

# Orange County



## Quick Stats

**2.5%**

Orange County  
Unemployment Rate  
as of Nov 2019

**-219,640 SF**

Negative Net Absorption  
Current Quarter

Positive 442,486 SF  
Past 12 Months

**11.5%**

Total Vacancy Rate  
Up from 11.2% in Q3 2019

**975,449 SF**

Under Construction  
Current Quarter

**\$2.75 PSF**

Asking Rental Rate  
Weighted Average

Southern California's Orange County office market is experiencing a moderate increase in vacancy year-over-year while rental rates begin to plateau, as of the fourth quarter of 2019. The county's ideal geography, high quality of life, vibrant tourism and premium retail industry continue to drive the economy. Record low unemployment, in addition to the existing housing shortage and high cost of living has led to upward pressure on wages. The fastest growing jobs are found in health care, and STEM fields, meanwhile heavy momentum remains in the tourism and entertainment industries. The county's unemployment rate of 2.5% in the fourth quarter of 2019 remained well below state and national averages, decreasing slightly from 2.7% one year earlier. Currently California's unemployment rate is at 3.9%, while U.S. unemployment is at 3.5%.

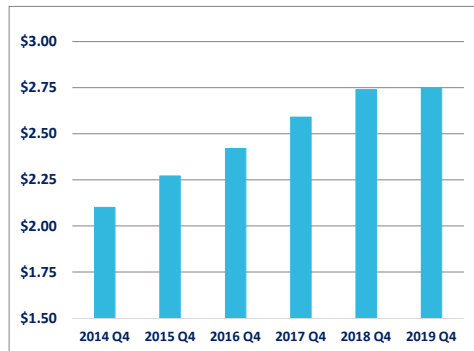
Office vacancy has increased to 11.5%, up 30 basis points from the previous quarter, and up 50 basis points from the same time in the previous year. Currently a total of four investment-grade office projects are under construction in the county, totalling just under 1 msf, with 32% pre-committed to tenants. The largest office project under construction is The Press in Costa Mesa, totalling 381k sf with no tenant pre-commitments to-date. The project is a combination of new and renovated creative office space located in the former Los Angeles Times printing plant. The first phase of Spectrum Terrace, totalling 350k sf, completed mid-2019 and is now fully leased; meanwhile,

phase two of the project is under construction, with 345k sf expected to deliver in 2020.

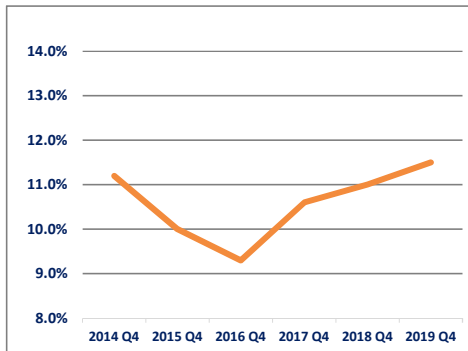
Rental rates in the office sector experienced a minor decline mid-2019 for the first time since 2013, but ticked up again by year-end, bringing rents to \$2.75 psf FSG, up minimally from \$2.74 per FSG recorded one year ago. Some downward pressure on rents is due in part to vacancy rates which have steadily increased over the past three years. The highest rents were recorded within the Class A inventory of South County's Irvine Spectrum at \$3.66 psf FSG and the Airport Area's Newport Beach at \$3.41 psf FSG. Total net absorption for the quarter was negative 220k sf, bringing the most recent 12-month period to positive 443k sf.

Office developers continue to innovate with collaborative space and high-end amenities to retain top tenants. Fostering the tech industry will be vital to retain a highly educated workforce. Office construction is dominated by speculative space as vacancy edges upward. Competition between building owners is increasing as they renovate to attract quality tenants, and position their properties to remain relevant to investors. Sale transaction volume for office slowed during 2019, however support for increases in pricing per square foot is expected to remain constant in the coming year. The largest office sale in the fourth quarter was 2211 Michelson in Irvine, sold by Kilroy Realty Corp to Greenlaw Partners for a total of \$116M. The 272k sf property was constructed in 2007 and granted certifications for LEED Silver, Energy Star, and Irvine Green Building.

