

MARKET OVERVIEW. The Orange County economy is expected to continue its upward trend through 2018, with supply constraints and conversions from industrial to other property types playing key roles in tightening Orange County’s fundamentals. Vacancies are low, demand is consistently strong, and it’s still a landlord’s market. Tenants looking for industrial space face one of the tightest markets in the country, as growth in traditional import logistics and e-commerce continues to drive strong demand. This consistent demand and a lack of quality space have pushed asking rents higher. The Orange County industrial market continues to benefit from the rise of e-commerce as retailers strive to respond quickly to demand throughout Orange County.

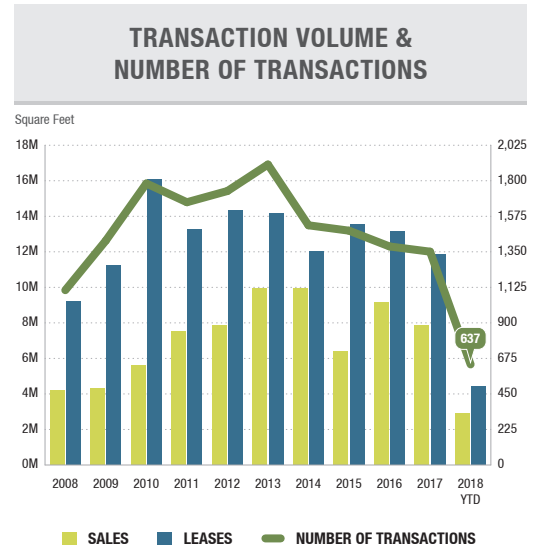
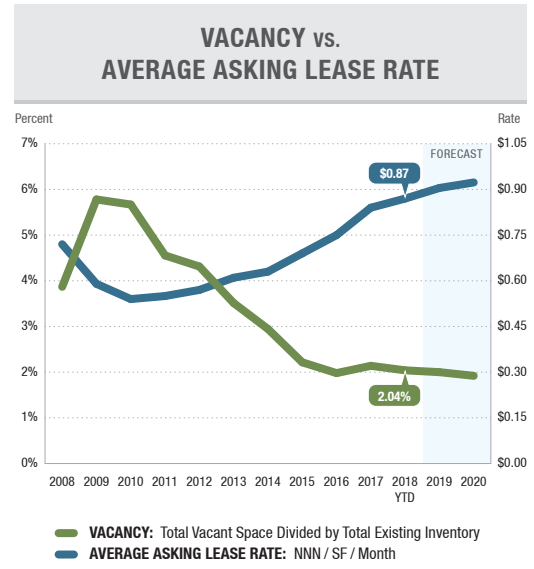
VACANCY. The growth of e-commerce is also having a significant effect on the Orange County vacancy, creating a trend toward bigger and more efficient distribution centers. With vacancies currently in the 2% range, the Orange County industrial market has one of lowest rates in the nation for 2Q 2018. Much of what drives demand for industrial space is linked to the American consumer. The vacancy rate for industrial buildings fell to 2.04%, down from an already low 2.35% 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.

LEASE RATES. Online sales continue to drive significant requirements for new industrial space across the country. An uptick in e-commerce-related leasing by 3PLs and healthy demand from other logistics and distribution occupiers are fueling rent growth. The average asking lease rate, which incorporates all size ranges and submarkets throughout Orange County, is \$0.87 NNN per square foot per month, a \$0.02 per square foot increase from last quarter and a \$0.06 per square foot increase from a year ago (7.41% annual increase).

SALE PRICES. The Orange County industrial market’s average asking price at the end of 2Q 2018 came in at \$270.25 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 5.8% from 2Q 2017. As interest rates move up, we expect to see more modest levels of appreciation through the balance of 2018 and into 2019. With so little sizable inventory, most industrial transactions are for properties below 50,000 square feet and prices are well above the national average.

TRANSACTION ACTIVITY. The effect of supply constraints on this market cannot be overemphasized. With few developable sites, vacancies remain close to the lowest in the nation—resulting in less than 600,000 square feet of absorption year to date. Persistent industrial demand stemming from port activities, coupled with the difficulty of bringing new industrial product to market, should ensure Orange County fundamentals remain among the strongest in the nation. Sale and lease activity checked in at roughly 3.5 million square feet for 2Q 2018, a significant decrease from 2Q 2017’s total of 4.5 million square feet.

AVAILABILITY. The Orange County industrial availability rate (currently being marketed as available for lease) rose by 0.18% to 4.81% at the end of the quarter, the highest availability rate in four years. However, the five-year average in Orange County is 4.54%, and we expect the availability to decline, causing a further increase in lease rates.



Market Statistics

	Change Over Last Quarter	2Q 2018	1Q 2018	2Q 2017	% Change Over Last Year
Vacancy Rate	▼ DOWN	2.04%	2.06%	2.35%	(13.19%)
Availability Rate	▲ UP	4.81%	4.63%	4.48%	7.37%
Average Asking Lease Rate	▲ UP	\$0.87	\$0.85	\$0.81	7.41%
Average Asking Sale Price	▲ UP	\$270.25	\$264.28	\$255.41	5.81%
Sale & Lease Transactions	▼ DOWN	3,500,214	3,821,975	4,559,993	(23.24%)
Gross Absorption	▼ DOWN	1,975,035	3,748,497	2,539,182	(22.22%)
Net Absorption	▲ POSITIVE	180,829	425,679	(540,349)	N/A

LEASE RATES. Anticipate asking rents to increase by a minimum of 3% to reach a level of \$0.89 per square foot by the end of 2018 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.

