

MARKET TRENDS | ORANGE COUNTY

OFFICE

MARKET DRIVERS

AS A RESULT OF COVID-19, companies that have made the difficult decision to vacate early have pushed sublease availabilities to levels not seen since 2008. Available sublease space increased from 2.6M SF to over 3.6M SF YOY.

AVERAGE ASKING RATES continue to soften in 1Q21, marking it the 4th straight quarter of negative rent growth. With average asking rates at \$2.73/SF on a full service basis, landlords must remain aggressive with pricing and concessions in order to compete with the vast majority of sublease space entering the market. Currently, sublease availabilities on average are \$0.40/SF lower than direct space.

LEASING ACTIVITY declined 22% YOY to conclude the quarter at 1.93M SF. Co-working company, Industrious, leased 53,478 SF at WeWork's old space located at 100 Bayview, Newport Beach. Co-working companies that struggled throughout the pandemic and vacated spaces will be a focal point for Industrious as the existing buildouts can prove cost-effective. They plan to expand their footprint nationwide by over 1M SF in 2021.

ECONOMIC REVIEW

IN 2020 COVID-19 caused many business closures and company layoffs. Since then, Orange County has continued to recover, reporting an unemployment rate of 6.8% as of February 2021. This is down from 7.3% reported from the prior month and below the state average of 8.4%.

NEAR TERM OUTLOOK

VACANCIES AND SUBLEASE AVAILABILITIES will be tested in the coming quarters which will apply pressure on rents as landlords compete for tenants in the market. Additionally, leasing activity may continue to soften with companies waiting for the widespread distribution of vaccinations to increase. We can expect additional leases from Industrious throughout the year as they remain hopeful that demand for co-working space increases.

SOURCES: COSTAR, EDD, OCBJ, OC REGISTER

Market Summary

	1Q21	4Q20	1Q20	% Change From A Year Ago
Direct Vacancy Rate	11.4%	10.5%	9.2%	23.69%
Availability Rate	16.8%	16.2%	13.3%	26.07%
Asking Lease Rate	\$2.73	\$2.78	\$2.75	-0.73%
Lease Volume(SF)	1,934,616	2,329,535	2,502,106	-22.68%
Sale Volume(SF)	650,596	919,311	1,301,470	-50.01%
Net Absorption	(1,077,306)	(866,532)	268,424	N/A

