

MARKETBEAT INDUSTRIAL SNAPSHOT



ORANGE COUNTY, CA

A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

According to the California Employment Development Department, 32,200 jobs were added in Orange County in the past 12 months, an increase of 2.2%. The construction sector added 7,700 jobs, trade/transportation & utilities grew by 1,800 jobs and manufacturing lost 2,300 jobs. The unemployment rate in Orange County was 5.0% in November 2014, unchanged from a revised 5.0% in October, and below the year-ago estimate of 5.8%. This compares with an unadjusted unemployment rate of 7.1% for California and 5.5% for the nation during the same period. Orange County unemployment was highest in July 2010 with a rate of 9.9%. The LAEDC forecasts the unemployment rate will decline to 4.8% in 2015. Meanwhile, total trade volume at the Ports of Los Angeles and Long Beach increased by 3.8% in 2014 with import volume rising by 4.8%. Cargo diversions from congested Southern California ports has resulted in lower growth than projected.

MARKET CONTINUES TO TIGHTEN AT YEAR-END

Demand for industrial space was positive with 595,839 square feet (sf) of occupancy gains for the fourth quarter. The year-to-date positive net absorption of 1.7 million square feet (msf) was lower than 2.2 msf from the same time last year. The county's overall vacancy rate declined to 3.7%, which represents a decline of 50 basis points (bps) from a year ago and the lowest since 2007. With strong demand, the market has now absorbed 6.1 msf of space in the last four years.

The positive demand for industrial space has caused average direct net rental rates to increase to \$0.75 per square foot per month (psf/mo) during fourth quarter for an annual growth of 4.2%. With 11.0 msf of leased space, the tightening market contributed to a slight slowdown in leasing volume this year, resulting in a 4.6% annual drop in leasing activity. North County continued to have the lowest vacancy rate in the county at 3.4% as a result occupancy gains of 1.1 msf for the year.

NEW CONSTRUCTION COMPLETIONS RISE IN 2014

As the Orange County market continues to tighten and to have one of the lowest vacancy rates in the country, the increase of new construction deliveries should benefit the market. The 975,964 sf of new construction completions in 2014 is the highest amount since 2005. The rise of new construction completions shows that developers are bullish on the market and that demand for class A space is strong.

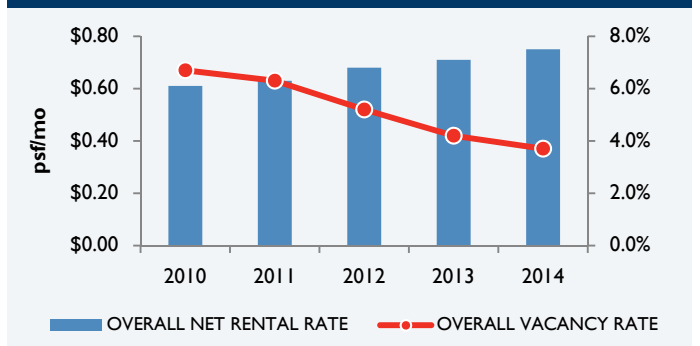
OUTLOOK

Encouraging projections on the local economy for 2015 should provide favorable conditions for the Orange County industrial market to positively grow. With vacancy rates near record lows, asking rental rates and sales prices should continue to slowly trend upwards. Positive growth in market fundamentals will provide an advantageous environment for investment activity.

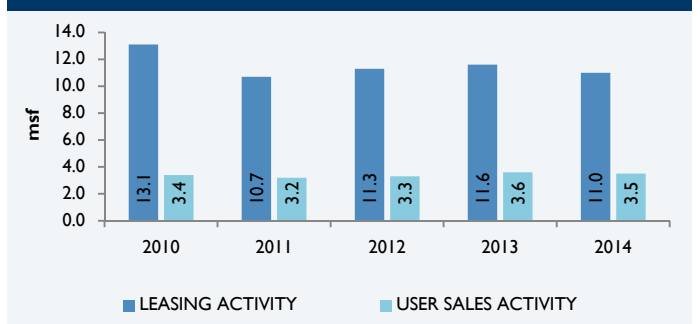
STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	4.2%	3.7%	-0.5pp	▼
Direct Asking Rents (psf/mo)	\$0.72	\$0.75	4.2%	▲
YTD Leasing Activity (sf)	11,563,714	11,031,387	-4.6%	◀▶

