

# Orange County



## Market Facts

**2.8%**

Orange County  
Unemployment Rate  
As Of March 2018

**213,419 SF**

Positive Net Absorption  
Current Quarter

Positive 213,419 SF  
Year-To-Date

**10.9%**

Total Vacancy Rate  
Up From 10.7% In Q4 2017

**\$2.69 PSF**

Asking Rental Rate  
Weighted Average

## Market Overview

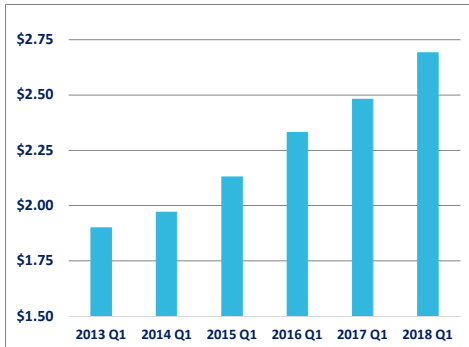
The Orange County office market is holding steady to strong fundamentals at the close of the first quarter of 2018. Rental rates are increasing, meanwhile vacancy has begun to increase. The ideal geography and high quality of life contribute to the growing population and the preference of high-quality 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 first quarter of 2018, down sharply from 3.8% 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 first quarter of the year, vacancy edged up to 10.9%, 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

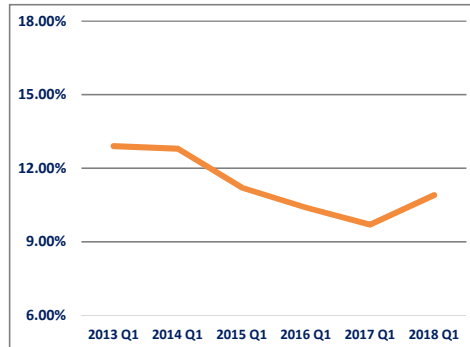
the increase in vacancy. As of the first quarter of 2018, the average asking rental rate for all classes was \$2.69 psf FSG, up from \$2.48 psf FSG one year earlier. The highest rents remained exceedingly in the Airport Area at \$3.11 psf FSG, followed by South County with \$2.82 psf FSG. Central County exhibited the most affordable rental rate opportunities at \$2.19 psf FSG, followed by North and West Counties, both at \$2.25 psf FSG. Total net absorption for the fourth quarter of 2017 was positive 213,419 sf, while the most recent 12 month period was positive 779,339 sf.

The last two buildings at Five Point Gateway completed construction at the start of the year, adding more than 477,000 square feet of inventory at 78% occupancy. The largest projects under construction include Flight at Tustin Legacy in Tustin, and The Quad at Discovery Business Center in Irvine Spectrum. Currently a total of five investment-grade office projects are under construction in the county, amounting to more than 1M sf of new inventory in the pipeline.

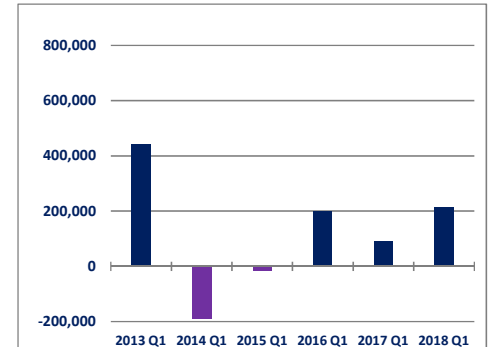
## Asking Rent



## Vacancy Rates



## Net Absorption



## Top Leases

Tenant	Type	Address	Submarket	SF
Government Services Administration	New	14101 Myford Road, Tustin	Central County	66,818
BJ's Restaurants, Inc.	Renewal	7755 Center Avenue, Huntington Beach	West County	57,100
Paciolan	New	5291 California Avenue, Irvine	Airport Area	41,312
Regus	New	530 Technology Drive, Irvine Spectrum	South County	41,140
Ghost Management Group	New	43 Discovery, Irvine Spectrum	South County	31,407

## Top Sales

Address	Buyer	Seller	Price	SF	P/SF
333 City Boulevard, Orange	KBS Strategic Opportunity REIT	Torchlight Investors	\$147,300,000	431,007	\$342
2727-2767 E Imperial Highway, Brea	Healthcare Property Advisors	AEW Capital Management	\$47,300,000	194,312	\$243
1 - 9 Corporate Park, Irvine	Kelemen Caamano Investments	PS Business Parks	\$42,000,000	159,165	\$264
3100 - 3130 S Harbor Boulevard, Santa ana	Kearny Real Estate Company	Colton Family Trust	\$34,773,000	201,864	\$172
625 The City Drive, Orange	TA Realty	The Blackstone Group	\$33,000,000	148,054	\$223

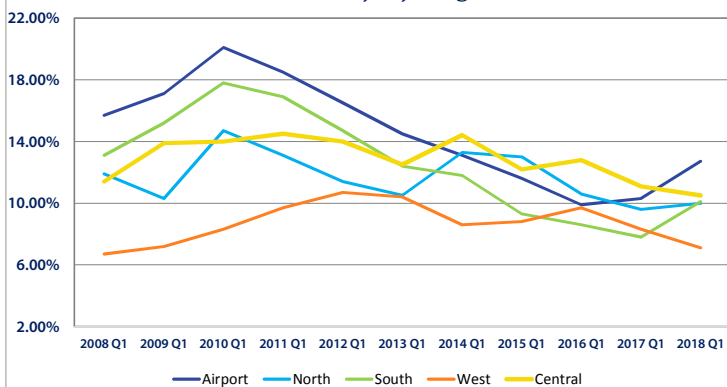
## Under Construction

Address	Developer	SF	Completion
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
330 Old Newport Boulevard, Newport Beach	Advanced Medical Properties	26,500	Q3 2018

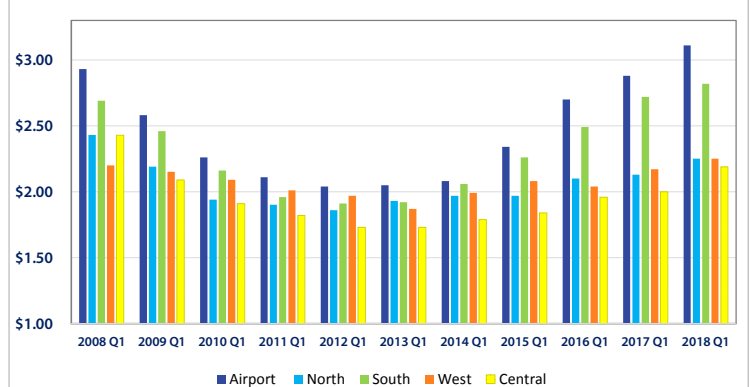
## Orange County By The Numbers

Vacancy					Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
Q1 2018 Inventory (SF)	Q1 2018 Vacancy (SF)	Q1 2018 Vacancy (%)	Q4 2017 Vacancy (%)		Current Quarter Absorption	Year-To-Date Absorption	Q1 2018 Rental Rates	Q4 2017 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
<b>Airport Area</b>												
Class A	24,049,295	3,814,656	15.90%	15.70%	-98,026	-98,026	\$3.34	\$3.26	2.45%	0	0	0
Class B	18,149,681	1,602,008	8.80%	7.40%	-151,033	-151,033	\$2.95	\$2.74	7.66%	0	0	181,500
Class C	984,543	56,291	5.70%	5.80%	2,985	2,985	\$2.24	\$2.33	-3.86%	0	0	0
Total	43,183,519	5,472,955	12.70%	12.00%	-246,074	-246,074	\$3.11	\$3.02	2.98%	0	0	181,500
<b>North County</b>												
Class A	2,110,306	362,228	17.20%	17.50%	-13,434	-13,434	\$2.53	\$2.46	2.85%	0	0	0
Class B	7,862,287	644,156	8.20%	8.50%	30,930	30,930	\$2.17	\$2.13	1.88%	0	0	38,313
Class C	285,738	18,356	6.40%	15.70%	-3,948	-3,948	\$1.35	\$1.93	-30.05%	0	0	0
Total	10,258,331	1,024,740	10.00%	10.60%	13,548	13,548	\$2.25	\$2.21	1.81%	0	0	38,313
<b>South County</b>												
Class A	9,409,522	1,177,679	12.50%	13.60%	513,446	513,446	\$3.26	\$3.22	1.24%	477,226	477,226	369,768
Class B	17,451,181	1,563,118	9.00%	9.00%	-31,110	-31,110	\$2.68	\$2.59	3.47%	0	0	0
Class C	662,301	42,156	6.40%	5.80%	-2,310	-2,310	\$2.15	\$2.08	3.37%	0	0	0
Total	27,523,004	2,782,953	10.10%	10.40%	480,026	480,026	\$2.82	\$2.75	2.55%	0	477,226	369,768
<b>West County</b>												
Class A	2,175,151	137,954	6.30%	10.30%	6,418	6,418	\$2.52	\$2.48	1.61%	0	0	0
Class B	7,022,017	401,673	5.70%	6.00%	21,543	21,543	\$2.16	\$2.17	-0.46%	0	0	0
Class C	847,829	169,478	20.00%	3.00%	5,090	5,090	\$1.83	\$2.01	-8.96%	0	0	0
Total	10,044,997	709,105	7.10%	6.70%	33,051	33,051	\$2.25	\$2.24	0.45%	0	0	0
<b>Central County</b>												
Class A	10,415,127	1,311,464	12.60%	11.60%	-101,759	-101,759	\$2.47	\$2.38	3.78%	0	0	417,284
Class B	18,335,420	1,897,825	10.40%	10.40%	41,993	41,993	\$2.16	\$2.14	0.93%	0	0	0
Class C	3,509,395	178,017	5.10%	5.90%	-7,366	-7,366	\$1.64	\$1.52	7.89%	0	0	0
Total	32,259,942	3,387,306	10.50%	10.30%	-67,132	-67,132	\$2.19	\$2.13	2.82%	0	0	417,284
<b>Orange County Market</b>												
Class A	48,159,401	6,803,981	14.10%	14.30%	306,645	306,645	\$3.07	\$3.00	2.33%	477,226	477,226	787,052
Class B	68,820,586	6,108,780	8.90%	8.60%	-87,677	-87,677	\$2.55	\$2.41	5.81%	0	0	219,813
Class C	6,289,806	464,298	7.70%	6.00%	-5,549	-5,549	\$1.84	\$1.78	3.37%	0	0	0
Total	123,269,793	13,377,059	10.90%	10.70%	213,419	213,419	\$2.69	\$2.59	3.86%	477,226	477,226	1,006,865

Vacancy by Region



Rental Rate by Region



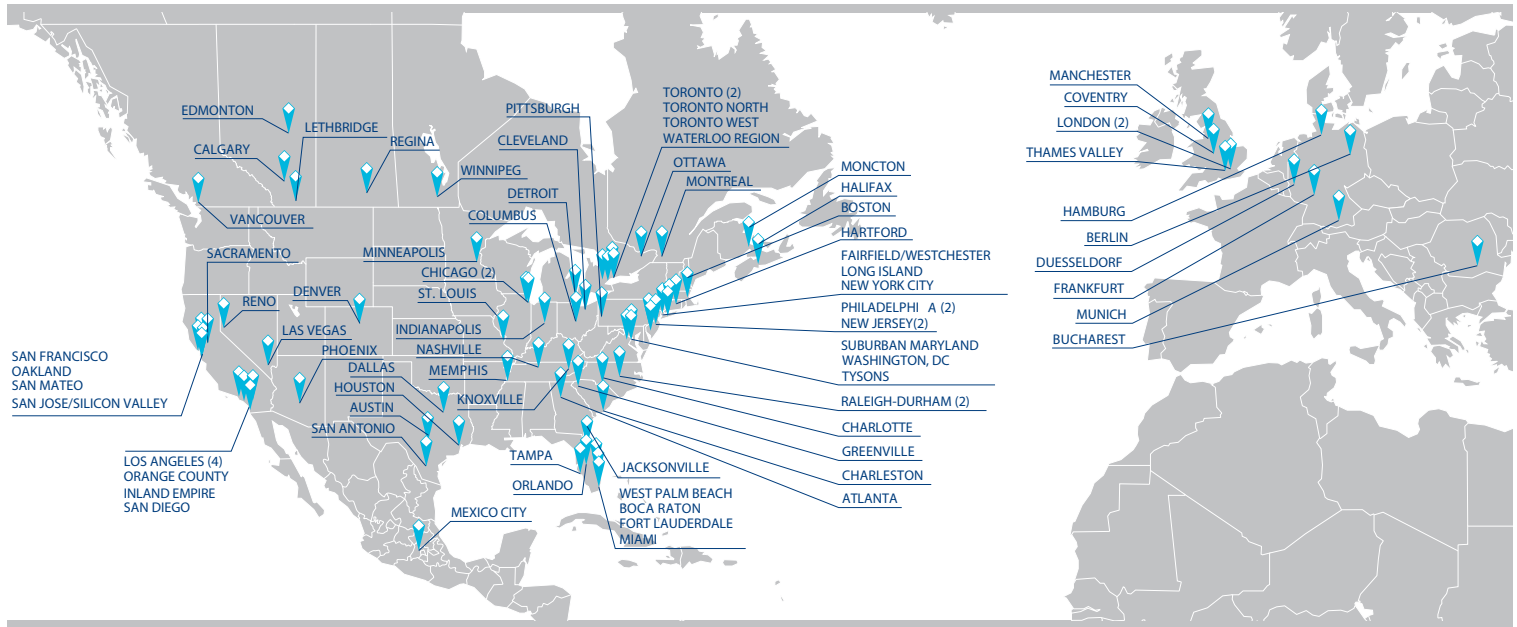
Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Costa Mesa	7,392,223	14.20%	0	5,770,190	14.00%	17.10%	-75,693	\$2.60
Irvine	25,012,158	13.80%	155,000	23,266,094	11.60%	12.60%	-142,358	\$3.04
Newport Beach	10,779,138	9.10%	26,500	9,740,671	8.90%	9.60%	-62,866	\$3.47
Airport Area	43,183,519	12.70%	181,500	38,776,955	11.30%	12.50%	-280,917	\$3.11
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim Hills	1,237,357	14.30%	0	808,321	21.60%	21.60%	-15,413	\$1.95
Brea/La Habra	4,293,825	9.10%	38,313	4,129,117	7.80%	9.50%	-6,444	\$2.25
Buena Park/La Palma	1,684,477	10.90%	0	1,425,521	12.90%	12.90%	40,625	\$2.33
Fullerton	2,508,316	7.50%	0	1,641,623	11.40%	11.50%	-18,680	\$2.49
Placentia/Yorba Linda	534,356	15.90%	0	467,812	17.60%	18.10%	8,530	\$1.83
North County	10,258,331	10.00%	38,313	8,472,394	11.20%	12.10%	8,618	\$2.25
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Aliso Viejo/Laguna Hills	5,552,284	14.90%	0	4,688,971	13.30%	14.10%	22,604	\$2.97
Dana Point/San Clemente/SJC	2,004,154	6.00%	0	1,935,855	6.30%	6.20%	14,974	\$2.46
Foothill Ranch/Lake Forest/RSM	3,349,937	8.30%	0	3,325,091	6.10%	8.20%	24,152	\$2.40
Irvine Spectrum	12,680,046	10.30%	369,768	11,243,753	10.10%	11.20%	430,401	\$2.92
Laguna Beach/Laguna Niguel	1,766,304	2.80%	0	621,089	7.80%	7.90%	8,759	\$2.59
Mission Viejo	2,170,279	9.60%	0	2,053,366	10.00%	10.20%	14,452	\$2.59
South County	27,523,004	10.10%	369,768	23,868,125	9.80%	10.80%	515,342	\$2.82
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Cypress	1,875,381	8.50%	0	1,357,409	11.70%	11.70%	8,547	\$2.17
Fountain Valley	2,061,564	3.30%	0	1,333,988	5.00%	5.00%	-11,487	\$1.46
Garden Grove	1,485,143	2.40%	0	713,117	4.90%	4.90%	12,620	\$1.75
Huntington Beach	2,697,957	7.30%	0	2,418,457	7.90%	7.90%	-15,769	\$2.41
Los Alamitos/Stanton	855,769	24.10%	0	746,962	16.60%	19.10%	1,464	\$2.07
Seal Beach	499,187	2.60%	0	368,787	3.50%	3.50%	12,163	\$3.14
Westminster	569,996	5.60%	0	471,996	6.80%	6.80%	24,811	\$2.13
West County	10,044,997	7.10%	0	7,410,716	8.40%	8.60%	32,349	\$2.25
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	6,874,674	6.60%	0	5,063,353	8.80%	8.80%	57,863	\$2.24
Orange	7,381,107	8.70%	0	6,890,170	8.90%	9.30%	-48,901	\$2.50
Santa Ana	15,670,732	13.10%	0	13,341,594	14.60%	15.40%	-102,462	\$2.12
Tustin	2,333,429	10.20%	417,284	2,110,677	10.20%	10.80%	26,368	\$2.22
Central County	32,259,942	10.50%	417,284	27,405,794	11.80%	12.30%	-67,132	\$2.19
Orange County Total	123,269,793	10.90%	1,006,865	105,933,984	10.90%	11.80%	208,260	\$2.69

# A Growing, Multinational Presence

## Avison Young at a Glance

Founded: **1978**  
Total Real Estate Professionals: **2,600**  
Offices: **84**  
Brokerage Professionals: **1,100**  
Property Under Management: **100 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, the company comprises 2,600 real estate professionals in 84 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



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