

MARKET TRENDS

ORANGE COUNTY OFFICE

MARKET DRIVERS

THE PANDEMIC'S continued implications for Orange County's office market have resulted in many companies reducing their workspaces or adapting to hybrid work arrangements due to the escalating costs of office space. It also applies to tenants whose leases are set to expire and who have chosen to move their offices from high-rise to low-rise buildings, which provide lower rent costs, free surface parking, and outdoor workstations.

SINCE THE BEGINNING of the year, vacancies have marginally increased; however, availability fell in the second part of the year as leasing exceeded space gains.

ECONOMIC REVIEW

ORANGE COUNTY economy is still growing, although slowly. In 2023, the economy is expected to expand gradually and slightly. There may be a growth in the demand for office space as businesses grow and more jobs are generated. The office market could benefit from reasonable regional and statewide regulations encouraging businesses to relocate to Orange County.

IN THE COUNTY, the technology, healthcare, and professional services sectors account for the majority of office tenants. The TAMI (Technology, Advertising, Media, and Information) and healthcare sectors are expanding and provide great office tenants.

NEAR-TERM OUTLOOK

IN THE IRVINE SPECTRUM TERRACE development, recently completed spec buildings have been leased to notable fresh tenants. The market's few expanding tenants have shown a predilection for brand-new, innovative office buildings.

IN CONTRAST to the historical average of the pre-pandemic peak, just a few smaller projects totaling 190,000 SF are now under development in Orange County. Labor shortages in the construction sector continue to press development schedules and costs.

MARKET SUMMARY

	3Q23	2Q23	2Q22	Annual Change
Direct Vacancy Rate	12.7%	12.4%	11.3%	12.83%
Total Availability Rate	18.3%	18.2%	17.2%	6.67%
Direct Asking Lease Rate	\$2.76	\$2.68	\$2.69	2.60%
Total SF Leased	1,251,411	2,562,882	2,146,519	-41.70%
Total SF Sold	1,176,852	1,332,597	850,558	38.36%
Direct Net Absorption	(532,603)	(63,977)	(123,025)	N/A

↓ **1.3M SF**
LEASING ACTIVITY

↓ **-533K SF**
NET ABSORPTION

↑ **12.7%**
VACANCY RATE

↑ **\$2.76**
ASKING RENT (AVG)

