

## ORANGE COUNTY

### Economic Indicators

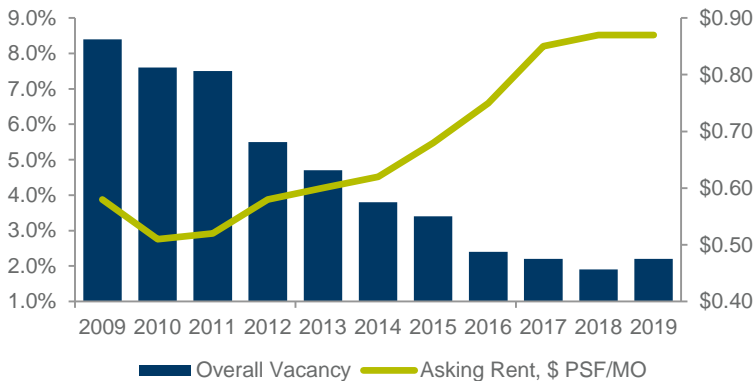
	Q3 18	Q3 19	12-Month Forecast
O.C. Employment	1.65M	1.66M	▲
O.C. Unemployment*	3.1%	3.0%	▼
U.S. Unemployment	3.8%	3.7%	▼

\*As of August

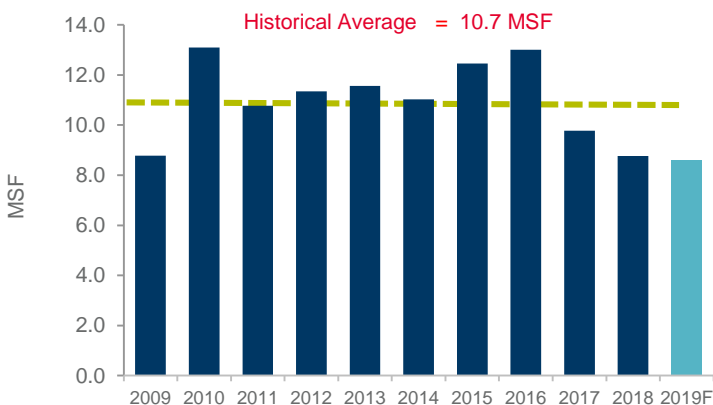
### Market Indicators (Overall, All Product Types)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	1.7%	2.2%	▼
YTD Net Absorption (sf)	572K	-739K	▲
Under Construction (sf)	1.5M	598K	▼
Average Warehouse Net Asking Rent	\$0.89	\$0.87	▲

### Overall Vacancy/Warehouse Asking Rent



### Leasing Activity



## Economy

Orange County continues to be one of the tightest labor markets in the U.S. with an unemployment rate of 3.0%, down from the year-ago rate of 3.1%. The U.S. economy continues its record expansion even as growth slows in the rest of the world. The U.S. labor market also remains strong with a 50-year low unemployment rate of 3.5% and job growth adding 136,000 jobs in September. Coupled with interest rates decreasing a quarter point in July, positive job growth has caused consumer spending to rise 4.1% in 2019 and bolster the economy even as business investment weakens, trade war escalates, and housing stalls.

## Market Overview

Orange County ended the quarter with an overall vacancy rate of 2.2%, a decrease of 10 basis points (bps) from the previous quarter. Ending the third quarter with an average asking rate of \$0.87 per square feet per month (psf/mo), warehouse product has seen steady increases in rental rates over the past five years with an average annual increase of 7.6%. However, the market continues to struggle with a lack of available quality product to keep up with record demand, which is hindering further rent growth. Year-to-date leasing activity reached 6.7 million square feet (msf) in the third quarter, an increase of 1.2% from the same period a year ago. Renewals, which are not included in leasing statistics, continue to dominate the big-box activity due to the lack of available options. The largest leasing transaction in the third quarter occurred at 515 E Dyer Road in Santa Ana where an internet retailer leased 414,308 square feet (sf). Investment activity had a record-breaking quarter with nearly 3.5 msf of industrial space sold to investors from July to September. This brings the year-to-date total to 6.0 msf, an increase of 56.4% from the same period last year. The largest sale transaction so far this year occurred in the third quarter with the Albertson's sale/leaseback of their 1.2-msf distribution facility in Irvine Spectrum at 9300 Toledo Way. Industrial assets remain the favorite product type for investors in 2019 as cap rates continue to provide returns on investment. New development of industrial properties has slowed down in 2019 with only 597,871 sf under construction in Orange County. Over the past 12 months, Orange County has completed nearly 1.5 msf of new warehouse inventory as developers race to build in the given the rising rents and low vacancy.

