

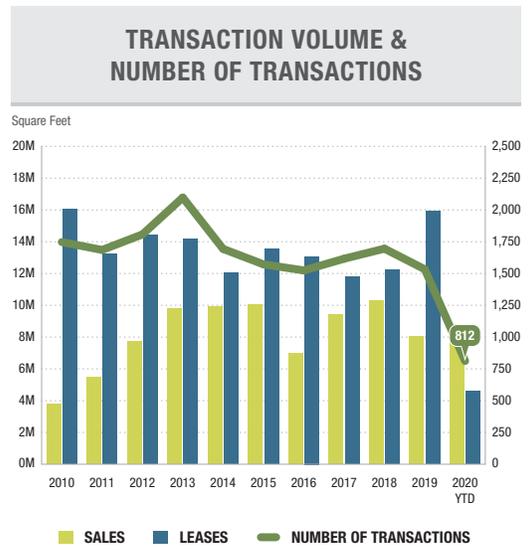
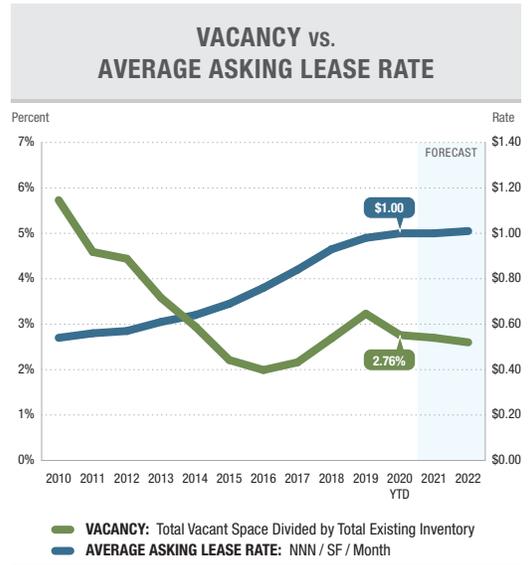
ORANGE COUNTY HOLDS UP UNDER PRESSURE. The Orange County industrial market has showed remarkable resilience in the face of the COVID-19 pandemic. Industrial real estate transactions, both sale and lease, remained on course during the second quarter, helping to keep gross absorption running ahead of 2019’s pace through two quarters. That comes as a surprise to many who expected a falloff in market activity in response to the governor’s stay-at-home orders. The industrial market has been on a roll for the past several years, and e-commerce has been its primary driver. The pandemic has given that sector an additional boost, as consumers were forced to rely even more on home deliveries. Some small industrial operators are busy reconfiguring their spaces to resume “normal” activity, and that means taking a hard look at their facility needs. Leasing activity was strongest in the smaller size ranges, while some larger transactions have been postponed until the long-term outlook becomes clearer. Asking prices for both sale and lease product are holding at or near pre-crisis levels, and early signs from the terms of completed transactions indicate the market may not suffer a significant correction.

VACANCY. Vacancy rose just 34 basis points in the second quarter despite the sudden economic shock, ending the period at 2.76%, slightly above its all-time low. Supply is still running short of demand, which remains surprisingly strong. Vacancy remains lowest in the North County submarket, ending the quarter at just 2.09%, while South County posted the highest rate at 4.34%. That may be due to differences in product mix, as North County has more inventory that appeals to distributors, third-party logistics and other e-commerce players.

LEASE RATES. It’s no secret that lease rates have risen sharply over the past several years, but it does come as a surprise that the average asking lease rate rose another \$0.02 PSF in the second quarter to \$1.00 PSF on a NNN basis. Going into the pandemic, supply of quality industrial space remained thin, and that problem persisted in the second quarter, emboldening landlords to hold the line on rate cuts. Demand may be softening in larger size ranges as some users are proceeding cautiously. However, activity in smaller buildings has kept pace as landlords have been more inclined to agree either to shorter lease terms or to providing additional free rent or tenant improvements, thereby keeping lease rates up.

SALES PRICES. Since the recovery began in earnest nine years ago, sales prices had risen steadily through the third quarter of 2019, setting a high of \$251 per square foot. Since then, they have leveled off, dipping slightly to \$247 in the first quarter and \$245 in the second quarter. That overall average may reflect the varying sizes of sold buildings rather than an actual downward trend, as smaller buildings generally sell at a higher price per square foot. There is no solid evidence yet that sellers are reducing prices to move their owner-user offerings faster. They know that potential buyers have access to mortgages at some of the lowest interest rates in history. The SBA 504 rate for a fully amortized 25-year loan fell to an all-time low of just 2.59% in June, and the low-rate environment is expected to continue for the foreseeable future.

TRANSACTION ACTIVITY. The number of completed transactions fell sharply for both sales and leases in the second quarter, as expected—the state’s shutdown orders made it physically difficult to execute deals. When the stay-at-home order was originally announced, only a small portion of the real estate industry was considered essential, forcing most brokers into virtual mode. Only 151 leases



Market Statistics

	Change Over Last Quarter	2Q 2020	1Q 2020	2Q 2019	% Change Over Last Year
Vacancy Rate	▲ UP	2.76%	2.42%	3.46%	(20.25%)
Availability Rate	▲ UP	4.87%	4.57%	4.72%	3.12%
Average Asking Lease Rate	▲ UP	\$1.00	\$0.98	\$0.94	6.38%
Average Asking Sale Price	▼ DOWN	\$245.00	\$247.00	\$235.00	4.26%
Sale & Lease Transactions	▼ DOWN	2,265,116	5,784,695	6,936,268	(67.34%)
Gross Absorption	▲ UP	2,830,686	2,590,889	1,725,776	64.02%
Net Absorption	▼ NEGATIVE	(97,094)	990,490	(403,284)	N/A

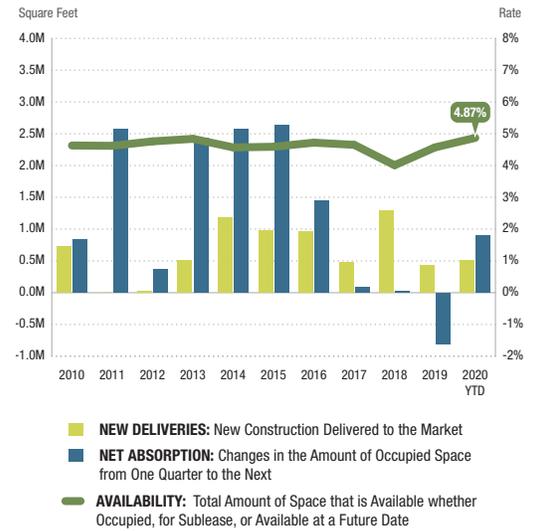
and 69 sales were completed in Orange County during the quarter, the lowest totals in many years. However, we have seen the number of deals in progress spike in June as lockdown rules were eased and businesses began opening back up, albeit slowly.