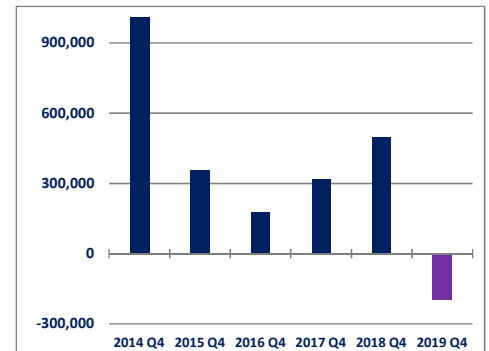
## Asking Rent



## Vacancy Rate



## Net Absorption



## Top Leases

Tenant	Type	Address	Submarket	SF
Alteryx	New	17100-17200 Laguna Canyon Road, Irvine Spectrum	South County	188,733
Tyco Retail Solutions	New	15370 Barranca Parkway, Irvine Spectrum	South County	47,039
Biosense Webster, Inc.	New	27 Technology Drive, Irvine Spectrum	South County	45,362
Westcliff	New	17877 Von Karman Avenue, Irvine	Airport Area	34,840
Department of Education	New	601 S Lewis Street, Orange	Central County	33,483

## Top Sales

Address	Buyer	Seller	Price	SF	P/SF
2211 Michelson Drive, Irvine	Greenlaw Partners	Kilroy Realty Corporation	\$116,000,000	271,556	\$427
2955-2995 Red Hill Avenue, Costa Mesa	SteelWave, Inc.	The Blackstone Group	\$72,000,000	229,093	\$314
4-5 Polaris Way, Aliso Viejo	Drawbridge Realty	Invesco Real Estate	\$70,800,000	169,332	\$418
200 W Santa Ana Blvd & 801 Civic Center Dr W, Santa Ana	Boyd Watterson Asset Mgmt	Fortress Investment Group	\$62,100,000	287,815	\$216
28202 Cabot Road, Laguna Niguel	Harbor Associates	The Blackstone Group	\$46,950,000	175,268	\$268

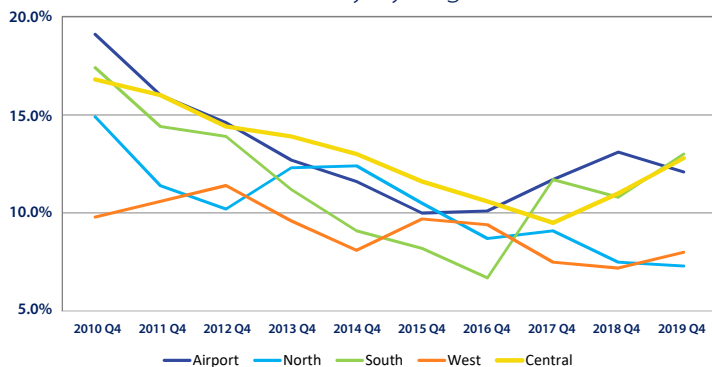
## Under Construction

Address	Developer	SF	Completion
The Press, 1375 Sunflower Drive, Costa Mesa	SteelWave, Inc.	380,856	Q2 2020
Spectrum Terrace, Phase 2, Irvine Spectrum	Irvine Company	344,625	Q4 2020
15332 Newport Avenue, Tustin	Schools First Federal Credit Union	180,000	Q3 2020
The Source H2O, Irvine Spectrum	KPRS Construction Services	69,968	Q2 2020

