

MARKET TRENDS

ORANGE COUNTY OFFICE

MARKET DRIVERS

THE OFFICE MARKET could be impacted by an equilibrium between the supply of available office space and the demand from companies looking to rent or buy offices. It has compelled landlords to establish a more tenant-friendly market with lower rental prices and offer additional incentives.

AS A RESULT, tenants are venturing away from high-rise buildings in favor of campus-like low-rise offices, which are more equipped to offer outdoor workspaces and free surface parking. Tenants may discover that rates for high-rise buildings have been the most notable decrease.

IN Q2 2023, Axonics Inc. will take up occupancy in two connected buildings in a recently fulfilled spec complex near the Irvine Spectrum, totaling 145,000 SF.

ECONOMIC REVIEW

ORANGE COUNTY is still growing but at a slower rate. The market's most significant and densest high-quality office hubs are in the Irvine/Tustin Legacy and Irvine Spectrum Submarkets, followed by Newport Beach/Laguna Hills/Aliso Viejo. Local and national office investors are often concentrated in these regions. A few of these exchanges were offered for sale as part of proposals to revitalize various property types.

NEAR-TERM OUTLOOK

LOW-RISE BUILDING DEMAND has been more resilient. Tenants have preferred low-rise building types since they provide more convenience and frequently offer free parking.

PRESENTLY BEING CONSTRUCTED in Orange County are several specialty office projects totaling 290,000 SF. The Press in Costa Mesa was presented by Invesco and SteelWave in the third quarter of this year, highlighting recent completions.

MARKET SUMMARY

	2Q23	1Q23	2Q22	Annual Change
Direct Vacancy Rate	12.6%	12.4%	10.8%	16.42%
Total Availability Rate	18.7%	18.3%	16.4%	14.11%
Direct Asking Lease Rate	\$2.68	\$2.67	\$2.73	-1.83%
Total SF Leased	1,365,497	1,553,431	2,533,884	-46.11%
Total SF Sold	927,003	1,541,978	1,534,099	-39.57%
Direct Net Absorption	(198,621)	(1,297,395)	569,440	N/A

↓ 1.4M SF
LEASING ACTIVITY

↓ -198K SF
NET ABSORPTION

↑ 12.6%
VACANCY RATE

↓ \$2.68
ASKING RENT (AVG)