▼ -1.1M
ABSORPTION
▲ 11.4%
VACANCY
▼ \$2.73
RATES
▲ 290K
**CONSTRUCTION
DELIVERIES**
YEAR OVER YEAR TREND

Market Highlights

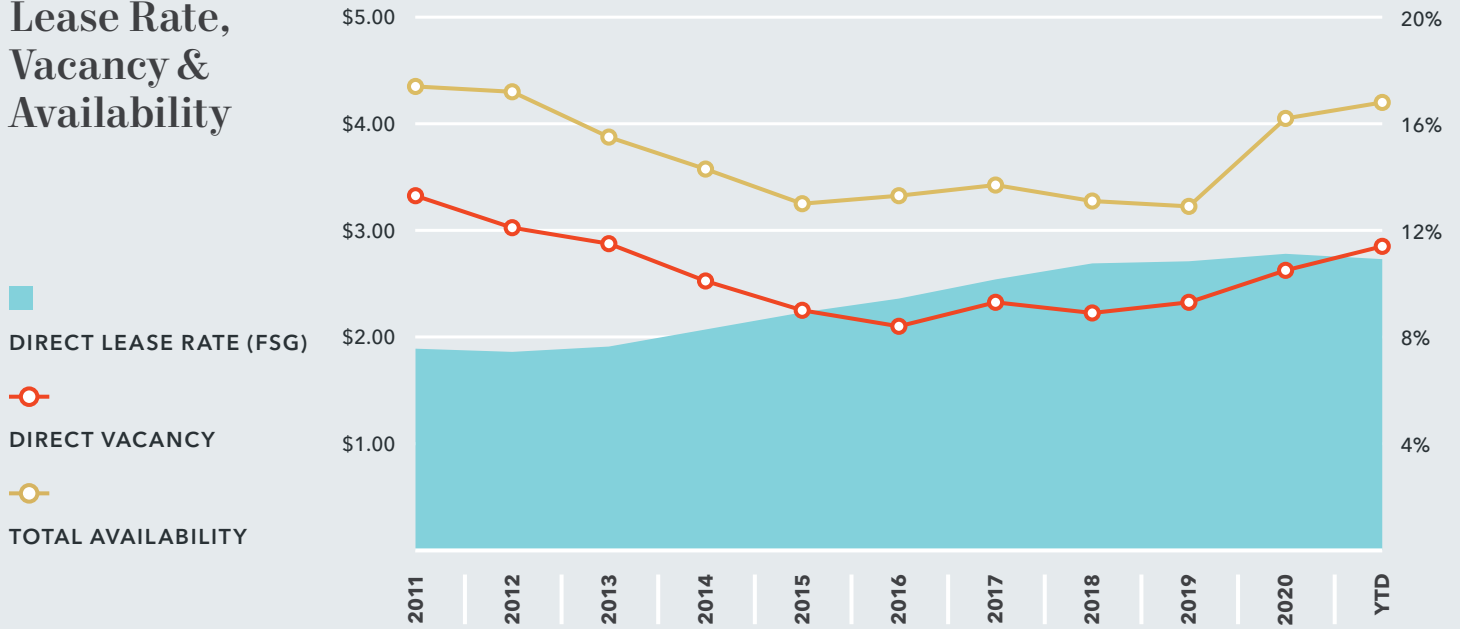
DIRECT VACANCY levels further increased to 11.4% in the first quarter.

AVAILABLE SUBLEASE space in the market totaled 3,692,928 SF.

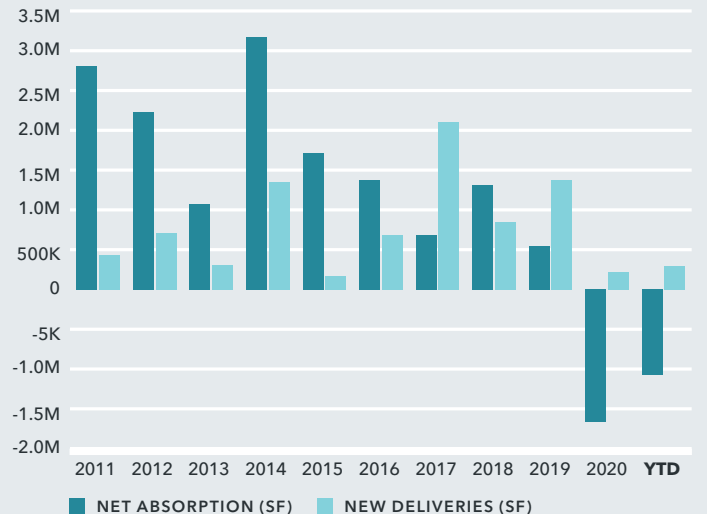
AVERAGE ASKING RATES concluded at \$2.73/SF on a full service basis.

AVERAGE SALE PRICES were reported at \$294.60/SF with cap rates at 5.9%

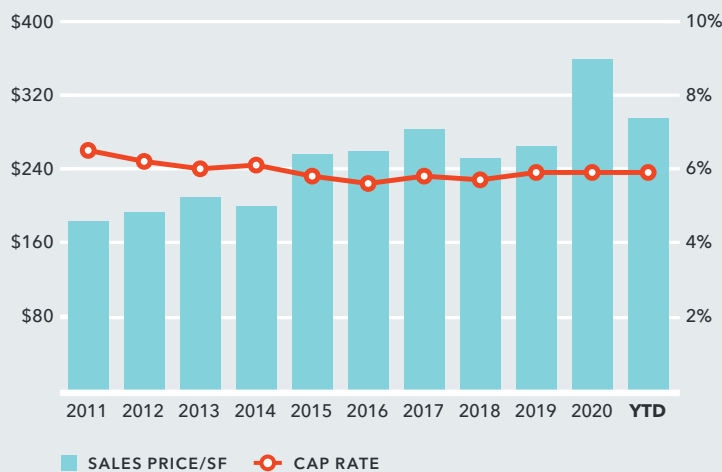
Lease Rate, Vacancy & Availability



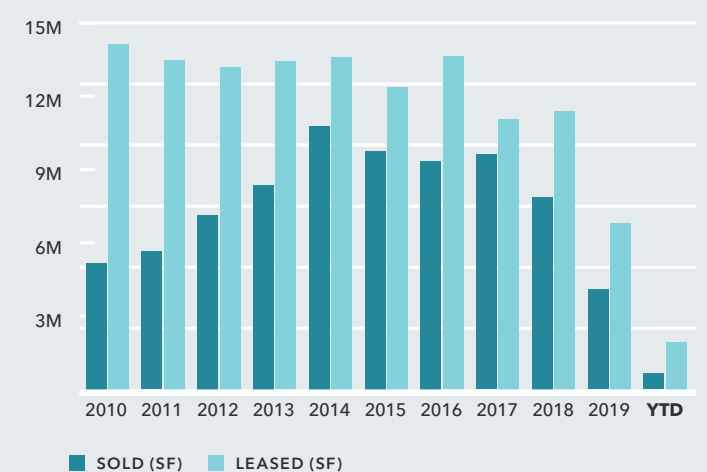
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	QTR Direct Net Absorption	2020 Direct Net Absorption	QTR Total Leasing Activity	2020 Total Leasing Activity	Average Direct Rental Rate (FS)
Costa Mesa	8,565,302	12.6%	2.4%	14.9%	18.5%	(22,896)	(206,078)	602,881	284,640	\$3.18
Irvine/Tustin Legacy	27,783,058	13.8%	2.2%	15.9%	22.2%	(230,827)	(238,131)	330,526	1,824,981	\$2.79
Newport Beach	13,035,575	10.5%	0.9%	11.4%	14.7%	(183,739)	(247,020)	159,158	509,471	\$3.24
South Santa Ana	2,484,797	16.6%	1.4%	18.0%	23.3%	7,028	(131,193)	5,991	130,026	\$2.89
Class A	26,758,452	15.8%	2.7%	18.5%	24.1%	(285,144)	(477,197)	758,196	1,668,763	\$3.28
Class B	23,041,640	10.4%	1.0%	11.4%	15.9%	(180,787)	(304,059)	324,572	1,000,371	\$2.85
Class C	2,068,640	3.6%	0.0%	3.6%	7.4%	35,497	(41,166)	15,788	79,984	\$2.75
Airport	51,868,732	12.9%	1.9%	14.7%	19.8%	(430,434)	(822,422)	1,098,556	2,749,118	\$2.96
Civic Center Area	5,542,641	9.6%	0.0%	9.6%	11.0%	(32,805)	4,408	16,381	70,349	\$1.87
East Orange	2,036,805	16.5%	0.2%	16.7%	16.8%	(207,294)	(51,337)	14,571	54,118	\$2.75
Main Place	2,989,862	10.7%	0.8%	11.5%	16.4%	63,349	24,902	28,641	220,631	\$2.71
Parkcenter	5,100,408	13.9%	0.4%	14.3%	16.7%	(42,764)	(191,484)	54,131	290,636	\$2.28
Santa Ana	5,056,184	15.6%	1.0%	16.6%	22.0%	(48,548)	(93,297)	89,816	342,380	\$2.44
Stadium Area	3,578,663	15.5%	1.0%	16.5%	19.7%	25,673	(98,979)	23,436	239,480	\$2.44
The City	2,673,270	12.9%	3.8%	16.8%	25.4%	(38,360)	134,753	839	264,568	\$2.47
Tustin	1,937,864	1.7%	0.0%	1.7%	7.6%	(6,896)	12,463	7,490	84,417	\$3.06
Class A	7,378,485	16.3%	1.7%	18.0%	26.5%	(76,502)	45,897	39,996	670,880	\$2.79
Class B	17,119,588	11.8%	0.6%	12.4%	14.5%	(110,463)	(257,213)	142,782	785,231	\$2.33
Class C	4,417,624	9.0%	0.3%	9.2%	11.3%	(100,680)	(47,255)	52,527	110,468	\$2.00
Central	28,915,697	12.5%	0.8%	13.3%	17.1%	(287,645)	(258,571)	235,305	1,566,579	\$2.45
Anaheim Hills	1,421,605	8.3%	0.1%	8.4%	9.4%	(10,881)	(6,664)	24,064	44,277	\$2.08
Brea/La Habra	4,707,142	7.2%	1.5%	8.7%	10.7%	52,525	(181,093)	11,263	109,695	\$2.51
Buena Park/La Palma	2,108,098	6.6%	0.1%	6.7%	7.7%	6,363	(11,966)	4,454	136,593	\$2.13
Fullerton	2,959,649	6.3%	0.2%	6.6%	8.0%	4,255	(19,081)	20,420	135,161	\$2.32
North/East Anaheim	6,334,644	5.8%	0.4%	6.1%	6.9%	7,020	(28,593)	18,878	199,362	\$2.36
Placentia/Yorba Linda	859,486	8.7%	1.2%	9.9%	14.5%	(16,261)	(3,540)	1,606	40,322	\$2.83
Class A	3,282,778	9.8%	2.6%	12.4%	13.5%	(58,601)	(57,181)	6,339	64,780	\$2.68
Class B	12,983,576	5.9%	0.2%	6.1%	7.9%	148,322	(177,749)	71,705	561,267	\$2.39
Class C	2,124,270	6.3%	0.0%	6.3%	6.4%	(46,700)	(16,007)	2,641	39,363	\$2.07
North	18,390,624	6.6%	0.6%	7.3%	8.7%	43,021	(250,937)	80,685	665,410	\$2.41
Irvine Spectrum	14,901,084	11.5%	2.1%	13.6%	19.2%	(188,341)	79,548	283,923	843,017	\$2.99
Laguna Hills/Aliso Viejo	6,016,743	16.4%	1.9%	18.3%	23.2%	(114,748)	(70,017)	31,971	297,147	\$2.66
Laguna Niguel/Laguna Beach	2,271,989	7.1%	0.7%	7.8%	8.3%	(23,752)	(25,523)	7,723	36,244	\$2.71
Lake Forest/Foothill Ranch	3,854,983	17.8%	1.2%	19.0%	28.5%	(140,676)	(182,891)	44,096	128,153	\$2.25
Mission Viejo	2,345,532	13.3%	0.7%	13.9%	16.5%	2,342	13,256	21,083	70,922	\$3.00
Dana Point/San Juan/San Clemente	2,980,837	6.9%	1.3%	8.2%	10.7%	(4,619)	(39,615)	23,486	101,209	\$3.07
Class A	10,994,697	15.2%	2.8%	18.0%	20.7%	(239,704)	190,574	147,193	554,992	\$3.12
Class B	20,076,496	11.5%	1.1%	12.6%	19.1%	(229,977)	(389,988)	257,993	885,914	\$2.78
Class C	1,299,975	6.4%	0.9%	7.3%	10.5%	(113)	(25,828)	7,096	35,786	\$2.32
South	32,371,168	12.6%	1.7%	14.2%	19.3%	(469,794)	(225,242)	412,282	1,476,692	\$2.85
Cypress	1,989,435	8.7%	0.2%	8.9%	11.3%	(4,982)	(54,607)	29,323	87,198	\$2.36
Fountain Valley	2,326,800	5.0%	0.7%	5.7%	5.8%	1,623	13,593	4,172	43,138	\$2.01
Garden Grove	2,183,073	4.9%	0.1%	5.0%	5.1%	861	(1,073)	11,998	37,899	\$1.94
Huntington Beach	4,062,874	9.0%	0.9%	10.0%	13.3%	77,975	(202,526)	37,538	152,574	\$2.37
Los Alamitos/Stanton	1,298,664	5.5%	0.0%	5.5%	6.9%	1,555	129,411	8,248	36,756	\$2.27
Seal Beach	574,594	7.8%	2.4%	10.3%	13.0%	(17,656)	(936)	11,009	6,648	\$3.43
Westminster	919,445	2.3%	0.6%	2.8%	7.0%	8,170	7,659	5,500	1,523	\$2.46
Class A	1,752,748	12.6%	1.2%	13.9%	24.3%	30,574	(74,136)	8,025	90,921	\$2.51
Class B	8,861,940	7.0%	0.6%	7.7%	8.4%	29,142	(37,858)	85,398	228,579	\$2.43
Class C	2,740,197	2.0%	0.0%	2.0%	2.3%	7,830	3,515	14,365	46,236	\$1.92
West	13,354,885	6.7%	0.6%	7.3%	9.3%	67,546	(108,479)	107,788	365,736	\$2.45
Orange County Total	144,901,106	11.4%	1.3%	12.7%	16.8%	(1,077,306)	(1,665,651)	1,934,616	6,823,535	\$2.73
Class A	50,150,160	15.2%	2.5%	17.8%	23.0%	(629,377)	(372,043)	959,749	3,050,336	\$3.04
Class B	82,100,240	9.9%	0.8%	10.7%	14.3%	(343,763)	(1,166,867)	882,450	3,461,362	\$2.66
Class C	12,650,706	5.9%	0.2%	6.1%	7.8%	(104,166)	(126,741)	92,417	311,837	\$2.25
Class Total	144,901,106	11.4%	1.3%	12.7%	16.8%	(1,077,306)	(1,665,651)	1,934,616	6,823,535	\$2.73

TOP SALE TRANSACTIONS FOR 1Q 2021

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
Summit Office Campus (2 Bldgs.)	Laguna Hills/Aliso Viejo	297,277	\$92,000,000	\$309.48	Singerman RE, LLC/ Harbor Associates, LLC	Invesco Ltd.
100 Newport Center Dr.	Newport Beach	15,896	\$11,076,000	\$696.78	Michael Rogerson	Hamilton Family Trust
Avery Plaza	Mission Viejo	35,778	\$10,000,000	\$279.50	Confluent Development	Richard Tindall
24953 Paseo De Valencia	Laguna Hills/Aliso Viejo	21,208	\$7,050,000	\$332.42	Truc Trong Le	James & Deborah Carritte Trust
South Coast Corp. Bldg.	Costa Mesa	18,113	\$6,300,000	\$347.82	DIO USA Corp.	Warren Fulmer

TOP LEASE TRANSACTIONS FOR 1Q 2021

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
The Press	Costa Mesa	639,200	February 2021	Invesco Advisers, Inc.	Anduril
Spectrum Terrace	Irvine Spectrum	114,780	February 2021	The Irvine Company	CoStar
6550 Katella Ave.	Cypress	71,468	March 2021	LBA Realty	Undisclosed
100 Bayview Circle	Newport Beach	53,478	March 2021	Granite Properties, Inc.	Industrious

TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
The Press	1375 Sunflower Dr.	The Press	449,206	Invesco Advisers, Inc.	April 2021
Innovation Office Park (8 Bldgs.)	100-150 Progress	Irvine Spectrum	271,649	The Irvine Company	April 2021
15332 Newport Ave.	15332 Newport Ave.	Tustin	180,000	SchoolsFirst Federal Credit Union	July 2021
1588 S. Coast Dr.	1588 S. Coast Dr.	Costa Mesa	91,032	VF Corporation	June 2021
Legacy Medical Plaza	Red Hill Ave.	Tustin	50,000	GSA	October 2021

DATA SOURCE: COSTAR, EDD, OCBJ, OC REGISTER

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

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**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

40/19
TOTAL NO.
APPRAISERS/MAI'S

**Property
Management**

70M+
MANAGEMENT
PORTFOLIO SF

\$12B
IN ASSETS UNDER
MANAGEMENT

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