

MARKET TRENDS | **ORANGE COUNTY**

# OFFICE

**MARKET DRIVERS**

**AFTER NEGATIVE REPORTING** in 1Q 2022, direct net absorption gained a positive reporting at 277,279 SF.

**LEASING ACTIVITY** continued its momentum with nearly 1.2M SF being leased in the second quarter as landlords remain aggressive with pricing and offer more concessions to capture tenants.

**DIRECT ASKING LEASE RATES** concluded the quarter at \$2.72/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.

**BOURESTON DEVELOPMENT** has completed the sale of Woodbridge Square, an Irvine multi-tenant medical office building. Anchor Health Properties paid \$27.6M for the property. The 36,104-square-foot building at 4980 Barranca Parkway was 94% leased at the time of sale to 18 medical, dental, and laboratory tenants.

**THE SPECTRUM TERRACE** office campus is scheduled to be completed in the market during 3Q 2022 with over 345.8K SF as part of the total 1.2M SF currently under construction.

**ECONOMIC REVIEW**

**ORANGE COUNTY'S LABOR MARKET** fulfilled an addition 22,800 jobs between January and April 2022.

**COUNTYWIDE UNEMPLOYMENT** decreased to 2.7% as of April 2022. This is subsequently less than 3.1% from the prior month and below the state average of 4.6%.

**NEAR TERM OUTLOOK**

**DESPITE LINGERING UNCERTAINTY** about the future of offices post-pandemic, Orange County's office market was active for big-dollar sales in 2021, with a half-dozen deals exceeding \$100M. In total, sales volume here last year was the highest since 2017. This is one reason why the office market is on the mend, with Orange County's base of office space at around 143.8M SF. With 1.2M SF currently under construction, representing nearly 1% of OC's base of office space, office occupancy continues to improve.

## Market Summary

	2Q22	1Q22	2Q21	% Change From A Year Ago
Direct Vacancy Rate	11.3%	11.6%	11.4%	-0.90%
Availability Rate	17.1%	16.5%	17.0%	0.46%
Asking Lease Rate	\$2.72	\$2.73	\$2.71	0.37%
Lease Volume (SF)	1,917,565	2,058,742	2,036,415	-5.84%
Sale Volume (SF)	882,526	1,415,790	1,555,737	-43.27%
Net Absorption	277,279	(364,137)	(149,080)	N/A

▲ **277K SF**

NET ABSORPTION

▼ **11.3%**

VACANCY

▲ **\$2.72 FSG**

RATES

▼ **69.5K**

CONSTRUCTION DELIVERIES

YEAR-OVER-YEAR TREND

## Market Highlights

**DIRECT VACANCY** levels maintained at 11.3% in 2Q 2022, a decrease of 1% year-over-year (YOY)

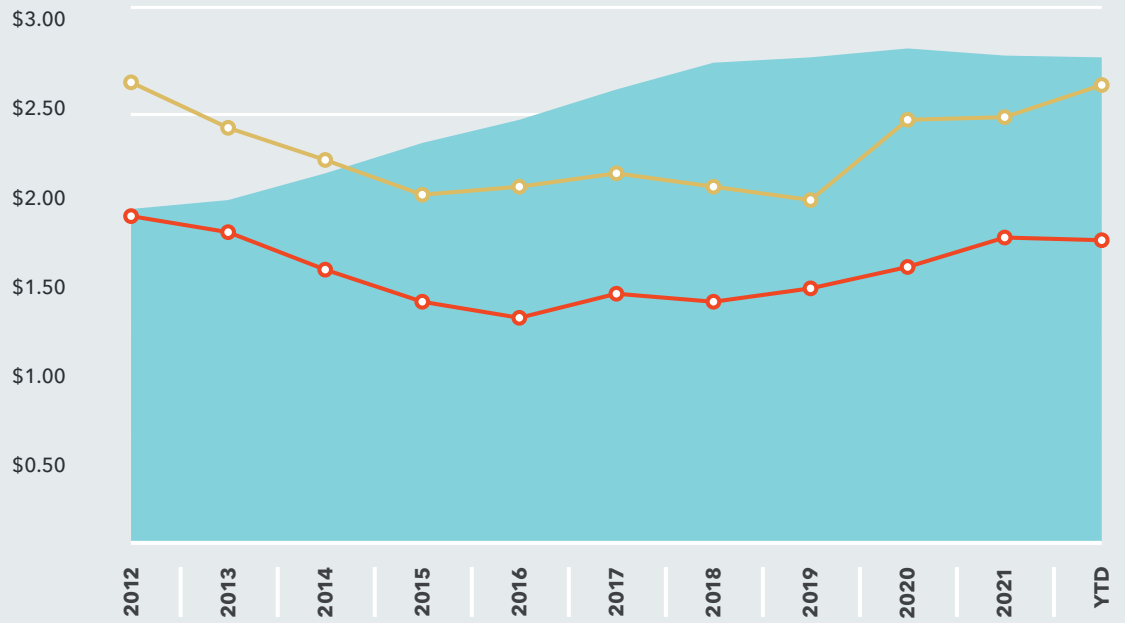
**AVAILABLE SUBLEASE** space totaled 3,758,095 SF in the second quarter