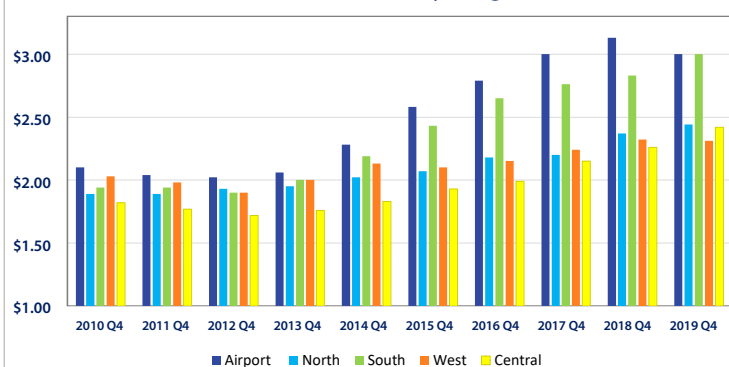
## Orange County By The Numbers

Vacancy					Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
Q4 2019 Inventory (SF)	Q4 2019 Vacancy (SF)	Q4 2019 Vacancy (%)	Q3 2019 Vacancy (%)		Current Quarter Absorption	12 Month Total Absorption	Q4 2019 Rental Rates	Q3 2019 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
<b>Airport Area</b>												
Class A	24,771,116	3,526,277	14.2%	14.6%	87,998	443,397	\$3.24	\$3.27	-0.92%	0	0	0
Class B	17,786,645	1,671,759	9.4%	9.3%	-25,831	313,501	\$2.88	\$2.88	0.00%	29,991	184,991	380,856
Class C	849,049	45,349	5.3%	6.0%	5,249	28,916	\$3.17	\$3.08	2.92%	0	0	0
Total	43,406,810	5,243,385	12.1%	12.2%	67,416	785,814	\$3.00	\$3.01	-0.33%	29,991	184,991	380,856
<b>North County</b>												
Class A	2,146,002	168,734	7.9%	7.4%	-9,760	1,163	\$2.54	\$2.46	3.25%	0	0	0
Class B	7,799,687	555,037	7.1%	6.8%	-26,930	321	\$2.44	\$2.39	2.09%	0	0	0
Class C	282,153	26,242	9.3%	9.5%	542	-29,692	\$1.98	\$1.62	22.22%	0	0	0
Total	10,227,842	750,013	7.3%	7.0%	-36,148	-28,208	\$2.44	\$2.38	2.52%	0	0	0
<b>South County</b>												
Class A	10,615,902	1,959,737	18.5%	19.7%	242,702	214,874	\$3.45	\$3.41	1.17%	0	642,911	344,625
Class B	17,530,368	1,728,714	9.9%	8.8%	-187,061	-124,704	\$2.80	\$2.75	1.82%	0	136,000	69,968
Class C	638,428	39,407	6.2%	2.9%	-21,187	-25,989	\$2.39	\$2.31	3.46%	0	0	0
Total	28,784,698	3,727,858	13.0%	12.7%	34,454	64,181	\$3.00	\$2.97	1.01%	0	778,911	414,593
<b>West County</b>												
Class A	1,934,188	178,629	9.2%	8.3%	-17,429	-58,494	\$2.48	\$2.68	-7.46%	0	0	0
Class B	7,154,714	585,906	8.2%	7.2%	-67,685	-4,226	\$2.28	\$2.28	0.00%	0	0	0
Class C	611,999	10,225	1.7%	1.8%	505	-9,475	\$2.08	\$1.58	31.65%	0	0	0
Total	9,700,901	774,760	8.0%	7.1%	-84,609	-72,195	\$2.31	\$2.38	-2.94%	0	0	0
<b>Central County</b>												
Class A	10,849,293	2,022,648	18.6%	17.2%	-159,727	-175,789	\$2.83	\$2.79	1.43%	0	464,139	0
Class B	18,615,133	1,953,981	10.5%	10.1%	-64,813	-143,644	\$2.29	\$2.21	3.62%	0	0	180,000
Class C	3,202,955	218,254	6.8%	7.6%	23,787	-12,926	\$1.77	\$1.81	-2.21%	0	0	0
Total	32,667,381	4,194,883	12.8%	12.2%	-200,753	-332,359	\$2.42	\$2.37	2.11%	0	464,139	180,000
<b>Orange County Market</b>												
Class A	50,316,501	7,856,025	14.9%	15.1%	143,784	404,055	\$3.12	\$3.11	0.32%	0	1,107,050	344,625
Class B	68,886,547	6,495,397	9.4%	8.9%	-372,320	63,597	\$2.62	\$2.60	0.77%	29,991	320,991	630,824
Class C	5,584,584	339,477	6.1%	6.2%	8,896	-25,166	\$2.09	\$2.10	-0.48%	0	0	0
Total	124,787,632	14,690,899	11.5%	11.2%	-219,640	442,486	\$2.75	\$2.74	0.36%	29,991	1,428,041	975,449

