

ORANGE COUNTY

Economic Indicators

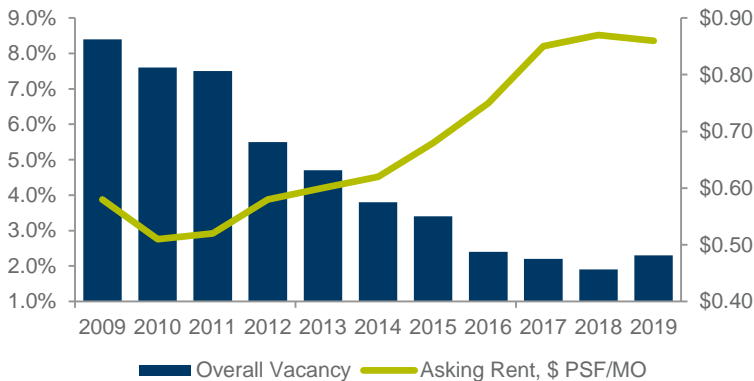
	Q2 18	Q2 19	12-Month Forecast
O.C. Employment	1.65M	1.67M	▲
O.C. Unemployment*	3.4%	2.4%	▼
U.S. Unemployment	3.9%	3.6%	▼

*As of May

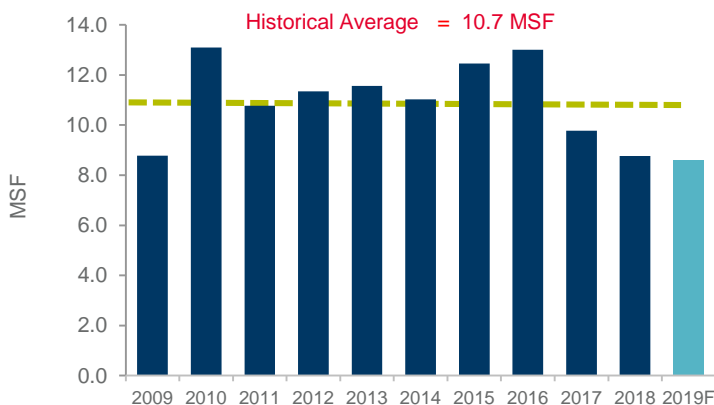
Market Indicators (Overall, All Product Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	1.9%	2.3%	▼
YTD Net Absorption (sf)	191K	-1.1M	▲
Under Construction (sf)	1.4M	573K	▼
Average Warehouse Net Asking Rent	\$0.86	\$0.86	▲

Overall Vacancy/Warehouse Asking Rent



Leasing Activity



Economy

Orange County employment continues to make positive strides moving into mid-2019 with an unemployment rate of 2.4% in May and the addition of 18,600 jobs (+1.1%) over the past year. Imports into the San Pedro Bay ports declined 3.3% in the half of the year, as trade war tensions between the U.S. and China continued to impact the flow of goods. Imports at the nation's major container ports are expected to grow only modestly compared with last year's record setting rush to bring merchandise into the country ahead of scheduled tariff increases.

Market Overview

Orange County's overall vacancy rate decreased 10 bps from first quarter, ending the second quarter at 2.3%. The 40-bp year-over-year increase in vacancy is attributed to a handful of large move-outs and warehouse completions that delivered vacant in the first quarter. Orange County continues to be one of the tightest industrial markets in the country with 3.0% vacancy for warehouse properties. Overall asking rates for warehouse product finished the quarter with an average of \$0.86 per square foot per month (psf/mo). The average effective rent for Class A space over 50,000 sf has jumped 46.3% since year-end 2014 and will continue to trend up due to lack of supply. Due to a number of large deals in the second quarter, leasing activity was up 17.0% at mid-year, compared to the same period a year ago. The largest lease transaction of the second quarter was IDC Logistics' 447,055-sf lease at 6700-6750 Artesia Blvd. in Buena Park. Three of the top six lease transactions involved logistics companies, demonstrating the continued demand for fulfillment space across the region. Still saddled with JCPenney's move-out of 1.1 million square feet (msf) earlier this year, mid-year's net absorption was negative 1.1 msf. The largest move-in of the quarter was by Quiet Logistics, who occupied 424,285 sf at 6565 Valley View Street in La Palma. Industrial product continues to be the favored asset class among investors in Orange County. Investor activity saw healthy transaction volume over the first half of 2019 with 2.6 msf trading, an increase of 10.1% compared to the same period last year.

Outlook

Although there are rising uncertainties over trade and global growth, the outlook for the economy remains favorable for continued growth. The underlying economic fundamentals that drive demand for industrial space will remain healthy. Consumer demand and spending have remained relatively resilient and eCommerce continues to thrive. The enormous emphasis on improving efficiency in the last-mile of distribution will continue to generate demand. However, the need for quality fulfillment space is evident given the limited options throughout the county. Consequently, the market will continue to improve from both a rental and pricing perspective.

