

MARKET OVERVIEW. As we head into the second quarter of 2018, the Orange County industrial market is exhibiting many characteristics similar to 2017, most notably a continued decrease in vacancy and a subsequent increase in net occupancy, which are contributing to an increase in asking lease rates. We will continue to see limited opportunities for new development with land and sale prices remaining high. The demand for industrial space in this limited market continues to grow. Competition is fierce among companies in search of landing a sizable footprint, as available inventory remains lower than in neighboring Inland Empire and Los Angeles, which can both accommodate a growing industrial presence. Investors continue to target Orange County industrial properties, often with the purpose of redevelopment.

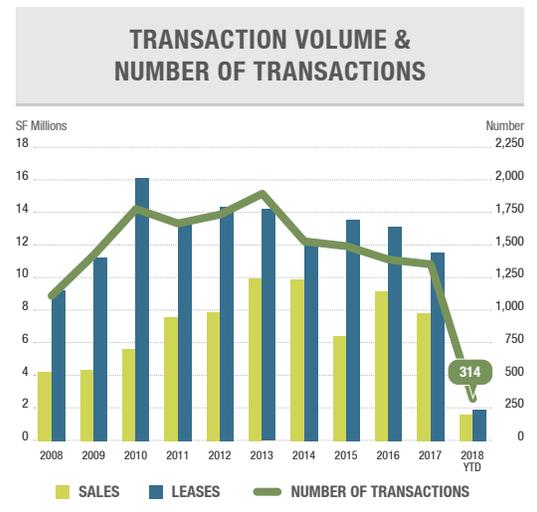
VACANCY. Direct/sublease space (unoccupied) finished the quarter at 2.15%, one of the lowest figures seen since the fourth quarter of 2016 (2.13%) and a decrease of 1.83% when compared to the first quarter of 2017. Expect vacancy rates to stay low as the limited and shrinking inventory of quality buildings is quickly absorbed by a motivated pool of tenants. Finding availabilities will continue to be a significant hurdle for tenants in 2018 and reaction time will be critical. Off-market deals will become the norm and any form of concessions being offered to tenants by landlords will be severely limited in this competitive market.

LEASE RATES. The average asking lease rate throughout Orange County is \$0.85 NNN per square foot per month, a one cent per square foot increase from last quarter and an eight cent per square foot increase from a year ago (10.39% annual increase). As tenant demand remains consistent and interest rates rise, making purchasing less attractive to many business owners, expect even more upward pressure on lease rates throughout 2018.

SALE PRICES. The Orange County industrial market's average asking price at the end of the first quarter 2018 came in at \$266.06 per square foot (average price tracks 1,000 square foot buildings and larger). While sale prices vary greatly depending on the size of the building and an average sale price doesn't tell the entire story, this represents an increase of nearly 8.71% from the first quarter of 2017. As interest rates move up we expect to see more modest levels of appreciation in 2018.

TRANSACTION ACTIVITY. The lack of availability of the large floor plates typical in Los Angeles and Inland Empire makes it difficult to retain large tenants interested in expanding and to secure firms looking to acquire a significant footprint. Businesses often settle with renewing existing leases while they wait for larger spaces to become available. Tenants may begin spreading out their operations to other markets that can accommodate their growth or restructuring, without the sticker shock of high rents. Orange County industrial users, particularly specialized manufacturers and distributors, have been expanding rather rapidly over the past 24 months despite an inventory shortage. The overall lack of available inventory has finally taken its toll on transaction volume (sales and leases) as gross activity dropped in the first quarter to 3.4 million square feet, down from 4.2 million square feet in the previous quarter.

AVAILABILITY. The availability rate, or ratio of available space (being marketed) to total rentable area in the region, came in at 4.61%, a 92-basis point drop from a year ago. The five-year average in Orange County is 5%, so recent compression would indicate a further increase in lease rates will be following.



Market Statistics

| | Change Over Last Quarter | 1Q 2018 | 4Q 2017 | 1Q 2017 | % Change Over Last Year |
|---------------------------|--------------------------|-----------|-----------|-----------|-------------------------|
| Vacancy Rate | ▼ DOWN | 2.15% | 2.28% | 2.19% | (1.83%) |
| Availability Rate | ▲ UP | 4.61% | 4.60% | 3.69% | 24.93% |
| Average Asking Lease Rate | ▲ UP | \$0.85 | \$0.84 | \$0.77 | 10.39% |
| Average Asking Sale Price | ▲ UP | \$266.06 | \$264.28 | \$244.74 | 8.71% |
| Sale & Lease Transactions | ▼ DOWN | 3,425,762 | 4,226,109 | 5,380,426 | (36.33%) |
| Gross Absorption | ▲ UP | 3,501,246 | 2,921,108 | 2,235,767 | 56.60% |
| Net Absorption | ▲ POSITIVE | 514,949 | 370,719 | (92,699) | N/A |

LEASE RATES. Anticipate asking rents to increase by a minimum of 4% to reach a level of \$0.88 per square foot by the end of 2018.

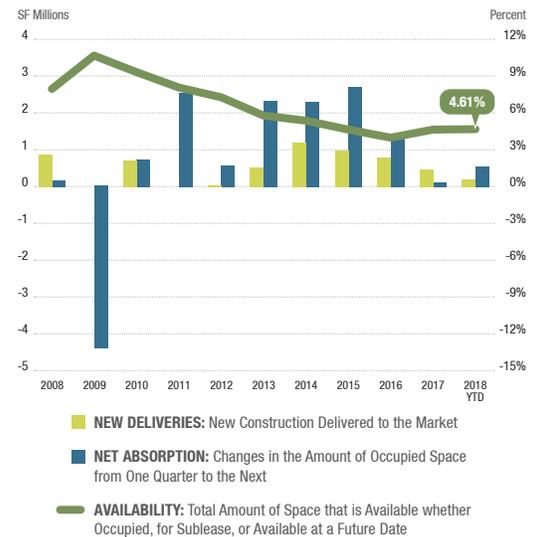
VACANCY. With limited new product coming online and tenants electing to recommit or to renew in larger blocks of space, expect vacancy rates to remain below 2.10% well into 2018.

OVERALL. Still a huge delta in industrial rents in the infill markets vs. the Inland Empire (\$.85 per square foot vs \$.59 per square foot in some cases), but transportation costs are a huge factor. If a firm's inventory turns over quickly, this requires that the originating location be in close proximity to end-point delivery or the drayage negates any rent savings. Many firms struggle to move east as well for fear of losing key employees and not having the qualified labor pool available to replace them. Infill industrial land is above \$50 per square foot in some markets and that number can easily reach \$65–\$70 per square foot in the next 12 months. The land residual can rise as rents grow, but longer development timeframes and rising construction costs are negatively impacting yields, making many developers more cautious.

