

MARKET TRENDS | **ORANGE COUNTY**

# OFFICE

**MARKET DRIVERS**

**AFTER REPORTING POSITIVE** gains in 4Q 2021, direct net absorption fell back into red, reporting negative 368,385 SF.

**LEASING ACTIVITY** continued its momentum with over 2.0M SF being leased in the first quarter as landlords remain aggressive with pricing and offer more concessions to capture tenants.

**DIRECT ASKING LEASE RATES** concluded the quarter at \$2.73/SF on a full-service basis. On average, asking rates for Class A sublet space are \$0.40-\$0.50/SF lower than direct space.

**PROLOGIS** a real estate investment trust that primarily invests in warehouses, recently purchased Pacific Vista, a five-building office campus in Lake Forest for \$96M. Pacific Vista currently has seven long term tenants and Prologis plans to continue operating the campus as a best-in-class office project.

**OVER 69.5K SF** was delivered to the market in 1Q 2022 with 1.2M SF currently under construction.

**ECONOMIC REVIEW**

**ORANGE COUNTY'S LABOR MARKET** declined by 29,100 jobs between December and January.

**COUNTYWIDE UNEMPLOYMENT** increased to 4.2% as of January 2022. This is up from 3.7% from the prior month and below the state average of 5.5%.

**NEAR TERM OUTLOOK**

**WITH MANY COMPANIES** signaling a return to office in April, the Orange County office market could be set for a recovery in the following quarters. Companies who signed short-term leases in order to assess their real estate needs during the pandemic will begin to act on their long-term strategies. Future rent growth should remain stable as landlords will continue to offer concessions to attract tenants and maintain current rental rates.

SOURCE: COSTAR, EDD, OCBJ

## Market Summary

	1Q22	4Q21	1Q21	% Change From A Year Ago
Direct Vacancy Rate	11.6%	11.3%	11.0%	<b>5.26%</b>
Availability Rate	16.5%	15.8%	16.1%	<b>2.55%</b>
Asking Lease Rate	\$2.73	\$2.73	\$2.73	<b>0.00%</b>
Lease Volume(SF)	2,058,742	2,352,952	2,109,458	<b>-2.40%</b>
Sale Volume(SF)	1,415,790	2,752,151	625,391	<b>126.38%</b>
Net Absorption	(364,137)	588,123	(974,192)	<b>N/A</b>

▲ **-368,385**

NET ABSORPTION

▲ **11.6%**

VACANCY

◀▶ **\$2.73 FSG**

RATES

▼ **69.5K**

CONSTRUCTION DELIVERIES

YEAR-OVER-YEAR TREND

## Market Highlights

**DIRECT VACANCY** levels increased to 11.6% in 1Q 2022, an increase of 5.2% year-over-year(YOY).

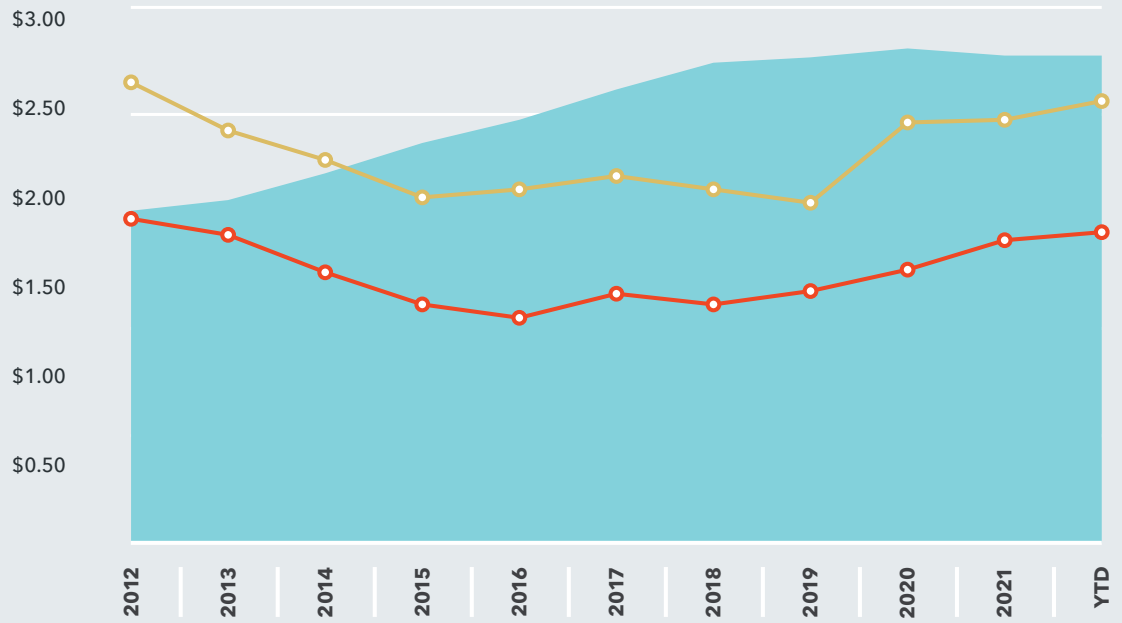
**AVAILABLE SUBLEASE** space totaled 3,438,710 SF in the first quarter.

