

## Rents Spike As Easing Demand Continues

Lease rates jumped a record 4.7% in the first quarter and gained 8.8% year over year for the largest quarterly and annual increases since the recession. At the same time, first-quarter demand for space posted its biggest three-month decline in more than eight years, pushing up the countywide vacancy rate 70 basis points to 3.5%.

Despite otherwise healthy leasing activity, the county's four major submarkets - Airport, North, South and West - reported 1,645,471 sq. ft. of negative net absorption in the first quarter. Countywide, there have been four straight quarters of negative net absorption. Tenant contraction in six of the last nine quarters totals nearly 4 million sq. ft. since the vacancy rate hit its low point of 2.4% at the end of 2016.

Meanwhile, asking rents were up everywhere. The largest first-quarter gain occurred in the Airport market, where landlords were asking an average of \$1.21 per sq. ft. gross. This represents a 10% increase from the prior quarter and 20% from the same period one year ago. Asking rents in the 73.1 million sq. ft. Airport market were up 73% from their low point in 2012. Countywide, asking gross rents were up 82% since the end of 2010.

In spite of easing tenant demand, vacancy rates remain near all-time lows and investors remain bullish, particularly for large Orange County industrial buildings. In the first quarter, Prologis acquired three of Western Realco's recently completed eight-building, 1 million sq. ft. Beckman Business Center in Fullerton for a reported \$124 million. Additionally, Deutsche Wealth & Asset Management purchased a 1.2 million sq. ft. distribution building in Brea from grocery company Albertsons for \$160 per sq. ft. Albertsons signed a 15-year lease with annual increases up to 1.75%.

The largest first-quarter absorption declines came in the North and West county markets, which combined to put more than 1.4 million sq. ft. of space back in available inventory.

Although the Airport market posted 60,961 sq. ft. of negative net absorption in the first quarter, tenant contraction in seven of the previous nine quarters totals more than 2.3 million sq. ft.

The North County market - the county's largest with 117.2 million sq. ft. - posted 872,526 sq. ft. of negative net absorption in Q1. Since the first quarter of 2017, North County's negative absorption totals 364,456 sq. ft.

The 42.8 million sq. ft. West County market reported 554,050 sq. ft. of negative net absorption in the first quarter and 1.06 million sq. ft. of negative absorption since Q1 of 2017.

With 41.5 million sq. ft. of inventory, South County reported 165,874 sq. ft. of Q1 negative demand and was in the red over six quarters since Q1 2017.

### MARKET FORECAST

Expectations among Orange County manufacturers slipped in the first quarter but remain well in positive territory, according to Chapman University's Purchasing Managers Survey. The county ranks fifth in the nation in manufacturing jobs, said Chapman's Center for Demographics and Policy Research.

## ORANGE COUNTY INDUSTRIAL

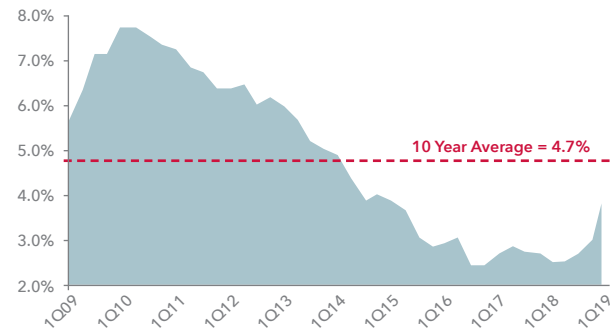
### ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	3.0%	2.7%
California Unemployment	4.2%	4.1%
US Unemployment	3.8%	3.9%

