

Economic Overview

According to the Bureau of Labor Statistics, the California unemployment rate dropped 0.7 percentage points from 5.5% in April 2016 to 4.8% in April 2017. Unemployment rate for the US was reported at 4.4% down from 5.0% over the same time period. The Anaheim-Santa Ana-Irvine metropolitan statistical area job creation increased 0.4% from the previous year. Industrial using jobs (industries include manufacturing, construction, trade transportation and utilities) remained flat from April 2016 to April 2017.

Market Overview

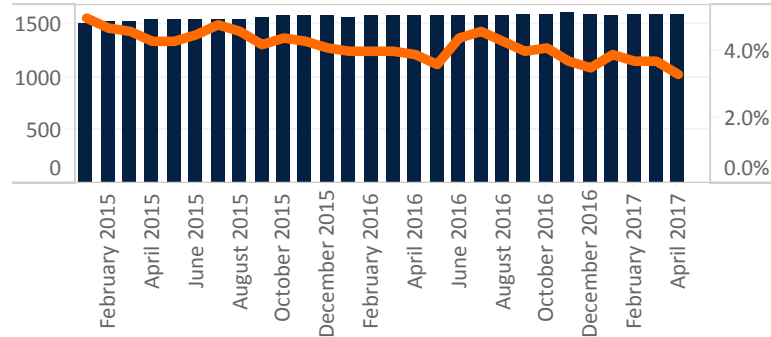
The Orange County industrial market recorded 173,922 sf of negative net absorption during 2Q 2017. Absorption was in the negative for the second consecutive quarter. The total vacancy rate has increased from 1.6% in 1Q 2017 to 1.7% at the close of 2Q 2017. Total Availability rate decreased 0.1 percentage points from 4% to 3.9% over the same time period. Weighted average asking rates increased \$0.01 closing out the quarter at \$0.95 NNN. Construction activity remains light throughout the county with 387,835 sf underway.

Market Highlights

Despite a second consecutive quarter with negative net absorption, the County continues to see strong Industrial demand with very few options for expansion. With limited new construction and most redevelopment options moving in favor of residential or creative office conversion, expect future net absorption to remain flat. With a vacancy rate of 1.7% and average asking rents at \$0.95 NNN, Orange County remains one of the tightest markets in the country.

Orange County Employment

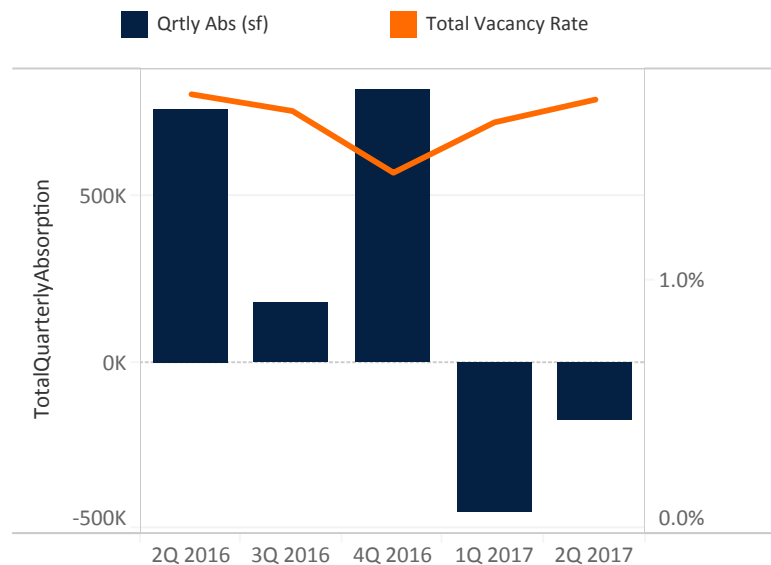
Source: BLS



Market Recap

Inventory (sf)	249,792,617
# of Bldgs	7,377
Qrtly Abs (sf)	-173,922
Total Avail Rate	3.9%
Total Vacancy Rate	1.7%
U/C Inventory (sf)	387,835
Delivered (sf)	50,000
Weighted Average Asking Rate (NNN)	\$0.95

Absorption and Vacancy Rate



Overview by Specific Use (Total)

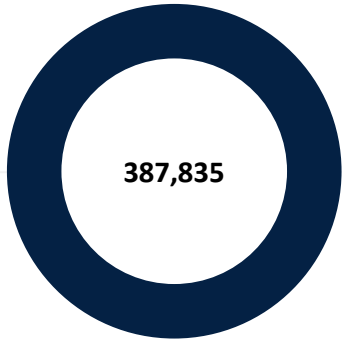
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Flex	47,195,892	2,343,178	944,532	2.0%	257,638	253,305
Whse/Dist	202,596,725	7,422,601	3,322,548	1.6%	-431,560	-878,681
Overall	249,792,617	9,765,779	4,267,080	1.7%	-173,922	-625,376

Overview by Market (Total)

Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
OC Airport Area	Flex	12,172,892	758,915	436,726	3.6%	77,372	31,633
	Whse/Dist	52,867,557	2,145,611	919,914	1.7%	42,065	-78,907
	<i>Subtotal</i>	65,040,449	2,904,526	1,356,640	2.1%	119,437	-47,274
OC North	Flex	13,946,005	518,332	186,220	1.3%	65,965	57,608
	Whse/Dist	91,515,116	2,248,340	1,082,412	1.2%	-151,183	-140,371
	<i>Subtotal</i>	105,461,121	2,766,672	1,268,632	1.2%	-85,218	-82,763
OC South	Flex	13,778,711	747,867	277,836	2.0%	92,261	154,726
	Whse/Dist	25,239,897	1,409,788	429,036	1.7%	193,539	141,971
	<i>Subtotal</i>	39,018,608	2,157,655	706,872	1.8%	285,800	296,697
OC West	Flex	7,298,284	318,064	43,750	0.6%	22,040	9,338
	Whse/Dist	32,974,155	1,618,862	891,186	2.7%	-515,981	-801,374
	<i>Subtotal</i>	40,272,439	1,936,926	934,936	2.3%	-493,941	-792,036
Overall		249,792,617	9,765,779	4,267,080	1.7%	-173,922	-625,376

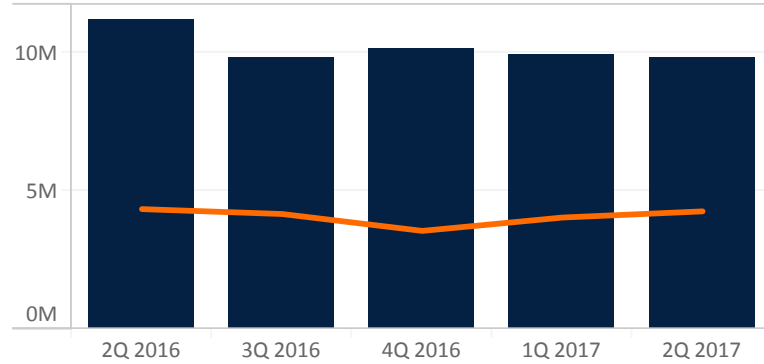
Construction by Market

OC North



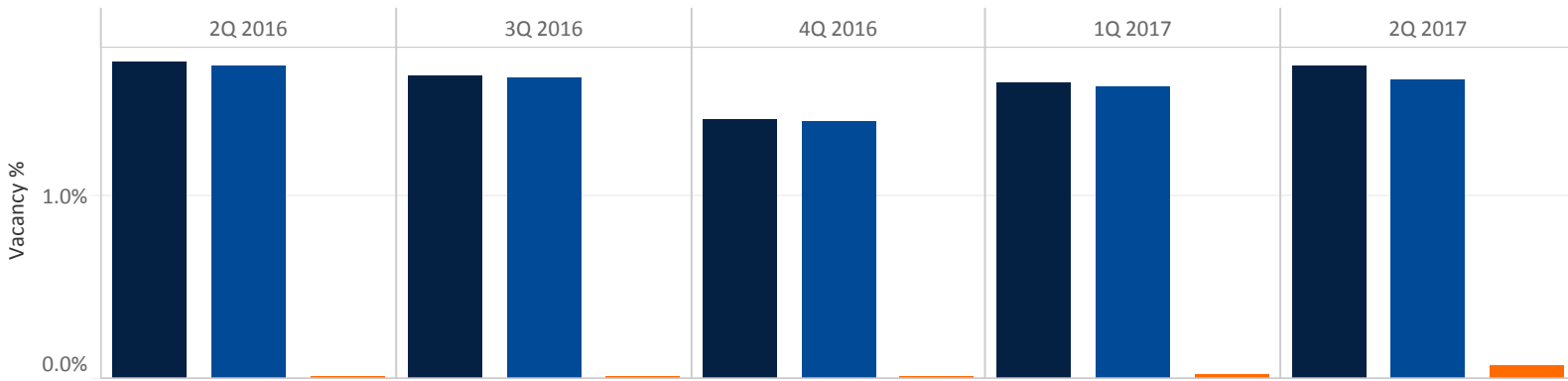
Total Available and Vacant

Avail (sf) Vacant (sf)



Vacancy Rate

Total Direct Sublease



Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	47,195,892	2,069,944	933,729	2.0%	258,687	254,609
Whse/Dist	202,596,725	6,641,559	3,158,765	1.6%	-311,199	-732,375
Overall	249,792,617	8,711,503	4,092,494	1.6%	-52,512	-477,766

Overview by Specific Use (Sublease)

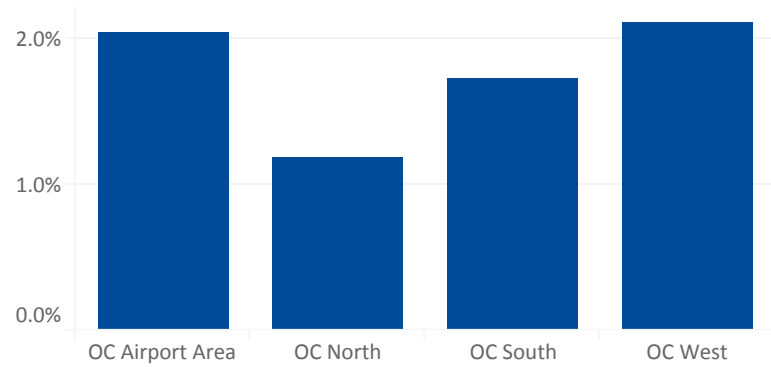
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	47,195,892	273,234	10,803	0.0%	-1,049	-1,304
Whse/Dist	202,596,725	781,042	163,783	0.1%	-120,361	-146,306
Overall	249,792,617	1,054,276	174,586	0.1%	-121,410	-147,610

Direct Vacancy Rates

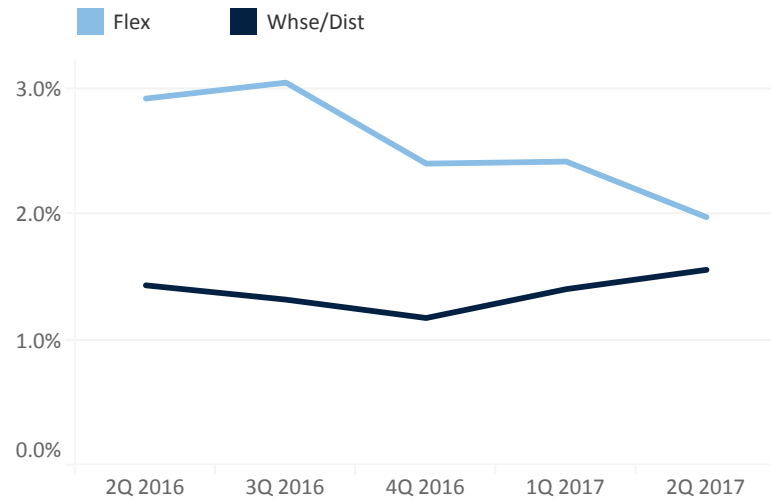
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
OC Airport Area	Flex	3.5%	3.4%	3.4%	3.8%	3.6%
	Whse/Dist	1.7%	1.7%	1.6%	1.7%	1.7%
OC North	Flex	2.0%	2.0%	1.7%	1.8%	1.3%
	Whse/Dist	1.4%	1.2%	1.0%	1.0%	1.2%
OC South	Flex	4.6%	5.1%	3.1%	2.6%	2.0%
	Whse/Dist	1.7%	2.0%	2.2%	2.4%	1.6%
OC West	Flex	0.4%	0.7%	0.7%	0.9%	0.6%
	Whse/Dist	0.8%	0.4%	0.1%	1.1%	2.4%
Overall		1.7%	1.6%	1.4%	1.6%	1.6%

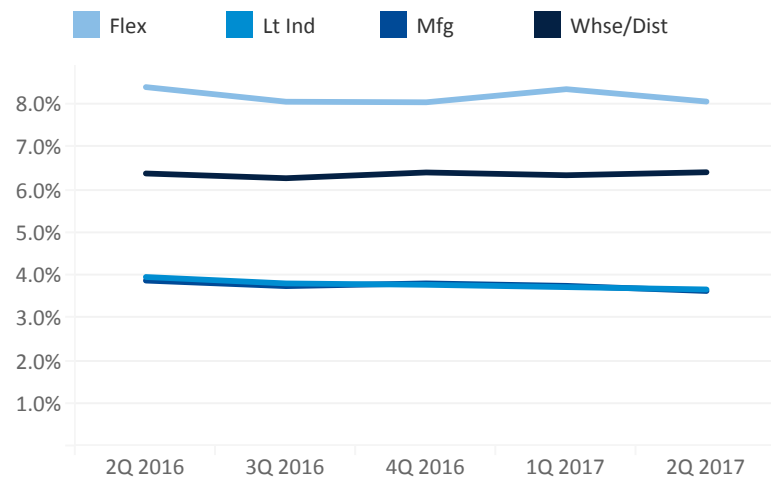
By Market



Orange County By Specific Use



National by Specific Use

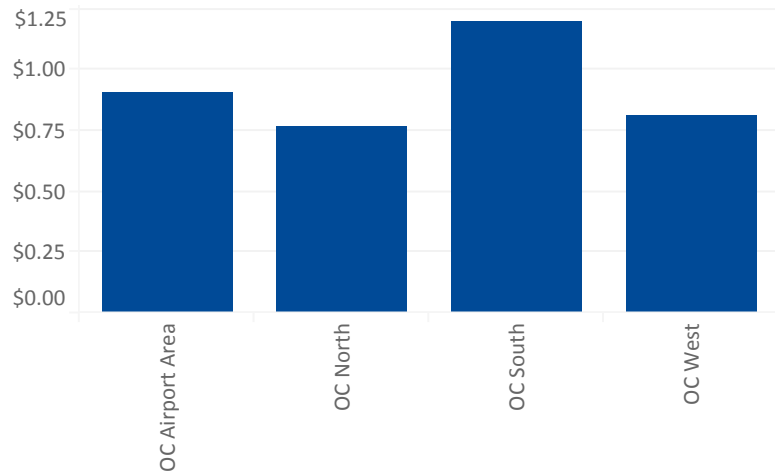


Direct Weighted Average Asking Rates (NNN)

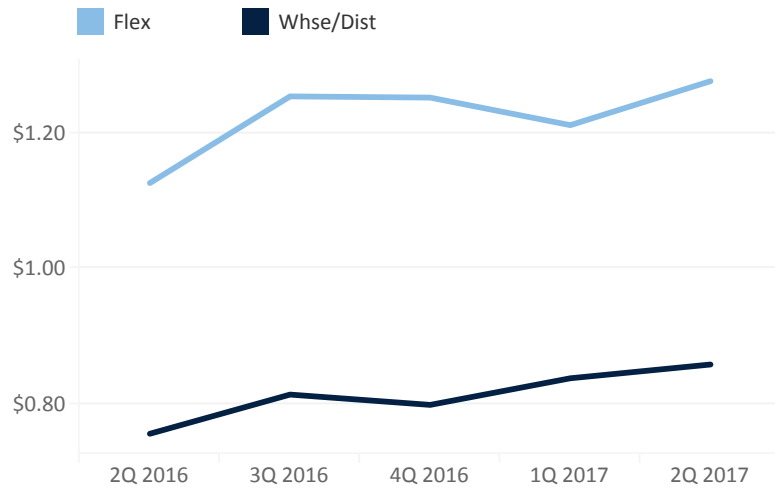
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
OC Airport Area	Flex	\$1.17	\$1.21	\$1.16	\$1.20	\$1.20
	Whse/Dist	\$0.78	\$0.83	\$0.85	\$0.87	\$0.86
OC North	Flex	\$1.10	\$1.09	\$1.10	\$1.10	\$1.01
	Whse/Dist	\$0.66	\$0.75	\$0.73	\$0.75	\$0.76
OC South	Flex	\$1.23	\$1.36	\$1.36	\$1.33	\$1.45
	Whse/Dist	\$0.92	\$0.91	\$0.90	\$0.99	\$1.03
OC West	Flex	\$0.82	\$0.94	\$0.94	\$0.87	\$0.89
	Whse/Dist	\$0.74	\$0.75	\$0.73	\$0.74	\$0.78
Overall		\$0.83	\$0.92	\$0.90	\$0.91	\$0.95

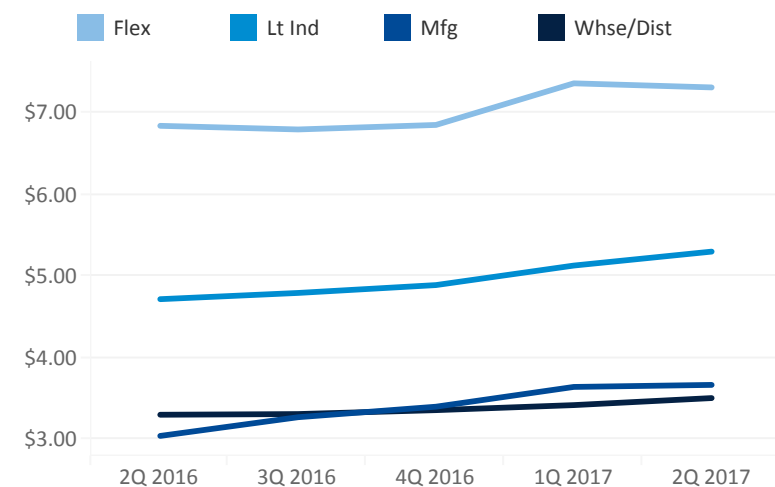
By Market



Orange County by Specific Use

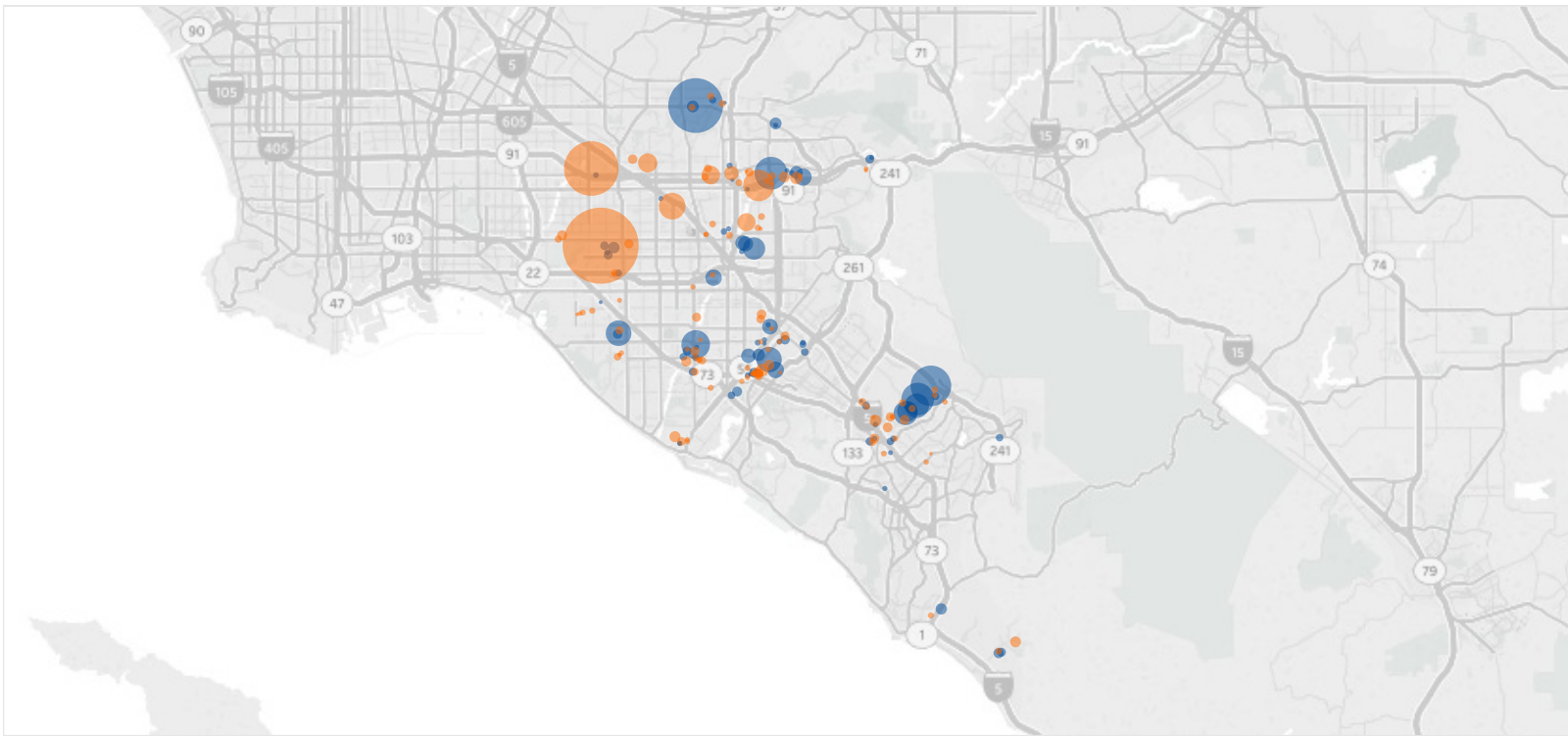


National by Specific Use



Absorption Map

■ Negative
 ■ Positive



Largest Positives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
1225 W Imperial Hwy	WORLD PAC, Inc.	OC North	Whse/Dist	240,513
25892-25902 Towne Centre Dr	SeneGence International	OC South	Whse/Dist	130,706
1250 N Tustin Ave	Econolite Group, Inc.	OC North	Flex	84,928
25200 Commercentre Dr	Eastpark Drive LLC	OC South	Whse/Dist	83,640
3701 W Warner Ave	Robinson Pharma	OC Airport Area	Whse/Dist	63,982
16350 Gothard St	Pitney Bowes Inc.	OC West	Whse/Dist	50,890
1675 Deere Ave	Sivax North America, Inc.	OC Airport Area	Flex	50,000
Pacific Commercentre	Ethika, Inc.	OC South	Flex	46,178

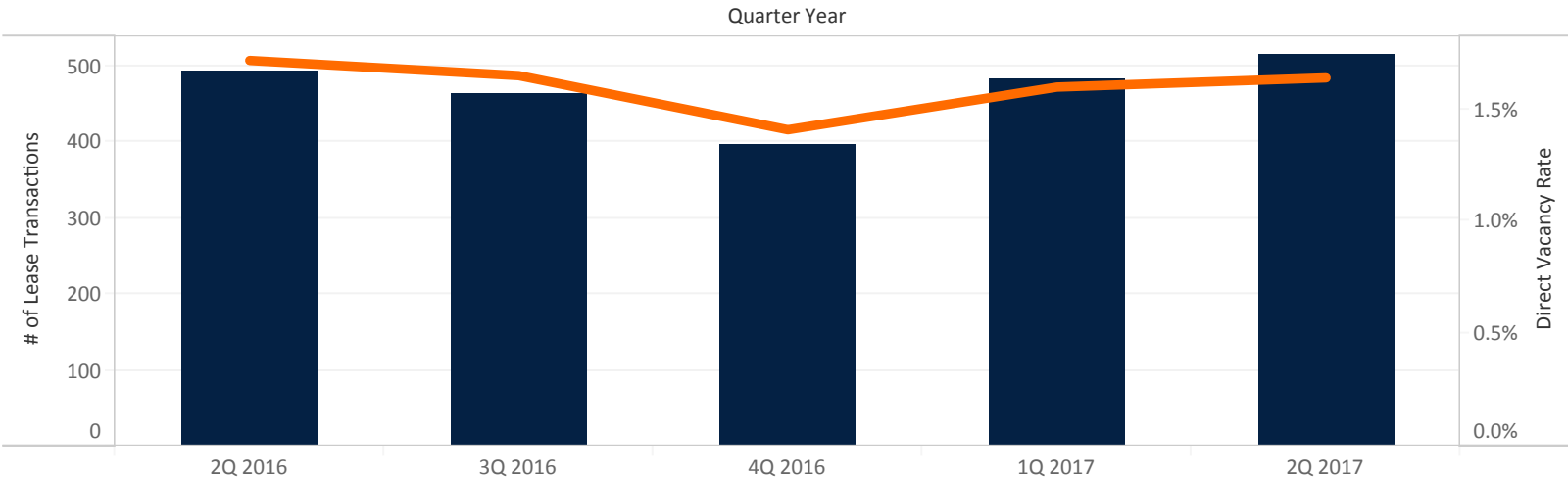
Largest Negatives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
Cypress Distribution Center	iLAD Inc.	OC West	Whse/Dist	-187,465
West County Commerce Center	Quad Graphics	OC West	Whse/Dist	-84,754
3191 E La Palma Ave	Parker Hannifin Corp.	OC North	Whse/Dist	-76,824
Tower Park	L&L Foods, Inc.	OC North	Whse/Dist	-55,175
Artesia Distribution Center	Logistics Edge, LLC	OC North	Whse/Dist	-27,840
1401-1409 E Orangethorpe Ave	Concrete Accessories	OC North	Whse/Dist	-25,982
1247 W Grove Ave	Lindy Office Products	OC North	Whse/Dist	-24,600
80 Empire Dr	Fresenius USA, Inc.	OC South	Whse/Dist	-21,400

Leasing Activity Trends

Direct Vacancy Rate

Lease Transactions



Leasing Activity (# of New Deals)

Size Range (sf)

<2.5K

2.5K - 5K

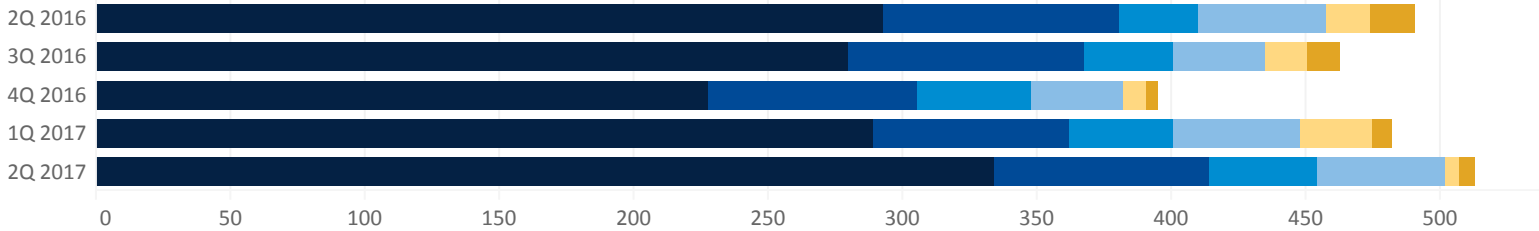
5K - 10K

10K - 25K

25K - 50K

>50K SF

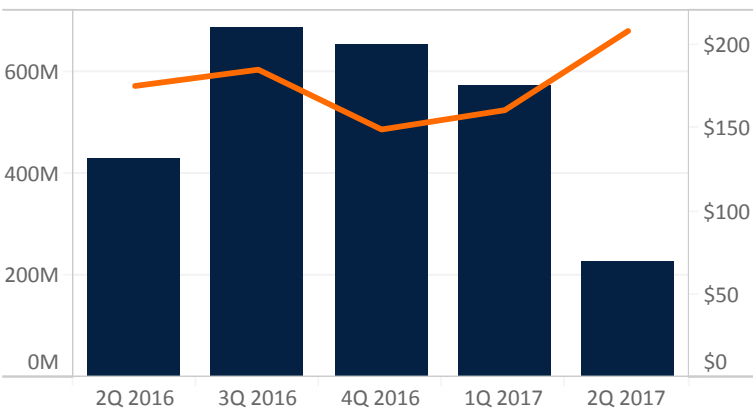
Quarter Year



Sales Volume vs. Price/SF

Aggregate Sales Volume

Avg Price/sf



Top Sales

Property	Sale Date	Buyer	Sale Price
1650 Sunflower Ave	05/30/2017	BLT Enterprises	\$33,400,000
1700 S Lewis St	05/11/2017	Trumark Companies	\$24,698,000
1250 N Tustin Ave	05/11/2017	Econolite Control Products Inc	\$19,808,500
5037-5065 E Hunter Ave	05/11/2017	Ceiley Glen F & Barbara A Trust	\$12,215,000
25200 Commercentre Dr	04/03/2017	Timothy Buckley	\$11,705,500

Terminology

Term	Definition
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Inventory	The total square feet (sf) of all existing single and multi tenant industrial properties greater than 10,000 sf.
Net Absorption	The net change in physically occupied space from quarter to quarter, expressed in square feet.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space.
Total Vacant (sf)	The total of all of the vacant square footage within a building, including both direct and sublease space.
Xceligent Partner	AIR CRE

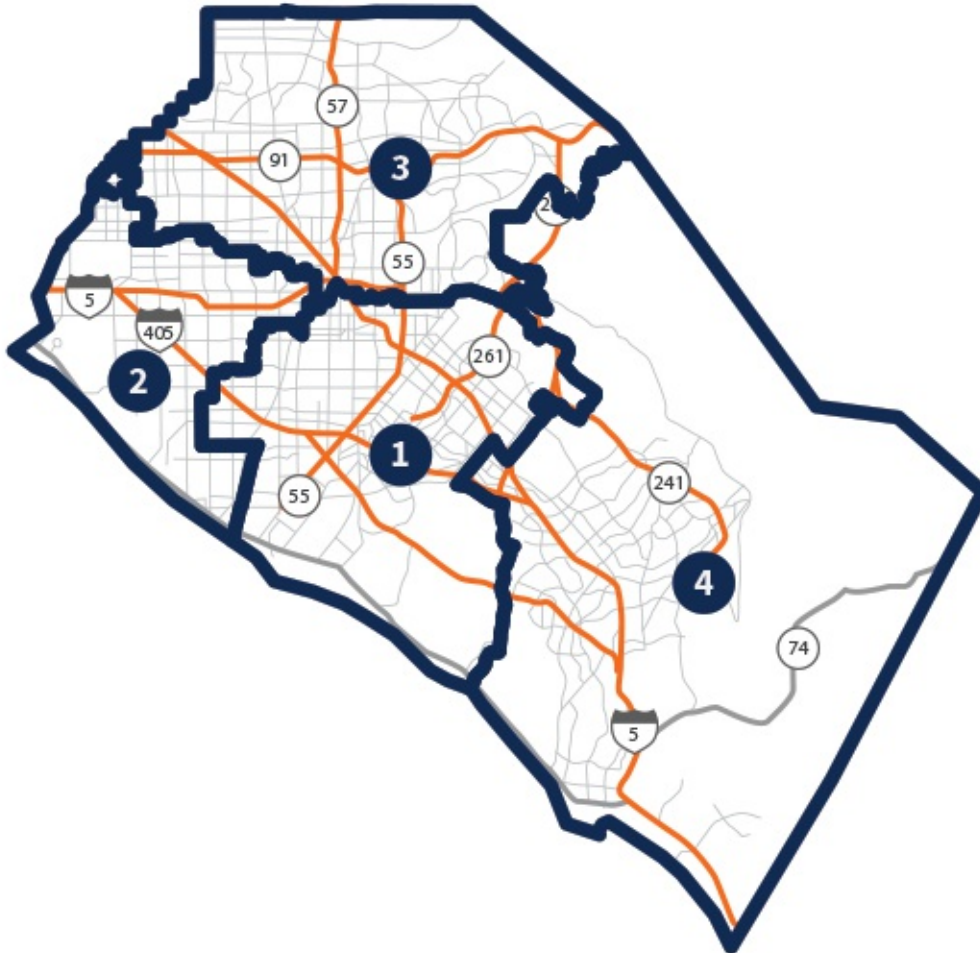
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1 OC Airport

3 OC North

2 OC West

4 OC South