

# ORANGE COUNTY OFFICE MARKET

## Q3 2023



### ECONOMIC SNAPSHOT FOR ORANGE COUNTY

UNEMPLOYMENT RATE 3.7%  
INFLATION RATE 3.1%

### OFFICE SNAPSHOT

YTD NET ABSORPTION SF (1,574,352)  
VACANCY RATE 15.2%  
UNDER CONSTRUCTION SF 0  
SUBLEASE VACANT SF 2,553,222  
DIRECT ASKING RATE \$2.78/SF

## OC Office Overview – Greater Airport Area Sees Positive Absorption in an Overall Negative Quarter

Orange County had negative 138,404 SF of net absorption in Q3, as leases expired, and many firms continued to shed space. However, the Greater Airport Area had positive absorption of 373,117 SF in Q3 as many financially solvent tech and financial services firms flocked to trophy-grade space in the Irvine/Newport Beach area. The most notable deal being Boot Barn leasing 100,000 SF at 17100 Laguna Canyon Rd.

Flight-to-quality in Orange County is evident; Class A asking rents have increased 7.5% year-over-year to \$3.14 per SF. Companies have actively pursued trophy-grade space with the goal of incentivizing workers to return to the office. Asking rents for Class A properties will continue to increase as there is 0 SF under construction, the first time since the Global Financial Crisis in 2008.

Sales volume increased to \$375 million in Q3 but remains 34.4% below the 5-year quarterly average for Orange County. The largest purchase was by Diamond Development Group, who acquired two properties at 1801 Hughes Dr. for a total of \$76.5 million. As recessionary fears linger, and vacancies rise, office valuations will decrease, providing a highly opportunistic prospect for investors of office properties.

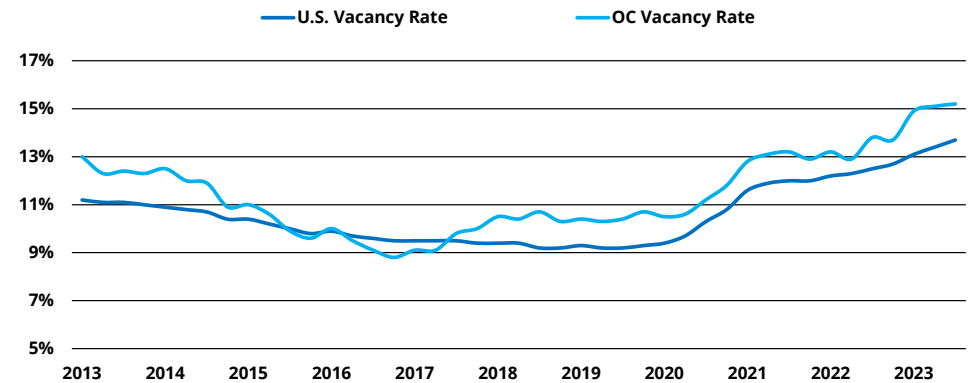
### Trendlines

	Q3 2023	Q3 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
Unemployment Rate	3.7%	3.2%	↑	4.8%	↑
Net Absorption (Thousands Sf)	(138.4)	(441.8)	↑	(142.9)	↔
Overall Vacancy Rate	15.2%	13.8%	↑	12.3%	↑
Overall Vacant Sf (Msf)	19.9	17.9	↑	15.8	↑
Under Construction (Msf)	0.0	0.5	↓	0.9	↔
Asking Rent, Full Service (Psf)	\$2.78	\$2.69	↑	\$2.72	↔
Sales Volume (Millions)	\$375.7	\$345	↑	\$504.9	↓

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

## Overall Vacancy Rate

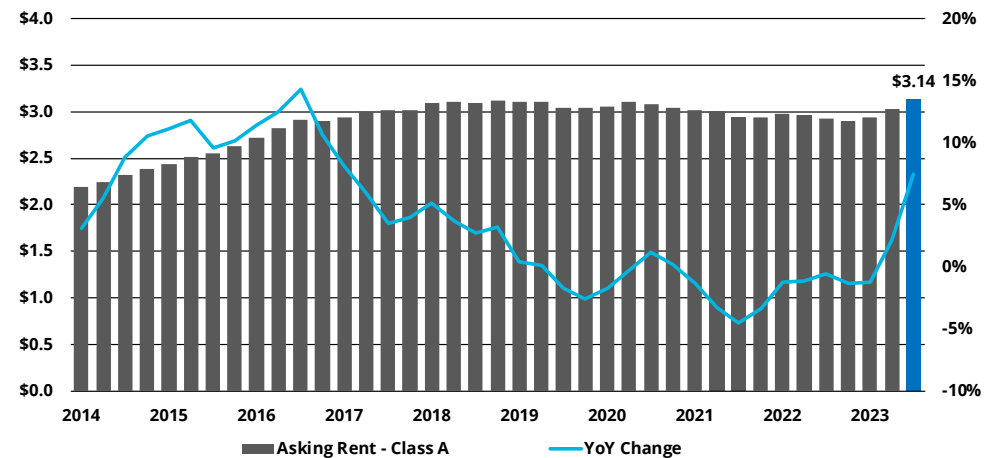
Orange County | Q3 2023



Source: Bureau of Labor Statistics, Transwestern

## Asking Rents | Class A

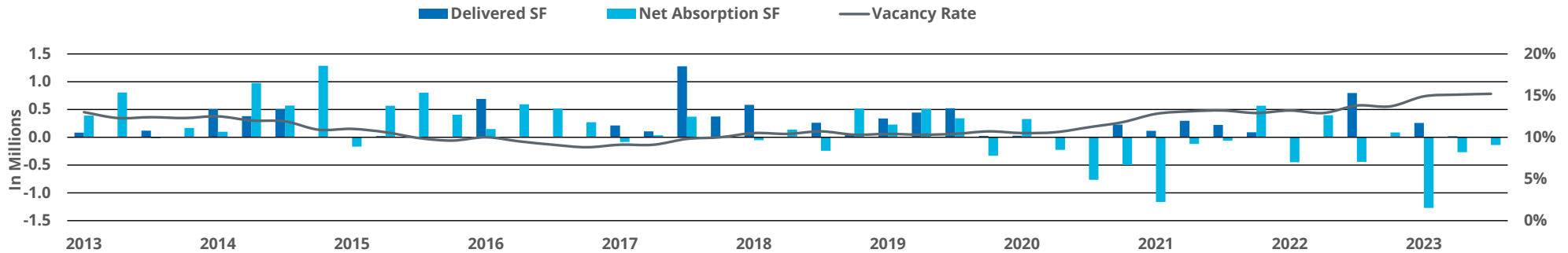
Orange County | Q3 2023



Source: Bureau of Labor Statistics, Transwestern



### Delivery Impact on Key Indicators



Source: CoStar, Transwestern

### Market Indicators All Classes of Space | Q3 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	51,204,250	7,330,662	14.3%	17.5%	0	373,117	(161,025)	\$3.15
Central County	26,414,969	3,958,451	15.0%	17.3%	0	74,042	173,907	\$2.48
North County	16,318,372	1,279,814	7.8%	11.2%	0	(92,703)	(137,312)	\$2.48
South County	30,542,667	4,185,848	13.7%	19.8%	0	(461,693)	(870,002)	\$2.87
West County	11,622,036	1,040,672	9.0%	10.4%	0	(31,167)	(206,985)	\$2.55
<b>Total</b>	<b>136,102,294</b>	<b>17,795,447</b>	<b>12.0%</b>	<b>15.2%</b>	<b>0</b>	<b>(27,681)</b>	<b>(240,283)</b>	<b>\$2.78</b>

Source: CoStar, Transwestern

### Market Indicators Class A | Q3 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	27,001,323	5,033,111	18.6%	21.3%	0	213,984	(52,327)	\$3.58
Central County	7,377,970	1,824,172	24.9%	26.0%	0	(8,892)	(263,613)	\$2.87
North County	2,537,927	366,956	14.5%	24.5%	0	(80,957)	(117,872)	\$2.69
South County	10,316,250	1,382,657	13.4%	19.3%	0	215,998	(306,949)	\$3.37
West County	1,430,376	334,259	23.4%	24.9%	0	(5,384)	90,158	\$2.81
<b>Total</b>	<b>48,663,846</b>	<b>8,941,155</b>	<b>19.0%</b>	<b>23.2%</b>	<b>0</b>	<b>66,950</b>	<b>(130,121)</b>	<b>\$3.14</b>

Source: CoStar, Transwestern



### Notable Leases

Tenant	Address	Submarket	Type	SF Leased
Boot Barn	17100 Laguna Canyon Rd	Greater Airport Area	New	116,261
California Bank & Trust	1900 Main St	Greater Airport Area	Expansion	47,230
Acorns	5300 California Ave	Greater Airport Area	Renewal	43,900
UC Irvine	111 Theory Dr	Greater Airport Area	New	27,000
Panasonic Avionics	3353 Michelson Dr	Greater Airport Area	Expansion	26,000
Kimball Tirey & St John	2040 Main St	Greater Airport Area	Renewal	23,000

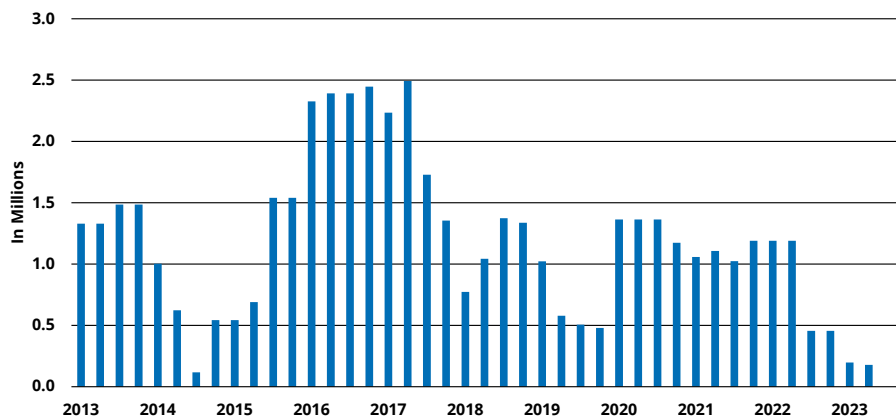
Source: CoStar, Transwestern

### Notable Sales

Tenant	Submarket	Sales Price	Building SF	Price PSF	Buyer	Seller
1801 Hughes Dr Bldg 1	N. County	\$39,360,000	206,780	\$190	Diamond Dev. Group	Oaktree Capital Management
1801 Hughes Dr Bldg 2	N. County	\$37,140,000	261,125	\$142	Diamond Dev. Group	Oaktree Capital Management
765 The City Drive South	Central County	\$23,300,000	99,835	\$233	Astiva Health	Angelo Gordon & Co., LP
3070 Bristol St	Greater Airport Area	\$23,270,000	130,460	\$178	MGR Real Estate	EQ Office
7755 Center Ave	W. County	\$22,710,000	199,250	\$114	Joe C Wen	Pendulum Property Partners
3090 Bristol St	Greater Airport Area	\$20,540,000	127,760	\$161	MGR Real Estate	EQ Office

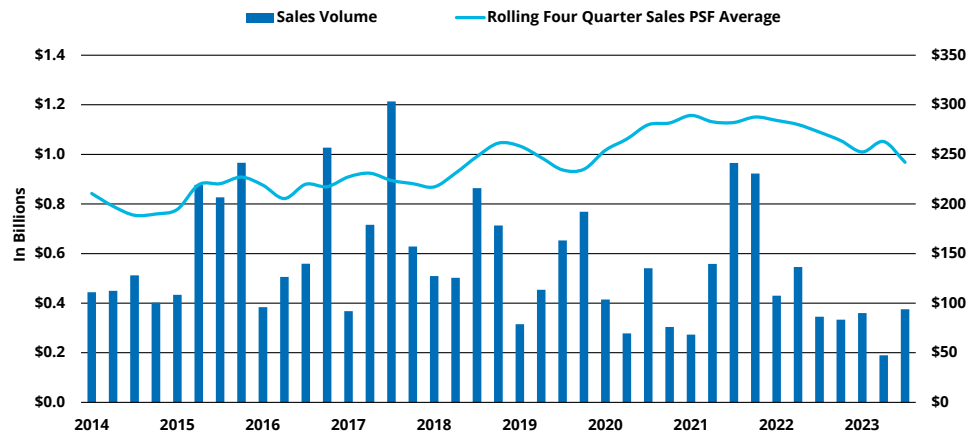
Source: CoStar, Transwestern

### Under Construction



Source: CoStar, Transwestern

### Sales Volume



Source: CoStar, Real Capital Analytics, Transwestern

### RESEARCH METHODOLOGY

The information in this report is a compilation of single- and multi-tenant office properties 10,000 SF and larger in Orange County Medical offices and government-owned buildings are excluded from analysis.



#### FOR MORE INFORMATION

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