

Orange County



Market Facts

2.6%

Orange County
Unemployment
Rate As Of May 2018

-276,707 SF

Negative Net
Absorption Current
Quarter
Negative 26,454 SF
Year-To-Date

11.6%

Total Vacancy Rate
Up From 10.9% In Q1 2018

\$2.71 PSF

Asking Rental Rate
Weighted Average

Market Overview

Rental rates continued to increase as vacancy started to rise at the midpoint of 2018 in Southern California's Orange County office market. The county's ideal geography, high quality of life and growing population helped maintain 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 2.6% in the second quarter of 2018 from 3.2% one year earlier.

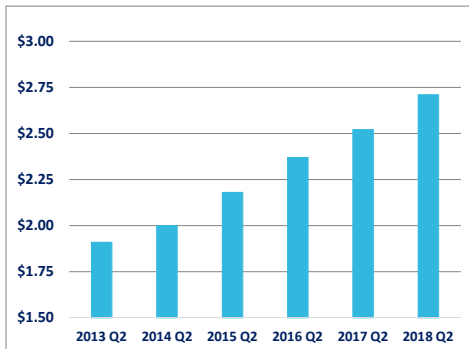
Orange County office vacancy has registered an increase in vacancy over the past year. As of the second quarter of 2018, vacancy climbed to 11.6% compared with the 10.1% recorded at the same time in the previous year. Construction momentum has contributed to vacancy as more than 2.2 msf was delivered during the 12 months ending at mid-year 2018. Currently a total of six investment-grade office projects are under construction in the county, totalling more than 1.1M sf at mid-year – and the majority is

speculative. The largest office projects under construction include Flight at Tustin Legacy in Tustin and The Quad at Discovery Business Center in Irvine Spectrum.

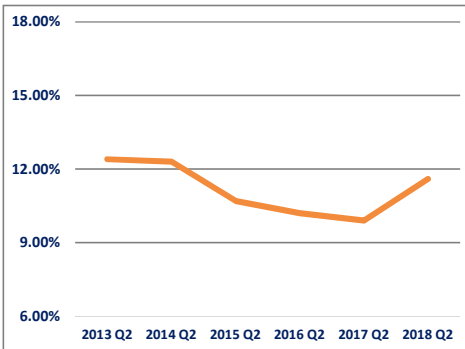
The average asking rental rate for all classes was \$2.71 psf FSG, up from \$2.52 psf FSG one year earlier. The highest rents remained in the Airport Area at \$3.12 psf FSG. Total net absorption for the 12-month period ending at mid-year 2018 was negative 50,302 sf, with Broadcom's sizable departure contributing to a subsequent flurry of leasing activity in Irvine.

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.

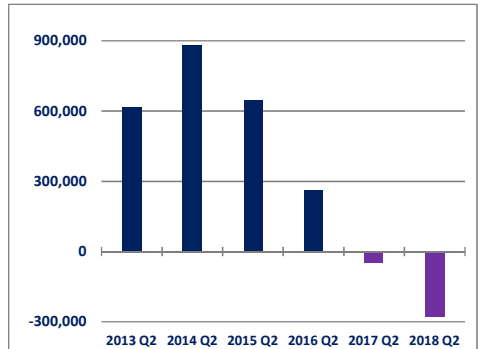
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Anduril	New	2722 Michelson Dr, Irvine	Airport Area	155,000
State of California	New	2 MacArthur Pl, Santa Ana	Central County	140,704
Optumrx, Inc.	Renewal	2300 Main St, Irvine	Airport Area	133,745
Covidien	New	5290 California Ave, Irvine	Airport Area	101,964
Acorns	New	5300 California Ave, Irvine	Airport Area	90,900

Top Sales

Address	Buyer	Seller	Price	SF	P/SF
65-101 Enterprise, Aliso Viejo	Rockpoint Group, LLC	RREEF America, LLC	\$157,000,000	481,771	\$326
1221-1261 E Dyer Rd, Santa Ana	Greenlaw Partners	PS Business Parks	\$74,250,000	436,791	\$170
29122-29222 Rancho Viejo Rd, SJC	The Ensign Group	Greenlaw Partners	\$31,500,000	115,517	\$273
850-856 San Clemente Dr, Newport Beach	Nexus Development Corp.	Orange County Museum of Art	\$24,000,000	37,000	\$649
5551 Katella Ave, Cypress	5551 Katella, LLC	GHS America, Inc.	\$23,000,000	80,158	\$287

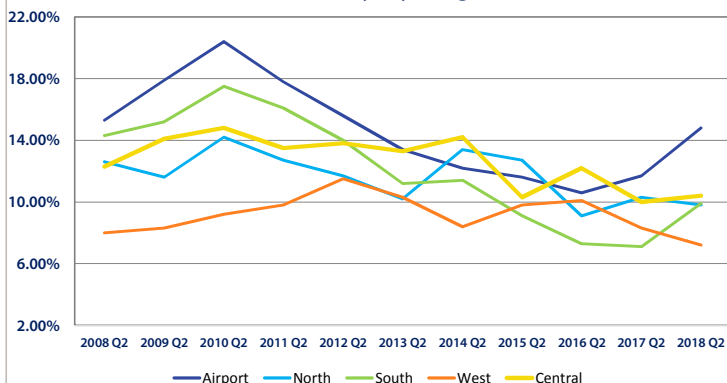
Under Construction

Address	Developer	SF	Completion
Barranca & Armstrong, Flight, Tustin Legacy, Tustin	Lincoln Property Company	457,012	Q1 2019
The Quad at Discovery Business Center, Irvine Spectrum	The Irvine Company	364,955	Q4 2018
2722 Michelson Drive, Irvine	LBA Realty	155,000	Q2 2019
17100 Laguna Canyon Rd, Irvine	The Irvine Company	116,261	Q3 2019
380 W Central Avenue, Brea	Brea Medical Center	38,313	Q4 2018

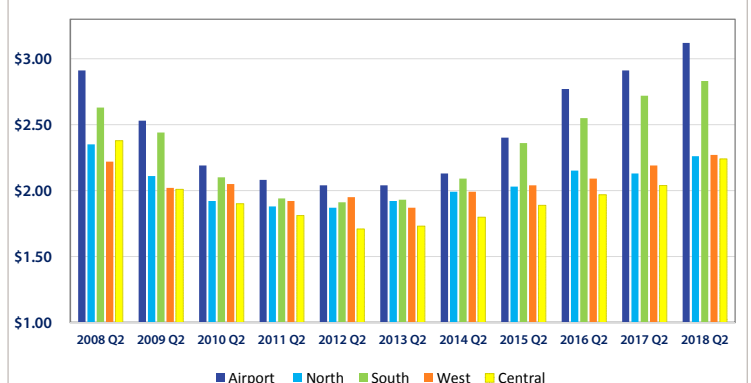
Orange County By The Numbers

	Vacancy				Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
	Q2 2018 Inventory (SF)	Q2 2018 Vacancy (SF)	Q2 2018 Vacancy (%)	Q1 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q2 2018 Rental Rates	Q1 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
Airport Area												
Class A	24,181,183	3,946,982	16.30%	15.90%	-90,613	-188,639	\$3.37	\$3.34	0.90%	0	0	116,261
Class B	18,457,857	2,411,685	13.10%	8.80%	86,034	-64,999	\$2.95	\$2.95	0.00%	0	0	181,500
Class C	948,997	77,089	8.10%	5.70%	-20,798	-17,813	\$2.34	\$2.24	4.46%	0	0	0
Total	43,588,037	6,435,756	14.80%	12.70%	-25,377	-271,451	\$3.12	\$3.11	0.32%	0	0	297,761
North County												
Class A	2,110,306	281,557	13.30%	17.20%	50,621	37,187	\$2.50	\$2.53	-1.19%	0	0	0
Class B	7,817,253	703,853	9.00%	8.20%	-59,697	-28,767	\$2.22	\$2.17	2.30%	0	0	38,313
Class C	285,738	20,528	7.20%	6.40%	-2,172	-6,120	\$1.28	\$1.35	-5.19%	0	0	0
Total	10,213,297	1,005,938	9.80%	10.00%	-11,248	2,300	\$2.26	\$2.25	0.44%	0	0	38,313
South County												
Class A	9,485,306	1,197,362	12.60%	12.50%	-28,122	485,324	\$3.24	\$3.26	-0.61%	0	477,226	364,955
Class B	17,372,239	1,502,755	8.70%	9.00%	84,161	53,051	\$2.72	\$2.68	1.49%	0	0	0
Class C	662,301	13,245	2.00%	6.40%	28,911	26,601	\$2.10	\$2.15	-2.33%	0	0	0
Total	27,519,846	2,713,362	9.90%	10.10%	84,950	564,976	\$2.83	\$2.82	0.35%	0	477,226	364,955
West County												
Class A	2,175,151	172,025	7.90%	6.30%	-34,071	-27,653	\$2.50	\$2.52	-0.79%	0	0	0
Class B	7,008,946	382,980	5.50%	5.70%	18,693	40,236	\$2.19	\$2.16	1.39%	0	0	0
Class C	847,829	164,101	19.40%	20.00%	5,377	10,467	\$1.93	\$1.83	5.46%	0	0	0
Total	10,031,926	719,106	7.20%	7.10%	-10,001	23,050	\$2.27	\$2.25	0.89%	0	0	0
Central County												
Class A	10,419,444	1,373,389	13.20%	12.60%	-204,546	-306,305	\$2.63	\$2.47	6.48%	0	0	457,012
Class B	18,332,183	1,788,758	9.80%	10.40%	-61,349	-19,356	\$2.15	\$2.16	-0.46%	0	0	0
Class C	3,466,922	190,319	5.50%	5.10%	-12,302	-19,668	\$1.48	\$1.64	-9.76%	0	0	0
Total	32,218,549	3,352,466	10.40%	10.50%	-278,197	-345,329	\$2.24	\$2.19	2.28%	0	0	457,012
Orange County Market												
Class A	48,371,390	6,971,315	14.40%	14.10%	-306,731	-86	\$3.10	\$3.07	0.98%	0	477,226	938,228
Class B	68,988,478	6,790,031	10.00%	8.90%	67,842	-19,835	\$2.56	\$2.55	0.39%	0	0	219,813
Class C	6,211,787	465,282	7.40%	7.70%	-984	-6,533	\$1.75	\$1.84	-4.89%	0	0	0
Total	123,571,655	14,226,628	11.60%	10.90%	-239,873	-26,454	\$2.71	\$2.69	0.74%	0	477,226	1,158,041

Vacancy by Region



Rental Rate by Region



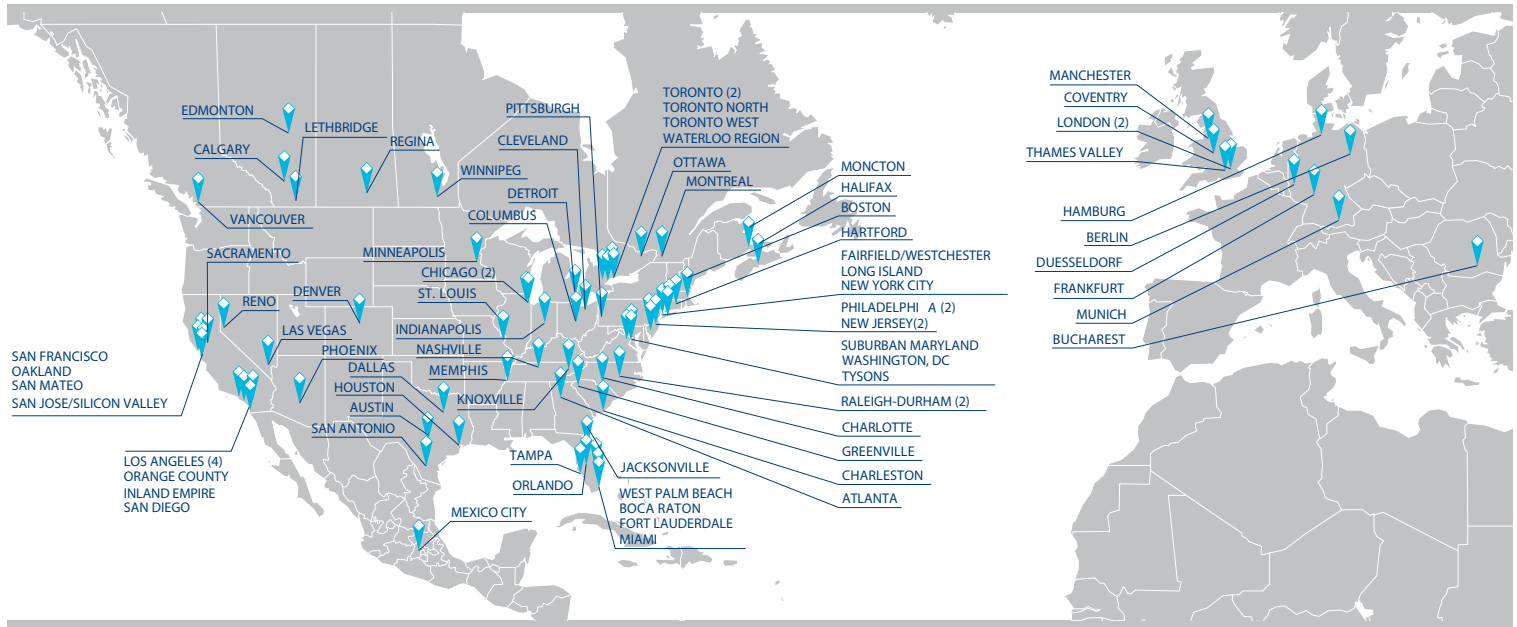
Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Costa Mesa	7,791,354	20.30%	0	6,169,321	20.90%	24.60%	-170,408	\$2.67
Irvine	25,017,545	15.50%	271,261	23,271,481	13.30%	14.50%	157,562	\$3.07
Newport Beach	10,779,138	9.20%	26,500	9,740,671	8.80%	9.70%	-8,116	\$3.43
Airport Area	43,588,037	14.80%	297,761	39,181,473	13.40%	14.90%	-20,962	\$3.12
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim Hills	1,237,357	13.70%	0	808,321	20.10%	20.50%	8,821	\$1.91
Brea/La Habra	4,293,791	7.80%	38,313	4,129,083	6.50%	8.10%	54,924	\$2.30
Buena Park/La Palma	1,684,477	12.70%	0	1,425,521	14.80%	15.00%	-60,250	\$2.10
Fullerton	2,463,316	7.70%	0	1,596,623	11.70%	11.80%	-235	\$2.45
Placentia/Yorba Linda	534,356	18.20%	0	467,812	20.70%	20.70%	-12,336	\$2.23
North County	10,213,297	9.80%	38,313	8,427,360	11.00%	11.90%	-9,076	\$2.26
	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	15.50%	0	4,694,437	14.10%	14.80%	-41,681	\$2.94
Dana Point/San Clemente/SJC	2,003,780	6.00%	0	1,935,481	5.80%	6.20%	-6,868	\$2.46
Foothill Ranch/Lake Forest/RSM	3,350,265	7.80%	0	3,325,419	5.60%	7.70%	16,447	\$2.41
Irvine Spectrum	12,669,000	9.50%	364,955	11,162,760	8.80%	10.50%	52,867	\$2.99
Laguna Beach/Laguna Niguel	1,766,304	3.60%	0	621,089	9.00%	10.20%	-13,753	\$2.61
Mission Viejo	2,172,747	9.30%	0	2,055,834	9.60%	9.80%	7,585	\$2.60
South County	27,519,846	9.90%	364,955	23,795,020	9.20%	10.50%	14,597	\$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	1,357,409	9.90%	9.90%	24,436	\$2.19
Fountain Valley	2,061,564	2.80%	0	1,333,988	4.30%	4.30%	9,291	\$1.46
Garden Grove	1,526,327	2.40%	0	713,117	5.10%	5.10%	-1,089	\$1.78
Huntington Beach	2,679,702	9.20%	0	2,400,469	9.80%	10.10%	-50,807	\$2.35
Los Alamitos/Stanton	855,769	21.80%	0	746,962	15.10%	16.50%	19,318	\$2.21
Seal Beach	499,187	4.90%	0	368,787	6.60%	6.60%	-11,303	\$3.15
Westminster	533,996	6.00%	0	435,996	7.30%	7.30%	153	\$2.26
West County	10,031,926	7.20%	0	7,356,728	8.60%	8.80%	-10,001	\$2.27
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	6,878,991	7.70%	0	5,067,670	9.60%	10.40%	-77,345	\$2.30
Orange	7,340,976	10.80%	0	6,850,039	11.10%	11.50%	-154,559	\$2.53
Santa Ana	15,665,153	11.40%	0	13,336,015	12.70%	13.40%	-43,326	\$2.19
Tustin	2,333,429	10.30%	457,012	2,110,677	10.40%	10.90%	-2,967	\$2.22
Central County	32,218,549	10.40%	457,012	27,364,401	11.60%	12.20%	-278,197	\$2.26
Orange County Total	123,571,655	11.60%	1,158,041	106,124,982	11.50%	12.60%	-303,639	\$2.71

A Growing, Multinational Presence

Avison Young at a Glance

Founded: **1978**
Total Real Estate Professionals: **2,600**
Offices: **84**
Brokerage Professionals: **1,100**
Property Under Management: **100 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, the company comprises 2,600 real estate professionals in 84 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



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