

ORANGE COUNTY

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
O.C. Employment	1.6M	1.6M	▲
O.C. Unemployment*	3.4%	2.9%	▲
U.S. Unemployment	4.4%	3.9%	▼

*3Q is for August

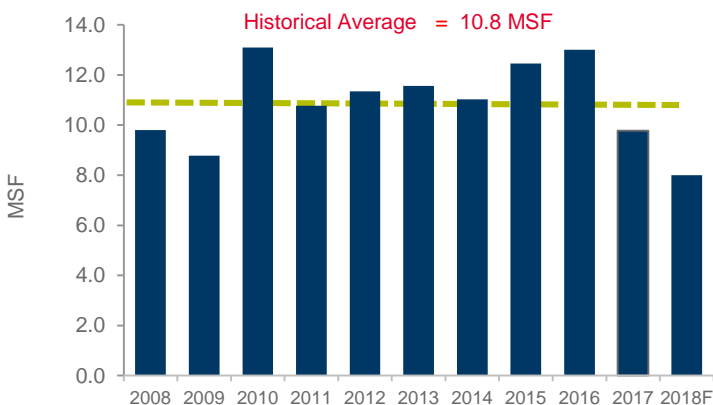
Market Indicators (Overall, All Product Types)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	1.9%	1.7%	▼
YTD Net Absorption (sf)	80K	426K	▲
Under Construction (sf)	1.5M	1.5M	▼
Average Net Asking Rent	\$0.90	\$0.99	▲

Overall Warehouse Vacancy/Asking Rent



Leasing Activity



Economy

Orange County continues to have one of the lowest unemployment rates in the nation at 2.9%, down 50 basis points (bps) from a year prior. Over the past 12 months through August, total nonfarm employment increased by 11,000 job or 0.7%. Despite concerns over trade rhetoric and tariffs, the uptick in global economic growth has led to sustained, albeit lower increases, in trading volumes. In the first eight months of the year, combined trade volume at the two ports was 2.7% higher than the same period a year ago. Container volume at the Port of Long Beach was up 9.4% over the same period in 2017. In contrast, volume at Port of LA year-to-date through August was down 2.6% from 2017. Although there has been a slight slowdown in combined cargo volume at the San Pedro Bay Ports, the ports will likely exceed the total cargo numbers for 2017, which was a record year.

Market Overview

Orange County's overall vacancy rate decreased to 1.7% in the third quarter of 2018, a historic low and 500 bps lower than the peak rate of 6.7% recorded at year-end 2010. Leasing activity ramped up in the third quarter with 2.8 million square feet (msf) leased, increasing by 45.2% quarter-over-quarter and up 4.7% from the same period last year. North County continues to dominate the Orange County market with 1.1 msf of transactions in the third quarter, for a year-to-date total of 2.6 msf. Renewal activity accounted for a large portion of transactions with two of the top five deals being renewals. The largest lease deal of the quarter was a 300,000 sf renewal by Kuehne + Nagel. Overall asking warehouse rents increased to \$0.89 per square foot per month (psf/mo), for an annual growth of 9.9% and a 23.6% increase in the past 24 months. With strong demand for logistics space, warehouse rents have seen a steady increase over the past few years and will continue to move up as new high quality product is delivered to the market as early as next quarter. Investment activity has been relatively strong this year with 3.8 msf selling to investors. Although this is a decrease from the record breaking year prior, investors remain bullish and will continue to expand their portfolios throughout Southern California.

Outlook

The outlook for consumer spending and retail sales is positive, and even more so for eCommerce. U.S. consumer confidence is at its highest level in 18 years. The push to be better, smarter, faster and cheaper continues to drive eCommerce, and will continue to fuel investment and user activity in this infill market. Going into 2019, the economy will begin to feel the effects of the U.S and China trade war as imports increase in price and retaliatory tariffs hurt American exporters, but it would take a major shock to derail the U.S. expansion, which remains firmly on track to be the longest on record.

MARKETBEAT

Orange County

Industrial Q3 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 (WD)*
Irvine Spectrum	514	17,877,004	562,794	15,246	3.0%	-23,199	0	0	\$1.29	\$1.41	N/A
Lake Forest/R.S.M./F. Ranch	469	12,182,491	362,451	0	1.5%	38,696	0	0	\$0.95	\$1.13	\$1.26
Laguna Hills/Aliso Viejo	127	3,810,210	23,989	20,000	0.5%	12,182	0	0	\$1.16	N/A	N/A
Laguna Niguel/Laguna Beach	28	620,370	2,160	0	1.1%	-4,942	0	0	N/A	N/A	\$0.95
Mission Viejo	45	1,425,392	23,057	0	0.8%	560	0	0	\$1.30	N/A	N/A
S.J. Capo/S.Clemente/D.P.	141	3,956,534	54,980	0	1.7%	-48,469	0	0	\$1.14	\$1.10	\$1.15
South County	1,324	39,872,001	1,029,431	35,246	2.0%	-25,172	0	0	\$1.06	\$1.27	\$1.20
Fountain Valley	169	5,080,632	63,266	22,868	0.3%	-13,344	0	0	\$1.17	N/A	N/A
Tustin	216	8,993,536	132,679	22,957	3.8%	-36,991	0	0	\$0.95	\$0.93	\$0.80
Santa Ana	1,038	33,560,583	382,036	176,665	2.6%	-54,459	0	0	\$0.79	N/A	\$0.80
Costa Mesa	368	11,843,543	415,562	86,731	2.1%	-165,770	100,233	0	\$1.53	\$1.92	\$0.91
Newport Beach	48	1,140,564	0	0	0.0%	0	0	0	N/A	N/A	N/A
Irvine	646	23,940,144	492,874	246,341	3.3%	77,100	0	0	\$1.21	\$1.78	\$0.83
Greater Airport Area	2,485	84,559,002	1,486,417	555,520	2.7%	-193,464	100,233	0	\$0.93	\$1.22	\$0.82
Seal Beach	11	906,612	0	0	0.0%	0	0	0	N/A	N/A	N/A
Westminster	85	2,533,365	232,278	102,412	2.1%	-53,413	0	0	\$0.99	N/A	N/A
Huntington Beach	496	13,506,713	476,592	152,805	2.3%	73,255	0	0	\$1.06	N/A	\$0.98
Garden Grove	309	12,115,634	335,134	68,050	2.7%	-135,184	0	0	\$0.95	N/A	\$0.91
Los Alamitos/Stanton	148	4,075,193	29,632	0	0.1%	0	0	0	N/A	\$0.91	N/A
Cypress	107	6,336,030	71,701	0	0.6%	-8,371	0	0	N/A	\$0.98	N/A
La Palma	19	1,969,009	186,046	57,702	0.0%	75,000	0	0	N/A	N/A	N/A
West County	1,175	41,442,556	1,331,383	380,969	1.8%	-49,113	0	0	\$0.96	\$0.97	\$0.91
Anaheim	1,471	51,763,594	1,267,522	109,482	0.8%	191,790	114,659	350,774	\$1.12	\$0.98	\$0.89
Orange	502	13,969,263	277,453	24,895	1.3%	-3,097	0	0	\$1.08	N/A	\$0.92
Fullerton	339	18,867,535	248,405	64,250	0.7%	231,895	934,754	0	N/A	\$1.04	\$0.95
Brea/La Habra	364	13,732,552	274,886	358,110	1.1%	104,631	0	0	\$0.80	N/A	N/A
Placentia/Yorba Linda	240	6,783,077	150,915	28,759	1.0%	-25,682	117,695	0	\$1.04	\$1.01	\$0.94
Buena Park	180	12,854,199	353,370	24,800	0.5%	194,601	185,000	195,000	\$0.80	\$1.10	\$1.08
North County	3,096	117,970,220	2,572,551	610,296	0.9%	694,138	1,352,108	545,774	\$1.04	\$1.02	\$0.92
ORANGE COUNTY TOTALS	8,080	283,843,779	6,419,782	1,582,031	1.7%	426,389	1,452,341	545,774	\$0.97	\$1.19	\$0.89

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

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

MARKETBEAT

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Industrial Q3 2018



Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3454 Miraloma Ave, Anaheim	300,000	Kuehne + Nagel*	Renewal	North County
5701 Skylab, Huntington Beach	280,460	Hybrid Apparel	Sublease	West County
3454 Miraloma Ave, Anaheim	150,000	Freeman Exhibits	Sublease	North County
6250 Caballero Blvd, Buena Park	143,970	Safety Zone	New Lease	North County
353 Euclid Way, Anaheim	110,784	Danros Inc.*	Renewal	North County
6201 Knott Ave, Buean Park	102,367	Shasta Beverage Corp	Sublease	North County
6901 Marlin Cir, La Palma	75,000	Lapco West LLC	New Lease	North County
721 Van Buren St, Placentia	69,882	Beacon Roofing Supply	New Lease	North County
6489 Oak Canyon, Irvine Spectrum	67,170	Farther, Faster Inc.	New Lease	South County

*Renewals not included in leasing activity

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF	SUBMARKET
901 South Street, Anaheim	347,548	Shoppoff Realty Investments / Hearthstone	\$48,260,515 / \$139	North County
2310 Red Hill Avenue, Santa Ana	212,121	Ricoh / Arrimus Cptial	\$43,624,805 / \$206	Greater Airport Area
1256 N Magnolia Avenue, Anaheim	208,000	Vera Guerin / Goodman Birtcher	\$36,608,000 / \$176	North County
15172 Goldenwest Circle, Huntington Beach	102,412	City of Westminster / Home Plus Group	\$14,500,515 / \$142	West County
2356 Moore Street, Fullerton	82,474	Lanihau Properties LLC / Black Creek Group	\$12,249,863 / \$143	North County
1361 Valencia Avenue, Tustin	67,439	Freeway Business Park / Koll Company	\$12,004,142 / \$178	Greater Airport Area

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