

MARKET TRENDS

ORANGE COUNTY OFFICE

MARKET DRIVERS

By the end of 2024, the Orange County Office market experienced significant improvement, which differed from the national trends. The performance of Orange County's office market relies heavily on the balance between supply and demand. The market's 10-basis-point decrease from the previous quarter of 2023 suggests that the vacancy rate has remained relatively stable. They consistently surpass the performance of the surrounding areas. Orange County provides office markets in adjacent Southern California with more affordable leasing rates for superior space.

Orange County's office space rent levels have changed by just 0.9% in the last year, compared to the 0.7% increase rate for the national average. The rent levels, which include all services and average at \$2.81 per square foot, are holding steady. The improvement aligns with the increasing use of office spaces, which are expected to drive demand in the future. Despite relatively low leasing activity, the net absorption has remained consistently above 270 million positive net absorption so far this year.

ECONOMIC REVIEW

The economy of Orange County is continuing to grow, albeit at a slower pace. There are still 1.9% fewer workers in the labor force compared to the peak of the pandemic, which represents approximately 31,000 fewer jobs. In places outside of Coastal California, where there has been a population surge, cumulative employment growth is stronger.

The unemployment rate remained around 3.2%, despite a much tighter job market in Orange County. Orange County's economy is diverse, with jobs available in many different industries.

NEAR-TERM OUTLOOK

South County is at the forefront of recent leasing activities, attracting tenants who are once again seeking upscale office buildings in convenient locations with nearby amenities. Buildings that are more recent and have superior locations and facilities are running more smoothly.

Orange County tenants are frequently downsizing when their leases expire and have shown a reluctance to commit to long-term office agreements. Leasing activity on a smaller scale has fared well.

Market Summary

	2Q24	1Q24	2Q23	YOY Change
Direct Vacancy Rate	12.2%	12.4%	12.3%	-0.75%
Availability Rate	17.6%	17.4%	18.1%	-2.95%
Asking Lease Rate	\$2.81	\$2.79	\$2.65	6.04%
	2Q24	1Q24	2Q23	YOY Change
Leased SF	83,231	1,872,636	2,339,908	-96.44%
Sold SF	631,277	856,398	1,332,597	-52.63%
Total Net Absorption	(253,156)	(68,363)	(33,608)	N/A

↓ 83K SF
LEASING ACTIVITY

↓ -253M SF
NET ABSORPTION

↑ 12.2%
VACANCY RATE

↑ \$2.81
ASKING RENT (AVG)