**AVERAGE ASKING RATES** rested at \$2.72/SF on a full-service basis

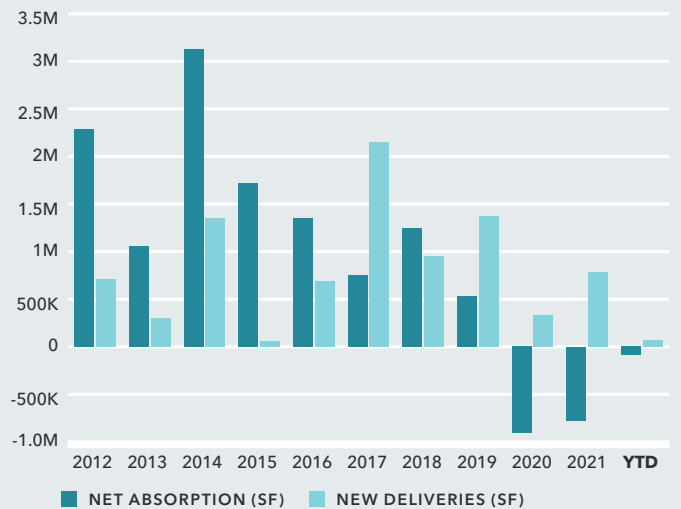
**AVERAGE SALE PRICES** in 2Q 2022 were \$256.37/SF with cap rates at 5.9%

# Lease Rate, Vacancy & Availability

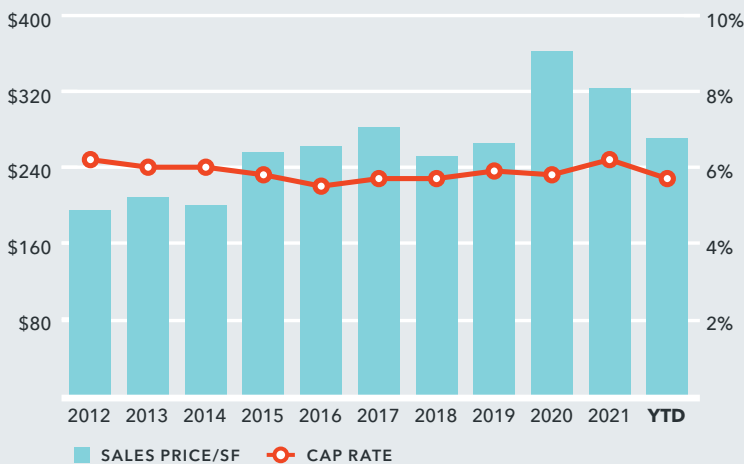
- DIRECT LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



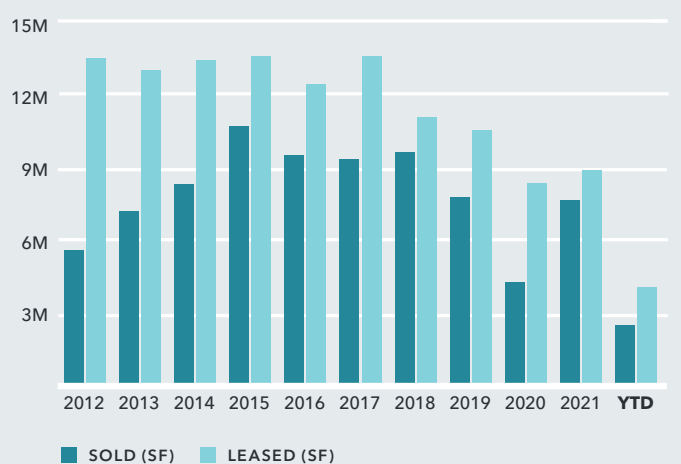
# Net Absorption & New Deliveries



# 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	8,738,699	13.6%	1.8%	15.4%	19.9%	61,629	53,400	153,015	495,958	\$3.05
Irvine/Tustin Legacy	27,765,010	14.7%	2.0%	16.7%	21.7%	61,372	52,444	723,097	1,242,793	\$2.79
Newport Beach	12,943,900	10.2%	0.5%	10.7%	13.7%	110,123	(7,011)	263,423	403,845	\$3.16
South Santa Ana	2,484,154	23.4%	0.5%	23.9%	27.7%	(42,267)	(96,546)	13,195	20,782	\$2.75
Class A	26,565,052	17.2%	2.1%	19.3%	24.7%	186,520	(109,261)	654,349	1,194,053	\$3.19
Class B	23,401,890	10.8%	0.9%	11.8%	15.1%	4,718	110,353	478,072	901,711	\$2.80
Class C	1,964,821	4.6%	0.1%	4.7%	5.6%	(381)	1,195	20,309	67,614	\$2.88
<b>Airport</b>	<b>51,931,763</b>	<b>13.8%</b>	<b>1.5%</b>	<b>15.3%</b>	<b>19.7%</b>	<b>190,857</b>	<b>2,287</b>	<b>1,152,730</b>	<b>2,163,378</b>	<b>\$2.91</b>
Civic Center Area	5,358,956	9.6%	0.0%	9.6%	7.5%	33,296	10,097	26,096	52,312	\$2.03
East Orange	1,991,227	7.2%	0.5%	7.7%	20.0%	(26,685)	(22,265)	15,815	18,271	\$2.75
Main Place	2,989,862	13.2%	1.8%	15.0%	17.6%	39,163	(5,973)	5,862	61,480	\$2.70
Parkcenter	5,060,134	12.2%	0.3%	12.5%	16.9%	(58,582)	(92,703)	31,127	66,004	\$2.17
Santa Ana	5,062,702	14.8%	3.7%	18.5%	26.5%	(21,056)	(84,328)	11,726	27,793	\$2.55
Stadium Area	3,590,384	16.9%	1.8%	18.7%	21.5%	(102,914)	(124,777)	21,276	188,158	\$2.15
The City	2,664,351	16.6%	3.2%	19.8%	46.2%	(125,301)	(176,796)	5,328	33,250	\$2.59
Tustin	2,083,310	4.0%	0.2%	4.2%	6.3%	1,290	76,340	3,225	7,455	\$2.03
Class A	7,331,489	16.8%	2.4%	19.2%	27.9%	(2,814)	(145,237)	32,241	143,514	\$2.83
Class B	17,207,760	11.7%	1.3%	13.0%	17.8%	(274,342)	(293,293)	76,370	279,487	\$2.25
Class C	4,261,677	7.2%	0.3%	7.5%	12.6%	16,367	18,125	11,844	31,722	\$2.00
<b>Central</b>	<b>28,800,926</b>	<b>12.3%</b>	<b>1.5%</b>	<b>13.8%</b>	<b>19.6%</b>	<b>(260,789)</b>	<b>(420,405)</b>	<b>120,455</b>	<b>454,723</b>	<b>\$2.39</b>
Anaheim Hills	1,436,218	6.2%	2.7%	8.9%	9.0%	3,882	(16,122)	8,027	19,533	\$2.29
Brea/La Habra	4,583,615	9.4%	0.8%	10.2%	14.0%	(54,479)	(119,308)	11,857	38,697	\$2.59
Buena Park/La Palma	2,116,616	5.1%	0.0%	5.1%	7.2%	(23,332)	(3,262)	2,390	10,596	\$1.96
Fullerton	3,059,929	4.5%	1.1%	5.7%	6.4%	(1,898)	(21,969)	30,023	63,120	\$2.68
North/East Anaheim	6,249,495	5.7%	0.4%	6.1%	6.5%	(22,925)	(14,123)	16,809	35,537	\$2.11
Placentia/Yorba Linda	859,486	6.2%	0.0%	6.2%	10.2%	(5,020)	2,463	750	9,159	\$2.26
Class A	2,924,270	10.4%	1.3%	11.6%	13.6%	(28,208)	(33,544)	2,190	8,300	\$2.78
Class B	13,360,548	6.1%	0.7%	6.8%	8.6%	(79,223)	(163,921)	63,762	151,446	\$2.32
Class C	2,020,541	3.2%	0.0%	3.2%	3.2%	3,659	25,144	3,904	16,896	\$2.10
<b>North</b>	<b>18,305,359</b>	<b>6.4%</b>	<b>0.7%</b>	<b>7.2%</b>	<b>8.8%</b>	<b>(103,772)</b>	<b>(172,321)</b>	<b>69,856</b>	<b>176,642</b>	<b>\$2.37</b>
Irvine Spectrum	15,223,807	8.7%	2.3%	11.1%	18.4%	469,830	628,245	379,562	723,705	\$2.90
Laguna Hills/Aliso Viejo	6,023,175	15.9%	2.5%	18.4%	23.3%	(7,827)	(58,590)	55,225	126,810	\$2.73
Laguna Niguel/Laguna Beach	2,041,867	6.1%	0.1%	6.3%	7.1%	3,712	11,152	5,041	24,289	\$2.40
Lake Forest/Foothill Ranch	3,859,513	11.9%	1.0%	12.9%	19.1%	(54,683)	(55,483)	44,624	52,738	\$2.28
Mission Viejo	2,376,677	14.5%	0.6%	15.1%	16.7%	(6,726)	(32,276)	9,148	20,650	\$2.97
Dana Point/San Juan/San Clemente	2,997,360	6.2%	0.4%	6.6%	8.6%	(2,475)	(31,555)	12,598	39,573	\$3.07
Class A	10,677,512	12.3%	2.8%	15.1%	21.0%	295,260	333,461	166,516	340,669	\$2.94
Class B	20,554,817	9.8%	1.3%	11.1%	16.4%	110,192	159,235	335,141	641,428	\$2.78
Class C	1,290,070	5.8%	0.2%	6.0%	9.3%	(3,621)	(31,203)	4,541	5,668	\$2.48
<b>South</b>	<b>32,522,399</b>	<b>10.5%</b>	<b>1.8%</b>	<b>12.2%</b>	<b>17.6%</b>	<b>401,831</b>	<b>461,493</b>	<b>506,198</b>	<b>987,765</b>	<b>\$2.82</b>
Cypress	1,945,918	11.6%	1.2%	12.8%	22.8%	1,256	1,730	6,571	13,696	\$2.45
Fountain Valley	2,329,030	4.8%	0.7%	5.4%	5.6%	(3,433)	14,753	5,088	36,011	\$1.75
Garden Grove	2,196,758	3.8%	0.2%	4.0%	6.9%	(2,599)	9,054	3,188	9,485	\$1.99
Huntington Beach	2,997,976	12.1%	0.7%	12.8%	15.6%	8,136	(10,921)	20,061	51,280	\$2.92
Los Alamitos/Stanton	1,281,229	3.6%	0.0%	3.6%	3.5%	26,192	26,371	5,018	12,394	\$2.36
Seal Beach	574,594	10.0%	0.0%	10.0%	7.5%	18,170	10,891	23,945	62,378	\$3.42
Westminster	923,616	4.0%	0.6%	4.5%	5.9%	1,430	(9,790)	4,455	8,555	\$2.57
Class A	1,482,154	23.3%	1.5%	24.9%	39.2%	1,045	(30,093)	5,165	15,453	\$2.72
Class B	8,955,049	5.6%	0.5%	6.1%	7.4%	63,914	102,435	57,780	156,917	\$2.53
Class C	1,811,918	4.2%	0.2%	4.4%	5.2%	(15,807)	(30,254)	5,381	21,429	\$1.92
<b>West</b>	<b>12,249,121</b>	<b>7.5%</b>	<b>0.5%</b>	<b>8.1%</b>	<b>10.9%</b>	<b>49,152</b>	<b>42,088</b>	<b>68,326</b>	<b>193,799</b>	<b>\$2.60</b>
<b>Orange County Total</b>	<b>143,809,568</b>	<b>11.3%</b>	<b>1.4%</b>	<b>12.7%</b>	<b>17.1%</b>	<b>277,279</b>	<b>(86,858)</b>	<b>1,917,565</b>	<b>3,976,307</b>	<b>\$2.72</b>
Class A	48,952,837	15.8%	2.3%	18.1%	24.2%	451,803	15,326	860,461	1,701,989	\$2.98
Class B	83,523,064	9.4%	1.0%	10.5%	14.1%	(174,741)	(85,191)	1,011,125	2,130,989	\$2.65
Class C	11,349,027	5.4%	0.2%	5.6%	8.1%	217	(16,993)	45,979	143,329	\$2.21
<b>Class Total</b>	<b>143,809,568</b>	<b>11.3%</b>	<b>1.4%</b>	<b>12.7%</b>	<b>17.1%</b>	<b>277,279</b>	<b>(86,858)</b>	<b>1,917,565</b>	<b>3,976,307</b>	<b>\$2.72</b>

## TOP SALE TRANSACTIONS FOR 2Q22

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
4980 Barranca Pky	Airport Area	36,104	\$27,575,000	\$763.77	Anchor Health Properties	The Boureston Companies
801 E Katella Ave	Central County	43,286	\$18,150,000	\$419.30	Planned Parenthood Federation of America	801 East Katella Inc
9800 Muirlands Blvd	South County	56,773	\$18,000,000	\$317.05	New Horizon Islamic School	Chapman University
1801 W Romneya Dr	North County	87,854	\$17,900,000	\$203.75	2751 Chapman LLC	KPM
3111 N Tustin Ave	Central County	65,460	\$15,101,000	\$230.69	Lutheran High Sch Assn Of Orange	Angelo, Gordon & Co.

## TOP LEASE TRANSACTIONS FOR 2Q22

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
6101 Gateway Dr	West County	34,080	April 2022	Warland Investments Co	Asplundh Construction
18200 Von Karman Ave	Airport Area	31,446	May 2022	Irvine Company	Americor
620 Newport Center Dr	Airport Area	29,150	May 2022	Irvine Company	Lugano Diamonds & Jewelry In
27442 Portola Pky	South County	27,191	May 2022	Barings	US Real Estate Services Inc.

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
The Press	1375 Sunflower Dr	Costa Mesa	449,206	Invesco Ltd.	October 2022
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
Helen Caloggero Women's & Family Center	363 S Main St	East Orange	137,000	St Joseph Hospital of Orange	October 2023
Innovation Office Park	250 Progress	Irvine Spectrum	64,387	Irvine Company	December 2022

SOURCE: COSTAR, EDD, OCBJ

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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

**50/25**  
TOTAL NO.  
APPRAISERS/MAI'S

**Asset  
Services**

**62M**  
MANAGEMENT  
PORTFOLIO SF

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

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

**GARY BARAGONA**  
Director of Research  
415.229.8925  
[gary.baragona@kidder.com](mailto:gary.baragona@kidder.com)

**ERIC PAULSEN**  
Regional President, Brokerage  
Southern California & Arizona  
[eric.paulsen@kidder.com](mailto:eric.paulsen@kidder.com)

LIC N° 01001040

949.557.5000

KIDDER.COM

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