

## ORANGE COUNTY

### Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
O.C. Employment	1.6M	1.6M	▲
O.C. Unemployment*	3.8%	3.1%	▼
U.S. Unemployment	4.7%	4.1%	▼

\*2017 is Oct/Nov average

### Market Indicators (Overall, All Product Types)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	2.0%	1.9%	▼
YTD Net Absorption (sf)	2.0M	-57K	▲
Under Construction (sf)	223K	1.5M	■
Average Net Asking Rent	\$0.93	\$0.94	▲

### Overall Vacancy/Asking Rent



### Leasing Activity



### Economy

Orange County has continued its dominance in the labor market with the unemployment rate at a historic low of 3.1%, down 70 basis points (bps) from the year prior. In the last twelve months through November, the county added 13,800 jobs for a 0.9% increase. The industrial sector saw the largest gains with the addition of 6,400 jobs in the specialty trade contractors sector and 5,900 jobs added in the construction sector. Although the economy continues to grow, there are workforce challenges facing the county's employers and the local economy such as skilled labor shortages, an aging population and difficulties in recruiting workers to this high-cost location. In addition, the U.S average hourly earnings have only increased 0.2% over the last year, which raises concerns for consumer spending going forward.

### Market Overview

Orange County's overall vacancy rate remained at 1.9% at the end of 2017, compared to 2.0% at year-end 2016. The market continues to struggle with a lack of available quality product to keep up with record demand, which is hindering further growth. Fourth quarter's leasing total of 1.95 million square feet (msf) was the lowest quarterly total since fourth quarter 2013 and was down 26.3% from third quarter. Leasing activity totaled 9.8 msf for all of 2017, down 24.6% from last year and the lowest yearly total since 2009. With lease rates at historical highs and continuing to climb, the market conditions have brought about shock and frustration for both new tenants trying to enter the market and existing tenants hoping to stay. On a positive note, the strong demand generated by eCommerce has put significant upward pressure on rental rates for both Class A and B/C assets. Landlords are well aware of the lack of space available and will continue to push rents. Even with a lack of product on the market, investment activity was fairly healthy with 7.0 msf of industrial space sold to investors in 2017. The completion of Beckman Business Center in 2018 will bring seven new buildings totaling 934,754 sf of new warehouse space to Fullerton, giving Orange County a much needed boost to its industrial inventory.

### Outlook

The U.S economy is growing at a steady rate, bolstered by strong performances in the stock market and low unemployment numbers nationwide. With the new tax-reform, businesses and individuals are optimistic about the economy going forward. Expect unemployment to continue its decline while businesses benefit from increased margins from tax-reform. The eCommerce industry is growing at a consistent pace in Orange County as quick fulfillment and high demographics become an industry norm. However, companies will continue to face challenges to expand and/or enter the market due to the tight market, and the high cost of living and high rental rates.

MARKETBEAT

# Orange County

Industrial Q4 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. NETRENT (MF)	OVERALL WEIGHTED AVG. NETRENT (OS)	OVERALL WEIGHTED AVG. NETRENT (W/D)
Irvine Spectrum	514	17,877,004	762,532	363,437	2.8%	203,451	0	0	\$1.25	\$1.34	\$0.72
Lake Forest/R.S.M./F. Ranch	469	12,182,491	596,268	250,698	2.4%	268,564	0	0	\$1.19	\$1.12	\$0.96
Laguna Hills/Aliso Viejo	127	3,810,210	84,733	0	0.9%	-11,991	0	0	\$1.20	N/A	\$0.76
Laguna Niguel/Laguna Beach	28	620,370	792	0	0.3%	0	0	0	N/A	N/A	\$1.00
Mission Viejo	45	1,425,392	50,737	0	0.8%	21,983	0	0	\$1.50	N/A	\$1.25
S.J. Capo/S.Clemente/D.P.	141	3,956,534	234,523	38,785	0.5%	5,214	0	0	\$1.21	\$1.60	N/A
<b>South County</b>	<b>1,324</b>	<b>39,872,001</b>	<b>1,729,585</b>	<b>653,190</b>	<b>2.2%</b>	<b>487,221</b>	<b>0</b>	<b>0</b>	<b>\$1.20</b>	<b>\$1.28</b>	<b>\$0.91</b>
Fountain Valley	169	5,080,632	84,152	48,269	0.0%	6,915	0	0	N/A	\$1.48	N/A
Tustin	216	8,991,497	382,079	88,876	3.4%	80,581	0	0	N/A	\$0.98	\$0.97
Santa Ana	1,039	33,599,495	1,053,683	221,079	3.2%	-386,339	0	0	\$0.80	N/A	\$0.78
Costa Mesa	368	11,843,543	382,393	0	0.8%	-22,437	0	0	\$1.18	N/A	\$0.97
Newport Beach	48	1,140,564	14,794	0	0.0%	0	0	0	N/A	N/A	N/A
Irvine	649	24,433,102	530,345	75,856	5.5%	-675,941	0	51,450	\$0.84	\$1.80	\$0.86
<b>Greater Airport Area</b>	<b>2,489</b>	<b>85,088,833</b>	<b>2,447,446</b>	<b>434,080</b>	<b>3.3%</b>	<b>-997,221</b>	<b>0</b>	<b>51,450</b>	<b>\$0.84</b>	<b>\$1.15</b>	<b>\$0.83</b>
Seal Beach	11	906,612	88,507	0	0.0%	0	0	0	N/A	N/A	N/A
Westminster	85	2,533,365	10,668	0	0.0%	1,740	0	0	N/A	N/A	N/A
Huntington Beach	496	13,506,713	472,965	0	2.8%	-263,986	0	41,666	\$0.85	\$0.93	\$0.80
Garden Grove	309	12,098,355	408,721	103,062	1.5%	-106,635	0	0	\$1.04	N/A	\$0.78
Los Alamitos/Stanton	148	4,075,193	53,068	18,900	0.1%	-500	0	0	N/A	\$0.91	N/A
Cypress	107	6,336,030	631,944	36,216	2.1%	-41,831	0	0	N/A	\$1.00	N/A
La Palma	20	1,990,009	131,000	0	1.1%	0	0	0	N/A	N/A	N/A
<b>West County</b>	<b>1,176</b>	<b>41,446,277</b>	<b>1,796,873</b>	<b>158,178</b>	<b>1.7%</b>	<b>-411,212</b>	<b>0</b>	<b>41,666</b>	<b>\$0.93</b>	<b>\$0.99</b>	<b>\$0.78</b>
Anaheim	1,468	51,374,918	1,286,068	557,141	0.5%	224,067	585,904	0	\$0.83	\$1.10	\$1.25
Orange	501	13,969,263	249,349	47,099	1.3%	-89,075	0	0	\$0.73	\$1.85	N/A
Fullerton	339	18,867,535	775,786	189,659	1.7%	242,321	934,754	181,069	N/A	N/A	\$0.74
Brea/La Habra	364	13,732,552	751,859	168,842	1.6%	490,012	0	0	\$0.93	N/A	\$0.74
Placentia/Yorba Linda	240	6,783,077	215,084	0	0.8%	3,073	0	0	\$1.04	N/A	\$0.94
Buena Park	179	12,659,368	532,915	164,486	0.5%	-6,390	0	0	N/A	\$1.10	\$1.10
<b>North County</b>	<b>3,092</b>	<b>117,386,713</b>	<b>3,811,061</b>	<b>1,127,227</b>	<b>0.9%</b>	<b>864,008</b>	<b>1,520,658</b>	<b>181,069</b>	<b>\$0.79</b>	<b>\$1.17</b>	<b>\$0.87</b>
<b>ORANGE COUNTY TOTALS</b>	<b>8,081</b>	<b>283,793,824</b>	<b>9,784,965</b>	<b>2,372,675</b>	<b>1.9%</b>	<b>-57,204</b>	<b>1,520,658</b>	<b>274,185</b>	<b>\$0.86</b>	<b>\$1.19</b>	<b>\$0.85</b>

\*Rental rates reflect asking \$psf/month

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

MARKETBEAT

# Orange County

Industrial Q4 2017



## Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
12131 Western Avenue, Garden Grove	207,953	Southland Industries	New Lease	West County
1765 Penhall Way, Anaheim	128,372	Legacy Farms	New Lease	North County
675-679 Placentia Avenue, Fullerton	127,375	CJ Foods Inc.	Renewal	North County
34 Parker, Irvine Spectrum	126,497	Red Digital Cinema Camera Co.	Renewal	South County
1200 Valencia Avenue, Tustin	125,500	B. Braun Medical LLC	New Lease	Greater Airport Area
15342-15362 Graham Street, Huntington Beach	84,754	Titan Footware LLC	New Lease	West County
9700 Toledo Way, Irvine Spectrum	73,066	NN Inc.	New Lease	South County
6590 Darin Way, Cypress	63,016	Natureware	Sublease	North County
16661 Jamboree Road, Irvine	52,950	Above & Beyond Balloons Inc.	New Lease	Greater Airport Area

## Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF	SUBMARKET
4150 Palm Street, Fullerton	181,069	Ida Investment Portfolio / Brad Rambo & Associates	\$32,592,420 / \$180.00	North County
17822 Gillette Avenue, Irvine	127,490	Greenlaw Partners / Intracorp	\$28,500,000 / \$223.55	Greater Airport Area
30142 Avenida De Las Banderas, Rancho Santa Margarita	88,672	Gennaro Palone / Applied Medical Resources	\$16,500,000 / \$186.08	South County
700 W Grove Avenue, Orange (Portfolio)	73,910	Coca Cola Company / Reyes Holdings	\$8,294,085 / \$114.56	North County
8521-8581 Roland Street, Buena Park	44,500	McLellan Estate Company / Westmont Corporation	\$6,200,000 / \$139.33	North County
2970 Airway Avenue, Costa Mesa	43,000	Dale Vaznaian / First American Exchange	\$9,804,000 / \$228.00	Greater Airport Area

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