

MARKET OVERVIEW. 2019 began with the highly anticipated closure of JC Penney’s 1.1 MSF facility on Valley View in Buena Park. That vacancy, on its own, had a significant impact on the county’s overall vacancy rate early in the year. However, the property was subsequently sold to an investor, rebranded as the CenterPoint SoCal Logistics Center and is now 100% leased to a third-party logistics operator. The quick turnaround is a good example of why investors continue to aggressively pursue Orange County opportunities. Recently, several large corporate campuses and older distribution facilities have been acquired for redevelopment or repositioning to capitalize on record high lease rates and sale prices. Steady demand, low vacancy and limited supply of quality, functional product continue to fuel above-average rent growth throughout the county, especially for state-of-the-art distribution space with its high ceiling clearance and modern fire suppression capability.

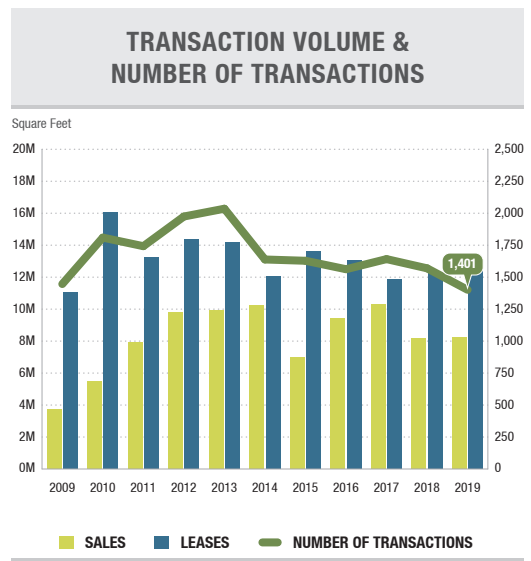
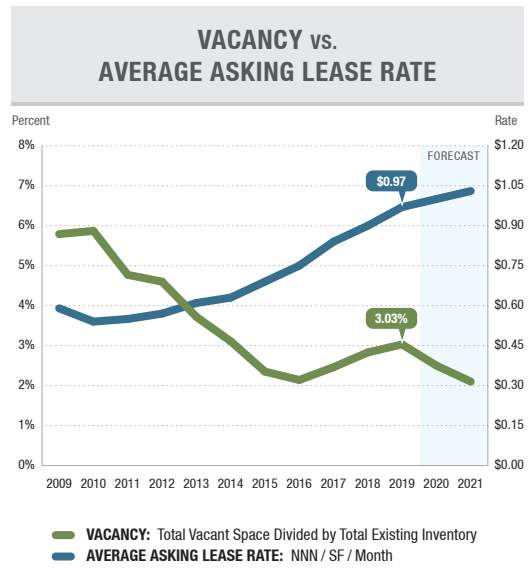
VACANCY. The Orange County industrial market is struggling to meet ongoing demand due to supply constraints, and the vacancy rate remains near an all-time low. This has given landlords the upper hand in lease negotiations over the past several years. Direct/sublease space (unoccupied) finished the quarter at 3.03% —lower than last quarter’s rate of 3.51% but still higher than last year’s rate of 2.66%. Low vacancy will help to insulate the market from the impact of a possible market correction going forward, as the current supply could be readily absorbed even if demand fell significantly.

LEASE RATES. Limited supply and strong demand continue to fuel rapid industrial rent growth in Orange County. However, demand for older more functionally obsolete properties has weakened and rent growth for those properties is moderating. Overall rent growth is still something for landlords to celebrate. The average asking lease rate checked in at \$0.97 per square foot per month in the final quarter, a 7.78% year-over-year increase, compared with a whopping 9.03% average annual increase over the past five years.

SALE PRICES. The Orange County industrial market’s average asking price at year end rose to \$271.69 per square foot (average price tracks 1,000 square foot buildings and larger). While sale prices vary greatly depending on the size range, this represents an increase of nearly 18.56% from the fourth quarter of 2018. Investors continue to target Orange County and market cap rates have settled near 5%, which is less than returns in the office sector and a bit higher than the yield on multifamily properties.

TRANSACTION ACTIVITY. Transaction activity has been slowing for the past several years, due more to a lack of supply than to inadequate demand. The falloff is concentrated in less functional, lease-only product, and this has resulted in longer marketing time and more favorable lease terms for incoming tenants. Demand for buildings to buy is still off the charts, with most buildings selling in a matter of weeks if priced properly. Just over 3.8 MSF changed hands in the fourth quarter, down from 6.33 MSF in the third quarter and less than the 5.6 MSF recorded in the final quarter last year.

AVAILABILITY. The availability rate for direct/sublease space being marketed for sale and lease stood at 4.11% as the fourth quarter ended, down from 4.78% in the previous quarter. The availability rate, which is approximately one percentage point higher than the vacancy rate, includes space offered for sale and lease that is currently available but still occupied.



Market Statistics

	Change Over Last Quarter	4Q 2019	3Q 2019	4Q 2018	% Change Over Last Year
Vacancy Rate	▼ DOWN	3.03%	3.51%	2.66%	13.91%
Availability Rate	▼ DOWN	4.11%	4.78%	4.60%	(10.65%)
Average Asking Lease Rate	▲ UP	\$0.97	\$0.93	\$0.90	7.78%
Average Asking Sale Price	▲ UP	\$271.69	\$263.52	\$229.16	18.56%
Sale & Lease Transactions	▼ DOWN	3,818,009	6,338,936	5,595,959	(31.77%)
Gross Absorption	▲ UP	3,759,308	2,598,584	2,544,119	47.76%
Net Absorption	▲ POSITIVE	886,529	347,088	243,445	N/A

OVERALL. Warnings of a global economic slowdown, concerns over US-China trade relations and a decline in the US GDP growth rate motivated the Fed to cut its benchmark Federal Funds Rate 3 times in 2019. That effort to stimulate consumer spending and business investment seems to be working. Equity markets responded by rising to new highs and the spread between short- and long-term US Treasuries widened again after a dangerous inversion earlier in the year. The latest estimates for domestic GDP growth for 2020 are running in the low 2% range, which should be enough to keep the current economic expansion on track.

