MARKETBEAT
INDUSTRIAL SNAPSHOT

ORANGE COUNTY, CA
A Cushman & Wakefield Research Publication

Q2 2015

ECONOMIC OVERVIEW

According to the California Employment Development Department, 50,700 jobs were added in Orange County in the past 12 months, an increase of 3.4%. The construction sector added 7,200 jobs, trade/transportation & utilities grew by 5,500 jobs and manufacturing added 5,300 jobs. The unemployment rate in Orange County was 4.2% in May 2015, up from a revised 4.1% in April, but 100 bps lower than a year-ago estimate of 5.2%. This rate compares with an unadjusted unemployment rate of 6.2% for California and 5.3% for the nation during the same period. Meanwhile, the total container volume in Los Angeles-Long Beach dropped 1.7% year over year in the first five months of 2015 while import volume decreased 2.3% from a year ago.

VACANCY CONTINUES TO TREND DOWN

At midyear, the 891,004 square feet (sf) of net absorption was significantly higher than the 335,051 sf of occupancy gains recorded the same time last year. Positive demand pushed the county's overall vacancy rate down to 3.5%, 40 basis points (bps) lower than the rate from one year ago of 3.9%. Due to strong user demand, the market absorbed 6.9 million square feet (msf) of space since the start of 2011.

Competition for industrial space pushed rental rates higher and the average direct net rental rates increased to $0.77 per square foot per month (psf/mo) during second quarter for an annual growth of 4.1%. Despite the tight market, leasing activity increased 4.6% from the same time last year to 6.0 msf. User sales activity increased 6.3% from last year to 2.1 msf, demonstrating strong user demand to purchase industrial buildings.

INVESTMENT ACTIVITY HEATS UP

Thanks to declining vacancy and rising asking rents, investors' confidence in the Orange County industrial market is growing. With positive market fundamentals, investors view vacant properties as opportunities to take advantage of strong demand from tenants to lease space at increasing rental rates. Competition to acquire core assets is growing as more investors target 100% leased properties in Orange County to increase stable cash flow in their portfolios.

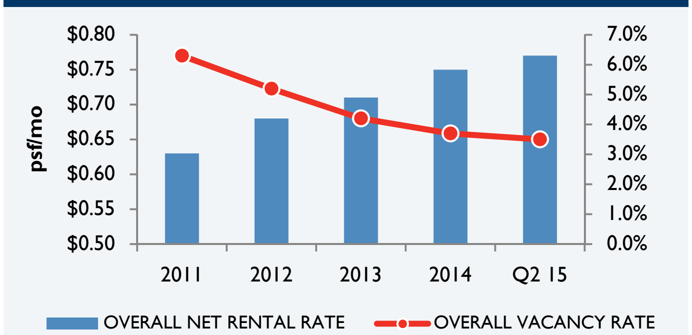
OUTLOOK

Despite new construction completions delivering to the market, there continues to be a lack of available functional space in Orange County. Along with low vacancy, recently completed developments and projects currently under construction are pushing up rental rates and sale prices throughout the market. With local positive economic indicators, including healthy job growth, the industrial market is poised for strong growth.

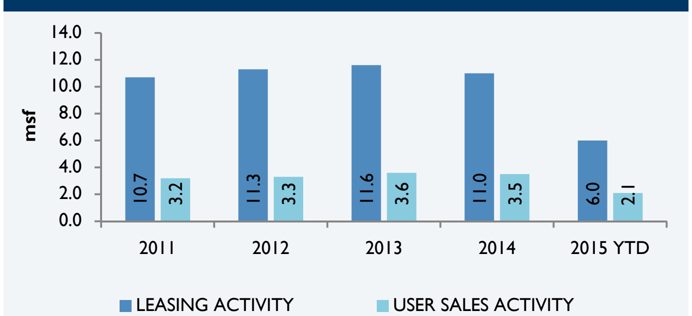
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	3.9%	3.5%	-0.4 pp	▼
Direct Asking Rents (psf/mo)	$0.74	$0.77	4.1%	▲
YTD Leasing Activity (sf)	5,723,067	5,988,542	4.6%	◄►

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



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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	17,885,001	5.2%	585,356	36,365	26,382	0	(17,139)	(41,987)	$1.43	$0.96	$1.13	$0.77
Lake F/RSM/F. Ranch	12,149,303	4.5%	236,380	361,808	0	0	(95,504)	(79,910)	$0.83	$0.76	$1.07	$0.79
Laguna Hills/Aliso Viejo	3,790,210	3.3%	95,574	0	0	0	2,834	5,474	$0.76	$0.95	$1.05	$1.06
Laguna Niguel/Laguna B.	620,370	0.9%	0	0	0	0	0	0	N/A	$1.20	N/A	$0.85
Mission Viejo	1,425,392	2.2%	44,799	0	0	0	7,020	9,132	$0.68	$0.84	N/A	$0.86
S.J. Cap/S. Clemente/DP	3,979,315	2.8%	80,424	31,077	0	0	50,906	50,906	$1.29	$1.07	$1.16	$0.86
SOUTH COUNTY	39,849,591	4.4%	1,042,533	429,250	26,382	0	(51,883)	(56,385)	$1.19	$0.88	$1.13	$0.81
Fountain Valley	4,883,869	1.0%	52,048	0	172,713	0	3,521	3,521	$0.52	$1.10	$0.96	$1.39
Tustin	9,202,420	7.2%	251,500	127,852	0	0	154,534	154,197	$1.01	$0.78	$0.93	$0.62
Santa Ana	33,638,257	2.7%	830,735	125,907	0	0	(244,173)	(217,611)	$0.89	$0.64	$1.10	$0.67
Costa Mesa	11,792,575	2.2%	265,633	35,500	0	0	112,366	133,304	N/A	$1.02	$1.12	$0.63
Newport Beach	1,267,239	2.1%	9,726	0	0	0	3,028	3,028	N/A	$0.94	N/A	N/A
Irvine	24,088,093	2.8%	373,445	89,303	0	0	115,759	177,759	$0.79	$0.77	$0.92	$0.56
GREATER AIRPORT AREA	84,872,453	3.0%	1,783,087	378,562	172,713	0	145,035	254,198	$0.90	$0.74	$1.00	$0.63
Seal Beach	896,105	0.0%	0	0	0	0	0	0	N/A	N/A	N/A	N/A
Westminster	2,515,037	1.1%	78,547	0	0	0	0	(20,892)	N/A	$0.74	N/A	N/A
Huntington Beach	13,350,088	3.3%	197,993	98,934	0	144,754	459,115	459,115	N/A	$0.80	$0.84	$0.63
Garden Grove	12,064,054	2.2%	153,220	152,280	0	0	83,625	129,311	$1.04	$0.70	N/A	$0.57
Los Alamitos/Stanton	4,075,193	0.2%	179,145	0	0	0	171,256	171,256	N/A	$0.86	$1.05	N/A
Cypress	6,309,851	3.1%	376,643	12,554	0	0	39,307	39,307	N/A	$0.59	$0.99	$0.94
La Palma	2,034,089	3.7%	175,097	0	0	0	11,865	11,865	$1.25	N/A	$1.25	$0.51
WEST COUNTY	41,244,417	2.5%	1,160,645	263,768	0	144,754	765,168	789,962	$1.07	$0.66	$1.06	$0.62
Anaheim	50,319,241	3.6%	653,743	276,586	481,821	0	743	(19,778)	$0.73	$0.72	$0.87	$0.58
Orange	14,001,449	1.2%	129,171	49,399	0	0	3,167	27,056	$0.90	$0.84	$1.85	$0.71
Fullerton	18,732,750	6.0%	298,602	85,480	0	0	(471,133)	(429,981)	N/A	$0.57	$1.09	$0.53
Brea/La Habra	13,530,282	5.7%	248,695	522,172	0	358,128	173,062	173,062	$0.95	$0.74	$0.87	$0.70
Placentia/Yorba Linda	6,746,477	2.9%	179,557	14,136	0	0	73,192	73,192	$0.75	$0.83	$0.83	$1.16
Buena Park	12,572,446	4.4%	492,509	33,346	0	0	90,257	79,678	N/A	N/A	N/A	$0.60
NORTH COUNTY	115,902,645	4.0%	2,002,277	981,119	481,821	358,128	(130,712)	(96,771)	$0.76	$0.72	$0.98	$0.58
TOTALS	**281,869,106**	**3.5%**	**5,988,542**	**2,052,699**	**680,916**	**502,882**	**727,608**	**891,004**	**$1.02**	**$0.75**	**$1.04**	**$0.64**

* RENTAL RATES REFLECT ASKING $PSF/MONTH HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

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MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
6101-6131 Knott Avenue, Buena Park	Buena Park	Wheel Pros	Warehouse/Distribution	272,548
1930 Malvern Street, Fullerton*	Fullerton	PSS Worldwide Medical	Manufacturing	147,950
20 Icon, Foothill Ranch	Lake F/RSM/F. Ranch	Cox Communications	Manufacturing	102,299
6450 Caballero Boulevard, Buena Park*	Buena Park	Metals USA	Warehouse/Distribution	96,096
701 Sally Place, Fullerton*	Fullerton	Carolina Logistics	Warehouse/Distribution	85,172

SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / $PSF	SQUARE FEET
3172 Nasa Street, Brea	Brea/La Habra	TSW Alloy Wheels	$21,146,034 / $137	154,916
409 Saturn Street, Brea	Brea/La Habra	EVGA Corporation	$14,817,584 / $137	107,942
415 Saturn Street, Brea	Brea/La Habra	Suheung-America Corporation	$13,164,408 / $138	95,270
27234 Camino Capistrano, Laguna Niguel (2 buildings)	Laguna Niguel/Laguna B.	William H. Griffith Trust	$12,500,000 / $146	85,373
950-1150 Central Avenue, Brea (3 buildings)	Brea/La Habra	Guthrie Development	$11,760,000 / $140	84,000

SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Nasa Business Park, Brea (3 buildings)	Brea/La Habra	TSW Alloy Wheels, EVGA Corporation, Suheung-America Corporation	Q2 2015	358,128 (100%)
17322-17332 Gothard Street, Huntington Beach (2 buildings)	Huntington Beach	N/A	Q2 2015	144,754 (0%)

SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Anaheim Concourse, Anaheim (6 buildings)	Anaheim	N/A	Q4 2015	481,821 (0%)
Southpark Business Center, Fountain Valley (2 buildings)	Fountain Valley	N/A	Q4 2015	172,713 (0%)
16450 Scientific Way, Irvine	Irvine Spectrum	N/A	Q4 2015	26,382 (0%)

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

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