

ORANGE COUNTY

Industrial Q4 2019

	YoY Chg	12-Mo. Forecast
1.7% Vacancy Rate	▼	▼
737K YTD Net Absorption, SF	▼	▲
\$0.98 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
1.7M Orange County Employment	▼	▲
2.5% Orange County Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMIC OVERVIEW

Orange County continues to be one of the tightest labor markets in the U.S. Over the last 12 months, Orange County added 14,100 jobs, for an annual growth rate of 0.8%. It also leads the Southern California region in wage growth and has the highest median income in the region. With a 50-year low unemployment rate of 3.5%, the U.S. economy has continued to grow for more than 10 years, the longest expansion on record and nearly twice the average length seen over the prior 70 years. The strong job market should help keep consumers spending and key engines that drive demand for industrial space will remain firmly intact. Consumer demand and spending have remained relatively resilient and eCommerce, a significant demand driver, will continue to post growth.

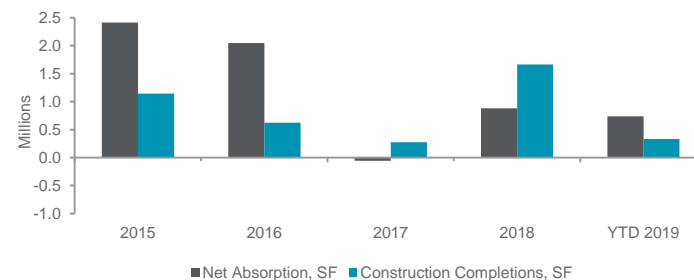
DEMAND: Leasing Ramps Up at Year-end

Orange County ended the year with an overall vacancy rate of 1.7%, a decrease of 10 basis points (bps) from this time last year and a historic year-end low. After a slow start to the year with negative 1.4 million square feet (msf) of net absorption in the first quarter, the market saw momentum with positive absorption in each quarter thereafter and 1.3 msf the fourth quarter. As a result the year ended with a 50-bp drop in overall vacancy from the previous quarter and year-end net absorption at 736,637 square feet (sf). Leasing activity reached 10.5 msf at year-end 2019, an annual increase of 19.6% from the same period a year ago. The fourth quarter posted the highest leasing volume of any quarter in 2019 with 3.6 msf. The largest deal of the year in both Orange County and Greater Los Angeles markets was UNIS/CubeWork's 1.1-msf, 84-month lease of the former JC Penney hub in Buena Park. eCommerce continues to push growth in the industrial sector and at year-end, warehouse and distribution contributed to 7.5 msf of leasing activity or 71.3%. Renewals, which are not included in leasing statistics, continue to be a prominent fixture in leasing activity, as three of the top 10 transactions were companies renewing in place due to the lack of suitable relocations alternatives.

RATES: Strong Demand Pushes Asking Rents

With continued strong demand, the average overall asking rate inched up to \$0.98 per square feet per month (psf/mo), for a 6.5% annual increase. Investors were very active in 2019 and the year saw record breaking sales volume with 9.9 msf of industrial space sold to investors, more than double 2018's year-total of 4.7 msf. Market fundamentals will remain healthy and Orange County will continue to see increased sale prices, land values and rents, albeit at a slower pace. New development slowed in 2019 with only 591,020 sf under construction at year-end. In a supply constricted market, both investors and developers will continue to look for value-add opportunities.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Irvine Spectrum	19,313,272	4.0%	-526,048	736,455	103,028	0	0	\$1.12	\$1.24	\$1.03
Lake Forest/R.S.M./F. Ranch	12,182,402	0.3%	39,026	277,222	0	0	0	\$1.41	\$1.25	\$0.98
Laguna Hills/Aliso Viejo	3,829,743	1.6%	-46,860	128,541	38,260	0	0	\$1.40	N/A	\$1.34
Laguna Niguel/Laguna Beach	620,370	0.6%	3,050	3,912	10,080	0	0	N/A	N/A	\$1.23
Mission Viejo	1,425,392	1.4%	-11,471	330,063	0	0	0	\$1.30	N/A	\$1.40
S.J. Capo/S.Clemente/D.P.	3,956,534	0.2%	34,266	67,188	0	0	0	\$1.38	N/A	N/A
SOUTH COUNTY	41,327,713	2.2%	-508,037	1,543,381	151,368	0	0	\$1.22	\$1.24	\$1.03
Fountain Valley	5,136,837	0.6%	-9,963	163,211	54,521	0	0	N/A	N/A	\$0.96
Tustin	8,480,425	4.7%	-116,220	207,666	84,176	0	0	N/A	\$1.33	\$0.91
Santa Ana	32,763,384	2.7%	55,330	1,015,552	266,721	497,638	0	\$0.88	\$1.18	\$0.87
Costa Mesa	11,714,704	0.7%	332,411	244,859	29,540	0	100,233	\$1.87	\$1.28	\$0.84
Newport Beach	829,112	0.0%	2,500	17,294	0	0	0	N/A	N/A	N/A
Irvine	21,468,758	1.2%	273,409	838,717	52,089	0	0	\$1.03	\$1.39	\$1.12
GREATER AIRPORT AREA	80,393,220	2.1%	537,467	2,487,299	487,047	497,638	100,233	\$1.03	\$1.35	\$0.90
Seal Beach	906,642	0.0%	0	57,033	0	0	0	N/A	N/A	N/A
Westminster	2,533,365	0.0%	55,563	5,490	0	0	0	N/A	N/A	N/A
Huntington Beach	13,507,794	0.8%	-4,119	538,905	37,270	0	0	\$0.93	\$1.05	\$1.15
Garden Grove	11,994,834	1.9%	74,200	473,523	124,644	0	0	\$0.87	N/A	\$0.79
Los Alamitos/Stanton	4,075,193	0.1%	6,140	9,680	0	0	0	N/A	\$1.12	N/A
Cypress	6,336,030	4.0%	-167,874	112,453	0	0	0	\$0.89	\$0.91	N/A
La Palma	1,973,294	4.0%	0	424,285	0	0	0	N/A	N/A	\$0.70
WEST COUNTY	41,327,152	1.6%	-36,090	1,621,369	161,914	0	0	\$0.90	\$0.92	\$0.80
Anaheim	49,438,734	0.7%	182,559	1,196,758	153,565	0	114,659	\$1.18	\$1.99	\$0.81
Orange	13,253,310	0.2%	61,407	203,283	50,246	93,382	0	\$0.84	N/A	\$1.00
Fullerton	18,900,132	3.3%	421,670	1,046,060	209,444	0	0	\$1.08	\$0.96	\$0.83
Brea/La Habra	13,722,755	0.7%	55,080	352,667	15,900	0	0	\$0.92	N/A	\$1.99
Placentia/Yorba Linda	6,900,772	1.8%	54,900	230,439	10,000	0	117,695	\$1.18	N/A	\$0.74
Buena Park	13,009,385	1.5%	-32,319	1,803,833	0	0	0	\$0.75	N/A	\$0.84
NORTH COUNTY	115,225,088	1.2%	743,297	4,833,040	439,155	93,382	232,354	\$0.97	\$1.79	\$0.84
ORANGE COUNTY TOTALS	278,273,173	1.7%	736,637	10,485,089	1,239,484	591,020	332,587	\$1.01	\$1.22	\$0.89

*Rental rates reflect weighted net asking \$psf/month

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

Industrial Q4 2019

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6800 Valley View Boulevard	North County	UNIS/CubeWork	1,075,347	Direct
25725 Jeronimo Road	South County	Internet Retailer	303,540	Direct
4278 North Harbor	North County	OneSource Distributors	212,202	Direct
3201 South Susan Street	Greater Airport Area	Dixie Carpet	202,522	Sale/Leaseback
1202 North Miller Street	North County	Etekcity Corporation	151,181	Renewal*
1256 North Magnolia Street	North County	Confidential	143,248	Direct
1800-1880 East Saint Andrew	Greater Airport Area	Fabrication Concepts (Fabcon Inc)	118,224	Renewal*
331-333 Cliffwood Park Street	North County	WMD International Inc.	99,552	Direct
1361 Valencia Avenue	Greater Airport Area	Portview Prep	76,675	Direct
2307 Moore	North County	Pulmuone U.S.A. Inc.	74,065	Direct
540-544 Melrose Street	North County	Advantage Mailing	65,517	Direct
9750 Irvine Boulevard	South County	BDS Marketing	57,411	Direct
1800 Walnut Avenue	North County	AinFox, LLC	54,079	Direct
1367 South Van Buren Street	North County	U-Haul Co. of California	53,850	Direct
15350 Barranca Parkway	South County	Rep1 Football, LLC	53,392	Direct
11250 Slater	Greater Airport Area	Bunzl Co	52,480	Direct
1701 Sequoia Avenue	North County	National Oilwell Varco	48,906	Direct
711 South Van Buren Street	North County	LG Hausys America, Inc.	47,813	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
12752-12822 Monarch Street	West County	Penwood REIM / Rexford Industrial Realty	277,037	\$34M/\$123
5100-5150 East La Palma Avenue	North County	The Seligman Group / Hamra Properties	154,627	\$21M/\$138
404-430 Berry Street	North County	Western Realco / Rexford Industrial Realty	120,250	\$28M/\$230
2441 Michelle Drive	Greater Airport Area	Everwest (Bantry Holdings) / Mitchell Company	117,805	\$29M/\$245

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
711, 721, 1365 & 1367 S Van Buren Street Orange County Commerce Center	North County	Beacon Roofing Supply, Inc / Rakuten Super Logistics	232,354	Panattoni Development Company
1585 MacArthur Boulevard	Greater Airport Area	Robinson-Pharma	100,233	C. J. Segerstrom & Sons

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