

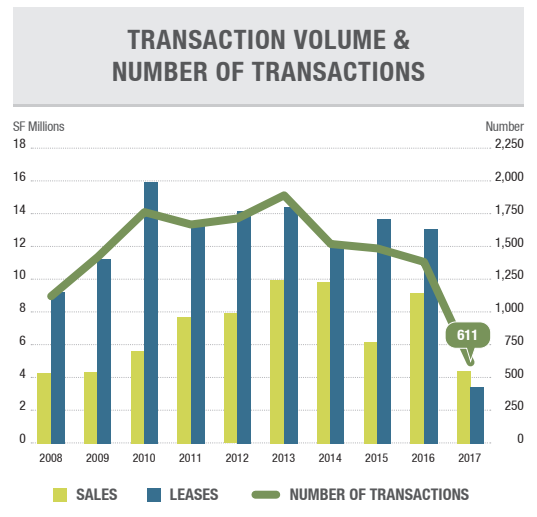
HEALTHY FUNDAMENTALS CONTINUE. The Orange County industrial market recorded another dynamic quarter marked by strong tenant and buyer activity across all size ranges. Lease rates continue to move past previous peak levels witnessed in 2007, while sale prices soar to new heights as well, up 15-20% from this point last year in certain size ranges. While the region's lack of available inventory continues to hinder overall transaction volume, Orange County's diverse tenant base in the technology, medical, apparel, home improvement and aerospace sectors continues to clamor for expansion opportunities in this competitive market. As e-commerce and related logistics/transportation operators emerge as more significant players in this market, industrial demand and competition is at an all-time high. The second quarter also witnessed a couple of Orange County's larger tenants, unable to locate larger blocks of space in the local market, leave the area in favor of Corona and the Western Inland Empire. Alstyle apparel, previously located in Anaheim, was acquired and relocated to Mira Loma. SeneGen International in Foothill Ranch also expanded outside of Orange County by purchasing two new buildings in Corona totaling 220,000 square feet.

VACANCY. The vacancy rate for industrial buildings fell to 2.32%, down from an already low 2.45% this time last year. 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 for the balance of 2017 and reaction time will be critical. "Off market" deals will become the norm and tenant concessions will be severely limited in this competitive market.

LEASE RATES. The average asking lease rate which incorporates all size ranges and submarkets throughout Orange County is \$0.84 NNN per square foot per month, a one cent (\$0.01) per square foot increase from last quarter and a three cent (\$0.03) per square foot increase from a year ago (3.70% annual increase). Averages are often times difficult to rely on however. Tenants who leased 40-70,000 square foot buildings in 2012 on a five-year term are now coming up for renewal and rents have increased anywhere from 30-50% during that window of time. Case studies show that a \$0.54 per square foot NNN lease rate in 2012 could easily be an \$0.80 per square foot NNN deal today with multiple parties competing for the property.

SALE PRICES. The Orange County industrial market's average asking price at the end of the second quarter 2017 came in at \$255 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 26% from the second quarter of 2016. As interest rates move up we expect to see more modest levels of appreciation in 2017. While investors are approaching the market with a bit more caution given where we are in the cycle, they continue to make strategic acquisitions given Orange County's strong fundamentals and are willing to accept very modest returns, banking on continued rent growth in a region starved for quality product. The second quarter was an active one for both users and investors in terms of acquisitions as Napa Vista Tulocay, LLC purchased 1650 Sunflower Avenue in Costa Mesa (A FedEx-occupied 112,000 square foot asset for more than \$33 million) and Goton Tiles, Inc. (Chinese owned) purchased the 127,122 square foot La Palma Distribution Center in Anaheim from Clarion for \$15.9 million.

TRANSACTION ACTIVITY. The overall lack of available inventory has finally taken its toll on transaction volume (sales and leases) as gross activity in the second quarter dropped to 2.7 million square feet, down from 5.5 million square feet in the previous quarter. Highlights include LBA Realty's lease of 130,706 square foot lease to SeneGen International at 25892 Towne Centre Drive in Foothill Ranch, California Hi-Lites leasing 112,746 square feet at 2100 E. Valencia Drive in Fullerton from MetLife, and Flexport leasing 102,367 square feet at 6201 Knott Avenue in Buena Park from MDC.



Market Statistics

	Change Over Last Quarter	2Q 2017	1Q 2017	2Q 2016	% Change Over Last Year
Vacancy Rate	▼ DOWN	2.32%	2.35%	2.45%	(5.31%)
Availability Rate	▲ UP	3.95%	3.82%	3.90%	1.28%
Average Asking Lease Rate	▲ UP	\$0.84	\$0.83	\$0.81	3.70%
Average Asking Sale Price	▲ UP	\$255.41	\$244.74	\$201.82	26.55%
Sale & Lease Transactions	▼ DOWN	2,747,692	5,002,795	5,177,386	(46.93%)
Gross Absorption	▲ UP	2,590,658	2,169,794	2,601,756	(0.43%)
Net Absorption	▲ POSITIVE	280,229	(401,869)	28,289	N/A

LEASE RATES. Anticipate asking rents to increase by a minimum of 3% to reach a level of \$0.86 per square foot by the end of 2017 with more robust increases coming in Class A buildings with modern features such as 30' warehouse clearance, ample dock-high loading, fenced yards and immediate freeway access.

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 2.10% well into 2018.

