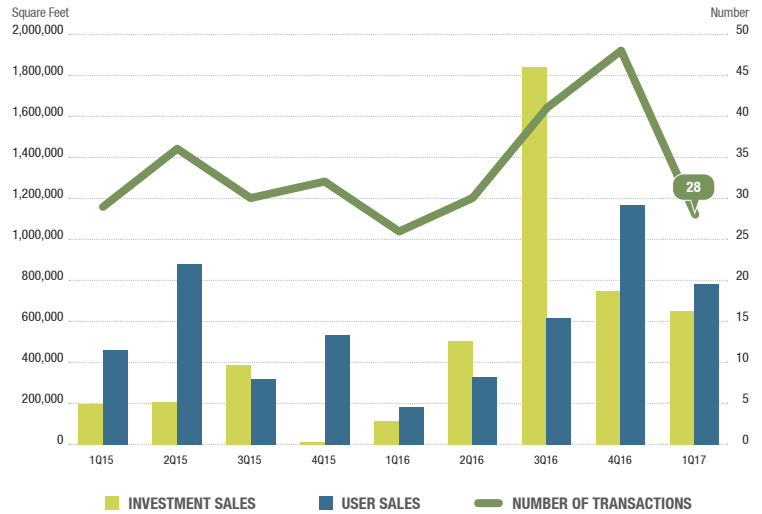
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

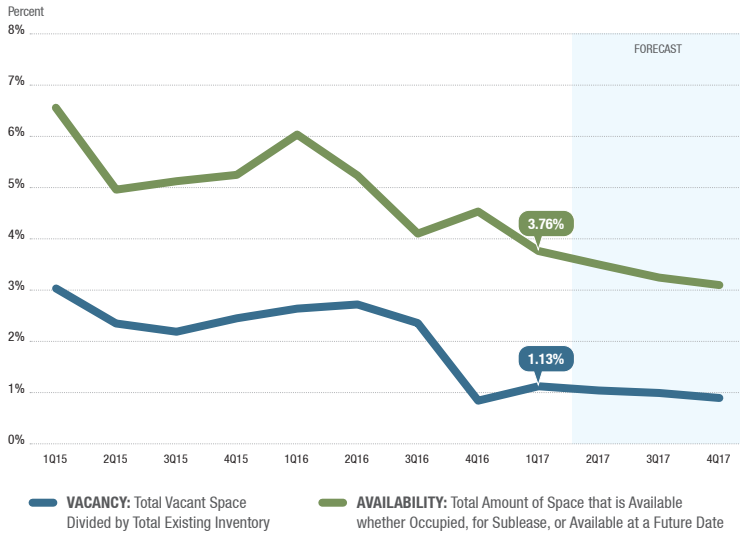
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2017	Square Feet Available	Availability Rate 1Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2017	Net Absorption 2017	Gross Absorption 1Q2017	Gross Absorption 2017
<b>North Totals</b>														
Less than 9,999	1,319	8,364,660	0	0	67,333	0.80%	97,375	1.16%	\$0.83	\$245.09	(15,857)	(15,857)	51,506	51,506
10,000-19,999	1,394	19,250,181	0	16,225	428,632	2.23%	509,720	2.65%	\$0.95	\$210.93	(55,992)	(55,992)	165,943	165,943
20,000-29,999	515	12,217,464	0	26,500	215,084	1.76%	361,699	2.96%	\$0.90	\$183.50	(45,745)	(45,745)	86,651	86,651
30,000-39,999	224	7,565,007	0	0	360,643	4.77%	194,876	2.58%	\$0.75	\$0.00	(109,106)	(109,106)	26,154	26,154
40,000-49,999	132	5,794,490	0	129,652	152,893	2.64%	160,183	2.76%	\$0.71	\$173.33	(53,743)	(53,743)	2,600	2,600
50,000-74,999	179	10,749,191	0	0	10,052	0.09%	463,074	4.31%	\$0.72	\$175.00	(10,052)	(10,052)	8,800	8,800
75,000-99,999	71	6,056,822	0	78,523	0	0.00%	78,572	1.30%	\$0.70	\$150.30	0	0	0	0
100,000-199,999	128	16,978,490	181,069	246,938	273,182	1.61%	469,386	2.76%	\$0.59	\$149.00	51,448	51,448	153,736	153,736
200,000 plus	65	24,077,141	0	521,641	681,907	2.83%	951,921	3.95%	\$0.66	\$0.00	331,020	331,020	441,020	441,020
<b>Total</b>	<b>4,027</b>	<b>111,053,446</b>	<b>181,069</b>	<b>1,019,479</b>	<b>2,189,726</b>	<b>1.97%</b>	<b>3,286,806</b>	<b>2.96%</b>	<b>\$0.70</b>	<b>\$219.32</b>	<b>91,973</b>	<b>91,973</b>	<b>936,410</b>	<b>936,410</b>