↓ **0K SF**
NEW DELIVERIES

Year-Over-Year Trend

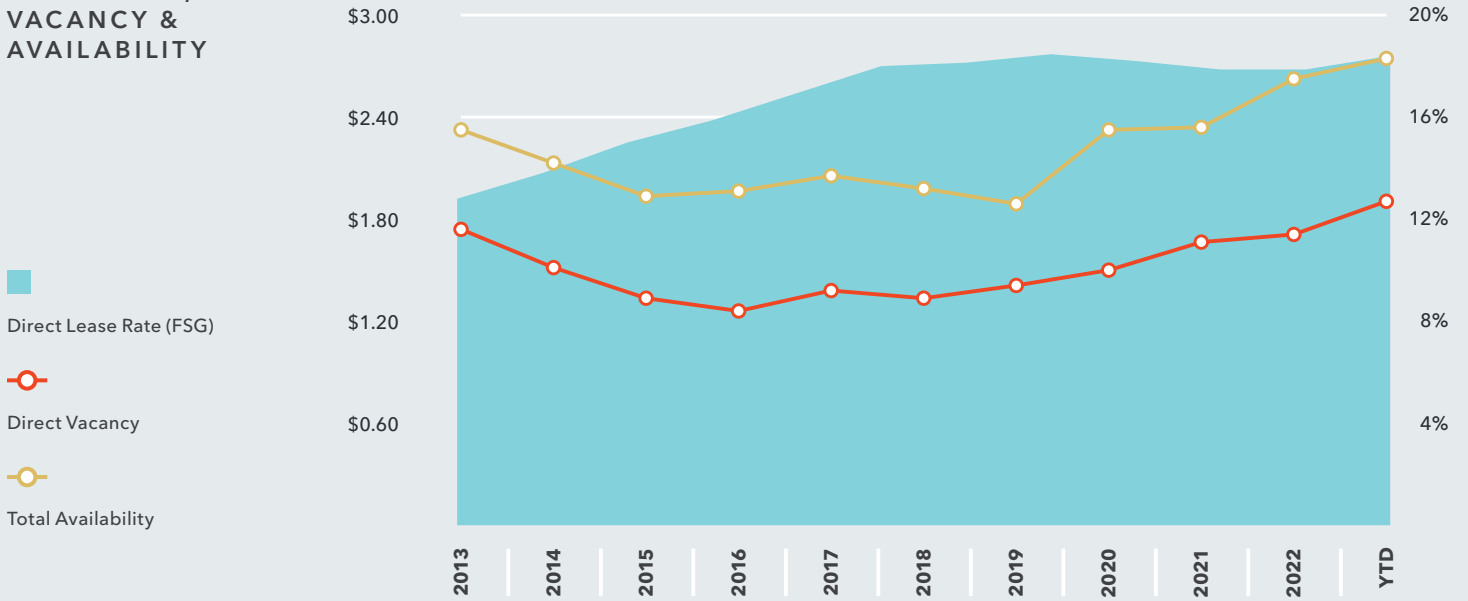
MARKET HIGHLIGHTS

THE DIRECT MARKET VACANCY RATE in Orange County is now 12.7%.

AVERAGE ASKING PRICE on a full-service basis was \$2.76/SF.

DURING 3Q 2023 190K SF will still be under construction.

