

Industrial overview



Orange County: First quarter 2017

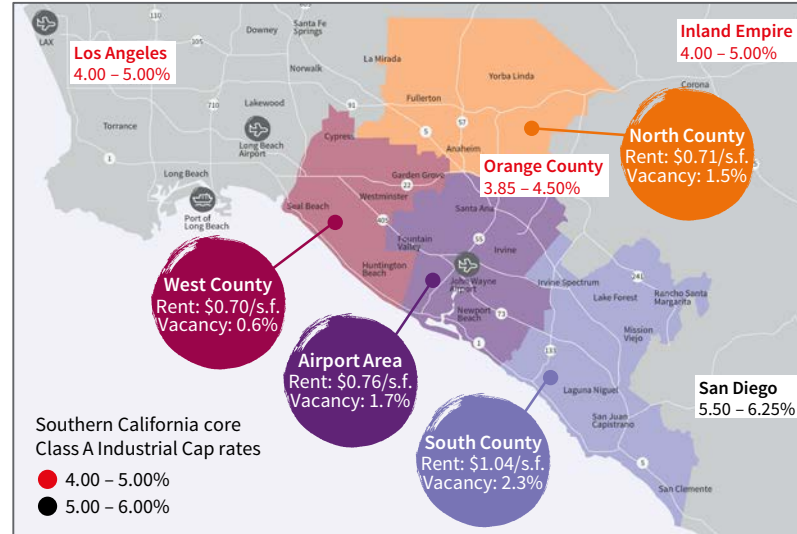
Quick stats

	Q1 2011 Orange County	Q4 2016 Orange County	Q1 2017 Orange County
Inventory (s.f.)	208,543,372	212,070,273	211,418,735
Total vacancy	6.0%	1.0%	1.5%
YTD total net absorption (s.f.)	290,659	2,341,393	-120,114
Under construction (s.f.)	0	222,737	181,069
YTD completions (s.f.)	0	758,555	41,668
Average asking rent (NNN)	\$0.53	\$0.75	\$0.77

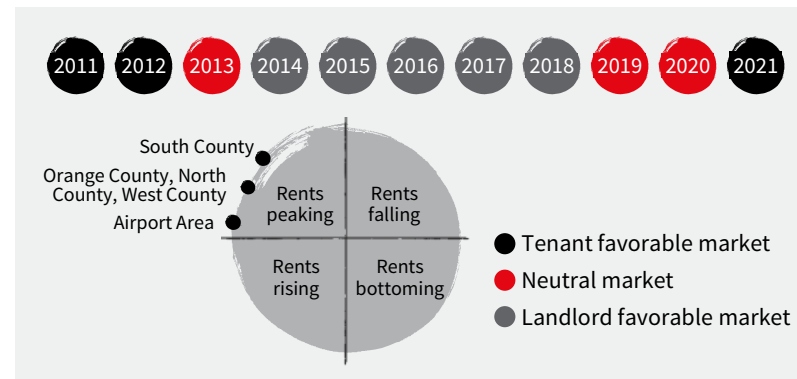
Overview and trends

- In 2016, we saw average asking rents set new historic highs and vacancy reach record breaking lows. Rounding out Q1 2017, the same story remains true for Orange County. With one of the lowest vacancy rates in the nation and **limited available options**, existing tenants are signing early renewals, tenants looking for space are trying to outbid one another by placing multiple offers on Class A and B product, providing landlords leverage to push for higher start rents.
- At the beginning of the recovery in 2010, there were 36 large blocks (greater than 100,000 square feet) of available space, compared to 17 available options today. Mid-range (50,000 to 75,000 square feet) available options have decreased 52.3 percent since 2010, leaving only 21 available options in 2017. **Average asking rents increased to \$9.24 per square foot**, triple net, surpassing the 2008 market peak of \$8.76, and increasing 45.3 percent since the bottom of the market in 2011.
- Average sale prices are on the rise, increasing to \$177 per square foot, an 8.0 percent year-over-year increase. Despite rising prices, **Q1 2017 was a slow quarter for sales volume**, recording a 17 percent decrease in transaction volume compared to Q1 2016. Additionally, rising interest rates could have an impact on sales transactions in the coming year. With three interest rate hikes since 2015 and an additional two hikes projected in 2017, we could see owner-occupiers become more conservative with their purchasing power.

Orange County map



Market leverage



Investment sales (YTD volume)
\$79.5MM
-54.9% yoy change



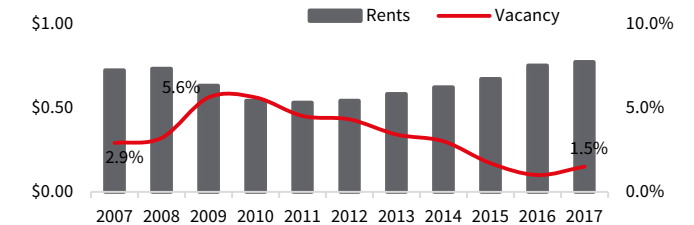
YTD leasing activity
1.7MM s.f.
-147% yoy change



Orange County unemployment rate
3.7%

	2016	2021 projection
Population	3,172,848	3,327,092 (4.9%↑)
Median age	36.9	37.9
Average HH income	\$107,771	\$117,276
College degree & higher	38.5%	-

Rent vs. vacancy



Absorption vs. construction

