

# Orange County



## Market Facts

**2.6%**

Orange County  
Unemployment  
Rate As Of May 2018

**-257,997 SF**

Negative Net Absorption  
Current Quarter

Positive 462,533 SF  
Year-To-Date

**2.0%**

Total Vacancy Rate  
Down From 2.2% In Q1 2018

**\$0.93 PSF**

Asking Rental Rate  
Weighted Average

## Market Overview

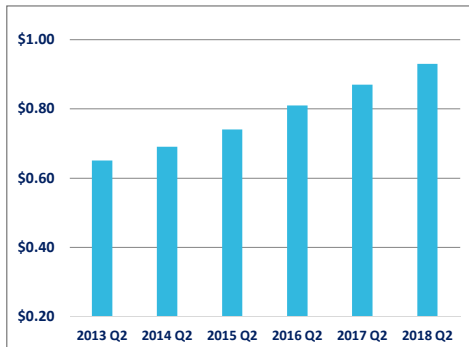
The Orange County industrial market, in the region of Southern California, remained tight in the second quarter of 2018 as record-low vacancy persisted, keeping rents at record highs. Even with a modest spike in the construction of speculative inventory, supply is trailing demand. The high-tech industry, aerospace, retail, distribution and manufacturing continue to drive demand in the industrial market. The population is growing steadily year-over-year, while unemployment remains low at 2.6% as of the second quarter of 2018.

The industrial vacancy rate for the second quarter of 2018 remained extremely low at 2.0%, after an increase of 40 basis points year-over-year. Industrial tenants seeking new space can expect a challenge as the number of options narrow. There are currently three industrial properties under construction, all positioned in the North County area. The majority of space under construction is not pre-committed to tenants. The largest project underway is Beckman Business Center, a seven-building

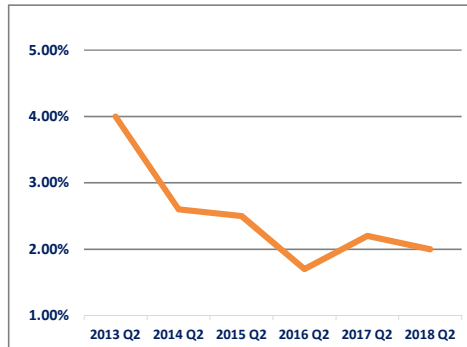
industrial park located in Fullerton set to bring a total of 934,800 sf of speculative space to the market this year. Approximately 800,000 sf of proposed development, spread among five projects, is waiting to commence construction. As demand for industrial space increases, larger tenants increasingly look to options in neighboring Inland Empire, the state's powerhouse of industrial inventory. However, last-mile warehousing is an unavoidable necessity within Orange County as consumer expectations grow along with the population in this affluent county.

Total net positive absorption reached 689,000 sf for the 12-month period through the second quarter of 2018, increasing from negative 659,000 sf in the prior 12-month period. Rental rates during the second quarter of 2018 climbed to \$0.93 psf, up from \$0.87 psf at the same time in 2017. Rental rates have exceeded levels achieved at the height of the market prior to the last recession and are expected to grow further while limited new inventory is anticipated in this desirable and geographically vital market.

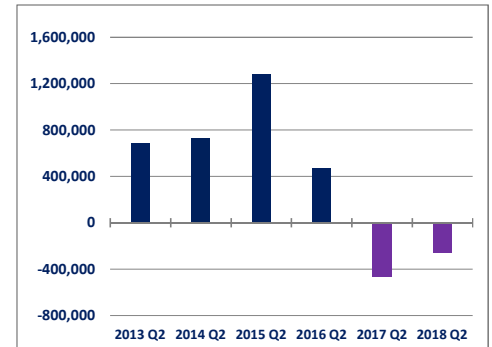
## Asking Rent



## Vacancy Rates



## Net Absorption



## Top Leases

Tenant	Type	Address	Submarket	SF
Lexor	New	7400 Hazard Ave, Westminster	West County	187,696
Robinson-Pharma	New	1585 MacArthur Blvd, Costa Mesa	Airport Area	100,276
Elysium Tiles	New	1180 N Anaheim Blvd, Anaheim	North County	55,824
Orange County Direct Marketing	New	2672 Dow Ave, Tustin	Airport Area	48,668
Elite Aviation Products	Renewal	15773 Gateway Cir, Tustin	Airport Area	33,808

## Top Sales

Address	Buyer	Seller	Price	SF	P/SF
250 S Kraemer Boulevard, Brea	Hines	NPDC-EY Brea Trust	\$115,250,000	576,234	\$200
50 Icon, Foothill Ranch	Prologis	AEW Capital Management	\$56,500,000	307,781	\$184
17111 Red Hill Avenue, Irvine	Edwards Lifesciences	Royalty Carpet Mills	\$36,000,000	205,413	\$175
58 Discovery, Irvine Spectrum	The Irvine Company	Barings	\$35,700,000	127,030	\$281
3030-3080 Airway Avenue, Costa Mesa	Crow Holdings	Guardian Capital	\$33,700,000	157,204	\$214

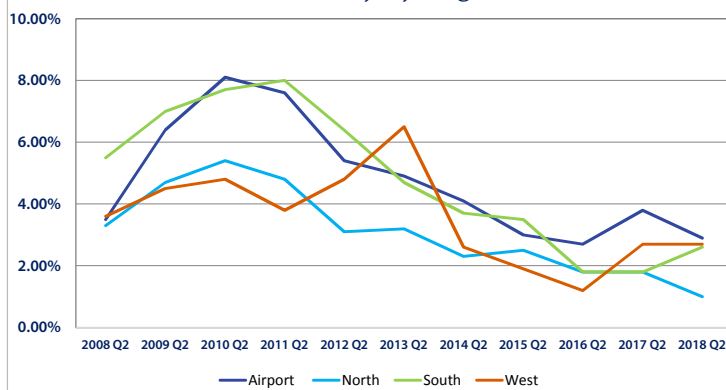
## Under Construction

Address	Submarket	Developer	SF	Completion
Beckman Business Center	Fullerton	Western Realco	934,754	Q3 2018
Orange County Commerce Center	Placentia	Panattoni Development Co.	232,354	Q1 2019
6300 Regio Avenue	Buena Park	Fullmer Construction	200,000	Q3 2018

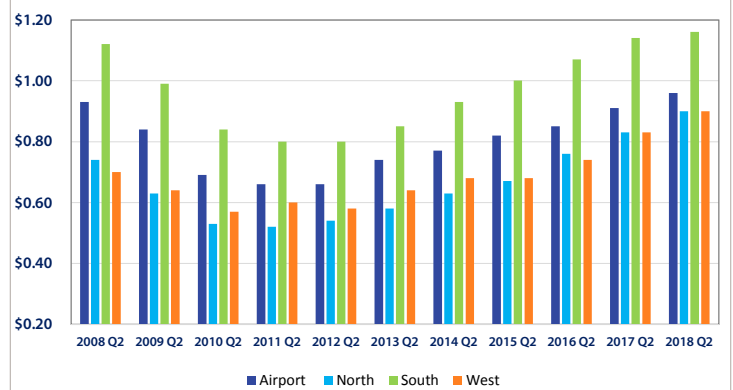
## Orange County By The Numbers

Vacancy					Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
Q2 2018 Inventory (SF)	Q2 2018 Vacancy (SF)	Q2 2018 Vacancy (%)	Q1 2018 Vacancy (%)		Current Quarter Absorption	Year-To-Date Absorption	Q2 2018 Rental Rates	Q1 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	Year-To-Date Deliveries	Under Construction Quarter-End
<b>Airport Area</b>												
20k to 49k SF	25,788,587	521,719	2.00%	1.50%	-103,678	-30,961	\$1.16	\$1.11	4.50%	0	0	0
50k to 99k SF	13,943,588	546,843	3.90%	3.70%	46,625	-5,557	\$0.96	\$0.93	3.23%	0	0	0
100k SF and up	14,337,306	473,111	3.30%	6.70%	274,866	233,149	\$0.75	\$0.75	0.00%	0	0	0
<b>Total</b>	<b>54,069,481</b>	<b>1,541,673</b>	<b>2.90%</b>	<b>3.50%</b>	<b>217,813</b>	<b>196,631</b>	<b>\$0.90</b>	<b>\$0.88</b>	<b>2.27%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>North County</b>												
20k to 49k SF	31,945,391	413,802	1.30%	1.50%	-95,011	-38,997	\$0.99	\$1.03	-3.88%	0	0	135,465
50k to 99k SF	18,704,997	101,814	0.50%	1.10%	36,846	98,525	\$0.82	\$0.80	2.50%	0	0	263,064
100k SF and up	42,936,028	419,983	1.00%	0.70%	-98,997	351,786	\$0.80	\$0.78	2.56%	143,930	0	968,579
<b>Total</b>	<b>93,586,416</b>	<b>935,599</b>	<b>1.00%</b>	<b>1.10%</b>	<b>-157,162</b>	<b>411,314</b>	<b>\$0.84</b>	<b>\$0.84</b>	<b>0.00%</b>	<b>143,930</b>	<b>0</b>	<b>1,367,108</b>
<b>South County</b>												
20k to 49k SF	14,893,277	332,810	2.20%	2.70%	22,147	29,955	\$1.34	\$1.38	-2.90%	0	0	0
50k to 99k SF	6,968,447	174,030	2.50%	2.60%	-112,390	-42,135	\$1.03	\$0.99	4.04%	0	0	0
100k SF and up	11,690,657	352,590	3.00%	2.70%	-136,028	-131,768	\$0.96	\$0.92	4.35%	0	0	0
<b>Total</b>	<b>33,552,381</b>	<b>859,430</b>	<b>2.60%</b>	<b>2.70%</b>	<b>-226,271</b>	<b>-143,948</b>	<b>\$1.14</b>	<b>\$1.15</b>	<b>-0.87%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>West County</b>												
20k to 49k SF	12,037,905	349,672	2.90%	2.10%	-66,387	-71,225	\$0.86	\$0.87	-1.15%	0	0	0
50k to 99k SF	8,249,123	69,024	0.80%	1.80%	-25,990	-222,147	\$0.77	\$0.78	-1.28%	0	0	0
100k SF and up	14,490,356	517,940	3.60%	3.50%	0	291,908	\$0.75	\$0.75	0.00%	0	0	0
<b>Total</b>	<b>34,777,384</b>	<b>936,636</b>	<b>2.70%</b>	<b>2.60%</b>	<b>-92,377</b>	<b>-1,464</b>	<b>\$0.79</b>	<b>\$0.80</b>	<b>-1.25%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Orange County Market</b>												
20k to 49k SF	84,665,160	1,618,003	1.90%	1.80%	-242,929	-111,228	\$1.15	\$1.17	-1.71%	0	0	135,465
50k to 99k SF	47,866,155	891,711	1.90%	2.20%	-54,909	-171,314	\$0.90	\$0.88	2.27%	0	0	263,064
100k SF and up	83,454,347	1,763,624	2.10%	2.50%	39,841	745,075	\$0.81	\$0.78	3.85%	143,930	0	968,579
<b>Total</b>	<b>215,985,662</b>	<b>4,273,338</b>	<b>2.00%</b>	<b>2.20%</b>	<b>-257,997</b>	<b>462,533</b>	<b>\$0.93</b>	<b>\$0.92</b>	<b>1.09%</b>	<b>143,930</b>	<b>0</b>	<b>1,367,108</b>

Vacancy by Region



Rental Rate by Region



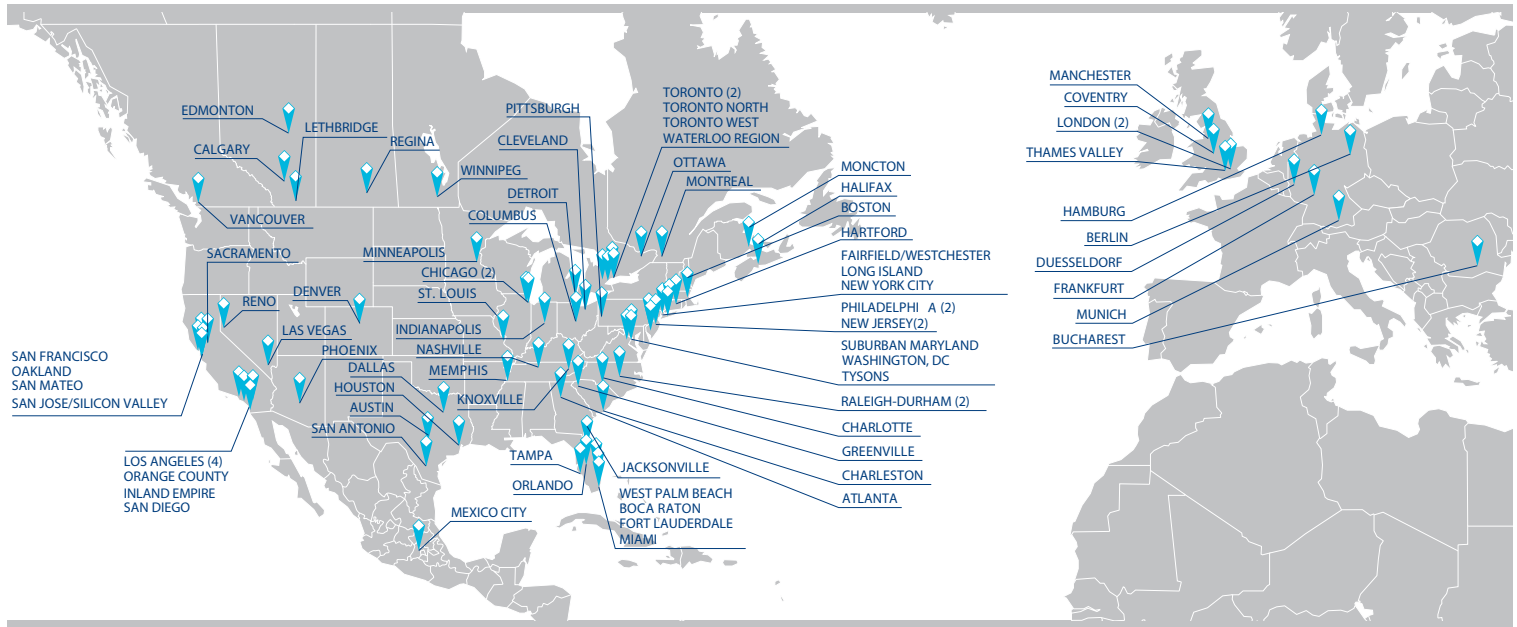
Industrial Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Costa Mesa	7,648,436	2.30%	0	6,199,905	1.80%	1.80%	-34,588	\$1.05
Fountain Valley	3,433,551	2.30%	0	2,601,514	3.00%	3.00%	-45,983	\$1.27
Irvine	14,202,722	1.60%	0	9,871,504	2.10%	2.10%	8,327	\$0.96
Newport Beach	477,134	1.00%	0	425,234	1.10%	1.10%	-4,711	\$2.50
Santa Ana	21,963,671	3.30%	0	16,363,682	3.90%	3.90%	31,153	\$0.87
Tustin	6,343,967	5.40%	0	4,877,283	4.00%	5.30%	106,192	\$0.80
Airport Area	54,069,481	2.90%	0	40,339,122	3.10%	3.20%	60,390	\$0.90
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	36,142,624	1.20%	232,354	26,443,606	1.50%	1.60%	-21,890	\$1.01
Brea/La Habra	13,379,049	0.80%	0	6,482,347	1.70%	1.70%	-88,083	\$0.77
Buena Park	12,808,429	0.70%	200,000	8,902,378	1.10%	1.10%	-57,449	\$0.83
Fullerton	17,378,545	0.70%	934,754	12,669,403	0.70%	0.90%	-77,036	\$0.80
Orange	9,354,324	1.60%	0	6,157,004	2.40%	2.40%	36,861	\$0.81
Placentia/Yorba Linda	4,523,445	0.90%	0	3,289,199	1.30%	1.30%	14,970	\$0.82
North County	93,586,416	1.00%	1,367,108	63,943,937	1.40%	1.50%	-192,627	\$0.84
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Aliso Viejo/Laguna Hills	2,603,215	0.90%	0	1,880,702	1.30%	1.30%	-1,451	\$1.49
Dana Point/San Clemente/SJC	2,908,289	0.90%	0	2,368,602	1.10%	1.10%	-215	\$1.10
Foothill Ranch/Lake Forest/RSM	9,510,966	1.00%	0	6,250,311	0.20%	1.30%	9,147	\$0.96
Irvine Spectrum	17,467,896	3.90%	0	12,037,501	2.90%	4.60%	-103,045	\$1.25
Laguna Beach/Laguna Niguel	326,772	2.10%	0	204,458	3.40%	3.40%	-1,845	-
Mission Viejo	735,243	2.80%	0	383,157	5.30%	5.30%	-8,888	\$1.24
South County	33,552,381	2.60%	0	23,124,731	1.90%	3.10%	-106,297	\$1.14
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Cypress	6,126,146	2.50%	0	5,286,164	2.40%	2.80%	35,735	\$0.90
Garden Grove	10,338,466	3.10%	0	7,266,935	4.30%	4.40%	-37,793	\$0.75
Huntington Beach	10,742,455	3.40%	0	6,112,415	5.00%	5.10%	-1,553	\$0.77
La Palma	1,859,005	3.10%	0	1,192,947	4.80%	4.80%	-32,066	-
Los Alamitos/Stanton	2,868,756	0.40%	0	2,350,718	0.50%	0.50%	1,162	\$0.75
Seal Beach	986,466	0.00%	0	773,812	0.00%	0.00%	0	-
Westminster	1,856,090	2.00%	0	1,812,090	2.00%	2.00%	-33,979	\$0.83
West County	34,777,384	2.70%	0	24,795,081	3.40%	3.60%	-68,494	\$0.79
Orange County Total	215,985,662	2.00%	1,367,108	152,202,871	2.20%	2.50%	-307,028	\$0.93

# A Growing, Multinational Presence

## Avison Young at a Glance

Founded: **1978**  
Total Real Estate Professionals: **2,600**  
Offices: **84**  
Brokerage Professionals: **1,100**  
Property Under Management: **100 million sf**

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 84 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



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