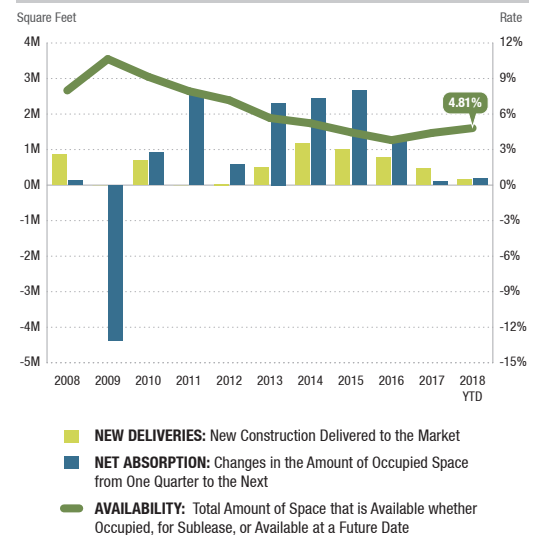
VACANCY. Availability will be a significant hurdle for tenants for the balance of 2018 and reaction time will be critical. “Off market” deals will be, and arguably have already become, the norm and tenant concessions will be severely limited in this competitive market. With very little new product coming online and tenants electing to recommit or to renew in larger blocks of space, expect vacancy rates to remain below 2% through 2018.

OVERALL. The Orange County industrial market continues to benefit from the rise of e-commerce as retailers strive to meet demand quickly. The fact remains there is considerable pent-up consumer and business demand in the economy, and this should continue for the foreseeable future. The Orange County industrial market has continued to strengthen and has created a great deal of optimism for 2018 and beyond. 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.

CONSTRUCTION. Western Realco is wrapping up the next significant campus in Orange County—Beckman Business Center in Fullerton. Several buildings in this project will be able to house large users, and delivery is expected by the end of this summer. Demand for high quality industrial space continues to increase throughout the region and developers work to deliver modern facilities for tenants. 400,000 square feet were delivered in the past 12 months, and nearly 1.3 million more square feet are currently under construction. Even though the market is craving new, Class A product, OC is running out of industrial land.

ABSORPTION. Positive momentum continued in 2Q, albeit at a slower pace. 2Q recorded 180,829 square feet of positive absorption this quarter, compared to 540,349 square feet negative net absorptions during the same period last year. Orange County now has logged 4 consecutive quarters of positive net absorption. New arrivals or expansions in 2Q include: Legacy Farms moving into 128,372 square feet at 1765 W. Penhall Way in Anaheim; L&W Supply Company moving into 73,400 square feet at 240 W. Fletcher Avenue in Orange; and NPL Construction moving into 58,220 square feet at Brea Industrial Complex.

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



Significant Transactions

Sales

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
50 Icon	Foothill Ranch	307,781	\$56,500,000	Prologis	AEW Capital Management
3030–3080 Airway Ave. – 2 Properties	Costa Mesa	157,204	\$33,750,000	Pacific Industrial, LLC*	3030 & 3080 Airway, LLC
1730 S. Anaheim Way	Anaheim	143,930	\$33,000,000	American Realty Advisors	Panattoni Development
331–333 Cliffwood Park St.	Brea	99,552	\$16,127,000	LFT-Cliffwood, LLC	SAME Investments, LLC
1190 E. Stanford Ct.	Anaheim	34,494	\$6,080,000	Rexford Industrial Realty, LP*	Jacqueline Sue Johnson Tr.*

Leases

* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
7400 Hazard Ave.	Westminster	187,696	May-2018	Lexor	Clarion Partners
1585 MacArthur Blvd.	Costa Mesa	100,233	Jun-2018	Robinson Pharma	Seegerstrom
2051 Raymer Ave.	Fullerton	97,340	May-2018	Dynamex	Alere Property Group
3191 E. La Palma Ave.	Anaheim	76,824	Apr-2018	Brewery X*	Calco, LLC
1205 N. Miller St.	Anaheim	74,313	Jun-2018	Excelsior Nutrition*	TH Real Estate*

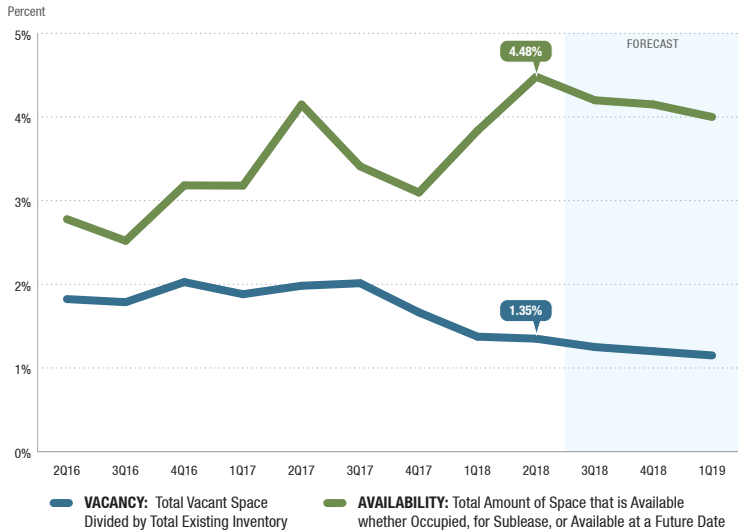
	INVENTORY				VACANCY & LEASE RATES					ABSORPTION				
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2018	Square Feet Available	Availability Rate 2Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2018	Net Absorption 2018	Gross Absorption 2Q2018	Gross Absorption 2018
Airport Area														
Costa Mesa	425	7,228,637	0	100,276	240,339	3.32%	252,136	3.49%	\$1.03	\$393.96	(49,877)	(57,332)	77,796	156,919
Fountain Valley	186	3,856,669	0	73,200	44,307	1.15%	166,727	4.32%	\$0.92	\$246.88	(1,269)	(3,779)	14,527	22,113
Irvine	309	11,849,471	0	0	259,915	2.19%	834,761	7.04%	\$0.83	\$350.64	86,125	(65,687)	67,921	207,208
Newport Beach	49	587,567	0	0	10,640	1.81%	10,640	1.81%	\$0.00	\$0.00	13,649	7,083	13,649	16,083
Santa Ana	1,575	29,886,418	0	527,691	758,141	2.54%	1,449,003	4.85%	\$0.84	\$222.38	(57,783)	(36,622)	183,372	551,505
Tustin	112	4,317,084	0	10,000	165,409	3.83%	237,417	5.50%	\$0.73	\$206.04	(24,166)	(59,486)	159,090	200,418
Airport Area Total	2,656	57,725,846	0	711,167	1,478,751	2.56%	2,950,684	5.11%	\$0.85	\$282.74	(33,321)	(215,823)	516,355	1,154,246
North County														
Anaheim	1,831	44,856,794	53,850	0	478,673	1.07%	1,194,606	2.66%	\$0.86	\$238.91	462,648	454,227	439,900	1,111,835
Brea	330	11,913,379	200,000	0	235,963	1.98%	349,076	2.93%	\$0.76	\$260.31	(26,429)	22,968	70,585	327,294
Buena Park	229	13,133,149	934,754	0	108,956	0.83%	2,188,265	16.66%	\$0.83	\$299.77	(6,680)	235,780	53,090	362,634
Fullerton	445	18,232,739	0	0	284,759	1.56%	403,633	2.21%	\$0.77	\$232.83	(154,808)	(14,535)	49,932	480,775
La Habra	197	3,484,192	0	42,000	7,807	0.22%	24,579	0.71%	\$0.79	\$185.38	12,867	26,267	19,355	33,760
Orange	737	13,622,820	0	0	296,250	2.17%	375,901	2.76%	\$0.86	\$234.43	32,116	(39,552)	178,836	317,944
Placentia	218	4,059,672	178,504	0	54,575	1.34%	100,070	2.46%	\$0.75	\$225.62	(36,451)	(1,029)	23,465	76,130
Yorba Linda	52	992,941	0	0	25,252	2.54%	307,067	30.92%	\$0.00	\$285.00	(9,624)	(1,100)	2,444	13,916
North County Total	4,039	110,295,686	1,367,108	42,000	1,492,235	1.35%	4,943,197	4.48%	\$0.81	\$242.63	273,639	683,026	837,607	2,724,288
South County														
Aliso Viejo	16	662,132	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	19,680
Foothill Ranch	68	3,552,109	0	0	94,945	2.67%	16,641	0.47%	\$0.91	\$0.00	132,218	129,717	99,519	214,151
Irvine Spectrum	207	9,783,358	0	19,000	418,183	4.27%	1,047,072	10.70%	\$0.99	\$329.21	(50,344)	(41,456)	13,194	69,516
Laguna Beach	19	91,053	0	0	20,201	22.19%	20,201	22.19%	\$0.00	\$0.00	(4,845)	(4,845)	0	0
Laguna Hills	73	1,040,287	0	0	20,782	2.00%	19,762	1.90%	\$1.11	\$306.27	(8,708)	(10,872)	10,428	52,797
Laguna Niguel	20	271,295	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	190	4,107,105	0	0	84,378	2.05%	202,134	4.92%	\$1.06	\$319.94	(3,770)	33,676	32,818	112,291
Mission Viejo	29	455,000	0	0	18,465	4.06%	17,168	3.77%	\$1.35	\$0.00	(2,694)	(4,087)	2,526	6,225
Rancho Santa Margarita	102	1,632,415	0	0	17,342	1.06%	20,312	1.24%	\$0.85	\$285.00	(12,342)	(17,342)	5,000	20,786
San Clemente	158	1,988,325	0	0	30,888	1.51%	43,688	2.20%	\$1.01	\$289.02	3,021	8,741	16,490	51,225
San Juan Capistrano	44	937,439	0	0	16,898	1.80%	24,042	2.56%	\$1.31	\$234.34	10,717	(3,303)	10,717	30,879
South County Total	926	24,520,518	0	19,000	721,282	2.94%	1,411,020	5.75%	\$1.00	\$312.55	63,253	90,229	190,692	577,550
West County														
Cypress	99	4,262,922	0	0	100,500	2.36%	126,221	2.96%	\$0.90	\$234.38	3,868	70,738	3,868	35,052
Garden Grove	476	12,032,228	0	0	387,005	3.22%	508,543	4.23%	\$0.77	\$202.92	6,824	(40,779)	154,565	373,680
Huntington Beach	680	14,484,056	0	97,460	415,299	2.87%	478,088	3.30%	\$0.82	\$184.04	(53,032)	23,538	70,491	501,747
La Palma	16	1,780,025	0	0	89,768	5.04%	556,987	31.29%	\$0.00	\$0.00	(32,066)	41,232	0	131,000
Los Alamitos	95	2,346,033	0	0	0	0.00%	2,000	0.09%	\$0.00	\$0.00	3,005	11,013	3,005	17,658
Seal Beach	15	991,653	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Stanton	176	1,837,468	0	0	8,975	0.49%	62,506	3.40%	\$0.50	\$0.00	5,406	(1,719)	8,356	16,415
Westminster	139	2,356,569	0	0	58,487	2.48%	159,070	6.75%	\$0.85	\$0.00	(56,747)	(54,947)	190,096	191,896
West County Total	1,696	40,090,954	0	97,460	1,060,034	2.64%	1,893,415	4.72%	\$0.79	\$200.82	(122,742)	49,076	430,381	1,267,448
Orange County Total	9,317	232,633,004	1,367,108	869,627	4,752,302	2.04%	11,198,316	4.81%	\$0.87	\$270.25	180,829	606,508	1,975,035	5,723,532
Less than 9,999	3,299	20,028,014	0	0	291,246	1.45%	453,171	2.26%	\$1.30	\$290.75	26,668	19,013	236,682	476,991
10,000–19,999	3,134	43,274,977	0	29,000	892,775	2.06%	1,221,906	2.82%	\$1.13	\$255.75	(30,329)	(282,372)	550,658	947,882
20,000–29,999	1,185	28,199,664	0	0	459,328	1.63%	808,345	2.87%	\$0.98	\$222.17	95,361	127,378	277,748	652,352
30,000–39,999	488	16,601,251	0	73,200	394,237	2.37%	562,262	3.39%	\$0.91	\$236.50	(100,083)	(91,983)	79,961	302,632
40,000–49,999	297	13,033,639	135,465	139,460	252,280	1.94%	512,869	3.93%	\$0.86	\$208.63	(109,952)	(27,813)	72,318	143,600
50,000–74,999	372	22,350,461	184,541	0	275,491	1.23%	795,816	3.56%	\$0.83	\$219.85	54,031	190,222	191,143	667,515
75,000–99,999	164	14,034,817	78,523	0	243,775	1.74%	362,653	2.58%	\$0.80	\$190.08	86,484	16,220	69,133	280,967
100,000–199,999	256	33,620,828	446,938	100,276	815,243	2.42%	2,296,270	6.83%	\$0.81	\$185.00	77,500	148,991	309,696	917,598
200,000 Plus	122	41,489,353	521,641	527,691	1,127,927	2.72%	4,185,024	10.09%	\$0.80	\$0.00	81,149	506,852	187,696	1,333,995
Orange County Total	9,317	232,633,004	1,367,108	869,627	4,752,302	2.04%	11,198,316	4.81%	\$0.87	\$270.25	180,829	606,508	1,975,035	5,723,532

Lease rates are on a triple-net basis.

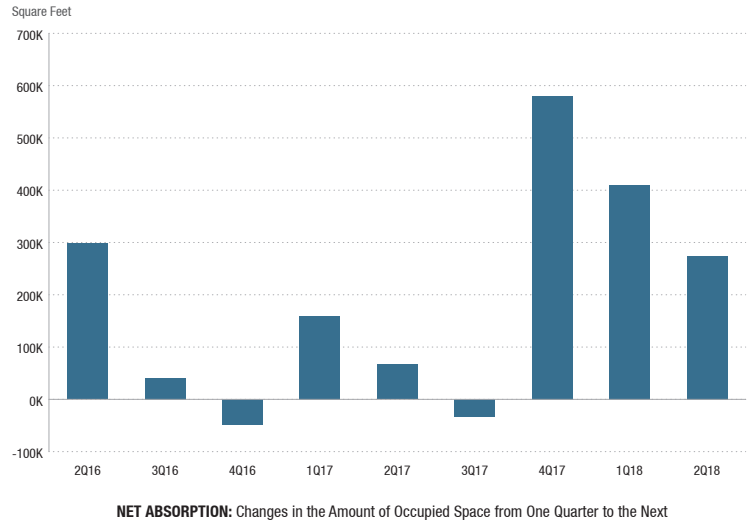
NORTH ORANGE COUNTY

In the second quarter of 2018, the North Orange County industrial market consisted of 4,039 buildings totaling 110,295,685 square feet and had an availability rate of 4.48%, which shows an increase from the previous quarter's figure of 3.84%.

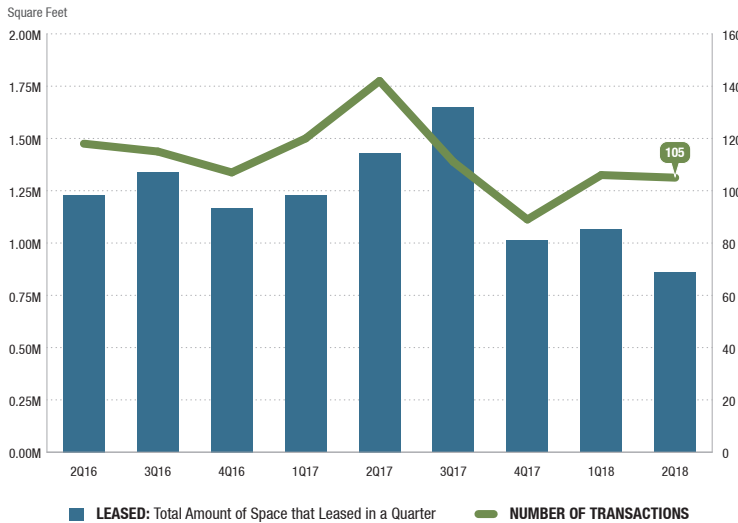
VACANCY & AVAILABILITY RATE



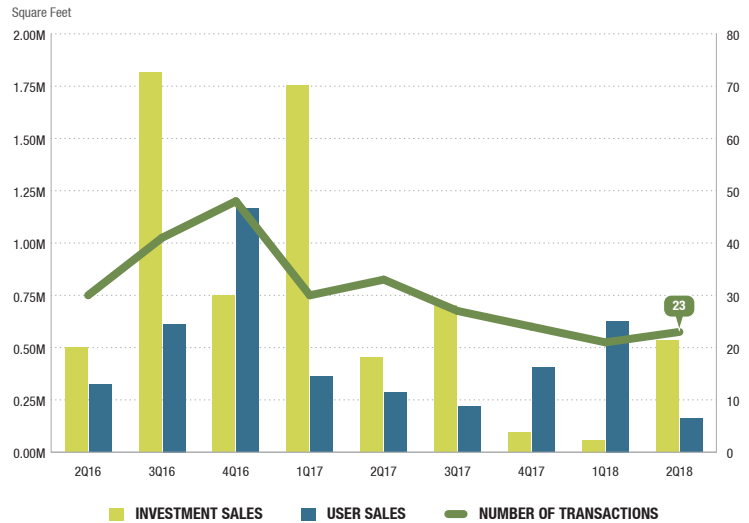
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