↓ OK SF
NEW DELIVERIES

Year-Over-Year Trend

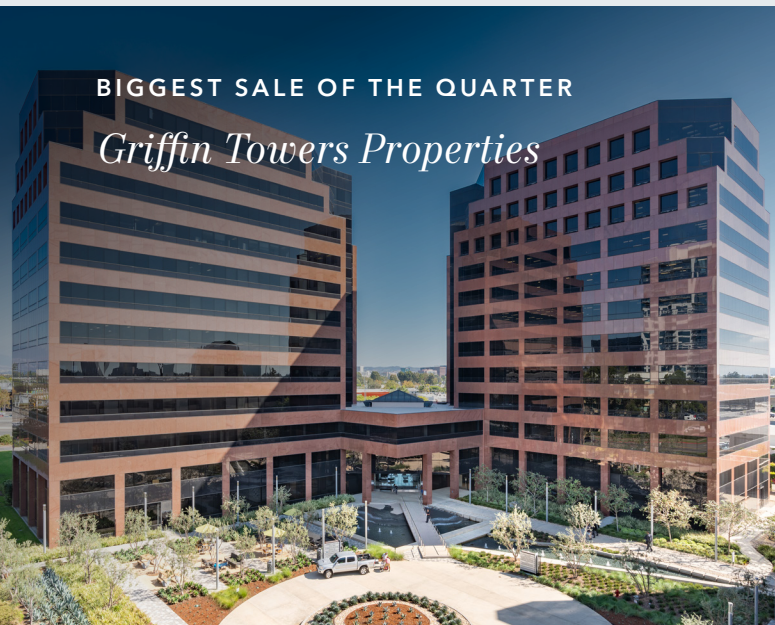
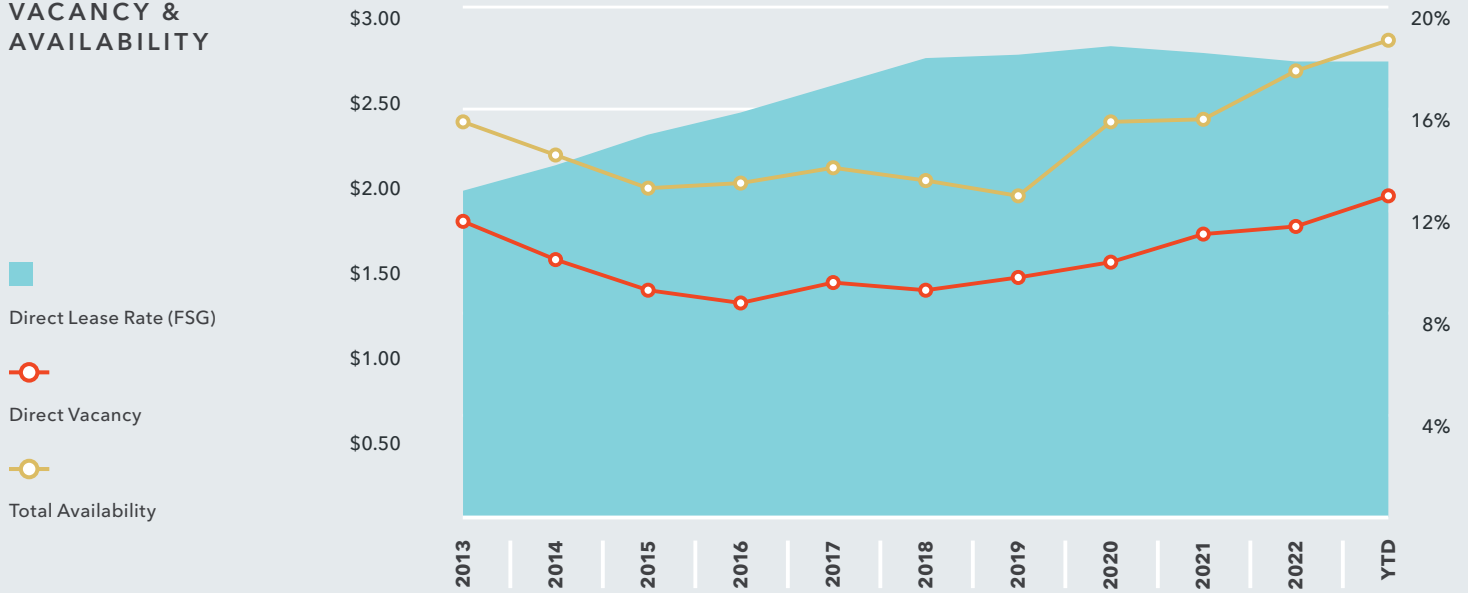
MARKET HIGHLIGHTS

THE DIRECT MARKET VACANCY RATE in Orange County is now 12.6%.

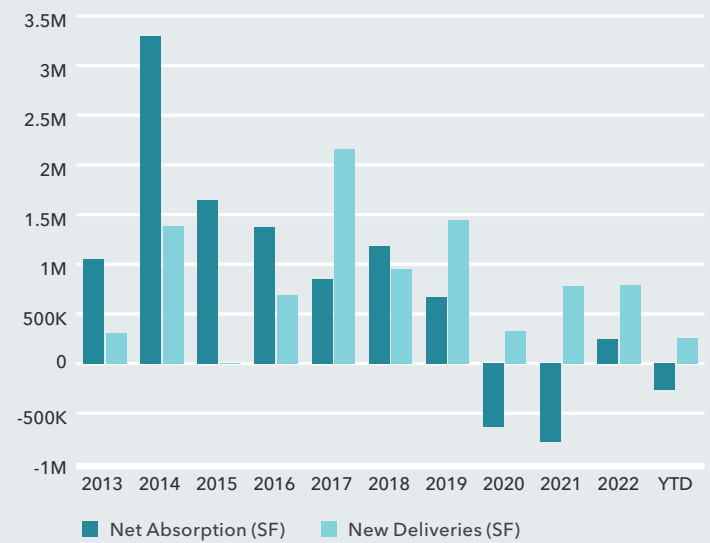
AVERAGE ASKING PRICE on a full-service basis was \$2.68/SF.

