

MARKET OVERVIEW. The Orange County industrial market continues to flourish, casting new sale price and cap rate records while lease rates continue to rise. Although pricing at or near the high watermark has caused some buyers and tenants to rethink their expansion strategies, enough demand exists so that most available properties are enjoying steady interest, and many have multiple offers in the queue. Although future increases for sale prices and lease rates may not be as pronounced as witnessed over the past 24 months, the combination of historically low vacancy, minimal new construction and steady demand from a diverse user base will keep upward pressure on lease rates and sale prices. Fundamentals are well positioned in the Orange County industrial market, as strong leasing demand has compressed vacancies.

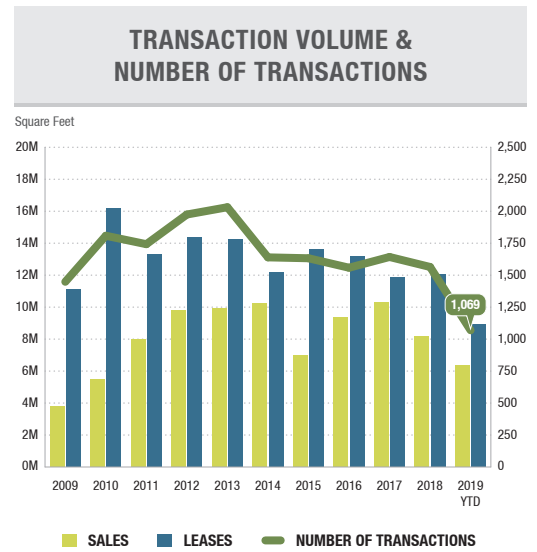
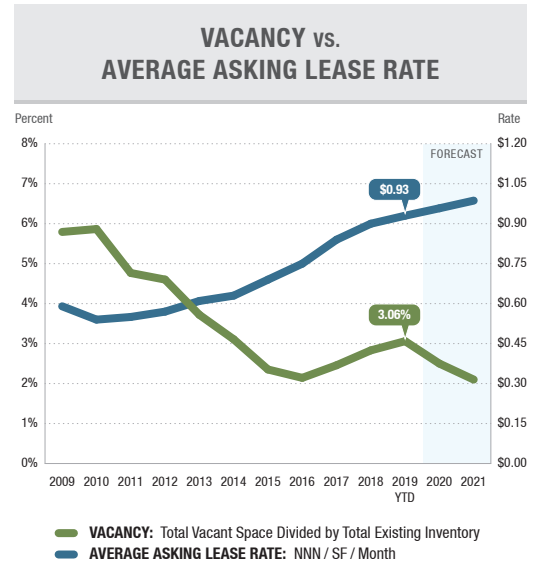
VACANCY. The Orange County industrial market lacks potential for strong, long-term demand increases, due to severe supply constraints and a highway system that is less desirable for distribution than that of the nearby Inland Empire. Nonetheless, these severe supply constraints keep vacancies low and fundamentals steady. Low vacancy rates generally mean that the market performance of an area is good and that there is strong demand. However, with higher demand for industrial space comes higher rental rates. Direct/sublease space (unoccupied) finished the quarter at 3.06%—lower than last quarter’s rate of 3.39% but still higher than last year’s rate of 2.48%.

LEASE RATES. Strong demand and limited supply additions have helped Orange County’s vacancies drop below their historical average. The Orange County industrial market has benefited from economic growth, as well as an ever-growing appetite for logistics inventory as the e-commerce industry expands. The average asking lease rate checked in at \$0.93 per square foot per month, an 4.49% increase year-over-year. Asking rents have posted an average annual gain of 7.49% over the past three years.

SALE PRICES. The Orange County industrial market’s average asking price at the end of the third quarter of 2019 came in at \$263.52 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 2.47% from the third quarter of 2018. Investors continue to target Orange County, and market cap rates have settled near 5%—less, on average, than returns in the office sector and a bit higher than for multifamily properties.

TRANSACTION ACTIVITY. Orange County has experienced growth from a wide variety of industrial segments, all focused on direct access to Orange County’s affluent consumer base. A variety of building classes being utilized for unique purposes were absorbed in the third quarter by third-party logistics providers, manufacturers and online retailers. This balanced demand is a further testament to the strength and stability of the Orange County industrial market. Demand for quality industrial space in Orange County has increased, with 5.89 MSF in total transactions (sale and lease) in the third quarter, up from just over 4.79 MSF last quarter.

AVAILABILITY. Direct/sublease space being marketed was 4.98% at the end of the third quarter, effectively unchanged from the previous quarter’s availability rate of 4.99%. The availability rate remains approximately two percentage points higher than the vacancy rate.



Market Statistics

	Change Over Last Quarter	3Q 2019	2Q 2019	3Q 2018	% Change Over Last Year
Vacancy Rate	▼ DOWN	3.06%	3.39%	2.48%	23.39%
Availability Rate	▬ FLAT	4.98%	4.99%	5.15%	(3.30%)
Average Asking Lease Rate	▼ DOWN	\$0.93	\$0.94	\$0.89	4.49%
Average Asking Sale Price	▲ UP	\$263.52	\$239.51	\$257.18	2.47%
Sale & Lease Transactions	▲ UP	5,896,053	4,791,396	4,751,839	24.08%
Gross Absorption	▲ UP	2,598,584	2,323,558	2,447,774	6.16%
Net Absorption	▲ POSITIVE	347,088	941,411	(1,099,404)	N/A

OVERALL. The Orange County industrial market continues its path of positive net absorption, posting almost a 1.2 MSF gain in the past six months. Occupancy rose in the Orange County industrial market, resulting in a steady decline in both vacancy and availability. The change in vacancy demonstrates that deals are being completed and is an indication of growth in the market. With supply-side pressures minimal, the vacancy rate is expected to inch lower. With a record low vacancy rate, strong tenant and buyer demand, and significant barriers to entry from a development standpoint, we expect lease rates to continue to climb.