LEASE RATE, VACANCY & AVAILABILITY

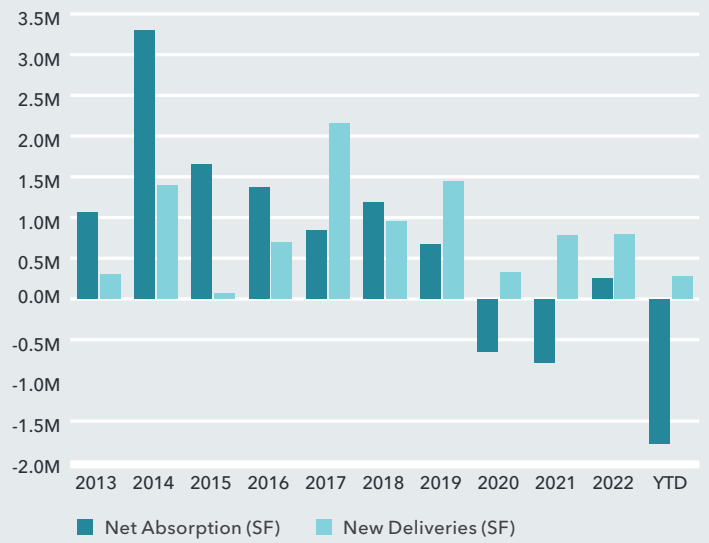


BIGGEST SALE OF THE QUARTER

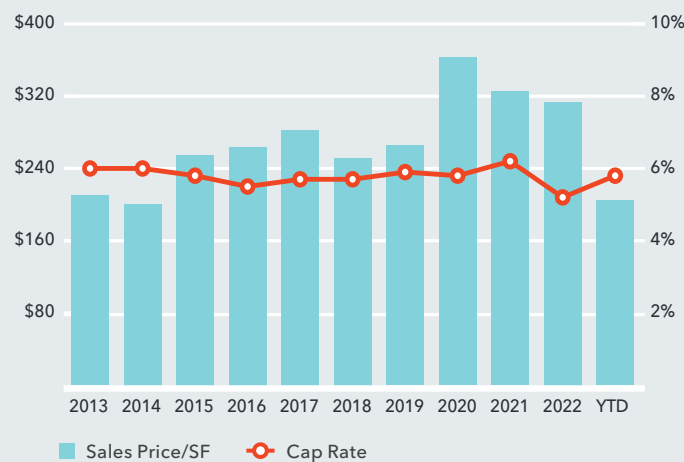
Canvas South Portfolio



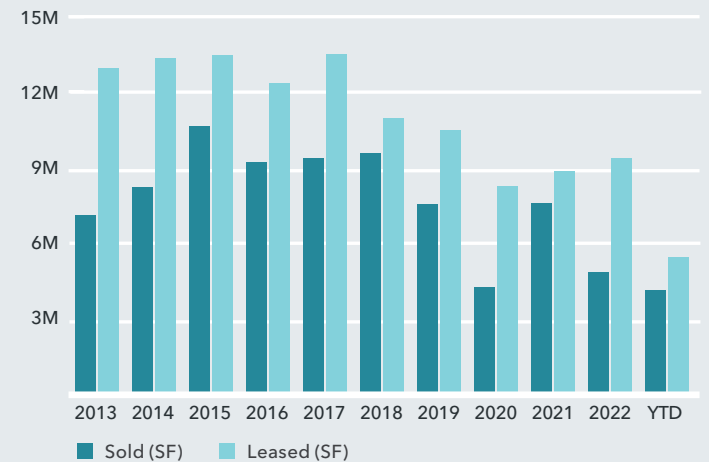
NET ABSORPTION & NEW DELIVERIES



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	3Q 23 Direct Net Absorption	YTD Direct Net Absorption	3Q Total Leasing Activity	YTD Total Leasing Activity	Average Rental Rate (F5)
Costa Mesa	9,238,303	13.6%	2.5%	16.2%	24.0%	68,023	(83,767)	64,275	400,793	\$2.97
Irvine/Tustin Legacy	27,708,174	15.4%	1.9%	17.3%	21.7%	(5,895)	(448,331)	383,892	1,503,683	\$2.75
Newport Beach	13,023,895	10.7%	1.3%	12.0%	15.8%	(58,552)	(273,250)	164,382	462,042	\$3.71
South Santa Ana	2,469,234	22.2%	0.3%	22.5%	27.7%	192,911	110,613	10,508	128,454	\$2.49
Class A	27,016,171	18.7%	2.4%	21.1%	26.9%	124,340	(512,147)	383,973	1,473,769	\$3.40
Class B	22,824,390	10.1%	1.3%	11.4%	15.4%	62,369	(188,980)	205,298	908,978	\$2.74
Class C	2,599,045	4.6%	0.2%	4.8%	6.9%	9,778	6,392	33,786	112,225	\$3.19
Airport	52,439,606	14.2%	1.8%	16.0%	20.9%	196,487	(694,735)	623,057	2,494,972	\$2.95
Civic Center Area	5,269,705	8.2%	0.2%	8.4%	7.3%	35,778	54,875	10,990	210,014	\$2.20
East Orange	1,993,932	6.7%	0.5%	7.2%	20.6%	(7,605)	(3,735)	16,399	54,222	\$2.68
Main Place	2,983,158	15.1%	1.8%	16.9%	18.1%	(21,754)	(103,874)	4,594	51,535	\$2.48
Parkcenter	5,057,128	15.7%	0.4%	16.1%	21.6%	(7,660)	(137,107)	25,397	182,544	\$2.24
Santa Ana	5,071,342	17.6%	1.4%	19.1%	24.2%	33,237	116,356	26,759	102,957	\$2.51
Stadium Area	3,614,749	18.6%	1.1%	19.7%	21.2%	(18,453)	(36,252)	27,987	168,184	\$2.30
The City	2,663,918	25.6%	0.0%	25.6%	30.6%	(6,135)	(73,000)	30,379	72,510	\$2.60
Tustin	1,995,264	1.8%	0.8%	2.6%	5.4%	(2,239)	37,393	1,571	30,327	\$2.16
Class A	7,437,970	25.2%	1.1%	26.3%	31.1%	(50,454)	(217,111)	49,526	388,341	\$2.77
Class B	16,985,343	11.1%	0.8%	11.9%	15.3%	82,871	119,612	64,559	405,401	\$2.29
Class C	4,225,883	7.8%	0.2%	8.0%	10.2%	(27,248)	(47,845)	29,991	78,551	\$1.94
Central	28,649,196	14.3%	0.8%	15.1%	18.7%	5,169	(145,344)	144,076	872,293	\$2.39
Anaheim Hills	1,284,012	5.2%	1.1%	6.4%	7.5%	1,200	17,226	2,345	33,468	\$2.21
Brea/La Habra	4,610,566	14.9%	0.7%	15.6%	24.0%	(74,360)	(6,141)	27,868	181,918	\$2.55
Buena Park/La Palma	2,198,970	7.4%	0.9%	8.3%	10.8%	(53,406)	(64,192)	10,131	48,657	\$2.22
Fullerton	2,995,265	3.0%	0.9%	3.9%	5.5%	32,970	53,026	15,439	62,817	\$2.44
North/East Anaheim	6,190,585	3.7%	3.3%	7.0%	8.2%	(15,428)	3,664	7,527	111,277	\$2.52
Placentia/Yorba Linda	858,996	7.6%	0.5%	8.1%	10.3%	(7,754)	(29,341)	1,949	24,861	\$2.17