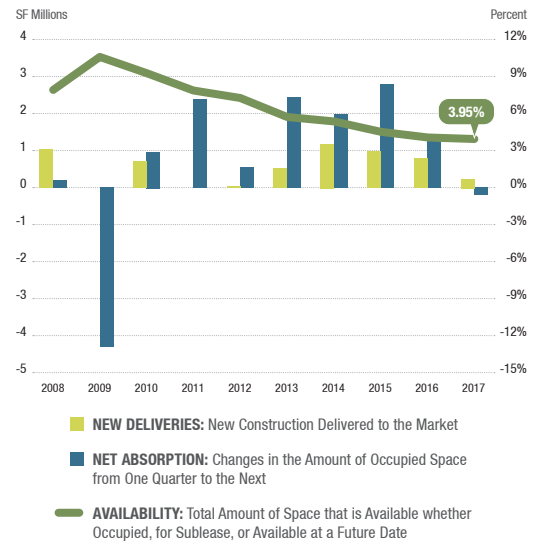
OVERALL. The fundamentals for Orange County industrial continue to look strong during this period of prolonged expansion. With limited new deliveries and no “speculative excess,” expect the supply and demand imbalance to remain, ultimately benefiting landlords. Industrial as an asset class should be insulated from any major correction given the growth in e-commerce and an increase in both consumer consumption and impatience (immediate delivery). Users and investors will continue to target this area given its highly educated workforce and proximity to affluent households. Even with a majority of the industrial base being built prior to 1980, industrial occupiers will tend to focus more on location than function in the coming quarters. Investors will attempt to grow their portfolios, even if that means acquiring “one off” 40–80,000 square foot buildings to be in the “last mile” with direct access to Orange County’s consumer base. Larger tenants with their eye on expansion will be forced to widen their search parameters and we will see more departures from Orange County to areas like the Inland Empire, where larger logistics facilities are more widely available at 20–30% lower rents.

CONSTRUCTION. During the second quarter of 2017, two buildings (387,835 square feet) are under construction in the entire Orange County industrial market. Even though the market is craving new, Class A product, Orange County 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 with delivery expected to be in early to mid-2018.

ABSORPTION. Net absorption remained healthy in second quarter 2017 with a positive 280,229 square feet absorbed in the quarter. A nice bounce back after a negative 402,000 square feet recorded in the first quarter. Tenants moving out of large blocks of space in the second quarter include: iLad Inc. moving out of 104,354 square feet at 6550 Katella Avenue in Cypress, and Aranda Tooling moving out of 61,123 square feet at 15301 Springdale Street in Huntington Beach. New arrivals or expansions in the second quarter include: WorldPac Inc. moving into 240,513 square feet at 1225 W. Imperial Highway in Brea; Limbach Company, LP moving into 88,507 square feet at Pacific Gateway Business Center; and McGuff Pharmaceutical’s moving into 81,916 square feet at Gateway Corporate Centre.

AVAILABILITY. The availability rate, or ratio of available space (being marketed) to total rentable area in the region, came in at 3.95%, a 5-basis point drop from a year ago. The five-year average in Orange County is 4.71%, so recent compression would indicate a further increase in lease rates will be following.

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



Significant Transactions

Sales * Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
1650 Sunflower Ave.	Costa Mesa	112,000	\$33,400,000	Napa Valley Tulocay, LLC	1650 Sunflower Owner, LLC
5455 E. La Palma Ave.	Anaheim	127,122	\$15,900,000	Goton Tiles, Inc.	ING Clarion Partners
4111 N. Palm St.	Fullerton	50,000	\$9,200,000	CL Investments, Inc.*	Gems Holdings, LLC*
8030 E. Crystal Dr.	Anaheim	23,924	\$4,790,000	Optima Cotton, Inc.	Deercreek Capital Group, LLC*
1064 E. 16th St.	Santa Ana	16,000	\$2,345,000	Roberts Waste & Recycling	Keith Bauer*

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
25892–25902 Towne Center Dr.	Foothill Ranch	130,706	Apr-2017	Sene Gence International	LBA Realty
6201 Knott Ave.	Buena Park	102,367	Jun-2017	Flexport	MCDC
1321 S. State College Blvd.	Fullerton	62,396	May-2017	Rexel, Inc.	DSA State City Business Park, LLC
16350 Gothard St.	Huntington Beach	50,890	May-2017	Pitney Bowes	Prologis
2672 Dow Ave. – Sublease	Tustin	48,668	May-2017	Private Car Storage	Meridian Graphics