MARKETBEAT

Orange County

Industrial Q2 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	18,054,311	281,968	0	3.2%	-331,919	0	0	\$1.23	\$1.47	\$0.95
Lake Forest/R.S.M./F. Ranch	469	12,182,491	155,863	0	0.5%	17,431	0	0	\$1.46	\$1.64	\$1.35
Laguna Hills/Aliso Viejo	127	3,810,210	42,204	0	1.2%	-28,259	0	0	\$1.25	\$1.40	\$1.47
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	3,705	0	1.2%	-7,694	0	0	\$1.34	N/A	\$1.40
S.J. Capo/S.Clemente/D.P.	141	3,956,534	29,414	0	0.2%	35,787	0	0	\$1.37	N/A	N/A
South County	1,320	40,049,219	514,838	0	1.8%	-312,970	0	0	\$1.29	\$1.54	\$1.02
Fountain Valley	169	5,105,842	28,395	0	0.7%	-13,098	0	0	\$1.17	N/A	\$1.37
Tustin	212	8,464,989	17,505	0	4.6%	-27,652	0	0	\$1.09	\$0.97	\$1.06
Santa Ana	1,036	32,752,209	290,247	27,100	3.0%	-45,965	472,667	0	\$0.89	\$1.24	\$0.80
Costa Mesa	370	11,614,471	138,028	29,540	1.4%	157,030	100,233	0	\$1.38	N/A	\$0.90
Newport Beach	47	829,112	2,500	0	0.0%	2,500	0	0	N/A	N/A	N/A
Irvine	629	21,432,104	489,025	0	1.9%	130,406	0	0	\$0.97	N/A	\$0.86
Greater Airport Area	2,463	80,198,727	965,700	56,640	2.5%	203,221	572,900	0	\$0.96	\$1.07	\$0.89
Seal Beach	11	906,612	57,033	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	13,445,823	179,048	26,800	1.2%	-119,801	0	0	\$0.93	\$1.05	\$0.97
Garden Grove	308	11,994,834	279,742	103,964	2.4%	11,635	0	0	\$0.90	N/A	\$0.86
Los Alamitos/Stanton	148	4,075,193	3,240	0	0.2%	1,800	0	0	N/A	\$1.06	\$1.06
Cypress	107	6,336,030	66,432	0	4.5%	-199,286	0	0	\$0.89	\$0.84	N/A
La Palma	19	1,973,294	424,285	22,271	4.0%	0	0	0	N/A	N/A	N/A
West County	1,173	41,265,151	1,013,530	153,035	2.0%	-251,829	0	0	\$0.90	\$0.86	\$0.92
Anaheim	1,459	49,483,398	439,000	52,204	0.6%	84,097	0	114,659	\$1.02	\$1.20	\$0.83
Orange	498	13,253,310	108,312	24,800	1.0%	13,002	0	0	\$1.05	N/A	\$0.89
Fullerton	342	18,829,415	444,784	137,659	5.3%	60,205	0	0	\$0.85	\$0.98	\$0.86
Brea/La Habra	364	13,732,602	131,429	0	1.1%	5,854	0	0	\$1.00	N/A	\$0.91
Placentia/Yorba Linda	242	6,900,772	83,171	10,000	1.5%	74,065	0	117,695	N/A	\$1.04	\$0.90
Buena Park	180	13,038,703	662,222	0	9.0%	-1,011,252	0	0	N/A	N/A	\$0.82
North County	3,085	115,238,200	1,868,918	224,663	2.5%	-774,029	0	232,354	\$0.91	\$1.05	\$0.84
ORANGE COUNTY TOTALS	8,041	276,751,297	4,362,986	434,338	2.3%	-1,135,607	572,900	232,354	\$0.97	\$1.03	\$0.86

*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 Q2 2019



Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6700-6750 Artesia Blvd, Buena Park	447,055	IDC Logistics	New Lease	North County
6565 Valley View Ave, La Palma	424,285	Quiet Logistics	New Lease	North County
2036-2040 Dyer Rd, Santa Ana	278,132	Integral Aerospace	Renewal*	Airport Area
4320 N Harbor Blvd, Fullerton	78,523	Chubby Gorilla	New Lease	North County
7340 Lampson Ave, Garden Grove	76,080	Pacific Athletic Wear Inc.	New Lease	West County
1365 S Van Buren St, Anaheim	60,809	Rakuten Super Logistics	New Lease	North County
1729 Apollo Ct, Seal Beach	57,033	Boeing	New Lease	West County
1540-1543 Page Ct, Anaheim	53,058	Chef's Toys	New Lease	North County
3172 Nasa St, Brea	50,600	Yes4All	New Lease	North County

*Renewals not included in leasing activity

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF	SUBMARKET
Prologis Portfolio @ Fenwick, Westminster	264,000	Freeway Industrial Parks / Prologis	\$44,020,000 / \$167	West County
1382 Bell Ave, Tustin	120,800	Bell Atlantic / GEM Realty Capital	\$25,247,200 / \$209	Airport Area
445-449 Freedom Ave, Orange	92,900	Colony Capital / Rexford Industrial	\$18,000,000 / \$194	North County
3080 Airway Ave, Costa Mesa	78,738	Pacific Industrial / T.R. Funding	\$21,731,688 / \$276	Airport Area
1442-1450 W. Collins Ave, Orange	78,100	Positive Investments / Omani LLC	\$11,324,500 / \$145	North County
1620 Sunflower Ave, Costa Mesa	72,634	Tim Nguyen / SFHY Enterprises LLC	\$9,370,000 / \$129	Airport Area

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