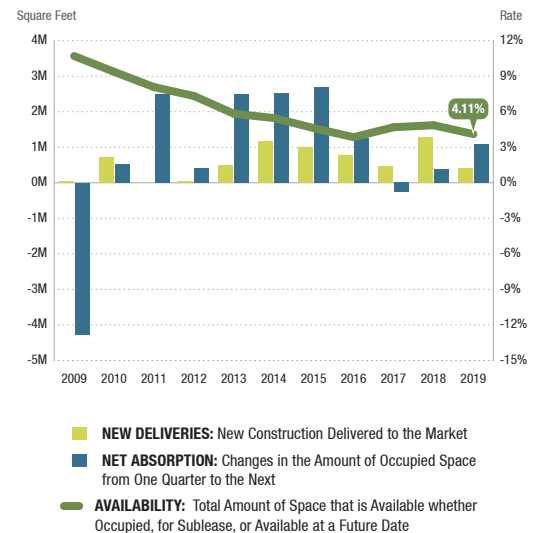
LEASE RATES. After industrial rents averaged more than 9% annual growth over the past five years, the pace of gains has decelerated in recent quarters. Given that vacancies remain extremely low, this is likely an indication that years of outsized rent gains have pushed costs about as high as the market will bear. Expect rent growth to slow into the 3% range in 2020.

VACANCY. The Orange County market remains healthy and demand for industrial space is expected to remain strong, keeping vacancy rates in the 2.0–3.0% range over the next three quarters. Longer marketing times for less functional space will persist.

CONSTRUCTION. During 2019, Orange County added a total of 422,630 square feet of new industrial space. For perspective, the recent high point for new development was 2014 when 1.17 MSF of new space was added (vacancy rates then were approximately 3%). Total space under construction checked in at 934,479 by year end. Significant projects include the Shea project on Dyer Road in Santa Ana, a nine-building industrial park totaling 472,667 square feet, and the first phase of the Los Patrones Business Park composed of three new multi-tenant buildings, totaling 99,200 square feet on 9.36 acres. Also under redevelopment is the two-building 143,248 square foot Goodman Industrial Center in Anaheim. The project features 4.8 acres of excess trailer parking supporting last-mile logistics operators serving the Greater Los Angeles area.

ABSORPTION. Fourth quarter net absorption hit 886,529 square feet, bringing 2019's net increase in occupied space up to 1,075,624 square feet. Since the beginning of 2015, the county has increased overall occupancy by approximately 5.32 MSF. Tenants that moved into large blocks of space in the fourth quarter included: Amazon (414,309 square feet in Santa Ana), OneSource Distributors (212,202 square feet in Fullerton) and Robinson Pharma (100,233 square feet in Costa Mesa).

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
6400–6450 Katella Ave.	Cypress	361,200	\$57,000,000	Greenlaw Partners	Mitsubishi Motors North America
3201 S. Susan St.	Santa Ana	202,522	\$37,195,406	CenterPoint	The Dixie Group, Inc.
12752–12822 Monarch St.	Garden Grove	276,585	\$34,000,000	Rexford Industrial Realty, Inc.	Western Realco
14401–14471 Myford Rd.	Tustin	93,180	\$32,360,000	Panattoni	AT&T, Inc.
404–424 N. Berry St.	Brea	120,250	\$27,600,000	Rexford Industrial Realty, Inc.	PSIP WR Berry, LLC

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
6800 Valley View St.	Buena Park	1,075,347	Dec-2019	UNIS	CenterPoint
515 E. Dyer Rd.	Santa Ana	414,309	Oct-2019	Amazon	Hines
25725 Jeronimo Rd.	Mission Viejo	322,076	Dec-2019	Amazon	MV Unisys, LLC
4278 N. Harbor Blvd.	Fullerton	212,202	Oct-2019	OneSource Distributors, LLC	Prologis*
3201 S. Susan St.	Santa Ana	202,522	Oct-2019	Fabrica Carpet & Fine Rug	CenterPoint

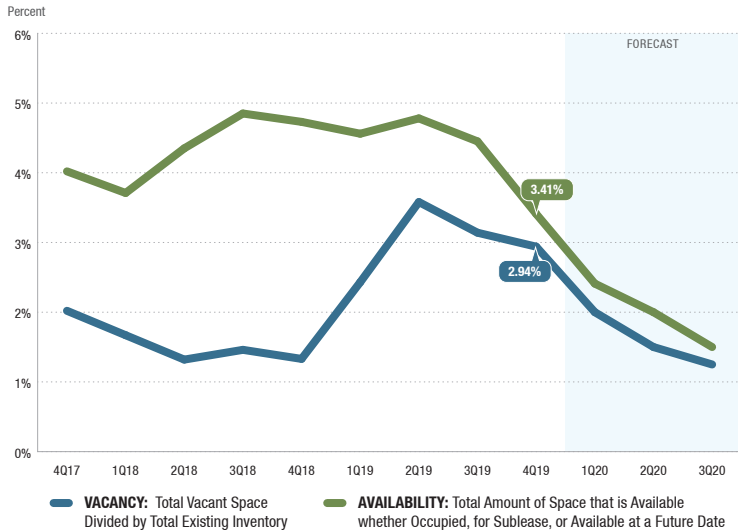
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2019	Square Feet Available	Availability Rate 4Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2019	Net Absorption 2019	Gross Absorption 4Q2019	Gross Absorption 2019
Airport Area														
Costa Mesa	425	7,396,853	0	0	158,817	2.15%	174,670	2.36%	\$1.17	\$332.81	114,294	166,661	158,559	389,593
Fountain Valley	185	3,842,321	0	73,200	50,422	1.31%	254,441	6.62%	\$1.02	\$257.03	27,569	31,882	56,016	152,616
Irvine	303	11,554,828	0	0	357,106	3.09%	376,460	3.26%	\$0.98	\$292.99	25,539	282,197	179,916	495,602
Newport Beach	52	642,427	0	0	0	0.00%	2,500	0.39%	\$0.00	\$0.00	5,475	8,495	5,895	16,395
Santa Ana	1,574	30,409,621	497,638	38,033	1,129,999	3.72%	1,632,626	5.37%	\$0.88	\$226.08	408,948	14,262	231,843	1,220,486
Tustin	111	4,191,018	0	45,000	116,737	2.79%	76,225	1.82%	\$1.35	\$310.30	29,407	53,403	83,209	164,081
Airport Area Total	2,650	58,037,068	497,638	156,233	1,813,081	3.12%	2,516,922	4.34%	\$0.97	\$264.32	611,232	556,900	715,438	2,438,773
North County														
Anaheim	1,826	44,182,616	244,259	129,355	690,539	1.56%	1,213,625	2.75%	\$0.93	\$235.75	33,689	2,489	312,022	1,326,904
Brea	330	12,092,342	0	0	100,796	0.83%	353,832	2.93%	\$0.87	\$243.81	58,395	162,084	116,003	507,630
Buena Park	232	13,354,971	0	0	1,395,823	10.45%	599,578	4.49%	\$0.78	\$238.85	(97,350)	(898,993)	1,079,097	2,071,981
Fullerton	456	19,280,625	0	1,500,000	724,731	3.76%	1,103,806	5.72%	\$0.97	\$236.64	286,132	673,733	401,930	1,162,109
La Habra	198	3,497,864	0	0	38,415	1.10%	52,454	1.50%	\$0.99	\$209.99	3,425	29,613	45,628	106,891
Orange	738	13,521,794	0	0	167,945	1.24%	240,298	1.78%	\$1.02	\$250.36	71,818	(7,125)	176,872	467,775
Placentia	219	4,170,414	93,382	0	128,764	3.09%	208,381	5.00%	\$0.82	\$254.96	(25,440)	70,987	98,000	359,721
Yorba Linda	53	870,826	0	0	15,565	1.79%	16,974	1.95%	\$0.00	\$242.75	(6,810)	6,288	0	26,333
North County Total	4,052	110,971,452	337,641	1,629,355	3,262,578	2.94%	3,788,948	3.41%	\$0.88	\$240.01	323,859	39,076	2,229,552	6,029,344
South County														
Aliso Viejo	16	631,005	0	0	14,640	2.32%	3,980	0.63%	\$1.36	\$293.40	9,224	0	9,224	23,864
Foothill Ranch	66	3,506,398	0	0	11,332	0.32%	241,048	6.87%	\$0.00	\$350.00	18,938	13,806	25,138	25,138
Irvine Spectrum	207	9,786,111	0	0	814,617	8.32%	757,346	7.74%	\$1.15	\$390.53	27,652	(74,096)	171,187	474,660
Laguna Beach	21	93,616	0	0	14,225	15.20%	14,905	15.92%	\$1.08	\$0.00	0	0	1,500	6,000
Laguna Hills	72	1,016,876	0	0	23,744	2.33%	38,243	3.76%	\$2.30	\$0.00	6,703	(1,036)	22,491	97,833
Laguna Niguel	20	271,295	0	0	0	0.00%	0	0.00%	\$1.32	\$0.00	0	0	0	0
Lake Forest	189	4,075,107	0	0	95,339	2.34%	202,184	4.96%	\$0.00	\$300.81	(41,387)	23,932	58,161	216,573
Mission Viejo	30	462,480	99,200	0	12,419	2.69%	14,589	3.15%	\$1.24	\$0.00	(8,816)	(65)	7,030	33,341
Rancho Santa Margarita	106	1,711,751	0	0	37,597	2.20%	40,244	2.35%	\$0.00	\$335.00	(36,170)	(14,297)	0	70,057
San Clemente	158	1,989,515	0	0	23,965	1.20%	30,954	1.56%	\$1.24	\$275.20	16,365	13,287	32,635	89,280
San Juan Capistrano	43	923,189	0	0	12,191	1.32%	12,191	1.32%	\$1.56	\$0.00	(2,586)	5,292	0	19,871
South County Total	928	24,467,343	99,200	0	1,060,069	4.33%	1,355,684	5.54%	\$1.16	\$361.04	(10,077)	(33,177)	327,366	1,056,617
West County														
Cypress	101	4,760,718	0	0	375,815	7.89%	394,566	8.29%	\$0.89	\$0.00	16,279	43,479	39,754	77,921
Garden Grove	476	11,797,508	0	0	138,339	1.17%	503,695	4.27%	\$0.83	\$233.69	68,228	398,390	229,013	719,640
Huntington Beach	683	12,713,430	0	47,640	326,328	2.57%	669,108	5.26%	\$0.81	\$296.12	(132,659)	(7,809)	197,665	599,119
La Palma	16	1,780,056	0	0	0	0.00%	163,232	9.17%	\$0.00	\$0.00	0	0	0	75,000
Los Alamitos	94	2,218,570	0	0	25,547	1.15%	35,206	1.59%	\$0.00	\$0.00	0	(16,427)	2,900	24,240
Seal Beach	15	933,761	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	57,033	0	0
Stanton	174	1,827,005	0	0	12,327	0.67%	65,566	3.59%	\$1.02	\$233.69	9,667	(11,444)	15,120	74,275
Westminster	140	2,346,764	0	0	22,007	0.94%	26,934	1.15%	\$0.00	\$0.00	0	49,603	2,500	155,482
West County Total	1,699	38,377,812	0	47,640	900,363	2.35%	1,858,307	4.84%	\$0.84	\$221.40	(38,485)	512,825	486,952	1,725,677
Orange County Total	9,329	231,853,675	934,479	1,833,228	7,036,091	3.03%	9,519,861	4.11%	\$0.97	\$271.69	886,529	1,075,624	3,759,308	11,250,411
Less than 9,999	3,309	20,131,499	0	0	262,266	1.30%	433,398	2.15%	\$1.35	\$333.50	41,371	26,719	252,336	990,958
10,000-19,999	3,140	43,403,131	0	0	714,574	1.65%	1,236,268	2.85%	\$1.17	\$290.23	59,187	291,981	564,911	2,176,873
20,000-29,999	1,188	28,287,094	77,420	0	747,429	2.64%	1,092,621	3.86%	\$1.02	\$261.24	87,760	(168,423)	491,512	1,290,970
30,000-39,999	479	16,341,988	239,944	111,233	386,371	2.36%	607,335	3.72%	\$0.90	\$268.18	81,970	490,237	251,757	959,500
40,000-49,999	297	13,048,244	0	92,640	347,539	2.66%	529,273	4.06%	\$0.94	\$240.32	(23,174)	78,256	136,714	502,305
50,000-74,999	372	22,346,190	127,006	0	400,556	1.79%	800,379	3.58%	\$0.90	\$169.71	41,659	293,125	243,588	1,133,186
75,000-99,999	162	13,863,876	79,128	0	209,980	1.51%	531,137	3.83%	\$0.96	\$229.91	182,383	210,558	235,415	454,618
100,000-199,999	258	33,833,396	166,722	129,355	1,202,957	3.56%	1,974,425	5.84%	\$0.93	\$185.00	(104,738)	684,201	284,726	1,277,826
200,000 Plus	124	40,598,257	244,259	1,500,000	2,764,419	6.81%	2,315,025	5.70%	\$0.88	\$0.00	520,111	(831,030)	1,298,349	2,464,175
Orange County Total	9,329	231,853,675	934,479	1,833,228	7,036,091	3.03%	9,519,861	4.11%	\$0.97	\$271.69	886,529	1,075,624	3,759,308	11,250,411

Lease rates are on a triple-net basis.