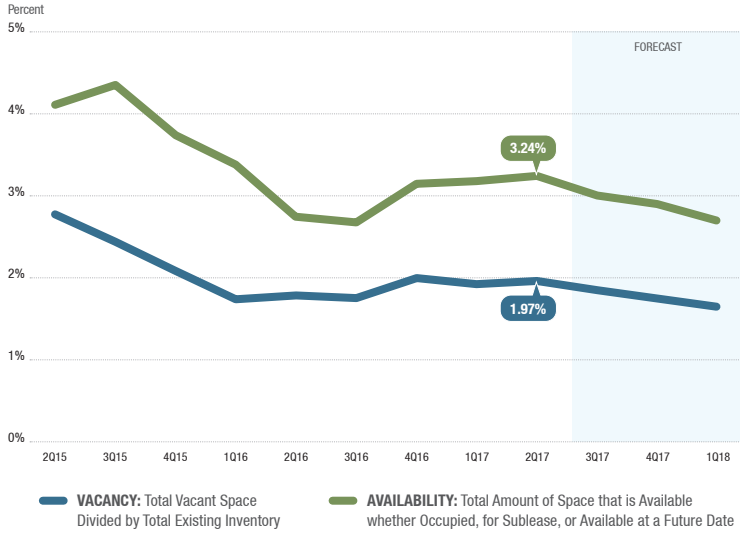
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2017	Square Feet Available	Availability Rate 2Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2017	Net Absorption 2017	Gross Absorption 2Q2017	Gross Absorption 2017
Airport Area														
Costa Mesa	416	7,480,291	0	0	419,159	5.60%	432,914	5.79%	\$1.04	\$379.68	(17,199)	(46,126)	76,402	157,257
Fountain Valley	186	3,857,245	0	250,000	84,190	2.18%	81,987	2.13%	\$0.00	\$0.00	(26,422)	(20,129)	25,320	73,105
Irvine	316	12,441,047	0	0	435,752	3.50%	541,862	4.36%	\$0.81	\$0.00	133,665	(33,880)	207,110	309,989
Newport Beach	48	572,594	0	0	6,640	1.16%	6,640	1.16%	\$0.00	\$0.00	4,200	(6,640)	5,200	5,200
Santa Ana	1,565	29,565,156	0	0	506,073	1.71%	865,759	2.93%	\$0.79	\$218.05	36,582	(155,097)	320,973	539,870
Tustin	114	4,447,241	0	0	278,047	6.25%	285,041	6.41%	\$1.20	\$211.78	(25,410)	19,490	33,323	85,323
Airport Area Total	2,645	58,363,574	0	250,000	1,729,861	2.96%	2,214,203	3.79%	\$0.81	\$273.35	105,416	(242,382)	668,328	1,170,744
North County														
Anaheim	1,824	44,325,533	206,766	42,725	515,021	1.16%	1,167,973	2.63%	\$0.77	\$234.50	141,421	(51,432)	415,609	550,104
Brea	328	11,993,398	0	0	399,951	3.33%	335,005	2.79%	\$0.69	\$221.43	283,357	296,551	367,984	486,506
Buena Park	229	13,423,072	0	0	315,758	2.35%	719,028	5.36%	\$0.78	\$212.00	(221,758)	(245,305)	21,512	44,448
Fullerton	446	19,369,646	181,069	976,754	585,186	3.02%	841,844	4.35%	\$0.70	\$194.04	1,315	382,422	243,680	842,476
La Habra	197	3,447,950	0	0	36,506	1.06%	53,372	1.55%	\$0.79	\$209.50	3,354	(4,749)	29,417	43,892
Orange	736	13,604,953	0	0	216,606	1.59%	306,583	2.25%	\$0.99	\$203.52	(39,347)	(90,725)	64,800	143,224
Placentia	217	4,040,244	0	0	79,707	1.97%	142,231	3.52%	\$0.00	\$201.98	(30,952)	(52,787)	17,568	18,708
Yorba Linda	52	992,305	0	0	40,438	4.08%	41,853	4.22%	\$0.00	\$285.00	26,792	(18,458)	39,364	40,900
North County Total	4,029	111,197,101	387,835	1,019,479	2,189,173	1.97%	3,607,889	3.24%	\$0.73	\$212.28	164,182	215,517	1,199,934	2,170,258
South County														
Aliso Viejo	17	668,427	0	0	0	0.00%	6,000	0.90%	\$0.00	\$0.00	0	0	0	0
Foothill Ranch	68	3,575,508	0	0	122,969	3.44%	198,588	5.55%	\$0.93	\$0.00	122,649	122,659	130,199	130,209
Irvine Spectrum	213	9,923,271	0	0	265,353	2.67%	795,798	8.02%	\$1.11	\$315.02	(34,939)	(151,749)	12,072	162,402
Laguna Beach	16	80,431	0	0	5,125	6.37%	5,125	6.37%	\$0.00	\$0.00	(950)	(1,845)	895	895
Laguna Hills	74	1,057,287	0	0	19,008	1.80%	14,423	1.36%	\$1.04	\$275.00	1,397	(11,696)	9,180	16,582
Laguna Niguel	20	279,095	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	189	4,126,087	0	0	91,283	2.21%	194,682	4.72%	\$1.16	\$305.00	185,733	254,703	201,548	346,980
Mission Viejo	30	460,320	0	0	9,462	2.06%	8,219	1.79%	\$0.00	\$0.00	(9,462)	(7,152)	0	3,414
Rancho Santa Margarita	101	1,621,475	0	0	21,357	1.32%	147,712	9.11%	\$0.85	\$195.00	429	(4,878)	10,931	23,752
San Clemente	157	1,975,536	0	0	33,875	1.71%	112,345	5.69%	\$1.25	\$259.00	29,165	5,572	56,037	91,576
San Juan Capistrano	43	923,385	0	0	36,253	3.93%	48,843	5.29%	\$1.39	\$0.00	(12,271)	(21,920)	4,801	9,846
South County Total	928	24,690,822	0	0	604,685	2.45%	1,531,735	6.20%	\$1.06	\$291.41	281,751	183,694	425,663	785,656
West County														
Cypress	97	4,256,604	0	0	104,354	2.45%	632,891	14.87%	\$0.90	\$0.00	(104,354)	(104,354)	8,228	8,228
Garden Grove	476	11,992,431	0	0	399,530	3.33%	424,915	3.54%	\$0.74	\$177.95	(22,760)	(50,064)	63,863	152,112
Huntington Beach	679	14,125,772	0	0	361,073	2.56%	390,126	2.76%	\$0.84	\$244.93	(147,467)	(167,478)	97,626	323,519
La Palma	16	1,774,689	0	0	0	0.00%	131,000	7.38%	\$0.00	\$0.00	0	0	0	0
Los Alamitos	97	2,384,153	0	0	14,518	0.61%	29,077	1.22%	\$0.00	\$0.00	(7,285)	797	12,401	20,483
Seal Beach	15	991,653	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	88,507	88,507
Stanton	175	1,806,768	0	0	17,662	0.98%	17,662	0.98%	\$0.00	\$264.32	1,730	(17,662)	14,992	16,992
Westminster	138	2,314,235	0	0	1,740	0.08%	260,246	11.25%	\$0.00	\$318.57	9,016	21,853	11,116	23,953
West County Total	1,693	39,646,305	0	0	898,877	2.27%	1,885,917	4.76%	\$0.79	\$230.36	(271,120)	(316,908)	296,733	633,794
Orange County Total	9,295	233,897,802	387,835	1,269,479	5,422,596	2.32%	9,239,744	3.95%	\$0.84	\$255.41	280,229	(160,079)	2,590,658	4,760,452
Less than 9,999	3,287	19,966,939	0	0	263,356	1.32%	433,709	2.17%	\$1.24	\$272.67	(83,637)	(98,166)	139,741	294,347
10,000–19,999	3,127	43,206,460	0	16,225	775,796	1.80%	1,099,207	2.54%	\$1.28	\$226.77	77,268	(105,261)	489,286	889,656
20,000–29,999	1,184	28,176,194	0	26,500	654,673	2.32%	835,794	2.97%	\$1.02	\$199.63	(169,266)	(278,502)	315,714	529,492
30,000–39,999	490	16,666,174	0	0	426,207	2.56%	534,791	3.21%	\$0.82	\$187.17	188,233	87,864	290,352	465,843
40,000–49,999	293	12,854,447	0	129,652	209,147	1.63%	282,515	2.20%	\$1.03	\$136.53	79,219	146,446	215,882	346,498
50,000–74,999	370	22,246,518	0	0	413,381	1.86%	882,840	3.97%	\$0.75	\$175.00	(89,383)	(248,388)	159,697	438,809
75,000–99,999	166	14,210,473	0	78,523	378,107	2.66%	671,111	4.72%	\$0.77	\$195.00	84,360	8,497	312,672	413,258
100,000–199,999	257	33,864,764	181,069	246,938	962,567	2.84%	1,562,380	4.61%	\$0.75	\$206.77	59,656	(79,891)	171,022	445,227
200,000 Plus	121	42,705,833	0	521,641	1,339,362	3.14%	2,937,397	6.88%	\$0.71	\$0.00	133,779	407,322	496,292	937,322
Orange County Total	9,295	233,897,802	181,069	1,269,479	5,422,596	2.32%	9,239,744	3.95%	\$0.84	\$255.41	280,229	(160,079)	2,590,658	4,760,452