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



ORANGE COUNTY, CA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT	MF	OS	W/D
Irvine Spectrum	17,872,348	5.1%	1,168,723	403,315	26,382	0	47,750	64,122	\$1.04	\$0.78	\$1.11	\$0.83
Lake F/RSM/F. Ranch	12,223,647	3.9%	510,672	119,444	0	0	(124,565)	(207,093)	N/A	\$0.72	\$1.13	\$0.81
Laguna Hills/Aliso Viejo	3,773,210	3.6%	134,105	45,004	0	0	40,232	37,592	\$0.74	\$0.86	\$1.10	\$1.04
Laguna Niguel/Laguna B	611,445	0.9%	1,858	16,768	0	0	0	0	N/A	\$1.20	N/A	\$0.85
Mission Viejo	1,425,392	2.8%	97,500	0	0	0	(14,575)	(22,771)	\$0.79	\$0.84	N/A	\$0.79
S.J. Cap/S. Clemente/DP	4,011,158	4.0%	147,997	117,022	0	0	(41,998)	(41,998)	\$1.00	\$0.82	\$1.75	\$0.94
SOUTH COUNTY	39,917,200	4.4%	2,060,855	701,553	26,382	0	(93,156)	(170,148)	\$0.99	\$0.79	\$1.11	\$0.83
Fountain Valley	4,883,869	1.1%	59,477	62,838	0	0	(2,129)	(2,129)	\$0.52	\$0.85	\$0.95	N/A
Tustin	9,281,351	9.8%	435,802	20,493	0	0	(264,959)	(284,419)	\$0.98	\$0.76	\$1.20	\$0.60
Santa Ana	33,725,211	2.2%	1,018,080	210,138	0	0	178,499	190,550	\$0.88	\$0.63	\$0.94	\$0.64
Costa Mesa	11,792,575	3.3%	526,418	20,911	0	0	56,083	27,305	N/A	\$0.91	\$0.92	\$0.68
Newport Beach	1,267,239	2.3%	11,680	0	0	0	(3,600)	(3,600)	N/A	\$0.95	N/A	N/A
Irvine (No Spectrum)	24,084,712	3.6%	1,018,849	356,068	0	13,530	263,230	266,492	\$0.93	\$0.87	\$0.67	\$0.58
GREATER AIRPORT AREA	85,034,957	3.5%	3,070,306	670,448	0	13,530	(227,124)	(194,199)	\$0.95	\$0.78	\$0.94	\$0.63
Seal Beach	896,105	7.1%	0	0	0	0	0	0	N/A	N/A	N/A	N/A
Westminster	2,515,035	0.3%	57,021	0	0	0	104	104	N/A	\$0.74	N/A	N/A
Huntington Beach	13,207,328	5.8%	683,699	109,360	144,754	0	454,324	464,794	N/A	\$0.81	\$0.84	\$0.57
Garden Grove	12,017,830	3.3%	638,499	202,527	0	0	29,419	(16,267)	\$1.22	\$0.68	\$0.65	\$0.55
Los Alamitos/Stanton	4,075,127	4.4%	105,232	14,800	0	0	21,466	21,466	N/A	\$0.62	\$0.86	N/A
Cypress	6,305,403	4.3%	515,497	0	0	0	69,643	106,476	N/A	\$0.74	\$1.12	\$0.88
La Palma	2,034,089	4.3%	0	0	0	0	(29,311)	(29,311)	\$1.25	\$0.56	\$1.25	N/A
WEST COUNTY	41,050,917	4.3%	1,999,948	326,687	144,754	0	545,645	547,262	\$1.24	\$0.68	\$0.97	\$0.57
Anaheim	50,335,635	2.9%	1,571,879	721,546	0	962,434	1,118,154	1,149,786	\$0.91	\$0.69	\$0.71	\$0.54
Orange	13,980,793	1.4%	234,867	401,619	0	0	11,430	(8,619)	\$0.85	\$0.80	\$1.17	\$0.75
Fullerton	18,731,993	3.7%	420,753	360,967	0	0	(276,910)	(255,490)	N/A	\$0.56	\$1.06	\$0.54
Brea/La Habra	13,144,767	4.3%	494,527	159,329	358,128	0	62,289	69,272	\$0.73	\$0.65	N/A	\$0.68
Placentia/Yorba Linda	6,746,477	4.3%	413,192	113,480	0	0	173,457	128,613	\$1.12	\$0.76	\$0.87	\$0.67
Buena Park	12,555,244	5.5%	765,060	36,067	0	0	62,232	62,232	N/A	\$0.69	\$0.62	\$0.58
NORTH COUNTY	115,494,909	3.4%	3,900,278	1,793,008	358,128	962,434	1,150,652	1,145,794	\$0.85	\$0.66	\$0.86	\$0.58
TOTALS	281,497,983	3.7%	11,031,387	3,491,696	529,264	975,964	1,830,265	1,717,107	\$0.97	\$0.72	\$0.96	\$0.63

* RENTAL RATES REFLECT ASKING \$PSF/MONTH

HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS				
	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
6311 Knott Avenue, Buena Park*	Buena Park	Houdini, Inc.	Warehouse/Distribution	399,473
6400 Valley View Street, Buena Park	Buena Park	Dynamic Worldwide West	Warehouse/Distribution	238,270
6300 Valley View Street, Buena Park	Buena Park	Manhattan Beachwear	Warehouse/Distribution	190,800
105 South Puente Street, Brea	Brea/La Habra	Pleaser USA, Inc.	Warehouse/Distribution	184,000
5800 Skylab Road, Huntington Beach	Huntington Beach	Mitsubishi Electronics	Warehouse/Distribution	167,778
3340 East La Palma Avenue, Anaheim	Anaheim	Intense Lighting	Manufacturing	153,898
9400 Jeronimo Road*	Irvine Spectrum	Arbonne International	Flex	146,482
3130 Miraloma Avenue, Anaheim	Anaheim	Cadence Aerospace/Arden Engineering	Warehouse/Distribution	144,000
1415 South Acacia Street, Fullerton*	Fullerton	Advanced Image Direct	Warehouse/Distribution	135,571
12101 Western Avenue, Garden Grove	Garden Grove	OneSource Distributors, LLC	Warehouse/Distribution	125,773
SIGNIFICANT 2014 SALE TRANSACTIONS				
	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
6550 Katella Avenue/11150 Hope Street, Cypress	Cypress	Stockbridge Capital Group	\$60,000,000 / \$110	543,441
601 South Acacia Avenue, Fullerton	Fullerton	KTR Capital Partners	\$42,750,000 / \$97	440,227
52 Discovery, Irvine	Irvine Spectrum	Masimo Corporation	\$56,000,000 / \$262	213,400
2201 East Cerritos Avenue, Anaheim	Anaheim	Regal Logistics	\$27,262,950 / \$130	209,715
700 South Raymond Avenue, Fullerton	Fullerton	Mesa Cold Storage	\$16,200,000 / \$77	209,130
1700 Saturn Way, Seal Beach	Seal Beach	Rexford Industrial	\$21,100,000 / \$115	184,000
1315 North Blue Gum Street, Anaheim (7 properties)	Anaheim	Turner Development Corp.	\$19,389,500 / \$110	176,450
6545-6549 Caballero Boulevard, Buena Park	Buena Park	Prologis	\$18,393,870 / \$110	167,217
2330 Raymer Avenue, Fullerton	Fullerton	Michael Nicholas Designs, Inc.	\$12,600,000 / \$90	139,592
17822 Gillette Avenue, Irvine	Irvine (No Spectrum)	Greenlaw Partners	\$18,000,000 / \$141	127,490
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Anaheim Concourse Phase I (4 buildings)	Anaheim	Longust Distributing, Inc.	Q4 2014	625,950 (15%)
Anaheim Concourse Phase II (4 buildings)	Anaheim	Meyer Corp. & MaxLite	Q3 2014	243,037 (50%)
4850 East La Palma Avenue, Anaheim	Anaheim	Shaxon Industries, Inc.	Q3 2014	93,447 (58%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Nasa Business Park (3 buildings)	Brea/La Habra	N/A	Q2 2015	358,128 (0%)
17322 & 17332 Gothard Street	Huntington Beach	N/A	Q2 2015	144,754 (0%)

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS