

MARKET TRENDS | **ORANGE COUNTY**

OFFICE

MARKET DRIVERS

COMPANIES that made the difficult decision to vacate early due to the pandemic have further pushed sublease availabilities past levels not seen since 2008. Currently, there are over 3.7M SF of available sublet space, an increase of 100K SF from the prior quarter.

AVERAGE ASKING RATES continue to soften in 2Q21, concluding at \$2.71/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. On average, asking rates for sublet space are \$0.48/SF lower than direct space.

LEASING ACTIVITY declined 4.15% YOY to conclude the quarter at 1.78M SF. Although California officially reopened businesses on June 15, many tenants have continued a work-from-home schedule, causing less demand for office space.

OVER 298K was delivered to the market in the second quarter with 829K SF currently under construction.

ECONOMIC REVIEW

SINCE COVID-19 began in 2020, many businesses were forced to make the difficult decision to shut down operations or perform company layoffs. Since then, Orange County has continued to recover, reporting an unemployment rate of 5.9% as of May 2021. This is down from 6.2% reported from the prior month and below the state average of 7.5%.

COUNTYWIDE JOB LEVELS increased by 19,100 between April and May with leisure and hospitality adding the most jobs at 14,500, followed by arts, entertainment, and recreation with 9,100 jobs.

NEAR TERM OUTLOOK

VACANCIES AND SUBLEASE AVAILABILITIES will be tested moving forward, applying downward pressure on rents. Additionally, landlords will continue to offer additional incentives and reduced rates in order to secure new deals. As companies take time to reevaluate their office footprint across the metro, leasing activity may further compress moving forward.

Market Summary

	2Q21	1Q21	2Q20	% Change From A Year Ago
Direct Vacancy Rate	11.4%	11.1%	9.3%	22.07%
Availability Rate	17.1%	16.2%	13.7%	25.07%
Asking Lease Rate	\$2.71	\$2.73	\$2.80	-3.21%
Lease Volume(SF)	1,788,865	2,073,995	1,866,384	-4.15%
Sale Volume(SF)	963,790	625,391	681,359	41.45%
Net Absorption	(72,910)	(786,006)	-245,240	N/A

▼ **-72.9K**

NET ABSORPTION

▲ **11.4%**

VACANCY

▼ **\$2.71**

RATES

▲ **298K**

CONSTRUCTION DELIVERIES

YEAR-OVER-YEAR TREND

Market Highlights

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

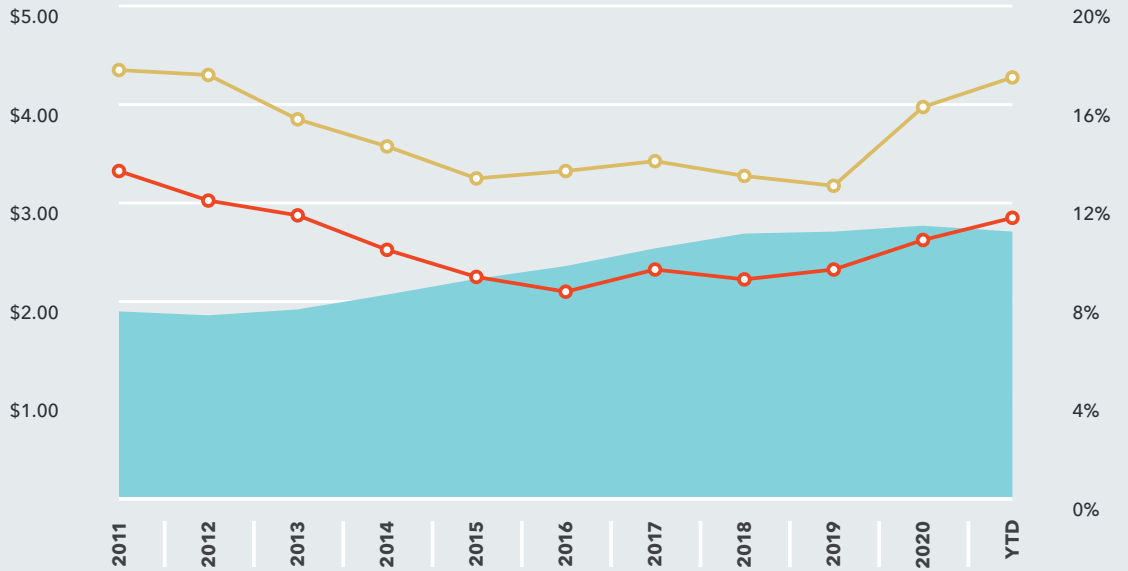
AVAILABLE SUBLEASE space in the market totaled 3,708,347 SF.

AVERAGE ASKING RATES concluded 2Q21 at \$2.71/SF on a full-service basis.

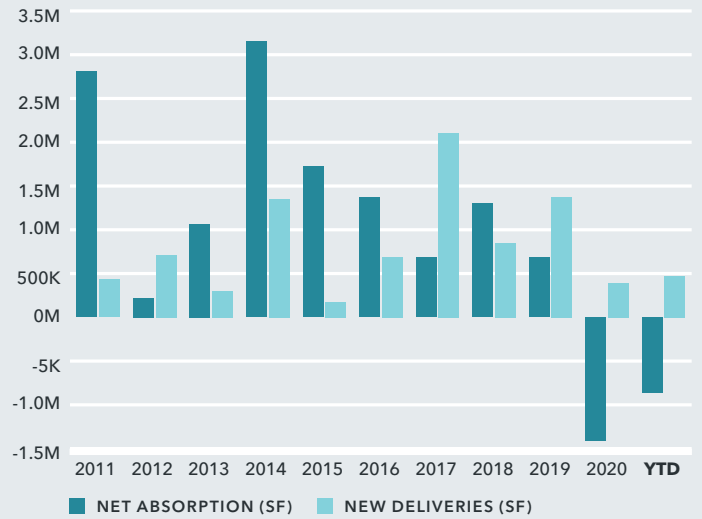
AVERAGE SALE PRICES in 2Q21 were at \$269.83/SF with cap rates at 4.7%.

Lease Rate, Vacancy & Availability

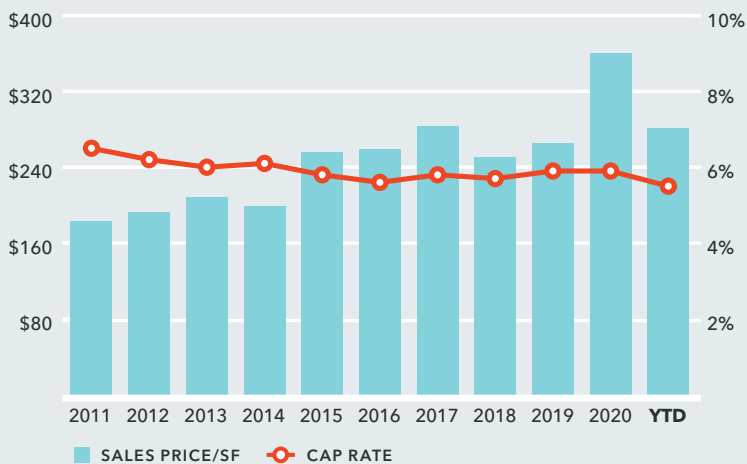
- DIRECT LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



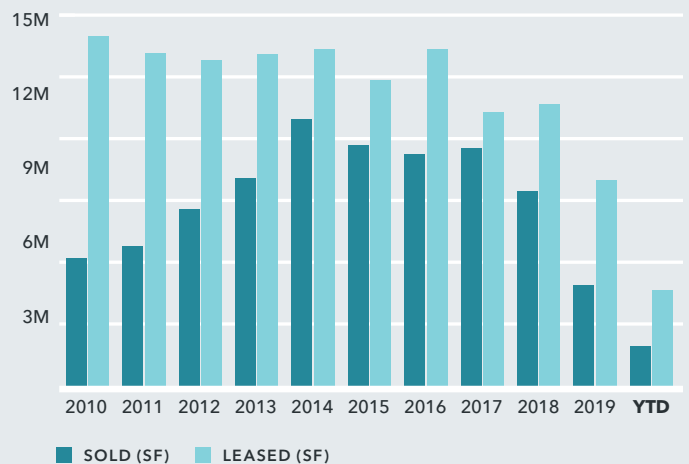
Net Absorption & New Deliveries



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	2Q Direct Net Absorption	YTD Direct Net Absorption	2Q Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (FS)
Costa Mesa	8,616,598	12.7%	2.1%	14.8%	19.6%	(23,248)	(44,957)	112,575	710,148	\$3.23
Irvine/Tustin Legacy	27,809,463	13.8%	2.4%	16.2%	23.0%	(81,777)	(307,203)	414,625	809,976	\$2.80
Newport Beach	12,992,111	10.2%	0.9%	11.1%	15.4%	14,811	(160,396)	182,375	399,437	\$3.17
South Santa Ana	2,484,797	16.6%	1.0%	17.5%	23.0%	658	7,686	19,758	28,609	\$2.75
Class A	26,814,460	15.8%	2.7%	18.4%	25.1%	(64,790)	(343,204)	439,743	1,247,811	\$3.27
Class B	23,010,232	10.4%	1.1%	11.5%	16.5%	(28,885)	(201,282)	279,754	674,735	\$2.82
Class C	2,078,277	3.3%	0.0%	3.3%	6.2%	4,119	39,616	9,836	25,624	\$3.10
Airport	51,902,969	12.9%	1.9%	14.8%	20.5%	(89,556)	(504,870)	729,333	1,948,170	\$2.94
Civic Center Area	5,542,641	9.5%	0.0%	9.5%	11.6%	1,180	(31,433)	13,746	31,427	\$1.82
East Orange	2,036,805	6.5%	0.4%	6.8%	17.2%	2,363	(2,830)	14,750	31,321	\$2.77
Main Place	2,989,862	10.4%	0.9%	11.2%	17.4%	7,314	72,896	5,635	39,427	\$2.76
Parkcenter	5,086,871	11.7%	0.2%	11.9%	15.9%	41,579	54,815	70,680	122,057	\$2.29
Santa Ana	5,059,969	14.8%	0.6%	15.4%	20.8%	39,363	(9,185)	94,394	184,210	\$2.47
Stadium Area	3,578,663	16.0%	0.9%	16.9%	25.6%	(19,494)	7,190	74,845	98,281	\$2.39
The City	2,673,270	14.9%	3.4%	18.3%	25.5%	(51,599)	(89,959)	14,261	15,100	\$2.47
Tustin	1,937,864	3.6%	0.0%	3.6%	5.0%	(36,879)	(43,775)	13,719	21,209	\$2.27
Class A	7,378,485	16.8%	1.7%	18.5%	25.7%	(40,129)	(113,387)	66,768	111,915	\$2.71
Class B	17,162,518	10.1%	0.4%	10.5%	15.8%	6,031	153,196	154,589	301,471	\$2.35
Class C	4,364,942	8.6%	0.2%	8.7%	10.4%	17,925	(82,090)	80,673	129,646	\$1.98
Central	28,905,945	11.6%	0.7%	12.3%	17.5%	(16,173)	(42,281)	302,030	543,032	\$2.41
Anaheim Hills	1,421,605	9.5%	0.1%	9.6%	11.9%	(19,210)	(28,042)	25,847	49,911	\$2.17
Brea/La Habra	4,705,553	7.1%	1.5%	8.6%	10.5%	3,935	56,460	53,963	65,226	\$2.51
Buena Park/La Palma	2,108,098	5.7%	0.3%	5.9%	7.2%	18,824	25,187	11,295	15,549	\$2.13
Fullerton	3,030,169	5.7%	0.2%	5.9%	7.1%	13,297	20,570	18,330	39,476	\$2.50
North/East Anaheim	6,219,080	6.0%	0.7%	6.6%	7.5%	(6,709)	1,541	9,718	27,832	\$2.51
Placentia/Yorba Linda	859,486	7.4%	0.0%	7.4%	11.6%	11,554	(4,707)	15,067	16,673	\$2.17
Class A	3,247,402	9.6%	2.7%	12.3%	13.3%	6,851	(53,641)	24,776	29,546	\$2.67
Class B	13,030,817	5.8%	0.3%	6.1%	8.0%	5,721	162,231	100,405	173,441	\$2.38
Class C	2,065,772	6.0%	0.0%	6.0%	6.1%	9,119	(37,581)	9,039	11,680	\$2.13
North	18,343,991	6.5%	0.7%	7.2%	8.7%	21,691	71,009	134,220	214,667	\$2.40
Irvine Spectrum	15,219,348	12.4%	2.3%	14.7%	19.5%	132,247	(56,095)	169,213	453,136	\$2.95
Laguna Hills/Aliso Viejo	6,005,770	17.7%	2.1%	19.8%	24.0%	(74,940)	(206,782)	72,442	110,407	\$2.66
Laguna Niguel/Laguna Beach	2,271,909	7.7%	0.1%	7.8%	7.7%	(12,341)	(36,093)	18,610	26,333	\$2.88
Lake Forest/Foothill Ranch	3,859,413	17.8%	1.6%	19.3%	24.6%	(4,325)	(139,915)	179,694	224,138	\$2.23
Mission Viejo	2,311,290	13.4%	1.0%	14.5%	16.5%	(525)	2,898	17,858	38,941	\$3.08
Dana Point/San Juan/ San Clemente	2,990,790	5.5%	1.4%	6.9%	8.9%	26,821	22,202	33,698	62,614	\$3.00
Class A	10,972,510	14.7%	3.0%	17.7%	20.7%	55,987	(184,542)	109,971	257,164	\$3.10
Class B	20,392,440	12.7%	1.3%	14.0%	18.5%	7,590	(232,490)	367,109	636,595	\$2.77
Class C	1,293,570	6.2%	1.6%	7.7%	10.8%	3,360	3,247	14,435	21,810	\$2.31
South	32,658,520	13.1%	1.9%	15.0%	19.0%	66,937	(413,785)	491,515	915,569	\$2.84
Cypress	1,977,918	7.7%	0.2%	7.9%	10.8%	18,603	13,621	17,212	46,535	\$2.36
Fountain Valley	2,341,860	6.5%	0.7%	7.1%	6.7%	(36,355)	(18,292)	25,542	29,714	\$1.87
Garden Grove	2,183,073	5.5%	0.1%	5.5%	5.0%	(12,858)	(11,997)	21,503	34,401	\$1.95
Huntington Beach	4,000,812	9.4%	0.8%	10.2%	13.1%	(11,526)	69,216	38,938	76,476	\$2.42
Los Alamitos/Stanton	1,298,664	6.4%	0.0%	6.4%	14.3%	(11,285)	(9,730)	6,816	16,031	\$2.31
Seal Beach	574,594	8.0%	2.4%	10.5%	16.1%	(1,104)	(18,760)	400	11,409	\$3.43
Westminster	919,673	2.4%	0.6%	3.0%	6.5%	(1,284)	6,886	21,356	26,856	\$2.50
Class A	1,768,108	14.1%	1.2%	15.3%	23.5%	(32,206)	3,512	30,931	38,956	\$2.51
Class B	8,784,518	7.0%	0.6%	7.6%	9.5%	4,174	30,939	93,268	180,533	\$2.47
Class C	2,743,968	2.9%	0.0%	3.0%	3.3%	(27,777)	(3,507)	7,568	21,933	\$1.92
West	13,296,594	7.2%	0.5%	7.7%	10.1%	(55,809)	30,944	131,767	241,422	\$2.48
Orange County Total	145,108,019	11.4%	1.4%	12.7%	17.1%	(72,910)	(858,983)	1,788,865	3,862,860	\$2.71
Class A	50,163,965	15.3%	2.5%	17.8%	23.5%	(74,287)	(691,262)	672,189	1,685,392	\$3.01
Class B	82,397,525	9.8%	0.8%	10.6%	14.7%	(5,369)	(87,406)	995,125	1,966,775	\$2.64
Class C	12,546,529	5.8%	0.2%	6.0%	7.5%	6,746	(80,315)	121,551	210,693	\$2.26
Class Total	145,108,019	11.4%	1.4%	12.7%	17.1%	(72,910)	(858,983)	1,788,865	3,862,860	\$2.71

TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
Newport Harbor Medical Plaza	Newport Beach	29,991	\$41,025,000	\$1,367.91	Forward Time Corp.	Advanced Medical Properties LLC
24022 Calle De La Plata	Laguna Hills/Aliso Viejo	57,573	\$31,335,000	\$544.27	Healthcare Realt Trust Incorporated	Meridian Property Co.
Saddleback Professional Center	Laguna Hills/Aliso Viejo	72,928	\$24,600,000	\$337.32	Healthcare Realt Trust Incorporated	Miramar Capital Advisors
1936 E Deere Ave	Santa Ana	77,523	\$19,565,638	\$252.38	Shizao Zheng	Preylock Holdings LLC
Palm Terrace	Lake Forest/Foothill Ranch	62,287	\$16,630,485	\$267.00	Kingsbarn Realty Capital	Bailard

TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
26200 Enterprise Way	Lake Forest/Foothill Ranch	144,906	April 2021	Black Creek Group	Undisclosed
4675 MacArthur Ct	Newport Beach	49,034	April 2021	The Irvine Company	Clean Energy
18100 Von Karman Ave	Irvine	48,944	June 2021	The Irvine Company	Alliant Insurance Services
48 Discovery	Irvine Spectrum	26,920	April 2021	The Irvine Company	Midas Technologies

TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
The Press	1375 Sunflower Dr	The Press	449,206	Invesco Advisers, Inc.	October 2022
SchoolsFirst Federal Credit Union	15332 Newport Ave	Tustin	180,000	SchoolsFirst Federal Credit Union	July 2021
Vans HQ	1588 S Coast Dr	Costa Mesa	91,032	VF Corporation	August 2021
15120 Kensington Park Dr	15120 Kensington Park Dr	Tustin	69,500	Encompass Health	August 2021
2983 Michelson Dr	2983 Michelson Dr	Irvine	40,000	LBA Realty	September 2021

DATA SOURCE: COSTAR, EDD

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

**Asset
Services**

70M
MANAGEMENT
PORTFOLIO SF

\$12B
IN ASSETS UNDER
MANAGEMENT

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