

Orange County



Quick Stats

9.9%

Orange County
Unemployment Rate
as of Aug 2020

(873,192) SF

Negative Net Absorption
Current Quarter

Negative 1,0488,888 SF
Past 12 Months

11.3%

Total Vacancy Rate Increased
from Q2 2020

1.4M SF

Under Construction
Current Quarter

\$2.79 PSF

Asking Rental Rate
Weighted Average

The Orange County labor market is showing a reduction in its unemployment like many other markets across the country since easing of Covid-19 restrictions. Unemployment earlier this year was a record high 14.7% in May. The latest data available from the Bureau of Labor Statistics indicates unemployment was 9.9% in August. We are clearly not out of the woods yet, as the pandemic has forced most tenants to reevaluate their space use. As a result, move-outs third quarter totaled its greatest level in modern history for Orange County, with 873K SF of negative net absorption and close to 1M SF of negative net absorption year-to-date. We expect Orange County office vacancy to continue to rise next quarter on increased move-outs and further reduction in leasing activity. However; the market will continue to be a thriving hub for healthcare, biotech, information technology, and logistics due to its ideal geography and ability to attract a talented workforce these sectors could possibly expand in their space use.

Orange County which earlier this year hadn't experienced an alarming increase in sublease space activity, indicative of companies giving back office space, did see a significant uptick in the third quarter. The total amount of space available for sublease in Orange County is 3.3M SF. Orange County sublease availability is at a new historical high and out of its norm.

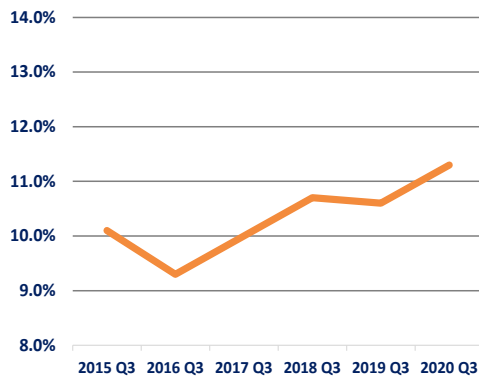
Leasing activity has slowed to a pause as tenants take a more prolonged look at precautionary measures with their leasing for the future. The quarterly leasing volume for Orange County in the third quarter was half that of typical quarters. Half the volume of leasing

that normal occurs has taken place, while a greater volume of move-outs has occurred. However, demand for space from professional and financial services continues as there were four large new office leases in Airport Area in the third quarter.

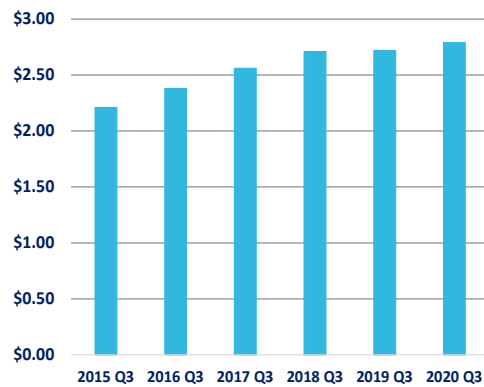
Large submarkets with the highest rental growth were Costa Mesa and Huntington Beach. Submarkets with negative rent growth included Irvine Spectrum and Irvine. West County recorded the least amount of rent contraction as compared to all other markets in Orange County during third quarter.

One of the largest third quarter sale transactions, 15101 & 15191 Alton Pkwy in Irvine, was technology related and closed for \$355M. Washington D.C. based investor, PRP Real Estate Investment Management, purchased the office buildings which are fully leased to semiconductor manufacturing company Broadcom, Inc. as its Southern California headquarters. As mentioned in our last report, demand for space in medical office buildings remains robust. Orange County is one of the tightest medical office markets in which to find large blocks of medical space. Despite advances in telemedicine, certain treatments can only happen in-person and will continue to keep medical space in demand. The second largest sale transaction in the third quarter was a medical office in Irvine; at 114 Pacifica. San Francisco Bay based Meridian Property Company purchased the property for \$43M from New York City based BlackRock.

