

Market Intel

Orange County Industrial Mid-Year Recap 2018

Prepared By:

Kevin Turner, SIOR, GLS

Executive Director

18111 Von Karman Avenue, Suite 1000

Irvine, CA 92612

Tel: + 949 955 7653

Mobile: + 714 928 2984

kevin.turner@cushwake.com

cushmanwakefield.com



Introduction

The most interesting news is how the weed whackers aka pot cannabis groups have valued industrial real estate. These groups are paying \$250.00 PSF for functionally obsolete industrial buildings in Santa Ana. 1815 Carnegie is getting flipped with full permits for over \$350.00 PSF. With no permits left in Santa Ana the numbers get crazy. Santa Ana will issue 11 more permits, the application deadline was last Tuesday.

Other News and Major New Developments

CJ Segerstrom & Sons will build a brand new 100,000 SF 32' clear dock high DC in Costa Mesa. Segerstrom had a deal tee'd up and construction costs came in higher, rents have been going up and they wisely rescinded the lease and the tenant who we know to potentially be a multi bldg. occupier, that is very close to the subject property, is back at the table with a new offer in the mid 90's NNN. Rumor has it its Robison Pharma.

The ITT Cannon Site (Dyer and 55 FWY) Shea Developments project listed by John Griffin now has a site plan see attached, great location, well designed project should be a home run. Pricing TBD. Construction likely to start by late 4th quarter 2018.

Boeing is selling their office building in Huntington Beach off Bolsa Chica and the 405 Freeway situated on 30 acres. There were 25 offers and Sares Regis was the highest bidder. No surprise and they have a great relationship with Boeing (LB Airport Deal). Sares Regis will knock **down a class A mid-rise office** and replace with approximately 630,000 SF of industrial in multiple buildings. Most of the buyers were underwriting at \$0.95 NNN rents, which I think is low considering the location: first stop from the Port inside the Orange Curtain.

Rusty Turner flipped Dyer Road this year to Hines. Nice tidy little profit, Hines paid \$57M (\$137.57 PSF) for the 414,309/sf 1950's vintage former tire manufacturing facility that Royalty carpets recently moved out of. The asset undergoing facelift and should see rents land in the high 70's to low 80's; clear height and limited truck court is the holdback.

The 14.7 acre Ricoh site at Redhill and Warner is down to its best and final participants. They may have seen 30 offers. The estimated land value could be north of \$65.00 PSF. Last mile, lack of 30' clear and greater has the developer community excited about this site. Why, we have been losing about 1,000,000 SF a year to Multi-family for the last 10 years and there are only about 65 building in the county that have minimum clear heights greater than 30'.

Western Realco is 45 days away from finishing their multi bldg. project in Fullerton on the former Beckman site for a total of 900,000 SF. Well-designed with yards and fwy close to the 57.

Duke is getting close to finishing their project off Trojan way in BP, 477,000 SF and it's going to UPS.

Duke also recently closed on 500-700 Burning Tree in Fullerton 120,000 Sf for \$190.00 PSF

Panattoni has a new 4 building 232,000 SF project in North County situated on 10.2 acres on Van Buren Street just off Mira Loma. Buildings will range from 47,813 to 69,882 SF.

The JC Penny site has a deal working with USPS for the 1,000,000 Sf bomber on Valley View. (Another last touch user tied to EComm). This asset was purchased by Centerpointe Properties. They paid about \$130M.

In South OC, Applied Medical is still buying, they have the Sheriffs site/building under contract at \$240.00 PSF. This is a rear load 24' clear distribution building that also houses a jail holding facility and ops for the OC Sheriff and fronts 241 Toll Road, originally built by IDI and the building is 125,000 SF.

