

Orange County



Market Facts

2.8%

Orange County
Unemployment
Rate As Of Nov 2017

481,484 SF

Positive Net Absorption
Current Quarter

Positive 733,827 SF
Year-To-Date

10.7%

Total Vacancy Rate
Up From 10.2% In Q3 2017

\$2.59 PSF

Asking Rental Rate
Weighted Average

Market Overview

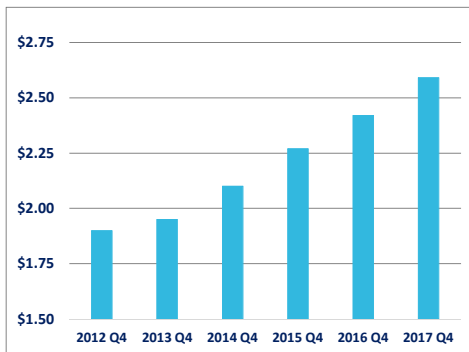
The Orange County office market is holding steady to strong fundamentals at the close of the fourth quarter of 2017. Rental rates are increasing, meanwhile vacancy has begun to increase. The ideal geography and high quality of life contribute to the growing population and the preference of high-quality employers, maintaining this thriving hub for financial services, information technology, logistics and healthcare. Orange County's unemployment rate remains considerably below state and national averages, dropping to 2.8% as of the fourth quarter of 2017, down sharply from 3.7% posted at the same time in the previous year.

Orange County has registered an increase in vacancy over the past year for the first time after the sharp contraction earlier in the Recovery. As of the fourth quarter of the year, vacancy edged up to 10.7%, as compared to 9.7% recorded at the same time in the previous year. New development has gained momentum throughout the past year, and has contributed to the increase in vacancy. As of the fourth quarter

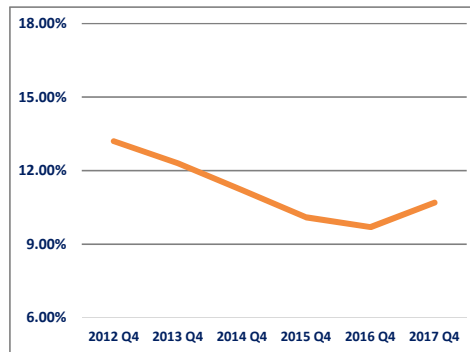
of 2017, the average asking rental rate for all classes was \$2.59 psf FSG, up from \$2.42 psf FSG one year earlier. The highest rents remained exceedingly in the Airport Area at \$3.02 psf FSG, followed by South County with \$2.75 psf FSG. Central County exhibited the most affordable rental rate opportunities at \$2.13 psf FSG, followed by North County at \$2.21 psf FSG. Total net absorption for the fourth quarter of 2017 was positive 481,484 sf, while the most recent 12 month period was positive 733,827 sf.

Sales volume for investment grade office properties in Orange County has sustained record levels for the past three years. By the end of 2017, sales volume for the year approached \$2.7 billion, down slightly from the previous year. Meanwhile pricing remained high during the same time period, reaching pre-recession highs of approximately \$280 psf by the fourth quarter of 2017. With developer confidence increasing, there was more than 2.1M sf of new space delivered over the course of 2017. Currently six investment-grade office projects are under construction in the county, amounting to nearly 1.5M sf of new inventory in the pipeline.

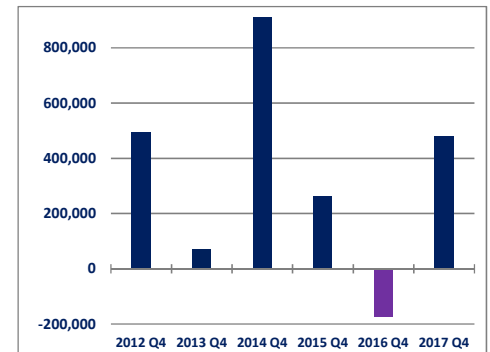
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Pacific Sunwear of California	Leaseback	3450 E Miraloma Avenue, Anaheim	Central County	180,000
Vyair Medical	New	510-520 Technology Drive, Irvine Spectrum	South County	184,886
American Advisors Group	New	18200 Von Karman Avenue, Irvine	Airport Area	64,405
Pathway Capital Management	New	18565 Jamboree Road, Irvine	Airport Area	63,879
WeWork	New	3200 Park Center Drive, Costa Mesa	Airport Area	39,053

Top Sales

Address	Buyer	Seller	Price	SF	P/SF
2600 Michelson Drive, Irvine	CBRE Global Investors	Dune Real Estate Partners LP	\$120,000,000	310,925	\$386
500 N State College Boulevard, Orange (POL)	Lincoln Property Company	Starwood Capital Group	\$78,402,040	281,699	\$278
3450 E Miraloma Avenue, Anaheim	Hines	Pacific Sunwear of California	\$27,000,000	180,000	\$150
14191 Myford, Tustin	New American Funding	CapRock Partners	\$22,500,000	112,412	\$200
24022 Calle de la Plata, Laguna Hills	Meridian Property Company	Andell Holdings	\$19,930,000	57,057	\$349

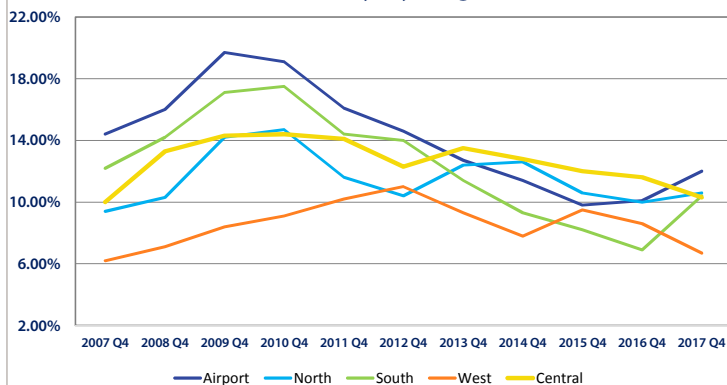
Under Construction

Address	Developer	SF	Completion
15101 & 15131 Alton Parkway, Irvine Spectrum	DPR Construction	477,226	Q1 2018
Barranca & Armstrong, Flight, Tustin Legacy, Tustin	Lincoln Property Company	417,284	Q3 2018
The Quad at Discovery Business Center, Irvine Spectrum	The Irvine Company	369,768	Q2 2017
2722 Michelson Drive, Irvine	LBA Realty	155,000	Q4 2018
380 W Central Avenue, Brea	Brea Medical Center	38,313	Q2 2018

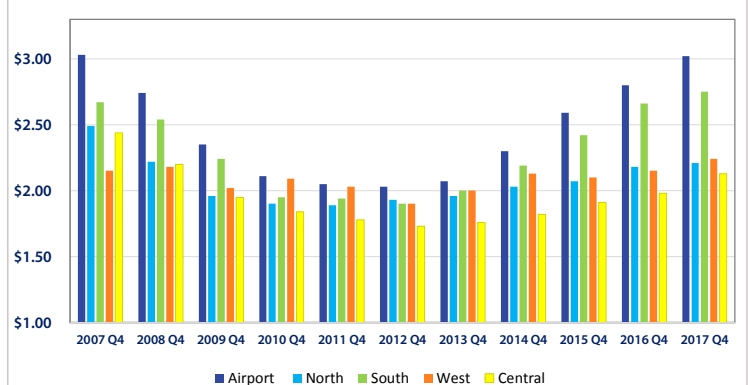
Orange County By The Numbers

Vacancy					Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
Q4 2017 Inventory (SF)	Q4 2017 Vacancy (SF)	Q4 2017 Vacancy (%)	Q3 2017 Vacancy (%)		Current Quarter Absorption	Year-To-Date Absorption	Q4 2017 Rental Rates	Q3 2017 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
Airport Area												
Class A	24,035,446	3,785,375	15.70%	13.30%	-181,921	-317,233	\$3.26	\$3.24	0.62%	0	545,000	0
Class B	18,101,285	1,338,537	7.40%	8.50%	205,470	-9,176	\$2.74	\$2.69	1.86%	0	101,000	181,500
Class C	1,024,509	59,276	5.80%	6.80%	8,830	64,118	\$2.33	\$2.21	5.43%	0	0	0
Total	43,161,240	5,183,188	12.00%	11.10%	32,379	-262,291	\$3.02	\$2.96	2.03%	0	646,000	181,500
North County												
Class A	2,110,306	370,317	17.50%	13.20%	-46,931	3,936	\$2.46	\$2.48	-0.81%	0	0	0
Class B	7,855,221	670,648	8.50%	8.90%	14,866	-63,506	\$2.13	\$2.15	-0.93%	0	0	38,313
Class C	321,738	50,408	15.70%	14.50%	-3,650	-1,698	\$1.93	\$1.42	35.92%	0	0	0
Total	10,287,265	1,091,373	10.60%	9.80%	-35,715	-61,268	\$2.21	\$2.22	-0.45%	0	0	38,313
South County												
Class A	8,932,296	1,213,899	13.60%	11.70%	321,266	804,107	\$3.22	\$3.20	0.63%	554,299	1,437,195	846,994
Class B	17,502,206	1,566,977	9.00%	7.90%	-211,551	-389,527	\$2.59	\$2.64	-1.89%	0	0	0
Class C	684,981	39,846	5.80%	5.20%	-4,285	-19,428	\$2.08	\$2.05	1.46%	0	0	0
Total	27,119,483	2,820,722	10.40%	9.10%	105,430	395,152	\$2.75	\$2.77	-0.72%	0	1,437,195	846,994
West County												
Class A	2,175,151	224,530	10.30%	11.70%	29,832	19,478	\$2.48	\$2.52	-1.59%	0	0	0
Class B	6,982,284	420,426	6.00%	6.90%	60,401	209,337	\$2.17	\$2.14	1.40%	0	44,500	0
Class C	886,141	27,016	3.00%	3.30%	2,003	4,051	\$2.01	\$1.99	1.01%	0	0	0
Total	10,043,576	671,972	6.70%	7.70%	92,236	232,866	\$2.24	\$2.25	-0.44%	0	44,500	0
Central County												
Class A	10,428,280	1,209,705	11.60%	11.90%	33,473	182,463	\$2.38	\$2.34	1.71%	0	0	417,284
Class B	18,225,972	1,894,469	10.40%	10.90%	202,152	177,251	\$2.14	\$2.16	-0.93%	0	0	0
Class C	3,602,717	214,050	5.90%	7.30%	51,529	69,654	\$1.52	\$1.55	-1.94%	0	0	0
Total	32,256,969	3,318,224	10.30%	10.80%	287,154	429,368	\$2.13	\$2.12	0.47%	0	0	417,284
Orange County Market												
Class A	47,681,479	6,803,826	14.30%	12.60%	155,719	692,751	\$3.00	\$2.98	0.67%	554,299	1,982,195	1,264,278
Class B	68,666,968	5,891,057	8.60%	8.90%	271,338	-75,621	\$2.41	\$2.43	-0.82%	0	145,500	219,813
Class C	6,520,086	390,596	6.00%	6.80%	54,427	116,697	\$1.78	\$1.76	1.14%	0	0	0
Total	122,868,533	13,085,479	10.70%	10.20%	481,484	733,827	\$2.59	\$2.58	0.39%	554,299	2,127,695	1,484,091

Vacancy by Region



Rental Rate by Region



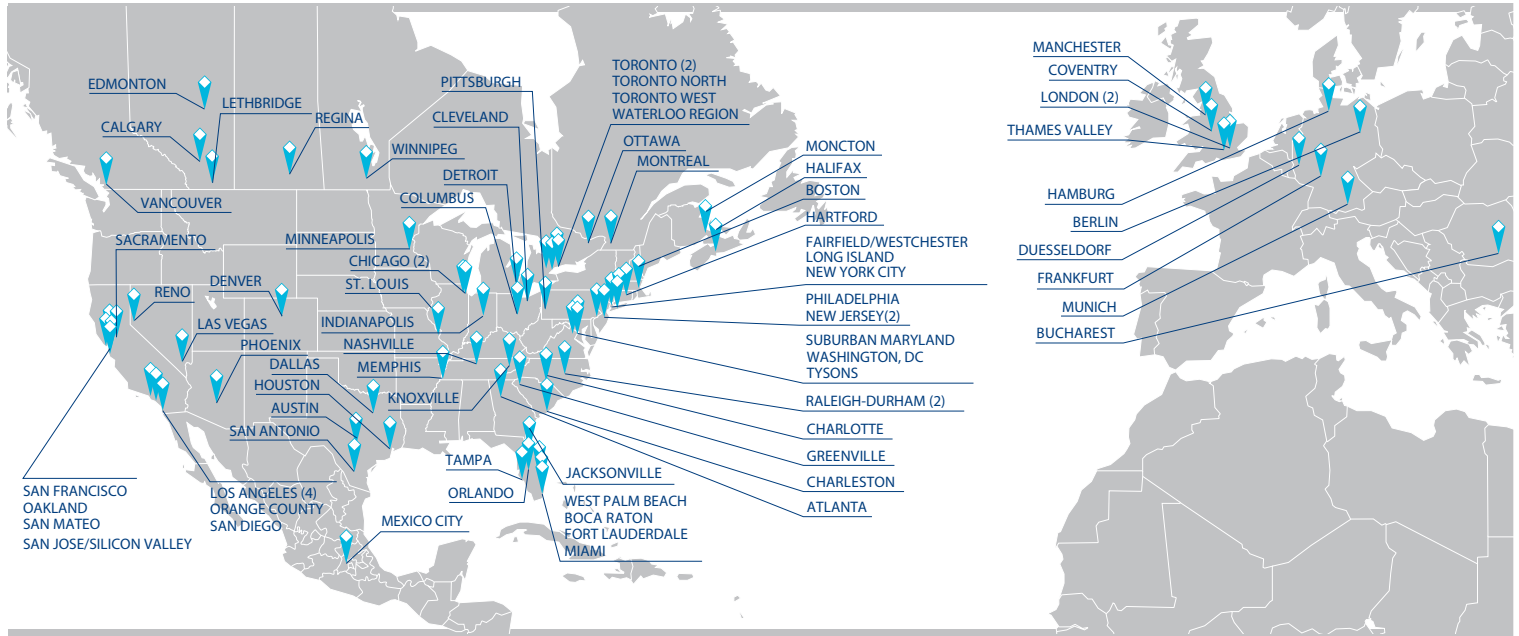
Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Costa Mesa	7,383,554	14.20%	0	5,941,723	13.70%	16.50%	39,105	\$2.66
Irvine	24,991,065	12.80%	155,000	23,105,331	10.60%	11.50%	-57,088	\$2.91
Newport Beach	10,786,621	8.60%	26,500	9,772,096	8.60%	9.10%	16,984	\$3.36
Airport Area	43,161,240	12.00%	181,500	38,819,150	10.60%	11.70%	-999	\$3.02
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim Hills	1,232,935	13.00%	0	842,299	18.50%	18.70%	-395	\$2.04
Brea/La Habra	4,318,460	8.90%	38,313	4,153,752	7.50%	9.20%	-26,481	\$2.19
Buena Park/La Palma	1,685,437	14.70%	0	1,426,481	16.80%	17.30%	-1,581	\$2.17
Fullerton	2,516,077	8.20%	0	1,677,623	12.30%	12.30%	12,186	\$2.51
Placentia/Yorba Linda	534,356	17.50%	0	467,812	19.40%	19.90%	-19,578	\$1.90
North County	10,287,265	10.60%	38,313	8,567,967	11.70%	12.70%	-35,849	\$2.21
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Aliso Viejo/Laguna Hills	5,575,133	15.20%	0	4,876,820	13.50%	13.90%	-41,255	\$2.88
Dana Point/San Clemente/SJC	2,032,330	6.80%	0	1,964,031	6.70%	7.00%	-19,979	\$2.64
Foothill Ranch/Lake Forest/RSM	3,349,937	9.10%	0	3,325,091	7.70%	9.00%	119,799	\$2.36
Irvine Spectrum	12,202,820	10.20%	846,994	10,730,527	10.70%	11.60%	184,415	\$2.88
Laguna Beach/Laguna Niguel	1,788,984	3.20%	0	621,089	9.20%	9.30%	344	\$2.59
Mission Viejo	2,170,279	10.30%	0	2,053,366	10.60%	10.90%	-10,497	\$2.54
South County	27,119,483	10.40%	846,994	23,570,924	10.50%	11.20%	232,827	\$2.75
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Cypress	1,875,381	13.20%	0	1,357,409	18.30%	18.30%	-9,330	\$2.14
Fountain Valley	2,062,325	2.70%	0	1,401,041	4.00%	4.00%	9,688	\$1.45
Garden Grove	1,481,545	3.20%	0	754,519	6.10%	6.30%	15,045	\$1.80
Huntington Beach	2,697,549	6.70%	0	2,393,017	7.00%	7.20%	48,380	\$2.44
Los Alamitos/Stanton	855,632	6.70%	0	810,533	4.80%	7.10%	-2,901	\$2.35
Seal Beach	499,187	5.00%	0	368,787	6.00%	6.80%	8,497	\$3.11
Westminster	571,957	9.90%	0	473,957	12.00%	12.00%	18,449	\$2.12
West County	10,043,576	6.70%	0	7,559,263	8.40%	8.80%	87,828	\$2.24
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	6,869,719	7.40%	0	4,987,636	9.90%	10.00%	19,283	\$2.22
Orange	7,379,586	8.10%	0	6,888,649	8.40%	8.60%	-15,809	\$2.46
Santa Ana	15,675,839	12.50%	0	13,371,259	14.00%	14.60%	223,827	\$2.01
Tustin	2,331,825	11.30%	417,284	2,109,073	11.40%	12.00%	65,853	\$2.19
Central County	32,256,969	10.30%	417,284	27,356,617	11.70%	12.10%	293,154	\$2.13
Orange County Total	122,868,533	10.70%	1,484,091	105,873,921	10.80%	11.50%	576,961	\$2.59

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Avison Young at a Glance

Founded: **1978**
Total Real Estate Professionals: **2,600**
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