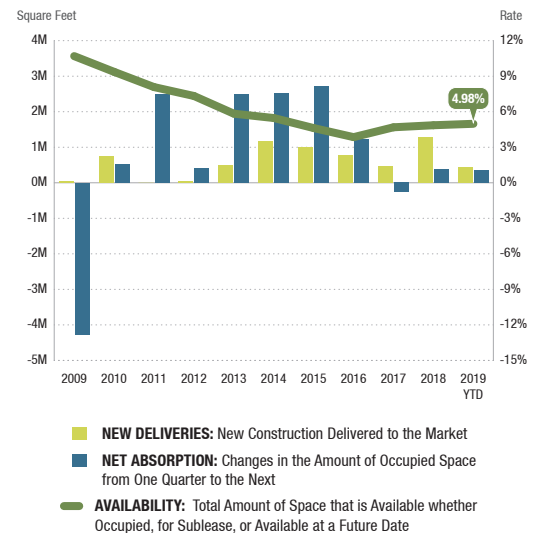
LEASE RATES. Rent growth continues to be strong. With few attractive alternatives in the market, expect lease rates to continue to climb as a result. We expect 2-3% annualized growth in the coming year.

VACANCY. High demand has been driven by e-commerce, manufacturing, and logistics companies looking to enter or expand in Orange County's tight market with record low vacancy. Industrial real estate demand continues to soar to new heights, and we anticipate vacancy rates in the 2.5-3.0% range over the next three quarters.

CONSTRUCTION. Land prices have tripled in some parts of Orange County over the last two years and the cost of materials is increasing at a rate of about 4-5% per year. Large vacant plots are rarely available, and lately, any availability tends to be targeted for multifamily development. After a busy delivery schedule over the past couple years, the last in-progress industrial development, the Shea Project, is the only current industrial construction activity in Orange County. The Shea project on Dyer Road in Santa Ana will be a nine-building industrial park totaling 472,667 square feet.

ABSORPTION. The Orange County industrial market has benefited from several economic shifts that have led to an increase in demand for warehouse space from a versatile mix of users. The market continues to show steady growth as net absorption bounced back from the negative absorption in the first quarter of 2019 that was a result of JCPenney's move-out. Orange County added 347,088 square feet of positive absorption during the third quarter of 2019, yielding a year-to-date total of 189,095 square feet of positive absorption. Tenants that moved into large blocks of space in the third quarter included: P & P Imports (132,545 square feet in Irvine), Pacific Athletic Ware, Inc. (76,080 square feet in Garden Grove) and Multi-Quip, Inc. (74,620 square feet in Fullerton).

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
9300 Toledo Way	Irvine Spectrum	1,193,692	\$277,715,000	CenterPoint Properties	Albertson Companies
10541-10681 Calle Lee	Los Alamitos	685,588	\$128,500,000	Alere Property Group, LLC	Northwestern Mutual Life Insurance Co.
3201 S. Susan St.	Santa Ana	198,980	\$40,000,000	Center Point Properties	The Dixie Group
14192 Franklin Ave.	Tustin	95,458	\$19,000,000	EBS/Penwood	Harbor Associates / Stockbridge
5302 Rancho Rd.	Huntington Beach	56,544	\$16,000,000	Rancho Owner, LLC	Argosy Ave, LLC

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
9300 Toledo Way – Sale/Leaseback	Irvine Spectrum	1,193,692	Jul-2019	Albertsons	CenterPoint Properties
515 E. Dyer Rd.	Santa Ana	414,309	Sept-2019	Amazon	Hines
17352 Derian Ave.	Irvine	132,545	Jul-2019	P & P Imports	Turner Royalty, LLC
1904-1910 W. Malvern Ave. – Renewal	Fullerton	99,334	Sept-2019	Bakery Express	RREEF
25342 & 25372 Commercentre Dr.	Lake Forest	98,694	Sept-2019	Quantum Fuel Systems, LLC*	Braden Court Associates

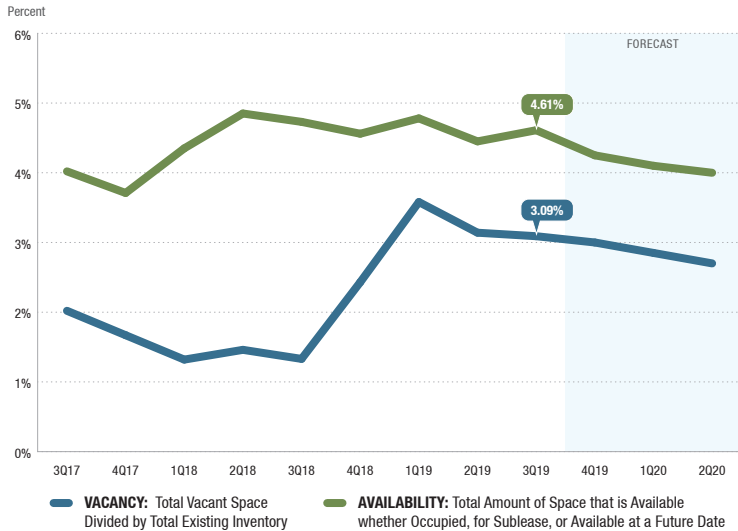
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2019	Square Feet Available	Availability Rate 3Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2019	Net Absorption 2019	Gross Absorption 3Q2019	Gross Absorption 2019
Airport Area														
Costa Mesa	425	7,365,165	0	0	185,245	2.52%	121,771	1.65%	\$1.12	\$338.43	(45,594)	52,367	40,983	231,034
Fountain Valley	185	3,842,165	0	73,200	61,127	1.59%	291,297	7.58%	\$1.03	\$249.62	10,278	4,313	19,750	96,600
Irvine	304	11,603,007	0	0	180,301	1.55%	400,252	3.45%	\$0.81	\$287.76	206,089	256,658	136,664	315,686
Newport Beach	52	634,444	0	0	5,475	0.86%	7,975	1.26%	\$0.00	\$0.00	(4,980)	3,020	0	10,500
Santa Ana	1,574	30,486,874	497,638	38,033	1,509,459	4.95%	2,249,990	7.38%	\$0.94	\$243.06	(102,854)	(394,686)	343,382	988,643
Tustin	110	4,170,892	0	45,000	111,657	2.68%	177,987	4.27%	\$1.13	\$267.85	(29,463)	23,996	17,731	80,872
Airport Area Total	2,650	58,102,547	497,638	156,233	2,053,264	3.53%	3,249,272	5.59%	\$0.96	\$270.23	33,476	(54,332)	558,510	1,723,335
North County														
Anaheim	1,823	44,243,016	0	0	703,870	1.59%	1,478,643	3.34%	\$0.89	\$231.15	(39,841)	(31,200)	313,268	1,014,882
Brea	331	12,118,184	0	0	162,483	1.34%	417,028	3.44%	\$0.82	\$249.48	19,434	103,689	139,795	391,627
Buena Park	232	13,356,788	0	0	1,175,177	8.80%	1,495,721	11.20%	\$0.81	\$238.85	2,785	(801,643)	474,780	992,884
Fullerton	455	19,274,287	0	0	1,035,463	5.37%	1,211,344	6.28%	\$0.95	\$238.35	136,485	387,601	286,965	760,179
La Habra	198	3,497,864	0	175,000	41,840	1.20%	37,319	1.07%	\$1.10	\$219.59	11,880	26,188	8,289	61,263
Orange	738	13,513,813	0	0	220,483	1.63%	225,766	1.67%	\$1.10	\$254.21	(32,256)	(78,943)	102,637	290,903
Placentia	220	4,209,597	0	0	89,862	2.13%	231,292	5.49%	\$0.82	\$251.15	4,497	96,427	30,610	261,721
Yorba Linda	53	869,394	0	0	8,755	1.01%	23,264	2.68%	\$0.00	\$245.20	6,218	13,098	9,739	26,333
North County Total	4,050	111,082,943	0	175,000	3,437,933	3.09%	5,120,377	4.61%	\$0.84	\$237.40	109,202	(284,783)	1,366,083	3,799,792
South County														
Aliso Viejo	17	661,690	0	0	23,864	3.61%	23,864	3.61%	\$1.33	\$350.00	0	(9,224)	0	14,640
Foothill Ranch	66	3,484,885	0	0	5,132	0.15%	29,132	0.84%	\$1.15	\$350.00	(5,132)	(5,132)	0	0
Irvine Spectrum	207	9,984,459	0	0	705,664	7.07%	962,838	9.64%	\$1.05	\$348.13	(96,875)	(101,748)	103,527	303,473
Laguna Beach	21	93,516	0	0	14,225	15.21%	14,225	15.21%	\$2.30	\$0.00	(3,000)	0	1,500	4,500
Laguna Hills	72	1,016,876	0	0	30,447	2.99%	48,912	4.81%	\$1.33	\$0.00	(5,195)	(7,739)	34,147	75,342
Laguna Niguel	20	271,219	0	0	0	0.00%	5,652	2.08%	\$0.00	\$353.01	0	0	0	0
Lake Forest	190	4,099,170	0	0	47,419	1.16%	114,150	2.78%	\$1.24	\$353.01	36,442	65,319	31,700	158,412
Mission Viejo	30	462,480	0	0	3,603	0.78%	3,603	0.78%	\$0.00	\$0.00	6,947	8,751	8,156	26,311
Rancho Santa Margarita	106	1,711,751	0	0	8,783	0.51%	13,427	0.78%	\$1.24	\$335.00	(7,356)	21,873	7,356	70,057
San Clemente	158	1,989,515	0	0	49,330	2.48%	44,271	2.23%	\$1.21	\$300.82	2,937	(3,078)	25,922	56,645
San Juan Capistrano	43	923,189	0	0	9,605	1.04%	12,191	1.32%	\$1.56	\$0.00	0	7,878	2,388	19,871
South County Total	930	24,698,750	0	0	898,072	3.64%	1,272,265	5.15%	\$1.15	\$344.23	(71,232)	(23,100)	214,696	729,251
West County														
Cypress	102	4,663,663	0	0	369,640	7.93%	394,893	8.47%	\$0.90	\$0.00	14,754	27,200	25,721	38,167
Garden Grove	476	11,836,606	0	40,000	150,626	1.27%	647,476	5.47%	\$0.83	\$199.34	175,542	330,162	241,181	490,627
Huntington Beach	682	12,723,695	0	47,640	125,986	0.99%	606,896	4.77%	\$0.83	\$279.14	102,473	124,850	149,565	401,454
La Palma	16	1,780,056	0	0	0	0.00%	163,232	9.17%	\$0.00	\$0.00	0	0	0	75,000
Los Alamitos	94	2,218,570	0	0	25,547	1.15%	41,310	1.86%	\$0.00	\$0.00	(4,548)	(16,427)	6,600	21,340
Seal Beach	15	978,518	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	57,033	0	0
Stanton	174	1,842,157	0	0	28,191	1.53%	45,266	2.46%	\$1.16	\$199.05	(3,991)	(21,111)	32,772	59,155
Westminster	142	2,374,164	0	0	22,007	0.93%	22,007	0.93%	\$0.00	\$0.00	(8,588)	49,603	3,456	152,982
West County Total	1,701	38,417,429	0	87,640	721,997	1.88%	1,921,080	5.00%	\$0.84	\$211.70	275,642	551,310	459,295	1,238,725
Orange County Total	9,331	232,301,669	497,638	418,873	7,111,266	3.06%	11,562,994	4.98%	\$0.93	\$263.52	347,088	189,095	2,598,584	7,491,103
Less than 9,999	3,306	20,113,513	0	0	322,883	1.61%	458,878	2.28%	\$1.38	\$316.39	(23,292)	(14,652)	247,222	738,622
10,000-19,999	3,142	43,408,700	0	0	712,539	1.64%	1,086,197	2.50%	\$1.26	\$283.08	35,386	232,794	557,961	1,611,962
20,000-29,999	1,182	28,145,892	77,420	0	689,724	2.45%	1,250,002	4.44%	\$1.02	\$256.45	(40,095)	(256,183)	295,200	799,458
30,000-39,999	484	16,492,904	102,136	111,233	390,535	2.37%	762,337	4.62%	\$0.96	\$269.82	121,917	408,267	275,991	707,743
40,000-49,999	295	12,967,612	0	85,000	307,381	2.37%	650,809	5.02%	\$0.87	\$235.81	132,023	101,430	111,745	365,591
50,000-74,999	374	22,510,486	72,232	55,000	427,342	1.90%	919,351	4.08%	\$0.88	\$240.04	200,684	251,466	238,304	889,598
75,000-99,999	166	14,207,579	79,128	167,640	230,857	1.62%	503,117	3.54%	\$0.84	\$252.16	35,862	28,175	89,730	219,203
100,000-199,999	258	33,895,641	166,722	0	723,813	2.14%	2,207,111	6.51%	\$0.81	\$211.48	52,655	788,939	213,391	993,100
200,000 Plus	124	40,559,342	0	0	3,306,192	8.15%	3,725,192	9.18%	\$0.82	\$0.00	(168,052)	(1,351,141)	569,040	1,165,826
Orange County Total	9,331	232,301,669	497,638	418,873	7,111,266	3.06%	11,562,994	4.98%	\$0.93	\$263.52	347,088	189,095	2,598,584	7,491,103

Lease rates are on a triple-net basis.

