



# ***Voit***

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## Orange County Market Update

### JANUARY 28, 2016

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### Positive:

- Low cost of capital
- Sub 3% vacancy rate
- Reasonably vibrant economy

### Negative:

- Global issues- Oil, Emerging Countries, Middle East
- State and Federal debt
- Anemic salary growth
- Nervousness in the air

### Forecast:

- Lower transaction volume – declining inventory
- Lease Rates - Rising
- Sale Prices - Rising
- Capital markets open however nervous – SBA, CMBS, Life Insurance & Banks
- Continued investor demand for quality assets
- Tighter Underwriting - Lenders



### Forecast

- **Employment** – We anticipate job growth of around 2.5%, or 39,000 jobs, in the Orange County area over the next four quarters according to Chapman University. The most rapid growth should take place in the construction, education & health, professional & business services, and leisure & hospitality sectors.
- **Lease Rates** – Expect average asking lease rates to increase by another 7% to 10% over the next four quarters.
- **Vacancy** – We anticipate vacancy rate continuing to descend in coming quarters, dropping by 30 basis points, to around 2.0%, by the end of the third quarter of 2016.



## Orange County Industrial Market Statistics

	2015	2014	2013	% Change vs. 2014
Inventory Added	1,021,997	1,175,110	501,078	-13.03%
Under Construction	552,007	479,082	1,175,110	15.22%
Vacancy Rate	2.33%	3.05%	3.69%	-23.61%
Availability Rate	4.47%	5.38%	5.82%	-16.91%
Average Asking Lease Rate	\$0.69	\$0.63	\$0.61	9.52%
Average Asking Sale Price	\$189.18	\$176.26	\$147.77	7.33%
Sale & Lease Transactions	19,102,210	21,157,771	24,565,252	-9.72%
Gross Absorption	13,145,021	11,896,917	12,912,969	10.49%
Net Absorption	2,675,870	2,616,296	2,430,831	N/A

**\*The market has a total of 7.5 Million square feet of positive absorption over the past 15 quarters.**

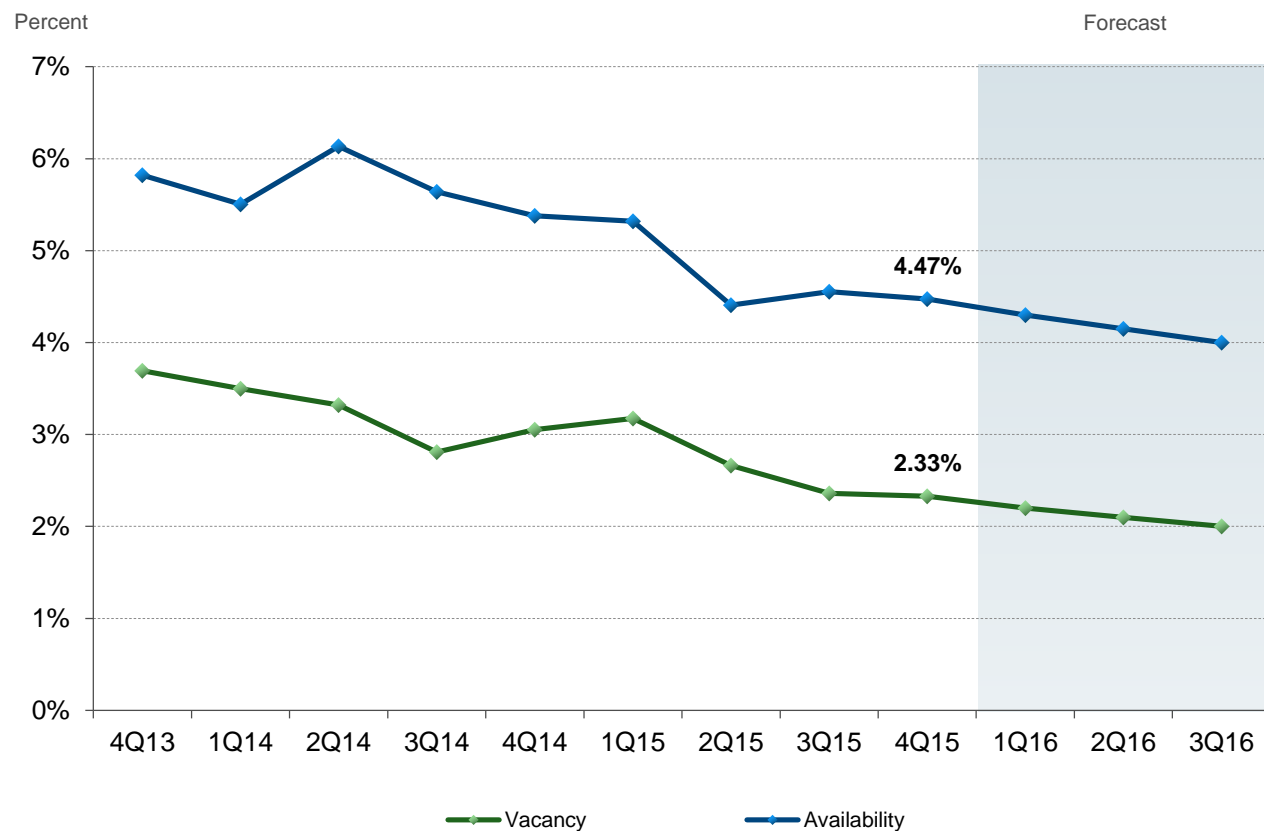




## ORANGE COUNTY INDUSTRIAL MARKET

### Market Overview

#### Vacancy vs. Availability

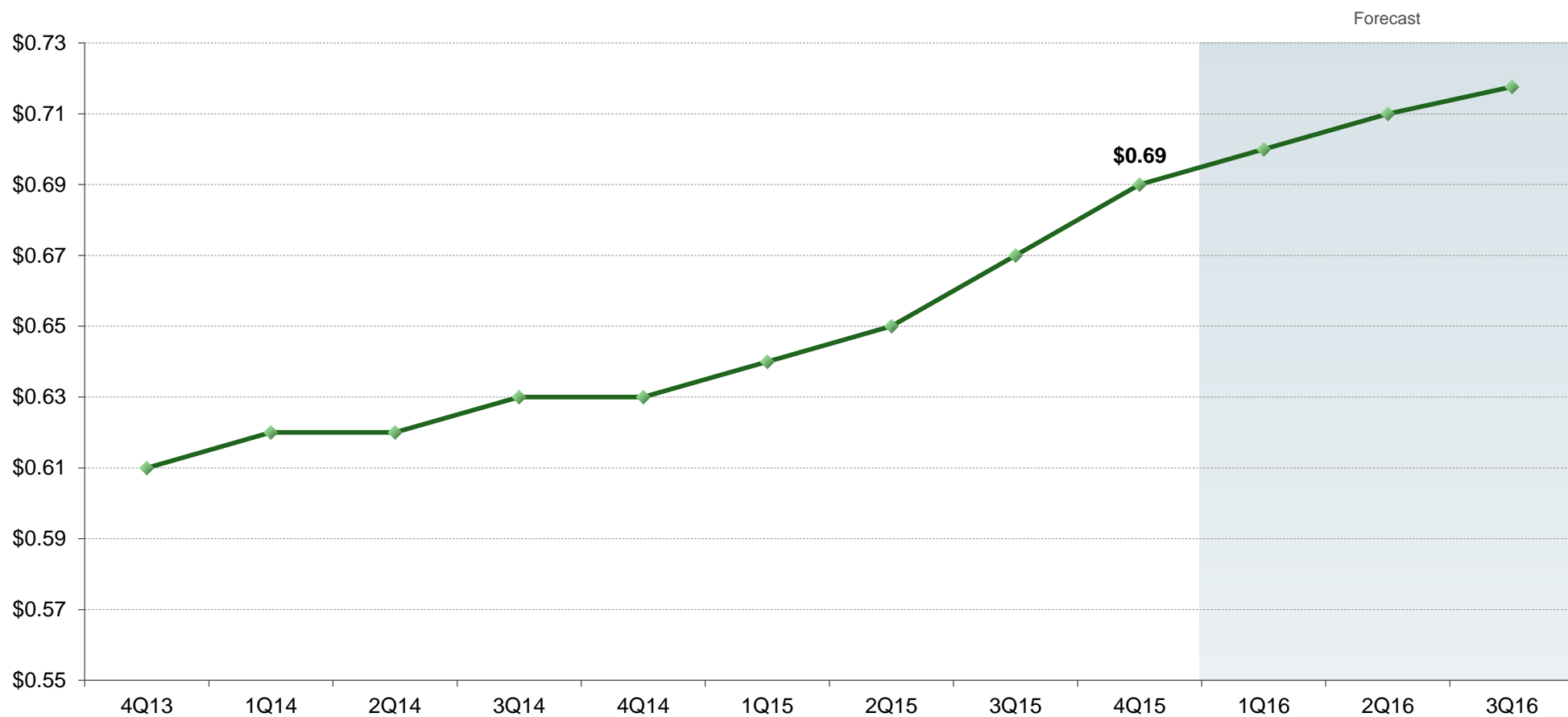




## ORANGE COUNTY INDUSTRIAL MARKET

### Leasing Market

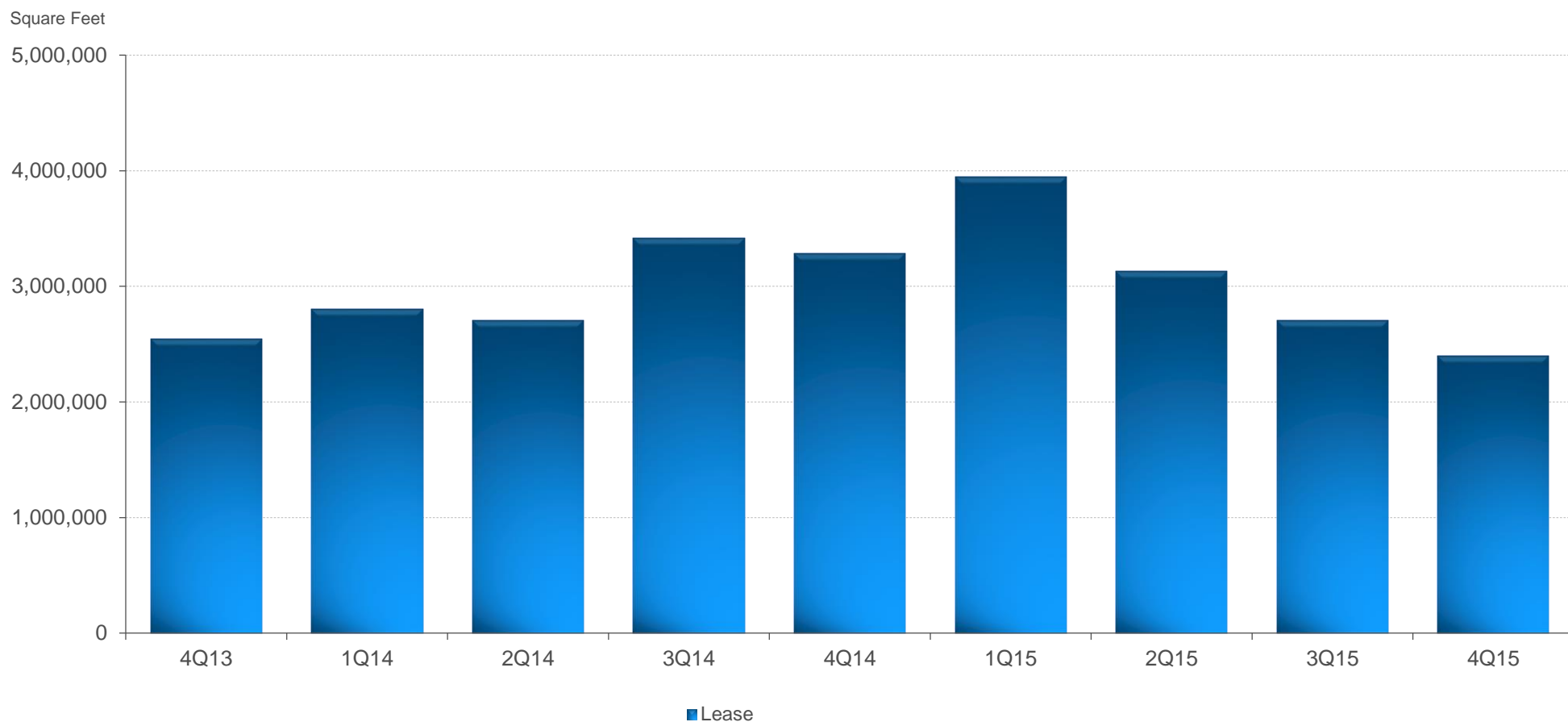
#### Average Asking NNN Lease Rate





## ORANGE COUNTY INDUSTRIAL MARKET

### Lease Transaction Activity

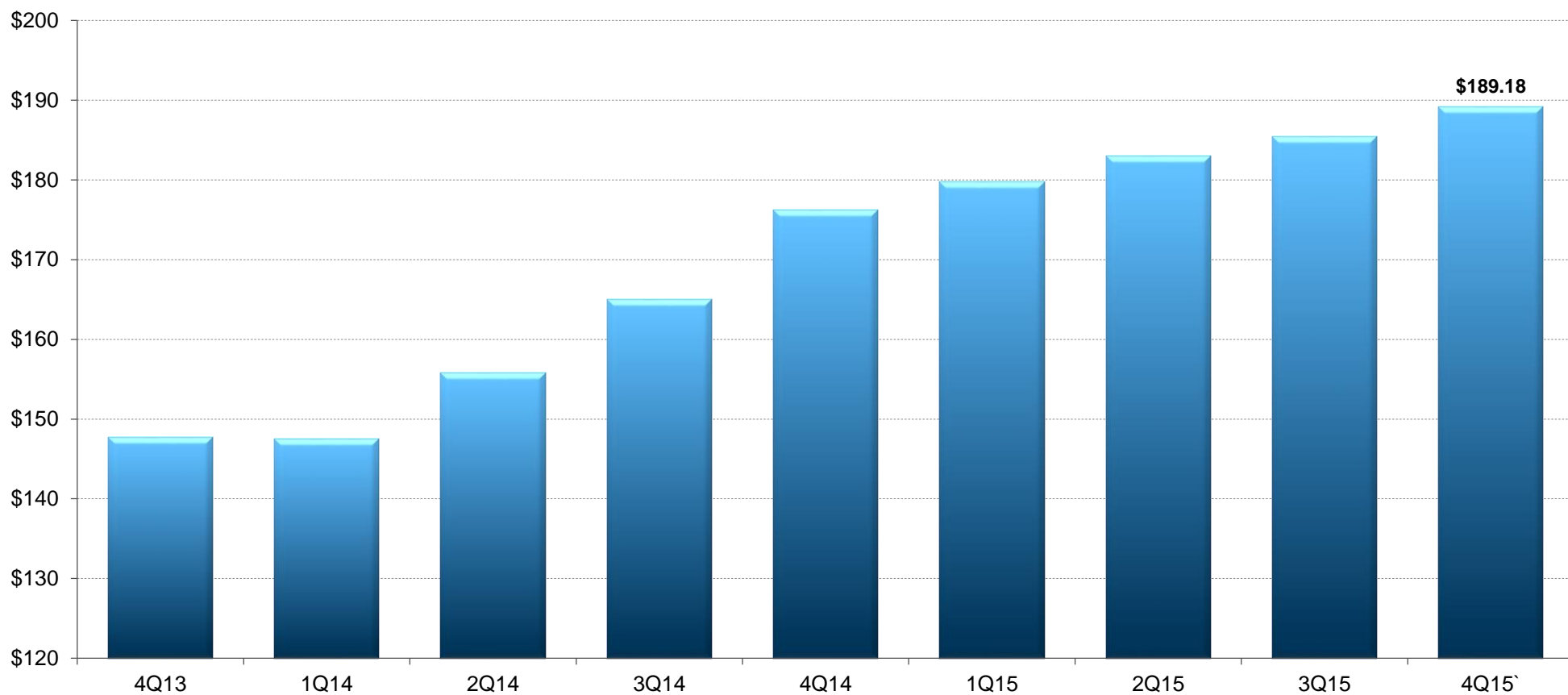




## ORANGE COUNTY INDUSTRIAL MARKET

### Sales Market

Average Asking Sales Rates Per SF

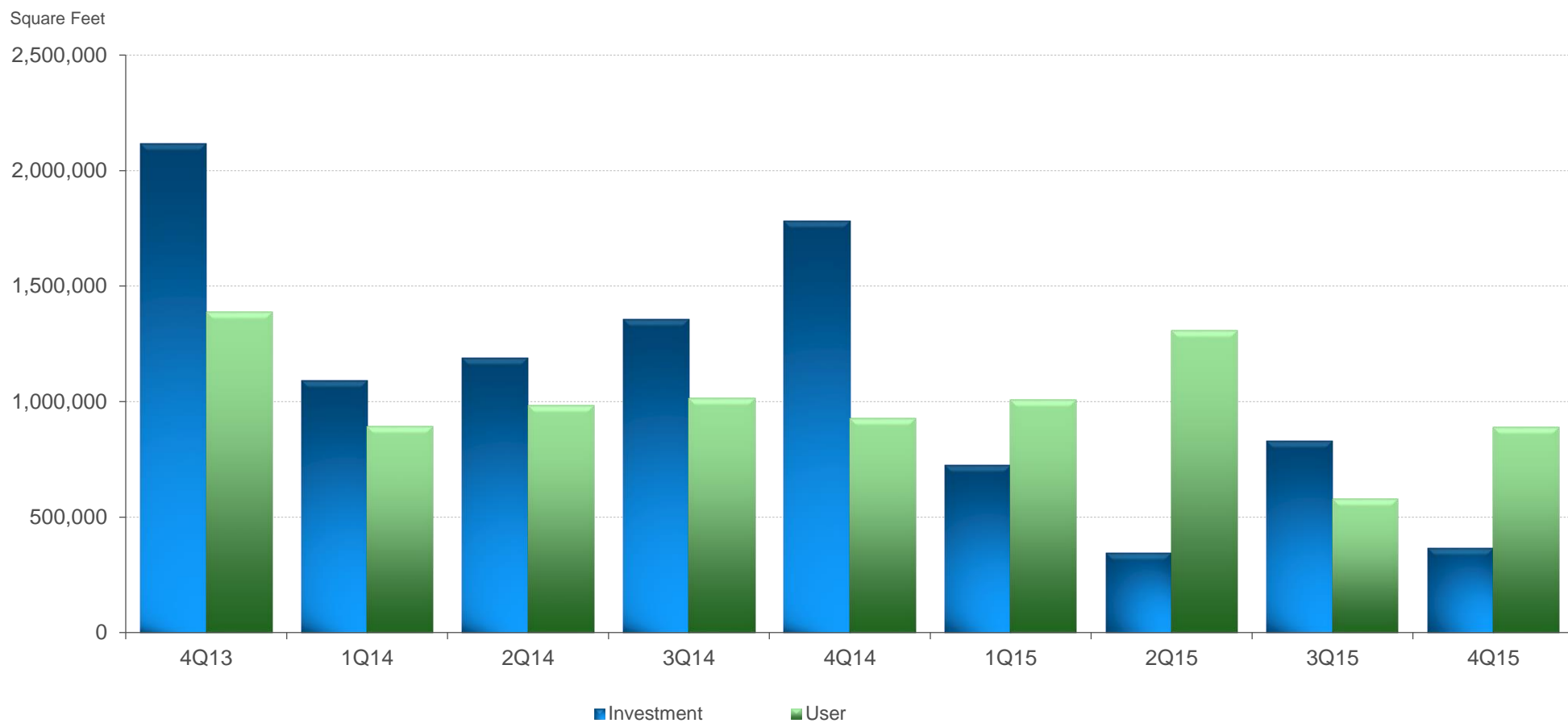






## ORANGE COUNTY INDUSTRIAL MARKET

### Sale Transaction Activity

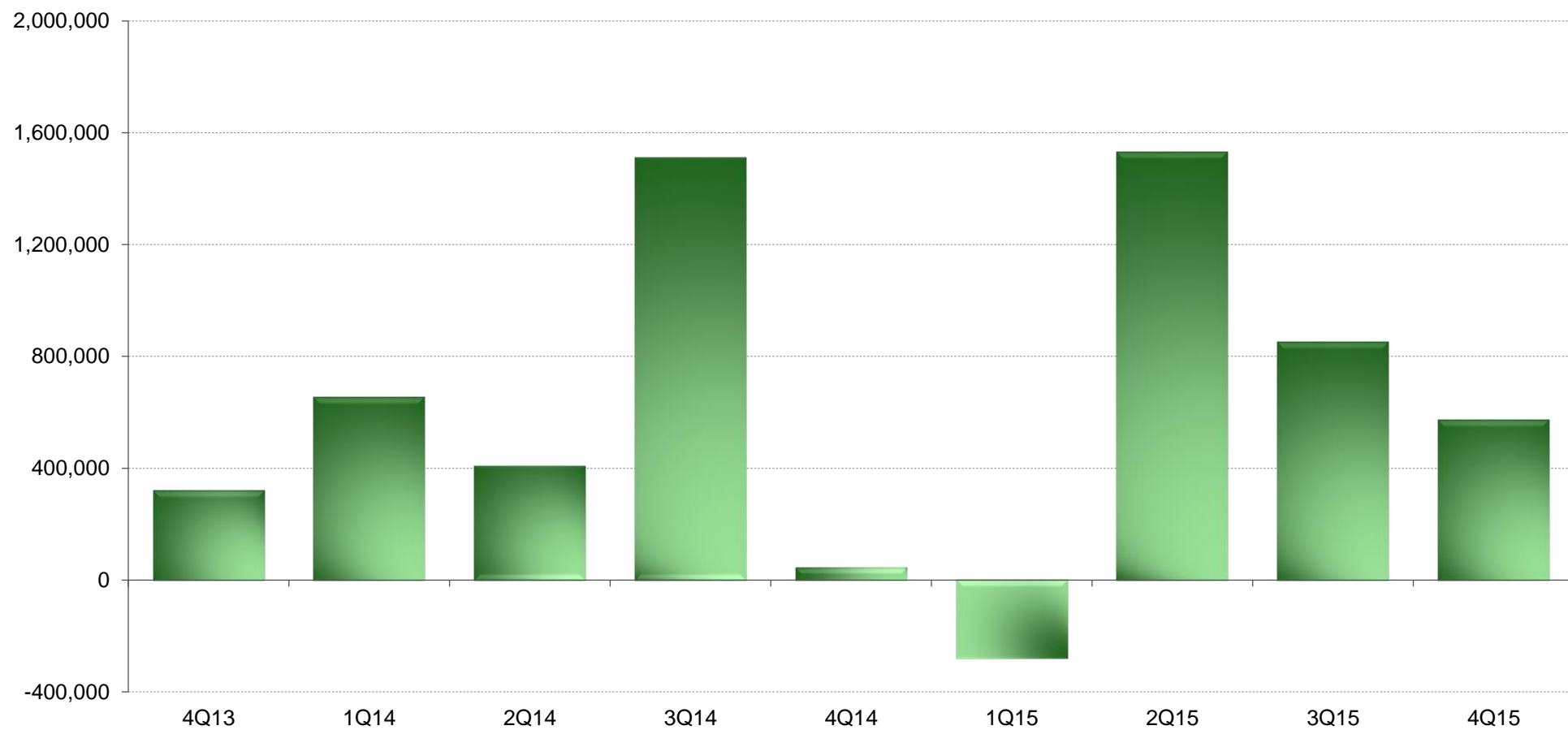




## ORANGE COUNTY INDUSTRIAL MARKET

### Net Absorption

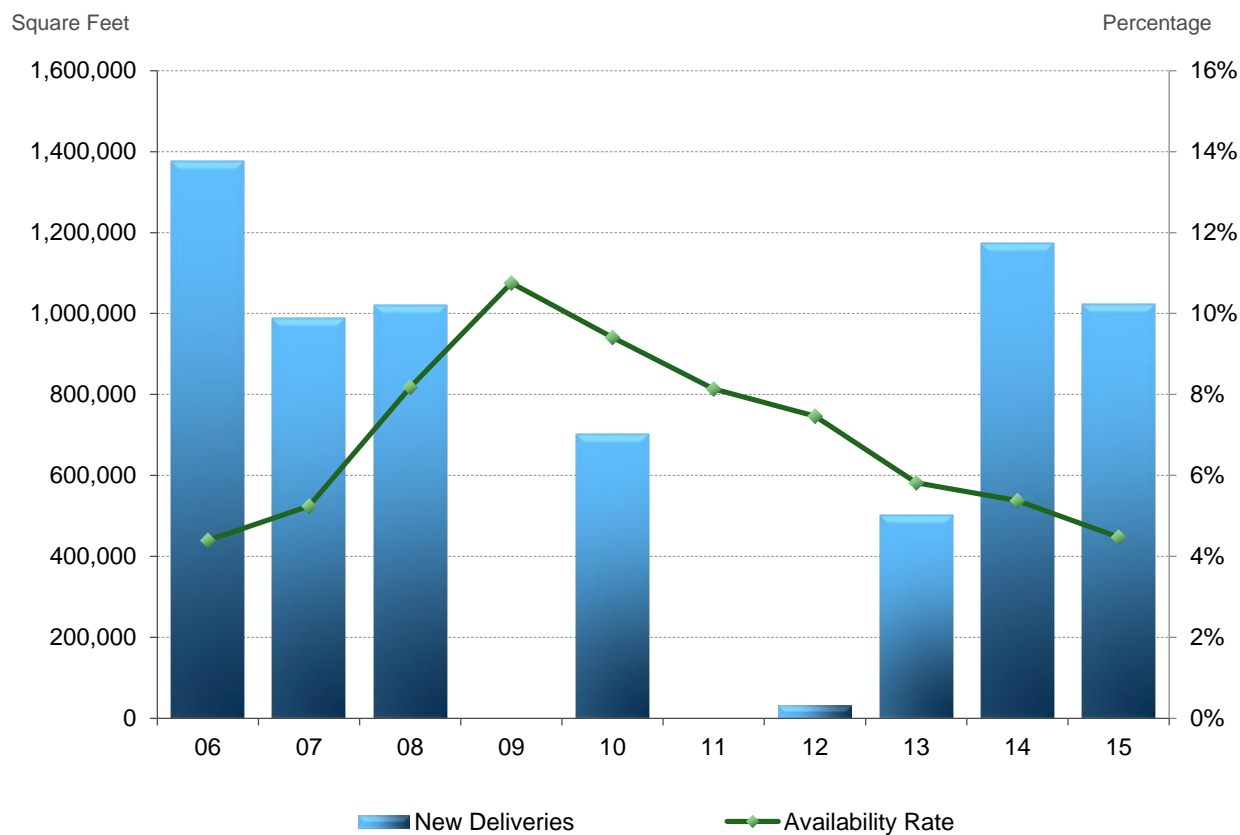
Square Feet





## ORANGE COUNTY INDUSTRIAL MARKET

### Annual New Deliveries vs. Availability





## ORANGE COUNTY INDUSTRIAL MARKET

# Major Transactions for 2015

## Sales Activity

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
601 Acacia Ave.	North County	441,020	\$112.72	Prologis	KTR
1225 W. Imperial Hwy.	North County	351,339	\$81.00	Clairon Partners	Greenlaw Partners
29946 Avenida De Las Banderas	South County	299,999	\$122.33	Applied Medical Resources Corp.	Cox Communications, Inc.
1801 S. Standard Ave.	Airport Area	295,000	\$158.70	Prologis	KTR
5701 Skylab Rd.	West County	280,460	\$131.03	Prologis	Konica Minolta Business Solutions

## Leasing Activity

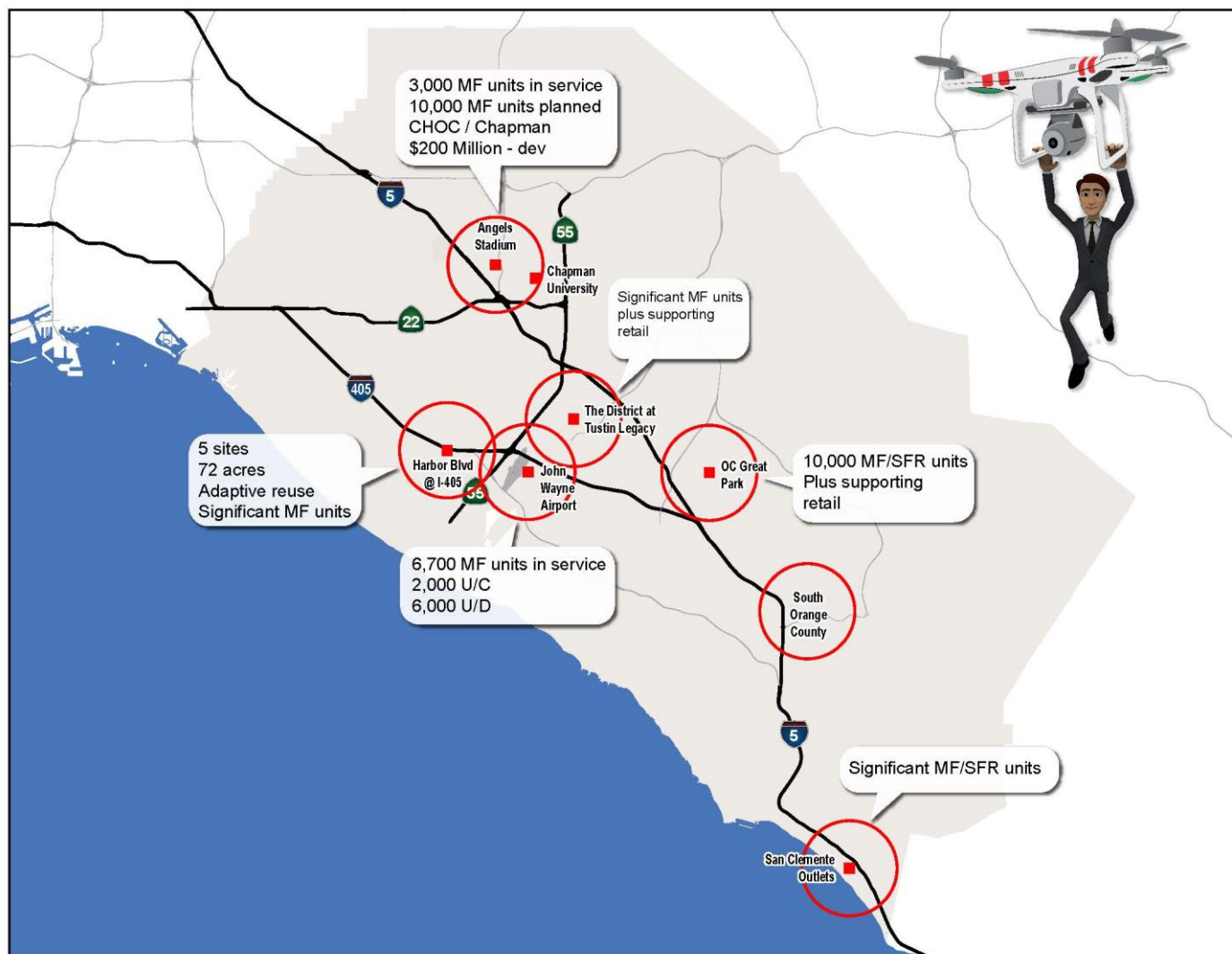
Property Address	Submarket	Square Feet	Effective Rate	Tenant	Owner
6565 Knott Ave. - Renewal	North County	626,304	\$.53	Saddle Creek Corporation	Prudential
6101 Knott Ave.	North County	272,548	\$.61	Wheel Pros	ComRef So. CA Industrial Sub F
6550 Katella Ave.	West County	234,763	\$N/A	iLad, Inc.	Stockbridge Capital Group
5382 Industrial Dr.	West County	219,710	\$.65	Graphic Ink	Carroll Enterprises
26972 Burbank Ave.	South County	203,231	\$1.38	Kawasaki Motors	Operon Group





## ORANGE COUNTY INDUSTRIAL MARKET

### Primary Developments in Orange County







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