

MARKET TRENDS

ORANGE COUNTY OFFICE

MARKET DRIVERS

Since the beginning of 2021, the Orange County office inventory has sold a variety of portfolios as part of redevelopment initiatives into other property types, which should reduce some of the dismal stagnant space that now hangs over the local workspace.

The pace of new lease activity has risen steadily as businesses switch from remote to hybrid work schedules, with many tenants looking for high-end office property in convenient locations near amenities. Furthermore, the 4.3M SF of sublease space that has filled the market allowed businesses to lease at a reasonable price.

New workplace traditions have emerged because of numerous working-from-the-office tactics. Investors now have a popular target attributable to redevelopment plans, particularly when converting a property to industrial or multifamily housing.

ECONOMIC REVIEW

In November 2022, the adjusted unemployment rate in Orange County was 3.0%, below the 4.1% rate the previous year.

Education and Health Services experienced the second-largest employment gain (17,600); Social Assistance and Health Care (13,200) accounted for 75% of that growth; Professional and Commercial Services experienced employment growth, with Government (100).

NEAR-TERM OUTLOOK

Many companies in Orange County have continued to use hybrid and remote models, where net absorption is still low; as a result, a quick return to pre-pandemic norms is not expected anytime soon.

More than half of the more than 450K SF of office space under construction is currently available for lease. The primary business campuses have an abundance of spec development, which could raise the vacancy rates in these areas.

At the end of 2022, Apple will lease 115,000 SF in Spectrum Terrace's third phase, which is in Irvine Spectrum. This contemporary campus with 1.1M SF is inspired by Silicon Valley's inventive culture and tailored to the healthy Southern California lifestyle.

MARKET SUMMARY

	4Q22	3Q22	4Q21	Annual Change
Direct Vacancy Rate	11.5%	11.4%	11.1%	3.75%
Total Availability Rate	17.9%	17.2%	15.7%	13.93%
Direct Asking Lease Rate	\$2.68	\$2.69	\$2.73	-1.83%
Total SF Leased	1,849,628	2,185,926	2,336,313	-20.83%
Total SF Sold	1,079,800	849,874	2,757,447	-60.84%
Direct Net Absorption	(164,271)	(120,789)	495,788	N/A

4Q 2022

↑ **1.8M SF**
LEASING ACTIVITY

↓ **-164K SF**
NET ABSORPTION

↑ **11.5%**
VACANCY RATE

↔ **\$2.68**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

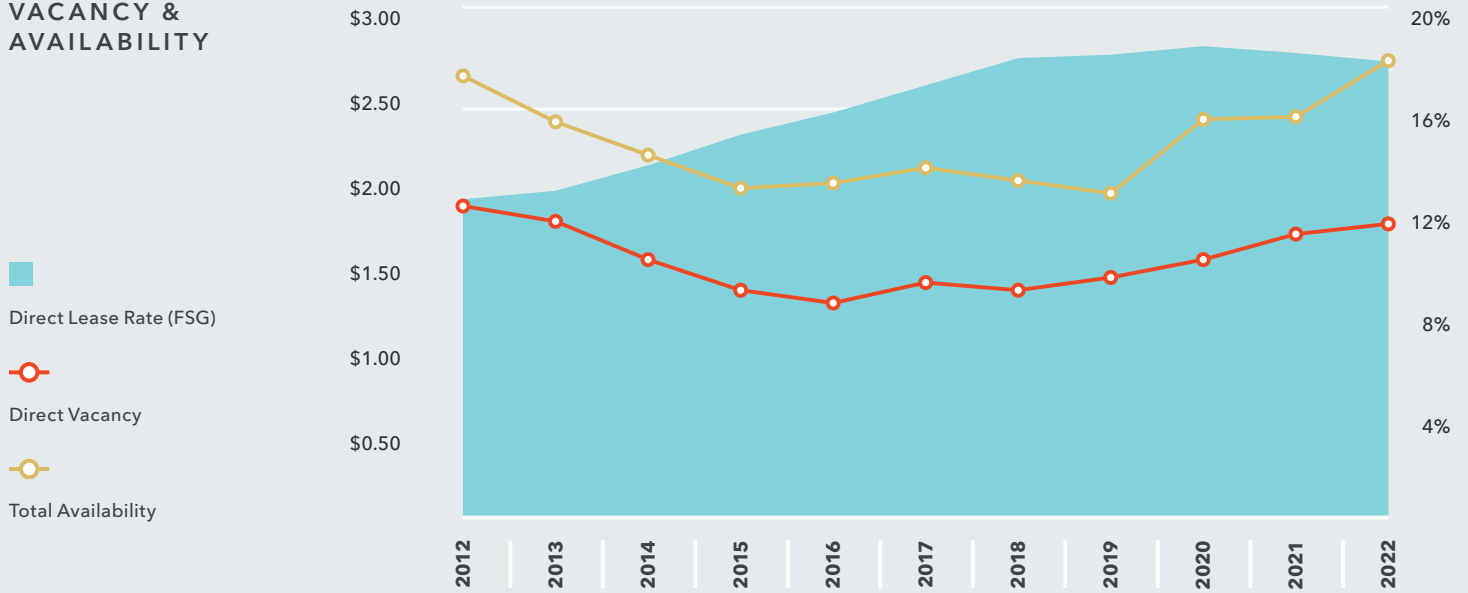
MARKET HIGHLIGHTS

In Orange County, the direct market vacancy rate is currently 11.5%.

Average asking rates were at \$2.68/SF on a full-service basis.

While 453K SF is still being developed, 865K SF was delivered in 4Q2022.

LEASE RATE, VACANCY & AVAILABILITY

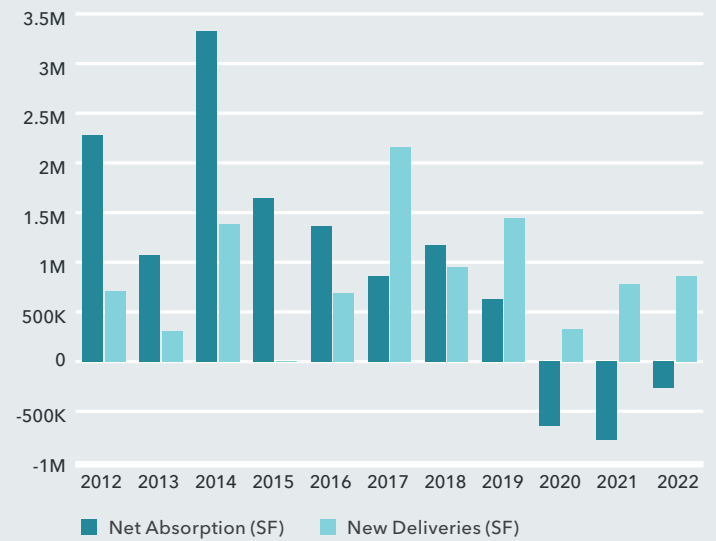


BIGGEST SALE OF THE QUARTER

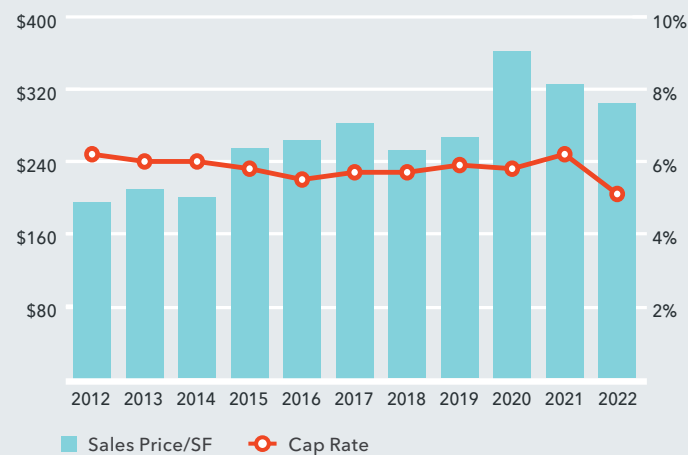
*ECCU Campus
Brea, CA*



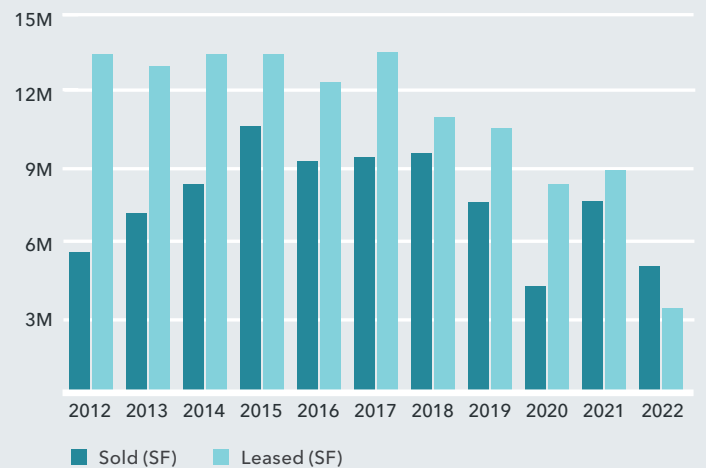
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q Direct Net Absorption	YTD Direct Net Absorption	4Q Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (F5)
Costa Mesa	9,232,549	12.7%	1.9%	14.6%	21.0%	449,601	505,966	83,241	174,146	\$2.87
Irvine/Tustin Legacy	27,745,038	13.8%	2.4%	16.2%	22.1%	(100,941)	40,834	505,621	823,617	\$2.76
Newport Beach	12,976,157	8.8%	0.8%	9.6%	13.2%	67,113	39,090	98,925	327,551	\$3.13
South Santa Ana	2,484,154	22.7%	0.0%	22.7%	27.0%	44,100	9,837	25,571	27,216	\$2.75
Class A	26,806,556	16.7%	2.5%	19.1%	25.1%	449,085	375,377	371,038	671,978	\$3.10
Class B	23,094,085	9.2%	1.2%	10.4%	15.1%	7,299	199,450	325,820	649,301	\$2.74
Class C	2,537,257	4.2%	0.2%	4.4%	8.9%	3,489	20,900	16,500	31,251	\$3.08
Airport	52,437,898	12.8%	1.8%	14.6%	19.9%	459,873	595,727	713,358	1,352,530	\$2.85
Civic Center Area	5,277,586	9.2%	0.2%	9.4%	9.5%	(21,638)	(42,350)	8,373	19,702	\$2.00
East Orange	1,988,584	6.6%	0.5%	7.1%	20.2%	(31,749)	(5,912)	11,548	24,221	\$2.76
Main Place	2,963,862	11.8%	2.8%	14.5%	19.2%	(16,095)	(2,779)	11,877	34,276	\$2.53
Parkcenter	5,060,357	13.1%	0.2%	13.3%	22.7%	(34,413)	(36,182)	56,404	82,649	\$2.25
Santa Ana	5,072,633	19.9%	0.2%	20.1%	29.5%	(12,090)	(16,800)	99,474	119,204	\$2.55
Stadium Area	3,604,647	18.0%	0.0%	18.0%	20.9%	(31,771)	(56,590)	81,284	108,852	\$2.20
The City	2,663,724	22.9%	2.5%	25.3%	34.0%	(121,717)	(259,621)	2,485	35,805	\$2.61
Tustin	2,059,785	3.5%	0.0%	3.5%	4.0%	6,403	11,739	4,571	51,783	\$2.10
Class A	7,323,525	22.3%	1.8%	24.0%	34.0%	(155,262)	(280,138)	90,655	149,556	\$2.83
Class B	17,136,521	12.0%	0.3%	12.2%	16.9%	(114,377)	(126,796)	155,246	270,064	\$2.28
Class C	4,231,132	6.9%	0.2%	7.1%	11.0%	6,569	(1,561)	30,115	56,872	\$2.00
Central	28,691,178	13.8%	0.6%	14.5%	20.4%	(263,070)	(408,495)	276,016	476,492	\$2.40
Anaheim Hills	1,284,012	7.1%	1.1%	8.2%	6.9%	(9,115)	(14,223)	21,127	33,913	\$2.28
Brea/La Habra	4,582,668	14.8%	0.9%	15.8%	18.4%	(170,398)	(190,100)	101,738	126,904	\$2.61
Buena Park/La Palma	2,108,459	4.6%	1.0%	5.6%	7.5%	(1,976)	6,786	0	39,027	\$2.03
Fullerton	2,990,451	4.1%	1.2%	5.3%	5.4%	7,651	18,632	25,264	56,351	\$2.69
North/East Anaheim	6,223,091	4.5%	3.5%	8.0%	8.6%	27,419	62,879	59,353	85,698	\$2.47
Placentia/Yorba Linda	859,486	4.1%	0.0%	4.1%	8.6%	7,337	18,457	4,200	15,014	\$2.12
Class A	2,924,270	11.3%	9.0%	20.3%	22.5%	(48,731)	(15,046)	98,129	119,860	\$2.72
Class B	13,183,024	7.0%	0.5%	7.5%	8.5%	(94,229)	(92,616)	110,285	227,481	\$2.43
Class C	1,939,570	3.1%	0.0%	3.1%	4.2%	3,878	10,093	3,268	9,566	\$2.10
North	18,048,167	7.3%	1.8%	9.1%	10.3%	(139,082)	(97,569)	211,682	356,907	\$2.48
Irvine Spectrum	15,550,496	9.6%	2.7%	12.3%	20.2%	(63,453)	(123,039)	397,827	497,936	\$2.80
Laguna Hills/Aliso Viejo	5,962,567	16.0%	3.2%	19.3%	23.6%	(36,444)	(52,733)	67,039	158,179	\$2.71
Laguna Niguel/Laguna Beach	2,033,374	4.9%	0.1%	5.1%	6.7%	12,828	352	25,338	34,616	\$2.17
Lake Forest/Foothill Ranch	3,868,562	11.6%	1.3%	12.9%	19.4%	(11,173)	(3,933)	8,944	138,138	\$2.39
Mission Viejo	2,397,299	16.1%	0.3%	16.4%	17.8%	(30,777)	(43,915)	2,592	11,974	\$2.97
Dana Point/San Juan/ San Clemente	2,995,213	6.5%	0.5%	7.0%	8.7%	10,688	(4,459)	45,420	65,848	\$2.82
Class A	10,869,495	12.7%	3.6%	16.3%	21.4%	(57,879)	(12,464)	235,299	399,239	\$2.88
Class B	20,641,647	10.4%	1.4%	11.9%	18.0%	(61,079)	(232,850)	303,412	485,486	\$2.69
Class C	1,296,369	3.4%	0.1%	3.5%	6.4%	627	17,587	8,449	21,966	\$2.41
South	32,807,511	10.9%	2.1%	13.0%	18.7%	(118,331)	(227,727)	547,160	906,691	\$2.73
Cypress	1,945,962	13.6%	0.0%	13.6%	28.4%	(50,270)	(49,871)	29,573	46,564	\$2.50
Fountain Valley	2,305,869	5.6%	0.6%	6.3%	6.8%	(24,523)	(25,979)	1,124	4,048	\$1.95
Garden Grove	2,178,950	3.6%	0.0%	3.6%	3.8%	17,634	15,373	11,951	14,811	\$2.40
Huntington Beach	2,979,922	12.8%	0.3%	13.2%	16.3%	(38,331)	(29,792)	17,974	48,123	\$3.00
Los Alamitos/Stanton	1,262,029	4.3%	0.0%	4.3%	4.2%	(8,332)	(11,973)	13,049	15,372	\$2.57
Seal Beach	574,594	11.6%	0.3%	11.9%	12.4%	0	(5,307)	14,460	17,530	\$3.41
Westminster	923,616	5.9%	0.6%	6.5%	9.0%	161	(17,921)	13,281	13,281	\$2.45
Class A	1,483,376	28.0%	0.9%	28.9%	49.7%	(91,241)	(73,600)	19,569	33,939	\$2.67
Class B	8,963,958	6.2%	0.2%	6.4%	7.6%	3,440	(34,896)	77,953	118,124	\$2.62
Class C	1,723,608	3.6%	0.0%	3.6%	4.2%	(15,860)	(16,974)	3,890	7,666	\$1.92
West	12,170,942	8.5%	0.3%	8.7%	12.2%	(103,661)	(125,470)	101,412	159,729	\$2.63
Orange County Total	144,155,696	11.5%	1.5%	13.0%	17.9%	(164,271)	(263,534)	1,849,628	3,252,349	\$2.68
Class A	49,380,885	16.7%	3.0%	19.6%	26.2%	95,972	(5,871)	814,690	1,374,572	\$2.90
Class B	83,062,235	9.4%	0.9%	10.3%	14.3%	(258,946)	(287,708)	972,716	1,750,456	\$2.62
Class C	11,727,936	4.8%	0.1%	5.0%	7.9%	(1,297)	30,045	62,222	127,321	\$2.30
Class Total	144,155,696	11.5%	1.5%	13.0%	17.9%	(164,271)	(263,534)	1,849,628	3,252,349	\$2.68

TOP SALE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
ECCU Campus Brea	North County	288,058	\$80,000,000	\$277.72	Healthcare Property Advisors	AdelFi
HERE Campus	South County	223,974	\$63,750,000	\$284.63	Kingsbarn Realty Capital	Cigna Corporation
Oakbrook Plaza	South County	119,927	\$28,100,000	\$234.31	Buchanan Street Partners	Angelo, Gordon & Co.
6201 Oak Canyon	South County	23,386	\$10,500,000	\$448.99	Bank Irvine	Kieckhafer Schiffer & Co., LLP
1800 E La Veta Ave	Central County	22,699	\$9,000,000	\$396.49	Riverside Charitable Corp	Reimagine Network

TOP LEASE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Pacific Center	Central County	255,428	September 2022	Drawbridge Realty	Collectors Universe, Inc.
Spectrum Terrace	South County	115,290	September 2022	Irvine Company	Apple
Koll Center Newport	Airport Area	52,309	October 2022	COMAC America Corporation	Demidchik Law Firm
Flight at Tustin Legacy	Airport Area	45,244	December 2022	Lincoln Property Company	Undisclosed
2600 Michelson Dr	Airport Area	44,370	December 2022	Spus8 2600 Michelson	Undisclosed - Sublease
Harbor Corporate Center	Central County	36,385	October 2022	Codan Us Corp	Undisclosed

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Innovation Office Park	210-260 Progress	South County	300,000	Irvine Company	January 2023
Helen Caloggero Women's & Family Center	363 S Main St	Central County	137,000	St Joseph Hospital of Orange	October 2023
TGS Management Building	23 Pasteur	South County	57,893	TGS Management Company	January 2023

Data Source: EDD, CoStar, OCBJ



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

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

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COMMERCIAL
BROKERAGE

\$10.9B
TRANSACTION
VOLUME ANNUALLY

49.7M
ANNUAL
SALES SF

43.7M
ANNUAL
LEASING SF

ASSET
SERVICES

52M
MANAGEMENT
PORTFOLIO SF

875+
ASSETS UNDER
MANAGEMENT

240+
ASSET SERVICES
CLIENTS

VALUATION
ADVISORY

2,600+
ASSIGNMENTS
ANNUALLY

48
TOTAL
APPRAISERS

25
WITH MAI
DESIGNATIONS