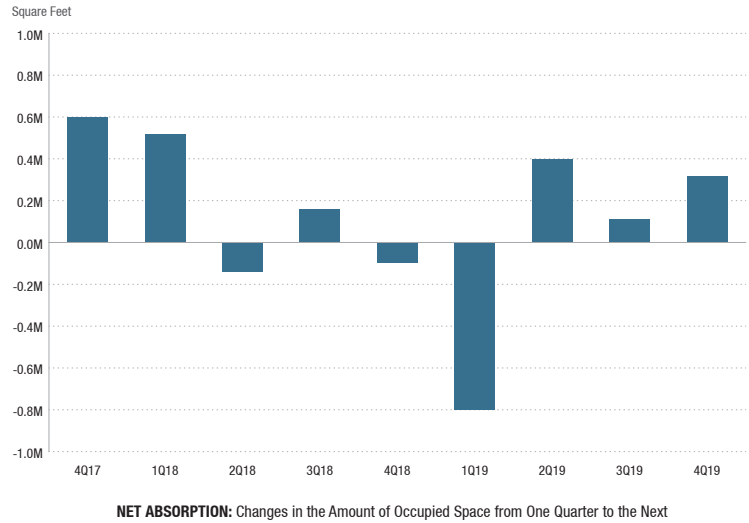
NORTH ORANGE COUNTY

In the fourth quarter of 2019, the North Orange County industrial market consisted of 4,052 buildings totaling 110,971,452 square feet and had an availability rate of 3.41%, which shows a decrease from the previous quarter's figure of 4.42%.

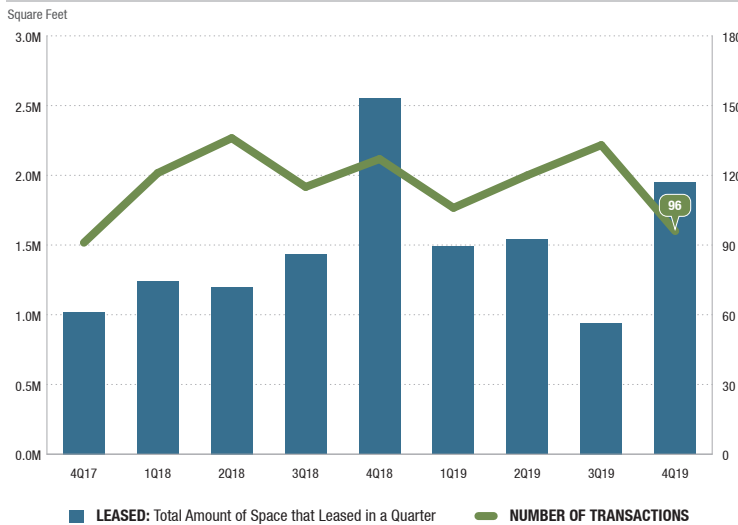
VACANCY & AVAILABILITY RATE



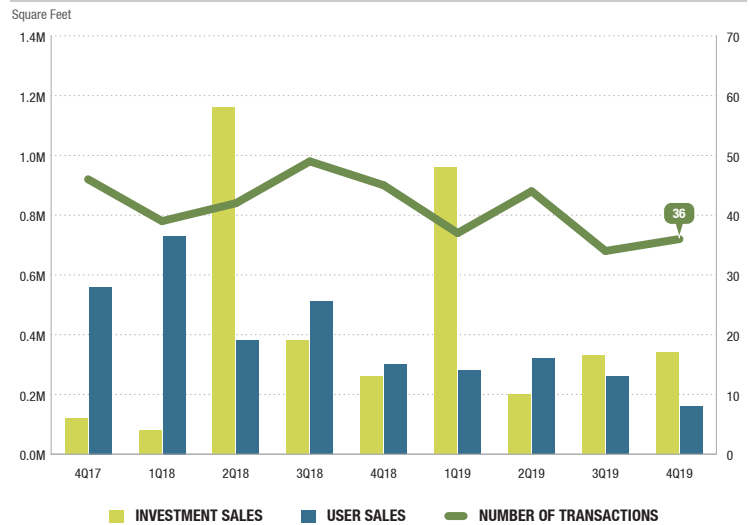
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

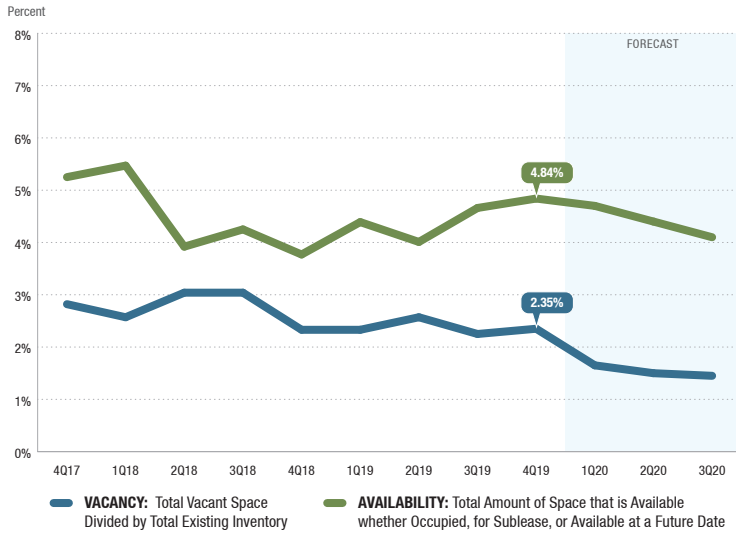
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2019	Square Feet Available	Availability Rate 4Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2019	Net Absorption 2019	Gross Absorption 4Q2019	Gross Absorption 2019
North Totals														
Less than 9,999	1,332	8,425,857	0	0	117,689	1.40%	185,025	2.20%	\$1.28	\$290.65	26,492	3,603	133,838	486,342
10,000–19,999	1,402	19,416,431	0	0	353,704	1.82%	587,261	3.02%	\$1.03	\$233.36	(41,258)	15,361	157,662	813,553
20,000–29,999	513	12,162,519	0	0	214,336	1.76%	416,058	3.42%	\$0.95	\$239.00	21,946	(65,222)	175,670	509,608
30,000–39,999	223	7,565,748	38,608	0	71,790	0.95%	209,549	2.77%	\$0.91	\$239.00	26,016	211,363	96,698	338,842
40,000–49,999	136	5,981,356	0	0	226,756	3.79%	222,238	3.72%	\$0.84	\$138.02	3,258	(3,265)	25,477	163,206
50,000–74,999	176	10,597,040	54,774	0	123,837	1.17%	391,286	3.69%	\$0.84	\$169.71	106,405	118,704	153,742	576,702
75,000–99,999	71	6,045,019	0	0	28,281	0.47%	256,775	4.25%	\$0.00	\$0.00	73,579	104,511	108,023	194,318
100,000–199,999	131	17,283,181	0	129,355	421,744	2.44%	461,744	2.67%	\$0.77	\$0.00	(7,570)	550,052	90,893	797,053
200,000 plus	68	23,494,301	244,259	1,500,000	1,704,441	7.25%	1,059,012	4.51%	\$0.75	\$0.00	114,991	(896,031)	1,287,549	2,149,720
Total	4,052	110,971,452	337,641	1,629,355	3,262,578	2.94%	3,788,948	3.41%	\$0.88	\$240.01	323,859	39,076	2,229,552	6,029,344

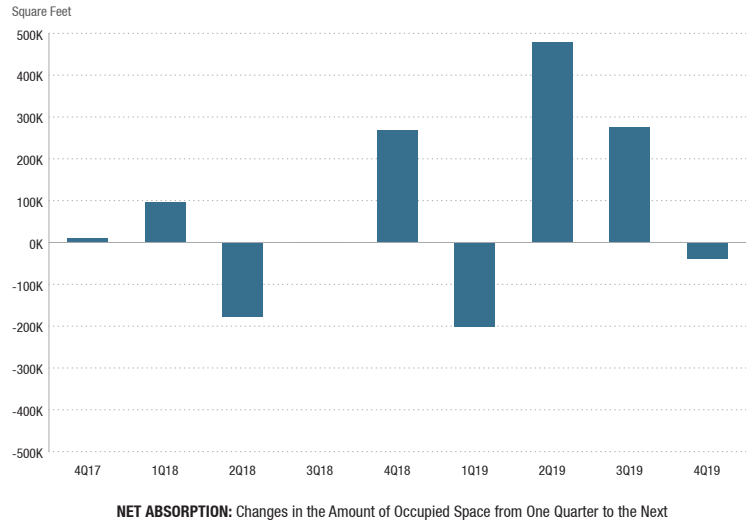
WEST ORANGE COUNTY

In the fourth quarter of 2019, the West Orange County industrial market consisted of 1,699 buildings totaling 38,377,812 square feet and had an availability rate of 4.84%, which shows an increase from the previous quarter's figure of 4.66%.

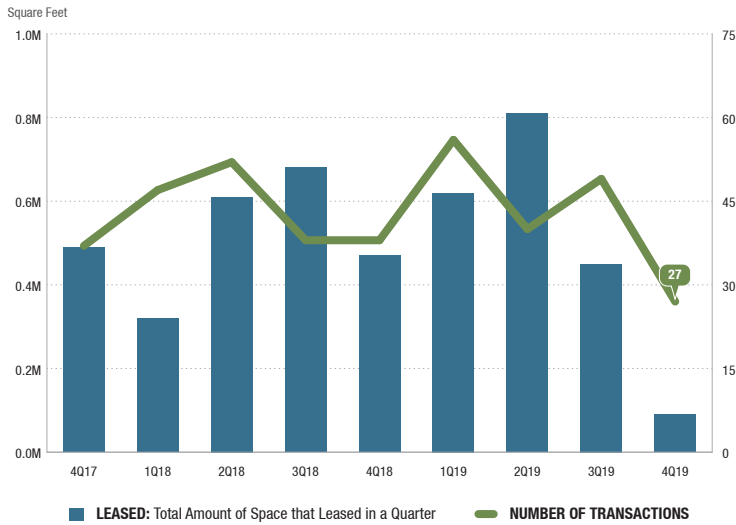
VACANCY & AVAILABILITY RATE



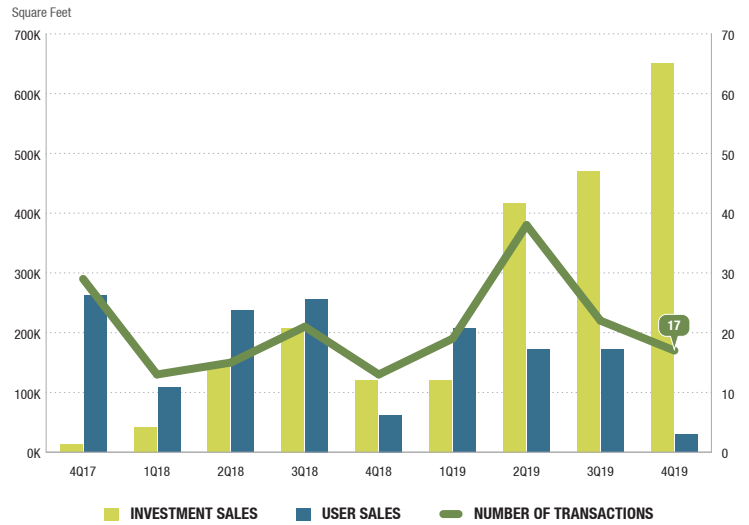
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

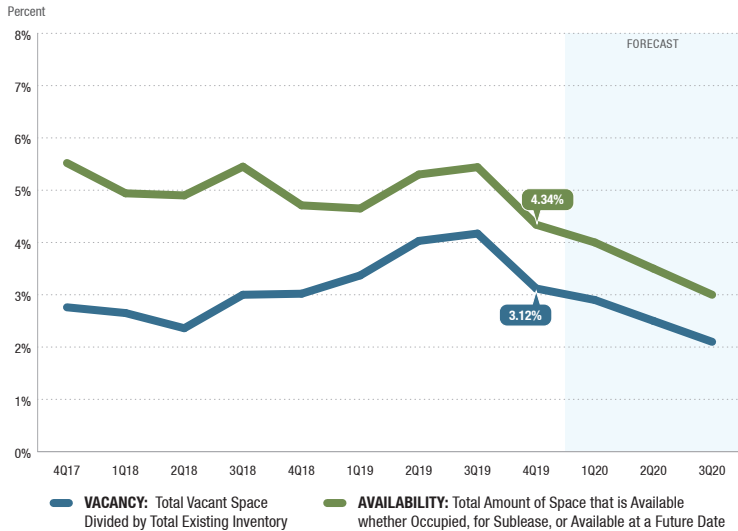
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2019	Square Feet Available	Availability Rate 4Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2019	Net Absorption 2019	Gross Absorption 4Q2019	Gross Absorption 2019
West Totals	1,699	38,377,812	0	47,640	900,363	2.35%	1,858,307	4.84%	\$0.84	\$221.40	(38,485)	512,825	486,952	1,725,677
Less than 9,999	690	4,092,457	0	0	53,844	1.32%	82,068	2.01%	\$1.02	\$300.35	(3,505)	(25,418)	22,674	135,519
10,000–19,999	561	7,440,820	0	0	125,913	1.69%	311,840	4.19%	\$0.99	\$233.07	(9,456)	117,900	101,098	404,279
20,000–29,999	183	4,391,426	0	0	93,751	2.13%	200,746	4.57%	\$0.99	\$223.86	69,352	18,018	120,708	216,302
30,000–39,999	62	2,172,120	0	0	14,245	0.66%	50,548	2.33%	\$0.83	\$178.71	11,735	112,241	24,780	133,940
40,000–49,999	53	2,319,615	0	47,640	10,626	0.46%	65,019	2.80%	\$0.82	\$0.00	31,374	44,847	105,875	212,723
50,000–74,999	57	3,402,825	0	0	71,322	2.10%	122,846	3.61%	\$0.84	\$0.00	0	129,731	38,560	227,997
75,000–99,999	30	2,577,226	0	0	0	0.00%	15,763	0.61%	\$0.77	\$0.00	0	16,600	0	92,680
100,000–199,999	41	5,501,106	0	0	208,033	3.78%	518,363	9.42%	\$0.00	\$0.00	(117,996)	68,074	73,257	231,427
200,000 plus	22	6,480,217	0	0	322,629	4.98%	491,114	7.58%	\$0.84	\$0.00	(19,989)	30,832	0	70,810

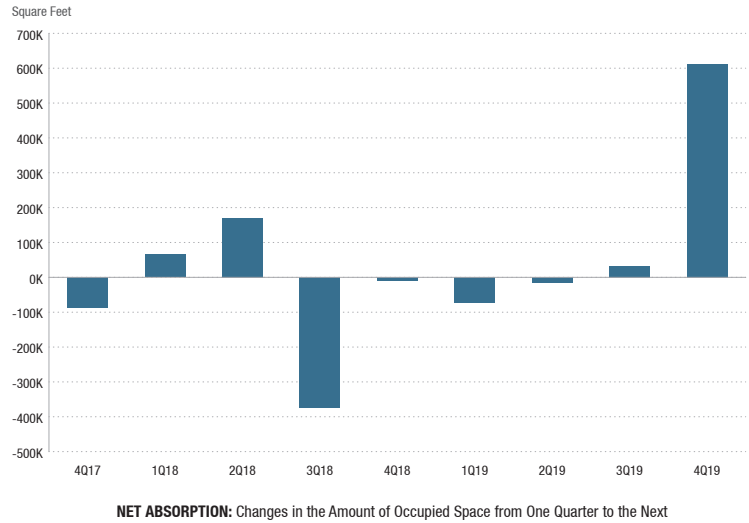
AIRPORT AREA

In the fourth quarter of 2019, the Airport Orange County industrial market consisted of 2,650 buildings totaling 58,037,068 square feet and had an availability rate of 4.34%, which shows a decrease from previous quarter's figure of 5.44%.

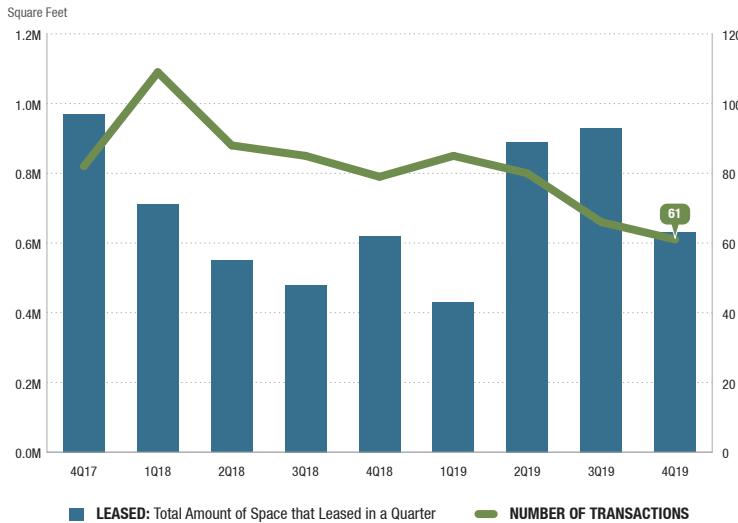
VACANCY & AVAILABILITY RATE



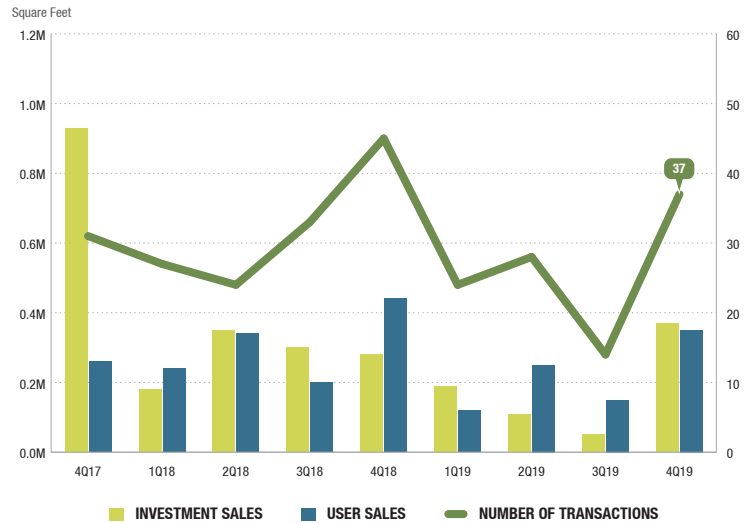
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

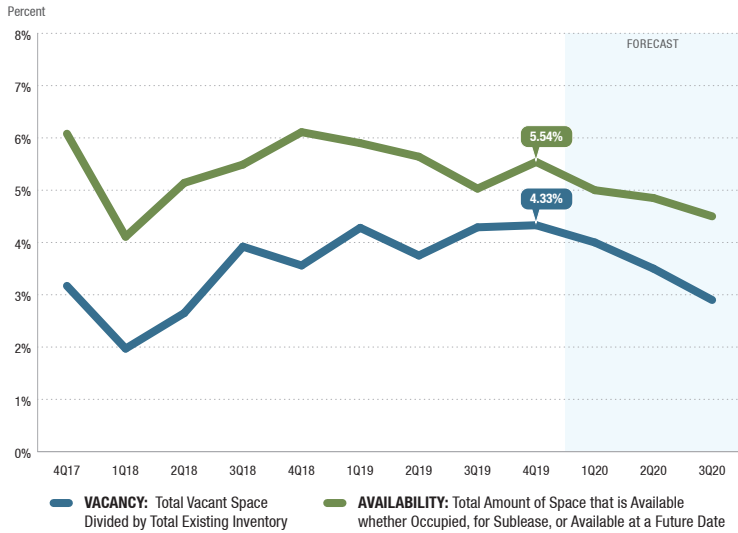
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2019	Square Feet Available	Availability Rate 4Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2019	Net Absorption 2019	Gross Absorption 4Q2019	Gross Absorption 2019
Airport Totals														
Less than 9,999	932	5,404,657	0	0	42,713	0.79%	93,902	1.74%	\$1.46	\$349.71	16,378	9,891	50,341	212,871
10,000-19,999	906	12,675,214	0	0	177,840	1.40%	272,524	2.15%	\$1.35	\$288.64	88,693	100,881	247,021	694,767
20,000-29,999	359	8,563,622	77,420	0	281,015	3.28%	299,254	3.49%	\$0.99	\$298.10	(30,309)	(84,832)	80,337	324,298
30,000-39,999	149	5,072,994	102,136	111,233	225,283	4.44%	290,183	5.72%	\$0.87	\$241.50	47,851	146,084	130,279	486,718
40,000-49,999	80	3,504,539	0	45,000	105,399	3.01%	193,677	5.53%	\$0.90	\$245.27	(59,837)	4,682	0	84,071
50,000-74,999	103	6,250,001	72,232	0	130,787	2.09%	197,466	3.16%	\$0.95	\$0.00	9,864	127,017	44,289	248,971
75,000-99,999	47	4,033,712	79,128	0	181,699	4.50%	258,599	6.41%	\$0.97	\$229.91	24,007	(80,147)	42,595	82,823
100,000-199,999	55	6,920,262	166,722	0	191,347	2.77%	536,978	7.76%	\$0.00	\$185.00	100,276	299,155	120,576	157,376
200,000 plus	19	5,612,067	0	0	476,998	8.50%	374,339	6.67%	\$0.89	\$0.00	414,309	34,169	0	146,878
Total	2,650	58,037,068	497,638	156,233	1,813,081	3.12%	2,516,922	4.34%	\$0.97	\$264.32	611,232	556,900	715,438	2,438,773

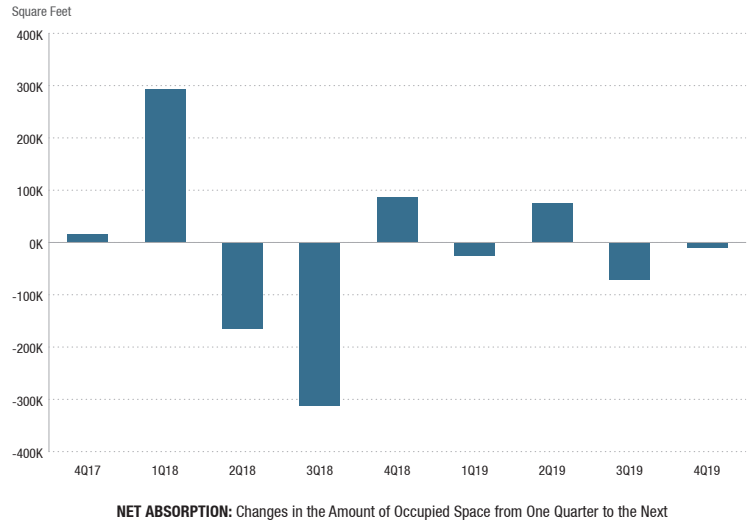
SOUTH ORANGE COUNTY

In the fourth quarter of 2019, the South Orange County industrial market consisted of 928 buildings totaling 24,467,343 square feet and had an availability rate of 5.54%, which shows an increase from the previous quarter's figure of 5.03%.

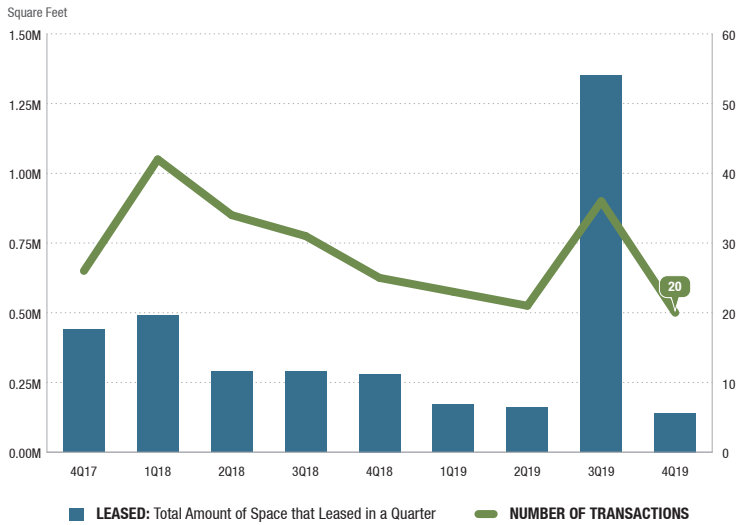
VACANCY & AVAILABILITY RATE



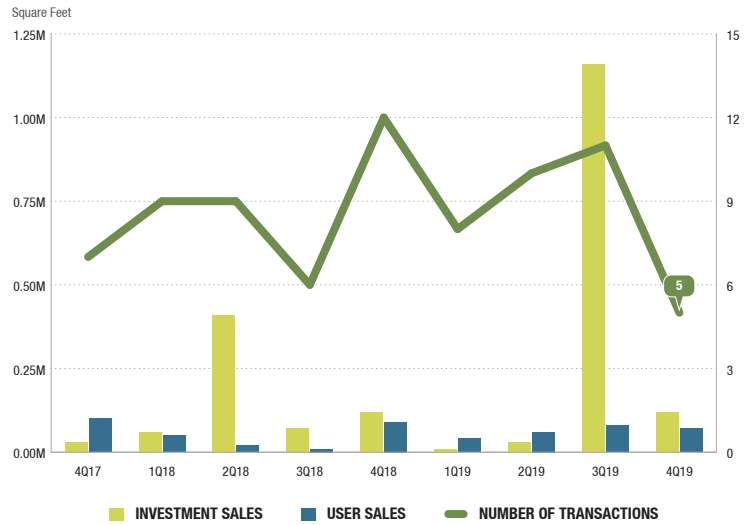
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 4Q2019	Square Feet Available	Availability Rate 4Q2019	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 4Q2019	Net Absorption 2019	Gross Absorption 4Q2019	Gross Absorption 2019
South Totals														
Less than 9,999	355	2,208,528	0	0	48,020	2.17%	72,403	3.28%	\$1.41	\$388.28	2,006	38,643	45,483	156,226
10,000-19,999	271	3,870,666	0	0	57,117	1.48%	64,643	1.67%	\$1.37	\$371.41	21,208	57,839	59,130	264,274
20,000-29,999	133	3,169,527	0	0	158,327	5.00%	176,563	5.57%	\$1.17	\$317.41	26,771	(36,387)	114,797	240,762
30,000-39,999	45	1,531,126	99,200	0	75,053	4.90%	57,055	3.73%	\$1.60	\$323.49	(3,632)	20,549	0	0
40,000-49,999	28	1,242,734	0	0	4,758	0.38%	48,339	3.89%	\$1.26	\$392.00	2,031	31,992	5,362	42,305
50,000-74,999	36	2,096,324	0	0	74,610	3.56%	88,781	4.24%	\$1.12	\$0.00	(74,610)	(82,327)	6,997	79,516
75,000-99,999	14	1,207,919	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	84,797	169,594	84,797	84,797
100,000-199,999	31	4,128,847	0	0	381,833	9.25%	457,340	11.08%	\$1.03	\$0.00	(79,448)	(233,080)	0	91,970
200,000 plus	15	5,011,672	0	0	260,351	5.19%	390,560	7.79%	\$0.00	\$0.00	10,800	0	10,800	96,767
Total	928	24,467,343	99,200	0	1,060,069	4.33%	1,355,684	5.54%	\$1.16	\$361.04	(10,077)	(33,177)	327,366	1,056,617



Proposition 13

by **Morgan Hill**

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A proposition that could split the property tax rolls is headed for the 2020 General Election ballot. If it passes, the *California Schools and Local Communities Funding Act* would be the first significant change to the state's property tax assessment process since 1978. Currently, proponents of the ballot initiative are collecting the necessary signatures to qualify a revised version they believe will have a newly improved chance of passage in November.

Since Proposition 13 became law more than 40 years ago, the base property tax levy for any type of real property in California has been pegged at 1% of the value at the time of sale. That base levy is subject to a maximum increase of 2% per year and is net of existing or future municipal assessments. Fiscal conservatives have heralded the law since its inception, while opponents have maligned it as a threat to education and local governments, the primary beneficiaries of property tax revenue. Numerous attempts to change the law have failed in the California State Legislature through the years, but this is the first serious attempt to circumvent Sacramento and go straight to the voters.

The proposal leaves the Prop 13 rules in place for all residential property and agricultural land, but targets properties designated for commercial use. Industrial properties are specifically named in the proposed law. These properties would be reassessed to current market value every three years, whether they change hands or not, for the express purpose of adjusting the base levy to 1% of current market value. Roughly 60% of an estimated \$11 billion per year in new property tax revenue would go to local governments, with the balance heading to public schools and community colleges.

Whom will this new law hurt most in the short run? Owners whose properties have appreciated significantly since they were purchased. Tax bills on some assets could double or even triple after their properties are reassessed to full market value beginning with the 2021–2022 fiscal tax year. In the long run, all property owners will be hurt as their properties are periodically reassessed.

Tenants would also take a hit. Since most industrial leases require tenants to pay either all real property taxes or any increases in taxes over the initial year of their leases, local space occupiers would be sharing the pain with their landlords under the new law. Owner/users who are both landlord and tenant would have no escape.

If it becomes law, it will be a true game changer for any commercial property owner or occupier now and in the future. Real property tax is an operating expense that impacts Net Operating Income, which is capitalized at a market rate to determine a property's value. So, every dollar in additional property tax paid by an owner (rather than his or her tenants) at today's capitalization rate of approximately 5%, would reduce a property's value by \$20 (\$1/.05=\$20).

Sponsors of the proposition include several powerful public employee unions who have pledged to fund a major campaign to win voters over before they head to the polls. With so much potential revenue in play, we can expect significant backing of the proposition from city and county governments, as well.

**Please Contact Us
for Further Information**

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Product Type

MFG./DIST.

Manufacturing / Distribution / Warehouse facilities with up to 29.9% office space.

Submarkets



NORTH

Anaheim, Brea, Buena Park, Fullerton, La Habra, Orange, Placentia and Yorba Linda

WEST

Cypress, Garden Grove, Huntington Beach, La Palma, Los Alamitos, Seal Beach, Stanton and Westminster

AIRPORT

Costa Mesa, Fountain Valley, Irvine, Newport Beach, Santa Ana and Tustin

SOUTH

Aliso Viejo, Foothill Ranch, Irvine Spectrum, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente and San Juan Capistrano