

Orange County



Quick Stats

2.8%

Orange County
Unemployment Rate as
of Feb 2020

207K SF

Positive Net Absorption
Current Quarter

Positive **648K SF** Past 12
Months

10.9%

Total Vacancy Rate
Down
from 11.1% in Q4 2019

1.2M SF

Under Construction
Current Quarter

\$2.77 PSF

Asking Rental Rate
Weighted Average

The Orange County office market experienced overall gains in commercial real estate for the start of the new year, notwithstanding Covid-19's impact on the U.S.'s economy during March. Rental rates increased, vacancy decreased, and investment sales volume expanded compared to the same period a year ago. Office real estate fundamentals in the first quarter came primarily from increased activity in the professional and financial business service sectors as well as technology. Unemployment in Orange County during first quarter was 2.8% well below the state's unemployment rate which was 3.9%, per the most recent data available from the Bureau of Labor Statistics as of February. This is down from Orange County's unemployment rate for the previous month of 2.9% and down from a year ago at 3.0%. All signs the economy was still fundamentally sound leading up to March. The impact of the coronavirus pandemic on the office market will continue to be closely monitored as a greater shift in real estate trends is expected to emerge over the second quarter.

Office vacancy decreased to 10.9%, down 20 basis points from the previous quarter driven by strengthening demand and continued tenant expansion in an already tight market. There are currently three multi-tenant investment-grade office projects under construction, totaling 795k sf, with 27% pre-committed to tenants. The largest projects under construction are the first three buildings at the LEED targeted Spectrum Terrace, totaling 350k sf with 30 percent pre-committed to tenants, set to deliver end of this year. Within the project, 17500 Laguna Canyon Rd is already fully preleased to TGS Management LLC, a hedge fund firm, in-line with trends of financial service businesses expanding in Orange County. TGS Management LLC is slated to move-in by the end of the year. The 73-acre campus

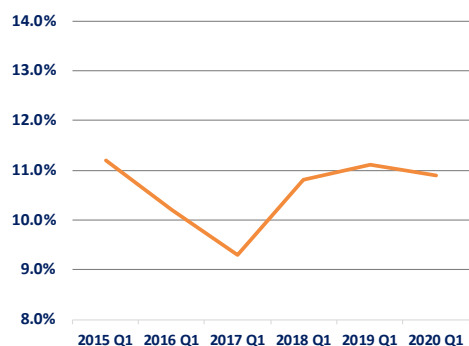
when completed will be a total of 1.1m sf. Except for two medical office buildings, no new multi-tenant office has been completed and delivered in the last few quarters, making an already tight market even tighter.

The largest office sale for the quarter was a two-building portfolio at Brea Place Campus, sold by Hines & Oaktree to State Street B&T which sold as a leasehold (ground lease) and sold in a recapitalization whereby Hines formed a new joint venture partnership. The subject property was 95% leased at the time of sale. Both buildings were renovated in 2016.

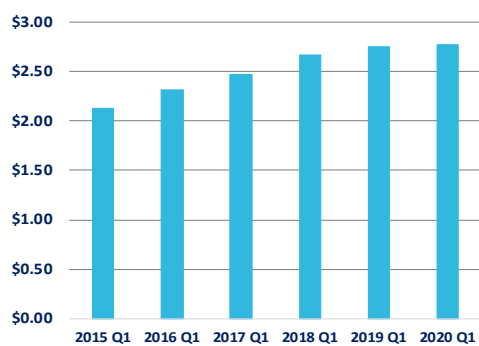
The average asking rental rate for all classes was \$2.77 psf FSG, up from \$2.74 psf FSG in the previous quarter and up slightly from \$2.70 psf FSG one year earlier. The highest rents were in the Airport Area and South County which average \$3.00 and \$3.05 psf FSG respectively. Total net absorption for the quarter was positive 207k sf, bringing the most recent 12-month period to positive 648k sf, which is significantly elevated from the previous 12-month rolling total of negative 576k sf.

As a result of Covid-19 the government's recent stimulus bill included the CARES Act with significant beneficial commercial real estate applications. As a part of the new bill it allows property owners and others that invest capital in commercial real estate the opportunity to make increased tax-deductible capital improvements which will most likely be applicable in reconfiguring office designs and tenant improvements as current and new tenants return to their offices and look at their new space needs altered by the pandemic.

