

# COMMERCIAL REAL ESTATE UPDATE

Fall 2014



for South Orange County Businesses & Property Owners

**JOHNSTON PACIFIC**  
COMMERCIAL REAL ESTATE, INC.

## Compression New Buzzword Describing Cap Rates

An often used word these days while discussing cap rate direction in investment circles is "compression". Capitalization rates have been on a steady decline for the last five quarters. Cap rates are defined as the net operating income (NOI) divided by the purchase price. For example, a property with \$100,000 in NOI that sells for \$1 million equates to a cap rate of 10%.

$$\text{Capitalization Rate} = \frac{\text{annual net operating income}}{\text{cost (or value)}}$$

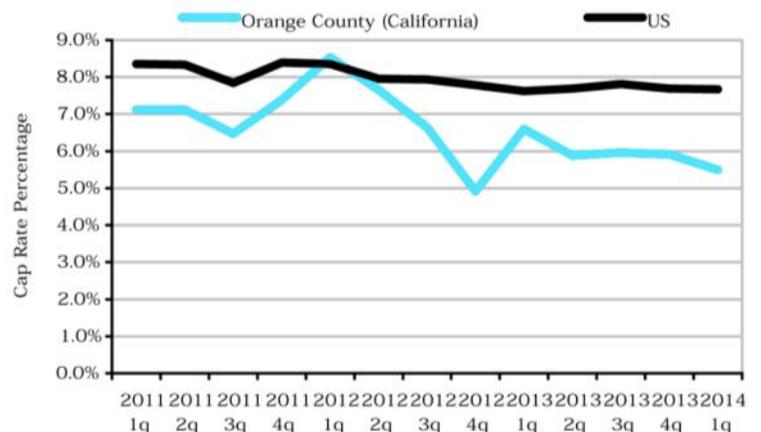
According to the most recent Cap Rate Survey, conducted by an international real estate firm, stabilized cap rates in Orange County for class A industrial buildings are between 4.9% and 5.25%. Class B industrial buildings are between 5.25% and 5.6% and Class C buildings are between 5.6% and 6.5%

The conventional wisdom for these drivers is a combination of three factors. The first is a tight inventory, resulting from positive absorption and limited new construction. Next there is a scarcity of quality properties on the market for sale, so there are more investors chasing fewer properties which is driving up the sale price.

Lastly, is the belief that these factors will result in higher rents leading to an increase in the income from investment properties so investors are speculating that the near future building values will rise.

As shown in the graph below, Orange County cap rates are lower than the U.S. average. This is attributed to the strength of our local economy in relation to the economic health of the country.

**U.S. Cap Rate Comparison**  
Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar Realty

# Available Properties



**FOR SALE**  
5,272 sq. ft.  
Office/Warehouse  
Corner Unit



**FOR SUBLEASE**  
36,154 sq. ft.  
Office/Warehouse/  
Distribution Building



**FOR SALE**  
11,463 sq. ft.  
Office/Warehouse  
Building (Divisible)



**FOR LEASE**  
4,545 sq. ft.  
Office/Warehouse  
Corner Unit

Please visit [www.johnston-pacific.com](http://www.johnston-pacific.com) for more information and to see all of our available properties. For a custom report of properties that meet your needs, please call Johnston Pacific at 949-366-2020.

## Great For OC!

A \$70 million development plan to expand the Orange County Great Park to 200 acres is currently underway. The plan will build out a core section of the Park for the most immediate and wide-ranging public benefit, including a sports park, agricultural area and an art and culture exhibition space.

Spanning approximately 1,300 acres (nearly twice the size of New York's Central Park) the Great Park's award-winning master plan embraces environmental sustainability, preserves Orange County's agricultural heritage, and honors the military history of the former air base.



# Just Sold or Leased



**SOLD**  
45,724 sq. ft.  
Distribution Building



**LEASED**  
3,612 sq. ft.  
Office Suite



**SOLD**  
3,816 sq. ft.  
Office/Whse Building



**LEASED**  
6,259 sq. ft.  
Office/Whse Unit

For transaction details and to discuss your property value or rental rates, please call Johnston Pacific at 949-366-2020.

## A General Contractor You Can Rely On

Johnston Pacific recommends Garrison Property Services for commercial construction, including tenant improvements, ADA compliance, architectural services, space planning and permit processing.

"Marc does what he says he going to do, when he says he is going to do it, at the price he said he would do it for, without fail. I have had dozens of project meetings with him and he is there early every single time. His professionalism and reliability stands out amongst his peers in the construction industry."  
-Jim Wynne

Johnston Pacific Commercial Real Estate



Garrison Property Services  
949-370-1125  
garrisonpropertyservicesinc.com

## Paving The Way

Johnston Pacific recommends Quickel Paving, who has already provided excellent service to many of our clients.



Parking areas are one of the first things noticed by visitors, especially if they are in need of some attention. Quickel provides a variety of asphalt maintenance services from simple crack filling, slurry sealing, and striping to comprehensive asphalt removing & replacing and petromat overlaying. Dan Quickel recommends that commercial property owners and business owners inspect their property for trip hazards. A professional on-site inspection and parking lot slurry coat is recommended every three years. Concrete services offered include grinding trip hazards and replacing broken sidewalks, curbs, gutters, and flowlines.

Quickel Paving  
949-582-1515  
www.quickelpaving.com



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We welcome your input!  
Send suggestions and feedback to  
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