Lease rates are on a triple-net basis.

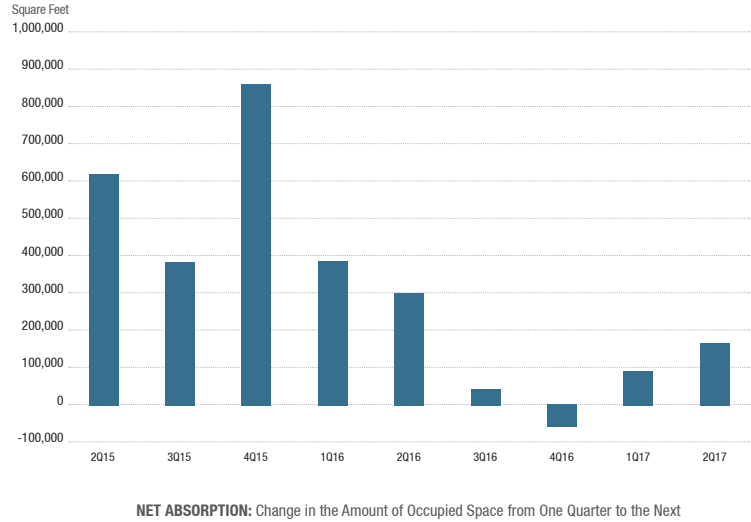
NORTH ORANGE COUNTY

In the second quarter of 2017, the North Orange County industrial market consisted of 4,029 buildings totaling 111,197,101 square feet and had an availability rate of 3.24%, which shows an increase from the previous quarter's figure of 3.19%.

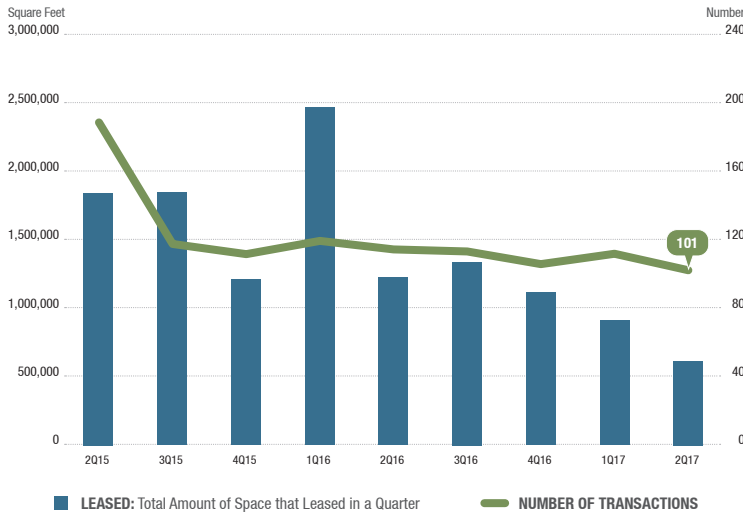
VACANCY & AVAILABILITY RATE



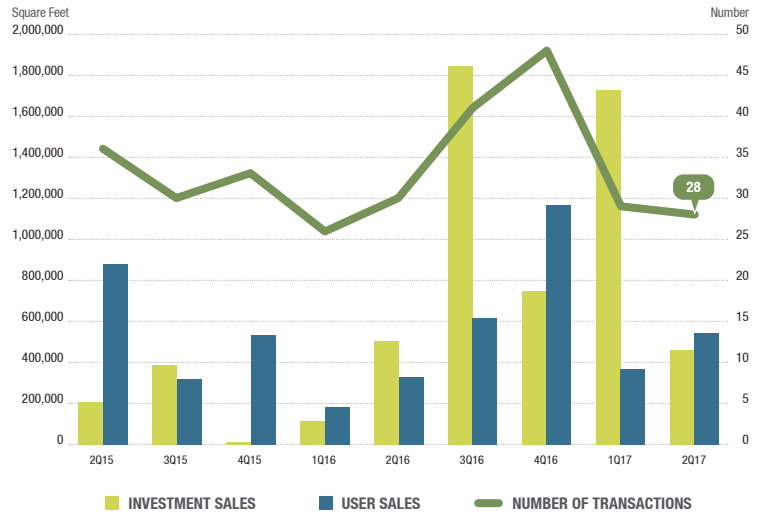
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

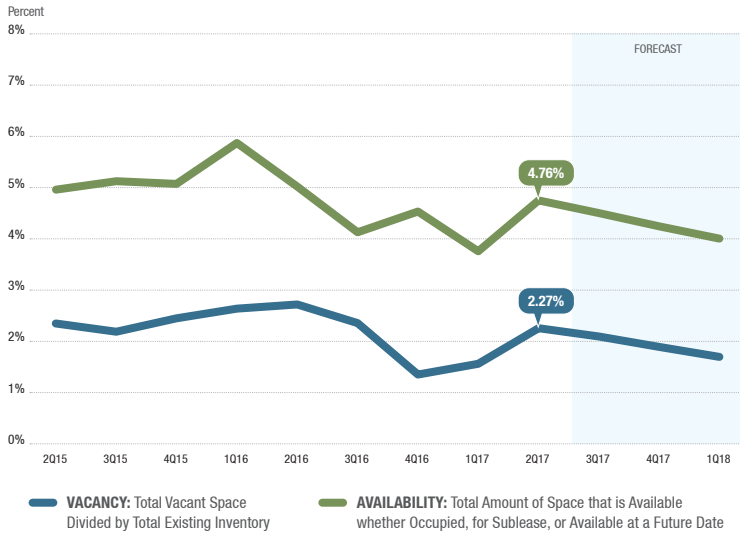
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2017	Square Feet Available	Availability Rate 2Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2017	Net Absorption 2017	Gross Absorption 2Q2017	Gross Absorption 2017
North Totals														
Less than 9,999	1,321	8,382,411	0	0	105,135	1.25%	170,417	2.03%	\$1.89	\$223.72	(40,902)	(53,659)	57,515	109,021
10,000-19,999	1,392	19,236,007	0	16,225	354,204	1.84%	479,817	2.49%	\$1.04	\$218.61	151,743	(714)	321,996	487,939
20,000-29,999	518	12,285,228	0	26,500	301,702	2.46%	310,725	2.53%	\$1.13	\$191.26	(39,619)	(135,398)	195,181	278,384
30,000-39,999	225	7,597,083	0	0	193,746	2.55%	167,241	2.20%	\$0.00	\$186.99	115,537	(22,129)	157,683	221,199
40,000-49,999	131	5,745,649	0	129,652	101,082	1.76%	154,130	2.68%	\$0.79	\$119.10	54,852	42,095	67,691	70,291
50,000-74,999	175	10,487,645	0	0	152,658	1.46%	410,923	3.92%	\$0.66	\$175.00	(142,606)	(152,658)	26,320	35,120
75,000-99,999	72	6,133,646	0	78,523	23,600	0.38%	228,809	3.73%	\$0.75	\$0.00	(23,600)	(23,600)	0	0
100,000-199,999	130	17,263,003	181,069	246,938	337,492	1.96%	613,906	3.56%	\$0.81	\$0.00	26,423	168,207	53,035	206,771
200,000 plus	65	24,066,429	206,766	521,641	619,554	2.57%	1,071,921	4.45%	\$0.69	\$0.00	62,354	393,373	320,513	761,533
Total	4,029	111,197,101	387,835	1,019,479	2,189,173	1.97%	3,607,889	3.24%	\$0.73	\$212.28	164,182	215,517	1,199,934	2,170,258

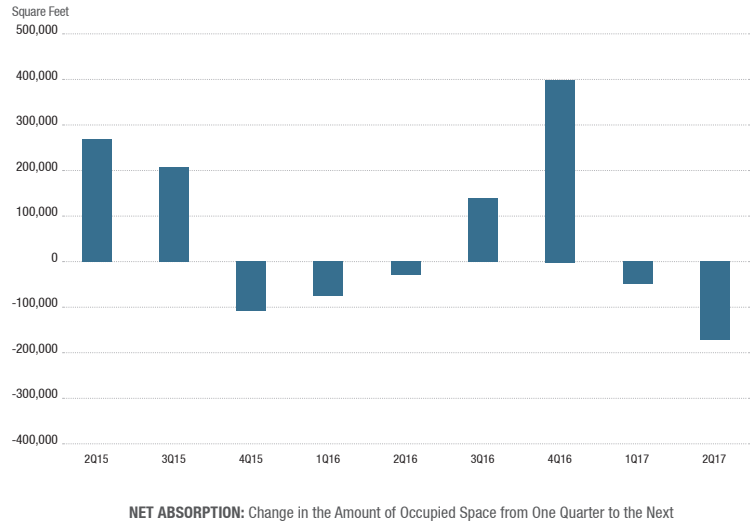
WEST ORANGE COUNTY

In the second quarter of 2017, the West Orange County industrial market consisted of 1,693 buildings totaling 39,646,305 square feet and had an availability rate of 4.76%, which shows an increase from the previous quarter's figure of 3.67%.

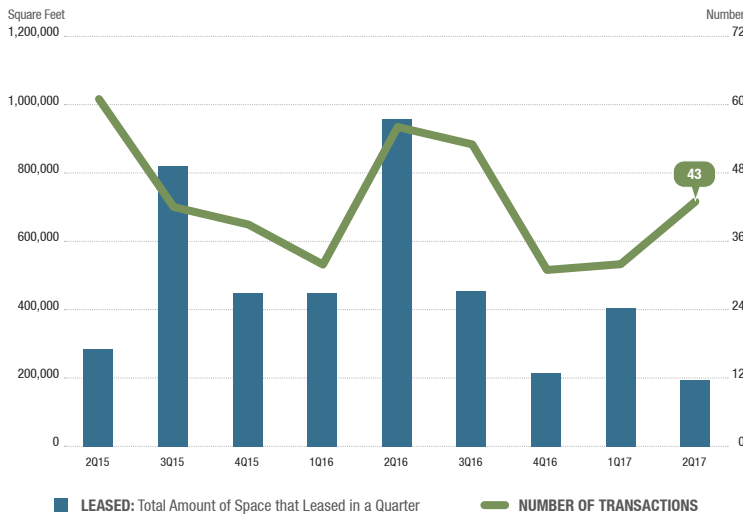
VACANCY & AVAILABILITY RATE



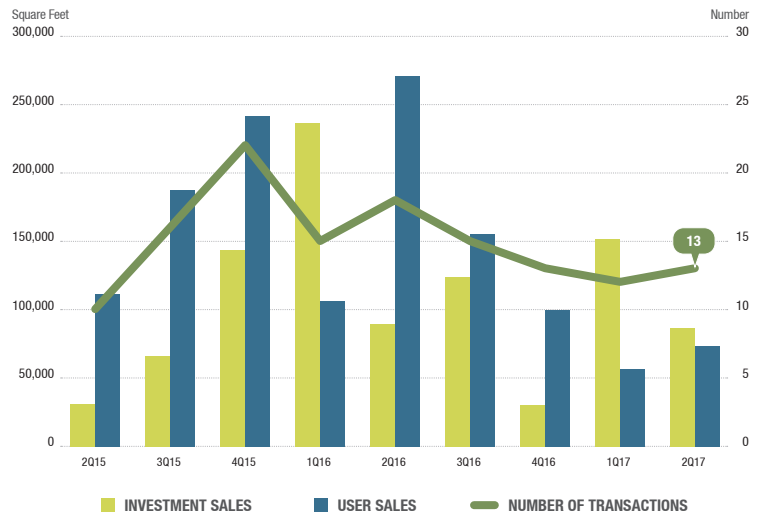
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

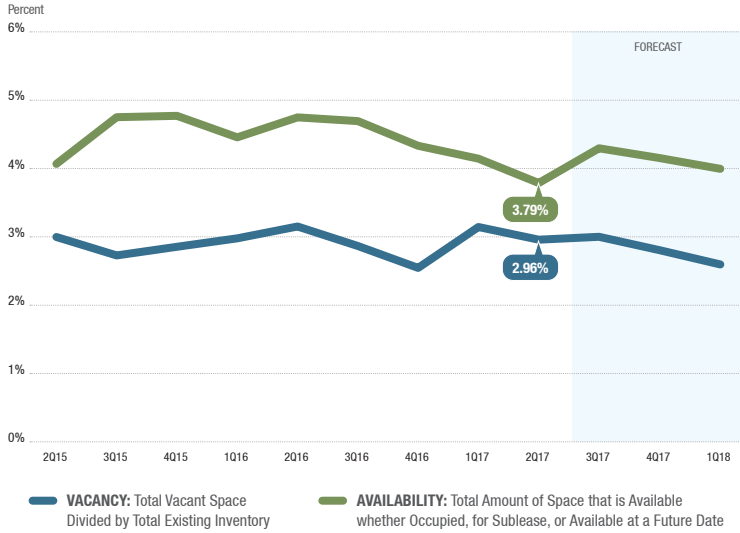
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2017	Square Feet Available	Availability Rate 2Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2017	Net Absorption 2017	Gross Absorption 2Q2017	Gross Absorption 2017
West Totals														
Less than 9,999	692	4,089,890	0	0	67,042	1.64%	80,712	1.97%	\$1.00	\$271.77	(13,218)	(25,727)	36,798	65,230
10,000-19,999	559	7,408,774	0	0	114,633	1.55%	118,164	1.59%	\$1.28	\$0.00	(36,536)	(53,044)	55,848	120,443
20,000-29,999	180	4,322,374	0	0	116,378	2.69%	99,626	2.30%	\$0.85	\$166.83	(42,553)	(24,342)	20,134	53,599
30,000-39,999	62	2,168,360	0	0	22,346	1.03%	63,534	2.93%	\$0.00	\$190.00	45,550	80,225	45,550	81,805
40,000-49,999	50	2,174,388	0	0	0	0.00%	43,310	1.99%	\$0.00	\$171.40	41,668	54,505	41,668	54,505
50,000-74,999	58	3,472,364	0	0	119,440	3.44%	154,420	4.45%	\$0.77	\$0.00	(61,123)	(103,440)	0	66,182
75,000-99,999	30	2,574,308	0	0	15,800	0.61%	54,330	2.11%	\$0.82	\$0.00	(15,800)	(15,800)	96,735	191,307
100,000-199,999	40	5,394,256	0	0	130,931	2.43%	130,931	2.43%	\$0.80	\$0.00	(84,754)	(124,931)	0	723
200,000 plus	22	8,041,591	0	0	312,307	3.88%	1,140,890	14.19%	\$0.76	\$0.00	(104,354)	(104,354)	0	0
Total	1,693	39,646,305	0	0	898,877	2.27%	1,885,917	4.76%	\$0.79	\$230.36	(271,120)	(316,908)	296,733	633,794

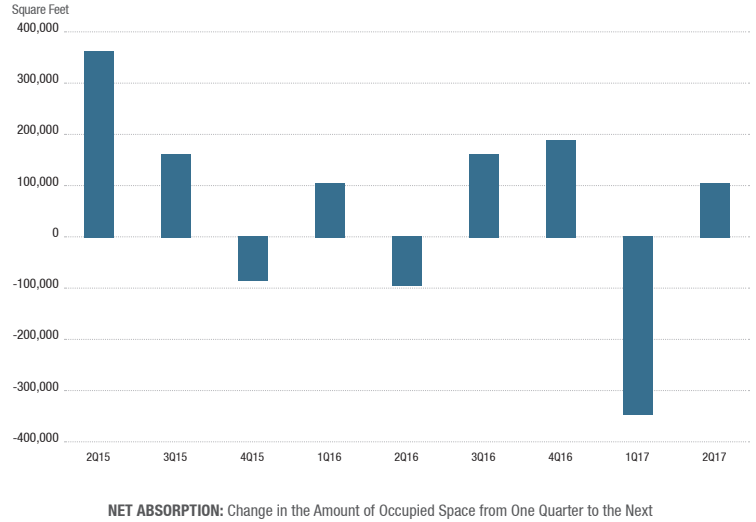
AIRPORT AREA

In the second quarter of 2017, the Airport Orange County industrial market consisted of 2,645 buildings totaling 58,363,574 square feet and had an availability rate of 3.79%, which shows a decrease from previous quarter's figure of 4.14%.