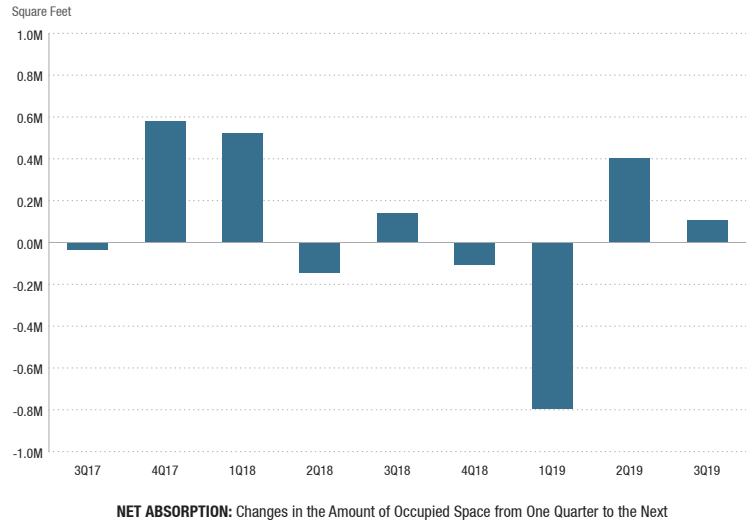
NORTH ORANGE COUNTY

In the third quarter of 2019, the North Orange County industrial market consisted of 4,050 buildings totaling 111,082,943 square feet and had an availability rate of 4.61%, which shows an increase from the previous quarter's figure of 4.45%.

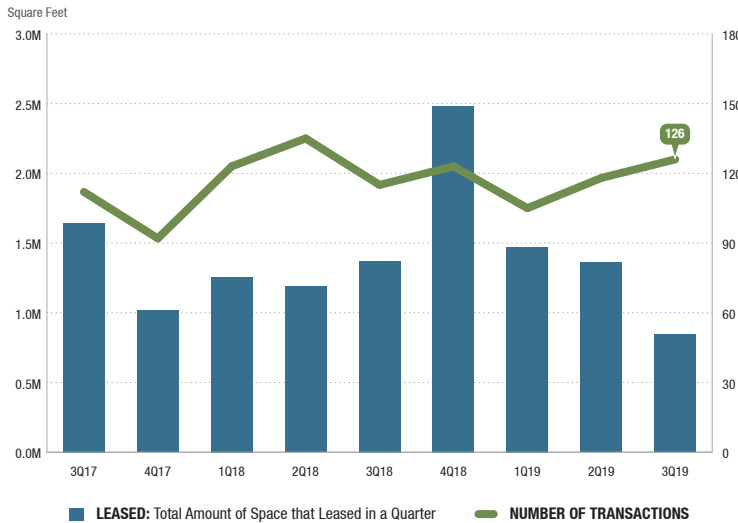
VACANCY & AVAILABILITY RATE



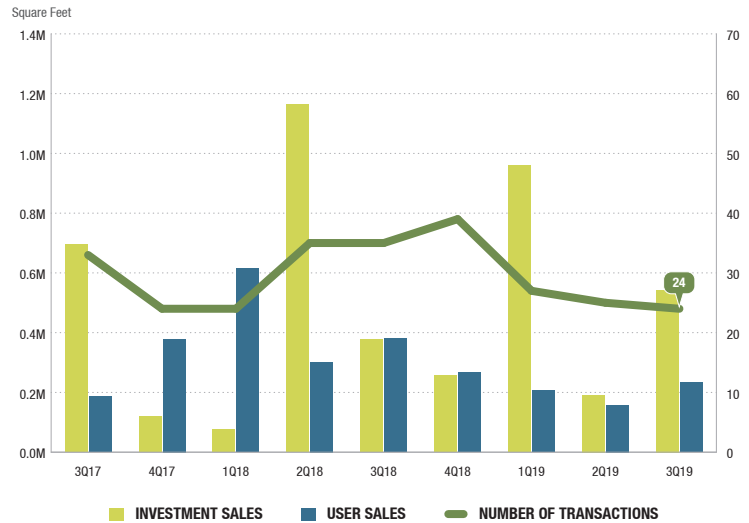
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

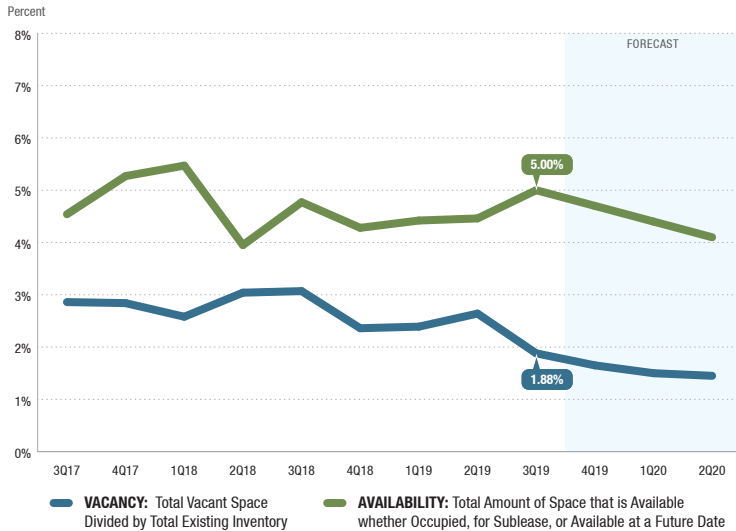
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2019	Square Feet Available	Availability Rate 3Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2019	Net Absorption 2019	Gross Absorption 3Q2019	Gross Absorption 2019
North Totals														
Less than 9,999	1,330	8,425,570	0	0	154,265	1.83%	190,707	2.26%	\$1.27	\$285.90	14,638	(22,889)	145,216	352,504
10,000–19,999	1,400	19,368,535	0	0	291,736	1.51%	438,199	2.26%	\$1.11	\$259.37	(28,646)	56,619	176,057	655,891
20,000–29,999	513	12,160,897	0	0	223,922	1.84%	492,999	4.05%	\$0.96	\$225.53	(43,503)	(87,168)	151,292	333,938
30,000–39,999	225	7,629,218	0	0	122,868	1.61%	259,930	3.41%	\$0.93	\$231.99	58,798	185,347	109,745	242,144
40,000–49,999	133	5,846,599	0	40,000	213,030	3.64%	258,920	4.43%	\$0.84	\$138.02	41,391	(6,523)	19,073	137,729
50,000–74,999	175	10,508,272	0	55,000	207,652	1.98%	442,940	4.22%	\$0.84	\$196.13	105,380	12,299	158,574	422,960
75,000–99,999	74	6,284,170	0	80,000	94,950	1.51%	284,440	4.53%	\$0.79	\$0.00	53,094	30,932	13,650	86,295
100,000–199,999	133	17,587,549	0	0	308,246	1.75%	801,312	4.56%	\$0.77	\$0.00	95,587	557,622	145,421	706,160
200,000 plus	67	23,272,133	0	0	1,821,264	7.83%	1,950,930	8.38%	\$0.82	\$0.00	(187,537)	(1,011,022)	447,055	862,171
Total	4,050	111,082,943	0	175,000	3,437,933	3.09%	5,120,377	4.61%	\$0.84	\$237.40	109,202	(284,783)	1,366,083	3,799,792