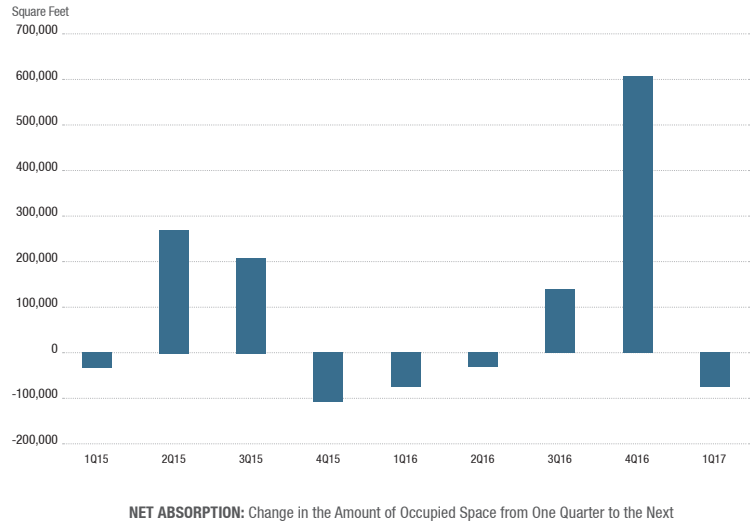
## WEST ORANGE COUNTY

In the first quarter of 2017, the West Orange County industrial market consisted of 1,693 buildings totaling 39,668,531 square feet and had an availability rate of 3.76%, which shows a decrease from the previous quarter's figure of 4.53%.

