

### Economic Overview

According to the Bureau of Labor Statistics, the California unemployment rate dropped 0.6 percentage points from 6.7% in July 2016 to 6.1% in July 2017. Unemployment rate for the US was reported at 4.3% down from 4.9% over the same time period. The Anaheim-Santa Ana-Irvine metropolitan statistical area job creation increased 0.1% from the previous year. Industrial using jobs (industries include manufacturing, construction, trade transportation and utilities) remained flat from July 2016 to July 2017.

### Market Overview

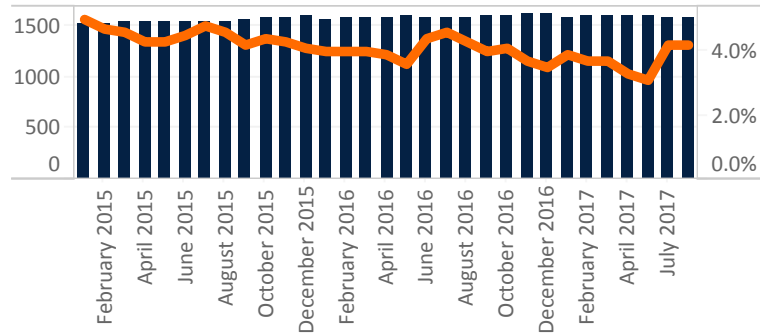
The Orange County industrial tracked set consists of 7,377 buildings, 10,000 square feet (sf) and larger. The market is divided into 4 submarkets with a total inventory of 250 msf. Orange County recorded 38,361 sf of negative net absorption during 3Q 2017. Absorption was in the negative for the third consecutive quarter. The total vacancy rate has increased from 1.7% in 2Q 2017 to 1.9% at the close of 3Q 2017. Total availability rate increased 0.5 percentage points from 3.9% to 4.4% over the same time period. Weighted average asking rates remained flat at \$0.95 NNN. Construction activity picked up in the third quarter with the Beckman Business Center in Fullerton breaking ground. There is currently 1msf under construction throughout the county.

### Market Highlights

Despite a third consecutive quarter with negative net absorption, Orange County continues to see strong Industrial demand with very few options for expansion. Royalty Carpet Mills announced earlier this year they would be shutting down all operations, adding 752,000 sf of vacant space back to the market. With limited new construction and most redevelopment options moving in favor of residential or creative office conversion, Orange County landlords will continue to benefit from the limited supply of available space. With a vacancy rate of 1.9% and average asking rents at \$0.95 NNN, Orange County remains one of the tightest markets in the country.

### Orange County Employment

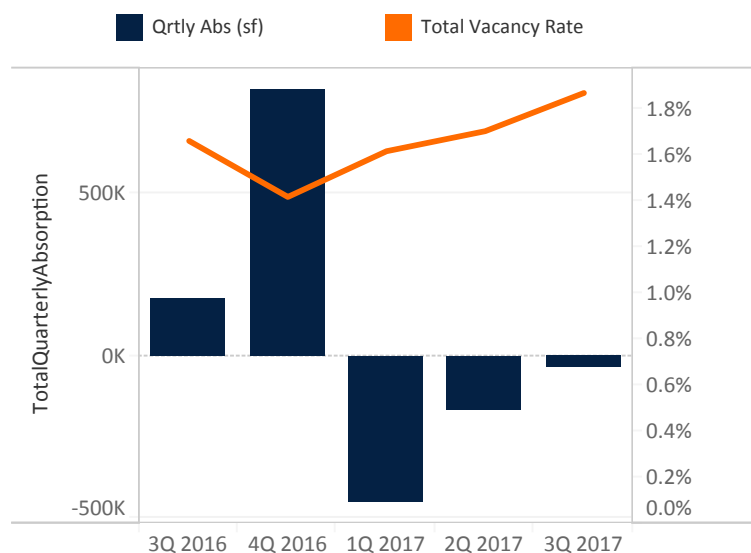
Source: BLS



### Market Recap

Inventory (sf)	250,101,994
# of Bldgs	7,377
Qrtly Abs (sf)	-38,361
Total Avail Rate	4.4%
Total Vacancy Rate	1.9%
U/C Inventory (sf)	1,078,762
Delivered (sf)	387,835
Weighted Average Asking Rate (NNN)	\$0.95

### Absorption and Vacancy Rate



### Overview by Specific Use (Total)

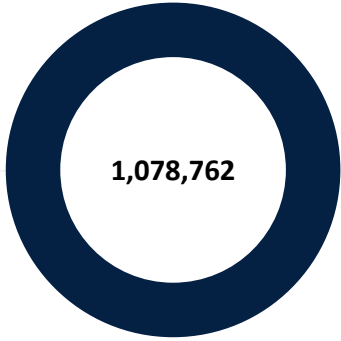
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Flex	47,050,751	2,488,284	960,086	2.0%	-30,209	225,696
Whse/Dist	203,051,243	8,393,205	3,707,385	1.8%	-8,152	-875,683
<b>Overall</b>	<b>250,101,994</b>	<b>10,881,489</b>	<b>4,667,471</b>	<b>1.9%</b>	<b>-38,361</b>	<b>-649,987</b>

### 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	12,164,969	1,059,457	526,145	4.3%	-101,474	-69,841
	Whse/Dist	52,883,796	2,663,987	1,811,076	3.4%	-904,912	-970,069
	<b>Subtotal</b>	<b>65,048,765</b>	<b>3,723,444</b>	<b>2,337,221</b>	<b>3.6%</b>	<b>-1,006,386</b>	<b>-1,039,910</b>
OC North	Flex	13,870,265	395,868	128,771	0.9%	54,849	115,057
	Whse/Dist	92,012,372	3,149,142	950,016	1.0%	522,831	379,860
	<b>Subtotal</b>	<b>105,882,637</b>	<b>3,545,010</b>	<b>1,078,787</b>	<b>1.0%</b>	<b>577,680</b>	<b>494,917</b>
OC South	Flex	13,767,105	681,042	267,143	1.9%	10,693	165,419
	Whse/Dist	25,216,928	1,592,423	506,238	2.0%	-77,202	64,769
	<b>Subtotal</b>	<b>38,984,033</b>	<b>2,273,465</b>	<b>773,381</b>	<b>2.0%</b>	<b>-66,509</b>	<b>230,188</b>
OC West	Flex	7,248,412	351,917	38,027	0.5%	5,723	15,061
	Whse/Dist	32,938,147	987,653	440,055	1.3%	451,131	-350,243
	<b>Subtotal</b>	<b>40,186,559</b>	<b>1,339,570</b>	<b>478,082</b>	<b>1.2%</b>	<b>456,854</b>	<b>-335,182</b>
<b>Overall</b>		<b>250,101,994</b>	<b>10,881,489</b>	<b>4,667,471</b>	<b>1.9%</b>	<b>-38,361</b>	<b>-649,987</b>

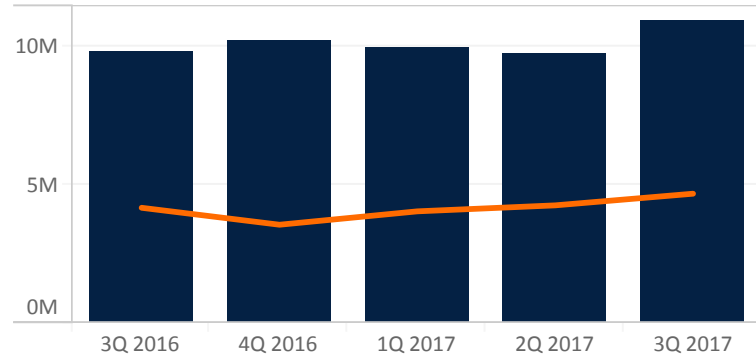
#### Construction by Market

OC North



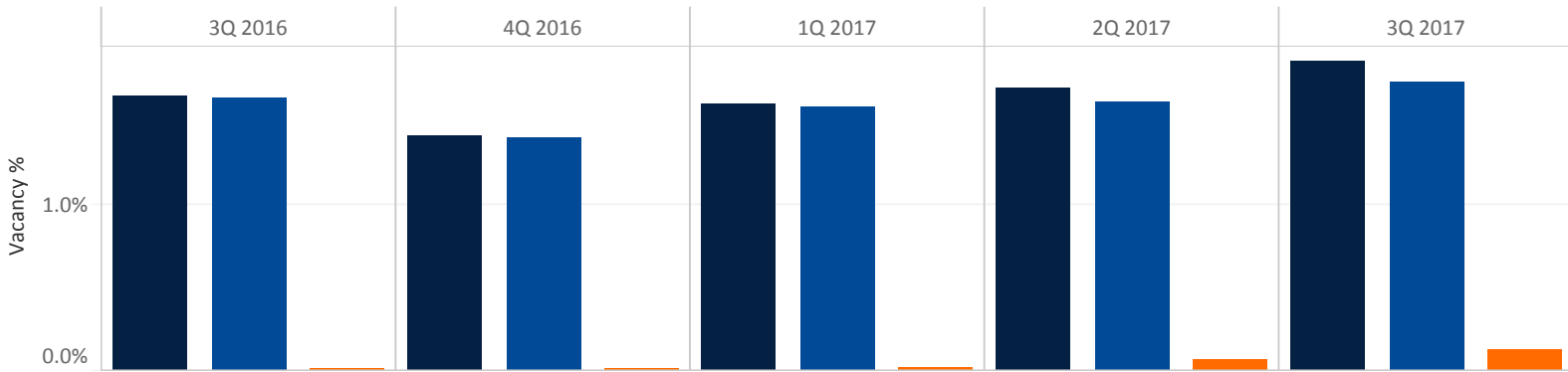
#### Total Available and Vacant

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	47,050,751	2,100,895	937,219	2.0%	-18,145	239,064
Whse/Dist	203,051,243	7,462,658	3,408,714	1.7%	126,736	-600,239
Overall	250,101,994	9,563,553	4,345,933	1.7%	108,591	-361,175

#### Overview by Specific Use (Sublease)

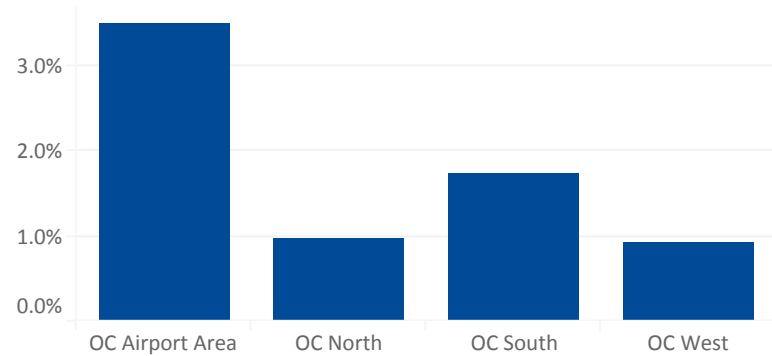
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	47,050,751	387,389	22,867	0.0%	-12,064	-13,368
Whse/Dist	203,051,243	930,547	298,671	0.1%	-134,888	-275,444
Overall	250,101,994	1,317,936	321,538	0.1%	-146,952	-288,812

## Direct Vacancy Rates

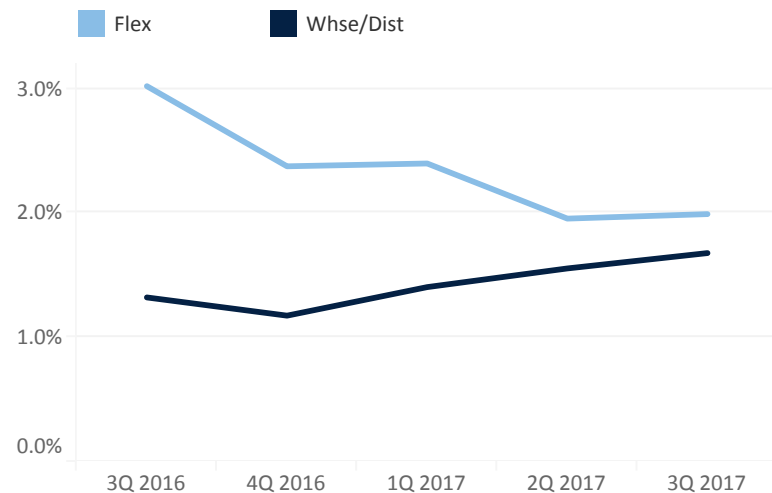
### By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
OC Airport Area	Flex	3.3%	3.3%	3.7%	3.5%	4.2%
	Whse/Dist	1.7%	1.6%	1.7%	1.7%	3.3%
	<b>Subtotal</b>	<b>2.0%</b>	<b>1.9%</b>	<b>2.1%</b>	<b>2.0%</b>	<b>3.5%</b>
OC North	Flex	2.0%	1.7%	1.8%	1.3%	0.9%
	Whse/Dist	1.2%	1.0%	1.0%	1.2%	1.0%
	<b>Subtotal</b>	<b>1.3%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>1.2%</b>	<b>1.0%</b>
OC South	Flex	5.1%	3.1%	2.6%	2.0%	1.9%
	Whse/Dist	2.0%	2.2%	2.4%	1.6%	1.6%
	<b>Subtotal</b>	<b>3.1%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>1.7%</b>	<b>1.7%</b>
OC West	Flex	0.7%	0.7%	0.9%	0.6%	0.5%
	Whse/Dist	0.4%	0.1%	1.1%	2.5%	1.0%
	<b>Subtotal</b>	<b>0.5%</b>	<b>0.2%</b>	<b>1.1%</b>	<b>2.1%</b>	<b>0.9%</b>
<b>Overall</b>		<b>1.6%</b>	<b>1.4%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.7%</b>

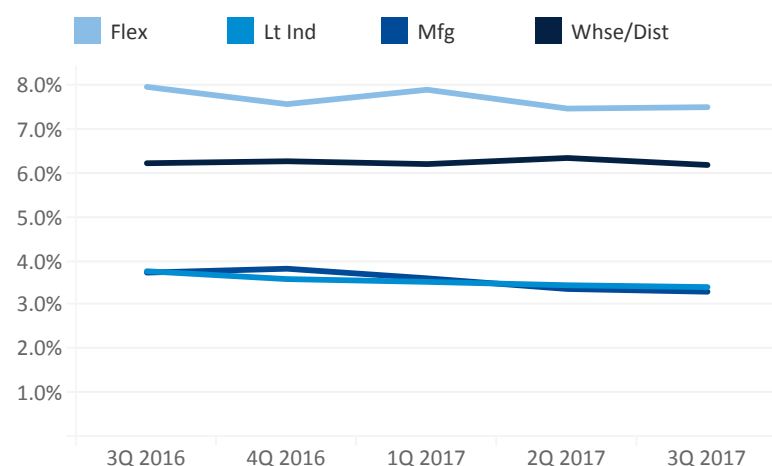
### By Market



### Orange County By Specific Use



### National by Specific Use

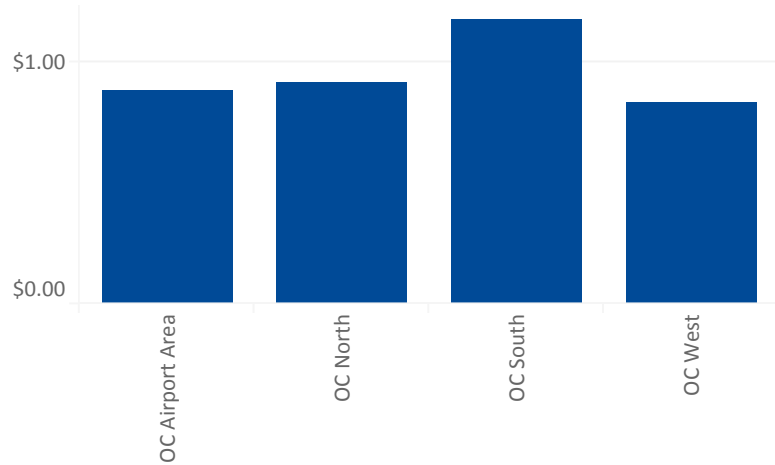


## Direct Weighted Average Asking Rates (NNN)

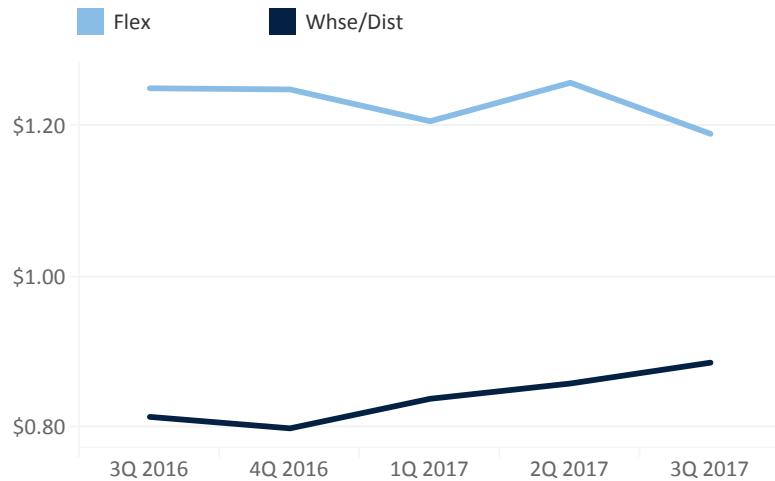
### By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
OC Airport Area	Flex	\$1.18	\$1.14	\$1.17	\$1.18	\$1.20
	Whse/Dist	\$0.83	\$0.85	\$0.87	\$0.86	\$0.85
	<b>Subtotal</b>	<b>\$0.87</b>	<b>\$0.89</b>	<b>\$0.90</b>	<b>\$0.90</b>	<b>\$0.88</b>
OC North	Flex	\$1.09	\$1.10	\$1.10	\$1.01	\$0.95
	Whse/Dist	\$0.75	\$0.73	\$0.75	\$0.76	\$0.90
	<b>Subtotal</b>	<b>\$0.80</b>	<b>\$0.77</b>	<b>\$0.76</b>	<b>\$0.76</b>	<b>\$0.91</b>
OC South	Flex	\$1.36	\$1.36	\$1.33	\$1.43	\$1.43
	Whse/Dist	\$0.91	\$0.90	\$0.99	\$1.03	\$1.02
	<b>Subtotal</b>	<b>\$1.14</b>	<b>\$1.13</b>	<b>\$1.13</b>	<b>\$1.19</b>	<b>\$1.17</b>
OC West	Flex	\$0.94	\$0.94	\$0.87	\$0.89	\$0.90
	Whse/Dist	\$0.75	\$0.73	\$0.74	\$0.78	\$0.80
	<b>Subtotal</b>	<b>\$0.78</b>	<b>\$0.76</b>	<b>\$0.77</b>	<b>\$0.81</b>	<b>\$0.83</b>
<b>Overall</b>		<b>\$0.92</b>	<b>\$0.90</b>	<b>\$0.91</b>	<b>\$0.94</b>	<b>\$0.95</b>

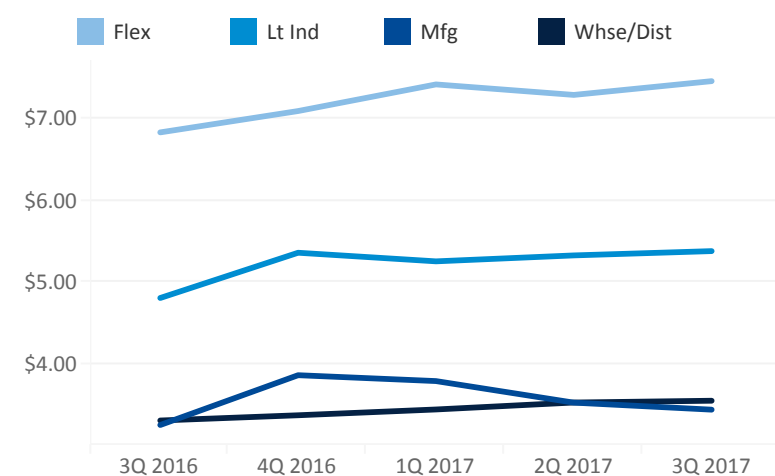
### By Market



### Orange County by Specific Use

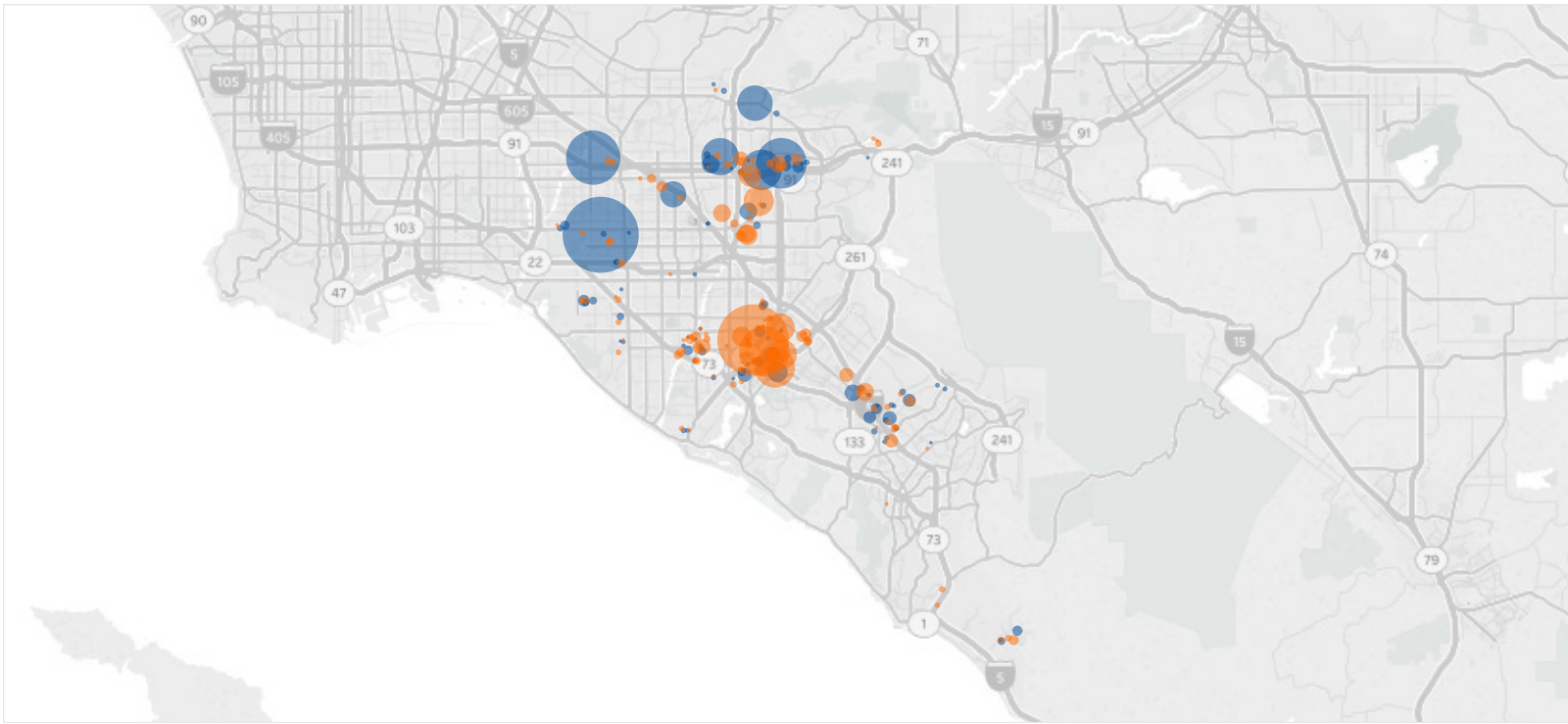


### National by Specific Use



#### Absorption Map

■ Negative
 ■ Positive



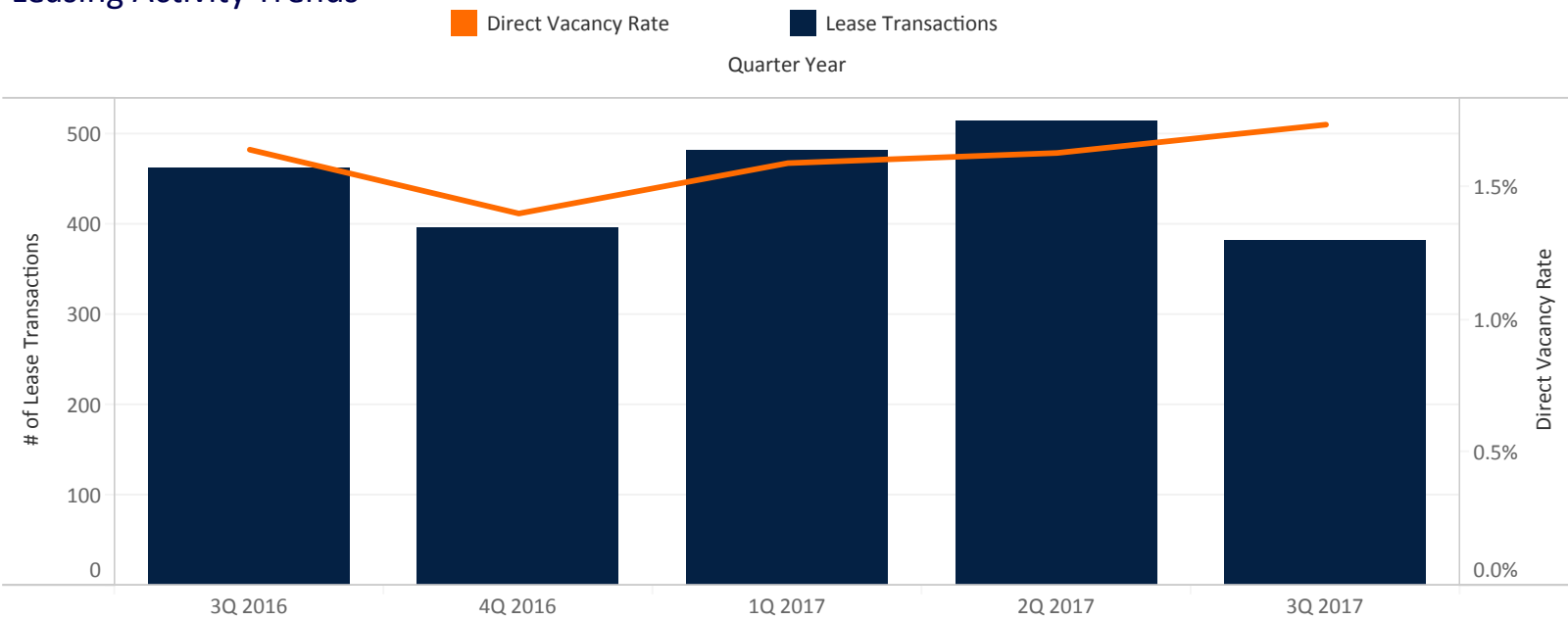
#### Largest Positives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
Cypress Distribution Center	Shaw Industries, Inc.	OC West	Whse/Dist	280,125
6400 Valley View St, Bldg 19	Amazon	OC North	Whse/Dist	238,270
1265 Van Buren St	Jellco Container	OC North	Whse/Dist	206,766
Cypress Distribution Center	Primary Colors	OC West	Whse/Dist	187,465
Anaheim Concourse, Bldg A	Daisy Nail Products Inc.	OC North	Whse/Dist	132,231
2100 E Valencia Dr	California Hi-Lites, Inc.	OC North	Whse/Dist	112,746
2830 W Orbiter St	Caran Precision	OC North	Flex	101,420
Tower Park	Nutrition Corp, Inc.	OC North	Whse/Dist	55,175

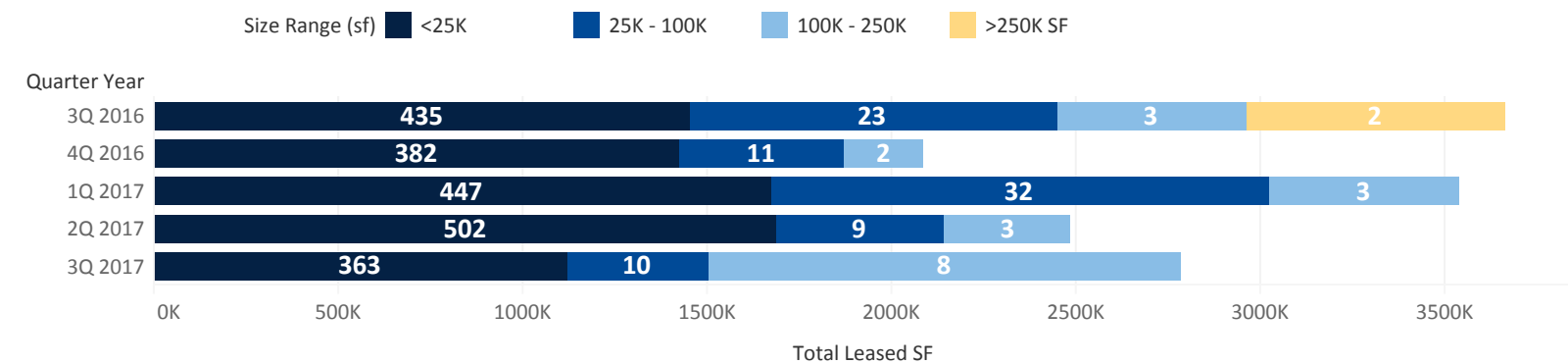
#### Largest Negatives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
515 E Dyer Rd	Royalty Carpet Mills	OC Airport Area	Whse/Dist	-414,308
17111 Red Hill Ave	Royalty Carpet Mills	OC Airport Area	Whse/Dist	-205,413
17352 Derian Ave	Royalty Carpet Mills	OC Airport Area	Whse/Dist	-132,545
240 W Fletcher Ave	Smurfit Kappa	OC North	Whse/Dist	-73,400
2400 Barranca Pkwy	Emerson Process Management	OC Airport Area	Flex	-69,780
1361 Valencia Ave	MillenWorks	OC Airport Area	Whse/Dist	-67,439
2951 E La Palma Ave	Allied Pacific Metal Stamping	OC North	Whse/Dist	-40,015
1450 W Collins Ave	Furniture Traditions	OC North	Whse/Dist	-34,177

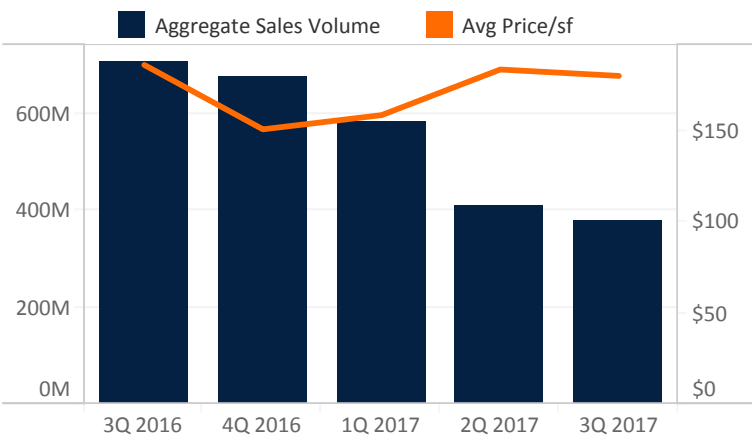
### Leasing Activity Trends



### Leasing Activity (# of New Deals)



### Sales Volume vs. Price/SF



### Top Sales

Property	Sale Date	Buyer	Sale Price
3454 E Miraloma Ave	08/01/2017	DCT Industrial Trust Inc	\$56,620,000
500 W Warner Ave	07/17/2017	LBA Realty	\$41,000,000
6280 Artesia Blvd	07/21/2017	Duke Realty	\$35,800,500
Monarch Industrial Center	07/28/2017	Penwood Real Estate Investment	\$27,000,000
Delta Building	07/07/2017	Alliance Residential Company	\$25,009,000

## 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

*This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy.*

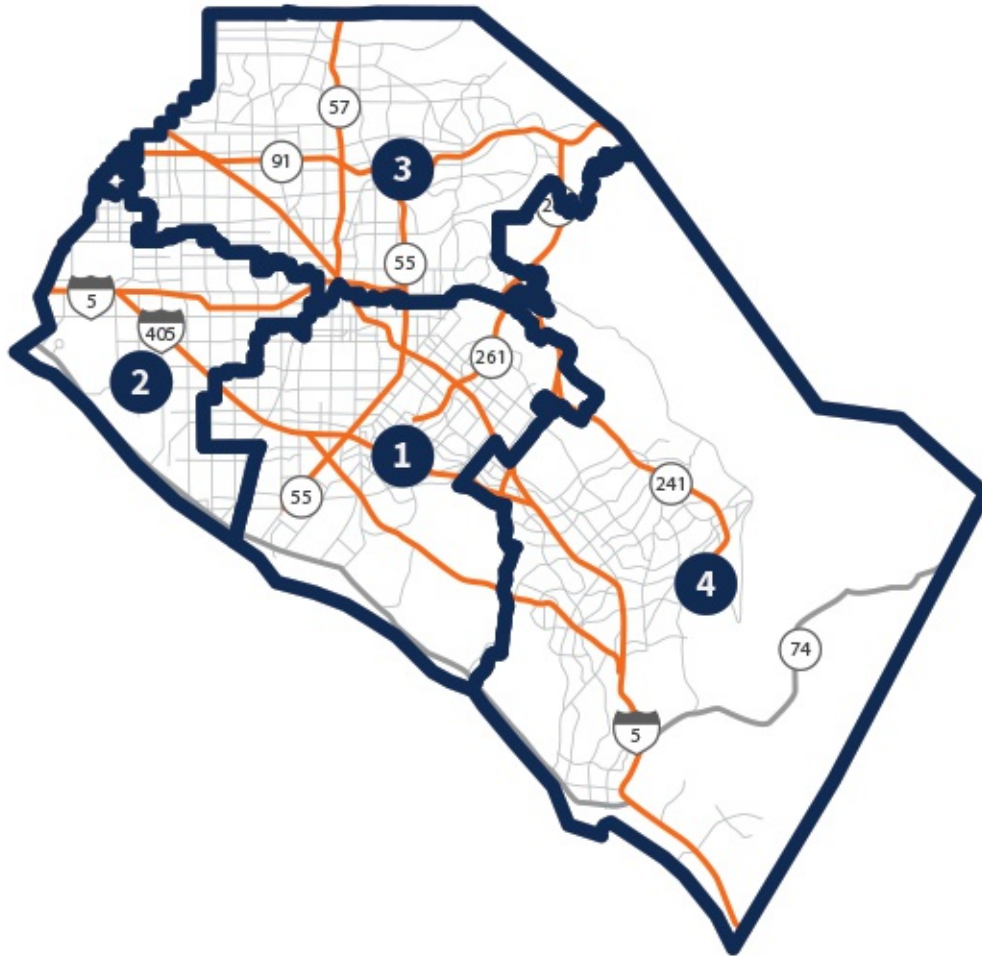


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**1** OC Airport

**3** OC North

**2** OC West

**4** OC South