CONSTRUCTION. Total space under construction checked in at 793,138 square feet at the end of 2017. Even though the market is craving new product, Orange County is short on industrial land. The most notable new construction is the redevelopment of the former Beckman Coulter Campus in Fullerton (Western Realco). Expected delivery is third quarter 2018 and initial interest across all size ranges has been strong. There are also smaller projects of 5–10 acres still in the planning phases in Brea, Anaheim and Placentia. With limited infill parcels now approaching \$50 per square foot in some cases, do not expect any significant new construction in the coming quarters. Even though the market is craving new, Class A product, there is simply an inadequate amount of available land for industrial development.

ABSORPTION. The Orange County industrial market posted 514,949 square feet of positive net absorption for the first quarter of 2018, giving the industrial market 1.9 million square feet of positive absorption since the first quarter of 2016 (9 consecutive quarters). Limited supply and strong demand are ingredients that continue to fuel rent growth in Orange County.

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



Significant Transactions

| Sales | | | | | | * Voit Real Estate Services Deal |
|------------------------------|------------------------|-------------|--------------|-----------------------------|------------------------------|----------------------------------|
| Property Address | Submarket | Square Feet | Sale Price | Buyer | Seller | |
| 515 E Dyer Rd. | Santa Ana | 414,308 | \$45,580,000 | MDD Partners, LP | 515 Dyer Property Owner, LLC | |
| 4150 N. Palm | Fullerton | 181,069 | \$32,592,420 | Independent Trading Company | Western Realco/AEW | |
| 17822 Gillette Ave. | Irvine | 127,490 | \$28,500,000 | Intracorp Companies | Greenlaw Partners | |
| 30142 Avenida De La Banderas | Rancho Santa Margarita | 88,672 | \$16,500,000 | Applied Medical | Car Sound Exhaust | |
| 6301 Orangethorpe Ave. | Buena Park | 15,005 | \$3,151,050 | Natureware, Inc. * | Ham Family Trust * | |

| Leases | | | | | | * Voit Real Estate Services Deal |
|---------------------------|--------------|-------------|------------------|----------------------|------------------------------|----------------------------------|
| Property Address | Submarket | Square Feet | Transaction Date | Tenant | Owner | |
| 12131 Western Ave. | Garden Grove | 207,953 | Oct-2017 | Southland Industries | Rexford Industrial-Western * | |
| 1765 W. Penhall Way | Anaheim | 128,372 | Dec-2017 | Legacy Farms | The Carson Companies | |
| 1200 Valencia Ave. | Tustin | 125,500 | Dec-2017 | B Braun Medical, LLC | GLP US Management, LLP | |
| 6590 Darin Way – Sublease | Cypress | 63,792 | Nov-2017 | Natureware, Inc. * | Sika Corporation | |
| 337 Freedom Ave. | Orange | 49,515 | Oct-2017 | SecurityBase.com | Mission Plaza Properties * | |

