

Coronavirus Hobbles Strong Market

Demand for industrial space through March was the strongest of the last 15 quarters, pushing the vacancy rate down to 3.4% just as California, the nation and world were hit with the biggest health crisis in 100 years, throwing the global economy into reverse.

Nearly 10 million U.S. workers, including 1 million Californians, sought initial jobless claims in the last two weeks of March. Cal State Fullerton said the index in its quarterly business expectation survey "collapsed" from 92.9 to 22.7 when the survey was taken at the end of March. During the last recession the index fell for eight straight quarters from 83.1 to 15.2. "This is similar to the Great Recession, but at lightning speed," said Anil Puri, project director.

Commercial property sales and leasing activity has slowed dramatically but Lee & Associates agents remain in contact with clients, advising them on rent deferments, loan conversion, subletting and numerous other concerns.

At least 56 California cities, including Los Angeles, San Francisco and San Diego, and 10 counties have placed moratoriums on commercial evictions for up to 60 days. At some point there will be distress sales for which there is no shortage of users and investors alert for opportunities.

Some useful historical perspective may be found in the effects on local industrial property from the 2007-09 recession - which idled 161,850 Orange County workers or 10.7% of the labor force.

Orange County's industrial market entered the 19-month downturn with a 4.1% vacancy rate at the end of 2007. Although the recession ended in June 2009, the vacancy rate peaked at 7.5% in Q1 2010.

The amount of empty space nearly doubled from 11.3 million SF to 20.9 million SF, and average asking rents skidded 26%. During the recovery the vacancy rate didn't fall below 4.1% again until Q3 2014. Rents did not recover until Q1 2016 and asking lease rates have increased about 30% since.

Some economists maintain that in contrast to the last contraction, which stemmed from a financial crisis brought on by subprime mortgage recklessness, the coronavirus recession is more akin to a natural disaster that blindsided an economy with healthy fundamentals.

Because of early social distancing policies in California, official reports said the spread of the coronavirus in the state may have been slowed. Moreover, the \$2.2-trillion federal rescue package is clear evidence that Congress is committed to stimulus spending. But at this early stage in the crisis the full implications of the coronavirus pandemic cannot be known, except that a flatter curve is vital to reduce stress on the healthcare system and enable a quicker economic recovery.

MARKET FORECAST

Fed Chairman Jerome Powell remarked there will be significant joblessness and declines in economic activity but "there also can be a good rebound on the other side of that." Former Fed Chair Janet Yellen said although the crisis is a "huge, unprecedented, devastating hit" it is not in the same category as the Great Depression.

ORANGE COUNTY INDUSTRIAL

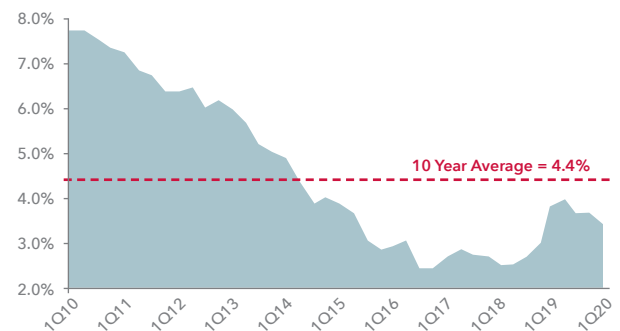
ECONOMIC INDICATORS

	Current Quarter	Prior Quarter
OC Unemployment	2.8%	2.4%
California Unemployment	3.9%	3.7%
US Unemployment	4.4%	3.5%

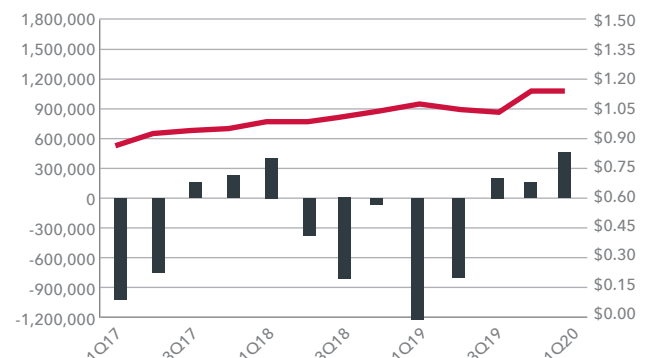
MARKET INDICATORS

	Current Quarter	Prior Quarter
Total Inventory (SF)	273,978,689	273,978,689
Vacancy Rate (%)	3.4%	3.6%
Net Absorption (SF)	501,528	155,440
Average Asking Rent (NNN)	\$1.11	\$1.11
Under Construction (SF)	835,838	835,838

OVERALL VACANCY



NET ABSORPTION VS ASKING RATES



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

ORANGE COUNTY




FIRST QUARTER 2020 INDUSTRIAL MARKET REPORT

ORANGE COUNTY MARKET STATISTICS - 1Q 2020




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	3,226	116,647,760	4,478,490	3.8%	2,915,255	2.5%	846,491	846,491	\$0.97	- 0 -
West Orange County	1,327	42,594,397	2,447,052	5.7%	1,374,678	3.2%	(383,599)	(383,599)	\$0.86	- 0 -
Greater Airport Area	2,483	72,808,739	4,844,725	6.6%	3,335,831	4.6%	45,423	45,423	\$1.12	736,638
South Orange County	1,241	41,726,638	2,406,144	5.8%	1,664,913	4.0%	(6,787)	(6,787)	\$1.34	- 0 -
Outlying Orange County	2	201,155	96,942	32.3%	- 0 -	0.0%	- 0 -	- 0 -	- 0 -	99,200
TOTALS	8,279	273,978,689	14,273,353	5.2%	9,290,677	3.4%	501,528	501,528	\$1.11	835,838

LEASE TRANSACTIONS 1Q 2020

	PROPERTY	SF	TENANT	LANDLORD	REPRESENTING BROKERS
	6681 River Run Riverside	162,700	Sloan Valve Company, a Delaware corporation	SV Partners South I, a CA general partnership	Matt Durkin represented the Landlord.
	11641 Pike Street Santa Fe Springs	75,000	Tri-West LTD	K&C Ventures LP	Justin Smith represented the Tenant.
	14600 Hoover Westminster	74,107	Intertrade Industries	Checkpoint 14600	David Newton represented the Tenant.

SALE TRANSACTIONS 1Q 2020

	PROPERTY	SF	BUYER	SELLER	REPRESENTING BROKERS
	20202 Windrow Drive Lake Forest	125,443	Applied Medical Resources	Sy Corp	Kurt Bruggeman represented the Seller. Mark Jerue and Craig Fitterer represented the Buyer.
	5462 Irwindale Avenue Irwindale	72,406	5462 Irwindale LLC	Ramatex Properties, LLC	Gary McArdell represented the Buyer.
	3101 Enterprise Brea	39,690	MOLITke, LLC	Kirkhill Aircraft	Frank Mejia, Pat Delaney, Luke Hudson, Scott Seal and Ryan Magarian represented the Buyer.

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Celebrating more than 40 years of leadership excellence in commercial real estate, Lee & Associates is the largest broker-owned firm in North America with locations across the U.S. and Canada including Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Maryland, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Texas, Vancouver BC, Washington and Wisconsin.

With a broad array of regional, national and international clients - ranging from individual investors and small businesses to large corporations and institutions - Lee & Associates successfully completed transactions with a total value of more than \$15 billion last year.

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