

**OVERVIEW.** The Orange County industrial market is plowing through the pandemic-induced recession like a battleship in heavy seas. Despite an economic shutdown, stay-at-home orders and a long list of social distancing regulations, the industrial market outperformed expectations yet again. Vacancy remains low, transaction activity remains constant and there have been no discernible signs of a correction in lease rates or sales prices. Demand for owner-user buildings is still off the charts and new lease requirements are on the rise again after a short pause early in 2Q. While e-commerce related users have been the primary demand driver in recent quarters, activity in 3Q was broad-based and industrial users in a variety of sectors have normalized their operations and brought their employees back.

**VACANCY & AVAILABILITY.** The industrial vacancy rate for all of Orange County declined by 10 basis points in 3Q to 2.87%, and it is 53 basis points lower than it was this time last year. At such low vacancy levels, slight swings quarter-to-quarter are to be expected, as one or two large buildings becoming vacant at the same time can have a big statistical impact. By size range, buildings 40,000 – 49,999 SF have the highest vacancy rate at 3.78%, which is still near a historic low point. Buildings less than 10,000 SF have a vacancy rate of just 2.15%. By submarket, South County vacancy is highest at 4.9%. North County, which has nearly half the county's total inventory, closed the quarter with a vacancy rate of just 1.92%. The availability rate, which includes vacant space and available space that is still occupied, fell slightly in 3Q to 4.60%.

**LEASE RATES & SALES PRICES.** The average asking lease rate for the county was unchanged in 3Q at \$1.00 PSF, up 4 cents year-over-year. Landlords are holding firm on asking rates and their demand for strong credit. Some tenants with active requirements have been making aggressive offers expecting a bargain, only to be disappointed by counteroffers at the asking price. If anything, we have seen a slight uptick in free rent for longer term deals with solid credit tenants.

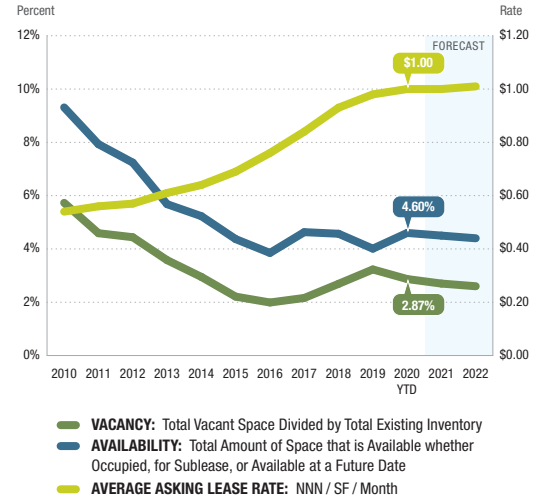
Sales prices are still going up and demand has increased. Owner-user buyers with a long-term hold strategy are lining up to take advantage of the lowest interest rates in history. The SBA 504 rate fell to 2.26% in August. With underlying first mortgages in the 3.5% range, buyers can borrow 90% of the purchase price at a blended rate below 3%. The average asking sales price rose \$18 PSF in 3Q to \$263, a new record.

**TRANSACTION ACTIVITY.** The number of lease transactions rose sharply in 3Q to 285 versus 218 in 2Q. However, total square footage leased was down by 800,000 SF, a clear indication that the bulk of 3Q transactions took place in smaller buildings. That was expected given the pandemic crisis. Moving large operations with so many external disruptions is difficult at best. So, some larger tenants have paused their relocation plans for the time being. Smaller tenants are making moves to right-size their operations, some taking advantage of PPP loans and the temporary lull in business activity means it is less disruptive to move now.

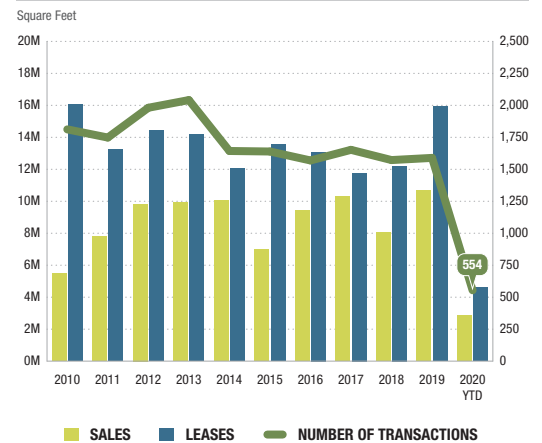
There were 41 sales completed in 3Q, up slightly over the previous quarter, but total consideration nearly doubled to over \$211 million. That may be due to the fact that industrial space is the favored product of institutional investors who prefer the bigger deals.

**ABSORPTION.** Maintaining positive net absorption quarter-to-quarter in such a tight market is difficult at best. There is just such little space available for companies to expand into. Add the slowdown

**VACANCY, AVAILABILITY & AVERAGE ASKING LEASE RATES**



**TRANSACTION VOLUME & NUMBER OF TRANSACTIONS**



Market Statistics

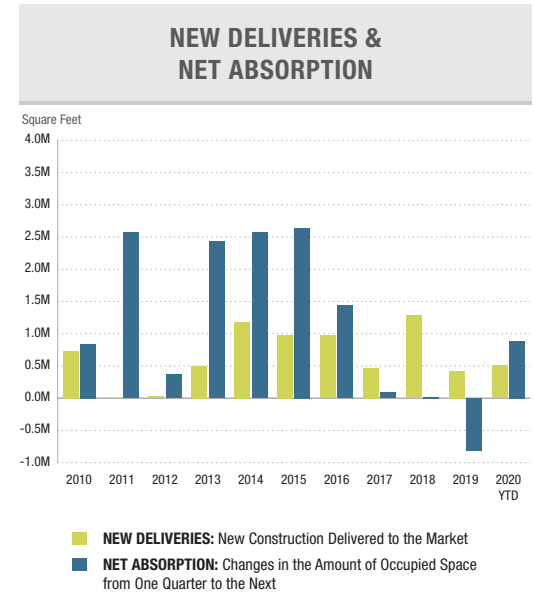
	Change Over Last Quarter	3Q 2020	2Q 2020	3Q 2019	% Change Over Last Year
Vacancy Rate	▼ DOWN	2.87%	2.97%	3.40%	(15.57%)
Availability Rate	▼ DOWN	4.60%	4.80%	4.70%	(2.03%)
Average Asking Lease Rate	▬ FLAT	\$1.00	\$1.00	\$0.96	4.17%
Average Asking Sale Price	▲ UP	\$263.63	\$245.00	\$251.00	5.03%
Sale & Lease Transactions	▬ FLAT	3,073,728	3,097,870	8,991,616	(65.82%)
Gross Absorption	▲ UP	2,922,211	1,859,119	2,162,157	35.15%
Net Absorption	▼ NEGATIVE	(255,298)	(100,167)	155,559	N/A

in transaction activity due to the pandemic and it comes as no surprise that net absorption stayed in the red for the second consecutive period, posting a net loss in occupied space of 255,298 SF. West County and the Airport Area accounted for most of the loss, while North County managed a slight gain. Thanks to a strong 1Q performance, net absorption is in positive territory for the year. Gross absorption, which measures total move-ins, was fairly strong at just over 2.9 MSF, which brought the year's total to 8.9 MSF, a noteworthy accomplishment given the restraint on activity associated with pandemic response regulations.

**CONSTRUCTION.** Ground-up development of industrial properties in Orange County has been at a near standstill for several years. Land has become prohibitively expensive and the number of suitable sites for significant projects has dwindled. As a result, redevelopment of existing projects has become more popular, and 3Q saw the start of two interesting projects. In Brea, a functionally obsolete 80,000 SF building on 5.15 acres was acquired from an owner/user for \$13.3 million, and has since been demolished to make way for a new, state-of-the-art 108,000 SF building that is scheduled for completion next year. The previous owner/user relocated his business to a more modern facility in the Inland Empire.

In Huntington Beach, Sares-Regis acquired an aging 291,000 SF office/industrial project, a former Boeing facility, for almost \$73 million earlier this year. The developer plans to demolish the existing structures to build up to 625,000 SF of industrial space on the 29-acre site.

**EMPLOYMENT.** The unemployment rate in Orange County was 9.9% in August 2020, down from a revised 12.4% in July 2020, and above the year-ago estimate of 3.0%. This compares with an unadjusted unemployment rate of 11.6% for California and 8.5% for the nation during the same period. Construction grew by 2,700 payroll jobs with 81% of the increase in specialty trade contractors (up 2,200 jobs). Heavy and civil engineering construction added 300 jobs and construction of buildings gained 200 jobs.



## Forecast

While Q3 performance did show a falloff in transaction activity and absorption in terms of square-footage, momentum for new lease and sale requirements picked up during the quarter, which points to a strong performance in the final stretch of 2020. Larger lease transaction activity fell sharply in Q2, but picked up this quarter, a further sign of stronger market performance going forward. The response to the pandemic is definitely still in play, along with uncertainty over the upcoming election, but more businesses are bringing their employees back to work.

There has been no sign of a drop in sales prices or lease rates. Low interest rates have given a boost to the owner/user market, as tenants look to make the move into property ownership to lock in their occupancy costs for the long term. We do foresee a more steady flow of for-sale product coming to the market, as more owners of highly appreciated assets will decide to exit at what some of them perceive to be the top of the current market cycle. Demand for those buildings should continue to exceed supply so long as interest rates remain at or near historic lows. Opportunistic tenants will keep looking for a bargain, but landlords should remain insistent on getting their asking rates heading into next year.

The real wild card is Proposition 15, the so-called split-roll proposition. If passed, it could really upset the apple cart in terms of property values. At this point, it is a complete unknown if the measure has enough support to become law.

## Significant Transactions

### Sales \* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
6550 Katella Ave. & 11130 Holder St. 2 Building Portfolio	Cypress	543,431	\$96,600,000	LBA Realty	Stockbridge Capital Group, LLC
1868-1878 N. Main St.	Orange	68,910	\$12,625,000	HPP Acquisitions, LLC*	Meisenback Properties, LP*
17731-17741 Cowan	Irvine	57,890	\$12,504,000	Sun Surgery Center, Inc.	Jansma Kim Trust
3400 W Segerstom Ave.	Santa Ana	56,922	\$16,400,000	Brother International Dessert	Bridge Point Santa Ana LLC
660 N Puente St.	Brea	51,567	\$11,000,000	Triyar Companies	Savage Family Trust

### Leases \* Voit Real Estate Services Deal

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
14000-14030 E. 183rd St.	La Palma	170,692	Sep-2020	Americhine	183rd La Palma Investors
5911-5915 Fresca Dr. - Renewal	La Palma	160,800	Aug-2020	Iron Mountain	National Pension Services of Korea
4260 N Harbor Blvd.	Fullerton	141,616	Aug-2020	Sunvalley International Inc.*	Prologis*
14192 Franklin Ave.	Tustin	95,736	Jul-2020	Rivian	EBS/Penwood
2906 Tech Center Dr.	Santa Ana	79,128	Jul-2020	Vitabest Nutrition	Dyer Business Park