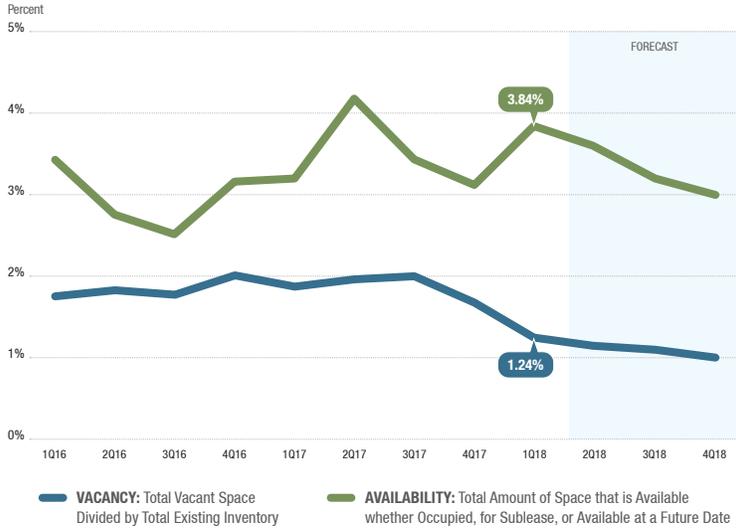
| | INVENTORY | | | | VACANCY & LEASE RATES | | | | | | ABSORPTION | | | |
|----------------------------|------------------|--------------------------|-------------------|---------------------|-----------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------------------|---------------------|-------------------------|-----------------------|
| | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 1Q2018 | Square Feet Available | Availability Rate 1Q2018 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption 1Q2018 | Net Absorption 2018 | Gross Absorption 1Q2018 | Gross Absorption 2018 |
| Airport Area | | | | | | | | | | | | | | |
| Costa Mesa | 425 | 7,573,677 | 0 | 100,276 | 478,145 | 6.31% | 674,201 | 8.90% | \$0.94 | \$336.53 | 4,745 | 4,745 | 79,123 | 79,123 |
| Fountain Valley | 186 | 3,856,669 | 0 | 73,200 | 16,663 | 0.43% | 161,153 | 4.18% | \$0.91 | \$0.00 | 23,865 | 23,865 | 37,777 | 37,777 |
| Irvine | 309 | 11,849,471 | 0 | 0 | 547,877 | 4.62% | 863,023 | 7.28% | \$0.76 | \$345.75 | 24,641 | 24,641 | 139,287 | 139,287 |
| Newport Beach | 49 | 587,567 | 0 | 0 | 24,289 | 4.13% | 10,640 | 1.81% | \$0.00 | \$0.00 | (6,566) | (6,566) | 2,434 | 2,434 |
| Santa Ana | 1,572 | 29,850,931 | 0 | 527,691 | 662,624 | 2.22% | 1,234,435 | 4.14% | \$0.84 | \$229.69 | 12,812 | 12,812 | 395,854 | 395,854 |
| Tustin | 115 | 4,459,648 | 0 | 0 | 190,721 | 4.28% | 213,068 | 4.78% | \$0.79 | \$255.09 | (74,328) | (74,328) | 166,828 | 166,828 |
| Airport Area Total | 2,656 | 58,177,963 | 0 | 701,167 | 1,920,319 | 3.30% | 3,156,520 | 5.43% | \$0.82 | \$272.23 | (14,831) | (14,831) | 821,303 | 821,303 |
| North County | | | | | | | | | | | | | | |
| Anaheim | 1,831 | 44,850,024 | 0 | 0 | 530,869 | 1.18% | 1,201,790 | 2.68% | \$0.84 | \$241.77 | 138,518 | 138,518 | 306,765 | 306,765 |
| Brea | 330 | 12,102,763 | 0 | 0 | 225,248 | 1.86% | 392,377 | 3.24% | \$1.00 | \$242.22 | 32,483 | 32,483 | 256,209 | 256,209 |
| Buena Park | 229 | 13,430,064 | 0 | 0 | 96,116 | 0.72% | 1,815,576 | 13.52% | \$0.82 | \$280.96 | 10,350 | 10,350 | 309,544 | 309,544 |
| Fullerton | 447 | 18,262,750 | 793,138 | 0 | 136,751 | 0.75% | 304,747 | 1.67% | \$0.79 | \$233.03 | 69,182 | 69,182 | 318,097 | 318,097 |
| La Habra | 198 | 3,493,102 | 0 | 42,000 | 23,224 | 0.66% | 26,011 | 0.74% | \$0.00 | \$185.38 | 13,406 | 13,406 | 14,411 | 14,411 |
| Orange | 737 | 13,663,357 | 0 | 0 | 289,360 | 2.12% | 239,925 | 1.76% | \$0.99 | \$219.28 | 21,541 | 21,541 | 139,108 | 139,108 |
| Placentia | 219 | 4,094,745 | 0 | 0 | 54,817 | 1.34% | 119,785 | 2.93% | \$0.00 | \$223.96 | 33,802 | 33,802 | 52,665 | 52,665 |
| Yorba Linda | 52 | 992,941 | 0 | 0 | 15,628 | 1.57% | 162,880 | 16.40% | \$0.00 | \$285.00 | 8,524 | 8,524 | 11,472 | 11,472 |
| North County Total | 4,043 | 110,889,746 | 793,138 | 42,000 | 1,372,013 | 1.24% | 4,263,091 | 3.84% | \$0.83 | \$238.86 | 327,806 | 327,806 | 1,408,271 | 1,408,271 |
| South County | | | | | | | | | | | | | | |
| Aliso Viejo | 16 | 662,132 | 0 | 0 | 0 | 0.00% | 0 | 0.00% | \$0.00 | \$0.00 | 0 | 0 | 19,680 | 19,680 |
| Foothill Ranch | 68 | 3,551,377 | 0 | 0 | 121,091 | 3.41% | 192,392 | 5.42% | \$0.77 | \$0.00 | 86,299 | 86,299 | 170,733 | 170,733 |
| Irvine Spectrum | 206 | 9,757,270 | 0 | 0 | 433,822 | 4.45% | 825,611 | 8.46% | \$0.98 | \$342.58 | (40,893) | (40,893) | 56,322 | 56,322 |
| Laguna Beach | 19 | 91,053 | 0 | 0 | 15,356 | 16.86% | 15,356 | 16.86% | \$0.00 | \$0.00 | 0 | 0 | 0 | 0 |
| Laguna Hills | 73 | 1,040,287 | 0 | 0 | 12,074 | 1.16% | 12,074 | 1.16% | \$1.35 | \$319.40 | (2,164) | (2,164) | 42,369 | 42,369 |
| Laguna Niguel | 21 | 282,095 | 0 | 0 | 0 | 0.00% | 0 | 0.00% | \$0.00 | \$0.00 | 0 | 0 | 0 | 0 |
| Lake Forest | 188 | 4,093,823 | 0 | 0 | 87,885 | 2.15% | 116,225 | 2.84% | \$1.26 | \$319.79 | 30,169 | 30,169 | 79,473 | 79,473 |
| Mission Viejo | 30 | 462,480 | 0 | 0 | 15,771 | 3.41% | 15,771 | 3.41% | \$0.00 | \$0.00 | (1,393) | (1,393) | 3,699 | 3,699 |
| Rancho Santa Margarita | 102 | 1,632,415 | 0 | 0 | 0 | 0.00% | 17,342 | 1.06% | \$0.00 | \$305.32 | 0 | 0 | 15,786 | 15,786 |
| San Clemente | 157 | 1,977,054 | 0 | 0 | 37,909 | 1.92% | 39,846 | 2.02% | \$1.05 | \$271.97 | 920 | 920 | 34,735 | 34,735 |
| San Juan Capistrano | 44 | 937,635 | 0 | 0 | 27,615 | 2.95% | 32,179 | 3.43% | \$1.22 | \$0.00 | (14,020) | (14,020) | 20,162 | 20,162 |
| South County Total | 924 | 24,487,621 | 0 | 0 | 751,523 | 3.07% | 1,266,796 | 5.17% | \$0.97 | \$302.10 | 58,918 | 58,918 | 442,959 | 442,959 |
| West County | | | | | | | | | | | | | | |
| Cypress | 99 | 4,262,922 | 0 | 0 | 112,722 | 2.64% | 143,902 | 3.38% | \$0.80 | \$212.19 | (4,500) | (4,500) | 22,830 | 22,830 |
| Garden Grove | 476 | 12,014,543 | 0 | 0 | 378,853 | 3.15% | 520,669 | 4.33% | \$0.76 | \$213.17 | 38,346 | 38,346 | 219,115 | 219,115 |
| Huntington Beach | 681 | 14,484,110 | 0 | 97,460 | 405,608 | 2.80% | 480,591 | 3.32% | \$0.00 | \$157.38 | 33,229 | 33,229 | 431,256 | 431,256 |
| La Palma | 16 | 1,780,025 | 0 | 0 | 57,702 | 3.24% | 589,053 | 33.09% | \$0.00 | \$0.00 | 73,298 | 73,298 | 131,000 | 131,000 |
| Los Alamitos | 95 | 2,346,033 | 0 | 0 | 3,005 | 0.13% | 11,105 | 0.47% | \$0.00 | \$0.00 | 8,008 | 8,008 | 14,653 | 14,653 |
| Seal Beach | 15 | 991,653 | 0 | 0 | 0 | 0.00% | 0 | 0.00% | \$0.00 | \$0.00 | 0 | 0 | 0 | 0 |
| Stanton | 176 | 1,837,468 | 0 | 0 | 14,381 | 0.78% | 64,857 | 3.53% | \$0.65 | \$0.00 | (7,125) | (7,125) | 8,059 | 8,059 |
| Westminster | 138 | 2,314,235 | 0 | 0 | 1,740 | 0.08% | 270,209 | 11.68% | \$0.00 | \$0.00 | 1,800 | 1,800 | 1,800 | 1,800 |
| West County Total | 1,696 | 40,030,989 | 0 | 97,460 | 974,011 | 2.43% | 2,080,386 | 5.20% | \$0.79 | \$202.59 | 143,056 | 143,056 | 828,713 | 828,713 |
| Orange County Total | 9,319 | 233,586,319 | 793,138 | 840,627 | 5,017,866 | 2.15% | 10,766,793 | 4.61% | \$0.85 | \$266.06 | 514,949 | 514,949 | 3,501,246 | 3,501,246 |
| Less than 9,999 | 3,298 | 20,009,979 | 0 | 0 | 340,224 | 1.70% | 463,401 | 2.32% | \$1.32 | \$291.91 | (32,419) | (32,419) | 227,315 | 227,315 |
| 10,000–19,999 | 3,137 | 43,315,300 | 0 | 0 | 926,231 | 2.14% | 1,162,052 | 2.68% | \$1.13 | \$255.13 | (278,649) | (278,649) | 422,366 | 422,366 |
| 20,000–29,999 | 1,181 | 28,101,449 | 0 | 0 | 492,816 | 1.75% | 743,512 | 2.65% | \$0.99 | \$226.02 | 102,318 | 102,318 | 443,821 | 443,821 |
| 30,000–39,999 | 489 | 16,632,961 | 0 | 73,200 | 244,738 | 1.47% | 385,129 | 2.32% | \$0.88 | \$241.86 | 92,589 | 92,589 | 252,862 | 252,862 |
| 40,000–49,999 | 298 | 13,079,273 | 87,652 | 139,460 | 235,987 | 1.80% | 566,883 | 4.33% | \$0.83 | \$208.63 | (113,208) | (113,208) | 133,249 | 133,249 |
| 50,000–74,999 | 372 | 22,371,000 | 0 | 0 | 200,673 | 0.90% | 675,966 | 3.02% | \$0.85 | \$183.47 | 128,332 | 128,332 | 456,736 | 456,736 |
| 75,000–99,999 | 164 | 14,058,252 | 78,523 | 0 | 375,896 | 2.67% | 493,208 | 3.51% | \$0.85 | \$190.08 | (31,104) | (31,104) | 156,092 | 156,092 |
| 100,000–199,999 | 257 | 33,832,639 | 105,322 | 100,276 | 614,537 | 1.82% | 1,600,946 | 4.73% | \$0.81 | \$185.00 | 203,957 | 203,957 | 589,472 | 589,472 |
| 200,000 Plus | 123 | 42,185,466 | 521,641 | 527,691 | 1,586,764 | 3.76% | 4,675,696 | 11.08% | \$0.78 | \$0.00 | 443,133 | 443,133 | 819,333 | 819,333 |
| Orange County Total | 9,319 | 233,586,319 | 793,138 | 840,627 | 5,017,866 | 2.15% | 10,766,793 | 4.61% | \$0.85 | \$266.06 | 514,949 | 514,949 | 3,501,246 | 3,501,246 |