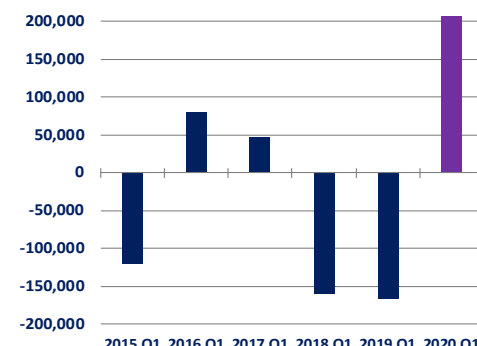
Vacancy Rent



Asking Rate



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Doctor's Best, Inc.	Sublease	2742 Dow Ave, Tustin	Central County	51,588
Kimley-Horn	New	1100 W Town and Country Rd, Orange	Central County	48,462
Better Mortgage	New	5 Park Plaza, Irvine	Airport Area	45,960
Microchip Technology	New	165 Technology Dr, Irvine	South County	43,920
ASP, Inc.	Sublease	15101 Alton Pky, Irvine	South County	39,675

Top Sales

Address	Buyer	Seller	Price	SF	P/SF (\$)
135 S State College Blvd, Brea	State Street B&T	Hines & Oaktree	\$94,800,000	328,305	\$289
20 Enterprise Dr, Aliso Viejo	Ascentris & Cypress Office Props	RREEF America & Parker Properties	\$86,000,000	250,800	\$343
20202 Windrow Dr, Lake Forest	Applied Medical	Sy Corp	\$29,400,000	124,619	\$236
16842 Von Karman Ave, Irvine	Dayani Partners	KBS REIT	\$25,400,000	101,161	\$251
2405 McCabe Way, Irvine	Mlink Enterprise LLC	Swift Realty Partners	\$20,900,000	89,479	\$234

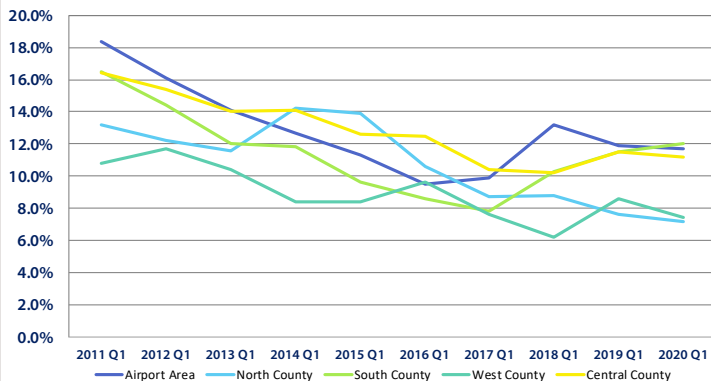
Under Construction

Address	Developer	SF	Completion
The Press, 1375 Sunflower Dr, Costa Mesa	SteelWave, Inc.	380,856	Q2 2020
Spectrum Terrace, Phase 2, Irvine Spectrum	Irvine Company	344,625	Q4 2020
15332 Newport Avenue, Tustin	Schools First Federal Credit Union	180,000	Q3 2020
Vans HQ Expansion, 1588 S Coast Dr, Costa Mesa	VF Outdoor	91,032	Q1 2021
The Source H20, Irvine Spectrum	KPRS Construction Services	69,968	Q2 2020

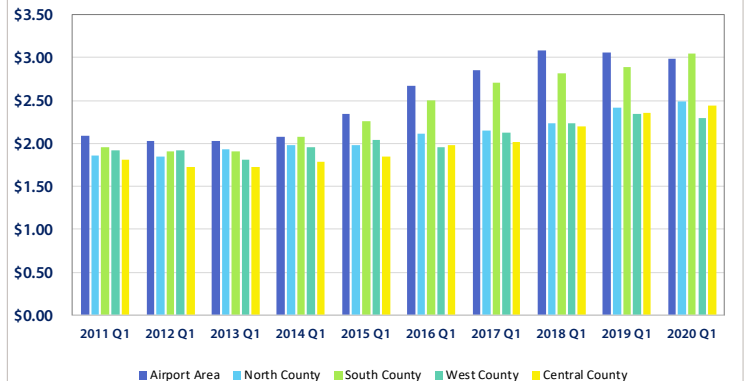
Orange County By The Numbers

	VACANCY				NET ABSORPTION		AVG. ADVERTISED RATES (FSG)			CONSTRUCTION PIPELINE		
	Q1 2020 Inventory (SF)	Q1 2020 Vacancy (SF)	Q1 2020 Vacancy (%)	Q4 2019 Vacancy (%)	Current Quarter Absorption	12 Month Total Absorption	Q1 2020 Rental Rates	Q4 2019 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Qtr-End
AIRPORT AREA												
Class A	24,874,873	3,413,117	13.7%	14.0%	59,702	220,404	\$3.24	\$3.20	1%	0	0	91,032
Class B	18,877,569	1,795,381	9.5%	9.3%	-77,374	209,312	\$2.91	\$2.89	1%	29,991	29,991	380,856
Class C	1,201,967	55,380	4.6%	6.1%	18,371	3,203	\$2.65	\$2.68	-1%	0	0	0
Total	44,954,409	5,263,878	11.7%	11.8%	699	432,919	\$2.99	\$2.96	1%	29,991	29,991	471,888
NORTH COUNTY												
Class A	2,146,002	181,266	8.4%	7.9%	-12,532	-35,862	\$2.68	\$2.53	6%	0	0	0
Class B	8,220,598	572,489	7.0%	7.1%	10,448	46,014	\$2.48	\$2.45	1%	0	0	0
Class C	454,346	27,932	6.1%	5.8%	-1,690	-11,121	\$2.00	\$1.98	1%	0	0	0
Total	10,820,946	781,687	7.2%	7.2%	-3,774	-969	\$2.49	\$2.45	2%	0	0	0
SOUTH COUNTY												
Class A	10,587,406	1,696,749	16.0%	18.1%	224,442	421,589	\$3.48	\$3.46	1%	0	0	459,222
Class B	18,019,761	1,764,829	9.8%	9.7%	-13,160	-111,147	\$2.88	\$2.80	3%	0	0	69,968
Class C	668,725	37,705	5.6%	5.8%	1,217	-22,358	\$2.39	\$2.39	0%	0	0	0
Total	29,275,892	3,499,283	12.0%	12.7%	212,499	288,084	\$3.05	\$3.00	2%	0	0	529,190
WEST COUNTY												
Class A	1,934,188	210,433	10.9%	9.2%	-31,804	-74,850	\$2.46	\$2.47	0%	0	0	0
Class B	7,552,775	605,319	8.0%	7.8%	-13,823	-26,429	\$2.25	\$2.29	-2%	0	0	0
Class C	1,654,711	4,575	0.3%	0.6%	5,650	-10,925	\$2.35	\$2.08	13%	0	0	0
Total	11,141,674	820,327	7.4%	7.0%	-39,977	-112,204	\$2.29	\$2.28	0%	0	0	0
CENTRAL COUNTY												
Class A	10,499,068	1,461,916	13.9%	15.2%	135,974	69,134	\$2.82	\$2.82	0%	0	0	0
Class B	19,226,540	2,066,363	10.7%	10.1%	-121,199	-65,997	\$2.32	\$2.29	1%	0	0	180,000
Class C	3,568,816	188,384	5.3%	5.9%	22,437	37,329	\$1.88	\$1.78	6%	0	0	0
Total	33,294,424	3,716,663	11.2%	11.3%	37,212	40,466	\$2.44	\$2.41	1%	0	0	180,000
ORANGE COUNTY MARKET												
Class A	50,041,537	6,963,481	13.9%	14.7%	375,782	600,415	\$3.14	\$3.11	0.96%	0	0	550,254
Class B	71,897,243	6,804,381	9.5%	9.2%	-215,108	51,753	\$2.66	\$2.63	1.14%	29,991	29,991	630,824
Class C	7,548,565	313,976	4.2%	4.8%	45,985	-3,872	\$2.18	\$2.11	3.32%	0	0	0
Total	129,480,530	14,081,838	10.9%	11.1%	206,659	648,296	\$2.77	\$2.74	1.09%	29,991	29,991	1,181,078

Vacancy by Region



Rental Rate by Region



Orange County By The Numbers

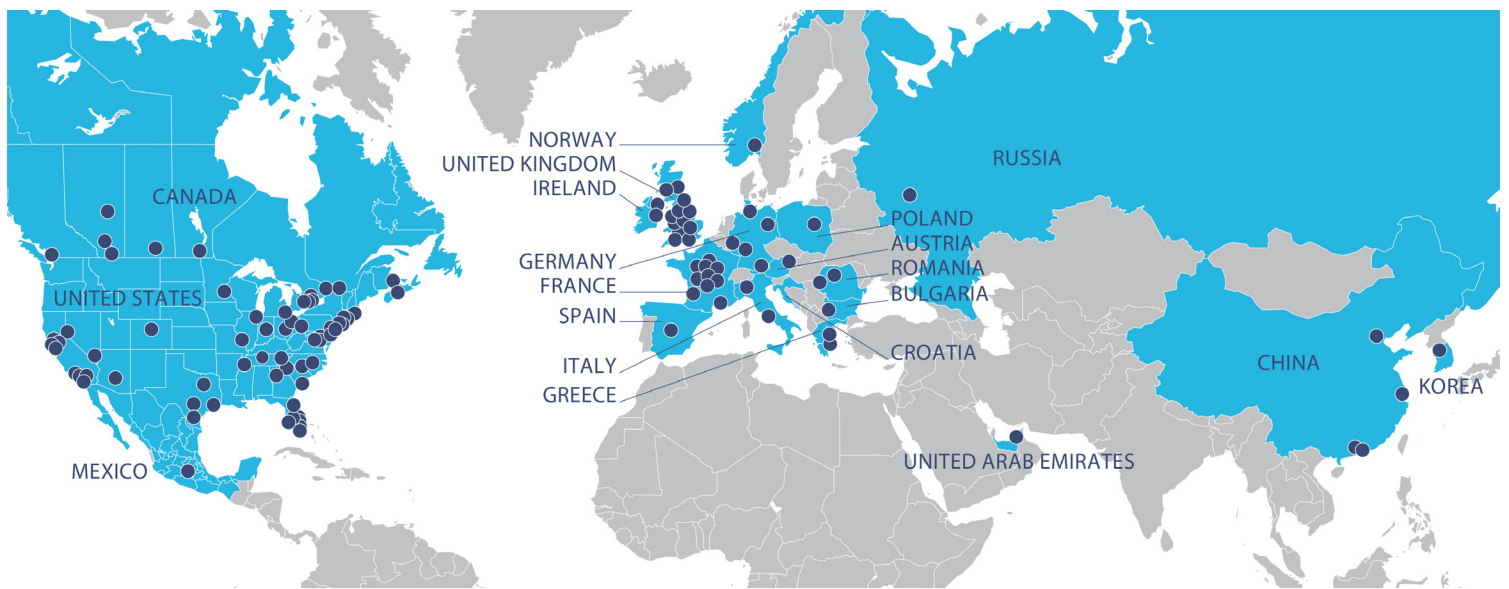
	VACANCY				NET ABSORPTION		AVG. ADVERTISED RATES (FSG)		
	Q1 2020 Inventory (SF)	Q1 2020 Vacancy (SF)	Q1 2020 Vacancy (%)	Q4 2019 Vacancy (%)	Current Quarter Absorption	12 Month Total Absorption	Q1 2020 Rental Rates FSG	Q4 2019 Rental Rates FSG	Qtr/Qtr Change (%)
AIRPORT AREA									
Costa Mesa	7,697,598	1,059,712	13.8%	12.6%	-143,458	-187,634	\$2.81	\$2.82	0%
Irvine	26,281,209	3,285,797	12.5%	13.2%	184,414	565,017	\$2.94	\$2.91	1%
Newport Beach	10,975,602	918,369	8.4%	7.7%	-40,257	55,536	\$3.28	\$3.26	1%
Airport Area TOTAL	44,954,409	5,263,878	11.7%	11.8%	699	432,919	\$2.99	\$2.96	1%
NORTH COUNTY									
Anaheim Hills	1,236,131	128,761	10.4%	7.1%	-41,049	-42,621	\$2.27	\$2.24	1%
Brea/La Habra	4,449,370	251,265	5.6%	5.7%	2,911	-20,459	\$2.47	\$2.41	2%
Buena Park/La Palma	1,958,671	173,022	8.8%	9.8%	17,967	1,312	\$2.28	\$2.25	1%
Fullerton	2,553,329	140,203	5.5%	5.7%	4,068	32,521	\$2.70	\$2.67	1%
Placentia/Yorba Linda	623,445	88,436	14.2%	16.2%	12,329	28,278	\$2.79	\$2.78	0%
North County TOTAL	10,820,946	781,687	7.2%	7.2%	-3,774	-969	\$2.49	\$2.45	2%
SOUTH COUNTY									
Aliso Viejo/Laguna Hills	5,577,547	894,335	16.0%	16.1%	3,529	44,294	\$3.00	\$2.98	1%
Dana Point/San Clemente/SJC	2,183,852	121,591	5.6%	6.2%	12,959	34,277	\$2.39	\$2.32	3%
Foothill Ranch/Lake Forest/RSM	3,426,955	319,442	9.3%	9.9%	20,707	-60,598	\$2.42	\$2.41	0%
Irvine Spectrum	13,912,165	1,762,965	12.7%	13.5%	117,880	337,497	\$3.28	\$3.26	1%
Laguna Beach/Laguna Niguel	2,011,080	99,376	4.9%	5.6%	12,437	-14,998	\$2.70	\$2.69	0%
Mission Viejo	2,166,789	301,574	13.9%	16.0%	44,987	-52,388	\$2.67	\$2.60	3%
South County TOTAL	29,278,388	3,499,283	12.0%	12.7%	212,499	288,084	\$3.05	\$3.00	2%
WEST COUNTY									
Cypress	1,956,330	135,787	6.9%	5.8%	-22,210	254	\$2.28	\$2.29	0%
Fountain Valley	2,078,731	92,621	4.5%	4.7%	5,864	-30,378	\$1.88	\$1.83	3%
Garden Grove	1,730,580	84,045	4.9%	4.8%	-939	-24,264	\$1.85	\$1.88	-2%
Huntington Beach	3,330,605	253,292	7.6%	7.0%	-19,759	-47,229	\$2.34	\$2.23	5%
Los Alamitos/Stanton	959,078	186,581	19.5%	21.1%	16,016	14,183	\$2.03	\$2.39	-15%
Seal Beach	499,187	55,552	11.1%	5.0%	-30,606	-26,273	\$3.42	\$3.33	3%
Westminster	582,022	12,449	2.1%	4.1%	11,657	1,503	\$2.56	\$2.57	0%
West County TOTAL	11,136,533	820,327	7.4%	7.0%	-39,977	-112,204	\$2.29	\$2.28	0%
CENTRAL COUNTY									
Anaheim	8,502,996	780,701	9.2%	8.8%	-36,218	-17,358	\$2.39	\$2.40	0%
Orange	4,455,748	438,152	9.8%	10.6%	33,564	59,770	\$2.64	\$2.66	-1%
Santa Ana	14,432,577	1,913,161	13.3%	13.8%	80,150	-141,868	\$2.42	\$2.37	2%
Tustin	5,898,933	584,649	9.9%	9.2%	-40,284	139,922	\$2.35	\$2.29	3%
Central County TOTAL	33,290,254	3,716,663	11.2%	11.2%	37,212	40,466	\$2.44	\$2.41	1%
ORANGE COUNTY									
TOTAL OFFICE	129,480,530	14,081,838	10.9%	11.1%	206,659	648,296	\$2.77	\$2.74	1%

A Growing, Multinational Presence

Avison Young at a Glance

- Founded: **1978**
- Total Real Estate Professionals: **5,000**
- Offices: **120**
- Countries: **20**
- Brokerage Professionals: **1,600+**
- Property Under Management: **290 million sf**

Avison Young is the world’s fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its Principals. Founded in 1978, with legacies dating back more than 200 years, the company comprises approximately 5,000 real estate professionals in 120 offices in 20 countries. The firm’s experts provide value-added, client-centric investment sales, leasing, advisory, management and financing services to clients across the office, retail, industrial, multi-family and hospitality sectors.



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