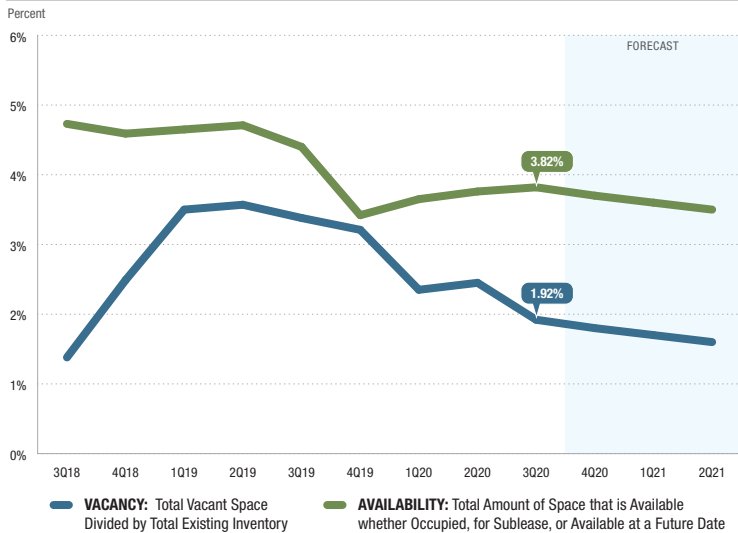
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2020	Square Feet Available	Availability Rate 3Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2020	Net Absorption 2020	Gross Absorption 3Q2020	Gross Absorption 2020
<b>Airport Area</b>														
Costa Mesa	432	7,332,761	0	0	152,592	2.08%	397,987	5.43%	\$1.16	\$377.48	(71,079)	(92,812)	144,758	253,257
Fountain Valley	184	3,813,603	0	36,000	72,015	1.89%	223,679	5.87%	\$1.05	\$313.59	13,311	(23,398)	60,827	138,106
Irvine	306	11,489,508	0	0	177,812	1.55%	682,053	5.94%	\$1.07	\$360.46	6,547	47,668	123,017	473,187
Newport Beach	49	606,502	0	0	11,875	1.96%	11,375	1.88%	\$0.00	\$0.00	(6,875)	(7,875)	7,500	7,500
Santa Ana	1,588	31,104,356	0	38,033	1,480,560	4.76%	2,117,243	6.81%	\$0.98	\$254.76	(61,281)	12,785	397,266	1,659,487
Tustin	112	4,205,504	0	45,000	33,859	0.81%	139,189	3.31%	\$1.32	\$304.16	(9,120)	67,656	7,000	122,070
<b>Airport Area Total</b>	<b>2,671</b>	<b>58,552,234</b>	<b>0</b>	<b>119,033</b>	<b>1,928,713</b>	<b>3.29%</b>	<b>3,571,526</b>	<b>6.10%</b>	<b>\$1.02</b>	<b>\$290.50</b>	<b>(128,497)</b>	<b>4,024</b>	<b>740,368</b>	<b>2,653,607</b>
<b>North County</b>														
Anaheim	1,830	44,158,497	0	138,855	767,536	1.74%	1,108,837	2.51%	\$1.00	\$243.01	11,902	216,507	362,453	1,271,725
Brea	332	12,076,001	172,000	0	265,520	2.20%	294,022	2.43%	\$0.96	\$222.57	11,420	(114,691)	146,522	410,860
Buena Park	234	13,393,791	0	1,500,000	309,313	2.31%	994,761	7.43%	\$0.79	\$221.92	99,141	1,066,133	79,592	1,383,215
Fullerton	455	19,297,168	0	0	449,355	2.33%	1,379,983	7.15%	\$0.88	\$237.38	120,972	276,879	541,465	808,823
La Habra	198	3,496,014	0	0	27,334	0.78%	45,682	1.31%	\$0.89	\$376.57	1,008	7,494	20,187	46,164
Orange	743	13,594,426	0	201,520	208,157	1.53%	239,393	1.76%	\$1.20	\$246.26	(54,962)	(77,250)	133,088	277,911
Placentia	222	4,255,207	93,382	0	103,553	2.43%	165,839	3.90%	\$0.82	\$253.65	(7,998)	34,371	53,793	209,882
Yorba Linda	54	882,002	0	0	1,643	0.19%	16,152	1.83%	\$0.00	\$257.00	0	13,922	0	15,565
<b>North County Total</b>	<b>4,068</b>	<b>111,153,106</b>	<b>265,382</b>	<b>1,840,375</b>	<b>2,132,411</b>	<b>1.92%</b>	<b>4,244,669</b>	<b>3.82%</b>	<b>\$0.90</b>	<b>\$238.85</b>	<b>181,483</b>	<b>1,423,365</b>	<b>1,337,100</b>	<b>4,424,145</b>
<b>South County</b>														
Aliso Viejo	16	629,006	0	0	17,680	2.81%	17,680	2.81%	\$1.32	\$0.00	0	(3,040)	0	18,620
Foothill Ranch	66	3,566,874	0	0	170,349	4.78%	227,727	6.38%	\$1.15	\$0.00	(33,940)	(164,149)	86,051	109,591
Irvine Spectrum	208	9,837,958	0	0	715,095	7.27%	740,944	7.53%	\$1.10	\$396.23	55,291	101,701	163,432	376,262
Laguna Beach	21	102,720	0	0	8,980	8.74%	9,660	9.40%	\$2.30	\$0.00	6,970	6,745	6,970	8,470
Laguna Hills	73	1,026,876	0	0	24,597	2.40%	23,256	2.26%	\$1.26	\$0.00	(4,780)	(4,978)	16,074	71,728
Laguna Niguel	19	256,297	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	191	4,244,847	0	0	154,585	3.64%	268,483	6.32%	\$1.20	\$343.53	(47,615)	(41,076)	14,171	77,128
Mission Viejo	29	433,024	0	0	7,215	1.67%	3,578	0.83%	\$1.75	\$0.00	900	5,204	6,218	18,285
Rancho Santa Margarita	105	1,676,722	0	0	25,464	1.52%	67,295	4.01%	\$1.15	\$0.00	0	12,133	0	18,454
San Clemente	160	1,997,059	0	0	80,496	4.03%	57,650	2.89%	\$1.25	\$310.51	(5,907)	(53,092)	20,803	43,855
San Juan Capistrano	42	887,189	0	0	3,822	0.43%	13,204	1.49%	\$1.11	\$0.00	2,586	(1,236)	6,408	6,408
<b>South County Total</b>	<b>930</b>	<b>24,658,572</b>	<b>0</b>	<b>0</b>	<b>1,208,283</b>	<b>4.90%</b>	<b>1,429,477</b>	<b>5.80%</b>	<b>\$1.14</b>	<b>\$359.55</b>	<b>(26,495)</b>	<b>(141,788)</b>	<b>320,127</b>	<b>748,801</b>
<b>West County</b>														
Cypress	101	4,760,227	0	150,000	255,446	5.37%	280,771	5.90%	\$0.90	\$0.00	47,281	(26,620)	85,160	93,618
Garden Grove	475	11,761,591	0	0	522,324	4.44%	556,776	4.73%	\$0.82	\$230.24	(64,609)	(405,883)	136,075	373,246
Huntington Beach	687	12,704,154	610,273	0	226,809	1.79%	348,651	2.74%	\$0.85	\$272.29	85,639	131,820	282,996	525,753
La Palma	16	1,780,056	0	0	243,592	13.68%	72,900	4.10%	\$0.00	\$0.00	(243,592)	(243,592)	0	0
Los Alamitos	94	2,220,135	0	0	0	0.00%	15,763	0.71%	\$0.00	\$0.00	3,500	23,473	4,940	30,487
Seal Beach	15	933,761	0	0	88,507	9.48%	88,507	9.48%	\$0.00	\$0.00	(88,507)	(88,507)	0	0
Stanton	175	1,835,029	0	0	9,120	0.50%	33,002	1.80%	\$0.97	\$254.60	9,120	8,707	9,120	22,577
Westminster	141	2,337,020	0	0	60,270	2.58%	72,339	3.10%	\$1.03	\$0.00	(30,621)	(46,901)	6,325	26,752
<b>West County Total</b>	<b>1,704</b>	<b>38,331,973</b>	<b>610,273</b>	<b>150,000</b>	<b>1,406,068</b>	<b>3.67%</b>	<b>1,468,709</b>	<b>3.83%</b>	<b>\$0.86</b>	<b>\$239.43</b>	<b>(281,789)</b>	<b>(647,503)</b>	<b>524,616</b>	<b>1,072,433</b>
<b>Orange County Total</b>	<b>9,373</b>	<b>232,695,885</b>	<b>875,655</b>	<b>2,109,408</b>	<b>6,675,475</b>	<b>2.87%</b>	<b>10,714,381</b>	<b>4.60%</b>	<b>\$1.00</b>	<b>\$263.63</b>	<b>(255,298)</b>	<b>638,098</b>	<b>2,922,211</b>	<b>8,898,986</b>
Less than 9,999	3,330	20,220,478	0	9,500	434,377	2.15%	480,288	2.38%	\$1.41	\$335.22	(106,701)	(175,753)	242,301	569,383
10,000-19,999	3,145	43,460,758	0	0	1,199,046	2.76%	1,381,651	3.18%	\$1.18	\$282.00	(213,715)	(494,056)	598,262	1,558,064
20,000-29,999	1,200	28,591,354	0	0	780,852	2.73%	1,274,096	4.46%	\$1.12	\$240.72	16,174	(101,311)	346,673	978,019
30,000-39,999	485	16,549,313	38,608	74,033	388,480	2.35%	763,245	4.61%	\$1.05	\$248.36	117,192	114,095	202,921	644,444
40,000-49,999	297	13,056,861	0	45,000	493,747	3.78%	646,733	4.95%	\$0.94	\$205.99	(143,868)	(70,444)	147,720	423,954
50,000-74,999	369	22,245,602	118,649	0	531,697	2.39%	882,883	3.97%	\$0.95	\$169.71	40,480	(60,824)	278,233	752,875
75,000-99,999	165	14,097,210	0	0	419,814	2.98%	600,653	4.26%	\$1.04	\$260.96	19,210	45,468	70,181	329,551
100,000-199,999	258	33,831,855	459,320	279,355	1,146,753	3.39%	1,995,432	5.90%	\$0.89	\$0.00	60,444	150,985	314,084	704,943
200,000 Plus	124	40,642,454	259,078	1,701,520	1,280,709	3.15%	2,689,400	6.62%	\$0.93	\$0.00	(44,514)	1,229,938	721,836	2,937,753
<b>Orange County Total</b>	<b>9,373</b>	<b>232,695,885</b>	<b>875,655</b>	<b>2,109,408</b>	<b>6,675,475</b>	<b>2.87%</b>	<b>10,714,381</b>	<b>4.60%</b>	<b>\$1.00</b>	<b>\$263.63</b>	<b>(255,298)</b>	<b>638,098</b>	<b>2,922,211</b>	<b>8,898,986</b>

Lease rates are on a triple-net basis.

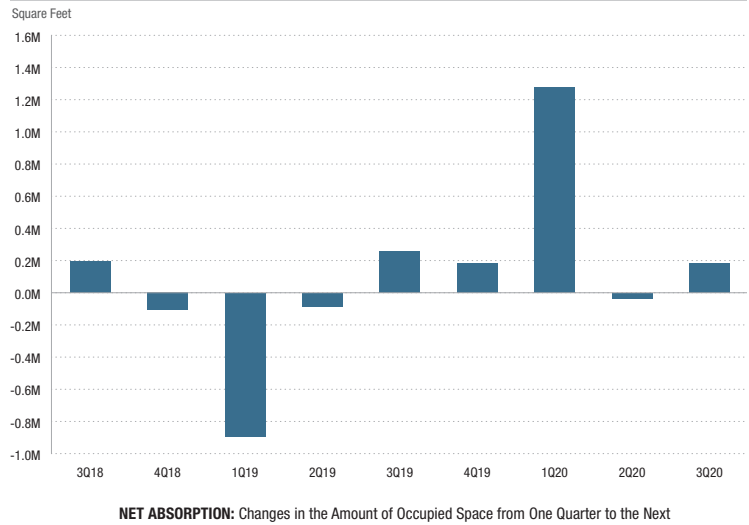
## NORTH ORANGE COUNTY

In the third quarter of 2020, the North Orange County industrial market consisted of 4,068 buildings totaling 111,153,106 square feet and had an availability rate of 3.82%, which shows an increase from the previous quarter's figure of 3.76%.

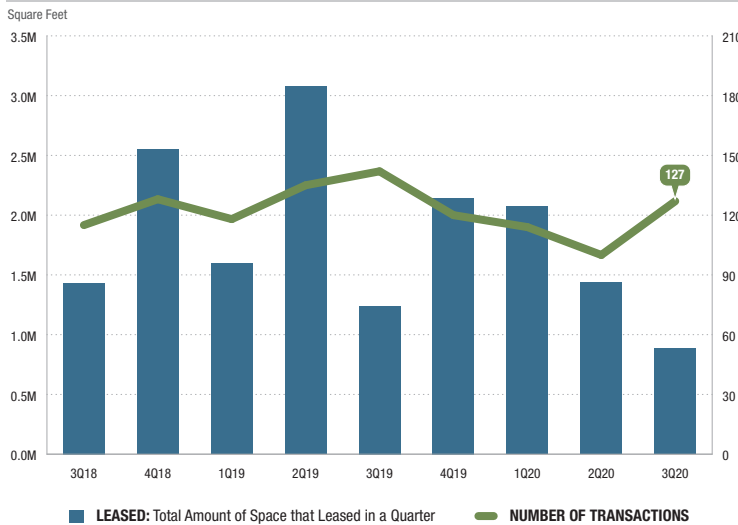
### VACANCY & AVAILABILITY RATE



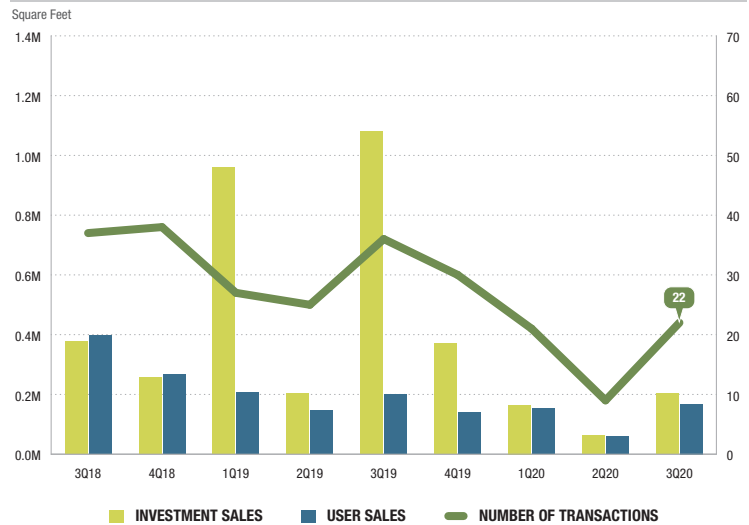
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