**AVERAGE ASKING RATES** remained stagnant at \$2.73/SF on a full-service basis.

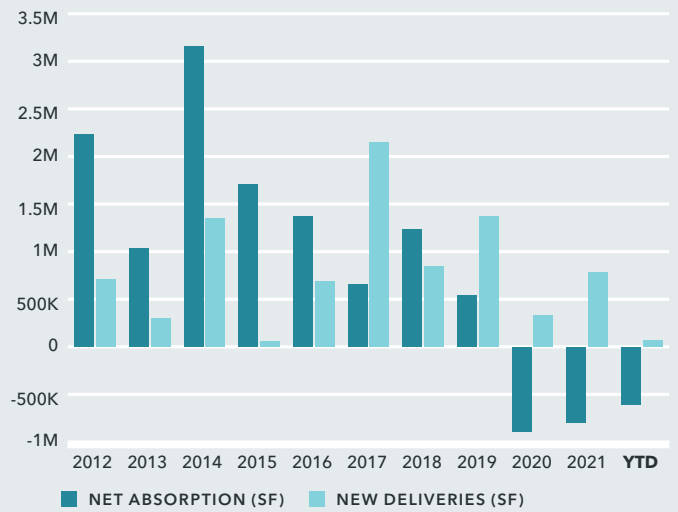
**AVERAGE SALE PRICES** in 1Q 2022 were \$274.17/SF with cap rates at 5.4%.

# Lease Rate, Vacancy & Availability

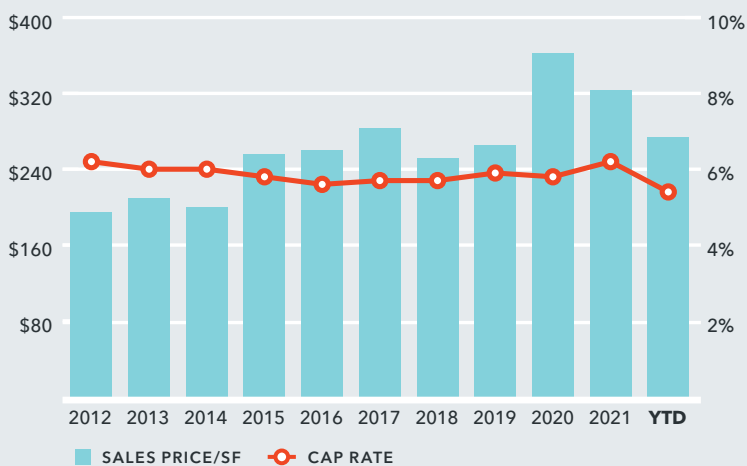
- DIRECT LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



