



MARKET TRENDS | **ORANGE COUNTY**

OFFICE

**4TH QUARTER
2020**

▼ **ABSORPTION** | ▲ **VACANCY** | ▲ **RENTAL RATE** | ▼ **CONSTRUCTION DELIVERIES**

Year-over-year change

MARKET DRIVERS

DIRECT VACANCY levels across the metro continued to increase as a result of Covid-19, concluding the year at 10.6%. In addition, sublease availabilities did not substantially increase during the pandemic, increasing by only 60 basis points from the year prior to 2.4% in 2020.

ALTHOUGH rental rates may have softened, many landlords remain bullish on rents as they wait for the economy to recover. Countywide direct asking lease rates finished the year at \$2.78/sf, an increase of 2.21% from the prior year.

AFTER the heavy influx of supply that entered the market in 2019 and 2018 with 1,373,415 and 846,371 square feet, respectively, only 99,638 square feet was completed in 2020. Expect a heavy influx of supply to occur in the following quarters as over 1.4 million square feet await completion. 64% of that will look to be completed in the first quarter alone.

ACCOUNTING FOR over 30% of office inventory spread across Newport Beach and Irvine, the Irvine Company experienced a resurgence in leasing activity over the last six months with over 2 million square feet leased. Irvine Company's quick response to safety and health protocols and their rollout of Flex Workspace+, which offers leases as short as six months, have provided flexibility for companies to expand.

ECONOMIC REVIEW

COVID-19 caused many business closures and company layoffs in early 2020. Since then, Orange County has continued to recover, reporting an unemployment rate of 6.4% as of November 2020. This is down from 7.3% reported from the prior month and below the state average of 7.9%.

COUNTYWIDE job levels increased by 16,500 over the month with leisure and hospitality reporting the largest increase of job additions with 9,800. In particular, arts, entertainment, and recreation expanded by 9,100, accounting for 93% of the gain.

NEAR-TERM OUTLOOK

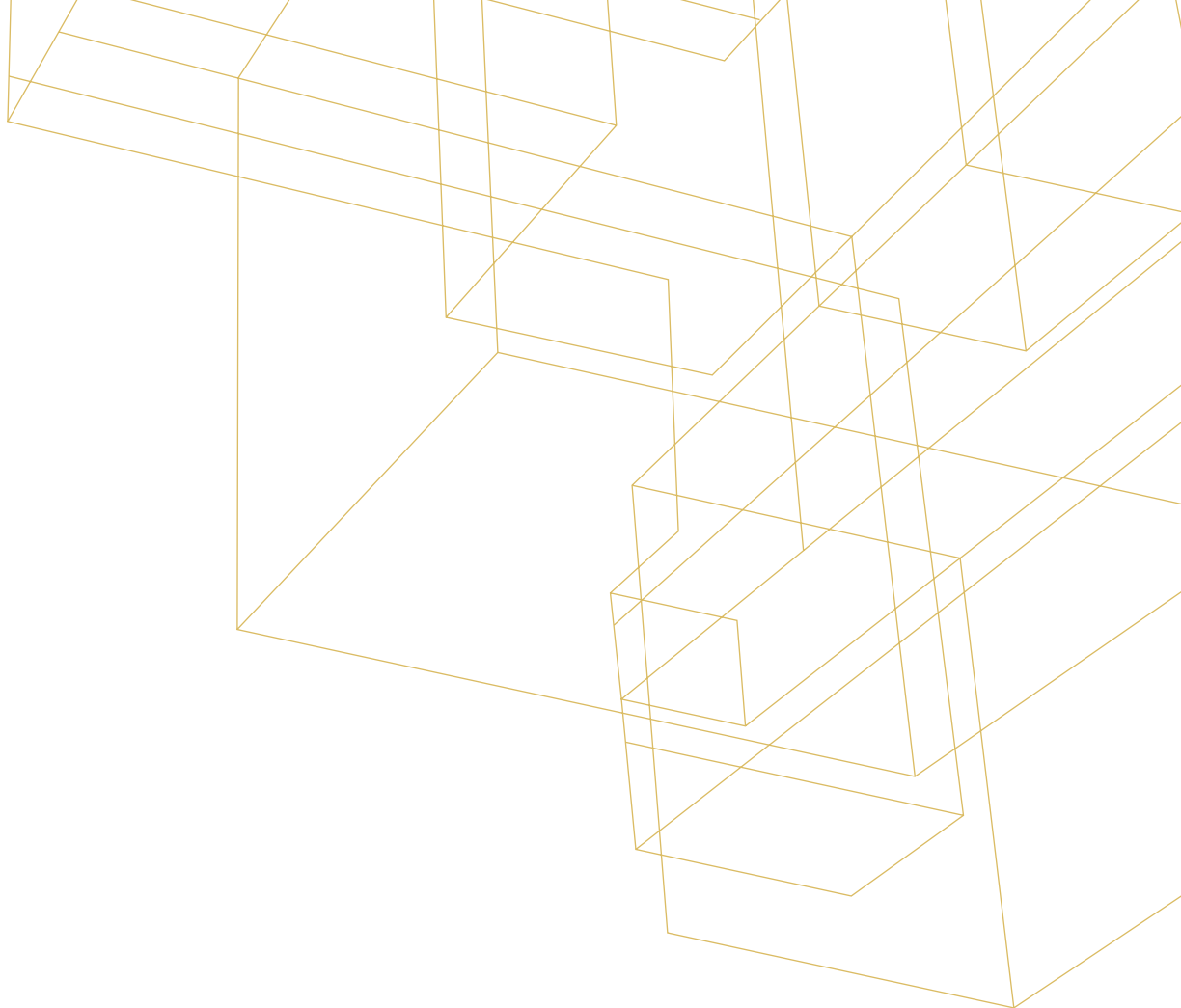
AS offices wait to reopen, many companies have strategized how to incorporate flexible working arrangements for their employees. Some surveys suggest that more than 80% of employees would like to work remotely in some capacity, which can affect the amount of space needed for business operations. This has yet to be seen, as companies continue to monitor current economic conditions and adjust business strategies accordingly.

