

Orange County Office

MARKET OVERVIEW

Q2 2023

ECONOMIC SNAPSHOT FOR ORANGE COUNTY

AVERAGE WAGE GROWTH 4.3%

UNEMPLOYMENT RATE 3.2%

INFLATION RATE 3.2%

ORANGE COUNTY OFFICE SNAPSHOT

YTD NET ABSORPTION (1,520,004) SF

UNDER CONSTRUCTION 234,893 SF

TOTAL VACANCY RATE 15.2%

SUBLEASE VACANCY 2,467,347 SF

DIRECT ASKING RATE \$32.14/SF

New vacancies and negative absorption headlined the second quarter in the Orange County Office Market amid a challenging economic environment.

The Orange County office market continued to see new vacancies and negative absorption in the 1st half of 2023 amid a challenging economic environment. However, as a Southern California tech hub, OC employees are concerned about potential layoffs and companies are reestablishing standards by mandating a return to the office. This shift is expected to influence long-term real estate decisions and may provide an influx of new leases. The Greater Airport Area will continue to lease space to financially solvent companies and well-established tech firms.

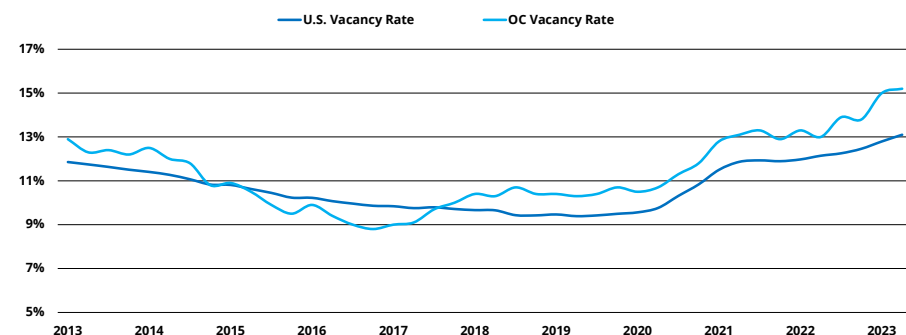
2022 Q1	\$32.60	2022 Q4	\$32.08
2022 Q2	\$32.60	2023 Q1	\$31.99
2022 Q3	\$32.23	2023 Q2	\$32.14

Orange County Office Trendlines

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.2	2.7	↑	4.8	↑
NET ABSORPTION (Thousands SF)	(223.6)	353.8	↓	(137.2)	↓
OVERALL VACANCY RATE	15.2%	13.0%	↑	12.1%	↑
OVERALL VACANT SF (MSF)	19.8	16.8	↑	15.5	↑
UNDER CONSTRUCTION (MSF)	0.2	1.2	↓	1.0	↓
ASKING RENT, FULL SERVICE (PSF)	\$32.14	\$32.60	↓	\$32.55	↓
SALES VOLUME (Millions)	\$178.2	\$546	↓	\$512.0	↓

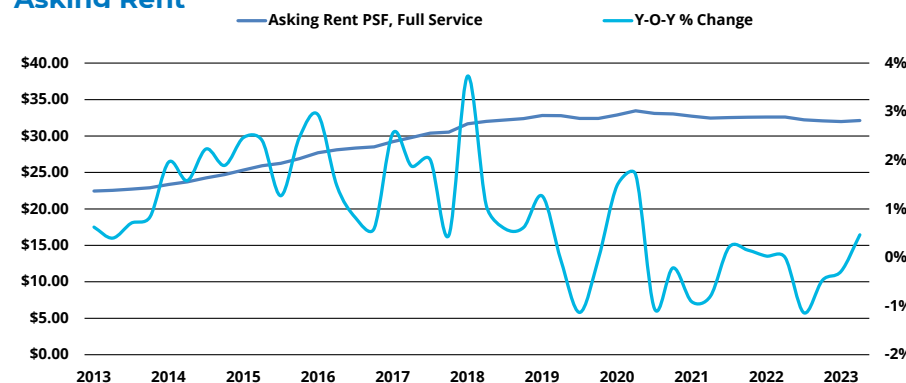
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

Overall Vacancy Rate



Source: CoStar, Transwestern

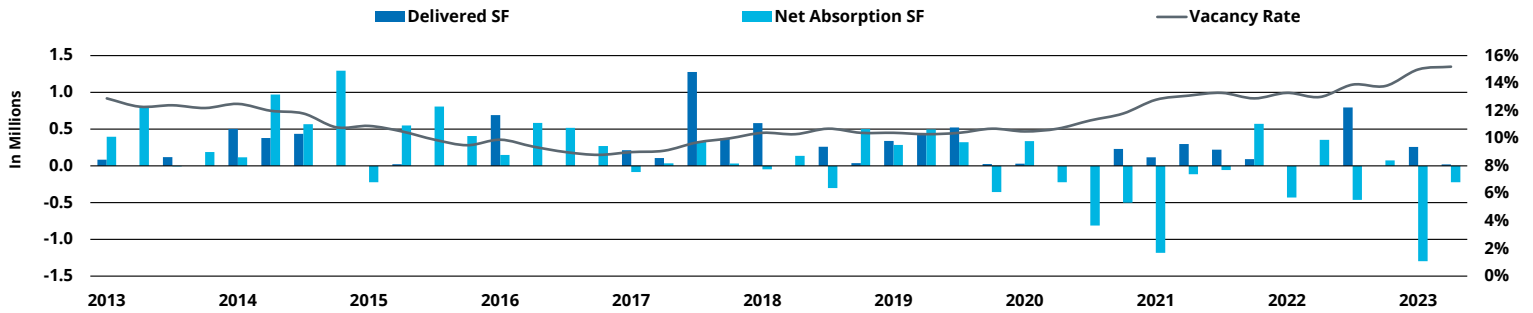
Asking Rent



Source: CoStar, Transwestern



Delivery Impact on Key Indicators



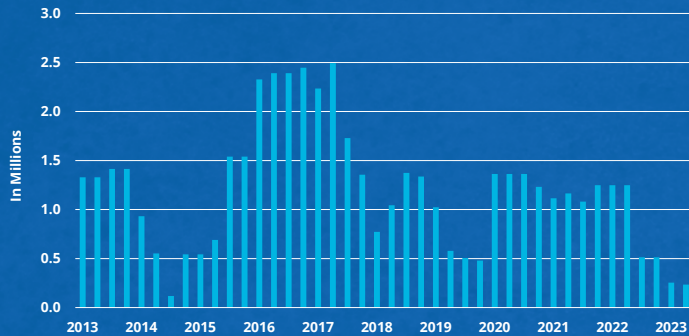
Source: CoStar, Transwestern

Market Indicators: All Classes of Space | Q2 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
GREATER AIRPORT AREA	51,155,517	7,607,518	14.9%	17.0%	0	(114,666)	(486,181)	\$35.12
CENTRAL COUNTY	26,512,978	4,290,752	15.4%	16.2%	137,000	(2,021)	(461,731)	\$28.71
NORTH COUNTY	16,148,136	1,175,963	7.1%	9.2%	0	96,604	(211,357)	\$29.29
SOUTH COUNTY	30,405,729	3,916,297	12.9%	15.7%	97,893	(51,817)	(688,815)	\$32.54
WEST COUNTY	11,602,147	1,019,283	8.8%	9.2%	0	84,096	(263,843)	\$30.05
TOTAL/AVERAGE	135,824,507	18,009,813	11.8%	13.5%	234,893	2,439	(422,385)	\$31.14

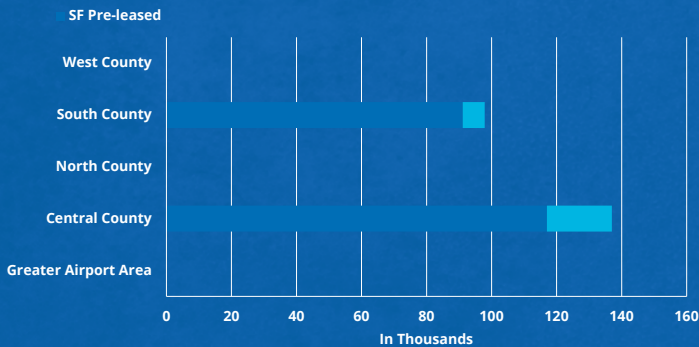
Source: CoStar, Transwestern

Under Construction



Source: CoStar, Transwestern

Under Construction by Submarket



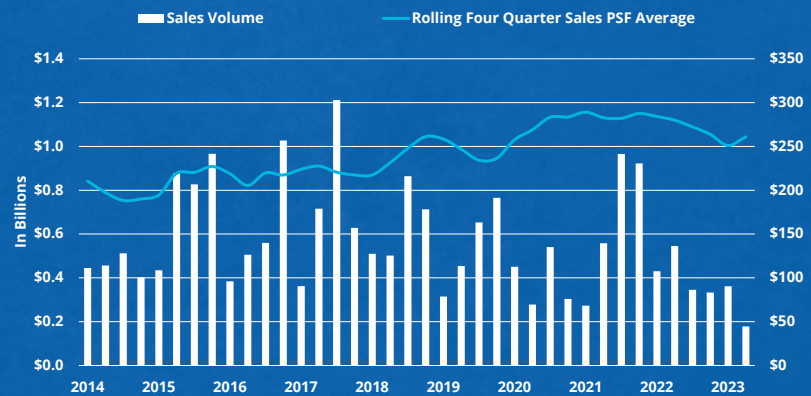
Source: CoStar, Transwestern

Capital Markets

Unsurprisingly, sales volume slowed given the current state of interest rates as the FED attempts to initiate a soft landing. Orange County sales volume decreased by 51% quarter-over-quarter from \$361M to \$178M in Q2 2023. \$178M is also a 59% decrease in sales volume year-over-year.

Sales volume will remain low for the foreseeable future as the current economic climate glooms over debt and equity markets.

Sales Volume



Source: CoStar, Transwestern

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