Class A	2,924,270	12.7%	8.8%	21.6%	25.6%	(99,936)	(75,688)	7,027	155,799	\$2.59
Class B	13,349,054	6.3%	0.3%	6.7%	9.9%	5,373	70,687	54,002	291,764	\$2.41
Class C	1,948,544	4.1%	0.1%	4.2%	6.5%	(22,215)	(20,757)	4,230	15,435	\$2.05
North	18,138,394	7.2%	1.7%	8.9%	12.1%	(116,778)	(25,758)	65,259	462,998	\$2.42
Irvine Spectrum	15,865,274	12.5%	2.7%	15.2%	18.6%	(364,263)	(311,999)	211,889	796,301	\$3.13
Laguna Hills/Aliso Viejo	5,966,642	20.8%	6.7%	27.5%	33.4%	(295,393)	(273,138)	33,617	133,678	\$2.57
Laguna Niguel/Laguna Beach	2,033,374	4.6%	0.2%	4.8%	6.0%	21,001	3,916	4,816	15,750	\$2.89
Lake Forest/Foothill Ranch	3,879,917	19.1%	2.3%	21.4%	23.0%	(16,493)	(290,372)	58,010	76,150	\$2.29
Mission Viejo	2,347,231	14.9%	0.2%	15.1%	15.6%	16,650	28,478	20,482	64,871	\$2.98
Dana Point/San Juan/San Clemente	2,997,850	4.3%	0.6%	4.9%	6.1%	12,548	68,122	31,201	142,383	\$2.72
Class A	10,901,408	15.3%	4.9%	20.2%	21.0%	(357,082)	(333,395)	131,047	524,290	\$3.31
Class B	20,539,078	13.6%	1.9%	15.5%	19.9%	(281,056)	(430,175)	217,758	659,694	\$2.82
Class C	1,649,802	4.5%	0.9%	5.3%	7.0%	12,188	(11,423)	11,210	45,149	\$2.44
South	33,090,288	13.7%	2.9%	16.6%	19.7%	(625,950)	(774,993)	360,015	1,229,133	\$2.92
Cypress	1,970,847	9.1%	0.0%	9.1%	23.8%	5,718	(64,292)	16,389	116,885	\$2.43
Fountain Valley	2,331,869	4.3%	0.7%	5.0%	5.7%	(6,147)	30,468	300	20,346	\$2.22
Garden Grove	2,178,950	4.3%	0.0%	4.3%	5.4%	(19,927)	(15,283)	8,578	44,614	\$2.28
Huntington Beach	2,963,664	15.5%	1.3%	16.7%	18.6%	(9,682)	(68,912)	24,622	113,465	\$2.84
Los Alamitos/Stanton	1,262,029	6.5%	0.2%	6.6%	7.2%	6,010	(27,459)	3,392	26,969	\$2.17
Seal Beach	574,922	11.0%	0.3%	11.3%	12.6%	3,503	3,315	0	4,036	\$3.41
Westminster	919,579	4.7%	0.6%	5.2%	6.7%	28,994	11,725	5,723	15,945	\$2.40
Class A	1,483,376	22.2%	1.5%	23.7%	41.1%	(197)	(49,177)	3,096	65,096	\$2.68
Class B	8,989,113	7.3%	0.5%	7.8%	9.3%	(8,799)	(109,356)	54,125	263,036	\$2.43
Class C	1,729,371	1.8%	0.0%	1.8%	3.0%	17,465	28,095	1,783	14,128	\$2.18
West	12,201,860	8.4%	0.5%	8.9%	12.3%	8,469	(130,438)	59,004	342,260	\$2.51
Orange County Total	144,519,344	12.7%	1.7%	14.5%	18.3%	(532,603)	(1,771,268)	1,251,411	5,401,656	\$2.76
Class A	49,652,081	18.7%	3.1%	21.8%	26.7%	(383,329)	(1,187,518)	574,669	2,607,295	\$3.12
Class B	82,729,978	10.3%	1.1%	11.4%	15.0%	(139,242)	(538,212)	595,742	2,528,873	\$2.65
Class C	12,132,645	5.2%	0.2%	5.5%	7.4%	(10,032)	(45,538)	81,000	265,488	\$2.29
Class Total	144,519,344	12.7%	1.7%	14.5%	18.3%	(532,603)	(1,771,268)	1,251,411	5,401,656	\$2.76

