

ORANGE COUNTY

Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
O.C. Employment	1.57M	1.59M	▲
O.C. Unemployment	4.3%	3.8%	▼
U.S. Unemployment	4.9%	4.8%	▼

*Jan-Feb average

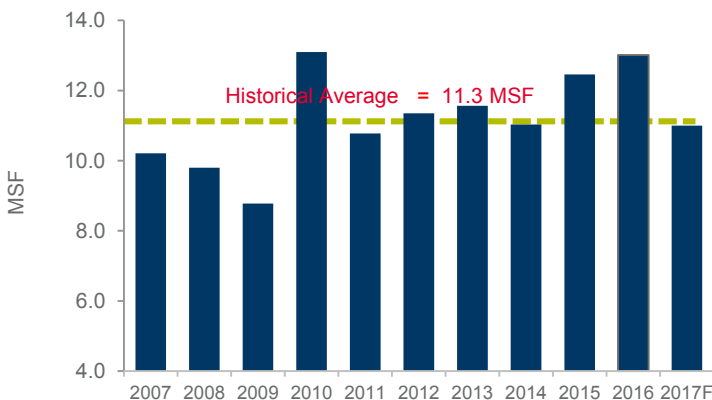
Market Indicators (Overall, All Product Types)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	2.8%	2.0%	▼
YTD Net Absorption (sf)	428K	-118K	▲
Under Construction (sf)	394K	232K	■
Average Net Asking Rent	\$0.81	\$0.93	▲

Overall Vacancy/Asking Rent



Leasing Activity



Economy

In February, the unemployment rate in Orange County was 3.7%, down from 4.1% a year ago. In the last year, total nonfarm employment increased by 17,000 jobs, or an annual rate of 1.1%. The trade, transportation and utilities sector added 2,900 jobs while construction was up 2,000 jobs. The labor market will experience additional improvements over the next two years with an anticipated annual increase in nonfarm jobs of 2.0% this year before slowing slightly to 1.9% in 2018. Meanwhile, Orange County's GDP is expected to accelerate to 3.2% in 2017 and maintain that rate in 2018.

Market Overview

Orange County's market fundamentals have never been stronger, and the industrial sector is performing at the highest levels. Demand for industrial product has never been greater but there is insufficient available supply to meet tenant demand, which is constraining the region's ability for greater growth. With no room for absorption to grow, overall vacancy for Orange County industrial product remained at 2.0%, virtually unchanged from year-end 2016. Comparatively, a year ago vacancy stood at 2.8%. This extremely tight market is inhibiting companies from growing and expanding and putting a lid on leasing activity. Totalling 2.8 million square feet (MSF) countywide in the first quarter, overall leasing was down 26.1% from a year ago, or by about 1.0 MSF. North Orange County recorded the highest level of leasing with 1.35 MSF. Historically, North County has been Orange County's tightest industrial submarket. With overall occupancy gains of 134,751 SF in the first quarter of 2017, the North County's vacancy rate now stands at an unprecedented 1.5%. The tight market keeps putting additional upward pressure on rents and at \$0.93 per square foot per month (PSF/MO), the average overall rent has increased by 14.8% in the last year, and has surpassed the peak of the previous cycle, \$0.91 PSF/MO in Q4 2007. With a lack of available land and the high cost for new development, the region has significant barriers to entry for new industrial product, and supply has not kept pace with demand.

Outlook

E-commerce total share of U.S. retail sales is projected to reach 10.8% in Q4 2020 from 4.2% in Q1 2009. With customers increasingly demanding speedy delivery, in-fill "final mile" warehouse locations are critical for online retailers. Orange County has a large and affluent consumer base, which is the ideal demographic for e-commerce companies and we expect more demand for final-mile distribution facilities to fulfill the growing e-commerce delivery demands. Given that vacancies in the region are tight and demand strong, rental rates and property values will continue to increase at a steady pace.

MARKETBEAT

Orange County

Industrial Q1 2017



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE (%)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Irvine Spectrum	514	17,882,351	240,380	10,240	3.0%	212,044	0	0	\$1.23	\$1.32	\$1.10
Lake Forest/R.S.M./F. Ranch	469	12,181,693	150,327	40,747	5.0%	(42,298)	0	0	\$1.16	\$1.09	\$0.89
Laguna Hills/Aliso Viejo	127	3,810,210	11,218	0	1.2%	(17,399)	0	0	\$1.28	\$0.00	\$1.18
Laguna Niguel/Laguna Beach	28	620,370	0	0	0.3%	0	0	0	\$0.00	\$0.00	\$1.00
Mission Viejo	45	1,425,392	12,051	0	3.3%	(12,481)	0	0	\$1.25	\$0.00	\$0.83
S.J. Capo/S.Clemente/D.P.	141	3,956,035	86,930	0	0.9%	(12,270)	0	0	\$1.03	\$1.31	\$0.00
South County	1,324	39,876,051	500,906	50,897	3.2%	127,596	0	0	\$1.17	\$1.20	\$0.99
Fountain Valley	169	5,080,632	6,789	48,269	0.5%	(15,342)	0	0	\$1.07	\$1.04	\$0.82
Tustin	216	8,990,872	54,631	0	4.9%	(42,502)	0	0	\$0.76	\$1.24	\$0.73
Santa Ana	1,039	33,499,529	330,184	22,605	1.9%	4,226	0	0	\$0.83	\$1.40	\$0.79
Costa Mesa	366	11,485,141	118,749	0	1.0%	(28,291)	0	0	\$1.23	\$1.35	\$1.11
Newport Beach	48	1,140,564	0	0	0.0%	0	0	0	\$0.00	\$0.00	\$0.00
Irvine	648	24,324,775	166,789	20,343	2.6%	(7,975)	51,450	0	\$1.05	\$1.65	\$0.90
Greater Airport Area	2,486	84,521,513	677,142	91,217	2.2%	(89,884)	51,450	0	\$0.95	\$1.48	\$0.81
Seal Beach	11	906,612	88,507	0	0.0%	0	0	0	\$0.00	\$0.00	\$0.00
Westminster	85	2,533,365	1,740	0	0.1%	(788)	0	0	\$1.00	\$0.00	\$0.89
Huntington Beach	496	13,504,264	156,319	0	1.2%	(46,263)	0	41,666	\$0.83	\$0.96	\$0.79
Garden Grove	309	12,083,696	37,764	0	2.7%	(232,216)	0	0	\$0.72	\$0.00	\$0.77
Los Alamitos/Stanton	148	4,075,193	15,456	0	0.4%	(15,992)	0	0	\$0.00	\$0.93	\$0.79
Cypress	107	6,336,030	25,574	0	4.6%	4,526	0	0	\$0.00	\$1.00	\$0.97
La Palma	20	1,979,029	0	0	1.0%	0	0	0	\$0.00	\$0.00	\$0.00
West County	1,176	41,418,189	325,360	0	2.0%	(290,733)	0	41,666	\$0.77	\$0.98	\$0.78
Anaheim	1,466	51,243,109	410,296	144,000	0.9%	47,010	0	0	\$0.91	\$1.01	\$0.67
Orange	501	13,932,724	71,662	0	1.5%	(113,850)	0	0	\$0.88	\$0.00	\$0.72
Fullerton	338	18,682,766	153,310	8,590	2.0%	118,902	181,069	0	\$0.99	\$0.00	\$0.67
Brea/La Habra	364	13,719,131	606,601	0	4.6%	81,380	0	0	\$0.93	\$0.00	\$0.69
Placentia/Yorba Linda	240	6,783,077	89,730	0	0.9%	(1,780)	0	0	\$1.14	\$0.97	\$0.91
Buena Park	178	12,572,446	19,154	0	0.5%	3,089	0	0	\$0.87	\$1.10	\$0.74
North County	3,087	116,739,140	1,350,753	152,590	1.5%	134,751	181,069	0	\$0.91	\$1.02	\$0.69
ORANGE COUNTY TOTALS	8,073	282,749,006	2,854,161	294,794	2.0%	(118,270)	232,519	41,666	\$0.95	\$1.25	\$0.79

*Rental rates reflect asking \$psf/month

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

MARKETBEAT

Orange County

Industrial Q1 2017



Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1225 W Imperial Hwy, Brea	240,513	WorldPac, Inc.	New Lease	North County
105 S Puente Street, Brea	184,000	Pleaser Shoes USA, Inc	New Lease	North County
1250 N Tustin Avenue, Anaheim	84,928	Econolite Group, Inc.	New Lease	North County
4040 Carriage Drive, Santa Ana	81,916	McGuff Company, Inc.	New Lease	Greater Airport Area
2091 Raymer Avenue, Fullerton	48,772	Van Law Food Products	New Lease	North County

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF	SUBMARKET
6800 Valley View Street, Buena Park	1,045,000	JC Penney Logistics/CenterPoint	\$135,850,000 / \$130	North County
901 South Street, Anaheim	330,000	Freeman Company/Shopoff Property Trust	\$38,000,000 / \$115	North County
9950 Jeronimo Road, Irvine*	262,463	Bixby Land / Karma Automotive	\$56,300,000 / \$215	South County
2114 W Ball Road, Anaheim	156,054	J & S Goodwin/S&A Properties	\$18,000,000 / \$115	North County
3356-3360 E La Palma Avenue, Anaheim	144,000	Doyle Properties/American Technologies	\$16,607,280 / \$115	North County

* Deal not included in Q1 user sales total – will be added in YTD

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