DURING 2Q 2023 270K SF will still be under construction.

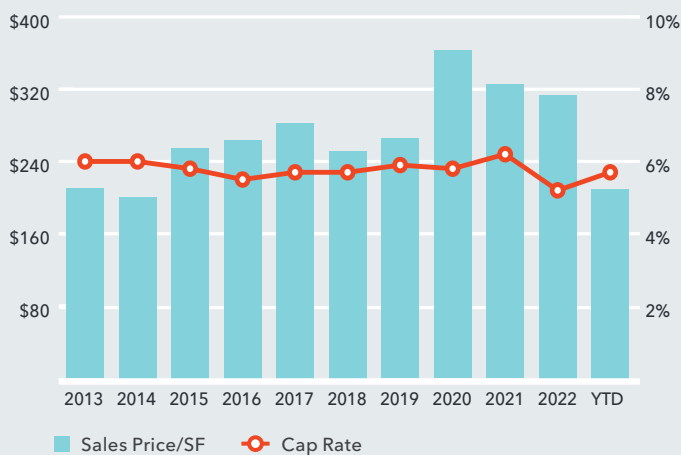
LEASE RATE, VACANCY & AVAILABILITY



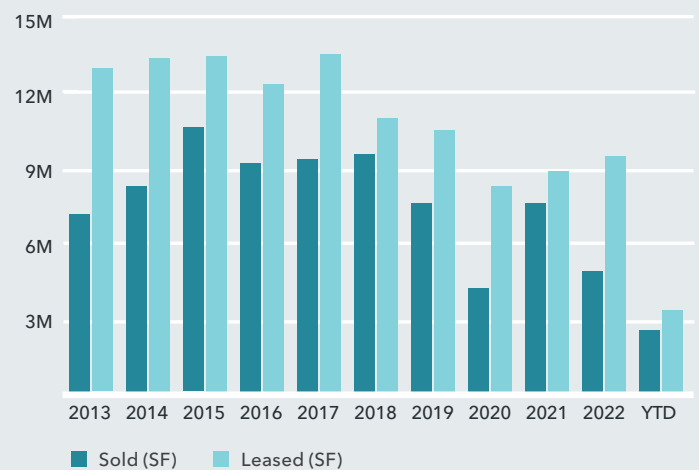
NET ABSORPTION & NEW DELIVERIES



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	2Q 23 Direct Net Absorption	YTD Direct Net Absorption	2Q Total Leasing Activity	YTD Total Leasing Activity	Average Rental Rate (F5)
Costa Mesa	9,230,014	14.6%	3.0%	17.6%	25.1%	(52,793)	(173,003)	68,128	174,146	\$2.92
Irvine/Tustin Legacy	27,659,250	15.8%	2.1%	17.9%	23.7%	(39,144)	(549,444)	416,316	823,617	\$2.72
Newport Beach	13,024,996	10.4%	0.8%	11.1%	15.2%	(106,556)	(229,251)	108,436	327,551	\$3.47
South Santa Ana	2,463,446	30.1%	0.0%	30.1%	30.2%	4,324	(82,298)	96,269	27,216	\$2.75
Class A	27,216,978	19.6%	2.5%	22.1%	28.4%	(152,050)	(711,715)	488,558	671,978	\$3.36
Class B	22,602,325	10.9%	1.4%	12.3%	16.3%	(59,064)	(354,953)	175,000	649,301	\$2.74
Class C	2,558,403	4.8%	0.2%	5.0%	7.1%	16,945	(9,603)	25,270	31,251	\$3.27
Airport	52,377,706	14.9%	1.8%	16.7%	22.1%	(194,169)	(1,033,996)	689,149	1,352,530	\$2.91
Civic Center Area	5,269,705	9.5%	0.2%	9.7%	8.9%	(17,280)	(14,902)	44,221	19,702	\$2.17
East Orange	1,993,932	7.4%	0.5%	7.9%	22.1%	11,408	(16,545)	12,442	24,221	\$2.82
Main Place	2,969,298	13.6%	1.7%	15.4%	18.3%	(27,373)	(57,732)	16,835	34,276	\$2.47
Parkcenter	5,063,015	15.6%	0.3%	15.9%	21.3%	(36,562)	(129,930)	74,536	82,649	\$2.26
Santa Ana	5,089,990	18.2%	1.4%	19.6%	25.5%	15,615	83,128	15,477	119,204	\$2.54
Stadium Area	3,614,749	17.9%	1.1%	19.0%	21.7%	33,792	(12,869)	54,699	108,852	\$2.30
The City	2,663,918	25.0%	0.0%	25.0%	31.5%	(26,785)	(57,011)	10,822	35,805	\$2.60
Tustin	1,995,264	1.5%	0.8%	2.4%	6.4%	17,147	41,800	4,262	51,783	\$2.12
Class A	7,470,762	24.3%	1.0%	25.3%	32.3%	(38,187)	(75,102)	81,000	149,556	\$2.84
Class B	16,926,439	11.9%	0.8%	12.7%	16.1%	(12,070)	(99,560)	135,321	270,064	\$2.24
Class C	4,262,670	6.5%	0.2%	6.7%	10.2%	20,219	10,601	16,973	56,872	\$1.98
Central	28,659,871	14.4%	0.7%	15.1%	19.5%	(30,038)	(164,061)	233,294	476,492	\$2.40
Anaheim Hills	1,284,012	6.0%	1.1%	7.1%	7.9%	779	7,184	10,384	33,913	\$2.21
Brea/La Habra	4,617,379	12.9%	0.9%	13.8%	20.8%	28,066	83,307	20,018	126,904	\$2.55
Buena Park/La Palma	2,134,751	5.0%	0.9%	6.0%	10.7%	5,078	(9,773)	22,865	39,027	\$2.21
Fullerton	2,975,265	3.8%	1.0%	4.8%	5.7%	13,453	8,518	22,857	56,351	\$2.76
North/East Anaheim	6,161,691	3.5%	3.5%	7.0%	7.3%	17,573	18,343	10,783	85,698	\$2.50
Placentia/Yorba Linda	858,996	7.2%	0.3%	7.5%	9.8%	(1,017)	(26,434)	4,365	15,014	\$2.11
Class A	2,924,270	9.1%	9.1%	18.1%	25.1%	24,224	31,520	22,642	119,860	\$2.61
Class B	13,297,854	6.4%	0.4%	6.9%	9.0%	40,502	41,419	59,265	227,481	\$2.44
Class C	1,909,028	2.7%	0.0%	2.7%	3.0%	(794)	8,206	9,365	9,566	\$2.06
North	18,032,094	6.5%	1.8%	8.3%	11.0%	63,932	81,145	91,272	356,907	\$2.45
Irvine Spectrum	15,811,245	10.8%	2.7%	13.5%	19.6%	(3,089)	(28,071)	202,783	497,936	\$2.77
Laguna Hills/Aliso Viejo	5,975,292	16.4%	5.9%	22.4%	25.7%	74,499	(4,133)	37,120	158,179	\$2.61
Laguna Niguel/Laguna Beach	2,033,374	5.3%	0.2%	5.5%	7.3%	(19,289)	(9,089)	5,777	34,616	\$2.91
Lake Forest/Foothill Ranch	3,868,937	18.3%	2.4%	20.6%	23.2%	(183,308)	(257,588)	2,520	138,138	\$2.37
Mission Viejo	2,395,810	16.6%	0.3%	17.0%	17.6%	(11,808)	(12,004)	18,681	11,974	\$2.89
Dana Point/San Juan/ San Clemente	2,985,615	4.7%	0.5%	5.2%	7.3%	156,715	54,530	46,854	65,848	\$2.72
Class A	10,869,870	12.3%	4.4%	16.7%	20.4%	137,068	34,926	137,708	399,239	\$2.93
Class B	20,566,648	12.8%	2.0%	14.8%	19.4%	(259,129)	(289,853)	171,112	485,486	\$2.64
Class C	1,633,755	3.9%	0.7%	4.6%	6.8%	135,781	(1,428)	4,915	21,966	\$2.49
South	33,070,273	12.2%	2.7%	14.9%	19.1%	13,720	(256,355)	313,735	906,691	\$2.70
Cypress	1,982,962	8.1%	0.1%	8.2%	24.5%	12,166	(45,600)	0	46,564	\$2.42
Fountain Valley	2,305,869	4.9%	0.7%	5.5%	5.8%	(1,748)	18,182	3,133	4,048	\$2.18
Garden Grove	2,178,950	3.3%	0.0%	3.3%	5.4%	(5,448)	5,303	6,481	14,811	\$2.28
Huntington Beach	2,963,722	14.9%	0.7%	15.6%	17.7%	(19,469)	(52,713)	6,161	48,123	\$2.87
Los Alamitos/Stanton	1,262,029	7.1%	0.2%	7.3%	7.2%	(45,166)	(35,169)	10,462	15,372	\$2.62
Seal Beach	574,922	11.6%	0.3%	11.9%	13.2%	(1,169)	(188)	2,588	17,530	\$3.40