Lease rates are on a triple-net basis.

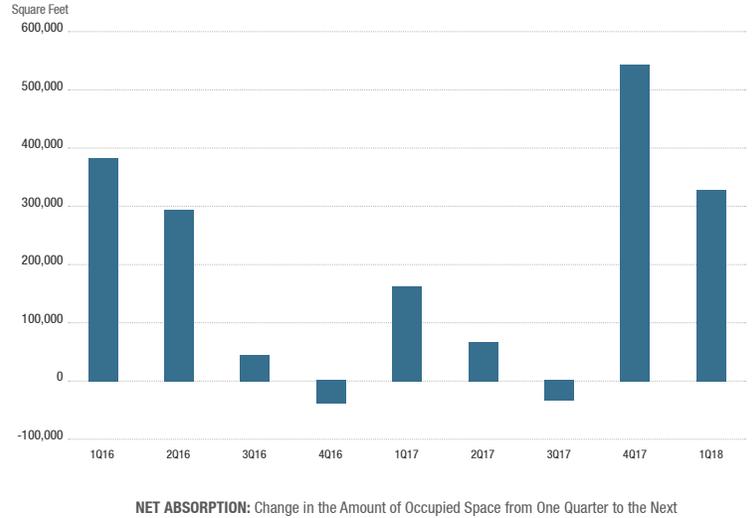
NORTH ORANGE COUNTY

In the first quarter of 2018, the North Orange County industrial market consisted of 4,043 buildings totaling 110,889,746 square feet and had an availability rate of 3.84%, which shows an increase from the previous quarter's figure of 3.11%.

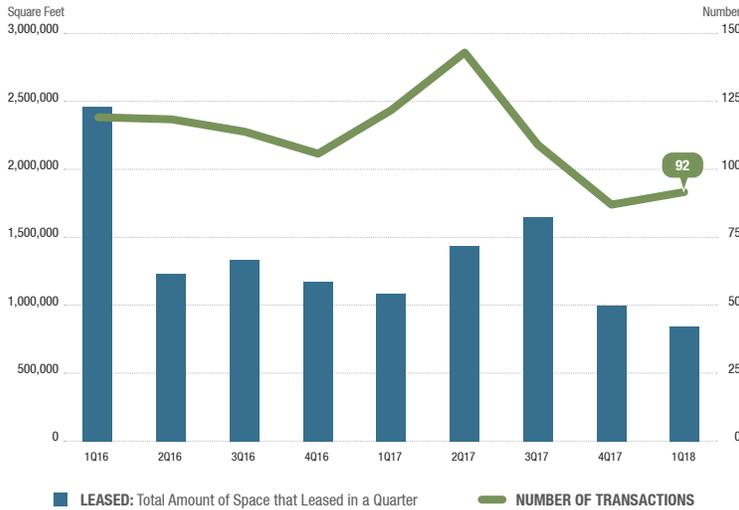
VACANCY & AVAILABILITY RATE



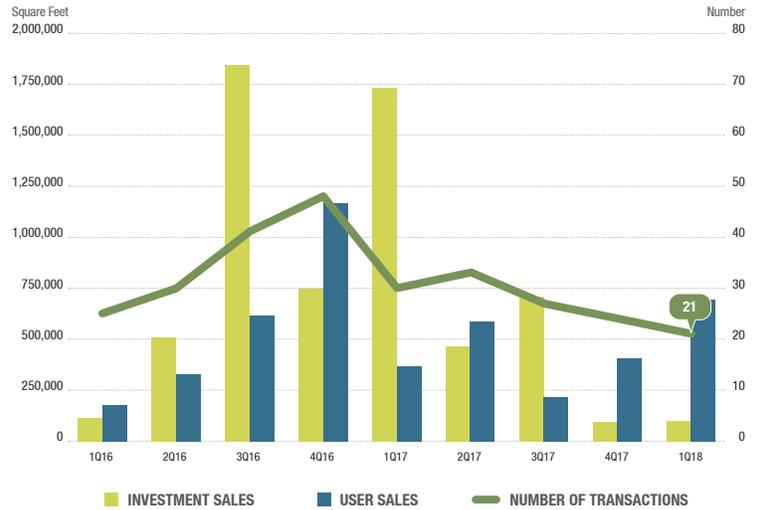
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

