

Orange County



Quick Stats

2.8%

Orange County
Unemployment Rate
As Of Nov 2018

428,549 SF

Positive Net Absorption
Current Quarter

Positive 211,602 SF
Year To Date

11.3%

Total Vacancy Rate
Up From 11.5% In Q3 2018

\$2.75 PSF

Asking Rental Rate
Weighted Average

Southern California's Orange County office market is experiencing an increase in vacancy year-over-year while rental rate increases remain undeterred, as of the fourth 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 fourth quarter of 2018 from 3.1% one year earlier. Currently California's unemployment is at 4.1% while the U.S. is at 3.9%.

Office vacancy has registered an increase over the past year. As of the fourth quarter of 2018, vacancy climbed to 11.3% compared with 10.6% recorded at the same time in the previous year. Construction momentum contributed to vacancy with 3.1 msf delivered in the past two years and 1.3 msf of mostly speculative space under construction at year-end 2018. Currently a total of six investment-grade office projects are under construction in the county. The largest office project under

construction is Flight at Tustin Legacy in Tustin, with 457,000 sf expected to come on-line mid-2019. The Quad at Discovery Business Center in Irvine Spectrum completed in 2018, bringing 364,000 sf on-line, with 64% pre-committed. Construction has not reached the highs of the previous cycle, indicating that over-supply is unlikely to burden vacancy levels much further during a slowdown.

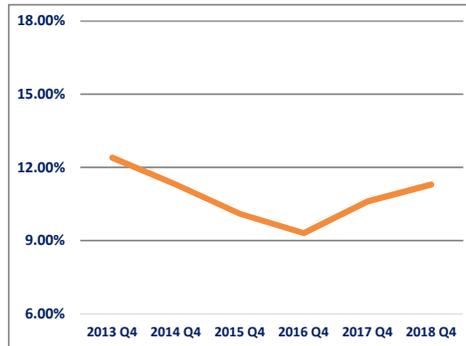
The average asking rental rate for all classes was \$2.75 psf FSG, up from \$2.74 psf FSG in the previous quarter and up significantly from \$2.59 psf FSG one year earlier. The highest rents remained in the Airport Area at \$3.15 psf FSG. Total net absorption for the most recent 12-month period increased to 211,600 sf.

The county is experiencing an uptick in new inventory and increasing rental rates. Demand for efficient co-working space is trending heavily, and developers are responding with more collaborative space and high-end amenities to retain top tenants. Vacancy is expected to grow while the market adjusts to these factors. Meanwhile, strong economic fundamentals and positive job growth are expected to persist.

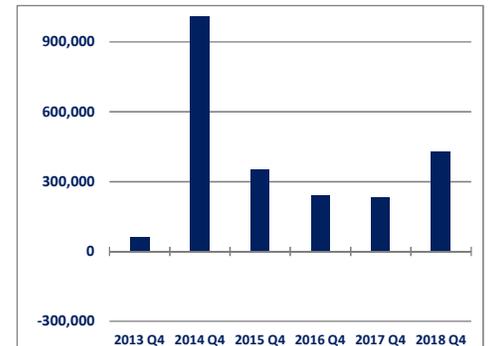
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Taco Bell	Renewal	1 Glen Bell Way, Irvine Spectrum	South County	180,000
Glaukos Corporation	New	26600-26700 Aliso Viejo Parkway, Aliso Viejo	South County	165,028
Skyworks Solutions, Inc.	New	52600 California Avenue, Irvine	Airport Area	91,136
WeWork	New	2211 Michelson Drive, Irvine	Airport Area	71,076
Edwards Lifesciences	New	535 Anton Boulevard, Costa Mesa	Airport Area	62,395

Top Sales

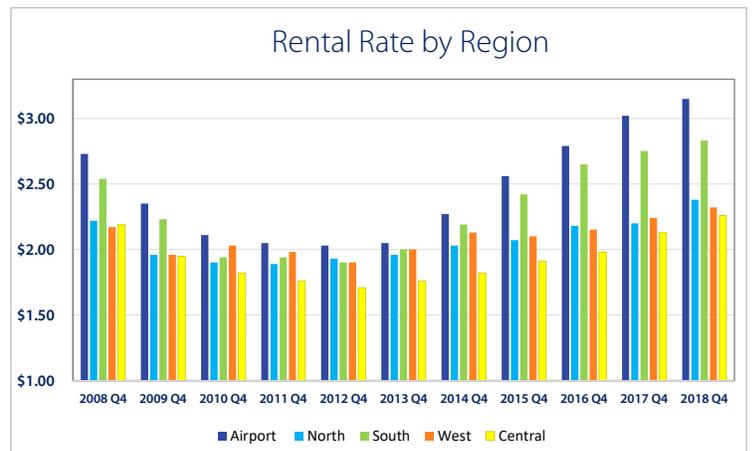
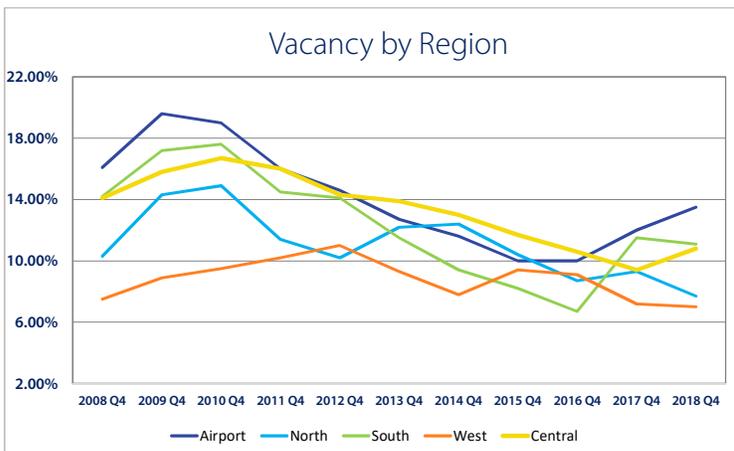
Address	Buyer	Seller	Price	SF	P/SF
1400-1600 S Douglass Road, Anaheim	H&S Ventures	NewTower Trust Company	\$125,500,000	383,250	\$327
7711-7777 Center Avenue, Huntington Beach	Ares Management Corp.	Prudential Real Estate Inv.	\$124,500,000	411,007	\$303
3333-3337 Susan Street, Costa Mesa	Invesco Advisers, Inc.	Goldman Sachs	\$84,000,000	183,989	\$457
Axis Anaheim, 5 Bldgs, Anaheim	Goldman Sachs	The Seligman Group	\$83,100,000	302,630	\$275
2300 Main Street, Irvine	GLL Real Estate Partners	Hines	\$46,600,000	133,745	\$348

Under Construction

Address	Developer	SF	Completion
Flight at Tustin Legacy, Tustin	Lincoln Property Company	457,217	Q2 2019
Spectrum Terrace, Irvine Spectrum	The Irvine Company	352,511	Q3 2019
Discovery Park, Irvine Spectrum	The Irvine Company	290,400	Q2 2019
2722 Michelson Drive, Irvine	LBA Realty	155,000	Q2 2019
330 Old Newport Boulevard, Newport Beach	Advanced Medical Properties	29,991	Q1 2019

Orange County By The Numbers

	Vacancy				Net Absorption		Avg. Advertised Rates (FS)			Construction Pipeline		
	Q4 2018 Inventory (SF)	Q4 2018 Vacancy (SF)	Q4 2018 Vacancy (%)	Q3 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q4 2018 Rental Rates	Q3 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
Airport Area												
Class A	24,446,684	3,817,003	15.60%	16.30%	190,367	112,074	\$3.42	\$3.37	1.48%	0	0	0
Class B	17,800,022	1,953,012	11.00%	12.20%	207,065	69,557	\$2.98	\$2.96	0.68%	0	0	184,991
Class C	922,488	75,847	8.20%	9.40%	10,907	1,242	\$2.77	\$2.72	1.84%	0	0	0
Total	43,169,194	5,845,862	13.50%	14.40%	408,339	182,873	\$3.15	\$3.13	0.64%	0	0	184,991
North County												
Class A	2,110,088	182,084	8.60%	11.00%	49,651	99,473	\$2.47	\$2.47	0.00%	0	0	0
Class B	7,775,160	586,401	7.50%	7.70%	16,266	89,538	\$2.37	\$2.32	2.16%	38,313	38,313	0
Class C	306,153	20,550	6.70%	8.50%	3,724	-22	\$1.80	\$1.49	20.81%	0	0	0
Total	10,191,401	789,035	7.70%	8.40%	69,641	188,989	\$2.38	\$2.33	2.15%	38,313	38,313	0
South County												
Class A	9,839,953	1,473,679	15.00%	13.90%	-88,480	116,758	\$3.17	\$3.20	-0.94%	0	841,226	642,911
Class B	17,269,941	1,589,985	9.20%	9.20%	-32,701	-142,646	\$2.70	\$2.70	0.00%	0	0	0
Class C	686,301	15,200	2.20%	2.50%	1,228	-1,955	\$1.97	\$2.13	-7.51%	0	0	0
Total	27,796,195	3,078,864	11.10%	10.70%	-119,953	-27,843	\$2.83	\$2.83	0.00%	0	841,226	642,911
West County												
Class A	2,181,615	120,135	5.50%	6.50%	20,891	17,962	\$2.77	\$2.51	10.36%	0	0	0
Class B	7,163,282	577,909	8.10%	6.50%	-34,231	-44,587	\$2.25	\$2.22	1.35%	0	0	0
Class C	711,589	4,521	0.60%	12.50%	8,752	9,238	\$1.48	\$1.66	-10.84%	0	0	0
Total	10,056,486	702,565	7.00%	6.90%	-4,588	-17,387	\$2.32	\$2.30	0.87%	0	0	0
Central County												
Class A	10,413,474	1,311,715	12.60%	12.80%	-6,361	-37,177	\$2.67	\$2.63	1.52%	0	0	457,217
Class B	18,418,704	1,969,411	10.70%	10.70%	111,438	-54,125	\$2.15	\$2.14	0.47%	0	0	0
Class C	3,399,258	205,798	6.10%	5.20%	-29,967	-23,728	\$1.64	\$1.67	-1.80%	0	0	0
Total	32,231,436	3,486,924	10.80%	10.80%	75,110	-115,030	\$2.26	\$2.24	0.89%	0	0	457,217
Orange County Market												
Class A	48,991,814	6,904,616	14.10%	14.40%	166,068	309,090	\$3.13	\$3.09	1.29%	0	841,226	1,100,128
Class B	68,427,109	6,676,718	9.80%	10.00%	267,837	-82,263	\$2.61	\$2.59	0.77%	38,313	38,313	184,991
Class C	6,025,789	321,916	5.30%	6.60%	-5,356	-15,225	\$1.92	\$1.94	-1.03%	0	0	0
Total	123,444,712	13,903,250	11.30%	11.50%	428,549	211,602	\$2.75	\$2.74	0.36%	38,313	879,539	1,285,119

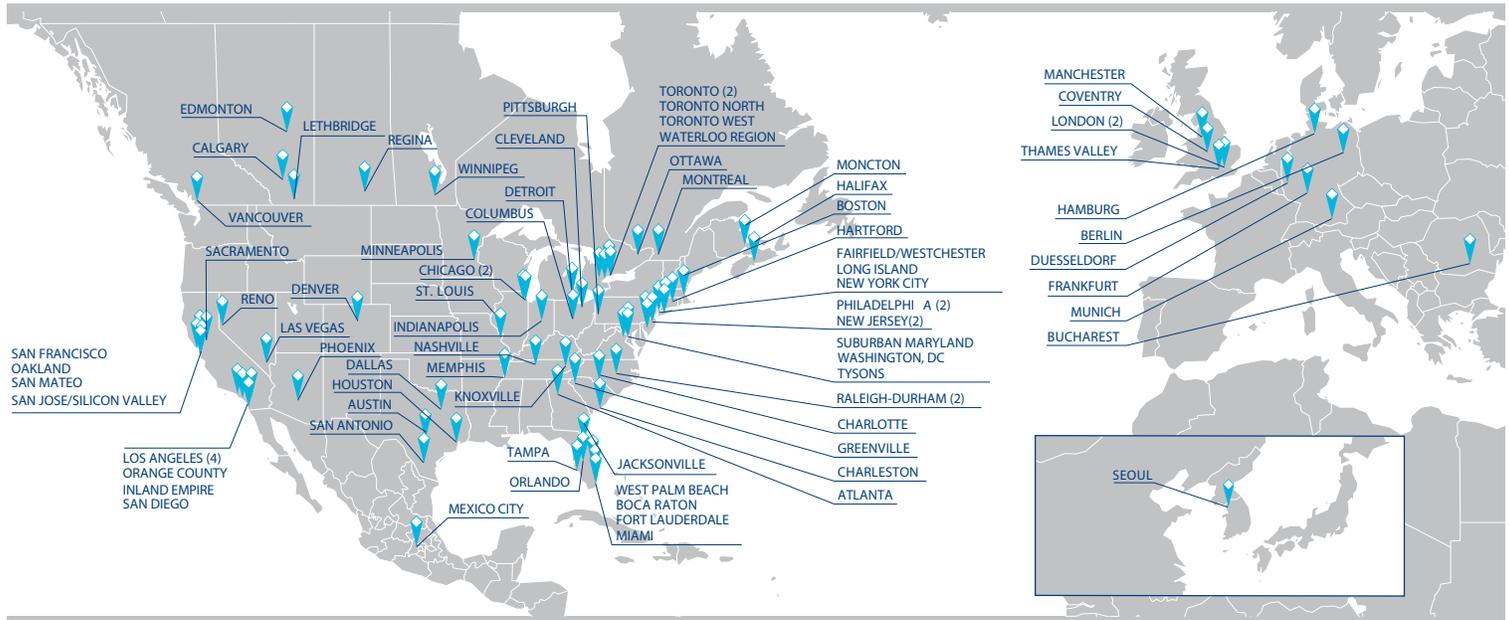


Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Costa Mesa	7,471,716	15.80%	0	5,849,683	15.30%	19.10%	82,860	\$2.76
Irvine	24,914,187	14.80%	155,000	23,103,539	12.80%	14.50%	207,686	\$3.11
Newport Beach	10,783,291	9.10%	29,991	9,793,761	8.70%	9.70%	58,278	\$3.36
Airport Area	43,169,194	13.50%	184,991	38,746,983	12.10%	14.00%	348,824	\$3.15
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim Hills	1,237,124	6.70%	0	850,319	9.20%	9.80%	37,100	\$1.84
Brea/La Habra	4,293,592	5.40%	0	4,079,223	5.10%	5.40%	40,351	\$2.39
Buena Park/La Palma	1,684,477	11.40%	0	1,425,521	12.70%	13.50%	-5,599	\$2.21
Fullerton	2,441,852	7.20%	0	1,575,159	11.10%	11.20%	5,501	\$2.69
Placentia/Yorba Linda	534,356	19.70%	0	467,812	22.20%	22.50%	-11,170	\$2.24
North County	10,191,401	7.70%	0	8,398,034	8.90%	9.30%	66,183	\$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	5,548,383	17.70%	0	4,780,671	16.60%	17.00%	-26,883	\$2.98
Dana Point/San Clemente/SJC	2,045,004	10.10%	0	2,020,004	10.10%	10.20%	4,693	\$2.48
Foothill Ranch/Lake Forest/RSM	3,357,163	6.50%	0	3,332,317	6.30%	6.50%	-9,506	\$2.35
Irvine Spectrum	13,028,179	11.20%	642,911	11,156,984	8.80%	10.60%	-39,094	\$2.95
Laguna Beach/Laguna Niguel	1,766,304	3.00%	0	621,089	7.50%	8.60%	8,958	\$2.50
Mission Viejo	2,051,162	7.70%	0	1,934,249	8.10%	8.10%	49,095	\$2.72
South County	27,796,195	11.10%	642,911	23,845,314	10.10%	11.00%	-12,737	\$2.83
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Cypress	1,875,738	8.70%	0	1,567,766	9.90%	9.90%	-20,626	\$2.22
Fountain Valley	2,079,658	2.10%	0	1,352,082	3.30%	3.30%	1,960	\$1.73
Garden Grove	1,526,327	3.60%	0	713,117	7.60%	7.70%	-13,688	\$1.79
Huntington Beach	2,687,171	7.00%	0	2,402,938	6.60%	7.60%	39,304	\$2.47
Los Alamitos/Stanton	855,769	23.00%	0	746,962	16.40%	17.80%	-10,211	\$2.09
Seal Beach	499,187	8.80%	0	368,787	10.90%	11.90%	-6,343	\$3.18
Westminster	532,636	2.30%	0	434,636	2.80%	2.80%	12,181	\$2.08
West County	10,056,486	7.00%	0	7,586,288	7.80%	8.30%	2,577	\$2.32
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory (SF)	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Anaheim	6,873,869	11.00%	0	4,900,091	10.60%	13.40%	12,277	\$2.18
Orange	7,351,382	10.80%	0	6,901,745	10.50%	11.40%	-78,040	\$2.62
Santa Ana	15,672,562	10.70%	0	13,366,994	12.30%	12.50%	188,897	\$2.20
Tustin	2,333,623	11.00%	457,217	2,110,871	11.30%	11.70%	15,603	\$2.35
Central County	32,231,436	10.80%	457,217	27,279,701	11.40%	12.40%	138,737	\$2.26
Orange County Total	123,444,712	11.30%	1,285,119	105,856,320	10.90%	12.10%	543,584	\$2.75

Avison Young at a Glance

Founded: **1978**
 Total Real Estate Professionals: **2,700**
 Offices: **85**
 Brokerage Professionals: **1,200**
 Property Under Management: **110 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 2,700 real estate professionals in 85 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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