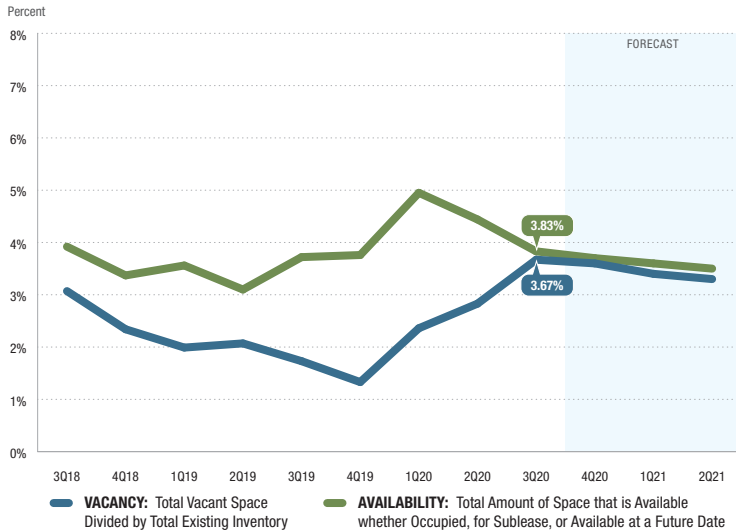
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2020	Square Feet Available	Availability Rate 3Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2020	Net Absorption 2020	Gross Absorption 3Q2020	Gross Absorption 2020
<b>North Totals</b>														
Less than 9,999	1,341	8,473,377	0	9,500	212,925	2.51%	235,614	2.78%	\$1.33	\$280.28	(92,838)	(97,608)	67,131	233,935
10,000-19,999	1,401	19,400,602	0	0	507,779	2.62%	571,799	2.95%	\$1.18	\$268.85	(76,906)	(156,478)	244,047	640,038
20,000-29,999	522	12,396,833	0	0	378,402	3.05%	644,432	5.20%	\$1.03	\$237.49	(448)	(231,150)	178,444	334,490
30,000-39,999	223	7,576,288	38,608	0	83,227	1.10%	131,592	1.74%	\$0.97	\$255.60	67,974	72,225	64,281	236,880
40,000-49,999	136	5,977,150	0	0	144,350	2.42%	222,210	3.72%	\$0.89	\$138.02	(81)	69,105	10,406	174,329
50,000-74,999	175	10,551,755	118,649	0	104,432	0.99%	297,657	2.82%	\$0.84	\$169.71	93,594	133,132	85,630	374,906
75,000-99,999	71	6,026,721	0	0	120,676	2.00%	211,870	3.52%	\$0.79	\$190.80	0	(18,281)	18,281	164,264
100,000-199,999	131	17,244,488	108,125	129,355	246,805	1.43%	472,080	2.74%	\$0.75	\$0.00	168,688	266,706	193,425	359,859
200,000 plus	68	23,505,892	0	1,701,520	333,815	1.42%	1,457,415	6.20%	\$0.00	\$0.00	21,500	1,385,714	475,455	1,905,444
<b>Total</b>	<b>4,068</b>	<b>111,153,106</b>	<b>265,382</b>	<b>1,840,375</b>	<b>2,132,411</b>	<b>1.92%</b>	<b>4,244,669</b>	<b>3.82%</b>	<b>\$0.90</b>	<b>\$238.85</b>	<b>181,483</b>	<b>1,423,365</b>	<b>1,337,100</b>	<b>4,424,145</b>

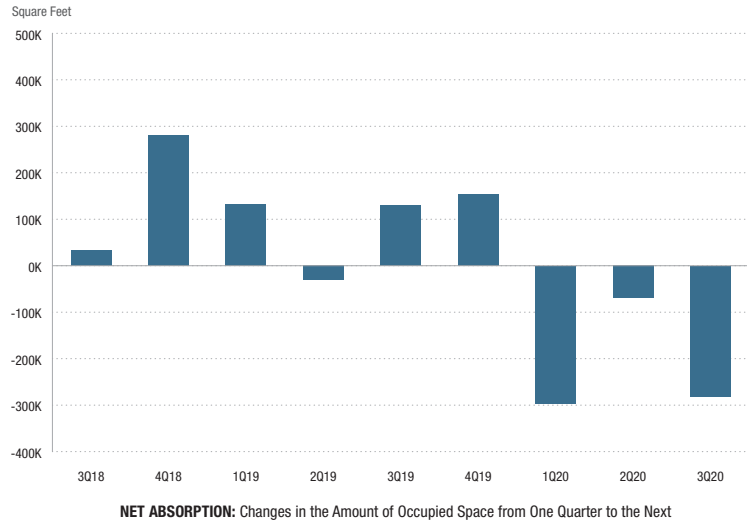
## WEST ORANGE COUNTY

In the third quarter of 2020, the West Orange County industrial market consisted of 1,704 buildings totaling 38,331,973 square feet and had an availability rate of 3.83%, which shows an increase from the previous quarter's figure of 4.44%.

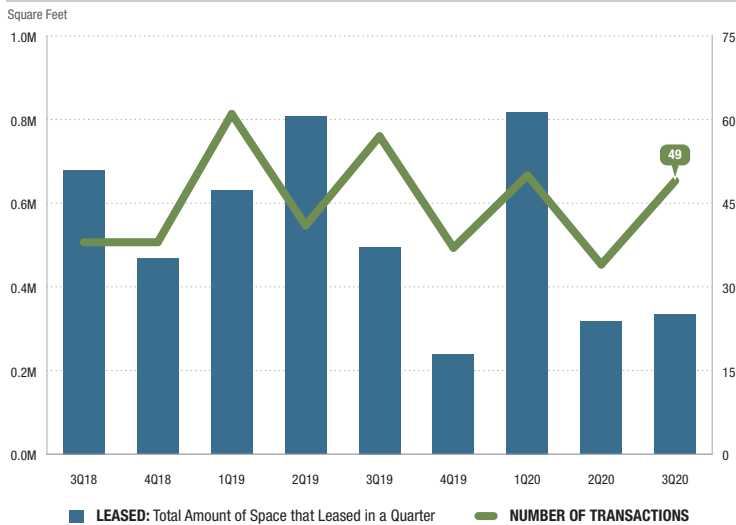
### VACANCY & AVAILABILITY RATE



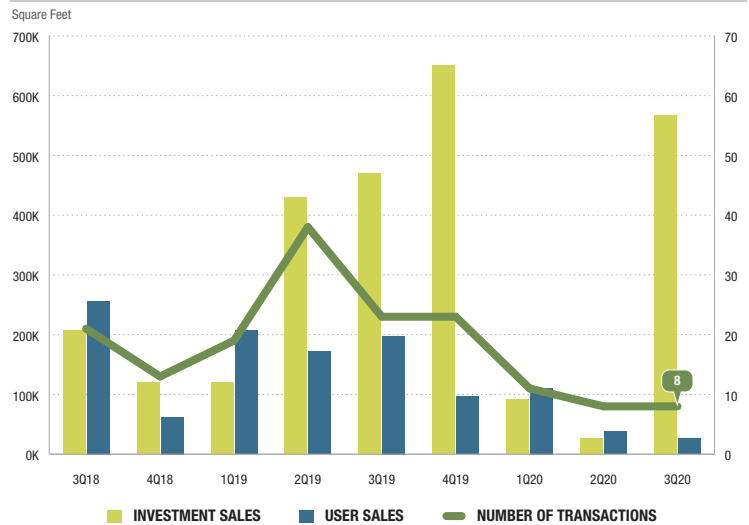
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

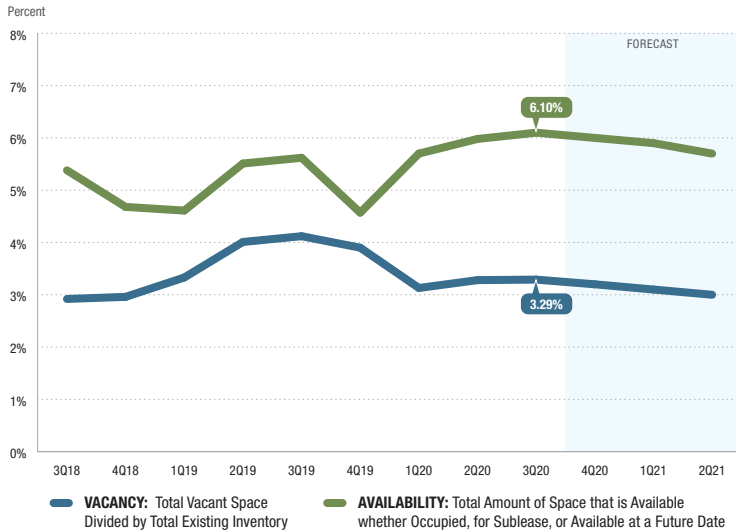
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2020	Square Feet Available	Availability Rate 3Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2020	Net Absorption 2020	Gross Absorption 3Q2020	Gross Absorption 2020
<b>West Totals</b>														
Less than 9,999	695	4,120,159	0	0	60,060	1.46%	63,752	1.55%	\$1.06	\$360.59	13,727	(2,902)	75,383	139,721
10,000-19,999	562	7,442,737	0	0	185,047	2.49%	157,136	2.11%	\$0.92	\$241.24	(16,476)	(58,316)	94,099	317,406
20,000-29,999	184	4,415,692	0	0	63,708	1.44%	90,378	2.05%	\$0.96	\$244.37	(280)	10,084	33,640	114,022
30,000-39,999	61	2,130,325	0	0	37,145	1.74%	37,145	1.74%	\$0.83	\$212.32	(10,960)	(19,400)	17,765	21,221
40,000-49,999	54	2,371,872	0	0	132,288	5.58%	181,366	7.65%	\$0.80	\$0.00	(77,779)	(121,662)	53,639	79,316
50,000-74,999	55	3,292,187	0	0	236,616	7.19%	231,616	7.04%	\$0.89	\$0.00	(77,900)	(165,294)	5,000	5,000
75,000-99,999	30	2,577,226	0	0	158,772	6.16%	208,371	8.09%	\$0.85	\$0.00	(13,507)	(83,772)	0	0
100,000-199,999	41	5,501,106	351,195	150,000	265,740	4.83%	382,956	6.96%	\$0.89	\$0.00	(32,600)	(94,015)	56,712	148,592
200,000 plus	22	6,480,669	259,078	0	266,692	4.12%	115,989	1.79%	\$0.80	\$0.00	(66,014)	(112,226)	188,378	247,155
<b>Total</b>	<b>1,704</b>	<b>38,331,973</b>	<b>610,273</b>	<b>150,000</b>	<b>1,406,068</b>	<b>3.67%</b>	<b>1,468,709</b>	<b>3.83%</b>	<b>\$0.86</b>	<b>\$239.43</b>	<b>(281,789)</b>	<b>(647,503)</b>	<b>524,616</b>	<b>1,072,433</b>

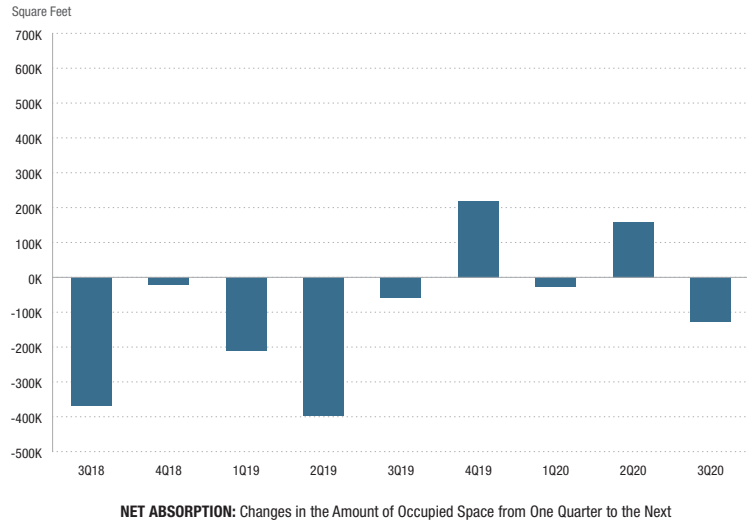
## AIRPORT AREA

In the third quarter of 2020, the Airport Orange County industrial market consisted of 2,671 buildings totaling 58,552,234 square feet and had an availability rate of 6.10%, which shows an increase from previous quarter's figure of 5.98%.

