

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

	4Q23	3Q23	4Q22	Annual Change
Direct Vacancy Rate	12.4%	12.5%	11.3%	9.99%
Total Availability Rate	18.0%	17.6%	17.4%	3.31%
Direct Asking Lease Rate	\$2.79	\$2.77	\$2.68	4.10%
Total SF Leased	1,907,038	2,016,923	2,202,511	-13.42%
Total SF Sold	1,091,146	2,181,150	933,153	16.93%
Direct Net Absorption	152,072	(262,690)	3,939	N/A

4Q 2023

↑ **1.9M SF**
LEASING ACTIVITY

↑ **152K SF**
NET ABSORPTION

↑ **12.4%**
VACANCY RATE

↑ **\$2.79**
ASKING RENT (AVG)

↑ **40K SF**
NEW DELIVERIES

Year-Over-Year Trend

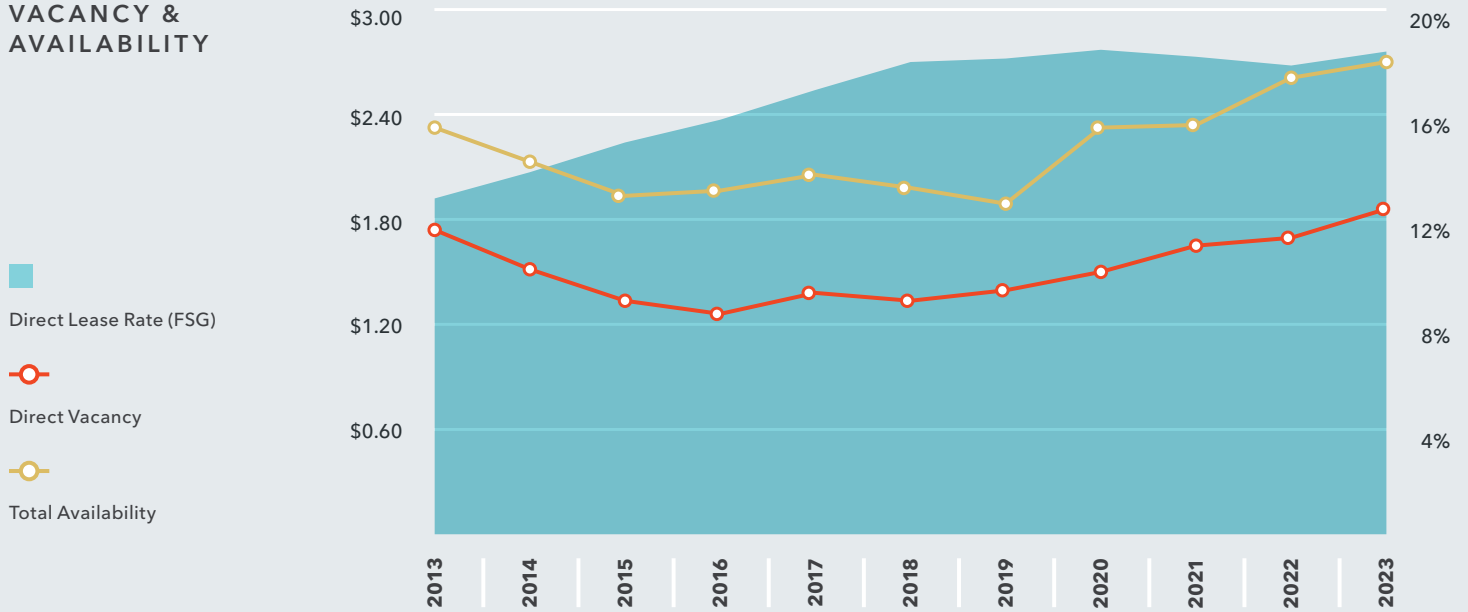
MARKET HIGHLIGHTS

DIRECT MARKET VACANCY RATE in Orange County is now 12.4%

AVERAGE ASKING PRICE on a full-service basis was \$2.79/SF

UNDER CONSTRUCTION totals 152K SF during 4Q 2023

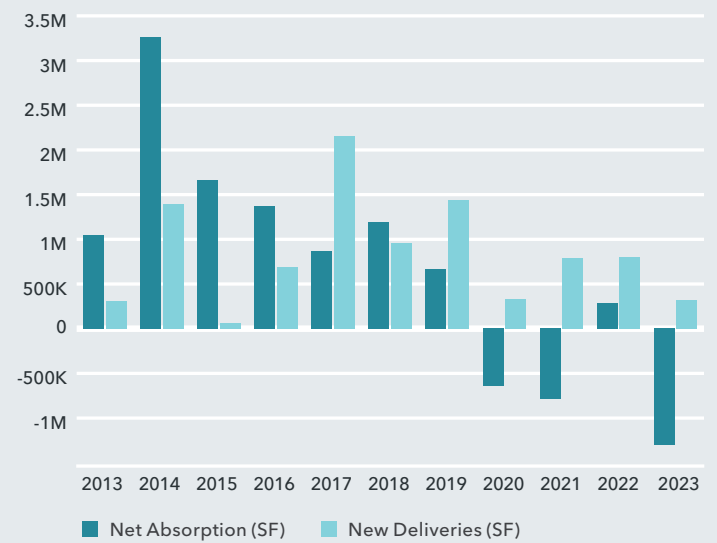
LEASE RATE, VACANCY & AVAILABILITY



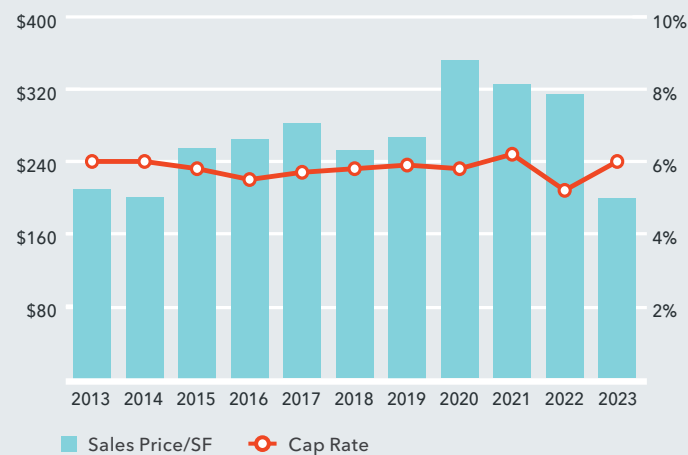
BIGGEST SALE OF THE QUARTER 2040 & 2050 Main St, Irvine