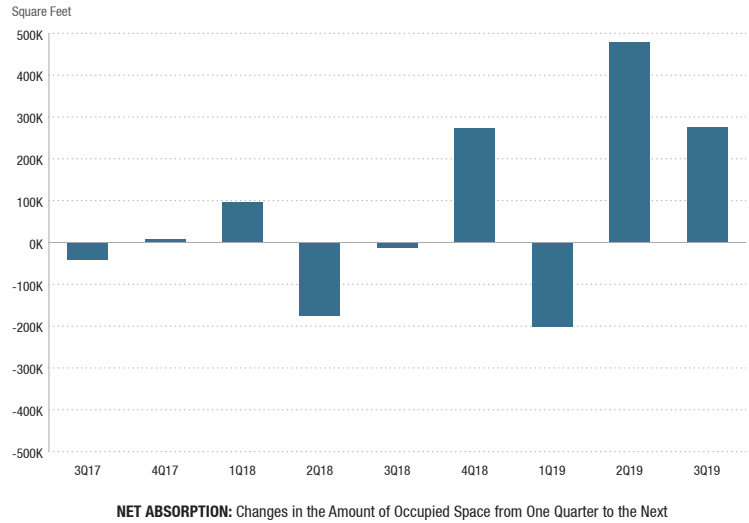
WEST ORANGE COUNTY

In the third quarter of 2019, the West Orange County industrial market consisted of 1,701 buildings totaling 38,417,429 square feet and had an availability rate of 5.00%, which shows an increase from the previous quarter's figure of 4.46%.

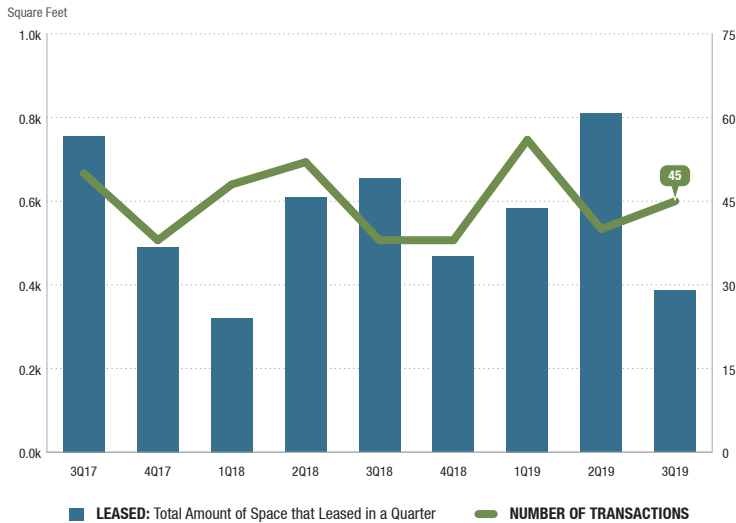
VACANCY & AVAILABILITY RATE



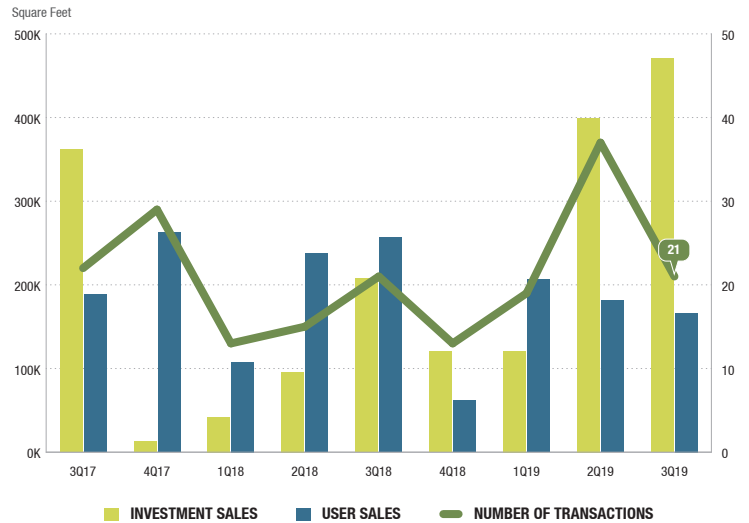
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