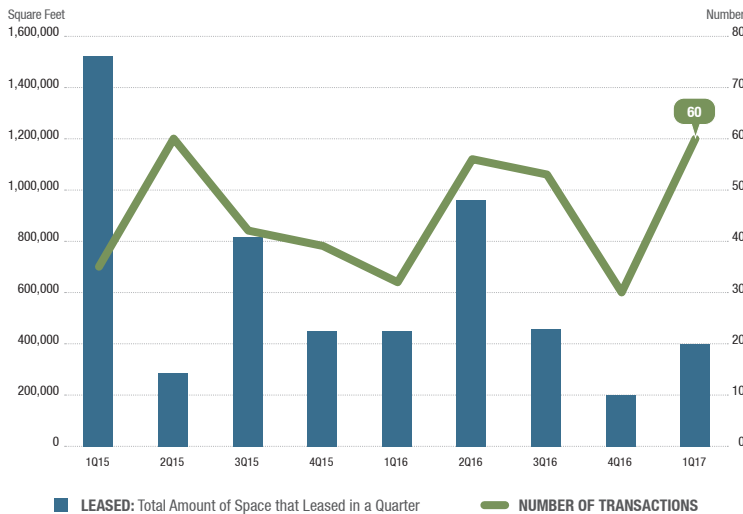
### VACANCY & AVAILABILITY RATE



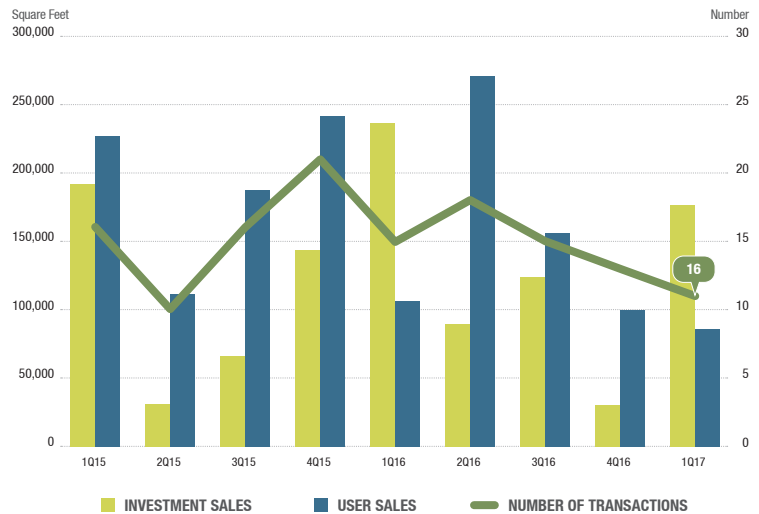
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

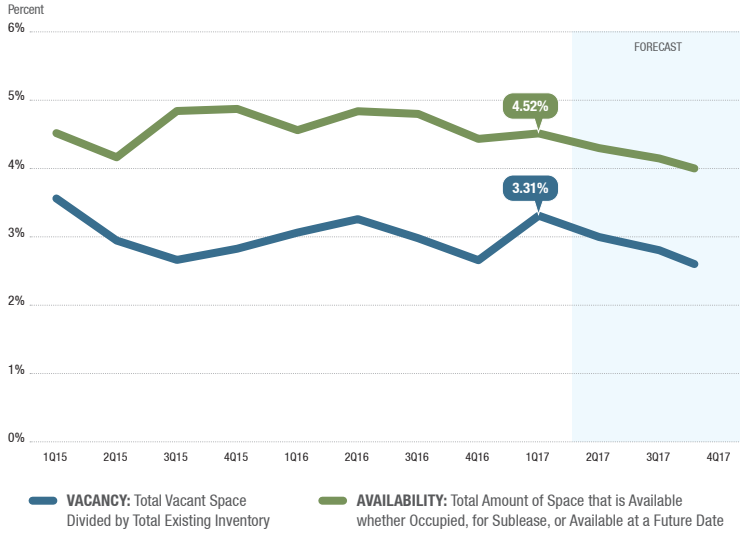
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2017	Square Feet Available	Availability Rate 1Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2017	Net Absorption 2017	Gross Absorption 1Q2017	Gross Absorption 2017
<b>West Totals</b>														
Less than 9,999	690	4,072,827	0	0	53,824	1.32%	94,851	2.33%	\$0.98	\$241.28	(12,509)	(12,509)	28,432	28,432
10,000-19,999	561	7,438,210	0	0	105,477	1.42%	178,610	2.40%	\$0.91	\$189.56	(43,888)	(43,888)	43,060	43,060
20,000-29,999	180	4,322,374	0	0	73,825	1.71%	127,929	2.96%	\$0.76	\$182.24	18,211	18,211	33,465	33,465
30,000-39,999	62	2,168,360	0	0	67,896	3.13%	32,896	1.52%	\$0.78	\$180.99	34,685	34,685	36,255	36,255
40,000-49,999	50	2,177,256	0	0	41,668	1.91%	19,359	0.89%	\$0.89	\$172.13	12,837	12,837	12,837	12,837
50,000-74,999	58	3,479,349	0	0	58,317	1.68%	167,420	4.81%	\$0.71	\$156.22	(42,317)	(42,317)	66,182	66,182
75,000-99,999	30	2,574,308	0	0	0	0.00%	74,728	2.90%	\$0.77	\$0.00	0	0	94,572	94,572
100,000-199,999	40	5,394,256	0	0	46,177	0.86%	46,177	0.86%	\$0.68	\$159.41	(40,177)	(40,177)	723	723
200,000 plus	22	8,041,591	0	0	0	0.00%	751,384	9.34%	\$0.68	\$0.00	0	0	0	0
<b>Total</b>	<b>1,693</b>	<b>39,668,531</b>	<b>0</b>	<b>0</b>	<b>447,184</b>	<b>1.13%</b>	<b>1,493,354</b>	<b>3.76%</b>	<b>\$0.71</b>	<b>\$220.96</b>	<b>(73,158)</b>	<b>(73,158)</b>	<b>315,526</b>	<b>315,526</b>

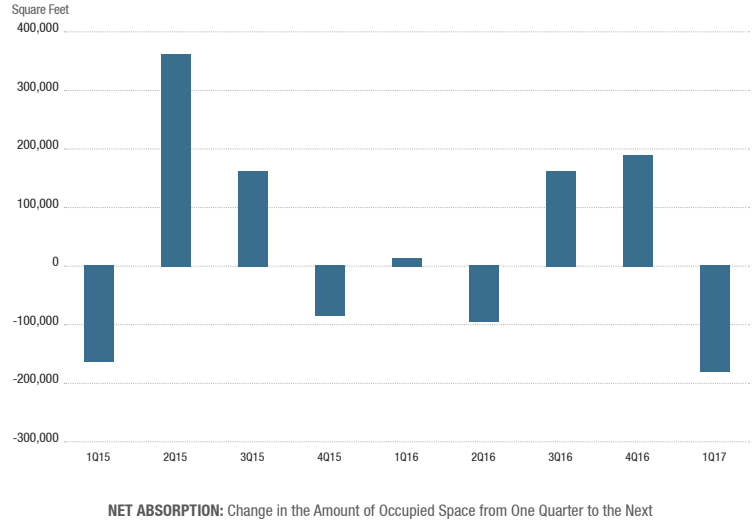
## AIRPORT AREA

In the first quarter of 2017, the Airport Orange County industrial market consisted of 2,645 buildings totaling 58,883,097 square feet and had an availability rate of 4.52%, which shows an increase from previous quarter's figure of 4.43%.

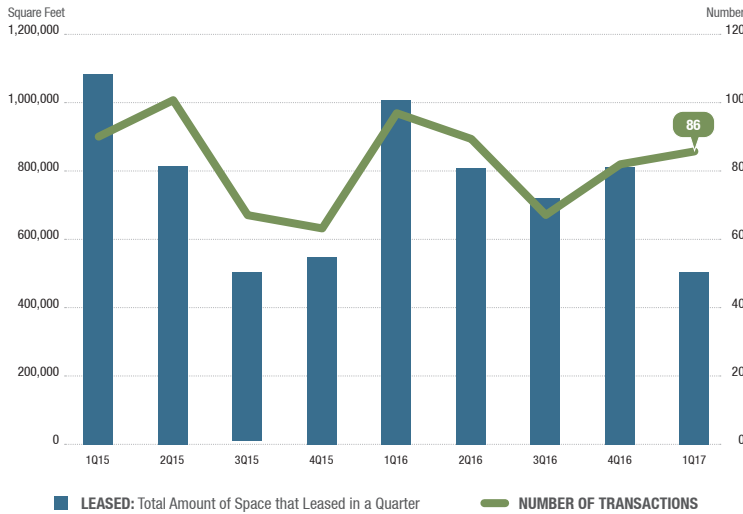
### VACANCY & AVAILABILITY RATE



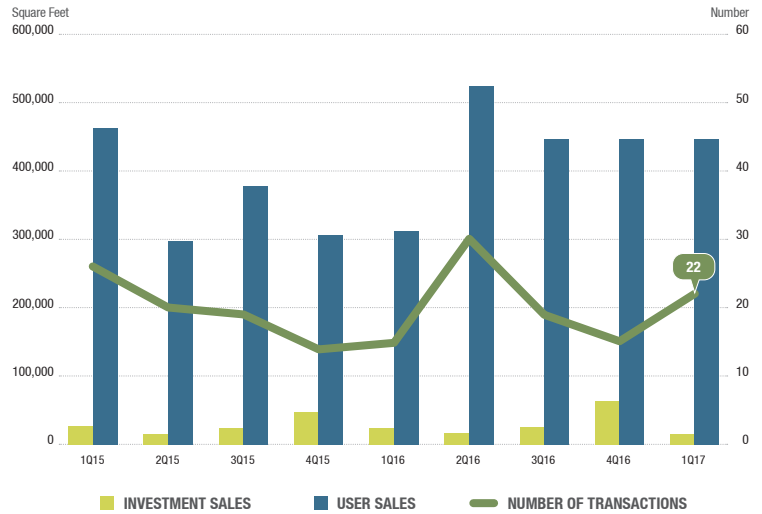
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