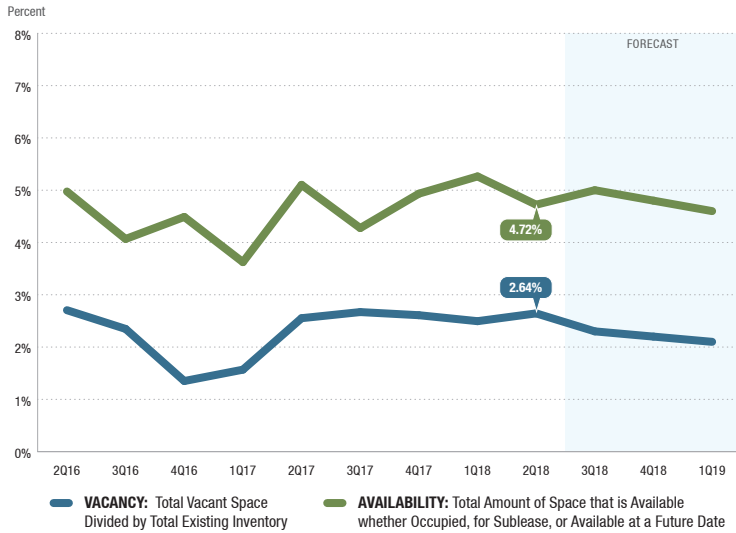
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2018	Square Feet Available	Availability Rate 2Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2018	Net Absorption 2018	Gross Absorption 2Q2018	Gross Absorption 2018
North Totals														
Less than 9,999	1,320	8,360,785	0	0	142,482	1.70%	202,235	2.42%	\$1.12	\$255.24	17,977	(39,139)	122,410	203,960
10,000-19,999	1,395	19,278,807	0	0	379,259	1.97%	544,446	2.82%	\$0.93	\$238.82	(16,463)	(148,825)	237,367	390,097
20,000-29,999	518	12,280,850	0	0	197,259	1.61%	324,592	2.64%	\$0.89	\$210.86	16,947	35,027	93,978	242,101
30,000-39,999	228	7,710,377	0	0	173,622	2.25%	194,790	2.53%	\$0.93	\$197.83	(62,961)	(34,250)	42,365	138,844
40,000-49,999	133	5,835,953	135,465	42,000	56,276	0.96%	200,407	3.43%	\$0.80	\$0.00	(3,600)	39,909	21,118	83,085
50,000-74,999	176	10,542,213	184,541	0	124,056	1.18%	182,101	1.73%	\$0.84	\$0.00	(26,536)	112,530	86,360	383,600
75,000-99,999	72	6,116,193	78,523	0	123,239	2.01%	167,802	2.74%	\$0.76	\$0.00	76,824	52,580	49,813	128,385
100,000-199,999	131	17,325,471	446,938	0	169,346	0.98%	857,924	4.95%	\$0.79	\$0.00	86,468	241,941	184,196	496,231
200,000 plus	66	22,845,037	521,641	0	126,696	0.55%	2,268,900	9.93%	\$0.78	\$0.00	184,983	423,253	0	657,985
Total	4,039	110,295,686	1,367,108	42,000	1,492,235	1.35%	4,943,197	4.48%	\$0.81	\$242.63	273,639	683,026	837,607	2,724,288

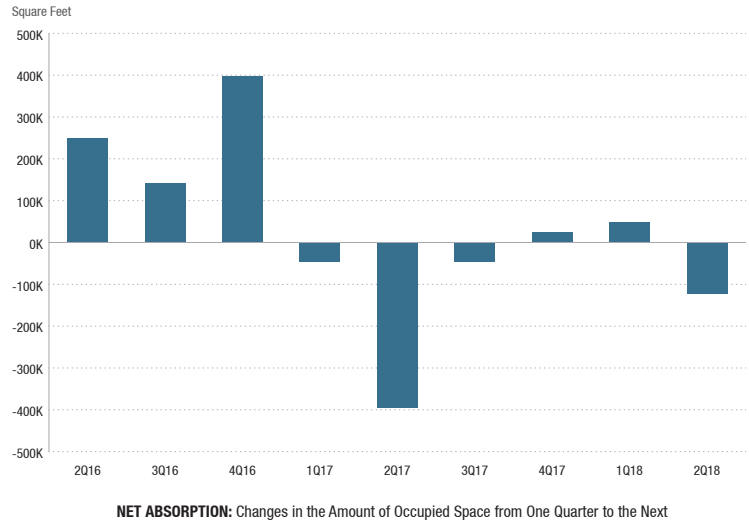
WEST ORANGE COUNTY

In the second quarter of 2018, the West Orange County industrial market consisted of 1,696 buildings totaling 40,090,954 square feet and had an availability rate of 4.72%, which shows a decrease from the previous quarter's figure of 5.26%.

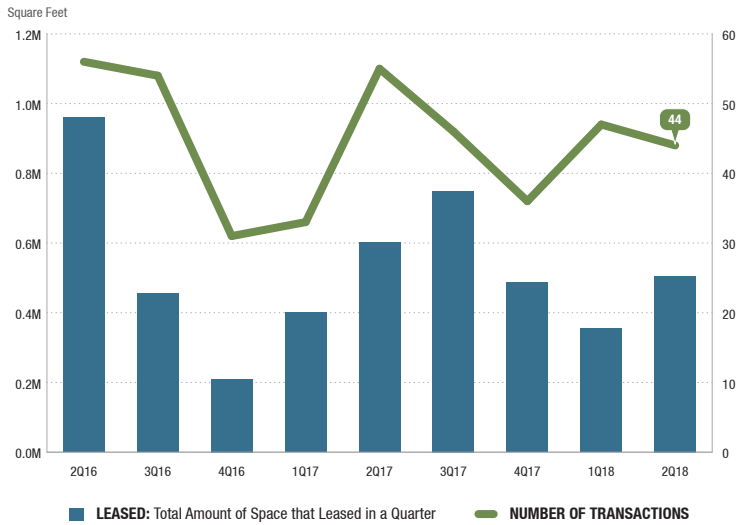
VACANCY & AVAILABILITY RATE



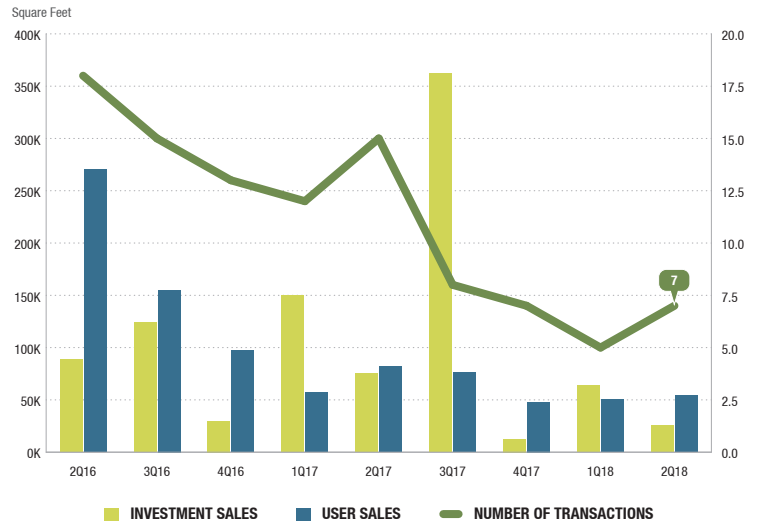
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

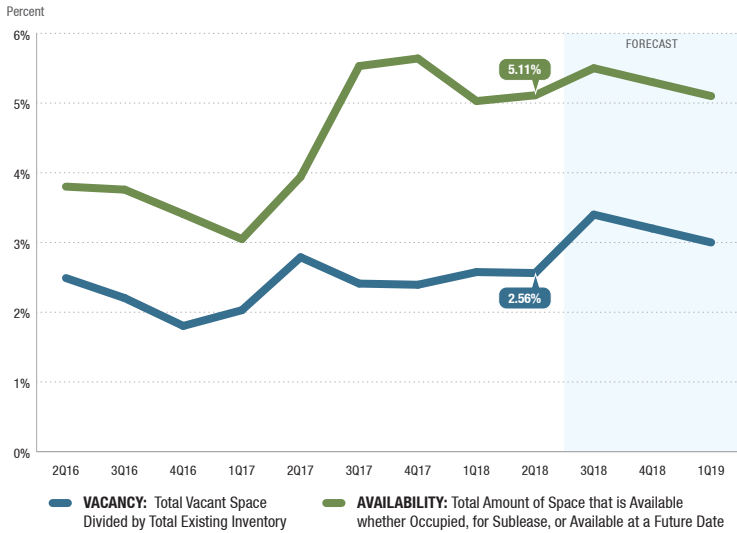
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2018	Square Feet Available	Availability Rate 2Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2018	Net Absorption 2018	Gross Absorption 2Q2018	Gross Absorption 2018
West Totals														
Less than 9,999	692	4,087,603	0	0	36,813	0.90%	60,587	1.48%	\$1.15	\$224.06	5,934	9,575	53,209	80,722
10,000-19,999	557	7,385,341	0	0	175,523	2.38%	208,313	2.82%	\$1.07	\$210.00	(24,029)	(101,301)	106,375	149,581
20,000-29,999	181	4,351,496	0	0	46,548	1.07%	115,519	2.65%	\$0.89	\$178.19	54,268	55,312	67,216	104,536
30,000-39,999	63	2,209,502	0	0	126,871	5.74%	95,905	4.34%	\$0.80	\$0.00	(78,125)	(93,895)	2,400	31,030
40,000-49,999	51	2,221,147	0	97,460	87,315	3.93%	87,315	3.93%	\$0.79	\$177.07	(80,790)	(87,315)	13,485	13,485
50,000-74,999	59	3,524,938	0	0	69,024	1.96%	237,741	6.74%	\$0.73	\$145.00	0	1,792	0	78,753
75,000-99,999	30	2,593,807	0	0	0	0.00%	0	0.00%	\$0.82	\$0.00	0	0	0	45,190
100,000-199,999	40	5,391,236	0	0	136,980	2.54%	211,980	3.93%	\$0.78	\$0.00	0	84,754	0	111,341
200,000 plus	23	8,325,884	0	0	380,960	4.58%	876,055	10.52%	\$0.65	\$0.00	0	180,154	187,696	652,810
Total	1,696	40,090,954	0	97,460	1,060,034	2.64%	1,893,415	4.72%	\$0.79	\$200.82	(122,742)	49,076	430,381	1,267,448

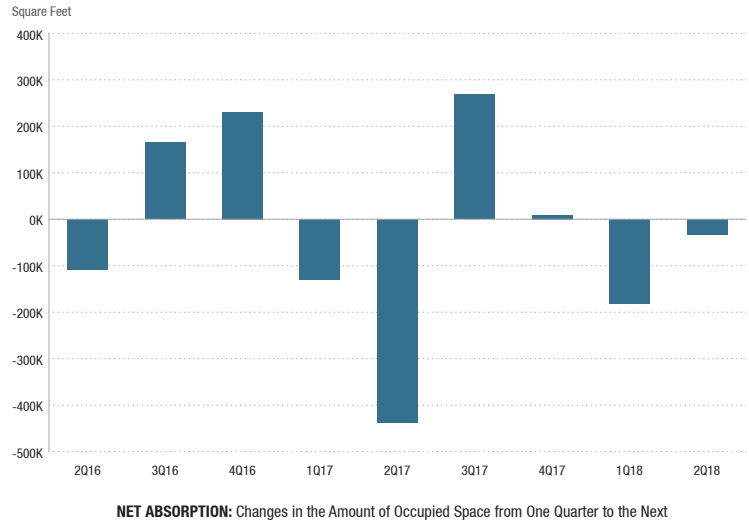
AIRPORT AREA

In the second quarter of 2018, the Airport Orange County industrial market consisted of 2,656 buildings totaling 57,725,846 square feet and had an availability rate of 5.11%, which shows an increase from previous quarter's figure of 5.03%.

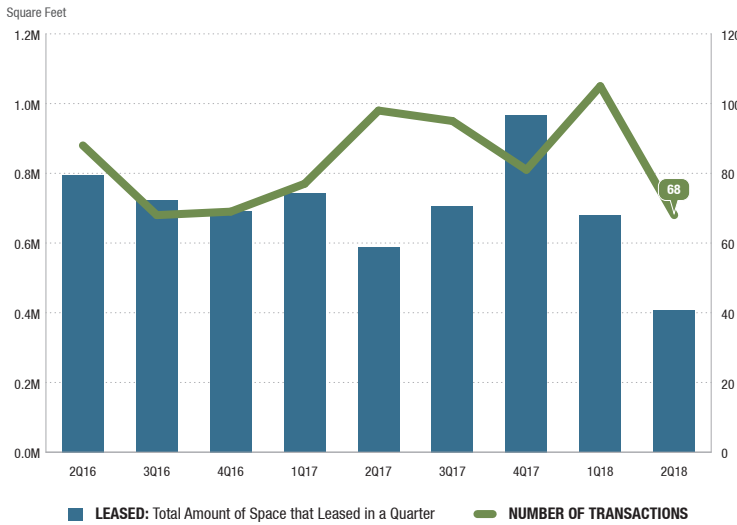
VACANCY & AVAILABILITY RATE



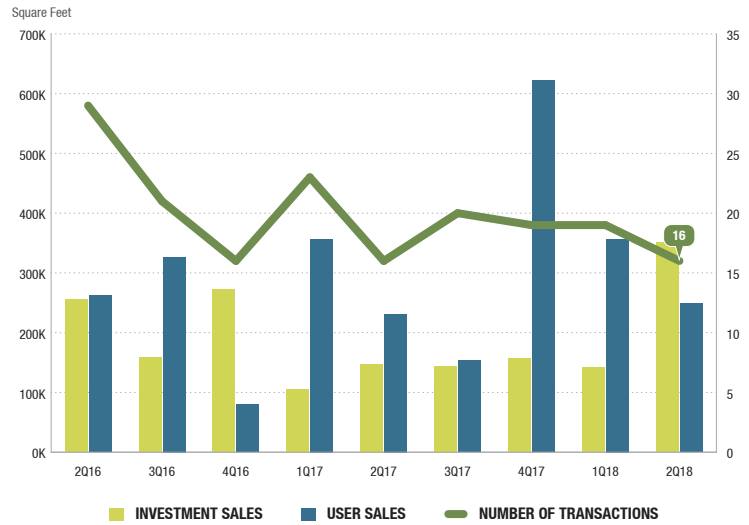
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

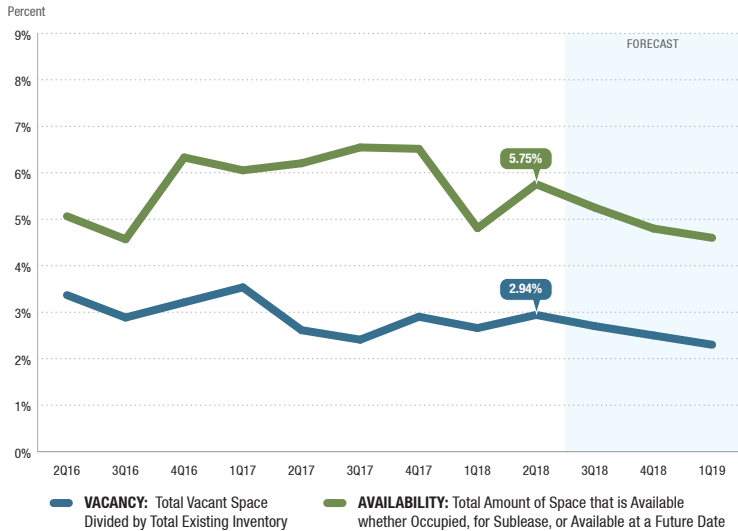
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2018	Square Feet Available	Availability Rate 2Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2018	Net Absorption 2018	Gross Absorption 2Q2018	Gross Absorption 2018
Airport Totals														
Less than 9,999	938	5,401,080	0	0	59,045	1.09%	111,841	2.07%	\$1.48	\$340.51	23,804	62,553	52,160	139,165
10,000-19,999	907	12,676,466	0	10,000	209,517	1.65%	299,207	2.36%	\$1.08	\$241.32	50,287	3,670	170,027	317,581
20,000-29,999	353	8,405,302	0	0	148,711	1.77%	303,541	3.61%	\$0.98	\$232.47	(19,630)	3,742	64,149	163,251
30,000-39,999	150	5,084,471	0	73,200	93,744	1.84%	206,006	4.05%	\$0.97	\$239.00	(10,532)	23,545	16,360	113,922
40,000-49,999	84	3,683,132	0	0	49,722	1.35%	166,180	4.51%	\$0.87	\$229.67	(25,562)	10,278	37,715	37,715
50,000-74,999	103	6,237,288	0	0	81,699	1.31%	255,559	4.10%	\$0.87	\$189.00	7,620	(75,266)	31,124	52,750
75,000-99,999	49	4,206,576	0	0	93,836	2.23%	110,054	2.62%	\$1.00	\$190.08	9,660	(9,660)	19,320	28,820
100,000-199,999	55	6,957,473	0	100,276	268,168	3.85%	767,259	11.03%	\$0.77	\$185.00	(8,968)	(184,684)	125,500	291,042
200,000 plus	17	5,074,058	0	527,691	474,309	9.35%	731,037	14.41%	\$0.75	\$0.00	(60,000)	(50,001)	0	10,000
Total	2,656	57,725,846	0	711,167	1,478,751	2.56%	2,950,684	5.11%	\$0.85	\$282.74	(33,321)	(215,823)	516,355	1,154,246

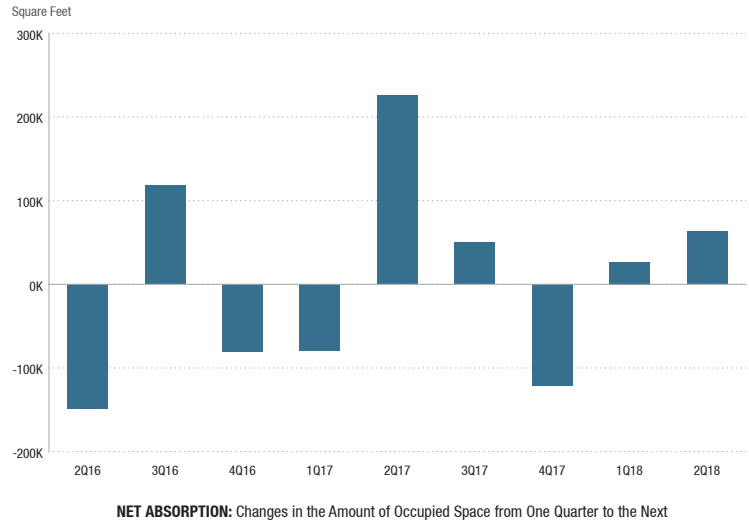
SOUTH ORANGE COUNTY

In the second quarter of 2018, the South Orange County industrial market consisted of 926 buildings totaling 24,520,518 square feet and had an availability rate of 5.75%, which shows an increase from the previous quarter's figure of 4.81%.

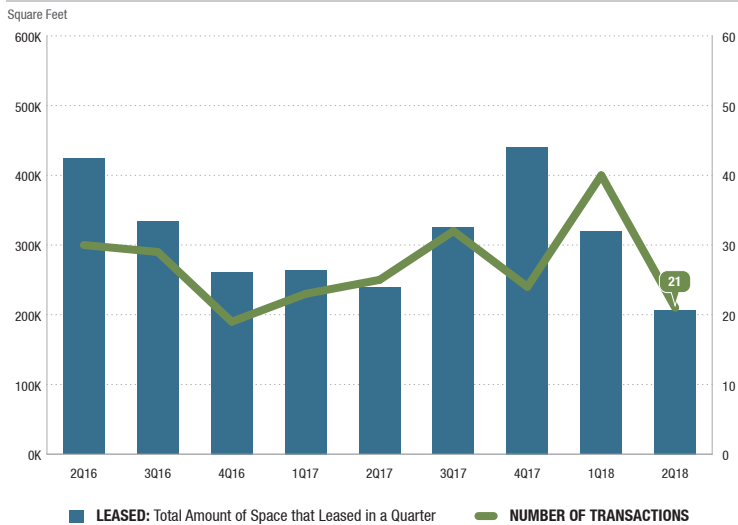
VACANCY & AVAILABILITY RATE



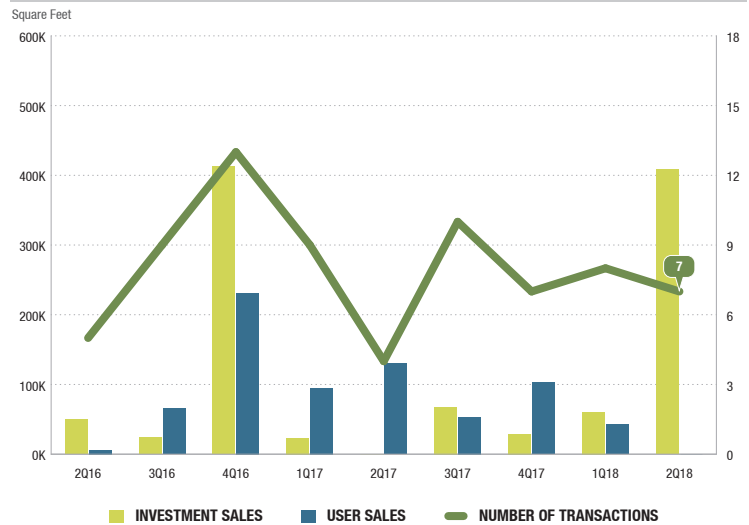
NET ABSORPTION



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 2Q2018	Square Feet Available	Availability Rate 2Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2018	Net Absorption 2018	Gross Absorption 2Q2018	Gross Absorption 2018
South Totals														
Less than 9,999	349	2,178,546	0	0	52,906	2.43%	78,508	3.60%	\$1.33	\$320.47	(21,047)	(13,976)	8,903	53,144
10,000-19,999	275	3,934,363	0	19,000	128,476	3.27%	169,940	4.32%	\$1.29	\$315.81	(40,124)	(35,916)	36,889	90,623
20,000-29,999	133	3,162,016	0	0	66,810	2.11%	64,693	2.05%	\$1.16	\$259.67	43,776	33,297	52,405	142,464
30,000-39,999	47	1,596,901	0	0	0	0.00%	65,561	4.11%	\$0.93	\$350.00	51,535	12,617	18,836	18,836
40,000-49,999	29	1,293,407	0	0	58,967	4.56%	58,967	4.56%	\$1.01	\$0.00	0	9,315	0	9,315
50,000-74,999	34	2,046,022	0	0	712	0.03%	120,415	5.89%	\$0.91	\$272.71	72,947	151,166	73,659	152,412
75,000-99,999	13	1,118,241	0	0	26,700	2.39%	84,797	7.58%	\$0.80	\$0.00	0	(26,700)	0	78,572
100,000-199,999	30	3,946,648	0	0	240,749	6.10%	459,107	11.63%	\$0.96	\$0.00	0	6,980	0	18,984
200,000 plus	16	5,244,374	0	0	145,962	2.78%	309,032	5.89%	\$0.95	\$0.00	(43,834)	(46,554)	0	13,200
Total	926	24,520,518	0	19,000	721,282	2.94%	1,411,020	5.75%	\$1.00	\$312.55	63,253	90,229	190,692	577,550

Rent Growth Continues to Climb

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Heading into 3Q, rent growth in Orange County continues to be steady; however, the growth rate has slowed down compared with previous quarters. At the end of 1Q this year, annual rent growth sat above 5% for every submarket in the metro area. During 2Q, industrial rent grew 0.68% compared with 1.47% for 1Q 2018, and 1.95% at this time last year.

Tenants continue to seek properties in North County submarkets due to the affordability and proximity to the Los Angeles and Long Beach ports. Tenants in the North Orange County industrial market can expect to pay less than \$8 per square foot per year net, compared to \$20 per square foot per year net in the Coastal and South County submarkets. Tenants in the South Orange County industrial market are typically seeking R&D / Flex spaces, due to the large volume of tech companies and biotech firms in the Irvine area.

Many industrial properties are being repurposed to other uses including office and multi-family, which is eating away at the already scarce supply of industrial space. One example is the recent sale of 901 E. South Street in Anaheim, a 350,000 square foot facility which is proposed to be repurposed into a multi-family apartment building beginning January 2019.

While there is a shortage of supply of larger industrial buildings, Western Realco is working on a nearly one million square foot campus in Fullerton that is expected to be delivered by the end of this summer. The infill business park development will consist of 8 buildings totaling approximate 976,754 square feet, situated on roughly 44 acres of land. Seven of the eight buildings will be industrial uses, while the last building is projected to provide 42,000 square feet of office space.

While vacancy rates are lower than they have been in years, and demand continues to outweigh the tight supply in the North County submarket, interest rates are on the rise, indicating there may be a shift in the velocity of property movement in the market.

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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. ©2018 Voit Real Estate Services, Inc. License #01991785.

Represented in 150 Markets
Nationally & Internationally.



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