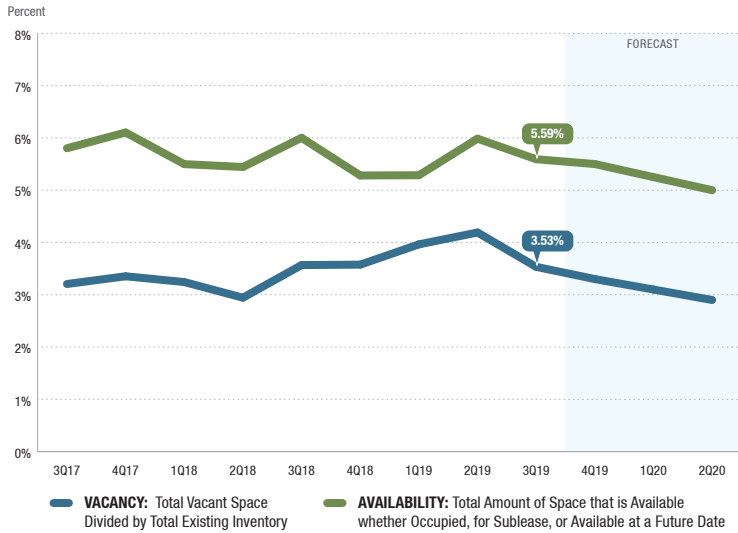
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2019	Square Feet Available	Availability Rate 3Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2019	Net Absorption 2019	Gross Absorption 3Q2019	Gross Absorption 2019
West Totals														
Less than 9,999	689	4,081,123	0	0	60,661	1.49%	76,133	1.87%	\$1.29	\$253.89	(18,301)	(21,913)	26,452	112,845
10,000-19,999	564	7,480,503	0	0	77,166	1.03%	192,736	2.58%	\$0.99	\$235.72	44,938	127,356	127,492	303,181
20,000-29,999	182	4,377,939	0	0	104,459	2.39%	216,929	4.96%	\$0.97	\$225.76	45,033	(51,334)	64,200	95,594
30,000-39,999	62	2,175,573	0	0	9,680	0.44%	75,671	3.48%	\$0.83	\$197.00	19,930	100,506	6,510	109,160
40,000-49,999	52	2,269,885	0	0	42,000	1.85%	220,201	9.70%	\$0.83	\$187.85	54,500	13,473	54,500	106,848
50,000-74,999	59	3,520,370	0	0	71,322	2.03%	165,845	4.71%	\$0.82	\$0.00	92,629	129,731	60,891	189,437
75,000-99,999	31	2,671,713	0	87,640	0	0.00%	15,763	0.59%	\$0.00	\$0.00	76,080	16,600	76,080	92,680
100,000-199,999	40	5,360,106	0	0	34,080	0.64%	466,688	8.71%	\$0.00	\$0.00	(39,167)	186,070	43,170	158,170
200,000 plus	22	6,480,217	0	0	322,629	4.98%	491,114	7.58%	\$0.79	\$0.00	0	50,821	0	70,810
Total	1,701	38,417,429	0	87,640	721,997	1.88%	1,921,080	5.00%	\$0.84	\$211.70	275,642	551,310	459,295	1,238,725

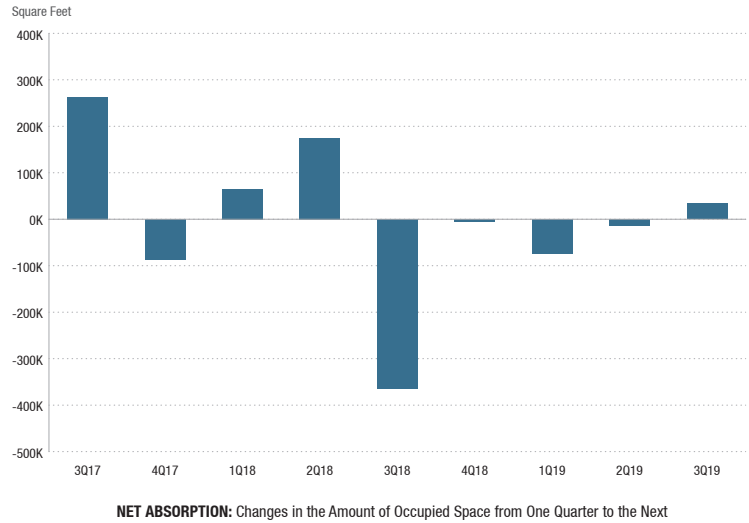
AIRPORT AREA

In the third quarter of 2019, the Airport Orange County industrial market consisted of 2,650 buildings totaling 58,102,547 square feet and had an availability rate of 5.59%, which shows a decrease from previous quarter's figure of 5.98%.

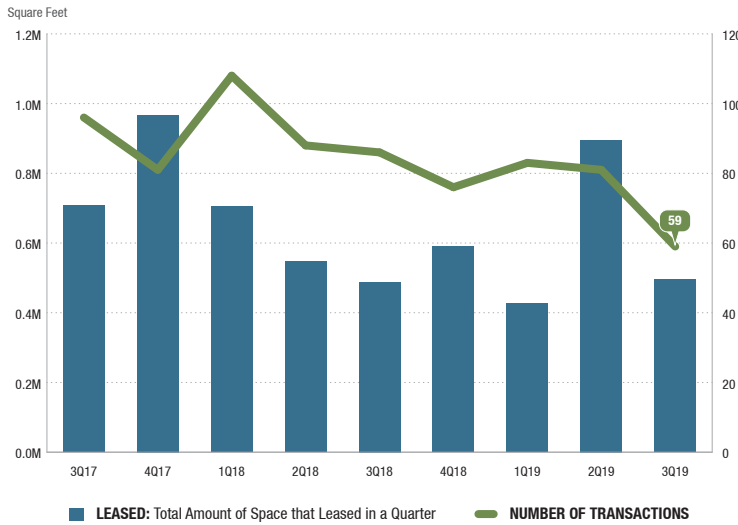
VACANCY & AVAILABILITY RATE



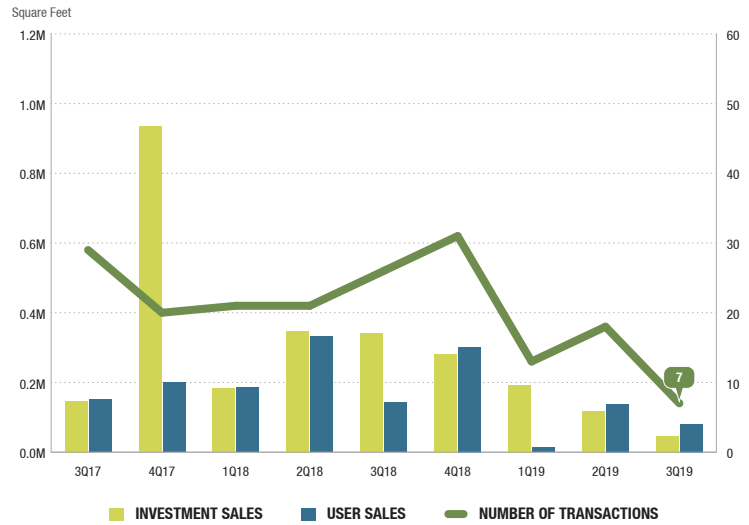
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

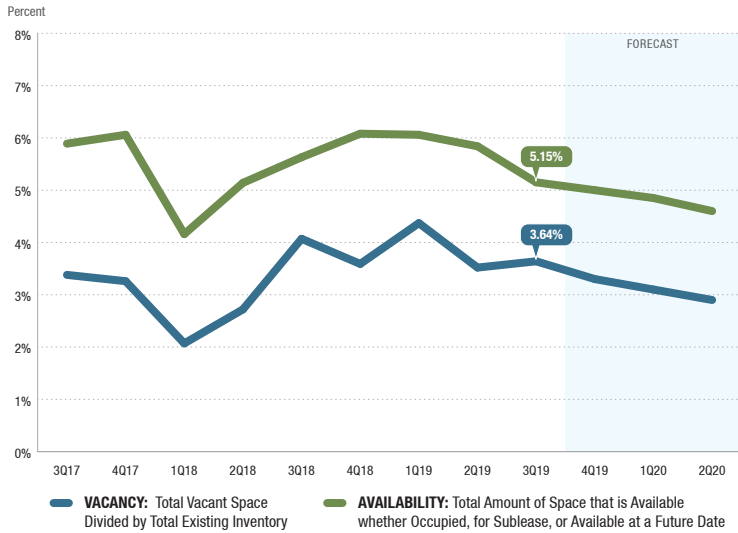
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2019	Square Feet Available	Availability Rate 3Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2019	Net Absorption 2019	Gross Absorption 3Q2019	Gross Absorption 2019
Airport Totals														
Less than 9,999	932	5,399,546	0	0	65,931	1.22%	110,601	2.05%	\$1.43	\$334.42	(3,058)	(6,487)	59,650	162,530
10,000-19,999	907	12,689,072	0	0	279,562	2.20%	358,437	2.82%	\$1.47	\$304.57	(26,999)	12,188	167,461	447,746
20,000-29,999	353	8,413,054	77,420	0	198,340	2.36%	348,926	4.15%	\$1.00	\$307.51	33,511	(54,523)	59,133	243,961
30,000-39,999	151	5,127,212	102,136	111,233	217,061	4.23%	353,946	6.90%	\$0.90	\$272.41	9,384	98,233	159,736	356,439
40,000-49,999	82	3,608,394	0	45,000	45,562	1.26%	164,899	4.57%	\$0.93	\$250.00	19,552	64,519	19,552	84,071
50,000-74,999	105	6,385,520	72,232	0	140,651	2.20%	142,740	2.24%	\$1.00	\$254.75	2,675	117,153	11,000	204,682
75,000-99,999	47	4,043,777	79,128	0	135,907	3.36%	202,914	5.02%	\$0.00	\$252.16	(93,312)	(104,154)	0	40,228
100,000-199,999	54	6,819,139	166,722	0	79,102	1.16%	557,278	8.17%	\$0.98	\$211.48	112,245	198,879	0	36,800
200,000 plus	19	5,616,833	0	0	891,148	15.87%	1,009,531	17.97%	\$0.89	\$0.00	(20,522)	(380,140)	81,978	146,878
Total	2,650	58,102,547	497,638	156,233	2,053,264	3.53%	3,249,272	5.59%	\$0.96	\$270.23	33,476	(54,332)	558,510	1,723,335

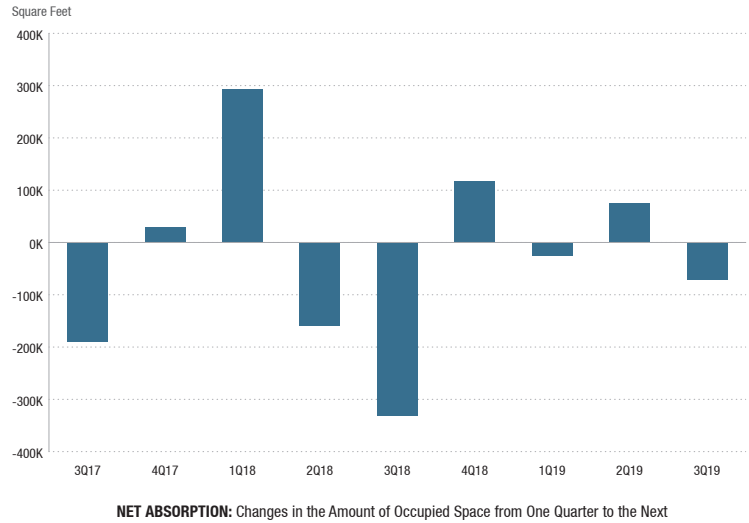
SOUTH ORANGE COUNTY

In the third quarter of 2019, the South Orange County industrial market consisted of 930 buildings totaling 24,698,750 square feet and had an availability rate of 5.15%, which shows a decrease from the previous quarter's figure of 5.84%.

