

# Orange County

## Quick Stats

### 3.0%

Orange County  
Unemployment Rate  
As Of Feb 2019

### -14,648 SF

Negative Net Absorption  
Current Quarter

Positive 144,878 SF  
Past 12 Months

### 11.3%

Total Vacancy Rate  
Flat From 11.3% In Q4 2018

### \$2.77 PSF

Asking Rental Rate  
Weighted Average

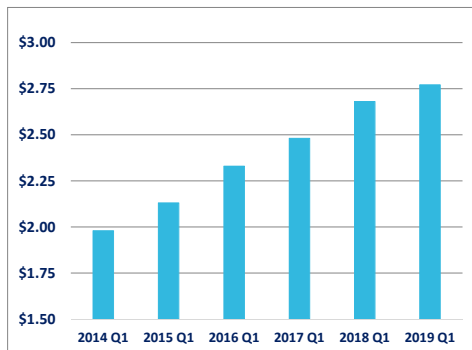
Southern California's Orange County office market is experiencing an increase in vacancy year-over-year while rental rate increases persist, as of the first quarter of 2019. The county's ideal geography, high quality of life and growing population continue to drive this thriving hub of financial services, information technology, logistics and health care. The county's unemployment rate remained well below state and national averages, at 3.0% in the first quarter of 2019 and remained flat as compared to one year earlier. Currently California's unemployment is at 4.3% while U.S. unemployment is at 3.8%.

Office vacancy remained flat from the previous quarter at 11.3%, while remaining elevated from 11.0% recorded at the same time in the previous year. Construction momentum contributed to vacancy with 2.9 msf delivered in the past two years. Currently a total of six investment-grade office projects are under construction in the county, totalling more than 1 msf, with 12% pre-committed to tenants. The largest office

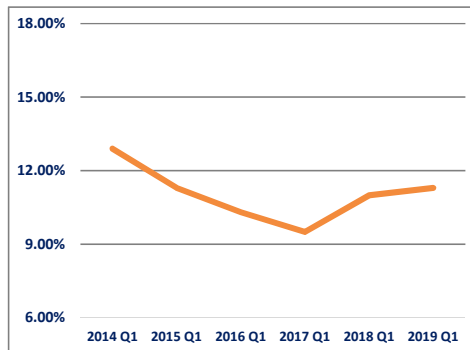
project under construction is Flight at Tustin Legacy in Tustin, with 457,000 sf expected to come on-line during the second quarter of 2019. Construction completions in the first quarter included 290,400 sf of entirely speculative space, with LEED Silver targets, located at Discovery Park in Irvine Spectrum. Construction has not reached the highs of the previous cycle, indicating that over-supply is unlikely to burden vacancy levels much further during a slowdown.

The average asking rental rate for all classes was \$2.77 psf FSG, up from \$2.75 psf FSG in the previous quarter and up significantly from \$2.68 psf FSG one year earlier. The highest rents remained in the Airport Area at \$3.13 psf FSG. Total net absorption for the quarter was negative 14,648 sf, bringing the most recent 12-month period to positive 144,878 sf, down from the previous 12-month rolling total of positive 211,600 sf.

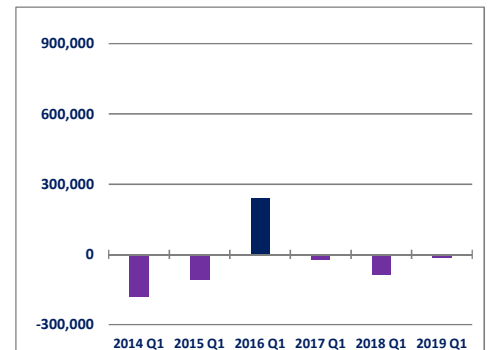
## Asking Rent



## Vacancy Rates



## Net Absorption



## Top Leases

Tenant	Type	Address	Submarket	SF
Epson	New	3131 Katella Avenue, Los Alamitos	West County	150,342
Hyundai Capital America	Renewal	3161 Michelson Drive, Irvine	Airport Area	96,921
UCI Applied Innovation	New	5270 California Avenue, Irvine	Airport Area	84,380
Sheppard Mullin	Renewal	650 Town Center Drive, Costa Mesa	Airport Area	59,056
Hana at Park Place	New	3349 Michelson Drive, Irvine	Airport Area	55,262

## Top Sales

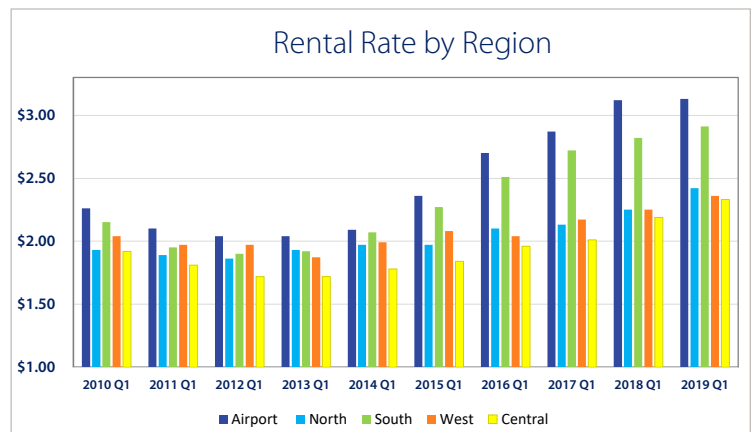
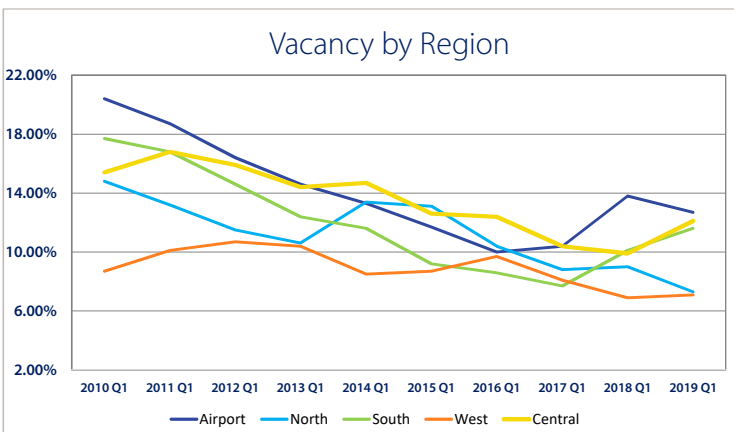
Address	Buyer	Seller	Price	SF	P/SF
5301 Bolsa Avenue, Huntington Beach	Sares-Regis Group	The Boeing Company	\$113,000,000	923,000	122
Portfolio - Anaheim/Laguna Hills/Lake Forest/Orange	Lincoln Property Co. / Angelo Gordon	The Colton Company	\$74,300,000	400,898	185
5515 E La Palma Avenue, Anaheim	Klein Investments Family LP	Hines	\$40,648,000	155,880	261
120 S State College Boulevard, Brea	HdL Companies	Hines	\$23,050,000	79,512	290
3350 E Birch Street, Brea	Alamitos Associates	SOC Resources, Inc.	\$14,000,000	70,618	198

## Under Construction

Address	Developer	SF	Completion
Flight at Tustin Legacy, Tustin	Lincoln Property Company	457,217	Q2 2019
Spectrum Terrace, Irvine Spectrum	The Irvine Company	352,511	Q3 2019
Mission Viejo Medical Center, Mission Viejo	NCA Real Estate	110,000	Q4 2019
The Source H2O, Irvine Spectrum	KPRS Construction Services	69,968	Q4 2019
Newport Harbor Medical Plaza, Newport Beach	Shaoulia Properties	29,991	Q1 2019

## Orange County By The Numbers

Vacancy					Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
Q1 2019 Inventory (SF)	Q1 2019 Vacancy (SF)	Q1 2019 Vacancy (%)	Q4 2018 Vacancy (%)		Current Quarter Absorption	12 Month Total Absorption	Q1 2019 Rental Rates	Q4 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
<b>Airport Area</b>												
Class A	24,437,080	3,576,875	14.60%	15.60%	183,613	251,978	\$3.41	\$3.42	-0.29%	0	0	0
Class B	17,515,513	1,801,171	10.30%	11.00%	123,286	219,274	\$2.98	\$2.98	0.00%	155,000	155,000	29,991
Class C	940,051	64,440	6.90%	8.20%	11,407	-8,149	\$2.84	\$2.77	2.53%	0	0	0
Total	42,892,644	5,442,486	12.70%	13.50%	318,306	463,103	\$3.13	\$3.15	-0.63%	155,000	155,000	29,991
<b>North County</b>												
Class A	2,111,693	130,414	6.20%	8.60%	28,440	178,534	\$2.55	\$2.47	3.24%	0	0	0
Class B	7,809,617	598,269	7.70%	7.50%	-11,868	-9,941	\$2.42	\$2.37	2.11%	0	0	0
Class C	282,153	16,811	6.00%	6.70%	3,739	1,545	\$1.46	\$1.80	-18.89%	0	0	0
Total	10,203,463	745,494	7.30%	7.70%	20,311	170,138	\$2.42	\$2.38	1.68%	0	0	0
<b>South County</b>												
Class A	10,028,822	1,585,901	15.80%	15.00%	48,847	144,865	\$3.21	\$3.17	1.26%	290,400	290,400	488,511
Class B	17,504,732	1,667,789	9.50%	9.20%	-60,718	-107,842	\$2.77	\$2.70	2.59%	0	0	69,968
Class C	659,750	16,436	2.50%	2.20%	-1,236	25,720	\$2.27	\$1.97	15.23%	0	0	0
Total	28,193,304	3,270,126	11.60%	11.10%	-13,107	62,743	\$2.91	\$2.83	2.83%	290,400	290,400	558,479
<b>West County</b>												
Class A	2,181,941	135,583	6.20%	5.50%	-15,448	-11,015	\$2.72	\$2.77	-1.81%	0	0	0
Class B	7,182,618	572,900	8.00%	8.10%	5,009	-20,885	\$2.27	\$2.25	0.89%	0	0	0
Class C	711,589	7,163	1.00%	0.60%	-2,642	11,973	\$1.48	\$1.48	0.00%	0	0	0
Total	10,076,148	715,646	7.10%	7.00%	-13,081	-19,927	\$2.36	\$2.32	1.72%	0	0	0
<b>Central County</b>												
Class A	10,412,259	1,511,237	14.50%	12.60%	-130,959	-357,568	\$2.69	\$2.67	0.75%	0	0	457,217
Class B	18,575,752	2,056,094	11.10%	10.70%	-171,816	-223,336	\$2.23	\$2.15	3.72%	0	0	0
Class C	3,379,258	341,574	10.10%	6.10%	-24,302	-173,056	\$1.67	\$1.64	1.83%	0	0	0
Total	32,367,269	3,908,905	12.10%	10.80%	-327,077	-753,960	\$2.33	\$2.26	3.10%	0	0	457,217
<b>Orange County Market</b>												
Class A	49,171,795	6,940,010	14.10%	14.10%	114,493	206,794	\$3.13	\$3.13	0.00%	290,400	290,400	945,728
Class B	68,588,232	6,696,223	9.70%	9.80%	-116,107	-31,423	\$2.64	\$2.61	1.15%	155,000	155,000	99,959
Class C	5,972,801	446,424	5.70%	5.30%	-13,034	-30,493	\$2.00	\$1.92	4.17%	0	0	0
Total	123,732,828	14,082,657	11.30%	11.30%	-14,648	144,878	\$2.77	\$2.75	0.73%	445,400	445,400	1,045,687

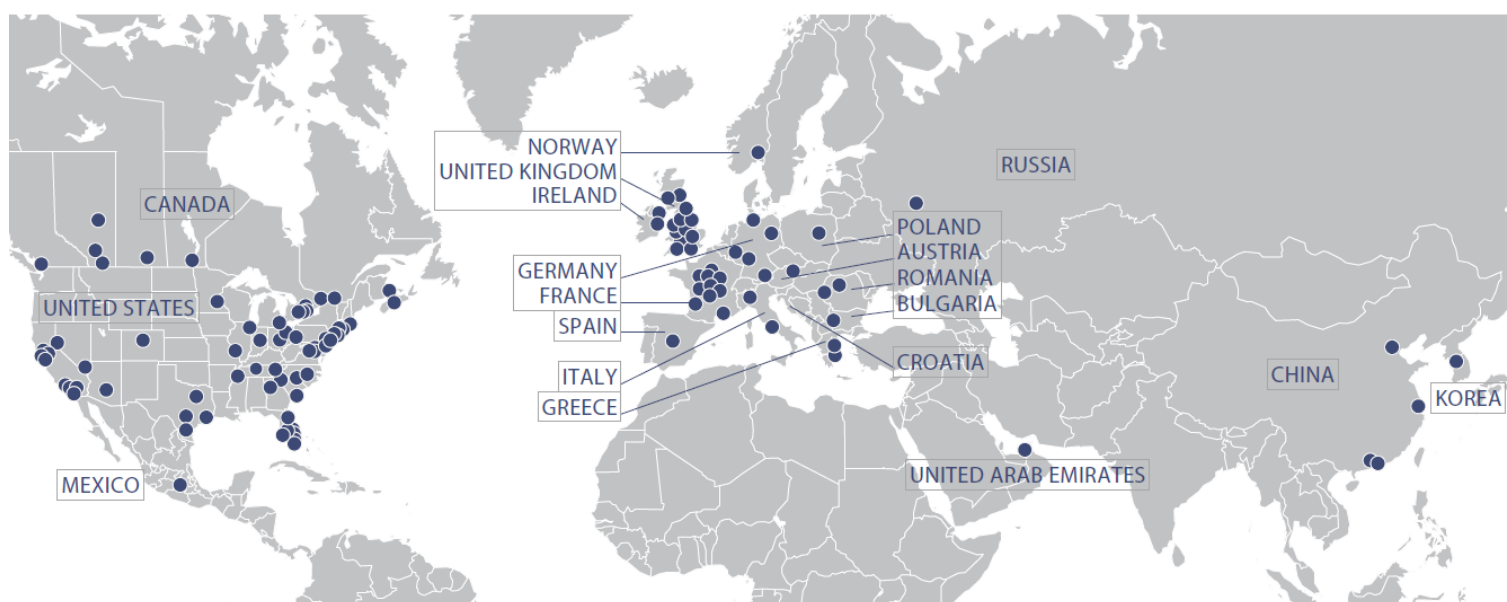


Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Costa Mesa	7,442,394	14.90%	0	5,886,013	14.70%	18.90%	26,588	\$2.59
Irvine	24,765,183	13.60%	0	22,954,535	12.20%	13.50%	227,663	\$3.12
Newport Beach	10,685,067	8.90%	29,991	9,860,410	8.60%	9.70%	-13,257	\$3.46
Airport Area	42,892,644	12.70%	29,991	38,700,958	11.50%	13.20%	240,994	\$3.13
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim Hills	1,237,846	7.00%	0	851,041	9.60%	10.10%	-3,056	\$1.84
Brea/La Habra	4,304,831	5.10%	0	4,060,611	5.00%	5.30%	1,388	\$2.41
Buena Park/La Palma	1,684,477	8.90%	0	1,425,521	10.20%	10.50%	19,542	\$2.21
Fullerton	2,441,852	7.00%	0	1,575,159	10.90%	10.90%	4,677	\$2.62
Placentia/Yorba Linda	534,457	21.80%	0	467,913	24.90%	24.90%	-11,240	\$2.61
North County	10,203,463	7.30%	0	8,380,245	8.50%	8.80%	11,311	\$2.42
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Aliso Viejo/Laguna Hills	5,550,509	17.00%	0	4,947,825	18.50%	19.00%	34,629	\$2.99
Dana Point/San Clemente/SJC	2,018,780	8.30%	0	1,993,780	8.30%	8.50%	14,166	\$2.38
Foothill Ranch/Lake Forest/RSM	3,361,007	7.70%	0	3,336,161	7.60%	7.70%	-41,949	\$2.36
Irvine Spectrum	13,212,221	12.70%	422,479	11,974,761	11.10%	14.00%	-18,821	\$3.11
Laguna Beach/Laguna Niguel	2,000,300	4.30%	0	855,085	9.40%	10.10%	1,308	\$2.75
Mission Viejo	2,050,487	6.80%	136,000	1,933,574	6.80%	7.20%	-5,245	\$2.64
South County	28,193,304	11.60%	558,479	25,041,186	11.50%	13.00%	-15,912	\$2.91
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Cypress	1,875,861	8.60%	0	1,567,889	9.90%	9.90%	1,015	\$2.29
Fountain Valley	2,098,417	3.00%	0	1,370,841	4.50%	4.50%	-17,701	\$1.73
Garden Grove	1,526,327	3.60%	0	713,117	7.60%	7.70%	353	\$1.81
Huntington Beach	2,687,769	7.30%	0	2,403,536	7.10%	7.90%	-8,968	\$2.46
Los Alamitos/Stanton	856,223	23.40%	0	747,416	17.00%	18.30%	-4,289	\$1.95
Seal Beach	499,187	5.90%	0	368,787	7.90%	7.90%	14,678	\$3.23
Westminster	532,364	2.00%	0	434,364	2.40%	2.40%	1,831	\$2.07
West County	10,076,148	7.10%	0	7,605,950	8.00%	8.40%	-13,081	\$2.36
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	6,901,317	9.20%	0	4,929,308	10.50%	12.80%	30,289	\$2.23
Orange	7,336,873	11.10%	0	6,861,736	11.20%	11.80%	-22,967	\$2.57
Santa Ana	15,695,873	14.10%	0	13,265,427	15.80%	16.50%	-334,509	\$2.27
Tustin	2,433,206	10.30%	457,217	2,120,454	10.40%	11.30%	6,819	\$2.39
Central County	32,367,269	12.10%	457,217	27,176,925	13.30%	14.20%	-320,368	\$2.33
Orange County Total	123,732,828	11.30%	1,045,687	106,905,264	11.10%	12.30%	-97,056	\$2.77

## 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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