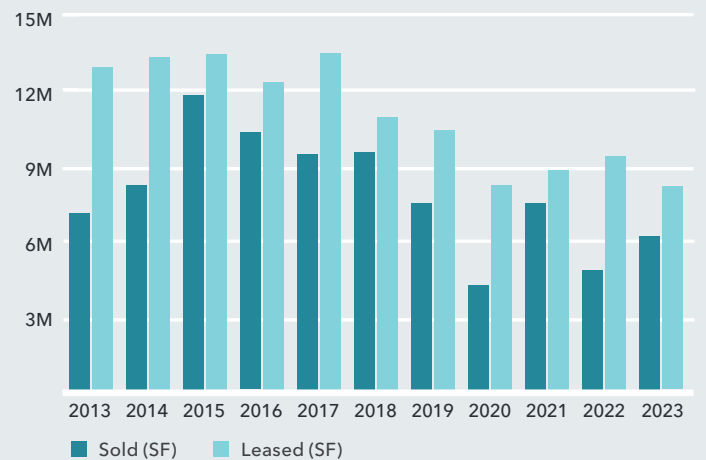
NET ABSORPTION & NEW DELIVERIES



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	4Q 23 Direct Net Absorption	YTD Direct Net Absorption	4Q Total Leasing Activity	YTD Total Leasing Activity	Average Rental Rate (F5)
Costa Mesa	9,239,734	14.0%	3.0%	17.0%	24.3%	(32,664)	(120,118)	88,892	530,678	\$3.12
Irvine/Tustin Legacy	27,537,696	14.5%	1.8%	16.3%	21.0%	164,171	(227,245)	451,532	2,275,310	\$2.78
Newport Beach	13,022,582	10.3%	1.2%	11.5%	16.0%	20,114	(219,590)	237,832	756,686	\$3.61
South Santa Ana	2,466,100	22.8%	0.3%	23.1%	26.9%	6,394	98,061	37,328	128,192	\$2.49
Class A	26,949,070	18.5%	2.6%	21.1%	27.9%	(912)	(498,606)	507,091	2,102,243	\$3.19
Class B	22,728,320	9.2%	1.0%	10.2%	13.5%	156,047	23,009	280,881	1,446,546	\$2.75
Class C	2,588,722	4.6%	0.2%	4.8%	7.9%	2,880	6,705	27,612	142,077	\$3.02
Airport	52,266,112	13.8%	1.8%	15.5%	20.6%	158,015	(468,892)	815,584	3,690,866	\$2.98
Civic Center Area	5,202,001	7.7%	0.2%	7.9%	7.3%	18,693	86,467	12,241	224,035	\$2.23
East Orange	1,996,976	6.1%	0.6%	6.6%	20.0%	(3,445)	8,562	78,427	134,159	\$2.62
Main Place	2,987,575	15.2%	2.2%	17.4%	21.1%	(18,009)	(105,890)	9,446	106,113	\$2.48
Parkcenter	5,066,399	15.7%	0.3%	16.0%	19.5%	(9,567)	(137,799)	68,819	265,354	\$2.19
Santa Ana	5,071,006	18.1%	1.2%	19.2%	21.2%	(18,159)	93,759	207,364	319,542	\$2.39
Stadium Area	3,617,446	17.4%	1.1%	18.5%	20.1%	28,644	4,894	66,375	247,672	\$2.33
The City	2,663,918	22.9%	0.0%	22.9%	28.8%	19,760	(19,477)	14,898	88,826	\$2.60
Tustin	1,944,262	1.3%	1.1%	2.4%	5.3%	8,724	46,117	1,859	32,186	\$2.14
Class A	7,443,429	24.2%	1.1%	25.3%	27.3%	42,079	(139,586)	316,540	755,641	\$2.77
Class B	16,881,162	10.7%	0.8%	11.5%	15.4%	22,809	190,629	106,862	540,573	\$2.20
Class C	4,224,992	8.3%	0.2%	8.5%	10.3%	(38,247)	(74,410)	36,027	121,673	\$1.84
Central	28,549,583	13.9%	0.8%	14.6%	17.8%	26,641	(23,367)	459,429	1,417,887	\$2.33
Anaheim Hills	1,350,748	5.3%	1.2%	6.6%	11.1%	(4,939)	16,604	8,897	47,846	\$2.18
Brea/La Habra	4,609,063	14.2%	0.6%	14.8%	20.9%	(55,826)	24,595	123,658	415,453	\$2.57
Buena Park/La Palma	2,325,206	6.4%	0.1%	6.5%	9.3%	8,602	(52,060)	23,551	79,458	\$2.21
Fullerton	2,925,265	3.2%	0.9%	4.1%	6.6%	(4,710)	46,456	23,936	93,574	\$2.43
North/East Anaheim	6,191,805	3.7%	3.3%	7.0%	8.8%	878	6,858	22,316	134,843	\$2.55
Placentia/Yorba Linda	856,877	8.7%	0.3%	9.0%	10.1%	(12,699)	(39,346)	3,455	29,621	\$2.14
Class A	2,924,270	11.8%	8.0%	19.7%	23.4%	(56,163)	(47,738)	115,153	375,921	\$2.71
