

## MARKET TRENDS

# ORANGE COUNTY OFFICE

### MARKET DRIVERS

**DESPITE A SLOW TURN**, Orange County's economy is still vibrant early in the first quarter of 2023. The total number of office spaces in Orange County is still about the same as in the previous quarter, enabling some regions to offer rent discounts to successful tenants. Compared to Los Angeles and San Diego's average market rates, rents here are about 20% less costly.

**ORANGE COUNTY'S AVERAGE ASKING RENT** is \$2.67/SF FSG, compared with the national average of \$2.92/SF FSG. The county's vacancy rate, at 12.6%, is still substantial, and the vacant shadow area might make it more difficult. The ongoing embrace of hybrid work arrangements may affect the demand for collaborative office spaces in Orange County instead of traditional cubicles and private offices.

**THE STRENGTH OF ORANGE COUNTY** is its location just south of Los Angeles, a significant commercial and cultural hub. Orange County is a sought-after location for businesses that want to be near the city's resources and talent pool due to its proximity to Los Angeles.

### ECONOMIC REVIEW

**ORANGE COUNTY** is a significant economic hub in Southern California, with a diverse economy that includes a strong manufacturing sector, a thriving tourism industry, and a growing technology sector. The county's economy is expected to grow at a rate of 2.5% in 2023, which will create jobs and demand for office space.

### NEAR-TERM OUTLOOK

**TRADITIONALLY**, Orange County has been a strong market for office real estate, supported by an extensive mix of industries and a solid local economy. Businesses are looking for flexible office space that can be used for various purposes, such as co-working space and shared office space. As a result, demand for office assets in Orange County may remain strong in the near term, particularly for high-quality properties in desirable locations.

### MARKET SUMMARY

	1Q23	4Q22	1Q22	Annual Change
Direct Vacancy Rate	12.6%	11.4%	11.2%	<b>12.37%</b>
Total Availability Rate	18.6%	17.5%	16.3%	<b>14.24%</b>
Direct Asking Lease Rate	\$2.67	\$2.68	\$2.73	<b>-2.20%</b>
Total SF Leased	10,565	2,188,918	2,481,427	<b>-99.57%</b>
Total SF Sold	1,416,994	931,009	1,477,397	<b>-4.09%</b>
Direct Net Absorption	(140,590)	(77,015)	(177,416)	<b>N/A</b>

# 1Q 2023

## 11K SF

LEASING ACTIVITY

## -141K SF

NET ABSORPTION

## 12.6%

VACANCY RATE

## \$2.67

ASKING RENT (AVG)

## 258K SF

NEW DELIVERIES

Year-Over-Year Trend

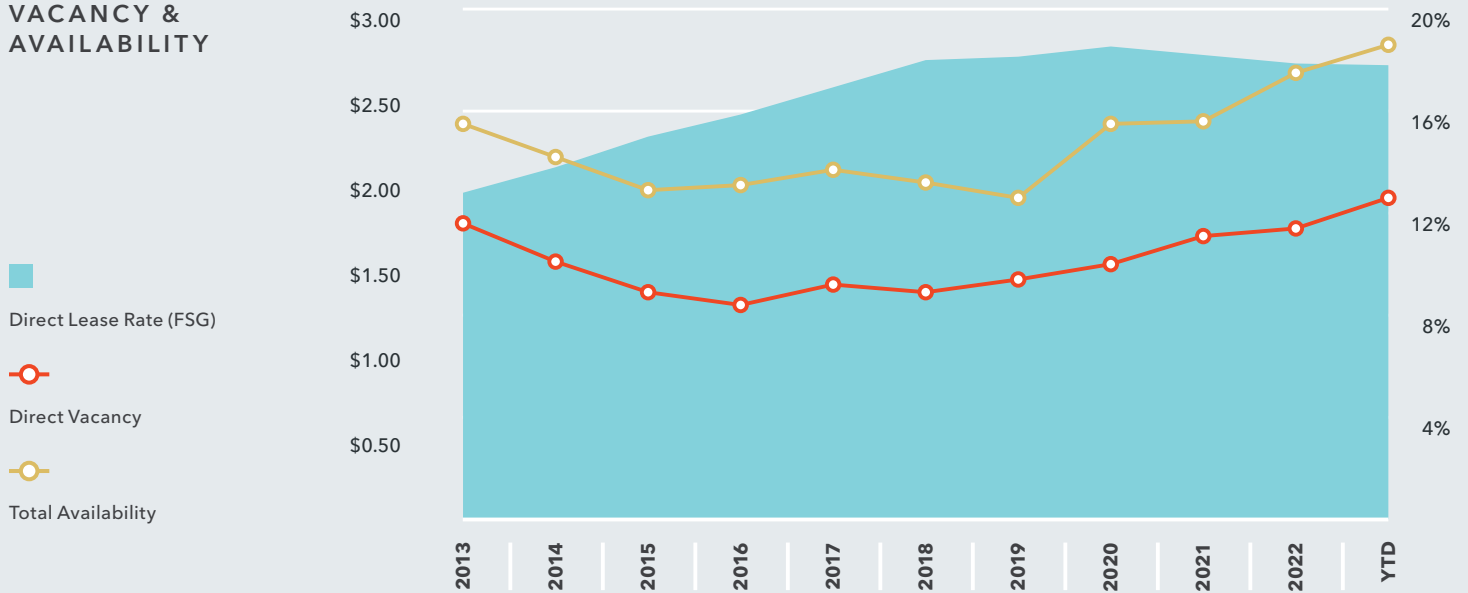
### MARKET HIGHLIGHTS

**IN ORANGE COUNTY**, the direct market vacancy rate is currently 12.6%.

**AVERAGE ASKING RATES** were at \$2.67/SF on a full-service basis.

**WHILE 270K SF** is still under construction, 258K SF was delivered in 1Q2023.

## LEASE RATE, VACANCY & AVAILABILITY

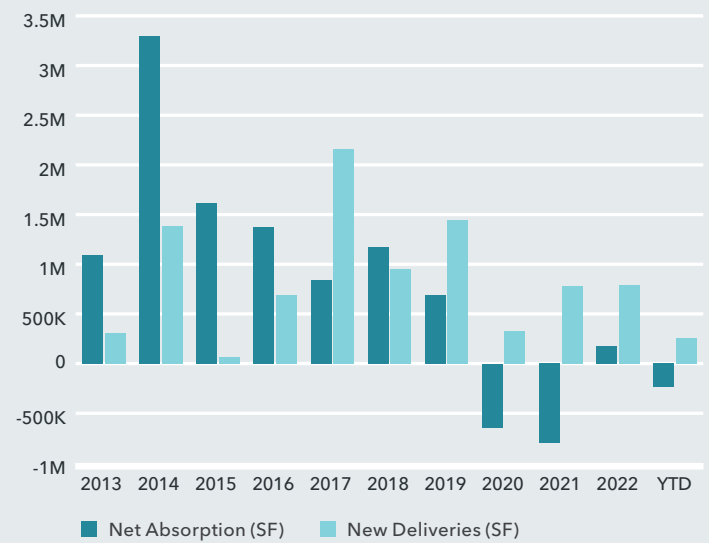


## BIGGEST SALE OF THE QUARTER

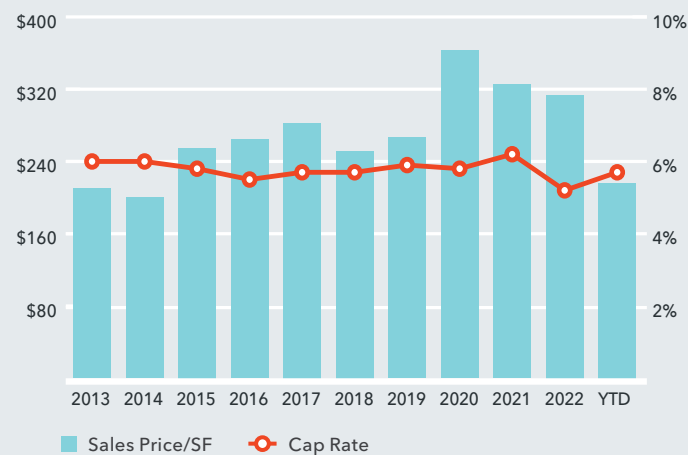
*Concordia University Irvine*



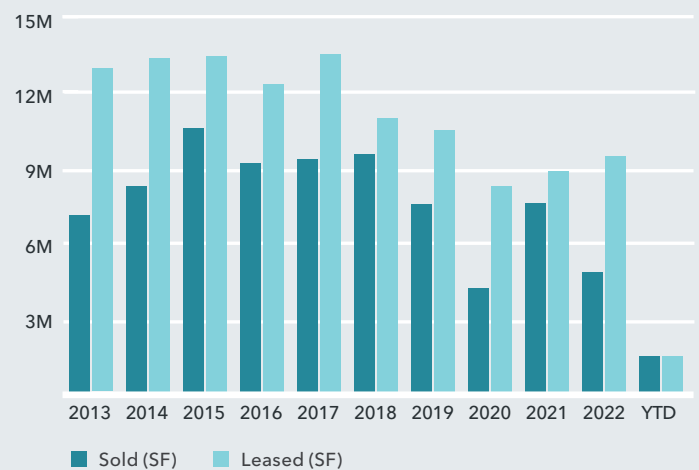
## NET ABSORPTION & NEW DELIVERIES



## 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	1Q 23 Direct Net Absorption	2022 YTD Direct Net Absorption	1Q Total Leasing Activity	2022 YTD Total Leasing Activity	Average Rental Rate (F5)
Costa Mesa	9,230,183	13.9%	3.0%	16.9%	23.7%	11,758	505,966	500	174,146	\$2.89
Irvine/Tustin Legacy	27,745,315	15.9%	2.4%	18.3%	23.8%	(92,148)	40,834	3,631	823,617	\$2.75
Newport Beach	13,023,979	9.9%	0.6%	10.5%	13.8%	(24,846)	39,090	596	327,551	\$3.35
South Santa Ana	2,483,369	29.0%	0.0%	29.0%	32.4%	56,784	9,837	0	27,216	\$2.75
Class A	26,805,524	19.0%	2.6%	21.7%	28.0%	7,865	375,377	0	671,978	\$3.19
Class B	23,086,691	10.7%	1.3%	12.0%	15.9%	(59,064)	199,450	4,727	649,301	\$2.74
Class C	2,590,631	5.3%	0.4%	5.7%	7.9%	2,747	20,900	0	31,251	\$3.25
<b>Airport</b>	<b>52,482,846</b>	<b>14.7%</b>	<b>2.0%</b>	<b>16.6%</b>	<b>21.7%</b>	<b>(48,452)</b>	<b>595,727</b>	<b>4,727</b>	<b>1,352,530</b>	<b>\$2.88</b>
Civic Center Area	5,295,129	9.1%	0.2%	9.3%	9.4%	480	(42,350)	0	19,702	\$2.19
East Orange	1,993,347	7.9%	0.5%	8.5%	22.2%	(164)	(5,912)	0	24,221	\$2.91
Main Place	2,964,894	13.0%	2.7%	15.6%	18.6%	(6,822)	(2,779)	0	34,276	\$2.52
Parkcenter	5,061,019	14.9%	0.2%	15.0%	22.1%	(753)	(36,182)	1,170	82,649	\$2.26
Santa Ana	5,064,537	18.2%	1.4%	19.6%	26.5%	(2,319)	(16,800)	0	119,204	\$2.55
Stadium Area	3,614,749	19.2%	0.4%	19.6%	22.0%	(12,420)	(56,590)	0	108,852	\$2.33
The City	2,663,724	25.5%	1.0%	26.5%	33.4%	(29,166)	(259,621)	0	35,805	\$2.60
Tustin	1,990,285	1.4%	0.8%	2.2%	3.7%	19,664	11,739	0	51,783	\$2.10
Class A	7,385,793	23.4%	1.6%	25.0%	32.9%	(35,529)	(280,138)	0	149,556	\$2.84
Class B	17,001,445	12.2%	0.7%	12.9%	16.7%	(11,712)	(126,796)	1,170	270,064	\$2.27
Class C	4,260,446	6.6%	0.1%	6.7%	10.1%	15,741	(1,561)	0	56,872	\$2.00
<b>Central</b>	<b>28,647,684</b>	<b>14.3%</b>	<b>0.8%</b>	<b>15.1%</b>	<b>19.9%</b>	<b>(31,500)</b>	<b>(408,495)</b>	<b>1,170</b>	<b>476,492</b>	<b>\$2.42</b>
Anaheim Hills	1,284,012	6.2%	1.1%	7.2%	7.3%	(1,122)	(14,223)	0	33,913	\$2.23
Brea/La Habra	4,582,668	13.7%	0.8%	14.5%	19.1%	(886)	(190,100)	2,691	126,904	\$2.57
Buena Park/La Palma	2,134,751	4.9%	0.9%	5.9%	10.5%	7,087	6,786	0	39,027	\$2.22
Fullerton	2,975,265	4.4%	1.2%	5.6%	6.3%	(3,505)	18,632	0	56,351	\$2.80
North/East Anaheim	6,165,781	4.0%	3.5%	7.5%	7.8%	(10,262)	62,879	0	85,698	\$2.52
Placentia/Yorba Linda	954,057	6.7%	0.3%	7.0%	7.7%	(3,362)	18,457	0	15,014	\$2.11
Class A	2,924,270	9.8%	8.9%	18.7%	22.5%	3,756	(15,046)	0	119,860	\$2.61
Class B	13,262,746	6.8%	0.5%	7.3%	9.2%	(9,004)	(92,616)	741	227,481	\$2.46
Class C	1,909,028	3.0%	0.0%	3.0%	3.3%	(6,802)	10,093	1,950	9,566	\$2.06
<b>North</b>	<b>18,096,044</b>	<b>6.9%</b>	<b>1.8%</b>	<b>8.7%</b>	<b>10.7%</b>	<b>(12,050)</b>	<b>(97,569)</b>	<b>2,691</b>	<b>356,907</b>	<b>\$2.46</b>
Irvine Spectrum	15,811,928	11.0%	2.6%	13.6%	19.7%	(13,582)	(123,039)	0	497,936	\$2.78
Laguna Hills/Aliso Viejo	5,975,292	17.6%	4.6%	22.2%	24.9%	4,075	(52,733)	1,977	158,179	\$2.66
Laguna Niguel/Laguna Beach	2,033,374	5.4%	0.2%	5.6%	7.5%	(22,268)	352	0	34,616	\$2.64
Lake Forest/Foothill Ranch	3,867,218	13.6%	2.4%	15.9%	21.9%	(1,046)	(3,933)	0	138,138	\$2.37
Mission Viejo	2,396,579	16.3%	0.4%	16.7%	17.5%	(7,034)	(43,915)	0	11,974	\$2.93