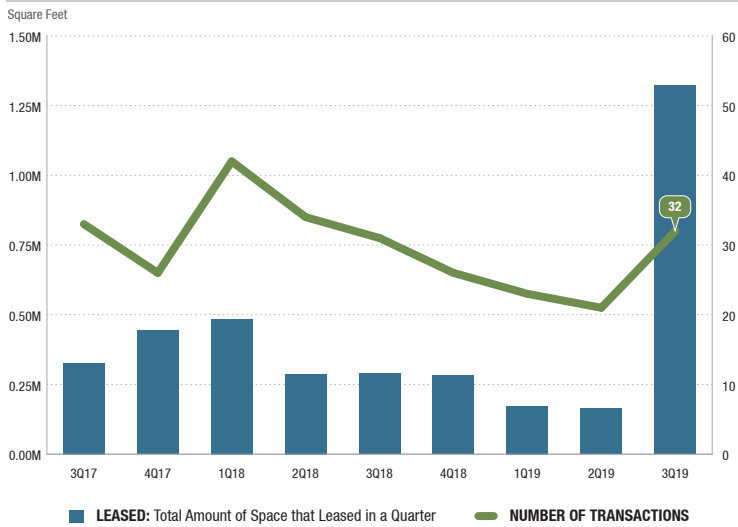
VACANCY & AVAILABILITY RATE



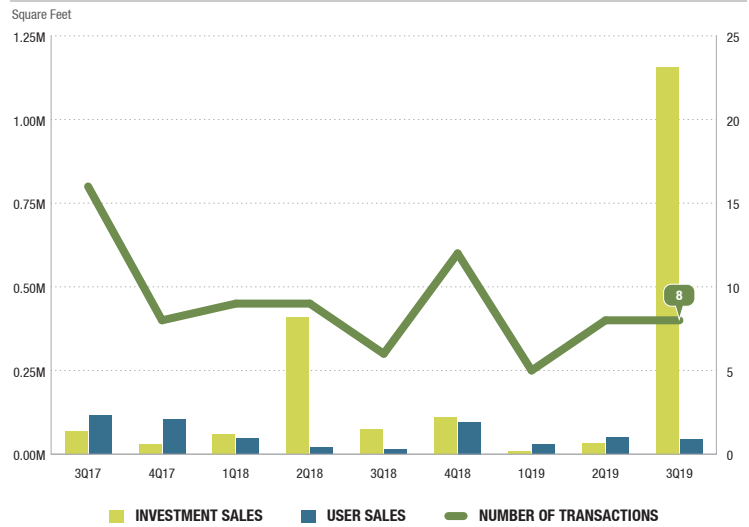
NET ABSORPTION



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 3Q2019	Square Feet Available	Availability Rate 3Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2019	Net Absorption 2019	Gross Absorption 3Q2019	Gross Absorption 2019
South Totals														
Less than 9,999	355	2,207,274	0	0	42,026	1.90%	81,437	3.69%	\$1.42	\$381.52	(16,571)	36,637	15,904	110,743
10,000–19,999	271	3,870,590	0	0	64,075	1.66%	96,825	2.50%	\$1.30	\$331.89	46,093	36,631	86,951	205,144
20,000–29,999	134	3,194,002	0	0	163,003	5.10%	191,148	5.98%	\$1.18	\$0.00	(75,136)	(63,158)	20,575	125,965
30,000–39,999	46	1,560,901	0	0	40,926	2.62%	72,790	4.66%	\$1.21	\$330.03	33,805	24,181	0	0
40,000–49,999	28	1,242,734	0	0	6,789	0.55%	6,789	0.55%	\$0.00	\$392.00	16,580	29,961	18,620	36,943
50,000–74,999	35	2,096,324	0	0	7,717	0.37%	167,826	8.01%	\$1.10	\$298.45	0	(7,717)	7,839	72,519
75,000–99,999	14	1,207,919	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	84,797	0	0
100,000–199,999	31	4,128,847	0	0	302,385	7.32%	381,833	9.25%	\$0.95	\$0.00	(116,010)	(153,632)	24,800	91,970
200,000 plus	16	5,190,159	0	0	271,151	5.22%	273,617	5.27%	\$0.00	\$0.00	40,007	(10,800)	40,007	85,967
Total	930	24,698,750	0	0	898,072	3.64%	1,272,265	5.15%	\$1.15	\$344.23	(71,232)	(23,100)	214,696	729,251



Tight Market Makes for Tough Decisions

by **Tom Terry**

ASSOCIATE, ANAHEIM

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Orange County businesses large and small continue to thrive, and demand for industrial space from owner/users and tenants continues to strengthen. One huge reason for this is the logistics sector which is expanding rapidly as more consumer purchases move online and away from traditional brick and mortar stores. This so-called “Amazon Effect” has caused a spike in industrial property demand for “last mile” warehouse locations that shorten delivery times for everything from electronics to groceries.

Business owners who lease their space have seen rates climb to record levels. That has many of them focusing on purchasing their own property, with down payments as low as 10%, to take advantage of some of the lowest interest rates in history. Even at today’s high price points, monthly mortgage debt service is nearly equivalent to a market lease payment for most buildings. The thought is that it’s better to build equity for themselves than it is to write a rent check every month to a third party.

Those who choose to continue leasing must face the difficult decision either to renew in place or to risk trying to find a new building before their lease expires. Vacancy overall is low, and in the under 15,000 square-foot range there are very few options, if any at all. Small industrial buildings are becoming irreplaceable assets, as there may never be another one built under 15,000 square feet in Orange County. The high cost of land does not support construction in that size range. Instead, developers are repurposing industrial land to high-density residential and mixed-use projects to justify the risks of ground-up development.

We are seeing more long-term property owners decide to dispose of their assets to capitalize on record high property values. Even some of the most tax-averse owners are beginning to realize that their properties have appreciated to a point where cashing out and paying their taxes will still leave them with a windfall profit. If you knew a market correction was on the horizon, what would you do? Hold, sell or buy?

Property owners who have weathered multiple recessions and have plans to retire soon are in the perfect position to exit their investments at or near the peak of the current market up-cycle. Buyers are more concerned about reducing their risk by fixing their occupancy cost and securing a facility that will suit their operational needs over the long term. If the right seller is matched to the right buyer, then everybody wins.

Unfortunately, the ratio of sellers to buyers is still skewed, and many buyers are losing out on competing offers. By the time a new listing officially hits the market, it is either already in escrow, or there are several competing offers. With such limited inventory, sourcing off-market opportunities is where your real estate professional can add real value.

Please Contact Us for Further Information

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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. ©2019 Voit Real Estate Services, Inc. DRE License #01991785.

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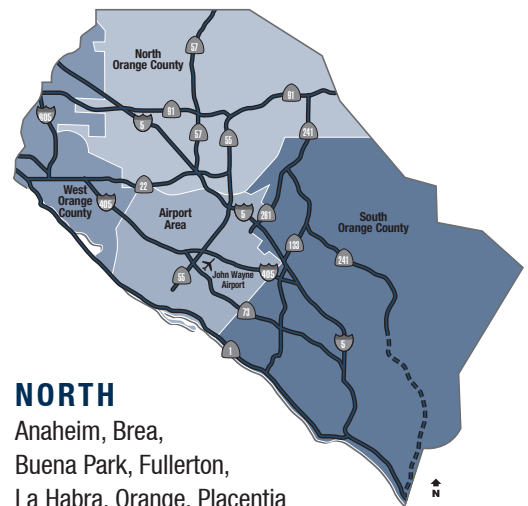


Product Type

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