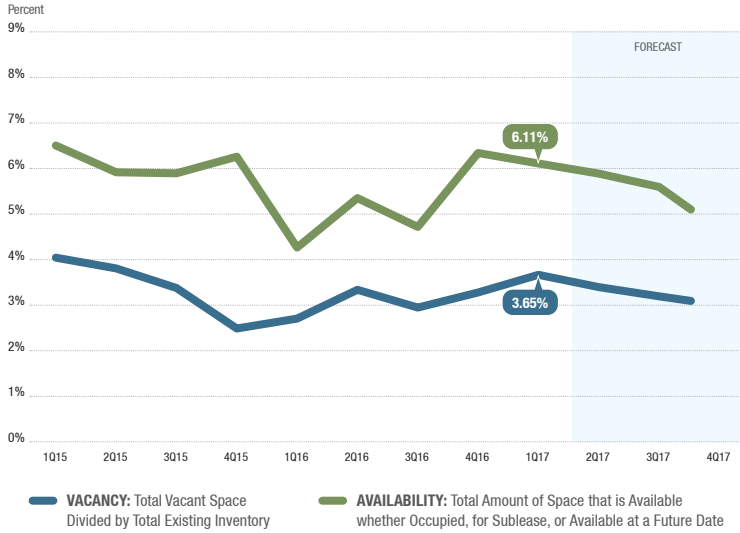
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2017	Square Feet Available	Availability Rate 1Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2017	Net Absorption 2017	Gross Absorption 1Q2017	Gross Absorption 2017
<b>Airport Totals</b>														
Less than 9,999	925	5,319,059	0	0	35,454	0.67%	83,232	1.56%	\$1.11	\$301.51	14,542	14,542	48,159	48,159
10,000-19,999	901	12,575,133	0	0	139,156	1.11%	298,648	2.37%	\$1.17	\$255.38	(18,668)	(18,668)	96,321	96,321
20,000-29,999	347	8,258,973	0	0	118,098	1.43%	177,805	2.15%	\$0.90	\$212.48	(55,031)	(55,031)	69,730	69,730
30,000-39,999	157	5,333,934	0	0	233,471	4.38%	222,740	4.18%	\$0.86	\$314.96	25,303	25,303	26,711	26,711
40,000-49,999	82	3,598,147	0	0	44,124	1.23%	98,468	2.74%	\$0.89	\$375.83	83,913	83,913	69,700	69,700
50,000-74,999	106	6,438,770	0	0	231,075	3.59%	290,715	4.52%	\$0.76	\$225.00	(74,821)	(74,821)	177,281	177,281
75,000-99,999	51	4,384,459	0	0	394,148	8.99%	263,531	6.01%	\$0.81	\$173.91	(75,868)	(75,868)	6,014	6,014
100,000-199,999	57	7,260,857	0	0	415,990	5.73%	925,146	12.74%	\$0.72	\$206.77	(45,013)	(45,013)	0	0
200,000 plus	19	5,713,765	0	250,000	335,000	5.86%	300,000	5.25%	\$0.50	\$0.00	(35,000)	(35,000)	0	0
<b>Total</b>	<b>2,645</b>	<b>58,883,097</b>	<b>0</b>	<b>250,000</b>	<b>1,946,516</b>	<b>3.31%</b>	<b>2,660,285</b>	<b>4.52%</b>	<b>\$0.79</b>	<b>\$274.34</b>	<b>(180,643)</b>	<b>(180,643)</b>	<b>493,916</b>	<b>493,916</b>