TOP SALE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Canvas South Portfolio (5 Bldgs)	Airport Area	553,530	\$91,500,000	\$165.30	MGR Real Estate	EQ Office
Raytheon Campus Portfolio (2 Bldgs)	North County	405,130	\$76,500,000	\$188.83	Undisclosed	Hughes Dr Acquisitions Ptr
Sandpointe Portfolio (3 Bldgs)	Airport Area	417,061	\$36,300,000	\$87.04	Watermarke Properties, Inc	Cress Capital
Equitable Garry Plaza Portfolio (3 Bldgs)	Central County	99,000	\$14,800,000	\$149.49	Terreno Realty	Greenlaw Partners
Costa Mesa Medical Arts	Airport Area	27,000	\$11,750,000	\$435.19	Zaminbaz Investment Group	Dalessio Investor
17101 Bushard St	West County	16,133	\$8,125,000	\$503.63	City of Fountain Valley	The BSK Family Trust

TOP LEASE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
17100 Laguna Canyon Rd - Spectrum Terrace	South County	59,803	August 2023	Irvine Company	Undisclosed (Sublease)
25510 Commercentre Dr - Pacific Vista	South County	36,291	September 2023	Prologis, Inc	Undisclosed
15253 Bake Pky	South County	32,502	July 2023	IS Equities	Vision Evangelism (Sublease)
3353 Michelson Dr - Park Place	Airport Area	25,911	August 2023	Principal	Undisclosed
300 Spectrum Center Dr	South County	24,304	August 2023	Irvine Company	Undisclosed
611 Anton Blvd - Pacific Arts Plaza	Airport Area	19,981	July 2023	Irvine Company	Undisclosed

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
Saddleback Women's Health Pavillion	24401 Calle de la Louisa	South County	40,000	Calle De La Louisa Holdings LLC	September 2023
CHOC Southwest Tower	577 S Main St	Central County	15,000	Children's Hospital of Orange County	November 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.

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COMMERCIAL BROKERAGE	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,800+</i> ASSIGNMENTS ANNUALLY	<i>41</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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