Class B	13,344,853	6.3%	0.4%	6.7%	10.1%	(3,752)	78,242	83,164	401,393	\$2.37
Class C	2,073,315	4.2%	0.0%	4.2%	5.9%	(8,779)	(27,397)	7,496	23,481	\$2.16
North	18,258,964	7.0%	1.5%	8.5%	11.8%	(68,694)	3,107	205,813	800,795	\$2.45
Irvine Spectrum	15,775,907	11.9%	3.1%	15.1%	19.0%	36,510	(209,919)	184,427	1,091,892	\$3.16
Laguna Hills/Aliso Viejo	6,043,978	20.9%	6.5%	27.4%	33.4%	11,344	(256,580)	67,406	235,520	\$2.77
Laguna Niguel/Laguna Beach	2,033,374	5.0%	0.2%	5.2%	5.6%	(8,211)	(4,647)	13,796	32,489	\$3.11
Lake Forest/Foothill Ranch	3,847,351	19.5%	2.9%	22.4%	22.6%	(32,379)	(301,579)	33,639	125,034	\$2.31
Mission Viejo	2,347,231	14.7%	0.7%	15.4%	15.9%	(172)	33,013	6,144	75,405	\$2.37
Dana Point/San Juan/San Clemente	2,997,850	4.9%	0.5%	5.4%	7.3%	(6,882)	51,443	13,234	162,242	\$2.76
Class A	10,966,716	14.9%	5.5%	20.4%	21.4%	32,421	(254,278)	116,027	667,959	\$3.27
Class B	20,347,526	13.6%	2.0%	15.6%	20.1%	(29,810)	(414,956)	197,252	991,173	\$2.82
Class C	1,721,449	5.4%	0.8%	6.1%	8.1%	(2,401)	(19,035)	5,367	63,450	\$2.47
South	33,045,691	13.6%	3.1%	16.7%	19.9%	210	(688,269)	318,646	1,722,582	\$2.92
Cypress	1,970,847	8.9%	0.0%	8.9%	16.5%	7,166	(59,305)	12,633	154,575	\$2.46
Fountain Valley	2,329,795	4.6%	0.7%	5.2%	5.5%	(5,752)	24,118	15,418	37,163	\$2.23
Garden Grove	2,178,552	4.4%	0.0%	4.4%	6.1%	5,659	(17,437)	8,555	54,358	\$2.15
Huntington Beach	2,961,581	15.1%	0.7%	15.7%	18.4%	12,142	(56,727)	54,248	168,751	\$2.70
Los Alamitos/Stanton	1,262,029	5.7%	0.2%	5.9%	6.7%	9,856	(17,555)	10,789	44,291	\$2.18
Seal Beach	574,922	10.4%	0.3%	10.7%	11.6%	(1,461)	6,653	4,730	10,989	\$3.42
Westminster	919,579	6.4%	0.6%	6.9%	7.8%	8,290	(3,843)	1,193	21,257	\$2.43
Class A	1,481,297	21.4%	1.0%	22.4%	30.3%	16,951	(37,413)	35,334	100,755	\$2.68
Class B	8,986,637	7.5%	0.3%	7.9%	9.8%	6,545	(127,182)	61,603	361,958	\$2.41
Class C	1,729,371	1.1%	0.0%	1.1%	1.7%	12,404	40,499	10,629	28,671	\$2.29
West	12,197,305	8.3%	0.4%	8.7%	11.1%	35,900	(124,096)	107,566	491,384	\$2.51
Orange County Total	144,317,655	12.4%	1.7%	14.2%	18.0%	152,072	(1,301,517)	1,907,038	8,123,514	\$2.79
Class A	49,653,668	18.3%	3.3%	21.6%	26.2%	34,376	(977,621)	1,090,145	4,002,519	\$3.09
Class B	82,331,498	9.9%	1.0%	11.0%	14.6%	151,839	(250,258)	729,762	3,741,643	\$2.65
Class C	12,347,849	5.4%	0.2%	5.6%	7.5%	(34,143)	(73,638)	87,131	379,352	\$2.26
Class Total	144,317,655	12.4%	1.7%	14.2%	18.0%	152,072	(1,301,517)	1,907,038	8,123,514	\$2.79

