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Orange County Market Update

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Positive Influence:

- Low cost of capital
- Sub 4% vacancy rate
- Reasonably vibrant economy

Negative Influence:

- Fractured job growth
- State and Federal debt
- Anemic salary growth
- Clouds on the horizon in 2016

Forecast – Similar to 2014

- Lower Transaction Volume - Declining Inventory
- Rising - Lease Rates
- Stable to Rising - User Sell Prices
- Investor/User pricing is Par
- Capital Markets Open – SBA; CMBS; Life Insurance; All banks
- Yields/Rates - Flat
- Continued investor demands for quality assets



Forecast

- **Employment** – We anticipate job growth of around 2.6%, or 38,000 jobs, in Orange County. Rapid job growth: construction, education, health, business services, leisure and hospitality.
- **Lease Rates** – Average asking lease rates to increase by another 3% to 5%.
- **Vacancy** – Vacancy rates continuing to descend to around 3.0%, by the end of the 3Q of 2015.



Orange County Industrial Market Statistics

	2014	2013	2012	%Change vs. 2013
Vacancy Rate	3.58%	3.94%	4.79%	-9.14%
Availability Rate	5.85%	6.15%	7.69%	-4.88%
Average Asking Lease Rate	\$0.63	\$0.61	\$0.57	3.28%
Average Asking Sale Price	\$176.26	\$147.77	\$148.99	19.28%
Sale & Lease Transactions	18,669,297	24,365,991	21,728,751	-23.38%
Gross Absorption	11,517,675	13,021,615	12,623,826	-11.55%
Net Absorption	1,973,051	2,446,274	871,115	N/A

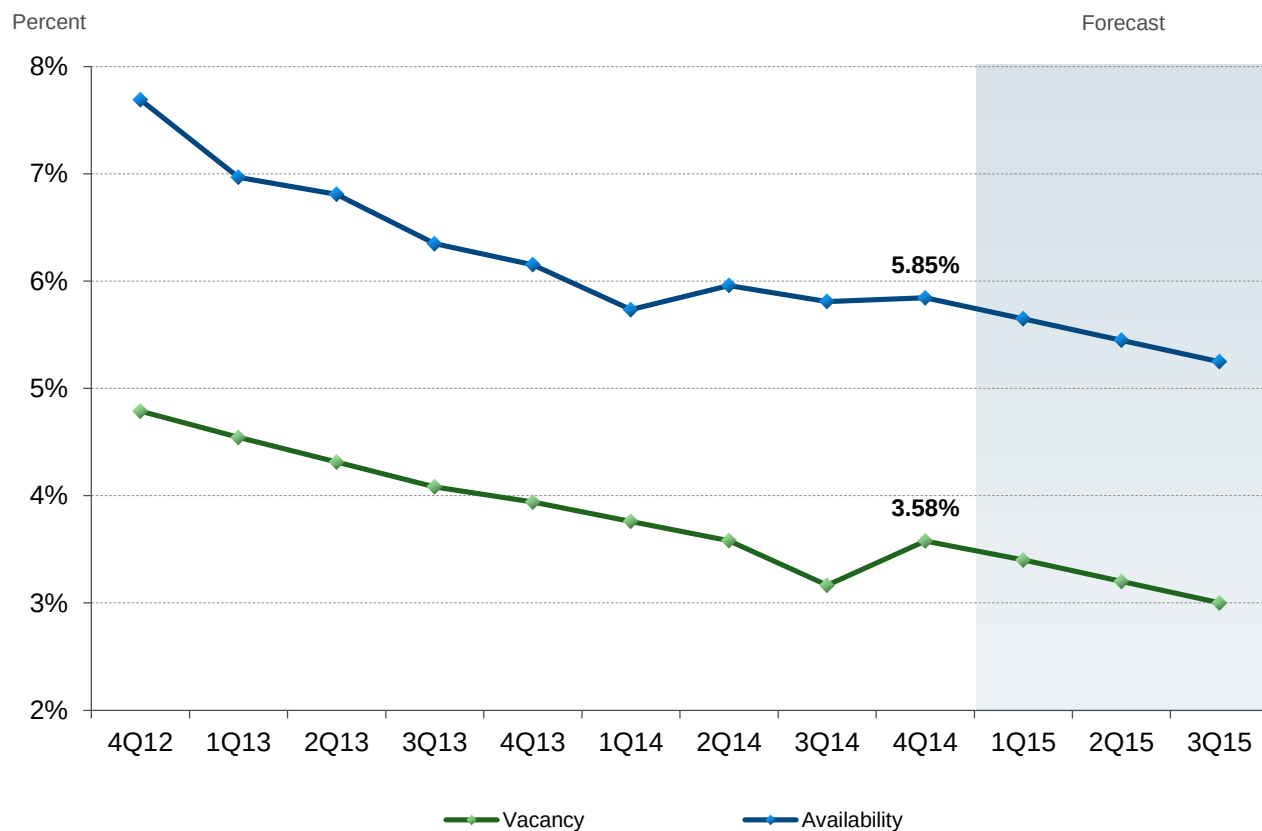
*The market has totaled 9.4 million square feet of positive absorption since the second quarter of 2010.



ORANGE COUNTY INDUSTRIAL MARKET

Market Overview

Vacancy vs. Availability

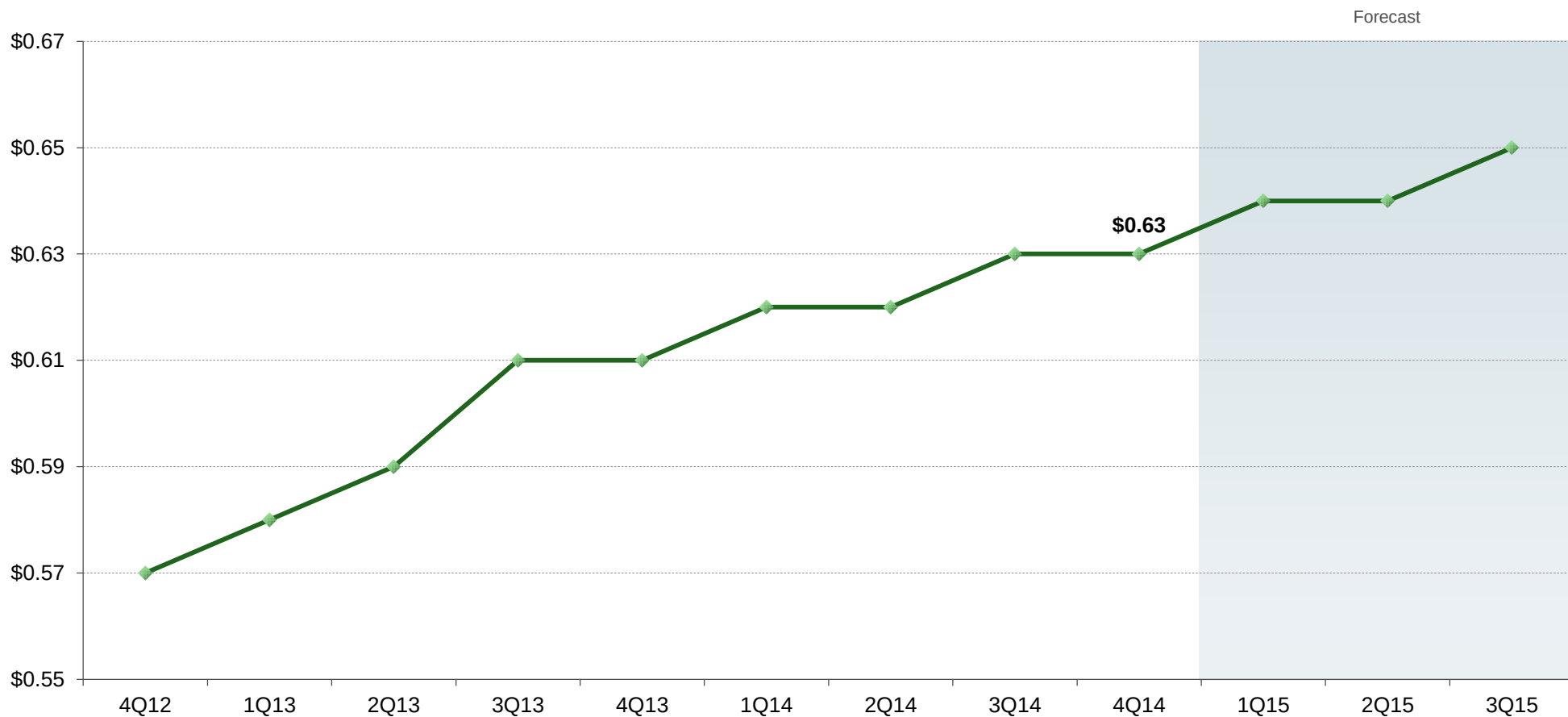




ORANGE COUNTY INDUSTRIAL MARKET

Leasing Market

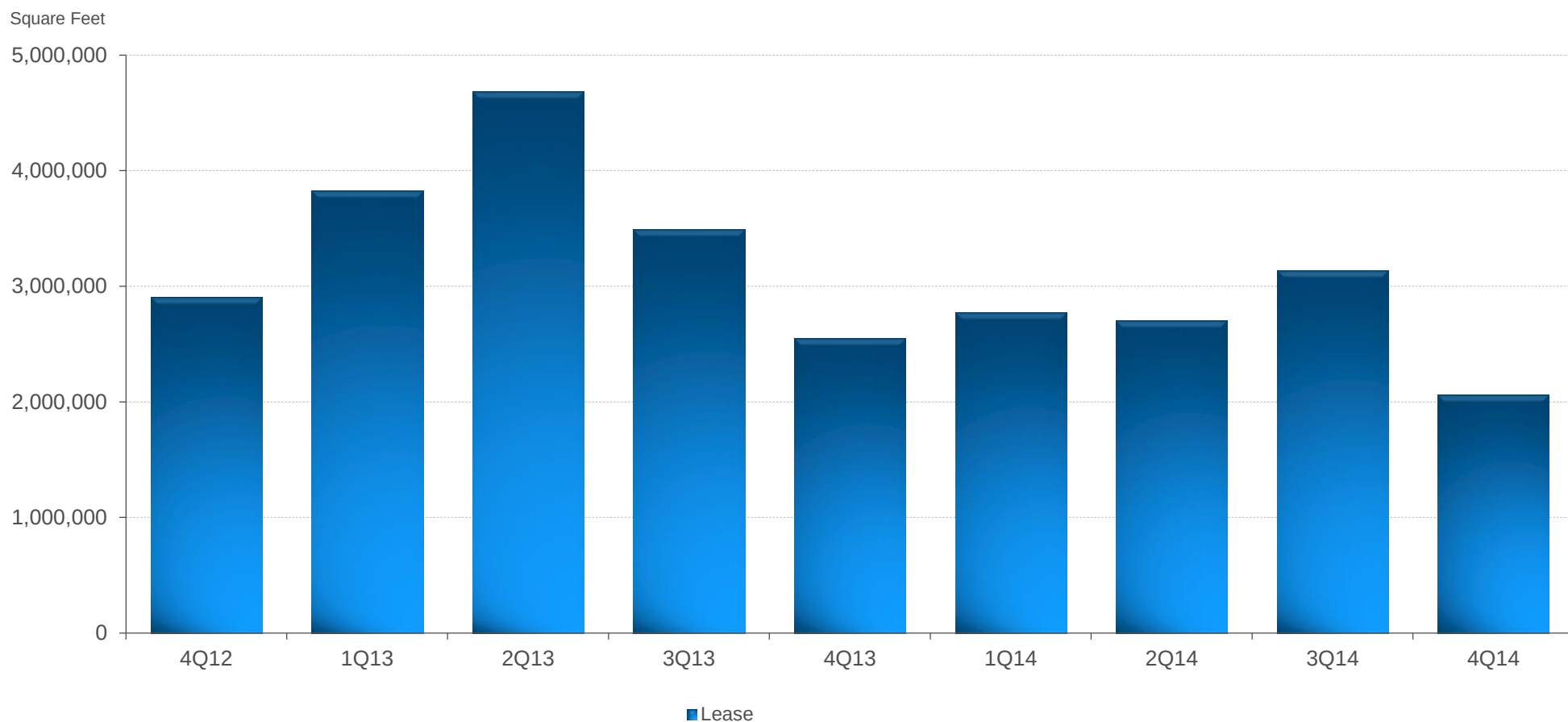
Average Asking NNN Lease Rate





ORANGE COUNTY INDUSTRIAL MARKET

Lease Transaction Activity

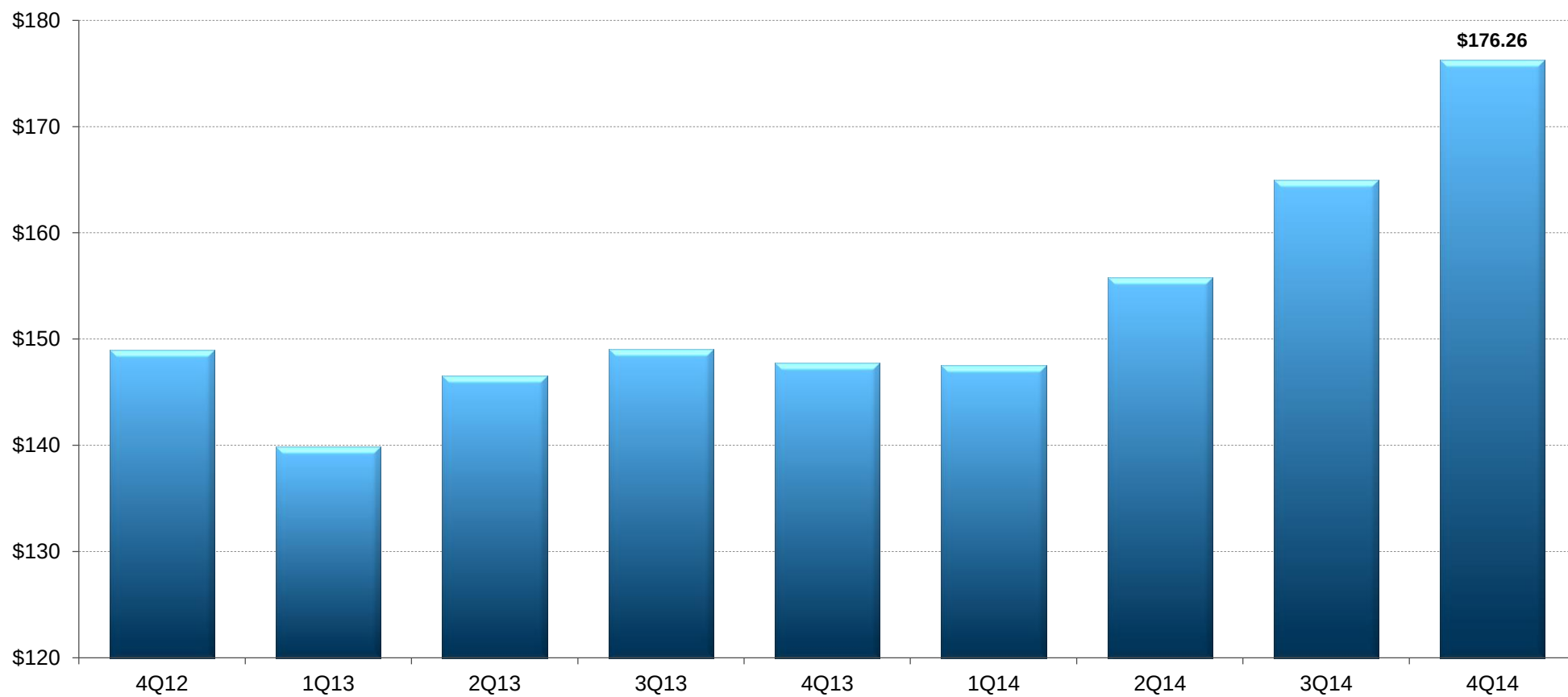




ORANGE COUNTY INDUSTRIAL MARKET

Sales Market

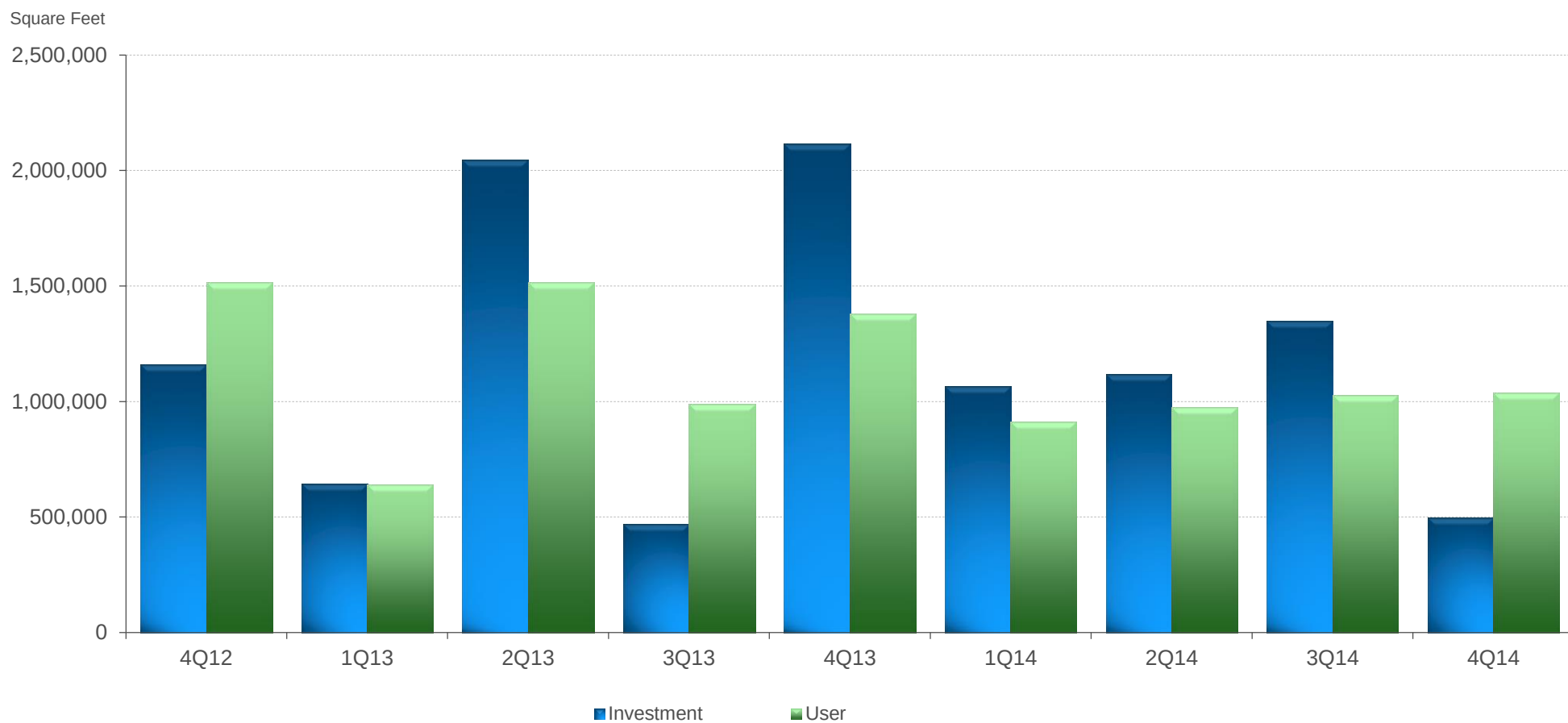
Average Asking Sales Rates Per SF





ORANGE COUNTY INDUSTRIAL MARKET

Sale Transaction Activity

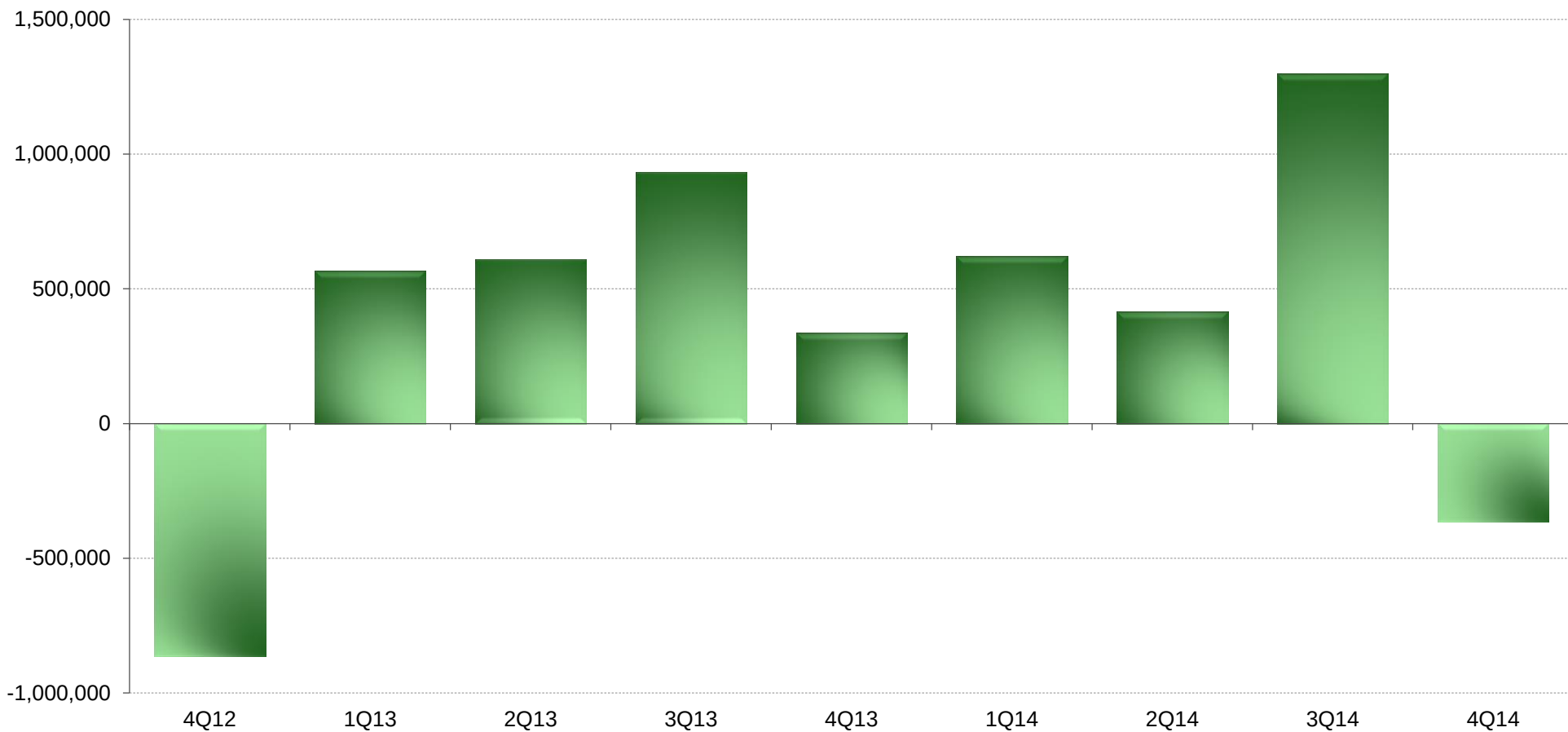




ORANGE COUNTY INDUSTRIAL MARKET

Net Absorption

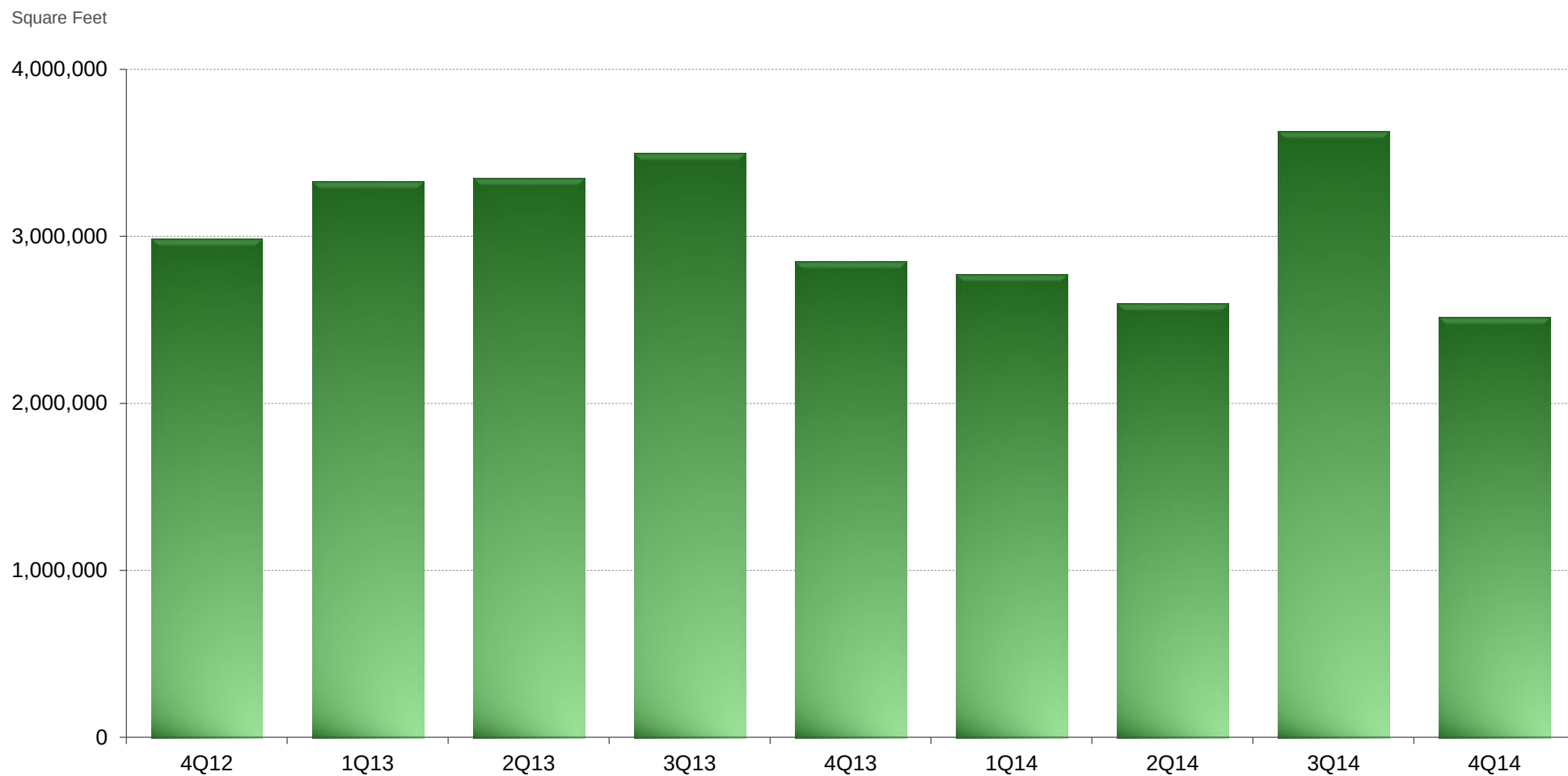
Square Feet





ORANGE COUNTY INDUSTRIAL MARKET

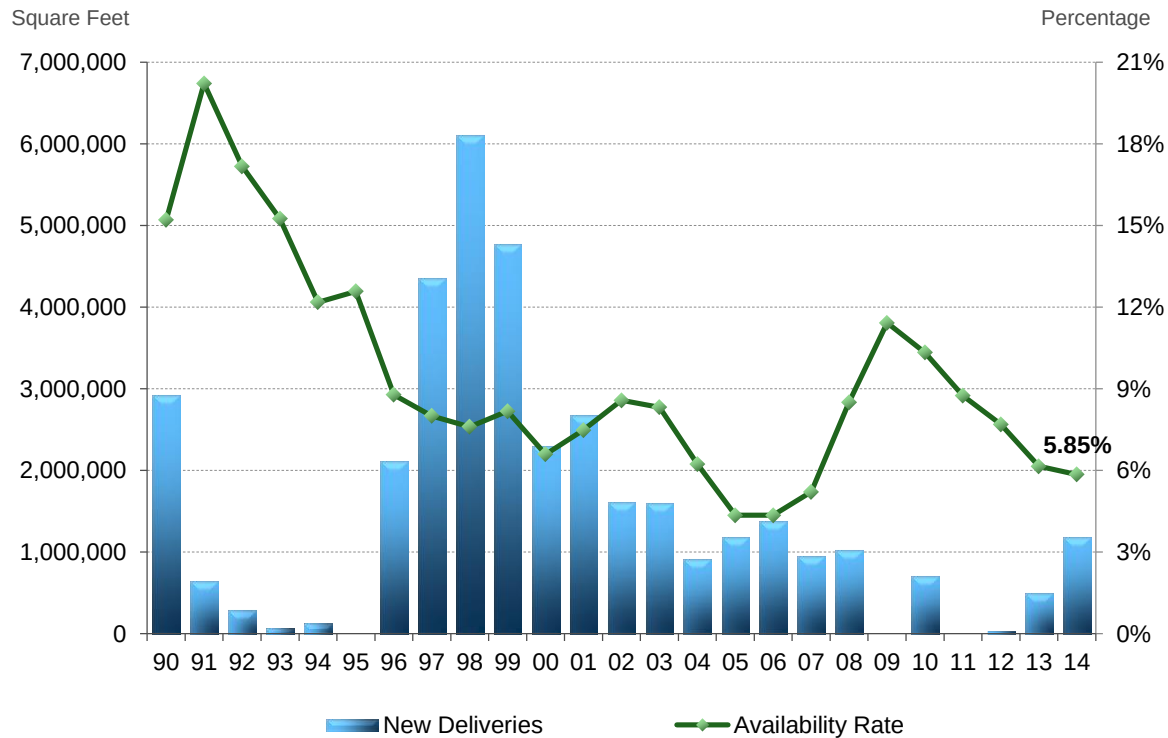
Gross Absorption





ORANGE COUNTY INDUSTRIAL MARKET

Annual New Deliveries vs. Availability



Inventory For Lease ($\pm 100,000$ SF): 34 Buildings

Total: 4,000,000 SF

New Construction: 1,950,000 SF – 5%

Anaheim Concourse / Anaheim 1,300,000 SF
 • South Park / Fountain Valley 200,000 SF
 • Saturn / Brea 350,000 SF

32'-36' warehouse clearance is the new norm



ORANGE COUNTY INDUSTRIAL MARKET

Major Transactions for 2014

Sales Activity

Property Address	City	Square Feet	Sale Price	Buyer	Seller
6550 Katella Ave.	West County	543,431	\$111.30	Stockbridge Capital Group, LLC	Colony Realty Partners
52 Discovery	South County	213,400	\$262.42	52 Discovery, LLC	Nikken USA, LLC
2060 N. Batavia St.	North County	227,505	\$204.39	Foamex International	Sares-Regis Group
4321 Jamboree Rd.	Airport Area	311,452	\$143.44	The Picerne Group	Shopoff Realty Investments, L.P.
601 S. Acacia Ave.	North County	440,227	\$97.11	KTR Capital Partners, LP	Yokohama Tire Corporation

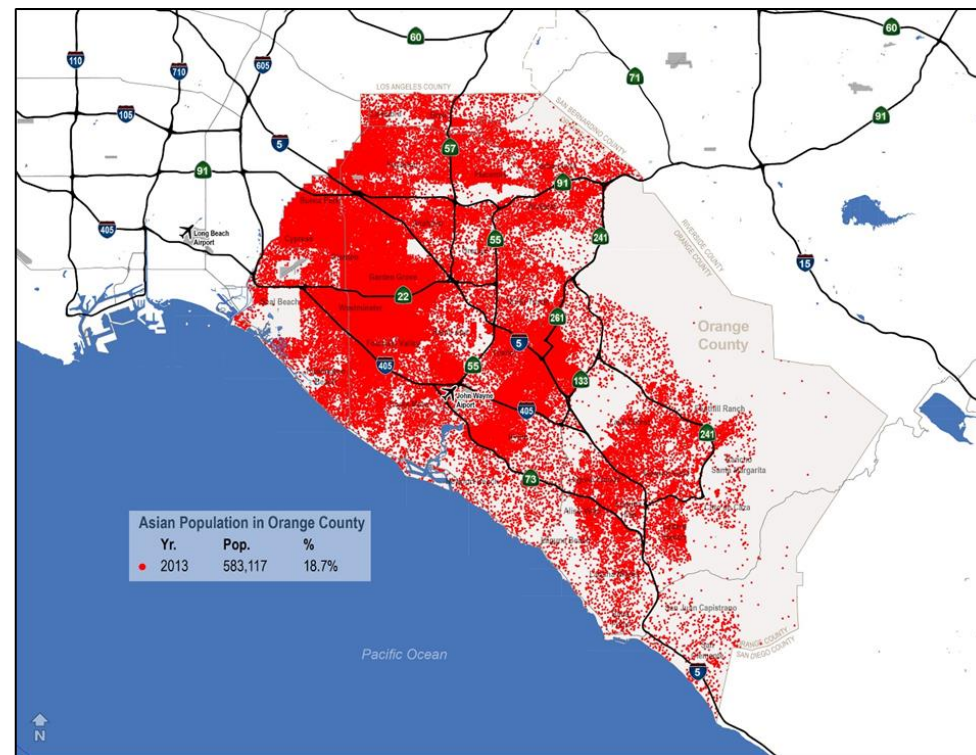
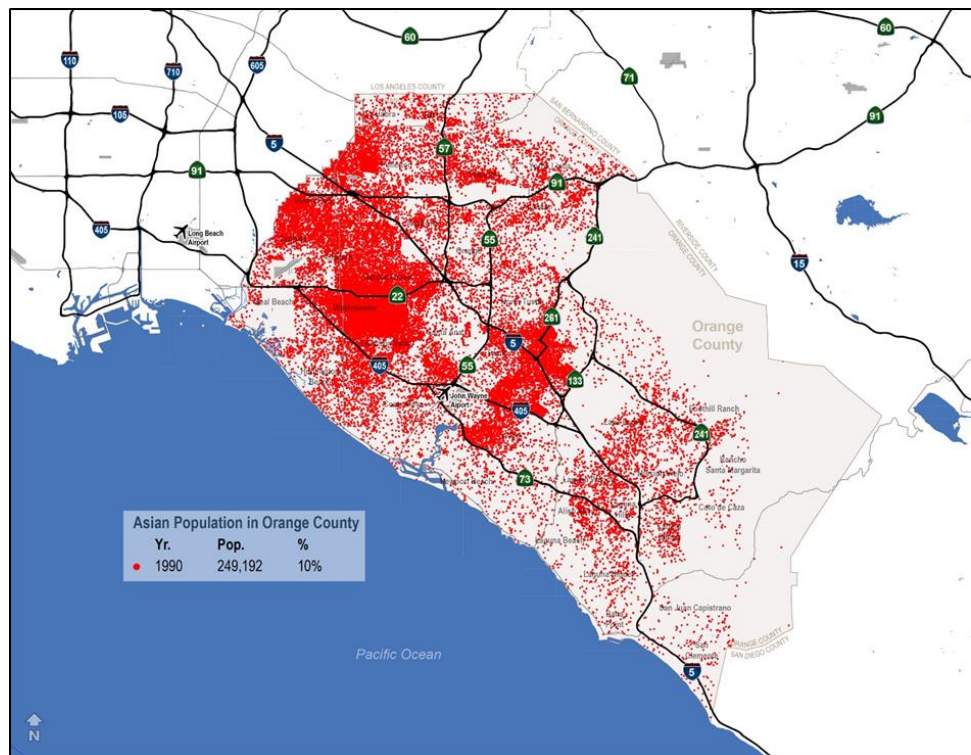
Leasing Activity

Property Address	City	Square Feet	Rental Rate PSF	Transaction Date	Term	Tenant	Owner
6400 Valley View St.	North County	238,270	\$.52 NNN	14-Mar	3 years	Dynamic Worldwide West	Prologis Prudential RE Advisors
6300 Valley View St.	North County	190,800	\$.47 NNN	14-May	7 years	Manhattan Beachwear	
105 S. Puente St. - Sublease	North County	184,000	Not Disclosed	14-Jul	3 years	Pleaser USA, Inc.	Alere
5800 Skylab Rd.	West County	167,778	\$.61 NNN	14-Mar	10 years	Mitsubishi Electronics	Morgan Stanley
25342 Commercentre Dr.	South County	156,374	Renewal - \$.74 NNN	14-Sep	4 years	Quantum Fuel System Worldwide	Makena Properties



ORANGE COUNTY INDUSTRIAL MARKET

Population Increase





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