

**MARKET OVERVIEW.** As we round out the third quarter of 2018, tenant demand for industrial buildings and industrial land continues unabated. With an overall lack of industrial inventory, the result is an increase of lease rates and sale prices rising a healthy 7% compared with this time last year. Vacancies are low, demand is strong, and it's a landlord's market. Competition is high among companies in search of functional buildings, as the inventory is slim compared with neighboring Inland Empire and Los Angeles, which can both accommodate a more significant industrial presence.

**VACANCY.** Positive absorption, along with virtually no new supply, is forecasted for the industrial sector through the balance of 2018. With vacancies currently in the 2% range, the Orange County industrial market has one of lowest rates in the nation. Orange County's industrial vacancy rate held a near-record low of 2.16% in 3Q. Landlords will continue to have leverage in this competitive market, resulting in higher lease rates and fewer concessions. As a tenant, limited choices will result in longer timeframes for expansions or relocations and "off market" transactions will become more common. Tenants will need to give themselves ample time prior to their lease expiration so that an informed decision can be made between very limited options.

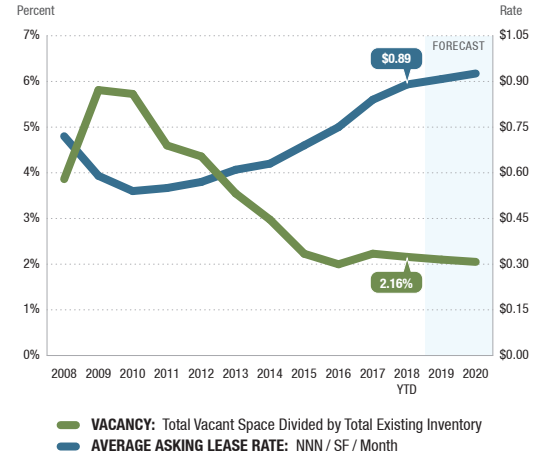
**LEASE RATES.** The shortage of available space has allowed landlords flexibility to enact rental increases, even if many tenants are priced out of the market or diverted to other markets by the shortage of availability. There is enough demand to keep the market tight and to keep landlords at ease. The average asking lease rate, which incorporates all size ranges and submarkets throughout Orange County, is \$0.89 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 (7.23% annual increase).

**SALE PRICES.** The Orange County industrial market's average asking price at the end of 3Q 2018 came in at \$283.71 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, this represents an increase of nearly 9% from 3Q 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.

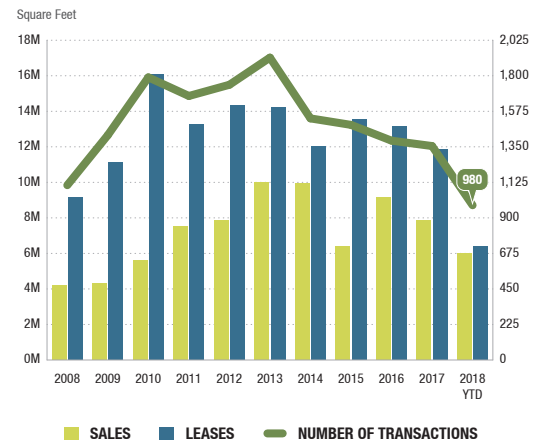
**TRANSACTION ACTIVITY.** Tenant demand has come from a mix of industries including food and beverage, logistics, distribution and construction material companies. This year we are seeing leasing activity being driven by users looking for 40,000 square feet and above, and the third quarter continued that trend as leasing is highly competitive for that size range. Activity checked in at roughly 3.2 MSF for 3Q 2018, a slight decrease.

**AVAILABILITY.** Availability held steady in the Orange County market in the third quarter as expanding new supply caught up to strong demand. The availability rate, or ratio of available space (being marketed) to total rentable area in the region, came in at 4.92%, up 46 basis points from a year ago.

### VACANCY vs. AVERAGE ASKING LEASE RATE



### TRANSACTION VOLUME & NUMBER OF TRANSACTIONS



### Market Statistics

	Change Over Last Quarter	3Q 2018	2Q 2018	3Q 2017	% Change Over Last Year
Vacancy Rate	▼ DOWN	2.16%	2.20%	2.31%	(6.49%)
Availability Rate	▲ UP	4.92%	4.58%	4.46%	10.31%
Average Asking Lease Rate	▲ UP	\$0.89	\$0.87	\$0.83	7.23%
Average Asking Sale Price	▲ UP	\$283.71	\$270.25	\$260.81	8.78%
Sale & Lease Transactions	▼ DOWN	3,265,793	5,254,585	3,828,487	(14.70%)
Gross Absorption	▲ UP	2,536,334	2,280,533	2,885,246	(12.09%)
Net Absorption	▲ POSITIVE	89,457	(207,844)	238,086	N/A

**LEASE RATES.** Anticipate asking rents to increase by a minimum of 3% to reach a level of \$0.92 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.

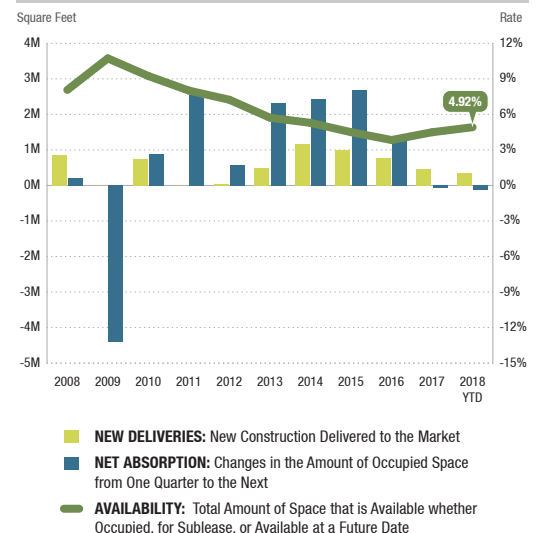
**VACANCY.** Availability will be a significant hurdle for tenants for the balance of 2018 and reaction time will be critical. “Off market” deals will be, and arguably have already become, the norm and tenant concessions will continue to be severely limited in this competitive market. With very little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

**OVERALL.** Despite its high occupancy cost and the more affordable Inland Empire market lying just to the east, demand for Orange County space should remain intact, and supply is being pressured by the conversion of some industrial land to office or residential use. A weakening of activity during the third quarter may be due in part to the scarcity of available space. Although the consensus is that the market is doing well, a major boost of activity is needed in the next few months to keep 2018 from being a “down year.” Although the industrial market is considerably off its performance of the past three years, developers are actively ramping up to deliver several major developments which will add new inventory.

