

MARKET TRENDS

ORANGE COUNTY OFFICE

MARKET DRIVERS

In the first quarter of 2024, the Orange County Office market is showing signs of stabilization following the pandemic. It is anticipated that Orange County's office market will sustain its strong performance in the coming quarters. The net absorption reported has decreased because of a decrease in leasing activity. Despite the market stabilizing, there are still a considerable number of job openings compared to historical patterns. The market maintains its strength and balance because of the limited construction of new office buildings, which serves as a safeguard against rising labor costs and ongoing economic instability.

Though still higher than pre-pandemic levels, vacancy rates were unchanged from the previous quarter. The market statistics are a better performance than their surrounding neighboring areas. This new year will see additional renewals, modifications, or relocations because of the company's hybrid work arrangements, which result in a reduction of workspaces.

ECONOMIC REVIEW

Orange County's economy is projected to grow by 2.5% in 2024 but at a slower rate compared to the ongoing positive and strong growth. The primary industries driving its growth are technology, healthcare, and financial services, and it has rebounded more successfully than average with minimal job losses.

Employment has seen a significant cumulative increase because of population growth following the epidemic. There is a growing need for office space on medical campuses and research centers due to the fast development of the healthcare industry and the emergence of technology hubs that are drawing both startups and established technology companies. The two biggest industries to hire people will still be accounting and consulting.

NEAR-TERM OUTLOOK

Office space is in high demand because of limited new construction and increasing rates. The rising need for flexible workspaces, hybrid work models, and remote work all contribute to the demand for flexible office setups. Rents are expected to continue rising, especially for premium office locations.

Market Summary

	1Q24	4Q23	1Q23	YOY Change
Direct Vacancy Rate	12.7%	12.5%	12.3%	3.60%
Availability Rate	18.0%	17.7%	18.2%	-1.27%
Asking Lease Rate	\$2.79	\$2.79	\$2.67	4.49%
	1Q24	4Q23	1Q23	YOY Change
Lease Volume(SF)	1,185,639	1,987,037	1,640,005	-27.71%
Sale Volume(SF)	563,800	1,213,986	1,553,935	-63.72%
Net Absorption	(364,314)	116,422	(1,233,888)	N/A

↓ 1.2M SF
LEASING ACTIVITY

↑ 364M SF
NET ABSORPTION

↑ 12.7%
VACANCY RATE

↑ \$2.79
ASKING RENT (AVG)

↓ 0 SF
NEW DELIVERIES

Year-Over-Year Trend

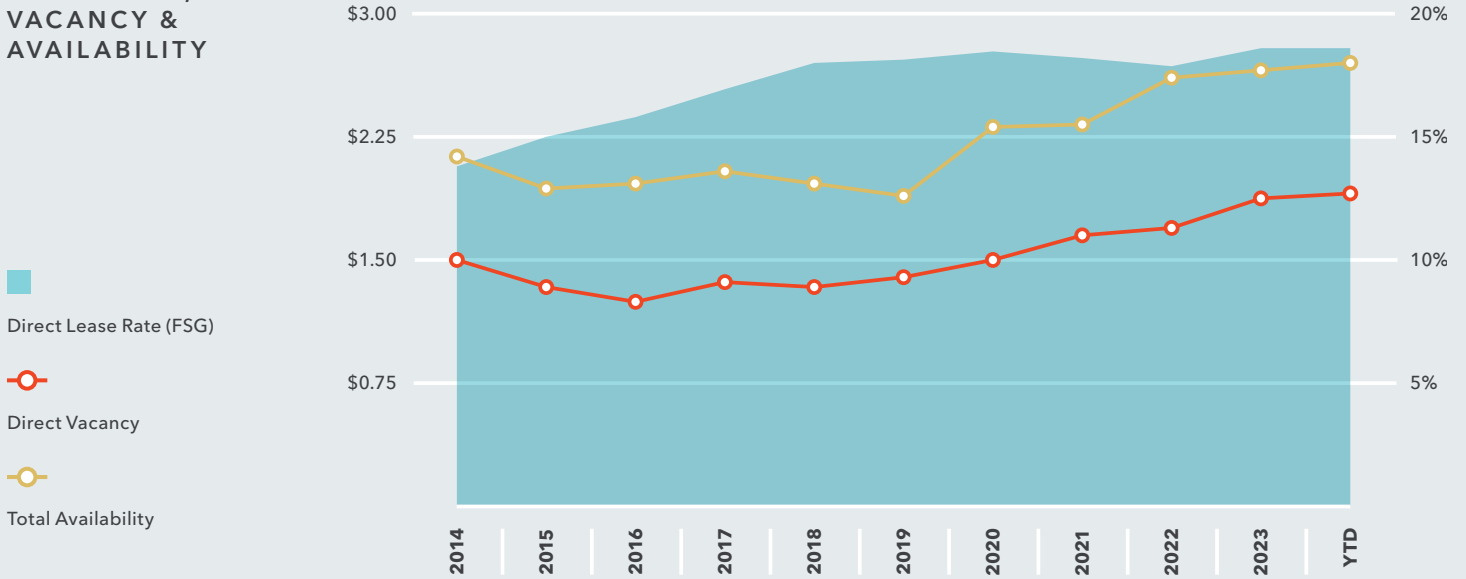
Market Highlights

THE DIRECT MARKET vacancy rate in Orange County is now 12.7%

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

AS OF THE NEW YEAR 2024, 152K SF are still under development

LEASE RATE, VACANCY & AVAILABILITY

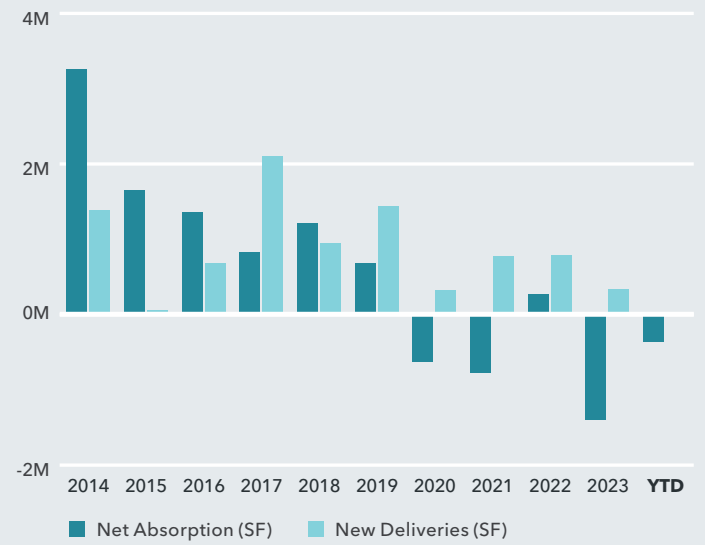


BIGGEST SALE OF THE QUARTER

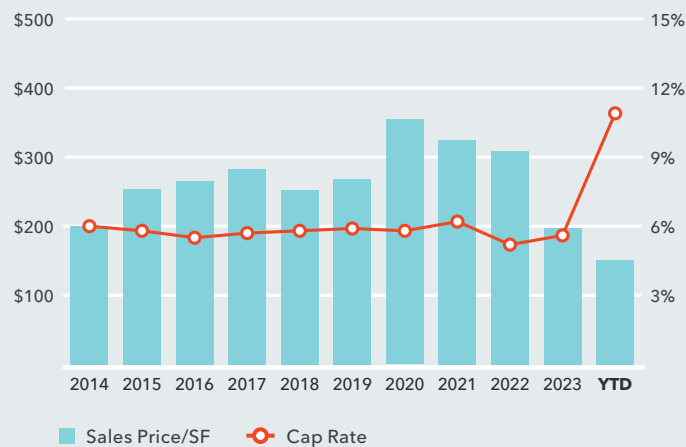
MacArthur Place, Santa Ana, CA



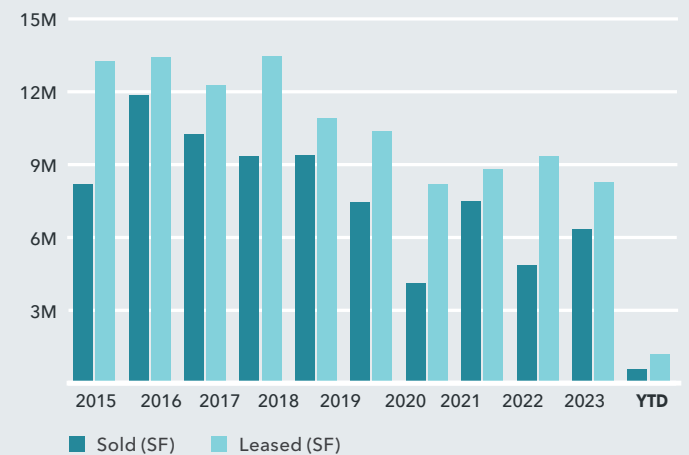
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY

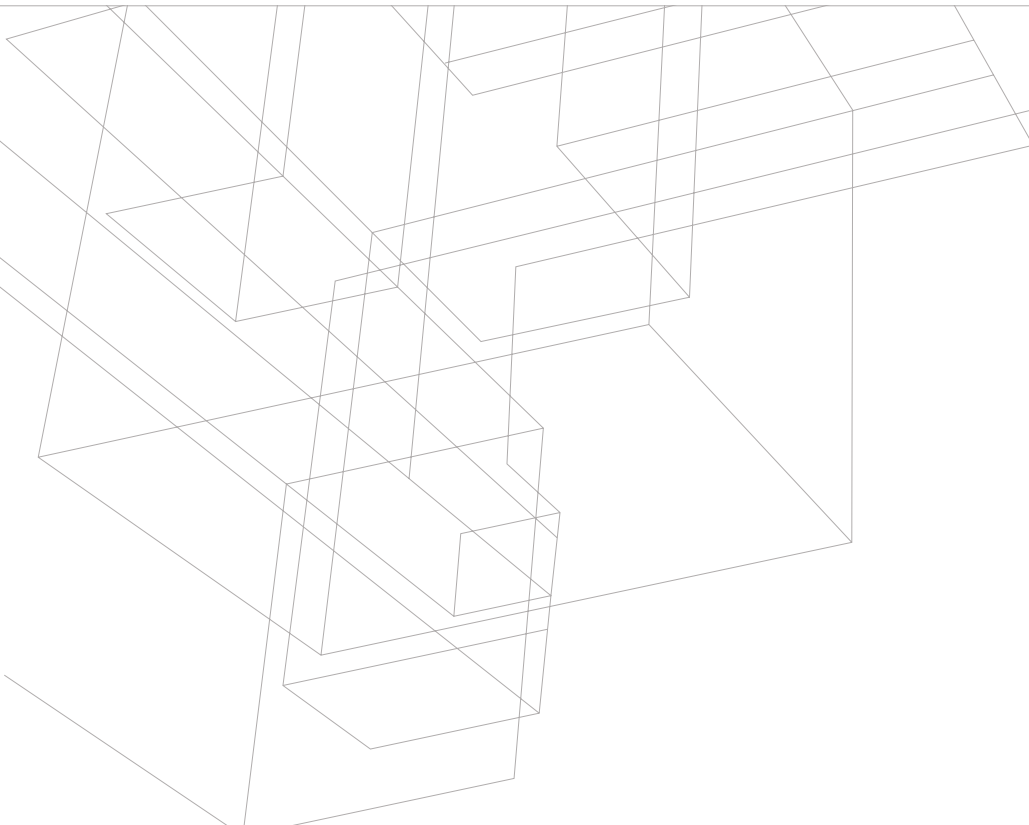


SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q24 Direct Net Absorption	YTD Direct Net Absorption	1Q24 Leasing Activity	YTD Leasing Activity	AVG Direct Rental Rate
Costa Mesa	9,240,857	14.3%	2.9%	17.3%	23.5%	17,080	17,080	89,099	89,099	\$3.14
Irvine/Tustin Legacy	27,689,697	15.5%	1.4%	16.8%	22.1%	(291,318)	(291,318)	418,389	418,389	\$2.79
Newport Beach	13,044,129	10.8%	1.0%	11.8%	16.2%	(66,572)	(66,572)	97,881	97,881	\$3.63
South Santa Ana	2,466,100	23.5%	0.3%	23.9%	25.7%	(20,688)	(20,688)	15,118	15,118	\$2.63
Class A	27,241,779	19.2%	2.3%	21.5%	27.9%	(227,551)	(227,551)	415,760	415,760	\$3.15
Class B	22,621,254	10.0%	0.5%	10.6%	14.2%	(147,159)	(147,159)	189,694	189,694	\$2.76
Class C	2,577,750	4.0%	1.4%	5.4%	9.0%	13,212	13,212	15,033	15,033	\$2.97
Airport	52,440,783	14.5%	1.5%	16.0%	21.1%	(361,498)	(361,498)	620,487	620,487	\$2.97
Civic Center Area	5,402,244	7.5%	0.4%	7.9%	7.3%	(5,515)	(5,515)	2,426	2,426	\$2.10
East Orange	1,983,712	4.6%	1.6%	6.3%	17.3%	13,933	13,933	17,229	17,229	\$2.54
Main Place	3,028,616	14.1%	2.2%	16.3%	20.8%	19,751	19,751	5,959	5,959	\$2.65
Parkcenter	5,066,471	16.0%	0.1%	16.2%	21.9%	(15,841)	(15,841)	24,801	24,801	\$2.18
Santa Ana	5,085,896	19.0%	1.2%	20.2%	20.7%	148,289	148,289	35,190	35,190	\$2.38
Stadium Area	3,626,469	16.5%	1.5%	18.0%	20.4%	31,643	31,643	18,018	18,018	\$2.32
The City	2,663,918	22.8%	0.0%	22.8%	29.2%	(651)	(651)	7,299	7,299	\$1.00
Tustin	1,942,137	4.1%	0.9%	4.9%	4.9%	(53,098)	(53,098)	18,861	18,861	\$2.40
Class A	7,252,322	22.8%	1.1%	23.9%	28.9%	113,200	113,200	15,422	15,422	\$2.67
Class B	17,253,461	11.5%	1.0%	12.5%	15.0%	49,865	49,865	92,843	92,843	\$2.23
Class C	4,293,680	8.3%	0.2%	8.5%	10.6%	(24,554)	(24,554)	21,518	21,518	\$1.80
Central	28,799,463	13.9%	0.9%	14.7%	17.8%	138,511	138,511	129,783	129,783	\$2.31
Anaheim Hills	1,362,506	6.3%	1.2%	7.5%	11.3%	(14,342)	(14,342)	16,752	16,752	\$2.27
Brea/La Habra	4,504,401	12.5%	0.6%	13.1%	23.1%	99,516	99,516	11,140	11,140	\$2.57
Buena Park/La Palma	2,325,206	8.7%	0.0%	8.7%	12.4%	(53,745)	(53,745)	15,243	15,243	\$2.13
Fullerton	2,925,265	3.2%	0.9%	4.1%	6.5%	(1,072)	(1,072)	24,328	24,328	\$2.61
North/East Anaheim	6,259,320	4.5%	3.3%	7.8%	8.1%	(19,066)	(19,066)	16,220	16,220	\$2.46
Placentia/Yorba Linda	813,877	9.8%	0.3%	10.1%	10.9%	(4,833)	(4,833)	10,274	10,274	\$2.10
Class A	2,924,270	13.8%	8.0%	21.7%	26.1%	(57,947)	(57,947)	8,643	8,643	\$2.72
Class B	13,260,196	6.0%	0.4%	6.4%	10.6%	49,934	49,934	77,539	77,539	\$2.36
Class C	2,132,583	5.0%	0.0%	5.0%	5.0%	14,471	14,471	7,775	7,775	\$2.16
North	18,233,575	7.2%	1.5%	8.7%	12.4%	6,458	6,458	93,957	93,957	\$2.44
Irvine Spectrum	15,844,036	12.4%	2.5%	14.8%	17.8%	(128,619)	(128,619)	204,168	204,168	\$3.16
Laguna Hills/Aliso Viejo	6,048,866	21.2%	4.3%	25.4%	32.2%	(22,893)	(22,893)	52,113	52,113	\$2.79
Laguna Niguel/Laguna Beach	2,053,858	5.3%	0.2%	5.5%	6.6%	574	574	5,042	5,042	\$3.42
Lake Forest/Foothill Ranch	3,812,771	19.6%	1.6%	21.2%	22.2%	(26,697)	(26,697)	10,192	10,192	\$2.30
Mission Viejo	2,306,326	14.9%	0.8%	15.7%	17.5%	399	399	10,054	10,054	\$2.35
Dana Point/San Juan/ San Clemente	2,970,139	4.6%	0.4%	5.0%	7.4%	5,999	5,999	15,981	15,981	\$2.84
Class A	10,830,585	15.3%	3.6%	18.8%	20.0%	(76,296)	(76,296)	131,215	131,215	\$3.29
Class B	20,364,050	13.7%	1.7%	15.4%	19.7%	(55,084)	(55,084)	160,726	160,726	\$2.81
Class C	1,841,361	6.0%	0.7%	6.7%	9.1%	(39,857)	(39,857)	5,609	5,609	\$2.92
South	33,035,996	13.8%	2.3%	16.1%	19.3%	(171,237)	(171,237)	297,550	297,550	\$2.93

SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q24 Direct Net Absorption	YTD Direct Net Absorption	1Q24 Leasing Activity	YTD Leasing Activity	AVG Direct Rental Rate
Cypress	1,889,641	9.2%	0.0%	9.2%	11.3%	214	214	0	0	\$2.42
Fountain Valley	2,338,522	4.2%	0.6%	4.8%	5.2%	1,540	1,540	5,963	5,963	\$2.60
Garden Grove	2,178,552	4.7%	0.0%	4.7%	6.4%	(7,189)	(7,189)	7,490	7,490	\$2.17
Huntington Beach	3,010,416	14.2%	0.7%	14.9%	16.8%	13,946	13,946	13,232	13,232	\$2.70
Los Alamitos/Stanton	1,262,029	5.6%	0.0%	5.6%	5.6%	944	944	9,918	9,918	\$2.22
Seal Beach	574,922	8.7%	0.3%	9.0%	10.3%	9,688	9,688	5,218	5,218	\$3.44
Westminster	919,579	5.9%	0.6%	6.5%	7.3%	4,309	4,309	2,041	2,041	\$2.45
Class A	1,410,624	20.9%	1.0%	21.9%	21.8%	20,965	20,965	2,659	2,659	\$2.78
Class B	9,033,666	7.4%	0.3%	7.7%	9.3%	344	344	39,729	39,729	\$2.42
Class C	1,729,371	0.9%	0.0%	0.9%	1.5%	2,143	2,143	1,474	1,474	\$2.45
West	12,173,661	8.0%	0.3%	8.4%	9.7%	23,452	23,452	43,862	43,862	\$2.52
Orange County Total	144,683,478	12.7%	1.5%	14.2%	18.0%	(364,314)	(364,314)	1,185,639	1,185,639	\$2.79
Class A	49,548,466	18.6%	2.7%	21.3%	26.1%	(227,629)	(227,629)	573,699	573,699	\$3.09
Class B	82,575,627	10.3%	0.9%	11.2%	14.6%	(102,100)	(102,100)	560,531	560,531	\$2.64
Class C	12,347,849	5.6%	0.5%	6.1%	8.0%	(34,585)	(34,585)	51,409	51,409	\$2.31
Class Total	144,683,478	12.7%	1.5%	14.2%	18.0%	(364,314)	(364,314)	1,185,639	1,185,639	\$2.79



SIGNIFICANT SALE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1 MacArthur Pl - MacArthur Place	Airport Area	208,257	\$31,050,000	\$149.09	New American Funding	TPG Angelo Gordon & Co.
2700 N Main St - 1031 Sale	Central County	120,560	\$18,600,000	\$154.28	Core Development Group	PRES Companies
2485 McCabe Way - Forefront 405	Airport Area	20,772	\$11,200,000	\$539.19	DTMM Properties LLC	Bassman Family Trust
2729 Bristol St - Auction Sale	Airport Area	18,133	\$6,646,250	\$366.53	Elevated Health Inc	DIO USA Corporation
2445 W Chapman Ave - Medical Office	Central County	12,234	\$2,850,000	\$232.96	Chapman Medical Real Estate Plc	Pasha Irrevocable Trust
2119 W Orangewood Ave - Stadium Collection	Central County	6,719	\$2,450,000	\$364.64	Siteguardz LLC	Pladtag LLC

SIGNIFICANT LEASE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
3351 Michelson Dr - Park Place	Airport Area	51,629	January 2024	Principal	Undisclosed
19900 MacArthur Blvd - Newport Gateway	Airport Area	38,717	February 2024	The Irvine Company	Undisclosed
18300 Von Karman Ave - Irvine Towers	Airport Area	30,269	January 2024	The Irvine Company	New Home Co
65 Enterprise - The Heights Building	South County	29,774	February 2024	Acore Capital	Undisclosed
530 Technology Dr - The Quad	South County	27,611	January 2024	The Irvine Company	Undisclosed
1775 Flight Way - Tustin Legacy	Airport Area	26,141	February 2024	Lincoln Property Company	Undisclosed (Sublease)
40 Pacifica	South County	22,954	January 2024	The Irvine Company	Undisclosed

SIGNIFICANT 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	September 2024
CHOC Southwest Tower	577 S Main St	Central County	15,000	Children's Hospital of Orange County	May 2024

Data Source: EDD, CoStar



Kidder Mathews is the largest independent commercial real estate firm on the West Coast, with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, 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	<i>\$10B</i> 3-YEAR AVERAGE TRANSACTION VOLUME	<i>31.7M</i> ANNUAL SALES SF	<i>42.4M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>51M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>750+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,600+</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>43</i> TOTAL APPRAISERS	<i>25</i> WITH MAI DESIGNATIONS

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