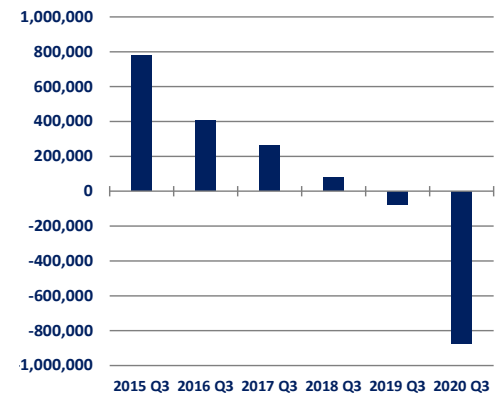
Vacancy Rent



Asking Rate



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Executive Office for Immigration Review	New	1241 East Dyer Road	Central County	66,885
Beckam Funding Corp.	New	16815 Von Karman Avenue	Airport Area	26,047
Spectrum Group International	New	1550 Scenic Avenue	Airport Area	23,793
Gordon Ventures LLC	New	4675 MacArthur Court	Airport Area	20,239
Commerce Mortgage	New	16845 Von Karman Avenue	Airport Area	19,515

Top Sales

Address	Buyer	Seller	Price	SF	P/SF (\$)
15101 & 15191 Alton Pkwy, Irvine	PRP Real Estate Investment Management	Rockpoint Group LLC	\$355,000,000	660,893	\$537
114 Pacifica, Irvine	Meridian Property Company	BlackRock	\$43,000,000	111,000	\$387
111 Pacifica, Irvine	Toda America, Inc.	Scott Wessler	\$26,150,000	68,427	\$382
2742 Dow Avenue, Tustin	Padman Laxmi LLC	Cress Capital LLC	\$20,850,000	51,588	\$404
51 Columbia, Aliso Viejo	KB Property Advisors	John Pomer	\$16,850,000	34,299	\$491

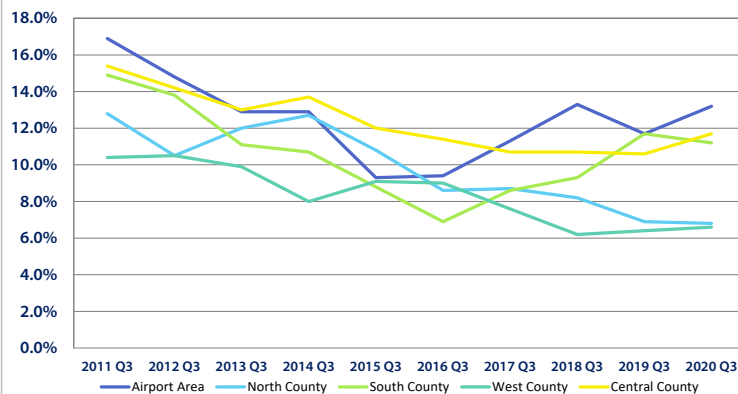
Under Construction

Address	Developer	SF	Completion
The Press, 1375 Sunflower Dr, Costa Mesa	SteelWave, Inc.	380,856	Q1 2021
Spectrum Terrace, Phase 2, Irvine Spectrum	Irvine Company	344,625	Q2 2021
15332 Newport Avenue, Tustin	Schools First Federal Credit Union	180,000	Q1 2021
110 & 140 Progress, Irvine	Irvine Company	128,782	Q1 2021
Vans HQ Expansion, 1588 S Coast Dr, Costa Mesa	VF Outdoor	91,032	Q1 2021

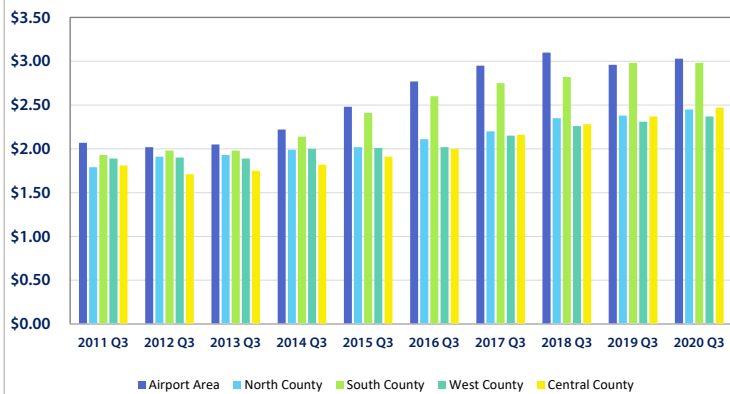
Orange County By The Numbers

	VACANCY				NET ABSORPTION		AVG. ADVERTISED RATES (FSG)			CONSTRUCTION PIPELINE		
	Q3 2020 Inventory (SF)	Q3 2020 Vacancy (SF)	Q3 2020 Vacancy (%)	Q1 2020 Vacancy (%)	Current Quarter Absorption	12 Month Total Absorption	Q3 2020 Rental Rates	Q2 2020 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Qtr-End
AIRPORT AREA												
Class A	24,541,276	3,809,838	15.5%	13.8%	-434,397	-332,762	\$3.36	\$3.36	0%	0	0	91,032
Class B	19,153,486	2,069,710	10.8%	9.6%	-225,638	-387,839	\$2.88	\$2.90	-1%	0	29,991	380,856
Class C	1,201,967	51,212	4.3%	2.7%	-19,206	-614	\$2.80	\$2.70	4%	0	0	0
Total	44,896,729	5,930,760	13.2%	11.7%	-679,241	-721,215	\$3.03	\$3.03	0%	0	29,991	471,888
NORTH COUNTY												
Class A	2,146,002	201,309	9.4%	9.2%	-4,672	-42,335	\$2.62	\$2.66	-2%	0	0	0
Class B	8,114,963	502,297	6.2%	6.9%	54,607	-13,070	\$2.44	\$2.48	-2%	0	0	0
Class C	454,346	29,761	6.6%	6.3%	-1,331	-2,977	\$2.07	\$2.00	3%	0	0	0
Total	10,715,311	733,367	6.8%	7.3%	48,604	-58,382	\$2.45	\$2.48	-1%	0	0	0
SOUTH COUNTY												
Class A	10,637,134	1,500,911	14.1%	14.4%	31,043	544,522	\$3.40	\$3.45	-1%	0	0	364,449
Class B	18,117,626	1,742,142	9.6%	9.2%	-11,070	-203,606	\$2.80	\$2.86	-2%	0	0	347,766
Class C	668,725	44,734	6.7%	5.8%	-5,667	-26,514	\$2.38	\$2.30	3%	0	0	0
Total	29,423,485	3,287,787	11.2%	11.0%	14,306	314,402	\$2.98	\$3.04	-2%	0	0	712,215
WEST COUNTY												
Class A	1,724,188	211,617	12.3%	12.4%	2,716	-50,417	\$2.50	\$2.47	1%	0	0	0
Class B	7,741,448	517,116	6.7%	6.5%	-16,673	2,177	\$2.35	\$2.31	2%	0	0	0
Class C	1,655,461	4,784	0.3%	0.3%	88	5,946	\$2.25	\$2.24	0%	0	0	0
Total	11,121,097	733,517	6.6%	6.5%	-13,869	-42,294	\$2.37	\$2.34	1%	0	0	0
CENTRAL COUNTY												
Class A	10,585,689	1,629,978	15.4%	14.3%	-116,557	-123,987	\$2.79	\$2.80	0%	0	0	0
Class B	19,442,541	2,106,335	10.8%	11.2%	-114,770	-455,588	\$2.36	\$2.34	1%	0	0	180,000
Class C	3,581,317	204,760	5.7%	5.4%	-11,665	38,176	\$2.01	\$1.89	6%	0	0	0
Total	33,609,547	3,941,073	11.7%	11.6%	-242,992	-541,399	\$2.47	\$2.46	0%	0	0	180,000
ORANGE COUNTY MARKET												
Class A	49,634,289	7,353,653	14.8%	13.8%	-521,867	-4,979	\$3.17	\$3.18	-0.31%	0	0	455,481
Class B	72,570,064	6,937,600	9.6%	9.3%	-313,544	-1,057,926	\$2.66	\$2.69	-1.12%	0	29,991	908,622
Class C	7,561,816	335,251	4.4%	3.9%	-37,781	14,017	\$2.25	\$2.17	3.69%	0	0	0
Total	129,766,169	14,626,504	11.3%	10.7%	-873,192	-1,048,888	\$2.79	\$2.81	-0.71%	0	29,991	1,364,103

Vacancy by Region



Rental Rate by Region



Orange County By The Numbers

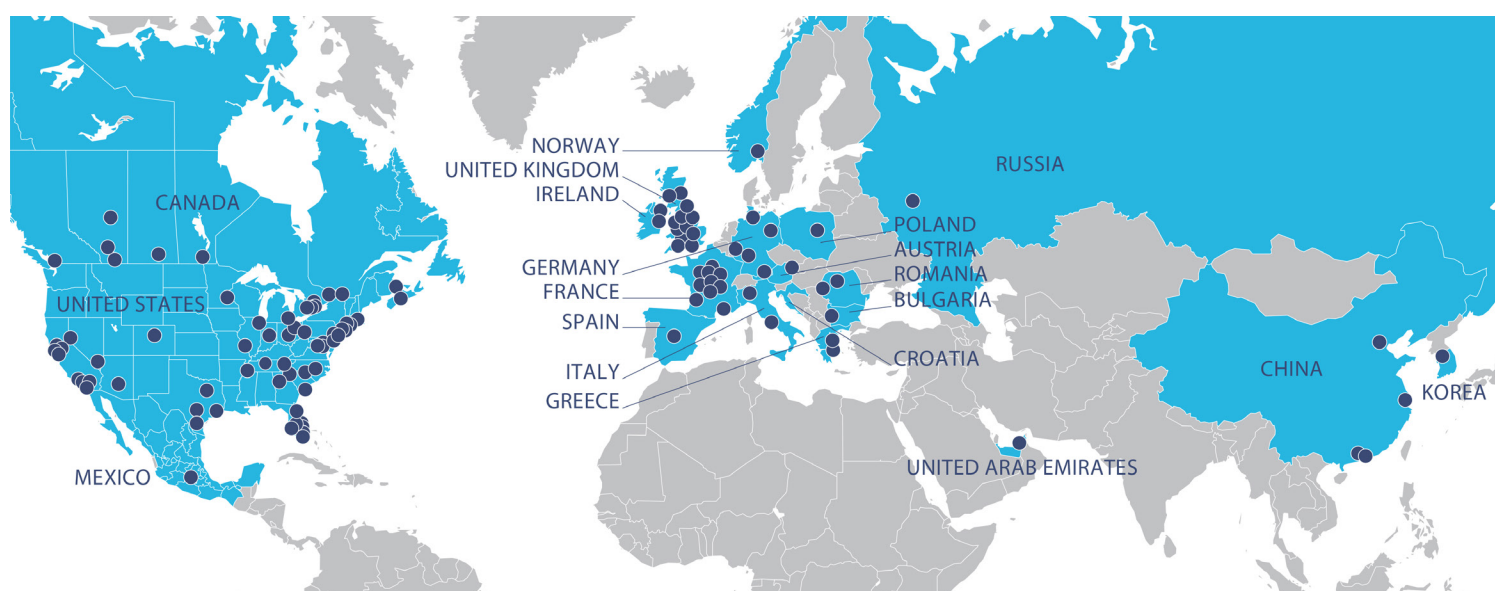
	VACANCY				NET ABSORPTION		AVG. ADVERTISED RATES (FSG)		
	Q3 2020 Inventory (SF)	Q3 2020 Vacancy (SF)	Q3 2020 Vacancy (%)	Q2 2020 Vacancy (%)	Current Quarter Absorption	12 Month Total Absorption	Q3 2020 Rental Rates FSG	Q1 2020 Rental Rates FSG	Qtr/Qtr Change (%)
AIRPORT AREA									
Costa Mesa	7,641,315	1,076,388	14.1%	13.0%	-81,846	-209,619	\$3.21	\$3.15	2%
Irvine	26,307,722	3,780,046	14.4%	12.6%	-465,345	-407,603	\$2.87	\$2.90	-1%
Newport Beach	10,947,692	1,074,326	9.8%	8.6%	-132,050	-103,993	\$3.26	\$3.26	0%
Airport Area TOTAL	44,896,729	5,930,760	13.2%	11.7%	-679,241	-721,215	\$3.03	\$3.03	0%
NORTH COUNTY									
Anaheim Hills	1,245,939	131,581	10.6%	13.9%	41,419	-51,446	\$2.06	\$2.05	0%
Brea/La Habra	4,399,420	241,745	5.5%	5.5%	-1,227	-19,205	\$2.51	\$2.53	-1%
Buena Park/La Palma	1,893,178	179,147	9.5%	9.8%	6,458	3,728	\$2.20	\$2.22	-1%
Fullerton	2,553,329	120,548	4.7%	5.4%	16,243	32,722	\$2.33	\$2.63	-11%
Placentia/Yorba Linda	623,445	60,346	9.7%	7.4%	-14,289	-24,181	\$3.17	\$3.08	3%
North County TOTAL	10,715,311	733,367	6.8%	7.3%	48,604	-58,382	\$2.45	\$2.48	-1%
SOUTH COUNTY									
Aliso Viejo/Laguna Hills	5,583,642	837,480	15.0%	15.4%	21,796	-29,066	\$2.99	\$3.01	-1%
Dana Point/San Clemente/SJC	2,168,620	140,126	6.5%	5.5%	-21,742	-4,960	\$2.32	\$2.41	-4%
Foothill Ranch/Lake Forest/RSM	3,429,531	351,512	10.2%	9.3%	-30,884	-116,641	\$2.36	\$2.40	-2%
Irvine Spectrum	14,065,143	1,552,317	11.0%	11.1%	68,804	375,780	\$3.15	\$3.26	-3%
Laguna Beach/Laguna Niguel	2,011,009	118,838	5.9%	5.0%	-17,646	-27,154	\$2.65	\$2.60	2%
Mission Viejo	2,165,540	287,514	13.3%	13.0%	-6,022	116,443	\$2.75	\$2.66	3%
South County TOTAL	29,423,485	3,287,787	11.2%	11.0%	14,306	314,402	\$2.98	\$3.04	-2%
WEST COUNTY									
Cypress	1,956,330	174,319	8.9%	9.6%	12,850	-92,585	\$2.28	\$2.31	-1%
Fountain Valley	2,078,731	92,529	4.5%	4.6%	3,320	3,594	\$1.97	\$1.95	1%
Garden Grove	1,633,296	76,932	4.7%	4.9%	3,486	-24,766	\$1.94	\$1.94	0%
Huntington Beach	3,398,359	278,448	8.2%	7.7%	-16,189	-47,388	\$2.44	\$2.36	3%
Los Alamitos/Stanton	958,931	61,540	6.4%	4.5%	-18,638	141,943	\$2.43	\$2.15	13%
Seal Beach	506,012	38,092	7.5%	7.6%	510	-12,227	\$3.42	\$3.42	0%
Westminster	589,438	11,657	2.0%	2.1%	792	-10,865	\$2.42	\$2.40	1%
West County TOTAL	11,121,097	733,517	6.6%	6.5%	-13,869	-42,294	\$2.37	\$2.34	1%
CENTRAL COUNTY									
Anaheim	8,973,419	852,063	9.5%	8.6%	-79,735	-87,710	\$2.40	\$2.51	-4%
Orange	4,251,490	436,050	10.3%	14.2%	-9,750	-134,330	\$2.71	\$2.70	0%
Santa Ana	14,465,495	2,038,959	14.1%	13.0%	-154,700	-322,763	\$2.36	\$2.35	0%
Tustin	5,919,143	614,001	10.4%	10.4%	1,193	3,404	\$2.48	\$2.38	4%
Central County TOTAL	33,609,547	3,941,073	11.7%	11.7%	-242,992	-541,399	\$2.47	\$2.46	0%
ORANGE COUNTY									
TOTAL OFFICE	129,766,169	14,626,504	11.3%	10.7%	-873,192	-1,048,888	\$2.79	\$2.81	-1%

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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