

ORANGE COUNTY

Economic Indicators

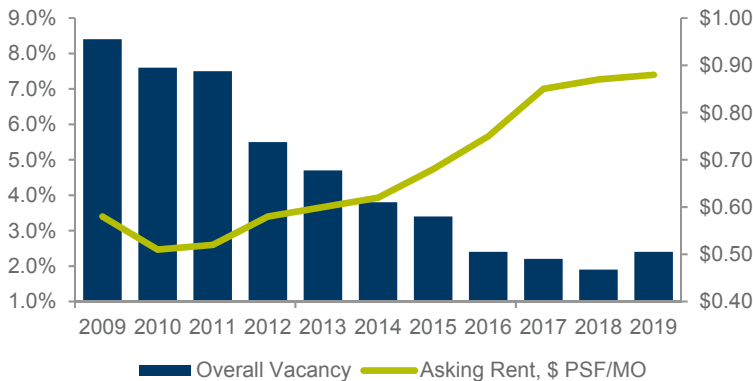
	Q1 18	Q1 19	12-Month Forecast
O.C. Employment	1.6M	1.6M	▲
O.C. Unemployment*	3.2%	3.0%	▲
U.S. Unemployment	4.1%	3.8%	▼

*1Q is for February

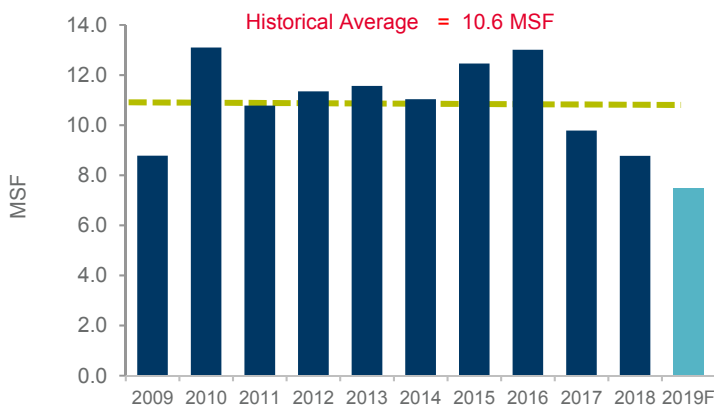
Market Indicators (Overall, All Product Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	1.9%	2.4%	▼
YTD Net Absorption (sf)	-160K	-1.5M	▲
Under Construction (sf)	1.5M	573K	▲
Average Warehouse Net Asking Rent	\$0.85	\$0.88	▲

Overall Warehouse Vacancy/Asking Rent



Leasing Activity



Economy

Orange County has remained one of the strongest job markets in all of California and the nation during the current expansion. With the unemployment rate at 3.0% as of February, Orange County saw total non-farm employment increase by 11,400 since the same period last year. In the first quarter, combined year-to-date trade volume at the San Pedro Bay ports was relatively flat, increasing by a mere 0.2%, with import volume declining by 2.8%. A slowing domestic economy will likely lead to only modest growth in container imports in 2019, following a 4.5% annual increase in 2018.

Market Overview

The overall vacancy rate rose to 2.4% as Orange County experienced a handful of large move-outs throughout the first quarter of 2019. Coupled with the delivery of new warehouse product, overall vacancy increased 50 basis points (bps) from a year ago. This snaps the two-year streak of sub 2% vacancy in the county. Overall asking rates for warehouse product finished the quarter with an average of \$0.88 per square foot per month (psf/mo) for a 3.5% annual growth. Warehouse rents have been rising steadily with an average annual increase of 7.5% over the last five years. With the number of deals declining by 35.5% from the same period a year ago, leasing activity saw an 11.3% decline, totaling just 1.6 million square feet (msf) in the first quarter. This is way below 2018's quarterly leasing average of 2.2 msf. Renewal activity continues to dominate large transactions with renewals topping the largest transactions in the first quarter. The largest lease transaction of the first quarter came from Walters Wholesale Electric's 246,608-sf renewal of warehouse space at 200 Berry Street in Brea. Orange County finished the quarter with 1.5 msf of negative absorption with the largest move-out coming from JCPenney, who vacated 1.1 msf of warehouse space at 6800 Valley View in Buena Park. The largest move-in of the quarter was by Safety Zone, who occupied 143,790 sf at 6250 Caballero in Buena Park. Industrial product continues to be the favored asset class among investors in Orange County. Investor activity saw healthy transaction volume over the first quarter with 1.5 msf trading, an increase of 55.0% compared to the same period last year.

Outlook

A significant portion of demand for industrial space is ultimately driven by consumer spending, and we expect that engine to remain strong. Although total retail sales growth is forecast to decelerate from 5.1% in 2018 to 4.4% in 2019, eCommerce sales are expected to grow 15.1% to \$605.3 billion in 2019. Consequently, the need for warehousing and distribution space will only increase in the near-term. However, companies will continue to face challenges to expand and/or enter the market due to the tight conditions.

MARKETBEAT

Orange County

Industrial Q1 2019



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	510	17,728,986	180,435	0	2.4%	-157,827	0	0	\$1.18	\$1.51	\$0.94
Lake Forest/R.S.M./F. Ranch	469	12,182,491	42,710	0	1.2%	-6,324	0	0	\$0.96	N/A	\$1.17
Laguna Hills/Aliso Viejo	127	3,810,210	26,758	0	0.3%	4,923	0	0	\$1.10	\$1.40	\$1.40
Laguna Niguel/Laguna Beach	28	620,370	0	0	1.1%	0	0	0	N/A	N/A	\$0.95
Mission Viejo	45	1,425,392	2,425	0	0.7%	-1,635	0	0	\$1.34	N/A	\$1.40
S.J. Capo/S.Clemente/D.P.	141	3,956,534	11,266	0	0.9%	18,672	0	0	\$1.32	N/A	\$1.15
South County	1,320	39,723,893	263,594	0	1.6%	-142,191	0	0	\$1.05	\$1.50	\$0.99
Fountain Valley	169	5,105,842	18,113	0	1.3%	-43,094	0	0	\$1.22	\$0.68	N/A
Tustin	212	8,464,989	7,460	0	3.6%	-3,429	0	0	\$1.24	\$0.97	\$0.92
Santa Ana	1,036	32,749,289	176,718	0	3.2%	-70,672	472,667	0	\$0.83	\$0.98	\$0.82
Costa Mesa	370	11,614,471	33,931	0	2.3%	57,734	100,233	0	\$1.34	N/A	N/A
Newport Beach	47	829,112	0	0	0.3%	0	0	0	\$1.65	N/A	N/A
Irvine	629	21,431,562	42,226	0	2.9%	-92,663	0	0	\$1.14	\$0.86	\$0.87
Greater Airport Area	2,463	80,195,265	278,448	0	2.9%	-152,124	572,900	0	\$0.94	\$0.96	\$0.85
Seal Beach	11	906,612	0	0	0.0%	0	0	0	N/A	N/A	N/A
Westminster	85	2,533,365	3,750	0	0.1%	53,823	0	0	\$0.95	N/A	N/A
Huntington Beach	495	13,445,590	146,178	26,800	0.6%	-37,832	0	0	\$1.25	\$1.02	\$0.98
Garden Grove	308	11,994,834	89,989	90,984	2.0%	62,709	0	0	\$0.91	N/A	\$0.81
Los Alamitos/Stanton	148	4,075,193	3,240	0	0.2%	1,800	0	0	N/A	\$1.06	\$1.02
Cypress	107	6,336,030	43,244	0	4.8%	-213,388	0	0	\$0.89	\$0.84	N/A
La Palma	19	1,973,294	0	22,271	21.5%	-424,285	0	0	N/A	N/A	N/A
West County	1,173	41,264,918	286,401	140,055	2.5%	-557,173	0	0	\$0.93	\$0.86	\$0.85
Anaheim	1,459	49,482,618	208,082	12,090	0.7%	11,326	0	114,659	\$1.04	\$1.16	\$0.90
Orange	498	13,253,310	47,112	12,400	0.8%	37,397	0	0	\$1.05	N/A	\$0.84
Fullerton	342	18,829,845	254,221	105,322	4.7%	169,157	0	0	N/A	N/A	\$0.86
Brea/La Habra	364	13,732,602	10,576	0	0.4%	102,183	0	0	\$0.94	\$0.89	N/A
Placentia/Yorba Linda	242	6,900,772	15,879	10,000	2.1%	31,055	0	117,695	N/A	\$1.04	\$1.01
Buena Park	180	13,038,703	197,290	0	8.7%	-960,695	0	0	\$0.79	\$1.10	\$1.08
North County	3,085	115,237,850	733,160	139,812	2.3%	-609,577	0	232,354	\$0.93	\$1.08	\$0.87
ORANGE COUNTY TOTALS	8,041	276,421,926	1,561,603	279,867	2.4%	-1,461,065	572,900	232,354	\$0.95	\$0.95	\$0.88

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

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

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Industrial Q1 2019



Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
200 N Berry St, Buena Park	246,608	Walters Wholesale Electric	Renewal*	North County
12752 – 12822 Monarch St, Garden Grove	185,249	Virtu USA	Renewal*	West County
1700 Saturn Way, Seal Beach	184,000	Dendreon Corporation	Renewal*	West County
6270 Caballero Blvd, Buena Park	130,000	OC RV	New Lease	North County
1880 E Saint Andrew, Santa Ana	81,978	Fuji Film	New Lease	Airport Area
1331 S State College Blvd, Fullerton	74,620	Multi-Quip	New Lease	North County
7150 Village Dr, Buena Park	67,920	Mash Studios	Sublease	North County
15301 Springdale St, Huntington Beach	60,891	Enhanced Vision System	New Lease	West County
9201 Jeronimo, Irvine Spectrum	60,086	Teva	Renewal*	South County

*Renewals not included in leasing activity

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF	SUBMARKET
Prologis Portfolio @ Beckman, Fullerton	663,257	Western Realco / Prologis	\$123,651,000 / \$186	North County
12821 Knott St, Garden Grove	120,800	Westcore Properties / Rexford Industrial	19,800,000 / \$119	West County
4250 N Harbor Blvd, Fullerton	105,322	Western Realco / Achem Industry America	\$20,959,500 / \$199	North County
1481-1497 N Main St, Orange	102,000	Horwin 1983 Trust / Alere Property Group	\$21,959,500 / \$158	North County
4320 N Harbor Blvd, Fullerton	78,523	Western Realco / Timothy O'Neil	\$16,489,830 / \$210	North County
265 Briggs Rd, Costa Mesa	62,042	Primary Color / Space Investment Partners	\$9,200,000 / \$148	Airport Area

Cushman & Wakefield
18111 Von Karman, Suite 1000
Irvine, CA 92614
www.cushmanwakefield.com

For more information, contact:
Mark Williams
Research Analyst
Tel: +1 949 474 4004
Mark.J.Williams@Cushwake.com

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