**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 year. Demand for high quality industrial space continues to increase throughout the region and developers work to deliver modern facilities for tenants. 5,48,930 square feet were delivered in the past 12 months, and nearly 1.74 MSF are currently under construction. Even though the market is craving new Class A product, OC is running out of industrial land.

**ABSORPTION.** The lackluster third quarter gain was not nearly enough to make up for the 207,844 square feet of negative absorption recorded last quarter and did little to boost the cumulative absorption which now stands in the red, at 122,728 square feet of negative net absorption year-to-date. Positive momentum continued in 3Q, albeit at a slower pace. 3Q recorded 89,457 square feet of positive absorption this quarter, compared to 238,086 square feet positive net absorption during the same period last year. New arrivals or expansions in 3Q include: Dynamex expansion into 97,340 square feet at 2051 Raymer Avenue in Fullerton; Lapco West, LLC moving into 75,000 square feet at 6901 Marlin Circle in La Palma; and Excelsior Nutrition, Inc. moving into 74,313 square feet at Anaheim Technology Center.

### NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



## Significant Transactions

Sales						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller	
2300–2320 Red Hill Ave. (3 Properties)	Santa Ana	212,121	\$43,625,000	CT Realty	Ricoh Development of CA	
17111 Red Hill Ave.	Irvine	193,366	\$36,000,000	Edwards Lifesciences, LLC	MDD Red Hill LP	
5301 Bolsa Ave.	Huntington Beach	100,000	\$15,755,152	Sares-Regis Group	The Boeing Company	
531 Airpark Dr.	Fullerton	82,474	\$12,250,000	Black Creek Group	Lanihau Properties, LLC	
592 Apollo St.	Brea	19,763	\$4,157,642	536 Vanguard Way, LLC	Burke Apollo LLC*	

Leases						* Voit Real Estate Services Deal
Property Address	Submarket	Square Feet	Lease Term	Buyer	Seller	
6201 Knott Ave. – Sublease	Buena Park	102,367	Jul-2018	Shasta	Flexport	
721 S. Van Buren St.	Placentia	69,882	Sep-2018	Beacon Roofing Supply, Inc.	Panattoni / CalSTRS	
2419 E. Winston Rd.	Anaheim	46,611	Aug-2018	Labeltronix*	AP-Anaheim, LLC	
1202 N. Miller St.	Anaheim	36,000	Aug-2018	Etekcity	Phillips Feed Services*	
17500 Gillette Ave.	Irvine	33,534	Sep-2018	Dyer Commercial Property, LLC*	17500 Gillette*	