AVAILABILITY. The availability rate, which includes vacant space and occupied space being offered for sale or lease, rose by 30 basis points in the second quarter to 4.87%. The rise, at least in part, reflects the decrease in leasing activity caused by the lockdown. It may also be the first sign that some industrial users have more space than they anticipate needing in the post-COVID world, and they have decided to sublease or sell their properties. Another contributing factor is that the second quarter lease and sale activity was concentrated in buildings less than 20,000 square feet, as occupiers of larger space are proceeding cautiously.

ABSORPTION. Over the last several years, scant availability of quality space and a lack of new development have kept net absorption at modest levels. Tenants and buyers have had few options, forcing many of them to remain in their current facilities even if they desired more efficient operations. Then came COVID-19, which presented a new challenge to absorption. Not surprisingly, the second quarter slipped into negative territory by 97,094 square feet after a solid net gain of nearly 1,000,000 square feet in the opening quarter. With the economy in lockdown, access to vacant properties was limited, delaying move-ins for deals inked in the first quarter. With transaction activity back on the rise and lockdown orders eased, there may be an offsetting increase in net absorption in the works for the third quarter.

CONSTRUCTION. In Orange County, only 51,000 square feet of new inventory is under construction, the lowest level in recent history. More than 2 MSF of space is in the planning stages, but we are seeing some projects being postponed until the market adjusts to the “new normal.” It is impossible at this point to project delivery dates for the majority of this pipeline.

NEW DELIVERIES & NET ABSORPTION vs. AVAILABILITY RATE



Forecast

As we predicted in our the first quarter forecast, lease and sale activity in the industrial sector did slow measurably this quarter. However, current transactions in progress are on the rise and that bodes well for stronger activity in the second half. Of some concern is the slowdown in the larger size ranges. As these factors balance, we believe the current crisis will keep the figures about where they are today for the balance of the year.

Recent comps do not show any decline in lease rates, but they do indicate a slight rise in landlord concessions like free rent and tenant improvements. Opportunistic tenants looking for a steep discount may find themselves on the sidelines, as landlords are still seeing strong activity from tenants willing to sign leases at pre-crisis rental rates. Sellers of owner/user buildings are also holding the line on pricing, as they know that user-buyers still have access to 90% financing at historically low rates. In the second quarter, the SBA 504 rate fell three times to just 2.59%, an all-time low. All the competing factors in play suggest pricing will remain steady through the coming months.

Significant Transactions

Sales

Property Address	Submarket	Square Feet	Sale Price	Buyer	Seller
5951 Skylab Rd.	Huntington Beach	57,800	\$14,100,000	LBA Realty	Shoe Holdings, LLC
3009 Daimler St.	Santa Ana	54,693	\$12,100,000	Edwards Lifesciences, LLC	Daimler1 SA, LLC
17401 Eastman St.	Irvine	43,109	\$10,346,500	Edwards Lifesciences, LLC	Pan Fischer, LLC
655 Tamarack Ave.	Brea	38,439	\$9,225,360	Lotus Labels	Trico Realty
335 Fischer Ave.	Costa Mesa	34,094	\$8,100,000	Fischer Avenue Properties	Jgm Group, Inc.

Leases

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
400 E. Orangethorpe - Renewal	Anaheim	675,000	Jun-2020	American Workmark Corporation	Prologis
1683 Sunflower Ave. - Renewal	Costa Mesa	197,000	Jun-2020	Robinson Pharma	Sakura Paper, Inc.
3001 S. Susan St.	Santa Ana	93,955	Jun-2020	Overair, Inc.	Alere Property Group
701 S. Sally Pl. - Renewal	Fullerton	85,172	May-2020	Inmar Logistics	AEW
1177 N. Grove St. - Renewal	Anaheim	73,335	May-2020	Weartech International	Grove Construction*

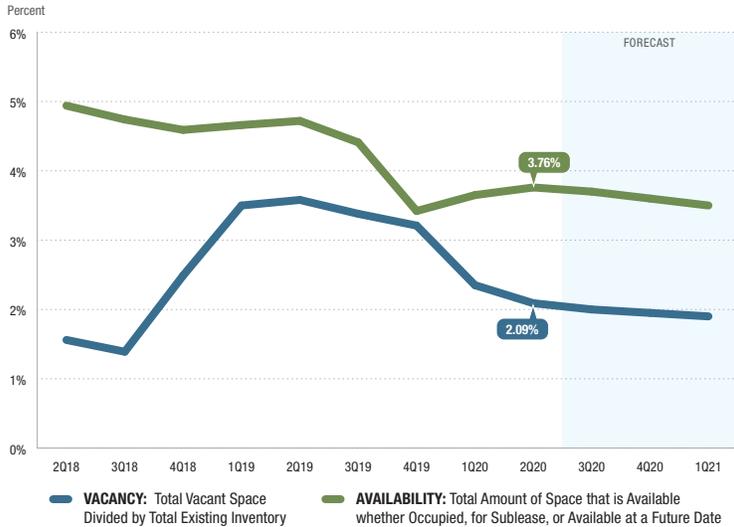
	INVENTORY				VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2020	Square Feet Available	Availability Rate 2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2020	Net Absorption 2020	Gross Absorption 2020	Gross Absorption 2020
Airport Area														
Costa Mesa	429	7,287,081	51,939	0	86,713	1.19%	630,316	8.65%	\$1.14	\$378.00	(16,094)	(21,733)	66,813	108,499
Fountain Valley	183	3,805,149	0	73,200	91,660	2.41%	247,896	6.51%	\$1.05	\$395.86	38,066	(36,709)	66,294	77,279
Irvine	306	11,446,348	0	0	195,528	1.71%	618,464	5.40%	\$1.00	\$316.08	48,044	41,121	72,013	350,170
Newport Beach	49	606,502	0	0	5,000	0.82%	7,500	1.24%	\$0.00	\$239.97	2,000	(1,000)	0	0
Santa Ana	1,584	31,024,674	0	38,033	1,540,740	4.97%	2,142,334	6.91%	\$0.97	\$239.97	92,850	74,066	987,466	1,262,221
Tustin	112	4,213,175	0	45,000	21,387	0.51%	61,153	1.45%	\$1.29	\$289.64	(5,376)	76,776	39,668	115,070
Airport Area Total	2,663	58,382,929	51,939	156,233	1,941,028	3.32%	3,707,663	6.35%	\$1.01	\$287.90	159,490	132,521	1,232,254	1,913,239
North County														
Anaheim	1,828	44,205,590	0	138,855	769,659	1.74%	1,271,130	2.88%	\$0.97	\$229.43	123,708	204,605	658,092	909,272
Brea	330	12,023,778	0	108,000	202,285	1.68%	438,234	3.64%	\$0.95	\$231.20	(60,653)	(126,111)	126,642	264,338
Buena Park	233	13,400,044	0	1,500,000	514,013	3.84%	962,583	7.18%	\$0.74	\$221.92	(210,865)	966,992	105,529	1,303,623
Fullerton	455	19,273,135	0	0	565,528	2.93%	989,101	5.13%	\$0.95	\$206.06	101,667	155,907	75,732	267,358
La Habra	198	3,496,014	0	0	29,949	0.86%	67,200	1.92%	\$0.89	\$310.32	(10,205)	6,486	8,281	25,977
Orange	741	13,549,156	0	201,520	149,211	1.10%	235,719	1.74%	\$1.05	\$242.03	26,624	(22,288)	105,479	144,823
Placentia	221	4,201,457	0	93,382	87,442	2.08%	197,246	4.69%	\$0.82	\$250.02	(5,345)	42,369	65,633	156,089
Yorba Linda	54	882,002	0	0	1,643	0.19%	16,152	1.83%	\$0.00	\$257.00	(1,643)	13,922	0	15,565
North County Total	4,060	111,031,176	0	2,041,757	2,319,730	2.09%	4,177,365	3.76%	\$0.90	\$232.36	(36,712)	1,241,882	1,145,388	3,087,045
South County														
Aliso Viejo	16	629,005	0	0	17,680	2.81%	17,680	2.81%	\$1.36	\$0.00	0	(3,040)	0	18,620
Foothill Ranch	66	3,546,537	0	0	136,409	3.85%	417,410	11.77%	\$1.15	\$0.00	(130,209)	(130,209)	0	23,540
Irvine Spectrum	207	9,822,306	0	0	677,974	6.90%	733,804	7.47%	\$1.14	\$396.47	(20,791)	46,410	11,826	212,830
Laguna Beach	20	93,220	0	0	14,450	15.50%	15,130	16.23%	\$2.30	\$0.00	(1,725)	(225)	0	1,500
Laguna Hills	73	1,026,876	0	0	24,137	2.35%	28,727	2.80%	\$1.23	\$349.00	11,932	(198)	39,725	55,654
Laguna Niguel	20	271,296	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Lake Forest	190	4,231,359	0	0	88,800	2.10%	225,798	5.34%	\$1.21	\$350.14	2,242	6,539	15,934	62,957
Mission Viejo	30	462,480	0	0	8,115	1.75%	8,115	1.75%	\$1.80	\$0.00	7,516	4,304	8,435	12,067
Rancho Santa Margarita	106	1,682,654	0	0	25,464	1.51%	101,423	6.03%	\$1.14	\$0.00	18,454	12,133	18,454	18,454
San Clemente	159	1,991,324	0	0	71,150	3.57%	66,786	3.35%	\$1.21	\$307.06	(33,877)	(47,185)	18,031	23,052
San Juan Capistrano	42	887,189	0	0	6,408	0.72%	6,408	0.72%	\$1.39	\$0.00	(3,822)	(3,822)	0	0
South County Total	929	24,644,246	0	0	1,070,587	4.34%	1,621,281	6.58%	\$1.17	\$359.13	(150,280)	(115,293)	112,405	428,674
West County														
Cypress	101	4,760,718	0	0	311,427	6.54%	417,927	8.78%	\$0.89	\$0.00	(70,701)	(73,901)	3,958	8,458
Garden Grove	476	11,770,307	0	0	429,672	3.65%	605,259	5.14%	\$0.81	\$221.74	(102,871)	(341,274)	117,802	237,171
Huntington Beach	685	12,723,377	0	0	282,161	2.22%	435,915	3.43%	\$0.88	\$284.73	108,599	46,181	185,830	242,757
La Palma	16	1,780,056	0	0	0	0.00%	243,592	13.68%	\$0.00	\$0.00	0	0	0	0
Los Alamitos	94	2,220,135	0	0	0	0.00%	17,203	0.77%	\$0.00	\$0.00	5,574	19,973	11,148	25,547
Seal Beach	15	933,761	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
Stanton	174	1,827,005	0	0	12,740	0.70%	34,719	1.90%	\$0.97	\$244.88	3,887	(413)	9,857	13,457
Westminster	141	2,336,638	0	0	38,287	1.64%	55,287	2.37%	\$1.00	\$0.00	(14,080)	(16,280)	12,044	20,427
West County Total	1,702	38,351,997	0	0	1,074,287	2.80%	1,809,902	4.72%	\$0.86	\$253.74	(69,592)	(365,714)	340,639	547,817
Orange County Total	9,354	232,410,348	51,939	2,197,990	6,405,632	2.76%	11,316,211	4.87%	\$1.00	\$245.00	(97,094)	893,396	2,830,686	5,976,775
Less than 9,999	3,313	20,146,713	0	9,500	319,603	1.59%	492,590	2.45%	\$1.33	\$334.73	(69,241)	(69,052)	184,311	327,082
10,000-19,999	3,147	43,450,158	51,939	0	960,197	2.21%	1,388,718	3.20%	\$1.19	\$280.68	(83,838)	(280,341)	527,605	959,802
20,000-29,999	1,202	28,647,413	0	0	805,218	2.81%	1,370,044	4.78%	\$1.11	\$242.64	(92,399)	(117,485)	314,337	631,346
30,000-39,999	478	16,308,170	0	149,841	433,077	2.66%	778,751	4.78%	\$1.08	\$223.07	(2,562)	(3,097)	172,202	441,523
40,000-49,999	297	13,054,810	0	45,000	307,365	2.35%	643,182	4.93%	\$1.01	\$211.29	70,787	73,424	129,962	276,234
50,000-74,999	371	22,352,213	0	54,774	691,227	3.09%	1,247,311	5.58%	\$0.92	\$169.71	25,691	(101,304)	371,612	474,642
75,000-99,999	164	14,003,815	0	0	271,629	1.94%	726,128	5.19%	\$1.04	\$337.69	(67,758)	26,258	3,150	259,370
100,000-199,999	258	33,819,397	0	237,355	1,259,564	3.72%	2,281,129	6.75%	\$0.89	\$185.00	143,387	90,541	132,195	390,859
200,000 Plus	124	40,627,659	0	1,701,520	1,357,752	3.34%	2,388,358	5.88%	\$0.91	\$0.00	(21,161)	1,274,452	995,312	2,215,917
Orange County Total	9,354	232,410,348	51,939	2,197,990	6,405,632	2.76%	11,316,211	4.87%	\$1.00	\$245.00	(97,094)	893,396	2,830,686	5,976,775

Lease rates are on a triple-net basis.

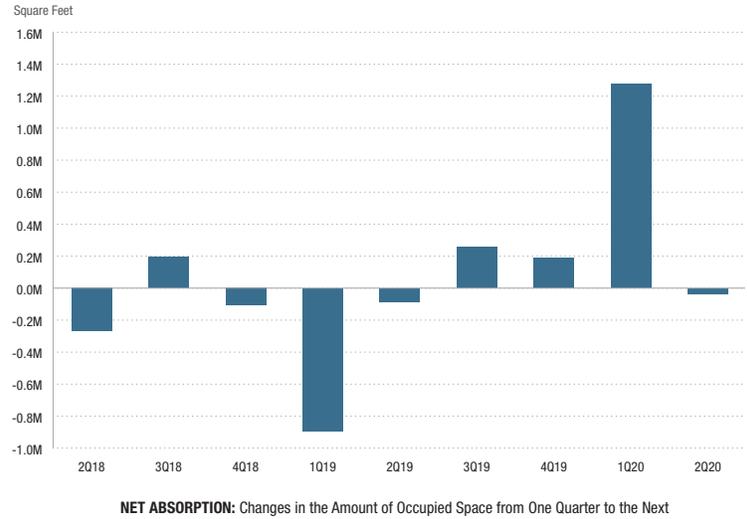
NORTH ORANGE COUNTY

In the second quarter of 2020, the North Orange County industrial market consisted of 4,060 buildings totaling 111,031,176 square feet and had an availability rate of 3.76%, which shows an increase from the previous quarter's figure of 3.65%.

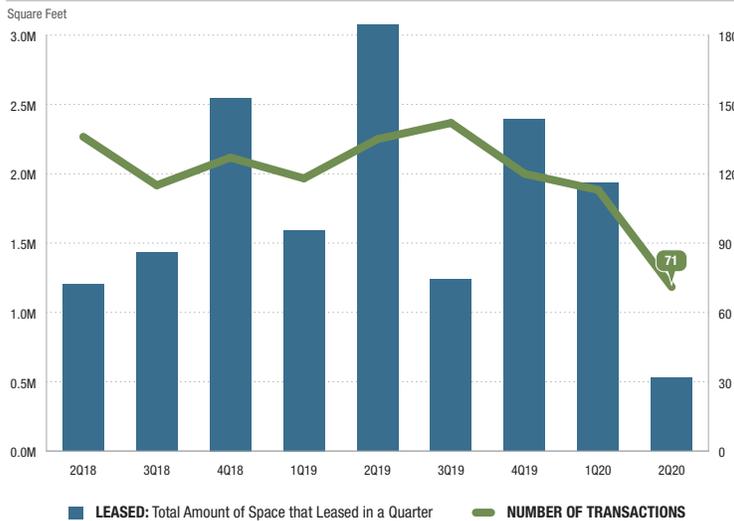
VACANCY & AVAILABILITY RATE



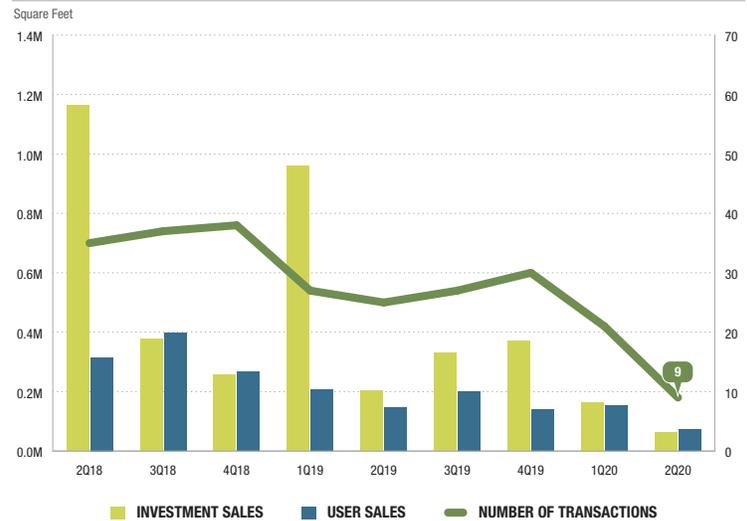
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

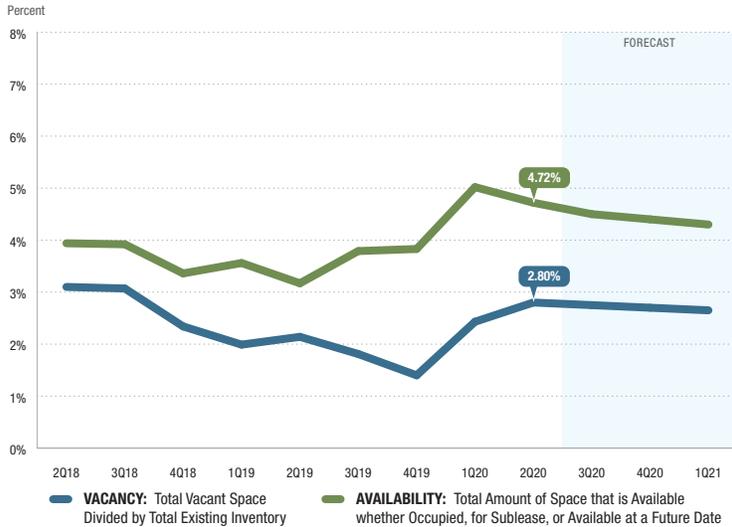
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2020	Square Feet Available	Availability Rate 2Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2020	Net Absorption 2020	Gross Absorption 2Q2020	Gross Absorption 2020
North Totals														
Less than 9,999	1,334	8,445,965	0	9,500	108,529	1.28%	223,863	2.65%	\$1.25	\$274.96	(16,753)	(4,770)	90,663	166,804
10,000-19,999	1,404	19,426,879	0	0	429,790	2.21%	651,939	3.36%	\$1.21	\$265.59	4,683	(79,572)	248,516	395,991
20,000-29,999	519	12,323,510	0	0	365,734	2.97%	657,804	5.34%	\$1.07	\$237.66	(141,444)	(230,702)	76,890	156,046
30,000-39,999	221	7,504,416	0	38,608	119,326	1.59%	268,337	3.58%	\$1.00	\$198.29	(6,616)	4,251	88,743	172,599
40,000-49,999	136	5,977,150	0	0	101,886	1.70%	295,660	4.95%	\$0.86	\$179.95	(22,455)	69,186	61,266	163,923
50,000-74,999	176	10,599,882	0	54,774	265,376	2.50%	422,355	3.98%	\$0.85	\$169.71	21,074	39,538	191,412	289,276
75,000-99,999	71	6,026,721	0	0	28,281	0.47%	230,151	3.82%	\$0.79	\$218.13	3,150	(18,281)	3,150	145,983
100,000-199,999	131	17,232,351	0	237,355	415,493	2.41%	720,425	4.18%	\$0.76	\$0.00	78,326	98,018	74,395	166,434
200,000 plus	68	23,494,302	0	1,701,520	485,315	2.07%	706,831	3.01%	\$0.87	\$0.00	43,323	1,364,214	310,353	1,429,989
Total	4,060	111,031,176	0	2,041,757	2,319,730	2.09%	4,177,365	3.76%	\$0.90	\$232.36	(36,712)	1,241,882	1,145,388	3,087,045

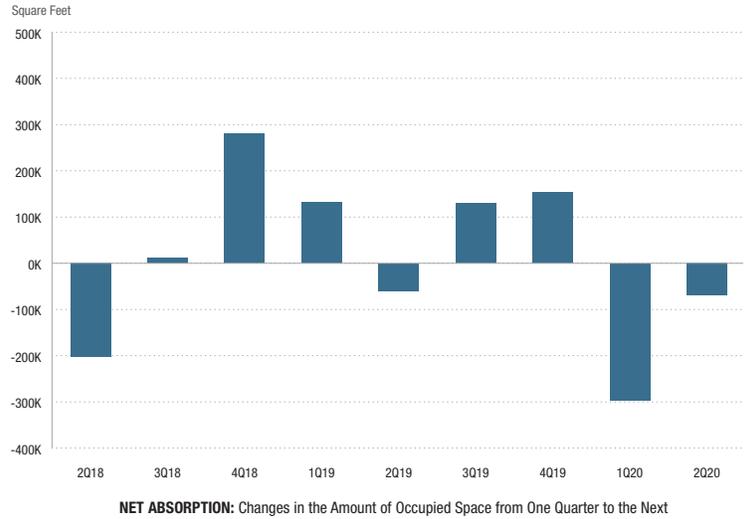
WEST ORANGE COUNTY

In the second quarter of 2020, the West Orange County industrial market consisted of 1,702 buildings totaling 38,351,997 square feet and had an availability rate of 4.72%, which shows a decrease from the previous quarter's figure of 5.02%.

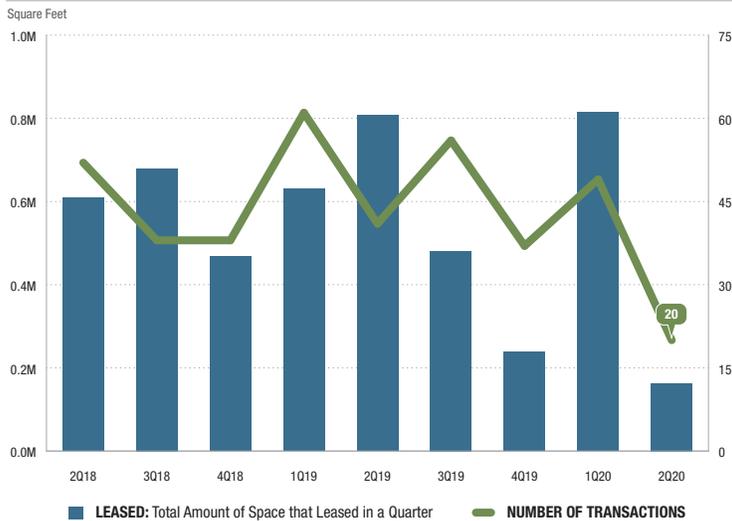
VACANCY & AVAILABILITY RATE



NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

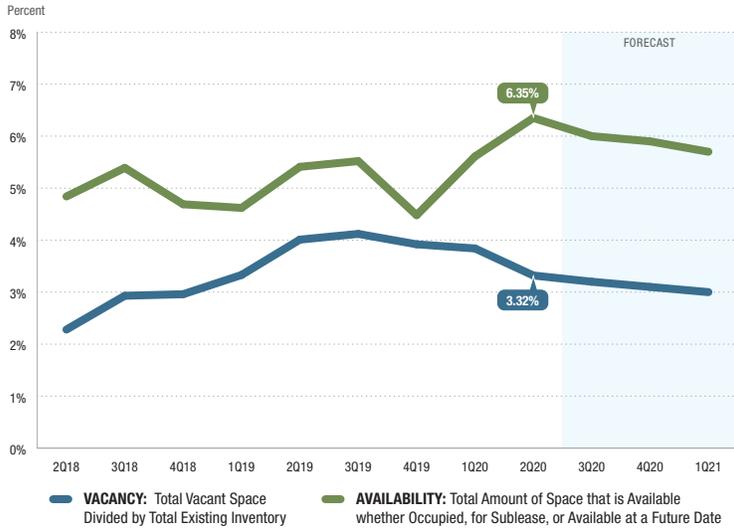
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2020	Square Feet Available	Availability Rate 2Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2020	Net Absorption 2020	Gross Absorption 2Q2020	Gross Absorption 2020
West Totals														
Less than 9,999	693	4,106,478	0	0	73,630	1.79%	98,894	2.41%	\$1.00	\$330.66	(13,023)	(16,629)	29,487	64,338
10,000-19,999	561	7,427,440	0	0	157,590	2.12%	224,972	3.03%	\$0.93	\$236.89	(8,039)	(41,840)	128,387	223,307
20,000-29,999	185	4,436,689	0	0	54,005	1.22%	88,931	2.00%	\$0.96	\$273.70	41,186	10,364	66,419	80,382
30,000-39,999	60	2,095,504	0	0	22,685	1.08%	22,685	1.08%	\$0.85	\$198.50	(8,440)	(8,440)	0	3,456
40,000-49,999	53	2,323,175	0	0	54,509	2.35%	102,596	4.42%	\$0.77	\$0.00	17,182	(43,883)	24,258	25,677
50,000-74,999	57	3,403,710	0	0	158,716	4.66%	285,313	8.38%	\$0.84	\$0.00	(66,850)	(87,394)	0	0
75,000-99,999	30	2,577,226	0	0	70,265	2.73%	192,528	7.47%	\$0.00	\$0.00	(70,265)	(70,265)	0	0
100,000-199,999	41	5,501,106	0	0	290,652	5.28%	423,602	7.70%	\$0.89	\$0.00	75,070	(61,415)	57,800	91,880
200,000 plus	22	6,480,669	0	0	192,235	2.97%	370,381	5.72%	\$0.80	\$0.00	(36,413)	(46,212)	34,288	58,777
Total	1,702	38,351,997	0	0	1,074,287	2.80%	1,809,902	4.72%	\$0.86	\$253.74	(69,592)	(365,714)	340,639	547,817

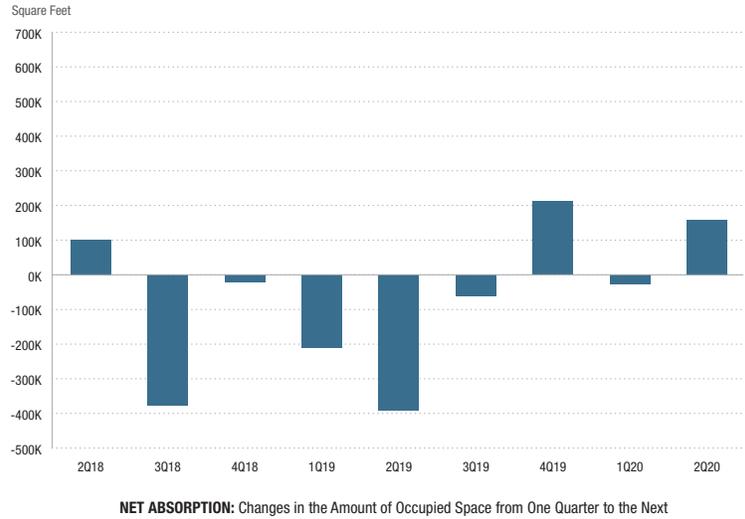
AIRPORT AREA

In the second quarter of 2020, the Airport Orange County industrial market consisted of 2,663 buildings totaling 58,382,929 square feet and had an availability rate of 6.35%, which shows an increase from previous quarter's figure of 5.61%.

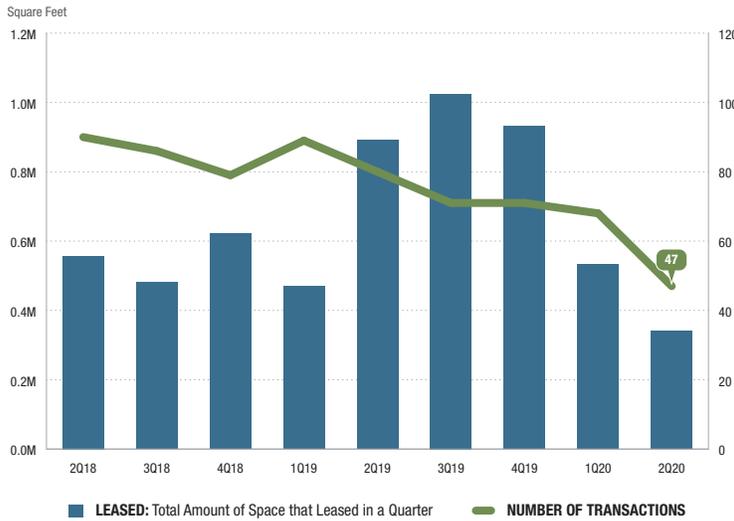
VACANCY & AVAILABILITY RATE



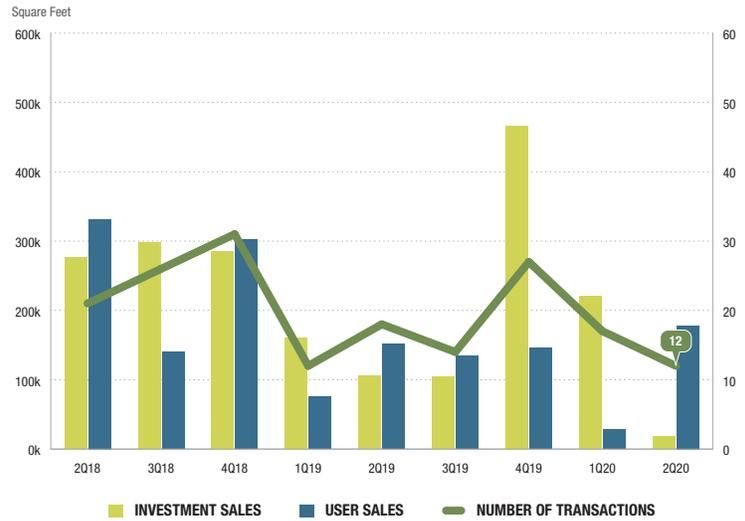
NET ABSORPTION



LEASE TRANSACTIONS



SALES TRANSACTIONS



INVENTORY

VACANCY & LEASE RATES

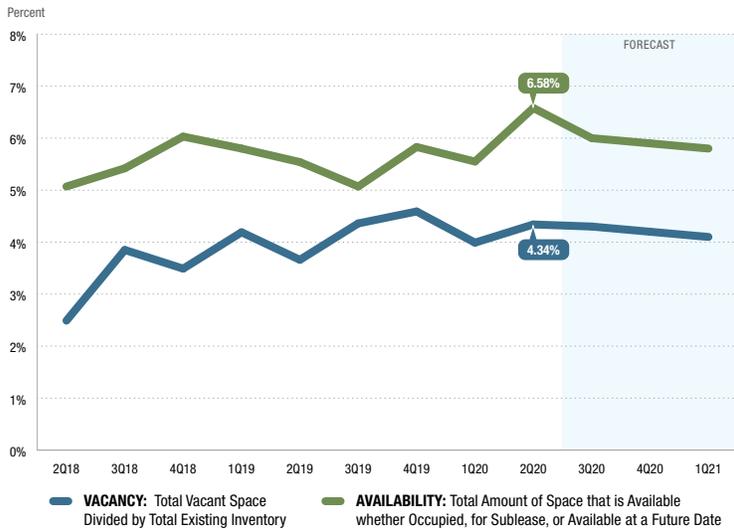
ABSORPTION

	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2020	Square Feet Available	Availability Rate 2Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2020	Net Absorption 2020	Gross Absorption 2Q2020	Gross Absorption 2020
Airport Totals														
Less than 9,999	931	5,390,700	0	0	101,452	1.88%	101,146	1.88%	\$1.57	\$357.07	(44,721)	(54,549)	38,625	53,424
10,000-19,999	908	12,702,924	51,939	0	258,814	2.04%	370,548	2.92%	\$1.23	\$317.16	(49,037)	(92,471)	106,298	255,386
20,000-29,999	366	8,739,735	0	0	271,790	3.11%	460,469	5.27%	\$1.15	\$247.23	(6,939)	89,400	141,718	281,656
30,000-39,999	153	5,213,121	0	111,233	291,066	5.58%	348,582	6.69%	\$1.08	\$248.23	12,494	(2,540)	71,755	188,316
40,000-49,999	79	3,464,539	0	45,000	102,455	2.96%	104,876	3.03%	\$0.61	\$247.46	74,731	44,666	43,109	49,449
50,000-74,999	104	6,312,307	0	0	142,505	2.26%	306,554	4.86%	\$0.95	\$0.00	71,467	(53,448)	180,078	183,884
75,000-99,999	49	4,191,949	0	0	173,083	4.13%	303,449	7.24%	\$1.06	\$0.00	(643)	114,804	0	113,387
100,000-199,999	54	6,755,585	0	0	225,524	3.34%	733,700	10.86%	\$0.93	\$185.00	0	0	0	132,545
200,000 plus	19	5,612,069	0	0	374,339	6.67%	978,339	17.43%	\$0.89	\$0.00	102,138	86,659	650,671	655,192
Total	2,663	58,382,929	51,939	156,233	1,941,028	3.32%	3,707,663	6.35%	\$1.01	\$287.90	159,490	132,521	1,232,254	1,913,239

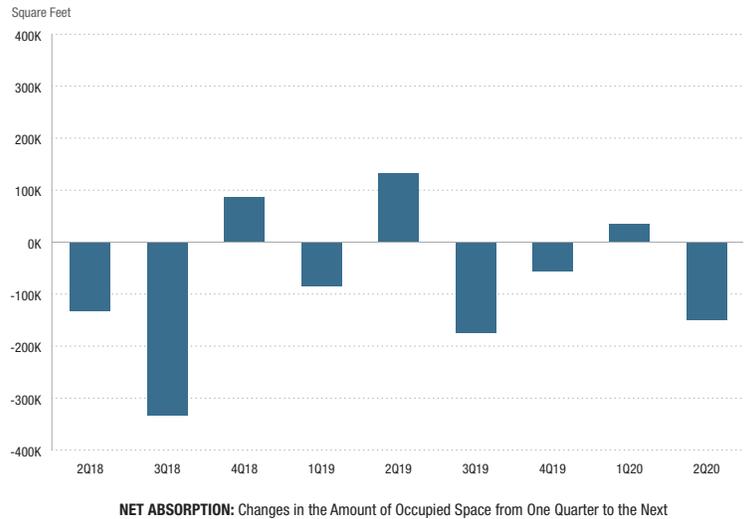
SOUTH ORANGE COUNTY

In the second quarter of 2020, the South Orange County industrial market consisted of 929 buildings totaling 24,644,245 square feet and had an availability rate of 6.58%, which shows an increase from the previous quarter's figure of 5.55%.

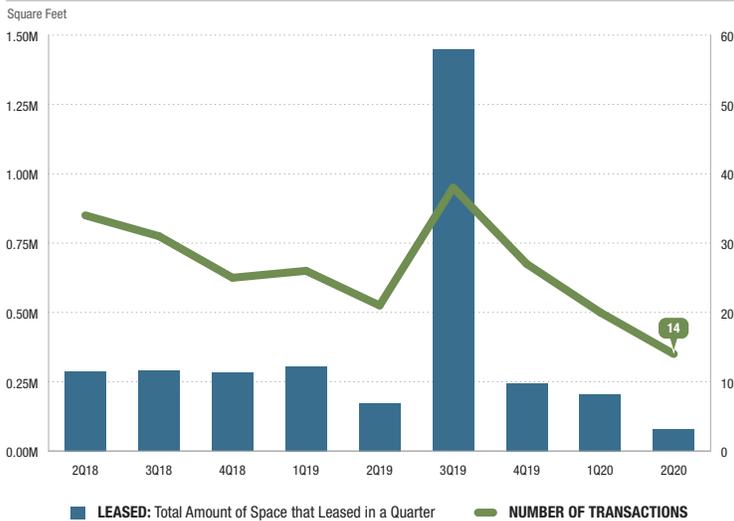
VACANCY & AVAILABILITY RATE



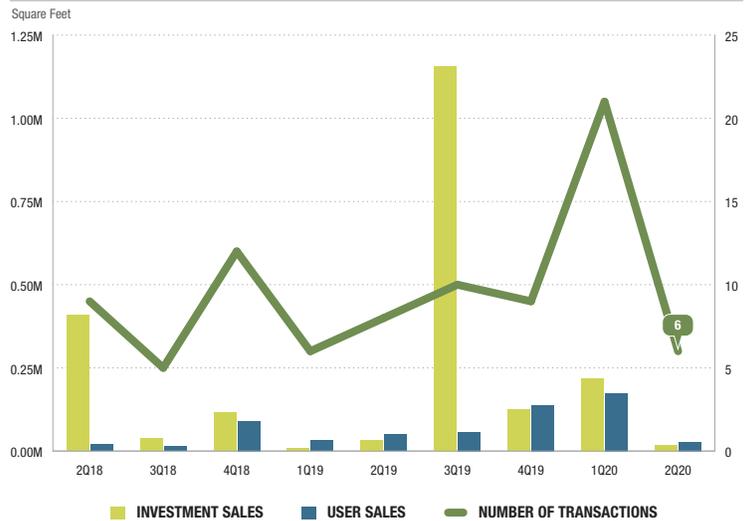
NET ABSORPTION



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 2Q2020	Square Feet Available	Availability Rate 2Q2020	Average Asking Lease Rate	Average Asking Sales Price	Net Absorption 2Q2020	Net Absorption 2020	Gross Absorption 2Q2020	Gross Absorption 2020
South Totals														
Less than 9,999	355	2,203,570	0	0	35,992	1.63%	68,687	3.12%	\$1.40	\$386.73	5,256	6,896	25,536	42,516
10,000-19,999	274	3,892,915	0	0	114,003	2.93%	141,259	3.63%	\$1.30	\$0.00	(31,445)	(66,458)	44,404	85,118
20,000-29,999	132	3,147,479	0	0	113,689	3.61%	162,840	5.17%	\$1.24	\$227.27	14,798	13,453	29,310	113,262
30,000-39,999	44	1,495,129	0	0	0	0.00%	139,147	9.31%	\$1.17	\$0.00	0	3,632	11,704	77,152
40,000-49,999	29	1,289,946	0	0	48,515	3.76%	140,050	10.86%	\$1.36	\$0.00	1,329	3,455	1,329	37,185
50,000-74,999	34	2,036,314	0	0	124,630	6.12%	233,089	11.45%	\$1.12	\$0.00	0	0	122	1,482
75,000-99,999	14	1,207,919	0	0	0	0.00%	0	0.00%	\$0.00	\$0.00	0	0	0	0
100,000-199,999	32	4,330,355	0	0	327,895	7.57%	403,402	9.32%	\$1.02	\$0.00	(10,009)	53,938	0	0
200,000 plus	15	5,040,619	0	0	305,863	6.07%	332,807	6.60%	\$1.15	\$0.00	(130,209)	(130,209)	0	71,959
Total	929	24,644,246	0	0	1,070,587	4.34%	1,621,281	6.58%	\$1.17	\$359.13	(150,280)	(115,293)	112,405	428,674



OC Industrial Market Weathers the Storm in Q2

by **Matt Peters**

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Now that business activity is beginning to increase somewhat, many business owners are asking how COVID-19 has changed the industrial real estate market in Orange County. They're wondering if lease rates and sales prices have fallen and if now is a good time to find new space to lease or buy. While we cannot guarantee what the long-term implications of the virus-induced economic shock will be, preliminary indications are that market dynamics are largely unchanged.

What we can say with some confidence is that the industrial market will be less impacted than its office and retail counterparts because of the latter's higher employee and customer densities. Many industrial sectors were deemed essential and managed to keep their doors open throughout the quarter, though many are still operating at less than full capacity.

Landlords, initially fearing that tenants would not be able to pay rent during the shutdown, have been pleasantly surprised, and that has emboldened them to hold the line on lease rates for vacant space. If anything, they are showing a willingness to accept shorter lease terms and offer slightly more in terms of other concessions to get new deals over the finish line.

Sellers are likewise reluctant to lower sales prices, as their properties are still attracting a lot of interest from buyers looking to take advantage of the lowest SBA mortgage rates in history. May's SBA 504 rate fell to 2.59%, and those buyers who get funded by September 27th will see their first six mortgage payments forgiven by the SBA. Pricing for properties going into escrow in the second quarter reflected pre-crisis levels.

It's not "full steam ahead" across the board. Some industrial sectors have been hit hard, especially those that serve the food & beverage, entertainment and performing arts industries. Many businesses owners I have spoken with recently are still optimistic about the long term, but are adopting a wait-and-see attitude towards making big-ticket decisions like leasing or buying real estate. My own view is that as long as unemployment keeps coming back down and the stock markets continue to reflect economic optimism, the industrial sector will get through the pandemic crisis without a major correction.

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This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services. ©2020 Voit Real Estate Services, Inc. DRE License #01991785.

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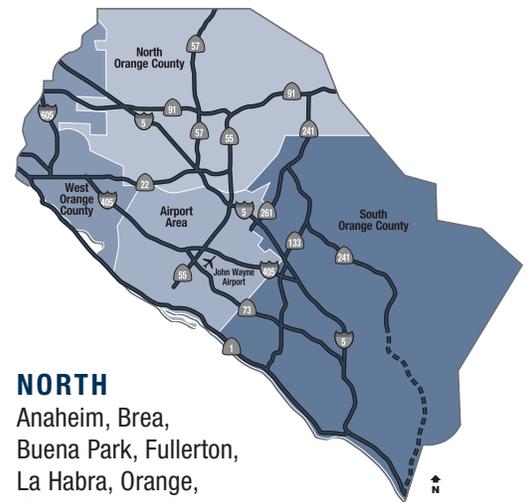


Product Type

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