

ORANGE COUNTY OFFICE MARKET

Q3 2024

ECONOMIC SNAPSHOT FOR ORANGE COUNTY

UNEMPLOYMENT RATE 4.5%
INFLATION RATE 2.8%

OFFICE SNAPSHOT

Q3 NET ABSORPTION SF 99,528
VACANCY RATE 14.4%
UNDER CONSTRUCTION SF 244,544
SUBLEASE VACANT SF 1,932,404
DIRECT ASKING RATE \$2.81/SF

Orange County Overview:

- Counter to national trends, supply-demand fundamentals in Orange County's office market are improving. Vacancy, at 14.4%, has fell 0.9% year-over-year and net absorption has been positive for four consecutive quarters, including positive 730,000 SF in Q2 2024. Market fundamentals are improving in Orange County due to increased demand for suburban office space, limited new supply, and the redevelopment of outdated office space.
- Asking rents have increased 1.9% year-over-year to \$2.81 per SF while landlords continue to offer concessions like tenant improvement allowances and free rent to attract tenants.
- Sales volume, at \$246 million, is down 41.4% year-over-year and is 42.4% lower than the five-year quarterly average. Although opportunistic buyers have maintained some level of deal flow, higher interest rates and tighter lending conditions have significantly reduced office investment activity.
- Office building construction in Orange County is limited to a handful of small projects, totaling 244,544 SF, 67% below the five-year quarterly average. Construction activity has declined as developers hold back to prevent oversupplying the market amid weaker leasing demand and higher financing costs.
- A significant portion of obsolete suburban office campuses have been repurposed for industrial logistics developments, with sites like Brea Imperial Center, Inwood Park in Irvine, and Elevate@ Harbor in Santa Ana demolished this year.
- Orange County's office market is poised for gradual improvement in the coming quarters as office utilization continues to increase. The strong preference for high-quality, amenity-rich spaces will drive occupancy growth in newer buildings. Also, with limited supply-side pressure, the market will stabilize and create a more favorable environment for landlords.

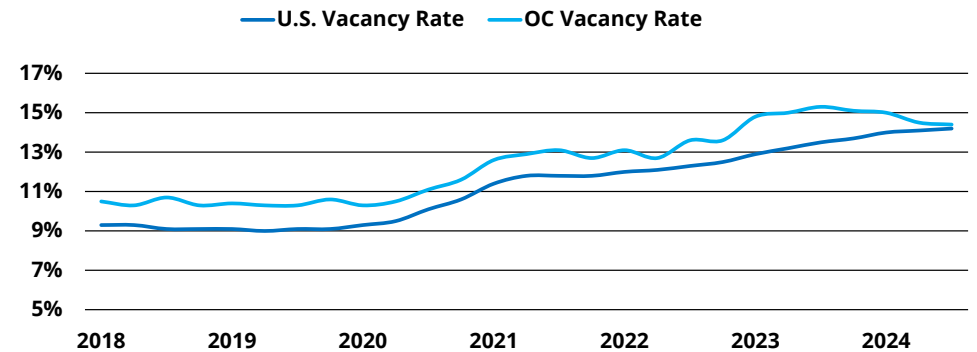
Trendlines

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
Unemployment Rate	4.5%	4.0%	↑	4.8%	↓
Net Absorption (Thousands SF)	99.5	(400.8)	↑	(137.1)	↔
Overall Vacancy Rate	14.4%	15.3%	↓	13.0%	↓
Overall Vacant SF (MSF)	18.8	19.9	↓	16.8	↓
Under Construction (MSF)	0.2	0.2	↔	0.7	↔
Asking Rent, Full Service (PSF)	\$2.81	\$2.76	↑	\$2.73	↑
Sales Volume (Millions)	\$245.8	\$420	↓	\$428.5	↑