Vacancy by Region



Rental Rate by Region



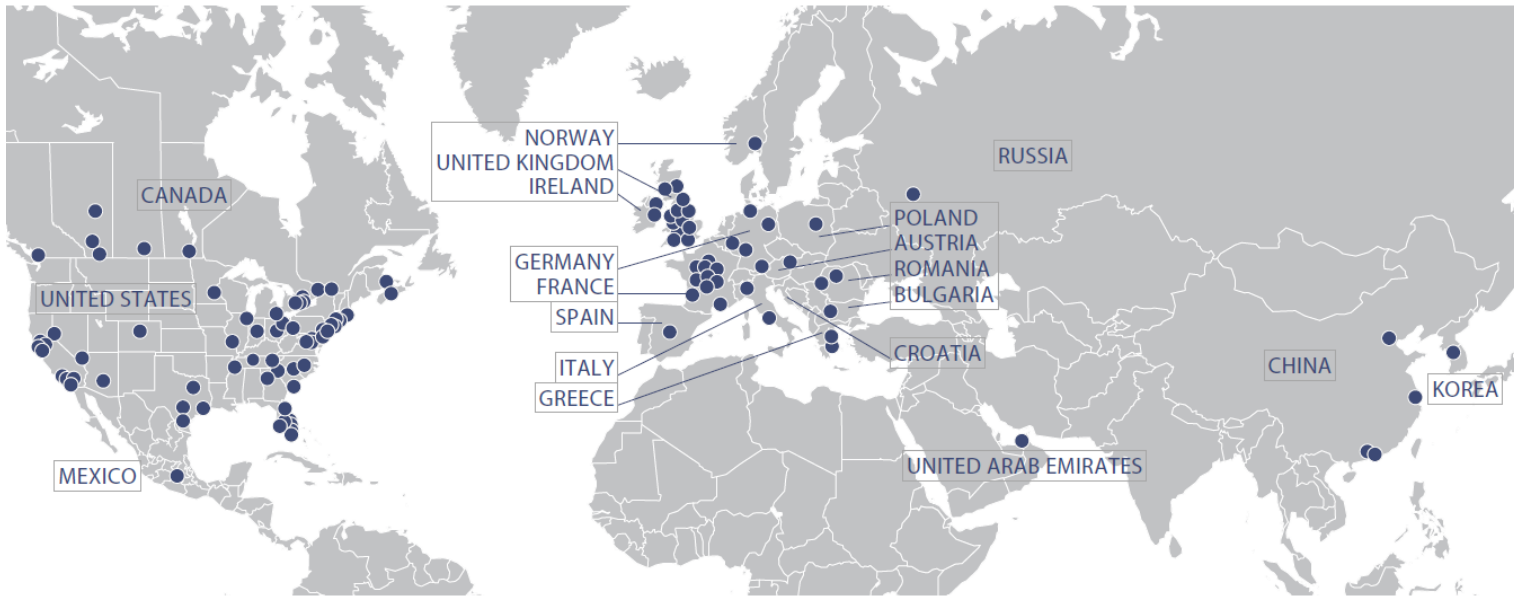
Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Costa Mesa	7,431,863	13.2%	380,856	5,758,654	14.5%	15.9%	-33,631	\$2.84
Irvine	25,247,412	13.5%	0	23,572,994	12.1%	12.8%	-23,547	\$2.94
Newport Beach	10,727,535	7.9%	0	9,684,433	7.7%	8.8%	80,719	\$3.30
Airport Area	43,406,810	12.1%	380,856	39,016,081	11.4%	12.2%	23,541	\$3.00
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim Hills	1,236,081	7.1%	0	849,276	9.8%	10.2%	-6,377	\$2.07
Brea/La Habra	4,329,787	5.8%	0	4,085,567	5.0%	5.9%	-12,751	\$2.42
Buena Park/La Palma	1,684,477	9.9%	0	1,425,521	11.3%	11.6%	-8,114	\$2.19
Fullerton	2,441,852	5.9%	0	1,575,159	9.1%	9.1%	9,058	\$2.67
Placentia/Yorba Linda	535,645	18.8%	0	469,101	20.9%	21.5%	-16,764	\$2.78
North County	10,227,842	7.3%	0	8,404,624	8.2%	8.8%	-34,948	\$2.44
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Aliso Viejo/Laguna Hills	5,559,895	16.7%	0	4,995,353	16.2%	18.5%	-83,521	\$2.99
Dana Point/San Clemente/SJC	2,027,124	5.9%	0	1,943,264	5.7%	5.9%	3,119	\$2.32
Foothill Ranch/Lake Forest/RSM	3,366,955	10.1%	0	3,302,109	10.0%	10.3%	-104,007	\$2.40
Irvine Spectrum	13,684,015	13.7%	414,593	11,723,366	10.3%	11.7%	147,193	\$3.27
Laguna Beach/Laguna Niguel	1,979,920	5.6%	0	834,705	12.9%	13.4%	-20,129	\$2.69
Mission Viejo	2,166,789	16.0%	0	1,915,971	15.1%	16.5%	-26,104	\$2.61
South County	28,784,698	13.0%	414,593	24,714,768	11.5%	12.9%	-83,449	\$3.00
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Cypress	1,850,392	6.1%	0	1,682,304	6.5%	6.5%	-31,843	\$2.33
Fountain Valley	2,078,731	4.7%	0	1,351,155	7.1%	7.2%	-943	\$1.83
Garden Grove	1,539,568	5.1%	0	714,216	10.9%	10.9%	-29,642	\$1.88
Huntington Beach	2,365,359	9.8%	0	2,321,126	9.5%	9.9%	-720	\$2.33
Los Alamitos/Stanton	856,223	23.7%	0	747,416	17.2%	18.6%	1,033	\$2.39
Seal Beach	499,187	5.0%	0	368,787	6.2%	6.8%	919	\$3.33
Westminster	511,441	4.7%	0	413,441	5.9%	5.9%	-23,413	\$2.50
West County	9,700,901	8.0%	0	7,598,445	8.9%	9.2%	-84,609	\$2.31
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	6,940,880	8.9%	0	4,967,102	12.3%	12.4%	7,826	\$2.36
Orange	7,302,573	11.9%	0	6,782,322	12.6%	12.7%	-42,312	\$2.77
Santa Ana	15,515,658	13.8%	0	12,718,969	15.8%	16.8%	-160,938	\$2.36
Tustin	2,908,270	19.5%	180,000	2,117,909	5.2%	7.9%	2,688	\$2.31
Central County	32,667,381	12.8%	180,000	26,586,302	13.5%	14.2%	-192,736	\$2.42
Orange County Total	124,787,632	11.5%	975,449	106,320,220	11.5%	12.4%	-372,201	\$2.75

# A Growing, Multinational Presence

## 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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