ABSORPTION

| | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 1Q2018 | Square Feet Available | Availability Rate 1Q2018 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption 1Q2018 | Net Absorption 2018 | Gross Absorption 1Q2018 | Gross Absorption 2018 |
|---------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------------------|---------------------|-------------------------|-----------------------|
| North Totals | | | | | | | | | | | | | | |
| Less than 9,999 | 1,321 | 8,369,989 | 0 | 0 | 160,999 | 1.92% | 244,515 | 2.92% | \$0.00 | \$249.42 | (60,100) | (60,100) | 68,556 | 68,556 |
| 10,000–19,999 | 1,398 | 19,320,537 | 0 | 0 | 413,044 | 2.14% | 511,221 | 2.65% | \$0.92 | \$240.29 | (138,821) | (138,821) | 144,490 | 144,490 |
| 20,000–29,999 | 518 | 12,284,072 | 0 | 0 | 177,681 | 1.45% | 299,793 | 2.44% | \$0.93 | \$209.88 | 93,636 | 93,636 | 147,623 | 147,623 |
| 30,000–39,999 | 227 | 7,671,197 | 0 | 0 | 160,733 | 2.10% | 211,228 | 2.75% | \$0.80 | \$182.25 | 13,712 | 13,712 | 96,479 | 96,479 |
| 40,000–49,999 | 133 | 5,838,264 | 87,652 | 42,000 | 52,352 | 0.90% | 198,194 | 3.39% | \$0.00 | \$0.00 | 43,833 | 43,833 | 61,967 | 61,967 |
| 50,000–74,999 | 176 | 10,548,618 | 0 | 0 | 97,520 | 0.92% | 67,046 | 0.64% | \$0.85 | \$0.00 | 138,747 | 138,747 | 297,240 | 297,240 |
| 75,000–99,999 | 72 | 6,139,628 | 78,523 | 0 | 170,563 | 2.78% | 270,115 | 4.40% | \$0.00 | \$163.99 | 5,256 | 5,256 | 78,572 | 78,572 |
| 100,000–199,999 | 132 | 17,537,282 | 105,322 | 0 | 27,442 | 0.16% | 309,463 | 1.76% | \$0.79 | \$0.00 | 231,543 | 231,543 | 168,105 | 168,105 |
| 200,000 plus | 66 | 23,180,159 | 521,641 | 0 | 111,679 | 0.48% | 2,151,516 | 9.28% | \$0.82 | \$0.00 | 0 | 0 | 345,239 | 345,239 |
| Total | 4,043 | 110,889,746 | 793,138 | 42,000 | 1,372,013 | 1.24% | 4,263,091 | 3.84% | \$0.83 | \$238.86 | 327,806 | 327,806 | 1,408,271 | 1,408,271 |

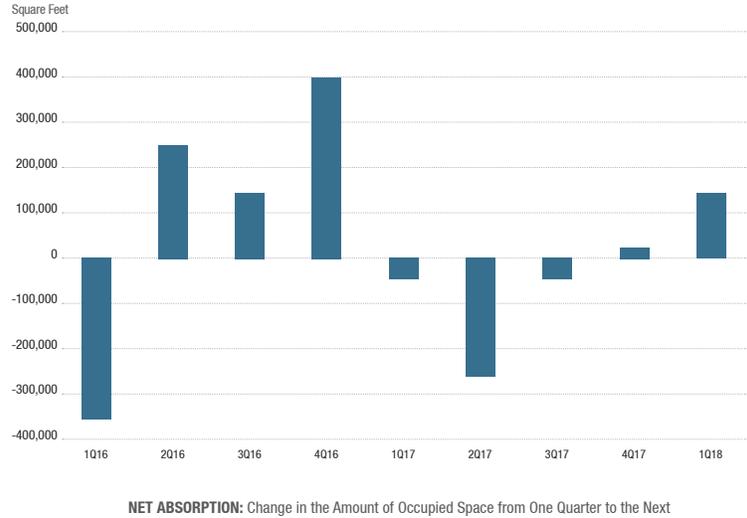
WEST ORANGE COUNTY

In the first quarter of 2018, the West Orange County industrial market consisted of 1,696 buildings totaling 40,030,989 square feet and had an availability rate of 5.20%, which shows an increase from the previous quarter's figure of 4.94%.

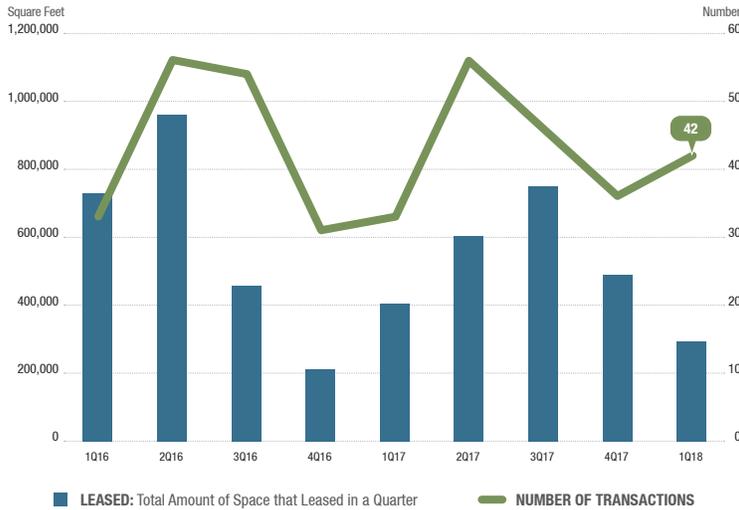
VACANCY & AVAILABILITY RATE



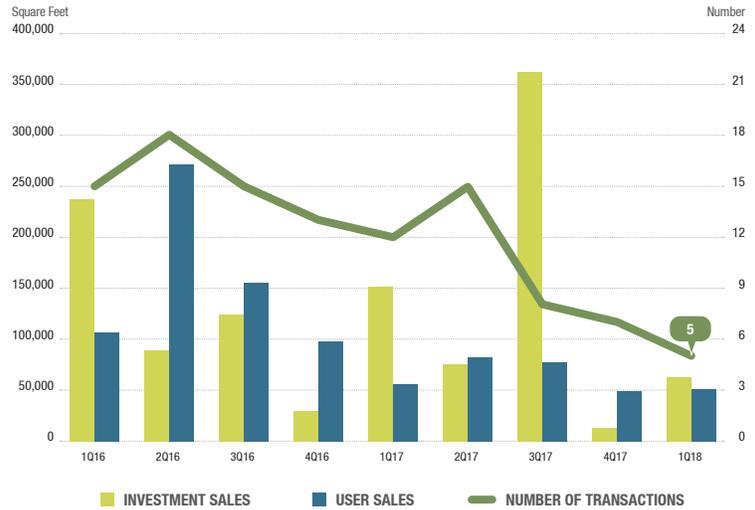
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

ABSORPTION

| | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 1Q2018 | Square Feet Available | Availability Rate 1Q2018 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption 1Q2018 | Net Absorption 2018 | Gross Absorption 1Q2018 | Gross Absorption 2018 |
|--------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------------------|---------------------|-------------------------|-----------------------|
| West Totals | | | | | | | | | | | | | | |
| Less than 9,999 | 693 | 4,087,918 | 0 | 0 | 45,147 | 1.10% | 72,190 | 1.77% | \$1.10 | \$202.09 | 1,241 | 1,241 | 27,513 | 27,513 |
| 10,000-19,999 | 558 | 7,401,590 | 0 | 0 | 147,120 | 1.99% | 188,007 | 2.54% | \$0.00 | \$212.89 | (72,898) | (72,898) | 43,206 | 43,206 |
| 20,000-29,999 | 180 | 4,328,246 | 0 | 0 | 100,816 | 2.33% | 59,700 | 1.38% | \$0.00 | \$138.19 | 1,044 | 1,044 | 79,316 | 79,316 |
| 30,000-39,999 | 63 | 2,207,746 | 0 | 0 | 11,346 | 0.51% | 76,912 | 3.48% | \$0.00 | \$190.00 | 21,630 | 21,630 | 28,630 | 28,630 |
| 40,000-49,999 | 51 | 2,221,147 | 0 | 97,460 | 51,840 | 2.33% | 140,192 | 6.31% | \$0.80 | \$177.07 | (51,840) | (51,840) | 71,282 | 71,282 |
| 50,000-74,999 | 58 | 3,473,415 | 0 | 0 | 91,448 | 2.63% | 251,200 | 7.23% | \$0.76 | \$145.00 | (83,648) | (83,648) | 59,117 | 59,117 |
| 75,000-99,999 | 30 | 2,593,807 | 0 | 0 | 0 | 0.00% | 8,100 | 0.31% | \$0.00 | \$0.00 | 0 | 0 | 22,830 | 22,830 |
| 100,000-199,999 | 40 | 5,391,236 | 0 | 0 | 136,980 | 2.54% | 211,980 | 3.93% | \$0.77 | \$0.00 | (52,226) | (52,226) | 111,341 | 111,341 |
| 200,000 plus | 23 | 8,325,884 | 0 | 0 | 389,314 | 4.68% | 1,072,105 | 12.88% | \$0.00 | \$0.00 | 379,753 | 379,753 | 385,478 | 385,478 |
| Total | 1,696 | 40,030,989 | 0 | 97,460 | 974,011 | 2.43% | 2,080,386 | 5.20% | \$0.79 | \$202.59 | 143,056 | 143,056 | 828,713 | 828,713 |

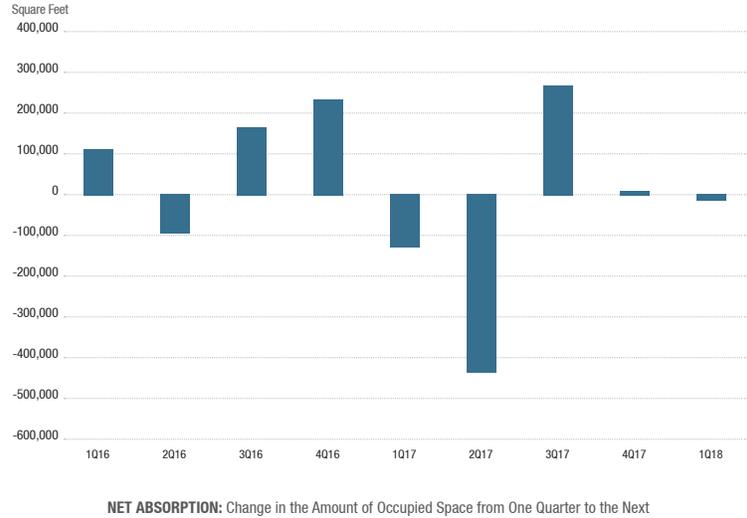
AIRPORT AREA

In the first quarter of 2018, the Airport Orange County industrial market consisted of 2,656 buildings totaling 58,177,963 square feet and had an availability rate of 5.43%, which shows a decrease from previous quarter's figure of 6.21%.

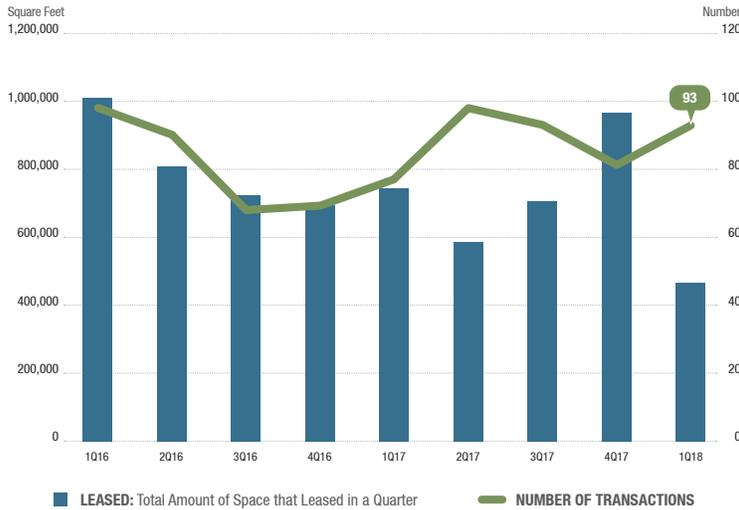
VACANCY & AVAILABILITY RATE



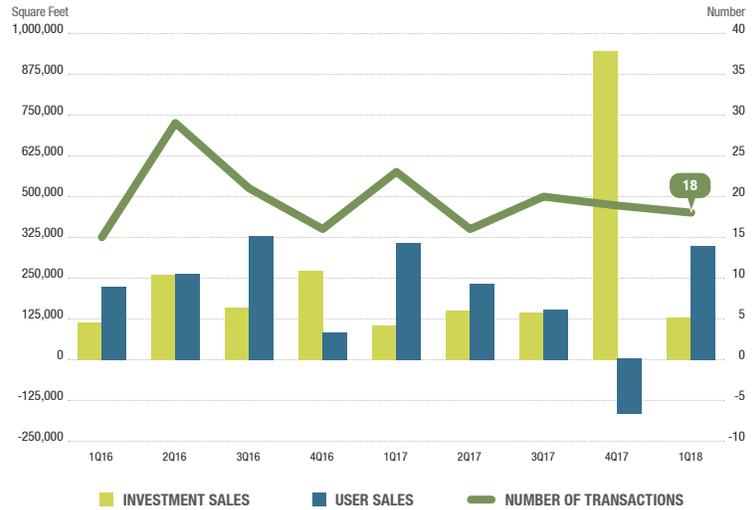
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

ABSORPTION

| | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 1Q2018 | Square Feet Available | Availability Rate 1Q2018 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption 1Q2018 | Net Absorption 2018 | Gross Absorption 1Q2018 | Gross Absorption 2018 |
|-----------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------------------|---------------------|-------------------------|-----------------------|
| Airport Totals | | | | | | | | | | | | | | |
| Less than 9,999 | 936 | 5,378,583 | 0 | 0 | 82,849 | 1.54% | 100,513 | 1.87% | \$1.64 | \$337.31 | 38,739 | 38,739 | 87,005 | 87,005 |
| 10,000–19,999 | 906 | 12,660,266 | 0 | 0 | 281,915 | 2.23% | 320,049 | 2.53% | \$0.99 | \$250.58 | (75,338) | (75,338) | 147,554 | 147,554 |
| 20,000–29,999 | 351 | 8,353,007 | 0 | 0 | 103,733 | 1.24% | 290,687 | 3.48% | \$0.75 | \$245.83 | 18,117 | 18,117 | 126,823 | 126,823 |
| 30,000–39,999 | 152 | 5,157,117 | 0 | 73,200 | 53,823 | 1.04% | 55,493 | 1.08% | \$1.05 | \$239.00 | 63,466 | 63,466 | 127,753 | 127,753 |
| 40,000–49,999 | 85 | 3,726,455 | 0 | 0 | 72,828 | 1.95% | 169,530 | 4.55% | \$0.79 | \$229.67 | (72,828) | (72,828) | 0 | 0 |
| 50,000–74,999 | 104 | 6,302,945 | 0 | 0 | 11,419 | 0.18% | 264,239 | 4.19% | \$0.94 | \$188.03 | (4,986) | (4,986) | 21,626 | 21,626 |
| 75,000–99,999 | 49 | 4,206,576 | 0 | 0 | 93,836 | 2.23% | 103,496 | 2.46% | \$0.00 | \$190.08 | (9,660) | (9,660) | 9,500 | 9,500 |
| 100,000–199,999 | 55 | 6,957,473 | 0 | 100,276 | 209,366 | 3.01% | 781,971 | 11.24% | \$0.82 | \$185.00 | 17,660 | 17,660 | 291,042 | 291,042 |
| 200,000 plus | 18 | 5,435,541 | 0 | 527,691 | 1,010,550 | 18.59% | 1,070,542 | 19.70% | \$0.75 | \$0.00 | 9,999 | 9,999 | 10,000 | 10,000 |
| Total | 2,656 | 58,177,963 | 0 | 701,167 | 1,920,319 | 3.30% | 3,156,520 | 5.43% | \$0.82 | \$272.23 | (14,831) | (14,831) | 821,303 | 821,303 |

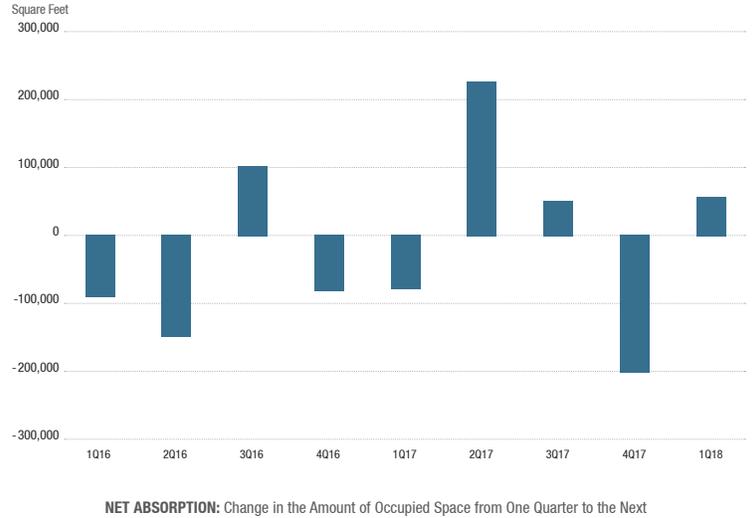
SOUTH ORANGE COUNTY

In the first quarter of 2018, the South Orange County industrial market consisted of 924 buildings totaling 24,487,621 square feet and had an availability rate of 5.17%, which shows a decrease from the previous quarter's figure of 6.93%.

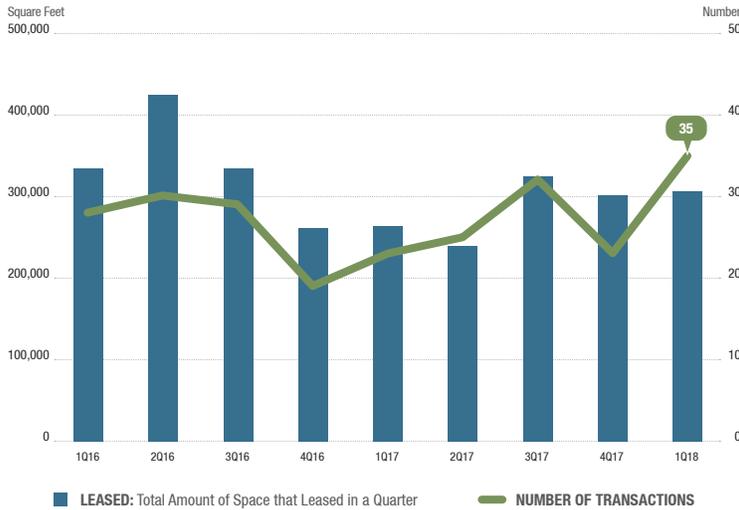
VACANCY & AVAILABILITY RATE



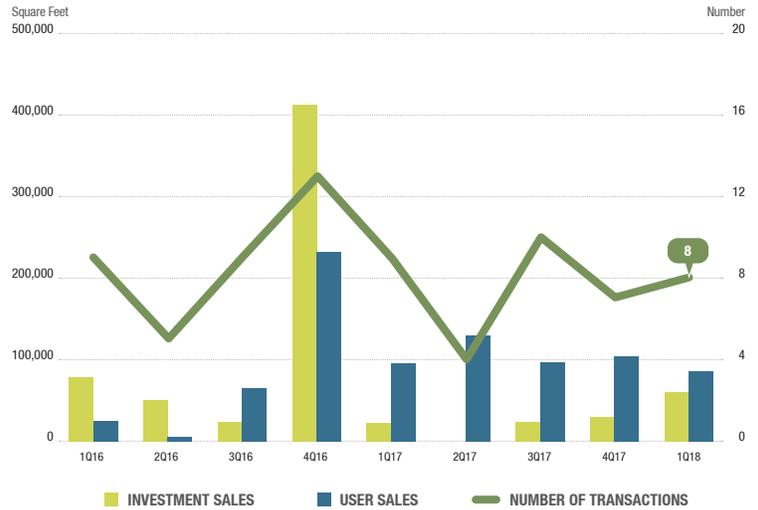
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

ABSORPTION

| | Number of Bldgs. | Net Rentable Square Feet | Square Feet U / C | Square Feet Planned | Square Feet Vacant | Vacancy Rate 1Q2018 | Square Feet Available | Availability Rate 1Q2018 | Average Asking Lease Rate | Average Asking Sales Price | Net Absorption 1Q2018 | Net Absorption 2018 | Gross Absorption 1Q2018 | Gross Absorption 2018 |
|---------------------|------------------|--------------------------|-------------------|---------------------|--------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------------------|---------------------|-------------------------|-----------------------|
| South Totals | | | | | | | | | | | | | | |
| Less than 9,999 | 348 | 2,173,489 | 0 | 0 | 51,229 | 2.36% | 46,183 | 2.12% | \$1.20 | \$321.98 | (12,299) | (12,299) | 44,241 | 44,241 |
| 10,000–19,999 | 275 | 3,932,907 | 0 | 0 | 84,152 | 2.14% | 142,775 | 3.63% | \$1.37 | \$329.82 | 8,408 | 8,408 | 87,116 | 87,116 |
| 20,000–29,999 | 132 | 3,136,124 | 0 | 0 | 110,586 | 3.53% | 93,332 | 2.98% | \$1.20 | \$236.82 | (10,479) | (10,479) | 90,059 | 90,059 |
| 30,000–39,999 | 47 | 1,596,901 | 0 | 0 | 18,836 | 1.18% | 41,496 | 2.60% | \$1.10 | \$350.00 | (6,219) | (6,219) | 0 | 0 |
| 40,000–49,999 | 29 | 1,293,407 | 0 | 0 | 58,967 | 4.56% | 58,967 | 4.56% | \$1.20 | \$0.00 | (32,373) | (32,373) | 0 | 0 |
| 50,000–74,999 | 34 | 2,046,022 | 0 | 0 | 286 | 0.01% | 93,481 | 4.57% | \$0.00 | \$216.41 | 78,219 | 78,219 | 78,753 | 78,753 |
| 75,000–99,999 | 13 | 1,118,241 | 0 | 0 | 111,497 | 9.97% | 111,497 | 9.97% | \$0.85 | \$0.00 | (26,700) | (26,700) | 45,190 | 45,190 |
| 100,000–199,999 | 30 | 3,946,648 | 0 | 0 | 240,749 | 6.10% | 297,532 | 7.54% | \$1.10 | \$0.00 | 6,980 | 6,980 | 18,984 | 18,984 |
| 200,000 plus | 16 | 5,243,882 | 0 | 0 | 75,221 | 1.43% | 381,533 | 7.28% | \$0.92 | \$0.00 | 53,381 | 53,381 | 78,616 | 78,616 |
| Total | 924 | 24,487,621 | 0 | 0 | 751,523 | 3.07% | 1,266,796 | 5.17% | \$0.97 | \$302.10 | 58,918 | 58,918 | 442,959 | 442,959 |



OC Industrial Market Remains
Top Investor Choice

by **John Viscounty**

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The New Year continued to break records in the industrial investment market. Industrial real estate was and is the hottest asset class in the region. Cap rates reached all-time lows for highly desirable buildings. Evidenced by low cap rates, the combination of short supply and constantly increasing demand has led investors to pay top dollar for these investments. E-commerce and other distribution-related users continue to buy and lease more space giving investors the confidence to stretch their budgets. Cap rates have remained low and steady due to several economic factors.

First, investors are chasing returns in an asset class they are confident is stable. Bond yields remain too low and stock returns, although high, possess risk as they continue their unprecedented run. This has left real estate as the asset class of choice. Low vacancy and high rental rates have given investors the reassurance to load their portfolios with more real estate. Interest rates, although rising, remain low enough to keep lending momentum moving forward.

Over the next few months we predict more of the same. However, as interest rates start to creep up, cap rates will naturally begin their slow rise. Further, as markets continue to set records, look for warning signs of investors believing it may be too good to be true. Any rattle in the stock or bond market may have ramifications to the real estate market. For now, with low cap rates, investors looking to sell should take advantage of these exceptional times.

Product Type

MFG./DIST.

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

Submarkets



NORTH

Anaheim, Brea, Buena Park, Fullerton, La Habra, Orange, Placentia and Yorba Linda

WEST

Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Seal Beach, Stanton and Westminster

AIRPORT

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana and Tustin

SOUTH

Aliso Viejo, Foothill Ranch, Irvine Spectrum, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano

Please Contact Us
for Further Information

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|---|-----------------------------|------------------------------|-----------------------------------|----------------------------|---------------------------------|-------------------------------|
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|---|-----------------------------|------------------------------|-----------------------------------|----------------------------|---------------------------------|-------------------------------|