Market Breakdown

	2020	2019	2018	Annual % Change
Direct Vacancy Rate	10.6%	9.4%	8.9%	12.53%
Total Availability Rate	16.8%	12.9%	13.2%	30.24%
Direct Asking Lease Rate	\$2.78	\$2.72	\$2.69	2.21%
Total Lease Transactions	6,823,535	11,501,676	11,061,382	-40.67%
Sale Transactions	3,634,223	7,590,604	9,360,074	-52.12%
Direct Net Absorption	(1,665,651)	515,880	1,302,959	N/A

ORANGE COUNTY SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Availability Rate	4Q Direct Net Absorption	2020 Direct Net Absorption	4Q Leasing Activity	2020 Leasing Activity	Average Rental Rate (FS)
Costa Mesa	8,640,272	13.0%	3.2%	16.1%	23.9%	(101,135)	(206,078)	56,228	284,640	\$3.13
Irvine/Tustin Legacy	27,720,863	13.0%	2.2%	15.2%	21.4%	(121,532)	(238,131)	440,419	1,824,981	\$2.81
Newport Beach	13,035,075	9.2%	1.1%	10.3%	14.8%	(64,303)	(247,020)	79,894	509,471	\$3.37
South Santa Ana	2,484,012	16.9%	1.5%	18.4%	23.7%	(41,986)	(131,193)	0	130,026	\$2.89
Class A	26,655,511	14.8%	3.0%	17.8%	25.6%	(267,036)	(477,197)	369,511	1,668,763	\$3.24
Class B	23,059,637	9.8%	1.2%	11.0%	15.3%	(52,560)	(304,059)	186,220	1,000,371	\$2.91
Class C	2,165,074	5.9%	0.0%	5.9%	7.0%	(9,360)	(41,166)	20,810	79,984	\$2.72
Airport	51,880,222	12.2%	2.1%	14.3%	20.2%	(328,956)	(822,422)	576,541	2,749,118	\$3.00
Civic Center Area	5,521,244	9.0%	0.0%	9.0%	10.5%	70,521	4,408	7,021	70,349	\$2.16
East Orange	2,039,805	6.3%	0.2%	6.5%	16.9%	(3,027)	(51,337)	11,950	54,118	\$2.74
Main Place	2,989,862	12.8%	0.4%	13.2%	15.2%	(34,166)	24,902	4,616	220,631	\$2.68
Parkcenter	5,091,204	13.1%	0.3%	13.5%	16.9%	(17,669)	(191,484)	142,950	290,636	\$2.29
Santa Ana	2,051,704	14.7%	0.8%	15.4%	21.0%	(61,969)	(93,297)	34,738	342,380	\$2.46
Stadium Area	3,538,063	14.7%	0.6%	15.3%	19.3%	(43,086)	(98,979)	77,528	239,480	\$2.41
The City	2,673,270	11.5%	2.0%	14.4%	22.9%	33,084	134,753	8,325	264,568	\$2.48
Tustin	1,937,865	1.4%	0.0%	1.4%	7.4%	5,007	12,463	685	84,417	\$3.14
Class A	7,378,485	15.3%	1.0%	16.3%	24.1%	(62,423)	45,897	136,079	670,880	\$2.80
Class B	17,026,907	10.8%	0.5%	11.4%	14.8%	(14,662)	(257,213)	115,272	785,231	\$2.36
Class C	4,437,625	6.8%	0.1%	6.9%	10.0%	25,780	(47,255)	36,462	110,468	\$2.02
Central	28,843,017	11.3%	0.6%	11.9%	16.4%	(51,305)	(258,571)	287,813	1,566,579	\$2.45
Anaheim Hills	1,421,605	7.5%	0.6%	8.1%	9.1%	16,691	(6,664)	10,102	44,277	\$2.12
Brea/La Habra	4,739,442	8.2%	0.9%	9.1%	12.8%	(162,501)	(181,093)	5,077	109,695	\$2.49
Buena Park/La Palma	2,108,098	9.8%	0.1%	9.9%	7.7%	(26,392)	(11,966)	16,960	136,593	\$2.12
Fullerton	3,086,949	6.2%	0.3%	6.5%	6.2%	(31,491)	(19,081)	40,040	135,161	\$2.34
North/East Anaheim	6,330,067	5.9%	0.2%	6.1%	7.7%	8,258	(28,593)	18,062	199,362	\$2.26
Placentia/Yorba Linda	859,486	6.8%	1.2%	8.0%	8.5%	(3,193)	(3,540)	7,439	40,322	\$2.91
Class A	3,282,778	8.0%	1.6%	9.6%	13.4%	(21,455)	(57,181)	7,119	64,780	\$2.67
Class B	13,128,161	7.5%	0.2%	7.7%	8.3%	(170,353)	(177,749)	84,237	561,267	\$2.37
Class C	2,134,708	4.0%	0.1%	4.1%	5.5%	(6,820)	(16,007)	6,864	39,363	\$2.05
North	18,545,647	7.2%	0.5%	7.6%	8.9%	(198,628)	(250,937)	98,220	665,410	\$2.39
Irvine Spectrum	14,486,182	9.0%	0.6%	9.6%	20.0%	(8,647)	79,548	184,062	843,017	\$3.10
Laguna Hills/Aliso Viejo	6,000,879	14.5%	2.4%	16.9%	23.6%	(92,603)	(70,017)	38,852	297,147	\$2.89
Laguna Niguel/Laguna Beach	2,271,989	6.2%	0.7%	6.9%	7.6%	(28,276)	(25,523)	6,146	36,244	\$2.67
Lake Forest/Foothill Ranch	3,852,957	14.2%	0.6%	14.8%	24.6%	(174,493)	(182,891)	30,090	128,153	\$2.33
Mission Viejo	2,345,532	13.4%	0.8%	14.2%	16.2%	(16,161)	13,256	3,920	70,922	\$3.00
Dana Point/San Juan/ San Clemente	2,971,915	6.4%	0.6%	6.9%	9.8%	(16,885)	(39,615)	29,293	101,209	\$2.84
Class A	10,561,600	11.4%	1.6%	13.0%	22.2%	(61,601)	190,574	121,806	554,992	\$3.33
Class B	20,052,878	10.4%	0.7%	11.1%	18.2%	(271,549)	(389,988)	170,557	885,914	\$2.82
Class C	1,314,976	6.3%	0.0%	6.3%	8.7%	(3,915)	(25,828)	0	35,786	\$2.25
South	31,929,454	10.6%	1.0%	11.5%	19.1%	(337,065)	(225,242)	292,363	1,476,692	\$2.96
Cypress	1,989,435	8.5%	0.2%	8.6%	9.7%	6,135	(54,067)	36,681	87,198	\$2.29
Fountain Valley	2,326,800	5.1%	0.7%	5.7%	6.0%	(11,066)	13,593	1,556	43,138	\$1.99
Garden Grove	2,183,073	4.9%	0.1%	5.0%	5.0%	(6,817)	(1,073)	6,955	37,899	\$1.96
Huntington Beach	4,049,441	11.0%	0.7%	11.7%	14.9%	(158,873)	(202,526)	16,948	152,574	\$2.40
Los Alamitos/Stanton	1,298,664	5.7%	0.0%	5.7%	7.3%	(897)	129,411	5,444	36,756	\$2.33
Seal Beach	574,594	4.8%	2.4%	7.2%	10.1%	(3,304)	(936)	6,648	6,648	\$3.39
Westminster	919,445	3.2%	0.0%	3.2%	7.4%	(6,953)	7,659	0	1,523	\$2.42
Class A	1,724,188	14.6%	1.0%	15.5%	22.0%	(59,282)	(74,136)	3,515	90,921	\$2.48
Class B	8,861,947	7.4%	0.5%	7.9%	9.1%	(112,454)	(37,858)	67,100	228,579	\$2.34
Class C	2,755,317	2.3%	0.1%	2.4%	2.8%	(10,039)	3,515	3,617	46,236	\$1.92
West	13,341,452	7.3%	0.5%	7.7%	9.5%	(181,775)	(108,479)	74,232	365,736	\$2.36
Class A	49,585,562	13.7%	2.3%	16.0%	23.7%	(471,797)	(372,043)	638,030	3,050,336	\$3.13
Class B	82,146,530	9.5%	0.7%	10.2%	14.1%	(621,578)	(1,166,867)	623,386	3,461,362	\$2.68
Class C	12,807,700	5.1%	0.1%	5.2%	7.1%	(4,354)	(126,741)	67,753	311,837	\$2.24
Orange County Total	144,539,792	10.6%	1.2%	11.8%	16.8%	(1,097,729)	(1,665,651)	1,329,169	6,823,535	\$2.78



TOP SALE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
Five Point Gateway (2 Bldgs.)	Irvine Spectrum	660,893	\$355,000,000	\$537.15	PRP Real Estate Investment Mgmt.	FIVEPOINT Holdings, LLC
111 Pacifica	Irvine Spectrum	68,427	\$26,150,000	\$382.16	Toda America, Inc.	Scott Wessler
51 Columbia	Laguna Hills/Aliso Viejo	34,299	\$16,850,000	\$491.27	KB Property Advisors	John Pomer
Civic Center Plaza	Laguna Niguel/Laguna Beach	42,074	\$10,600,000	\$251.94	Anilam Singh	PASSCO Companies
3050 Pullman	Costa Mesa	28,402	\$8,390,000	\$295.40	A&B Home Group, Inc.	Forma Designs

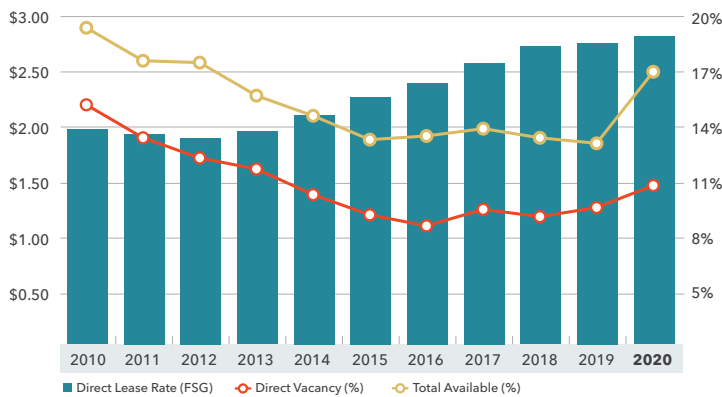
TOP LEASE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
1241 E Dyer Rd	Santa Ana	66,885	August 2020	Greenlaw Partners	Executive Office for Immigration Review
16815 Von Karman Ave	Irvine/Tustin Legacy	26,047	August 2020	The Blackstone Group	Beckam Funding Corp.
1550 Scenic Ave	Costa Mesa	23,793	August 2020	CJ Segerstrom & Sons	Spectrum Group Intl.
680 Newport Center Dr	Newport Beach	22,370	August 2020	The Irvine Company	Undisclosed

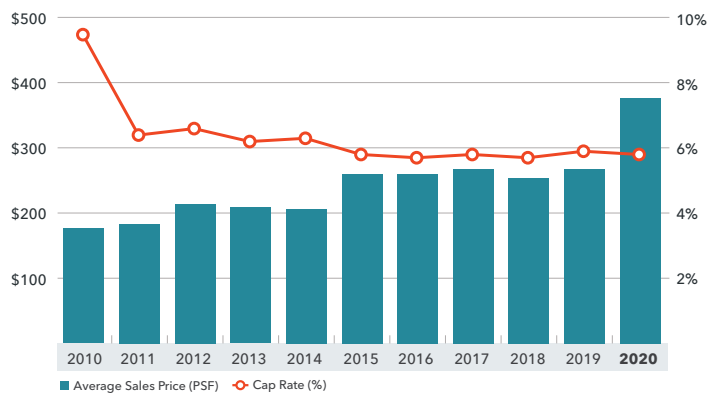
TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
The Press	1375 Sunflower Dr	The Press	380,856	Invesco Real Estate	January 2021
15332 Newport Ave	15332 Newport Ave	Tustin	180,000	SchoolsFirst Federal Credit Union	January 2021
Spectrum Terrace	17500 Laguna Canyon Rd	Irvine Spectrum	114,875	The Irvine Company	December 2020
Spectrum Terrace	17600 Laguna Canyon Rd	Irvine Spectrum	114,875	The Irvine Company	February 2021
Spectrum Terrace	17400 Laguna Canyon Rd	Irvine Spectrum	114,603	The Irvine Company	February 2021

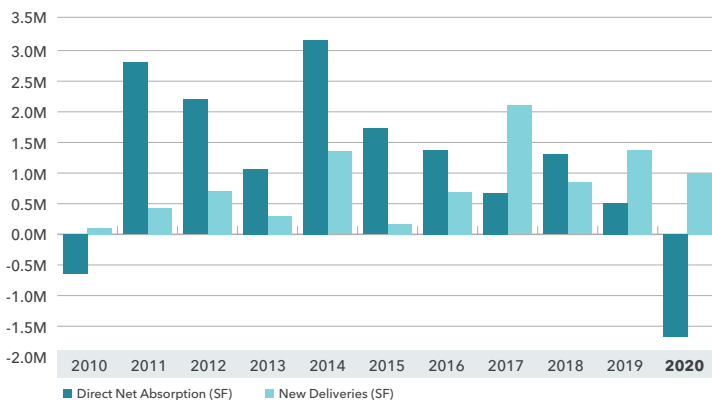
DIRECT VACANCY, TOTAL AVAILABILITY & DIRECT LEASE RATE



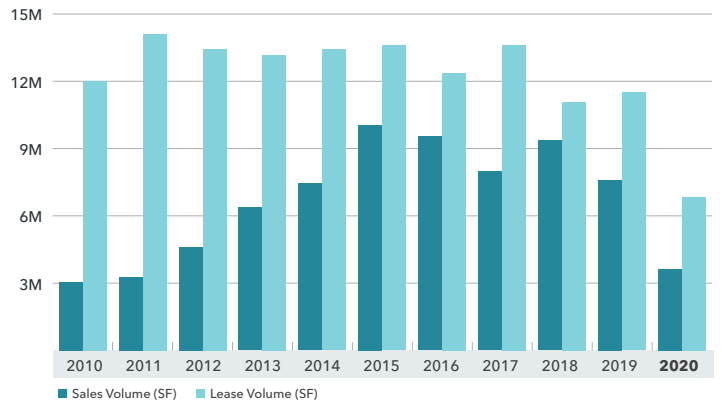
AVERAGE SALES PRICE & CAPITALIZATION RATES



NET ABSORPTION & NEW DELIVERIES



SALE VOLUME VS. LEASE VOLUME



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COMMERCIAL BROKERAGE

23M ANNUAL SALES SF **450+** NO. OF BROKERS
\$8B ANNUAL TRANSACTION VOLUME **42M** ANNUAL LEASING SF

VALUATION ADVISORY

1,800+ APPRAISALS ANNUALLY **39/20** TOTAL NO. APPRAISERS/MAI'S

PROPERTY MANAGEMENT

70M+ MANAGEMENT PORTFOLIO SF **\$12B** IN ASSETS UNDER MANAGEMENT

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