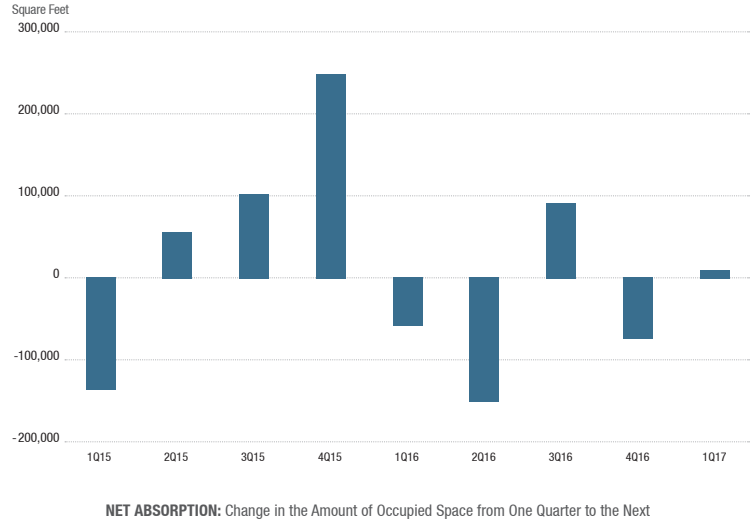
## SOUTH ORANGE COUNTY

In the first quarter of 2017, the South Orange County industrial market consisted of 927 buildings totaling 24,673,737 square feet and had an availability rate of 6.11%, which shows a decrease from the previous quarter's figure of 6.35%.