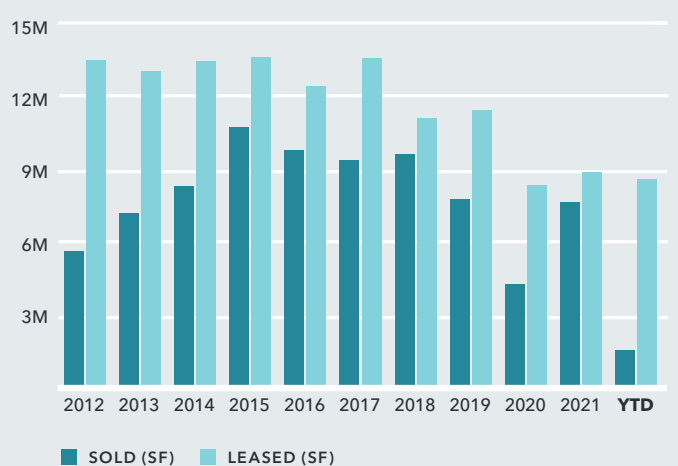
# Net Absorption & New Deliveries



# 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	1Q Direct Net Absorption	2021 Direct Net Absorption	1Q Total Leasing Activity	2021 Total Leasing Activity	Average Direct Rental Rate (FS)
Costa Mesa	8,724,474	14.7%	1.5%	16.2%	19.0%	(8,229)	(134,638)	342,943	902,182	\$3.11
Irvine/Tustin Legacy	27,760,221	15.2%	1.7%	16.9%	21.8%	(8,928)	(604,282)	519,696	2,147,200	\$2.78
Newport Beach	12,958,627	11.1%	0.5%	11.6%	14.6%	(117,134)	(164,063)	140,422	727,989	\$3.12
South Santa Ana	2,486,772	21.7%	0.5%	22.2%	24.5%	(54,279)	(86,284)	7,587	64,382	\$2.75
Class A	26,557,442	18.0%	1.7%	19.7%	24.8%	(295,781)	(680,262)	539,704	2,149,983	\$3.20
Class B	23,366,207	11.2%	0.9%	12.1%	15.1%	105,635	(363,872)	423,639	1,644,660	\$2.80
Class C	2,006,445	4.5%	2.1%	6.5%	4.8%	1,576	54,867	47,305	47,110	\$2.87
<b>Airport</b>	<b>51,930,094</b>	<b>14.4%</b>	<b>1.3%</b>	<b>15.7%</b>	<b>19.6%</b>	<b>(188,570)</b>	<b>(989,267)</b>	<b>1,010,648</b>	<b>3,841,753</b>	<b>\$2.91</b>
Civic Center Area	5,501,691	10.1%	0.0%	10.1%	8.1%	(23,199)	150,959	26,216	60,863	\$2.04
East Orange	2,009,424	5.8%	0.5%	6.3%	18.7%	4,420	8,404	2,456	80,956	\$2.54
Main Place	2,989,862	14.5%	1.8%	16.3%	15.9%	(45,136)	(24,633)	55,618	111,554	\$2.64
Parkcenter	5,050,174	11.2%	0.2%	11.4%	16.5%	(34,121)	31,024	34,877	271,735	\$2.32
Santa Ana	5,062,702	14.4%	3.7%	18.1%	25.8%	(63,272)	75,879	16,067	341,500	\$2.55
Stadium Area	3,585,411	14.8%	0.6%	15.4%	19.2%	(21,863)	79,487	166,882	236,678	\$2.28
The City	2,645,701	13.0%	2.6%	15.5%	29.2%	(51,495)	14,853	27,922	90,133	\$2.59
Tustin	2,091,198	3.9%	0.0%	3.9%	7.2%	75,050	119,391	4,230	42,374	\$2.02
Class A	7,307,866	17.0%	1.8%	18.8%	26.7%	(142,423)	(14,270)	111,273	329,216	\$2.77
Class B	17,364,461	10.3%	1.2%	11.5%	15.2%	(18,951)	515,712	203,117	665,922	\$2.34
Class C	4,263,836	7.6%	0.2%	7.8%	10.8%	1,758	(46,078)	19,878	240,655	\$1.97
<b>Central</b>	<b>28,936,163</b>	<b>11.6%</b>	<b>1.2%</b>	<b>12.8%</b>	<b>17.5%</b>	<b>(159,616)</b>	<b>455,364</b>	<b>334,268</b>	<b>1,235,793</b>	<b>\$2.43</b>
Anaheim Hills	1,436,218	6.6%	2.7%	9.3%	9.1%	(20,004)	25,691	11,506	99,969	\$2.32
Brea/La Habra	4,582,522	7.8%	0.8%	8.6%	13.4%	(64,829)	86,987	26,840	128,547	\$2.55
Buena Park/La Palma	2,116,616	4.0%	0.0%	4.0%	7.2%	20,070	40,445	8,206	55,728	\$1.97
Fullerton	3,060,742	4.8%	1.3%	6.1%	6.7%	(20,071)	64,806	33,097	103,646	\$2.71
North/East Anaheim	6,250,399	5.5%	0.7%	6.2%	7.3%	8,802	18,886	18,728	65,601	\$2.20
Placentia/Yorba Linda	859,486	5.2%	0.0%	5.2%	9.5%	7,483	5,706	8,409	50,868	\$2.24
Class A	2,924,270	9.4%	1.3%	10.6%	13.9%	(5,336)	(67,341)	6,110	40,535	\$2.73
Class B	13,360,268	5.4%	0.9%	6.4%	8.7%	(84,698)	316,801	87,684	433,597	\$2.36
Class C	2,021,445	3.4%	0.0%	3.4%	3.3%	21,485	(6,939)	12,992	30,227	\$2.12
<b>North</b>	<b>18,305,983</b>	<b>5.8%</b>	<b>0.9%</b>	<b>6.7%</b>	<b>9.0%</b>	<b>(68,549)</b>	<b>242,521</b>	<b>106,786</b>	<b>504,359</b>	<b>\$2.39</b>
Irvine Spectrum	15,215,753	12.1%	1.9%	13.9%	18.2%	158,415	(160,341)	344,143	1,621,061	\$2.93
Laguna Hills/Aliso Viejo	6,021,799	16.0%	2.6%	18.6%	24.7%	(50,763)	(61,733)	71,585	301,754	\$2.71
Laguna Niguel/Laguna Beach	2,275,863	7.5%	0.1%	7.7%	7.8%	7,440	(42,205)	19,248	41,248	\$2.38
Lake Forest/Foothill Ranch	3,858,991	10.5%	1.0%	11.5%	17.2%	(800)	(80,674)	8,114	282,273	\$2.28
Mission Viejo	2,376,677	14.2%	0.7%	14.9%	17.3%	(25,550)	3,257	11,502	93,122	\$3.03
Dana Point/San Juan/San Clemente	2,997,404	6.5%	0.5%	7.0%	8.9%	(29,080)	19,358	26,975	124,304	\$2.88
Class A	10,677,878	15.1%	2.2%	17.3%	20.5%	38,201	(226,517)	174,153	1,033,879	\$2.96
Class B	20,749,899	10.6%	1.3%	11.9%	16.5%	49,043	(103,318)	306,287	1,372,181	\$2.78
Class C	1,318,710	7.5%	0.3%	7.8%	12.3%	(27,582)	7,497	1,127	57,702	\$2.50
<b>South</b>	<b>32,746,487</b>	<b>11.9%</b>	<b>1.6%</b>	<b>13.5%</b>	<b>17.7%</b>	<b>59,662</b>	<b>(322,338)</b>	<b>481,567</b>	<b>2,463,762</b>	<b>\$2.82</b>
Cypress	1,945,918	11.8%	0.0%	11.8%	19.0%	474	(63,021)	7,125	58,697	\$2.39
Fountain Valley	2,329,030	4.6%	0.7%	5.3%	5.0%	18,186	7,574	30,923	45,361	\$1.73
Garden Grove	2,188,980	3.7%	0.1%	3.8%	6.7%	11,653	15,082	6,297	50,126	\$1.94
Huntington Beach	3,976,828	9.3%	0.5%	9.8%	11.7%	(19,057)	89,366	31,219	203,750	\$2.81
Los Alamitos/Stanton	1,281,229	6.1%	0.0%	6.1%	3.6%	179	(5,733)	7,376	67,155	\$2.35
Seal Beach	574,594	13.1%	2.5%	15.6%	10.8%	(7,279)	(40,889)	38,433	29,823	\$3.44
Westminster	923,616	4.1%	0.6%	4.7%	8.2%	(11,220)	2,187	4,100	26,856	\$2.52
Class A	1,482,154	23.4%	1.5%	24.9%	34.8%	(31,138)	(93,474)	10,288	89,115	\$2.76
Class B	9,003,123	6.4%	0.3%	6.7%	7.6%	38,521	66,913	99,137	354,140	\$2.55
Class C	2,734,918	2.2%	0.1%	2.3%	2.9%	(14,447)	31,127	16,048	38,513	\$1.92
<b>West</b>	<b>13,220,195</b>	<b>7.4%</b>	<b>0.4%</b>	<b>7.8%</b>	<b>9.7%</b>	<b>(7,064)</b>	<b>4,566</b>	<b>125,473</b>	<b>481,768</b>	<b>\$2.60</b>
<b>Orange County Total</b>	<b>145,138,922</b>	<b>11.6%</b>	<b>1.2%</b>	<b>12.8%</b>	<b>16.5%</b>	<b>(364,137)</b>	<b>(609,154)</b>	<b>2,058,742</b>	<b>8,527,435</b>	<b>\$2.73</b>
Class A	48,921,970	16.9%	1.8%	18.6%	23.8%	(436,477)	(1,081,864)	841,528	3,642,728	\$2.98
Class B	83,886,958	9.4%	1.0%	10.4%	13.7%	89,550	432,236	1,119,864	4,470,500	\$2.66
Class C	12,345,354	5.2%	0.5%	5.7%	7.0%	(17,210)	40,474	97,350	414,207	\$2.21
<b>Class Total</b>	<b>145,138,922</b>	<b>11.6%</b>	<b>1.2%</b>	<b>12.8%</b>	<b>16.5%</b>	<b>(364,137)</b>	<b>(609,154)</b>	<b>2,058,742</b>	<b>8,527,435</b>	<b>\$2.73</b>

## TOP SALE TRANSACTIONS FOR 1Q22

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
Union Bank Square(5 Bldgs)	Main Place Area	420,267	\$97,200,000	\$231.28	TriGate Capital	Orion Property Partners, Inc
Pacific Vista(5 Bldgs)	Lake Forest/Foothill Ranch	321,381	\$96,000,000	\$298.71	Prologis, Inc	Drawbridge Realty
Stadium Crossings	Stadium Area	101,095	\$31,500,000	\$311.59	Kingsbarn Realty Capital	Pendulum Property Partners
Talega Business Park	San Juan Cap/San Clemente	92,893	\$23,600,000	\$254.06	Calvary Chapel	Dominique & Marielle Morel
14351 Myford Rd	Tustin	89,888	\$19,288,500	\$214.58	Panattoni	Orange County Research Center

## TOP LEASE TRANSACTIONS FOR 1Q22

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
1600 S Douglass Rd	Stadium Area	127,750	March 2022	H&S Ventures LLC	Carrington
15545 Sand Canyon Ave	Irvine Spectrum	53,980	January 2022	Irvine Company	Undisclosed
3390 Harbor Blvd	Costa Mesa	39,150	January 2022	CJ Segerstrom & Sons	Undisclosed

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
The Press	1375 Sunflower Dr	Costa Mesa	449,206	Invesco Ltd.	October 22
Spectrum Terrace(3 Bldgs.)	Laguna Canyon Rd	Irvine Spectrum	345,786	Irvine Company	September 2022
Innovation Office Park(6 Bldgs.)	200-260 Progress	Irvine Spectrum	258,508	Irvine Company	December 2022
363 S Main St	363 S Main St	East Orange	137,000	St Joseph Hospital of Orange	October 2023

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The information in this report was composed by the Kidder Mathews Research Group.

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**Commercial  
 Brokerage**

**\$10.9B**  
 TRANSACTION  
 VOLUME (ANNUAL)

**49.7M** **43.7M**  
 SALES SF (ANNUAL) LEASING SF (ANNUAL)

**Valuation  
 Advisory**

**2,600+**  
 ASSIGNMENTS  
 ANNUALLY

**51/24**  
 TOTAL NO.  
 APPRAISERS/MAI'S

**Asset  
 Services**

**62M**  
 MANAGEMENT  
 PORTFOLIO SF

**\$11B**  
 IN ASSETS UNDER  
 MANAGEMENT

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