

Orange County



Market Facts

3.6%

Orange County
Unemployment Rate
As Of Sept 2017

151,561 SF

Positive Net Absorption
Current Quarter

Positive 329,929 SF
Year-To-Date

10.2%

Total Vacancy Rate
Flat From 10.1% In Q2 2017

\$2.58 PSF

Asking Rental Rate
Weighted Average

Market Overview

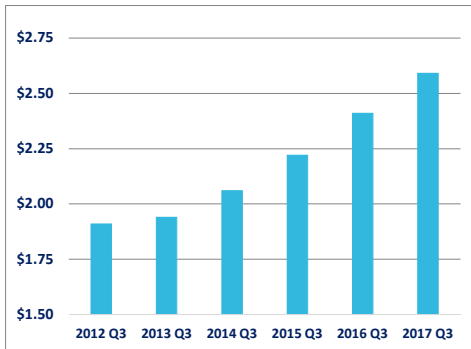
The Orange County office market is holding steady to strong fundamentals at the close of the third quarter of 2017. Rental rate increases are not slowing down, meanwhile vacancy remains relatively flat. The ideal geography and high quality of life contribute to the growing population and the preference 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, holding at 3.6% as of the third quarter of 2017, down from 4.0% posted at the same time in the previous year.

Orange County has registered a slowdown in vacancy contraction over the past two years, tapering off after the sharp contraction earlier in the Recovery. As of the third quarter of the year, vacancy edged up to 10.2%, as compared to 9.6% recorded at the same time in the previous year. New development has

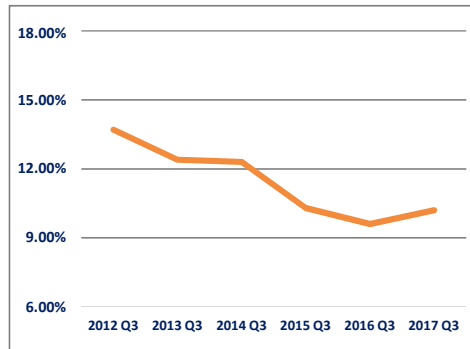
gained momentum throughout the past year, and may keep vacancy rates hovering at current levels for the remainder of the year. As of the third quarter of 2017, the average asking rental rate for all classes was \$2.58 psf FSG, up from \$2.41 psf FSG one year earlier. The highest rents remained exceedingly in the Airport Area at \$2.96 psf FSG, followed by South County with \$2.77 psf FSG. Central County exhibited the most affordable rental rate opportunities at \$2.12 psf FSG, followed by North County at \$2.22 psf FSG. Total net absorption for the third quarter of 2017 was positive 151,561 sf, while the most recent 12 month period was positive 140,341 sf.

Investment grade office properties in Orange County are experiencing a slowdown in sales transactional volume, while pricing approaches pre-recession highs. Sale prices climbed sharply in the second half of the previous year, reaching in excess of \$260 psf, a level which has been sustained into 2017. There are currently six investment-grade office projects under construction in the county, amounting to more than 2.5 msf of new inventory to be added.

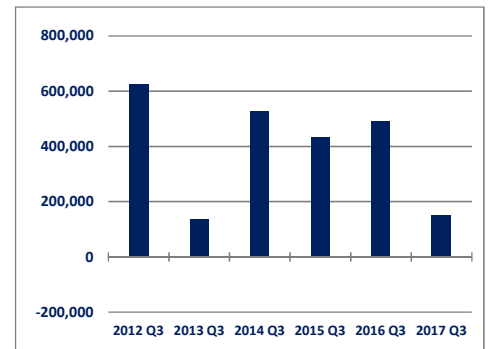
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Broadcom, Ltd	Leaseback	15101 & 15919 Alton Pky	Irvine Spectrum	660,893
VPI Pet Insurance	Renewal	1800 E Imperial Hwy	Brea	76,046
Pacific Premier Bank	Renewal	17901 Von Karman Ave	Irvine	57,150
Home Franchise Concepts	New	19000 MacArthur Blvd	Irvine	38,807
Veritone, Inc.	New	575 Anton Blvd	Costa Mesa	37,875

Top Sales

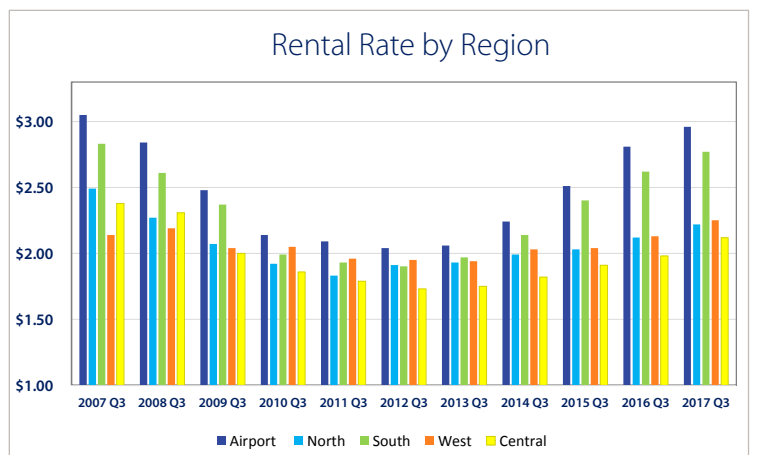
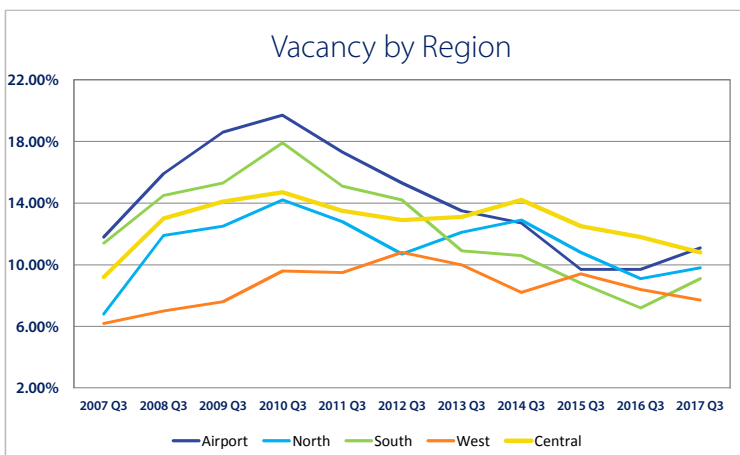
Address	Buyer	Seller	Price	SF	P/SF
15101-15191 Alton Pky, Irvine Spectrum	Five Point Holdings, LLC	Broadcom	\$443,000,000	1,031,525	\$429
1-30 Centerpointe Dr, La Palma	Greenlaw Partners	TA Realty	\$106,100,000	532,198	\$199
25500-25550 Commercentre Dr, Lake Forest	Drawbridge Reaty Trust	Barings Real Estate Advisers, LLC	\$76,200,000	323,163	\$236
4100 Newport Place Dr, Newport Beach	Olen Commercial	American Realty Advisors	\$75,600,000	190,405	\$397
4400 MacArthur Blvd, Newport Beach	Hilrod Holdings	TA Realty	\$59,800,000	156,310	\$383

Under Construction

Address	Developer	SF	Completion
Broadcom Corporate Campus, Irvine Spectrum	DPR Construction	850,393	Q1 2018
Barranca & Armstrong, Flight, Tustin Legacy	Lincoln Property Company	417,284	Q3 2018
The Quad at Discovery Business Center, Irvine Spectrum	The Irvine Company	369,768	Q2 2018
380 West Central Ave, Brea	Brea Medical Center	38,313	Q2 2018
330 Old Newport Blvd, Newport Beach	Advanced Medical Properties	26,500	Q3 2018

Orange County By The Numbers

	Vacancy				Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
	Q3 2017 Inventory (SF)	Q3 2017 Vacancy (SF)	Q3 2017 Vacancy (%)	Q2 2017 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q3 2017 Rental Rates	Q2 2017 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
Airport Area												
Class A	23,321,784	3,091,498	13.30%	13.40%	87,660	-153,583	\$3.24	\$3.25	-0.31%	0	0	545,000
Class B	17,976,172	1,525,559	8.50%	8.40%	-25,778	-251,567	\$2.69	\$2.60	3.46%	65,000	65,000	0
Class C	994,509	68,106	6.80%	7.10%	2,660	55,288	\$2.21	\$2.10	5.24%	0	0	0
Total	42,292,465	4,685,163	11.10%	11.10%	64,542	-349,862	\$2.96	\$2.92	1.37%	65,000	65,000	545,000
North County												
Class A	2,109,212	277,776	13.20%	21.40%	63,285	50,867	\$2.48	\$2.30	7.83%	0	0	0
Class B	7,851,540	697,951	8.90%	8.80%	19,183	-78,372	\$2.15	\$2.11	1.90%	44,500	44,500	38,313
Class C	321,738	46,758	14.50%	14.80%	747	1,952	\$1.42	\$1.39	2.16%	0	0	0
Total	10,282,490	1,022,485	9.80%	11.60%	83,215	-25,553	\$2.22	\$2.13	4.23%	44,500	44,500	38,313
South County												
Class A	8,422,988	986,170	11.70%	7.90%	297,967	486,239	\$3.20	\$3.18	0.63%	0	211,200	1,921,464
Class B	17,462,197	1,385,743	7.90%	7.20%	-161,524	-198,708	\$2.64	\$2.58	2.33%	0	0	0
Class C	684,981	35,561	5.20%	3.00%	-14,949	-15,143	\$2.05	\$1.88	9.04%	0	0	0
Total	26,570,166	2,407,474	9.10%	7.30%	121,494	272,388	\$2.77	\$2.72	1.84%	0	211,200	1,921,464
West County												
Class A	2,173,344	254,362	11.70%	11.30%	-11,906	-10,354	\$2.52	\$2.57	-1.95%	0	0	0
Class B	6,977,595	484,827	6.90%	6.90%	12,994	144,936	\$2.14	\$2.06	3.88%	0	0	0
Class C	886,141	29,019	3.30%	4.00%	6,274	2,048	\$1.99	\$2.00	-0.50%	0	0	0
Total	10,037,080	768,208	7.70%	7.70%	7,362	136,630	\$2.25	\$2.19	2.74%	0	0	0
Central County												
Class A	10,421,607	1,243,178	11.90%	13.20%	69,518	148,990	\$2.34	\$2.31	1.30%	0	0	0
Class B	18,227,414	1,979,113	10.90%	10.40%	-221,289	129,211	\$2.16	\$2.04	5.88%	0	0	0
Class C	3,623,988	265,579	7.30%	8.60%	26,719	18,125	\$1.55	\$1.54	0.65%	0	0	0
Total	32,273,009	3,487,870	10.80%	11.10%	-125,052	296,326	\$2.12	\$2.04	3.92%	0	0	0
Orange County Market												
Class A	46,448,935	5,852,984	12.60%	12.70%	506,524	522,159	\$2.98	\$2.97	0.34%	0	211,200	2,466,464
Class B	68,494,918	6,073,193	8.90%	8.50%	-376,414	-254,500	\$2.43	\$2.35	3.40%	109,500	109,500	38,313
Class C	6,511,357	445,023	6.80%	7.40%	21,451	62,270	\$1.76	\$1.70	3.53%	0	0	0
Total	121,455,210	12,371,200	10.20%	10.10%	151,561	329,929	\$2.58	\$2.52	2.38%	109,500	320,700	2,504,777



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	14.30%	0	5,941,723	14.50%	16.70%	-26,807	\$2.69
Irvine	24,175,067	11.00%	545,000	23,004,003	10.70%	11.60%	-3,361	\$2.85
Newport Beach	10,733,844	8.90%	0	9,893,607	8.80%	9.20%	69,322	\$3.36
Airport Area	42,292,465	11.10%	545,000	38,839,333	10.80%	11.80%	39,154	\$2.96
	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	18.10%	18.60%	12,276	\$2.19
Brea/La Habra	4,313,685	7.20%	38,313	4,148,977	5.70%	7.50%	92,198	\$2.20
Buena Park/La Palma	1,685,437	14.60%	0	1,426,481	16.50%	17.20%	-15,148	\$2.13
Fullerton	2,516,077	9.20%	0	1,677,623	13.80%	13.80%	-887	\$2.54
Placentia/Yorba Linda	534,356	13.90%	0	467,812	15.20%	15.70%	-4,135	\$1.76
North County	10,282,490	9.90%	38,313	8,563,192	10.80%	11.90%	84,304	\$2.22
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Aliso Viejo/Laguna Hills	5,574,365	12.10%	205,000	4,876,052	12.90%	13.70%	112,649	\$2.97
Dana Point/San Clemente/SJC	2,037,331	5.80%	0	1,969,032	5.80%	6.00%	-11,597	\$2.52
Foothill Ranch/Lake Forest/RSM	3,357,172	12.60%	0	3,332,326	11.20%	12.50%	-53,487	\$2.37
Irvine Spectrum	11,647,194	7.90%	1,716,464	10,175,801	8.00%	8.60%	77,139	\$2.89
Laguna Beach/Laguna Niguel	1,788,984	3.30%	0	621,089	9.40%	9.40%	-12,711	\$2.63
Mission Viejo	2,165,120	10.10%	0	2,048,207	10.60%	10.70%	23,154	\$2.48
South County	26,570,166	9.10%	1,921,464	23,022,507	9.60%	10.30%	135,147	\$2.77
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Cypress	1,871,060	13.50%	0	1,391,204	18.20%	18.20%	32,973	\$2.15
Fountain Valley	2,062,325	3.20%	0	1,401,041	4.70%	4.70%	6,269	\$1.57
Garden Grove	1,481,545	4.20%	0	837,121	7.30%	7.50%	-3,312	\$1.83
Huntington Beach	2,695,739	8.30%	0	2,391,207	8.80%	9.20%	-23,377	\$2.46
Los Alamitos/Stanton	855,632	6.30%	0	810,533	5.40%	6.70%	5,445	\$2.36
Seal Beach	499,187	6.70%	0	368,787	8.30%	9.10%	4,477	\$3.06
Westminster	571,592	13.20%	0	473,592	15.90%	15.90%	-12,463	\$2.12
West County	10,037,080	7.70%	0	7,673,485	9.70%	10.00%	10,012	\$2.25
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	6,868,954	8.10%	0	4,878,795	11.20%	11.30%	-33,153	\$2.31
Orange	7,373,678	7.80%	0	6,908,378	8.10%	8.30%	39,919	\$2.42
Santa Ana	15,698,552	12.90%	0	13,322,048	14.30%	15.10%	-51,041	\$1.97
Tustin	2,331,825	13.90%	0	2,109,073	14.50%	15.20%	-81,270	\$2.13
Central County	32,273,009	10.80%	0	27,218,294	12.30%	12.80%	-125,545	\$2.12
Orange County Total	121,455,210	10.20%	2,504,777	105,316,811	10.80%	11.60%	143,072	\$2.58