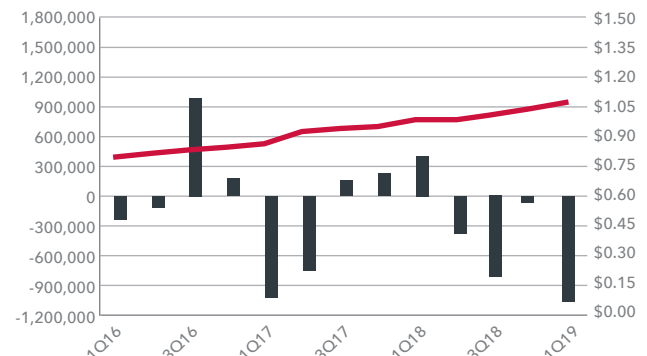
### MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	274,873,237	274,619,613
Vacancy Rate (%)	3.8%	3.1%
Net Absorption (SF)	(1,653,471)	(9,104)
Average Asking Rent (NNN)	\$1.06	\$1.02
Under Construction (SF)	100,276	368,780

### OVERALL VACANCY



### NET ABSORPTION VS ASKING RATES



\*All numbers are based on industrial buildings 10,000 sq. ft. and larger.

# ORANGE COUNTY


FIRST QUARTER 2019 INDUSTRIAL MARKET REPORT

## ORANGE COUNTY MARKET STATISTICS - 1Q 2019




BY AREA

	Bldg Count	SF RBA	Total SF Available	Avail. Rate	Total SF Vacant	Total Vac. Rate	Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	SF Under Construction
North Orange County	3,237	117,230,328	5,662,754	4.8%	4,180,205	3.6%	(872,586)	(872,586)	\$0.90	- 0 -
West Orange County	1,330	42,786,798	2,649,371	6.2%	1,855,610	4.3%	(554,050)	(554,050)	\$0.85	- 0 -
Greater Airport Area	2,489	73,126,929	4,032,018	5.5%	2,762,368	3.8%	(60,961)	(60,961)	\$1.05	100,276
South Orange County	1,243	41,528,027	2,340,332	5.6%	1,598,961	3.9%	(165,874)	(165,874)	\$1.36	- 0 -
Outlying Orange County	2	201,155	- 0 -	0.0%	- 0 -	0.0%	- 0 -	- 0 -	- 0 -	- 0 -
<b>TOTALS</b>	<b>8,301</b>	<b>274,873,237</b>	<b>14,684,475</b>	<b>5.3%</b>	<b>10,397,144</b>	<b>3.8%</b>	<b>(1,653,471)</b>	<b>(1,653,471)</b>	<b>\$1.06</b>	<b>100,276</b>

## LEASE TRANSACTIONS 1Q 2019

	PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
	3300 E. Birch Street Brea, CA	111,679	Amore Pacific US, Inc.	Brea Industrial III, LLC	Christopher Destino represented the Tenant.
	3030 Airway Avenue, Unit B Costa Mesa, CA	25,878	Balboa Water	CH Realty VIII	Dale Camera & Jason Helmick represented the Tenant.
	3100 W. Central Avenue Santa Ana, CA	19,481	Response Fire Supply	Pacific Industrial Properties	Bill Garrett & Jedd Zaun represented the Landlord and Tenant.

## SALE TRANSACTIONS 1Q 2019

	PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
	2182 Alton Parkway Irvine, CA	80,000	KB/Alliance	Wong Properties	Jedd Zaun represented the Buyer.
	2610 & 2612 Croddy Way Santa Ana, CA	33,940	Batavia Struck, LP	Chase & Chance Hunt	Pat Delaney represented the Buyer.
	17942 Cowan Irvine, CA	22,380	Confidential	Carson Estate	Dale Camera & Jason Helmick represented the Buyer.

### LEE & ASSOCIATES - IRVINE

9838 Research Drive  
Irvine, California 92618  
(949) 727-1200

### LEE & ASSOCIATES - NEWPORT BEACH

100 Bayview Circle, Suite 600  
Newport Beach, California 92660  
(949) 724-1000

### LEE & ASSOCIATES - ORANGE

1004 West Taft Avenue, Suite 150  
Orange, California 92865  
(714) 647-9100

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