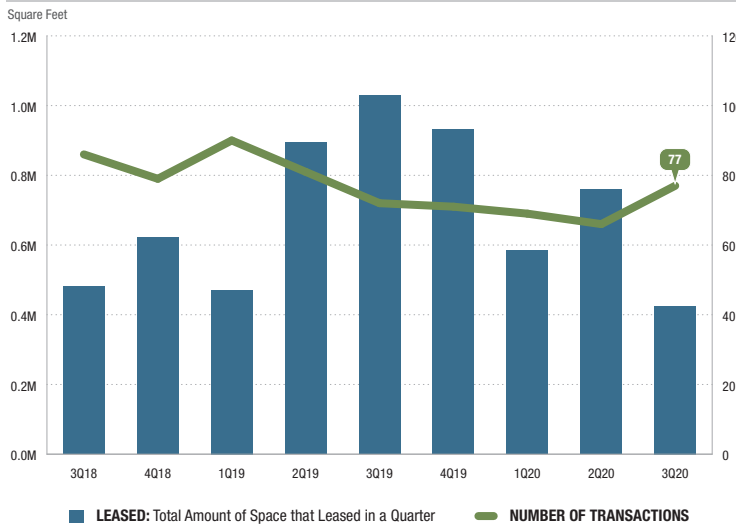
### VACANCY & AVAILABILITY RATE



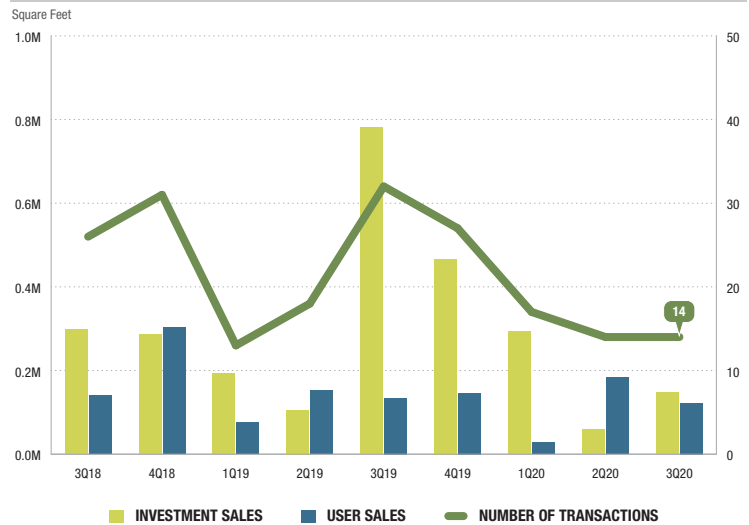
### NET ABSORPTION



### LEASE TRANSACTIONS



### SALES TRANSACTIONS



### INVENTORY

### VACANCY & LEASE RATES

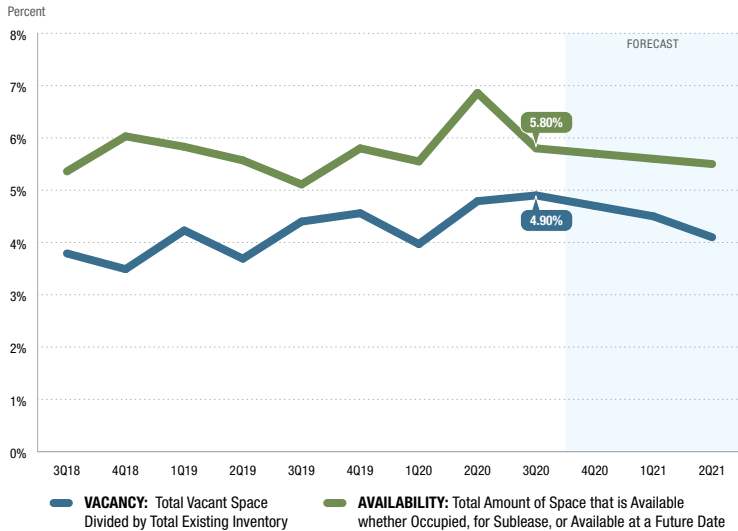
### ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2020	Square Feet Available	Availability Rate 3Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2020	Net Absorption 2020	Gross Absorption 3Q2020	Gross Absorption 2020
<b>Airport Totals</b>														
Less than 9,999	936	5,416,070	0	0	120,161	2.22%	133,435	2.46%	\$1.61	\$348.61	(27,290)	(81,839)	74,287	127,711
10,000-19,999	909	12,720,303	0	0	351,637	2.76%	455,051	3.58%	\$1.23	\$316.01	(80,033)	(172,504)	235,444	490,830
20,000-29,999	363	8,660,806	0	0	210,207	2.43%	399,641	4.61%	\$1.20	\$245.61	7,883	97,283	98,223	379,879
30,000-39,999	157	5,347,571	0	74,033	268,108	5.01%	477,426	8.93%	\$1.09	\$241.60	60,178	57,638	99,829	288,145
40,000-49,999	78	3,417,893	0	45,000	101,554	2.97%	146,365	4.28%	\$0.94	\$245.00	(17,138)	27,528	66,854	116,303
50,000-74,999	106	6,430,293	0	0	66,019	1.03%	193,497	3.01%	\$0.96	\$0.00	24,786	(28,662)	113,831	297,715
75,000-99,999	49	4,191,955	0	0	140,366	3.35%	180,412	4.30%	\$1.06	\$336.38	32,717	147,521	51,900	165,287
100,000-199,999	54	6,755,585	0	0	296,322	4.39%	802,510	11.88%	\$0.94	\$0.00	(129,600)	(129,600)	0	132,545
200,000 plus	19	5,611,758	0	0	374,339	6.67%	783,189	13.96%	\$0.89	\$0.00	0	86,659	0	655,192
<b>Total</b>	<b>2,671</b>	<b>58,552,234</b>	<b>0</b>	<b>119,033</b>	<b>1,928,713</b>	<b>3.29%</b>	<b>3,571,526</b>	<b>6.10%</b>	<b>\$1.02</b>	<b>\$290.50</b>	<b>(128,497)</b>	<b>4,024</b>	<b>740,368</b>	<b>2,653,607</b>

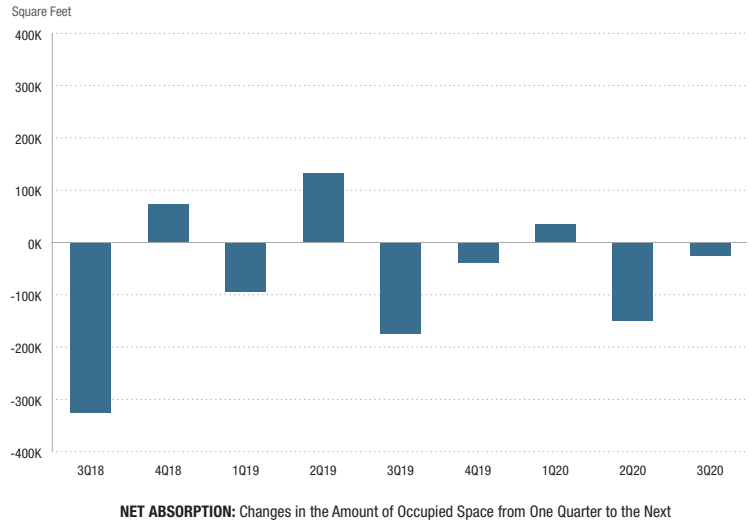
## SOUTH ORANGE COUNTY

In the third quarter of 2020, the South Orange County industrial market consisted of 930 buildings totaling 24,658,572 square feet and had an availability rate of 5.80%, which shows a decrease from the previous quarter's figure of 6.86%.