Westminster	933,616	7.6%	0.5%	8.2%	10.3%	8,768	(16,389)	9,222	13,281	\$2.57
Class A	1,483,376	22.2%	1.5%	23.7%	40.5%	19,176	(48,980)	0	33,939	\$2.68
Class B	8,985,286	6.9%	0.3%	7.2%	9.4%	(71,876)	(74,315)	34,203	118,124	\$2.53
Class C	1,733,408	3.9%	0.0%	3.9%	4.7%	634	(8,423)	3,844	7,666	\$1.92
West	12,202,070	8.3%	0.4%	8.7%	12.5%	(52,066)	(126,574)	38,047	159,729	\$2.55
Orange County Total	144,342,014	12.6%	1.7%	14.3%	18.7%	(198,621)	(1,499,841)	1,365,497	3,252,349	\$2.68
Class A	49,838,558	18.2%	3.1%	21.3%	27.5%	(9,769)	(769,351)	729,908	1,374,572	\$3.00
Class B	82,421,552	10.3%	1.1%	11.4%	15.1%	(361,637)	(729,843)	575,000	1,750,456	\$2.58
Class C	12,077,264	4.8%	0.2%	5.0%	7.2%	172,785	(647)	60,367	127,321	\$2.32
Class Total	144,342,014	12.6%	1.7%	14.3%	18.7%	(198,621)	(1,499,841)	1,365,497	3,252,349	\$2.68

TOP SALE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Griffin Towers Properties	Airport Area	560,163	\$82,000,000	\$146.39	Barker Pacific Group	Blackstone Inc.
City Centre I	Central County	150,161	\$22,500,000	\$149.84	Watermarke Properties, Inc.	TA Realty
Main Corporate Center	Airport Area	70,964	\$16,900,000	\$238.15	FinFare	Wilshire Capital Partners
8 Hughes	South County	41,563	\$11,866,000	\$285.49	Thomas J Giancursio II	Stivers Investment Company
8850 Warner Ave	West County	15,300	\$4,370,000	\$285.62	Lxt Properties LLC	Vu Le

TOP LEASE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
15515 Sand Canyon Ave	South County	119,115	April 2023	Irvine Company	Axonics, Inc
4 Park Plaza	Airport Area	31,026	April 2023	Irvine Company	Undisclosed (Sublease)
3161 Michelson Dr	Airport Area	27,135	April 2023	Manulife US Real Estate	Undisclosed (Sublease)
15525 Sand Canyon Ave	South County	26,371	April 2023	Irvine Company	Axonics, Inc
18191 Von Karman Ave	Airport Area	25,473	May 2023	Lakeshore Towers LP	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	July 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



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

\$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