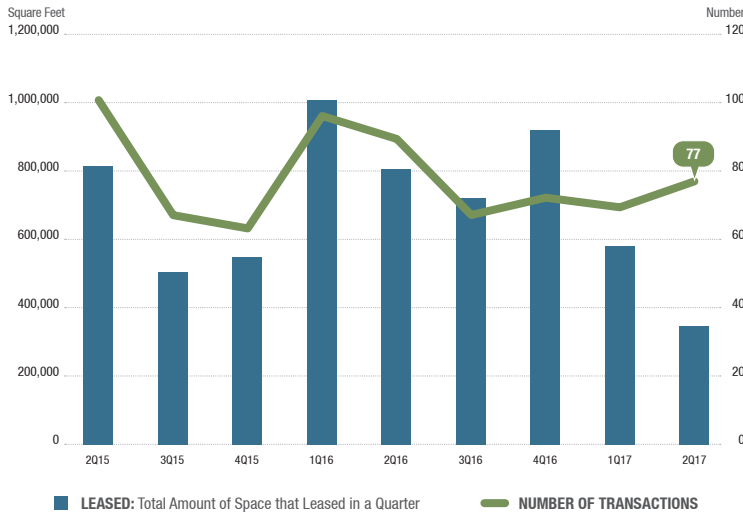
VACANCY & AVAILABILITY RATE



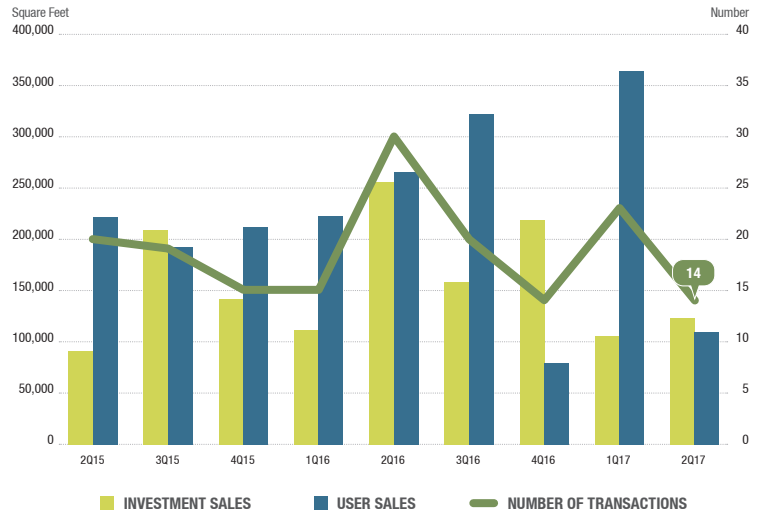
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

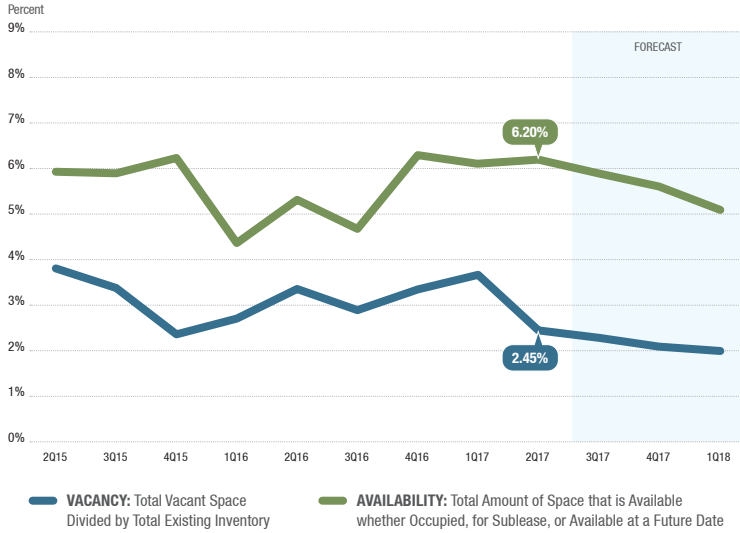
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2017	Square Feet Available	Availability Rate 2Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2017	Net Absorption 2017	Gross Absorption 2Q2017	Gross Absorption 2017
Airport Totals														
Less than 9,999	930	5,336,206	0	0	52,187	0.98%	111,808	2.10%	\$1.61	\$318.93	(16,810)	(7,831)	32,473	80,632
10,000–19,999	898	12,564,899	0	0	186,350	1.48%	309,497	2.46%	\$1.06	\$242.08	(41,494)	(60,162)	80,129	184,950
20,000–29,999	349	8,302,906	0	0	130,796	1.58%	195,031	2.35%	\$0.96	\$237.00	(27,296)	(54,249)	76,526	146,256
30,000–39,999	156	5,303,831	0	0	176,115	3.32%	304,016	5.73%	\$0.82	\$186.64	27,146	14,759	87,119	113,830
40,000–49,999	83	3,640,210	0	0	83,730	2.30%	17,500	0.48%	\$0.00	\$0.00	(63,480)	(26,332)	57,770	127,470
50,000–74,999	104	6,313,860	0	0	96,299	1.53%	167,417	2.65%	\$0.79	\$0.00	64,996	(5,058)	84,027	261,308
75,000–99,999	50	4,291,040	0	0	261,394	6.09%	92,000	2.14%	\$0.00	\$0.00	44,367	(31,496)	132,297	138,311
100,000–199,999	57	7,260,857	0	0	407,990	5.62%	716,934	9.87%	\$0.74	\$206.77	117,987	(37,013)	117,987	117,987
200,000 plus	18	5,349,765	0	0	335,000	6.26%	300,000	5.61%	\$0.00	\$0.00	0	(35,000)	0	0
Total	2,645	58,363,574	0	250,000	1,729,861	2.96%	2,214,203	3.79%	\$0.81	\$273.35	105,416	(242,382)	668,328	1,170,744

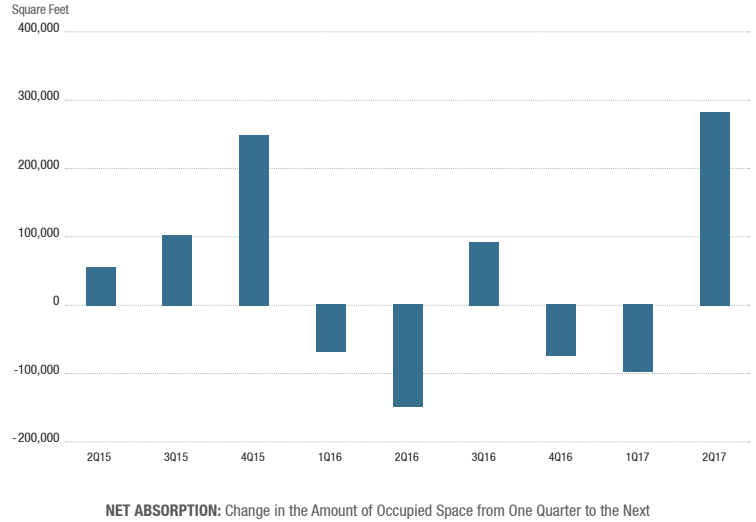
SOUTH ORANGE COUNTY

In the second quarter of 2017, the South Orange County industrial market consisted of 928 buildings totaling 24,690,822 square feet and had an availability rate of 6.20%, which shows an increase from the previous quarter's figure of 6.11%.

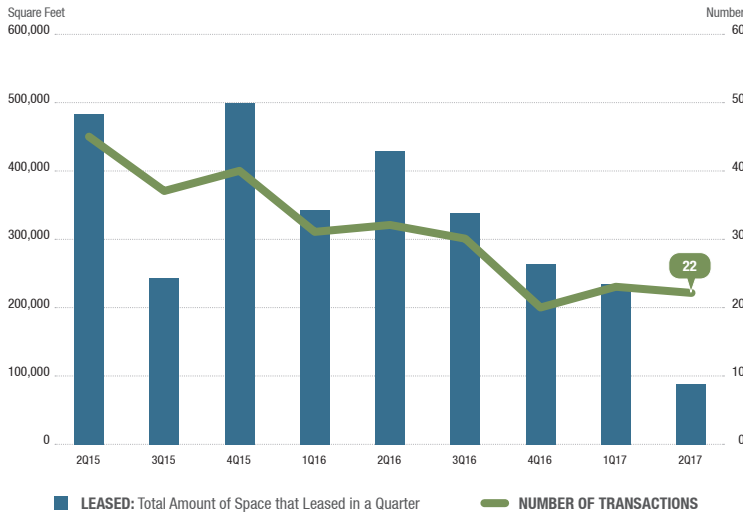
VACANCY & AVAILABILITY RATE



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 2Q2017	Square Feet Available	Availability Rate 2Q2017	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2017	Net Absorption 2017	Gross Absorption 2Q2017	Gross Absorption 2017
South Totals	928	24,690,822	0	0	604,685	2.45%	1,531,735	6.20%	\$1.06	\$291.41	281,751	183,694	425,663	785,656
Less than 9,999	344	2,158,432	0	0	38,992	1.81%	70,772	3.28%	\$1.21	\$321.67	(12,707)	(10,949)	12,955	39,464
10,000–19,999	278	3,996,780	0	0	120,609	3.02%	191,729	4.80%	\$1.43	\$262.00	3,555	8,659	31,313	96,324
20,000–29,999	137	3,265,686	0	0	105,797	3.24%	230,412	7.06%	\$1.10	\$265.10	(59,798)	(64,513)	23,873	51,253
30,000–39,999	47	1,596,900	0	0	34,000	2.13%	0	0.00%	\$0.00	\$0.00	0	15,009	0	49,009
40,000–49,999	29	1,294,200	0	0	24,335	1.88%	67,575	5.22%	\$1.22	\$0.00	46,179	76,178	48,753	94,232
50,000–74,999	33	1,972,649	0	0	44,984	2.28%	150,080	7.61%	\$1.10	\$0.00	49,350	12,768	49,350	76,199
75,000–99,999	14	1,211,479	0	0	77,313	6.38%	295,972	24.43%	\$0.73	\$195.00	79,393	79,393	83,640	83,640
100,000–199,999	30	3,946,648	0	0	86,154	2.18%	100,609	2.55%	\$0.00	\$0.00	0	(86,154)	0	119,746
200,000 plus	16	5,248,048	0	0	72,501	1.38%	424,586	8.09%	\$0.75	\$0.00	175,779	153,303	175,779	175,789



How to Win

by **Eric Smith**

SENIOR ASSOCIATE, ANAHEIM

Everybody wants to win. Win their co-ed softball game, win in their office, win in life... and win in real estate. So, how do you win in a 2.32% vacant market? Said another way, how do you win in basically the tightest industrial real estate market on record? Not so easy of a win, now is it?

A win may be hard to recognize in this market. As mentioned earlier in this report, a lot of tenants may be faced with an uncomfortable and almost unfathomable new lease rate. For example, a lease rate signed in the early recovery era of 2012 has probably seen a 30–40% increase. For example, a 20,000 square foot industrial lease at \$0.60 NNN per square foot per month most likely has just become a \$0.84 NNN per square foot per month lease in the current market. That is a \$4,800 monthly difference. On any scale, these numbers can be frustrating for tenants and ecstasy for landlords. Hence, let's establish what a win actually is.

Winning is prioritizing, strategizing, starting early and using professionals. Winning is calmly leasing the building that is in the right location, with the right power, right clearance, loading and port access. Winning is buying a building to control your own real estate and capitalizing on still low interest rates. Winning is leasing to a credit tenant with a clean use. Winning may be paying the asking rate...

Here are some winning strategies you should consider using:

Accept Sticker Shock – everyone is facing 30–40% rent increases. Before you tell your landlord where to stuff their lease, look around. Making a sound business decision based on growth numbers, ROI and ROE of being in the right building will probably assuage the increased rent.

Buying vs Leasing – buying is always an option. Even with sales prices increasing as much as 26% from the first quarter of 2016, in many circumstances owning the real estate and taking into consideration after-tax benefits is less expensive than leasing.

Consider Moving East – to the Inland Empire. Perhaps Corona, Ontario, Chino or Inland Empire West. There are only 2 buildings (totaling 387,835 square feet) that are under construction in the entire Orange County industrial market.

Consider Renewing Early – blend and extend to get a sense of certainty now. You can always reach out to your landlord early to see about renewing now and securing your rental rate.

Shoot for a Short-Term Lease – if you are a tenant, aim for a short-term lease of 2–4 years so you can catch a potential market correction.

Remember, the pendulum will swing back some day. Be strategic, be informed and learn how to recognize a win.

**Please Contact Us
for Further Information**

Tony Tran
Regional Director of Research
ttran@voitco.com

Anaheim, CA 714.978.7880	Carlsbad, CA 760.517.4000	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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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. ©2017 Voit Real Estate Services, Inc. License #01991785.

Represented in 150 Markets
Nationally & Internationally.
CORFAC
International

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