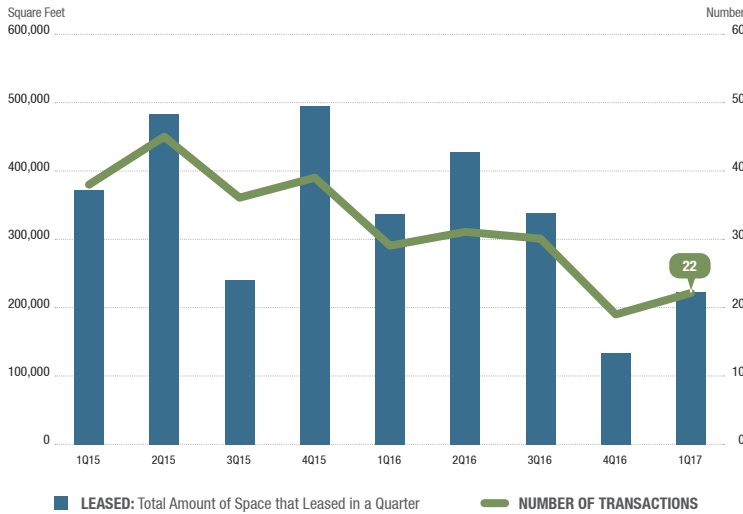
### VACANCY & AVAILABILITY RATE



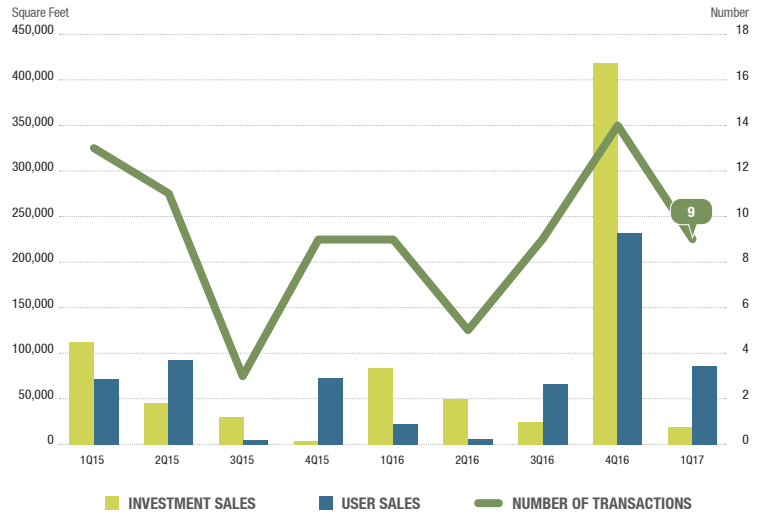
### NET ABSORPTION



### 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 1Q2017	Square Feet Available	Availability Rate 1Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 1Q2017	Net Absorption 2017	Gross Absorption 1Q2017	Gross Absorption 2017
<b>South Totals</b>														
Less than 9,999	344	2,158,433	0	0	26,285	1.22%	54,009	2.50%	\$0.98	\$322.11	1,758	1,758	28,432	28,432
10,000-19,999	276	3,972,212	0	0	124,399	3.13%	217,045	5.46%	\$1.24	\$265.00	4,369	4,369	64,511	64,511
20,000-29,999	138	3,291,024	0	0	72,381	2.20%	139,000	4.22%	\$1.33	\$280.82	(4,715)	(4,715)	27,380	27,380
30,000-39,999	48	1,627,780	0	0	34,000	2.09%	9,084	0.56%	\$1.09	\$0.00	16,449	16,449	50,449	50,449
40,000-49,999	28	1,251,155	0	0	57,078	4.56%	54,140	4.33%	\$1.00	\$299.00	34,579	34,579	45,479	45,479
50,000-74,999	34	2,045,715	0	0	167,400	8.18%	160,749	7.86%	\$0.81	\$227.00	(36,582)	(36,582)	26,849	26,849
75,000-99,999	13	1,134,166	0	0	83,640	7.37%	217,502	19.18%	\$0.76	\$163.00	0	0	0	0
100,000-199,999	30	3,945,204	0	0	86,154	2.18%	100,609	2.55%	\$0.79	\$0.00	14,198	14,198	117,823	117,823
200,000 plus	16	5,248,048	0	0	248,280	4.73%	554,785	10.57%	\$0.80	\$0.00	(22,476)	(22,476)	10	10
<b>Total</b>	<b>927</b>	<b>24,673,737</b>	<b>0</b>	<b>0</b>	<b>899,617</b>	<b>3.65%</b>	<b>1,506,923</b>	<b>6.11%</b>	<b>\$1.01</b>	<b>\$289.29</b>	<b>7,580</b>	<b>7,580</b>	<b>360,933</b>	<b>360,933</b>



It's No Longer a "Deal" – It's About Being Prepared and Securing the Opportunity

by **Jason G. Di Rocco**  
VICE PRESIDENT, ANAHEIM

We are in uncharted waters in terms of the supply and demand imbalance in the world of industrial real estate in Orange County. "Off market" transactions put together by informed real estate professionals are now the norm and seem to be the only way tenants or buyers can avoid a very competitive environment. The landscape has drastically changed as we enter the eighth year of economic recovery and expansion. In today's market, the first question a tenant or buyer's broker asks a listing broker on a new listing (within 24 hours) after it formally hits the market is: "Is the property still available or is it tied up already?" They are just hoping that the building is not committed (in escrow or with a lease contract out for execution) so the broker at least has an "opportunity" to deliver to their tenant or buyer. With continued user/tenant demand from a myriad of industries, coupled with a severely limited pipeline of new buildings under construction (given the shortage of industrial land for development), the current inventory is all but accounted for. Even new projects, still in the planning stages, are receiving multiple offers from motivated tenants and buyers.

Occupiers are also having to expand their geographic parameters as the ideal building may not be deliverable in their preferred submarket. This adds considerable time and potentially other hurdles to the relocation/expansion process. Traditionally, deals completed in the most recent six months (comps) offer valuable data points for both tenants and investors to help them make informed decisions about market pricing. Lease rates and sale prices are now increasing so quickly that looking back as far as six months no longer offers an accurate portrayal of the market. We have seen fewer published "asking rates" on properties over the past several months as owners do not want to limit themselves in a market that is changing so rapidly. "Record comps" seem to be occurring on a weekly basis and the market is certainly more difficult to pin down when demand is still hot and the overall vacancy rate is close to 2% (and a majority of the vacancy is functionally obsolete).

The demand to own industrial property is still very high even though interest rates have increased modestly in recent months. Purchasing requires more up-front capital than leasing, but many business owners are seeing the writing on the wall and don't want to be in a position of paying 30-40% more in rent when their lease comes up for renewal. This dramatic experience has further fueled the desire to be an owner, where one's real estate expenses can be controlled and are not subject to such increases.

Sellers and landlords of functional properties are receiving numerous offers, in some cases with as many as ten potential suitors. In this environment, landlords are getting their desired price or lease rate and clearly have the leverage. Concessions are severely limited and buyers/tenants are now having to show proof of funds, have solid financials, provide increased deposits and in some cases be willing to perform in a compressed window of time just to be awarded the deal. Preparation, thorough research and the ability to perform quickly on the right opportunity will continue to be critical for both tenants and buyers in this competitive market.

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Product Type

**MFG./DIST.**

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

Submarkets



**NORTH**

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

**WEST**

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

**AIRPORT**

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana and Tustin

**SOUTH**

Aliso Viejo, Foothill Ranch, Irvine Spectrum, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano