

Orange County



Market Facts

2.8%

Orange County
Unemployment Rate
As Of Sept 2018

-216,947 SF

Negative Net Absorption
Current Quarter
Negative 243,401 SF
Year-To-Date

11.5%

Total Vacancy Rate
Down From 10.6% In Q2 2018

\$2.74 PSF

Asking Rental Rate
Weighted Average

Market Overview

Southern California's Orange County office market is experiencing an increase in vacancy while rental rate increases remain undeterred, as of the third quarter of 2018. 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, dropping to 2.8% in the third quarter of 2018 from 3.3% one year earlier. Currently California's unemployment is at 4.1% while the U.S. is at 3.7%.

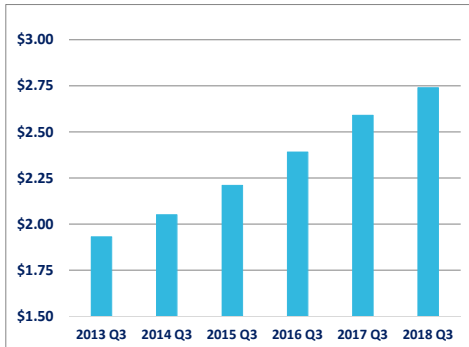
Office vacancy has registered an increase over the past year. As of the third quarter of 2018, vacancy climbed to 11.5% compared with 9.9% recorded at the same time in the previous year. Construction momentum has contributed to vacancy with more than 2.0 msf delivered during the most recent 12 month period. Currently a total of six investment-grade office projects are under construction in the county, totalling more than 1.4M sf, and the vast majority is speculative. The largest office project under construction is Flight at Tustin Legacy in Tustin. The Quad at Discovery Business Center in Irvine Spectrum completed in the

third quarter, bringing 364,000 sf on-line, with 64% pre-committed.

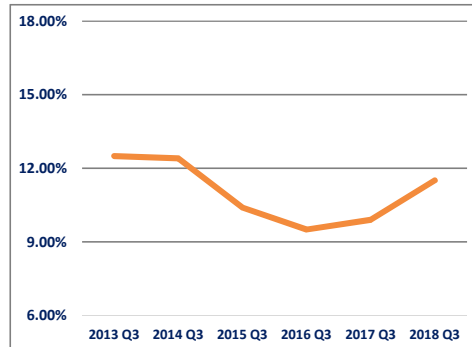
The average asking rental rate for all classes was \$2.74 psf FSG, up from \$2.71 psf FSG in the previous quarter and up significantly from \$2.59 psf FSG one year earlier. The highest rents remained in the Airport Area at \$3.13 psf FSG. Total net absorption for the most recent 12-month period dropped to negative 312,000 sf, with Broadcom's sizable departure contributing to a subsequent flurry of leasing activity in Irvine this year. One of the largest office sale transactions was the Sares-Regis purchase of two buildings on a 30 acre portion of the 120 acre campus in Huntington Beach owned and formerly occupied by Boeing which downsized this year. The site will be entirely redeveloped.

The county is experiencing an uptick in new inventory, increasing rental rates and a surge in demand for more efficient space use through co-working spaces. Vacancy is expected to grow while the market adjusts to these factors. Meanwhile, strong economic fundamentals and positive job growth are expected to persist.

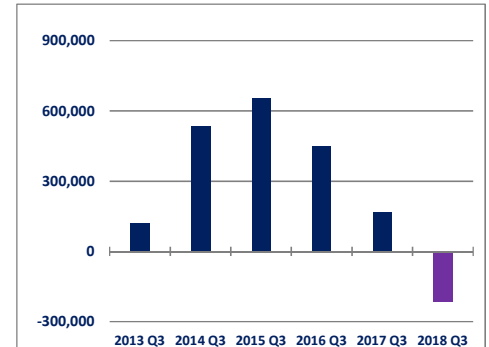
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
AECOM	Renewal	999 W Town and Country Road	Orange	73,908
WeWork	New	18691 Jamboree Road	Irvine	63,610
Advantage Solutions	New	1610 E Saint Andrew Place	Santa Ana	62,876
Carrington Mortgage Services	New	25 Enterprise	Aliso Viejo	61,588
County of Orange	New	4000 W Metropolitan Drive	Orange	59,927

Top Sales

Address	Buyer	Seller	Price	SF	P/SF
100 Bayview Circle, Newport Beach	Granite Properties, Inc.	AEW Capital Management	\$125,650,000	346,500	\$363
The Atrium, 19100-19200 Von Karman Ave, Irvine	Kelemen Company	Mass Mutual Life Insurance Company	\$106,750,000	302,877	\$352
1 - 3 Glen Bell Way, Irvine	LBA Realty	Transpacific Development Company	\$104,000,000	271,060	\$384
Dupont Centre, 2201-2301 Dupont Dr, Irvine	Glidewell Laboratories	Lincoln Property Company	\$87,887,880	251,108	\$350
5301 Bolsa / 14900 Bolsa Chica, Huntington Beach	Sares-Regis Group	The Boeing Company	\$72,750,000	291,000	\$250

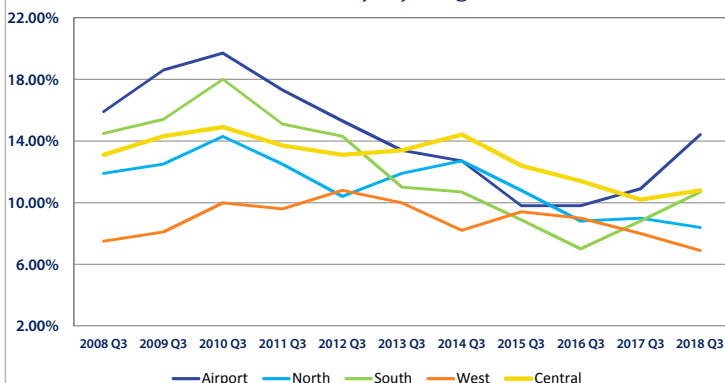
Under Construction

Address	Developer	SF	Completion
Flight at Tustin Legacy, Tustin	Lincoln Property Company	562,808	Q1 2019
Spectrum Terrace, Irvine	The Irvine Company	348,783	Q3 2019
Discovery Park, Irvine Spectrum	The Irvine Company	290,400	Q2 2019
2722 Michelson Drive, Irvine	LBA Realty	155,000	Q2 2019
380 W Central Avenue, Brea	Brea Medical Center	38,313	Q4 2018

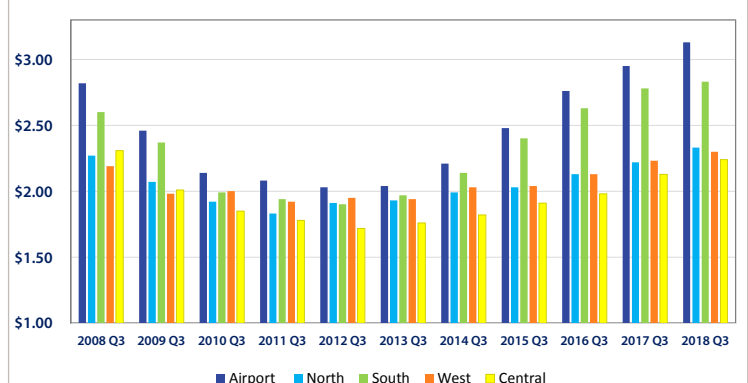
Orange County By The Numbers

Vacancy					Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
Q3 2018 Inventory (SF)	Q3 2018 Vacancy (SF)	Q3 2018 Vacancy (%)	Q2 2018 Vacancy (%)		Current Quarter Absorption	Year-To-Date Absorption	Q3 2018 Rental Rates	Q2 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
Airport Area												
Class A	24,202,079	3,934,887	16.30%	16.30%	-78,293	-266,932	\$3.37	\$3.37	0.00%	0	0	0
Class B	18,028,744	2,201,861	12.20%	13.10%	-137,508	-202,507	\$2.96	\$2.95	0.34%	0	0	181,500
Class C	918,997	86,754	9.40%	8.10%	-9,665	-27,478	\$2.72	\$2.34	16.24%	0	0	0
Total	43,149,820	6,223,502	14.40%	14.80%	-225,466	-496,917	\$3.13	\$3.12	0.32%	0	0	181,500
North County												
Class A	2,110,088	231,735	11.00%	13.30%	49,822	87,009	\$2.47	\$2.50	-1.20%	0	0	0
Class B	7,794,443	602,667	7.70%	9.00%	73,272	44,505	\$2.32	\$2.22	4.50%	0	0	38,313
Class C	285,738	24,274	8.50%	7.20%	-3,746	-9,866	\$1.49	\$1.28	16.41%	0	0	0
Total	10,190,269	858,676	8.40%	9.80%	119,348	121,648	\$2.33	\$2.26	3.10%	0	0	38,313
South County												
Class A	9,728,676	1,357,079	13.90%	12.60%	205,238	690,562	\$3.20	\$3.24	-1.23%	364,000	841,226	639,183
Class B	17,322,974	1,598,904	9.20%	8.70%	-109,945	-56,894	\$2.70	\$2.72	-0.74%	0	0	0
Class C	662,301	16,428	2.50%	2.00%	-3,183	23,418	\$2.13	\$2.10	1.43%	0	0	0
Total	27,713,951	2,972,411	10.70%	9.90%	92,110	657,086	\$2.83	\$2.83	0.00%	364,000	841,226	639,183
West County												
Class A	2,181,258	141,026	6.50%	7.90%	-2,929	-30,582	\$2.51	\$2.50	0.40%	0	0	0
Class B	7,077,635	457,044	6.50%	5.50%	-10,356	29,880	\$2.22	\$2.19	1.37%	0	0	0
Class C	798,223	99,907	12.50%	19.40%	486	10,953	\$1.66	\$1.93	-13.99%	0	0	0
Total	10,057,116	697,977	6.90%	7.20%	-12,799	10,251	\$2.30	\$2.27	1.32%	0	0	0
Central County												
Class A	10,412,295	1,334,766	12.80%	13.20%	-30,816	-337,121	\$2.63	\$2.63	0.00%	0	0	562,808
Class B	18,410,831	1,972,214	10.70%	9.80%	-165,563	-184,919	\$2.14	\$2.15	-0.47%	0	0	0
Class C	3,399,258	175,831	5.20%	5.50%	6,239	-13,429	\$1.67	\$1.48	12.84%	0	0	0
Total	32,222,384	3,482,811	10.80%	10.40%	-190,140	-535,469	\$2.24	\$2.24	0.00%	0	0	562,808
Orange County Market												
Class A	48,634,396	6,999,493	14.40%	14.40%	143,022	142,936	\$3.09	\$3.10	-0.32%	364,000	841,226	1,201,991
Class B	68,634,627	6,832,690	10.00%	10.00%	-350,100	-369,935	\$2.59	\$2.56	1.17%	0	0	219,813
Class C	6,064,517	403,194	6.60%	7.40%	-9,869	-16,402	\$1.94	\$1.75	10.86%	0	0	0
Total	123,333,540	14,235,377	11.50%	11.60%	-216,947	-243,401	\$2.74	\$2.71	1.11%	364,000	841,226	1,421,804

Vacancy by Region



Rental Rate by Region



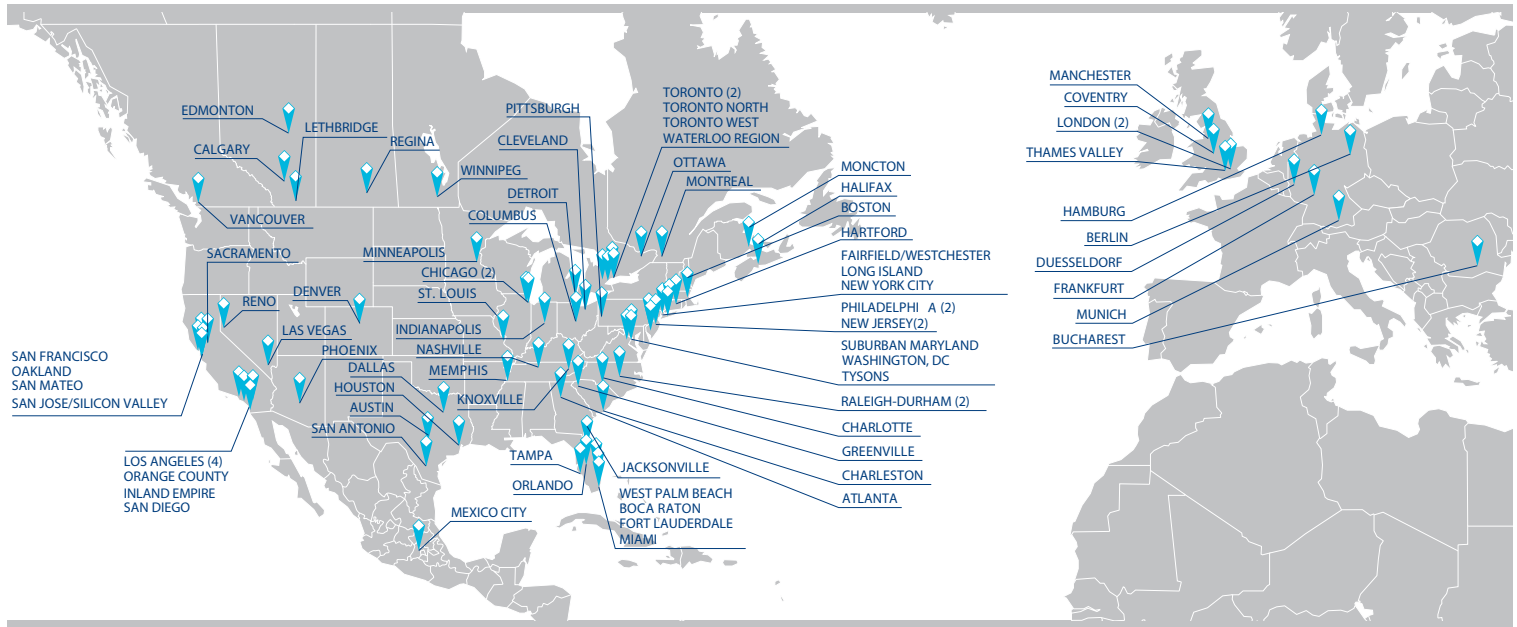
Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Costa Mesa	7,461,352	16.90%	0	5,839,319	16.40%	20.50%	-12,386	\$2.65
Irvine	24,896,854	15.70%	155,000	23,091,206	14.10%	15.30%	-190,781	\$3.09
Newport Beach	10,791,614	9.60%	26,500	9,802,084	8.90%	10.20%	-126,451	\$3.40
Airport Area	43,149,820	14.40%	181,500	38,732,609	13.10%	14.80%	-329,618	\$3.12
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim Hills	1,237,358	10.00%	0	850,553	13.80%	14.10%	46,017	\$2.06
Brea/La Habra	4,292,226	6.30%	38,313	4,127,518	4.90%	6.60%	63,491	\$2.36
Buena Park/La Palma	1,684,477	11.10%	0	1,425,521	12.30%	13.10%	29	\$2.16
Fullerton	2,441,852	7.50%	0	1,575,159	11.40%	11.60%	6,928	\$2.75
Placentia/Yorba Linda	534,356	17.60%	0	467,812	20.20%	20.20%	2,645	\$2.25
North County	10,190,269	8.40%	38,313	8,446,563	9.10%	10.10%	119,110	\$2.33
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Aliso Viejo/Laguna Hills	5,557,750	17.10%	0	4,785,048	15.70%	16.50%	-93,594	\$3.02
Dana Point/San Clemente/SJC	1,978,732	10.70%	0	1,953,732	10.40%	10.80%	-90,339	\$2.38
Foothill Ranch/Lake Forest/RSM	3,352,808	6.70%	0	3,327,962	6.00%	6.60%	12,683	\$2.38
Irvine Spectrum	13,007,195	10.10%	639,183	11,136,000	8.90%	10.30%	35,886	\$2.95
Laguna Beach/Laguna Niguel	1,766,304	3.50%	0	621,089	8.80%	10.10%	486	\$2.52
Mission Viejo	2,051,162	10.10%	0	1,934,249	10.40%	10.70%	-4,917	\$2.63
South County	27,713,951	10.70%	639,183	23,758,080	10.10%	11.10%	-139,795	\$2.83
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Cypress	1,875,381	7.20%	0	1,567,409	8.60%	8.60%	-421	\$2.20
Fountain Valley	2,079,658	2.20%	0	1,352,082	3.40%	3.40%	11,326	\$1.61
Garden Grove	1,526,327	2.70%	0	713,117	5.70%	5.80%	-5,339	\$1.71
Huntington Beach	2,688,158	8.40%	0	2,403,925	8.80%	9.20%	-12,731	\$2.42
Los Alamitos/Stanton	855,769	21.80%	0	746,962	15.00%	16.40%	468	\$2.27
Seal Beach	499,187	7.50%	0	368,787	9.20%	10.20%	-13,399	\$3.18
Westminster	532,636	4.60%	0	434,636	5.70%	5.70%	7,297	\$2.09
West County	10,057,116	6.90%	0	7,586,918	8.00%	8.30%	-12,799	\$2.30
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	6,873,869	9.40%	0	4,990,624	10.30%	12.20%	-47,938	\$2.17
Orange	7,344,330	9.80%	0	6,894,693	9.70%	10.30%	10,073	\$2.54
Santa Ana	15,670,756	11.60%	0	13,365,188	13.00%	13.60%	-89,473	\$2.22
Tustin	2,333,429	11.70%	562,808	2,110,677	11.90%	12.40%	-32,138	\$2.24
Central County	32,222,384	10.80%	562,808	27,361,182	11.70%	12.50%	-159,476	\$2.24
Orange County Total	123,333,540	11.50%	1,421,804	105,885,352	11.40%	12.50%	-522,578	\$2.74

A Growing, Multinational Presence

Avison Young at a Glance

Founded: **1978**
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Offices: **84**
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Contact Information - Southern California, United States

Los Angeles - Downtown

555 S Flower St, Ste 3200
Los Angeles, CA 90071
Primary Contact: Ted Simpson
ted.simpson@avisonyoung.com
213.935.7430

Los Angeles - North

6711 Forest Lawn Dr
Los Angeles, CA 90068
Primary Contact: Mark Evanoff
mark.evanoff@avisonyoung.com
323.851.6666

Los Angeles - Santa Monica

301 Arizona Ave, Ste 303
Santa Monica, CA 90401
Primary Contact: Randy Starr
randy.starr@avisonyoung.com
310.899.1800

Los Angeles - West

10940 Wilshire Blvd, Ste 800
Los Angeles, CA 90024
Primary Contact: Jonathan Larsen
jonathan.larsen@avisonyoung.com
213.471.1069

Inland Empire - Temecula

27555 Ynez Rd, Suite 204
Temecula, CA 92590
Primary Contact: Stan Nowak
stan.nowak@avisonyoung.com
951.267.2770

San Diego - UTC

4655 Executive Dr, Ste 325
San Diego, CA 92121
Primary Contact: Jerry Keeney
jerry.keeney@avisonyoung.com
858.201.7077

Orange County - Irvine

2030 Main St, Ste 150
Irvine, CA 92614
Primary Contact: Keith Kropfl
keith.kropfl@avisonyoung.com
949.757.1190

Regional Managing Director:

Chris Cooper - Corporate
555 S Flower St, Ste 3200
Los Angeles, CA 90071
chris.cooper@avisonyoung.com
213.935.7435

Report Prepared By:

Amber Jagers - Research Manager
4655 Executive Dr, Ste 325
San Diego, CA 92121
amber.jagers@avisonyoung.com
858.201.7072



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