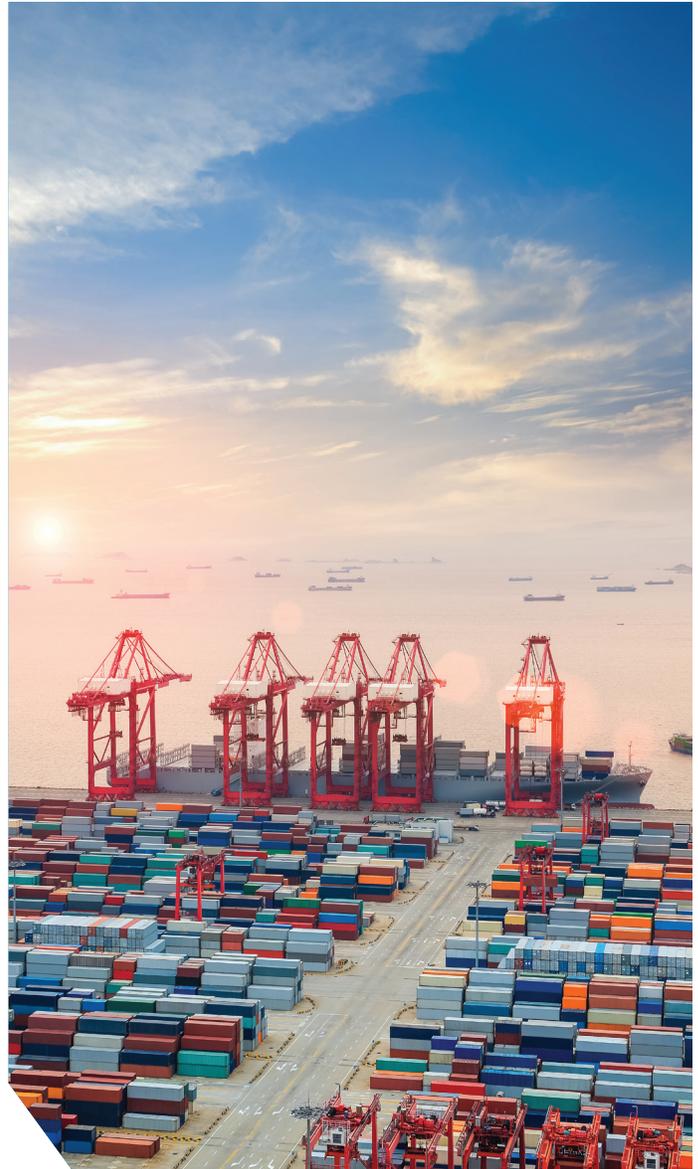
How about the steal of the year in South Orange County with ProLogis buying 50 ICON for \$180.00 PSF, incredible upside with a new lease at just .64 NNN (renewal even). That tenant would have paid a lot more but they say "cheaper to keeper" than risk losing. My math is tried and true. In south county average rental interruption if you lose a tenant over 75,000 SF over the last 10 years is 12 months. The Hampton building is in one of the best DC's in South County (fronts the 241, 180' truck court, full drive around with EFR and 30 clear). The building would lease for \$0.82 to \$0.85 NNN and divided north of \$0.95 NNN. The building is 307,781 SF.

Near the Port and South Bay: A Couple of Monster Deals

Bridge Development sold their brand new state-of-the-art 512,490 SF 36' HPA designed DC on 20.37 acres to Morgan Stanley for \$102M, 3 weeks after close Morgan Leased to Nordstrom's for an ECOMM fulfillment center. The property was the former Farmer Bros site that had 8 buildings and a basement. Bridge leveled the site after they paid \$43M. No new entitlements were required as they had a "by right" to reconstruct and actually reduce the original square footage by about 100,000 SF. Nordstrom is paying \$0.85 NNN, which seems very low, given the delivery density and proximity to Port, my model would indicate their inflection point was around \$1.25 NNN and that does not take into account the increased service metrics to its adjacent population center vs the IE.

Damco- AP Moeller Maersk just signed a huge 10 year lease with Goodman for 989,809 SF (Former Albertsons Site). I will follow up on lease details. Deal was just signed. Don Smith of Lee rep'd the tenant.

In the IE, the Optimus Logistics Center is under contract, Fortune 500 user and they will occupy 1,100,000 SF at I-215 and Ramona Expressway. I worked on this with Gary Hamro from Optimus and JLL to entitle and sell land to Rockefeller and Western Realco. Western Realco is building a 912,000 SF next door and Rockefeller is nearing completion at the same location on another 405,550 SF facility.



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