## Outlook

Orange County fundamentals remain resilient through market uncertainty and will continue to post record breaking sales prices and asking rents. The key engines that drive demand for industrial space will remain firmly intact. Consumer demand and spending have remained relatively resilient. eCommerce, a significant demand driver, will continue to post growth especially in the following holiday months.

## MARKETBEAT

## Orange County

Industrial Q3 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 (W/D)*
Irvine Spectrum	512	19,314,957	434,350	47,743	3.8%	-484,224	0	0	\$1.17	\$1.33	\$0.98
Lake Forest/R.S.M./F. Ranch	469	12,182,402	218,851	0	0.6%	2,018	0	0	\$1.36	\$1.23	\$1.11
Laguna Hills/Aliso Viejo	127	3,810,210	106,582	0	1.8%	-51,904	0	0	\$1.30	\$1.80	\$1.36
Laguna Niguel/Laguna Beach	28	620,370	1,684	0	0.8%	1,684	0	0	N/A	N/A	\$0.95
Mission Viejo	45	1,425,392	16,981	0	1.5%	-11,721	0	0	\$1.33	N/A	\$1.40
S.J. Capo/S.Clemente/D.P.	141	3,956,534	41,196	0	0.2%	34,266	0	0	\$1.28	N/A	N/A
<b>South County</b>	<b>1,322</b>	<b>41,309,865</b>	<b>819,644</b>	<b>47,743</b>	<b>2.2%</b>	<b>-509,881</b>	<b>0</b>	<b>0</b>	<b>\$1.22</b>	<b>\$1.35</b>	<b>\$1.07</b>
Fountain Valley	169	5,105,842	53,704	25,026	0.6%	-10,660	0	0	N/A	N/A	\$0.91
Tustin	212	8,464,989	109,648	0	3.4%	-14,259	0	0	\$1.25	\$0.98	\$1.01
Santa Ana	1,036	32,728,544	848,628	264,199	2.9%	-8,135	497,638	0	\$0.94	\$1.25	\$0.84
Costa Mesa	370	11,614,471	234,508	29,540	0.7%	231,851	100,233	0	\$1.31	\$1.20	\$0.98
Newport Beach	47	829,112	17,294	0	0.0%	2,500	0	0	N/A	N/A	N/A
Irvine	630	21,468,758	731,942	36,220	1.3%	264,914	0	0	\$1.00	\$1.39	\$1.10
<b>Greater Airport Area</b>	<b>2,463</b>	<b>80,211,716</b>	<b>1,995,724</b>	<b>354,985</b>	<b>2.0%</b>	<b>466,211</b>	<b>597,871</b>	<b>0</b>	<b>\$0.98</b>	<b>\$1.27</b>	<b>\$0.89</b>
Seal Beach	11	906,642	57,033	0	0.0%	0	0	0	N/A	N/A	N/A
Westminster	85	2,533,365	5,490	0	0.0%	55,563	0	0	N/A	N/A	N/A
Huntington Beach	496	13,507,728	441,320	37,270	0.8%	-13,701	0	0	\$0.86	\$1.05	\$1.15
Garden Grove	308	11,994,834	380,463	124,644	1.5%	126,350	0	0	\$0.85	N/A	\$0.86
Los Alamitos/Stanton	148	4,075,193	9,680	0	0.1%	6,140	0	0	N/A	\$1.12	N/A
Cypress	107	6,336,030	112,453	0	4.0%	-167,874	0	0	\$0.89	\$0.91	N/A
La Palma	19	1,973,294	424,285	0	4.0%	0	0	0	N/A	N/A	\$0.70
<b>West County</b>	<b>1,174</b>	<b>41,327,086</b>	<b>1,430,724</b>	<b>161,914</b>	<b>1.5%</b>	<b>6,478</b>	<b>0</b>	<b>0</b>	<b>\$0.86</b>	<b>\$0.92</b>	<b>\$0.82</b>
Anaheim	1,459	49,484,962	748,545	153,565	0.9%	91,949	0	114,659	\$1.15	N/A	\$0.86
Orange	498	13,253,310	182,273	24,800	0.7%	472	0	0	\$0.87	N/A	\$0.97
Fullerton	343	18,900,132	522,129	209,444	4.8%	153,313	0	0	\$1.04	\$0.96	\$0.86
Brea/La Habra	364	13,732,602	204,062	15,900	0.6%	71,759	0	0	\$0.91	N/A	\$0.85
Placentia/Yorba Linda	242	6,900,772	108,709	10,000	1.0%	111,145	0	117,695	\$1.19	\$1.04	\$0.87
Buena Park	180	13,038,703	714,911	0	9.9%	-1,130,480	0	0	\$0.76	N/A	\$0.82
<b>North County</b>	<b>3,086</b>	<b>115,310,481</b>	<b>2,480,629</b>	<b>413,709</b>	<b>2.5%</b>	<b>-701,842</b>	<b>0</b>	<b>232,354</b>	<b>\$0.94</b>	<b>\$0.99</b>	<b>\$0.84</b>
<b>ORANGE COUNTY TOTALS</b>	<b>8,045</b>	<b>278,159,148</b>	<b>6,726,721</b>	<b>978,351</b>	<b>2.2%</b>	<b>-739,034</b>	<b>597,871</b>	<b>232,354</b>	<b>\$0.99</b>	<b>\$1.17</b>	<b>\$0.87</b>