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

Overall Vacancy Rate

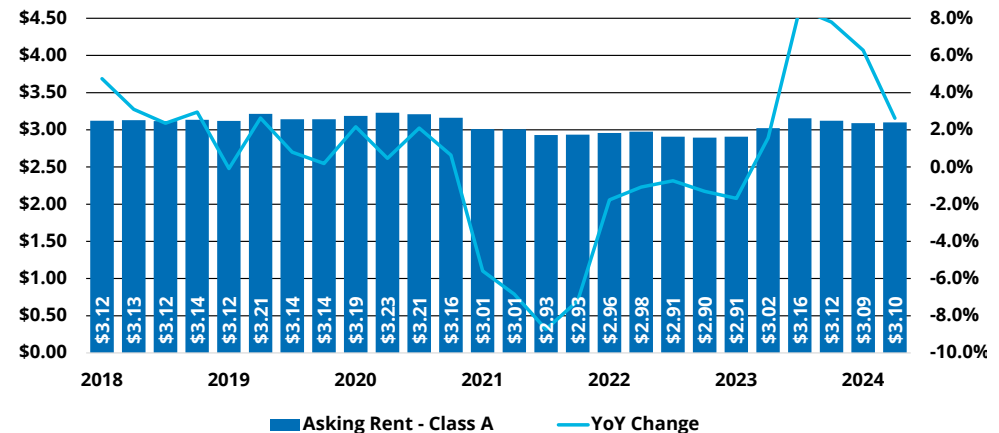
Orange County | Q3 2024



Source: CoStar, Transwestern

Asking Rents | Class A

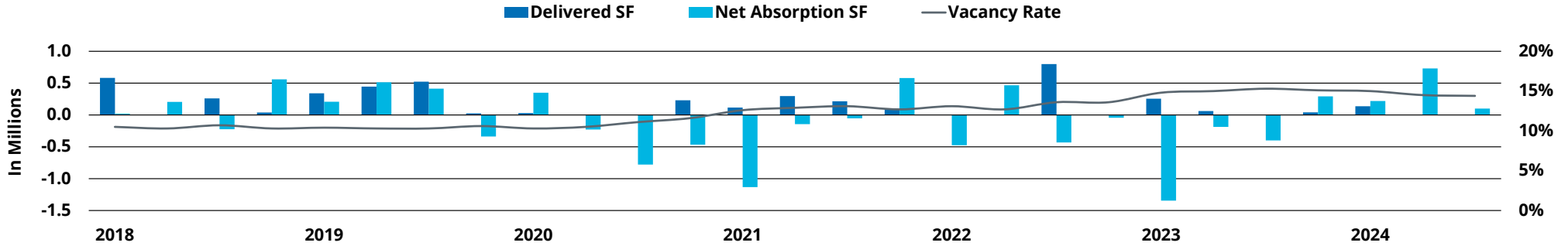
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Source: CoStar, Transwestern



Delivery Impact on Key Indicators



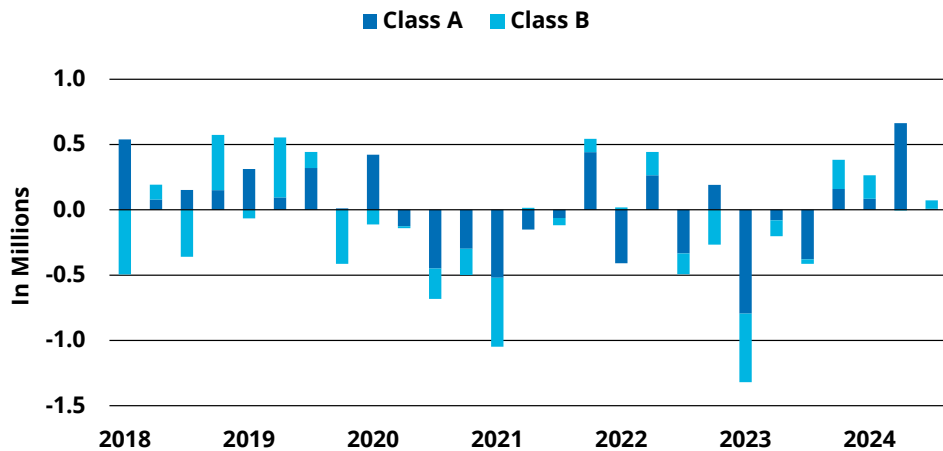
Source: CoStar, Transwestern

Market Indicators All Classes of Space | Q3 2024

Submarket	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
Greater Airport Area	48,150,530	7,587,541	14.8%	17.5%	44,832	(29,154)	\$3.20
Central County	20,578,526	3,689,006	10.0%	16.3%	168,137	(133,404)	\$2.53
North County	13,713,391	1,207,712	7.8%	11.3%	0	86,966	\$2.65
South County	27,383,045	3,933,108	13.8%	18.0%	0	105,207	\$3.03
West County	9,041,073	823,555	8.1%	8.8%	31,585	69,913	\$2.64
TOTAL	118,866,565	17,240,922	10.9%	14.4%	244,554	99,528	\$2.81

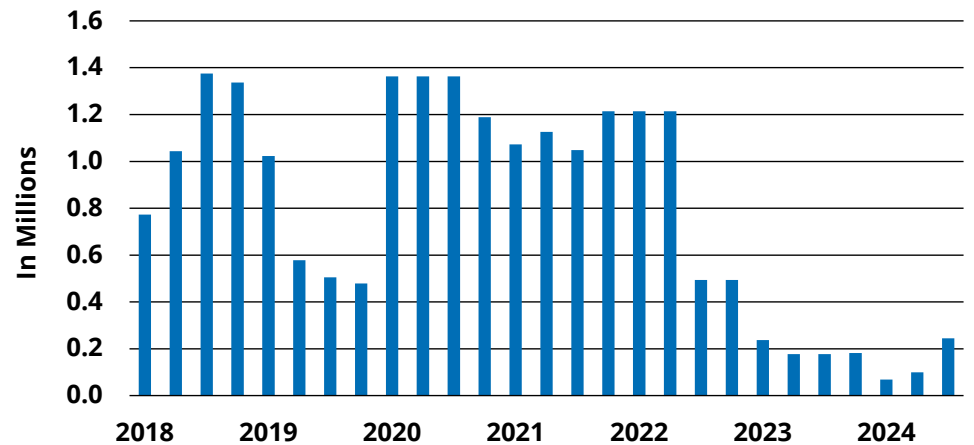
Source: CoStar, Transwestern

Net Absorption by Class



Source: CoStar, Transwestern

Under Construction



Source: CoStar, Transwestern

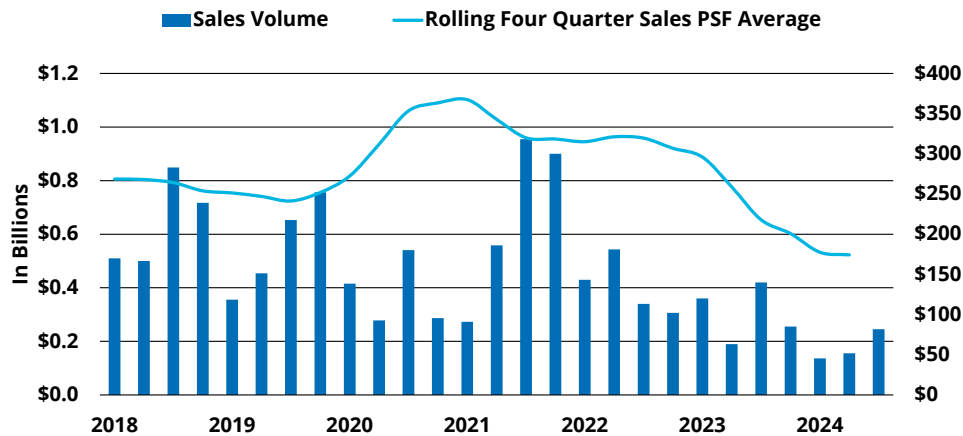


Notable Sales

Tenant	Submarket	Sales Price	Building SF	Price PSF	Buyer	Seller
5 Peters Canyon Rd	Airport Area	\$40,600,000	157,455	\$258	TP-Link	Pendulum Property Partners
100 Newport Center Dr	Airport Area	\$36,500,000	17,377	\$2,100	The Irvine Company	Michael J Rogerson
1698-1700 Greenbriar Ln	North County	\$31,500,000	164,908	\$191	Dwight Manley	Mercury Insurance
901 E Katella Ave	Central County	\$22,750,000	118,827	\$191	Taylor Morrison	Intracorp Homes
1500 Quail St	Airport Area	\$20,800,000	90,715	\$229	Lincoln Property Company	Quail Property LLC
999 W Town & Country Rd	Central County	\$17,900,000	98,907	\$181	Hampton Tedder Electric	Sagard Real Estate

Source: CoStar, Transwestern

Sales Volume



Source: CoStar, Real Capital Analytics, Transwestern

Notable Leases

Tenant	Address	Submarket	Type	SF Leased
Google	19510 & 19520 Jamboree Road	Airport Area	Renewal	196,238
JPMorgan Chase	3 Park Plaza	Airport Area	Renewal	155,600
Pepperdine University	18111 Von Karman Ave	Airport Area	Renewal	55,335
Wells Fargo	2030 Main St	Airport Area	Renewal	52,598
Primoris	7515 Irvine Center Dr	Airport Area	New	31,706
Avanath Capital Management	4 Park Plaza	Airport Area	New	15,813

Source: CoStar, 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.

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