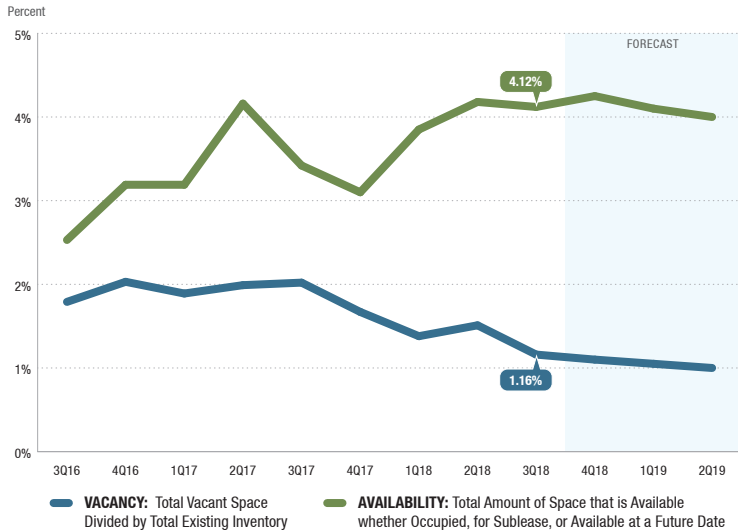
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2018	Square Feet Available	Availability Rate 3Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2018	Net Absorption 2018	Gross Absorption 3Q2018	Gross Absorption 2018
<b>Airport Area</b>														
Costa Mesa	425	7,228,979	100,276	0	219,638	3.04%	233,005	3.22%	\$1.10	\$445.86	11,349	(34,589)	117,025	284,156
Fountain Valley	186	3,854,423	0	73,200	56,145	1.46%	216,745	5.62%	\$0.92	\$229.00	(10,398)	(15,617)	30,540	52,653
Irvine	306	11,810,970	0	0	170,611	1.44%	686,022	5.81%	\$0.83	\$342.20	(53,564)	(158,762)	69,368	485,942
Newport Beach	49	589,523	0	0	5,640	0.96%	13,842	2.35%	\$0.00	\$377.96	5,000	12,083	5,000	21,083
Santa Ana	1,573	29,905,746	0	472,667	968,956	3.24%	1,700,838	5.69%	\$0.88	\$254.03	(88,058)	(39,428)	266,042	820,877
Tustin	111	4,260,716	0	10,000	141,917	3.33%	312,818	7.34%	\$0.79	\$222.00	15,246	(25,524)	50,082	250,500
<b>Airport Area Total</b>	<b>2,650</b>	<b>57,650,357</b>	<b>100,276</b>	<b>555,867</b>	<b>1,562,907</b>	<b>2.71%</b>	<b>3,163,270</b>	<b>5.49%</b>	<b>\$0.87</b>	<b>\$283.82</b>	<b>(120,425)</b>	<b>(261,837)</b>	<b>538,057</b>	<b>1,915,211</b>
<b>North County</b>														
Anaheim	1,827	44,573,395	53,850	0	439,880	0.99%	769,642	1.73%	\$0.95	\$254.69	292,536	192,912	671,047	1,782,882
Brea	331	11,955,690	0	0	144,153	1.21%	342,753	2.87%	\$0.76	\$248.90	121,264	115,278	187,886	535,984
Buena Park	229	13,133,061	0	0	97,016	0.74%	2,200,377	16.75%	\$0.84	\$251.37	33,378	247,720	63,906	426,540
Fullerton	446	18,235,180	934,754	0	241,414	1.32%	527,959	2.90%	\$0.93	\$209.10	(20,815)	28,810	134,143	611,917
La Habra	197	3,484,192	0	42,000	24,831	0.71%	67,385	1.93%	\$1.25	\$240.66	(17,024)	9,243	5,020	38,780
Orange	736	13,594,602	0	0	208,498	1.53%	232,720	1.71%	\$0.84	\$237.58	21,076	48,200	109,343	460,437
Placentia	218	4,059,672	178,504	0	102,548	2.53%	84,013	2.07%	\$0.75	\$240.93	(48,933)	(49,002)	34,779	110,909
Yorba Linda	52	992,941	0	0	20,046	2.02%	303,772	30.59%	\$0.00	\$0.00	5,206	4,106	23,449	37,365
<b>North County Total</b>	<b>4,036</b>	<b>110,028,733</b>	<b>1,167,108</b>	<b>42,000</b>	<b>1,278,386</b>	<b>1.16%</b>	<b>4,528,621</b>	<b>4.12%</b>	<b>\$0.88</b>	<b>\$242.32</b>	<b>386,688</b>	<b>597,267</b>	<b>1,229,573</b>	<b>4,004,814</b>
<b>South County</b>														
Aliso Viejo	17	676,772	0	0	14,640	2.16%	14,640	2.16%	\$1.24	\$0.00	(14,640)	(14,640)	0	19,680
Foothill Ranch	68	3,552,109	0	0	1,920	0.05%	1,920	0.05%	\$0.86	\$315.00	93,025	149,369	27,081	241,232
Irvine Spectrum	208	9,814,032	0	19,000	714,734	7.28%	1,304,674	13.29%	\$0.97	\$332.47	(306,713)	(429,594)	165,669	235,185
Laguna Beach	19	91,064	0	0	20,201	22.18%	20,201	22.18%	\$0.00	\$0.00	0	(4,845)	0	0
Laguna Hills	72	1,036,115	0	0	18,027	1.74%	21,087	2.04%	\$1.33	\$0.00	5,335	(8,117)	22,048	74,845
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	148,075	3.61%	120,807	2.94%	\$1.10	\$396.51	(9,460)	(94,701)	39,828	159,162
Mission Viejo	30	462,480	0	0	21,776	4.71%	28,206	6.10%	\$1.03	\$0.00	(5,310)	(7,398)	4,292	13,206
Rancho Santa Margarita	103	1,676,172	0	0	22,274	1.33%	27,429	1.64%	\$1.21	\$216.27	(4,869)	(18,273)	16,051	42,047
San Clemente	158	1,988,325	0	0	34,509	1.74%	58,485	2.94%	\$0.99	\$246.92	(4,421)	4,320	4,159	55,384
San Juan Capistrano	44	937,439	0	0	26,112	2.79%	26,112	2.79%	\$1.22	\$0.00	(9,214)	(12,517)	2,580	33,459
<b>South County Total</b>	<b>929</b>	<b>24,612,908</b>	<b>0</b>	<b>19,000</b>	<b>1,022,268</b>	<b>4.15%</b>	<b>1,623,561</b>	<b>6.60%</b>	<b>\$1.01</b>	<b>\$282.16</b>	<b>(256,267)</b>	<b>(436,396)</b>	<b>281,708</b>	<b>874,200</b>
<b>West County</b>														
Cypress	101	4,332,487	0	0	110,146	2.54%	207,742	4.79%	\$0.90	\$194.42	53,370	(1,924)	158,916	193,968
Garden Grove	475	11,990,482	0	0	413,871	3.45%	731,749	6.10%	\$0.77	\$169.78	11,631	(67,645)	148,638	542,318
Huntington Beach	680	12,602,621	0	97,460	371,755	2.95%	478,300	3.80%	\$0.81	\$167.64	30,494	67,082	114,607	616,354
La Palma	16	1,780,025	0	0	132,702	7.46%	481,987	27.08%	\$0.00	\$173.93	(42,934)	(1,702)	32,066	163,066
Los Alamitos	95	2,346,033	0	0	0	0.00%	3,460	0.15%	\$0.00	\$0.00	0	11,013	8,100	25,758
Seal Beach	15	991,653	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Stanton	174	1,789,592	0	0	3,620	0.20%	7,080	0.40%	\$0.50	\$0.00	51,234	48,295	24,815	41,230
Westminster	140	2,346,792	0	0	80,421	3.43%	105,108	4.48%	\$0.85	\$299.00	(24,334)	(76,881)	2,780	194,676
<b>West County Total</b>	<b>1,696</b>	<b>38,179,685</b>	<b>0</b>	<b>97,460</b>	<b>1,112,515</b>	<b>2.91%</b>	<b>2,015,426</b>	<b>5.28%</b>	<b>\$0.80</b>	<b>\$271.00</b>	<b>79,461</b>	<b>(21,762)</b>	<b>489,922</b>	<b>1,777,370</b>
<b>Orange County Total</b>	<b>9,311</b>	<b>230,471,683</b>	<b>1,267,384</b>	<b>714,327</b>	<b>4,976,076</b>	<b>2.16%</b>	<b>11,330,878</b>	<b>4.92%</b>	<b>\$0.89</b>	<b>\$283.71</b>	<b>89,457</b>	<b>(122,728)</b>	<b>2,539,260</b>	<b>8,571,595</b>
Less than 9,999	3,299	20,056,149	0	10,000	268,707	1.34%	486,890	2.43%	\$1.31	\$283.15	(373)	42,052	173,158	662,604
10,000–19,999	3,133	43,251,042	0	19,000	787,889	1.82%	979,284	2.26%	\$1.17	\$241.91	107,528	(170,091)	736,316	1,747,470
20,000–29,999	1,186	28,212,101	0	94,176	521,496	1.85%	820,629	2.91%	\$1.08	\$230.59	10,135	85,558	404,452	1,150,682
30,000–39,999	487	16,566,269	0	143,986	413,358	2.50%	721,476	4.36%	\$0.93	\$220.74	100,481	(81,104)	230,420	533,052
40,000–49,999	294	12,897,534	135,465	139,460	223,524	1.73%	364,146	2.82%	\$0.88	\$190.36	30,809	(55,056)	141,962	290,772
50,000–74,999	373	22,446,249	184,541	143,979	459,564	2.05%	1,143,676	5.10%	\$0.88	\$192.33	(5,770)	(87,899)	185,181	833,060
75,000–99,999	163	13,965,835	78,523	0	389,785	2.79%	566,529	4.06%	\$0.87	\$184.26	(78,846)	(129,790)	276,163	501,388
100,000–199,999	254	33,310,558	347,214	163,726	813,302	2.44%	2,260,638	6.79%	\$0.87	\$137.10	(25,252)	96,726	142,794	1,076,392
200,000 Plus	122	39,765,946	521,641	0	1,098,451	2.76%	3,987,610	10.03%	\$0.81	\$0.00	(49,255)	176,876	248,814	1,776,175
<b>Orange County Total</b>	<b>9,311</b>	<b>230,471,683</b>	<b>1,267,384</b>	<b>714,327</b>	<b>4,976,076</b>	<b>2.16%</b>	<b>11,330,878</b>	<b>4.92%</b>	<b>\$0.89</b>	<b>\$283.71</b>	<b>89,457</b>	<b>(122,728)</b>	<b>2,539,260</b>	<b>8,571,595</b>

Lease rates are on a triple-net basis.

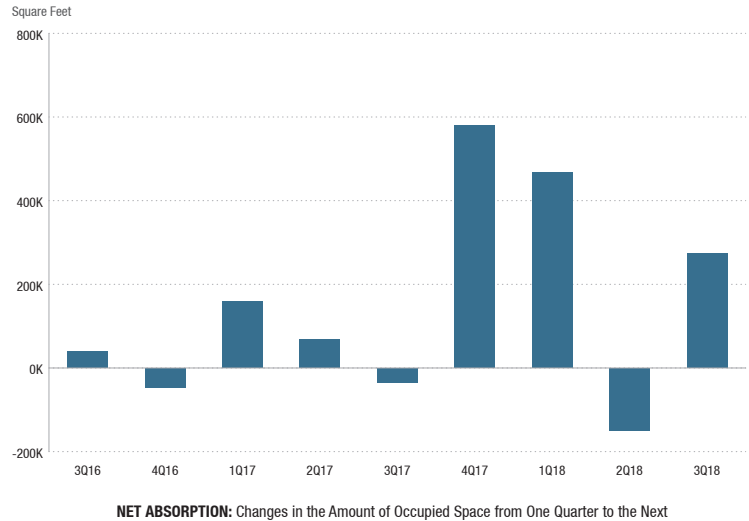
## NORTH ORANGE COUNTY

In the third quarter of 2018, the North Orange County industrial market consisted of 4,036 buildings totaling 110,028,733 square feet and had an availability rate of 4.12%, which shows a decrease from the previous quarter's figure of 4.18%

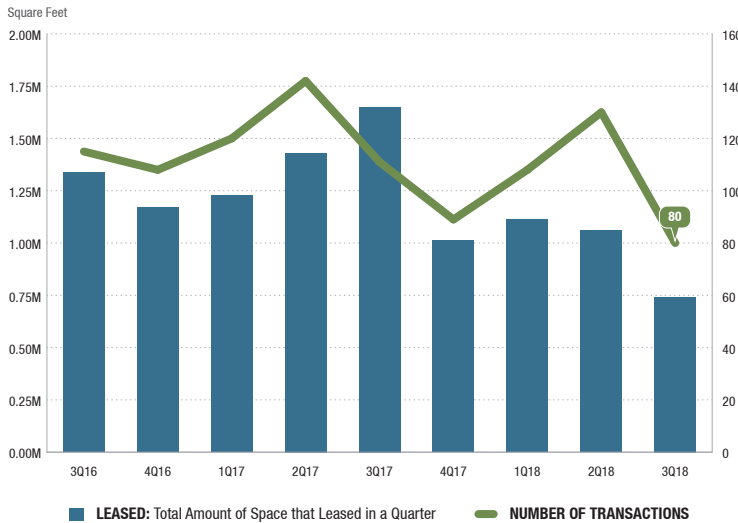
### VACANCY & AVAILABILITY RATE



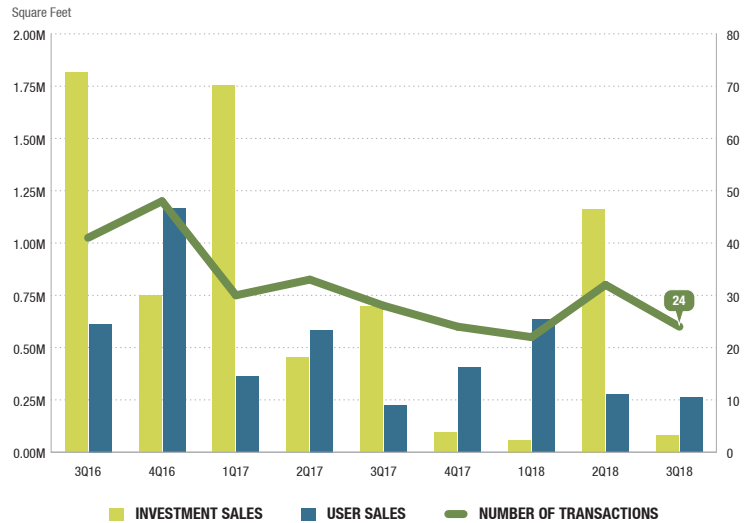
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

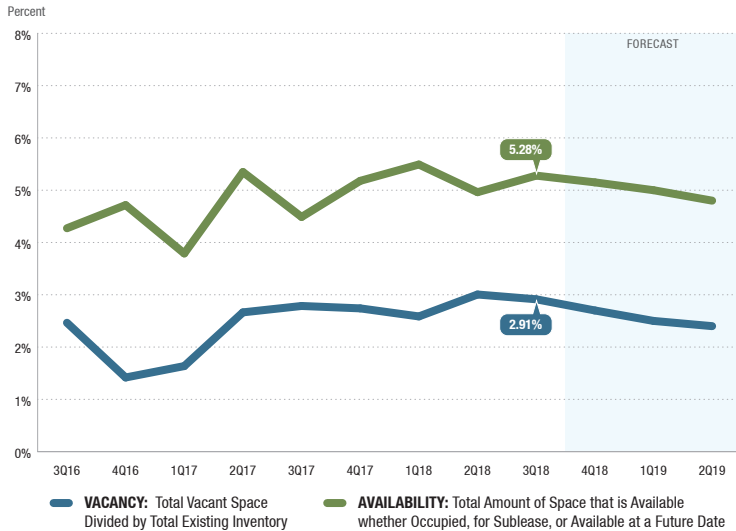
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2018	Square Feet Available	Availability Rate 3Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2018	Net Absorption 2018	Gross Absorption 3Q2018	Gross Absorption 2018
<b>North Totals</b>														
Less than 9,999	1,322	8,375,082	0	0	111,865	1.34%	215,583	2.57%	\$1.10	\$265.03	20,480	(8,022)	90,059	294,519
10,000-19,999	1,395	19,266,971	0	0	330,131	1.71%	414,941	2.15%	\$0.74	\$238.63	53,496	(71,433)	325,550	736,421
20,000-29,999	517	12,246,647	0	0	177,038	1.45%	245,766	2.01%	\$0.89	\$229.00	51,899	55,248	179,912	451,692
30,000-39,999	228	7,709,338	0	0	182,569	2.37%	277,016	3.59%	\$0.93	\$208.70	22,037	(43,197)	112,174	251,018
40,000-49,999	132	5,787,353	135,465	42,000	56,489	0.98%	142,305	2.46%	\$0.80	\$0.00	(1,463)	39,696	30,620	113,705
50,000-74,999	175	10,482,407	184,541	0	74,761	0.71%	235,927	2.25%	\$0.84	\$0.00	40,039	161,825	80,005	463,605
75,000-99,999	71	6,047,211	78,523	0	148,224	2.45%	258,488	4.27%	\$0.76	\$0.00	51,839	27,595	145,463	273,848
100,000-199,999	130	17,222,671	246,938	0	70,613	0.41%	852,357	4.95%	\$0.80	\$0.00	148,361	212,302	130,790	627,021
200,000 plus	66	22,891,053	521,641	0	126,696	0.55%	1,886,238	8.24%	\$0.79	\$0.00	0	223,253	135,000	792,985
<b>Total</b>	<b>4,036</b>	<b>110,028,733</b>	<b>1,167,108</b>	<b>42,000</b>	<b>1,278,386</b>	<b>1.16%</b>	<b>4,528,621</b>	<b>4.12%</b>	<b>\$0.88</b>	<b>\$242.32</b>	<b>386,688</b>	<b>597,267</b>	<b>1,229,573</b>	<b>4,004,814</b>

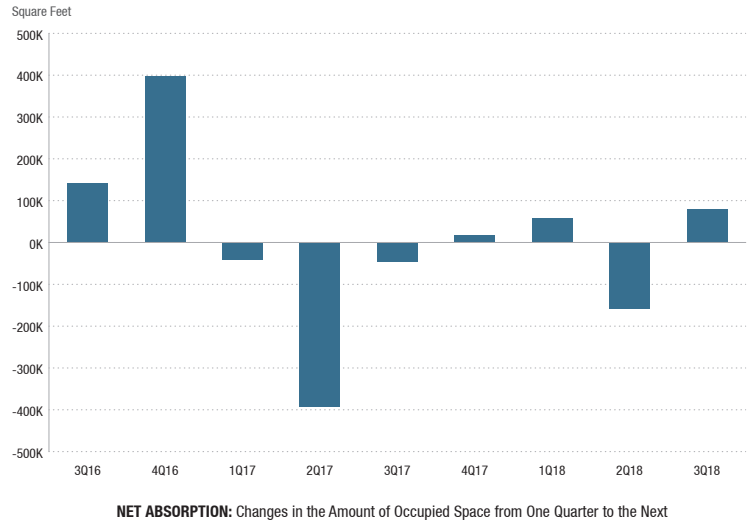
## WEST ORANGE COUNTY

In the third quarter of 2018, the West Orange County industrial market consisted of 1,696 buildings totaling 38,179,685 square feet and had an availability rate of 5.28%, which shows an increase from the previous quarter's figure of 4.96%.

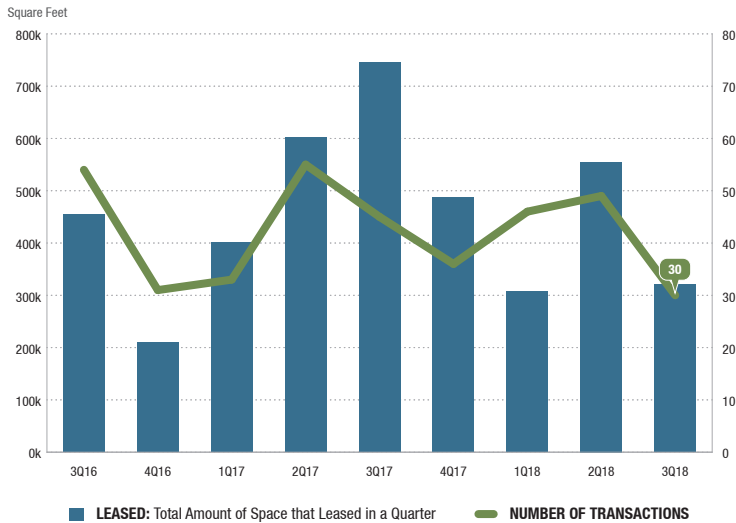
### VACANCY & AVAILABILITY RATE



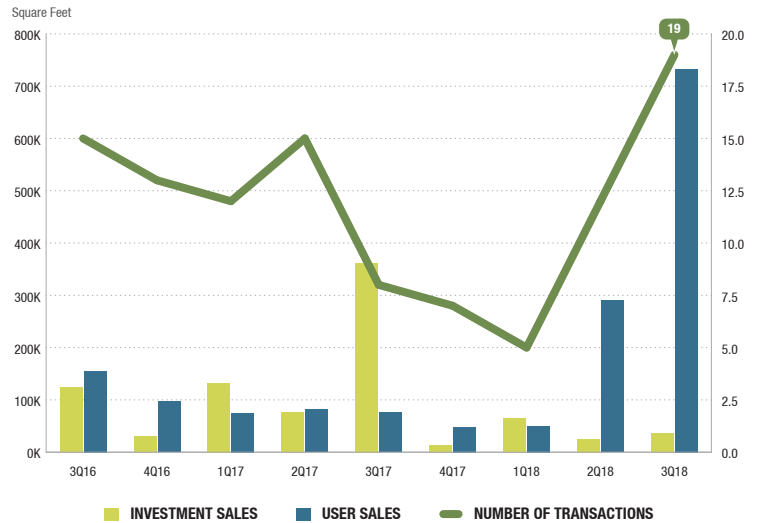
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

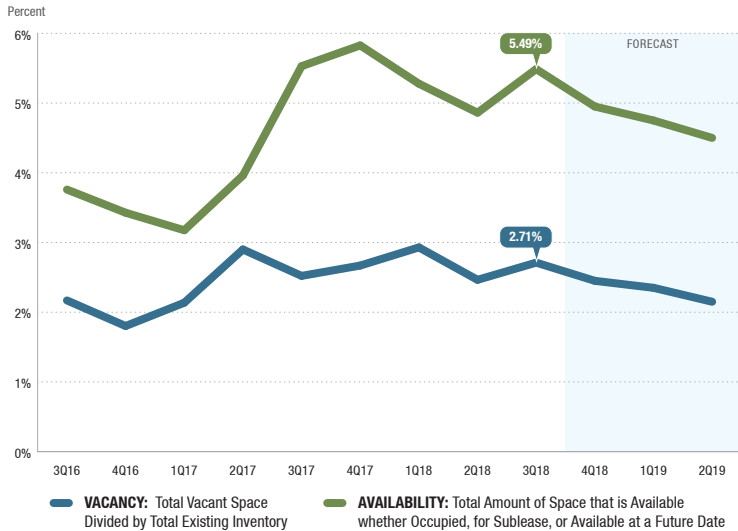
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2018	Square Feet Available	Availability Rate 3Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2018	Net Absorption 2018	Gross Absorption 3Q2018	Gross Absorption 2018
<b>West Totals</b>														
Less than 9,999	692	4,098,615	0	0	30,367	0.74%	39,024	0.95%	\$1.20	\$316.33	6,446	16,021	26,816	107,538
10,000-19,999	557	7,385,761	0	0	130,120	1.76%	139,204	1.88%	\$1.07	\$218.98	44,860	(55,898)	138,513	288,094
20,000-29,999	182	4,373,336	0	0	96,876	2.22%	88,529	2.02%	\$0.89	\$230.08	(50,328)	4,984	44,808	211,340
30,000-39,999	63	2,208,481	0	0	95,665	4.33%	61,186	2.77%	\$0.80	\$0.00	30,026	(62,689)	41,464	72,494
40,000-49,999	49	2,131,485	0	97,460	42,000	1.97%	86,000	4.03%	\$0.79	\$0.00	45,315	(42,000)	45,315	58,800
50,000-74,999	61	3,660,020	0	0	120,547	3.29%	243,119	6.64%	\$0.73	\$0.00	82,142	(68,088)	89,006	148,123
75,000-99,999	30	2,593,807	0	0	0	0.00%	76,080	2.93%	\$0.00	\$0.00	0	0	104,000	126,830
100,000-199,999	40	5,377,132	0	0	215,980	4.02%	220,980	4.11%	\$0.78	\$0.00	(79,000)	5,754	0	111,341
200,000 plus	22	6,351,048	0	0	380,960	6.00%	1,061,304	16.71%	\$0.65	\$0.00	0	180,154	0	652,810
<b>Total</b>	<b>1,696</b>	<b>38,179,685</b>	<b>0</b>	<b>97,460</b>	<b>1,112,515</b>	<b>2.91%</b>	<b>2,015,426</b>	<b>5.28%</b>	<b>\$0.80</b>	<b>\$271.00</b>	<b>79,461</b>	<b>(21,762)</b>	<b>489,922</b>	<b>1,777,370</b>

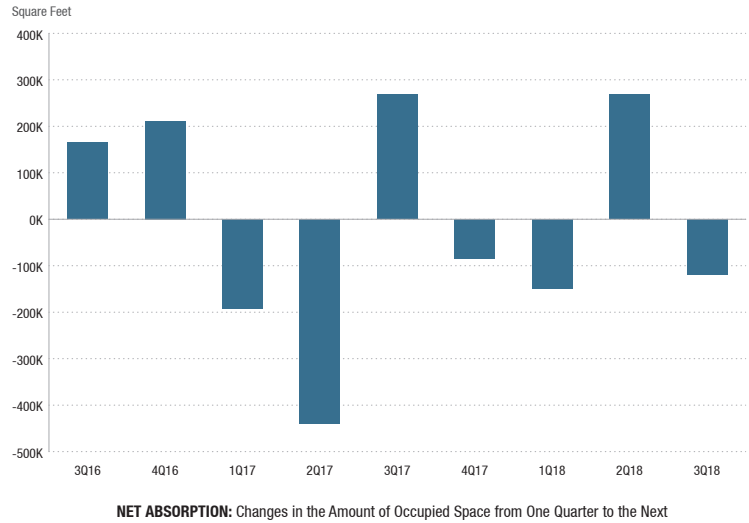
## AIRPORT AREA

In the third quarter of 2018, the Airport Orange County industrial market consisted of 2,650 buildings totaling 57,650,357 square feet and had an availability rate of 5.49%, which shows an increase from previous quarter's figure of 4.86%.

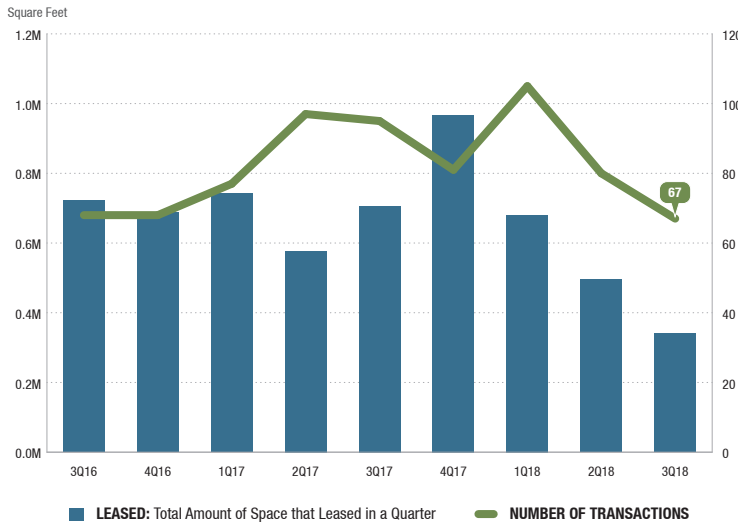
### VACANCY & AVAILABILITY RATE



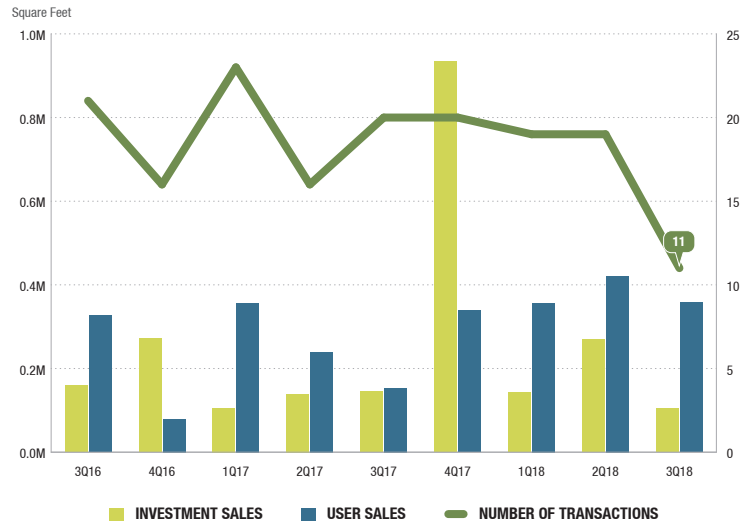
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

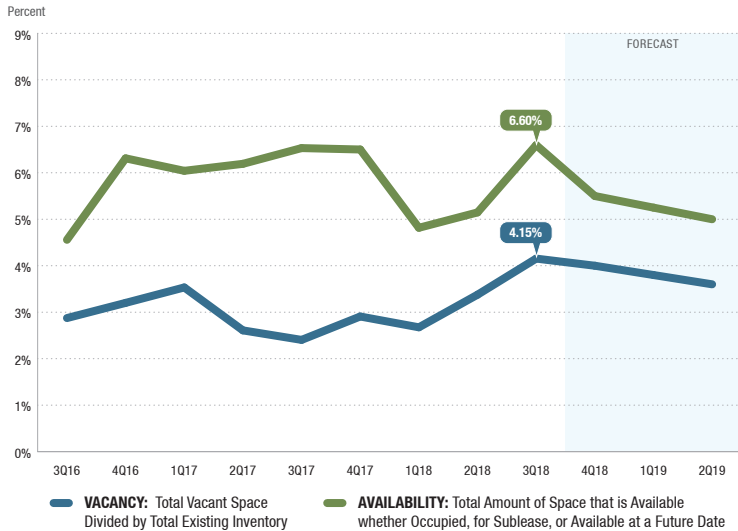
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2018	Square Feet Available	Availability Rate 3Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2018	Net Absorption 2018	Gross Absorption 3Q2018	Gross Absorption 2018
<b>Airport Totals</b>														
Less than 9,999	935	5,394,145	0	10,000	92,284	1.71%	142,352	2.64%	\$1.58	\$326.37	(37,951)	29,314	10,369	154,446
10,000–19,999	905	12,649,307	0	0	226,668	1.79%	288,883	2.28%	\$1.12	\$346.54	(15,098)	(34,350)	200,557	525,418
20,000–29,999	355	8,454,920	0	94,176	163,421	1.93%	353,298	4.18%	\$0.98	\$249.19	29,478	9,380	123,663	288,264
30,000–39,999	149	5,052,519	0	143,986	99,847	1.98%	352,990	6.99%	\$0.97	\$270.00	83,695	47,442	76,782	190,704
40,000–49,999	83	3,641,532	0	0	46,322	1.27%	57,128	1.57%	\$0.87	\$192.00	1,640	(46,322)	53,308	91,023
50,000–74,999	102	6,207,780	0	143,979	264,256	4.26%	513,695	8.28%	\$0.93	\$189.00	(129,367)	(130,781)	13,378	66,128
75,000–99,999	49	4,206,576	0	0	147,164	3.50%	147,164	3.50%	\$1.00	\$184.14	(62,988)	(62,988)	0	28,820
100,000–199,999	54	6,764,107	100,276	163,726	241,181	3.57%	576,723	8.53%	\$0.75	\$185.00	(49,834)	(83,531)	0	307,042
200,000 plus	18	5,279,471	0	0	281,764	5.34%	731,037	13.85%	\$0.75	\$0.00	60,000	9,999	60,000	263,366
<b>Total</b>	<b>2,650</b>	<b>57,650,357</b>	<b>100,276</b>	<b>555,867</b>	<b>1,562,907</b>	<b>2.71%</b>	<b>3,163,270</b>	<b>5.49%</b>	<b>\$0.87</b>	<b>\$283.82</b>	<b>(120,425)</b>	<b>(261,837)</b>	<b>538,057</b>	<b>1,915,211</b>

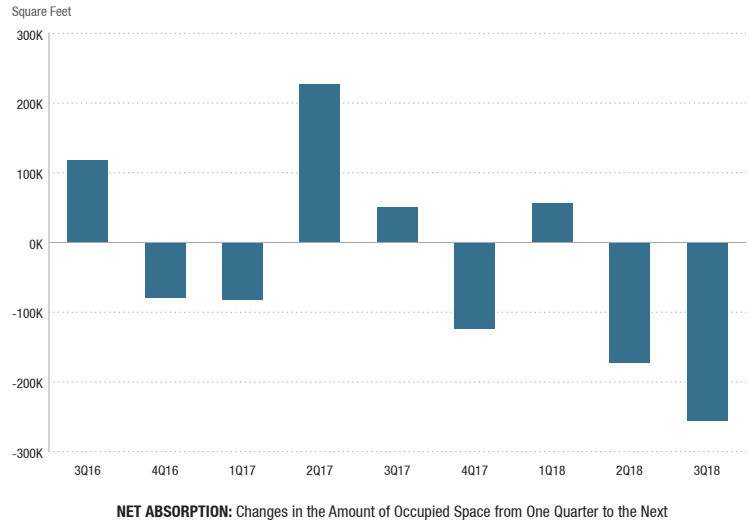
## SOUTH ORANGE COUNTY

In the third quarter of 2018, the South Orange County industrial market consisted of 929 buildings totaling 24,612,908 square feet and had an availability rate of 6.60%, which shows an increase from the previous quarter's figure of 5.15%.

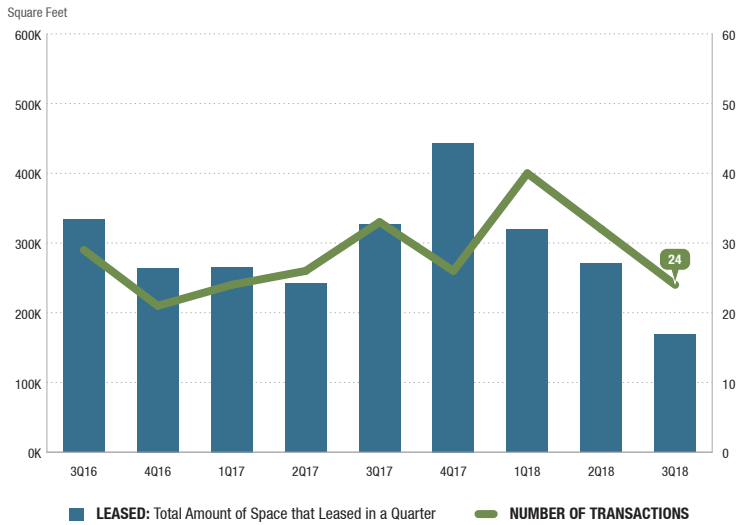
### VACANCY & AVAILABILITY RATE



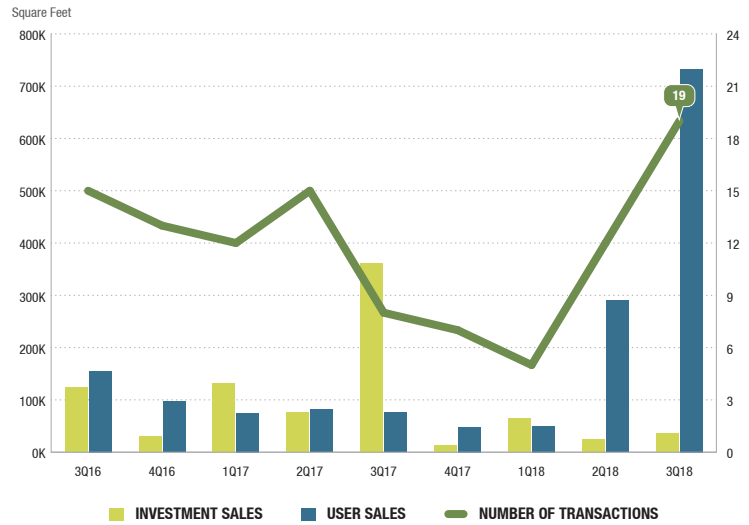
### NET ABSORPTION



### 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 3Q2018	Square Feet Available	Availability Rate 3Q2018	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2018	Net Absorption 2018	Gross Absorption 3Q2018	Gross Absorption 2018
<b>South Totals</b>	<b>929</b>	<b>24,612,908</b>	<b>0</b>	<b>19,000</b>	<b>1,022,268</b>	<b>4.15%</b>	<b>1,623,561</b>	<b>6.60%</b>	<b>\$1.01</b>	<b>\$282.16</b>	<b>(256,267)</b>	<b>(436,396)</b>	<b>281,708</b>	<b>874,200</b>
Less than 9,999	350	2,188,307	0	0	34,191	1.56%	89,931	4.11%	\$1.48	\$337.18	10,652	4,739	45,914	106,101
10,000-19,999	276	3,949,003	0	19,000	100,970	2.56%	136,256	3.45%	\$1.28	\$325.27	24,270	(8,410)	71,696	197,537
20,000-29,999	132	3,137,198	0	0	84,161	2.68%	133,036	4.24%	\$1.16	\$240.62	(20,914)	15,946	56,069	199,386
30,000-39,999	47	1,595,931	0	0	35,277	2.21%	30,284	1.90%	\$0.93	\$250.00	(35,277)	(22,660)	0	18,836
40,000-49,999	30	1,337,164	0	0	78,713	5.89%	78,713	5.89%	\$1.01	\$0.00	(14,683)	(6,430)	12,719	27,244
50,000-74,999	35	2,096,042	0	0	0	0.00%	150,935	7.20%	\$1.10	\$291.00	1,416	(50,855)	2,792	155,204
75,000-99,999	13	1,118,241	0	0	94,397	8.44%	84,797	7.58%	\$0.80	\$0.00	(67,697)	(94,397)	26,700	71,890
100,000-199,999	30	3,946,648	0	0	285,528	7.23%	610,578	15.47%	\$0.96	\$0.00	(44,779)	(37,799)	12,004	30,988
200,000 plus	16	5,244,374	0	0	309,031	5.89%	309,031	5.89%	\$0.89	\$0.00	(109,255)	(236,530)	53,814	67,014



Property Owners Maintain the Upper Hand

by **Michael Zehner**

SENIOR ASSOCIATE, ANAHEIM

714.935.2328 · mczehner@voitco.com · Lic. #01917963

Overall, the industrial business community remains optimistic about the local and national economies. We are hearing from many business owners, who are planning facility moves, that they will be taking advantage of key provisions of the recently enacted Tax Cuts and Jobs Act. They are particularly focused on new bonus depreciation and expensing rules that allow the immediate write-down of capital equipment and interior improvements, which will help offset the cost of expansion and accelerate revenue growth.

For the last several years, the county’s industrial market has been characterized by historically low vacancy, rising rental rates and soaring property values. The short supply of quality space has forced many businesses to either move into space that doesn’t fit their needs or renew their existing leases for lack of a more efficient alternative. Good functional space has been snapped up in short order, much of it without even reaching the open market. Competition among tenants and buyers remains fierce, which has helped drive lease rates and sales prices to record levels. As a result, landlords and sellers maintain the upper hand in negotiations.

While lease rates are still moving up, not every deal is setting a new record and overly optimistic landlords are resetting their expectations to reflect a more cautious pool of tenants. Business owners, faced with the prospect of paying record-high rents with substantial annual increases, are focusing on value and efficiency, and many of the buildings offered for lease have elements of functional obsolescence and/or deferred maintenance issues. As a result, some space is taking a bit longer to lease up, especially in the smaller size ranges. So, we emphasize the importance of understanding the market at the submarket level to ensure informed decision making.

The lack of construction activity and the expectation of ongoing strong demand will both serve to keep the lid on rising vacancy overall. If anything, some property owners with less-than-prime space will have to exercise a little more patience to get their buildings leased, relying on the fact that the vacancy rate could triple and still be at 6%.

**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

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.

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Nationally & Internationally.

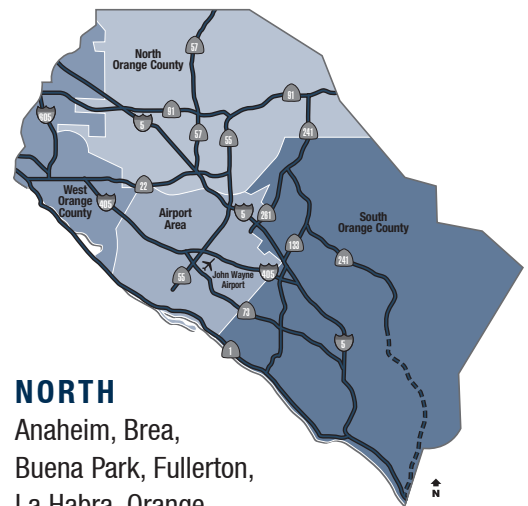


Product Type

**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