\*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 Q3 2019



## Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
515 E Dyer Road, Santa Ana	414,308	Internet Retailer	New Lease	Airport Area
17352 Derian Avenue, Irvine	132,545	P&P Imports	New Lease	Airport Area
1904-1910 Malvern Avenue, Fullerton	99,334	Bakery Express of SoCal	Renewal*	North County
25342-25372 Commercentre Drive, Lake Forest	98,694	Quantum Fuel Systems	Renewal*	South County
605-611 E Cerritos Avenue, Anaheim	96,000	Cosentino	Renewal*	North County
5037-5065 E Hunter Avenue, Anaheim	81,836	Bisco Industries	New Lease	North County
2200 Walnut Avenue, Fullerton	70,428	Nordstrom Design Center	Renewal*	North County
210 Baywood Street, Orange	56,095	Red Hawk Fire & Security	New Lease	North County
7100 Village Drive, Buena Park	53,690	Pacific Abrasives	Renewal*	North County

\*Renewals not included in leasing activity

## Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF	SUBMARKET
9300 Toledo Way, Irvine Spectrum	1,205,097	Albertsons / CenterPoint Properties	\$277,715,000 / \$233	South County
TA Portfolio	699,282	TA Realty / The Blackstone Group	N/A	N/A
Los Alamitos Corporate Center	685,588	Northwestern Mutual / Alere Property Group	\$128,500,000 / \$187	West County
3201 S. Susan Street, Santa Ana	200,000	The Dixie Group / CenterPoint Properties	\$40,200,000 / \$201	Airport Area
3370 La Palma Avenue, Anaheim	144,000	Fry's Electronics / Prologis	\$40,000,000 / \$278	North County
2009-2011 Raymer Avenue, Fullerton	126,413	AGA Raymer Properties / CapRock Partners	\$14,790,321 / \$117	North County

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