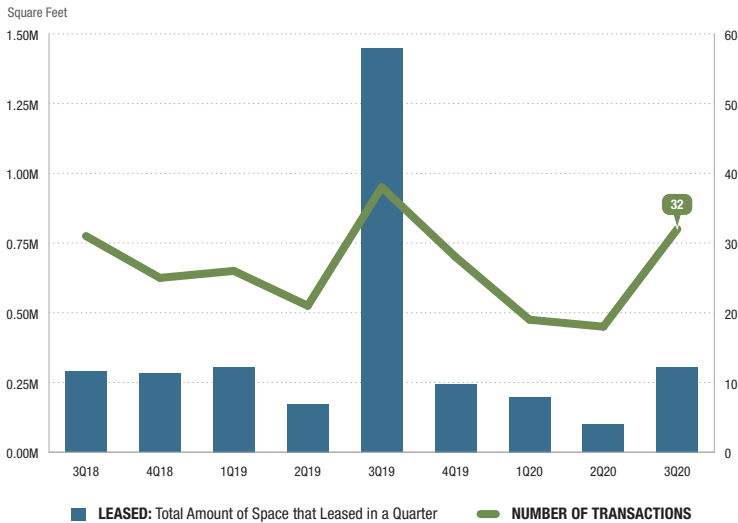
### VACANCY & AVAILABILITY RATE



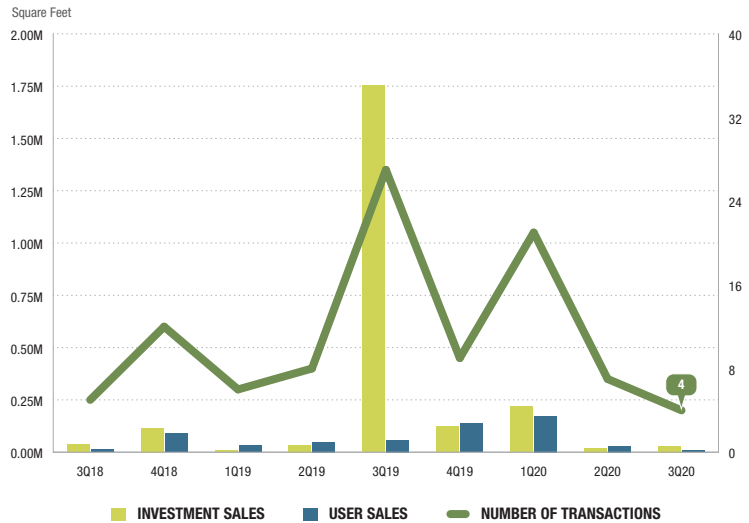
### NET ABSORPTION



### 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 3Q2020	Square Feet Available	Availability Rate 3Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 3Q2020	Net Absorption 2020	Gross Absorption 3Q2020	Gross Absorption 2020
<b>South Totals</b>	<b>930</b>	<b>24,658,572</b>	<b>0</b>	<b>0</b>	<b>1,208,283</b>	<b>4.90%</b>	<b>1,429,477</b>	<b>5.80%</b>	<b>\$1.14</b>	<b>\$359.55</b>	<b>(26,495)</b>	<b>(141,788)</b>	<b>320,127</b>	<b>748,801</b>
Less than 9,999	358	2,210,872	0	0	41,231	1.86%	47,487	2.15%	\$1.33	\$389.07	(300)	6,596	25,500	68,016
10,000-19,999	273	3,897,116	0	0	154,583	3.97%	197,665	5.07%	\$1.28	\$0.00	(40,300)	(106,758)	24,672	109,790
20,000-29,999	131	3,118,023	0	0	128,535	4.12%	139,645	4.48%	\$1.19	\$227.27	9,019	22,472	36,366	149,628
30,000-39,999	44	1,495,129	0	0	0	0.00%	117,082	7.83%	\$1.09	\$0.00	0	3,632	21,046	98,198
40,000-49,999	29	1,289,946	0	0	115,555	8.96%	96,792	7.50%	\$1.30	\$0.00	(48,870)	(45,415)	16,821	54,006
50,000-74,999	33	1,971,367	0	0	124,630	6.32%	160,113	8.12%	\$1.12	\$0.00	0	0	73,772	75,254
75,000-99,999	15	1,301,308	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
100,000-199,999	32	4,330,676	0	0	337,886	7.80%	337,886	7.80%	\$1.02	\$0.00	53,956	107,894	63,947	63,947
200,000 plus	15	5,044,135	0	0	305,863	6.06%	332,807	6.60%	\$1.15	\$0.00	0	(130,209)	58,003	129,962



## Proposition 15 Threatens Owners and Tenants with Higher Property Taxes

by **Seth Davenport**

EXECUTIVE VICE PRESIDENT / PARTNER, IRVINE  
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As we count down the days to the election, the presidential race gets most of the attention. The coronavirus response, civil unrest and, most recently, an open seat on the US Supreme Court, are the hot-button issues, but Proposition 15 is the big one here in California. Commonly known as the split-roll initiative, the proposition would strip commercial properties of the protections afforded by Proposition 13 and raise up to \$11.5 billion per year in new property tax revenue by reassessing commercial properties to full market value every three years rather than only in the event of a sale. The additional revenue would go to local governments, K-12 schools and community college districts. Collections would begin in the 2022-2023 fiscal year.

The ramifications of passing Proposition 15 are real and could undermine the value structure of all commercial properties. The proponents of the law claim to be going after big corporations and investors who have been using Proposition 13 rules as a loophole to avert paying their fair share of property taxes. Opponents of the measure point to the fact that most property taxes are passed along to the tenants who occupy commercial real estate. Higher property taxes means business owners will either have to raise prices, lay off workers or find other ways to reduce operating costs. The money has to come from somewhere and those who pay higher taxes are not going to just absorb the cost without taking countermeasures.

Those behind Proposition 15 claim to be protecting small businesses by exempting owners who occupy their own properties and who own commercial properties valued under \$3 million. What they don't tell the public is that the \$3 million limit refers to the aggregate value of commercial property owned in the state, and that all principal officers of the business must be California residents. At best, the exemption applies to a tiny fraction of property owners in the state. All non-owner-occupied commercial properties are subject to reassessment to full market value every three years.

So, who gets hurt the worst? The answer is everyone who owns or occupies commercial real estate, but especially long-term owners and their tenants who enjoy an older, lower property tax basis. Consumers will also be hurt by higher prices for everything from food to fuel, and property values will be impacted due to the increased risk of higher operating cost over time.

Since Proposition 13 was passed in 1978, the state has received a 7% average annual increase in property tax revenue despite large fluctuations in property values. If Proposition 15 passes, we believe it would exacerbate an already challenging business climate for our economy. Moreover, it would likely create a reduction in values in the short term and would attenuate the appreciation potential of commercial real estate in the long term.

### Please Contact Us for Further Information

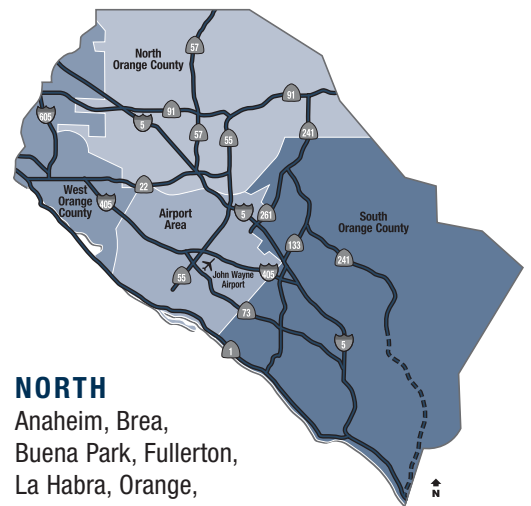
<b>Tony Tran</b> Regional Director of Research ttran@voitco.com	Anaheim, CA 714.978.7880	Carlsbad, CA 760.472.5620	Inland Empire, CA 909.545.8000	Irvine, CA 949.851.5100	Los Angeles, CA 424.329.7500	San Diego, CA 858.453.0505
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### Product Type

#### 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