

Orange County



Quick Stats

2.4%

Orange County
Unemployment Rate
as of May 2019

526,117 SF

Positive Net Absorption
Current Quarter

Positive 1,175,368 SF
Past 12 Months

11.2%

Total Vacancy Rate
Down from 11.3% in Q1 2019

588,470 SF

Under Construction
Current Quarter

\$2.80 PSF

Asking Rental Rate
Weighted Average

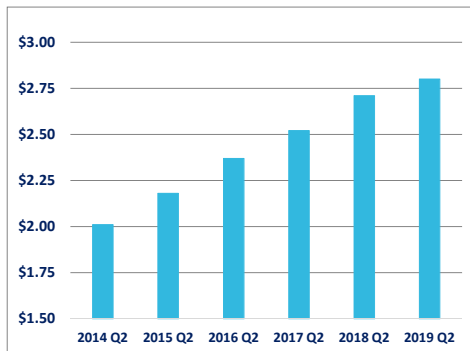
Southern California's Orange County office market is experiencing flat vacancy year-over-year while rental rate increases persist, as of the second quarter of 2019. The county's ideal geography, high quality of life and highly-educated labor pool continue to drive the economy. Record low unemployment, in addition to the existing housing shortage, pose challenges for growing companies and upward pressure on wages. The county's unemployment rate remained well below state and national averages, at 2.4% in the second quarter of 2019 and remained near flat as compared to one year earlier. Currently California's unemployment is at 4.2%, while U.S. unemployment is at 3.6%.

Office vacancy decreased slightly to 11.2%, down 10 basis points from the previous quarter, bringing vacancy back to the same level recorded one year ago. Currently a total of five investment-grade office projects are under construction in the county, totalling just under 600k sf, with 43% pre-committed to tenants. The largest office project under construction includes the first three buildings at the LEED targeted Spectrum Terrace, totalling 350k sf with 50 percent pre-committed to tenants, set to deliver mid-summer this year. Within the project,

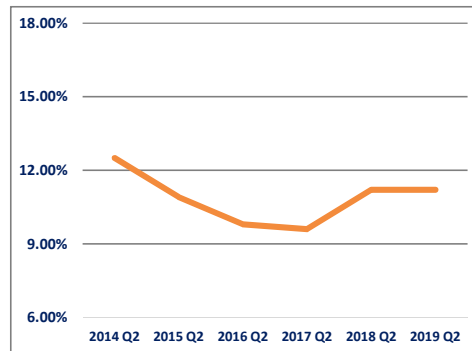
17300 Laguna Canyon Rd was also the location of the county's largest lease transaction for the quarter when WeWork signed for the full building. The 73 acre campus will add six more properties by the end of 2021. Flight at Tustin Legacy completed construction in the second quarter, delivering more than 460k sf of office to the market with 12% leased. The largest two office sales were the Twin Towers at MacArthur Place, sold by Blackstone Group to two separate buyers after holding them for six years. Both buildings are LEED Gold Certified and Wired Certified.

Rental rates have increased every quarter since early 2013, and continue to climb. Meanwhile increasing vacancy over the past two years has yet to apply downward pressure to rents, due in part to the premium new inventory being delivered to the market. The average asking rental rate for all classes was \$2.80 psf FSG, up from \$2.77 psf FSG in the previous quarter and up significantly from \$2.71 psf FSG one year earlier. The highest rents remained in the Airport Area at \$3.12 psf FSG. Total net absorption for the quarter was positive 526k sf, bringing the most recent 12-month period to positive 1.2m sf, which is significantly elevated from the previous 12-month rolling total of positive 154k sf.

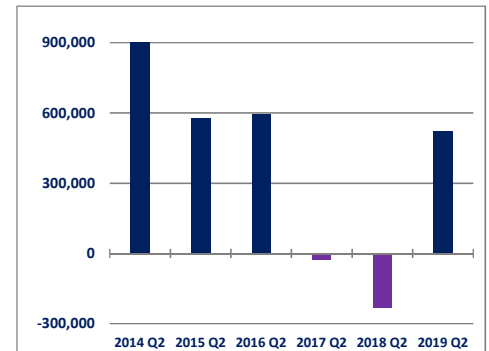
Asking Rent



Vacancy Rate



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
WeWork	New	17300 Laguna Canyon Road, Irvine	Airport Area	116,261
Ambry Genetics	New	1 Enterprise Drive, Aliso Viejo	South County	109,948
Tricon American Homes	New	15771 Red Hill Avenue, Tustin	Central County	78,000
Rutan & Tucker	New	18565-18575 Jamboree Road, Irvine	Airport Area	77,084
Happy Money	New	1700 Flight Way, Tustin	Central County	72,010

Top Sales

Address	Buyer	Seller	Price	SF	P/SF
2 MacArthur Place, Santa Ana	Ocean West Capital Partners	The Blackstone Group	\$83,000,000	208,142	\$399
1 MacArthur Place, Santa Ana	Angelo, Gordon & Co.	The Blackstone Group	\$54,000,000	210,025	\$257
1800 E Imperial Highway, Brea	Dollinger Properties	Rockefeller Group	\$33,500,000	145,467	\$230
15750 Alton Parkway, Irvine	IRA Capital	Wells Fargo	\$32,000,000	101,000	\$317
23 Pasteur, Irvine	TGS Management Company	Wells Fargo	\$28,000,000	125,315	\$223

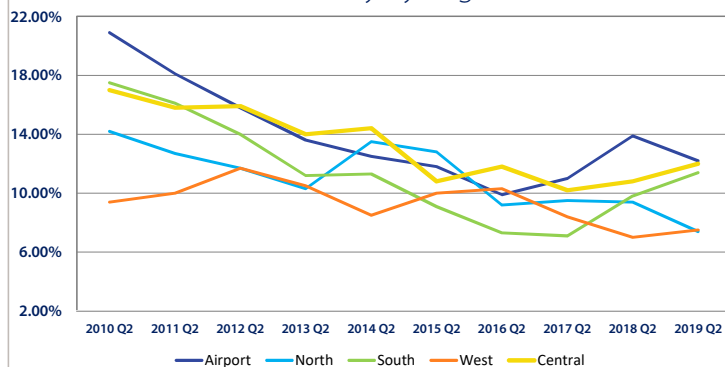
Under Construction

Address	Developer	SF	Completion
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	Shaoulian Properties	29,991	Q4 2019
Sendero Marketplace, Mission Viejo	Westar Associates	26,000	Q3 2019

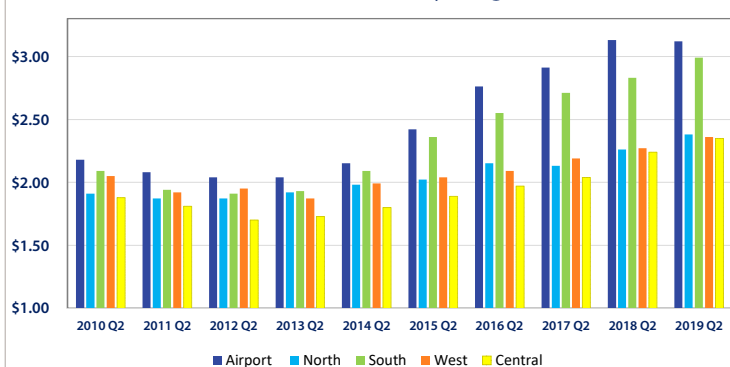
Orange County By The Numbers

Vacancy					Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
Q2 2019 Inventory (SF)	Q2 2019 Vacancy (SF)	Q2 2019 Vacancy (%)	Q1 2019 Vacancy (%)		Current Quarter Absorption	12 Month Total Absorption	Q2 2019 Rental Rates	Q1 2019 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
Airport Area												
Class A	24,323,233	3,457,112	14.20%	14.60%	56,135	353,012	\$3.37	\$3.41	-1.17%	0	0	0
Class B	17,598,833	1,731,522	9.80%	10.30%	195,947	321,840	\$2.96	\$2.98	-0.67%	0	0	29,991
Class C	911,722	47,236	5.20%	6.90%	17,204	29,853	\$3.25	\$2.84	14.44%	0	0	0
Total	42,833,788	5,235,870	12.20%	12.70%	269,286	704,705	\$3.12	\$3.13	-0.32%	0	0	29,991
North County												
Class A	2,111,693	183,672	8.70%	6.20%	-53,258	74,655	\$2.56	\$2.55	0.39%	0	0	0
Class B	7,809,466	551,613	7.10%	7.70%	46,656	124,326	\$2.38	\$2.42	-1.65%	0	0	0
Class C	282,153	23,555	8.30%	6.00%	-6,744	-3,027	\$1.65	\$1.46	13.01%	0	0	0
Total	10,203,312	758,840	7.40%	7.30%	-13,346	195,954	\$2.38	\$2.42	-1.65%	0	0	0
South County												
Class A	10,367,680	1,785,715	17.20%	15.80%	-94,214	307,333	\$3.36	\$3.21	4.67%	0	0	488,511
Class B	17,504,730	1,458,732	8.30%	9.50%	209,057	27,678	\$2.79	\$2.77	0.72%	0	0	69,968
Class C	659,750	18,640	2.80%	2.50%	-2,204	-5,395	\$2.17	\$2.27	-4.41%	0	0	0
Total	28,532,160	3,263,087	11.40%	11.60%	112,639	329,616	\$2.99	\$2.91	2.75%	0	0	558,479
West County												
Class A	1,931,531	150,641	7.80%	6.20%	-15,058	-12,544	\$2.73	\$2.72	0.37%	0	0	0
Class B	7,187,986	571,901	8.00%	8.00%	6,912	-38,579	\$2.26	\$2.27	-0.44%	0	0	0
Class C	732,504	12,076	1.60%	1.00%	-10,826	1,683	\$1.60	\$1.48	8.11%	0	0	0
Total	9,852,021	734,618	7.50%	7.10%	-18,972	-49,440	\$2.36	\$2.36	0.00%	0	0	0
Central County												
Class A	10,835,190	1,651,764	15.20%	14.50%	169,866	108,946	\$2.79	\$2.69	3.72%	457,217	902,617	0
Class B	18,698,272	2,064,560	11.00%	11.10%	-18,039	-121,782	\$2.21	\$2.23	-0.90%	0	0	0
Class C	3,274,131	205,417	6.30%	10.10%	24,683	-134,821	\$1.76	\$1.67	5.39%	0	0	0
Total	32,807,593	3,921,741	12.00%	12.10%	176,510	-147,657	\$2.35	\$2.33	0.86%	457,217	902,617	0
Orange County Market												
Class A	49,569,327	7,228,904	14.60%	14.10%	63,471	831,402	\$3.19	\$3.13	1.92%	457,217	902,617	488,511
Class B	68,799,287	6,378,328	9.30%	9.70%	440,533	344,199	\$2.63	\$2.64	-0.38%	0	0	99,959
Class C	5,860,260	306,924	5.20%	5.70%	22,113	-233	\$2.07	\$2.00	3.50%	0	0	0
Total	124,228,874	13,914,156	11.20%	11.30%	526,117	1,175,368	\$2.80	\$2.77	1.08%	457,217	902,617	588,470

Vacancy by Region



Rental Rate by Region



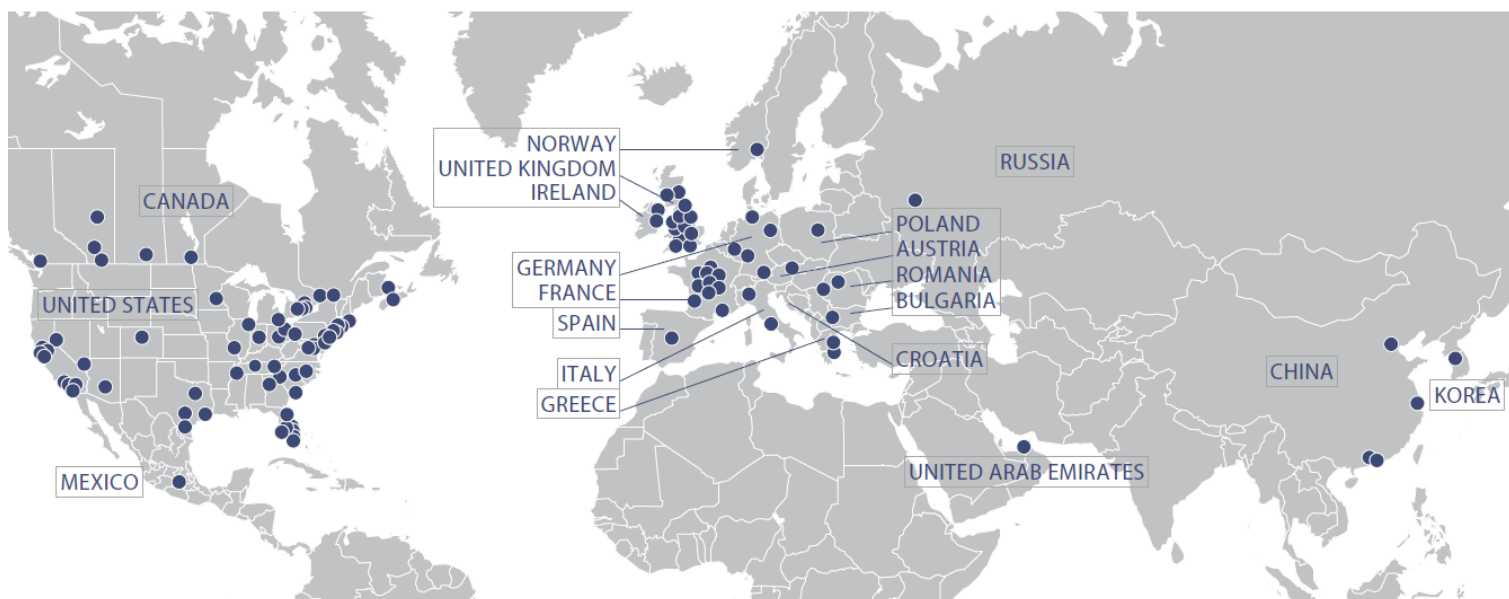
Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Costa Mesa	7,432,602	15.90%	0	5,876,221	16.90%	19.90%	-57,720	\$2.67
Irvine	24,735,246	12.70%	0	23,541,779	12.40%	13.30%	288,237	\$3.11
Newport Beach	10,665,940	8.60%	29,991	9,819,283	8.20%	9.30%	40,752	\$3.43
Airport Area	42,833,788	12.20%	29,991	39,237,283	12.00%	13.30%	271,269	\$3.12
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim Hills	1,237,796	6.70%	0	850,991	9.30%	9.70%	3,579	\$1.91
Brea/La Habra	4,304,831	5.80%	0	4,060,611	4.80%	6.00%	-27,190	\$2.32
Buena Park/La Palma	1,684,477	9.90%	0	1,425,521	11.30%	11.80%	-18,237	\$2.19
Fullerton	2,441,852	6.00%	0	1,575,159	9.20%	9.20%	26,493	\$2.57
Placentia/Yorba Linda	534,356	20.90%	0	467,812	23.40%	23.90%	5,069	\$2.66
North County	10,203,312	7.40%	0	8,380,094	8.20%	8.90%	-10,286	\$2.38
	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	16.30%	0	4,947,825	15.80%	18.20%	37,145	\$3.01
Dana Point/San Clemente/SJC	2,018,780	6.90%	0	1,993,780	6.90%	6.90%	30,069	\$2.41
Foothill Ranch/Lake Forest/RSM	3,361,007	6.70%	0	3,336,161	6.50%	6.70%	34,920	\$2.43
Irvine Spectrum	13,555,656	12.80%	422,479	12,419,196	11.60%	13.90%	50,813	\$3.24
Laguna Beach/Laguna Niguel	2,000,300	4.70%	0	855,085	10.20%	10.90%	-7,259	\$2.72
Mission Viejo	2,045,908	8.40%	136,000	1,928,995	8.00%	8.90%	-33,049	\$2.62
South County	28,532,160	11.40%	558,479	25,481,042	11.10%	12.70%	112,639	\$2.99
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Cypress	1,875,861	10.30%	0	1,567,889	12.00%	12.00%	-33,995	\$2.26
Fountain Valley	2,078,633	3.40%	0	1,351,057	4.90%	5.10%	-6,206	\$1.74
Garden Grove	1,526,327	2.70%	0	713,117	5.60%	5.70%	14,416	\$1.98
Huntington Beach	2,507,006	8.20%	0	2,462,773	7.60%	8.10%	-8,96	\$2.43
Los Alamitos/Stanton	856,223	23.20%	0	747,416	16.70%	18.10%	1	\$2.41
Seal Beach	499,187	5.20%	0	368,787	7.00%	7.00%	1,81	\$3.32
Westminster	508,784	0.20%	0	410,784	0.20%	0.20%	8	\$2.33
West County	9,852,021	7.50%	0	7,621,823	8.30%	8.60%	-19,843	\$2.36
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	6,909,667	9.30%	0	5,007,813	12.40%	12.70%	-7,186	\$2.30
Orange	7,335,676	10.50%	0	6,860,539	10.50%	11.10%	48,522	\$2.70
Santa Ana	15,651,435	12.40%	0	13,135,461	14.20%	14.60%	43,506	\$2.27
Tustin	2,910,815	19.80%	0	2,120,454	7.80%	8.00%	70,319	\$2.33
Central County	32,807,593	12.00%	0	27,124,267	12.50%	12.90%	155,161	\$2.35
Orange County Total	124,228,874	11.20%	588,470	107,844,509	10.80%	11.80%	508,970	\$2.80

A Growing, Multinational Presence

Avison Young at a Glance

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Offices:	120
Countries:	20
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Property Under Management:	290 million sf

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