TOP SALE TRANSACTIONS 4Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2040 & 2050 Main St	Airport Area	314,074	\$57,500,000	\$183.08	Greenlaw Partners	AEW Capital Management
Lincoln Technology Center	West County	126,898	\$35,000,217	\$275.81	JYJ Logistics, LLC	HK Ventures
1065 N Link	North County	95,371	\$29,286,500	\$307.08	Easterly Government Properties, Inc.	Hines
3 Hutton Centre Dr	Airport Area	200,443	\$28,900,000	\$144.18	3 Hutton, LLC	Cypress Office Properties
765 The City Drive South	Central County	99,835	\$23,300,000	\$233.39	Astiva Health, Inc	TPG Angelo Gordon & Co., L.P.
Cedarwoods Business Center	North County	85,700	\$19,450,000	\$226.95	HK Ventures	Paul Hinterberg

TOP LEASE TRANSACTIONS 4Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1700 E Saint Andrew Pl	Central County	59,803	December 2023	Drawbridge Realty	Undisclosed
19500 Jamboree Rd	Airport Area	92,893	November 2023	ESRI	Canon U.S.A.
363 S Main St	Central County	68,500	October 2023	St Joseph Hospital Of Orange	Helen Caloggero Women's & Family Health Ctr
100 Bayview Cir	Airport Area	53,478	October 2023	Granite Properties, Inc.	Best Choice Products
3220 El Camino Real	Airport Area	44,210	October 2023	The Irvine Company	HDR (Sublease)
2983 Michelson Dr	Airport Area	35,459	November 2023	PIMCO Prime Real Estate LLC	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	March 2024
CHOC Southwest Tower	577 S Main St	Central County	15,000	Children's Hospital of Orange County	May 2024

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

2,800+

ASSIGNMENTS
ANNUALLY

42

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS