

ORANGE COUNTY

Economic Indicators

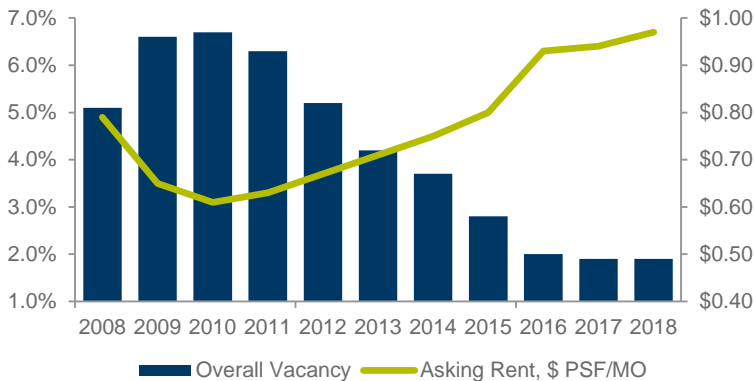
	Q1 17	Q1 18	12-Month Forecast
O.C. Employment	1.6M	1.6M	▲
O.C. Unemployment*	3.8%	3.1%	■
U.S. Unemployment	4.7%	4.1%	▼

*2018 is Jan-Feb average

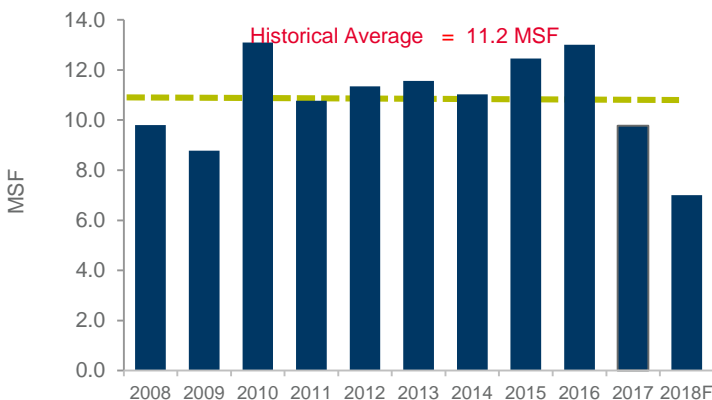
Market Indicators (Overall, All Product Types)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	2.0%	1.9%	▼
YTD Net Absorption (sf)	-118K	-131K	▲
Under Construction (sf)	223K	1.5M	▼
Average Net Asking Rent	\$0.93	\$0.97	▲

Overall Vacancy/Asking Rent



Leasing Activity



Economy

Orange County continues to have one of the lowest unemployment rates in California at 3.1%, down 70 bps from a year prior. Over the past twelve months through February, the county added 31,900 jobs for a 2.0% increase, with the construction sector gaining 6,300 jobs. Year-end 2017 represented the seventh consecutive year of positive job growth for the county's economy. With the county at near full employment, it is hard to anticipate the unemployment rate going much lower than its current rate. The economic expansion is now in the later stages of maturity and Orange County development is now at its peak. Construction costs continued to soar with the large amount of development, particularly due to labor shortages, and increases in material prices.

Market Overview

For four consecutive quarters, Orange County's overall vacancy rate has held steady at 1.9%. Given the lack of high quality product available for lease in the market, renewal transactions continue to dominate most of the large transactions. First quarter's leasing total of 1.7 million square feet (msf) was down 10.8% from fourth quarter 2017 and down a whopping 45.9% from first quarter 2017. This was also the lowest quarterly leasing total since first quarter 2009. With average overall asking rental rates increasing to \$0.97 per square foot per month (psf), budget-conscious companies are migrating out of Orange County and into the more affordable markets where rates are significantly cheaper. As the tech industry continues its rapid growth, the demand for spaces with higher than average office build-outs will continue to push rents. This trend will push Orange County landlords to modernize their space in order to meet the demands of emerging tech industries. Additionally, eCommerce related activity continues to drive rental rate growth with more focus on last-mile fulfillment. Due to a lack of product to transact, investment activity was sluggish for the first quarter of 2018 with only 958,656 sf trading to investors. This represents a 59.7% decrease from the same period in 2017 and the lowest since 2013. Much of the decrease in investment activity can likely be attributed to hesitancy of Orange County property owners to sell due to the inability to find suitable replacement properties.

Outlook

The U.S. economy is growing at a steady rate and businesses and individuals are optimistic about the economy with consumer and business confidence remaining at multi-year highs. Uncertainty surrounding the rising tariff war between China and the U.S. will remain a headwind, but the other tailwinds are much stronger and market fundamentals will remain healthy. Due to a lack of available land sites suitable for industrial development, redevelopment opportunities will see even greater demand in Orange County.

MARKETBEAT

Orange County

Industrial Q1 2018



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	17,877,004	226,952	0	2.9%	-915	0	0	\$1.26	\$1.42	\$0.91
Lake Forest/R.S.M./F. Ranch	469	12,182,491	113,094	0	3.0%	-32,700	0	0	\$1.12	\$1.12	\$0.86
Laguna Hills/Aliso Viejo	127	3,810,210	23,989	0	0.1%	28,601	0	0	\$1.16	N/A	N/A
Laguna Niguel/Laguna Beach	28	620,370	0	0	0.7%	-2,771	0	0	N/A	N/A	\$1.20
Mission Viejo	45	1,425,392	13,449	0	0.1%	11,090	0	0	\$1.50	N/A	N/A
S.J. Capo/S.Clemente/D.P.	141	3,956,534	9,502	0	1.7%	-46,897	0	0	\$1.15	\$1.10	\$1.11
South County	1,324	39,872,001	386,986	0	2.4%	-43,592	0	0	\$1.16	\$1.32	\$0.90
Fountain Valley	169	5,080,632	25,916	22,868	0.0%	0	0	0	N/A	\$1.48	N/A
Tustin	216	8,991,497	31,062	0	3.7%	-21,453	0	0	\$0.95	\$0.98	\$0.97
Santa Ana	1,039	33,599,495	131,192	41,062	2.8%	48,422	0	0	\$0.79	N/A	\$0.79
Costa Mesa	368	11,843,543	75,705	17,100	1.9%	-143,893	0	0	\$1.17	\$1.92	\$1.06
Newport Beach	48	1,140,564	0	0	0.0%	0	0	0	N/A	N/A	N/A
Irvine	648	24,278,102	206,021	0	4.6%	74,995	0	0	\$0.84	\$1.79	\$0.87
Greater Airport Area	2,489	84,933,833	469,896	80,899	3.1%	-41,929	0	0	\$0.88	\$1.24	\$0.83
Seal Beach	11	906,612	0	0	0.0%	0	0	0	N/A	N/A	N/A
Westminster	85	2,533,365	12,837	0	0.0%	0	0	0	N/A	N/A	N/A
Huntington Beach	496	13,506,713	55,604	0	3.0%	-12,367	0	0	\$0.89	\$0.98	\$0.87
Garden Grove	309	12,098,355	119,602	0	1.6%	-22,607	0	0	\$1.13	N/A	\$0.79
Los Alamitos/Stanton	148	4,075,193	0	0	0.2%	-6,059	0	0	\$0.92	\$0.91	N/A
Cypress	107	6,336,030	17,007	0	2.4%	-16,315	0	0	N/A	\$0.98	N/A
La Palma	20	1,990,009	0	0	5.0%	-78,980	0	0	N/A	N/A	N/A
West County	1,176	41,446,277	205,050	0	2.0%	-136,328	0	0	\$1.03	\$0.97	\$0.81
Anaheim	1,468	51,374,918	344,781	0	0.7%	-133,739	585,904	0	\$0.93	\$0.96	\$1.46
Orange	501	13,969,263	160,545	0	1.3%	0	0	0	N/A	\$1.85	N/A
Fullerton	339	18,867,535	23,145	64,250	0.8%	165,839	934,754	0	N/A	\$0.97	\$0.69
Brea/La Habra	364	13,732,552	107,925	258,536	1.1%	65,130	0	0	N/A	N/A	\$0.69
Placentia/Yorba Linda	240	6,783,077	23,321	16,534	1.1%	-20,585	0	0	\$0.84	N/A	\$0.91
Buena Park	179	12,659,368	19,273	0	0.4%	14,245	0	0	\$0.86	\$1.10	\$0.86
North County	3,092	117,386,713	678,990	339,320	0.9%	90,890	1,520,658	0	\$0.88	\$1.01	\$0.86
ORANGE COUNTY TOTALS	8,080	283,638,824	1,740,922	420,308	1.9%	-130,959	1,520,658	0	\$0.91	\$1.19	\$0.85

*Rental rates reflect asking \$psf/month **Leasing activity does not include renewals.

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

MARKETBEAT

Orange County

Industrial Q1 2018



Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1123 Warner Avenue, Tustin	500,625	Ricoh	Renewal	Greater Airport Area
1501-1601 Cerritos Avenue, Anaheim	406,787	Walt Disney Company	Renewal/Expansion	North County
1201 Cerritos Avenue, Anaheim	161,500	Consolidated Container Co.	Renewal	North County
601 W Dyer Road, Santa Ana	135,731	Shinoda Design Center	Renewal	Greater Airport Area
121 Waterworks Way, Irvine	76,863	Element Skateboard Inc.	Renewal	South County
240 W Fletcher Avenue, Orange	76,400	L&W Supply	New Lease	North County
895 Beacon, Brea	58,220	NPL Construction Co.	New Lease	North County
260 N Palm Street, Brea	52,350	Comfort Care Enterprises	New Lease	North County
1201 N Miller Street, Anaheim	45,299	Lithocraft	Renewal	North County

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF	SUBMARKET
300 E Cypress Street, Brea	255,980	Robert D George / TransDigm	\$19,710,460 / \$77	North County
500 & 700 Burning Tree Road, Fullerton	119,431	Haleakala Ranch Co. / Duke Realty	\$22,800,000 / \$191	North County
333 Cliffwood Park Street, Brea	99,552	Absolute Screenprint Inc. / Unknown	\$16,326,528 / \$164	North County
7180 Lampson Avenue, Garden Grove	76,993	CapRock Partners / George Gemayel	\$12,558,000 / \$163	West County
4200 Bonita Place, Fullerton	64,250	Guthrie Development / Samartians Purse	\$12,528,750 / \$195	North County
620 E Dyer Road, Santa Ana	41,070	Carson Faris / Terra Tech	\$11,006,760 / \$268	Greater Airport Area

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