↓ 0 SF
NEW DELIVERIES

Year-Over-Year Trend

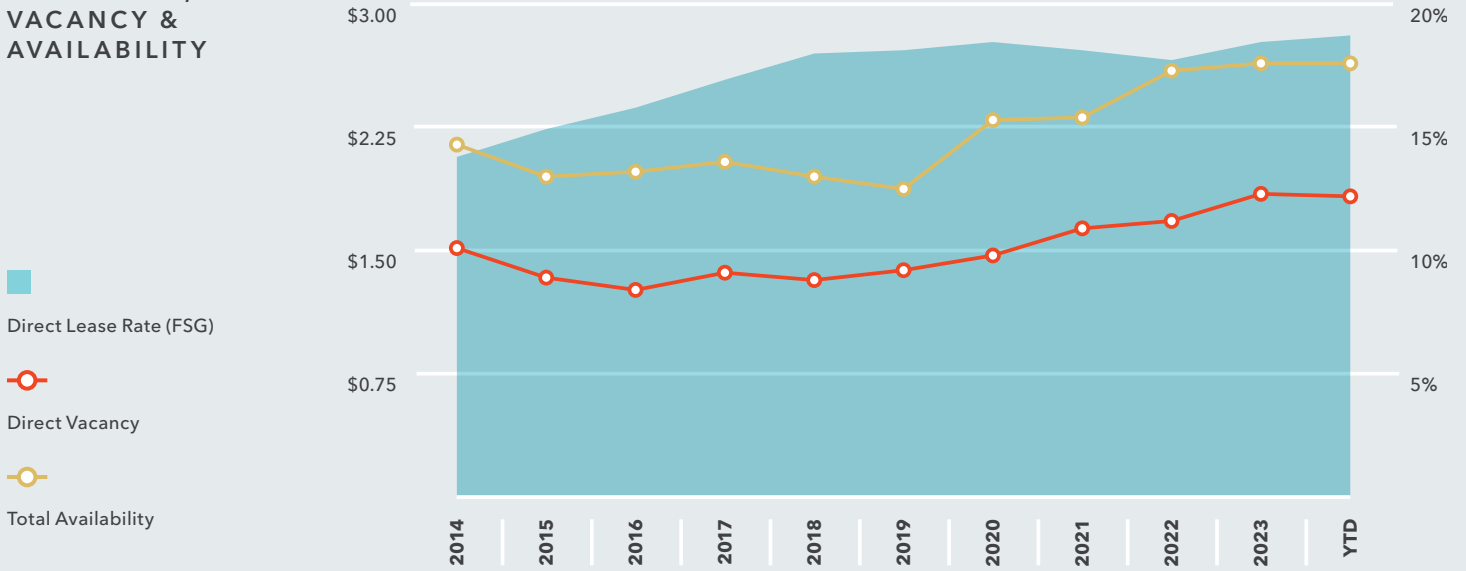
Market Highlights

DIRECT VACANCIES The direct market vacancy rate in Orange County is now 12.2%.

AVERAGE ASKING RATES The average asking price on a full-service basis was \$2.81/SF.

DELIVERIES In 2024, 78K SF are still being developed.

LEASE RATE, VACANCY & AVAILABILITY

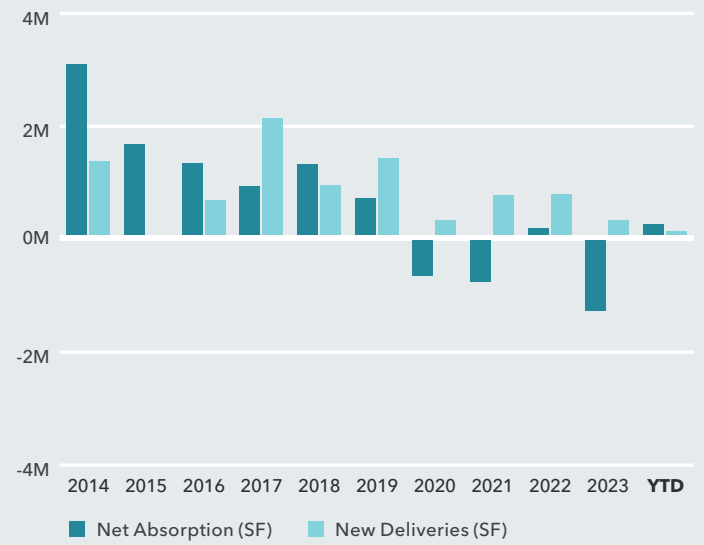


BIGGEST SALE OF THE QUARTER

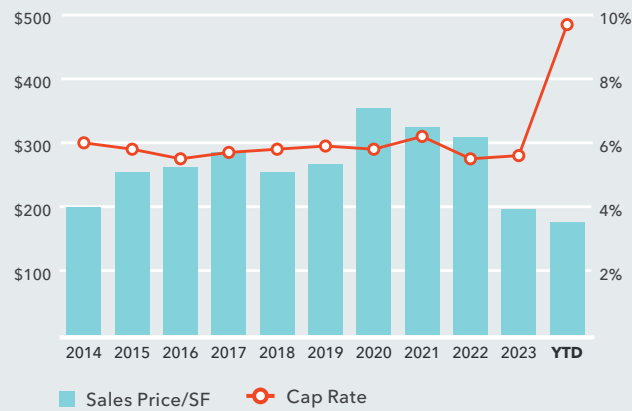
*2020 Main St
Irvine, CA 92614*



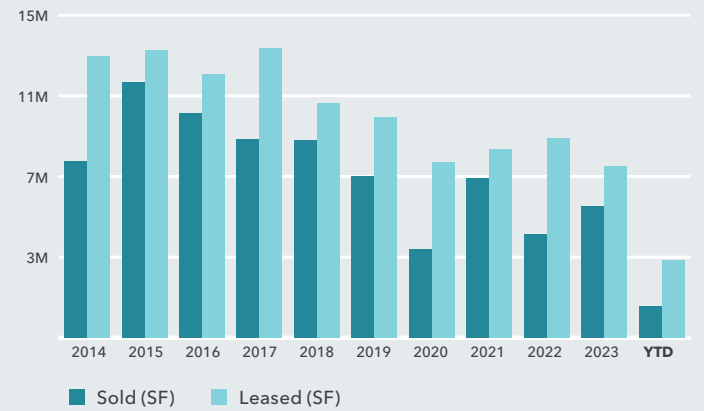
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY

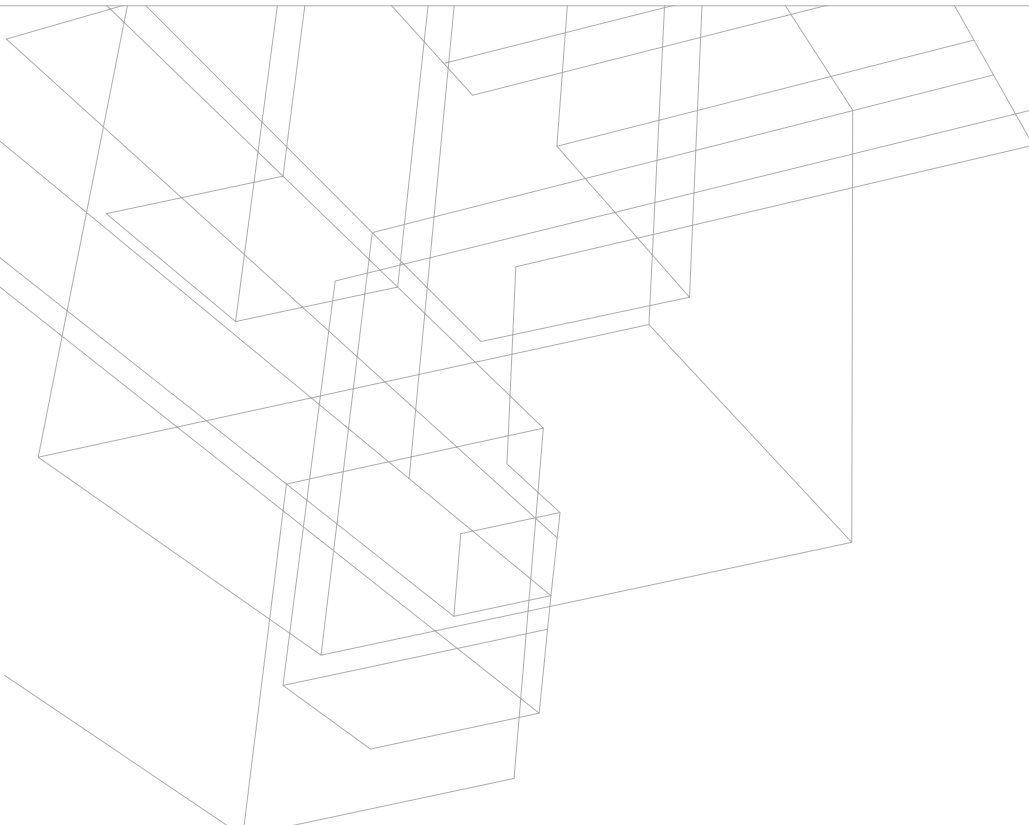


SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	QTR Direct Net Absorption	YTD Direct Net Absorption	QTR Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (FS)
Costa Mesa	9,216,743	15.3%	2.0%	17.3%	22.3%	(26,979)	(70,647)	0	272,963	\$3.14
Irvine/Tustin Legacy	27,564,655	15.4%	1.9%	17.3%	22.4%	(111,005)	(251,478)	47,677	1,278,288	\$2.81
Newport Beach	12,983,299	11.2%	0.9%	12.1%	16.9%	(42,712)	(152,958)	0	380,014	\$3.64
South Santa Ana	2,476,966	23.6%	0.3%	24.0%	25.0%	(36,782)	(25,692)	0	23,691	\$2.56
Class A	27,336,810	19.5%	2.3%	21.7%	27.5%	(51,515)	(225,353)	42,416	1,225,933	\$3.18
Class B	22,834,142	10.0%	0.8%	10.8%	14.6%	(151,508)	(282,684)	5,261	689,561	\$2.76
Class C	2,070,711	4.1%	1.8%	5.9%	8.6%	(14,455)	7,262	0	39,462	\$2.84
Airport	52,241,663	14.7%	1.6%	16.3%	21.1%	(217,478)	(500,775)	47,677	1,954,956	\$2.98
Civic Center Area	5,355,956	8.0%	0.2%	8.2%	7.8%	0	(28,201)	3,400	18,938	\$2.94
East Orange	2,114,960	4.9%	1.6%	6.5%	15.9%	(5,704)	138,895	0	36,669	\$3.24
Main Place	3,024,456	14.0%	3.3%	17.3%	22.5%	0	22,614	0	52,815	\$2.56
Parkcenter	5,043,204	14.1%	0.2%	14.3%	19.9%	(3,852)	85,145	0	107,846	\$2.19
Santa Ana	4,789,526	13.2%	2.5%	15.7%	21.1%	(1,073)	282,209	20,504	75,521	\$2.36
Stadium Area	3,731,236	16.1%	1.0%	17.2%	18.1%	(716)	28,161	0	76,436	\$2.20
The City	2,682,268	22.9%	0.0%	22.9%	29.7%	0	(5,297)	0	14,811	\$1.00
Tustin	1,910,481	3.6%	0.1%	3.7%	4.5%	0	(43,299)	0	25,983	\$2.11
Class A	6,930,366	21.2%	1.5%	22.7%	25.7%	(2,295)	224,646	0	107,941	\$2.70
Class B	17,501,381	10.3%	1.1%	11.4%	16.1%	(8,734)	241,583	20,504	213,995	\$2.33
Class C	4,220,340	7.5%	0.3%	7.8%	9.5%	(316)	13,998	3,400	87,083	\$1.55
Central	28,652,087	12.5%	1.1%	13.6%	17.5%	(11,345)	480,227	23,904	409,019	\$2.35
Anaheim Hills	1,499,649	5.1%	0.0%	5.1%	8.4%	(4,611)	1,419	0	47,338	\$2.40
Brea/La Habra	4,505,606	12.1%	0.8%	12.9%	19.5%	(25,588)	125,189	0	117,950	\$2.61
Buena Park/La Palma	2,290,299	11.1%	0.4%	11.5%	11.3%	5,600	(107,399)	0	67,415	\$2.38
Fullerton	2,924,634	3.1%	0.9%	4.0%	5.6%	2,319	4,178	1,931	51,800	\$2.63
North/East Anaheim	6,273,806	5.1%	3.3%	8.4%	8.5%	(7,641)	(60,664)	0	32,047	\$2.46
Placentia/Yorba Linda	803,528	8.5%	0.3%	8.9%	10.0%	(996)	2,705	0	22,889	\$2.09
Class A	2,924,270	11.0%	7.6%	18.7%	23.4%	0	21,296	0	67,511	\$2.75
Class B	13,366,962	6.9%	0.4%	7.3%	9.3%	(31,267)	(59,169)	1,931	258,454	\$2.45
Class C	2,132,764	5.5%	0.0%	5.5%	5.5%	350	3,301	0	13,474	\$2.15
North	18,340,522	7.4%	1.5%	8.9%	11.1%	(30,917)	(34,572)	1,931	339,439	\$2.49
Irvine Spectrum	15,885,127	11.8%	1.4%	13.2%	17.2%	(11,944)	(93,200)	0	470,984	\$3.21
Laguna Hills/Aliso Viejo	6,074,646	15.8%	6.1%	21.9%	33.3%	15,963	300,007	1,889	67,186	\$2.74
Laguna Niguel/Laguna Beach	2,053,858	5.1%	0.2%	5.3%	5.8%	(591)	5,022	1,855	10,731	\$3.53
Lake Forest/Foothill Ranch	3,829,478	17.5%	0.7%	18.1%	16.9%	10,840	13,448	0	157,686	\$2.21
Mission Viejo	2,287,264	14.8%	0.8%	15.7%	18.3%	(853)	4,212	4,195	28,986	\$2.61
Dana Point/San Juan/San Clemente	2,964,688	4.5%	0.5%	5.0%	7.0%	(2,083)	8,720	0	32,783	\$3.12
Class A	10,719,330	11.4%	4.6%	16.0%	22.6%	14,770	326,952	0	248,352	\$3.44
Class B	20,619,836	13.4%	0.7%	14.1%	17.3%	(3,638)	(76,754)	7,939	497,574	\$2.83
Class C	1,755,895	5.9%	0.1%	6.1%	8.4%	200	(11,989)	0	22,430	\$2.77
South	33,095,061	12.3%	2.0%	14.3%	18.5%	11,332	238,209	7,939	768,356	\$2.96

SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	QTR Direct Net Absorption	YTD Direct Net Absorption	QTR Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (FS)
Cypress	1,895,016	8.6%	0.0%	8.6%	10.7%	0	12,088	0	10,871	\$2.43
Fountain Valley	2,338,522	4.2%	0.6%	4.8%	5.0%	(1,721)	285	0	17,337	\$2.86
Garden Grove	2,137,368	4.6%	0.0%	4.6%	6.5%	185	(2,762)	1,780	27,862	\$2.16
Huntington Beach	3,041,523	12.3%	0.6%	12.9%	15.9%	(2,059)	69,123	0	63,165	\$2.61
Los Alamitos/Stanton	1,231,119	6.5%	0.3%	6.7%	6.6%	(1,153)	(7,646)	0	17,930	\$2.64
Seal Beach	574,922	8.4%	0.3%	8.7%	12.6%	0	11,396	0	6,926	\$3.46
Westminster	933,647	5.9%	0.5%	6.4%	6.7%	0	3,566	0	4,653	\$2.53
Class A	1,214,840	19.8%	1.2%	21.0%	24.3%	(2,059)	44,220	0	28,211	\$2.60
Class B	9,099,246	7.1%	0.3%	7.4%	9.1%	(2,689)	16,676	1,780	114,243	\$2.48
Class C	1,838,031	1.7%	0.0%	1.7%	1.9%	0	25,154	0	6,290	\$3.21
West	12,152,117	7.5%	0.4%	7.9%	9.5%	(4,748)	86,050	1,780	148,744	\$2.57
Orange County Total	144,481,450	12.2%	1.5%	13.7%	17.6%	(253,156)	269,139	83,231	3,620,514	\$2.81
Class A	49,014,502	17.5%	3.0%	20.5%	25.9%	(41,099)	391,761	42,416	1,677,948	\$3.12
Class B	83,464,567	10.1%	0.7%	10.8%	14.1%	(197,836)	(160,348)	37,415	1,773,827	\$2.67
Class C	12,347,849	5.3%	0.4%	5.7%	7.1%	(14,221)	37,726	3,400	168,739	\$2.23
Class Total	144,481,450	12.2%	1.5%	13.7%	17.6%	(253,156)	269,139	83,231	3,620,514	\$2.81



SIGNIFICANT SALE TRANSACTIONS 2Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2020 Main St - Opus Center Irvine	Airport Area	271,106	\$53,715,000	\$198.13	MGR Real Estate	PGIM, Inc.
999 W Town and Country Rd	Central County	98,907	\$17,900,000	\$180.98	Hampton Tedder Electric	Sagard Real Estate
601 Dover Dr (Sold for Land Value)	Airport Area	65,340	\$9,000,000	\$137.74	IRA Capital, LLC	3301 PCH Earl W Stanley, LLC
29300 Portola Pkwy - Foothill Gateway Plaza	South County	6,985	\$4,859,500	\$695.71	N&J Portola, LLC	RM Portola, LLC
326 N Old Newport Blvd	Airport Area	5,310	\$4,850,000	\$913.37	Undisclosed	Klein & Wilson
640 N Tustin Ave	Central County	29,300	\$4,400,000	\$150.17	Holiday Travel Park, LLC	Paul Terrence & Lisa Kott

SIGNIFICANT LEASE TRANSACTIONS 2Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
555 Anton Blvd - The MET	Airport Area	41,055	May 2024	PGIM, Inc.	Liberated Brands (Sublease)
19540 Jamboree Rd - Google Center	Airport Area	38,898	May 2024	ESRI	Undisclosed
3075 E Imperial Hwy - Campus Pointe Brea	North County	35,390	April 2024	Colyear Development Corp.	CMRE Financial Services, Inc. (Renewal)
25510 Commercentre Dr - Pacific Vista	South County	34,616	June 2024	Prologis, Inc.	Undisclosed
510 Technology Dr - The Quad at Discovery Park	South County	27,057	April 2024	The Irvine Company	Undisclosed (Sublease)
5300 California Ave - UCI Research Park	Airport Area	23,757	June 2024	The Irvine Company	City of Irvine

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
The Orwell	200 E Baker St	Airport Area	44,832	MGR Real Estate	August 2024
BeWell OC Building A	7850 Marine Way	South County	23,500	Mind OC	March 2025
121 E Whittier Blvd	121 E Whittier Blvd	North County	10,000	Gire Orthodontics	March 2025

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, Idaho, 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>55M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>800+</i> ASSETS UNDER MANAGEMENT	<i>260+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,600+</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>43</i> TOTAL APPRAISERS	<i>27</i> WITH MAI DESIGNATIONS

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