Dana Point/San Juan/ San Clemente	2,994,213	5.8%	0.7%	6.5%	7.7%	6,650	(4,459)	0	65,848	\$2.70
Class A	10,868,151	13.8%	4.4%	18.3%	20.9%	(32,904)	(12,464)	0	399,239	\$2.94
Class B	20,926,042	11.6%	1.5%	13.1%	18.6%	(9,975)	(232,850)	1,977	485,486	\$2.65
Class C	1,284,411	3.9%	0.9%	4.7%	6.3%	9,674	17,587	0	21,966	\$2.50
<b>South</b>	<b>33,078,604</b>	<b>12.1%</b>	<b>2.5%</b>	<b>14.5%</b>	<b>18.9%</b>	<b>(33,205)</b>	<b>(227,727)</b>	<b>1,977</b>	<b>906,691</b>	<b>\$2.71</b>
Cypress	1,974,162	15.6%	0.1%	15.7%	30.6%	0	(49,871)	0	46,564	\$2.43
Fountain Valley	2,305,869	4.8%	0.7%	5.5%	6.4%	(743)	(25,979)	0	4,048	\$2.01
Garden Grove	2,178,950	3.4%	0.0%	3.4%	5.4%	(7,562)	15,373	0	14,811	\$2.26
Huntington Beach	2,963,722	14.5%	0.5%	15.0%	17.3%	(7,078)	(29,792)	0	48,123	\$2.89
Los Alamitos/Stanton	1,262,029	3.5%	0.0%	3.5%	3.6%	0	(11,973)	0	15,372	\$2.55
Seal Beach	574,922	11.4%	0.3%	11.7%	13.0%	0	(5,307)	0	17,530	\$3.40
Westminster	923,616	8.6%	0.6%	9.2%	9.4%	0	(17,921)	0	13,281	\$2.46
Class A	1,483,376	32.7%	1.1%	33.7%	50.6%	(1,660)	(73,600)	0	33,939	\$2.68
Class B	8,964,286	6.1%	0.3%	6.4%	8.2%	(13,446)	(34,896)	0	118,124	\$2.51
Class C	1,735,608	4.6%	0.0%	4.6%	5.9%	(277)	(16,974)	0	7,666	\$1.92
<b>West</b>	<b>12,183,270</b>	<b>9.1%</b>	<b>0.3%</b>	<b>9.5%</b>	<b>13.0%</b>	<b>(15,383)</b>	<b>(125,470)</b>	<b>0</b>	<b>159,729</b>	<b>\$2.54</b>
<b>Orange County Total</b>	<b>144,393,877</b>	<b>12.6%</b>	<b>1.7%</b>	<b>14.3%</b>	<b>18.6%</b>	<b>(140,590)</b>	<b>(263,534)</b>	<b>10,565</b>	<b>3,252,349</b>	<b>\$2.67</b>
Class A	49,344,903	18.4%	3.2%	21.7%	27.6%	(58,472)	(5,871)	0	1,374,572	\$2.94
Class B	83,284,210	10.1%	1.0%	11.1%	14.8%	(103,201)	(287,708)	8,615	1,750,456	\$2.59
Class C	11,760,124	5.2%	0.2%	5.4%	7.5%	21,083	30,045	1,950	127,321	\$2.34
<b>Class Total</b>	<b>144,393,877</b>	<b>12.6%</b>	<b>1.7%</b>	<b>14.3%</b>	<b>18.6%</b>	<b>(140,590)</b>	<b>(263,534)</b>	<b>10,565</b>	<b>3,252,349</b>	<b>\$2.67</b>

## TOP SALE TRANSACTIONS 1Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Concordia University Irvine	South County	113,882	\$43,500,000	\$381.97	Concordia University Irvine	Brandman University
Fox Racing, Inc.	Airport Area	81,600	\$40,000,000	\$490.20	Rexford Industrial Realty, Inc.	Griffin Realty Trust
Hutton Centre	Airport Area	216,864	\$25,000,000	\$115.28	Ares Asset Management LLC	LaSalle Investment Mngmt
Foothill Plaza Portfolio - B	South County	105,451	\$15,753,501	\$149.39	Canon Property Holdings LLC	Cref X Foothill Plaza LLC
Foothill Plaza Portfolio - A	South County	105,451	\$15,746,499	\$149.33	Canon Property Holdings LLC	Cref X Foothill Plaza LLC

## TOP LEASE TRANSACTIONS 1Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Discovery Park	South County	32,003	March 2023	Irvine Company	Undisclosed (Sublease)
One Technology Park	South County	23,352	March 2023	Irvine Company	Undisclosed
Scenic Business Park	Airport Area	23,125	January 2023	Sovereign Lending Group	Undisclosed
Newport Gateway	Airport Area	22,657	March 2023	Irvine Company	Undisclosed
The Boardwalk	Airport Area	22,224	January 2023	Trammell Crow Company	Undisclosed (Sublease)

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
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	May 2023
Saddleback Women's Health Pavillion	24401 Calle de la Louisa	South County	40,000	Calle De La Louisa Holdings LLC	September 2023
Administrative Office	800 N State College Blvd	North County	20,000	California State University, Fullerton	June 2023
CHOC Southwest Tower	577 S Main St	Central County	15,000	Children's Hospital of Orange County	August 2023

Data Source: EDD, CoStar, OCBJ



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

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COMMERCIAL  
BROKERAGE

\$12B

TRANSACTION  
VOLUME ANNUALLY

32.1M

ANNUAL  
SALES SF

41.2M

ANNUAL  
LEASING SFASSET  
SERVICES

53M

MANAGEMENT  
PORTFOLIO SF

771+

ASSETS UNDER  
MANAGEMENT

250+

ASSET SERVICES  
CLIENTSVALUATION  
ADVISORY

2,600+

ASSIGNMENTS  
ANNUALLY

46

TOTAL  
APPRAISERS

23

WITH MAI  
DESIGNATIONS